



# THE SUNDAY ECONOMY

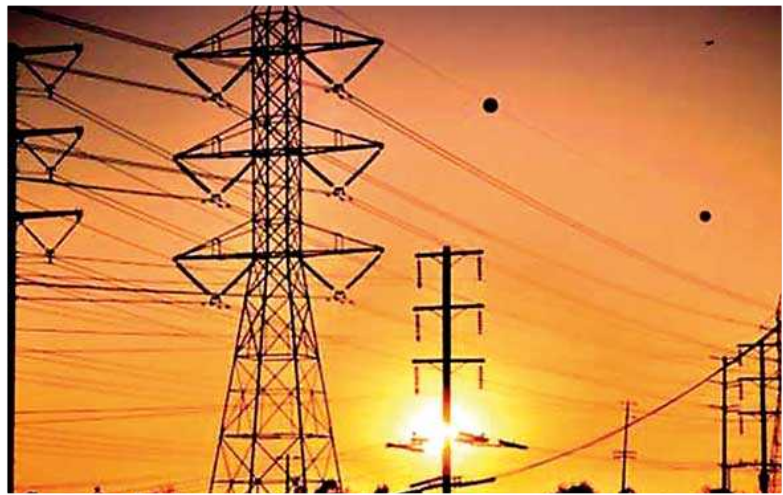
## Sri Lanka to focus on naval strength

Sri Lanka will reduce its army personnel by over 50% by 2030 and enhance its navy to protect the country's Exclusive Economic Zone (EEZ) in the Indian Ocean, said State Defence Minister Pramitha Bandara Tennakoon.

Currently, the military and police make up nearly 30% of the state sector, which includes around 1.5 million employees. The army's approved cadre of 208,000 will be reduced to 100,000 through natural attrition.

The strategic plan "Defence Review 2030" involves an expert panel reviewing the tri-forces. The navy's capabilities will be bolstered to safeguard the EEZ, emphasizing technological advancements rather than increasing personnel numbers.

This move is part of Sri Lanka's broader efforts to streamline its state sector.



## CEB scores 88 Billion in Q1

For the first quarter ending March 31, 2024 (1Q24), the state-run Ceylon Electricity Board (CEB) reported a significant profit of Rs. 88.3 billion, a remarkable turnaround from the Rs. 35.3 billion loss recorded in the same period in 2023. This represents a 349.8% improvement.

CEB's revenue for 1Q24 was Rs. 179 billion, leading to a gross profit of Rs. 69 billion, reversing the Rs. 17 billion gross loss from 1Q23. This turnaround was facilitated by not offering concessions to domestic customers and reducing the cost of sales by 28%.

Operationally, CEB saw a 608% improvement, recording a Rs. 97 billion operating profit compared to the Rs. 19.2

Want this Space - Contact Us

[lankaneconomist@gmail.com](mailto:lankaneconomist@gmail.com)



## Weekly CSE Summary

The Colombo stock market experienced the highest single-day net foreign buying of the year this week due to strategic deals on Ambeon Capital, despite mixed local investor sentiment.

The S&P SL20 index dropped by 0.94% and the ASPI by 0.55%, with a turnover of Rs. 3.2 billion involving 152.2 million shares. Foreign investors recorded a net inflow of Rs. 772.1 million,

Despite a positive start, the market closed in the red for the third consecutive session, influenced by declines in banking stocks like HNB, NDB, and SAMP.

Significant off-board transactions and interest from high-net-worth individuals and institutional investors in sectors like Consumer Durables, Banking, and Capital Goods drove the market activity.

### ASPI

**12,319.70 + 60.43**  
**0.49%**

### S&P SL 20

**3,637.56 + 3.76**  
**0.10%**

billion operating loss in 1Q23. This was due to significant reductions in distribution costs (down 56% year-on-year), other expenses (down 32.7% year-on-year), and administrative expenses (down 14% year-on-year).

During 1Q24, CEB secured Rs. 4.8 billion from interest-bearing loans and borrowings, while repayments totaled Rs. 7.8 billion.

In March, the Public Utilities Commission of Sri Lanka (PUCSL) approved a 21.9% overall tariff reduction, following substantial tariff increases in August 2022 (75%), February 2023 (66%), and October 2023 (18%). These hikes were implemented to meet revenue targets aligned with IMF conditions.

