



First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

Apr 2024

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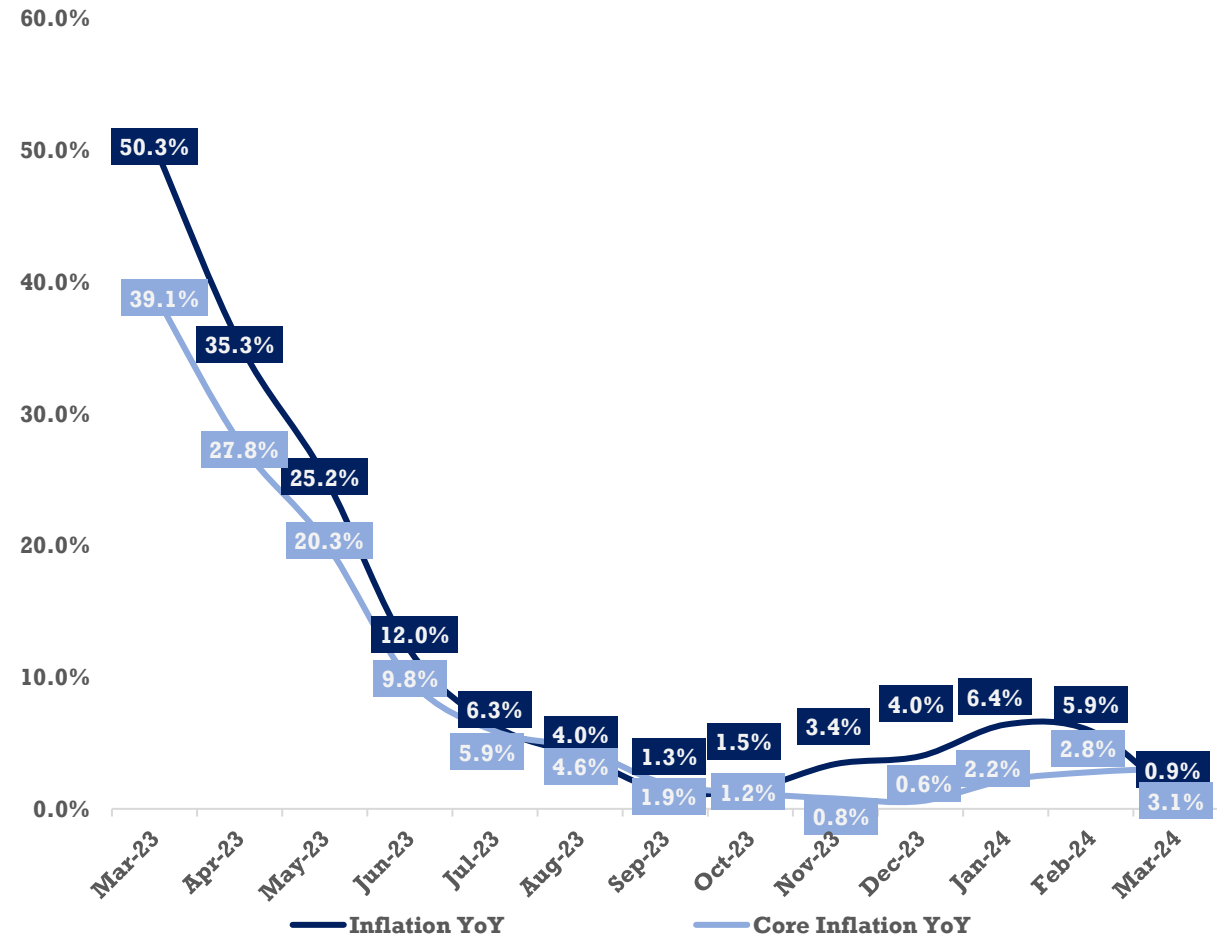
CENTRAL BANK OF SRI LANKA FURTHER REDUCES POLICY INTEREST RATES

- CBSL has decided to reduce the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 50bps to 8.50% and 9.50%, respectively with the objective to maintain inflation at the targeted level of 5.0% over the medium term, while enabling the economy to reach its potential.
- The Board considered various factors for the decision, including subdued demand, lower tax impact, stable inflation, minimal external sector pressures, and the importance of lowering market interest rates.
- The Board noted that near-term inflation risks would not significantly alter the medium-term outlook due to the prolonged period of subdued economic activity.
- The Board emphasized the need for swift transmission of monetary easing measures by financial institutions to market interest rates to expedite its normalization in the period ahead.

INFLATION – CCPI

CCPI FOR MAR 2024:
MOM -1.9%
YOY +0.9%

- MoM inflation declined by -1.9% MoM with the decrease in inflation of Food group by -2.1% and decrease in inflation of Non-food group by -1.9%, respectively.
- The YoY inflation decreased to 0.9% in Mar 2024. YoY inflation of Food group increased to 3.8% in Mar 2024, while Non-Food group decreased to -0.5% in Mar 2024 from 7.0% in Feb 2024.



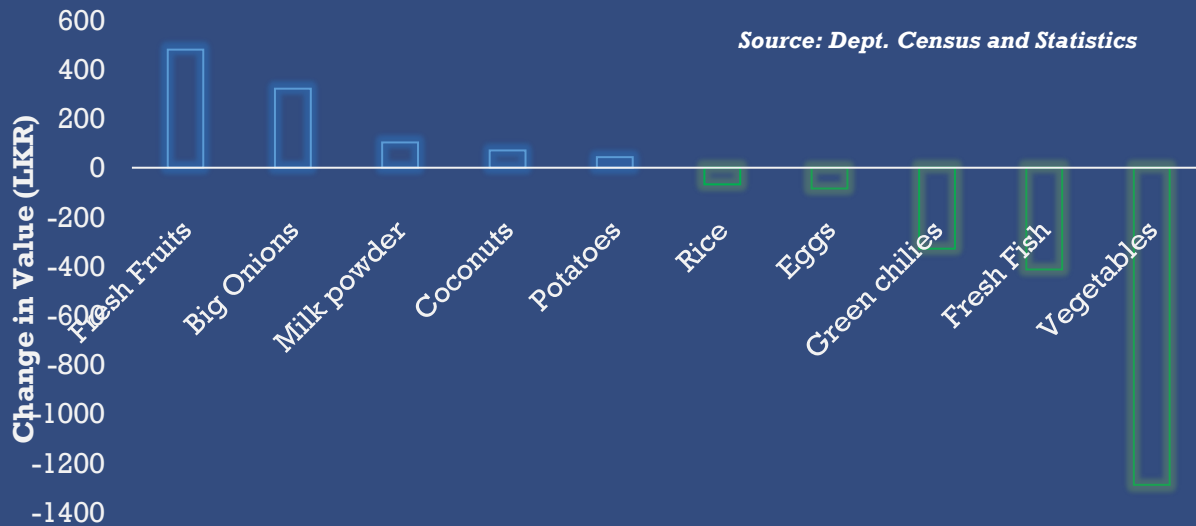
Source: Dept. Census and Statistics

INFLATION ANALYSIS – CCPI-MOM

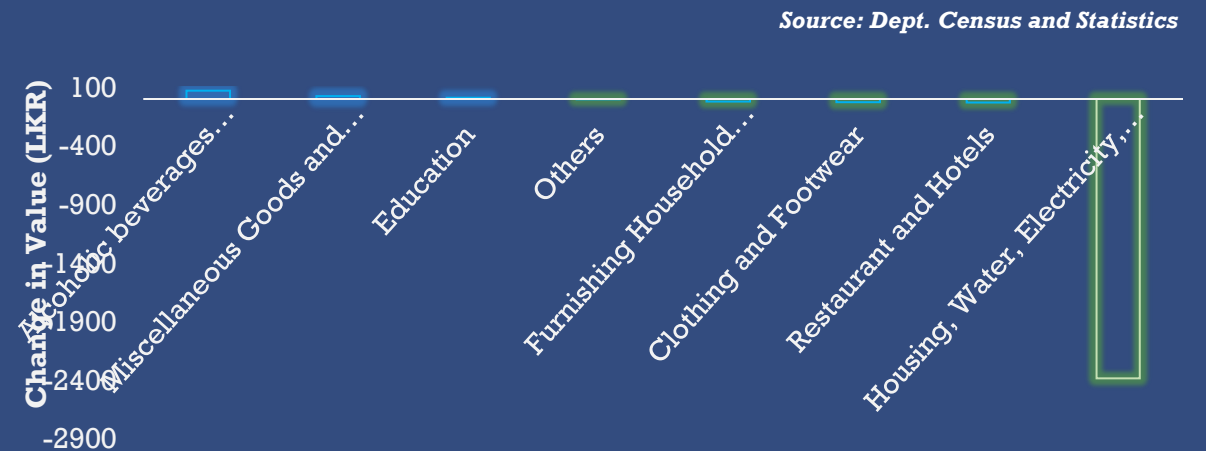
The CCPI index declined by -1.9%MoM contributed by the decrease in expenditure of Food items by 0.66% and a decrease in expenditure of Non-Food items by 1.28%. Within the Food items, decrease in value changes were mainly reported for Vegetables, Fresh Fish, Green chilies, Eggs and Rice. Among Non-Food groups, decrease in value changes were mainly reported in Housing, Water, Electricity, Gas and Other Fuels, Restaurant and Hotels, Clothing and Footwear etc.



