



MONTHLY ECONOMIC WRAP | NOVEMBER 2024

AMBEON
SECURITIES

12.12.2024

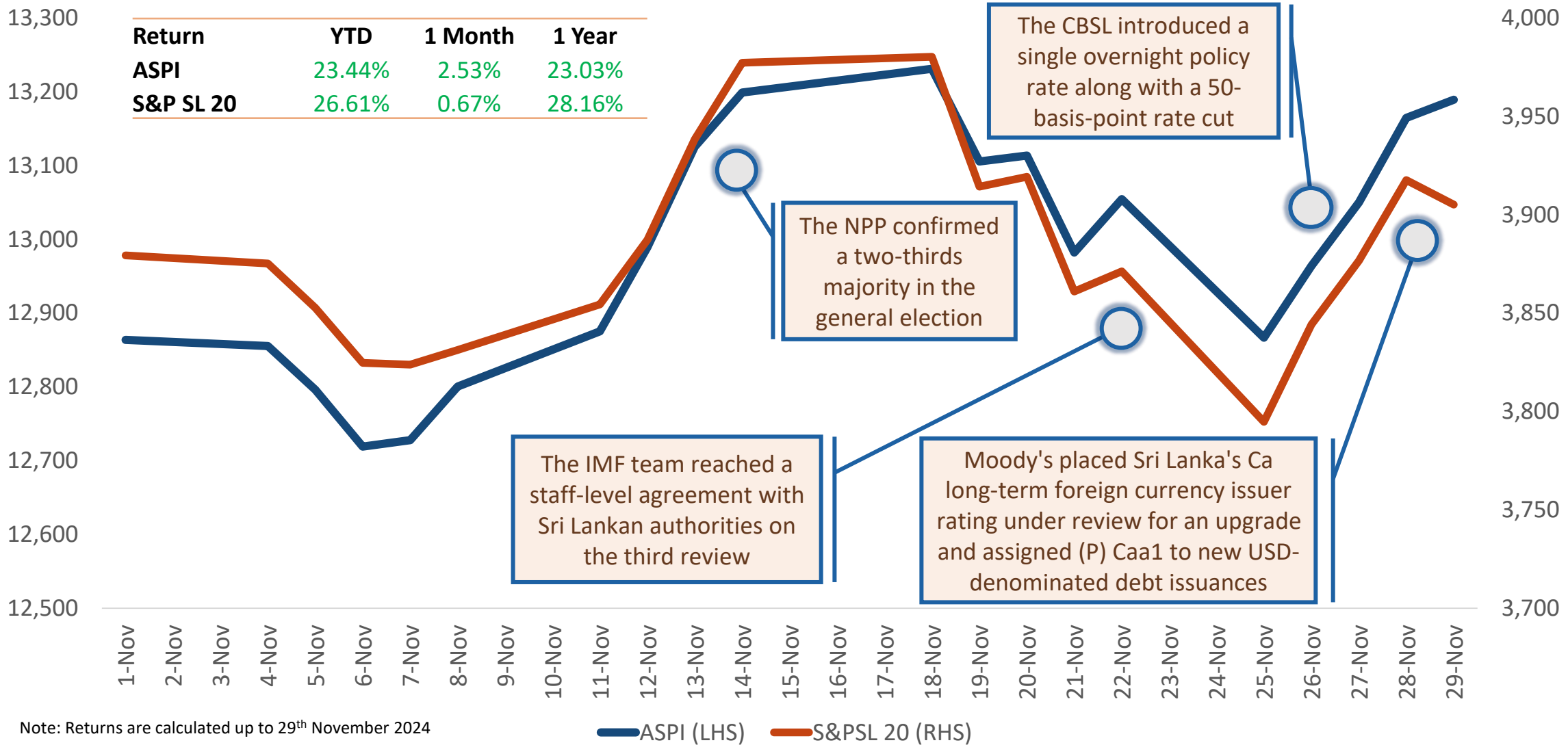


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ASPI increased 2.5% and S&PSL20 increased 0.7% in November 2024



Note: Returns are calculated up to 29th November 2024

Source: CSE, Ambeon estimates

RSI & MACD of ASPI

ASPI

RSI (14)

MACD (12,26)

67.63

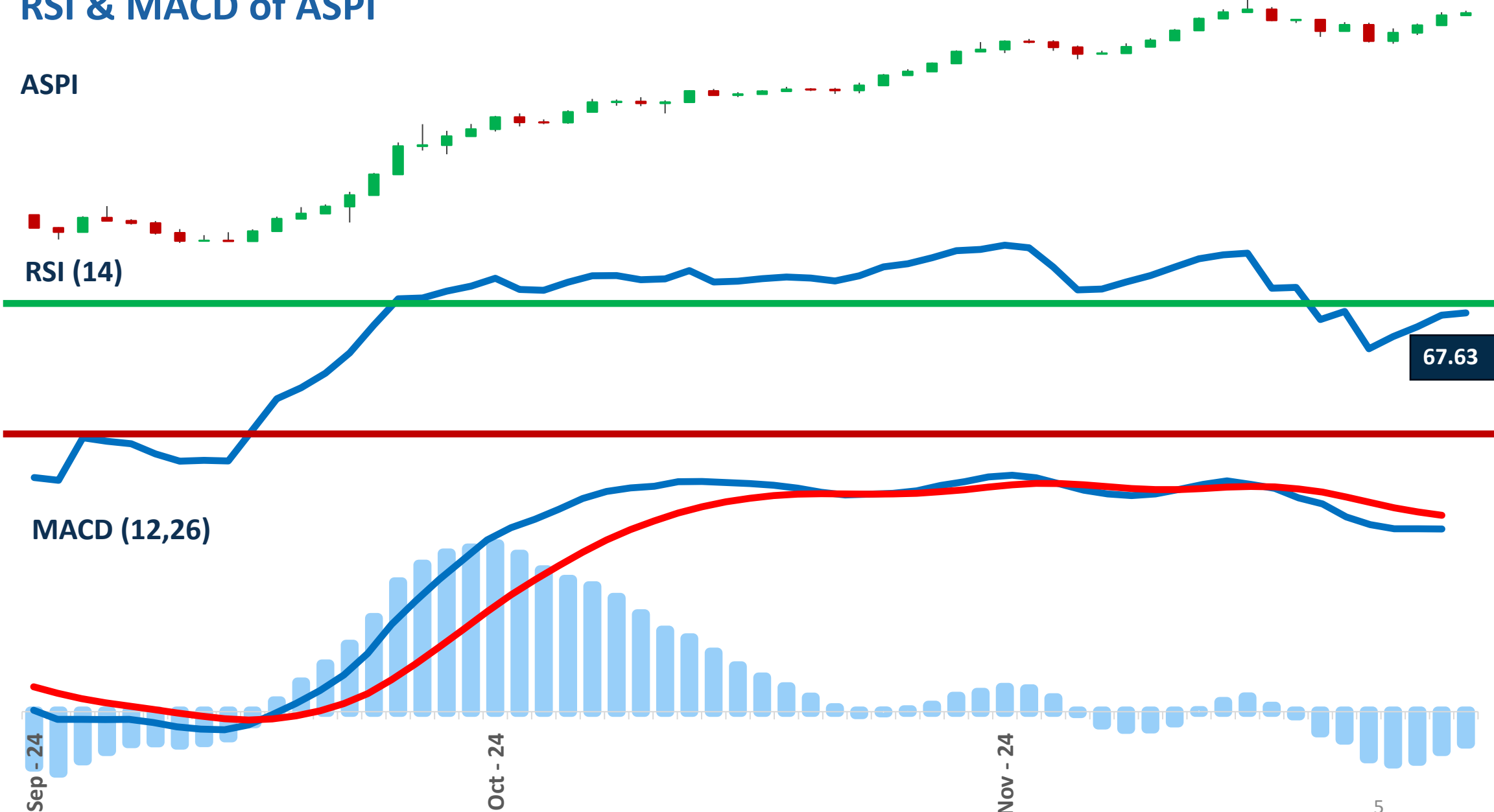
Sep - 24

Oct - 24

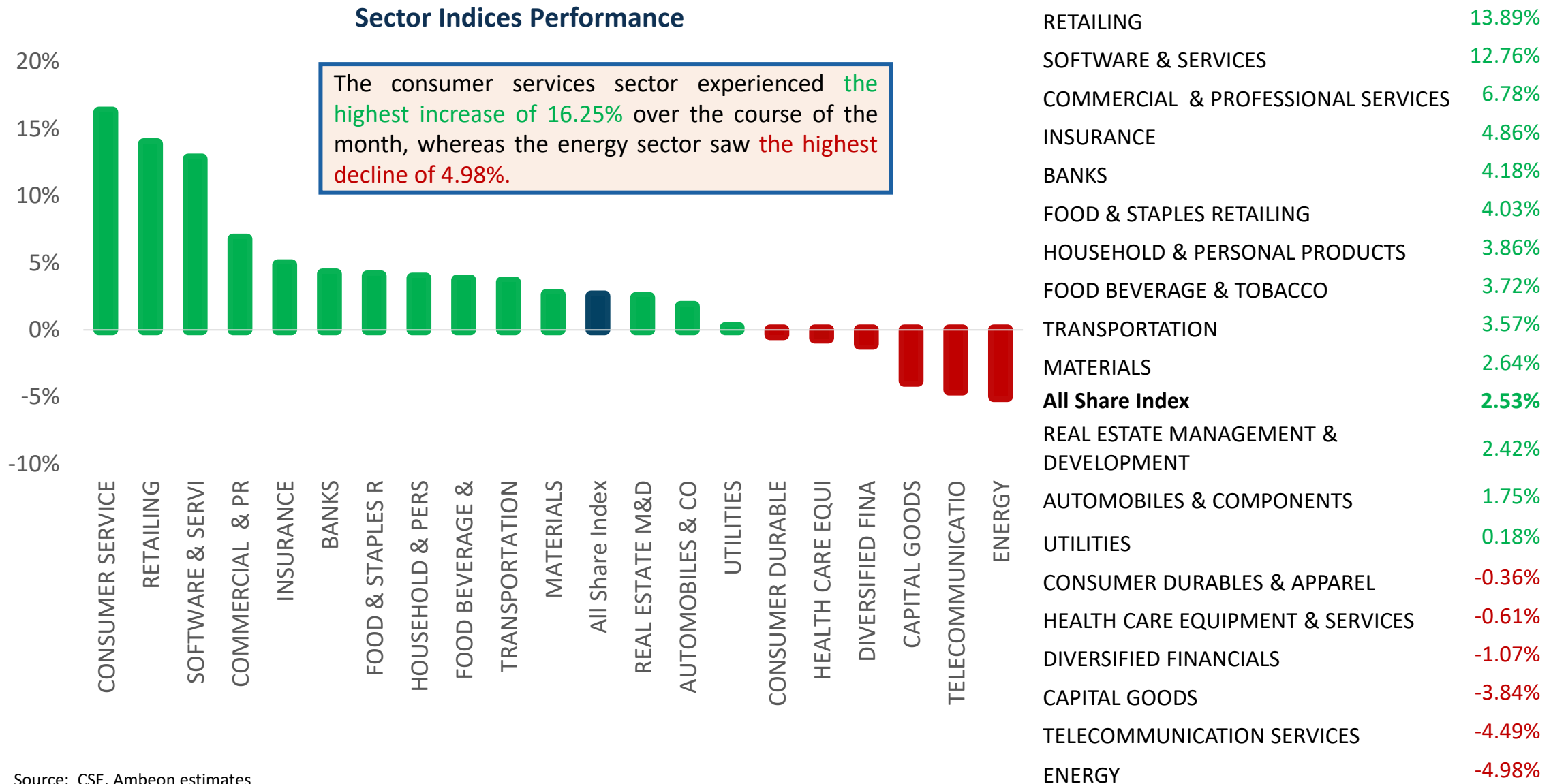
Nov - 24

5

Source: Investing.com, Ambeon estimates



During November 2024, most of the sectors saw an increase

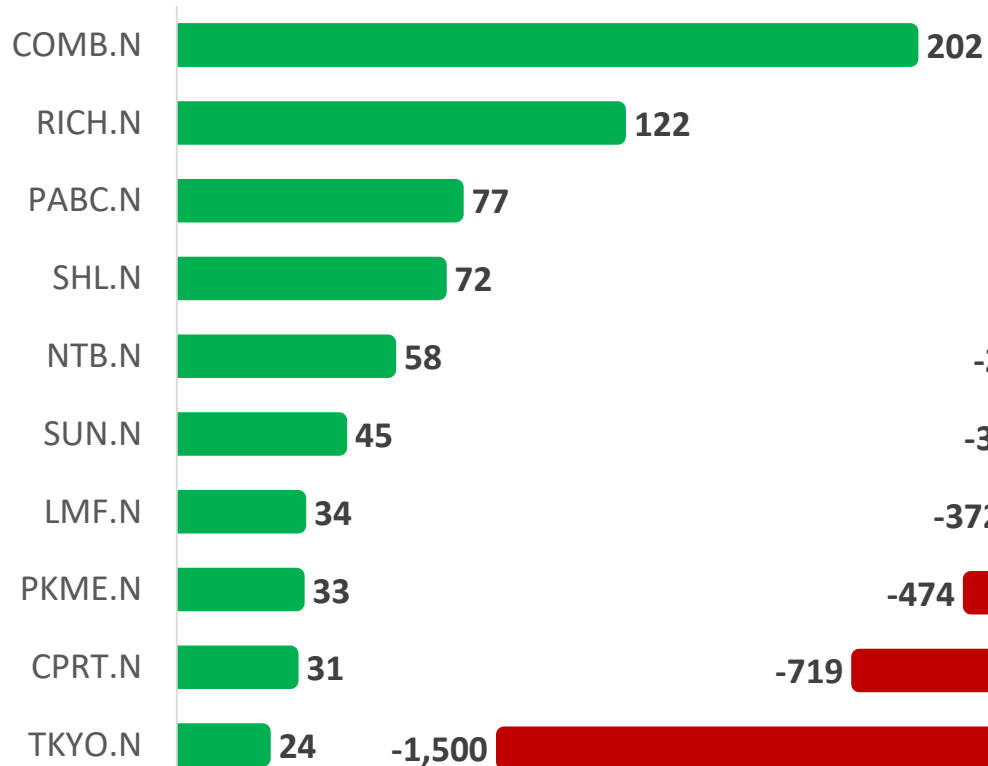


Source: CSE, Ambeon estimates

Total net foreign outflow for November 2024 was LKR 3,101 Mn

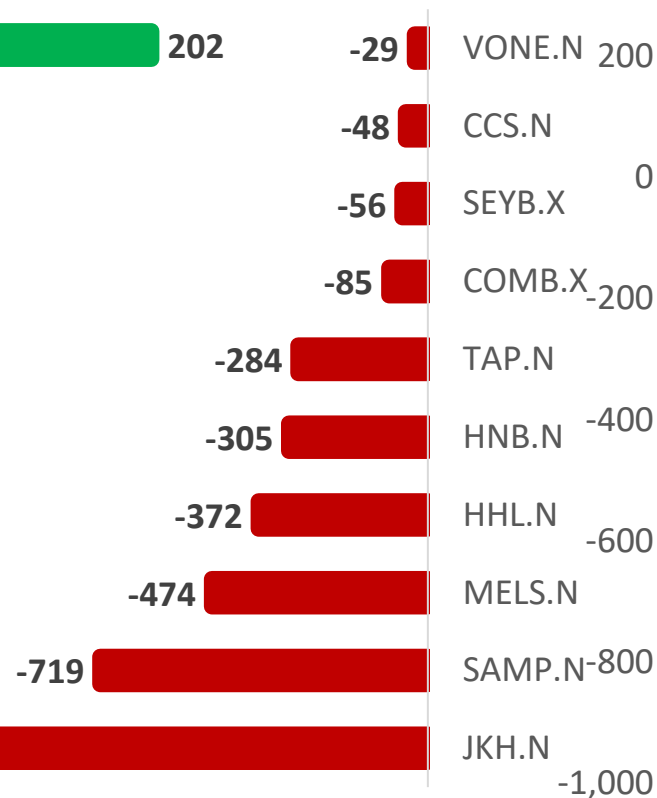
Top 10 Counters

Net Foreign Inflows (LKR Mn)



