

**Bourse ends bullish
amid healthy turnover
levels**

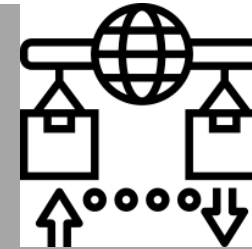


Trade Deficit



75%YoY

To USD 716Mn



**Pvt sector credit grew
for the eleventh
consecutive month**



For May’21

**Sri Lanka GDP grew for the
third consecutive quarter by
4.3% in 1Q’21**



**Sri Lanka
successfully settles
USD1Bn of ISB**



Inflation



5.7%



For July’ 21

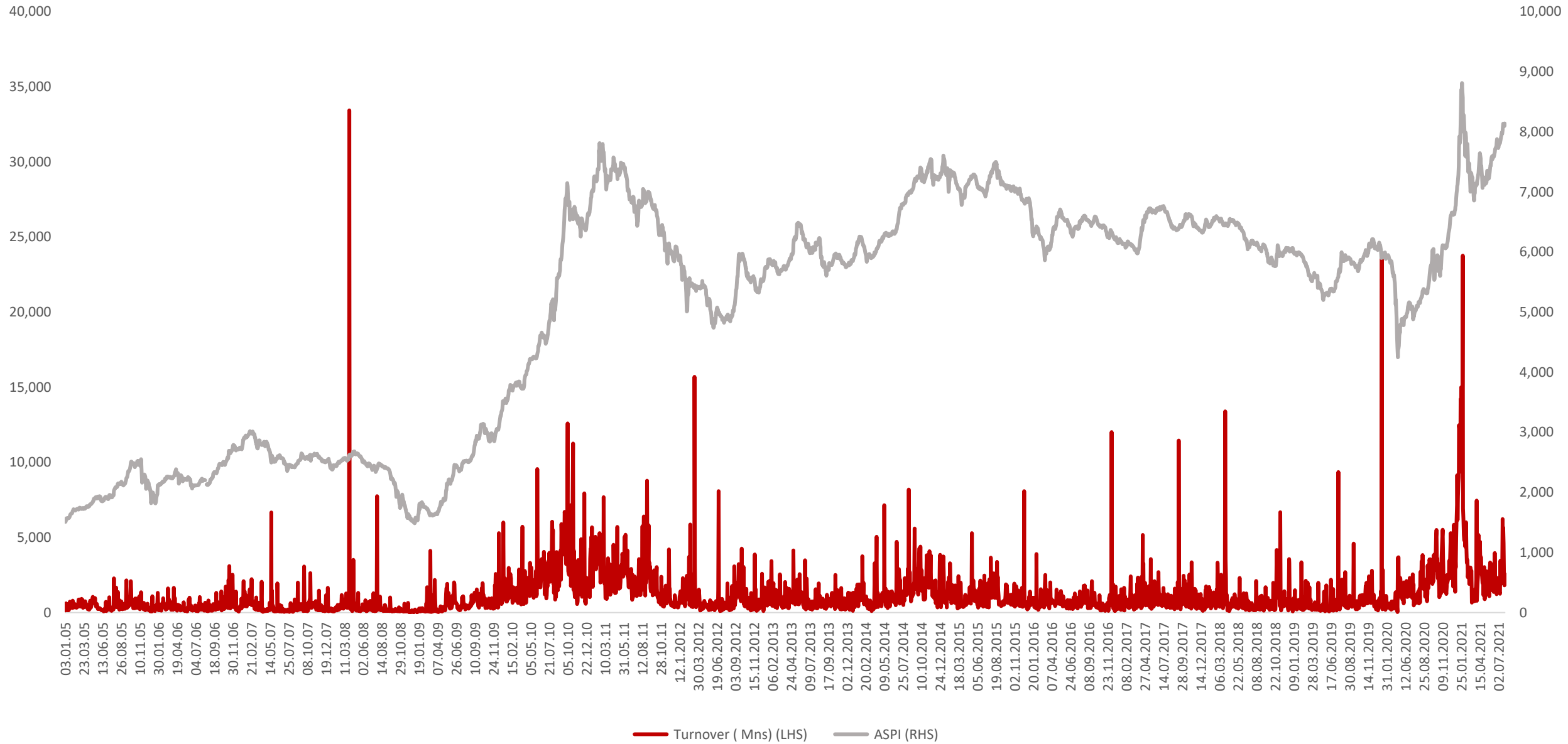


Key events for July'21

- Colombo bourse ended bullish, adding 282.7 points for the month of July'21. The ASPI ended at 8120.48 while more liquid S&P SL 20 ended at 3062.17 adding 93.9 points. Reruns on ASPI now stands at 19.9% YTD while S&P SL 20 stands at 16.1% YTD.
- Average turnover levels meanwhile too increased by 18%MoM to LKR 2.6Bn despite YTD average turnover levels declining to LKR 3.8Bn from LKR 4.0Bn reported a month earlier.
- GOSL settled USD 1Bn worth of ISBs matured on 27th July'21 ending fears of default. Further, CBSL also indicated of some solid forex inflow of approximately USD 2.65Bn through USD 400Mn SWAP from India, USD 250Mn SWAP from Bangladesh, USD 300Mn loan from China Development Bank, USD 800Mn SDRs, USD 200Mn CBSL purchases from forex market, USD 300Mn ISBs held by local banks and USD 400Mn inflows from utilization of under-utilized assets. Sri Lanka also has a USD 1.5Bn equivalent swap facility from the People's Bank of China.
- The latest GDP numbers released indicated an uptick of 4.3%YoY for 1Q'21. Agricultural, industrial and services sectors grew by 6.1%, 5.5% and 3.0% respectively.
- Trade deficit meanwhile widened by 75.9%YoY for May'21 despite export income increasing by 52%YoY. Import expenses meanwhile increased by 62% YoY.
- Worker remittance declined in Jun'21 by 16.4%YoY to USD 478Mn and CCPI inflation increased to 5.7% in July'21 while 12M average inflation increased to 4.2%.



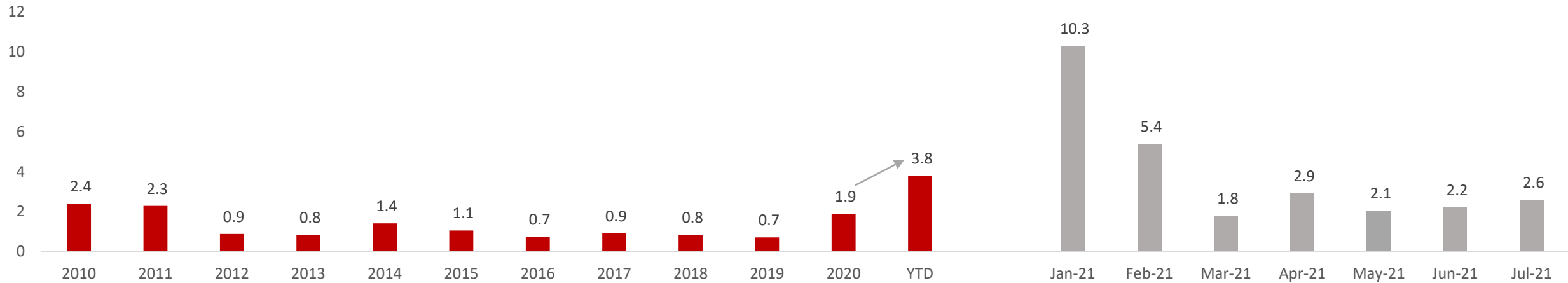
CSE gained 282.7 points in July'21



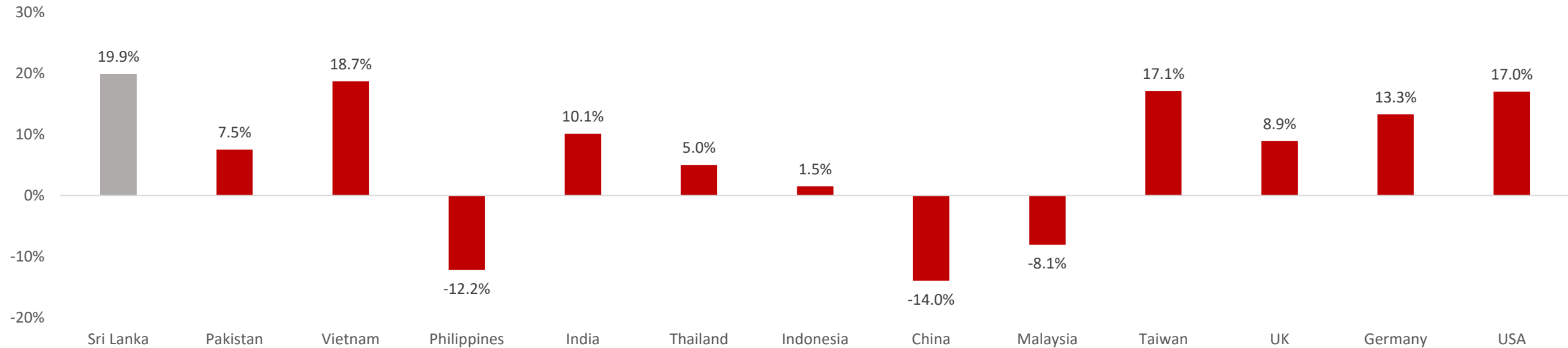
Source : CSE

Average daily turnover are still 2x higher than 2020

Avg YTD turnover levels now stands at LKR 3.8Bn while turnover levels increased to LKR 2.6Bn in July'21



