

NEWS ROUND UP

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Sri Lanka's Hunas Falls soars amid take-over offer

Sri Lanka's Hunas Falls Hotels Plc, a hotel in Sri Lanka's knuckles mountain range has soared 19.3 percent amid a take-over offer.

Carbotels (Pvt) Ltd, and Amaya Leisure Plc has which own 66.2 percent of the firm has received a take-over-offer for their entire holding subject to due diligence, Hunas Falls said in a stock exchange filing.

No price was mentioned.

On Friday the stock gained 21.40 rupees to close at 131.80 rupees.

In the six months to September 2018, the hotel earned revenues of 68.7 million rupees up 4 percent from a year earlier and lost 1.3 million rupees.

But a profit of 4.8 million rupees, down from 6.5 million rupees was posted for the quarter. The hotel is located off Kandy. (EconomyNext)

Sri Lanka's central bank tightens supervision of financial groups

Sri Lanka's central bank said it had entered into agreements with capital markets and insurance sector regulators to improve monitoring of financial groups using consolidated risk-based supervision to assess any weaknesses within them.

“Consolidated supervision is an essential tool for supervising financial groups,” a statement said.

“It involves assessment of group-wide risks that may emanate from relationships among members of a corporate group operating across different financial sub-sectors.”

Group-wide consolidated supervision of such institutions is necessary in order to evaluate and assess contagion and reputation risks posed by such entities to the financial system and to contain systemic risk, the central bank said.

The banking regulator had entered into a Memorandum of Understanding with the Securities and Exchange Commission of Sri Lanka and the Insurance Regulatory Commission to conduct effective consolidated risk-based supervision.

The central bank will be the lead supervisor in consolidated supervision.(EconomyNext)

Sri Lanka budget on March 05, vote on April 04

Sri Lanka is to present a budget for 2019 on March 05 based on a expenditure allocated on a Appropriations Bill which will be presented to parliament by Finance Minister Mangala Samaraweera on February 05, the finance ministry said.

The debate on the budget will begin on March 13 and the final vote will be taken on April 04.

Sri Lanka has already presented an interim budget covering the first four months of the year.

The 2019 budget will aim to boost revenues to 17 percent of gross domestic product and keep current spending at 15.1 percent of GDP, the finance ministry said.

Such ambitious budget targets if reached, would generate a surplus in the current account of the budget of 1.9 percent of GDP.

The government is also aiming for a 3.5 percent of GDP overall deficit, with capital spending at 3.5 percent.

In current spending is limited to 15.1 percent of GDP, Sri Lanka should be able to reach a 3.5 percent of GDP deficit, with revenues of only 15.1 percent of GDP. (EconomyNext)

Sri Lanka based Hayleys Advantis to manage Abu Dhabi container depot

Sri Lanka-based Hayleys Advantis said it had won a deal to manage a container depot in Abu Dhabi, built by UAE based Trustworthy.Ae group.

Advantis will operate an Inland Container Depot (ICD) and third-party Container Freight Station (CFS) being developed by Trustworthy.ae Group in the Khalifa Industrial Zone Abu Dhabi (KIZAD)

"Over the years we have built our expertise in the field of ICD and CFS management and currently have a pool of experts certified by the Institute of International Container Lessors," Ruwan Waidyaratne, Managing Director, Hayleys Advantis Limited said.

"This long term engagement at KIZAD gives us a great opportunity to showcase our team's home-grown expertise to the world."

KIZAD, a unit of Abu Dhabi Ports, runs an expanding industrial zone and its container volumes are expected to grow from 1.5 million twenty foot equivalent units to 8.5 million over five years, Advantis said.

The Trustworthy.ae Group is planning to invest nearly 100 million dollars to develop the facility and other port related services in KIZAD.

The inland container terminal and freight stations will be built on a 1.4 million square foot area. Construction is expected to start in January 2019 and end in June 2019.

"The proven reliability of over a hundred years and professionalism were the key factors in entering this strategic partnership," Executive Director of Trustworthy.ae Group, Jalal Essudeen said in a statement.

Hayleys Advantis run to inland container depots and has operations outside Sri Lanka. (EconomyNext)

Sri Lanka may face milk powder shortage with currency fall

Sri Lanka's may face a shortage of milk powder as a collapsing currency and price controls have left distributors with losses forcing them to curtail imports, a media report said, showing the fallout of following illiberal economic policy.

Sri Lanka's The Sunday Times newspaper said some importers have halted imports as the rupee fell below 183 to the US dollar.

The Sirisena-Wickremesinghe administration has followed most illiberal economic policies from the last regime, which has hit consumers and de-stabilized the economy. In Sri Lanka economics per se is hardly known and Mercantilism is the dominant ideology.

