



MONTHLY ECONOMIC WRAP | SEPTEMBER 2024

AMBEON
SECURITIES

14.10.2024



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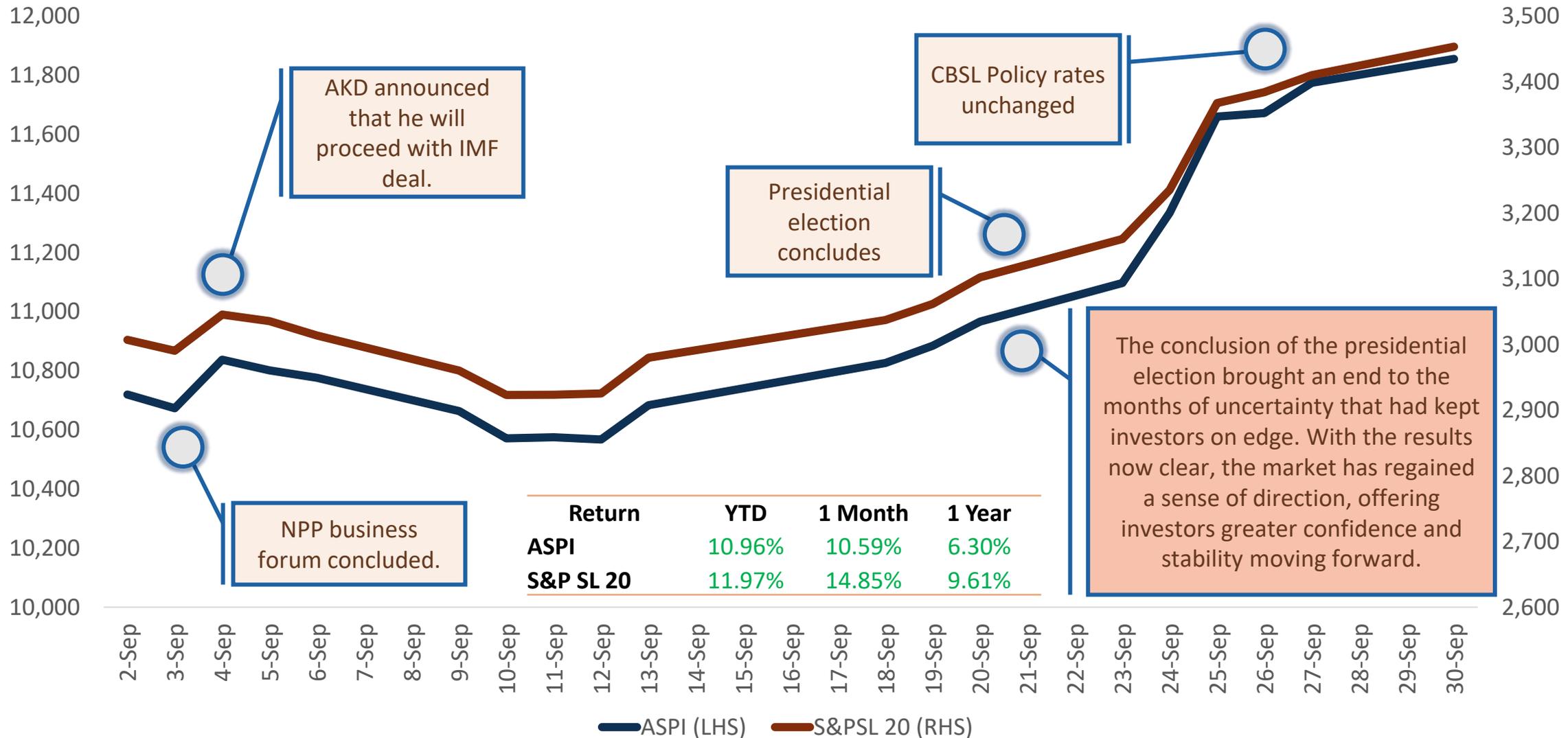


CSE PERFORMANCE

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ASPI increased ~11% and S&PSL20 increased ~15% in September 2024



AKD announced that he will proceed with IMF deal.

Presidential election concludes

CBSL Policy rates unchanged

NPP business forum concluded.

The conclusion of the presidential election brought an end to the months of uncertainty that had kept investors on edge. With the results now clear, the market has regained a sense of direction, offering investors greater confidence and stability moving forward.

Note: Returns are calculated up to 30th September 2024
 Source: CSE, Ambeon estimates

RSI & MACD of ASPI

ASPI

On 25th September 2024, the ASPI saw its largest daily increase since April 2023, rising by 2.87% (325.59 points).

75.72

RSI (14)

MACD (12,26)

Jul - 24

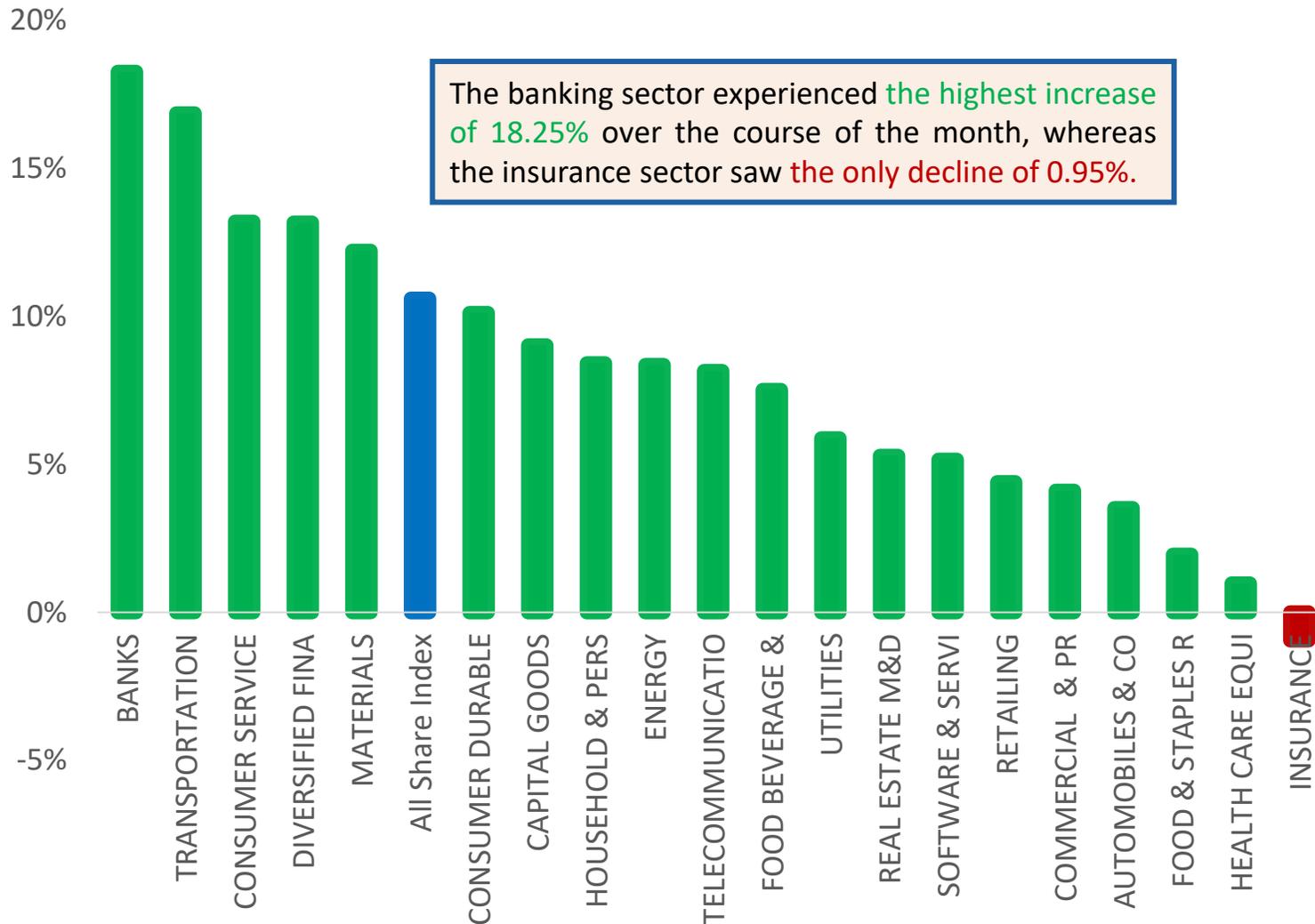
Aug - 24

Sep - 24

5

During September 2024, most of the sectors saw an increase

Sector Indices Performance



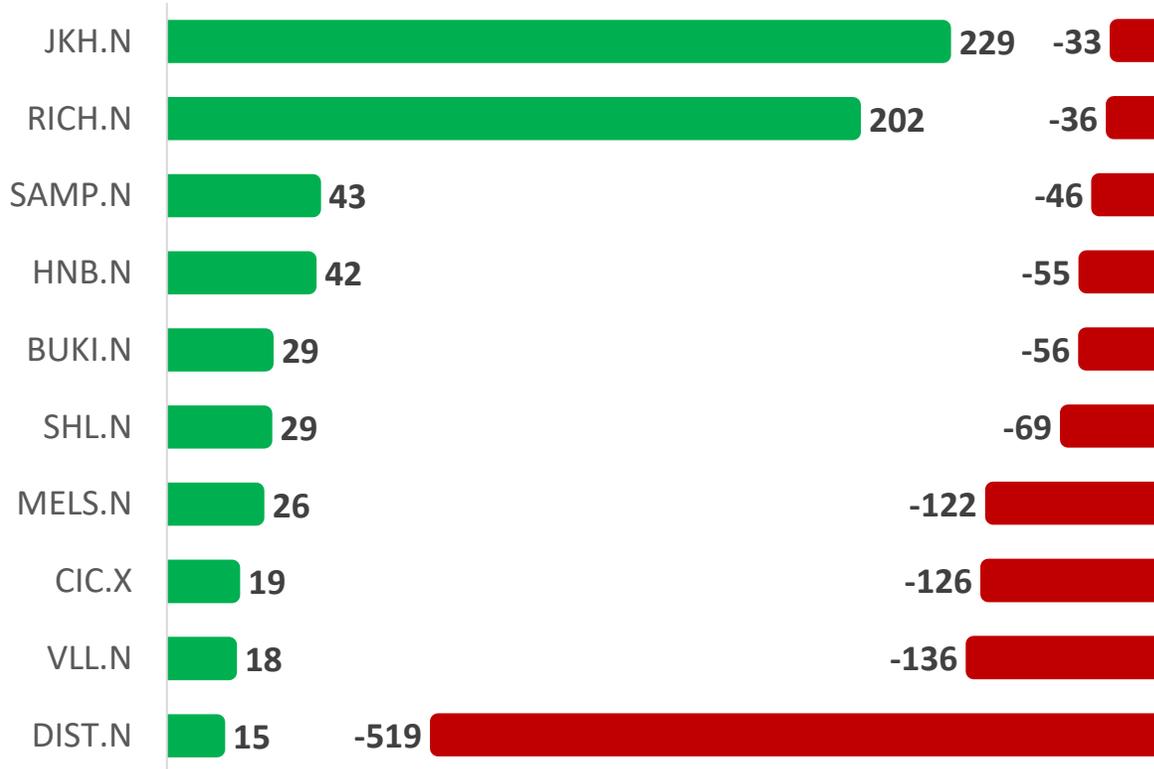
BANKS	18.25%
TRANSPORTATION	16.85%
CONSUMER SERVICES	13.19%
DIVERSIFIED FINANCIALS	13.16%
MATERIALS	12.21%
All Share Index	10.59%
CONSUMER DURABLES & APPAREL	10.11%
CAPITAL GOODS	9.01%
HOUSEHOLD & PERSONAL PRODUCTS	8.41%
ENERGY	8.35%
TELECOMMUNICATION SERVICES	8.15%
FOOD BEVERAGE & TOBACCO	7.51%
UTILITIES	5.88%
REAL ESTATE MANAGEMENT & DEVELOPMENT	5.28%
SOFTWARE & SERVICES	5.15%
RETAILING	4.39%
COMMERCIAL & PROFESSIONAL SERVICES	4.11%
AUTOMOBILES & COMPONENTS	3.52%
FOOD & STAPLES RETAILING	1.95%
HEALTH CARE EQUIPMENT & SERVICES	0.98%
INSURANCE	-0.95%

Source: CSE, Ambeon estimates

Total net foreign outflow for September 2024 was LKR 638 Mn

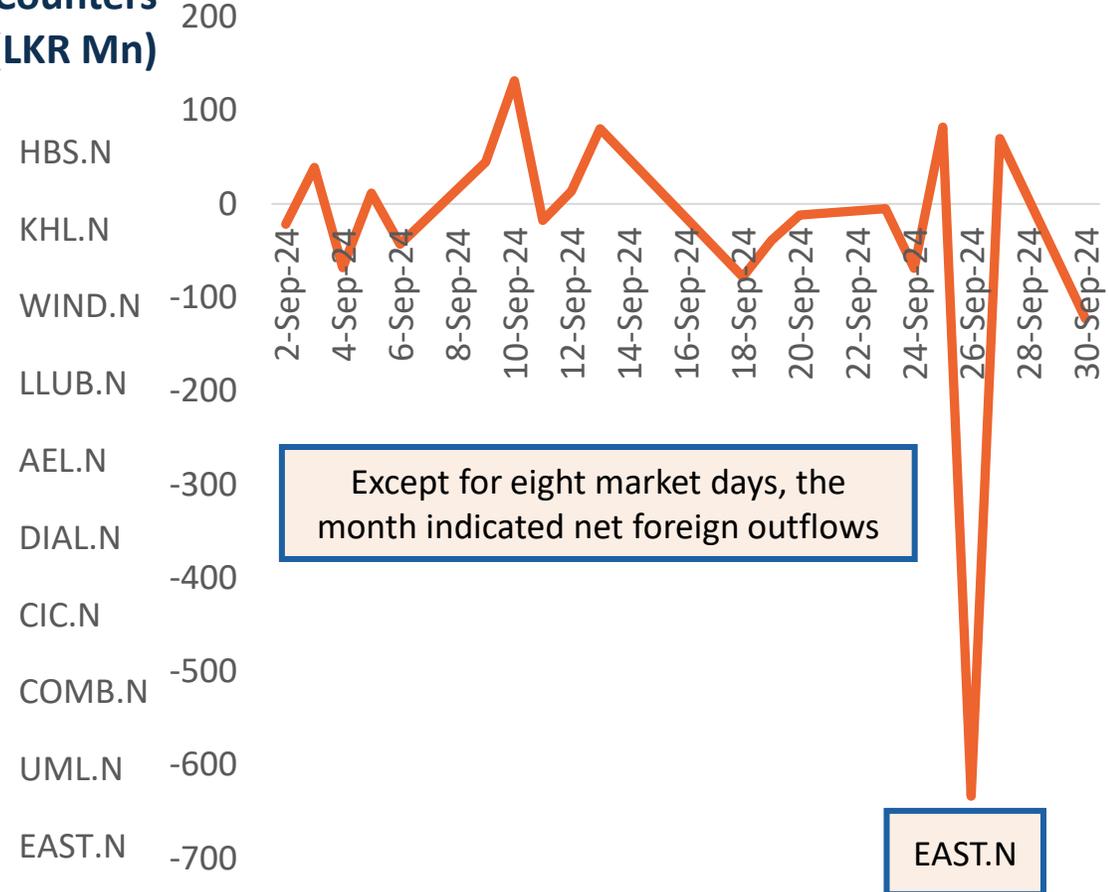
Top 10 Counters

Net Foreign Inflows (LKR Mn)



Top 10 Counters

Net Foreign Outflows (LKR Mn)