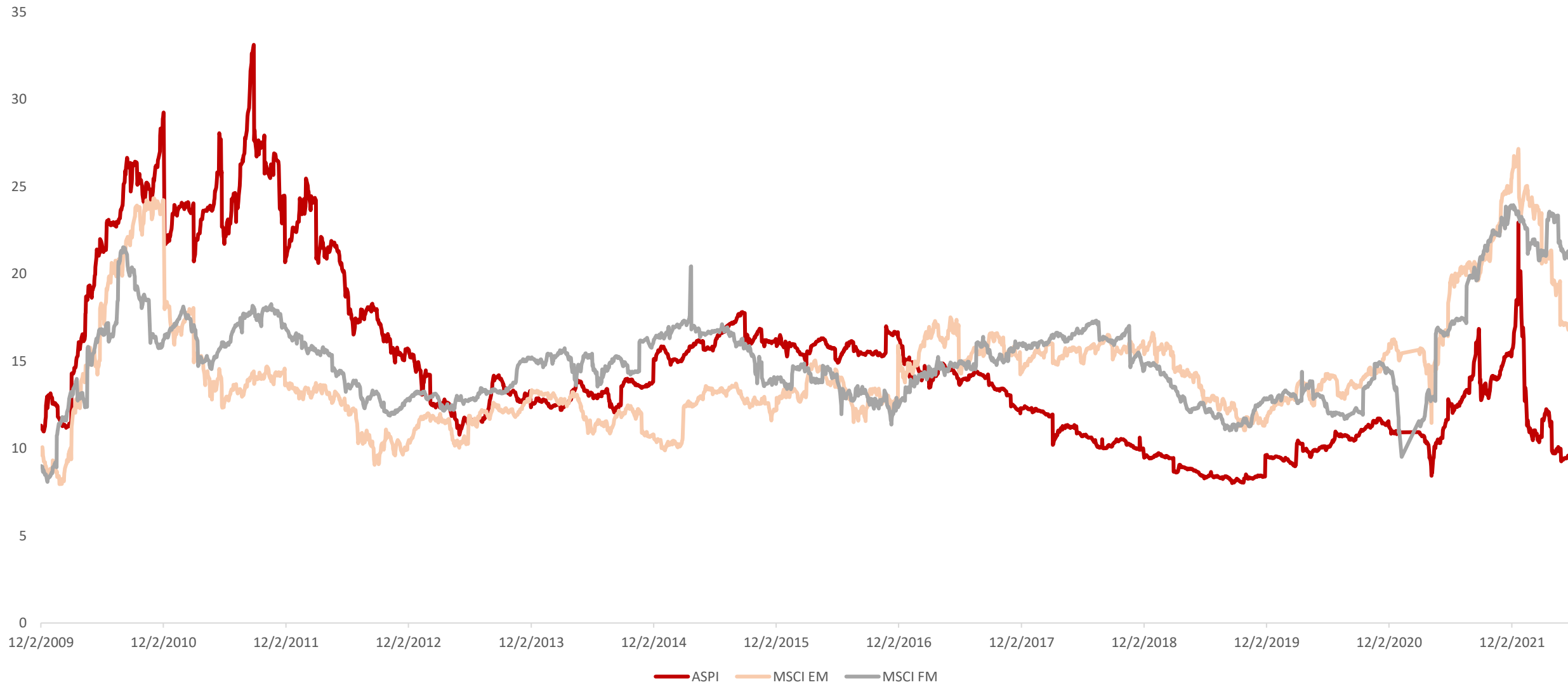
SL's YTD returns still stands in the positive territory





CSE is back at attractive valuations

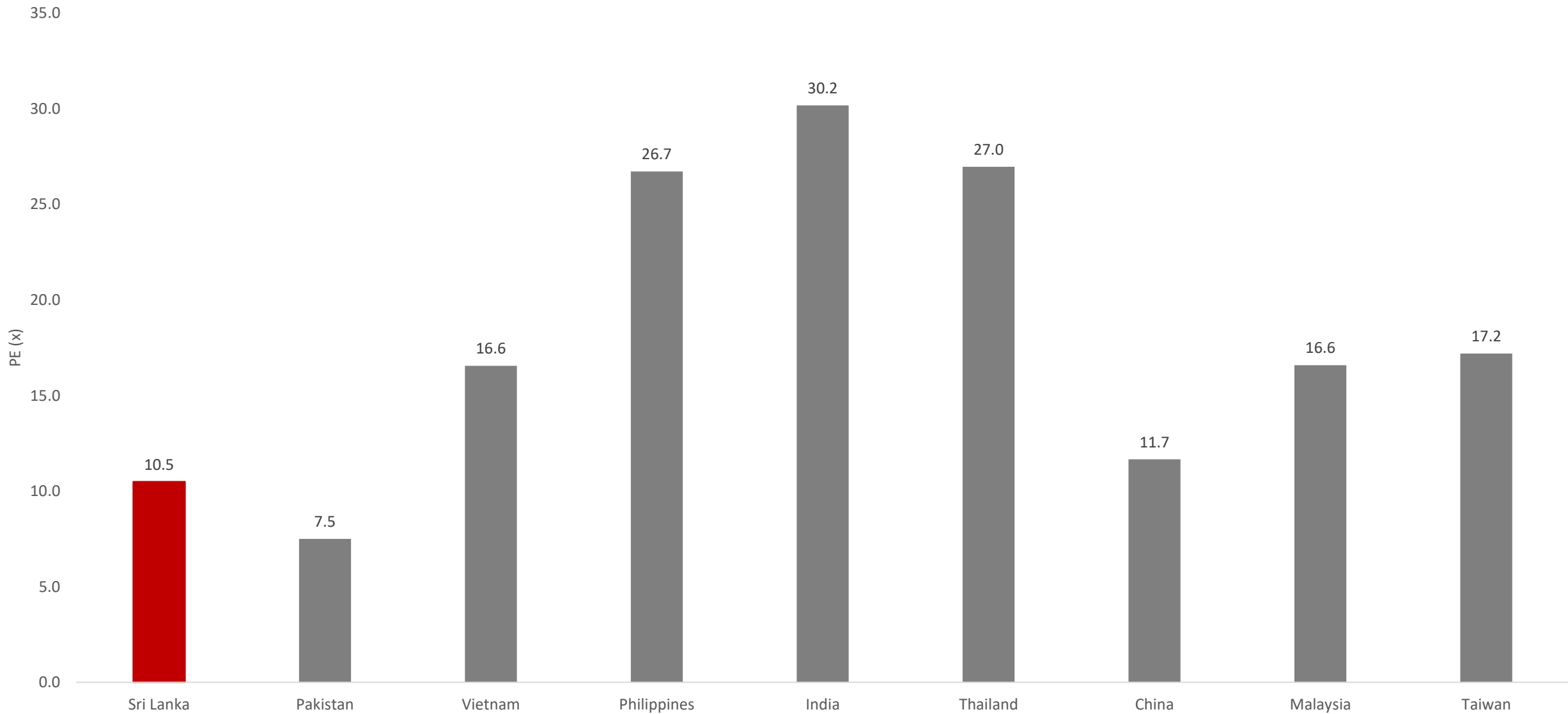
CSE currently trades at 10.5x PE, 43% discount to Emerging market and 51% discount to Frontier Market indices



Source : Bloomberg , Prices as at 30.07.2021

Sri Lanka is yet cheaper than most of the regional peers

Sri Lanka trades at a 65% discount to India, 61% discount to Thailand and 37% discount to Malaysia

