

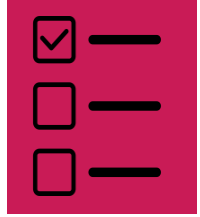


Diagnosis of Sri Lankas Current Economic Crisis and Potential Solutions

Murtaza Jafferjee CFA

10 September 2021

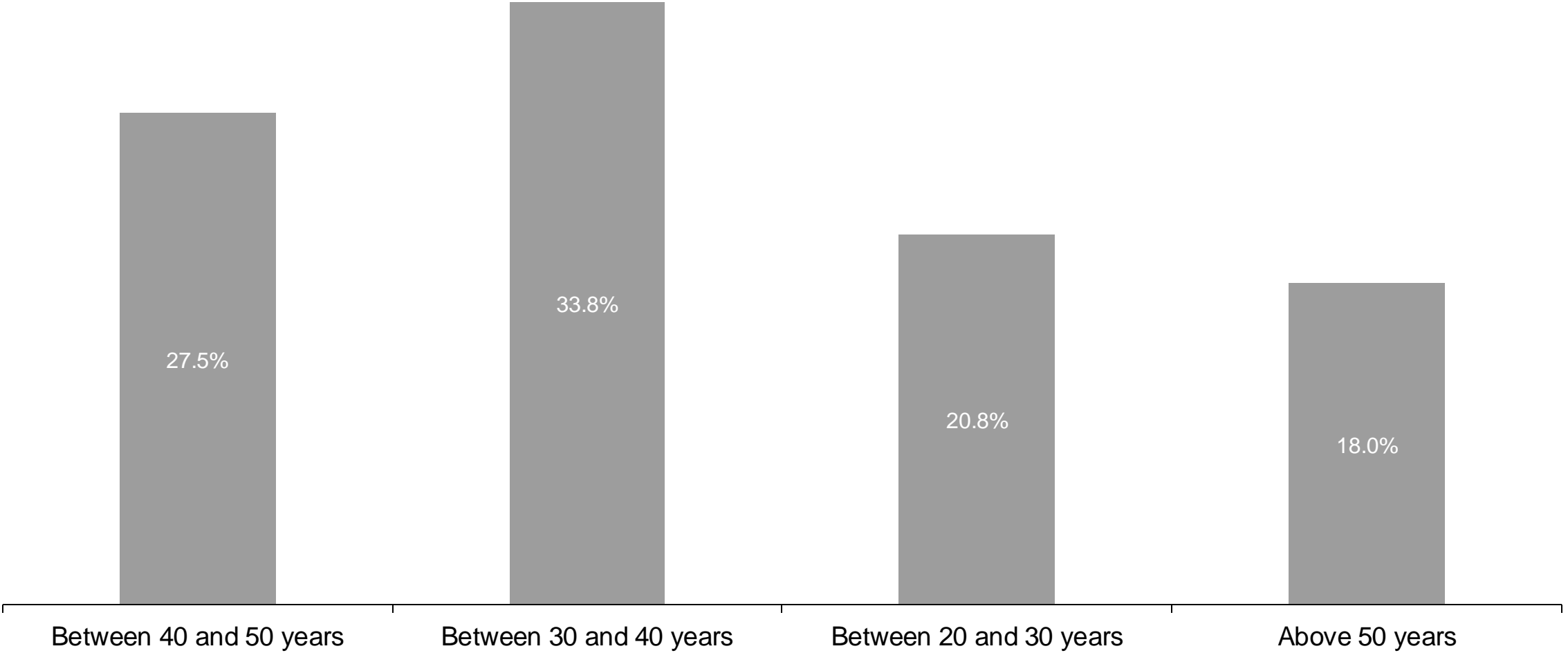
Organized by the CFA Society Sri Lanka



Poll 1

How old are you?

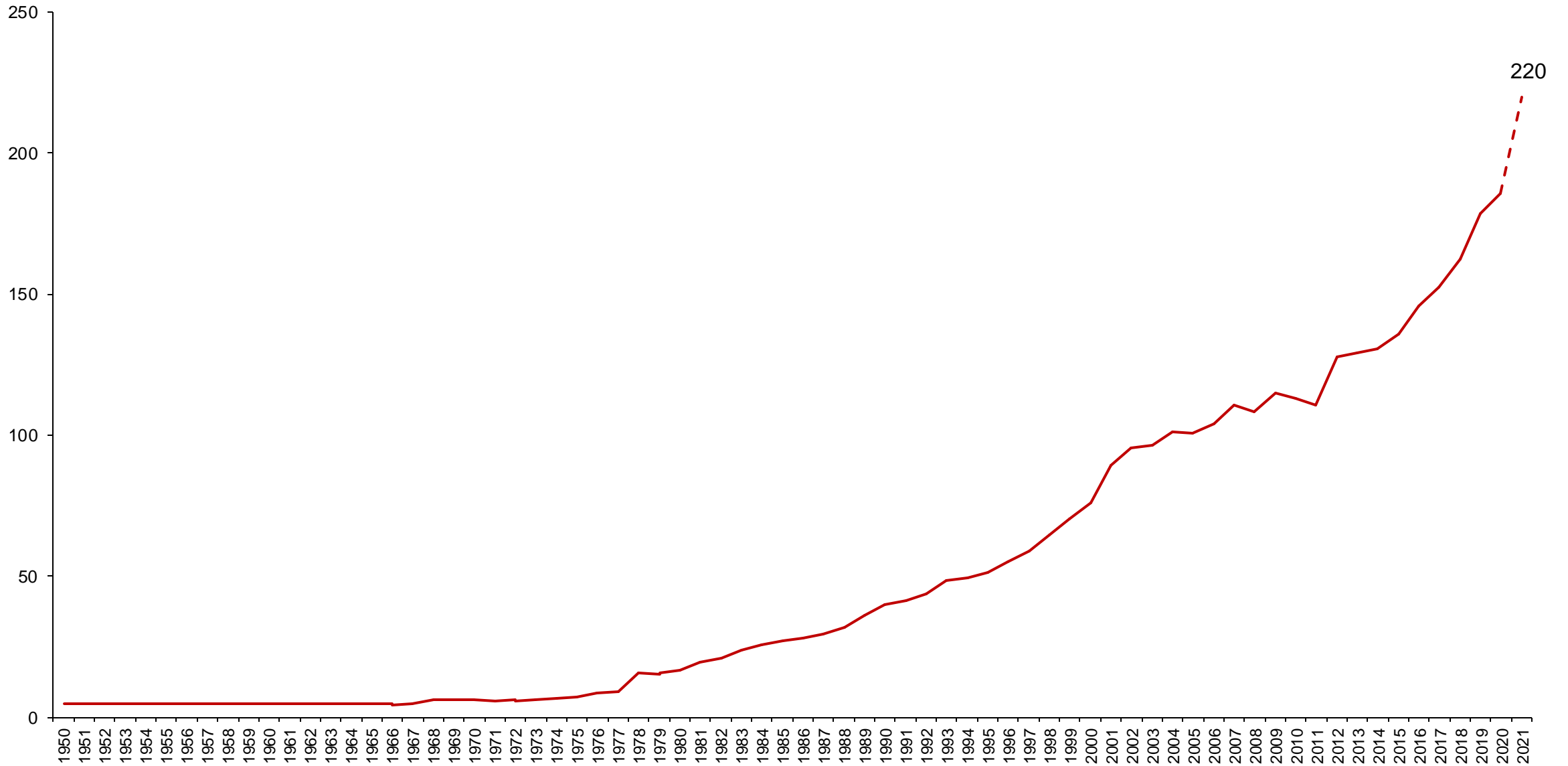
Total respondents: 400



 **We have had decades of Macro Economic Instability**

USD/LKR rate since 1950

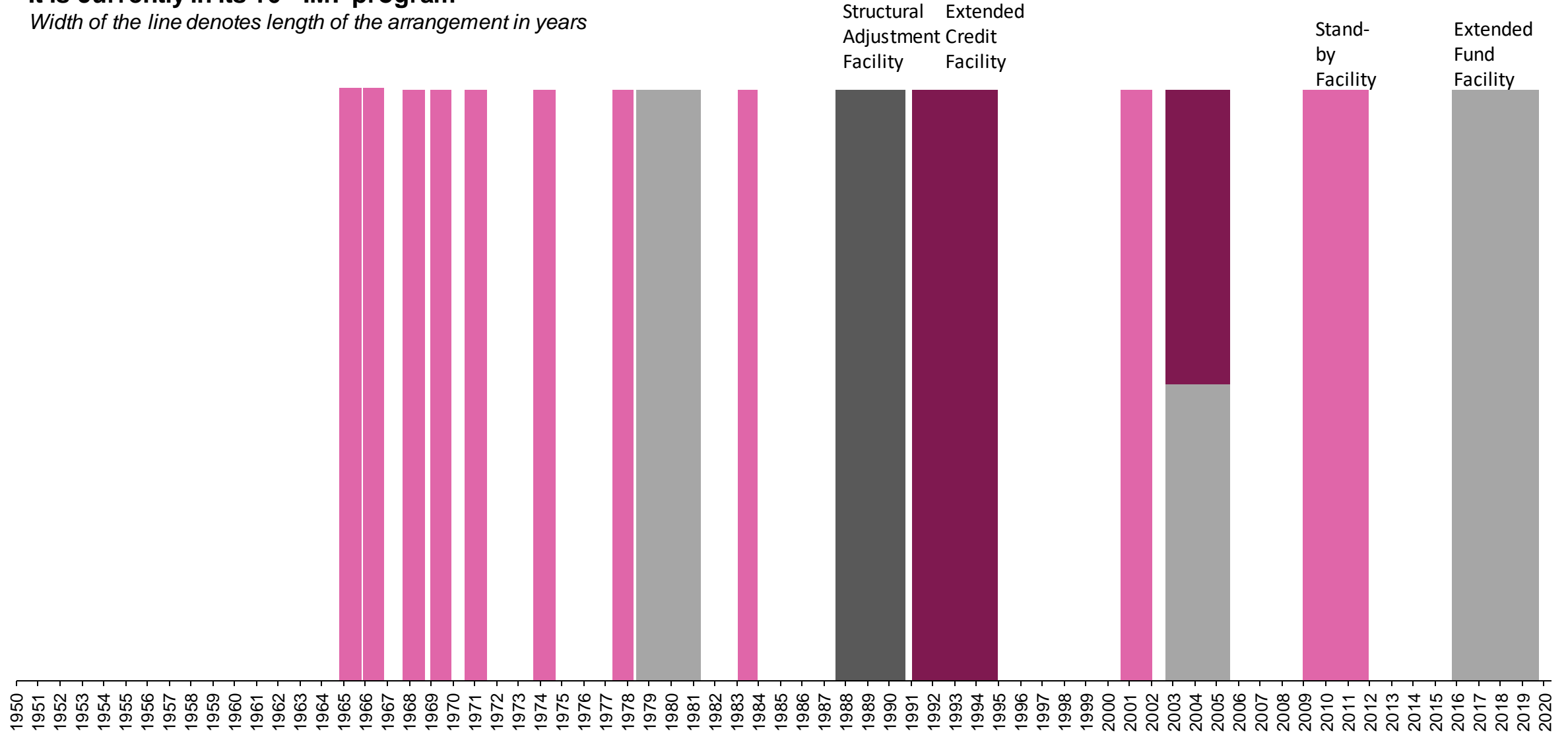
Average annual exchange rate



Sri Lanka has spent 42% of the last 70 years under an IMF facility

It is currently in its 16th IMF program

Width of the line denotes length of the arrangement in years

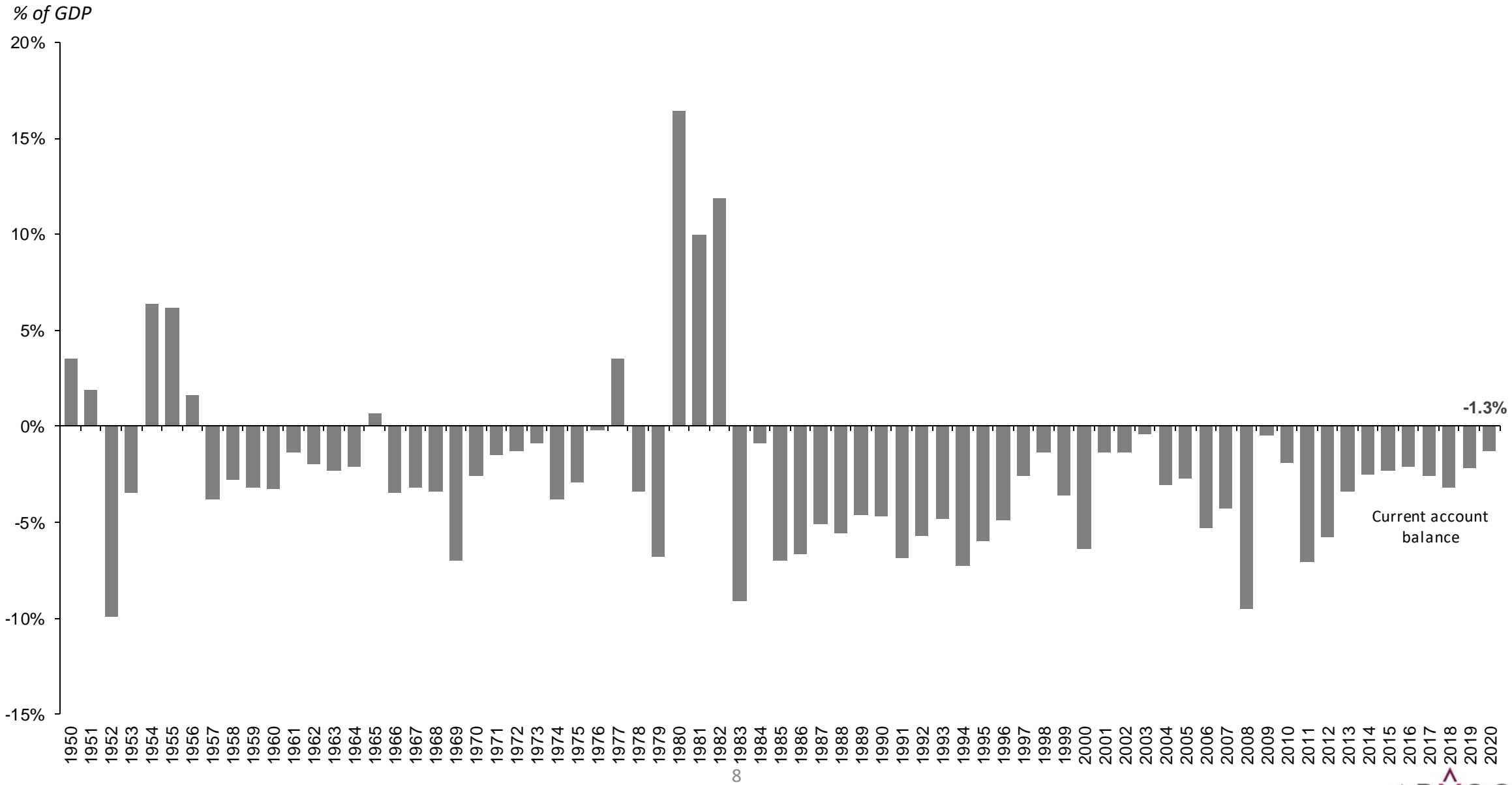


Some countries have repeat IMF programs



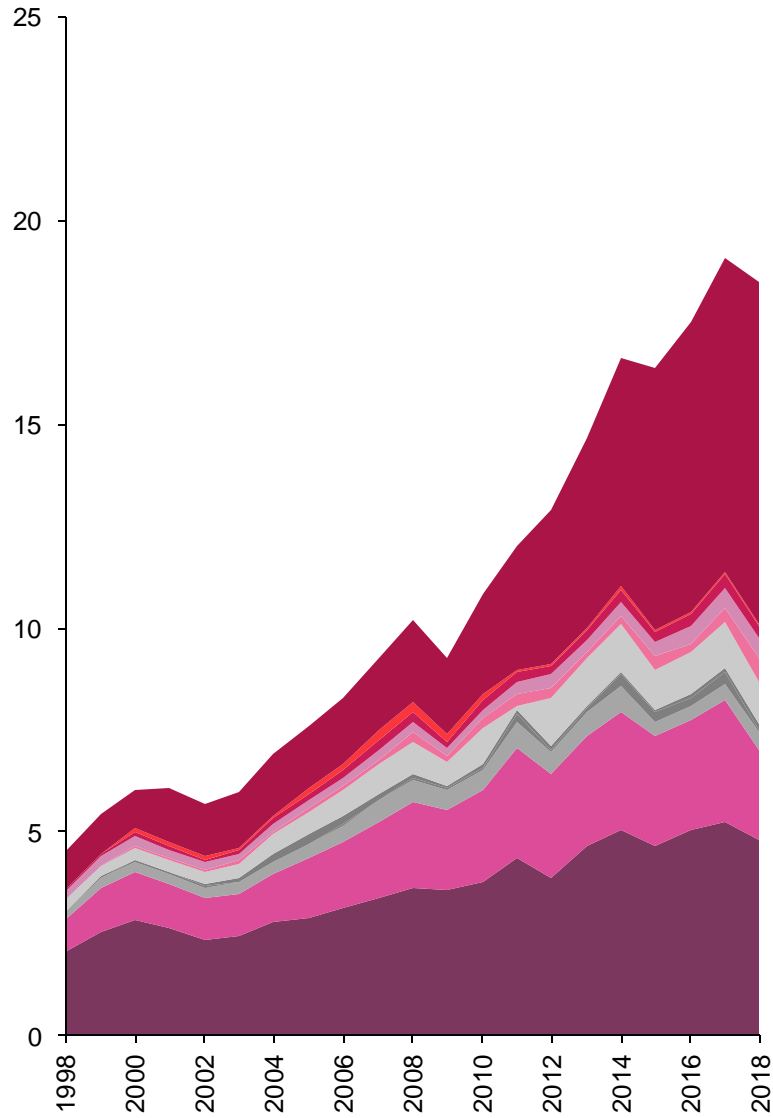
 <https://youtu.be/vnn66yUJHlo>

Sri Lanka's Current account balances – 70 years

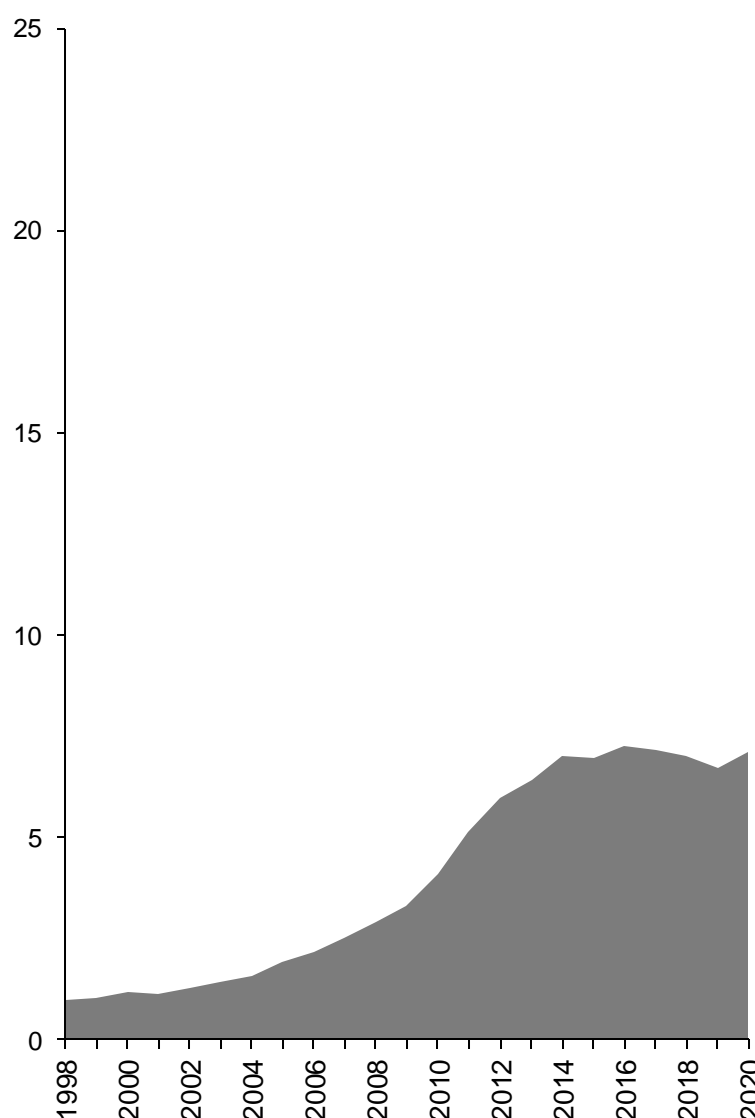


External Sector – Inflows are growing but outflows are growing faster

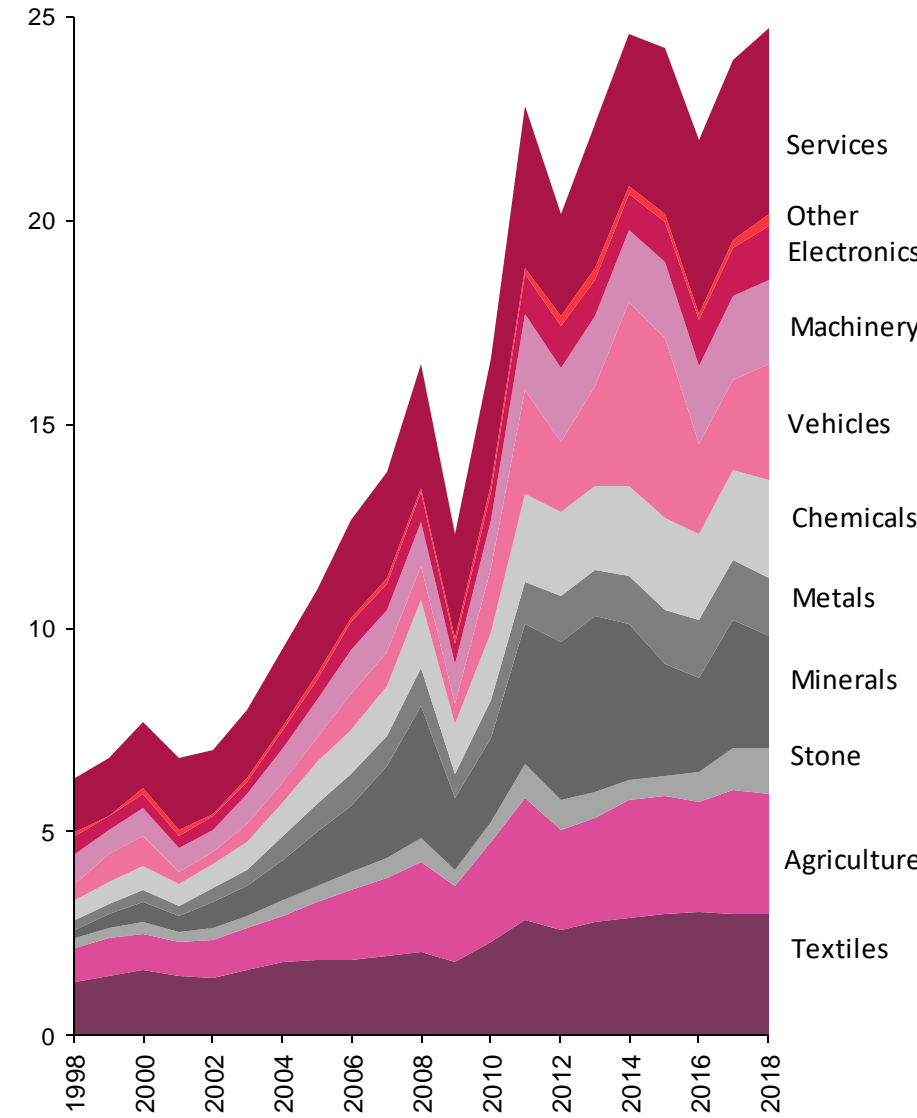
Exports
USD Bn'



Remittances
USD Bn'



Imports
USD Bn'

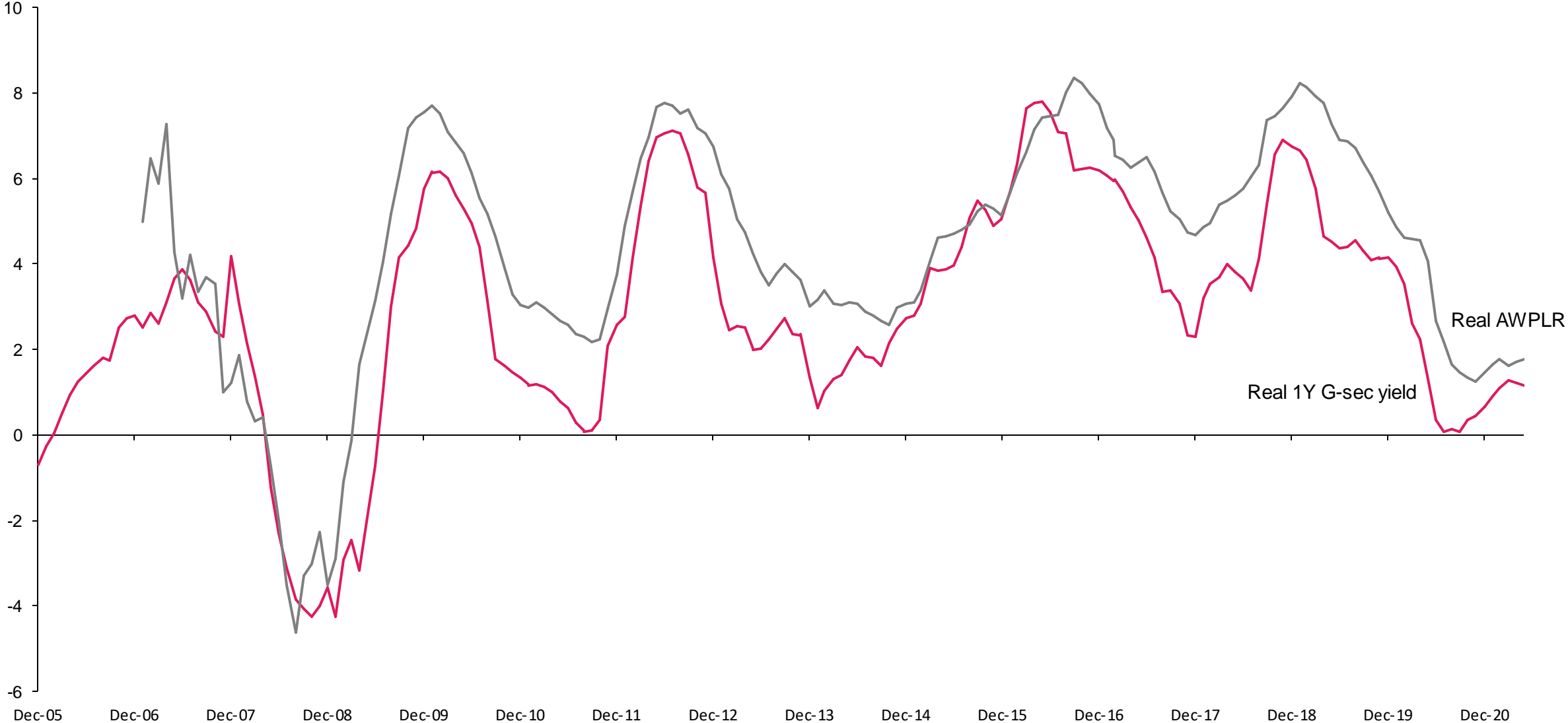


Source: Harvard Economic Atlas, Advocata Research

Is the problem due to trade or excess spending

- **Absorption** can also be defined as **spending**
- Spending is a function of disposable income (*income* – **taxes**) and **credit**
- Taxes are determined by **Fiscal Policy**
- Credit is determined by **Monetary Policy**

Is Monetary Policy the Problem - Real interest rates



Is Fiscal Policy the problem ? The problem of twin deficits

LKR Bn	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Government dis-savings	-102.9	-41.9	-63.5	-51.9	-118.3	-240.8	-64.2	-88.1	-157.3	-525.8	-1,175.1
Current Account balance	-119.3	-525.7	-506.3	-332.2	-260.5	-271.2	-261.0	-352.9	-511.5	-334.8	-201.9
Dis savings % of current account balance	86.3%	8.0%	12.5%	15.6%	45.4%	88.8%	24.6%	25.0%	30.7%	157.0%	582.0%
CA balance % of GDP	-1.6%	-0.6%	-0.7%	-0.5%	-1.1%	-2.2%	-0.5%	-0.7%	-1.1%	-3.5%	-7.8%
Dis-savings % of GDP	-1.9%	-7.3%	-5.8%	-3.5%	-2.5%	-2.5%	-2.2%	-2.6%	-3.6%	-2.2%	-1.3%

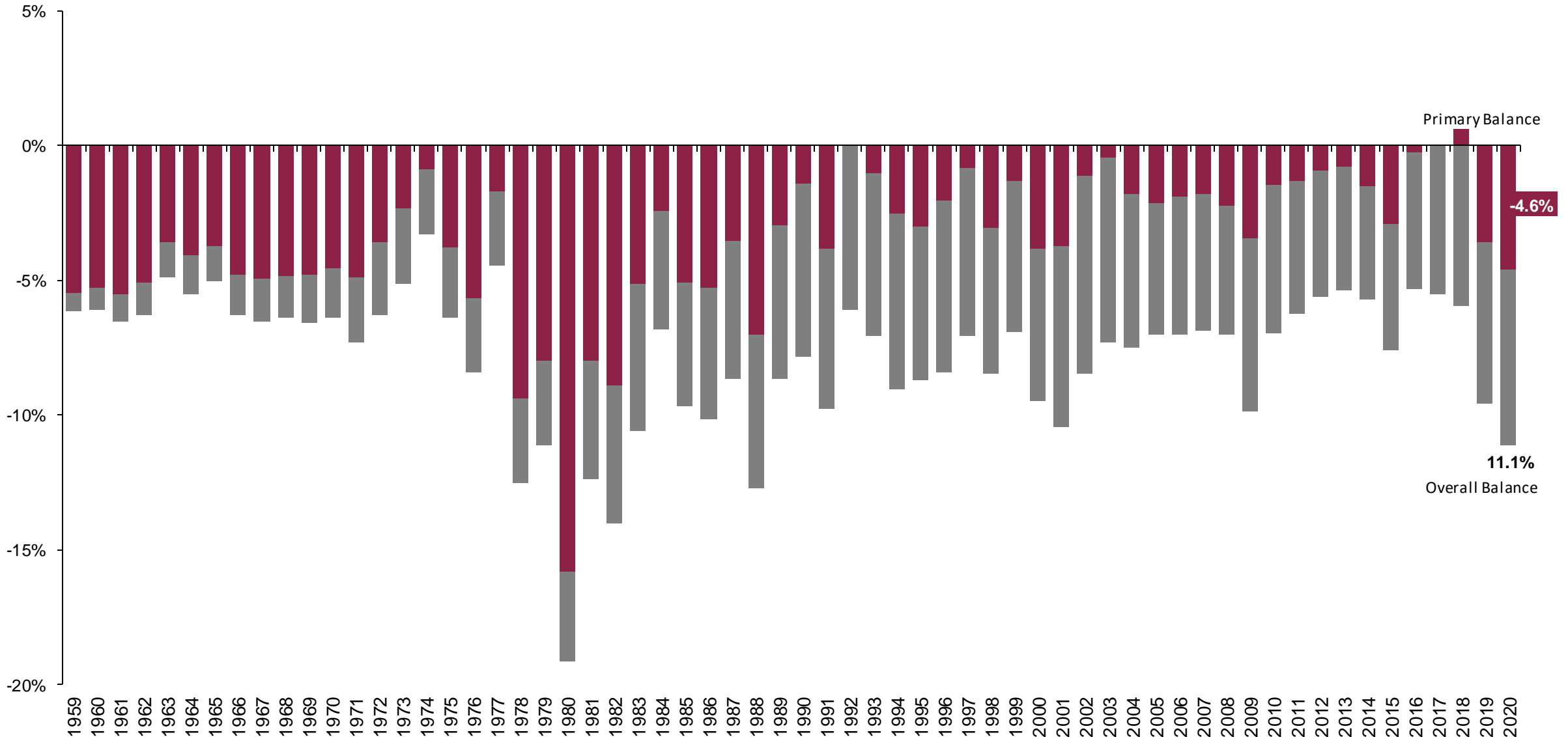
Primary and Overall Balance

Primary Balance (PB) is the difference between Government Revenue(R) and non-interest Government expenditure(G)

$$PB = \text{Revenue} - \text{Primary Expenditure}$$

The primary balance is an indication of fiscal performance in each year, interest (I) is on debt that is inherited which is excluded. The PB illustrates how resources raised each year have been used.

Except for 4 years we have been posting primary balance deficits since the 1950s

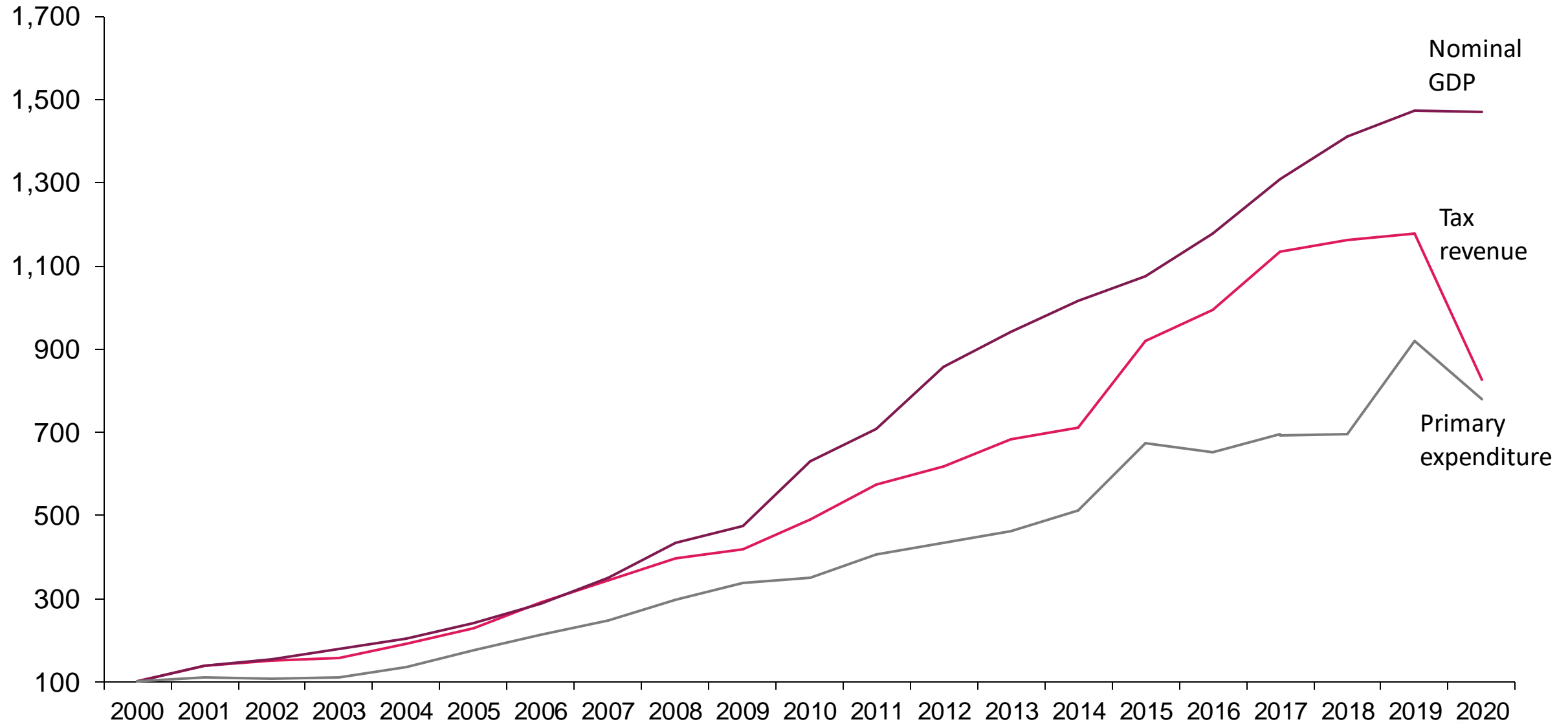


The problem is a revenue shortfall



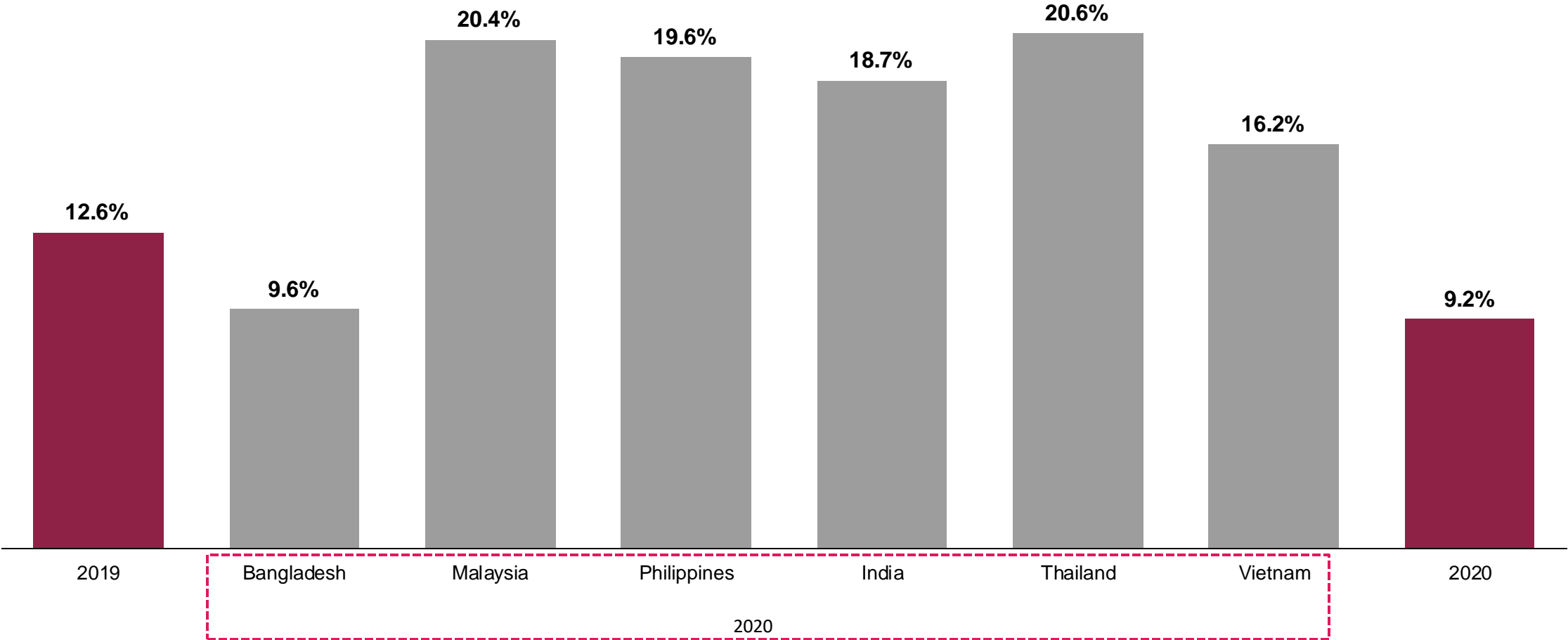
Tax revenue has not kept pace with nominal GDP growth

Tax revenue Primary expenditure and nominal GDP indexed to 2000



Sri Lankas revenue to GDP is considerably lower than regional peers

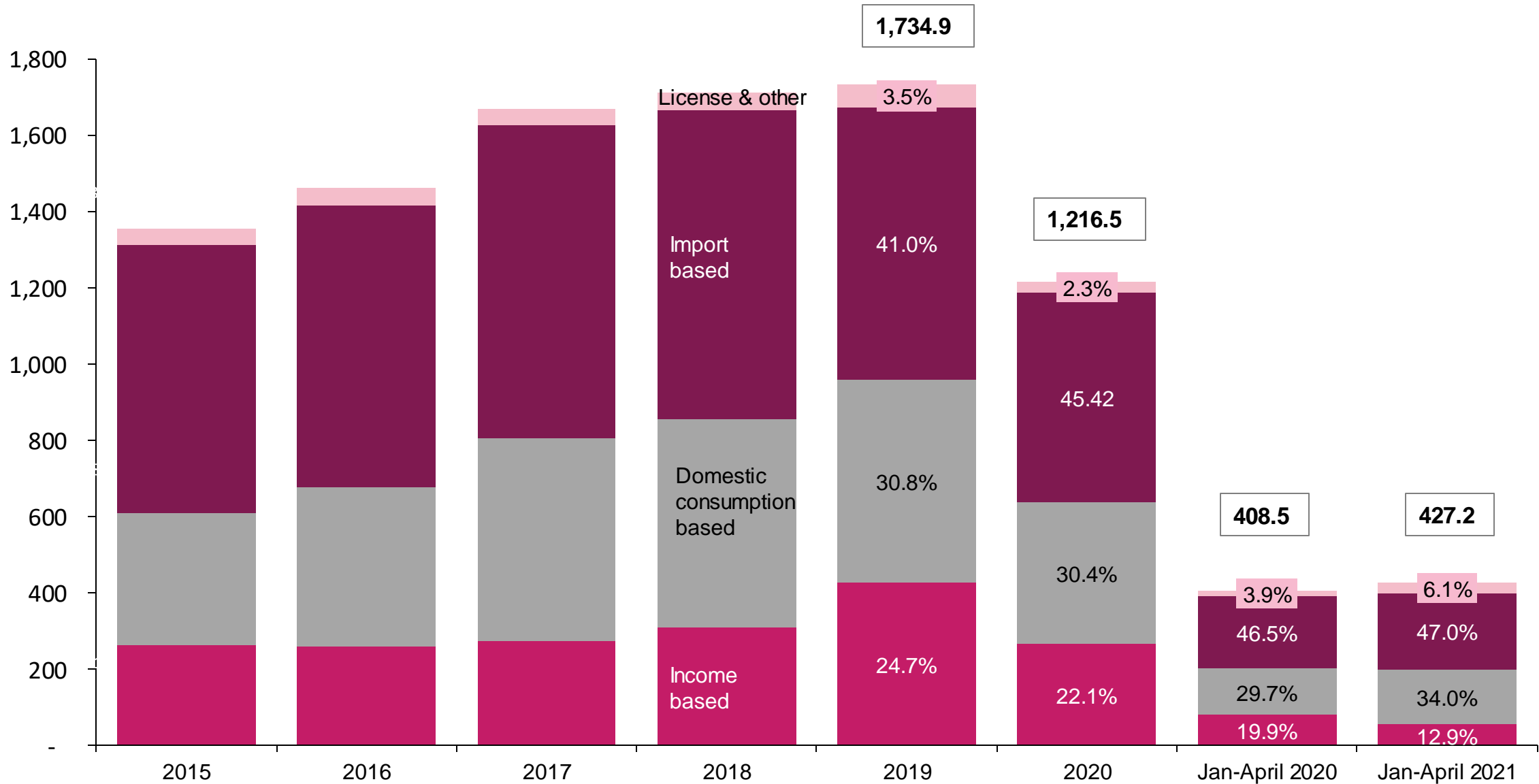
% of GDP



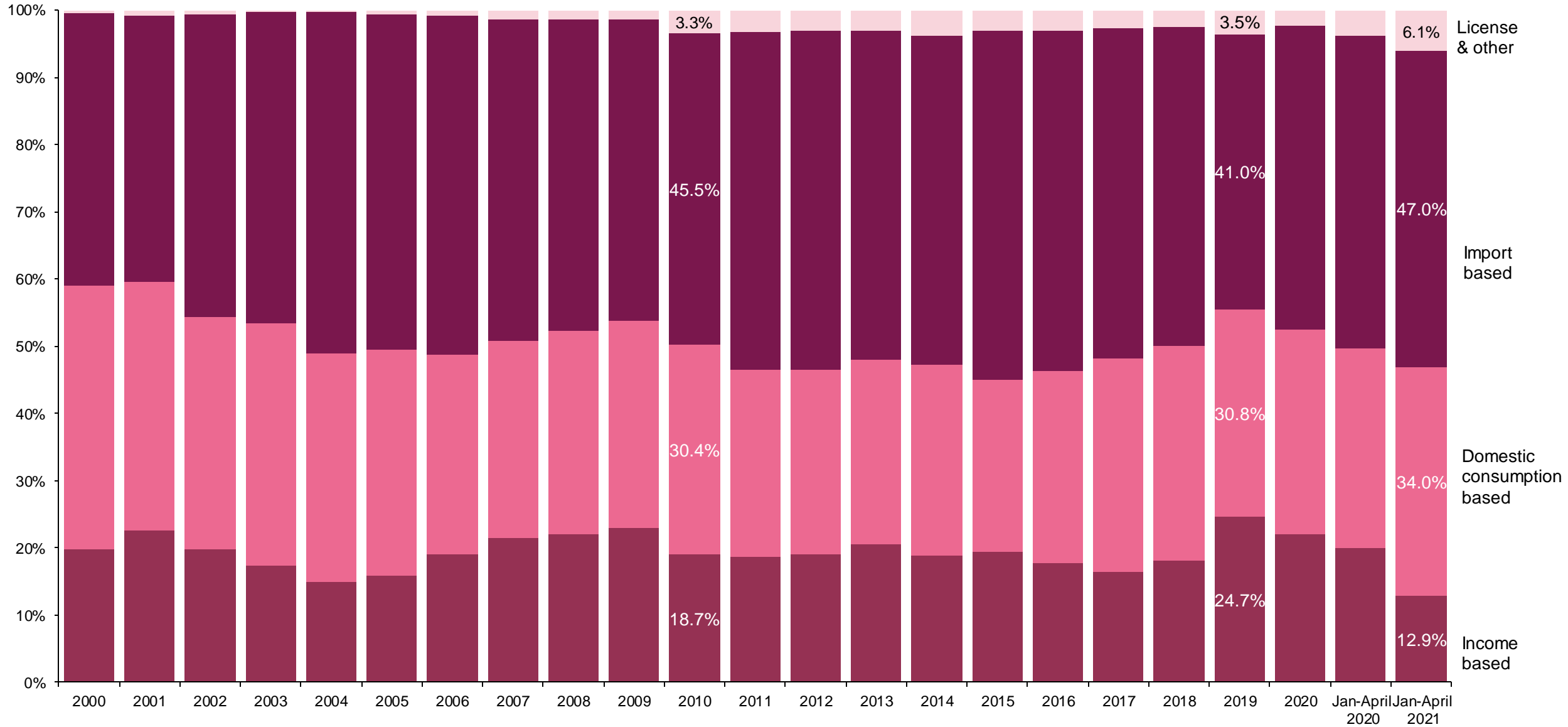
Note: 2020 figures for Bangladesh Malaysia and Vietnam are estimates
Source: IMF World Economic Outlook April 2021, Advocata Research

Tax revenue has fallen due to Covid19 and policy changes..

