

CB likely to raise interest cap on finance company deposits

➤ The Central Bank will soon raise the cap imposed on interest rates offered on deposits by finance companies as the current interest rate ceiling has become irrelevant in the rising interest rate environment. At a meeting held in September 2016 between the Central Bank officials and the licensed finance company (LFC) officials, it was agreed to raise the cap on interest rates which now stands at 12.5%. There was no indication by how many basis points the ceiling rate would be raised as officials are still studying the situation.

External Sector Performance – July 2016

➤ Earnings from exports declined by 4.4% to US\$ 891.2Mn in July 2016. The subdued performance in agricultural and industrial exports, owing to lower international commodity prices and lower domestic supply, mainly contributed to this decline. Earnings from export of tea and spices declined significantly during the month. However, earnings from sea food exports to the EU and earnings from textiles and garments exports grew in July 2016.

Import expenditure in July 2016 decreased by 6.6% to US\$ 1,432.8Mn mainly due to the significant decline in expenditure on vehicle imports, followed by fuel and wheat imports. However, import expenditure on machinery and equipment, and building materials increased noticeably. By end July 2016, gross official reserves amounted to US\$ 6.5Bn compared to US\$ 6.8Bn reported in end July 2015 and US\$ 5.3Bn in end June 2016.

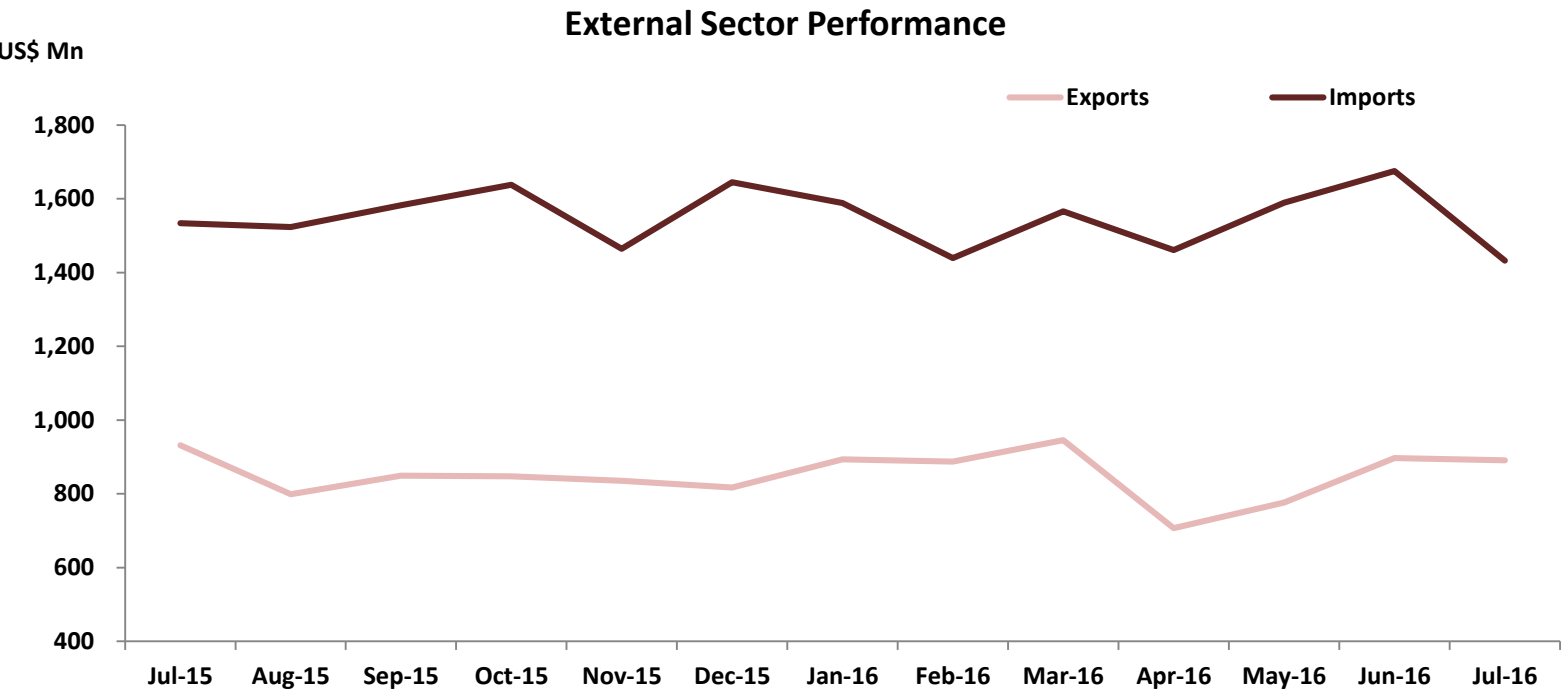
EU seeks closer cooperation with SL following ‘improved climate’

