



CNCI NEWS BULLETIN

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දේශීය කර්මාන්ත වැසියාගේ බරපතළ තර්ජනයකට මුහුණ දීලා

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Technical level discussions with Sri Lanka will continue: IMF

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UN stands with Sri Lanka for a peaceful recovery from current crisis

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UPCOMING WEBINAR BY CNCI



Date : 28th June 2022 | 9.30 am - 12.30 pm (Registration starts from 9.15 am) | Online : Zoom

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EXCHANGE RATES AS AT 31st MAY 2022 AND SRI LANKA

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දේශීය කර්මාන්ත වැසියැමේ බරපතල තර්ජනයකට මුහුණ දීලා

ලංකා ජාතික කර්මාන්ත මණ්ඩලයේ සභාපති කැනීෂියස් ප්‍රනාන්දු

වර්තමානය වනවිට දේශීය කර්මාන්ත වැසි යාමේ තර්ජනයකට මුහුණපා සිටින බව ලංකා ජාතික කර්මාන්ත මණ්ඩලයේ සභාපති කැනීෂියස් ප්‍රනාන්දු මහතා පවසයි. මාධ්‍ය ප්‍රකාශයක් නිකුත් කරමින් ඔහු පවසා සිටියේ රටේ ව්‍යාපාරික පරිසරය අස්ථාවර හා අවිනිශ්චිතතාවයෙන් පිරුණු තැනක් බවට පත් වී ඇති බවයි. මෙයට ප්‍රධාන වශයෙන් වත්මන් ආර්ථික අර්බුදය, දේශපාලනික අස්ථාවරත්වය සහ සමාජීය නොසන්සුන්බව හේතු සාධක වී ඇති අතර මෙම අර්බුදයන් කර්මාන්ත ක්ෂේත්‍රය වෙත සෘජු බලපෑමක් එල්ල කරයි. මෙම වාතාවරණය හමුවේ විදේශ සංචිත හිඟකම, දිගින් දිගටම රුපියල අවප්‍රමාණයවීම හා සීඝ්‍ර උද්ධමනය හේතුවෙන් අසිරුවෙන් වුවත් දැඩි මූල්‍ය හා බදු ප්‍රතිපත්ති පිළිබඳව තීරණ ගැනීමට රජයට සිදුව ඇත.

මෙම පවතින තත්වය අපනයන සඳහා හිතකර වුවත්, අප සැවොම දන්නා පරිදි රටේ ආනයන වටිනාකම සැමවිටම අපනයනයන්ට වඩා වැඩි අගයක් ගනී. කර්මාන්ත ක්ෂේත්‍රයට දැඩි බලපෑමක් එල්ල කරමින් අත්‍යවශ්‍ය භාණ්ඩ වන ඉන්ධන, ඖෂධ හා ආහාර ද්‍රව්‍ය ආනයනයට අමතරව කර්මාන්ත අංශයේ ක්‍රියාකාරීත්වයට ඉතා වැදගත් සාධකයක් වන අමුද්‍රව්‍ය හා යන්ත්‍ර සූත්‍ර ආනයනය ගැටළුසහගත වී ඇති අතර අනෙක් පැත්තෙන් ණයවර ලිපි විවෘත කිරීමේ ගැටළුව, ආනයන සීමාකිරීම්, භාණ්ඩ නිෂ්කාශන ප්‍රමාදයන්, රුපියල අවප්‍රමාණය වීම නිසා සීඝ්‍රයෙන් ඉහළ යන අමුද්‍රව්‍ය පිරිවැය එසේම නිරන්තර විදුලි කප්පාදු කිරීම්, ඉන්ධන ලබාගැනීමේ අපහසුතාවය, සේවක ඉල්ලීම්, ඉහල පොළී අනුපාතිකයන්ද නිෂ්පාදන පිරිවැය සීඝ්‍ර ලෙස ඉහළ යාමට හේතු වී ඇත.

