



CNCI NEWS BULLETIN

ISSUE 72
September 2020

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Look for investors to promote innovations-President instructs officials

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President Gotabaya Rajapaksa



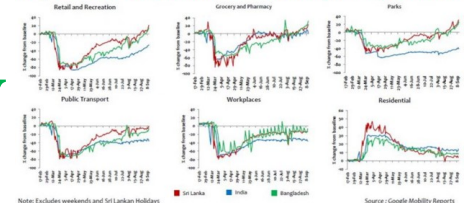
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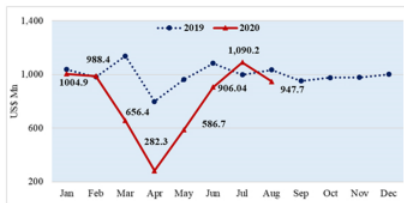
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Monthly Export Performance 2019, January-August 2020



Sources: Central Bank of Sri Lanka, Sri Lanka Customs & Sri Lanka Export Development Board

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EXCHANGE RATES AND SRI LANKA ECONOMY SNAPSHOT AS AT 30th SEPTEMBER



Look for investors to promote innovations- President instructs officials

President Gotabaya Rajapaksa advised the officials to divert both institutional and independent innovations to the production market immediately, with the assistance of investors.

Researches by a number of institutes had led to groundbreaking innovations that could eventually triumph in the global market. President stated that the production of these would earn foreign exchange income for the Sri Lankan economy and in addition the inventors would be further inspired in their innovations.

President made these remarks during a discussion with the State Ministry of Finance and Capital Markets and Public Enterprise Reforms with regard to its future activities at the Presidential Secretariat.

State Minister Ajith Nivard Cabraal noted that it has been observed that the interest rate, currency and market stability now remain at a satisfactory state and added that his ministry is enthusiastically striving to identify 10 new priorities in order to pave the way for a swift development in the economy.

When compared with the rest of the world, Sri Lanka has a favourable and appealing economy for foreign investors.

"With the assistance of Sri Lanka's ambassadors abroad and a proper advertisement program, we should devise plans to attract foreign investors to our country". President added.

It was also discussed to establish an office for pioneering foreign investors in the heart of Colombo.

President noted the significance of state institutes reaching out to village areas and bank loan accessibility for small scale and medium scale entrepreneurs that would ensure rapid development in the country.

President directed the officials to inquire into the feasibility of lowering prices for cement and steel in order to decrease construction cost in the country.

Prime Minister Mahinda Rajapaksa stated that it is imperative to recover the background suitable for development that existed before 2015.

He added that fragmentation of the lands used for coconut plantations should be banned immediately.

289 large scale projects have been launched in the country. Head of the Presidential Task Force for Economic Revival Basil Rajapaksa advised them to be completed immediately and added that the conclusion of planned development projects such as roads, water supply projects and school infrastructure facilities and other planned projects would boost the construction sector.

President showed the importance of planning the transactions of the share market so as to attract young and other local investors.



President Gotabaya Rajapaksa

"Use of Sinhala language for simplicity and clarity would easily attract the local investors into the share market", President added.

President advised the officials to take steps to compensate the investors who had invested in bankrupt finance companies. President further instructed them to ascertain the assets of these finance companies and compensate depositors accordingly.

Secretary to the President, P.B. Jayasundera, secretaries to the Cabinet and state ministries, Heads of the line Institutes were present at the discussion.

Source: the island - 26 September 2020



DFCC BANK

Keep Growing

Low valued companies' stocks in demand



By Hiran H. Senewiratne

Share price increases of low valued stocks were a highlight of CSE trading yesterday, market analysts said.

It is said that HNB Finance, which featured one of the smallest Initial Public Offerings (IPO) in February this year, witnessed more than a 75 percent share price increase, thus adding 21 index points to the All Share Price Index. According to stock-brokers, when the HNB Finance shares started trading, it stood at Rs. 8.80 and at the end of the day it shot up to Rs. 15.50, which was a Rs. 6.60 or 75 percent increase.

At the IPO in February it is said that the number of issued shares reported 10 million at Rs. 5.70 per share. However, during the day more than 1.9 million shares or close to 20 percent traded, which was an unusual occurrence, brokers said.

Further, there was a significant price increase in the stocks of

several low valued companies, including Pan Asia Power, Mackwoods Energy, Laugfs Power, Vallibal Power Erathna, Vidula Lanka, Lotus Power, National Lanka Finance and many more.

