

# NEWS ROUND UP

*Tuesday, March 19, 2019*

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## ***Economic sentiment on the rise: Survey***

Sentiment surrounding the economy improved in February as 12% of respondents in the latest LMD-Nielsen Business Confidence (BCI) poll believe that conditions 'will get better' in the next 12 months. "The economy has begun to stabilise now, and we expect that it, as well as the investment climate, will improve further in the coming months," a corporate executive said.

Business prospects have also improved as 50% and 34% of those surveyed expect sales volumes to increase in the long and short terms, respectively.

One such respondent explains: "We have witnessed an increase in business activity so far this year; and with the economy also starting to improve, we now expect sales revenue to increase compared to the last few months of 2018."

Perceptions about the investment climate have also improved slightly as 7% (up from 4% in January) of survey respondents feel that it is a good time to invest.

"Although there were a few issues earlier, the investment climate is picking up now... Some of the existing projects have recommenced and there are a few projects coming up in the next few months as well," notes an optimistic businessperson.

However, a majority (56%) of those consulted by Nielsen view the investment landscape negatively with one poll participant stating that "there is a lot of scepticism and doubt in the minds of investors as they do not know which way the economy will head in the future."

Media Services, the publisher of LMD, says the March edition of the magazine has been released to leading supermarkets and bookstores in Colombo and the outstations.

Its cover story features an in-depth analysis of female representation on the boards of Sri Lanka's listed companies. Log onto [www.LMD.lk](http://www.LMD.lk) for the full story. (Dailyft)

## ***FITIS calls on Govt. to remove 3.5% NBT for foreign payments***

The Federation of the Information Technology Industry Sri Lanka (FITIS) yesterday called on the Government to remove the 3.5% NBT proposed in the Budget 2019 completely from foreign payments using credit and debit cards, insisting it will affect the ICT industry as well as the economy.

In a letter addressed to Finance Minister Mangala Samaraweera, the apex body of the ICT industry pointed out that the enactment of the proposed NBT of 3.5% to be charged on all foreign payments made by using credit and debit for overseas digital services, would seriously affect SMEs using digital services, while also deterring Sri Lanka's transformation towards a digital economy.

"With the enactment of this proposal, both ICT and the country will be affected. Majority of the ICT industry consists of SMEs who uses digital services for their business operation. Therefore, 3.5% NBT would seriously impact their businesses," the letter said.

As far as the country is concerned, the letter stressed that if this proposal is imposed, users will be encouraged to use online money wallets through which these payments can be made, which will result in a reduction in inflow of foreign currency to the economy.

"Therefore, we shall be most grateful if the above points are taken into consideration, and the 3.5% NBT removed completely from foreign payments using credit/debit cards, which will be an encouragement towards transforming economy towards a digital platform," FITIS appealed.

FITIS has been actively contributing towards changing the landscape of Sri Lanka ICT industry during the last two decades, covering all major industry segments, including hardware, software, training and education, communication, and professional development.

The letter was also copied to Digital Infrastructure and Information Technology Minister Ajith Perera, Development Strategies and International Trade Minister Malik Samarawickrama, Digital Infrastructure and Information Technology Ministry Secretary D.C. Dissanayake, Treasury Secretary Dr. R.H.S. Samarasinghe, ICTA Chairman Prof. Rohan Samarajiva, Export Development Board (EDB) Chairperson Indira Malwatte, Digital Infrastructure and Information Technology Ministry Senior Assistant Secretary Waruna Dhanapala, EDB Director Saman Maldeniya and Finance Ministry Economic Advisor Deshal de Mel. (Dailyft)

### ***Shares end little changed; rupee rises***

Sri Lanka's share index ended little changed on Monday, hovering near its 5-1/2-year low, as investors' awaited direction from the third and final vote on the 2019 Budget, market sources said. Parliament last week passed the second reading of the 2019 Budget that raises spending while setting an ambitious goal to reduce the country's large fiscal deficit. The final vote is scheduled for 5 April. Prime Minister Ranil Wickremesinghe-led Government's political stability has been questioned by the Opposition since he was reinstated after a 51-day political crisis.

The Colombo Stock Exchange index fell 0.02% to 5,614.98, hovering near its lowest close since 9 Sept 2013 hit on Wednesday. The benchmark stock index fell 1.85% last week, recording its sixth straight weekly drop. It has declined 7.2% so far this year. The turnover was Rs. 251.4 million (\$1.41 million), well below last year's daily average of Rs. 834 million. Foreign investors sold a net Rs. 40.8 million worth of shares on Monday, extending the year-to-date net foreign outflow of Rs. 5.97 billion worth of equities.

The rupee ended firmer at 178.25/40 to a dollar on greenback inflows and weak dollar demand, compared to Friday's close of 178.40/55. Inflows from a sale of \$2.4 billion sovereign bonds were expected to boost the rupee.

