

THE SIX-MONTH ROAD MAP FOR ENSURING MACROECONOMIC & FINANCIAL SYSTEM STABILITY



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Presented by

Ajith Nivard Cabraal

Governor

Central Bank of Sri Lanka

01 October 2021

SRI LANKA,
once graciously referred to as the
“Wonder of Asia”
and
“the Next Miracle of Asia”,
has been severely challenged
in the past few years...



There is fear about the present economic challenges...

Sluggish growth and struggling businesses

Severe COVID-19 lockdown impact

Shortage of foreign exchange and fears about a sharp depreciation of the Sri Lankan Rupee

Possible increase in non-performing loans

Increase in Central Bank's Treasury bill holdings

Concerns about debt sustainability, particularly with the large outstanding values of ISBs

Low levels of official foreign exchange reserves

Weakened revenues

Increase in unauthorised remittance flows

Unfavourable sovereign ratings

Concerned consumers

Stockpiling of imported goods by importers

Hostile international and local media reports

Stockpiling of Forex by exporters

SMEs facing serious challenges

Deterioration of confidence



Regular doomsday reports by the opposition and other interest groups have also contributed to the negative sentiment...

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MP notes a hidden aspect of Sri Lanka's debt

5 August 2021 12:01 am 0 1302

"ජනපති ප්‍රයත්නය ලක් තැන ම ලොජ වෙලා"

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Current lockdown imposed by Govt. is a failure -
Opposition Leader

28 Aug 2021 387

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- Those who have succumbed to COVID in SL has become twice as many as those who have died of the pandemic in China
- Ministers are putting the lives of people in this country on auction

Home Economy & Markets Industry Opinion Politics Other Events LBOT

"Be careful of pump and dump in stock market"

"This govt. printed Rs. 880 billions"

13 Jul 2021 6611

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This is the roadmap of Zimbabwe

- Economy a step closer to bankruptcy**

Change the doctor rather than changing the
medication to resolve country's problems

Thursday 14 April 2021 0:00 147

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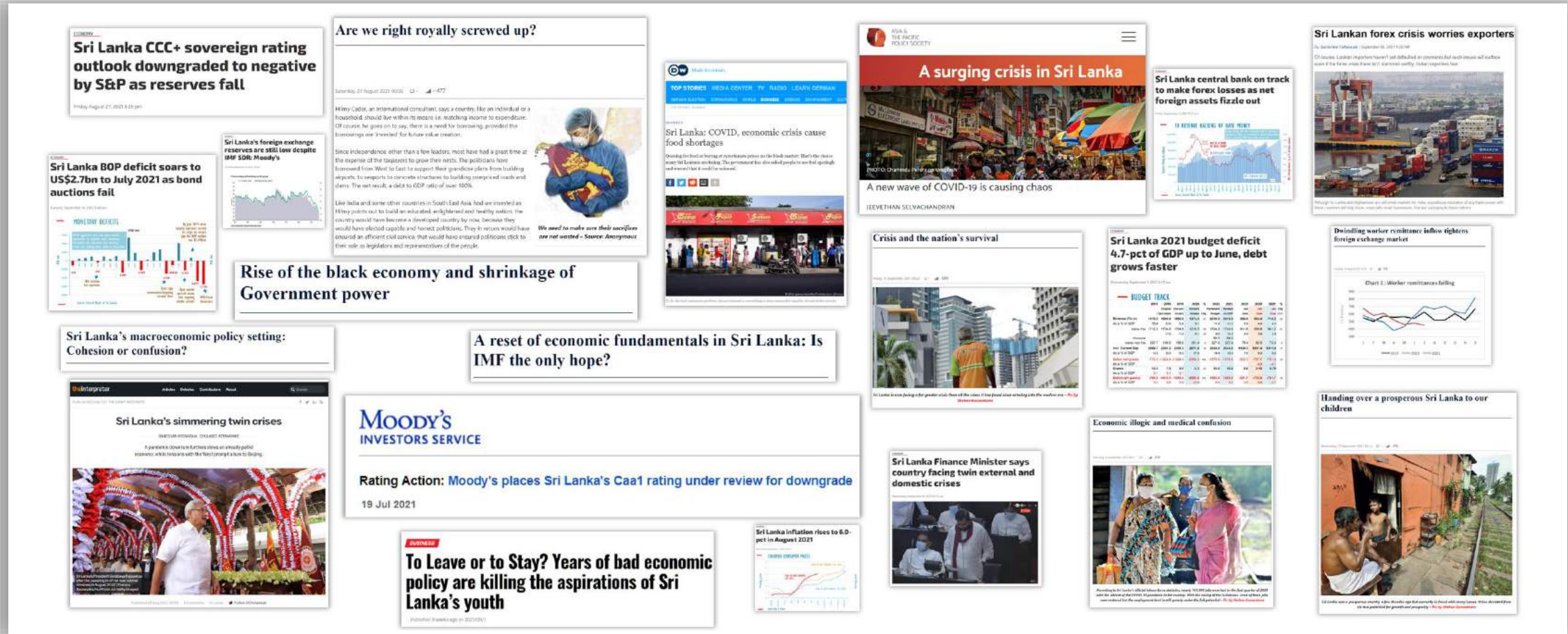


Projects such as Nalun Kalura and Hambantota Conference Hall do not directly benefit the people or the country; implementing such projects making use of loans is not an appropriate decision

At the same time, we have to admit that the economy has shown little positive progress over the past few years...

	2005	2014	2019	2020	
GDP at Current Prices (USD mn)	24,406	79,359	83,976	80,707	
GDP Per Capita at Current Market Prices (USD)	1,242	3,819	3,852	3,682	
Merchandise Exports (USD mn)	6,347	11,130	11,940	10,047	
Merchandise Exports (as a % of GDP)	26.0	14.0	14.2	12.4	
Services Exports (USD mn)	1,539	5,605	7,474	3,035	
Services Exports (as a % of GDP)	6.3	7.1	8.9	3.8	
External Current Account Balance (as a % of GDP)	(2.7)	(2.5)	(2.2)	(1.3)	
Overall Fiscal Balance (as a % GDP)	(7.0)	(5.7)	(9.6)	(11.1)	
Central Government Debt (as a % GDP)	90.8	72.3	86.8	101.0	
Central Government External Debt (as a % GDP)	39.0	30.0	41.3	40.4	
Outstanding International Sovereign Bonds (as a % of GDP)	-	6.3	17.9	17.4	
Avg. Exchange Rate (Rs./USD)	100.50	130.56	178.78	185.52	
Year End Exchange Rate (Rs./USD)	102.12	131.05	181.63	186.41	
Gross Official Reserves (USD mn)	2,735.0	8,208.4	7,642.4	5,664.3	
Inflation (Change in CCPI)	11.0	3.3	4.3	4.6	
All Share Price Index (1985=100)	1,922.2	7,299.0	6,129.2	6,774.2	
Stock Market Capitalisation (USD bn)	5.7	23.7	15.7	15.9	

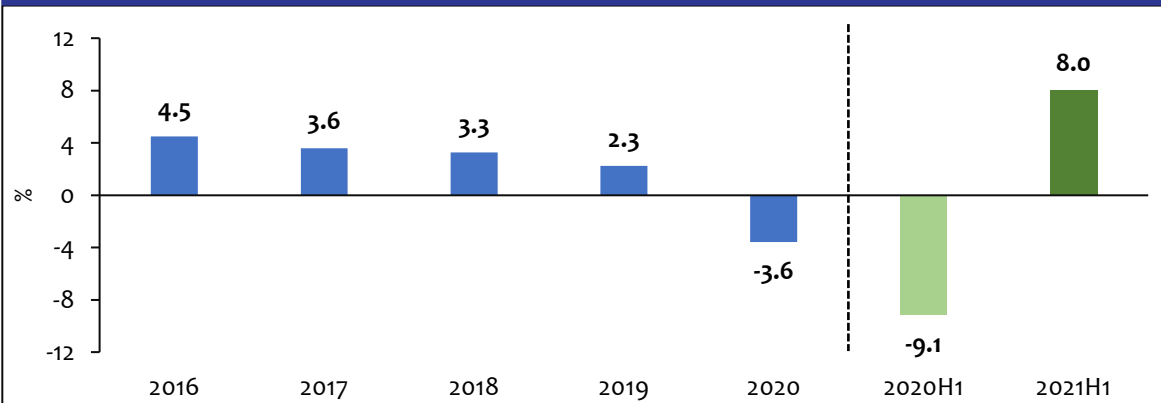
Weakening of the economy, along with the effect of the COVID-19 pandemic, has recently caused anxiety about the macroeconomic stability and the sustainability of the Sri Lankan economy...



Sources: Various Media Reports

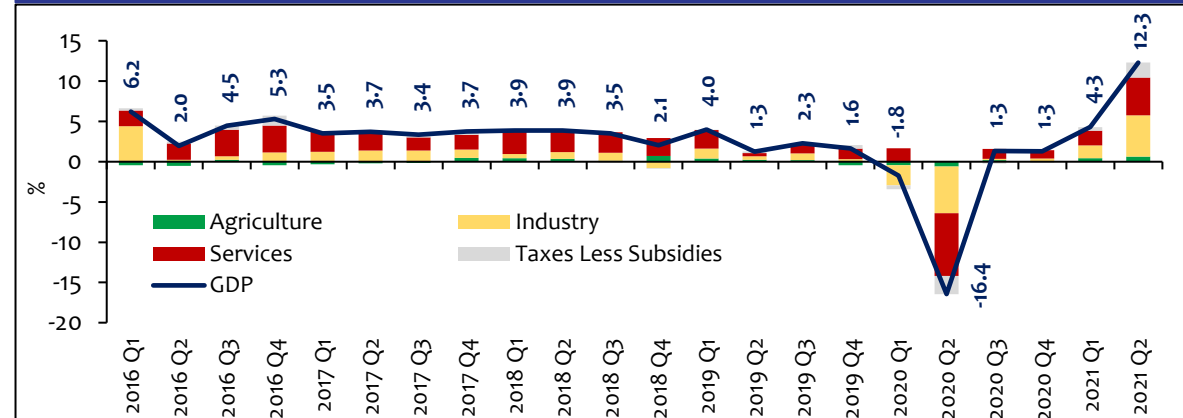
Although the economy grew by 8.0% in H1 2021, disruptions to labour market outcomes have been observed with the Pandemic...

Annual Real GDP Growth (Y-o-Y)



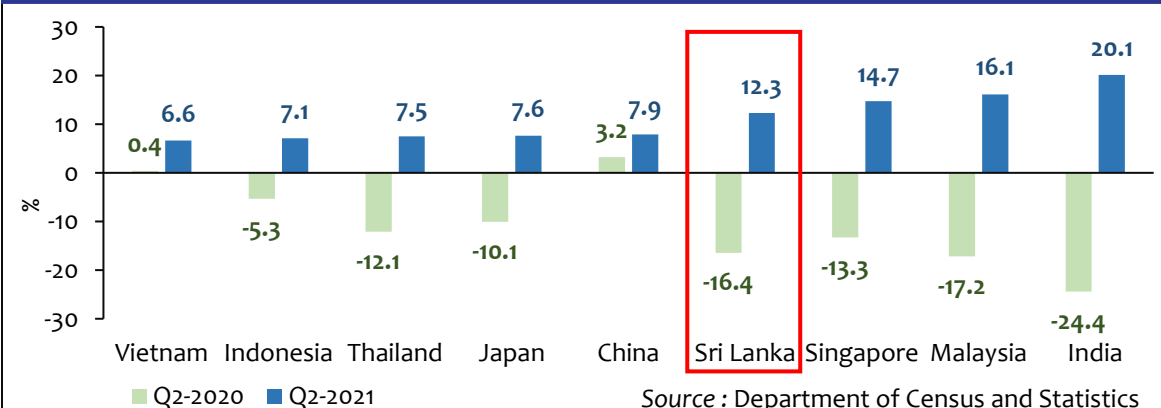
Source: Department of Census and Statistics

Contribution to Quarterly Real GDP Growth (Y-o-Y)



Source: Department of Census and Statistics

Extent of Rebound across Peer Economies (2020Q2 Vs. 2021Q2)



Source : Department of Census and Statistics

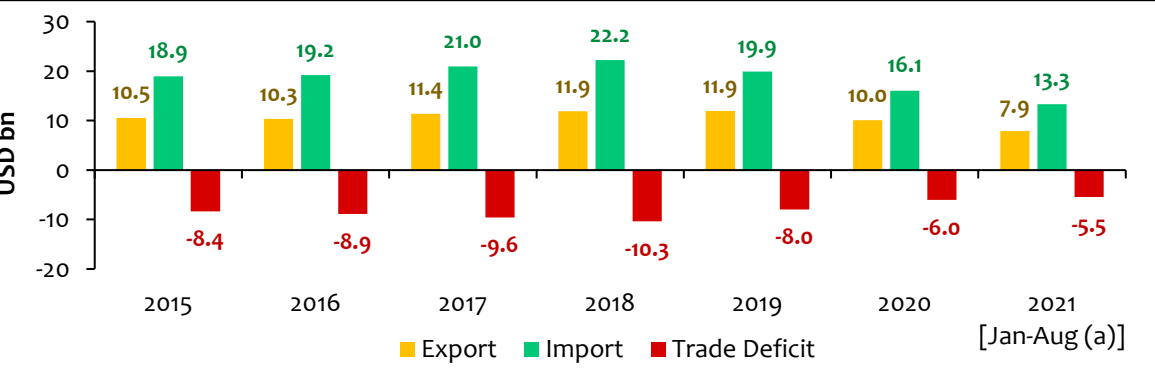
Unemployment



Source : Department of Census and Statistics

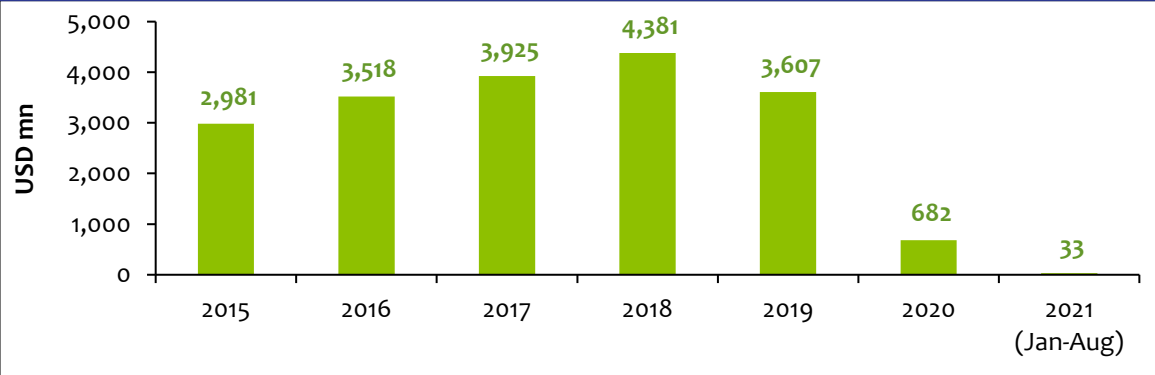
The external sector has experienced unprecedented challenges amidst the adverse effects of the COVID-19 pandemic...

Imports increasing at a higher pace than exports leading to a significant deficit in the trade account...

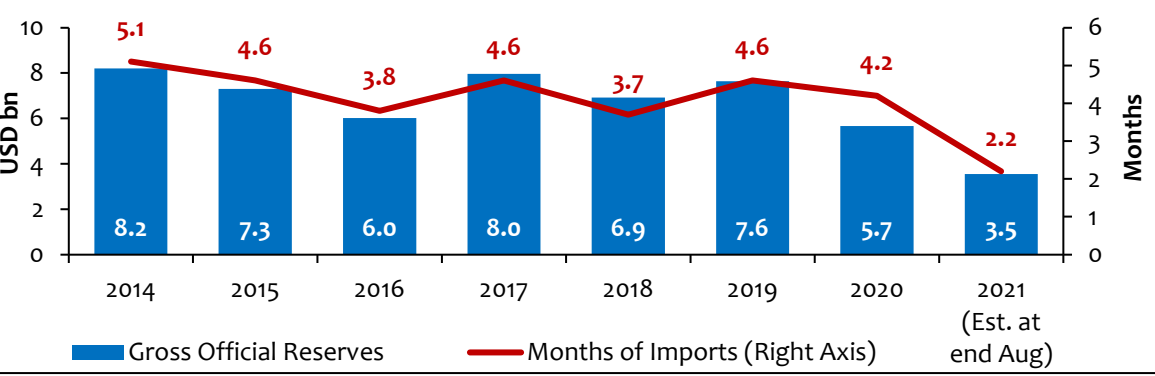


(a) August 2021 export and import data are preliminary unadjusted data from Sri Lanka Customs.

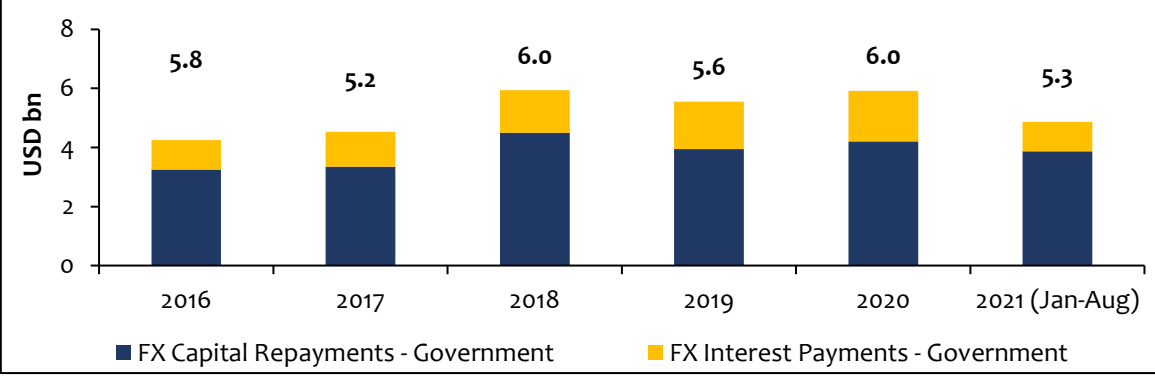
Drastically reduced earnings from tourism since Easter Sunday attacks...



Gross official reserves declining with continued large debt service payments...

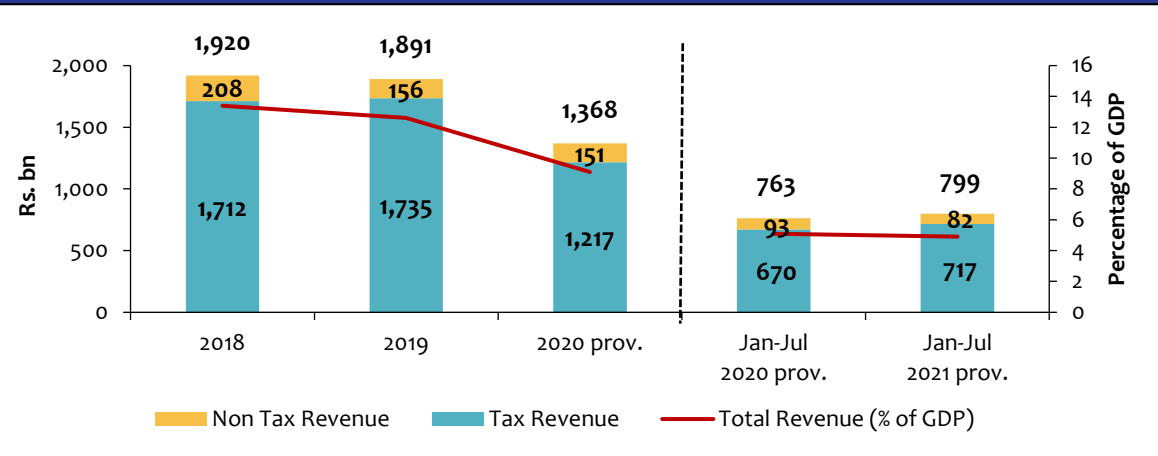


Despite the multitude of challenges, Sri Lanka continued to honour the country's debt service obligations...