Food Category Inflation

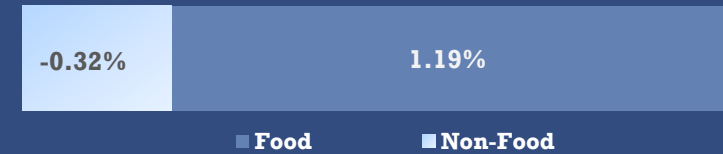


Non-Food Category Inflation

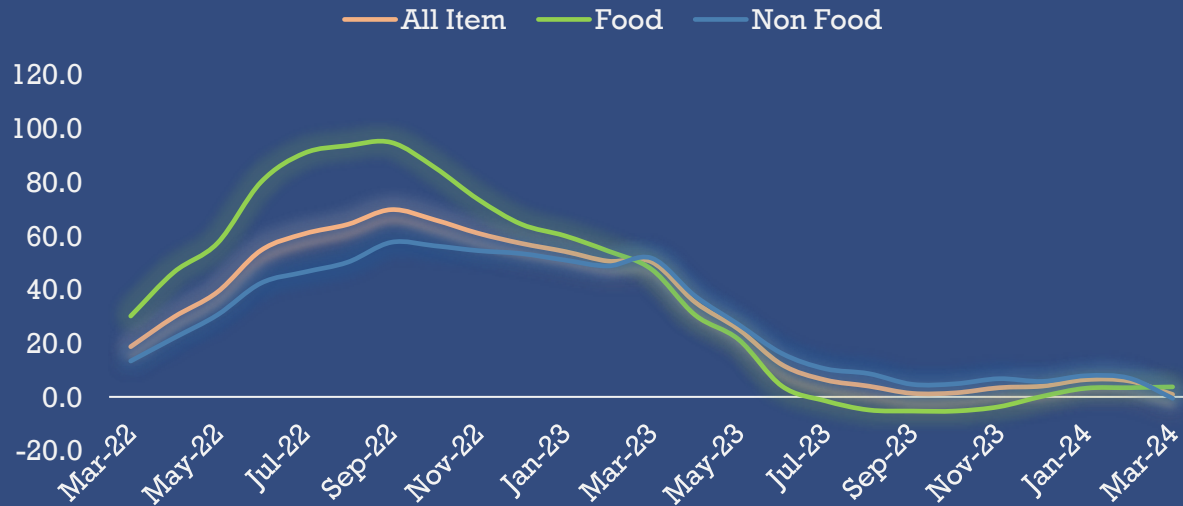


INFLATION ANALYSIS – CCPI-YOY

The YoY inflation of CCPI for Mar 2024 was 0.9% and has decreased relative to the month of Feb 2024. Food item prices increased to 3.8%YoY in Mar 2024 while the Non-Food item prices decreased to -0.5%YoY in Mar 2024 from 7.0%YoY in Feb 2024. The contribution from food category for YoY inflation was 1.19% while the contribution of Non-Food items stood at -0.32% mainly due to the decrease in prices of Housing, Water, Electricity, Gas & Other Fuels, Transport, Health, Clothing and Footwear, etc.

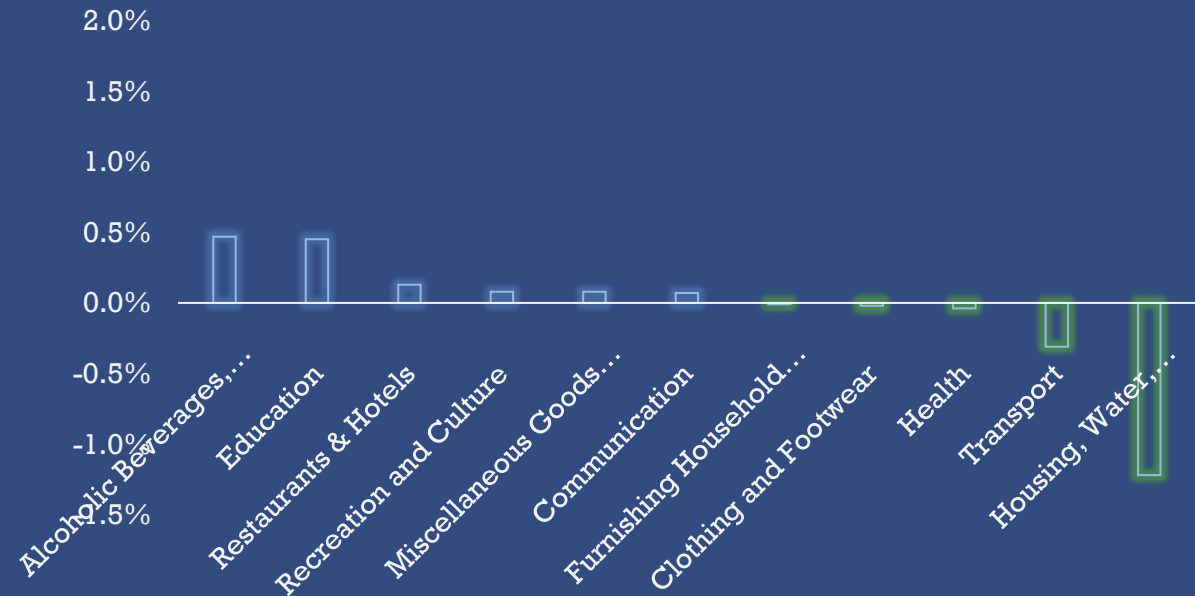


Inflation Analysis (YoY)



