NEWS ROUND UP

Monday, October 08 , 2018

Contents

Sri Lanka forex reserves down US$1.4bn to US$7.18bn in Sept 2

Sri Lanka big brother to monitor exporter dollars 3

Sri Lanka's income tax reforms will draw investors: senior accountant 5

Key points in the UN report on climate change 6

Sri Lanka tariffs, land stumbling blocks for factories 8

Sri Lanka, Norway welcome private sector cooperation to boost trade and investment, SDGs 9

SriLankan Airlines most punctual global airline in September 11

Business confidence falls to a post-war low 12

Costal Shipping Agreement between Bangladesh-SL to be inked soon 12

Sri Lanka forex reserves down US$1.4bn to US$7.18bn in Sept

Sri Lanka's forex reserves have fallen by 1.4 billion US dollars to 7,180 million dollars by end September 2018, from 8,584.54 billion rupees in August, amid maturing hedging deals and debt repayments and interventions, official data show.

Sri Lanka's central bank had made interventions of 731 million dollars in 2018 Deputy Governor Nandalal Weerasinghe said on October 02 and purchases of 551 million dollars, which seems to indicate net interventions of at least 644 million dollars in September.

Based on changes of liquidity in money markets, which shifted from an excess aggregate balance of 33.14 billion rupees on August 31, to a short of about 128 billion rupees on September 29 close to about a billion US dollars may have been supplied to the market through swaps and interventions during the period.

About 379 million dollars of hedging deals where the central bank had supplied forward cover in 2013 to state run National Savings Bank matured on September 19, leading to steep liquidity shortages on top of interventions.

Liquidity shortages crop up when a central bank sells dollars in the market, pushing rates up and automatically protecting the exchange rate.

However a soft-pegged central bank, unlike a hard-pegged entity, will then print money to stop interest rates from going up, generating further currency pressure and reserve losses in a vicious cycle, when the new money is loaned by banks.

The Central Bank has only grudgingly allowed rates to go towards the policy ceiling of 8.50 percent.

The central bank injected 14 day money at rates as low as 8.25 percent on Friday after buying bills outright also at below market rates earlier in the week.

But it maintained an overnight liquidity short without permanently sterilizing the interventions in the last few weeks in more prudent policy.

A law to stop the central bank from printing long term money below the Sri Lanka Interbank Offered Rate to sterilize interventions would to a significant way to halt stop balance of payments crises in the future, analysts say.

Sri Lanka's monetary instability began in February when the a series of term repo auctions failed, after the central bank ran out of Treasury bills to mop up inflows.

Analysts who had seen similar problems in earlier crises, and urged central bank in December 2018 to start issuing their own securities to at longer term to mop up liquidity and build up reserves. (Sri Lanka's Central Bank should sell own securities in new credit cycle: Bellwether)

In March and April around the time of a so-called 'buffer' strategy to repay bonds, large liquidity injections were made, rates were cut and the rupee was allowed to slide with excess liquidity generating the first run on the rupee.

There had alrady been warning that printing money to pay domestic debt would result in foreign exchange shortages and sovereign debt default. (Sri Lanka's Weimar Republic factor is inviting dollar sovereign default: Bellwether)

In August there was another massive unsterilized liquidity spike, again the rupee was allowed to slide with excess liquidity. In that liquidity spike and run that came in its wake, short term foreing exchange swaps, of the style used by international speculators to hit at central banks had also been used to generate rupees and push up excess liquidity.

The rupee has so far fallen to 170 to the US dollar. The central bank is also targeting a real effective exchange rate index. A REER peg involves importing the monetary policy of the worst central banks in the region, critics say.

The central bank has since made the finance ministry slap import controls, undermining the credibility of the administration and its core free trade agenda. Analysts had warned earlier that the central bank had to be restrained for free trade to succeed. (Sri Lanka central bank has to be restrained for free trade to succeed: Bellwether)

The money printing central bank set up in 1950 led to progressive exchange and trade controls, and helped economic nationalists and import substitution artists to ask for protection. (Economy Next)

Sri Lanka big brother to monitor exporter dollars

Sri Lanka will set up a monitoring mechanism to check if exporters are bringing earnings back to the country, the central bank governor Indrajit Coomaraswamy said as the central bank suffered the second consecutive run in 2018 sending the rupee plunging.

