



CNCI NEWS BULLETIN

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CNCI hosts Achiever Awards 2021 for Industrial Excellence

The 20th consecutive “CNCI Achiever Awards 2021 for Industrial Excellence” organized by the premier industrial chamber, The Ceylon National Chamber of Industries was held on January 12, 2022, at Hotel Galadari, Grand Ballroom.



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EXCHANGE RATES AS AT 31ST JANUARY 2022 AND SRI LANKA ECONOMY SNAPSHOT

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CNCI hosts Achiever Awards for Industrial Excellence

This event is annually held to recognize and reward Sri Lankan industrialists for their performance excellence. This time it was held under the aegis of the Ministry of Industries and Wimal Weerawansa, Minister of Industries, joined as the chief guest with State Minister of Urban Development, Waste Disposal and Community Cleanliness Dr. Nalaka Godahewa.

Minister Weerawansa noted that under the current circumstances there was ample space for local industries to garner market share as there was limited scope to import non-essential products. He further suggested that the government would be very helpful to any local producer looking to gain market share.

The Minister said due to the COVID-19 pandemic many industries were close to dying. He recalled the government had stepped in to provide much-needed help through the provision of certain allowances and moratoriums that allowed many businesses to survive the worst periods during the pandemic.

Weerawansa suggested that the worst periods of the pandemic has now past and that the economy was now on the firm path to recovery. DFCC Bank PLC was the principal sponsor and the Official Banking Partner for this year’s event whereas Bank of Ceylon was the Co-sponsor. The

Associated Newspapers of Ceylon Limited – ANCL (Lake House) was the Print Media Sponsor and the Independent Television Network Ltd. (ITN) was the Electronic Media Sponsor and Ceylinco General Insurance Ltd & CBL Group were the Event Sponsors. The Commercial Bank of Ceylon PLC was the Award Sponsor for the event.

Award winners were selected through a comprehensive process of evaluation. “CNCI Achiever” is a highly popular event among the industrialists mainly due to its stringent evaluation process and independent selection process of unbiased nature.

The final evaluation of the applications was done by the external panel of judges, which was headed by Senior Professor Sudantha Liyanage, Vice-Chancellor of the University of Sri Jayewardenepura.

This year the special Awards for the Top Ten Companies in the Extra Large Manufacturing/Service Category were awarded to 1. Modern Pack Lanka (Pvt) Ltd 2. Farmchemie (Pvt) Ltd 3. Leema Creations Private Limited 4. Textrip (Pvt) Ltd 5. Dipped Products PLC 6. Freelan Enterprises (Pvt) Ltd 7. HNB Assurance PLC 8. Samson Manufacturers (Pvt) Ltd 9. American Education Centre Ltd 10. Samson Bikes (Pvt) Ltd.



Address by Chief Guest - Minister Weerawansa | Welcome address by Caristius Fernando Chairman CNCI | Report by Chairman Panel of Judges - Senior Professor Sudantha Liyanage | Address by Tharal Perera, Director/CEO DFCC Bank PLC, Principal Sponsor and Official Banking Partner



CNCI Secretary General Abeyratne Muthugala makes the Vote of Thanks.



Associated Newspapers of Ceylon Ltd, ANCL (Lake House) was once again the Print Media Sponsor for the event and here Director Finance, Janaka Ranatunge receives a CNCI Achiever Special Recognition Award as a token of appreciation.



LARGE CATEGORY - MANUFACTURING SECTOR – NATIONAL LEVEL – GOLD AWARD - VEE Power Solutions (Pvt) Ltd receives the award from State Minister of Urban Development, Waste Disposal and Community Cleanliness Dr. Nalaka Godahewa. | MICRO CATEGORY - GOLD AWARD - Ranraki Associates Int. Pvt Ltd.

Source: Daily News – 18th January 2022

Renewables industry says it is the only solution to energy



From left: Wind Power Development Association Secretary Manjula Perera, Small Hydro Power Developers Association President Thusitha Peiris, Bio Energy Developers Association President Chamil Silva, Ground Mounted Solar Developers Association President Lasith Wimalasena and Solar Industries Association President Kushan Jayasuriya – Pic by Lasantha Kumara

By Shailendree Wickrama Adittiya

Renewables energy industry yesterday declared it is the solution to the country's power crisis and alleged the Ceylon Electricity Board (CEB) had not made payments to solar and wind producers since July 2021.

