



First Capital  
A Janashakthi Group Company

# MONTHLY ECONOMIC WATCH

Dec 2022

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# CBSL MAINTAINS POLICY RATES IN NOV-22 MEETING

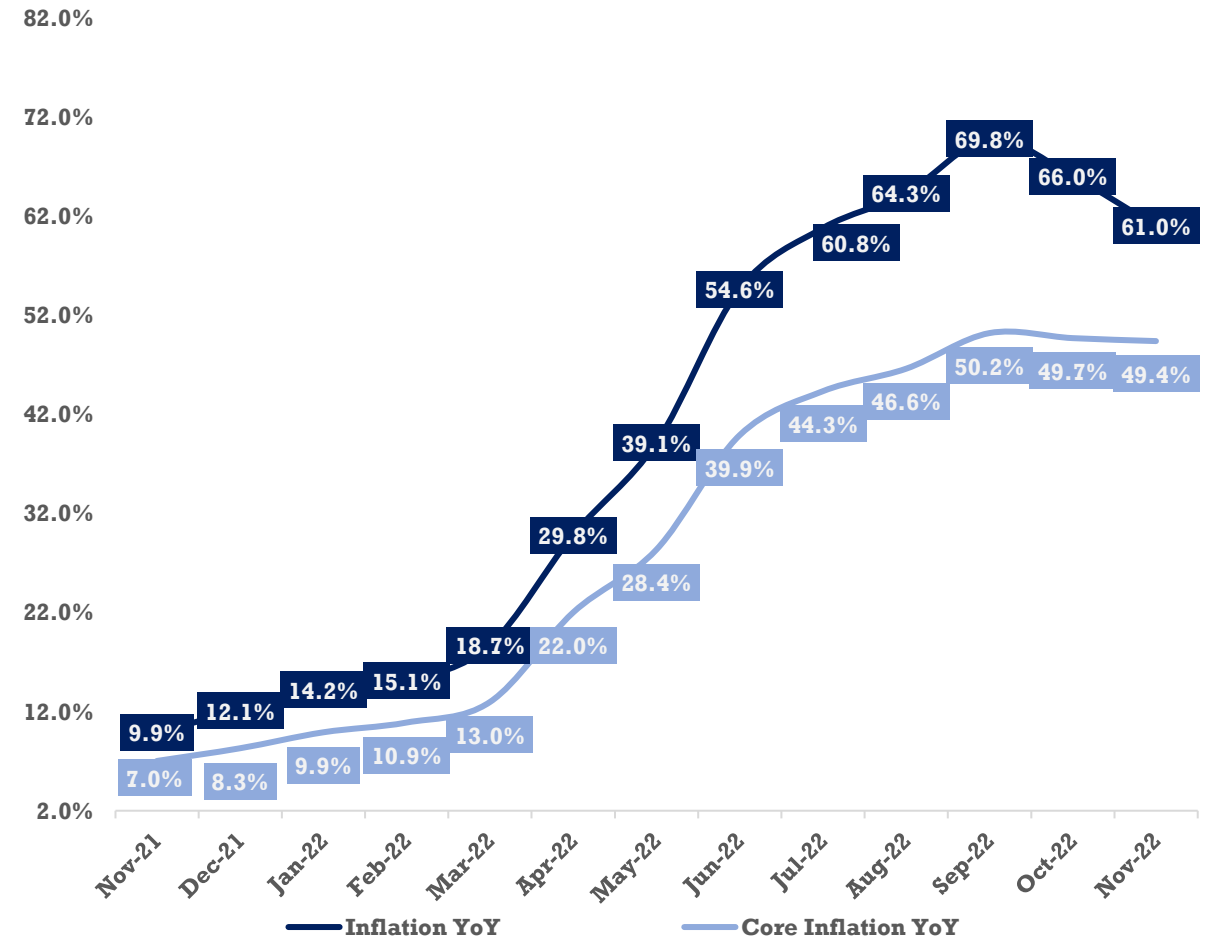
- The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 23 Nov 2022, decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank at their current levels of 14.50% and 15.50% respectively.
- Supported by favorable supply side developments and tight monetary policy measures, headline inflation pivoted towards the envisaged disinflation path in Oct 2022, after passing the peak in Sep 2022. Accordingly, headline inflation based on both the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) decelerated, while a deceleration was observed in core inflation.
- The real economy is expected to contract in 2022 impacted by the stability-oriented policy measures that led to tightened monetary and fiscal conditions, along with supply side constraints and prevailing uncertainties. However, economic activity is expected to make a gradual, yet sustainable recovery, supported by envisaged improvements in supply conditions, improved market confidence, and the impact of corrective policy measures being implemented to stabilise the economic conditions.
- Outstanding credit extended to the private sector by commercial banks is expected to have contracted for the fifth consecutive month in Oct 2022, reflecting the impact of increased market lending interest rates and the moderation in economic activity.

*Source: CBSL*

# INFLATION – CCPI

**CCPI FOR NOV 2022:  
MOM -0.5%,  
YOY +61.0%**

- MoM inflation decreased by 0.5% with the decrease in inflation of Food group by 1.5% whilst inflation of Non-Food group remained flat.
- The YoY inflation decreased for the second consecutive month to 61.0% in Nov 2022. YoY inflation of Food group has decreased to 73.7% in Nov 2022 from 85.6% in Oct 2022 while Non-Food group decreased to 54.5% from 56.3% in Oct 2022.



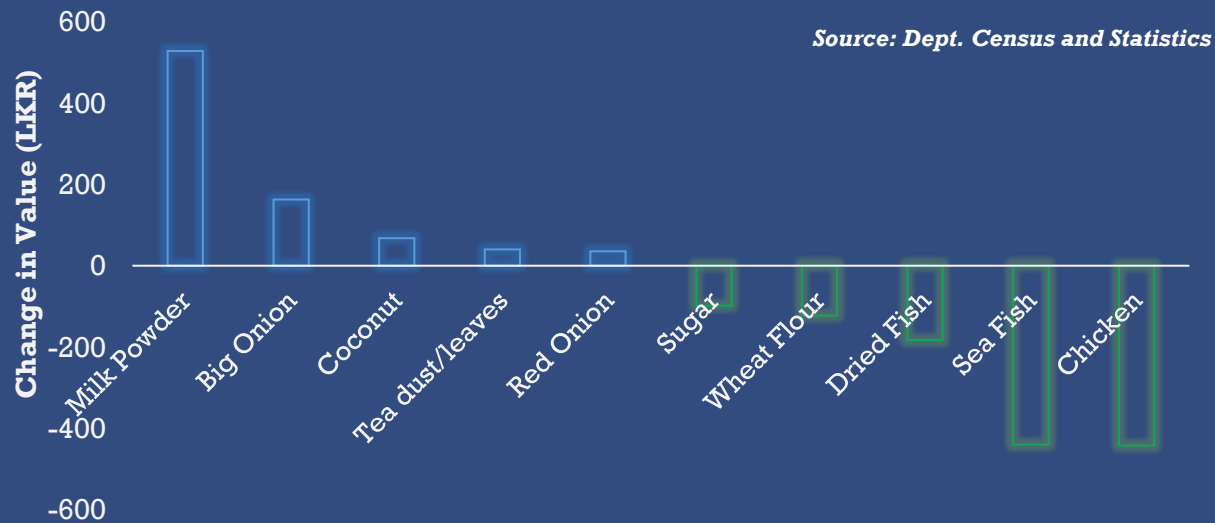
Source: Dept. Census and Statistics

# INFLATION ANALYSIS – CCPI-MOM

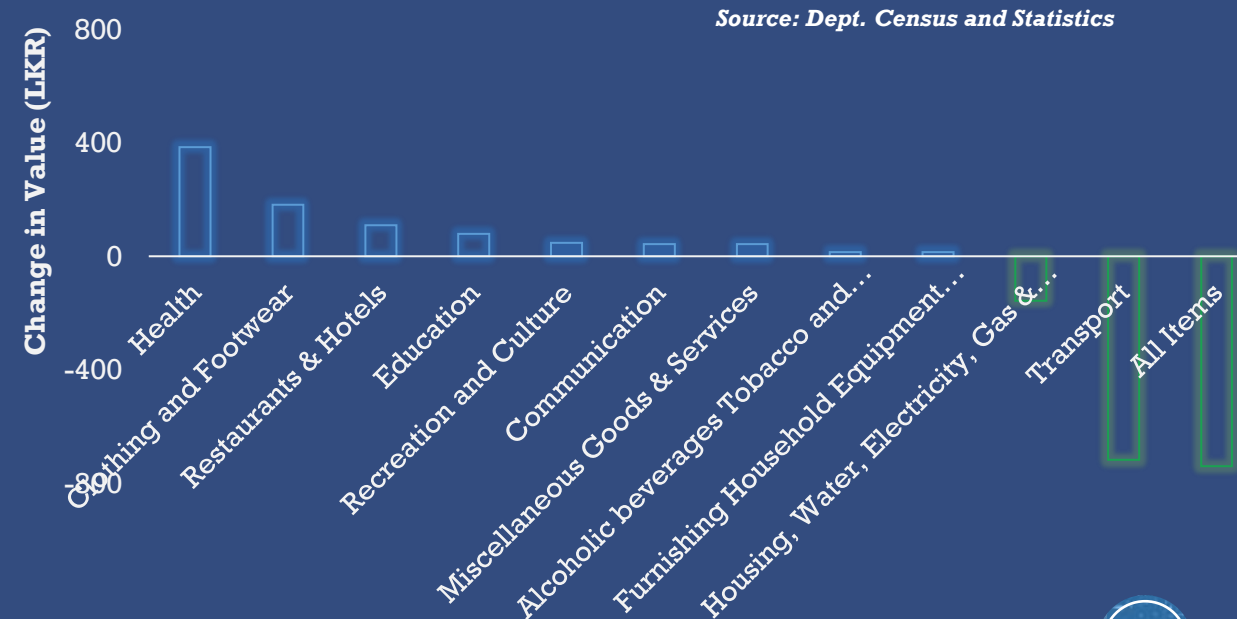
The CCPI index recorded a decrease of 0.50%MoM contributed by the decrease in expenditure value of Food items by 0.53%. However, expenditure value of Non-Food items increased by 0.03%. Within the Food items, decrease in value changes were mainly reported for Chicken, Sea Fish, Dried Fish and Wheat Flour. Among Non-Food groups, increases in value changes were mainly reported in Health, Clothing & Footwear and Restaurant and Hotels subcategories.



