

**Policy Rates cut by
50 bps**

In Mar'24

**Worker
remittances Up by
16% YoY**

In Feb'24

**Inflation
declined to
0.9% YoY**

In Mar'24

**Foreign reserves
soared to USD
4.5Bn**

In Feb'24

**IMF Reaches Staff-
Level Agreement
under EFF
Arrangement**

In Mar'24

**Tourist arrivals
exceeds
600,000+ YTD**

In 1Q'24

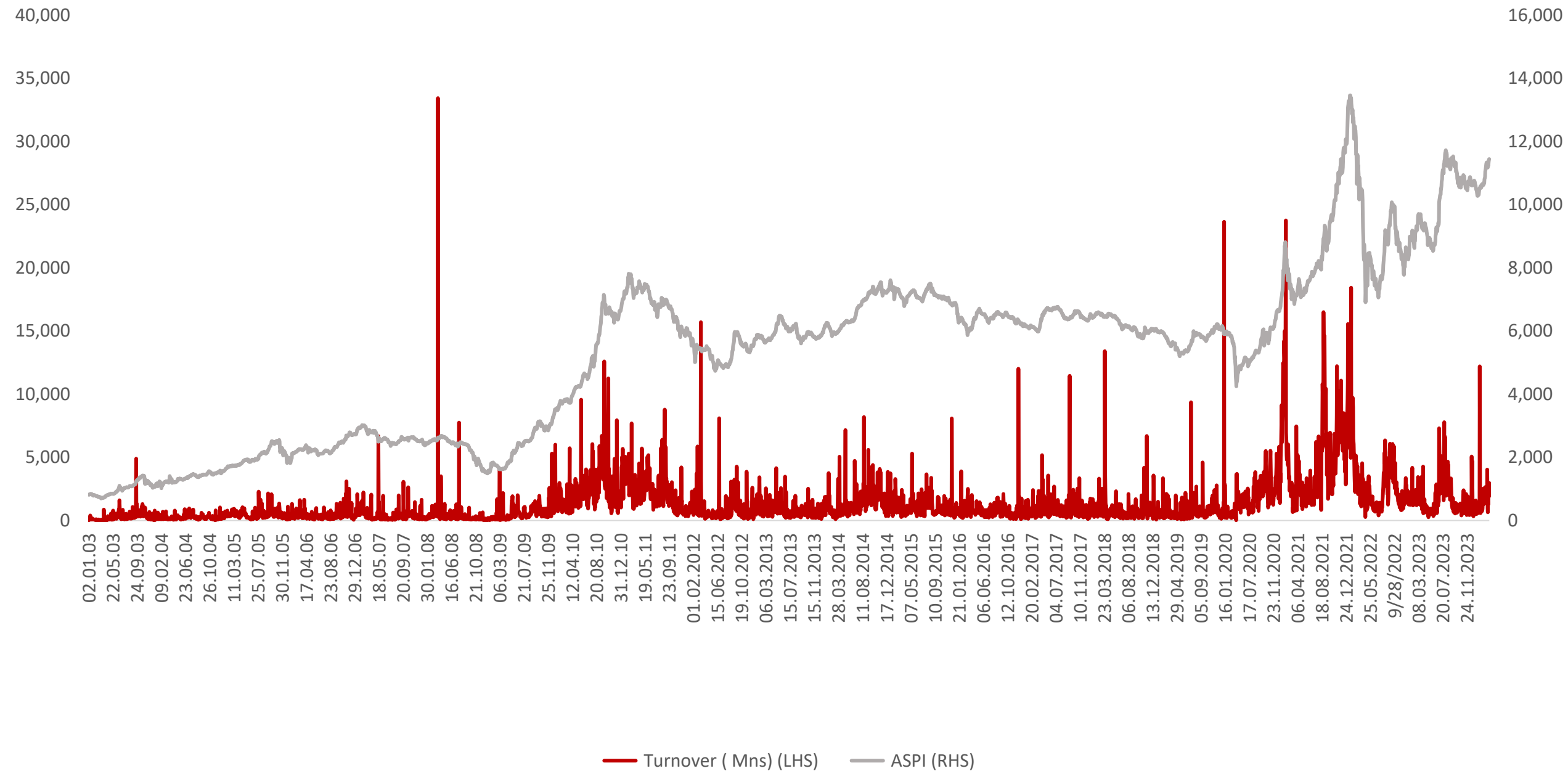


Key events for Mar'24

- Colombo bourse performance enhanced in Mar'24 by gaining 793 points from 10,651 to 11,444 (7.4% YTD), while more liquid S&P SL 20 ended at 3,317 adding 280 points (8.1% YTD). It was mainly buoyed by positive news of debt restructuring process and hopes on IMF deal, which boosted the investor confidence. According to Bloomberg, CSE All Share Price Index ranked among the top 10 best-performing primary equity indices demonstrating the outstanding performance of the Sri Lankan stock market. Further, the average daily turnover in Mar'24 was LKR 1.9 Bn 12% higher MoM.
- The Central Bank of Sri Lanka (CBSL) cut its policy rates for the fifth time since June 2023, with Standing Deposit Facility Rate (SDFR) and the standing Lending Rate (SLFR) of the Central Bank reducing by 50 bps to 8.5% and 9.5% respectively, while keeping the Statutory Reserve Ratio (SRR) unchanged at the current level of 2.00%.
- The IMF Team and the Sri Lankan authorities reached staff-level agreement on economic policies to conclude the second review of the 4-year Extended Fund Facility (EFF) arrangement. Sri Lanka would now be able to access USD 337 Mn after the Executive Board review is completed, bringing the total IMF financial support disbursed under the arrangement to USD 1 Bn.
- Sri Lanka meanwhile welcomed over 600,000 tourists during the first quarter ending March 2024, owing to the ongoing government campaigns, national branding efforts, and the recognition of Sri Lanka as the top travel destination. India became the largest tourist destination source, followed by Russia, the UK and Germany during the 1Q'24.
- Foreign investment in the Colombo Stock Exchange hit a high in Feb'24, while there was a net outflow from the government securities market. Additionally, Sri Lanka's Gross Official Reserves reached to USD 4.5 Bn in Feb'24, comfortably covering three months of imports.
- Meanwhile, Sri Lanka's annual inflation rate (CCPI) plummeted to 0.9% in Mar'24 from 5.9% in Feb'24. However, prices for food items increased by 3.8%YoY while non-food items declined by 0.5%YoY.

