

NEWS ROUND UP

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GDP growth slumps to 2.9% in 3Q

The country's economic growth in the third quarter had slumped to a historic low of 2.9% in the third quarter in comparison to 3.2% a year earlier reaffirming the continuous struggle.

The 3Q growth was lower in comparison to 3.7% achieved in the 2Q.

Agricultural activities expanded favourably by 3.3% compared to the contraction of 3.0% reported in the third quarter of 2017. The Industrial activities recorded positive growth rate of 1.9%, sharply down from 5.3% a year earlier and Service activities expanded further by 3.9% up from 2.8% a year ago.

The four major components of the economy viz. Agriculture, Industry, Services and Taxes less subsidies on products have contributed their shares to the GDP at current price by 7.5%, 27.4%, 56.8% and 8.3% respectively.

The Department of Census and Statistics said among the sub activities of Agriculture, the 'Growing of Rice' which recorded 32.8% of negative growth rate in the third quarter of year 2017, has reported striking positive growth rate of 46.9% during this quarter. In addition, 'Growing of Oleaginous fruits including coconut', 'Growing of Cereals', 'Growing of Vegetables', 'Growing of Rubber', 'Animal production', 'Growing of fruits' and 'Growing of Spices' have expanded substantially by 11.9%, 10.6%, 9.9%, 5.2%, 5.1%, 4.0% and 3.1% respectively. The sub activities of 'Fresh water fishing' and 'Growing of Tea' have recorded a substantial decline by 19.1% and 14.9% respectively in this quarter.

The 'Industrial activities', which shared the GDP by 27.4% at current price, has continued to expand further at a rate of 1.9%. The overall manufacturing activities have grown by 2.2% during the third quarter of 2018, supported mainly by the sub activities of 'Manufacture of food, beverages and tobacco' and 'Manufacture of textile and wearing apparels', which recorded positive growth rates of 3.7% and 3.2% respectively during this period. In addition, 'Manufacture of coke and refined petroleum products' and 'Manufacture of other non-metallic mineral products' have reported significant positive growth rates of 16.7% and 3.9% respectively. However, 'Manufacture of wood and products of woods' and 'Manufacture of paper products' activities reported negative growth rate of 13.1% and 7.5% during this quarter. Among the 'Industrial activities', 'Electricity, gas, steam and air conditioning supply' and 'Water collection, treatment and supply' have recorded 3.3% and 5.0% of positive growth rates respectively, while 'Mining and quarrying' has declined by 2.2%. The 'Construction' activity, which corresponds to the second highest share (7.0%) within the industry sector, grew by rate of 2.5% during this quarter when compared to the third quarter of 2017. Among the three major activities, the Services activities, which gave the highest contribution

(56.8%) to the GDP, has grown by 3.9% during the third quarter of 2018, when compared to the same quarter in the year 2017. Performance of the service activities were strengthened by the sub activities of 'Telecommunication services', 'Financial services', 'Insurance services', 'Information Technology services', 'Human health activities', 'Accommodation, food and beverage services', 'Wholesale and retail trade' and 'Other personal services' expanded by 14.8%, 12.4%, 8.3%, 7.5%, 5.7%, 5.4%, 5.0% and 4.8% respectively compared to the third quarter of 2017.

The activity of 'Programming and broadcasting' and 'Transportation' activities contracted substantially by 9.0% and 0.7% within this quarter compared to the respective quarter in 2017.

DCS states that economic growth rate of the country is estimated as 2.9% for the third quarter of 2018. The Gross Domestic Product at constant (2010) prices for the third quarter of 2018 recorded as Rs. 2,431,627 million and GDP reported for third quarter of 2017 was Rs. 2,362,698 million. (Daily FT)

UNP backs abolishing Executive Presidency

United National Party (UNP), which created the Executive Presidency in 1978, yesterday endorsed the fact that concentrating so much power in one single office is dangerous for democracy and the country at large.

Assuring the nation that all efforts will be taken to further dilute the executive powers of the President and abolish the Executive Presidency, a task which began with the 19th Amendment to the Constitution, which proved its importance during the constitutional crisis.