LKR Bn



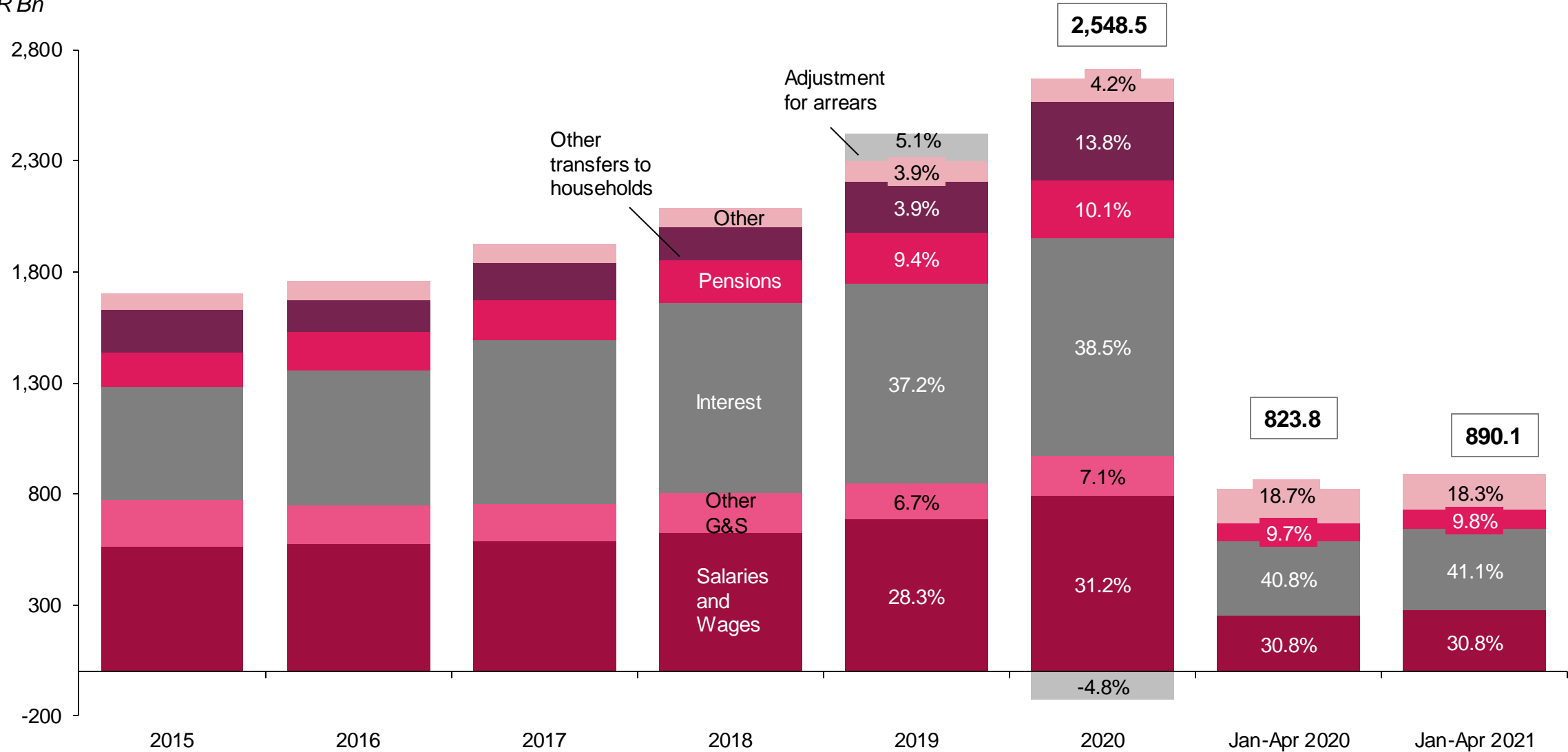
Indirect taxes make up a bulk of the tax revenue



Recurrent expenditure composition

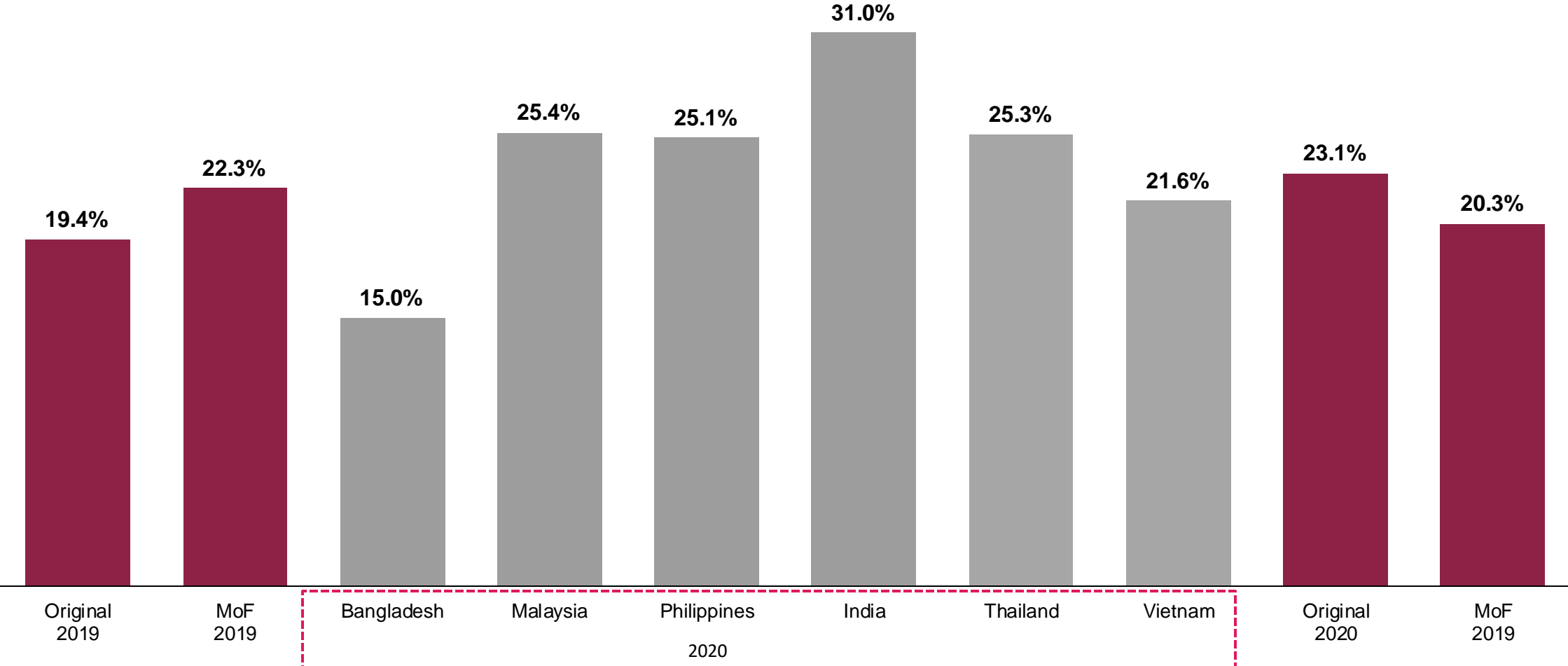
Interest remains the largest portion

LKR Bn



Comparison to regional peers

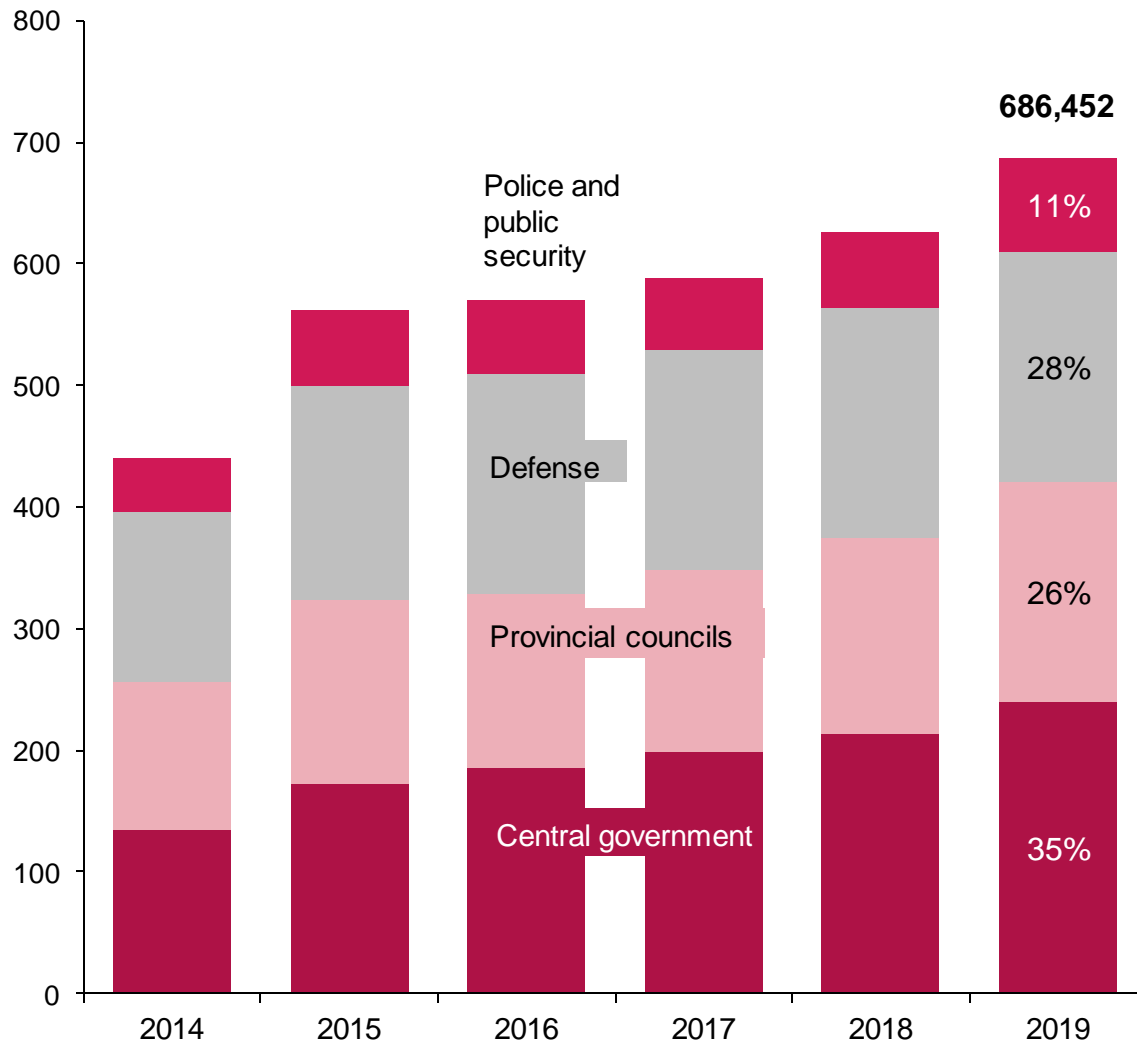
Total expenditure was lower than most peers even when adjusted for arrers
% GDP



Note: 2020 figures for Bangladesh Malaysia and Vietnam are estimates
Source: IMF World Economic Outlook April 2021, Advocata Research

Salaries and wages are a significant portion of recurrent expenditure

Expenditure on salaries and wages, LKR Bn



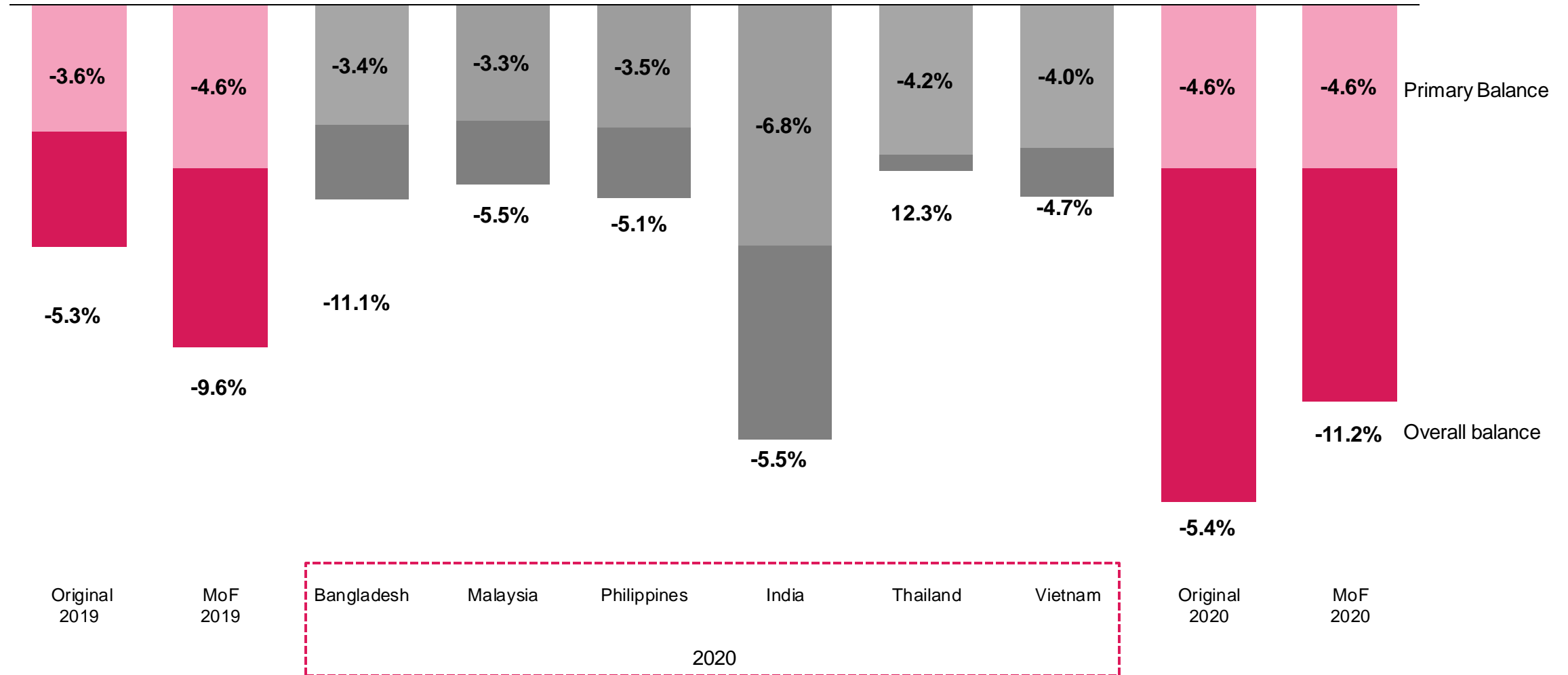
Within which teachers and healthcare workers are a large component

Public sector cadre composition, '000

	2019	%
Teachers	238.0	17.3%
Health care workers	150.0	10.9%
Tri forces	250.9	18.2%
Provincial Councils	444.3	32.3%
State Owned Enterprises	251.4	18.2%
Other public sector (mostly ministries, departments and special spending units)	43.1	3.1%
Total public sector	1,377.8	100.0%

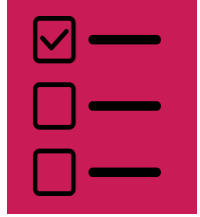
Comparison to regional peers

Balance
% GDP



Note: 2020 figures for Bangladesh Malaysia and Vietnam are estimates
Source: IMF World Economic Outlook April 2021, Advocata Research

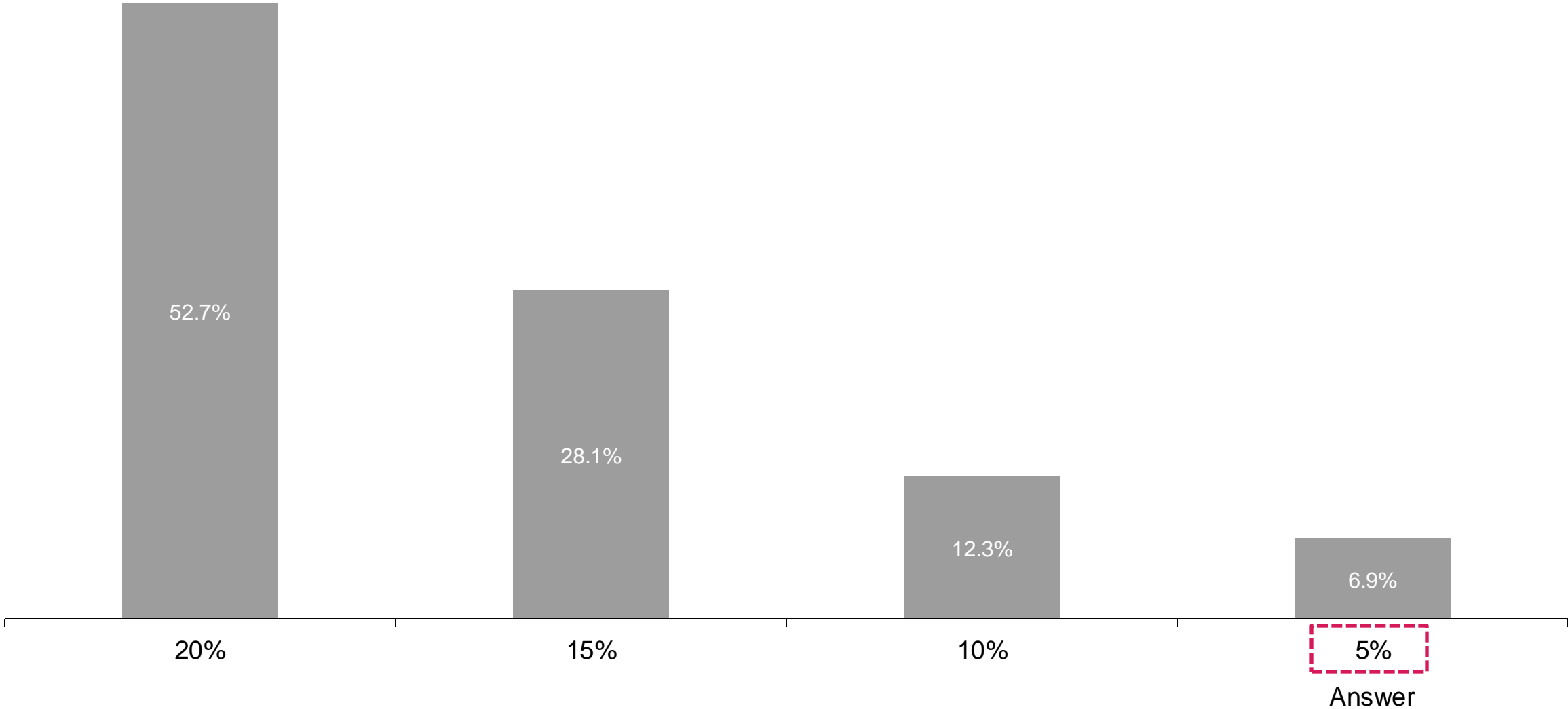
Why is the tax collection so low

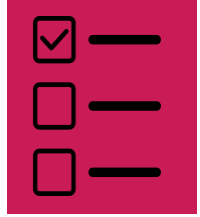


Poll 2

How much is the total taxes on an iPhone ?

Total respondents: 440

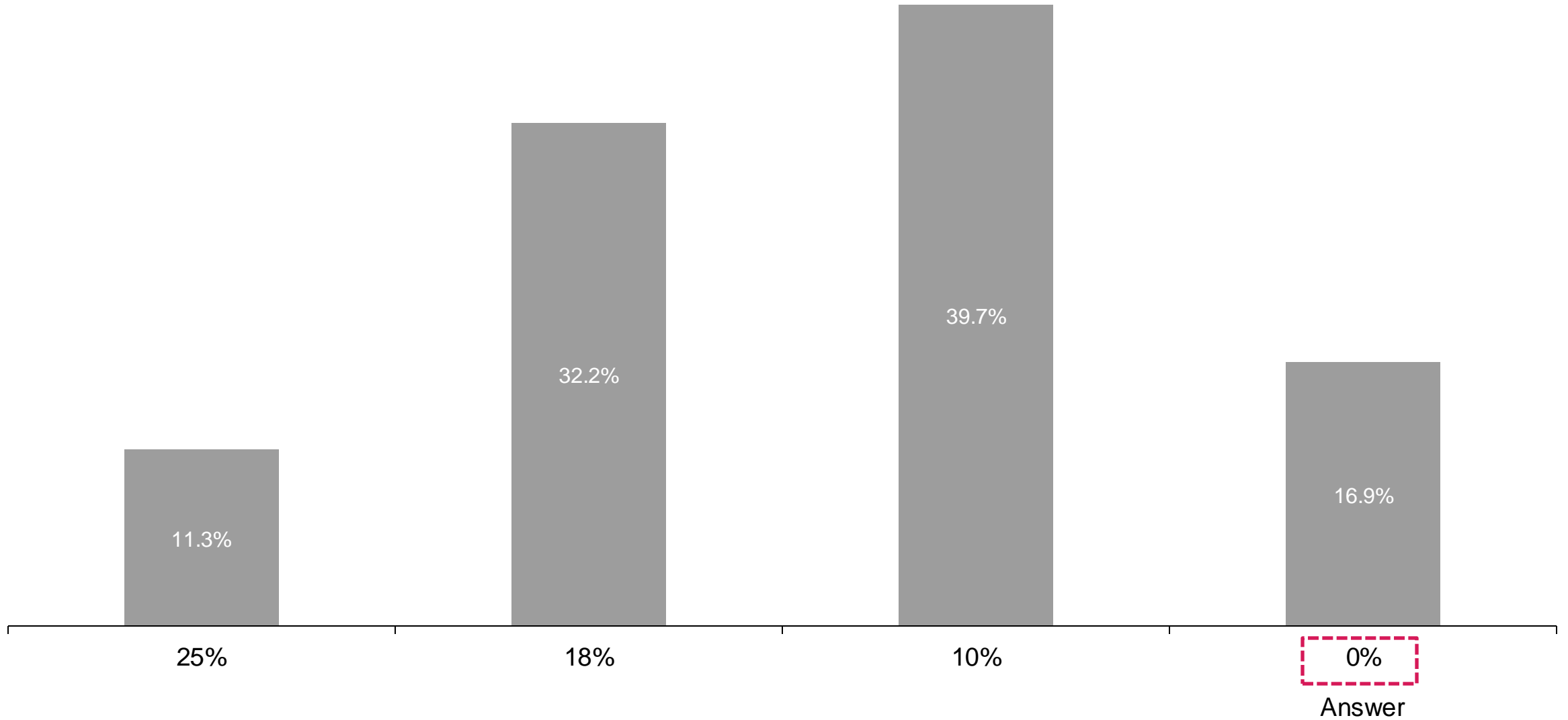




Poll 3

How much is the total taxes on a restaurant bill?

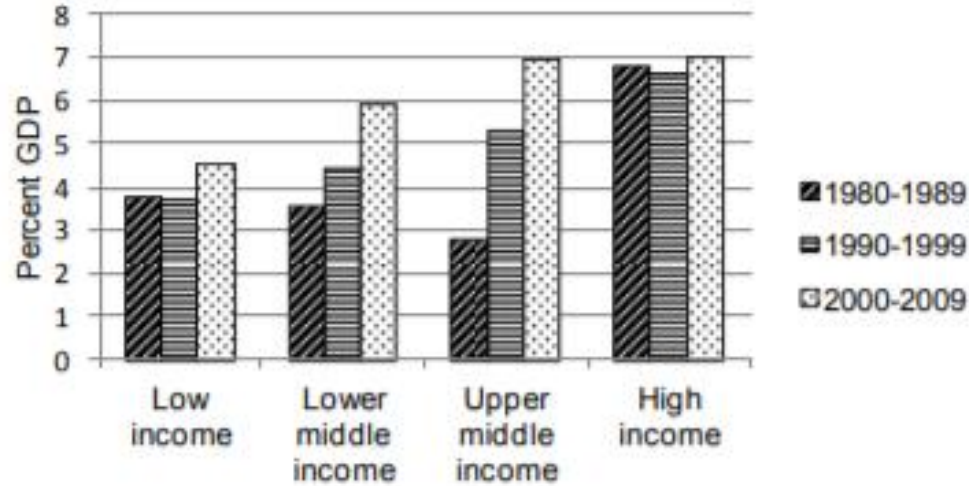
Total respondents: 451



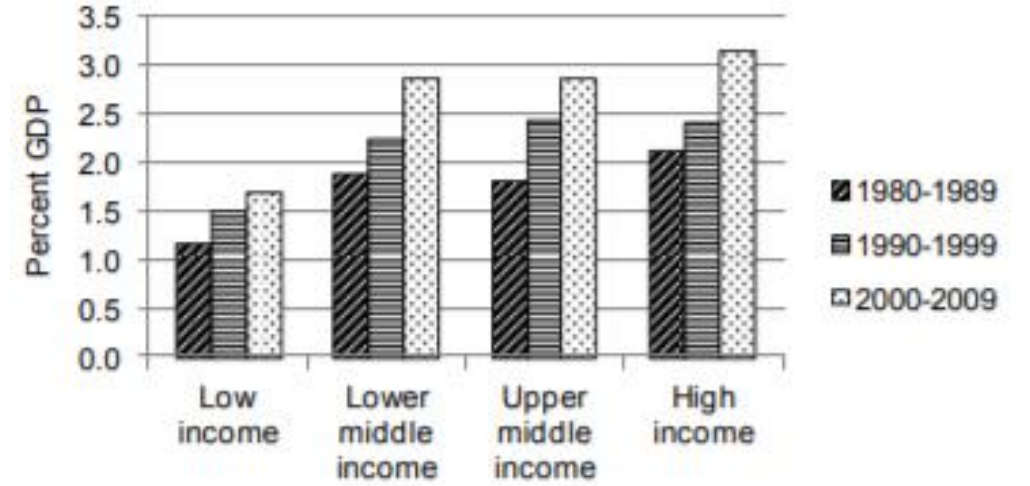
Answer

Trends in the composition of revenues, 1980 - 2009

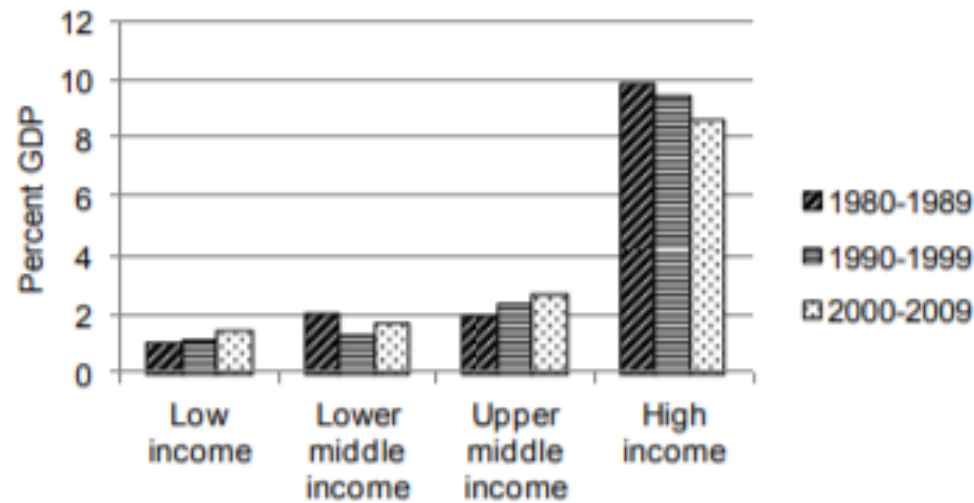
VAT revenues have increased



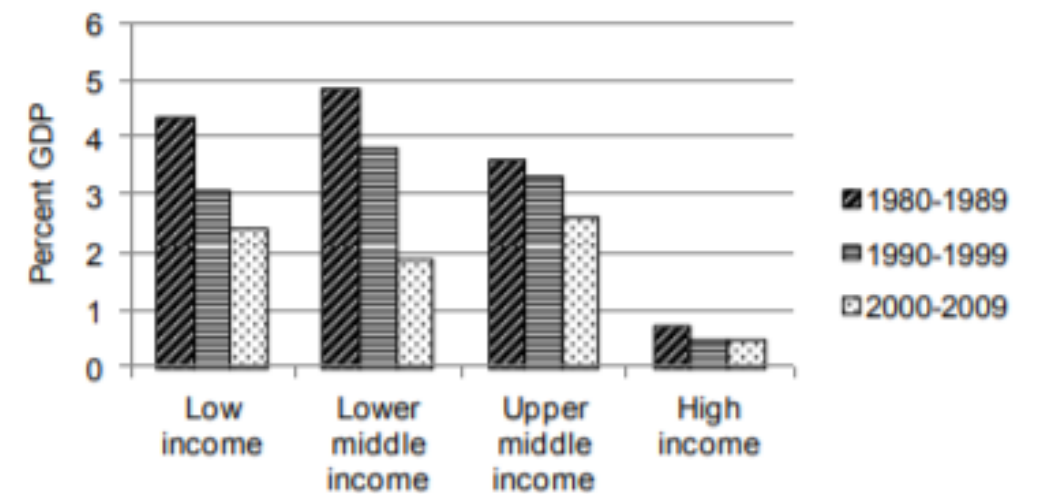
Corporate income tax receipts have been robust



Personal income tax is modest and flat



... and trade tax receipts are in decline



Notable Quotes

“Taxes are what we pay for a civilized society.” In some respects, a “civilized society” is the rationale for government in the first place.

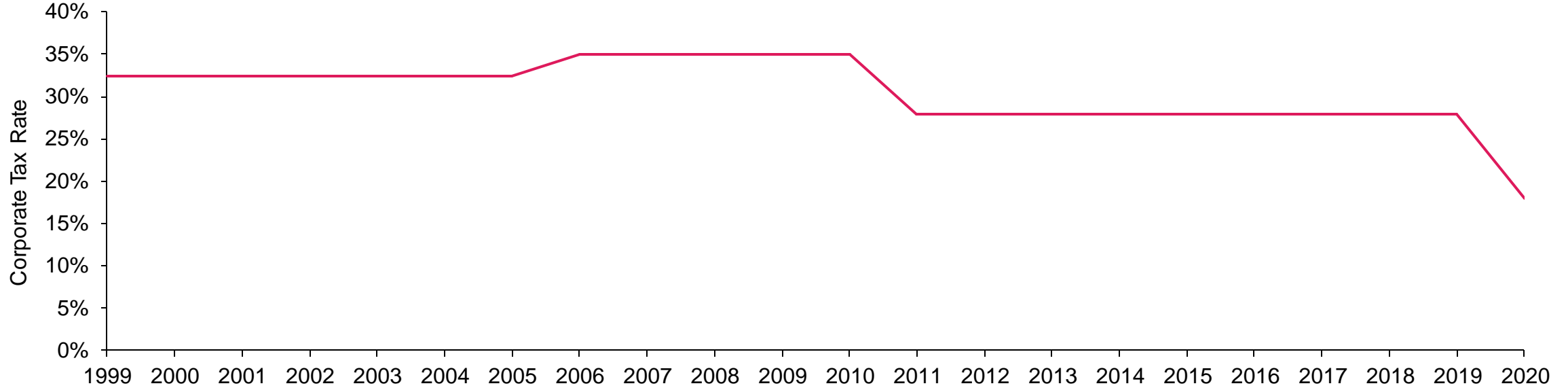
- Oliver Wendell Holmes

“Societies in which its citizens pay taxes enjoy better governance”.

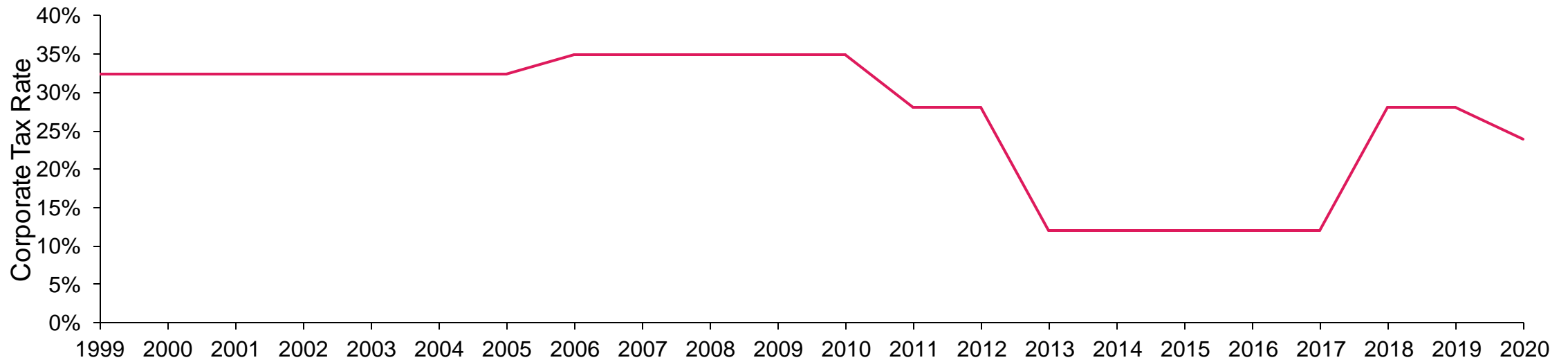
- Prof. Mick Moor

Corporate tax rates have been declining over the years

Business with revenues starting at LKR 100 million



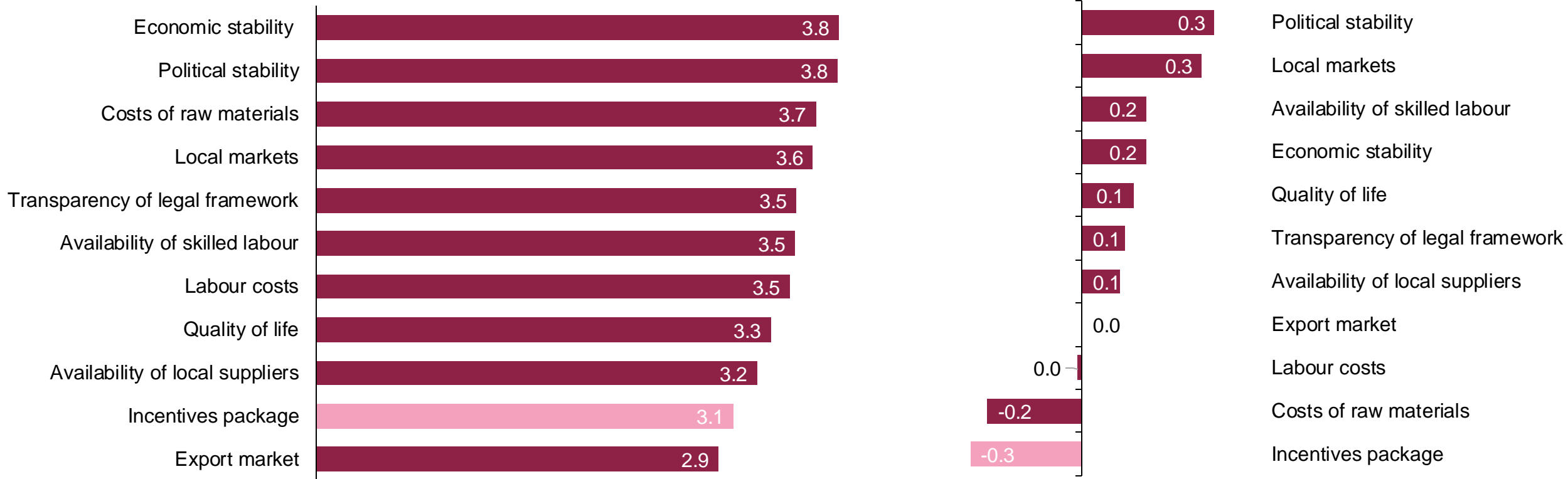
Business with revenues starting at LKR 50 million



The case for tax incentives

Relative importance of tax packages in investor location survey

Relative rank (LHS), Change in Rank since 2007



Strategic Development Projects Act, No. 14 of 2008

Under this act, projects identified by the BOI in accordance with outlines in consultation with relevant line ministries may be granted exemptions from specified enactments. The period of exemptions cannot exceed 25 years.

Enactments specified for exemption: The Inland Revenue Act, No. 10 of 2006, The Value Added Tax Act, No. 14 of 2002, The Finance Act, No. 11 of 2002 The Finance Act, No. 5 of 2005, The Excise (Special Provision) Act, No. 13 of 1989, The Economic Service Charge Act, No. 13 of 2006, The Debits Tax Act, No. 16 of 2002 and The Customs Ordinance (Chapter 235)

Did these projects justify tax holidays ? In some cases 20 years ?

Shangri La



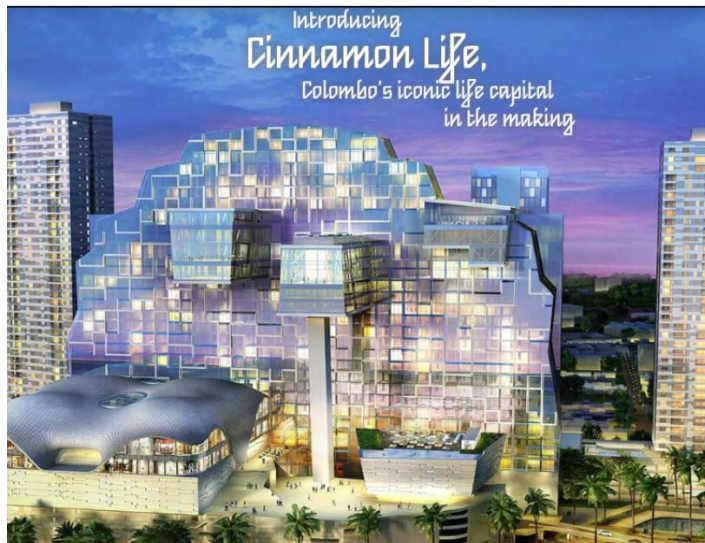
SAGT



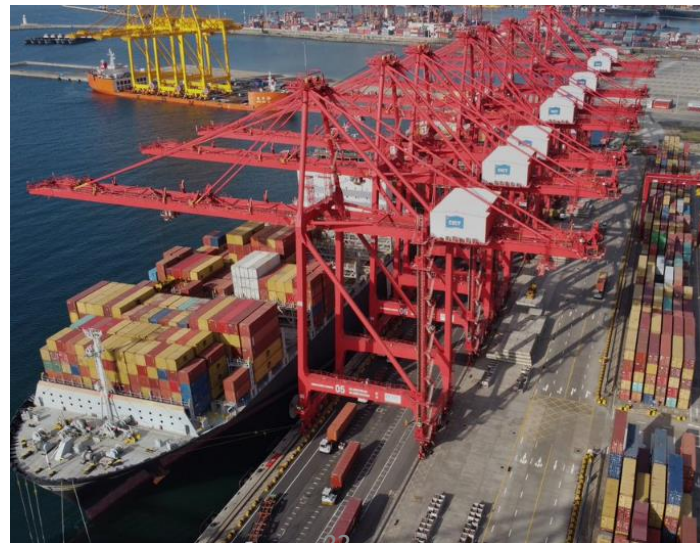
Wind



Cinnamon Life



CICT

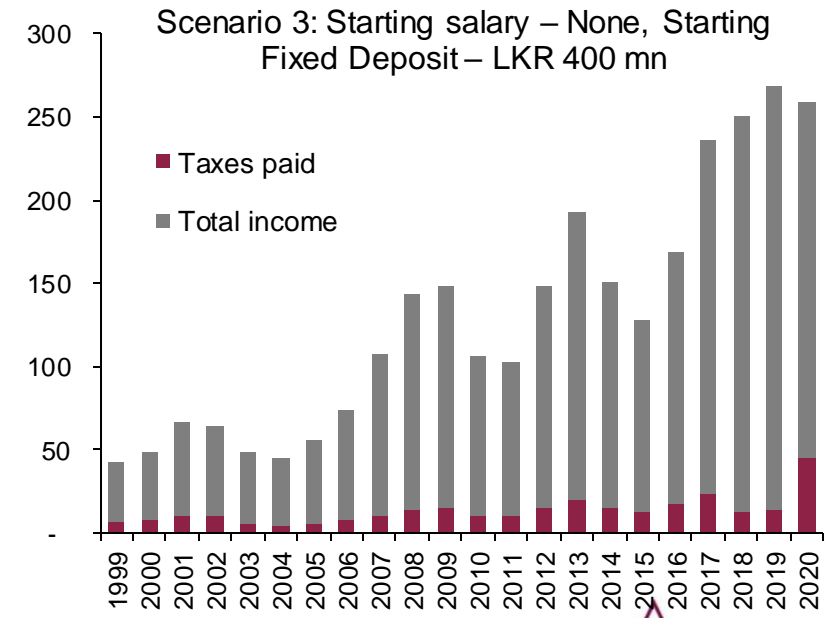
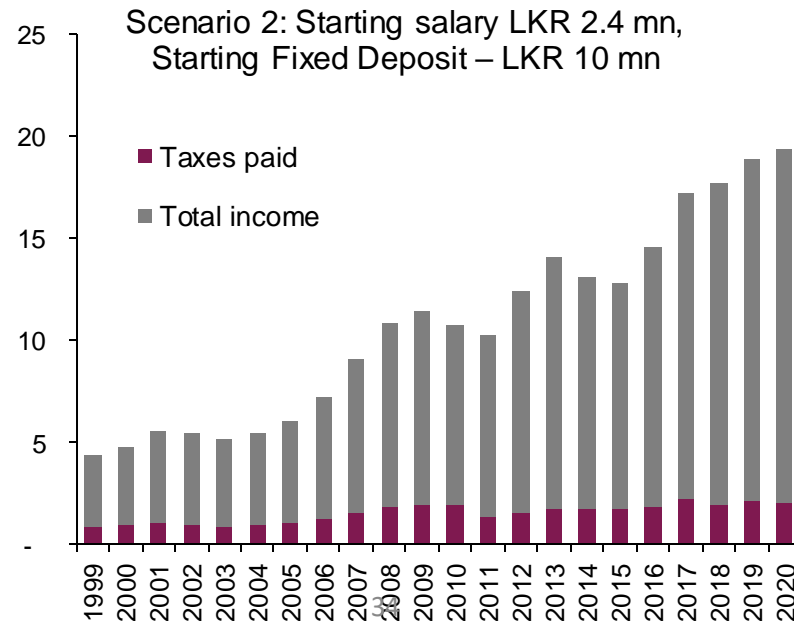
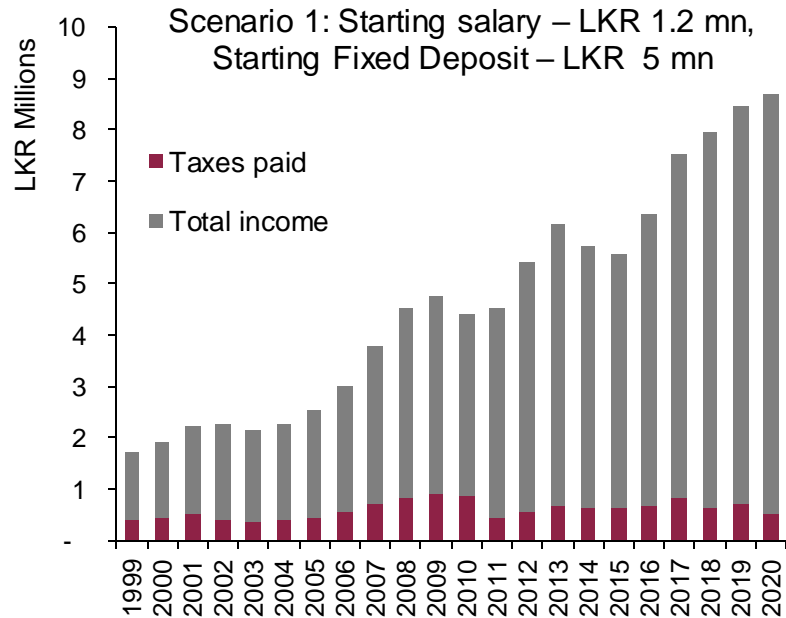
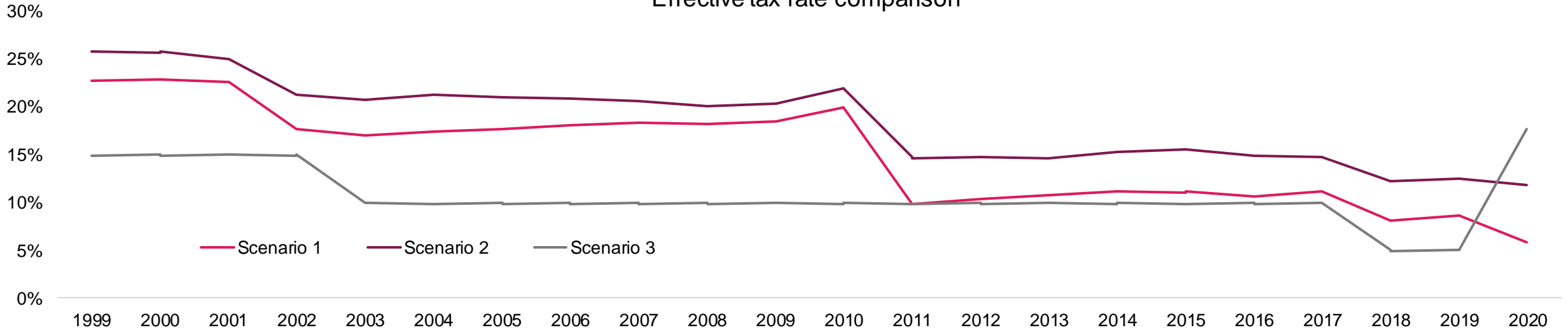