Source: Dept. Census and Statistics

Non-Food Category Inflation

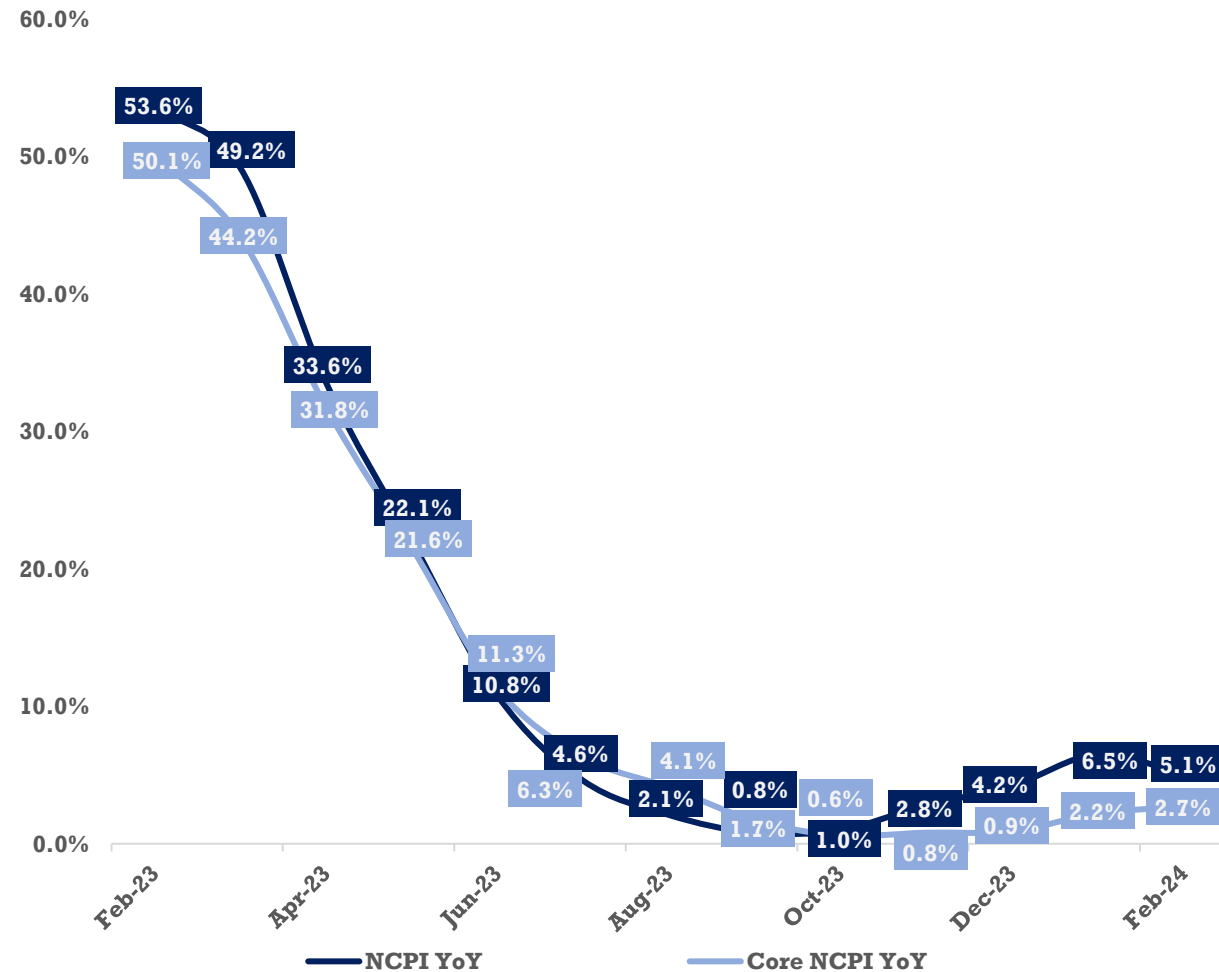


Source: Dept. Census and Statistics

INFLATION – NCPI

NCPI FOR FEB 2024: DECREASED TO 5.1%YOY

- NCPI for Feb 2024 decreased to 5.1% compared to 6.5% in Jan 2024.
- Decrease in inflation was mainly driven by the price decline in Non-Food commodities. Accordingly, YoY Non-Food inflation decreased to 5.1% in Feb 2024 compared to 8.5% in Jan 2024 while YoY Food inflation increased to 5.0% in Feb 2024 from 4.1% in Jan 2024 .



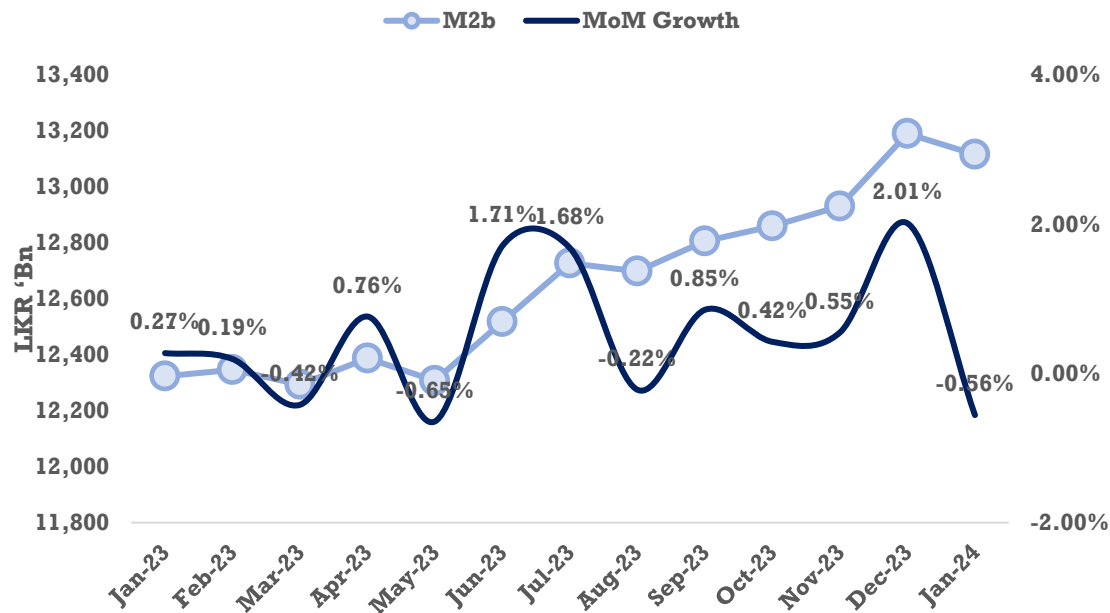
Source: Dept. Census and Statistics

M2B AND CREDIT GROWTH

Private sector credit contracted by LKR 52.2Bn in Jan-24 compared to Dec-23, after persistent increase in the last 7-months. Meanwhile, State credit inclined slightly by LKR 27.3Bn relative to the previous month.