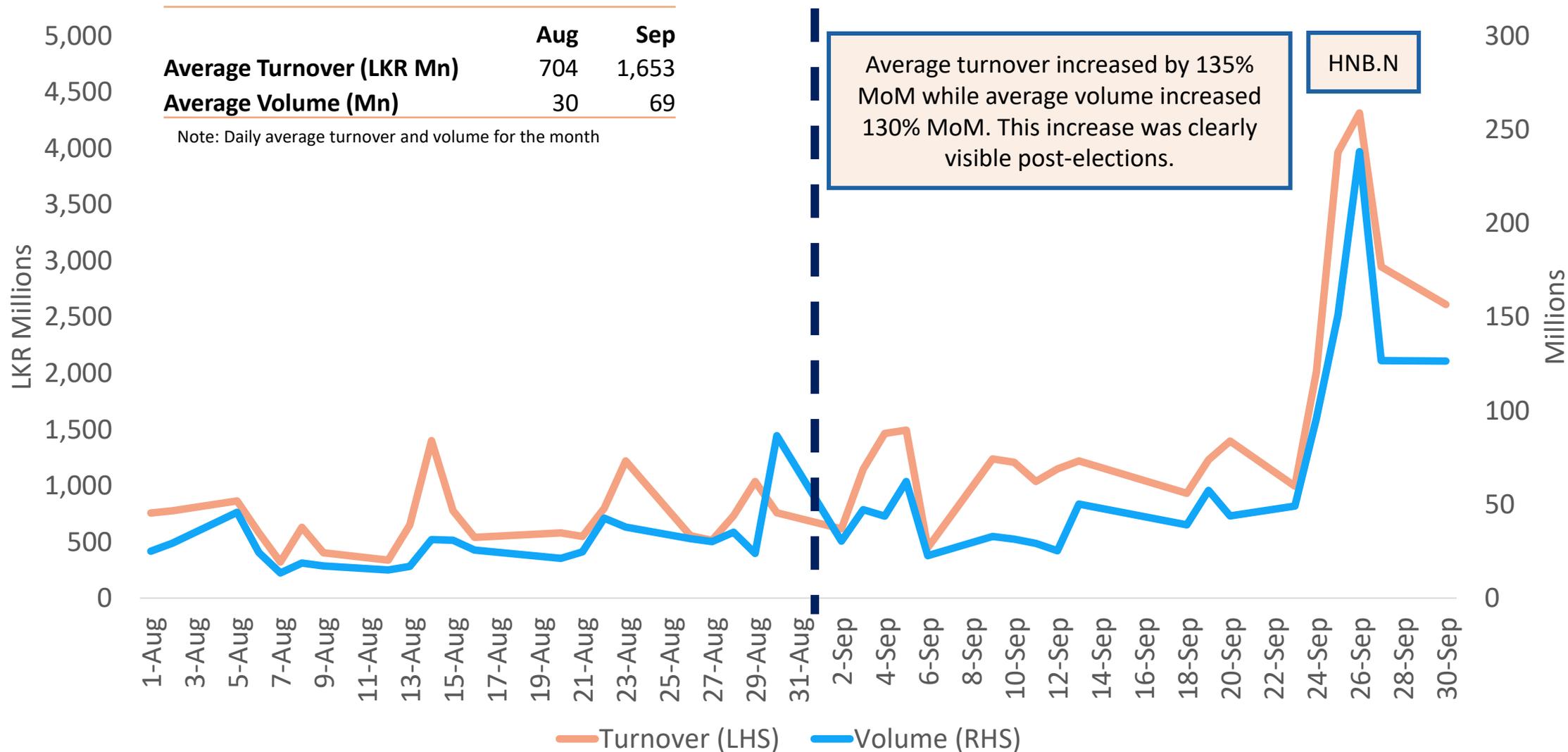


Sep 24 Total Net Foreign Flow **LKR -638 Mn** | Year-to-date Net Foreign Flow* **LKR -5,980 Mn**

Source: CSE, Ambeon estimates

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

Average turnover and volume increased in September 2024



Regional valuation comparison

Frontier Markets (Asia)

Index	PE	PBV
ASPI (Sri Lanka)	10.4	1.1
KSE 100 (Pakistan)	5.2	1.0
VNI (Vietnam)	15.9	1.7

US & European Markets

Index	PE	PBV
S&P 500 (US)	26.5	5.2
DJIA (US)	23.2	5.4
FTSE 100 (UK)	14.6	1.9

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	23.8	2.1
CSI 300 (China)	15.8	1.6
HSI (Hong Kong)	11.4	1.2
BSE 500 (India)	28.4	4.4
NIFTY 50 (India)	24.4	4.0

Key economic news & events

10th Sep

SL to borrow USD 300 Mn from ADB

Sri Lanka's cabinet has approved borrowing \$300 million from the Asian Development Bank for financial and power sector reform programs, with a \$200 million tranche due after 12 completed actions. The loan is part of a \$400 million financial sector reform project.

20th Sep

SL strikes USD 14.2 billion ISB restructuring

Sri Lanka has achieved a principal agreement with the China Development Bank and the Local Consortium of Sri Lanka to restructure \$14.2 billion of sovereign bonds. In total, this will provide debt service relief of \$17 billion throughout the IMF program.

24th Sep

IMF Committed to Supporting New President

IMF Managing Director Kristalina Georgieva pledged to work with President Anura Kumara Dissanayake and his administration to build on Sri Lanka's recovery progress, emphasizing the country's "hard-won gains" and the IMF's commitment to further stabilize the economy.

25th Sep

Fitch has affirmed Sri Lanka's rating

Fitch Ratings has affirmed Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'RD' (Restricted Default) and its Long-Term Local-Currency IDR at 'CCC-.' Fitch generally does not provide Outlooks for issuers rated 'CCC+' or below.

27th Sep

CBSL keeps policy rates steady

CBSL, in its monetary review, decided to keep the SDFR at 8.25% and the SLFR at 9.25%. This decision was based on a careful assessment of recent macroeconomic developments and potential risks, aiming to align inflation with the medium-term target of 5% while maximizing economic potential.



MONETARY SECTOR

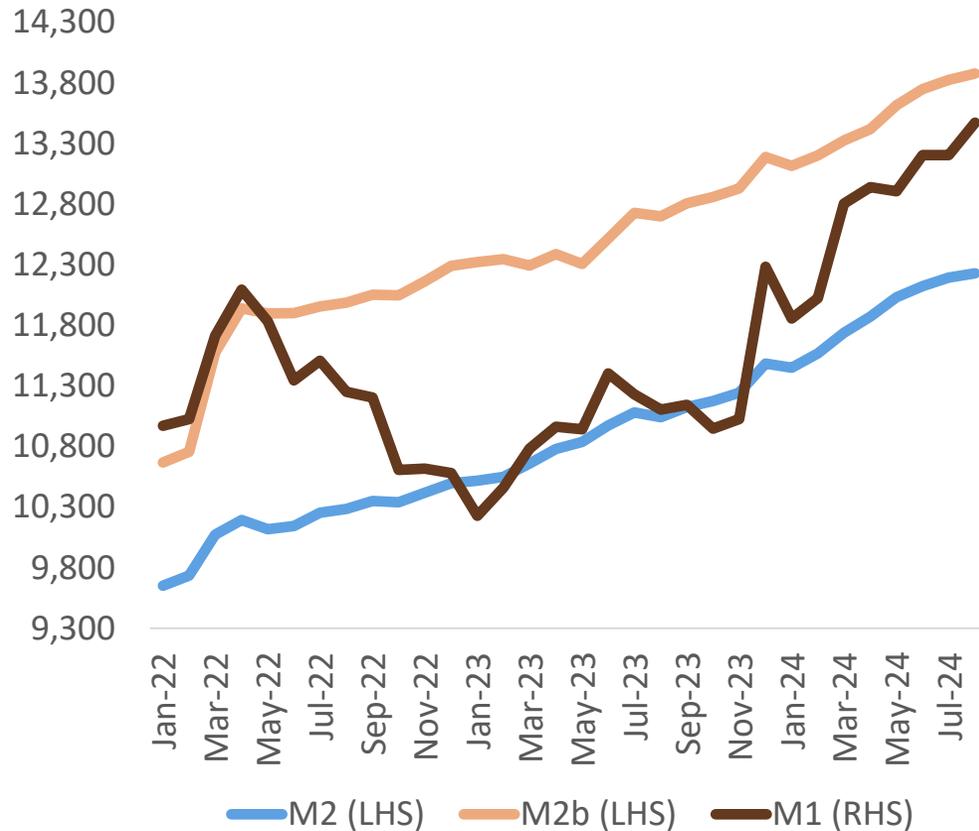
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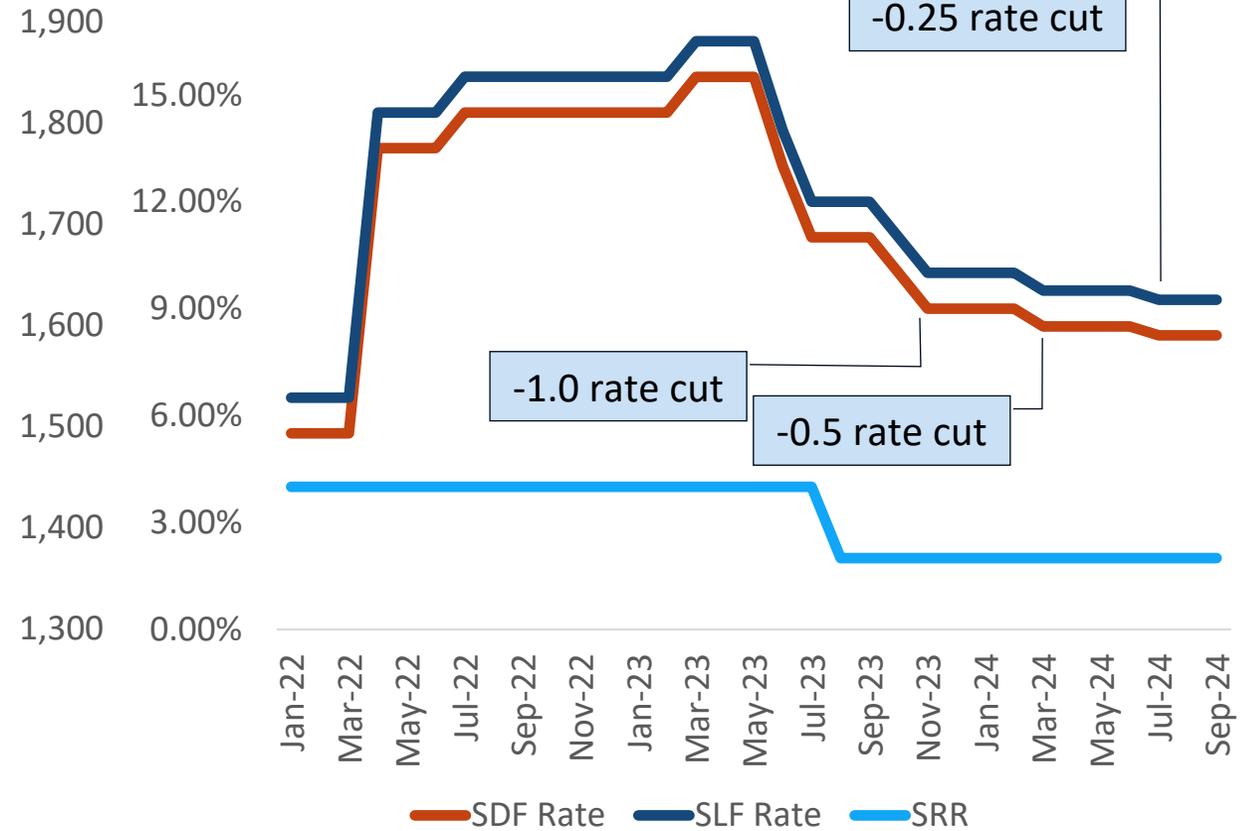
The CBSL maintained the policy rates in the September policy review

By the end of Aug 24, narrow money supply (M1) increased to LKR 1,801 Bn, while consolidated broad money supply (M2b) increased to LKR 13,877 Bn when compared to Jul 24. In the September monetary policy review, the CBSL decided to maintain the current policy rates. The Standing Deposit Facility rate remains at 8.25%, while the Standing Lending Facility rate is set at 9.25%. The next monetary policy review is scheduled for 26th November 2024.

Money Supply (LKR Bn)

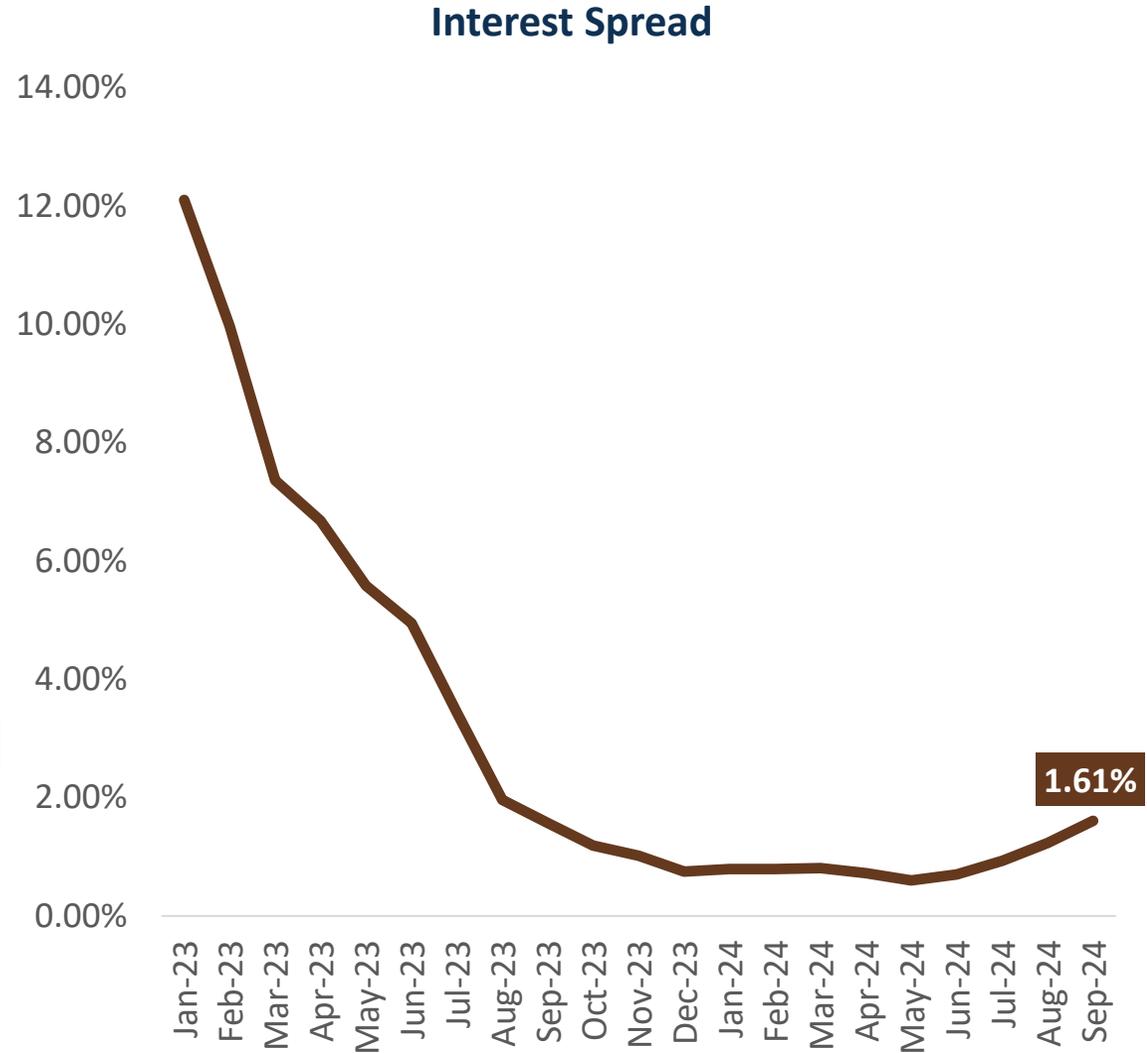
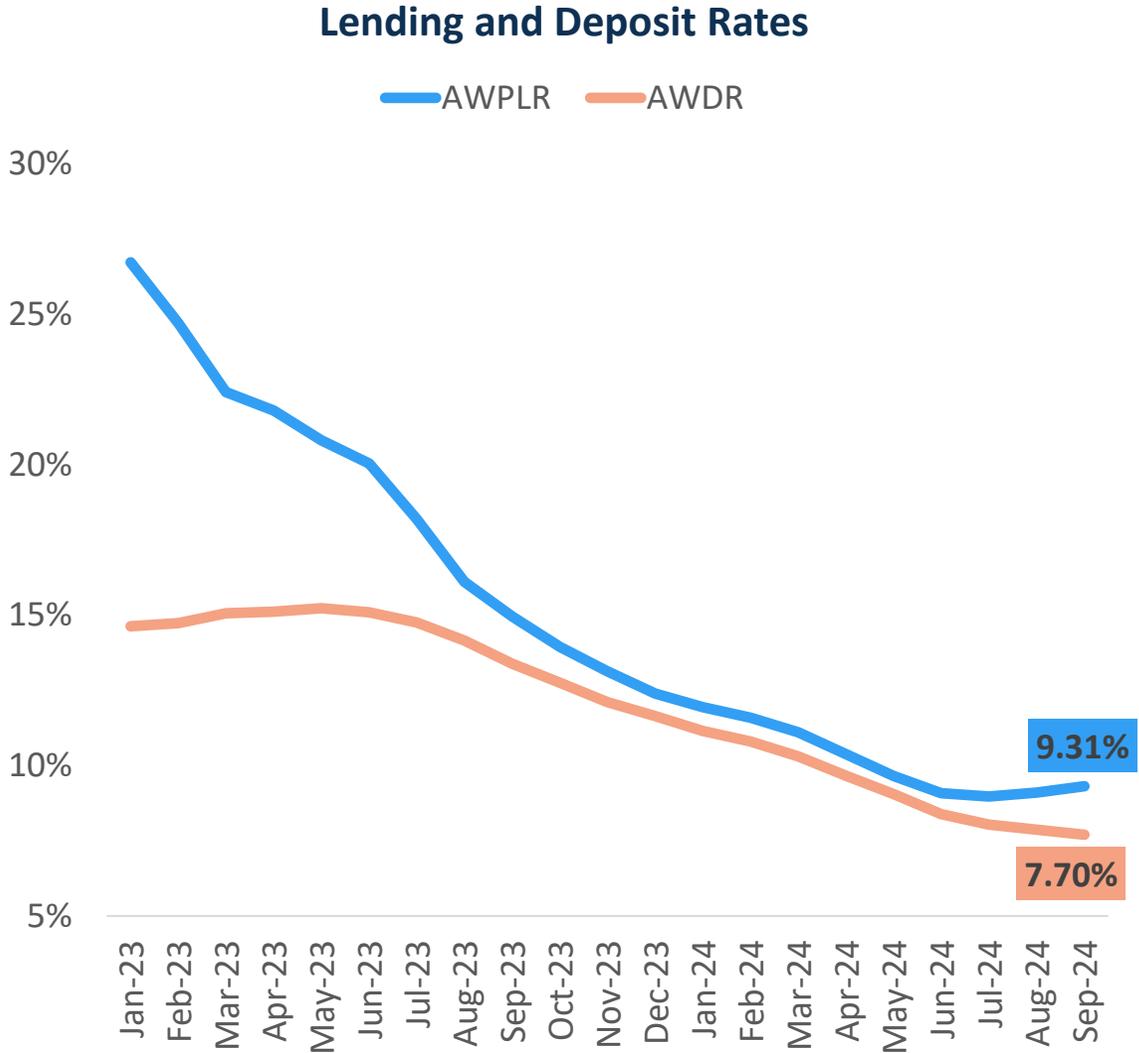


