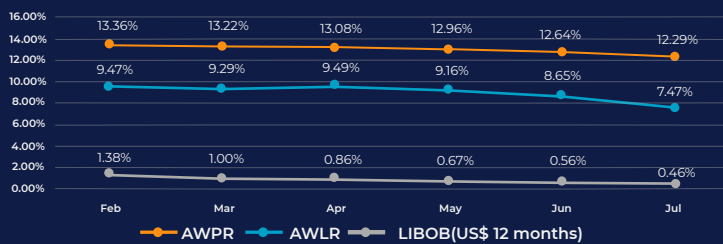


Individuals who depend on interest earnings will be looking out for alternative investment opportunities -, higher risk assets. Sri Lanka's inflation picked up slightly to 4.8 percent and by the end of July, the rupee had strengthened against the US dollar. Foreign investors continued to sell. The Government has delayed the reopening of the Colombo International Airport and is reviewing the COVID-19 protocols 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 commercial banks have lent to their best customers.

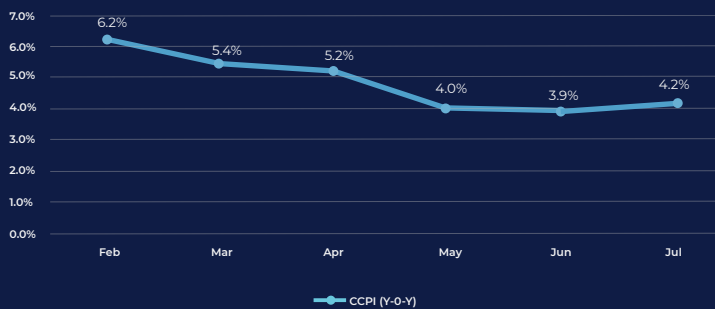
\*\*\* AWLR: Average Weighted Lending Rate

Global interest rates (LIBOR) declined to 0.46%. The AWLR further declined to 12.29 percent at the end of July whereas the AWPLR declined to 7.47 percent as of 31 July 2020.

**Key Takeaway:** The drop-in interest rates is however, a great opportunity to obtain long-term loans at low-interest rates and to retire and replace high-interest rate loans. The Central Bank had lowered deposit and lending rates for banks to encourage banks to support businesses affected by the coronavirus pandemic.

## Inflation

Figure 2: CCPI Headline Inflation 2020



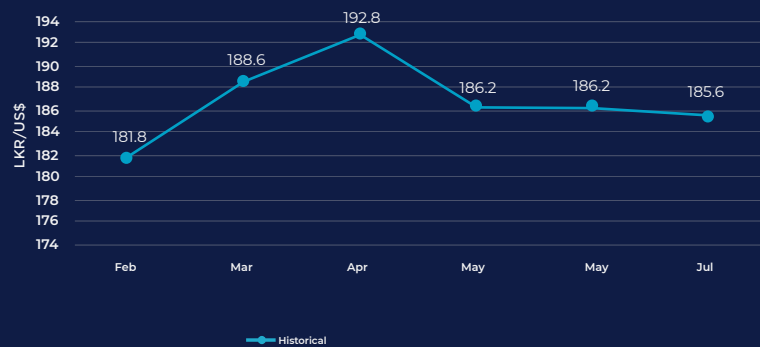
Source: Trading Economics

The annual inflation rate in Sri Lanka rose to 4.2 percent in July 2020 from 3.9 percent in the previous month - the highest since April.

**Key Takeaway:** Costs accelerated for both food & non-alcoholic beverages (10.9 percent vs 10 percent in June) and non-food products (1.5 percent vs 1.4 percent).

## Exchange Rate

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



Source: CBSL

During the month of July 2020, Sri Lanka's Rupee appreciated against the US dollar

The value of the Sri Lankan Rupee has shown a gradual appreciation after it faced a serious depreciation in the first half of 2020 due to the Covid-19 pandemic.

## Tourism

The Government has not decided on a specific date on the re-opening of the airports because of the present situation. They are however hoping that this could take place at some point in September. The President's Office decided to postpone this because more people may be taken into quarantine centres in the coming weeks.

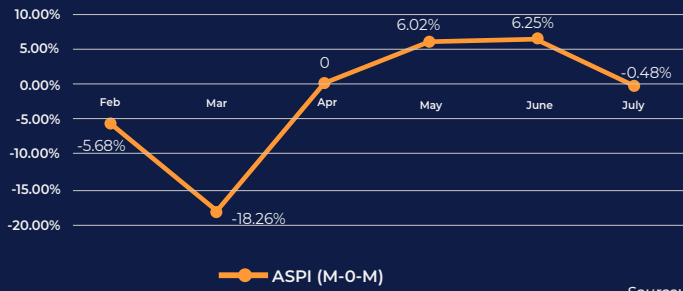
This marks the second postponement of the reopening of the country's main international airport, after authorities announced last month that its initial 01 August reopening would be pushed to mid-August to focus on the repatriation of the tens of thousands of Sri Lankans stranded abroad.

The SLTDA created provisional licensing to assist SME's to enable them to seek COVID-19 health certification to host tourists in the future.

