



MONTHLY ECONOMIC WRAP | JUNE 2024

AMBEON
SECURITIES

13.07.2024



Contents

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



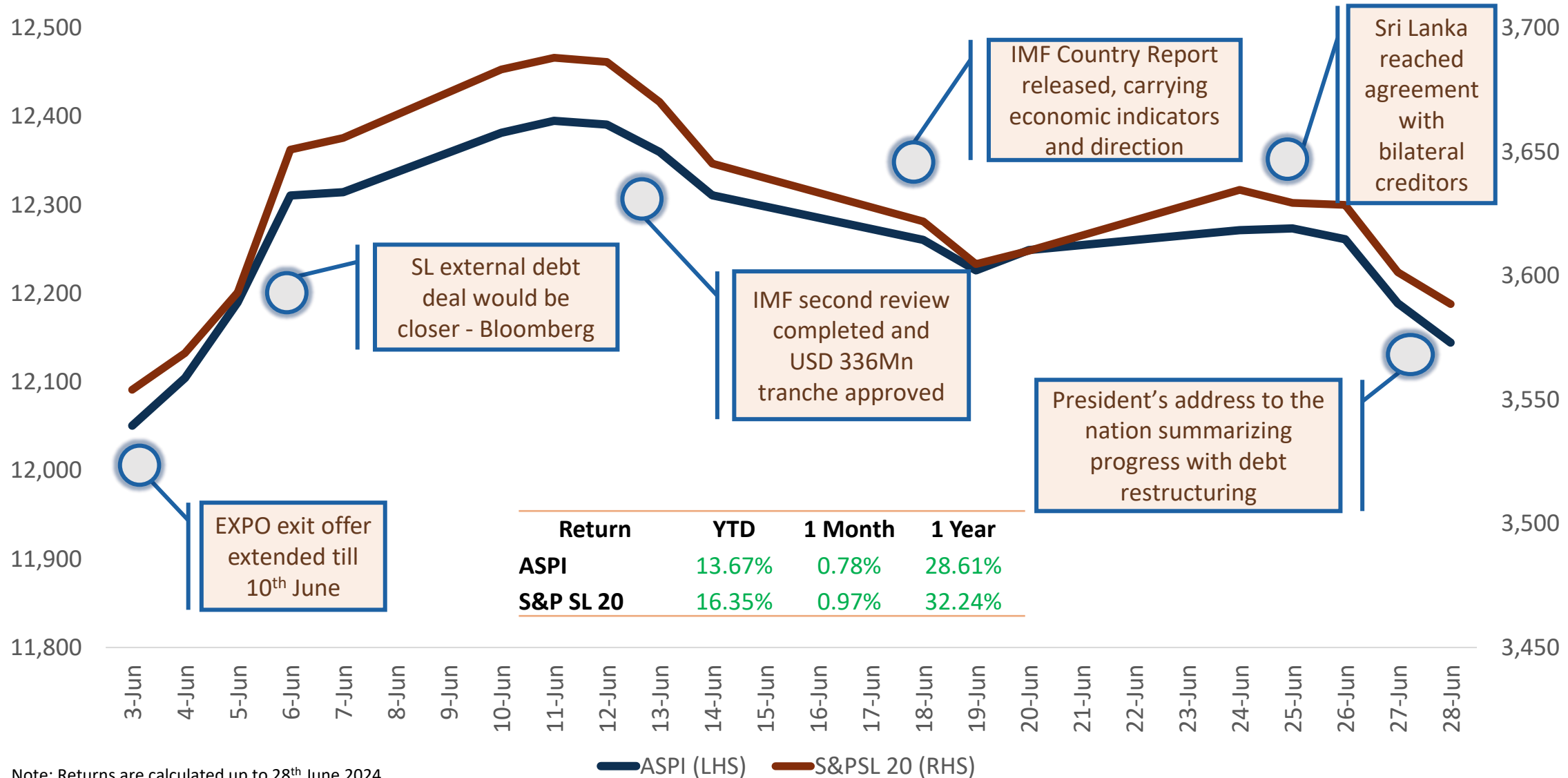


CSE PERFORMANCE

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ASPI and S&PSL20 slightly increased ~1% during June 24



Note: Returns are calculated up to 28th June 2024

Source: CSE, Ambeon estimates

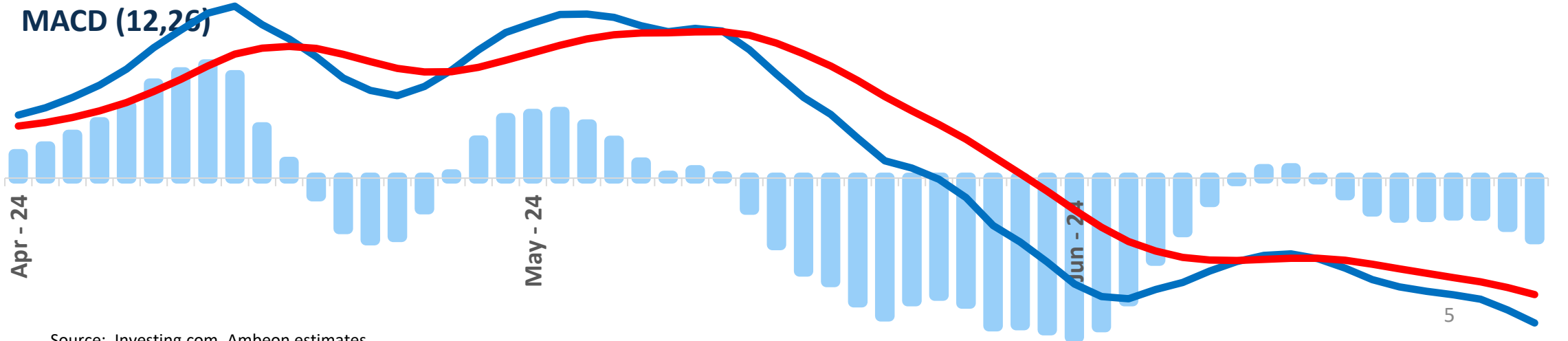
RSI & MACD of ASPI

ASPI

RSI (14)

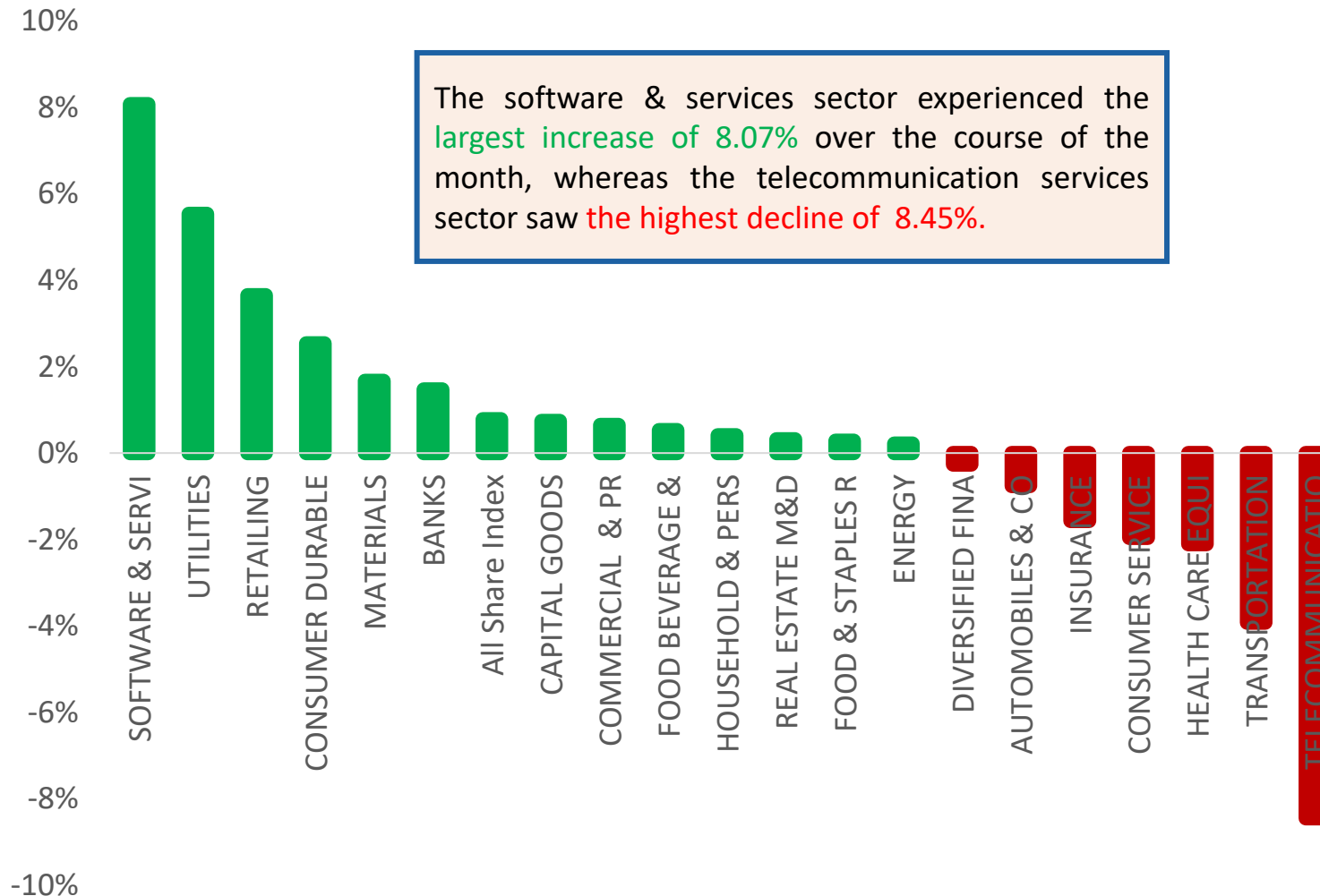


MACD (12,26)



During June, several sectors saw an increase

Sector Indices Performance



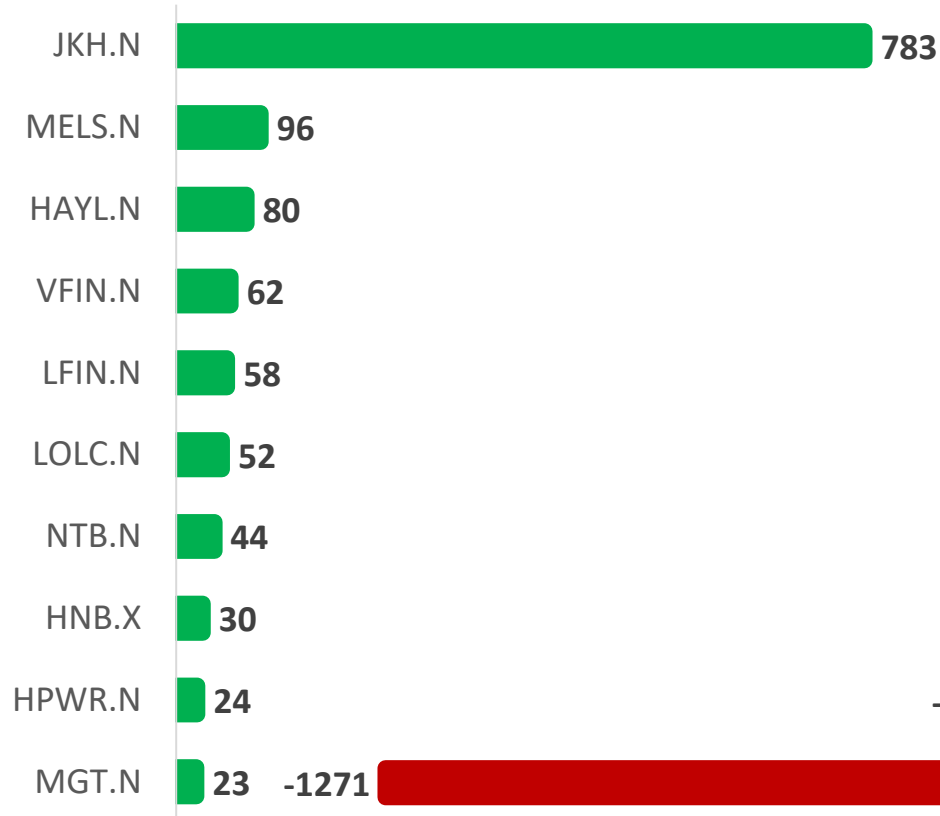
Source: CSE, Ambeon estimates

SOFTWARE & SERVICES	8.07%
UTILITIES	5.54%
RETAILING	3.65%
CONSUMER DURABLES & APPAREL	2.54%
MATERIALS	1.67%
BANKS	1.47%
All Share Index	0.78%
CAPITAL GOODS	0.75%
COMMERCIAL & PROFESSIONAL SERVICES	0.65%
FOOD BEVERAGE & TOBACCO	0.53%
HOUSEHOLD & PERSONAL PRODUCTS	0.41%
REAL ESTATE MANAGEMENT & DEVELOPMENT	0.32%
FOOD & STAPLES RETAILING	0.28%
ENERGY	0.22%
DIVERSIFIED FINANCIALS	-0.27%
AUTOMOBILES & COMPONENTS	-0.76%
INSURANCE	-1.57%
CONSUMER SERVICES	-1.96%
HEALTH CARE EQUIPMENT & SERVICES	-2.11%
TRANSPORTATION	-3.92%
TELECOMMUNICATION SERVICES	-8.45%

Total net foreign outflow for June 2024 was LKR 901 Mn

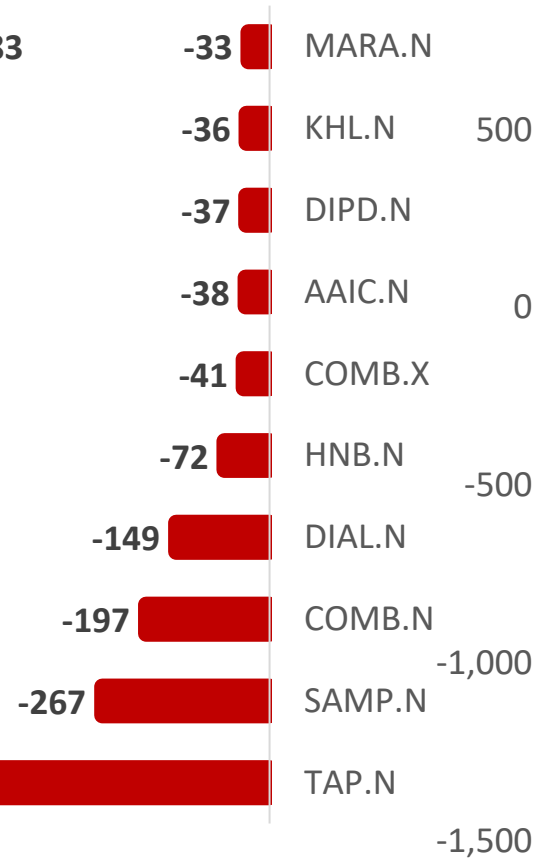
Top 10 Counters

Net Foreign Inflows (LKR Mn)