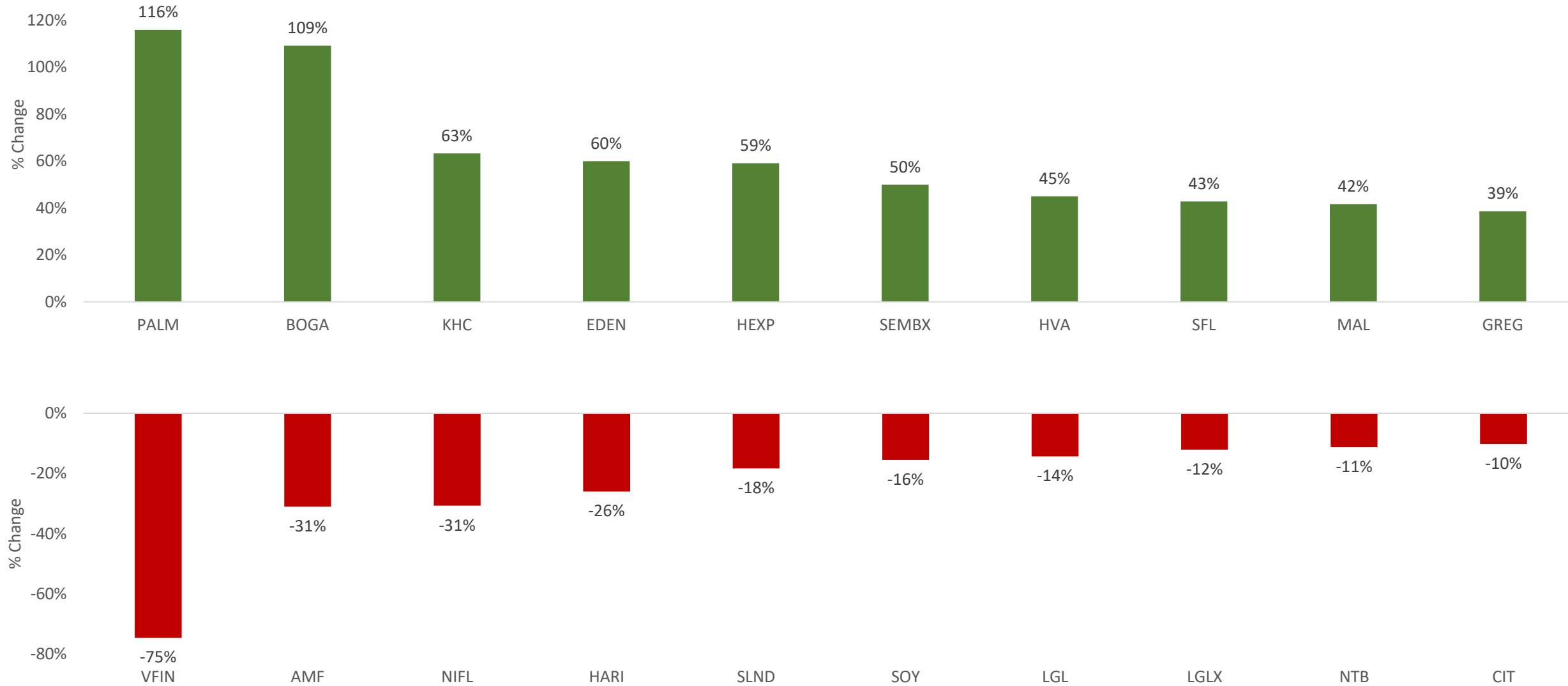


Source : Bloomberg



Top ten gainers and losers for the month

PALM and BOGA emerged as the biggest price gainers for the month



Source CSE
Note: Drop in VFIN is due to the share split of 1:4



Net foreign selling tops LKR 8.1Bn for the month

ASIR, JKH and LMF saw heavy foreign selling for the month

Top 10 foreign purchases in value

Counter	Volume Traded	Value Traded (LKR Mn)
PIRAMAL GLASS	192,244,445	2,691.42
VALLIBEL FINANCE	7,053,201	280.72
C T HOLDINGS	817,300	151.20
SUNSHINE HOLDING	3,730,624	97.74
LANKA WALLTILE	856,092	60.78
EXPOLANKA	823,654	55.18
ROYAL CERAMIC	1,003,852	38.85
CENTRAL FINANCE	386,870	34.66
MELSTACORP	320,791	16.55
SINGER FINANCE	838,886	13.25

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Top 10 foreign sales in value

Counter	Volume Traded	Value Traded (LKR Mn)
ASIRI	(39,948,876)	(1,158.52)
JKH	(8,285,985)	(1,141.39)
LMF	(6,119,290)	(1,057.11)
CARGILLS	(4,100,491)	(996.42)
COMMERCIAL BANK	(7,103,982)	(605.97)
LB FINANCE	(8,446,268)	(534.65)
PANASIAN POWER	(125,573,902)	(527.41)
HNB	(3,827,996)	(495.73)
PEOPLES LEASING	(32,430,397)	(424.84)
TEEJAY LANKA	(8,428,335)	(353.99)

Top 10 foreign sales by volume

Counter	Volume Traded	Value Traded (LKR Mn)
PANASIAN POWER	(125,573,902)	(527.41)
ASIRI	(39,948,876)	(1,158.52)
KANDY HOTELS	(36,570,400)	(292.56)
PEOPLES LEASING	(32,430,397)	(424.84)
DIALOG	(16,128,320)	(187.09)
LB FINANCE	(8,446,268)	(534.65)
TEEJAY LANKA	(8,428,335)	(353.99)
JKH	(8,285,985)	(1,141.39)
COMMERCIAL BANK	(7,103,982)	(605.97)
LMF	(6,119,290)	(1,057.11)

Source : CSE



ASPI returns stands at 19.9% YTD while S&P SL 20 returns stands at 16.1%YTD

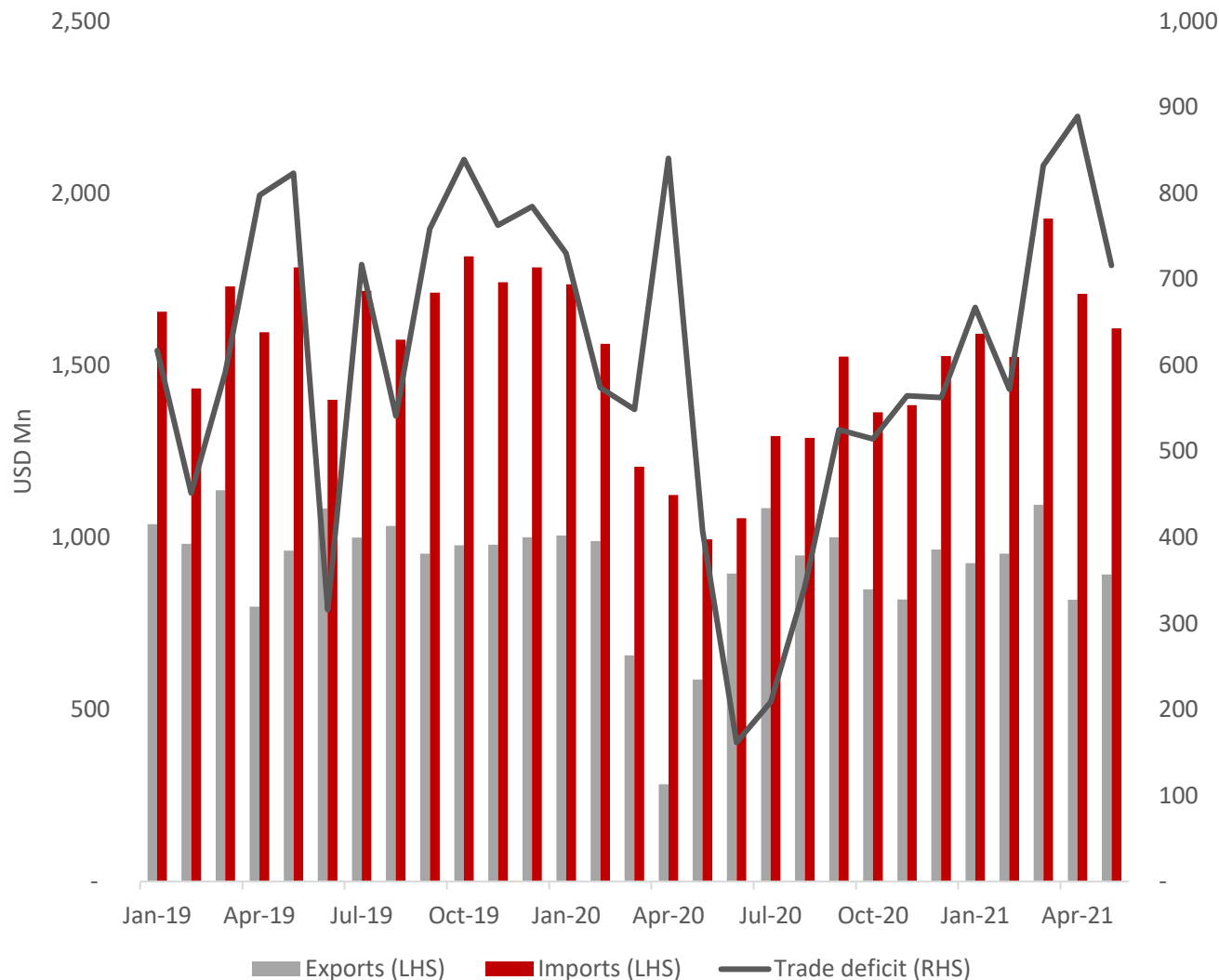
Total net foreign selling for the year tops LKR 34.6Bn

