GDP to grow 7.5% in 2015 - ESCAP

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Country Director of UNDP, Joern Soerensen presents a copy of the report to State Minister of Finance, Mahinda Samarasinghe while Former Deputy Governor of the Central Bank of Sri Lanka, W. A. Wijewardena, Economic Affairs Officer at ESCAP, Shuvojit Banerjee and Executive Director of IPS, Dr Saman Kelegama look on (Pic by Chandana Wijesinghe)

Sri Lanka's economy is expected to grow by 7.5% in 2015 and witness a growth of 7.6% in 2016, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) report released on Thursday stated. The report titled 'Economic and Social Survey of Asia and the Pacific 2015' was launched at the International Policy Studies (IPS) Auditorium in Colombo.
"Growth is expected to remain at the high rates of 7.5% in 2015 and 7.6% in 2016 on continued strength in private consumption. Investment will be supported by ongoing reconstruction and a planned increase in infrastructure spending," the report said.

Further, the report stated that the country's exports would benefit following the economic recovery of the United States, which remains Sri Lanka's largest export market. "State-led development will continue in the light of the planned increase in public sector salaries and State pensions. Meanwhile, output growth in recent years appeared to stay above the estimated potential growth rate of 6.7%," it said.

However, the report pointed out that the inflationary impact of excess demand conditions should be monitored closely.

The report in addition stated that despite the impressive growth record, macroeconomic fundamentals were weak with large twin deficits. "The current account deficit, which stood at close to 5% of GDP per year during the period 2010 to 2014, reflects the high investment rate of about 30% of GDP and the low domestic saving rate," the report said.

The report suggested that the private sector along with foreign Direct Investments (FDI) should play a greater role in order to raise exports and productivity. It also said that on the fiscal side, the deficit-

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amounted to about 6% of GDP per year during the period 2010-2014, largely underpinned by a declining share of revenue in- GDP.

“A significant portion of the fiscal shortfall is financed through foreign funds. As a result, Sri Lanka’s external debt-to-GDP ratio is higher than that of most other economies in the subregion,” the report added. “This will make the country more vulnerable to rising global interest rates in coming years.”