The rupee has climbed 2.4% so far this year as exporters converted dollars and foreign investors purchased government securities amid stabilising investor confidence after the country repaid a \$1 billion sovereign bond in mid-January. Worries over heavy debt repayment after the 51-day political crisis that resulted in a series of credit-rating downgrades dented investor sentiment as the country struggled to repay its foreign loans.

The rupee dropped 16% in 2018, and was one of the worst-performing currencies in Asia due to heavy foreign outflows. Foreign investors bought a net Rs. 1.16 billion worth of Government securities in the week ended 13 March, the second net inflow in four weeks, but they have sold a net Rs. 1.7 billion so far this year, the Central Bank's latest data showed. (Dailyft)

### ***Lacklustre environment in bond markets ahead of weekly bills auction***

The secondary bond market commenced the week on a rather dull note yesterday with limited trades seen on the 01.08.21 and 15.03.24 maturities within the range of 10.80% to 10.90% and 11.05% to 11.08% respectively.

Today's weekly bill auction, conducted a day ahead due to a shortened trading week, will have on offer a total amount of Rs. 24 billion, consisting of Rs. 2 billion each of the 91 day and 182 day maturities and a further Rs. 20 billion on the 364 day maturity. At last week's auction, the weighted average on the 364 day bill continued to decrease for a third consecutive week, recording a drop of 6 basis points to 10.58%. The weighted averages on the 91 day and 182 day bills stood at 9.55% and 9.87% respectively.

The total secondary market Treasury bond/bill transacted volumes for 15 March was Rs. 13.83 billion.

In money markets, the OMO (Open Market Operations) Department of the Central Bank of Sri Lanka was seen injecting an amount of Rs. 15billion on an overnight basis by way of a Reverse Repo auction at a weighted average of 8.82%, as the net liquidity shortfall in the system stood at Rs. 19.44 billion yesterday. The overnight call money and repo rates averaged at 8.85% and 8.88% respectively.

Rupee appreciates marginally

In the Forex market, the rupee on spot contracts appreciated marginally to close at Rs. 178.25/35 against its previous day's closing level of Rs. 178.45/55 on the back of selling interest by Banks.

The total USD/LKR traded volume for 15 March was \$ 121.00 million.

Some of the forward USD/LKR rates that prevailed in the market were one month - 179.20/35; three months - 181.00/30 and six months - 184.00/30. (Dailyft)

### ***Siyapatha Finance appoints Ananda Seneviratne as MD***

Experienced businessman and accountant,. Ananda Seneviratne recently took on the role as the new Managing Director of Siyapatha Finance PLC.

Boasting over 36 years' worth of experience in the local and international industries, Seneviratne is a graduate in Business Administration from the University of Sri Jayewardenepura and the holder of a Masters Degree in Business Administration (MBA) from the University of Colombo. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka as well as an active member of the institute's various committees.

In 2016 Seneviratne was elected as the Chairman of Leasing Association of Sri Lanka, a position he held until 2018. Concurrently, he was also a Board Member of Credit Information Bureau of Sri Lanka (CRIB) and David Pieris Global Ventures Ltd.

Following the successful completion of his articles at Sachithananda Shockman and Pasupati, he joined Lanka Porcelain Ltd in 1983 and served the company for two years as the Financial Accountant and as the Accountant for Stores and Supplies. He later joined Richard Pieris & Company as the Head of the Internal Audit Department from 1985 to 1991.

In 1991 Seneviratne began work at Nestle Lanka Limited. Beginning as the Head of Internal Audit, over the next 17 years he made his way up the company's hierarchy. In 1999, he was transferred to Nestle Middle East to function as the Business Excellence Manager and was assigned the task of introducing common business practices in the Lower Gulf Countries, Saudi Arabia, Syria, Jordan and Palestine. After completing his assignment at Nestle Middle East, Seneviratne returned to Sri Lanka in the year 2002 and took up the position of Head of Procurement.

The year 2008 saw Seneviratne joining Loadstar Ltd and serve as the Director/General Manager of Procurement for 1 year, before moving on to the position of Director – Operations at Assetline Leasing Company Ltd, which is the largest subsidiary of the David Pieris Group of Companies. Subsequently he was promoted to the rank of Chief Executive Officer in 2015.

During his tenure, Seneviratne transformed Assetline Leasing into one of the best performing and most profitable companies in the Non-Banking Finance industry by expanding and diversifying its operations in both the automotive and non-automotive sectors.

The Company in a statement said given his vast trove of accomplishments over his 36 years of service, Seneviratne is the ideal leader for the task of taking Siyapatha Finance – one of Sri Lanka's leading financial organizations – to the pinnacle of success. (Dailyft)

## ***Sri Lanka's Sanken eyes mega projects with foreign partners after 2019 budget***

Sri Lanka's Sanken Construction (Pvt) Ltd said it is now eyeing an 18 billion rupee government office complex contract, after the 2019 budget forced foreign competitors to form joint ventures with local firms.