Solar

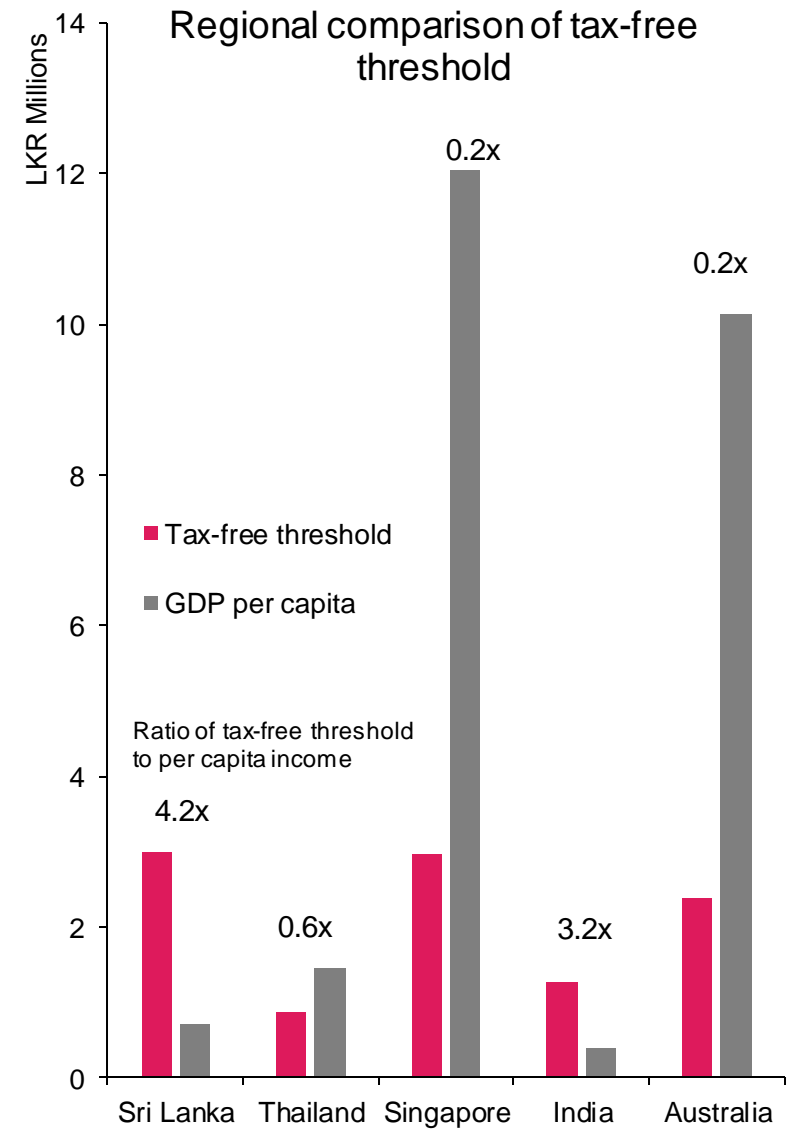
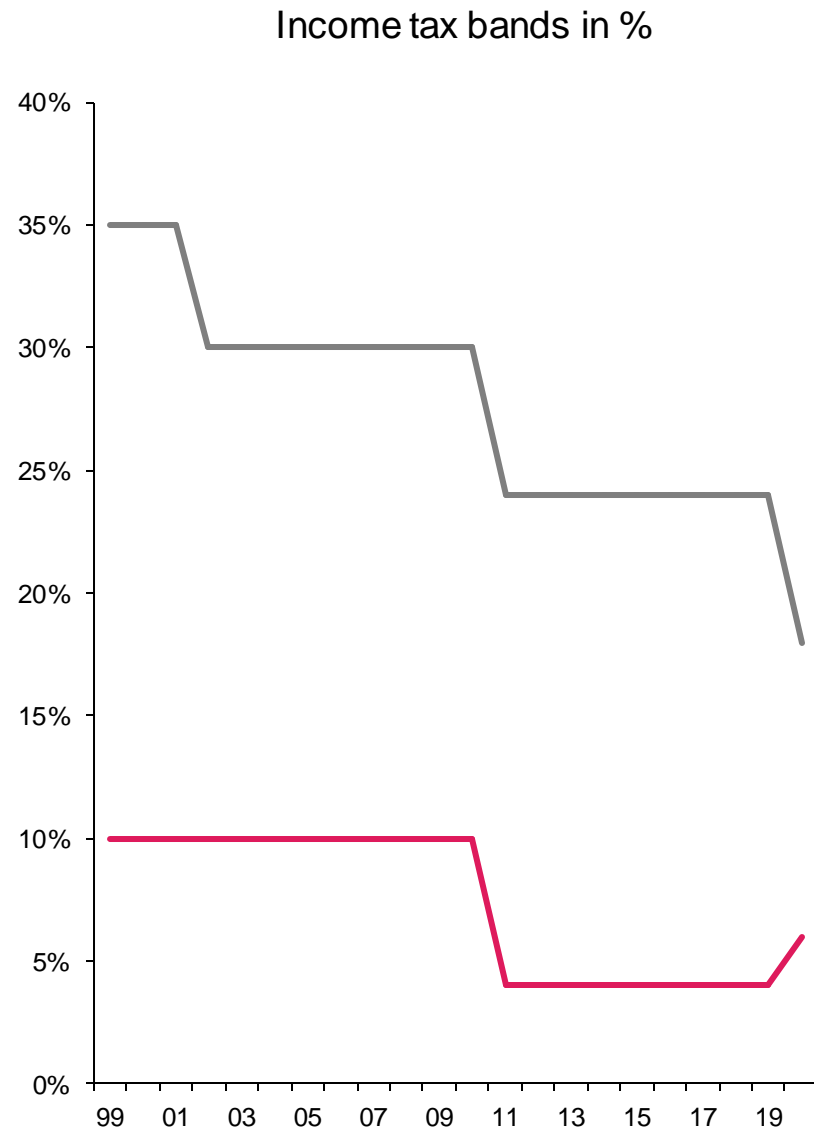
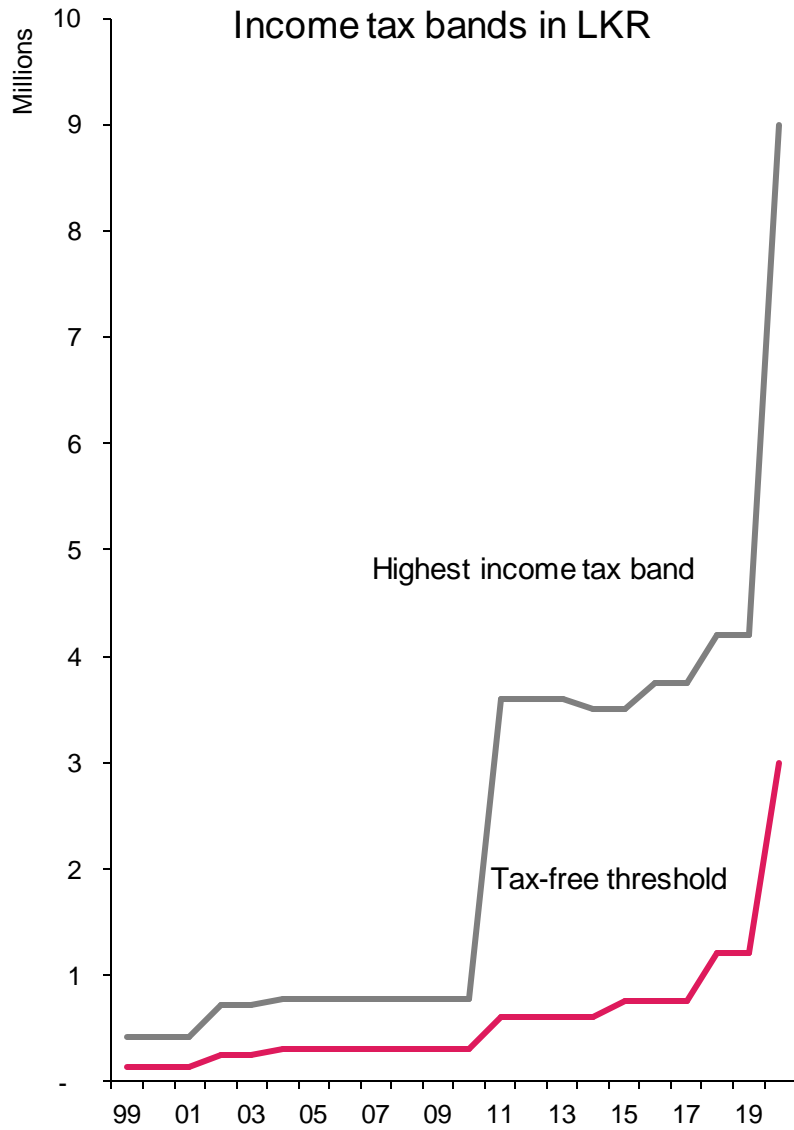


Effective personal tax rates have been on a declining trend

Effective tax rate comparison



Effective personal tax rates have been on a declining trend

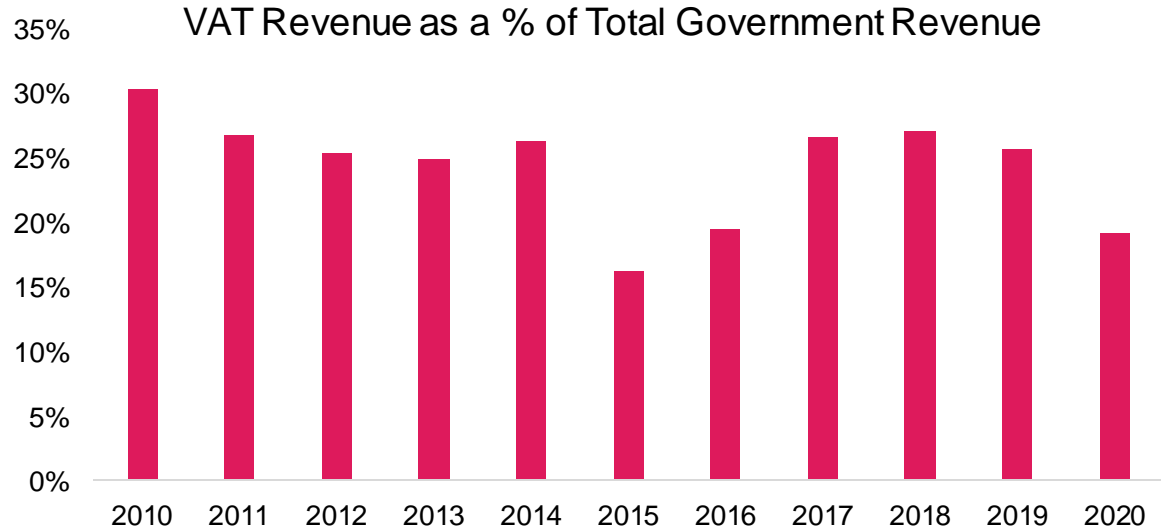
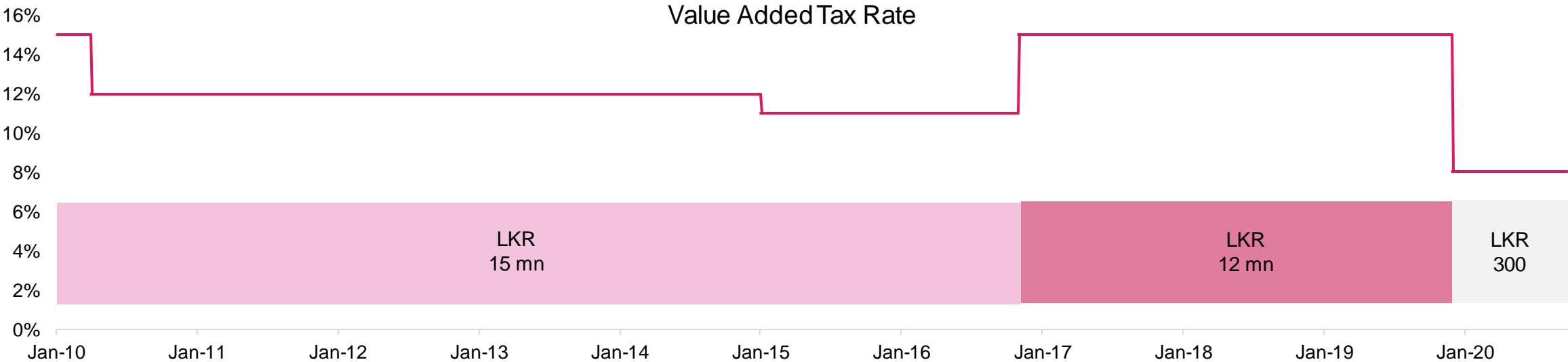


Details of Taxpayer Registration (2019)

Number of Registered Taxpayers as at 31.12.2019		
Income Tax		
<u>Corporate</u>		
Resident Co./ Non – Resident Co.	56,460	
<u>Non - corporate</u>		
Individuals	281,105	
Partnerships	17,300	
Bodies of Persons	804	
Employees paying Income Tax under PAYE	1,149,883	
Total Income Taxpayers		1,505,552
Other Taxpayers		
Persons and Partnerships registered for ESC	17,359	
Persons registered for VAT	28,914	
Persons registered for VAT on Financial Services	237	
Persons registered for NBT	92,028	
Persons registered for NBT on Financial Services	237	
Persons registered for Betting Levy Taxpayers	631	
Persons registered for Gaming Levy Taxpayers	4	
Total Other Taxpayers		139,410

Total Other Taxpayers		139,410
Employers Registered under PAYE Scheme	35,448	
Withholding agents registered for Withholding Tax on Interest (Withholding Agents)	1,627	
Withholding Tax on Specified Fess (Regular monthly schedules Senders)	13,764	
Stamp Duty (Regular Monthly Schedules Senders)	9,432	60,271
Total Number of Tax Files/ Taxpayers as at 31.12.2019		1,705,233

Changes to the VAT system in the last decade



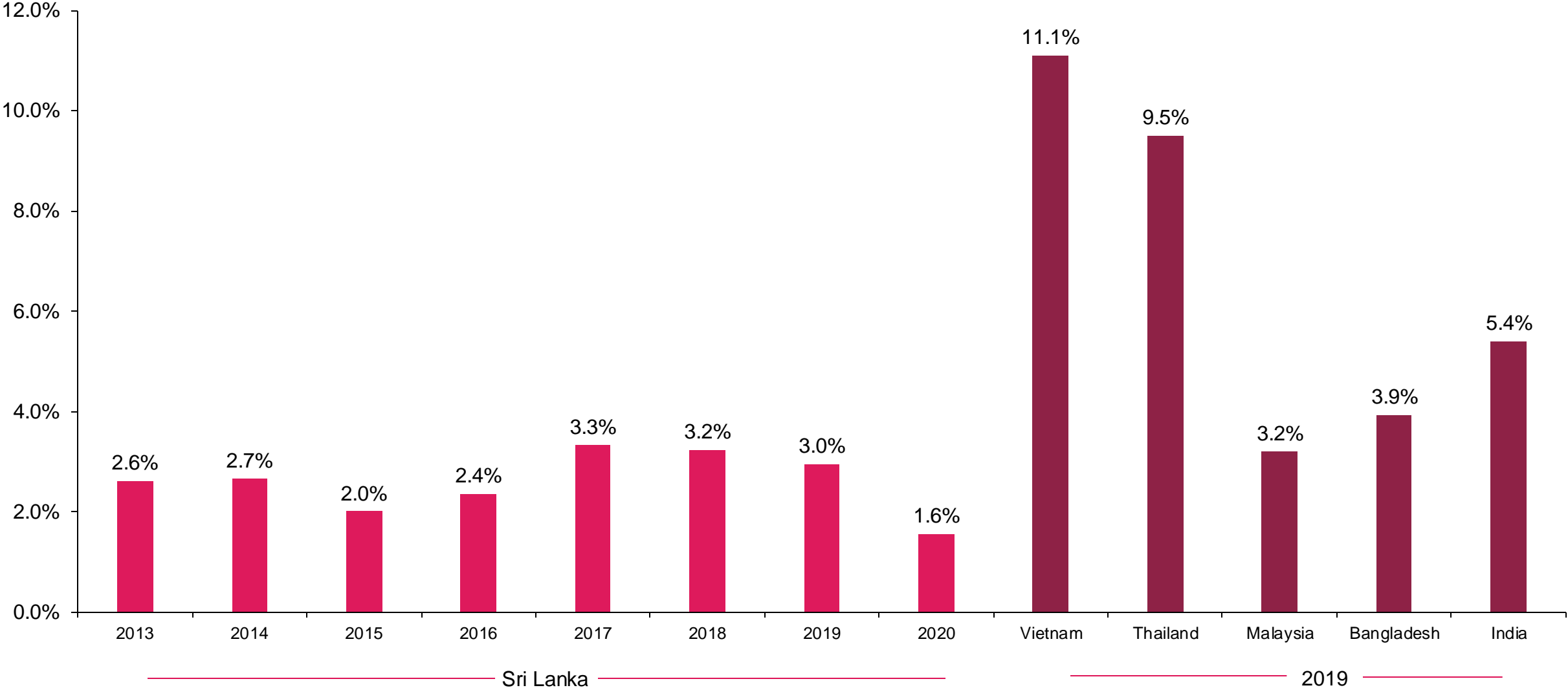
Recent VAT tax amendments in end 2019

- Rate reduced from 15% to 8%
- Base increased from LKR 12 mn to LKR 300 mn
- Exemptions increased including hotels and restaurants

VAT represents 25% to 30% of the revenue base, what is the merit of making such drastic changes that will have relatively modest tax elasticities and growth multipliers.

VAT/GDP ratio lowest amongst our Peers

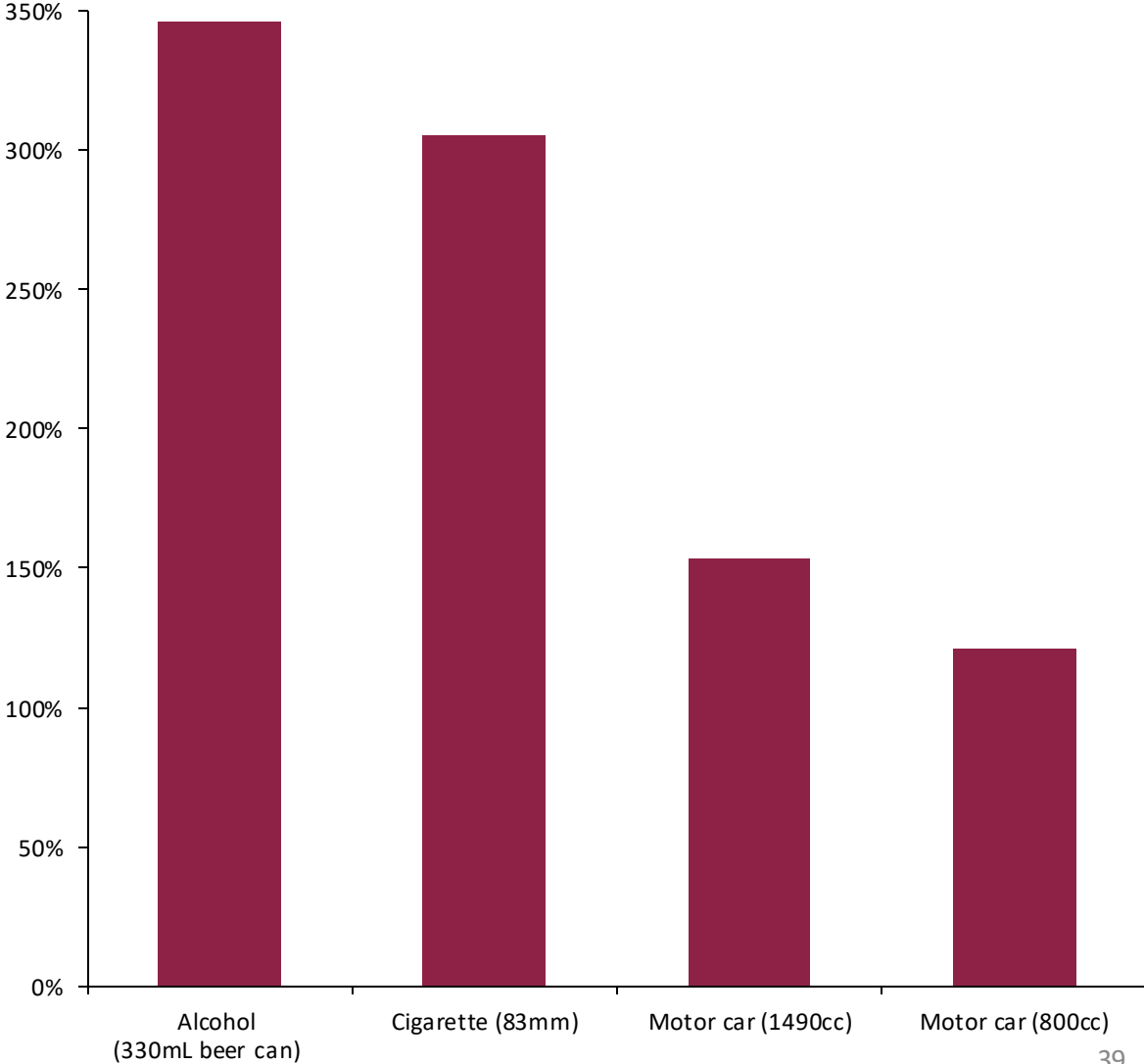
VAT Revenue to GDP Ratio, %



Level of indirect taxation on a selection of goods...

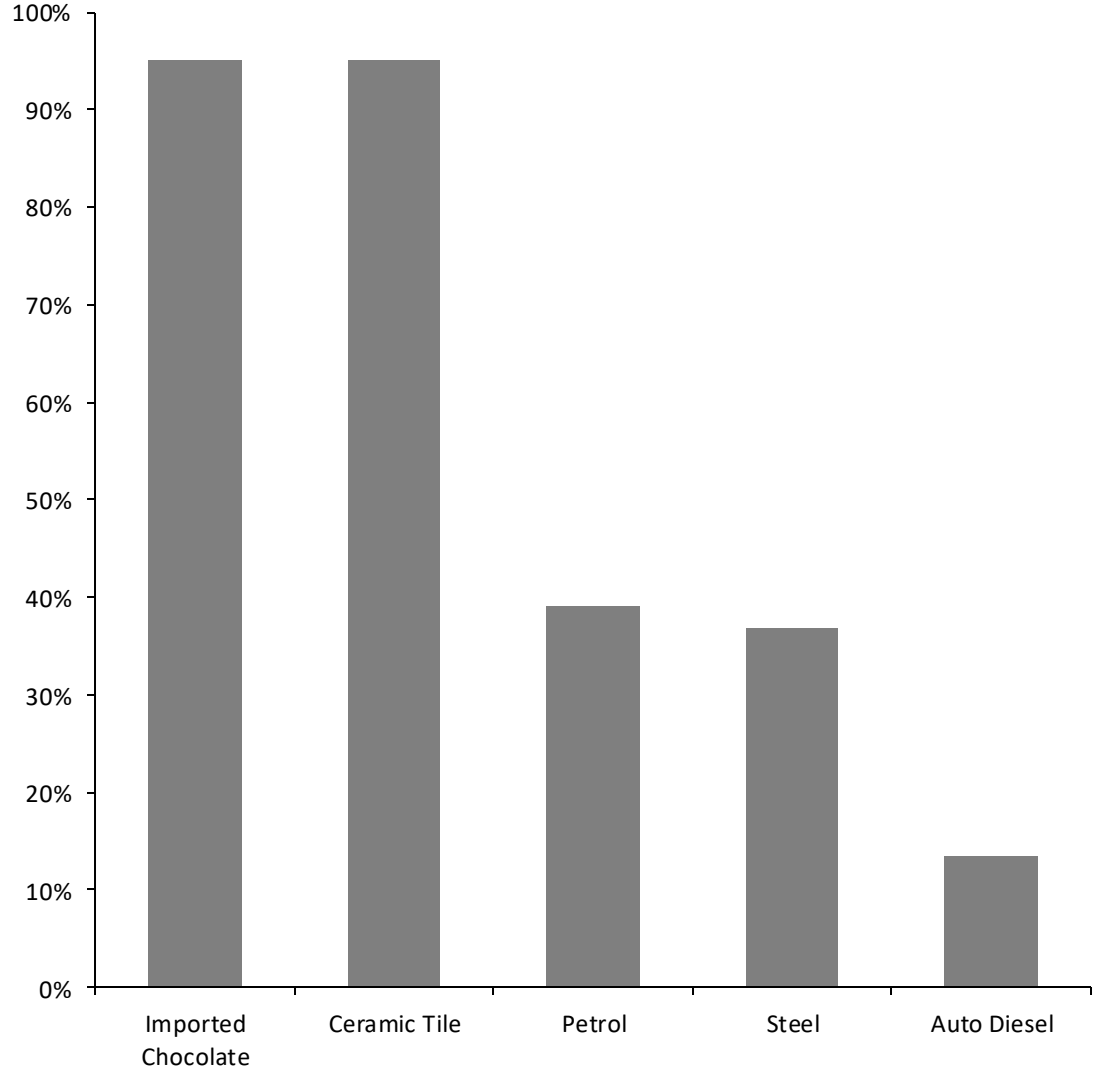
Very High Taxes

Total Tax Value as a % of CIF



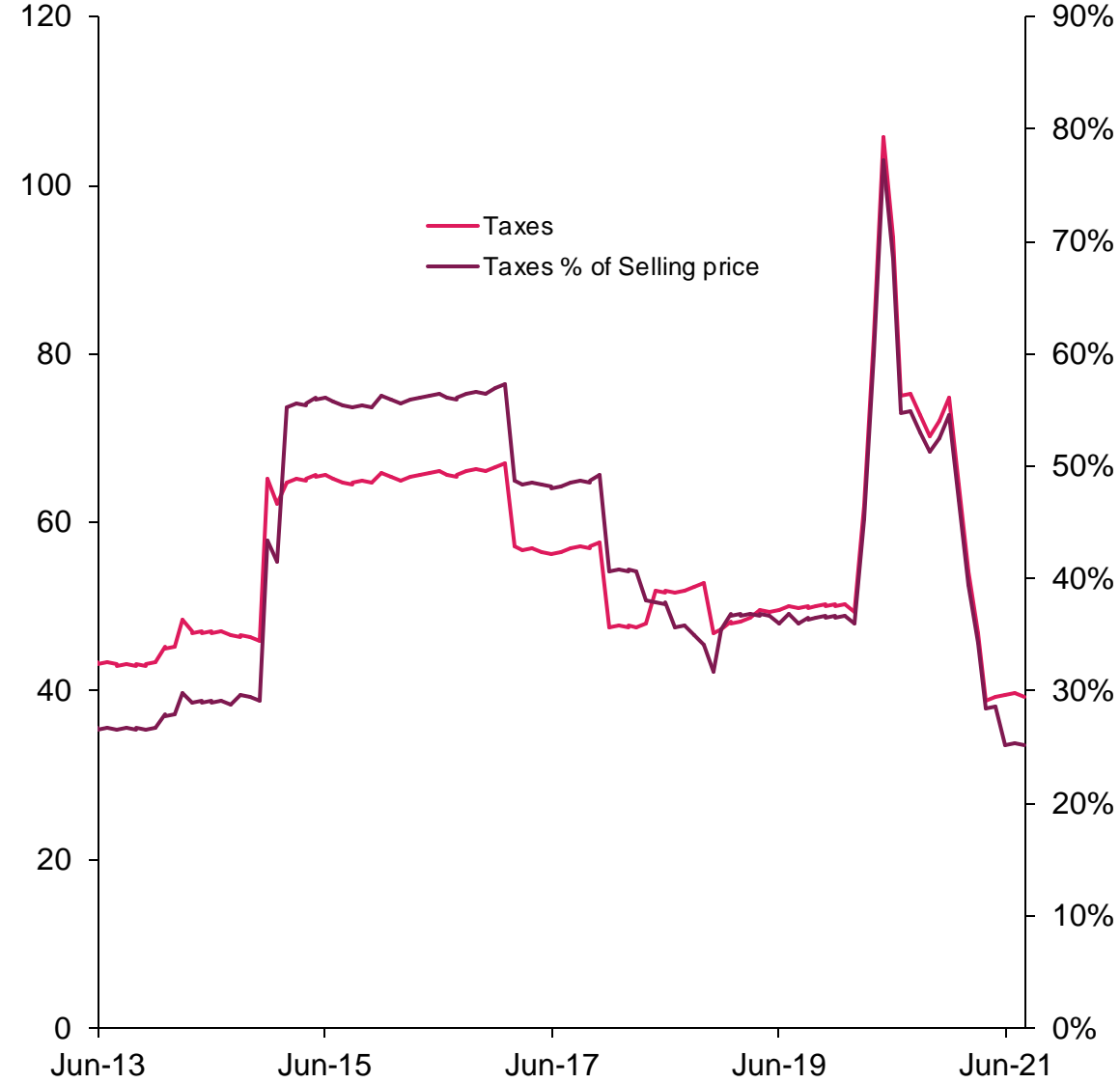
High Taxes

Total Tax Value as a % of CIF

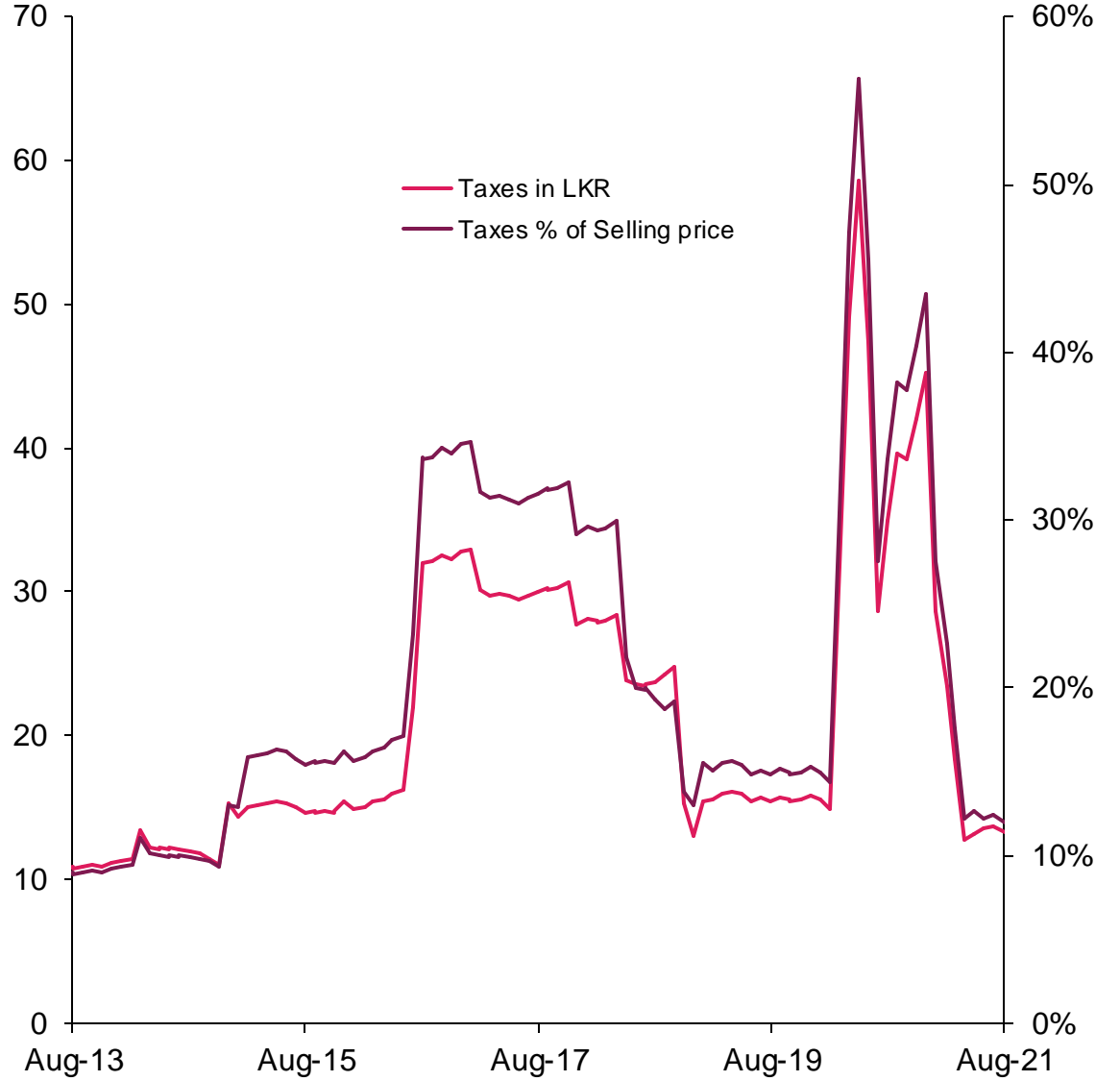


Tax subsidies on Diesel when there is a case for corrective taxes

Petrol taxes, LKR (RHS); Taxes % of Selling price (LHS)



Diesel taxes, LKR (RHS); Taxes % of Selling price (LHS)



Regional comparison – Sri Lanka is the cheapest by far

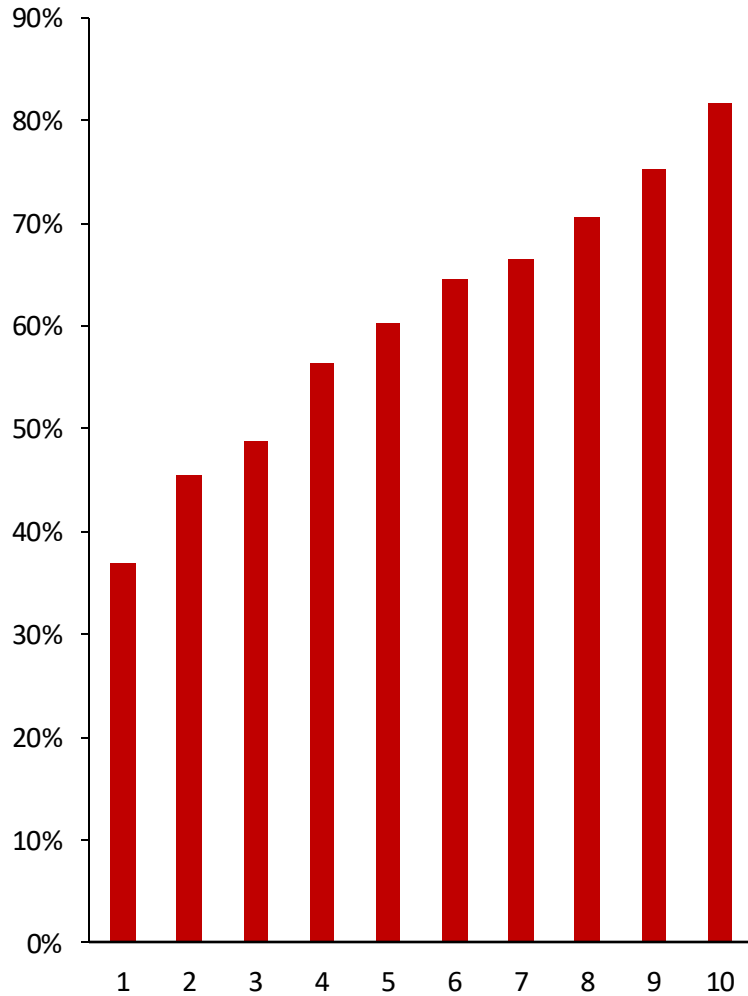
Per Capita GDP USD 2020		Absolute (Prices are as of 8 th Sep 2021)			Relative			Relative price of Petrol/Diesel
		Petrol (LKR/litre)	Diesel (LKR/litre)	Kerosene (LKR/litre)	Petrol (LKR/litre)	Diesel (LKR/litre)	Kerosene (LKR/litre)	
3,679	Sri Lanka	157	111	77	100	100	100	41%
1,965	India (Delhi)	276	242	112	176	218	145	14%
1,260	Pakistan	140	138	104	89	124	135	1%
1,998	Bangladesh	204	154	154	130	139	200	32%
1,196	Nepal	224	194	194	142	175	252	15%

Note: Prices as of 8th Sep 2021; rounded up to nearest whole number

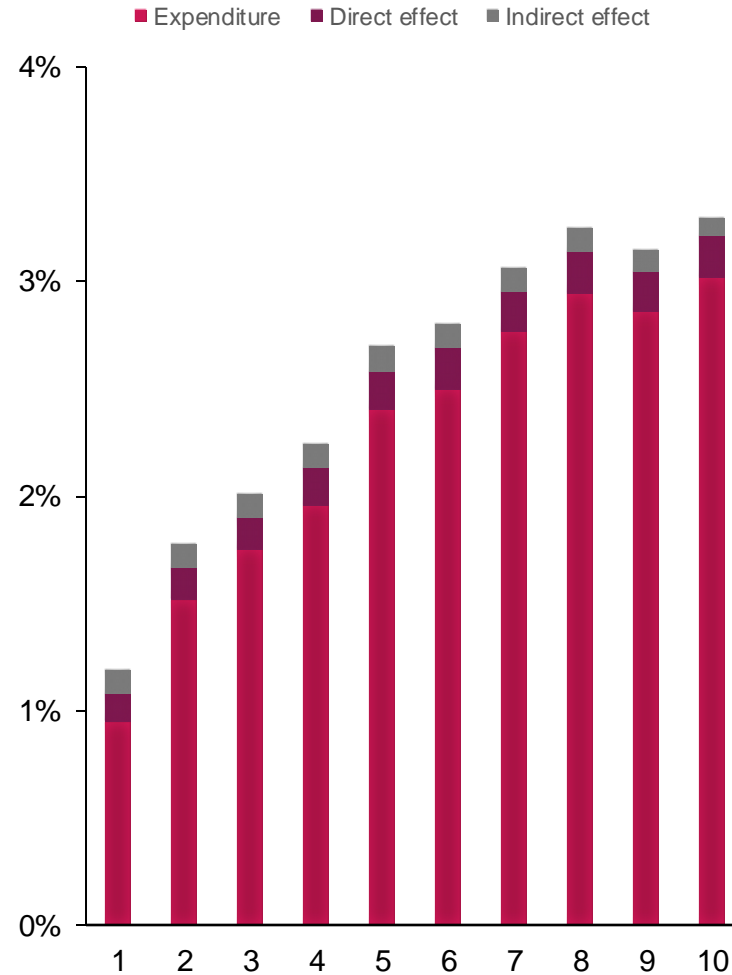
Source: Ceylon Petroleum Corporation, Indian Oil Corporation, Pakistan State Oil, Bangladesh Petroleum Corporation, Nepal Oil Corporation, CBSL, IMF-World Economic Outlook April 2021, Advocata Research

The Rich are benefitting from the tax subsidies on fuel

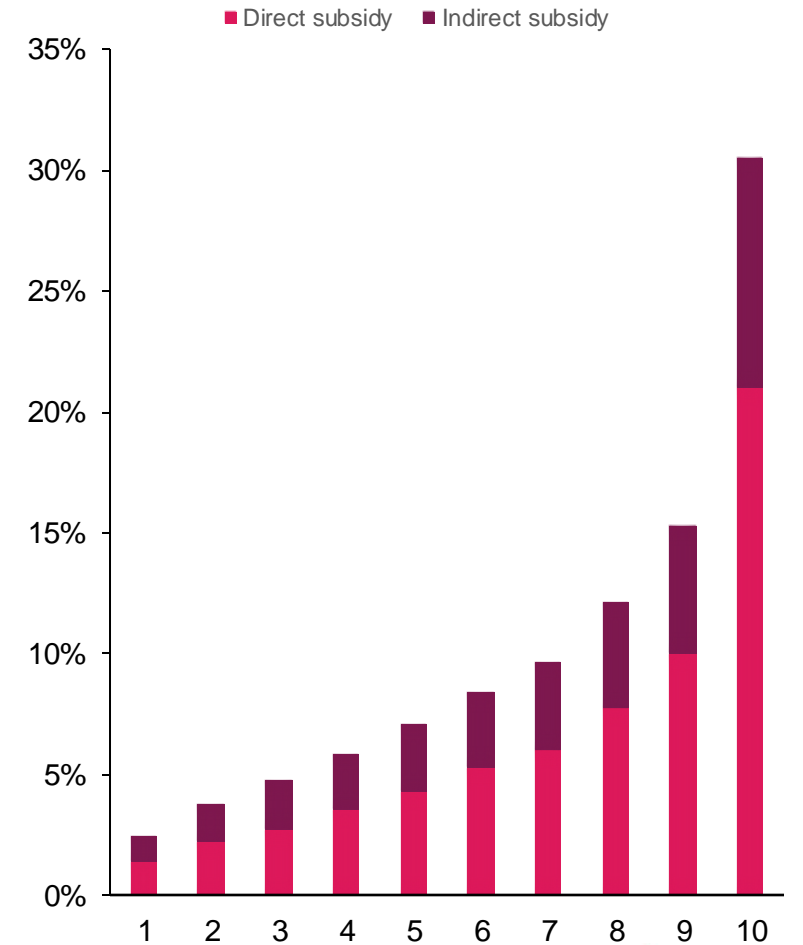
Share of Households with Fuel
X axis - Expenditure 1 (poorest) to 10 (richest)



% of fuel expenditure, direct and indirect subsidies as a share of total consumption
X axis - 1 (poorest) to 10 (richest)

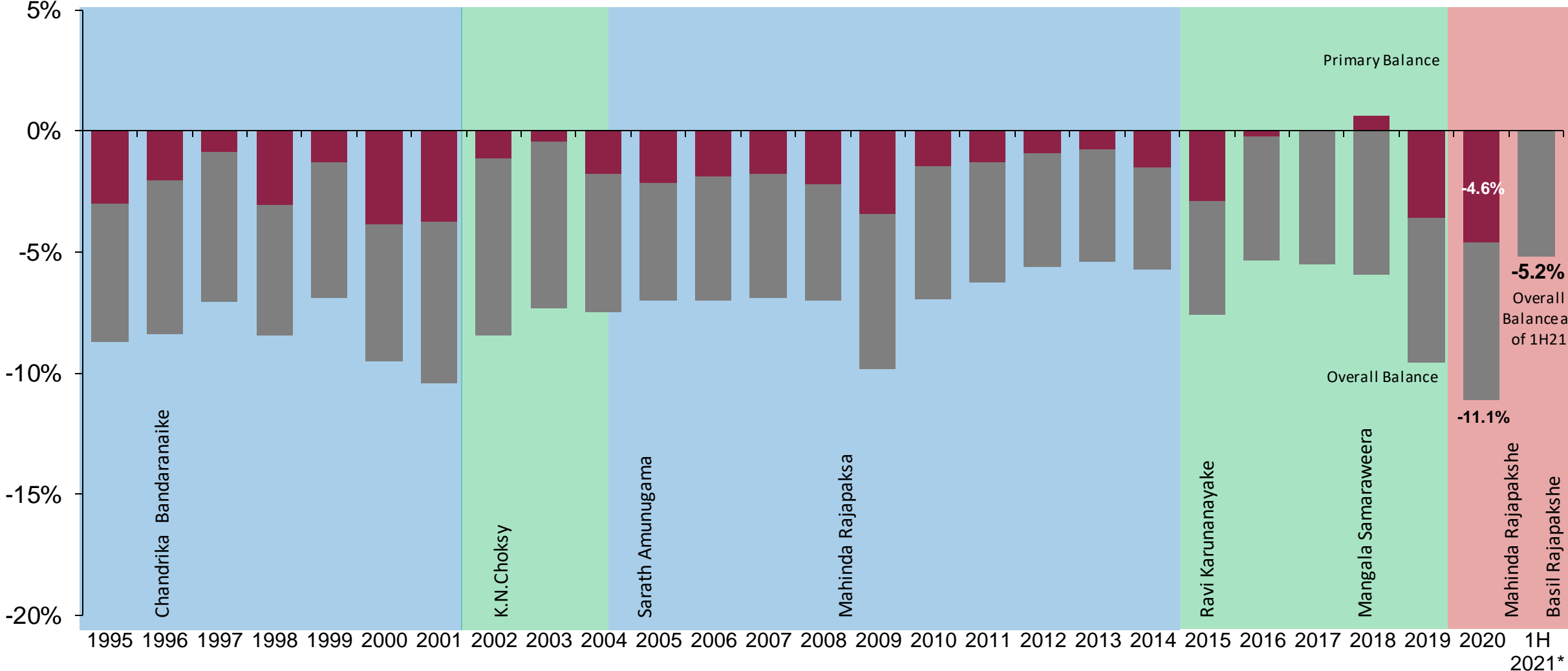


Distribution of the subsidy budget
X axis - 1 (poorest) to 10 (richest)