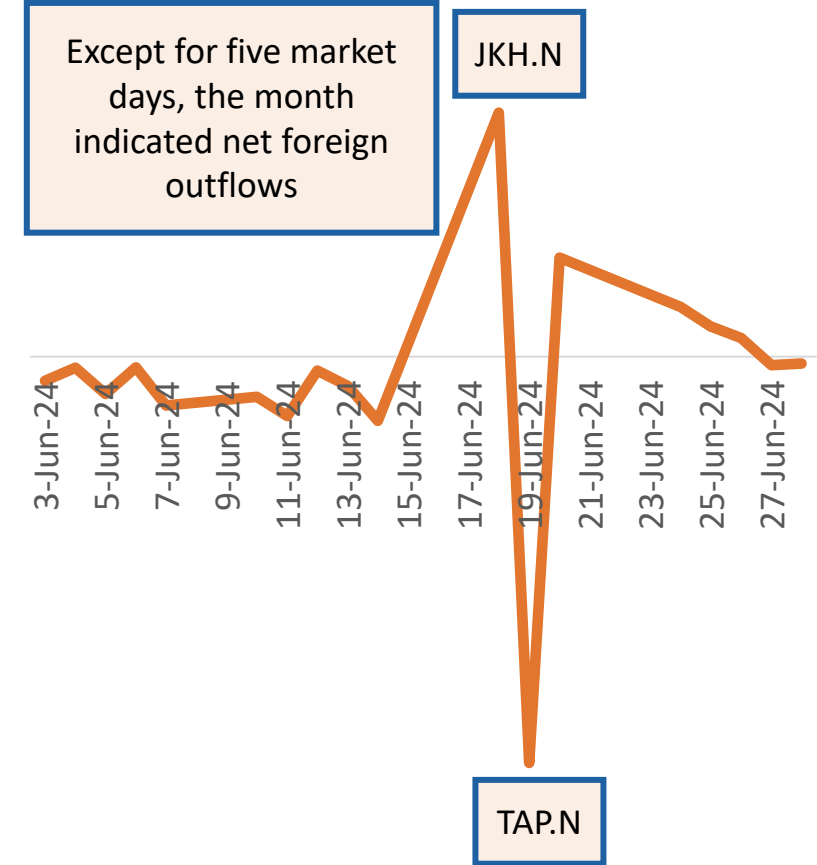


Top 10 Counters

Net Foreign Outflows (LKR Mn)



Net Foreign Flow (LKR Mn)

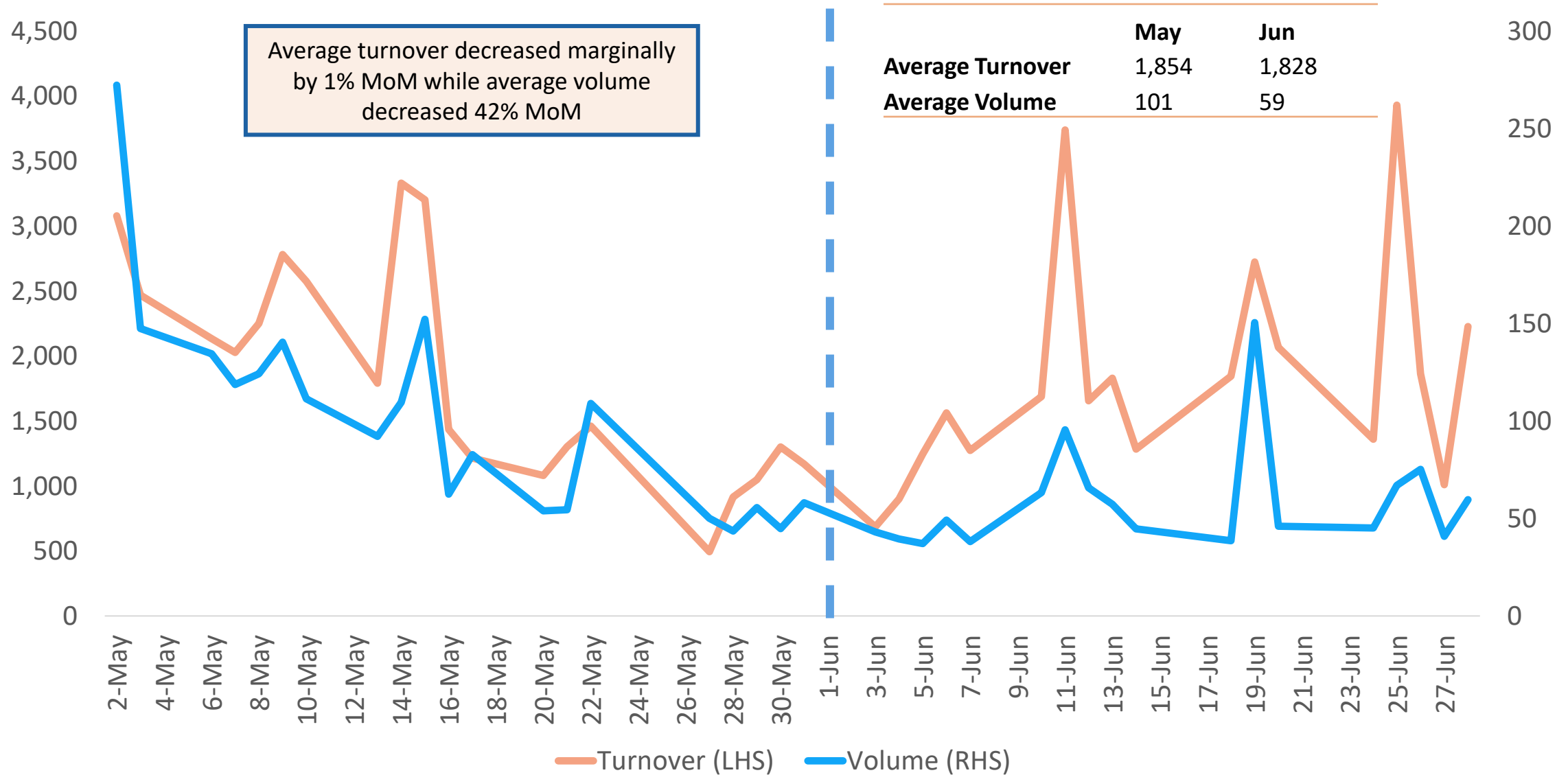


Jun 24 Total Net Foreign Flow LKR -901 Mn | Year-to-date Net Foreign Flow* LKR -9,006 Mn

Source: CSE, Ambeon estimates

*Year-to-date calculated as of 28th June 2024

Average turnover declined marginally



Regional valuation comparison

Frontier Markets (Asia)

Index	PE	PBV
ASPI (Sri Lanka)	12.4	1.1
KSE 100 (Pakistan)	5.2	1.0
VNI (Vietnam)	15.9	1.8

US & European Markets

Index	PE	PBV
S&P 500 (US)	26.1	5.0
DJIA (US)	22.6	5.0
FTSE 100 (UK)	14.4	1.9

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	26.2	2.2
CSI 300 (China)	13.4	1.4
HSI (Hong Kong)	9.9	1.0
BSESN (India)	25.2	3.9
NIFTY 50 (India)	24.6	4.0

Key economic news & events

12th Jun**IMF second review of SL**

The IMF concluded Sri Lanka's second review of bailout programme, stating the economy still remains vulnerable despite recovery signs. The IMF will release \$336 million, totaling around \$1 billion, and noted emerging economic recovery signs.

18th Jun**Imputed Rental Income Tax to achieve 2025 revenue target**

The Finance Ministry clarified that the main revenue measure for achieving the 2025 target is a wealth tax focusing on property, targeting high wealth individuals. The tax is in advanced design and is expected to yield 0.2% of GDP by 2025.

21st Jun**SL repays US\$225Mn to Reserve Bank of India**

Sri Lanka's central bank has repaid 225 million US dollars to the Reserve Bank of India in Q1 2024, in addition to earlier repayments. In October 2023, Sri Lanka provided a Treasury guarantee to cover a 2,601.43 million dollar credit from the RBI.

26th Jun**Sri Lanka Restructures \$10 Billion Debt**

Sri Lanka has signed an MoU to restructure \$5.8 billion in debt, securing final agreements with France, India, Japan, and \$4.2 billion with China's Exim Bank. Sri Lanka can delay debt payments to foreign countries until 2028 and repay loans on concessional terms until 2043.



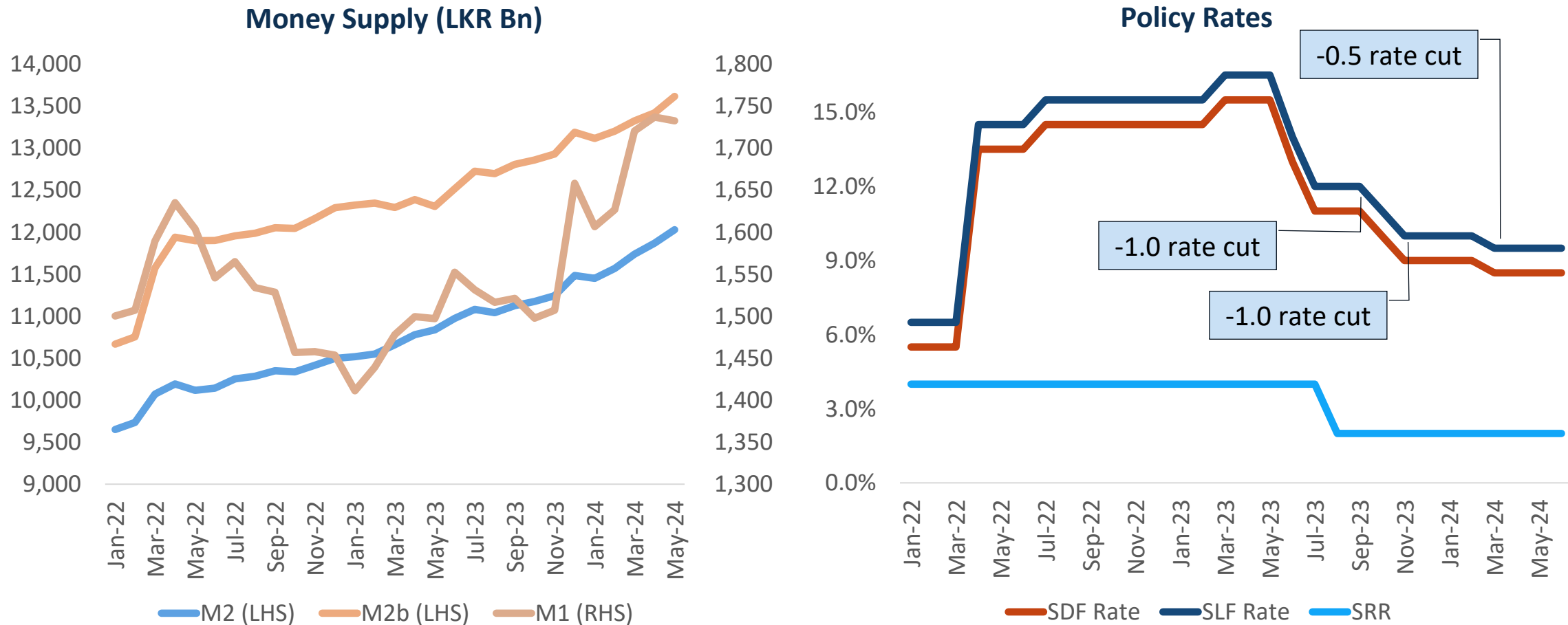
MONETARY SECTOR

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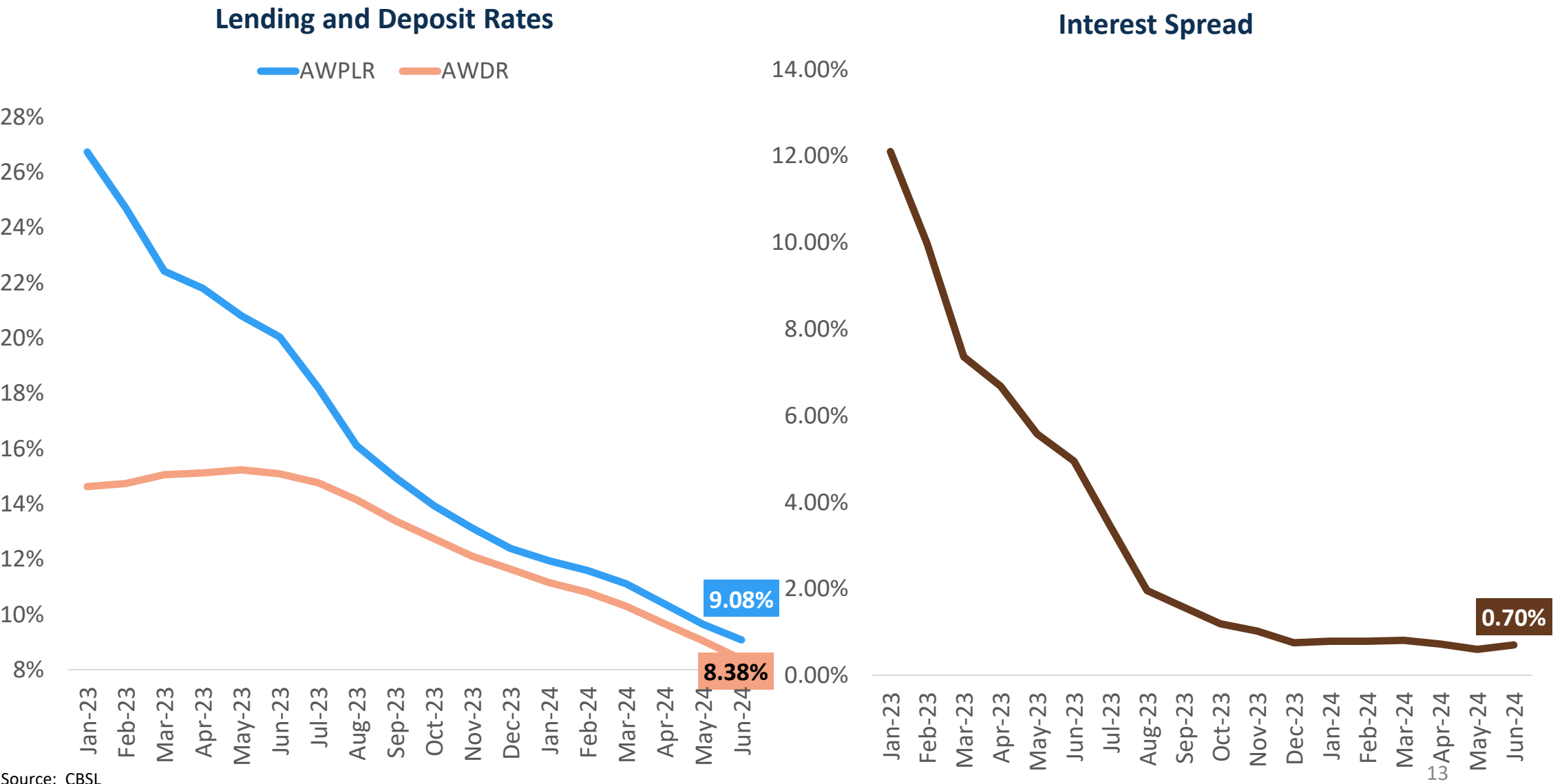