## Food Category Inflation



## Non-Food Category Inflation



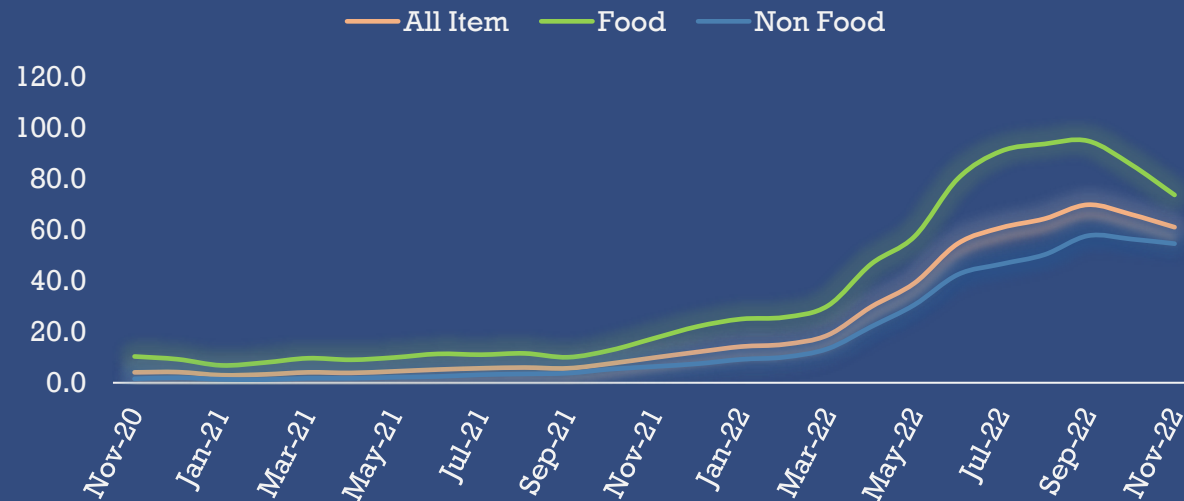


# INFLATION ANALYSIS – CCPI-YOY

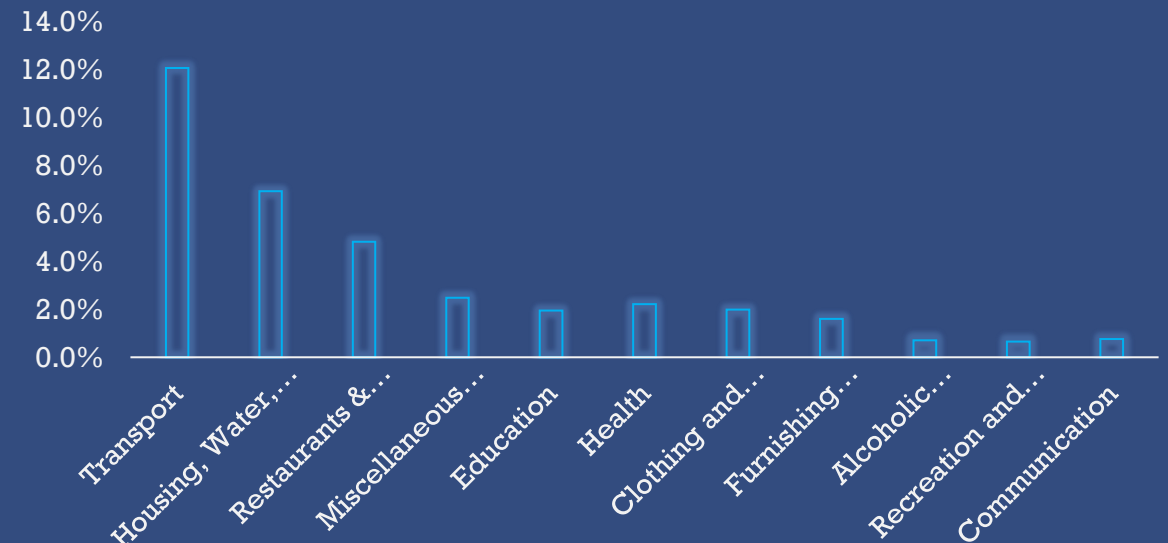
The YoY inflation of CCPI for Nov was 61.0% and has decreased relative to the month of Oct. Food item prices have decreased to 73.7%YoY in Nov 2022 from 85.6%YoY in Oct 2022 while the Non-Food item prices also decreased to 54.5%YoY from 56.3%YoY in Oct 2022. The contribution from food category for YoY inflation was 24.8% while the contribution of Non-Food items stood at 36.2% mainly due to the increase in Transport, Housing, Water, Electricity, Gas & Other Fuels, Restaurants & Hotels, Miscellaneous Goods and Services, etc.



## Inflation Analysis (YoY)



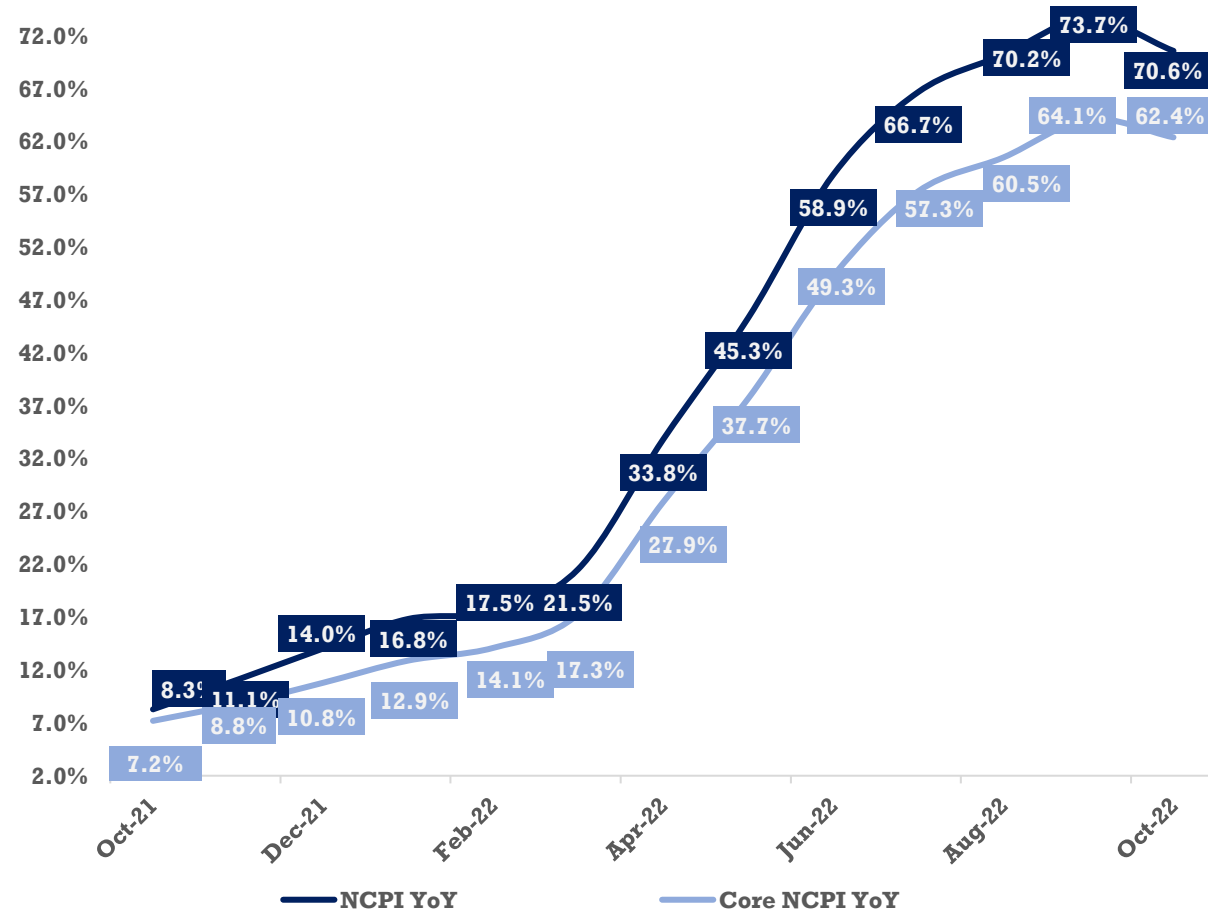
## Non-Food Category Inflation



# INFLATION – NCPI

## NCPI FOR OCT 2022: DECREASED TO 70.6%YOY

- NCPI for Oct 2022 decreased to 70.6% compared to 73.7% in Sep 2022.
- Decrease in inflation was mainly driven by the price decreases in both Food commodities and Non-Food commodities. Accordingly, YoY Food inflation decreased to 80.9% in Oct 2022 from 85.8% in Sep 2022 while Non-Food inflation decreased to 61.3% in Oct 2022 from 62.8% in Sep 2022.