Sri Lanka Tourism is extending its support to the Small and Medium sector which is considered to be over 60 % of the tourism industry. It is estimated that over 50,000 SME entities are involved in the tourism industry and contribute to the economy by providing employment and foreign exchange to the country as well as diverse experiences to the visitor.

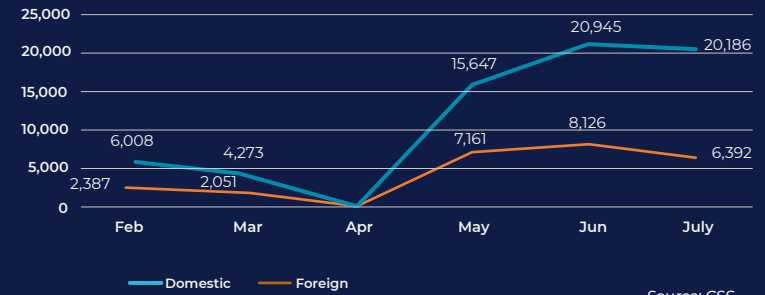
# Share Market

Figure 5: Change in ASPI 2020



Source: CSE

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

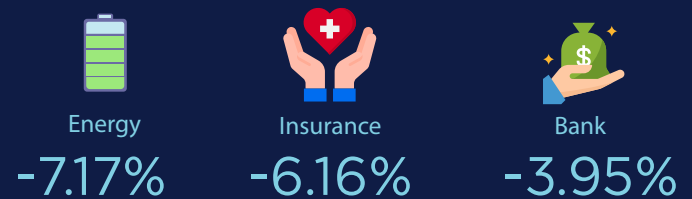


Source: CSE

## Top 3 Gainers



## Top 3 Losers

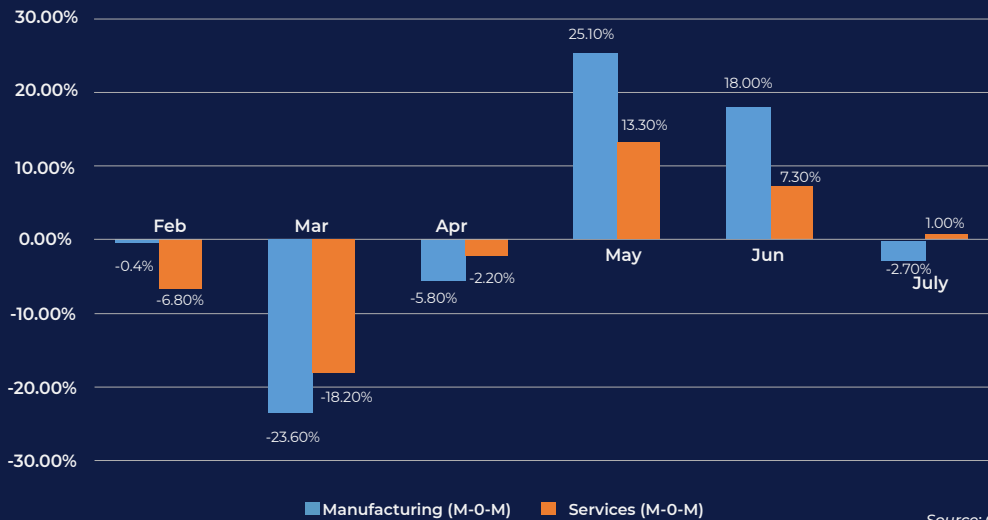


The Colombo Stock Exchange's (CSE) All Share Price Index (ASPI) declined to -0.48 percent in the month of July. Domestic and foreign turnover witnessed a slight decline too. Transportation, Materials and Automobiles & Co were the top 3 gainers for the month, while Energy, Insurance and Banks were the lowest to score.

**Key Takeaway:** The ASPI opened on a positive note but heavy foreign selling pressure was seen during the month of July. The market moved to negative territory ending a three-day rally after a rating agency report on company earnings of Sri Lankan firms raised concerns amongst the investors.

# Production

Figure 7: Purchasing Manager's Index (PMI)



Source: CBSL

**MANUFACTURING** - Reflecting that manufacturing activities are gradually approaching the pre-COVID levels with the normalisation of business activities, the Manufacturing PMI continued to expand in July 2020 recording 64.6. This was mainly due to the expansion in New Orders and Production sub-indices.

**SERVICES** - The Services sector continued to expand for the second consecutive month with PMI reaching 51.4 in July 2020. This was underpinned by the expansions observed in New Businesses, Business Activities and Expectations for Activity compared to June 2020, indicating a further recovery in the Services sector, which was also affected by the COVID-19 pandemic.

**Key Takeaway:** The New Orders and Production sub-indices expanded, albeit at a slower rate, benefitting from new orders received in July 2020. New Businesses, particularly in financial services and insurance sub-sectors also improved with the gradual recovery in economic activities.

## News Highlights

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- Lankan economy to pick up in Q4 [Read more](#)
- Mahinda says urban development will be extended to popular cities in provinces [Read more](#)
- ICC brings beachfront living to Sri Lanka [Read more](#)
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