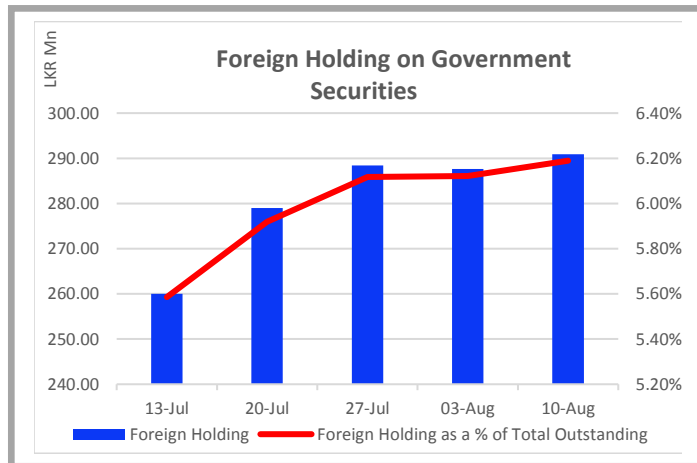
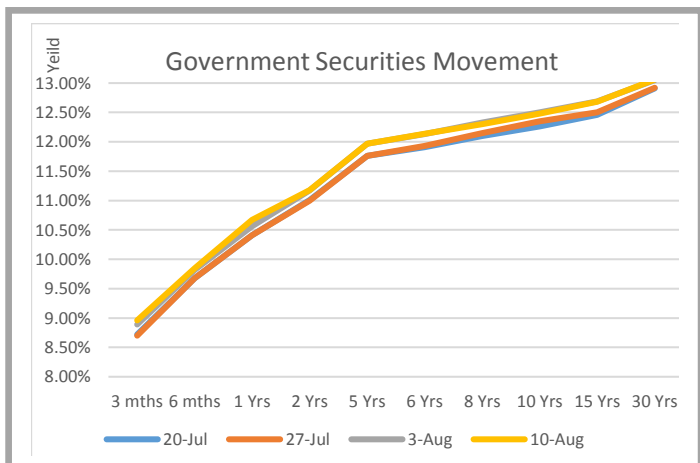
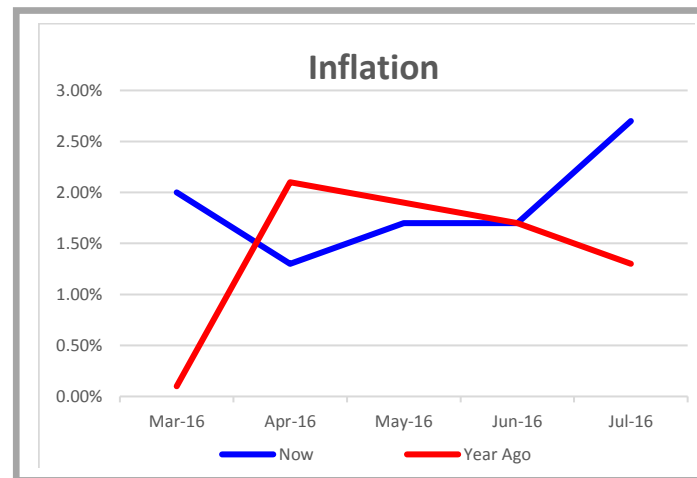
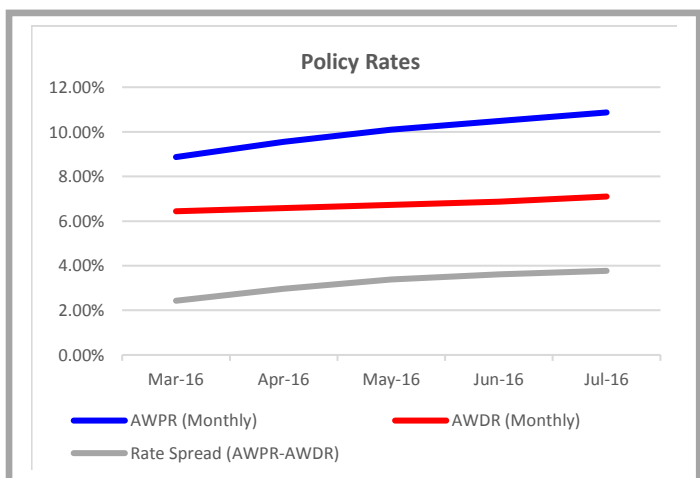