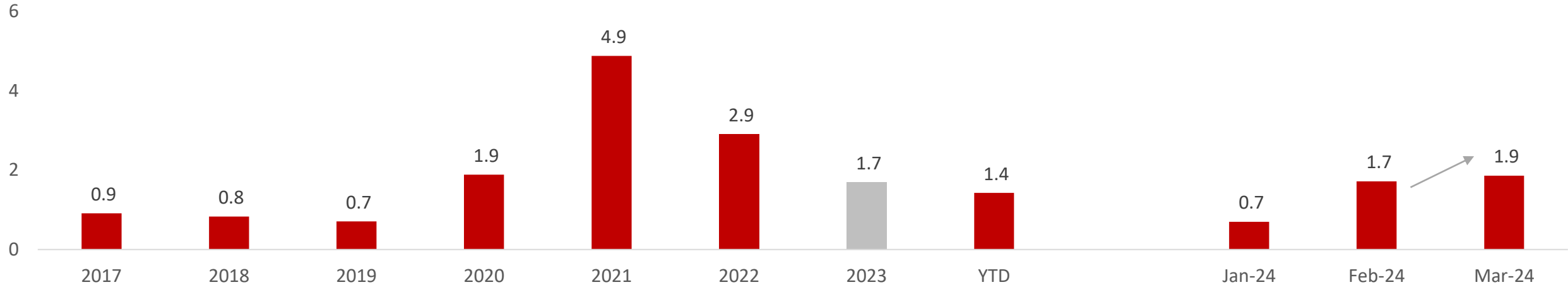


ASPI gained 793 points in Mar'24

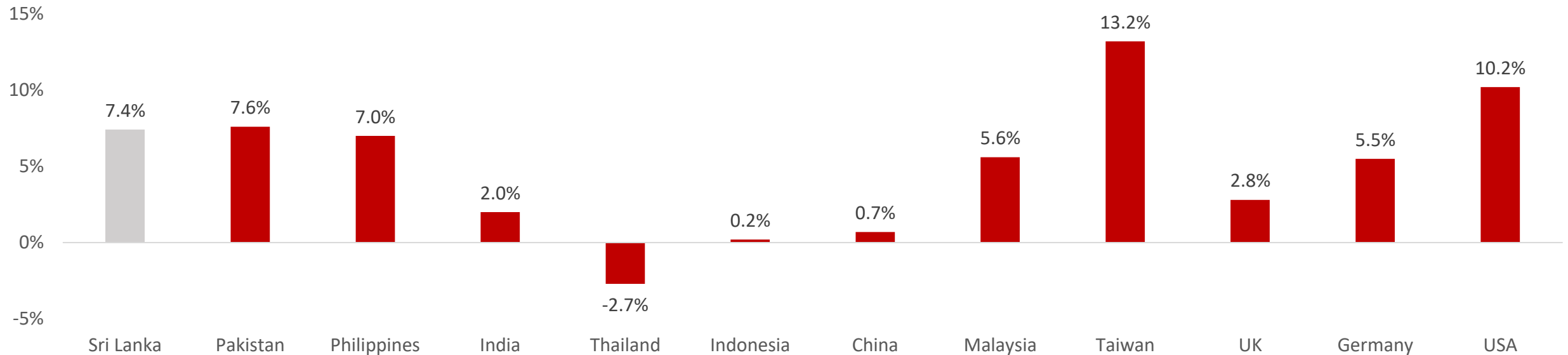


Average daily turnover soared to LKR 1.9 Bn in Mar'24

Avg YTD turnover levels stands at LKR 1.4Bn