මේ වනවිට බොහොමයක් සුළු හා මධ්‍ය පරිමාණ ව්‍යාපාර අමුද්‍රව්‍ය හිඟකම, විදුලිය අබණ්ඩව නොලැබීම, බණ්ඨ තෙල් ලබා ගැනීමේ අපහසුව ඇතුළු අනේකවිධ ගැටළු නිසා වැසිගොස් හෝ අකර්මණ්‍ය වී ඇත. බොහොමයක් ව්‍යාපාර විදුලිජනක යන්ත්‍ර භාවිතා නොකරන අතර එසේ භාවිතා නොකර අතර එසේ භාවිතා කලද එම යන්ත්‍ර වලට ඉන්ධන සපයා ගැනීමට නොහැකියාවක් වර්තමානය වනවිට උද්ගතව ඇත. බොහොමයක් සුළු හා මධ්‍ය පරිමාණ ව්‍යාපාර ඇතුළු සෑම ව්‍යාපාරයකම පාහේ සේවකයන් පැය ගණනක් දිගු ඉන්ධන පෝලීම්වල කාලය ගත කිරීමට සිදුවීම තුළින් සේවකයන්ගේ කාර්යක්ෂමතාවයද පහළ ගොස් ඇත. තවද සැලකිය හැකි සේවකයන් සංඛ්‍යාවක් යතුරු පදි හා මෝටර් රථ ඉන්ධන ලබා ගැනීමට නිවාඩු පවා ඉල්ලුම් කරන තත්වයකට පත්ව ඇත. අපේක්ෂා නොකල පරිදි ඉන්ධන මිල ඉහළ යාම තුළින්ද නිෂ්පාදන පිරිවැය ඉහළ යාමට අමතරව මෝටර් රථ හා යතුරු පදි භාවිතා කරමින් රැකියාවට පැමිණෙන්නන් බරපතල ලෙස අසරණ වී ඇත. මෙම තත්වය තවදුරටත් මෙලෙසින් පැවතුනහොත් කුසලතා පූර්ණ සේවකයන් රැකියාවෙන් ඉවත්ව විදේශ රැකියා වෙත පිවිසීමේ ප්‍රවණතාවයක් ඇතිවෙනු ඇත. එසේ වුවහොත් කර්මාන්ත ඇතුළු ව්‍යාපාර බොහොමයක් කඩාවැටීමේ පැහැදිලි අවදානමකට ලක්වනු ඇත.

අනාගතය පිළිබඳ ඇති අවිනිශ්චිතතාවය හේතුවෙන් ව්‍යාපාරයකට අවම වශයෙන් කෙටිකාලීන සැලසුමක්වත් සකස්කර ගැනීමට නොහැකි වාතාවරණයක් නිර්මාණය වී ඇත. කර්මාන්ත බොහොමයක් දෛනික ක්‍රියාවලිය පවත්වා ගැනීමට කටයුතු කරන අතර පැහැදිලි සැලසුම්කරණයකට යාමට අපොහොසත් වී ඇත. නිශ්චිත සැලැස්මක් නොමැතිව කටයුතු කිරීම තුළින් මෙහෙයුම් කාර්යක්ෂමතාවය බෙහෙවින් හීන වනු ඇත. සෘජු විදේශීය ආයෝජන ආකර්ශනය කර ගැනීමට කටයුතු කිරීම කෙසේ වෙතත් දේශීය කර්මාන්ත කඩාවැටීමකට ලක් නොවී පවත්වාගෙන යාම මෙම අවස්ථාවේ ගත යුතු එකම පියවර ලෙස සැලකිය යුතුය.

එක් රටක් ලෙස ඉදිරියට ගමන් කිරීමේදී දේශීය කර්මාන්ත බාධාවකින් තොරව සිදු කිරීමේ හැකියාව අවශ්‍යයෙන්ම තිබිය යුතුය. කර්මාන්ත මණ්ඩලයක් ලෙස අප විසින් දේශපාලනික උපදෙස් දීම හෝ ක්‍රියාවලි වෙනසක් ඇති කල යුතු ආකාරය පැවසීම අපගේ වපසරියෙන් පරිබාහිර කටයුත්තකි. කෙසේ වෙතත් රට හා ජාතිය පෙරමුණේ තබා රජය විසින් සැමවිටම ස්ථාවර ආර්ථිකයක් සකස් කරනු පිණිස හා කර්මාන්ත හා ව්‍යාපාරයන්හට හිතකර පරිසරයක් සකස් කිරීම තුළින් බාධාවකින් තොරව කර්මාන්ත පවත්වාගෙන යාමට කටයුතු සම්පාදනය කර තීරණ ගත යුතු බව ලංකා ජාතික කර්මාන්ත මණ්ඩලයේ බලපොරොත්තුව බව වැඩිදුරටත් ලංකා ජාතික කර්මාන්ත මණ්ඩලයේ සභාපතිතුමා සඳහන් කර ඇත.

A letter sent to Ministry of Industries

The new Industry Minister was written to by the CNCI chairman airing the grievances of the local industrialists in the present context with their prospective recommendations in the midst of limited alternatives.. The issues broadly covered the important areas listed below.

- Import Related Issues
- Fuel, Electricity and Gas Issue
- Issues Resulted from Inflation
- General Issues
- China Sri Lanka Free Trade Agreement

The letter to the Minister also reserved space to seek an early appointment with the Minister to further clarify the issues in detail along with the general issues and China Sri Lanka FTA.

More details: https://cnci.lk/letters_to_ministries.html



World Bank warns of a Global Debt Storm

The World Economy is simultaneously dealing with three challenges- the Pandemic, the rising Cost of Debt and the war in Ukraine. Economists say what is happening in Sri Lanka could happen to other countries as well.

The United Nations has identified 69 such economies. Fifty of them are in the African and Asia Pacific region while 19 in the Latin American region.

Economists predict that a Global Debt Storm could engulf these developing countries making their economies fall like dominos. Sri Lanka's debt crisis is a warning to the world. The World Bank says a Global Debt Storm is coming.

