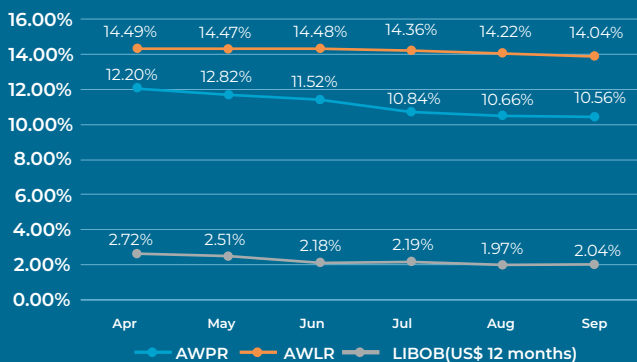


## Overview

Carrying the momentum from August, the Sri Lankan economy in September gathered some recovery on several economic fronts. Interest rates fell primarily to encourage private sector borrowing. The LKR saw a marginal decline against the USD. The stock market didn't show any signs of improvement during the month. Manufacturing and services sectors witnessed moderate development in September. Tourist arrival numbers curtailed further Y-o-Y; however the sector continues to show signs of recovery.

### Interest Rate

Figure 1: Lending Rates



Sources: CBSL, global-rates.com

\*LIBOR rate for month end

\*\*AWPR: Average Weighted Prime Lending Rate- The weights average of the rate at which the commercial banks have lent to their best customers.

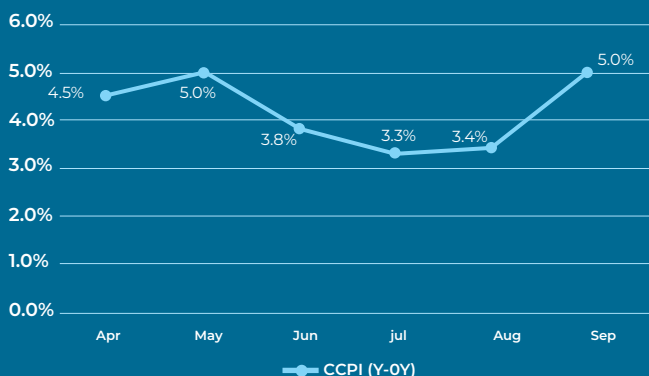
\*\*\*AWLR: Average Weighted Lending Rate

Global interest rates (LIBOR) rose by 7 basis points to 2.04%. Average lending rates in Sri Lanka (AWLR) further declined, following suit, the average prime rate dipped to 10.56%. Private sector credit for the month of August moderated to 7.2% from 7.7% in July.

**Key Takeaway: Borrowing cost in Sri Lanka looks attractive.**

### Inflation

Figure 2: CCPI Headline Inflation (Base year 2013)



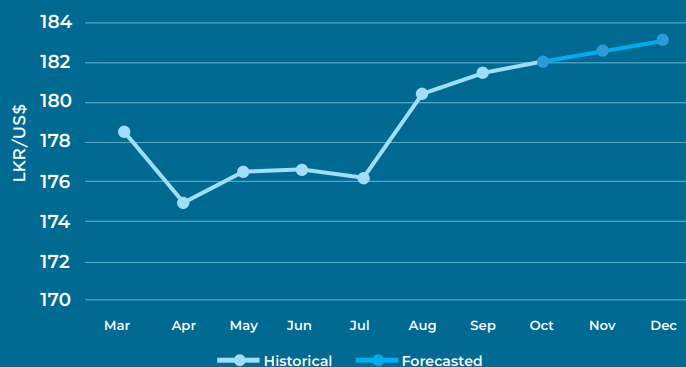
Source: DCS

Inflation levels during the month of September propelled to 5.0% owing to the rise in expenditure values of food items.

**Key Takeaway: Country's inflation rate is anticipated to increase marginally on increasing demand for food items as a result of the looming Presidential election.**

### Exchange Rate

Figure 3: Exchange Rate (LKR/US\$)



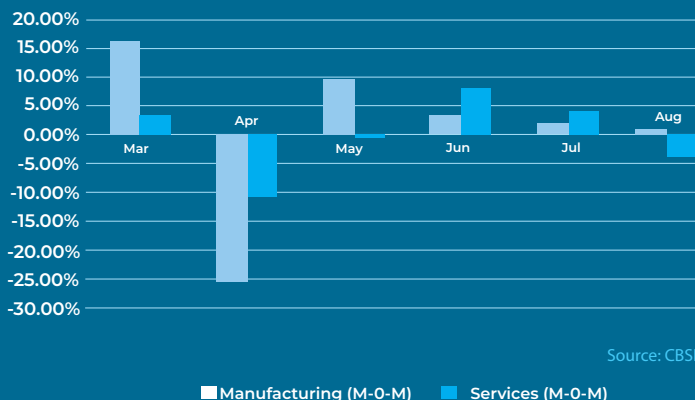
Source: CBSL, RIU Research Forecasts based on forward rate available at end September

The LKR further depreciated against the greenback during September. Foreigners continued to sell government securities and exiting risky assets in the equity market. RIU projects the LKR to decline further till the end of 2019.

