



First Capital  
A Janashakthi Group Company

# MONTHLY ECONOMIC WATCH

Nov 2022

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# CBSL PUBLISHED THE FINANCIAL LITERACY SURVEY SRI LANKA – 2021

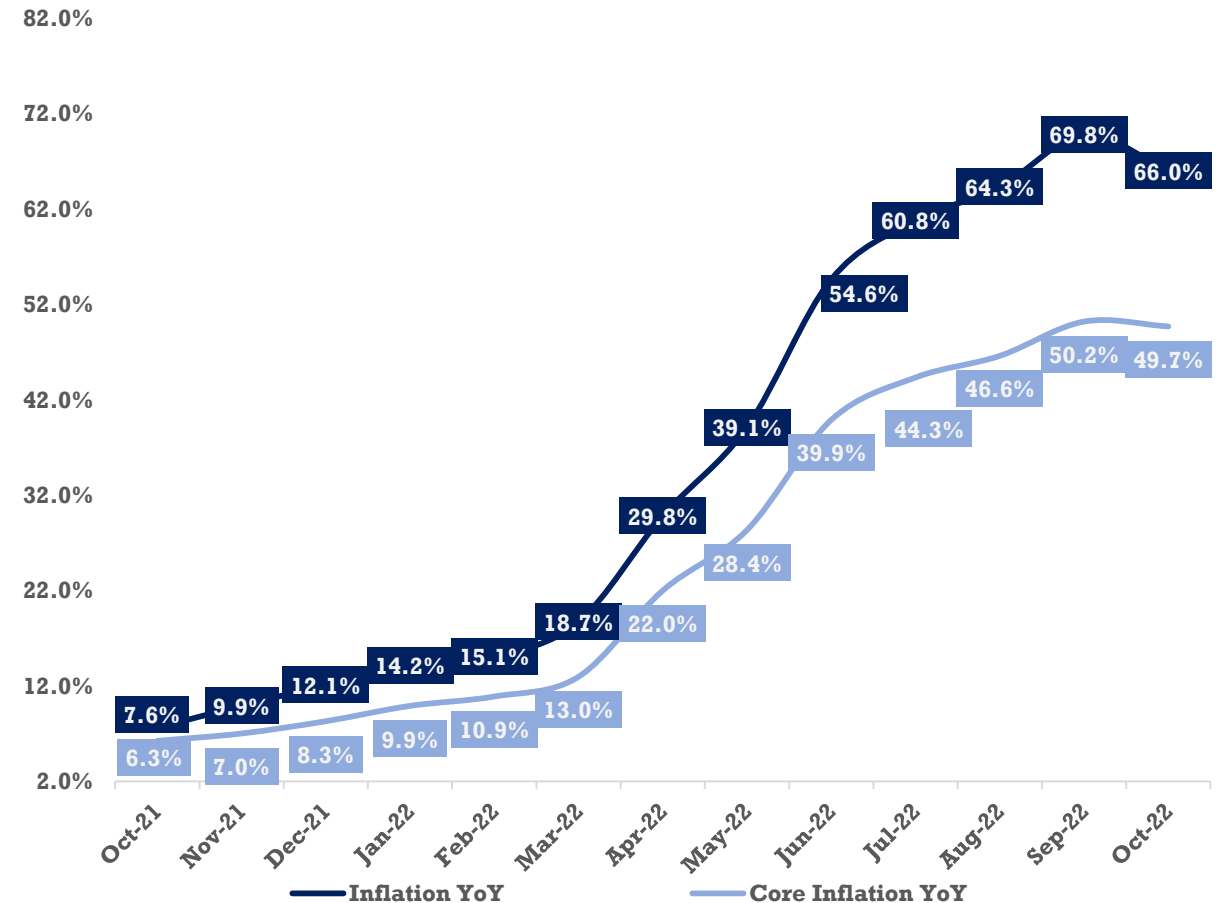
- The Regional Development Department of the Central Bank of Sri Lanka, with the assistance of the International Finance Corporation (IFC) conducted the first ever countrywide Financial Literacy Survey in Sri Lanka, as part of the implementation of the National Financial Inclusion Strategy of Sri Lanka. The key objective of the survey was to assess the level of financial literacy across the population with a view to formulating appropriate policy measures.
- Based on the findings, 57.9% of adults were reported to be financially literate in Sri Lanka, which shows a significant increase from the 35% reported by the GFLS 2014. Moreover, the gender gap in financial literacy rates of males and females was 5.9%.
- Financial knowledge score (score ranged from 0 to 7), which is measured by the basic understanding of financial concepts like inflation, simple and cumulative interest rates and risks associated with investments and borrowing, , the average financial knowledge score of the sample was 5.03, which is a slightly higher value than the minimum target score of 5.
- Financial attitude score (score ranged from 1 to 5) measures attitudes towards money, money management, and planning for the future. Based on the survey, the minimum target score was set to be 3, while the average financial attitude score reported by the survey was 2.65.

Source: CBSL

# INFLATION – CCPI

**CCPI FOR OCT 2022:  
MOM -0.4%,  
YOY +66.0%**

- MoM inflation decreased by 0.4% with the decrease in inflation of Food group by 2.0% and the increase in inflation of Non-Food group by 0.7%.
- The YoY inflation decreased for the first time in 12 months to 66.0% in Oct 2022. YoY inflation of Food group has decreased to 85.6% in Oct 2022 from 94.9% in Sep 2022 while Non-Food group decreased to 56.3% from 57.6% in Sep 2022.



