



MONTHLY ECONOMIC WRAP | AUGUST 2024

AMBEON
SECURITIES

11.09.2024

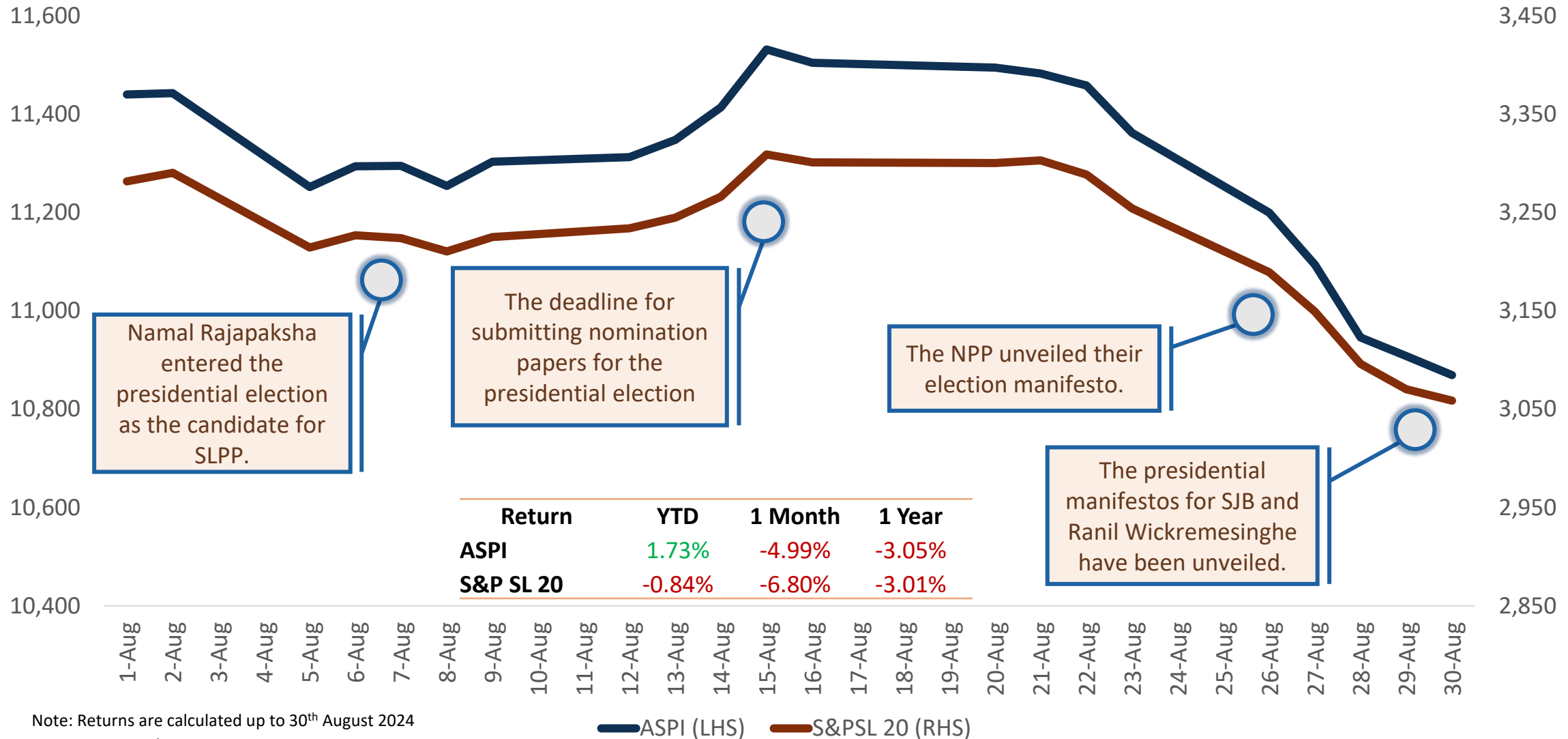


Contents

CSE PERFORMANCE	-----	3
MONETARY POLICY	-----	11
EXTERNAL SECTOR	-----	19
COMMODITIES AND OTHER	-----	28



ASPI declined ~5% and S&PSL20 declined ~7% during August 2024

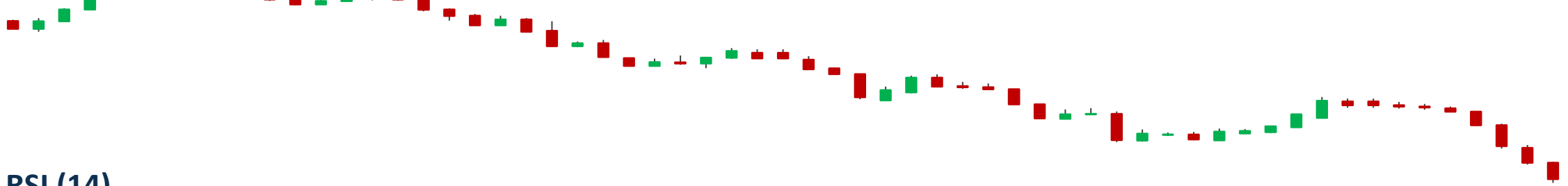


Note: Returns are calculated up to 30th August 2024

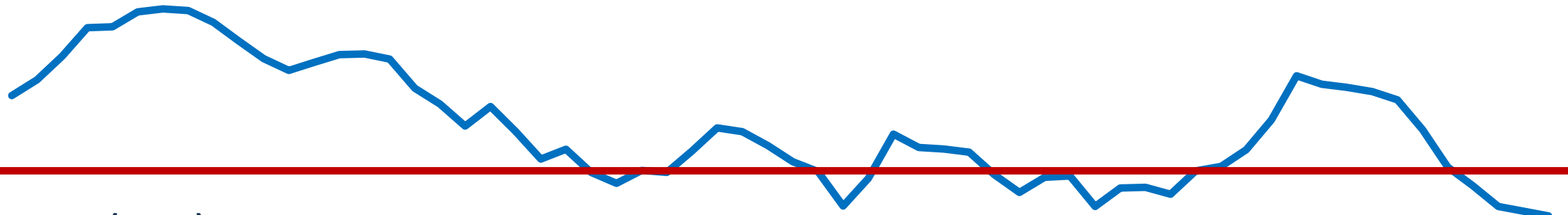
Source: CSE, Ambeon estimates

RSI & MACD of ASPI

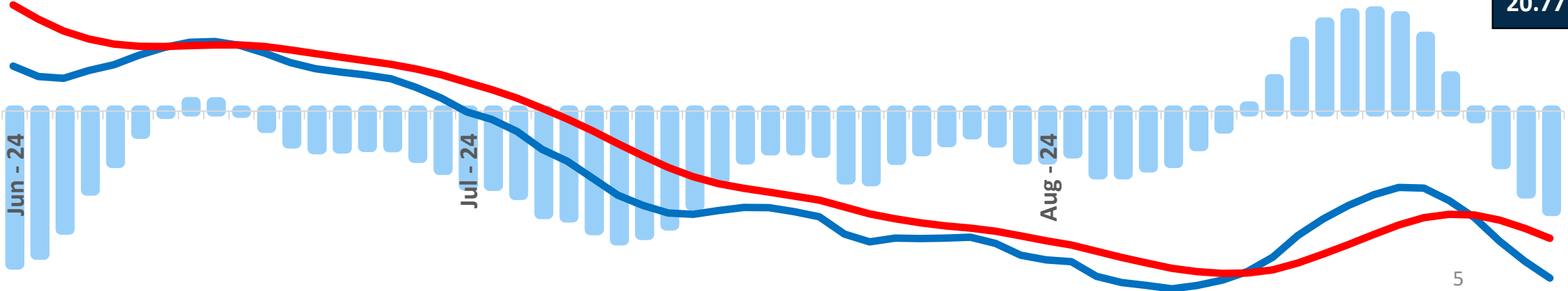
ASPI



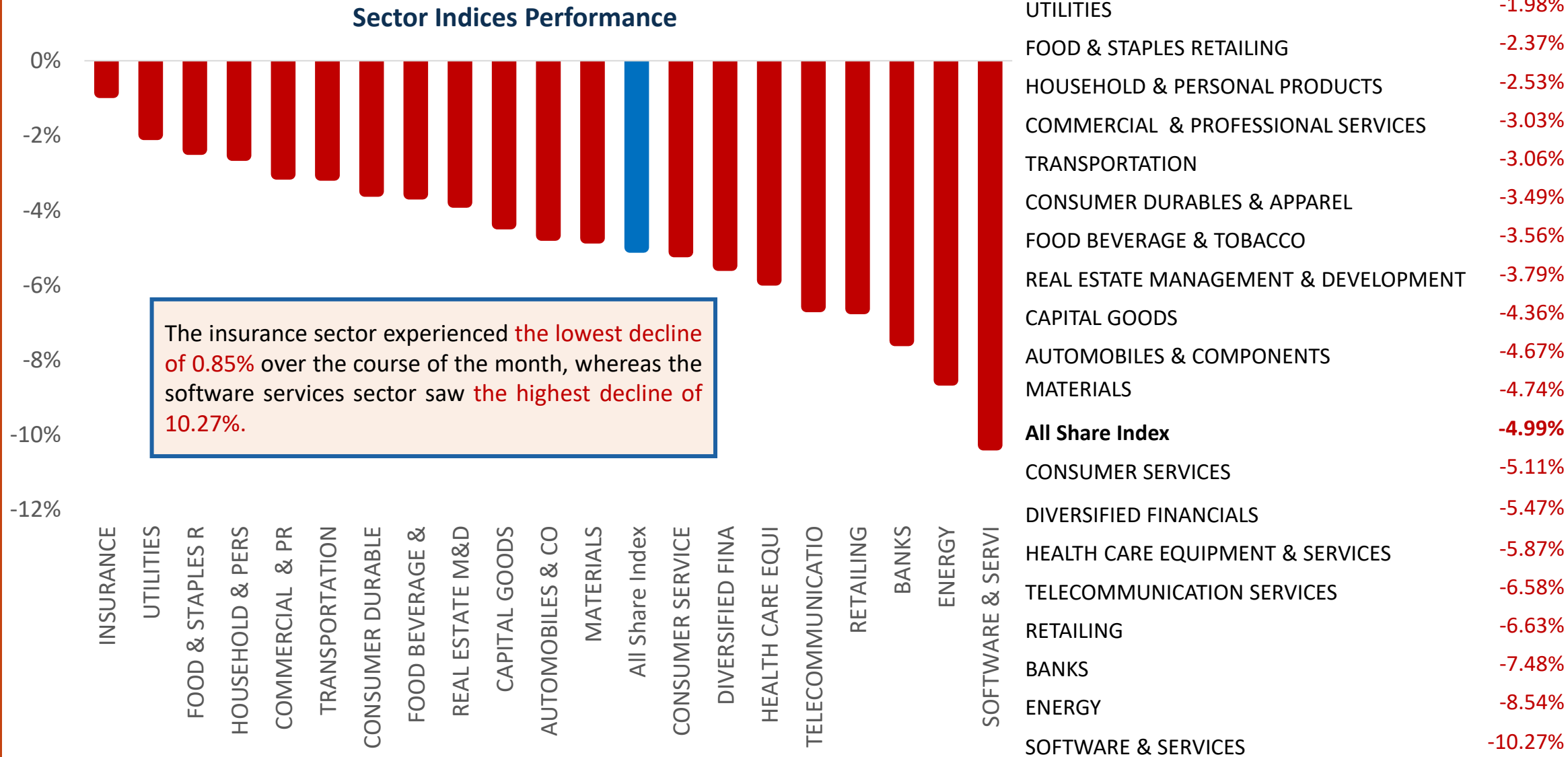
RSI (14)



MACD (12,26)



During August 2024, all sectors saw a decline

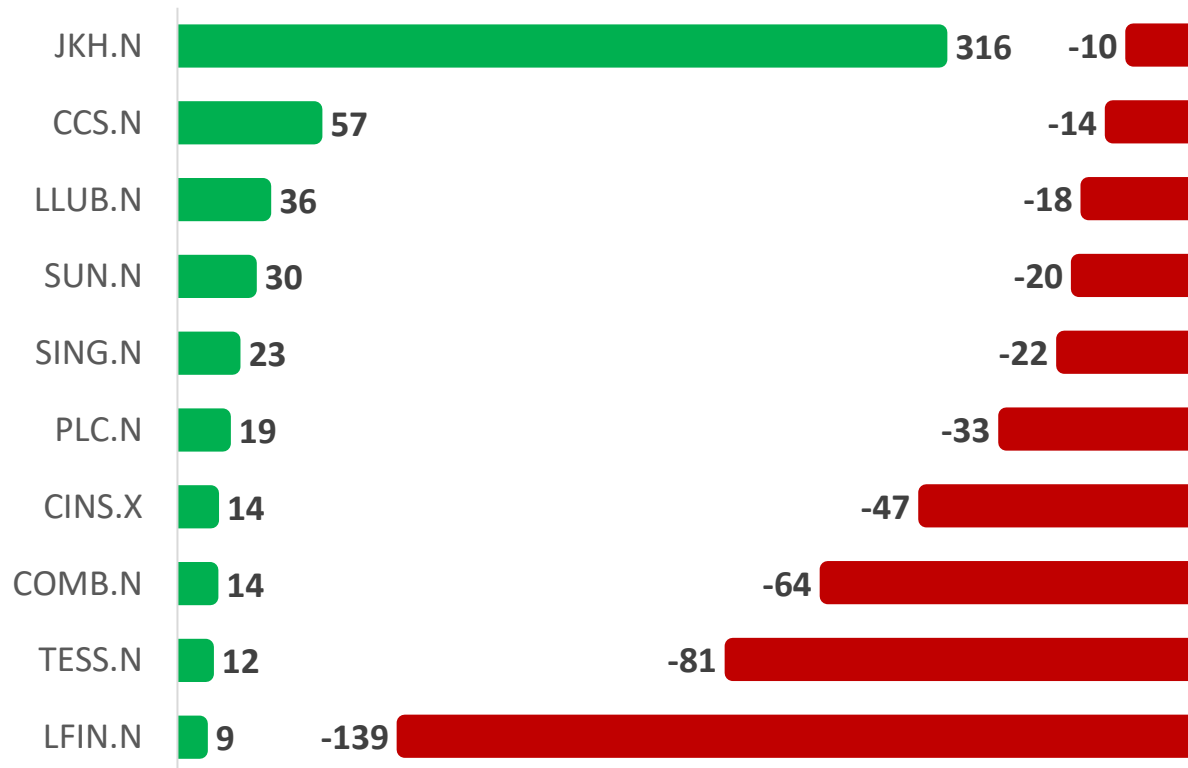


Source: CSE, Ambeon estimates

Total net foreign inflow for August 2024 was LKR 83 Mn

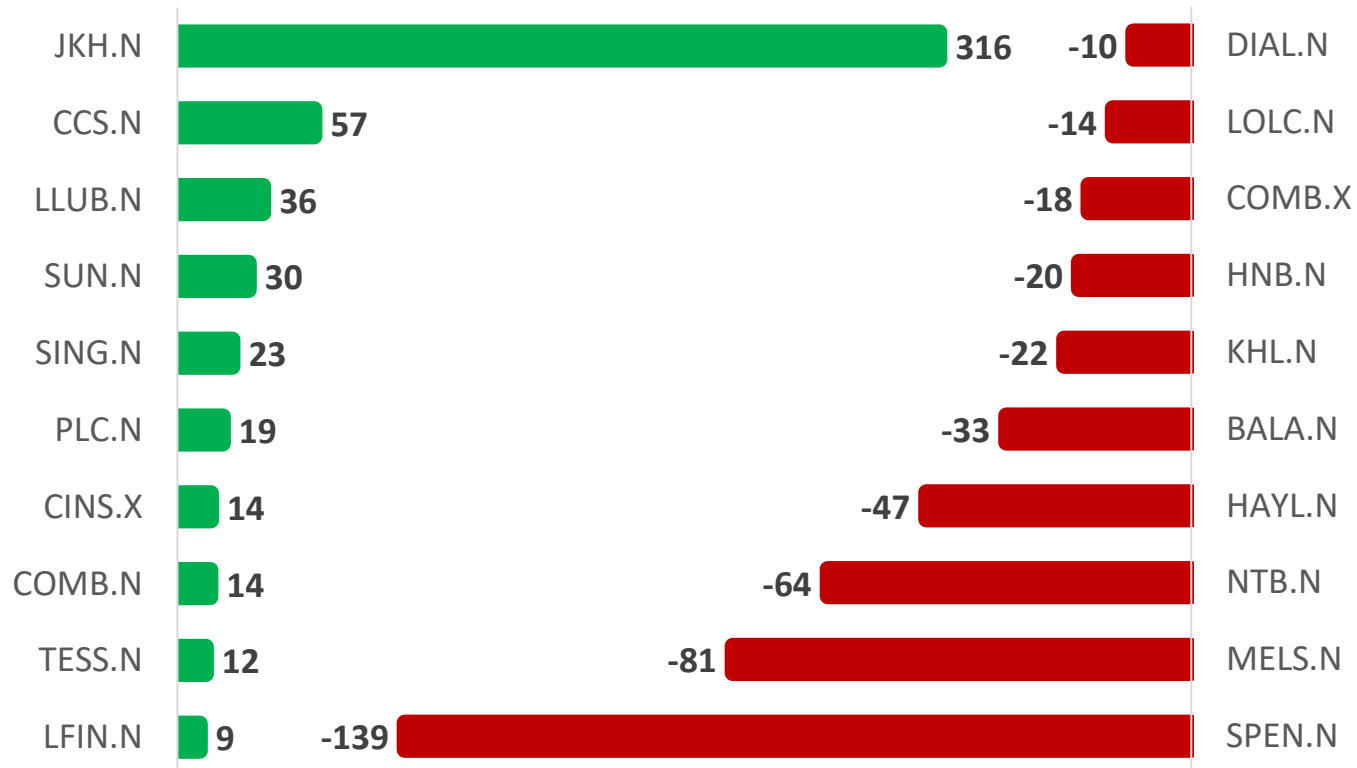
Top 10 Counters

Net Foreign Inflows (LKR Mn)

