



ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Tel : 2477424, 2477423, 2477311

Fax: 2346257, 2477739

E-mail: dcommunications@cbsl.lk,

communications@cbsl.lk Web: www.cbsl.gov.lk

Press Release

Issued By Communications Department

Date 21.11.2019

The Central Bank expresses its Strong Objection to the Contents of the Statement released by Fitch Ratings

The Central Bank of Sri Lanka strongly objects to the statement released by Fitch Ratings on 21 November 2019 titled “Sri Lanka Election Result Increases Policy Uncertainty”, as it depicts the complete opposite of the realised positive market response to the outcome of the Presidential elections, followed by the assumption of duties by His Excellency the President and ongoing key appointments.

The domestic foreign exchange market, as well as debt and equity markets have responded positively to the outcome of the election. The Sri Lankan rupee has appreciated by more than one rupee against the US dollar during the four days since the conclusion of the elections. During this period, there has also been a sharp decline in the forward premia, reinforcing expectations of a further appreciation of the rupee. In the Government securities market, primary market yields declined sharply at the auction for Treasury bills held on 20 November 2019 while the secondary market yields have also declined notably across the yield curve. Meanwhile, ISB yields have behaved orderly since the start of the business week. Foreign investors have continued to invest notable amounts of funds in the Sri Lankan rupee denominated Government securities. Moreover, the All Share Price Index of the Colombo Stock Exchange has

increased significantly over the past few days. Ignoring these positive market trends is a material omission in the statement issued by Fitch Ratings.

As the government is still being formed, the Central Bank is of the opinion that it is premature for any analyst to express a view on the precise policy path of the new government and its potential outcome. There is a high likelihood that the aforesaid positive market sentiments could strengthen further in the period ahead, with the dissipation of political uncertainties. Initial measures introduced by the government thus far indicate His Excellency the President's resolve to maintain a professional and strong governance structure in the new administration.

Accordingly, the contents of the Statement issued by Fitch Ratings, which are purely based on loose assumptions, cannot be endorsed, particularly as they are very much at variance with actual market developments and expectations.