

PRESS RELEASE

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Progress of Securing Foreign Exchange Inflows as announced in the Six-Month Road Map for Ensuring Macroeconomic and Financial System Stability

The Central Bank of Sri Lanka (CBSL) wishes to provide the following information to investors and the general public on the progress made by the CBSL and the Government in securing foreign exchange inflows as announced in the *Six-Month Road Map for Ensuring Macroeconomic and Financial System Stability*.

The CBSL and the Government have commenced a series of direct engagements with other Governments, Central Banks, financial institutions and investors.

Several memoranda of Understanding (MOUs) have been entered into in relation to development projects in line with the initiative towards monetisation of underutilised and/or non-strategic assets. Expected proceeds in relation to the two transactions involving Chalmers granaries and the property behind *One Galle Face* alone amount to around US dollars 200 million, and an advance payment is expected shortly. Details of the investment will be announced in coming weeks.

In addition, the US dollars 650 million investment in the West Container terminal by the Indian Adani Group, John Keells Holdings as the Sri Lankan counterparty, and the Sri Lanka Ports Authority has been recently finalised. Another key foreign investment that would transform the energy sector in Sri Lanka with the addition of LNG to the energy mix is the US dollars 250 million inflow in relation to a partial divestment of the West Coast Power Plant to the US New Fortress Energy, and the first tranche of the investment is expected in November/December 2021.

Negotiations are also underway to expedite the finalisation of foreign currency swap arrangements with neighbouring Central Banks. Specifically, discussions are being held with the Reserve Bank of India, People's Bank of China, and several Middle Eastern Central Banks.

In the meantime, the Government is processing a US dollars 1.5 billion long term loan offer from a foreign Government affiliated agency. In response to the requests for proposals (RFPs) for syndicated loan arrangements by the Government, several proposals have also been received, which are being processed at present.

Among other sectors that have shown notable progress in recent times are:

- a) Exports, which surpassed USD 1 billion of monthly earnings during June-September 2021, along with the notable improvement in the repatriation and conversion of export proceeds during the month of October 2021
- b) Rapid increase in labour migration, particularly to the Middle East
- c) Continuation of the recovery process in tourism with a notable month-on-month increase in arrivals, and
- d) Ongoing negotiations on petroleum linked credit lines from the Middle East and other regional economies. These include an Indian credit line of US dollars 500 million, and a long term loan facility of around US dollars 3.6 billion that is under negotiation.

In the domestic market, yields on Government securities have been allowed to adjust upwards, thereby easing pressure on the Central Bank to finance the Government's funding requirement. Behaviour of investors at the weekly auctions indicates that market equilibrium has been achieved to a great extent, and greater stability in interest rates is likely to be observed in the period ahead.

Domestic investment in the real sector has picked up, as evidenced by the behaviour of the stock market as well as credit flows to the private sector. The All Share Price Index (ASPI) has surpassed the 10,000 mark for the first time in history. The increase in credit to the private sector by licensed commercial banks amounted to Rs. 625 billion during the eight months ending August 2021. These developments also indicate that economic growth close to 5 per cent in 2021 is very likely.