"Today, even the CEB has recognised the current crisis and accepted that 70% renewable energy by 2030 is a must. They are currently making changes to their generation plan to add this 70% to it," Wind Power Developers Association Secretary Manjula Perera said at a discussion held yesterday on renewable energy being the only solution to Sri Lanka's energy crisis.

The implementation of 70% renewable energy policy depends on CEB's long-term generation plan. According to Perera, the long-term generation plan prepared by CEB was for 50% renewable energy and was thus rejected by the Public Utilities Commission of Sri Lanka (PUCSL).

"The CEB has accepted the 70% and are currently making changes to the long-term generation plan. It is likely to be resubmitted to the PUCSL for approval next month with the addition of the 70%," Manjula Perera said, adding that the process towards achieving the 70% goal will begin thereafter.

At present, total generation from renewable energy sources is 1,198.33 MW and the energy contributed by these non-conventional renewable energy (NCRE) plants is 2,200 GWh. This is 13% of the annual energy contribution.

However, industry stakeholders said yesterday that CEB owes

close to Rs.25 billion to solar and wind energy producers as there are arrears of five months for ongoing projects. The pending payments since July 2021 make it difficult for those in the renewable energy sector to pay loans and cover operational expenses.

A request was also made to fast track evaluation and approval procedures, which were time consuming and discouraging.

"The Sri Lanka Sustainable Energy Authority was established as a one stop shop to get approval for all renewable energy projects. However, there is no one stop shop concept there," Small Hydro Power Developers Association President Thusitha Peiris said, adding that they are instead required to work separately with environment, irrigation, and wildlife authorities as well as Provincial Councils.

This makes the process of implementing renewable energy projects a lengthy one, which is why the industry is calling for a high-powered committee and a streamlining of processes.

Other concerns raised by industry stakeholders include a shortage of equipment, Government policy that prevents banks from issuing debt instalments for non-priority HS codes, and provisions of the Sri Lanka Electricity Act No. 20 of 2009 that discourages local investors who preferred standard tariffs and standard agreements over the tendering process.

Despite these challenges and barriers, industry stakeholders are confident that renewable energy is the solution to the power crisis the country is facing.

"Every year, the power crisis occurs during January to May. The reason for this is because large hydro plants face water shortages due to a lack of rain. During this period, the country gets a lot of sun. If we use solar power during such shortages, it is a good solution," Ground Mounted Solar Developers Association President Lasith Wimalasena said.

Source: Daily FT – 26th January 2022

Industrial exports surpass \$ 8 b mark in 2021



Industrial exports have surged 23% year-on-year (YoY) to \$ 8.04 billion in 2021 despite COVID challenges, Export Zones Development State Minister D.V. Chanaka revealed yesterday.

“We are thankful to the export community for their resilience and dedication for delivering amazing results amidst a plethora of local and global challenges,” Chanaka told a meeting of investors in the Export Processing Zones (EPZ).

In 2020 industrial exports amounted to \$ 6.52 billion.

“Each employee and employer had to make exceptional sacrifices to collectively achieve over \$ 8 billion revenue crucial for the economy,” he added.

He also pointed out that if the Government had extended lockdowns last year, not only the status of the companies, but also that of the economy would have

been very vulnerable.

The State Minister outlined that the Government intends to boost trade and further develop exports through higher value-addition in line with President Gotabaya Rajapaksa’s vision.

EPZ Investors Association Secretary Dhammika Fernando said the Sri Lankan export community gained the trust of international customers for its quality and timely delivery even during the height of the COVID-19 outbreak.

BOI Executive Director (Zones) M. K.D. Lawrence, EPZ Investors Association President Jatinder Biala and Treasurer H.Z.M. Marusuk also attended the meeting.

Source: -Daily FT – 24th January 2022

Treasury unit to handle new ‘Special Goods and Services Tax’

Disna Mudalige



The Finance Ministry will set up a new unit under a Treasury Deputy Secretary to be charged with the administration and collection of the newly introduced ‘Special Goods and Services Tax’.

The new Bill titled ‘Special Goods and Services Tax’ was published in the Gazette last Friday (7) on the order of Finance Minister Basil Rajapaksa as per the Budgetary proposals for this year.

The Bill will be presented in Parliament for the First Reading after it resumes sittings.

