

LBR LBO DEBRIEF

ECONOMIC & BUSINESS CLIMATE OUTLOOK 2017

29TH NOVEMBER OAK ROOM, CINNAMON GRAND



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LBR LBO DEBRIEF

ECONOMIC & BUSINESS CLIMATE OUTLOOK 2017

8.30 AM - 5.45 PM
ON TUESDAY THE 29TH NOVEMBER 2016
OAK ROOM, CINNAMON GRAND,
COLOMBO

A CONCISE OVERVIEW OF WHAT ONE CAN EXPECT IN GLOBAL ECONOMY, KEY ECONOMIES AND IN SRI LANKAN ECONOMY AND BUSINESS CLIMATE IN 2017

0730 – 0830 Delegate check-in, Summit materials collection, networking breakfast

0830 – 0845 LBR LBO Debrief opening



Opening remarks, partner recognition and appreciation
Lakshaman Bandaranayake
Founding Publisher/Director - Lanka Business Online (LBO)

0845 – 0915

KEYNOTE 1



THE STATE OF GLOBAL ECONOMY AND CHALLENGES AHEAD
Saurav Anand
South Asia Economist - Standard Chartered

0915 – 0945

KEYNOTE 2



OUTLOOK AND STATE OF PLAY: US, UK, EURO ZONE, RUSSIA, JAPAN & CHINA
Ralph Van Doorn
Senior Country Economist for Sri Lanka and the Maldives - Global Practice for Macroeconomics & Fiscal Management, World Bank

0945 – 1015

KEYNOTE 3



OUTLOOK AND STATE OF PLAY: INDIA AND EMERGING ASIA
Gunjan Gulati
Asia Economist - IFC

1015 – 1040

KEYNOTE 4



THE SHIFTING GEO-POLITICAL LANDSCAPE AND IMPLICATIONS
Paulius Kuncinas
Managing Editor, Asia - Oxford Business Group

1040 – 1115

KEYNOTE 5



OUTLOOK AND AN ASSESSMENT OF SRI LANKAN ECONOMY
Amal Sanderatne
CEO - Frontier Research

1115 – 1245

PANEL DISCUSSION 1

HOW WILL THE EVOLVING POLITICAL ECONOMIC SCENARIO IMPACT SRI LANKAN BUSINESS AND ECONOMY?



Ruvini Fernando - Session Chair
Executive Director/Joint Managing Director - Guardian Fund Management



Gunjan Gulati - Panelist
Asia Economist - IFC



Amal Sanderatne - Panelist
CEO - Frontier Research



Saurav Anand - Panelist
South Asia Economist - Standard Chartered



Ralph Van Doorn - Panelist

Senior Country Economist for Sri Lanka and the Maldives - Global Practice for Macroeconomics & Fiscal Management, World Bank



Paulius Kuncinas

Managing Editor, Asia - Oxford Business Group

1245 – 1330



1330 - 1400

BUDGET 2017 HIGHLIGHTS



Deshal de Mel

Senior Economist - Hayleys Group

1400-1530

PANEL DISCUSSION 2

WHAT THE BUDGET 2017 WOULD MEAN TO THE INDUSTRY AND ECONOMY?



Subhashini Abeysinghe - Session Chair

Senior Analyst and Head of Economics - Verité Research



Eteri Kvintradze PhD - Panelist

Resident Representative - IMF



Shiran Fernando - Panelist

Lead Economist and Senior Product Head - Frontier Research



Deshal de Mel - Panelist

Senior Economist - Hayleys Group



Arjuna Herath - Panelist

Partner - EY



Shashi Kandambi Jassim - Panelist

Senior Deputy General Manager – Corporate Banking - Sampath Bank

1530 – 1600



1600 – 1730

PANEL DISCUSSION 3

BUSINESS LEADERS ROUNDTABLE

HOW WILL THE BUSINESS LEADERS NAVIGATE AND STEER THEIR ENTERPRISES IN 2017?



Kumudu Gunasekera PhD - Session Chair

Director - Stax



Dee Liyanwela - Panelist

Executive Director – Exchange Technology - London Stock Exchange Group (LSEG)



Vajira Kulathillake - Panelist

Chairman - Colombo Stock Exchange



Mano Tittawella - Panelist

Chairman - EAP Holdings



Rajitha Kariyawasan - Panelist

Managing Director - Haycarb PLC

1730 - 1745

Conclusion

1745 - 1900

Networking Reception



LBR LBO DEBRIEF

ECONOMIC & BUSINESS CLIMATE OUTLOOK 2017

A concise overview of what one can expect in the global economy, key economies and the Sri Lankan economy, and the views of business leaders on navigating the political-economic landscape of 2017.