SL's returns records at 7.4% YTD

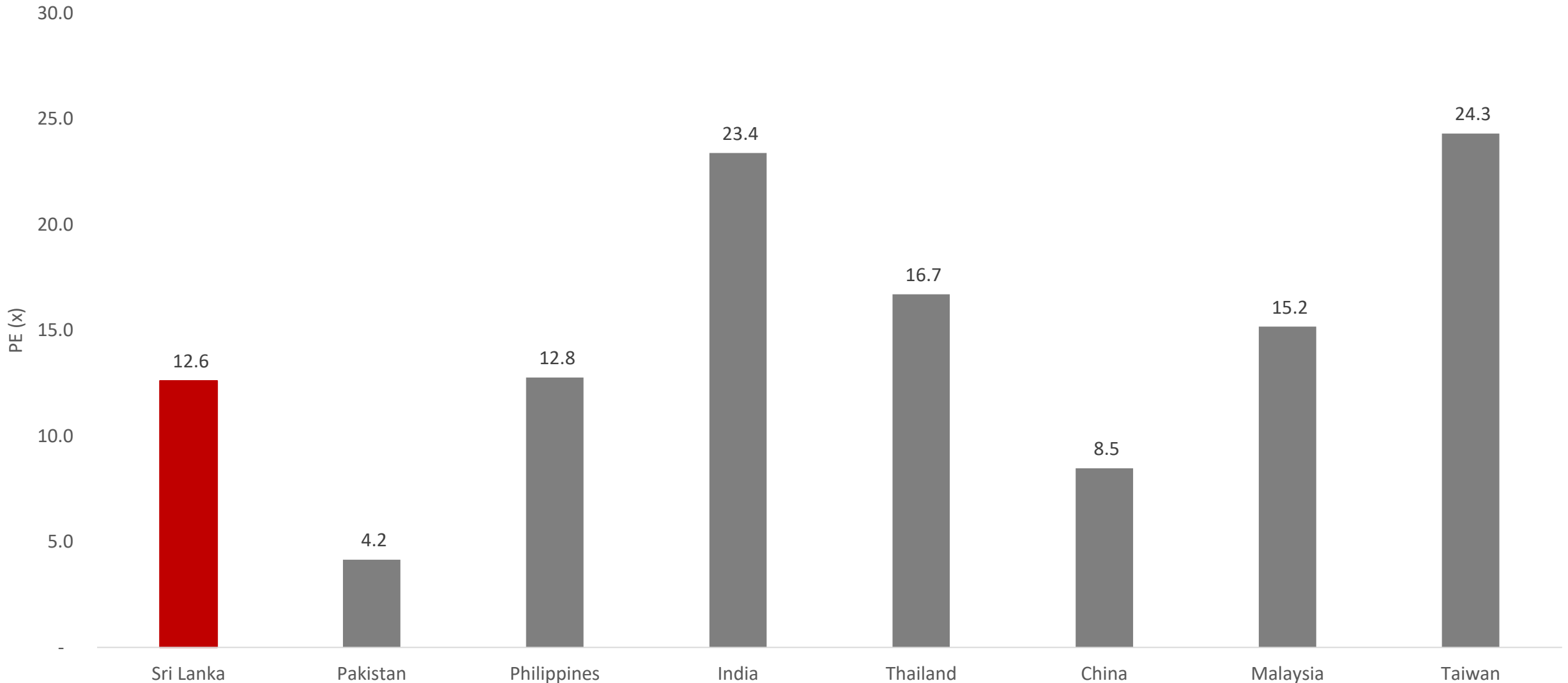


Source : CSE, Bloomberg



Sri Lanka is still cheaper than most of its regional peers

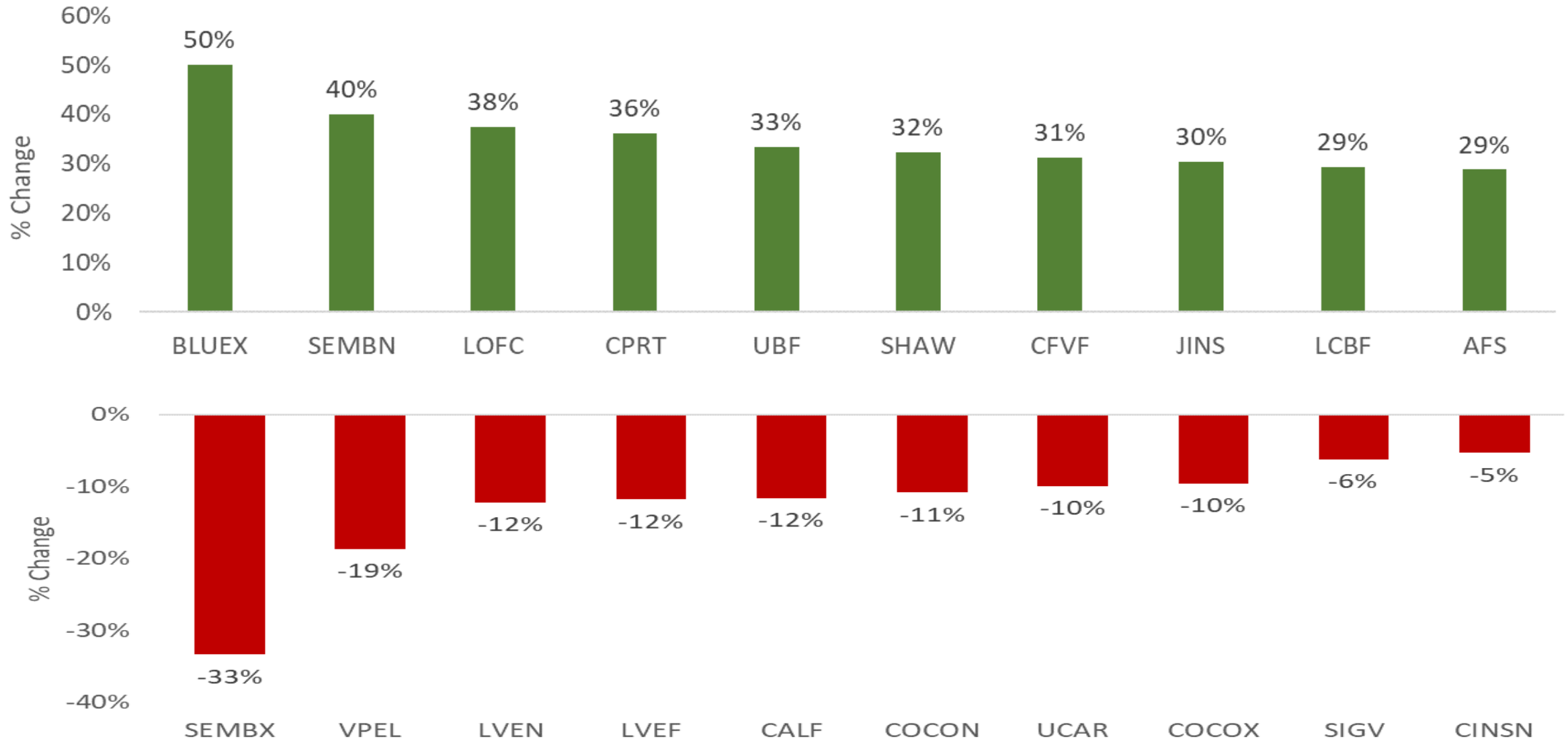
Sri Lanka still trades at attractive valuations, trading at a 48% discount to Taiwan, a 46% discount to India, 24% discount to Thailand, and 17% discount to Malaysia.





Top ten gainers and losers for the month

BLUEX, SEMBN & LOFC as the biggest price gainers for the month.