M2b Growth – Jan 2024

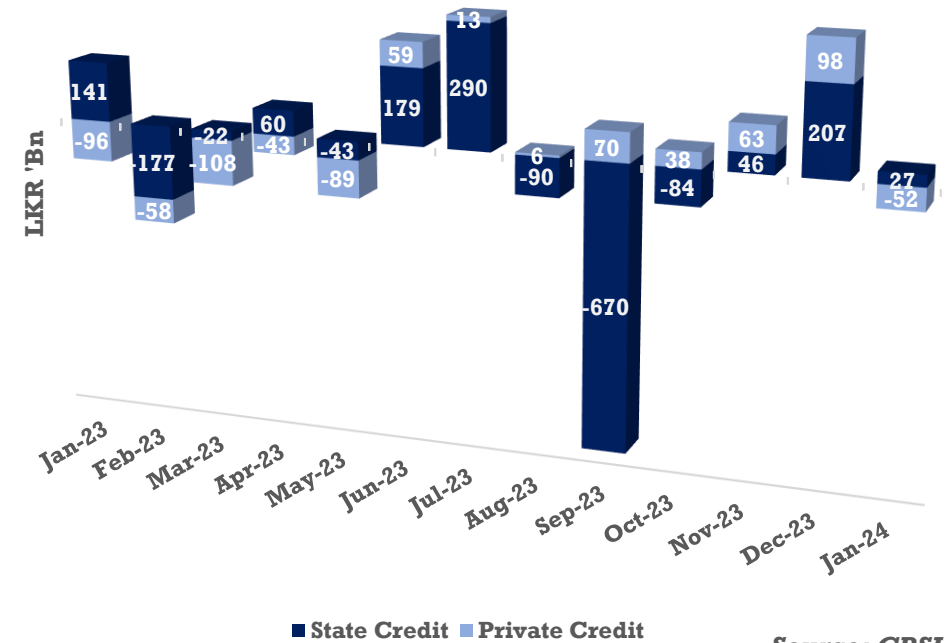
MoM -0.56%, YoY +6.43%, YTD -0.56%



Source: CBSL

State Credit & Private Credit – Jan 2024

Private Credit MoM -0.71%, YoY -0.05%, YTD -0.71%

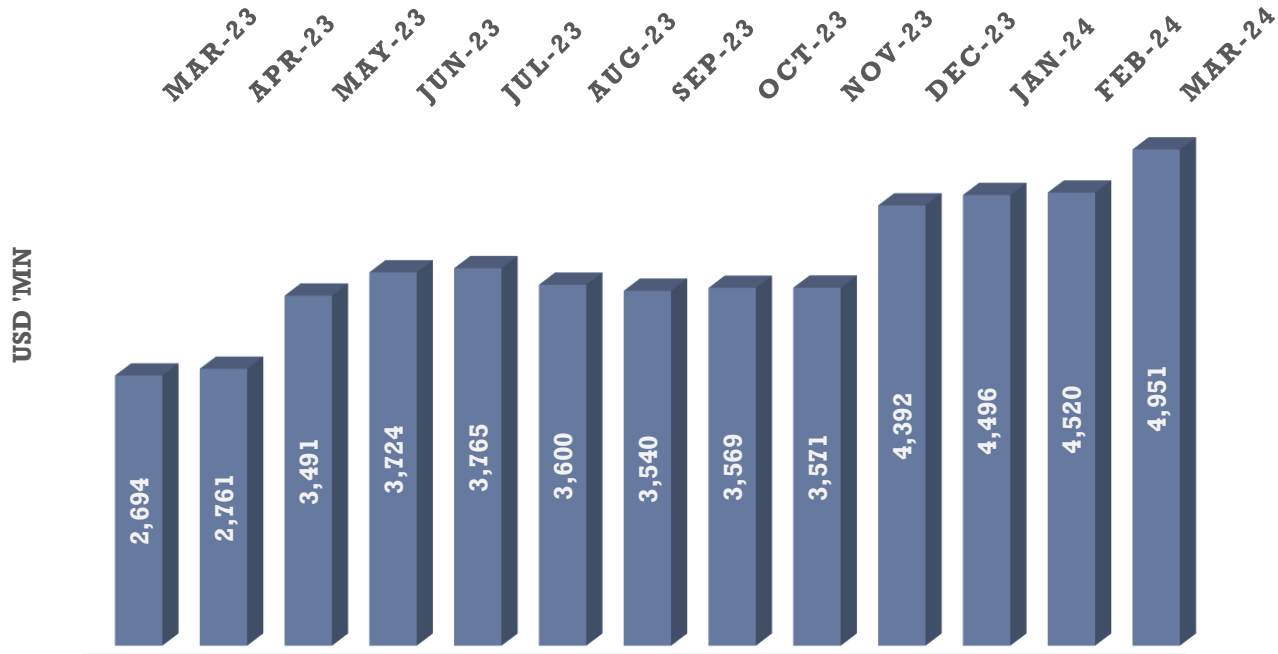


Source: CBSL

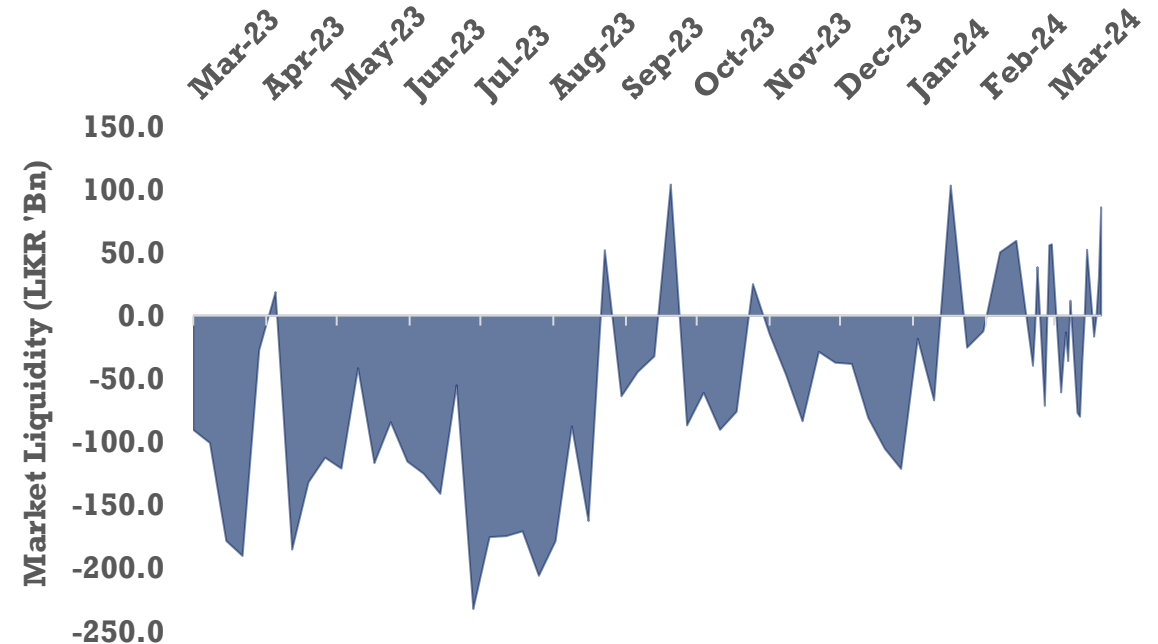
LIQUIDITY & RESERVES

- Foreign Reserves increased by USD 431.0Mn to USD 5.0Bn in Mar 2024 led by the continuous buying of dollars by the Government.

- Market Liquidity fluctuated and broadly remained in the negative territory during the month of Mar 2024.



Source: CBSL



Source: CBSL

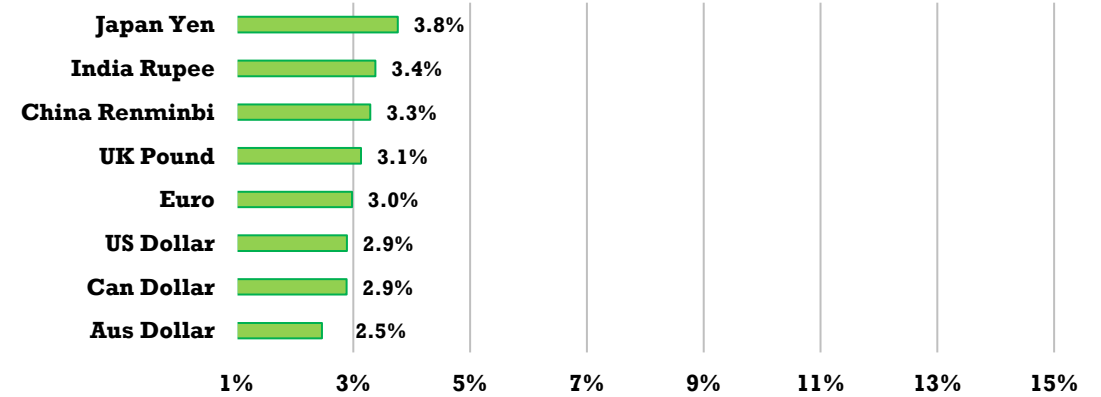
CURRENCY MOVEMENT

USD:LKR Movement

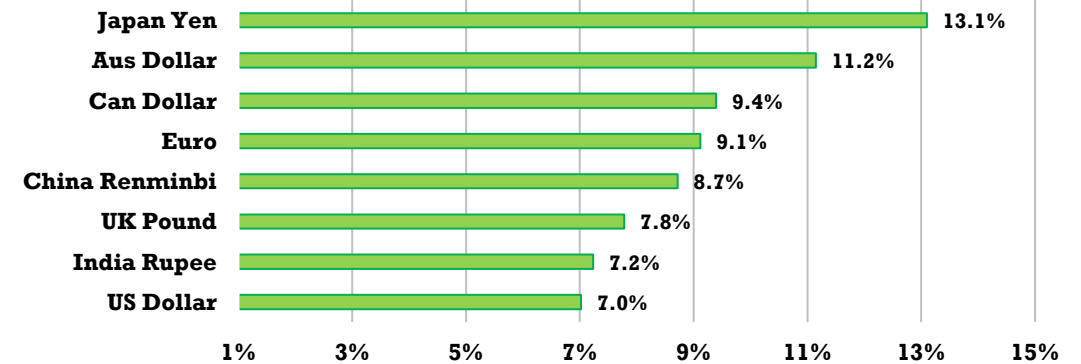


Sri Lankan Rupee vs Global Currencies

Mar 2024



YTD 2024



GOVERNMENT SECURITIES – NEW ISSUES

Bill and Bond auctions for Mar 2024

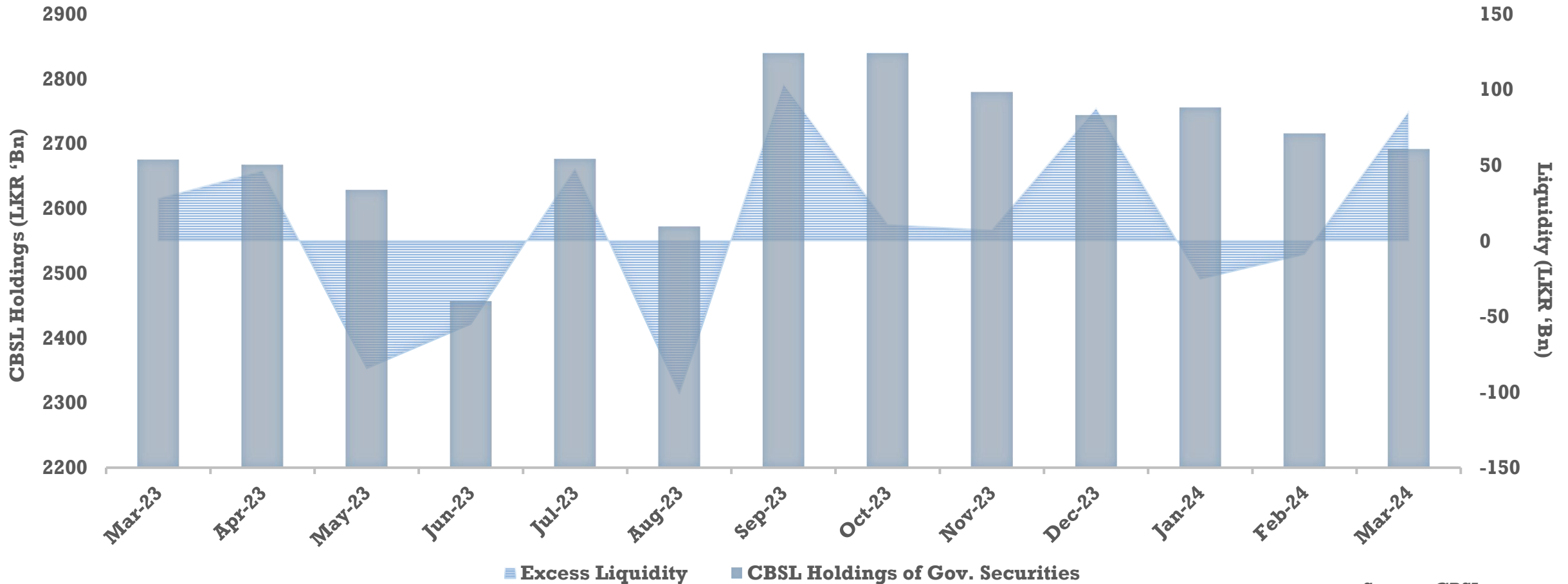
Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
01-Mar-24	106,328		106,328
08-Mar-24			
15-Mar-24	331,300	284,000	615,300
22-Mar-24	145,884		145,884
29-Mar-24			
Total Issued			867,512

Net Settlement	Mar 2024	YTD
Maturities	942,624	2,251,617
New Issues	867,512	2,297,674
Excess/ (Deficit)	(75,112)	46,057

CBSL Holdings of Gov. Securities	YTD	
As at End Mar 2024	2,691,300	
As at End Feb 2024	2,716,560	
Increase/ (Decrease)	(24,300)	(52,300)

CBSL HOLDINGS OF GOV. SECURITIES...