INSIGHTFUL AND THOUGHT-PROVOKING SPEECHES AND PANEL DISCUSSIONS

In a world of increasing economic integration, no business executive, investor, and public sector official, academic or researcher can afford to be oblivious to the pulse of the economy- global, regional and local.

However, making sense of a rapidly evolving political-economic scenario is a daunting task. With this in mind, the 2016 edition of LBR LBO Debrief have invited over fifteen Economists, researchers, public sector officials and leading corporate to critically discuss, debate and deliberate.

The insightful and thought provoking presentations and panel discussions will focus on:

- 1) Critical examination of the outlook of world economy, the state of play of key economies and what one can expect in the Sri Lankan economy.
- 2) Insightful perspectives on the rapidly changing global security and political order
- 3) How the evolving political economic scenario will impact Sri Lankan business and economy
- 4) What the Budget of 2017 would mean to the industry and economy
- 5) How business leaders will navigate and steer their enterprises in 2017

UNFOLDING ECONOMIC & GEOPOLITICAL SCENARIO

Global growth is set to remain in a low-growth trap

According to the OECD Economic Outlook and Interim Economic Outlook (September, 2016) the world economy remains in a low-growth trap, with poor growth expectations depressing trade, investment, productivity, and wages. This in turn leads to a further downward revision in growth expectations and subdued demand.

OECD estimates global GDP growth to remain flat around 3% in 2016 with only a modest improvement projected in 2017. This forecast is based on

weaker conditions in advanced economies, including the effects of Brexit, offset by a gradual improvement in major emerging market commodity producers.

The effect of Brexit on the global economic landscape cannot be ignored.

In the "World Economic Update of July 2015", The International Monetary Fund cut its forecasts for global economic growth this year and next, as the unexpected vote by the UK to leave the European Union created a wave of uncertainty amid already-fragile business and consumer confidence.

"The Brexit vote implies a substantial increase in economic, political, and institutional uncertainty, which is projected to have negative macroeconomic consequences, especially in advanced European economies," observed the IMF's World Economic Outlook Update. (July 19, 2016)

The IMF predicts that global growth will remain muted. The global economy is projected to expand 3.1 percent this year and 3.4 percent in 2017, according to the IMF.

In the U.S, weaker-than-expected growth in the first quarter prompted the IMF to reduce its 2016 forecast to a gain of 2.2 percent.

The Eurozone fragility continues. The driver of its recovery, domestic demand, has lost traction. The result was slowing down of GDP.

The Chinese economy is gradually shifting gears after 30 years of breakneck double-digit economic expansion, which has lifted millions of Chinese from abject poverty.

The rebalancing of the Chinese economy from one that is primarily labor-intensive, investment-led and export-oriented to one based on value-added production, services and domestic consumption is under way. In China, the return of expansionary fiscal policy, rate cuts introduced in 2015, growths in infrastructure investments and credit expansion have had a positive impact. Given the limited trade with the U.K, the impact of Brexit on China is expected to be limited.

The outlook of Emerging markets and Developing Economies (EMDEs) is diverse.

Global Economic Prospects (June 2016) of World Bank observed that the growth disappointments in 2015 have extended into 2016. Overall, the outlook of EMDEs is not buoyant due to a significant downward revision in commodity prices, weak global trade, volatile capital flows, and persistent domestic challenges.

According to the World Bank, growth in South Asia- primarily driven by the Indian and Bangladeshi economies- is expected to reach 7.1 percent in 2016, and to strengthen to 7.3 percent by 2018, underpinned by robust domestic demand.

In the near term, consumer spending continues to benefit from low oil prices and modest inflation rates, although these effects will wane in the medium term. An accommodative monetary stance, public investments in infrastructure, and progress on the structural reform agenda should support growth.

On the external front, volatility in financial markets could lead to large capital outflows from the most vulnerable emerging market economies in the region. Lower remittance inflows could dampen consumption spending and the growth outlook in the region's smaller economies. Domestic risks include slower-than-expected progress in structural reform, vulnerabilities in bank and corporate balance sheets, and fiscal challenges.

The double whammy of economic sanctions and low oil prices continues to affect the growth prospects of Russia. Negative growth is expected to continue in 2016, following the extension of sanctions and the renewed fall in the oil price. The military excursions in the Middle East are likely to worsen Russia's fiscal challenges.

Pains of regime change continues

At home, getting adjusted to the regime change has not been easy.