The new tax is imposed on selected goods including liquor, cigarettes and vehicles (inclusive of parts for assembling of vehicles) and selected services including telecommuni-

cations and betting and gaming. The ‘Special Goods and Services Tax’ applies to every manufacturer, importer or service provider of the above mentioned categories of goods or services.

The Special Goods and Services Tax is in lieu of the sums chargeable on the above mentioned goods and services by way of tax, duty, levy, cess or any other charge imposed by law. The new Bill has been introduced to avoid the complexities associated with the application and administration of a multiple tax regime on specified goods and services. It is aimed at greater efficiency in relation to the collection and administration on taxes.

Accordingly, the Excise duty, Telecommunication Levy, Cellular Tower Levy, Luxury Tax on Motor Vehicle, Levy on Mobile Short Messages Services, Vehicle Entitlement Levy, Betting and Gaming Levy on gross collection, Customs Duty, Cess, and Port and Airport Development Levy shall not be applicable in respect of the specified goods or services mentioned above after the enactment of the new Bill.

The Deputy Secretary to the Treasury in

charge of the new unit will have to maintain a register of taxable persons, and the payments will be credited to the Consolidated Fund. Previously, the Inland Revenue Department was in charge of collection of these taxes.

Any manufacturer, importer or service provider of the above mentioned goods and services, who is not registered with the new unit or willfully evades or attempts to evade payment of the Special Goods and Services Tax, commits an offense. Upon conviction after summary trial, such person will be liable to a fine not exceeding Rs 3 million or to imprisonment of either description for a term not less than one year or to both such imprisonment and fine.

A penalty equal to ten percent of the amount of total due is applicable on late payments.

The Finance Ministry at the same time has published in the Gazette an Amendment to the Value Added Tax Act to increase the VAT rate from 15 to 18 percent on supply of financial services on financial institutions with effect from January 1, 2022.

Source: -Daily News – 10th January 2022



CB to unveil new 9-month programme to boost confidence

- Programme to be unveiled by end of March after meeting funding targets set out in six-month road map
- Says gross reserves will be increased to cover a minimum of four months worth of imports by end-March
- Plans to reduce ISBs to US \$ 10bn and grow economy to US \$ 100bn
- Sees no need to hike policy rates; stresses situation can be handled with current interest rates

By Nishel Fernando

While expressing confidence in meeting the external funding targets set out in the six-month road map, the Central Bank plans to unveil a new nine-month programme by the end of this March to continue with its debt restructuring efforts, with the overall external debt-servicing obligations standing at US \$ 6.9 billion for the year.



Ajith Nivard
Cabraal

“Everyone doubted that we will increase our foreign exchange reserve position to US \$ 3.1 billion at the end of last year but we met that target. By the end of March, we will announce a new programme for the next nine months and thereafter. This will bring confidence to the people that there’s a clear path that we follow,” Central Bank (CB) Governor Ajith Nivard Cabraal yesterday announced, joining a programme at the Government Information Department.

By the end of March, he assured that the country’s gross official reserves would be enhanced to cover a minimum of four months worth of imports,

as stipulated in the six-month road map. Dismissing the criticism by the economists and other experts on the way the government is handling the prevailing forex and debt crises, Cabraal outlined that the government is in fact restructuring its external debt portfolio sans the International Monetary Fund (IMF) and avoiding any pain to the creditors. “We are actually restructuring our debt portfolio. So, what we are doing is exactly what people have been asking for. But we are doing this with one difference, without inflicting any pain to the investors, who had supported Sri Lanka. We are making adjustments to our debt portfolio, so we can pace the situation much better in the longer term as well as in the shorter term,” he elaborated.

Accordingly, he noted that the government has already engaged with the bilateral creditors to delay the debt repayments, with lower interest rates, while the securitisation of certain in-

come flows, monetisation of certain non-strategic assets and currency swap lines are to be used to settle the maturing International Sovereign Bond (ISB) payments.

“Our intention is to reduce the ISBs to a level of US \$ 10 billion and then grow the economy to a level of US \$ 100 billion,” he said.

Further, he assured that the government would honour all the debt repayments to the creditors. “In the beginning of 2021, we only had US \$ 5 billion in our foreign reserves but we settled US \$ 6 billion of external debt-servicing obligations and we maintained a balance of US \$ 3 billion,” he pointed out. Meanwhile, Cabraal also noted that the CB is gradually reducing its Treasury bill holdings in order to curb the excessive money supply, which has partially contributed to the prevailing high inflation. However, he said he didn’t see a need to increase the policy interest rates to restrain the current inflationary environment at the moment, while noting that the CB would keep a watchful eye on the developments. “The situation can be managed with the current interest rates,” he said.

