



# NEWSLETTER



## Mr. Tan Beng Chuan

Vice President - SLSBC

**On behalf of the SLSBC Executive Committee, I wish you all a Happy New Year.**

As an office bearer within SLSBC who initially joined as an ordinary member before becoming an active committee member, we have witnessed firsthand the progress of change in Sri Lanka and many challenges faced since the mid 1970's. Businesses continue to evolve over the years to accommodate market demands and challenges, both domestically and internationally. Each time, the country and its businesses have been able to overcome every challenge. In some cases, these evolutions have been seismic changes that have transformed industries as a whole or have direct national economic development impacts. The SLSBC and its group of company members are a living testimony of how businesses have evolved in Sri Lanka and are successful through partnership cooperation,

determination, and hard work. With the current pandemic entering its third year, its impact on economies around the world continues to be felt through every industry and its value-chain. For Sri Lanka, and as with all developing nations, the adverse impact is much greater and widespread. It presents one of the direst challenges to the economy and businesses in recent history. It is necessary for businesses to be nimble and capitalize on any proper opportunity presented. SLSBC's foresight in establishing links with Singapore's Green and Digital Initiatives is one such opportunity. It presents an avenue for overseas market entry and/or expansion for Sri Lankan companies seeking change. SLSBC and its group of company members' historical performances and capability provide essential assurances to potential overseas market partners and customers. This is one example of a benefit resulting from numerous initiatives championed by SLSBC throughout the years. SLSBC company members come in all enterprise sizes, and each has experienced varying degrees of benefits. It is our belief that Sri Lanka will overcome the challenges the current pandemic has presented and endeavor to take this an opportunity to leap-frog its economy to the next phase

# Market Updates

3  
KEY INSIGHTS

CBSL Hikes Policy  
Rates in January 2022

Export Earnings  
record monthly high  
earnings value in  
November 2021

Global growth is  
expected to  
decelerate to 4.1% in  
2022 according to  
World Bank

## • Sri Lanka Economy

**First Policy Rate Hike by the CBSL for 2022:** The Central Bank of Sri Lanka increased policy rates by 50 basis points in January 2022 in order to strengthen macroeconomic stability.

**CBSL Revises Growth Target to 4% in 2021:** As economic activity returning to normalcy along with the successful vaccination drive of the government, the CBSL is expecting a 4% growth of the economy in 2021.

**Exports Continues Momentum in November 2021:** Export earnings recorded the highest monthly value in the history while marking the sixth consecutive month of above USD 1 Bn of exports in November 2021. Imports also increased at a higher rate and reflecting the favorable impact of increased exports, trade deficit narrowed by 8% in November 2021.

**Tourist Arrivals Promising in 2022, despite Omicron fears:** Developments in the tourism industry appears to be promising with the influx of tourists in recent months. Around 59,000 visitors arrived in Sri Lanka during the first three weeks of 2022, mostly from Russia and India, and the tourism authority expects to see around 1 million tourists during the year.

**Credit to Private Sector Continue to Expand:** Credit extended to the private sector, which slowed down during September and October 2021, has picked up in November (13.1%), partly reflecting the increased credit flows to finance imports.

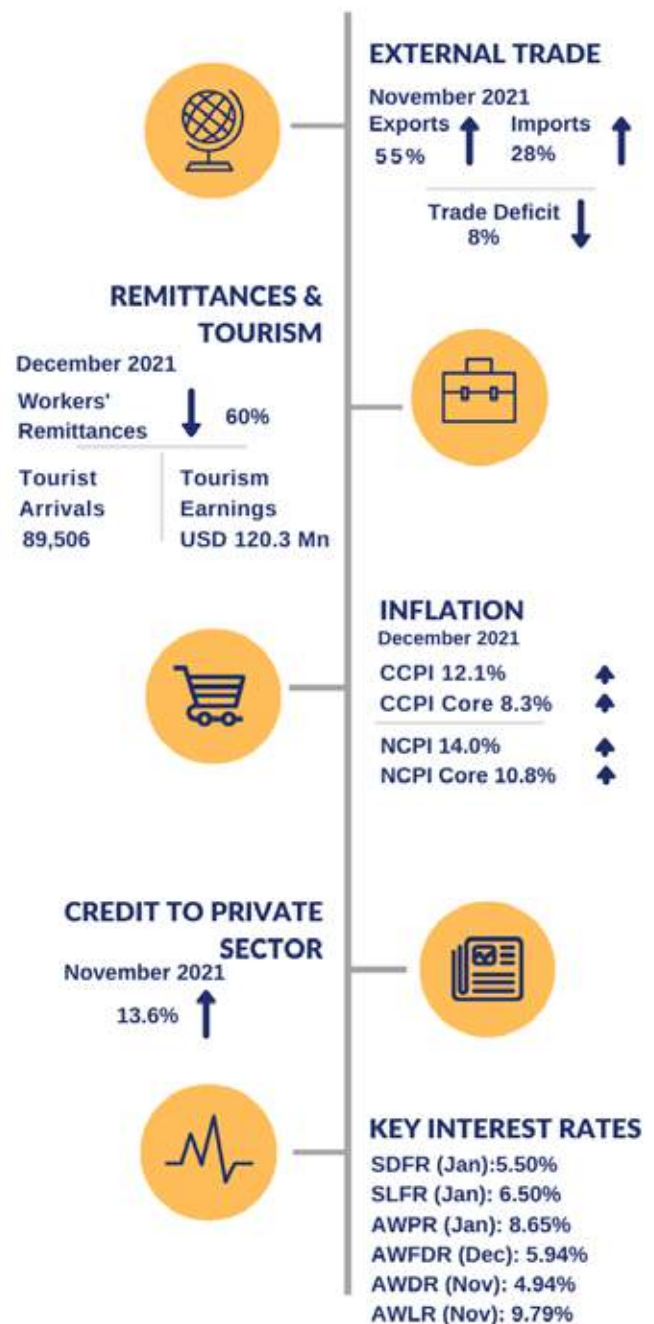
**Reserves end 2021 at USD 3.1 billion:** Reserves increased to USD 3.1 billion reportedly with the conversion of USD 1.5 billion swap arrangement with the Peoples Bank of China. The CBSL is expecting to improve the reserves position with the expected support from India and other bilateral partners.

## • Global Economy

**The Global Recovery is set to Decelerate in 2022-WB:** Global growth is expected to decelerate to 4.1% in 2022, after rebounding to an estimate 5.5% in 2021, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks.

**Global Oil Climbs to 7-Year High in mid-January:** Global oil prices climbed on their highest level since 2014, as investors worried about global political tensions involving key producers that could exacerbate the already tight supply outlook.

