



MONTHLY ECONOMIC WRAP | JULY 2024

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SECURITIES

13.08.2024

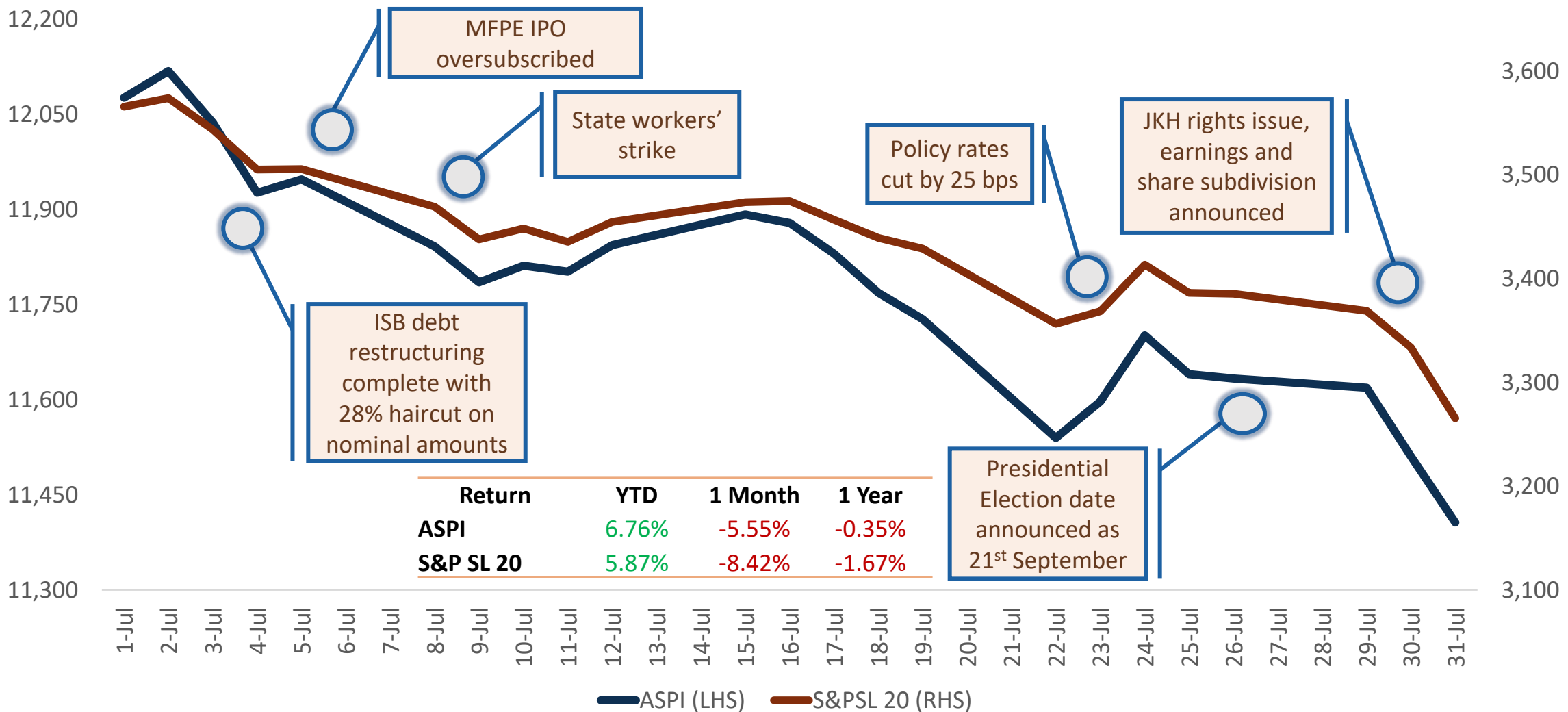


Contents

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



ASPI declined ~6% and S&PSL20 declined ~8% during July 2024

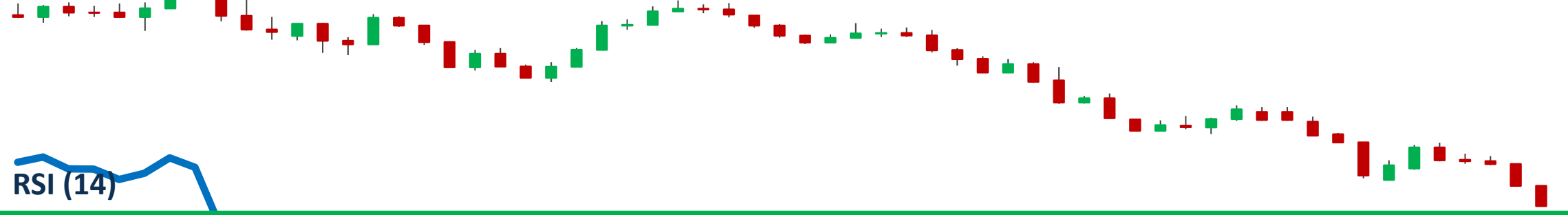


Note: Returns are calculated up to 31st July 2024

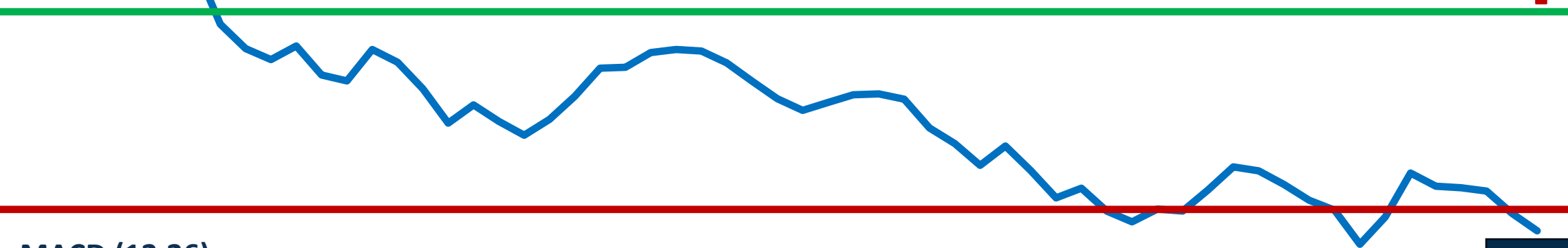
Source: CSE, Ambeon estimates

RSI & MACD of ASPI

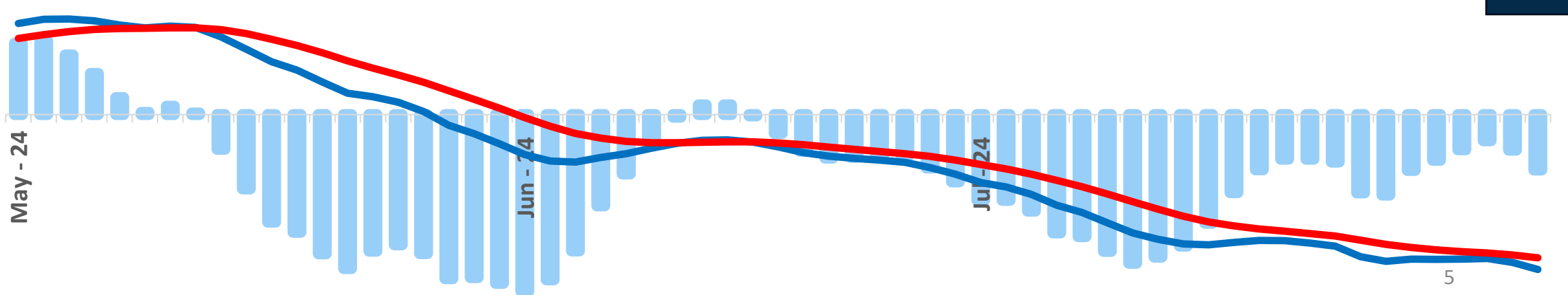
ASPI



RSI (14)



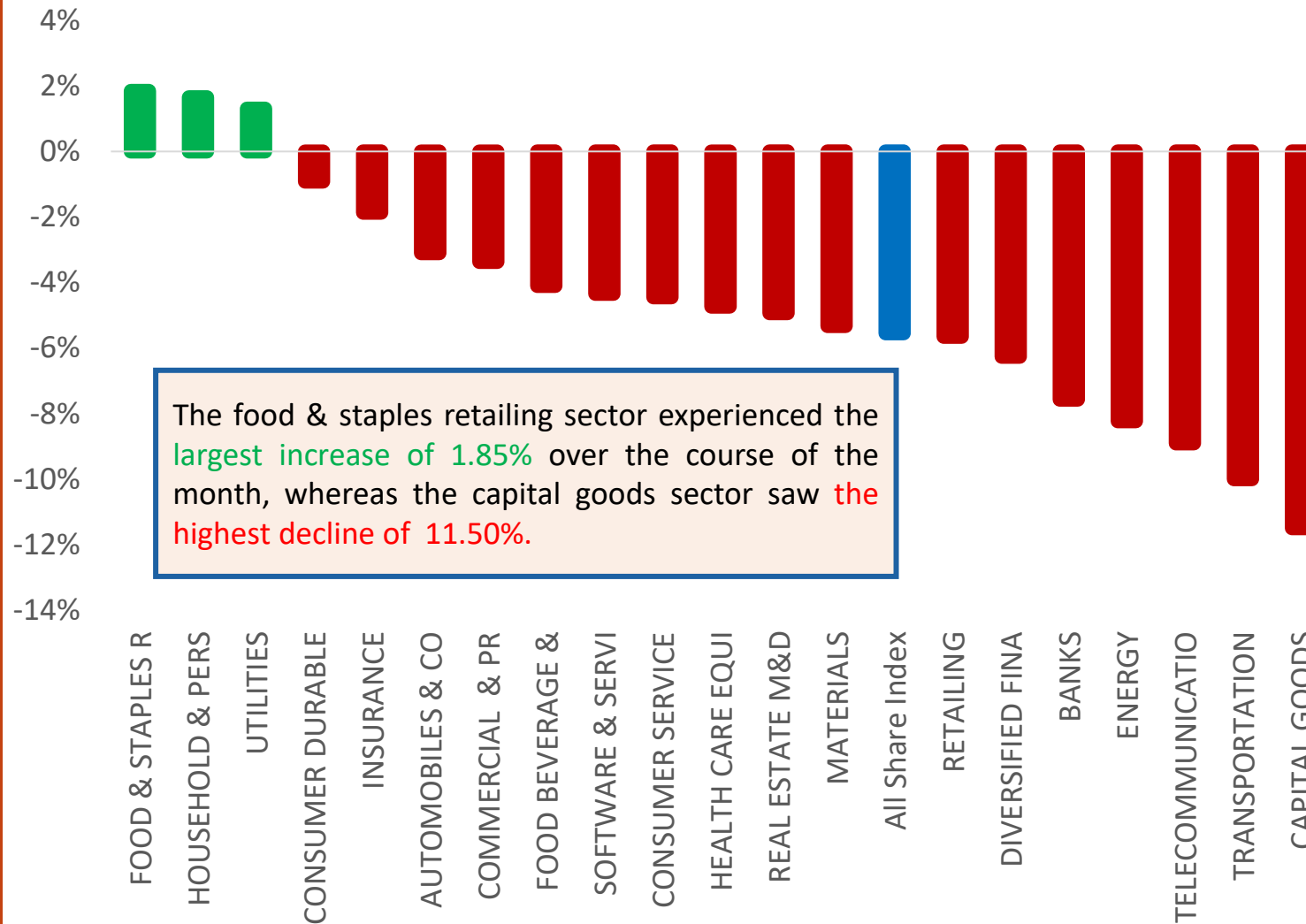
MACD (12,26)



25.42

During July 2024, several sectors saw a decline

Sector Indices Performance



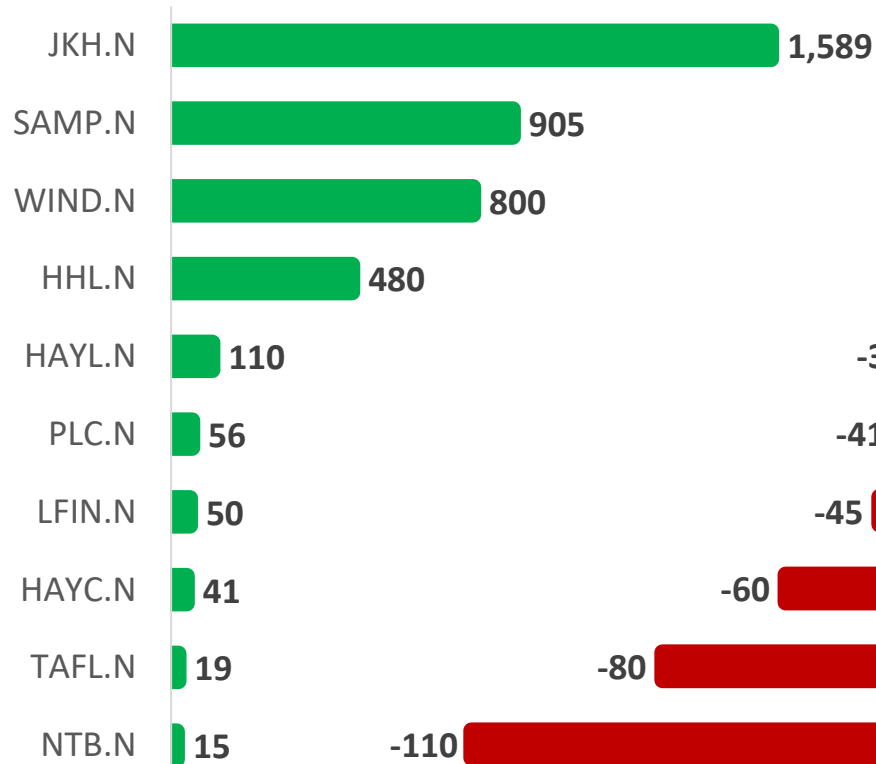
Source: CSE, Ambeon estimates

FOOD & STAPLES RETAILING	1.85%
HOUSEHOLD & PERSONAL PRODUCTS	1.65%
UTILITIES	1.31%
CONSUMER DURABLES & APPAREL	-0.92%
INSURANCE	-1.87%
AUTOMOBILES & COMPONENTS	-3.10%
COMMERCIAL & PROFESSIONAL SERVICES	-3.37%
FOOD BEVERAGE & TOBACCO	-4.10%
SOFTWARE & SERVICES	-4.34%
CONSUMER SERVICES	-4.45%
HEALTH CARE EQUIPMENT & SERVICES	-4.74%
REAL ESTATE MANAGEMENT & DEVELOPMENT	-4.93%
MATERIALS	-5.33%
All Share Index	-5.55%
RETAILING	-5.65%
DIVERSIFIED FINANCIALS	-6.26%
BANKS	-7.57%
ENERGY	-8.23%
TELECOMMUNICATION SERVICES	-8.91%
TRANSPORTATION	-10.00%
CAPITAL GOODS	-11.50%

Total net foreign inflow for July 2024 was LKR 3,582 Mn

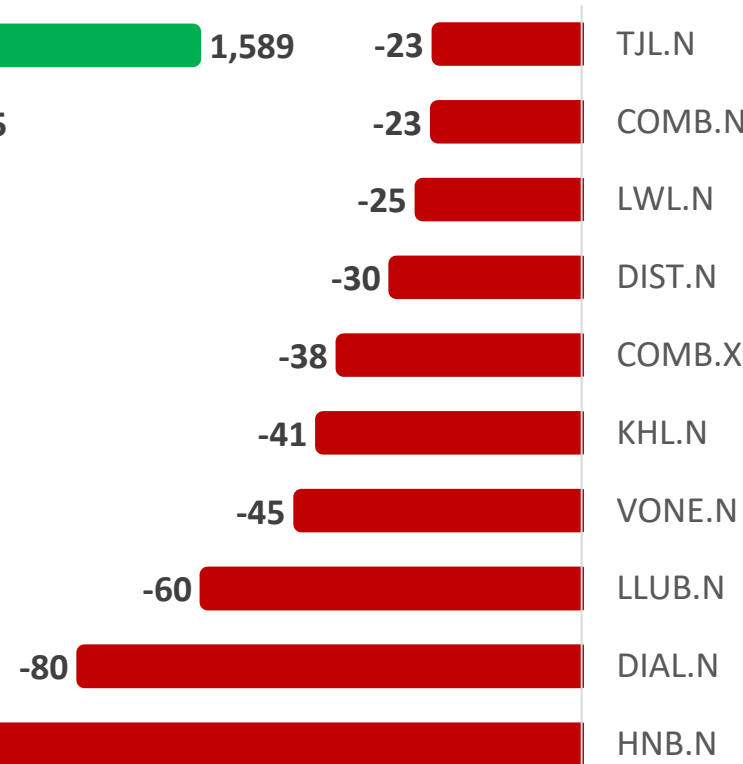
Top 10 Counters

Net Foreign Inflows (LKR Mn)