The broad money supply increased at the end of May 2024

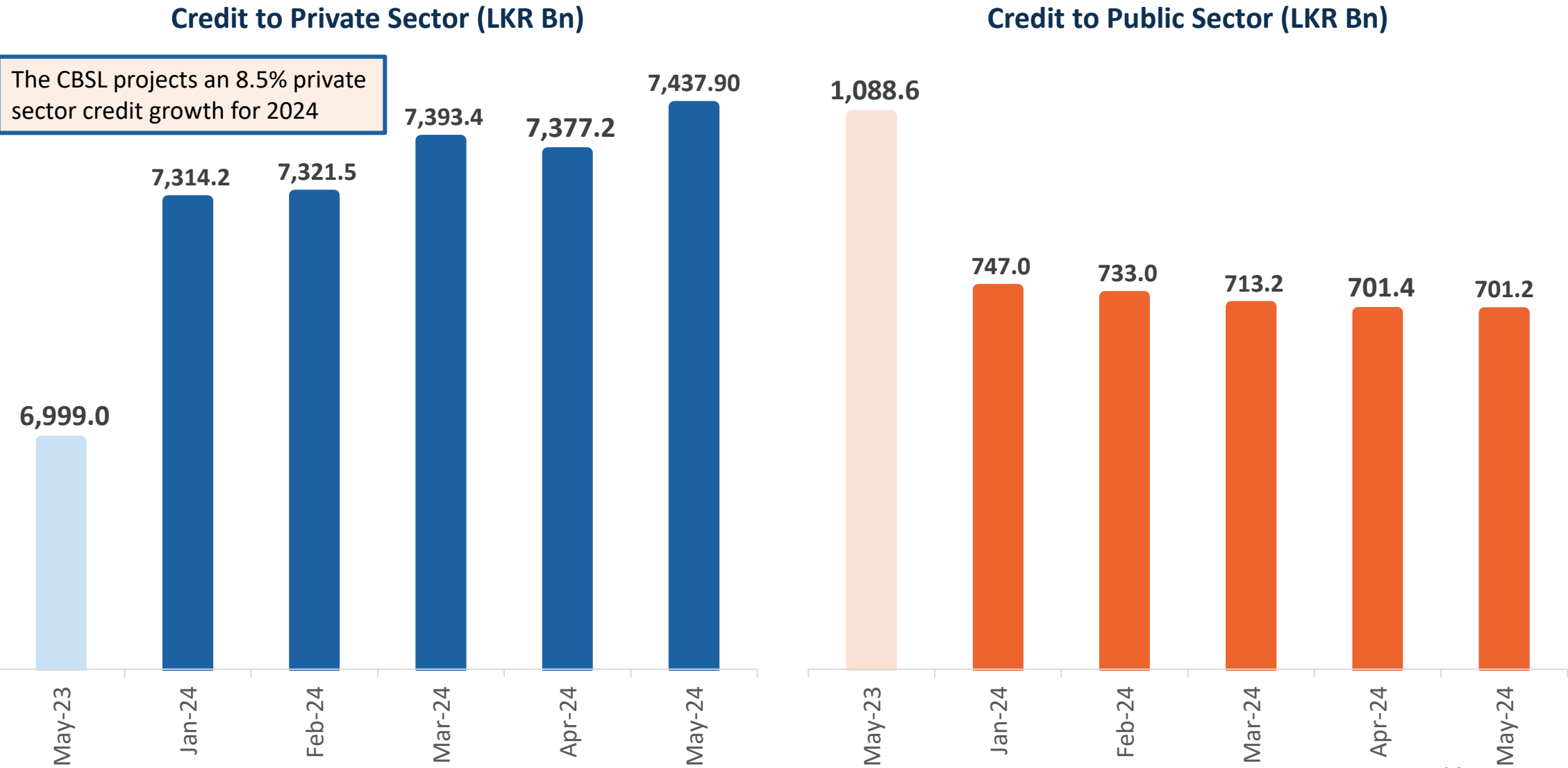
By the end of May 24, narrow money supply (M1) decreased to LKR 1,733 Bn, while consolidated broad money supply (M2b) increased to LKR 13,616 Bn when compared to Apr 24. Currently, the Standing Deposit Facility rate is 8.5%, and the Standing Lending Facility rate is 9.5%. The next monetary policy review is expected on 24th July 2024.



Lending and deposit rates further declined in June 2024

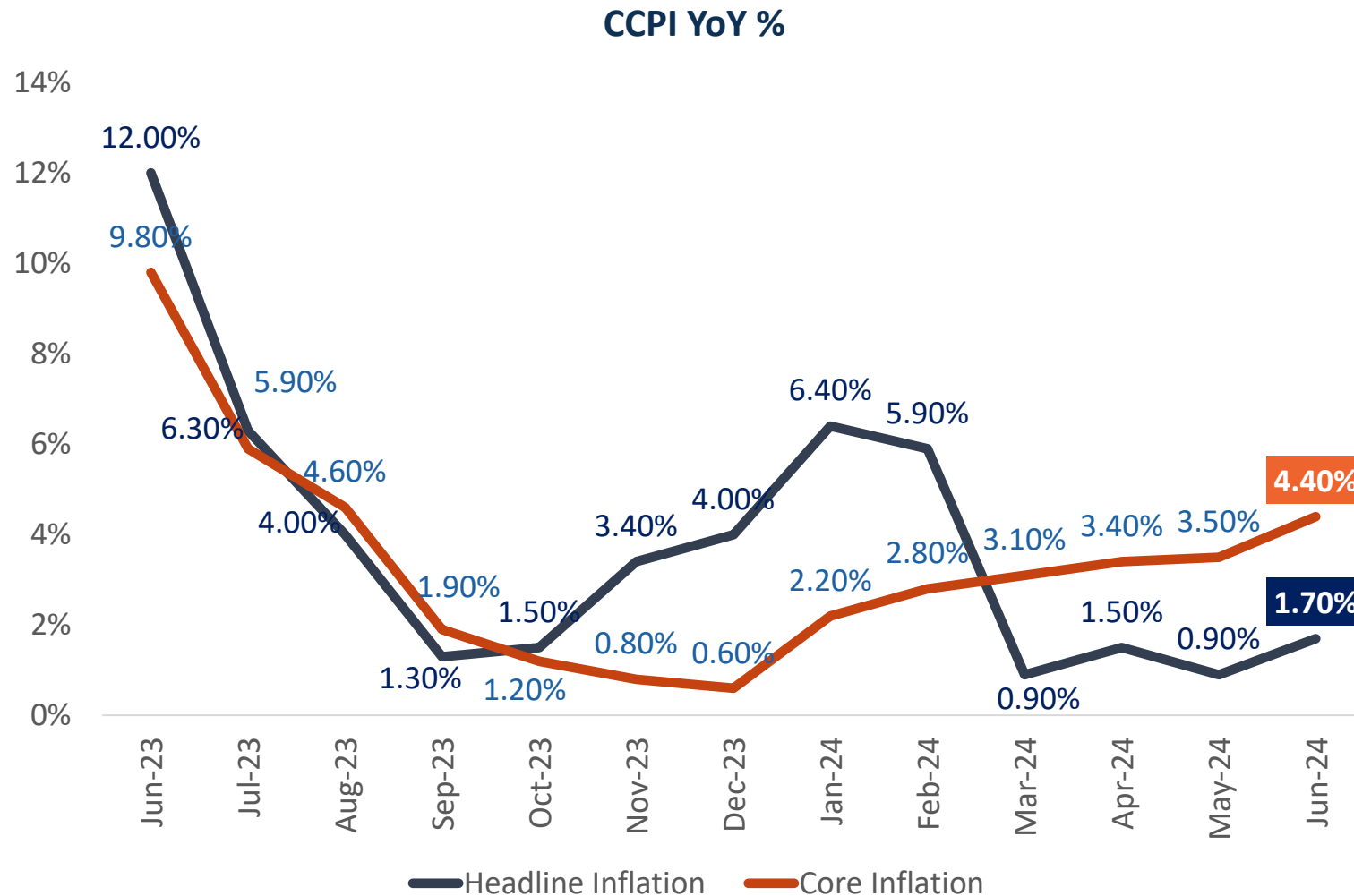


Credit to private sector marginally increased from April to May



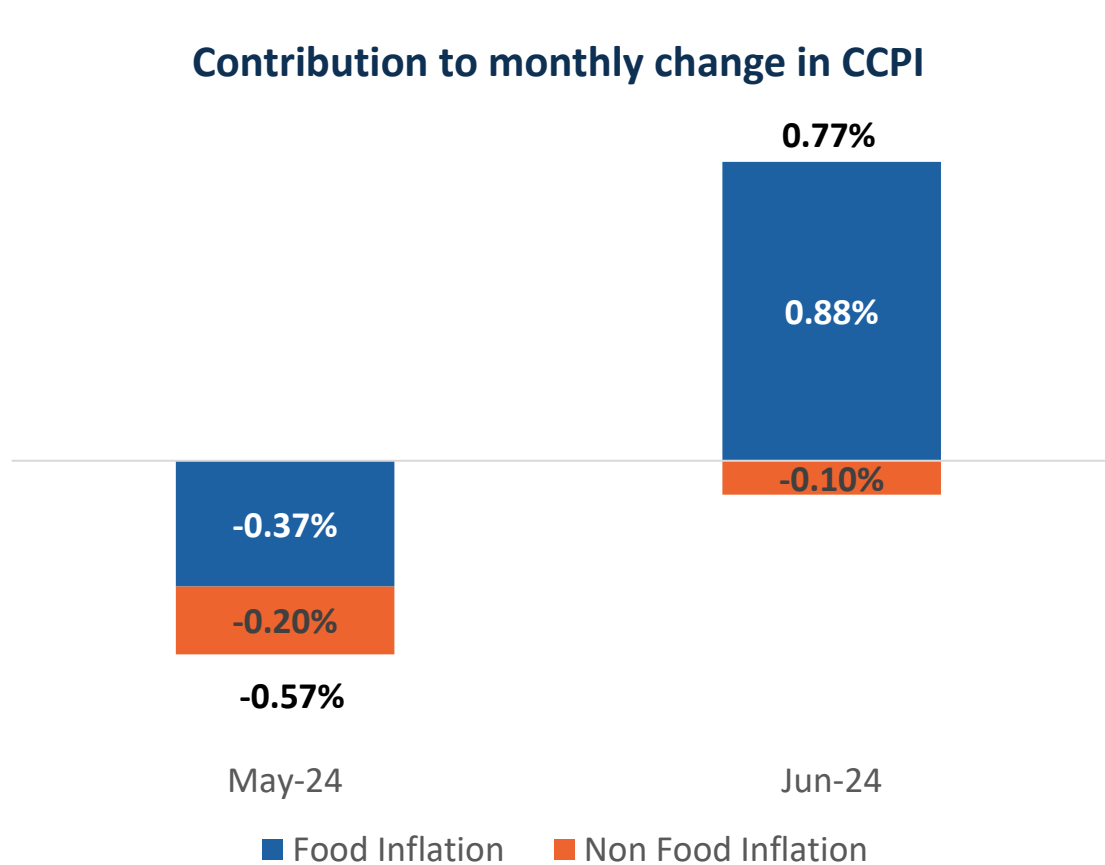
Source: CBSL

Headline inflation accelerated to 1.7% in June 2024



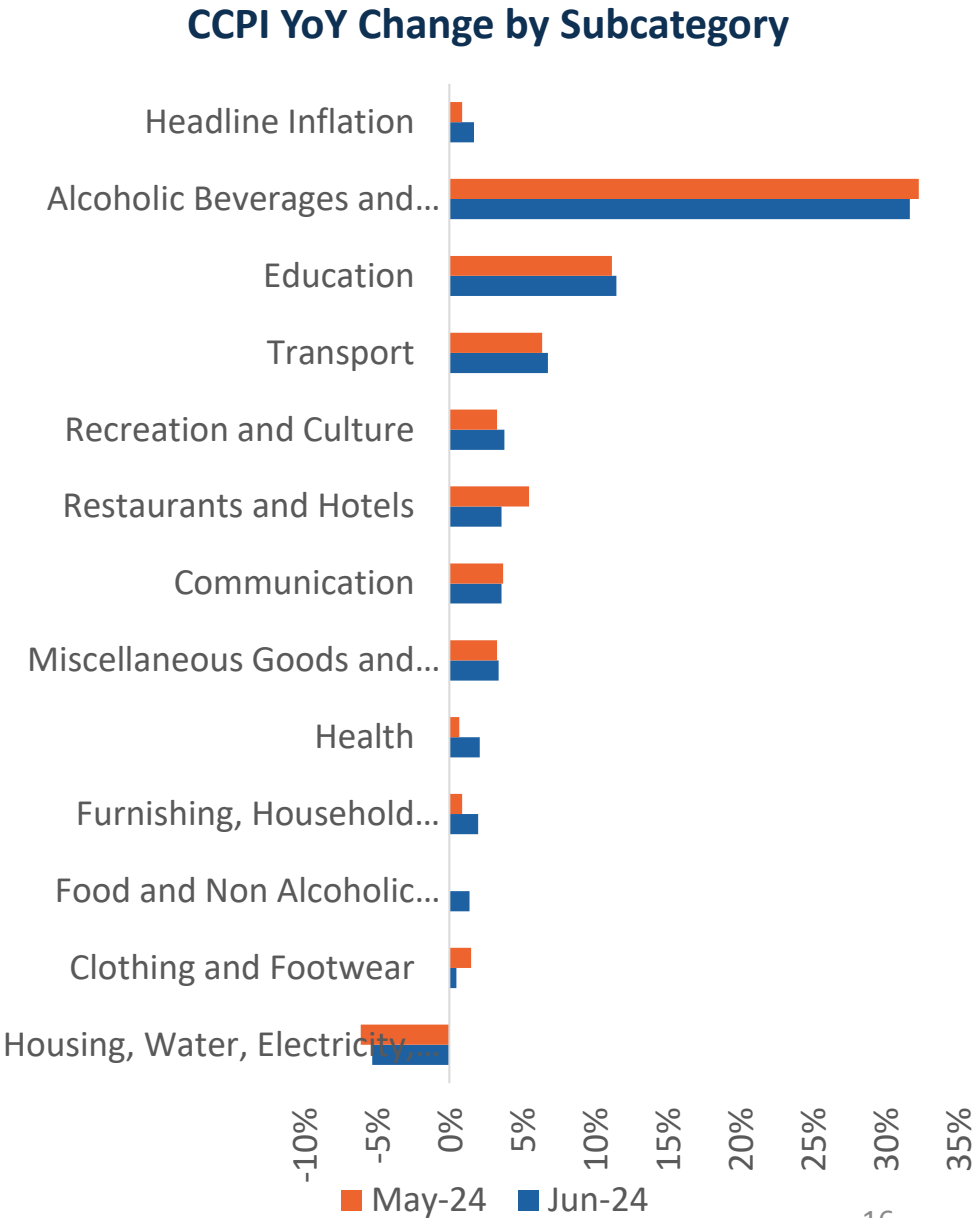
- In Jun 24, YoY change in headline inflation, measured by the Colombo Consumer Price Index (CCPI), accelerated to 1.7% from 0.9% in May 24.
- Prices accelerated for Food and Non Alcoholic Beverages, Health, Furnishing, Household Equipment and Routine Household Maintenance, Miscellaneous Goods and Services, Recreation and Culture, Transport and Education.
- Prices decelerated for Clothing and Footwear, Communication, Restaurants and Hotels and Alcoholic Beverages and Tobacco.
- Core inflation YoY rose to 4.4% in Jun 24 from 3.5% in May 24.