Source: Daily Mirror – 13th January 2022



Sri Lanka records 41 new cases of Omicron variant

By RAVI LADDUWAHETTY



Medicine Department Director Dr. Chandima Jeewandara said.

This brings the total number of Omicron cases confirmed by the Sri Jayawardhanapura University's lab so far to 45.

In a Twitter thread, Dr. Jeewandara said the booster dose of COVID-19 vaccine is a priority to prevent severe disease. He urged the public to take their third vaccine dose without delay. Sri Lanka confirmed its first Omicron case on December 3 in a Sri Lankan national who had returned from a West African country. Three more cases were later confirmed by the USJ lab on December 16 including that of a foreign national. The World Health Organization (WHO) designated Omicron a variant of concern

on November 26, soon after it was first detected by scientists in South Africa. Scientists remain uncertain how dangerous the new strain is. However, early data suggests it can be more resistant to vaccines and more transmissible than the Delta variant. The WHO has warned that Omicron is spreading rapidly in countries with high levels of population immunity. But it is unclear if this is due to the ability of the virus to evade immunity, its inherent increased transmissibility or a combination of both.

Source: Daily News - 01th January 2022

Sri Lanka has detected 41 new cases of the Omicron variant of SARS-CoV-2 (B.1.1.529), Sri Jayawardhanapura University's Immunology and Molecular

Unceasing rise in global air freight rates to continue in 2022



Source First Capital Research

The global air freight rates have hit an all-time high during the holiday season, boosted by the bulk of online sales and promotions.

It is believed that the supply chain tightness that was originated during the out-

break of the COVID-19 pandemic as a result of the limited available capacity, labour shortages and closure of ports, will also continue in 2022 amidst the huge demand for air cargo. Furthermore, the development of the COVID-19 situation in Europe with the rapid spread of the Omicron variant is also urging demand for transportation of COVID-related products. Considering the massive upward movement in air freight rates during November 2021, air freight logistics suppliers are expected to post

outstanding financial earnings with higher margins for the quarter ended December 2021. Although these carrier companies may utilise the elevated earnings in capacity expansions, it may take several months to bring those extended capacities into effective use, therefore the air freight rates hike is not anticipated to reverse any time sooner.

However, container freight rates displayed a downtrend since September 2021, mainly due to the gradual capacity expansions in terms of container carriers and easing of supply chain tension. However, it is expected that these improvements may not bounce back to the pre-pandemic levels during early 2022 while maintaining the freight rates well above the levels that prevailed in the year 2019.

Page Source : Daily News : 10th January 2022

Validity period of driving licenses extended



The Transport Ministry has decided to extend the validity period of expired driving licenses.

Accordingly an extraordinary gazette notification has been issued stating that the validity period of all driving licenses which are due to expire from October 01 2021 until March 31, 2022 has been extended by six months from the date of expiry as well.

Page Source : Daily News : 07th January 2022

New GST and VAT Amendment Bills to be gazetted

- RAVI LADDUWAHETTY



The Cabinet of Ministers has given approval to gazette the Special Goods and Services Tax (GST) Bill and the Value Added Tax (VAT) (Amendment) Bill and to submit them for Parliamentary approval.

The go-ahead was given to the relevant proposal tabled by Finance Minister Basil Rajapaksa during the Cabinet meeting held on Monday.

Both Budget 2021 and 2022 have proposed to replace the taxes and levies imposed under various statutory laws with a single tax that is managed online to increase the efficiency of tax collection on liquor, cigarettes, telecommunications, betting and gaming and vehicles.

Budget 2022 also proposed to increase the VAT on financial services and to exempt medical equipment, devices and chemicals donated to Government hospitals and the Ministry of Health under epidemic or public health situation from the VAT.

Page Source : Daily News : 07th January 2022

Over 1,000 containers to be released from Port

- Anura Premalal



The release of more than a thousand containers stored in the Port due to the shortage of dollars will commence from today.

It has been agreed during a meeting with the Minister of Trade and the Governor of the Central Bank to issue the required dollars to release these containers containing essential items.

