



First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

Oct 2024

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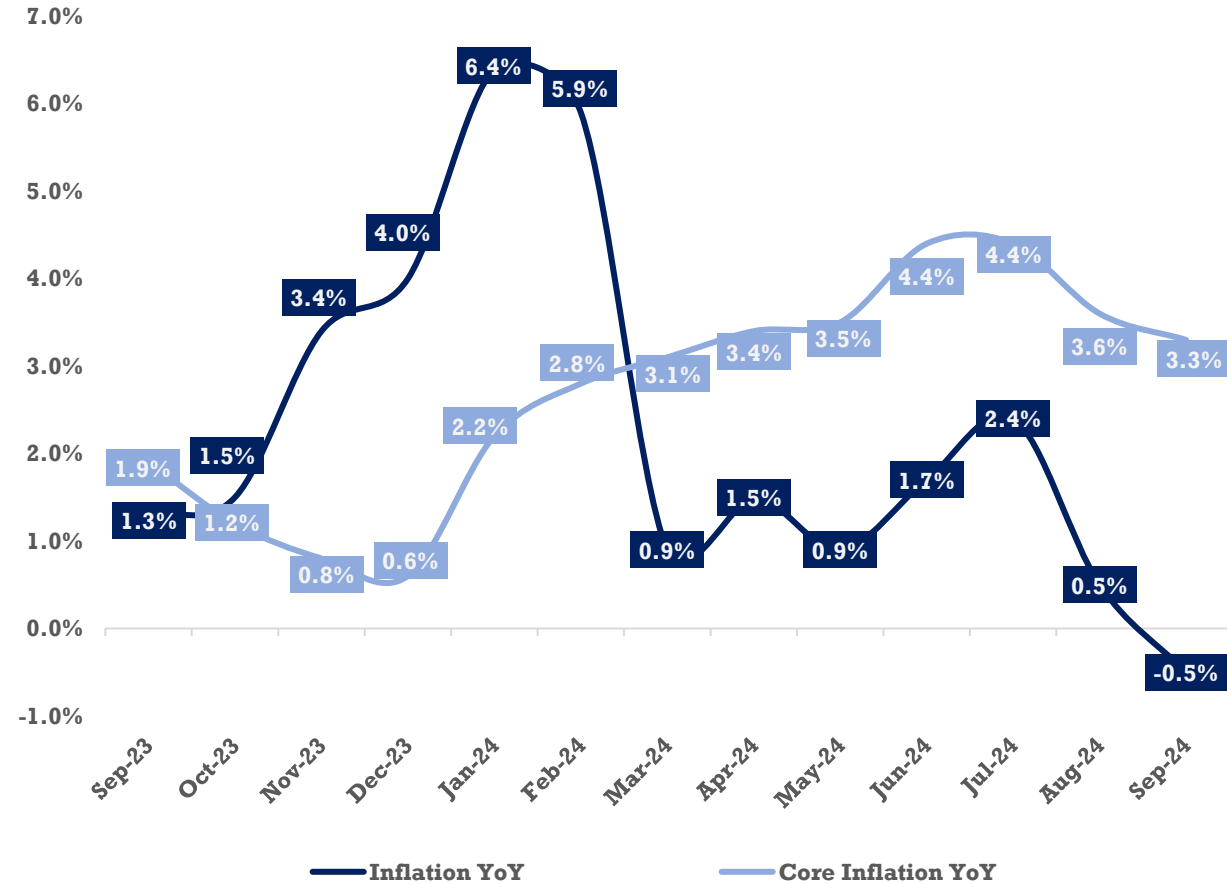
THE CENTRAL BANK MAINTAINS POLICY RATES AT THEIR CURRENT LEVELS

- The Monetary Policy Board of the Central Bank of Sri Lanka, at its meeting held on 26th Sep-24, 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 8.25% and 9.25%, respectively.
- The Board arrived at this decision after considering the recent and expected macroeconomic developments and possible risks and uncertainties on the domestic and global fronts with a view to ensuring that inflation aligns with the target of 5.0% over the medium term, while enabling the economy to reach its maximum potential.
- Moreover, the Board observed that inflation is likely to remain well below the target of 5.0% over the next few quarters, potentially recording deflation in the immediate future driven by changes to administratively determined prices and easing of supply conditions.

INFLATION – CCPI

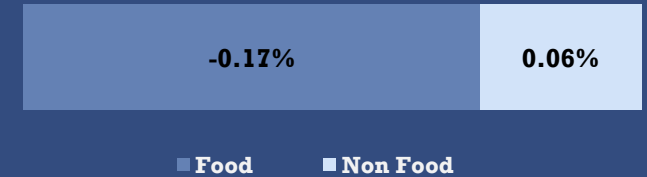
CCPI FOR SEP 2024:
MOM -0.1%
YOY -0.5%

- MoM inflation decreased by -0.1% MoM with the decrease in inflation of Food group to -0.6% and increase in inflation of Non-food group to 0.1%, respectively.
- Notably, the YoY figure decreased to -0.5% in Sep 2024 recording a deflation. YoY inflation of Food group decreased to -0.3% in Sep 2024, while Non-Food group decreased to -0.5% in Sep 2024 from 0.4% in Aug 2024.



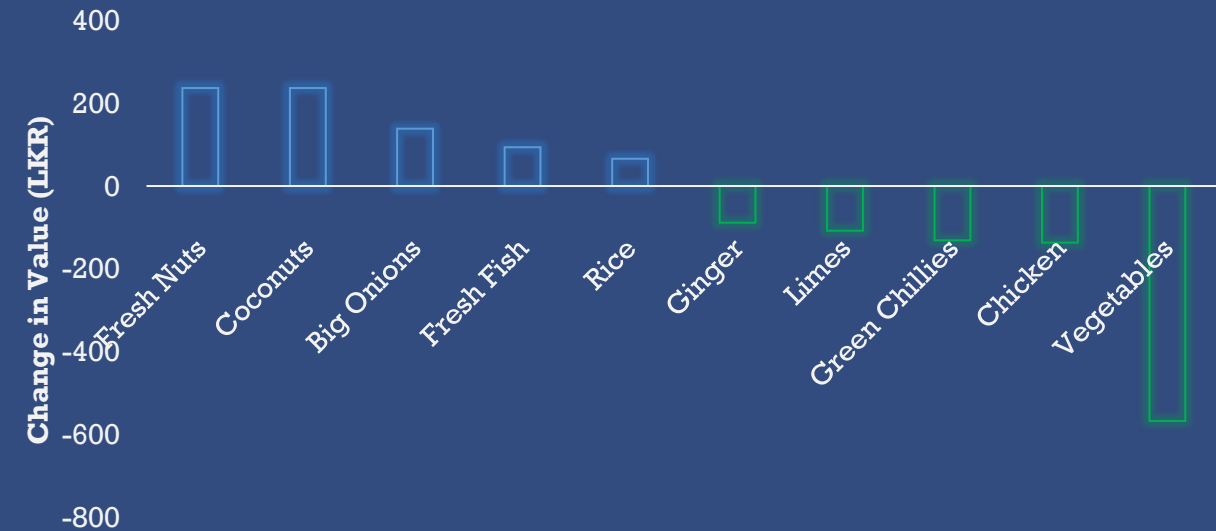
INFLATION ANALYSIS – CCPI-MOM

The CCPI index decreased by -0.1%MoM contributed by the decrease in expenditure of Food items by -0.17% and a increase in expenditure of Non Food items by 0.06%. Within the Food items, decrease in value changes were mainly reported for Vegetables, Chicken, Green Chillies, Lime and Ginger. Among Non-Food groups, increase in value changes were mainly reported in Education, Alcoholic Beverages Tobacco and Narcotics, Health and Recreation and Culture.