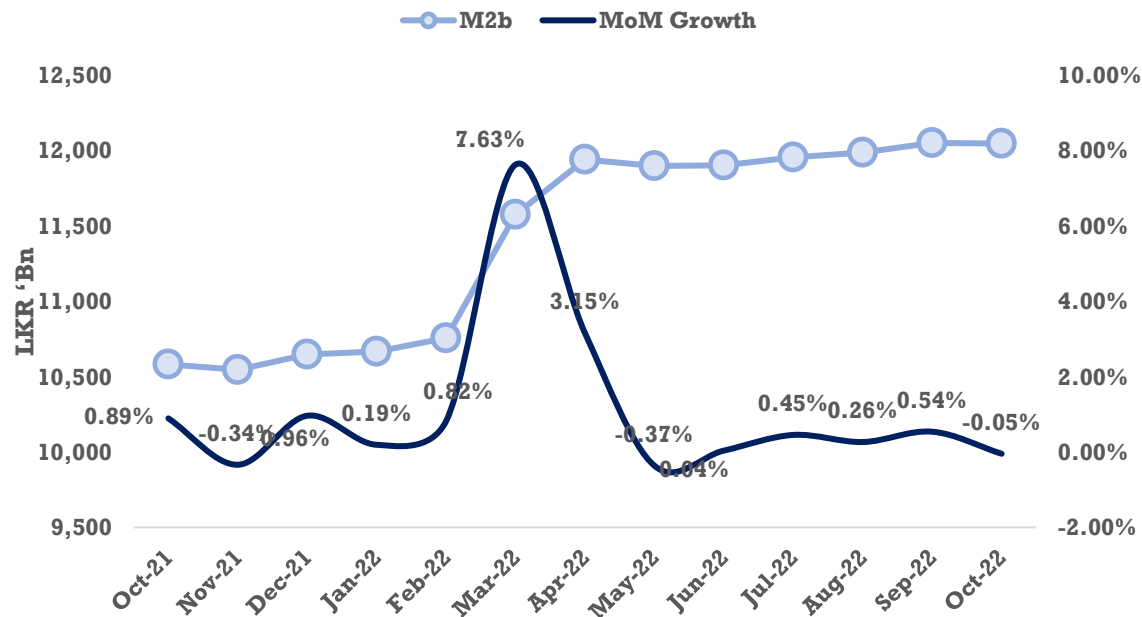
Source: Dept. Census and Statistics

# M2B AND CREDIT GROWTH

Private sector credit deteriorated by LKR 46.8Bn in Oct 2022 amidst the continuous spike in lending rates. State credit reflected a net borrowing of LKR 209.8Bn.