We need a full time Finance Minister to be the bad cop

The President or the Prime Minister has been holding the post for 61% of the last 26 years



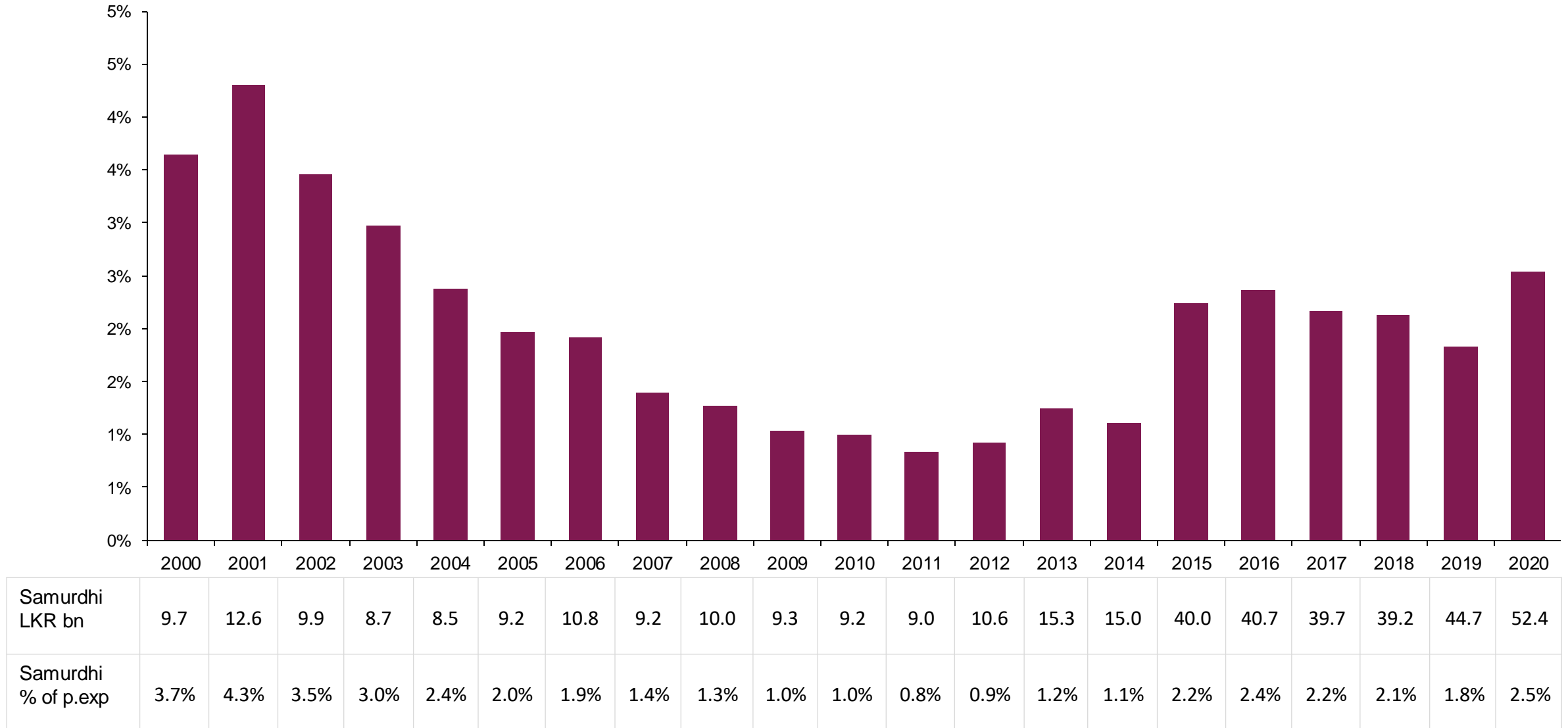
The need for a social compact



 <https://youtu.be/DTMcc8c4pHs>

Cash transfers... a better way to redistribute

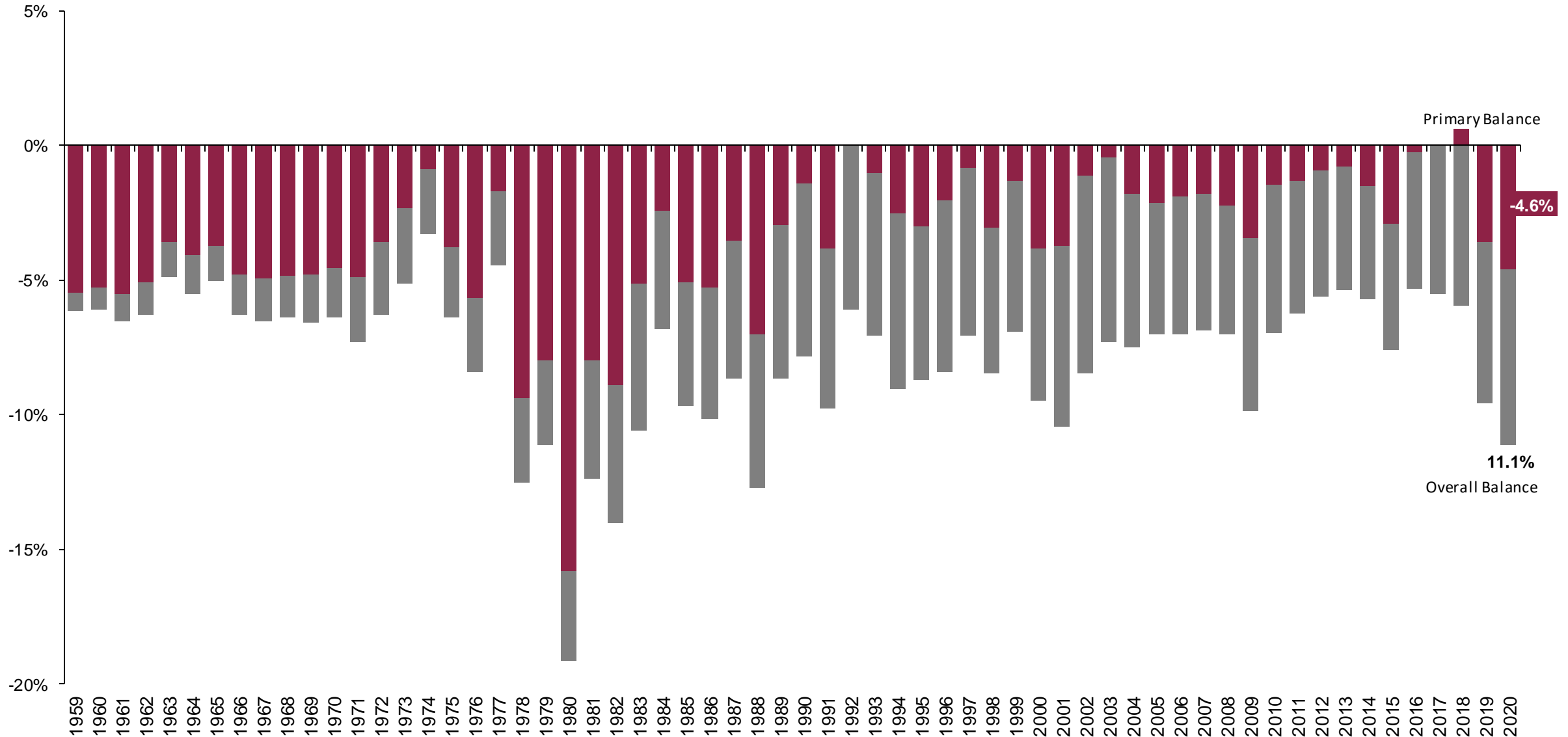
Samurdhi payments % of primary expenditure



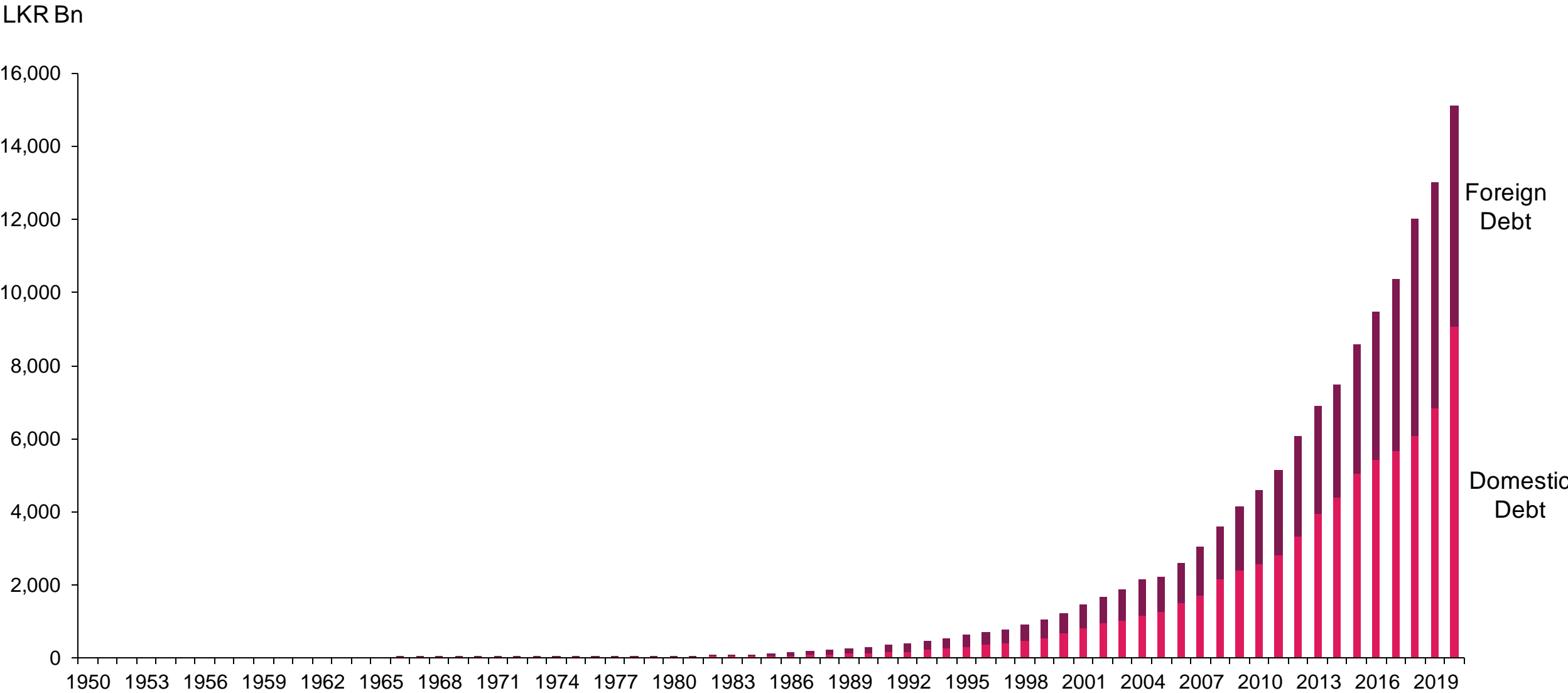


What is going on with the country's public debt

Except for 4 years we have been posting primary balance deficits since the 1950s



Outstanding Central Govt. Debt reached LKR 15 Tn by end 2020

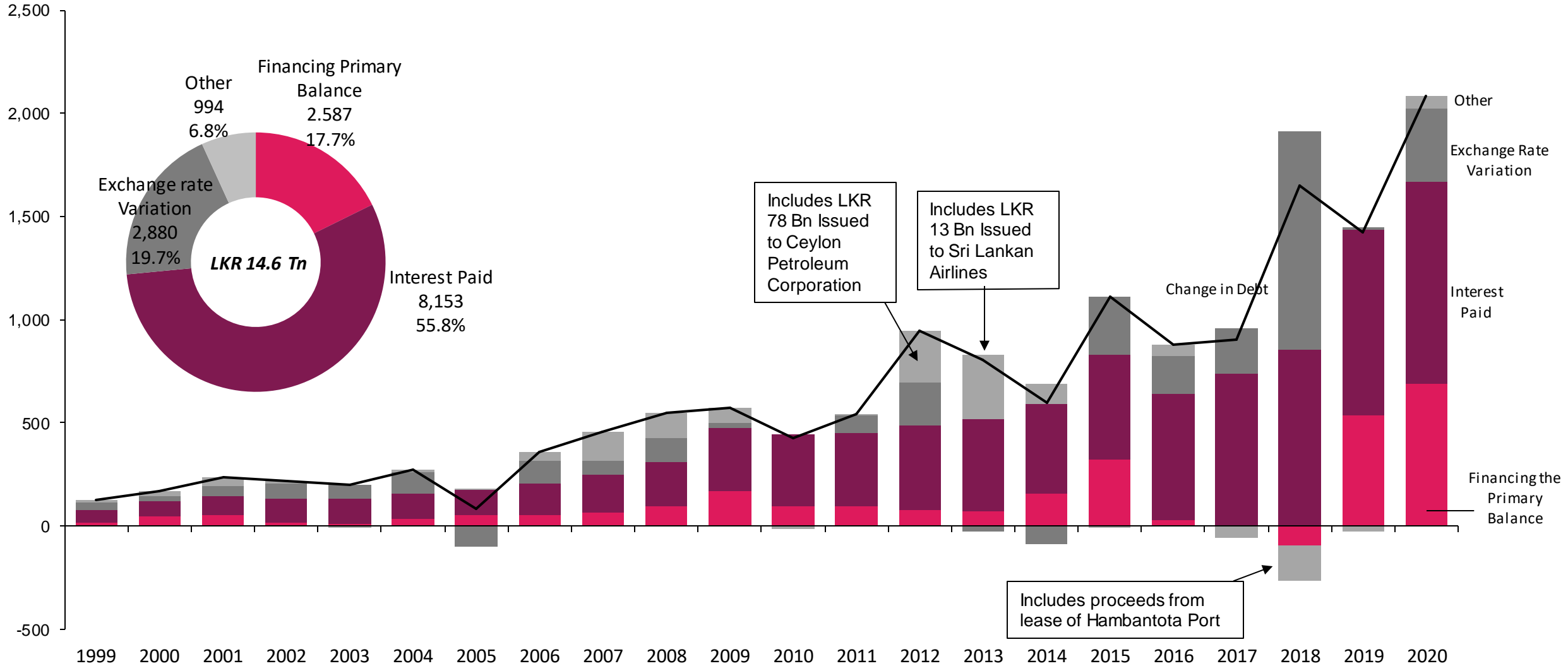


Source: CBSL, Advocata Research

Debt Attribution Analysis - Absolute

Interest expense and Exchange rate variation account for 75% of the Debt increase since 1999

Change in Debt, LKR Bn



Breakdown of change in debt

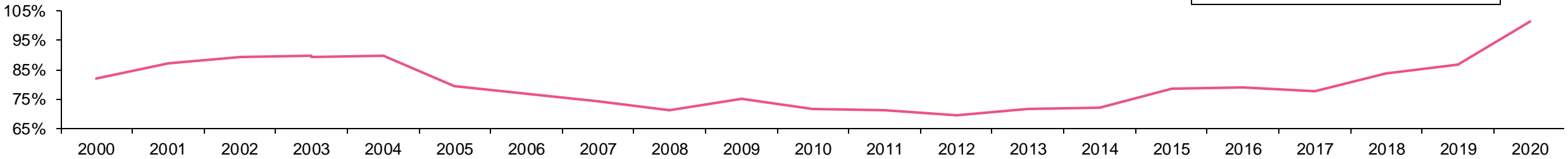
$$\text{Change in Debt (\%GDP)} = \text{Real Interest rate effect} - \text{Growth effect} + \text{Exchange rate effect} - \text{Primary Balance} + \text{Residual}$$

$$d_t - d_{t-1} = \frac{i_t^w - \pi(1 + g_t)}{(1 + g_t)(1 + \pi_t)} - \frac{g_t}{(1 + g_t)(1 + \pi_t)} + \frac{\alpha\varepsilon(1 + i_t^f)}{(1 + g_t)(1 + \pi_t)} - pb + residual$$

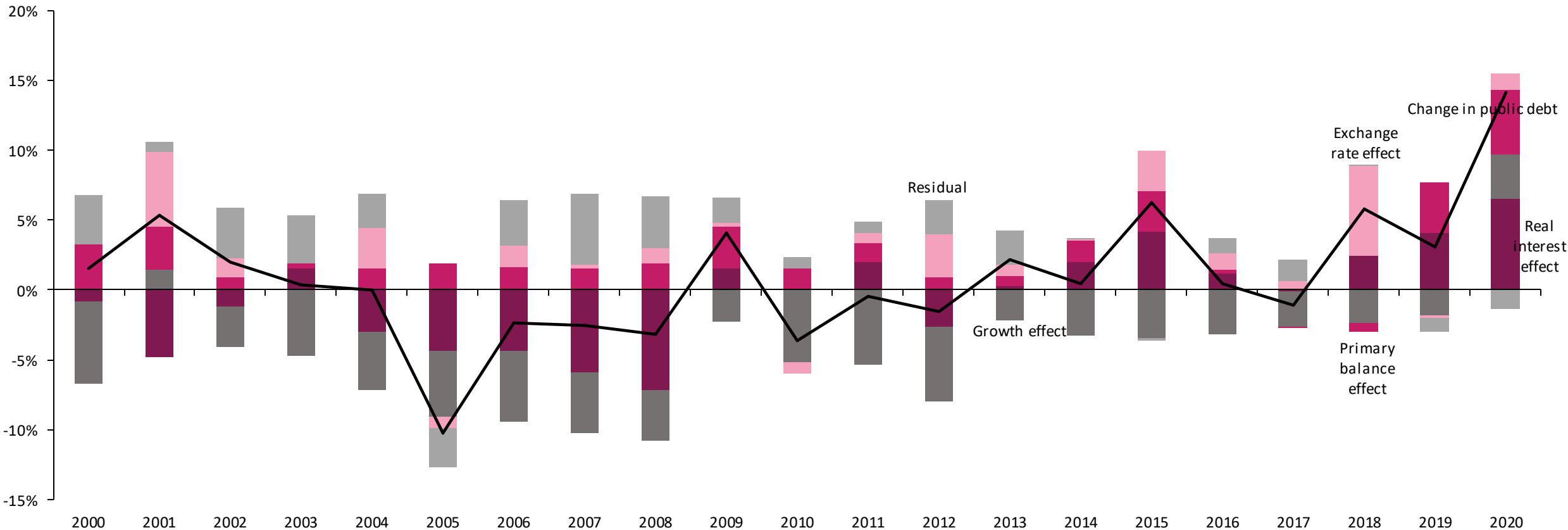
Debt Attribution Analysis for Sri Lanka

IMF adjusted GDP Series used for calculation

Debt / GDP ratio, %



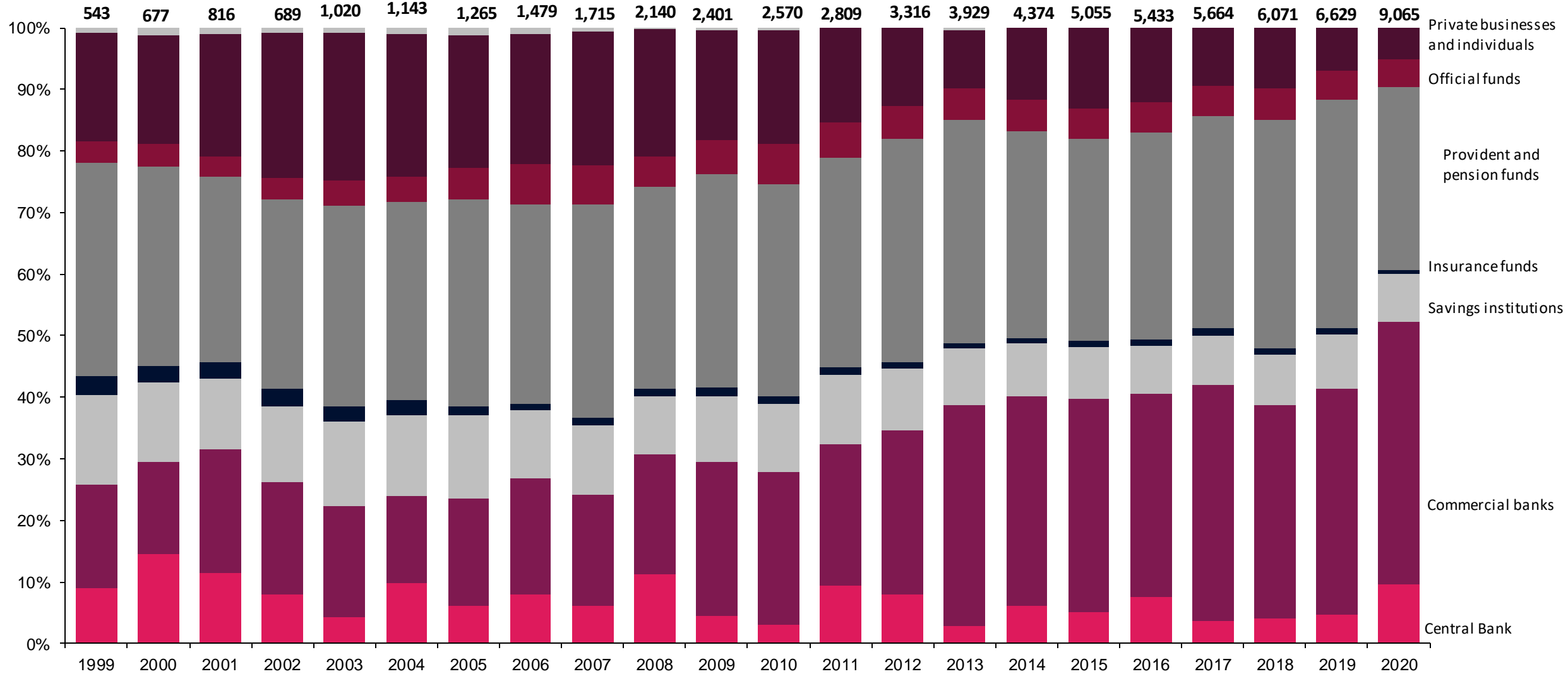
Contribution to change in Debt to GDP ratio, %



Source: CBSL, IMF-World Economic Outlook Database October 2019, Advocata Research

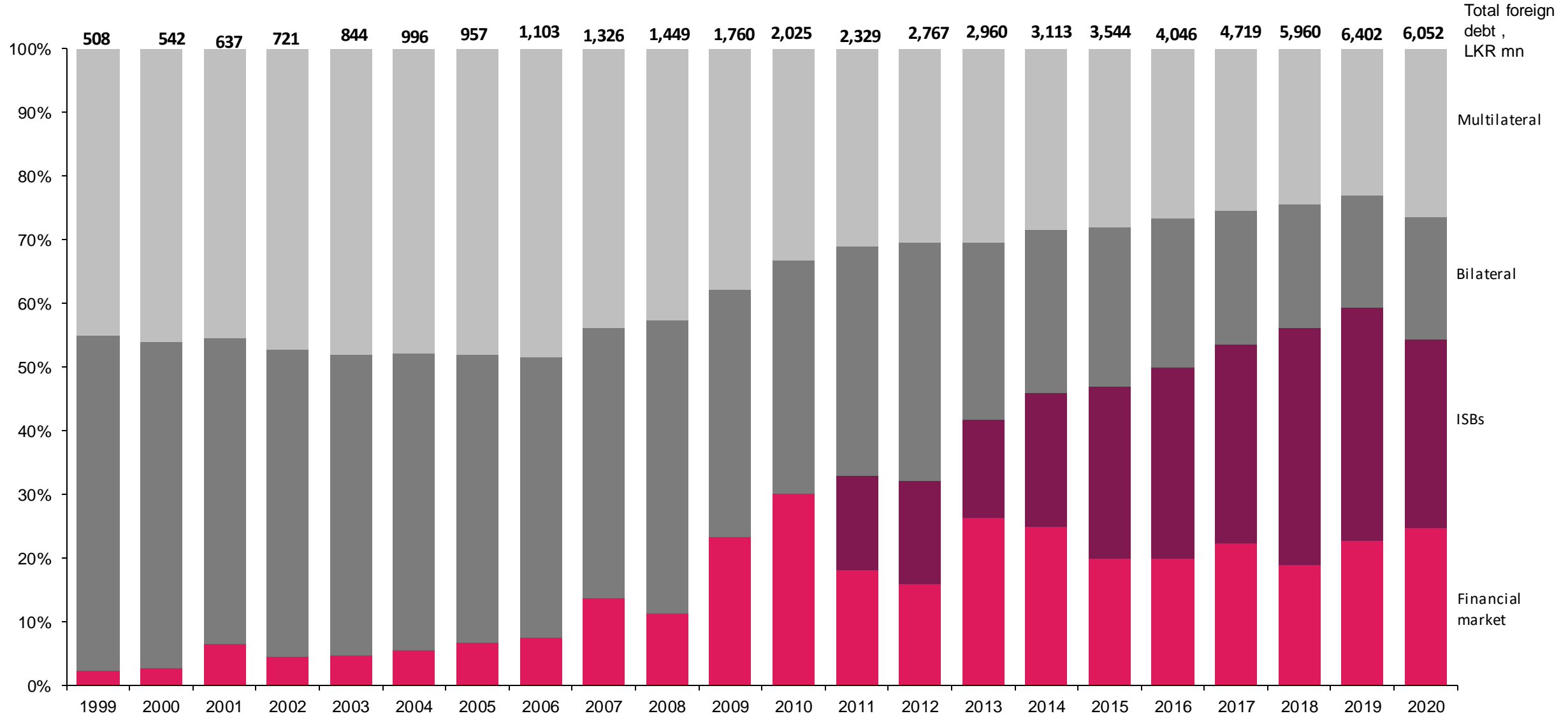
Domestic debt by ownership

% of total domestic debt



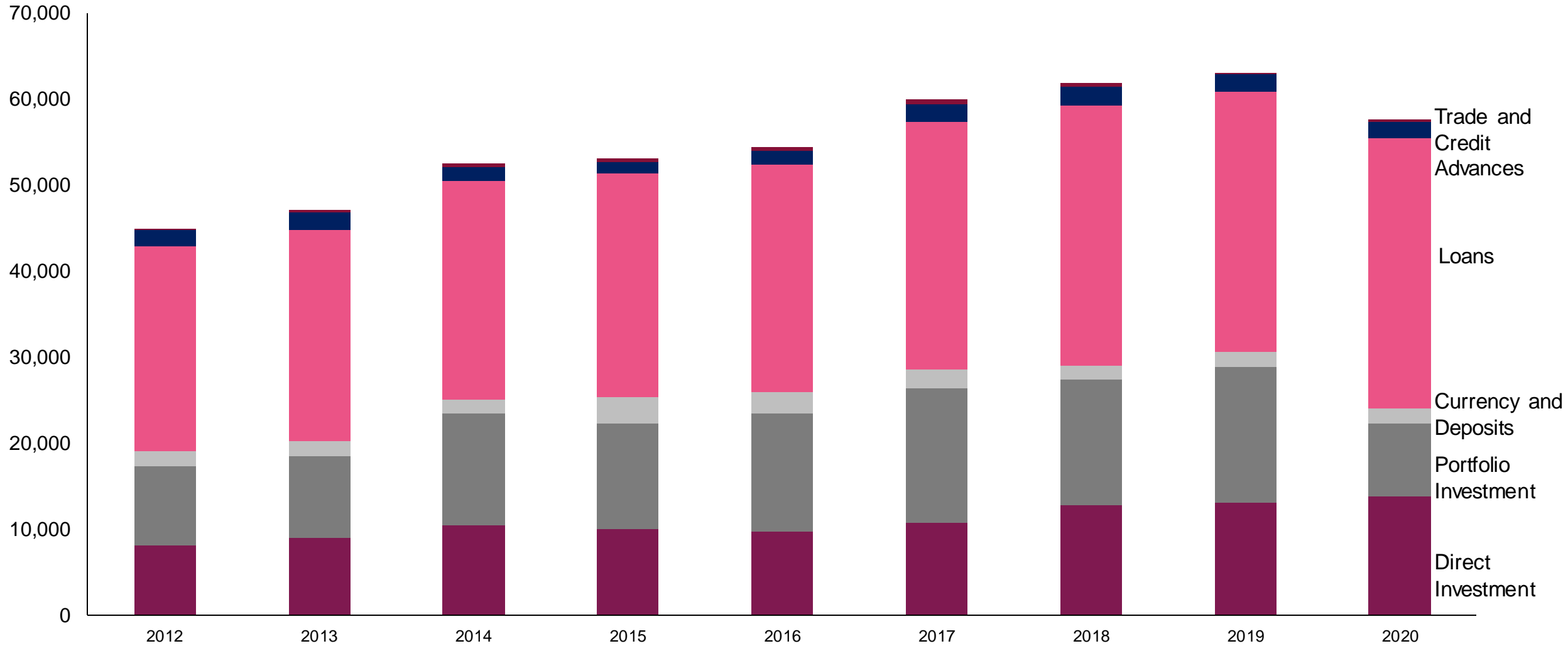
Foreign debt by type

% of total foreign debt



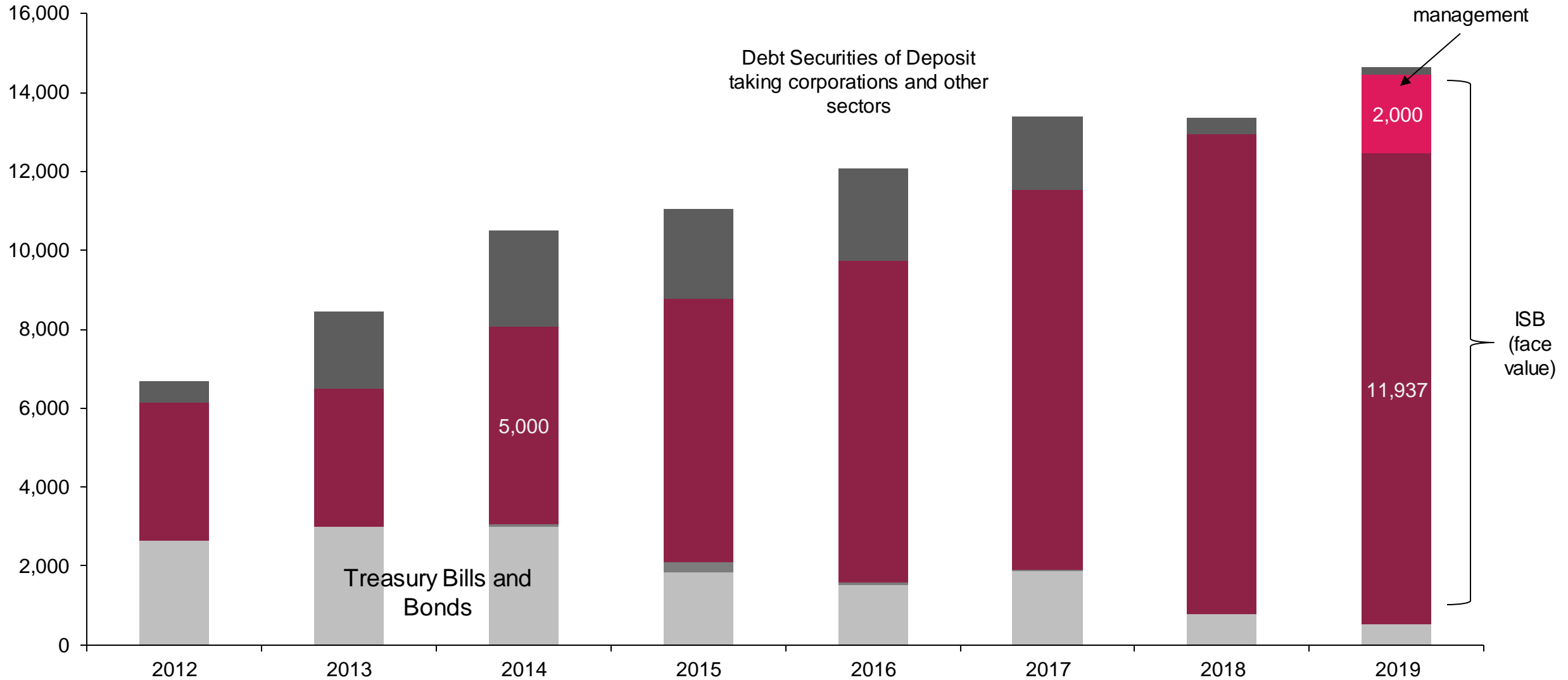
Sri Lanka's Foreign Liabilities

USD Mn



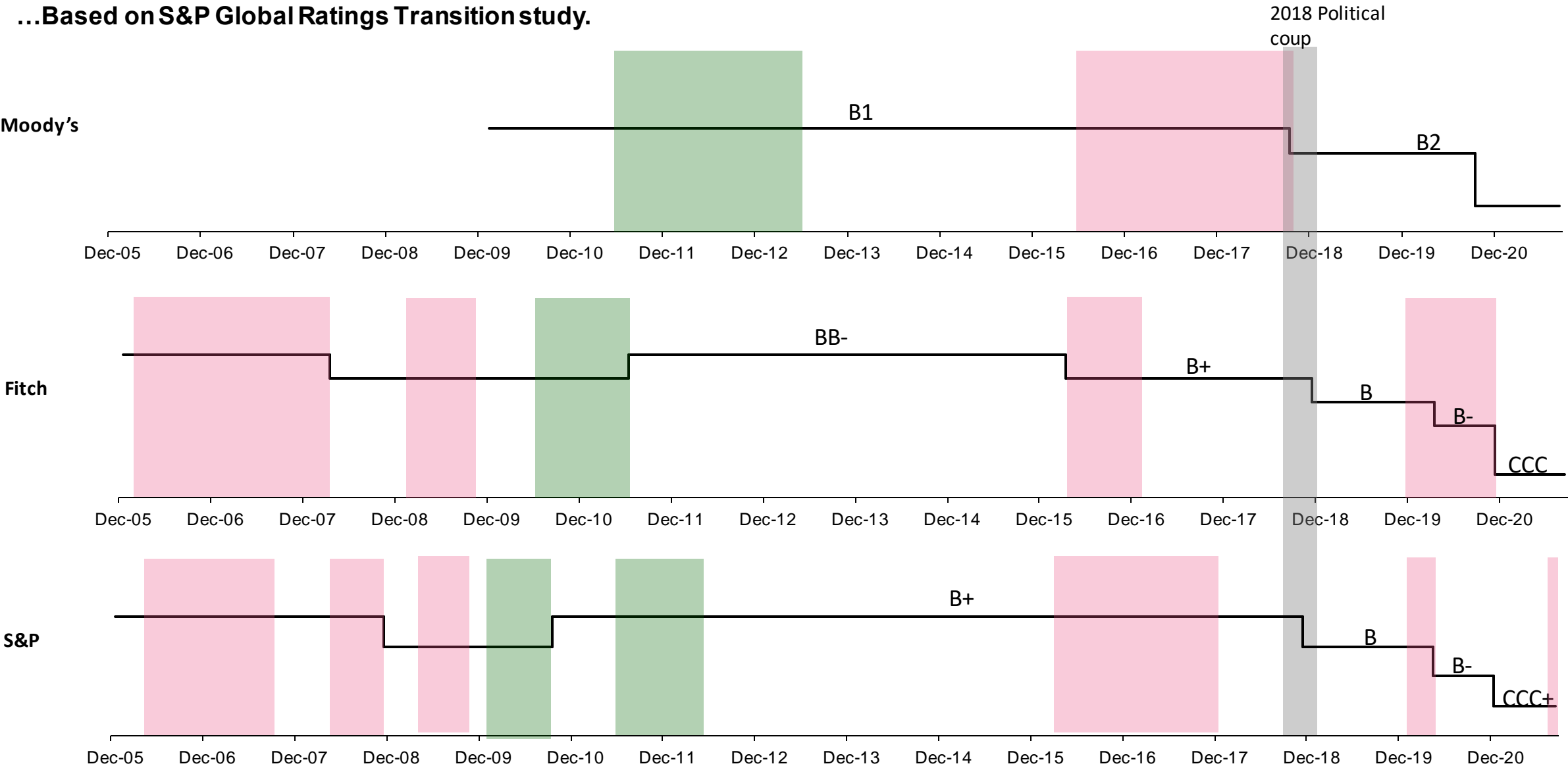
Debt Securities in External Liabilities

USD Mn

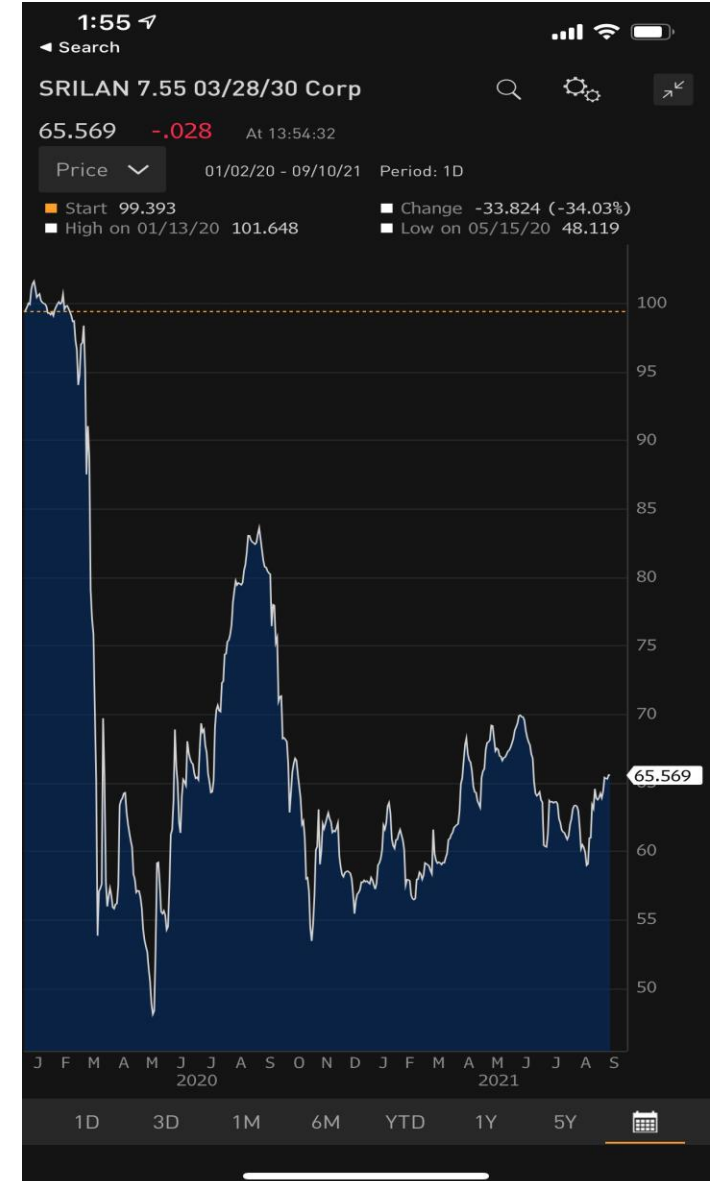
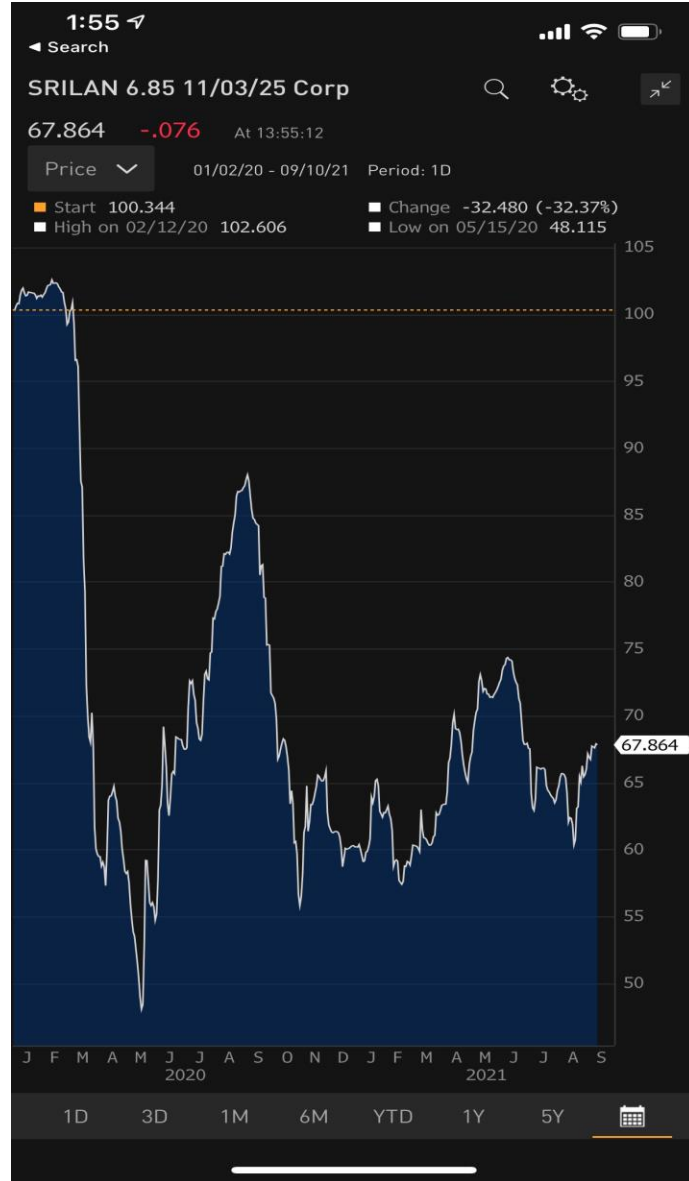
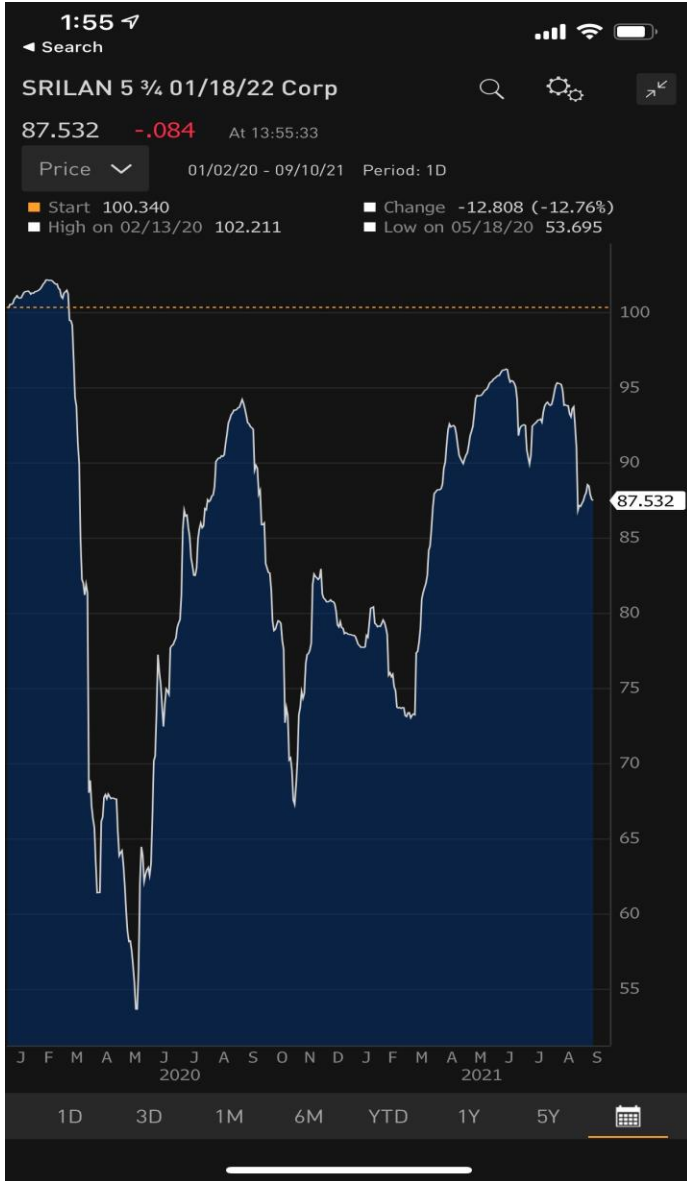


42% Chance of Selective Default within one year of downgrade...

...Based on S&P Global Ratings Transition study.