## MACROECONOMIC SNAPSHOT Y-O-Y CHANGES



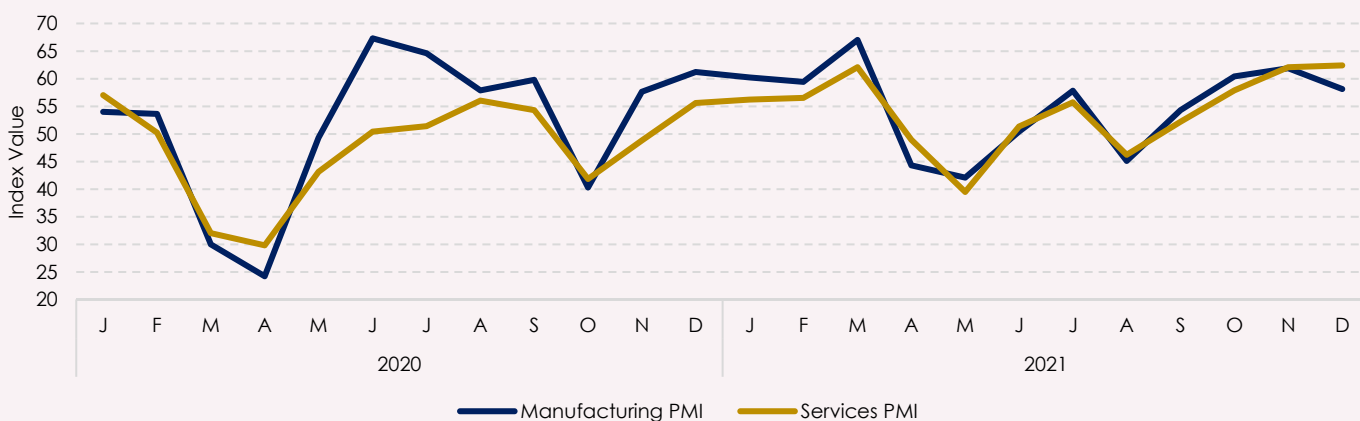
Data Sources: Central Bank, Sri Lanka  
Department of Census and Statistics, Sri Lanka  
Tourism Development Authority, Sri Lanka

## • PMI Marked an Expansion at the End of 2021

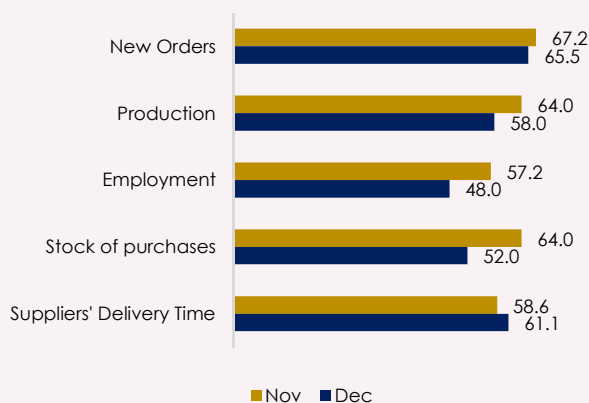
Both the Manufacturing and Services PMI recorded an expansion during December 2021. Manufacturing PMI registered an index value of 58.1, indicating that manufacturing activities sustained the expansion on a month-on-month (m-o-m) basis in December 2021. This expansion was largely driven by the expansion of New Orders and Production sub-indices. All the sub-indices except Employment, recorded an expansion during the last month of 2021. The increase in seasonal demand for food and beverage manufacturing sector resulted in the expansion of New Orders and Productions. New Orders and Production in manufacture of textile and wearing apparel sector also showed an improvement, yet at a slower pace, the CBSL stated.

Services PMI edge to an index value of 62.4 in December, marking a strong end to 2021. This expansion was underpinned by the increase recorded in New Businesses, Business Activities, Employment and Expectations for Activity sub-indices. New Businesses rose further in December in comparison to the previous month with the improvements observed across most of the sub-sectors. Business Activities in the Services sector indicated a stronger growth in December in line with the continued improvements in demand amid the normalization of economic activities and the festive season.

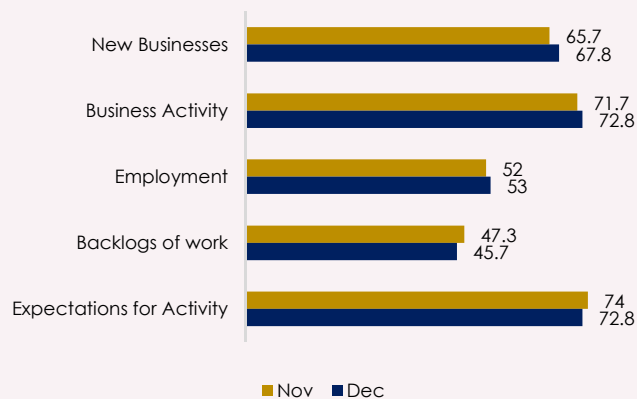
### Movements of Purchasing Managers' Index



### Sub-Indices of manufacturing PMI



### Sub-Indices of Services PMI



## • Workers' Remittances hit 10-Year Low in 2021

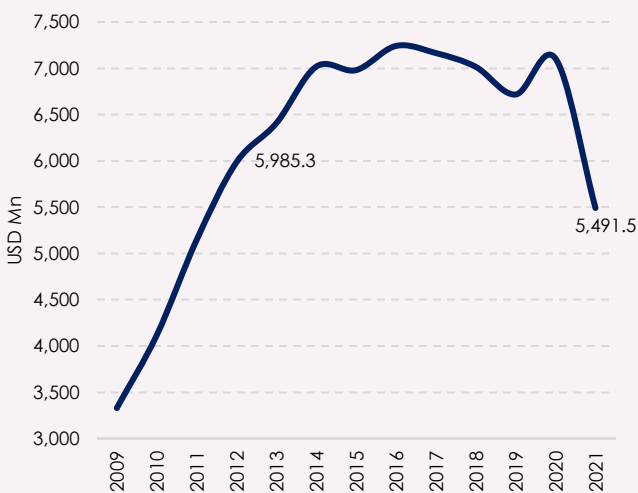
Workers' remittances; the largest net foreign exchange earner of the country, hit 10-year low in 2021 by recording USD 5.4 Bn inflows during the year. The previous lowest was in 2012 recorded at USD 5.9 Bn.

The growth of remittances inflows remained relatively high during the first five months of 2021, but since June it showed a moderation, reflecting possible increase of the use of informal channels for remitting money amidst the pressure in domestic foreign exchange market.

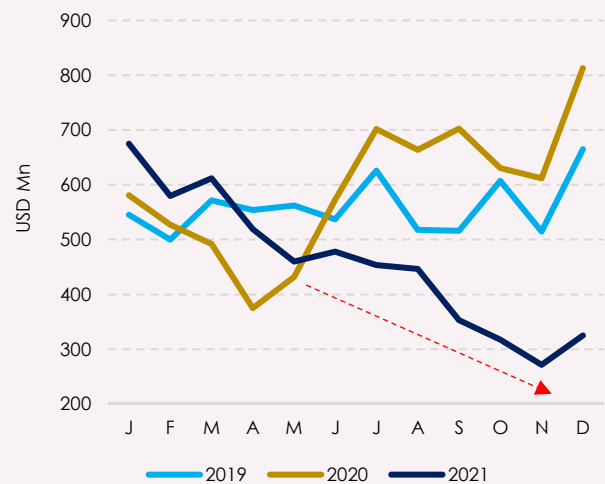
Annual inflows of 2021 is down 23% from the inflows recorded in 2020. Inflows registered in December 2021 was at USD 325 Mn. This is about 2.5 times lower than the inflows in the same month of 2020, which was USD 813 Mn. However, inflows in December was slightly higher (20%) in comparison to November 2021, mainly due to the measures taken by the Central Bank of Sri Lanka to encourage remittances via official channels with incentives and other benefits. Considering the month of December of previous years too, a slight increase in remittances inflows can be seen, which may have been attributed to the festive season.

As per the World Bank statistics, the importance of workers' remittances on the country's GDP has gradually picked up and accordingly, in 2020, workers' remittances as a % of GDP was recorded at 8.85% which was 0.2% in 1975 and 4.98% in 1990.

