



Capital Markets

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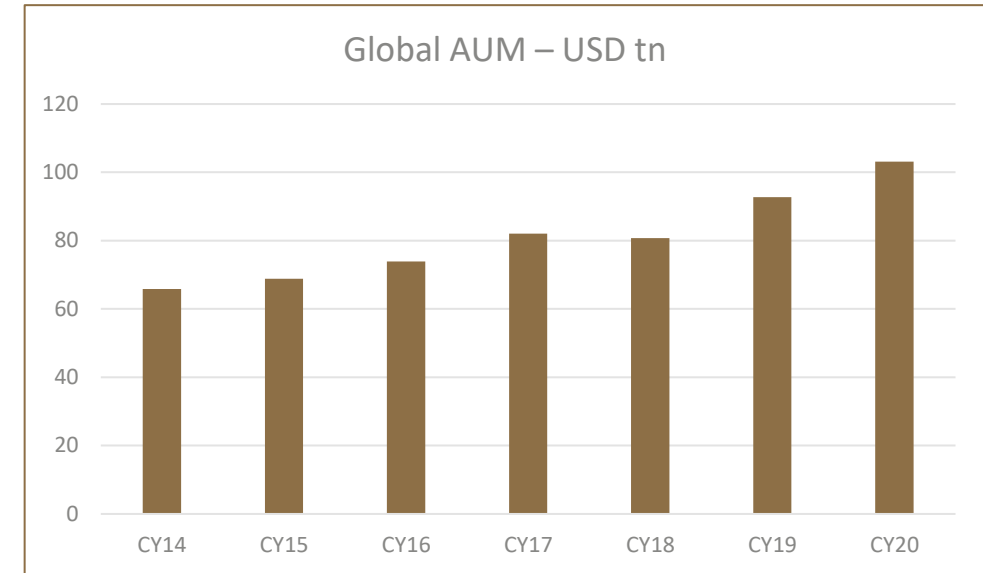
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Global Industry

- The global asset management industry is USD 103tn strong (CY20), and is forecasted to reach an assets under management (AUM) base of USD 145tn by CY25 (PwC projections).
- The industry proved to be resilient even during the Covid-19 pandemic growing by 11.2% during the year CY20.
- North America, the largest region in the industry (which holds almost % of the global AUM) grew by double digits from USD 43.2tn AUM in CY19 to USD 48.6tn AUM in CY20.
- Retail portfolios, representing 41% of global assets at \$42 trillion, grew by 11% in 2020, while institutional investments grew at a similar pace to reach \$61 trillion, or 59% of the global market.
- Retail investors were the main driver of net inflow, contributing 4.4% of net new capital in 2020, twice the size of the contribution made by institutional investors (2.2%).



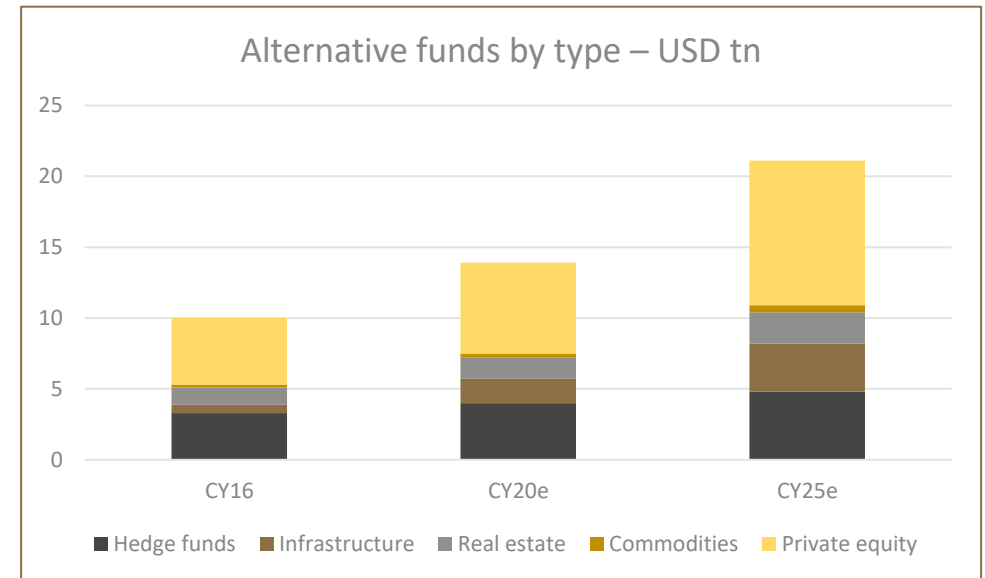
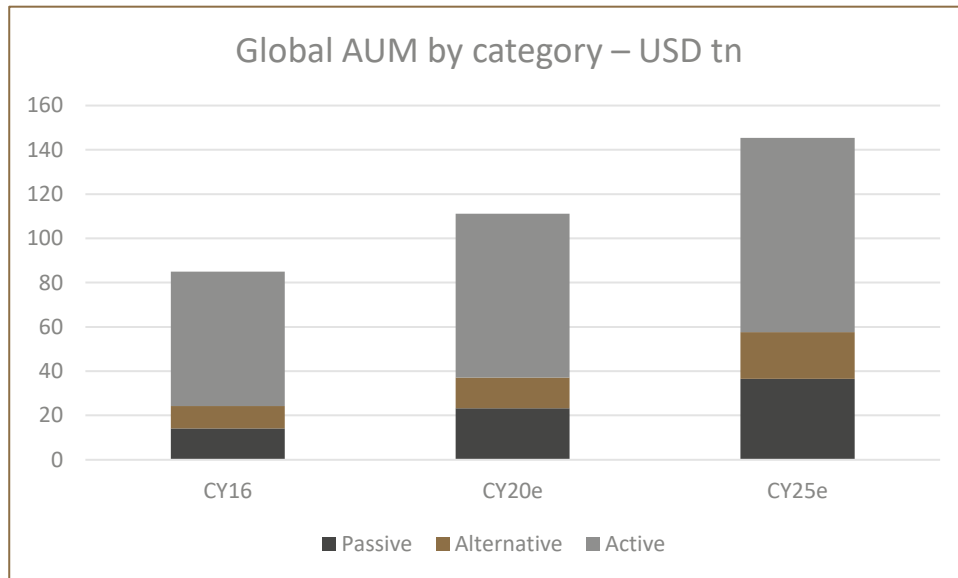
Global AUM by region – USD tn

	CY09	CY19	CY20
North America	22.1	43.2	48.6
Latin America	0.5	1.6	1.8
Europe	13.5	23.5	25.7
Middle East and Africa	0.9	1.3	1.4
Asia	7.2	20.3	22.5



Global Industry

- Actives are the most common category of AUM, making up almost 71% of the global portfolio. Actives are expected to grow from USD 60.6tn in CY16 to USD 87.6tn in CY25. However the overall share of actives in the portfolio is expected to reduce to 60%.
- Passives are expected to grow the most from 17% (USD 14.2tn) to 25% (USD 36.6tn).
- Alternatives too are expected to grow from USD 10.1tn in CY16 to USD 21.1tn. Real assets including infrastructure and real estate are set to be among the fastest growing from USD 1.2tn in CY16 to USD 5.6tn in CY25.



*Alternatives include Includes hedge funds, private equity, real estate, infrastructure and commodities



A snapshot of the Sri Lankan economy

	CY15	CY16	CY17	CY18	CY19	CY20	CY21
GDP growth rate (YoY)	5.0%	4.5%	3.6%	3.3%	2.3%	-3.6%	3.3%
Exchange rate (USD/LKR)	144.06	149.80	152.85	182.75	181.63	186.41	200.4
Inflation	2.2%	4.0%	6.6%	4.3%	4.3%	4.6%	12.1
SDFR	6.00%	7.00%	7.25%	8.00%	7.00%	4.50%	5.00%
SLFR	7.50%	8.50%	8.75%	9.00%	8.00%	5.50%	6.00%
	*LKR was floated in March CY22 resulting in the LKR depreciating to >250 USD/LKR						
USD bn	CY15	CY16	CY17	CY18	CY19	CY20	1HCY21
Current Account balance	(1.90)	(1.70)	(2.30)	(2.80)	(1.80)	(1.10)	(2.60)
Exports	10.55	10.31	11.36	11.89	11.94	10.05	12.50
Imports	18.94	19.18	20.98	22.23	19.94	16.06	20.60
Trade balance	(8.39)	(8.87)	(9.62)	(10.34)	(8.00)	(6.01)	(8.10)
Foreign exchange reserve	7.30	6.02	7.96	6.92	7.64	5.66	3.10

