

# NEWS ROUND UP

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## ***CB calls for managers to raise \$ 2 b in bonds***

The Central Bank yesterday issued a request on proposals from investment banks to sell up to \$ 2 billion in international sovereign bonds as the Government readies to repay \$ 5.9 billion in debt this year.

The notice posted on the Central Bank website said as per the approved International Sovereign Bond program for 2019, the Government intends to issue Sovereign Bonds in dollars, yen, renminbi and euro.

“The dollar denominated bonds and/or currencies referred above denominated bonds for benchmark size issuances up to equivalent of \$ 2,000 million in aggregate will be exercisable in single or multiple tranches with a competitive fixed coupon and medium to long-term maturities, preferably of five years or longer,” the notice said.

Accordingly, the Central Bank, on behalf of GOSL, invites proposals from banks and investment houses for consideration to be appointed as Lead Managers/Book Runners on above issuances, it added.

Cabinet gave approval earlier this month for the Central Bank to raise \$ 2 billion for debt repayment. The rise in the amount comes after Parliament increased the borrowing ceiling for liability management on 26 October 2018, making it possible for the Government to borrow up to Rs. 310 billion.

The Central Bank has been scrambling to gather sufficient funds to repay over \$ 1 billion in loans that were due in the first two weeks of January.

Having had its plans derailed during the seven-week constitutional crisis, the Central Bank repaid the \$ 1 billion in debt last Monday from its reserves, and has reached out to India and China to bolster reserves to acceptable levels by the end of January. The monetary authority used \$ 650 million from the HambantotaPort venture and funds leftover from the \$ 1 billion received from China Development Bank in October to assist in the \$ 1 billion bond repayment.

Last week, the Central Bank announced that it had also raised \$ 400 million through a swap arrangement with the Reserve Bank of India (RBI) and was in talks to raise \$ 1 billion more from swaps. They had also secured a \$ 300 million loan from the State Bank of China, which would be increased to \$ 1 billion.

“We are very keen to get this money into our reserves by the end of the month so that the reserve number published gives sufficient confidence to markets,” Central Bank Governor Dr. Indrajit Coomaraswamy told a forum recently, outlining plans to raise over \$ 5 billion by the end of March. Sri Lanka also has a further debt repayment of \$ 500m in April. In the first quarter, Sri Lanka has to repay \$ 2.6 billion in total, he said.

“We want to try and get all these transactions done in the first quarter of this year. The job of Central Banks is to prepare for the worst and we learnt a lesson on 26 October 2018. We don’t know what political tsunami might come next, so we have to plan and get the money in as fast as possible.”

State banks Bank of Ceylon, People’s Bank, and National Savings Bank are raising lines of credit on behalf of the Government. National Savings Bank is negotiating a \$ 750 million line of credit, while People’s Bank is currently on a road show in the Middle East. The Central Bank expects Bank of Ceylon and People’s Bank to jointly raise \$ 200 million to \$ 300 million.

The bulk of the \$ 2 billion to be raised will come from a \$ 1 billion or \$ 1.5 billion bond if market rates are favourable, the Governor has said. The Central Bank is also considering the possibility of issuing Panda and Samurai bonds to make up the rest. Rating agencies downgraded Sri Lanka’s sovereign rating in November 2018 during the political turmoil that was triggered after President Maithripala Sirisena

sacked sitting Prime Minister Ranil Wickremesinghe and appointed Opposition Leader Mahinda Rajapaksa. Ratings agencies have estimated Sri Lanka will have to repay about \$ 12 billion from 2019 to 2022. (Daily ft)

### ***Rupee slips on importer, bank dollar demand; stocks down***

The rupee closed slightly weaker on Monday, snapping two straight sessions of gains, due to dollar demand from banks and importers. Stocks fell 0.5% to their lowest close in eight weeks.

The rupee ended at 181.75/90 per dollar on Monday, compared with 181.50/65 in the previous session, market sources said. On 3 January, the rupee fell to an all-time low of 183 against the dollar.

The currency has appreciated 0.6% so far this year, Refinitiv data showed.

It fell 19% in 2018, making it one of the worst-performing currencies in Asia, according to Refinitiv data, due to heavy foreign outflows.

The International Monetary Fund last week said it would resume discussions for further disbursement of part of a \$ 1.5 billion loan amid investor worries of heavy debt repayments.

Sri Lanka is struggling to repay its foreign loans, with a record \$ 5.9 billion due this year including \$ 2.6 billion in the first three months. The Central Bank chief said around \$ 5 billion borrowing in the pipeline could help debt repayments.