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	As at 31.07.2021
ASPI (Year End)	6635.9	6074.4	5643.0	5912.8	7299.0	6894.5	6228.3	6369.3	6052.4	6129.2	6774.2	8120.5
ASPI Return (%)	96%	-8%	-7.1%	4.8%	23.4%	-5.5%	-9.7%	2.3%	-5.0%	1.3%	10.5%	19.9%
S&P SL20			3069.0	3263.9	4089.1	3625.7	3496.4	3671.7	3135.2	2937.0	2638.1	3062.2
S&P SL20 Return (%)				6.3%	25.3%	-11.3%	-3.6%	5.0%	-14.6%	-6.3%	-10.2%	16.1%
Average Daily Turnover (LKR Mn)	2,396	2,286	884	828	1,415	1,060	737	915	834	711	1,899	3,813
YoY Growth		-5%	-61%	-6%	71%	-25%	-30%	24%	-9%	-15%	167%	101%
Avg USD =LKR	113.1	110.6	127.6	129.1	130.6	135.9	145.6	152.5	162.5	178.8	185.4	199.9
Average Daily Turnover (USD Mn)	21.2	20.7	6.9	6.4	10.8	7.8	5.1	6.0	5.1	4.0	10.2	19.1
Foreign Purchases (LKR Mn)	92,425.5	49,776.8	72,614.2	83,607.0	104,689.8	84,414.6	74,583.0	113,276.0	76,621.5	56,649.0	53,901.0	24,151.3
Foreign Sales (LKR Mn)	118,760.9	68,816.0	33,953.6	60,873.3	83,550.8	89,784.4	74,199.5	95,052.0	99,979.3	68,366.5	104,233.0	58,758.0
Net Foreign flows	(26,335.3)	(19,039.2)	38,660.7	22,733.7	21,139.0	(5,369.9)	383.5	18,224	(23,357.9)	(11,717.5)	(50,332.1)	(34,606.3)
Foreign Purchases (USD Mn)	817,491	450,184	569,077	647,564	801,852	620,969	512,246	742,793	471,401	316,776	290,660	120,817
Foreign Sales (USD Mn)	1,050,423	622,375	266,094	471,484	639,942	660,471	509,612	623,292	615,106	382,299	562,075	293,937
Net Foreign Flows (USD Mn)	(232,932)	(172,192)	302,983	176,080	161,910	(39,502)	2,634	119,498	(143,705)	(65,523)	(271,415)	(173,118)
Market Cap (LKR Bn)	2,210	2,214	2,168	2,460	3,105	2,938	2,745	2,899	2,839	2,851	2,959	3,598
Market Cap (USD Mn)	19,551	20,022	16,987	19,053	23,781	21,612	18,856	19,010	17,469	15,944	15,959	17,999
CSE - PER (Year End)	25.2	15.8	15.9	15.9	19.7	18.0	12.4	10.7	9.7	11.5	15.2	10.5

Source : CSE

Economic Indicators – July'21

Export income increased by 52%YoY while import bill jumped by 62% YoY for May'21. Trade deficit continued to widen in May'21 to USD 716Mn



- Cumulative exports grew by 33%YoY while cumulative imports increased by 20%YoY, thus increasing the trade deficit by 18%YoY to USD 3,663Mn for the first five months of 2021.
- Textiles and Garment exports increased by 69%YoY to USD 372Mn while rubber products jumped by 80%YoY in May'21 as disruptions to domestic production processes due to lockdowns hindered export income last year. Industrial and Agricultural exports grew by 6%MoM and 20%MoM respectively reflecting the recovery from third wave of Covid-19 pandemic.
- Monthly fuel bill meanwhile increased by 425%YoY (a decline of 20% MoM) to USD 330Mn for May'21, with average import prices of crude oil increasing . Cumulative cost of the fuel bill for the year jumped by 52%YoY to USD 1,721Mn.
- Restrictions in importing vehicles meanwhile resulted with personal vehicle imports dipping by 99%YoY in May'21.



Export income increased more than Import expenses in May'21

Import bill on fuel increased by 425%YoY mainly due to low base owing to strict lockdowns that limited movements. Vehicle imports dropped by 99%YoY while Export income from Textile and garments increased by 69%YoY in May'21

USD Mn	May'20	May'21	Variance	Jan-May 2020	Jan-May 2021	Variance	Contribution to Exports
Total Exports	587	892	52%	3,519	4,692	33%	
Industrial Exports	401	687	71%	2,696	3,636	35%	78%
Textiles and garments	220	372	69%	1,540	2,072	35%	44%
Rubber Products	49	89	80%	270	407	51%	9%
Agricultural Exports	183	199	9%	810	1,029	27%	22%
Tea	108	109	1%	457	527	15%	11%

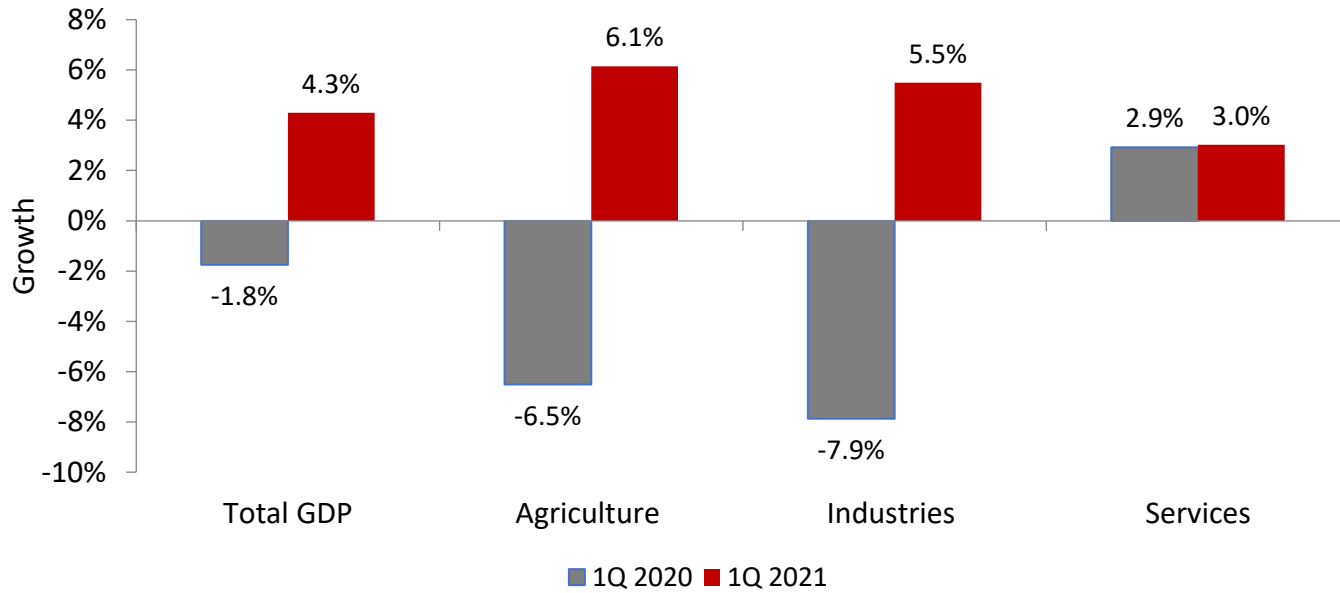
USD Mn	May'20	May'21	Variance	Jan-May 2020	Jan-May 2021	Variance	Contribution to Imports
Total Imports	994	1607	62%	5,625	6,748	20%	
Consumer Goods	264	254	-4%	1,533	1,530	0%	23%
Food and beverages	122	121	-1%	685	750	9%	11%
Non-food consumer goods	142	133	-7%	848	780	-8%	12%
Vehicles	48	1	-99%	264	4	-98%	0%
Intermediate goods	486	1045	115%	3,602	5,111	42%	76%
Fuel	63	331	425%	1,133	1,721	52%	26%
Textiles and textile articles	121	236	95%	890	1,174	32%	17%
Investment goods	241	308	28%	1,474	1,711	16%	25%
Machinery and equipment	158	183	16%	844	1,096	30%	16%

