RECORD-BREAKING ECONOMIC PROGRESS IN SRI LANKA

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In a special lift-out pamphlet issued with the "Daily News" entitled "The Reality behind the headlines" in early April 2012, the Central Bank of Sri Lanka has the following "Certified" claims:

In 2011 Sri Lanka had the lowest unemployment rate of 4.2%, down from 4.9% in 2010, whereas it was 15.9% in 1990. These successes are attributed to new economic activities, large projects in infrastructure development and entrepreneurial self-employment opportunities.

It says that the rising fuel price is not just a Sri Lankan issue, and that it is global. It asserts that it is mainly due to geopolitical uncertainties and high demand in developing countries. In the same paragraph, it says that per capita income has grown from USD 1617 in 2007 to USD 2830 in 2011, much higher than other South Asian countries other than the Maldives, therefore the average Sri Lankan is in a better position to afford the increase.

Under a heading "Growth" and encapsulated within the image of a rocket, it says that in Sri Lanka's history, never once had an economic growth of 8% or higher been recorded for two years, back to back. It continues, saying that though "we" had more than 8% growth in 1968 and 1978, it never continued for two consecutive years, like in 2010 and 2011.

The factors that contributed to this growth (unprecedented feat) are high government and private sector investment, right policy decisions, high domestic demand, peaceful environment and resilience to external shocks.

The "Poverty Head Count Ratio" (% of population) has fallen from 28.8% in 1995/96 to 22.7% in 2002 to 15.2% in 2006/07 to 8.9% in 2009/10 in a bar graph. The household income and expenditure survey 2009/10 is claimed as the source.

The reasons given are high growth in the agriculture sector and infrastructure development at national, regional and village levels. It further says that Sri Lanka hopes to reduce poverty to 3% by 2016.

Titled "Budget deficit", there is a bar graph which shows a decline from 2010 (Deficit of 8% of GDP) to 6.9% estimated for 2011, to 6.2% projected for 2012, to 5.8% projected for 2013 and 5.2% projected for 2014.

It says that in Sri Lanka, the average budget deficit in the last 25 years has been over 8% of GDP, but it declined to 6.9% in 2011, and that it is notable that 'we' were able to maintain a relatively low budget deficit despite the heavy public investment on roads, ports, airports, hospitals, schools, regional development programmes and irrigation systems.

Under the large red block lettered title "Inflation" it says that the basket of goods and services of the Colombo Consumer Price Index (CCPI) includes 373 items and all these are tracked by the Department of Census and Statistics each month, to measure inflation.

In bold highlighted text it continues: For the first time in our history, inflation has been in the single digit levels for the last 37 months. Inflation at 3.8% in January 2012 fell in to 2.7% in February 2012, even with the price increases in fuel. The improvements in supply of food items offset the increase in other items. The reduction of demand pressure by appropriate monetary policy also helped. All these measures have lessened the burden on the people and have helped to maintain inflation at low levels. (My emphasis)

On the next page, under an equally large red block lettered heading "Reserves" and the outline of a paddy heap on an "atuwa" on stilts is the following:

Sri Lanka reached a foreign reserves level of USD 3 billion for the first time in 2007, and reached USD 6 billion in 2010. The end of the conflict in 2009, subsequent strong foreign exchange inflows to the country through enhanced worker remittances, increased trade in sovereign, rising export income, the sovereign bond issues and IMF standby agreement contributed towards raising the level of reserves.

By mid 2011, the reserves exceeded USD 8 bn and was much more than what we required at that time. But with a growing economy, imports expanded at a faster rate resulting in a high demand for foreign exchange in the domestic market. That resulted in the foreign reserves being reduced to a level of about USD 6 billion, by end of 2011.

In bold letters the following: Still, such level was a comfortable level, (the exact words, not a typing error) and it was adequate to cover over 3 months of import requirements of our country. Currently, we are experiencing strong inflows and we should exceed reserves of USD 6.5 billion soon.

The next page is titled "Debt" with the outline of a money-bag on a weighing scale. It defines debt as follows:

Debt is one of the major sources of funding for public investments. It is not a burden as long as it is at a serviceable level. The national debt of a country is measured as a percentage of its Debt against its Gross Domestic Product (GDP). A low Debt-to-GDP ratio indicates an economy that produces significant goods and services and profits comfortably, to pay back debts.

Next, in bold letters is the following: Sri Lanka's Debt to GDP ratio recorded a value below 80% in 2011, for the first time in 30 years. The improvement in the fiscal sector, lower interest rates and high economic growth reduced the debt to GDP ratio in 2011. By continuing the fiscal consolidation process and maintaining a high economic growth we would be able to reduce the outstanding debt stock to the targeted level of 60 per cent by 2016.

Encapsulated within the image of a (container) ship is the following, for the title "External Trade":

Sri Lanka's external trade is on a buoyant path, although the Trade deficit has widened sharply in 2011. Growing services inflows, workers' remittances and inflows of direct investments has helped to check this deficit to some extent.

Earnings from exports increased by 22.4% to US dollars 10,487 million in 2011, with support from the improved investment climate, attractive prices and the gradual recovery of the global economy.

Expenditure on imports also increased by 50.4% to US dollars 20,230 million in 2011, driven by continuing demand for investment and intermediate goods. Government infrastructure projects financed mainly by foreign loans also raised the demand for investment goods.

The final part of the paragraph, in bold letters reads as follows: In 2012, External trade will increase further, but the recent policy measures of the Government and the Central Bank will ensure that our trade deficit will moderate, the current account deficit will reduce, and the Balance of Payments will be in a surplus.

The following pages, on interest rates, EPF, exchange rates, forex inflows, provincial development all detail more good news and progress, improvements and beneficial surpluses. These record-breaking achievements seem to be under-rated by critics who complain about hardships, low salaries, high cost of living and lack of health facilities and public services. Sri Lanka (according to the "certified" statements from the Central Bank) seems well on its way to becoming the wonder of Asia. ■