Source: Daily News – 17th May,2022

World could run out of wheat stocks 'in 10 weeks'



UK: The world has just 10 weeks' worth of wheat stockpiled after Russian President Vladimir Putin's invasion of Ukraine disrupted supplies from the "breadbasket of Europe".

The UN has been warned that global wheat inventories have fallen to their lowest level since 2008.

Official Government estimates put world wheat inventories at 33 per cent of annual consumption but stocks may have slumped to as low as 20 per cent, according to agricultural data firm Gro Intelligence. It estimates that there are only 10 weeks of global wheat supply left in stockpiles.

Russia and Ukraine account for around a quarter of the world's wheat exports and the West fears Mr Putin is trying to weaponise food supplies.

Russia is on track for a strong wheat harvest this year, cementing Putin's control over the staple grain as bad weather spoils production in Europe and the US.

Meanwhile, the Kremlin is tightening its grip on wheat supplies after a strong harvest.

In a report earlier this month, the US Department of Agriculture forecast a major decline in wheat stocks, saying they will drop 6 per cent to a nine-year low of 16.8 million tons by the end of 2022-23. - THE SYDNEY MORNING HERALD

Source: Daily News – 23rd May,2022

Technical level discussions with Sri Lanka will continue: IMF



The International Monetary Fund (IMF) on Wednesday (May 11) said it would continue technical level talks with debt-ridden Sri Lanka to prepare for policy discussions once a new government has been formed in the country.

Sri Lanka has been grappling with an unprecedented economic turmoil since its independence from Britain in 1948. Sri Lanka is currently facing the worst economic crisis and political instability ever after Independence due to manifold reasons both short and long-term.

The IMF said that it remains committed to assisting Sri Lanka in line with its policies. Technical level discussions with Sri Lanka have commenced. They will continue to prepare for policy discussions once a new Government has been formed, the IMF was quoted as saying by the report

On our virtual mission during May 9 to 23, discussions at the technical level have just started and continued as planned so as to be fully prepared for policy discussions once a new government has been formed," the IMF said in a statement.

The IMF also said that it is following developments in Sri Lanka closely and is concerned about rising social tensions and violence.

The two sides convened their first round of talks at the IMF headquarters in Washington in April.

Sri Lanka is hoping for a Rapid Finance Instrument (RFI) facility as well as a larger Extended Fund Facility (EFF) from the international financial body to help it deal with its foreign currency shortages, which have triggered an economic crisis. In the last meeting, the IMF assured to help the country with an amount of US\$ 300 million to US\$ 600 million. According to the IMF, the country will receive the said amount from the World Bank over the course of the next four months. (The Hindu)

Source: -Daily News - 12th May ,2022

Sri Lankan female labour force declines to 33%



Sri Lanka took almost four decades to double its female labour force participation rate from about 19% in 1953 to 36% in 1990.

Since then, the female labour force participation rate has averaged just 33% and has been on a declining trend in recent years.

Although Sri Lanka is ahead of the South Asian average of 24%, the country's female labour force participation remains much lower than the 'upper middle income' country average of 55% according to the Central Bank annual report -2021.

The continued stagnation of the female labour force participation is a key policy issue to be addressed as the economy struggles with a rapidly ageing population, labour productivity

issues and increasing migration, especially of skilled and semi-skilled workers. With due consideration for considerable investments that consecutive governments have made in the education and health sector over the last seven decades, it is noted that bringing women into the labour force and thereby creating an expansion of the labour force can have significant positive impacts on the growth process of the country, while also ensuring the efficacy of such investments, amid limited fiscal space.

Initiatives in this regard should also focus on ensuring that women avail of 'decent work', as outlined in the SDGs. The need to engage women in 'decent work' is underscored by the developments arising due to the COVID-19 pandemic, which has caused a rise in the socio-economic vulnerability of women as they tend to be employed in vulnerable jobs in the services or agriculture sectors and are more likely to be underpaid or engaged under less favorable working terms.

Since long, there has been a broad consensus that policies focused on alleviating the 'triple burden' of women and thereby enhancing female labour force participation, an element

lacking in Sri Lanka. This is evident from the dearth in

the availability of affordable and regulated childcare or elderly care facilities, the absence of flexible working arrangements and the lack of reliable and safe modes of public transportation – international experiences highlight these as essential to improve the female labour force participation.

Developing such infrastructure can lead to better absorption of females into the labour force thereby paving way for an increase in overall welfare through the increase in the productive resource base of the economy.

Over the medium term, the higher levels of household incomes can translate into improved education and nutritional outcomes for future generations, thereby contributing to consistent improvements in the productivity of the labour force.