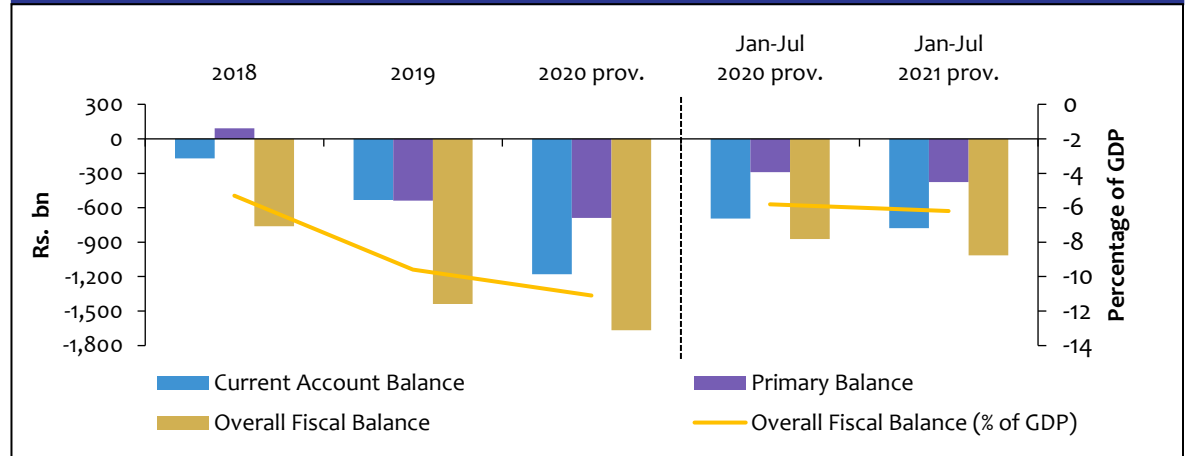


The budget deficit has increased in nominal terms, due to rise in recurrent expenditure and weakened revenue amidst the COVID-19 pandemic...

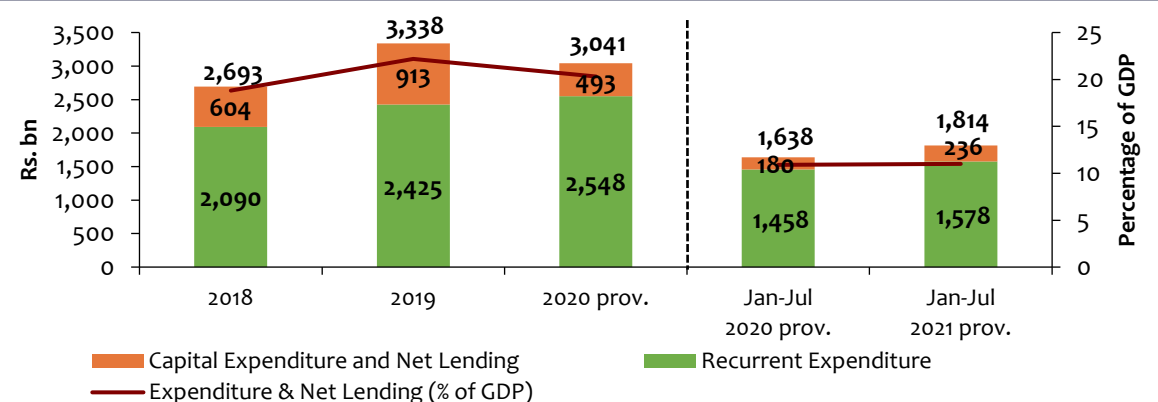
Government Revenue



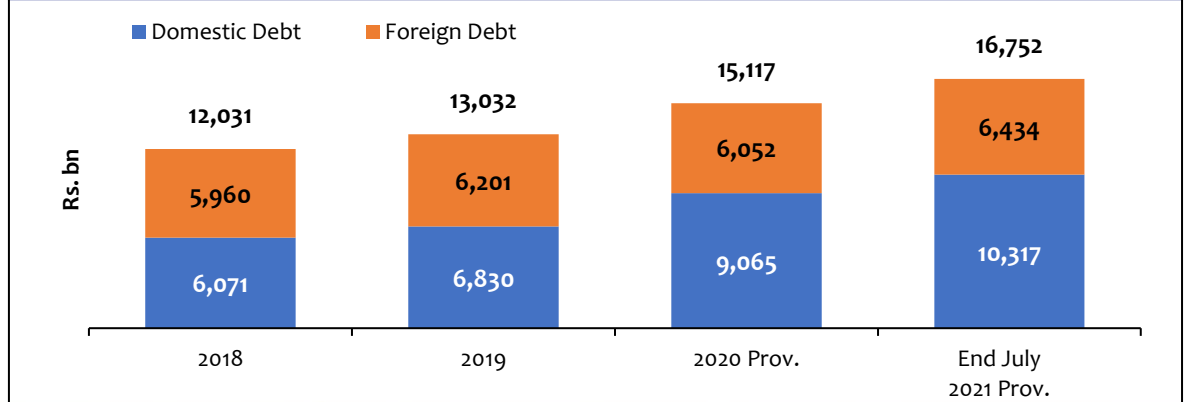
Key Fiscal Balances



Government Expenditure

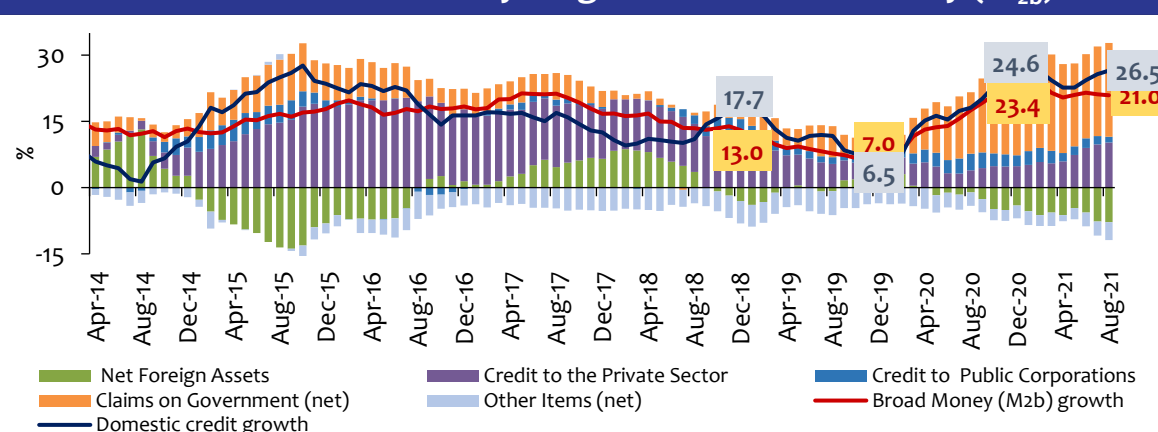


Central Government Debt

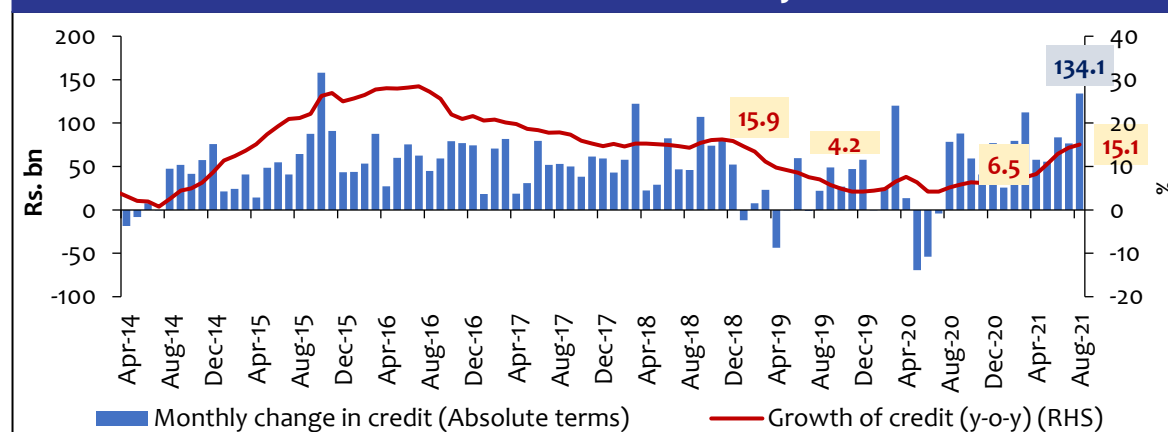


Although inflation has remained broadly subdued, a notable expansion of money and credit has been observed...

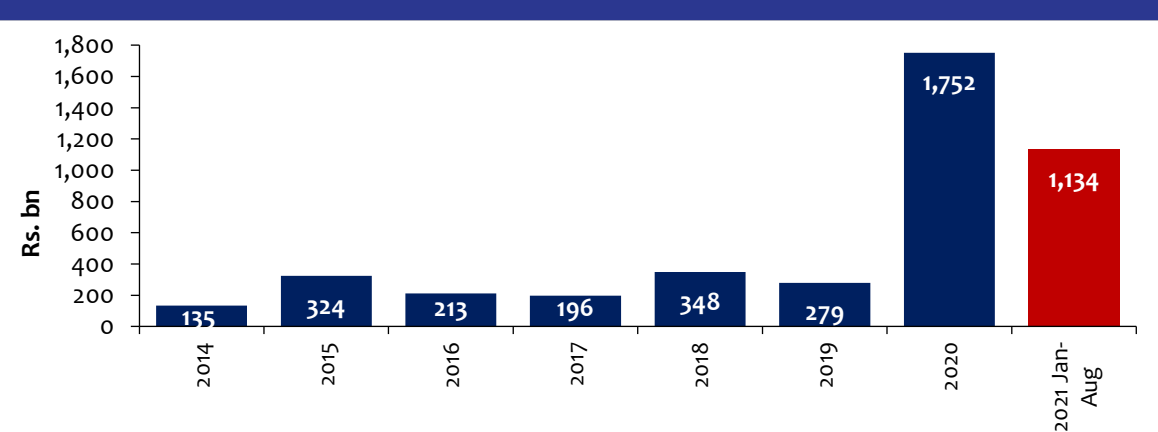
Contribution to Year-on-year growth of Broad Money (M_{2b})



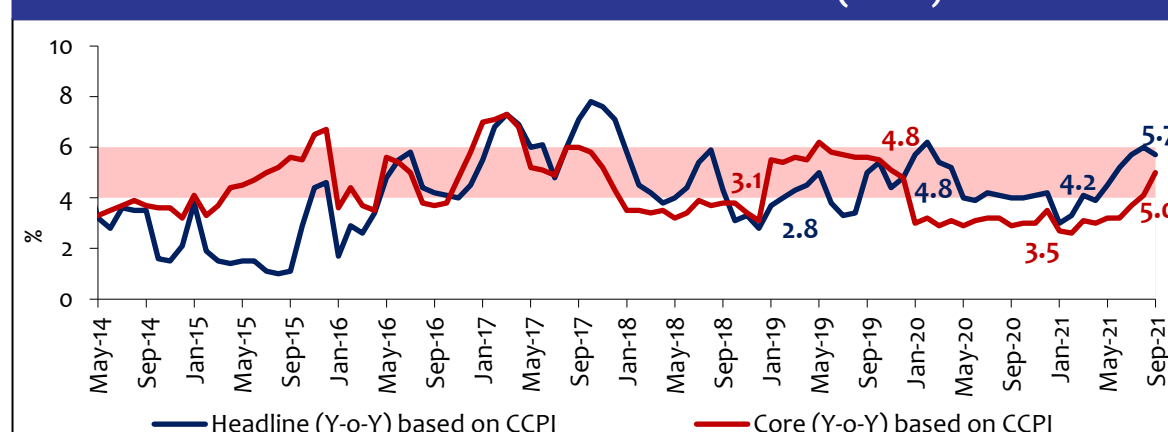
Credit to the Private Sector by LCBs




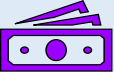





Net Claims on Government - Annual Increase



Movements in Headline and Core Inflation (Y-o-Y) - CCPI



When quantified, the official responses have been quite impressive and perhaps not received sufficient acknowledgement...

Government Support*		Proactive vaccination programmes
		Fiscal stimulus and financial assistance to needy families
		Movement related control measures
		Tax exemptions for medical equipment
		PCR and rapid antigen tests
		Provision of healthcare facilities
		Community awareness programmes
		Rs. 209 bn

* Includes Govt. support in 2020 and up to 07 September 2021

CBSL Support	COVID-19 Saubagya Refinance Scheme		Rs. 165.5 bn (1.1% of GDP)
	Rs. 2,002 bn (13.4% of GDP)		Financial support to the Government**
	Savings to the Private Sector in the form of reduced interest cost***		Rs. 365 bn (2.4% of GDP)
	Rs. 313 bn (2.1% of GDP)		Saving in terms of reduced interest cost to the Public Sector***
	Monetary Policy Easing Measures		Extended Debt Moratoria**** Capital fallen due (Banks & NBFIs)
			Rs. 780 bn

** Support in 2020 and up to 24 September 2021

*** Savings in 2020 and up to end July 2021

**** Same borrower may have obtained concessions under different schemes/ phases

In fact, the rapid progress of the vaccination drive and the gradual lifting of global travel restrictions provide hope for better prospects...

- The rapid vaccination rollout has started to pay off with rapidly declining COVID-19 cases and hospitalisations

Sri Lanka :
(by 30 Sep 2021)

97.9% of the population above 20 years received at least one dose
79.1% of the population above 20 years is fully vaccinated
53.5% of the total population was fully vaccinated

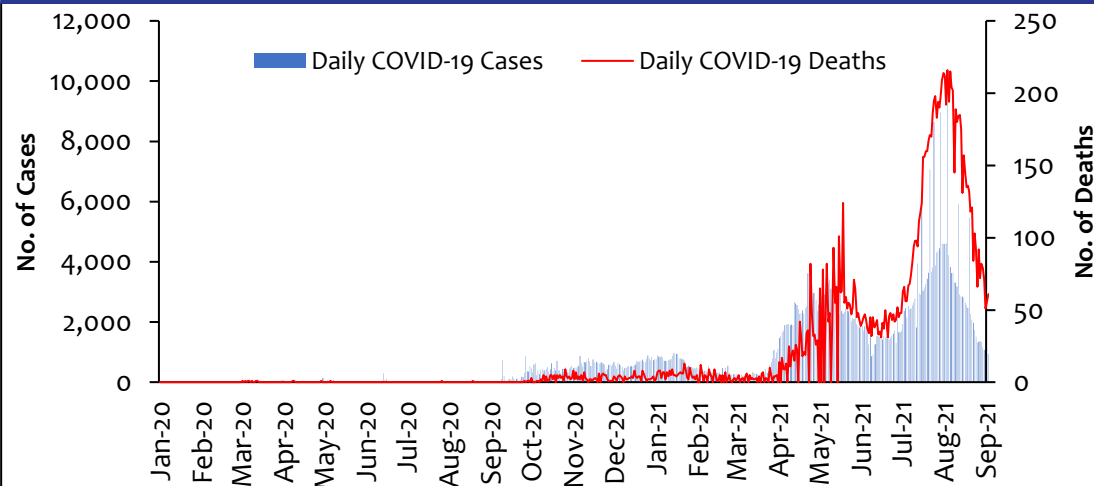


World :
(by 28 Sep 2021)

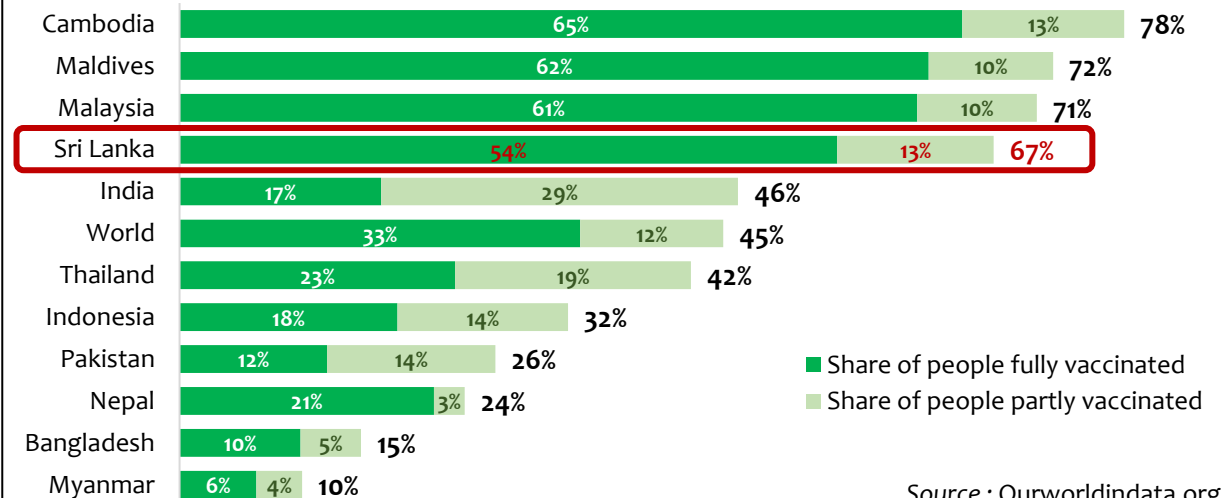
44.9% of the population received at least one dose
33.0% of the total population was fully vaccinated



Daily Confirmed COVID-19 Cases and Deaths



Share of population who have received COVID-19 Vaccines
(as of 28 September 2021)

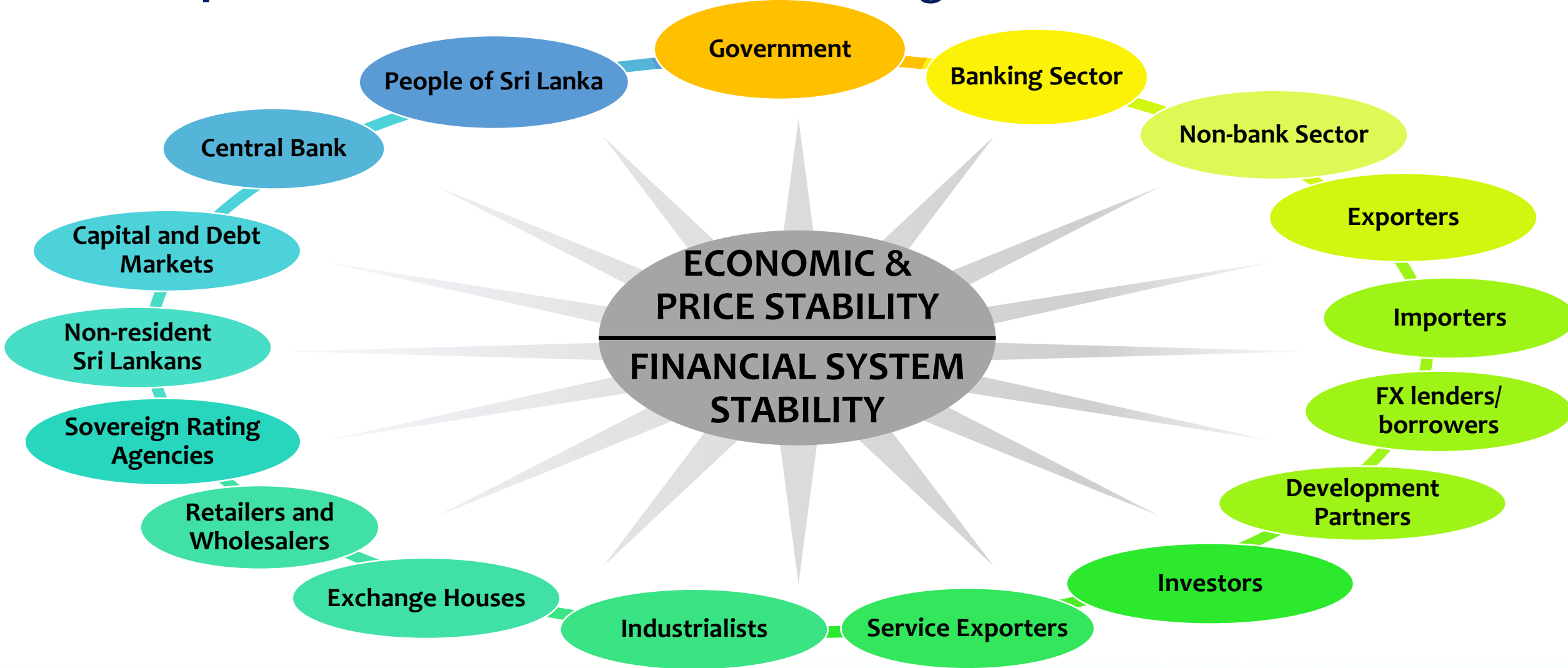


We have faced tough challenges even in the past...

