NEWS ROUND UP

Thursday, October 18 , 2018

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Economic challenges an opportunity for change: PM

Current challenges faced by Sri Lanka's economy should be viewed as an opportunity to push forward dynamic change to transform into an export-oriented economy, Prime Minister Ranil Wickremesinghe said yesterday, insisting that the countries that change fast will be best equipped to get through the crisis.

Speaking at the Sri Lanka Retail Forum 2018, Wickremesinghe acknowledged Sri Lanka was constrained by external risks of an appreciating dollar and increasing oil prices. However, he pointed out that Sri Lanka is not the only country to face external challenges and advocated that the current situation should be used as an opportunity to implement reforms to become a more competitive economy.

"We have to make changes and we have to do so fast. The countries that make the changes fast will get through this crisis. We are not the only ones who have balance of payment problems, but with the limited exports we make, we have to go on and make the transformation to grow," he said.

Wickremesinghe noted the Government remained dedicated to continuing its liberalisation policies, improving Sri Lanka's ease of doing business rankings, and rolling back bureaucracy to improve exports and attract investment. He also agreed with the event organisers that a national policy on retail would benefit the economy.

"Let's sit down and see how we can help everyone, from village retailer upwards. You have to ensure there is money in the hands of the people, and this is the challenge all governments in the world are faced with today. In the last six months, economic climates have changed in a way that we have not anticipated."

"Countries such as Thailand and Vietnam are better equipped to face these changes because they have focused on export-oriented economies. They have sufficient reserves and foreign exchange earnings that buffers external risks."

Retail markets around the world are taking a beating due to the contraction of the global economy with household expenditure dropping even in large markets such as China and India. This situation is likely to last for at least a year, noted the Prime Minister, stressing that limitations of money circulation, interest rates, growing non-performing loans, and currency depreciation were taking a toll on retail.

"We have to go forward. Retail has long been part of our free market economy and it needs to be carried forward, but in a way that will earn us more foreign exchange. To improve retail, we have to roll back red tape. There is much bureaucracy and regulations that makes it virtually impossible to do business. This is where we are looking to improve ease of doing business."

Wickremesinghe had an optimistic view of Sri Lanka's debt repayments in 2019, pointing out that as funds would be raised from international capital markets, the Government would borrow less locally, allowing for the private sector to have access to credit that would otherwise have been taken by the State. Growth sectors such as tourism also created space for retail to grow and create more jobs.

"All of retail is changing fast. Firstly, there is a growing middle class, especially in Asia, so this is driving retail. Urbanisation is also growing. There are new technologies, particularly the replacement of money with credit cards, which makes retail stronger. Consumer patterns are changing, fashion is changing, and millennials are becoming a determining factor. This gives a lot of opportunities for Sri Lanka to lead the retail sector in this part of the world." (Daily FT)

Govt. rejects dispute between President and PM over East Container Terminal

The Government yesterday rejected reports of a disagreement between President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe over possible Indian investment in the East Container Terminal of the Colombo Port.

"There were no argument between the President and the Prime Minister, they only discussed matters relating to obtain new cranes for the terminal," Cabinet co-spokesman Dr. Rajith Senaratne told reporters during the weekly post-Cabinet press briefing. He claimed that a Cabinet proposal on Indian investment for the East Container Terminal was not submitted by the Ports and Shipping Minister Mahinda Samarasinghe.

Cabinet Secretary S. Abeysinghe, subsequently releasing a statement, also rejected media reports over a dispute between the President and the Prime Minister, and said Sri Lanka remained committed to close relations with India.

Dr. Senaratne noted that a Cabinet proposal for the procurement of equipment from an Indian company for the terminal had been discussed, but it had not been approved by Cabinet. "We can't approve all the Cabinet proposals submitted by Ministers. As many as 108 Cabinet papers were submitted for the Cabinet meeting but only 43 proposals were approved by the Cabinet."

Dr. Senaratne noted that observations from the Ministry of Finance were not submitted regarding new cranes for the Eastern Container Terminal. The Cabinet proposal to obtain new cranes was postponed for another week. He point out that Ports and Shipping Minister Mahinda Samarasinghe informed the Cabinet that the Sri Lanka Port Authority had adequate funds to obtain the equipment.

"The President informed the Cabinet that he had a discussion with Indian Prime Minister Narendra Modi during the BIMSTEC summit held in Nepal last September, and explained Sri Lanka's position on the East Container Terminal to the Indian Prime Minister," he said. (Daily FT)

Swiss lose competitiveness crown to US in revamped global rankings

Switzerland's nine-year streak as the world's most competitive economy came to an end on Wednesday, dethroned by the United States in an annual league table published by the World Economic Forum (WEF).

A root-and-branch revamp of the WEF's rankings, reoriented towards future technology-driven growth, pushed Switzerland into fourth place, with Singapore second and Germany third out of 140 countries, each marked on a scale from 0 to 100. "The US scores 85.6 which essentially means it's still about 14 points away from that frontier of competitiveness," said Saadia Zahidi, a member of the WEF's Managing Board.

The United States was "an innovation powerhouse" with flexible labour and a big market, Zahidi said. "They do fairly well in terms of institutions but there are also a lot of worrying signs," she said. "The US is one of the lowest ranked G20 economies when it comes to health, there are concerns about freedom of the press, there are concerns about judicial independence ... softer factors that could have an implication for the country's competitiveness in the longer term."

The old rankings had docked marks from the United States for its macroeconomic environment, high government debt being a particular weakness. But the new rankings awarded it 99.2 for "debt dynamics", an almost perfect score.