Policy Rates



Source: CBSL

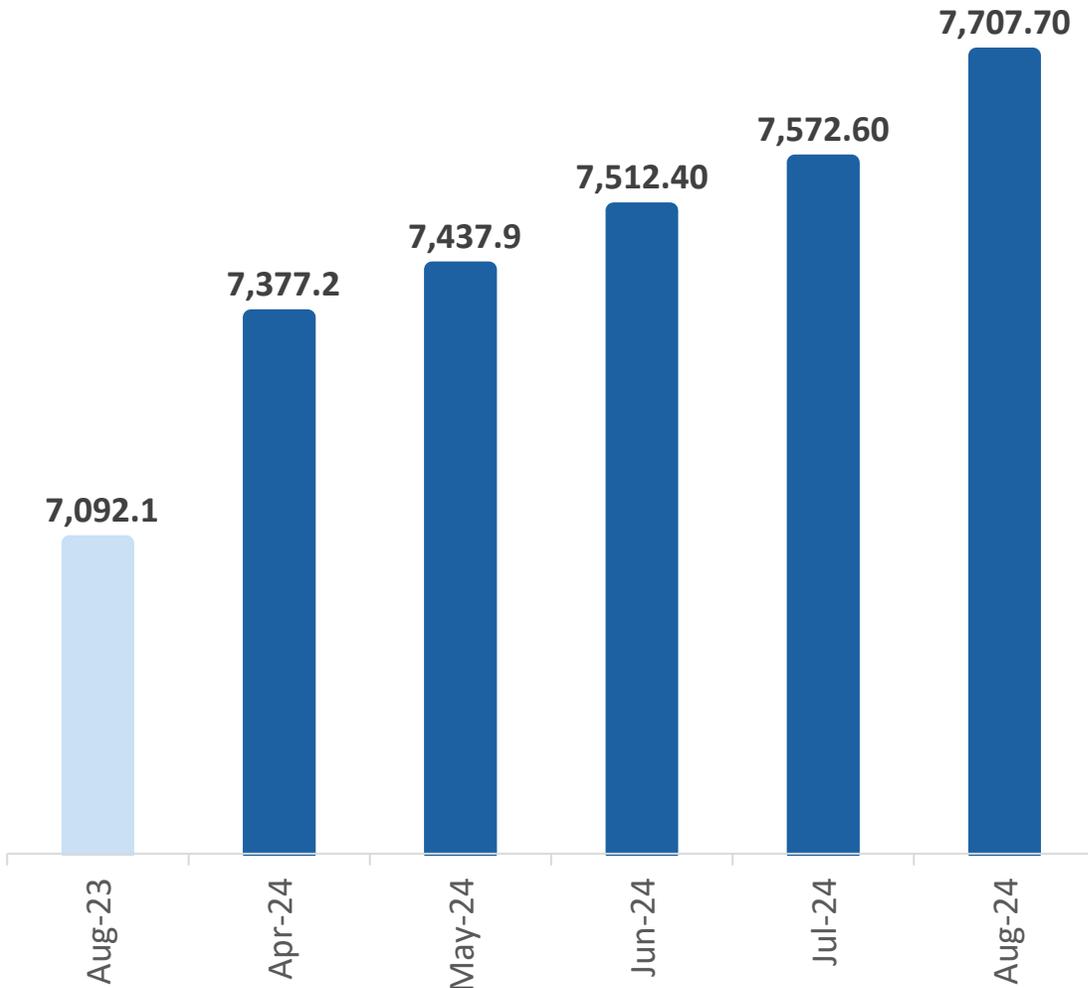
Lending rates saw a marginal increase while deposit rates decreased



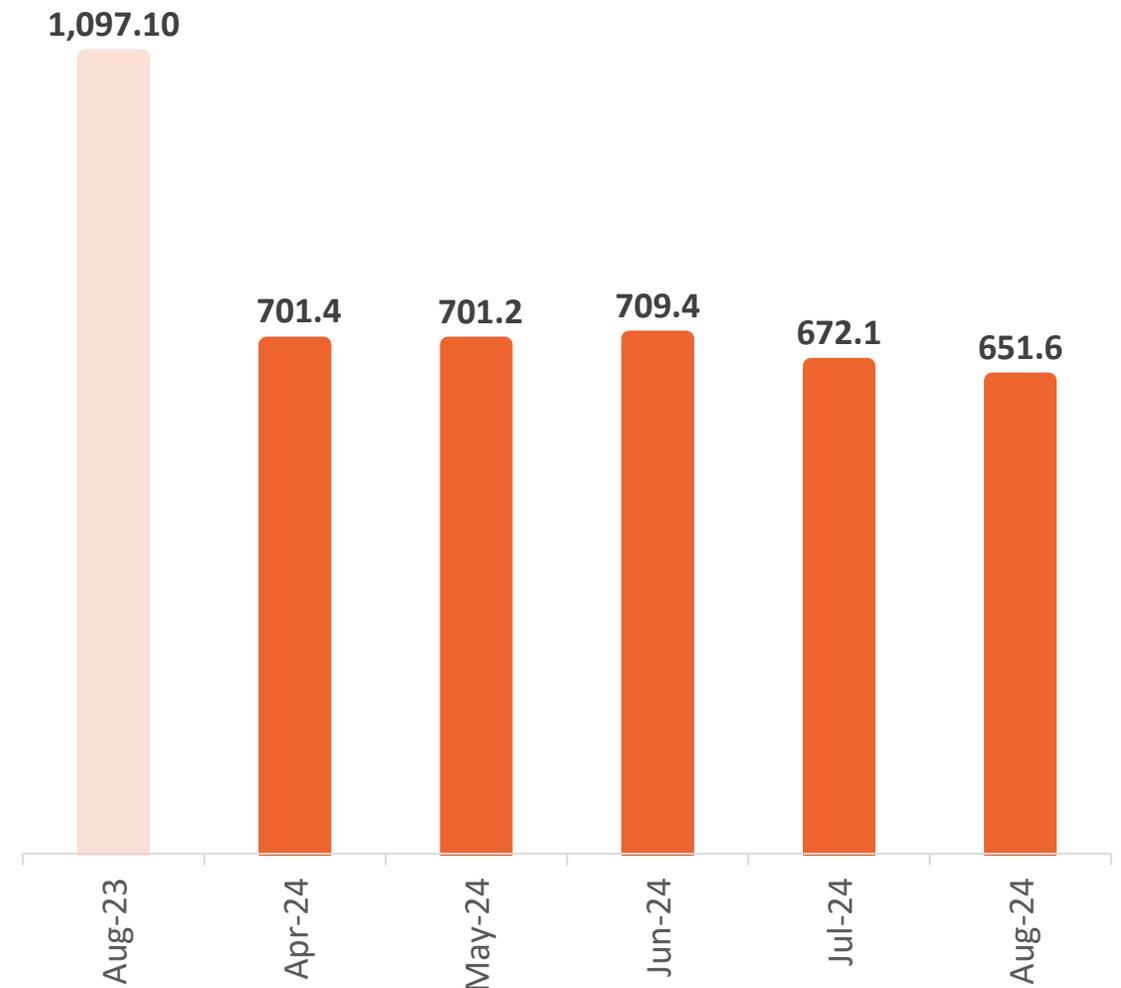
Source: CBSL

Credit to private sector increased from July to August 2024

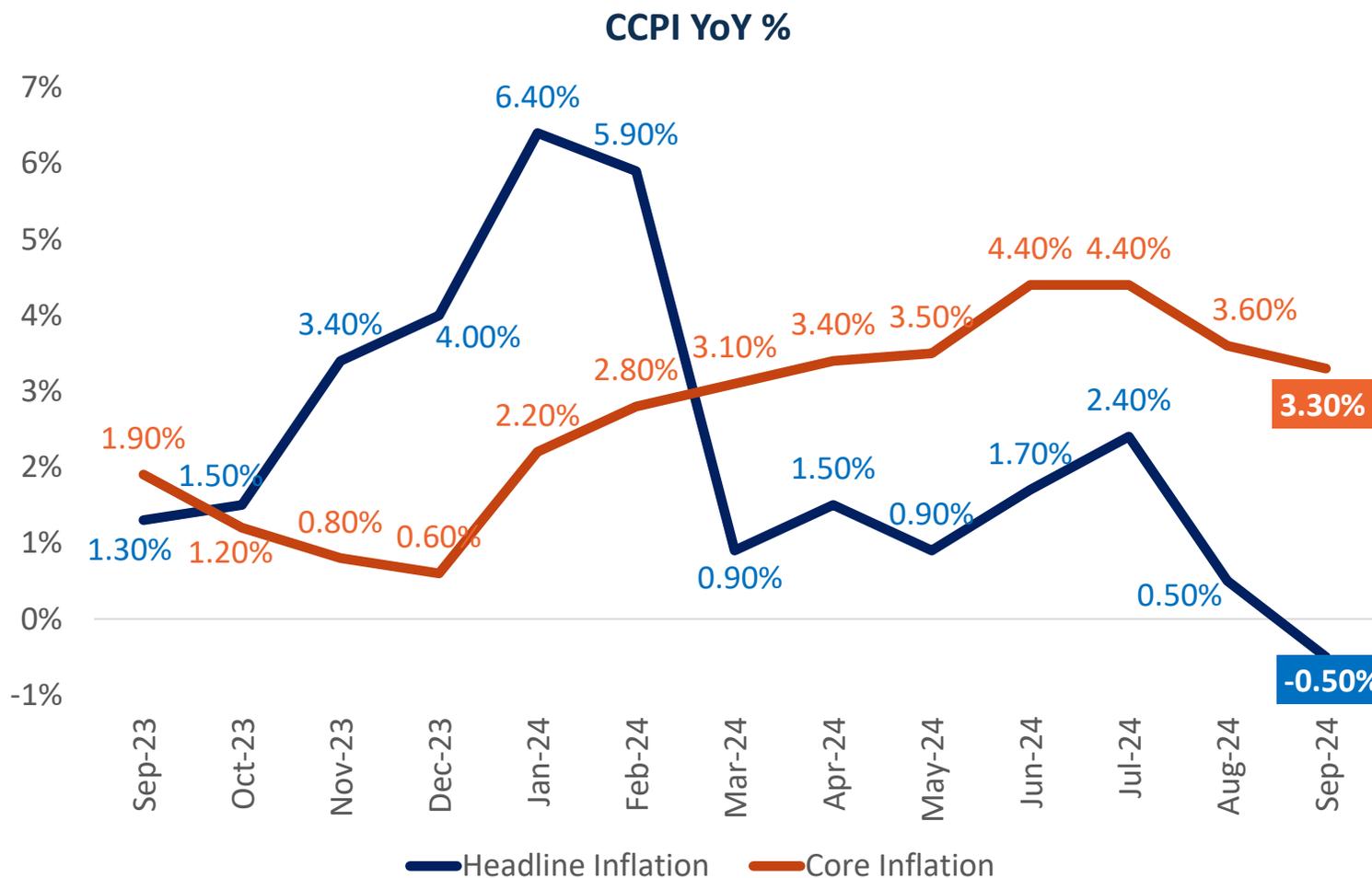
Credit to Private Sector (LKR Bn)



Credit to Public Sector (LKR Bn)



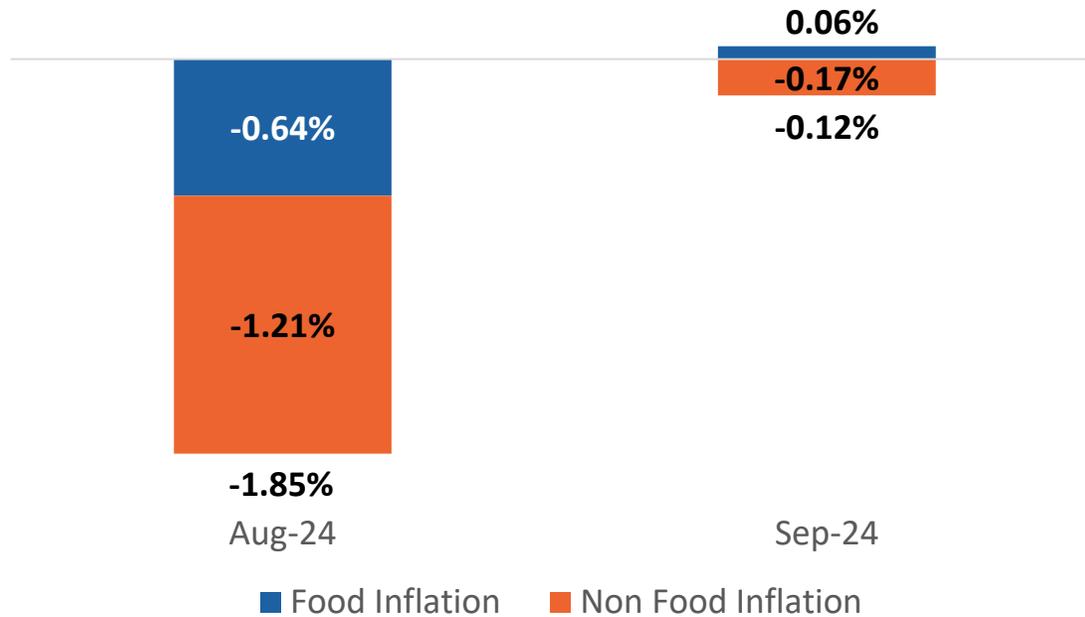
CCPI saw a deflation of -0.5% in September 2024