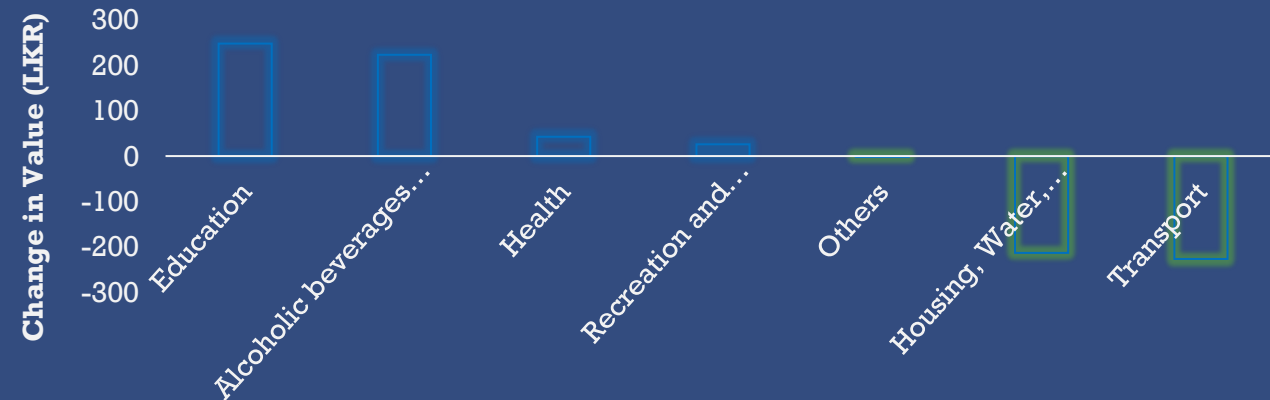
Food Category Inflation

Source: Dept. Census and Statistics



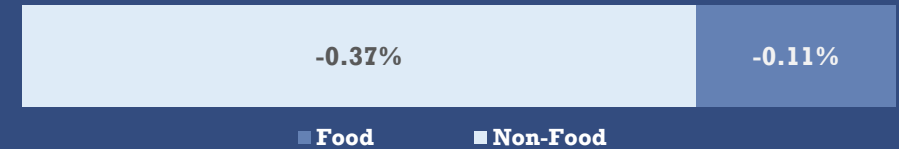
Non-Food Category Inflation

Source: Dept. Census and Statistics

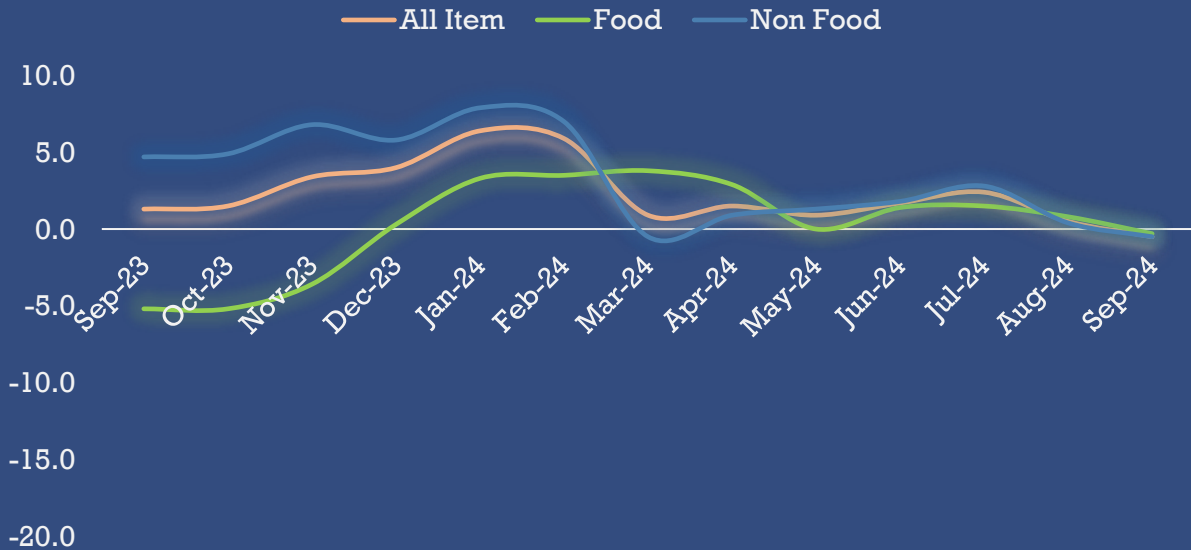


INFLATION ANALYSIS – CCPI-YOY

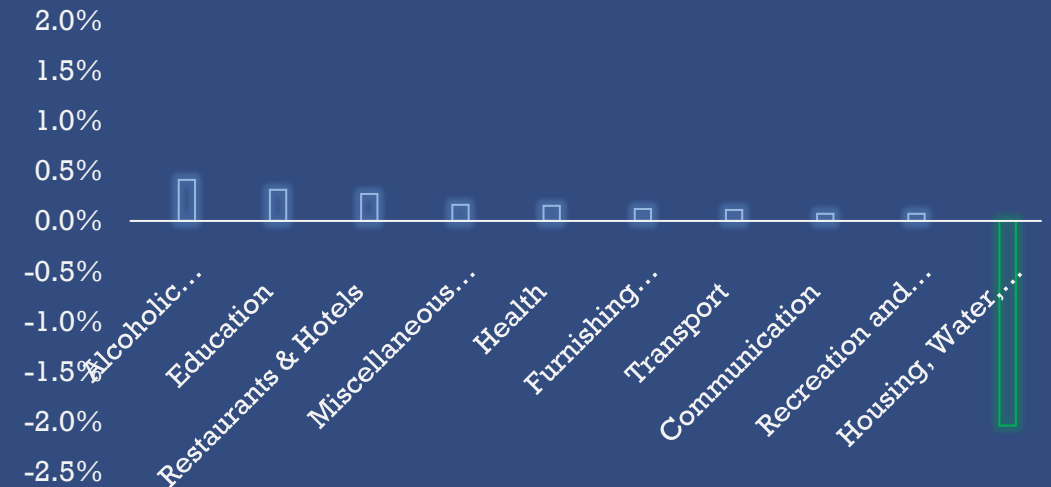
The YoY inflation of CCPI for Sep 2024 was -0.5% and has decreased relative to the month of Aug 2024. Food item prices decreased to -0.3%YoY in Sep 2024 while the Non-Food item prices decreased to -0.5%YoY in Sep 2024 from 0.4%YoY in Aug 2024. The contribution from food category for YoY inflation was -0.11% while the contribution of Non-Food items stood at -0.37%, mainly due to the decrease in prices of Housing, Water, Electricity, Gas and other Fuels



Inflation Analysis (YoY)



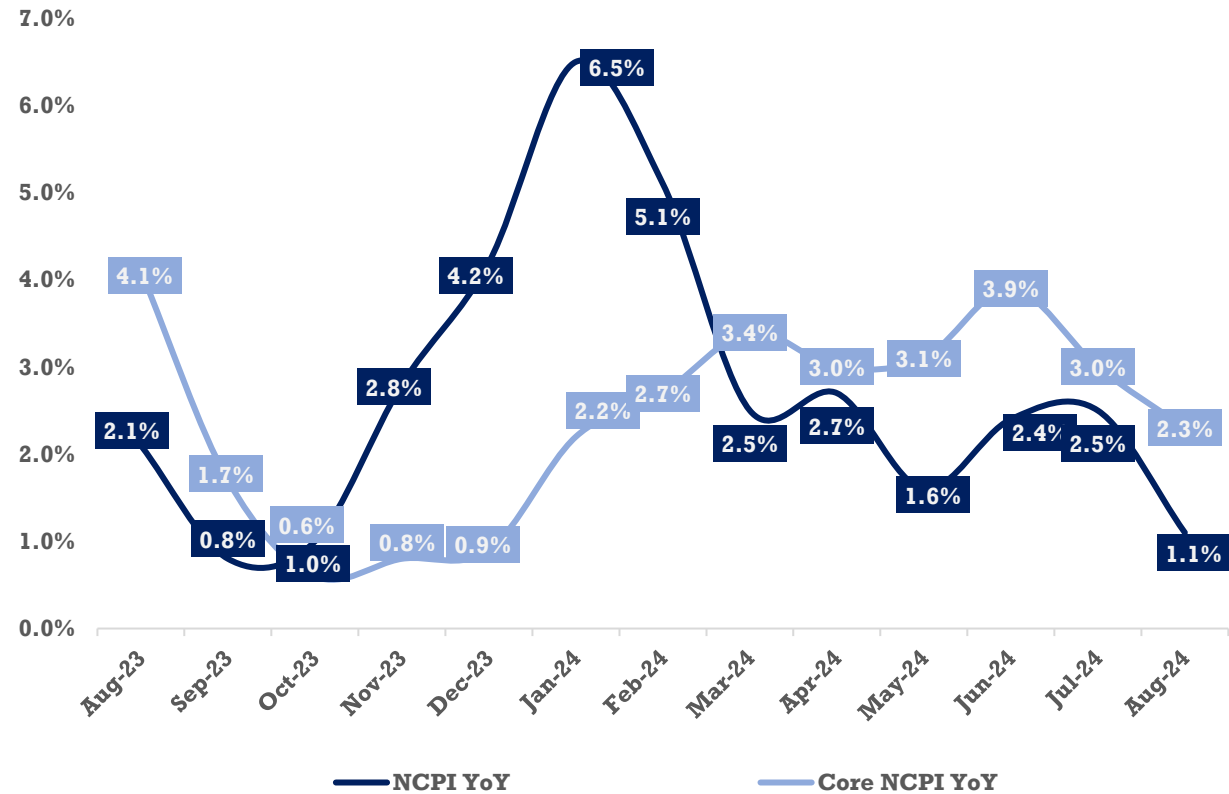
Non-Food Category Inflation



INFLATION – NCPI

NCPI FOR AUG 2024: DECREASED TO 1.1%YOY

- NCPI for Aug 2024 decreased to 1.1% compared to 2.5% in Jul 2024.
- Decrease in inflation was mainly driven by the price decrease in both Food and Non Food commodities. Accordingly, YoY Food inflation decreased to 2.3% in Aug 2024 compared to 2.9% in Jul 2024 while YoY Non-Food inflation declined to 0.2% in Aug 2024.