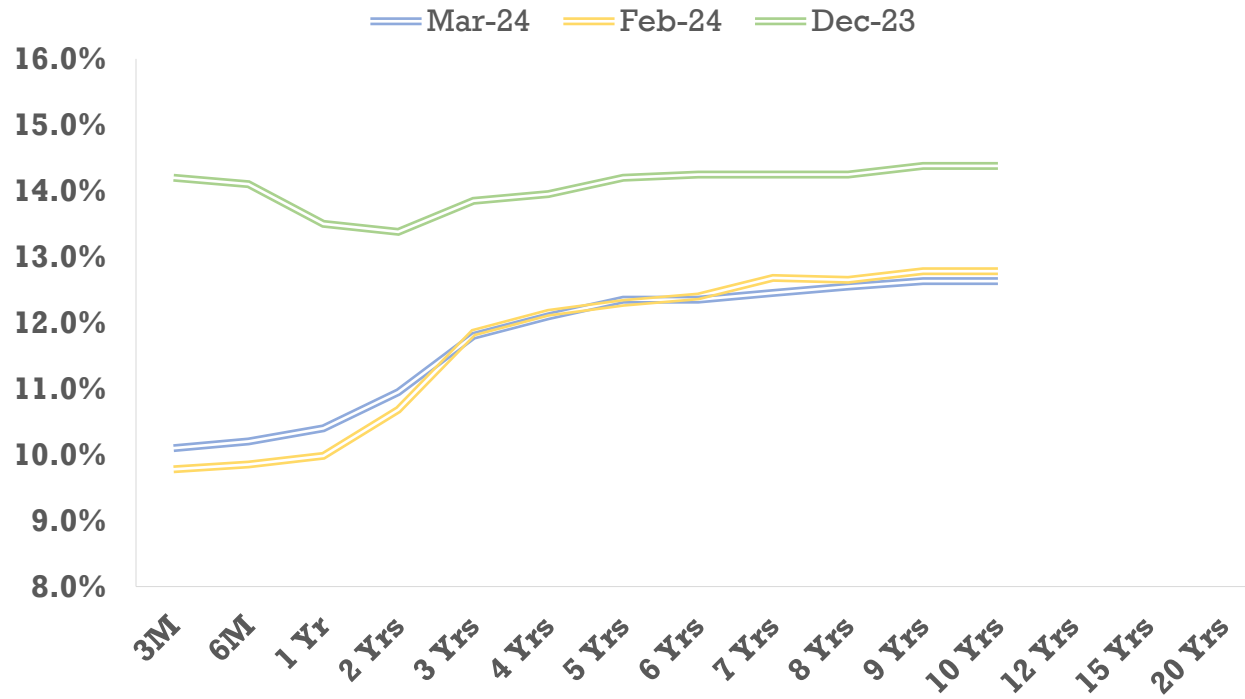
...declined by LKR 24.4Bn in Mar 2024



Source: CBSL

TREASURY BILLS AND BONDS – MAR 2024

The secondary market activities reverted to a dull stance during the month of March, led by mixed sentiment from market participants. Despite limited activities, liquid tenors such as 2026, 2027 and 2028 garnered interest largely, with buying appetite dominating at the beginning of the month whilst the sentiment reversed in the latter period. Short tenors edged higher in March, amidst the consecutive uptick in WAYR at the T-Bill auctions in the first three weeks of March.

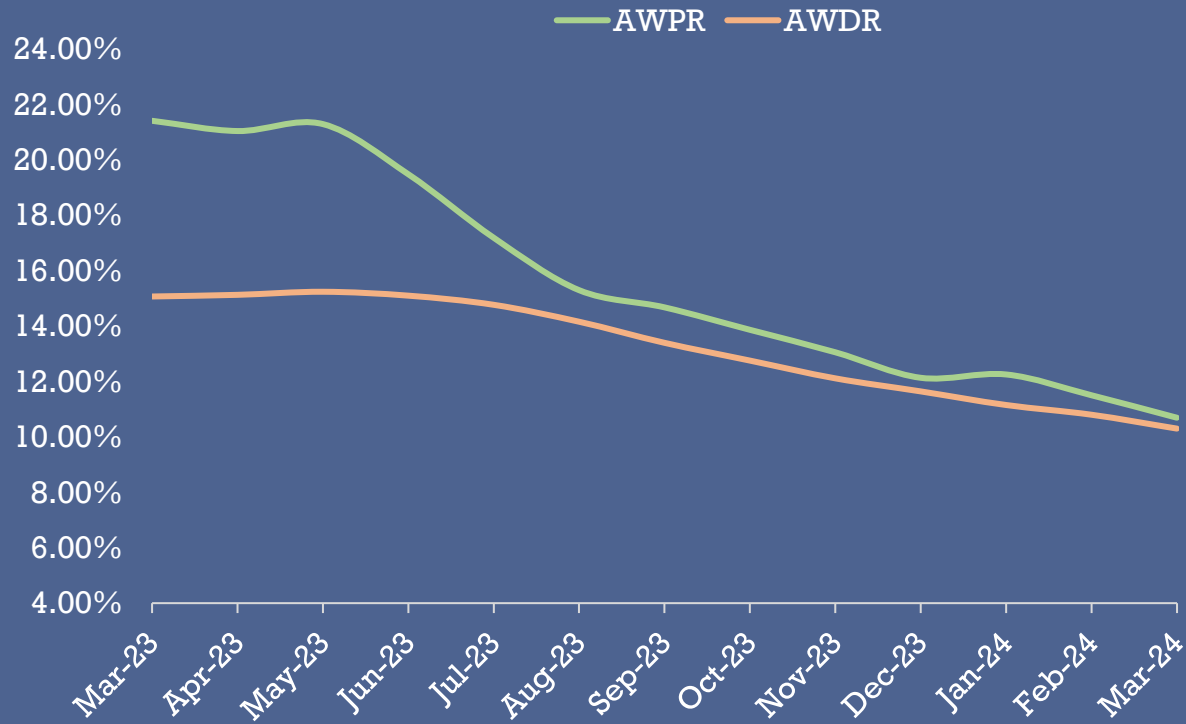


Source: First Capital Research

Tenure	Interest Rate Change (bps)				
	Mar-24	Feb-24	Change (bps)	Dec-23	Change (bps)
3M	10.10%	9.78%	32	14.20%	-410
6M	10.20%	9.85%	35	14.10%	-390
1 Yr	10.40%	9.98%	42	13.50%	-310
2 Yrs	10.95%	10.68%	27	13.38%	-243
3 Yrs	11.80%	11.85%	-5	13.85%	-205
4 Yrs	12.10%	12.15%	-5	13.95%	-185
5 Yrs	12.35%	12.30%	5	14.20%	-185
6 Yrs	12.35%	12.40%	-5	14.25%	-190
7 Yrs	12.45%	12.68%	-23	14.25%	-180
8 Yrs	12.55%	12.65%	-10	14.25%	-170
9 Yrs	12.63%	12.78%	-15	14.38%	-175
10 Yrs	12.63%	12.78%	-15	14.38%	-175
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