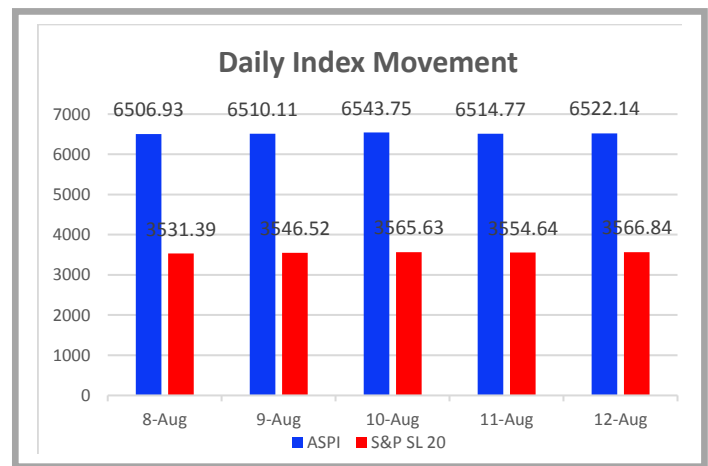
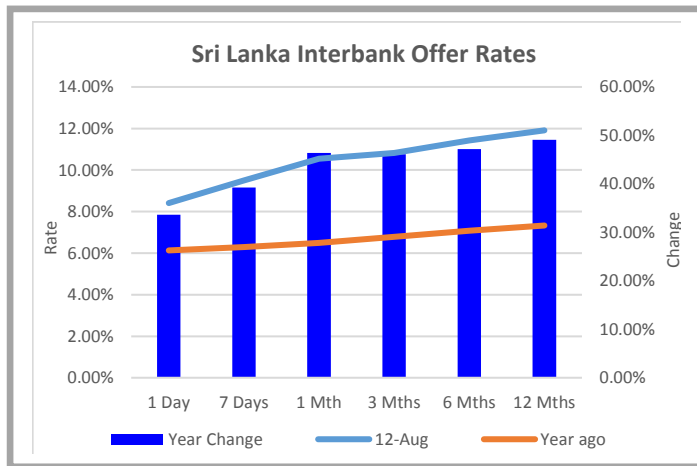
Economic Indicators: LKR/USD 145.27 (0.18% WoW) AWPR: 11.74% (2.53% WoW) AWDR: 7.10% (3.35% MoM) ASPI: 6,522 (0.08% WoW) S&amp;P SL20: 3,567 (1.00% WoW)



Market	Period	10-Aug	03-Aug	Change %
Secondary Market	3 months	8.96%	8.89%	0.79%
	6 months	9.85%	9.82%	0.31%
	1 Year	10.67%	10.56%	1.04%
	2 Years	11.18%	11.17%	0.09%
	5 Years	11.97%	11.97%	0.00%
	6 Years	12.14%	12.13%	0.08%
	8 Years	12.30%	12.33%	-0.24%
	10 Years	12.48%	12.50%	-0.16%
	15 Years	12.68%	12.69%	-0.08%
30 Years	13.06%	13.05%	0.08%	

- Average Weighted Prime Lending Rate (AWPR): 11.74%. It has increased by 29 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 7.10% (July), 6.87% (June).
- Average Weighted Fixed Deposit Rate (AWFDR): 8.99% (July) and 8.64 % (June).
- SLIBOR Rates: 8.41% (1Day), 9.50% (7Days), 10.54% (1Month), 10.83% (3Months), 11.42% (6Months), 11.91% (1Yr).
- Inflation (Annual average change): 2.7% (July) and 2.2% (June).

