



# CNCI NEWS BULLETIN

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## CNCI Conducts Awareness Program on Achiever Awards 2023



The Ceylon National Chamber of Industries (CNCI) is now in the process of issuing applications to the applicants of both service and manufacturing sectors to compete at the “CNCI Achievers’ Awards – 2023”. Since the Applications for the Achiever Awards competition have been collected by a large number of enthusiastic applicants by now, the Chamber CNCI has decided to conduct few Awareness programs for the benefit of all prospected applicants who wish to apply for the competition. The CNCI conducted the said Awareness Program on 29th April 2023 with the participation of a large number of interested participants from 9.00 am to 12.00 Noon at the CNCI Auditorium.

It is a fact that many organizations of industrial sector in the country have passed a critical period during the past few years in the face of varied issues known to all of us. One significant feature what we observe in our entrepreneurs is that they do not make it a reason to get themselves discouraged or reluctant to participate at this golden opportunity. Instead, they seem to have perceived that the time is opportune to apply for the CNCI Achiever Awards 2023, exposure of which will result in increasing customer and employee confidence to accelerate their move towards the desired goals.

The Achiever Award application covers 12 operational areas to be filled with data, which will

be the selection criteria for any award. Anyone who applies for the award will thoroughly understand about these operational areas and the standards to be maintained for success of their business. Whether you win an Award or otherwise, what is more important is for you to participate at the competition which certainly guides you to enter into the correct track to reach the business excellence. The participants for the seminar will understand the importance of applying for the Award.

The general objectives of organizing these Awareness programs are to advise the Prospective applicants how to fill the relevant applications, to explain the methods of calculations, definitions of the technical terms, the required supporting documents to be attached, evaluation procedure, layout, preparation and submission of the reports etc. We believe that the awareness Program will be of immense importance to all the applicants.

## *Unveiling the Photograph of Mr. Ruwan Edirisinghe; the Immediate Past Chairman of CNCI*



The Immediate Past Chairman of the Ceylon National Chamber of Industries; Mr. Ruwan Edirisnghe was treated a momentous farewell by the Office Bearers of the Chamber including the present Chairman; Mr. Canisius Fernando, the outgoing Secretary General; Mr. Abeyrathna Muthugala, the incoming Secretary General; Mr. Samantha Wickramasena, the Vice Chairmen along with all other members of the Management Committee of CNCI. In honor of his

This remarkable unveiling segment was held on the 29th of June 2023 upon the end of the monthly Executive Council Meeting which was held on the same evening.





## World Bank Group adopts new Country Partnership Framework for Sri Lanka



**World Bank President - Ajay Banga**

The World Bank Group's Board of Executive Directors on Wednesday discussed the new Country Partnership Framework for Sri Lanka, which aims to help restore economic and financial sector stability and build a strong foundation for a green, resilient, and inclusive recovery.

This CPF comes at a time when the country is navigating a severe economic crisis that is having devastating impacts on people's lives and livelihoods and which demands deep reforms to stabilise the economy and protect the poor and vulnerable. Sri Lanka's poverty rate is estimated to have doubled from 13.1 to 25% between 2021 and 2022—an addition of 2.5 million poor people—and is projected to increase by another 2.4% percentage points in 2023.

“The extent of the crisis in Sri Lanka is unprecedented, but offers a historic opportunity for deep reforms to reset the country's economic storyline,” said World Bank Country Director for Sri Lanka Faris H. Hadad-Zervos. “The CPF supports this shift. Through a phased approach, the World Bank Group strategy focuses on early economic stabilisation, structural reforms, and protection of the poor and vulnerable. If sustained, these reforms can put the country back on the path towards a green, resilient and inclusive development.”



**World Bank Country Dir. Faris H. Hadad-Zervos**

The CPF, which covers the years 2024-2027, lays out a two-phased approach that starts with a focus on urgent macro-fiscal and structural reforms and supports to protect the human capital and most vulnerable population. After the first 18-24 months, and subject to a successful implementation of the reform program and international debt relief and financial support, the CPF focus will gradually shift to investments

in longer-term development needs that will help promote private sector job creation—particularly for women and youth—and boost resilience to climate and external shocks.

