

NEWS ROUND UP

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1H tea exports hit record Rs. 121.8 b

Sri Lanka's tea exports in the first half of this year have reached to highest ever of Rs. 121.8 billion, up by 7% from the earlier record established in the corresponding period of last year despite a drop in volume.

Forbes and Walker Tea Brokers said FOB value for the first half of 2019 was Rs. 839.46 per kilo, up by Rs. 11.33 per kilo from a year earlier.

January to June 2019 cumulative exports volume wise amounted to 145.1 million kilos down by 5.5% from the corresponding period of last year.

The industry also witnessed a drop in volume in June though marginally by 0.6 million kilos to 24.1 million kilos.

Value wise the decline was Rs. 700 million to Rs. 19.9 billion, resulting in the FOB value of Rs. 829.12 per kilo down Rs. 4.09 from a year earlier.

In June, bulk tea exports showed an increase, whilst tea bags and packeted tea show a decrease compared to the corresponding month of 2018.

On a cumulative basis, tea bags, packeted tea together with bulk tea have shown a growth year on year.

Forbes said Iraq has retained the No. 1 spot as the largest importer of Sri Lankan Tea for the period January-June 2019 followed by Turkey, Russia and Iran.

Further, Libya, China and Azerbaijan are some of the noteworthy importers, whilst it is also relevant that destinations such as India, Germany and USA have shown a significant growth in imports for the period under review when compared to the corresponding period of 2018, Forbes said.

Markets such as Chile have imported a lesser volume during the period January-June 2019 vis-à-vis January-June 2018.

The dip in June is comparison to improvement in May 2019 when tea exports gained by 3.5 million kilos to 26.6 million kilos vis-a-vis a year earlier and value up by Rs. 3 billion to Rs. 22.1 billion. FOB value saw a gain of Rs. 2.94 to Rs. 832.20 per kilo (Daily FT)

Tea crop up in June

Sri Lanka's tea production in June saw a sharp gain of 3.9 million kilos to 27.1 million kilos from a year earlier.

Low Growns have shown the highest gain year on year followed by High and Medium Growns.

Despite the significant gain in June, the cumulative first half crop figure reflects a marginal increase of only 0.3 million kilos to 158.4 million kilos from the corresponding period of last year.

High Growns show a negative variance compared to January-June 2018, whilst Mediums together with Low Growns have shown a growth YOY.

CTC production in June was up 0.17 million kilos to 1.9 million kilos but the first half crop was down by 0.9 million kilos to 11.2 million kilos. (Daily FT)

Chinese help to revive Sri Lanka's tourism

Over 100 Chinese travel agents arrived yesterday, becoming the largest group post-Easter Sunday attacks to help revive tourism in Sri Lanka.

The group was brought down by Sri Lanka Tourism Promotion Bureau (SLTPB) in collaboration with Walkers Tours, the destination management arm of the leisure sector of premier blue chip company John Keells Group and Beijing Spring Travel International Co. Ltd. The initiative was an outcome of the promotion SLTPB had in Beijing, China in June.

The group consists of 107 Chinese travel agents and 12 media personnel from Beijing as well as from other parts of China and will explore Sri Lanka in a span of one week in four different groups visiting all key tourist attractions.

“This visit by the large group emphasises the fact that the tourist arrivals are gradually increasing in Sri Lanka and is indeed a good sign for the travel and tourism industry. We hope to achieve our set tourist arrival target of 2 to 2.5 million by the end of the year,” Tourism Development Minister John Amaratunga told journalists in Colombo yesterday.

Assuring that the country was absolutely safe for travel, he said that the diversity Sri Lanka has to offer will enchant more Chinese travellers to come in the near future.

The Minister also called on the Chinese media to provide the maximum publicity on the destination at this hour of need to boost tourism industry in Sri Lanka.

With Sri Lanka ready to launch free visa on arrival for 43 countries including China from 1 August, the Minister believes it will also help more Chinese travellers to visit the country.

“We have got Cabinet approval for free visa on arrival and we have also reduced a number of airport taxes to facilitate more direct international and charter flights to operate.

