

NEWS ROUND UP

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Sri Lanka to re-start talks with IMF in mid February

An International Monetary Fund team will arrive in Sri Lanka to start talks on resuming a program, Managing Director Christine Lagarde had said after meeting Finance Minister Mangala Samaraweera and Central Bank Governor Indrajit Coomaraswamy.

“We agreed that a strong policy mix, with effective implementation of that agenda, is key to strengthening confidence, while putting Sri Lanka on a sustainable, high-quality growth path that would benefit its people,” Lagarde said in a statement.

"The IMF remains ready to support the Sri Lankan authorities in these endeavors and an IMF team is scheduled to visit Colombo in mid-February to resume program discussions."

Sri Lanka raised taxes, market priced oil in 2018, but monetary instability emerged from the end of the first quarter of 2018 as after the central bank cut rates in April 2018 and started injecting money to keep rates down just as the credit system was starting to recover, despite running a de facto peg.

Sri Lanka is operating a highly unstable soft-pegged exchange rate regime with multiple convertibility undertakings including targeting the real effective exchange rate index.

However the central bank does not have a floating interest rate to be able to target an exchange rate.

The central bank has instead printed tens of billions of rupees to target the policy interest rate, allowing banks to give loans or buy bonds from exiting foreign bond holders without raising real deposits, and has also released liquidity by cutting the statutory reserve ratio leading to a steady loss of reserves.

In the last four months 2018, Sri Lanka has busted over 1.2 billion US dollars on maintaining a soft-pegged exchange rate. (EconomyNext)

Sri Lanka bondscam forensic auditors to be appointed in February

Sri Lanka's central bank is expecting to appoint forensic auditors into securities fraud involving the sale of bonds who will look into six separate areas following a commission of inquiries into so-called bondscam in 2015 and 2016, a public notice said.

The forensic audits will also cover earlier periods, when bonds were issued outside auctions.

Sri Lanka's President Maithripala Sirisena faulted the central bank for delaying the audits citing it in a speech justifying a constitutional 'coup'.

Central Bank officials said the delay was due to designing the scope of audits and terms of reference in consultation with the Auditor General and Attorney General and following the procedures and time limits of a national procurement guidelines.

Financial proposals for five audits were opened on January 11 and the sixth will be opened on the third week of January, following November advertisements where six weeks given to submit proposals, according to a public notice published by the central bank.

The commission report was given to the central bank in January and the governing monetary board had given the go ahead to conduct forensic audits in the same month.

The central bank then had spent about five months until May 2018 in discussions with the Attorney General's Department of the scope of audits eventually coming up with six audits.

Discussions had also been held with the Auditor General on procurement of outside consultants where a process was designed following National Procurement Guidelines for six audits.

The central bank would appoint a tender board for the sixth audit. After cabinet approval and appointment of members for a Cabinet Appointed Consultants Procurement Committee, the first meeting was conducted on 20 June.

The central bank tender board had had the first meeting on July 02. Advertisement for the first five audits had gone out on June 24 and for the central bank tender board by on July 15.

Expressions of interest were received in August 30 and September 04, and non-disclosure agreements were sent out in August and September.

Requests for proposals were called on September 21 and October 12. Pre-proposal conferences were held on October 09 and November 09.

Proposals were to be received on November 02 and November 20. Financial proposals were to be opened for the first five audits on January 11 and the sixth on the third week of January. (EconomyNext)

Sri Lanka targets three million tourists in 2019

Sri Lanka is targeting three million tourists for 2019 Tourism Development Minister John Amaratunga said, after missing a 2.5 million target for 2018 partly due to a political and economic crisis triggered by President Maithripala Sirisena.

"We are targeting three million tourists this year," he said on January 14 at the launch of an online entry permit service for the country's national parks.

The country drew 2.3 million tourists in 2018 up 10.3 percent from a year earlier, missing a target of 2.5 million which was a growth of 18 percent.

President Sirisena suddenly appointed ex-President Mahinda Rajapaksa as Prime Minister on October 26, who did not have a parliamentary majority and illegally dissolved parliament.

Amaratunga said the 2.5 million tourist target for 2018 could not be achieved due the political crisis which ran from October to December triggering many embassies issue travel warnings.

"The political upheaval made the targets go haywire," he said

Sri Lanka was recently named the world's top country to visit in 2019 Lonely Planet, a travel publisher.

There has been an increase of interest on social media, bloggers and travel magazines, a Sri Lanka Tourism Promotions Bureau official said.

The state also ran multiple promotion campaigns in 2018 to generate interest to visit Sri Lanka.