The January 2022 Bond is trading at 87 cents to the dollar



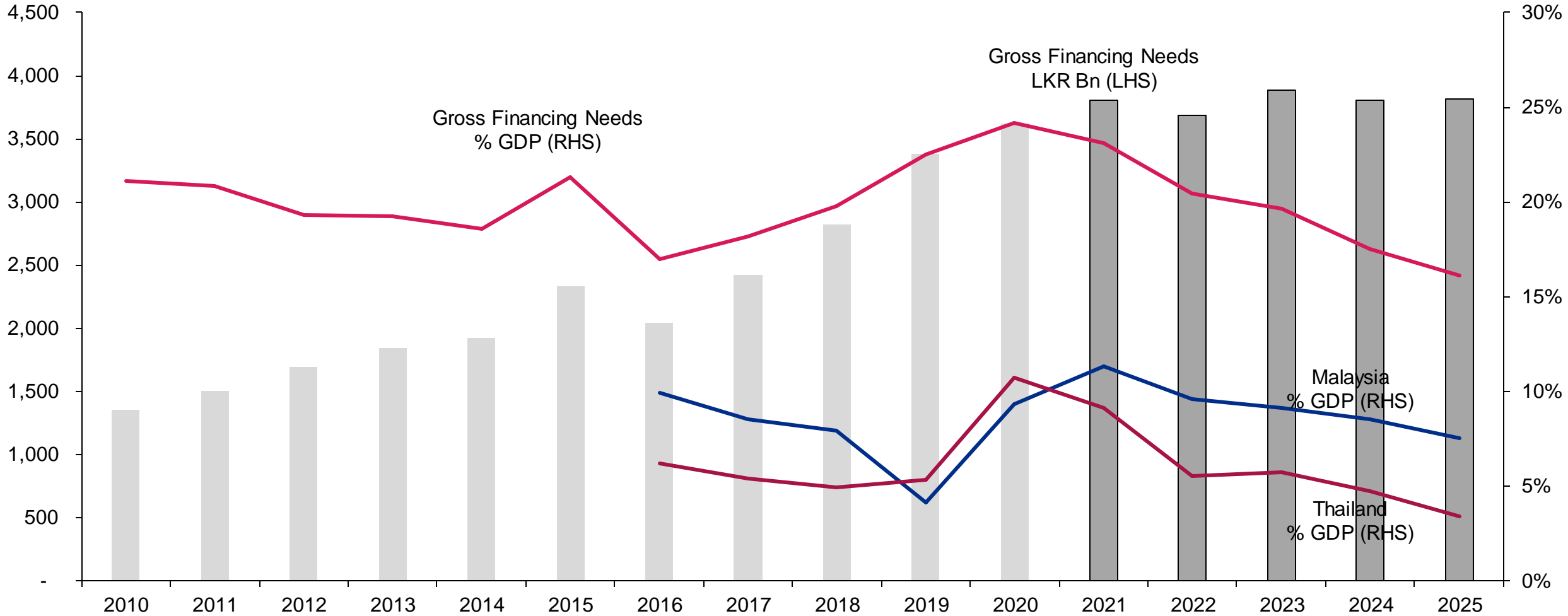
Warning from Prof. Ricardo Hausmann about debt crisis



 <https://youtu.be/hlaTH0AYd6Y>

Gross Financing Needs highly elevated

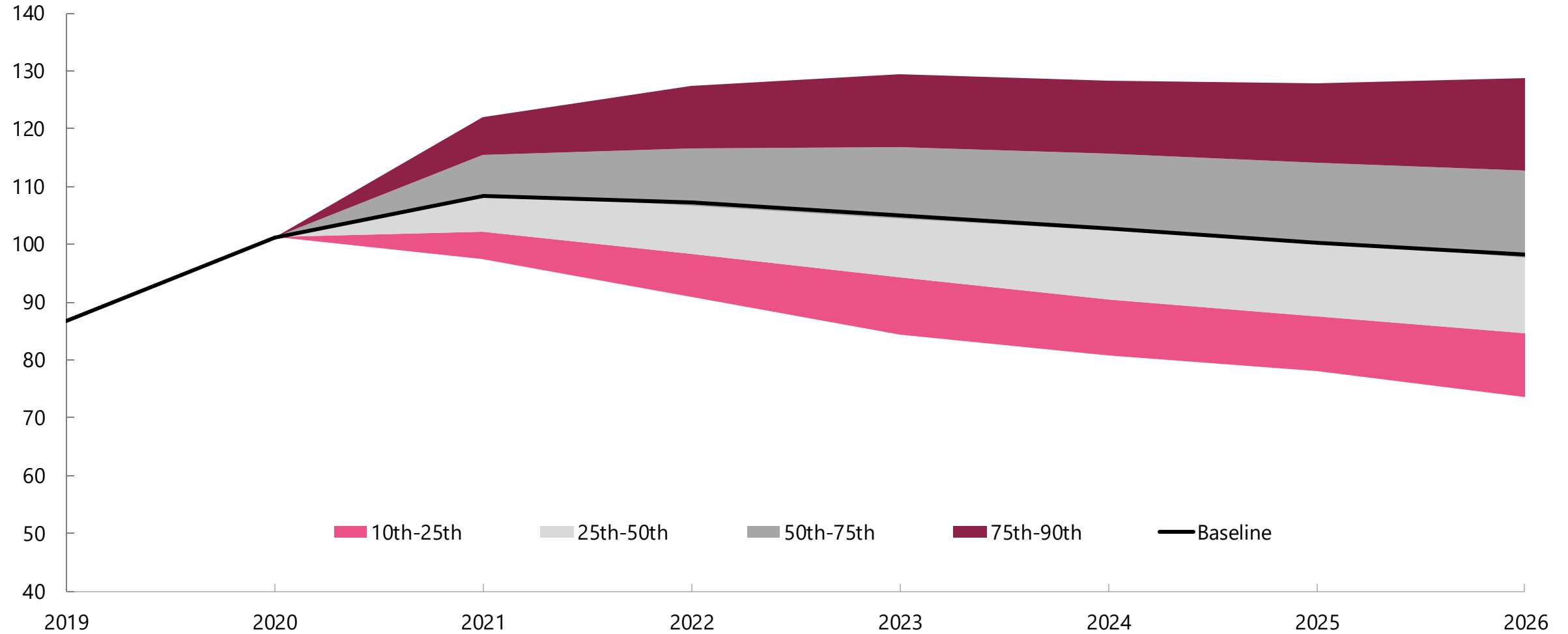
Gross Financing Needs LKR Bn (LHS); % GDP (RHS)



Note: Gross Financing Needs is calculated as sum of budget deficit + Amortisation of Debt, Data from 2021 - Sri Lanka: In house Estimates, Malaysia and Thailand; IMF Estimates
 Source: CBSL, Advocata Research

Debt to GDP Ratio trajectory

Debt to GDP Ratio (% GDP)



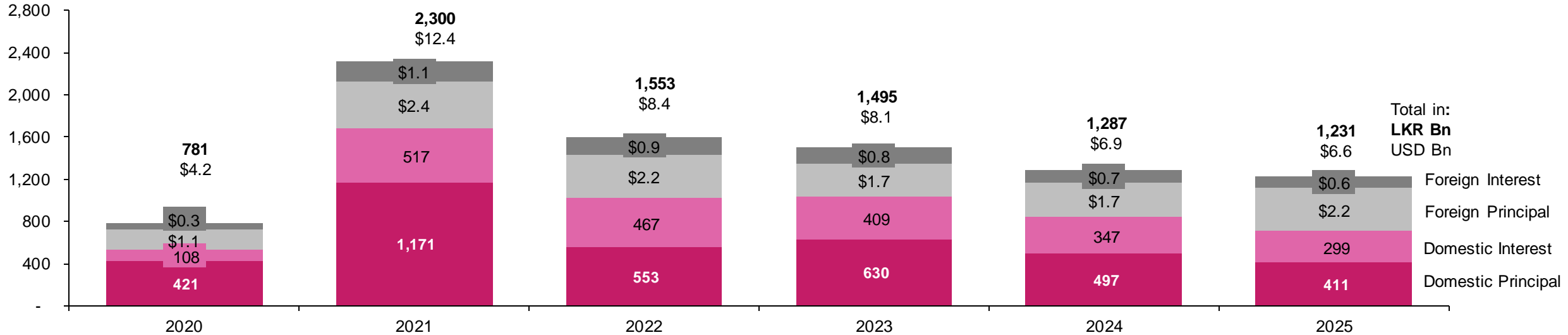
Note- Data from 2021 onwards are in house estimates.

Source: CBSL, Advocata Research

Domestic debt is a larger proportion of government debt service obligation

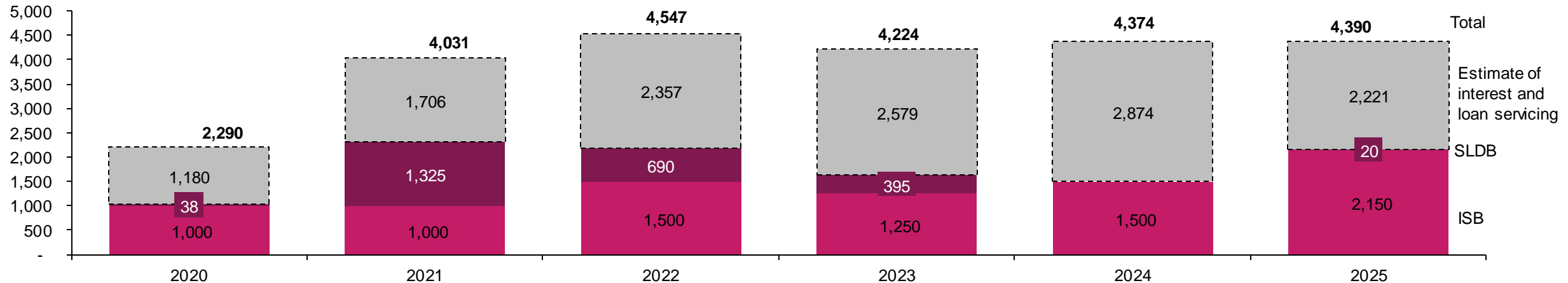
Debt securities maturity profile

Yearly principal and Interest for total traded debt, LKR bn, USD bn



Foreign currency debt maturity profile is fairly spaced out...

Foreign debt service, USD mn



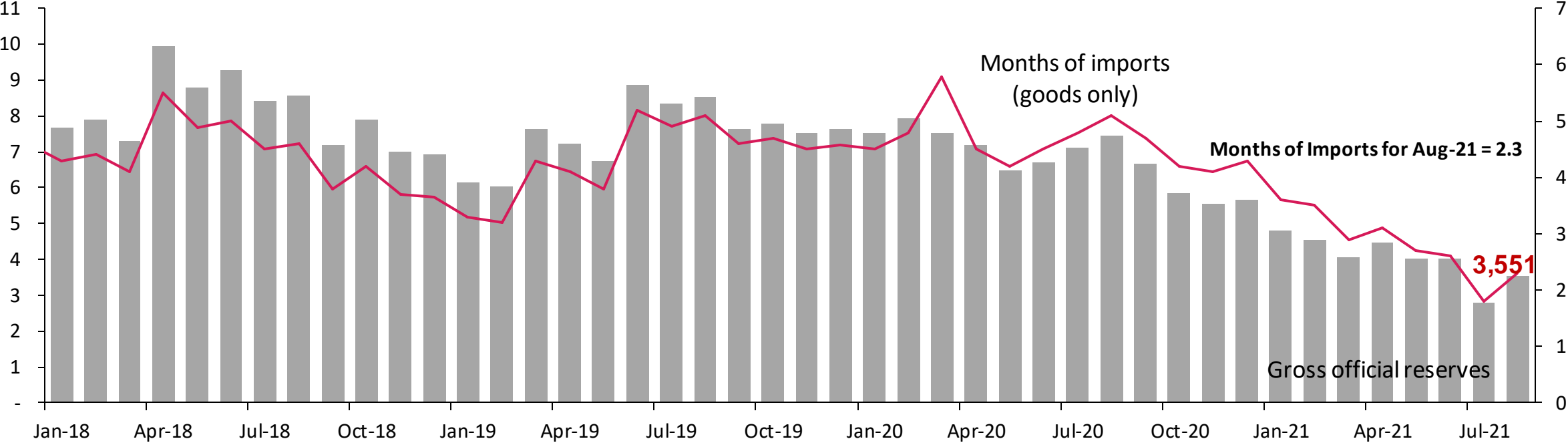
Note: *as at 24th September 2020;

Source: Bloomberg, CBSL, Advocata Research

www.advocata.org

Reserves have been falling

Gross Official Reserves, USD Bn (LHS); Months of Imports, Ratio(RHS)



Shortfall: 3,434

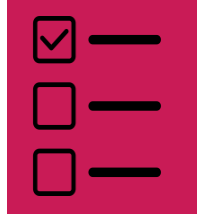
Predetermined drains on foreign currency end-July, USD Mn

		Maturity breakdown			Total
		Up to 1 month	More than 1 month and up to 3 months	More than 3 months and up to 1 year	
Foreign currency loans, securities, and deposits		-261	-1,447	-5,277	-6,985
outflows (-)	Principal	-227	-1,117	-4,254	-5,598
	Interest	-34	-330	-1,023	-1,387

How the Korean people responded when their country was in crisis



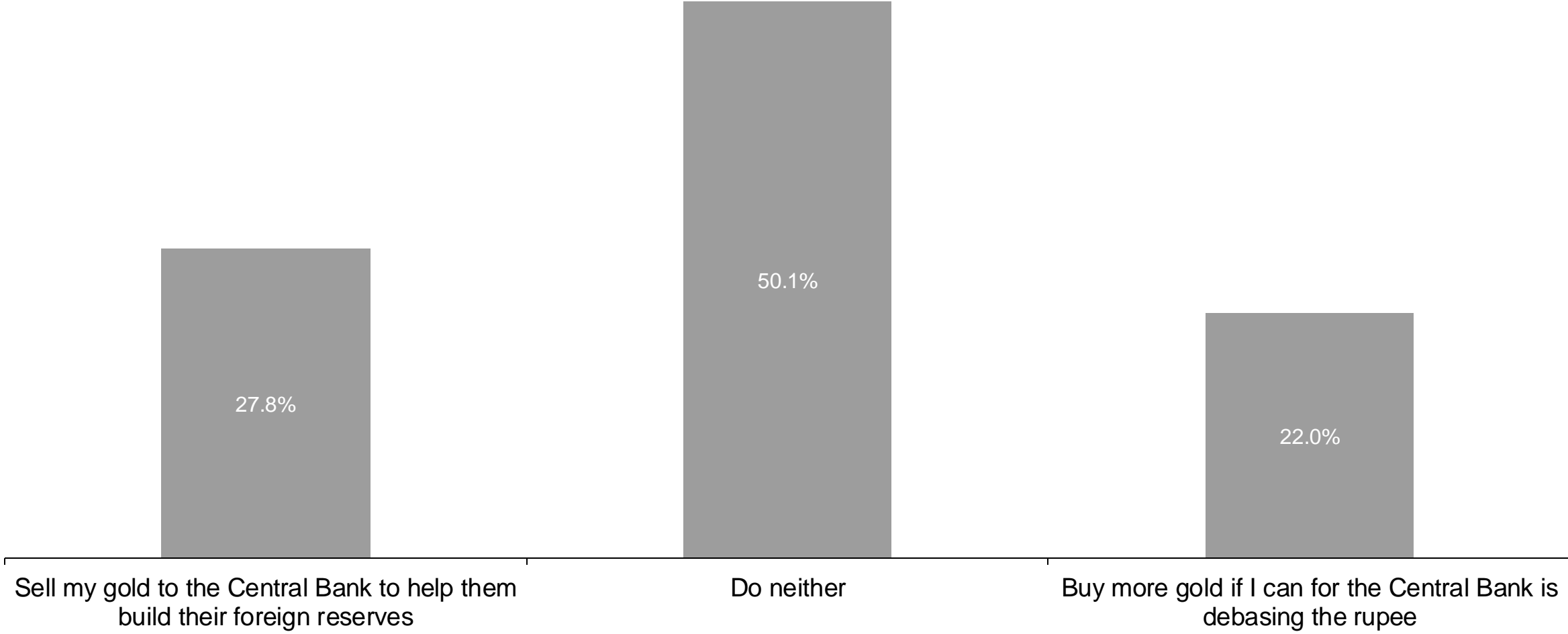
https://www.youtube.com/watch?v=h_TcP73_nmE



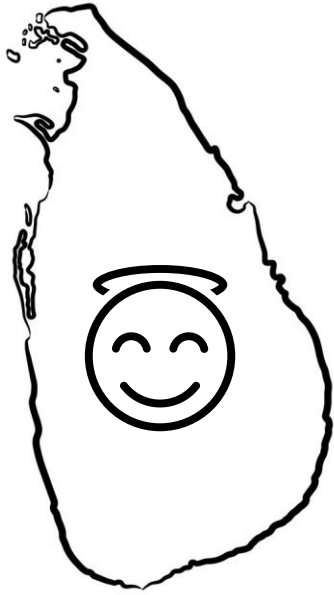
Poll 4

One way to raise our foreign reserves is for our citizens to sell their gold to the Central Bank for rupees. I will:

Total respondents: 395



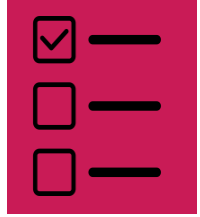
Is The Big Bad Wolf On The Way?



Definitions

Liquidity crisis – when a country's liquid assets and available financing is insufficient to meet or roll-over maturing liabilities

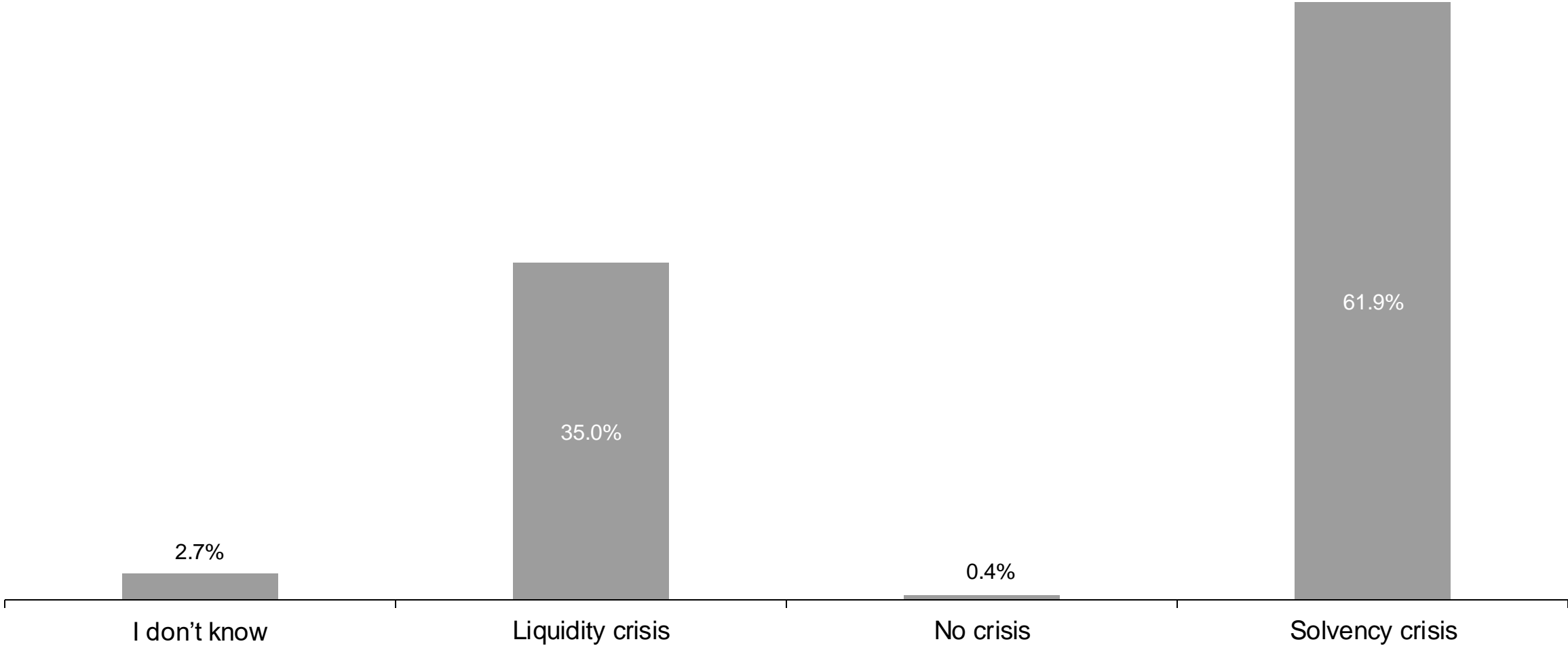
Solvency crisis – when a country's capacity to meet long term financial commitments is compromised and financial obligations cannot be met without renegotiating terms of debt, an implausibly large fiscal adjustment, or simply defaulting



Poll 5

What kind of crisis are we facing?

Total respondents: 395

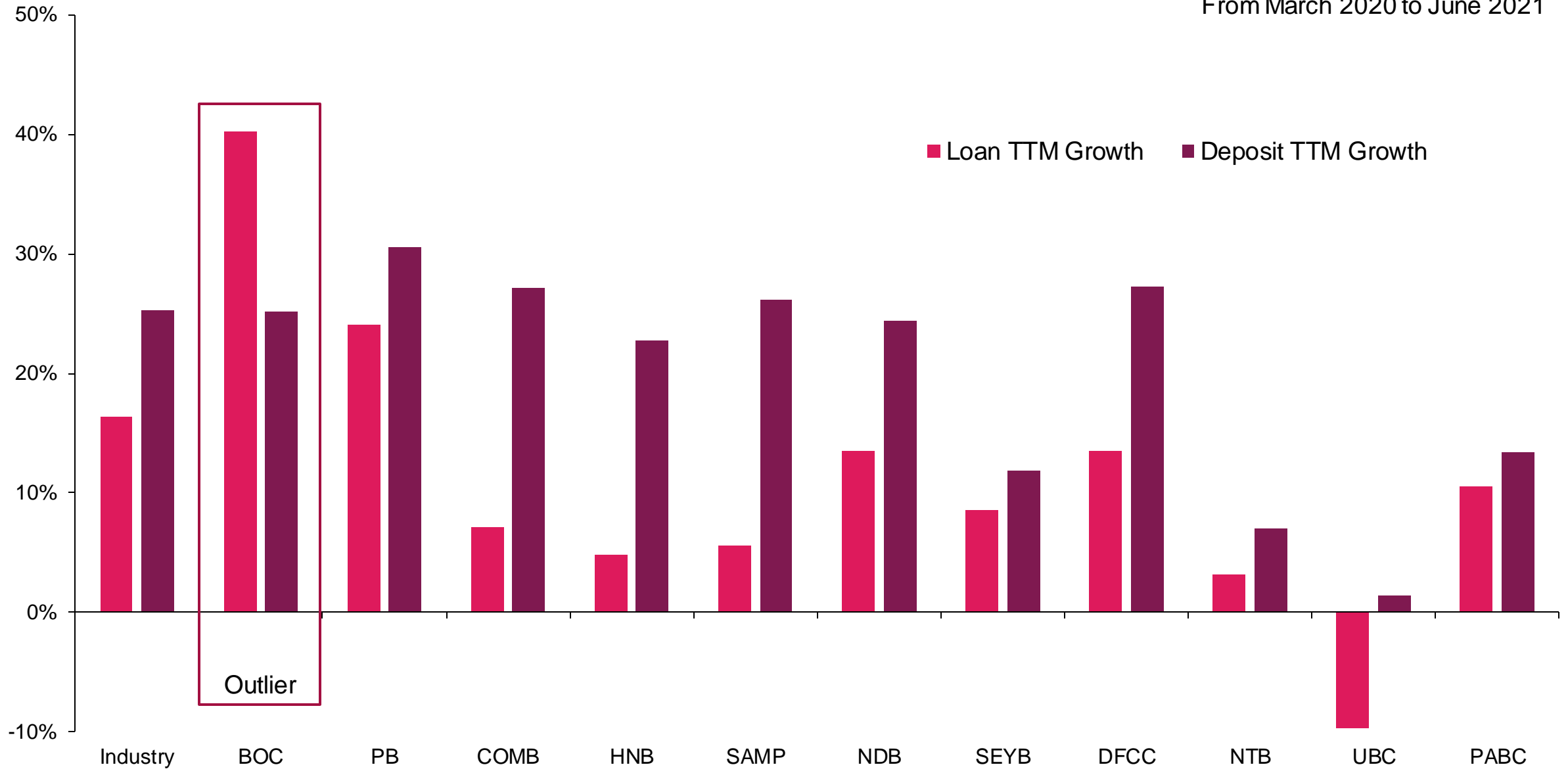




What about the banks ?

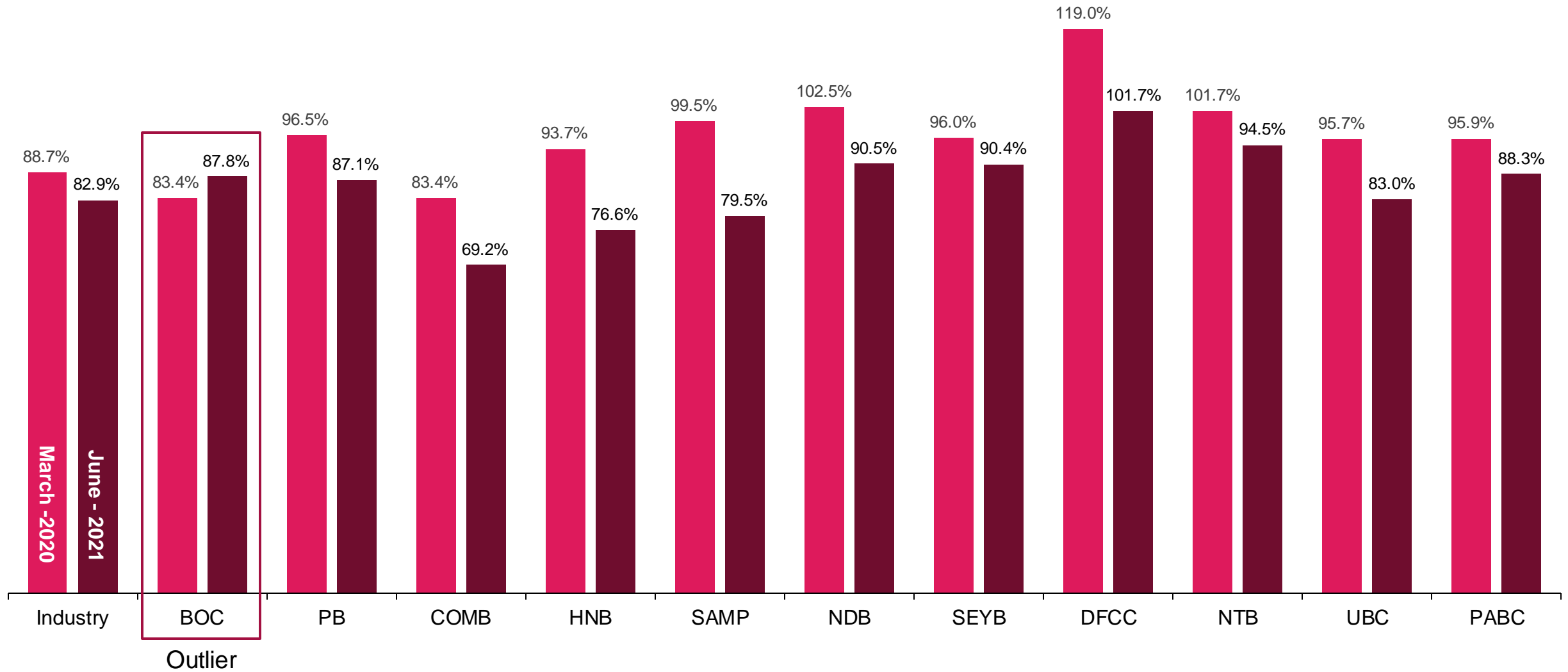
Deposit growth outpacing loan growth ...

From March 2020 to June 2021



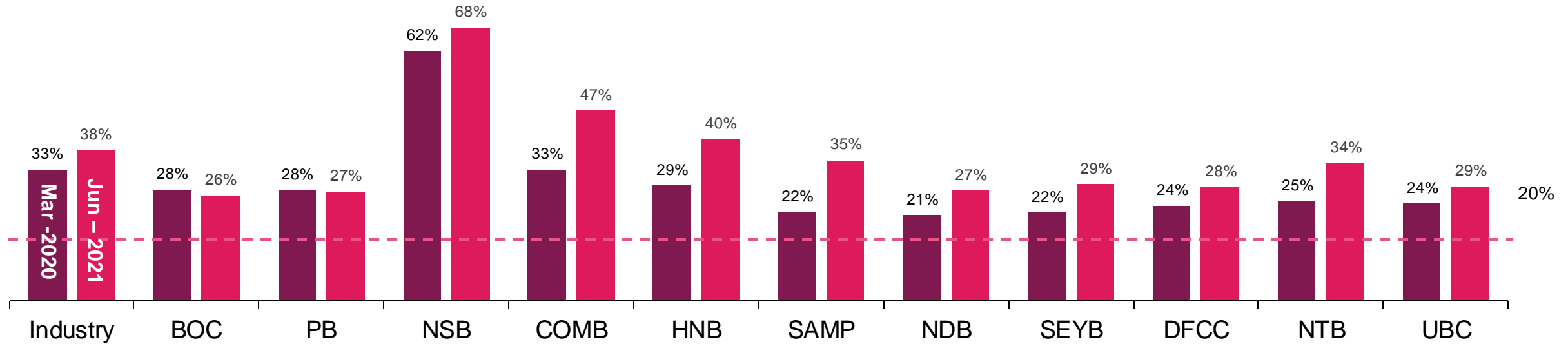
Source: CBSL, Advocata Research

Loan to Deposit Ratios falling...less reliance on wholesale funding

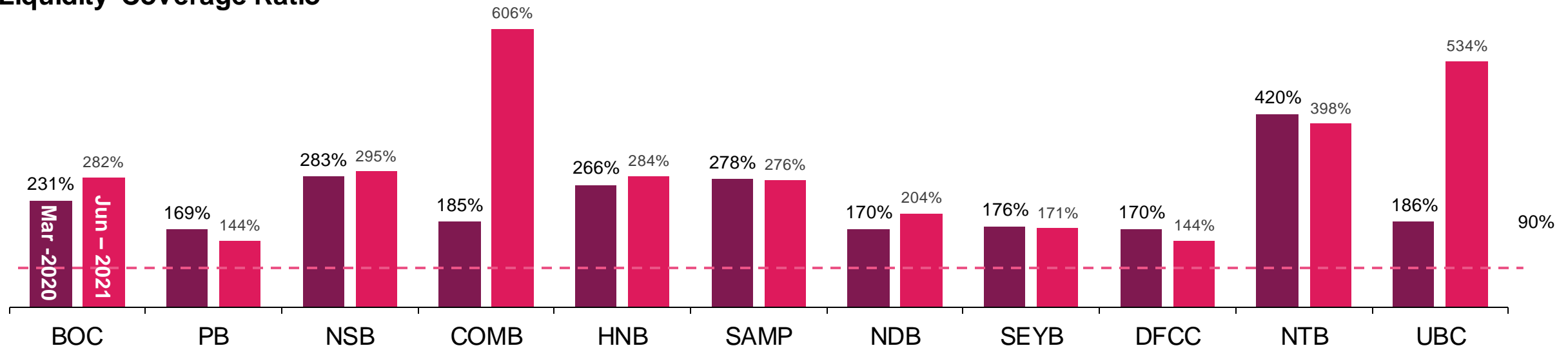


Prudential liquidity coverage well above norms...

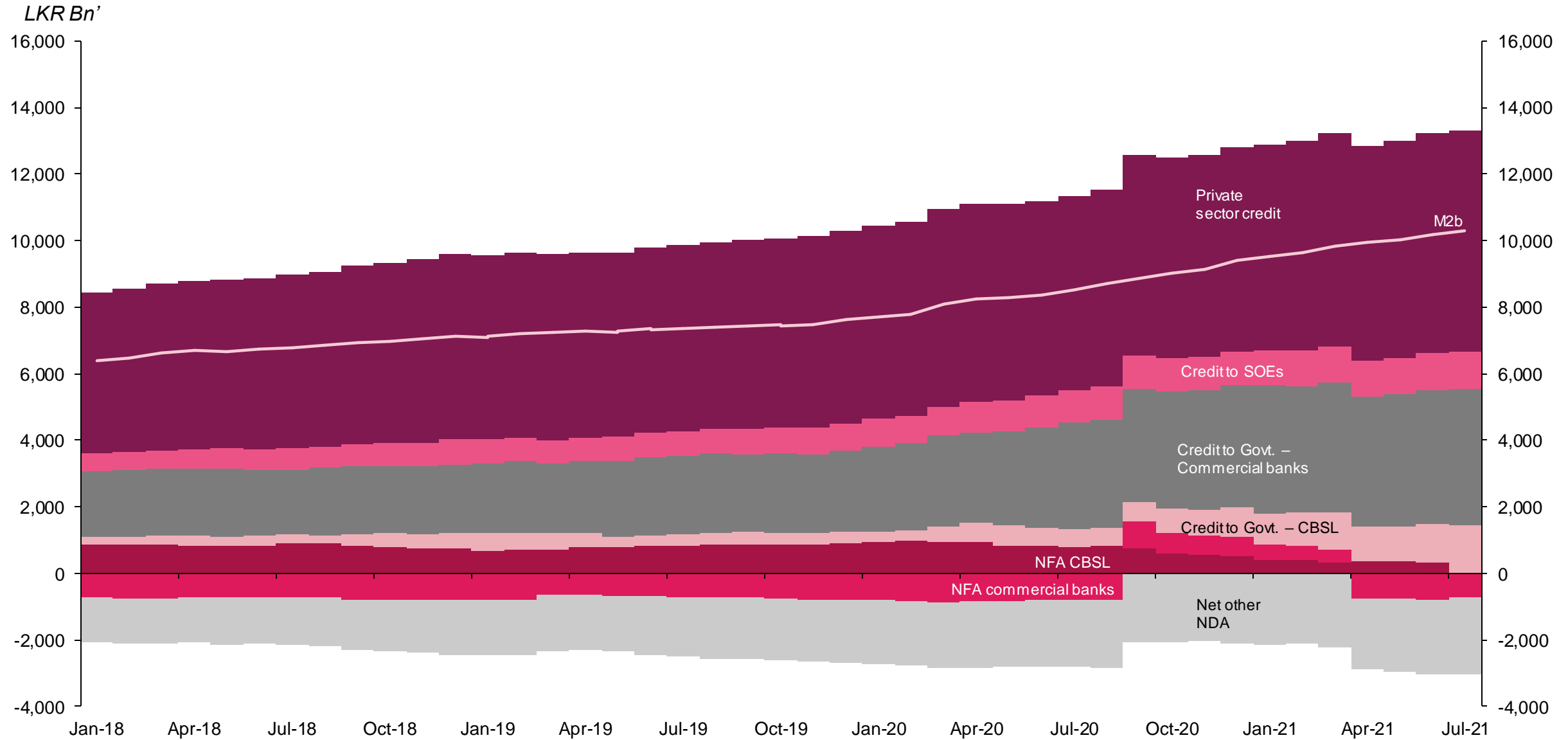
Statutory Liquid Asset Ratio



Liquidity Coverage Ratio



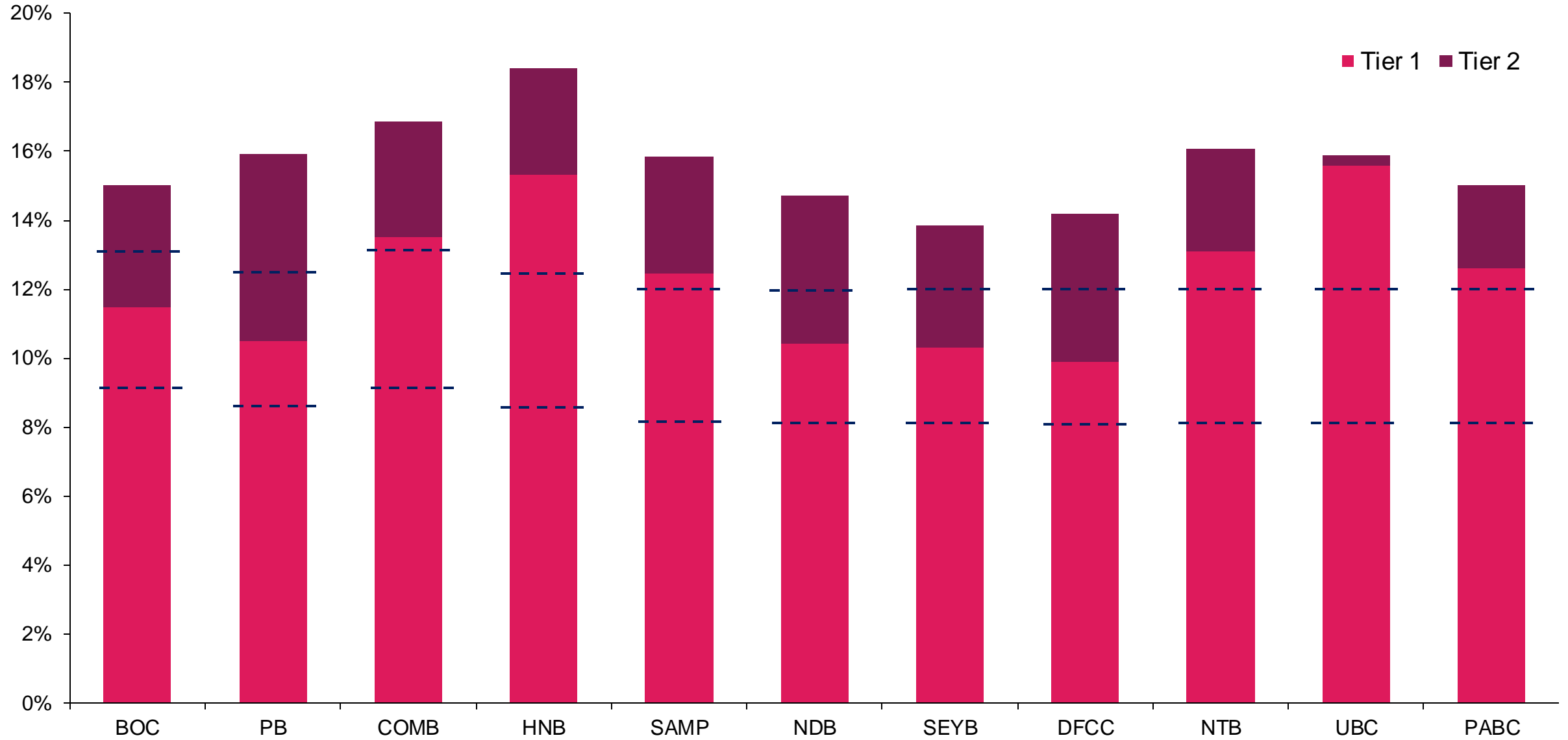
The increase in credit to government was largely through commercial banks



Source: CBSL, Advocata Research

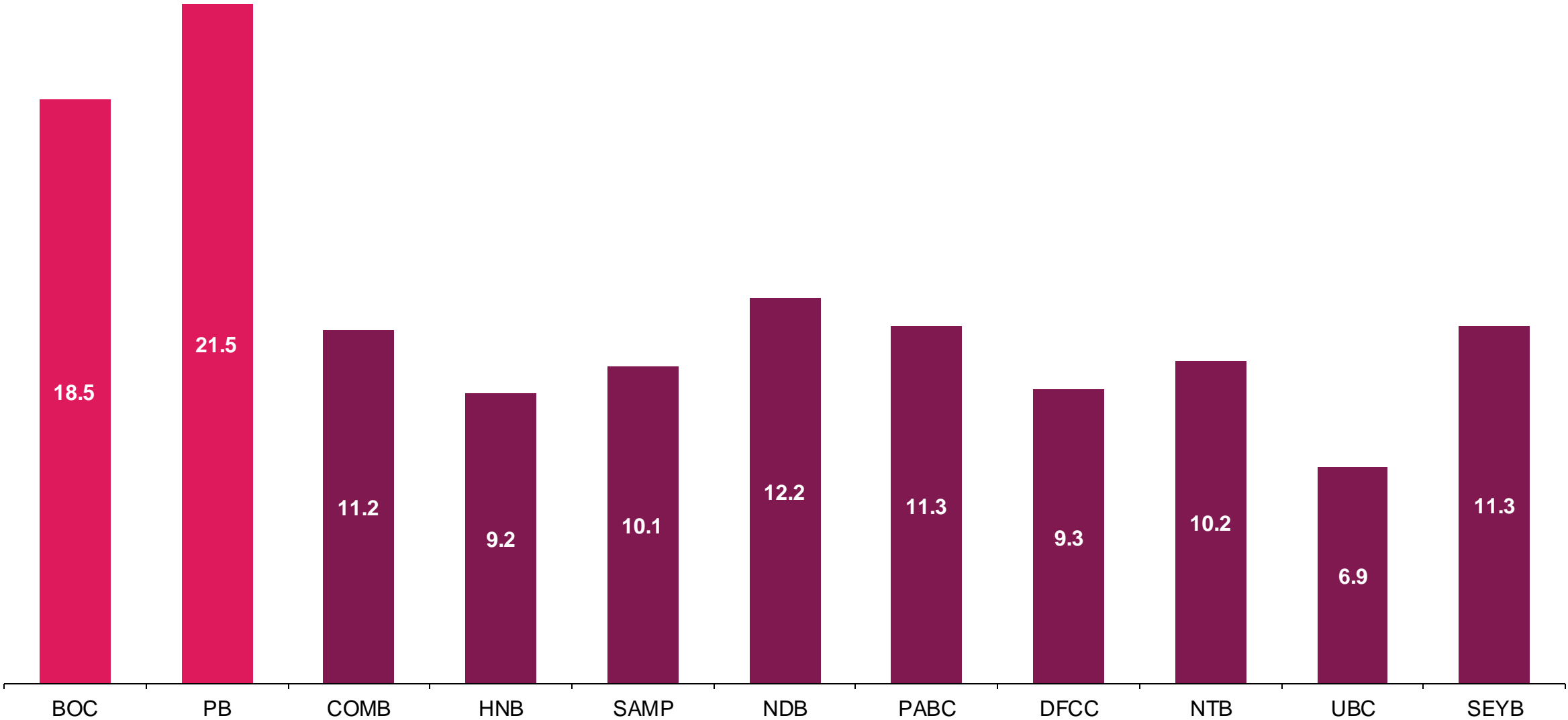
Reported capital adequacy ratios are at healthy levels...

30 June 2021



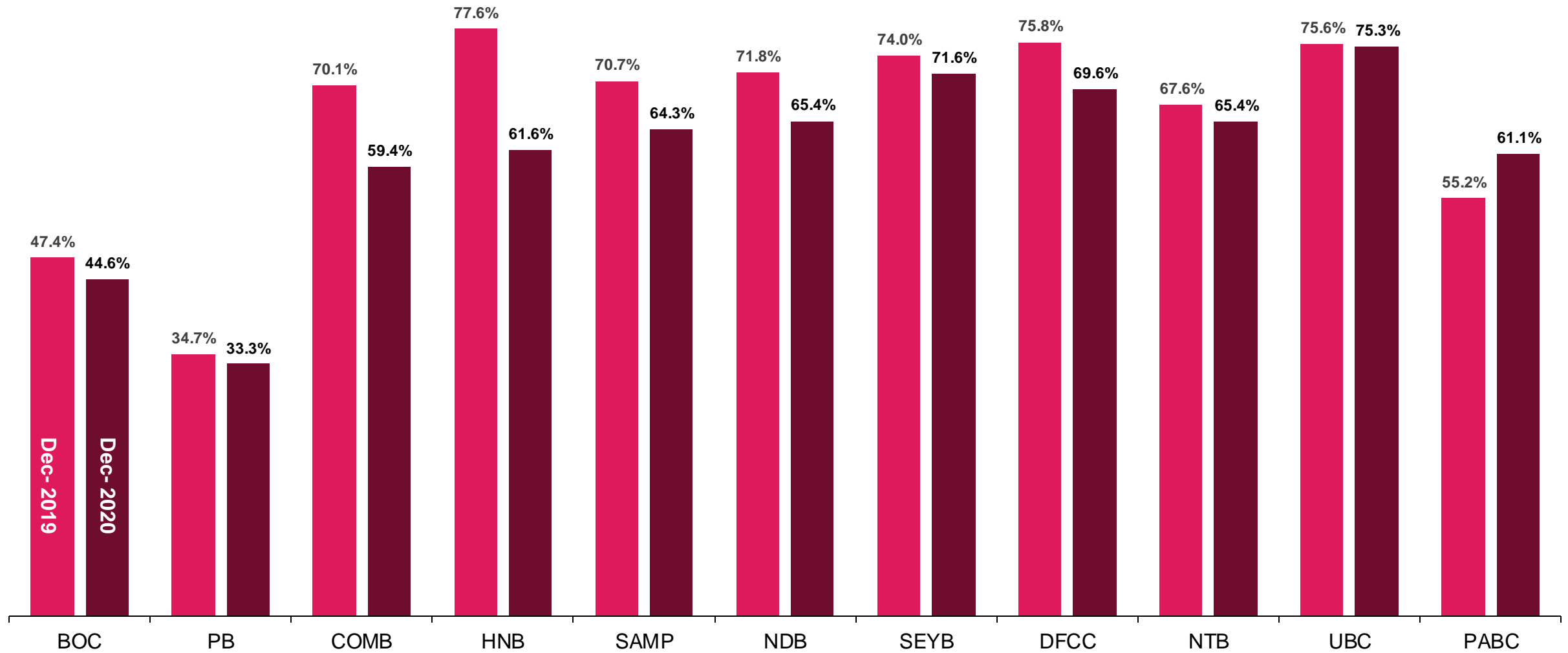
But the bank leverages are still high...