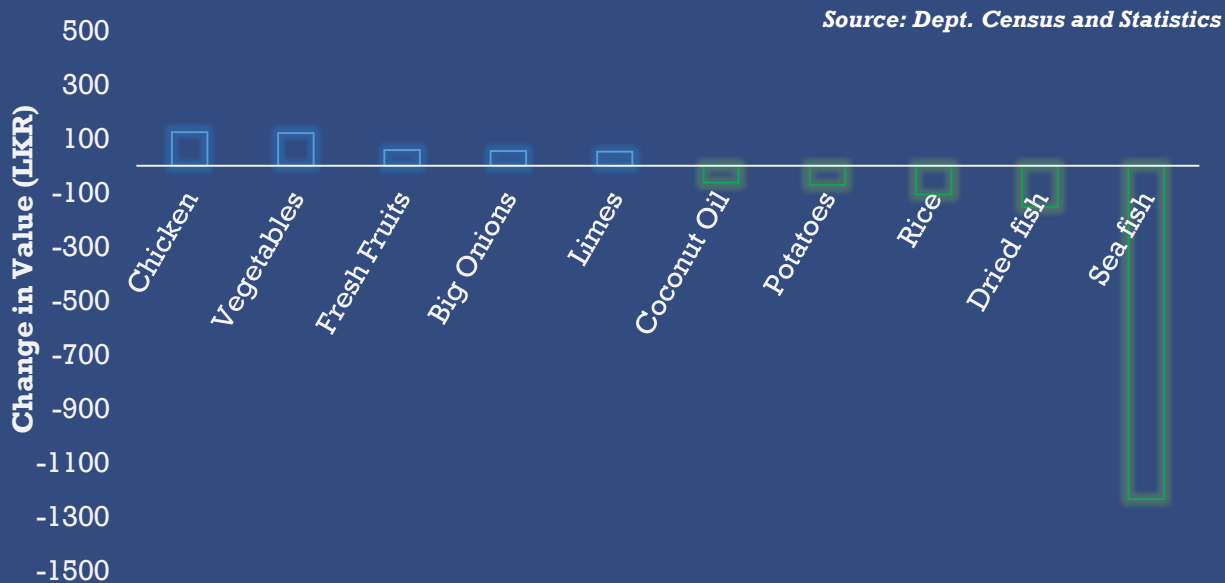
Source: Dept. Census and Statistics

# INFLATION ANALYSIS – CCPI-MOM

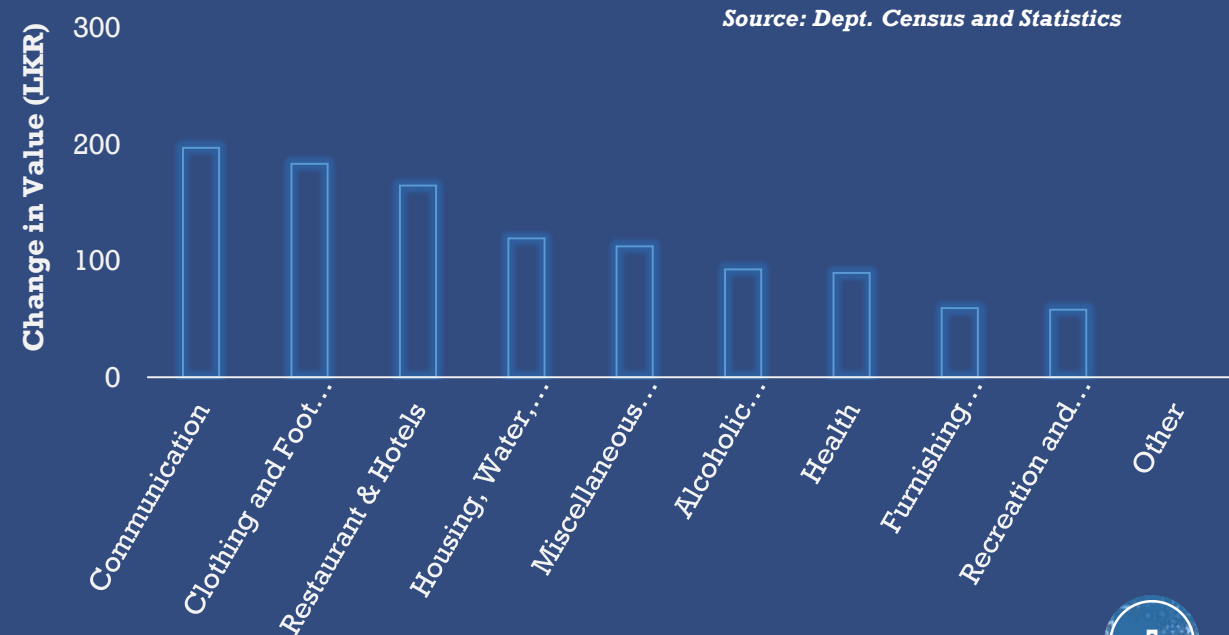
The CCPI index recorded a decrease of 0.40% MoM contributed by the decrease in expenditure value of Food items by 0.75%. However, expenditure value of Non-Food items increased by 0.40%. Within the Food items, decrease in value changes were mainly reported for Fresh Fish, Dry Fish and Rice. Among Non-Food groups, increases in value changes were mainly reported in Communication, Clothing & Footwear and Restaurant and Hotels subcategories.



## Food Category Inflation



## Non-Food Category Inflation

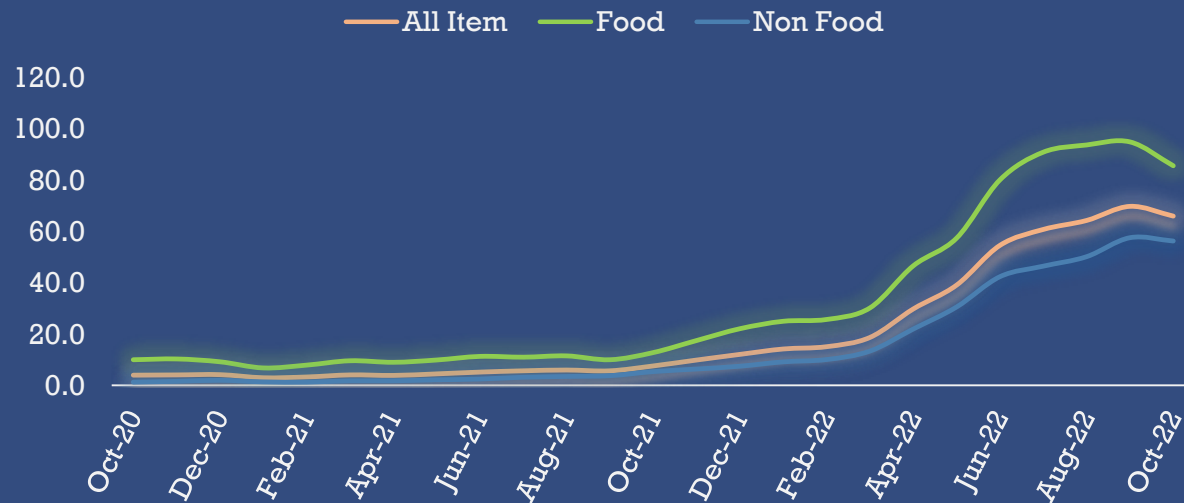


# INFLATION ANALYSIS – CCPI-YOY

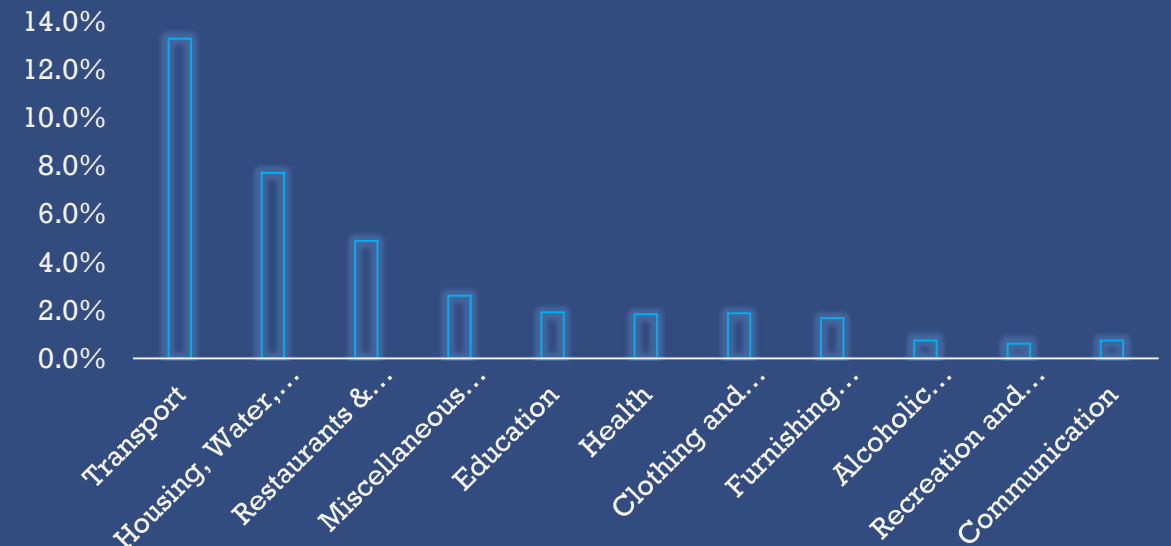
The YoY inflation of CCPI for Oct was 66.0% and has decreased relative to the month of Sep. Food item prices have decreased to 85.6%YoY in Oct 2022 from 94.9%YoY in Sep 2022 while the Non-Food item prices also decreased to 56.3%YoY from 57.6%YoY in Sep 2022. The contribution from food category for YoY inflation was 28.1% while the contribution of Non-Food items stood at 37.9% mainly due to the increase in Transport, Housing, Water, Electricity, Gas & Other Fuels, Restaurants & Hotels, Miscellaneous Goods and Services and etc.