UNP lawmaker Malik Samarawickrama, explaining the UNP's official position, held that the Executive Presidency does not lead to a stronger State, it does not strengthen the unitary State of the country, nor will it lead to a more stable Government.

"We must bring priority to this Parliament, the elected representatives of the people. It is clearly apparent from this crisis that the Executive Presidency is posing a serious threat. All of us members of this Legislature need to double down and commit to abolish the Executive Presidency. We commenced through this path through the 19th Amendment, which drained the absolute powers of the Executive and brought more power to Parliament. Form the last 51 days, you can see how vital this Amendment was. Now it is time to complete the job abolishing the Executive Presidency," said MP Samarawickrama.

According to MP Samarawickrama, abolishing Executive Presidency was a corner stone of the Yahapalanaya Government's plan, which was guided by the late Ven. Maduluwawe Sobhitha Thero, and the time has come to recommit to that goal. "It is safe to say that it has never been clearer why we need to abolish the system of Executive Presidency. The events of the last 51 days, in our country should leave us in no doubt that the concentration of power in one office is a recipe for disaster," he said.

After having seen the ill effects of the Executive Presidency, the lawmaker held that the UNP cannot turn a blind eye but act without a delay. "We have seen how this august House, the parliamentary branch of the Government, functions to uphold democracy and due process. Despite the high-handed act of the Executive, we have seen how this Speaker courageously upheld due process. We have seen how the Judiciary upheld the supreme law of the land; our Constitution amidst the attack by the Executive," said MP Samarawickrama.

Highlighting the danger in concentrating power on one office, MP Samarawickrama held that Sri Lanka will be democratically strong if a meaningful distribution of power between the three branches of Presidency, Parliament and Judiciary is met.

"It is about making sure that one person doesn't wield all the authority. And as we saw during the last 51 days, that held the country hostage. The Executive President must go. The argument that has been put forward for a while is that a strong State requires a strong Executive President. But look at the last 5 days. What kept this State strong was its Legislature and the Speaker. And the strong and independent Judiciary, but not the Executive. In fact, the actions of the Presidency weakened not strengthened it. Weakened it economically and weakened in the international community," added MP Samarawickrama.

China welcomes peaceful resolution of political crisis

China yesterday welcomed the peaceful resolution of the political crisis in Sri Lanka.

“As a traditional close neighbour and a most important development partner, China welcomes the peaceful and proper resolution of recent political situation in Sri Lanka by all related parties,” Embassy of the People’s Republic of China in Sri Lanka said in a statement. “China believes the Sri Lankan Government, political parties and the people have the ability and wisdom to manage well its domestic affairs, and maintain the country’s stability and development. China remains committed to enhancing its friendly exchanges with the Sri Lankan Government and all political parties, promoting the pragmatic cooperation between the two countries, and bringing benefits to the two peoples,” it added. (Daily FT)

MR appointed as Opposition leader despite protests

Speaker Karu Jayasuriya nominated MP Mahinda Rajapaksa as the Leader of the Opposition soon after Parliament convened yesterday, but responding to protests from Parliamentarians, said he would decide whether to appoint a Select Committee to look into the validity of the appointment.

MP Mahinda Rajapaksa

Filling three other important positions in Parliament, Speaker appointed United National Party (UNP) MPs Lakshman Kiriella the Leader of the House and Gayantha Karunatileka Chief Government Whip. United People’s Freedom Alliance (UPFA) MP Mahinda Amaraweera was appointed as the Chief Opposition Whip. According to the Speaker, UPFA is no longer a part of the coalition Government, and can hold the Opposition Leader and Chief Opposition Whip positions.

When the Speaker’s decision was announced in Parliament, Tamil National Alliance (TNA) MP M.A. Sumanthiran made the observation that 49 members of Parliament, including Rajapaksa himself, who had contested on the SLFP ticket, had in writing resigned their membership when switching to Rajapaksa’s camp during the Constitutional crisis.

