

Institute of National Security Studies

Round Table Discussion

**“Macroeconomic Impact due to Covid and the way forward for Sri Lanka”**

19<sup>th</sup> of August 2021 from 1400hrs-1530hrs (IST) via Zoom

**Press Release**

Institution of National Security Studies (INSS), the premier think tank on National Security established under the Ministry of Defence organized a virtual Round Table Discussion titled “Macroeconomic Impact due to Covid and the way forward for Sri Lanka” on the 19<sup>th</sup> of August, 2021 from 1400hrs to 1530hrs (IST) via Zoom. The guest speakers for the event were Dr. Ganeshan Wignaraja, Former Executive Director at the Lakshman Kadirgamar Institute and Dr. Chandranath Amarasekara, Director of the Economic Research Department at the Central Bank, Sri Lanka. Rear Admiral Dimuthu Gunawardena, Director, Communication, and Publication, INSS chaired the event while Prof. Sirimal Abeyratne, Head of the Department of Economics, University of Colombo moderated the event. The audience comprised the representation of ministries, international organizations, universities, research think tanks, Sri Lankan armed forces, and the Civil Security Department.

Dr. Chandranath Amarasekara commenced his delivery with a detailed analysis of the Macroeconomic findings of the Central Bank Annual Report of 2020 providing an elaborate review of the performance of various economic sectors of Sri Lanka. He also stated that Sri Lanka’s growth rate which was subjected to a deceleration with the devastating effects of the Easter Sunday Attacks and the political volatility in 2019, was further crushed with the pandemic. The economy underwent a period of contraction where the growth rate was -3.6% in 2020. This in turn led to an increase in unemployment. The Savings-investment gap also narrowed due to the higher reduction in investment expenditure than the reduction in national savings. He stated that the revenue from the tourism sector sharply dropped to USD 3.6 Billion in 2020. Restrictions of imports, he stated, were used as a key measure in reducing the trade deficit of the country, which in turn helped reduce the depreciation of the rupee. Elaborating on financial sector performance, he stated that Government revenue declined while expenses rose resulting in a larger budget deficit. He highlighted, however, that despite the increase in government debt, the share of its foreign debt had decreased. Dr. Chandranath concluded by stating that there was a need to rebuild the economic buffers related to the fiscal, monetary, external, financial, and real sectors to safeguard economic security.

Dr. Ganeshan Wignaraja commenced his presentation by focusing on the State of Sri Lanka’s economy before the pandemic. Elaborating further on Sri Lanka’s status pre-pandemic, he mentioned that Sri Lanka had succeeded in eradicating severe poverty and transitioned towards a more intensive export sector and services sector. Sri Lanka was also suffering from certain issues such as slow economic growth, twin deficits, insufficient diversification of exports, limited innovation and learning, and the gaps between public services provided and their quality. He illustrated the global economic performance, mentioning that Asia had fared better in comparison to the rest of the world. He also stated that the rapidly developing Asian Economy could outperform the global economy with the current forecasted growth rates. He also reiterated that Sri Lanka had been severely impacted by the pandemic, and while optimistic forecasts indicated Sri Lanka would be able to bounce back in 2021, the country was still facing severe challenges in the economic system.

He concluded that regardless of how the economy materialized, it was not devoid of adjustment costs and economic pain. He also affirmed that the Government's initial response was beneficial to support the country's economy. However, he stated that a refined strategy aimed at reducing hardship of citizens, restoring short-run economic stability, and improved investment climate for business should be considered.

The event concluded with an insightful discussion, where both guest speakers and moderator expressed their remarks and addressed questions that were posed by the audience. It was agreed that Economic stability was one key segment to the wider spectrum of national security and that with the right policies and economic tools in place, Sri Lanka could achieve economic security and consolidation.