With more connectivity and visa fee exemption initiatives, there will be an increased number of Chinese tourists coming to Sri Lanka,” Amaratunga added.

The Minister also said the Government would introduce a tracking system to ensure that no “undesirable people” would enter the country under the new visa scheme.

“We are in the process of developing a separate platform in order to ensure that no unwanted people make use of this opportunity and create problems in Sri Lanka,” he added.

John Keells Group Destination Management Sector CEO Nalaka Amaratunga said this visit would be a great kick-start to revive the tourism industry in Sri Lanka.

“This whole initiative started when we met in Beijing during five weeks ago. Spring Travel has been a strategic partner of us for the last eight years and they are part of a large conglomerate like us and they also own Spring Airlines, where they have 96 aircraft. They have already shown their commitment to promote Sri Lanka tourism and we are hopeful that this initiative will continue,” he added.

Although there is a slight hiccup with connectivity issue with few Chinese airlines pulling out of Sri Lanka, Amaratunga said they were hopeful that the airlines will recommence operations by September.

Beijing Spring Travel International Managing Director Yang Yang pledged their fullest corporation to promote Sri Lanka in a massive scale among Chinese travellers.

Whilst urging the Chinese media personnel to narrate their first-hand experiential stories in Sri Lanka in China, Yang believes this initiative will help Sri Lanka to go to next heights in travel sector.

SLTPB Director Marketing Madubhani Perera said they have planned a number of promotions initiatives in China this year.

According to her over 265,000 Chinese visited Sri Lanka in 2018 and with the Easter Sunday setback, they hope to at least attract 50% of last year's total by the end of 2019.

"We already had a successful promotion in China and there are many lined up for this year. A CCTV crew will arrive in Sri Lanka next week to provide publicity on the security, stability and tourism in Sri Lanka," Perera added.

She also said a special ceremony to mark the 1,600th anniversary of the itinerant Chinese Buddhist monk Ven. Fa-Hien's (also known as Faxian) visit to Sri Lanka will be held on 28 August at the BMICH in collaboration with the Cultural Affairs Ministry. (Daily FT)

Sri Lanka should compete with Asia Pacific region through FTAs: minister

Sri Lanka has to compete with the rest of the Asia Pacific Region in trade through free trade agreements (FTAs), a minister said.

"As the government we are doing our best than previous governments to ensure the development in Sri Lankan economy," Development Strategies and International Trade Minister Malik Samarawickrama said.

"We hope that in the future we will be able to compete with countries in the Asia Pacific Region without being afraid," he said at a forum held at the Ceylon Chamber of Commerce.

He said Sri Lanka needs to sign more FTAs.

"If Sri Lanka is to compete against the competitive and growing global market it is compulsory to get in to free trade agreements as much as possible".

"In the Asia Pacific region there are 170 free trade agreements covering more than 40 countries with a population of more than 4 billion."

He said that Sri Lanka is negotiating FTAs with China, Korea and Japan.

Sri Lanka already has a FTA with India, which is being expanded, with negotiations at an advanced, Samarawickrama said.

He called on the Ceylon Chamber of Commerce to be more active to help the negotiations finish faster, which would allow Sri Lanka to be more competitive.

Bangladesh and Malaysia too have shown interest in signing FTAs with Sri Lanka. (Economy Next)

Teejay Lanka, Sri Lanka banks in EPF buy list

Sri Lanka's largest pension fund, the Employees' Provident Fund, which is managed by the central bank, has invested in Teejay Lanka Plc and private banks after its initial investment in Dialog Axiata Plc in the June quarter, data showed.

Amid the lowest valuations in the Colombo Stock Exchange (CSE) in seven years after the Easter Sunday bombings, the EPF, which manages 2.3 trillion rupees in assets, re-entered the market in 2019, investing over 2 billion rupees in the June quarter.

EPF's purchase of 55 million of Dialog Axiata shares for around 495 million rupees in mid-May helped re-ignite interest in the stock market.

Official data as at end-June showed that the investment in Dialog had increased by 56.3 million shares or 513 million rupees from end-March.

