

QER 29 - First Quarter 2008

Wednesday, 17 December 2008

Last Updated Saturday, 03 January 2009

The New Year started on an ominous note as an opposition Member of Parliament was gunned down in a Hindu temple near the heart of the City of Colombo in the morning of January 01st. Another Member of Parliament from the opposition and a Minister were assassinated outside of Colombo during the course of the quarter. Moreover, couple of days prior to the sixtieth anniversary celebration of Independence a suicide bomber blew herself up at the Fort railway station killing thirteen civilians. Thus, the spiral of violence continued unabated in and outside the theatres of war (in the North) during the quarter under review. The Central Bank increased the threshold of rupee denominated treasury bills and bonds foreigners could purchase in order to encourage foreigners to invest in government securities and thereby earn foreign currency. Rising fuel and food prices in the global market and the consequent burgeoning trade deficit were straining the current account of the balance-of-payments. Since the response of foreign investors to purchasing government securities was low, the government went in for a syndicated loan of USD 300 million from private international banks in March in order to plug the growing trade deficit.

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