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AHK Sri Lanka

Monthly Newsletter



AHK

Delegation der Deutschen
Wirtschaft in Sri Lanka
Delegation of German Industry
and Commerce in Sri Lanka



Partner In Sri Lanka

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meet our partners!



AHK Sri Lanka Premier Partners 2023

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Current Development

Sri Lanka Parliament Approves IMF Backed Central Bank Law

Sri Lanka's parliament passed a controversial new central bank law, with 66 legislators voting for and 23 against. The opposition criticized the law for lacking accountability, allowing the central bank to print money for growth and policy rate determination. The law is a requirement under the IMF program. Opposition legislators called for amendments to address weak accountability provisions. The central bank will continue to print money for government advances, raising concerns about the balance of payments. Critics warned that misusing certain clauses and powers could create instability, and there are no penalties for central bankers who fail to meet inflation targets set by parliament..

Sri Lanka to Open 24 Beach Properties for Tourism Investment

Sri Lanka will open 24 beach properties as top tourism hotspots for investment, according to Arundika Fernando, State Minister of Urban Development, Housing, and Coastal Conservation. These coastal areas have been identified as tourist attractions and will be given to new investors for temporary construction. Coastal protection precautions will be taken for these zones.

Germany Passes New Migration Law to Attract Skilled Workers

Germany's new migration law aims to attract skilled foreign workers by easing immigration requirements, addressing the country's skills shortage. Non-EU nationals with degrees obtained or recognized in Germany can work outside their field of study. Degree recognition is no longer mandatory if applicants have two years' professional experience and a recognized qualification from their home country.

The law introduces recognition partnerships, allowing individuals with job offers to work while their degrees are recognized. The act also relaxes EU Blue Card conditions and introduces a points-based "Opportunity Card" for job seekers, allowing them to stay for one year to find work and take up part-time employment.

Sri Lanka Considers Un-bundling SOEs as Part of Divestment Strategy

Sri Lanka may break up entities on track for privatization after a study by transaction advisors, said Suresh Shah, Director General of State Enterprises Reform Unit. SriLankan Airlines, with catering, engineering, and ground handling operations, is one entity where separate selling proposals were considered. The decision on divestment, bundled or unbundled, applies not only to SriLankan Airlines but also to other listed companies. Financial advisors will present options and pros and cons for each entity, with the final structure requiring cabinet approval. The first expression of interest for select entities will be called in August, with the sales likely to be completed by early 2024.

BOI processes \$ 604Mn Investment Projects up to May

Sri Lankan government's ultimatum to investors with valuable state lands: Restart delayed projects or risk takeover. State Minister of Urban Development and Housing, Arundika Fernando, stated that if investors fail to decide by the end of August, the government will offer the projects to new investors. Land availability remains a key constraint for investors in Sri Lanka. After the country's sovereign debt default in April last year, investment projects had stalled. With economic recovery and IMF reforms, the government is fast-tracking investments secured on long-term leases.



Economic Data of Sri Lanka

Sri Lanka Eases Exchange Controls on Companies and Migrating Citizens

Sri Lanka has relaxed exchange controls for individuals and companies migrating abroad, initially imposed during a currency crisis triggered by liquidity injections. The country's ad hoc pegging regime, known as a flexible exchange rate, weakened. Exchange controls have been in place for decades due to conflicting monetary anchors, hindering trade and prosperity. Under the new rules effective for six months from June 28, companies can remit funds for overseas business setup or expansion, and limits on capital transaction remittances and working capital for overseas branches have been increased. The limits on individual migration and subsequent remittances have also been raised.

Estimate by the IMF

The IMF has released an updated economic forecast, revealing that the global economy is experiencing slow growth and facing several risks, despite some improvement. The IMF has raised its growth forecast for the global economy slightly from 2.8 to 3.0 percent, though this is lower than the annual average of 3.8 percent between 2000 and 2019, prior to the pandemic.

Projection by ADB

Inflation in developing Asia is forecast at 3.6% this year, compared with an April forecast of 4.2%. The inflation outlook for 2024, meanwhile, is raised to 3.4% from an earlier estimate of 3.3%.