The change of government on the 8th of January 2015 has its positive effects on political atmosphere and foreign policy. Sri Lanka was able to improve its relations with India and the West. The government, which came to power with the overwhelming support of the minorities, brought renewed hopes of ethnic reconciliation.

While the new government earned much in goodwill - both domestically and internationally - as it came to power, its economic performances have been less than encouraging. The expectations of many have failed to materialize. The vociferous joint opposition and not-so-covert tensions among the parties in the "Unity Government" have also brought in an element of political unease.

Lack of a robust economic plan was evident in the absence of much needed reforms in many sectors. Improved foreign-relations have not resulted in the anticipated rush of FDI.

The government lacks imagination in the area of economic strategy.

According to Central bank of Sri Lanka, real economic growth in 2015 registered 4.8%, compared with 4.9 percent in 2014. A slowdown in the growth of demand in Sri Lanka's traditional export markets impacted the growth of the export sector while a strengthening US economy prompted short-term capital outflows.

The Central Bank in its annual report of 2015 further observed that despite substantial gains from the lower oil prices and continued positive trends in the tourism sector, the slowing down of net foreign exchange inflows (including worker remittances) and capital outflows, generated an overall deficit in the balance of payments (BOP).

Exports fell by 6% in USD terms between the first half of 2015 to 2016. The imports of USD 16.1 Billion as against exports of USD 8.8 Billion resulted in a negative trade balance of USD 7.1 Billion.

The economic turmoil in oil producing Gulf Cooperation Council (GCC) countries due to suppressed oil prices is likely to hurt the remittances from overseas workers. Remittances are just below 10% of GDP, 50% of which comes from Gulf region.

The decline in foreign direct investments (FDI) and loans to the government, banking and private sectors and the withdrawal of foreign investments from the government securities market, resulted in the balance of payments (BOP) recording a deficit of US dollars 1,489 million in 2015 resulting in the deterioration of the BOP.

During the first half of 2016 Sri Lanka once again edged towards a BOP crisis, though subsequently the situation improved.

The populist fiscal moves introduced since the new regime came to power coupled with below target collection of tax revenue have severely strained the budget deficit. The overruns on the expenditure side of the government budget and less than encouraging tax revenue resulted in a budget deficit 7.4 % (of GDP), as against the targeted deficit of 4.4%.

All Share Price Index (ASPI) of Colombo Stock Exchange moved down from 7,100 in early October to 5,800 by mid-March 2016. Though there has been an upward swing, the ASPI is still 500 points below the October 2015 levels. There has not been a single significant development in the capital market ever since the new regime came to power.

Business Sentiment Index (BSI) compiled by the

Central bank of Sri Lanka (CBSL) showed significant erosion of entrepreneur confidence. The indices moved from 136 in the third quarter of 2014 to the lowest ever of 86 in the second quarter 2016.

Uncertainties, mainly due to ad-hoc policy changes and lack of visible and tangible development efforts, have probably affected confidence among the business sector.

Anti-free trade sentiments have been growing during the recent past. Various professional and trade bodies have shown stiff resistance to the proposed economic pact with India, challenging the government's aim in closely integrating Sri Lanka's economy with the global supply chain.

One of the few positive developments is the growth in tourist arrivals and tourist industry earnings.

As articulated by the Hon. Prime Minister, if Sri Lanka is to be the most competitive nation in the region, it is crucial to address the areas mentioned below, with a sense of national priority and earnestness.

- 1) Stimulate export and FDI growth; a key strategic imperative the government must address with a sense of urgency
- 2) Speed up the establishment of trade pacts with India, Singapore, China and other important economies
- 3) Resist the temptation for populist fiscal measures, widen the tax base and improve revenue management
- 4) Act with a sense of urgency to achieve visible and tangible economic progress
- 5) Institute structural reforms needed to move the country beyond the lower middle-income economy
- 6) Enhance productivity to meet the demographic challenges and move the economy up the value chain
- 7) Promote international trade and investment
- 8) Fight rising protectionism and truly integrate the economy with the region

"LBR LBO DEBRIEF WILL BRING CLARITY TO THE ECONOMIC & BUSINESS CLIMATE OUTLOOK"

The fourth annual edition of "LBR LBO DEBRIEF" aims to provide much needed clarity on unfolding global, regional and local trends. LBR LBO DEBRIEF will be of immense value to anyone whose professional and academic role would require a comprehensive command of the state of Sri Lankan economy in 2017.

INQUIRIES

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<http://www.oecd.org/eco/outlook/economic-outlook/>
IMF, World Economic Outlook Update, July 2016
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