"What we can do is put in place a monitoring system which we are hoping to do with the help of the Customs to know whether the money is coming back into the country," Indrajit Coomaraswamy said.

"Then they (exporters) have to convert it," he told reporters.

He was responding to a question from reporters whether the central bank is worried about exporters not converting earned dollars to rupees.

Exogenous

He said that the currency depreciation was a problem which filtered into Sri Lanka through external factors.

"But it was greatly amplified by the response of the economic agents of this country fueled by discussion in the media.

"You take all that together and you create a much bigger reaction than is warranted, so that exporters don't convert, importers rush their purchases," he said.

No mention was made of central bank liquidity management or monetary instability.

It has now been revealed that part of the liquidity spike in July and August came from getting mired in swaps involving buying dollars spot and selling forward to create new rupees and finance the budget deficit. Similar deals had been used to mount speculative attacks during the East Asian crisis.

Despite claims of 'exogenous factors', which people of the country have often heard in the past, exchange rates of countries that have currency boards (including Hong Kong, Macau) and currency-board-like systems such as Dubai have not moved.

Impossible Pegs

All currency pegs collapse (not just in Sri Lanka) from juggling with dual anchors and operating so-called soft-pegs or intermediate regimes and not running consistent policy (fully forex reserve backed floating interest rates) or a floating exchange rate (no forex reserves, policy rates)

Sri Lanka's rupee was also pushed down in 2017, when there is wide acceptance that the dollar was 'weak' and the island's peg was on the 'strong side' with steady permanent mopping up of purchased inflows, due to targeting a real effective exchange rate (REER) index, when most currencies appreciated.

A REER peg involves importing the monetary policy of the worst central banks in the region including India, critics say. Countries usually peg to central banks with the best available policies to try to import their monetary policy.

Sri Lanka's importers panic and exporters hold back, because the rupee is never allowed to appreciate after policy tightens.

Last Monday the central bank itself admitted that it had bought four million dollars in the market, which is now thin and volatile because bank net open positions were cut, effectively undermining a float. Analysts had warned earlier not to cut NOPs because it had made the rupee volatile in the past (What Sri Lanka can do to improve the credibility of its dollar soft-peg: Bellwether)

"There's nothing to stop people (exporters) from bringing the money into the country and not converting it," Coomaraswamy said.

"They can even go and borrow rupees for their working capital, which is what some of them are doing."

But exporters who fund expenses by borrowing domestically cannot put pressure on the rupee. they can drive up interest rates and crowded out other borrowers in the absense of policy rates.

It is the soft-pegged central bank that pressures the currency by injecting new cash at low rates in to the banking system through term repo auctions and outright purchases of Treasury bills from the banking system, and in the case of Sri Lanka rejecting bill auctions (sterilize outflows) to convert paper debt to new money for banks to give loans to exporters without crowding out other creditors.

Sri Lanka's soft-dollar peg turned to its 'weak side' after failed mopping up operations in February and March 2018, and was worsened by a rate cut and liquidity injections in April. Hedging deals to finance the deficit came in the current episode.

In later September liquidity shortage has hit the credit system from a 2013 hedging deal.

Prohibited Practices

Sri Lanka in 2016 enforced a law which required exporters to repatriate earnings within four months which the International Monetary Fund has said amounts to a prohibited multiple currency practice.

The IMF discourages controls on forex or trade, because currency problems are due to monetary instability and has little to do with trade. But bond holders can run, even when domestic policies are good.

"We will assess removing the FX repatriation requirement," Coomaraswamy and Finance Minister Mangala Samaraweera pledged in a deal with the International Monetary Fund signed in May.

"We introduced a repatriation requirement of export proceeds with the aim to encourage exporters to keep FX within the domestic financial system and reduce the imbalance of FX market in the face of substantial balance payment pressures.