Inflation

After two years, in June 2023, Food inflation (Y-o-Y) decreased to 4.1% from 21.5% in May 2023, and Non-Food inflation (Y-o-Y) dropped to 16.2% from 27.0% in May 2023. The CCPI's monthly change in June 2023 was recorded at 0.02%, primarily due to offsetting price increases in the Food category (0.41%) and price decreases in the Non-Food category (-0.39%). Core inflation (Y-o-Y), which reflects underlying inflation, also declined to 9.8% in June 2023 from 20.3% in May 2023.

Trade Statistics

Sri Lanka’s merchandise exports increased by 16.6 % to US\$ 989.7 Million in May 2023 compared to April 2023. However, it is a 5.59 % decrease when compared to May 2022.

Sri Lanka's Economy Shrank by 11.5% in Q1

Sri Lanka's Q1 2023 GDP contracted at an estimated 11.5%. The country's Gross Domestic Product at constant prices (2015) declined from Rs. 3,519,400 million in Q1 2022 to Rs. 3,114,187 million. The Agriculture sector grew by 0.8%, while Industries and Services sectors experienced negative growth rates of 23.4% and 5.0%, respectively.

Sri Lankan Global Exports (Source: EDB)

Apparel and Textile Exports

Export earnings from Apparel & Textile have decreased by 14.55 % y-o-y to US\$ 412.43 Million in May 2023 compared to May 2022.

Rubber-based Exports

Export earnings from Rubber and Rubber Finished products have increased by 0.20 % y-o-y to US\$ 76.84 Million in May 2023, with positive performance in exports of Pneumatic & Retreated Rubber Tyres & Tubes (6.82 %).

