

QER - Fourth Quarter 2007

Wednesday, 08 October 2008

Last Updated Wednesday, 08 October 2008

Temporary political instability during the fourth quarter 2007 was caused by the joint opposition's determination to defeat the government in the votes on the Budget 2008, which took place in November and December. However, the government scraped through with a wafer thin majority at the second reading and by abstentions at the third reading. The debut sovereign bond issue in October also created acrimonious relationship between the government and the main opposition party, which caused the country dearly by way of higher interest rate and shorter-term repayment. The government stealthily introduced the new Colombo Consumer Price Index as the official measure of inflation in November in order to underestimate the rise in cost of living, which had surpassed 20% in the last quarter of 2007.

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