## Inflation Analysis (YoY)



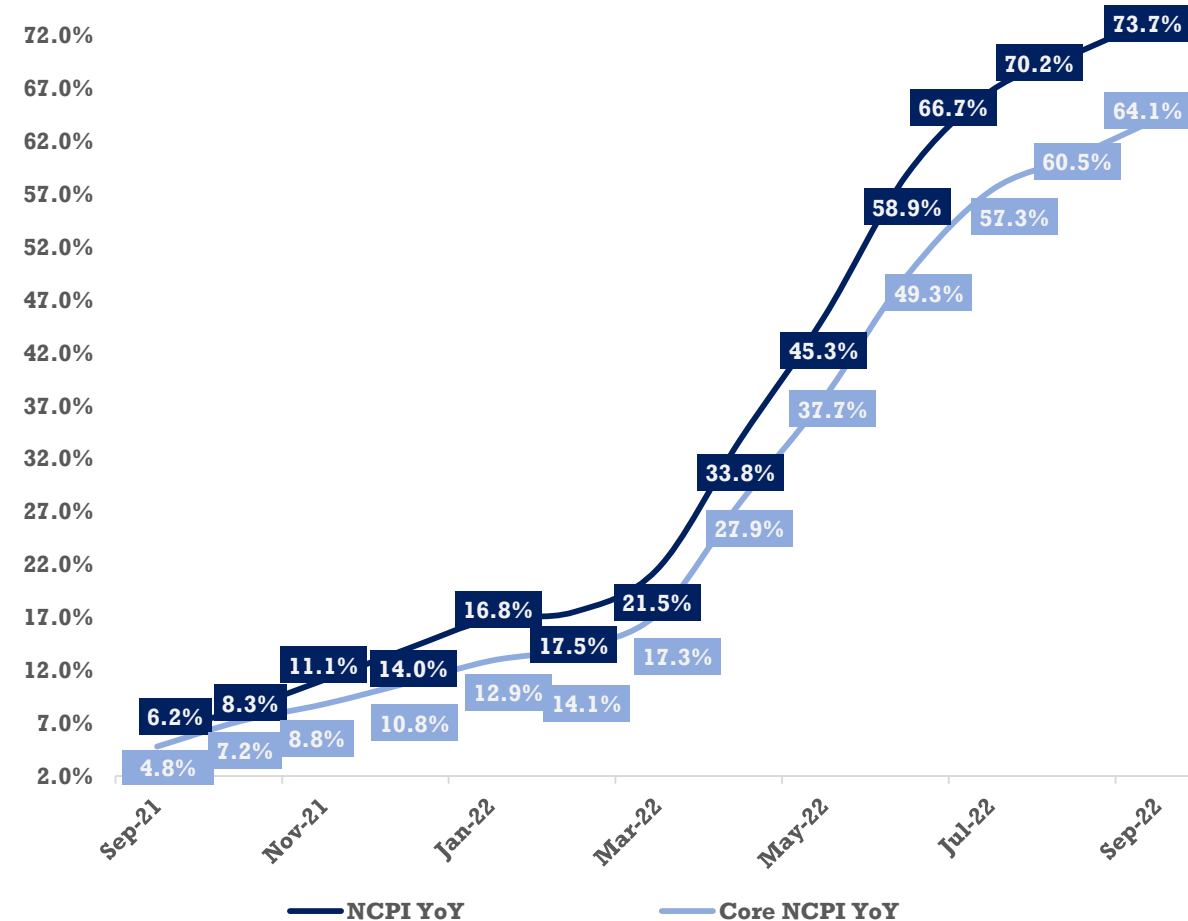
## Non-Food Category Inflation



# INFLATION – NCPI

## NCPI FOR SEP 2022: INCREASED TO 73.7%YOY

- NCPI for Sep 2022 increased to 73.7% compared to 70.2% in Aug 2022.
- Increase in inflation was mainly driven by the price increases in both Food commodities and Non-Food commodities. Accordingly, YoY Food inflation increased to 85.8% in Sep 2022 from 84.6% in Aug 2022 while Non-Food inflation increased to 62.8% in Sep 2022 from 57.1% in Aug 2022.



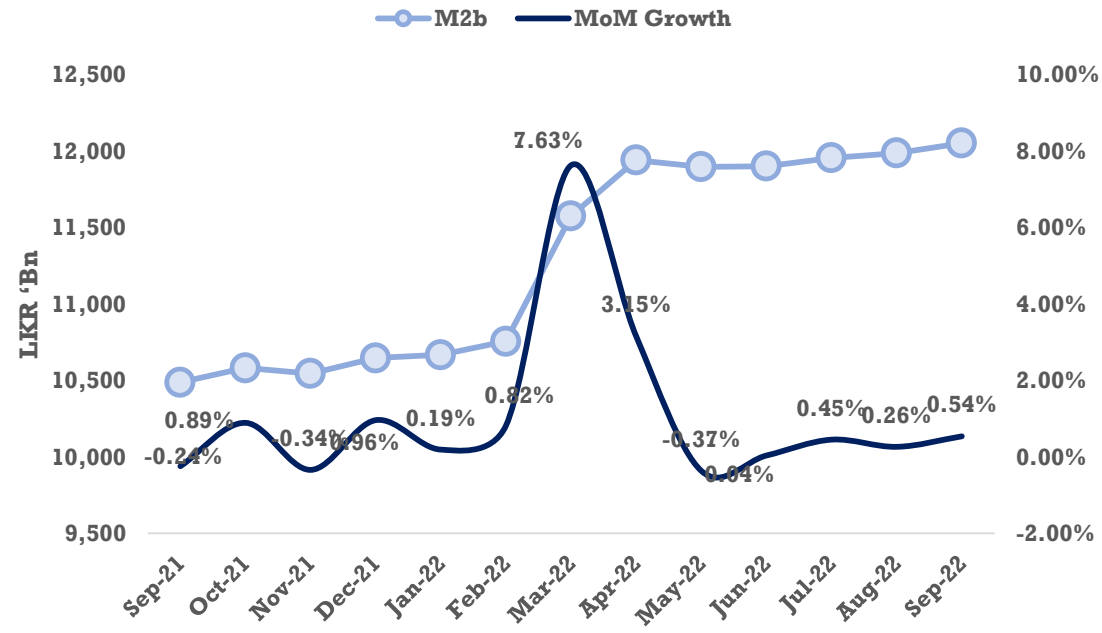
Source: Dept. Census and Statistics

# M2B AND CREDIT GROWTH

Private sector credit deteriorated by LKR 37.3Bn in Sep 2022 amidst the continuous spike in lending rates. State credit reflected a net borrowing of LKR 56.5Bn.