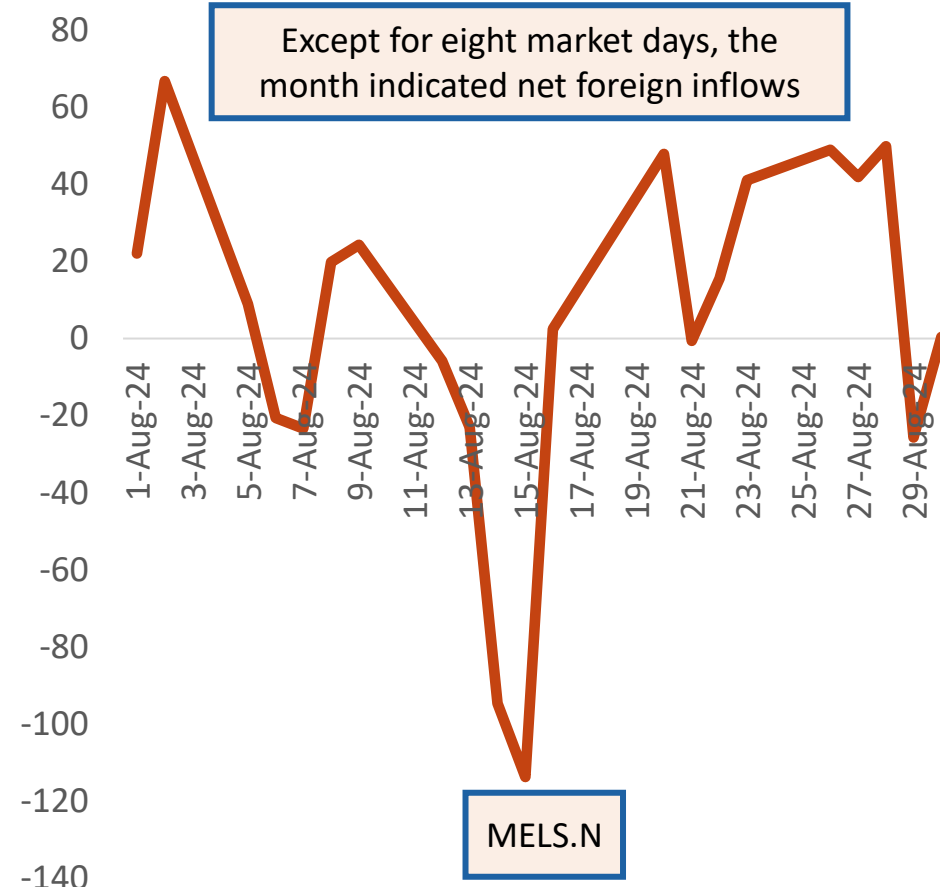


Top 10 Counters

Net Foreign Outflows (LKR Mn)



Net Foreign Flow (LKR Mn)

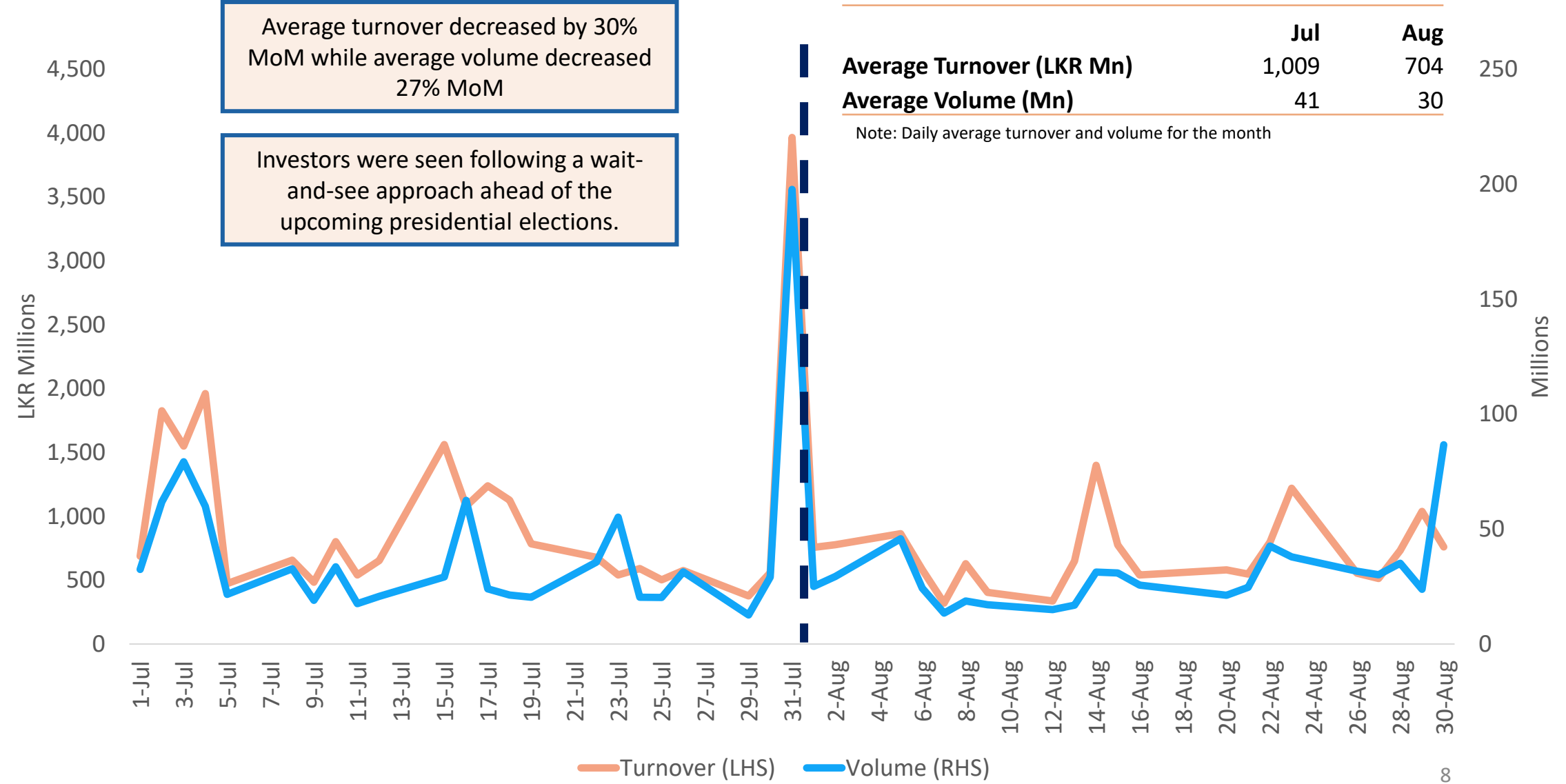


Aug 24 Total Net Foreign Flow LKR 83 Mn | Year-to-date Net Foreign Flow* LKR -5,342 Mn

Source: CSE, Ambeon estimates

*Year-to-date calculated as of 30th August 2024

Average turnover and volume declined in August 2024



Source: CSE, Ambeon estimates

Regional valuation comparison

Frontier Markets (Asia)

Index	PE	PBV
ASPI (Sri Lanka)	9.0	1.0
KSE 100 (Pakistan)	5.1	1.0
VNI (Vietnam)	15.2	1.7

US & European Markets

Index	PE	PBV
S&P 500 (US)	24.9	4.9
DJIA (US)	22.1	5.1
FTSE 100 (UK)	14.6	1.9

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	21.8	1.9
CSI 300 (China)	12.9	1.3
HSI (Hong Kong)	9.1	1.0
BSESN (India)	24.8	4.0
NIFTY 50 (India)	24.4	4.0

Key economic news & events

01st Aug

**"Sri Lankan
macroeconomic
indicators doing well"**

-ADB

The ADB's Country Director stated that Sri Lanka's macroeconomic indicators are performing well. Inflation has been controlled, the primary and current balance figures are positive, the currency has stabilized, and reserves have increased. Overall, the country is showing positive development since the economic crisis.

07th Aug

**SL gains FDIs
worth USD
800 Mn**

In 2024, the Treasury has set an FDI target of USD 1 Bn. By the end of the first quarter, the country had already signed FDI agreements worth USD 800 Mn. These agreements cover 35 projects primarily in tourism, agriculture, energy, mineral sands, and logistics sectors.

26th Aug

**SL budget deficit
down 52% in 1H
of 2024**

Sri Lanka's budget deficit dropped by 52% YoY to LKR 515.7 Bn in the first six months of 2024, while revenues increased by 42% YoY to LKR 1,860.6 Bn, according to interim budget data. Tax revenues rose by 43% YoY to LKR 1,709.3 Bn, and non-tax revenues grew by 30% YoY to LKR 151.3 Bn.

28th Aug

**SL recovery to
slowdown in 2H
2024**

Sri Lanka's economic growth is expected to slow in the second half of 2024 due to tight fiscal policy and weak consumer sentiment, with projected GDP growth of 3.2%. While the economy shows signs of recovery, bolstered by IMF loans and falling borrowing rates, the rebound may be limited.