These listed companies' share prices noticeably increased and traded well. Those companies' share prices are all below Rs. 10, market analysts said.

Amid those developments profit taking was noted since it is near to the month end and both indices showed mixed reactions. All Share Price Index was up by 18.23 points and S and P SL20 went down by 16.06 points. The slight drop in the banking sector resulted in indicating a downward trend in S and P SL20, market sources said.

Yesterday, turnover stood at Rs. 2.53 billion with three crossings. Those crossings were reported in JKH, which crossed 540,000 shares to the tune of Rs. 73.44 million; its share price traded at Rs. 136, HNB 250,000 shares crossed for Rs. 32 million, its

share price traded at Rs. 128 and Sampath Bank 150,000 shares crossed for Rs. 20.3 million, its share trading at Rs. 135.

In the retail market top five companies that mainly contributed to the day's turnover were, Kelani Tyre Rs. 151.5 million (91.9 million shares traded), Royal Ceramic Rs. 130 million (1.15 million shares traded), Hemas Holdings Rs.118.3 million (1.68 million shares traded), Expolanka Rs. 112.6 million (11.8 million shares traded) and Richard Pieris Holdings Rs. 93.2 million (6.2 million shares traded). During the day 134.2 million share volumes changed hands in 26024 transactions. Sanasa Development Bank is going for a right issue, which was conveyed to the CSE yesterday

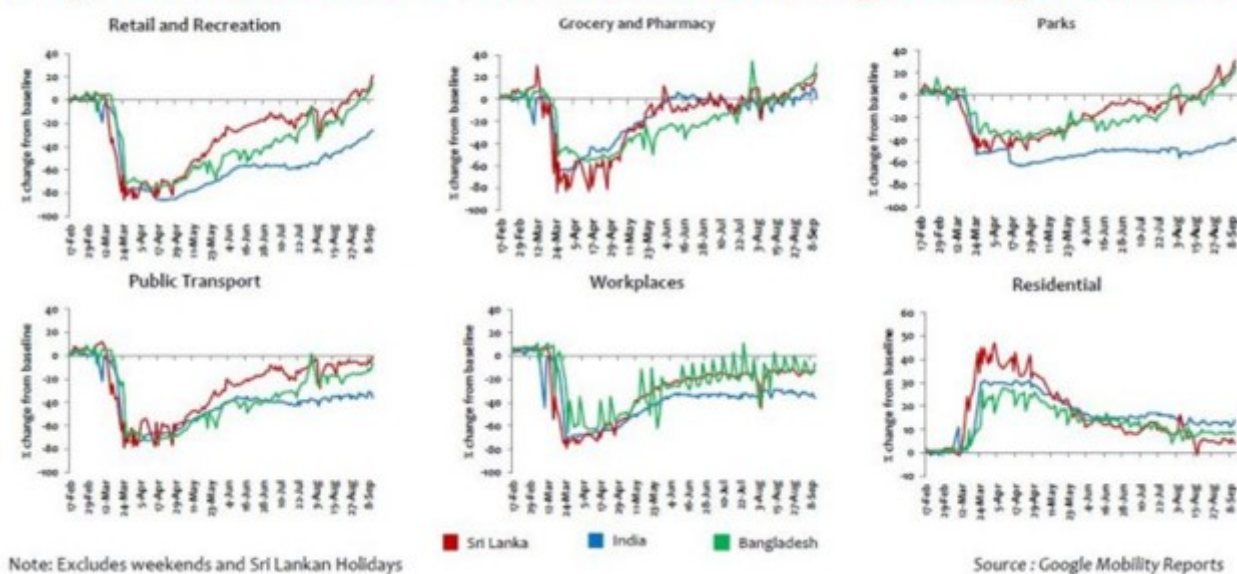
On the previous day, Hayleys PLC dominated turnover at the CSE with 2 million of its shares trading for Rs. 467.3 million, accounting for 13 percent of the total. Finco had bought the shares (amounting to a 2.6 percent stake) done via two crossings at Rs. 230 per share.

Source: -The Island- 23, September 2020



Central Bank says economy on recovery path

People's movements have normalised ahead of neighbouring countries...



