

NEWS ROUND UP

Tuesday, June 11, 2019

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Easter Sunday attacks a setback but macro fundamentals not thrown off-track: CB Chief

Central Bank Governor Dr. Indrajit Coomaraswamy yesterday declared that though the Easter Sunday attacks were a setback to the economy, they have not thrown macro fundamentals off-track, nor is there any basis for growth to dip below 3% in 2019.

He gave this assurance to foreign fund managers gathered in Colombo for the two-day CT CLSA Asia Frontier Forum, which kicked off yesterday.

“The 21 April attacks have had and will have an impact, especially on tourism, but it was ‘manageable’ as a larger part of production capacity of the economy such as manufacturing, exports and agriculture hasn’t been affected.

“Sri Lanka needs to redraw on its resilience of the past. Economy can keep ticking in the coming months. However sentiments and confidence need to improve,” he added. The Central Bank Governor noted that the original forecast for GDP growth in 2019 was 4%, but since the 21 April attacks it has been revised to 3% as against 3.2% in 2018.

“The original upturn envisaged in 2019 will not take place due to the 21 April setback. However, given the fact that much of the production capacity remains unaffected, there is a possible upside too,” he said, noting that exports in March achieved their highest ever monthly figure, and in the first four months the growth was 4.5%.

“This, along with less stress on external account owing to lower imports, as well as sound macro fundamentals, make us to believe that there is no reason for growth to slip below 3%,” Coomaraswamy added.

It was revealed that the forecasts of IMF and the World Bank were more optimistic at 3.5%.

He said that the impact on tourism, following the extremist terror attacks on Easter Sunday on three churches and an equal number of five star hotels, killing 250 including over 40 tourists, is estimated to be a foreign exchange earnings loss of \$ 2.3 billion, and lower income of employees in the sector could curtail aggregate demand. However, the Central Bank Chief said a quicker recovery is possible in tourism, with most of the tourist-generating markets having softened their travel advisories.

It was pointed out that in the worst case scenario, the impact would be a hit of around \$ 2 billion on capital account on account of drop in tourism receipts, outflow of foreign investments from Government securities market, and a dip in foreign direct investment. “We envisage reserves to be down to \$ 6.26 billion from an original forecast of \$ 8 billion,” he said. “This may not be healthy, but neither are we at a crisis level, since we have had much lower reserves in the past,” he emphasised, adding that the quality of reserves were also far better.

“From a medium-term perspective, the view on Sri Lanka is a ‘great upside’ with a booming Indian economy and Sri Lanka’s strategic location in China’s Belt and Road Initiative,” the Central Bank Chief stressed.

The CT CLSA Securities’ flagship Frontier Markets Forum is being held for the fourth consecutive year.

CT CLSA Securities Chairman Cecilia Muttukumaru said: “We are keen to showcase Sri Lanka’s resilience and determination in these difficult times, and are encouraged by the presence of FIIs at our forum. We believe Sri Lankan corporates offer good value for long-term investors. CT CLSA remains committed to all our clients and will continue to invest in promoting Sri Lanka as an attractive investment destination.”

Despite challenges and travel advisories, FII delegates from Africa, Asia and Europe will join over 20 institutional fund managers from Sri Lanka to access 19 top tier Sri Lankan corporates and six leading corporates from Bangladesh and Pakistan at the forum this year.

In addition, the main track will have keynote presentations and panel discussions featuring Central Bankers, key politicians, multilateral lenders and independent economists. FIIs attending the forum this year have been long-term investors in Sri Lanka, with some of them invested for nearly 20 years. Alfalah CLSA, Pakistan is a partner of the 2019 forum.

CT CLSA, which celebrated its 25th anniversary in 2017, is a leading stockbroker in Sri Lanka and a Member of the Colombo Stock Exchange (CSE). CT CLSA has been ranked No. 1 for total market turnover on the CSE for 17 years, including seven consecutive years since 2012.

A pioneer in organising corporate access forums for institutional investors, its highly successful annual Sri Lanka Investor Forum has been held continuously since 2010. Setting a benchmark in 2016 by hosting the first-ever South Asian Frontier Forum in Sri Lanka with corporates from Bangladesh and Pakistan, CT CLSA ventured further in 2017 by including corporates from Vietnam to host the first-ever CT CLSA Asia Frontier Forum.

CT CLSA Securities is a fully-owned subsidiary of CT CLSA Holdings, a joint venture between Sri Lankan conglomerate CT Holdings group and Hong Kong-headquartered CLSA. CLSA is Asia's leading capital markets and investment group and the international platform of China's largest investment bank CITIC Securities. CT CLSA Holdings is also engaged in investment banking and asset management via fully-owned subsidiaries CT CLSA Capital and Comtrust Asset Management. (Daily FT)

Rooms 50% off and ads in Russia: Sri Lanka woos tourists after attacks

Sri Lanka's battered tourism industry is trying to woo visitors back to beaches deserted after the deadly Easter bombings, slashing hotel rates and pushing promotions in key markets like Russia.

Tourism, which accounts for 5% of Sri Lanka's gross domestic product, tanked after Islamist bombers on 21 April attacked luxury hotels and churches, killing 250 people, including 40 foreigners.

England, India, and the United States were among countries that issued travel advisories for Sri Lanka, a diverse island with pristine beaches, ancient Buddhist temples, and lush hills that Lonely Planet selected as its top 2019 destination.

Those advisories contributed to a flood of cancellations and a drop in bookings just as the monsoon-dominated low season was beginning.