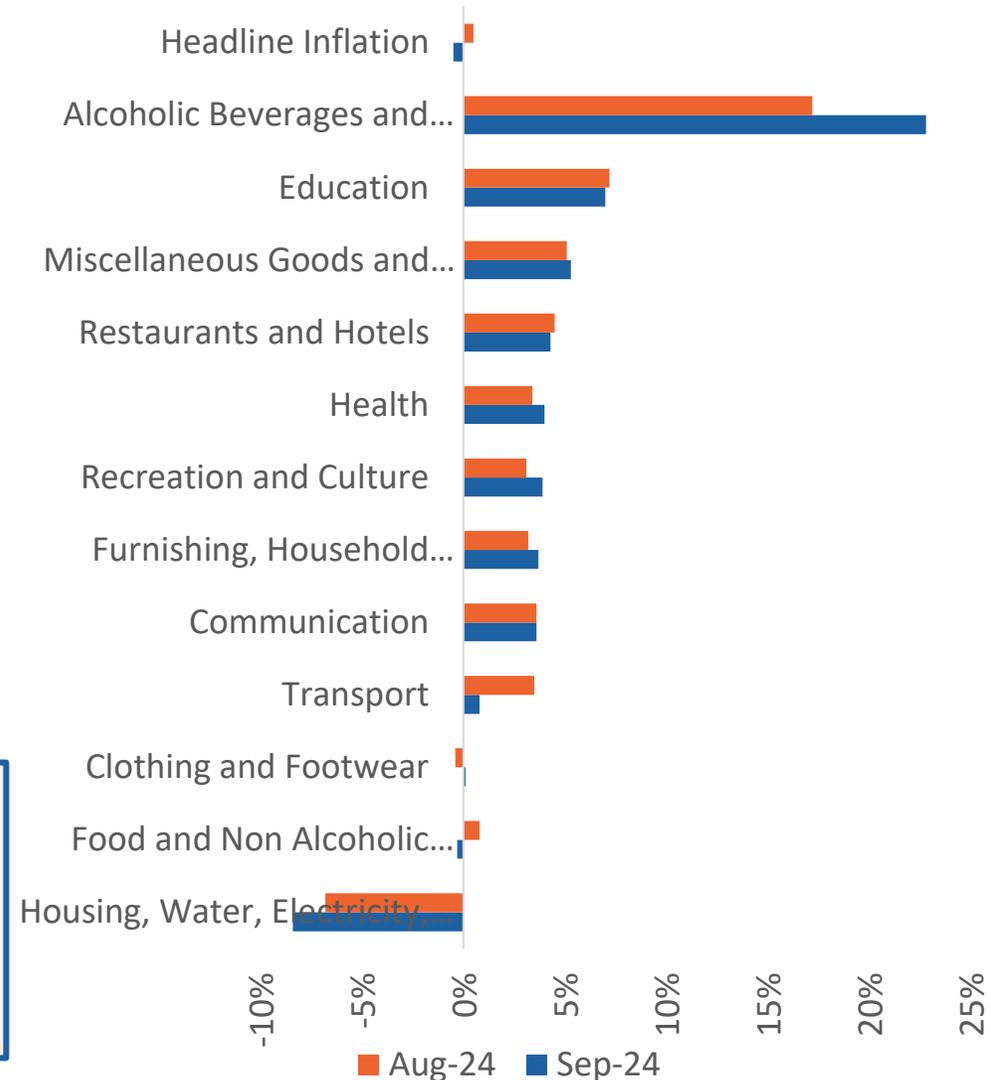
- Headline inflation, measured by the Colombo Consumer Price Index (CCPI), turned negative in September 2024, with **deflation of 0.5%**, down from the 0.5% inflation rate in August 2024. This marks the first instance of deflation **since September 2015**.
- Prices slowed down for Education and Restaurants & Hotels, while Housing & Utilities and Food & Non-Alcoholic Beverages saw deflation. Meanwhile, prices for Communication remained unchanged.
- Prices increased for Alcoholic Beverages & Tobacco, Miscellaneous Goods & Services, Health, Recreation & Culture, Furnishing, Household Equipment & Routine Household Maintenance, as well as Clothing & Footwear.
- Core inflation YoY decreased to 3.3% in Sep 24 from 3.6% in Aug 24.

September 2024 CCPI dropped by 0.12% MoM due to decline in nonfood category

Contribution to monthly change in CCPI



CCPI YoY Change by Subcategory

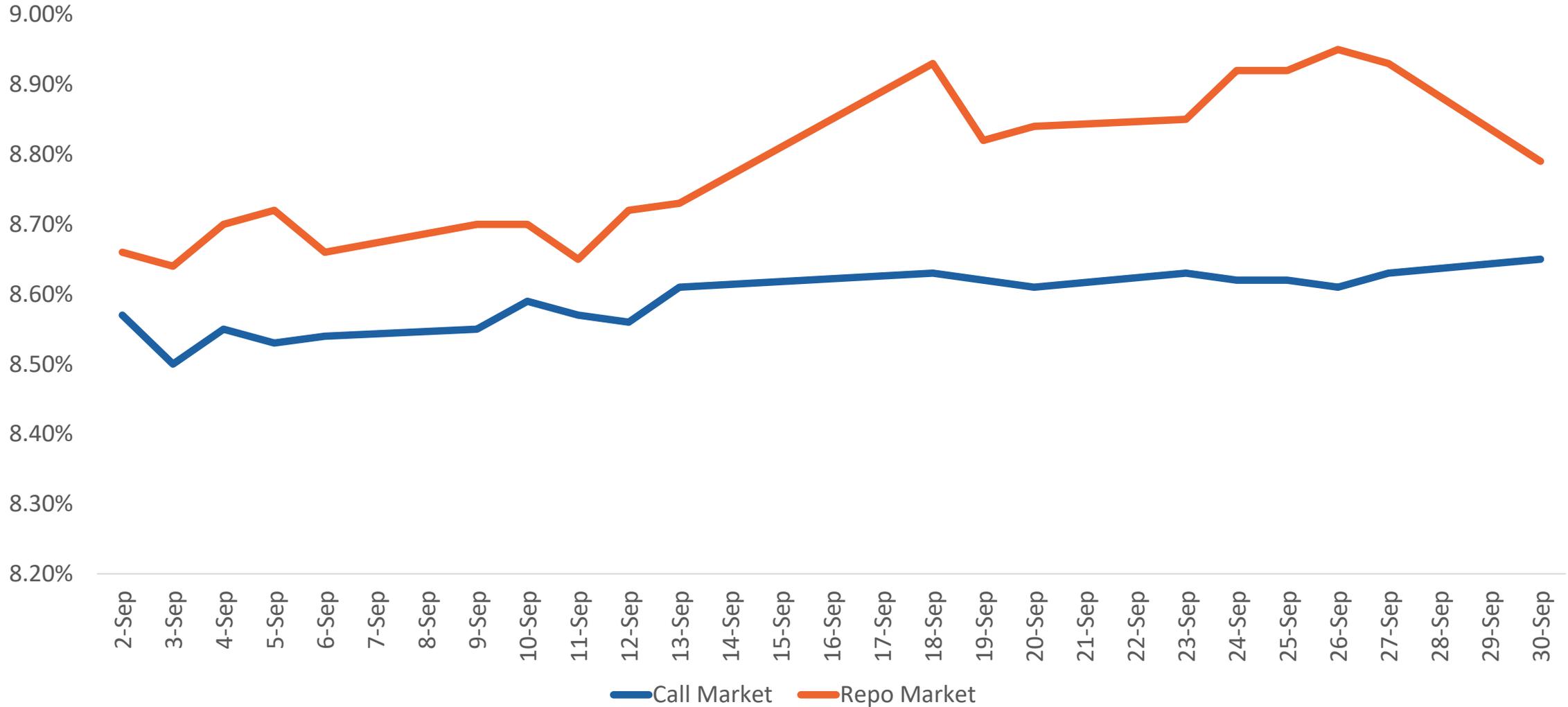


On a MoM basis, the CCPI fell by 0.12% in Sep 24, driven by a 0.17% drop in prices in the Non-Food category and a 0.06% rise in Food category prices. The food category saw a YoY deflation of 0.3% in September 2024, a shift from the 0.8% inflation recorded in Aug 24. Similarly, the non-food category experienced a YoY deflation of 0.5%, down from 0.4% inflation in the previous month.

Source: CBSL

Call market and repo market rates marginally increased in September 2024

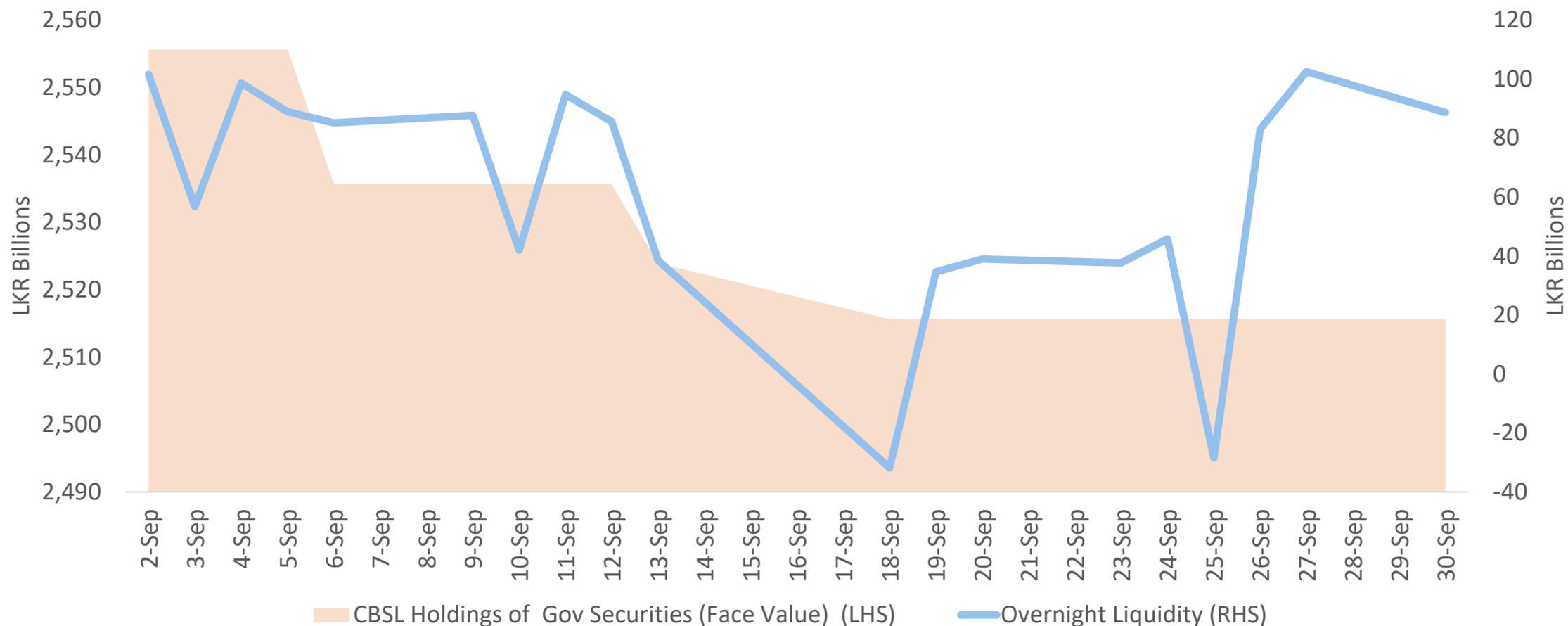
Weighted Averaged Yields of Money Market Rates



CBSL holdings of G-Sec decreased during September 2024

Overnight liquidity fluctuated throughout the month, closing at LKR 88.65 billion on September 30th. Meanwhile, the CBSL holdings of government securities decreased over the period, ending at LKR 2,516 billion (face value).

Liquidity and CBSL Holdings



Source: CBSL

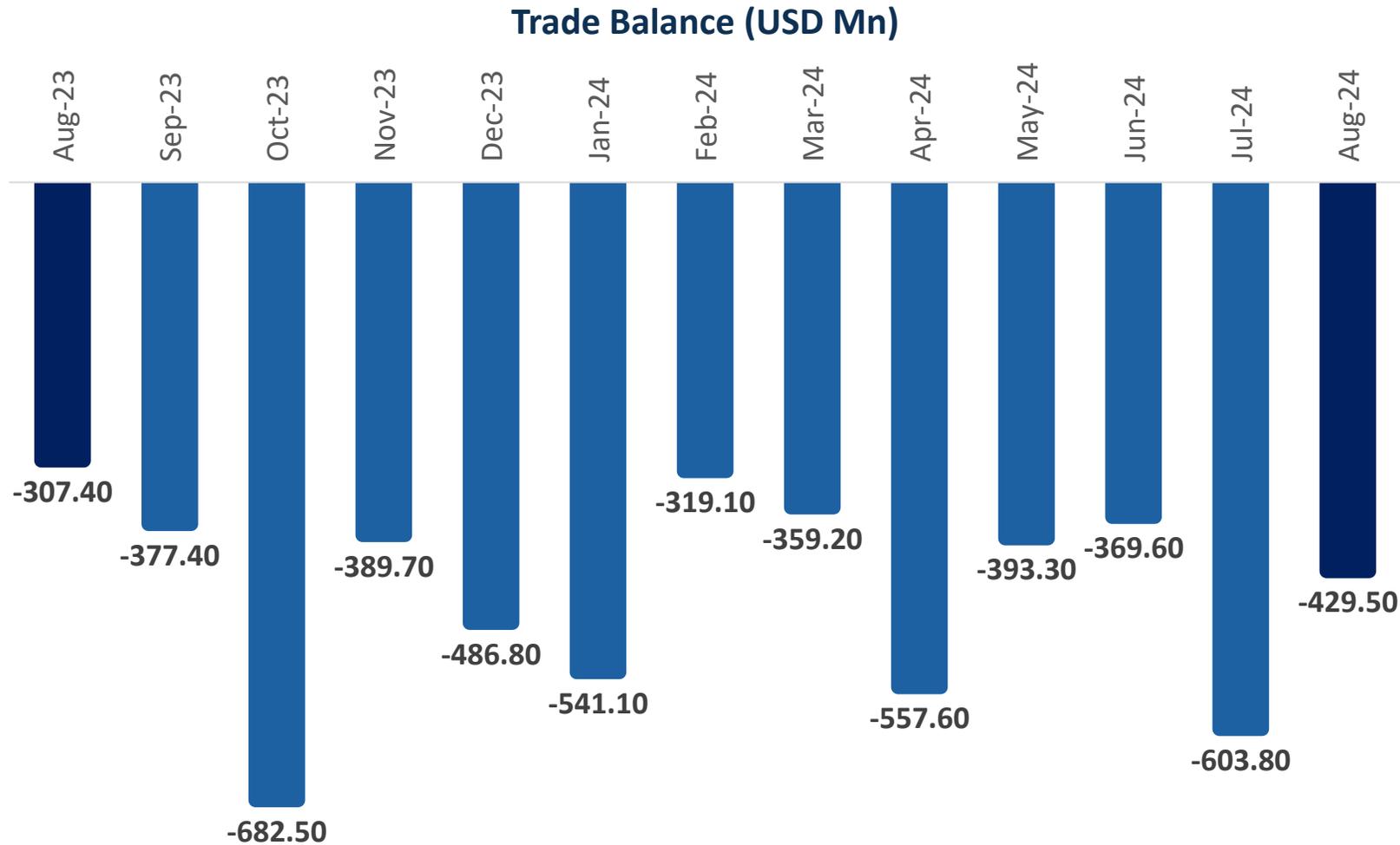


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Balance of Trade worsened by 39.7% YoY in August 2024

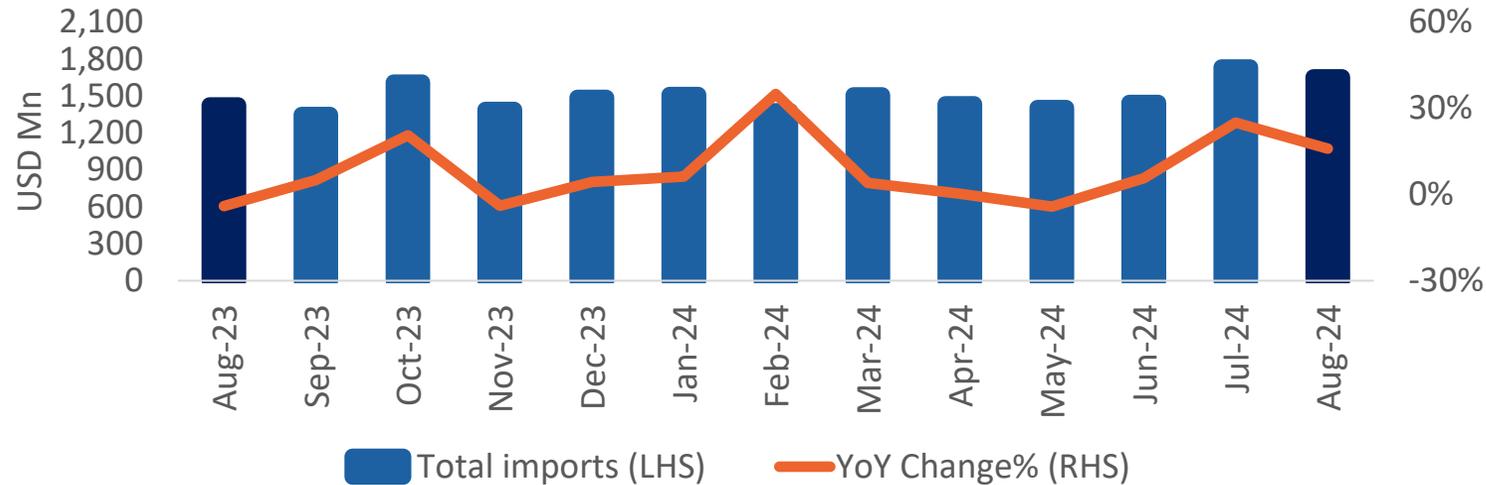


- In Aug 24, Sri Lanka's trade deficit amounted to USD 429.50 Mn, marking a 39.7% worsening compared to the same month of the previous year. However, this figure represented a 28.9% improvement from the previous month.
- The cumulative trade deficit in the Jan – Aug 24 period amounted to USD 2964.0 Mn , surpassing the deficit recorded during the same period in 2023 by 20.6%.
- In August 2024, import expenditure amounted to USD 1,654.0 Mn, while export earnings totaled USD 1,224.5 Mn. Import expenses and export revenues both increased from the previous year.

