

SRI LANKA UPDATE | 28 APRIL - 05 MAY 2023

The Economy:

[Sri Lanka projects higher economic growth than International Monetary Fund \(IMF\) predictions up to 2027](#) - Compared to the IMF forecast of 3.1 per cent economic growth over the following five years, Sri Lanka's Central Bank anticipates faster economic growth during the same period, with production returning to 5 per cent by 2027. The Central Bank's annual report includes forecasts Sri Lanka's GDP will grow to 3.3 per cent in 2024 and decrease by 2 per cent in 2023. Growth will recover to 4 per cent by 2025, 4.4 per cent by 2026 and 5 per cent by 2027. However, in contrast, the IMF states Sri Lanka's economy will decline by 3 per cent in 2023 before recovering to 1.3 per cent by 2024. In 2025, growth will be 2.6 per cent, in 2026 it will be 3 per cent, and in 2027 and 2028, 3.1 per cent each year.

[Parliament passes IMF deal](#) - A majority of MPs in Parliament voted in favour of the resolution for the implementation of the IMF USD 3 billion four-year Extended Fund Facility (EFF). After a three-day debate, the resolution received 120 votes in favour and only 25 votes against it. The implementation of a four-year programme aims to provide stability after historic problems have plagued Sri Lanka exacerbating last year.

[Sri Lanka's inflation declines sharply to 35.3 per cent in April 2023](#) - According to a revised Colombo Consumer Price Index (CCPI) compiled by the Department of Census and Statistics, Sri Lanka's inflation in the 12 months to April 2023 declined to 35.3 per cent from 50.3 per cent a month earlier. The index decreased absolutely from 195.0 to 192.3 throughout the month in addition to the base impact.

[Banks express concern on Domestic Debt Restructuring \(DDR\)](#) - Concerns regarding a potential DDR have been expressed by the Sri Lanka Banks' Association (SLBA), which urges a thorough analysis and warns that additional dangers to the industry's stability and public trust must be avoided. The banks opine that in order to restore Sri Lanka's balance of payments to a sustainable equilibrium, all parties involved must carefully consider the effects on the capital and liquidity of the banking sector in the event of a potential DDR.

[Japan, United Nations Development Program \(UNDP\) launched fresh programmes to boost socio-economic recovery](#) - The Japanese Government and the UNDP unveiled a new programme to support socio-economic recovery through measures for energy security and home-based agriculture. The USD 3.8 million project helps Sri Lankan smallholder farming households strengthen the economic security through women led projects. With an emphasis on women's economic empowerment and the use of green agricultural technology, this programme will assist disadvantaged smallholder farming families in the dry zone districts, namely in the North-Central, North-Western, and Eastern provinces.

[Asian Development Bank \(ADB\) optimistic of Sri Lanka's path to recovery](#) - President of the ADB Masatsugu Asakawa expresses hope on the actions implemented to help Sri Lanka recover due to the four-year EFF programme from the IMF Substantial restructuring of external debt through a fully transparent procedure would determine future chances for overcoming the economic crisis and measures to support socio-economic growth.

[Sri Lanka tourist arrivals up 67.5 per cent in April 2023](#) - According to the Sri Lanka Tourism Promotion Bureau, Sri Lanka recorded 105,498 arrivals in April 2023, up 67.5 per cent from the same month the previous year. However, the number of arrivals declined from 125,495 in March, due to the 'off-season', which begins just after the end of the European winter season. Further, Condé Nast Traveller listed [Jetwing Vil Uyana as one of the top 15 eco-friendly hotels in the world](#).

[Emirates and Sri Lanka Tourism signed an agreement to market Sri Lanka as a top vacation destination](#). Emirates will advertise Sri Lanka through its extensive network as part of the partnership.