The Central Bank of Sri Lanka (CBSL) said on Saturday (26) that Sri Lanka, having contained the domestic spread of the Covid-19 pandemic, is on a steady recovery path after the economic slowdown during the islandwide lockdown from mid-March to mid-May 2020.

It pointed out, using the latest data, that people's movements have normalised ahead of neighbouring countries, and the usage of expressways, particularly the Southern Expressway, has also increased above pre-lockdown levels. Petroleum sales to the transport sector reached pre-Covid levels while electricity generation is steadily normalising, with greater reliance on hydropower generation.

In spite of the slowdown in global trade, the CBSL noted that activity at the Colombo Port has increased and even motor vehicle registrations hit the previous year's levels, in spite of restrictions on new imports. The construction sector gradually gathered pace while industrial production has rebounded, and the purchasing managers indices display expansion in manufacturing activity as well as services.

Following a bumper Maha harvest, the CBSL expects a bumper Yala production of paddy while tea and rubber production have returned to the levels observed last year and coconut production has recovered to a great extent, with fish production on a recovery path.

On the external front, merchandise exports reached the level of \$ 1 billion a month and the trade deficit narrowed as the contraction in imports outpaced the contraction in exports.

However, the tourism sector that suffered twin shocks within the span of a year awaits the recovery of global tourism.

A steady year-on-year growth in workers' remittances is observed while FDI (foreign direct investment) inflows have slowed, but the investment pipeline is strengthening, the CBSL said. With these developments, the Sri Lankan rupee has strengthened and remains stable.

A pickup in domestic credit is observed, and private sector credit has begun to accelerate and with accelerating domestic credit, broad money expansion remains strong.

A sharp easing of monetary policy resulted in historically low market interest rates, supporting economic activity, while fiscal policy remains conducive to economic recovery. These expansionary policies have been supported by well-managed inflation and inflation expectations.

The low interest rate environment and political stability also supported the recovery of stock market performance, particularly in terms of local investors. The CBSL said that business confidence has regained momentum, according to the LMD-Nielsen Business Confidence Index.

"These hard facts and indicators enable us to reasonably conclude that Sri Lanka is on a steady path beyond recovery towards high economic growth," the CBSL said.

SL ranks 83 on Economic Freedom of World index



Sri Lanka ranks 83 out of 162 countries and territories included in the *Economic Freedom of the World: 2020 Annual Report*, released by Canada's Fraser Institute in association with the Advocata Institute Sri Lanka.

Hong Kong and Singapore top the index, continuing their streak as 1st and 2nd respectively. New Zealand, Switzerland, the United States, Australia, Mauritius, Georgia, Canada, and Ireland round out the top 10.

Research shows that people living in countries with high levels of economic freedom enjoy greater prosperity, more political and civil liberties, and longer lives.

For example, countries in the top quartile of economic freedom had an average per-capita GDP of \$44,198 in 2018 compared to \$5,754 for countries in the bottom quartile.

Moreover, in the top quartile, the average income of the poorest 10 percent was \$12,293 compared to \$1,558 in the bottom quartile.

Interestingly, the average income of the poorest 10 percent in the most economically free countries is more than twice the average per-capita income in the least free countries.

Sri Lanka's ranking for Economic Freedom

According to the Fraser Institute Report on Economic Freedom, Sri Lanka gained 15 places to be ranked 83 compared to the previous year where the country was ranked 98.

Sri Lanka's scores in key components of economic freedom (from 1 to 10 where a higher value indicates a higher level of economic freedom):

"It is noteworthy that this 2020 annual report is based on the data for 2018. If it were based on the data for 2018, 2019, and 2020, for Sri Lanka, there could have been a different score, most likely a lower rank and a smaller score compared to 83 and 6.88 for 2018," commented Dr Sarath Rajapathirana, Chair of the Academic Programme at the Advocata Institute.

"This is based on the categories: 1. Size of Government, 2: Legal System and Property Rights, 3: Sound Money, 4: Freedom to Trade Internationally, 5: Regulation. During this period the size of Government increased, freedom to trade did not improve with para-tariffs still in place while regulations were not clearly defined.

With COVID 19 pandemic coming into Sri Lanka in March 2019, economic freedom had to be curtailed with a complete lockdown of activities. But this was a precautionary strategy.

Without a lockdown, it could have been worse. Sri Lanka did better than most countries. The danger is that the measures adopted could be retained which would restrain economic freedom beyond what was necessary to restrain the virus. " he went on to say.