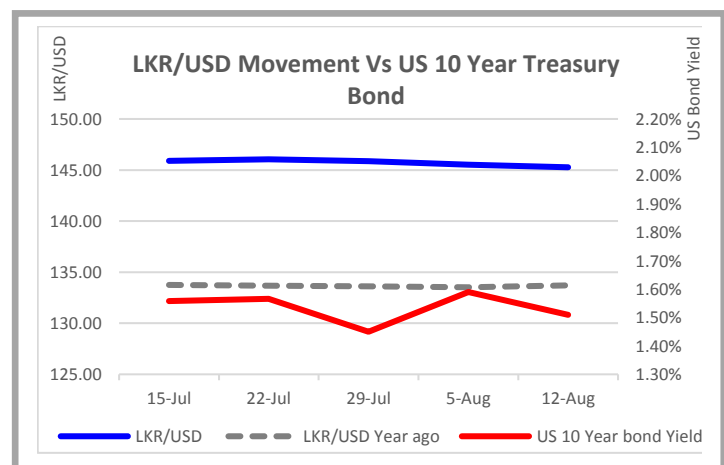




### LKR Exchange Rate Movement

- LKR appreciated over the week by 0.18% against USD from LKR/USD 145.53 to 145.27.
- One month forward rate of LKR/USD is 146.52 (Last week 146.72).
- Three months forward rate of LKR/USD is 148.31 (Last week 148.29).

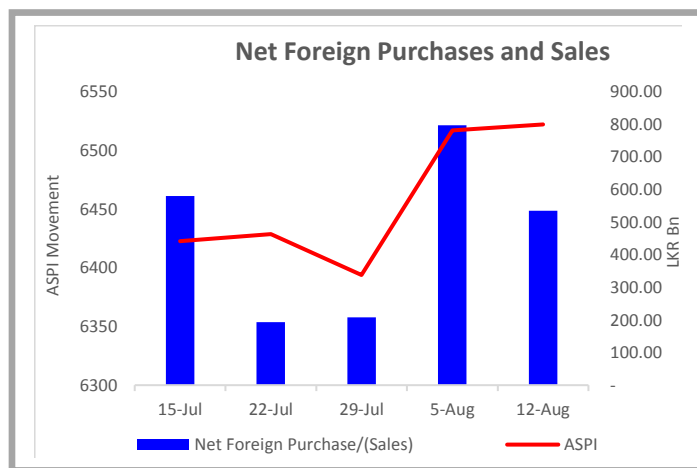
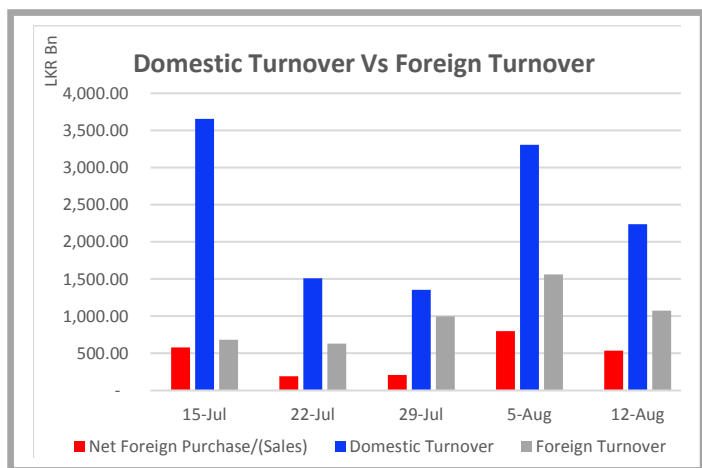
	15-July	22-July	29-July	05-Aug	12-Aug
INR 16	2.17	2.17	2.17	2.18	2.18
INR 15	2.11	2.10	2.09	2.09	2.08
RM 16	36.77	35.89	35.94	36.06	36.31
RM 15	35.18	35.23	35.03	34.43	37.49



