

SRI LANKA UPDATE | 03 - 10 MARCH 2023

Politics & Policy:

[New date for Local Government elections announced](#) - The National Election Commission of Sri Lanka informed that the postponed Local Government elections will be held on 25th April 2023. Commissioner General of Elections Saman Sri Ratnayake stated that the Local Government elections would not be conducted on the 09th of March as previously announced, due to the unexpected and unavoidable issues faced in printing the ballot papers and other support required.

Further, the Election Commission held a meeting with several state officials to discuss requirements for the election, such as the time needed to complete the printing process by the Government Press, funds and police security required for the election.

The [Supreme Court has issued an interim order](#) to the Secretary to the Ministry of Finance and the Attorney General representing the Minister of Finance, which prevents the withholding of funds allocated in the budget for the Local Government elections of 2023. The interim order was issued after the opposition party Samagi Jana Balawegaya filed the petition.

[Sri Lanka to establish Financial Sector Crisis Committee](#) - To minimise the fallout from the economic crisis and avoid crises in the country's financial sector, the Cabinet decided to establish a Financial Sector Crisis Committee. The Committee will be responsible for coordinating the actions and readiness of the Central Bank of Sri Lanka (CBSL) and the Ministry of Finance (MoF) to manage banking crises.

[Tourism earnings increase, adds fillip to the economy](#) - Tourism earnings exceeded USD 330 million in the first two months of 2023, reflecting a 3.3% increase from the corresponding period of last year. The tourism industry faced several challenges over the last four years with the Easter Sunday bomb attacks, the pandemic and political and economic crises. However, the industry is showing resilience and making a comeback.

The Economy:

[The International Monetary Fund \(IMF\) Extended Fund Facility \(EFF\) for Sri Lanka to be approved on 20th March 2023](#) - IMF Managing Director Kristalina Georgieva says she looks forward to presenting the Sri Lanka IMF supported programme to the Executive Board on March 20 given the decisive policy action taken by the Sri Lankan authorities and the financing assurances from all major creditors. President Ranil Wickremesinghe stated that Sri Lanka had fulfilled its obligations to secure critical support from the IMF. [The financial assurance letter from the Exim Bank of China was also provided by China's Deputy Ambassador Hu Wei](#) to Finance Ministry Secretary Mahinda Siriwardena, who forwarded it to the IMF, completing all the requirements for the programme.

With the country having now received financing assurances from all major bilateral creditors, the IMF executive board will consider approving the Staff Level Agreement of USD 2.9 billion for the four-year EFF program.

[Further, the IMF justified the 1 per cent policy rate hike by the Central Bank of Sri Lanka \(CBSL\) stating that it aligned with its objectives](#) set under the inflation targeting framework. The EFF program, to which the Sri Lankan government has fully committed and to which the IMF has given its backing, includes a significant disinflation strategy, which according to the IMF indicates the Central Bank's adherence to the inflation objective.

[CBSL requests banks, finance and leasing companies to re-structure loans](#) - With small and medium enterprises (SMEs) facing higher interest rates and a downturn in demand following a currency collapse, the CBSL has requested banks, finance and leasing companies to help re-structure loans provided to them. The impacts of a decrease in disposable income, tax increases and inflation have also been instrumental in this decision.

[FTSE Russell informs global investors to begin investing in Sri Lanka](#) - FTSE Russell, a London Stock Exchange Group subsidiary, informs international investors to invest in Sri Lanka's listed equities. The statement from FTSE Russell highlighted that the repatriation issue in Sri Lanka is no longer prevalent, and thus, all backlogs for investment activities have been cleared.

[Sri Lanka's official foreign exchange reserves increase](#) - As per the latest update from CBSL, Sri Lanka's official foreign exchange reserves grew 4.5 per cent to USD 2,217 million in February 2023. Post the rate increases to curb money creation and a slowdown in domestic credit, Sri Lanka's central bank has been purchasing US dollars on a net basis from banks during the past quarter.

[The Sri Lankan Rupee appreciated 3 to 5 per cent against the USD in the last week](#) - With the CBSL tweaking the guidance peg, the LKR appreciated against the USD, since the lowest LKR value against the USD recorded in May 2022. The middle rate of the USD/LKR SPOT Exchange Rate was recorded at LKR 391.55 as of Thursday 9th March, and it is expected that the LKR will appreciate further against the US dollar, resulting in an appreciation against the Euro, Pound Sterling, AUD, INR and Japanese Yen.

Further, CBSL Governor Nandalal Weerasinghe stated that [Sri Lanka's inflation would fall faster than expected](#) with the recent currency appreciation. CBSL has already predicted single-digit inflation by year-end 2023.

Private sector relief at LKR 6 Tn during and after pandemic - The latest statistics presented by CBSL indicated that private sector enterprises and individuals had received relief worth LKR 6 trillion during the different phases since the COVID-19 pandemic. CBSL further stated that several schemes of debt moratoria and concessions to assist the borrowers affected by COVID-19 were implemented under its supervision. These schemes included extended repayment periods, concessionary interest rates, working capital loans and restructuring/rescheduling of credit facilities for affected borrowers.

The concessions added positive impetus to small and medium enterprises in multiple sectors including tourism, apparel, plantation and information technology, enabling them to manage their business during the pandemic.

WHAT YOU NEED TO KNOW



Grand Gain Industrial from Hong Kong invests USD 3.5 million in bra cup manufacturing facility - Hong Kong-based Grand Gain Industrial Ltd., specialists in the development, manufacture and sales of polyurethane foam cups for the bra industry invested USD 3.5 million in Sri Lanka in a brand-new Board of Investment approved facility in Rambukkana.

The new factory will generate 600 new job opportunities and directly impact Sri Lanka's value-added product portfolio, particularly the export strategy for intimate wear garments. The facility would further place the country as a one-stop solution for the apparel industry and strengthen its position in the supply chain.

Sri Lanka to expand collaboration with the African Continent - As part of the Foreign Ministry's Economic Diplomacy initiative, a business forum was held to support the expansion of Sri Lanka's presence in the African Continent. The meeting brought together over 50 business leaders representing the apparel, pharmaceuticals, construction and finance sectors.

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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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