

SRI LANKA UPDATE | 27 JANUARY - 03 FEBRUARY 2023

Politics & Policy:

[The Public Utilities Commission of Sri Lanka \(PUCSL\) recommends against implementing interim tariff revision](#) - PUCSL stated they reached a unanimous decision not to implement the interim electricity tariff revision proposed by the Ceylon Electricity Board (CEB). Before arriving at this decision, Cabinet requested the PUCSL on the implementation of the tariff proposal by CEB in accordance with the Electricity Act 2009.

Cabinet proposed a two-stage, 70 per cent increase in electricity rates to take effect from January and June of 2023. However, the PUCSL, the economic, technical and safety regulator of the electricity industry, asserted that the public could not afford the planned increase in electricity rates; hence, it would not be allowed.

[The President states the importance of a digital economy](#) - The President mentioned that education and training opportunities in the country should incorporate modern technology. He further noted that improving digital attributes will accelerate the growth of multiple industries.

Further, the [Governor of the Central Bank of Sri Lanka \(CBSL\) also highlighted the importance of fast-tracking the 'National digital identity' system](#). Under this project, each individual is provided with an e-NIC. The registry used to develop the e-NIC will be shared across relevant Government facilities making processes, including payments, more efficient.

[The travel industry gets off to promising start in January 2023](#) - Based on the data released by the Sri Lanka Tourism Development Authority (SLTDA), for the first time in three years, the country recorded a monthly six-digit tourist arrival number. [102,000 tourist arrivals were recorded in January](#), boosting the much-needed foreign exchange revenue. The Minister of tourism expressed his confidence in the country's ability to reach its goal of 1.55 million tourists by the end of 2023 with an income of USD 2.88 billion.

Meanwhile, CNN Travel has named [Jaffna one of Asia's Top 18 Most Overlooked Destinations](#). Sri Lanka also made [the Top 10 in the List of 50 Most Instagrammable Places](#) in the world in 2023 on the popular travel website 'Big 7 Travel'. The list is developed using a scoring system that analyses the number of hashtags and TikTok views per destination with a survey sample of 1.5 million individuals.

The Economy:

[US Ambassador asserts confidence in Sri Lanka getting International Monetary Fund \(IMF\) assistance](#)- With the positive cooperation extended by the major debtors, US Ambassador to Sri Lanka Julie Chung, stated that assistance from the IMF is likely to speed up. She further highlighted that other foreign nations are now in the process of confirming the credibility of the Government's debt restructuring programme.

To accelerate the process of obtaining financial assistance from the IMF, Sri Lanka hosted crucial debt negotiations with China and India. After the discussion, [India officially informed](#) the IMF's Managing Director that Sri Lanka will have India's assurance and support over restructuring of its external debt. The IMF noted they are awaiting similar promises from other creditors and have [accepted the assurance offered by India](#) to restructure debt. According to Reuters, the Export-Import Bank of [China has offered Sri Lanka a two-year debt moratorium](#). [Sri Lanka awaits China's assurances similar to what was provided by India](#).

[President Wickremesinghe orders further curtailment of Government expenditure](#) - In his capacity as the Minister of Finance, the President has directed all state officials to curtail or further postpone expenditure until the revenue raised on the recent tax increments are realized. He further emphasized that anyone violating the order will be held responsible for financial misuse.

Prior to this, the President ordered to all Ministries to reduce 5 per cent from the allocated budget for 2023, to manage the country's expenditure. However, the Cabinet has decided reduce 6 per cent from the allocated recurrent expenditure and to [apportion the extra 1 per cent to the Ministry of Health](#) as additional provisions to purchase essential pharmaceutical drugs.

[Cabinet approves proposed changes to social Security Tax](#) - Cabinet approved the amendments suggested for the Social Security Contribution Levy Act. As per the new changes, a 2.5 per cent Social Security Tax is charged from anyone operating a financial services business with an annual taxable revenue exceeding LKR 120 million.

[Export earnings 2022 show record highs of 4.9 per cent in 2022](#) - CBSL stated that merchandise exports earnings for 2022 surpassed USD 13 billion for the first time, a 4.9 per cent increment from the previous highest record in 2021. This clearly indicates improvements in the country's industrial exports, including apparel, gems, diamonds, jewellery and mechanical appliances.

Meanwhile, [workers' remittances in December 2022 increased to USD 476 million](#), recording the highest monthly remittances during 2022.

[Inflation rate declined in January 2023](#) - The Colombo Consumer Price Index (CCPI) presented by the Department of Census and Statistics, stated that year-on-year headline inflation in January 2023 declined to 54.2 per cent, compared to 57.2 per cent in December 2022. Food inflation also decreased by over 3 percentage points to 60.1 per cent.

WHAT YOU NEED TO KNOW



[The apparel industry ends 2022 with a 22 per cent growth in exports](#) - The apparel sector ends the year with 22% growth in exports - amounting to 5.6 billion US dollars although seeing a dip in year-on-year growth in the last quarter. The main reasons highlighted for the overall drop YoY are higher level of inventories both at store-level and with consumers, plus rising inflation.

[CBSL Governor reaffirms that the apparel industry has repatriated 100 per cent of export earnings](#) - Based on the reconciliation process conducted for September and October 2022 by the CBSL, the Governor confirmed that the apparel industry had repatriated 100 per cent of the export earnings into the country. He further acknowledges that raw materials and fuel have been purchased with a greater percentage of export earnings. The Governor of CBSL also emphasized that the results of the Global Integrity Report 2022 are not connected to the repatriation of export proceeds mentioned above.

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

This 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 summaries 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 from other sources that we may be in contact with or have access to.

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