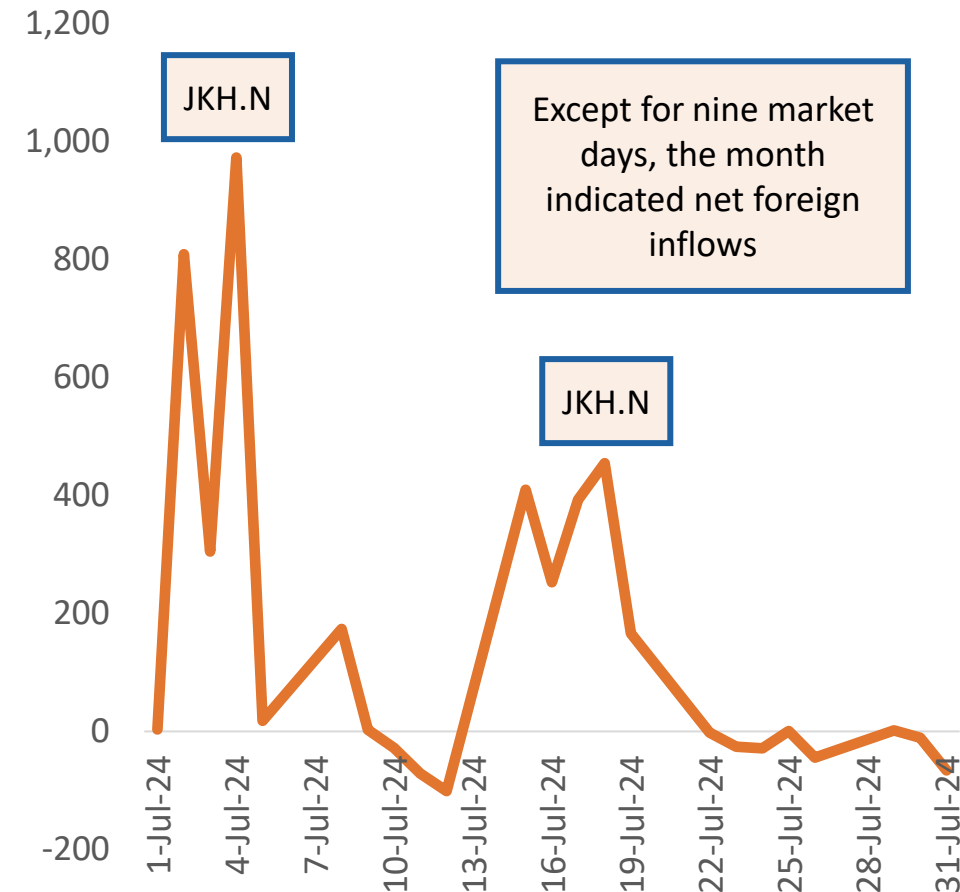


Top 10 Counters

Net Foreign Outflows (LKR Mn)



Net Foreign Flow (LKR Mn)

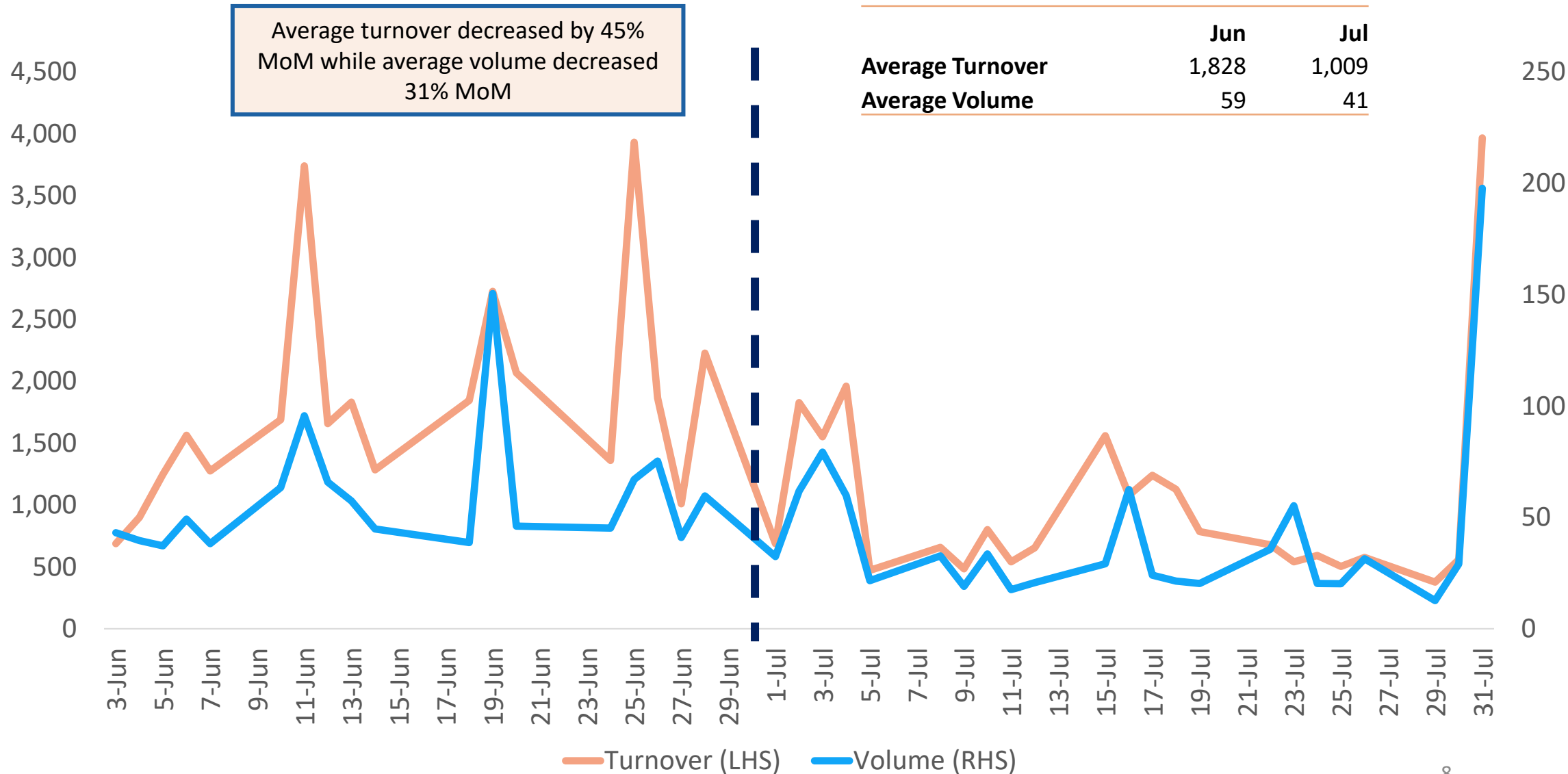


Jul 24 Total Net Foreign Flow LKR 3,582 Mn | Year-to-date Net Foreign Flow* LKR -5,424 Mn

Source: CSE, Ambeon estimates

*Year-to-date calculated as of 31st July 2024

Average turnover and volume declined in July 2024



Source: CSE, Ambeon estimates

Regional valuation comparison

Frontier Markets (Asia)

Index	PE	PBV
ASPI (Sri Lanka)	11.8	1.0
KSE 100 (Pakistan)	5.1	1.0
VNI (Vietnam)	14.8	1.7

US & European Markets

Index	PE	PBV
S&P 500 (US)	24.5	4.7
DJIA (US)	21.7	5.0
FTSE 100 (UK)	14.2	1.9

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	22.2	1.9
CSI 300 (China)	13.0	1.4
HSI (Hong Kong)	9.3	1.0
BSESN (India)	24.0	3.8
NIFTY 50 (India)	23.8	3.9

Key economic news & events

04th Jul**"SL Finalizes USD
12.5 Bn Bond
Restructuring
Agreement"**

Sri Lanka has secured a deal to restructure USD 12.5 Bn in bonds, which includes a 28% reduction in face value, an 11% cut in past interest, and the resumption of interest payments starting in September 2024. The restructuring also introduces governance-linked features for the bonds.

18th Jul**SL Economic
Performance
Surpasses
Expectations
-ADB**

The Asian Development Bank reports that Sri Lanka's Q1 2024 economic performance surpassed expectations. The 2024 inflation forecast has been revised down to below 2% due to improved supply-side conditions, better external buffers, and increased availability of foreign currency.

22nd Jul**Sri Lanka net
foreign debt falls
in 2023**

In 2023, Sri Lanka's central government's net foreign debt decreased to \$36.3 billion from \$37.5 billion in 2022, despite borrowing \$1.57 billion for the budget deficit. The 2023 deficit financing was primarily supported by loans from the IMF, ADB, and World Bank.

24th Jul**Policy rates cut
by 25 bps**

The Central Bank of Sri Lanka (CBSL) reduced interest rates by 25 basis points, citing the "absence of significant inflationary pressure" and anticipating inflation to stay below the 5% target in the medium term. The CBSL lowered the standing deposit facility rate to 8.25% and the standing lending facility rate to 9.25%.



MONETARY SECTOR

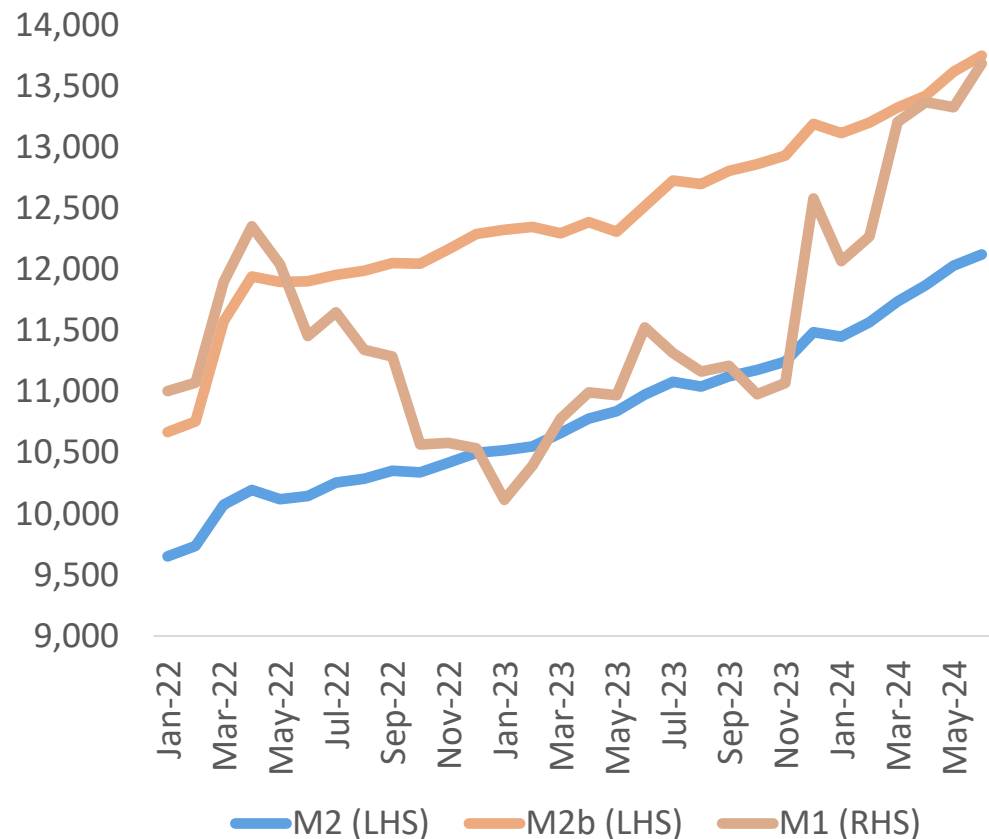
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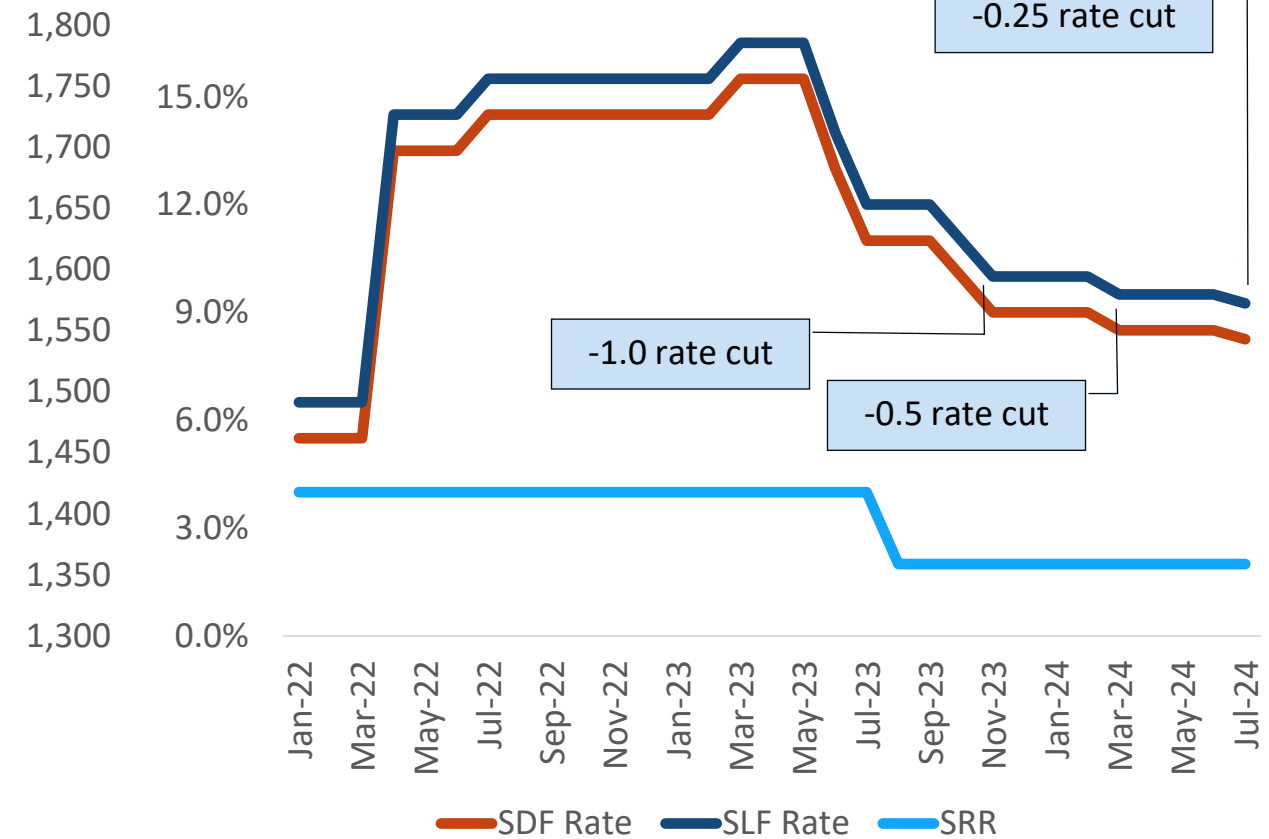
Policy rates cut by 25 basis points in July 2024

By the end of Jun 24, narrow money supply (M1) increased to LKR 1,768 Bn, while consolidated broad money supply (M2b) increased to LKR 13,748 Bn when compared to May 24. During the monetary policy review in July policy rates cut by 25 basis points. 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 20th September 2024.