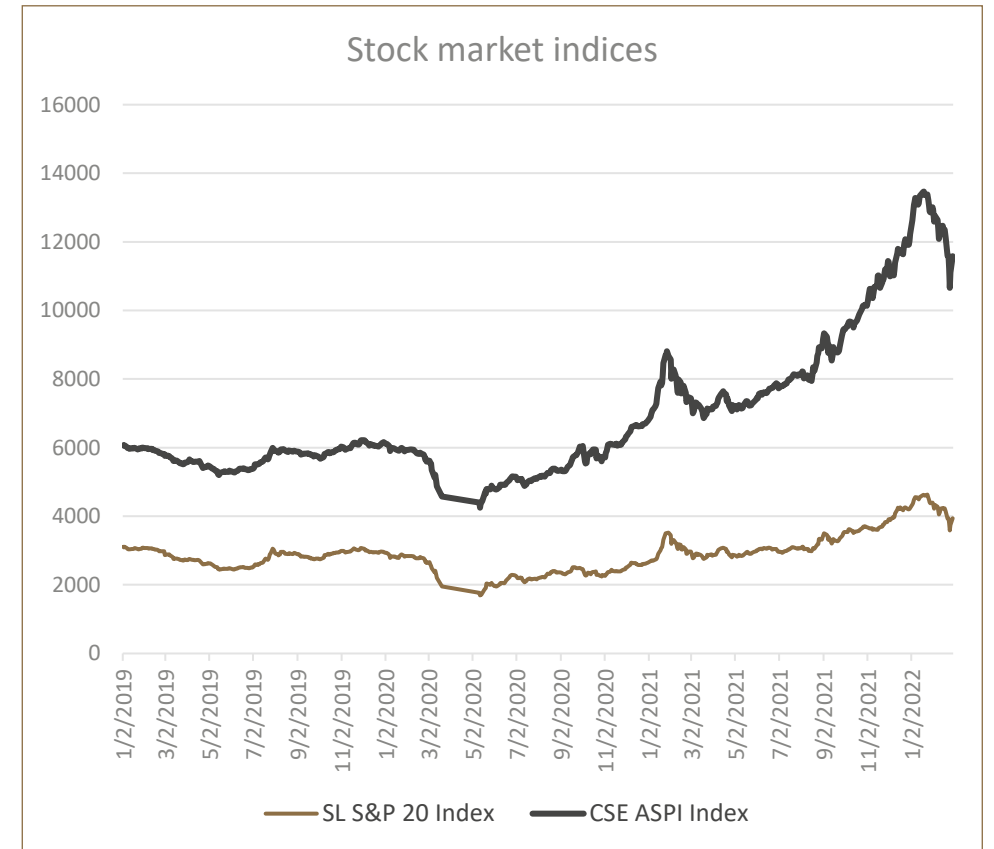


Stock market performance

	Dec CY18	Jun CY19	Dec CY19	Jun CY20	Dec CY20	Jun CY21	Dec CY21
Index value (ASPI)	6,062.20	5,372.28	6,129.21	5,149.57	6,774.22	7,837.76	12,226.01
Returns	-2%	-11%	14%	-16%	32%	16%	54%

	Jan CY21	Feb CY21	Mar CY21	Apr CY21	May CY2	Jun CY21	Jul CY21
Index value (ASPI)	8,668.1	7,476.3	7,121.3	7,208.2	7,403.4	7,837.8	8,120.5
Returns	28%	-14%	-5%	1%	3%	6%	3%

	Aug CY21	Sep CY21	Oct CY21	Nov CY21	Dec CY21	Jan CY22	Feb CY22
Index value (ASPI)	8,997.6	9,459.9	10,162.9	11,440.5	12,226.0	13,009.5	11,577.9
Returns	11%	5%	7%	13%	7%	6%	-11%





Stock market performance

- Total market capitalization was LKR 5,251mn on the 28th of February CY22.
- Market capitalization rapidly increased in the year CY21, however a decline is observed since Jan CY22.

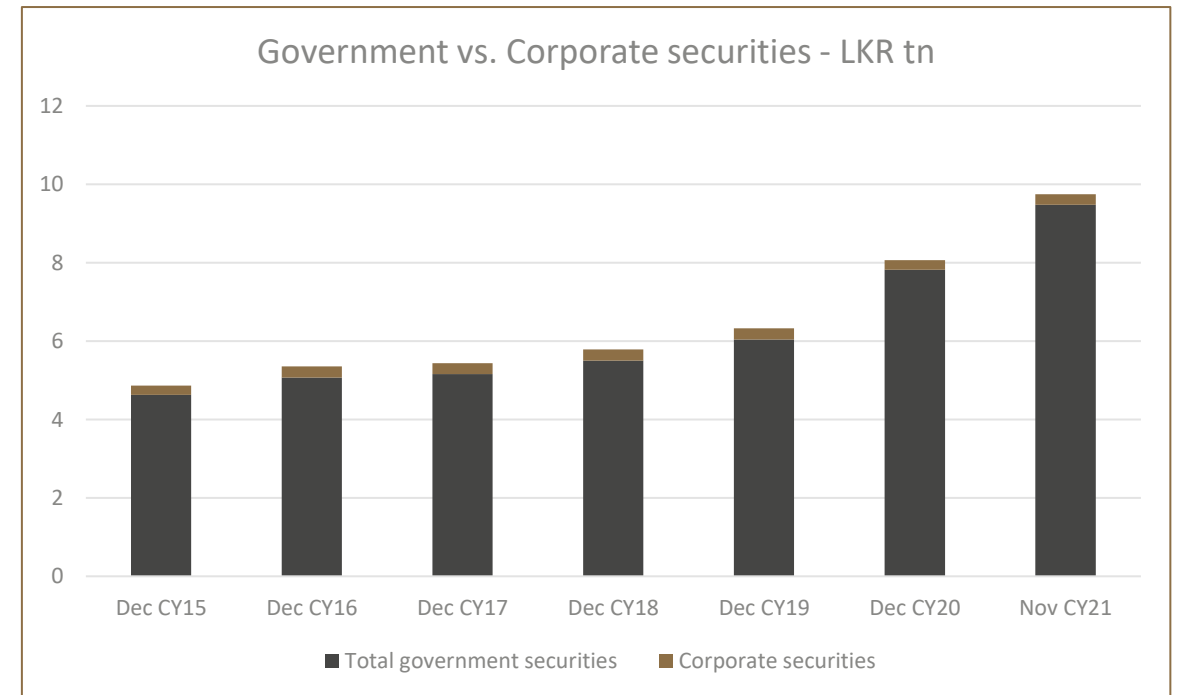
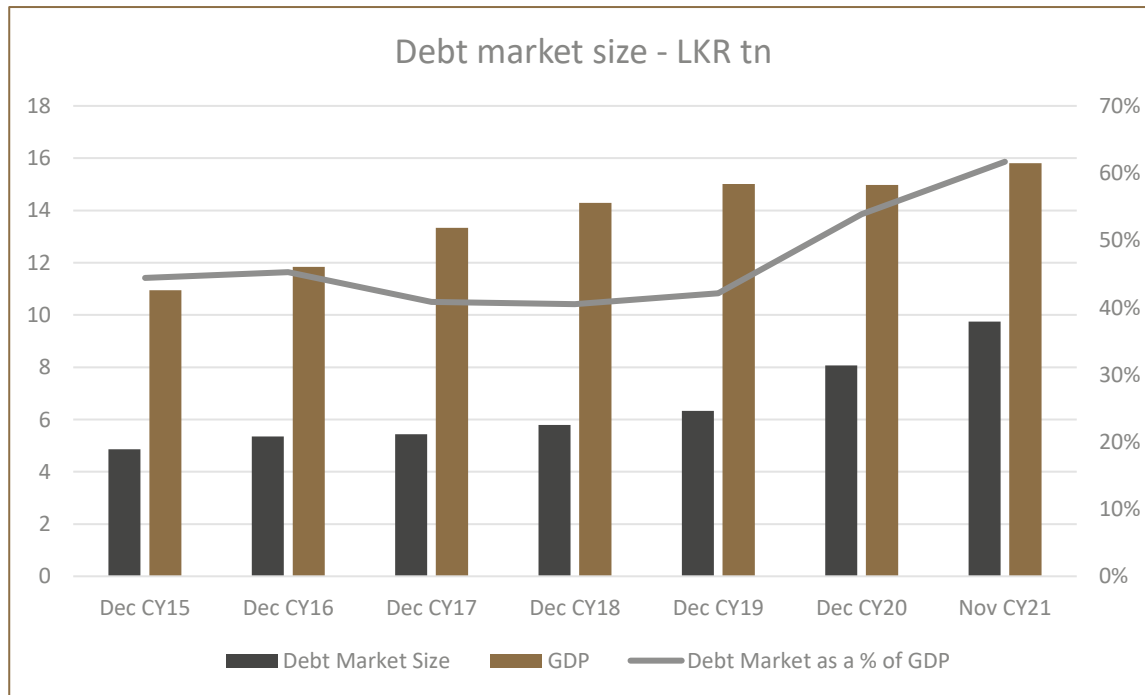