"However, we consider that the role of this capital flows management measure has diminished as the balance of payment pressure receded.

"We will assess removing the requirement with the timing linked to progress with the macroeconomic adjustments (especially net international reserves) envisaged under the program."

Instead Sri Lanka's finance ministry and the central bank has now slapped a series of Nixon-shock style Mercantilist trade controls leaving the administration's entire free trade strategy and its credibility in tatters.

The trade controls had allowed nationalist critics to blame imports instead of monetary instability for currency volatility and make a fresh case for tariffs and import substitution. (Economy Next)

Sri Lanka's income tax reforms will draw investors: senior accountant

Sri Lanka overhauling its income taxes with a new law was a step in the right direction levelling the playing field for investors, which can potentially improve the lives of the poor, a senior accountant said.

"The government should not give into pressure but continue with tax reforms, remove unnecessary subsidies and liberalise trade, because this will attract investments and also improve the lives of many people," Reyaz Mihular, Managing Partner at KPMG, accounting firm said.

The previous income tax code was archaic, complex, and had too many exemptions and loopholes, he said.

"We have done as much sticker tape plaster work with the old one. So getting a new (Inland Revenue) Act was the right thing to do. There is also the fact that the new act rationalizes the tax system," Mihular said.

"Foreign investors who consult us don't ask about tax rates, they're more interested in stable policies. It's difficult to have stable policy when citizens feel entitled for free services or businesses expect special treatment."

However, taxpayers complain the new incomse tax code has increased rates.

"Some people who had paid income taxed at 12 and 16 percent are now paying at 28 percent and they're crying about it.

"But the fact is that Sri Lanka is still one of the third or fourth cheapest tax destinations in the world. Nobody talks about that," Mihular said.

He said that Sri Lankans need to change their attitude about paying income taxes.

"We have this sense of entitlement where the government must provide everything for free. This is not the kind of attitude that will take the country forward."

Mihular said the new income tax code attempts to address social imbalances by reducing government dependence on indirect taxes which don't discriminate among income groups and hurt the poor the most.

Subsidies are also heavily misused, often benefiting high income groups.

"This is why introducing pricing formulas for fuel and energy is a good thing," Mihular said.

"Because the government needs to plug its spending," he said.

However, increasing fuel prices can lead to higher transport costs and in turn higher commodity prices and increased cost of living.

"This is why subsidies need to be controlled and better targeted, so that poor people are not hurt.

"This is the same reason why those who can afford to pay for higher education should be allowed to do so, instead of granting universal free education and limiting options for many children in the process," Mihular said.

There have been also calls for urgent reforms of the central bank so that currency depreciation and inflation will end and reduce calls for subsidies, and people can survive with real salaries.

Fixing the central bank and its unstable soft-peg will allow people to pay as taxes, what is now destroyed as currency depreciation and inflation.

Critics say Sri Lanka's feudal style tax privileges where ordinary working classes are charged large taxes for vehicles including motor cycles the political class who pass the laws pay nothing and bureaucrats who devise the taxes also pay little, also has to change to re-build a just society. (Economy Next)

Key points in the UN report on climate change

The landmark UN report on limiting global warming to 1.5 degrees Celsius was released in South Korea on Monday after a week-long meeting of the 195-nation Intergovernmental Panel on Climate Change (IPCC).

A "Summary for Policymakers" of the 400-page tome underscores how quickly global warming has outstripped humanity's attempts to tame it, and outlines stark options -- all requiring a makeover of the world economy -- for avoiding the worst ravages of climate change.

Here are key findings, grounded in some 6,000 peer-reviewed scientific studies:

- 'Unprecedented changes' -

Capping global warming at 1.5C (2.7 degrees Fahrenheit) above pre-industrial levels will require "rapid, far-reaching and unprecedented changes in all aspects of society", the IPCC said.

Earth's average surface temperature has already gone up 1C -- enough to unleash a crescendo of deadly extreme weather -- and is on track to rise another two or three degrees absent a sharp and sustained reduction in carbon pollution.

