

Top economist says Sri Lanka's economy growing from strength to strength

With considerable investments coming into the country and new infrastructure projects taking off, post war Sri Lanka is enjoying the dividends of peace. This fact was endorsed by eminent economist Dr. Yeah Kim Leng who declared that the economy in post war Sri Lanka is growing from strength to strength.

Addressing a high level audience comprising business leaders from diverse sectors at the CEO Forum organized by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in collaboration with RAM Ratings (Lanka) Ltd., Dr. Kim Leng who serves as the Group Chief Economist of RAM Ratings in a detailed presentation on Sri Lanka's Economic Outlook for 2012 emphasized that after a robust growth of eight percent in 2010, the Sri Lankan economy has maintained its growth momentum so far in 2011 clocking up to eight percent.

He however projected a marginally lower growth next year of 7.8%, given the downside risks of persistent uncertainties in the external uncertainties. The country's service sector will see an eight percent growth in 2012; he however expressed concern over the slow pace the manufacturing sector was ambling along.

"The manufacture sector is not robust enough, and for Sri Lanka to move to middle or upper income level, it is imperative for the country to focus and increase the manufacture sector growth," he advised.

The industry sector has been exhibiting a convincing uptick since the global recession, expanding 10.3% in the first half against 8.4% in the first half of 2010. Accordingly, the Sri Lankan government aims to lift the industrial sector's share of GDP to 35% by 2015, from 28.7% in 2010. The industry and services sector's share of GDP are expected to edge up to a respective 29% and 59.7% by next year.

He noted that he sees great potential in the once war torn nation. "Large projects are in the pipeline and this should further boost investments in 2012," he said.

But he cautioned about the possible slump in exports next year. "Exports may decline next year and it is important to sustain exports, if the country is to achieve its predicted growth level," he added.

"While the rupee is managed against the US Dollar, it is expected to experience significant volatility against other currencies, specially the Euro in particular and this may impact trade performance, he warned.

"Sri Lanka is expected to grow on par with similar rated economies, but with a higher per capita income to its advantage," Dr. Kim Leng noted.

Going forward, Sri Lanka's post war growth prospects remain relatively robust and it is still an attractive destination for investors. While additional funds are needed for the development of the war torn nation's economy, prudent use of capital controls may be warranted to ensure that excessive demand does not cause significant deviation in asset prices from their true fundamental values.

"Mispricing of assets may cause structural defects in the economy and jeopardize the longer term growth prospects of the country," the Chief Economist warned.

“Despite global headwinds, Sri Lanka is expected to sustain a slightly stronger growth momentum of 6.6% throughout 2011-2015. This would boost the country’s standing in terms of GDP per capita among its peers rated the same or even a notch or two higher and in turn, strengthen Sri Lanka’s financing ability while attracting more foreign investment thereby boosting the progress of its economic development,” he added. Dr. Kim Leng’s presentation was followed by a presentation titled “Sliding West Puts Asia to Test” by Mr. Dharmakirti Joshi, Chief Economist of CRISIL Ltd, A Standard & Poor’s Company.

The Forum came to a conclusion following a panel discussion featuring Mr. Preethi Jayawardena, Managing Director of Chemanex PLC, Chairman - The Finance PLC and Dr. Ranjith Bandara, Chairman - Sri Lanka Foundation / Senior Economic Adviser & Director of the Financial Service Cluster at the SEMA (President’s Office). The session was moderated by Mr. Adrian Perera, Chief Executive Officer of Ram Ratings (Lanka) Ltd.

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