GICS Industry group	Market Capitalization (28-Feb-2022) – LKR bn	No. of listed securities
Automobiles & Components	6.88	1
Banks	345.04	16
Capital Goods	851.32	30
Commercial & Professional Services	5.47	6
Consumer Durables & Apparel	102.87	14
Consumer Services	156.29	37
Diversified Financials	1,286.43	54
Energy	38.21	3
Food & Staples Retailing	84.95	5
Food, Beverage & Tobacco	937.94	50
Health Care Equipment & Services	99.71	9
Household & Personal Products	9.27	2
Insurance	178.01	13
Materials	183.26	25
Real Estate	71.28	20
Retailing	73.58	14
Software & Services	6.14	1
Telecommunication Services	181.14	2
Transportation	579.80	3
Utilities	54.17	10
Total	5,251.76	



Debt Market

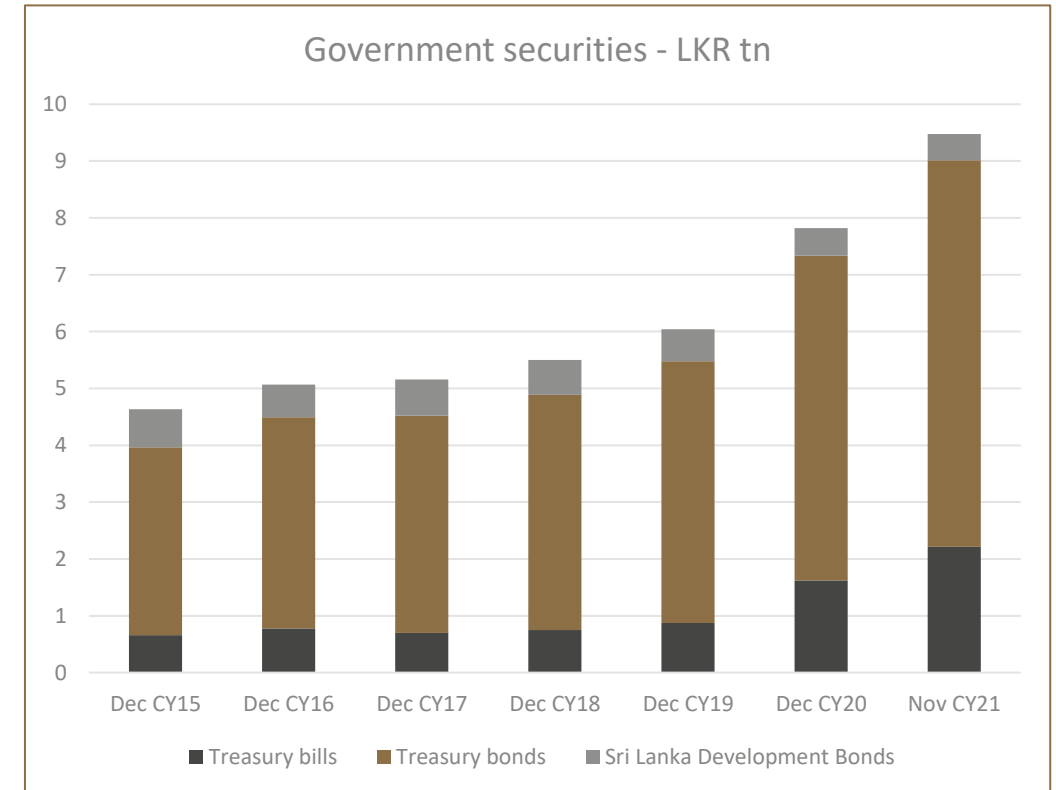
- The debt market in Sri Lanka was valued at LKR 9.75tn by Nov CY21. This is ~62% of the country's GDP.
- The size of the debt market has been growing at a CAGR of ~12.4% since CY15.
- Almost 97.2% of the debt market (LKR 9.47tn) was government securities (Treasury bills, bonds and Sri Lanka Development Bonds - SLDBs) in Nov CY21, while corporate securities were only LKR 274mn. Corporate debt market has been growing at a CAGR of 2.8% since CY15.





Debt Market

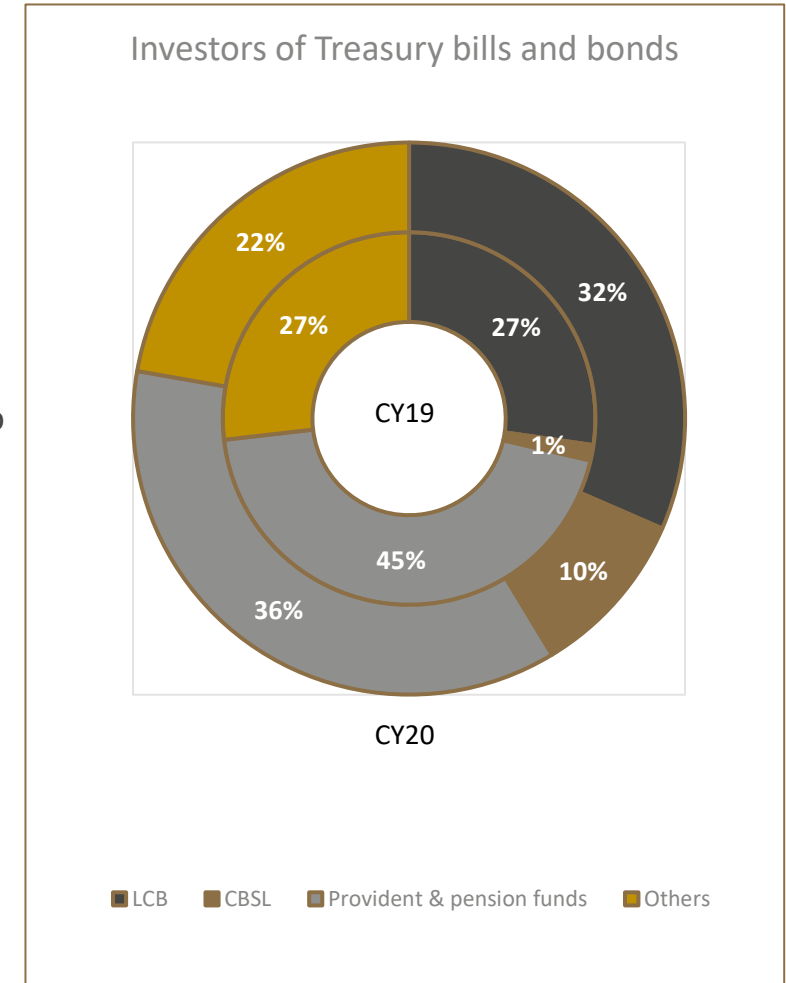
- Majority of government securities issued are long term treasury bonds (LKR 6.8tn 71.8% in Nov CY21).
- Outstanding value of treasury bills in Nov CY21 was LKR 2.2tn, while outstanding amount of the USD denominated SLDBs LKR 458.9bn.
- Foreign investments in Treasury bills plummeted to a new record low of 0.1% in Oct CY20 (from 16% in Oct CY19) of total. The outstanding foreign Treasury bill holdings amounted to LKR 1.7bn at end Oct CY20 compared to LKR 16.6bn at end Oct CY19.
- In addition, the outstanding Treasury bond holdings by foreign parties sunk to LKR 8.6bn at end Oct CY20 compared to LKR 95.9bn as at end Oct CY19.
- The substantially lower rates maintained to support the domestic economy, and developments in global markets led to foreign funds moving out of the Sri Lankan Treasury bill and bond markets.





