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நிதி அமைச்சு
MINISTRY OF FINANCE

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Date }

Statement by Moody's Investors Service is ill-timed, ill-judged and hence unacceptable

The Government of Sri Lanka (GOSL) wishes to express its surprise over today's announcement by Moody's Investors Service, at a time when the GOSL has diligently lined up adequate funds to repay its maturing foreign debt liabilities, including the International Sovereign Bond (ISB) maturing at end July 2021.

Moody's has placed Sri Lanka's rating 'under review for downgrade', although this does not imply a downgrade. However, Moody's action could create uncertainty among investors who have kept faith in Sri Lankan ISBs and other investments. As experienced in the past, such undue uncertainty created by the rating agency could lead to price volatilities in the market for ISBs and for other investments. In any case, the GOSL has taken all measures to repay the upcoming ISB maturity of US dollars 1,000 million due in end July 2021. The GOSL also observes that this is not the first time Moody's has taken such surprise action on the eve of an assured imminent payment. Moody's downgraded Sri Lanka on 28 September 2020, just a few days before a US dollar 1,000 million ISB was to mature on 04 October 2020 and the GOSL successfully settled the liability without any hesitation. GOSL continues its unblemished debt service payment record.

The Sri Lankan economy has shown strong signs of broadbased recovery, with a real GDP growth of 4.3 per cent in the first quarter 2021. The domestic vaccination

drive is continuing at full force, providing confidence of a continued improvement in economic activity, combined with a possible strong rebound of the tourism sector. Ongoing developments in the domestic production economy are expected to improve the country's export potential, while facilitating import alternatives. Improving domestic economic sentiments are reflected in the activity in the Colombo Stock Exchange as well. The pickup in economic activity is also expected to improve the fiscal position of the Government, from both revenue and expenditure aspects, and the Government remains committed to achieving its announced medium term fiscal path towards a budget deficit of 4 per cent of GDP by 2025.

The unwarranted announcement by Moody's also reemphasises the need for the GOSL to revisit its relationship with rating agencies. Unwarranted announcements of this nature are also not in the best interest of investors.

Investors are invited to approach the Sri Lankan policy authorities at the highest levels who always remain open for constructive dialogue and will welcome any one-on-one engagement or roadshow discussions, without being dissuaded by such unsubstantiated announcements.