The World Bank Board of Directors also approved \$700 million in financing for two operations to help Sri Lanka implement foundational reforms that restore macroeconomic stability and sustainability, mitigate the impact of current and future shocks on the poor and vulnerable, and support an inclusive and private-sector-led recovery and growth path. The Sri Lanka Resilience, Stability and Economic Turnaround (RESET) Development Policy Operation (\$500 million) will support reforms that help improve economic governance, enhance growth and competitiveness, and protect the poor and vulnerable. It will provide budget support in two equal tranches against agreed prior actions. The Social Protection Project (\$200 million) seeks to support Sri Lanka in providing better-targeted income and livelihood opportunities to the poor and vulnerable and improving the responsiveness of the social protection system.

Source: Daily FT – 30th June 2023



# Parliament approves Domestic Debt Restructuring



The Domestic Debt Restructuring programme was approved by Parliament with a majority of 60 votes with 122 members voting for and 62 against.

Some members were absent during voting.

The Chairman of the Committee on Public Finance Harsha De Silva voted against. SJB MP Vadivel Suresh and MP Sudarshani Fernandopulle voted in favour.

SLFP members were absent during voting time. A total number of 40 MPs were absent during voting, while the TNA and MP Gajendrakumar Ponnambalam voted against.



reflecting the impact of significant moderation of import expenditure due to subdued aggregate demand conditions.

The cumulative deficit in the trade account during January-February 2023 was US dollars 449 million, a sizable decline from US dollars 1,636 million recorded over the same period in 2022.

Despite recording a marginal growth compared to January 2023, earnings from merchandise exports declined by 10.2 per cent in February 2023, year-on-year, to US dollars 982 million. Exports earnings recorded below the US dollar 1 billion level for the second consecutive month. While the decline in earnings was observed across all main categories, industrial exports mainly contributed to the overall contraction. Meanwhile, Earnings from the exports of industrial goods declined in February 2023, compared to February 2022, with a substantial share of the decline being contributed by garments. Reduced demand from major markets for garments due to unfavourable economic conditions globally mainly contributed to this outcome. Earnings from rubber products continued to decline due to the lower exports of household rubber gloves.

Earnings from the export of agricultural goods marginally declined in February 2023, compared to a year ago, since the increase in earnings from spices and tea was offset by the decline in earnings from coconut-related products. Meanwhile, expenditure on all major merchandise imports was almost halved in February 2023 at US dollars 1,021 million, compared to February 2022, recording the lowest imports since May 2020.

Expenditure on the importation of consumer goods declined in February 2023, compared to February 2022.

Source: Daily News - 03<sup>rd</sup> April, 2023

## ***Inflation down sharply to 12% in June***

Sri Lanka's official headline inflation as measured by the Colombo Consumer Price Index (CCPI) on a year-on-year (YoY) basis eases to 12 percent in June, largely on higher base effects, last year.

The inflation reading in the month of May was 25.2 percent.

The food inflation in June plunged to 4.1 percent from 21.5 percent in May while non-food inflation decelerated to 16.2 percent from 27 percent.

Sri Lanka's inflation has been coming down sharply from April largely due to higher base effects, last year, and also due to improvements seen in the country's domestic foreign exchange market amid increased tourism and remittances inflows.



Source: Daily News, 30th of June 2023

## ***Sri Lanka to unveil new tourism tagline next month***

*By Charumini de Silva*

Sri Lanka Tourism will unveil a new brand identity next month, to mark a fresh approach to destination marketing after five years.

“The current brand identity, ‘So Sri Lanka’ will be changed and the teaser of the new campaign will be unveiled in July. Work is underway for the digital marketing strategy and we hope that the main campaign will be launched towards the end of the year,” Tourism Minister Harin Fernando said.

Following a competitive bidding process where three companies pitched for the creative and strategy development, Phoenix Ogilvy has been awarded the tender at Rs. 60 million for one year. the tourism industry up to February 2023. Fernando said it was important for the Sri Lanka Tourism Promotion Bureau (SLTPB) to focus on an impactful and effective branding to boost the destination Sri Lanka

in the next five years. On 5 November 2018, Sri Lanka Tourism launched its brand identity ‘So Sri Lanka’ coinciding with the World Travel Market (WTM). But thereafter, the country's tourism sector was hit by multiple unprecedented events from the Easter Sunday attacks, the COVID pandemic and the economic crisis.

“Changing the tourism tagline has had no impactful outcome on Sri Lanka Tourism, against the competitive countries, without a proper tourism product mix. This time, we have considered all aspects for an effective marketing campaign,” Fernando added. It will roll out a fully-fledged campaign starting early next year. The Minister envisages that tourism will flourish to be the most significant sector contributing to the economy.

Source: -Daily FT - 16th June 2023



## Trade deficit continues to narrow amid sharp fall in imports

Sri Lanka’s trade deficit continued to narrow in April, as the decline in imports outpaced the decline in exports, the external sector data released by the Central Bank showed.