Money Supply (LKR Bn)

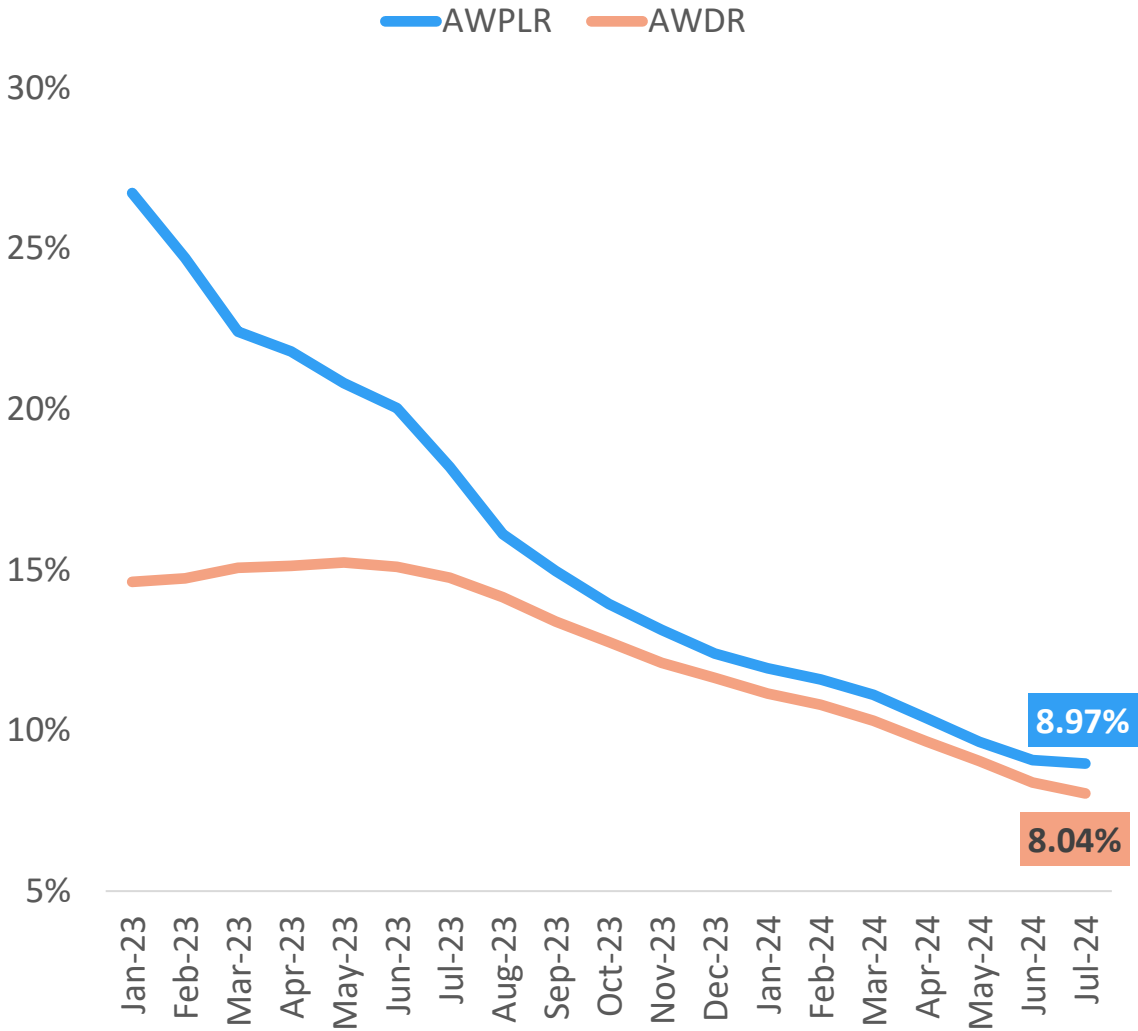


Policy Rates

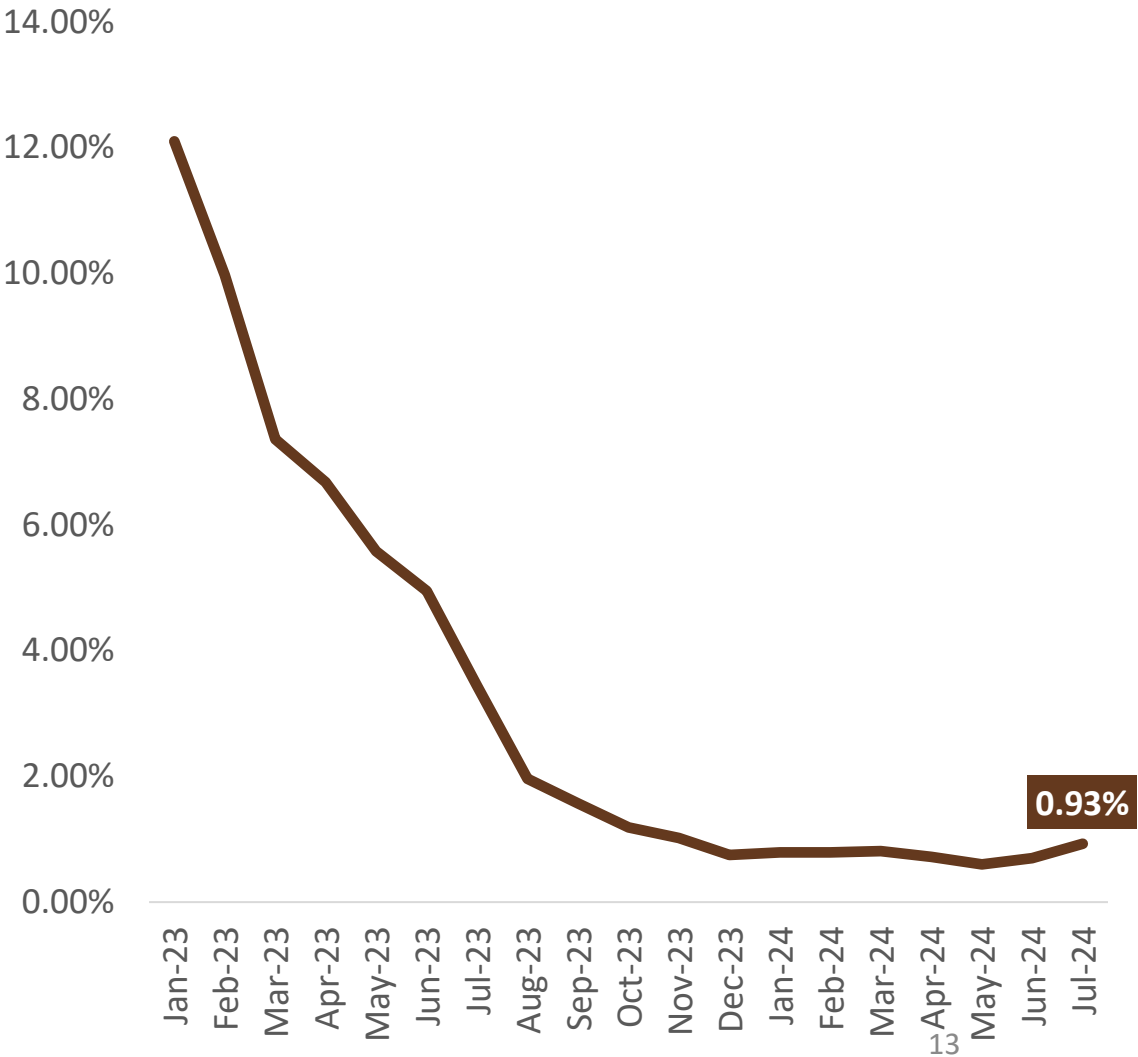


Lending and deposit rates further declined in July 2024

Lending and Deposit Rates



Interest Spread

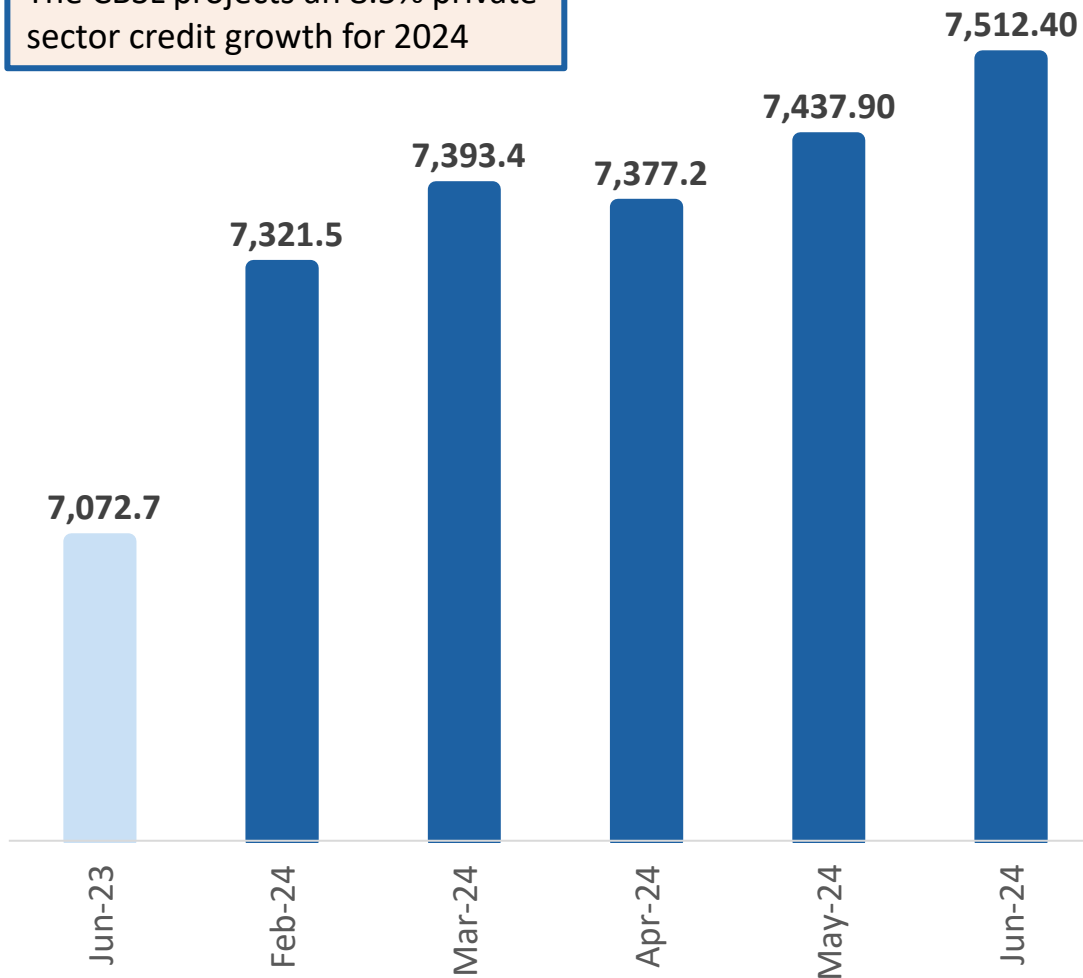


Source: CBSL

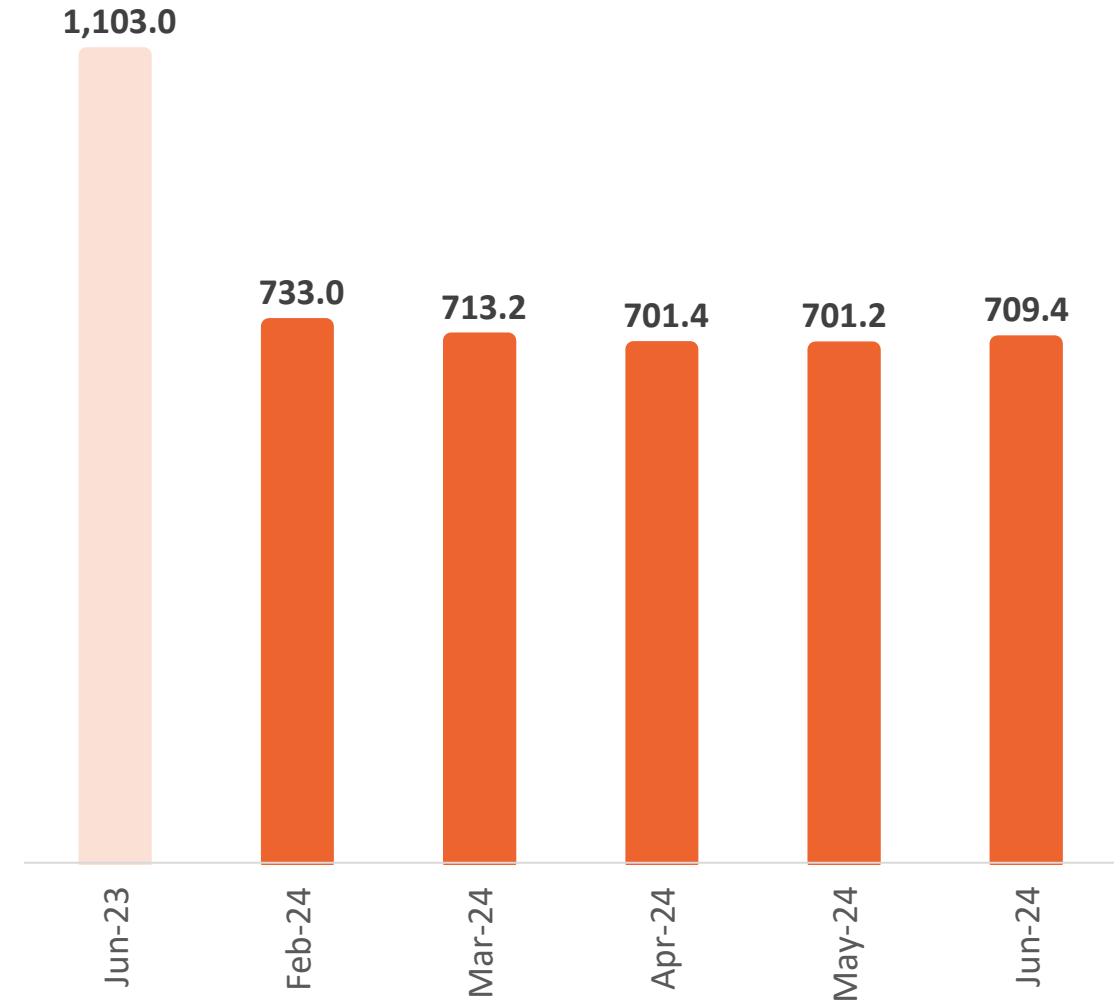
Credit to private sector increased from May to June 2024

Credit to Private Sector (LKR Bn)

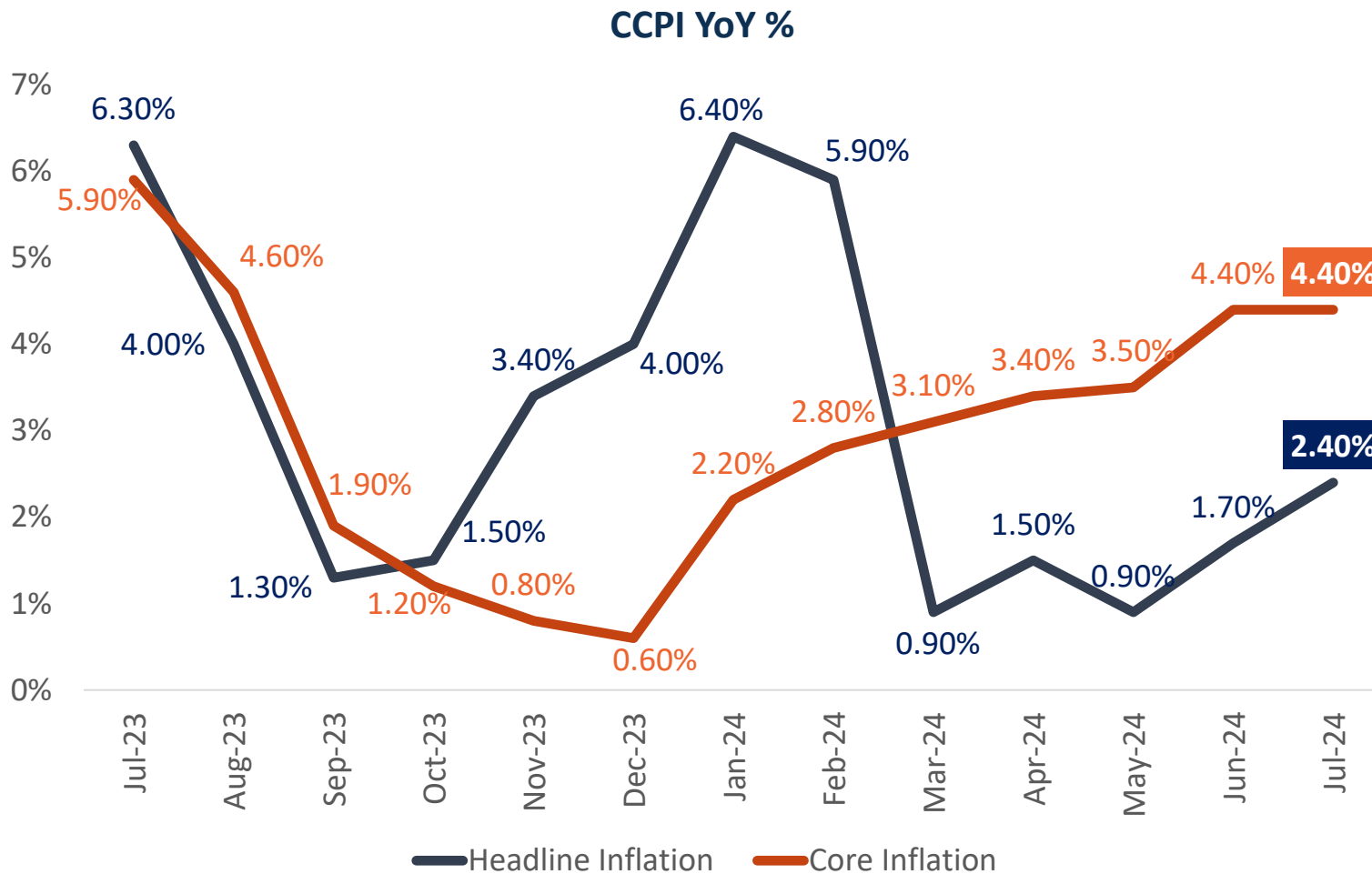
The CBSL projects an 8.5% private sector credit growth for 2024