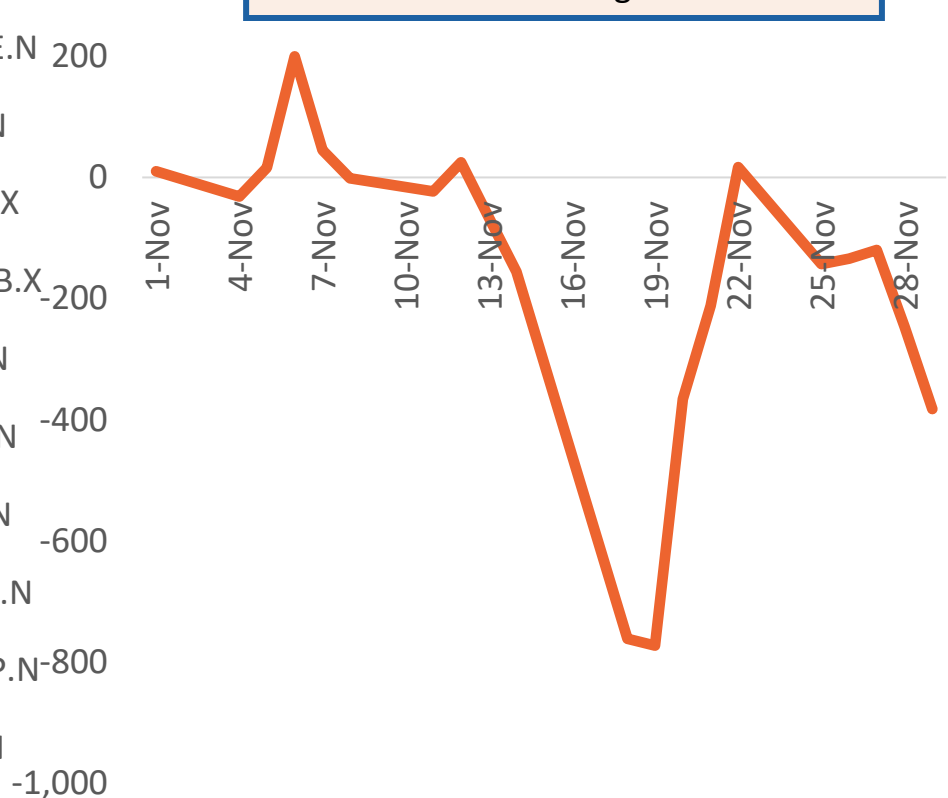
Top 10 Counters

Net Foreign Outflows (LKR Mn)



Net Foreign Flow (LKR Mn)

Except for six market days, the month indicated net foreign outflows

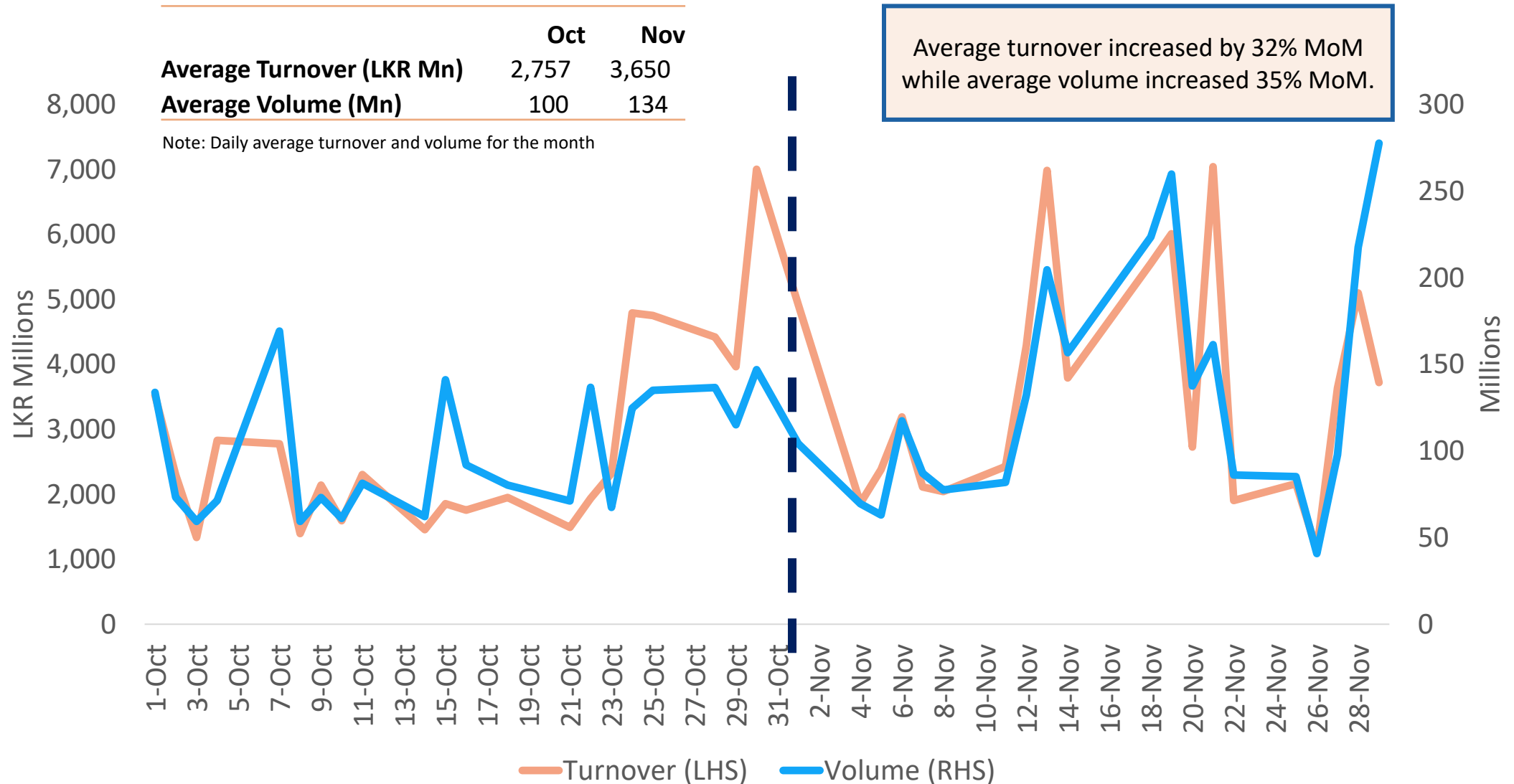


Nov 24 Total Net Foreign Flow LKR -3,101 Mn | Year-to-date Net Foreign Flow* LKR -6,339 Mn

Source: CSE, Ambeon estimates

*Year-to-date calculated as of 29th November 2024

November turnover and volume increased, inching towards year's high



Regional valuation comparison

Frontier Markets (Asia)

Index	PE	PBV
ASPI (Sri Lanka)	10.1	1.2
KSE 100 (Pakistan)	6.4	1.2
VNI (Vietnam)	14.9	1.7

US & European Markets

Index	PE	PBV
S&P 500 (US)	27.1	5.3
DJIA (US)	24.2	5.4
FTSE 100 (UK)	13.3	1.9

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	19.1	2.1
CSI 300 (China)	16.1	1.6
HSI (Hong Kong)	10.2	1.1
BSE 500 (India)	25.1	3.9
NIFTY 50 (India)	23.0	3.7

Key economic news & events

02nd Nov

SL paid USD 503 Mn external debt in 1H 2024

Sri Lanka's external debt totaled USD 37.5 billion as of June 2024, according to the Ministry of Finance. In the first half of 2024, the country paid USD 503 million in debt servicing, comprising USD 275.1 million in principal repayments and USD 227.9 million in interest.

14th Nov

NPP won general elections

The National People's Power (NPP) alliance achieved a decisive victory in Sri Lanka's general election, securing nearly 62% of the vote and winning 159 out of 225 seats, thus attaining a two-thirds majority in Parliament.

23rd Nov

IMF third review approved & SL to get USD 333 Mn

The IMF has reached a staff-level agreement with Sri Lankan authorities for the third review under the EFF arrangement, granting Sri Lanka access to approximately USD 333 million, increasing the total financial support under the arrangement to about USD 1,333 million.

27th Nov

CBSL introduced OPR at 8%

At its year-end meeting, the CBSL Monetary Policy Board eased monetary policy further by setting the new Overnight Policy Rate (OPR) at 8.00%, effectively reducing the policy rate by 50 basis points. The SDFR and SLFR are no longer classified as policy rates.

28th Nov

Moody's assigns (P)Caa1 to USD dominated bonds issuances

Moody's has placed Sri Lanka's Ca long-term foreign currency issuer rating under review for a potential upgrade and assigned provisional (P)Caa1 to new USD-denominated bonds issued under its exchange offer.



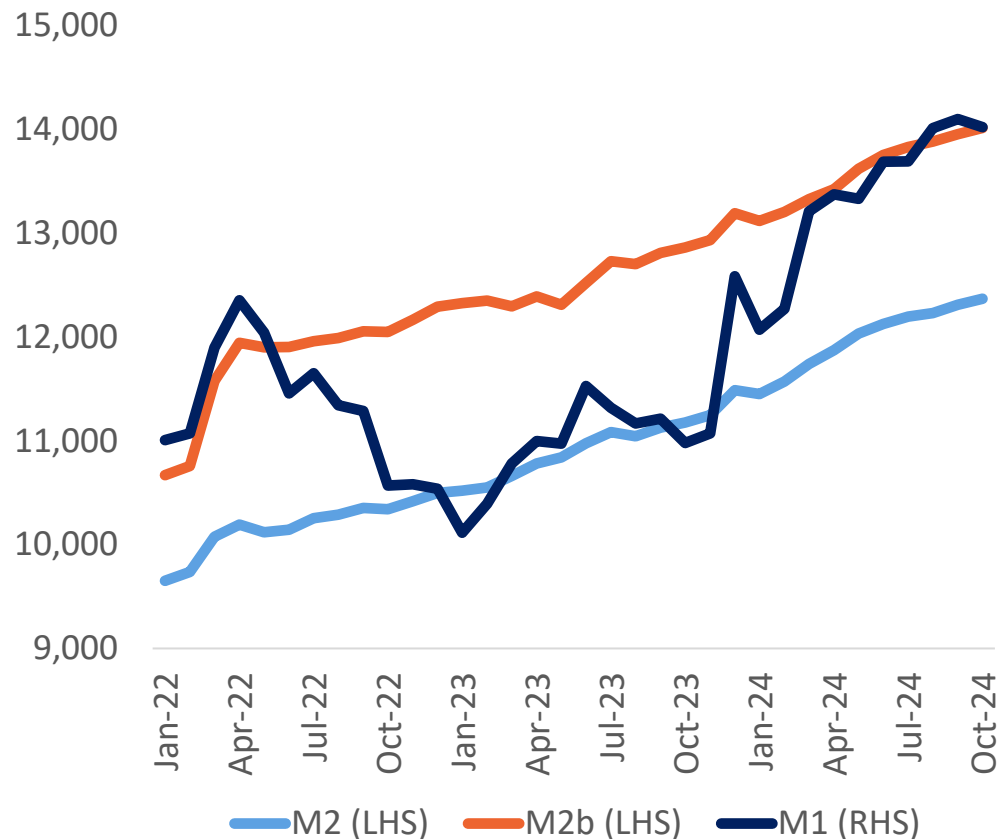
MONETARY SECTOR



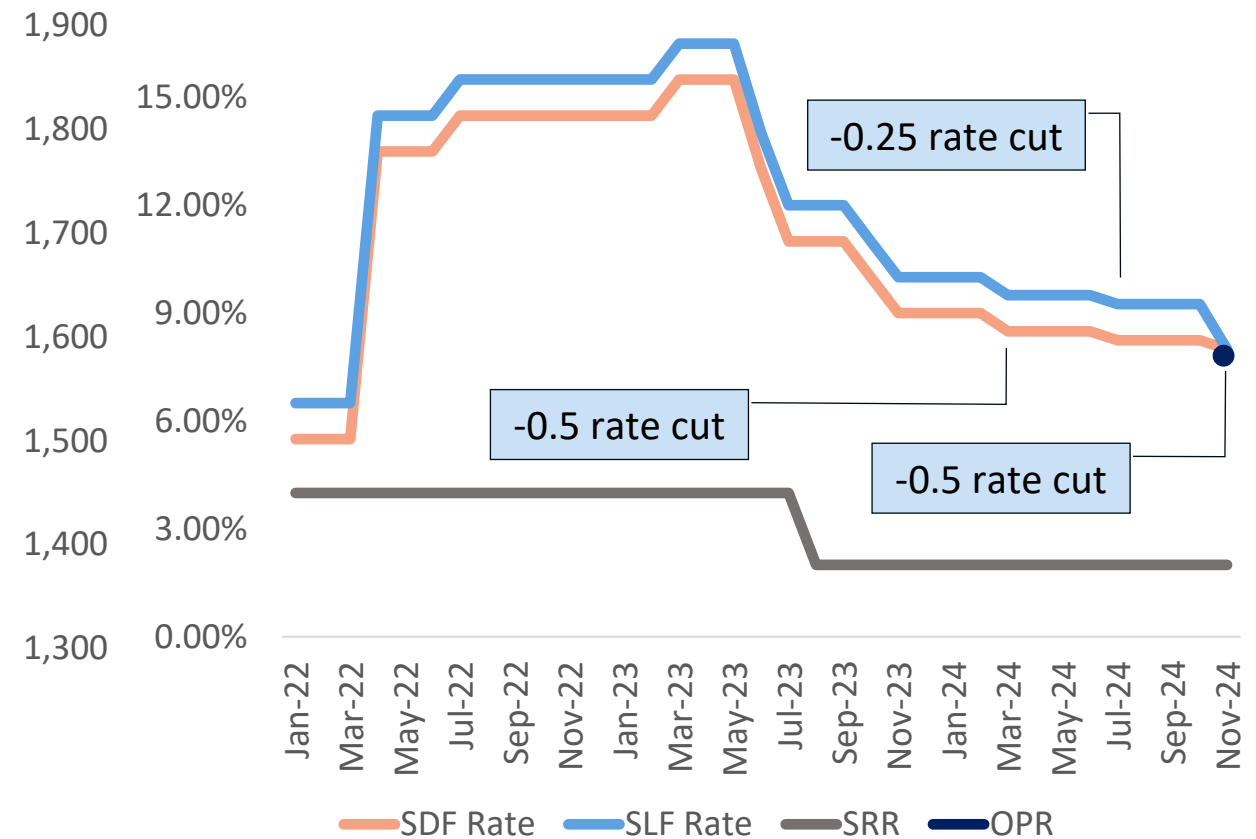
CBSL implemented a single OPR of 8%, marking a cut of ~50 basis points

By the end of October 2024, the narrow money supply (M1) edged down to LKR 1,802 billion, while the consolidated broad money supply (M2b) rose to LKR 14,009 billion compared to September 2024. In the final monetary policy meeting of the year, a single policy rate, the Overnight Policy Rate (OPR), was introduced, set at 8.00%. This decision reflects an approximate 50 basis point reduction in interest rates.