To lure tourists back, Sri Lanka is hosting international sporting events, and has mothballed a rule on minimum rates for hotel stays. State-owned SriLankan Airlines is offering special fares and pushing joint promotions with the Government's tourism board. Some hotels are waiving corkage fees on day trips, while tour groups are offering free airport pickups.

Lavanga Resort & Spa in the southern beach resort of Hikkaduwa, for example, is offering rooms for \$35 instead of the usual \$75 - with free breakfast. Travel agents are promoting the offer in Russia, with some success.

"We have offered rock bottom rates for foreigners. We are getting bookings for the winter season," said Lavanga's managing director, Anusha Frydman.

Reservations for the next few months remain tepid, however, with occupancy around 10% versus 30% last year.

But some tourists are lapping up a dream vacation on the cheap.

“I secured a six-night stay in a plush southern hotel for \$200, which included complimentary Ayurvedic treatment,” said 52 year-old Leif Ohlson from Sweden.

Data suggests more and more foreigners are emulating him.

A daily average of 1,400 to 1,500 foreign visitors are currently in Sri Lanka, up from 1,000 recorded immediately after the attacks, said Kishu Gomes, the head of the Tourism Bureau.

That is still down from around 4,500 last year, but with countries including India and China lifting their travel advisories, officials are optimistic.

“We are expecting the recovery to commence. It is too early to say how fast and to what level it will be,” Gomes said.

A rebound could not come fast enough, however, especially for smaller hotels.

“Lots of hotels have curtailed operations and shut down wings. They may have reduced or laid off (staff),” said Sanath Ukwatte, the president of the Hotels Association of Sri Lanka. He said he did not have any immediate data, however. (Daily FT)

SL-India to develop regional airports in Jaffna and Batticaloa: PM

Prime Minister Ranil Wickremesinghe took to Facebook yesterday to give details of his discussions with his Indian counterpart Narendra Modi on Sunday, which included talks of expediting Indian-funded projects, and developing regional airports in Jaffna and Batticaloa.

Prime Minister Ranil Wickremesinghe meets Indian Prime Minister Narendra Modi
Wickremesinghe thanked Modi for visiting Sri Lanka, and thanked him for this show of support towards the country, which “will serve to strengthen confidence and encourage more people to visit our nation.”

“During his trip, we discussed matters including the strengthening of regional security through reviving tri-lateral talks between Sri Lanka, India and the Maldives. I also requested that India work closely with Sri Lanka’s security forces, providing them with counter-terrorism training and logistical support,” Wickremesinghe said in the Facebook post.

“I assured Mr. Modi that any Indo-Lanka projects which are facing delays will be expedited. A further series of joint initiatives between our two nations is being planned, to ensure continued economic cooperation. The development of the Jaffna and Batticaloa airports as regional airports was also discussed.”

Modi’s visit to Sri Lanka, following the lifting of the travel advisories by many countries including the UK, France and China, will serve as a boost for the tourism industry, Wickremesinghe added. (Daily FT)

Shangri-La Hotel, Colombo to re-open on June 12

Sri Lanka's Shangri-La Colombo, which was one of three hotels hit by suicide bombers on Easter Sunday will re-open on June 12, the hotel said.

"The Shangri-La Group is grateful to the local authorities and the global community for their outpouring of support and messages of commendations received these past seven weeks, the hotel said in a statement.

"We remain deeply appreciative of the selfless service and courageous spirit demonstrated by our colleagues and the Sri Lankan community in the face of such adversity.

"Our heartfelt sympathies and support continue to be with those who have suffered injuries and lost loved ones on 21 April 2019. They will always be remembered."

Other hotels involved in the incidents including Kingsbury had already re-opened. Sri Lanka was hit by travel advisories in the wake of the bombings, but they have since been relaxed.

Sri Lankan authorities have dismantled an extremist Islamist group which is believed to have had links to Islamic State a Pan-Nationalist group based in Syria.

Authorities have rounded up most of the members of the group who directly contributed the bombings. Sri Lanka's intelligence services have been aware of the group, but failed to prevent the attacks, despite warnings from a friendly nation. (Economy Next)

Sri Lanka economic growth not dented despite Easter attacks: FinMin

Sri Lanka's economic growth will not fall below targets in 2019 despite fallout from the Easter Sunday terror, Finance Minister Mangala Samaraweera said.

"The growth outlook for this year has not dimmed at all," he said in Sinhalese at the Finance Ministry Monday evening.

"Although the tourism industry is facing a downturn, by the end of this year, I believe that will return to normal," he said.

Central Bank Governor Indrajit Coomaraswamy, however had said an a 2018 growth target of 4 percent is like to be missed partly due to Easter Sunday attacks, though first quarter growth will be helped a recovery in agriculture.

Sri Lanka credit had slowed after the collapse of a rupee in 2018, after the central bank cut rates in early 2018 to engage in de facto inflation targeting with a peg. (Economy Next)

Petrol price in Sri Lanka raised to Rs138 a litre

Sri Lanka's government will raise the price of a litre of 92 Octane petrol by three rupees to 138 rupees from midnight Monday under a pricing formula meant to reflect costs, the Finance Ministry said.

Prices of three other fuels remained unchanged, according to a statement.

State-run Ceylon Petroleum Corporation was selling 95 Octane petrol for 164 rupees a litre, last month.

Super Diesel was last month raised by 2 rupees to 136 rupees a litre, while Auto Diesel was left unchanged.

Although international oil prices had risen since March, the government held local administered prices last month to provide relief to consumers during the traditional new year period, it said.

There were indications international oil prices were weakening, in which case the lower prices would be passed on to consumers in future, it said. (Economy Next)