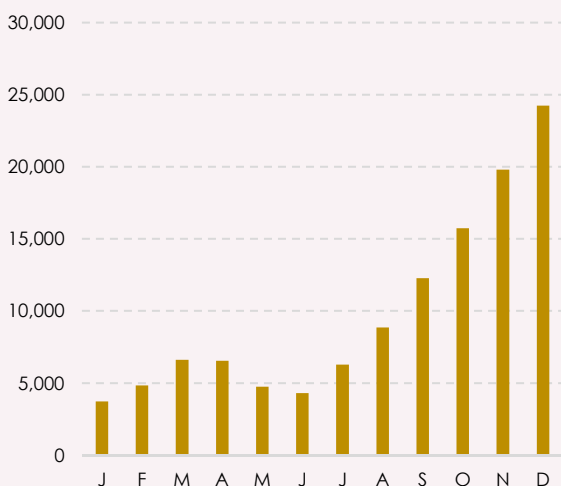
### Inflows of Workers' Remittances



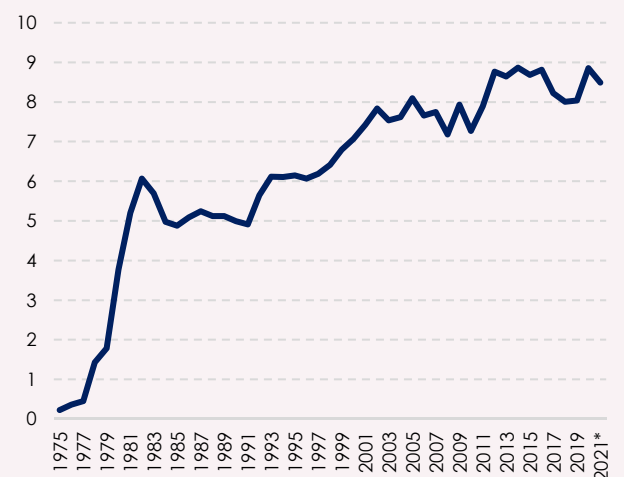
### Monthly Inflows of Remittances



### Migrant Departures during 2021



### Workers' Remittances as a % of GDP



\*2021: for first nine months

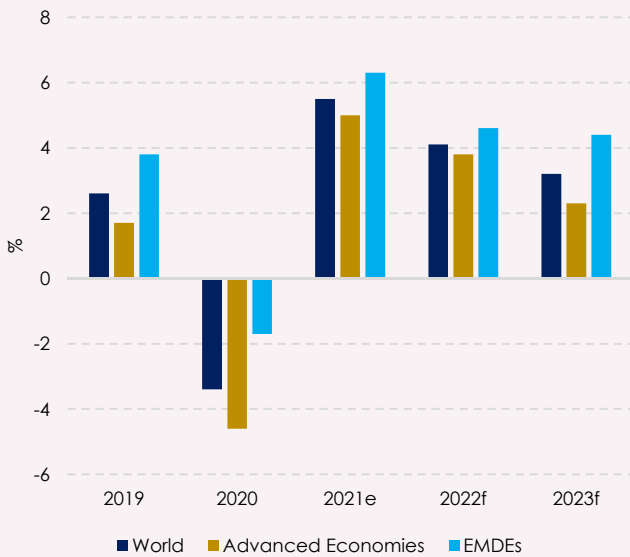
• **The Global Recovery is set to Decelerate in 2022: World Bank**

Global growth is expected to decelerate to 4.1% in 2022, after rebounding to an estimate of 5.5% in 2021, the World Bank stated in its latest update of the World Economic Prospects, published recently. The deceleration will reflect the continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks. The near-term outlook for global growth is somewhat weaker, and for global inflation notably higher, than previously envisioned by the World Bank, owing to pandemic resurgence, higher food and energy prices, and more pernicious supply disruptions, the report says.

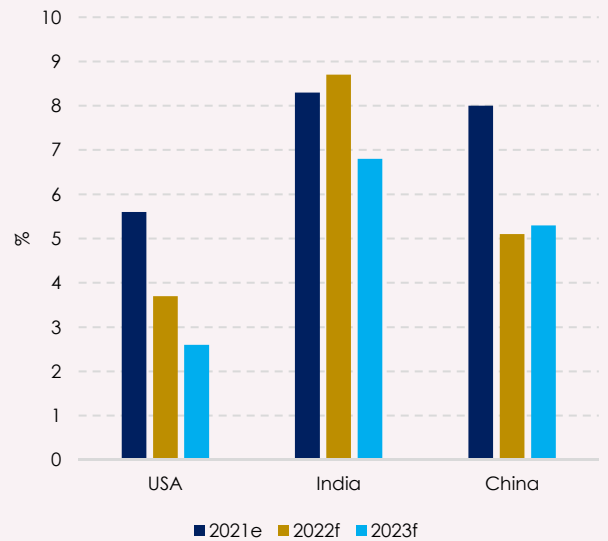
Global growth is projected to soften further to 3.2% in 2023, as pent-up demand wanes and supportive macroeconomic policies continue to be unwound. Although, output and investment in Advanced Economies are projected to return to pre-pandemic trends next year, in Emerging Market and Developing Economies (EMDEs) -particularly in small stated and fragile conflict-afflicted countries- they will remain markedly below, owing to lower vaccination rates, tighter fiscal and monetary policies, and more persistent scarring from pandemic.

The report identified various downside risks that cloud the outlook, including simultaneous Omicron-driven economic disruptions, further supply bottlenecks, a de-anchoring of inflation expectations, financial stress, climate-related disasters, and a weakening of long-term growth drivers. As per the World Bank, EMDEs have limited policy space to provide additional support if needed, these downside risks heighten the possibility of a hard landing. This underscore the importance of strengthening global cooperation to foster rapid and equitable vaccine distribution, calibrate health and economic policies, enhance debt sustainability in the poorest countries, and tackle the mounting the costs of climate change. Over the long term, EMDEs will need to buttress growth by pursuing decisive policy actions, including reforms that mitigate vulnerabilities to commodity shocks, reduce income and gender inequality, and enhance preparedness for health and climate related crisis, the report stated.

**Global Growth and Forecasts by World Bank**



**Expected Growth for World Giant Economies**



Source: The World Bank

• **Global Debt Levels Surged due to the Pandemic**

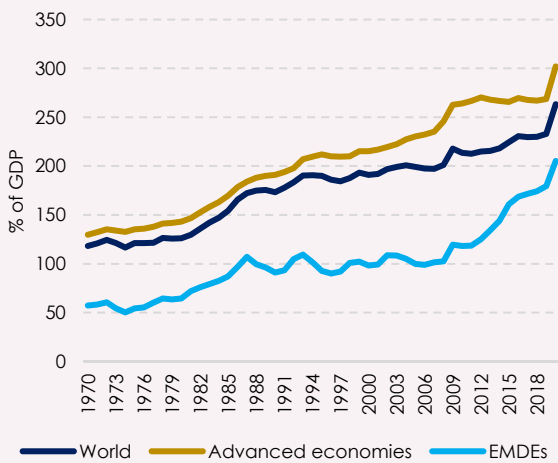
As a result of the COVID-19 pandemic, global debt levels have surged. In 2020, total debt reached 263% of GDP, its highest level in half a century, according to a recent report of the World Bank. The buildup has been broad based, with rapid growth in both government and private debt.

Government debt increased sharply amidst fiscal stimulus and declining revenues. The rise in government debt in EMDEs is of particular concern. In these economies, government debt rose by 9 percentage points to 63% of GDP in 2020, the fastest one-year increase in the past three decades, the report highlighted.