Sumanthiran contended that under the Constitution (Section 99(13(a)) all 49 had vacated their seats a month after the cross-over. Further it was held that when the President who heads the SLFP holds three portfolios, it is not possible for Rajapaksa to claim to be in Opposition, even if he claims SLFP membership. Accordingly, the contention is that the President too has to resign his portfolios. Since the President is part of the Government, a member of his party could not be part of the Opposition.

Leader of the Sri Lanka Muslim Congress and UNP MP Rauff Hakeem objected the nomination of MP Mahinda Rajapaksa, citing the recent membership obtained in the Sri Lanka Podujana Peramuna (SLPP). He urged the Speaker to appoint a Select Committee to consider the matter in detail before officiating the nomination. According to MP Hakeem, MP Rajapaksa cannot hold office of the Leader of the Opposition if he has obtained the membership in the SLPP, which is not a member of UPFA or the Sri Lanka Freedom Party (SLFP).

“I wish to ask whether the former President has now become a former Member of Parliament. That’s the issue and this is a very critical question. Nothing personal against former President Rajapaksa, but the question is whether to call him Hon. Rajapaksa or Mr. Rajapaksa?” questioned MP Hakeem referring to a newspaper report.

As per the provisions in the Constitution, the judicial power of the people shall be exercised by Courts through Parliament except for the case of privileges and powers of Parliament. But with the questionable nomination of MP Rajapaksa, MP Hakeem said: “The judicial powers of the Parliament are vested in this House and now this is a matter that has to be gone into and decided upon by this House

and this House alone. Therefore, it is important for us to appoint a Select Committee to see whether these facts are true or not.”

Seeking the validity of the SLPP membership MP Rajapaksa took, lawmaker Hakeem proposed to summon the Elections Commissioner before Parliament. It was also proposed to study the UPFA Constitution to determine the validity of membership, and the reasons a membership would cease to exist.

“We have to see who the constituent parties of the UPFA are, and how the membership of the UPFA is decided, because UPFA is the party that contested the last parliamentary election. Also, in Article 99 (13) is very clear that only when a member is expelled from a party that they can go to Court within a month, otherwise when a member obtains membership in another party immediately his membership ceases and his parliamentary seat also ceases to exist immediately, and not in the expiration of one month,” added Hakeem.

In response, Speaker Karu Jayasuriya held he would look into the issue and is likely to announce a decision on the appointment of a Select Committee on Friday. (Daily FT)

Trump's barbs cast shadow over Fed meeting

The US central bank opened its two-day policy meeting on Tuesday and, despite renewed attacks from President Donald Trump, is expected to announce the fourth interest rate increase of 2018.

While the Federal Reserve may feel pressure to demonstrate its independence from political influence by raising the benchmark lending rate in the face of Trump's barbs, there are legitimate concerns about the need for more Fed action amid signs the economy is slowing and no hint of runaway prices.

Trump on Tuesday warned the Fed not to make "yet another mistake" by raising interest rates, the second consecutive day he has gone after the central bank on Twitter.

A growing number of economists share Trump's basic argument -- albeit in more diplomatic language -- and have dramatically rolled back estimates for the number of increases in the benchmark lending rate they expect next year.

At first glance the United States seems to have a Goldilocks economy: unemployment is flirting with a 50-year low at 3.7 percent, drawing people into the workforce who had been left on the sidelines; inflation is barely two percent; and business confidence is very high.

But cracks have started to appear and elements fueling continued growth are fizzling out, while problems that had been ignored or overshadowed by good news are now garnering more attention.

Many economists now say the economy may have peaked, especially since the housing market has been trending downwards in recent months.

In addition, Trump's trade wars, signs China's economy is slowing and the impact of Brexit on an already sluggish European Union add to the sense of global uncertainty that has led stock markets in recent weeks to sell off, wiping out all their gains for the year.

Economist Diane Swonk of Grant Thornton said "the Fed knows we are still in uncharted economic waters and doesn't want to risk overshooting on rates now that growth appears to be slowing."