- 443 years of foreign rule from 1505 to 1948
- A three-decade long internal conflict and two insurrections
- Power and energy crises from time to time
 - Power cuts
 - Fuel crises (shutdown of refineries, substandard fuel imports)
- Severe droughts, major floods and Natural disasters (including a Tsunami)
- A Global Pandemic
- Double digit rates of inflation prior to 2009, requiring high market interest rates
- Depletion of forex reserves
- External sector imbalances and forex controls: Rating downgrades
- Sustained periods of debt levels being over 100% of GDP

But, as a nation, we have always overcome...

In that background, we now need to give clarity to all stakeholders on their expected role to address these challenges in a sustainable manner...



We propose a three-pronged framework to strengthen the economy and deliver macroeconomic stability...

#1

- **Six-month Road Map from 01 October 2021 to 31 March 2022**

- Focused efforts on Macroeconomic and Financial System Stability
- Near-term measures to ensure continued timely debt servicing
- Increase forex liquidity in the market
- Create framework for all enterprises to recover from the Pandemic-effect

#2

- **One-year horizon from 01 January 2022 to 31 December 2022
(to be announced on 04 January 2022)**

- Improve the external debt profile while concentrating on non-debt inflows
- Deliver the fiscal and external targets
- Promote a fast recovery in the real economy
- Improve the Sovereign ratings and Ease of Doing Business

#3

- **Medium- to long-term horizon**

- Build stable “cushions” in all macro-fundamentals to absorb any shock
- Strengthen the domestic production economy
- Strive for higher growth within a low inflation environment
- Ensure the achievement of fiscal and monetary targets

The Central Bank will take **immediate steps** to ensure stability of the external sector by closely focusing on the near-term horizon, i.e., the next six-month period...

- The rationale for this short-term focus is that, given the forex challenge and debt service concerns, the proper management of this period will result in clarity and certainty being restored which will enable the economy to rebound
- By the end of that six-month horizon, the current efforts to enhance merchandise and services exports inflows will also show significant achievements, while a normalisation in tourism cashflows is also likely
- The FDI pipeline is expected to increase with the Port City and industrial zones taking off

Such outcomes will provide a stable foundation for the external sector by the end of the targeted six months

This new effort will require coordinated efforts of all stakeholders of the external sector, with vital, but moderate contributions by each stakeholder...

- Policy guidance by the Government and the Central Bank will help the required adjustments to take place gradually during the period of transformation of the economy to greater stability
- These efforts will also prompt positive actions of international investors and international rating agencies. Actions of global central banks will also influence the way forward

A single sector would not be overly burdened, but ALL will need to contribute

Key set of outcomes expected from major stakeholders:

Government: A business-friendly budget; Improved non-debt inflows; Active support to raise funds in order to change the debt-mix

Central Bank: Macroeconomic and Financial System Stability as demanded in the Monetary Law Act; Ensure stable exchange rate and interest rate structure

Banking sector: Greater transparency in domestic foreign exchange transactions; New funds and credit lines from abroad; Close co-operation with the Central Bank to ensure export proceeds conversion

Merchandise and Service Exporters: Avoidance of adverse speculation on exchange rate, and remit and convert export proceeds on time; Growth in export businesses

Importers: Curtail non-essential and non-urgent imports

Retailers and wholesalers: Avoidance of hoarding essential imported and local goods; Avoid attempt to earn supra-normal profits by raising margins and charging exorbitant prices

Global Sri Lankans: Increase remittances and non-debt creating inflows

Several key issues around government debt would need some clear policy responses...

Significant pressure on fiscal operations amidst the Pandemic

Accumulation of external debt over the years has raised sustainability concerns

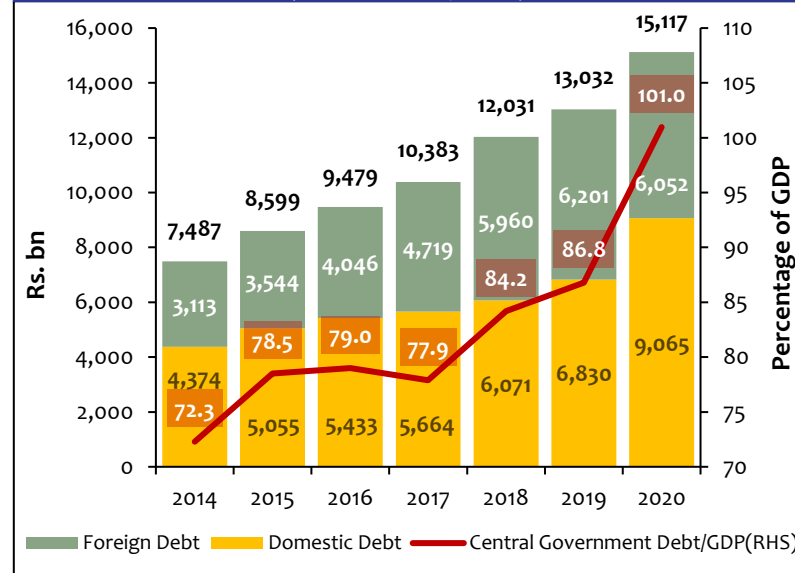
Debt raised through ISBs between April 2018 to June 2019 (15 months) amounted to a staggering USD 6.9 bn

The COVID-19 pandemic impacted tourism, investment flows, other forex earnings and inflows

Rating downgrades and adverse speculation impacted access to conventional financing

Confidence on the debt servicing ability was restored with successful payments of two ISBs amounting to USD 2 bn since the Pandemic

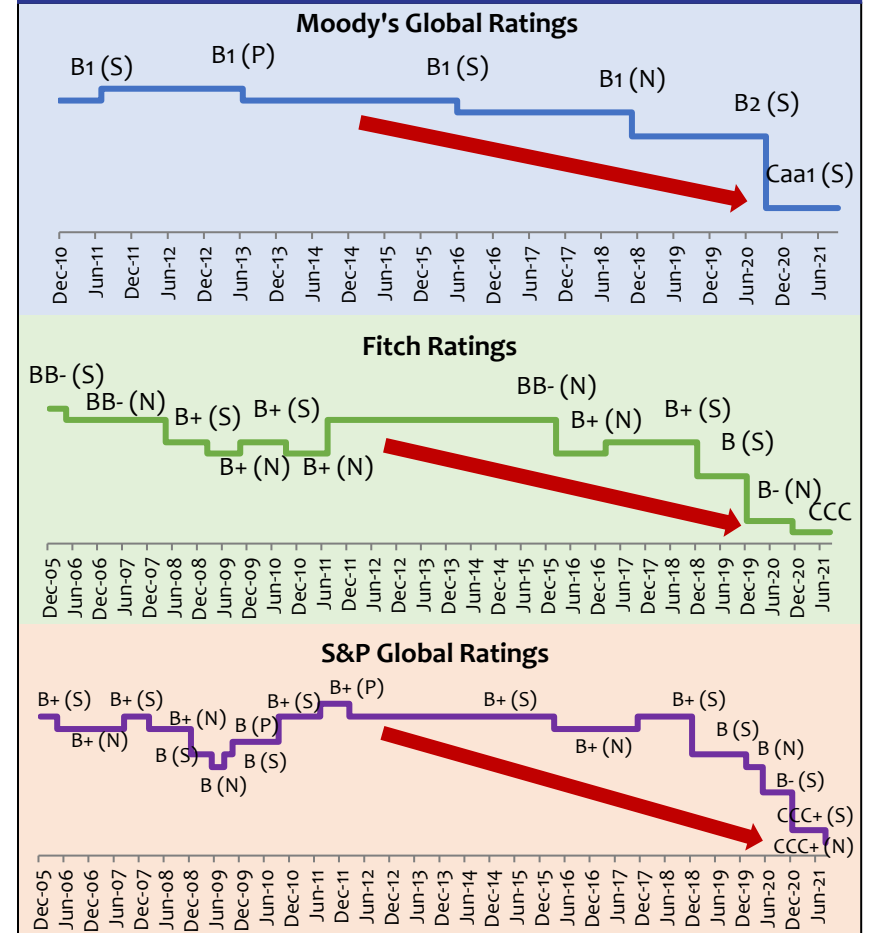
Outstanding Central Government Debt (as at end year)



Lenders are fully aware of the country's unblemished debt servicing record for over 70 years post independence with reassured willingness to honour debt

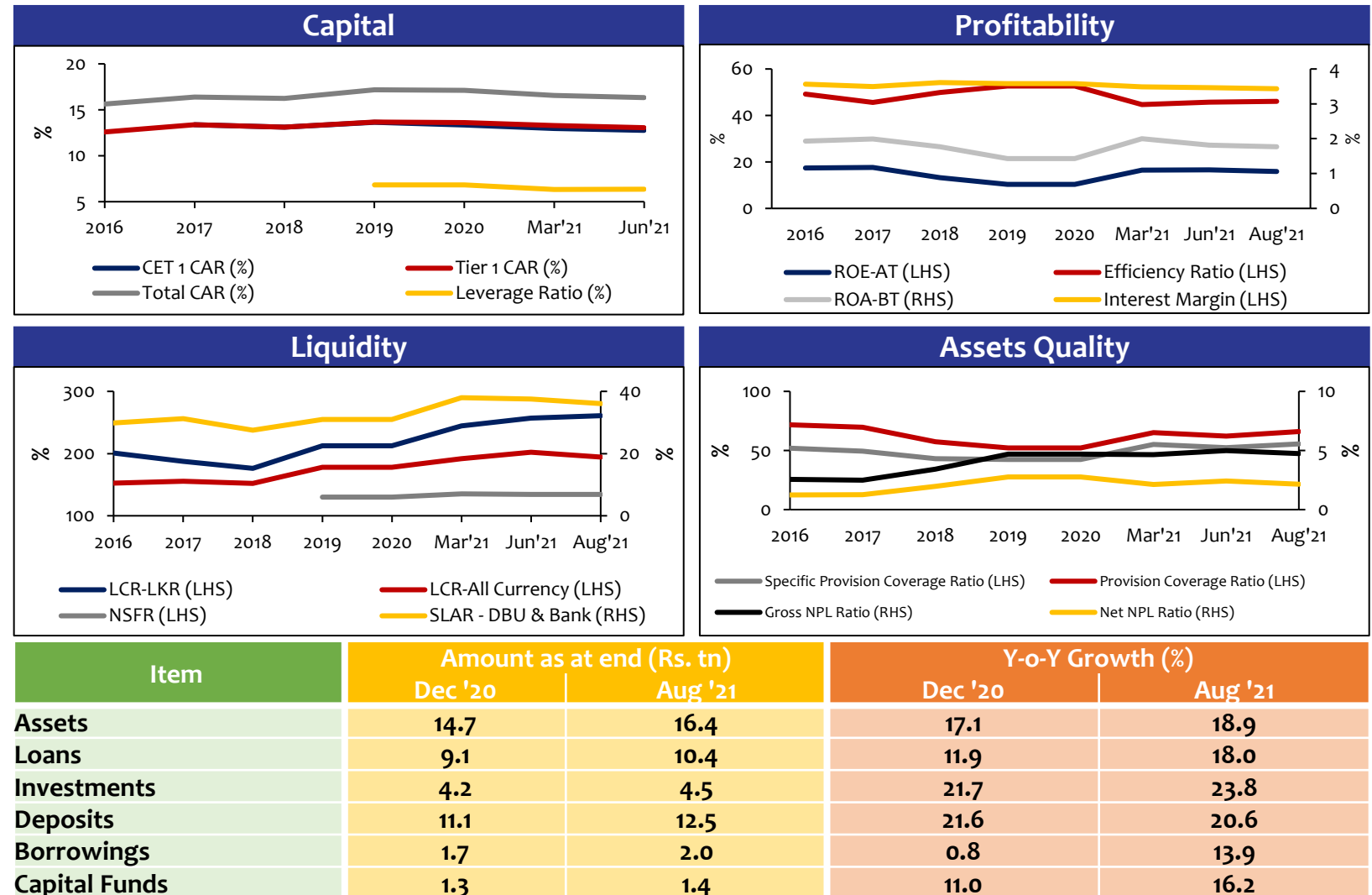
High yields prevail in the ISB secondary market, but minimal quantities available

Sri Lanka's Sovereign Ratings



The banking sector has been resilient, but will need to deal with a few issues...

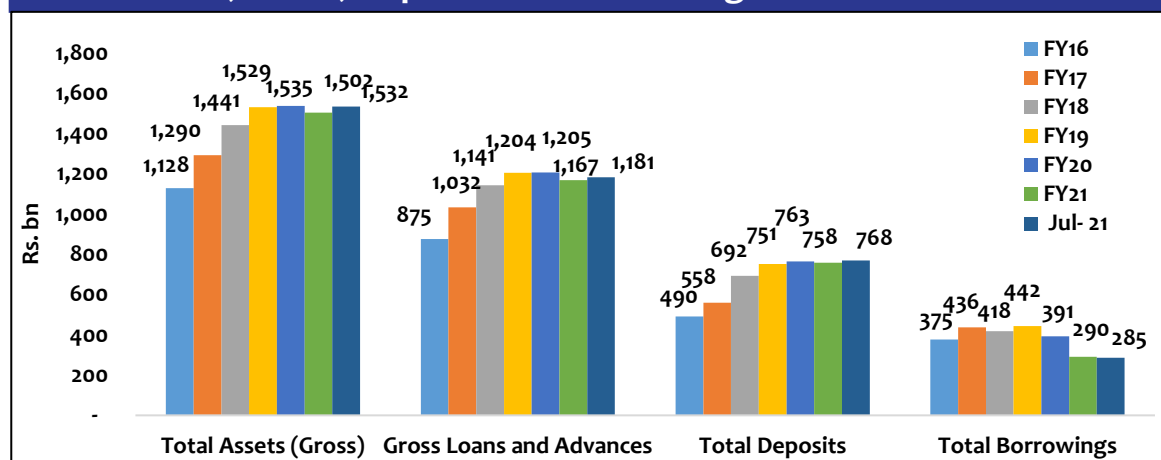
- Pressures on foreign currency liquidity condition
- Prolonged moratoria to the Pandemic-affected borrowers and potential drawbacks to the sustainable recovery of the post-Pandemic economy
- Increasing stock of credit to Government and SOBEs by licensed banks
- Emerging threats to operational resilience including IT and cybersecurity



The Non-banking sector also had to deal with several challenges that have escalated in the past few years...

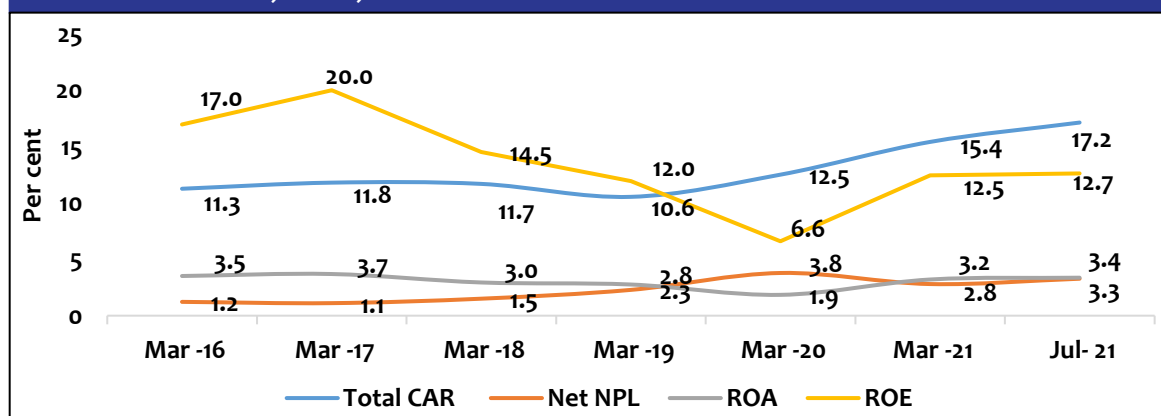
- Implementation of the Consolidation programme has been slow
- The plight of depositors of the failed finance companies has to be addressed
- Possible revival of failed finance companies has to be seriously considered
- Continuation of concessions for NBFIs customers and NBFIs have to be supported by the authorities
- Strong regulatory framework has to be established to address structural and business model issues in the sector

Assets, Loans, Deposits and Borrowings of the NBF Sector



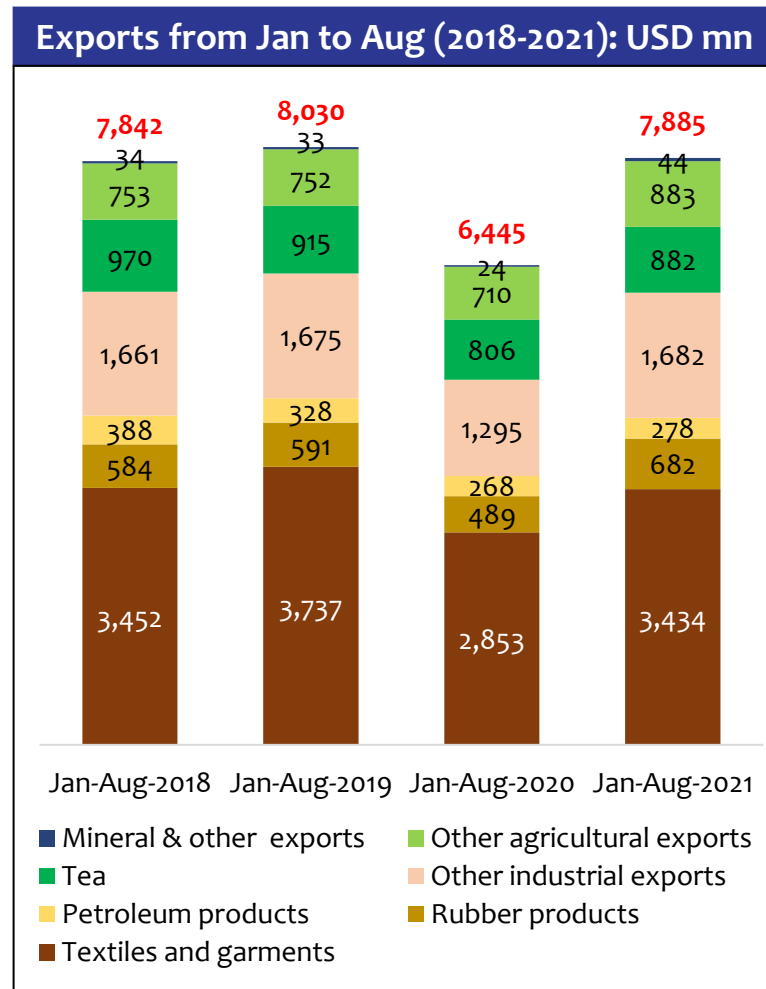
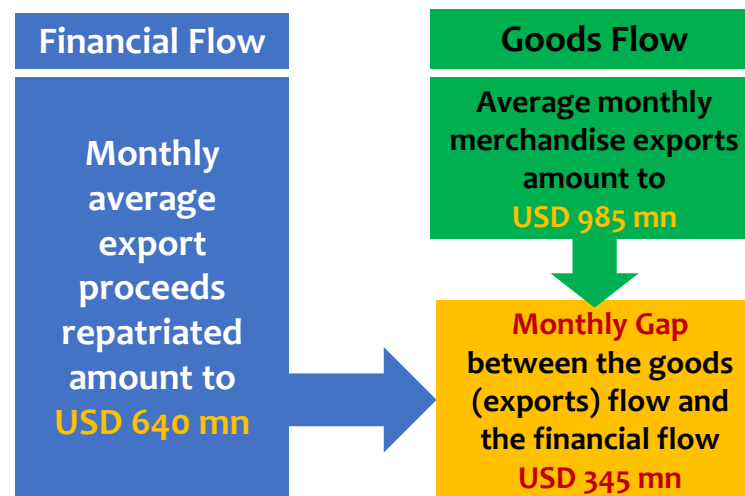
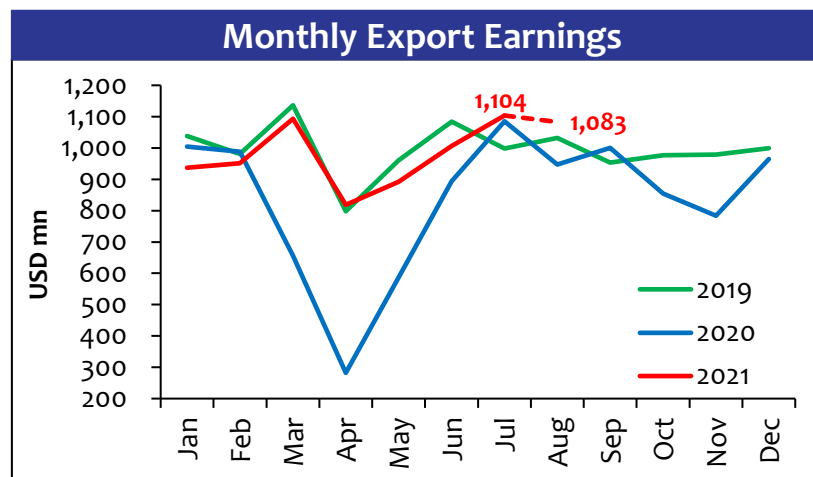
Note: Figures for end of Financial Year

ROA, ROE, CAR and NPL Ratios of the NBF Sector



In the case of exporters, the goods flow has taken place, but financial flows have not kept pace...