## M2b Growth – Oct 2022

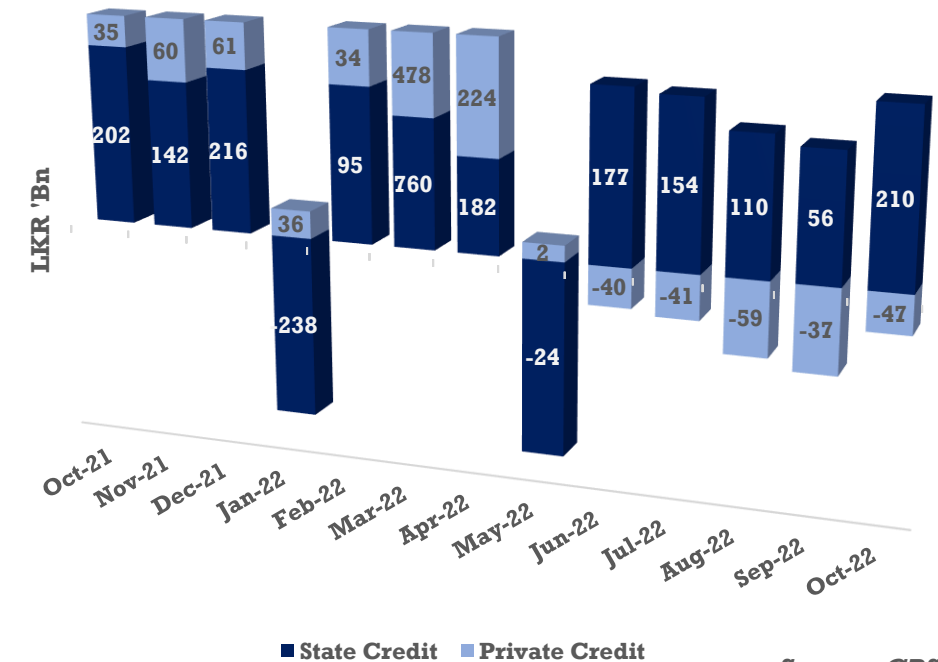
MoM -0.05%, YoY +13.8%, YTD +13.1%



Source: CBSL

## State Credit & Private Credit – Oct 2022

Private Credit MoM -0.6%, YoY +9.8%, YTD +7.9%



State Credit Private Credit

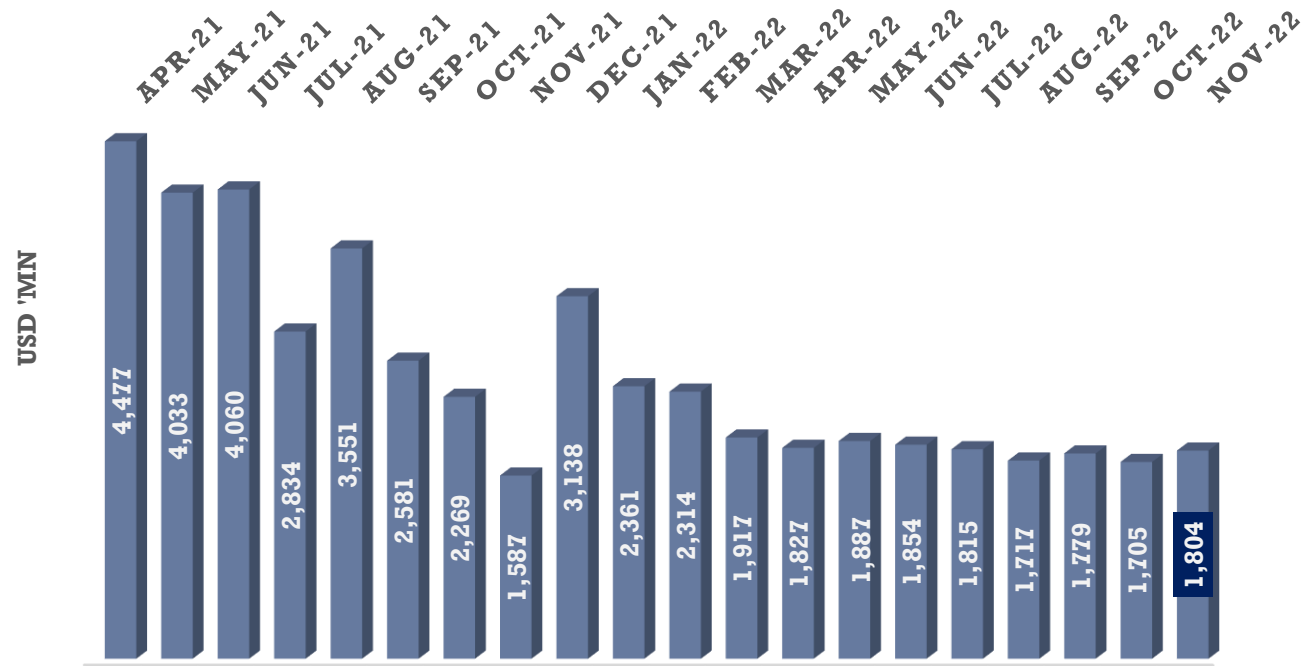
Source: CBSL



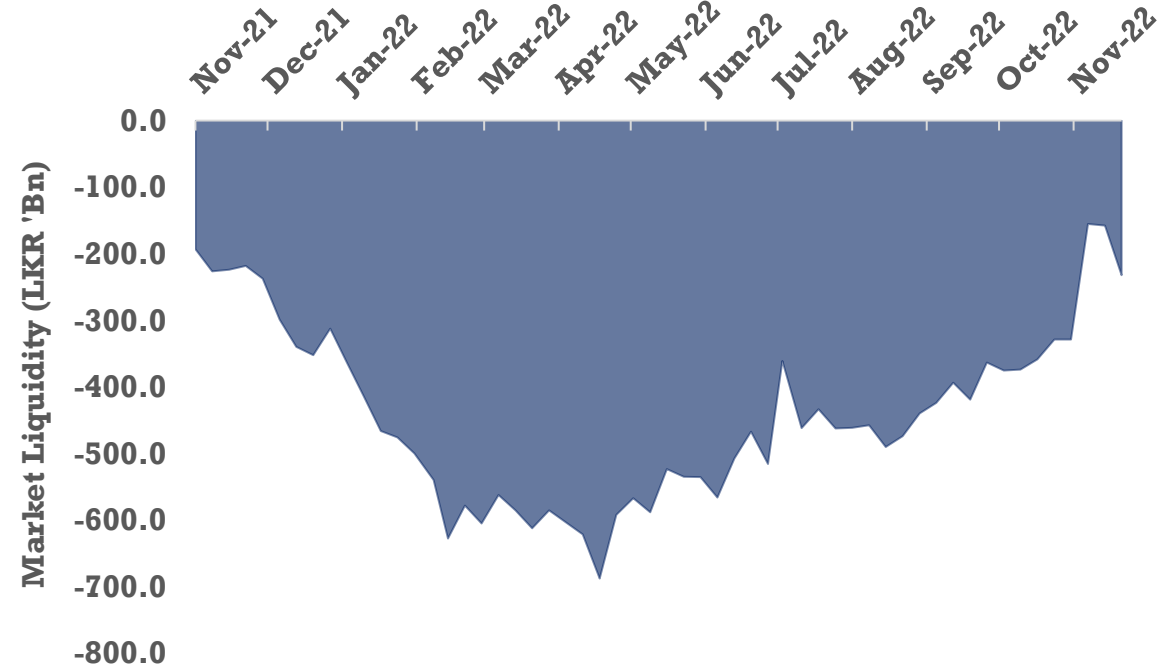
# LIQUIDITY & RESERVES

- Foreign Reserves increased by USD 99.0Mn to USD 1.8Bn in Nov 2022.

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



Source: CBSL



Source: CBSL

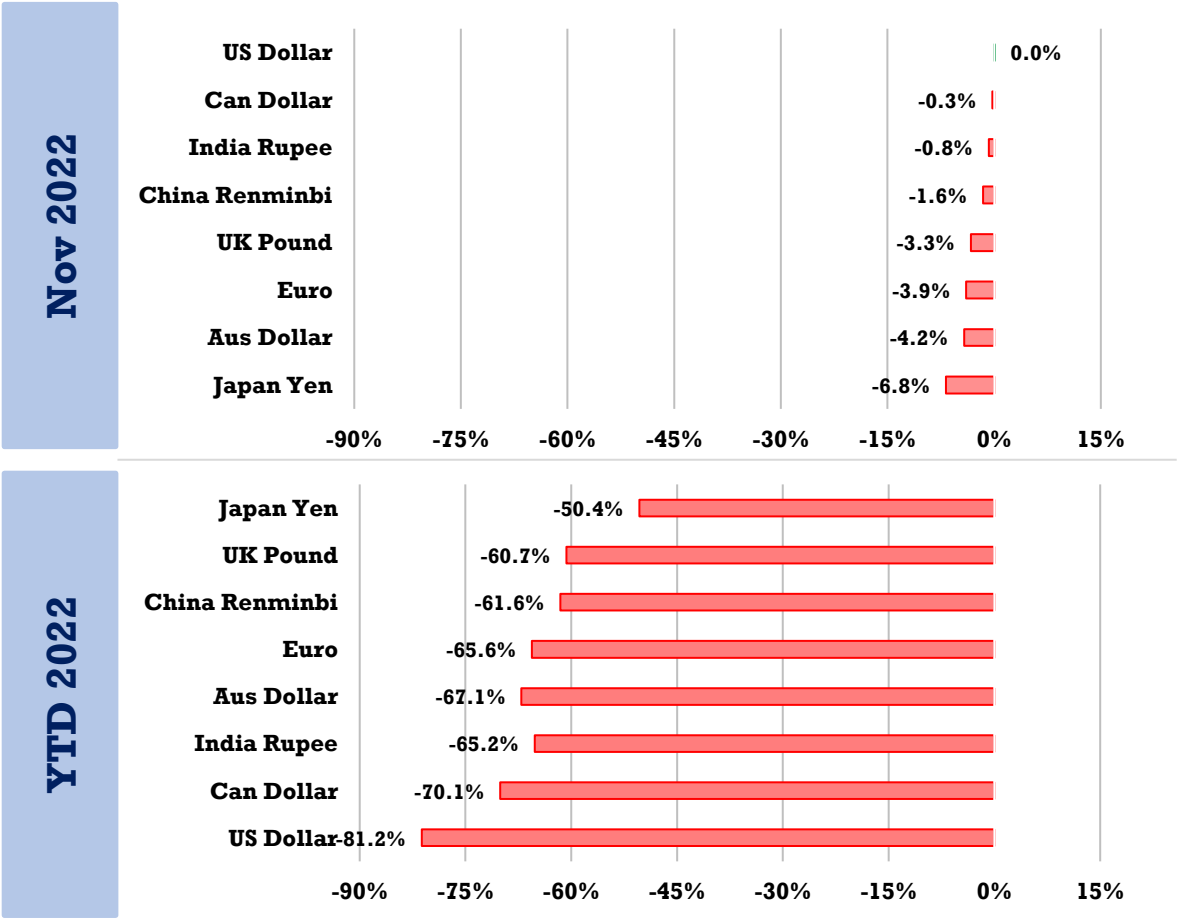
# CURRENCY MOVEMENT

## USD:LKR Movement



Source: CBSL

## Sri Lankan Rupee vs Global Currencies



Source: CBSL

# GOVERNMENT SECURITIES – NEW ISSUES

## Bill and Bond auctions for Nov 2022

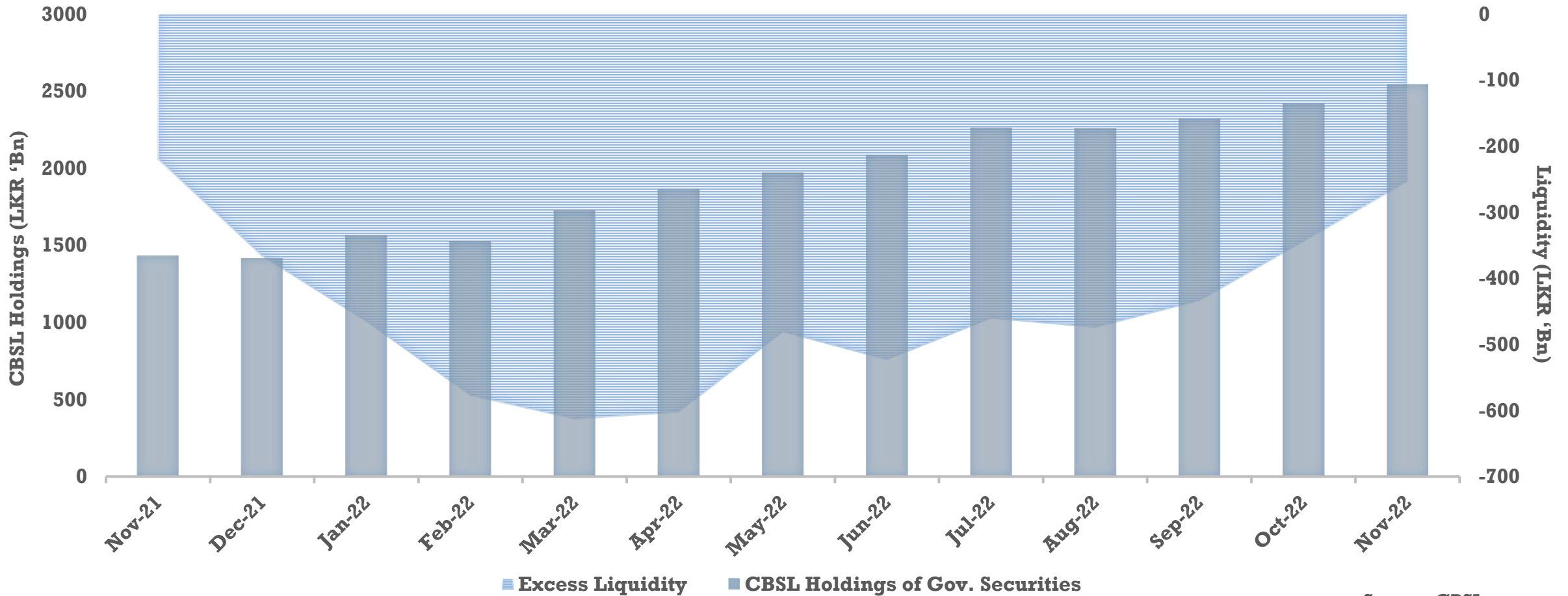
Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
4-Nov-22	91,341		91,341
11-Nov-22	85,910	53,736	139,646
18-Nov-22	81,236		81,236
25-Nov-22	74,859		74,859
<b>Total Issued</b>			<b>387,082</b>