"After the latest budget, two to three Chinese companies have already contacted us saying they would like to do joint ventures," Sanken Group Managing Director Ranjith Gunatilleke said.

"This is for the new 18 billion rupee project in Battaramulla for government offices," he said.

Under the 2019 budget, foreign contractors for government projects have to form joint ventures with local firms, especially if funding came from domestic sources.

"That's very good for local industry," Gunatilleke said. "These inquiries are coming most probably because of that."

The Chamber for Construction Industries has been lobbying the government heavily for the new policy over the past two years.

Blocking foreign companies entirely from bidding will push up costs for tax-payers, the budget deficit and national debt by reducing competition.

Gunatilleke said there is no level playing field for local companies to compete with foreign contractors employing foreign labour. Sri Lanka's domestic contractors are also now using foreign labour.

Foreign workers are paid higher salaries but they are also more productive, according to industry players.

It is not unusual for some projects in Sri Lanka to be constructed solely using foreign labour.

"What happens is when any foreign people come, they don't pay taxes or EPF/ETF (pension fund payments), so their overheads are less," Gunatilleke said.

"So what happens after four years, when the project comes to a certain level, the Inland Revenue Department gets around to them, but they're gone."

Gunatilleke said Sanken has the knowhow and experience to go for large projects, but is held back by finance, as it is currently developing many properties.

"Doing the project is not an issue, but finance is," he said.

"We have capabilities and in-house design experience, but we are a little lacking in financing these big, huge projects."

"For Sanken with all these developments, it's hard."

He said if local banks are willing to finance, Sanken would even go for government projects without foreign partners.

Sri Lanka's banks have seen higher levels of bad loans, making them more risk averse. (Colombo/Mar18/2019)(Economynext)

## ***Asian Stocks Fall Ahead of Fed; Dollar Steadies: Markets Wrap***

Asian equities headed lower on Tuesday as traders awaited central bank meetings amid expectations of dovish signals to monetary policy. The dollar was steady after recent declines, while the yen advanced.

Stocks dropped in Tokyo and saw more modest losses across the region. U.S. equities ticked higher after American stocks posted gains Monday that were enough to see benchmarks reach a five-month high. The British pound recovered some of the decline that came after the speaker of Parliament blocked another vote on Prime Minister Theresa May's current Brexit plan. The yield on 10-year Treasuries hovered around 2.6 percent. Australia's three-year bond yield slid below the 1.5 percent policy rate for the first time since September 2016.

Asia stocks set for biggest quarterly gain since 2012

A dovish tilt from the world's central banks has helped global equities rally to the highest since October. Expectations are that the Fed will point the way to just one rate hike in 2019 when it meets Wednesday. The Bank of England also meets this week and is seen holding rates steady.

"We are on higher alert because of the potential for a sentiment swing to do very quick damage in the markets," said Michael McCarthy, chief market strategist at CMC Markets in Sydney. "The just-right conditions are unlikely to last very long. It means whichever way growth moves, up or down, we could see negative reactions from risk assets, and particularly share markets."

In Asia, central banks in Indonesia, the Philippines and Thailand hold policy meetings amid expectations they too will stand pat, though may signal some willingness to cut in coming months as low inflation sweeps across the region.

Elsewhere, West Texas crude traded near a four-month high as OPEC and its allies recommended deferring a decision on whether to extend oil production cuts until June.

Here are some key events coming up this week:

- Company earnings include FedEx, China Telecom, Tencent, Porsche, BMW, Hermes, Tiffany, Micron, Nike and PetroChina.
- The Fed is expected to hold interest rates steady, announce plans for the end of asset roll-off from its balance sheet, and lower projections for the number of interest-rate hikes this year. The decision is due Wednesday.
- Central banks in Thailand, the Philippines and Indonesia are all scheduled for policy meetings.
- In the euro zone, purchasing manager survey numbers on Friday will give an indication of the health of the region's industrial and service sectors at the end of the first quarter.

These are the main moves in markets:

Stocks

- Japan's Topix index fell 0.3 percent at the midday break in Tokyo.
- The S&P/ASX 200 Index fell 0.2 percent.
- Hong Kong's Hang Seng Index edged lower.
- The S&P 500 Index advanced 0.4 percent. S&P 500 futures ticked 0.1 percent higher.

## Currencies

- The yen rose 0.2 percent to 111.21 per dollar.
- The offshore yuan traded at 6.7182 per dollar.
- Bloomberg Dollar Spot Index was little changed.
- The euro was steady at \$1.1342, near the strongest in two weeks.
- The British pound traded at \$1.3274 after a 0.3 percent drop.

## Bonds

- The yield on 10-year Treasuries held at 2.60 percent.
- Australia's 10-year bond yield fell four basis points to 1.94 percent. The three-year yield dropped four basis points to 1.5 percent.

## Commodities

- West Texas Intermediate crude was steady at \$59.11 a barrel, trading near a four-month high.
- Gold rose 0.3 percent to \$1,307.25 an ounce.  
(Bloomberg)