### Colombo Stock Exchange

- All Share Price Index: 6,522.14 points as at 12<sup>th</sup> August 2016.
- S&P 20: 3,566.84 points as at 12<sup>th</sup> August 2016.
- ASPI increased by 5.01 points WoW which is 0.08%.
- S&P 20 increased WoW by 35.48 points, reflecting a 1.00% positive variation.
- Net Foreign Inflow: LKR. 535.36 Mn.
- Last week recorded a Net Foreign Inflow: LKR. 797.61 Mn.
- Market capitalization: LKR. 2779.43 Bn which is 0.08% increase compared to last week.
- Market PE: PE recorded as 13.44 in this week and it has increased by 0.45% from the last week.

Price Index by Sector			
	This week	Pre. week	Change %
<b>Top Gainers</b>			
TRADING	16,920.26	16,327.87	3.63%
CONSTRUCTION AND ENGINEERING	2,588.74	2,522.43	2.63%
DIVERSIFIED HOLDINGS	1,704.33	1,663.89	2.43%
INVESTMENT TRUSTS	15,256.54	14,961.36	1.97%
LAND AND PROPERTY	697.79	688.38	1.37%
<b>Top Losers</b>			
BEVERAGE FOOD AND TOBACCO	21,724.19	22,151.62	-1.93%
PLANTATIONS	658.87	665.05	-0.93%
TELECOMMUNICATIONS	174.45	175.86	-0.80%
FOOTWEAR AND TEXTILES	962.93	970.43	-0.77%
MOTORS	16,767.31	16,866.60	-0.59%



### Local News

Sri Lanka's cabinet decided to include the "Swiss challenge" procedure in the government procurement guidelines to be followed on unsolicited proposals. A Swiss challenge is a form of public procurement which requires an authority which has received an unsolicited bid to publish the bid and invite third parties to match or exceed it. Though the government discourages unsolicited proposals, some countries follow the Swiss procedure on unsolicited proposals considering positive aspects such as innovation and discovery of unforeseen potential, the statement said. The need for incorporating this new procedure in the exiting procurement guidelines was pointed out by the Minister of City Planning and Water Supply, Rauff Hakeem at the cabinet committee on economic management.

(Source: <http://www.lankabusinessonline.com> - 11.08.2016)

Sri Lanka's Prime Minister Ranil Wickremesinghe said that it is time for a new human resource policy to go hand in hand with the economic development plan which will be outlined soon. "Skilled human capital is essential to harness the key advantages of Sri Lanka like the strategic geographic location, create one million jobs, meet growth aspirations of a fast expanding middle class and revitalise the rural economy," he said inaugurating the first ever Sri Lanka Human Capital Summit at the Taj Samudra. "The new Acts will take forward the Government's plans for education to employment and provide the legal framework for policies for human resources development," PM explained further.

(Source: <http://www.lankabusinessonline.com> / - 12.08.2016)

Prime Minister Ranil Wickremesinghe gave a sweeping evaluation of the economy in Parliament, warning that debt could rise further while announcing a new tax system in 2017 and reassuring stakeholders that Indian nationals would not be allowed to work in Sri Lanka. Responding to questions, Wickremesinghe recapped the challenging macroeconomic environment inherited by the Government in 2015 and elaborated on fresh plans laid out by his administration. He also clarified the process the Government had engaged in with the Chinese Government to make the Port City project more viable and profitable for Sri Lanka.

