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# Weekly News Bulletin on Banking & Finance

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### [CBSL says no intention of regulating interest rates](#)

- Says will allow market forces to prevail
- Governor claims any subsidy or relief has to be funded by taxpayers' money which is not desirable

The Central Bank last week said it does not want to intervene in setting the interest rates and will leave them to market forces.

This is despite there being a clear lag between the monetary policy decisions and the time it takes for the banks to pass down the benefit of such decisions to the borrowers and the real economy.

### [Child's guide to debt and debt restructuring: Part IV](#)

What Sri Lanka has got is a relief on the annual cashflow till 2027 by way of a debt moratorium. But for Sri Lanka to get full relief, it is necessary for the country to get a fair amount of the principal loans as the debt forgiven by the creditors. This is known as a haircut. Considering the gap in the foreign exchange receipts and payments during 2022-27, IMF had anticipated a debt forgiveness of about \$ 14 billion which amounted to about 51% of the total debt to be restructured. Hence, Sri Lanka should get a haircut of about 51% if it is to resolve its foreign debt problem permanently.

### [Budget deficit down by Rs. 367 b for first five months; primary surplus at Rs. 554 b](#)

The budget deficit in the first five months of this year decreased by 64% (Rs. 367 billion) due to higher revenue and lower expenditure. Revenue increased by 44% to Rs. 1.6 trillion, while expenditure dropped by 7% to Rs. 2 trillion, resulting in a primary surplus of Rs. 554 billion. Improved financing led to a reduction in central government debt to Rs. 28 trillion by the end of May 2024.

### [CB Governor assures single policy rate mechanism implementation this year](#)

Speaking at the post-Monetary Policy Review meeting media briefing, he addressed the technical work involved in this transition and indicated that significant progress has already been made.

In January, during the unveiling of the 'Annual Policy Statement 2024,' the Governor announced the Central Bank's plans to consider adopting a single policy rate mechanism within the year. The move to a single policy rate mechanism aims to streamline the Central Bank's monetary policy framework, enhancing its effectiveness in controlling inflation and stabilising the economy.

## Achieving Economic Growth and Sustainability



The country is at a crucial moment in its economic journey. Emerging from a severe economic crisis, the nation must undertake significant structural reforms to ensure sustainable economic growth. It is absolutely necessary to implement changes and reforming state-owned enterprises (SOEs), maintaining commitments to international financial agreements, and ensuring debt sustainability.

## IMF Staff Concludes Visit to Sri Lanka

The economic reforms implemented by the Sri Lankan authorities have continued to support the recovery with three consecutive quarters of real GDP growth, low inflation, increased revenue collection, and a build-up of external reserves.

Decisive progress on the reform agenda is necessary to ensure a broad-based and stable economic recovery benefitting all of Sri Lanka's people.

## Sri Lanka rupee closes stronger at 301.90/302.05 to US dollar

Sri Lanka's rupee closed at 301.90/302.05 to the US dollar on Friday, from 302.20/30 to the US dollar on Thursday, dealers said, while bond yields were down.

## Sri Lanka seeks details after getting OCC, IMF views on ISB restructure plan

Sri Lanka has sought further details after getting an initial assessment by the International Monetary Fund and the Official Creditor Committee on a restructure plan struck with sovereign bond holders, the Finance Ministry said.

The IMF has to give a verdict on whether the debt plan is in line with a debt sustainability analysis and official creditors have to say whether it fits the comparability of treatment.

## Sri Lankan macroeconomic indicators doing well- Country Director, ADB

The Asian Development Bank believed generally that the Sri Lankan macroeconomic indicators were doing very well, Takafumi Kadono, Country Director, ADB, told the media in Colombo yesterday.

“Inflation has been raked in, good figures show in primary and current balance, the currency has stabilized, reserves have built up, so we do see a positive development since the economic crisis where the GDP is also heading upwards.”

## Taxes must be maintained for economic growth – CCC Chief

He was speaking at the Third Economic and Tax Symposium organised by CA Sri Lanka yesterday.

“We all know that there's a public service that is much larger than what is needed. There is also the interest we are paying on our past debts. But all of those are stationary in terms of our ability to it cut down. So, we will have to keep the tax rates at the present levels for some time for us to make sure that the economy grows.

## IMF urges revenue measures and spending cuts for 2025 budget



- States need is to reach medium-term primary balance objective of 2.3% of GDP
- Recommends establishing properly functioning VAT refund system for exporters by April 2025
- Observes protecting poor through improved targeting, better cash transfer coverage critical

The International Monetary Fund (IMF), during its recent mission to Sri Lanka, said the 2025 budget needs to be underpinned by appropriate revenue measures and continued spending restraint.

 **Harvard Business Review** Column

How to Ask for Help Without Making Yourself Look Bad



In a work world that values ownership and personal initiative, many assume that asking for direction or seeking clarification will make them look incapable, or worse, will prove to others — and themselves — that they have no idea what they’re doing. Asking for help without appearing weak requires a delicate balance of conveying vulnerability *and* strength. In this article, the author offers advice for how to ask for help from a position of strength — and how to get what you need without making yourself look bad.

by Melody Wilding

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**The Economist** Column

Packing for your summer holiday? Take these books published in 2024



**Biography and memoir**

- **Ian Fleming: The Complete Man.** By Nicholas Shakespeare. *Harper*; 864 pages; \$35. *Harvill Secker*; £30

**Culture and arts**

- **All that Glitters: A Story of Friendship, Fraud and Fine Art.** By Orlando Whitfield. *Pantheon*; 336 pages; \$29. *Profile Books*; £20

**History**

- **Why War?** By Richard Overy. *W.W. Norton*; 304 pages; \$27.99. *Pelican*; £22

**Fiction**

- **The Heart in Winter.** By Kevin Barry. *Doubleday*; 256 pages; \$28. *Canongate*; £16.99

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