ASPI gained 7.4% YTD while S&P SL 20 returns gained 8.1% YTD

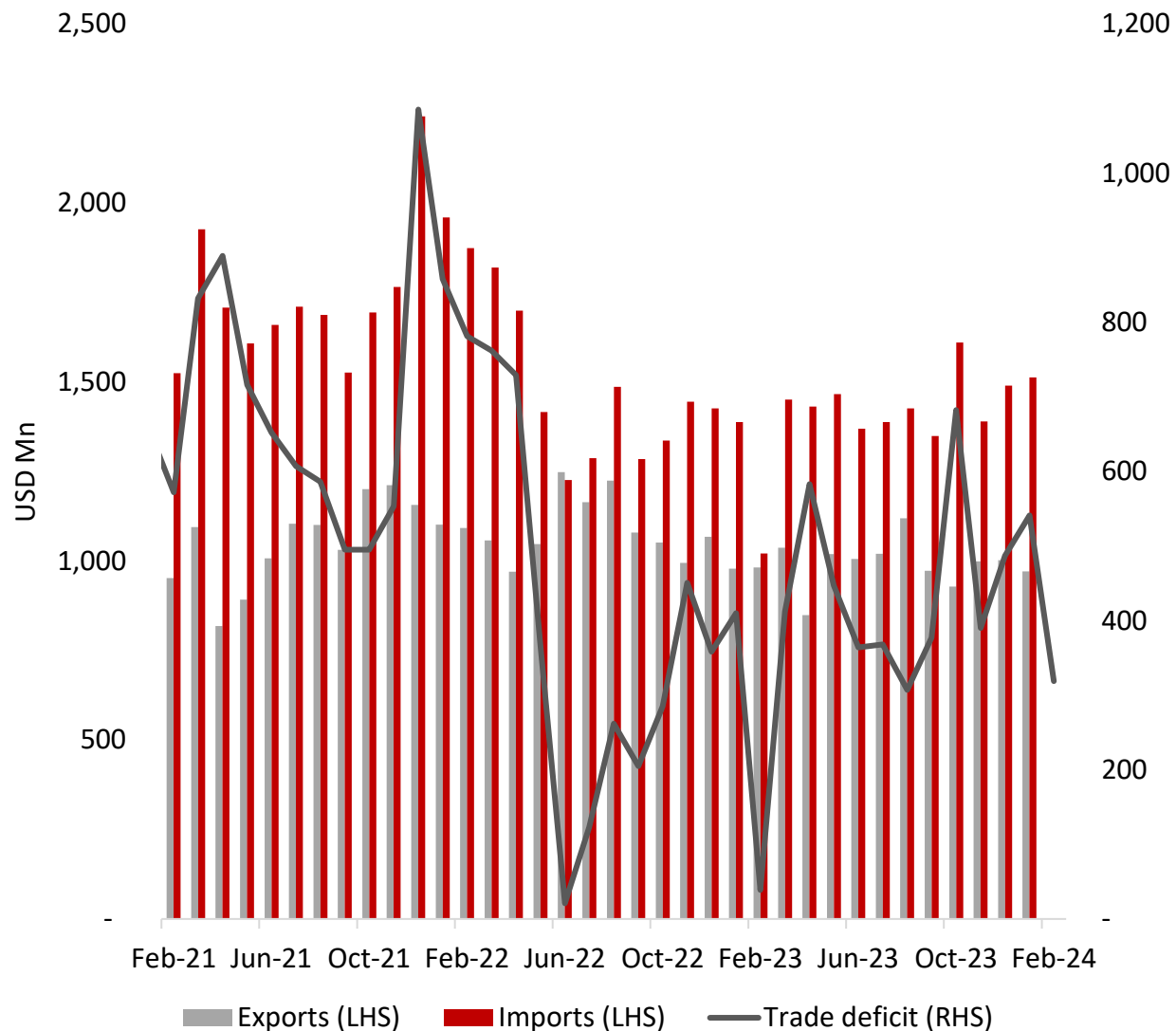
Total net foreign selling stood at LKR 4.3 Bn for the month