USD Mn	May'20	May'21	Variance	Jan-May 2020	Jan-May 2021	Variance
Trade balance	-407	-716	75.9%	-3,101	-3,663	18%
Earnings from tourism	-	2	-	682	21	-97%
Workers' remittances	432	460	6%	2,407	2,846	18%
Foreign Direct Investment	-	-	-	-	-	-
Overall Balance				-797	-1,053	32%



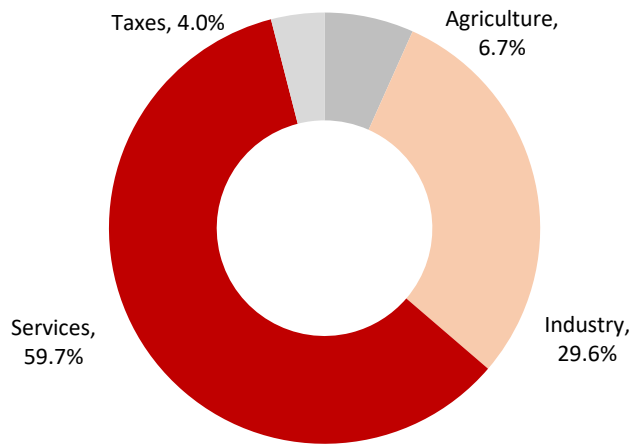
Gross Domestic Product

Sri Lanka continues its growth momentum for the third consecutive quarter growing by 4.3% in 1Q'21

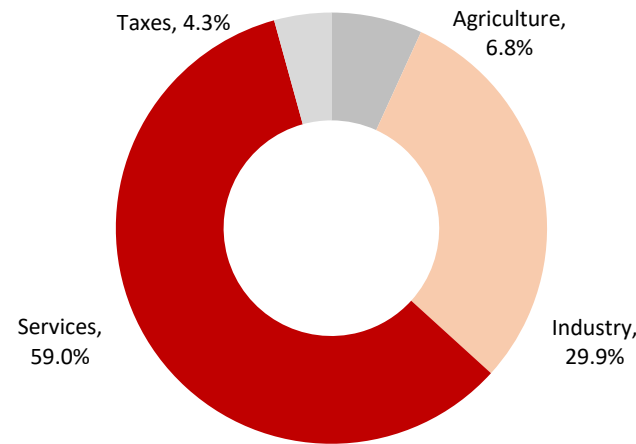


- Sri Lanka's GDP grew by 4.3%YoY to Rs. 2,393,922 in 1Q'21 driven by the expansion of Agricultural, Industrial and services sectors by 6.1%YoY, 5.5%YoY and 3.0%YoY respectively.
- Main subsectors of agriculture like 'Marine fishing', 'Growing of Rice' and 'Growing of Other beverage crops' contracted by 16.0%YoY, 6.3%YoY and 2.8%YoY while 'Growing of Tea' and 'Growing of Rubber' expanded by 37.9%YoY and 16%YoY respectively.
- 'Manufacture of rubber and plastic products' in Industrial sector saw a growth of 12.9%YoY and 'Manufacture of coke and refined petroleum products' contracted by 44.3%YoY.
- The 'Financial Service activities and auxiliary financial services' and 'IT programming consultancy and related activities' in services sector expanded by 13.1%YoY and 14.9%YoY respectively while 'Accommodation, Food and beverage service activities' contracted by 31.9%YoY.

1Q'20

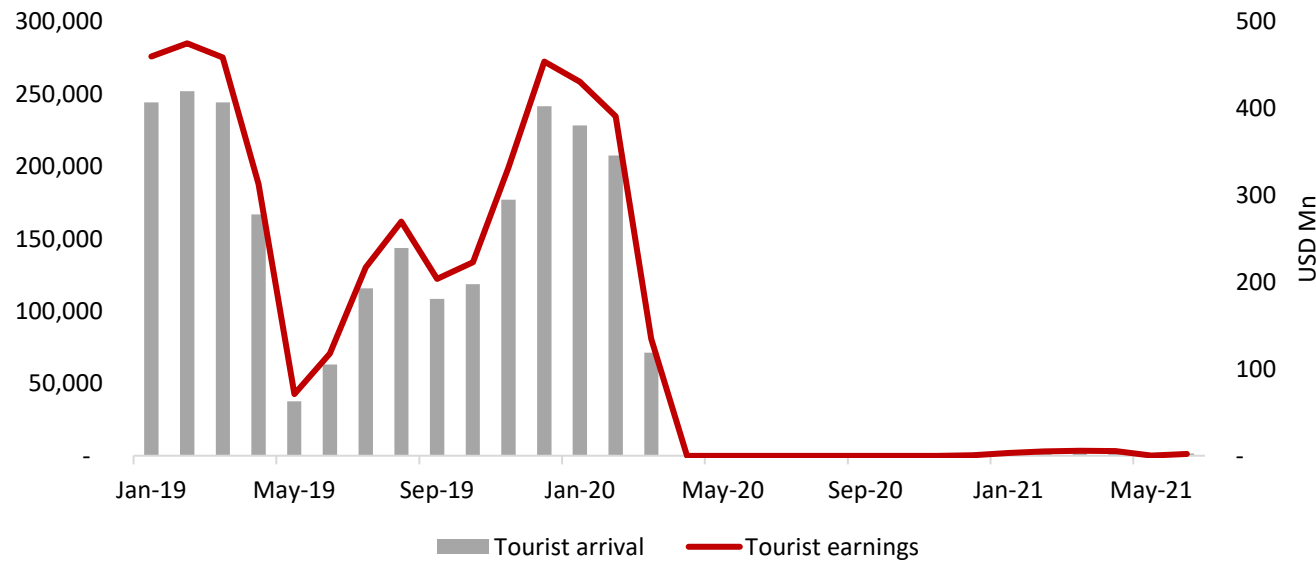
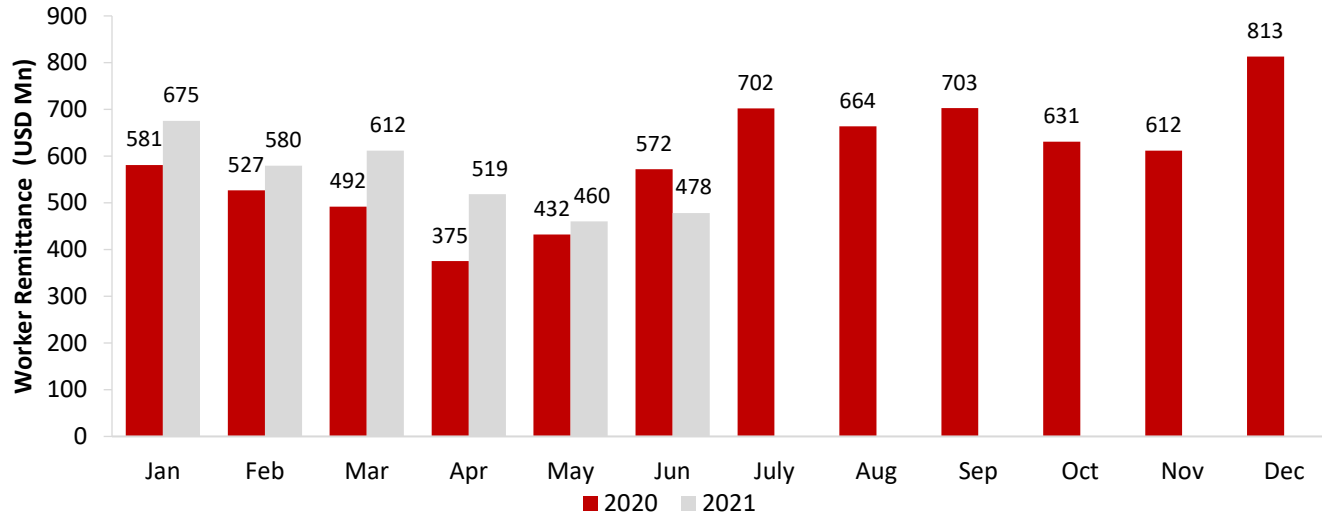


