



BUSINESS CLIMATE OUTLOOK OF 2016

8th DECEMBER 2015 OAK ROOM, CINNAMON GRAND

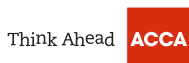
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A concise overview of what one can expect in global economy, key economies and in Sri Lankan economy and business leader views on navigating political-economic landscape of 2016.

LBR LBO DEBRIEF will bring clarity to political-economy in a state of flux

In a world of increasing economic integration, no business executive, investor, public sector official, academic or researcher can afford to be oblivious to the pulse of the economy- global, regional and local.

However, making sense in a rapidly evolving political-economic scenario is a daunting task.

With this in mind, the 2015 edition of LBR LBO Debrief will critically discuss, debate and deliberate on;

- 1) The global, regional and local economic outlook, state of play in key markets and evolving global political and security order
- 2) Likely impact of global economic and geopolitical developments, including monetary policy normalisation in the US, on Sri Lankan economy and business climate
- 3) Budget of 2016 and Prime Minister's policy statement and what they mean to commerce and industry
- 4) Business leader's expectations and how they intend to lead and navigate their organisations in the evolving political and economic landscape.

Clouded Global Growth Prospects

International Monetary Fund (IMF) expects the world economy to grow in 2015 at its slowest pace since the global financial crisis, with a deep slowdown in China and other emerging economies masking a strengthening recovery in rich countries.

("World Economic Update of October 2015")

The Fund also expects a continued growth slowdown in emerging market economies. The continued growth slowdown reflects several factors, including lower commodity prices and tighter external financial conditions, structural bottlenecks, rebalancing in China, and economic distress related to geopolitical factors.

The Organisation for Economic Co-operation and Development (OECD) echoed similar sentiments in the economic outlook released on the 9th November. "Global growth prospects have clouded this year. We now expect the global economy to grow by less than 3% in 2015. This is the weakest growth since 2009 and well below the long-run average. This largely reflects further weakness in Emerging Market Economies (EMEs), with recessions in Brazil and Russia and the slowdown in China hitting activity in key trading partners. This sharp slowdown in emerging market economies (EMEs) is weighing on global activity and trade, and subdued investment and productivity growth is checking the momentum of the recovery in the advanced economies."

Euro Zone fragility continues. However, the EU's "Economic Outlook Autumn 2015" observes that the economic recovery in the euro area and the European Union- which now is in its third year-should continue at a modest pace during next year despite more challenging conditions in the global economy. The influx of asylum seekers from Middle East has posed both fiscal and moral challenges. Petro economies continue to face fiscal challenges caused by depressed oil prices.

According to Economic Outlook Forecasts of EU, The US economy is likely to continue its broad-based recovery, with the support of low energy prices, easing fiscal drag, but amid increasing policy uncertainty. Growth momentum will remain robust in 2016 and 2017, with real GDP projected to expand by 2.8% and 2.7%, respectively.

Russia, hit by the double whammy of economic sanctions and low oil prices, has moved into a deep recession in 2015. Negative growth is expected to continue in 2016 following the extension of sanctions and the renewed fall in the oil price. The military excursions in the Middle East is likely to worsen Russia's fiscal challenges.

Slowing demand from emerging Asian economies weighed on export performance of Japan resulted in lower than expected growth in 2015, but the economic growth is set to pick up in 2016.

The Chinese economy is gradually shifting gears, after 30 years of breakneck, double-digit economic expansion that lifted millions of Chinese from abject poverty but also polluted the nation's air, land and waterways.

The rebalancing of Chinese economy from one that is primarily labor-intensive, investment-led, export-oriented to one based on value-added production, services and domestic consumption is under way. However, the transition could be painful to China as well as to primary good exporters. The possibility of China further slowing down its economic reforms to ease out short-term pains of the economy in transition is close to reality.

In this backdrop it is encouraging to note that IMF expects a rebound in activity in a number of distressed economies to result in a pickup in growth in 2016.

OECD expects the global growth gradually strengthen through 2016 and 2017, but it is warned that this outcome is far from certain given rising downside risks and vulnerabilities, and uncertainties about the path of policies and the response of trade and investment.

Geopolitics have begun to show tectonic shifts. Russia's direct involvement in Syrian civil war and China flexing its military muscles have escalated global geopolitical tension.

Pains of regime change

At home, adjusting to the regime change has not been easy. Attempts to move away from an autocratic form of governance to a more consensual and participatory form certainly has slowed down the government machinery.

2015 has been a tumultuous year for Sri Lanka. Two elections and another election looming ahead aren't the most favorable backdrop for rational fiscal policy decision making. The budget of January 2015 has sent mixed signals to the business and investor community. The formation of a new government has not broken the inertia of the government. Business community is eagerly awaiting fresh impetus to turn the wheels of the economy faster.

Sri Lanka appears to be perpetually living on the edge of an impending Balance of Payment crisis. Since early August the currency has lost nearly 10% of its value. Fixed Deposit rates have started edging upwards. A possible rate hike in the United States could make attracting foreign funds difficult, thus affecting the liquidity of capital markets.

As the country has now reached middle-income economy status, the access to funds on concessionary terms are also drying up.