At current levels of greenhouse gas emissions, we could pass the 1.5C marker as early as 2030, and no later than mid-century, the report finds with "high confidence".

To have at least a 50-50 chance of staying under 1.5C without overshooting the mark, the world must, by 2050, become "carbon neutral".

Emissions of carbon dioxide -- the main greenhouse gas -- should peak no later than 2020 and curve sharply downward from there, according to scenarios in the report.

Easier said than done: humanity dumped a record amount of CO2 into the atmosphere last year.

- The steep cost of inaction -

The 30-page executive summary also details humanity's "carbon budget" -- the amount of CO2 we can emit and still stay under the 1.5C ceiling.

For a two-thirds chance of success, that is about 420 billion tonnes, an allowance that would -- according to current trends -- be used up in a decade.

The share of electricity generated by renewables -- mainly hydro, solar and wind -- would have to jump by mid-century from about 20 to 70 percent. The share of coal, meanwhile, would need to drop from 40 percent to low single digits.

Limiting global warming to 1.5C will require investing about $2.4 trillion (2.1 trillion euros) in the global energy system every year between 2016 and 2035, or about 2.5 percent of world GDP.

This price tag, however, must be weighed against the even steeper cost of inaction, the report says.

- 1.5C vs. 2C -

Two degrees Celsius was long considered the temperature guardrail for a climate-safe world, but a raft of recent research shows otherwise.

"Climate impacts are exponentially more dramatic when we go from 1.5C to 2C," said Henri Waisman, a scientist at the Institute for Sustainable Development and International Relations, and a coordinating lead author of the IPCC report.

What used to be once-a-century heatwaves in the northern hemisphere, for example, will become 50 percent more likely in many regions with an extra half-degree of warming.

Some tropical fisheries are likely to collapse somewhere between the 1.5C and 2C benchmark. Staple food crops will decline in yield and nutritional value by an extra 10 to 15 percent. Coral reefs will mostly perish. The rate of species loss will accelerate "substantially".

Most worrying of all, perhaps, are temperature thresholds between 1.5C and 2C that could push Arctic sea ice, methane-laden permafrost, and melting polar ice sheets with enough frozen water to lift oceans by a dozen metres, past a point of no return.

- Pathways -

IPCC authors say the 1.5C goal is technically and economically feasible, but depends on political leadership to become reality.

The report lays out four 1.5C scenarios that shadow current and future policy debates on the best way to ramp up the fight against climate change.

One pathway, for example, relies heavily on a deep reduction in energy demand, while another assumes major changes in consumption habits, such as eating less meat and abandoning cars with internal combustion engines.

Two others depend on sucking massive amounts of CO2 out of the air, either though large-scale reforestation, use of biofuels, or direct carbon capture. (Economy Next)

Sri Lanka tariffs, land stumbling blocks for factories

State regulations, protectionist para-tariffs and lack of industrial land in Sri Lanka has stopped competitive new industries from taking root in the island, a research from US-based Harvard University said.

"Because of taxes and para-tariffs and the limited land in industrial zones, the government had to regulate who came in and went out," Harvard University Center for International Development Research Fellow, Tim O'Brien said.

"It favoured Sri Lankan companies with proven track records rather than newer companies,"

"There was a broad environment of policy uncertainty. Tax policy and land policy tended to promote existing industries in Sri Lanka as opposed to new industries," he said.

O'Brien was speaking during a Facebook Live online event held by the Advocata Institute, a Colombo-based free market think tank.

He said that newer industries may have made more competitive export products.

A new Inland Revenue Act which came into effect in April 2018 put an end to a complicated tax structure with loopholes, which companies with political clout had exploited.

Though established domestic or foreign companies with BOI status were able to get some raw materials without incurring para-tariffs, many international investors had found the complex legal systems off-putting, according to some reports.

Sri Lanka's exports to gross domestic product had fallen from 33.3 percent in early 2000s to 12.7 percent in 2016 as the economy became more protectionist, and non-tradable sectors such as government driven infrastructure projects gained more importance, according to one analysis.