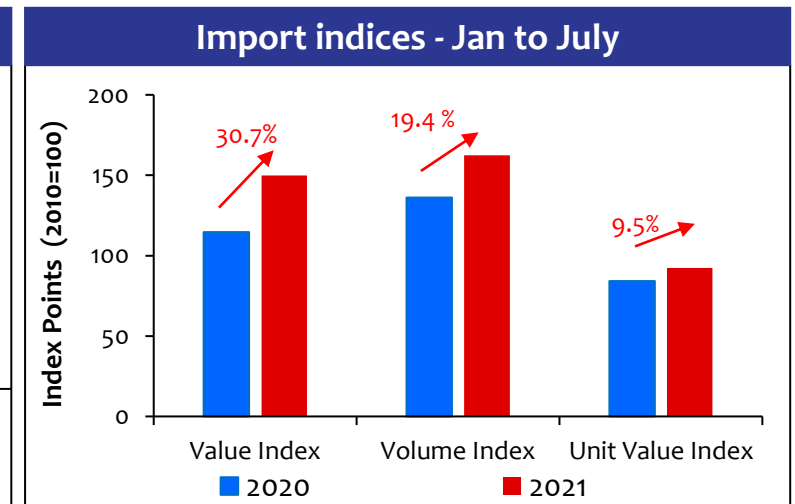
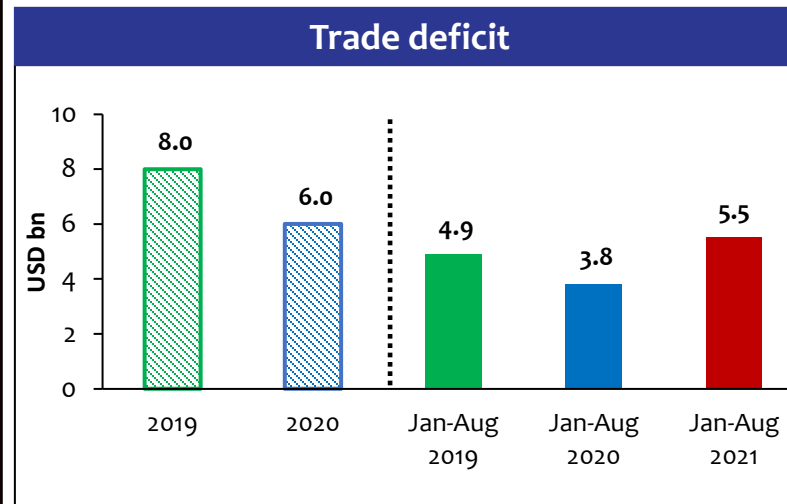
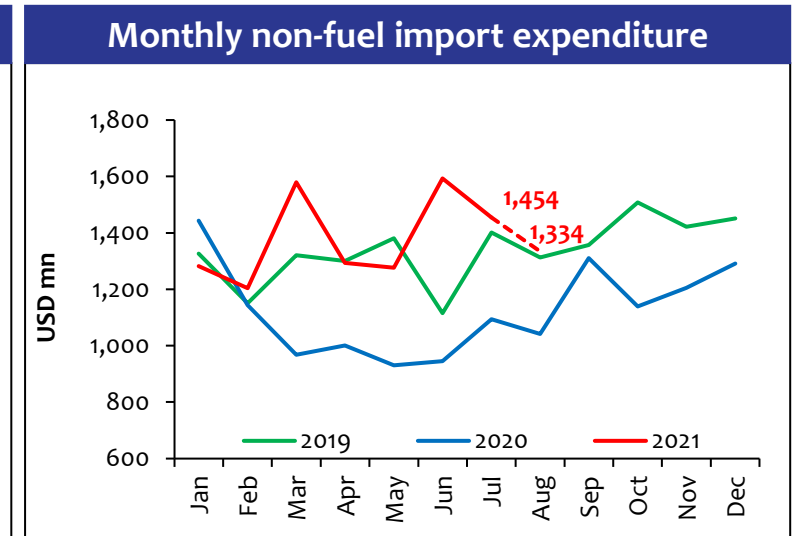
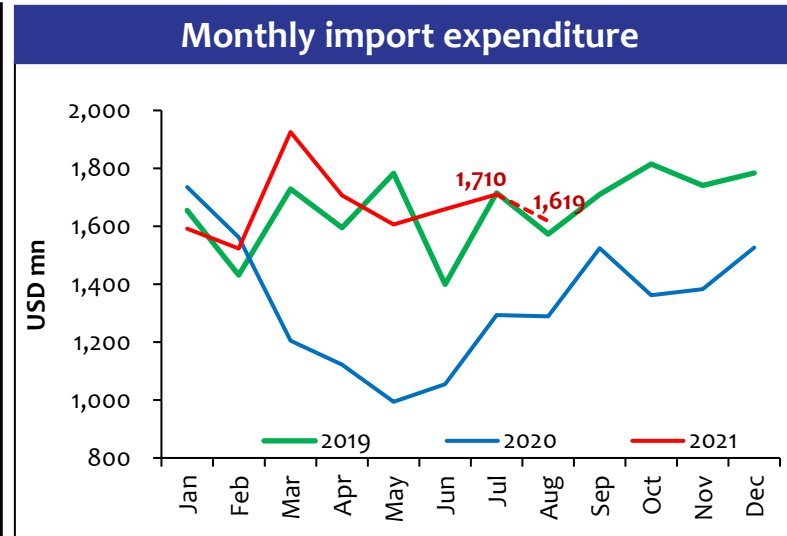
- A wide gap exists between the goods flow and financial flow of exports
- Due to an undue speculation on exchange rate movements, there has been a reluctance to convert export earnings, thereby limiting inflows to the domestic foreign exchange market
- Inadequate repatriation/conversion of proceeds by exporters capitalising on interest rate arbitrage has constrained Government efforts to support the economy and the export sector itself
- There is a necessity to ensure that the foreign exchange generated through export activities are duly repatriated into the country and converted to Sri Lankan Rupees



Note: August 2021 data are unadjusted and preliminary

A few pressures have built up in the case of importers and imports as well...

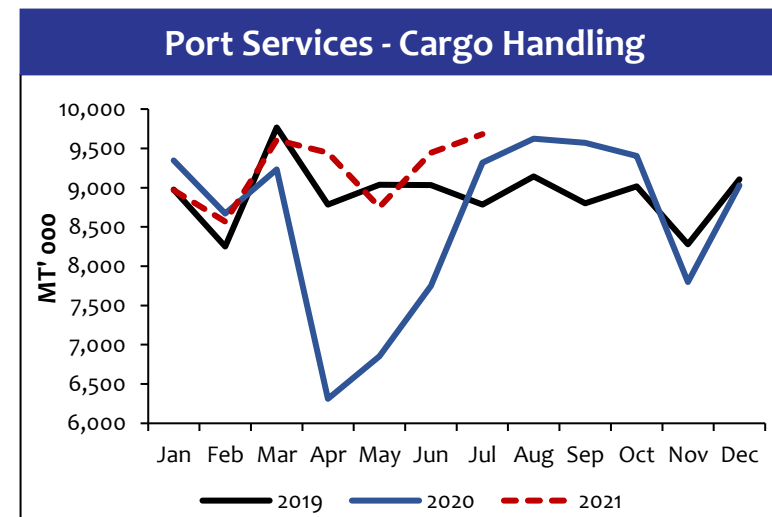
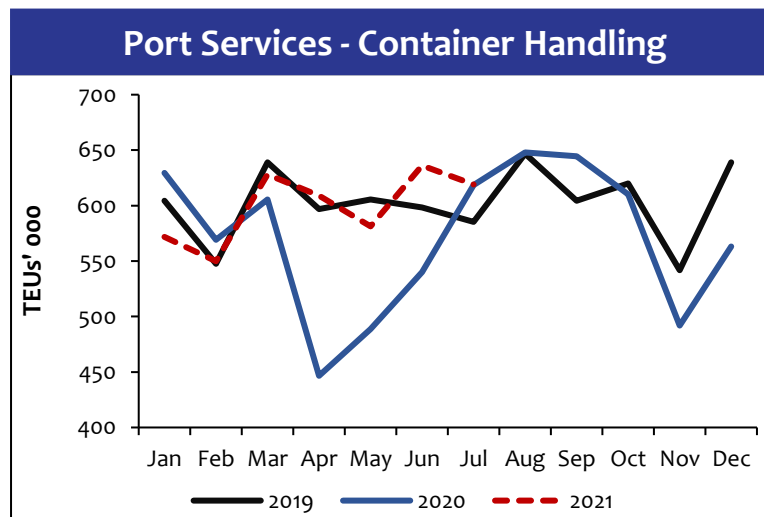
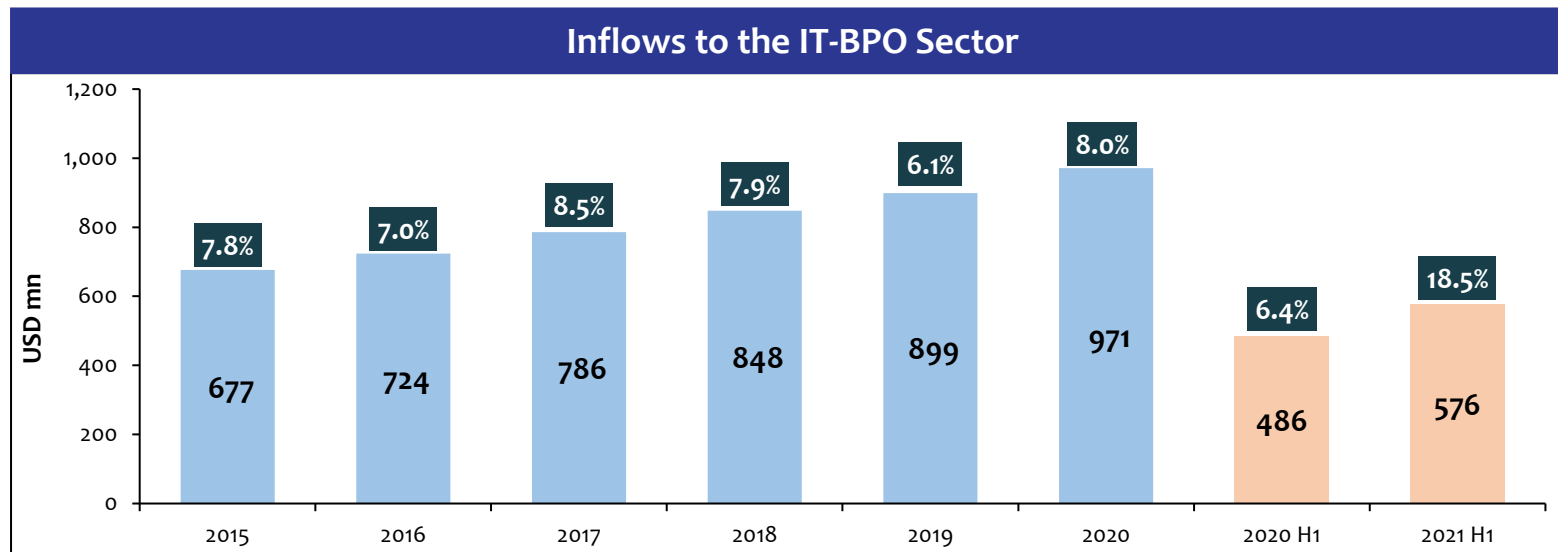
- Speculative imports are on the rise
- Total non-fuel import expenditure has surged, despite continuation of some import controls
- Monthly average gap between the conversions of export proceeds (with an incomplete repatriation) and expenditure on imports has been worrisome



Note: August 2021 data are unadjusted and preliminary

Service exporters (other than Tourism) seem to have been less affected by the Pandemic...

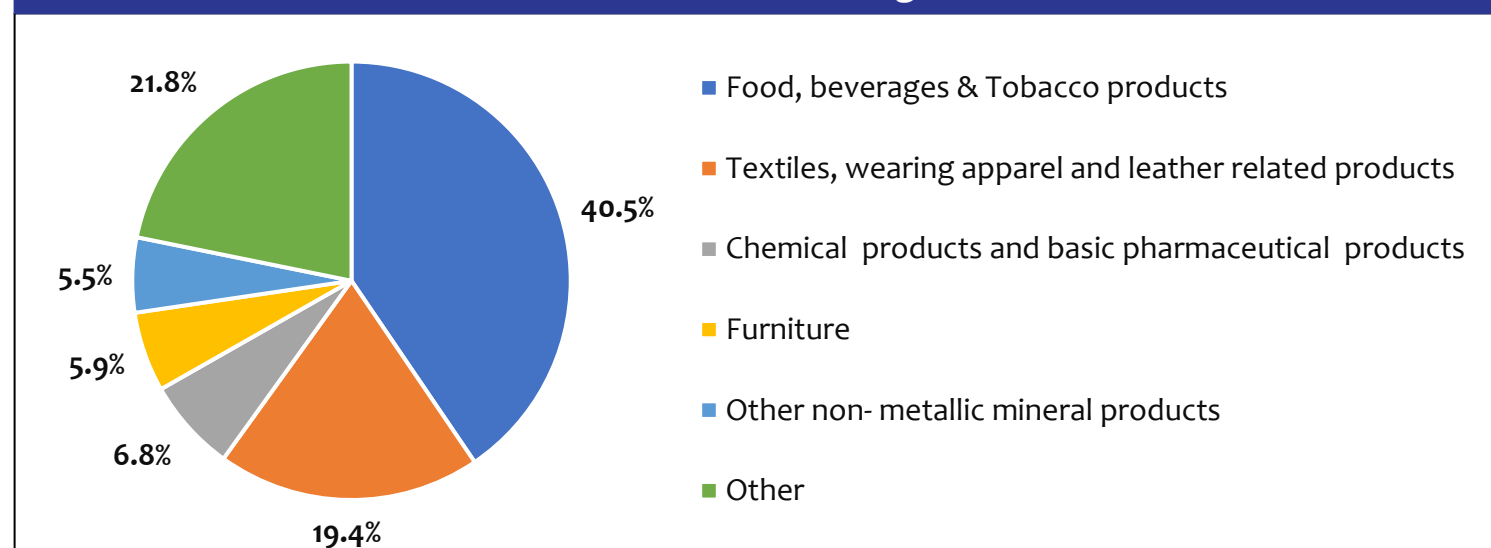
- Despite the impact of the Pandemic on the tourism sector, other services exporters, especially the IT/BPO sector, have performed well
- Transportation sector also shows signs of improvement
- Currently there are no requirements on the repatriation of “export proceeds” in trade in services



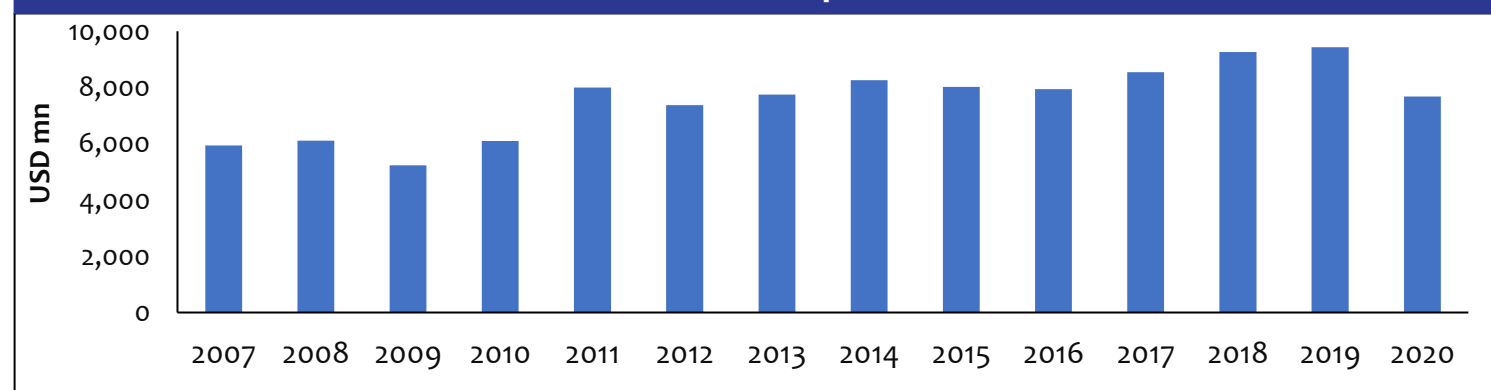
Industrialists have also faced several challenges...