30 June 2021



Large investment portfolio is g-secs require zero risk weighting...

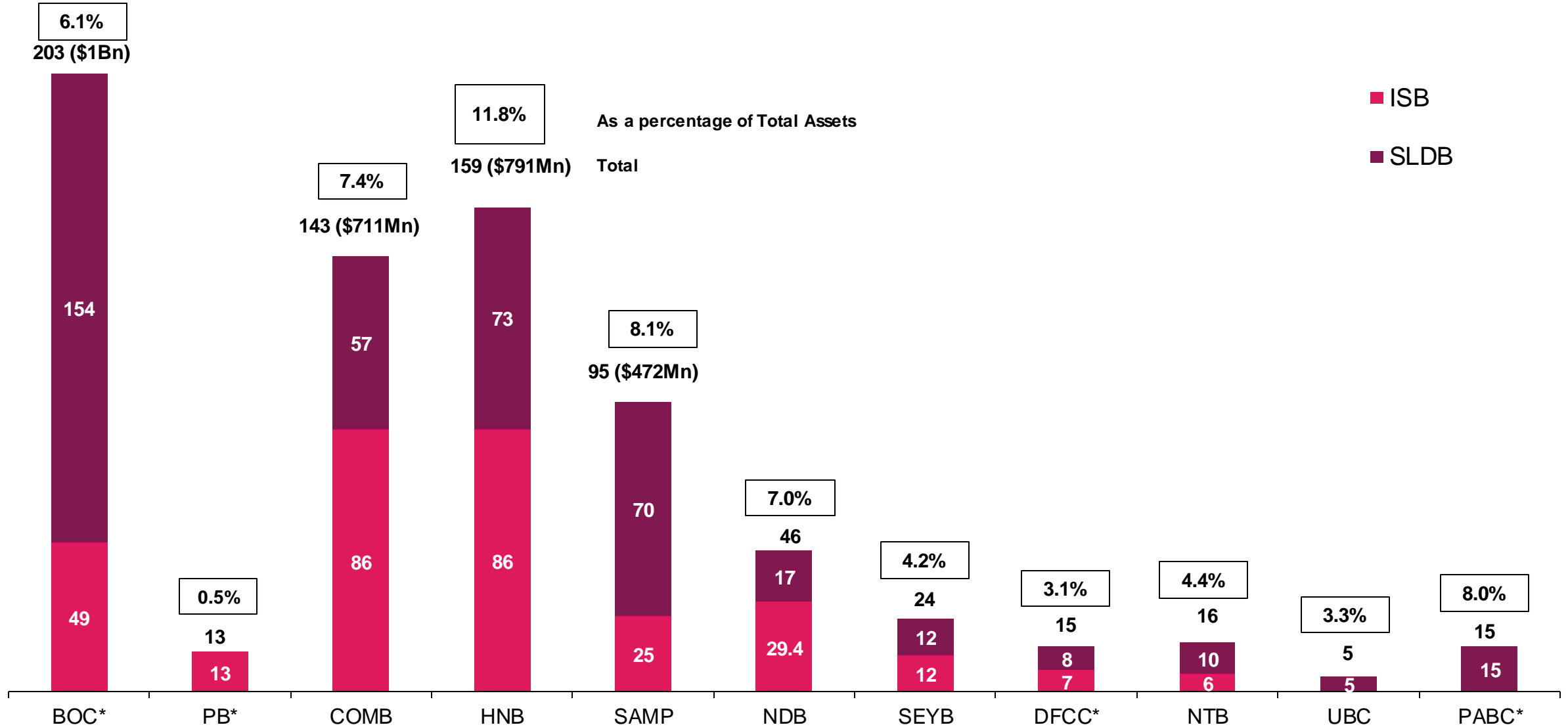
Risk-weighted assets to Total assets – Bank-wise



High exposure to dollar denominated sovereign debt...

LKR Billions

30 June 2021



* As of 31 December 2020

Source: Annual Reports, Advocata Research

www.advocata.org

Have these instruments been adequately provided for ?

CBSL guidance on PD and LGD

Probability of Default – 10%

Loss Given Default – 20%

Total Provision = 10% x 20% = 2%

ISB prices as of 09 Sept 2021

Ticker	Last Price	Bid Yld	Ask Yld
SRILAN 7.55 03/28/30	65.60	14.9299	14.602
SRILAN 7.85 03/14/29	65.65	16.0377	15.6335
SRILAN 6 3/4 04/18/28	65.70	15.363	14.9373
SRILAN 6.2 05/11/27	65.87	15.6879	15.2252
SRILAN 6.825 07/18/26	66.80	17.4635	16.9066
SRILAN 6.85 11/03/25	67.94	18.5276	17.8714
SRILAN 6 1/8 06/03/25	67.98	18.7244	18.0063
SRILAN 6.35 06/28/24	68.51	22.4505	21.6028
SRILAN 6.85 03/14/24	68.48	24.9317	23.900
SRILAN 5 3/4 04/18/23	70.44	31.2405	29.6506
SRILAN 5 7/8 07/25/22	78.17	38.995	36.221
SRILAN 5 3/4 01/18/22	87.62	49.9945	43.6656
SRILAN 6 1/4 07/27/21			

Where did the credit flow ...

Commercial Bank Loans and Advances to the Private Sector

LKR Billions

7,000.0

6,000.0

5,000.0

4,000.0

3,000.0

2,000.0

1,000.0

0

Q4-10 Q1-11 Q2-11 Q3-11 Q4-11 Q1-12 Q2-12 Q3-12 Q4-12 Q1-13 Q2-13 Q3-13 Q4-13 Q1-14 Q2-14 Q3-14 Q4-14 Q1-15 Q2-15 Q3-15 Q4-15 Q1-16 Q2-16 Q3-16 Q4-16 Q1-17 Q2-17 Q3-17 Q4-17 Q1-18 Q2-18 Q3-18 Q4-18 Q1-19 Q2-19 Q3-19 Q4-19 Q1-20 Q2-20 Q3-20 Q4-20

Other personal loans

Other services

Other industries

Other agriculture

Pawning

Consumer durables

Financial & business services

Tourism

Wholesale & retail trade

Equipment

Textile & apparel

Food & beverages

Construction

Paddy

Rubber

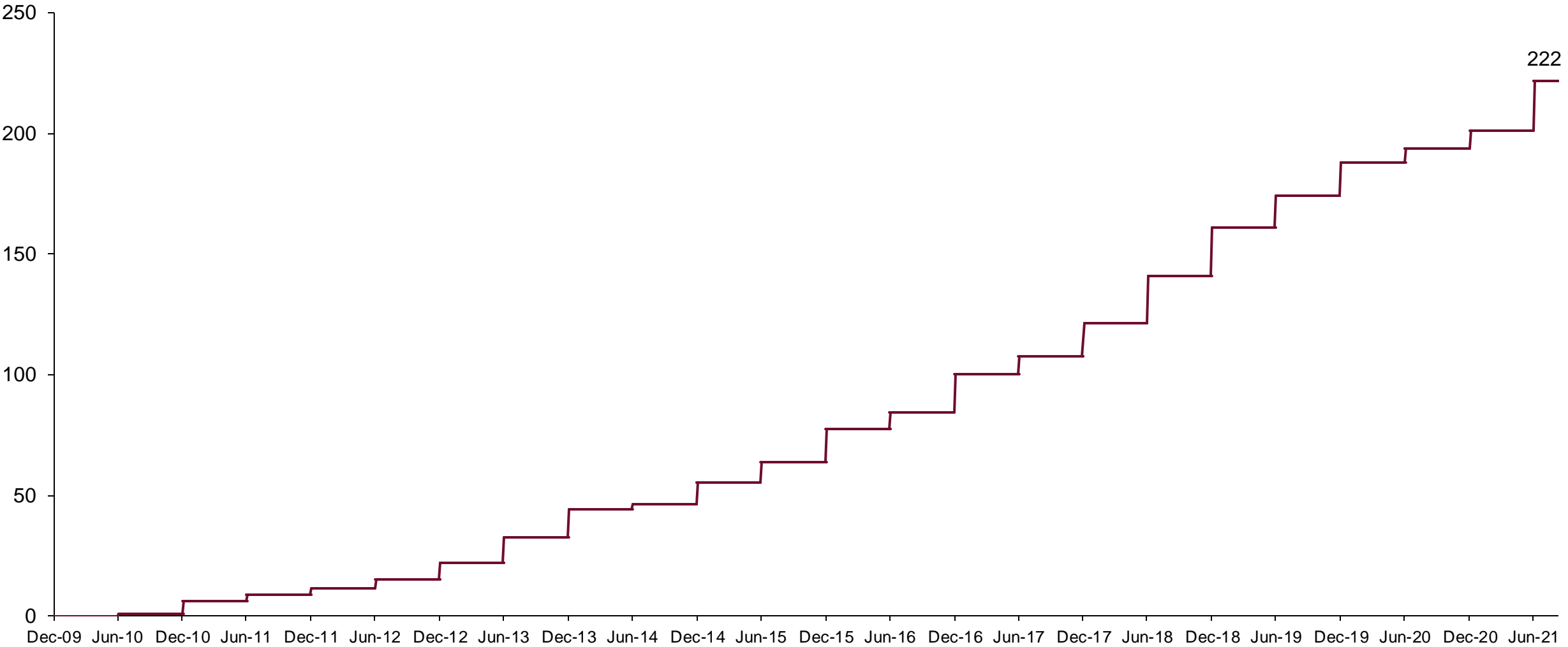
Tea

A significant portion of private sector credit has been flowing to the construction sector...



Colombo District Land Prices have gone up by 222% since December 2009

Land Price Index; Dec 2009 = 0

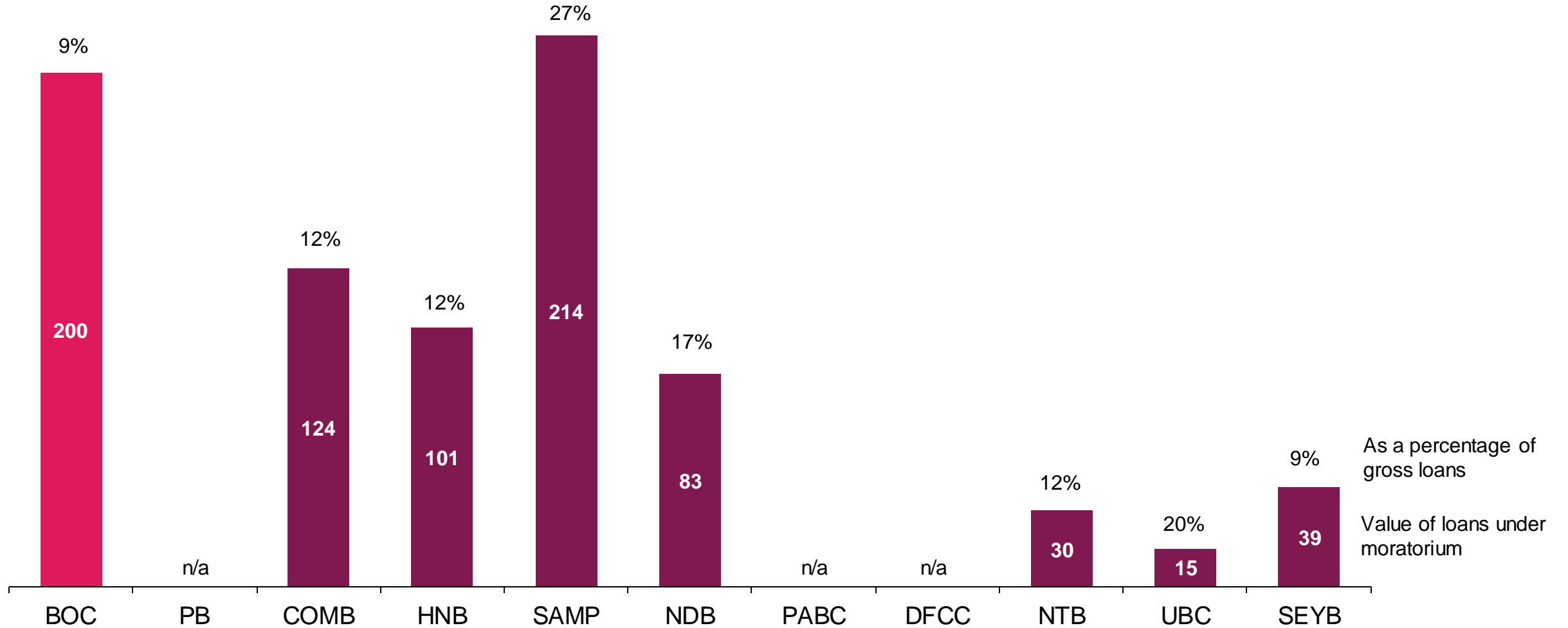


Source: CBSL, Advocata Research

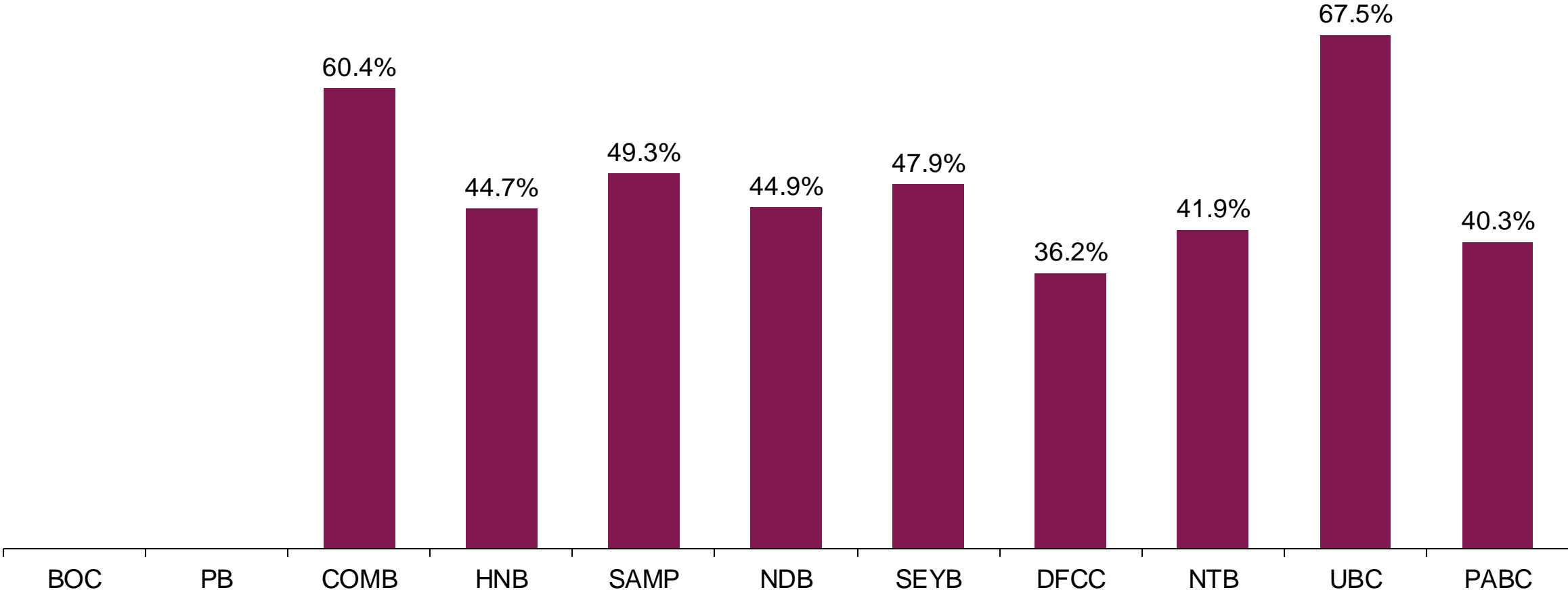
Moratorium loans...big numbers...how much more needs to be impaired ?

LKR Billions

30 June 2021



Stock market seems to be anticipating significant capital erosion...



Price to Book Value as of 07 September 2021



What's going on with the exchange rate

The currency deteriorated 7.55% YTD

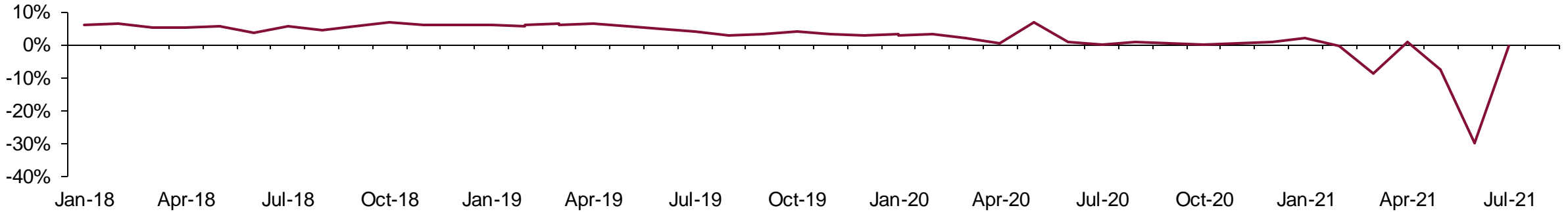
As CBSL is managing the USD/LKR at 200 levels

USD/LKR average buying and selling rate

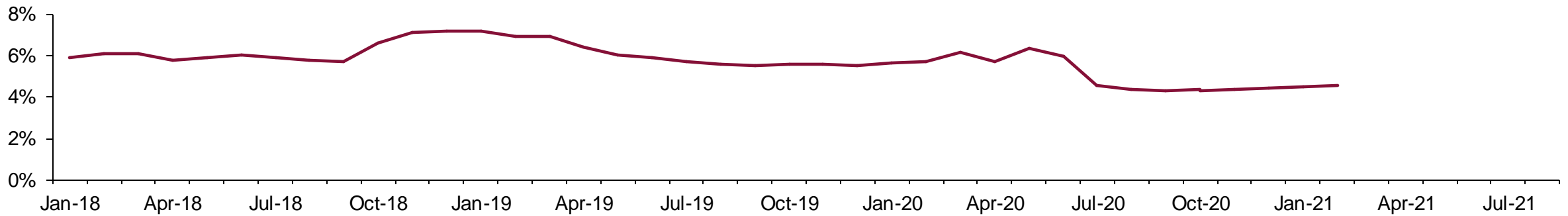


Forward Premium, Interest Differential and Forward Volume

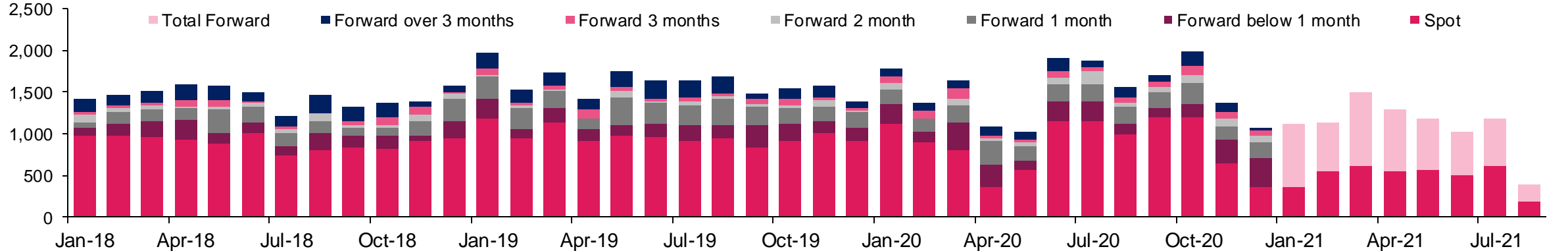
Annualized 3M forward premium USD/LKR – Month end, % of spot



Annualized 3M interest differential – Month end, % of spot

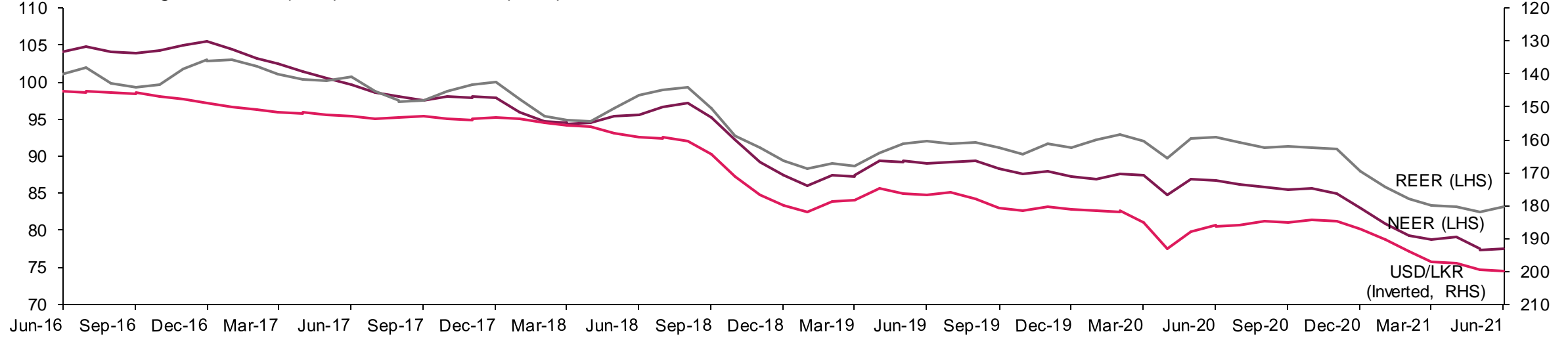


USD Mn



REER depreciated 9.5% since the end of 2019

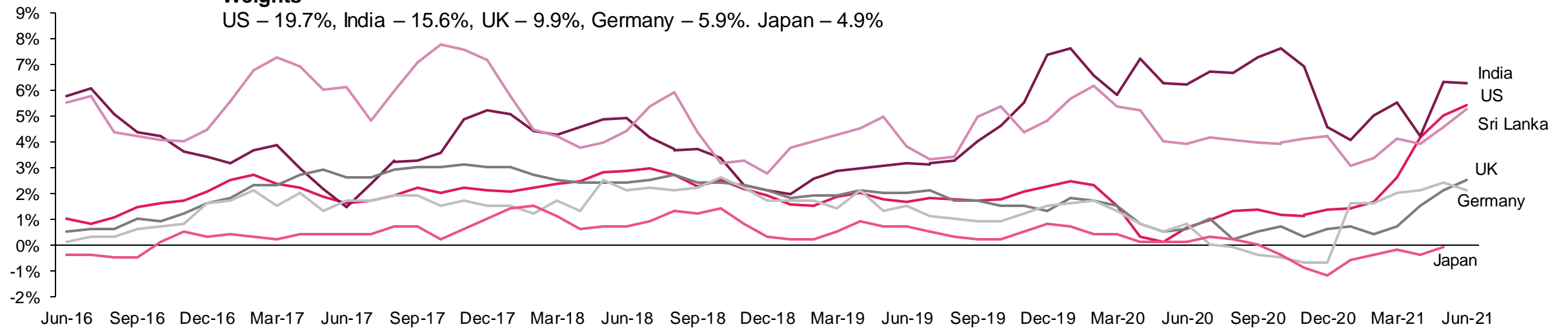
Effective exchange rate index (LHS); USD/LKR value (RHS)



Inflation YoY

Weights

US – 19.7%, India – 15.6%, UK – 9.9%, Germany – 5.9%. Japan – 4.9%



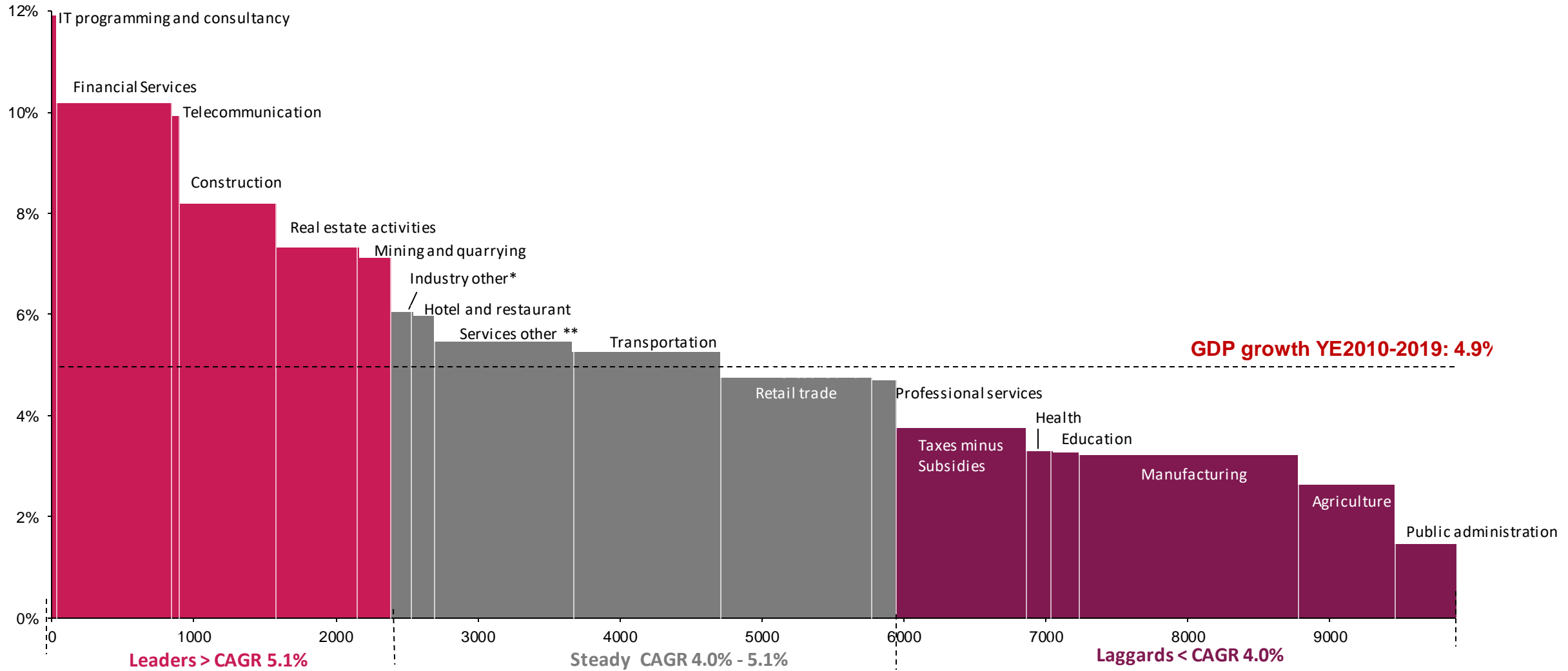
Note: NEER is the weighted geometric average of the bilateral nominal exchange rates of the domestic currency in terms of a basket of foreign currencies; REER is the inflation adjusted NEER

Source: CBSL, 24 trading partner monetary authorities, JB Securities Research

 **What drove growth in the past cannot drive growth in the future**

Sectors driving growth in the last nine years were largely non-tradeable

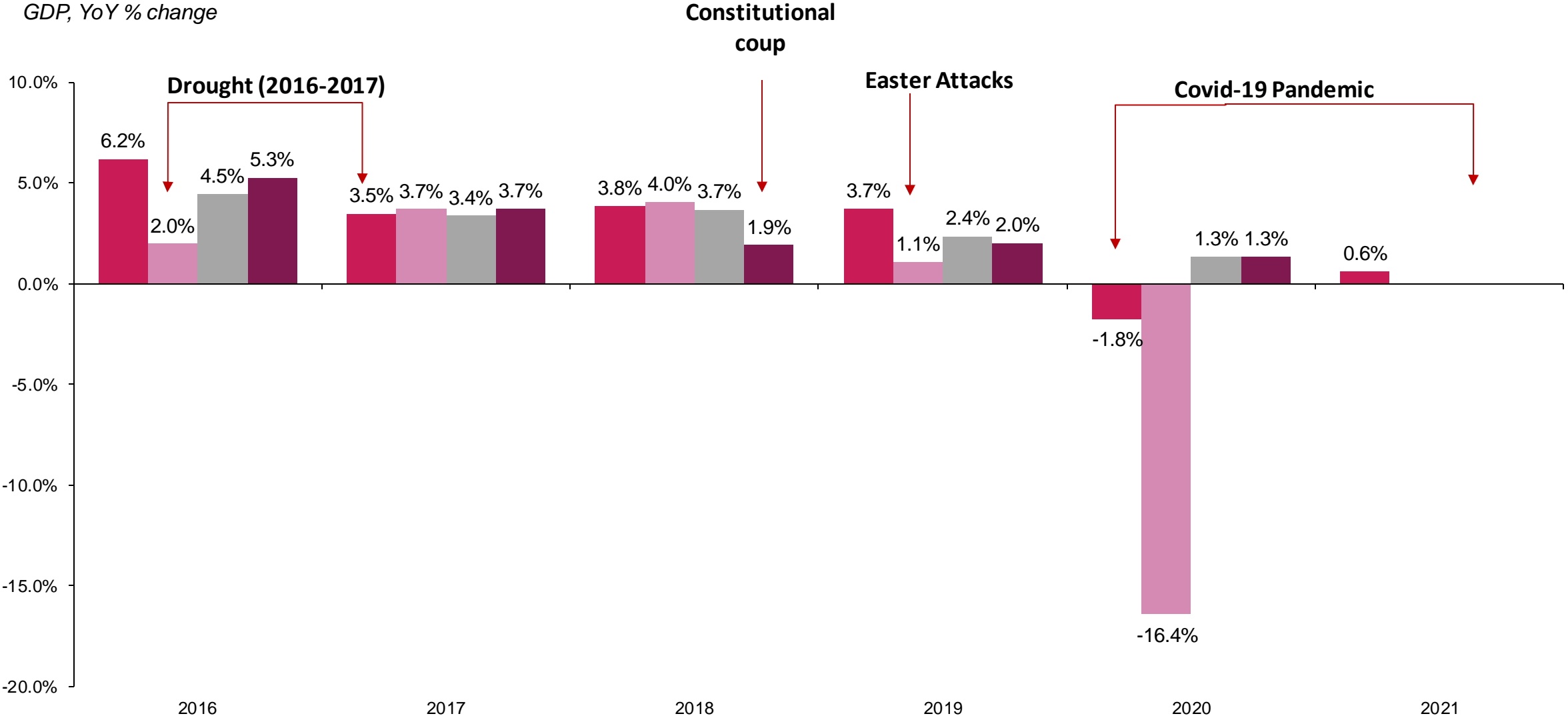
% CAGR, YE 2010-2019



*Industry other Includes electricity supply, water collection and sewerage waste treatment and disposal
 **Services other includes postal and courier activities, programming and broadcasting and other personal service activities
 Source: Central Bank of Sri Lanka, Advocata Research

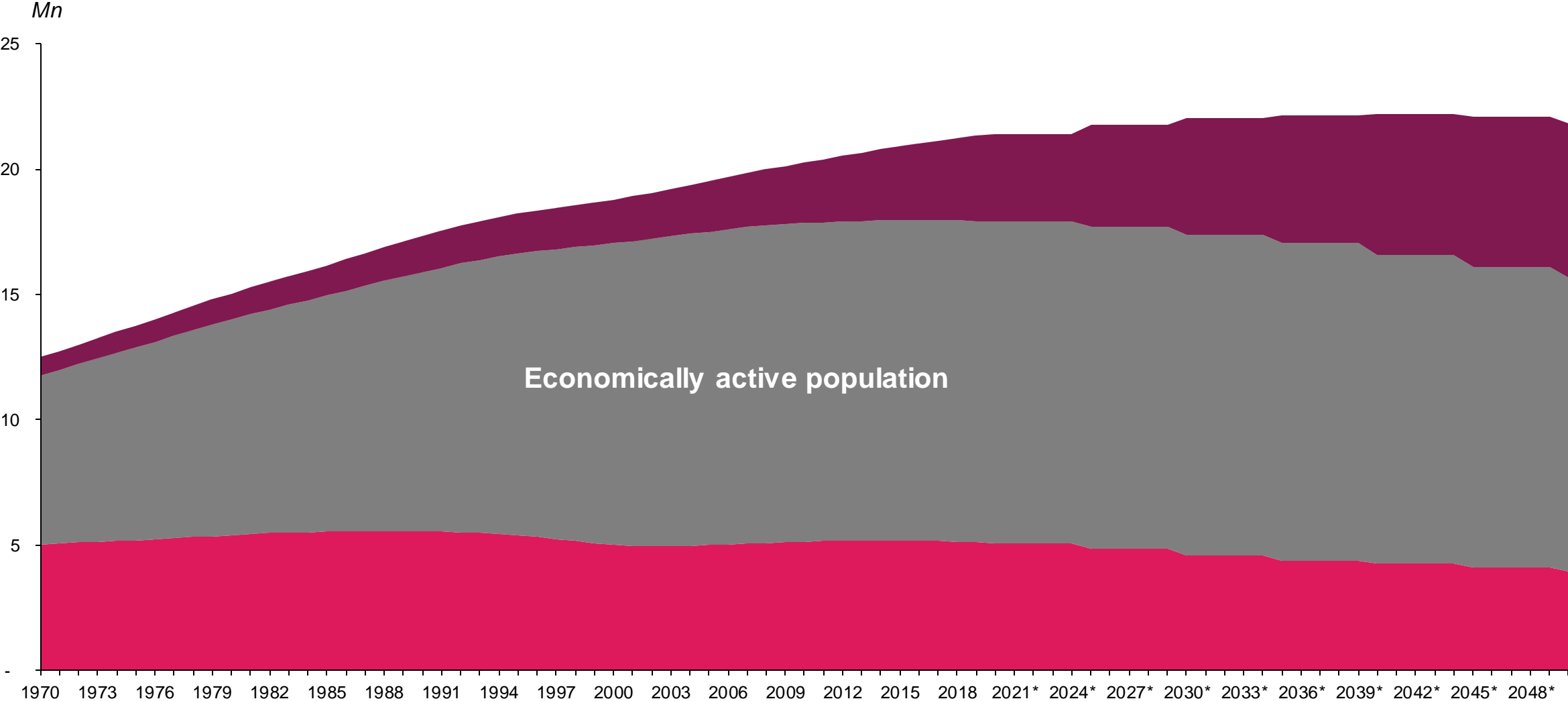
Sri Lanka has had four major shocks

GDP, YoY % change



Source: CBSL, Advocata Research

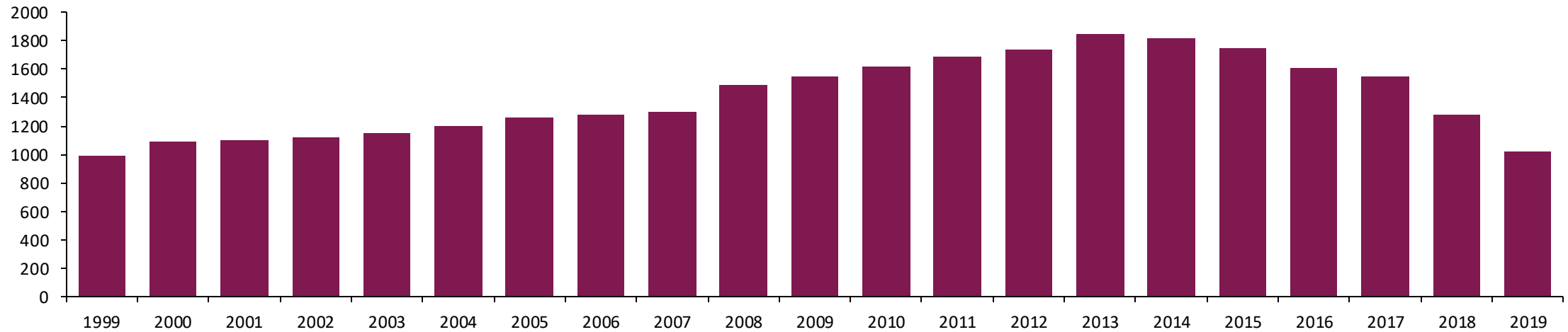
Economically active population grew due to demographic transition



*Forecast
Source: UN: Department of Economic and Social Affairs, Advocata Research

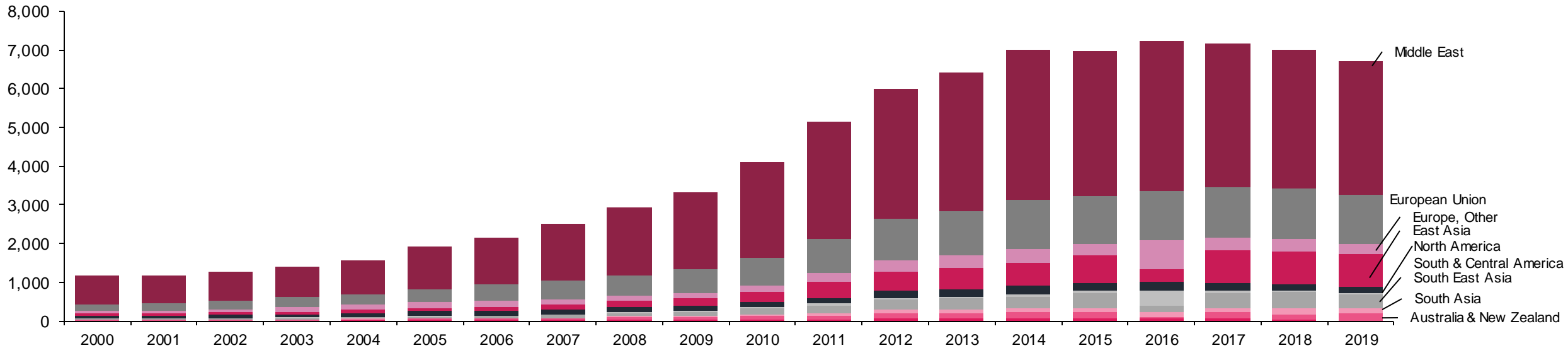
Migrant labor force increased, bringing in remittances

Estimated stock of migrant labor force, Mn



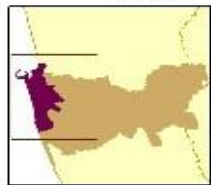
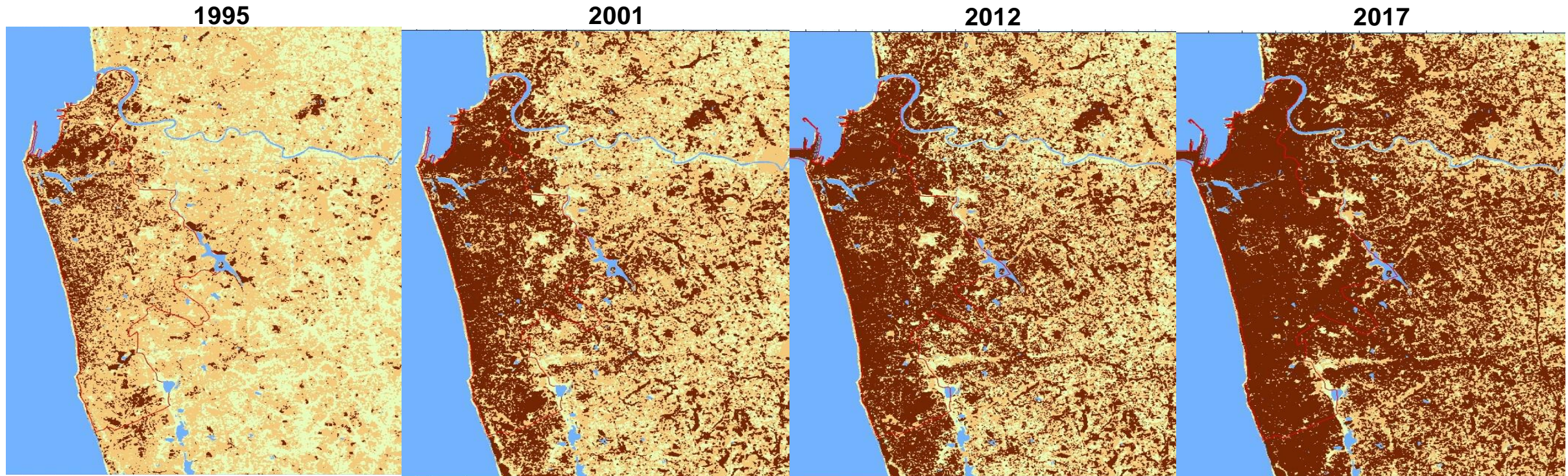
Remittances,

USD Mn

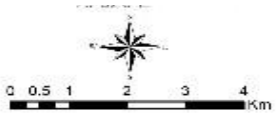


Spatial transformation of urban centers drove agglomeration efficiencies

Colombo Urban Area



Landsat (15m) - 13 . 07 . 2012
<https://earthexplorer.usgs.gov/>



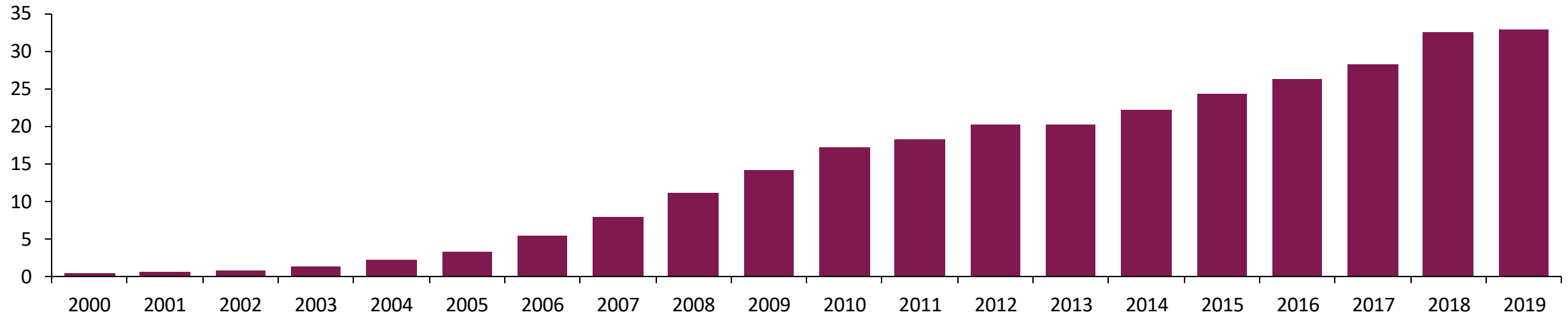
Legend

- Colombo/Sri J'pura Kotte/ Dehiwala-Mt. Lavinia
- Water Area
- Urban
- Semi Urban
- Non Built

Cellular phones and internet penetration grew

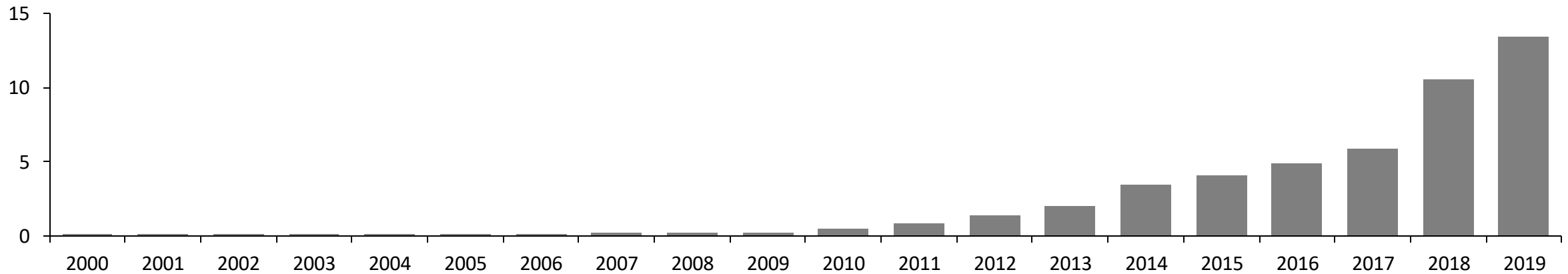
Cellular connections

Mn'



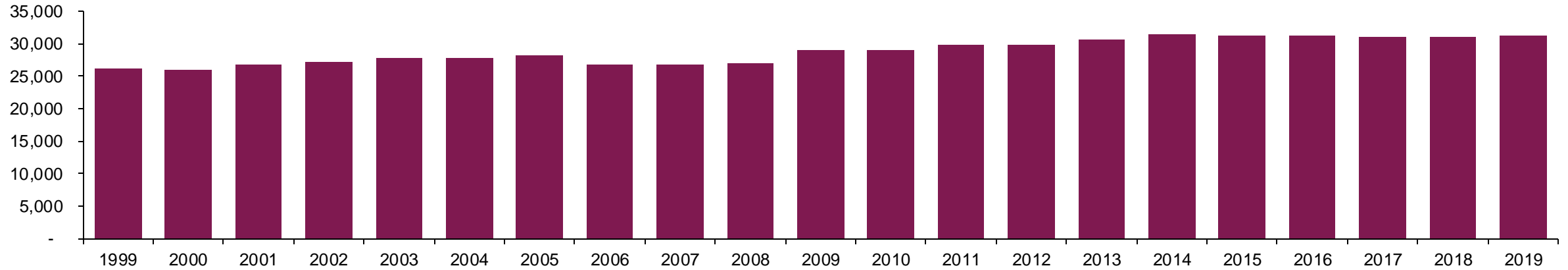
Internet

Mn'

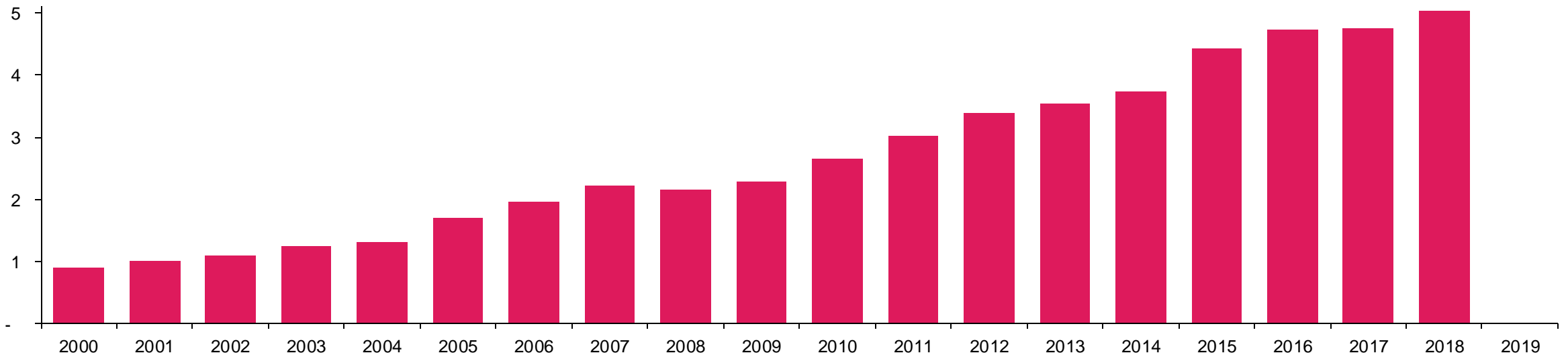


Vehicle population grew improving mobility

Transport road network, km'



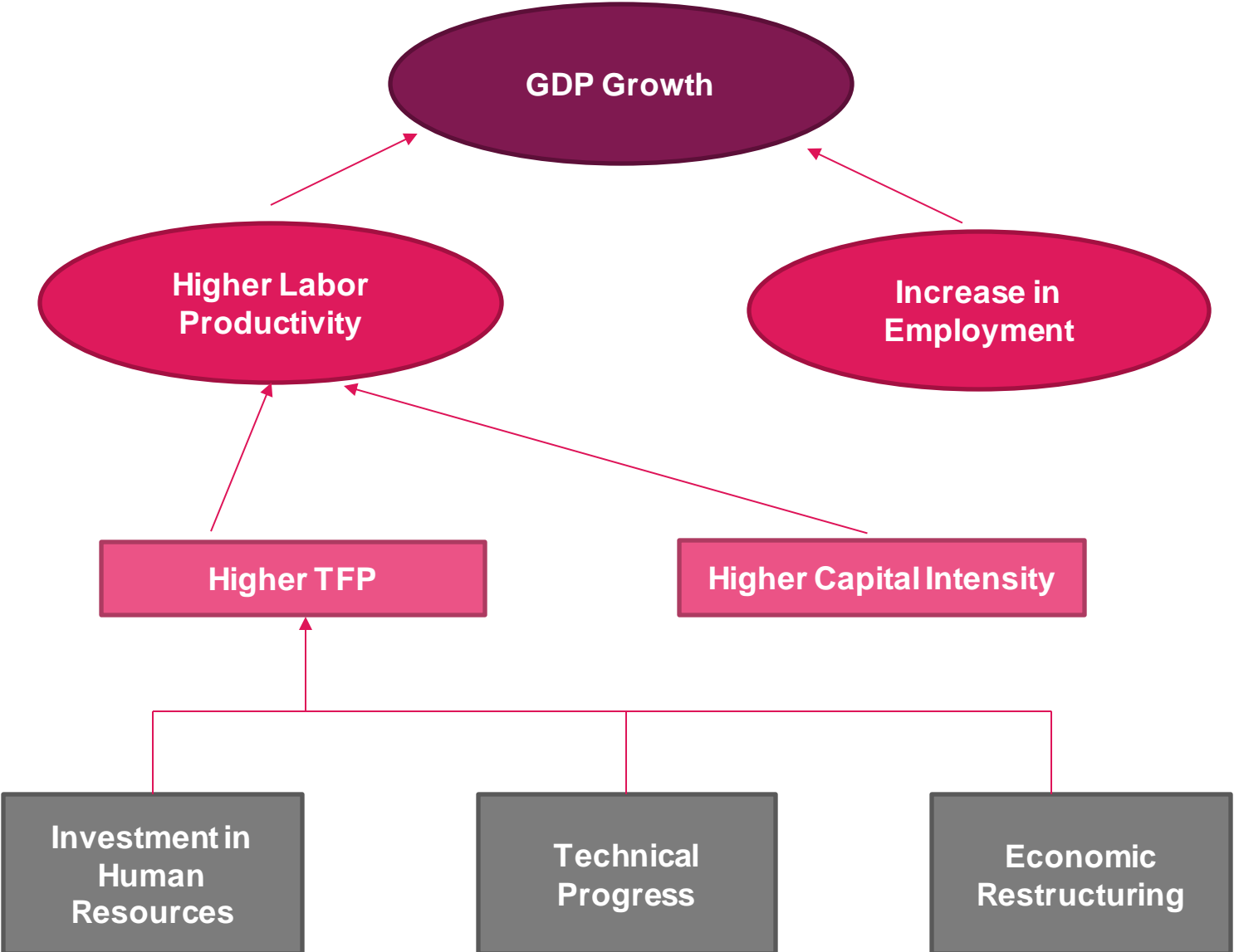
Motor vehicles all island, Mn'





Economic Growth

How economic growth happens



Profit Equation

$$Profit = \frac{\sum Price_{output}}{\sum Price_{input}} \times \frac{\sum Output}{\sum Input}$$

Price Recovery

What drives **Price Recovery**?