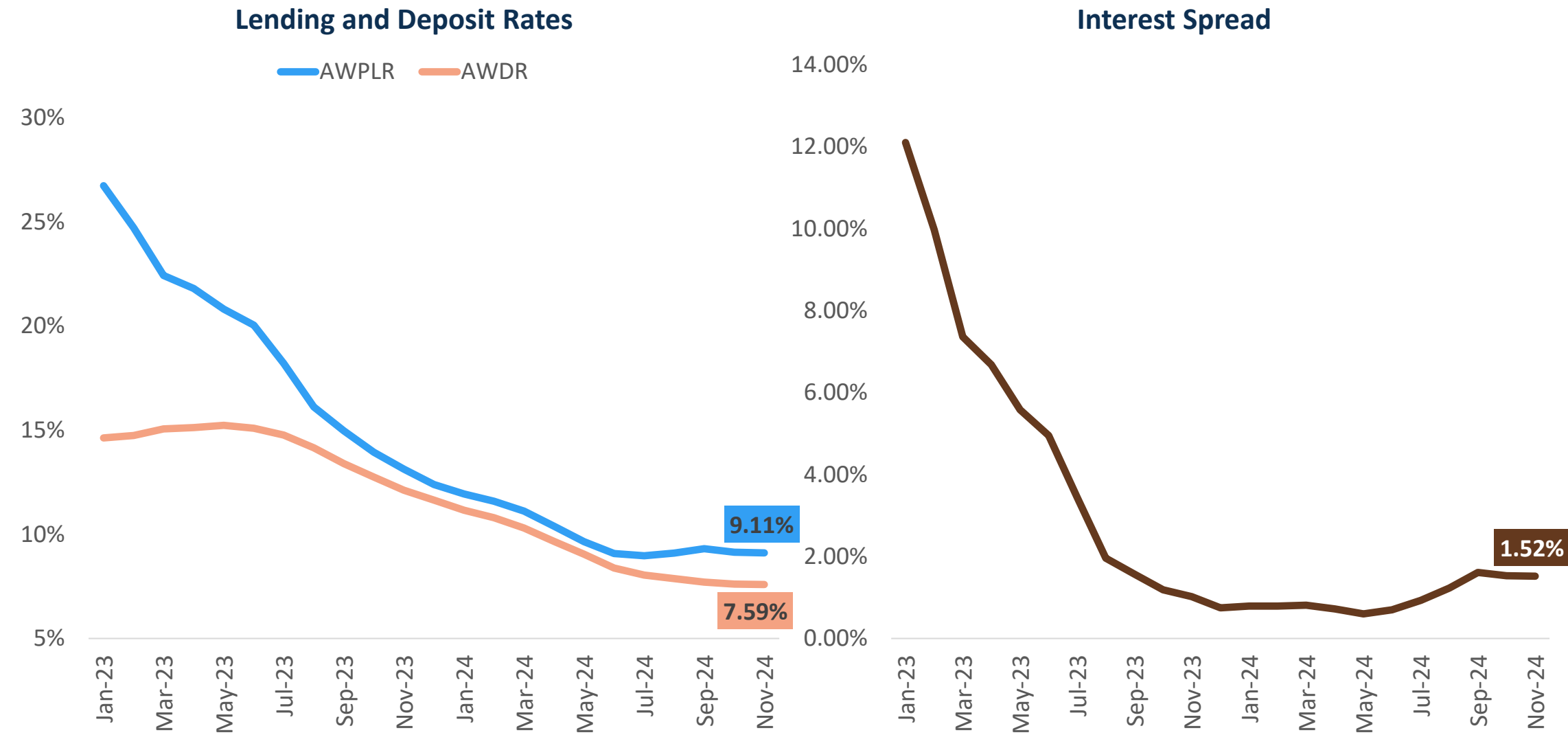
Money Supply (LKR Bn)



Policy Rates

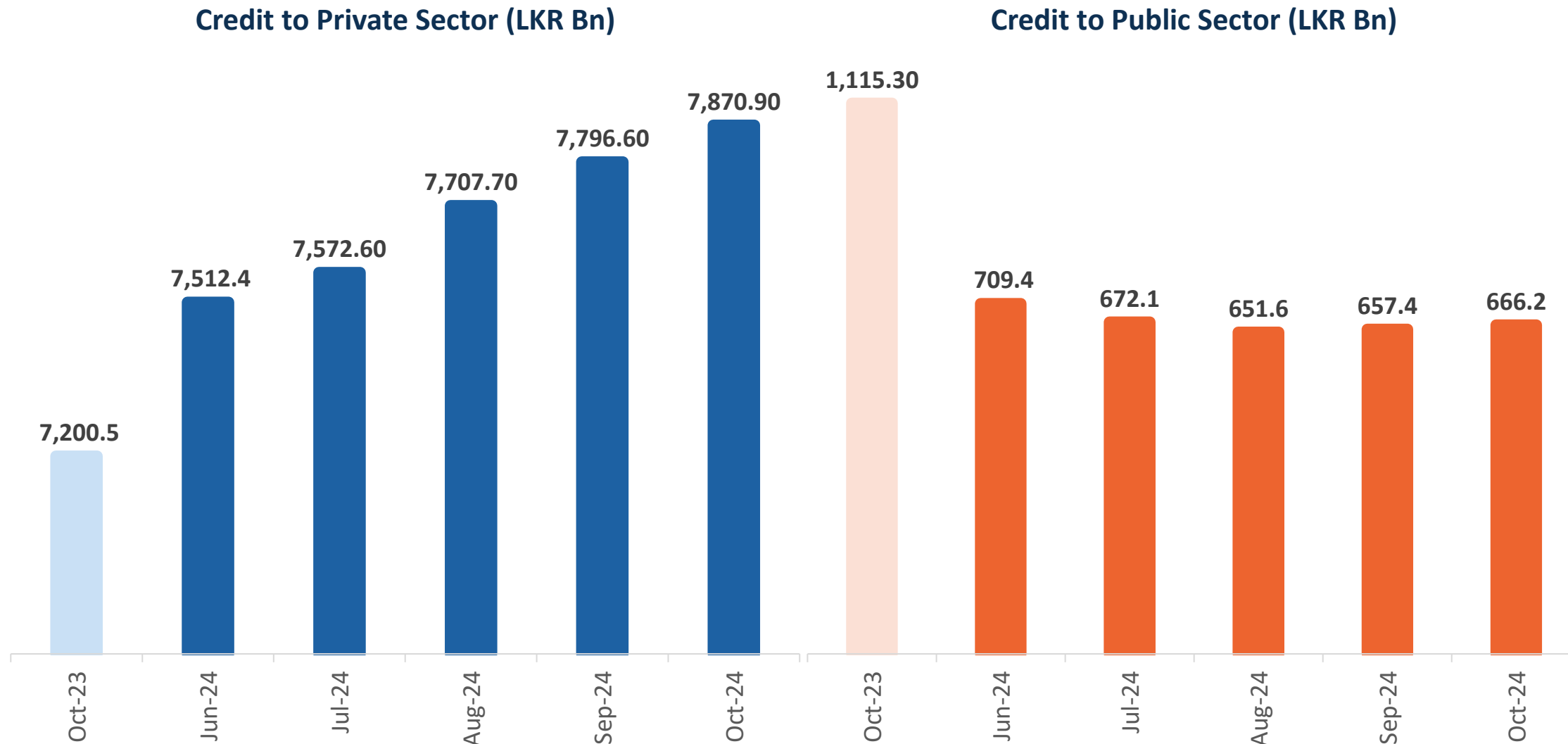


Lending and deposit rates experienced a slight decline in November 2024

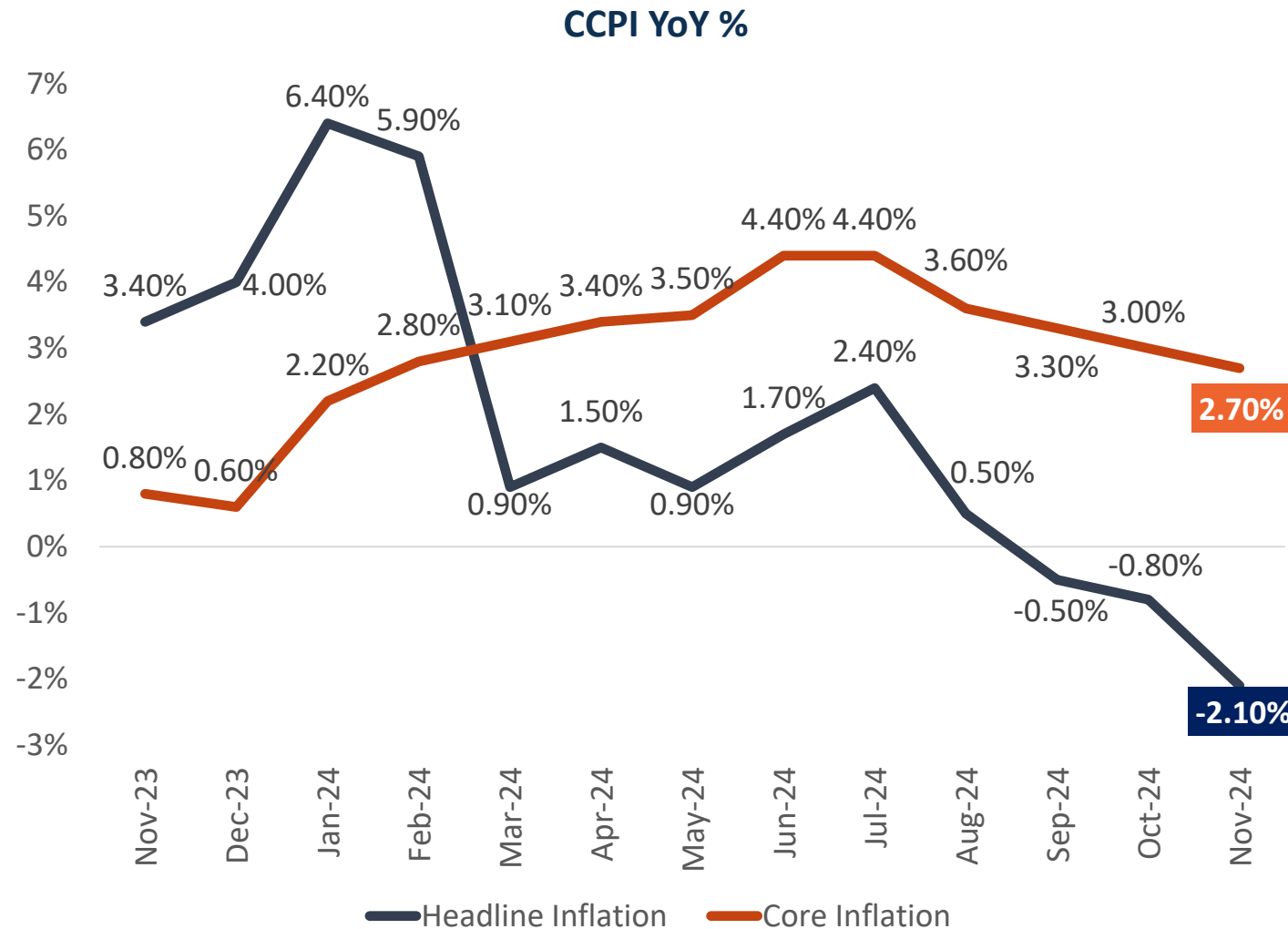


Source: CBSL

Credit to private sector increased from September to October 2024

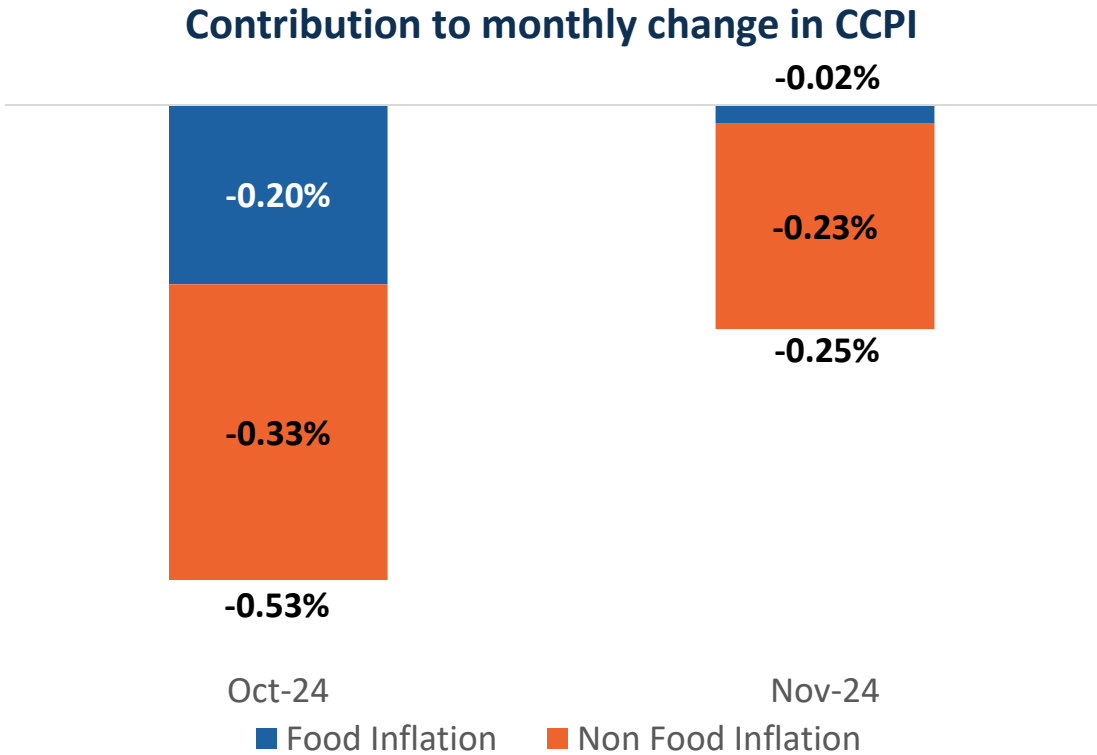


CCPI saw a deflation of 2.1% in November 2024



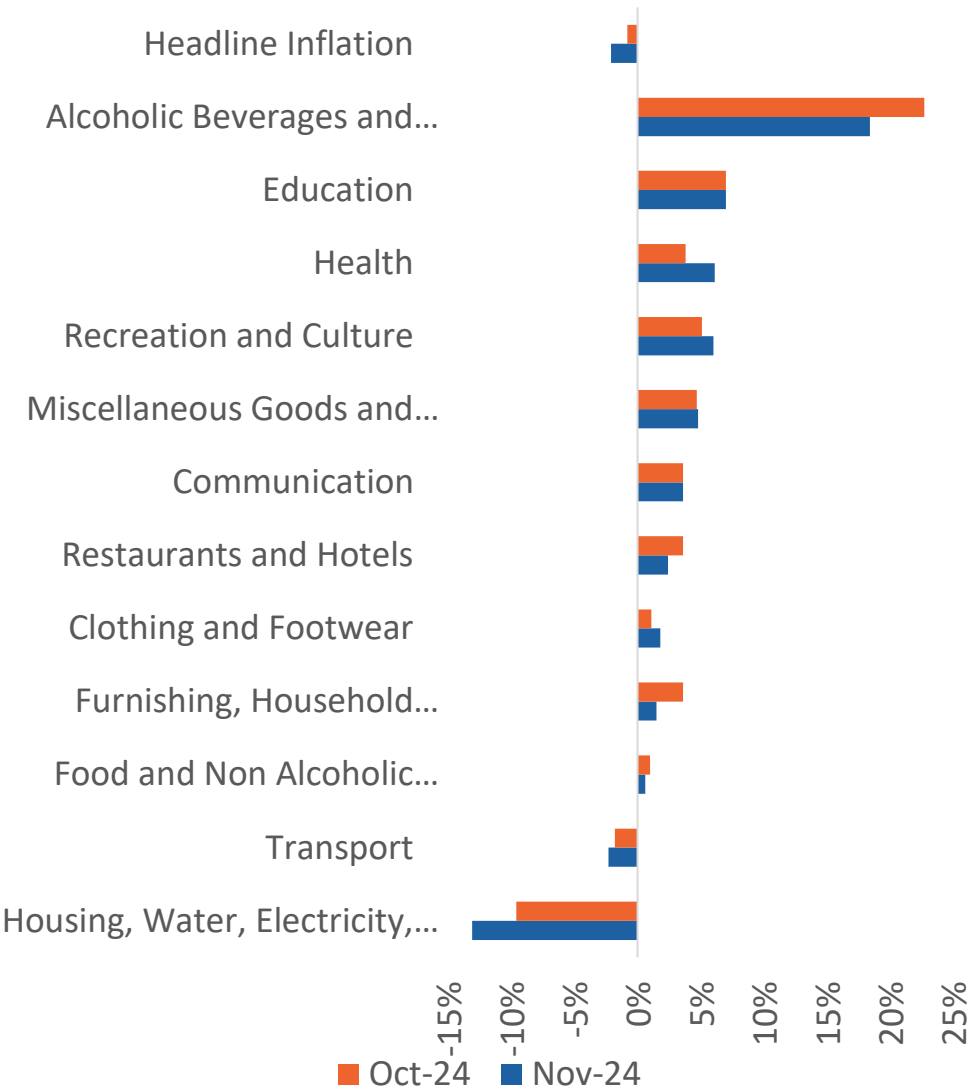
- Headline inflation, as measured by the YoY change in the Colombo Consumer Price Index (CCPI), remained in negative territory for the third consecutive month. In November 2024, deflation stood at 2.1%, deepening from 0.8% in October 2024.
- Prices decelerated in the Alcoholic Beverages and Tobacco, Household Equipment and Maintenance, Food and Non-Alcoholic Beverages, and Restaurants and Hotels categories. Additionally, deflation was observed in the Transport and Housing and Utilities categories.
- Conversely, prices accelerated in Recreation and Culture, and Clothing and Footwear, while inflation in Education and Communication remained unchanged for the month.
- Core inflation YoY decreased to 2.7% in Nov 24 from 3.0% in Oct 24.

