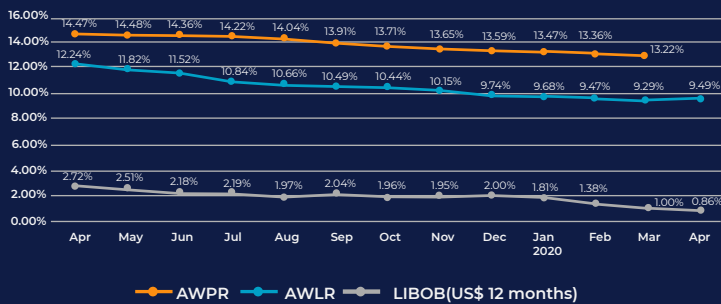


#### Overview

Downward pressure has been a global trend. Interest rates have marginally declined. The RIU does not expect anything positive in the market for the next couple of months as many people will be cash dropped and not look to engage in investing in emerging markets. The exchange rate is depreciating due to low economic activity because of the pandemic. COVID-19 has affected the stock market, predominantly driven by global uncertainty. Sri Lanka tourism sees a silver lining in the industry as they have been getting inquiries on forward bookings from high-end travellers from Europe and India. The Government is sorting out the COVID-19 protocol to welcome guests from July onwards.

### Interest Rate

Figure 1: Lending Rates



Sources: CBSL, global-rates.com

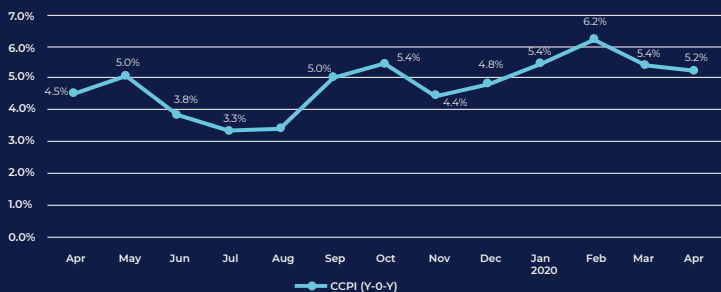
- \* LIBOR rate for month end
- \*\* AWPR: Average Weighted Prime Lending Rate - The weighted average of the rate at which commercial banks have loaned to their best customers.
- \*\*\* AWLR: Average Weighted Lending Rate

Global interest rates (LIBOR) declined to 0.86%. The AWLR in Sri Lanka (AWLR) was at 13.22 percent at the end of March, whereas the AWPLR rose by 20 bps to 9.49 percent as of 30 April 2020.

**Key Takeaway:** Downward pressure for the past few months has been a global trend. This trend will continue for the next couple of months and governments will try to stimulate the economies. In Sri Lanka, the trend has been going down for the most part.

### Inflation

Figure 2: CCPI Headline Inflation



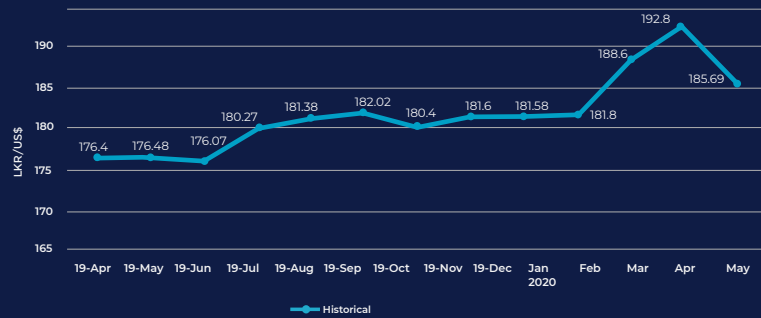
Source: Trading Economics

Inflation rate in Sri Lanka declined to 5.2 percent in April 2020 from 5.4 percent in the previous month. It was the lowest inflation rate since December last year, as prices of non-food products slowed (2.1 percent vs 2.5 percent in March). In contrast, the cost of food & non-alcoholic beverages rose further (13.2 percent vs 12.8 percent). On a monthly basis, consumer prices went up 0.1 percent, rebounding from a 0.9 percent fall in the previous month.