Credit to Public Sector (LKR Bn)



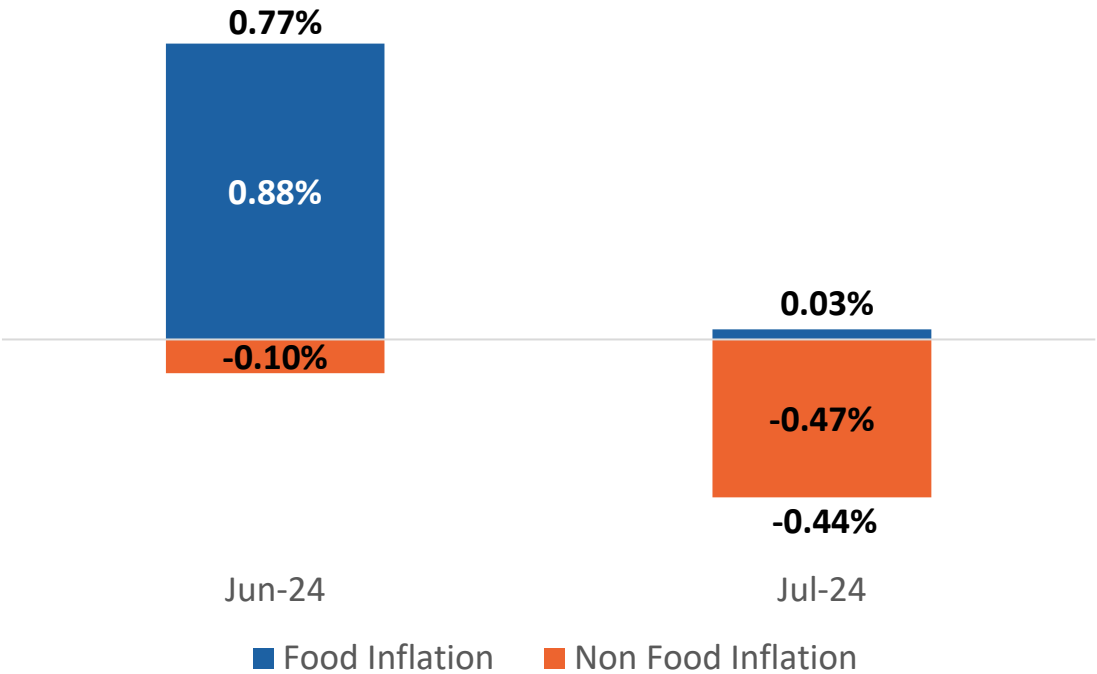
Headline inflation accelerated to 2.4% in July 2024



- In Jul 24, YoY change in headline inflation, measured by the Colombo Consumer Price Index (CCPI), accelerated to 2.4% from 1.7% in Jun 24.
- Prices accelerated for Health, Furnishing, Household Equipment and Routine Household Maintenance, Food and Non Alcoholic Beverages and Miscellaneous Goods and Services.
- Prices decelerated for Alcoholic Beverages and Tobacco, Education, Transport and Recreation and Culture.
- Core inflation YoY unchanged at 4.4% in Jul 24.

July 2024 CCPI plummeted by 0.44% MoM due to decline in nonfood category

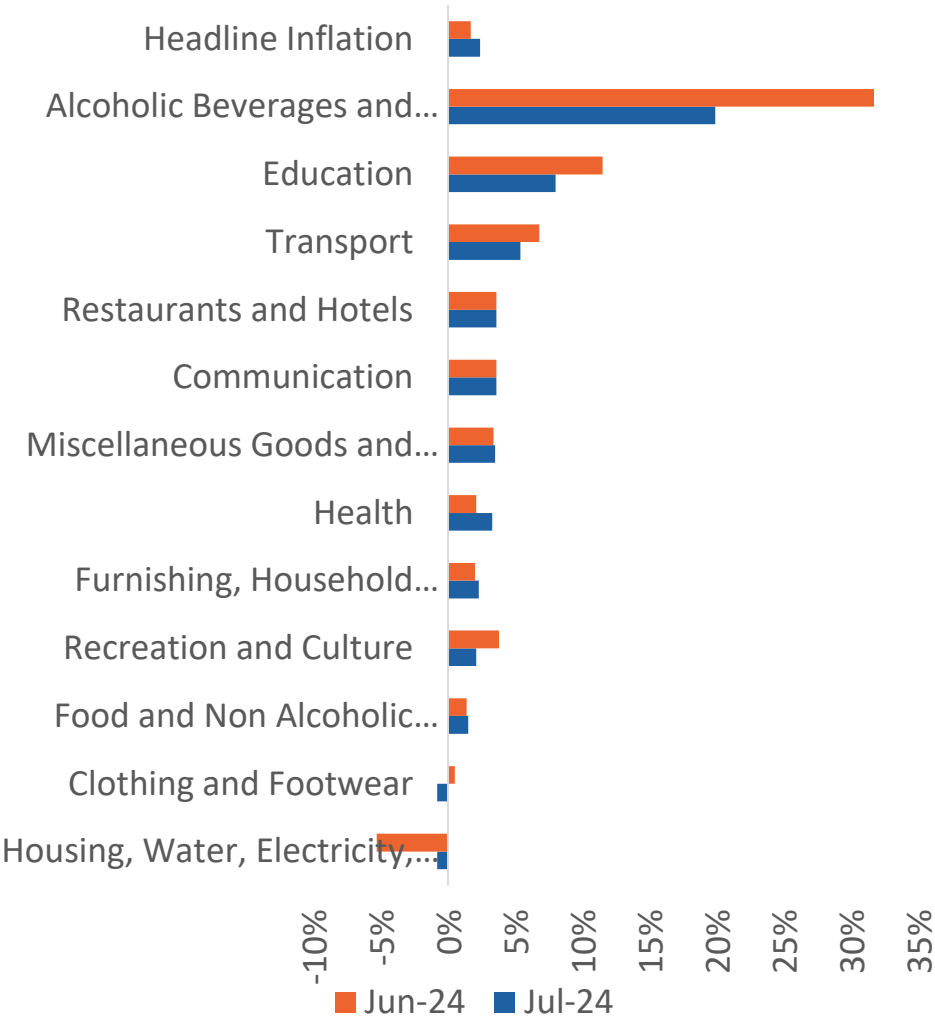
Contribution to monthly change in CCPI



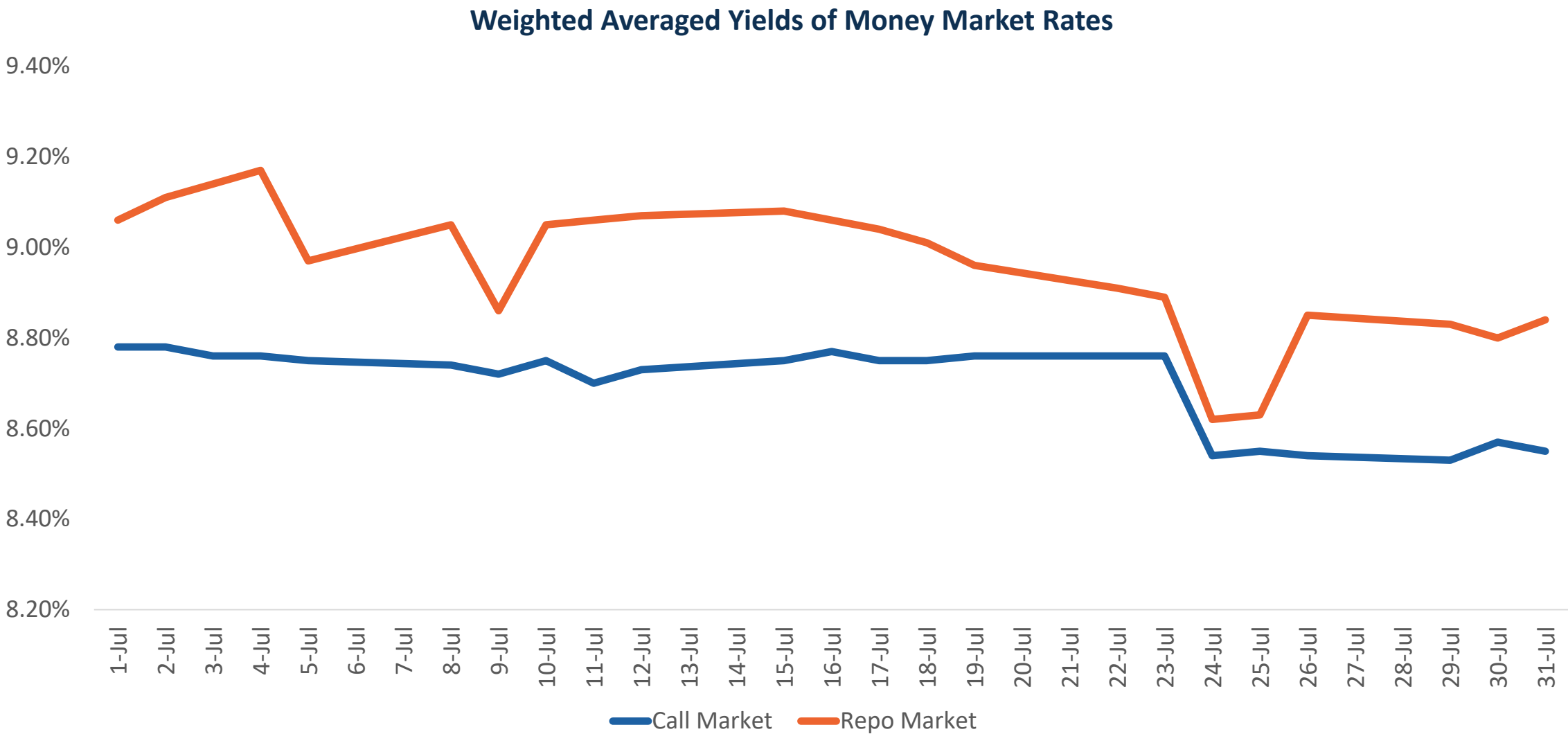
Food inflation marginally accelerated to 1.5% YoY in Jul 24, compared to 1.4% in the previous month. Non-Food Category experienced 2.8% YoY inflation, compared to 1.8% in Jun 24. The Food category saw a price increase of 0.03%, while the Non-Food category saw a price decrease of 0.47%, resulting in a monthly decline of 0.44% for the CCPI in Jul 2024.

Source: CBSL

CCPI YoY Change by Subcategory

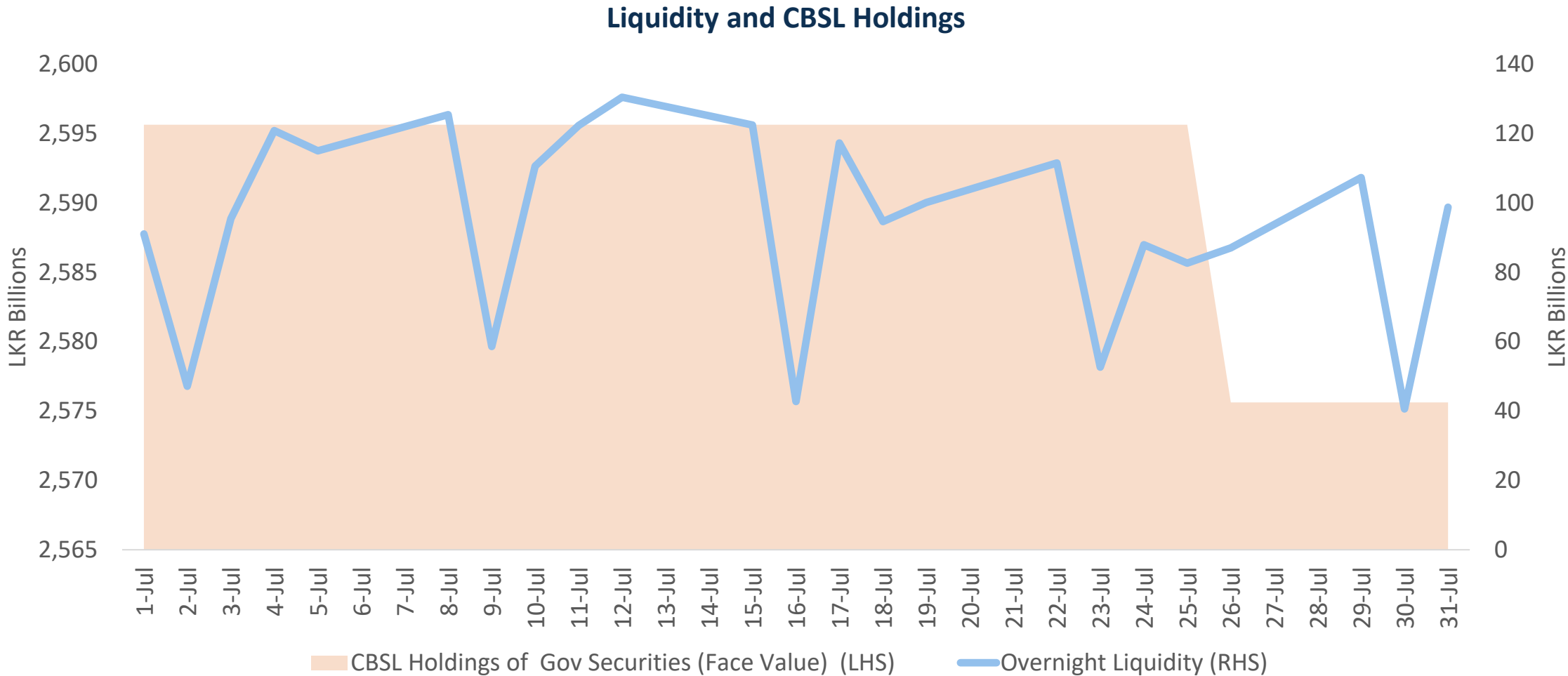


Both call market rates and repo market rates declined during July 2024



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

Overnight liquidity continued to remain in the positive territory and ended at LKR 98.73 Bn as of 31st July. CBSL holdings of Government Securities were decreased during the month and ended at LKR 2,575 Bn (Face Value).