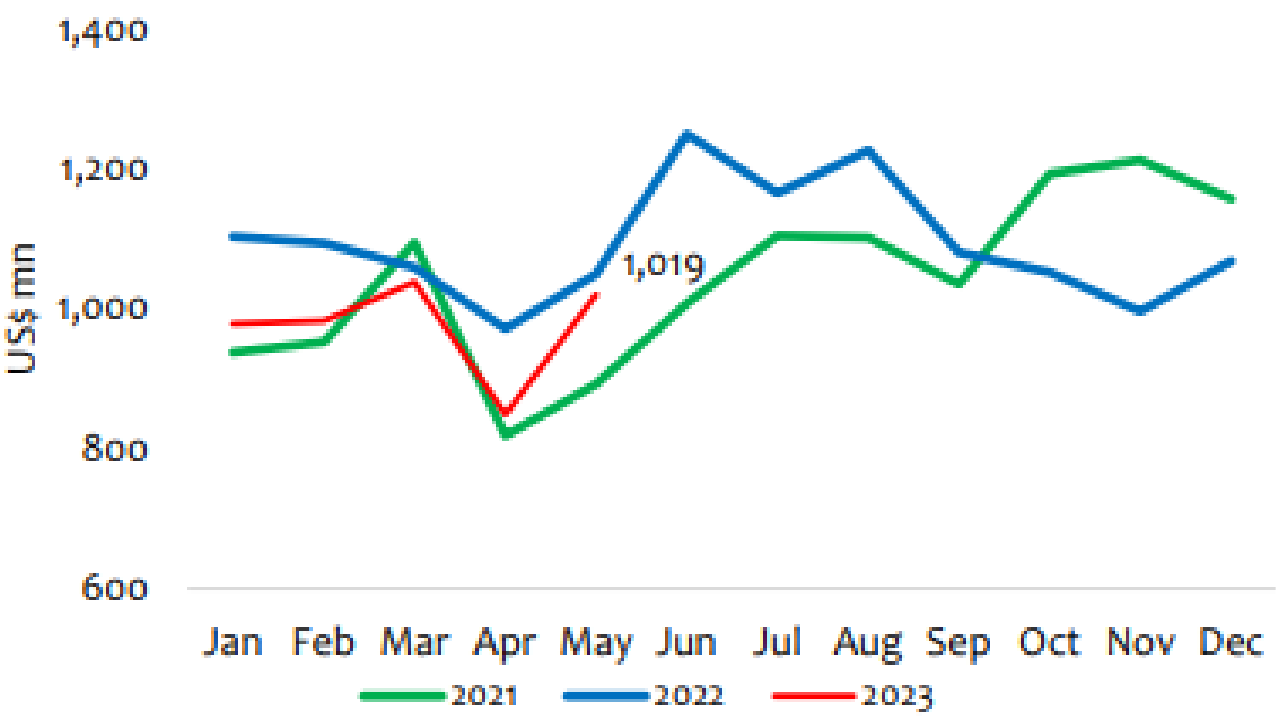
Tea Exports

Export earnings from tea which made up 12% of merchandise exports, increased by 24.16 % y-o-y to US\$ 116.33 Mn in May 2023 compared to May 2022. Earnings from export of Tea packets increased by 25.76 % to US\$ 56.58 Mn.

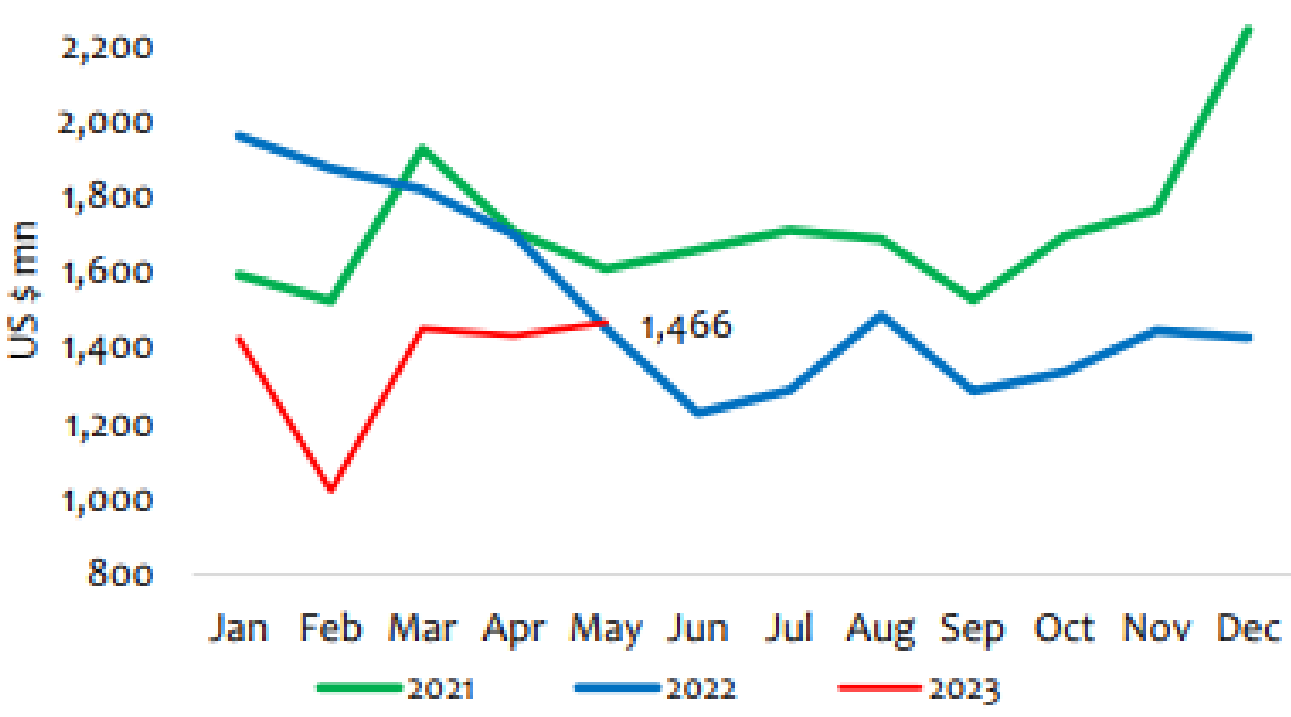
Coconut-based Exports

Sri Lanka being the largest contributor to Coconut based sector, Coco Peat, Fiber Pith & Moulded products which are categorized under the Coconut fibre products, decreased by 9.81 % to US\$ 15.45 Mn in May 2023 in comparison to May 2022.