## M2b Growth – Sep 2022

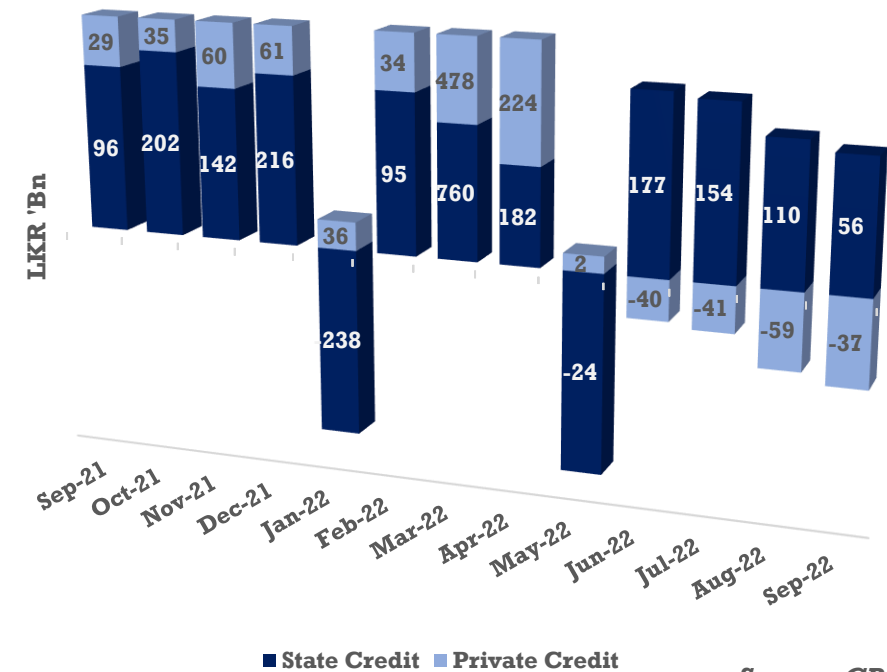
MoM +0.54%, YoY +14.9%, YTD +13.2%



Source: CBSL

## State Credit & Private Credit – Sep 2022

Private Credit MoM -0.5%, YoY +11.0%, YTD +8.5%



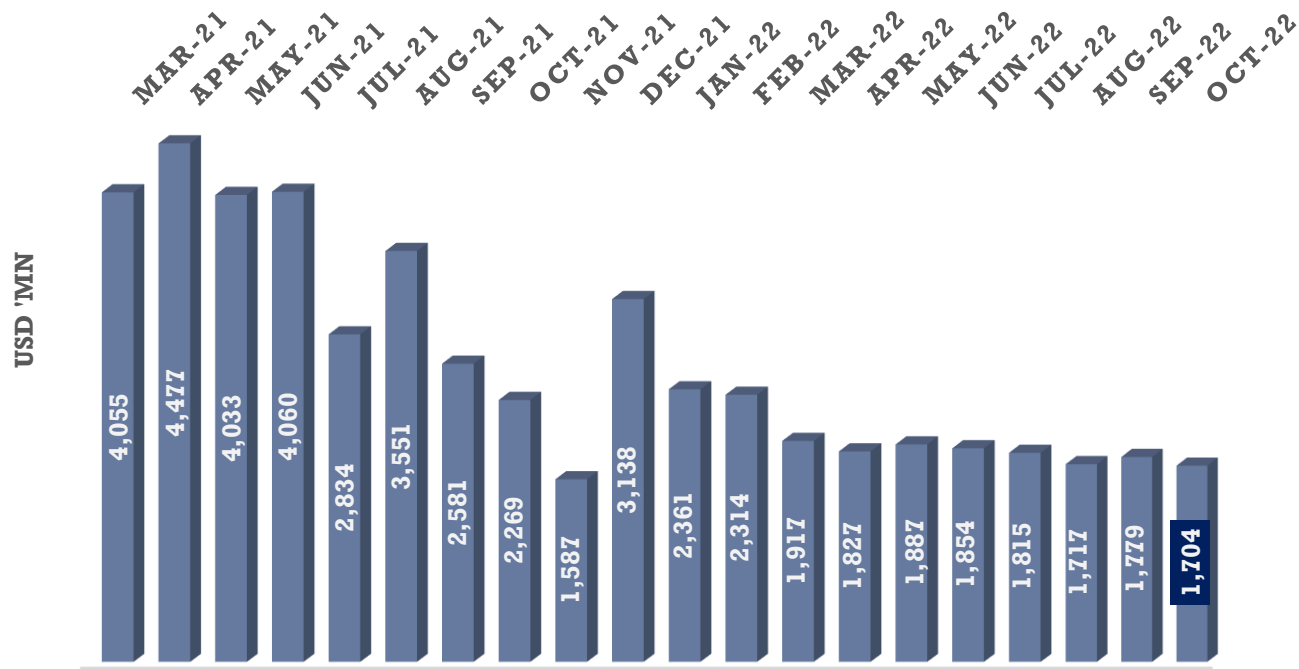
■ State Credit ■ Private Credit

Source: CBSL

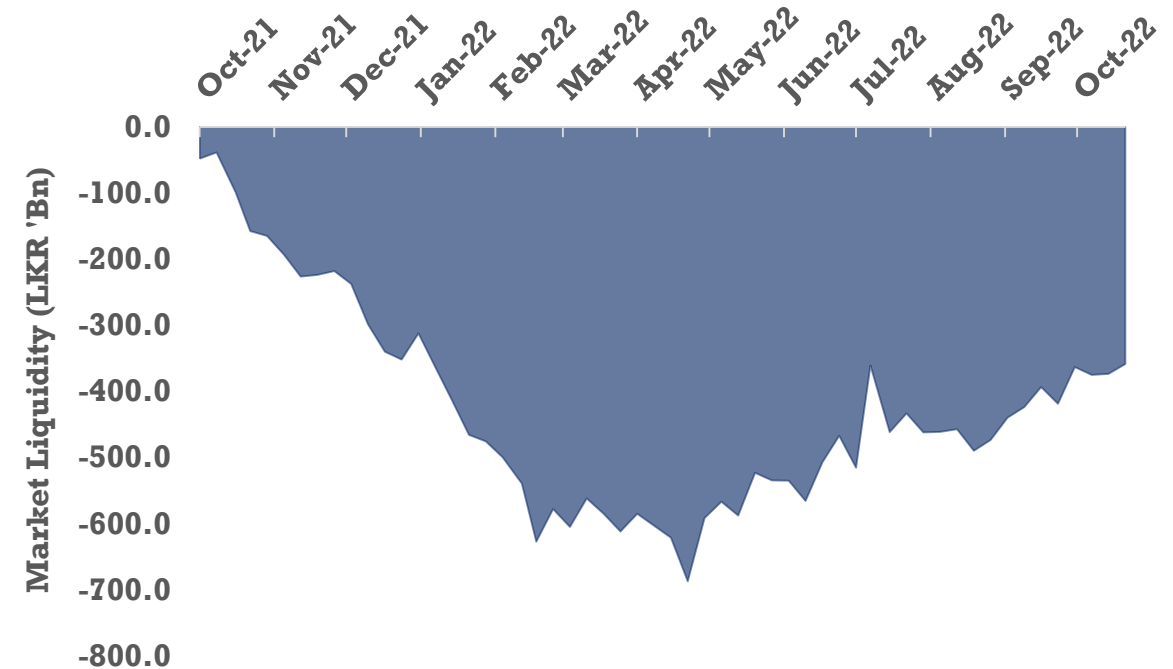
# LIQUIDITY & RESERVES

- Foreign Reserves deteriorated by USD 75.0Mn to USD 1.7Bn in Oct 2022.

- Market Liquidity displayed an improvement amidst slight volatility during Oct 2022.



Source: CBSL



Source: CBSL

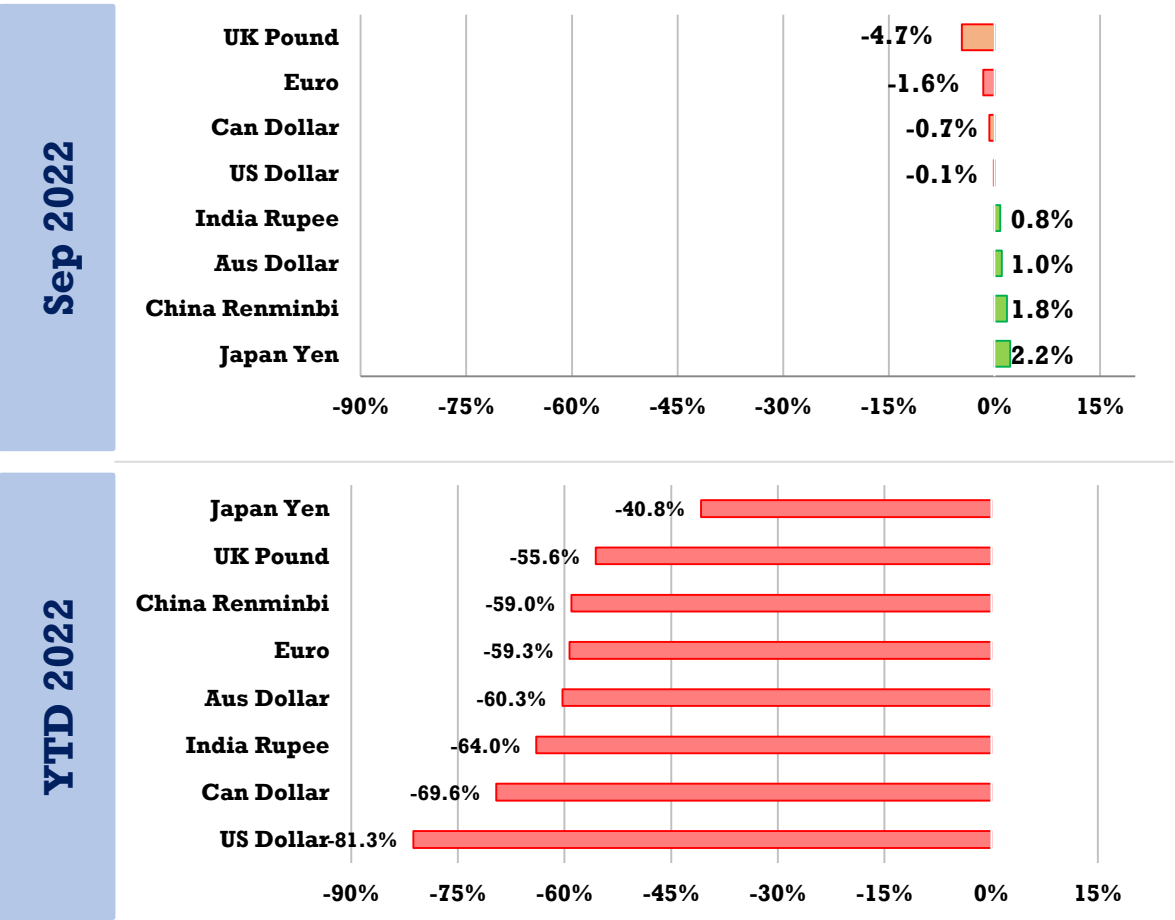
# CURRENCY MOVEMENT

USD:LKR Movement



Source: CBSL

Sri Lankan Rupee vs Global Currencies



Source: CBSL

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# GOVERNMENT SECURITIES – NEW ISSUES