Politics & Policy:

[Presidential Secretariat sets up 7 Task Forces to boost ease of business](#) - Directed by President Ranil Wickremesinghe, the Presidential Secretariat organized 54 institutions that offer investor facilitation services under seven Task Forces in an effort to foster a business-friendly environment. The objective is to streamline procedures, ensure shorter turnaround times and enhance information accessibility to boost productivity. Task Forces have been given specific deliverables and have agreed in writing to meet those obligations.

[New integrated labour law in the pipeline](#) - The Minister of Labour and foreign employment, announced that a new integrated labour legislation to promote foreign investment is being designed. The new integrated labour legislation would be prepared in order to minimize the complications of the current labour law with the creation of this integrated labour legislation billed to begin on May 2 by soliciting comments and ideas from all relevant stakeholders, including the general public.

[The Government announces plans to establish National Productivity Commission](#) - The Government announces plans to create a National Productivity Commission with Australian technical assistance and a Ministerial working group has been assigned for the task. According to the President's Media, this move is a component of the larger programme for economic changes designed to support economic recovery of the country. The Government included funding for the commission's formation in Budget 2023, despite ongoing financial challenges. The project will be overseen by an Inter-ministerial Working Group comprising representatives from several ministries, agencies and organizations. The goal of this exercise is to examine global perspectives on productivity materialization, which prompted the Government to collaborate with the Australian Productivity Commission considered a global benchmark to help with the project.

[President intervenes to ensure policy reversal on freight](#) - Exporters await relief after the Shipping Ministry unilaterally repealed Gazette 2041/10 of 2017, which established open competition legislation for imports and exports and made them market-driven beginning in 2013. The President met with representatives from the export industry and assured them that the Gazette that had been revoked will be reinstated; and have given the Secretary of the Ministry of Ports, Shipping and Aviation orders for swift implementation. The status quo will be reinstated, and the President has stated that he would appoint a commission to investigate the maritime industry's overall image subsequently.

[Sri Lanka's Government approves Banking Special Provisions Bill](#) - Sri Lanka's Trade Minister stated that the Banks Special Provisions Act draft has been accepted by the Cabinet. The Bill created by the legal draftsman has been approved by the Attorney General and is anticipated to give the Central Bank more crisis management authority. As a structural requirement, the Government must adopt a completely new Banking Act by June 2023 and Parliament must approve it by December 2023.

WHAT YOU NEED TO KNOW



[UAE - Sri Lanka Business Forum and Trade Fair in October 2023](#) - The President's Secretary, presided over a preliminary discussion this week on the "UAE - Sri Lanka Business Forum and Trade Fair." The UAE's RAK Exhibition Center will host the event from October 20 to October 29, 2023 on the theme, "Strengthening economic relations between Sri Lanka and the United Arab Emirates in the post-pandemic world", jointly organized by the Federation of Sri Lanka Chambers of Commerce and Industry and the Sri Lanka Tourism Industry Board.

The main goals of the exhibition are to strengthen business ties between the Gulf and Middle Eastern companies and Sri Lankan businesses, as well as to seek new business opportunities for Sri Lankan companies in the economic context of the United Arab Emirates, the Gulf Straits and the Middle East. The event also seeks to boost bilateral commerce, investment, employment prospects, tourism and financial cooperation between Sri Lanka and the UAE, including promoting Sri Lankan exports in goods and services.

National Guidelines for Bipartite Occupation, Safety and Health (OSH) Committees launched on World Day for Safety and Health at Work - Celebrating "World Day for Safety and Health at Work" on April 28, the Ministry of Labour and Foreign Employment announced national guidelines on establishing Bipartite OSH Committees at Workplaces. This was launched with the assistance of the International Finance Corporation (IFC) and the International Labour Organization's (ILO) Better Work Sri Lanka initiative.

In order to improve the physical and mental health, safety and wellbeing of the workforce, the Bipartite OSH Committees which will be included in the apparel industry as well, comprises the management and union/worker representatives within a variety of roles, specialties, and experiences. The Committees attempt to give employees, their representatives, and employers a forum for effective communication, coordination, and cooperation.

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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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