June 2024 CCPI soared by 0.77% MoM with significant contribution from food category



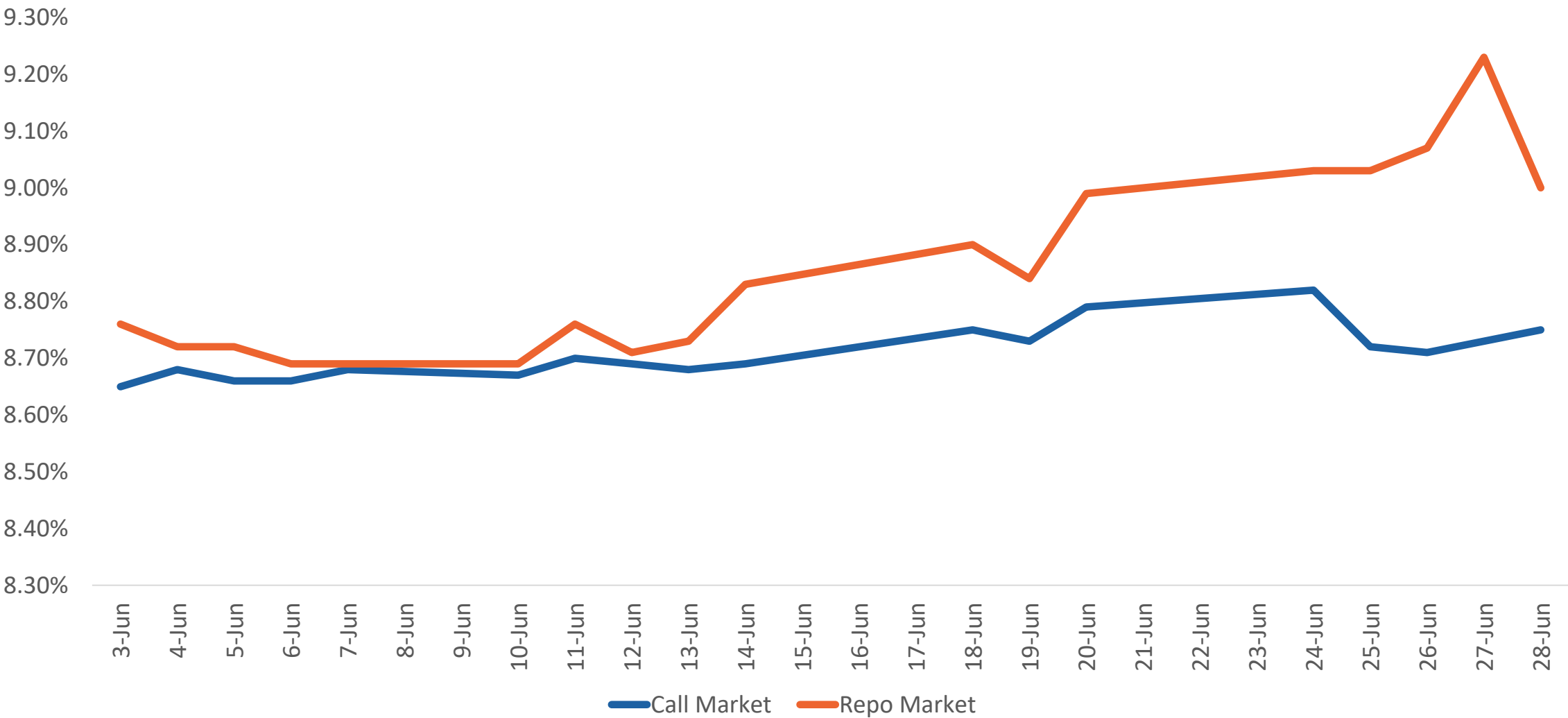
Food inflation accelerated to 1.4% YoY in Jun 24, compared to 0.0% in the previous month. Non-Food Category experienced 1.8% YoY inflation, compared to 1.3% in May 24. The Food category saw a price increase of 0.88%, while the Non-Food category saw a price decrease of 0.10%, resulting in a monthly change of 0.77% for the CCPI in May 2024.

Source: CBSL



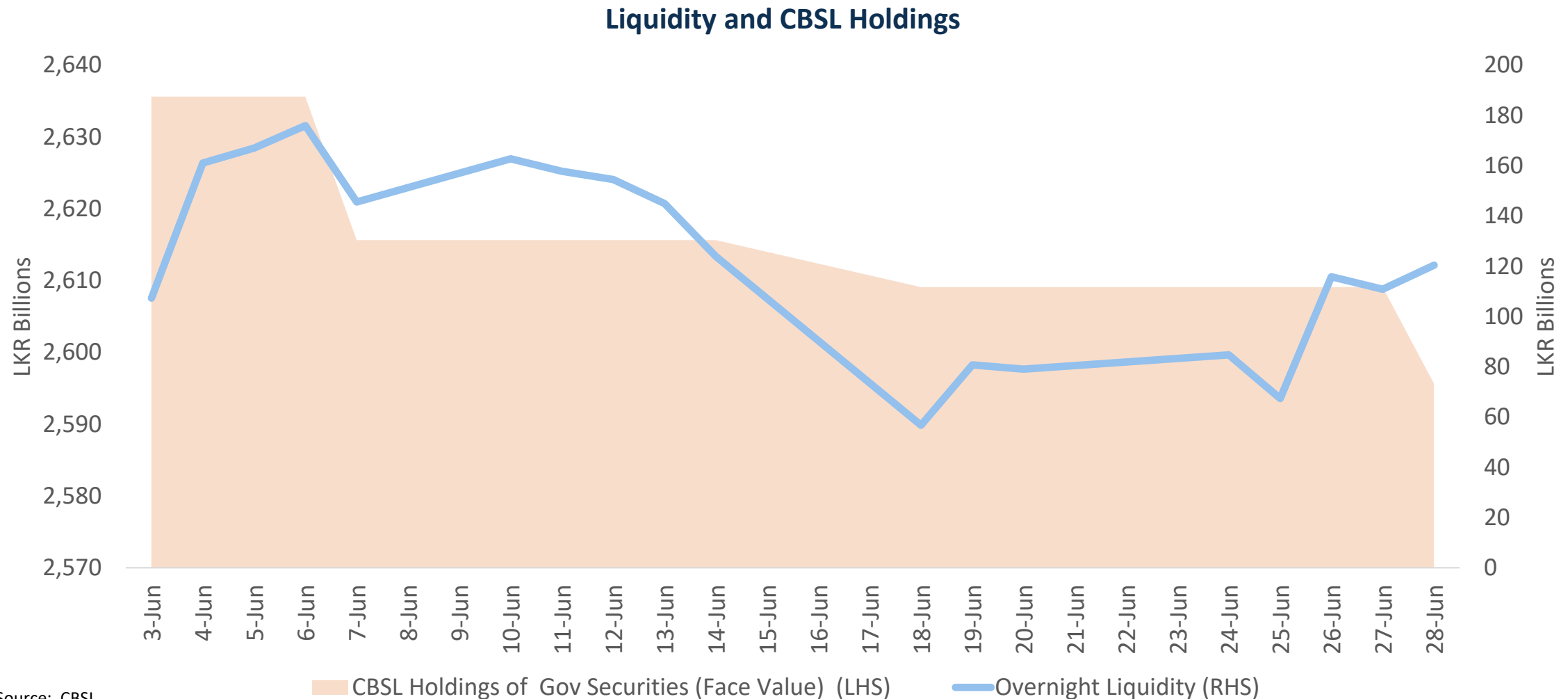
Both call market rates and repo market rates increased during the month

Weighted Averaged Yields of Money Market Rates



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

Overnight liquidity continued to remain in the positive territory and ended at LKR 120.39 Bn as of 28th June. CBSL holdings of Government Securities were decreased during the month and ended at LKR 2,596 Bn (Face Value).



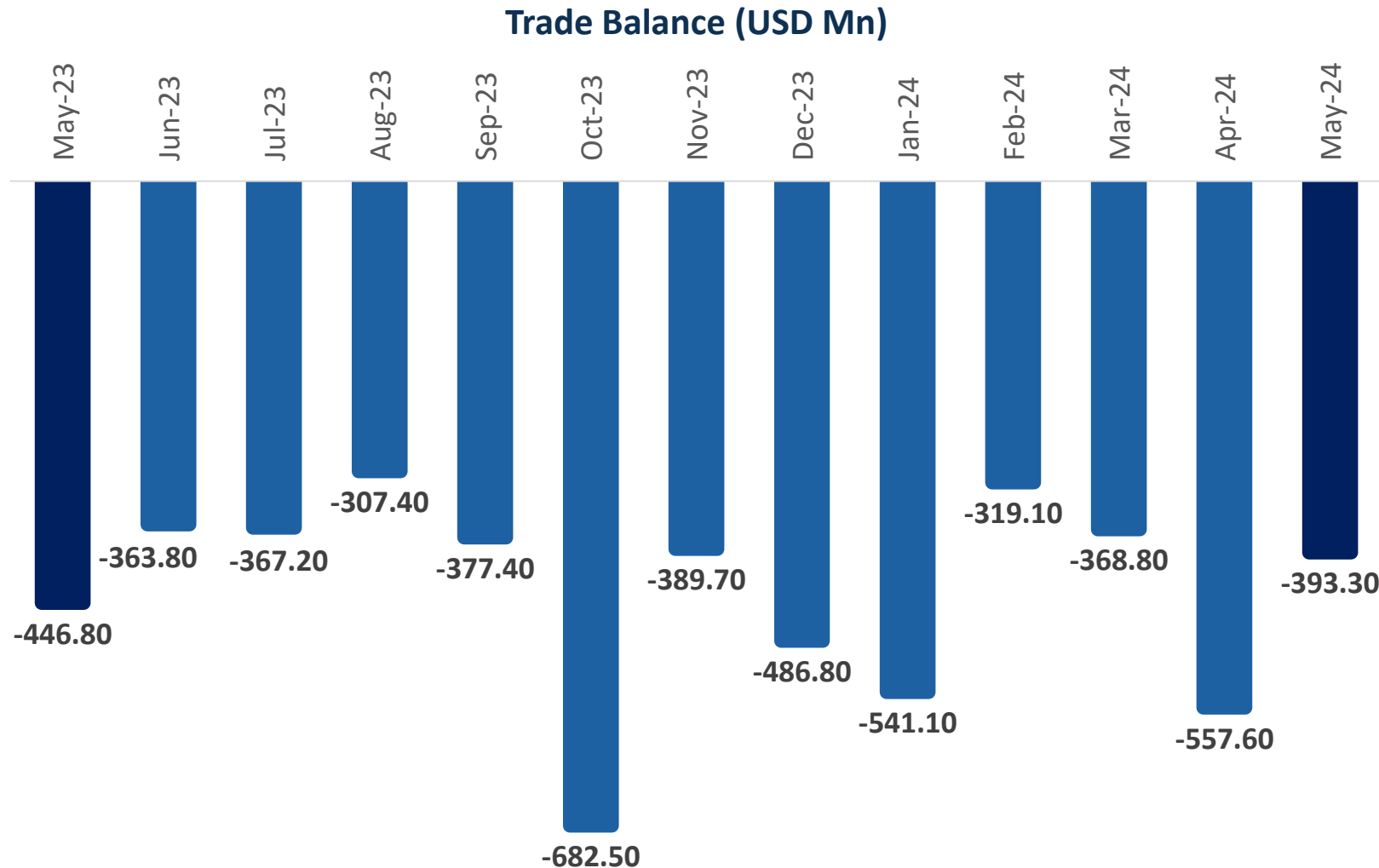


EXTERNAL SECTOR

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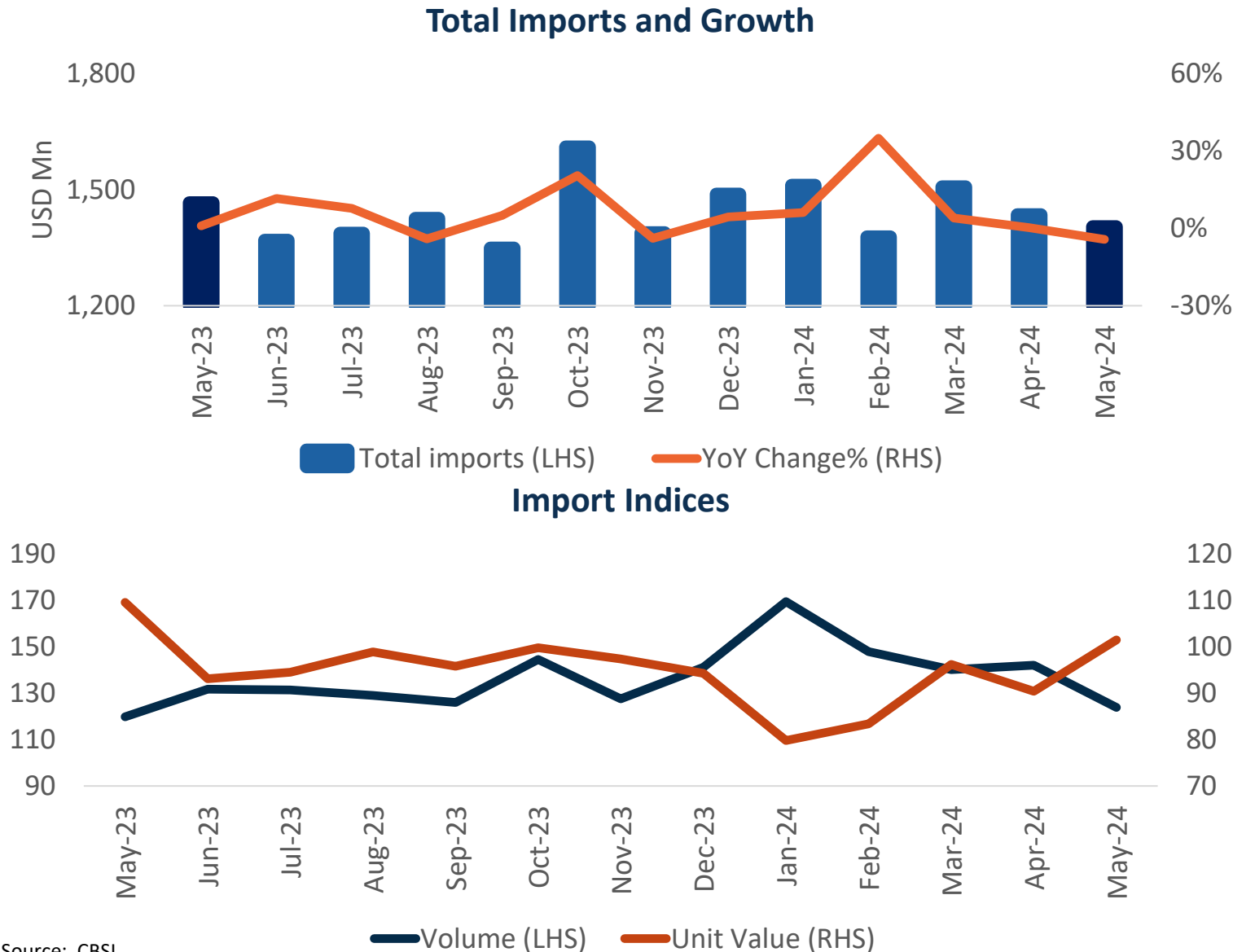


Balance of Trade improved by 12% YoY in May 24



- In May 2024, Sri Lanka's trade deficit amounted to USD 393.30 Mn, marking a 12% improvement compared to the same month of the previous year. This figure also represented a 29% improvement from the previous month.
- The cumulative trade deficit in the Jan – May 24 period amounted to USD 2,180 Mn, surpassing the deficit recorded during the same period in 2023 by 13%.
- In May 2024, import expenditure amounted to USD 1,405 Mn, while export earnings totaled USD 1,011 Mn. Import expenses and export revenues both decreased from the previous year.