Source: CBSL

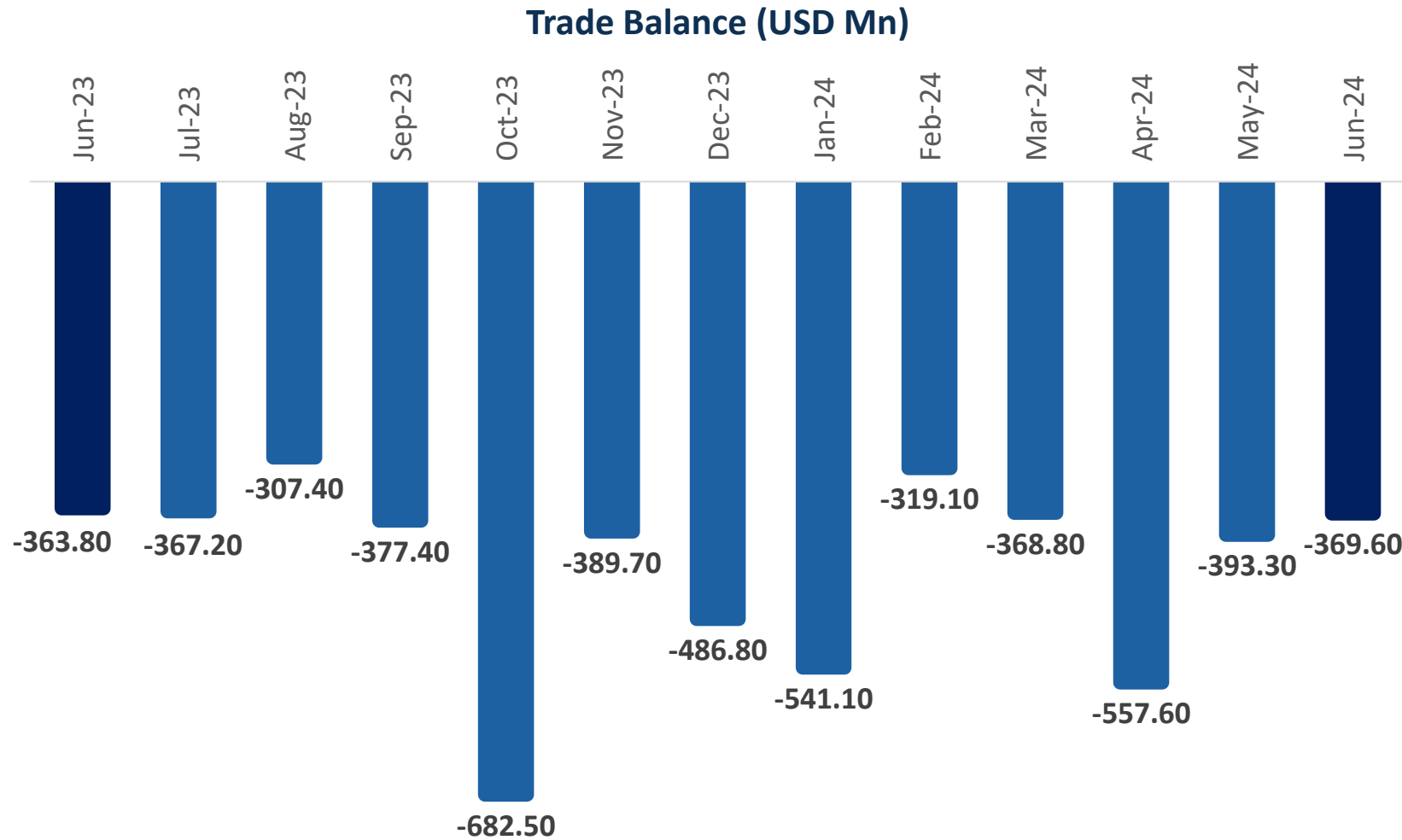


EXTERNAL SECTOR

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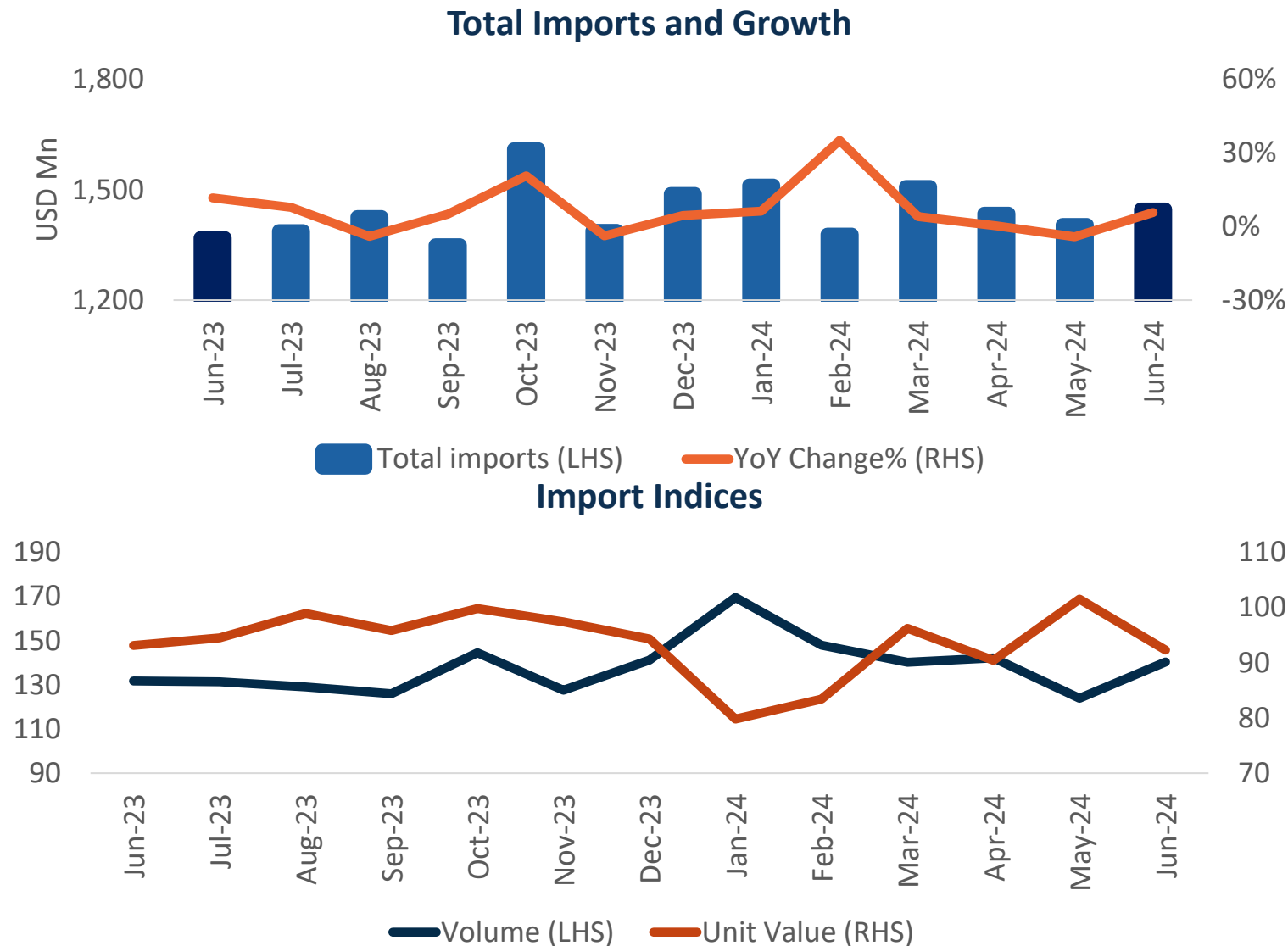


Balance of Trade worsened by 2% YoY in June 2024



- In June 2024, Sri Lanka's trade deficit amounted to USD 369.60 Mn, marking a 2% worsening compared to the same month of the previous year. However, this figure represented a 6% improvement from the previous month.
- The cumulative trade deficit in the Jan – Jun 24 period amounted to USD 2,540 Mn, surpassing the deficit recorded during the same period in 2023 by 11%.
- In June 2024, import expenditure amounted to USD 1,447 Mn, while export earnings totaled USD 1,077 Mn. Import expenses and export revenues both increased from the previous year.

June 2024 import expenditure soared by 5.7% YoY



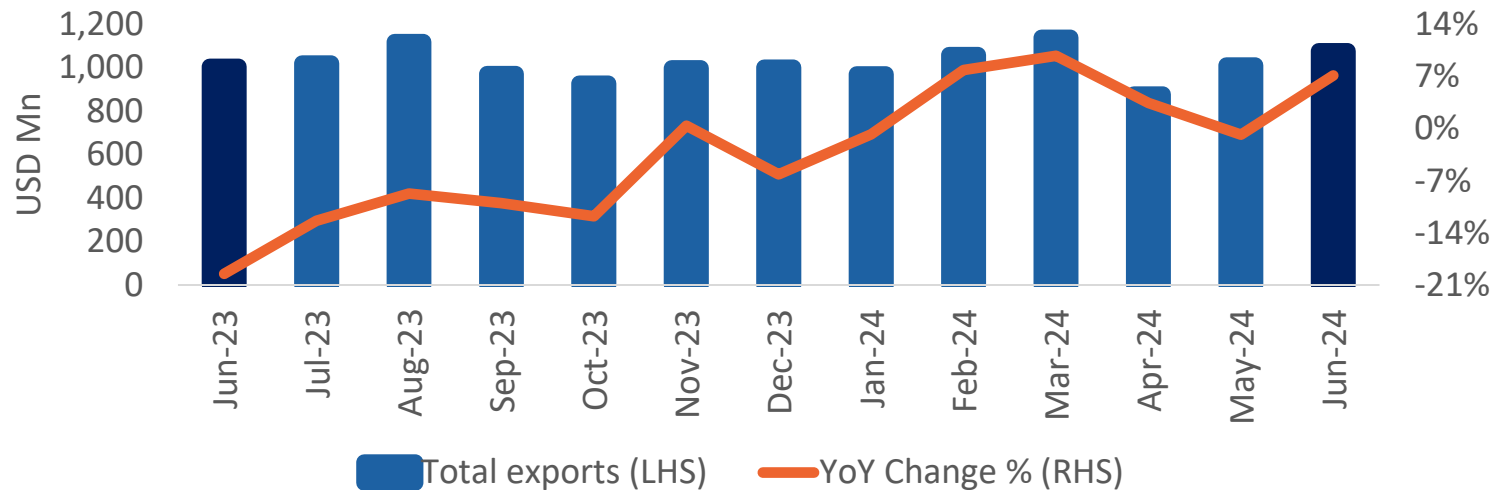
- Imports increased by 5.7% YoY in Jun 24, and it was a 3.0% increase compared to the previous month.
- The expenditure on consumer goods imports declined in Jun 24, compared to a year ago due to lower spending on both food and beverages, led by reduced imports of wheat flour and edible oils, and non-food consumer goods, mainly medical and pharmaceuticals.
- Meanwhile, expenditure on intermediate goods imports increased, primarily due to higher imports of fuel and textiles and textile articles compared to Jun 23.
- The Imports Volume Index increased by 7% YoY in Jun 24, whereas the Import Unit Value Index saw a decline of 1% YoY during the same period.

Source: CBSL

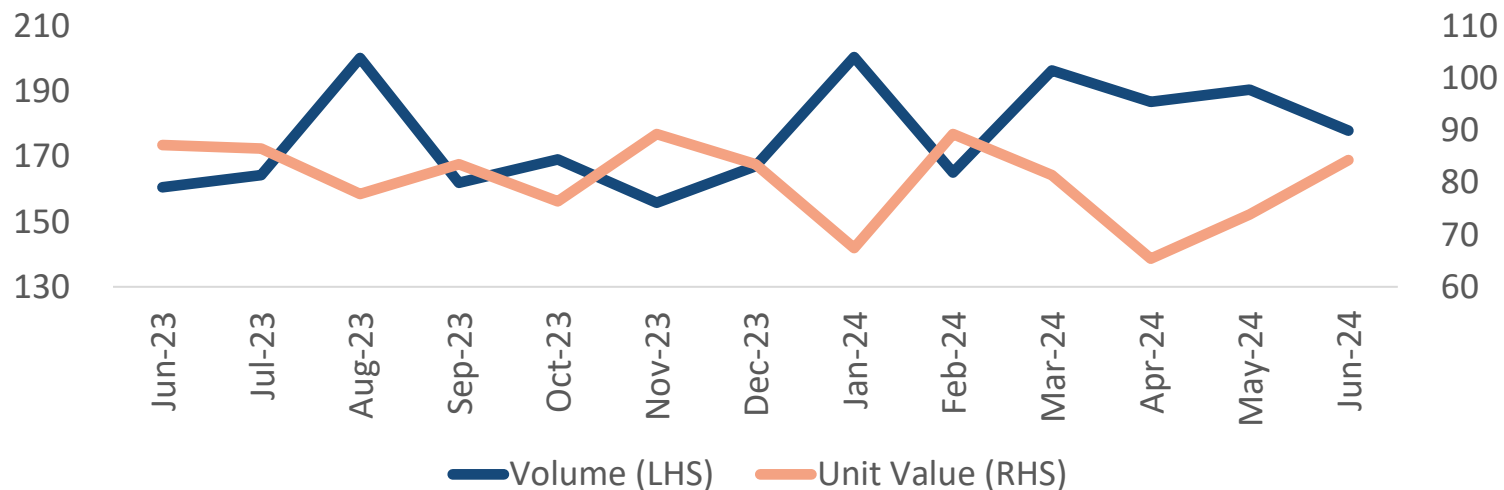
Note: Import unit value index is calculated in USD terms.

June 2024 export earnings soared by 7.1% YoY

Total Exports and Growth



Export Indices



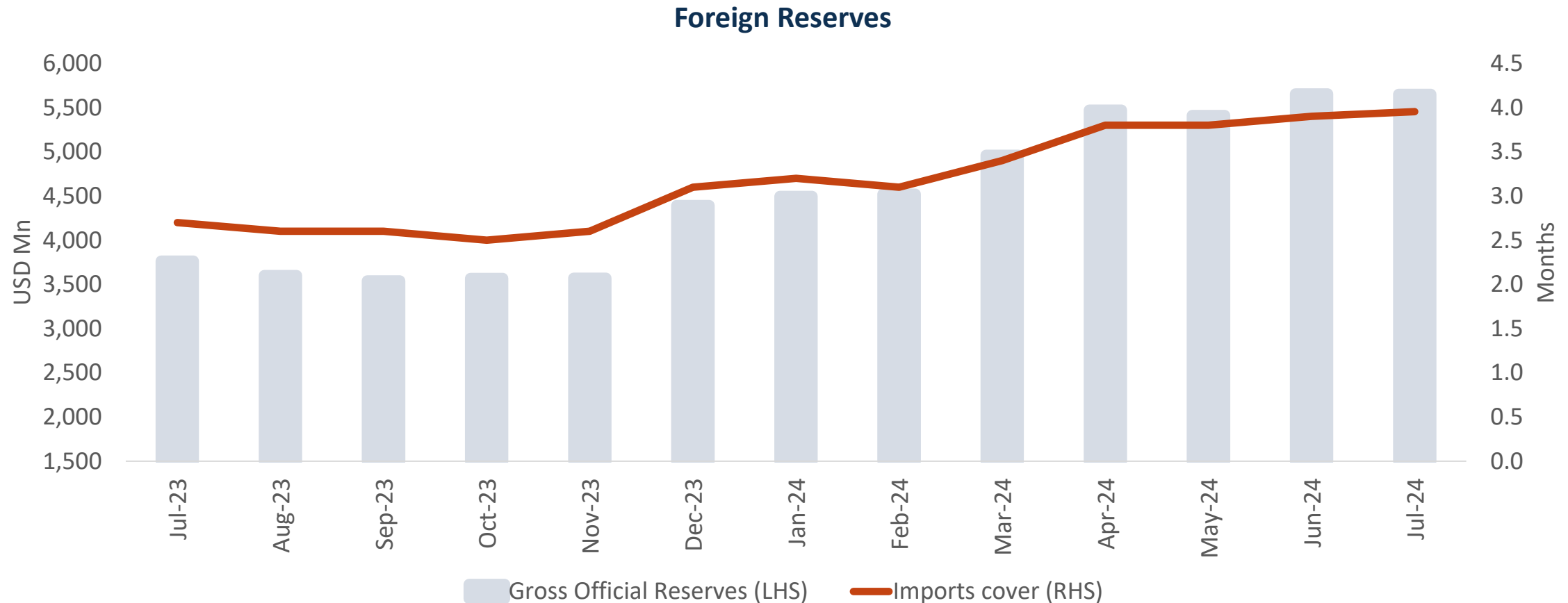
- In Jun 24, export earnings increased by 7.1% YoY. It was a 6.5% rise compared to the previous month. Both industrial exports and agricultural exports increased during the month.
- The YoY increase in industrial goods exports in June 2024 was primarily driven by higher volumes of petroleum products, particularly bunkering and aviation fuel.
- Earnings from agricultural goods exports improved in June 2024, driven by higher exports of spices, mainly due to increased volumes of pepper, and tea, due to higher prices.
- In Jun 24, the Export Volume Index surged by 11% YoY, whereas the Export Unit Value Index witnessed a decline of 3% YoY during the same period.