Page Source : Daily News : 07th January 2022

CSE achieves several landmarks in 2021

The Colombo Stock Exchange (CSE) achieved several historical landmarks during the last years.

The ASPI saw a growth of 102% over a period of 3 years. (2018- 2021) This is on average 26.4% year on year growth. The return of ASPI index deposits to attract returns that the stock market has given its investors during the lower interest rate environment.

The daily average turnover of the Colombo Stock Exchange has increased by 486% compared to 2018 (2018-2021) and this is a result of active participation of local retail investors. Their contribution to the total market turnover has increased from 21.6 to 57.2 over the period of 3 years. Last year CSE witnessed a record 13 Equity IPO'S and one Equity introduction raising capital of Rs. 12,713.5 million.

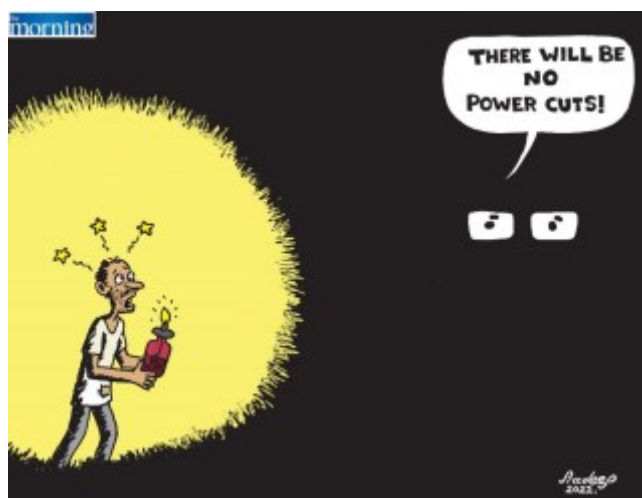
"Furthermore, there were 14 debenture IPO's which raised Rs. 84,383 million," an official from CSE said. In addition, Rights issues have raised Rs. 24,204.7 million and also Private placement Rs. 2457.6 million. Meanwhile, the Market Capitalization has also increased from Rs. 2,839.5 billion (2018) to Rs. 5,489.2 billion (2021).

The CSE launched an updated version of the official mobile application to be downloaded for Android and IOS users. The updated app features a modern interface and aims to offer users greater access to information on the stock market and scope for personalization. With the new app, users will have access to customized notifications, analytical tools, educational content, historical movements of indices and stocks for up to a year and a feature for investors to manage their CDS account upon investing.

"The CSE Mobile App has surpassed 150,000 downloads there by becoming one of the fastest growing mobile app in Sri Lanka. This has paved the way for investors to open CDs Accounts from any part of the country and thereby participate in wealth creation."

Source: Daily News : 07th January, 2022

Cartoons



Source:cartoon-themorning.lk -19-01-2022



Source:cartoon-themorning.lk- 09-01-2022



BIMSTEC Summit in Sri Lanka on March 30



The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, (BIMSTEC), is likely to hold a summit of the heads of Governments in Sri Lanka on March 30 in a hybrid setting providing scopes for both in-person and virtual participation.

Five members of the seven-member international organisation have already confirmed their participation in the summit, called by Sri Lankan President Gotabaya Rajapaksa, according to Sri Lankan diplomatic sources. The countries that conveyed their confirmation are Bhutan, Myanmar, Nepal, Sri Lanka, Thailand. Bangladesh and India, the two other members of the regional group of the countries around the Bay of Bengal, are expected to formally confirm their participation soon as the host, Sri Lanka, the outgoing chair of the group, sought concurrence of all

member countries discretely about holding the meeting on March 30, a Sri diplomat said.

Minister Sheikh Hasina is expected to join the summit, to be held in Colombo. It is yet to be decided whether she will travel to Sri Lanka or join the summit virtually.

Prime ministers and foreign secretaries of the BIMSTEC member countries are scheduled to meet on March 28 and are expected to actively participate in decision making at the summit on March 30.

The Heads of the Governments of the BIMSTEC member countries are expected to approve a charter for the organisation in the meeting after 24 years of its journey.

The member countries 'have completed the negotiation of the BIMSTEC charter and it is expected to be signed' in the forthcoming fifth summit with participation of the heads of the Governments in Colombo, BIMSTEC Secretary General Tenzin Lekphell said in October.

The Colombo Summit, the fifth meeting of the heads of the Governments, was postponed twice in 2020 and 2021 due to the Covid pandemic.