Debt Market

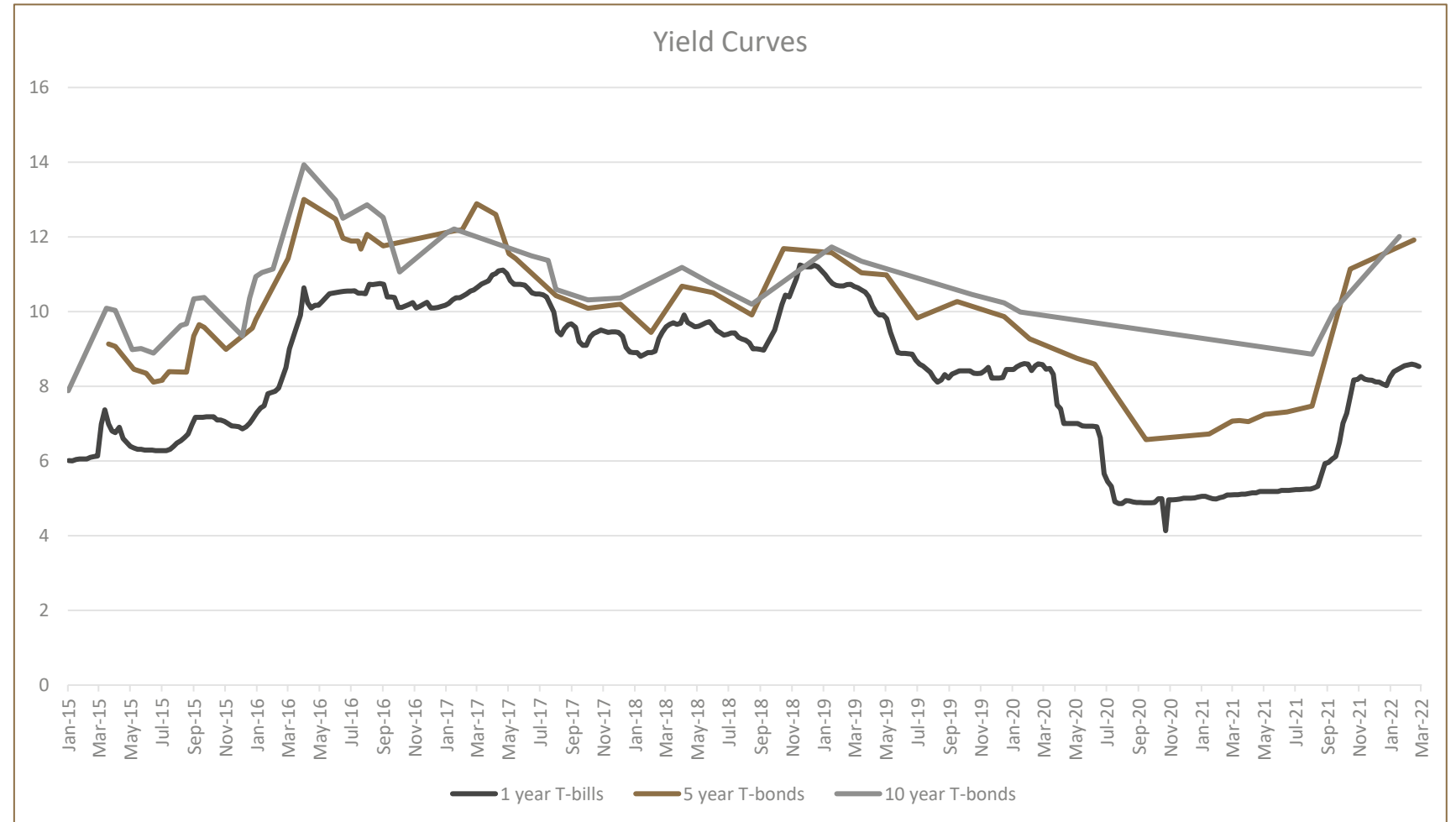
- Investments by the banking sector (which consists of Licensed Commercial Banks (LCBs) and the Central Bank) in domestic government securities (treasury bills and bonds, SLDBs and International Sovereign Bonds (ISBs) increased by 64% to LKR 4,735.7bn at end CY20 compared to LKR 2,888.5bn at end CY19.
- The LCB holding of Treasury bills and Treasury bonds increased to LKR 813.0bn and LKR 1,513.3bn, respectively, at end CY20.
- Similarly, CBSL holding of Treasury bills increased significantly to LKR 654.6bn by end CY20 compared to just LKR 25.9bn at end CY19. The CBSL holding of Treasury bonds increased to LKR 70.6 bn by end CY20.
- The amount of ISBs held by the domestic LCBs has increased considerably during CY20. Accordingly, the domestic ISB holding of LCBs increased by LKR 213.7 bn to LKR 415.8 bn at end CY20, from LKR 202.1bn at end CY19.
- The provident and pension funds continued to be the major non-bank investors in domestic government securities.
- The other investors in the domestic government securities market include savings institutions, insurance funds, official funds and other business and individual investors.
- The total nonbank sector investment in domestic government securities market increased by LKR 387.5bn to LKR 4,329.3bn at end CY20.





Debt Market

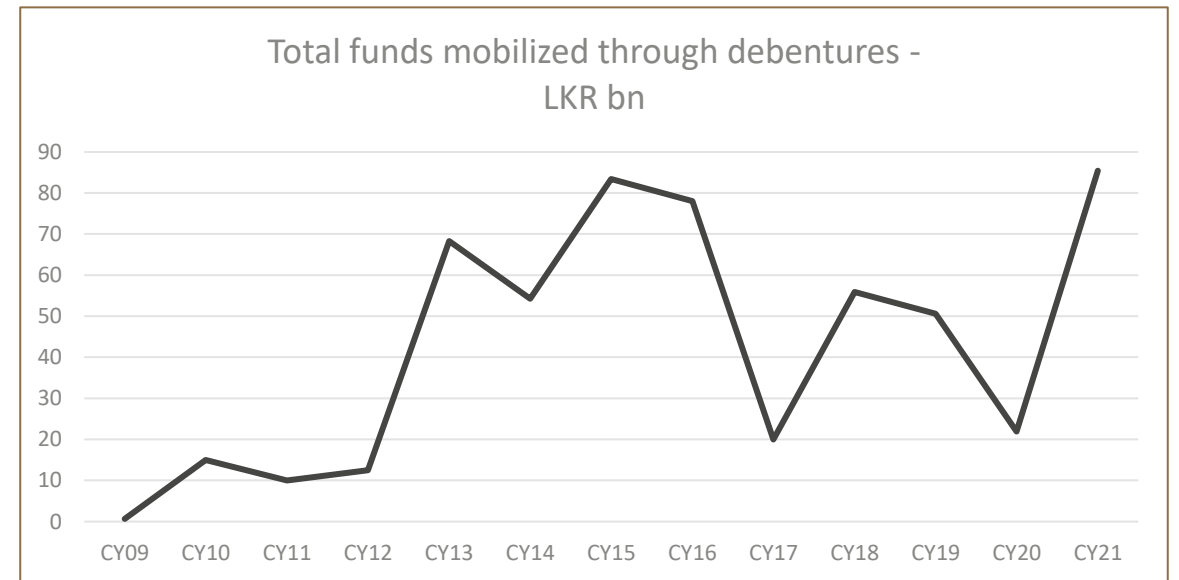
- Yields of government securities dropped in CY20 amidst an accommodative monetary policy stance adopted by the CBSL to ease the repercussions of the Covid-19 pandemic.
- However, yields have since increased to pre-pandemic levels.





Debt Market

- Market capitalization of the corporate debt market was LKR 274.26bn in CY21, which was a 12.8% increase from CY19.
- Total funds mobilized through new debenture issues has been volatile over the years. However after a decline in CY20, it bounced back sharply to a value of LKR 85.4bn in CY21, the highest amount recorded ever.
- Foreign holding of corporate debt securities which was 0.9% by end CY15 has reduced to 0.15 by end CY21.