## Bill and Bond auctions for Oct 2022

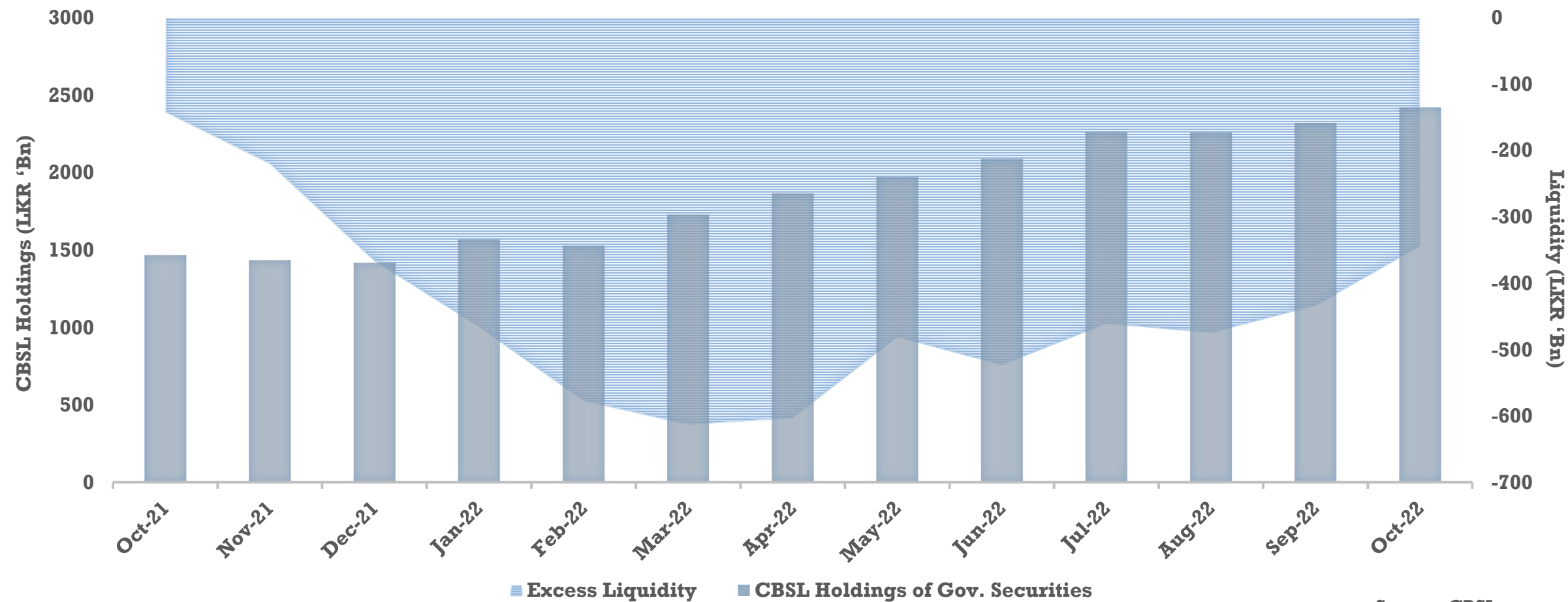
Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
7-Oct-22	85,000	141,310	226,310
14-Oct-22	61,075	24,906	85,981
21-Oct-22	41,803		41,803
28-Oct-22	73,822		73,822
<b>Total Issued</b>			<b>427,916</b>

Net Settlement	Oct 2022	YTD
Maturities	830,521	5,796,577
New Issues	427,916	4,076,525
<b>Excess/ (Deficit)</b>	<b>(402,605)</b>	<b>(1,720,052)</b>

CBSL Holdings of Gov. Securities		YTD
As at End Oct 2022	2,420,587	
As at End Sep 2022	2,320,402	
<b>Increase/ (Decrease)</b>	<b>100,185</b>	<b>1,003,835</b>

# CBSL HOLDINGS OF GOV. SECURITIES...

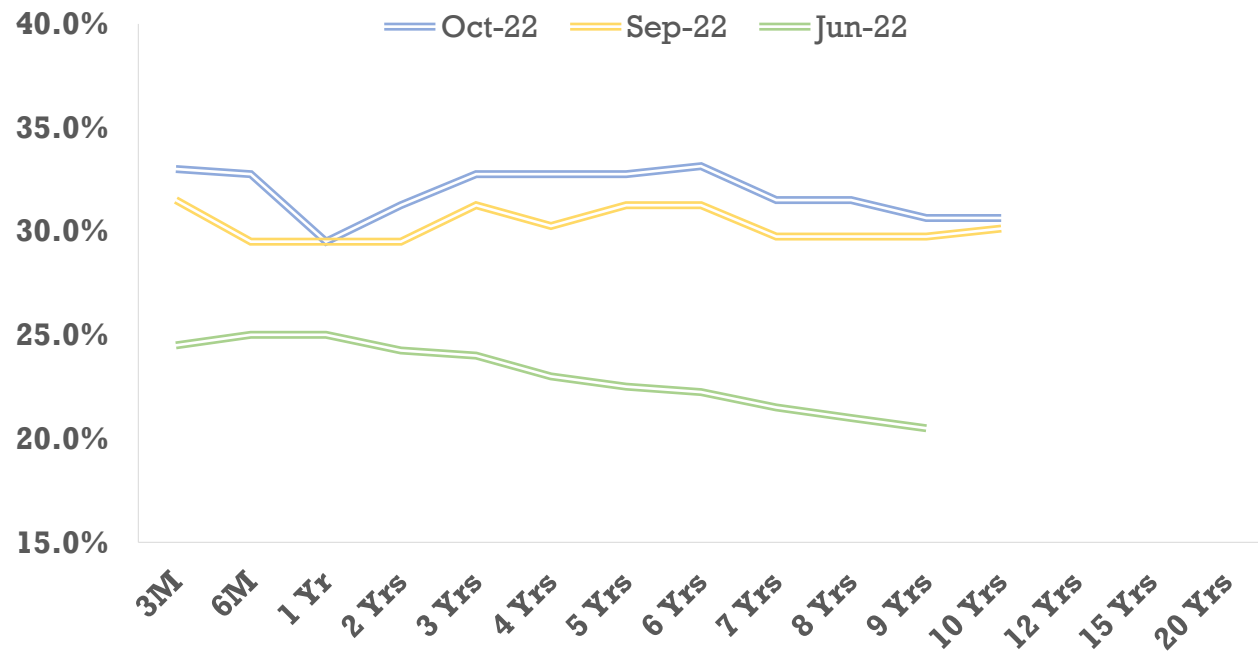
...increased by LKR 100.2Bn in Oct 2022



Source: CBSL

# TREASURY BILLS AND BONDS – OCT 2022

During the month of Oct, secondary market yield curve edged higher on mid-long maturities following the bond auction, while activities in the secondary market continued to remain stagnant with limited participation. The lackluster participation observed during the month was largely attributable to the uncertainties pertaining to rates and taxes, ahead of the 2023 budget, which is scheduled to be tabled at the parliament on 14<sup>th</sup> November 2022.



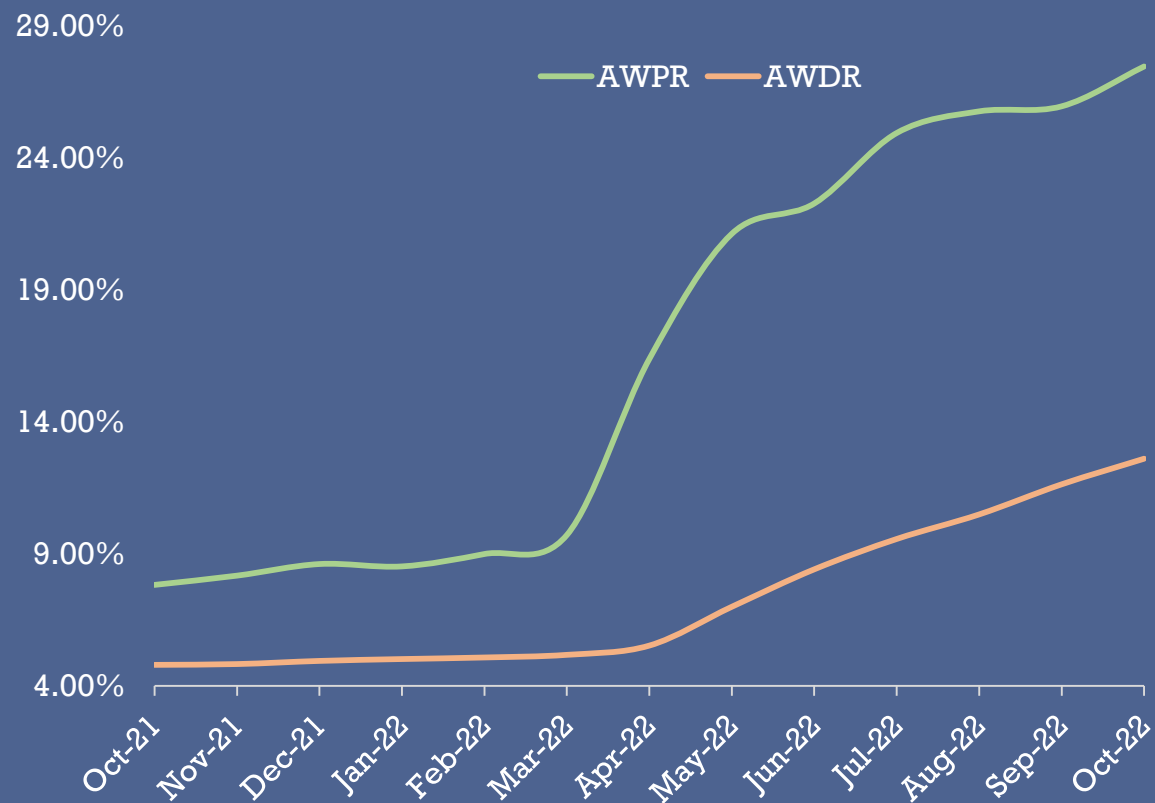
Source: First Capital Research

Tenure	Interest Rate Change (bps)				
	Oct-22	Sep-22	Change (bps)	Jun-22	Change (bps)
3M	33.00%	31.50%	150	24.50%	850
6M	32.75%	29.50%	325	25.00%	775
1 Yr	29.50%	29.50%	0	25.00%	450
2 Yrs	31.25%	29.50%	175	24.25%	700
3 Yrs	32.75%	31.25%	150	24.00%	875
4 Yrs	32.75%	30.25%	250	23.00%	975
5 Yrs	32.75%	31.25%	150	22.50%	1025
6 Yrs	33.13%	31.25%	188	22.25%	1088
7 Yrs	31.50%	29.75%	175	21.50%	1000
8 Yrs	31.50%	29.75%	175	21.00%	1050
9 Yrs	30.63%	29.75%	88	20.50%	1013
10 Yrs	30.63%	30.13%	50	N/A	N/A
12 Yrs	N/A	N/A	N/A	N/A	N/A
15 Yrs	N/A	N/A	N/A	N/A	N/A
20 Yrs	N/A	N/A	N/A	N/A	N/A