The core illiberal strategy of the administration was to follow a policy of unsound money by depreciating the currency deliberately to target a real effective exchange rate and boost exports by cutting real wages of workers with the help of a highly unstable soft-pegged exchange rate regime.

Sri Lanka has since slapped controls on cars and gold and torpedoed its own free trade strategy to maintain the soft-pegged exchange rate without reform.

Without a floating interest rate the central bank cannot target an exchange rate.

A soft-currency peg with a fixed interest rate, can be easily weakened by printing money or building up unsterilized excess liquidity to put bond holders to flight and make exporters hold back dollars.

But the opposite cannot be done, once credibility in the peg has been lost as long as money is printed to maintain the fixed interest rate.

The Sunday Times said importers had to pay about 184 rupees for a US dollar (the rupee was at 131 when the administration came to power), and there were also multiple taxes.

Currency depreciation tends to expand the effect of ad valorem tax and Sri Lanka has 'tax-on-tax' where some taxes are paid on earlier taxes like duty.

A tonne of milk powder was about 3,250 to 3,350 US dollars (603,000 rupees at current exchange rates) in the world market now.

There were taxes of 15 rupees as duty, 15 percent value added tax, 7.5 percent as port and airport levy and 2 percent as nation building tax, totaling 170 rupees a kilogram the report said.

However prices were controlled by Sri Lanka's Consumer Affairs Authority.

Sri Lanka had money printing, import and price controls under the 1970s administration of Sirimavo Bandaranaike, but a United National Party administration removed many of the price controls.

When the Consumer Affairs Authority came under Bandula Gunewardene, many new items were brought under price control.

Prime Minister Ranil Wickremesinghe has followed Gunewardene and kept many of his price controls in place.

Wickremesinghe also set up a drug price control agency, which is driving some brands out of the market and may generate shortages as the rupee falls.

Analysts had warned that a falling currency will lead to shortage of goods and drugs where price controls are used in a country with a so-called soft-pegged exchange rate, as had happened in Latin American nations.

"In Sri Lanka because of price controls of the National Medicines Regulatory Authority medicines, drugs can go off the shelves," EN's economics columnist wrote last month (Sri Lanka is not Greece, it is a Latin America style soft-peg)

"In Latin American soft-pegs many price controls were imposed. Instantly goods go off the shelves and black markets appear.

"With import controls more businesses will fail. People will be laid off as revenues fall. Banks will make more losses. Rates will rise eventually. More businesses can fail."

Unless prices are allowed to be raised, shortages can emerge, the report said.

The larger milk powder firms have stocks and can continue to sell at earlier prices until stocks run out. (EconomyNext)

Sri Lanka hydro power up 87-pct amid rain

Sri Lanka's hydro power output rose 87 percent from a year earlier to 3,428 GigaWatt hours in the nine months to September 2018, amid strong rainfall, official data showed.

Total generation expanded 3.9 percent to 11,436 GWh, in the nine months, the central bank said.

Electricity generated from coal fell 9.2 percent to 3,725 GWh, while power from fuel oil fell 22.9 percent to 1,518GWh.

Purchases from the private sector fell 11 percent to 2,764 GWh.

Private renewable power purchases, mostly mini hydro were up 23 percent to 1,256GWh as rains improved.

President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe cancelled a second coal plant which was about to be built, pushing up power costs and raising the possibility of power outages if rains reduce, though demand growth at 3.6 percent is weak.

There are now attempts to build a liquefied natural gas plant, amid corruption charges.(EconomyNext)

Tokyo's Nikkei opens up more than 3-pct

Tokyo stocks opened up more than 3.0 percent on Monday, following European and US markets that roared last week on strong US data and dovish comments from the US Federal Reserve.

The benchmark Nikkei 225 index added 3.06 percent, or 598.00 points, to 20,159.96 in early trade while the broader Topix index jumped 3.05 percent, or 44.83 points, to 1,515.99.

The robust open in Tokyo came as global investors embraced a strong US jobs report and dovish statements from Fed Chairman Jerome Powell last week.

In recent weeks, investors have aggressively sold down Tokyo shares on general worries about the US economic outlook and earlier falls on Wall Street.

On Friday alone, the Nikkei lost 2.26 percent.

But investors perked up on the positive news from the US, where the Dow Jones finished up 3.3 percent on Friday.

"Following market gains made in Europe and the United States, Tokyo shares (the Nikkei) are expected to rise toward the 20,000 level," Okasan Online Securities said in a commentary issued shortly before the opening bell.

Looking ahead, investors kept their eyes on trade ties between Washington and Beijing, with delegations from both sides set to hold negotiations Monday.

"Many investors want to see the direction of the US-China trade talks and are also watching foreign exchange rates," Okasan said. (AFP)