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BREXIT: Multiple economic impact on SL

Britain's move to leave the EU would have multiple economic impacts on Sri Lanka, a prominent Sri Lankan economic research body said.

A document published by the Institute of Policy Studies of Sri Lanka (IPS), Sri Lanka's socio-economic policy think tank, on Friday, described how the decision to leave the European Union would affect Sri Lanka. It was authored by IPS Researchers Suwendrani Jayaratne, Kithmina Hewage and Chantal Sirisena.

"Brexit is likely to slow down the economic activities of both the UK and other members of the Union. This will impact Sri Lanka's exports, given the country's dependence on both the UK and EU. EU is currently the largest export destination of the country with 28.8 per cent of Sri Lanka's total exports going to the EU (US\$ 3 bn).

UK accounts to 10 per cent of total exports from Sri Lanka (US\$ 1 bn) and 34 per cent of the country's total exports to the EU. In terms of imports, UK accounts for just 1.9 per cent of Sri Lanka's total imports and as such Sri Lanka enjoys a trade surplus with UK. Garments (HS 61 & HS 62) are the main export products from Sri Lanka to the UK, accounting for about 80 percent of Sri Lanka's total exports to the UK," the document said.

It further added, "If Sri Lanka is successful in regaining EU GSP Plus, the country will only be able to use the concessions till UK withdraws from the EU. Subsequent to that, if Sri Lanka wants preferential access to the UK market it will have to negotiate a bilateral agreement with the UK which is likely to take years given all the negotiations that are likely to place in the aftermath of the exit.

Sri Lanka will also be affected through the volatility in the capital markets. Given that the country is looking at raising capital in the international market, falling investor confidence may hinder its ability to raise funds. Investors have fled to the safety of gold and dollar investments, raising the price of gold to the highest in two years.

Much of the current political and market volatility can be expected to settle over the coming weeks as Britain and Europe provide a clear direction of proceeding with Brexit. The multidimensional nature of the EU and the significance of the British market are likely to influence the global political economy. Therefore, Sri Lanka needs to closely watch the post-Brexit developments both in the UK and EU and according adjust policies to maximize gains to the country."

Dr. Batagoda also said that the Chunnakam Wind Power Project for which International tenders were called and halted three times before the project was abandoned would be resumed on a directive by President Maithripala Sirisena. "The President instructed that we proceed with tenders which were called. On Monday (27) we will announce a new date on which the bids would be opened. This would ordinarily be within 21 days of our notice," he said.



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