November 2024 CCPI dropped by 0.25% MoM due to decline in nonfood category

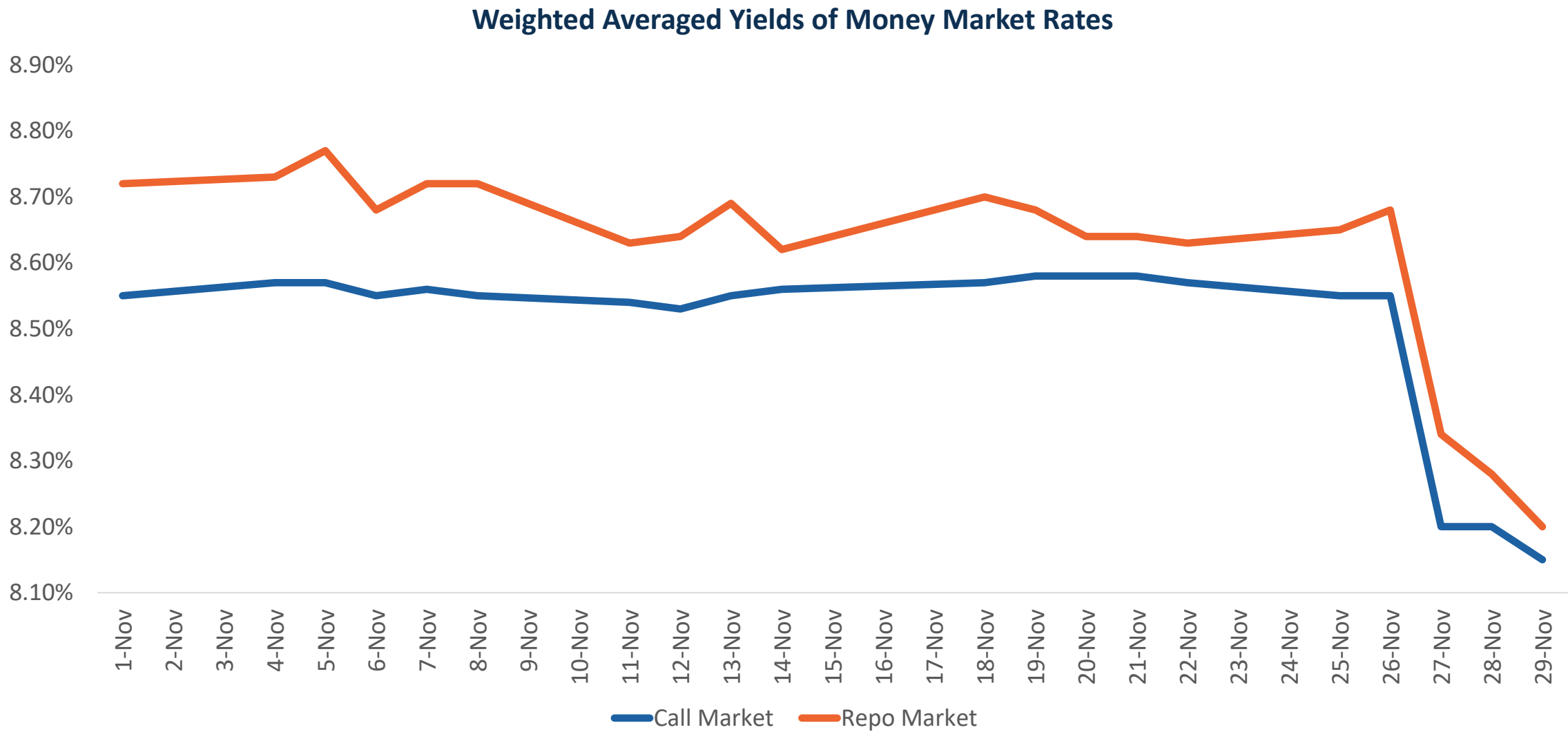


The CCPI recorded a MoM decline of 0.25% in November 2024, driven by a 0.02% drop in Food category prices and a 0.23% decrease in Non-Food category prices. The YoY Non-food inflation declined further to -3.3% in November 2024, down from -1.6% in October 2024. Similarly, YoY food inflation eased to 0.6% in November 2024, compared to 1.0% in October 2024.

CCPI YoY Change by Subcategory

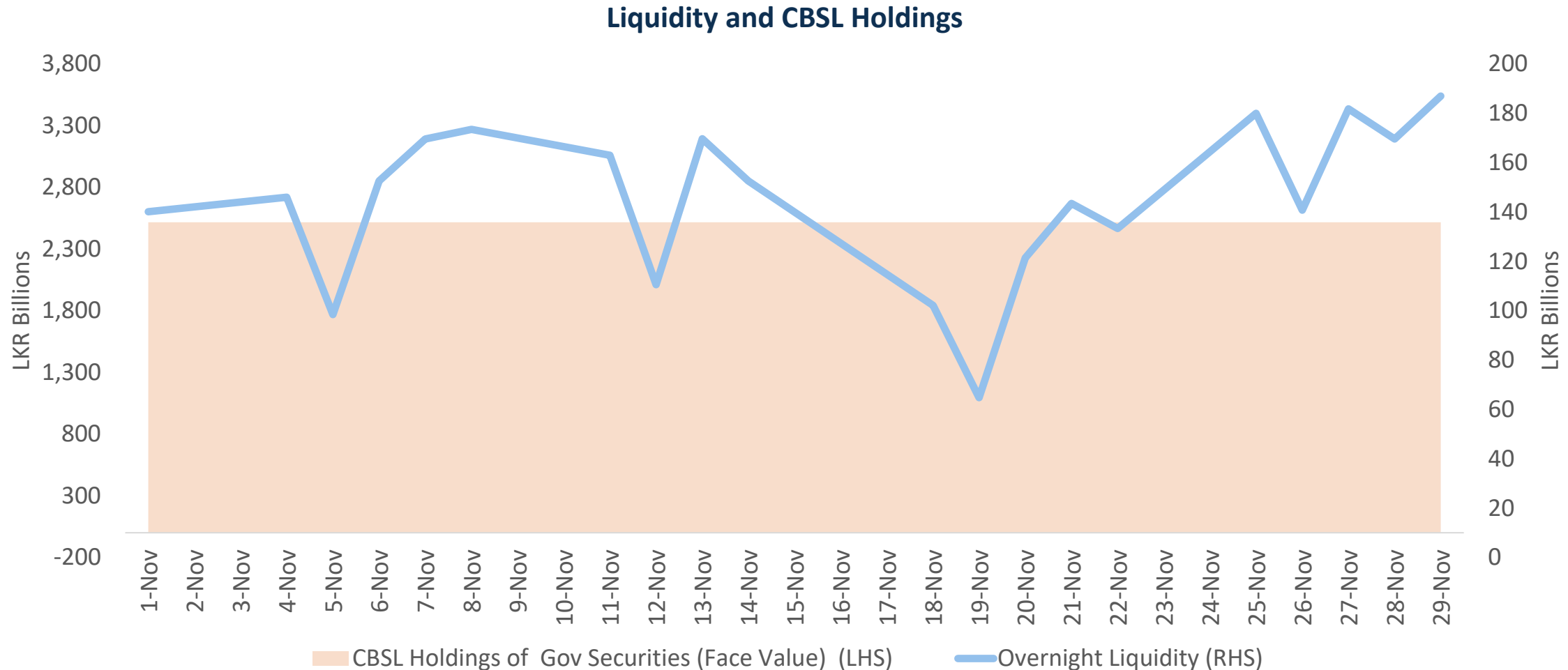


Money market rates plummeted after the policy rate cut in November 2024



CBSL's G-Sec holdings were stable; overnight liquidity remained positive

Overnight liquidity rose during the month, staying in positive territory and closing at LKR 186.91 billion on 29th November. Meanwhile, CBSL holdings of government securities remained steady, ending the month at a face value of LKR 2,516 billion.



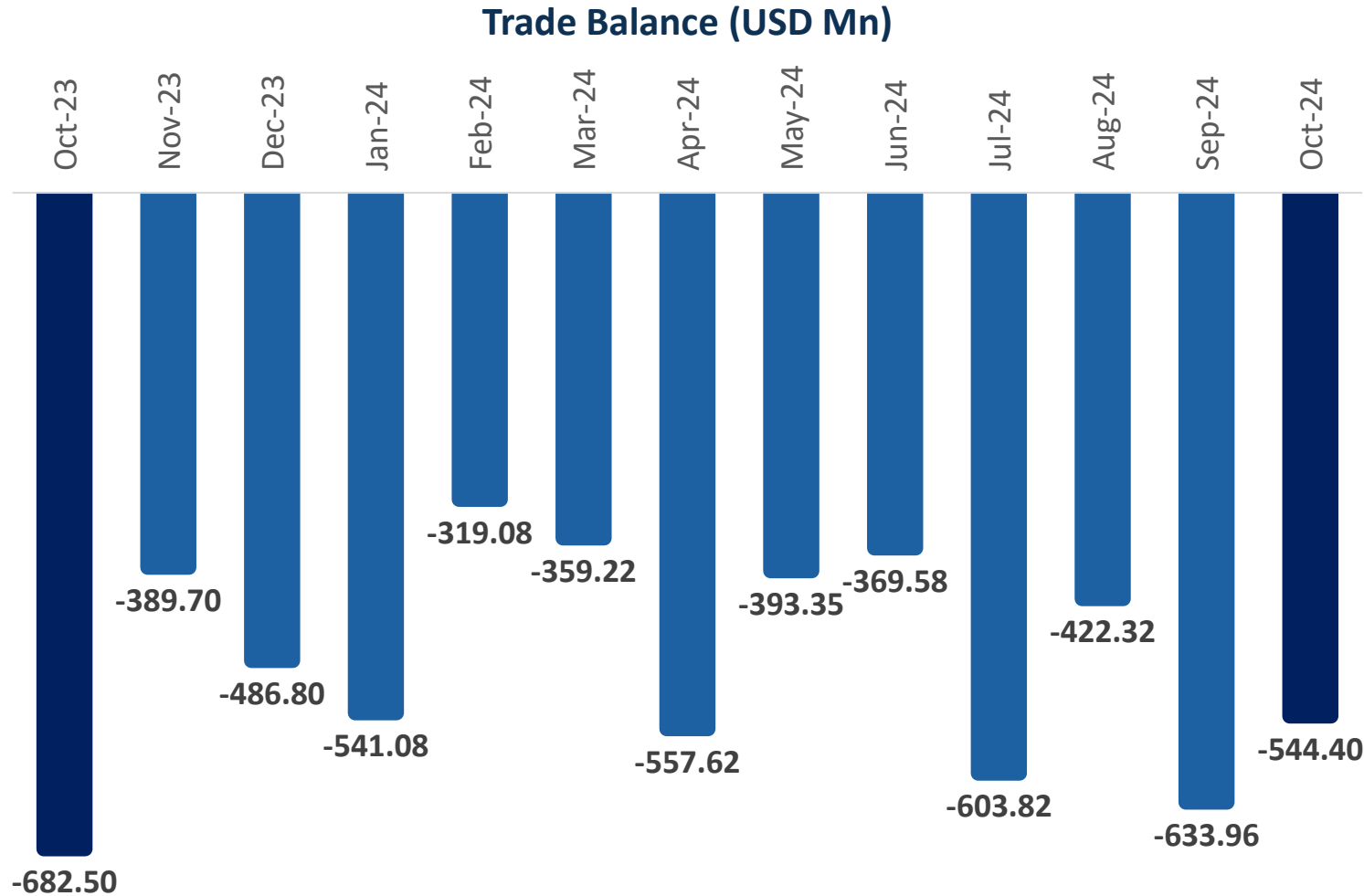


EXTERNAL SECTOR

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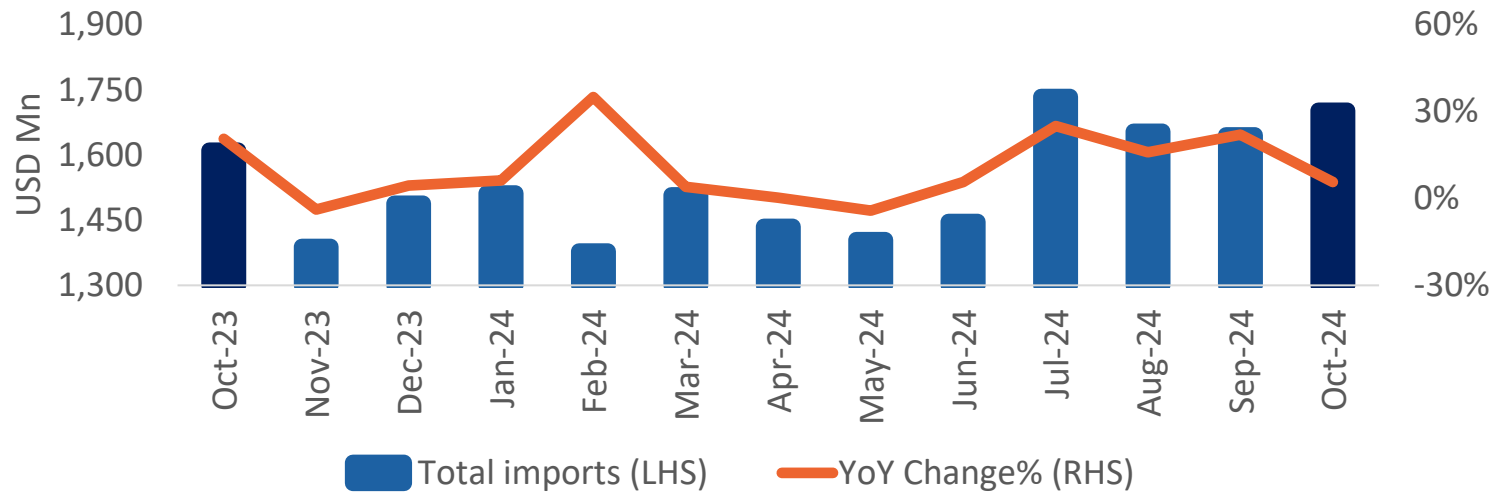
Balance of Trade improved by 20.2% YoY in October 2024



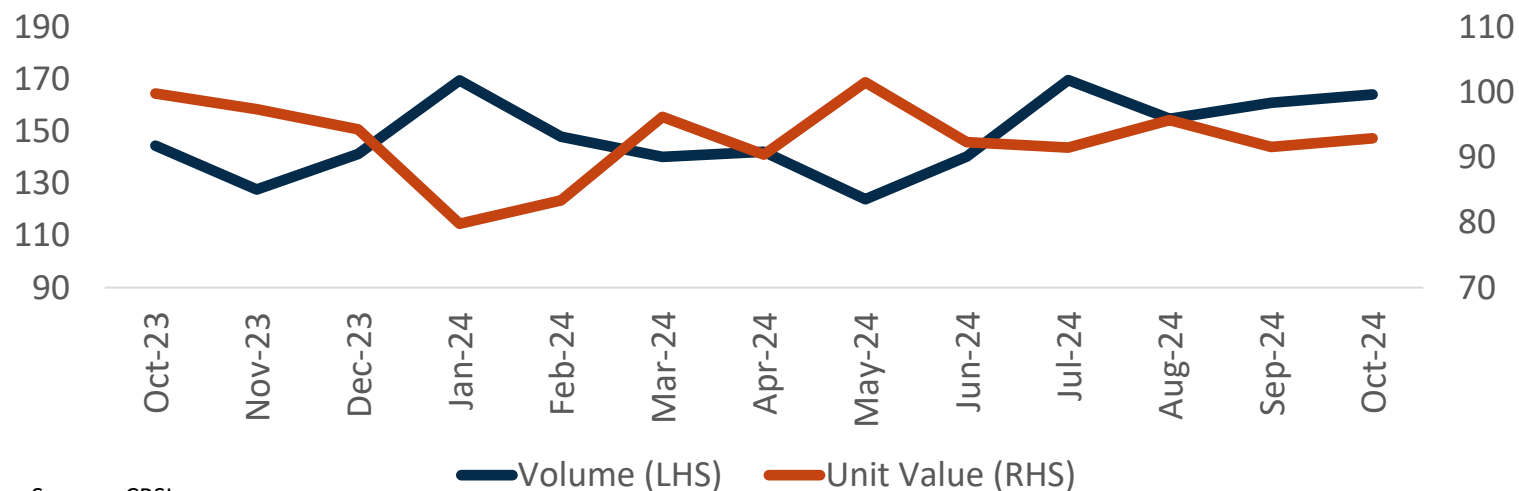
- In October 2024, Sri Lanka's trade deficit stood at USD 544.4 million, reflecting a 20.2% improvement compared to the same month the previous year. Additionally, this marked a 14.1% improvement from the previous month.
- The cumulative trade deficit for the January to October 2024 period reached USD 4,744.4 million, representing a 17.9% increase compared to the deficit recorded during the same period in 2023.
- In October 2024, import expenditure totaled USD 1,702.4 million, while export earnings reached USD 1,158.0 million. Export revenues grew at a faster rate than imports compared to the previous year.

