



# THE SUNDAY ECONOMY

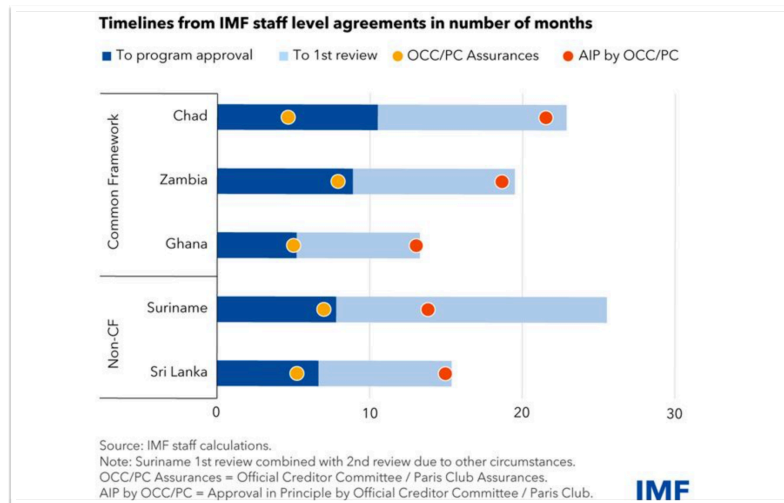
## 1 Million Tourists So Far

Sri Lanka's tourism sector is facing challenges, with visitor numbers in the first five months of 2024 consistently falling short of both 2018 benchmarks and current forecasts.

In January 2024, the country welcomed 208,253 tourists, significantly lower than the 238,924 arrivals in January 2018 and missing the 2024 forecast by 33,709. This declining trend persisted through subsequent months. February saw 218,350 visitors, 17,268 fewer than in 2018 and 20,264 below expectations.

In March, arrivals were 209,181, missing the 2018 figure by 24,201 and the forecast by 27,169. April's numbers were 148,867, trailing the 2018 total by 31,562 and falling short of projections by 33,857.

Analysts project that June may see just over 110,000 arrivals, potentially bringing the year-to-date total to over 1,006,000 by June 30th.



## Looking Ahead after the Debt Restructuring

The global economy has managed to avoid a systemic debt crisis despite recent turbulence, yet high debt servicing costs continue to challenge low and middle-income countries. As these nations face potential tests, timely debt restructuring becomes essential to mitigate damage. Quick restructuring reduces distress, alleviating economic hardship and minimizing creditor losses.

To this end, the IMF has been instrumental in expediting the debt restructuring process, which facilitates creditor cooperation. This initiative has already shown success, significantly reducing the time from IMF staff-level agreements to receiving the necessary financing assurances. For example, Ghana achieved these milestones in five months, half the time it took for Chad and Zambia in previous years.

Stakeholders, including non-traditional creditors like China and India, are now more experienced and coordinated, fostering trust and overcoming previous hurdles. Beyond the Common Framework, the IMF, alongside the World

## Weekly CSE Summary

The market remained in negative territory on Friday, with the ASPI dropping to 12,110, influenced by declines in key stocks such as SAMP (-0.8%) and BIL (-1.7%).

Positive performers included HAYL (+0.7%) and NDB (+0.8%). Major drags came from CINS (-16 points) and COMB (-6 points).

Turnover reached Rs. 913 million in SAMP, supported by other crossings in COCO and JKH. Foreign investors had a net outflow of Rs. 19.9 million.

Mixed market sentiment persisted due to uncertainties surrounding ISB restructuring and the presidential election, leading investors to adopt a cautious approach.

### ASPI

**12,144.54**

### S&P SL 20

**3588.54**

Bank and G20, launched the **Global Sovereign Debt Roundtable (GSDR)**, which has made strides in improving restructuring processes and transparency among creditors.

## Sri Lanka's Landmark Debt Restructuring

In a significant milestone for economic revitalization, Sri Lanka finalized comprehensive debt restructuring agreements on June 26, 2024. These agreements, valued at a combined **USD 10 billion**, involve key bilateral creditors under the Official Creditor Committee (OCC), co-chaired by Japan, India, and France, along with the China Exim Bank.