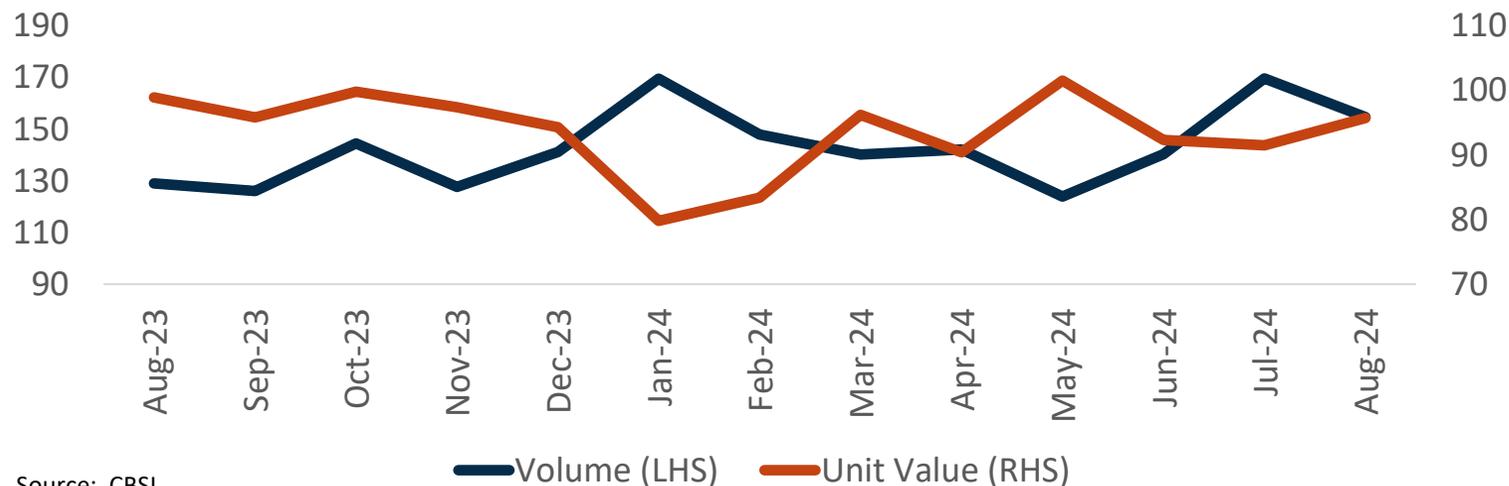
Source: CBSL

August 2024 import expenditure soared by 16.0% YoY

Total Imports and Growth



Import Indices



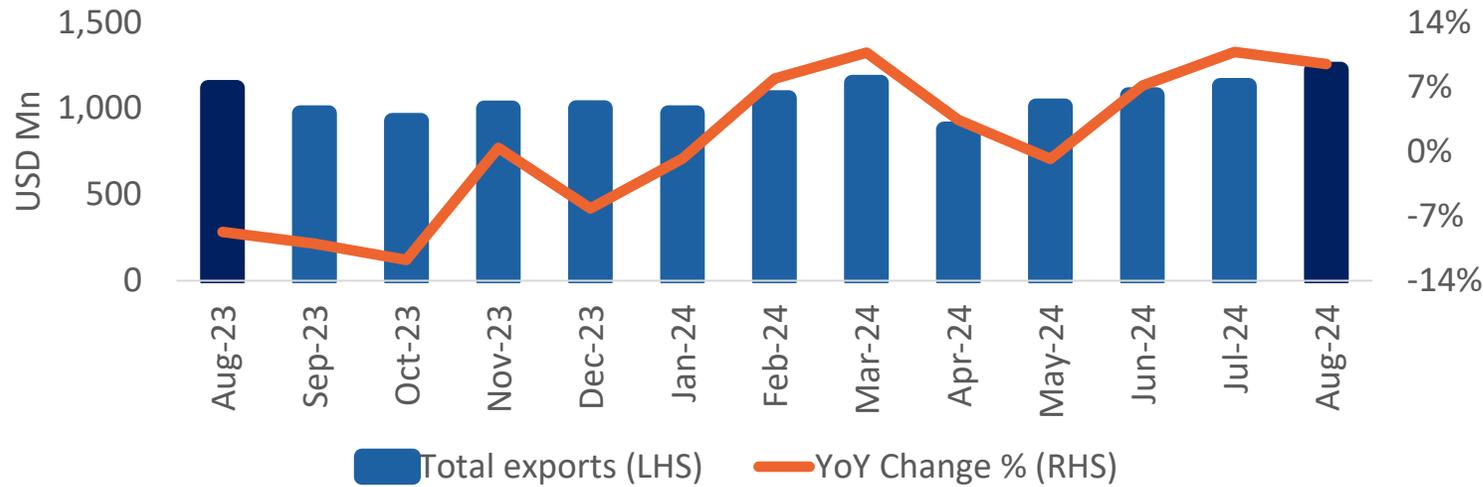
- In August 2024, imports increased by 16.0% YoY but fell by 4.6% compared to the previous month. The rise was driven by higher imports of intermediate and consumer goods.
- The increase in consumer goods imports was driven by higher spending on both food and beverages, particularly edible oils and sugar, as well as non-food consumer goods.
- Expenditure on intermediate goods imports rose mainly due to higher imports of textiles and textile articles, wheat and chemical products. Although crude oil was not imported, fuel expenditure increased, driven by higher import volumes of refined petroleum.
- The Imports Volume Index increased by 19.9% YoY in Aug 24, whereas the Import Unit Value Index saw a decline of 3.2% YoY during the same period.

Source: CBSL

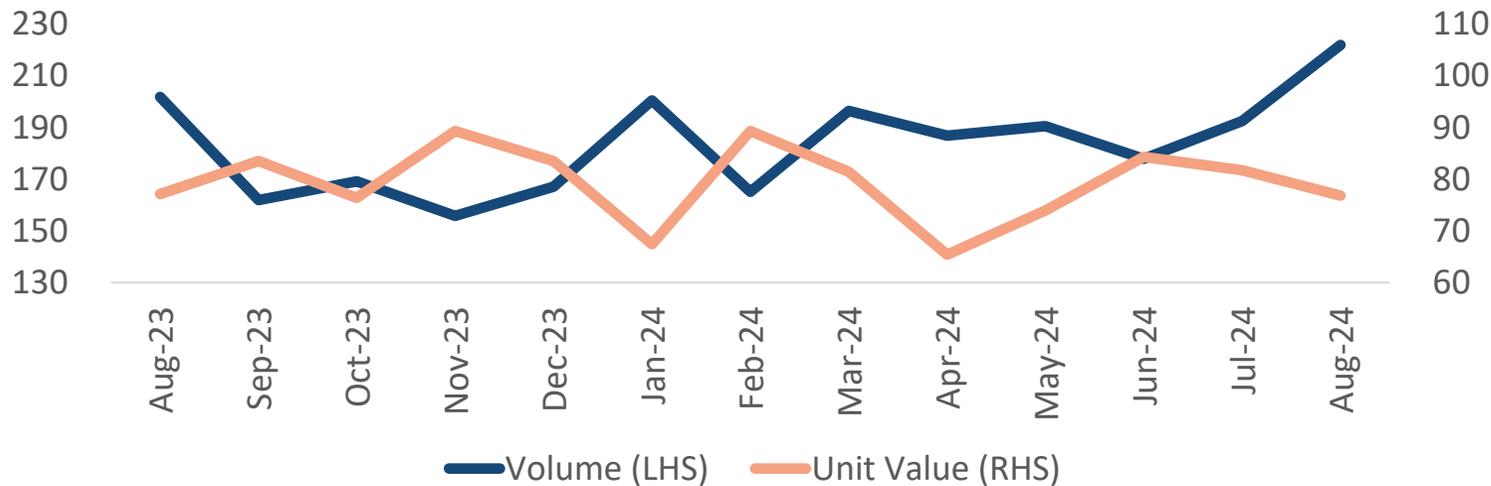
Note: Import unit value index is calculated in USD terms.

August 2024 export earnings rose by 9.5% YoY

Total Exports and Growth



Export Indices



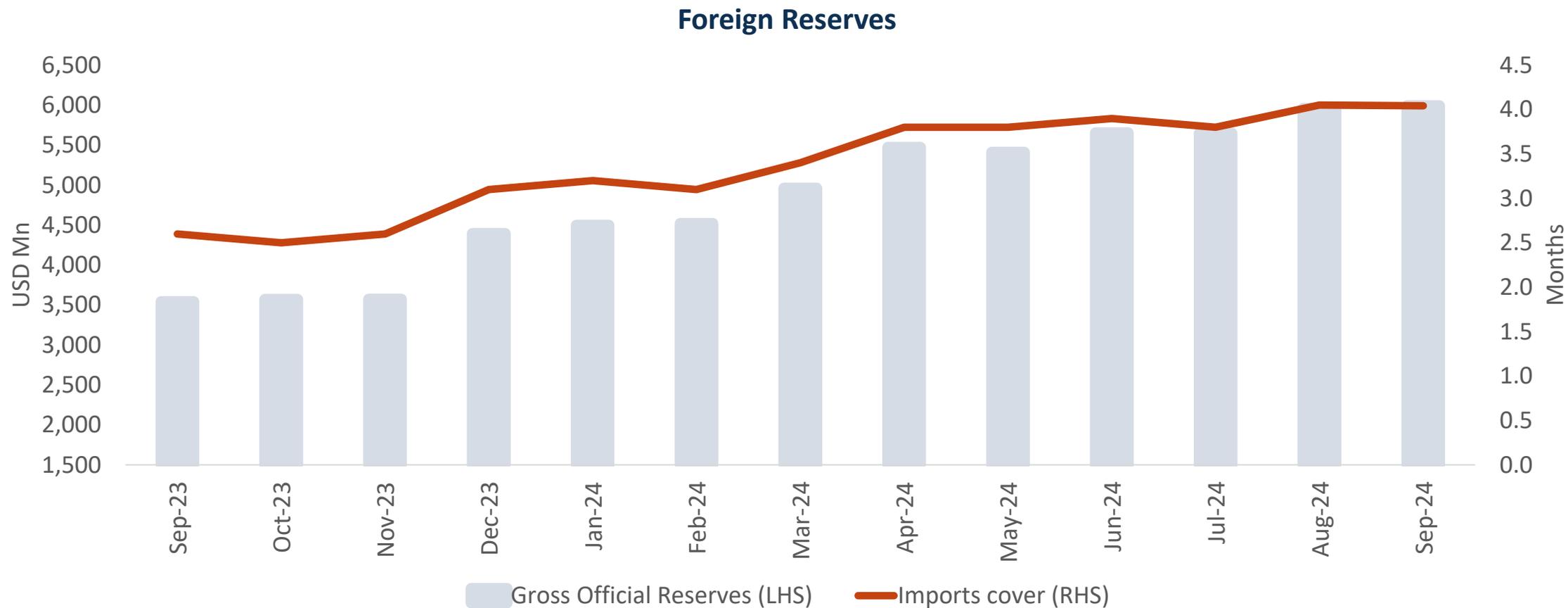
- In Aug 24, export earnings saw YoY increase of 9.5%, marking an 8.3% rise compared to the previous month. The growth was widespread, with industrial exports contributing the most.
- The growth in industrial exports was mainly fueled by textiles and garments, which achieved their highest earnings since August 2022. Additionally, petroleum products and rubber products posted notable gains.
- Earnings from agricultural exports rose, driven by higher tea prices and increased exports of coconut-related products, such as fibre, desiccated coconut, and coconut oil, despite a drop in minor agricultural exports.
- In Aug 24, the Export Volume Index surged by 10.0% YoY, whereas the Export Unit Value Index witnessed a decline of 0.4% YoY during the same period.

Source: CBSL

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

Foreign reserves increased from August to September 2024

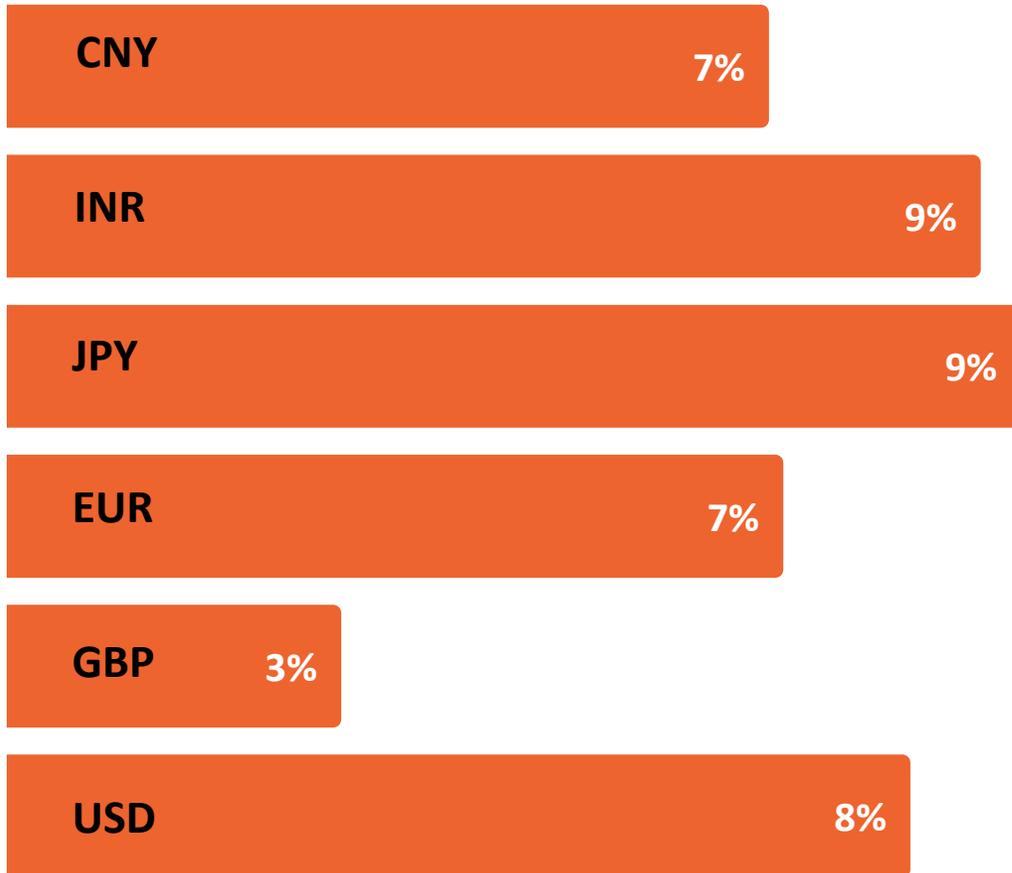
As of the end of Sep 24, Sri Lanka's gross official reserves slightly increased to USD 5,992 Mn. Currently it shows a comfortable buffer equivalent to approximately 4 months' worth of imports.