	2016	2017	2018	2019	2020	2021	2022	2023	YTD
ASPI (Year End)	6228.3	6369.3	6052.4	6129.2	6774.2	12226.0	8489.7	10654.2	11444.4
ASPI Return (%)	-9.7%	2.3%	-5.0%	1.3%	10.5%	80.5%	-30.6%	25.5%	7.4%
S&P SL20	3496.4	3671.7	3135.2	2937.0	2638.1	4233.3	2635.6	3068.4	3317.6
S&P SL20 Return (%)	-3.6%	5.0%	-14.6%	-6.3%	-10.2%	60.5%	-37.7%	16.4%	8.1%
Average Daily Turnover (LKR Mn)	737	915	834	711	1899	4888	2972	1697	1424
YoY Growth	-30%	24%	-9%	-15%	167%	157%	-39%	-43%	-16%
Avg USD =LKR	145.6	152.5	162.5	178.8	185.4	203.0	371.6	328.8	305.3
Average Daily Turnover (USD Mn)	5.1	6.0	5.1	4.0	10.2	24.1	8.0	5.2	4.7
Foreign Purchases (LKR Mn)	74,583	113,276	76,621	56,649	53,901	34,085	67,508	41,471	16,788
Foreign Sales (LKR Mn)	74,199	95,052	99,979	68,366	104,233	86,687	36,906	37,124	24,694
Net Foreign flows (LKR Mn)	384	18,224	(23,358)	(11,717)	(50,332)	(50,284)	30,601	4,348	(7,907)
Foreign Purchases (USD Mn)	512	743	471	317	291	168	182	126	55
Foreign Sales (USD Mn)	510	623	615	382	562	427	99	113	81
Net Foreign Flows (USD Mn)	3	119	(144)	(66)	(271)	(248)	82	13.2	(25.9)
Market Cap (LKR Bn)	2,745	2,899	2,839	2,851	2,959	5,489	3,888	4,249	4,535
Market Cap (USD Mn)	18,856	19,010	17,469	15,944	15,959	27,039	10,463	12,924	14,852
CSE - PER (Year End)	12.4	10.7	9.7	11.5	15.2	13.6	5.0	11.1	9.9

Source : CSE

Economic Indicators – March'24

Export income soared by 7.9% YoY while the import bill surged by 38% YoY in Feb'24. Trade deficit soared to USD 319Mn in Feb'24.



- In Feb'24, both export earnings and import expenditure surged by 7.9%YoY and 38%YoY respectively. However, with imports outpacing exports, the trade deficit widened to USD 319 Mn.
- Earnings from industrial exports increased by 7.3%YoY in Feb'24 mainly contributed by petroleum products because of the rise in bunkering and aviation fuel export volumes. Also, Exports of agricultural goods improved by 10.3%YoY in Feb'24 mainly driven by tea due to both higher export volumes and prices. Meanwhile, earnings from exports in Feb'24 increased compared to Jan'24, led by higher textiles and garment exports.
- On the other hand, total investments goods have increased by 58.3%YoY to USD 286Mn (mainly owing to the higher expenditure on machinery and equipment and building materials). However, import expenditure in Feb'24 declined notably compared to Jan'24, led by lower fuel imports.



Cumulative import bill on investment goods surged by 41% YoY while the cumulative textile and garment exports dipped by 6% YoY.

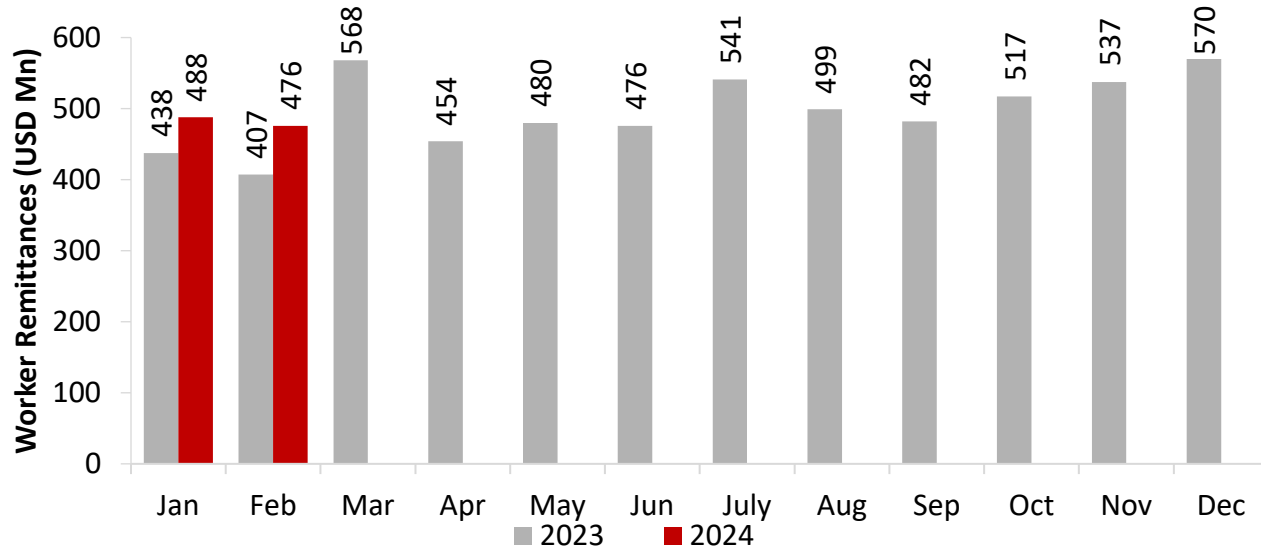
USD Mn	Feb'23	Feb'24	Variance	Jan - Feb 2023	Jan - Feb 2024	Variance	Contribution to Exports
Total Exports	982	1,059	8%	1,960	2,030	4%	
Industrial Exports	777	834	7%	1,558	1,605	3%	79%
Textiles and garments	431	422	-2%	856	803	-6%	40%
Rubber Products	73	86	19%	145	166	14%	8%
Agricultural Exports	201	222	10%	392	417	6%	21%
Tea	105	128	22%	204	230	13%	11%