Source: First Capital Research

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## AWPR vs AWDR



Source: CBSL

## Interest Spread



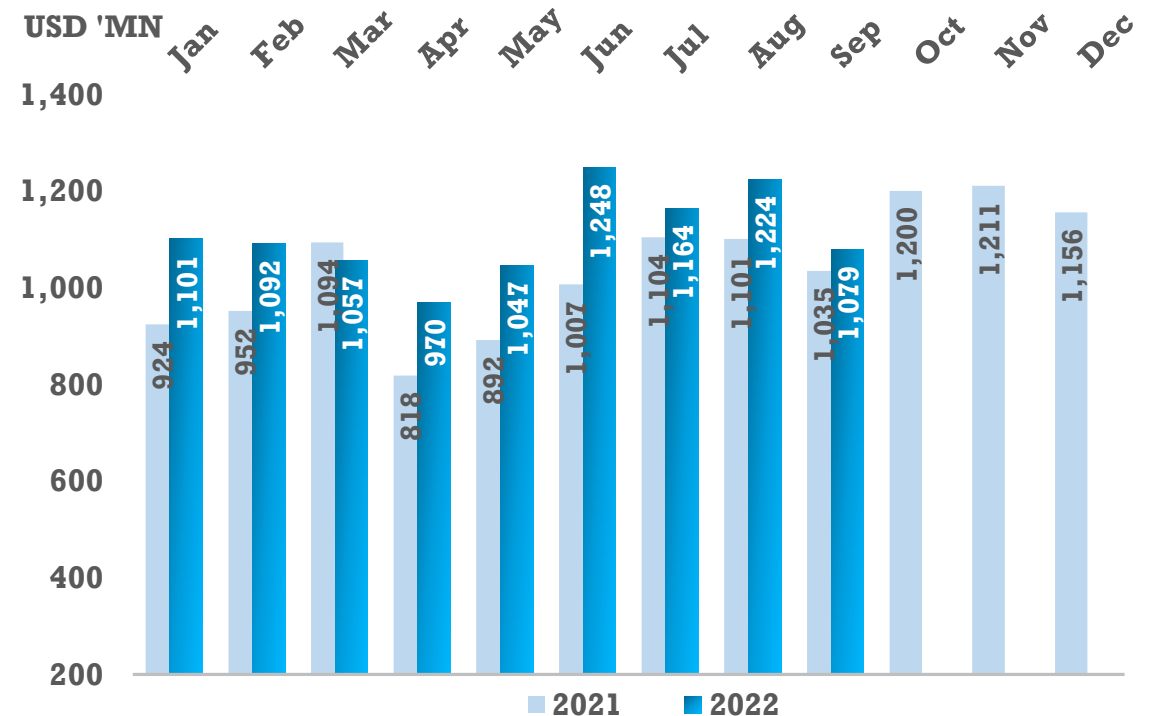
Source: CBSL

# FINANCE SECTOR RATE MOVEMENTS

# EXTERNAL SECTOR – SEP 22 – EXPORTS

Exports for Sep increased by 4.3%YoY to USD 1,078.9Mn owing to the increase in earnings from industrial and agricultural exports while mineral exports recorded a decline. Earnings from the export of industrial goods were mainly led by higher export earnings from garments as exports to all major markets improved except for USA while gems, diamonds and jewelry exports too increased. Earnings from other industrial export categories such as, leather, travel goods and footwear and base metals and articles also recorded an improvement. However, export earnings from petroleum products recorded a decline as quantities of bunker and aviation fuel supplied reduced during the period. Overall export earnings on agricultural goods were mainly led by tea, minor agricultural products and spices while export earnings from coconut related products, seafood and natural rubber recorded a decline. Mineral exports lowered due to the decline in earnings from precious metals.

Category	2021 (USD 'Mn)	2022 (USD 'Mn)	Change (%)
Industrial Exports			
- Sep	808.8	842.8	4.2
- YTD	6,903.1	8,000.6	15.9
Agricultural			
- Sep	221.2	231.2	4.5
- YTD	1,986.7	1,939.8	-2.4
Mineral Exports			
- Sep	3.1	3.0	-1.7
- YTD	33.8	24.1	-28.6
<b>Total</b>			
- Sep	1,034.5	1,078.9	4.3
- YTD	8,938.5	9,981.1	11.7

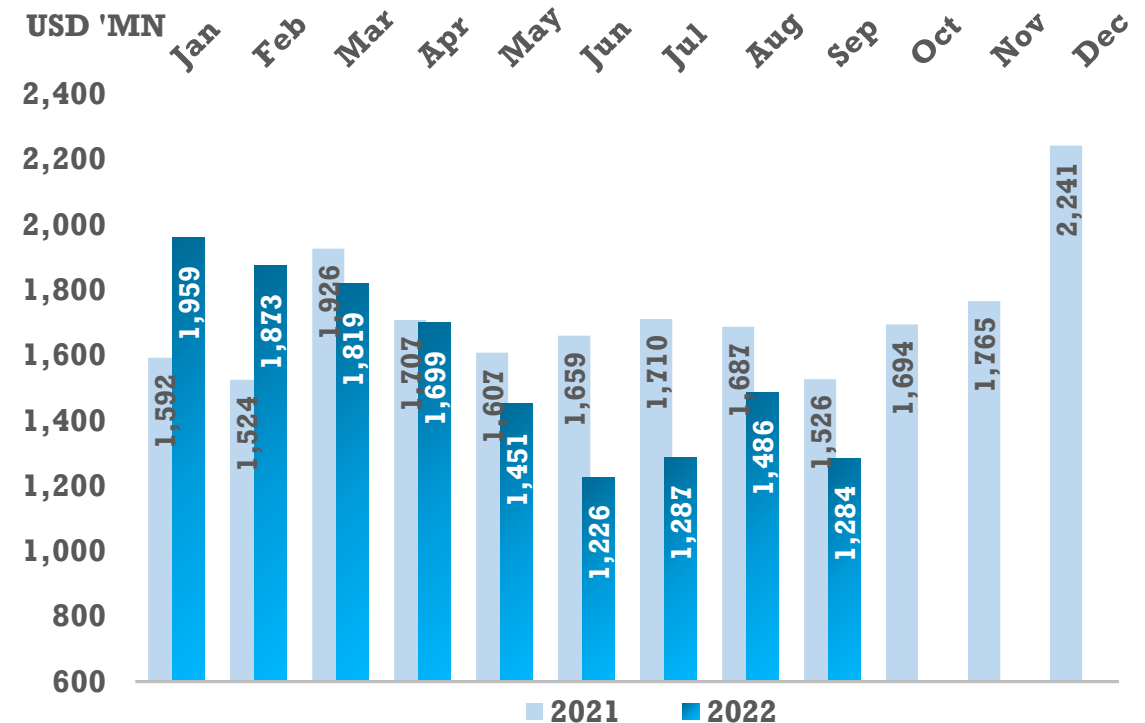


Source: CBSL  
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# EXTERNAL SECTOR – SEP 22 – IMPORTS

Import expenditure declined by 15.8%YoY to USD 1.3Bn in Sep 2022, owing to the regulatory measures to discourage non-urgent imports, diminished foreign liquidity and depreciation of LKR against USD. Decline in expenditure on consumer goods were largely attributable to the decline in non-food consumer goods such as medical & pharmaceuticals, telecommunication devices (mainly mobile phones) and home appliances (mainly televisions). Meanwhile, expenditure on importation on food and beverages increased during the month with the increase in imports of sugar & cereals and rice. Expenditure on importation of intermediate goods increased mainly driven by fuel, diamonds & precious metals and fertilizer. Meanwhile, import expenditure on fuel which consists of crude oil, refined petroleum and coal increased amidst the higher average import prices and higher import volumes. Import expenditure on investment goods substantially declined on the back of reduced imports in machinery and equipment.