The rupee has declined 4.8% since a political crisis started in October. That crisis had dented investor sentiment and delayed Sri Lanka's borrowing plans.

A series of credit rating downgrades have made it harder for Sri Lanka to borrow as it faces record high repayments.

The Colombo Stock Index ended 0.49% weaker at 5,958.47 on Monday. The benchmark index lost 5% in 2018.

Turnover was Rs. 793.3 million (\$ 4.37 million), less than last year's daily average of Rs. 834 million.

Foreign investors sold a net Rs. 46.9 million worth of shares on Monday. They have been net sellers of Rs. 15.8 billion worth of stocks since a political crisis began on 26 October. The bond market saw outflows of Rs. 86.7 billion between 25 October and 16 January, the latest Central Bank data showed.

Foreign investors pulled a net Rs. 22.8 billion out of stocks last year, while they net sold Rs. 159.8 billion from government securities from January through 26 December 2018, bourse and Central Bank showed data. (Daily ft)

### ***December inflation dips to 2.1%***

Annual average inflation hit 2.1% in December 2018, recording a monthly dip of 0.5% when compared with November, the Central Bank said in a statement yesterday. Headline inflation as measured by the year-on-year change in the National Consumer Price Index decreased to 0.4% in December 2018 from 1% in November 2018.

The decrease observed in year-on-year inflation in December 2018 is driven by the decrease of prices of items in both Food and Non-Food categories. Year-on-year Food inflation decreased to -4.5% in

December 2018 from -3.9 % in November 2018 while year-on-year Non-Food inflation also decreased from 5.2 % in November 2018 to 4.7% in December 2018.

The change in the NCPI measured on an annual average basis decreased to 2.1% in December 2018 from 2.7% in November 2018. The month-on-month change of the NCPI was -0.5% in December 2018. This was mainly due to decrease in the prices of the items in the Non-Food category where the Transport sub-category (petrol, diesel, and bus fare) recorded the highest decrease.

Moreover, prices of items in the Communications, Alcoholic Beverages and Tobacco sub-categories also reported decreases during the month. At the same time, prices of the items in the Food category decreased where vegetables, limes, big onions, banana and coconuts recorded prominent decreases.

The core inflation, which reflects the underlying inflation in the economy, remained at 3.1% in December 2018 on a year-on-year basis. Meanwhile, annual average core inflation also remained unchanged at 2.4% in December 2018. (Daily ft)

### ***Lucille Wijewardena reappointed Tea Board Chairman***

Plantation Industries Minister Navin Dissanayake yesterday reappointed leading business figure and industry veteran Lucille Wijewardena as the Chairman of Sri Lanka Tea Board.

The formal letter of appointment was handed over by the Minister at the Ministry in Battaramulla yesterday.

Wijewardena was the Chairman of Sri Lanka Tea Board before the political crisis on 26 October. Previously, he was the Chairman of Softlogic Stockbrokers Ltd., Managing Director of Anuga Holdings Ltd., and Founder Director of Regency Teas Ltd.

He told Daily FT yesterday that one of the priorities would be to get the global promotion campaign expedited.

“We hope to have the launch in China and Russia and Japan by end April,” he added.

Another priority will be to address the issues of Maximum Residue Levels (MRLs), which has affected markets in Japan and Taiwan. “Deteriorating quality of green leaf is another serious issue affecting quality,” Wijewardene added.

Wijewardena is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a Master’s Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayewardenepura.

In his career spanning over 35 years, he has held many senior management positions in areas of finance and general management. He served as the Managing Director of Hayleys Plantations, Talawakelle Plantations Ltd. and Pussellawa Plantations Ltd. He also held the post of Chairman of Mahaweli MarineCement Company Ltd. and Group Chief Accountant of Carson Cumberbatch&Co. Ltd.

Wijewardena also serves on the Press Complaints Commission of Sri Lanka as a member of the Dispute Resolution Committee. (Daily ft)

## ***Eve-of-Davos survey shows people place trust in companies over governments***

DAVOS, Switzerland (Reuters): People around the world place much more trust in their companies than their political leaders, according to a major survey that suggests a mood of uncertainty and pessimism on the eve of the World Economic Forum in Davos.

The annual Edelman Trust Barometer shows only one in five people believe the economic, political and social system is working for them, while nearly 60% think trade conflicts are hurting their companies and putting their jobs at risk.

The sense of gloom is strongest in developed markets led by Japan, where 84% of the general public – excluding the ‘informed public’ who are college-educated, earn above-average incomes and consume news regularly – do not believe they will be better off in five years’ time, followed by France at 79%, Germany at 74% and Britain at 72%. That is far above the average 49% of the 27 countries examined in the research.

