

SRI LANKA UPDATE | 16 - 22 JUNE 2023

The Economy:

[Sri Lanka confident of completion of debt restructuring programme prior to International Monetary Fund \(IMF\) review in September](#) - Minister of State for Finance stated that the Government is hopeful of completing the debt restructuring programme with all bilateral creditors prior to the first IMF review. According to the Minister, the Government has been in contact with its bilateral creditors including China, Japan and India, all of who have been open to the Government's suggestions. There are hopes of inking the agreement in time for the first review of the IMF programme in September and remains confident of meeting the IMF forecast of economic growth of 3 percent in 2023.

[Sri Lankan Rupee continues appreciating](#) - Based on the most recent information on the purchasing and selling rates of the US Dollar issued by the Central Bank of Sri Lanka (CBSL), the Sri Lankan Rupee continues to appreciate. The purchasing rate of the US dollar is LKR 297.53, while the selling rate is LKR 315.12.

[Economy shrinks by 11.5 per cent in Q1 2023](#) - In Q1 of 2023, the economy contracted by 11.5 per cent, marking the third consecutive quarter in which it shrank by double digits. While the industries and services sectors saw 23.4 per cent and 5.0 per cent negative growth during this quarter from a year ago respectively, the agriculture sector experienced an expansion of 0.8 per cent.

[Sri Lanka's main inflation eases to 22.1 per cent](#) - According to the Department of Census and Statistics, Sri Lanka's National Consumer Price Index (NCPI) decreased by 22.1 per cent year over year (YoY) in May from 33.2 per cent the previous month. Along with the main index, the inflation rate for food decreased to 15.8 per cent from 27.1 per cent in April. In contrast, non-food inflation decreased from 39 per cent to 27.6 per cent.

[Sri Lanka debt to GDP ratio declines in March 2023 amid currency gain](#) - Sri Lanka's Debt to GDP ratio decreased in March 2023 compared to December 2022 as currency appreciation outpaced the growth of new debt resulting from deficit financing. According to a quarterly debt statement, the Central Government's debt decreased from 114.4 per cent in December to 104.74 per cent in March 2023 based on rolling GDP. Although nominal GDP increased as a result of inflation in the previous year, Sri Lanka's actual GDP shrank in the first quarter of 2023. A stronger or more stable currency can increase real spending by increasing the disposable incomes of wage workers while reducing the growth of the nominal GDP.

[New niche tourism strategy set to boost tourism, bolster economic recovery](#) - The new sustainable niche tourism strategy will be a catalyst to help further boost Sri Lanka's tourism sector and bolster the country's economic recovery. This was stated USAID Mission Director to Sri Lanka and the Maldives Gabriel Grau at the launch of the new plan. The Sri Lanka Tourist Development Authority (SLTDA) and the United States Agency for International Development (USAID) unveiled a new plan to revitalize the tourism industry by promoting a dozen new sustainable niche tourism categories. These categories, which range from hosted/curated experiences and health and healing to adventure tourism and cultural experiences, are expected to improve Sri Lanka's tourism offers and attract more international visitors.

[Sri Lanka Tourism plans to launch new brand identity next month as new approach to destination marketing.](#) The teaser for the new campaign will be released in July, and the present brand identity, "So Sri Lanka" will be modified. Work is also being done to create a new digital marketing plan which will be more focused, impactful and effective in boosting Sri Lankan destinations in the next five years.

Politics & Policy:

[IMF has not called for labour law reforms](#) - Minister of Labor and Foreign Employment refuted claims that the Government's recently proposed labour law reforms were not enacted or proposed due to the IMF or any other organization similar requesting it. The Minister made these observations while introducing the Ministry's latest proposals to the new labour regulations.

The Minister stated that among the new measures, the legislation would be implemented to stop sexual harassment and all other types of harassment in the workplace. Other measures include offering employees the option of a five-day work week and flexible shift scheduling. Part-time employment will be legalized and restrictions on women working nights shifts will also be slackened. The establishment of paternity leave is to be covered by the legislation.

[President unveils new online passport application system](#) - A new online application system and a simplified passport issuance procedure was announced by President Ranil Wickremesinghe, who launched the new system recently. Under the new process, passports will be delivered to the homes of the applicants within three days. The Controller-General says the new procedure intends to create more efficiencies and speed up the passport application process. The requisite facilities have been installed in 50 regional secretariats around the country.

[Sri Lanka promotes business opportunities in Japan's Niigata Prefecture](#) - Samurai Lanka Co. Ltd., a Sri Lankan-owned company in Niigata, and the Niigata Chamber of Commerce and Industry (NCCI) worked with the Embassy of Sri Lanka in Tokyo to organize a Sri Lanka Business Promotion Seminar on June 8. The seminar aimed to inform Japanese businesses in Niigata prefecture about current business opportunities and Sri Lanka as a potential business destination.

[UN Human Rights chief urges Sri Lanka to implement recommendations of the mandate-holders of the UN Human Rights Council](#) - The head of the UN human rights office urged Sri Lanka to follow the advice of the working groups, special rapporteurs and other UN Human Rights Council mandate holders. Although the Sri Lankan Government rejected several of the UNHRC's resolutions linked to accountability, the country has continued to interact with and support the Council's rights on the ground. The UN Human Rights chief said that mandate holders had visited Sri Lanka twelve times in the previous ten years and urged the Government to follow their advice.

[Sri Lanka to introduce e-buses for passenger transport](#) - Sri Lanka's Cabinet of Ministers have approved the introduction of electric buses for Colombo. Trains will be added to the equation while electric three-wheelers have already begun plying the roads.

WHAT YOU NEED TO KNOW



[Sri Lanka to host Entrepreneurs' Organisation South Asia Leadership Conference](#) - The South Asia Leadership Conference (SALC) of the Entrepreneurs' Organisation (EO) will take place in Sri Lanka for the first time on June 25. The conference, which will be attended by over 300 EO chapter board representatives from South Asia, will serve as a forum for regional cooperation, information exchange and exploration of Sri Lanka's distinctive features. Over 17,500 business founders and entrepreneurs are members of the EO, a world-wide support network with 220 chapters in more than 70 countries.

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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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