

Resolute Central Bank cuts policy rates by 50bps

By DILINA KULATHUNGA

Amidst calls by various quarters to hold on to the current monetary policy stance due to possible inflationary fears, the Central Bank (CB) surprisingly cut its key policy rates by 50 basis points (bps) yesterday.

This is the third instance the monetary authority cut the policy rates since last December and as a result both the repurchase and reverse repurchase rates were reduced to 6.50 percent and 8.50 percent respectively.

"The main risk we had with inflation seems to be under fairly

good control and that means we can now take a more bullish view about growth," the Central Bank Governor Ajith Nivard Cabraal told Bloomberg TV in a brief interview yesterday.

The Census and Statistics Department data showed Sri Lanka's inflation easing to 6.2 percent in September from 6.3 percent in August.

The rate cut came amid many local and international economic think tanks and agencies including the International Monetary Fund (IMF) repeatedly insisting the Lankan authorities to hold the policy rates.

"In the light of the risks facing Sri Lanka, the mission recommends the policy rates remain on hold which will also give time to assess the impact of recent easing," said IMF Mission Chief for Sri Lanka Todd Schneider during his recent visit few weeks ago.

However, Central Bank's action yesterday showed the Governor Cabraal keeping to his words as he told Wall Street Journal a couple of months back that there would be another round of monetary easing in September-October, provided inflation continued to fall.

Contd. on Page 3

Resolute Central...

"So we believe this particular 50bp cut would leave out speculation for the next few months," Cabraal told Bloomberg yesterday.

Speaking on the growth he said, "This year it is very likely that our growth be very close to the 7.5 percent mark." The economy grew 6.4 percent on average during the first half of 2013.

Meanwhile there has been a sharp moderation in the credit obtained by public corporations from the banking sector in August 2013 due to improved financial performance in these institutions, leaving more money for private sector investments.

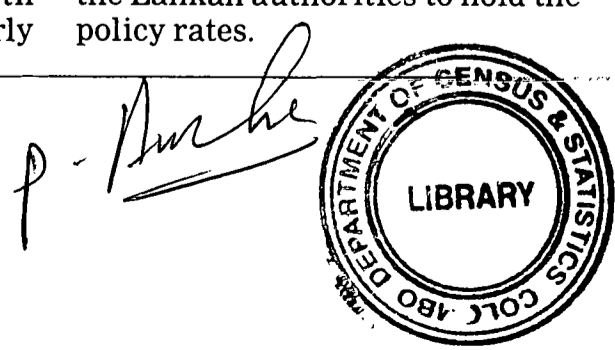
The Central Bank further said the broad money supply in August was in line with the 15.0 percent projection for the year.

Meanwhile talking to Reuters, Cabraal downplayed the risk posed to Sri Lanka by the Fed's expected tapering, though foreign selling of government debt had helped push the rupee to a record low of 135.20 per dollar on August 28.

"I don't think Fed tapering will have an impact on us as we have already factored in, Cabraal said. "In the event of tapering, I don't think we will have outflows, because those investors did not come due to QE (Quantitative Easing)."

Sri Lankan authorities have been using the monetary policy to accelerate growth or to put breaks, and Sri Lanka's economic history demonstrated these stop-go policies had not brought sustainable solutions to the fundamental economic issues the country had been facing.

However the monetary policy as the only lever to stimulate the economy without tough structural reforms, has proved ineffective as the country went into a balance of payment (BoP) crisis in 2011 as a result of an overheated economy.



Census on war deaths, disappearances

It will be held between Nov.30 and Dec.10

By SANDUN A. JAYASEKERA

The Government is making arrangements to conduct a special census of those who had died, those who had gone missing, the damage to people and property during the nearly three-decade

conflict, Daily Mirror learns.

This is being done to facilitate the payment of compensation in keeping with one of the main recommendations of the Lessons Learnt and Reconciliation Commission (LLRC).

Contd. on Page 6

“ The Census being carried out ahead of the UNHRC sessions in March 2014 will cover the conflict period from 1983 till the war ended in May 2009 ”

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Census on war ...

Contd. from Page 1

The special Census being carried out ahead of the UNHRC sessions in March 2014 will cover the conflict period from 1983 till the end of the war in May 2009.

“ This special census will cover the conflict period from 1983 till the war ended in May 2009 ”

Census and Statistics Director General D.C.A. Gunawardana told Daily Mirror that the country-wide census would be conducted from November 30 to December 10.

A Public Administration and Home Affairs spokesman said people are requested to cooperate in conducting this Census by providing accurate information to the Grama Niladharis who will visit houses in due course.

“The census will be conducted jointly by the Ministry of Public Administration and Home Affairs as we expect to obtain the assistance of District Secretaries, Divisional Secretaries and Grama Niladharis to collect data on war-affected families for this special Census,” Mr. Gunawardana said.

Soon after the war with the LTTE terrorists ended, President Mahinda Rajapaksa, in pursuance of the provisions of Section 2 of the Commission of Inquiry Act (Chapter 393), appointed the LLRC.

The Commission in its final report recommended the conduct of a professionally designed household survey covering all affected families nationwide

to ascertain first-hand the scale and the circumstances of deaths and injuries to civilians as well as the damage to property during the period of the conflict.

The LLRC was also mandated to propose a methodology whereby restitution to any persons affected by those events or their dependents or to their heirs can be effected and the institutional, administrative and legislative measures which need to be taken to prevent the recurrence of such a conflict. Mr. Gunawardana said a steering committee was appointed under the Secretary to the Ministry of Public Administration and Home Affairs to conduct this census and the Committee has devised a centralized system of data collection at the national level integrating all information with regard to missing persons.