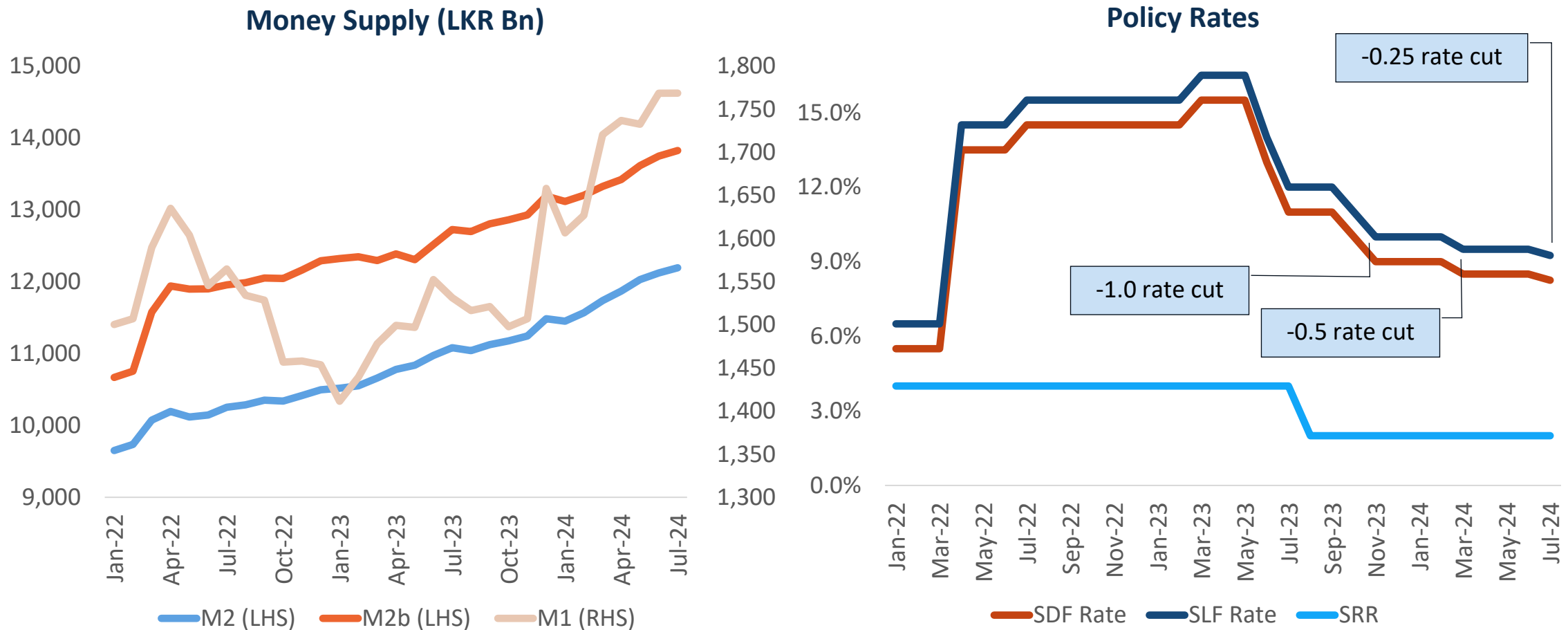
MONETARY SECTOR

AMBEON
SECURITIES

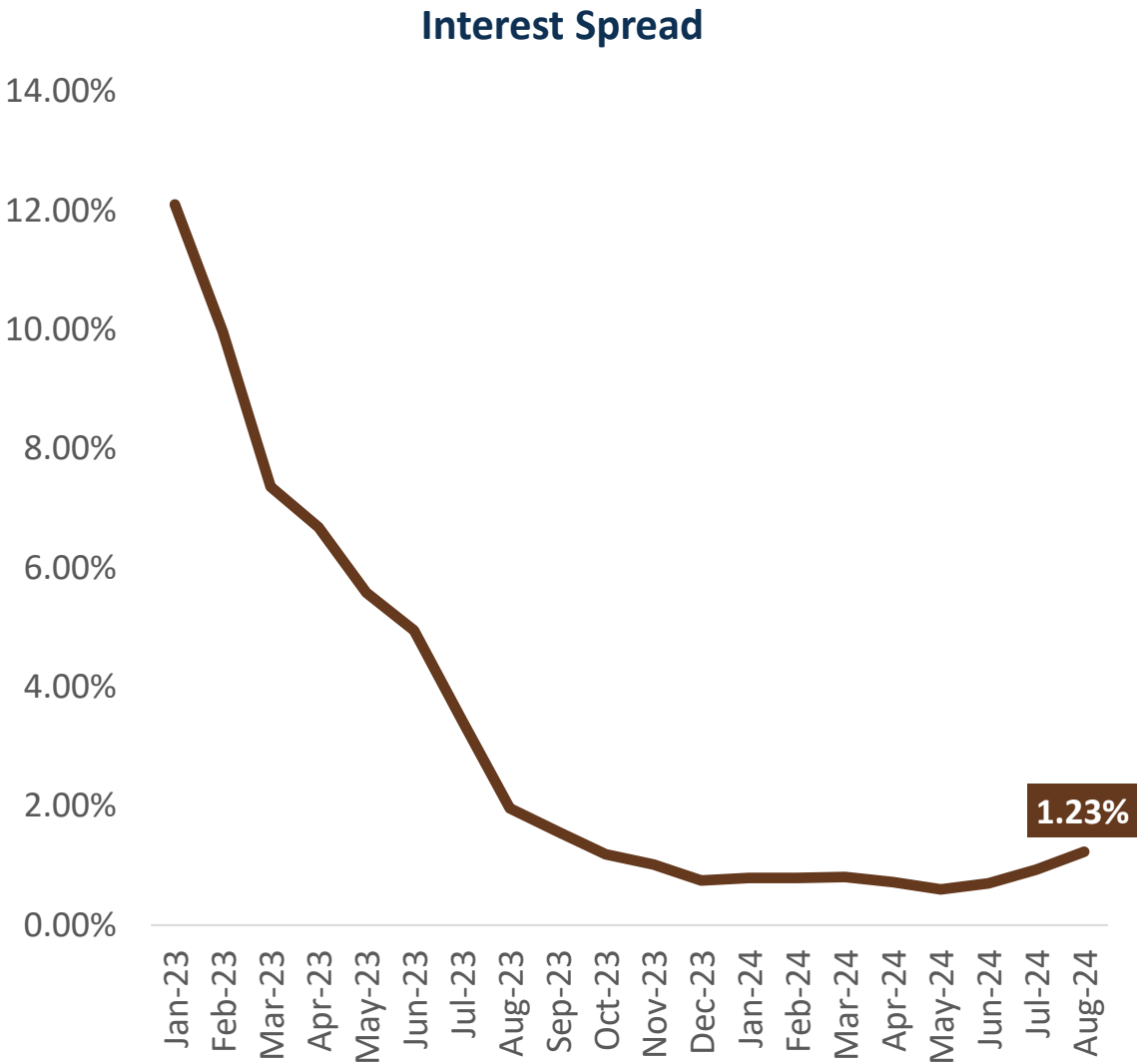
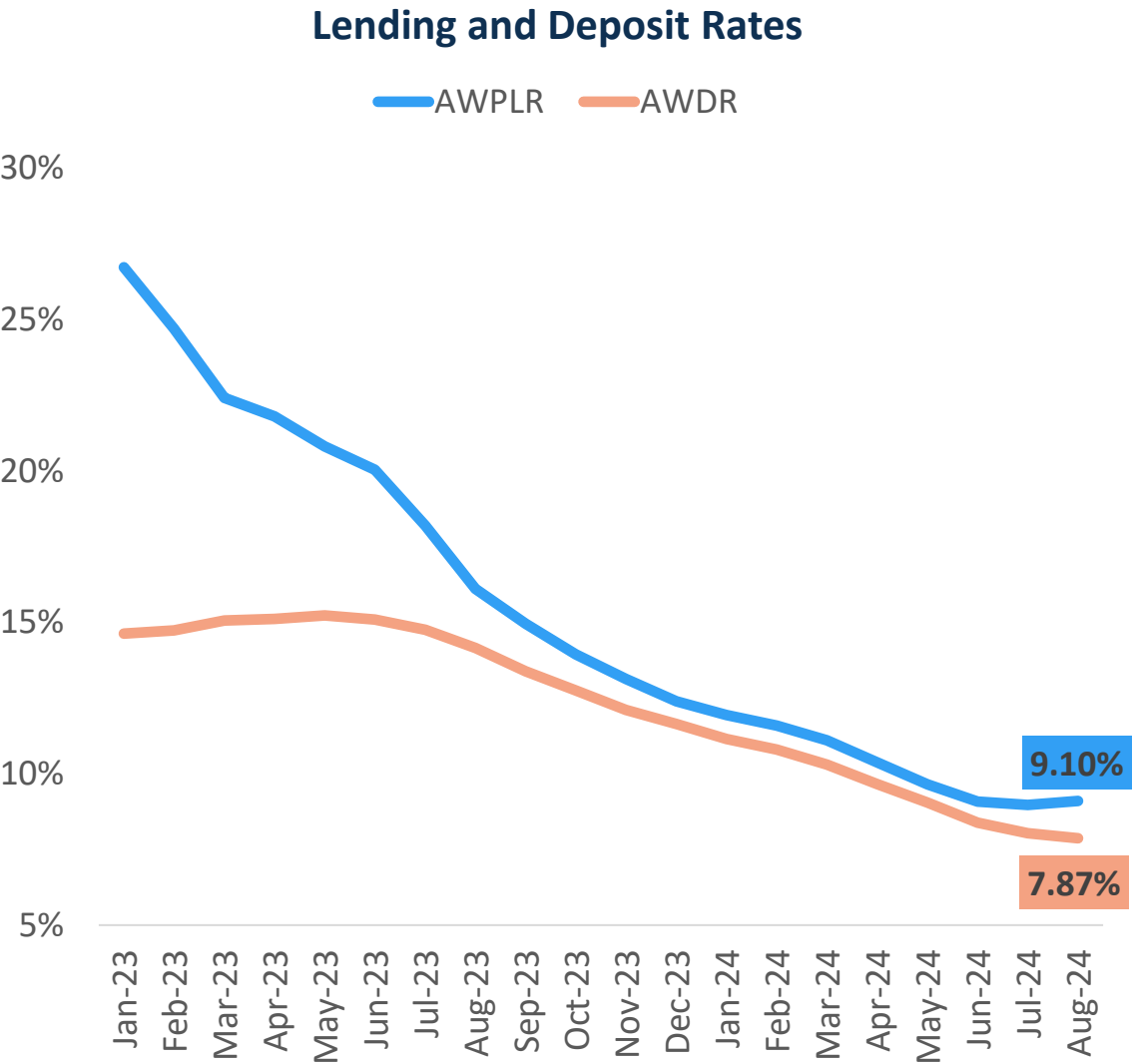


M2b slightly increased to LKR 13,825 Bn in July 2024

By the end of Jul 24, narrow money supply (M1) increased to LKR 1,769 Bn, while consolidated broad money supply (M2b) increased to LKR 13,825 Bn when compared to Jun 24. Currently, the Standing Deposit Facility rate is 8.25%, and the Standing Lending Facility rate is 9.25%. The next monetary policy review is expected on 19th September 2024.

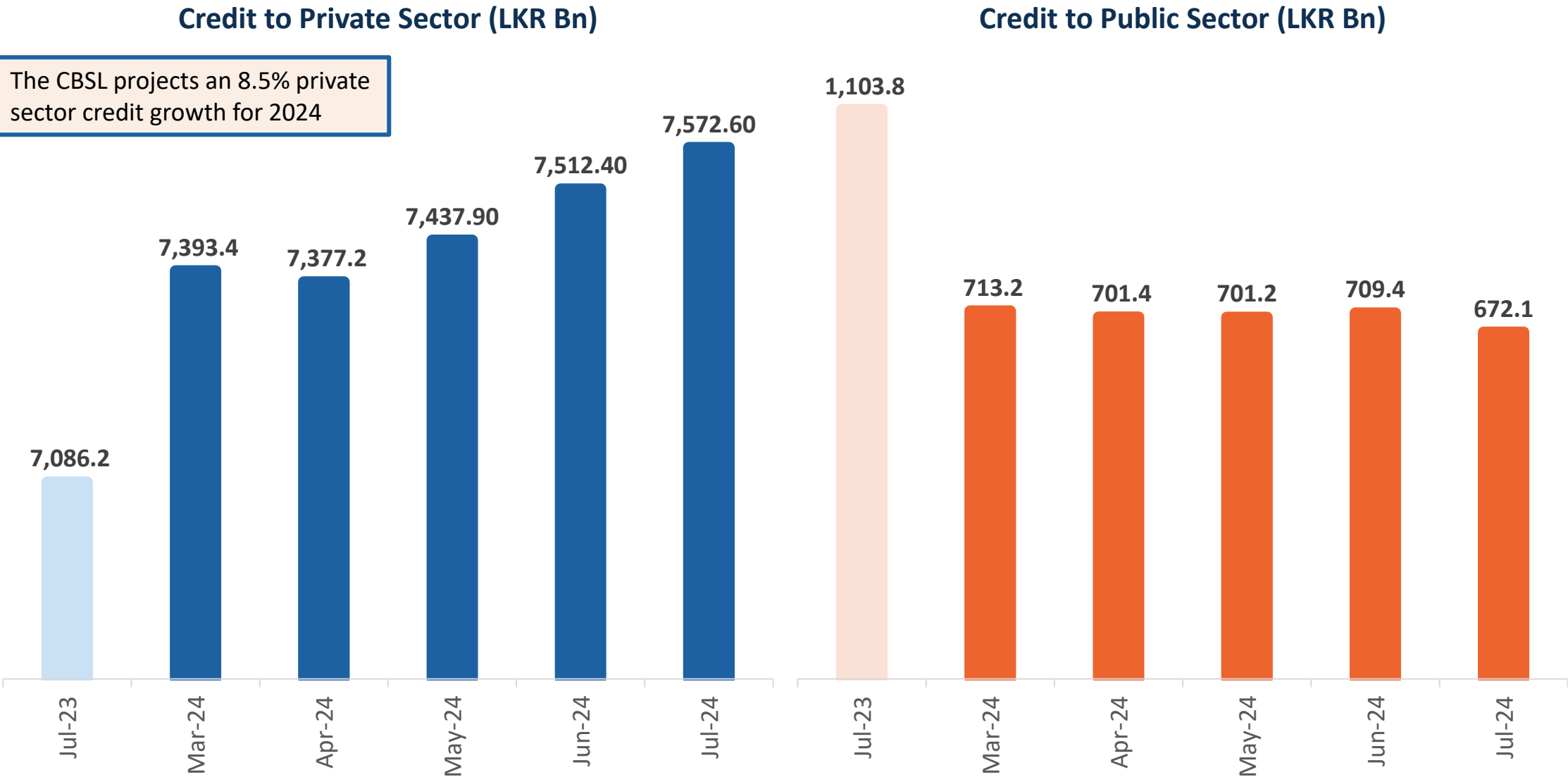


Lending rates saw a marginal increase while deposit rates decreased



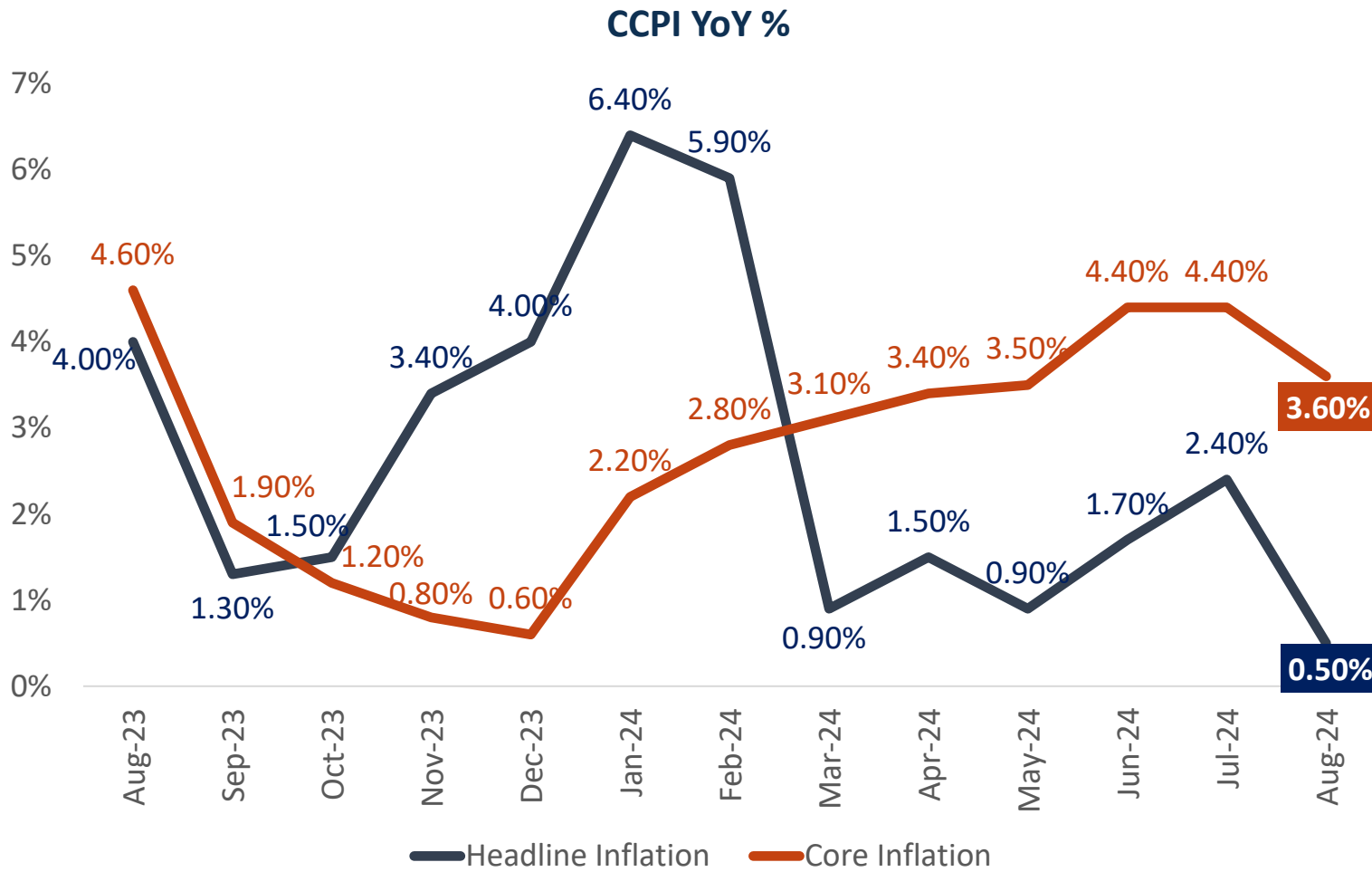
Source: CBSL

Credit to private sector increased from June to July 2024



Source: CBSL

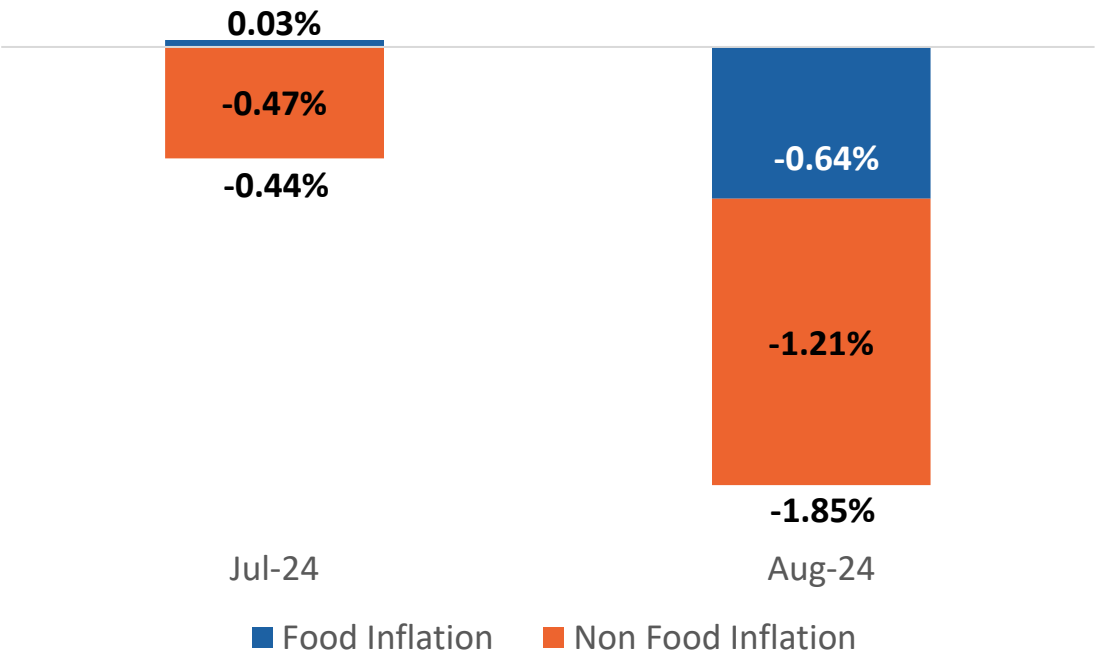
Headline inflation decelerated sharply to 0.5% in August 2024



- In Aug 24, YoY change in headline inflation, measured by the Colombo Consumer Price Index (CCPI), decelerated sharply to 0.5% from 2.4% in Jul 24.
- Prices decelerated for Alcoholic Beverages and Tobacco, Education, Transport and Food and Non-Alcoholic beverages. Moreover, prices deflated at a faster pace for housing & utilities.
- Prices accelerated for Miscellaneous Goods and Services, Restaurants and Hotels and Recreation and Culture.
- Core inflation YoY decreased to 3.6% in Aug 24 from 4.4% in Jul 24.