USD Mn	Feb'23	Feb'24	Variance	Jan - Feb 2023	Jan - Feb 2024	Variance	Contribution to Imports
Total Imports	1,021	1,378	35%	2,444	2,890	18%	
Consumer Goods	202	250	23%	421	531	26%	18%
Food and beverages	115	127	10%	233	283	21%	10%
Non-food consumer goods	88	123	41%	188	248	32%	9%
Medical and pharmaceuticals	42	39	-7%	93	95	3%	3%
Intermediate goods	638	840	32%	1,644	1,821	11%	63%
Fuel	204	291	42%	721	708	-2%	24%
Textiles and textile articles	166	246	48%	383	471	23%	16%
Investment goods	181	286	58%	380	536	41%	19%
Machinery and equipment	127	202	59%	260	368	42%	13%

USD Mn	Feb'23	Feb'24	Variance	Jan - Feb 2023	Jan - Feb 2024	Variance
Trade balance	-39	-319	721%	-484	-860	78%
Earnings from tourism	162	346	114%	315	687	118%
Workers' remittances	407	476	17%	845	964	14%
Foreign Direct Investment	-	-	-	-	-	-
Overall Balance				317	247	22%

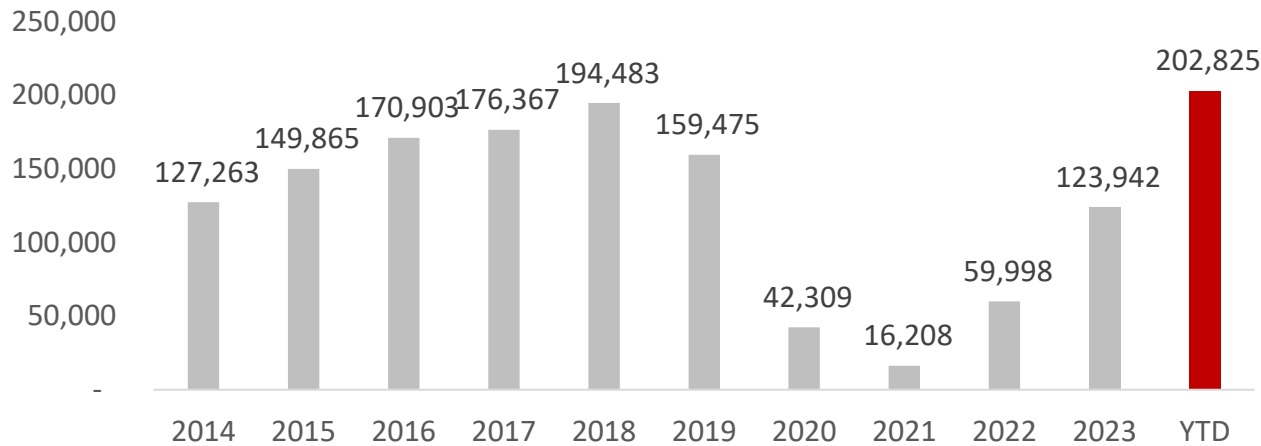


Remittances soared by 16%YoY in Feb'24 while tourist arrivals exceeds 600,000+ YTD



- Remittances for the month of Feb'24 soared by 16%YoY to USD 476Mn compared to USD 407Mn in Feb'23. Hence, we are confident that Sri Lanka will return to its pre-pandemic levels of worker remittances by end 2024.