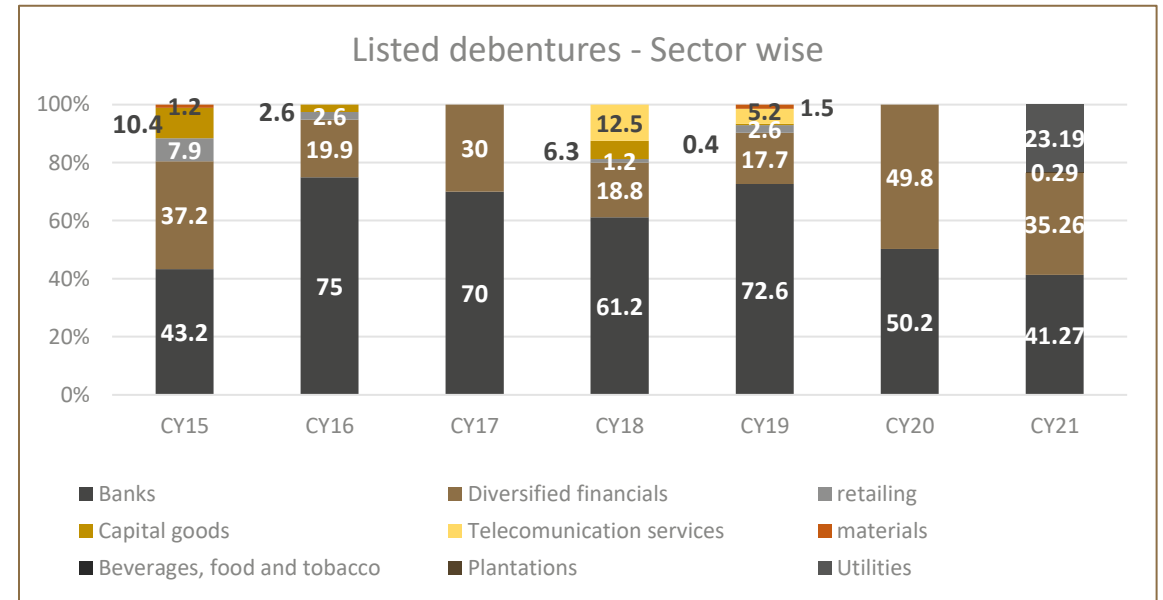
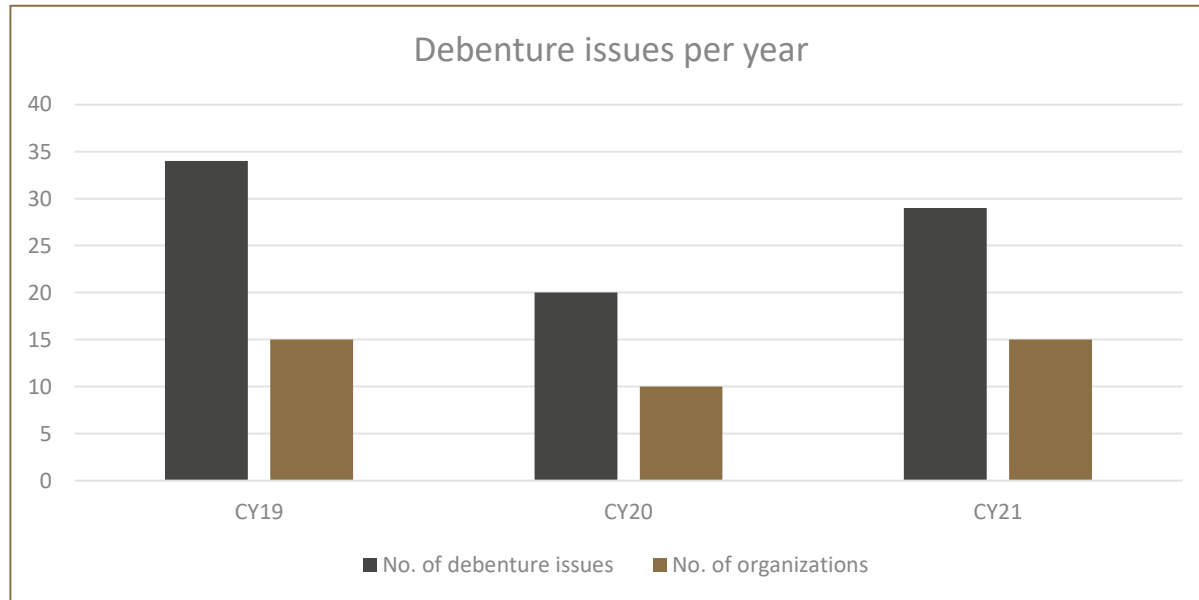




Debt Market

- 29 debentures were issued in CY21 by 15 organizations.
- Banks have always been the sector to issue the largest amount of debentures with diversified financials coming second.
- In CY21 too banks issued 41.27% of the debentures while diversified financials issued 35.26%. The Ceylon Electricity Board issued debentures worth LKR 20bn (23.2% of the total debentures issued in CY21).
- 5 year bonds have been the most common with 62% of all outstanding bonds being for 5 years.

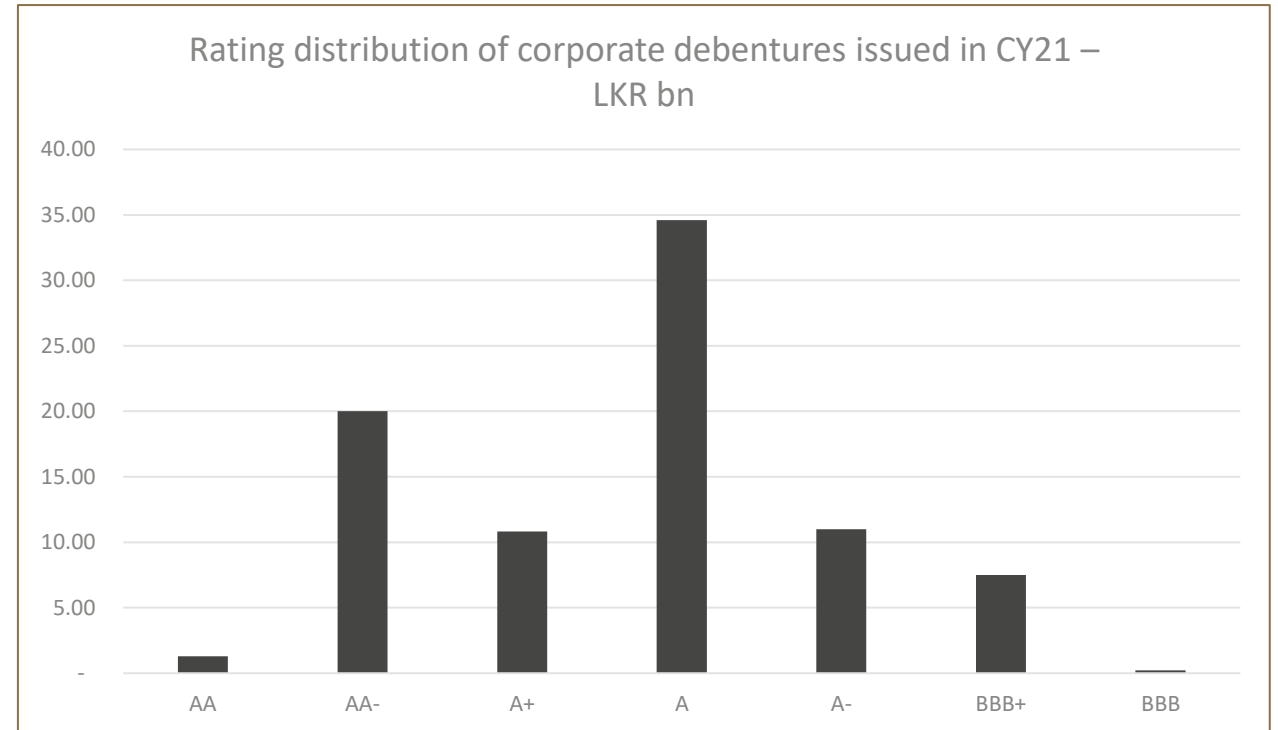
Tenure	Distribution of corporate bonds
2 years	3%
3 years	14%
5 years	62%
7 years	10%
10 years	10%





Debt Market

- Private entities that wish to list their debt should obtain a mandatory credit rating, obtained from a rating agency registered with the SEC.
- The rating should be a minimum of one notch above the Investment Grade (i.e. the rating should be a minimum of BBB).
- A majority (LKR 34.60bn) of debt that were listed in CY21 were rated A (40.51%).
- Over 90% of the listed debt in CY21 were of A grades or higher.
- Two debenture issues had credit ratings of BBB+ and one debenture had a BBB rating.





Mutual funds - categories

- **Open-ended Funds**

Open-ended Funds are funds where investors can enter the fund at any time and existing investors can exit out of the fund at any time. There is no restriction on the number of units to be issued by the fund and the fund has no maturity. The units are purchased from and sold to the Fund Management Company.

- **Close-ended Funds**

Close-ended Funds are funds that carry a maturity date. The Fund Management Company will open these funds to the prospective investors for subscription for a specific period of time. At the end of subscription period, the Fund Management Company will close the fund for any new subscription. Investors who have subscribed for these funds cannot exit any time they wish unless the fund is listed in an exchange. If the fund is listed in an exchange, existing investors can sell their units in these funds in the market at the market price and new investors can purchase units in the market. Usually units of these funds trade in the market at a discount to the Net Asset Value of the Fund. If the fund is not listed in an exchange, the Fund Management Company may provide for partial redemption after a certain period of time.