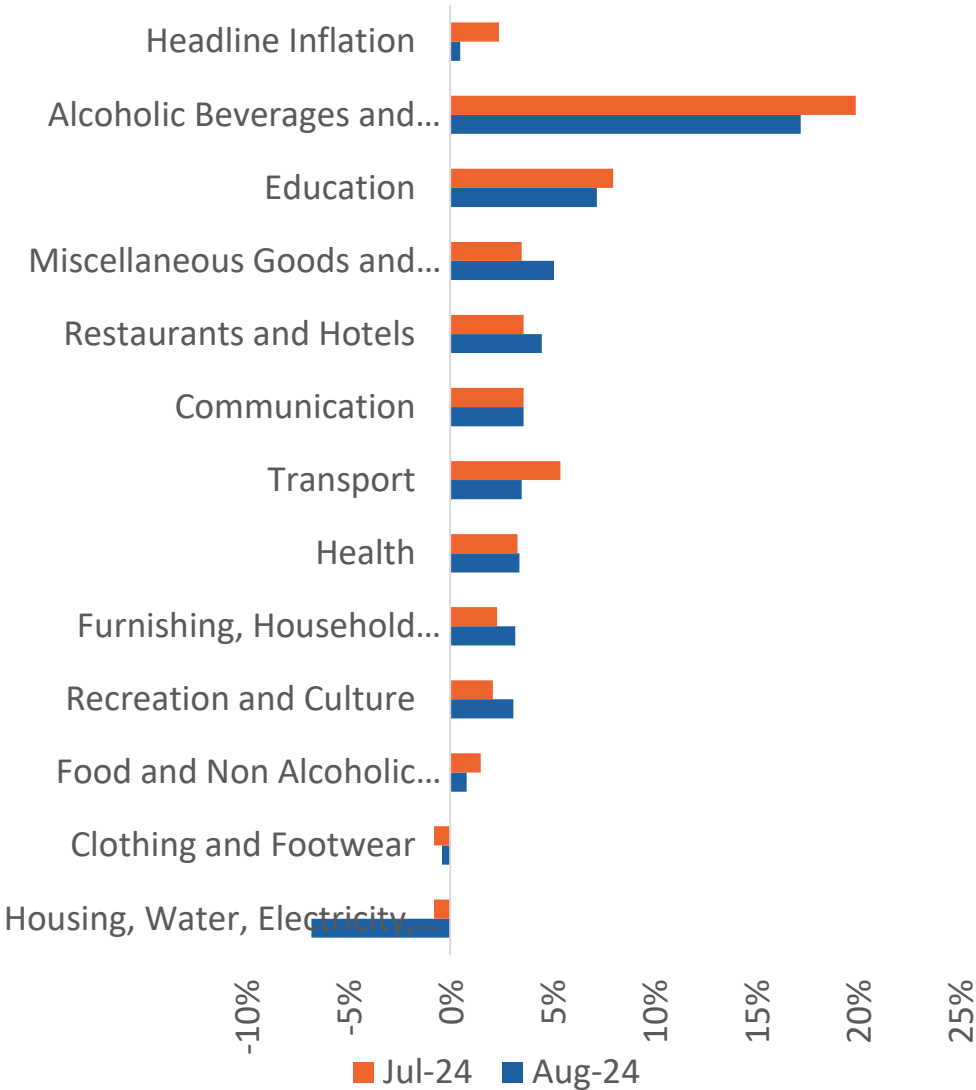
August 2024 CCPI decreased by 1.85% MoM due to decline in nonfood category

Contribution to monthly change in CCPI

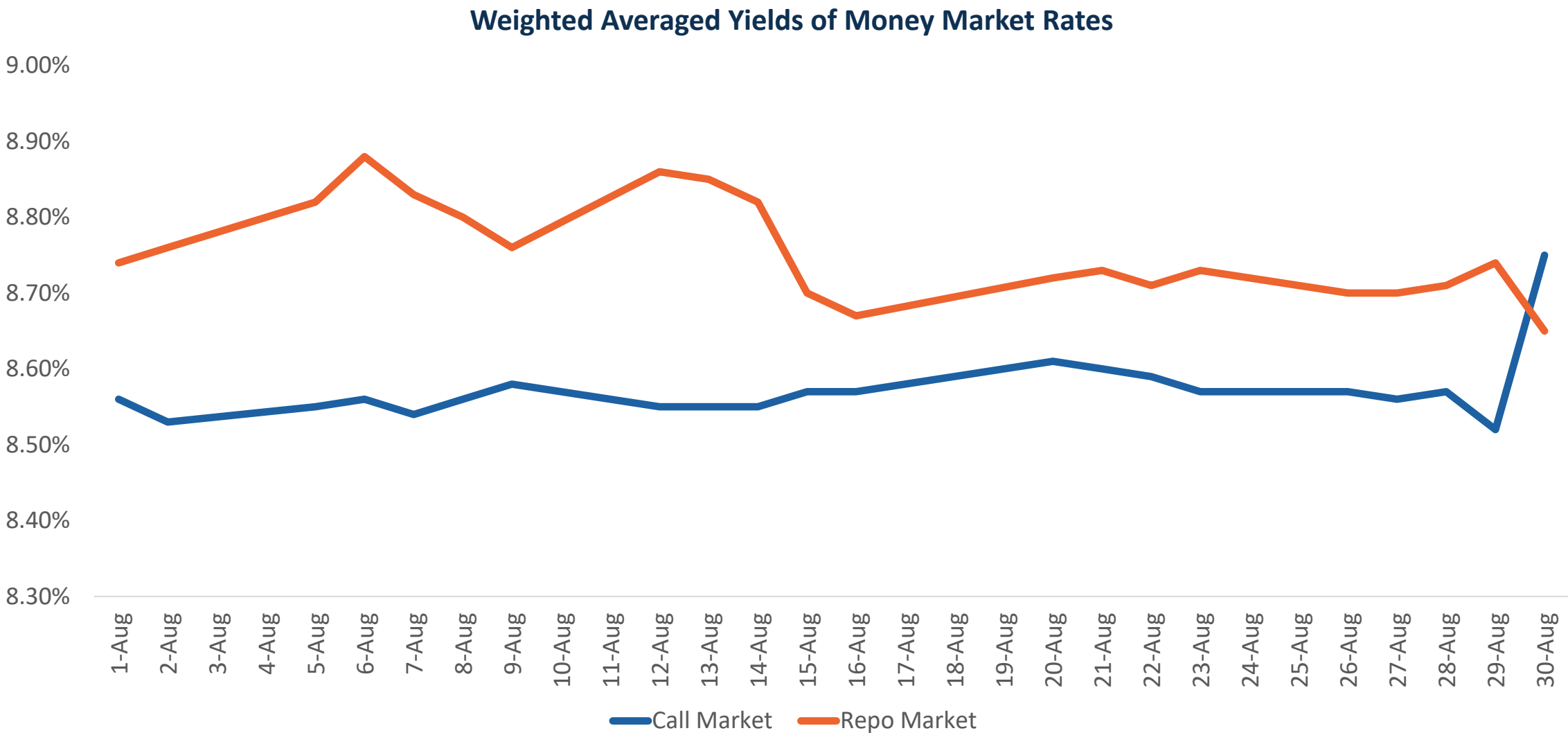


Food inflation decelerated to 0.8% YoY in Aug 24, compared to 1.5% in the previous month. Additionally, YoY non-food inflation dropped sharply to 0.4% in Aug 24, down from 2.8% in Jul 24. On a MoM basis, the CCPI declined by 1.85% in Aug 24, driven by a 0.64% decrease in prices within the Food category and a 1.21% decrease in prices within the Non-Food category.

CCPI YoY Change by Subcategory

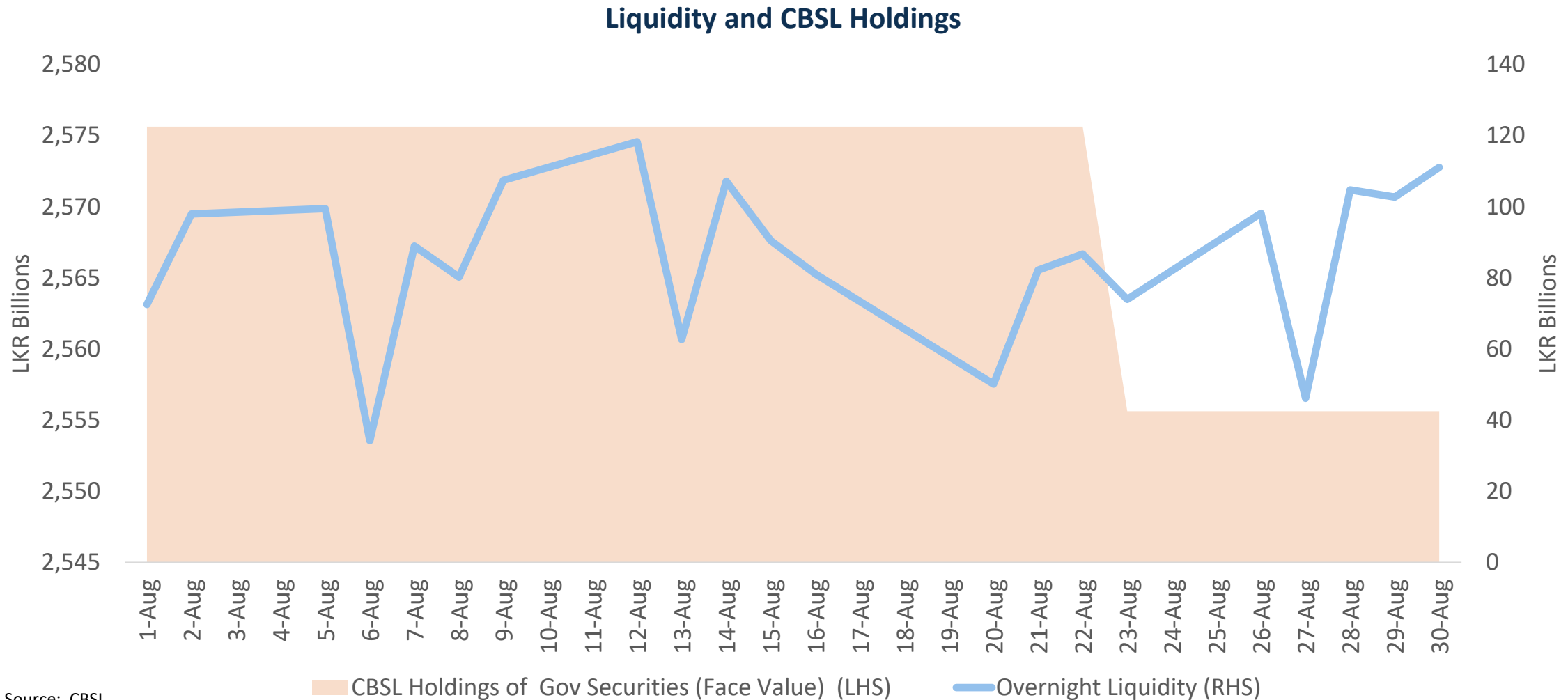


Call market rates increased, and repo market rates declined in August 2024



CBSL holdings of G-Sec decreased; overnight liquidity remained positive

Overnight liquidity continued to remain in the positive territory and ended at LKR 111.04 Bn as of 30th August. CBSL holdings of Government Securities were decreased during the month and ended at LKR 2,556 Bn (Face Value).



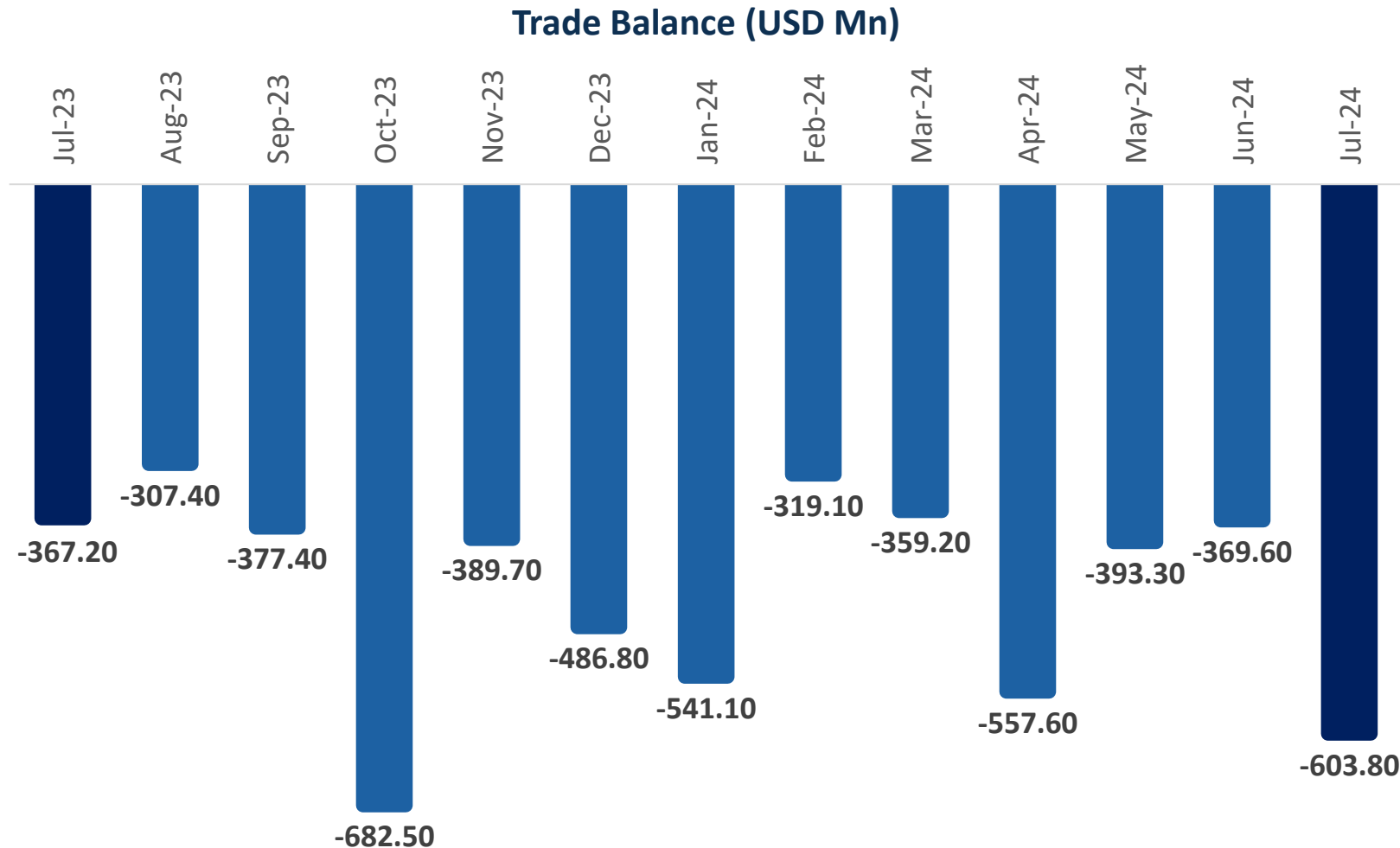


EXTERNAL SECTOR

AMBEON
SECURITIES



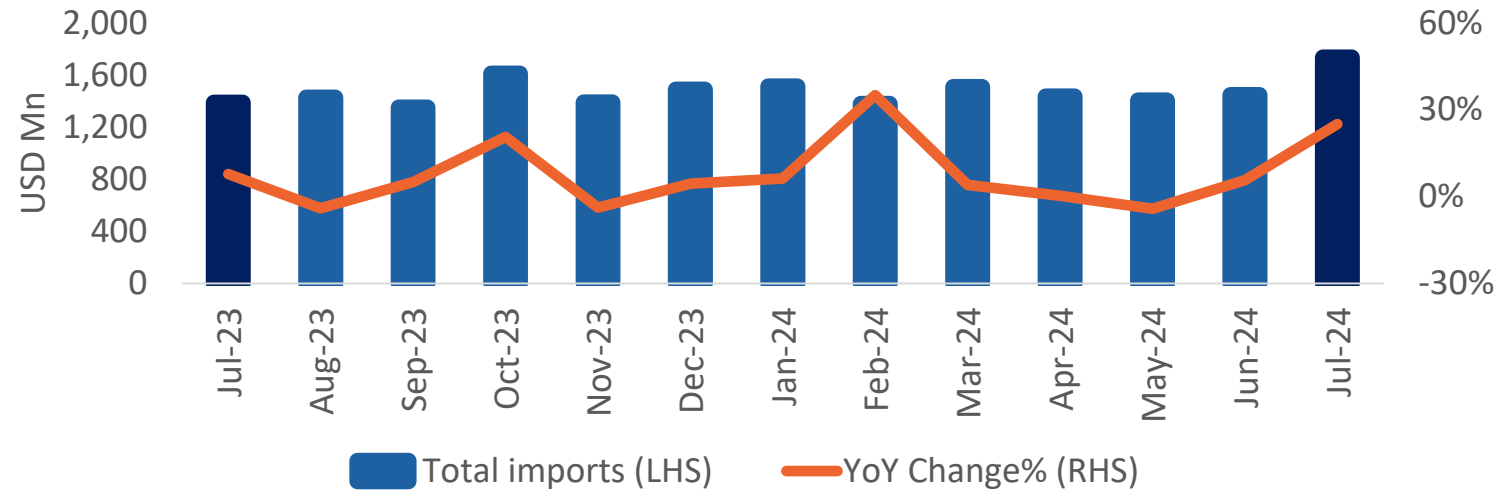
Balance of Trade worsened by 64.4% YoY in July 2024



