

World Bank expects economy to grow 4% this year

- Way below projected 7.1% growth for South Asia
- Down 0.5% from previous growth forecast
- 2019 growth estimated at 3.9%; 4Q 18 GDP data yet to be released

The World Bank (WB) forecasts Sri Lanka's gross domestic product (GDP) growth to accelerate marginally to 4 percent this year, below the projected growth in South Asia, while the GDP growth for 2018 is estimated at 3.9 percent.

The World Bank expects that the domestic demand will support the economic growth this year, as the country continues its recovery from the adverse weather conditions.

However, the development lender has downgraded Sri Lanka's earlier GDP growth projections by 0.5 percent for this year and by 0.9 percent for 2018.

"In Sri Lanka, activity accelerated to an estimated 3.9 percent in 2018 on the back of a recovery in the agriculture and

services sectors. Last year's recovery from adverse weather conditions is expected to continue in 2019, with 4.0 percent GDP growth. Activity will be supported by robust domestic demand as consumption rebounds following natural disasters and investment is boosted by infrastructure projects," the World Bank stated in its latest report titled 'Global Economic Prospects: Darkening Skies'.

Central Bank Governor Dr. Indrajit Coomaraswamy recently said that the GDP growth is likely to have been understated by the Department of Census and Statistics (DCS) in 2018, as the DCS lacks resources to capture the required data to support the new methodology adopted in 2015.

The Central Bank expects the

economic growth to be at 3 percent in 2018, while noting that the real GDP growth is around 3.5-4 percent in 2018. The GDP data for the fourth quarter of 2018 are yet to be published by the DCS.

In the medium term (beyond 2019), the World Bank expects the Sri Lankan economy to grow at 4.1 percent.

Meanwhile, the GDP of the South Asian region is projected to grow by 7.1 percent this year.

According to the report, Sri Lanka had the highest degree of informality in terms of the output, which accounted for 40 percent of the total output in South Asia, while India has the lowest of below 20 percent, mainly due to low productivity in the sector.

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“However, this ranking is reversed using labour market indicators of informality: Sri Lanka has the lowest share of self-employment (42 percent) and India the highest (76 percent) as of 2016. These differences are reflected in lower labour productivity in the informal sector (relative to the formal sector) in India than in Sri Lanka” the report noted.