

NEWS ROUND UP

Thursday, May 23, 2019

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Govt. to revise 2019 Budget

The Government is to revise the 2019 Budget, given the Easter Sunday setback and other external and internal challenges.

State Finance Minister Eran Wickramaratne told the Daily FT yesterday the review will be completed by June, and the revised Budget will be presented to the Parliament within the first half of the year.

State Minister of Finance Eran Wickramaratne

– Pic by Sameera Wijesinghe

“From the Budget we presented in November, what is obviously going to happen is that those revenues will reduce, as we experienced an unfortunate terror attack last month. When the revenues reduce, we have to adjust our expenditure. We will broadly review the Budget revenue and expenditure proposals, and we will have to realign on the priorities going forward,” he added.

When asked if there will be additional pressure on the Budget deficit, Wickramaratne pointed out that the economy will only face such a situation if the Government do not take proactive measures to adjust them now.

“Everybody is asking for concessions, but we may not agree to all of it. If we do these adjustments on the Budget proposals such as security as a priority area; we will keep the fiscal discipline going and not end up with pressure on the Budget deficit,” Wickramaratne pointed out.

Earlier this year when the Government presented the 2019 Budget, the overall fiscal deficit was projected to be 4.2% of GDP.

The likely revised Budget may be coincided with the statutory Mid-Year Fiscal Report, which is usually tabled in Parliament in July.

Wickramaratne also said GDP forecast for this year will be around 3%, deviating from their earlier projection of 3.5% to 4%.

He said the Central Bank, the World Bank, the Asian Development Bank and the International Monetary Fund too will review the GDP growth forecast.

“Commonsense tells us that it (reviewed forecast) will be at the lower end of the range,” he said.

Despite these challenges, the State Finance Minister expressed confidence in all due debt repayments, cash flows, and foreign reserves, noting that there are ‘no concerns’.

“We will meet all our debt obligations. We will go to the international markets and raise funds if we need to. We will raise the previously announced \$2 billion, and there is another \$1 billion policy base guarantee by the World Bank. This allows to use their credit rate and provides a guarantee to raise money for yourself. So immediately there will be another benefit of about 100 basis points and of the \$2 billion, \$1 billion will be covered by that. It also allows to extend the tenure. All this is possible because of the fiscal discipline we have maintained,” he stressed.

In terms of confidence building exercise of the investors, Wickramaratne said they have had discussions with multinationals and others, while the first external engagement with Invest Sri Lanka in Singapore was a great success.

“It will take time, but I am confident we will bounce back with greater vigour,” he said.
(Daily FT)

CB raises \$ 165.5 m via SL Development Bonds

The Central Bank (CB), on behalf of the Government, has raised \$ 165.5 million via the latest issuance of Sri Lanka Development Bonds (SLDBs) from \$ 196 million worth of bids received.

The multi-tenor with fixed and floating interest rate SLDB issuance was for \$ 200 million.

Central Bank had opted for the entirety of bids worth \$ 36.30 million received for two year two months floating rate offering at Weighted Average Margin (%) over six-month LIBOR (Floating) of 3.20%, \$ 36.2 million on two year 11 months floating rate option at Weighted Average Margin (%) over six-month LIBOR (Floating) of 3.48% and \$ 35 million on three year 11 months floating rate offering at Weighted Average Margin (%) over six-month LIBOR (Floating) of 3.93% and \$ 12 million from \$ 13.5 million bids for one year eight months floating rate option at Weighted Average Margin (%) over six-month LIBOR at 3.53%.

It also accepted \$ 28.3 million out of \$ 43.8 million bids received for two year two months fixed rate option at Weighted Average Fixed Rate of 5.87% and \$ 17.69 million out of \$ 30 million received for one year eight months fixed rate offering at Weighted Average Fixed rate of 5.93%.

In January, the first-ever SLDB issue for 2019 worth \$ 200 million went undersubscribed with \$ 181.73 million bids received. However the Central Bank accepted \$ 179.73 worth of bids.
(Daily FT)

CSE and SEC holds investor forum in Singapore to restore confidence

The Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka (SEC), in a proactive attempt to reassure foreign investors, recently organised an Invest Sri Lanka Forum targeting portfolio and direct investors in Singapore.