Source: CBSL

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

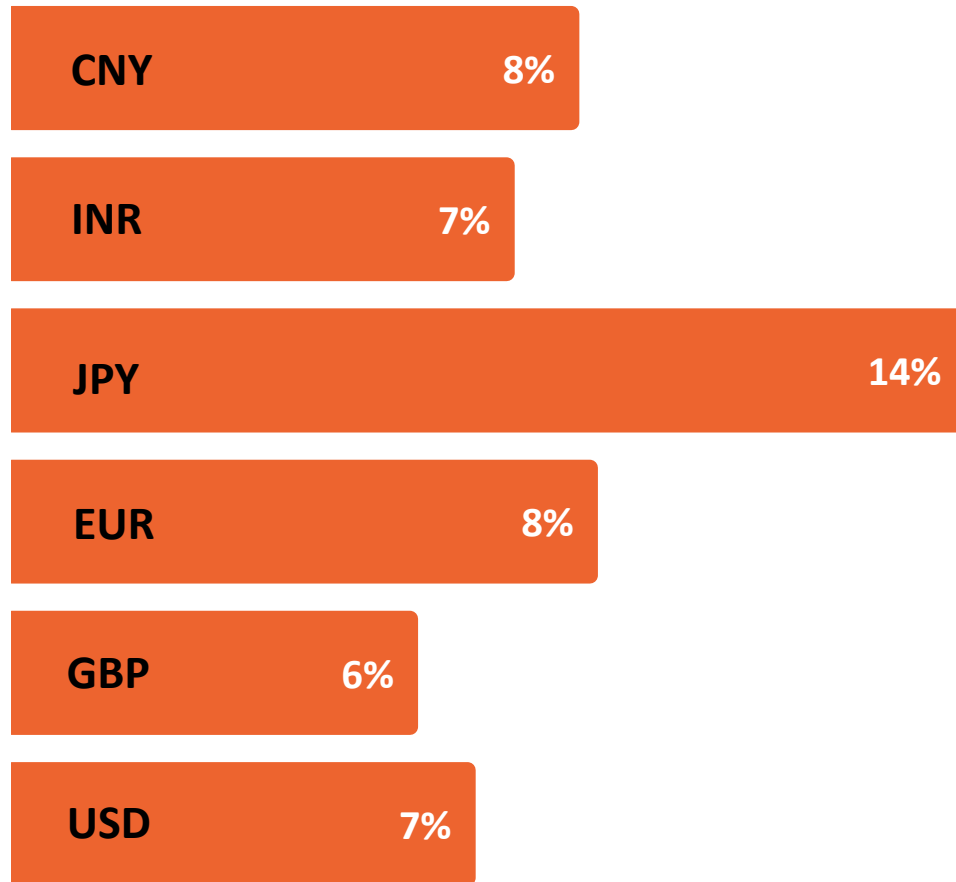
Foreign reserves slightly decreased from June to July 2024

As of the end of Jul 24, Sri Lanka's gross official reserves slightly decreased to USD 5,649 Mn. Currently it shows a comfortable buffer equivalent to approximately 4.0 months' worth of imports.

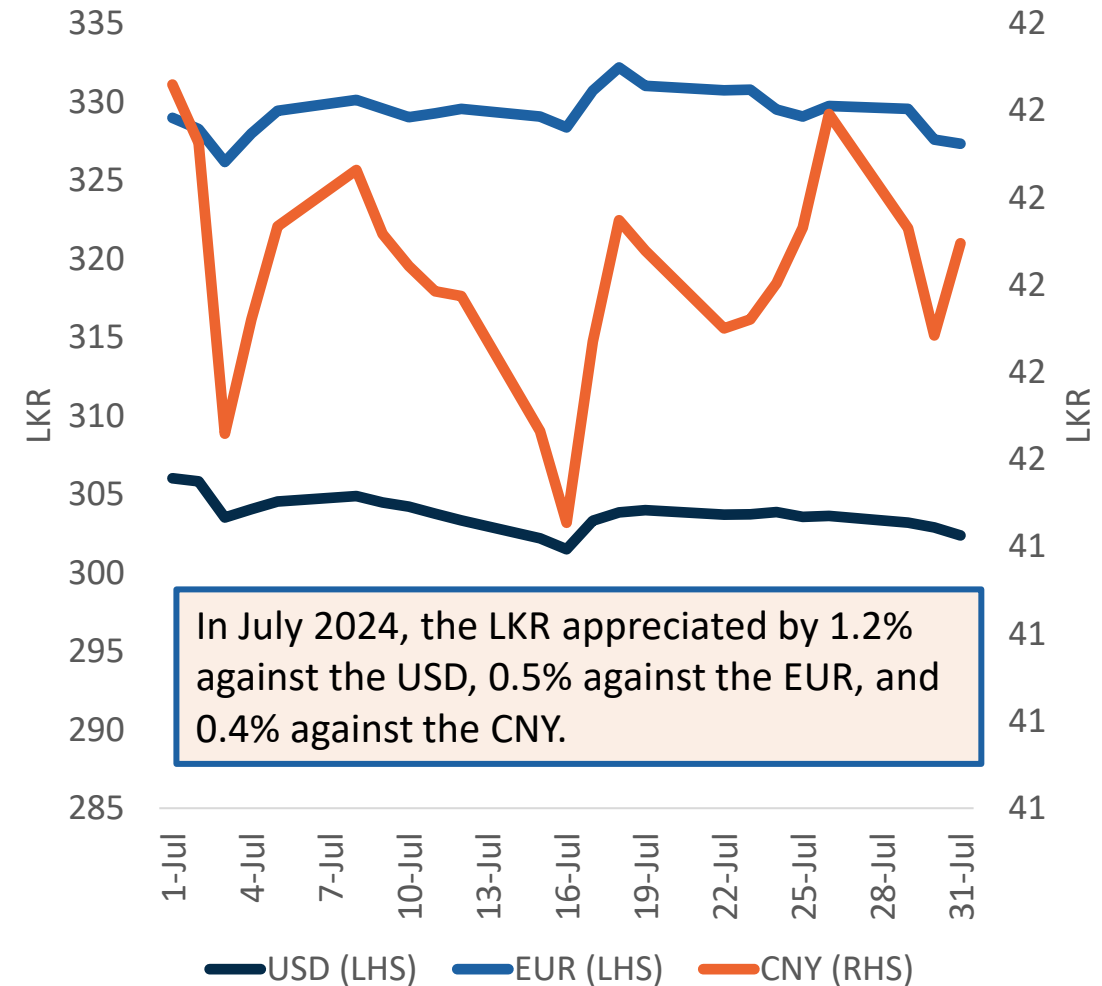


Sri Lankan rupee appreciated against multiple major currencies YTD

LKR appreciation against to major currencies YTD end of Jul 24



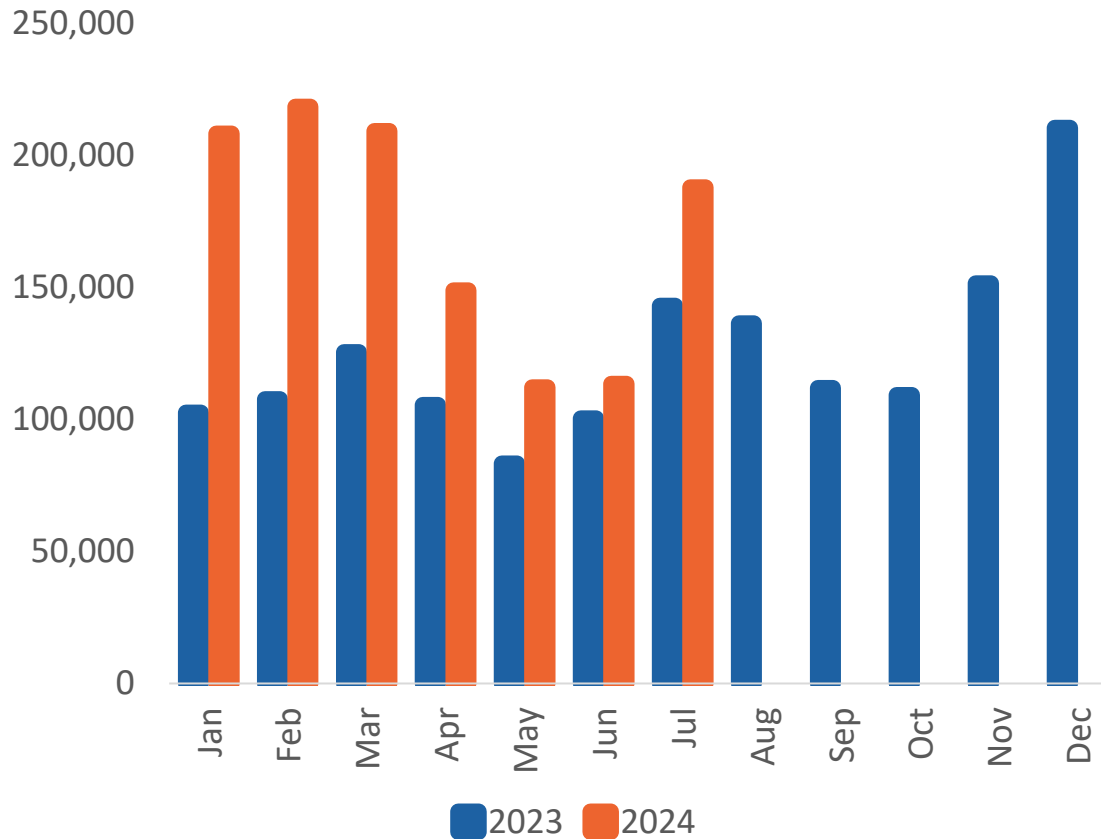
Monthly movement of major currencies



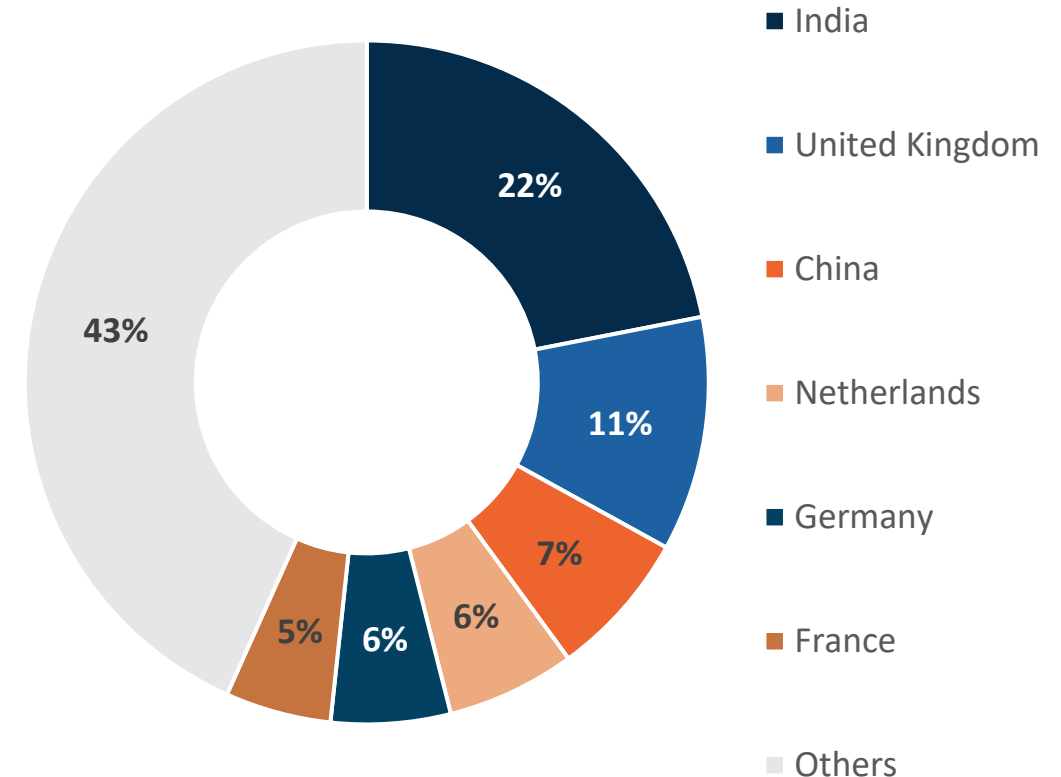
July 2024 tourist arrivals increased by 31% YoY

In July 2024, Sri Lanka attracted 187,810 tourists, marking a 31.3% YoY growth and a 65.5% increase compared to the previous month. The key source markets during Jul 24 included India, the UK, China, Netherlands, Germany and France.

Monthly Tourists Arrivals

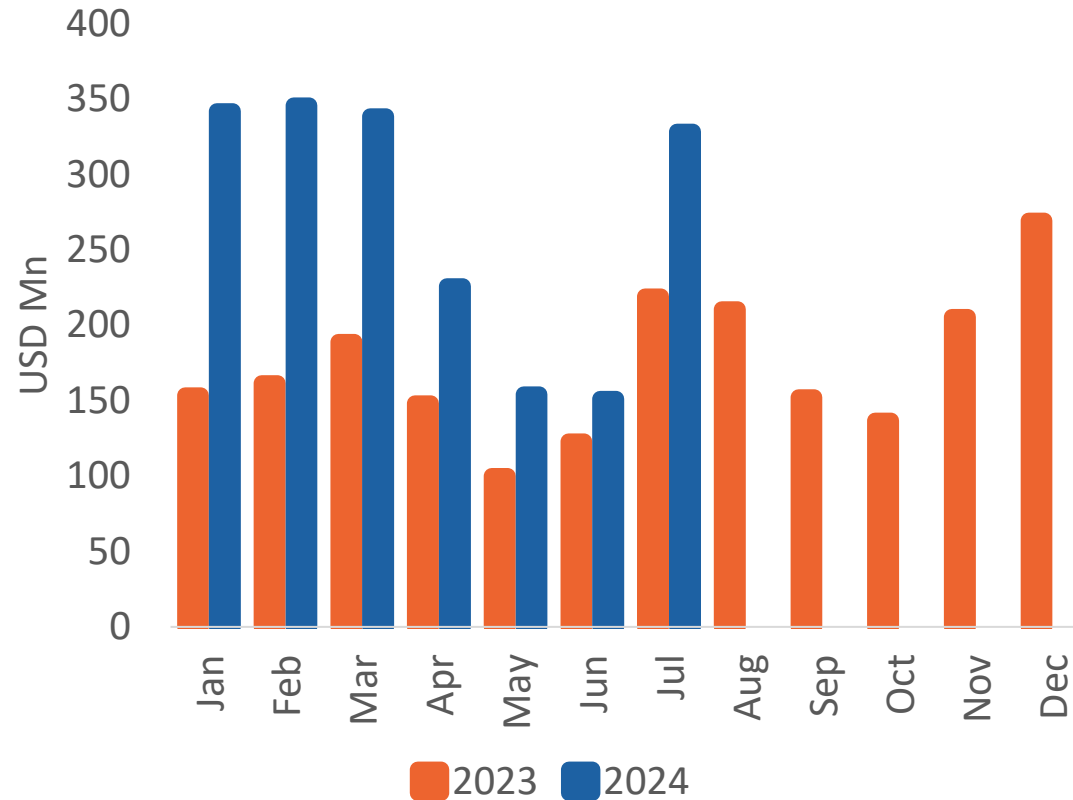


Arrival % by Country in Jul 24



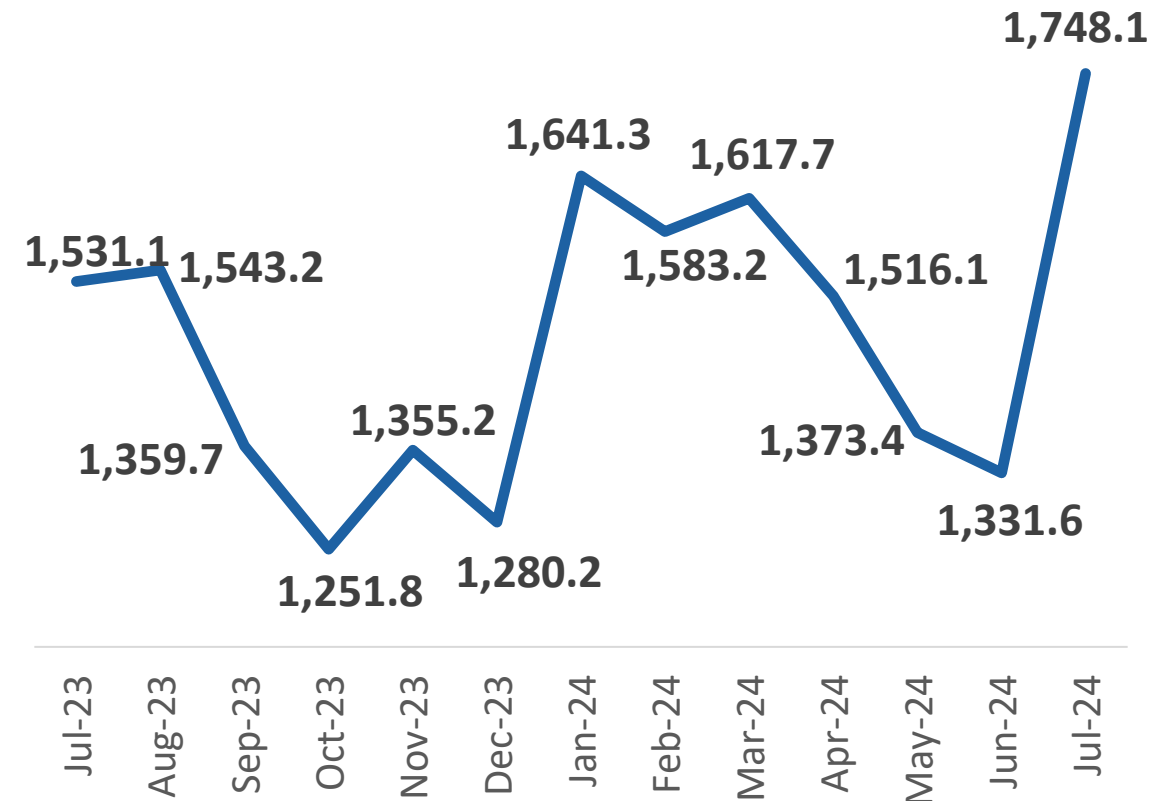
July 2024 tourism earnings increased 50% YoY