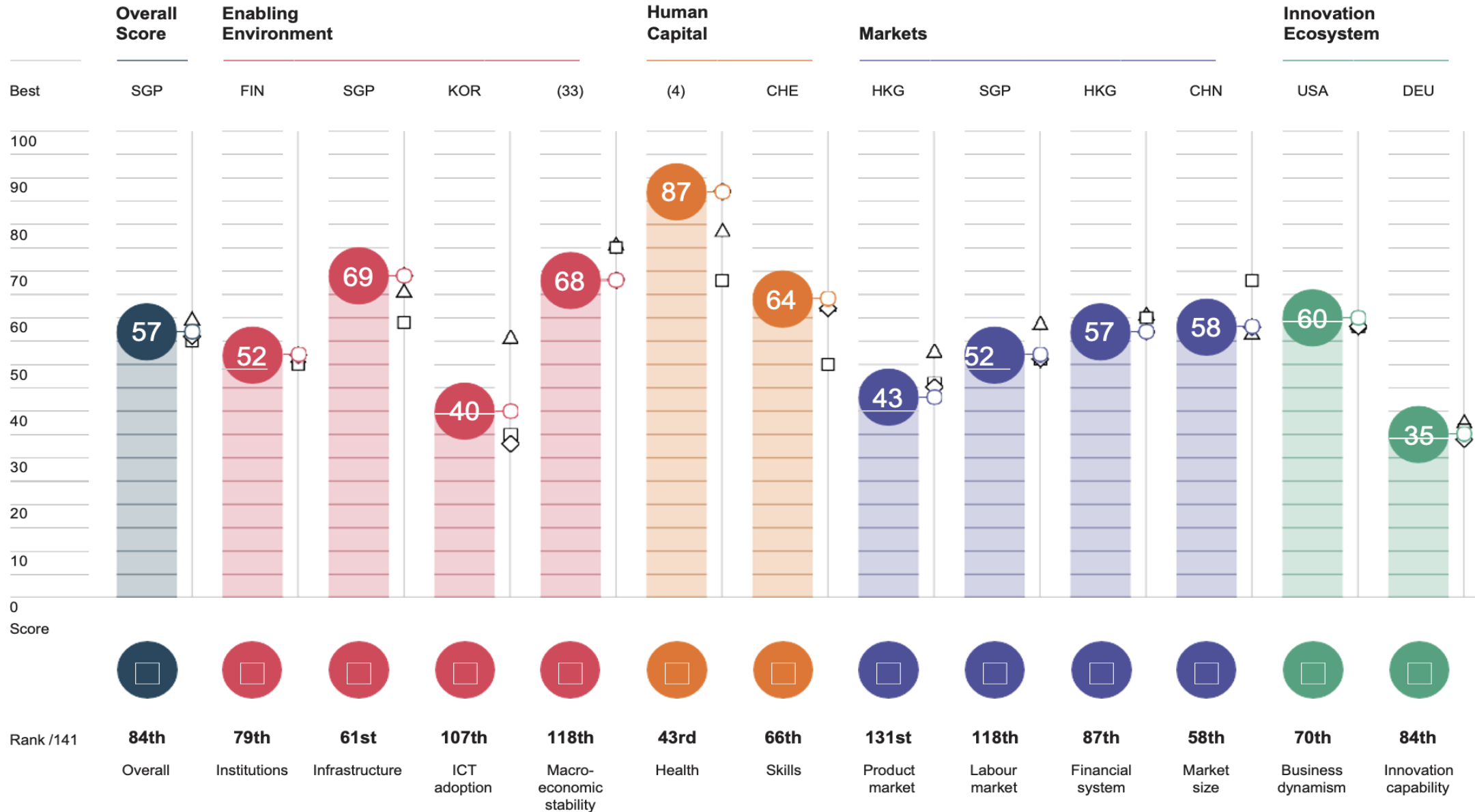
- Inflation
- Low contestability
- Product and factor market rigidities

Productivity

What drives **Productivity**?

- Competition
- Innovation
- Technology
- Skills upgrading
- Business transformation

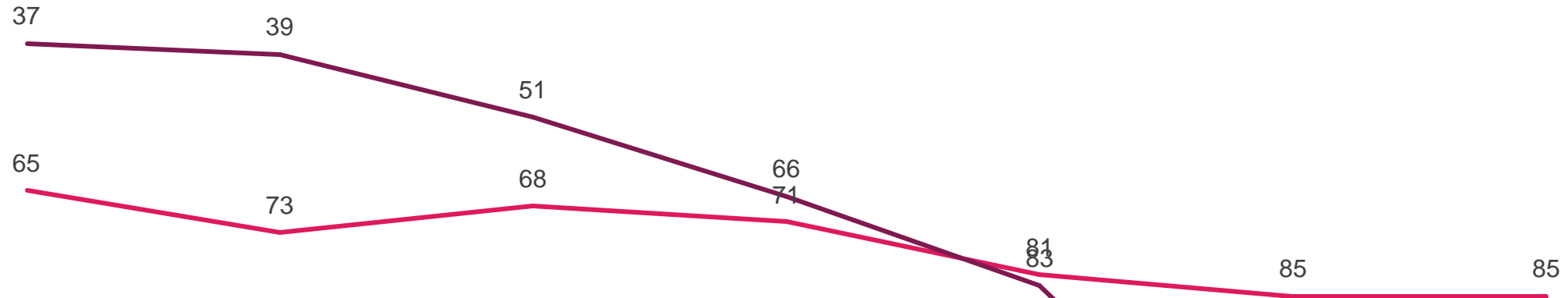
Sri Lanka ranks 84th in the Global Competitiveness Index 2019



Sri Lanka's competitiveness ranking has been declining

2013 2014 2015 2016 2017 2018 2019

Product Market Ranking



Overall Ranking

Labour Market Ranking

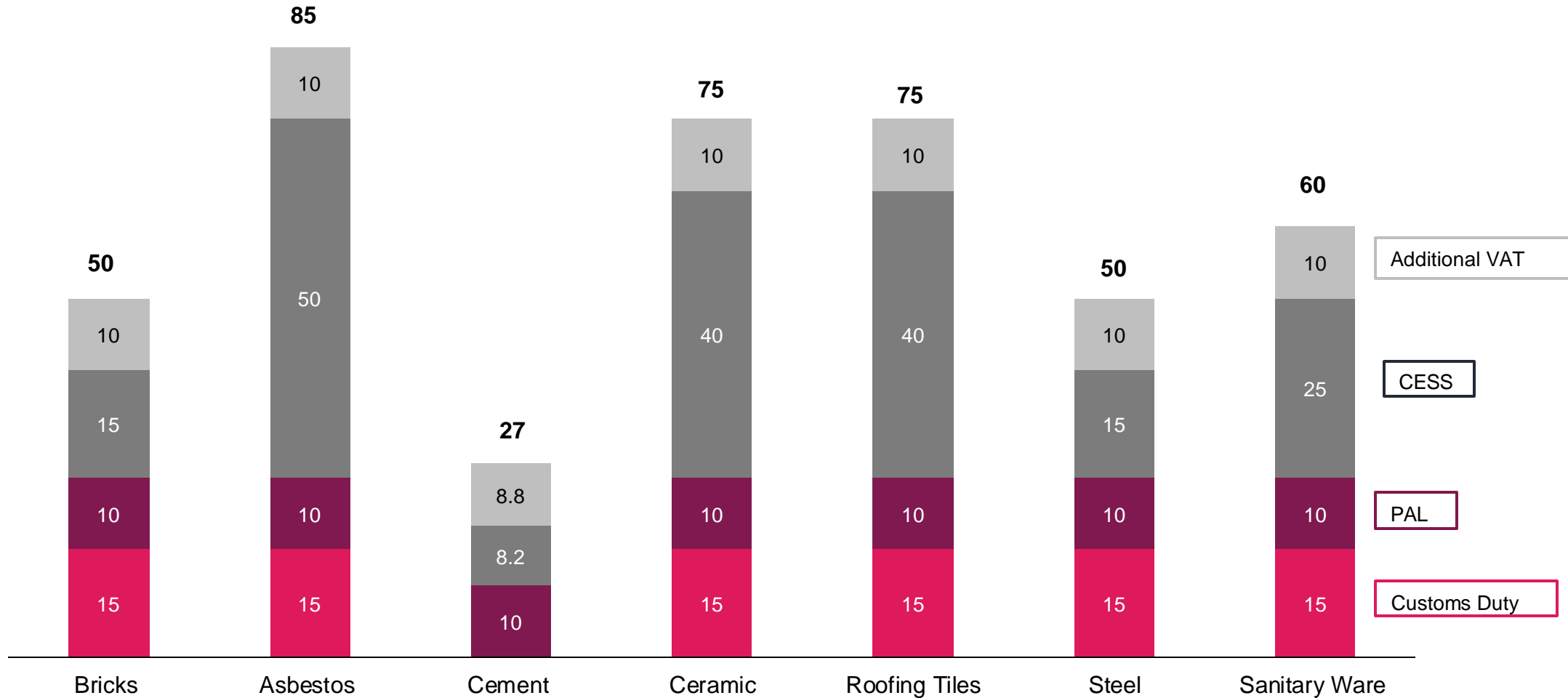


Trade Openness Ranking



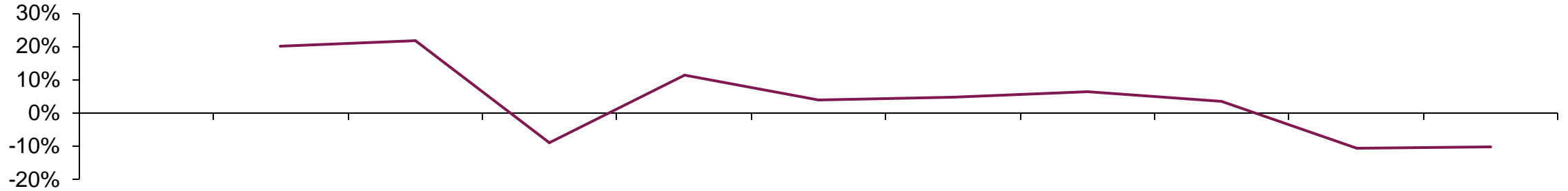
Border protection on a selected construction material

Total tariffs on construction material
%

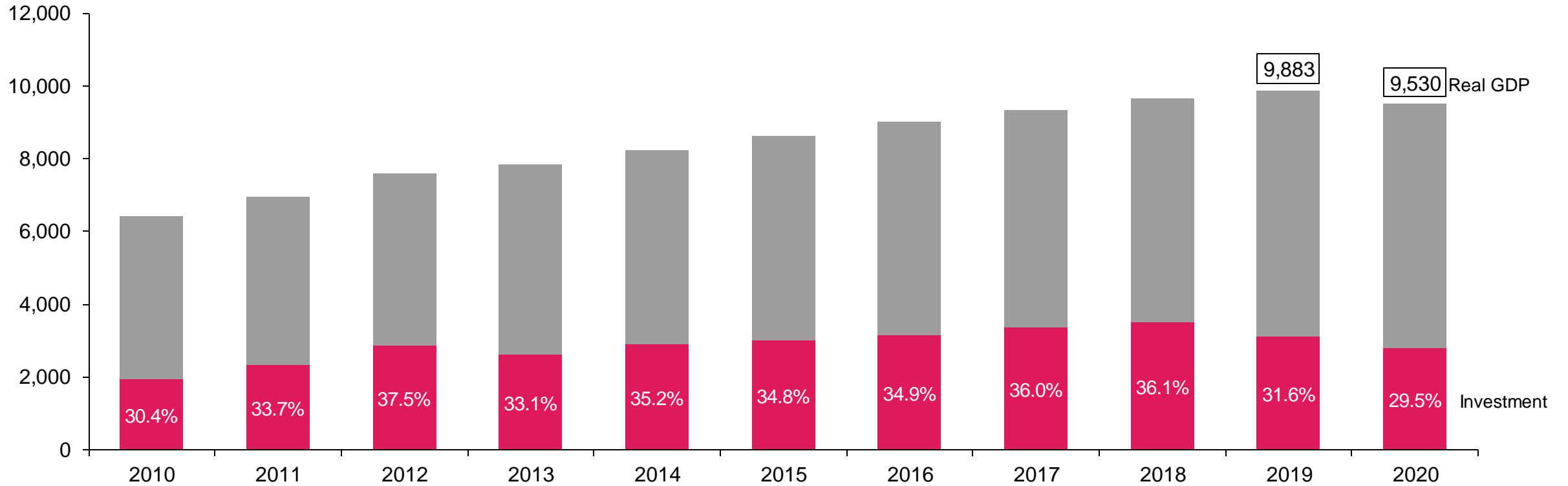


Investment component of GDP has been falling since 2018

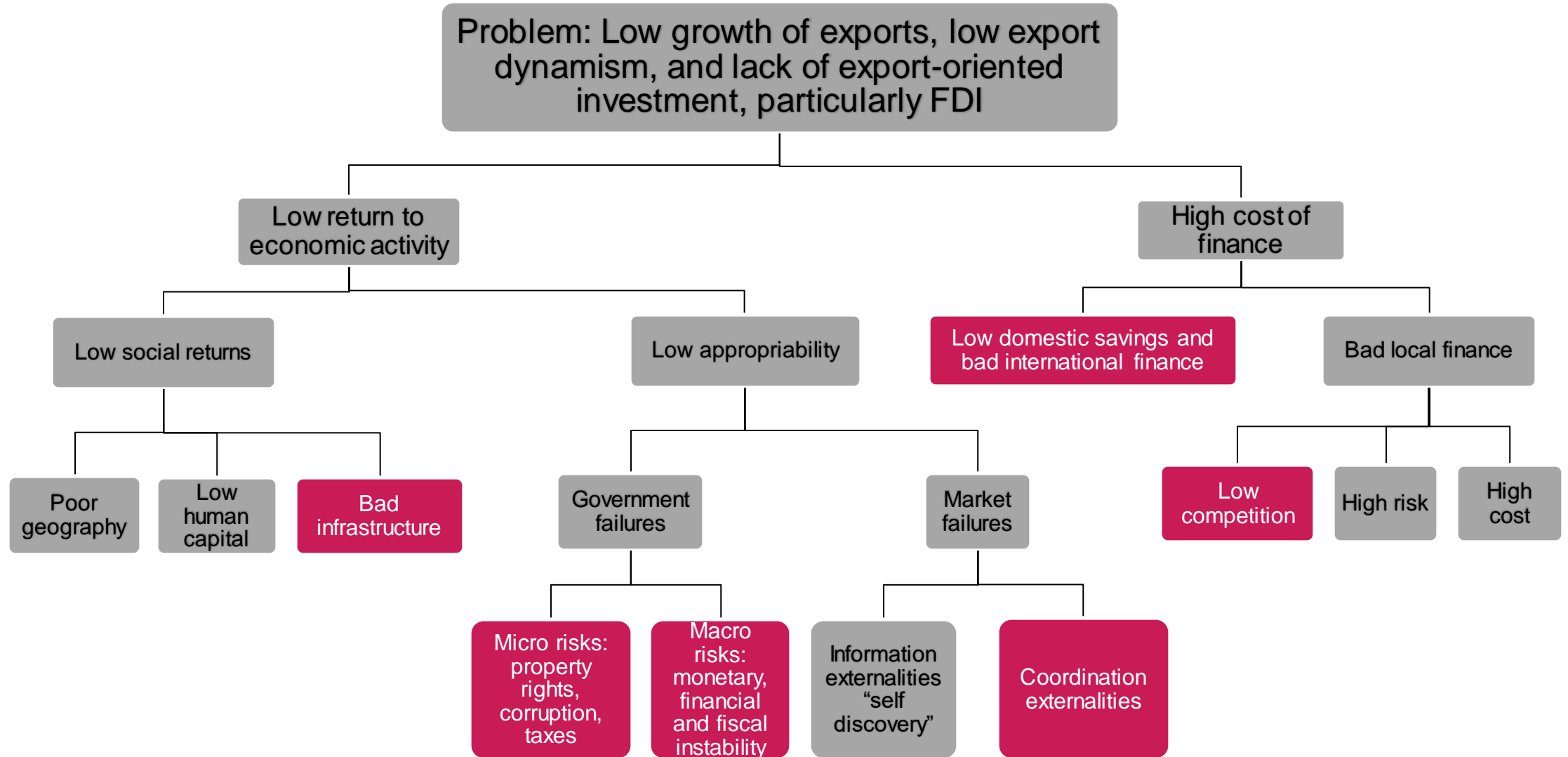
YoY % change



Real GDP LKR Bn



Growth diagnostic framework



Key constraints that bind investment in new and non-traditional export industries

		Conclusion
Land		Binding
Policy uncertainty / Taxation		Currently binding but may be relaxed in the future if the underlying issue of low revenue can be addressed
Transportation		Currently a binding constraint to geographically-balanced development, and it appears set to constrain growth moving forward
Water		Water supply and wastewater treatment are potentially constrained in certain locations
Electricity		Not binding in recent years but the adequacy of future generation is not assured
Education		Not binding overall, but specific skills are in short supply
Labor regulations		Not binding but somewhat problematic
Finance		Not binding, but banks are risk averse, and there is potential to improve access to startup capital
Health		Not binding based on how Sri Lanka performs relative to comparators

It was on this basis that the MCC program chose to address the following key constraints to future growth

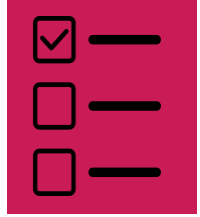
- **Transport project** - a comprehensive strategy to manage congestion and help safeguard continued economic growth in the rapidly urbanizing Colombo Metropolitan Region. Improving regional connectivity between one of the poorest regions of the country and markets and ports, boosting the rural economy and facilitating labor mobility.
- **Land project** - improved documentation of land rights and will ease the process of making land transactions through improved land information systems

Sri Lanka has many holidays

■ Would You Work Holidays?

2022 Calendar

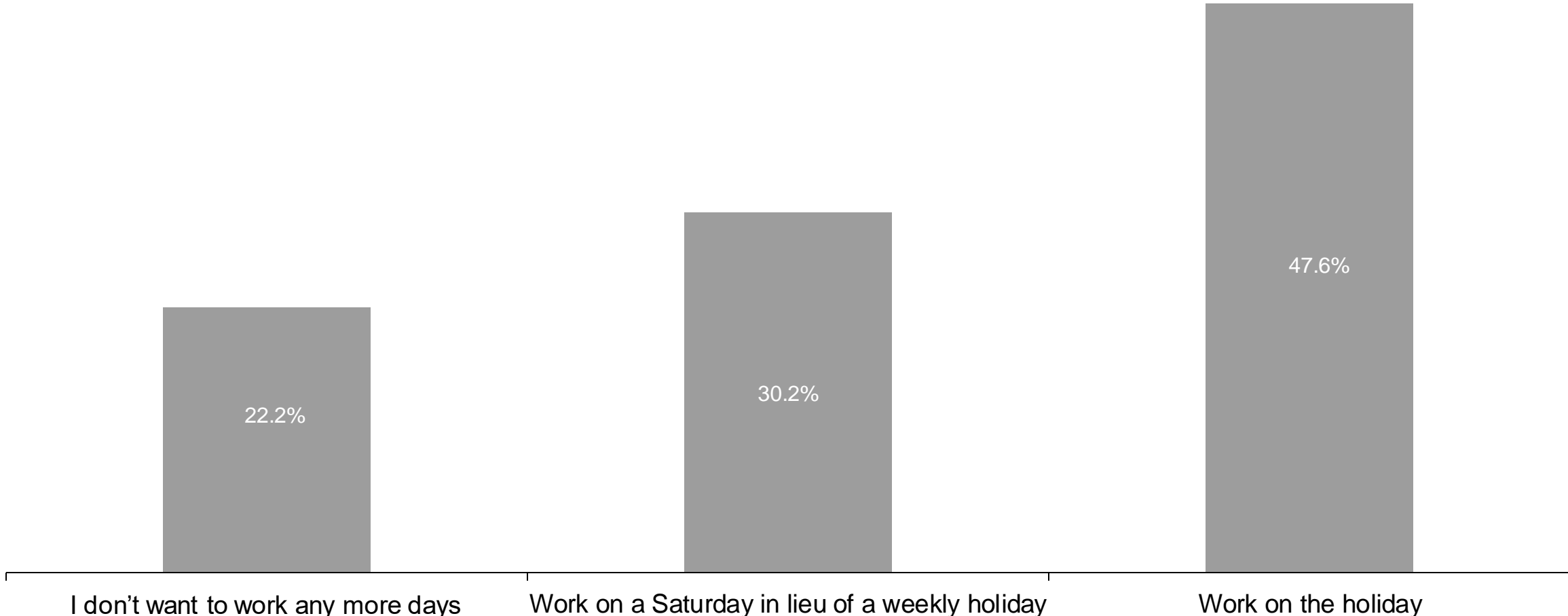
National Holidays	Religious Holidays
4 th Feb - Independence Day	14 Jan - Tamil Thai Pongal Day
13 th Apr - Sinhala & Tamil New Year	17 Jan - Poya Day
14 th Apr - Sinhala & Tamil New Year	16 th Feb - Poya Day
1 st May - May Day	1 st Mar - Mahasivarathri Day
	17 th Mar - Poya Day
	15 th Apr - Good Friday
	17 th Mar - Poya Day
	3 rd May – Eid al Fitir
	16 th May – Day after Vesak
	14 th Jun - Poya Day
	13 th Jul - Poya Day
	11 th Aug - Poya Day
	9 th Oct - Holy Prophet Birthday/ Poya Day
	24 th Oct - Deepavali
	7 th Nov - Poya Day
	7 th Dec - Poya Day
	25 th Dec - Christmas Day



Poll 6

One way to increase economic output is to work 5 more days in the year and get paid. Would you rather

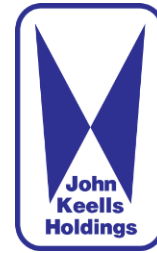
Total respondents: 288





Productivity

Big business



Small business

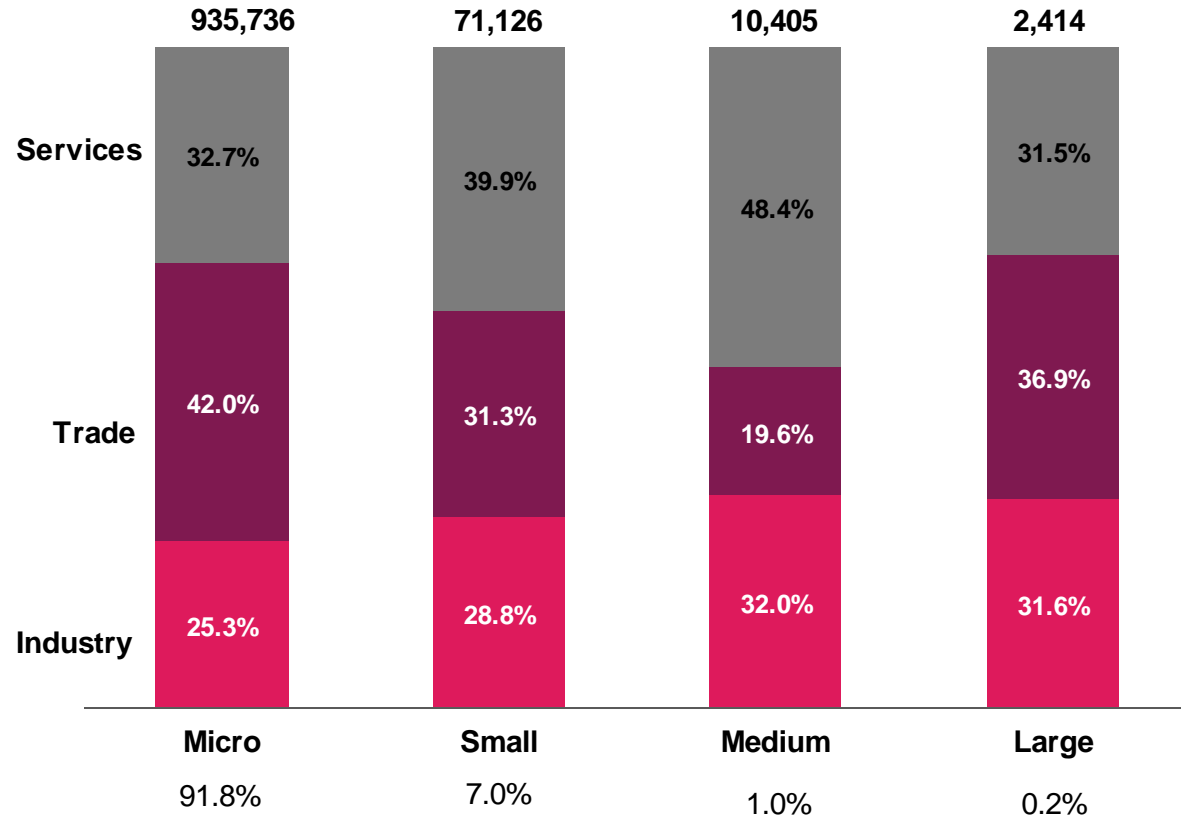


Most people are engaged in Micro, small and medium enterprises

A significant proportion of all establishments are MSMEs

Nos.; % of total

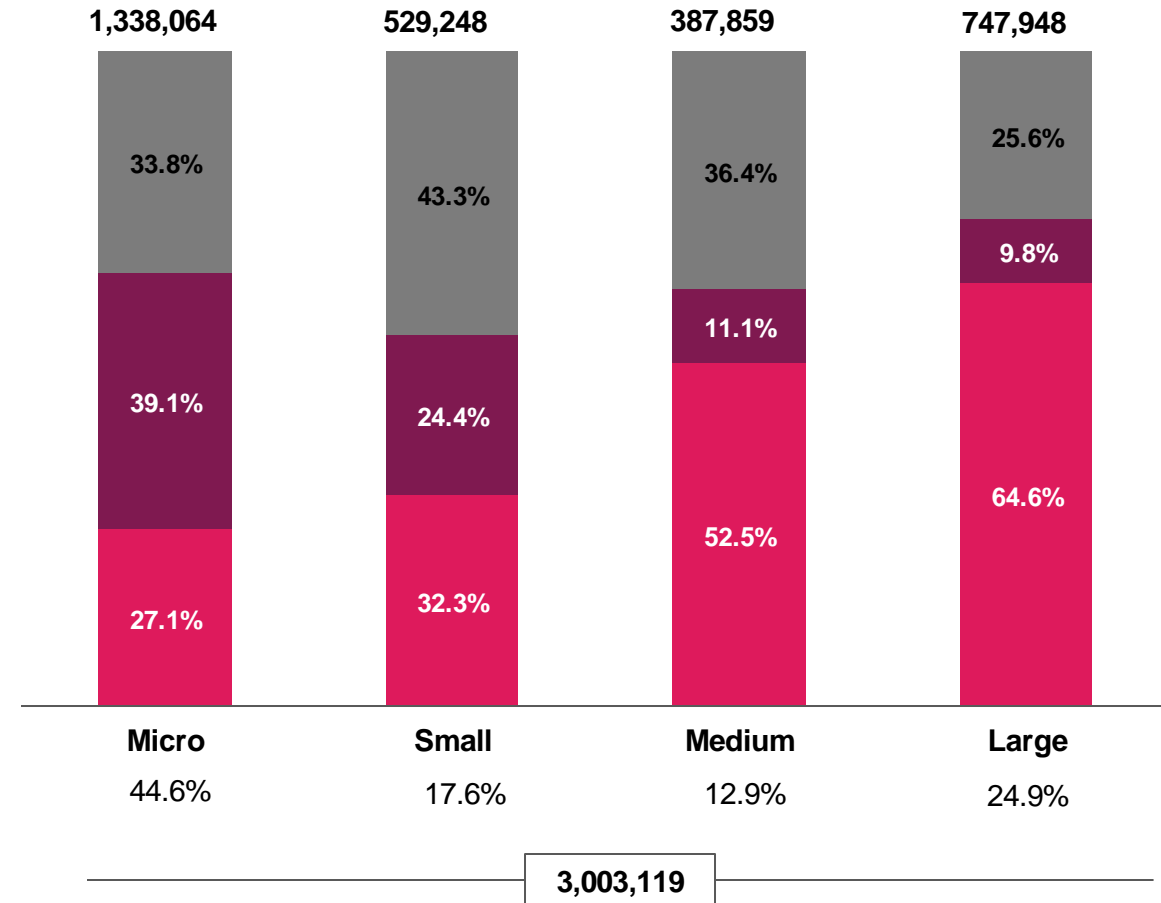
Establishments



MSMEs generate 75% of total employment

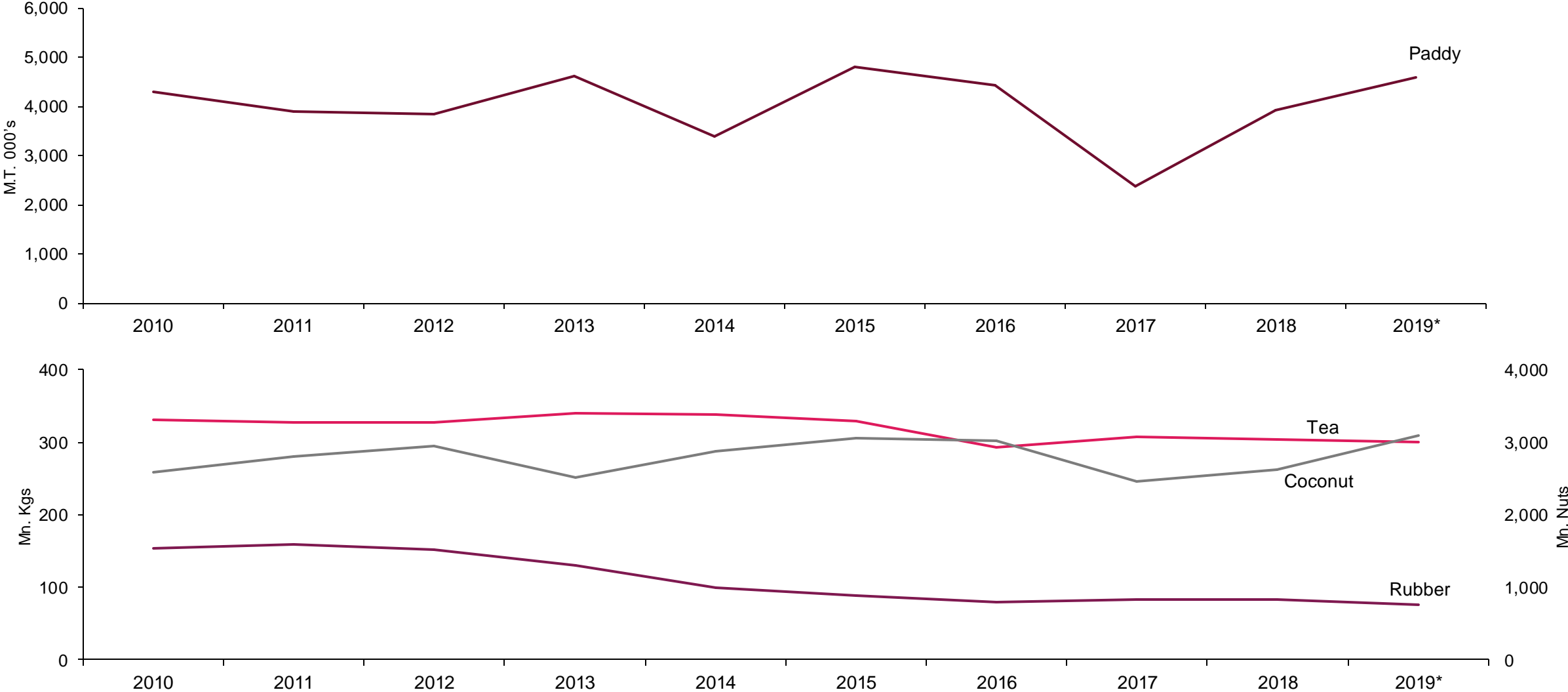
Nos.; % of total

Employment



Agricultural production levels expected to decline in 2021...

Agricultural Production



*Note: 2019 data (provisional)
 Source: Economic & Social Statistics of Sri Lanka

Agricultural crop productivity

Coconut

Arable land (2014) - **20.6%**
Domestic production (*Mn. nuts.*) – **3,086**
Domestic consumption (*Mn. nuts.*) – **1,807**
Avg. nuts/tree/year - **65**
Best practice nuts/tree/year - **100**

Rubber

Arable land (2014) - **12.2%**
Domestic production (*Mn. Kg.*) – **75**
Domestic usage (*Mn. Kg.*) - **58.6**
Average yield (*Ha. Kg.*) - **800**
Best practice (*Ha. Kg.*) – **2,000**

Paddy

Arable land (2014) - **32.1%**
Average yield (*Ha. Kg.*) - **4,795**
Best practice (*Ha. Kg.*) - **6,000**

Tea

Arable land (2014) - **10.7%**
Domestic production (*Mn. Kgs.*) - **300**
Exports volume (*Mn. Kgs.*) - **293**
Export value (*LKR. Mn.*) – **240,637**
Average yield (*Ha. Kg.*) - **800-850**
Best practice (*Ha. Kg.*) - **2,500**

Dairy

Number of milking cows – **415,280**
Fresh milk production (*Liters. Mn.*) - **448**
Avg. milk production (*Liters/cow/day*) - **5**
Best practice (*Liters/cow/day*) - **25**

**2019 data (provisional)*

Source: Economic & Social Statistics of Sri Lanka, Advocata Research

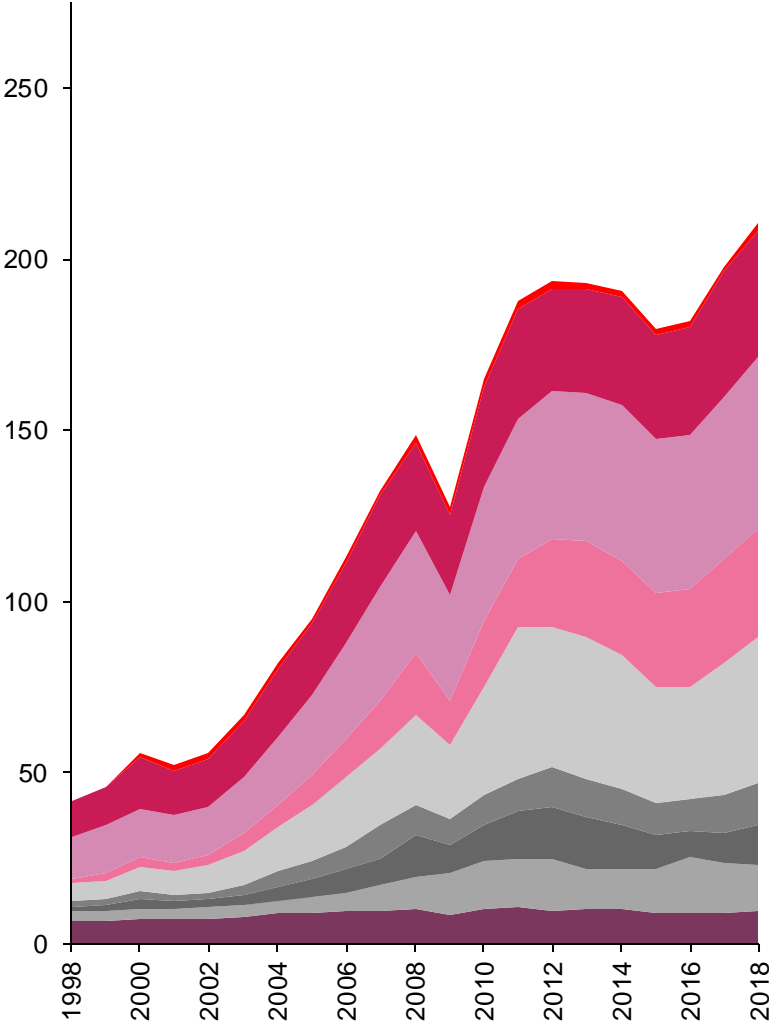


Exports

Trade dynamics: Thailand

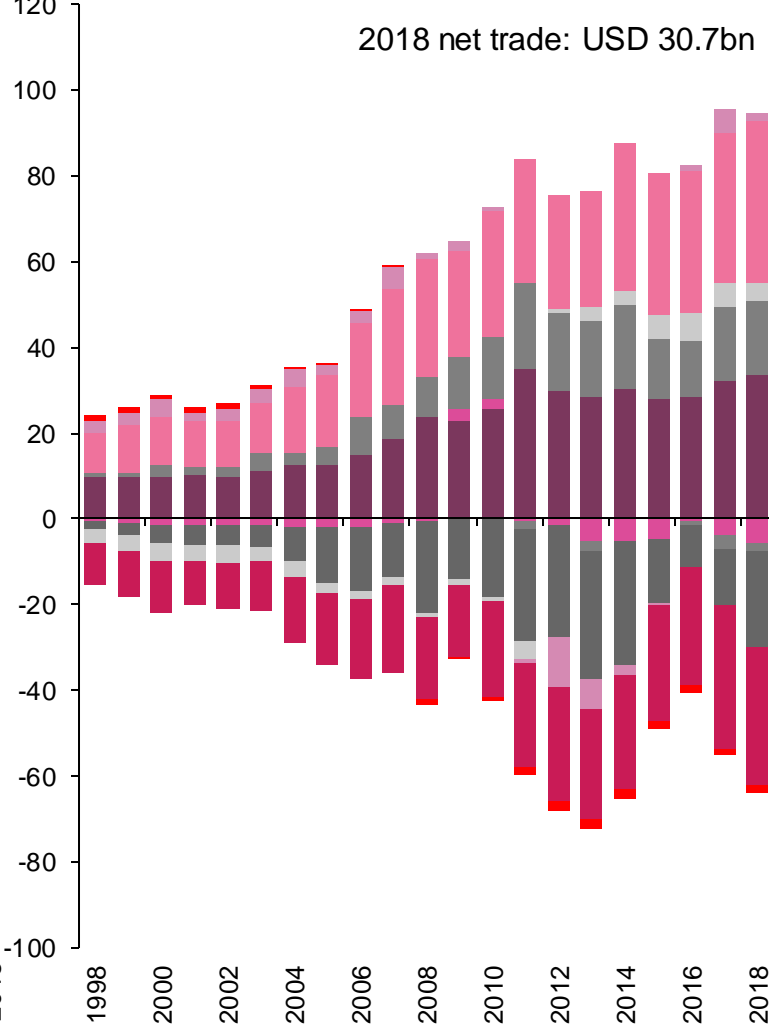
Exports

USD Bn'