Export Performance of Sri Lanka



Import Performance of Sri Lanka



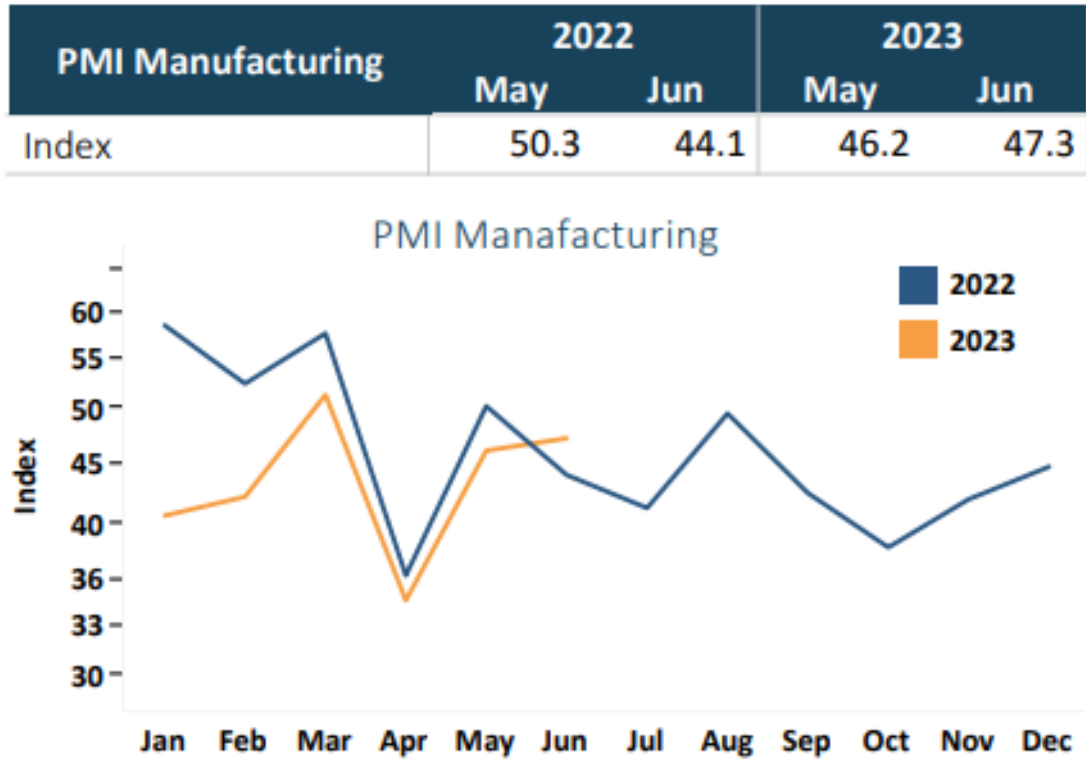
Foreign Exchange

During the year up to 28th July 2023, the Sri Lanka rupee appreciated against the US dollar by 10.3 per cent. Given the cross currency exchange rate movements, the Sri Lanka rupee appreciated against the Japanese yen by 15.9 per cent, the pound sterling by 3.8 per cent, the Euro by 7.0 per cent and the Indian rupee by 9.4 per cent during this period.

Tourism Sector

In June 2023, Sri Lanka experienced a significant increase in international tourist arrivals compared to the same period in 2022. The number of foreign tourist arrivals rose by 205.5 % year-on-year, reaching 100,388 visitors. However, compared to May 2023, there has been a increase of 20% in tourist arrivals, indicating the start of the mid peak season in Sri Lanka.