In addition to the BIMSTEC Charter, three other legal instruments are expected to be signed at the Summit.

These are BIMSTEC convention on mutual legal assistance in criminal matters, a memorandum of association on the establishment of BIMSTEC technology transfer facility in Colombo and a memorandum of understanding on mutual cooperation between diplomatic academies and training institutions of the member countries.

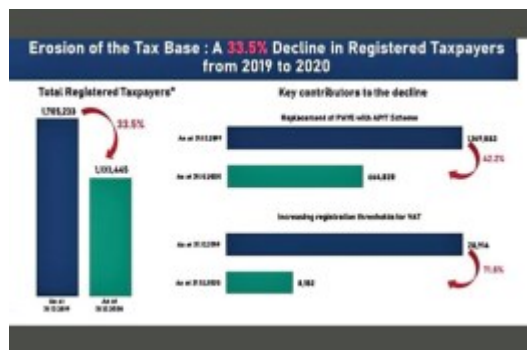
The Summit is also expected to reconstitute and rationalise 14 areas of cooperation into seven sectors, where each sector will be led by a member country.

The foreign secretaries met 21 times, foreign ministers 17 times and Heads of Governments four times since the establishment of the BIMSTEC 24 years ago in 1997, while security advisers met thrice since 2017.

Thailand is scheduled to take over the responsibilities of the BIMSTEC Chair in the fifth summit in Sri Lanka. (New Age)

Source: Daily News - 06th January 2022

Number of registered taxpayers decline by 35%



Sri Lanka saw its tax base from 2019 to 2020 decline with 33.5% decline reported in the number of registered taxpayers both corporate and individuals in the country, mainly attributed to major changes in tax policy introduced in De-

ember 2019, particularly the increase in thresholds for Value Added Tax (VAT) and the abolition of Pay As You Earn (PAYE) tax. On January 1, 2020, the mandatory PAYE Tax on any employment receipts to any resident or non-resident person was removed and on April 1, 2020 was replaced by the Advance Personal Income Tax (APIT) which is an optional scheme, according to public finance.lk.

The tax-free threshold for personal income tax was also increased from Rs 500,000 per annum to Rs 3,000,000 per annum, reducing a large number of tax payers from Sri Lanka's tax base. "Further

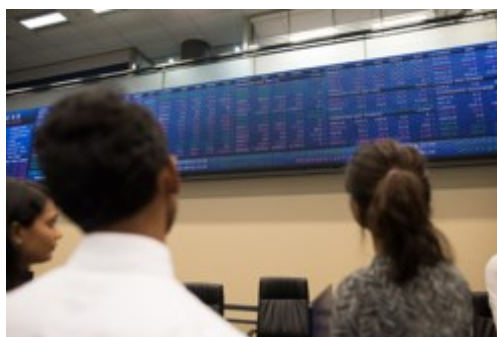
On January 1, 2020, the threshold for VAT registration was increased from Rs 12 million per annum to Rs 300 million per annum and an exemption for VAT was provided to the information technology and enabling services.

With the abolition of PAYE employees are expected to file their own income tax returns if their annual income is above the tax-free threshold. However, the increase in individual income tax files between 2019 and 2020 was just 11,607, which is insignificant when compared to the decline in PAYE/APIT registered taxpayers of 485,055.