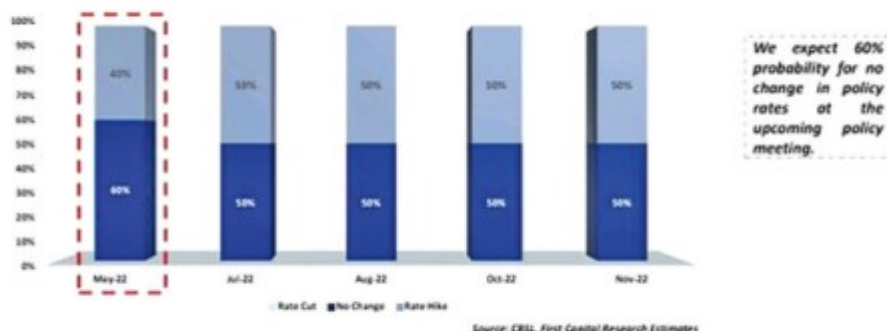
Accordingly, it is vital to devise a targeted, holistic and multi sectoral policy initiative that supports stronger diversity and inclusion in a gender sensitive manner. (IH)

Source: -Daily News - 24th May ,2022



First Capital Research says in upcoming policy review:

CBSL expected to maintain rates at current levels



As per the First Capital Research view, at the upcoming policy meeting, there is a strong case for maintaining policy rates in order to realize the impact of previous rate hikes amounting to a total of 850bps.

“As a result, we believe that there is a major probability of 60% to maintain rates at current levels. However, there is also a probability of 40% for tightening to compensate for higher inflation and to preserve the currency and foreign reserves thereby supporting macroeconomic stability. However, at the upcoming policy review we expect CBSL to maintain rates at current levels.” FC Research said in its Pre-Policy Analysis-May 2022.

The Monetary Board at the previous policy announcement held in April decided to increase policy interest rates; SDFR and the SLFR by 700bps to 13.50% and 14.50% respectively and this can be considered as the highest ever policy rate hike delivered in the history of Sri Lanka. On a cumulative basis, policy rates have increased by 850bps for this

year at three policy announcements. Accordingly, considering the above factors we believe that CBSL might prefer to conserve its policy space and use it judiciously in the latter part of the year while also allowing the impact of previous rate hikes to materialize as it takes roughly a 3-6 months period to get reflected in the economy.

“Therefore, we believe that there is a lower probability for further rate hikes at the upcoming policy meeting.” Market interest rates are adjusting upwards gradually. Market interest rates have been gradually adjusting upwards in response to tight monetary policy measures adopted thus far. Accordingly, in response to the 700 bps rate hike on April 8, AWCMR moved to 14.5% while AWPR was uplifted to 19.55%. Further, FD rates of major LCBs were seen shifting upwards in response to policy adjustments with FD ceiling on Market interest rates adjusting upward gradually with Non Bank Financial Institutions (NBFIs) increasing to 26.22% as of May 12-

2022.

Moreover, in response to increased lending rates, credit disbursed for February-22 and January-22 declined to Rs 33.50 billion and Rs 36.10 billion respectively.

“Hence, we believe that further hike in policy rates would not be required at the upcoming policy review. Policy tightening may not curb cost-push inflation.”

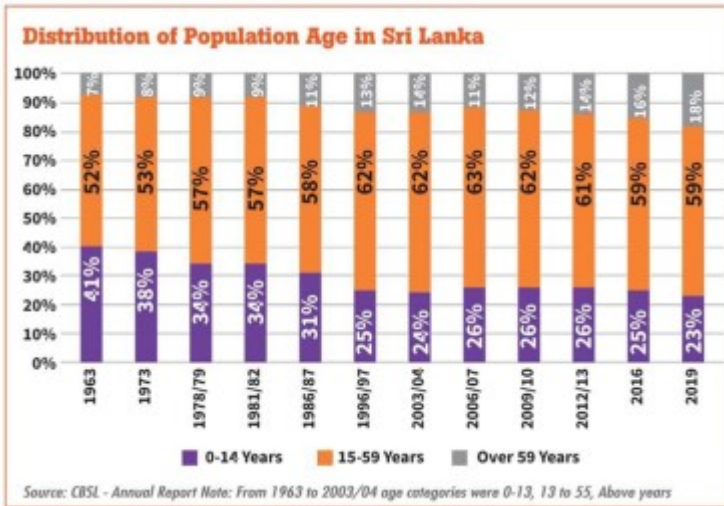
Increase in global commodity prices has become a key determinant factor of the soaring inflation in Sri Lanka. In that, escalating crude oil prices due to supply-side constraints play a major role in the domestic context by inflating prices of the overall economy. Moreover, import restriction and Sri Lanka’s heavy dependency on imports are also promoting supply-side shocks, while also wearing out the competitiveness of certain local industries and thereby causing detriments to the consumers due to discretionary rise in prices of goods and services by suppliers.

“Therefore, monetary tightening may not address these issues arising via cost-push effects on inflation.”

As per 2021 article IV consultation report, IMF recommends having a substantial revenue based fiscal consolidation which includes reforms on strengthening VAT and income taxes, through rate increases and base broadening measures accompanied with energy pricing reforms to reduce fiscal risks from loss making public enterprises.

Source: -Daily News - 19th May, 2022

Sri Lankans to grow older before economy gets bigger and better



This was a sharp increase from the 12 percent in 2009/10, about the same time when the country ended its three-decade-old war, which rekindled hopes of economic renaissance and 9 percent in 1978/79, when the economy was liberalised, promising better living standards for the people.