➤ Sri Lanka will regain the GSP + concession sooner than expected, as per European Council President and former Poland Prime Minister. He said that that European Union was pleased at the manner in which Sri Lanka’s political and social reforms and the economy is moving. The European Union is Sri Lanka’s largest export market accounting for one fourth of all exports, of which garments constitute around 60%. If trade concessions are restored to Sri Lanka, exporters will receive preferential access to the European market.

Government Securities Update

➤ Weekly Sri Lanka's Treasuries yields increased across all maturities at Wednesday's auction with the 03 month bills increasing by 05bps to 8.60% from two weeks earlier, data from the state debt office showed. The 06 month bills increased by 07bps to 9.46% and 12 month bills increased by 08bps to 10.19% from two weeks earlier. The state offered Rs. 24.0Bn of bills for re-issue and accepted Rs. 4.2Bn of bids.

Chart of the Week



Picture Story



Sources: Daily FT SL (Business Newspaper), Lanka Business Online, The Sunday Leader, Central Bank of Sri Lanka (CBSL)

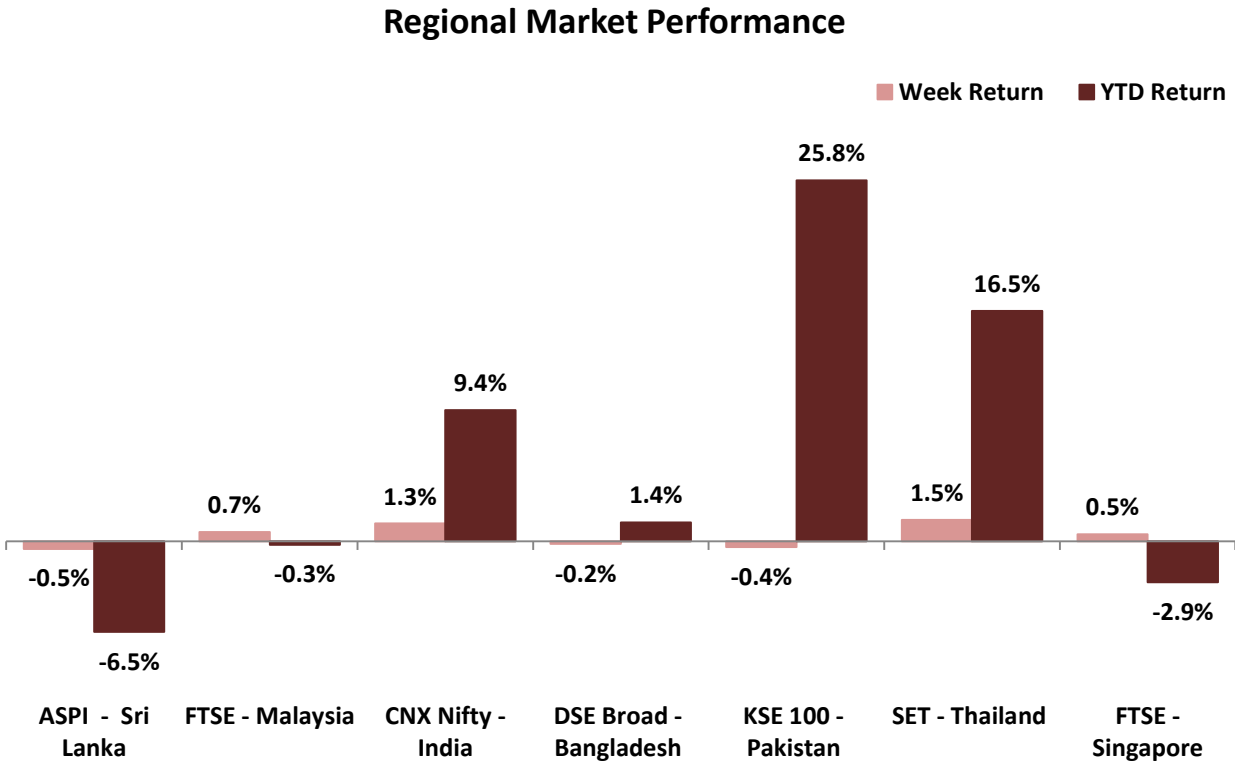
To help businesses go digital, e-commerce and Internet sales firms e-bay and Alibaba will be launching its services in Sri Lanka, as per officials. Key officials of both these organizations participated at the panel discussions at the World Export Development Forum (WEDF) held in Colombo last week. Sri Lanka Export Development Board (EDB) will be calling a meeting with all local firms trading through e-commerce to discuss on e-bay and Alibaba. EDB plans to adopt a screening system for the firms that register in those platforms. Those screened by EDB will be backed by EDB in their trading activities.