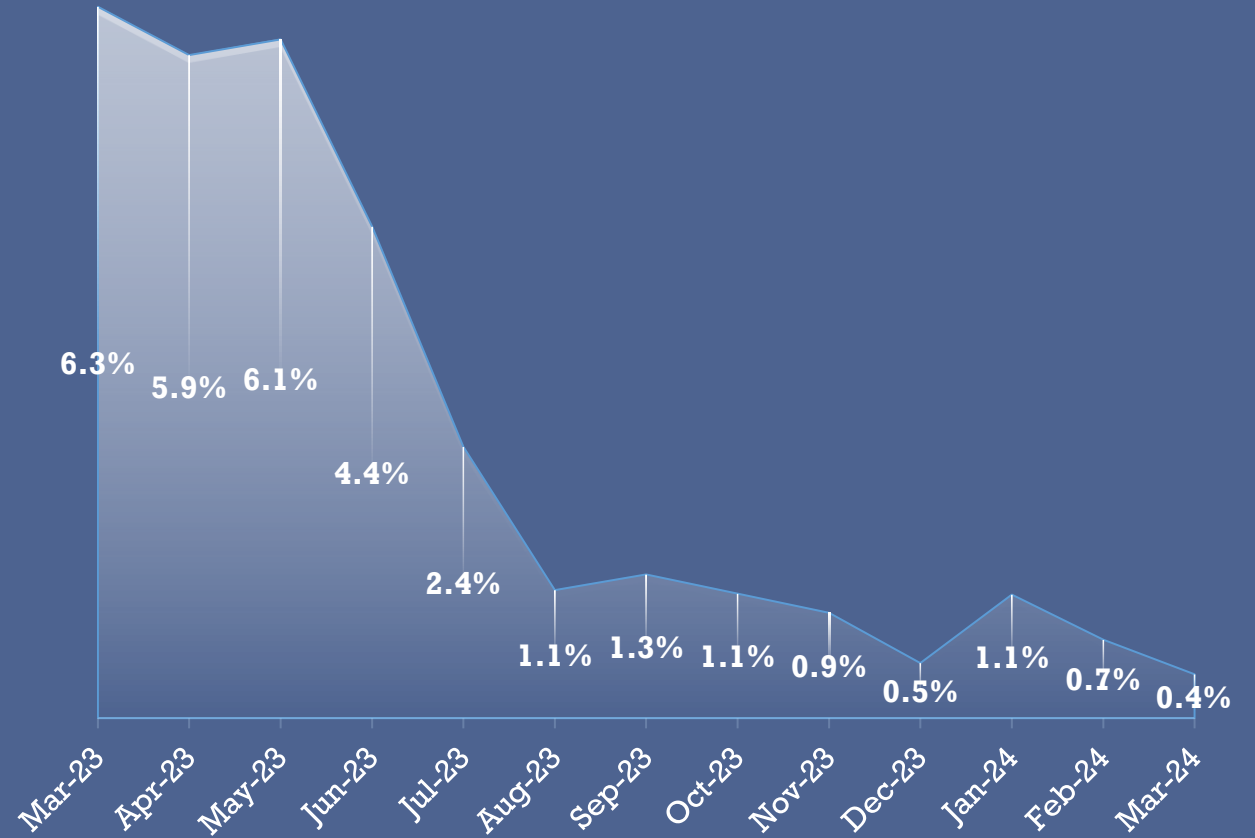
Source: First Capital Research
Apr 2024

AWPR vs AWDR



Source: CBSL

Interest Spread



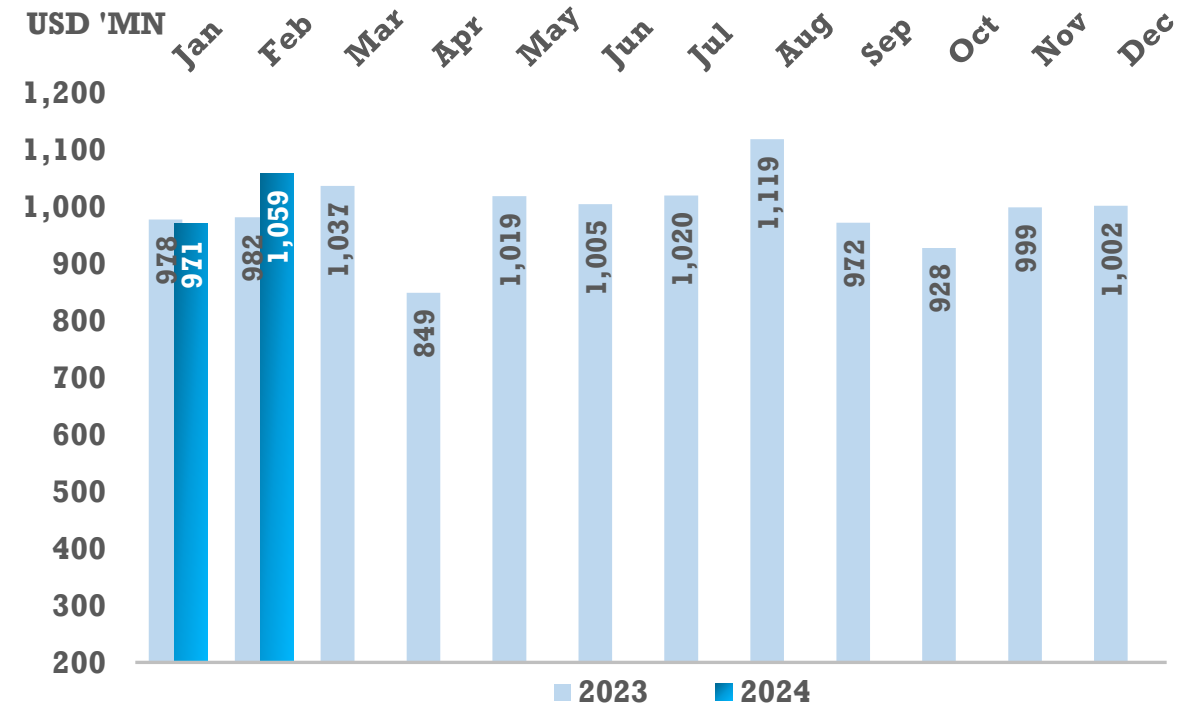
Source: CBSL

FINANCE SECTOR RATE MOVEMENTS

EXTERNAL SECTOR – FEB 24 – EXPORTS

In Feb 24, earnings from exports rose by 7.9%YoY to USD 1,059.3Mn, up from USD 982.0Mn in Feb 23. All major export categories, including industrial, agricultural, and mineral goods, saw increases. Industrial exports were boosted by petroleum products, driven by higher volumes of bunkering and aviation fuel exports. Agricultural exports, particularly tea, saw improved earnings due to higher volumes and prices. Mineral exports also experienced a slight increase. Additionally, exports in Feb 24 surpassed those of Jan 24, with textiles and garment exports leading the rise.

Category	2023 (USD 'Mn)	2024 (USD 'Mn)	Change (%)
Industrial Exports			
- Feb	777.1	833.6	7.3
- YTD	1,558.3	1,605.1	3.0
Agricultural			
- Feb	201.2	221.9	10.3
- YTD	392.2	417.4	6.4
Mineral Exports			
- Feb	1.6	1.9	16.6
- YTD	5.2	3.3	-36.6
Total			
- Feb	982.0	1,059.3	7.9
- YTD	1,960.1	2,030.0	3.6

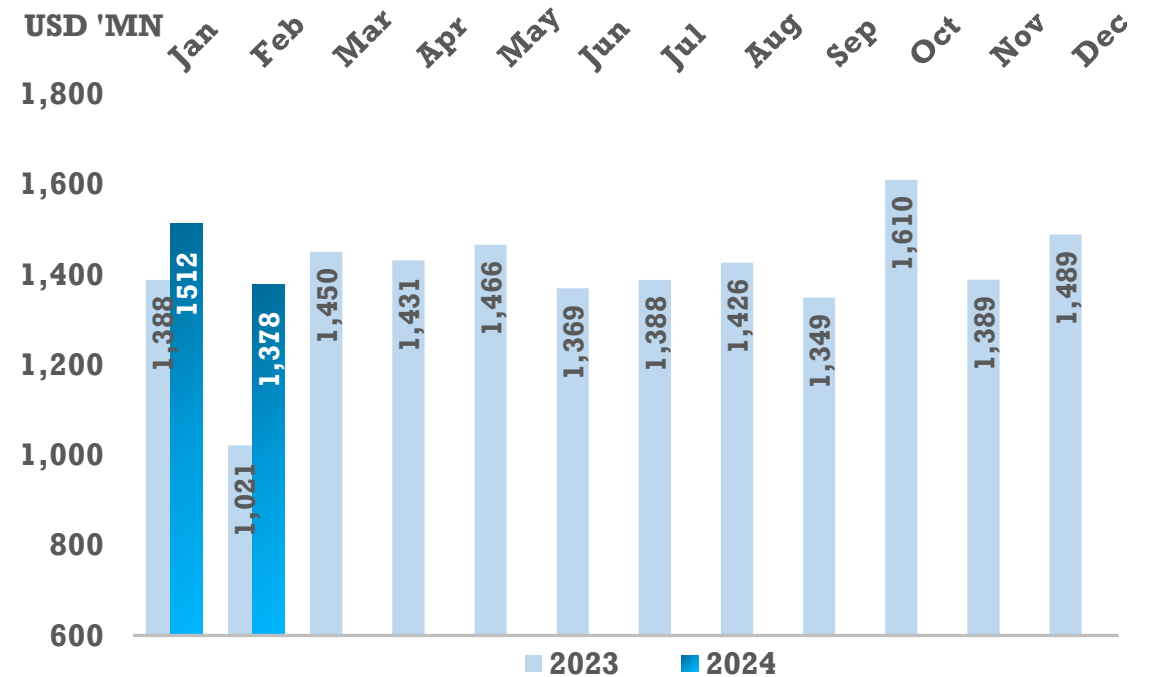


Source: CBSL
Apr 2024

EXTERNAL SECTOR – FEB 24 – IMPORTS

In Feb 24, expenditure on imports surged by 35.0%YoY to USD 1,378.4Mn compared to a lower base of USD 1,021.0Mn in Feb 23. This increase spanned all major import categories, attributed to relaxed import restrictions, economic normalization, and looser monetary conditions. Consumer goods imports saw a rise driven by increased spending on both food and non-food items. Intermediate goods imports rose due to higher fuel and textile imports, while wheat imports declined notably. Expenditure on investment goods increased broadly, fueled by machinery, equipment (especially cranes), and building materials (primarily iron and steel). However, compared to Jan 24, overall import expenditure decreased notably in Feb 24, primarily due to reduced fuel expenditure stemming from ample stocks and lower demand.