Category	2021 (USD 'Mn)	2022 (USD 'Mn)	Change (%)
Consumer goods			
- Sep	310.7	201.1	-35.3
- YTD	2,890.0	2,146.7	-25.7
Intermediate			
- Sep	848.4	913.4	7.7
- YTD	8,790.8	9,497.4	8.0
Investment goods			
- Sep	366.5	169.5	-53.7
- YTD	3,248.8	2,433.0	-25.1
<b>Total</b>			
- Sep	1,526.0	1,284.4	-15.8
- YTD	14,937.5	14,085.2	-5.7

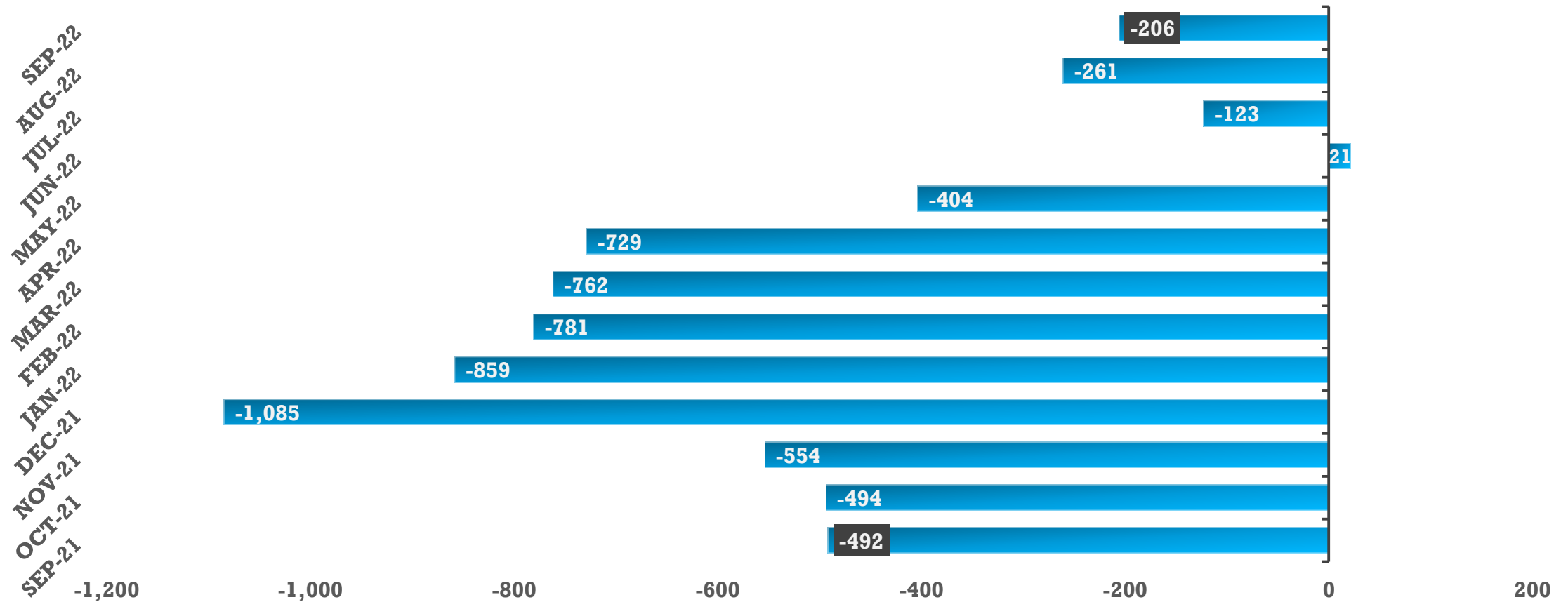


Source: CBSL

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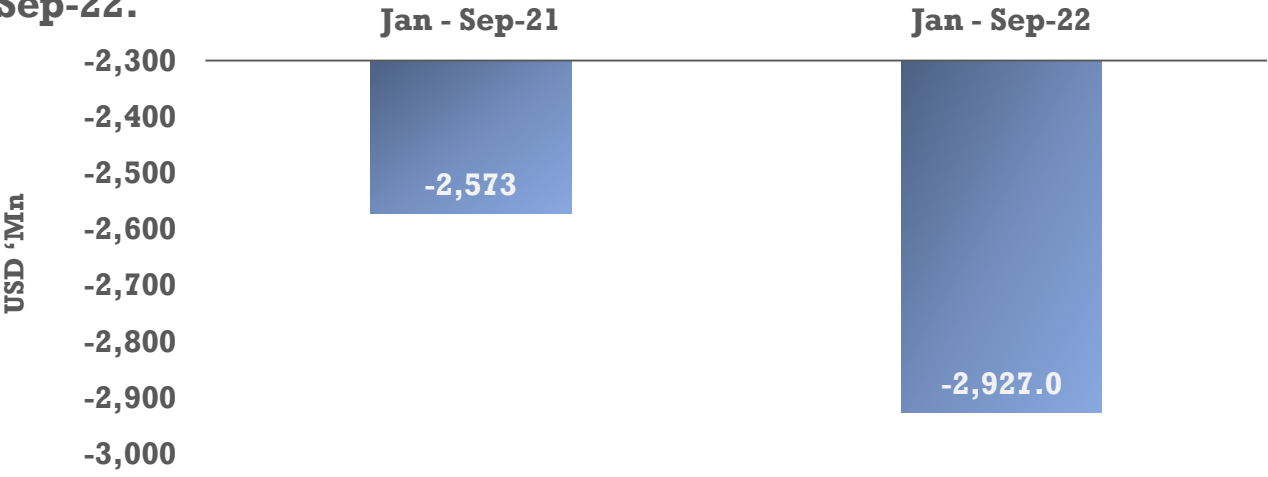
# EXTERNAL SECTOR – SEP 22

## Balance of Trade



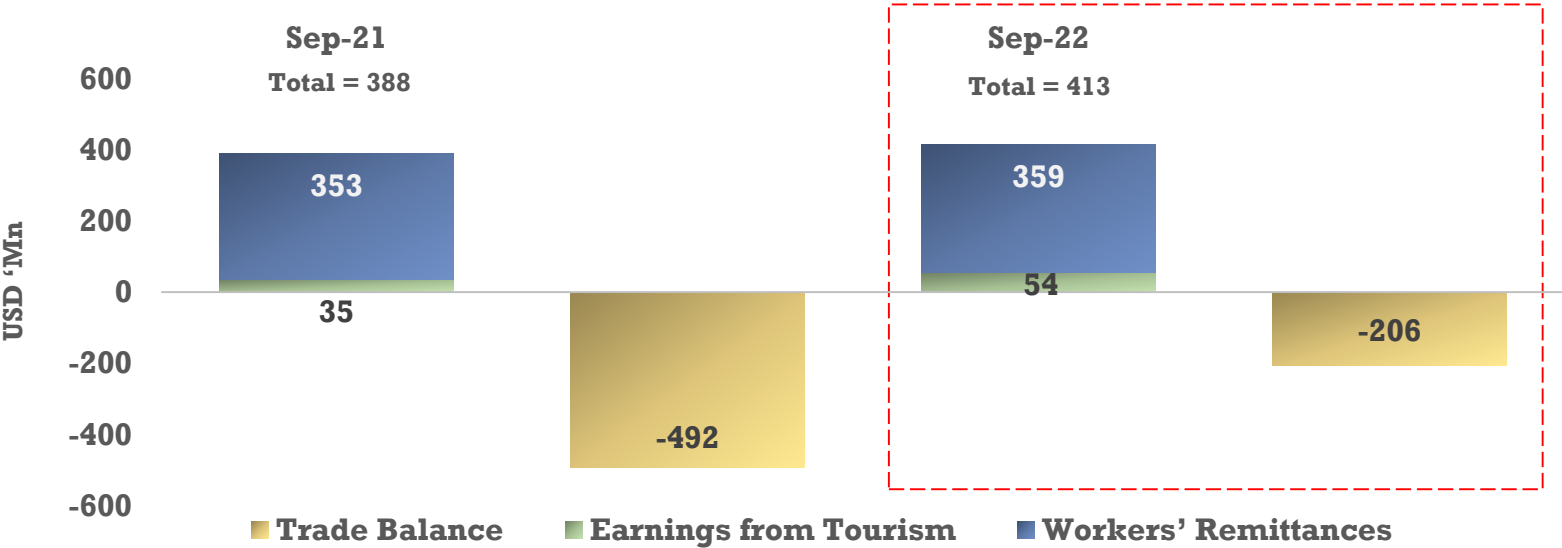
Source: Central Bank

BoP for Jan – Sep-22 recorded at USD -2,927.0Mn compared to Jan – Aug-22 amount of USD -3,035.0Mn recording a net inflow of USD 108.0Mn for the month of Sep-22.



