

NEWS ROUND UP

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Govt. brews fresh cuppa for estate sector wage hike

The Government is planning on presenting yet another Cabinet paper to give a daily Rs. 50 allowance to plantation workers, as promised by the Plantation Minister earlier this year, Minister Palany Thigambaram said yesterday.

“The Prime Minister promised this, there will be another Cabinet paper next week. A Committee was appointed, headed by Foreign Minister Thilak Marapana, to look into the matter. We will definitely give this allowance to the people by next week,” Housing and Hill Country Minister Palany Thigambaram said, speaking at a press conference at the Government Information Department.

The new Cabinet paper is to outline the mechanism to pay the allowance, he said.

The Government in March approved a Cabinet proposal made by Plantation Industries Minister Navin Dissanayake to pay Rs. 50 daily allowance for a year from Government funds to all plantation workers. This was separate to the wage increase negotiated between the plantation trade unions and the Planters’ Association late last year to increase the daily wage to Rs. 750.

The allowance given by the Government would have increased the total daily wage to Rs. 800. However, Thigambaram claimed that this allowance is being blocked by various parties.

“We negotiated this and got Rs. 50 for the plantation workers, but they are conspiring to not give, the main person is Minister Navin Dissanayake, there was a big argument in Cabinet with him. We almost went to blows, because he promised first ... He and his State Minister are blocking it as we (Thigambaram’s party) will get the credit,” he claimed.

On 26 March, the proposal was made by “the Minister of Plantation Industries to secure the funds necessary to grant a further allowance of Rs.50 in addition to the payment of a daily wage as agreed upon,” Cabinet Office website records say. Attempts by Daily FT to contact Minister Navin Dissanayake failed.

In the Budget speech this year, the Finance Minister said that Rs. 1.2 billion has been allocated “in order to urgently resolve the wage issue of the plantation workers; we will discuss an acceptable solution with the Tea Board and implement on an urgent basis.”

The allowance, as Dissanayake announced in a press conference held in the Sri Lanka Tea Board in February this year, was to be given as a budget allowance, limited for one year only. The SLTB was to loan the Government the funds to be recovered later.

However, SLTB Chairman Lucille Wijewardena told Daily FT that tea exporters have opposed the move. No discussions on how to solve the issue and move forward to give the Rs. 50 allowance to the workers had taken place thereafter.

“It is there in the fund, and the Treasury has not given us authorisation to release their tranche either,” he said. Funds held by the SLTB are usually utilised for activities aimed at developing the sector, such as marketing campaigns, brand development activities and improvements in industry standards. (Daily FT)

Accelerated economic recovery likely: First Capital

First Capital Research yesterday said accelerated economic recovery is likely for Sri Lanka, as the months after the Easter Sunday attacks had shown a faster return to normalcy, quicker removal of travel advisories, and unexpected signs of resilience.

Releasing its latest update, First Capital Research said despite the Easter Sunday attacks, Sri Lanka's economic outlook has shown signs of resilience and ability to recover quickly, as economic activities were seen returning to normalcy while removal of travel advisories were faster than anticipated.

"Though the unfortunate attacks and the subsequent events are likely to have directly or indirectly impacted all sectors, affecting earnings of most companies, we believe that the impact has now been factored into the market and an accelerated recovery is more likely than not."

The successful and early issuance of the \$2 billion Sovereign Bond by the Central Bank was also a major confidence booster, and the heavy investor interest, which was reflected by the three times oversubscription, was seen as encouraging by First Capital Research.

With most economic indicators such as inflation, credit growth and liquidity suggests decline in yields, strong reserve position supports sustainability of the lower yields. In line with expectations Bank 1-Yr FD ceiling has fallen to 9.83% as of 1 Jul 2019.

"The heavy decline in interest rates is expected to lower finance costs, thereby improving earnings of most listed entities towards 4Q2019. In addition, lower Fixed Income returns may lead investors to hunt for alternative investment options with higher returns, of which equity investments is likely to be a more probable option considering the current attractive valuations. Thereby we expect an improvement in demand for stocks leading to a possible re-rating of the market."