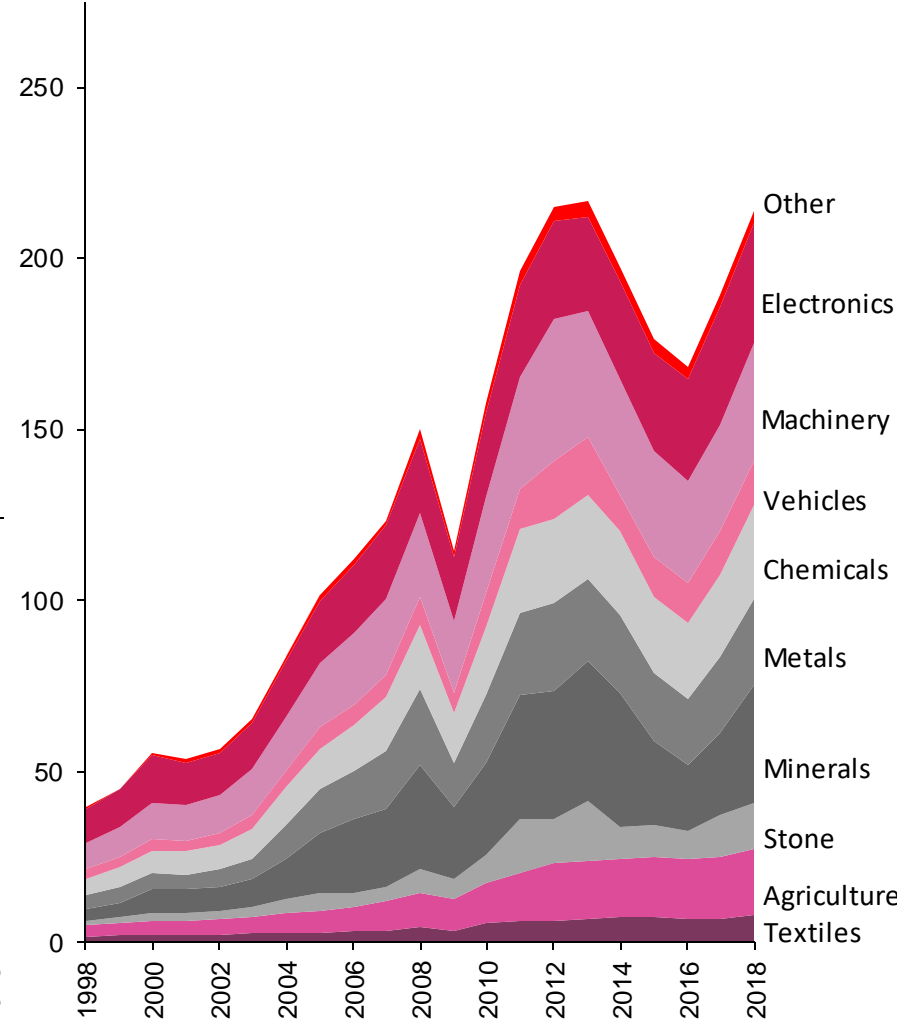
Trade balance

USD Bn'



Imports

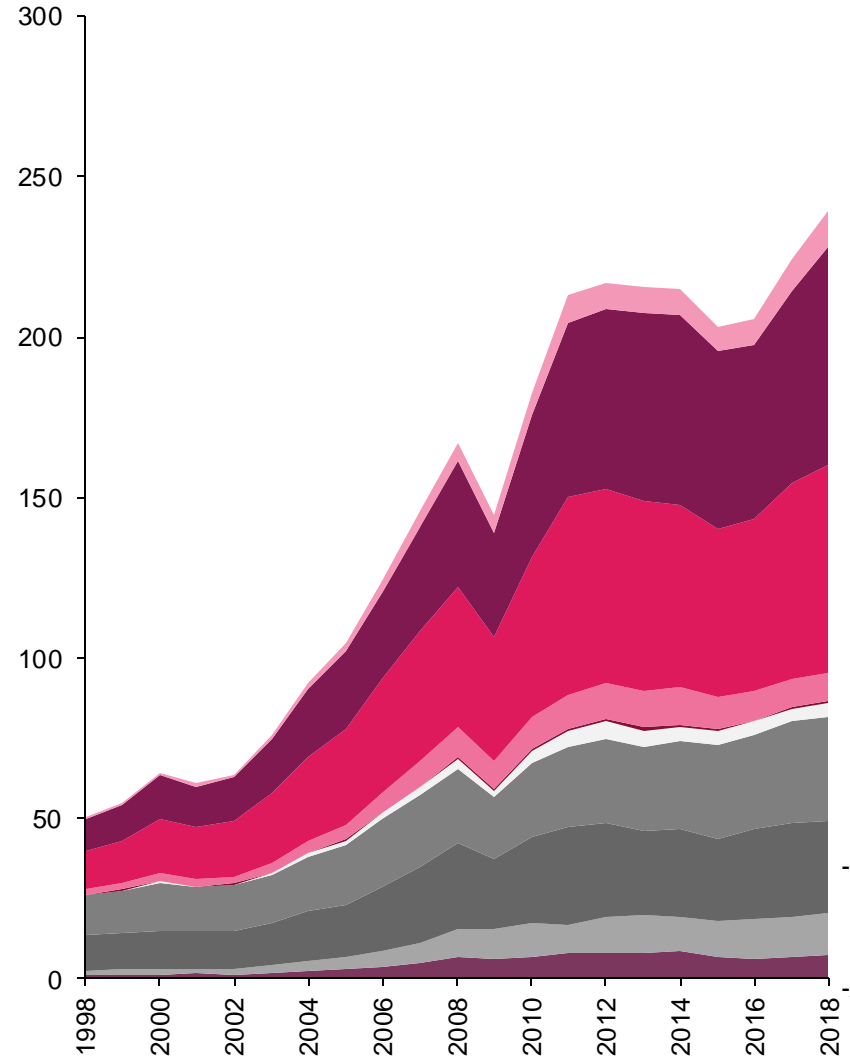
USD Bn'



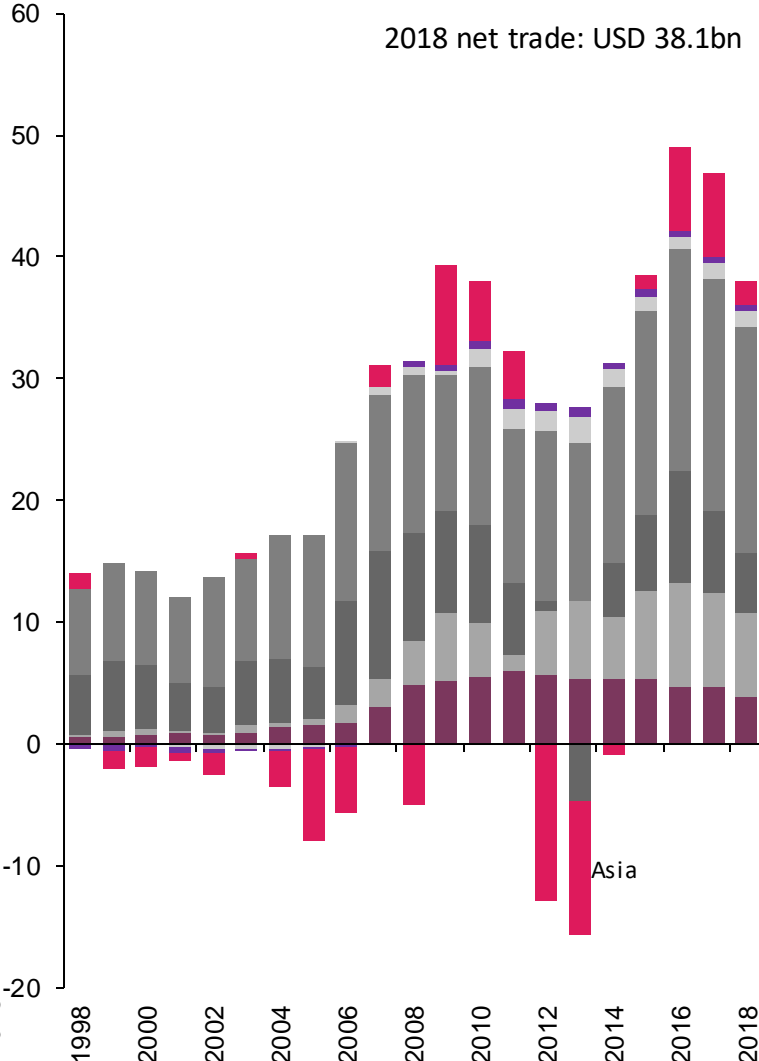
Source: Harvard Economic Atlas, Advocata Research

Direction of trade: Thailand

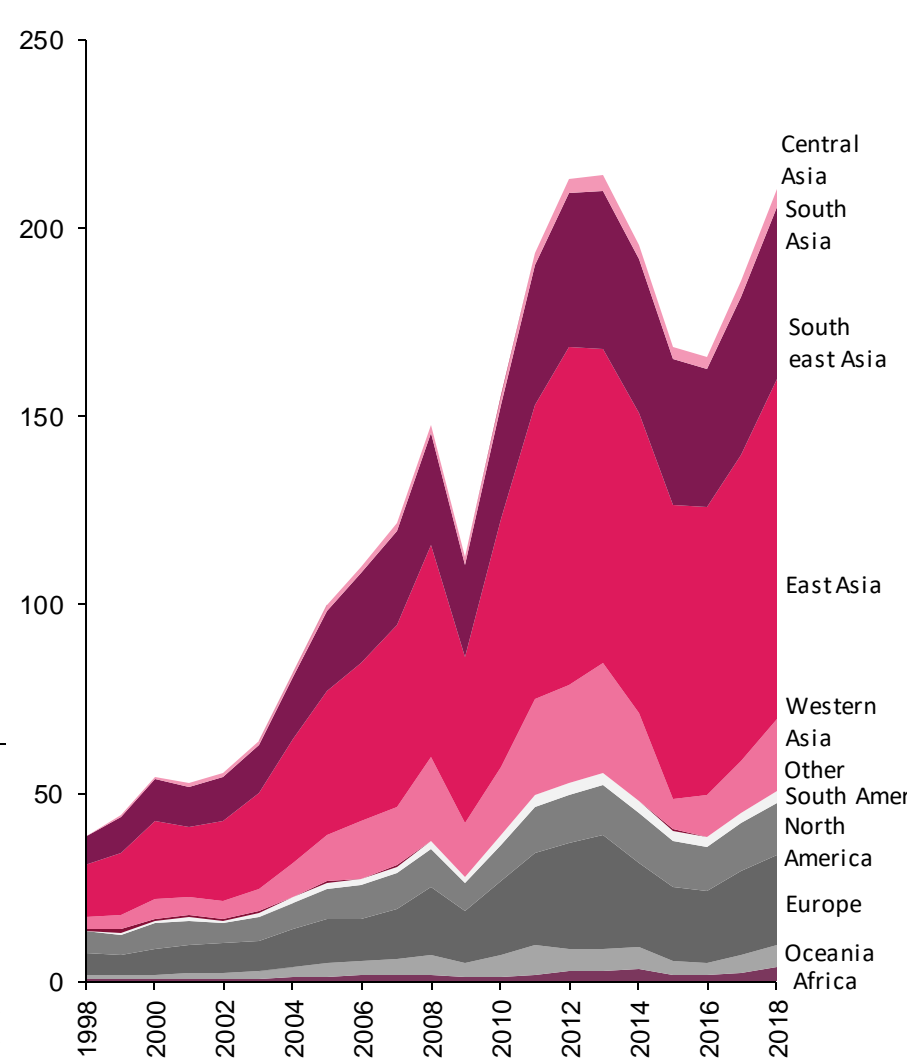
Exports
USD Bn'



Net trade
USD Bn'

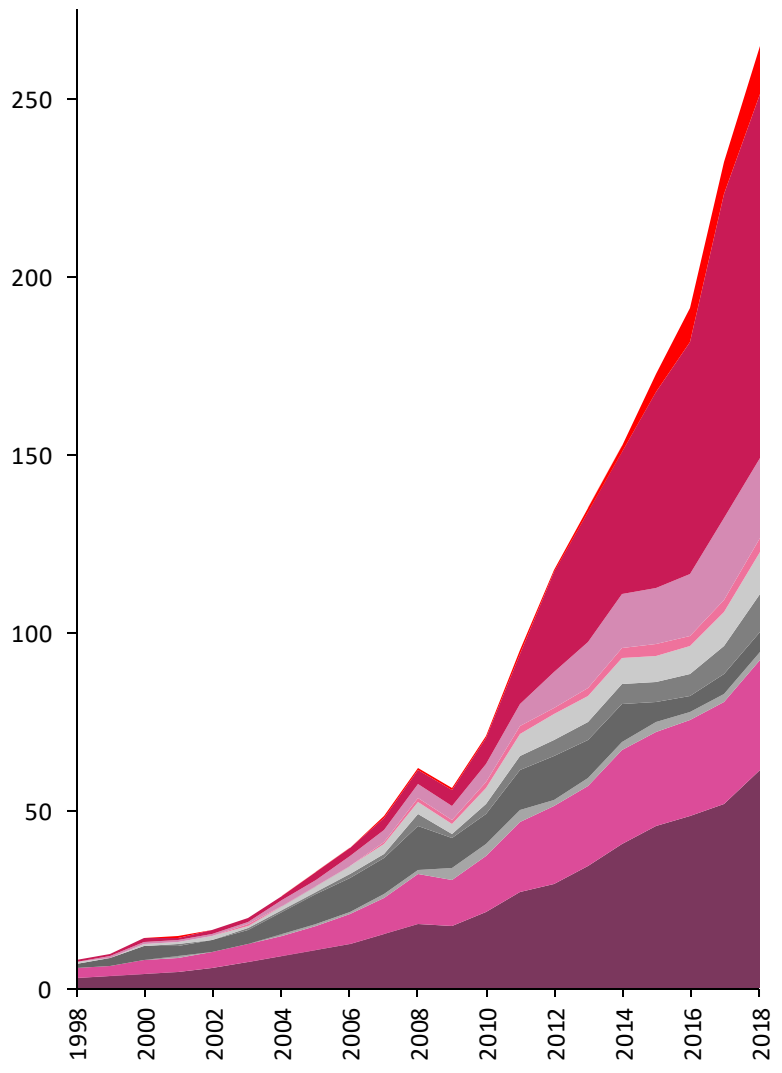


Imports
USD Bn'

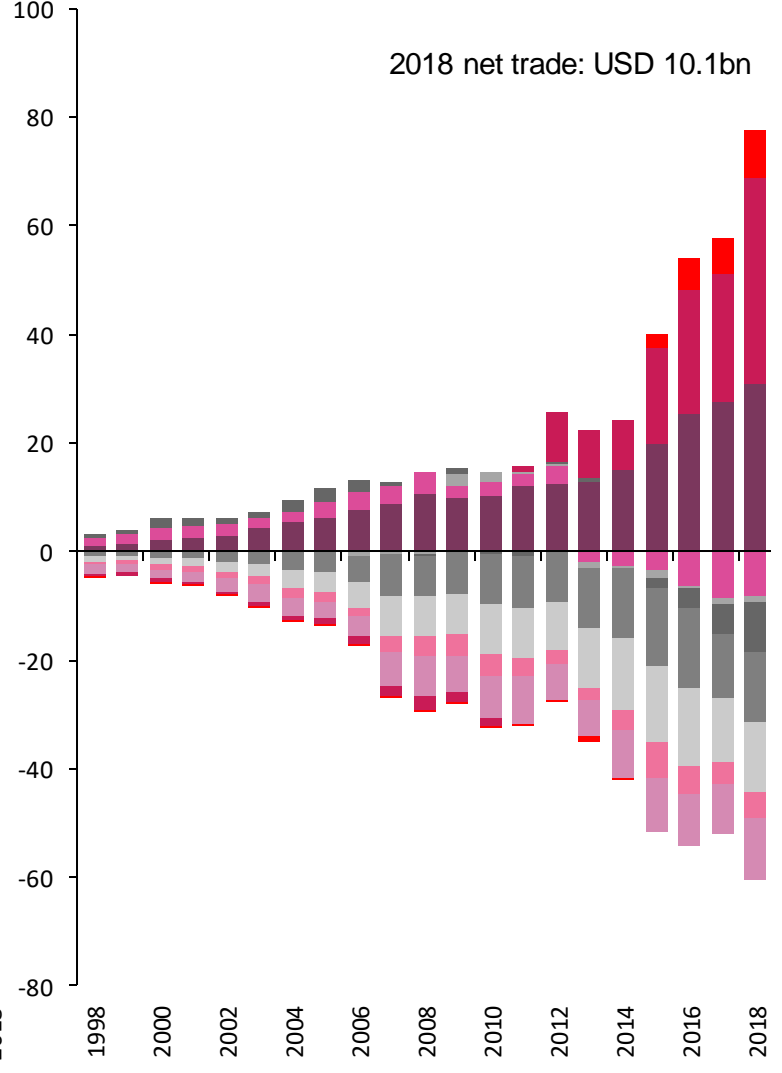


Trade dynamics: Vietnam

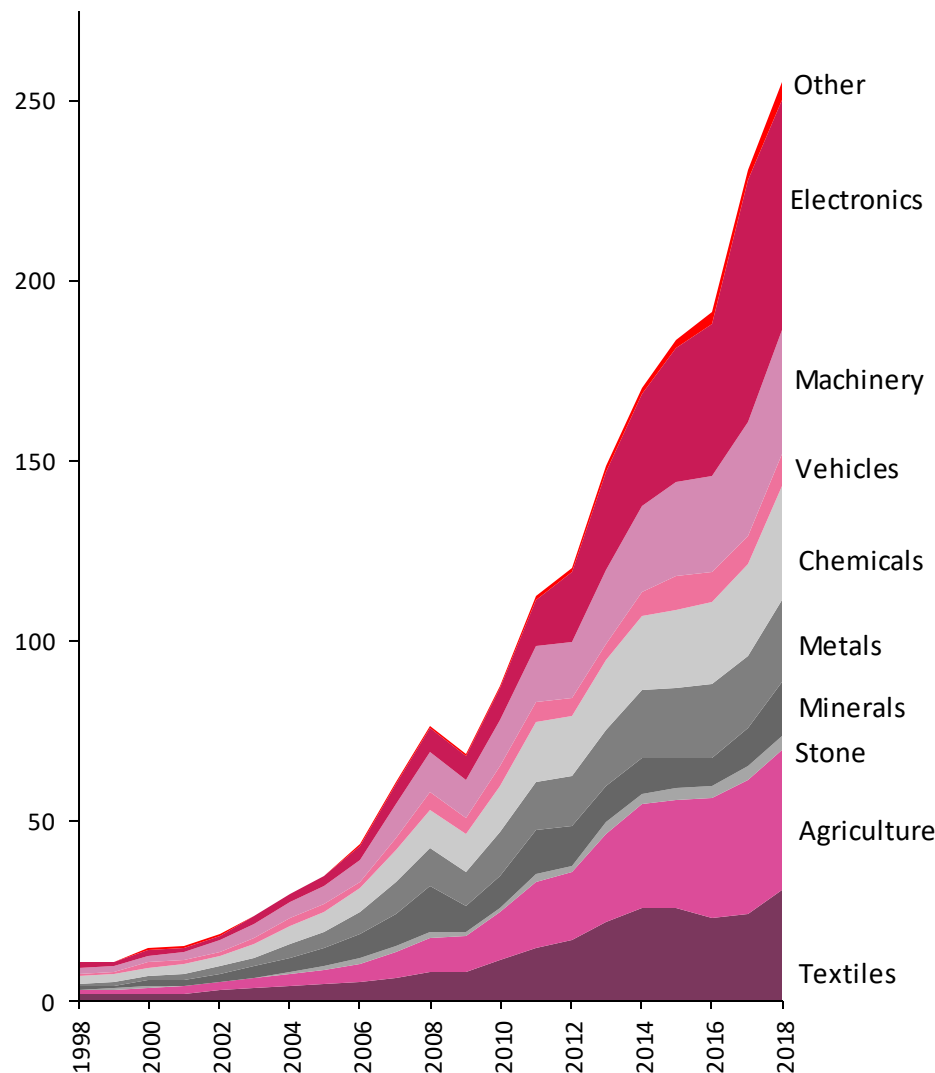
Exports
USD Bn'



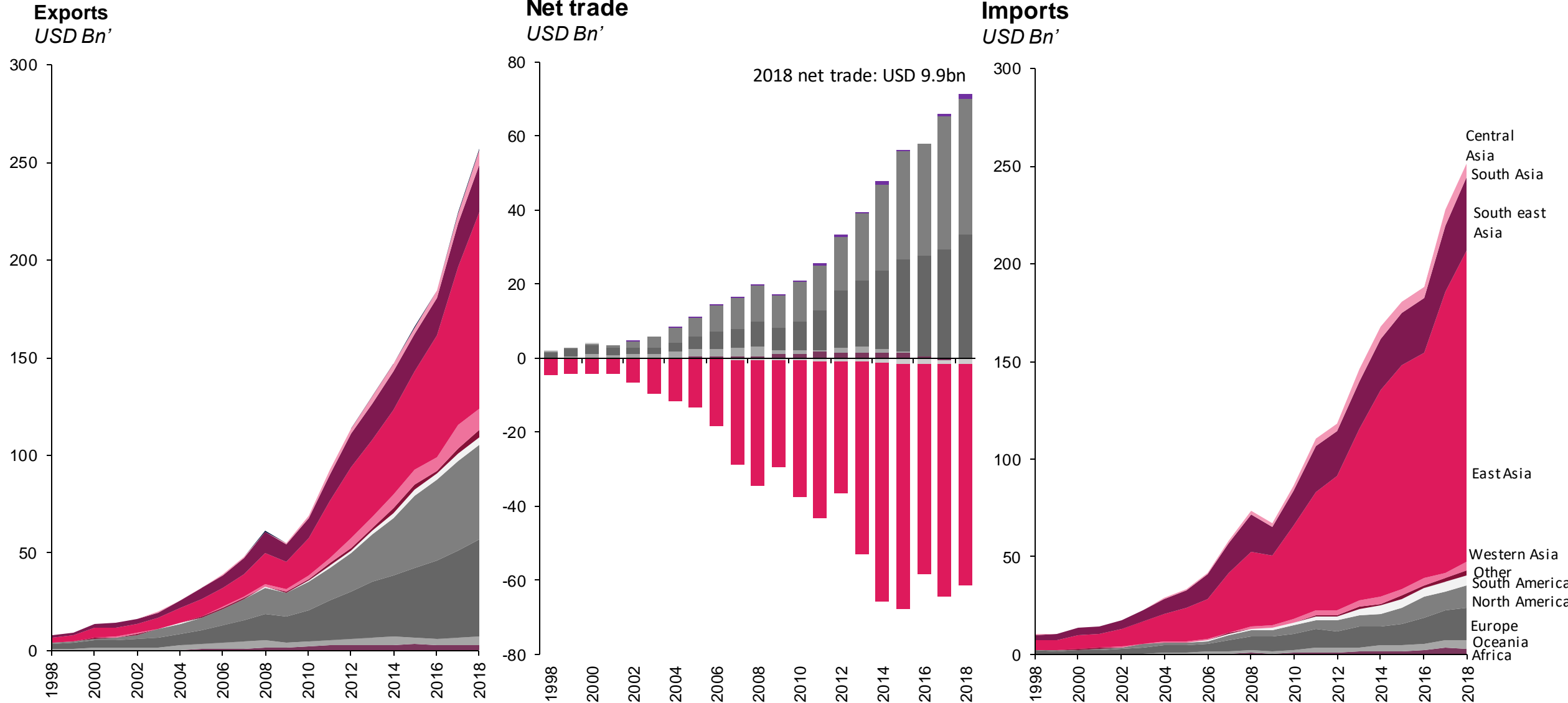
Trade balance
USD Bn'



Imports
USD Bn'

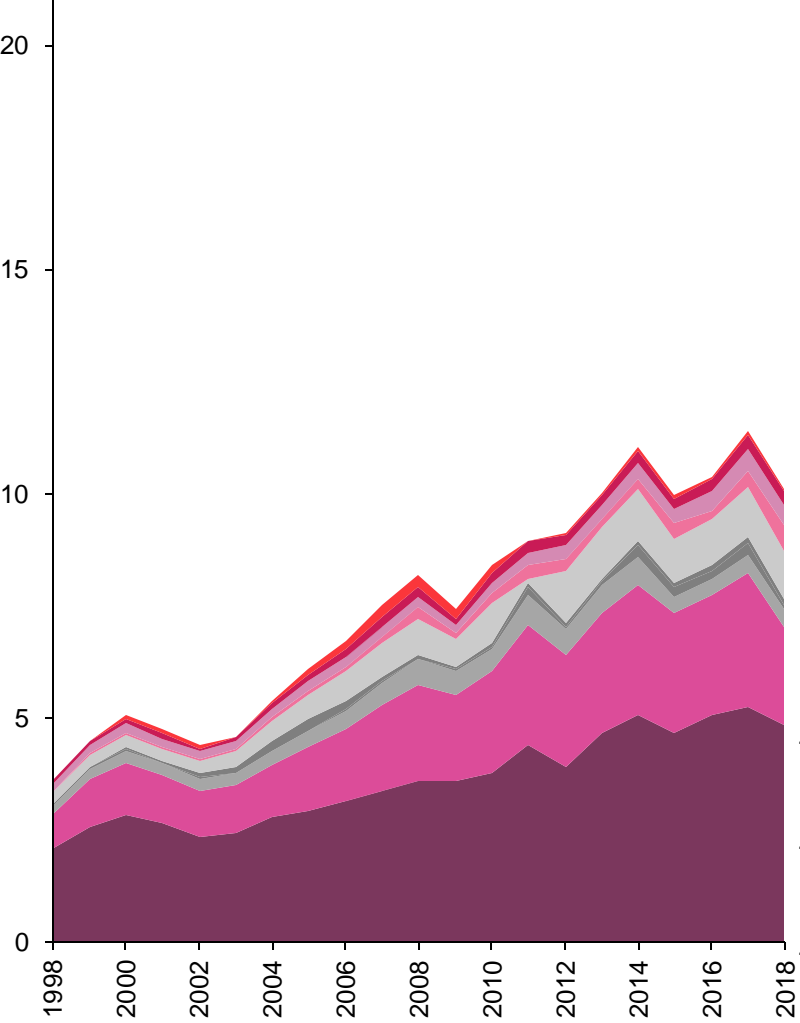


Direction of trade: Vietnam

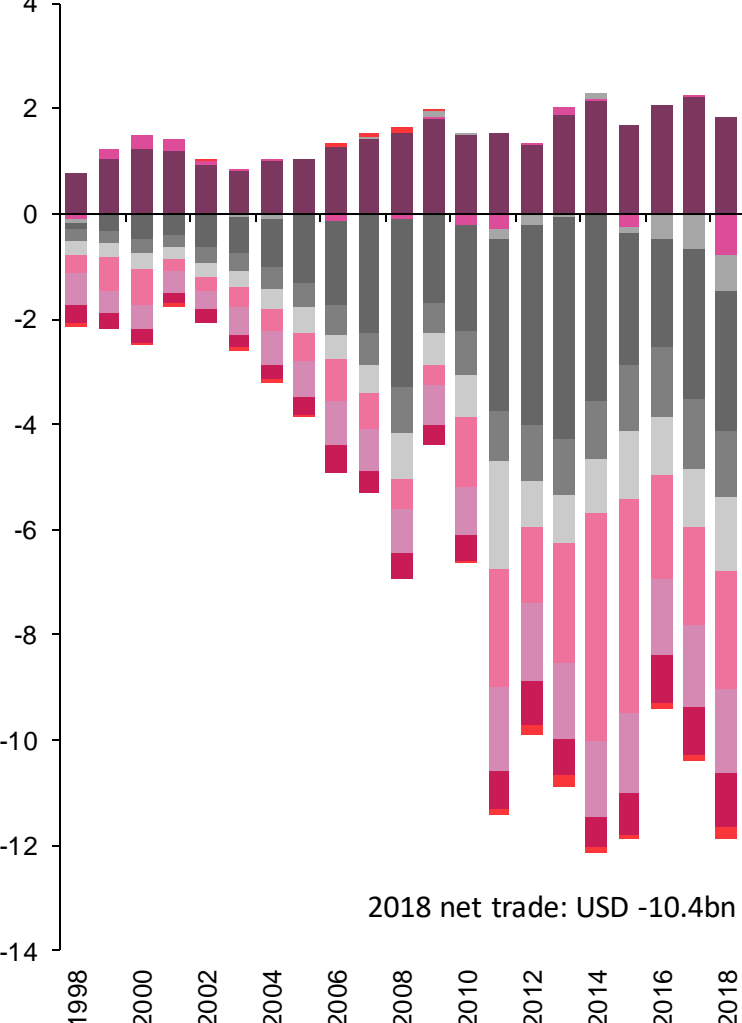


Trade dynamics: Sri Lanka

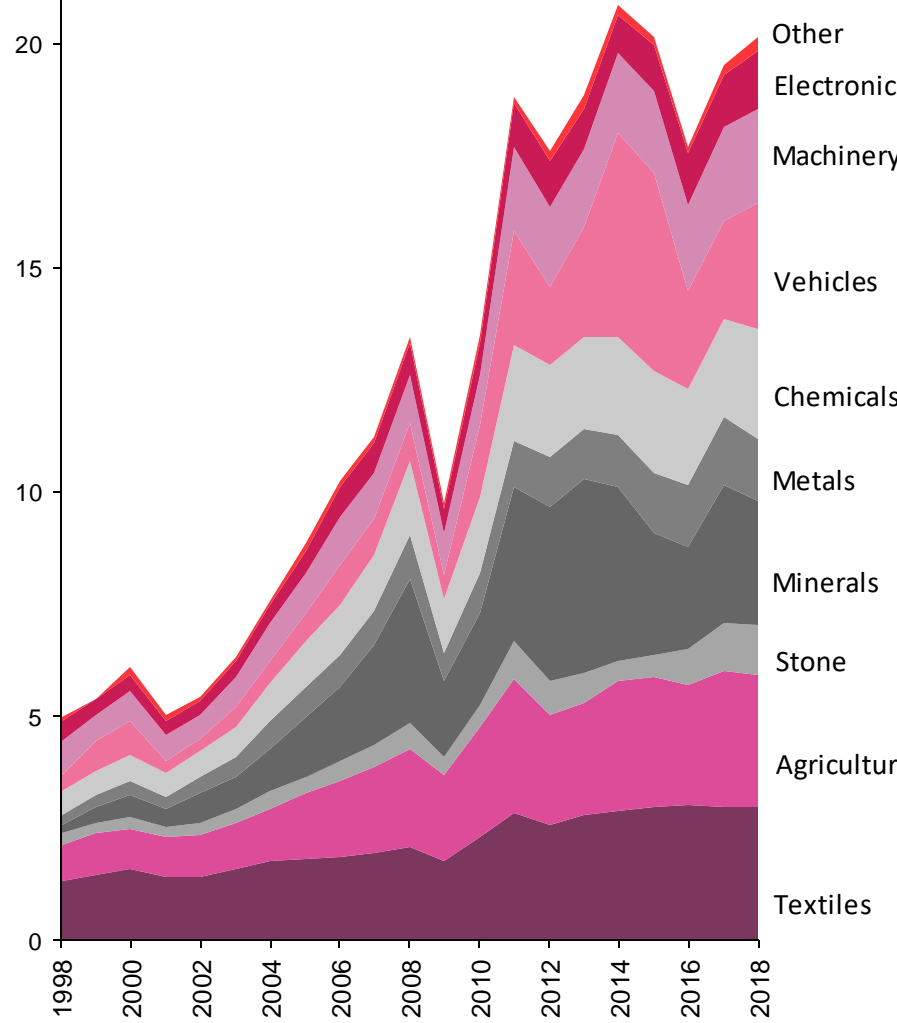
Exports
USD Bn'



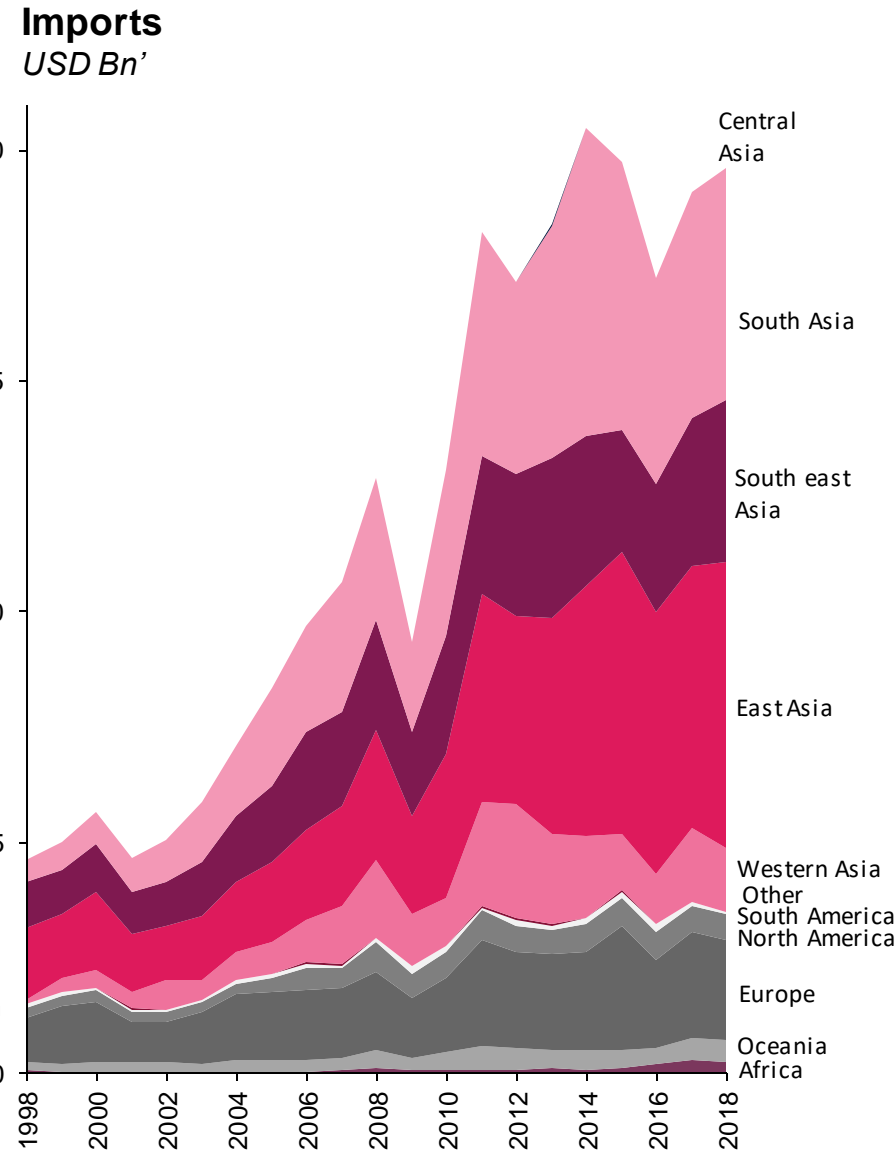
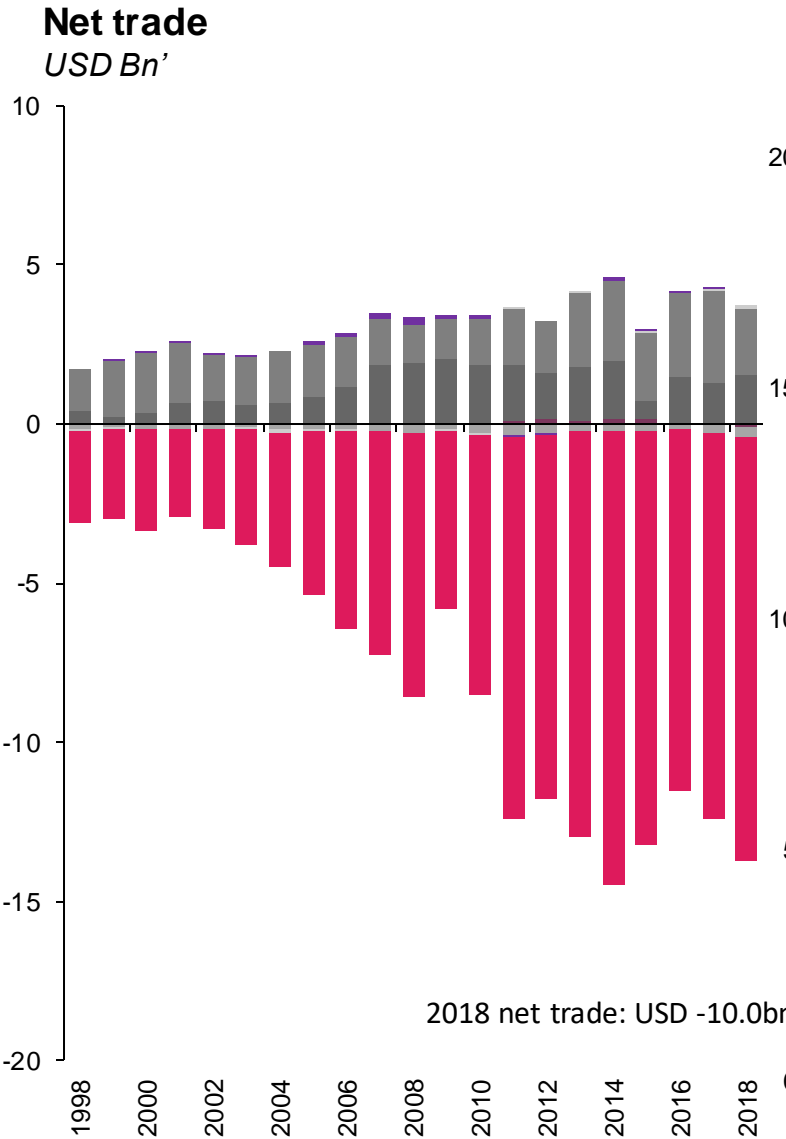
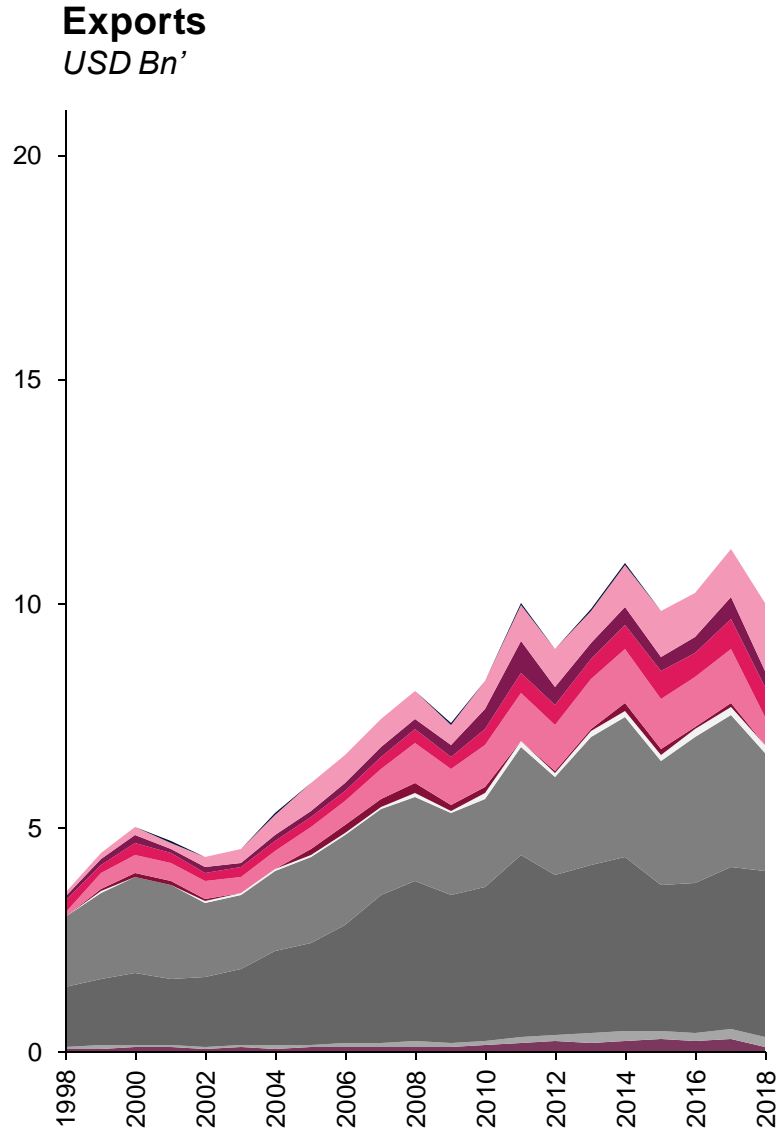
Trade balance
USD Bn'



Imports
USD Bn'



Direction of trade: Sri Lanka



Export contribution to growth



In other countries, diversification results in a direct boost to incomes

New Export products, 2000-2015

Country	New Products	USD per Capita	USD (billions)
China	76	245	331.6
Thailand	70	326	21.8
Vietnam	48	545	50.4
Philippines	11	12	1.2
Malaysia	10	149	4.7
Sri Lanka	7	5	0.1
Cosa Rica	6	139	0.7
Indonesia	4	3	0.8
India	0	n/a	n/a

Product
Rags, textile scraps
Woven fabrics of bast fibers
Wheat or meslin flour
Cigarettes
Tulles and other net fabrics
Lead oxides
Textile for conveyor belts

Tourism statistics

	2015	2016	2017	2018	2019
Tourist arrivals	1,798,380	2,050,832	2,116,407	2,333,796	1,913,702
Guest nights	10.1	10.2	10.9	10.8	10.4
Spend per night	164.1	168.2	170.1	173.8	181.2
	2,980,652,996	3,518,489,412	3,924,009,055	4,380,628,444	3,606,333,145
Tourism Receipts from BPM6	2,980,652,996	3,518,489,412	3,924,931,808	4,380,682,444	3,606,930,220
Tourism Outflows	1,419,630,004	1,541,775,446	1,598,801,300	1,660,000,000	1,638,000,000
Net Tourism Receipts	1,561,022,992	1,976,713,966	2,326,130,508	2,720,682,444	1,968,930,220

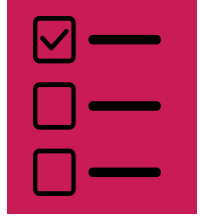


Should we go to the IMF ?

Dr. Ahluwalia's advice about going to the IMF



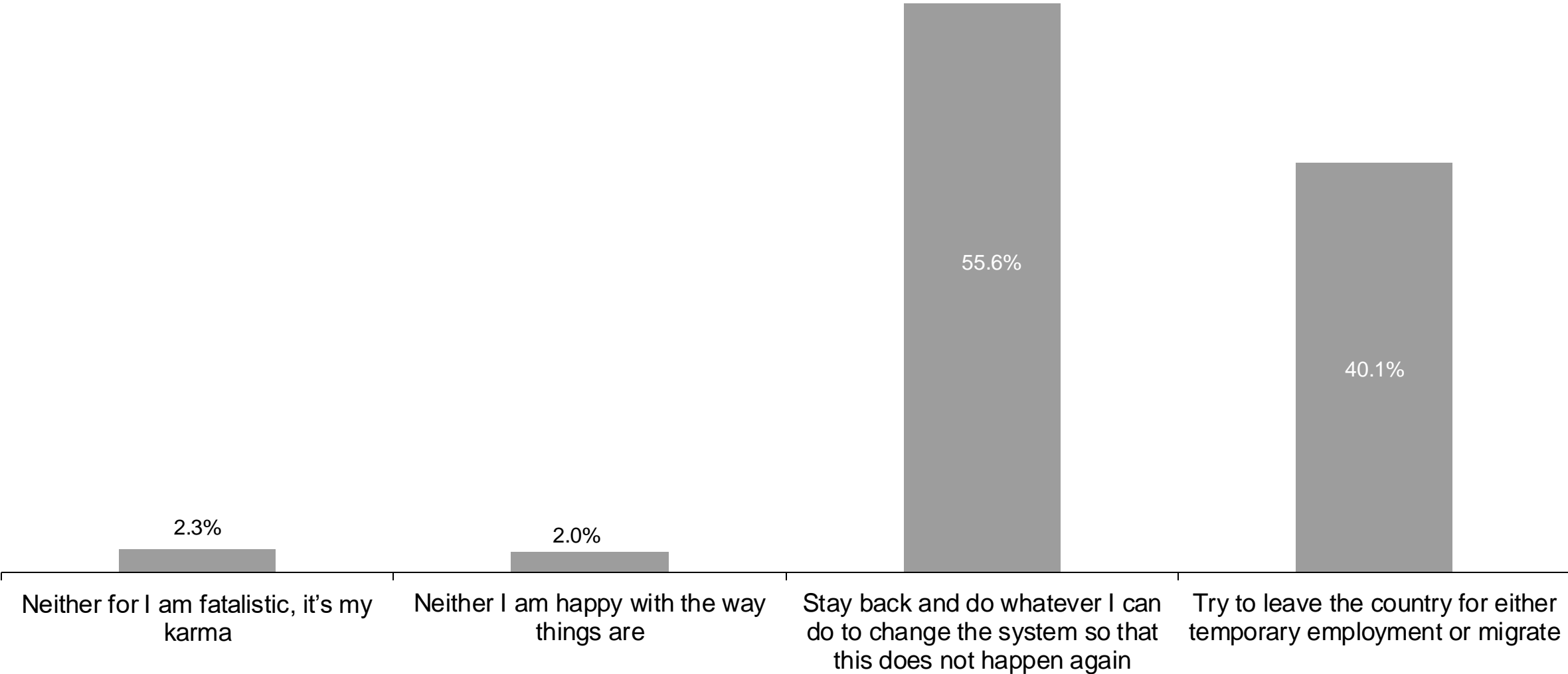
 <https://youtu.be/FOkAkmeUmfk>



Poll 7

If we go into a major economic crisis due to a sovereign default, I will:

Total respondents: 347





Thank you