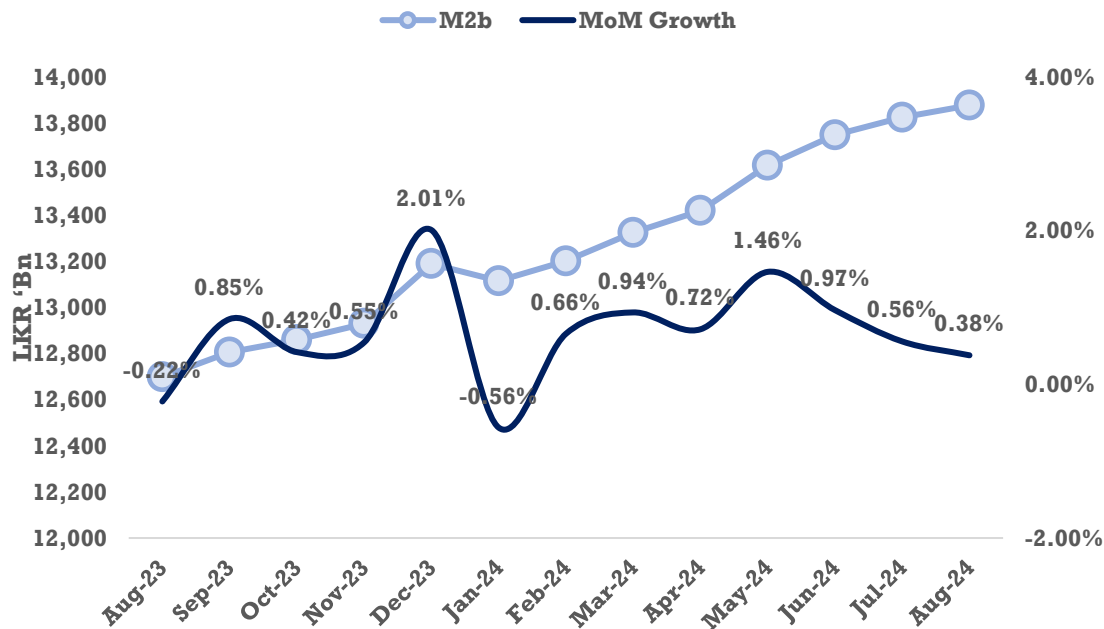
Source: Dept. Census and Statistics

M2B AND CREDIT GROWTH

Private sector credit improved for the fourth consecutive month by LKR 135.1Bn in Aug-24. Meanwhile, state credit declined by LKR 113.5Bn for the month of Aug-24

M2b Growth – Aug 2024

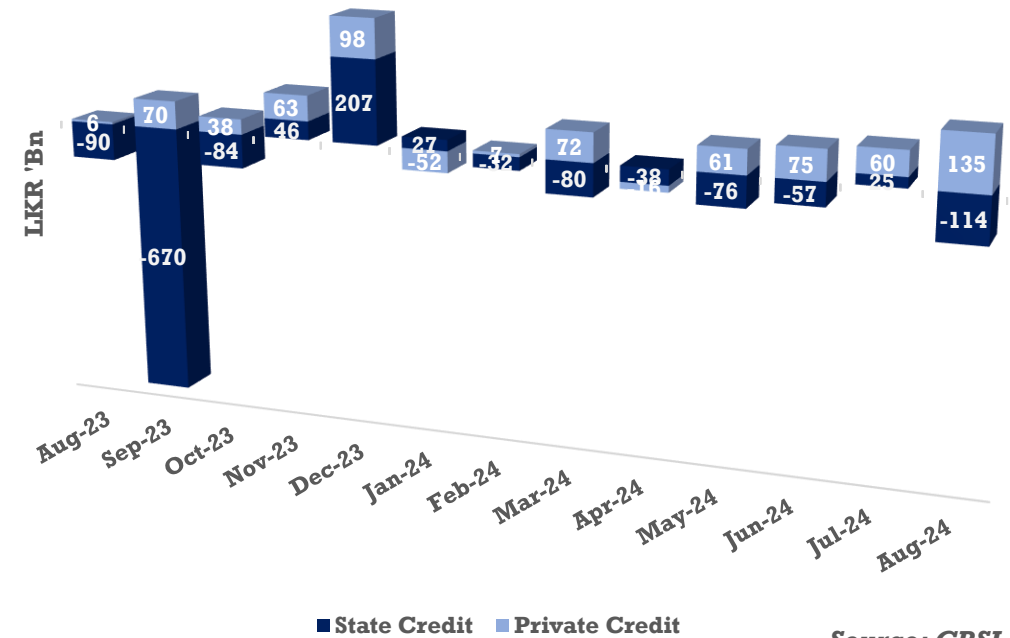
MoM +0.38%, YoY +9.28%, YTD +5.21%



Source: CBSL

State Credit & Private Credit – Aug 2024

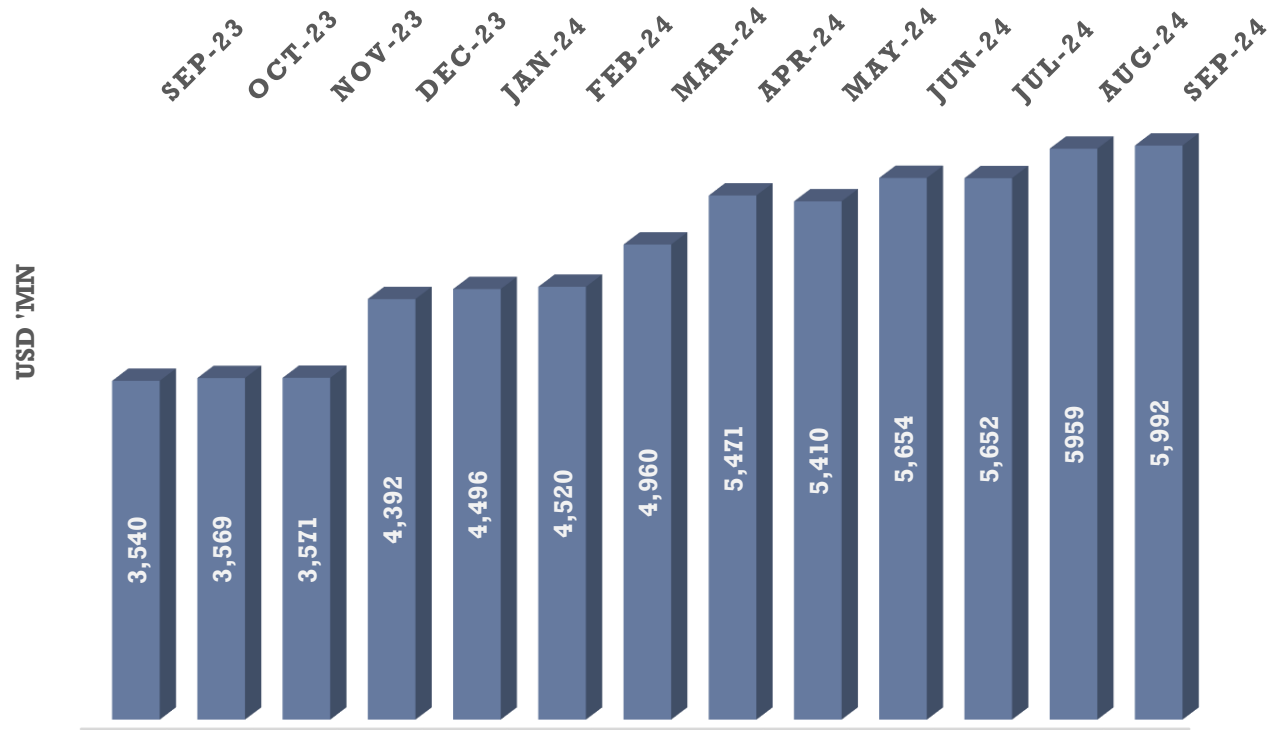
Private Credit MoM +1.8%, YoY +8.6%, YTD +4.6%