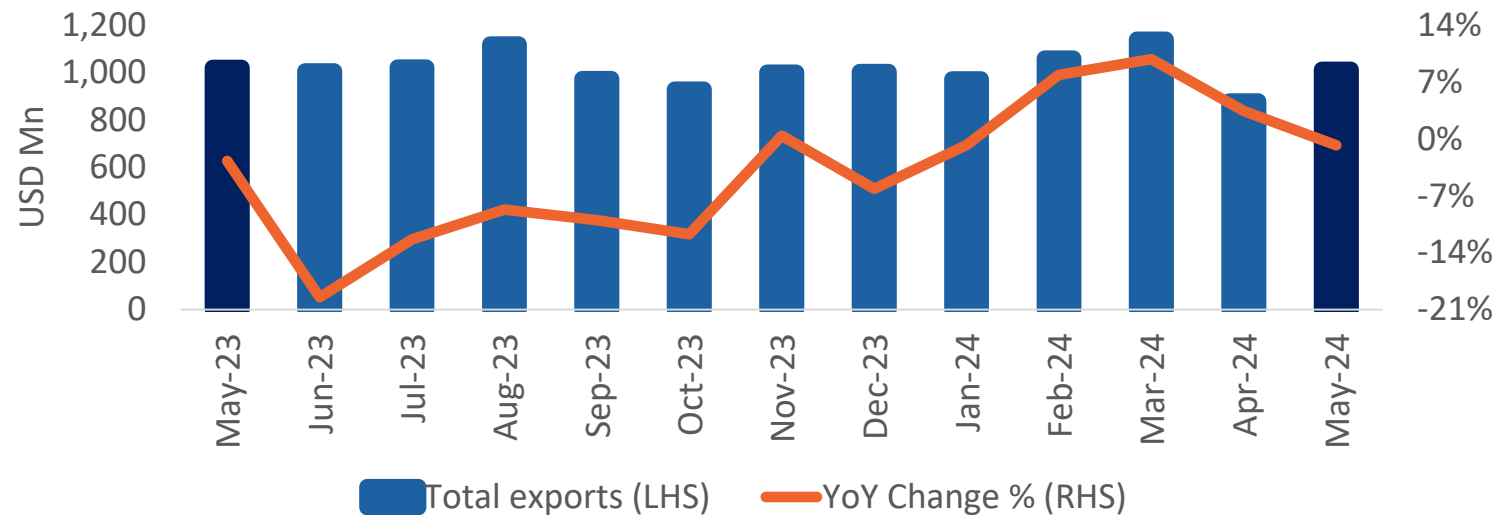
May 2024 import expenditure declined by 4.2% YoY



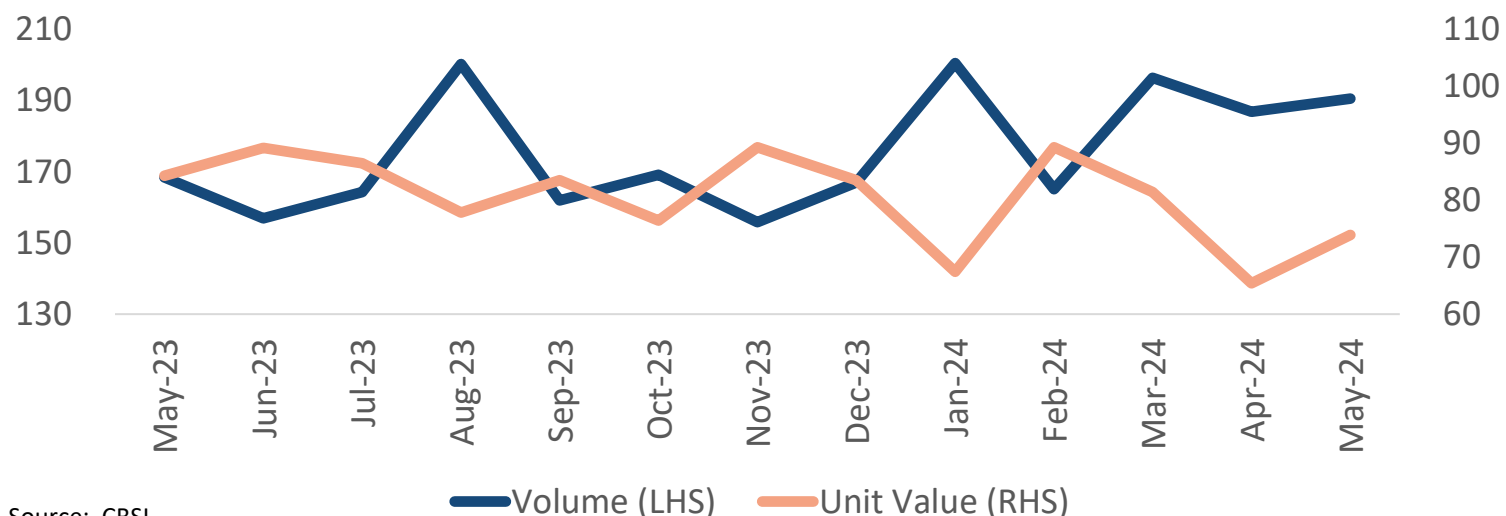
- Imports decreased by 4.2% YoY in May 24, and it was a 2.1% decline compared to the previous month.
- Consumer goods imports saw a decline in May 2024 compared to the same period the previous year. This drop was primarily due to a broad-based reduction in expenditure on food and beverages, with notable decreases in sugar and dairy product imports.
- Meanwhile, spending on intermediate goods imports fell, mainly due to a reduction in fuel imports compared to May 2023. However, expenditure on wheat, textiles and textile articles, and plastics saw a slight increase in May 2024.
- The Imports Volume Index increased by 3% YoY in May 24, whereas the Import Unit Value Index saw a decline of 7% YoY during the same period.

May 2024 export earnings declined by 0.8% YoY

Total Exports and Growth



Export Indices



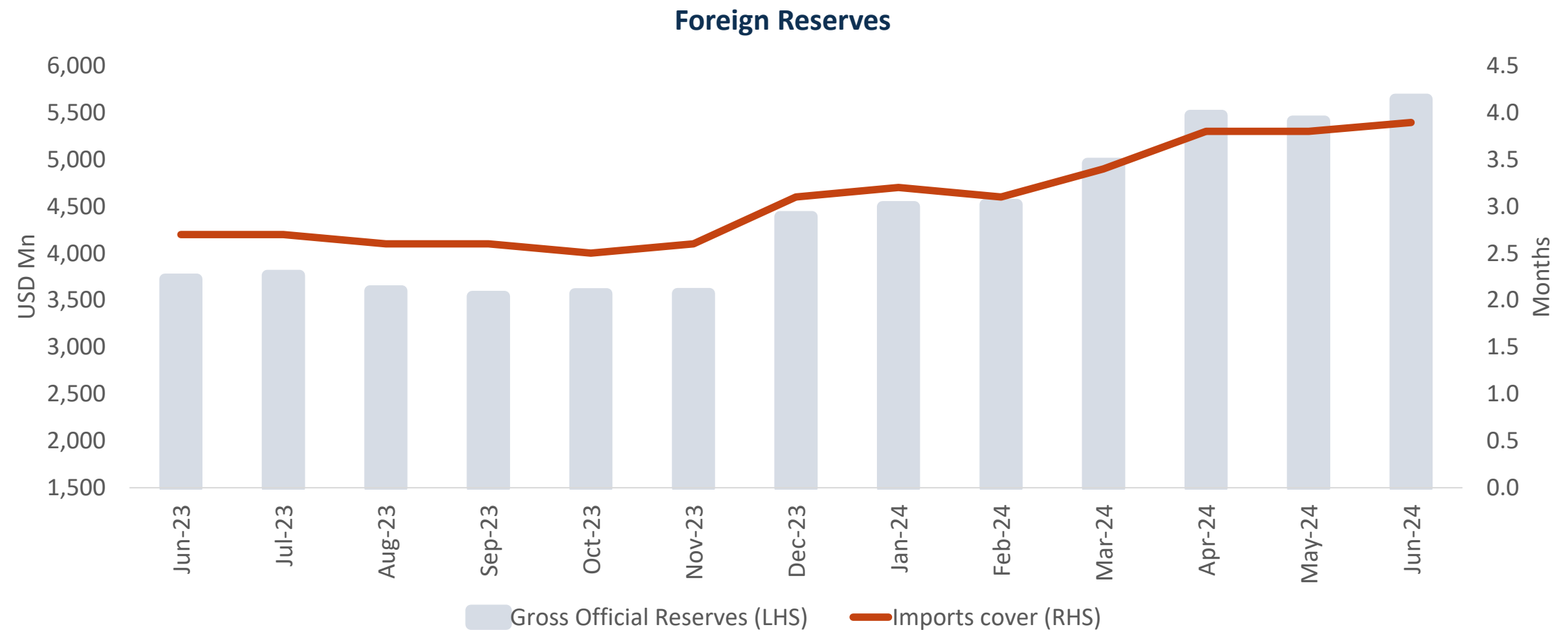
- In May 24, export earnings declined by 0.8% YoY. It was a 15.2% rise compared to the previous month. Agricultural exports experienced a decline in earnings, while industrial and mineral exports saw an increase in the month.
- The rise in industrial goods exports in May 2024 was primarily driven by increased volumes of petroleum products, including bunkering and aviation fuel.
- Earnings from agricultural goods exports declined in May 2024, primarily due to lower exports of minor agricultural products, such as areca nuts, and seafood. Additionally, export earnings from spices and tea also saw a slight decrease.
- In May 24, the Export Volume Index surged by 13% YoY, whereas the Export Unit Value Index witnessed a decline of 12% YoY during the same period.

Source: CBSL

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

Foreign reserves increased from May to June 2024

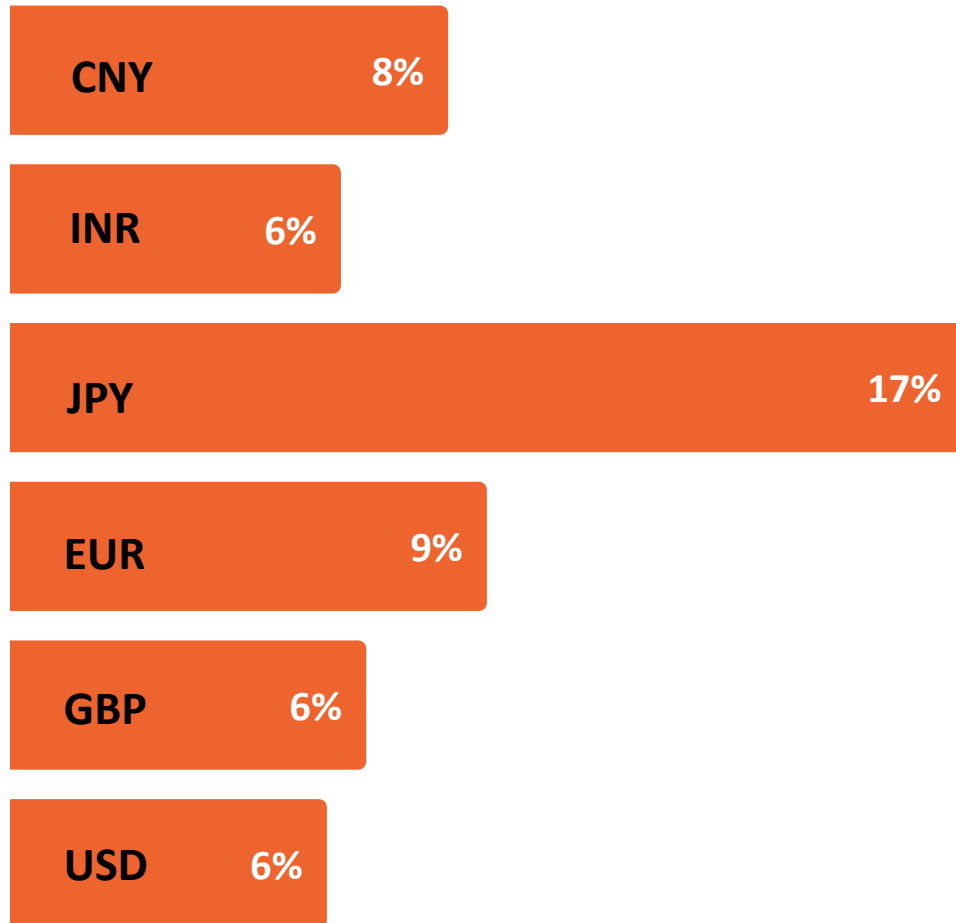
As of the end of Jun 24, Sri Lanka's gross official reserves increased to USD 5,642 Mn. Currently it shows a comfortable buffer equivalent to approximately 3.9 months' worth of imports.