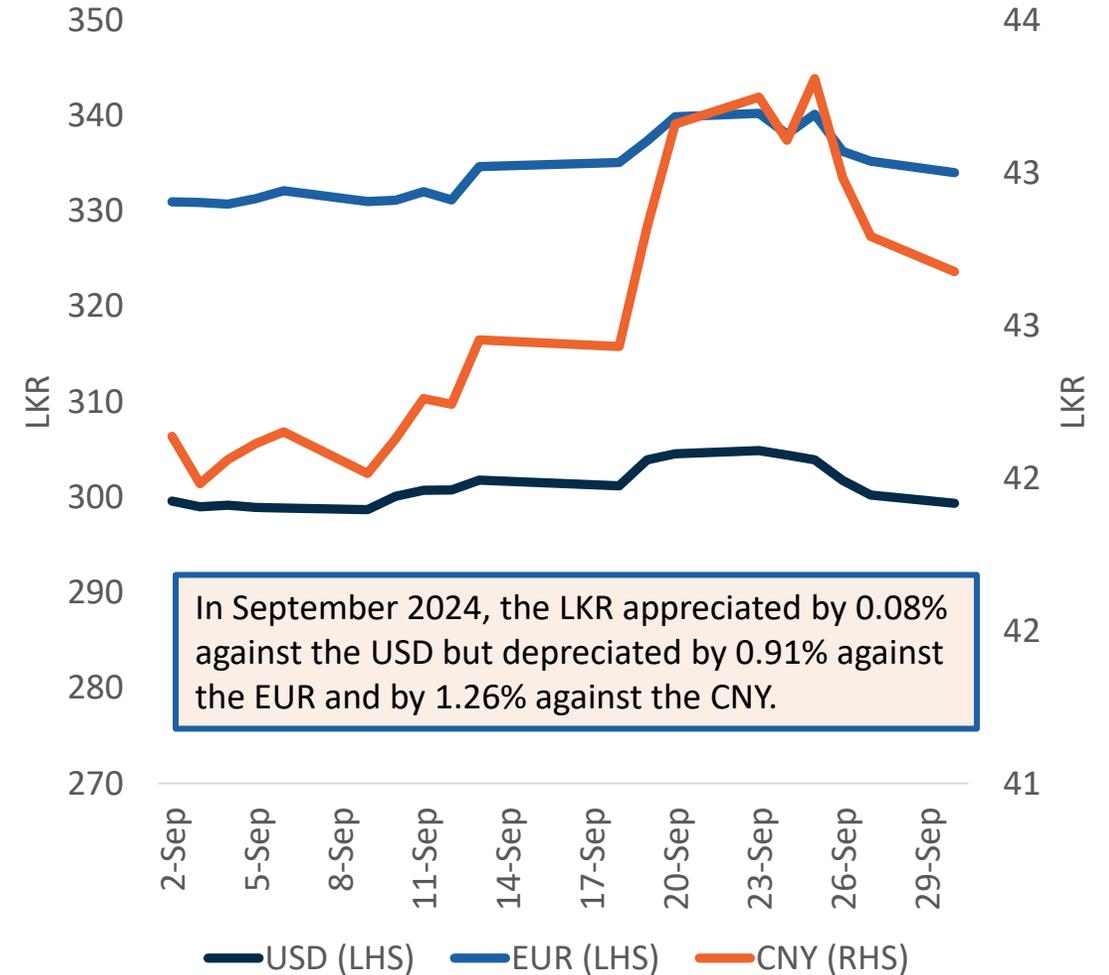
Source: CBSL

Sri Lankan rupee appreciated against multiple major currencies YTD

LKR appreciated against major currencies YTD end of Sep 24



Monthly movement of major currencies

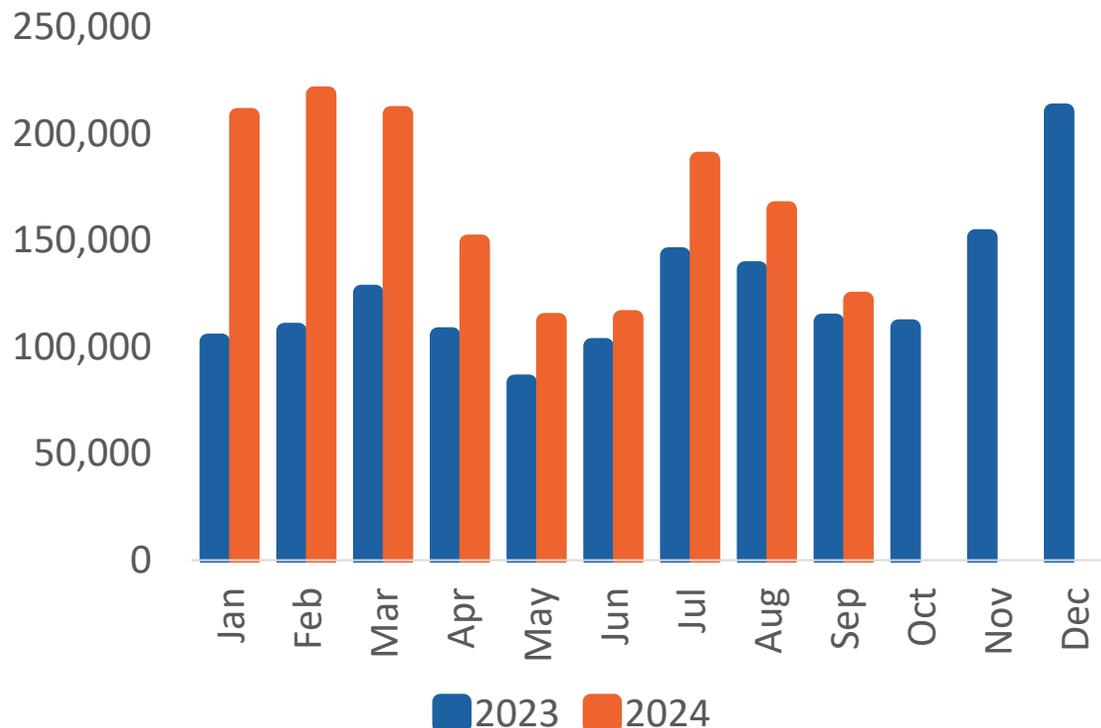


Source: CBSL

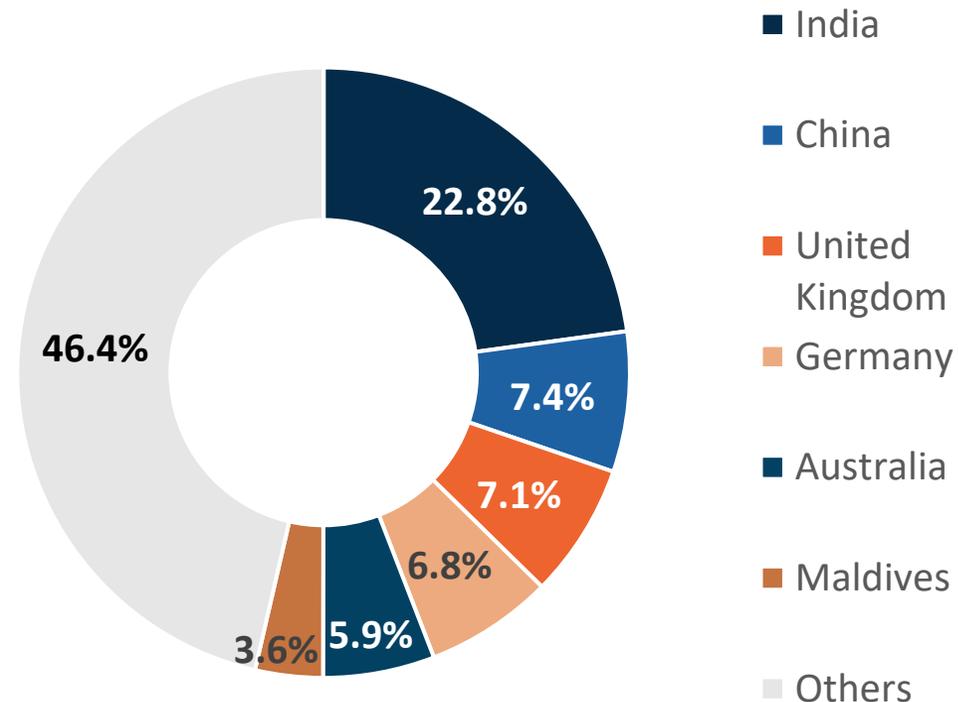
September 2024 tourist arrivals increased by 9.1% YoY

In September 2024, Sri Lanka welcomed 122,140 tourists, reflecting a 9.1% YoY growth. Despite this, the figure represented a 25.8% decrease compared to the previous month. The key source markets during Sep 24 included India, China, the UK, Germany, Australia and Maldives.

Monthly Tourists Arrivals



Arrival % by Country in Sep 24

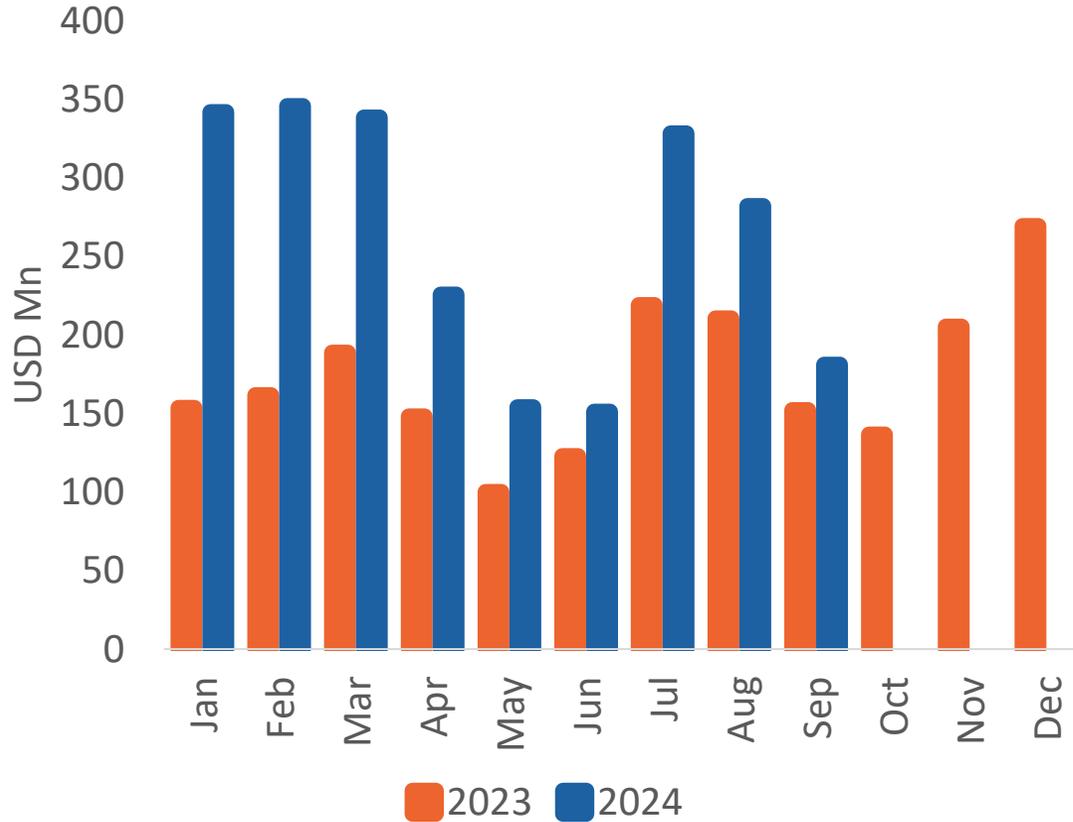


YTD Tourist Arrivals = 1,484,808 | YTD Arrivals Growth = 46.1% (YoY)

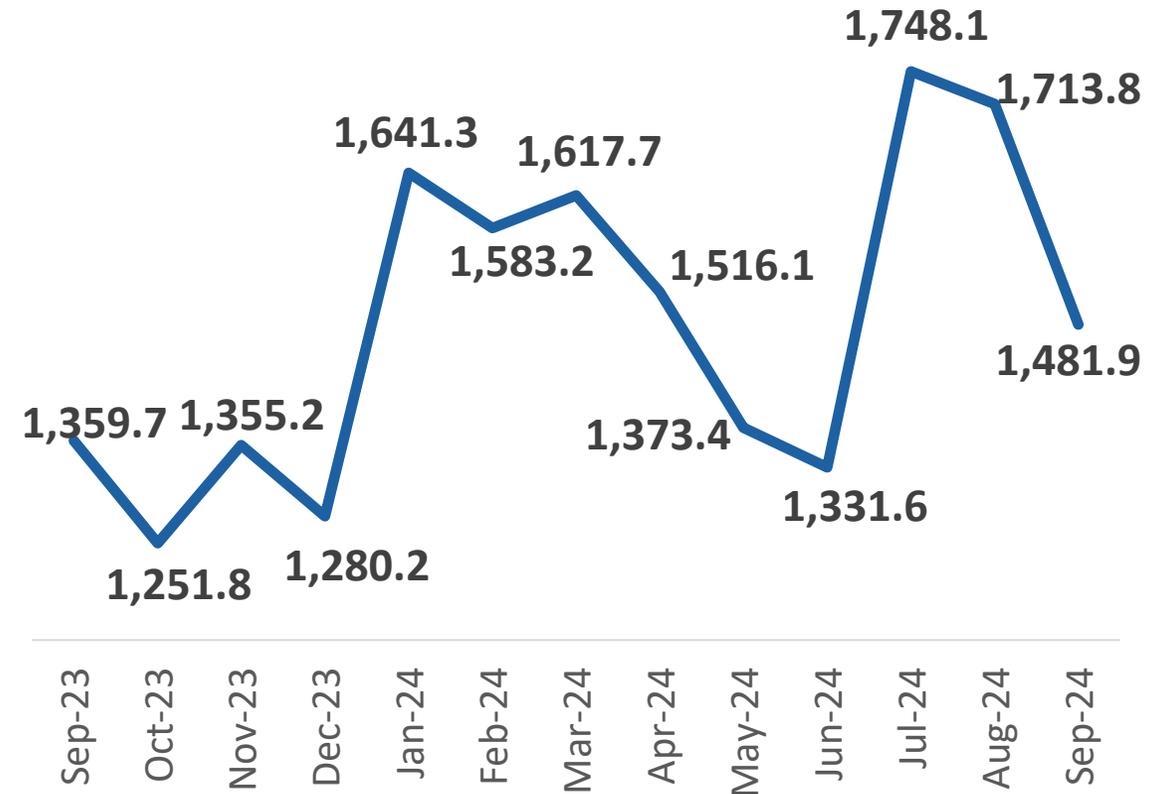
Note = YTD calculated as of end September 2024

September 2024 tourism earnings increased 18.9% YoY

Monthly Tourists Earnings



Earnings per Tourist (USD)



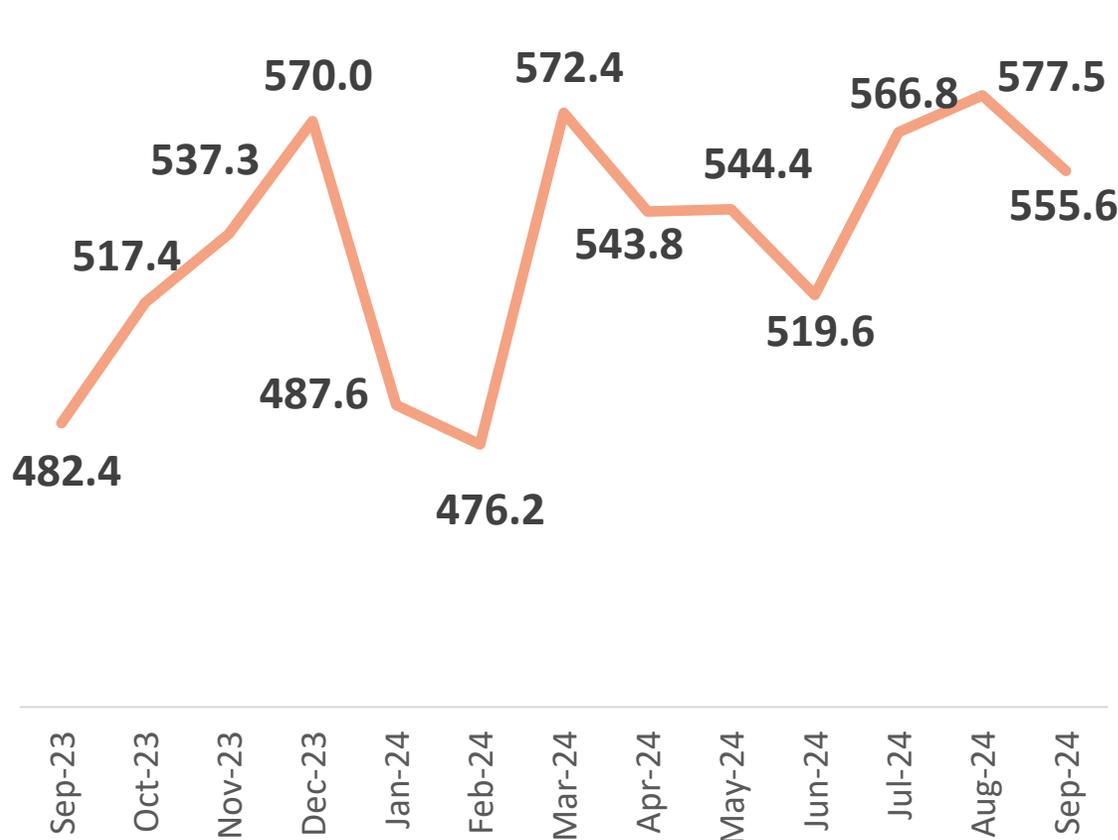
YTD total tourism earnings = USD 2,348 Mn

In Sep 24, tourism earnings experienced a significant YoY growth of 18.9%, reaching USD 181.0 Mn. However, this represented a 35.8% decline compared to the previous month. The earnings per tourist amounted to USD 1,481.9, showing a 9% YoY increase and a 14% decrease compared to the preceding month.