Sri Lanka is particularly weak in the category related to "Legal System and Property rights" in the index with little improvement from last year's report.

According to Professor Sirimal Abeyratne Professor in Economics at the University of Colombo and advisor to Advocata Institute, "Economic freedom requires discipline and discipline is constituted by the rule of law.

Proponents of economic freedom lose ground when they forget this. Opponents of economic freedom look smart when they ignore this. Economic freedom ensures the prosperity of a nation, only when it is founded on the rule of law."

About the Economic Freedom Index

The Fraser Institute produces the annual *Economic Freedom of the World* report in cooperation with the Economic Freedom Network, a group of independent research and educational institutes in nearly 100 countries and territories.

It's the world's premier measurement of economic freedom, measuring and ranking countries in five areas—size of government, legal structure and security of property rights, access to sound money, freedom to trade internationally and regulation of credit, labour and business.

This year's publication ranks 162 countries and territories. The report also updates data in earlier reports where data has been revised.

Source: Lankabusinessonline- 17 September, 2020

Sri Lanka's exports drop slightly in August 2020

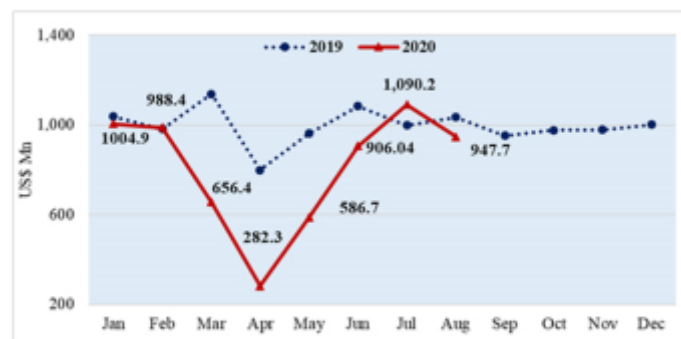
Sri Lanka's exports during the month of August 2020 recorded a downfall of 8.3% to US\$ 947.7 Mn as compared to the value of US\$ 1,033.3 Mn recorded same month of last year.

Despite the decline in exports, some products like Coconut based products, Electricals & Electronic Components, Spices, and Essential Oils and Food & Beverages recorded a positive growth of 22.88%, 8.32%, 19.4%, and 11.45% respectively, during the month of August 2020 as compared to August 2019.

"It is remarkable to see another month of almost a billion dollars of exports. However, we are being watchful of the months ahead whilst understanding the impact of COVID-19 on our key markets of the US and Europe," said Export Development Board (EDB) Chairman Prabhash Subasinghe.

"We also need to focus on export product and market diversification which is seriously lacking today. Whilst appreciating that the US and the EU are the largest markets, we need to now create a significant export market in Asia including China. The China FTA will certainly help in this regard. Export product diversification must simultaneously happen so that we can create more billion-dollar industries for Sri Lanka."

Monthly Export Performance 2019, January-August 2020



Sources: Central Bank of Sri Lanka, Sri Lanka Customs & Sri Lanka Export Development Board

Table 1 : Merchandise Export Performance (Values in US\$ Mns)

| Exports of Goods | Jan.- Aug 2019 | Jan.- Aug 2020 | % Growth | Aug 2019 | Aug 2020 | % Growth |
|----------------------------------|-------------------|-------------------|---------------|-----------------|---------------|--------------|
| Apparel | 3,724.14 | 2,842.03 | -23.69 | 498.03 | 438.33 | -11.99 |
| Tea | 914.99 | 805.56 | -11.96 | 118.74 | 102.98 | -13.27 |
| Rubber-based | 609.87 | 506.77 | -16.91 | 74.56 | 72.51 | -2.75 |
| Coconut-based | 423.50 | 421.70 | -0.43 | 53.15 | 65.31 | 22.88 |
| Diamond, Gems & Jewelry | 197.42 | 98.70 | -50.01 | 22.13 | 13.19 | -40.40 |
| Electricals & Electronic Compo- | 258.42 | 209.19 | -19.05 | 30.41 | 32.94 | 8.32 |
| Spices and Essential Oils | 204.09 | 195.59 | -4.16 | 33.40 | 39.88 | 19.40 |
| Food & Beverages | 245.86 | 246.17 | 0.13 | 24.90 | 27.75 | 11.45 |
| Seafood | 184.46 | 133.16 | -27.81 | 20.48 | 15.57 | -23.97 |
| Ornamental Fish | 10.14 | 8.45 | -16.67 | 1.01 | 0.63 | -37.62 |
| Vegetables | 21.03 | 17.26 | -17.93 | 2.64 | 1.72 | -34.85 |
| Fruits | 27.06 | 23.18 | -14.34 | 3.31 | 2.95 | -10.88 |
| Other Export Crops | 20.38 | 56.27 | 176.10 | 3.23 | 6.58 | 103.72 |
| Flowers & Foliage | 12.94 | 8.66 | -33.08 | 1.29 | 0.94 | -27.13 |
| Boat Building | 63.75 | 1.91 | -97.00 | 0.14 | 0.27 | 92.86 |
| Petroleum Products | 220.97 | 227.28 | 2.86 | 24.27 | 21.45 | -11.62 |
| Others | 782.14 | 598.33 | -23.50 | 121.61 | 104.68 | -13.92 |
| Total Merchandize Exports | 7,921.16 | 6,400.21 | -19.20 | 1,033.30 | 947.68 | -8.29 |