October 2024 import expenditure increased by 5.7% YoY

Total Imports and Growth



Import Indices



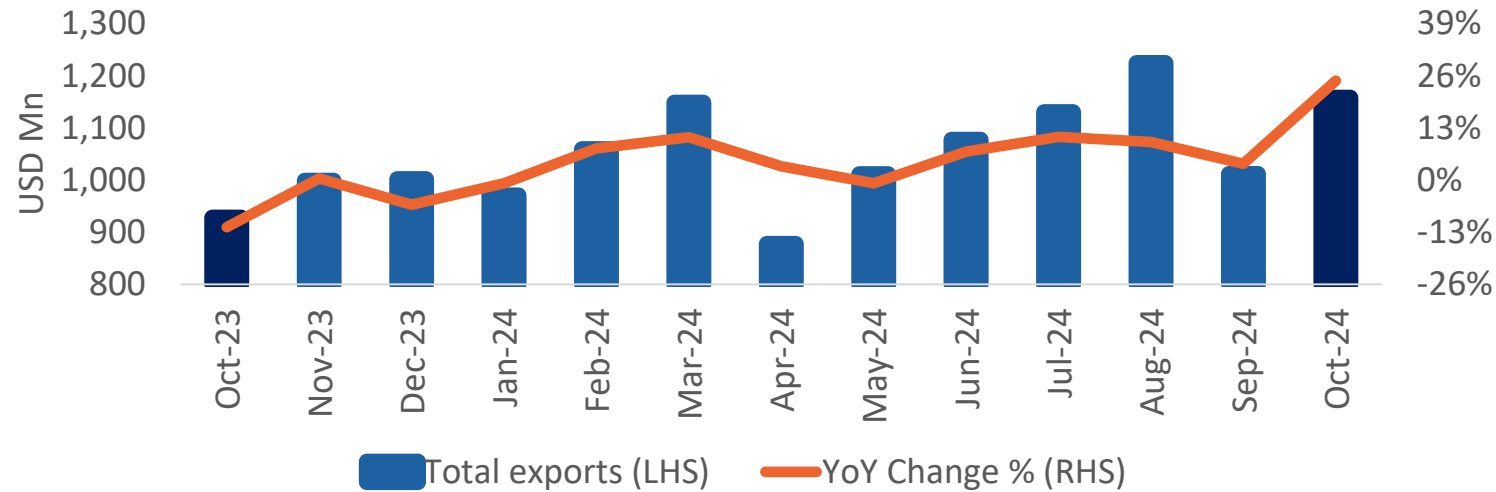
- In October 2024, imports increased by 5.7% YoY and 3.4% compared to the previous month. This growth was driven by higher spending on investment and consumer goods, while imports of intermediate goods saw a decline.
- Imports of consumer goods rose due to higher spending on both food items, and non-food goods. Investment goods also saw an increase, fueled by higher imports of machinery and equipment.
- Expenditure on intermediate goods imports decreased, mainly due to a reduction in fuel imports, as both the prices and volumes fuel were lower compared to October 2023.
- The Imports Volume Index increased by 13.6% YoY in Oct 24, whereas the Import Unit Value Index saw a decline of 6.9% YoY during the same period.

Source: CBSL

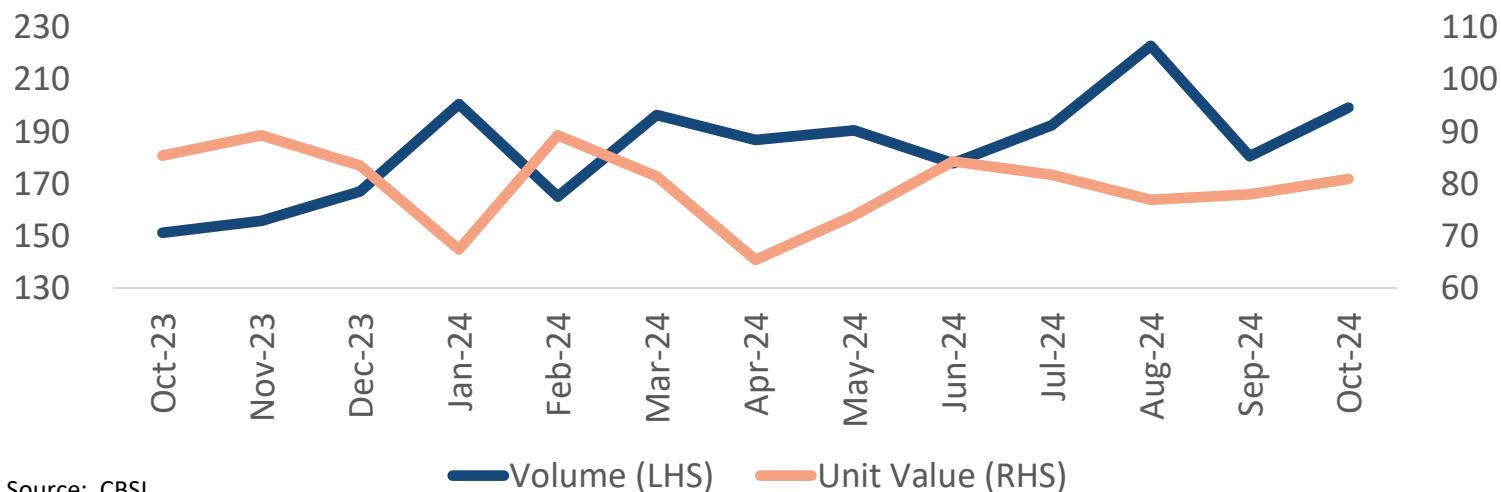
Note: Import unit value index is calculated in USD terms.

October 2024 export earnings soared by 24.8% YoY

Total Exports and Growth



Export Indices



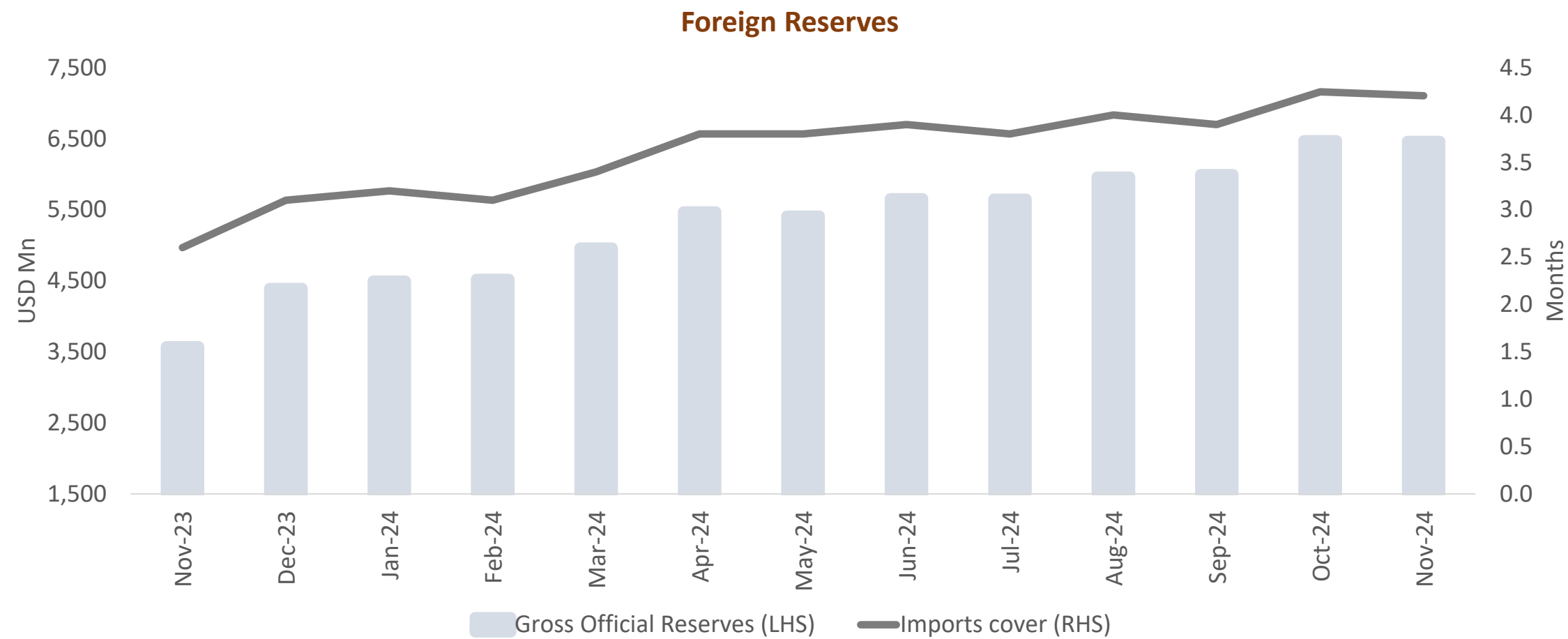
- In October 2024, export earnings increased by 24.8% YoY and 14.5% MoM, driven primarily by growth in industrial and agricultural exports.
- The increase in industrial goods exports was broad-based, with significant contributions from garments and petroleum products. However, declines were observed in the exports of gems, diamonds, and jewellery, as well as machinery and mechanical appliances.
- Earnings from agricultural exports grew mainly due to higher volumes and prices of tea, along with increased exports of spices and coconut-based products.
- In Oct 24, the Export Volume Index surged by 31.7% YoY, whereas the Export Unit Value Index witnessed a decline of 5.3% YoY during the same period.

Source: CBSL

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

Foreign reserves marginally declined from October to November 2024

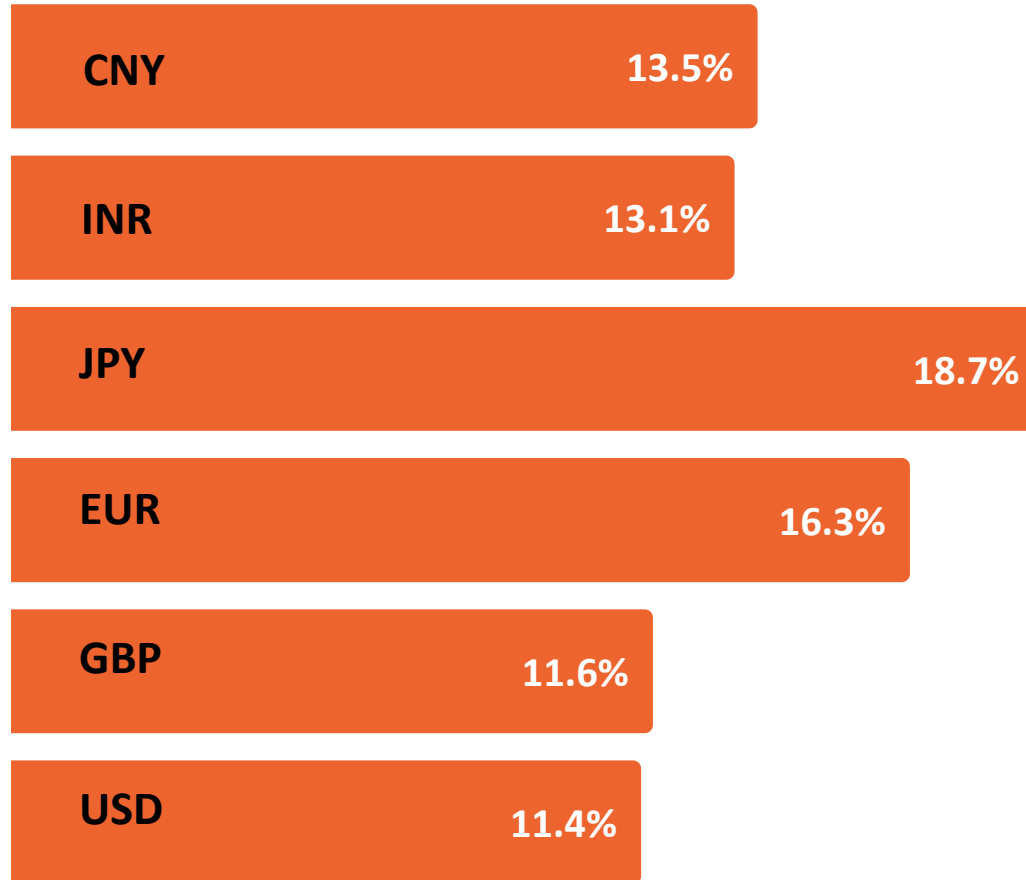
By the end of November 2024, Sri Lanka's gross official reserves had slightly decreased to USD 6,462 million, providing a comfortable buffer equivalent to approximately 4.2 months of import coverage.