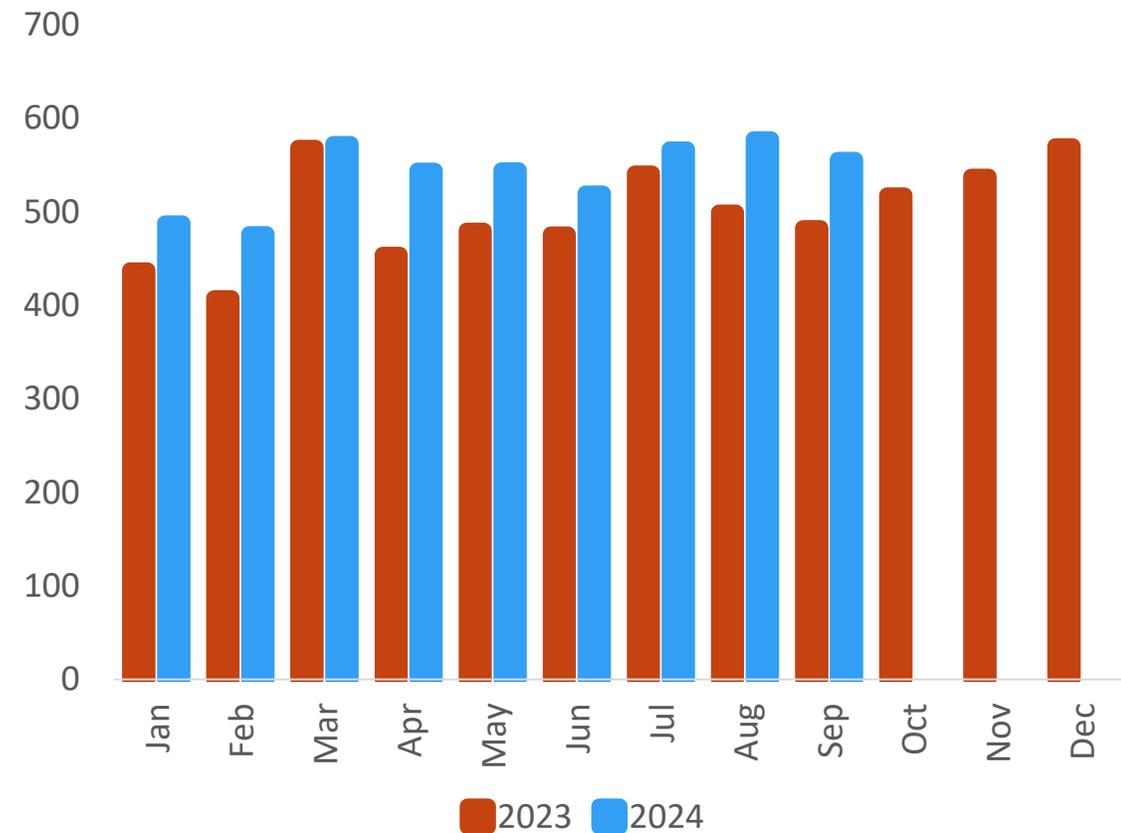
September 2024 worker remittances increased by 15% YoY

In Sep 24, workers' remittances reached USD 555.6 Mn, marking a 15% rise from the same period last year and a decline of 4% compared to Aug 24. Despite occasional seasonal variations, workers' remittances have consistently shown an upward trend since experiencing a significant recovery in 2022.

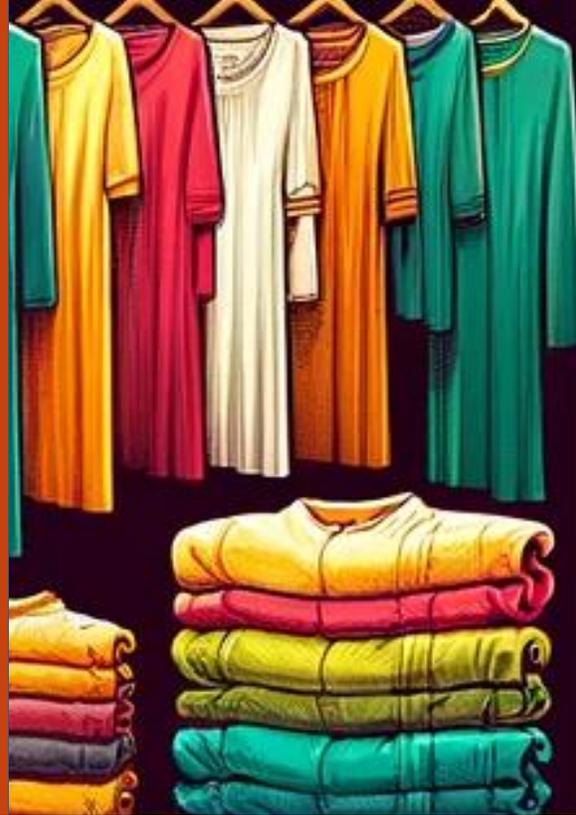
Workers' Remittances (USD-Mn)



Workers' Remittances (USD Mn)



Source: CBSL



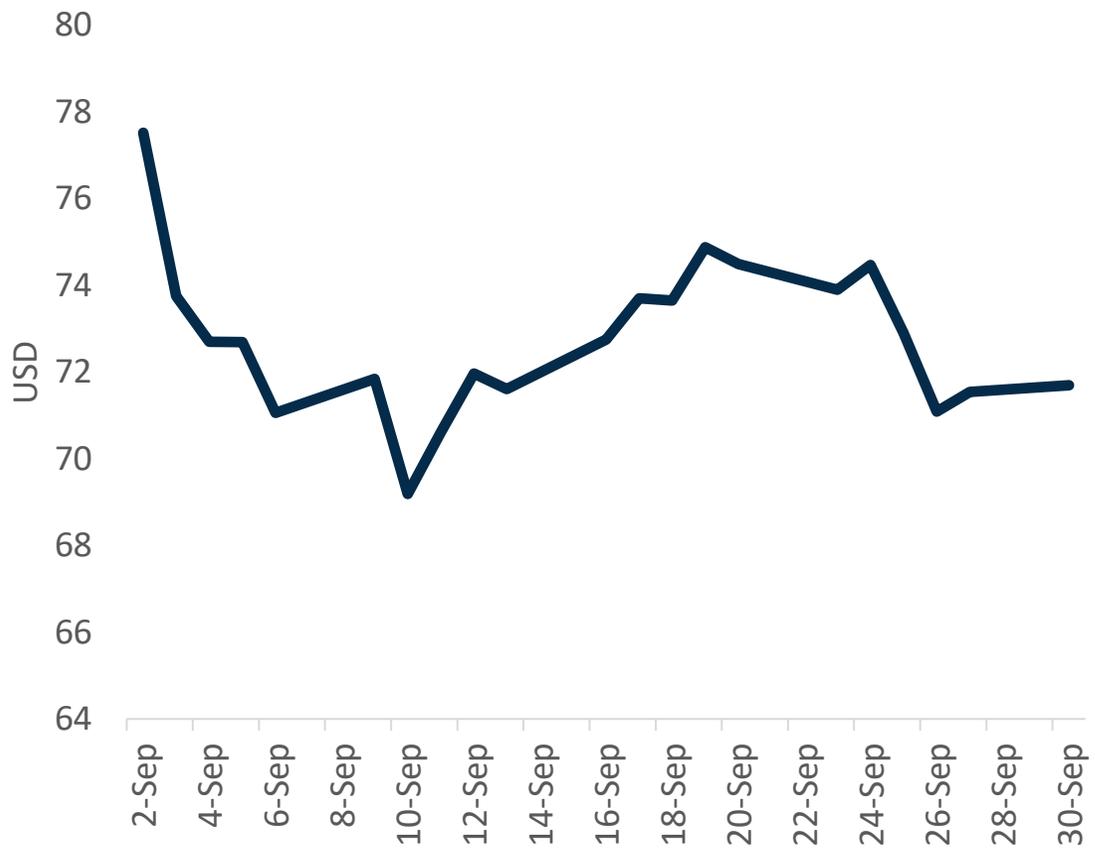
COMMODITIES AND OTHER

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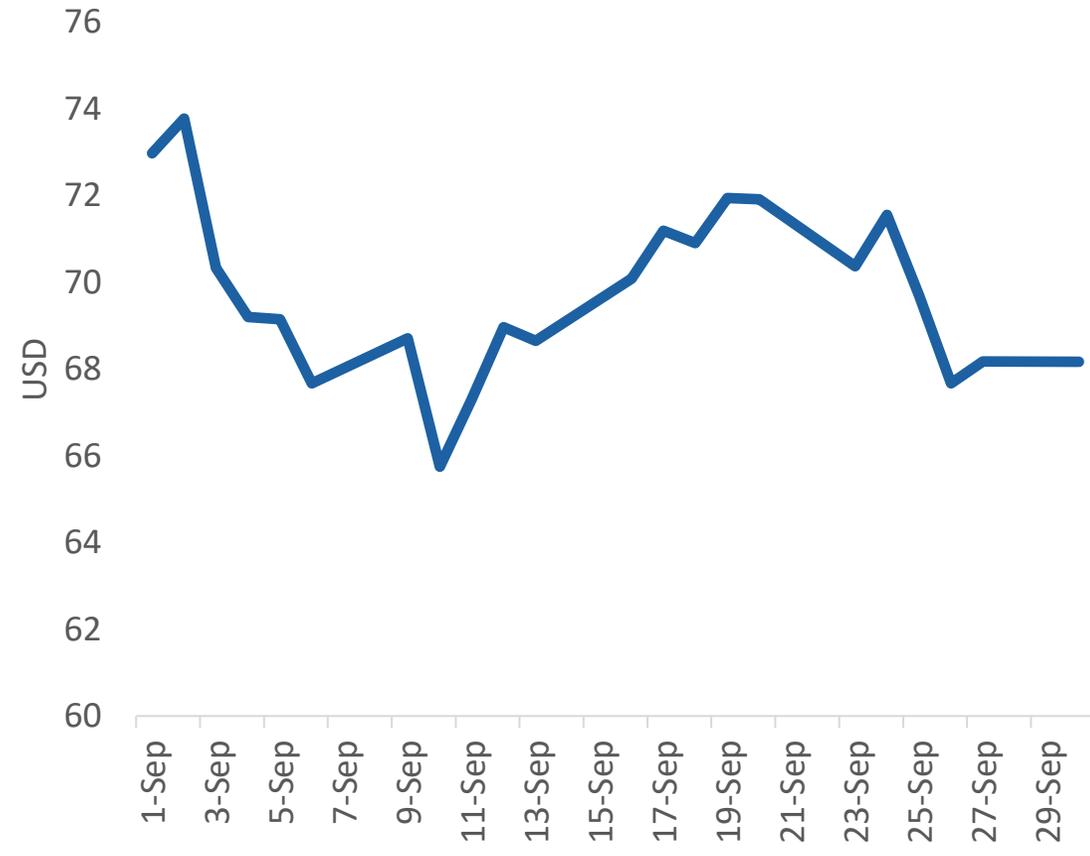


Crude oil prices declined in September 2024

Brent Crude Oil Futures



WTI Futures



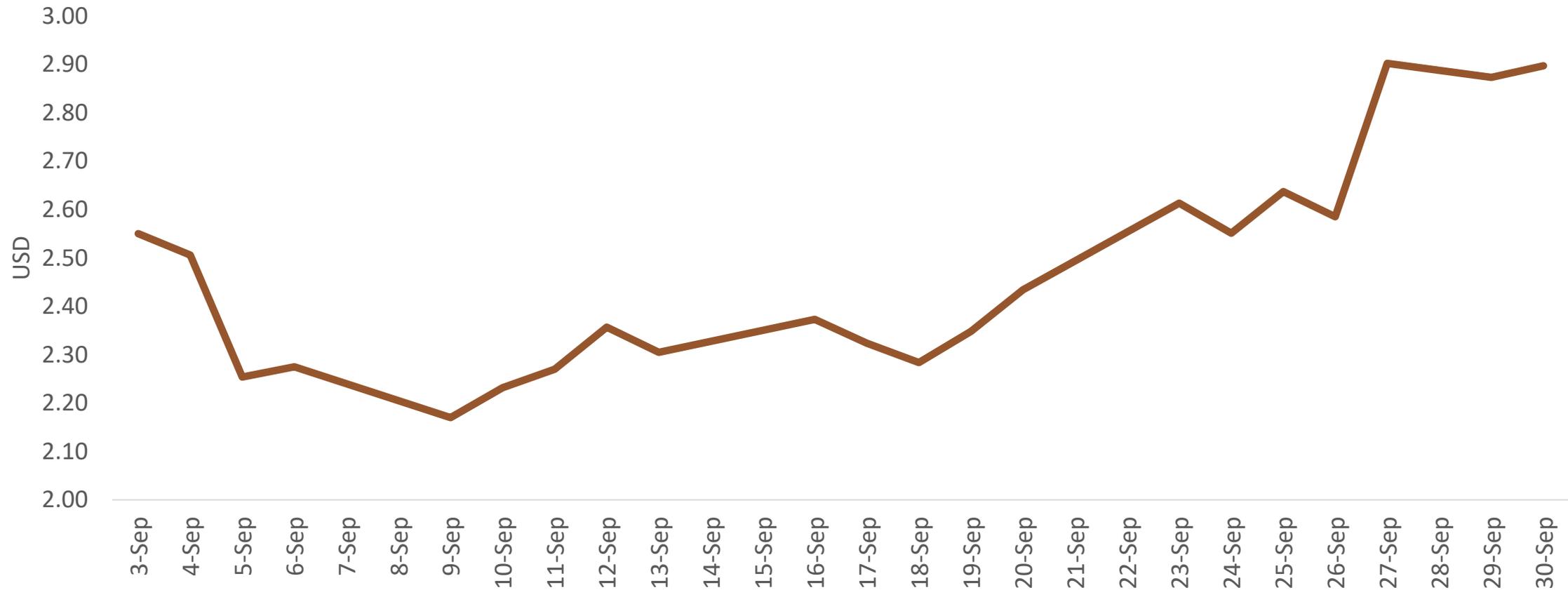
In September 2024, Brent crude prices dropped 7.5%, while WTI fell 6.6% as traders expressed concerns about future demand. OPEC+ revised its demand forecasts for 2024 and 2025, alleviating supply worries. Saudi Arabia's decision to drop its \$100 price target and increase oil production in December, along with OPEC's involvement and rising Middle East tensions, has further influenced crude oil prices.

