NEWS ROUND UP

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Contents

Terrified tourism teaming up for turnaround

- Tourism Chief Kishu Gomes emphatic that Sri Lanka will bounce back via collective effort
- Estimates 13 months for recovery but could be quicker with strengthened security, better travel advisories, PR and advertising campaign with Govt. financial support
- Says tourism promotion will be continued globally
- Tourist Hotels Association Chief Sanath Ukwatte warns industry is in the verge of collapse with 10% occupancy threatening livelihood of two million people
- Insists immediate support from Govt. is critical
- Inbound Tour Operators boss Perera warns complacency is the biggest enemy and urgent remedial action is key

The country's tourism sector, terrified by Easter Sunday extremist terror attacks - the worse setback since end of the 30-year war, is teaming up for a quicker revival provided the security situation improves fast and Government support is sincere and forthcoming.
Sri Lanka Tourism Promotion Bureau and Tourism Development Authority Chairman Kishu Gomes

The Hotel Association of Sri Lanka President (THASL) Sanath Ukwatte

Sri Lanka Association of Inbound Tour Operators (SALITO) President Harith Perera

Sri Lanka Tourism Chairman Kishu Gomes, yesterday speaking to the media first time since the 21 April mayhem, emphatically stated, "Collectively we will bounce back."

He said that the Easter Sunday attacks was "most unfortunate" and the "biggest setback" post-war but the industry was keen to rebound and become yet again the most preferred tourist destination, an accolade which the influential Lonely Planet bestowed on Sri Lanka early this year.

After the Easter Sunday attacks on churches and three five star city hotels which killed over 250 including 44 tourists and injured over 500, he admitted that tourist arrivals have dipped by 60% - 70% but that the country still attracting 1,700 foreign visitors daily, and they were enjoying their holiday.

He commended the security forces for ensuring there had been no major incidents for the past two weeks, which confirms that the situation is being brought under control and the extremist threat is being neutralised.

Based on global experiences of similar attacks and post-recovery, Gomes estimated that Sri Lanka can bounce back within 13 months or earlier and that Sri Lanka Tourism will continue to engage in key markets and customers going forward, as a means of confidence building and promoting the destination.

"Yes, security and safety are paramount and we hope very soon we will be able to tell the world that the situation has improved considerably and tourists can come back. We also hope we can revise the 39 adverse travel advisories globally on Sri Lanka. On the part of the industry we will work together and make our best effort for a faster recovery," Gomes told the media, flanked by heads of tourist hotels and inbound tour operators.

He said prior to the Easter Sunday incident, Sri Lanka had taken part in 37 international travel and tourism fairs and will continue to do in 25 more lined up for rest of the 2019. "We did four Sri Lanka-specific roadshows and 18 more will be continued as planned," he added.

"In terms of reviving Sri Lanka's brand as a safe and exciting tourist destination, we are entirely committed and confident," emphasised Gomes, adding that the industry has harnessed lessons learnt and adopted by countries which suffered similar terror attacks in the past as well home-grown knowledge of promoting the destination in spite of a 30-year conflict in the past.

"We are keen to offer enhanced value propositions for tourists collectively and we will bounce back, which is the common and urgent goal within the industry," he stressed.

An aggressive public relations campaign followed by stepped up advertising will be undertaken once approvals are made.

Tourist Hotels Association of Sri Lanka Chief concerned

Tourist Hotels Association of Sri Lanka (THASL) President Sanath Ukwatte said it was the first time that tourists were targeted simultaneously in three hotels in Sri Lanka during the Easter Sunday terror attacks.

"It will have a major blow on the short and medium term business affecting all stakeholders including investors, operators and employees," he added.

Considering the direct and indirect employment, he said it amounts to around 500,000 employees which translates into two million people being affected throughout the country, considering a dependency of four family members per employee.

The hoteliers have no intention of laying off their employees given the terrible situation in the industry, but said they will not be able to maintain the same level of recruitment going forward as they are facing major cash flow issues.