According to data, in 1963, only 7 percent of Sri Lankans were above 59 years of age, reflecting that Sri Lanka was much younger then compared to now.

Charts.lk parsed the Household Income and Expenditure Survey report for 2019, which was released only recently by the Census and Statistics Department, as the survey contains the country's demographic dispersion based on age.

The data also presents a new set of challenges for the country, which has been scrambling so hard to stabilise its economy following a hard landing in March after decades of living beyond its means through borrowed money amid corruption, inefficiency and stealing of public resources.

The fact that Sri Lanka also has a shrinking working age population while its dependents are rising fast makes matters worse.

For instance, its working-age population, who are between 15 to 59 years, have narrowed from 62 percent in 2009/10 to 59 percent by 2019, according to the data available.

The situation would become horrific when the data comes out for the two years of the pandemic in 2020 and 2021, as people who are in their working age left the job market and others retired voluntarily, due to the economy-crippling lockdowns and other restrictions imposed to restrict the spreading of the virus.

Meanwhile, migration, which had reached record levels in recent times, would also deal a lethal blow to the Sri Lankan economy that is already hamstrung by a skills shortage. Close to 1.5 million Sri Lankans drive three-wheelers and another 1.5 million work in the state sector, making close to 40 percent of the labour force, who contribute to negative productivity in the country. Hence, unless the policymakers and people themselves change their attitudes, attaining any kind of economic well-being is unlikely, as the country will not have enough people in their prime working age to prop up its economic activities.

The forewarning, which came from economists and the demographic experts way back in 2012, fell on the deaf ears of the policymakers in successive governments and nothing was done except twice increasing the retirement age from 55 to 65.

Source: Daily Mirror - 31st May, 2022

Working-age population also narrows; further contraction expected in two years of pandemic, of which data isn't available yet.

Sri Lankans are getting older before they attain any economic well-being, as people are forced to contend with difficult economic conditions during their lifetime brought about by decades-long economic mismanagement by successive governments. According to Charts.lk, an economic data platform, 17.9 percent of Sri Lanka's population is older than 59 years of age by the end of 2019, which made Sri Lanka the country with the highest older population in South Asia.

Oil climbs above \$121 a barrel

Oil prices climbed above \$121 a barrel on Monday, hitting a two-month high as China eased COVID-19 restrictions and traders priced in expectations that the European Union will eventually reach an agreement to ban Russian oil imports.

Trading activity was muted due to a public holiday in the United States.

The Brent crude futures contract for July, which will expire on Tuesday, settled up \$2.24, or 1.9%, at \$121.67 a barrel. U.S. West Texas Intermediate (WTI) crude futures were up \$1.99, or 1.7%, to \$117.06 a barrel at 18.03 GMT, extending solid gains made last week.

"One reason being cited for this is the imminent lifting of coronavirus restrictions in Shanghai, which is sparking hopes that oil demand will pick up again in China," analysts at Commerzbank said in a note to clients.

Shanghai announced an end to its two-month-long COVID-19 lockdown, and will allow the vast majority of people in China's largest city to leave their homes and drive their cars from Wednesday.

Meanwhile, the EU is meeting on Monday and Tuesday to discuss a sixth package of sanctions against Russia for its invasion of Ukraine, which Moscow calls a "special military operation."

"Europe has been haggling about this for the better part of a month, but increasingly the market is pricing (additional sanctions) in as a risk," said Daniel Ghali, senior commodity strategist at TD Securities in Toronto.

EU countries failed to agree on a Russian oil import ban despite last-minute haggling before the summit got under way in Brussels. But leaders of the 27 EU countries will agree in principle to an oil embargo, a draft of their summit conclusions

showed, while leaving the practical details and hard decisions until later.

Any further ban on Russian oil would tighten a crude market already strained for supply amid rising demand for gasoline, diesel and jet fuel ahead of the peak summer demand season in the United States and Europe.

Underscoring market tightness, the Organization of the Petroleum Exporting Countries and allies including Russia, a group dubbed OPEC+, are set to rebuff Western calls to speed up increases in output when they meet on Thursday.

They will stick to existing plans to raise their July output target by 432,000 barrels per day, six OPEC+ sources told Reuters.

Page Source : Daily News : 02nd April 2022

Sri Lanka achieves record exports in April

Sri Lankan merchandise exports grew to an all-time record of US\$ 915.3 million in April 2022, surpassing the previous high of US\$ 799 million achieved in 2021.

Earnings from the merchandise exports increased by 11.87% y-o-y to US\$ 915.3 million in April 2022, the highest monthly value recorded for the month of April, Chairman - Export Development Board (EDB) Suresh D de Mel said.



“This was mainly due to the increase in earnings from export of Apparel & Textiles, Coconut based products and Rubber based products. Further, a sizable increase was recorded in the exports of Electrical & Electronic Components and in the Seafood sector.”