Source: CBSL

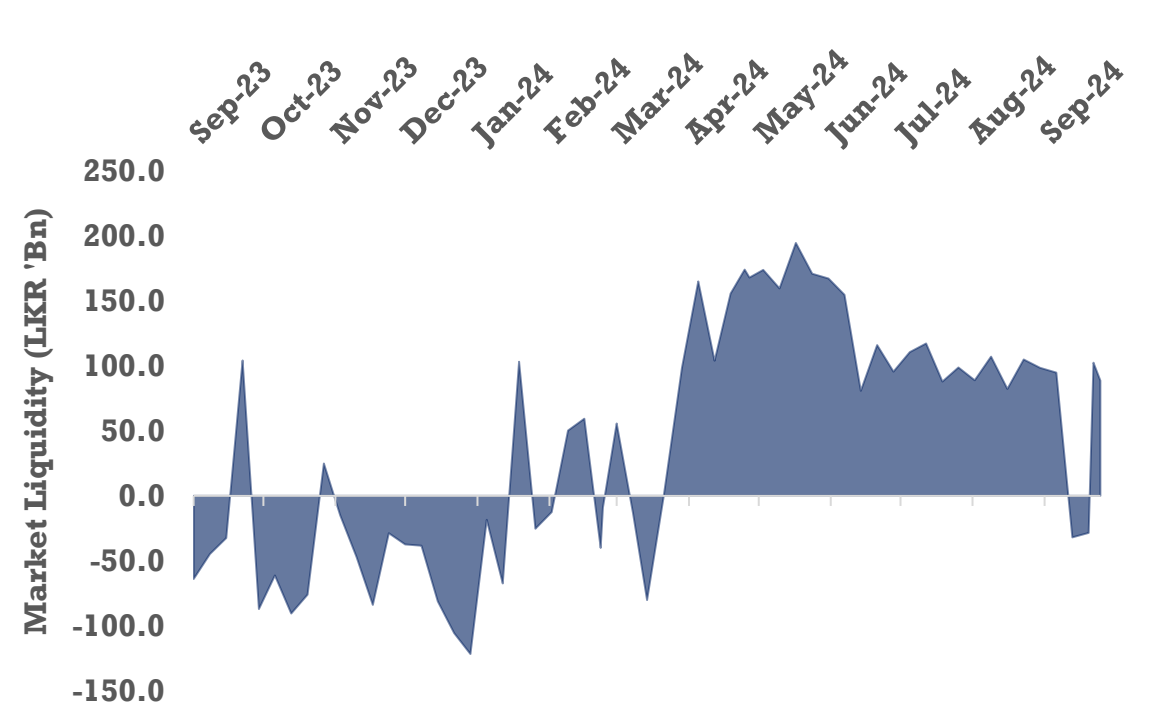
LIQUIDITY & RESERVES

- Foreign Reserves significantly increased by USD 33.0Mn to USD 6.0Bn in Sep 2024 compared to USD 6.0Bn in Aug-24.



Source: CBSL

- Market Liquidity displayed volatility but attained to land in the positive territory towards the end of the month.



Source: CBSL

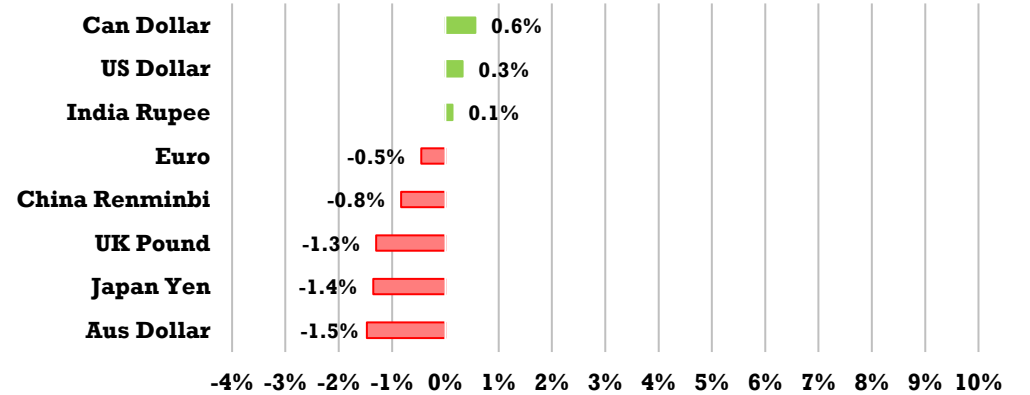
CURRENCY MOVEMENT

USD:LKR Movement

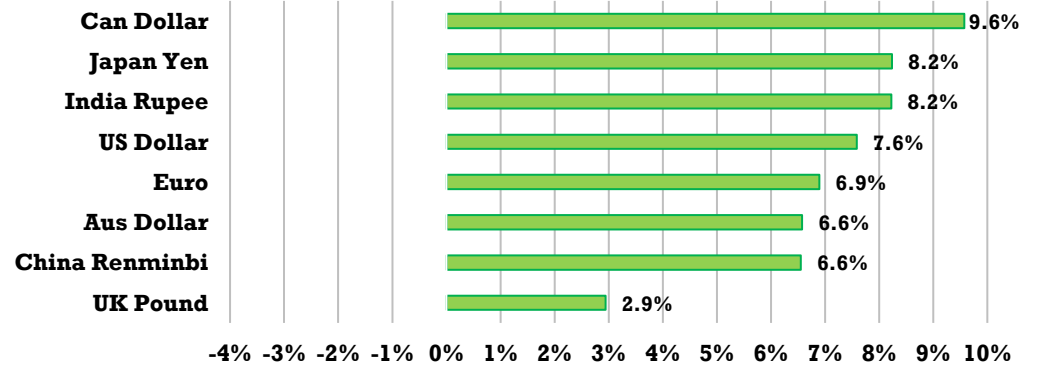


Sri Lankan Rupee vs Global Currencies

Sep 2024



YTD 2024



GOVERNMENT SECURITIES – NEW ISSUES

Bill and Bond auctions for Sep 2024

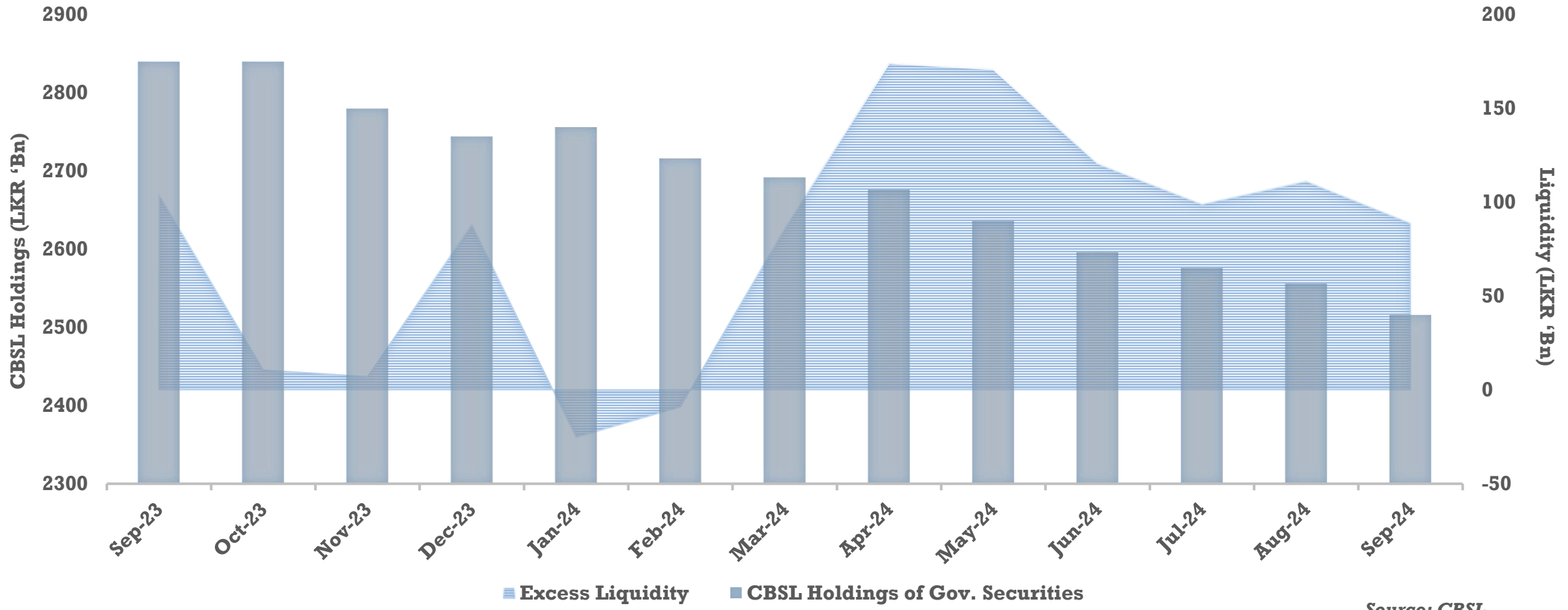
Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
06-Sep-24	152,395		152,395
13-Sep-24	164,815		164,815
20-Sep-24	161,068	245,961	407,029
27-Sep-24	132,000		132,000
Total Issued			856,239

Net Settlement	Sep 2024	YTD
Maturities	765,491	6,776,606
New Issues	856,239	7,677,376
Excess/ (Deficit)	90,748	900,770

CBSL Holdings of Gov. Securities	YTD	
As at End Sep 2024	2,515,620	
As at End Aug 2024	2,555,000	
Increase/ (Decrease)	-39,000	-120,000

CBSL HOLDINGS OF GOV. SECURITIES...