The forum drew an encouraging response from investors, who were offered an assessment of the investment climate and expectations for the short-medium term, considering the context of the Easter Sunday attacks that took place on 21 April.

The event was organised in association with the Sri Lankan High Commission in Singapore and supported by the Singapore Business Federation in the capacity of promotional partner. Asia Securities was the Exclusive Platinum Sponsor of the event, while SriLankan Airlines was the Official Travel Partner.

Investors also attended a number of one-to-one and group meetings with Sri Lankan listed companies that travelled to Singapore for the Invest Sri Lanka Initiative, which included Chairmen, Chief Executives and Senior Management representatives of John Keells Holdings PLC, Commercial Bank of Ceylon PLC, Dialog Axiata PLC, Hemas Holdings PLC, Sampath Bank PLC, People’s Leasing and Finance PLC, National Development Bank PLC, Softlogic Holdings PLC, Softlogic Life Insurance PLC and Sunshine Holdings PLC.

The event was also supported by the Sri Lankan stock brokering community and respective partners based in Singapore, with eight Sri Lankan firms present at the event.

State Minister of Finance Eran Wickramaratne, Central Bank Governor Dr. Indrajit Coomaraswamy, SEC Chairman Ranel T. Wijesinha, CSE Chairman Ray Abeywardena, and LYNEAR Wealth Management

Managing Director Dr. Naveen Gunawardane spoke at the event while CSE CEO Rajeeva Bandaranaike and SEC Director General Vajira Wijegunawardane joined in as panellists during the discussion segment.

The panel discussion was moderated by Senior Advisory Board Member and Singapore Sri Lanka Business Association Past President Manjiv Dodanwela.

Eran Wickramaratne, speaking at the event, acknowledged that the events on 21 April were a setback, but noted that all possible steps to ensure national security have been implemented during the past month, including apprehending elements that were responsible for the attacks.

The State Minister also said that Sri Lanka has witnessed overwhelming support internationally from foreign governments, institutions and the international community at-large, who have expressed solidarity with Sri Lanka during recovery and response efforts.

The State Minister commended the resilience of the Sri Lankan people, stating that the effort to restore normalcy during the past month has been solidified by the drive and unity of the Sri Lankan people.

Commenting on the economy, the State Minister stated that the Government will remain committed to fiscal consolidation despite the setback but will endeavour to support businesses and industries that were severely affected, affirming that the Government has already introduced a relief package for the Tourism Sector.

Speaking at the event, Dr. Indrajit Coomaraswamy stated that the fact that the robust macroeconomic fundamentals which were evident before 21 April have remained intact post the tragic events offers reason to be optimistic on the ability of the economy to recuperate in the short-term.

Continuing to comment on the economic impact of the attacks, the Governor stated that while there will be a hit on growth, particularly due to the effects on the Tourism Sector and its supply chains, a large majority of the economy has remained completely untouched and unaffected by the events.

“If you look at the economy, it is very much intact. So the capacity to bounce back is clear, if we can restore stability – and we have gone a long way towards doing that. If you take a medium-term view of Sri Lanka, the potential is enormous. We will get through these disturbances, as tragic as they were, and bounce back,” the Governor added.

Ranel T. Wijesinha stated that both foreign direct and portfolio investors have always considered Sri Lanka as an investment destination and said that there is clearly reason to believe that foreign investors will continue to invest in the market.

Wijesinha also noted that the SEC wishes to continue its strong commitment to conducting initiatives focused on attracting investments to the market and to ensuring the quality of the investment options available.

“We in Sri Lanka are deeply committed at all levels, including Government, institutional, the capital market and other levels, to maintain the momentum that has been achieved in the past few years and especially to re-attract investors that may have left and to attract new investors.”

Commenting on the thinking behind organising the event at this juncture, Ray Abeywardena stated that the Forum aims to offer perspective on why investors from around the world, especially those with investment holdings in Sri Lanka, should remain optimistic about the Sri Lankan story going forward.

“Many researches done on the impact on domestic and global financial systems as a result of terrorist acts indicate that markets in affected countries have bounced back sooner than expected. In fact, the

immediate aftermath of these events have offered investors excellent investment opportunities – if entered into at the right time. Our observation so far is that foreign investors have read this risk perhaps more factually and objectively. We have continued to see buying interest in certain sectors by global funds,” he added.