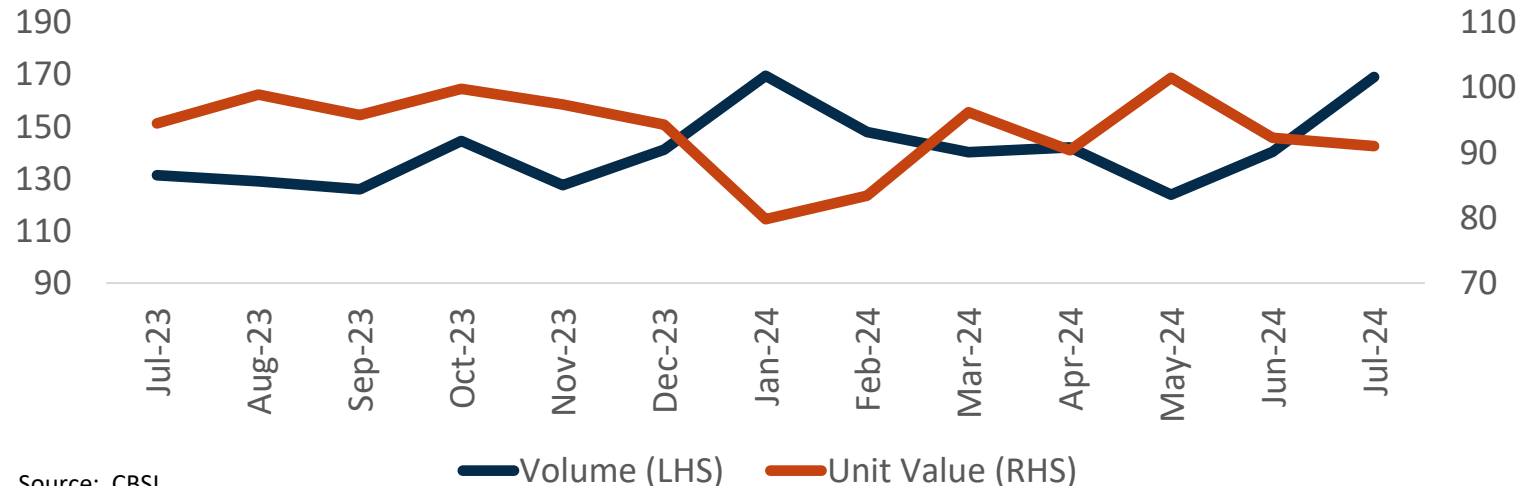
- In July 2024, Sri Lanka's trade deficit amounted to USD 603.8 Mn, marking a 64.4% worsening compared to the same month of the previous year. Further, this figure represented a 63.4% worsening from the previous month.
- The cumulative trade deficit in the Jan – Jul 24 period amounted to USD 3,143.7 Mn, surpassing the deficit recorded during the same period in 2023 by 18.3%.
- In July 2024, import expenditure amounted to USD 1,734.1 Mn, while export earnings totaled USD 1,130.3 Mn. Import expenses and export revenues both increased from the previous year.

July 2024 import expenditure soared by 25.0% YoY

Total Imports and Growth



Import Indices



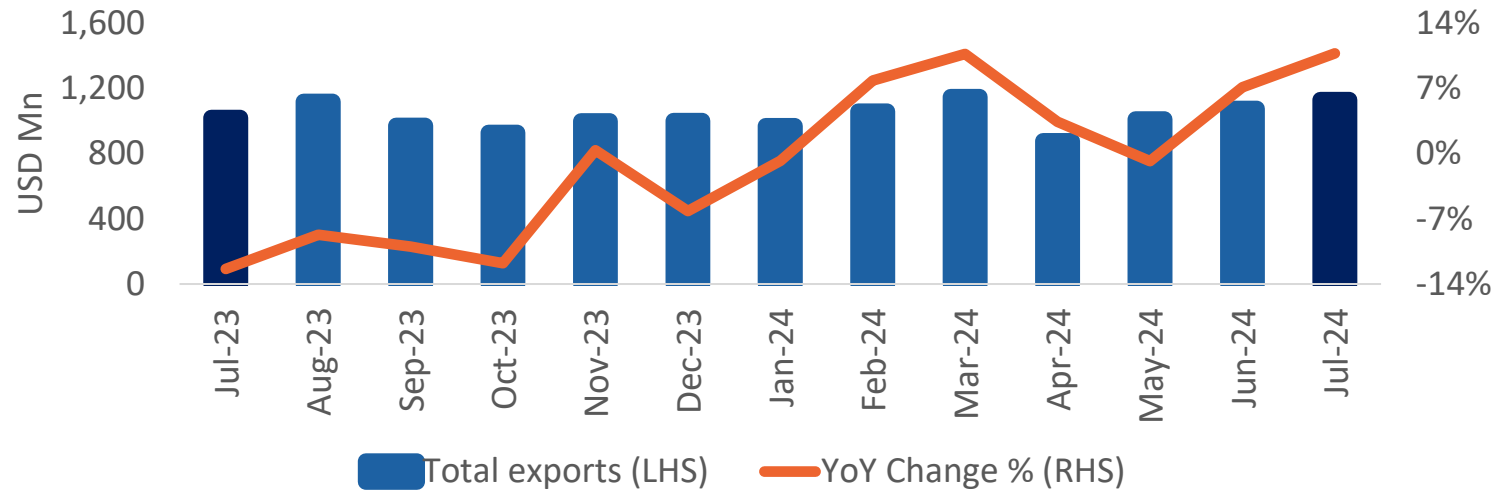
- Imports increased by 25.0% YoY in Jul 24, and it was a 19.9% increase compared to the previous month.
- The rise in expenditure on consumer goods imports in Jul 24 compared to the previous year was driven by increased spending on both food and beverages as well as non-food consumer goods, including clothing and accessories, home appliances, and telecommunication devices.
- In July 2024, expenditure on intermediate goods imports rose, mainly due to increased imports of textiles, base metals, and chemical products. However, spending on fuel decreased due to lower crude oil imports.
- The Imports Volume Index increased by 29% YoY in Jul 24, whereas the Import Unit Value Index saw a decline of 4% YoY during the same period.

Source: CBSL

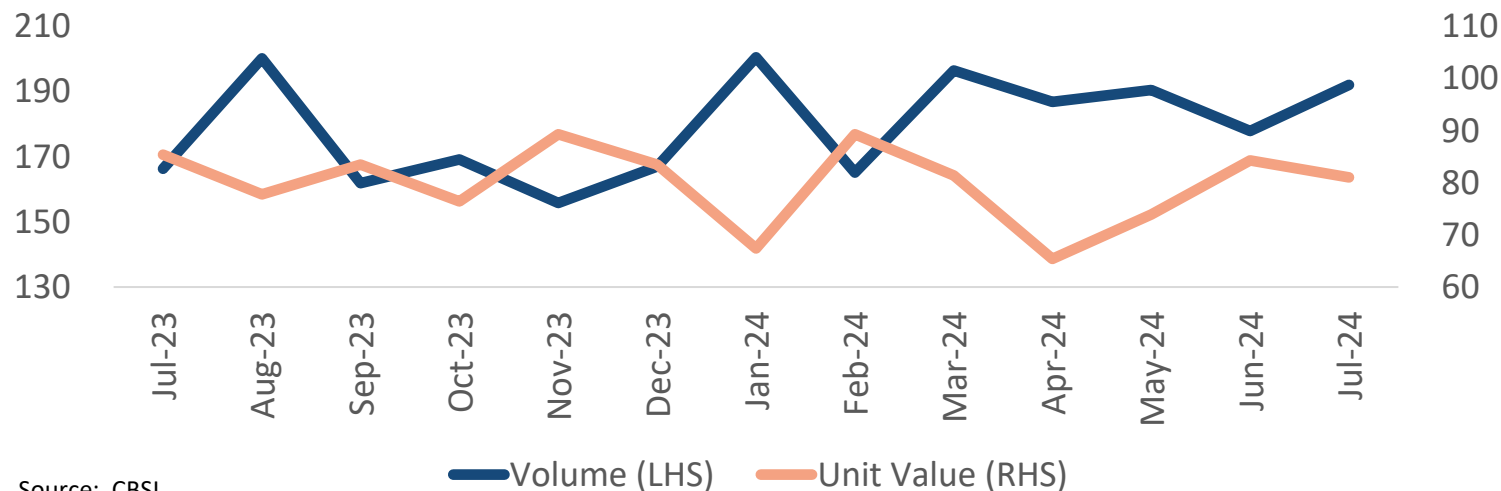
Note: Import unit value index is calculated in USD terms.

July 2024 export earnings soared by 10.8% YoY

Total Exports and Growth



Export Indices



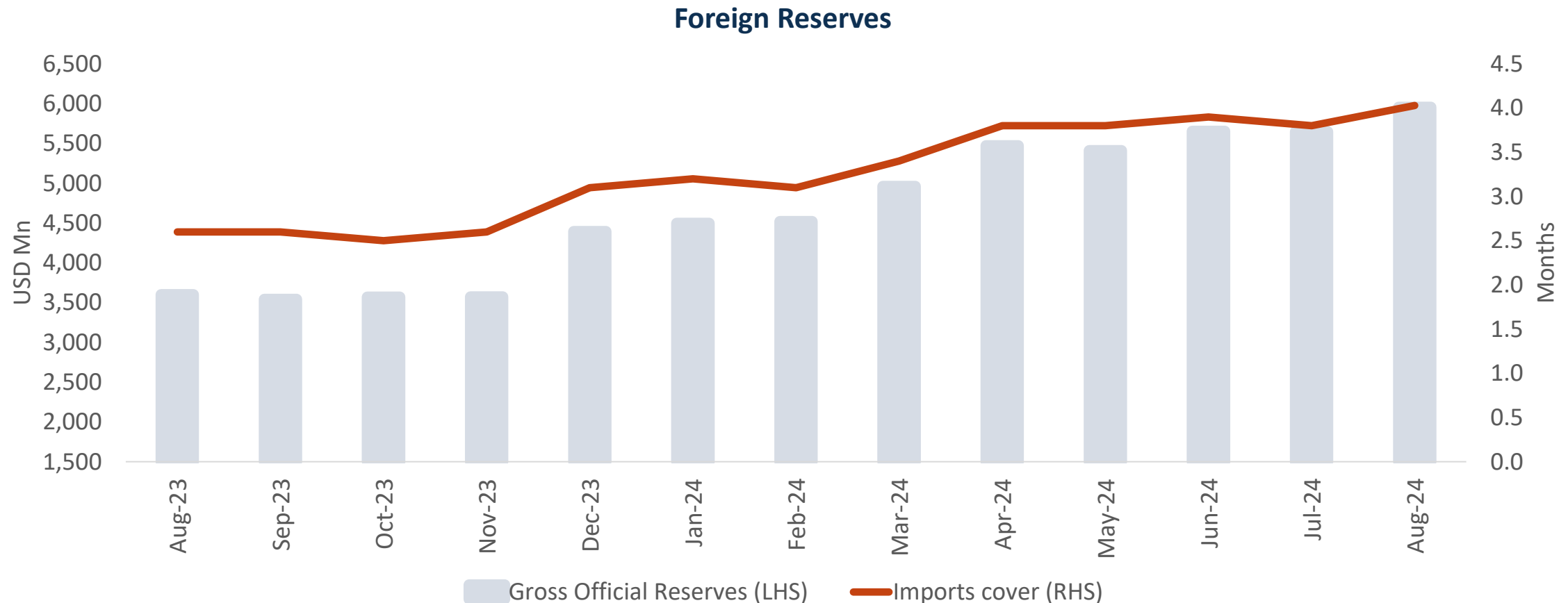
- In Jul 24, export earnings increased by 10.8% YoY. It was a 4.9% rise compared to the previous month. The increase was widespread, with industrial exports making the largest contribution.
- In July 2024, the YoY rise in industrial goods exports was largely driven by increased petroleum product exports, including bunkering and aviation fuel. Additionally, exports of textiles, garments, and transport equipment also showed significant improvement.
- Earnings from agricultural exports increased, fueled by spices, tea, and coconut-related products, despite a drop in minor agricultural exports.
- In Jul 24, the Export Volume Index surged by 15% YoY, whereas the Export Unit Value Index witnessed a decline of 5% YoY during the same period.

Source: CBSL

Note: Export unit value index is calculated in USD terms.

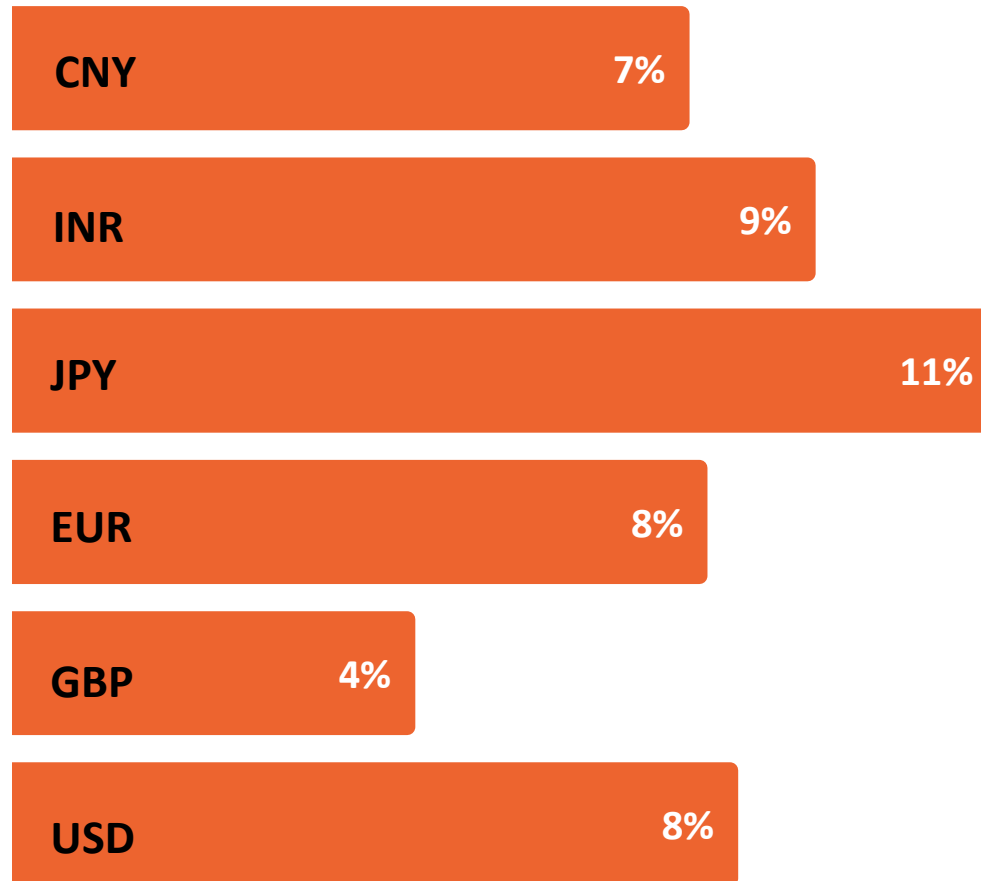
Foreign reserves increased from July to August 2024

As of the end of Aug 24, Sri Lanka's gross official reserves slightly decreased to USD 5,954 Mn. Currently it shows a comfortable buffer equivalent to approximately 4 months' worth of imports.