The deficit in the trade account narrowed to US \$ 583 million in April 2023, from US \$ 728 million a year ago.

However, the trade deficit showed an increasing trend on a monthly basis since February 2023. The cumulative deficit in the trade account during January to April 2023 was US \$ 1,444 million, a sizeable decline from US \$ 3,125 million. Sri Lanka’s export earnings and import expenses fell to US \$ 893 million and US \$ 1,431 million, respectively in April 2023, from US \$ 971 million and US \$ 1,699 million a year ago.

The cumulative export income of 2023 until April was US \$ 3,846 million, compared to US \$ 4,225 million reported for the corresponding period of 2022.

The cumulative import expenses declined to US \$ 5,290 million by end-April 2023, compared to US \$ 7,350 million a year ago. The decline in April merchandise export income was mainly caused by the slowdown in apparel and textile imports, Sri Lanka’s largest industrial export.

During April 2023, earnings from tourism and workers’ remittances rose substantially compared to the previous

year. The Central Bank said the rupee during the year up to May 31, 2023, appreciated 22.9 percent against the dollar. The country’s gross foreign reserves improved to US \$ 2.8 billion by the end of April 2023, from US \$ 1.8 billion at the end of April 2022. This includes the US \$ 1.4 billion currency swap from China, which has conditionalities on usage.

The Central Bank said it intervened in the domestic foreign exchange market to prevent excessive appreciation of the currency and to build reserves, by purchasing US \$ 148 million from the domestic foreign exchange market on gross basis in April 2023. This resulted in a notable improvement in liquid reserves by the end of April 2023. The Central Bank absorbed US \$1,235 million on gross basis during January to April 2023.

Source: - Daily Mirror – 1st June, 2023



Source: - Sunday Observer, Jun



## *Member News*



## Economy contracts 11.5% in 1Q

Sri Lanka's Gross Domestic Product (GDP) is estimated to have contracted 11.5 percent in the first quarter of 2023 from a year ago, the Department of Census and Statistics said, today.

During the quarter under review, agricultural activities expanded by 0.8 percent from a year ago while industry and services declined by 23.4 percent and 5 percent, respectively.

Sri Lanka's economy is estimated to have contracted 7.8 percent in 2022.

The government expects economic growth to turn positive in the final quarter of this year.

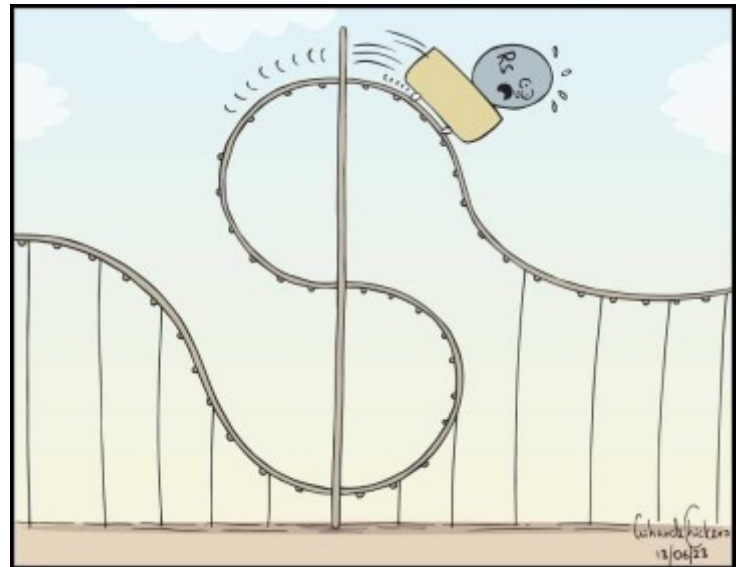
Source: Daily Mirror : 15th June 2023



## Cartoons



Source:cartoon- Daily Mirror – 30-06-2023



Source: cartoon - Daily Mirror 13-06-2023

## Sri Lanka welcomes US\$ 350mn ADB loan to stabilize economy

The government is planning to boost tax revenue by 1.2 percent of gross domestic product (GDP) by removing most of the Value-Added Tax (VAT) exemptions and abolishing the Simplified Value Added Tax (SVAT) methodology.

President Ranil Wickremesinghe in his capacity as the Minister of Finance, Economic Stabilisation and National Policies on Monday sought the approval of the Cabinet of Ministers to remove majority of the VAT exemptions granted and to replace the current SVAT methodology with a more formal methodology. Accordingly, the Legal Draftsman has been instructed to prepare a draft bill to amend the provisions in Inland Revenue Department (IRD) Act for this purpose.