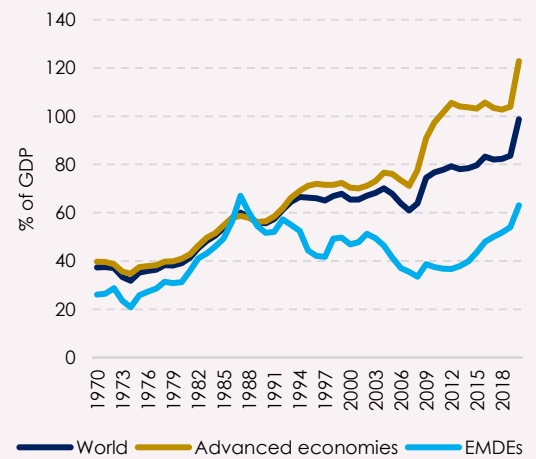
Private debt picked up as corporates borrowed largely, facilitated by government loans and loan guarantee programmes. Government debt in low income countries (LICs) also saw a significant increase, although there was little increase in private sector debt, in part due to less developed financial markets, the report showed.

This recent debt increase has come on the heels of a decade of rising debt in EMDEs amid slowing growth. As a result, debt vulnerabilities have risen; more than one-half of low-income countries are in debt distress or at high risk of debt distress; some countries have already defaulted on their debt; and debt restructuring have been completed in some, or are underway in others, the World Bank stated.

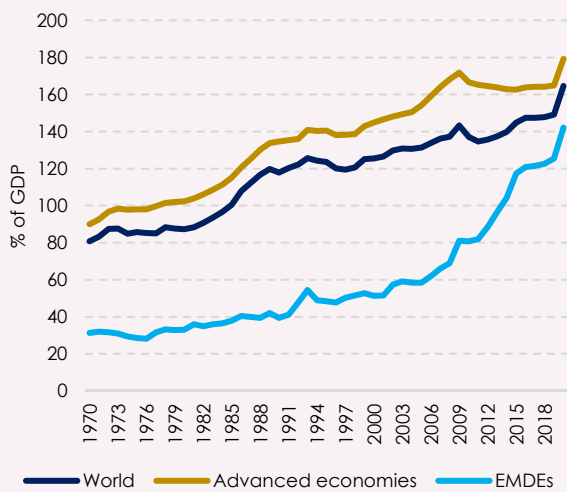
**Rising of Total Debt**



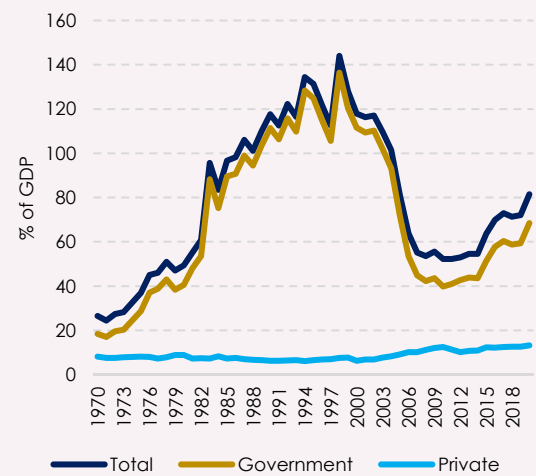
**Rising of Government Debt**



**Rise in Private Debt**



**Rise in Debt of LICs**



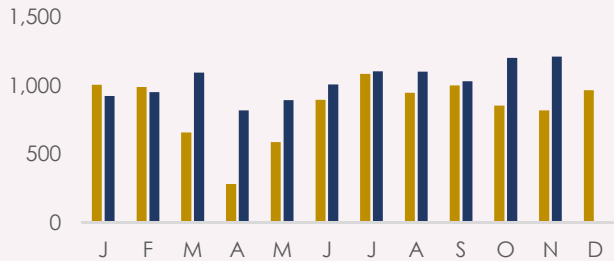
## EXTERNAL SECTOR PERFORMANCE-NOVEMBER 2021

Legend: ■ 2020 ■ 2021 **All the numbers are in USD Mn unless otherwise specified.**

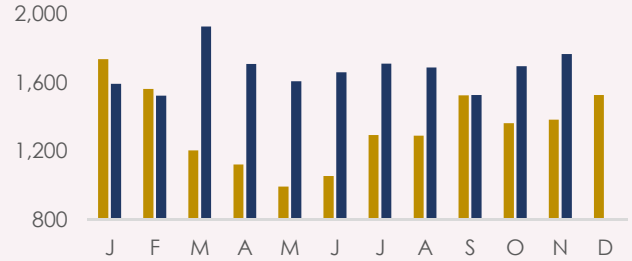
### EXPORTS

### IMPORTS

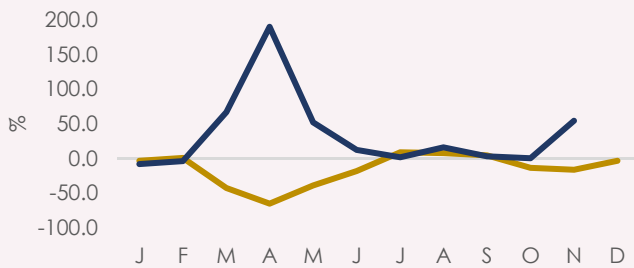
#### EXPORTS INCREASED BY 48% Y-O-Y



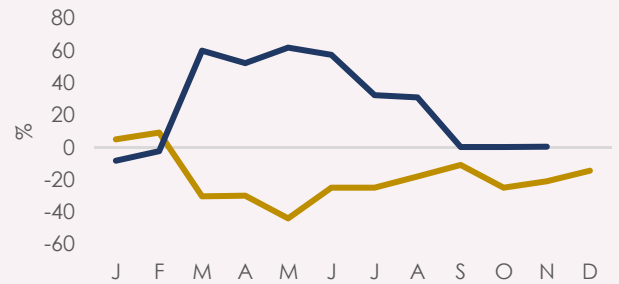
#### IMPORTS INCREASED BY 28% Y-O-Y



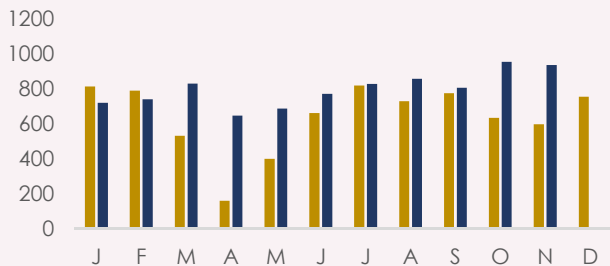
#### YoY % CHANGE IN EXPORTS



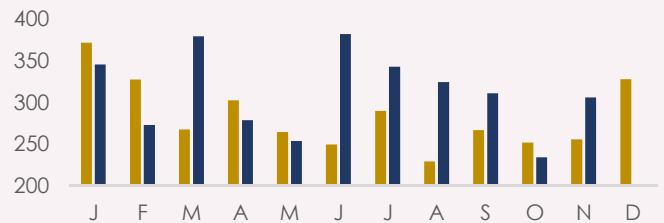
#### Y-o-Y % CHANGE IN IMPORTS



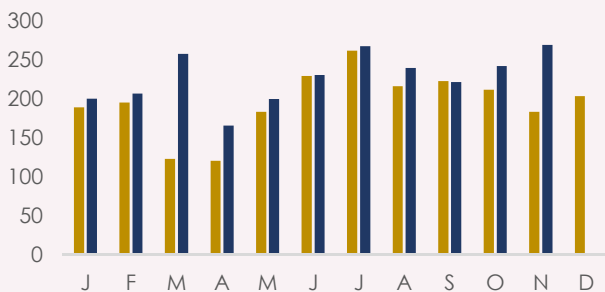
#### INDUSTRIAL EXPORTS PICKED UP BY 57% Y-O-Y