Manufacturing Purchasing Managers’ Index

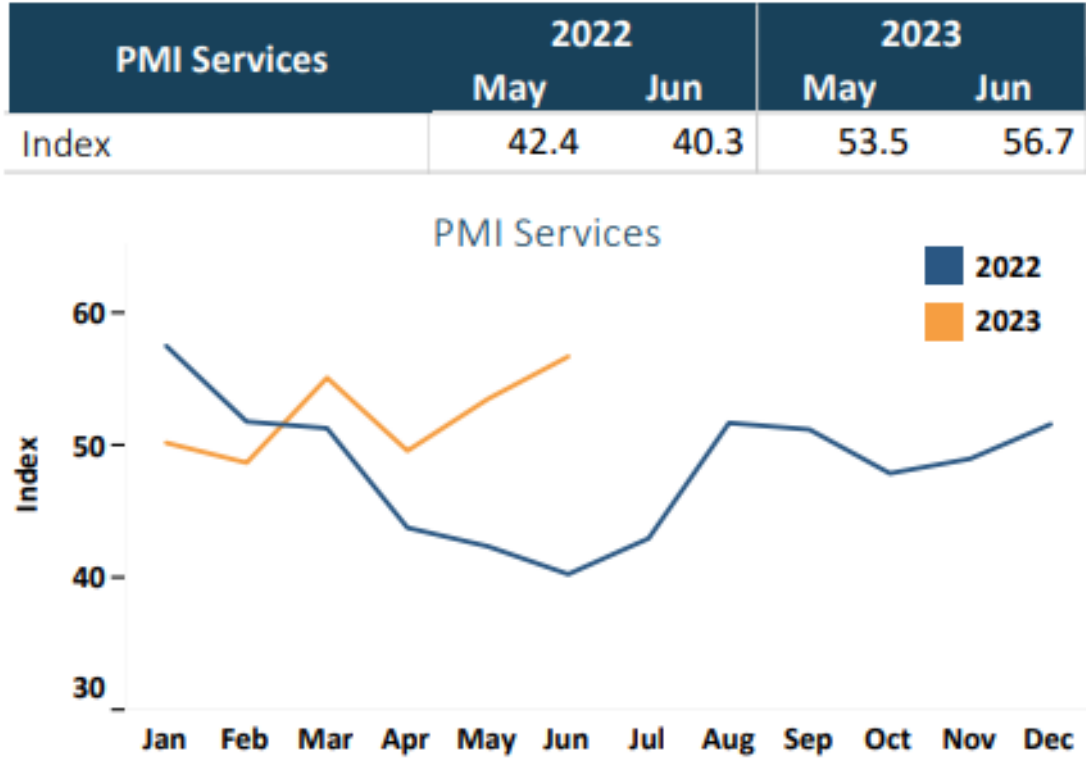


According to UNWTO international tourism is set to sustain its recovery throughout the year, benefiting from strong pent-up demand, continuous enhancement of air connectivity, and China's recent reopening. The top countries of origin for tourists in June were India, United Kingdom, Russian Federation, Australia and China.

Top Primary Markets for Tourists to Sri Lanka - April 2023



Services Purchasing Managers’ Index





Trade Fairs

Visitor Delegation to MEDICA Date: 13 - 16 November 2023



With over 4,500 exhibitors from 66 countries and more than 81,000 visitors from all over the world, MEDICA in Düsseldorf is one of the largest medical B2B trade fairs in the world. A wide range of innovative products and services from the fields of medical imaging, laboratory technology, diagnostics, health IT, mobile health as well as physiotherapy/orthopaedic technology and medical consumables are presented here. The extensive programme of first-class forums, conferences and special shows provides opportunities for interesting presentations and discussions with experts and politicians and also includes pitches of new products and award ceremonies.

Exhibitor Delegation to IGW 2024 Date: 19- 28 January 2024



International Green Week 2024 is a large-scale event held annually in Berlin, Germany. It is a global platform that brings together exhibitors, industry experts, and visitors from around the world to showcase the latest products and technologies in the food, agriculture, and gardening sectors. The event features exhibitions, seminars, workshops, and forums to promote sustainable and eco-friendly practices in the industry. About 300,000 visitors, 1400 exhibitors from 61 countries attend this trade fair.