Source: Investing.com

Natural gas prices soared by 13.6% during September 2024

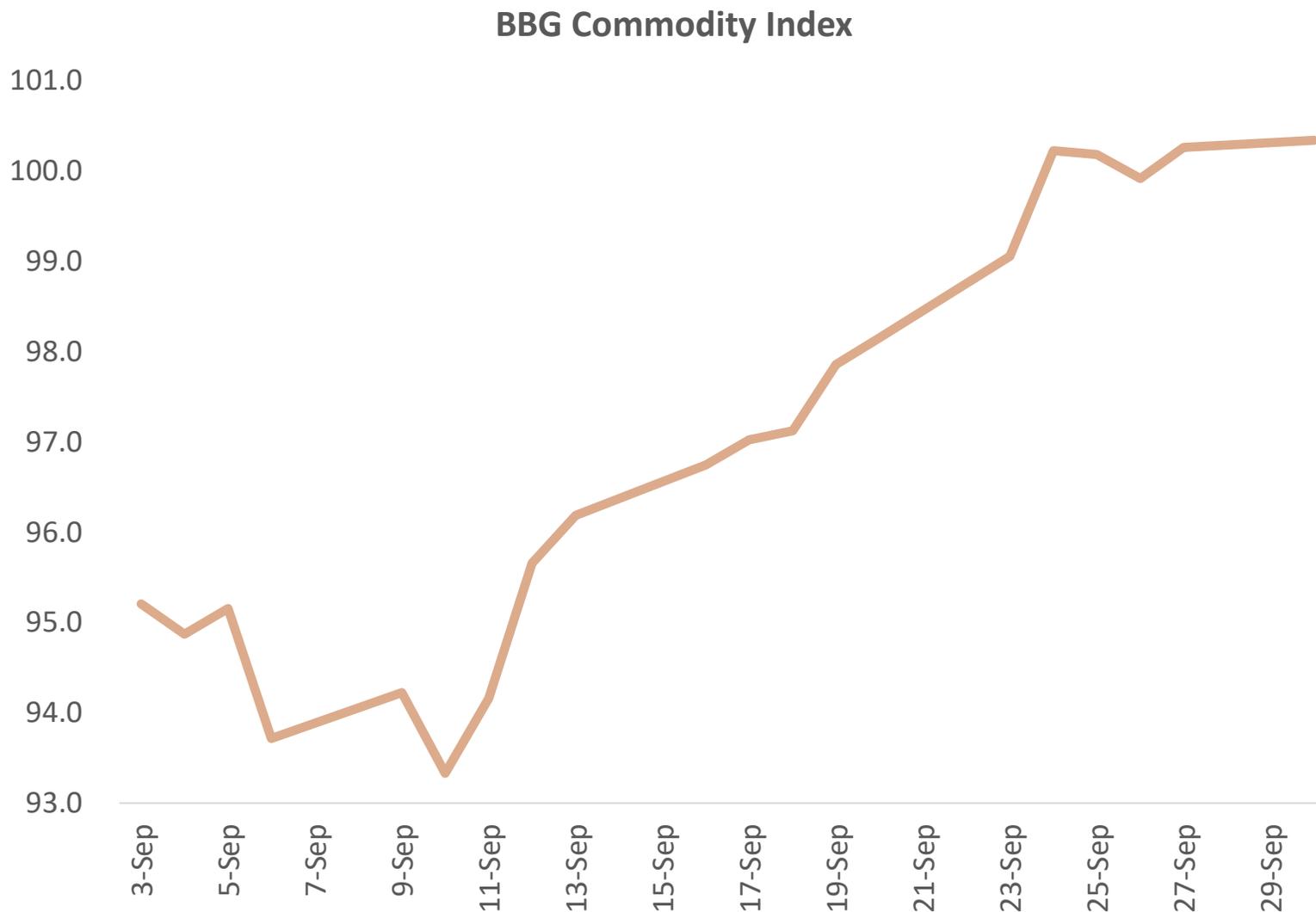
In September 2024, natural gas prices rose by 13.6%. LNG prices surged due to worries that some Gulf Coast oil and gas producers might reduce output in anticipation of a possible hurricane. Hurricane Helene later struck the U.S. Southeast, leading to production cuts in the Gulf of Mexico and leaving millions without power, which contributed to a significant increase in LNG prices at the end of the month.

NG1 Commodity Index



Source: Investing.com

Commodities prices increased by 5.4% in September 2024



- In September 2024, the Bloomberg Commodity Index (BBG) increased by 5.4%.
- Soybean prices rose by 4.4% during the month, driven by concerns over crop weather in Brazil, the world’s largest supplier. Meanwhile, corn prices increased by 3.6% in the same period.
- During the month copper prices climbed by 7.9% as Chinese officials announced further fiscal policy measures to bolster the country’s faltering economic growth. Similarly, aluminum prices also increased by 7.7% during the month.
- In the precious metal segment, gold prices rose by 5.4% in September 2024. This increase was driven by expectations that the U.S. Federal Reserve would aggressively cut interest rates. The Fed's significant shift in monetary policy, marked by these rate cuts, had a notable impact on gold prices.

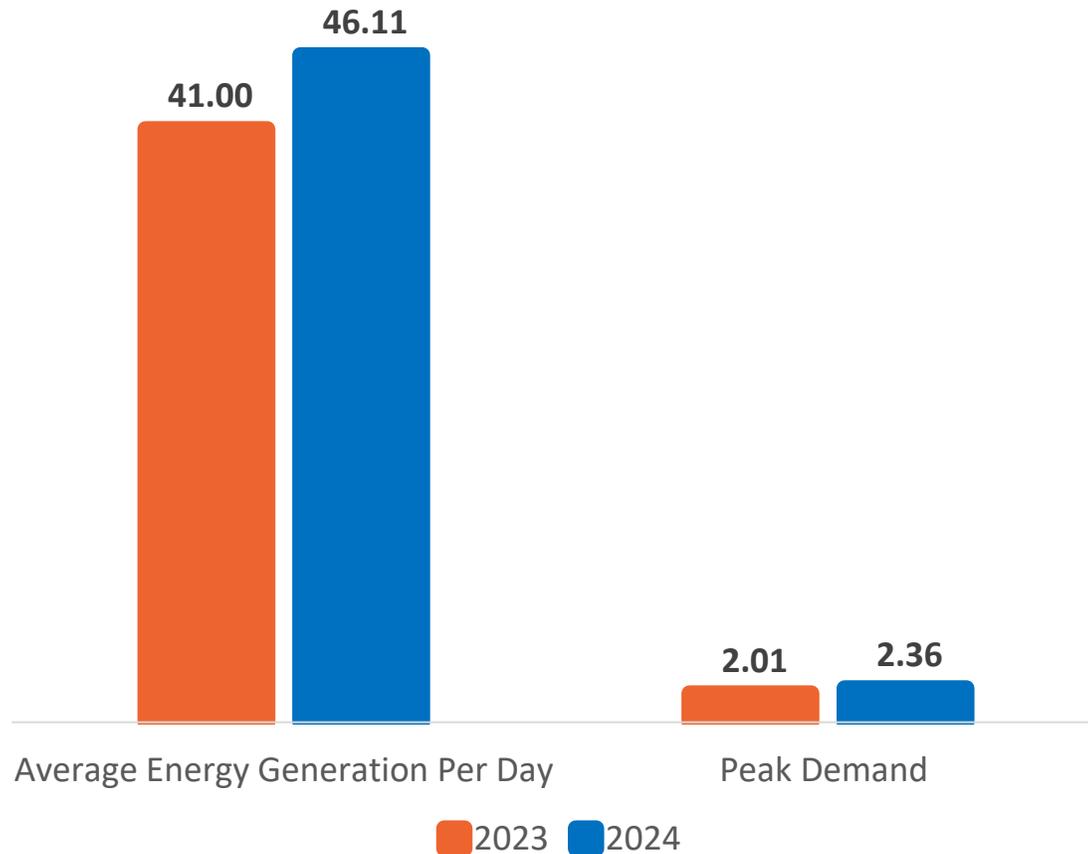
Note: The Bloomberg Commodity Index is a diversified commodity price index covering 23 exchange-traded futures in sectors like energy, grains, industrial metals, livestock, and precious metals.

Source: Investing.com

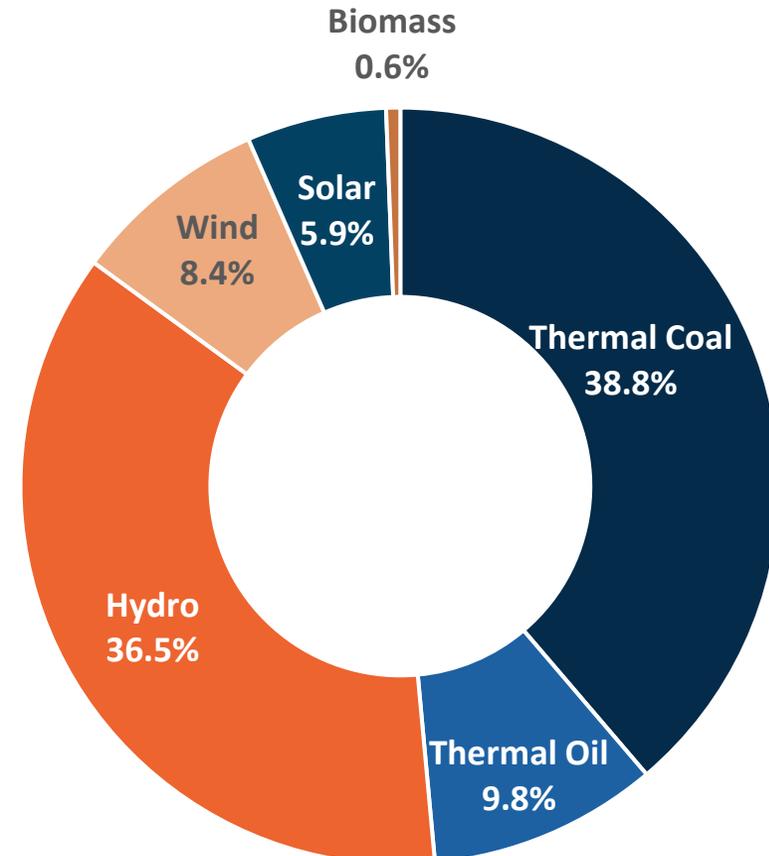
September 2024 average daily electricity generation increased by 12.4% YoY

In the month of Sep 24 average daily electricity generation was 46.11 GWh and it is a 12.4% increase compared to the same period last year. Average daily peak demand was 2.36 GWh in Sep 24.

Average Daily Electricity Generation in September (GWh)



Electricity Generation Composition by Category in Sep 24



August 2024 tea production increased by 15.9% YoY

In August 2024, Sri Lanka's tea production soared by 15.9% YoY, totaling 21.28 million kilograms. The value of tea exports for the month also rose to LKR 39,251 million, reflecting a 2.0% YoY growth. However, the quantity of tea exported fell by 5.3% YoY to 22.09 million kilograms.

Tea Exports

For Aug 24	Volume in Kgs	Value in LKR Mn
Tea in Bulk	9,658,186	14,521
Tea in Packets	9,541,284	15,754
Tea in Bags	2,191,076	6,289
Instant Tea	263,680	815
Green Tea	438,211	1,871
Total	22,092,437	39,251

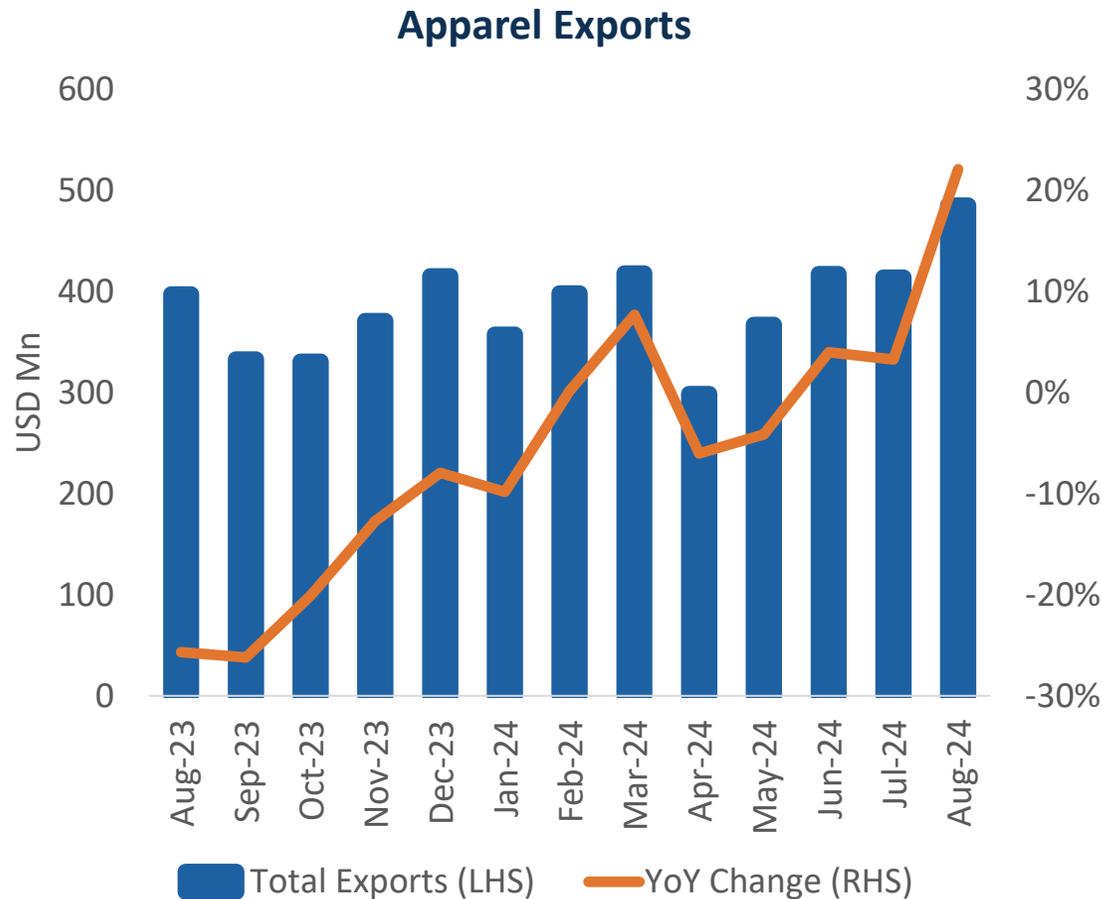
Average Tea Auction Prices (Monthly)

For Aug 24	LKR per Kg
High	1,156.70
Medium	1,039.99
Low	1,276.17
Total	1,207.37

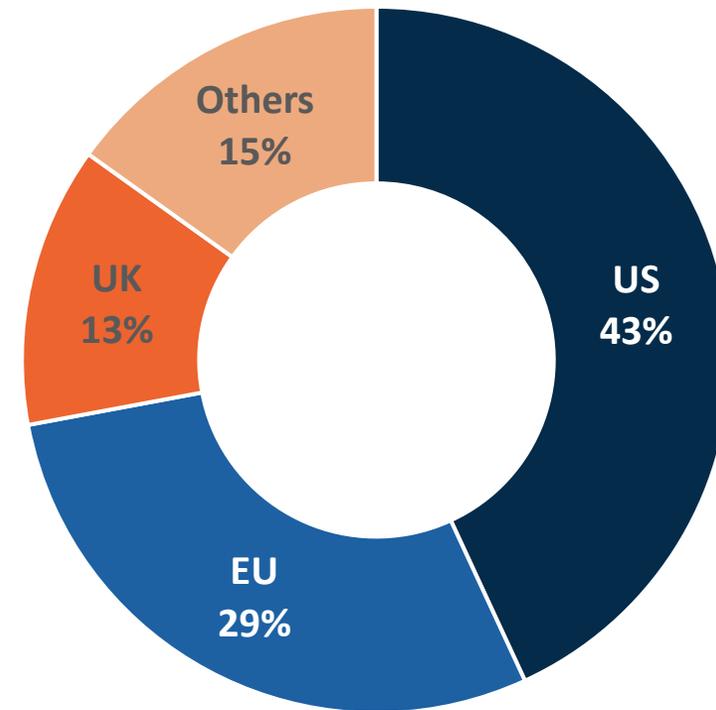
Tea Production

For Aug 24	Kgs
High	3,717,694
Medium	3,701,427
Low	13,679,673
Green Tea	183,145
Total	21,281,939

August 2024 apparel exports soared by 22.1% YoY



Top Export Markets - August 24



In August 2024, total apparel exports reached USD 485.62 million, marking a 22.1% YoY growth and a 17.2% rise compared to the previous month. Exports to the US increased by 22.9% YoY, while those to the EU and UK grew by 18.8% and 17.7% YoY, respectively.

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