## This Week In History

**May 18th 2012;** Facebook IPO raised \$16 billion

**May 18th 1642;** Montreal was founded by Paul de Chomedey, sieur (lord) de Maisonneuve

**May 19th 1884;** Ringling Bros. Circus formed by the early 20th century had transformed it into the Ringling Bros. and Barnum & Bailey Circus, the leading American circus

**May 20th 1806 :** Economist and philosopher John Stuart Mill was born in London.

**May 21th 1991:** Indian politician Rajiv Gandhi, who served as the country's prime minister (1984–89), was assassinated in a suicide bombing attack.

**May 23th 1951:** Tibet annexed by China, giving rise to a Tibetan independence movement—led by the Dalai Lama, winner of the 1989 Nobel Peace Prize—that continued into the early 21st century.

## WNPS challenge cabinet decision on Adani wind power project

The Wildlife and Nature Protection Society (WNPS) has filed a fundamental rights application in Sri Lanka's Supreme Court to challenge the cabinet's decision to award a wind power project on Mannar island to Adani Green Energy Ltd.

WNPS argues that the project threatens the island's unique biodiversity, including protected areas and vital ecosystems. The project involves significant investment but has faced criticism for potentially causing irreversible environmental damage and for bypassing proper regulatory and procurement processes.

The Environmental Impact Assessment (EIA) highlighted risks, particularly bird collisions, which were underestimated. WNPS insists on the need for renewable energy but calls for projects that safeguard environmental integrity and adhere to legal standards.

## Sri Lanka is starting to bear fruit -IMF

The next steps in Sri Lanka's debt restructuring process involve finalizing negotiations with external private creditors and implementing agreements in principle with official creditors, according to IMF Communications Department Director Julie Kozack. While initial negotiations with external bondholders concluded in mid-April without an agreement, discussions are ongoing to reach an agreement in principle. Agreements in principle with official creditors also require finalization.

Kozack highlighted the strong overall performance of Sri Lanka's economic program, noting significant achievements such as a rapid decline in inflation, robust reserve accumulation, initial signs of economic growth, and financial stability. The IMF staff and Sri Lankan authorities have reached a staff-level agreement on economic policies to conclude the second review of the 4-year EFF-supported program and the 2024 Article IV Consultation.

Once this review is approved by IMF Management and the Executive Board, Sri Lanka will gain access to approximately \$337 million in financing. The domestic debt operations have largely been completed.

## World Column

### NYSE weekly summary

During options expiration week, the market setup has shifted significantly. In April, the S&P 500 had its worst week in over a year, falling 3%, due to high inflation data, rising yields, and geopolitical tensions, pushing volatility up.

Since then, the S&P 500 has rallied for four consecutive weeks, hitting new all-time highs. Inflation data has moderated, the Fed eased fears of further tightening, and oil prices fell as Middle East conflict concerns waned. Volatility has decreased, with the VIX below 12 and the MOVE index back to ~90.

Earnings season has been solid, with a 5.7% growth in Q1 EPS. AI optimism has returned, boosting tech and other sectors.

**The S&P 500 is up ~5% in May, its best since 2009.**

### Indicies

DOW 40,004 (+134),  
S&P 500 5,303 (+6),  
Russell 2000 2,096 (-1),  
NYSE FANG+ 10,387 (-6),  
ICE Brent Crude \$83.96/barrel (+\$0.69),  
Gold \$2,420/oz (+\$34),  
Bitcoin ~66.9k (+1429)

### **Follow Us for daily Updates**

@lankaneconomist

**Instagram-** <https://instagram.com/lankaneconomist?igshid=NGVhN2U2NjQ0Yg==>

**Youtube-** <https://youtube.com/@LankanEconomist?si=mKDPAjzflV9cjEI>

**LinkedIn-** <https://www.linkedin.com/company/lankaneconomist/>

**X(Twitter) -** <https://x.com/LKeconomist?s=20>

## We are Now Live

## Visit

[www.lankaneconomist .com](http://www.lankaneconomist.com)

Editor

Anupa De Silva -

[lankaneconomist@gmail.com](mailto:lankaneconomist@gmail.com)