

SRI LANKA UPDATE | 23 – 29 SEPTEMBER 2022

Politics & Policy:

Debt restructuring progress is making some headway. During the interactive [session](#) with creditors held on 23rd September, the Central Bank had requested the creditors for financing assurances by mid-November. The Central Bank hopes to receive final IMF board approval for the bailout by mid-December, and urged creditors to form an ad hoc group to negotiate collectively. The legal [implementation](#) of the agreement is expected to be carried out by the second quarter of 2023.

Sri Lanka strives to enhance bilateral relations with Japan. President Wickremesinghe has indicated the Government's interest to put Japan's [investments](#) in Sri Lanka's renewable energy projects back on track. They will be a means to alleviate the ongoing energy shortages. Whilst echoing the President's sentiments, Japanese Foreign Minister Yoshimasa Hayashi reiterated his country's willingness to take a leading part in discussions with international creditors.

Assurances of international support to improve food security in Sri Lanka have been made. The [United States](#) and the [United Kingdom](#) have stated their support to achieve food security, sustainable agriculture and provide urgent support for the most vulnerable people impacted by the economic crisis. Further, the [ADB](#) has committed to providing at least \$14 Bn through a comprehensive programme from 2022–2025. According to the World Food Programme, over [30 per cent](#) of the population are food insecure.



The Economy:

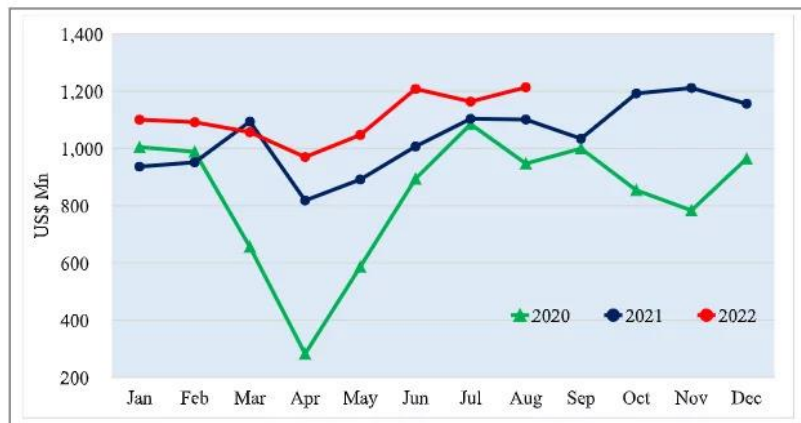
Inflation remains a pressing concern; efforts to mitigate it are continuing. Sri Lanka's official headline [inflation](#) passed 70 per cent in August, with the food prices exceeding 80 per cent. To curtail its effects on the people, the Minister of Trade, Commerce, and Food Security Nalin Fernando has [announced](#) that prices of essential goods will be reduced once a week.

The Government is progressing rapidly on three Free Trade Agreements (FTA) to promote international trade. During a meeting between President Wickremesinghe and Singapore's Prime Minister Lee Hsien Loong on the 27th of September, the President made assurances that prioritizing enactment of the Sri Lanka-[Singapore](#) FTA, signed in 2018, would be hastened. The Sri Lankan Government had also discussed working on FTAs with both [India](#) and [China](#). The decision to accelerate the signing of the FTAs demonstrates Sri Lanka's commitment to trade liberalization, improving economic and investment relationships, providing even more secure access to goods, services, and investments.

WHAT YOU NEED TO KNOW

Merchandise exports maintain their growth, demonstrating the continued resilience of the apparel sector. According to the Export Development Board, Sri Lanka's [merchandise exports](#) in August 2022 grew 10.24 per cent from 2021 to USD 1,213.7 Mn, driven by apparel and textile products. Notably, exports of Apparel & Textiles grew 15.03 per cent to USD 565.37 Mn in August 2022.

Monthly Merchandise Export Performance, 2020 - August 2022 in Millions of US\$



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

JAAF pledges support to ILO's Better Work initiative to further enhance its capabilities. People remain the industry's source of greatest strength, and this recently launched initiative aims to strengthen the industry's resilience even further, using [Better Work's](#) extensive experience, tools and partnerships. The goal is to pursue human-centred recovery and growth. Given that Sri Lanka's apparel sector has maintained high standards in its operations, the Better Work initiative will enhance its existing strengths in safety, diversity and empowering SMEs.

Disclaimer – This advisory is intended for circulation among JAAF stakeholders only. Please do not circulate or share on social media.

This twenty-sixth Advisory, written for our partners interested in developments in Sri Lanka against the backdrop of the current crisis, is an update on the one issued last week. This document summarises developments covering significant political and economic events.

The Advisory includes economic, political, social and governance perspectives. It draws on news reports, analyses, government announcements and documents, and other sources that we may be in contact with or have access to.

This Advisory was prepared by the Strategic Communications Unit of Adfactors PR Lanka.

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