Fortunes of the Sri Lankan economy during the next 12 months will be closely linked to that of global economy as well as to the economic policy and the impact of the impending budget proposals, which Hon Finance Minister has dubbed as revolutionary.

Sri Lanka needs to address few critical areas without further delay.

- 1) Boosting inclusive growth through the development of productive sectors
- 2) Institute structural reforms needed to move the country beyond the lower middle-income economy
- 3) Enhance productivity to meet the demographic challenges and moving the economy up the value chain
- 4) Promote international trade and investment
- 5) Fight the rising protectionism and truly integrate the economy with the region

Whilst continuing to exploit opportunities in traditional markets, Sri Lanka must also turn to the Orient for future growth prospects, as the bulk of world GDP growth is expected to come from the Pacific Rim and India.

The Modi factor has already shown positive impact in India. S&P, having raised outlook in India to "stable" has noted that the new government has both the willingness and capacity to implement reforms necessary to restore some of India's lost growth potential, consolidate its fiscal accounts, and permit the Reserve Bank of India to carry out effective monetary policy".

Insightful and thought provoking speeches and Panels discussion

Over fifteen Economists, researchers, public sector officials and leading corporate executives will take the stage at the forthcoming LBR LBO DEBRIEF "Business Climate Outlook 2016".

Five insightful presentations:

(1) **Keynote 1**

The State of global economy and Challenges ahead

Eteri Kvintradze

Resident Representative, IMF

(2) **Keynote 2**

Outlook and state of play: US, UK, Euro Zone, Japan & China

Ralph van Doorn

Senior Economist, World Bank

(3) **Keynote 3**

Outlook and state of play: India and Developing Asia

Gunjan Gulati

Economist, IFC

(4) **Keynote 4**

The Shifting Geo-Political Landscape and Implications

Paulius Kucinas

Managing Editor, Asia Oxford Business Group

(5) **Keynote 5**

Outlook and an Assessment of Sri Lankan economy

Nishan de Mel

Executive Director and Head of Research, Verite Research

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AGENDA

0730 - 0845 Delegate check-in, Debrief materials collection, networking breakfast

0845 - 0850 LBR LBO Debrief opening

0850 - 0855 Opening remarks, partner recognition and appreciation

0855 - 0930 Keynote 1

The State of global economy and Challenges ahead

Eteri Kvintradze

Resident Representative, IMF

0930 - 0950 Keynote 2

Outlook and state of play: US, UK, Euro Zone, Japan & China

Ralph van Doorn

Senior Economist, World Bank

0950 - 1010 Keynote 3

Outlook and state of play: India and Developing Asia

Gunjan Gulati

Economist, IFC

1010 - 1040 Keynote 4

The Shifting Geo-Political Landscape and Implications

Paulius Kuncinas

Managing Editor, Asia Oxford Business Group

1040 - 1045 Tea/Coffee 

1045 - 1130 Keynote 5

Outlook and an Assessment of Sri Lankan economy

Nishan de Mel

Executive Director and Head of Research, Verite Research

1130 - 1300 Panel Discussion 1

How will the evolving political economic scenario impact Sri Lankan business and economy?

Session Chair

Dilshan Rodrigo

COO, HNB

Panelists

Shiran Fernando

Senior Analyst and Product Head
Economic and Equity
Research Frontier Research

Nishan de Mel

Senior Economist, World Bank

Ralph van Doorn

Senior Country Economist
for Sri Lanka and the Maldives
Global Practice
for Macroeconomics & Fiscal Management

Gunjan Gulati

Economist, IFC

Paulius Kuncinas

Managing Editor, Asia
Oxford Business Group

1300 - 1345 Lunch 

1345 - 1400 Partner Feature Presentations (3)

1400 - 1415 Budget 2016 Highlights

Reyaz Mihular

Managing Partner, KPMG in Sri Lanka

1415 - 1430 Highlights of PM's Policy Statement and Implications to Private Sector

Deshal de Mel

Senior Economist, Hayleys

1430 - 1545 Panel Discussion 2

What the budget 2016 and Prime Minister's policy statement would mean to the industry and economy?

Session Chair

Nishan de Mel

Executive Director
Head Research
Verité Research

Panelists

Reyaz Mihular

Managing Partner
KPMG in Sri Lanka

Nandalal Weerasinghe PhD

Deputy Governor
Central Bank of Sri Lanka

Deshal de Mel

Senior Economist
Hayleys

Amal Sanderatne

CFA Founder/CEO
Frontier Research and Frontier i

Mangala P.B. Yapa

CEO/Secretary General
The Ceylon Chamber of Commerce

Eteri Kvintradze

Resident Representative
IMF

1545 - 1555 Tea/Coffee 

1555 - 1600 Partner Feature Presentations

1600 - 1745 Panel Discussion 3

Business Leader Roundtable

How will the business leaders navigate and steer their enterprises in 2016?

Session Chair

Peter D'Almeida

CEO
N*Able

Panelists

Suresh Shah

Director / CEO
Lion Brewery Ceylon PLC &
Ceylon Beverage Holdings PLC
Director Carson
Cumberbatch & Co PLC

Steven Enderby

Group Chief Executive
Hemas PLC

Jim McCabe

CEO Sri Lanka
Standard Chartered

1745 - 1900 LBR LBO Debrief closing, Partner appreciation, Vote of thanks

Networking  Reception