1Q'21





Jan'21-Jun'21 worker remittance increased by 12%YoY. Tourist arrival increased by 8%MoM



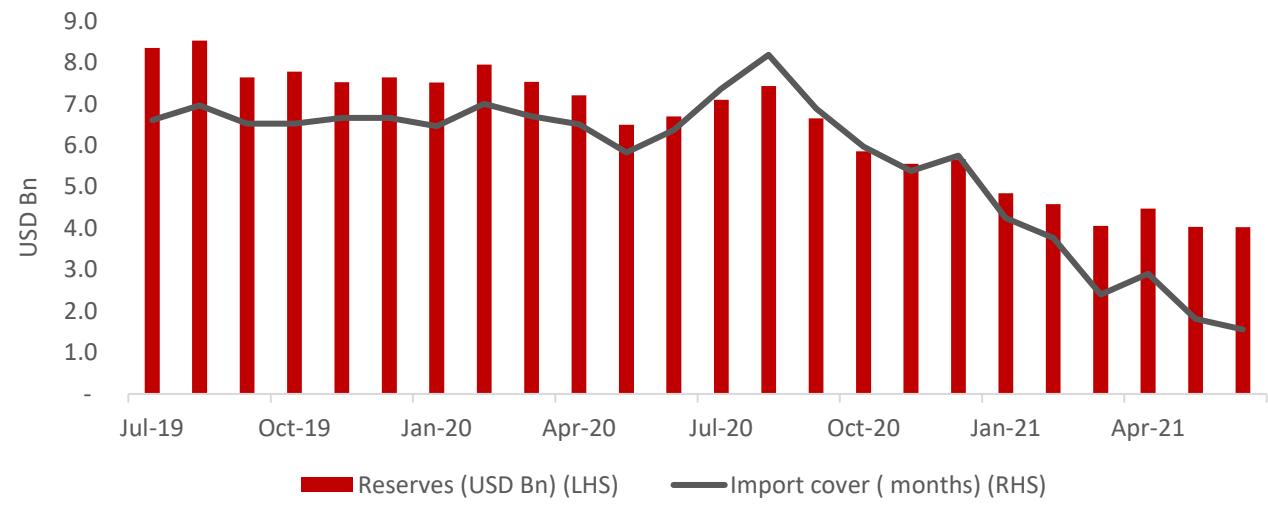
- Remittances during Jan'21-Jun'21 recorded a growth of 12%YoY despite some setback in June'21 (down 16.4%YoY). Inability to spend money due to the pandemic restrictions and saving plans of the Sri Lankan expatriates is believed to have contributed to the growth during Jan'21-Jun'21 compared to the corresponding period of 2020.
- 1,614 tourists arrived in Jun'21 which is a 7%MoM increase mainly due to the tour of French naval officers. Further, GOSL allowed fully vaccinated tourists to travel without quarantine given a negative PCR test.

Source : CBSL , SLTDA

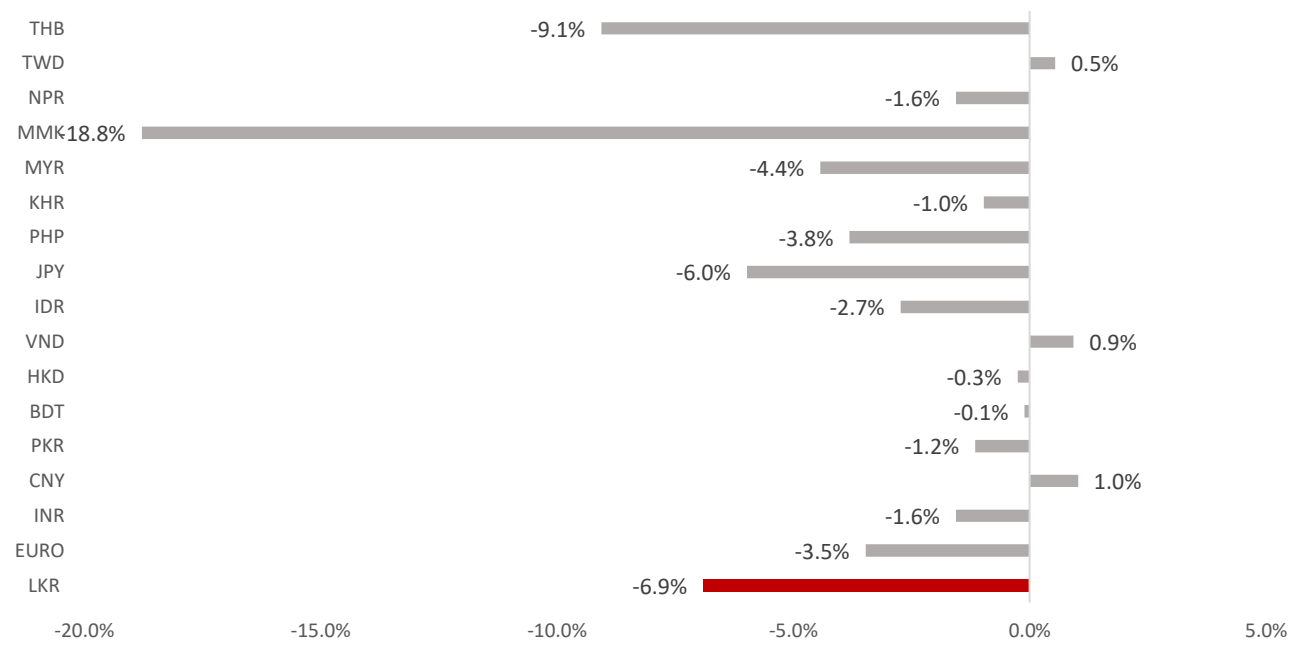


LKR/USD

Reserves remain unchanged at USD 4.0Bn in Jun'21 covering 2.6 months of imports, LKR depreciates by 6.9% so far



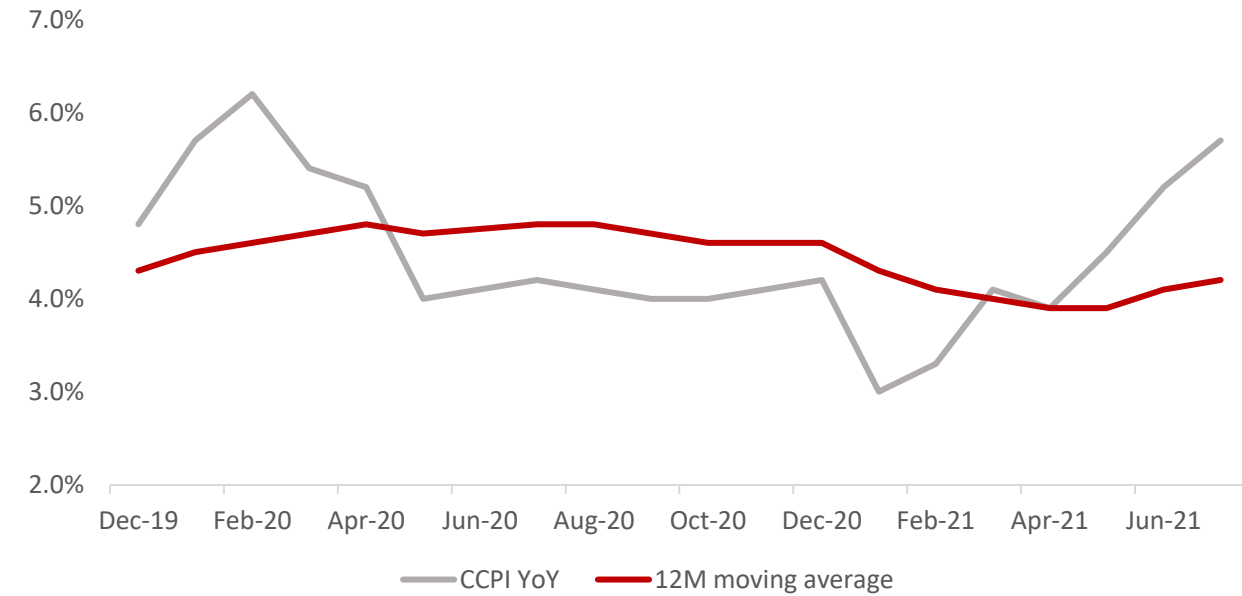
- Sri Lanka maintained the reserves level at USD 4.02Bn in Jun'21(from USD 4.03Bn in May'21) covering just 2.6 months of imports. SL also paid USD1Bn worth of ISB on July 27th out of reserves of which 30% is expected to retain in the country since the quantum was owned by local institutions. CBSL has also reiterated their unwillingness to revert for an IMF bailout and assured some funding lines which includes some debt and non debt funding.