(Source: <http://www.ft.lk/> - 11.08.2016)

### Foreign News

Japan's financial watchdog estimates that negative interest rates under the Bank of Japan's monetary easing policy will reduce profits for the country's three big banks by at least 300 billion yen (\$2.96 billion) for the year through March 2017, the Nikkei business daily reported on Saturday. The Financial Services Agency (FSA) expressed concern to the BOJ regarding the situation as it sees reduced profits weakening the banks' ability to extend loans, the Nikkei said. According to FSA estimates, Mitsubishi UFJ Financial Group Inc's profit will fall by 155 billion yen. Sumitomo Mitsui Financial Group Inc's profit will be reduced by as much as 76 billion yen and that of Mizuho Financial Group Inc will be cut by 61 billion yen.

(Source: <http://www.reuters.com/> - 12.08.2016)

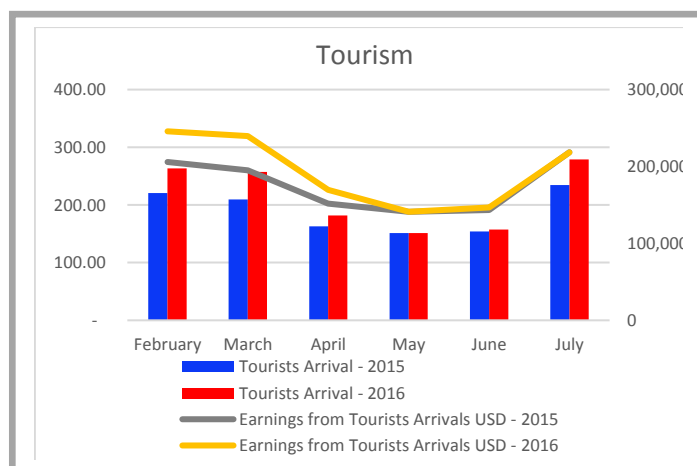
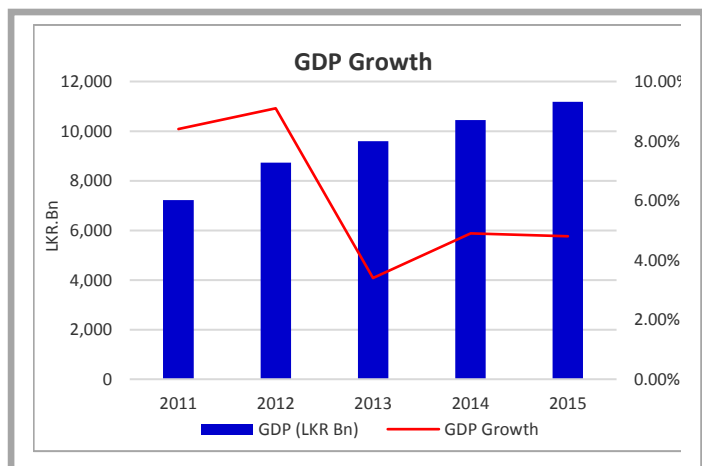
China's near-term growth outlook has improved due to recent policy support but the country needs to rein in fast credit growth to ensure economic transition on a sustainable footing, the International Monetary Fund (IMF) said Friday. The Chinese economy is expected to grow 6.6 percent this year, with the inflation rate rising to 2%, the IMF said in a report after concluding its annual economic health check on the Chinese economy. "We have a positive view of China's growth outlook as China continues to mobilize its very considerable resources and catches up with higher-income economies," said James Daniel, IMF mission chief for China.