“It must also be highlighted that, efficient facilitation of the supply of fuel and energy to our exporters is imperative to keep this momentum going while appealing for an expedited solution to the current crisis. Further, we need to focus on niche markets while consolidating the market share in the US and EU. Export product diversification must simultaneously happen so that we can create more billion-dollar industries for Sri Lanka which we are lacking today.”

Major product sectors except Spices & Concentrates, Apparel & Textiles, Tea, Rubber-based products, Coconut based products, Electronics & Electronic Components, Food & Beverages and Seafood recorded increased exports in April 2022.

Exports of Apparel & Textiles increased by 22.12% y-o-y to US\$ 445.79 million in April 2022. The increase was driven by both Apparel and Textiles.

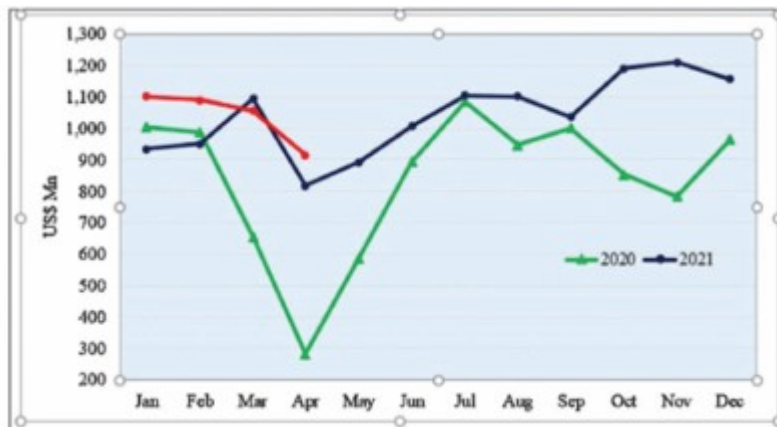
Export earnings from tea in April 2022 which made up 12% of merchandise exports, increased by 1.49% y-o-y to US\$ 80.44 million. Export of bulk tea increased by 9.52% in April 2022 compared to April 2021.

Export earnings from Rubber and Rubber Finished products have increased by 10.09% y-o-y to \$ 71.27 million in April 2022, with good performance in exports of Pneumatic & Retreated Rubber Tyres & Tubes (23.21%).

On monthly analysis, export earnings of kernel products, fiber products and shell products categorized under the Coconut based increased by 19.21%, 24.33% and 52.43% respectively in April 2022. Export earnings from Seafood increased by 10.58% to US\$ 21.22 million in April 2022 compared to April 2021.

“Furthermore, export earnings from the Electrical & Electronics Components increased by 27.05 % y-o-y to US\$ 34.38 million in April 2022 with strong performance in exports of Insulated Wires & Cables (26.56%) and Electrical Transformers (71.36%).”

For the period of January to April 2022, merchandise exports increased by 9.6 % to US\$ 4,165.2 million. Apparel & Textile exports increased by 13.27% to US\$ 1,917.95 million during the period.



Page Source : Daily News : 24th May 2022



LAKE
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Daily News

UN stands with Sri Lanka for a peaceful recovery from current crisis



While admiring the resilience shown by the Sri Lankan people, the United Nations says it stands with Sri Lanka and hopes for a peaceful recovery from the current crisis.

On behalf of the Secretary-General and the United Nations Country Team in Sri Lanka, Hanaa Singer-Hamdy, UN Resident Coordinator in Sri Lanka wished all those celebrating Vesak.

“Hatred is, indeed, never appeased by hatred in this world. It is appeased only by loving-kindness.” As Sri Lanka and the world journey through these troubled times, may this teaching of the Buddha from the Dhammapada guide you.

His message of compassion, tolerance, and respect for one another are true today as they were over 2500 years ago.

Acknowledging the contributions of Buddhism to the world, an eminent Sri Lankan the then Foreign Minister Lakshman Kadirgamar, brought a proposal to the United Nations

General Assembly to make the Buddhist holy day an International Observance Day. Vesak was thus declared a Day of Observance by a General Assembly Resolution in 1999. Today the United Nations stands with Sri Lanka, we admire the resilience shown by her people, and are hopeful of a peaceful recovery from the current crisis.

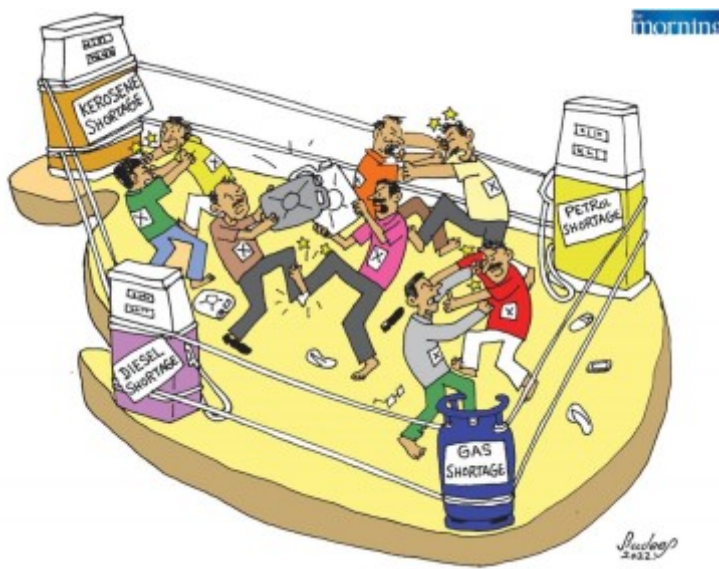
It is only with compassion, and purity of intent, that present challenges can be overcome. “Not to do evil, to cultivate merit, to purify one’s mind - this is the Teaching of the Buddhas” Hamdy in a message said.