Monthly Tourists Earnings



YTD total tourism earnings = USD 1,885.01 Mn

Earnings per Tourist (USD)

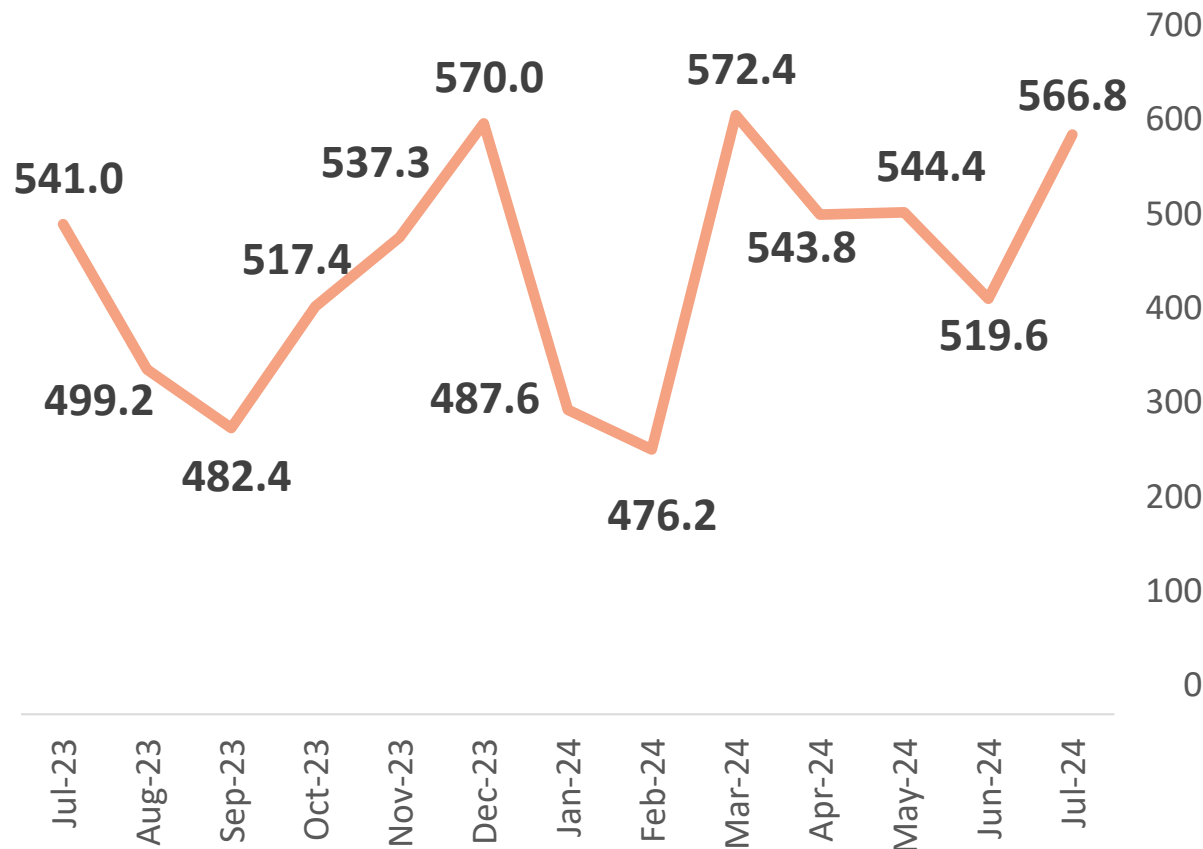


In Jul 24, tourism earnings surged by 50% YoY, totaling USD 328.31 Mn. This marked a significant 117% increase compared to Jun 24. The earnings per tourist amounted to USD 1,748, showing a 14% YoY increase and a 31% increase compared to the preceding month.

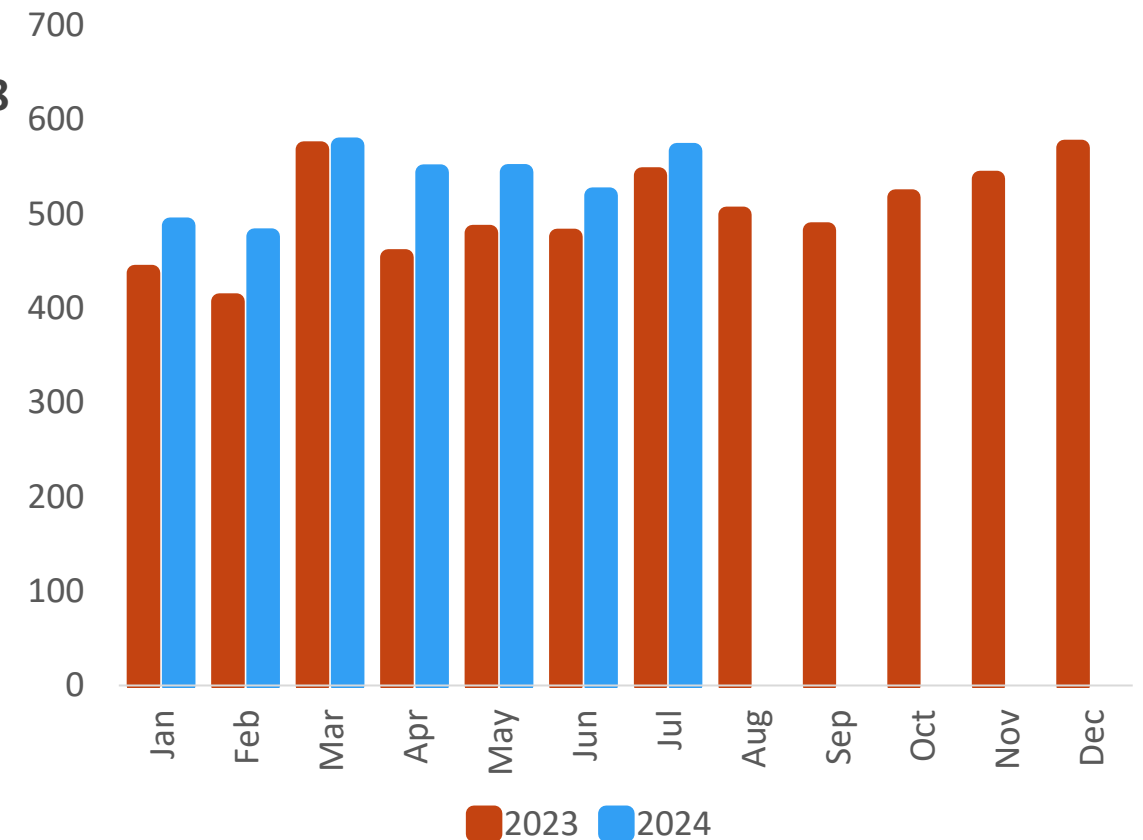
July 2024 worker remittances increased 5% YoY

In Jul 24, workers' remittances reached USD 566.8 Mn, marking a 5% rise from the same period last year and an increase of 9% compared to Jun 24. Despite occasional seasonal variations, workers' remittances have consistently shown an upward trend since experiencing a significant recovery in 2022.

Workers' Remittances (USD Mn)



Workers' Remittances (USD Mn)



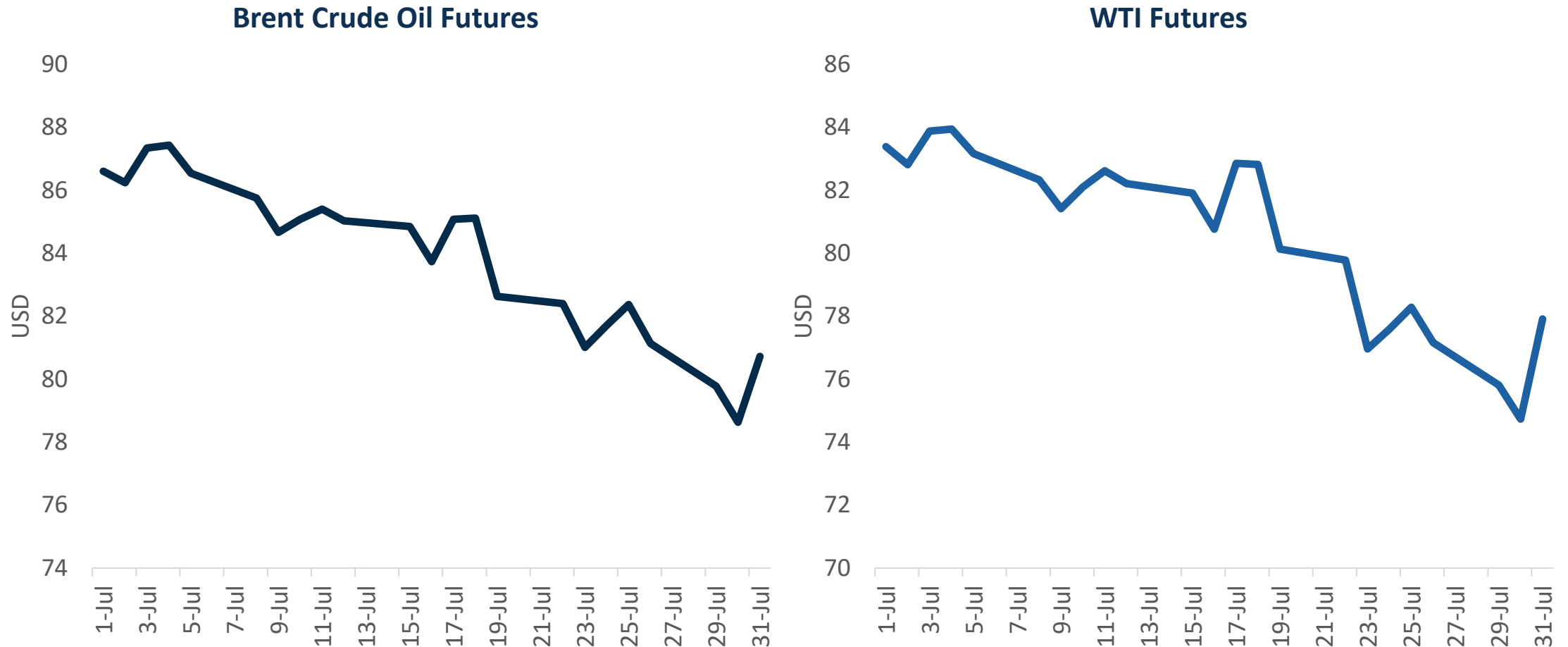


COMMODITIES AND OTHER

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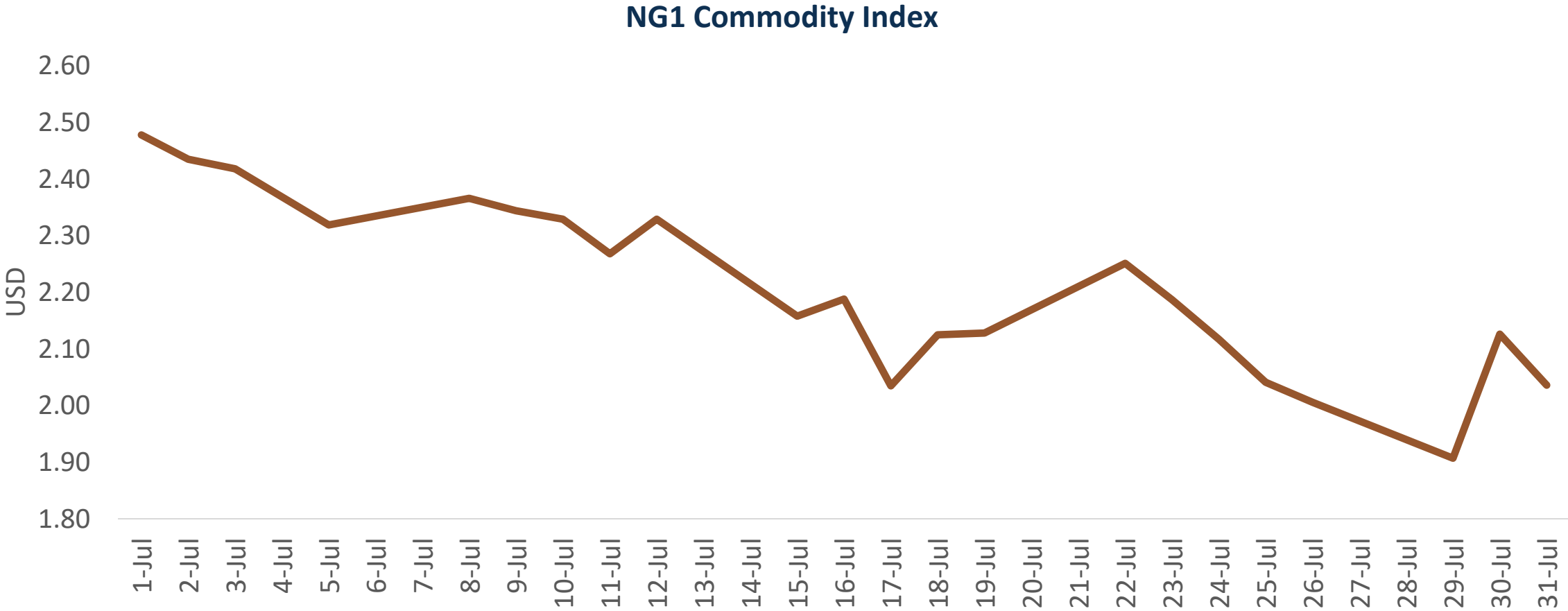
Crude oil prices plummeted around 7% in July 2024



In Jul 24, Brent crude oil prices decreased by 6.8%, while WTI futures declined by 6.6%. Crude oil prices declined in July due to concerns about weaker demand in China, despite strong economic growth in the U.S., and geopolitical risks related to the Israel-Hezbollah conflict.