Sources: Sri Lanka Customs / Sri Lanka Export Development Board



Table 2 : Sri Lanka's Top Export Destinations (Values in US\$ Mns)

| Country | Jan-Aug 2019 | Jan-Aug 2020 | % Growth | Aug 2019 | Aug 2020 | % Growth |
|--------------------------|--------------|--------------|----------|----------|----------|----------|
| United States of America | 2,083.25 | 1,652.17 | -20.69 | 280.00 | 248.63 | -11.20 |
| United Kingdom | 694.17 | 552.46 | -20.41 | 83.50 | 90.76 | 8.69 |
| India | 517.72 | 396.96 | -23.33 | 64.00 | 57.57 | -10.05 |
| Germany | 440.92 | 371.05 | -15.85 | 58.63 | 58.48 | -0.26 |
| Italy | 353.08 | 280.51 | -20.55 | 44.75 | 47.04 | 5.12 |
| Belgium | 233.91 | 183.27 | -21.65 | 37.28 | 26.51 | -28.89 |
| Netherlands | 193.21 | 172.47 | -10.73 | 25.74 | 25.48 | -1.01 |
| United Arab Emirates | 184.70 | 127.88 | -30.76 | 20.02 | 14.67 | -26.72 |
| Canada | 162.55 | 132.93 | -18.22 | 20.92 | 23.36 | 11.66 |
| China | 154.88 | 138.73 | -10.43 | 17.90 | 24.07 | 34.47 |
| Japan | 214.27 | 127.52 | -40.49 | 15.79 | 17.56 | 11.21 |
| Turkey | 141.93 | 131.61 | -7.27 | 20.66 | 22.35 | 8.18 |
| Other Markets | 2,546.57 | 2,132.65 | -16.25 | 344.11 | 291.20 | -15.38 |
| Total | 7,921.16 | 6,400.21 | -19.20 | 1,033.30 | 947.68 | -8.29 |

Export of Services

The services exports estimated by EDB which includes ICT/BPM, Construction, Financial services and Transport & Logistics show exports of US \$ 2,224.02 Mn for the period of January to August 2020 compared to US\$ 2,584.67 Mn recorded in the corresponding period of the previous year.

However, estimated service exports declined by 13.95 % during the period of January to August 2020 compared with the corresponding period of previous year.

Source: LBO - 12 September, 2020

Sources: Sri Lanka Customs / Sri Lanka Export Development Board

Cartoons



Source:themorning.lk-23-09-2020



Source:themorning.lk-09-09-2020

Litro Gas awarded SLS COVID-19 compliant safety credentials



From left: Litro Gas Terminal Lanka Director Operations Pushpakumara Edirisinghe, Litro Gas Lanka Director Health, Safety and Environment Jayantha Basnayake, Litro Gas Lanka and Litro Gas Terminal Lanka Chairman and CEO Anil Koswatte, Sri Lanka Standards Institution Director General Dr. Siddhika G. Senaratne, Sri Lanka Standards Institution Actg. Deputy Director General Samanthi Narangoda and Sri Lanka Standards Institution Assistant Director Systems Certification Rajika Jayawardena

Becomes first and only State-owned institution to receive the award

In recognition of its outstanding safety levels, Litro Gas has been awarded the SLS 1672: 2020 certification by the Sri Lanka Standards Institution (SLSI) which is given for being compliant with the SLS COVID-19 safety management systems requirements for organisations.