Source: Daily News - 05th January 2022



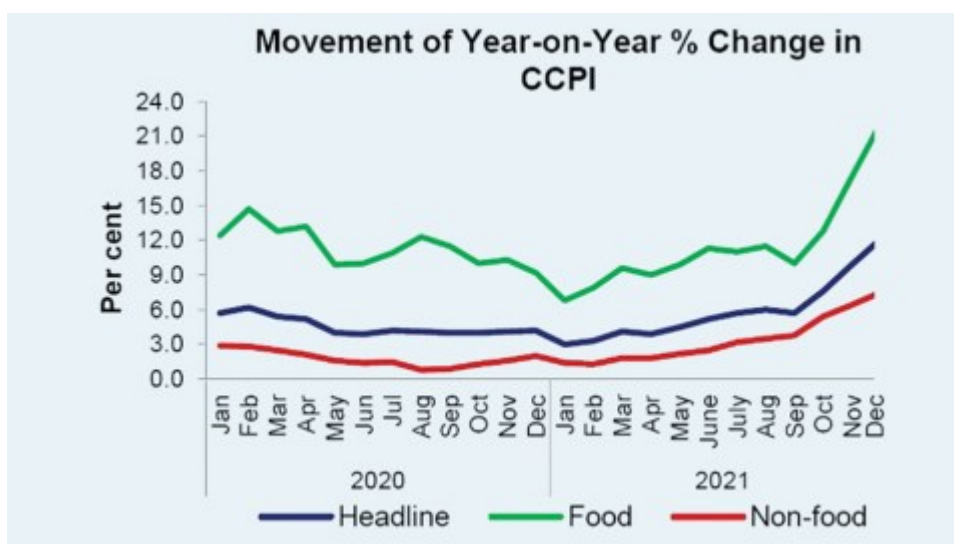
ASPI reaches all-time high



The Colombo Stock Exchange (CSE) benchmark All share Price Index (ASPI) reached an all-time high of 12,625.82 points today the first time in market history.

Source: Daily News - 03rd January 2022

CCPI headline inflation rises to 6.0 per cent



2021 from 6.4 per cent in November 2021.

Monthly change of CCPI was recorded at 2.64 per cent in December 2021 due to price increases observed in items of both Food and Non-food categories which were 1.80 per cent and 0.84 per cent, respectively. Accordingly, within the Food category, prominent increases were observed in the prices of vegetables, fresh fish, and green chillies. Further, prices of items in the Non-Food category recorded increases mainly due to price increases observed in the Restaurants and Hotels, Transport (Petrol, Diesel, Taxi/three-wheeler charges) and Alcoholic Beverages and Tobacco (Arrack, Cigarettes) sub-categories during the month.

The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, increased to 8.3 per cent in December 2021 from 7.0 per cent in November 2021. Moreover, annual average core inflation increased to 4.4 per cent in December 2021 from 4.0 per cent in November 2021.

Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2013=100)¹, increased to 12.1 per cent in December 2021 from 9.9 per cent in November 2021. Meanwhile, on an annual average basis, the CCPI increased to 6.0 per cent in December 2021 from 5.3 per cent in November 2021. An in-depth analysis of the key drivers of current inflation suggests that a large component of inflation is

driven by supply-side factors. A detailed explanation in this regard will be published by the Central Bank shortly.

Inflation was driven by monthly increases in prices of items in both the Food and Non-food categories. Subsequently, Food inflation (Y-o-Y) increased to 22.1 per cent in December 2021 from 17.5 per cent in November 2021, while Non-food inflation (Y-o-Y) increased to 7.5 per cent in December

Source: Daily News - 03rd January 2022

BOI gets new director board

A new board of directors has been appointed for the country's apex investment promotion body, the Board of Investment (BOI), Mirror Business learns.

The new director board comprises of Raja Edirisuriya (Chairman), who was appointed to the post last December, following the resignation of Sanjaya Mohottala, investment banker Jayamin Pelpola, who was reappointed, Micro Cars Chairman Dr. Lawrence Perera, Tantri Trailers Managing Director Athula Haputantri and President's Counsel Kushan De Alwis. A new director general is also expected to be appointed shortly, following the resignation of Pasan Wanigasekara.

Source: Daily Mirror - 27th January 2022



Industrial production slips in Nov. on refinery closure

Sri Lanka's industrial production slipped in November 2021, ahead of the key festive month, weighed down by the coke and refined petroleum, as the foreign exchange crunch worsened prompting a temporary closure of the country's only refinery.

Accordingly, the Index of Industrial Production (IIP) edged down 3.01 percent from October to 106.2 index points in November, while on a year-on-year basis, the index slipped 0.6 percent.

The subcategory, coke and refined petroleum, was seen as the main drag on the index in November, as the main refinery in the country had to be closed for some time since the foreign exchange crunch spilled into the country's energy sector.

Unless brought under control, the power and energy crisis could soon threaten the rest of the industries, knocking the exports off course, as the country is now under daily power cuts of at least one hour, due to the lack of foreign exchange at the Ceylon Electricity Board to foot the furnace oil bill. The US \$ 500 million energy funding line from India could alleviate the crisis to a certain extent. Yet, Sri Lanka's foreign exchange troubles run deep, with the country having US \$ 6.6 billion worth of foreign obligations due to be settled during 2022.