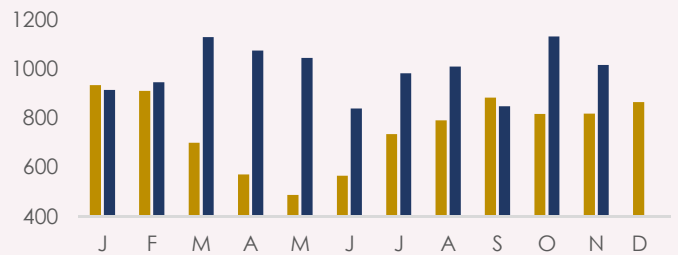
#### CONSUMER GOODS IMPORTS DROPPED BY 20% Y-O-Y



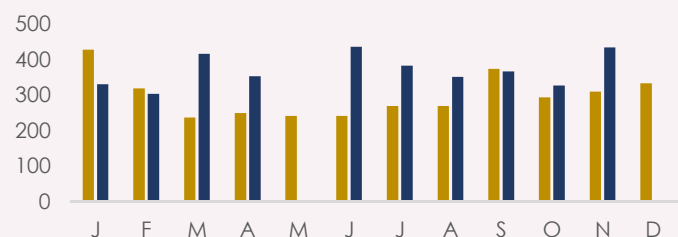
#### AGRICULTURAL EXPORTS PICKED UP BY 47% Y-O-Y



#### INTERMEDIATE GOODS ROSE BY 24% Y-O-Y



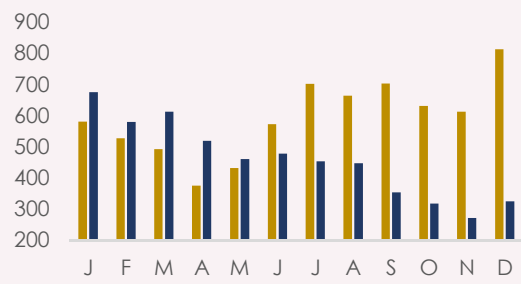
#### INVESTMENT GOODS IMPORTS INCREASED BY 40% Y-O-Y



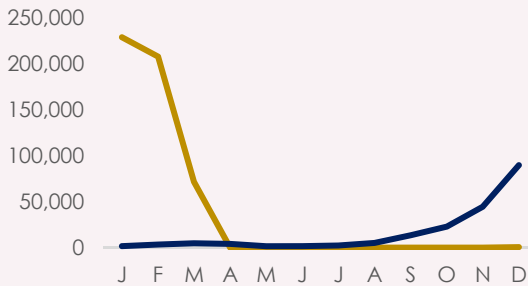
**TRADE BALANCE NARROWED BY 8% Y-o-Y**



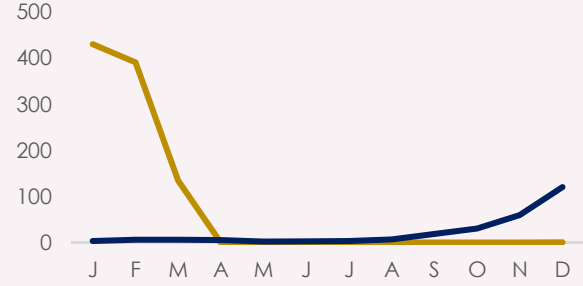
**WORKERS' REMITTANCES SLIPPED BY 60% Y-o-Y**



**194,495 TOURISTS WERE VISITED DURING 2021**



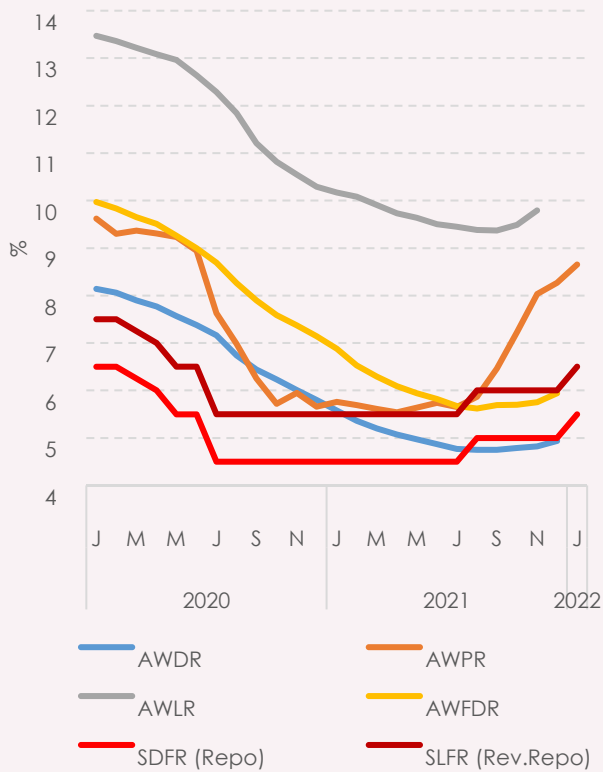
**USD 261 MN EARNED FROM TOURISM DURING 2021**



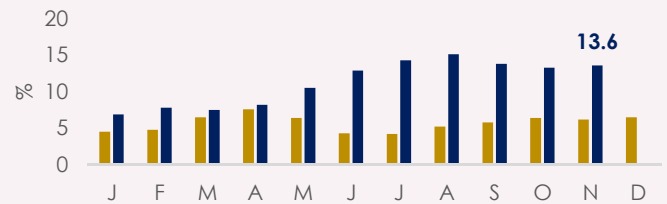
**KEY INTEREST RATE INDICATORS**

**INTEREST RATES**

Policy Rates increased to,  
 Standing Deposit Facility Rate (SDFR): 5.50%  
 Standing Lending Facility Rate (SLFR): 6.50%

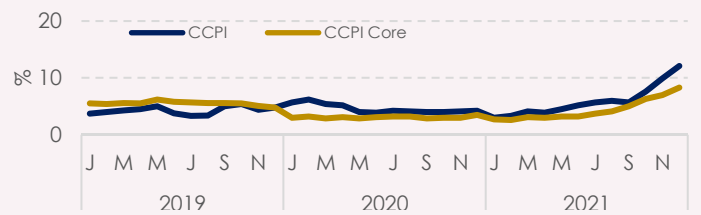


**PRIVATE SECTOR CREDIT GROWTH**



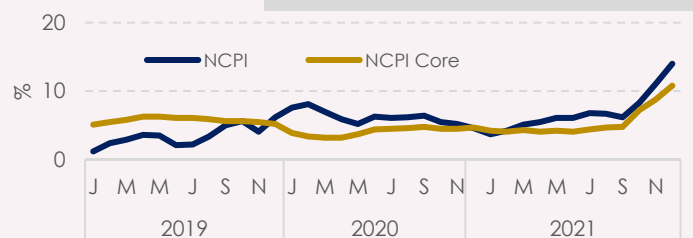
**INFLATION: CCPI (BASE 2013) Y-O-Y**

	Dec '21	Nov '21
CCPI:	12.1	9.9
CCPI Core:	8.3	7.0



**INFLATION: NCPI (BASE 2013) Y-O-Y**

	Dec '21	Nov '21
NCPI:	14.0	11.1
NCPI Core:	10.8	8.8



Source: CBSL

**DISCLAIMER:**

All information collected and analyzed is derived from sources, which we consider reliable and a sincere effort is made to report accurate information. The EIU does not warrant the completeness or accuracy of information derived from secondary sources. Details published herein are intended for information purposes only.



