

2011: A Historic Year For Sri Lanka



The Annual Report (2011) of the Central Bank of Sri Lanka was presented to President Mahinda Rajapaksa. Ajith Nivard Cabraal, Governor of the Central Bank handed over the Report. Copies of the Report were also “presented to Basil Rajapaksa, Minister of Economic Development, Dr Sarath Amunugama, Senior Minister of “International Monetary Cooperation, Geethanjana Gunawardena, Deputy Minister of Finance and Planning and Lalith Weeratunga, Secretary to the President of Sri Lanka.

According to the Report, “Sri Lanka’s economy grew by 8.3 percent in 2011, the highest growth recorded in the country’s post independence history. This is the first time that Sri Lanka has managed to maintain a growth rate of over eight percent for two consecutive years. Commenting on this achievement, President Mahinda Rajapaksa said, “the world economy is experiencing a recession at present. In such “a backdrop, we should be happy about recording such a high growth level. As a government, we are focussing on finding out whether this economic victory is being enjoyed by the ordinary citizens of this country. It is our responsibility to ensure the

benefits of economic progress flows automatically to ordinary citizens in a fair manner. To this end, we have begun large-scale projects as well as small-scale projects that cover all regions of the country.”

Touching upon the reasons behind the steady progress, President Rajapaksa said, “we prepared the foundation for economic progress whilst facing the war. This is the reason large-scale development projects are not being completed. If we had waited till the war ended to begin development work, we would not have been able to complete any of them by this time.”

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Highlighting the significance of this historic economic growth, Governor Cabraal said, “2011 will be a historic year for our country because we have recorded a growth of 8.3 percent on the back of an 8 percent growth the previous year. Not once in our history have we been able to have an 8 percent growth following another 8 percent growth.”

Inflation during the year 2011 had remained at single-digit level. “During the past 38 months Sri Lanka’s inflation has been at single digit levels,” elaborated Governor Cabraal. “In the past the longest ever period in which Sri Lanka’s inflation has been at single digits has been 23 months, and that was from August 1998 to June 2000. At no other time have we had a longer period of inflation at single digit level.”

The Report detailed the fact that unemployment fell to the lowest level ever recorded in the country. 2011 recorded an unemployment rate of 4.2 percent. Also in 2011, several sectors including services, fisheries, industries, construction, small industries, hotels and restaurants, manufacturing, factories and import trade recorded the highest growth seen in the last decade or more.

Speaking about the medium term prospects for the economy, Governor Cabraal said, “we would see the GDP growth on target to reach the USD 4,000 per capita

income by 2016 as envisaged in the Mahinda Chinthana vision for the future. By end of this year, per capita income would rise to about USD 2,900. We have had to see a slight reduction in our growth momentum because of the fact that certain measures were taken to reduce the trade deficit. “Therefore, we would probably be seeing a growth of about 7.2 percent, slightly less than what was envisaged.”

The banking sector is moving towards gearing itself to a USD 100 billion economy through the five-hub concept. Furthermore, Sri Lanka’s deficit in the balance of payments of last year will be addressed. “The recent interventions in the external sector will ensure that Sri Lanka’s deficit in the balance of payments of last year will be converted into a surplus this year, and according to the results we will see by the end of this year – if we are able to maintain this momentum – we would be able to have an overall balance of about USD 1.2 billion by the end of this year as our balance of payment surplus.”

While expatriate workers’ remittances will show an increase during the year, new inflows are expected for the Sri Lankan stock market. The country will also see new areas of investment coming in. “The banking sector is positioning itself to have the Tier 2 capital inflows, which has also started already,” detailed Governor Cabraal. “We would also be seeing tourism showing very good results.”