Net Settlement	Nov 2022	YTD
Maturities	690,592	6,487,169
New Issues	387,082	4,463,607
<b>Excess/ (Deficit)</b>	<b>(303,510)</b>	<b>(2,023,562)</b>

CBSL Holdings of Gov. Securities		YTD
As at End Nov 2022	2,544,488	
As at End Oct 2022	2,420,587	
<b>Increase/ (Decrease)</b>	<b>123,901</b>	<b>1,127,736</b>

# CBSL HOLDINGS OF GOV. SECURITIES...

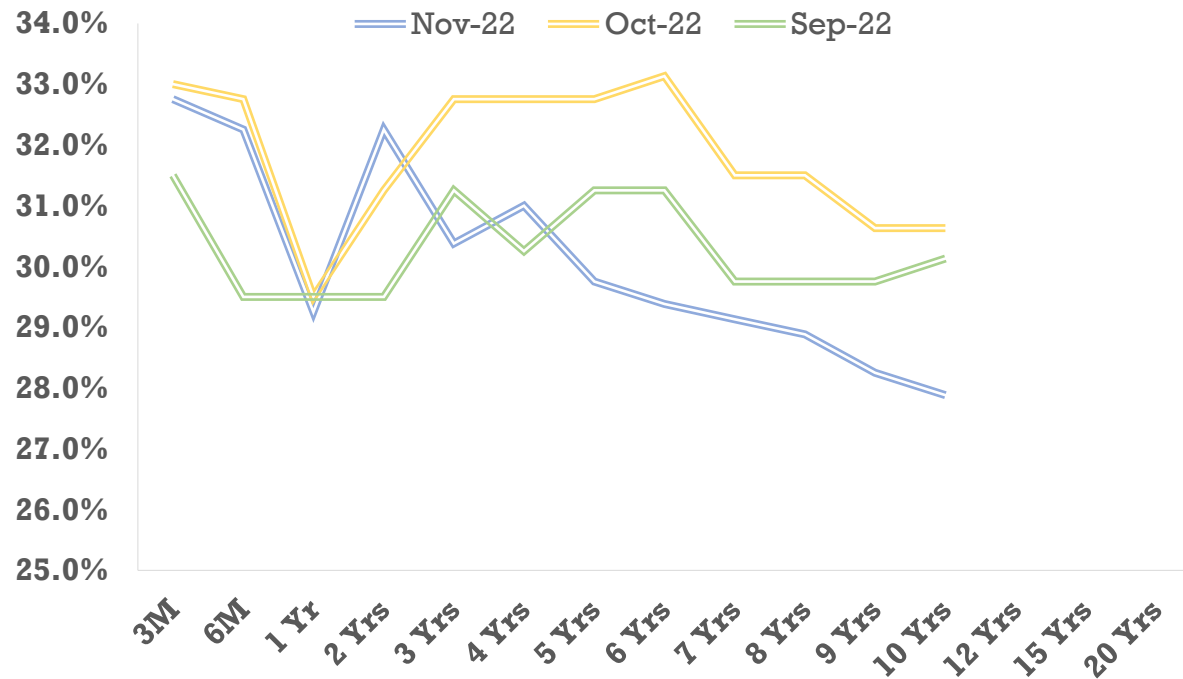
*...increased by LKR 123.9Bn in Nov 2022*



Source: CBSL

# TREASURY BILLS AND BONDS – NOV 2022

During the month of Nov, secondary market yield curve displayed sizeable volatility as mid-longterm tenures declined by 200-400bps. The decline in yields during the month can be largely attributable to the return of moderate buying interest as investors speculated towards rates easing. Furthermore, comments made by President Ranil Wickramasinghe with regards to lower possibility of domestic debt restructuring and Central Bank Governor's comments signaling a possible easing of future interest rates also contributed towards positive buying momentum during the period.



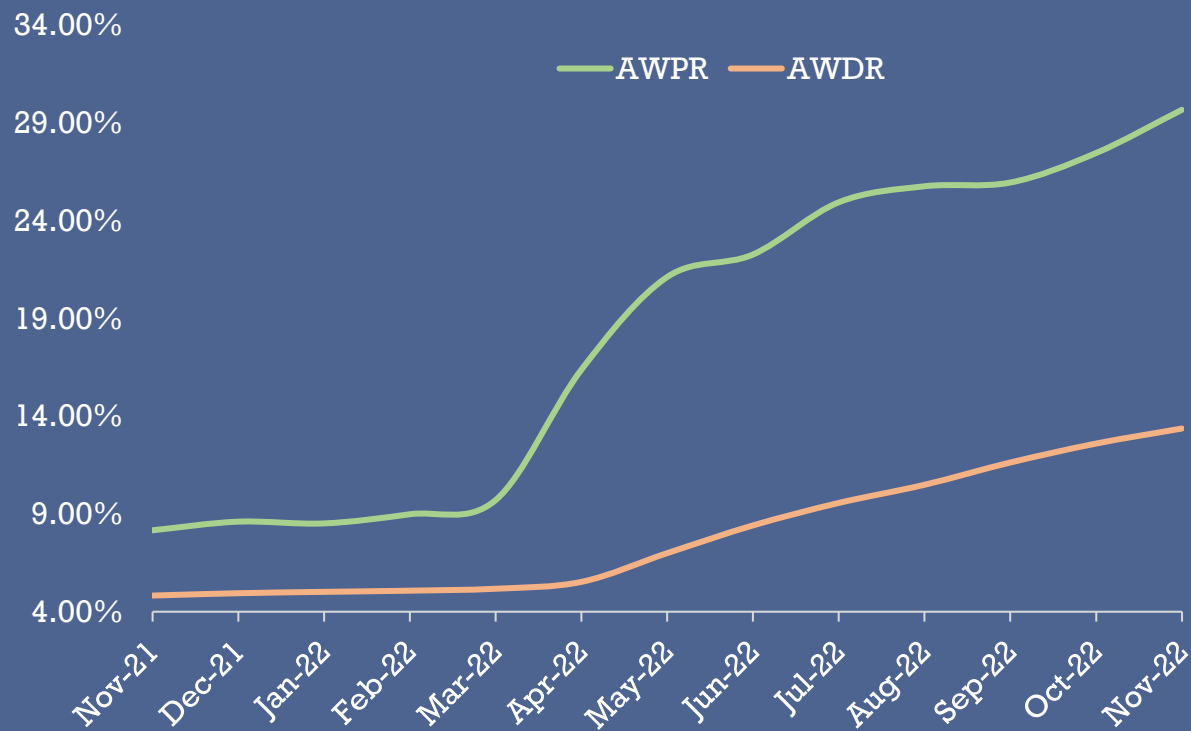
Source: First Capital Research

Tenure	Interest Rate Change (bps)				
	Nov-22	Oct-22	Change (bps)	Sep-22	Change (bps)
3M	32.75%	33.00%	-25	31.50%	125
6M	32.25%	32.75%	-50	29.50%	275
1 Yr	29.25%	29.50%	-25	29.50%	-25
2 Yrs	32.25%	31.25%	100	29.50%	275
3 Yrs	30.38%	32.75%	-238	31.25%	-88
4 Yrs	31.00%	32.75%	-175	30.25%	75
5 Yrs	29.75%	32.75%	-300	31.25%	-150
6 Yrs	29.38%	33.13%	-376	31.25%	-188
7 Yrs	29.13%	31.50%	-238	29.75%	-63
8 Yrs	28.88%	31.50%	-263	29.75%	-88
9 Yrs	28.25%	30.63%	-238	29.75%	-150
10 Yrs	27.88%	30.63%	-276	30.13%	-226
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