- Diversification of industry sector, particularly manufacturing sector, has been limited
- Industrial exports growth has been less than satisfactory
- Import content of production for domestic market is often high, and this is also a matter that will require special attention

Value Addition in Manufacturing Sector - 2020

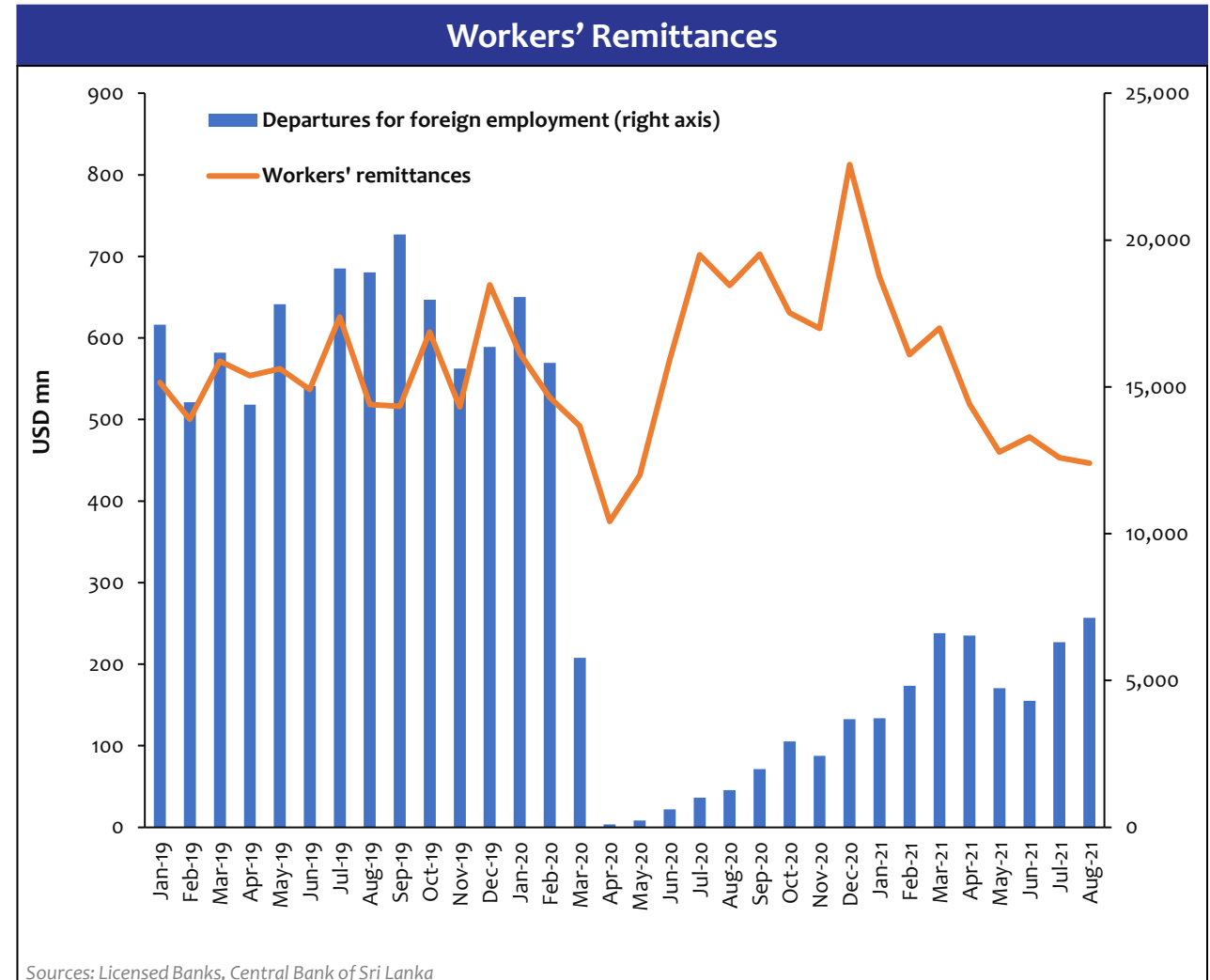


Industrial Exports



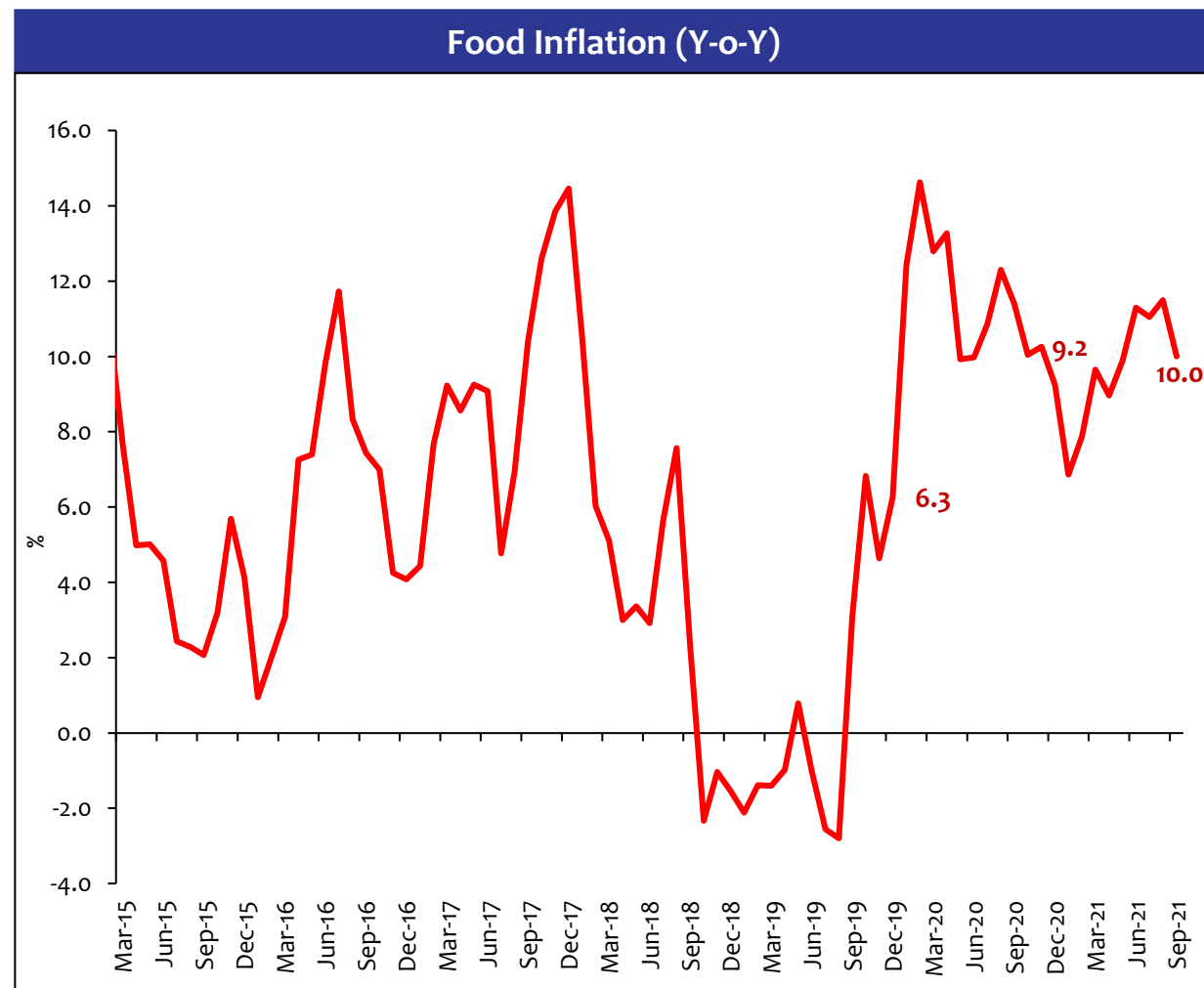
Foreign Exchange Houses have faced serious problems due to lockdown and dearth of tourists...

- The almost-zero tourist arrivals have affected the turnover requirements of the authorised money changers
 - Licenses of some authorised money changers have been cancelled for non-performance
 - Rise in “parallel” exchange rate market activities is hindering forex liquidity in the banking system
-
- Unofficial forex channels seem to be thriving, while official remittance flows are on the decline due to a wide margin between the official exchange rates and the “grey-market” exchange rates
-
- Urgent need to re-commence departures for foreign employment



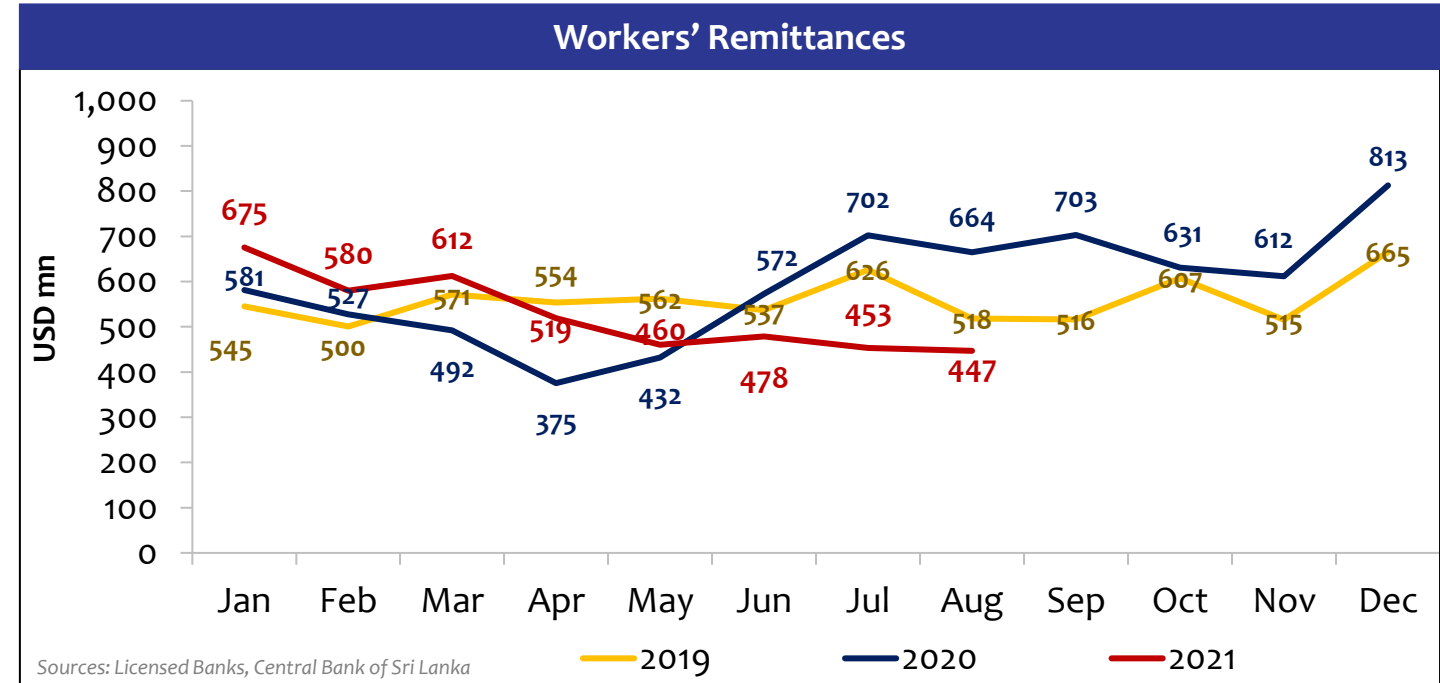
Responses of Retailers and Wholesalers who are affected by the uncertainty have aggravated the situation...

- Stockpiling by the wholesalers and retailers has resulted in tension in food distribution which had to be dealt with by the Government with strong responses
- Unreasonable escalation in retail and wholesale prices, especially for essential food items and consumer durables has occurred
- Producers have however unfortunately not benefitted by such higher consumer prices
- Higher wastage of perishable items has occurred during periods with mobility restrictions
- These matters have warranted several price ceilings in the market, thereby distorting the market mechanism



Workers' Remittances by Non-resident Sri Lankans have recorded mixed results...

- Despite recording more than USD 500 mn per month consecutively from June 2020 till April 2021, workers' remittances moderated in recent months
- The prevailing large exchange rate anomaly between official and unofficial channels, which drives foreign exchange earners to use unofficial channels, and the dwindling number of departures could be the major contributing factors for this behaviour

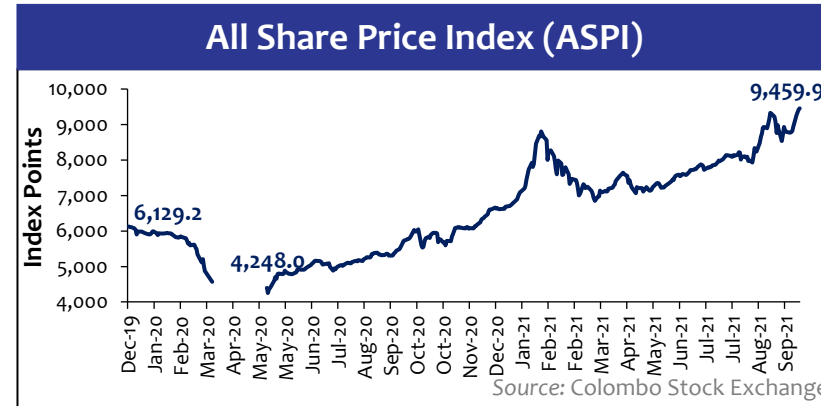


- **2021 Aug** : USD 447 mn (-32.8%, y-o-y)
- **2021 (Jan-Aug)** : USD 4,224 mn (-2.8%, y-o-y)
- **2020 (Jan-Aug)**: USD 4,346 mn
- **2020: Workers' remittances increased by 5.8% (y-o-y)**

Sri Lankan stocks and securities have performed well, albeit with foreign participation reducing...

- Foreigners have gradually withdrawn from investing in Equity and G-secs
- Unwarranted fear of default triggered by rating downgrades despite Sri Lanka's unblemished track record of debt repayment, has aggravated the situation
- Fear of depreciation in the LKR has also been a factor

- Nevertheless, CSE remains one of the best performing equity markets in the region with heightened local investor interest
- The new SEC Act is bound to re-kindle interest



Foreign Holdings of G-Secs and Equity (in USD)

	End 2014	End Sep 2021
G-Secs	3,489 mn	9 mn
Equity (CSE)	6,806 mn	3,970 mn

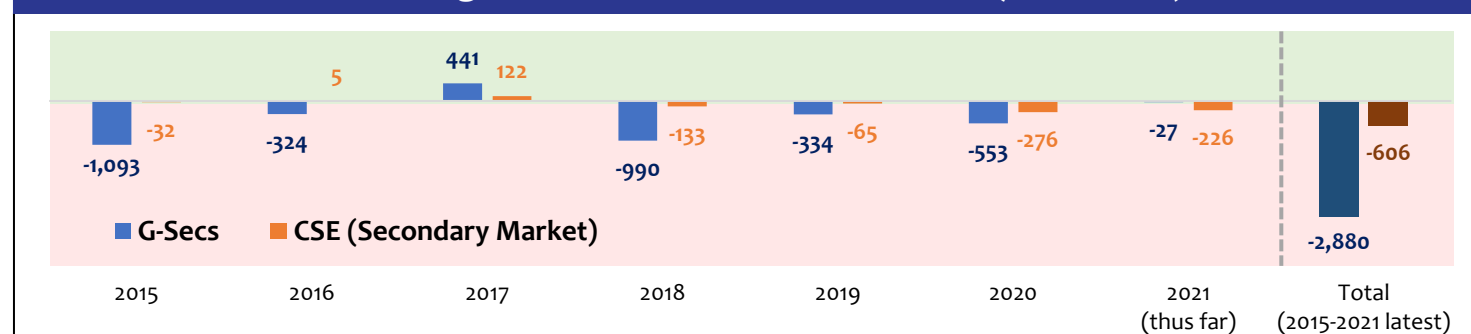
Movements of Key Stock Indices - 2021

	YTD* (%)
Sri Lanka (ASPI)	+39.6%
India (Sensex)	+23.8%
US (S&P 500)	+16.1%
Germany (DAX)	+11.9%
Australia (ASX 200)	+11.3%
Japan (Nikkei)	+7.3%
UK (FTSE)	+10.4%
Korea (KOSPI)	+6.8%
Singapore (STI)	+8.5%
Hong Kong (HSI)	-9.8%

*30 Sep 2021

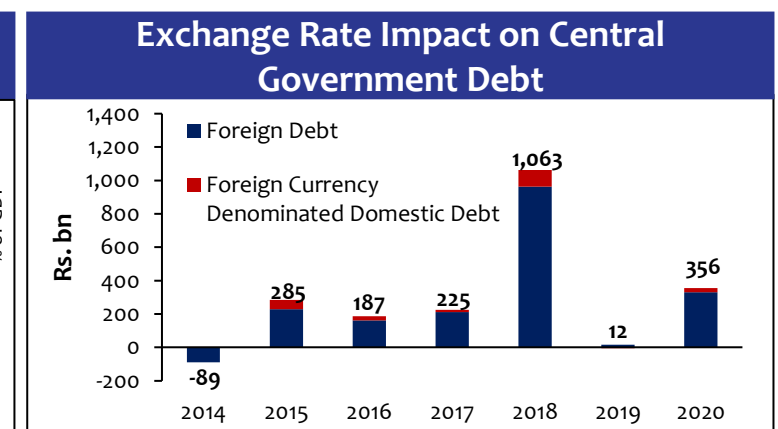
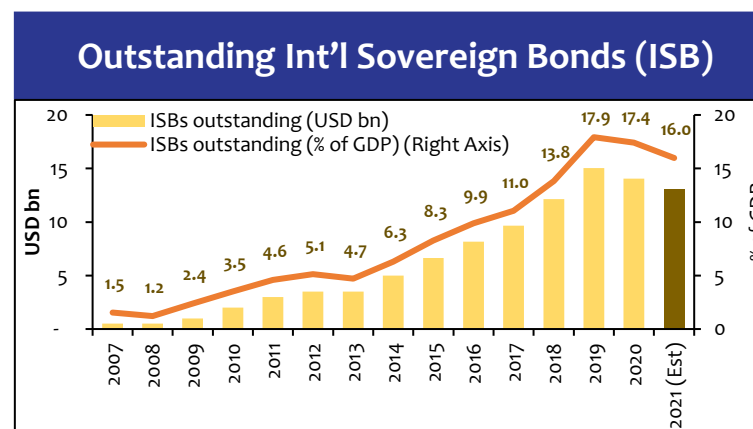
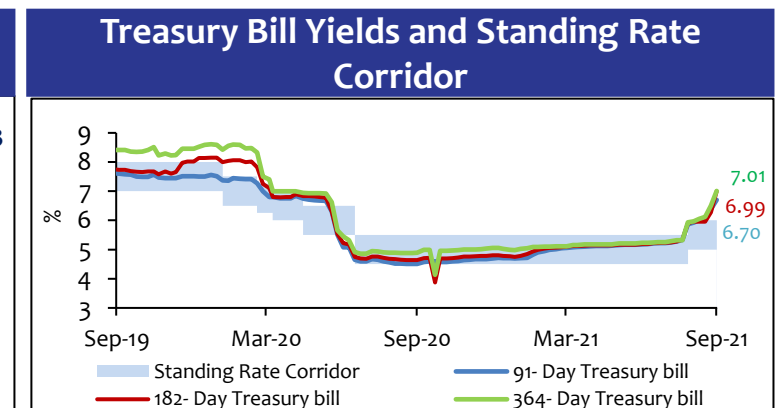
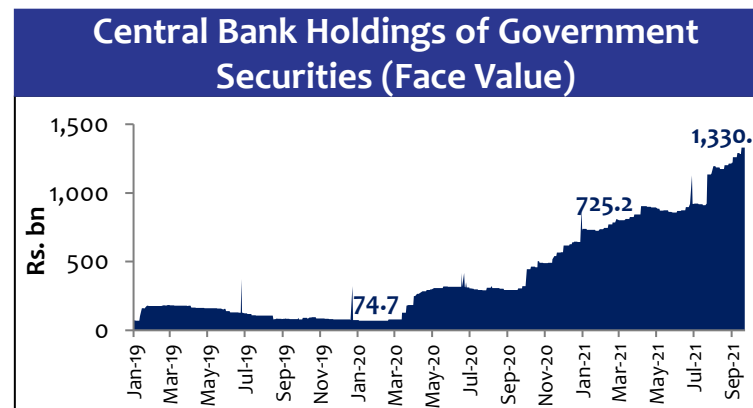
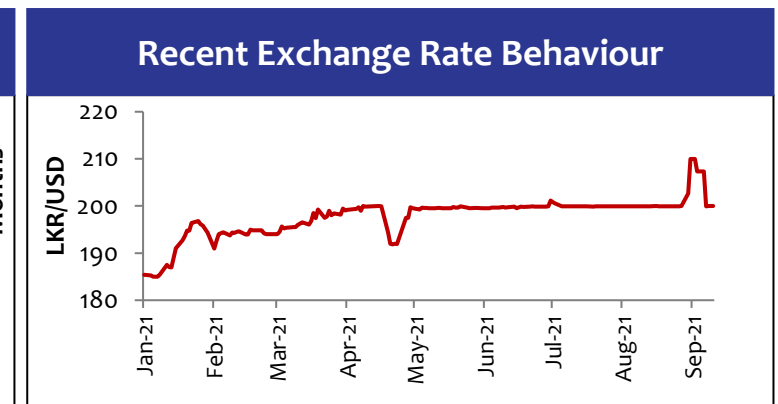
Source: marketwatch

Net Foreign Investments in G-secs and CSE (in USD mn)



