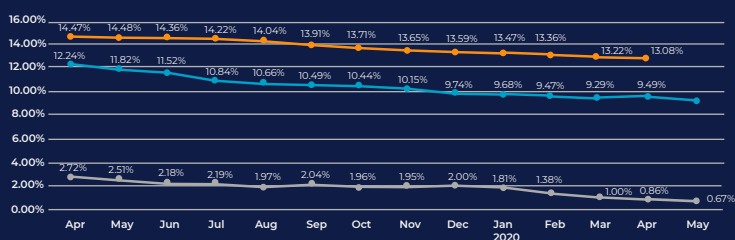


Overview

There will be opportunities for real estate developers to obtain better exchange rates, pick up bargains and get loans at low interest rates. By the end of May '2020, the Sri Lanka Rupee strengthened to Rs.186.2 against the US Dollar despite the sharp fall of reserves and foreigners exiting from government securities. According to sources, we believe that the Government will hold the LKR below 200 rupees per dollar until the end 2020. The Colombo Stock Exchange (CSE) is encouraged by the interest of local investors. The Government is sorting out the COVID-19 protocol to welcome tourists from August onwards.

Interest Rate

Figure 1: Lending Rates



— AWPR — AWLR — LIBOB (US\$ 12 months)

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.

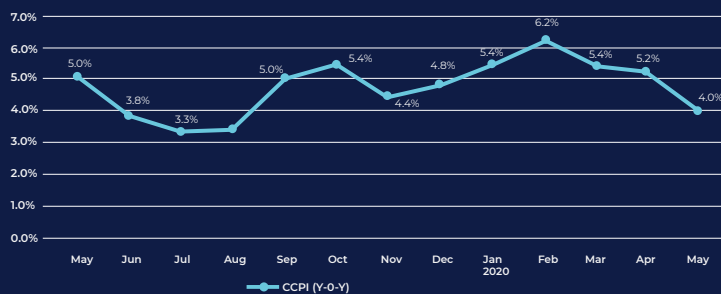
*** AWLR: Average Weighted Lending Rate

The Global interest rates (LIBOR) declined to 0.67%. The AWLR in Sri Lanka was at 13.08 percent at the end of May, and the AWPR declined by 33 bps to 9.16 percent during the same period.

Key Takeaway: The best time for investment lock-ins (preferably 06-12 months investments). We anticipate loan rates to be reduced by mid-July. From the customer perspective, the present situation creates an ideal opportunity for loans and obtain assets rather than keeping fixed deposits.

Inflation

Figure 2: CCPI Headline Inflation



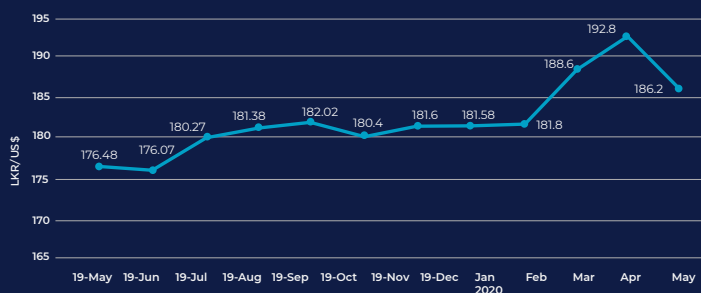
Source: Trading Economics

The annual inflation rate in Sri Lanka fell to 4 percent in May 2020 from 5.2 percent in the previous month. It was the lowest inflation rate since August 2019. On a monthly basis, consumer prices went up 0.5 percent, after increasing 0.1 percent in the previous month.

Key Takeaway: Prices slowed for food & non-alcoholic beverages (9.9 percent vs 13.2 percent in April) and non-food products (1.6 percent vs 2.1 percent).

Exchange Rate

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



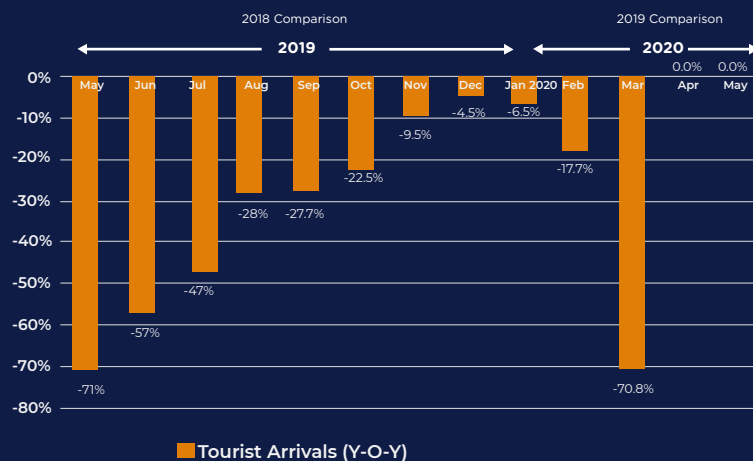
Source: CBSL

Given the cross-currency exchange rate movements, the Sri Lankan rupee appreciated against the US dollar to 186.2. By the end of May, foreign currency reserves were 6,046.8 million dollars while the reserve position in the IMF was 65.7 million dollars

Key Takeaway: Since the first week of March this year, foreigners have sold approximately Rs.60 billion worth of government securities, due to weak investor sentiments because of the global outbreak of COVID-19.

Tourism

Figure 4: Change in Tourist Arrivals



Source: SLTDA

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 and May 2020 due to the termination of all passenger flight & ship arrivals into Sri Lanka from 18th March 2020. Total arrivals recorded from January to May 2019 was 945,377. a decline of 46.3 % has been recorded for the same period in 2020

Key Takeaway: Hospitality markets that are driven by business/corporate travel are expected to recover quicker than leisure destinations.