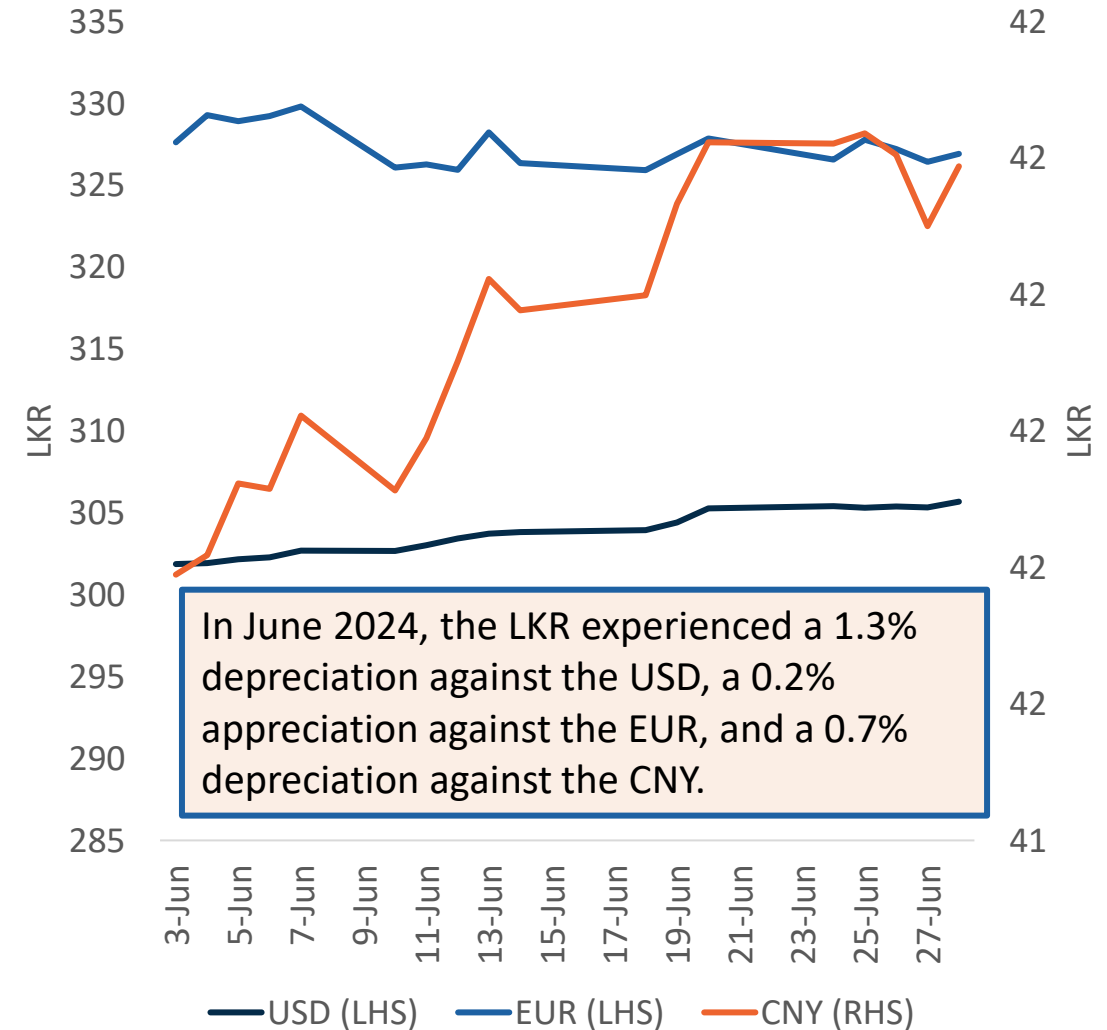
Source: CBSL

Sri Lankan rupee appreciated against multiple major currencies YTD

LKR appreciation against to major currencies YTD end of Jun 24



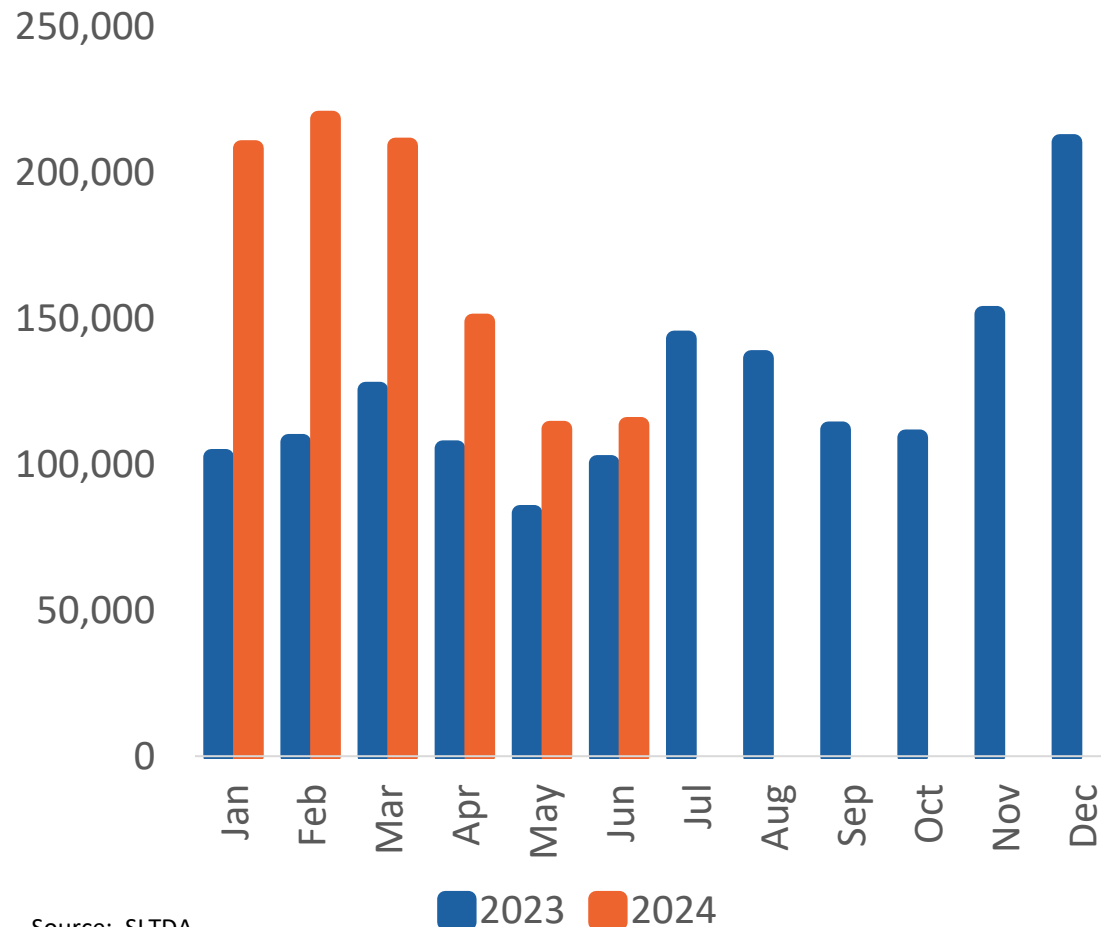
Monthly movement of major currencies



June 2024 tourist arrivals increased by 13% YoY

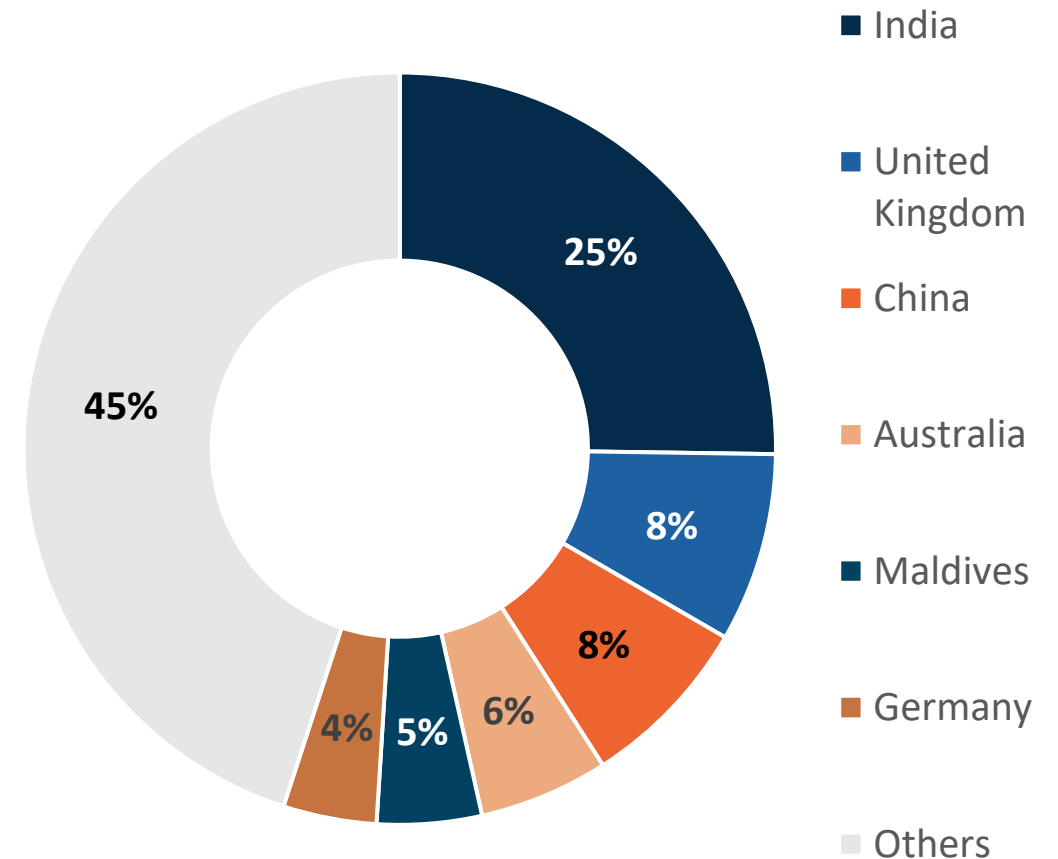
In June 2024, Sri Lanka attracted 113,470 tourists, marking a 13.0% YoY growth and a 1.2% increase compared to the previous month. Total tourist arrivals for the first half of 2024 reached 1.01 million. The key source markets during Jun24 included India, the UK, China, Australia, and the Maldives.

Monthly Tourists Arrivals



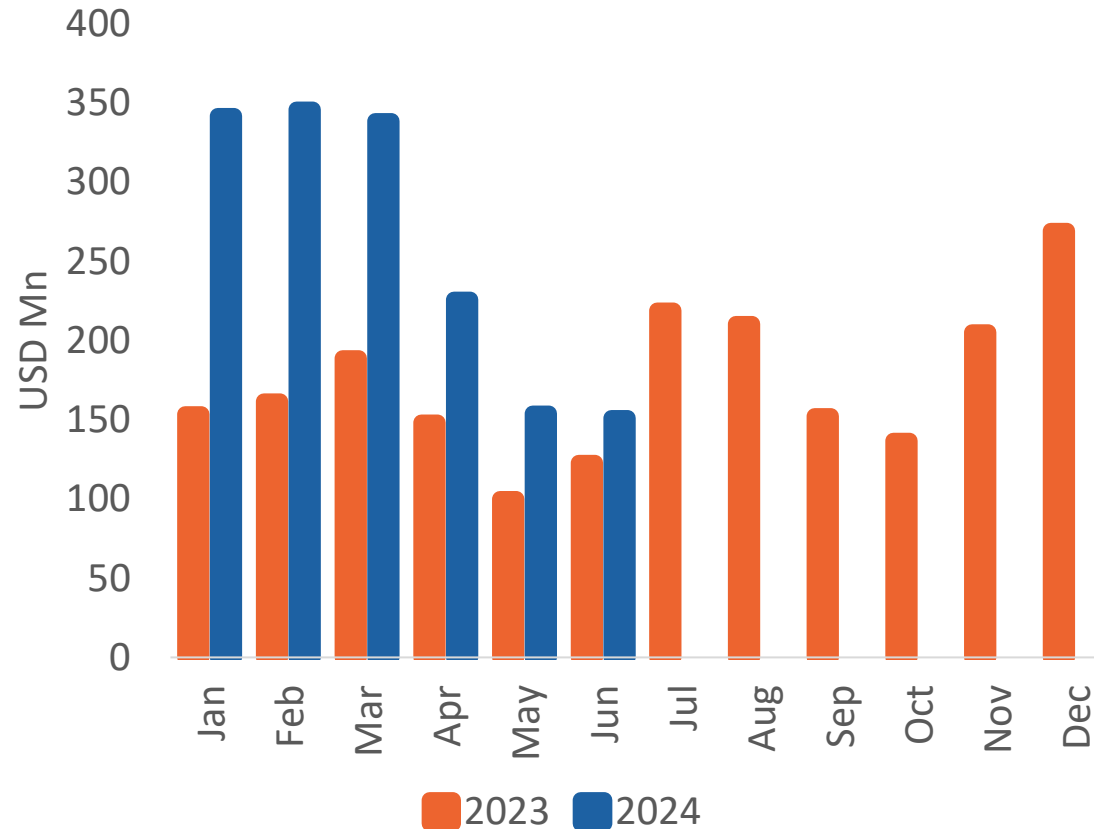
Source: SLTDA

Arrival % by Country in Jun 24



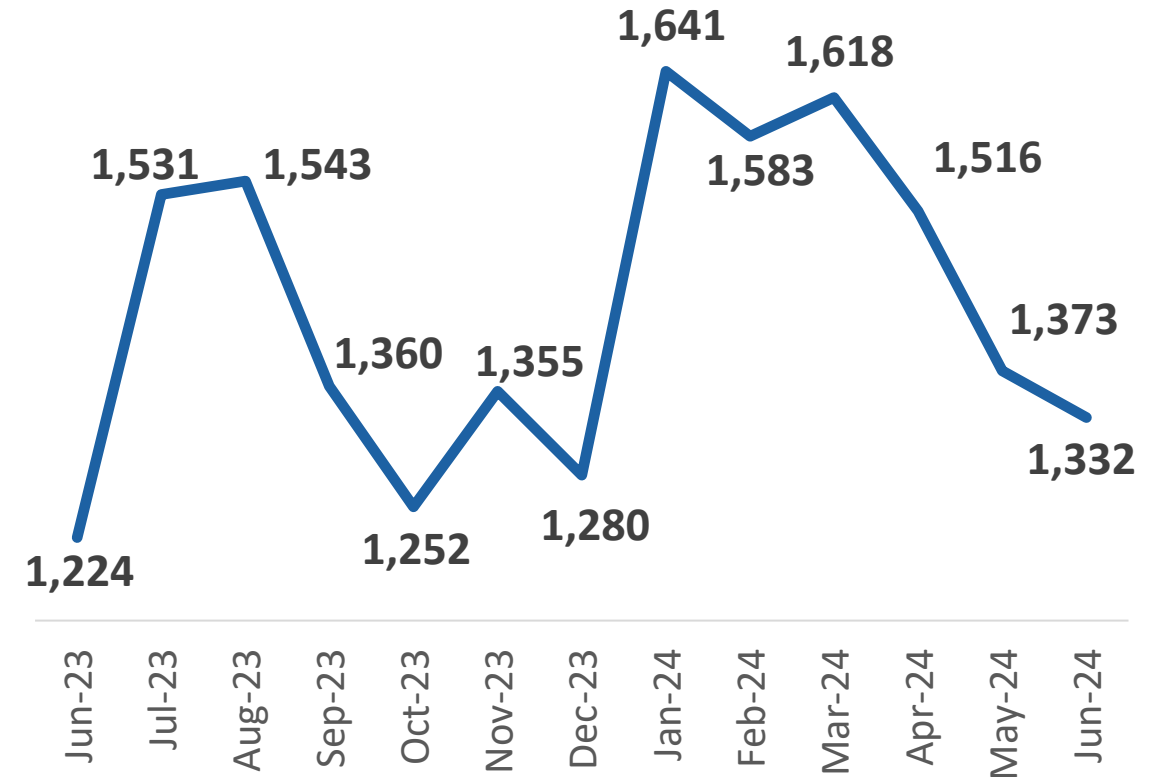
June 2024 tourism earnings increased 23% YoY