- Sri Lanka had just 2 closed ended funds in June CY19, which were both closed by December CY20.



Mutual funds - types

▪ **Gilt-edged funds**

Gilt-edged Funds are funds which invest only in Government Securities. Treasury Bills, Treasury Bonds and Repurchase Agreements on Government Securities are the only instruments in which these funds make their investments. The risk level on these funds remains very low and the returns on these funds are marginally lower than the rate on return on bank deposits. These funds are ideally suited for investors who do not want to take any risk on their investments. These funds regularly pay out a dividend either on a quarterly, semi-annual or annual basis.

▪ **Indexed funds**

These funds will invest in equity securities in the same proportion of each security's representation in a particular price index. The index can be S&P SL20, where the fund will invest in the 20 companies that are included in the S&P SL20 index according to the proportion each of these 20 companies represent in the index. The Fund Management Company can select a group of stocks and create an index for these stocks and confine their investments to these stocks. The main objective of the fund is to replicate the performance of the selected index. For example, if we say that the S&P SL20 index has grown by 20% in a given period, the indexed fund that track the S&P SL20 should also grow by 20% during the same period. The risk level of these funds is marginally below the risk level of growth funds.

▪ **Income funds or high yield funds**

These funds invest in fixed income securities that provide a much higher return than the Treasury Bills and Bank Deposits. Major part of the investments of the funds is made in corporate debt securities yielding higher returns. These funds also make investments in Treasury Bills, Bank Deposits and Repurchase Agreements. Investors in these funds get a regular dividend from the fund, either semi-annually or annually.



Mutual funds - types

- **Balanced funds**

Balanced Funds have an objective of providing the investors with a regular return and a capital appreciation in the medium to long term. The investments of the fund are made in equity securities and fixed income securities. The proportion of investments in equity securities and fixed income securities can vary depending on the market conditions and the investment strategies of the Fund Managers. These funds generally pay out a dividend once a year and investors can expect a capital appreciation in the unit prices in the medium to long term. These funds are ideally suited for investors who are seeking a regular return and who are willing to take a moderate risk for capital appreciation in the medium to long term. Usually these funds charge an entry fee when new investors enter the fund.

- **Growth funds**

These funds have an objective of providing a capital appreciation in the medium to long term. Major part of the investments of the fund is made in equity securities with a smaller portion of funds in fixed income securities. Here the Fund Manager will make investments in shares of the companies that are expected to grow their earnings in the medium to long term. Investors in these funds can expect a return higher than the rate of inflation in the medium to long term. Similarly the risk level of these funds is higher than the Balanced Funds. These funds may not pay a regular dividend to the investors but the investors have the option of selling their units back to the Fund Management Company if they feel that they are happy with the growth and they want to realize the capital appreciation.



Mutual funds - types

- **Money market funds**

Money Market Funds are funds which invest in short term fixed income securities such as, Treasury Bills, Bank Deposits, Commercial Papers, Asset Backed Securities and Repurchase Agreements. These funds are ideal for individuals as well as corporates to park their temporary cash surpluses and earn a competitive tax free return. These funds generally provide liquidity similar to a savings account with a very attractive return. Investors can keep their investments even for a shorter period and earn a return. Investors in these funds are paid one or more dividends per year.

- **Sector funds**

These funds can be confined to equity securities of a particular sector. For example, the Banking Sector, the Manufacturing Sector etc. For example, if the fund is a Banking Sector fund, the investments of the fund will be confined to the equity securities coming under the Banking Sector. The Fund Manager need not invest in all the companies that come under the particular sector, he can select the best companies out of the sector and invest. The Fund Manager takes a view that during certain periods certain sectors will do well and offers that opportunity to the investors to take advantage of it.

- **Specialty funds**

These funds may focus on socially responsible investing, Shariah compliant investing etc. For example, a socially responsible fund may invest in companies that support environmental initiatives, human rights and diversity, whilst Shariah compliant funds will avoid companies involved in alcohol, tobacco, gambling, weapons and certain leisure etc.



Number of mutual funds per type

Fund type	June CY19		Dec CY19		June CY20		Dec CY20		June CY21		Dec CY21	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
Open-ended income funds	14	20%	14	21%	14	22%	13	20%	15	22%	16	24%
Open-end equity index/sector	4	6%	5	8%	5	8%	4	6%	4	6%	4	6%
Open-ended growth funds	8	12%	8	12%	8	13%	9	14%	10	15%	10	15%
Open-ended gilt-edged funds	10	14%	9	14%	9	14%	8	13%	8	12%	8	12%
Open-ended money-market funds	18	26%	16	24%	14	22%	16	25%	17	25%	17	25%
Open-ended balanced funds	8	12%	8	12%	8	13%	9	14%	9	13%	9	13%
Open-ended Shariah funds -	1	1%	1	2%	1	2%	1	2%	1	1%	1	1%
Open ended Shariah money market funds	3	4%	3	5%	3	5%	3	5%	3	4%	2	3%
Open-ended IPO fund	1	1%	1	2%	1	2%	1	2%	1	1%	1	1%
Close-ended listed equity growth fund	2	3%	1	2%	1	2%		0%		0%		0%
Total	69	1	66	1	64	1	64	1	68	1	68	1



Market shares of Unit trust managing companies (UTMCs)

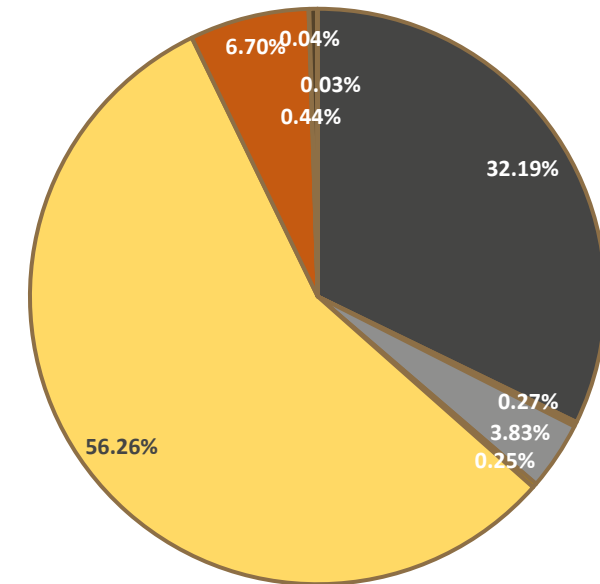
Unit Trust Managing Company	June CY19		Dec CY19		June CY20		Dec CY20		June CY21		Dec CY21	
	Market Share	No. of Funds	Market Share	No. of Funds	Market Share	No. of Funds	Market Share	No. of Funds	Market Share	No. of Funds	Market Share	No. of Funds
Arpico Ataraxia Asset Management Pvt Ltd	0.2%	2	0.5%	2	0.5%	2	0.2%	2	0.2%	2	0.2%	2
Asia Securities Wealth Management (Pvt) Ltd									0.7%	1	3.0%	1
Asset Trust Management (Pvt) Ltd	0.2%	1	0.3%	1	0.2%	1	0.2%	1	0.5%	2	0.4%	2
Assetline Capital (Pvt) Ltd	4.1%	3	2.0%	2	2.9%	2	2.1%	2	2.2%	2	2.2%	2
Candor Asset Management (Pvt) Ltd	1.0%	5	0.6%	5	0.9%	5						
Capital Alliance Investments Ltd	18.7%	11	20.4%	11	19.8%	11	20.0%	11	25.0%	11	28.5%	11
Ceybank Asset Management (Pvt) Ltd	7.1%	7	5.9%	7	4.5%	6	3.9%	5	4.0%	5	5.1%	5
Ceylon Asset Management Limited	4.0%	9	4.5%	8	3.6%	8	2.4%	8	3.0%	8	3.9%	8
Comtrust Asset Management (Pvt) Limited	1.7%	4	1.0%	4	1.1%	4	0.6%	4	0.8%	4	1.3%	3
First Capital Asset Management Limited	7.7%	5	7.4%	5	7.7%	5	9.7%	5	10.1%	5	11.0%	5
Guardian Acuity Asset Management Limited	7.3%	3	5.0%	3	3.2%	2	1.9%	2	1.5%	2	1.5%	3
JB Financial (Pvt) Ltd	12.1%	3	13.7%	3	10.9%	3	11.0%	3	11.5%	3	8.1%	3
National Asset Management Limited	7.9%	6	4.9%	5	4.2%	5	3.5%	5	4.7%	5	1.9%	5
NDB Wealth Management Ltd	28.2%	8	33.6%	8	40.0%	8	42.3%	8	32.6%	8	28.5%	8
Premier Wealth Management Limited	0.2%	2	0.2%	2	0.4%	2	0.4%	2	0.4%	2	0.3%	2
Senfin Asset Management (Pvt) Ltd							1.1%	4	1.9%	6	2.1%	6
Softlogic Asset Management (Pvt) Ltd							0.5%	2	1.2%	2	2.0%	2
Total		69		66		64		64		68		68