However, Cabinet Spokesperson Minister Bandula Gunawardana noted that VAT exemptions granted on health, education, agriculture as well as products and services impacting low-income families would remain intact.

The SVAT methodology is set to be terminated with effect from January 1, 2024, which would be replaced by a “more formal methodology” for the repayment of VAT, according to the Department of Government Information.

Gunawardana pointed out that SVAT methodology has created loopholes in the system leading to tax evasion. He said the proposed new methodology would enable the IRD to roll out a more strict and effective tax regime.

The two tax reforms are commitments listed under Sri Lanka’s US\$ 3 billion International Monetary Fund (IMF) programme.

The IMF Deputy Managing Director Kenji Okamura in a recent visit to Sri Lanka emphasised on boosting tax revenue in order for the country to return to macroeconomic stability.

Sri Lanka has granted VAT exemptions for a range of products and services, including locally produced dairy, electronic items, mobile phones, sea sand and unprocessed prawns.

According to World Bank (WB) estimates, there is a wide gap of around 6 percent of GDP between the VAT capacity and performance. The local tax experts believe that the country could easily boost the tax revenue by Rs.200 billion by removing these exemptions.

In the first quarter of the year, IRD collected Rs.113.5 billion from VAT, up from Rs.60.6 billion in the corresponding period of 2022, as the government increased the VAT rate to 15 percent from 12 percent.



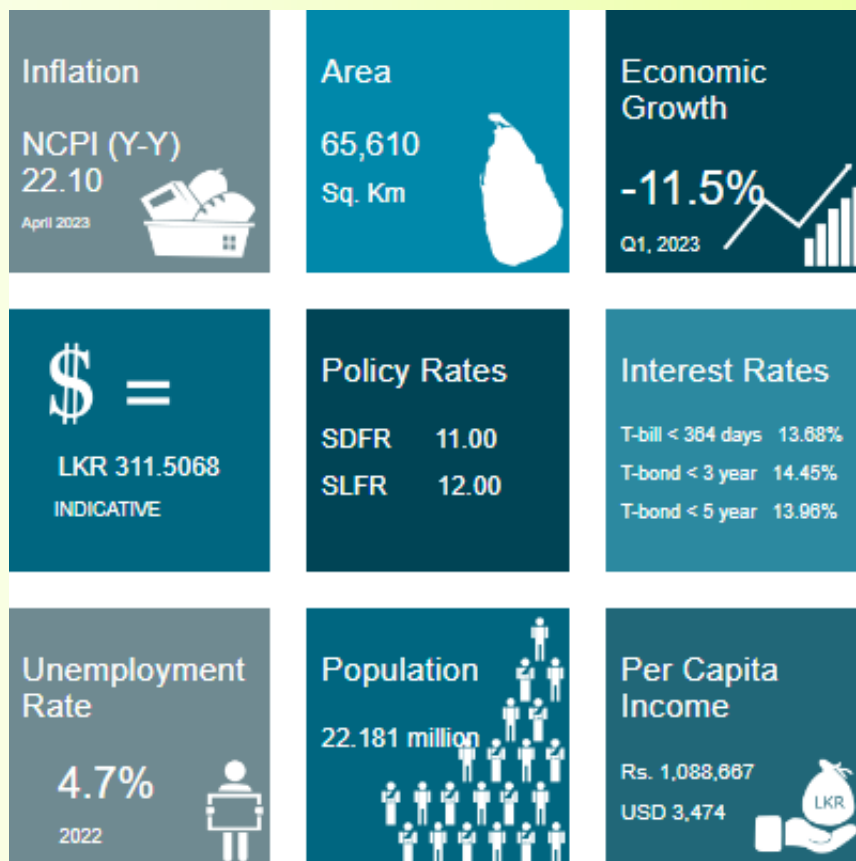
**Bandula Gunawardana**

## EXCHANGE RATES AS AT 27<sup>TH</sup> JUNE 2023

Date	Buy Rate (LKR)	Sell Rate (LKR)
Australian Dollar	198.8845	211.6214
Canadian Dollar	226.7158	240.6992
Swiss Franc	334.1446	355.8588
Renminbi	41.0360	44.2862
Euro	328.7852	347.5262
British Pound	383.0155	403.3282
Yen	2.0891	2.2057
Singapore Dollar	221.9401	235.3074
United States Dollar	301.1590	316.6728

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>