For more information on trade fairs, please contact:
Mr. Malintha Gajanayake, Head of Corporate Affairs & Export Promotions via malintha@srilanka.ahk.de

Highlights

Delegation of German Industry and Commerce in Sri Lanka Calls on Minister Amunugama

Chief Delegate, Marie Antonia von Schönburg, made a courtesy call to State Minister, Dilum Amunugama, on 19th July 2023.

During the discussion, Ms. von Schönburg addressed the current situation, concerns of existing German FDIs in the country, and potential to increase new German FDIs to Sri Lanka. She also emphasised the significance of having a consistent legal framework and an investor-friendly climate in order to meet the government's investment aspirations.

Meanwhile, the State Minister outlined the mid- and long-term targets of the Sri Lankan government and expressed full cooperation in promoting both new and existing German investments in Sri Lanka.



Webinar on 'Setting Up Your Sales, Branch Office or Subsidiary in Germany' Concludes Successfully

On July 25, 2023, the Delegation of German Industry and Commerce in Sri Lanka (AHK Sri Lanka) and Germany Trade and Invest (GTAI) conducted an information-sharing webinar on 'setting up your sales office or subsidiary in Germany.' Mr. Udo Sellhast, Senior Manager, Investor Support Services at GTAI, presented Sri Lankan participants interested in establishing a sales office or subsidiary in Germany with a comprehensive overview of the necessary steps, legal framework, and potentialities.

Ms. Marie Antonia von Schönburg, Chief Delegate of AHK Sri Lanka, provided an overview of AHK Sri Lanka's support and services for local businesses attempting to enter the German/EU market during her introductory remarks.

The webinar concluded with an interactive question-and-answer session.



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Heritage Hotels & Resorts Triumphs with Regional Accolades, Clinching Best Down South Resort and Cultural Triangle Resort Titles



Heritance Hotels & Resorts team with their awards

Heritance Hotels & Resorts, the esteemed flagship brand of Aitken Spence Hotels, demonstrated its achievements at the Culinary Art Competition, hosted by the renowned Chefs' Guild of Sri Lanka. Heritance Ahungalla and Heritance Kandalama earned the distinguished title of Most Outstanding Regional Teams for Down South Resorts and Cultural Triangle Resorts respectively. This outstanding feat adds to the brand's legacy of culinary excellence.

The competition, renowned for its rigorous standards and fierce competition, drew talented culinary professionals from across the country. Heritance Ahungalla showcased its exceptional talent and expertise at the competition. Nuwan Chandimal's exceptional live cooking skills earned him the title of Most Outstanding Sri Lankan Live Cooking. Aruna Chinthana's mastery in pastry craftsmanship was recognized with the Most Outstanding Pastry Showpiece award. In addition to these remarkable achievements, Malshi Rebecca Ludowyke's talent and expertise in mixology shone through as she was recognized as the Most Outstanding Overall Mixologist. Malshi's extraordinary skills earned her 1 Top Gold, 1 Gold, 1 Silver, and 2 Bronze medals, highlighting her creativity and mastery in crafting exquisite and innovative cocktails.

Not to be outdone, Heritance Kandalama made an impressive mark at the Culinary Art Competition, with several talented individuals recognized for their exceptional skills. Madushanka Rajapakse achieved the remarkable feat of being named the 1st Runner-up for the Most Outstanding Chef category. Additionally, Bandula Harischandra secured the 1st Runner-up position for the Most Outstanding Artist category.

Thuminda Kumarasena's expertise in creating novelty cakes earned her the recognition for the Most Outstanding Novelty Cake.

Aitken Spence Hotels' overall clinched a total of 138 wins with 1 Gold with Excellence, 26 Gold, 41 Silver, and 70 Bronze medals.

