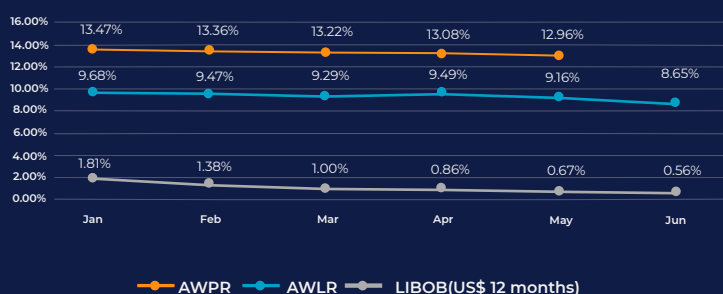


The Government lowers interest rates (encouraging borrowing and investing) in order to stimulate economic growth. Sri Lanka inflation marginally down in June 2020. By the end of May, the Sri Lankan Rupee had remained static at LKR 186 against the US dollar. The Colombo Stock Market gathered more momentum. The Government has postponed the reopening of the Colombo International Airport.

The Government is sorting out the COVID-19 protocol to welcome tourists from August onwards.

Interest Rate

Figure 1: Lending Rates 2020



Sources: CBSL, global-rates.com

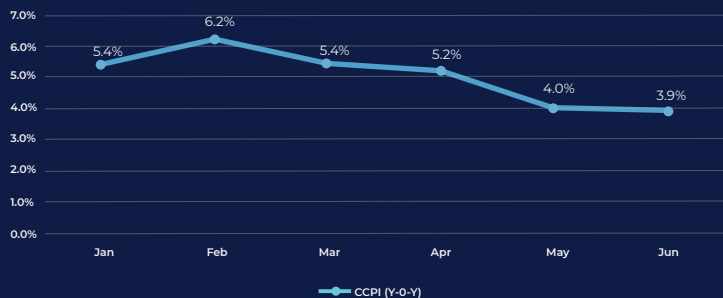
- * LIBOR rate for month end
- ** AWPR: Average Weighted Prime Lending Rate. The weighted average of the rate at which the commercial banks have lent to their best customers.
- *** AWLR: Average Weighted Lending Rate

Global interest rates (LIBOR) declined to 0.56%. The AWLR in Sri Lanka was at 12.96 percent at the end of May, whereas the AWPR declined by 51 bps to 8.65 percent as of 30 June 30 2020.

Key Takeaway: The lower the interest rate, the more willing people are to borrow money to make big purchases/ investments, such as properties. When consumers pay less in interest, this gives them more money to spend, which can create a ripple effect of increased spending throughout the economy.

Inflation

Figure 2: CCPI Headline Inflation 2020



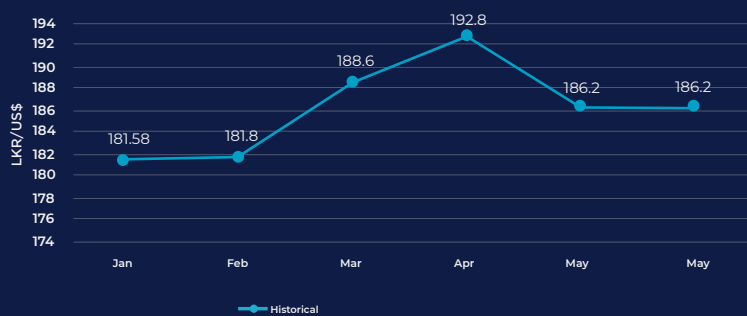
Source: Trading Economics

The annual inflation rate in Sri Lanka edged down to 3.9 percent in June 2020 from 4 percent in the previous month. It was the softest inflation rate since last August, amid a slowdown in prices of non-food products (1.4 percent vs 1.6 percent in May).

Key Takeaway: Inflation continued to advance for food & non-alcoholic beverages (10 percent vs 9.9 percent). On a monthly basis, consumer prices inched up 0.8 percent, after increasing 0.4 percent in the previous month.

Exchange Rate

Figure 3: Exchange Rate (LKR/US\$) 2020



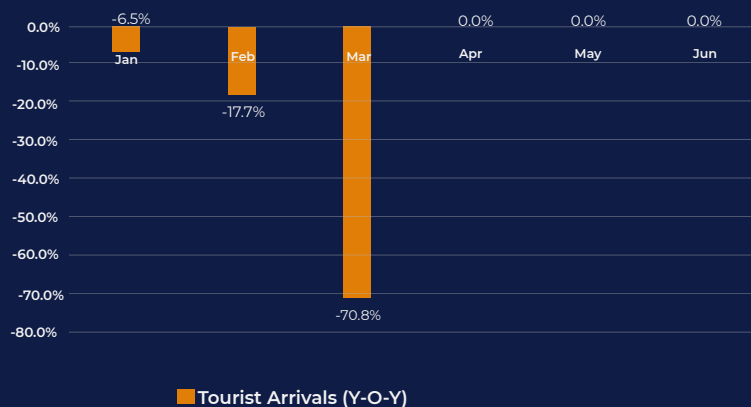
Source: CBSL

Given the cross-currency exchange rate movements, the Sri Lankan rupee remained static at 186.2 against the US dollar. The Sri Lankan rupee stabilised, mainly aided by an improved trade deficit

The Rupee began to stabilise gradually since the second half of the month with improving market sentiments. The subsequent appreciation of the exchange rate helped in limiting depreciation to less than 3 percent.