# Sub-Committee Updates



## 01 | Gem & Jewellery Sub-Committee

CHAIR - MR. ARMIL SAMMON

### TARGET:

Enable ease of purchasing and increased supply and manufacturing from Sri Lanka via Singapore

### ACTION:

As a result of the recent webinar on Forging closer ties between Singapore and Sri Lanka for Gem Sourcing Opportunities, an industry video has been created to aid in the effective dissemination of the message.



## 02 | Real Estate Sub-Committee

CHAIR - MR. SHILUKA GOONAWARDENA

### TARGET:

To promote Sri Lanka as a destination for both FDI into the real estate sector as well as promoting real estate in SL as an individual investment opportunity in Singapore.

### ACTION:

Reviewing the recent Real Estates document published by the Urban Development Authority (UDA) in order to share the details with potential Singaporean parties.



## 03 | Healthcare/Pharma Sub-Committee

CHAIR - DR. LAKITH PIEIRS

### TARGET:

Core purpose is to get businesses to Sri Lanka and leverage businesses vice-versa. There are about 6-7 sectors which Singapore Council has identified. This sub-committee could work on Healthcare/Pharma sector which Singapore could bring down their new technologies /expertise/ businesses to the sector and vice-versa.

**ACTION:** The Sub-committee is working on the following areas

- Consider joint ventures on pharma manufacturing using Singapore expertise for contract manufacturing and high-end molecules.

- Strengthen Sri Lanka and Singapore exports/imports related to healthcare
- Promote Singapore universities for SL biomedical engineers, hospital administrators etc. for their higher education, internship, observership
- Explore expertise in Singapore related to e-health and digitization on EHR, remote care, connected care, wearables, command centres. To engage and collaborate.
- Uplift SL healthcare standards similar to that of Singapore healthcare standards by sharing of knowledge, processes, global best practices, new technology to train specialist doctors etc. ex: robotic surgeries and care givers as well as administrators.
- Sri Lanka & Singapore healthcare systems to collaborate on medical tourism. Singapore to handle super specialties and

high-end tertiary while Singapore to refer less complicated cases to SL at a much lesser price point. This way Singapore can increase its capacity immediately and enjoy high margins. All procedures performed in SL to be governed by Singapore. JVs to be signed between Singapore and the private health sector in Sri Lanka.

- Singapore to offer their healthcare services at a lower price point to penetrate new target markets and segments using for Sri Lankan healthcare system, Singapore to capture a larger cross section
- Collaborate with Singapore private hospitals association on legislations
- 2-3 impactful goals to be identified and propose to Singapore high commissioner as the initial way forward



## 04 | Education Sub-Committee

CHAIR - MR. YUKTHI GUNASEKERA

### TARGET:

Increase bilateral trade in Education between Sri Lanka and Singapore across the entire education spectrum: preschool, primary, secondary, tertiary, vocational, educational technology, corporate training, and executive coaching. In addition, the sub-committee seeks to enhance education access, standards, and achievement for Sri Lankans through collaboration, knowledge-sharing (best practices), and joint ventures between Sri Lankan and Singaporean entities.

### ACTION:

#### • Vocational Training

Enterprise Singapore introduced 4 vocational training institutes to the Education Subcommittee and Gateway Group in August/September 2021: Singapore University of Technology and Design (SUTD), The International Hotel & Tourism School (SHATEC), Textile and Fashion Industry Training Centre (TaF.tc), and Auston Institute of Management - School of Engineers. Unfortunately, Gateway was not able to forge ties with these 4 institutes due to their high cost of tuition and the absence of brand recognition among Sri Lankan students.

#### • University Education

Enterprise Singapore has informed us that both NUS and NTU are not interested in establishing ties with Sri Lankan entities. So, pursuing possible pathway programmes or joint ventures between Gateway Group and NUS/NTU have been dropped.

#### • Enhancing Secondary Education in Sri Lanka

To facilitate knowledge transfers from the Singapore Ministry of Education to the Sri Lankan Ministry of Education, the Education Subcommittee will meet with the State Minister of Education Reforms in December 2021. Possible areas of cooperation: curriculum reforms, transition to assignment-based assessment model, and building 21st century skills.

#### • Gems & Jewellery field study for students and professionals

The Subcommittee will discuss and execute a series of webinars in 1Q of 2022 to discuss how the private sector and civil society can contribute to the success of Sri Lanka's education system.

#### • Ed Tech

The Education Subcommittee is ready to connect its two Ed Tech companies with companies or organisations in Singapore – to sell their respective ed tech solutions to Singapore customers.



## 05 | Agriculture/ Food Processing/ Security Ag-Tech Sub-Committee

CHAIR - MR. PRASHANTH PREMKUMAR

### TARGET:

- Work with ESG/SBF to promote Agri Tech and Agriculture based companies in Sri Lanka to Singapore based investors. Connect to regional opportunities in Agri Tech.
- Create a platform for Sri Lankan Agri Exporters and aspiring exporters to connect to Singapore based buyers and trading companies.

**ACTION:** The subcommittee is expecting a meeting with Dr. Yasantha Mapatuna, Head of Smallholder Agribusiness Partnerships Programme (SAPP) to coordinate on their requirements and identify the potential partnerships.

The subcommittee is also attempting to assist a Kithul-based winemaker (sparkling wine) in entering or finding distribution in the Singaporean market.



## 06 | Rubber, (Tyre, Auto parts) & Plastic, Boat Manufacturing Sub-Committee

CHAIR - MR. INDRA KAUSHAL

### TARGET:

To increase the exports of Rubber and associated products. To help create joint ventures and promote investments into local production.

**ACTION:** The new management of the Plastics and Rubber Institute of Sri Lanka (PRI) intends to review the Memorandum of Understanding (MOU) with the Plastics and Rubber Institute of Singapore.



## 07 | Boat Manufacturing Sub-Committee

CHAIR - MR. INDRA KAUSHAL

### TARGET:

To be showcasing the Sri Lanka boat manufacturers at the Singapore boat show and to highlight and give exposure to the boat show held in Sri Lanka.

**ACTION:** Dubai International Boat Show is the premier and most established boat show in the UAE, GCC and Middle East will be held from 09th – 13th March 2022.



## 08 | Logistics, Supply Chain and last mile Sub-Committee

CHAIR - MR. JEROME BROHIER

### TARGET:

The focus of this subcommittee will be initially confined to Last Mile Delivery which is an area of interest by Singapore Investors and also poised for growth. Other objectives are as follow:

- Explore opportunities for attracting investment from Singapore to this industry
- Bring in new technology to further improve the industry
- Identify and resolve any regulatory issues that hinder growth to the industry
- Explore avenues to create growth and enhance volumes

### ACTION:

The subcommittee is in the process of restructuring the objectives based on the industry's current requirements.