“We are incredibly proud of the achievements of our team at the Culinary Art Competition,” stated Stasshani Jayawardena, Head of Tourism & Leisure, and Chairperson of Aitken Spence Hotels. “These prestigious accolades not only showcase our unwavering dedication to culinary excellence but also highlight our relentless pursuit of innovation. We continue to push the boundaries of gastronomic creativity, ensuring that each dining experience at our hotels is a feast for the senses, filled with exceptional flavours, and artistic presentations.”

Aitken Spence Hotels continues to elevate the culinary landscape in Sri Lanka's hospitality industry, setting new standards of excellence through their remarkable achievements and innovations. Their success at the Culinary Art Competition serves as a testament to their dedication to providing unforgettable dining experiences to guests.

About Aitken Spence Hotels:

Aitken Spence Hotels is part of the Sri Lankan blue-chip conglomerate Aitken Spence PLC. Aitken Spence Hotels owns and operates 18 hotels and resorts across Sri Lanka, Maldives, Oman, and India. The Company's owned hotels are reflected under the Heritance, Adaaran and Turyaa brands, popular around the world for their exceptional service, locations, and curated lifestyle experiences.



Next Step towards Sustainable Air Freight: DHL Global Forwarding Partners with IAG Cargo to Enable Sustainable Aviation Fuel



DHL Global Forwarding, the air and ocean freight specialist of Deutsche Post DHL Group, and IAG Cargo have announced a strategic partnership in Sustainable Aviation Fuel (SAF). DHL has signed a contract to purchase 11.5 million liters of SAF Scope 3* transport emissions reductions in 2023. The SAF, certified by International Sustainability & Carbon Certification (ISCC) and produced from used cooking oil and food waste, has at least 80% lower lifecycle emissions than conventional jet fuel. The partnership marks another milestone in the journey towards more sustainable air freight and is aligned with Deutsche Post DHL Group's sustainability goals to achieve net-zero emissions logistics by 2050. DHL uses only sustainably produced SAF made from waste sources, such as food waste or used cooking oil.

“We are sure that creating a more sustainable freight sector can only be achieved collaboratively. Therefore, we are constantly looking for other companies to cooperate with and are very happy to announce our newest partnership with IAG Cargo. We must act now to build a sustainable future,” says Thomas Mack, Global Head of Air Freight, DHL Global Forwarding.

David Shepherd, Chief Executive Officer at IAG Cargo adds: “At IAG Cargo, we are continuously striving to reduce our impact on the environment by working with colleagues, customers and partners to embed sustainable thinking across the business and become fit for the future. IAG was the first European airline group to make the commitment that 10% of flights will be fueled by SAF by 2030 – and this partnership is another step towards that goal.”

The new partnership between DHL Global Forwarding and IAG Cargo was announced at an event at the Phillips 66 Humber Refinery, where a portion of the SAF is produced.

Sustainability Along the Supply Chain: SAF as Part of the GoGreen Plus service

As a pioneer in sustainable logistics DHL's enables its customers to make their logistics and supply chains more environmentally friendly. A big part of DHL's sustainability initiative "Mission 2050 - Zero Emissions" is the GoGreen Plus service, which enables customers to decarbonize their transport by choosing sustainable fuels and clean technologies in ocean freight, air freight and land transport.

In this context, DHL also pursues the so-called inseting approach using sustainable fuels. This approach eliminates emissions at their source instead of offsetting, for example, through reforestation projects. The more customers book the GoGreen Plus service; the more alternative fuel or clean technology is used - making transport chains greener step by step. Following this principle, the appropriate amount of biofuel is purchased for the respective air or ocean freight shipment and used in the partners' ships and aircraft.

HÄFELE

Häfele Digital Locks – Lets Reimagine Access



Over the years, changes in living patterns have demanded more from the traditional locks than just home security. Today, people want smarter and convenient options to manage the access to their homes - the question is no longer about who stays out of the house but who can be let in.

As we move into the future, Häfele introduces its new Digital Home Security Solutions, which brings most advanced technologies in digital access modes, safety features, convenient settings and much more; attempting to provoke a serious thought not just on home security but also regarding daily interactions with the door. The access control solutions from Häfele allows one to control multi-dimensional aspects of home access through a single locking device, as per individual lifestyle and at the leisure of one's convenience. So, it's time to move to a smarter way of life - it's time to **'Reimagine Access'**!