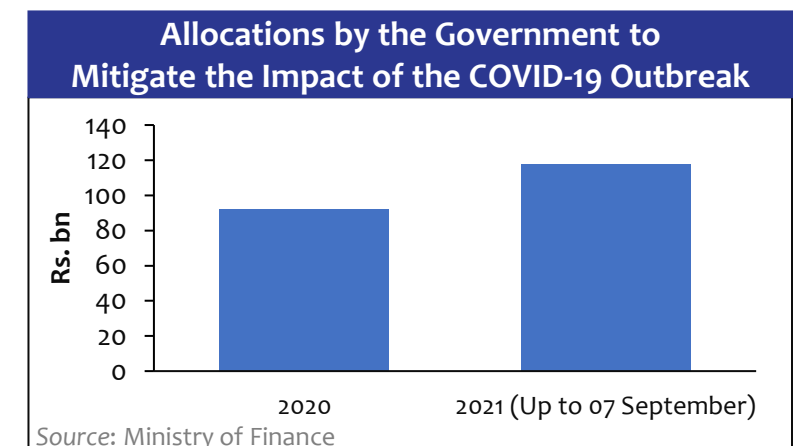
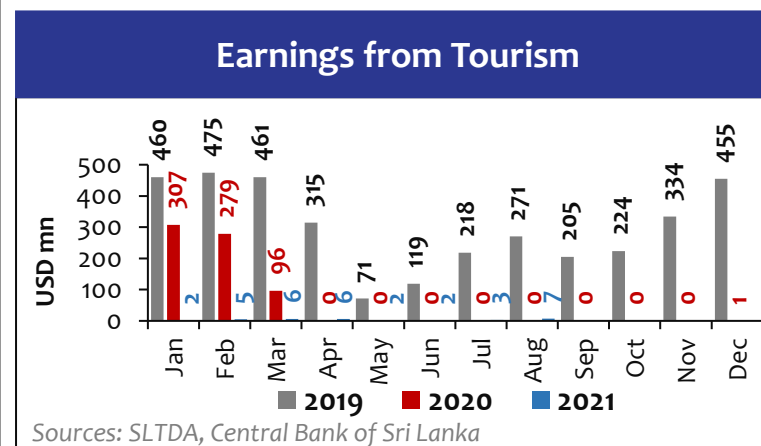
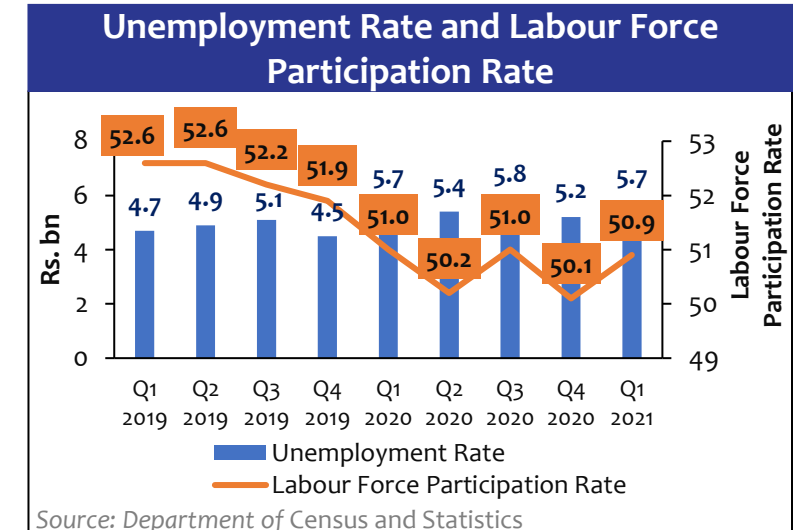
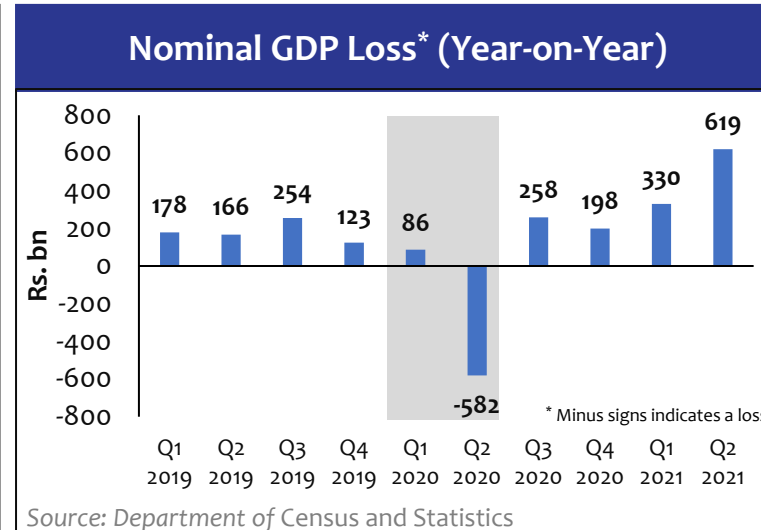
The Central Bank has also faced challenges in delivering its stability objectives owing to the prevailing difficult economic conditions...

- Depletion of foreign reserves
- Pressure on exchange rate
- Need to support monetary stimuli and deal with the possible inflationary pressures in the medium term
- Hindrances to the monetary transmission mechanism



People of Sri Lanka have faced challenges due to the Pandemic, although several Governmental policy responses have been helpful...

- Speculative demand has driven up imports
- Resistance to change (e.g., Organic Fertiliser Policy)
- Ongoing lockdown and the slow recovery in international travel has affected the informal sector workers, especially in the tourism sector
- Reduction of inward remittances
- Lockdown effect
 - 2020: 66 days of stringent lockdown
 - 2021: 42 days of less stringent lockdown so far



The framework that we will outline today in a ***TO-DO-LIST*** form will help Sri Lanka to reset its course to face the challenges in the next six months and thereafter...

The **TO-DO-LIST** will respond to the main challenges and include the main stakeholders...



The **TO-DO-LIST** will focus on the Critical Issues that threaten Economic and Price Stability and Financial System Stability...

Critical Issues

Debt and Forex Concerns

Financial Sector Concerns

Macroeconomic Stability Concerns

Critical Issues

Debt and Forex Concerns

Financial Sector Concerns

Macroeconomic Stability Concerns

Resolving debt and forex issues: Government

To-Do-List

- Monitor forex flows (exports and investments) through the Presidential Task Force (Target to increase exports to above USD 1.0 bn per month, on average during the remainder of 2021) - (ongoing)
- Arrange high-level discussions with respective Governments to secure short to medium term G2G financing to buttress inflows (Short-term target: USD 1.0 bn; Next 3 months: USD 500 mn) - (ongoing)
- Monetise selected non-strategic and under-utilised assets (Target: USD 1.0 bn) - (ongoing)
- Publish Port City Commission by-laws to attract FDIs into the Colombo Port City - (to be done)
- Promote the dedicated industrial zones for Pharmaceutical and other industries in several areas to attract new FDIs - (ongoing)
- Facilitate inflows from the implementation of the Tax Amnesty through the Finance Act (Target: USD 100 mn) - (to be done)
- Rebase GDP (which is overdue by 1 ½ years) without further delay, to reflect the true size of the economy - (to be done)
- Announce a business-friendly budget with detailed financing strategies - (to be done)

Resolving debt and forex issues: Government

To-Do-List

- Introduce appropriate tax adjustments to promote domestic value addition of exports and ensure conversion of export earnings;
Discourage forex leakages through online and informal channels
- (to be done)
- Encourage import alternatives - (ongoing)
- Introduce a mechanism to allow the import of motor vehicles to Sri Lanka using foreign earnings or FDI, with relevant taxes being paid to the Government in forex - (suggest to consider)
- Immediately prepare the entire country for the resumption of tourism - (ongoing)
- Continue the scheme to pay an extra Rs. 2 per USD remitted and converted by workers abroad - (ongoing)
- Continue the payment of addition interest on Special Deposit Accounts (SDAs) - (ongoing)

Resolving debt and forex issues: Central Bank

To-Do-List

- Provide forex liquidity to the market to part-finance energy bills - (ongoing)
- Negotiate short-term currency swaps with international counterparts (Target: USD 1.5 bn) - (ongoing)
- Facilitate Government-to-Government foreign inflows - (ongoing)
- Gradually reduce ISB exposures towards 10% of GDP by 2024 and maintain that ratio thereafter - (ongoing)
- Facilitate non-debt creating foreign exchange inflows - (ongoing)
- Issue Directions to exporters to convert export proceeds after allowing permitted debits (Target of approximately USD 0.5 bn inflows per month) - (ongoing)
- Issue Directions to exporters to convert export proceeds that have accumulated from 2020 onwards, on a staggered basis in the next six months (approximately USD 0.3 bn per month) - (ongoing)

Resolving debt and forex issues: Central Bank

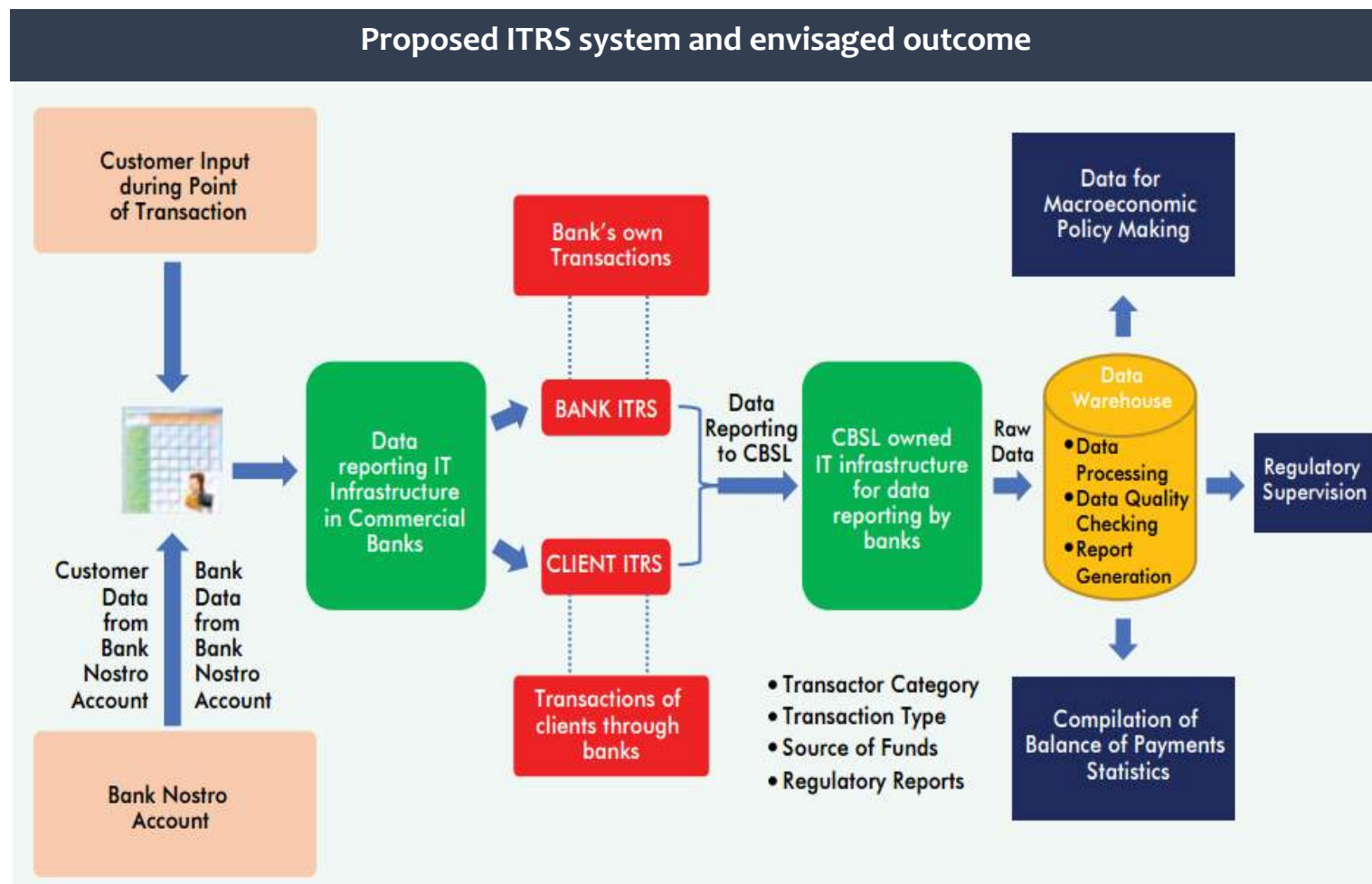
To-Do-List

- Install systems to monitor forex flows and strengthen compliance with Repatriation and Conversion regulations - **(ongoing)**
- Pursue efforts to attract foreign investments into government securities (Target: USD 1.0 bn) - **(ongoing)**
- Diversify SLDB investor base and attract foreign investments to SLDBs – arrange for the complete roll-over of SLDBs over the next six months - **(to be done)**
- Gradually ease Central Bank purchases of government securities - **(to be done)**
- Facilitate the improvement of the country's sovereign credit ratings - **(to be done)**
- Considering the REER, maintain the Rupee at the very competitive level of Rs. 199 to Rs. 203 against the USD over the next three months, and review thereafter - **(ongoing)**

... some of these are elaborated in the next few slides

Systems to be put in place to ensure the close monitoring and conversion of financial flows...

- The Central Bank has already initiated the implementation of an International Transaction Reporting System (ITRS) to track banking sector forex inflows and outflows
 - The ITRS system will track performance of different export-oriented sectors, their funds repatriations and conversions
 - ITRS will provide better data that will enable informed-decision making related to the external sector
 - ITRS will be in force from 01 January 2022 onwards



Efforts to attract foreign investments into government securities is expected to gather momentum...

- Concerted efforts to engage domestic and international financial intermediaries to tap potential investments for Treasury bills/ bonds will be pursued
- Attractive returns and opportunity to SWAP forex with the Central Bank will remove the forex risk (zero cost SWAPs) and will facilitate new investments in the near term
- Access for subscriptions either in the secondary market and/or through direct issuances at prevailing rates for sizable volumes will be made available
- Efforts to market Sri Lanka's investment opportunities in the Middle East and Asia will commence in early October 2021 with direct meetings in the respective regions
- Virtual meetings and possible direct meetings in Europe and USA are also envisaged

The SLDB Investor base will be diversified to attract foreign investments to SLDBs...

Recent SLDB issuance indicators...

- SLDBs amounting to USD 1,002.4 mn will mature in the next six months
- 88.9% of the SLDB maturities in the next six months are being held by domestic banks
- Concentration of SLDBs favour domestic banking sector investments
- Gradual increase in corporate sector investor preference was observed in recent offerings
- Average Time to Maturity (ATM) of recent issuances tilted in favour of shorter-tenure maturities
- Investor preference seems to be for fixed rate SLDBs



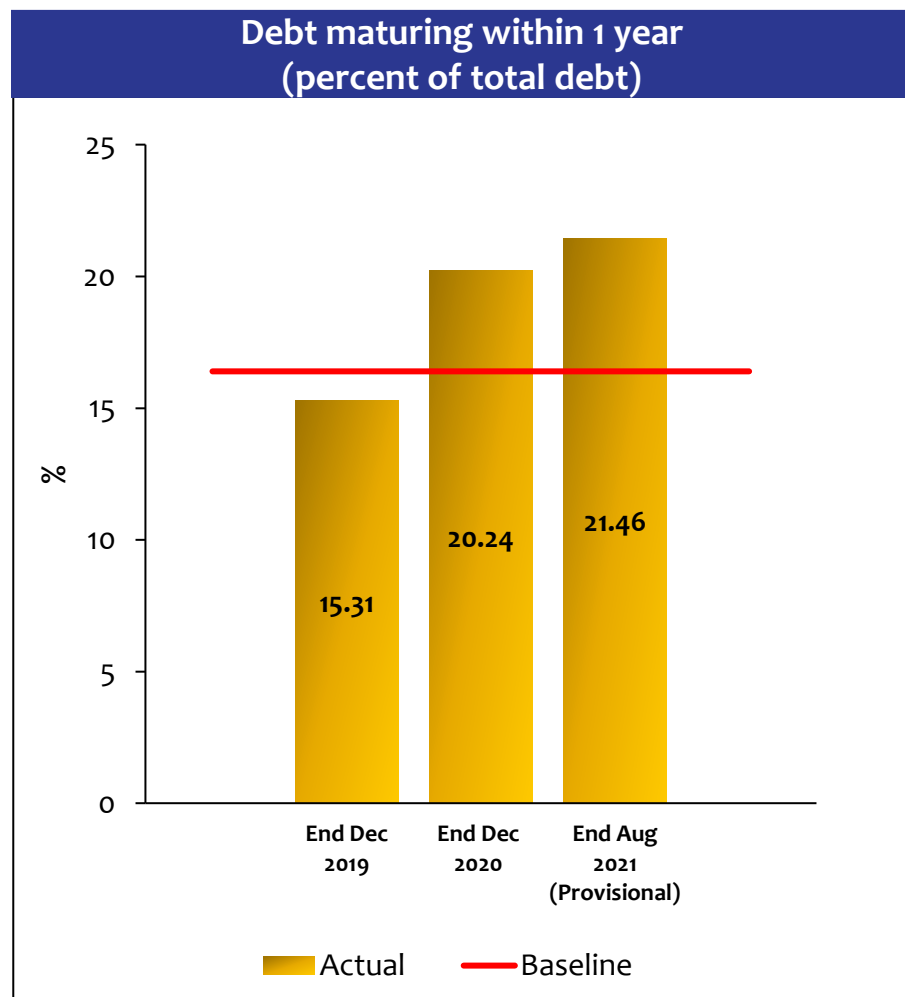
Immediate focus on SLDB investments...

- Attract government and private institutional investors for SLDBs from the Middle East, Asia and rest of the world as well as eligible domestic investors
- Diversify the concentrated SLDB investor base
- SLDBs to be marketed in parcels ranging from USD 50 mn and multiples of USD 50 mn as well
- SLDBs to be also directly negotiated with investors ahead of maturities in the pipeline
- Applicable yield rates and maturities to be determined in line with most recent primary auction offerings and market conditions

Expected outcome; raise around an additional USD 300 mn in the next six months

Debt Service Payments on behalf of SLDBs (USD Mn)		
Period	SLDB Principal	SLDB Interest
Oct 2021 to Mar 2022	1,002.4	65.5
2022	1,404.8	98.7
2023	606.7	34.9
2024	206.1	10.1
2025	20.9	1.2
2026	6.9	0.5

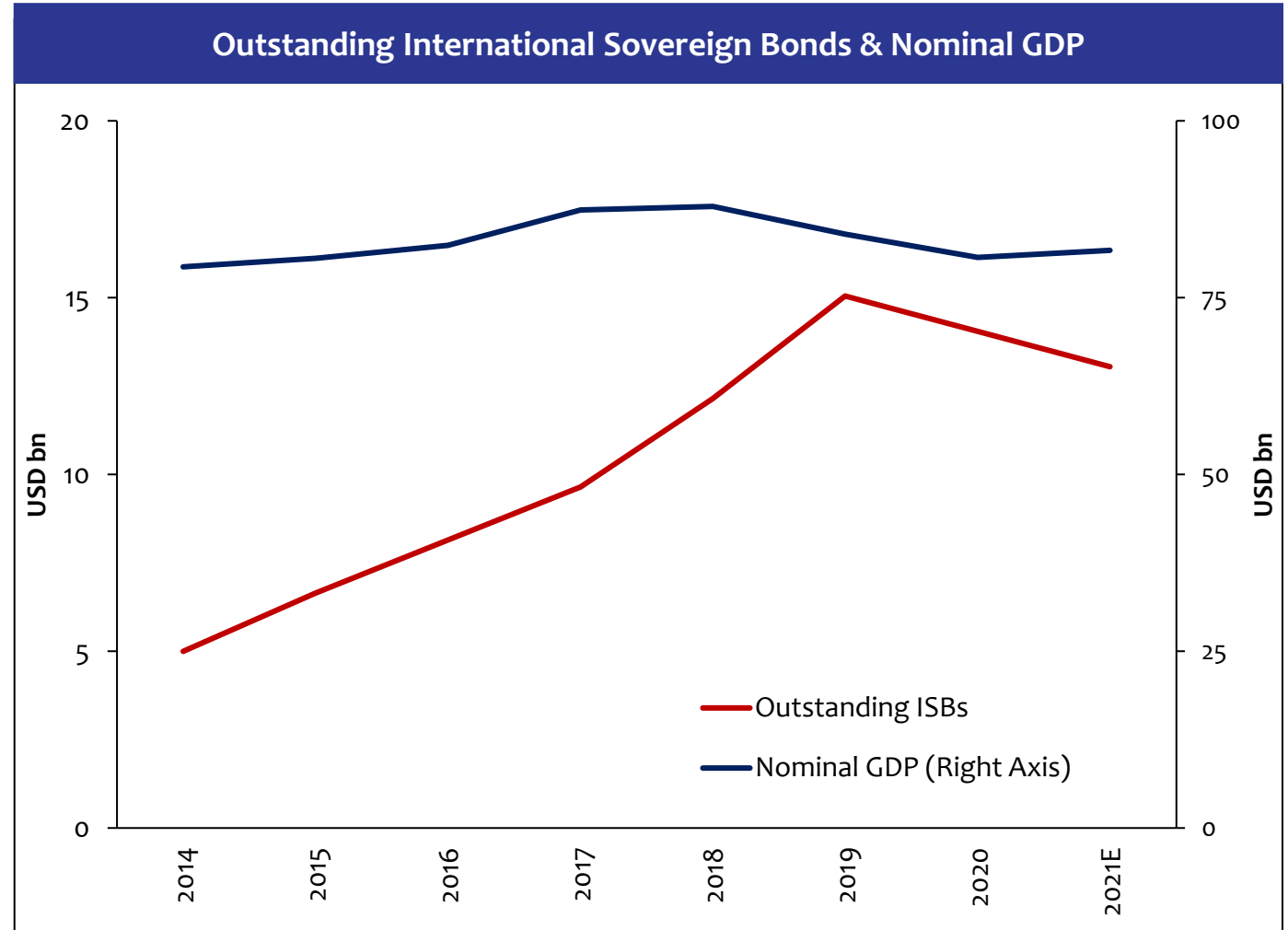
In the domestic market, financing efforts will be aligned with market developments, while gradually reducing debt maturing within 1 year...