Sri Lanka collected at least 3.5 billion dollars in foreign exchange from tourism in 2018, the minister had previously said in an official statement.

In 2017, foreign exchange earnings were over 3.9 billion dollars.

Amaratunga said tourism was Sri Lanka's third largest foreign exchange earner in 2018, and hopes to become number two in 2019.

Remittances from expatriate workers and apparel exports have held on to the top two spot over the past two decades. (EconomyNext)

Sri Lanka looks to re-activate US500mn Millennium Challenge grant

Sri Lanka has had talks with the Millennium Challenge Corporation to resume a grant that was halted during a political crisis, Minister for Economic Reform Harsha de Silva said.

He said Finance Minister Mangala Samaraweera and Treasury Secretary R H S Samaratunga had held talks were held with MCC Chief Executive Jonathan Nash.

De Silva said the grant agreement was due to be signed on December 17 but was suspended amid a political crisis.

President Maithripala Sirisena triggered a political crisis suddenly appointing Mahinda Rajapaksa as Prime Minister who did not have a parliamentary majority and illegally dissolved parliament.

Sri Lanka was hit by a credit downgrade from three rating agencies and pressure on the currency worsened. (EconomyNext)

British pound rallies on May's Brexit setback; stocks gain

The British pound rallied Tuesday after the lower house of parliament overwhelmingly rejected Prime Minister Theresa May's Brexit plan, while global stocks climbed.

The pound's surge after the lopsided vote suggested traders still viewed a so-called "hard Brexit" -- one with no agreement between the EU and Britain -- as a remote possibility.

US stocks pulled back somewhat after the British vote tally but quickly recovered to join stock markets in Europe and Asia in moving higher following news that China planned tax cuts to boost the economy.

Near 2140 GMT, the pound stood at 88.66 pence to the euro, compared with 89.57 and 89.15 Monday night.

Against the dollar, the pound traded at \$1.2871 against \$1.2704 and \$1.2864 Monday night.

The House of Commons voted 432 to 202 against May's plan for taking Britain out of the European Union, one of the biggest defeats ever suffered by a British prime minister.

The negative vote had been expected but the margin was much bigger than May had hoped. Ahead of the vote, some analysts had predicted the pound could plunge with a one-sided defeat, such as 200 votes or more.

BK Asset Management's Boris Schlossberg said investors simply did not believe there was a realistic chance of a so-called "hard" Brexit.

"Markets project beliefs and the underlying belief is that nobody's going to be committing economic suicide," he said.

Jeremy Stretch, head of Group-of-10 currency strategy at Canadian Imperial Bank of Commerce, told Bloomberg the outcome boosted the odds of a delay, a second referendum or even no Brexit at all.

Earlier European stock markets enjoyed cautious gains after Asia swung higher as worries dimmed over a global economic slowdown and Wall Street posted modest gains in the late New York morning.

Asian equity markets rebounded from the previous day's sharp losses, with Hong Kong and Shanghai lifted by Chinese plans to slash taxes to boost the economy. US stocks also pushed higher, brushing aside mixed banking earnings and an ongoing government shutdown.

Among individual companies, Netflix surged 6.5 percent after announcing price hikes, including raising the cost of its most popular monthly plan to \$13 from \$11.

The good mood helped lift the tech sector generally. Google-parent Alphabet and Microsoft each rose about three percent. Apple rose 2.1 percent.

- Key figures around 2140 GMT -

Pound/dollar: UP at \$1.2871 from \$1.2864 at 2200 GMT on Monday

Euro/pound: UP at 88.66 pence from 89.15 pence

New York - DOW: UP 0.7 percent at 24,065.59 (close)

New York - S&P 500: UP 1.1 percent at 2,610.30 (close)

New York - Nasdaq: UP 1.7 percent at 7,023.83 (close)

London - FTSE 100: UP 0.6 percent at 6,895.02 points (close)

Frankfurt - DAX 30: UP 0.3 percent at 10,891.79 (close)

Paris - CAC 40: UP 0.5 percent at 4,786.17 (close)

EURO STOXX 50: UP 0.4 percent at 3,068.05 (close)

Tokyo - Nikkei 225: UP 1.0 percent at 20,555.29 (close)

Hong Kong - Hang Seng: UP 2.0 percent at 26,830.29 (close)

Shanghai - Composite: UP 1.4 percent at 2,570.34 (close)

Euro/dollar: DOWN at \$1.1413 from \$1.1469

Dollar/yen: UP at 108.72 yen from 108.16

Oil - Brent Crude: UP \$1.65 at \$60.44 per barrel

Oil - West Texas Intermediate: UP \$1.60 at \$52.11 per barrel. (AFP)