According to the CSE Chairman and in a noteworthy statistic, foreign investors have bought more stocks than they have sold during the past month, with a net inflow of Rs. 231 million since 21 April.

Sharing his thoughts on investing in Sri Lankan equities from a buy-side perspective, Dr. Naveen Gunawardane said: “As long term investors, this is the time that you should be really looking at the market, because you want to buy when there are opportunities through short-term shocks. The equity markets are cheap; the valuations are very attractive and although liquidity is quite tight, what we have seen is that you can actually build up positions provided that you have a bit of patience.”

Particularly, Gunawardane noted that the Sri Lankan banking sector shows remarkable valuations compared to its peers in Asian frontier markets and should garner the attention of investors, especially considering the fact that the sector is well-regulated, conforms to international reporting and financial risk management frameworks, delivers consistent returns and practices strong governance.

The CSE and SEC organise ‘Invest Sri Lanka’ Forums among investors based in key financial centres around the world. The forums are conducted in key foreign markets, based on factors such as investment holding, institutional fund manager presence and other trends.

The CSE and SEC have previously conducted Forums in the UK, USA, Singapore, Australia, New Zealand, UAE, India, Switzerland and Hong Kong. This was the fourth Invest Sri Lanka Forum conducted in Singapore.

(Daily FT)

Dhammika Perera non-committal over Presidential bid invite

Popular business leader Dhammika Perera when contacted by the Daily FT over speculation of UNP-led coalition likely to field him as the common Presidential candidate declined to comment at this juncture.

It was reported in social media that Prime Minister Ranil Wickremesinghe had met Perera and suggested he should consider being the common candidate at the Presidential Election slated later this year.

(Daily FT)

Growing taste for Sri Lankan tea among Chinese youth triggers export boom

Chinese youth are acquiring a taste for Sri Lanka’s black tea, with shipments to China, mainly a green tea market, growing strongly this year, Sri Lanka Tea Board Chairman Lucille Wijewardena said.

“From nothing about three to five years ago, last year they bought 10 million plus kilos of tea,” Wijewardena told economynext.com in an interview.

In the first quarter of this year, almost 2.8 million kilos of ‘Ceylon tea’ were exported to China, up 210,300 kilograms or 8.2 percent from a year ago.

China’s market share of total Sri Lankan tea exports in the first quarter was 3.77 percent, up slightly from a year ago..

“These numbers are huge,” Wijewardena said. “And this is a great opportunity for our industry as we are now open to a market with the highest population in the world.”

Wijewardena attributed the surge in tea exports to China mainly to Chinese youth developing a liking for consuming black tea with milk.

“And that is going to be a big market for us,” he said, noting that they expect exports to China to increase further.

China was the seventh highest export market for ‘Ceylon tea’ in March this year, ahead of other key markets like Syria, Germany and Japan.

Iraq was the top buyer of Sri Lankan tea in 2018, importing almost 10 million kilograms of tea, up by 4.02 percent from a year ago.

Prices for Sri Lankan tea are higher when compared with other competing countries like Kenya.

Wijewardena said Sri Lankan tea carries a premium quality image, which attracts higher demand and global recognition.

That’s why consumers in a big market like China resort to buying Sri Lankan tea instead of many others like CTC type tea which is what Kenya mainly produces.

“Fortunately the ethnic problem has not affected us.” Wijewardena said referring to recent turmoil within the country. “Transportation takes place and auctions are going on as usual.

“We didn’t have a single auction which was canceled. We got security for such possible cases and so far no disruptions were seen.”
(Economy Next)

Threat subsides, Sri Lanka Easter bombers home-grown: investigators

Sri Lanka’s Easter bombers were from a home grown outfit, but with foreign expertise in the manufacture of “Mother of Satan” bombs, the trade mark of the Islamic State.

Both police and military investigators believe they have accounted for almost all the followers of radicalised Islamic cleric Zahran Hashim’s who led the April 21 attack.

“The top level of Zahran’s out-fit is no more,” a senior investigator said. “The police and the military have taken care of the second level too. The threat of a repetition of April 21 bombings is extremely unlikely.”

The officer agreed that there still may be a few who have escaped the security net, but their ability to stage new attacks was almost nil. “The operational capability of an remnants is almost non-existent.”