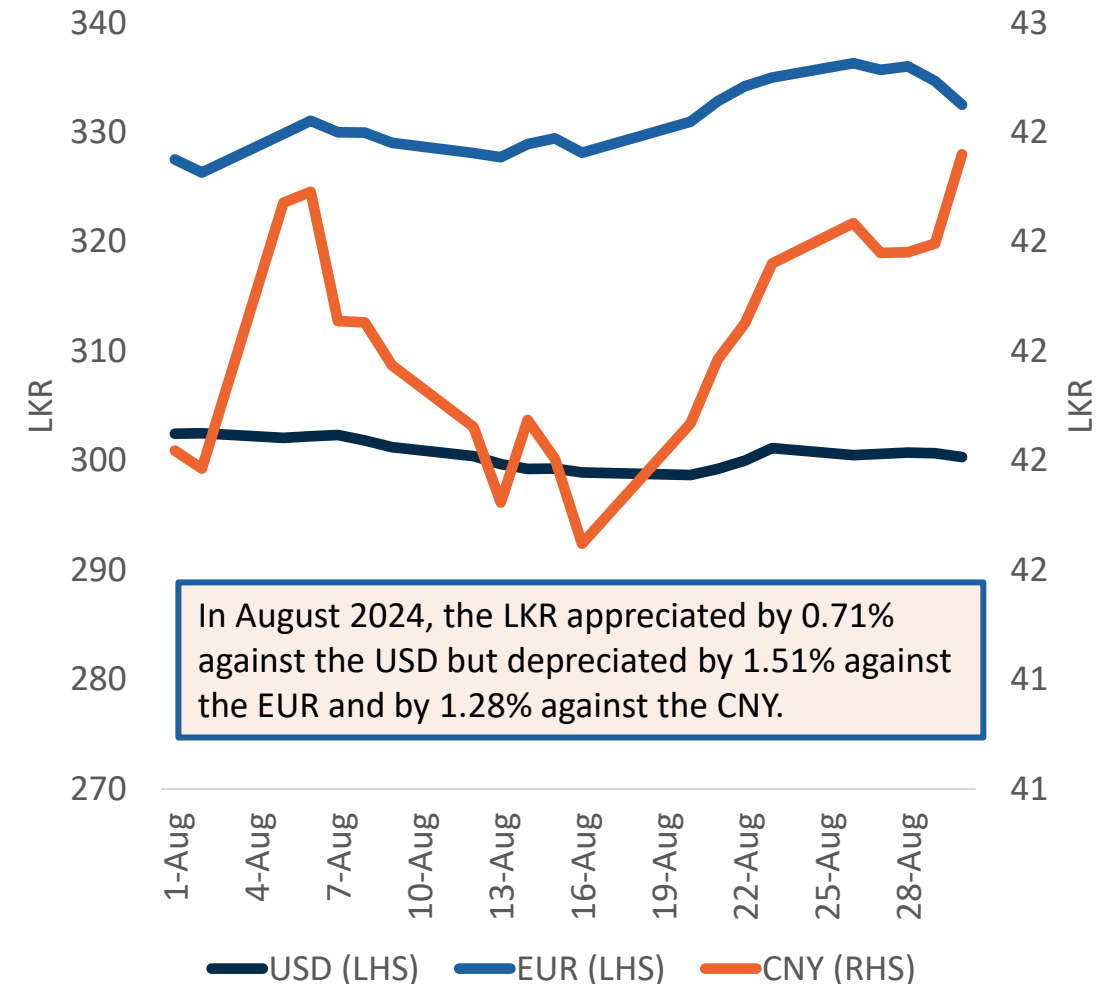


Sri Lankan rupee appreciated against multiple major currencies YTD

LKR appreciation against to major currencies
YTD end of Aug 24



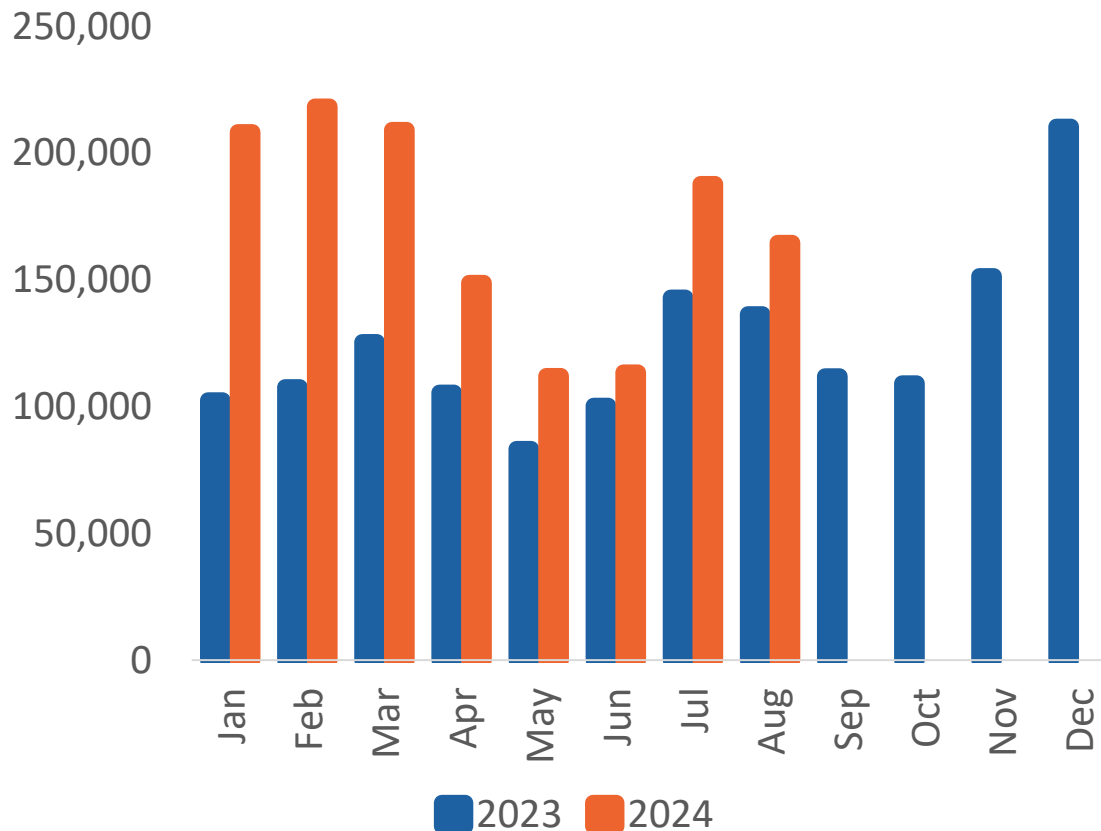
Monthly movement of major currencies



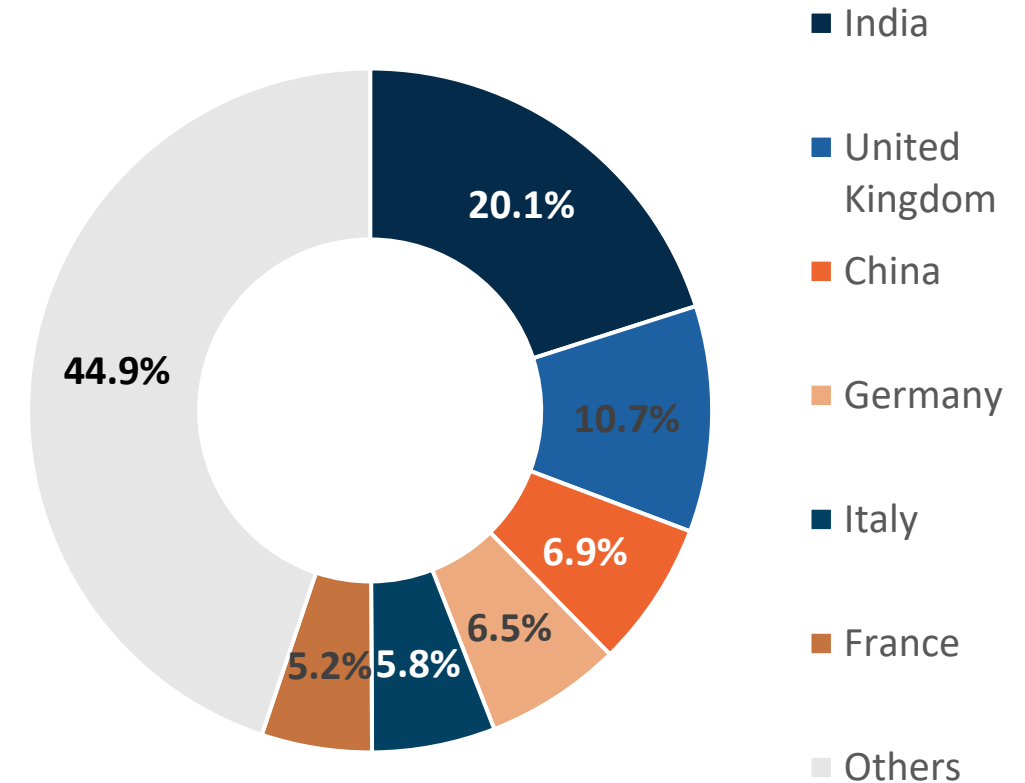
August 2024 tourist arrivals increased by 20.7% YoY

In August 2024, Sri Lanka welcomed 164,609 tourists, reflecting a 20.7% YoY growth. Despite this, the figure represented a 12.4% decrease compared to the previous month. The key source markets during Aug 24 included India, the UK, China, Germany, Italy and France.

Monthly Tourists Arrivals

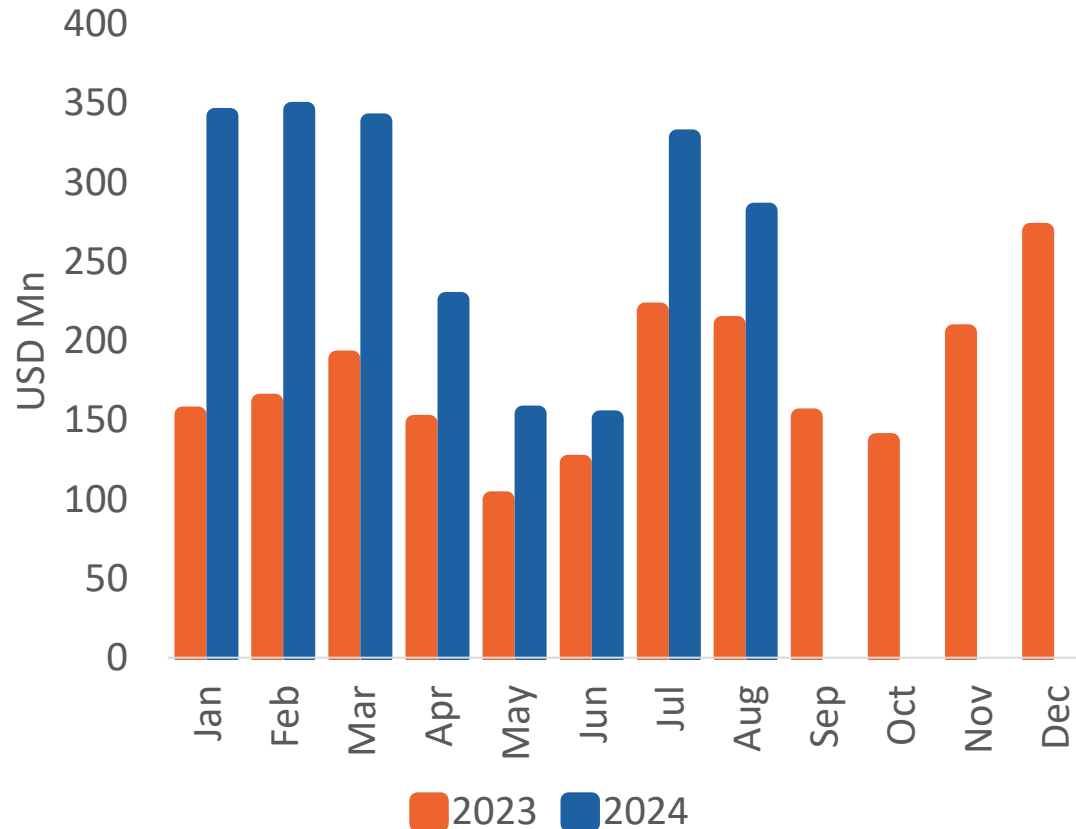


Arrival % by Country in Aug 24



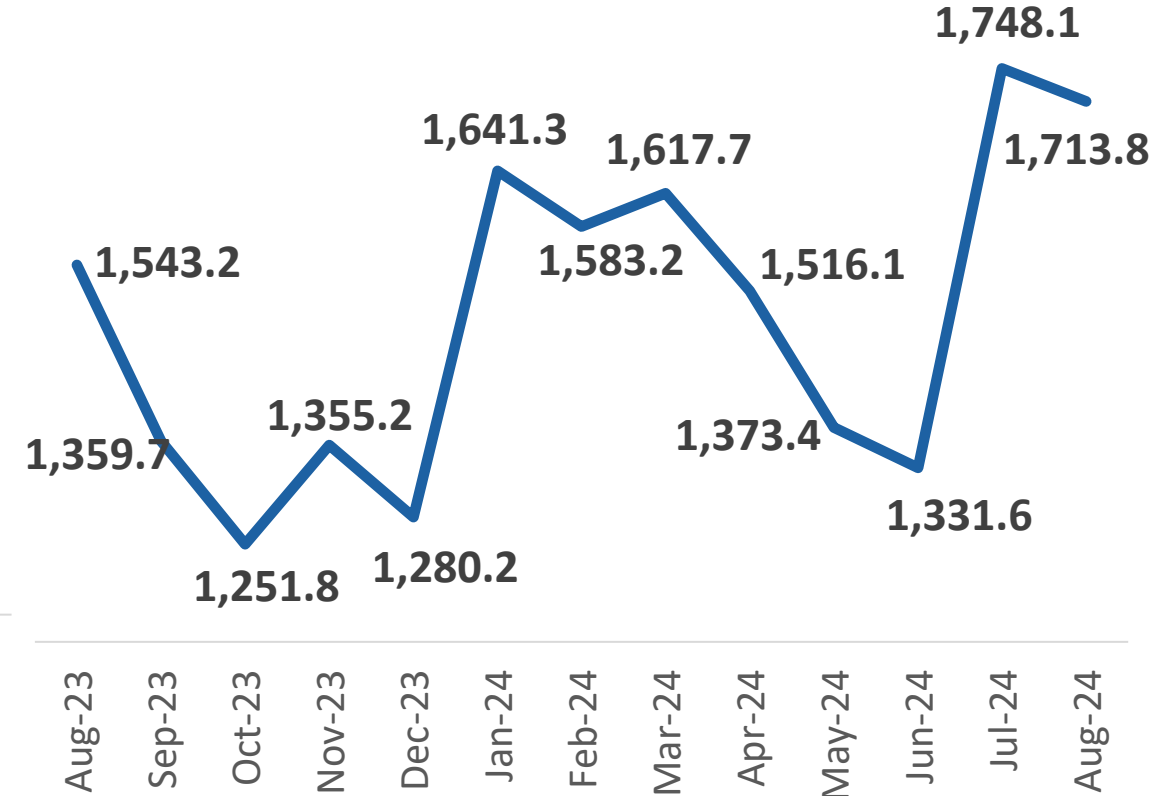
August 2024 tourism earnings increased 34.0% YoY