Source: Daily News : 07th April, 2022

Cartoons



Source:cartoon-themorning.lk- 18-05-2022



Source:cartoon-themorning.lk-24-05-2022

USAID pledges to assist with urgent needs in Sri Lanka



USAID Administrator Samantha Power on Tuesday underscored that USAID is pivoting its ongoing programmes in Sri Lanka to help address the urgent needs of Sri Lanka's most

month during a telephone conversation with Prime Minister of Sri Lanka Ranil Wickremesinghe to discuss how USAID is responding to the country's political and economic crises. She pledged her support to the people of Sri Lanka and committed that USAID would help the country weather the crisis. She stressed the need to urgently undertake political and economic reforms to gain the trust of the Sri Lankan people. Power assured the Prime Minister that USAID would closely work with other donors such as the IMF, the World Bank, G7 and others to support Sri Lanka during this extraordinarily difficult period.

vulnerable and marginalized communities as they experience the economic shocks, compounded by rising food, fuel and fertilizer prices, a release issued by her office said.

Power expressed her sympathy for those Sri Lankans who were killed or injured in the political unrest earlier this

Source: Daily News - 26th May 2022

CBSL maintains Monetary Policy stance

The Monetary Board of the Central Bank of Sri Lanka decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank at the current levels of 13.50% and 14.50%, respectively.

The Board is of the view that although inflation is projected to remain elevated in the near term, the substantial policy measures taken by the Board, at its meeting held on 08 April 2022, combined with the other measures to stem the firming up of aggregated demand pressures, are expected to contain any further build-up of inflation expectations and ease inflationary pressures in the period ahead.

A faster pass through to market interest rates is observed following the significant monetary policy tightening measures. Market interest rates have notably adjusted upwards reflecting the significant monetary policy tightening measures taken by the Central Bank in April 2022.

The interest rates on deposit and lending products of financial institutions have adjusted upwards considerably, correcting some anomalies that prevailed in the market interest rate structure. Although domestic credit in rupee terms recorded a significant expansion in March 2022, mainly due to the valuation impact of foreign currency denominated loans, the parity adjusted domestic credit expansion is estimated to have slowed. Meanwhile, the resultant expansion of broad money growth has been weighed

down by the contraction in net foreign assets (NFA) of the banking system.

It is envisaged that the elevated interest rate structure would attract more deposits into the banking system. However, the expansion of domestic credit, particularly to the private sector, would remain restrained due to the pass through of the significantly tight monetary policy measures. Meanwhile, yields on government securities, which increased considerably in the recent past, are expected to moderate and stabilise at lower levels in the period ahead with the necessary fiscal adjustments together with renewed efforts to restore political stability in the country.

Inflation is projected to remain elevated in the coming months before moderating thereafter, supported by the realisation of the full impact of the policy measures. Headline inflation is projected to remain escalated in the near term on account of domestic supply shortages, increased global commodity prices, the effects of the large depreciation of the Sri Lanka rupee against the US dollar thus far during the year, along with the impact of aggregate demand pressures.

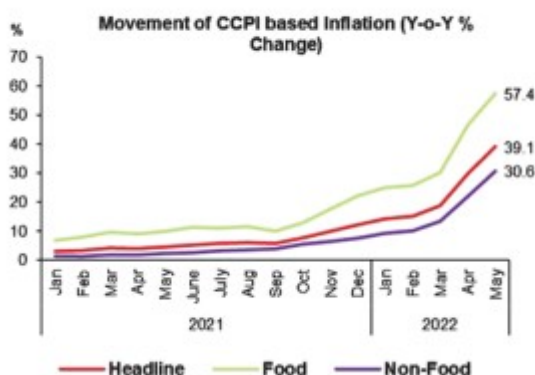
However, inflation is expected to moderate thereafter reflecting the impact of corrective policy measures of the Central Bank and the expected improvements in both domestic and global supply conditions. Moreover, it is envisaged that the recent tightening of monetary conditions and the strengthening of monetary policy

communication will help anchor inflation expectations of the public in the period ahead.