Police spokesman Ruwan Gunasekera said that nearly 90 people, including 10 women, were in custody in connection with the bombings that killed 258 people and wounded nearly 500. Army chief Mahesh Senanayake also expressed confidence that Zahran Hashim’s group could no longer pose a threat.

Here is what is known so far:

The bomb

The bombers used triacetone triperoxide, or TATP, an unstable blend of chemicals favoured by the Islamic State group which calls it "Mother of Satan." TATP is a white crystal powder that Zahran's outfit had made locally, but possibly with the help of foreign experts.

It is the TATP that ties Zahran's National Thowheeth Jama'ath (NTJ) to the Islamic State. However, evidence so far suggests that the NTJ carried out the attack as a shout out to the IS and that there was no direct IS involvement in the attacks.

It is believed that Zahran or other members of his group had TATP manufacturing training either in Sri Lanka or abroad.

In January, police found about 100 kilos of high explosives following the discovery of 100 detonators from a location near Wilpattu national park. This find was made as the police Criminal Investigation Department (CID) probed the December 26, 2018 desecration of Buddha statues in Mawanella. At the time, the authorities had not pin-pointed the explosives as TATP.

The attackers

Hashim and six other bombers staged the attacks against the three churches and three luxury hotels. Another man and a woman also blew themselves up the same day in related incidents, bringing the number of suicide bombers to nine.

Fathima Ilham, who was pregnant, killed herself and her three children when police went to the family homes shortly after her husband Ilham Ibrahim was identified as one of the Shangri-La bombers.

The ninth bomber was identified as UK and Australia-educated aeronautical engineer Abdul Latheef Jameel.

CCTV footage showed him carrying a backpack of explosives to another Colombo hotel, but for an unknown reason did not detonate it. Instead he went to a motel outside Colombo and killed himself. A couple in the next room were also killed.

It is suspected that Latheef may have chickened-out and did not want to kill other people at the hotel restaurant having Sunday breakfast. Latheef had checked into the five-star hotel on April 19 and also attended a wedding there. He was known to the restaurant staff as an in-house guest.

There was a suggestion that his bomb may have malfunctioned, but it did work at the Tropical Inn at Dehiwala where he detonated it in a room with no other people around. The couple in the next room became collateral damage.

Latheef was the most educated and the most technically qualified out of the nine bombers. If he had chickened out at the deluxe hotel, there was no secondary detonating device for a handler to set it off. In places like Indonesia, the IS had detonated secondary triggering devices to murder would-be suicide bombers who had a last minute change of heart.

Police on Tuesday confirmed the identity of all the nine bombers following DNA tests. They reconfirmed that Zahran led the attack and there were two brothers, Ilham Ibrahim and Insaf Ibrahim, among the bombers. Their spice export business, Ishana Spice Exports, appeared to have been the main funder of Zahran.

Militant followers

Army chief, Lieutenant General Senanayake, said six Muslim men who had pledged to carry out suicide bombings were killed when their safe house near the eastern town of Kalmunai was raided on April 26.

Three men inside the house and three outside tried to fight off security forces. When they ran out of ammunition, they recorded a video message and blasted themselves.

Along with the six men, the widows of three April 21 bombers and their six children were killed.

"The network that carried out the April 21 attack has been accounted for," Senanayake said. "We are now going after the second level to make sure we sweep our extremist terrorists."

Foreign help

President Sirisena has said eight countries were directly helping with the investigations. The United States, Britain, Australia and India are among countries that have provided forensic and other technical support.

The army chief Senanayake said at least two suspects were arrested in Qatar and Saudi Arabia underscoring the international help to break the jihadi network in Sri Lanka. China has offered a fleet of vehicles to bolster mobility of the security forces.

The government has also acknowledged that the country's security establishment failed to act on intelligence India provided on April 4 pinpointing who would carry out the attack when and where.

Internal investigation into security lapses is underway.
(Economy Next)

Pound tumbles on Brexit agony as trade fight weighs on Wall Street

The pound hit a four-month low against the dollar Wednesday after Prime Minister Theresa May's latest Brexit maneuver drew widespread scorn, while Wall Street shares declined amid anxiety over US-China trade uncertainty.

The pound also was weaker against the euro a day after May offered a revised EU divorce deal that included a promise for lawmakers to set a confirmatory referendum on whatever version of Brexit they end up approving.