(Source: <http://news.xinhuanet.com/> - 12.08.2016)

Economists at the IMF are urging the European Central Bank to stop yanking interest rates further into negative territory, warning it will take a toll on the region's already struggling banks and reduce lending to businesses and households. In a blog post on the IMF website, economists Andy Jobst and Huidan Lin say any additional cuts that would push rates further below zero will encounter diminishing returns and threaten, at this point, to do more harm than good. "Further policy rate cuts could bring into focus the potential trade-off between effective monetary transmission and bank profitability. Lower bank profitability and equity prices could pressure banks with slender capital buffers to reduce lending, especially those with high levels of troubled loans," the analysts said. (Source: <http://www.marketwatch.com/> - 12.08.2016)

## GDP and Economy

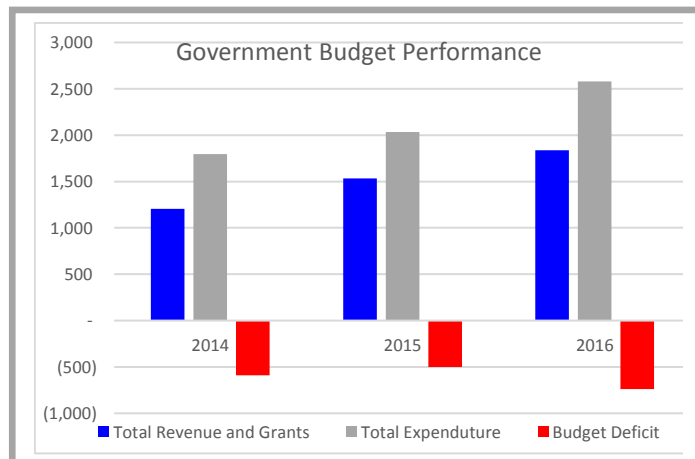
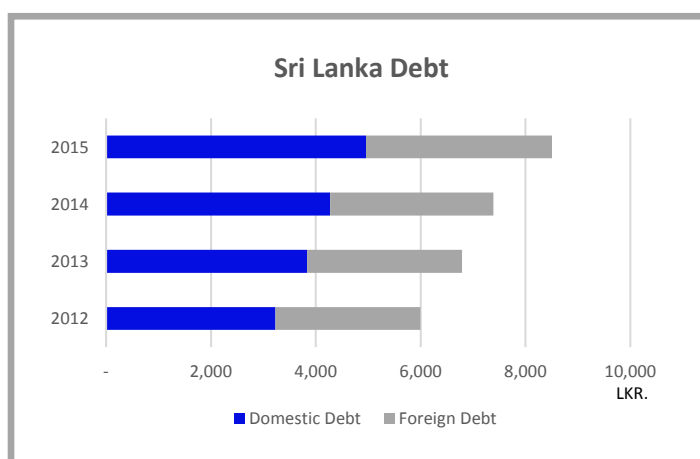
- The GDP of 2015 depicts a steady growth of 4.8% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 56.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2015 (as per the prices in 2010) were LKR. 676,899Mn, LKR.2,259,223Mn and LKR. 4,881,273Mn respectively.
- Unemployment rate was 4.6% in 2015 compared to 4.3% in the previous year.

