

SRI LANKA UPDATE | 30 SEPTEMBER – 6 OCTOBER 2022

Politics & Policy:

Further progress toward economic recovery. In his [address](#) to Parliament on 6th October, President Wickremesinghe emphasized the need to reach a common agreement with creditor nations including Japan, China & India as well as other private creditors. Further, the assurance of ADB to provide a USD 500 Mn loan and USD 1-3 Bn Bridging Finance facility from the World Bank demonstrates the confidence shown by the international community in Sri Lanka's ability to implement the necessary reforms required for political and economic stability.

European Commission: GSP+ to be assessed soon. Ursula von der Leyen, President of the European Commission [commended](#) the success of efforts by the Sri Lankan Government to introduce and steer appropriate national policies required to address the unprecedented economic downturn. Further, she indicated that the EU will assess the progress made on Sri Lanka's GSP+ commitments and report released towards late 2022 or early 2023. Notably, the [UN](#) Human Rights Council resolution on *promoting reconciliation, accountability and human rights in Sri Lanka* presented by the Core Group was adopted on 6th October. Preservation of human rights remains a key commitment in the GSP+ discussions.

Members [appointed](#) for the COPE & COPA committees. Committee on Public Accounts the Committee on Public Enterprises are watchdog committees charged with examining accounts appropriated by Parliament to examine accounts of Public Corporations and business undertakings with the Government. Re-initiating these committees is considered a positive step toward strengthening transparent and accountable financial mechanisms.



The Economy:

Government to present budget for 2023 with increased expenditure. The estimated overall [expenditure](#) of LKR 7.92 trillion for 2023 marks a substantial increase from the approved overall expenditure of LKR 4.67 trillion for 2022 or pre-pandemic expenditure which stood at LKR 4.47 in [2019](#). The increase in expenditure is expected to further the Government's objective of 'making a transformative change via minimum inputs', in line with the 2023-2025 medium-term fiscal policy framework.

High possibility of Inflation rates subsiding from October 2022 onwards. Consecutive deceleration seen in monthly food prices since July was [observed](#). Prices of consumer staples are mostly settled presently, at their current all-time high levels, contributing less to the overall increase in the consumer price index.

Implementation of the social security levy takes a toll. The levy of 2.5% which came into effect on 1st October is showing signs of burdening consumers. Given the price surge of most food varieties, the Canteen Association intends to [increase](#) the prices of regular packs of lunch consisting of rice and curry, which are a staple for most blue-collar workers.



WHAT YOU NEED TO KNOW

Global developments affect apparel orders. Leading apparel manufacturers in Sri Lanka expect a [20 per cent](#) drop in orders from October to December 2022 as a result of several global developments including the rising inflation rates in Europe and the Ukraine-Russia war, leading to a decrease in the demand from US, UK and European markets. Notably, a drop in orders was observed in [Bangladesh](#) due to similar reasons.

Sri Lanka remains a strong option for apparel investment opportunities. Andre Wilkins, Group Chairman of Wilkins Group UK has [expressed](#) his confidence in the Sri Lankan apparel industry's ability to remain resilient during the ongoing economic situation whilst noting the local authorities' efforts to provide support to ensure businesses and investors navigate emerging challenges.

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This twenty-seven 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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