Faced with severe foreign exchange constraints and mounting external debt, Sri Lanka urgently required restructuring to secure essential IMF support. Guided by the IMF's Debt Sustainability Analysis (DSA), the restructuring involved extending debt maturities, initiating capital grace periods, and significantly reducing interest rates, collectively providing up to **92% relief** on debt service payments during the IMF program. This crucial relief allows Sri Lanka to prioritize public spending and stimulate economic growth. The agreements also open doors for renewed bilateral financing and foreign investment, particularly in infrastructure projects, boosting job creation and economic resilience. As Sri Lanka moves forward, the successful restructuring sets the stage for potential improvements in credit ratings, which could lower financing costs and enhance access to international capital markets. Sri Lanka is the fastest to reach Approval in Principle by Official Creditor Committee / Paris Club among the countries out of common framework( Figure 1)

## Looking Ahead

While progress in debt restructuring is evident, vulnerabilities remain, with approximately 15% of emerging markets experiencing distressed spreads. The GSDR continues to address challenges in parallel creditor processes and liquidity management, while the IMF plans to publish a sovereign debt handbook to streamline restructuring further. Sri Lanka's efforts reflect a broader commitment to tackling complex financial challenges, positioning the nation for sustainable recovery. As negotiations with commercial bondholders advance, Sri Lanka aims to consolidate its financial stability and stimulate long-term economic growth.

**June 30th**

- **1934:** The "Night of the Long Knives" took place in Nazi Germany, where Adolf Hitler purged the SA leadership and other political opponents.

**July 1st**

- **1863:** The Battle of Gettysburg began during the American Civil War,
- **1963:** The United States introduced ZIP codes, improving mail delivery efficiency.

**July 2nd**

- **1964:** The Civil Rights Act was signed into law by President Lyndon B. Johnson, prohibiting discrimination based on race, color, religion, sex, or national origin..

**July 3rd**

- **1863:** The Battle of Gettysburg ended with a decisive Union victory.

**July 4th**

- **1776:** The United States Declaration of Independence was adopted, marking the country's birth.

**July 5th**

- **1687:** Isaac Newton published his work *Philosophiæ Naturalis Principia Mathematica*, for classical mechanics.

**July 6th**

- **1885:** Louis Pasteur administered the first rabies vaccine to a human patient.

## SDG's On off track - UN Secretary-General Antonio Guterres

The UN Secretary-General Antonio Guterres cautioned on Friday that the organization's core development objectives, which include measures to tackle climate change, have been impeded by war and budget shortages. The Sustainable Development Goals, a set of 17 objectives to entirely eradicate extreme poverty and hunger by 2030, were endorsed by UN member states in 2015. On Friday, however, Guterres declared, "the world is getting a failing grade."

"Our inability to ensure peace, address climate change, and increase global funding is impeding development," he stated during a press conference in New York, presenting the most recent evaluation of the targets' progress. Just 17% of the aims for the Sustainable Development Goals are on track, therefore we need to move quickly to meet these objectives.

### The Rabies Vaccine

Dr. Jacques Joseph Grancher, a tuberculosis specialist, met Louis Pasteur in 1884 and became his medical advisor, aiding in rabies vaccine research. In July 1885, Joseph

Meister, a nine-year-old bitten by a rabid dog, was brought to Pasteur. Despite concerns from colleagues, Grancher convinced Pasteur to administer the untested vaccine. Over ten days, Grancher gave Meister 12 doses, saving his life and marking the first successful human rabies vaccination.

This breakthrough led to a surge in rabies patients seeking treatment and prompted the creation of a dedicated vaccination center and the founding of the Institut Pasteur, with Grancher playing a pivotal role.



## World Column

### NYSE weekly summary

Last Friday and today marked major liquidity events, including the annual Russell Reconstitution and the end of Q2. The NYSE saw ~2.67 billion shares and ~\$125 billion traded in one of the top 10 largest auctions in history.

US indices rallied post-debate and after inline inflation data, with the S&P 500 hitting a new intraday high before closing modestly lower. For the week, indices ended mixed amid consolidation.

The S&P 500 rose 3.7% in June, marking its seventh gain in eight months, with a YTD increase of nearly 15%. Concerns about economic slowdown impacted market breadth and sector performance.

### Indicies

DOW 39,119 (-9),  
S&P 500 5,460 (-17),  
Russell 2000 2,038 (+20),  
NYSE FANG+ 11,309 (-19),  
ICE Brent Crude \$86.40/barrel (+\$1.15),  
Gold \$2,337/oz (+\$24),  
Bitcoin ~60.2k (-814)

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