With the current travel bans, evacuations and negative publicity in the international media, THASL believes it will take a long period of time for the hotel sector to recover.

"Given the magnitude of the situation, the hotel industry is in the verge of a total collapse, which may result in many people losing their employment and livelihoods," Ukwatte said.

The hotel industry has requested assistance from the Government to help sustain itself, avoid loss of employment and see its return to normalcy.

According to Ukwatte, the key appeals to Government include; a comprehensive report on the results of the security measures taken and future measures; updates to foreign missions for them to consider relaxing travel advisories; complete waiver on interest for all borrowings for a period of one year; a moratorium on all capital repayments for a period of two years and to reschedule loans on a concessionary interest rate; a soft loan to maintain cash flow and working capital requirements; waiving off all personal loan interests and reschedule loans obtained by hotel employees for a period of two years; waiving duty on all imported security equipment and deferring the various high taxes paid by hotels on their income.

He said they held a number of meetings with the hoteliers and the Government during the past two weeks to discuss urgent recovery methods. “Last week we met with key security personnel local and foreign to discuss training of hotel security staff.

“We also requested that the Government hire a PR agency to handle the recovery plan,” he added.

The industry also wishes to implement a security procedure for all hotels, including a THASL Crisis Response Team to advise hotels on security and other long-term measures, holding frequent trainings, seek constant security upgrades and keep up-to-date with security threats and ways to respond during crisis. This is in addition to planning a strong media campaign to educate the world on the steps Sri Lanka has taken to secure itself and working closely with all stakeholders to execute a promotional campaign to revive the tourism industry.

“We are working hard to build back the global confidence in Sri Lanka and we look to the Government to help us sustain during this difficult time,” he stated.

Association of Inbound Tour Operators warns of complacency

Sri Lanka Association of Inbound Tour Operators (SLAITO) President Harith Perera stressed that if the real impact of these incidents are not managed well, it could have serious adverse effects on the industry and the country as a whole.

Noting that complacency is the biggest enemy, he said the industry has to convince their own partners and tour operators abroad to restart their sales first.

“At the moment, it’s an indefinite stop sales in Sri Lanka. Although the incident was only in a few places and 95% of the country was not affected; right now the whole territory of Sri Lanka is shown as a risk area, hence tour operators won’t support any part of Sri Lanka. From July last year, international insurance is not covering any risk on tourists travelling to countries which have negative travel advisories,” he said.

Perera pointed out that even the largest tour operator in the world has cancelled all tours to Sri Lanka including for winter.

In terms of global travellers, more than 60% of them are free independent travellers (FIT) travel where they visit risky areas on their own. Thereby he said Sri Lanka must fast track the global PR campaign to feature their reviews.

“Despite having travel advisories we still get around 1,700 to 2,000 travellers. Once we get a considerable number of FITs to Sri Lanka we should make maximum use of their reviews on social media through our global PR campaign,” he suggested.

He said a fast-tracked ‘one voice’ PR campaign is crucial at this juncture to take the message to the average John or Smith out there, flagging concerns that otherwise the perception will be created that Sri Lanka is going back to war. “Although security and public perception is something the industry cannot

do in a hurry, but once the security is cleared and our machinery is activated, I am confident we will come back stronger," Perera emphasised.
(Dailyft)

Rupee touches near 6-week low; stocks hit 5-1/2-year closing low

The Sri Lankan rupee fell for an eighth straight session on Monday to a near six-week low on dollar demand from banks, a day after clashes between two sectarian groups dented sentiment.

Stocks dropped to their lowest close in about five-and-a-half years.

Sri Lanka Police arrested two men after a personal feud led to clashes between two sectarian groups in a beachside resort north of the capital, the site of one of the deadliest Easter Sunday suicide bombings, as schools reopened to near-empty classes.

The rupee fell 0.23% to 177.55/75 per dollar from Friday's close of 177.15/60, market sources said.

Analysts fear it could weaken further due to outflows from stocks and government securities.