Net Asset Values (NAVs) based on type of fund

Type of fund	Net Asset Value (LKR mn) – Dec CY21	
Open-ended income funds	62,389.13	32%
Open-end equity index/sector	521.63	0.3%
Open-ended growth funds	7,422.58	4%
Open-ended gilt-edged funds	483.04	0.2%
Open-ended money-market funds	109,037.45	56%
Open-ended balanced funds	12,984.31	7%
Open-ended Shariah funds -	78.50	0.04%
Open ended Shariah money market funds	846.98	0.4%
Open-ended IPO fund	56.86	0.03%
Total	193,820	

Category of AUMs – Dec CY21

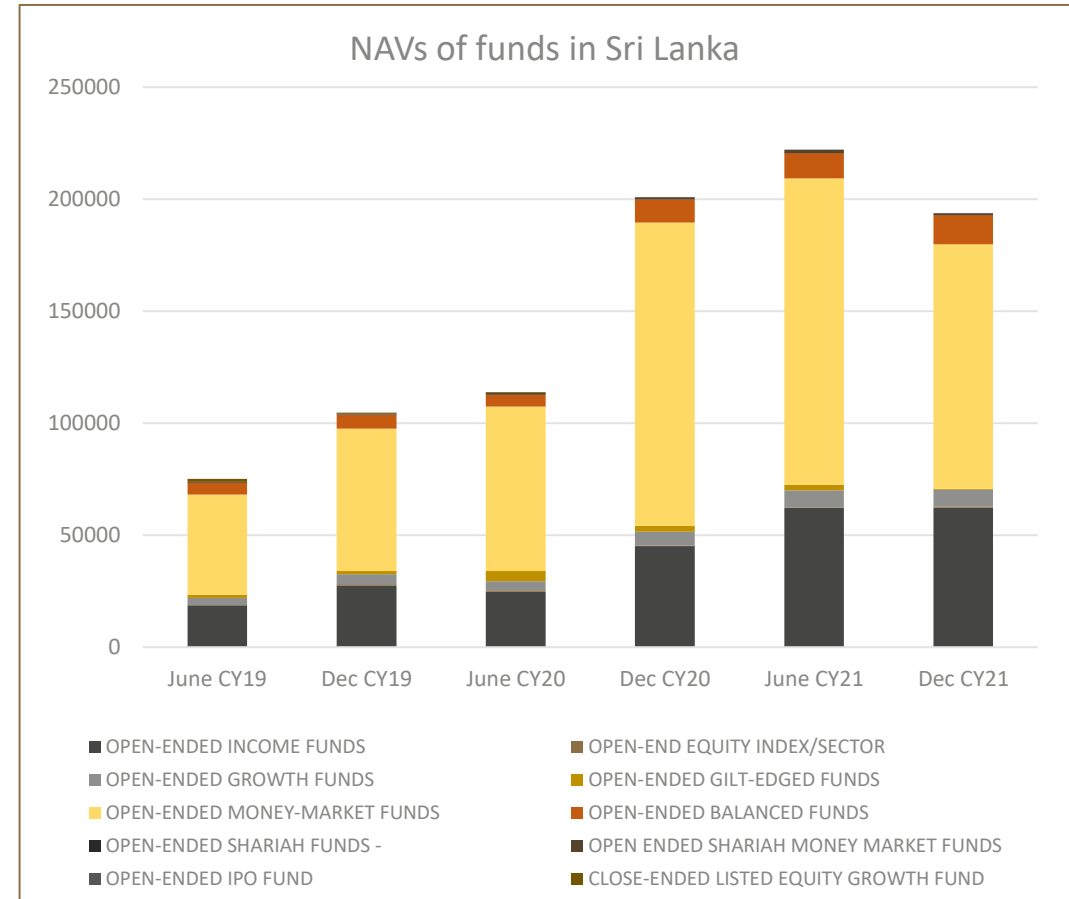


- OPEN-ENDED INCOME FUNDS
- OPEN-ENDED EQUITY INDEX/SECTOR
- OPEN-ENDED GROWTH FUNDS
- OPEN-ENDED GILT-EDGED FUNDS
- OPEN-ENDED MONEY-MARKET FUNDS
- OPEN-ENDED BALANCED FUNDS
- OPEN-ENDED SHARIAH FUNDS -
- OPEN ENDED SHARIAH MONEY MARKET FUNDS
- OPEN-ENDED IPO FUND



Net Asset Values (NAVs) based on type of fund

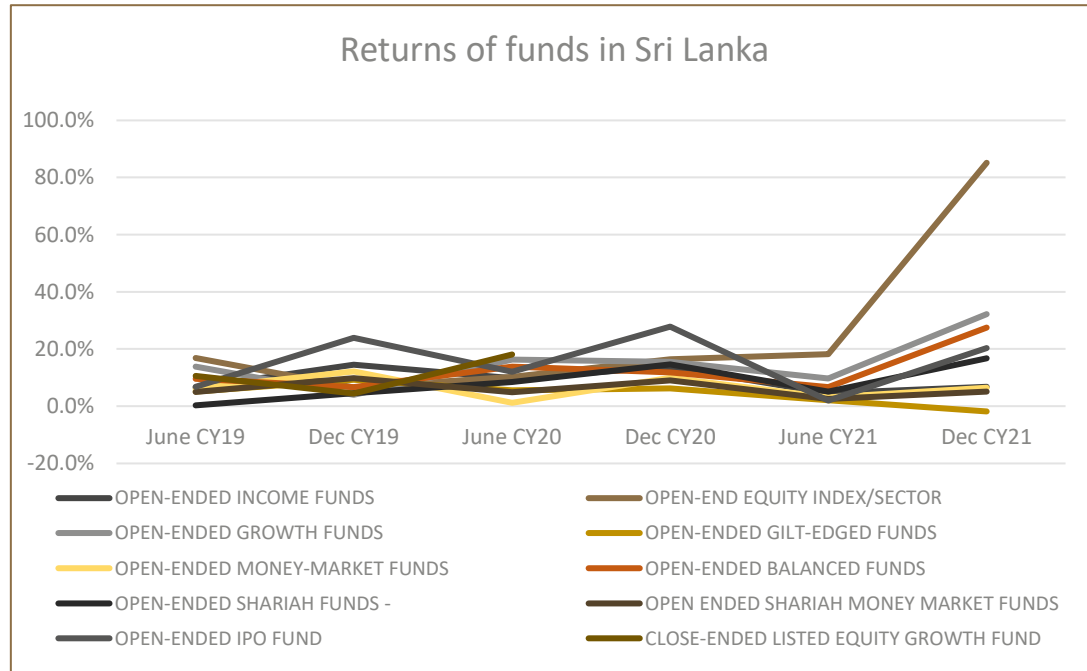
- Total NAV of Unit trusts held is LKR 193.8bn.
- This is a 158% growth from the NAV of LKR 75.2bn of June CY19, translating to a CAGR of 46%.
- There was however a decline in NAV by Dec CY21, after peaking at June CY21 with an NAV of LKR 222bn.
- The highest NAV was recorded in the open ended money market funds category (LKR 109bn) , which was 56% of the total portfolio in Dec CY21.
- Historically, open ended money market funds which include short term instruments like T-bills, commercial papers and cash and cash equivalents have had the highest NAV in Sri Lanka.
- Open ended income funds have the next highest NAV (LKR 62bn), which was 32% of the portfolio in Dec CY21.