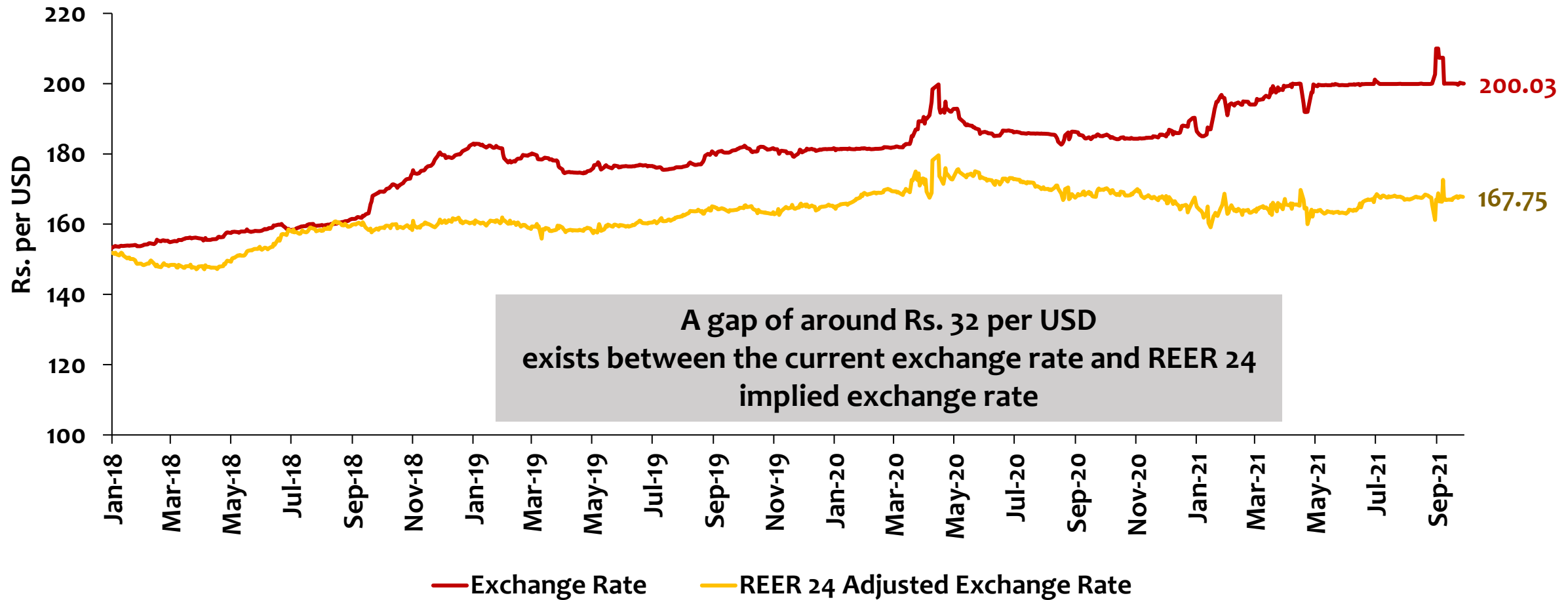
- The increase in short-term debt has been mainly driven by Pandemic circumstances and reliance on Treasury bills to meet the Government's financing requirements
- In the near-term, possible options to convert part of maturing Treasury bills to Treasury bonds will be explored
- The direct issuance window of Treasury bonds and new Treasury bill auction system is expected to build opportunities to trim rollover volumes of Treasury bills and near-term Treasury bonds
- The Central Bank will also explore the avenues to introduce a tap-based Treasury bond issuance for benchmark maturities of 5, 10, 15, 20 and 30-year maturities
 - The volume on offer will be limited and the yields will be linked to 364-day maturity benchmark Treasury bill rate plus a margin
 - Both domestic and foreign investors will be invited to subscribe

The quantum of International Sovereign Bond debt stock will be gradually reduced in the medium term and linked to the GDP...

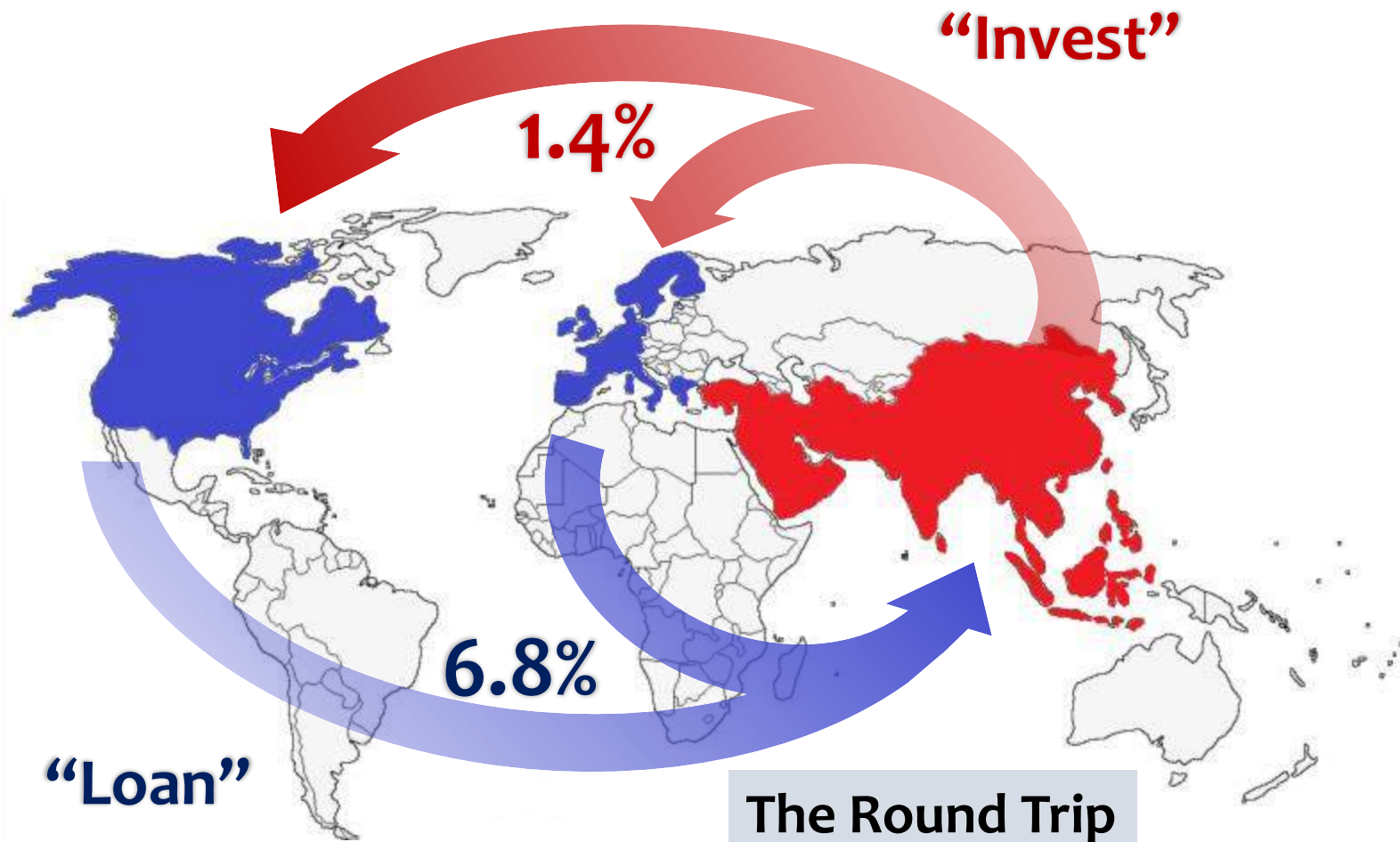
- The policy of the Government and the Central Bank would be to reduce the ISB exposure to around 10% of GDP over the next three years from around 18% of GDP by end 2019, around 17% of GDP by end 2020, and to around 16% of GDP by end 2021



Considering the REER, efforts will be taken to maintain the Rupee at the very competitive level of Rs. 199 to Rs. 203 against the USD over the next three months, and review thereafter...



In managing the forex reserve, due regard will be paid to the differential between building reserves through borrowing and investing in low-yielding global assets...



- Sri Lanka pays **6.8%** on average on borrowing through ISBs, while earning a return of **1.4%** in reinvesting such earnings in Western countries
- Ties with regional economies will be strengthened further with greater focus on:
 - South Asia
 - Middle East
 - East and South East Asia

Resolving debt and forex issues: Banking/ Non-bank Sector

To-Do-List

- Mobilise fresh forex funding on competitive terms based on the strength of the bank's/ financial institution's own balance sheets (Target: USD 1.5 bn) - **(to be done)**
- Closely monitor forex positions while prudently screening the forex outflows - **(to be done)**
- Facilitate inflows expected with the implementation of the Tax Amnesty through the Finance Act - **(to be done)**
- Encourage forex investments in Sri Lanka G-Secs and SLDBs - **(to be done)**
- Facilitate essential imports, wherever possible - **(ongoing)**
- Engage with counterparties to dampen undue speculation on the debt situation and enhance their knowledge on the Sri Lankan economy and the financial system - **(ongoing)**
- Support foreign investors to invest in non-bank sector institutions - **(to be done)**
- Support the establishment of equity funds for SMEs - **(to be done)**

Resolving debt and forex issues: Merchandise Exporters

To-Do-List

- Ensure repatriation of export proceeds within the stipulated periods
- (ongoing)
- Convert repatriated export proceeds into LKR after deducting the permitted amounts of forex for intermediate and investment inputs - (to be done)
- Convert export proceeds already accumulated in forex deposits with banks from 2020 onwards in accordance with the Central Bank Directions
- (to be done)
 - It is expected that exporters will proportionately convert accumulated balances within six months
 - The introduction of dedicated non-interest bearing foreign currency accounts for export proceeds will encourage conversions
- Expand export businesses through product and market diversification
- (ongoing)
- Lay the foundation to move to more value added / high end products
- (ongoing)
- Attract foreign investments for business expansion and to enhance domestic value addition - (ongoing)
- Promote branding Sri Lanka - (ongoing)

NO CHANGES

**WHATSOEVER WILL BE MADE TO
PERSONAL FOREIGN
CURRENCY ACCOUNTS (PFCA)**
(previously referred to as NRFC/RFC accounts of individuals)
**AND THOSE WILL ENJOY
THE CURRENT FACILITIES AND PRIVILEGES
WITHOUT ANY CHANGE!**



Resolving debt and forex issues:

Services Exporters

To-Do-List

- Expand services exports and grow global presence, particularly ICT services - **(ongoing)**
- Ensure repatriation and conversion of proceeds of services exports, and adhere to systems that monitor forex flows related to services - **(to be done)**
- Prepare for the resumption of tourism, and ensure the repatriation and conversion of earnings - **(ongoing)**

Resolving debt and forex issues: Importers

To-Do-List

- Avoid speculative demand for imports and build up of large inventories - (ongoing)
- Supply goods to the domestic market with a reasonable profit, rather than generating super-normal profits through speculative price increases - (ongoing)
- Diversify businesses with a greater focus on utilising domestic inputs
- Cash margin deposit requirements on “non-essential/non-urgent imports” will be lifted based on expected foreign inflows

Resolving debt and forex issues: Industrialists/ Property Developers

To-Do-List

- Avoid speculative purchases of imported inputs for domestic production - (ongoing)
- Explore new opportunities through investment in production for the domestic and export markets - (ongoing)
- Utilise the dedicated industrial zones for Pharmaceutical and other industries through increased domestic investment and partnerships with foreign investors - (to be done)
- Expand campaigns to attract foreign investors for Sri Lankan real estate, including condominiums - (to be done)
- Promote foreign investment in Sri Lankan real estate, based on the resident/long-term visa incentives, as well as investment in Warehousing, Plug & Play Services, and Dedicated Zones for IT - (to be done)

Resolving debt and forex issues: Foreign Exchange Houses

To-Do-List

- Ensure forex inflows into formal channels with the use of the existing and restored licenses - **(to be done)**
- Avoid informal, and/or illegal channels of forex inflows and outflows - **(ongoing)**
- Refrain from parallel market activity at diverse exchange rates - **(ongoing)**
- Modernise shop fronts with secured presence in shopping complexes and with digital displays, in preparation for resumption of tourism - **(to be done)**

Resolving debt and forex issues: Those Remitting Their Earnings

To-Do-List

- Remit earnings and savings through formal channels - (ongoing)
- Make use of high-interest rate opportunities domestically in LKR - (ongoing)
- Work closely with local banks and use conveniences that are now provided by them - (ongoing)
- Avoid risky unauthorised channels when remitting hard earned money - (ongoing)

Resolving debt and forex issues: Share Market & Corporate Debt Market Participants

To-Do-List

- Make use of opportunities for investment and expansion with the return of stability in the forex markets and the interest rates
- Promote equity and corporate debt instruments and offerings globally, with the passing of the new SEC Act
- Attract investments into the equity market with the passage of the Finance Act - **(to be done)**
- Attract investments into listed corporate debentures - **(to be done)**

Critical Issues

Debt and Forex Concerns

Financial Sector Concerns

Macroeconomic Stability Concerns

Financial Sector Concerns: Government

To-Do-List

- Support the efforts to strengthen the financial sector through the introduction of appropriate tax reforms to facilitate non-banking sector consolidation
- Reduce dependence on state-owned banks to fulfil financial requirements
- Encourage State Owned Business Enterprises (SOBEs) to diversify their borrowing sources
- Stop funding of certain losses in SOBEs by state banks
- Reduce dependence on state banks to finance petroleum bills

Financial Sector Concerns: Central Bank

To-Do-List

- Unwind moratoria gradually and devise long-term plans to support businesses affected by the Pandemic-related lockdown
- Provide liquidity support of up to Rs. 15,000 mn to finance interest accrued in loans that have been given the moratorium, so that FIs could deal with the moratorium effect in a sustainable manner
- Put in place an Emergency Lending Facility Framework
- Immediately suspend Parate Execution and forced repossession of leased assets up to 31.03.2022 for pandemic-affected borrowers
- Cancel all penalties imposed by FIs during the moratorium period
- Implement consolidation plan for FIs to create FIs with better economies of scale
- Implement a comprehensive plan to deal with the six failed finance companies and actively pursue the revival of those that could be revived with new investment
- Ensure that all FIs develop “Post-COVID” Revival Units
- Stop multi-exchange rates taking place in the market
- Review governance and share ownership rules

Expeditious Consolidation of the non-bank financial sector...

- **Fine tune the Master Plan for Consolidation of the Financial sector to overcome the longstanding issues in the sector and to support the growth of the economy**
- **Encourage mergers and acquisitions as well as new capital infusions to the sector**
- **Aim at 25 strong NBFIs to comply with the medium-term targets of the Masterplan**
- **Ensure that all LFCs are listed at the Colombo Stock Exchange before 30 September 2022**
- **Facilitate the Consolidation programme by providing expeditious regulatory approvals**

Dealing with the six failed finance companies with a Comprehensive Plan...

- NBFIs whose finance business license has been suspended or cancelled, are being reviewed to assess the way forward - **(ongoing)**
- If such NBFI is considered possible to be revived, develop plans to enable infusion of capital investment for revival, subject to a feasible business plan - **(to be done)**
- Make necessary interventions in the court proceedings based on the respective plans of action - **(to be done)**
- Negotiate with potential investors for those LFCs that had their licenses suspended - **(to be done)**

Supervising Banks in the “New Normal” would be a new challenge...

- **Establish “monitoring groups”** combining on-site and off-site surveillance teams - **(ongoing)**
- **Implement Forward-looking approach** to the potential long-term impact of the crisis on licensed banks’ balance sheets and business models, and on the market’s structures and practices - **(to be done)**
- **Prioritise supervisory activities** considering Systemically Important Banks (SIBs) and nature of supervisory concerns - **(ongoing)**
- **Shift to virtual platforms** for meetings/discussions with senior officials of banks, enabling uninterrupted communication - **(ongoing)**
- **Explore avenues for SupTech and Artificial Intelligence** to improve data analysis and risk-based supervision, workflow management, and customer inquiry management - **(to be done)**
- **Consider macroeconomic challenges and spillover effects** to the banking sector - **(to be done)**
- **Implement flexible measures in terms of Capital, Liquidity, Moratoria, and Reporting** and facilitate the timely unwinding of such relaxations - **(ongoing)**

Strengthening and safeguarding the integrity of the financial system in Sri Lanka...

- Complete the National Risk Assessment (NRA) in order to identify ML/TF risk profile of the country and prepare the country's AML/CFT framework for next 5 years (2022 to 2027) - **(ongoing)**
- Update national AML/CFT strategy in accordance with the results of NRA, and strengthen risk-based AML/CFT supervision - **(ongoing)**
- Increase awareness among relevant stakeholders in order to develop an investor friendly environment within the country - **(ongoing)**
- Improve the country's overall AML/CFT compliance with relevant international standards - **(ongoing)**

Continuing to improve the Payments and Settlements platform...

- Publish the National Digital Payments Road Map 2022-2024 developed by the National Payments Council (NPC)
- Provide policy signals and operational targets for Sri Lanka's Payments Industry with a view to increasing the adoption of digital payment methods
- Aim at creating a “less-cash” society
- Increase digital financial inclusion, and use digitalisation as a means to encourage the informal sector to join the formal economy
- Regulate Money or Value Transfer Services (MVTs)
- Formulate regulatory and governance framework for “Open” Banking
- Initiate use of Artificial Intelligence in Banking in Sri Lanka
- Assess the possibility of the introduction of Central Bank Digital Currency in Sri Lanka
- Initiate a shared KYC solution for eKYC from the Blockchain-based “Shared KYC Proof of Concept Project”
- Continue working towards obtaining PayPal facility



Financial Sector Concerns: Banking Sector

To-Do-List

- Maintain adequate levels of capital and liquidity buffers
- Transact forex transactions in a transparent manner
- Improve operational risk resilience
- Set up Revival Units to assist customers tide-over the Pandemic-related difficulties
- Widen regional expansion and attract more off-shore business
- Explore new opportunities in the Colombo Port City
- Consider financing models to support equity participation in businesses under moratorium or non-performing categories with a view to reviving such businesses

Financial Sector Concerns: Share Market & Corporate Debt Market Participants

To-Do-List

- Encourage LFCs and SLCs to raise capital via equity as well as listed debt to improve resilience of the sector
- Encourage diversification of investment opportunities with the enactment of the new SEC Act

Critical Issues

Debt and Forex Concerns

Financial Sector Concerns

Macroeconomic Stability Concerns

Macroeconomic Stability Concerns: Government

To-Do-List

- Introduce an “investor-friendly” budget with a tax structure designed for easy compliance
- Contain the fiscal deficit in a sustainable manner
- Present a credible medium-term debt management strategy with clear targets, in consultation with the Central Bank - (ongoing)
- Work towards extending the Average Time to Maturity of the debt stock - (ongoing)
- Improve the business environment for domestic and foreign investors by considering all factors influencing the Doing Business environment
- Rationalise non-essential expenditure

A comprehensive directory of physical investment opportunities in Sri Lanka has been finalised by the Government...