# 09 | Fintech Sub-Committee



**FINTECH**

**CHAIR - MR. SHARHAN MUSHEEN**

To identify 5 Fintech start-ups to promote with the target that one of them will be Sri Lankas' Fintech 'National Champion'

## TARGET:

- **Conducive Regulatory Framework**  
Leverage MAS expertise and learnings to educate Central Bank of Sri Lanka
- **Training and Knowledge Enhancement**  
Increase awareness and develop Sri Lankan talent. Knowledge transfer.
- **Capital Raising**  
Access available pools of capital within the Singapore Fintech Ecosystem to support start ups

## OBJECTIVE 1

**Greater participation of SL FinTech's in the CBSL Regulatory Sandbox ("Sandbox") and entry of Singapore FinTech's into the Sandbox**

### CBSL Sandbox Readiness

- Chamber has done a study of the Sandbox in November 2020
- Key concerns around digital KYC, regulatory relaxations needed from the Financial Intelligence Unit (FIU), need for licensed partner for entry among the key impediments
- CBSL to update status of participation in the Sandbox
- Consolidate feedback from Fintech's about their sandbox experience

The Subcommittee expects a meeting with Central Bank Governor Ajith Nivard Cabraal in the coming weeks.

### MAS Learning Implementation

- Call being arranged between CBSL and MAS with support from the Sri Lanka Embassy in Singapore
- Develop roadmap for MAS learnings transfer post call
- Presently getting time for the call from Mr. Kumaratunge at CBSL

### Sandbox Webinar for SFA

- Singapore Fintech Association (SFA) is open to having a webinar for its members to participate in the CBSL Sandbox
- Committee to decide a format once in state to proceed to the Webinar

## OBJECTIVE 2

**Increased collaboration / partnerships between Sri Lanka and Singapore FinTech players**

### Ranking of Sri Lanka FinTech's

- Identify top 5 players to try and generate a SL FinTech Unicorn
- Complete work done by Dinuke + Vipula on the FinTech ranking framework

### Speed Dating Event

- Curated event for Sri Lanka and Singapore FinTechs to meet and explore collaboration opportunities
- List of Fintech players from each market to be drawn up

### Singapore Fintech Festival (SFF)

- SFA to support Sri Lanka to have a pavilion or special event at the 2022 Singapore Fintech Festival

### OBJECTIVE 3

Reciprocal access for Sri Lanka and Singapore FinTech players into each other respective markets

#### Receptiveness

- Discuss receptiveness of the local financial systems to accommodate foreign players.

## New Members



### Laugfs Corporation (Rubber) Ltd

LAUGFS is a well-established conglomerate with a visionary focus. The company has through its pioneering efforts successfully captured both local and international markets, enriching the lives of their customers with a diverse range of products and services. The industrial sector of energy is the company's core business area. However, fueled by a passion to bring solution to customer needs, over the years LAUGFS has successfully diversified and established its presence in numerous industrial fields which includes engineering, leisure, property development and consumer retail.

Identifying the business potential in this lucrative industry, LAUGFS diversified into the rubber industry through LAUGFS Corporation (Rubber) Ltd, with a specialized focus on industrial tyres. The company boasts one of the largest manufacturing plants in the nation, with state-of-the-art manufacturing equipment, which utilize the finest quality rubber and the globally recognized TQM processes to produce solid tyres of international standard. Whilst manufacturing press on and resilient tyres, LAUGFS, always a customer centric company caters to specific client needs by routinely designing tyres according to customer requirement.



### Roar Digital (Pvt) Ltd

Roar Global is a media network founded in Sri Lanka. We build, operate and invest in distinct media brands that produce ground-breaking content and media solutions for a South Asian audience.

We do this, however, with the aim of creating the future of media.

The future of media is one that is disruptive, agile, and credible. It is one that embraces diversity, creates a positive impact, and leaves its audience in a better place than where they were before. We advocate for a media that embraces this and we embody this in our own identity.

We understood early on the importance of high-quality media, content, and discourse in shaping a better, fairer, and more equitable world. That is why we are dedicated to, and take pride in building media for the future with a people-first approach.



## Saks Analytics (Pvt) Ltd

Born out of pure curiosity and the drive to provide excellence in Business Process Management and Knowledge Process Management, SAKS took on a pilot a research project. The rest as they say is history!

We thrive on projects that challenge and aim to provide cutting edge, customized solutions for our clients utilizing key differentiators in Finance & Accounting, Mobility & Tech, Data Science & AI, Customer Experience/Contact Center Services and Research. This sets us apart from other business process management companies.

SAKS is a member of the St. Anthony's Group (SAG), which is one of Sri Lanka's largest and oldest conglomerates.



## Sudath Perera Associates

Sudath Perera Associates is one of Sri Lanka's leading full-service law firms, offering custom services, highly skilled professionals and unrivalled experience. Our clients benefit not only from our excellence in technical quality, but also our close understanding of the business realities they face.

Globally, Sudath Perera Associates has established strong relationships with leading law firms and corporations. The Firm has contributed to many international legal and corporate publications and is regularly ranked as a Tier One firm in international ranking systems for various practice areas.

# News from Singapore

## Singapore Businesses More Optimistic about Recovery

- Business sentiments have improved in 2021, with signs of recovery for more companies. More than half of the companies (56%) surveyed reported no impact from COVID-19, an improvement from 31% in last year's survey. The proportion of companies that reported being negatively impacted by COVID-19 has halved from 63% in 2020 to 32% in 2021, while those who reported positive impact doubled from 6% to 12%.
- The pace of recovery, however, remains uneven across industries and companies, with the Construction & Civil Engineering (42%), and Retail, Real Estate, Hotels, Restaurants & Accommodation (38%) sectors having the highest proportion of companies being negatively impacted.
- Looking ahead to the next 12 months, about half of companies (47%) expect the business and economic climate to improve, a significant improvement from the 31% in last year's survey. However, the outlook continues to be uneven across industries, with Construction & Civil Engineering (40%) and Retail, Real Estate, Hotels, Restaurants & Accommodations (46%) being less optimistic than sectors such as Banking & Insurance (77%).
- Manpower cost (48%) and availability of manpower (41%) emerged among the top business challenges and companies are doubling down on ways to strengthen their local core, such as enhancing recruitment efforts to hire locals (43%) and increasing wages (39%), to navigate tight labour market.
- Companies continue to recognise the importance of business transformation (94%) as a key component of recovery and remain committed to ongoing technological transformation. Greater support for digitalisation (43%) to accelerate transformation efforts was the most requested area for Budget 2022.

**Wednesday, 8 December 2021 [Singapore]** - According to Singapore Business Federation's latest National Business Survey (NBS) 2021/2022, businesses in Singapore are more optimistic compared to last year despite the continued challenges posed by COVID-19.

The survey, conducted from 26 July 2021 to 1 October 2021, received responses from 1,096 companies across all key sectors and covered a wide range of topics including current business sentiment, the impact of COVID-19, current challenges and priorities, prospects ahead, government support, digitalisation and transformation, and internationalisation. Of the 1,096 companies, 80% were small and medium-sized enterprises (SMEs) and 20% were large companies.

### **BUSINESSES MORE OPTIMISTIC THAN A YEAR AGO: KEY NBS FINDINGS**

#### **Signs of Recovery as Businesses Adapt to Living with endemic COVID-19**

Optimism among the business community in Singapore has risen in 2021, as more companies shift from survival mode to recovery mode in 2021. 37% of businesses are satisfied with the current local business climate, a rise from 23% in 2020. More than half of the companies (56%) reported no impact from COVID-19, an improvement from 31% in 2020. The proportion of companies that reported being negatively impacted has halved from 63% in 2020 to 32% in 2021, while those that reported positive impact doubled from 6% to 12%.

In line with the growing optimism, nearly eight in ten businesses (79%) are confident of sustaining their business operations over the next 12 months, a sentiment shared among SMEs and large companies alike.

