

External factors healthy for growth, says CB Governor

Economic growth rate expected to be 4%

By
Lalin Fernandopulle

The economic growth rate for 2019 will be four percent, up from three percent last year, but yet below the potential of 5.7 percent growth anticipated for 2018, the Central Bank stated at its Monetary Policy Review on Friday.

Accordingly, economic growth is expected to reach its potential in the medium term benefiting from the low inflation environment, competitive exchange rate and appropriate policies to support investment. However, growth projections by the Central Bank for the year are below the

4.2 percent forecast by the Standard Chartered Bank. The World Bank forecasts growth this year for Sri Lanka to be four percent.

"Sri Lanka will be in a better place from exogenous factors due to the improvement in the global environment with regard to oil prices, the trade war between the US and China, the US Fed shifting to a more benign environment, reversing the flow of capital to emerging markets along with favourable domestic factors, such as low inflation and right policies to sup-



port investments," Central Bank Governor, Dr. Indrajit Comaraswamy said.

However, according to a spokesman for the bank, the country is not without challenges as it grapples with a huge debt component of US\$ 5.9 billion to be repaid by the year's end. Debt repayment for the first quarter amounts to US\$ 2.6 billion.

"Political uncertainty leading to policy uncertainty is dragging down economic growth. Predictability and consistency are essential factors for

sustained growth," the Governor said. The post-war growth momentum has slowed and remained below potential for the past three years. Projections are that economic growth will continue to remain subdued during the fourth quarter of 2018.

"The demographics of the post-war era has changed, but production levels have not grown. We have put the macro-economic framework in place. However, the budget is the main source of instability. Since 1950, only three years, including 2017 and 2018, recorded a surplus in the primary account," the Governor said.

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