However services including software, where there is no protection and is competitive, and tourism has also grown, especially outside the capital Colombo, where there are no state mandated price floors on hotel rooms.

The Harvard team had found that the lack of industrial land, in the form of zones, was the biggest stumbling block for Sri Lanka in attracting foreign direct investments for competitive export products.

Sri Lanka has 14 Board of Investment industrial zones, which have not rapidly multiplied.

O'Brien said that with more industrial zones planned, and the BOI expected to move away from regulation of investments to attracting investments, new competitive industries such as solar panel and medical equipment manufacturing are expected to start in Sri Lanka.

It is not clear what role Sri Lanka's relatively robust environmental regulations play in setting up factories, compared to poster child Vietnam or China.

Hoteliers in Sri Lanka for example had managed to find land, though it sometimes takes up to a year to get approval from multiple domestic and national authorities.

They also face higher construction costs, food and drink prices, which tend to undermine their competitiveness compared to East Asia which has free trade.

Sri Lanka's labour markets are also tight especially for so-called 3-D (Dull-Dirty-Dangerous) jobs and there are vacancies in BoI zones for jobs at existing salaries amid currency depreciation.

Currency depreciation may be causing an net outflow of better qualified IT workers, according to some analysts.

But workers are leaving for factories in countries with stronger currencies such as Korea, Japan, the Middle East, where strong currencies have forced firms to boost labour productivity and pay higher salaries.
(Economy Next)

Sri Lanka, Norway welcome private sector cooperation to boost trade and investment, SDGs

Recognising that Sri Lanka is well positioned to become a trading and maritime hub, Norway and Sri Lanka have welcomed private sector cooperation to enhance trade and investment between the two countries.

A joint statement, issued by Prime Minister Ranil Wickremesinghe and Norway's Prime Minister Erna Solberg at a press conference after their meeting in Oslo, Norway, on Friday, said the blue economy was a cornerstone of both the Norwegian and Sri Lankan economies, and both countries were committed to the implementation of the Sustainable Development Goals (SDGs).

Private sector engagement will be indispensable in the coming years, as innovative and knowledge-based partnerships, in particular with the private sector, are a prerequisite for successful implementation of the SDGs, the two leaders said.

Norway and Sri Lanka will explore further cooperation in areas such as innovation and ocean-technology, fisheries and aquaculture, and sustainability of fish resources.

Both countries also recognise the potential for enhanced private sector cooperation within the information and communications technology (ICT), renewable energy and maritime sectors.

Commending Sri Lanka for cooperating with other states in the Bay of Bengal region and leading an international dialogue on the sustainable management of their ocean resources, Norway has invited Sri Lanka to participate in the 'Our Ocean Conference' to be held in Norway in October 2019.

The full statement is reproduced below:

Joint Statement by Erna Solberg, Prime Minister of Norway and Ranil Wickremesinghe, Prime Minister of the Democratic Socialist Republic of Sri Lanka, on the Occasion of the Official Visit from Sri Lanka to Oslo, 5 October 2018.

1. Norway and Sri Lanka have developed strong bilateral relations over many years based on mutual respect and cooperation. We share democratic values and are firm supporters of a rules-based global order, through multilateral cooperation, international law, human rights and the United Nations system, including the UN Security Council.

2. Norway and Sri Lanka are dedicated supporters of the 2030 Agenda for Sustainable Development, and are committed to the implementation of the Sustainable Development Goals (SDGs). Meeting the SDGs will require a coherent approach to global, regional and national development. The SDGs are universal, and all UN member states are committed to implementing them by 2030.

Norway and Sri Lanka will continue to cooperate in implementing SDG number 16 to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Innovative and knowledge-based partnerships, in particular with the private sector, are a prerequisite for successful implementation of the SDGs. Private sector engagement will be indispensable in the coming years to support initiatives that promote prosperity in general and job opportunities for young people in particular. Achieving the Sustainable Development Goals will be crucial for all future generations.

Norway and Sri Lanka share a strong and common interest in the sustainable management and use of our oceans and the blue economy. Without the oceans, there would be no life on our planet.