Monthly Tourism Earnings



YTD total tourism earnings = USD 1,556.70 Mn

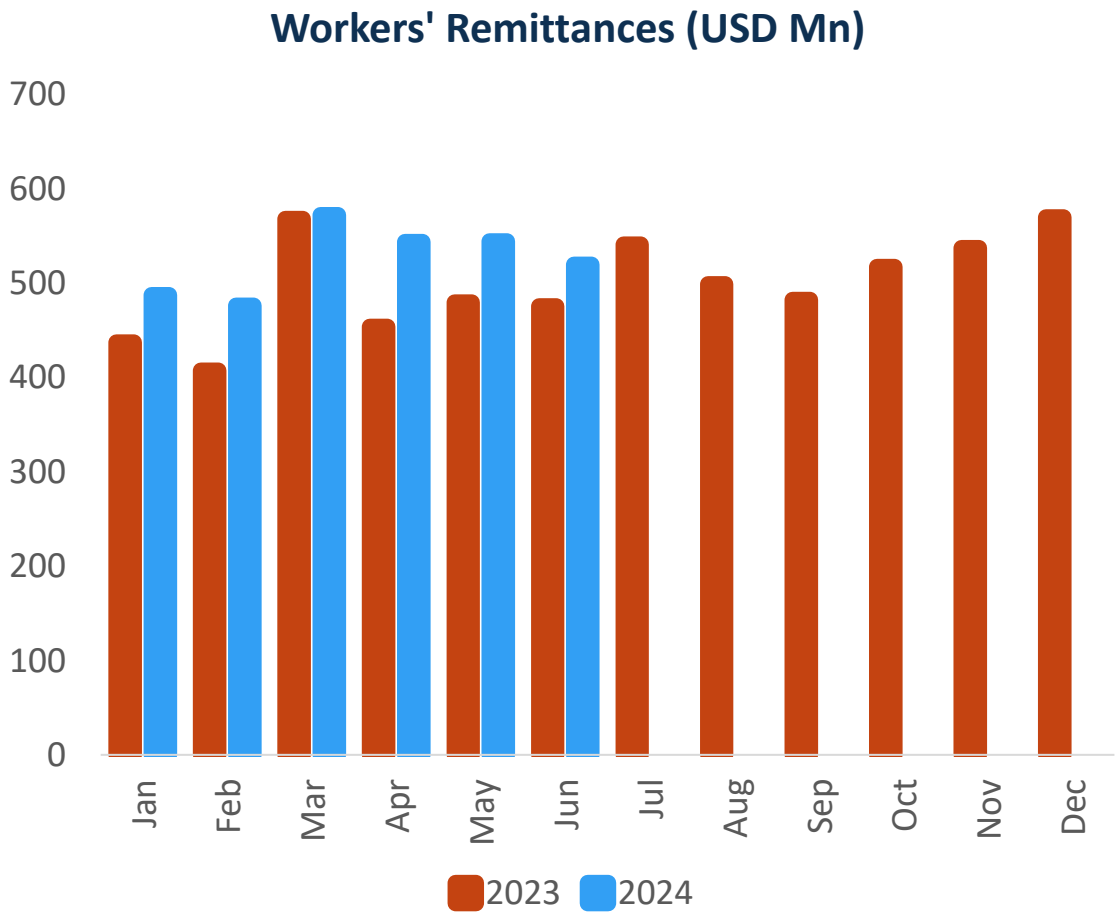
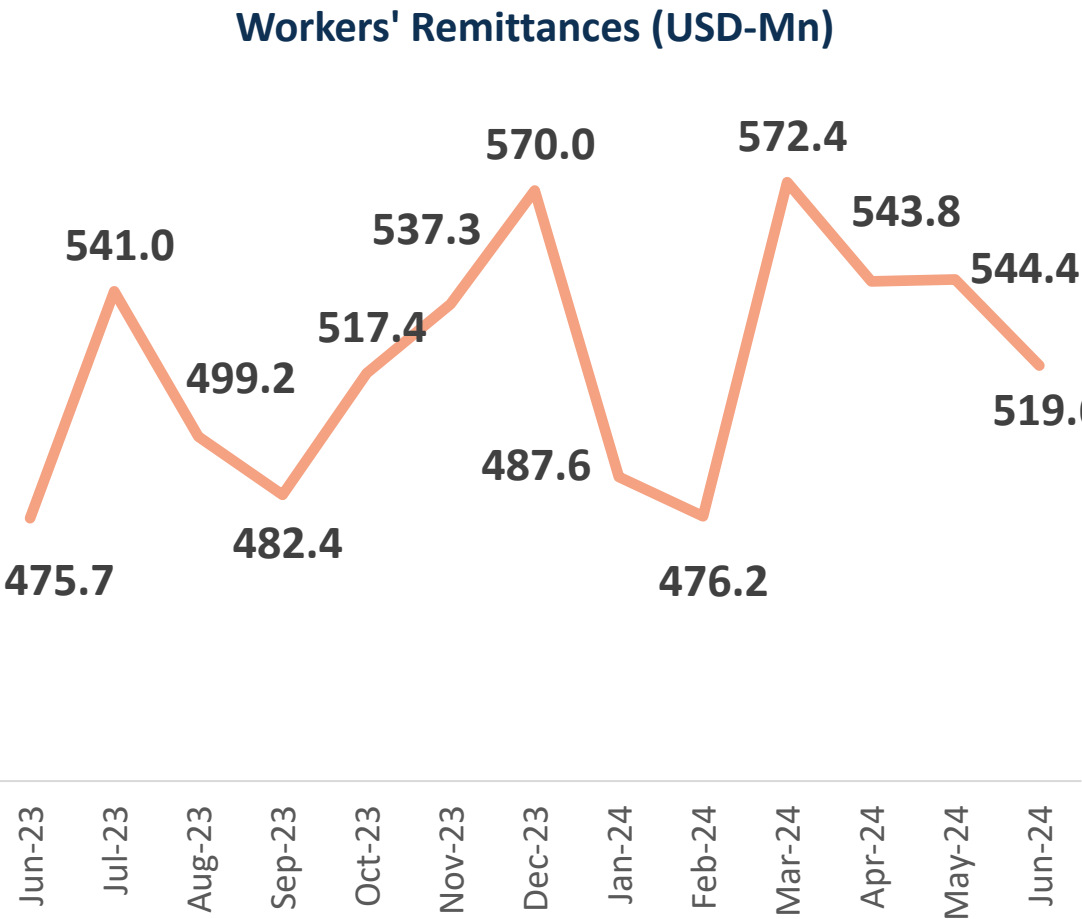
Earnings per Tourist (USD)



In Jun 24, tourism earnings surged by 23% YoY, totaling USD 151.1 Mn. Nevertheless, this marked a 2% decline compared to May 24. The earnings per tourist amounted to USD 1,332, showing a 9% YoY increase and a 3% decline compared to the preceding month.

June 2024 worker remittances increased 9% YoY

In Jun 24, workers' remittances reached USD 519.6 Mn, marking a 9% rise from the same period last year and a decrease of 5% compared to May 24. Despite occasional seasonal variations, workers' remittances have consistently shown an upward trend since experiencing a significant recovery in 2022.



Source: CBSL

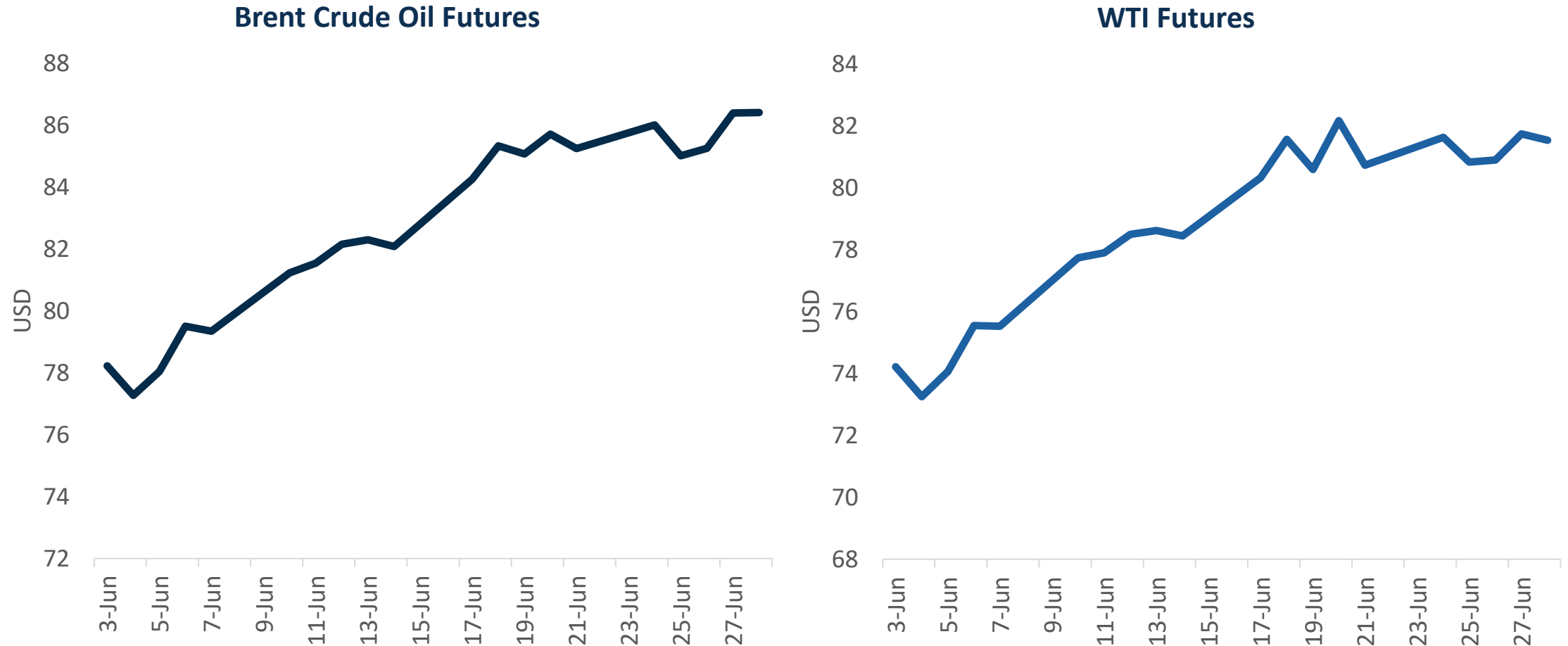


COMMODITIES AND OTHER

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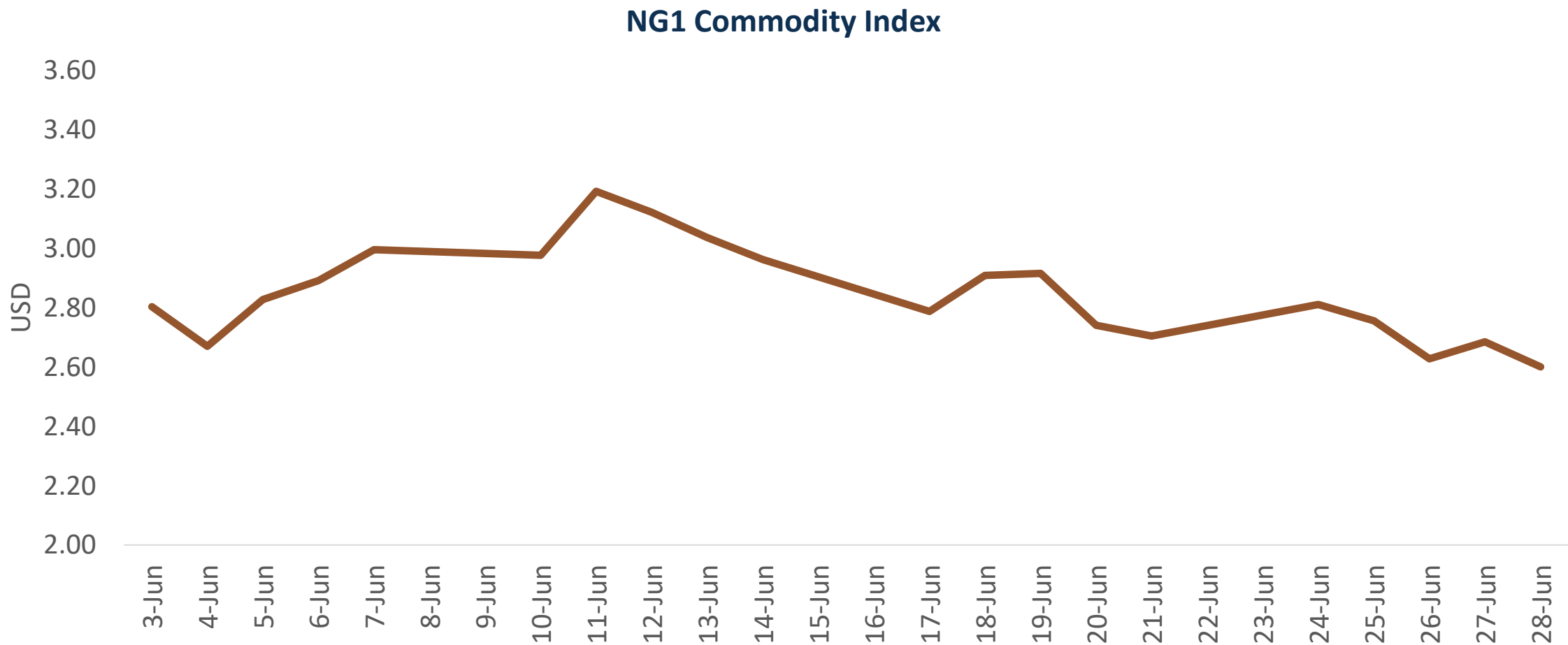
Crude oil prices soared around 10% in June 2024



In Jun 24, Brent crude oil prices increased by 10.5%, while WTI futures rose by 9.9%. Oil prices climbed, driven by hopes of rising fuel demand this summer, despite the stronger U.S. dollar and expectations that the U.S. Federal Reserve will maintain higher interest rates for an extended period.

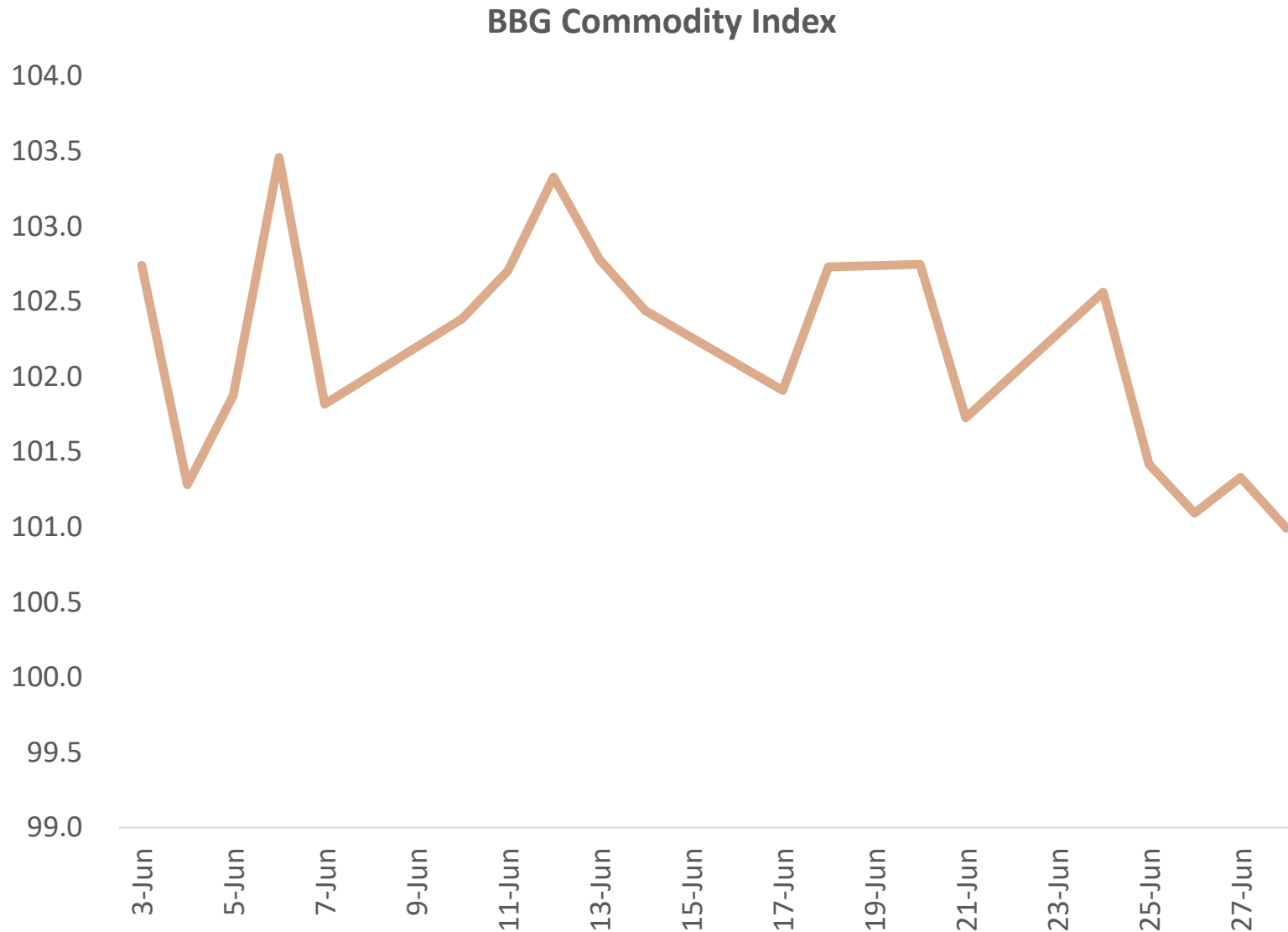
Natural gas prices decreased by 7.2% during June 2024

In June 2024, natural gas prices declined by 7.2%. This drop was influenced by expectations of increased supplies following the approval for startup of the Mountain Valley gas pipeline, along with announcements from the nation's largest gas producers about plans to ramp up output.



