

BUFF/13/33

April 26, 2013

**Statement by the Staff Representative on Sri Lanka
Executive Board Meeting
May 1, 2013**

This statement contains information that has become available since the staff report was circulated to the Executive Board. This information does not alter the thrust of the staff appraisal.

1. **The Monetary Board of the Central Bank of Sri Lanka kept policy rates unchanged at its April 12 meeting.** The policy rate corridor remains at 7½–9½ percent. Growth of broad money and credit to the private sector continued to moderate to 17 percent and 13¼ percent year-on-year, respectively, in February.
2. **The Bank of Ceylon, a state-owned bank, issued a US\$500 million five-year bond with a 5.325 percent coupon.** The issue was six times oversubscribed and upsized from an initially planned offer of US\$300 million. There were no government guarantees. Fitch rated the issue at BB-. The yield was substantially lower than a similar bond issued a year ago at 6.875 percent.
3. **The Public Utilities Commission approved a new electricity tariff structure with effect from April 20.** Electricity costs increased on average by around 35 percent and the tariff calculation methodology was revised. The cost structure remains progressive, although the effective increase was greater for small consumers than for large consumers. The increase is estimated to contribute to reducing the combined losses of the state-owned energy companies by around one percentage point of GDP in 2013. The first-round impact on the consumer price index is estimated at around 1¾ percentage points.