The new Digital Locks – **RE-Inforce, RE-Inspire, RE-Push, RE-Split and RE-Twist** – brings contemporary design, advanced functionality, easy access, and control through a mobile application providing comprehensive security solution at the fingertips.

RE-INFORCE

Because the combination of flawless features and harmonious aesthetics is hard to find and even harder to ignore...

Classic Design, Multiple Access Modes: RE-Inforce security with this sleek all-in-one digital lock. With multiple access options and a flushed body that appears as if it is forged out of black glass, this lock provides superior functionality and sophisticated aesthetics.

Easy to use and set-up (with an option of operating via the Häfele Smart Living App), the lock provides access through fingerprint, RFID card, password and via the mobile application. Delivering high security, the lock safeguards the door within 3 seconds of closing it and offers a robust deadbolt connection ensuring utmost safety.

RE-INSPIRE

Because simplicity is the ultimate sophistication!

Stylish, strong design combined with innovative technology: Characterized by soft and minimalist lines, Häfele's RE-Inspire achieves total security effortlessly. The primary access modes – Keypad, RFID, and Fingerprint – are complemented by smart, innovative technologies like Bluetooth enabled access (via the Häfele Smart Lock mobile application) and Smart Home Integration (via Z-wave module). One can choose and pick the required level of security by using one or multiple modes to keep the home and loved ones safe. Encased in rich Copper and Black finishes, RE-Inspire compounds safety and aesthetics simultaneously.

RE-PUSH

Because your home security should be effortless yet chic!

Elegant design, optimum functionality, and effortless operation in one solution: Effectively integrating smart ergonomics and technology, Häfele's RE-Push Digital Lock cuts a sharp figure, packed in a sleek and elegant design and offers a multitude of features that enhance one's home security exponentially.

HÄFELE

The key principle behind RE-Push is its convenient operation; whether it be in terms of the easily held elevated handle to open the door with a flourish or about managing and controlling the lock via the embedded Z-Wave Module for smart home connectivity.

For full-proof safety, the lock comes with four additional access modes – Keypad, RFID, Fingerprint and Bluetooth access (using the Häfele Smart Lock mobile application).

RE-SPLIT

Because advanced technology often comes in various sizes...

Advanced Functionality, Minimalist Aesthetics: RE-Split successfully unites the functionalities of the lock and lever handle into one body, enhancing the door design with sleek aesthetics. This lock provides access via multiple modes- password, fingerprint and built-in Bluetooth key and is suitable for installation on internal and external doors across various settings. RE-Split hits the mark at capturing technological advancements that move towards providing more compact solutions packed with contemporary features. Furthermore, this lock can be operated as well as managed via the ‘Häfele Smart Living’ mobile application. It works on Bluetooth Technology and allows one to set multiple access possibilities as well allow visitors through different password configurations.

RE-TWIST

Because your door requires a comprehensive security solution...

Feature-loaded, Contemporary Design: Häfele’s RE-Twist Digital Lock with its sinuous design, that encapsulates extensive features, provides an attractive highlight to door aesthetics. Laden with smart security elements such as auto locking and manual safety locking which can be accessed from the interiors, RE-Twist ensures utmost safety. It also includes the functionality of a doorbell within the lock body – thereby eliminating the need of installing a separate door-bell module. Additionally, it comes with multiple access modes making door operations effortless and adaptable.



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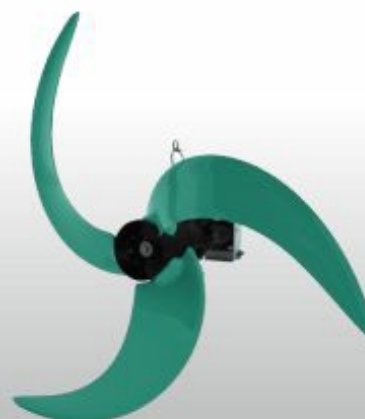
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