Meanwhile, the rest of the sub-industry categories added gains during November from the previous month, signalling continued ex-

pansion in the activities after the lockdowns ended in October.

This condition was also reflected in the robust merchandise exports, which marked the sixth consecutive month of a billion dollars in earnings in November.

For instance, the wearing apparels, which have a considerable weightage on the index, gained five index points from October levels to 106.0.

The apparel and textile manufacturers saw some robust demand coming from their customers in the United States and Europe, with the return of consumer demand during 2021.

For instance, the retail sales in the US for December grew by 16.9 percent the same month in 2020, reflecting a resurgence in consumer spending after a fuller reopening of the economy and government stimulus, which flushed the households with cash and savings. Meanwhile, the other key categories of the IIP, food products, beverages, other non-metallic mineral products, rubber and plastic products and chemical and chemical products, added gains in differing proportions during November.

Source: Daily Mirror - 18th January 2022

Unemployment up in 3Q; labour force participation continues to shrink

- **Economy faces double whammy as people give up seeking jobs amid rising unemployment**
- **Labour force participation rate, the proxy for job market strength, further shrinks**
- **Pandemic pushed people into sidelines while some opted for early retirement**
- **Official jobless rate continued to stay above 5% since beginning of the pandemic**

Sri Lankans continued to lose jobs in the third quarter through September 2021 while some gave up on looking for jobs after the pandemic and its associated economic downturn pushed scores of people into the sidelines, deepening the skill shortages facing the country, which is integral in powering the next stage of the country's economic growth.

According to the latest data made available by the Central Bank, Sri Lanka's official unemployment rate edged up to 5.2 percent in the third quarter of 2021 from 5.1 percent in the second quarter, reflecting that more people lost jobs during the six weeks of partial closure of the economy due to the pandemic from mid August.

Although industries engaged in exports and others categorised as essential services continued to operate, some had to either scale down their operations or shut them down altogether resulting in cutting down staff. Leisure, entertainment, travel & tourism, and restaurants were the hardest hit and are still reeling from the effects of the pandemic related restrictions.

A leading restaurant chain, which has operations in four other locations in the country, said only their Colombo restaurant was in operation, and that too with intermittent interruptions while the rest were kept shut since the onset of the pandemic.

Due to fewer patrons in their iconic Colombo restaurant they had to cut down on their staff, while they are now compelled to relocate to a cheaper location as they are unable to bear the rent of their current location.

Sri Lanka's official jobless rate has remained above 5.0 percent level continuously since the end of 2019 when the rate was at 4.5 percent. An unemployment rate of 4.0 percent or below is typically recognised as an economy with near full employment.

However, the official unemployment rate masks the shrinking labour force in the economy, a much larger issue facing the country. Some people who lost their jobs during the pandemic have given up on looking for jobs while another segment have decided to retire early either due to the losing prospects in the industry they work for or due to the virus concerns.

These conditions, which have been brewing for sometime, came to a head in the July- September quarter as the Labour Force Participation Rate (LFPR) which measures those who are both employed and unemployed but are looking for work, measured in relation to the working age population, continued to shrink.

According to the data, the LFPR fell to 49.5 percent in the third quarter from 49.8 percent in the second quarter and 51 percent recorded in the year earlier period.

This should raise serious concerns for policy makers as the country is gradually losing its working population which is capable of powering the growth of its economy, that fell into new depths last year.

The situation aggravates when Sri Lanka has one of the highest ageing populations in the world as the country's shrinking labour force is left with an enlarging number of dependents, adding more pressure on the fiscal woes.

However, in a progressive step, the government increased the retirement age of public servants by 5 years through 60 with retirement benefits intact, and the legislation was passed in November last year giving it effect. Meanwhile a proposal was made in the same month in the budget to increase the retirement age up to 65 years.

Source: Daily Mirror - 05th January 2022

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9.30 am—12.30 pm
(Registration starts from 9.15 am)

Online : Zoom

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EXCHANGE RATES AS AT 31ST JANUARY 2022

Date	Buy Rate (LKR)	Sell Rate (LKR)
Australian Dollar	137.62	143.54
Canadian Dollar	154.60	160.46
Swiss Franc	211.81	219.42
Renminbi	30.92	32.19
Euro	220.99	229.53
British Pound	264.95	273.33
Yen	1.71	1.77
Singapore Dollar	146.04	150.74
United States Dollar	198.50	202.99

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>



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