Tourism

Figure 4: Change in Tourist Arrivals 2020



Source: SLTDA

Sri Lanka is delaying the scheduled reopening of the Colombo International Airport on 01 August 2020 for commercial traffic by two weeks, as the Government prioritises the repatriation of over 46,000 Sri Lankans stranded abroad.

Key Takeaway: The Government will not permit tourist arrivals until they complete the process (of repatriation).

Share Market

Figure 5: Change in ASPI 2020

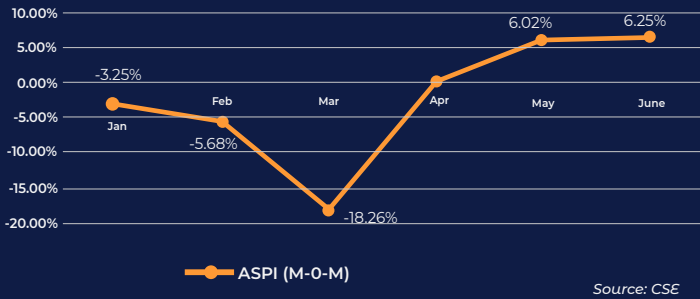
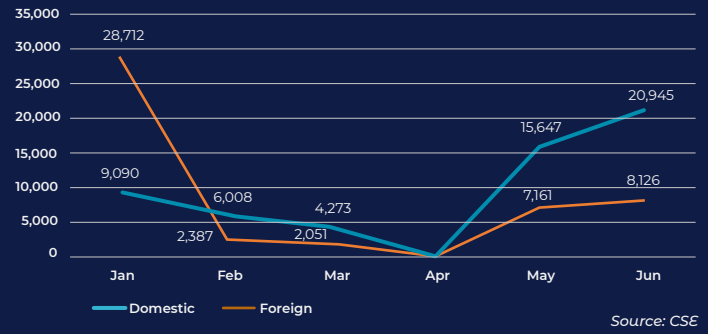
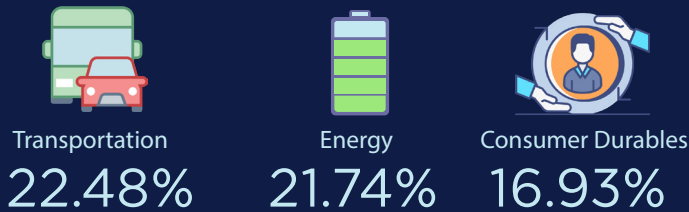


Figure 6: Turnover Equity Domestic vs. Foreign (Rs Mn)



Top 3 Gainers



Top 3 Losers

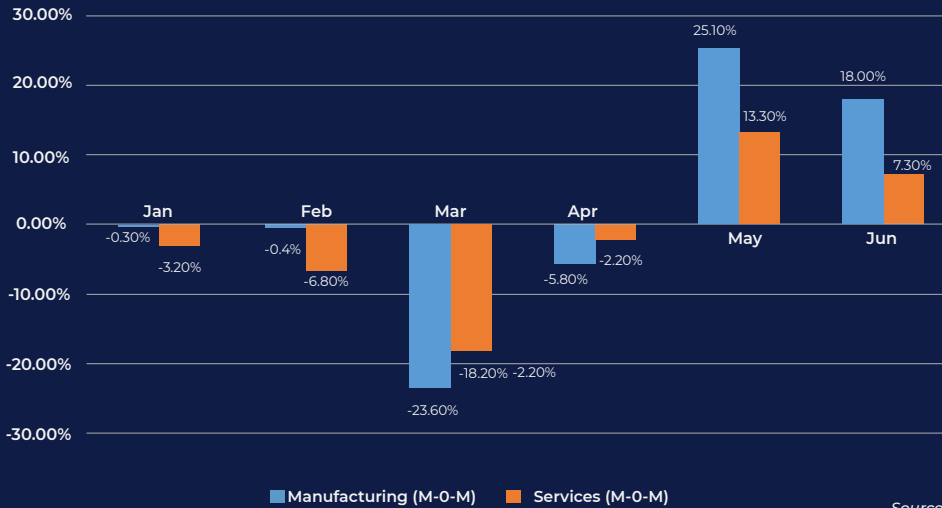


The Colombo Stock Exchange's (CSE) All Share Price Index (ASPI) crossed the 5,000-point mark for the first time in three months in the month of June. Domestic and foreign turnover also witnessed increases in June. Transportation, Energy and Consumer Durables were the top 3 gainers for the month, while Commercial & PR, Real Estate and Pharmaceuticals were the lowest to score.

Key Takeaway: Since recommencing trading operations, the CSE is particularly encouraged by the interest of local investors who have demonstrated an appetite for the attractive valuations in the market.

Production

Figure 7: Purchasing Manager's Index (PMI)



MANUFACTURING - Benefitting from the normalising of economic activities in the country following the complete relaxation of restrictions for mobility, the Manufacturing PMI increased significantly in June 2020 recording 67.3, with a month-on-month increase of 18.0 index points compared to May 2020.

SERVICES - The Services PMI returned to growth territory in June 2020 reaching 50.4, after recording index values less than 50.0 threshold level for three consecutive months. This was underpinned by increases observed in New Businesses, Business Activities, Employment and Expectations for Activity sub-indices.

Key Takeaway: Factories operated throughout the month of June receiving more new orders than in the previous month mainly supported by local demand. With the complete lifting of domestic travel restrictions, business activities in the transportation sub-sector improved in June 2020 compared to the previous month.

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