"This is indeed a milestone for us as the only State-owned institution to be awarded such esteemed standards by SLSI," Litro Gas Lanka Ltd. and Litro Gas Terminal Lanka Ltd. Chairman and CEO Anil Koswatte said.

"This not only reinforces our safety standards but also endorses the highest levels of quality that we maintain in our safety methodologies," he added.

Litro Gas remains firmly committed to global standards and safety procedures that are considered mandatory for the energy sector. From its state-of-the-art storage facility at Kerawalapitiya and its Hambantota Terminal to its network of 36 distributors, 1,500 home delivery hubs and 10,000 point of sale locations, Litro Gas manages a strongly customer centric operation that is based on the highest safety protocols.

"The measures undertaken by the organisation during the COVID-19 pandemic as safety criteria were on par with the World Health Organization (WHO) accredited systems of safety.

Litro Gas has always considered safety to be a key priority for all aspects of the company's operations."

"The benefit of observing SLS mandated COVID-19 safety protocols is an advantage for the customers who can be assured of the safety standards we observe."

Litro Gas Lanka Ltd. and Litro Gas Terminal Lanka Ltd. rendered an exceptional level of service to its customers across Sri Lanka during the COVID-19 induced lockdown.

Going over and beyond the normal call of duty, Litro Gas rose admirably to a challenging task of providing a seamless service delivery to Sri Lankan households; an efficient LPG domestic gas supply irrespective of curfews imposed and other lockdown measures, was thus maintained by Litro Gas throughout the period.

While maintaining a consistent level of service to its over four million households during the lockdown, Litro Gas ensured that its own safety protocols that meet global standards in safety and hygiene were also in place.

Litro Gas has a firm foothold on the Sri Lankan energy sector as a key player in terms of market share and revenue generated. With over Rs. 45 billion in revenue, Litro Gas is cited as a role model of a vibrant Public-Private Partnership that places it in a unique slot among state owned institutions.

"The COVID-19 pandemic was not just a challenge to meet our customer needs in real time but also one that tested our strength to overcome the hurdles such an unexpected outcome brings. It rallied our strong team together, enabling each one to optimize performance and deliver the level of service customers expected from us – for us, it was not just an obligation but a national endeavour that brought us closer to our customers," Koswatte emphasised.

In order to permit consistent deliveries during the COVID-19 pandemic, Litro Gas introduced a hotline (1311) for consumers to find the closest Litro Gas dealer who could deliver even during curfew hours. Going one step further, Litro Gas has also launched a home delivery mobile app that ensures a swift and convenient delivery to the customers' doorstep, enabled through a widespread network of dealers throughout the country.

Emerging from the pandemic into the post-COVID-19 era which still calls for vigilance and health guidelines to be adhered to, Litro Gas believes that the SLSI standards being awarded for COVID-19 compliance safety systems reiterates its strong commitment to global safety and health standards.



DSI Tyres steps up local production; purchasing of local rubber



DSI Tyres has made a massive contribution to strengthening the Sri Lankan economy by bringing in large export earnings, whilst saving a significant amount of foreign exchange due to import limits.

The new initiative by DSI Tyres to increase production capacity by 25%, by prioritising local products and supporting the current government's policy of strengthening the national economy, has also given a huge boost to the economic development of the local rubber cultivators.

Purchasing the products of local rubber producers from the rubber collection centers in Kegalle, Eheliyagoda and Badalkumbura, DSI Tyres makes a massive contribution to the progress of local rubber cultivation. What is also special is that DSI Tyres did not increase prices this year, in view of the convenience of customers adversely impacted economically by the coronavirus pandemic.

A 100% local company, DSI Tyres is the market leader in bicycle, motorcycle, and three-wheeler tyres and tubes, and has also won over

the international market, cementing its position as a pioneer in bringing in foreign exchange to the national economy.

A company that has won many local and international awards including the Presidential Export Awards, DSI Tyres' latest victory was the SLIM Turnaround Brand of the Year 2019 award.

The company surpassed a number of multinational companies to win this accolade as a local company that has successfully expanded the export market for DSI Tyres to 85 countries.

Contributing to the local job market by providing direct employment for 2800 persons and a further 6,000 indirect employment opportunities, DSI Tyres takes pride in using local knowledge and resources for its innovations.