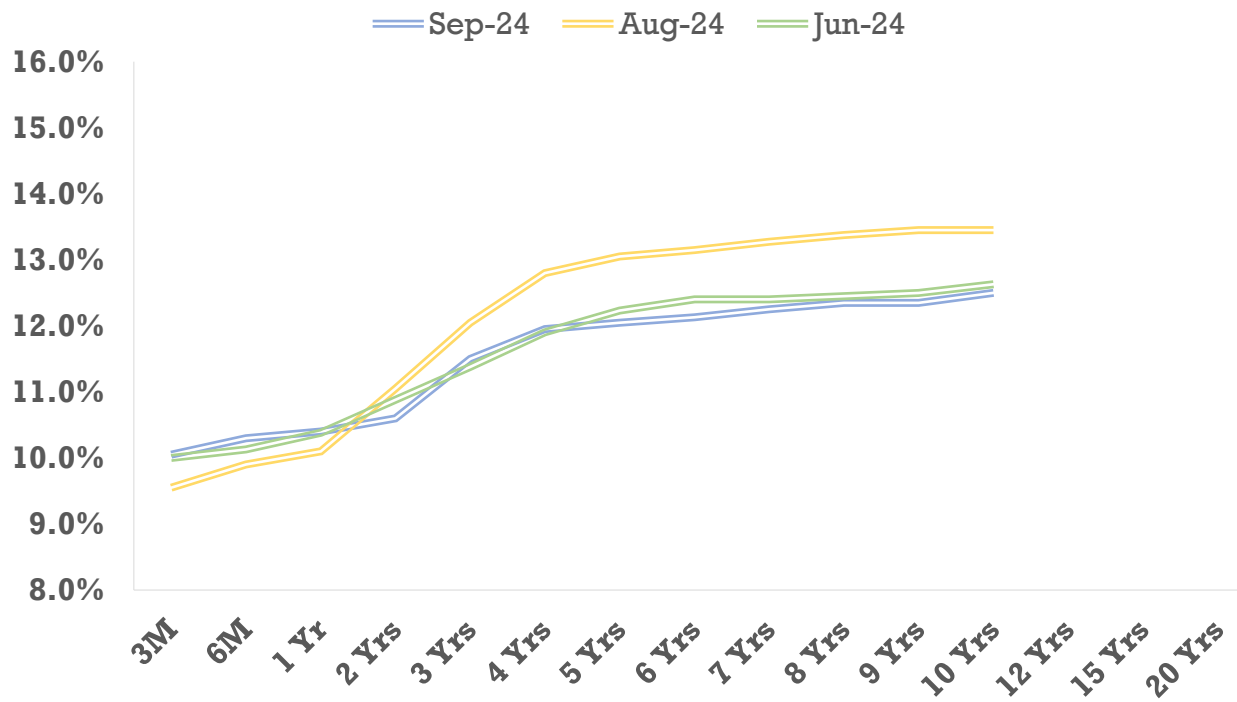
...declined by LKR 39.0Bn in Sep 2024



Source: CBSL

TREASURY BILLS AND BONDS – SEP 2024

The secondary market commenced the week on a mixed sentiment as yield across the board experienced a modest upward trend on the back of the political uncertainty prevailed, influenced by the scheduled presidential election. Towards mid-month active selling pressure continued as political uncertainty further enticed the market sentiment. Towards the latter part of the week unfolded clarity emerged following the election results, the market experienced a noticeable resurgence in activity as investor confidence was restored, fuelling a bullish sentiment which took hold as yield rates declined across the board as buying sentiment aggressed.

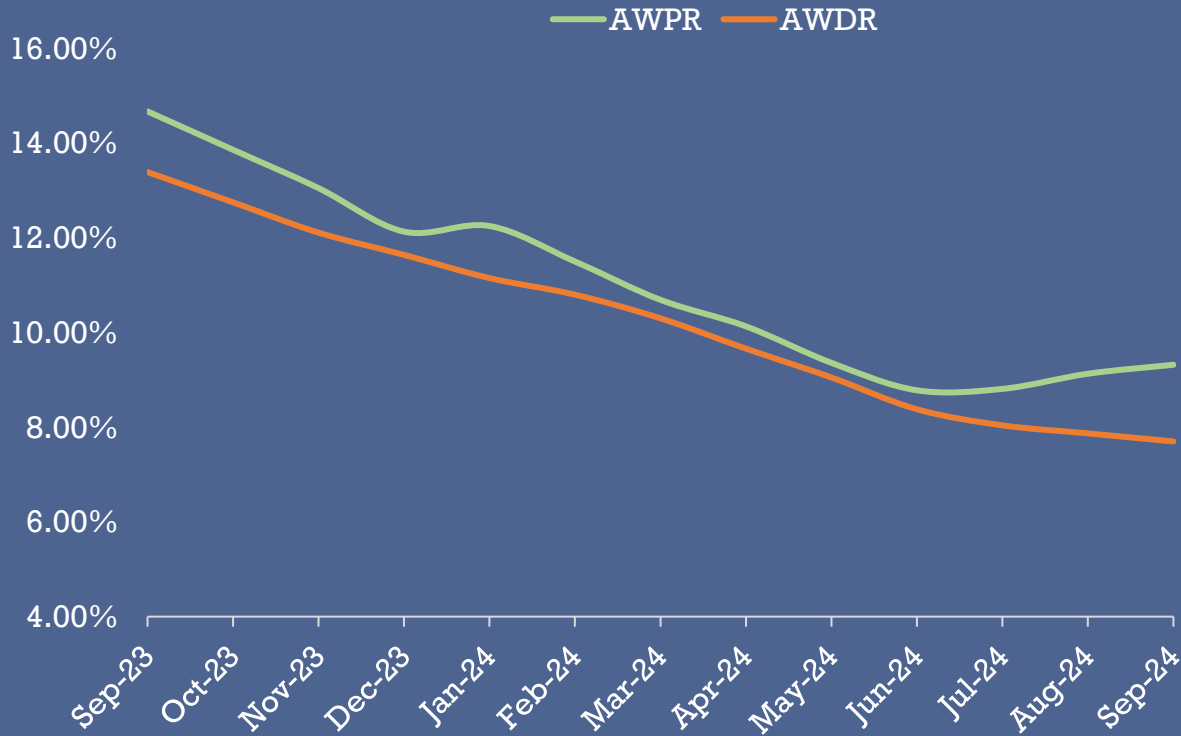


Source: First Capital Research

Tenure	Interest Rate Change (bps)				
	Sep-24	Aug-24	Change (bps)	Jun-24	Change (bps)
3M	10.05%	9.55%	50	10.00%	5
6M	10.30%	9.90%	40	10.13%	17
1 Yr	10.40%	10.10%	30	10.38%	2
2 Yrs	10.60%	11.05%	-45	10.88%	-28
3 Yrs	11.50%	12.05%	-55	11.38%	12
4 Yrs	11.95%	12.80%	-85	11.90%	5
5 Yrs	12.05%	13.05%	-100	12.23%	-18
6 Yrs	12.13%	13.15%	-102	12.40%	-27
7 Yrs	12.25%	13.28%	-103	12.40%	-15
8 Yrs	12.35%	13.38%	-103	12.45%	-10
9 Yrs	12.35%	13.45%	-110	12.50%	-15
10 Yrs	12.50%	13.45%	-95	12.63%	-13
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