- Under pressure -

In fact, Fed Chairman Jerome Powell in recent statements has indicated the central bank is considering suspending its rate increases while it takes time to view more economic data.

Swonk and other economists expect the policy-setting Federal Open Markets Committee to send a strong signal of that planned pause in its statement Wednesday, when it raises the policy rate another 0.25 percentage points.

The Fed has increased the key lending rate eight times since December 2015, bringing it up to 2.25 percent after a long stretch at zero, but next year may make only one or two moves.

Trump would rather the Fed stop now.

"I hope the people over at the Fed will read today's Wall Street Journal Editorial before they make yet another mistake," he tweeted.

The Journal editorial called for the Fed to ignore political pressure and "follow the signals that suggest a prudent pause."

Trump has repeatedly broken with the norm respected by US presidents of recent decades who refrained from criticizing the Fed.

He has called the central bank "crazy," "out of control" and a greater economic threat than China.

Democratic Senator Chris Coons rebuked Trump for his attacks, calling them "completely inappropriate."

"You are jeopardizing the credibility of the Fed, which is bad for markets and our economy," Coons tweeted on Tuesday.

Analysts and former Fed members warn that Trump's unprecedented vitriol could cause central bankers to try to prove their independence by raising rates even if they might otherwise have held off.

Economist Chris Low said that would be a mistake.

"True central bank independence is the freedom to do the right thing independent of the whims of the executive," Low said, even if the right thing is what the president wants. (Economy Next)

Sri Lanka stocks down, foreign selling in JKH

Sri Lanka's stock market closed lower Tuesday with continued foreign selling in John Keells Holdings (JKH) boosting turnover, while the rupee weakened.

The All Share Price Index ended at 6,047.48, down 20.15 points or 0.3 percent while the more liquid S&P SL20 index closed at 3,127.89, down 14.02 points (0.5 percent).

Crossings or negotiated block deals accounted for 67 percent of the turnover of 979 million rupees, said Asia Securities.

There were with two crossings in JKH and one in Dialog Axiata.

Foreign investors were net sellers of 784.9 million rupees worth of shares.

Estimated net foreign buying was highest in HNB while net foreign selling was highest in JKH.

JKH closed at 160 rupees, down 90 cents (0.6 percent) while HNB ended at 210 rupees, down 2.10 rupees or almost one percent.

SMB Leasing was the biggest loser of the day, slumping 17 percents (10 cents) to 50 cents in thin trade.

In the foreign exchange market, the rupee ended weaker against the US dollar, falling to 180.10/180.30 from 179.90/180.00, dealers said. (Economy Next)

Sri Lanka's PickMe mulls financial services

Sri Lankan ride hailing service PickMe is considering going into financial services in the medium term after extending its existing taxi service into food delivery and logistics, its chairman Ajit Gunawardene said.

“Our core business will remain ride hailing but there’s a lot more growth we believe we can achieve,” he told a forum held by the Asia Securities brokerage where its new study on the logistics sector was presented.

PickMe will extend its business into food delivery and trucking, offering to transport heavy goods on demand for individuals and businesses, particularly small businesses.

Gunawardene said more mobile connectivity with higher adoption of smart phones will drive expansion along with economic growth which creates better levels of affordability and aspirations.

PickMe intends to make use of data analytics to offer more services to customers.

“We’ve got two million downloads of our PickMe app as of now and doing about two million rides a month. We can communicate with our customers any second of the day.”

PickMe intends offering customised and tailor made services to customers.

“It can be whole range of services – from vehicle repair to insurance, customised and priced to the individual, as opposed to one-price-fits-all,” Gunawardene said.

“We can analyse and price the risk. We can have daily fluctuating rates depending on where you are going. Financial services like lending can be customised, tailor made with credit evaluation done on the spot.”

Gunawardene said he foresees exponential growth with the next expansion being food delivery and trucking with financial services more in the medium term.

“What is the size of the addressable market? We’re going after every ride that takes place in the country every day – people or goods, be it food or a package.” (Economy Next)