The external sector continues to face heightened challenges, which are being addressed by an array of measures. The guidance provided by the Central Bank to all licensed banks in the determination of the interbank spot exchange rate, since mid-May 2022, is expected to minimise any excessive volatility in the domestic foreign exchange market. This, coupled with the recent tightening of the monetary policy stance, restrictions on imports on open account terms, and the reduction in the proportion of mandatory foreign exchange sales by the banks to the Central Bank, is expected to ease pressures on the Sri Lanka rupee, while also gradually improving liquidity in the domestic foreign exchange market. Moreover, these measures are anticipated to help mobilise foreign exchange to finance essential imports, until sizeable bridging finance is made available. Some recovery in foreign exchange inflows in terms of workers' remittances is expected due to the notable reduction in the gap between the official exchange rate and the rate offered by the grey market and the continued increase in migration of workers. However, the near term outlook of the tourism sector is likely to remain unfavourable due to both global and domestic factors.

Source: Daily News - 20th May 2022

Food inflation hits 57.4% in May



Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2013=100) increased to 39.1% in May 2022 from 29.8% in April 2022.

This increase in Y-o-Y inflation was driven by the monthly increases of both Food and Non-Food categories. Subsequently, Food inflation (Y-o-Y) increased to 57.4%

in May 2022 from 46.6% in April 2022, while Non-Food inflation (Y-o-Y) increased to 30.6% in May 2022 from 22.0% in April 2022. Monthly change of CCPI recorded at 8.34% in May 2022 due to price increases observed in items of both Non-Food and Food categories which were 4.87% and 3.47%, respectively.

Accordingly, prices of items in the Non-Food category recorded increases mainly due to price increases observed in the Transport (Petrol, diesel and bus fare), Housing, Water, Electricity, Gas and Other Fuel (LP gas and Materials for maintenance/reconstruction), Restaurant and Hotels and Miscellaneous Goods and Services (Car insurance) sub-categories.

Meanwhile, annual average inflation rose to 14.2% in May 2022 from 11.3% in April 2022. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy increased to 28.4% in May 2022 from 22.0% in April 2022, while annual average core inflation increased to 10.2% in May 2022 from 8.1% in April 2022.

Source: Daily News - 02nd June 2022

Taxes incl. VAT to be increased

The government today decided to revise taxes given the current economic crisis and thereby decided to increase Value added Tax from 8% to 12% and Telecommunication Levy from 11.25 percent to 15 percent.

“In addition the levy of gross collection from gaming was increased from 10% to 15%, corporate income tax was increased from 24% to 30%, the ten-year tax holidays from constructions using recyclable materials, boat manufacturing and bonded warehouses were also revised.

Sri Lanka introduced a low tax regime in late 2019. The reforms included the reduction of tax rates of Value Added Tax (VAT), Personal Income Tax (PIT) and Corporate Income Tax (CIT), and narrowing tax bases of VAT and PIT, while introducing a plethora of tax incentives, such as tax exemptions for agriculture and

Information Technology (IT) and enabled services, tax deductions and tax holidays. This caused an annual loss of around Rs. 600 billion – 800 billion in tax revenue to state coffers.

Therefore, these reforms are now being looked as policies that led to a significant loss of government revenue, partly due to the spread of COVID-19 pandemic in 2020/2021 and related developments, which affected the revenue generation process, ultimately resulting in the lowest revenue to GDP ratio in the region. The revenue to GDP ratio has declined to 9.1% in 2020 from 12.7% in 2019 and further deterioration of 8.7% in 2021. This is significantly lower than the average revenue ratio of around 25% of GDP in emerging market and developing economies. (Yohan Perera)

Source: Daily Mirror - 31st May 2022

Airlines diverted to Chennai, Dubai Singapore airports for refuelling

As an alternative solution and measures to minimize the issues of refuelling aircraft at the Bandaranaike International Airport (BIA), it was reported that the airlines would be diverted to airports such as Chennai, Dubai and Singapore, the airport sources said.

SriLankan Airlines which are already flying over India, are operating with fuel for its fleet from Chennai and other Indian airports, a senior official said.

He added that the matter has been discussed with the India authorities earlier.

He further said the fuel required for the aircraft will be procured from the airports on their return flights to Chennai or New Delhi. (T.K.G. Kapila)

Source: Daily Mirror - 25th May 2022

Upcoming Training Programmes by CNCI

CNCI Webinar



Prospective Tax Changes 2022 & its Impact to the Industry

Date : 28th June 2022

9.30 am - 12.30 pm

(Registration starts from 9.15 am)

Online : Zoom

Content

- Introduction
- Changes in detail to :
 - ⇒ Income Tax
 - ⇒ VAT
 - ⇒ Telecommunication Levy
 - ⇒ Betting & Gaming Levy
- Impact to the Taxpayers
- Impact to the Economy
- Q & A

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Organized by :

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EXCHANGE RATES AS AT 31ST MAY 2022

Date	Buy Rate (LKR)	Sell Rate (LKR)
Australian Dollar	253.2100	264.6025
Canadian Dollar	278.9659	290.1997
Swiss Franc	368.8656	382.8123
Renminbi	52.9021	55.1831
Euro	383.2022	394.0627
British Pound	446.8803	462.4181
Yen	2.7653	2.8740
Singapore Dollar	259.2706	268.3239
United States Dollar	355.7708	365.7493

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>