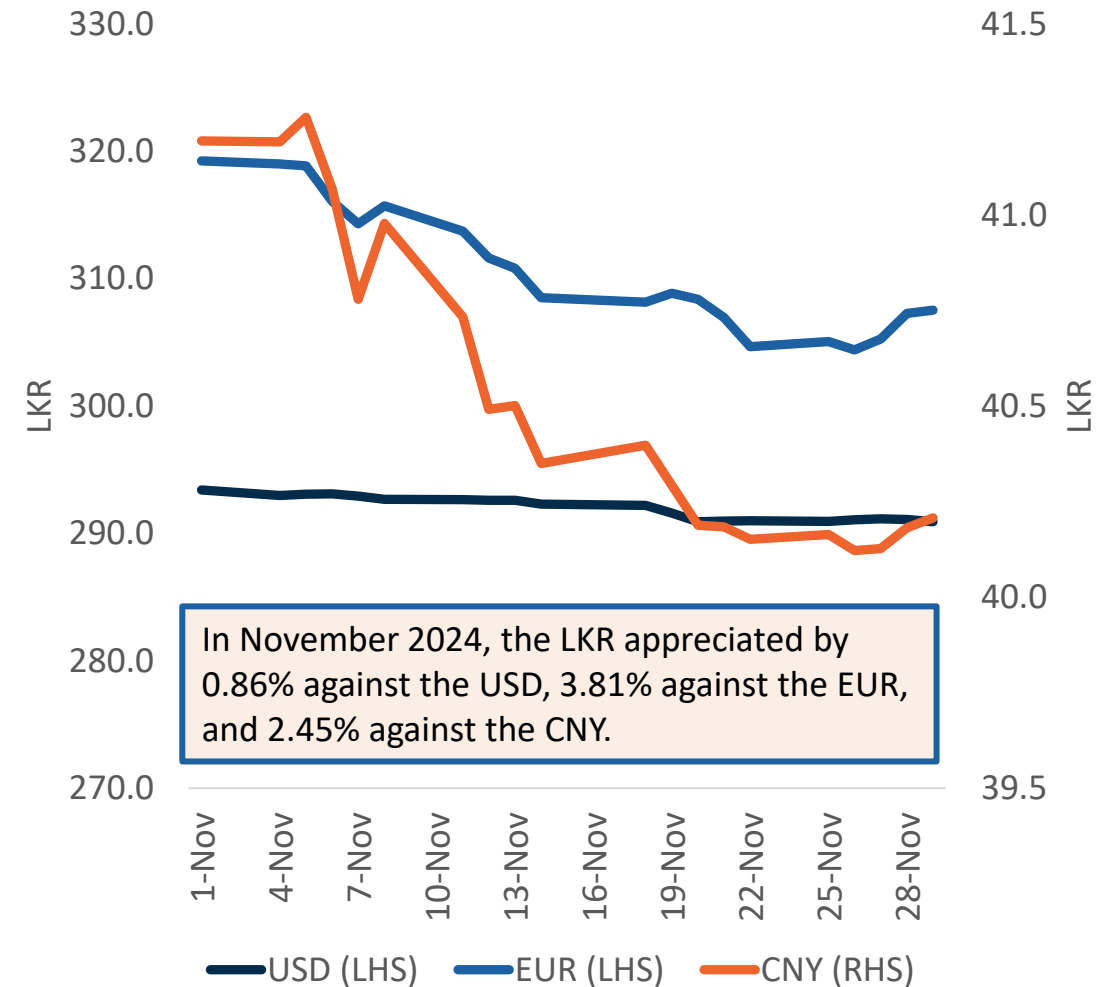
Source: CBSL

Sri Lankan rupee appreciated against multiple major currencies YTD

LKR appreciation against major currencies
YTD end of Nov 24



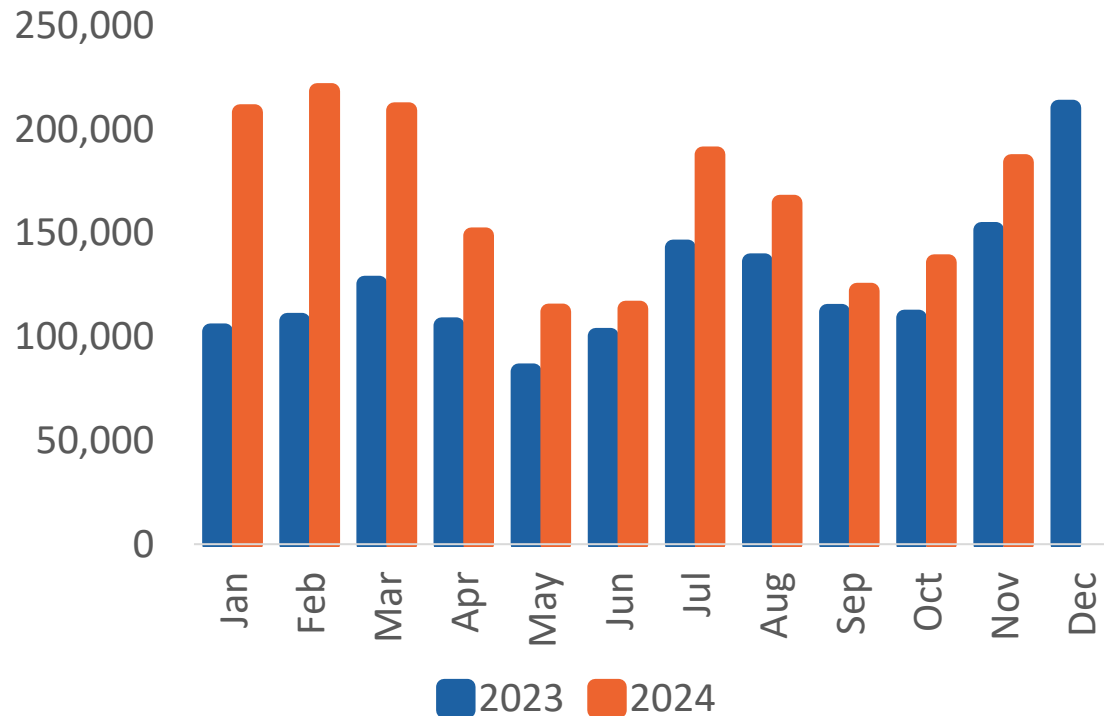
Monthly movement of major currencies



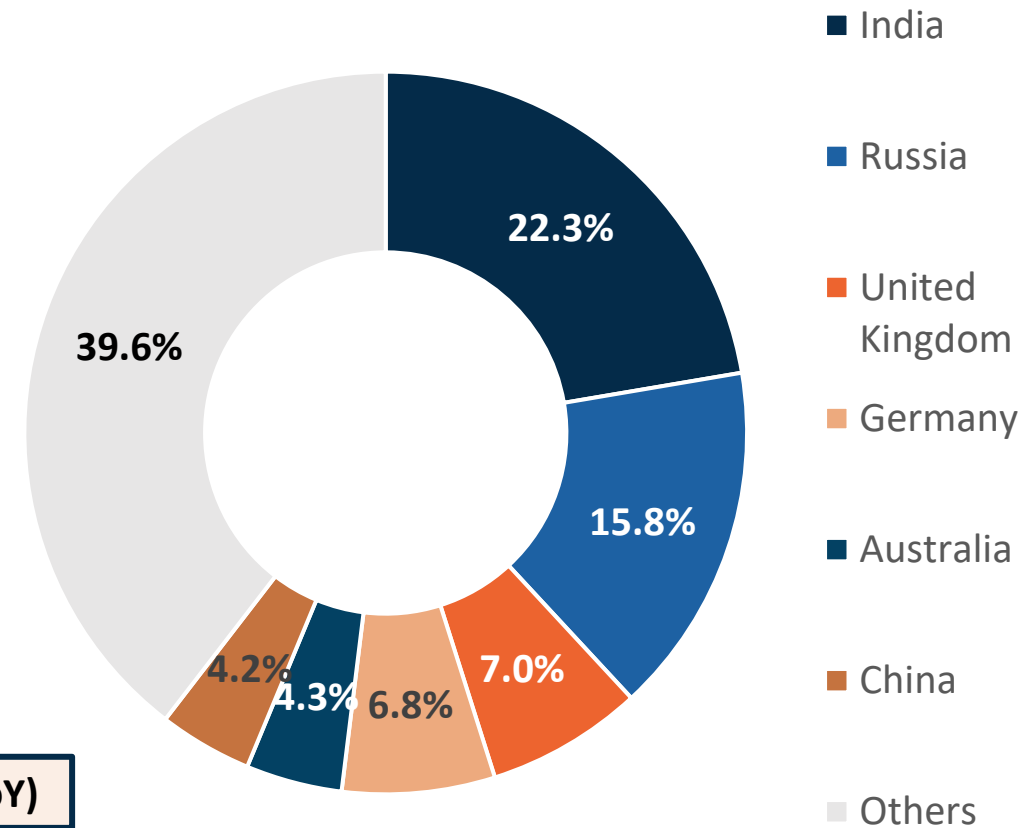
November 2024 tourist arrivals soared by 21.6% YoY

In November 2024, Sri Lanka welcomed 184,158 tourists, reflecting a YoY growth of 21.6% and a 35.5% increase compared to the previous month. Key source markets during this period included India, Russia, the United Kingdom, Germany, Australia, and China.

Monthly Tourists Arrivals



Arrival % by Country in Nov 24

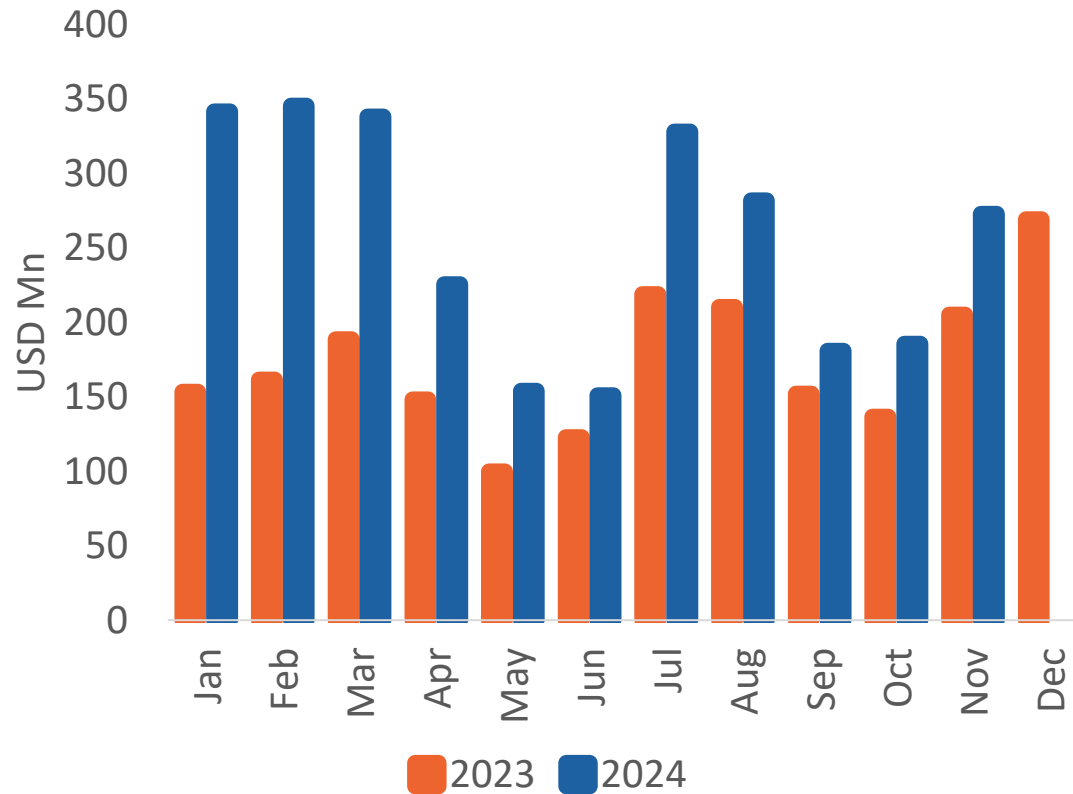


YTD Tourist Arrivals = 1,804,873 | YTD Arrivals Growth = 41.34% (YoY)

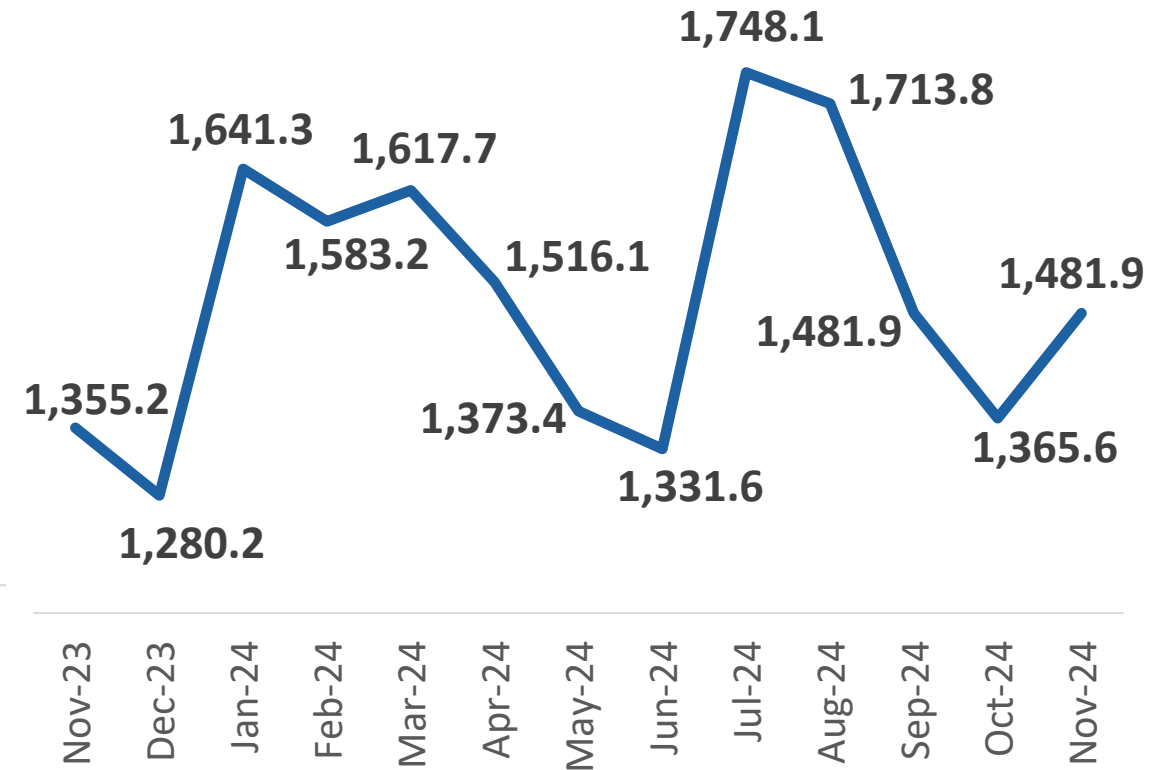
Note = YTD calculated as of end November 2024

November 2024 tourism earnings soared by 32.9% YoY

Monthly Tourists Earnings



Earnings per Tourist (USD)