The island's currency lost 1% last week, but is up 3% this year as exporters converted dollars after investor confidence stabilised following the repayment of a $1 billion sovereign bond in mid-January.

The rupee dropped 16% in 2018, and was one of the worst-performing currencies in Asia due to heavy foreign outflows.

Foreign investors sold a net Rs. 3.3 billion worth of government securities in the week ended 30 April, extending the net foreign outflow to Rs. 10 billion from the securities so far this year, the latest Central Bank data showed.

The benchmark stock index dipped 1% on Monday to 5,386.27, its lowest close since 6 December 2012. Turnover was Rs. 441.3 million ($2.49 million), lower than this year's daily average of Rs. 578.5 million. Last year's daily average was Rs. 834 million.

Foreign investors sold a net Rs. 75.2 million worth of shares on Monday, extending the net foreign outflow to Rs. 4.45 billion worth of equities so far this year.
(Dailyft)

Downward momentum in bond yields continue

The secondary bond market witnessed continued buying interest across the curve yesterday as yields on the liquid maturities of two 2021's (01.08.21 & 15.12.21), 15.03.22, three 2023's (15.03.23, 15.07.23, 15.12.23), 15.03.24, 01.08.26, 15.01.27 and 01.05.29 were seen dipping to intraday lows of 10.00%, 10.00%, 10.12%, 10.45%, 10.50%, 10.52%, 10.63%, 10.85%, 10.92% and 11.02% respectively against its previous day's closing level of 10.00/10, 10.05/12, 10.25/32, 10.50/55, 10.55/65, 10.60/70, 10.72/75, 10.88/92, 10.95/97 and 11.05/08. In addition, activity was witnessed on the two 2019's (i.e. 01.07.19 and 15.09.19), 01.10.22, 01.08.24, 01.08.25 and 15.06.27 maturities at levels of 9.00% to 9.05%, 10.20% to 10.27%, 10.70%, 10.85% and 10.96% to 10.98% respectively.

The total secondary market Treasury bond/bill transacted volumes for 3 May was Rs. 14.17 billion.

In money markets, the Overnight net liquidity was seen increasing further to record Rs. 79.23 billion yesterday. Overnight call money and repo averaged 8.49% and 8.59% respectively.

Rupee loses

The USD/LKR rate on the spot next contract was seen depreciating further to close the day at Rs. 177.60/80 against its previous weeks closing of Rs. 177.30/50 on the back of continued buying interest by banks. The spot contracts were quoted at Rs. 177.50/70.

The total USD/LKR traded volume for 3 May was $ 150.83 million

Some of the forward USD/LKR rates that prevailed in the market were 1 month - 178.45/75; 3 months - 180.20/50 and 6 months - 182.85/15.
(Dailyft)

Sri Lanka tourist arrivals fall 7.5 percent in April after bombings

Tourist arrivals to Sri Lanka fell 7.5 percent from a year earlier to 166,975 in April amid the Easter Sunday bombings, the state tourism office said.

The Easter Sunday bombings killed over 250 people, including 42 foreigners, and injured over 500, including 37 foreigners.

India, traditionally Sri Lanka's largest tourism market, fell to second place with arrivals falling 21.5 percent to 29,860 tourists in April

The United Kingdom took the number one spot, with arrivals falling 5.2 percent to 26,063 tourists.

The Chinese market fell 18.3 percent to 14,263 tourists, while arrivals from Australia fell 31.8 percent to 9,565 visitors.

Two major markets recorded growth despite the terror attacks. Arrivals from Germany growing 56.7 percent to 16,930 holidaymakers while 7,411 tourists came from France, up 23.4 percent.

So far, 37 countries have issued travel advisories on Sri Lanka.

Sri Lanka Tourism Development Authority Chairman Kishu Gomes said that based on information available, arrivals are expected to fall 60 percent in May.

He is expecting arrivals to fall 30 percent in 2019, and recover within 13 months or sooner, as long as there are no additional terror attacks.

Sri Lanka is expected to lose 1.5 billion US dollars in revenue from tourism in 2019.