Category	2023 (USD 'Mn)	2024 (USD 'Mn)	Change (%)
Consumer goods			
- Feb	202.2	249.6	23.4
- YTD	420.7	530.9	26.2
Intermediate			
- Feb	637.7	840.2	31.8
- YTD	1,643.6	1,820.7	10.8
Investment goods			
- Feb	180.9	286.2	58.3
- YTD	379.7	535.6	41.1
Total			
- Feb	1,021.0	1,378.4	35.0
- YTD	2,444.4	2,890.2	18.2

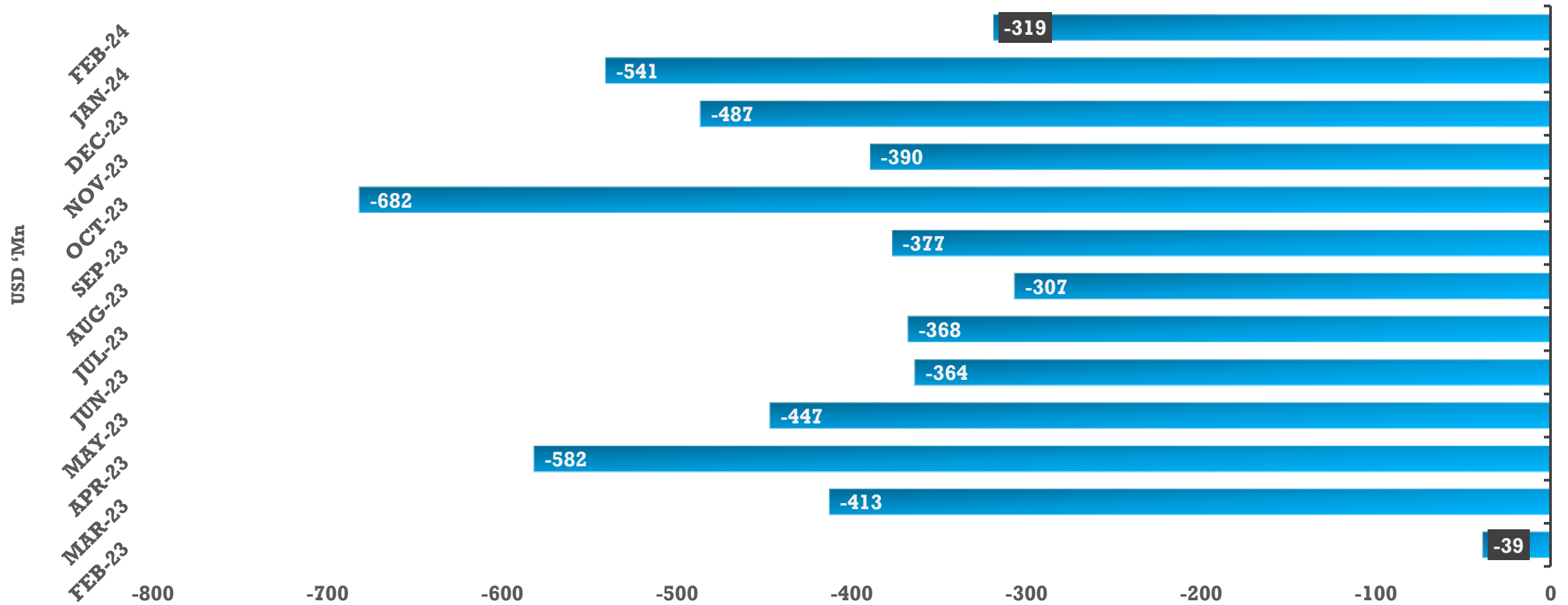


Source: CBSL

Apr 2024

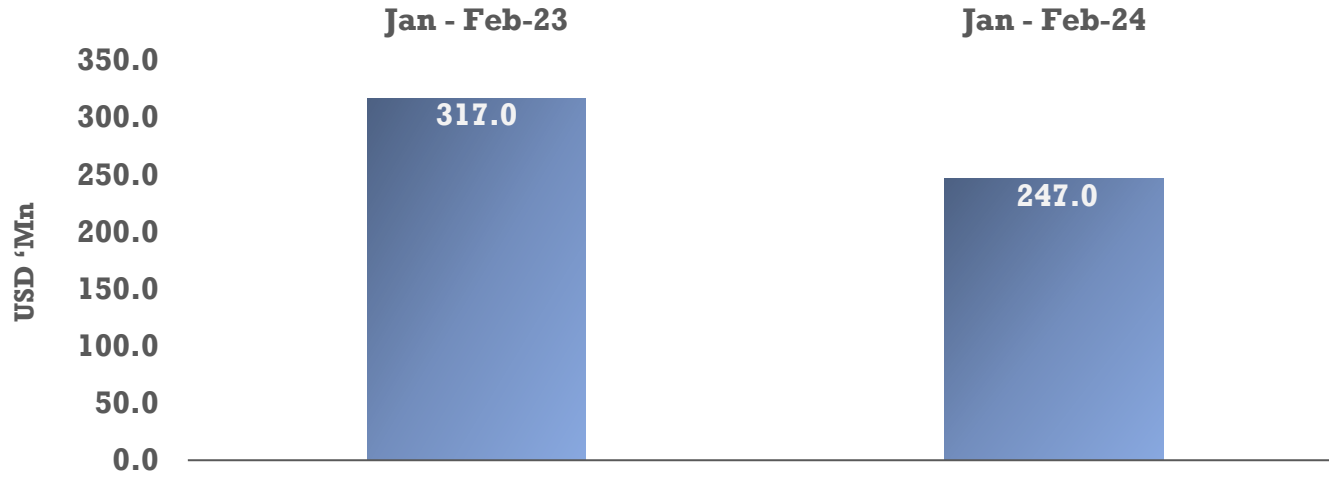
EXTERNAL SECTOR – FEB 24

Balance of Trade



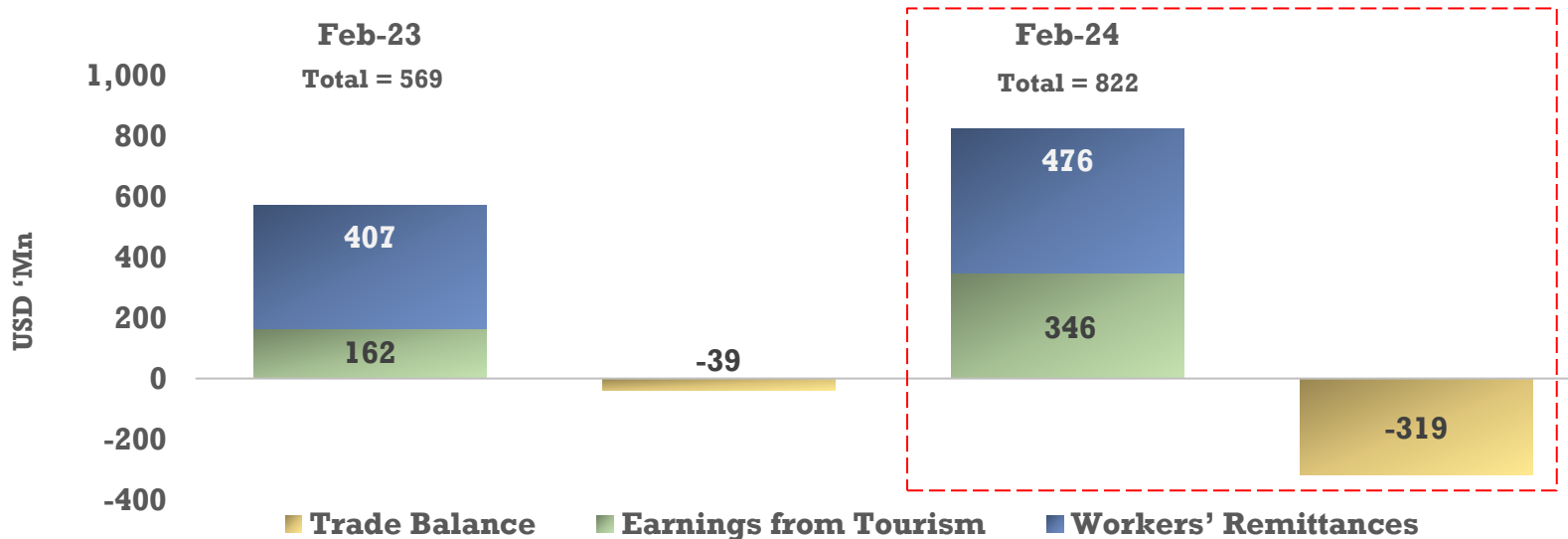
Source: Central Bank

BoP for Jan–Feb-24 recorded at USD 247.0Mn compared to Jan-24 amount of USD 178.0Mn resulting in a net inflow of USD 69.0Mn, for the month of Feb-24.