- LKR against USD depreciated by 6.9% for the year while Chinese Yuan, Vietnamese Dong and New Taiwan Dollar appreciated by 1.0%, 0.9% and 0.5% respectively against USD YTD.

Source : CBSL, Xe Currency
 Note: LKR : Sri Lankan Rupee, EURO: Euro ,INR: Indian Rupee, CNY:Chinese yuan, PKR:Pakistan Rupee , BDT:Bangladesh Taka , HKD:Hong Kong Dollar , VND:Vietnamese Dong , IDR:Indonesian Rupiah, JPY:Japanese Yen , PHP:Philippine Peso, KHR:Cambodian riel , MYR:Malaysian Ringgit, MMK :Myanmar Kyat , NPR:Nepalese Rupee, TWD:New Taiwan dollar, THB; Thai Bhat

CCPI Inflation increased to 5.7% for the month of July'21 recording a 17 month high. However, 12 month average still remains at 4.2%

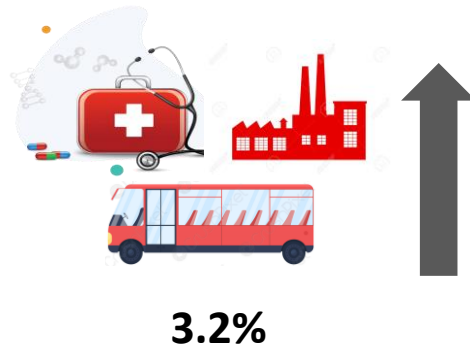


- The CCPI recorded a 0.50% monthly change with the decline in Food category by 0.05% and increase in Non Food category by 0.55%
- Within the Food category, prices of Coconuts (0.22%), Sea Fish (0.10%) and Vegetables (0.04%) declined, whereas prices of Fresh fruits (0.08%) and Dried Fish (0.06%) increased. Increase in Transport (0.28%) and Restaurant and hotels (0.20%) contributed largely to the value change of Non Food category
- We expect inflation to rise further with prevailing high commodity prices, transport cost and weak LKR

Food Inflation (Y-o-Y)



Non Food Inflation (Y-o-Y)

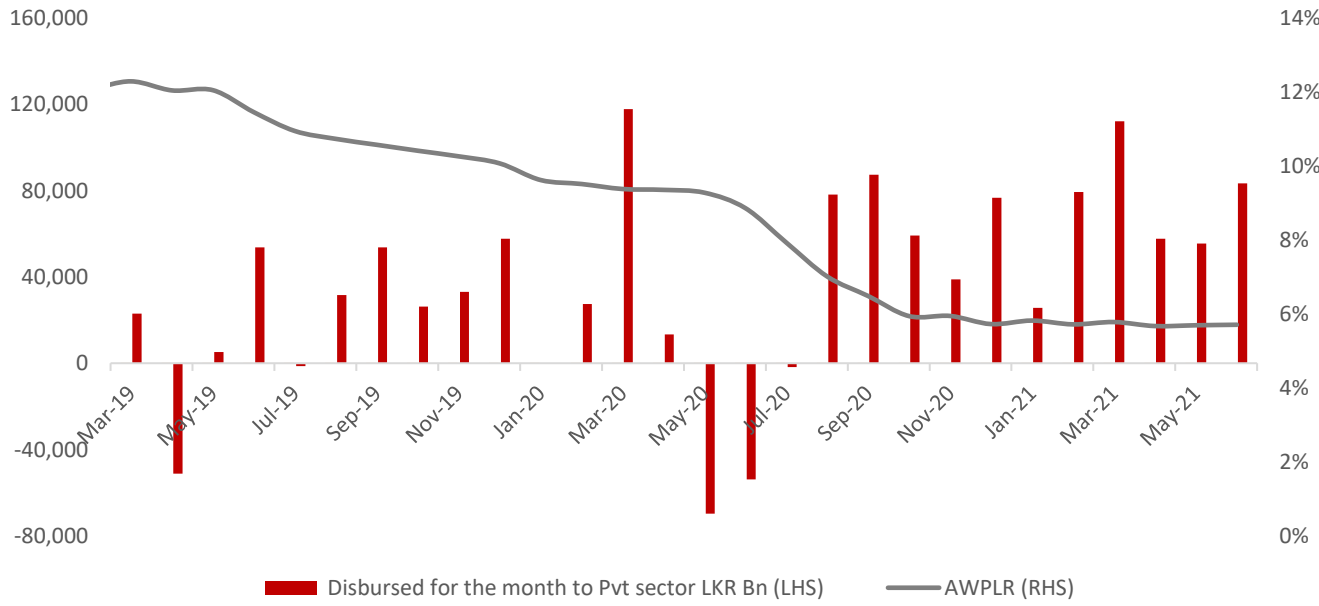


Source : CBSL , Department of Census and Statistics- Sri Lanka

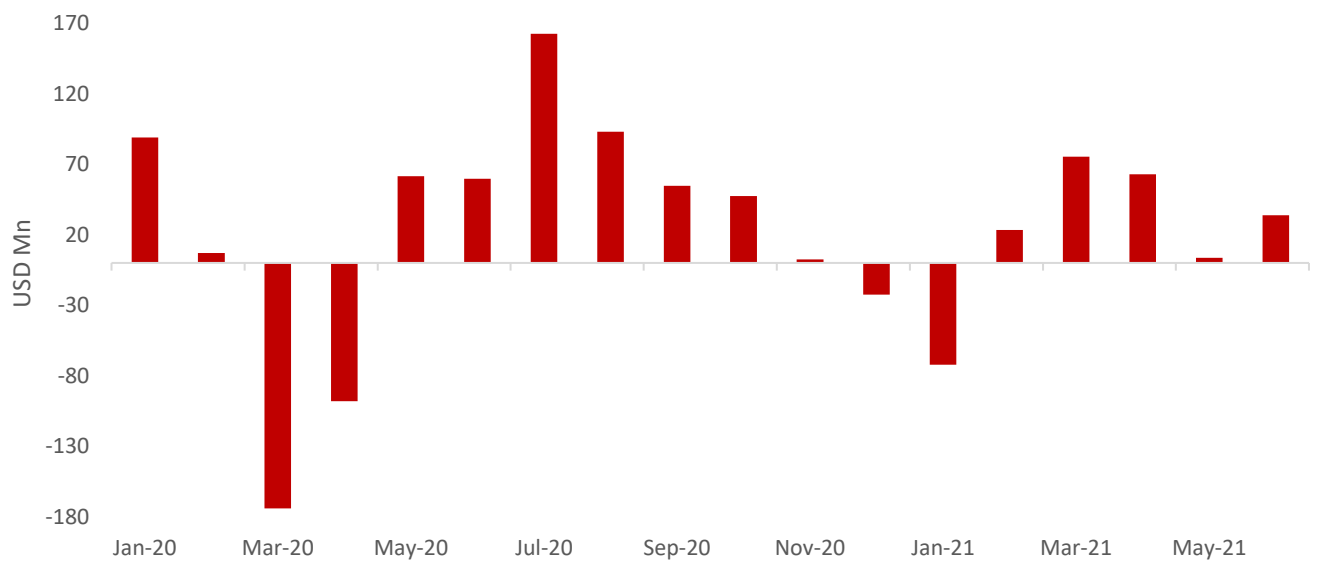


Pvt sector credit & Foreign Intervention

Private sector credit growth picks up for the eleventh consecutive month to end at 12.9% YoY in June'21.



- Credit to private sector by banks expended by LKR 83.4Bn in June'21 resulting in a growth of 12.9% from a year earlier. This was mainly due to the low base effect as private sector credit fell significantly in May, June 2020 due to strict countrywide lockdown. Although countryside lockdown prevailed during May/June'21 it was rather relaxed and most of the businesses functioned near normal. Rapid vaccine roll out, low rates and further relaxation should drive up credit growth in our view.