The EPF had also invested in Teejay Lanka, an export firm, for the first time, buying 384,849 shares (0.05 percent of total Teejay shares) worth 12.04 million rupees.

The central bank triggered monetary instability after juggling with conflicting external and internal anchors, triggering runs on the rupee which sharply depreciated the currency in 2018.

But the monetary authority has been on a depreciating path under a real effective exchange rate targeting exercise.

Depreciation gives a subsidy to exporters at the expense of society by cutting real wages. In Sri Lanka lack of market pricing of utility prices gives an additional subsidy.

Central Bank Governor Indrajit Coomaraswamy, speaking to EconomyNext after the EPF's first foray into the market, said that the fund was buying from a small list of stocks.

The fund's target is to increase its portfolio of stock investments from 3 percent of total assets to 6 percent.

The EPF had also bought into several banks. Though monetary instability in 2018 led to a spike in bank loans, central bank deposit rate cuts are helping bank profits.

The EPF had invested 1.5 billion rupees in Commercial Bank, Sampath Bank, Hatton National Bank and Seylan Bank in the June quarter.

The largest investment in the banks was 1.1 billion rupees in Sampath Bank, amid a rights issue of the firm.

Despite a mish-mash of conflicts of interest in a central bank managing an equity fund which invests in the domestic market, current Governor Coomaraswamy had overhauled the governing process after allegations of earlier mis-management.

Coomaraswamy had said that while many banks are likely to opt for rights issues to improve their capitalisation, the EPF will only subscribe to rights if fundamentals are right.

Sampath Bank shareholders did not subscribe to all the rights issue leading to the board seeking new investors to buy rights.

The government controls private banks through both the EPF and other state institutions.

Coomaraswamy had also said that he was personally against the EPF investing in banks, as it allows the central bank, which is the financial sector regulator, to also control the institutions.

Coomaraswamy said additional measures including putting the EPF under Deputy Governors who had no role over banks will be considered.

Meanwhile, data showed that the EPF had fully sold its stakes in Browns Capital Plc and Browns Investments Plc.

The data did not show how much the 104,900 Browns Capital and 2.1 million Browns Investment shares were sold for.

The EPF had bought the shares in the two firms for 4.2 million rupees, but they were worth 3.5 million rupees as at end-March.

The two firms had merged in March.

Sri Lanka's stocks had started to recover over the past few weeks. The EPF has a large list of stocks, which its managers have to track to effectively manage the agency, including speculative stocks bought when governance was weak.

There have been calls for independence management of EPF especially due its investment in bonds. There have been concerns that due to central bank's obligation to sell bonds for the Treasury it may be buying bonds below market price as a so-called 'captive' investor. (Colombo/Jul28/2019, Updated Jul28/08:36- Added merger of Browns Capital and Browns(Economy Next)

Tokyo stocks open lower with eyes on earnings, trade

Tokyo stocks opened lower on Monday, shrugging off rallies on Wall Street as investors remained cautious amid corporate earnings season and ahead of US-China trade talks.

The benchmark Nikkei 225 index slipped 0.13 percent, or 28.04 points, to 21,630.11 in early trade, while the broader Topix index was down 0.09 percent, or 1.40 points, at 1,570.12.

"A wait-and-see attitude may spread ahead of the Bank of Japan's policy board meeting and the US FOMC meeting, as well as resumption of the US-China trade talks" this week, Mizuho Securities said in a commentary.

Investors are also closely watching earnings reports, it said.

The dollar fetched 108.58 yen in early Asian trade, against 108.66 yen in New York late Friday.

In Tokyo, blue-chip exporters were broadly lower, with Toyota slipping 0.23 percent to 7,134 yen and chip-making equipment producer Tokyo Electron trading down 1.33 percent at 18,055 yen.

Hitachi was off 2.56 percent at 3,832 yen, industrial robot maker Fanuc was down 0.89 percent at 19,410 yen and construction machine maker Komatsu was 1.30 percent lower at 2,428 yen ahead of their earnings reports after the close of the market Monday.

On Wall Street, the Dow ended up 0.2 percent at 27,192.45. (Economy Next)