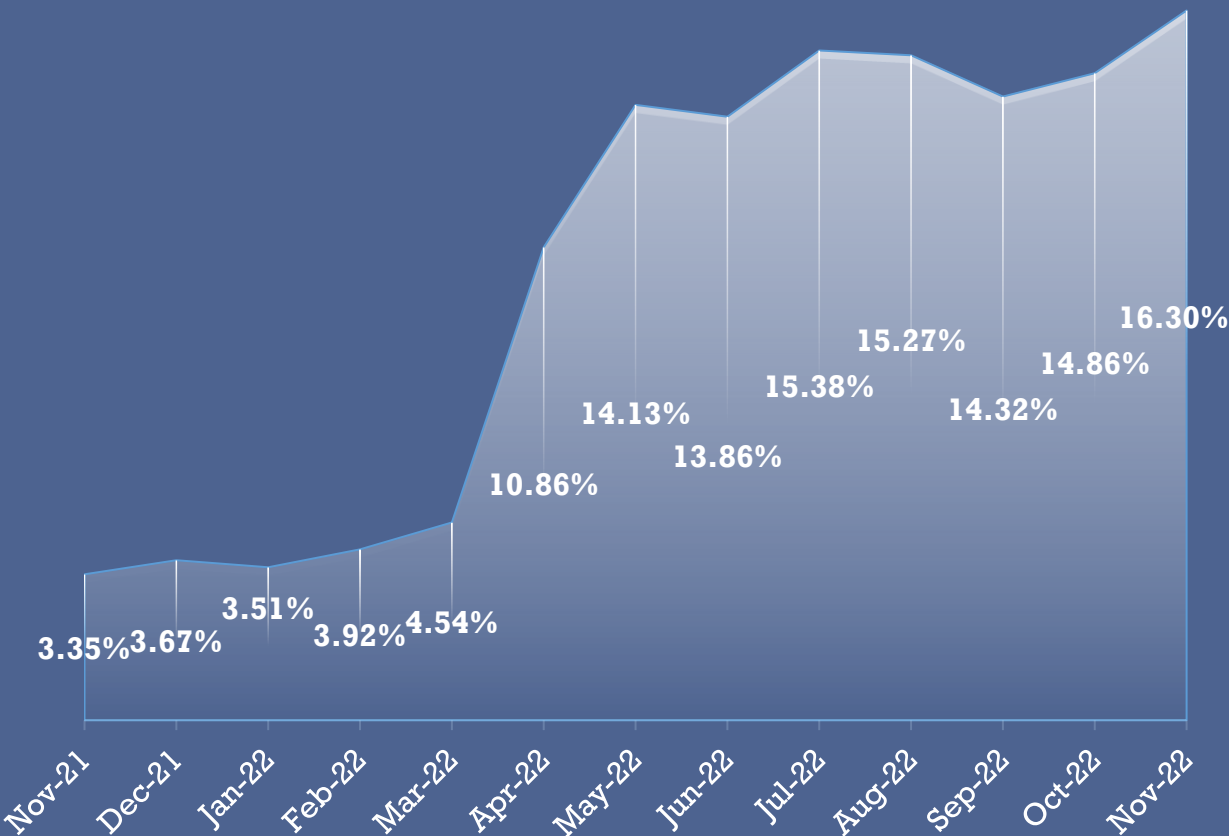
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# AWPR vs AWDR



Source: CBSL

# Interest Spread



Source: CBSL

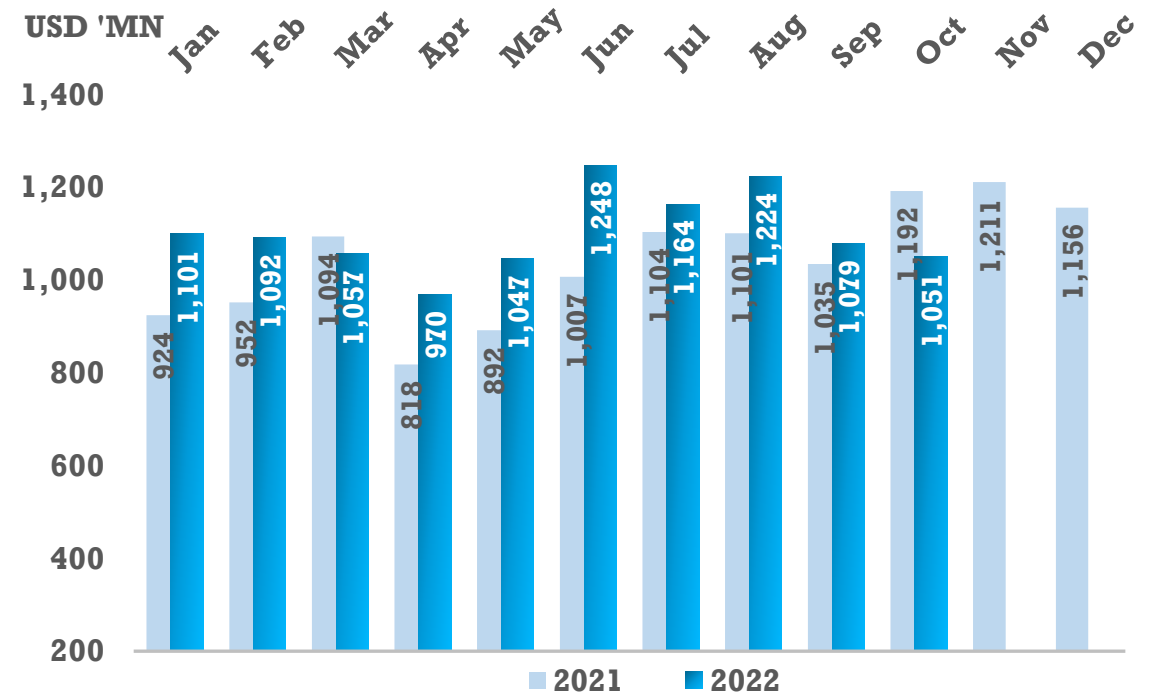
# FINANCE SECTOR RATE MOVEMENTS



# EXTERNAL SECTOR – OCT 22 – EXPORTS

Exports for Oct decreased by 11.9%YoY to USD 1,050.6Mn owing to the decrease in earnings from industrial and agricultural exports while mineral exports recorded an incline. Decline in earnings from the export of industrial goods were mainly led by lower export earnings from garments as exports to most of the major markets declined while Food, Beverage and Tobacco, and Transport Equipment also contributed towards the lower exports during the period. Furthermore, earnings from exports of petroleum products that comprise bunkering and aviation fuel also declined due to lower export volumes despite a notable increase in average export prices in line with higher global fuel prices. Meanwhile, decline in agricultural exports was due to the decline in earnings from spices, coconut kernel products and seafood. On a positive note, Mineral exports recorded a growth driven by export earnings from titanium ores.

Category	2021 (USD 'Mn)	2022 (USD 'Mn)	Change (%)
Industrial Exports			
- Oct	946.8	819.9	-13.4
- YTD	7,849.9	8,820.5	12.4
Agricultural			
- Oct	241.6	225.6	-6.6
- YTD	2,228.3	2,165.3	-2.8
Mineral Exports			
- Oct	2.2	3.2	46.4
- YTD	36.0	27.3	-24.1
<b>Total</b>			
- Oct	1,192.3	1,050.6	-11.9
- YTD	10,130.8	11,031.7	8.9

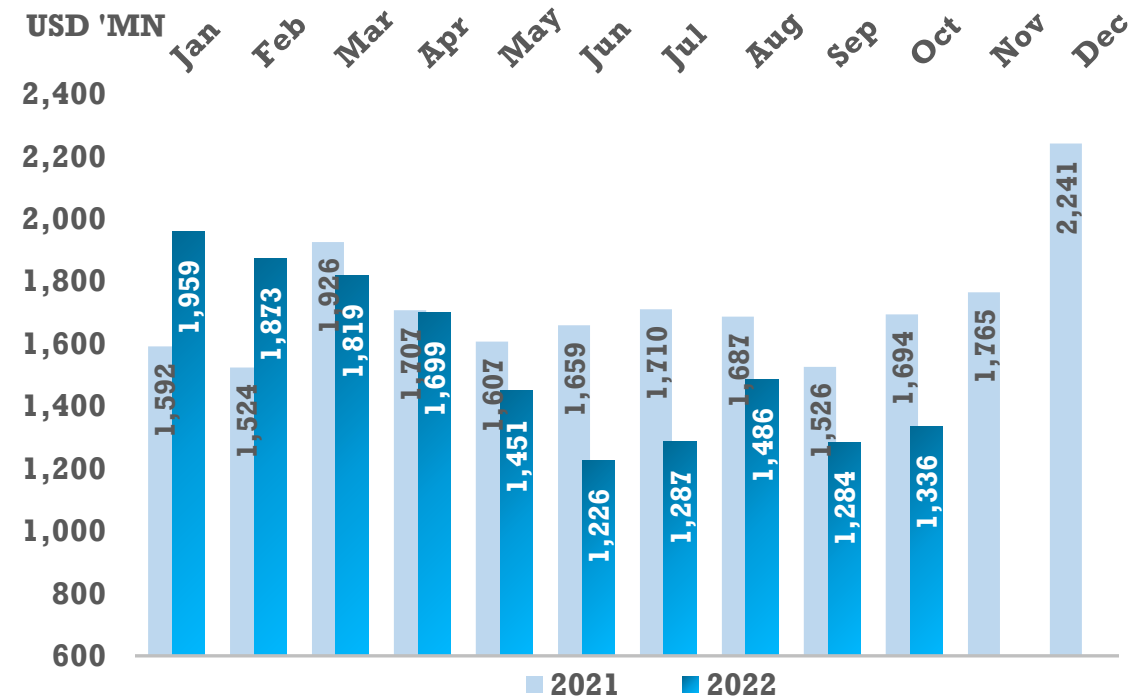


Source: CBSL  
Dec 2022

# EXTERNAL SECTOR – OCT 22 – IMPORTS

Import expenditure declined by 21.2%YoY to USD 1.3Bn in Oct 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 home appliances, telecommunication devices (mainly mobile phones) and household and furniture items. Meanwhile, expenditure on importation on food and beverages increased during the month with the increase in import volumes of cereals and milling industry products. Decline in Expenditure for importation of intermediate goods was contributed by the decline in base metals imports whilst wheat grain and maize, and textile and textile articles also reported a decline. Meanwhile, import expenditure on fuel which consists of crude oil, refined petroleum and coal increased amidst the higher average import prices. 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			
- Oct	233.6	202.1	-13.5
- YTD	3,123.6	2,348.8	-24.8
Intermediate			
- Oct	1,132.6	945.2	-16.5
- YTD	9,923.4	10,442.6	5.2
Investment goods			
- Oct	327.3	188.2	-42.5
- YTD	3,576.1	2,621.2	-26.7
<b>Total</b>			
- Oct	1,694.3	1,335.7	-21.2
- YTD	16,631.8	15,420.9	-7.3