The oceans are essential in order to meet the future needs of the world's growing population for food security, medicines, energy and minerals. Estimates show that ocean-based industries could more than double their contribution to the world economy by 2030. Norway and Sri Lanka share the conviction that safeguarding the fragile marine environment must be a priority, while at the same time, developing new industries and activities in a sustainable manner.

3. Norway and Sri Lanka encourage further scientific development, sharing best practices and achieving a common understanding of problems such as pollution, marine litter and micro plastics, as well as overfishing. Closer international cooperation is important in this regard.
Clear rules and a stable framework are necessary for sound resource management and blue growth. The United Nations Convention on the Law of the Sea sets out the legal framework within which all activities in the oceans and seas must be carried out. This framework is of paramount importance as the basis for national, regional and global action and cooperation in the marine sector. The integrity of the Convention needs to be maintained. Norway and Sri Lanka both value the importance of free trade and open and secure access to international waters. In this context, both countries acknowledge the Parties' commitment to the "Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia."

Norway and Sri Lanka are pleased with the recent mission of the Norwegian research vessel Dr. Fridtjof Nansen in Sri Lankan waters to carry out a resource mapping survey, at the request of the Sri Lankan Government. The survey will give Sri Lanka up-to-date data, which will be of great value in the management of the country's fisheries resources in the years to come.

Norway commends Sri Lanka for cooperating with other states in the Bay of Bengal region and leading an international dialogue on the sustainable management of their ocean resources. Norway has invited Sri Lanka to participate in the 'Our Ocean Conference' to be held in Norway in October 2019.
4. Private sector cooperation between Norway and Sri Lanka and increased trade and investment are welcome

The blue economy is a cornerstone of both the Norwegian and Sri Lankan economies. Norway has a unique position in the global maritime industry, including some of the world's leading ship-owners, shipping companies, shipyards, ship equipment companies, and a whole range of specialised marine and maritime services. Sri Lanka is a gateway to almost three billion people in South Asia, East Asia and the Pacific, and is located close to some of the busiest trading routes in the world. Sri Lanka is well positioned to become a trading and maritime hub.

Norway and Sri Lanka will explore further cooperation in areas such as innovation and ocean-technology, fisheries and aquaculture, and sustainability of fish resources.
Both countries also recognise the potential for enhanced private sector cooperation within the information and communications technology (ICT), renewable energy and maritime sectors.

The cooperation between the Sri Lankan and Norwegian ICT associations over the past two years has demonstrated the potential for profitable business partnerships in the areas of digitalisation, entrepreneurship and technology, which can create new jobs and offer new services. This successful cooperation suggests the potential to strengthen business cooperation in other sectors as well. (DailyFT)

SriLankan Airlines most punctual global airline in September

SriLankan Airlines has achieved the remarkable feat of being named the world's most punctual airline in the month of September 2018, in the key categories of 'Global Airlines' and 'Major Airlines', by the flight data analysis company Flightstats.com.

An extraordinary 91.37% of SriLankan Airlines' flights in September 2018 were on time, according to an analysis by Flightstats (www.flightstats.com).

Flightstats analyses data of airlines across every continent - Europe, North America, Asia, the Middle East, and South America – including most of the world's largest and most prestigious airlines. Airlines are categorised among four categories – 'Global Airlines', 'Major Airlines', 'Regional Airlines' and 'Low Cost Carriers' – with some airlines appearing in more than one category. In the 'Global Airlines' category, SriLankan's punctuality was far ahead of the giant US based carrier Delta Airlines, which was in second place with 86.74% flights on time, while third place went to the Japanese airline ANA with 86.61% on time.

In the 'Major Airlines' category, SriLankan was easily ahead of India's IndiGo which was in second place with 86.92% of flights being on time, and ANA which was third.

SriLankan's exceptional performance came on the heels of the airline having launched its dynamic new 'Ready to Fly!' program at the beginning of September, to enhance its world-renowned customer service by providing increased punctuality levels of its flights around the world. The airline greatly appreciates the tremendous efforts of its staff to make this initiative a resounding success.