Following the Easter Sunday attacks, First Capital Research expected a major negative hit to the consumer sector which was on a gradual recovery path. The recovery was confirmed with GDP for 1Q2019 registering at 3.7% while it was also reflected by indices released subsequently. Consequent to the incident economic activity came to a near standstill which impacted day to day affairs of most businesses and severely impacting the SMEs.

"In line with our expectations, the Nielsen - Consumer Confidence Index slumped to 37 and 36 points in May and Jun 2019, new lows since inception of the index," it added.

It also said that with the rights issue being fully subscribed, Sampath Bank is correctly cash heavy with the ability to maintain lending growth well above the industry while capturing market share. "We are bullish on SAMP and recommend investors to invest 25% of the balance cash allocation into SAMP increasing equity portion of the portfolio to 69%," First Capital Research added. (Daily FT)

Sri Lanka making detailed designs for US\$600mn Colombo suburban electric train

Sri Lanka has started making detailed designs for Colombo suburban electric trains adding an extra track to existing rail lines, the ministry of transport has said.

An electric track is being designed as a second line running from Maradana to Padukka along the Kelani Valley line.

A triple line from Maradana to Ragama will be expanded up to 4 lines.

A double line from Ragama to Veyangoda will be expanded to 3 lines.

A double line from Colombo Fort to Panadura along the seaside will be made into a triple like.

A double line will be developed between Ragama to Negombo along the Puttalam line and connected to the Katunyake airport.

The Asian Development Bank has given a million US dollar grant for a feasibility study and 10 million dollars for planning and procurement.

Stage one is expected to cost 300 million US dollars and Stage two another 300 million US dollars. Preliminary feasibility has been completed and detailed design is underway, the report said.

The tracks will be built on railway land and private land acquisition will be minimized, the report said. (Economy Next)

Sri Lanka will not sign deals allowing US to build a military base: Wijewardene

Sri Lanka will not sign an agreement which will allow the United States to build a military base in Sri Lanka, State Minister for Defence Ruwan Wijewardene said.

"The joint opposition and some groups have been saying that we are attempting to sign a secret agreement to allow US military forces to enter this country and set up bases," Non-cabinet Media Minister and State Defence Minister Ruwan Wijewardene said in a statement.

"I deny this. I have given a statement in parliament that we are neither attempting to sign such an agreement with the US government, nor have we signed one," he said.

Joint opposition members such as Wimal Weerawansa as well as the JVP, which have traditionally opposed the US as Marxists, have been opposing the extension of such deals.

Ministers said the agreements were originally signed or letters exchanged before the current administration came to power.

Sri Lanka's Ceylon Chamber of Commerce also jumped on the bandwagon this week.

President Maithripala Sirisena told journalists last week that he was opposing the renewal of a Status of Forces Agreement (SOFA) with the United States.

Government ministers had told parliament that the agreement will be renewed with some clauses such as those giving immunity to visiting forces removed.

Wijewardene said no military bases will be allowed to be set up in Sri Lanka.

"Not only the US government, but any other country will not be allowed to set up military bases in Sri Lanka," he said.

"If such an agreement is signed, it will be signed by the President as the Defence Minister or by the Defence Minister under instructions from the President," Wijewardene said.

The United National Party (UNP), which Wijewardena is a part of, had come to power in a coalition with President Sirisena and his Sri Lanka Freedom Party (SLFP), but are now estranged over a personality clash with Prime Minister Ranil Wickremesinghe. (Economy Next)

Sri Lanka's Singer Finance branches moved out of parent showrooms to boost sales

Sri Lanka's Singer Finance Plc said that it is moving its branches outside showrooms of its durable retail parent Singer, to boost sales.

"In the past, some of Singer Finance outlets were located at Singer Sri Lanka retail outlets, which meant that they were often overlooked and accessed only by customers walking into the showroom," Singer Group Chairman Aravinda de Silva told shareholders.

"Now positioned as standalone branches, Singer Finance outlets enjoy a distinctive identity and fulfil customer needs with its visible presence," he said.

He said that opening more branches is the current growth strategy of the firm, after opening 4 new branches in the year ended March 31, 2019.

The firm's head office, which was previously housed at the parent company, was also moved to a separate location for brand identity.

Singer Finance is involved in leasing vehicles, as well as providing financing options for consumer durables sold at Singer showrooms. (Economy Next)