Economic Indicators	2015	2016	Change
Tourist Arrivals: Sep(16)	143,374	148,499	3.57%
Tourist Arrivals: Sep(16)-YTD	1,315,839	1,508,405	14.63%
Credit-Pvt Sec Rs.Bn-Jul(16)-YTD	3,004	3,861	28.52%
Trade Balance(US\$ Mn) – Jul	(601.8)	(541.6)	10.00%
<b>Imports (US\$ Mn) – Jul</b>	<b>1,533.9</b>	<b>1,432.8</b>	<b>-6.59%</b>
Investment Goods	365.8	403.1	10.20%
Intermediate Goods	752.0	704.7	-6.29%
<b>Exports (US\$ Mn) - Jul</b>	<b>932.1</b>	<b>891.2</b>	<b>-4.39%</b>
Agricultural	245.3	207.9	-15.25%
Textiles and Apparel	413.1	425.6	3.03%
Levels			
	2014	2015	2016
Quarterly GDP Real Growth	Q1 - 1.3%	Q1 - 4.4%	Q1 - 5.5%
	Q2 - 2.2%	Q2 -7.0%	Q2 -2.6%
	Q3 - 5.0%	Q3 - 5.6%	
	Q4 - 10.3%	Q4 - 2.5%	
<b>Annual GDP Real Growth (%)</b>	<b>4.90%</b>	<b>4.80%</b>	
Levels			
	Year Ago	Aug-16	Sep-16
Inflation -CCPI			
Year on Year	-0.30%	4.00%	3.90%
Annual Average	0.70%	3.00%	3.40%
Inflation -NCPI			
Year on Year	1.90%	4.50%	4.70%
Annual Average	-	3.60%	3.80%

Currencies	LKR		
	Year Ago	Pre. Week	This Week
US\$	140.84	146.75	147.08
STG	217.40	179.74	180.27
Yen	1.18	1.42	1.42
Euro	159.86	162.10	160.64
Levels (%)			
	Year Ago	Pre. Week	This Week
T - Bills			
3 Months	6.71	-	8.60
6 Months	7.03	-	9.46
12 Months	7.10	-	10.19
Price per Share (LKR)			
	Pre. Week	This Week	Change
Top 5 Gainers			
GOOD	1,302.00	1,476.10	13.37%
MAL.X	2.80	3.10	10.71%
HPFL	6.70	7.40	10.45%
CTLD	54.50	59.50	9.17%
MRH	21.10	23.00	9.00%
Top 5 Losers			
BLUE.X	0.60	0.50	-16.67%
BIL	1.50	1.30	-13.33%
CIFL	1.60	1.40	-12.50%
SFS	1.80	1.60	-11.11%
PARA	56.80	52.20	-8.10%