SriLankan's consistently high level of on-time performance is the result of a structured process that monitors and co-ordinates the performance of all departments and individual staff members responsible for various aspects of its operations. The degree of attention given for punctuality monitoring is infallibly high, with zero tolerance for slips in the process. This precision process of

coordination involves many internal and external entities, and it is noteworthy that this is carried out in a highly regulated industry where 100% compliance is expected for all statutory obligations.

A strict daily monitoring process examines every aspect of each flight and identifies shortcomings, with a measured process for immediate corrective measures and strict attribution of accountability. Root causes are examined, and delays attributed under concerned departments with remedial action, followed by weekly punctuality improvement meetings, and monitoring of follow up action and progress.

Maintaining a high level of on-time performance is all the more creditable, due to the fact that a far greater proportion of delays are beyond the control of the airline. These are unforeseen events that are classified as 'non-airline responsible', such as air traffic control related issues at congested airports, adverse weather, constraints of insufficient infrastructure at airports in many parts of the world, industrial unrest at some airports, flight diversions due to medical emergencies, bird strikes on aircraft, and delays in offloading baggage a few minutes prior to scheduled departure times, when passengers do not turn up at airport boarding gates after having checked in.

SriLankan Airlines places its highest priority on the complete safety of all its passengers, which means that all safety related matters are comprehensively attended to, no matter their impact on flight punctuality. For example, technical issues related to an aircraft are immediately attended to, ensuring 100% airworthiness of aircraft in keeping with the highest standards of safety.
Sri Lanka's National Carrier, which holds a prestigious Four Star Rating from the Airline Passenger Experience Association (APEX), is a member of the oneworld global airline alliance, and operates a route network of 114 cities in 48 countries from its hub in Colombo. (DailyFT)

Business confidence falls to a post-war low

The latest edition of leading business magazine LMD reports that the LMD-Nielsen Business Confidence Index (BCI) shed eight basis points to register a lowly 87 in September – its lowest level since April 2009, in fact. The index is also well short of its 12-month average of 109.
In the October issue of LMD, Nielsen's Managing Director Sharang Pant observes: "The fact that year on year inflation has also crept up from 2.5% in June to 3.4% in July has not helped and businesses are worried about how this will impact consumption, which was displaying signs of a recovery."
In addition, he states that "the improvement in the external sector and trade in services (exports and earnings from tourism) is not helping tide over local macro concerns."
LMD reports that high taxes, the depreciation of the rupee, political interference and policy instability rank among the main concerns in business circles. Echoing these sentiments, a survey respondent asserts that "there is a lack of forward thinking by the Government when it comes to policy implementation."
A spokesperson for LMD notes that a decline over four consecutive months doesn't bode well for the index in the near term but adds that "sentiment may rebound slightly next month if the business community has hopes that Budget 2019 will bring some respite."
Media Services, which publishes LMD, says the latest edition of the magazine will be released to leading bookstores and supermarkets on 5 October.(DailyFT)

Costal Shipping Agreement between Bangladesh-SL to be inked soon

Development Strategies and International Trade Minister Malik Samara-wickrama revealed that the long-delayed Costal Shipping Agreement between Bangladesh and Sri Lanka will be signed this month.

“The Costal Shipping Agreement between Bangladesh and Sri Lanka will be signed very soon after receiving Cabinet approval,” he said at the official launch of the Trade Facilitation Framework for Multi-Country Consolidation (MCC) with the assistance of the Global Alliance for Trade Facilitation (GAFT) together with Women in Logistics and Transport (WiLAT) Sri Lanka and Verité Research in Colombo last week.

He said the agreement would be signed soon, upon receiving Cabinet approval.

The Minster said the signing of the Costal Shipping Agreement would also permit third country port usage, which allows usage of ports of the East Coast in India under this agreement.

Accordingly, this will be a significant development, particularly for Sri Lanka’s logistic industry as well as for the export sector.

Daily FT learns that Minister Samarawickrama and a local delegation will leave for Bangladesh on an official visit next week to finalise the agreement.(DailyFT)