WEF experts denied that the analysis had been remodelled to flatter US President Donald Trump, who topped the bill at the WEF's annual meeting at Davos in January, bringing his "America First" message to the world's elite.

"The old index and the new index are apples and oranges. The reason the new index has been built is because we've learned so much about what drives economic growth and growth in income in the long term," Zahidi said.

The 98 indicators in the index were drawn from international organisations and a survey of company executives and largely reflected long-term policies such as investing in digital skills, she said.

That means Switzerland could take a while to win back its crown. Zahidi said it was a pillar of innovation but needed to work on its entrepreneurial mindset.

"You need to be able to have this ability to take risks and to use some of these newer technologies to actually create businesses. And not just to create businesses but to take them all the way from idea to actual commercialisation," she said.

Further down the rankings, China was in 28th place, Russia was 43rd, but India was 58th, a big slide from 40th under the old methodology last year.

Saudi Arabia came 39th, a placing that "could potentially be affected" by the unfolding story of missing Saudi journalist Jamal Khashoggi, Zahidi said.

The bottom 30 were almost exclusively African countries, although Haiti and Yemen squeezed ahead of last-placed Chad, which scored 35.5. (Daily FT)

CB confirms receipt of $ 1 b from China Development Bank

As exclusively reported by Daily FT, the Central Bank yesterday confirmed that the $1 billion Foreign Currency Term Financing Facility from China Development Bank had been received to strengthen reserves and potentially help steady the rupee.

The Bank said the Government of Sri Lanka invited to submit proposals from international and domestic banks and investment houses for a Foreign Currency Term Financing Facility (FCTFF) denominated in United State Dollar (USD) or Japanese Yen (JPY) or Euro or of their combination up to a limit of $USD 1,000 million in March 2018.

Accordingly, four proposals were received from international and domestic banks and investment houses. Through a strict evaluation and negotiation process by a Cabinet appointed Steering Committee and Technical Evaluation Committee, the China Development Bank (CDB) was selected as the syndicate arranger based on least cost and longer maturity period given in its proposal submitted.

Consequently, the Government of Sri Lanka secured $ 1,000 million from CDB under the FCTFF with a maturity period of eight years. The interest cost is highly competitive and linked to six-month USD LIBOR with a grace period of three years. The repayment will be in equal semi-annual payments after the grace period. The resulting inflow increases the official foreign reserves by $ 1,000 million. .(Daily FT)

Sri Lanka stocks down 0.33-pct, rupee steady

Sri Lanka stocks closed 0.33 percent lower Wednesday on selling interest in Hatton National Bank and Dialog, while the rupee ended steady against the US dollar and gilt yields edged lower, market participants said.

Colombo's All Share index fell 0.33 percent, to end 19.27 points lower at 5,776.75, and the S&P SL20 index of more liquid stocks closed 0.63 percent lower, down 18.45 points to 2,917.45.

Market turnover was 448.3 million rupees, as 63 stocks declined during the day against the 61 that gained.

Hatton National Bank (down 4.90 rupees to 200.30 rupees), Dialog (down 20 cents to 11.50 rupees) and Ceylon Tobacco (down 5.30 rupees to 1,380.20 rupees) weighed down the benchmark index.

Ceylon Cold Stores closed 10.30 rupees lower at 741.90 rupees and Richard Pieris and Company was down 40 cents to 10.20 rupees.

Net foreign selling was 110.4 million rupees, down from 499.6 million the previous day.

Net foreign selling in Melstacorp was 97 million rupees followed by John Keels Holdings for 53 million rupees, Asia Securities said.

Melstacorp closed 60 cents lower at 50 rupees and John Keells Holdings ended 30 cents higher at 129.30 rupees.

Crossings, or off-market negotiated trades, totalled 130.97 million rupees and accounted for 29.2 percent of market turnover.

There was one crossing in Melstacorp for 97.97 million rupees and one in Commercial Bank for 33 million rupees.

Commercial Bank was unchanged at 110 rupees.

The rupee closed steady at 171.0/05 rupees against the US dollars in the spot market with the central bank announcing that it raised a 1 billion US dollar loan from China Development Bank, market participants said.

The currency closed Tuesday at 170.90/171.10 rupees against the greenback.

Gilt yields edged lower in the secondary market.

A three-year bond maturing in 2021 ended at 10.90/11.10 percent in two-way quotes, down from the previous close of 11.40/50 percent.

A five-year bond maturing in 2023 closed at 11.45/55 percent, down from 11.68/76 percent the previous day.(Economy Next)

Sri Lanka seeks joint venture with Indian Oil unit for Trinco oil tanks

Sri Lanka's state-owned petroleum refiner and retailer will jointly develop an unused oil tank farm in the eastern port of Trincomalee with Indian Oil Corporation's local unit, Minister of Petroleum Resources Development Arjuna Ranatunga said.

Lanka Indian Oil Corp. (LIOC), which is listed on the Colombo bourse, has leased part of the tank farm with up to 99 tanks under an agreement between the two governments in 2003, he told a news conference.

But apart from 15 tanks used by LIOC, the other tanks remained unused for the last 15 years.

Ranatunga said he would like to have a joint venture between LIOC and Ceylon Petroleum Corporation (CPC) to repair and make use of the tank farm.

The Cabinet of ministers has approved his proposal for the joint venture, he said.

Ranatunga said he proposed Sri Lanka retain ownership of the land but hand over to LIOC 15 tanks now used by the firm and sign a deal to joint develop the remaining 85 tanks.

Under the deal, 16 tanks would be for the CPC's use.

"The CPC aims to use the tanks to provide bunkering for ships and to store and distribute refined petroleum products in the north-east which is now supplied from Colombo which is more costly," Ranatunga said.(Economy Next)