Sri Lankan government imposes new price rises

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While the government of President Mahinda Rajapakse continues to squeeze the wages and living conditions of Sri Lankan workers and the poor, the banks and major corporations and their CEOs are reaping large profits and salary remunerations.

On May 4, the government, in line with austerity measures dictated by the International Monetary Fund (IMF), increased the price of imported powdered milk, cooking gas and cement by about 25, 16 and 10 percent, respectively. The rises followed last month's 10 percent lift in the price of flour, which is the main staple of Sri Lanka's poor, especially plantation workers. Taxes on alcohol, cigarettes and all imported vehicles were also raised on March 31.

These increases come on top of the sharp hikes of up to 50 percent in the cost of fuel, imposed in early February, which provoked mass demonstrations and led to the killing of a protesting fisherman by police. The Sri Lanka rupee has been devalued by 17 percent since February, which has pushed up the prices of all imported goods.

The Central Bank has predicted that inflation will hit 9.1 percent this year, but dismissed concerns, saying this was a manageable level. At a lecture delivered on April 27, IMF residential representative Koshy Mathai declared: "Though economic pain is seen, they are signs of corrective action being taken which will put the economy on a stable, more sustainable path."

But the catastrophic results of the austerity measures being implemented in Sri Lanka can be seen in Greece and throughout Europe, with drastic cuts in jobs and basic living standards. The European crisis is a symptom of the deepening global economic crisis that is affecting all countries, including Sri Lanka.

The Central Bank Report for 2011 noted that while there were slight wage increases for minor employees and government teachers, "the overall real wage rate index for employees in the formal private sector declined by 2 percent in 2011 compared to the previous year." The real wages of plantation workers went down by about 3 percent in the same year.

While the living standards of Sri Lankan workers spiral downwards, the country's wealthiest layers have benefited from the Rajapakse government's policies.

According to the Central Bank, the corporate banking sector recorded large profits during 2011. These included the Commercial Bank, whose net profit rose by 45 percent to 8 billion rupees ($US62 million); the Hatton National Bank, a 27 percent increase to 6 billion rupees; and the Sampath Bank, whose profit climbed 18.5 percent to 4 billion rupees.

These increases are a direct result of lower corporate tax rates, which were reduced from 35 percent to 28 percent in the 2011 budget. President Rajapakse, who is also finance minister, has offered a further rate reduction of 7 or 8 percent for the banking and finance sector in this year's budget.

The *Daily FT* reported on April 23: "The country's most profitable sector, the commercial banks, whilst having increased their bottom line also saw their board directors taking home a tidy sum." The article predicted that "directors' remuneration for banks and other listed entities in 2012 will be higher."

Altogether 77 directors of seven commercial banks raked in 314 million rupees ($2.5 million) in 2011, a 41 percent increase above the 223 million rupees from the previous year. Directors of the Nations Trust Bank and the Commercial Bank increased their remuneration by 78 and 46 percent respectively. Eleven directors of the Hatton National Bank, Sri Lanka's second largest private bank, received 117 million rupees, a 42 percent annual increase.

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Bank directors currently receive an average monthly remuneration of 350,000 rupees or almost ten times Sri Lanka's mean household monthly income of 36,000 rupees. The monthly income of government sector workers, with overtime, is only about 15,000 rupees. Private sector factory workers and estate workers receive somewhere between 5,000 and 10,000 rupees.

While the Sri Lankan government has boasted that the economy grew last year by 8.3 percent and increased per capita annual income to $2,836, none of this has benefited ordinary workers, farmers or fishermen. The Central Bank has shaved this year's predicted growth rate to 7.2 percent. With another IMF mission due to review the Sri Lankan economy in early July, more austerity measures and other attacks on the rights of the workers and poor will be unleashed.

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