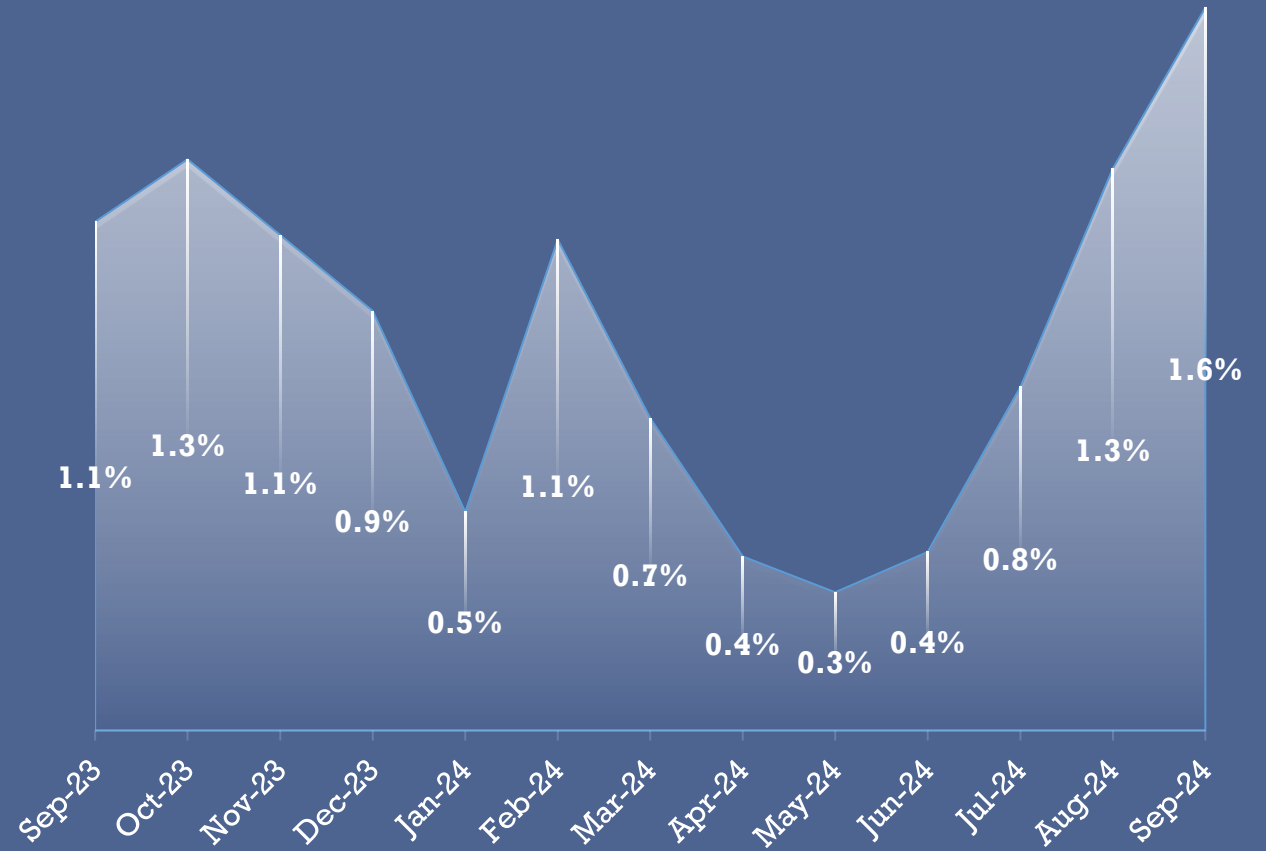
Source: First Capital Research
Sep 2024

AWPR vs AWDR



Source: CBSL

Interest Spread



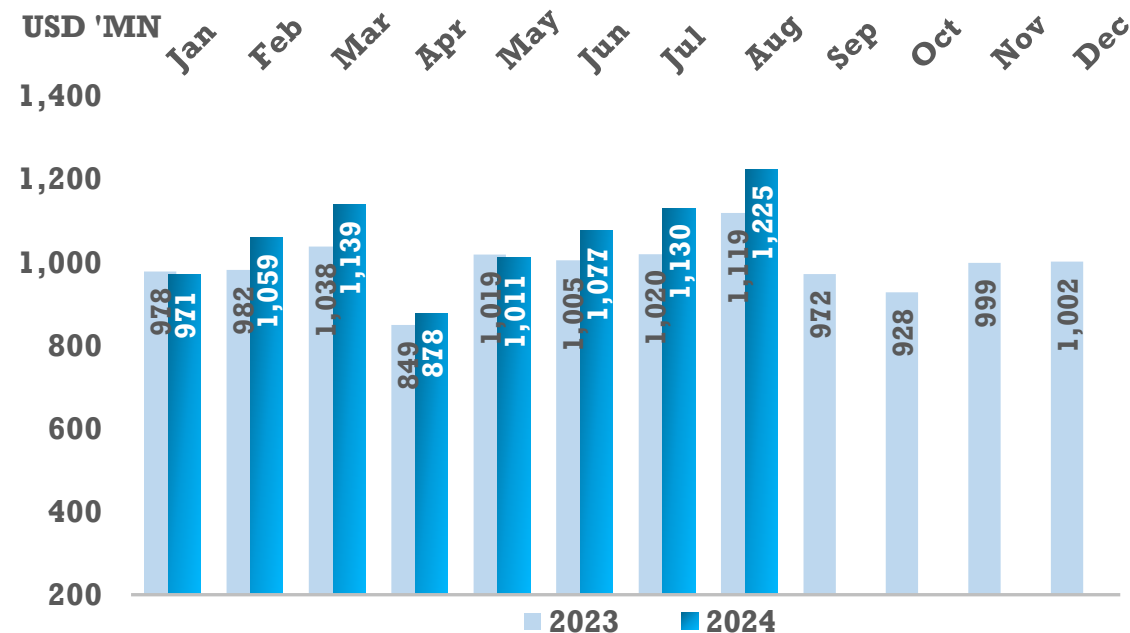
Source: CBSL

FINANCE SECTOR RATE MOVEMENTS

EXTERNAL SECTOR – AUG 24 – EXPORTS

In Aug 24, earnings from exports inclined by 9.5%YoY to USD 1,224.5Mn, up from USD 1,118.6Mn in Aug 23. The growth was primarily driven by all three key categories. The YoY increase in industrial goods exports in Aug 24 was mainly contributed by textiles and garments. Meanwhile, petroleum products and rubber products also showed significant improvements. Earnings from exports of agricultural goods improved in Aug 24 driven by tea and coconut related products. Earnings from mineral exports also increased in Aug 24.

Category	2023 (USD 'Mn)	2024 (USD 'Mn)	Change (%)
Industrial Exports			
- Aug	871.7	960.6	10.2
- YTD	6,273.6	6,658.6	6.1
Agricultural			
- Aug	242.9	258.1	6.3
- YTD	1,702.9	1,804.0	5.9
Mineral Exports			
- Aug	2.0	4.0	98.8
- YTD	15.7	18.8	19.8
Total			
- Aug	1,118.6	1,224.5	9.5
- YTD	8,010.1	8,499.1	6.1

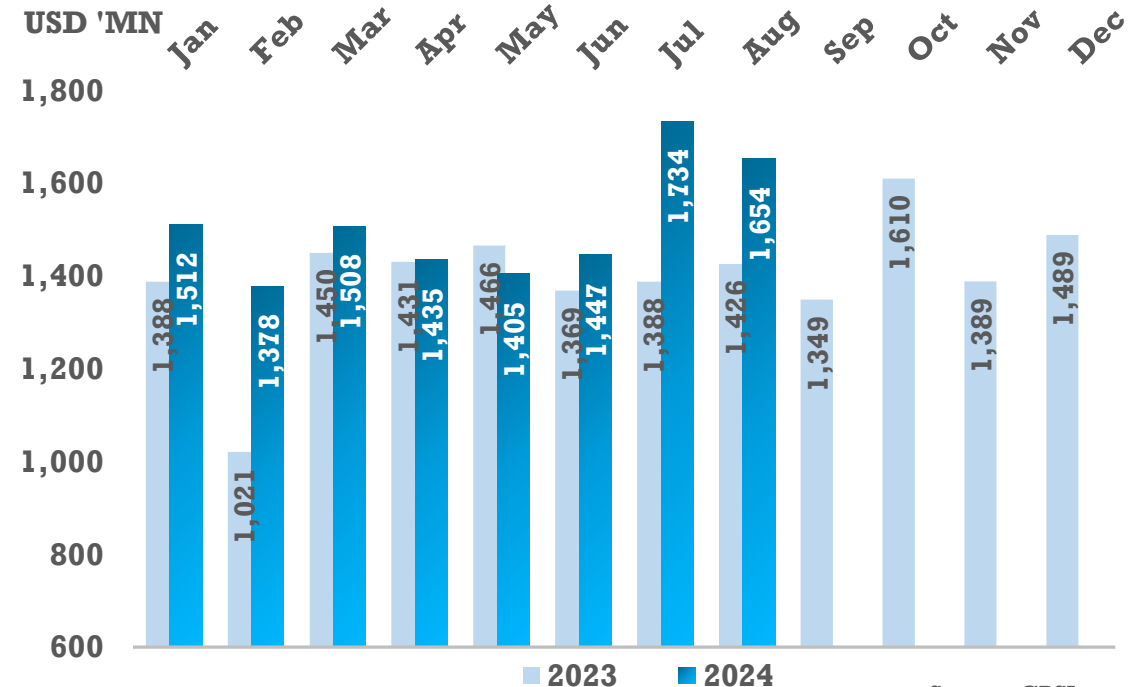


Source: CBSL
Oct 2024

EXTERNAL SECTOR – AUG 24 – IMPORTS

In Aug 24, expenditure on imports increased by 16.0%YoY to USD 1,654.0Mn compared to USD 1,426.0Mn in Aug 23. Expenditure increased across most of the major import categories with Investment goods recording a decline. The increase in expenditure on consumer goods imports in Aug 24 resulted by both food and beverages, and non-food consumer goods. Meanwhile, expenditure on intermediate goods imports increased primarily due to higher textiles and textile articles with higher imports recorded in chemical products as well. Meanwhile, expenditure on fuel inclined in Aug 24 due to a rise in the import volume of refined petroleum. Expenditure on investment goods recorded a decline, driven by lower imports of machinery and equipment.

