+44 20 8123 2220
info@marketpublishers.com

# Sri Lanka Business Forecast Report Q1 2015

https://marketpublishers.com/r/SF520034E87EN.html
Date: November 2014
Pages: 40
Price: US$ 1,195.00 (Single User License)
ID: SF520034E87EN

## Abstracts

**Core Views**

Sri Lanka's economy will continue powering ahead over the coming years on the back of sustained strong performance in the industrial and services sectors (comprising 58.0% and 31.5% of GDP, respectively). We have upgraded our real GDP growth forecast in 2014 and 2015 to 7.7% and 7.5%, respectively (from 7.1% and 6.6% previously). We maintain that the Central Bank of Sri Lanka (CBSL) will keep its standing lending facility rate and standing deposit facility rate unchanged at 8.00% and 6.50%, respectively over the course of 2014 and 2015, as inflation will remain relatively subdued and the strong economic growth momentum will likely continue over the coming quarters. That said, the central bank has room to cut rates should private sector credit growth remain weak and decelerate further.

We remain neutral on the Sri Lankan rupee, expecting the unit to remain fairly stable against the US dollar over the coming months, as the CBSL continues to anchor the currency. We believe that the rupee will only depreciate slightly in 2015 and 2016, as a combination of robust growth outlook and strong foreign inflows will suppress the depreciatory pressure exerted from the country's current account deficit. We forecast the currency to end 2015 at LKR132.00/USD followed by LKR133.00/USD in 2016.

We believe that the progress of fiscal consolidation in Sri Lanka will remain slow, which will keep the budget deficit at elevated levels over the coming years. We maintain our forecast for the country's fiscal deficit to narrow modestly to 5.0% of GDP in 2015 from 5.4% in 2014 and 5.9% in 2013. We also expect the country's public debtto- GDP ratio to continue on its long-term downtrend, reaching 74.6% in 2015 from 76.3% in 2014, due to the country's rapid economic growth and improvements in its fiscal deficit.

We believe that visits by Chinese President Xi Jinping and Japanese Prime Minister

Shinzo Abe on two separate occasions will further strengthen ties with Sri Lanka, bolstering the country's economic development over the coming years, through increasing foreign direct investment and trade.

**Major Forecast Changes**

We have upgraded our real GDP growth forecast to 7.7% for 2014 and 7.5% for 2015 from 7.1% and 6.6% previously on the back of sustained strong performance in the industrial and services sectors. We have downgraded our forecasts for consumer price inflation (CPI) to average 4.5% from 5.1% in 2014 on the back of a benign inflationary environment in the past few months, combined with disinflationary dynamics such as sluggish broad money supply growth, which remain in play in the country.

## Contents

Sri Lanka's public debt-to-GDP ratio has been on a long-term downtrend, falling to 78.1% in 2013 from 103.2% in 2001. We expect this decline to continue, reaching 76.3% in 2014 and 74.6% in 2015, due to the country's rapid economic growth and improvements in the government's fiscal deficit. While foreign debt accounts for approximately half of total public debt and GDP, we do not think that it is a huge risk for the country.

TABLE: Fiscal Policy

Monetary Policy

Continued Rate Hold Ahead

The Central Bank of Sri Lanka (CBSL) will keep its standing lending facility and deposit rate on hold at 8.00% and 6.50%, respectively, over 2014 and 2015, choosing to employ other measures to boost credit growth amid a growth-inflation sweet spot. That said, the central bank has room to cut rates should private credit growth decelerate further.

TABLE: Monetary Policy

Currency Forecast

LKR: Small Depreciation In 2015

We remain neutral on the Sri Lankan rupee, expecting the unit to remain relatively stable against the USD over the coming months as the central bank anchors the currency. We believe that the rupee will only depreciate slightly in 2015 and 2016, as a combination of robust growth outlook and strong foreign inflows will suppress the depreciatory pressure exerted from the country's current account deficit.

TABLE: CURRENCY FORECAST

TABLE: Current Account

## CHAPTER 3: 10-YEAR FORECAST

The Sri Lankan Economy To 2023

A Constructive Long-Term Outlook

Sri Lanka's economy has performed solidly following the end of a quarter-century of civil war in 2009, and we believe the island is well placed to sustain this momentum over the coming decade. While there are lessons to be learnt from its recent bout of overheating, the reintegration of resources (particularly labour) into the formal economy and a deepening of financial markets bode well for faster economic expansion over the medium term. We are confident that real GDP growth can average a healthy annual clip of 6.6% over the coming 10 years.

TABLE: Long-Term Macroeconomic Forecasts

## CHAPTER 4: OPERATIONAL RISK

+44 20 8123 2220
info@marketpublishers.com

## I would like to order

Product name: Sri Lanka Business Forecast Report Q1 2015

Product link: https://marketpublishers.com/r/SF520034E87EN.html

Price: US$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

## Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page https://marketpublishers.com/r/SF520034E87EN.html