Amid low confidence that politicians will fix the problems, these people are turning to companies, with 75% saying they trust “my employer”, compared to 48% for government and 47% for the media.

“CEOs now have to be visible, show personal commitment, absolutely step into the void, because we’ve got a leadership void in the world,” Richard Edelman, head of the communications marketing firm that commissioned the research, told Reuters.

Optimism was higher in the United States, where nearly half of the general public believed they would be better off in the next five years. The corresponding figure there was 62% for the better-educated, higher-earning “informed public”.

“The stock market was very good, the deregulation and lower taxes for the wealthy – it’s pretty good if you are an elite,” Edelman said of the US findings.

The survey, based on the opinions of over 33,000 people and conducted between 19 October and 16 November, is published on the eve of the Davos gathering in the Swiss Alps, which this year brings together some 3,000 business and world leaders amid anxiety over the US-China trade war, Brexit and a slowdown in global growth.

The pessimism in Japan, France, Germany and Britain reflects a variety of factors.

“I think Japan’s never really recovered from Fukushima, there was such a violation of trust when that happened,” said Edelman, referring to the authorities’ botched response to a massive nuclear accident in 2011.

Signs of slowing global demand and a sharp rise in the yen have clouded the outlook for Japan’s export-reliant economy, and the government plans tax hikes to pay for ballooning healthcare costs for its rapidly ageing population.

“The problem for the three (European) countries.... is that given the reality of the potentially diminished economic future, there is deep anger in advance,” Edelman said.

In France, what started as a grassroots rebellion by low-paid workers to protest taxes on diesel fuel and a squeeze on household incomes has morphed into an assault on President Emmanuel Macron and his reforms, seen by the protesters as favouring the wealthy.

And in Britain, the Brexit crisis intensified last week after Prime Minister Theresa May's two-year attempt to forge an amicable divorce from the European Union was crushed by parliament in the biggest defeat for a British leader in modern history.

The survey found that while only 49% of the wider population trusted institutions such as governments, this figure rose to 65% among high-income, college-educated and well-informed people – the biggest gap since the research began 19 years ago.

Despite widespread distrust of the media, uncertainty about the future has led to a sharp jump in people's consumption and sharing of news and information, up 22% percentage points in a year to 72%.

But more than 70% said they worry about false information or fake news being used as a weapon.

In the United States, where President Donald Trump has repeatedly denounced the media as purveyors of fake news, trust in media varied widely depending on political affiliations.

Those who identified themselves as Republican voters showed only 33% trust in media, while 69% of Democrats did so. (Daily ft)

### ***More military personnel to be implicated***

In an explosive statement, Defence Ministry Secretary Hemasiri Fernando yesterday said 11 soldiers would be prosecuted in the next two weeks over a high profile murder case, and called on the diaspora to submit evidence on crimes committed by any military personnel.

Hemasiri Fernando

"We will take legal action against 11 soldiers who have been involved in one of the most heinous, gruesome murders in Sri Lankan history," Fernando said, speaking at a felicitation ceremony hosted by Nalanda College.

Fernando also urged the people to come forward with any information and evidence they may have of any incident where military personnel have committed crimes.

"We call on the diaspora to put forward any evidence to prove any murder. We will take action against them," he said.

The Defence Ministry Secretary, noting that no military personnel is above the law of the country, said that if any soldier commits a crime, he will be tried before a court of law and meted with maximum punishment.

"The day a war hero goes and commits murder, he is no longer a war hero. He is then only a murderer. He has to be brought before Sri Lankan law and given maximum punishment in Sri Lankan courts," he said.

Fernando, going against the popular rhetoric of dubbing any member of the military as a 'war hero', noted that the person should be awarded such a medal through a Gazette issued by the Government.

“There are only 39,000 war heroes in this country, out of which 34,000 are in the Army, 4,400 in the Navy, and 868 in Air Force. To be a war hero, you have to have a war hero medal gazetted to your name. The young man who joined the Army three months ago thinks he is a war hero when he returns home. That is not right,” he said.

Fernando said that the Defence Ministry will also procure modern equipment to deal with the increasing drug menace in the country. The first procurement, costing over Rs. 1 billion, will be from Israel with funding released from President’s Fund, he said.

The Secretary was felicitated by the President of the Ranaviru Association of the Nalanda College OBA, Commander of the Air Force Air Marshal Kapila Jayampathy and school officials were also present at the event along with a large number of old Nalandians, serving and retired tri-forces and police personnel.  
(Daily ft)