Yields of funds based on types

- Yields were highest for open ended equity index/sector funds in Dec CY21 to the performance of the equity market.
- Open-ended growth and balanced funds too yielded high returns in Dec CY21



	%	Dec CY19	June CY20	Dec CY20	June CY21	Dec CY21
Open-ended income funds	6.5%	14.6%	9.8%	13.7%	4.5%	6.8%
Open-end equity index/sector	16.9%	6.5%	10.2%	16.4%	18.2%	85.2%
Open-ended growth funds	13.9%	4.0%	16.3%	15.5%	9.7%	32.2%
Open-ended gilt-edged funds	5.1%	9.2%	5.6%	6.3%	2.0%	-1.8%
Open-ended money-market funds	6.1%	12.1%	1.2%	9.9%	3.1%	6.5%
Open-ended balanced funds	9.6%	6.7%	13.8%	11.9%	6.7%	27.5%
Open-ended Shariah funds -	0.3%	4.6%	8.5%	14.7%	5.2%	16.8%
Open ended Shariah money market funds	5.0%	9.8%	4.9%	9.0%	2.5%	5.2%
Open-ended IPO fund	6.8%	23.9%	12.1%	27.8%	1.9%	20.4%
Close-ended listed equity growth fund	10.6%	4.5%	18.1%			



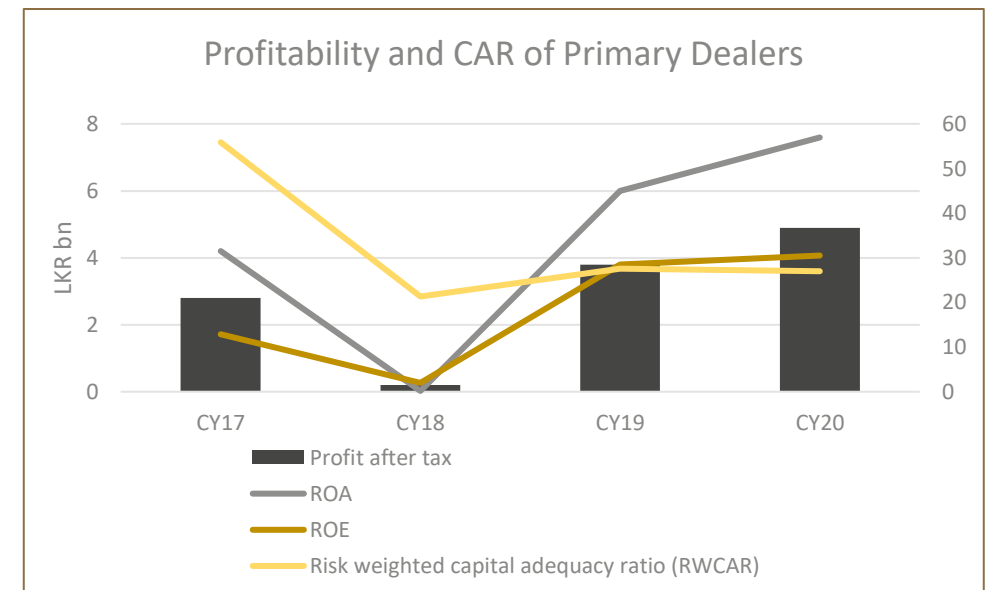
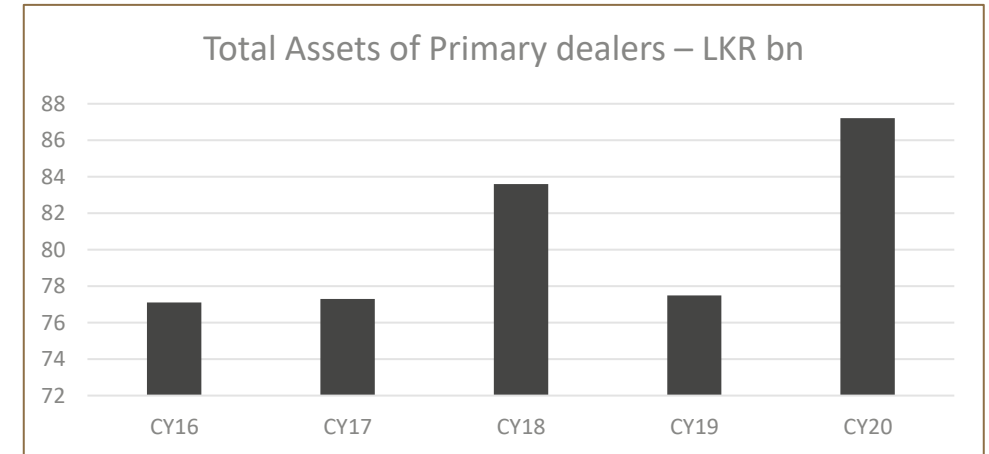
Regulatory framework

- Unit trust managing companies (UTMCs) are regulated by the Securities and Exchange Commission (SEC) of Sri Lanka under the Unit Trust Code (THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT, No. 36 OF 1987). License to operate as UTMCs is granted by the SEC. There are 16 UTMCs currently registered in Sri Lanka.
- All Unit Trust funds in Sri Lanka too have to be licensed by the SEC.
- The SEC conducts off site supervision of UTMCs to assess the adequacy of their financial strength, compliance with internal controls and procedures Rules and Regulatory requirements. UTMCs are required to submit monthly returns and unaudited financial statements to the SEC.
- Minimum net capital requirement for UTMCs to operate is LKR 25mn.
- The Unit Trust Association of Sri Lanka is an industry association formed by the 16 UTMCs to interact and to represent to the Securities & Exchange Commission of Sri Lanka, The Government and the Central Bank of Sri Lanka on all matters relating to the Unit Trust Industry and to disseminate information on Unit Trust Industry.



Primary Dealers

- 13 primary dealers are currently registered with the CBSL, however 3 of them have been suspended from carrying on the business and activities of a Primary Dealer due to various issues.
- Out of the primary dealers under operation 4 are stand-alone primary dealers while 6 operate as a separate unit of licensed commercial banks.
- Activities of the primary dealers are regulated by the CBSL and returns have to send to the CBSL periodically.
- At the end of CY20, the total assets of only the standalone primary dealers were LKR87.2bn A growth of 12.5% since CY19.
- Government securities amount to LKR 80.1bn, of which the trading portfolio was LKR 62.6bn (78.3%), the held to maturity portfolio was LKR 14.7bn (18.5%) and the available for sale portfolio was LKR 2.8bn (3.2%).
- Profit after tax of standalone Primary dealers increased to LKR 4.9bn in CY20, a growth of 22.4% from CY19.
- ROA and ROE too improved in the year CY20.
- RWCAR is well above the statutory minimum of 10%.





Primary Dealers

- The participation in primary auctions in respect of Treasury bills and Treasury bonds by PDs has shown a mixed performance during CY20.
- Of the total bids accepted at 53 T-bills auctions conducted in 2020, the effective participation of LCBs appointed as PDs, PD Companies and Employees' Provident Fund (EPF) accounted to 58.4%, 41.3% and 0.3% respectively.
- At 15 T-bond auctions conducted during CY20, effective participation of LCBs appointed as PDs, PD companies and EPF accounted to 31.5%, 35.3% and 33.2% respectively.
- Secondary market transactions in government securities (in terms of value) by PD companies decreased by 6.6% to LKR 7,576.5bn in CY20, out of which repo transactions accounted to 72.4%. During CY20, outright purchases and outright sales by PD Companies increased by 12.5 per cent and 35.8 per cent respectively, compared to CY19.



Outlook

- Amid Covid-19 related disruptions and forex shortages, the Sri Lanka economy remained resilient growing at (an estimated) 3.3% Y-o-Y in CY21.
- The decision of the CBSL to float the LKR in March CY22, has resulted in the LKR depreciating rapidly increasing the import costs greatly. This has affected many industries due to the hike in fuel prices, and imported raw material prices.
- High inflation, forex shortages and the repercussions of the Russia-Ukraine crisis will be issues that the country will face this year, which could severely impact our import costs and overall costs of production. The government has been negotiating several trade credit facilities, which if received would help reduce the burden on the trade deficit.
- However with Covid-19 being normalized and the country opening up, tourism has started to pick up and a GDP growth rate of 4.5% is forecasted for the year CY22.
- Policy rates which were reduced during the wake of the Covid-19 pandemic, are being gradually increased with the latest being an increase in 100bps in March CY22, (SDFR – 6.5, SDLR – 7.5) in order to dampen the possible build-up of underlying demand pressures in the economy.
- Yields on government securities have also increased notably to reflect market conditions in view of the higher financing requirement of the Government.
- The stock market performed really well during the 2nd half CY21 (ASPI grew by 54%). Performance in CY22 has been somewhat sluggish (growth in Jan CY22 – 6%, Feb CY22 – negative 11%) fueled by the economic woes the country is facing at the moment and the uncertainty in investor confidence.