

Recent Development in Macroeconomic Variables of Sri Lanka

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Abstract

In spite of the effort of the successive government of Sri Lanka from independence to achieve sufficient level of macroeconomic goals, the Economy of Sri Lanka suffered a huge set-back due to extended conflict, which was a resultant of war that lasted nearly three decades since 1983. However, macroeconomic performance of Sri Lanka was not far from satisfaction. This analysis is an attempt to examine the recent development in macroeconomic variables surrounding four major economic indicators which consist of Economic Growth, Price stability, Balance of Payment, and level of Employment. This study specially focuses to compare pre and post war situation of the above selected variables in Sri Lanka. This is a descriptive analysis with the use of secondary data sources collected from Central Bank of Sri Lanka. According to the findings macroeconomic indicators are better off at the present situation compared to during conflict period. With the end of the conflict in May 2009 the economy swiftly moved to a high growth trajectory and excess capacity in the economy. Economic growth of Sri Lanka recorded a remarkable increase of 8.0 per cent in 2010, the highest annual rate of growth reported in the last three decades. Despite of inflation continued to remain at single digit levels in 2010, balance of payments of the country improved in 2010 with favorable developments on domestic and external fronts. The unemployment rate decreased to 4.9 per cent in 2010 as compare to 5.8 per cent recorded in 2009.

Key words: macroeconomics, economic growth.

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