**Key Takeaway: the prevailing economic and political uncertainty remains a key concern for foreign investors, however the export oriented and tourism operating companies are the beneficiaries of a depreciating rupee.**

### Production

Figure 6: Purchasing Manager's Index (PMI)



Source: CBSL

Manufacturing activities continued to expand recording a M-o-M growth of 0.9% in August. The growth primarily stems from an increase in production and new orders, especially in food & beverage and apparel sector manufacturing to satisfy the festive season demand. Services sector also witnessed an expansion albeit at a slower pace originating from increases in new businesses, business activity and expectations for activity sub-indices.

**Key Takeaway: Outlook for both the activities remains positive owing to increased consumer and business confidence.**

# Share Market

Figure 5: Change in ASPI

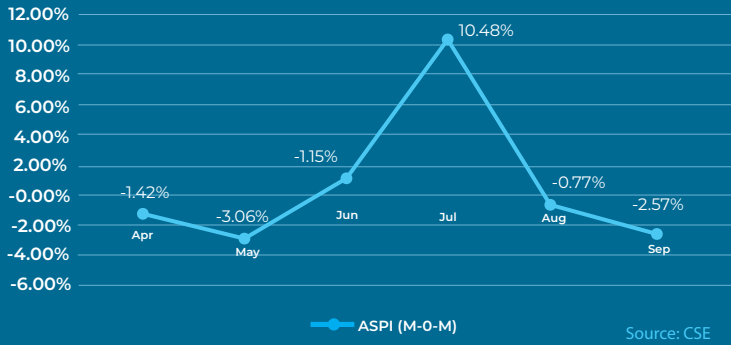
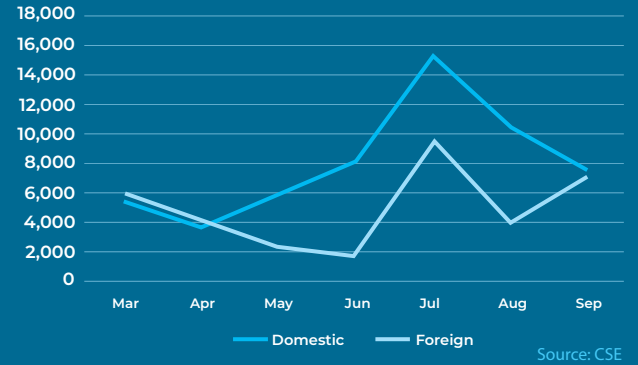


Figure 6: Turnover Equity Domestic vs. Foreign (Rs Mn)



## Top 3 Gainers



Stores Supplies  
05%



Oil Palms  
04%



Hotels Travels  
01%

## Top 3 Losers



Trading  
-08%



Healthcare  
-06%



Construction Engineering  
-06%

The Colombo bourse declined 2.57% M-o-M on political uncertainty and investors adopting a wait and see approach. Domestic turnover witnessed a decline, however foreign turnover improved significantly. Stores Supplies, Oil Palms and Hotels and Travels were the top 3 gainers for the month while Trading, Healthcare and Construction and Engineering lost grounds the most.

**Key Takeaway:**  
The Stock Market continues to falter owing to heavy foreign selling.

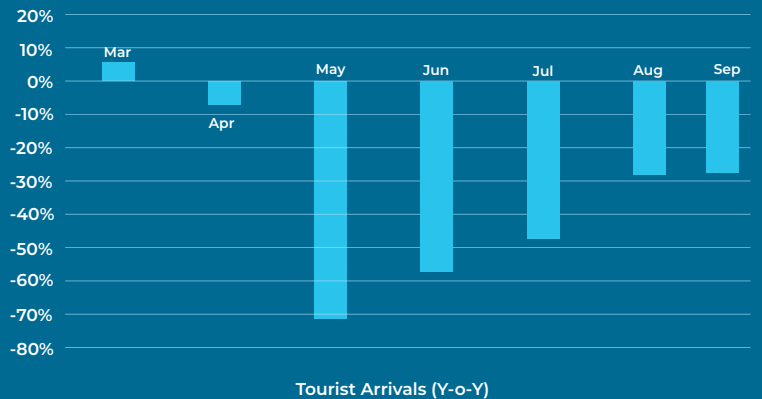


## Tourism

Figure 7: Change in Tourist Arrivals

Tourist arrivals for the month of September plunged by 28% in comparison to last year. The numbers have declined for the sixth consecutive month albeit portraying signs of recovery in the aftermath of Easter Sunday attacks.

**Key Takeaway:** The overall arrivals are displaying signs of improvement.



# News Highlights

- Exports in July declined by 7% after posting steady growth for more than a year
- Manufacturing activities continued to expand at a higher rate in August 2019.
- The share of GDP contributed by the Western Province has increased from 37.9% to 38.5% in 2018.
- Deposit rate caps removed by CB.
- Foreign outflows from bonds settling after rate cut.

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