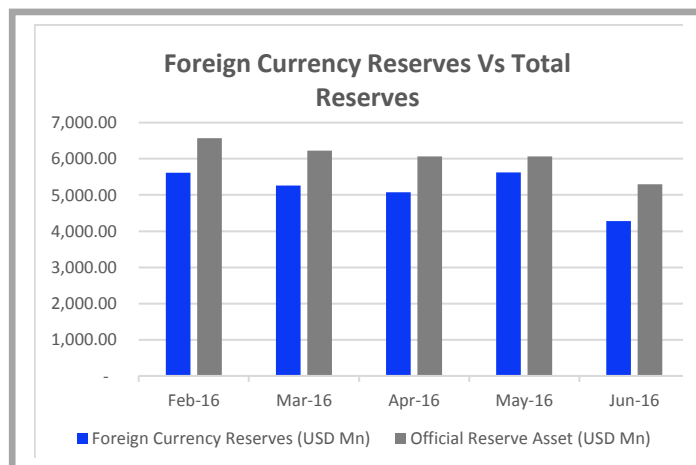
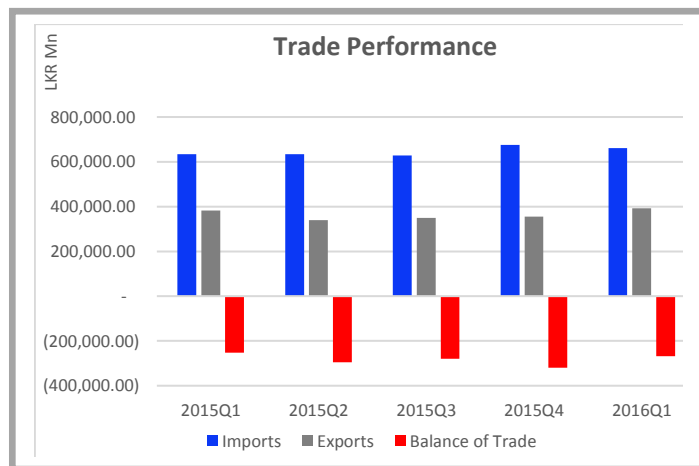
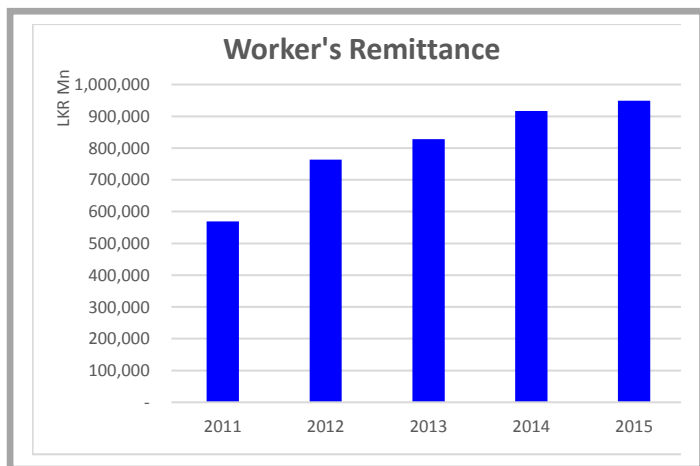


## Sri Lanka Fiscal Performance

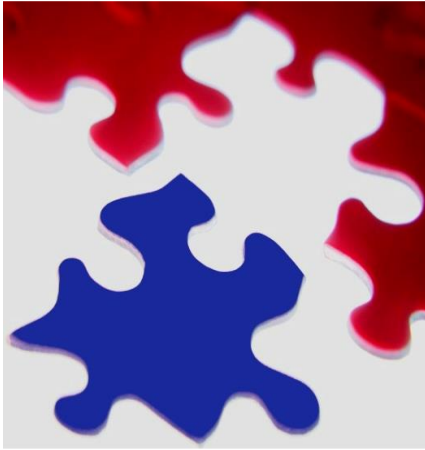
Debt service payments increased to 11.8 percent of GDP in 2015 from 10.3 percent of GDP in the previous year. Domestic and foreign amortisation payments to GDP increased to 4.7 percent and 2.5 percent, respectively in 2015 from 4.3 percent and 1.8 percent in 2014. The ratio of total interest payments to GDP increased to 4.6 percent in 2015 from 4.2 percent in 2014. Although interest payments on domestic sources to GDP increased to 3.5 percent in 2015 from 3.1 percent in 2014, foreign interest payments to GDP declined marginally to 1.0 percent in 2015 from 1.1 percent in 2014.

	2011	2012	2013	2014	2015
<b>Government Debt/GDP (%)</b>	78.5	79.2	78.3	70.7	76
<b>Domestic Debt/ GDP (%)</b>	42.9	42.7	44.2	40.9	44.3
<b>Foreign Debt % of GDP</b>	35.6	36.5	34.1	29.8	31.7
<b>Budget Deficit/GDP (%)</b>	-6.9	-6.5	-5.9	-5.2	-7.4



**Sri Lanka External Sector**


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