Notwithstanding, the pace of recovery remains uneven across industries and companies. The Construction and Civil engineering (42%), and Retail, Real estate, Hotels, Restaurants and Accommodations (38%) sectors have the highest proportion of companies reporting being negatively impacted. Conversely, the Banking & Insurance (73%) and the IT & Professional Services (64%) sectors had the highest proportion of companies reporting no impact from the pandemic.

As for the business outlook over the next 12 months, there is an improvement in sentiments, with 47% of businesses expecting the economic climate to improve. This is a significant improvement from 31% in last year's survey. The outlook for the next 12 months continues to be uneven across industries, with Construction & Civil Engineering (40%) and Retail, Real Estate, Hotels, Restaurants & Accommodations (46%) being less optimistic than sectors such as Banking & Insurance (77%).

#### **Manpower Issues are Key Challenges for Businesses**

Manpower cost (48%), demand uncertainty (48%), travel restrictions (47%) and availability of manpower (41%) emerged as the top business challenges this year. The top 4 business challenges are similar for SMEs and large companies alike. Among the challenges faced by businesses, manpower issues remain the most critical. Key manpower challenges include rising manpower cost (62%), new foreign manpower policies raising cost (50%), attracting/retaining younger workers (45%), and



# News from Singapore

stricter policies that restrict the supply of foreign workers (44%).

In response to the current manpower crunch, businesses are stepping up their recruitment efforts to hire locals (43%) and raise wages (39%). Some companies have also taken steps to invest in technology to reduce manpower needs (36%). Some businesses are also choosing different approaches such as redesigning jobs to attract locals (30%), outsourcing to local third-party contractors (25%), or delaying expansion plans (22%).

Despite the above, many businesses are looking to strengthen their workforce in 2022. More than a third (35%) of companies surveyed intend to increase hiring, while a similar proportion of companies plan to raise salaries of existing staff in 2022. Also, one in three (30%) businesses have indicated that they will invest more in staff training, while 15% are seeking to increase non-salary benefits.

## Digitalisation Remains Central to Business Transformation

In response to the challenges arising from COVID-19, 94% of companies recognise the importance of business transformation to maintain competitiveness, with the willingness to adopt technology remaining consistently high in recent years.

The key areas of transformation in which businesses intend to increase their focus for the next year include digitalisation and investment in new technologies (42%), re-engineering of business and operational processes (31%) and diversification of supply chains (23%).

The benefits of digital transformation are also clear to businesses — increased productivity (59%), more scope to optimise their operations (48%), and reduced operation costs (46%). However, businesses remain wary about the potential cost of change, particularly the high cost of new technology adoption (52%) and upskilling of staff to keep pace with the new technologies (30%). Three in ten (30%) companies worry about cyber security risks associated with digitalisation.

## Assistance in Digitalisation is Top Priority for Budget 2022

As businesses seek to digitalise, transform and uplift capabilities, the top area of government support required by businesses is digitalisation (43%). Other areas of support required include financial aid (38%), human capital development (37%) and financial management to optimise performance (37%). Businesses indicated these as being most relevant in helping them emerge stronger.

While SMEs and large companies share similar expectations for Budget 2022, their top priorities differ. SMEs hope to see greater support in managing business operations — assistance on digitalisation (42%) and financial support (39%). Large companies though, seek greater support on the manpower front — human capital development (51%) and assistance on digitalisation (46%).

Reflecting on the survey results, Mr Lam Yi Young, CEO of SBF, said, “2021 has been a year of ups and downs for many businesses given the evolving COVID-19 situation. Notwithstanding this, the strong economic growth in 2021 has boosted business confidence and the focus of more businesses has shifted from survival to recovery. Looking to 2022, businesses remain optimistic about recovery and growth, given the expected economic growth and the gradual reopening of borders with the Vaccinated Travel Lanes. However, there remains many uncertainties and unevenness across industries, especially with emergence of the Omicron variant.”

Annex: Survey Findings Deck

Source : Singapore Business Federation

# Tourism

## SRI LANKA INVITES INVESTORS



Sri Lanka offers dynamic investment opportunities in key economic sectors for foreign investors. Despite COVID-19, Sri Lanka has maintained a steady momentum of investor interest in its vibrant tourism industry. The sector has been attracting substantial investment – between March 2020 and June 2021, the Sri Lanka Government has attracted over US\$ 950 million in investments, received 64 project proposals, and approved 38 projects to the value of US\$ 102.38 Million. These ventures are to be executed under the Sri Lanka Tourism Development Authority (SLTDA).

In order to accelerate tourism investments, Sri Lanka Tourism Development Authority (SLTDA) has launched the Investor Relations Unit to fast-track investment process successfully. The Unit provides a single point of contact for all tourism investments, giving accurate information and guidance while obtaining approvals from all government agencies. Documents required for all government approvals are listed and included in the 'Master Application Form' for investor convenience. Recent improvements to the investment approval process has resulted in bringing down the time taken for project approvals by up to 40% and further improvements are in the pipeline including, the process being 100% automated by the beginning of the 2nd quarter of 2022. The development of Investor Case Management System (ICM) is successfully progressing with an effective facilitation mechanism carried out by well-trained professional staff.

In addition, the Government of Sri Lanka is extending a host of financial incentives and fast-track processes to get projects off the ground within the shortest possible time. The Government has arranged attractive financial as well as non-financial incentives for tourism investments such as VAT deferment for large scale projects, simplified VAT scheme and Custom Duty free importation facilities to name a few to compel investors to invest in Sri Lanka.

A range of investment opportunities are available for investors seeking to be part of tourism projects that will accrue high returns. Opportunities are available to invest in Small Scale Tourism projects with a total investment less than US\$ 50 Mn; Large Scale Tourism Projects with a total investment more than US\$ 50 Mn; and Strategic Development Projects. Some of the sectors open for investment are infrastructure and utility services. The skilled labour force in Sri Lanka makes it easy for foreign investors to launch ventures with required manpower. Potential investors can choose from a variety of projects under different partnership arrangements.

Sustainability remains at the heart of Sri Lanka Tourism. Green building guidelines have been released to ensure sustainable tourism development. Moreover, SLTDA is in the process of developing a Land Bank to facilitate investors securing the required spaces for their tourism projects. Currently, some world-class resort projects are being offered to investors in strategic tourist destinations in Sri Lanka to develop

tourism in a planned and sustainable manner. Resorts which are available for investors presently are Kalpitiya Island Resort, Kuchchaweli Beach Resort and Dedduwa Lake Resort – offering unparalleled scenic locations. Investors are invited to connect with Sri Lanka Tourism Development Authority on [infoiru@srilanka.travel](mailto:infoiru@srilanka.travel) and +94 718 109 571 for more details (visit <https://sltda.gov.lk/en/investor-relations-unit>).

Considering the high commitment levels of the Government of Sri Lanka, the Ministry of Tourism and the Sri Lanka Tourism Development Authority (SLTDA) to bring in foreign investment into the island, the present time is opportune for foreign investors to avail of world-class tourism projects which will be landmark investments in the region. Potential investors and trade partners are invited to connect with the Sri Lankan Embassy and/or Consulate to directly connect with Sri Lanka Tourism to further learn and explore about the investment opportunities.

### Images & videos of Sri Lanka:



## Upcoming Events and Meetings of SLSBC

- SLSBC's Annual Members Networking Evening is scheduled for the first week of March 2022.
- SLSBC intends to take a delegation to Singapore in May/June 2022.

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