

ADB Sri Lanka Launches “ASIAN DEVELOPMENT OUTLOOK 2009”

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The Sri Lanka launch of “Asian Development Outlook 2009”, the annual flagship economic publication of Asian Development Bank (ADB), took place in Colombo recently. Introducing the special theme for the year, “Rebalancing Asia’s Growth”, ADB’s Country Director for Sri Lanka, Richard Vokes disclosed that this year’s publication sets out the current global economic situation and its impact on developing Asia whilst accentuating economic prospects and challenges in the region.

According to “Asian Development Outlook 2009”, the economic growth in developing Asia will deteriorate to its most sluggish pace this year, since the 1997 – 1998 Asian Financial Crisis. Even though economies in the region have so far weathered the crisis to a great extent, other factors such as the collapse of equity prices and restricted access to external financing seem to affect the growth significantly. It is believed that the cut back in import demand from the G3 (the United States, Eurozone and Japan) resulted in a sharp contraction in regional exports. Projections reveal a decline in the surplus to 4.9 percent of GDP in 2009 and 4.7 percent in 2010. Across the region, factory closures and job losses are weighing upon consumer sentiments forcing households to cut down on spending. Uncertainties rising from these trends may discourage investment, thus putting a

hold on capital spending. Recommended remedies to re-balance Asia's growth include bringing in policies that reinforce domestic demand as well as those that revitalise the domestic economies. Strengthening regional cooperation may also safeguard the region against even larger external shocks such as an abrupt unwinding of global imbalances. However, a mild recovery in the global economy is expected in 2010 with regional growth likely to improve to 6.0 percent.

Commenting on Sri Lanka's situation, ADB Sri Lanka's Resident Mission's Lead Economist, Narhari Rao stated, 'While the effects of slowing exports on the trade balance will be countered to some extent by lower import bills, the Government needs to follow a more active exchange rate policy to better manage the balance of payments and maintain a healthy reserve position.'

The ADB Country Director, Richard Vokes concluded the session saying, "...the country will now meet new challenges of post-war development with the expected opening up of the North of Sri Lanka." It is presumed the proposed IMF facility will improve the reserves and boost investors' confidence.