Urban Development

Downtown City Centre, Battaramulla	USD 75 mn
Golden Gateway to Port City (Development at Chalmers Granaries)	USD 1.0 bn
New Township, Narahenpita (High Rise Mixed Development)	USD 170 mn

Fisheries and Aquaculture

Development of Karainagar Boat Yard	TBD
Expansion of sea cucumber farming: Up to 5,000 acres	Rs. 500,000 (USD 2,500) per acre
Farming sea weeds as raw material for manufacturing organic fertiliser	Rs. 50 mn

Real Estate

Luxury hotel development in Port City / Colombo	USD 229.0 mn
Port City Villa development	USD 362.5 mn
Mixed development in close proximity to Port City	USD 355 mn
Convention Centre of Port City	USD 300 mn



Power and Energy

100MW wind power plant in Poonarin	USD 130 mn
100MW wind power plant in Mannar – Phase II	USD 100 mn
100 MW solar power project in Siyambalanduwa	USD 100 mn

Pharmaceuticals

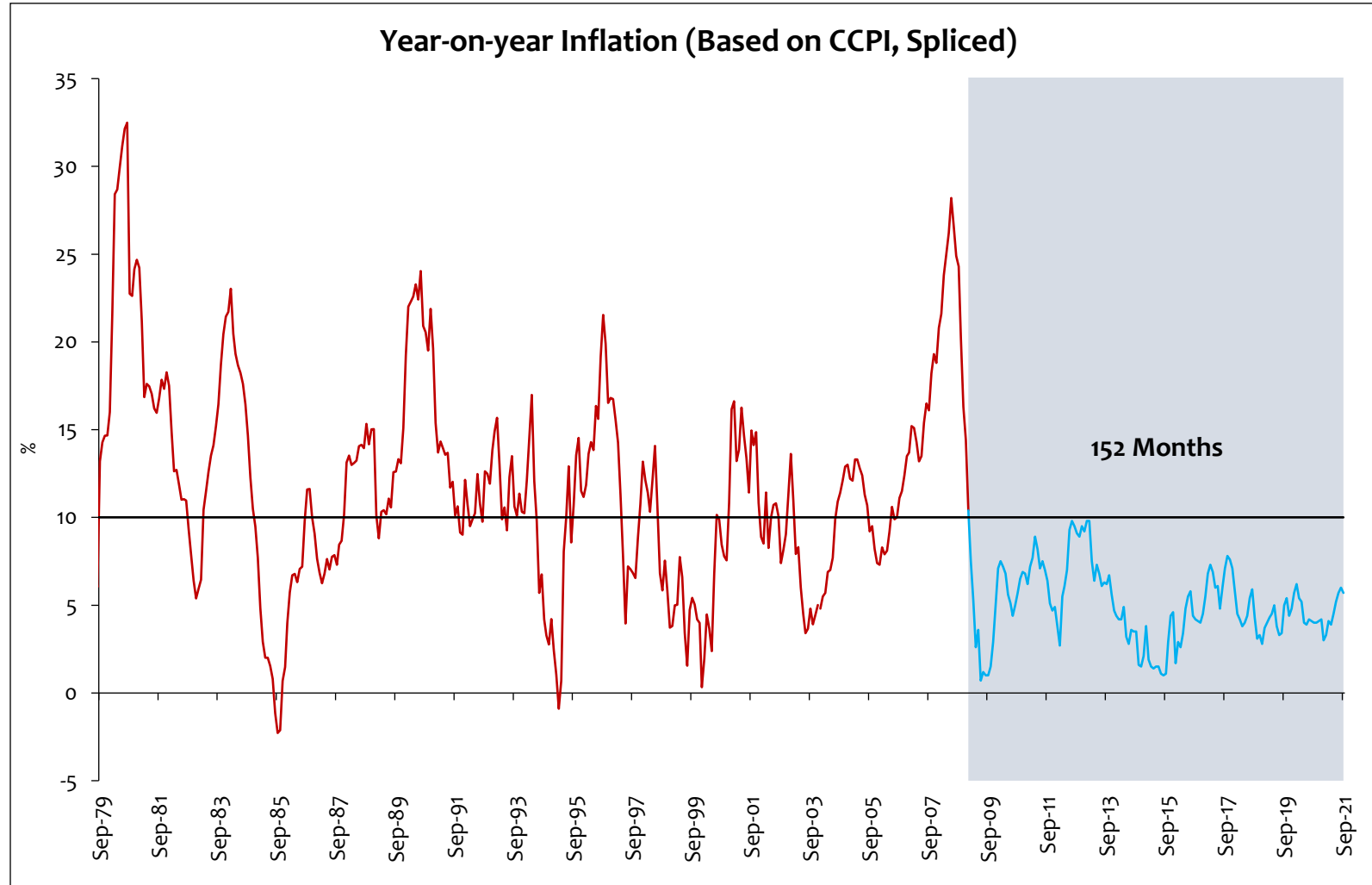
Pharmaceutical Zone in Hambantota	USD 5 mn onwards
Pharmaceutical Zone in Oyamaduwa, Anuradhapura (Only local investors are allowed)	LKR 28.2 bn (USD 141 mn)

Macroeconomic Stability Concerns: Central Bank

To-Do-List

- Ensure the maintenance of mid-single digit inflation
- Ensure stability of interest rates and the exchange rate
- Continue steps to curb prohibited pyramid schemes and other financial scams
- Strengthen the Central Bank balance sheet with gradual rollback measures and the buildup of external reserves
- Introduce Directions on IT Risk Resilience of Licensed Banks
- Strengthen off-site surveillance and improve risk management framework including Governance in FIs
- Increase the frequency and modes of public awareness
- Launch a green financing facility
- Strengthen regional development initiatives
- Develop new Regulations on Financial Consumer Protection under the Monetary Law Act
- Introduce user friendly online complaint submission portal through the CBSL website and social media
- Establish 'Credit Counselling Centres' and 'Investment Advisory Centres' at Regional Offices
- Facilitate the setting up of "Equity Funds" to support stressed businesses and thereby avoid the increase of NPLs
- Discontinue cash margin deposit requirements on "non-essential/non-urgent imports" with immediate effect
- Consider the possibility of buying back the entire issue of ISBs maturing in January 2022 and/or July 2022, if high discounts are prevalent in the market

On the monetary front, the priorities will include maintaining inflation within the target band of 4-6%...

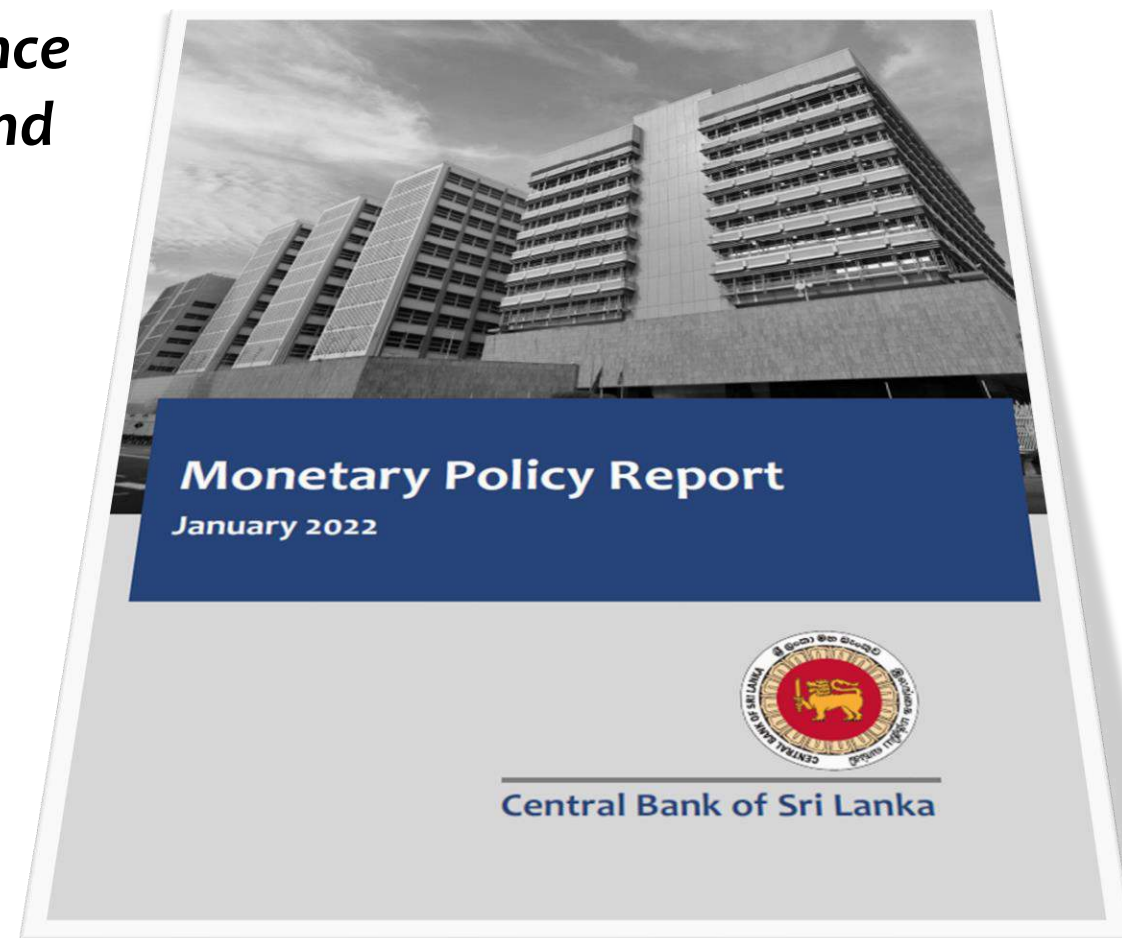


- Recent monetary tightening measures will help preempt any buildup of inflationary pressures in the medium term
- Targeted measures will be recommended to the Government to arrest food inflation, which has been a concern globally

The record of over **150 consecutive months of single digit inflation** will be maintained with appropriate policy measures

The Central Bank
will commence
publishing a
comprehensive
**Monetary
Policy Report**
from early 2022...

*This would enhance
accountability and
transparency...*



*... while providing greater clarity on future
trajectories to all stakeholders of the economy!*

Macroprudential policy tools would be used as necessary to ensure the overall stability of the financial system and to support monetary policy...

- The Central Bank has observed volatile and rising asset prices, particularly of automobiles
- Any potential buildup of sustained upward price pressures and its potential to destabilise the domestic financial system would be dealt pre-emptively through the use of macroprudential tools, including loan-to-value and loan-to-income ratios, and countercyclical measures
- Any buildup of systemic risks in the financial system would be addressed through the use of other prudential measures
- Measures are being taken to strengthen the macroprudential surveillance framework of the Central Bank



Green financing options to mobilise domestic and foreign resources will be explored, with a long-term view on sustainable development...

- Promote Green/ Sustainable Finance Initiatives
- Guidelines will be issued to banks to promote lending to the following sectors:
 - Renewable energy projects (solar power projects, hydropower projects, wind power projects, solid waste power projects, etc.)
 - Climate adaptation and mitigation projects (flood reduction projects, coastal conservation projects, etc.)
 - Eco friendly/sustainable agriculture (organic farming, smart agriculture solutions)
 - Energy saving machinery/equipment and purchasing of environment friendly vehicles for public transport
 - Water supply/management projects
 - Green construction projects (green buildings, climate resilient construction projects, etc.)
 - Waste management projects

The Central Bank will release funds equivalent to a 1% increase in SRR, for new Green Projects funded by banks

Multilateral agencies and the 'climate friendly' international investor community are invited to be an integral part of Sri Lanka's sustainable development journey

The completion of the taxonomy on sustainable/green finance will assist Green Projects further

Regional development initiatives will also be continued to promote inclusive growth...

- Implementation of first-ever National Financial Inclusion Strategy under the theme of “Better Quality Inclusion for better lives.”
- Work towards promoting an eco-friendly village environment by transforming selected villages as green villages to improve healthy living standards and best practices among the community
- Strengthen the regional development function with the support of six Regional Offices
- Implementing and introducing Agriculture Development Value Chain support and enhancement programmes to connect all demand-side and supply-side market linkages to a single pipeline
- Continue concessionary loan schemes to raise the income level of micro and small-scale entrepreneurs, providing formal financial sector support, whilst generating more employment opportunities among the rural community and reducing regional income disparity
- Islandwide MSME support financing expansion and improvement of access to finance
- Continue to improve financial literacy through financial literacy and capacity building programmes
- Maintaining relationships with international affiliations and conducting international programmes with regard to financial inclusion, credit supplementation, etc.

Taking necessary measures to curb prohibited/ pyramid schemes, including those operating through online platforms...

The Central Bank will continue to take measures through the powers vested under the Banking Act No. 30 of 1988 to prevent general public from investing with prohibited schemes will include:

- Conducting fact finding inquiries on complaints and information on alleged prohibited schemes and other financial scams - (ongoing)
- Investigate and report to law enforcement authorities to take legal action against wrongdoers - (ongoing)
- Educate general public on Prohibited/Pyramid Schemes - (ongoing)
 - Awareness programmes/ seminars/ webinars throughout the country
 - Press notices and press releases through print and electronic media
 - Radio and television discussions
 - Newspaper discussions and articles
 - Poster, YouTube and other social media campaigns
 - Responses through telephone and email inquiries



The Central Bank will meet the demand for currency to facilitate the smooth functioning of the payment system while managing the high level of cash requirement from the general public due to the prevailing COVID-19 pandemic...

- **Improve the efficiency of the cash cycle and enhance the quality of currency in circulation through the ongoing Currency Department Revamping Project**
- **Establish an efficient mechanism for the disposal of unfit and obsolete coins**
- **Improve the Currency and Economic History Museums to attract more visitors**



The Central Bank will carefully guide stakeholders to tide-over the Pandemic-driven difficulties...

- Ensure continued credit flows
- Maintain competitive and fair pricing for both lending and deposit products
- Strengthen monitoring of transactions
- Waive-off early settlement charges and future interest presently imposed by certain FIs



**We will be
“OUTCOME-ORIENTED”...**

In summary, we will use several key measures and tools as set out here, and implement these measures simultaneously...

- Intervene in the FX market by providing the funds to finance the country's energy bills, and thereby to infuse liquidity
- Promote investments in Rupee denominated government securities with a guarantee on the exchange rate
- Strengthen mandatory conversion of export proceeds
- Request the Government to tax profits of Exporters at 28% and not 14% where forex is not repatriated and converted
- Expand the moratorium while also providing liquidity support to affected Finance Companies
- Stop Parate executions and repossession of vehicles in the next six months for pandemic-affected borrowers
- Share the burden of Pandemic losses suffered by local SMEs by allocating Rs. 15,000 mn towards interest accrued, through a mechanism which is to be worked out
- Use monetary policy tools to unwind monetary stimulus extended during the pandemic
- Use macroprudential tools as well as microprudential regulation and supervision to guide the financial sector towards sustained stability
- Facilitate Education and Health related forex outflows immediately
- Lift the ceiling imposed on Outward investment and Migration allowances in January 2022
- Discontinue cash margin deposit requirements on “non-essential/non-urgent imports” with immediate effect
- Establish the International Transactions Reporting System (ITRS) to monitor foreign exchange transactions commencing 01 January 2022
- Monitor services related foreign exchange inflows and ensure due repatriation and conversion
- Replace maturing debt obligations with new inflows through non-debt sources, wherever possible
- Consider the possibility of buying back the entire issue of ISBs maturing in January 2022 and/or July 2022, if high discounts are prevalent in the market
- Replace maturing ISBs with Government-to-Government loans until ISBs/GDP ratio declines to 10% or less
- Take measures to improve Sovereign ratings
- Strengthen workers' remittances through official channels
- Encourage forex transactions through formal channels with the restoration of licenses of Money Changers

The measures implemented will ease the difficulties currently faced by the public...

- Direct benefits will accrue to the general public through:
 - Facilitating education and health related forex outflows, including those made using credit cards
 - Lifting of restrictions on the migration allowance in January 2022
 - Facilitating fuel and other essential imports, thereby ensuring uninterrupted supplies
 - Enhancing real returns to savers with the correction in deposit interest rates
 - Supporting credit availability at reasonable lending interest rates
 - Maintaining stable price levels, thereby easing cost of living
 - Ensuring the stability of the financial system, thereby protecting savings of the public

These outcomes will complement the measures that have been already taken by the Central Bank and the Government to assist the businesses and individuals to recover from the effects of the COVID-19 pandemic



We will aim for the following results by end March 2022...

- **Gross Official Reserves to be enhanced to cover a minimum of 4 months of imports**
- **Foreign holding of 2.5% in Rupee denominated government securities (USD 1,000 mn)**
- **Diversified SLDB investor base**
- **Stable exchange rate and stable interest rates**
- **Stronger Central Bank Balance Sheet with an improved Net Foreign Assets/Net Domestic Assets ratio**
- **Stronger banking and non-bank sector**
- **Weekly Treasury bill auction size of below Rs. 50 bn**
- **Real GDP growth of around 5% in 2021 and 6.5% in 1Q-2022**
- **Stabilised inflation at mid single digits**

Summary timeline of targeted fresh forex inflows and rollovers

– Government and the Central Bank

Stakeholder	Oct-Dec 2021	Jan-Mar 2022
Government		
G-2-G Loans	USD 1,000 mn	USD 500 mn
Multilateral Loans	USD 300 mn	USD 400 mn
Syndicated Loans	USD 300 mn	
Investments in LKR denominated G-Secs	USD 250 mn	USD 750 mn
SLDB parcels		USD 1,000 mn
Monetisation of Under-utilised Assets	USD 500 mn	USD 500 mn
Other FDIs (excluding Colombo Port City)	USD 300 mn	USD 500 mn
Rollovers of OBU loans	USD 200 mn	USD 750 mn
Central Bank		
SWAPs with other Central Banks	USD 1,000 mn	USD 500 mn
Domestic short/long-term swaps	USD 500 mn	USD 500 mn
Sales to facilitate fuel/essential imports (approximately)	(USD 600 mn)	(USD 300 mn)
Purchases of remittances/export proceeds	USD 150 mn	USD 250 mn



Summary timeline of targeted forex inflows - in Forex Market

Stakeholder	Oct-Dec 2021	Jan-Mar 2022
Banking sector		
Fresh credit lines	USD 500 mn	USD 1,000 mn
Forex deposits	USD 300 mn	USD 500 mn
Inflows to the Colombo Port City		USD 300 mn
CSE		USD 200 mn
Merchandise exporters	USD 3,300 mn	USD 3,600 mn
Workers abroad	USD 1,800 mn	USD 2,000 mn
Services exporters (excluding tourism)	USD 1,000 mn	USD 1,200 mn
Tourism	USD 50 mn	USD 300 mn



Strategies to achieve these targets will be instrumental in driving the trajectory of the economy in the desired path in the medium to long run...

- With the success of the vaccination rollout, gradual opening up of the country under strict adherence to health guidelines is expected to help all sectors to return to normalcy gradually
- The recovery will be widespread and will include vulnerable groups such as the SME sector, informal businesses and daily wage earners who will effectively engage in economic activities, leading the economy to recover faster in the forthcoming period
- Investment climate will gradually improve with the implementation of the new legislation applicable to capital markets
- More direct investments are expected with the implementation of the Port City Economic Commission Act and proposed monetisation of under-utilised assets
- Once the tourism industry starts to pick up, the pressure in the external sector will gradually normalise and greater stability in the exchange rate and improvements in the current account balance and forex reserves are envisaged

The new measures will bring in greater stability to the economy with stable prices and sound macroeconomic fundamentals that will lead to a stronger and a disciplined economy

Having tackled the near-term obstacles, we aim to progress with greater confidence towards 2022 & beyond...

By end 2022, we expect further positive outcomes:

- Normalcy in economic activity with the COVID-19 pandemic being under control, resulting in a real GDP growth of around 6%
- Inflation to stabilise in the middle of the desired 4-6% target range
- Interest rates to stabilise further
- Revival of tourism to lead to a better business sentiment
- Higher investment flows
- Improved macroeconomic fundamentals, resulting in improved Sovereign ratings
- Stronger and disciplined economy

This is a DYNAMIC PLAN...
We will *tweak* it,
***fine-tune* it, or**
even *change* some parts,
as we move on...!