Monthly Tourists Earnings



YTD total tourism earnings = USD 2,167 Mn

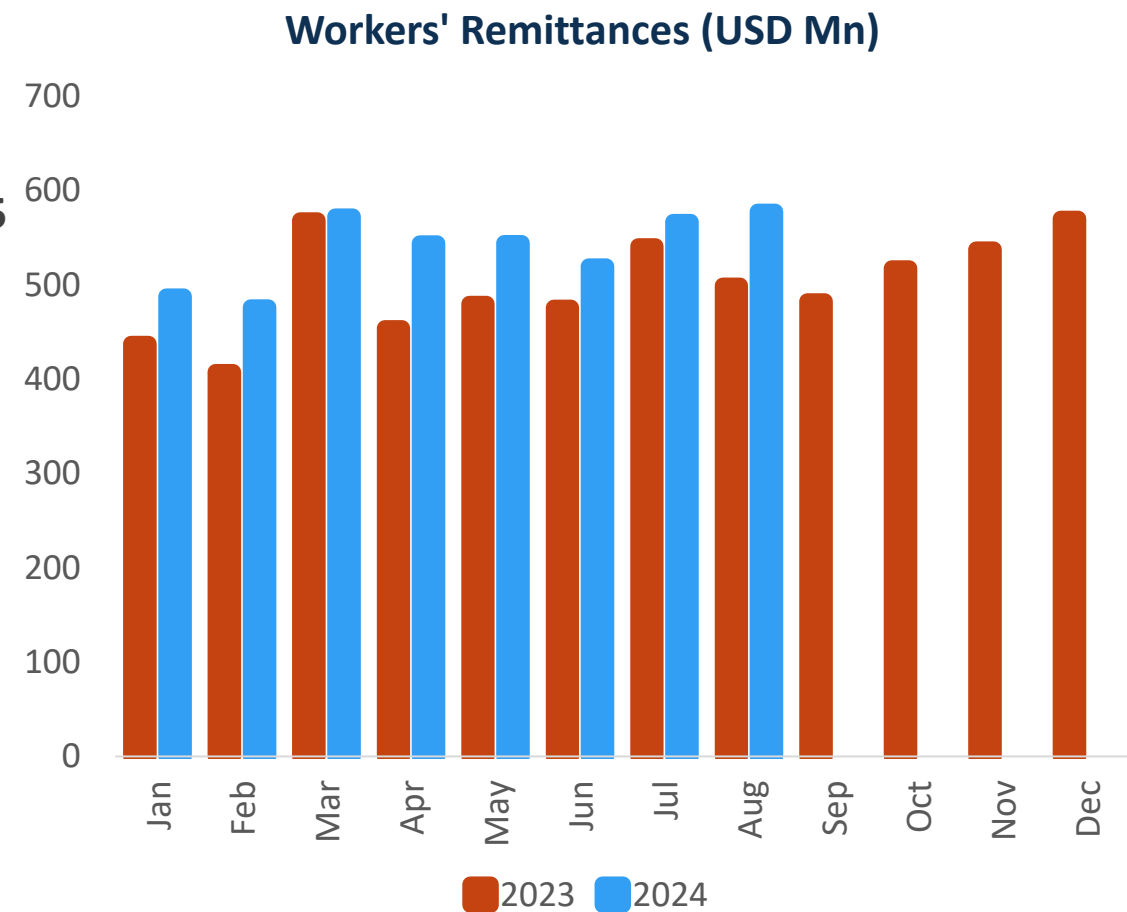
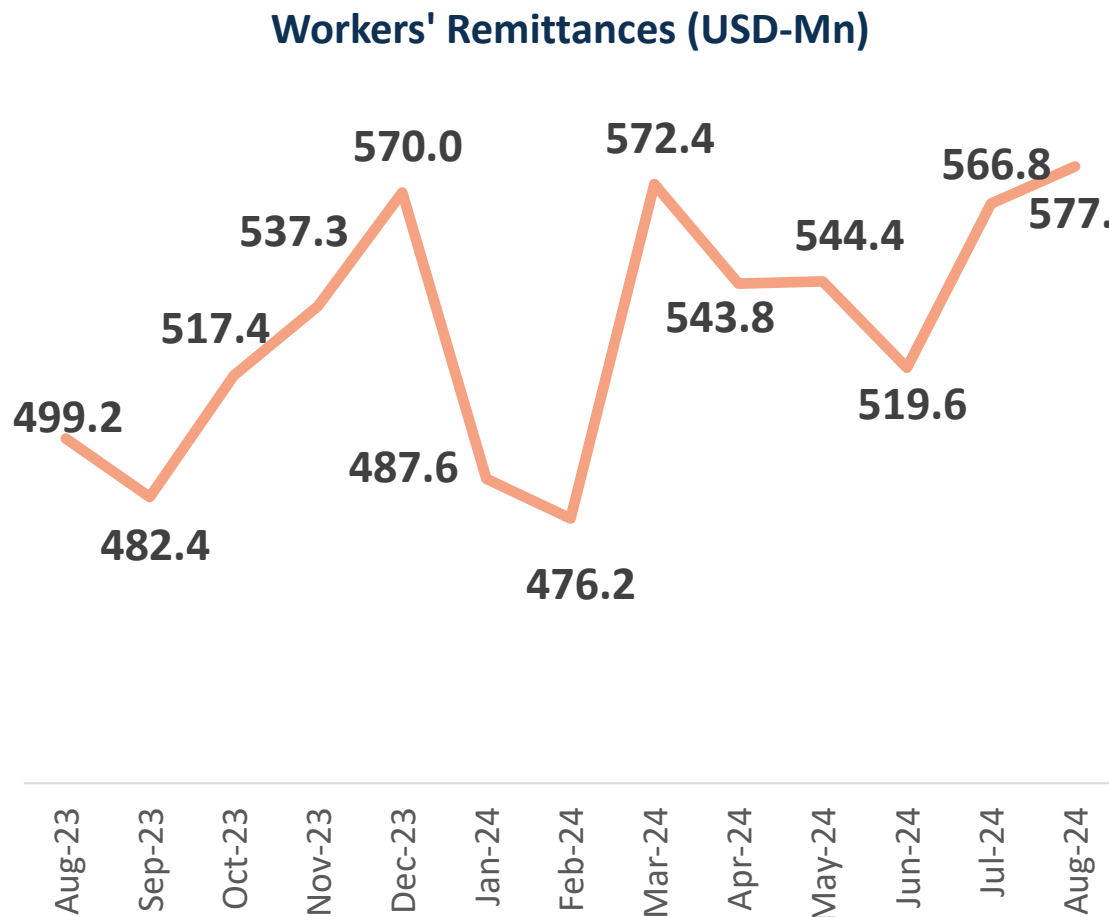
Earnings per Tourist (USD)



In Aug 24, tourism earnings experienced a significant YoY growth of 34.0%, reaching USD 282.1 Mn. However, this represented a 14.1% decline compared to the previous month. The earnings per tourist amounted to USD 1,713.8, showing a 11% YoY increase and a 2% decrease compared to the preceding month.

August 2024 worker remittances increased 16% YoY

In Aug 24, workers' remittances reached USD 577.5 Mn, marking a 16% rise from the same period last year and an increase of 2% compared to Jul 24. Despite occasional seasonal variations, workers' remittances have consistently shown an upward trend since experiencing a significant recovery in 2022.



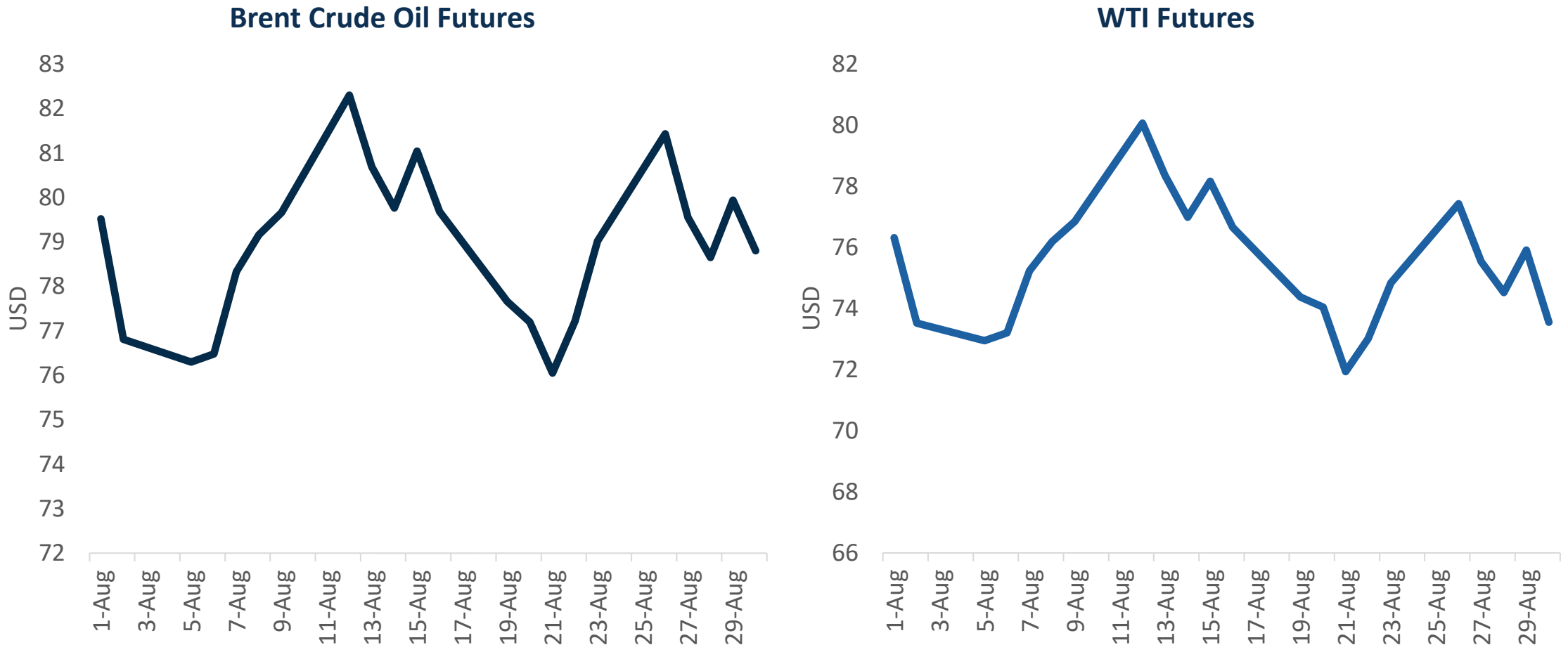


COMMODITIES AND OTHER

AMBEON
SECURITIES



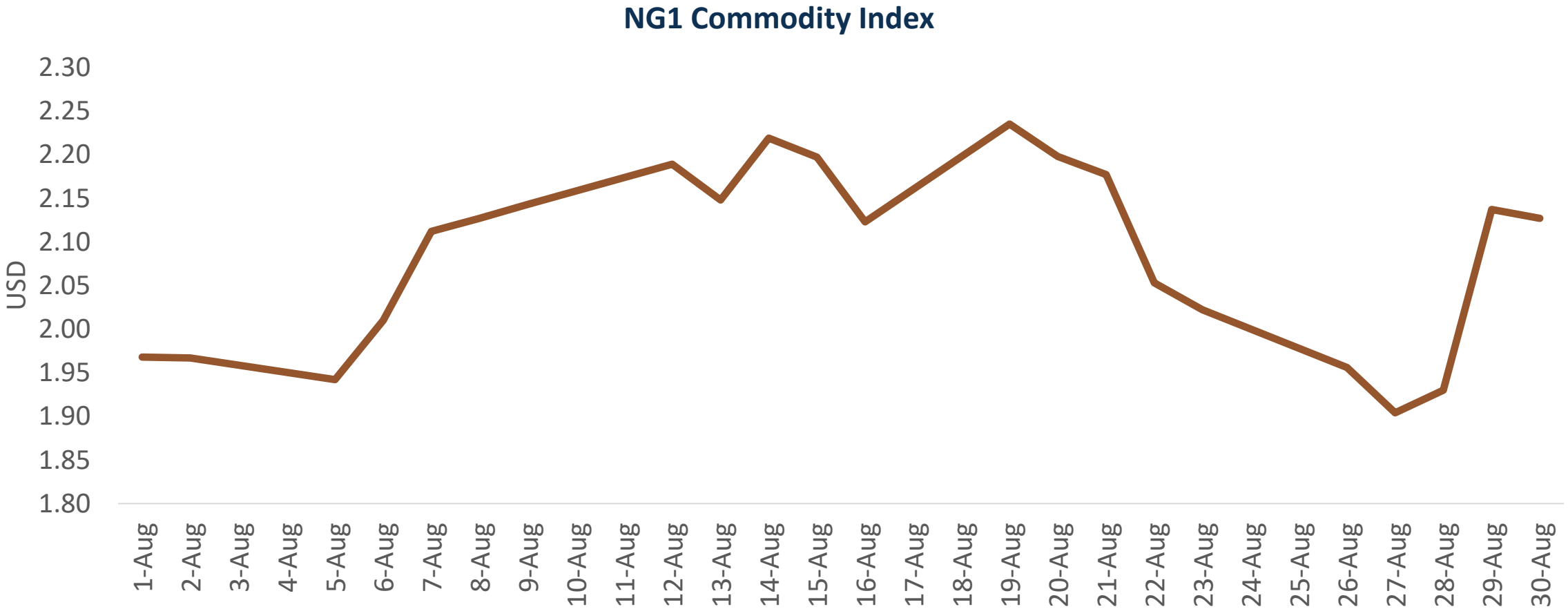
Crude oil prices were volatile in August 2024



In August 2024, Brent crude dropped 0.9% and WTI fell 3.6%. Early concerns over Middle Eastern conflict, weak U.S. data, and global economic worries influenced prices, but later peace talks eased supply risks. China's economic weakness also impacted price movements.

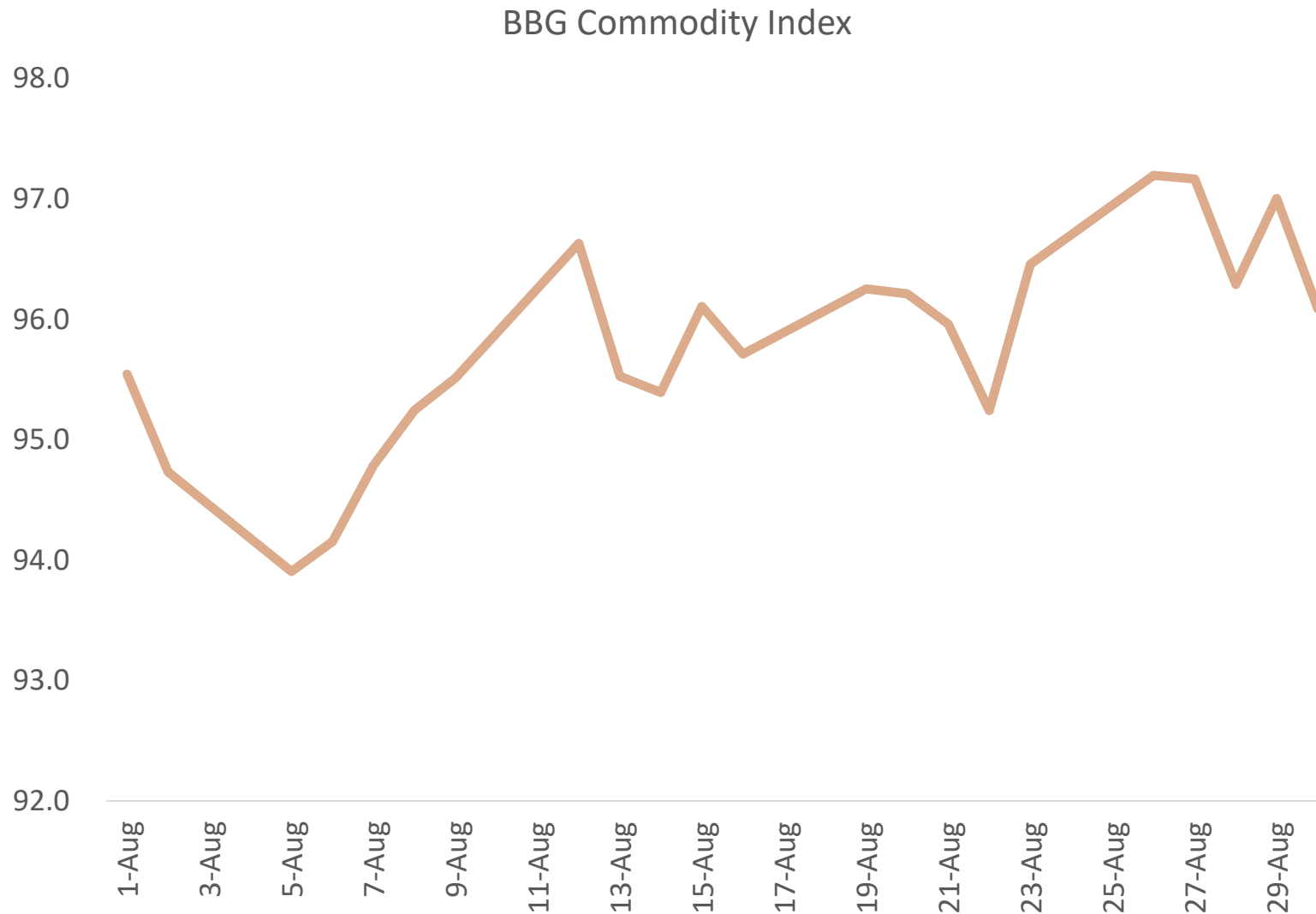
Natural gas prices soared by 8.1% during August 2024

In August 2024, natural gas prices rose 8.1%. European gas prices surged due to Ukrainian conflict near a key transit point and reduced Norwegian supply from maintenance. U.S. gas prices also increased, driven by forecasts of hotter temperatures.