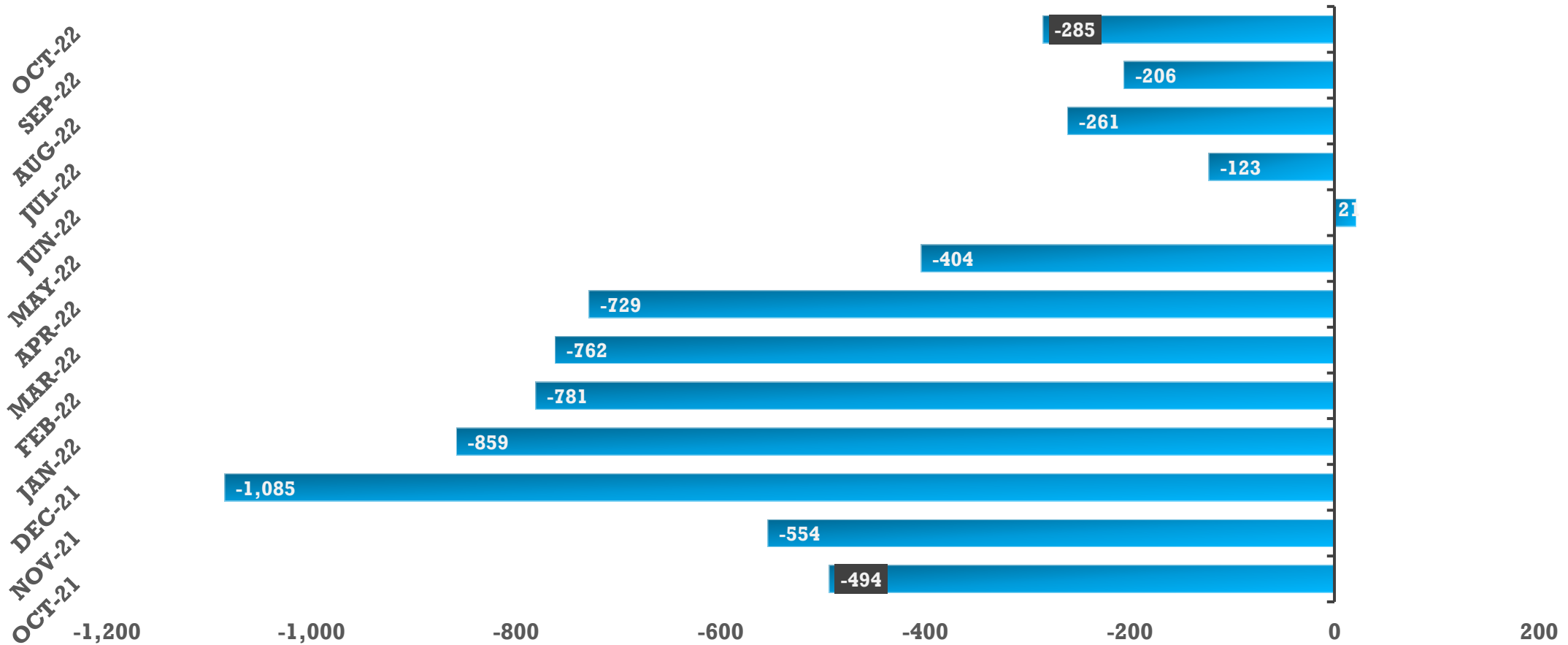


Source: CBSL

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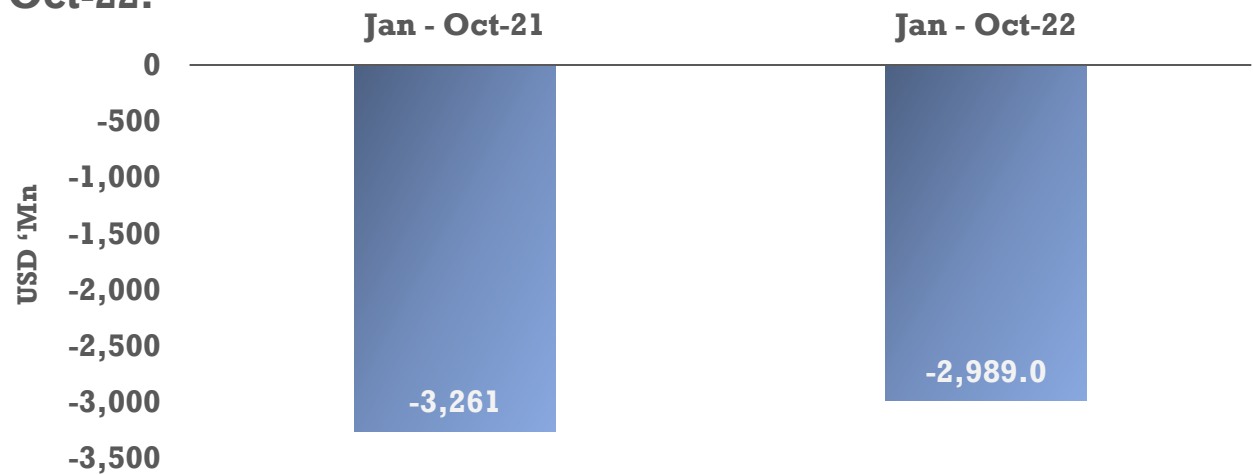
# EXTERNAL SECTOR – OCT 22

## Balance of Trade



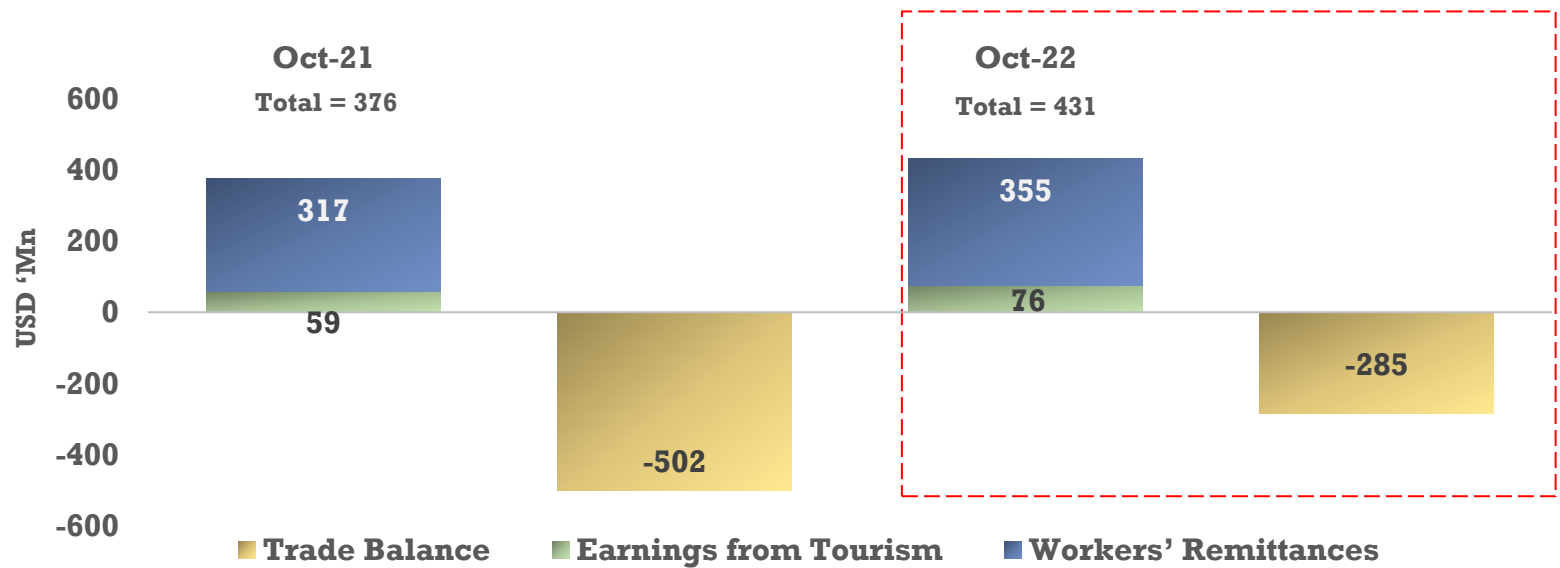
Source: Central Bank

BoP for Jan – Oct-22 recorded at USD -2,989.0Mn compared to Jan – Sep-22 amount of USD -2,927.0Mn recording a net outflow of USD 62.0Mn for the month of Oct-22.