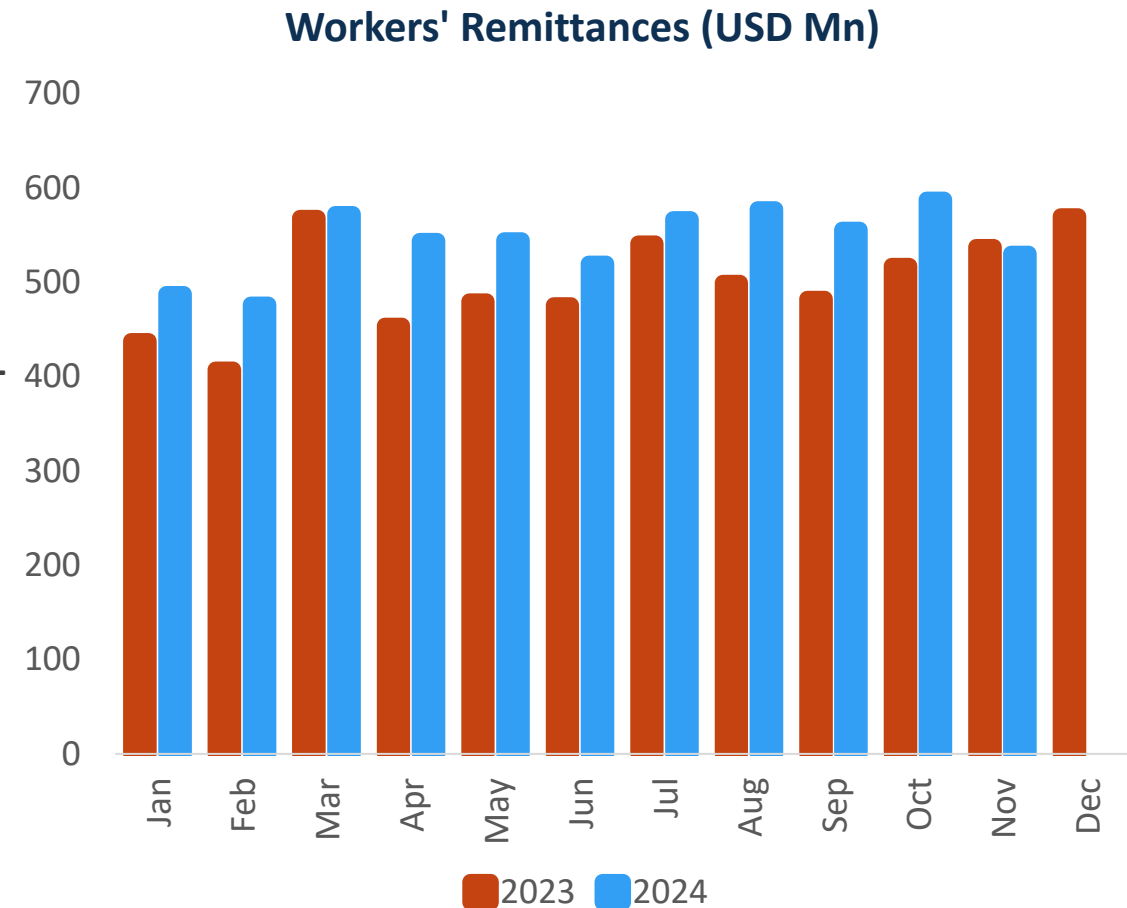
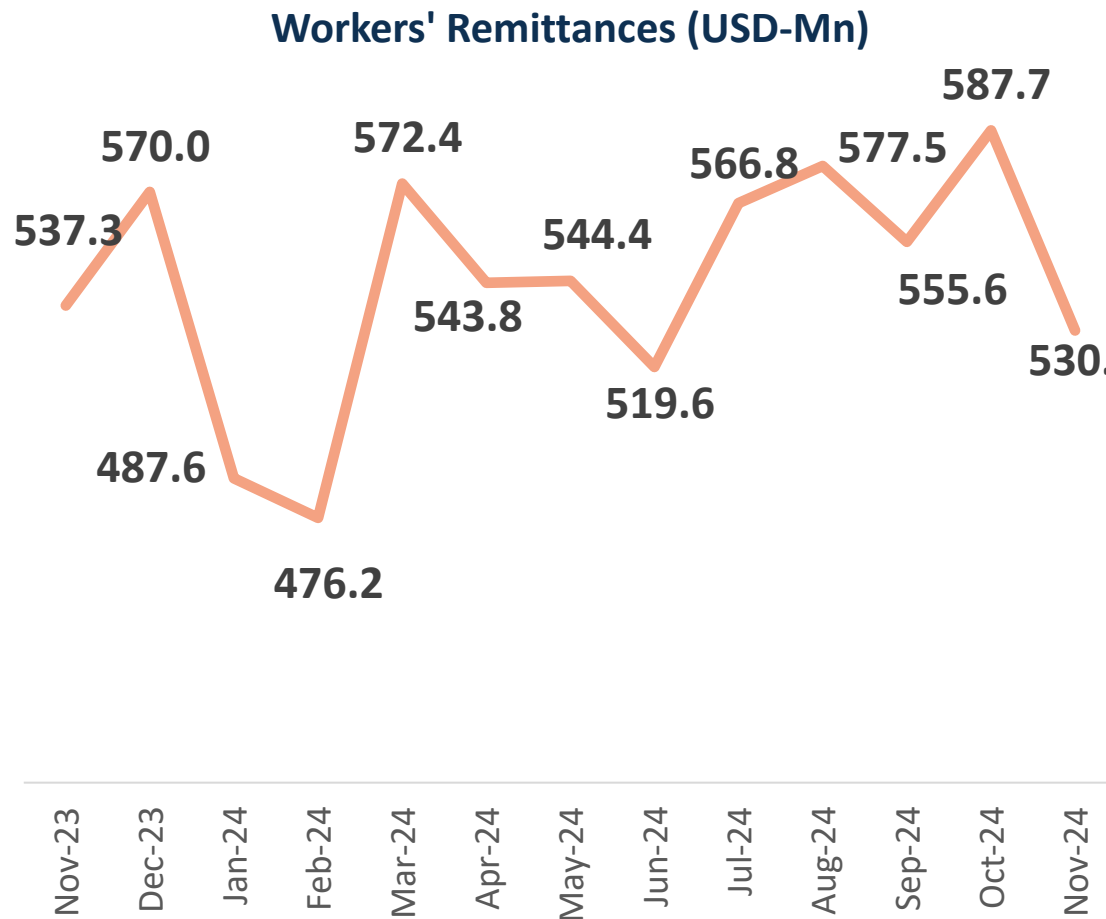


YTD total tourism earnings = USD 2,534 Mn

In November 2024, tourism earnings surged by 32.9% YoY, reaching USD 272.9 million. This also marked a 47.0% increase compared to the previous month. Earnings per tourist stood at USD 1,481.9, reflecting a 9% growth both YoY and MoM.

November 2024 worker remittances slightly declined by 1.3% YoY

In November 2024, remittance inflows totaled USD 530.1 million, reflecting a slight YoY decline of 1.3% and a 9.8% drop compared to October 2024. This marked the first YoY decrease in monthly remittances since August 2022. Despite this dip, total remittances for the year rose to USD 5,962 million, achieving a 10.4% YoY growth.



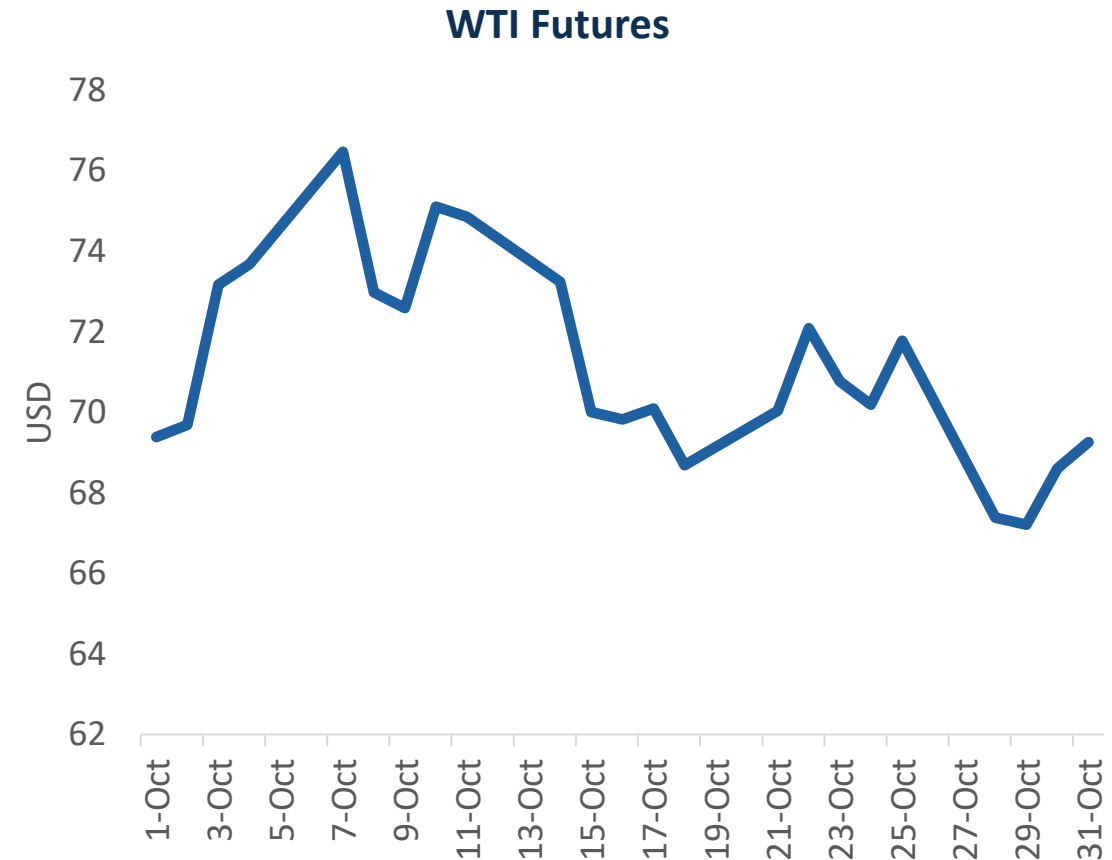
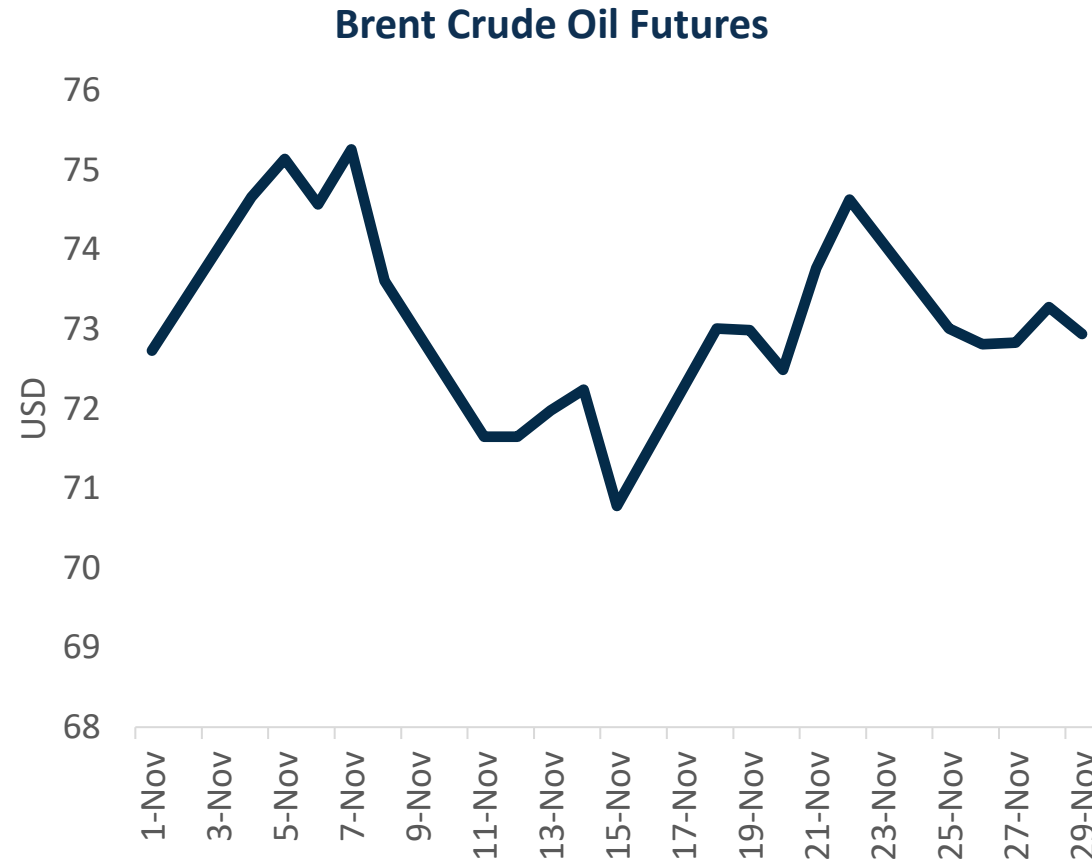


COMMODITIES AND OTHER

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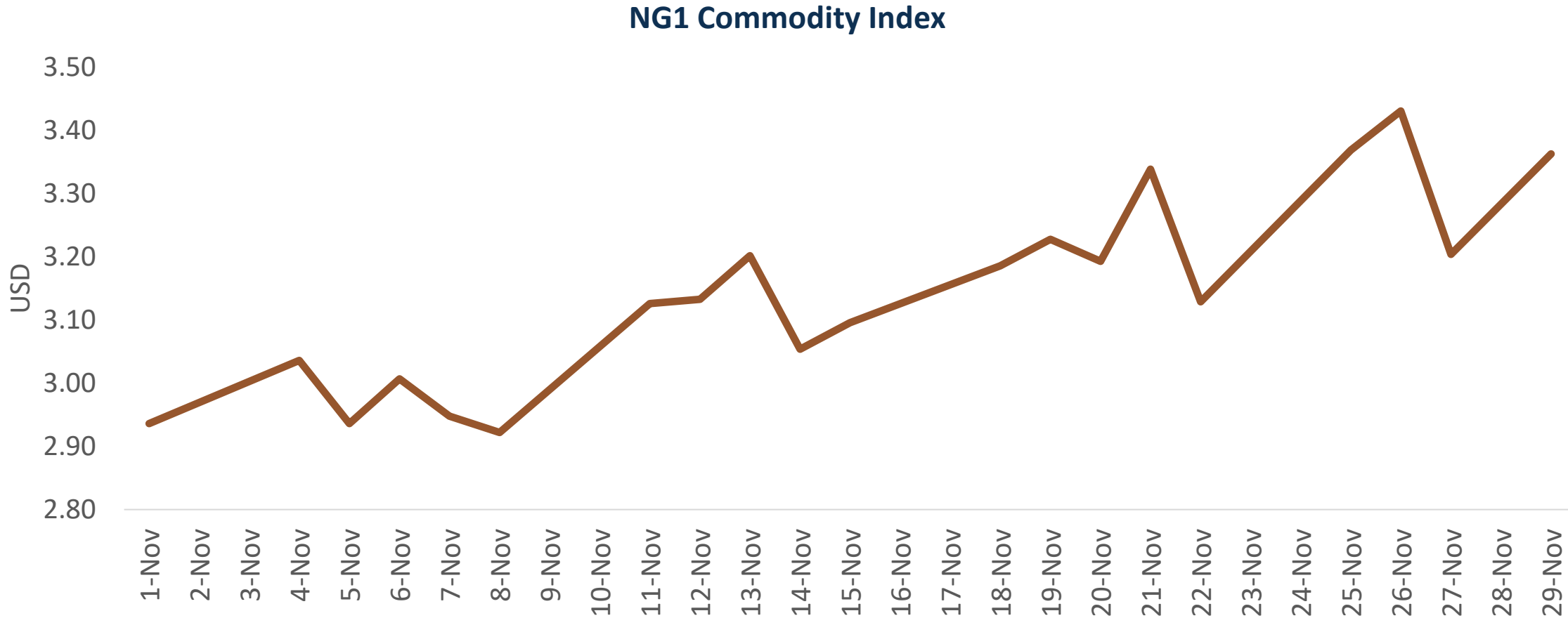
In November 2024, Brent oil rose 0.3%, while WTI fell 2.1%



In November 2024, Brent crude oil prices saw a modest increase of 0.3%, while WTI futures experienced a decline of 2.1%. Early in the month, prices fell due to ongoing supply disruptions caused by a hurricane in the U.S. Gulf of Mexico, coupled with disappointment over China's latest economic stimulus packages, which failed to meet the expectations of some oil traders. However, by the month's end, prices softened following reports that Israel and Lebanon had reached an agreement to end the Israel-Hezbollah conflict, according to unnamed senior U.S. officials.