Share Market

Figure 5: Change in ASPI

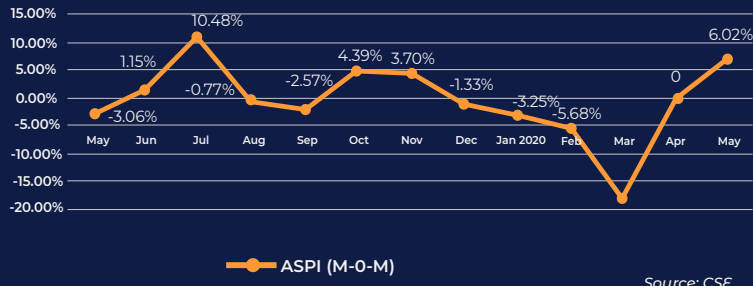
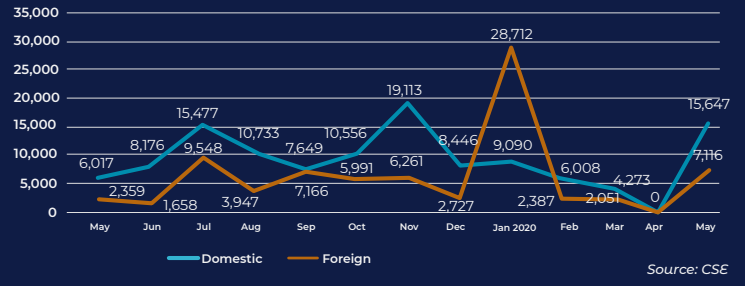


Figure 6: Turnover Equity Domestic vs. Foreign (Rs Mn)



Top 3 Gainers



Transportation

29.00%



Telecommunications

22.49%



Automobiles & Co

20.54%

Top 3 Losers



Pharmaceuticals

0.00%



Consumer Services

0.83%



Food & Staples

3.21%

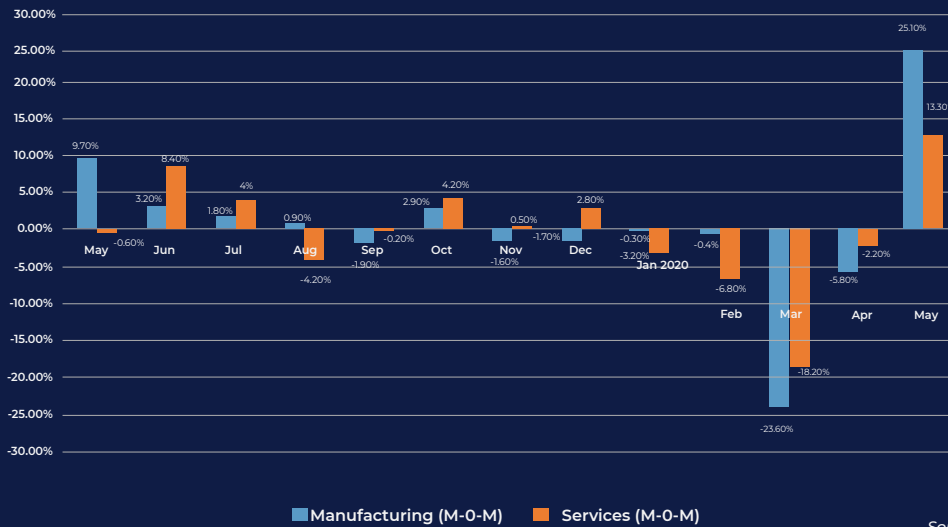
Having recorded negative returns during previous months, the All Share Price Index (ASPI) has made consistent gains on subsequent trading sessions. Domestic and foreign turnover witnessed a hike in May amid the global market turmoil fuelled by Coronavirus fears. Transportation, Telecommunications and Automobiles were the top 3 gainers for the month while Pharmaceuticals, Consumer Services and Food & Staples were the lowest to score

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



Production

Figure 7: Purchasing Manager's Index (PMI)



MANUFACTURING - The manufacturing sector PMI recorded a noticeable bounce in May 2020 reaching 49.3, which is an increase of 25.1 index points, from the all-time low of 24.2 recorded in April 2020. The gradual easing of restrictions for mobility has contributed to the resumption of economic activities in the manufacturing sector.

SERVICES - The services sector PMI rebounded significantly to 43.1 in May 2020 from a record-low of 29.8 in April 2020. This was due to the steps taken towards resumption of civilian life and institutions back to normalcy following the curb in the spread of the COVID-19 pandemic. This increase was underpinned by increases observed in New Businesses, Business Activities and Expectations for Activity sub-indices.

Key Takeaway: New Orders, Stock of Purchases, Employment sub-indices also improved during the month of May 2020, yet remained below the neutral level. Business activities of transportation, wholesale and retail trade, professional services and telecommunication sub-sectors showed an improvement over the previous month with the normalisation of business activities.

News Highlights

- Construction sector to demonstrate resilience - ICRA Lanka - [Read more](#)
- Construction of Int'l Financial City to start year end - [Read more](#)
- Sri Lanka to open doors for tourists beginning August - [Read more](#)
- ASPI reverses 2-week winning streak - Acuity Stockbrokers Research - [Read more](#)
- Sri Lanka rupee opens stronger, stocks up 0.36-pct - [Read more](#)
- Bourse ends in green territory - [Read more](#)

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