**Key Takeaway:** This was driven by the monthly decline of prices of the items in the food category and the statistical effect of the high base prevailed in April 2019.

### Exchange Rate

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



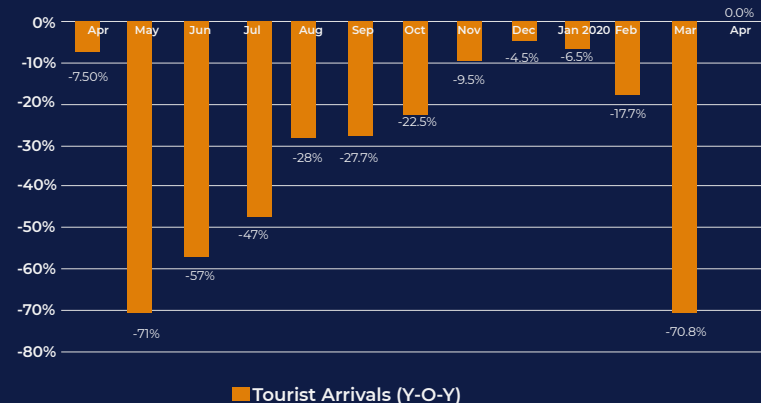
Source: CBSL

Sri Lanka's rupee was quoted weaker at 185.69 to the US dollar in the spot market. The Sri Lankan rupee, which remained broadly stable in the month of January as well as until the first week of March, depreciated sharply with the speculative behavior of the market with the spread of the COVID-19 outbreak.

**Key Takeaway:** According to sources, we believe that the government will hold the LKR below 200 rupees per dollar.

### Tourism

Figure 4: Change in Tourist Arrivals



Source: SLTDA

The total number of international tourist arrivals to Sri Lanka from January to March 2020 was 507,311. No tourist arrivals have been recorded for the month of April 2020 due to the termination of all passenger flight & ship arrivals into Sri Lanka from 18th March 2020. Total arrivals recorded from January to April 2019 were 907,757. In comparison to January to April 2019, a decline of 44.1% has been recorded for the same period in 2020.

**Key Takeaway:** China, Germany, India, Russia and the United Kingdom were Sri Lanka's top five international tourist generating markets for the period from January to April this year. However, Sri Lanka Tourism is seeing a silver lining as European and high-end Indian travellers have begun to inquire on forward bookings.

# Share Market

Figure 5: Change in ASPI

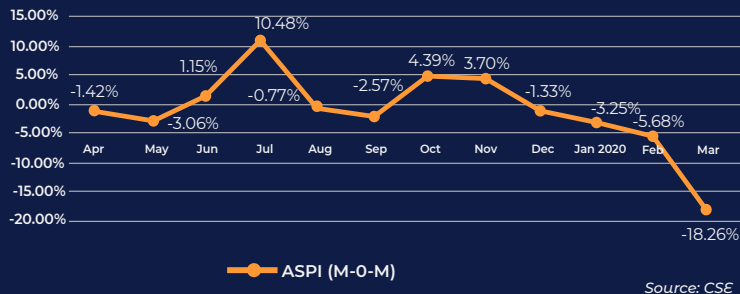
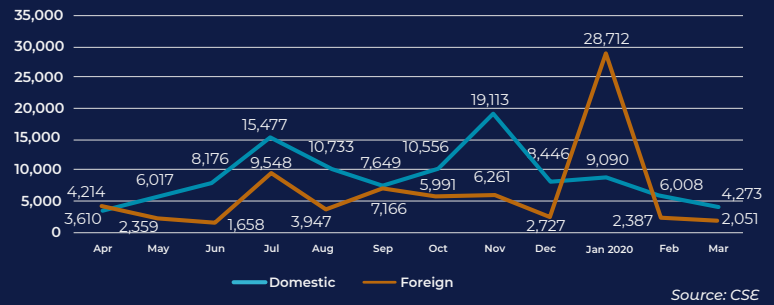


Figure 6: Turnover Equity Domestic vs. Foreign (Rs Mn)