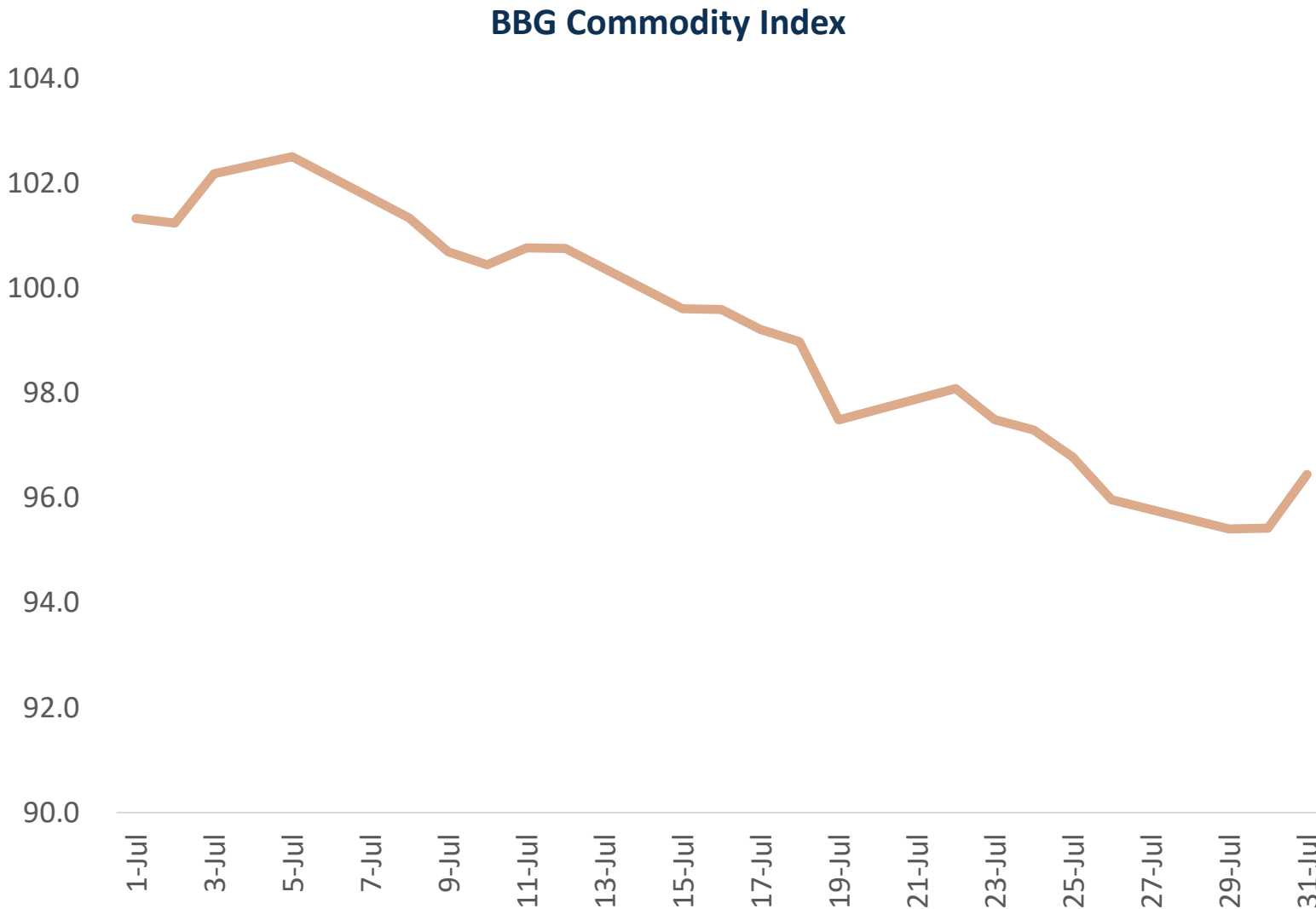
Natural gas prices decreased by 17.8% during July 2024

In July 2024, natural gas prices declined by 17.8%. This decrease was driven by a combination of factors: increased production due to enhanced rig productivity despite a reduced rig count, ample inventories reflecting slower-than-expected drawdowns, and shifting demand dynamics influenced by cooler summer temperatures and the ongoing transition to renewable energy sources.



Source: Investing.com

Commodities prices declined in July 2024



- In July 2024, the Bloomberg Commodity Index (BBG) fell by 4.8%, primarily due to a significant decline in crude oil futures prices throughout the month.
- In the month, soybean prices fell by 12.5%, driven by strong crop prospects in the Midwest and concerns about demand for the oilseed. Additionally, corn prices also declined by 1.8% during the same month.
- Copper prices declined by 5.5% in July 2024 due to poor demand prospects, especially in top consumer China, and an oversupplied market, which was further exacerbated by rising inventories in London Metal Exchange-approved warehouses.
- In July 2024, gold prices fell by 5.7% as the U.S. dollar strengthened and profit-taking increased, driven by growing expectations of interest rate cuts by the Federal Reserve in September.

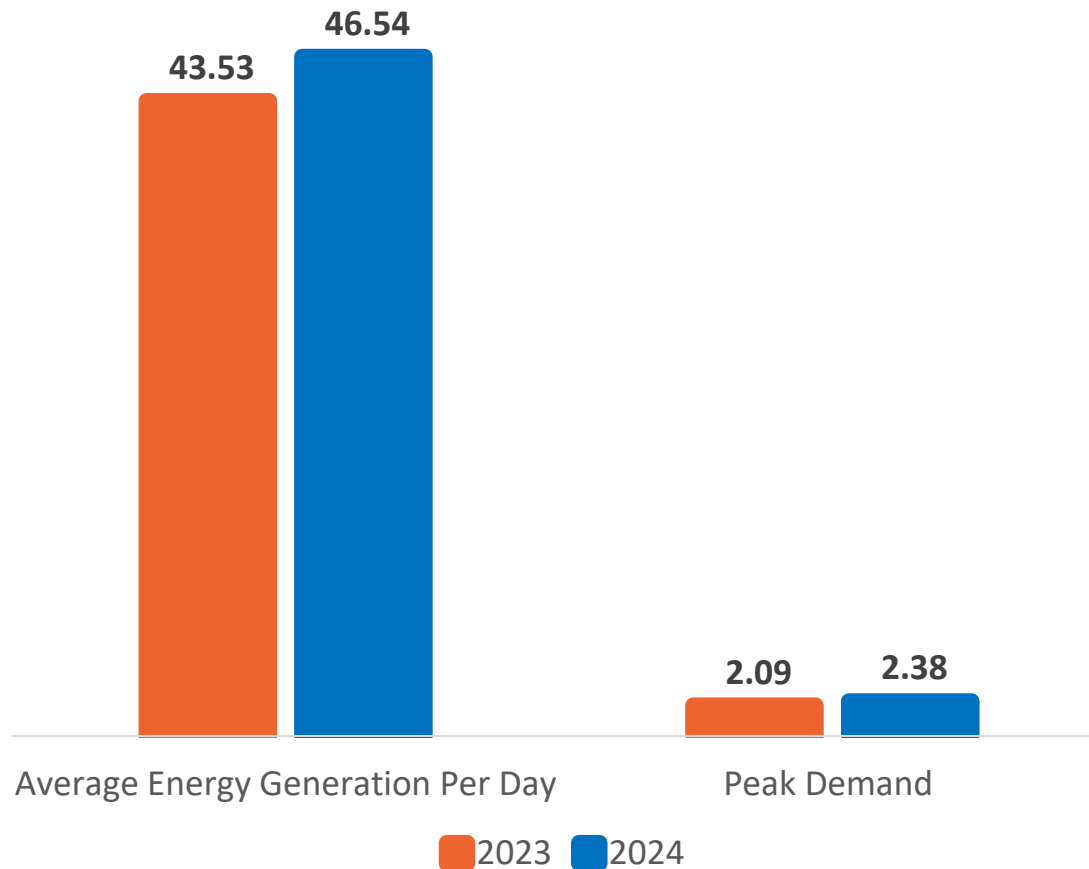
Note: The Bloomberg Commodity Index is a diversified commodity price index covering 23 exchange-traded futures in sectors like energy, grains, industrial metals, livestock, and precious metals.

Source: Investing.com

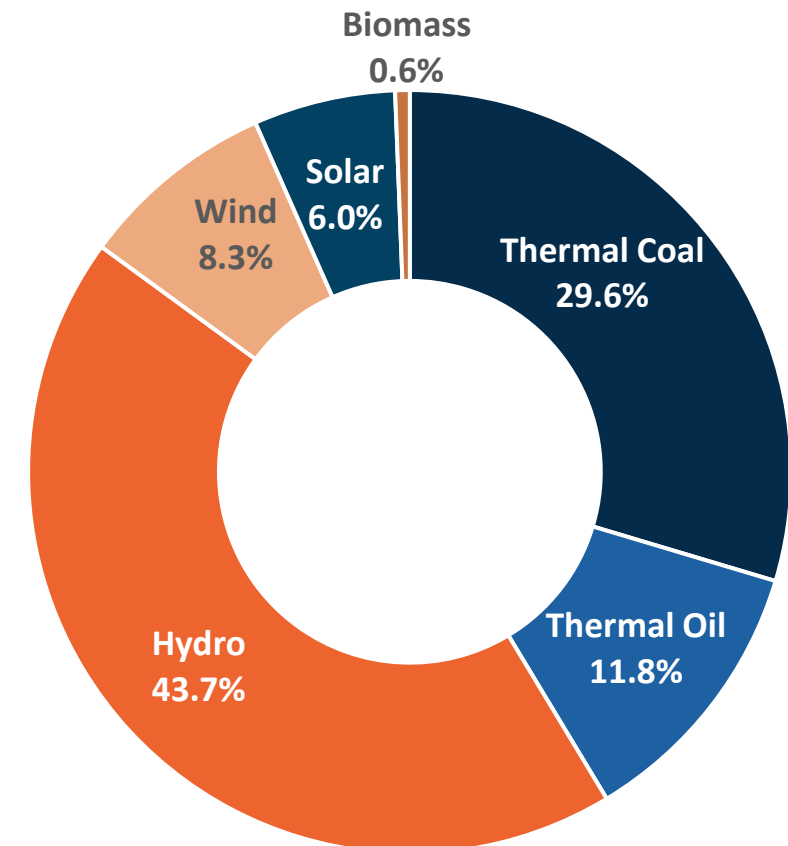
July 2024 average daily electricity generation increased by 6.9% YoY

In the month of Jul 24 average daily electricity generation was 46.54 GWh and it is a 6.9% increase compared to the same period last year. Average daily peak demand was 2.38 GWh in Jul 24.

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



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



June 2024 tea production marginally declined by 0.3% YoY

In June 2024, Sri Lanka's tea production marginally declined by 0.3% YoY, totaling 23.0 million kilograms. The quantity of tea exported also fell by 2.1% YoY to 20.96 million kilograms. However, the value of tea exports for the month rose to LKR 36,988 million, reflecting a 10.1% YoY growth.

Tea Exports

For Jun 24	Volume in Kgs	Value in LKR Mn
Tea in Bulk	10,413,129	16,182
Tea in Packets	8,027,968	13,187
Tea in Bags	1,924,642	5,453
Instant Tea	264,003	874
Green Tea	326,562	1,293
Total	20,956,304	36,988

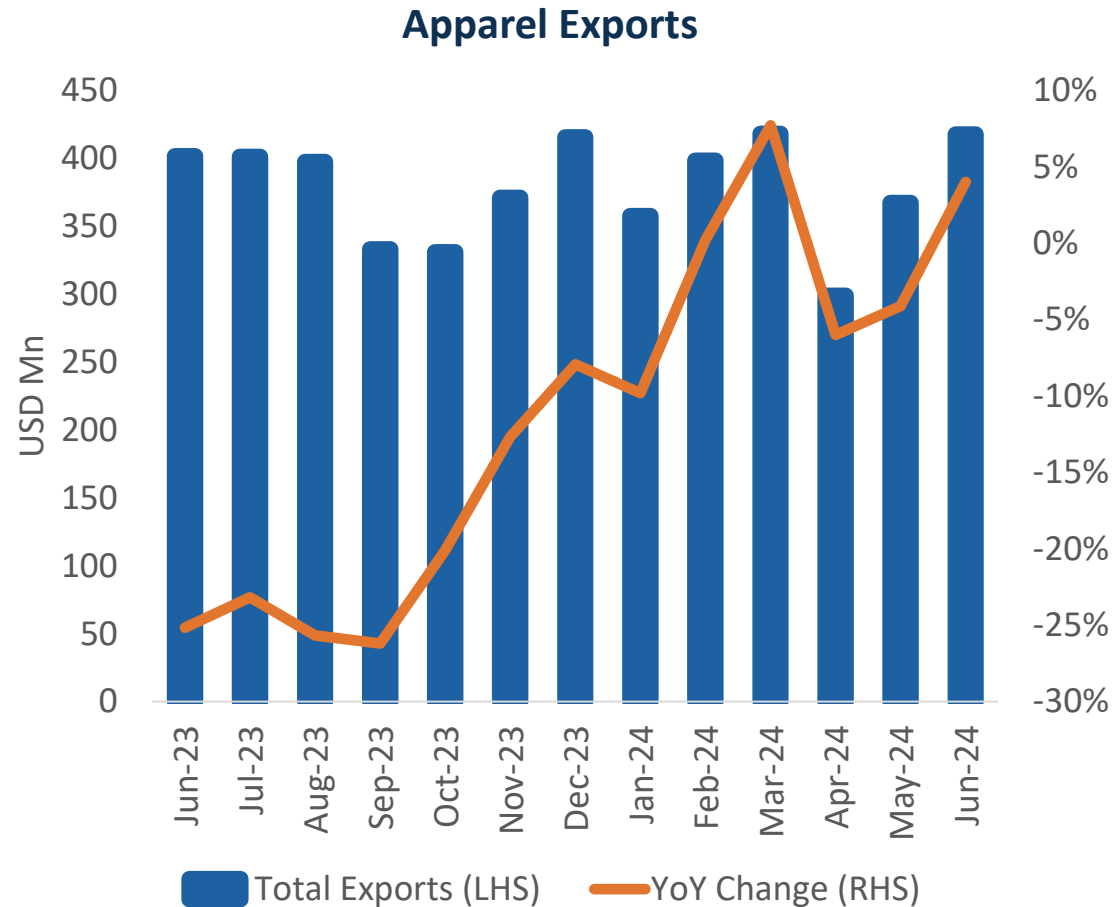
Average Tea Auction Prices (Monthly)

For Jun 24	LKR per Kg'000s
High	1,163.93
Medium	1,083.08
Low	1,327.64
Total	1,249.54

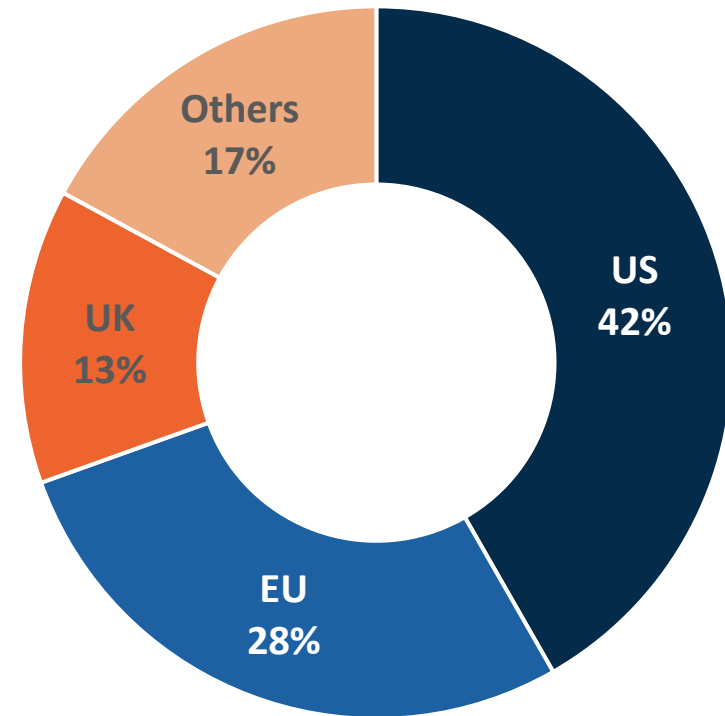
Tea Production

For Jun 24	Kgs
High	4,815,161
Medium	4,272,382
Low	13,708,683
Green Tea	228,160
Total	23,024,386

June 2024 apparel exports soared by 4% YoY



Top Export Markets - June 24



In June 2024, total apparel exports generated USD 418 million in revenue, a 4.0% increase compared to the same month the previous year. This figure also represented a 13.7% surge from the previous month. During June, exports to the US rose by 12.8%, while exports to the EU and UK declined by 12.7% and 3.5% YoY, respectively.

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