"Politicians from all sides trashed her proposals, leaving the pound mired at four-month lows while the prime minister awaits her end of days," said OANDA senior market analyst Jeffrey Halley.

"A settlement remains as distant as ever," he warned.

May has failed three times to pass her controversial withdrawal agreement in parliament, and has vowed to set out departure plans shortly after the next vote on her deal.

European stock markets gyrated, with London and Frankfurt eking out gains and Paris slipping lower.

Wall Street stocks, which have been volatile over the last two weeks in the wake of new tariff announcements by Beijing and Washington, pulled back again. The US and China have said they expect to resume talks but have not set a date.

- TARIFFS RAISE PRICES -

Meanwhile, US Treasury Secretary Steven Mnuchin acknowledged that consumers may pay higher prices as a result of the steep tariffs imposed on Chinese goods, contradicting US President Donald Trump who claims China pays for the tariffs creating a windfall for the US government.

"There may in some cases be an impact passed on to our consumers," Mnuchin said in congressional testimony.

Minutes from the Federal Reserve's April 30-May 1 policy meeting said economic risks to the US had receded but were still present, and the central bank is content to be patient before moving interest rates in either direction.

However, the meeting was held at a time when optimism was high for a deal to end the US-China trade war and before Trump more than doubled tariffs on \$200 billion in Chinese goods, sparking further retaliation from Beijing.

Many analysts expect more volatility in the period ahead due to the unsettled nature of the US-China conflict.

"The prevalence, and volatile nature, of trade headlines that have no clear end-date helped curb some of yesterday's trade-related enthusiasm," Briefing.com said.

Oil prices fell after data pointed to a surprise increase in US inventories, while Washington appeared to tone down its rhetoric from recent weeks with Iran, saying it did not want a war with the Islamic republic.

- KEY FIGURES AROUND 2040 GMT -

New York - Dow: DOWN 0.4 percent at 25,776.61 (close)

New York - S&P 500: DOWN 0.3 percent at 2,856.27 (close)

New York - Nasdaq: DOWN 0.5 percent at 7,750.84 (close)

London - FTSE 100: UP 0.1 percent at 7,378.98 (close)

Frankfurt - DAX 30: UP 0.2 percent at 12,168.74 (close)

Paris - CAC 40: DOWN 0.1 percent at 5,378.98 (close)

EURO STOXX 50: FLAT at 3,386.72 (close)

Tokyo - Nikkei 225: UP 0.1 percent at 21,283.37 (close)

Hong Kong - Hang Seng: UP 0.2 percent at 27,705.94 (close)

Shanghai - Composite: DOWN 0.5 percent at 2,891.70 (close)

Pound/dollar: DOWN at \$1.2661 from \$1.2706 at 2100 GMT

Euro/pound: UP at 88.09 pence from 87.84 pence

Euro/dollar: DOWN at \$1.1155 from \$1.1161

Dollar/yen: DOWN at 110.30 yen from 110.50 yen

Oil - Brent Crude: DOWN \$1.19 at \$70.99 per barrel

Oil - West Texas Intermediate: DOWN \$1.71 at \$61.42 per barrel

(Economy Next)

Sri Lanka mobile money use still low, survey finds

Use of mobile phones to do financial transactions is still low in Sri Lanka, with the island among the lowest in Asia, according to a new survey of mobile phone owners aged 15-65 years.

Only five percent of Sri Lankans in that age group used mobile phones to send or receive money, according to the survey, 'AfterAccess'.

It studied how individuals access and use information and communications technologies (ICTs) in 23 countries of what is called the Global South

"On a percentage basis, the use of mobile phones for financial transactions was very low in the Asian survey countries," said the survey, presented by the LIRNEasia think-tank.

Bangladesh had the highest use of 30 percent among the Asian survey countries with the highest overall being in Kenya, at 86 percent, followed by Uganda at 80 percent.

Sri Lanka has a mobile phone penetration rate - connections per 100 persons – of 150.1, with the first effective mobile money transfer system launched by a mobile phone operator in 2012 followed by other mobile operators and later banks.

The mobile phone penetration rate among the survey group – mobile phone owners aged 15-65 years – was 78 percent in Sri Lanka. (Economy Next)