## Top 3 Gainers



Pharmaceuticals  
0.00%



Consumer Service  
-5.65%



Food & Staples  
-6.38%

## Top 3 Losers



Transportation  
-46.53%



Consumer Durable  
-29.55%



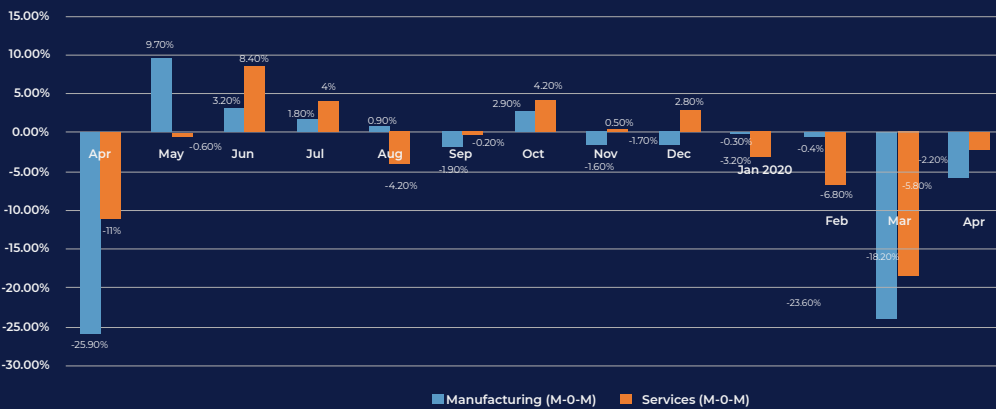
Telecommunication  
-26.88%

From the date of the first confirmed case of COVID-19 in Sri Lanka on 28 January 2020, the ASPI plunged by more than 20% as at 31 March 2020, to an all-time low during the past five years. The share market was one of the first sectors to be hit back in March. Domestic and foreign turnover witnessed a continued decline, as most foreigners leave the market in terms of the country situation. Pharmaceuticals, Consumer Service and Food & Staples were the top 3 gainers for the month, while Transportation, Consumer Durables and Telecommunication lost ground the most.

**Key Takeaway:** Sri Lanka has somewhat bounced back from worse economies in the past, which gives the country hope that it has a resilient economy and will be able to recover from the current situation as well.

# Production

Figure 7: Purchasing Manager's Index (PMI)



**MANUFACTURING** - The COVID-19 induced downturn in the Sri Lankan manufacturing sector deepened during April as reflected by further contraction in Manufacturing PMI, which recorded an index value of 24.2 with a fall of 5.8 index points from the previous month, reaching the lowest level since the beginning of the survey. This decline in the index was mainly driven by New Orders, Production and Employment sub-indices which declined at record rates.

With the continuation of island wide curfew to limit the spread of the virus, almost all the manufacturing establishments either remained closed during the month of April 2020 or operated at a fraction of its usual capacity.

**SERVICES** - The Services sector PMI declined to a record-low of 29.8 index points in April 2020, down from 32.0 in March 2020 as Business Activities and Employment sub-indices fell at higher rates due to the extended lockdown measures taken to curb the spread of COVID-19 pandemic.

New Business and Expectations for Activity declined in April 2020, yet at a slower pace. However, respondents in financial, health and professional services, wholesale and retail trade and transportation sub sectors, are rather optimistic on future business activities with the steps taken towards resumption of civilian life and institutions returning to normality.

**Key Takeaway:** China, Germany, India, Russia and the United Kingdom were Sri Lanka's top five international tourist generating markets for the period from January to April this year. However, Sri Lanka Tourism is seeing a silver lining as European and high-end Indian travellers have begun to inquire on forward bookings.

## News Highlights

- Inflation decreases in April [Read more](#)
- Decline in tourist arrivals tops 44% up to April [Read more](#)
- Sri Lanka forex reserves drop US\$353bn to US\$7.2bn in April [Read more](#)
- Bourse rebounds after two days of lossess [Read more](#)
- CBSL implements measures to provide liquidity to Banks [Read more](#)
- Sri Lanka delisted by European Commission from list of high risk 3rd countries [Read more](#)

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**RESEARCH INTELLIGENCE UNIT**  
No 24 Wijerama Mawatha, Colombo 7.  
E mail : info@riunit.com | Web: www.riunit.lk/ www.riunit.com  
Tel: 011 530 5533 / 072 274 1305