Source: Investing.com

Commodities prices declined in June 2024 with some volatility



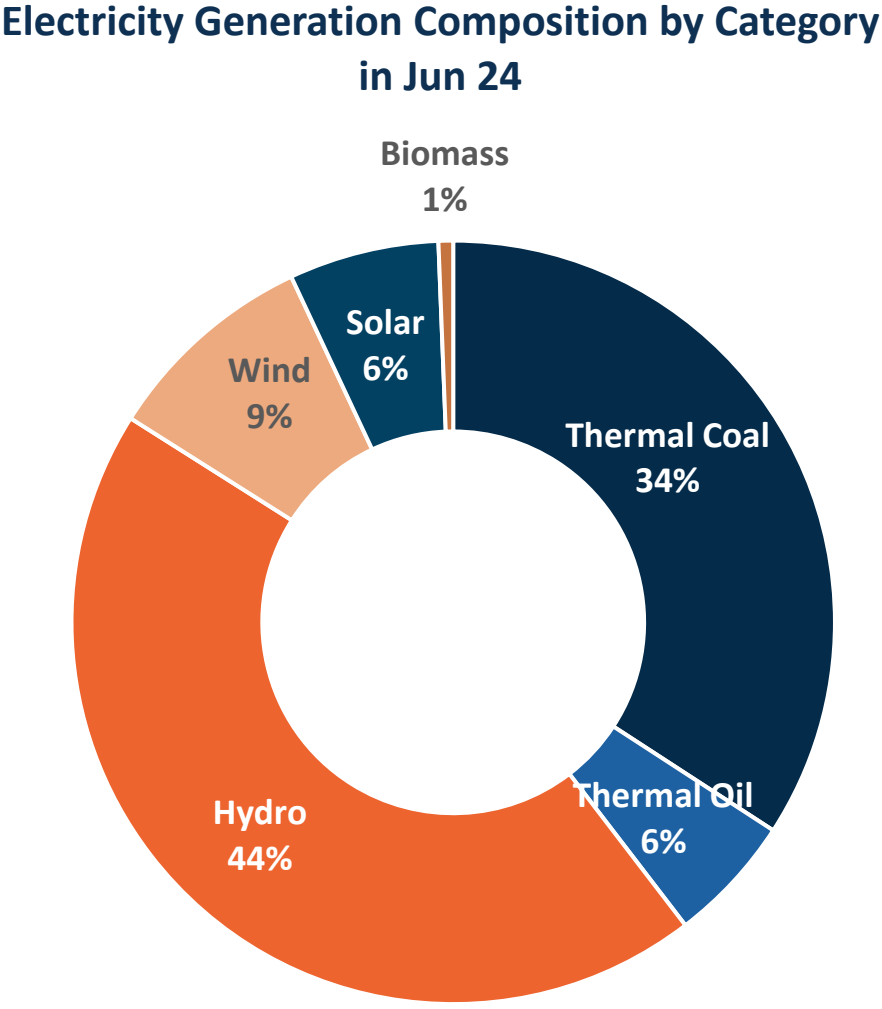
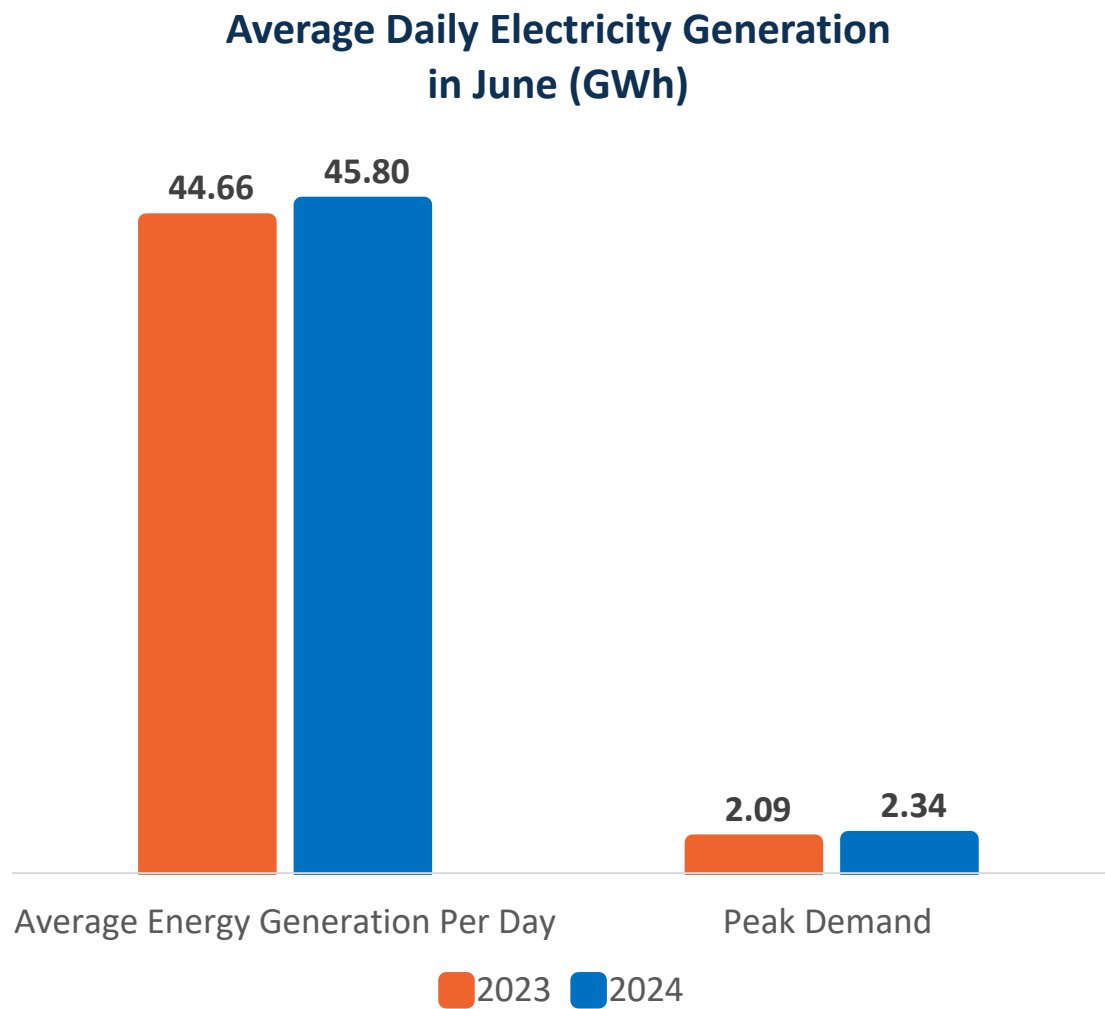
- In Jun 24, the BBG Commodity Index declined by around 2%, experiencing some fluctuations throughout the month.
- The crude oil price hike during the month contributed to the upward fluctuations of the index, driven by increased demand for crude oil for the summer.
- During the month, US soybean futures saw a 4.3% decline, whereas US corn futures experienced an 8.1% decline.
- In the industrial metals sector, copper prices fell by 6.2% during the month, while aluminum prices decreased by 5.1% over the same period.
- Gold prices declined by over 1% during the month following strong labor market data from the US Bureau of Labor Statistics and China's suspension of its gold purchases.

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

June 2024 average daily electricity generation increased by 2.6% YoY

In the month of Jun 24 average daily electricity generation was 45.80 GWh and it is a 2.6% increase compared to the same period last year. Average daily peak demand was 2.34 GWh in Jun 24.



Source: CBSL

May 2024 tea production declined by 8.5% YoY

In May 2024, Sri Lanka's tea production declined by 8.5% YoY, with total output reaching 24.5 million kilograms. Despite this decrease, production saw a notable 14.4% increase compared to the previous month. Concurrently, tea export volumes for the month decreased by 5.4% YoY and export value declined by 4.5% YoY.

Tea Exports

For May 24	Volume in Kgs	Value in LKR Mn
Tea in Bulk	9,124,701	13,779
Tea in Packets	7,615,256	12,979
Tea in Bags	2,161,562	5,690
Instant Tea	231,888	753
Green Tea	318,637	1,272
Total	19,452,044	34,474

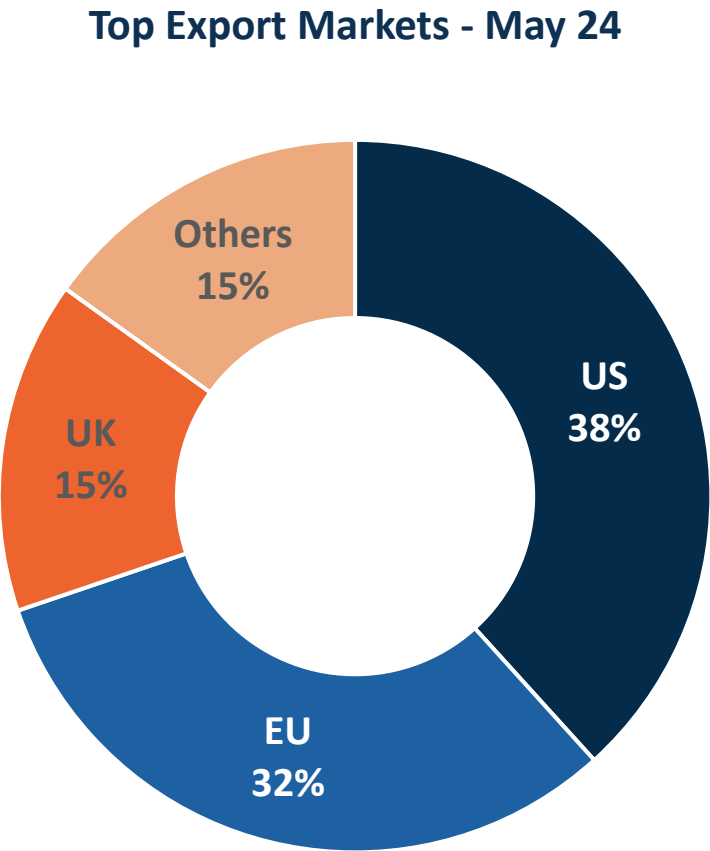
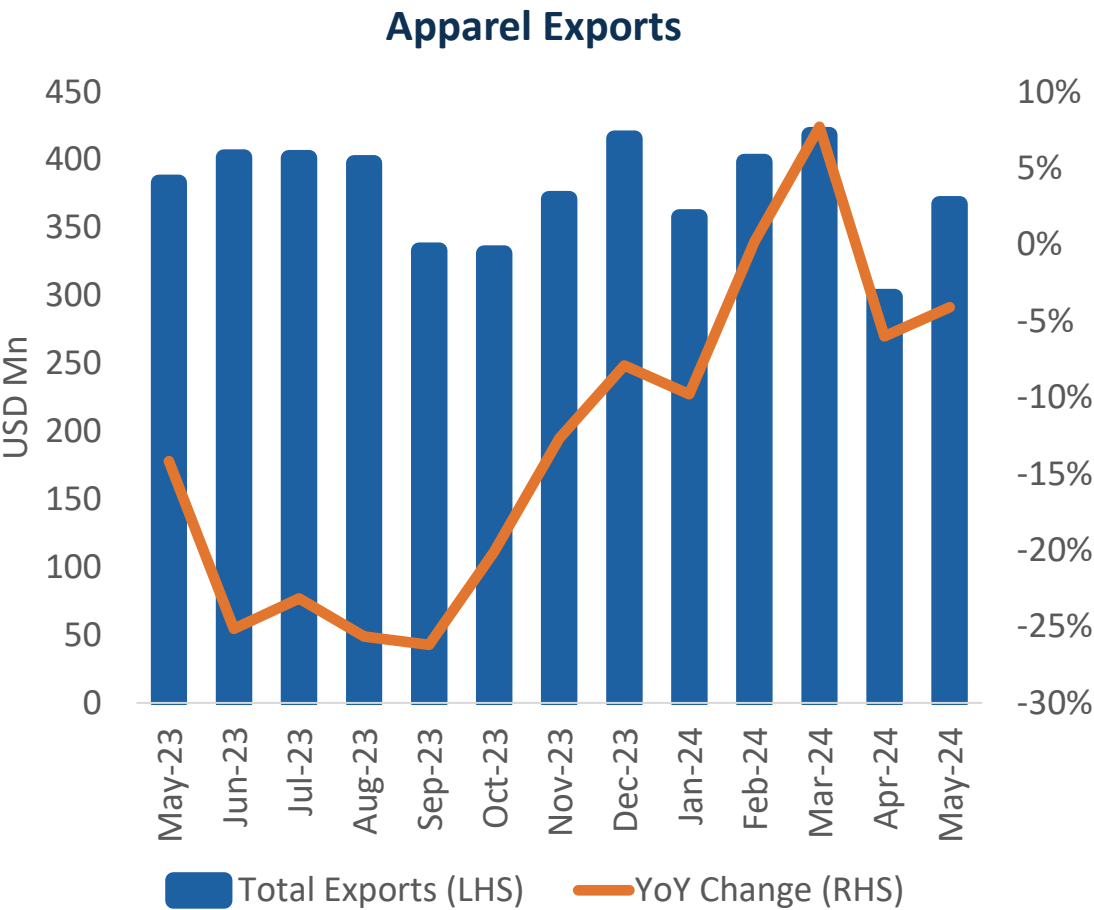
Average Tea Auction Prices (Monthly)

For May 24	LKR per Kg'000s
High	1,168.10
Medium	1,084.53
Low	1,382.06
Total	1,283.12

Tea Production

For May 24	Kgs
High	5,785,865
Medium	4,314,602
Low	14,260,736
Green Tea	188,529
Total	24,549,732

May 2024 apparel exports declined by 4.1% YoY



In May 2024, total apparel exports yielded USD 367 million in revenue, marking a 4.1% decline compared to the same month the previous year. Nonetheless, this figure represented a significant 22.8% surge from the previous month. During the month, exports to the US and EU decreased by 4.5% and 5.9% YoY, respectively. In contrast, apparel exports to the UK saw a notable 10.6% YoY increase.

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