The government has been frequently blocking social media and imposing curfews in different parts of the island since the attacks to maintain security. (Colombo/May06/2019)
(Dailyft)

Asia Stocks Mixed on Tariffs; Treasuries Steady: Markets Wrap

Asian stocks were mixed Tuesday as investors assessed the re-escalating trade war. Treasury yields pared losses and the Chinese yuan dipped.

Korean and Japanese shares slid as both markets came back online after holidays, while stocks in China and Hong Kong recovered some of Monday’s losses. The drop in Tokyo was modest given Japan was shut for six trading days, perhaps helped by a relatively muted climb in the yen amid the renewal of trade-war tensions. Equities also rose in Australia, where interest rates could be cut at a central bank meeting Tuesday.

Treasuries had risen after President Donald Trump's top trade negotiator said Washington plans to proceed with a tariff hike on Chinese goods on Friday. Indications that China will still send a delegation to Washington this week had helped temper declines on Wall Street, with the S&P 500 Index closing off of its lows of the session Monday. Japanese government bonds gained.
S&P futures slumped at the open in Asian trading

Investor sentiment remained fragile as traders waited for the next development in the trade negotiations. Talks with Chinese officials will take place Thursday and Friday, U.S. Trade Representative Robert Lighthizer told reporters Monday. At the same time, the Trump administration plans to increase duties on Chinese imports at 12:01 a.m. on Friday, he said.

The U.S. and China had been making substantial progress on a trade deal, but in the past week China reneged on some of its promises, Lighthizer said. Significant issues remain unresolved, including whether tariffs will remain in place, he added.

"Reality is setting in that they are not going to get the master deal, the grand deal that they are hoping for and there's a lot of work to be done," Oliver Pursche, Bruderman Asset Management's chief market strategist, told Bloomberg TV. "Our best guess is that these tariffs will be implemented on Friday, but will then be reversed relatively quickly.''
Rooney Vera Sees a Buying Opportunity With Trade War Tensions

Mark Rossano at C6 Capital, and Kathryn Rooney Vera at Bulltick discuss the trade war.
Source: Bloomberg

Elsewhere, the lira slumped after Turkey ordered a re-run of mayoral elections in Istanbul, overturning a rare defeat for President Recep Tayyip Erdogan. Oil held an advance as the Trump administration dispatched warships to the Middle East in a warning to Iran.

Here are some notable events coming up:

- The Reserve Bank of Australia meets to set interest rates Tuesday, while New Zealand central bank does the same the following day.
- China releases trade data Wednesday, and the U.S. does so on Thursday.
- South Africa holds national elections Wednesday.
- China reports on inflation Thursday. The U.S. releases the April CPI report Friday.
- A Chinese trade delegation is expected to arrive in Washington for talks, though the schedule has yet to be confirmed.

These are the main moves in markets:
Stocks

- Japan's Topix index fell 0.5 percent at the break in Tokyo.
- Australia's S&P/ASX 200 Index rose 0.8 percent.
- South Korea's Kospi index dropped 0.9 percent.
- Hong Kong's Hang Seng Index rose 0.5 percent.
- Shanghai Composite Index rose 0.7 percent. It tumbled 5.6 percent Monday.
- S&P 500 futures fell 0.5 percent. The S&P 500 Index fell 0.5 percent in New York.
- The MSCI Asia Pacific Index rose 0.1 percent.

Currencies

- The yen was steady at 110.70 per dollar.
- The offshore yuan dropped 0.2 percent to 6.7884 per dollar.
- The Aussie traded at 69.98 U.S. cents, little changed.
- The Bloomberg Dollar Spot Index was little changed
- The euro was steady at $1.1206.

Bonds

- The yield on 10-year Treasuries rose one basis point to 2.48 percent. It fell about six basis points by the end of the Monday session.
- Australia’s 10-year bond yield held at 1.74 percent.

Commodities

- West Texas Intermediate was little changed at $62.22 a barrel Monday.
- Gold edged higher to $1,282.87.

(Bloomberg)