Category	2023 (USD 'Mn)	2024 (USD 'Mn)	Change (%)
Consumer goods			
- Aug	268.1	318.8	18.9
- YTD	2,028.3	2,176.3	7.3
Intermediate			
- Aug	857.1	1,049.2	22.4
- YTD	7,185.5	7,750.0	7.9
Investment goods			
- Aug	299.4	285.5	-4.6
- YTD	1,747.9	2,140.3	22.5
Total			
- Aug	1,426.0	1,654.0	16.0
- YTD	10,974.1	12,072.5	10.0

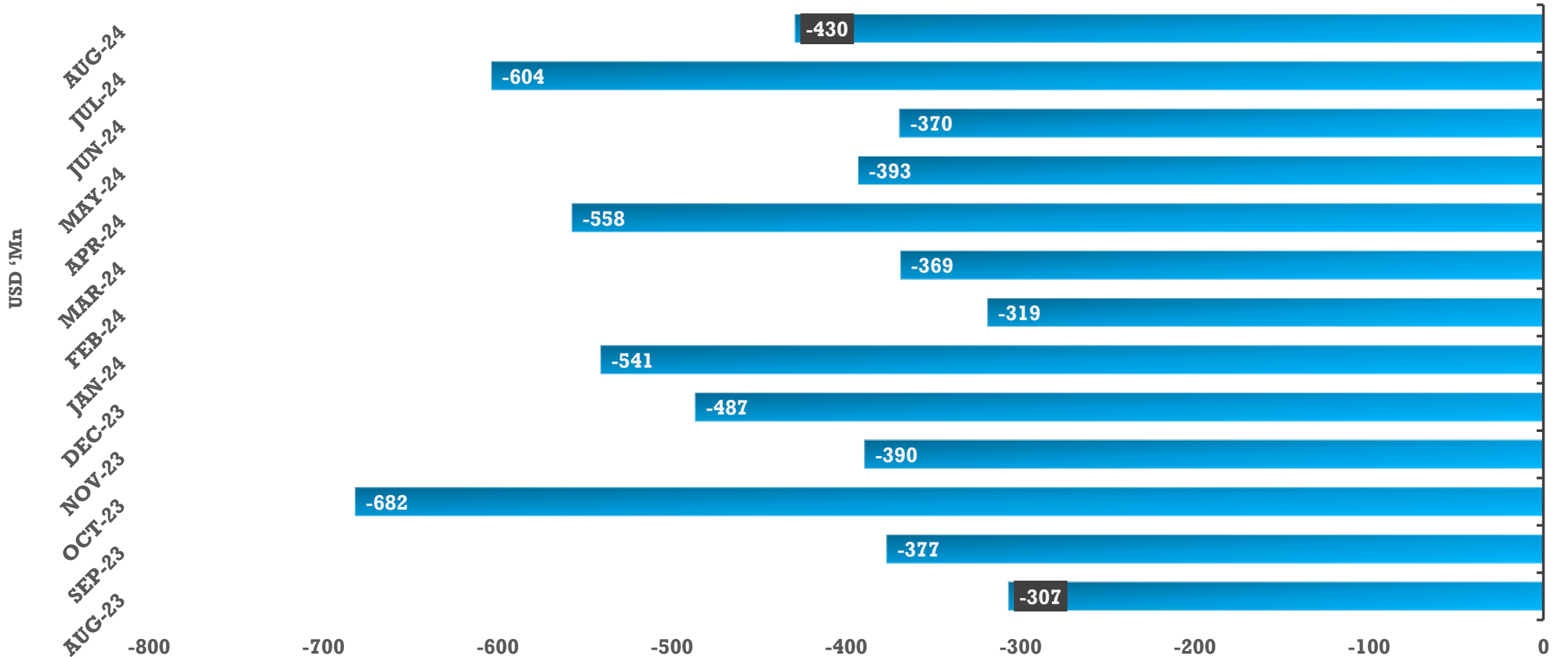


Source: CBSL

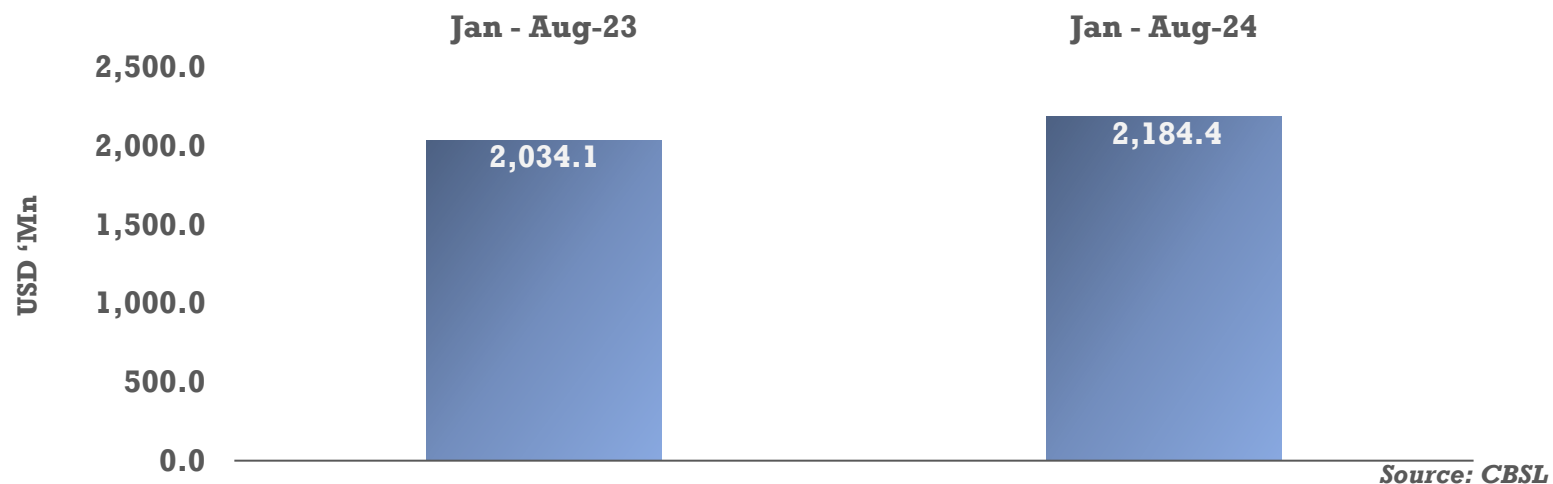
Oct 2024

EXTERNAL SECTOR – AUG 24

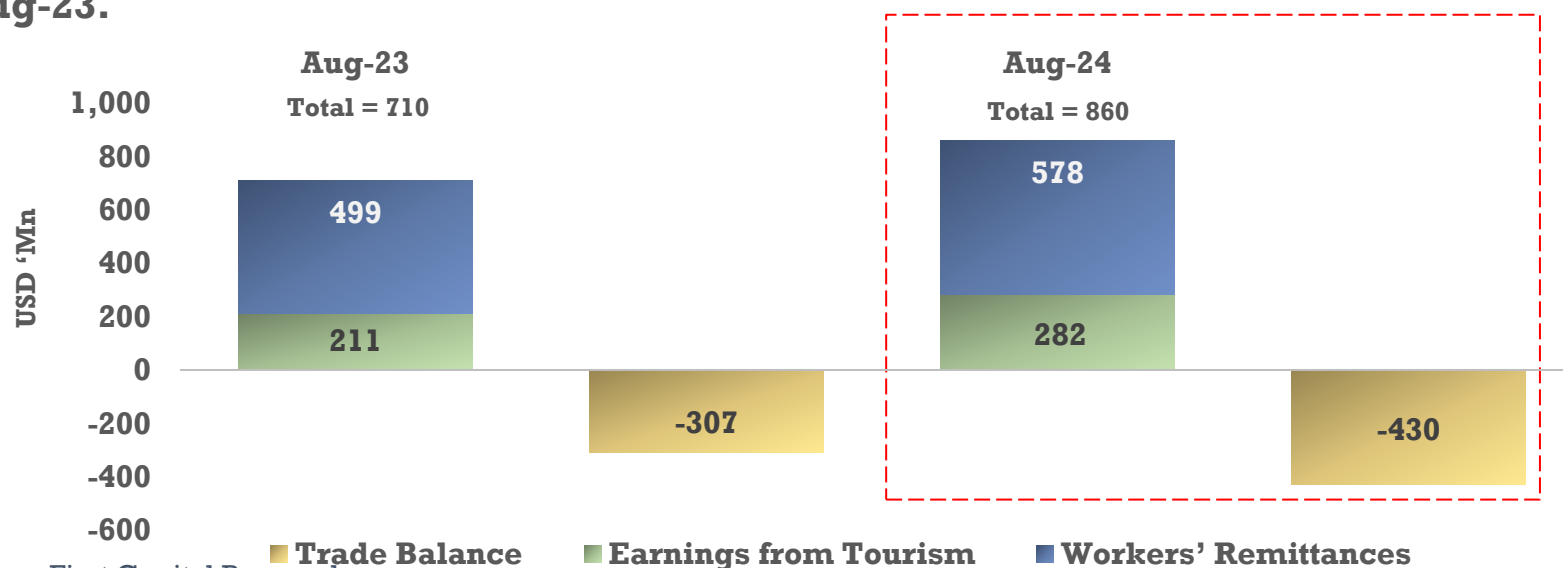
Balance of Trade



BoP for Jan–Aug-24 recorded at USD 2184.4Mn compared to Jan–Jul-24 amount of USD 1,823.1Mn resulting in a net inflow of USD 211.0Mn, for the month of Aug-24.



