Global Economic

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The Sri Lankan economy after regime change

The Sri Lanka economy was under severe stress during the Rajapaksa regime, and was made worse by recent reforms, particularly the introduction of a new tax regime.

Economic diagnosis

What has gone wrong? I will start with the sector that seems to be most dominant in the newspaper headlines, and that is the Sri Lankan economy. The Sri Lankan economy has been in a severe state of stress since the mid-1990s, and has been hit by a series of shocks, including a series of civil wars, the collapse of the tourist industry, the imposition of sanctions, and the collapse of the economy in 2009.

Monetary policy has added fuel to the fires.

The current administration has pursued an aggressive monetary policy, with significant increases in the money supply and interest rates. This has led to a sharp increase in inflation, and has put pressure on the exchange rate.

In response to the monetary policy, the Sri Lankan government has implemented a series of fiscal policy measures, including tax increases and public spending cuts. However, these measures have not been sufficient to control inflation, and have led to a sharp increase in unemployment.

In addition to the monetary and fiscal policy measures, the government has also implemented a series of structural reforms, including the introduction of a new tax regime and the reform of the financial sector.

However, these reforms have not been enough to control inflation, and the Sri Lankan economy remains in a severe state of stress.

Concluding remarks

The Sri Lankan economy is in a severe state of stress, and the government must take action to control inflation and bring about a sustained recovery. The government must also focus on structural reforms to ensure that the Sri Lankan economy is able to sustain growth in the long term.