A fine example for this is the Gen X motorcycle tyre that was recently introduced to the local market for the first time.

Ranatunga Rajapaksa, the Managing Director of DSI Tyres who strives to introduce high quality products made using local technology; affirms that the Samson Rubber Industries which was born of Sri Lankan soil, will continue to play a significant role to strengthen the national economy, whilst firmly grounded in its local identity.

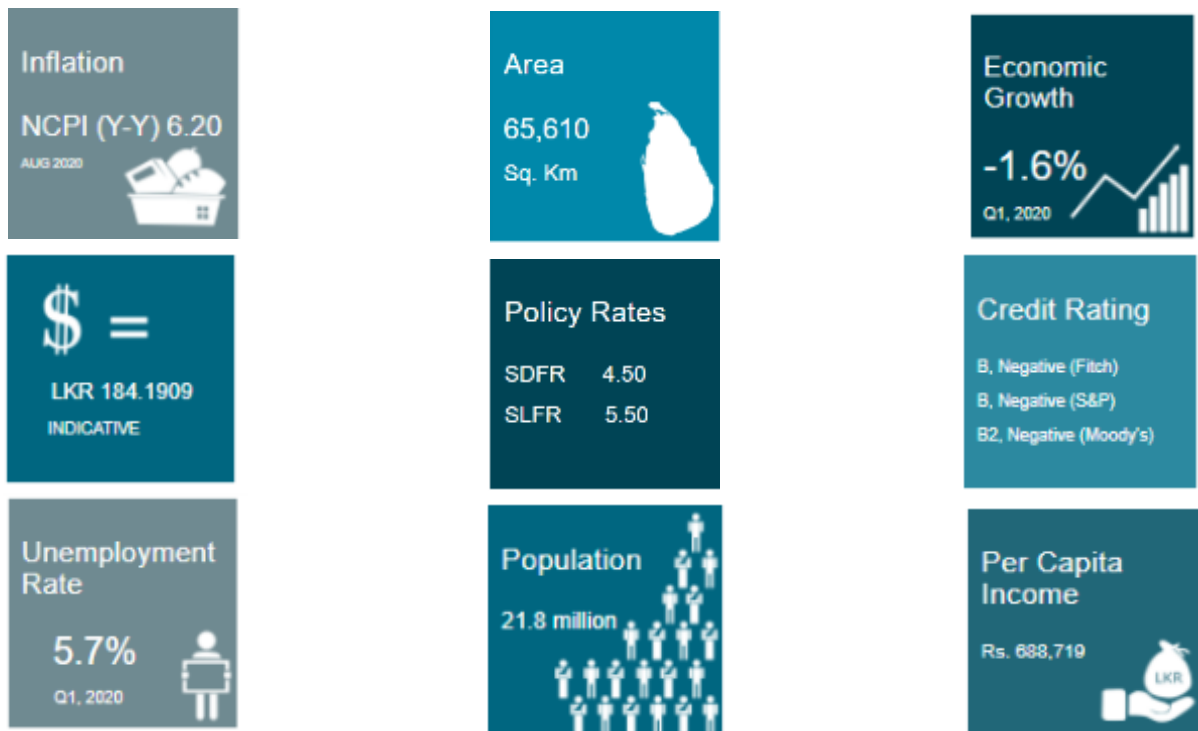


Source: Daily FT - 11 September 2020



EXCHANGE RATES AS AT 30TH SEPTEMBER 2020

| Date | Buy Rate (LKR) | Sell Rate (LKR) |
|----------------------|----------------|-----------------|
| Australian Dollar | 128.9091 | 135.0488 |
| Canadian Dollar | 135.6444 | 141.0648 |
| Swiss Franc | 197.4128 | 205.0399 |
| Renminbi | 26.3777 | 27.9813 |
| Euro | 213.7154 | 221.2195 |
| British Pound | 234.3235 | 242.0324 |
| Yen | 1.7163 | 1.7907 |
| Singapore Dollar | 132.7157 | 137.9739 |
| United States Dollar | 183.0000 | 187.3200 |

Source: <https://www.cbsl.gov.lk/en/rates-and-indicators/exchange-rates/daily-buy-and-sell-exchange-rates>**Sri Lanka Economy SNAPSHOT**Source: <https://www.cbsl.gov.lk/en/sri-lanka-economy-snapshot>