Source: Investing.com

Commodities prices marginally increased in August 2024



- In August 2024, the Bloomberg Commodity Index (BBG) marginally increased by 0.6%.
- Soybean prices dropped 2.2% in the month due to limited demand, growing U.S. stocks, and strong production estimates. Meanwhile, U.S. corn prices rose slightly by 0.6%. Warmer, drier weather forecasts for early September also influenced both soybean and corn prices.
- In August 2024, copper prices surged 2.1% due to strong investor demand and optimism about potential U.S. interest rate cuts. Meanwhile, aluminum prices rose 6.6% despite high Chinese supply and weak demand from the property sector.
- In precious metals, gold prices rose slightly by 1.9%. Escalating tensions in the Middle East and the ongoing conflict between Ukraine and Russia influenced gold price movements during the month.

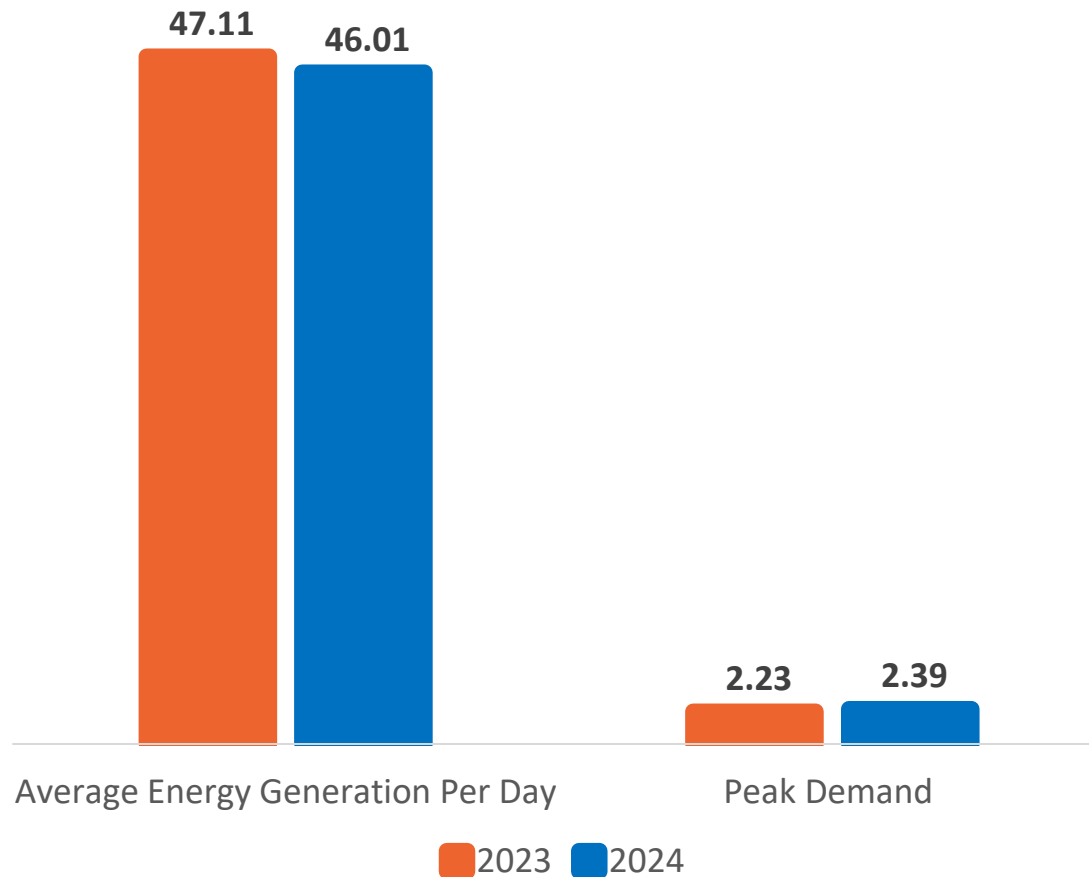
Note: The Bloomberg Commodity Index is a diversified commodity price index covering 23 exchange-traded futures in sectors like energy, grains, industrial metals, livestock, and precious metals.

Source: Investing.com

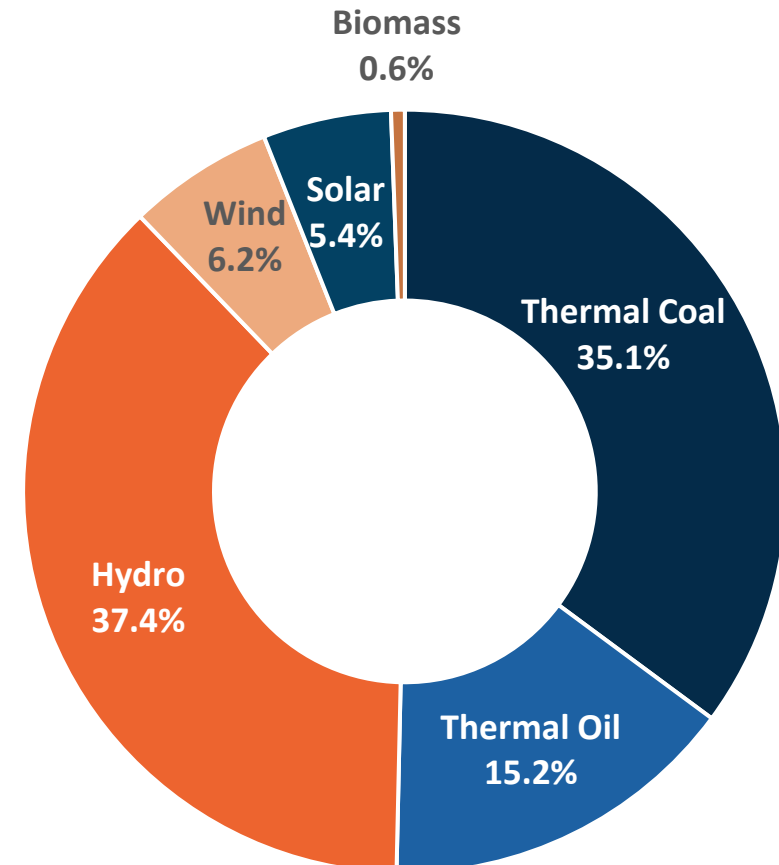
August 2024 average daily electricity generation declined by 2.3% YoY

In the month of Aug 24 average daily electricity generation was 46.01 GWh and it is a 2.3% decline compared to the same period last year. Average daily peak demand was 2.39 GWh in Aug 24.

**Average Daily Electricity Generation
in August (GWh)**



**Electricity Generation Composition by Category
in Aug 24**



July 2024 tea production increased by 6.1% YoY

In July 2024, Sri Lanka's tea production soared by 6.1% YoY, totaling 22.89 million kilograms. The value of tea exports for the month also rose to LKR 37,879 million, reflecting a 3.0% YoY growth. However, the quantity of tea exported fell by 6.2% YoY to 21.36 million kilograms.

Tea Exports

For Jul 24	Volume in Kgs	Value in LKR Mn
Tea in Bulk	9,806,070	15,080
Tea in Packets	8,809,101	14,766
Tea in Bags	2,150,574	5,926
Instant Tea	225,752	651
Green Tea	364,337	1,455
Total	21,355,834	37,879

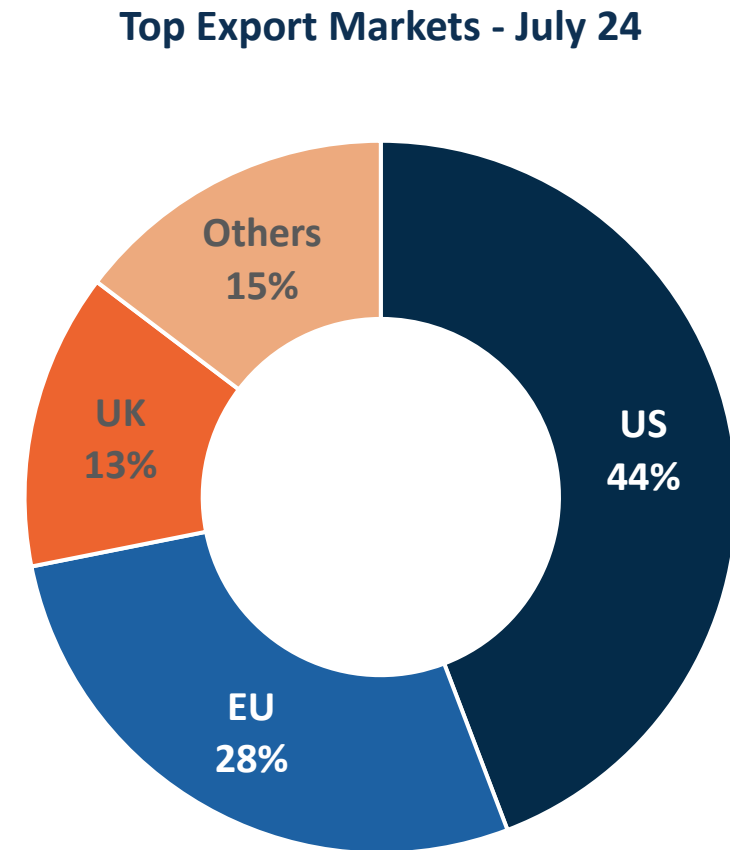
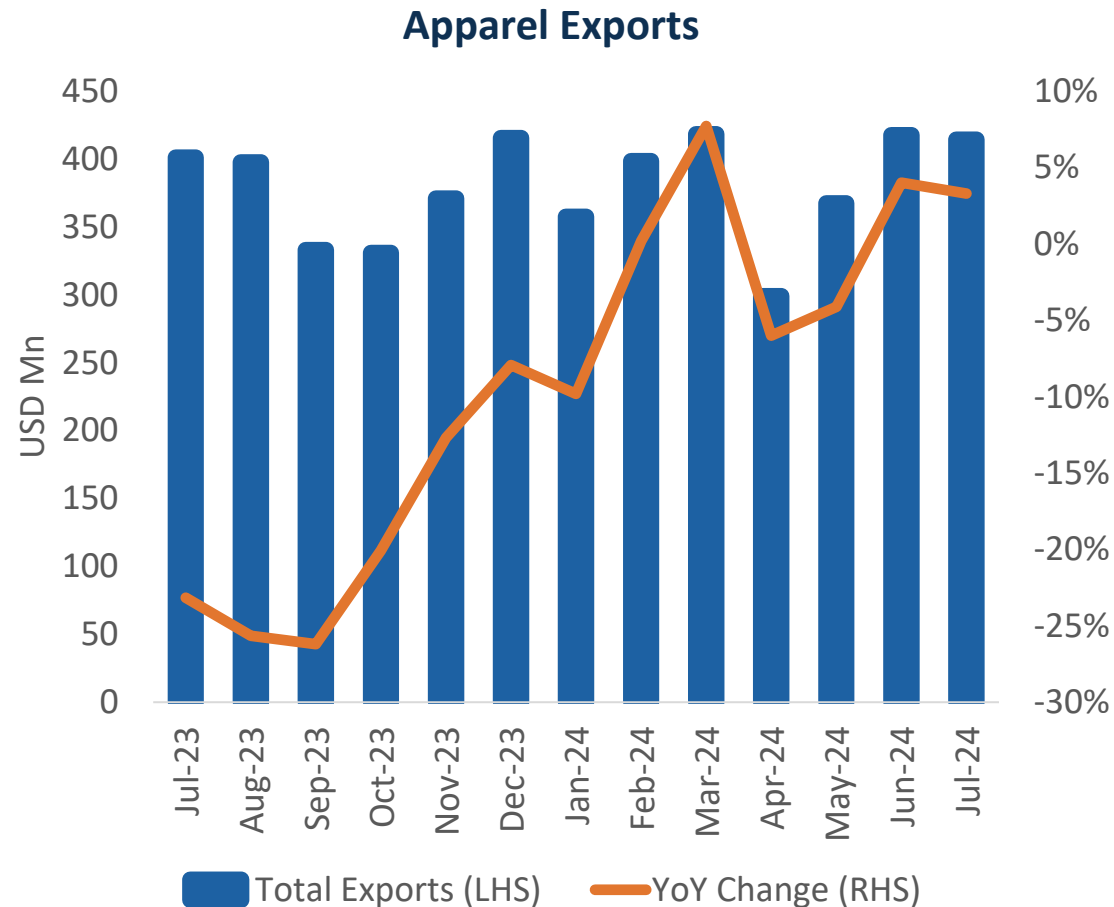
Average Tea Auction Prices (Monthly)

For Jul 24	LKR per Kg
High	1,163.51
Medium	1,073.80
Low	1,319.91
Total	1,242.44

Tea Production

For Jul 24	Kgs
High	5,434,639
Medium	3,938,173
Low	13,281,824
Green Tea	236,930
Total	22,891,566

July 2024 apparel exports increased by 3.3% YoY



In July 2024, total apparel exports generated USD 414.38 million, reflecting a 3.3% increase compared to the same month in the previous year. However, this represented a slight decrease of 0.8% compared to the previous month. Exports to the US saw a 5.5% YoY increase, while exports to the UK grew by 8.2% YoY. Conversely, exports to the EU experienced a 2.2% YoY decline.

AMBEON SECURITIES (PVT) LIMITED

No: 10, 2nd Floor
Gothami Road,
Colombo 08,
Sri Lanka.

T : +94 11 532 8 100

F : +94 11 532 8 177

E: research@ambeonsecurities.lk



DISCLAIMER

Ambeon Securities has taken reasonable steps to ensure the accuracy and reliability of the information presented in this Report. While we strive for accuracy, we do not guarantee the completeness or correctness of the information. The information may be subject to change without notice, and Ambeon Securities is not obligated to update or revise the Report after its initial publication. Any updates or revisions will be made at the sole discretion of Ambeon Securities.

Ambeon Securities, its employees, and affiliates shall not be held liable for any direct or indirect loss or damage that may arise from the use of the information contained in this Report. This includes, but is not limited to, financial losses, lost profits, direct, indirect, incidental, punitive or any other consequential damages.

The information and opinions presented in this Report are for informational purposes only and should not be construed as any offer, investment advice, a recommendation to buy or sell any securities, or an endorsement of any investment strategy. Ambeon Securities does not provide personalized investment advice, and you should consult with a qualified financial advisor before making any investment decisions. This Report may contain forward-looking statements that involve risks and uncertainties. These statements are based on our current expectations and assumptions and are subject to various factors that may cause actual results to differ materially from those expressed or implied in the Report.

This report does not take into account the specific financial situation, investment objectives, or risk tolerance of individual readers. Consequently, investments discussed in this report may not be suitable for all investors. Each reader is responsible for determining the suitability of any investment based on their own circumstances.

Ambeon Securities, its employees, and affiliates may have financial interests in the securities mentioned in this Report. These interests may change without notice, and such positions may have an impact on the opinions expressed in the Report.

This Report is intended solely for the use of the recipient and may not be reproduced, redistributed, or otherwise disseminated to any other person or entity without the express written consent of Ambeon Securities. All rights, including copyright, are reserved.

Investing in securities involves risks, including the risk of loss of principal. Past performance is not indicative of future results, and the value of investments may go up or down. These risks may include, but are not limited to, market risk, liquidity risk, credit risk, geopolitical risk, and other factors that can impact the performance of investments.

By accessing and reading this Report or downloading the report electronically, you acknowledge and agree to the terms and conditions outlined above. If you do not agree with these terms, please refrain from using this Report. Ambeon Securities assumes no responsibility for any unauthorized use of this Report or its contents.

Sales Team

Charith Kamaladasa

Niranjan Niles

Romesh Kenny

Chinthaka Weeraratna

Pasindu Yatawara

Director/CEO

Executive Director

Senior Manager Institutional Sales

Senior Investment Advisor

Senior Investment Advisor

charithk@ambeonsecurities.lk

niles@ambeonsecurities.lk

romesh@ambeonsecurities.lk

chinthaka@ambeonsecurities.lk

pasindu@ambeonsecurities.lk

Research Team

Hansinee Beddage

Shashikala Hanshani

Amoda Prasansana

Manager Investment Research

Trainee Investment Research Analyst

Trainee Investment Research Analyst

hansinee@ambeonsecurities.lk

shashikala@ambeonsecurities.lk

amoda@ambeonsecurities.lk