Source: CBSL

Workers' Remittances inclined to USD 359.0Mn in Sep-22 (+1.7%YoY). Earnings from Tourism for Sep-22 improved to USD 54.0Mn from USD 35.0Mn in Sep-21.



Source: CBSL

BALANCE OF PAYMENT  
DEFICIT INCREASED YOY IN  
SEP 2022

Sep USD 'Mn	2021	2022	Change (%)
Trade Balance	-492	-206	
Earnings from Tourism	35	54	+51.8
Workers' Remittances	353	359	+1.7

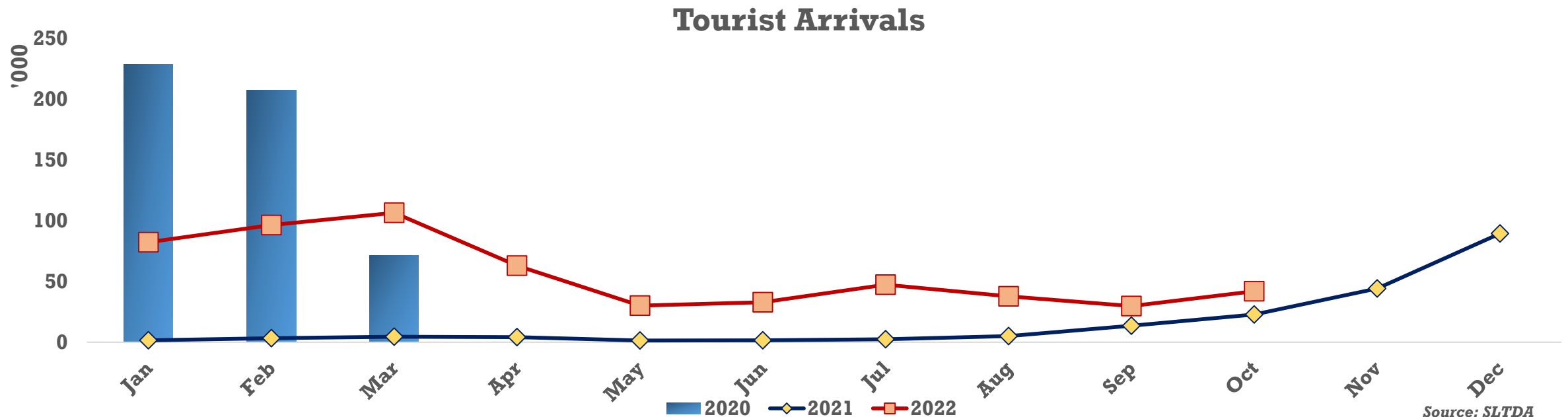
YTD USD 'Mn	2021	2022	Change (%)
Trade Balance	-5,999	-4,104	
Earnings from Tourism	99	946	>100
Workers' Remittances	4,577	2,574	-43.8

Source: CBSL

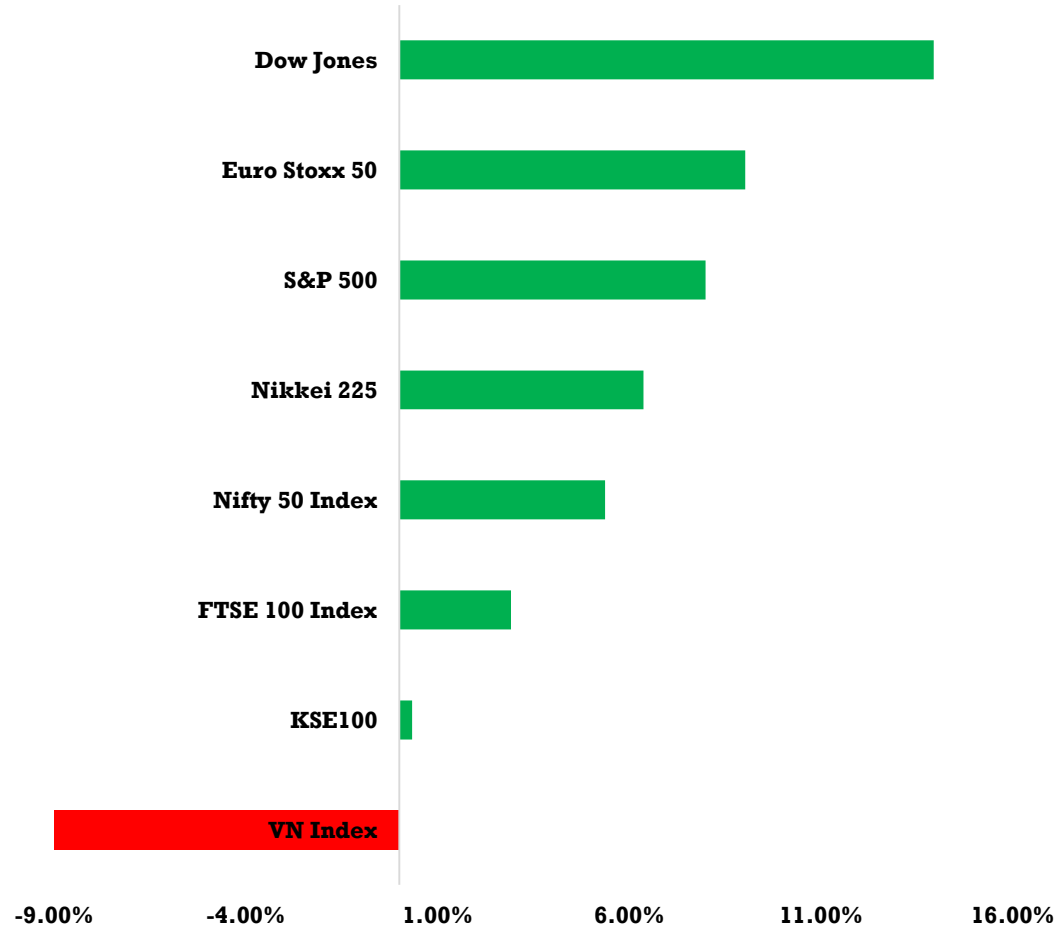
# TOURIST ARRIVALS – OCT 2022

[ OCT 42,026 – **UP +84.6%YoY** ] [ YTD 568,258 – **UP +192.2%YoY** ]

The total number of tourist arrivals to Sri Lanka during Oct 2022 was recorded at 42,026 displaying an increase of 41.0% compared to the previous month, owing to the start of winter season in key tourist source markets and relaxation of travel advisories to travel to Sri Lanka. The largest source markets reported for Oct 2022 were India, Russia, United Kingdom, Australia, Maldives and Canada.



# GLOBAL MARKET



First Capital Research

Source: Investing.com

## Russia Orders Troops to Leave Ukrainian City of Kherson

Russia ordered its troops to leave Ukraine's city of Kherson, the first major regional center seized in its invasion, in a highly symbolic setback for President Vladimir Putin. With Kyiv's forces pressing their counteroffensive in the region bordering occupied Crimea, Russian Defense Minister Sergei Shoigu in a televised briefing ordered the troops to withdraw from the western bank of the Dnipro River and move to the other shore.

Bloomberg



## U.S. payrolls surged by 261,000 in October, better than expected as hiring remains strong

Job growth was stronger than expected in October despite Federal Reserve interest rate increases aimed at slowing what is still a relatively strong labor market. Nonfarm payrolls grew by 261,000 for the month while the unemployment rate moved higher to 3.7%, the Labor Department reported. Those payroll numbers were better than the Dow Jones estimate for 205,000 more jobs, but worse than the 3.5% estimate for the unemployment rate. Although the number was better than expected, it still marked the slowest pace of job gains since December 2020.

## UK economy shrinks at start of feared long recession

Britain's economy contracted in the three months to September at the start of what is likely to be a lengthy recession, adding to the challenge for finance minister Jeremy Hunt as he prepares to raise taxes and cut spending. Economic output shrank by 0.2% in the third quarter, less than the 0.5% contraction analysts had forecast in a Reuters poll, official data showed. But it was the first fall in gross domestic product since the start of 2021, when Britain was still under tight coronavirus restrictions, as the economy struggles in the face of a severe cost-of-living crisis.



REUTERS  
WORLD

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