Source: CBSL

Workers' Remittances increased to USD 476.0Mn in Feb-24 (+16.9%YoY). Earnings from Tourism for Feb-24 increased to USD 346.0Mn from USD 162.0Mn in Feb-23.



Source: CBSL

BALANCE OF PAYMENT INCREASED YOY IN FEB-24

Feb USD 'Mn	2023	2024	Change (%)
Trade Balance	-39	-319	
Earnings from Tourism	162	346	+113.9
Workers' Remittances	407	476	+16.9

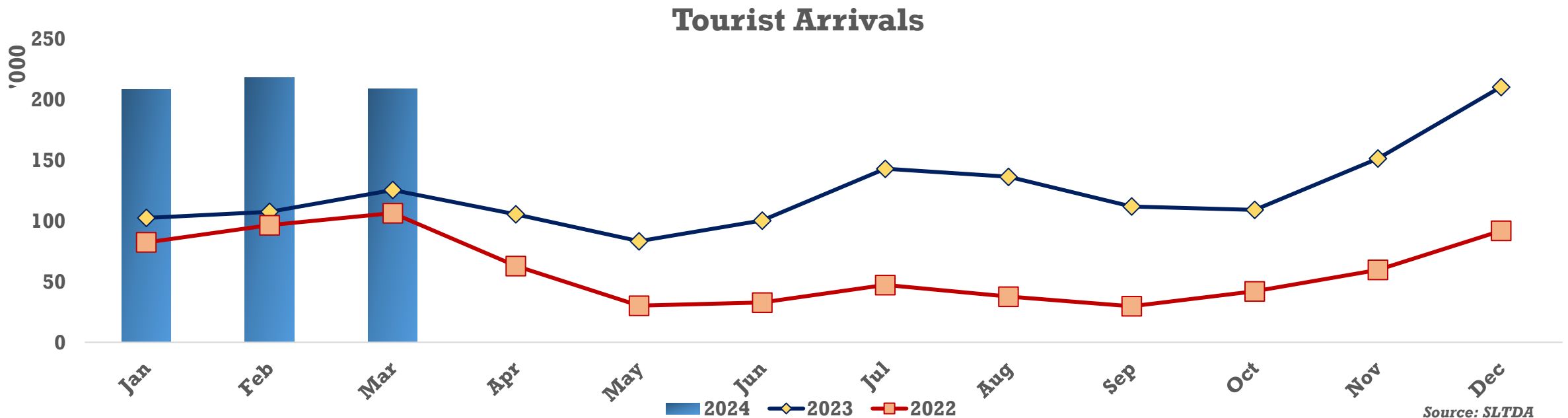
YTD USD 'Mn	2023	2024	Change (%)
Trade Balance	-484	-860	
Earnings from Tourism	315	687	+118.2
Workers' Remittances	845	964	+14.1

Source: CBSL

TOURIST ARRIVALS – MAR 2024

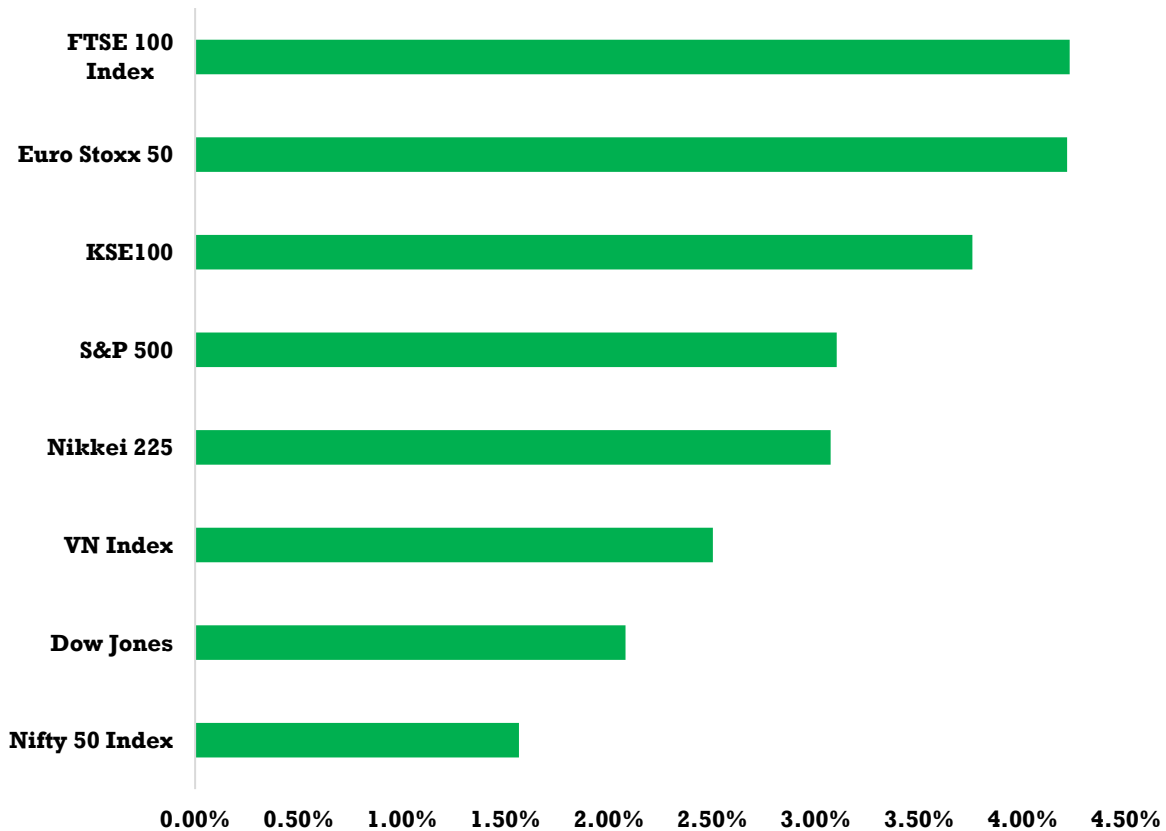
[Mar 209,181 – **UP +66.7%YoY**] [MoM – **DOWN -4.2%**]

The total arrivals for the month was recorded at 209,181 displaying an increase of 66.7%YoY compared to Mar 2023, registering the 4th straight month Sri Lanka welcomed over 200,000 arrivals. Improved air connectivity, favorable local conditions, geographical proximity and geopolitical consideration were the main contributors to this development. Accordingly, key source markets during Mar-24, is topped by India, Russian Federation, the United Kingdom and Germany.



Source: SLTDA

GLOBAL MARKET – MAR 2024



Source: Investing.com

Gold climbs to new record before pivotal US inflation print

Gold set a fresh record above USD 2,350 an ounce before paring gains, as investors shifted focus to a key US inflation reading later this week. Bullion rose as much as 1% as traders assessed where policymakers now stand on the timing of their pivot to lower borrowing costs, ahead of March inflation data. The Federal Reserve expects to cut this year but needs to see more evidence that inflation is easing first. Higher rates are typically negative for gold, which doesn't pay interest.

Bloomberg



Unemployment rate among Black Americans jumped in March, contrasting overall trends

The unemployment rate among Black Americans jumped in March, according to data released Friday by the Department of Labor. Black unemployment rose to 6.4% last month, up from 5.6% in February. That's higher than the overall unemployment rate, which edged lower to 3.8% last month, as well as the 3.4% jobless rate for white Americans, which held steady from February.

Guyana gas-to-power project to shave weeks off oil output, hit revenue

Guyana's efforts to use its natural gas resources to fuel a power plant that would slash the South American nation's energy costs have snagged on construction delays and threaten to curtail the rising oil hotspot's revenue this year by about USD 1.0Bn. The USD 1.9Bn gas-to-power project, Guyana's biggest effort to capitalize on its energy bounty, is embroiled in legal fights and risks cost overruns. The first phase of a 300-megawatt (MW) power plant is running six months behind schedule and full operation is not expected until the fourth quarter of 2025.



REUTERS
WORLD

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*“SUCCESSFUL INVESTMENTS IS ABOUT
MANAGING RISKS”*

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