The best case growth scenario is 4% in 2017 Unlikely to achieve 2022 goals by 2020 Wijewardena

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Former Central Bank Deputy Governor, W A Wijewardena projected that the best level economic growth for Sri Lanka would be 4 per cent this year below the IMF, WB and CBSL projections and said Sri Lanka will not be able to meet the Vision 2022 goals by 2020 with the current capacity.

Reviewing the 'Sri Lanka State of the Economy 2017' by the Institute of Policy Studies (IPS) yesterday, Wijewardena pointed out that the Sri Lankan economy needs to grow by 9 per cent from 2018 onwards to reach Vision 2022 per capita income of $5000. However, he said that considering the IMF's and CBSL's forecasted growth levels of 4 per cent and 7 per cent,......Sri Lanka would likely to have a 4 per cent gap in economic growth to reach Vision 2022 per capita income of $5000. IPS, Acting Executive Director, Dushni Weerakoon said Sri Lanka's economic growth is still based on a narrow growth base of non traceable sectors: construction, real estate and mining. She further said monetary policy should be adjusted to address both the current low economic growth and high inflation. She asserted that tightening monetary policy was not sufficient to curb rising inflation, the Government needs to look into supply side factors to address inflation. Weerakoon added that Sri Lanka's most recent external sector performances were weakening due to stagnant remittance and tourism earnings.

The Sri Lanka State of the Economy 2017 report has indentified the main constraint for Sri Lanka's long-term development as the lack of innovative human capital. The report draws attention to Demographics, Labour Markets and Growth as its main thematic focus. It has identified stringent employment protection laws and its low female participation as being the biggest constraints holding labour market efficiency. However, the report has not covered government expenditure including state wastage.

Wijewardena said the Government should take immediate and long-term measures to address low competiveness. Elaborating he said, as far as immediate measures were concerned, he said the Government should take measures to address low competiveness of the country as Sri Lanka consecutively ranked low in WB's Ease of Doing Business Index and World Economic Forum's The Global Competitiveness Report. He pointed out, "The monopoly of public enterprises and inefficiency of public institutes were rubbing off private sector investors". Illustrating an example, he said the CEB required 100 days and Rs 4.5 million to provide new electricity connections for a new business, despite the CEB having an annual revenue of Rs 200 billion he said the CEB operates inefficiently, driving private sector investors away.

He further said that the Government should address the structural issues arising from skills deficits, regulatory bottlenecks and failure to harness technology. He also pointed out that the competiveness lost due to high wages, high start up costs and corruption at all levels.