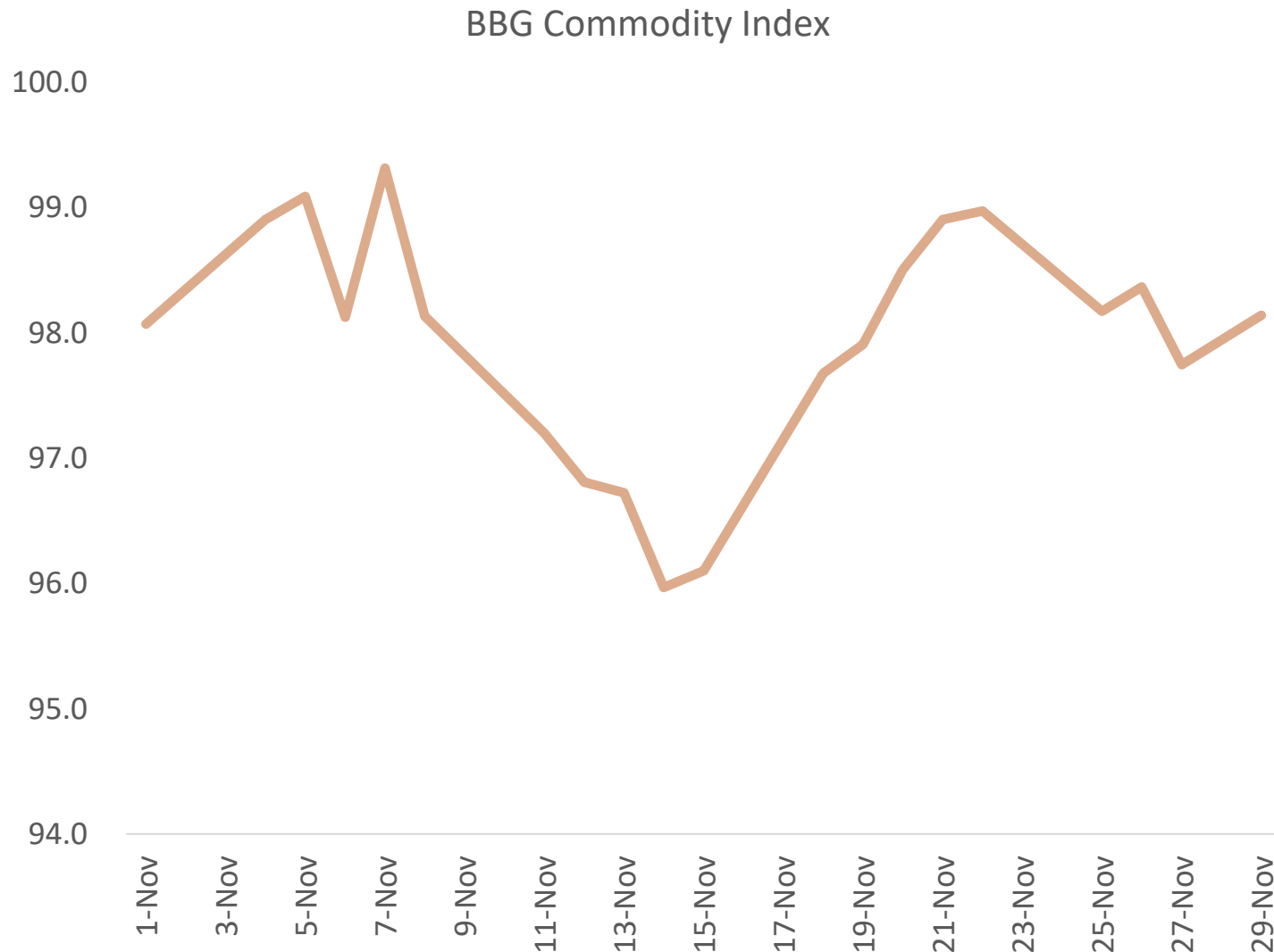
Natural gas prices soared by 14.5% during November 2024

In November 2024, US natural gas prices rose by 14.5%, driven by fluctuating LNG prices early in the month due to the presidential election and later by production disruptions in the Gulf of Mexico from Hurricane Rafael. Expectations of colder weather and an early start to the withdrawal season further supported price increases. Additionally, heightened geopolitical tensions between Russia and Ukraine contributed to the rise, as the peak demand season approached.



Source: Investing.com

Commodities prices marginally increased by 0.1% in November 2024



- In November 2024, the Bloomberg Commodity Index (BBG) edged up by 0.1%. The index dipped mid-month before recovering by the end of the period.
- In November 2024, soybean prices rose 0.7%, while corn prices climbed 4.5%. Corn futures gained amid a stock market rally following Donald Trump's re-election. Concerns grew among U.S. farmers about potential tariffs affecting soy exports to China, though such measures could boost domestic crushing demand.
- Industrial metals saw declines, with copper down 6.3% and aluminum slipping 0.2%, as China's policy support fell short of market expectations. Precious metals also weakened, with gold dropping 3.3% and silver 6.1%, pressured by a stronger US dollar and reduced safe-haven demand amid market optimism following Trump's re-election.

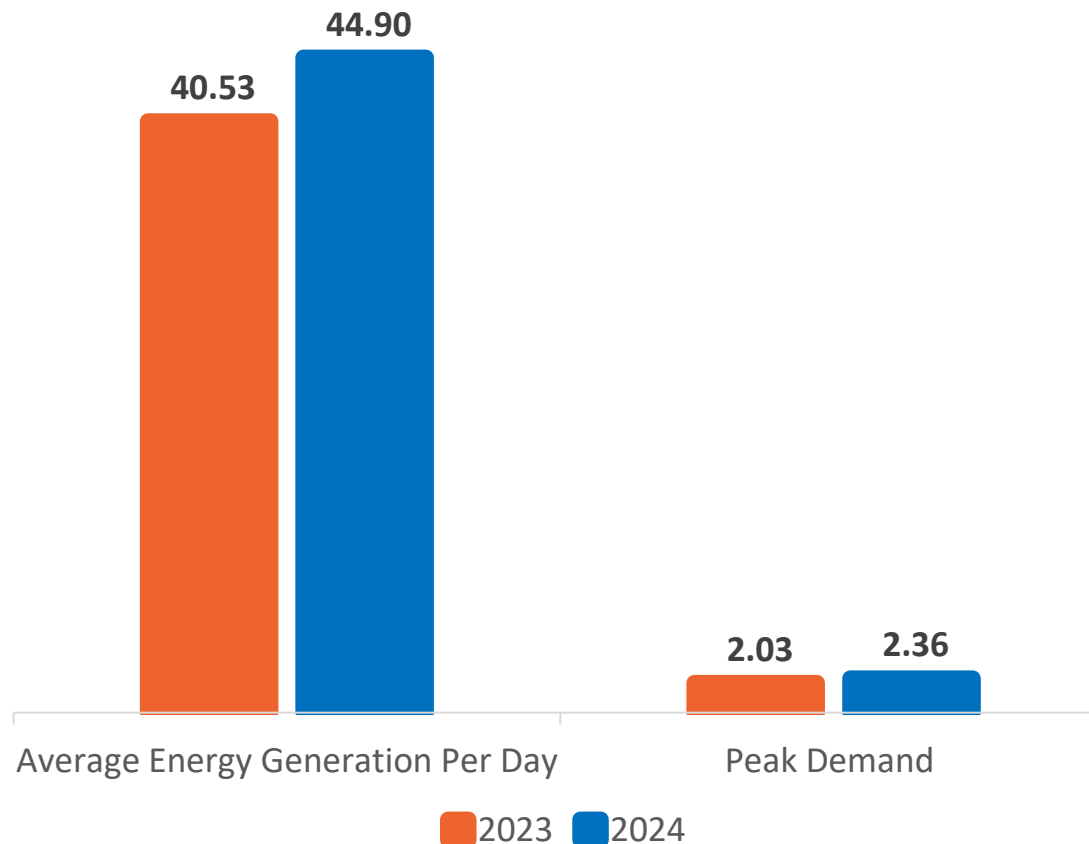
Note: The Bloomberg Commodity Index is a diversified commodity price index covering 23 exchange-traded futures in sectors like energy, grains, industrial metals, livestock, and precious metals.

Source: Investing.com

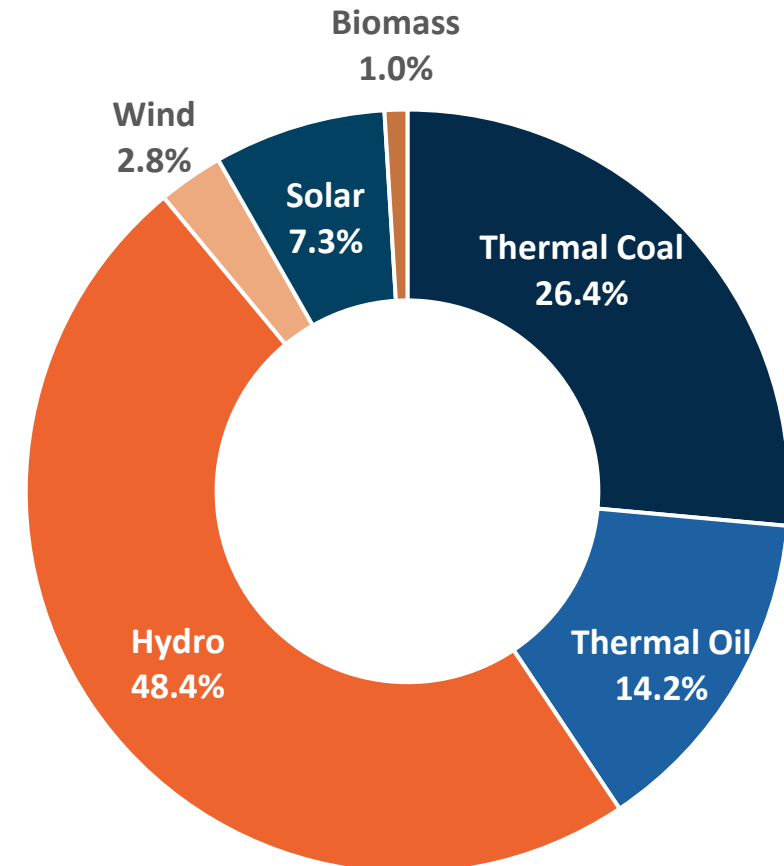
November 2024 daily electricity generation rose 10.8% YoY

In November 2024, average daily electricity generation reached 44.90 GWh, marking a 10.8% increase compared to the same period last year. The average daily peak demand during the month was 2.36 GWh.

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



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



October 2024 tea production declined by 8.0% YoY

In October 2024, Sri Lanka's tea production declined by 8.0% YoY, amounting to 21.15 million kilograms. Nevertheless, tea export volumes saw notable growth, climbing by 14.2% YoY to 20.79 million kilograms, with the export value rising significantly to LKR 37.26 billion by 20.0% YoY increase.

Tea Exports

For Oct 24	Volume in Kgs	Value in LKR Mn
Tea in Bulk	8,821,609	13,015
Tea in Packets	8,746,954	14,667
Tea in Bags	2,482,209	6,863
Instant Tea	297,460	914
Green Tea	444,548	1,797
Total	20,792,780	37,256

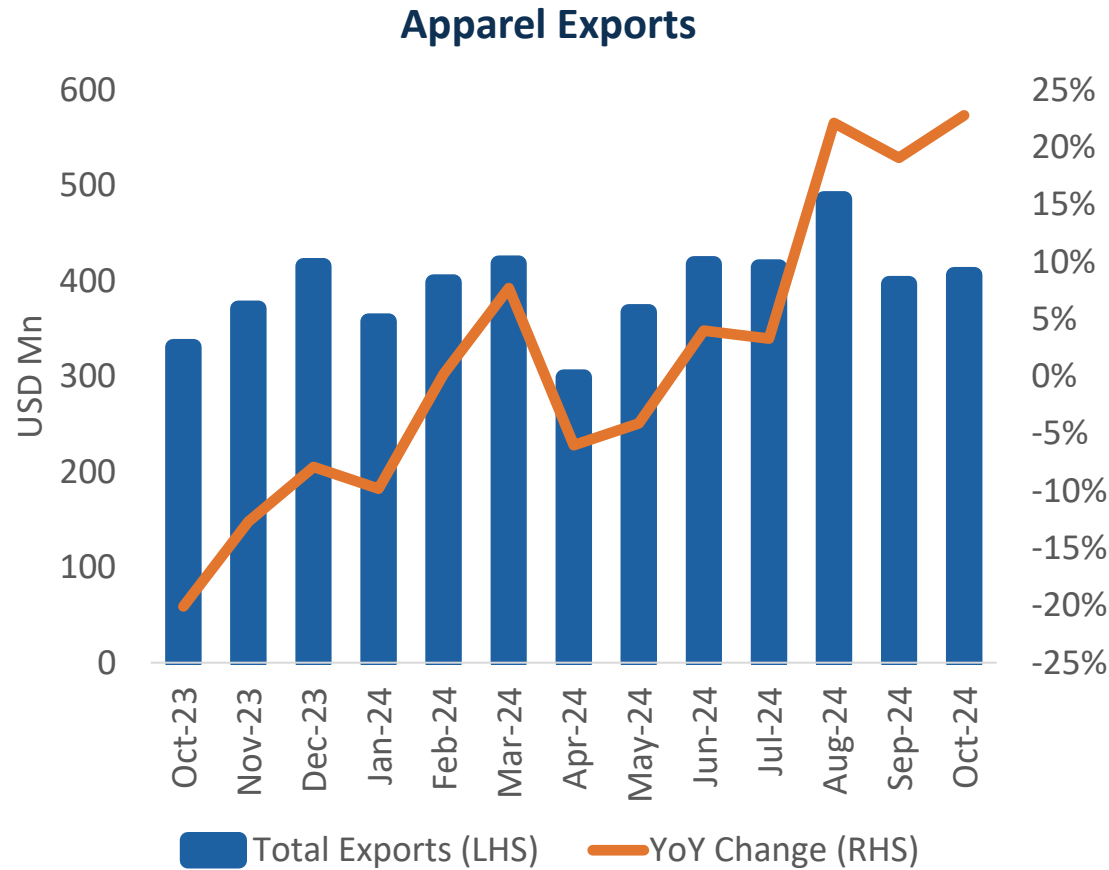
Average Tea Auction Prices (Monthly)

For Oct 24	LKR per Kg
High	1,146.45
Medium	1,028.24
Low	1,262.74
Total	1,198.24

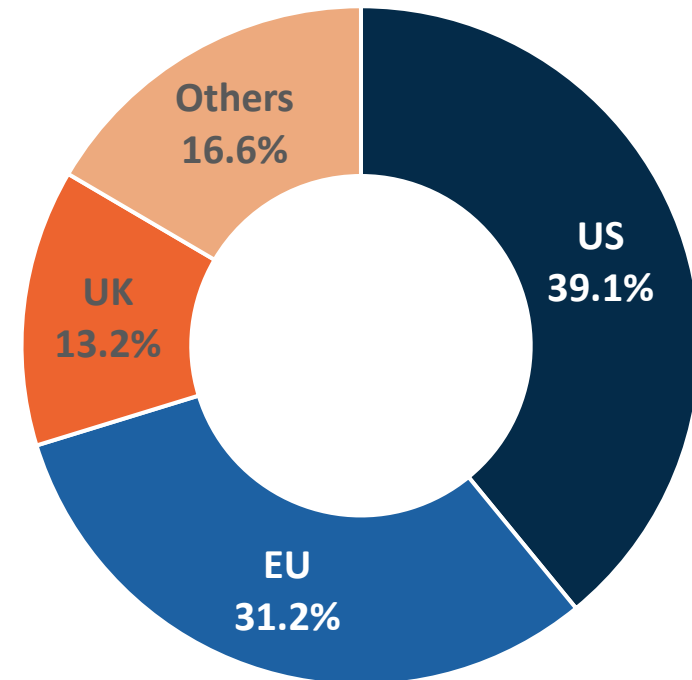
Tea Production

For Oct 24	Kgs
High	4,011,626
Medium	3,525,709
Low	13,432,458
Green Tea	179,542
Total	21,149,335

October 2024 apparel exports soared by 22.8% YoY



Top Export Markets - October 24



In October 2024, Sri Lanka's total apparel exports reached USD 406.36 million, marking a YoY growth of 22.8% and a 2.4% increase compared to the previous month. Exports to the United States surged by 23.8% YoY, while shipments to the European Union and the United Kingdom rose by 15.2% and 22.8%, respectively.

AMBEON SECURITIES (PVT) LIMITED

No. 100/1, 2nd Floor
Elvitigala Mawatha,
Colombo 08,
Sri Lanka.

T : +94 11 532 8 100

F : +94 11 532 8 177

E: research@ambeonsecurities.lk



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Sales Team

Charith Kamaladasa

Niranjan Niles

Chinthaka Weeraratna

Pasindu Yatawara

Director/CEO

Executive Director

Senior Investment Advisor

Senior Investment Advisor

charithk@ambeonsecurities.lk

niles@ambeonsecurities.lk

chinthaka@ambeonsecurities.lk

pasindu@ambeonsecurities.lk

Research Team

Hansinee Beddage

Shashikala Hanshani

Amoda Prasansana

Manager Investment Research

Investment Research Analyst

Trainee Investment Research Analyst

hansinee@ambeonsecurities.lk

shashikala@ambeonsecurities.lk

amoda@ambeonsecurities.lk