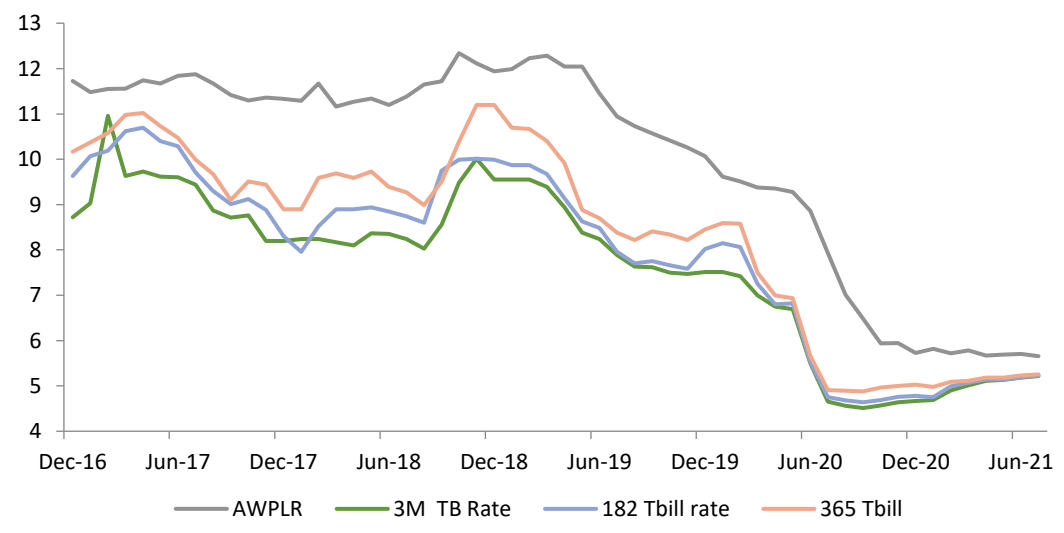
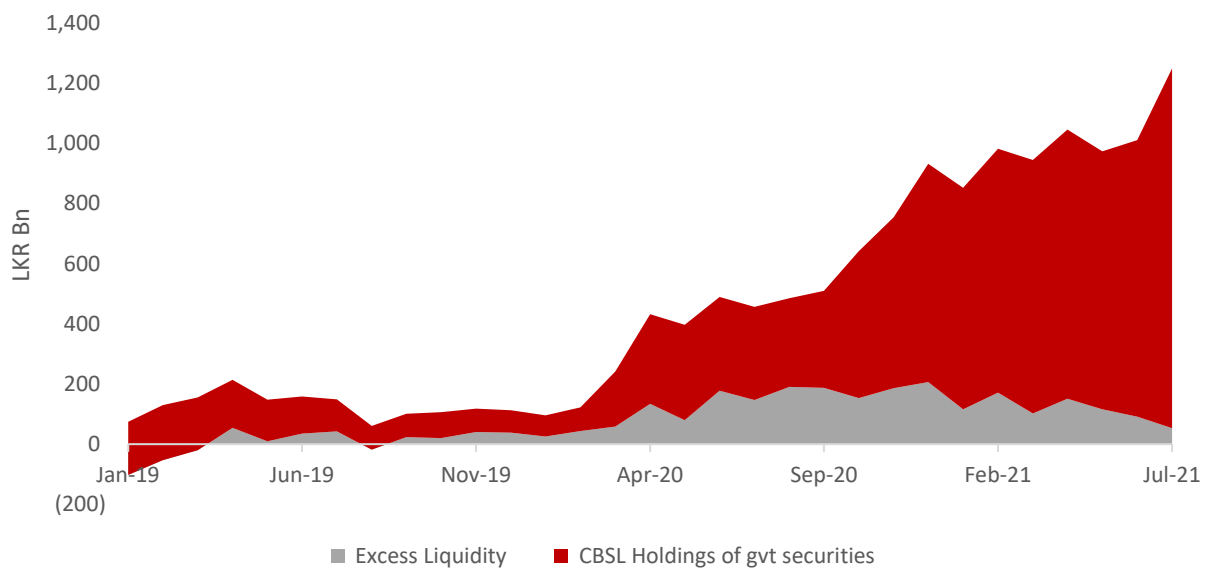
- Sri Lanka purchased dollars for the fifth consecutive month, from the domestic foreign exchange market of USD 33.71Mn in Jun'21 despite the recent pressure on the currency.

Source : CBSL



Liquidity & Rates

SL printed money reached LKR 1.2Tn



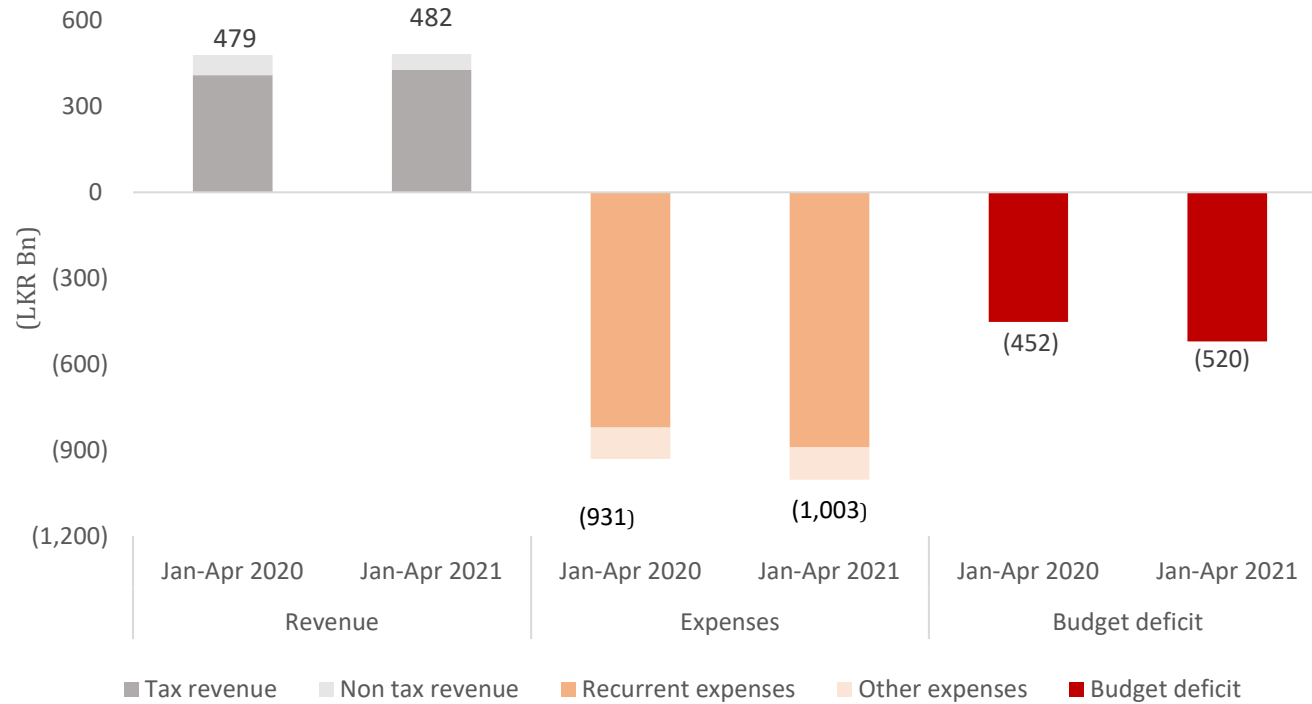
- CBSL printed a staggering LKR 275Bn to end the month of July to bridge a budget deficit, amid shrinking tax income, and increased expenditure to contain the virus. Meanwhile while excess liquidity position came down to LKR 53.6Bn (from 91.2Bn in June). Inflation too edged up to 17 month high to 5.7% in July.
- Sri Lanka Treasury bill rates edged up by 0.04% for both 91Days and 182Day to stand at 5.22% and 5.23% respectively. The rates meanwhile have increased by 0.55% and 0.45% for 91days and 182 days YTD. However 1 YR bill rates were allowed to raise only by 0.22% as CBSL capped the rates at auctions.
- AWPLR declined by 5bps by end of July to 5.66% while AWFDR slipped further by 15bps for July'21 to 5.67% .

Source : CBSL



Fiscal Position

SL's budget deficit for Jan'21-Apr'21 widened by 15%YoY to LKR 520Bn



- Government revenue for the first four months increased by 0.8% , with tax revenue growing by 4.6% (accounts to 89% of total revenue) and non tax revenue declining by 20.1% for the same period.
- Recurrent expenses and capital expenses increased by 8.5% YoY and 2.3% respectively. Consequently, the total expenses grew by 7.7% for Jan'21-Apr'21.
- Budget deficit thus widened by 15.1%YoY during the period to LKR 520Bn.

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