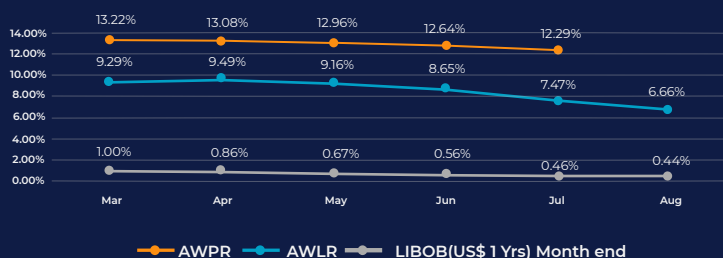


The Government expects Individuals who depend on interest to look for alternative investment opportunities. The reduction of inflation was largely driven by a decline in the non-food category. July was somewhat of a decline and an overreaction, as a result of the pent-up selling pressure. There was some degree of stability and normalcy that returned to the market in August. Also, Sri Lanka's rupee has somewhat stabilised against the US dollar. The Government is sorting out COVID-19 protocols to welcome tourists with strict health precautions before the year ends.

Interest Rate

Figure 1: Lending Rates 2020



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.

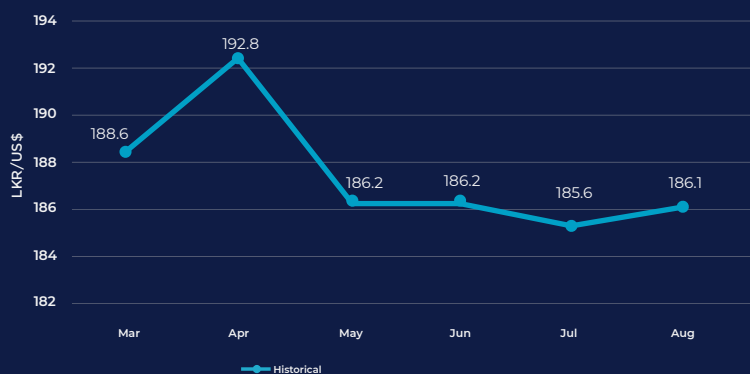
*** AWLR: Average Weighted Lending Rate

Global interest rates (LIBOR) dipped to 0.44%. The AWLR further declined to 12.29 percent at the end of July, whilst the AWPR declined to 6.66 percent as of 31 August 2020.

Key Takeaway: Investors to benefit with drastic drop in interest rate. Savers will lose while investors will benefit

Exchange Rate

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



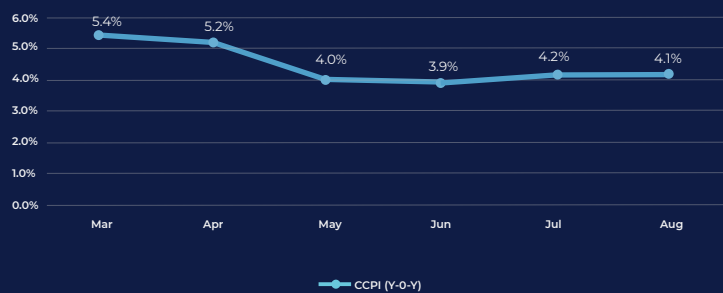
Source: CBSL

During the month of August 2020, Sri Lanka's Rupee slightly depreciated against the US dollar

Key Takeaway: the prevailing economic uncertainty remains a key concern for foreign investors

Inflation

Figure 2: CCPI Headline Inflation 2020



Source: Trading Economics

The annual inflation rate in Sri Lanka edged down to 4.1 percent in August 2020 from 4.2 percent in July.

Key Takeaway: Inflation slowed for non-food products (0.8 percent vs 1.5 percent in July) while the cost of food & non-alcoholic beverages accelerated (12.3 percent vs 10.9 percent).

Tourism

The Tourism and Aviation Minister Prasanna Ranatunga told local reporters that there was no timeline for when Colombo's Bandaranaike International Airport would accept visitor arrivals once more. The top priority of the Government is to contain the spread of Covid-19 and to repatriate Sri Lankans still stranded in various parts of the world.

However, Ashok Pathirage, one of Sri Lanka's founders of the Softlogic Group and Chairman of Sri Lankan Airlines, is very confident about the possibility of reopening tourism soon. He states they have been working around the clock to adapt their operations to meet the country's Health & Safety Guidelines and the challenging requirements of the "new normal".

Airlines are already implementing a series of biosafety measures to avoid infections. So for now, these are some of the rules and regulations we should expect when the country reopens to tourism.

- Physical distancing is required.
- Passengers and airline crews are demanded to wear facemasks and other protective gear.
- Passengers will be screened for COVID-19 symptoms not only at airports but at other port entries.
- Passengers should provide authorities with contact-tracing information.
- Passengers will need to submit a health declaration

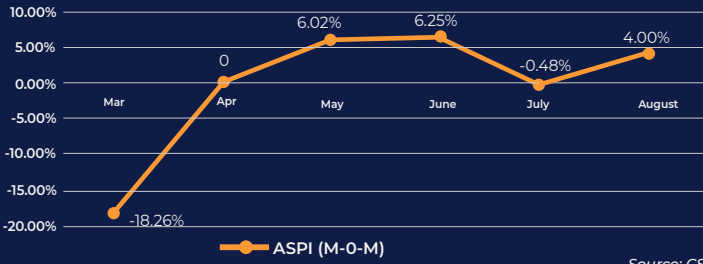
Tourists should take 3 different COVID-19 tests in order to be granted access to Sri Lanka

- First test: visitors are required to show proof of a negative PCR test, taken within 72 hours, prior to arrival.
- Second test: Passengers must take another PCR test upon arrival.
- Third test: a final third test will be required after a period of quarantine and before a trip can be resumed.