Workers' Remittances increased to USD 577.5Mn in Aug-24 (+15.7%YoY). Earnings from Tourism for Aug-24 also increased to USD 282.1Mn from USD 210.5Mn in Aug-23.



BALANCE OF PAYMENT DECREASED YOY IN AUG-24

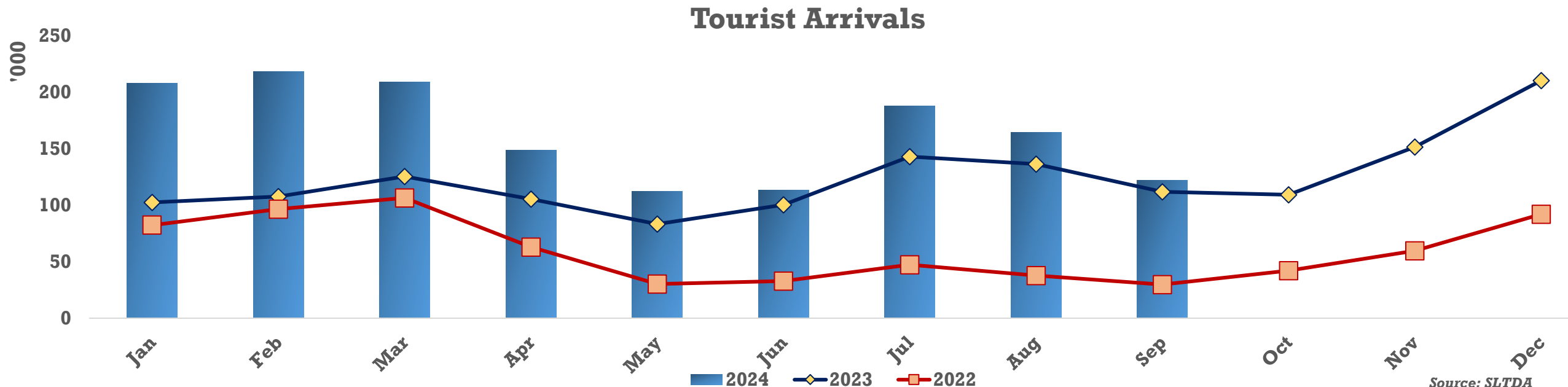
Aug USD 'Mn	2023	2024	Change (%)
Trade Balance	-307.4	-429.6	
Earnings from Tourism	210.5	282.1	+34.0
Workers' Remittances	499.2	577.5	+15.7

YTD USD 'Mn	2023	2024	Change (%)
Trade Balance	-2,964.0	-3,573.4	
Earnings from Tourism	1,304.5	2,167.0	+66.1
Workers' Remittances	3,862.7	4,288.2	+11.0

TOURIST ARRIVALS – SEP 2024

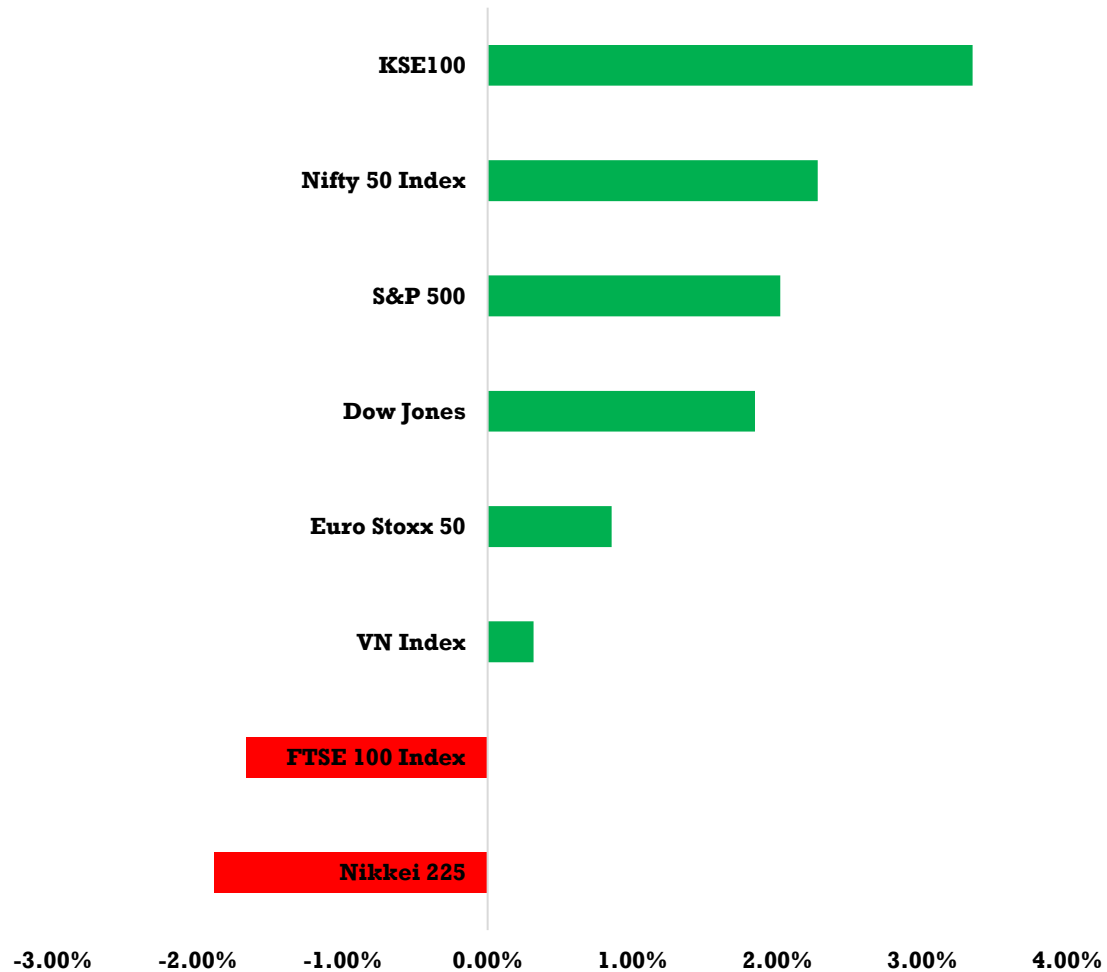
[Sep 122,140 – **UP +9.1%YoY**] [MoM – **DOWN -25.8%**]

The total arrivals for the month was recorded at 122,140 displaying an increase of 9.1%YoY compared to Sep 23. Leisure and vacation were the primary reason for travelers from major source markets to choose Sri Lanka as their travel destination. Moreover, improved air connectivity, favorable local conditions, geographical proximity and geopolitical circumstances were the main contributors to this development. Accordingly, key source markets during Sep 24 was topped by India, China, The United Kingdom, Germany and Australia



Source: SLTDA

GLOBAL MARKET – SEP 2024



Source: Investing.com

Kenya impose steep rate cuts to boost economic growth

Kenya's central bank implemented its largest interest-rate cut since the pandemic, reducing the key rate from 12.75% to 12% to stimulate economic growth as inflation reached a 12-year low. This decision surprised most economists; only one out of eight anticipated such a significant cut, while others predicted smaller reductions or no change

Bloomberg



Asia markets fall as traders digest Japan pay figures; China returns to trade

Asia-Pacific markets mostly fell on Tuesday, with investors watching August pay and spending data out from Japan and as mainland Chinese markets return to trade. Household spending in Japan fell 1.9%YoY in August in real terms, a softer fall compared to the 2.6% decline expected by a Reuters poll of economists.

Wall Street gains as investors focus on 3rd quarter earnings ahead

Wall Street's main indexes rose as investors focused on the upcoming third-quarter earnings season and inflation data, which may influence the Federal Reserve's rate cut plans. This rebound followed a 1% decline, driven by rising Treasury yields, heightened Middle East tensions, and a reassessment of U.S. rate expectations.



REUTERS
WORLD

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Thank you!

*“SUCCESSFUL INVESTMENTS IS ABOUT
MANAGING RISKS”*

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