Source: CBSL

Workers' Remittances inclined to USD 355.0Mn in Oct-22 (+12.0%YoY). Earnings from Tourism for Oct-22 improved to USD 76.0Mn from USD 59.0Mn in Oct-21.



Source: CBSL

## BALANCE OF PAYMENT DEFICIT INCREASED YOY IN OCT 2022

Oct USD 'Mn	2021	2022	Change (%)
Trade Balance	-502	-285	
Earnings from Tourism	59	76	+28.8
Workers' Remittances	317	355	+12.0

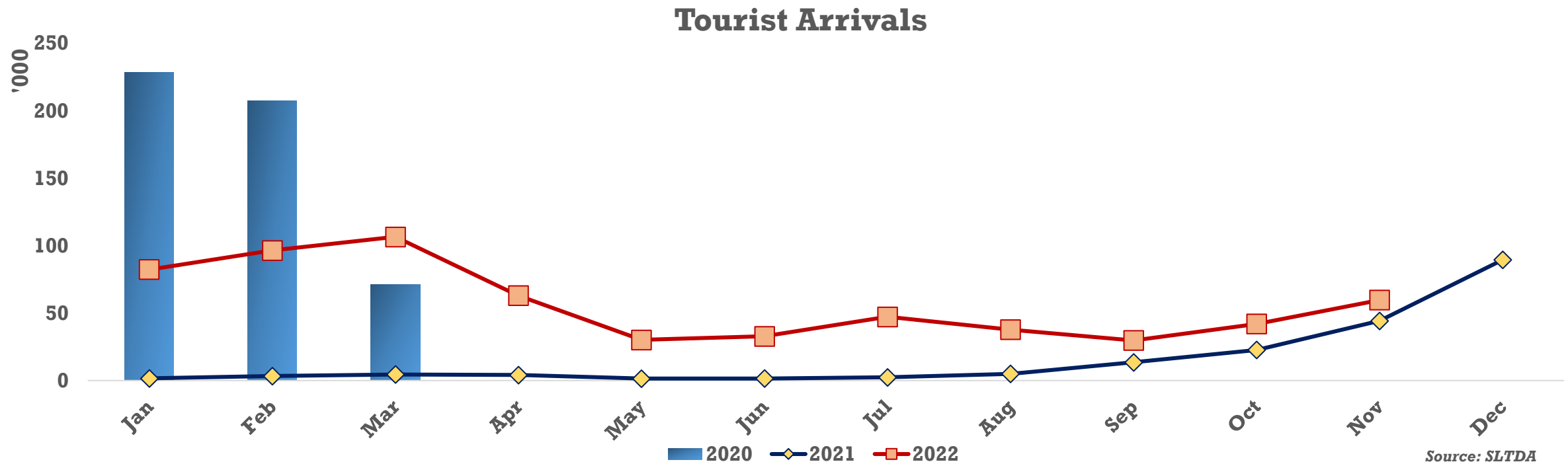
YTD USD 'Mn	2021	2022	Change (%)
Trade Balance	-6,501	-4,389	
Earnings from Tourism	158	1,022	>100
Workers' Remittances	4,895	2,929	-40.2

Source: CBSL

# TOURIST ARRIVALS – NOV 2022

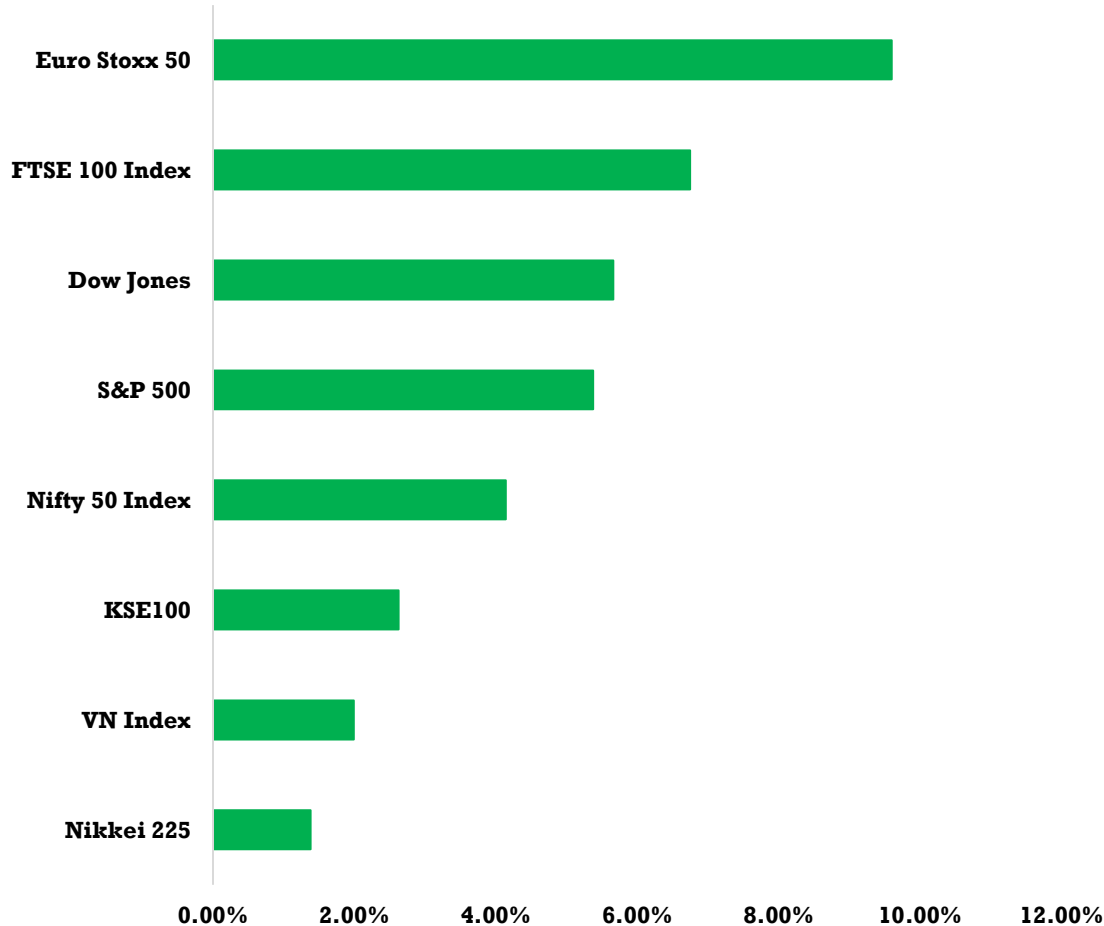
[ NOV 59,759 – **UP +34.9%YoY**] [YTD 628,017 – **UP +222.9%YoY**]

The total number of tourist arrivals to Sri Lanka during Nov 2022 was recorded at 59,759 displaying an increase of 34.9% 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 Nov 2022 were Russia, India and Germany.



Source: SLTDA

# GLOBAL MARKET



First Capital Research

Source: Investing.com

## New Year Holds Promise for China IPOs After a Record 2022 Haul

Chinese companies raised a record amount in initial public offerings at home this year, defying a global slump. And with the end of Covid Zero in sight, 2023 could be set for another strong showing. Listings in Shanghai, Shenzhen and the recently inaugurated Beijing exchange brought in USD92Bn this year. That's propelled China's share in the global tally for IPO proceeds to 46%, nearly four times the US, from just 13% at the end of last year.

Bloomberg



## Walmart-backed fintech startup plans to launch its own buy now, pay later loans

A Walmart backed startup is looking to compete with buy now, pay later companies. The venture, called One, is gearing up to launch its own version of the payment service as soon as next year, according to a source familiar with the matter. One, which is majority-owned by Walmart, wants to launch a service that shoppers could use at Walmart's website and stores, as well as at other retailers, the source said. The effort was motivated in part by a more challenging economic backdrop and consumers feeling pinched by inflation.

## Air India nears historic order for up to 500 jets

Air India is close to placing landmark orders for as many as 500 jetliners worth tens of billions of dollars from both Airbus and Boeing as it carves out an ambitious renaissance under the Tata Group conglomerate. The orders include as many as 400 narrow-body jets and 100 or more wide-bodies, including dozens of Airbus A350s and Boeing 787s and 777s, they said, speaking on condition of anonymity as finishing touches are placed on the mammoth deal in coming days.



REUTERS  
WORLD

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