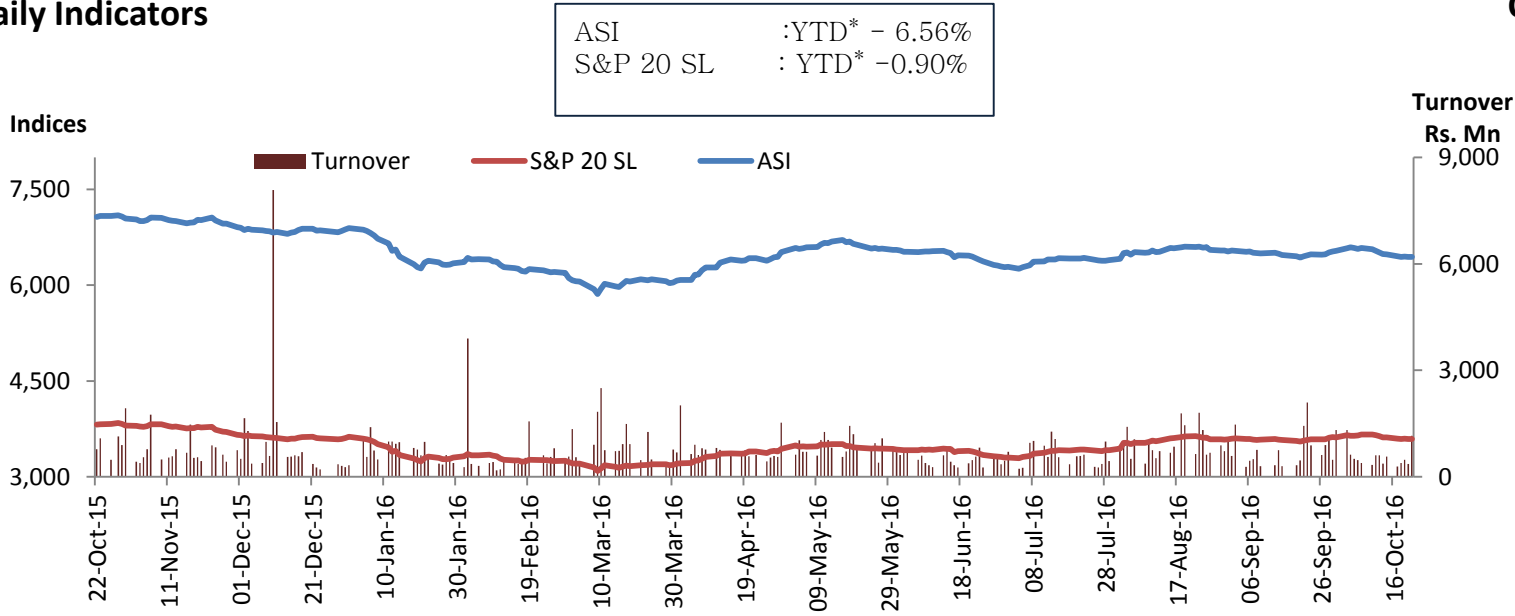
CSE Data	Levels		
	Pre. Week	This Week	Change
CSE All Share Index (ASI)	6,482.5	6,442.4	-0.6%
S&P Sri Lanka 20 Index (S&P SL 20)	3,615.1	3,593.2	-0.6%
Total turnover (LKR Mn)	2,490.1	2,680.7	7.7%
Market PER	13.25	13.14	-0.8%
Market PBV	1.5	1.5	-0.7%
Dividend Yield	3.0	3.0	0.7%
Market Capitalization (LKR Bn)	2,763.5	2,748.6	-0.5%
Foreign Purchases (LKR Mn)	1,257.4	1,297.4	3.2%
Foreign Sales (LKR Mn)	634.3	778.6	22.8%
Net Foreign (LKR Mn)	623.1	518.7	16.8%



Sources: Central Bank of Sri Lanka (CBSL), Colombo Stock Exchange (CSE), Bloomberg, FactSet

- The Colombo Stock Exchange (CSE) remained flat during the week ended Friday 21<sup>st</sup> October 2016. The All Share Price Index (ASPI) was at 6,442.4 while the S&P Sri Lanka 20 Index was at 3,593.2. Total turnover for the week was Rs. 2.7Bn, an increase of 7.7% compared to previous week.
- Net foreign investments recorded a net inflow of Rs. 518.7Mn during the week. Year to date net foreign investment amounted to a negative Rs. 1,825.1Mn.
- Hatton National Bank PLC (HNB), a leading bank in Sri Lanka has received approval to list its debt securities up to Rs. 6Bn on the Colombo Stock Exchange. HNB has decided to go for Rs. 6Bn debenture issue. The bank plans to issue 50Mn debentures with an option to issue up to a further 10Mn in the event of an over subscription at a par value of Rs.100 each. The subscription list will be open on 25<sup>th</sup> October 2016. NDB Investment Bank Limited is the lead managers to the issue.
- MTD Walkers PLC, an integrated infrastructure and engineering solutions providers in Sri Lanka has been granted approval to re-commence the construction of yacht/leisure craft repair/shipbuilding facility at the Port of Galle under the initiative of making the Galle harbour a tourism port, as per official sources. The initial cost estimate for the project was US\$ 44Mn in 2013.

Daily Indicators



\* YTD- 01<sup>st</sup> Jan 2016 to 22<sup>st</sup> Oct 2016

Sources: Colombo Stock Exchange (CSE), Business Newspapers

CSE Weekly Sector Returns (%)