Source: DestinAsian, travelinglifestyle

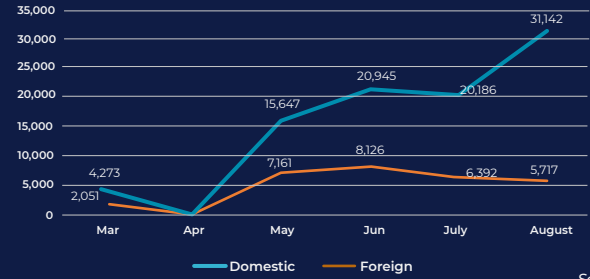
Share Market

Figure 5: Change in ASPI 2020



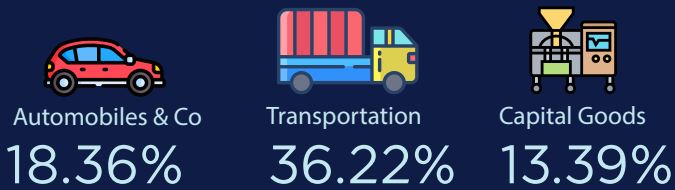
Source: CSE

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



Source: CSE

Top 3 Gainers



Top 3 Losers

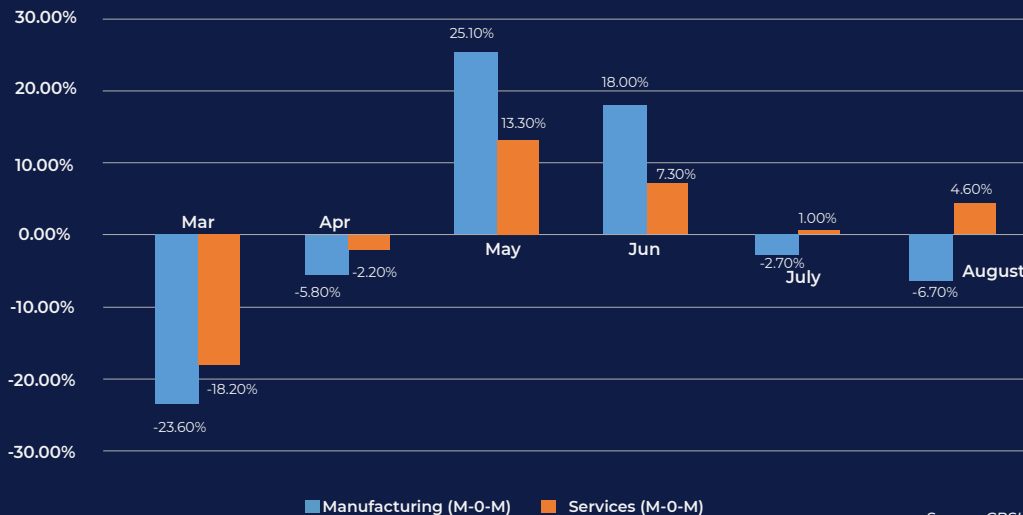


The Colombo Stock Exchange's (CSE) All Share Price Index (ASPI) increased to 4 percent in the month of August. Domestic turnover witnessed a hike, whereas foreign turnover had a slight decline. Automobiles & Co, Transportation and Capital Goods were the top 3 gainers for the month while Consumer Service, Food & Staples and Real Estate were the lowest to score.

Key Takeaway: The COVID-19 pandemic has kept investors in suspense since February, placing markets in high levels of volatility, divestments and flight into "safer haven assets". However, investors have realised that there is no need to panic while also realising that there was good long-term buying opportunities

Production

Figure 7: Purchasing Manager's Index (PMI)



Source: CBSL

MANUFACTURING - Recovery of manufacturing activities continued in August 2020 as reflected by PMI, benefitting from the normalisation of business activities in the country.

SERVICES - The Services sector continued to expand for the third consecutive month with PMI reaching 56.0 in August 2020. This was underpinned by the expansions

Key Takeaway: Both New Orders and Production sub-indices remained at expansionary levels in August 2020 while a noticeable development was observed in the Employment sub-index. Service sector expansions observed in New Businesses, Business Activities and Expectations for Activity, compared to July 2020, indicating the gradual recovery of services sector activities to the pre-pandemic levels.

News Highlights

- The dawn of REITs in Sri Lanka
- Prime lending rate hits 5-year low
- Govt. eyeing 1% economic growth this year
- PMI's expands in August
- Rents fall in London and the South East due to the pandemic

[Read more](#)

[Read more](#)

[Read more](#)

[Read more](#)

[Read more](#)

DISCLAIMER: This report is provided for information purposes only. The information contained in this report has been compiled with great care, using publicly available information from various sources. Any strategic decisions based on this should be made only after detailed analysis by the prospective reader.



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