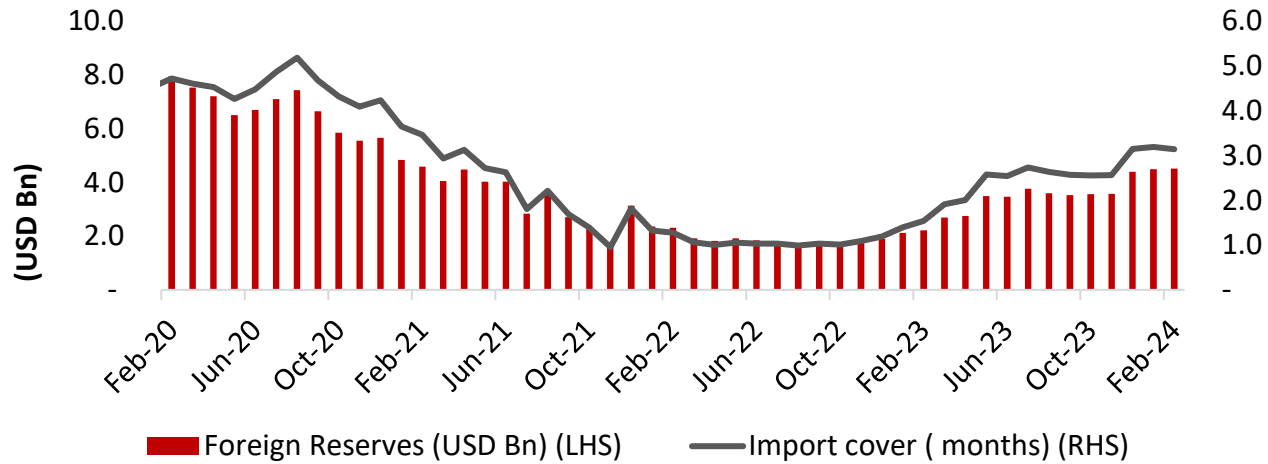
Average Monthly Tourist Arrivals



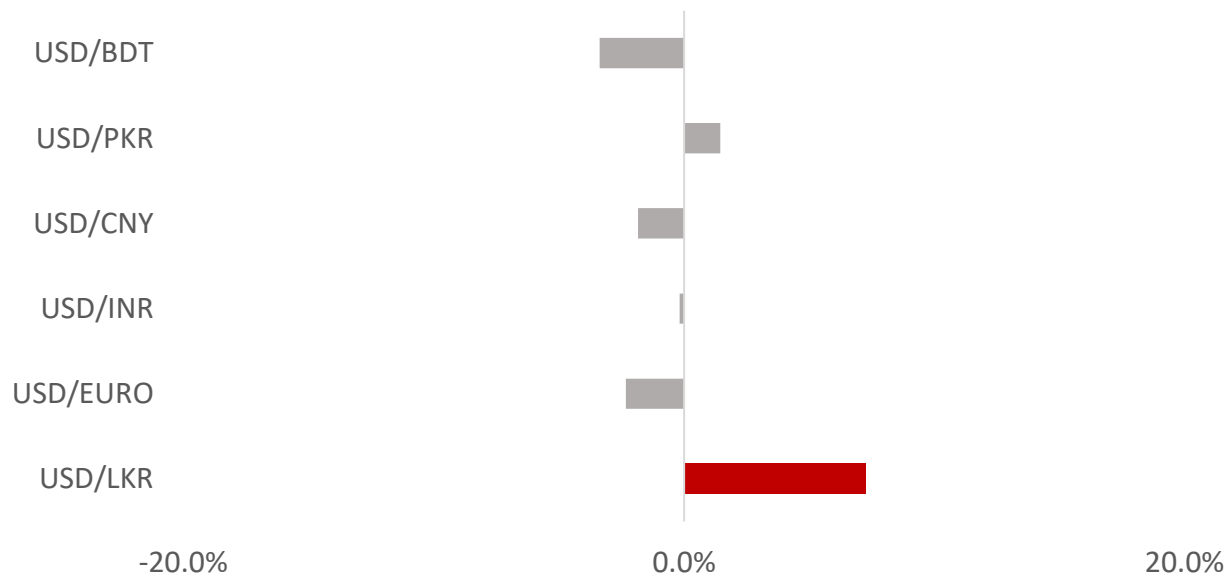
- Sri Lanka experienced a notable increase in tourist arrivals of +180,000 in Mar'24 (44% YoY) owing to the ongoing government campaigns, national branding efforts, promotional activities and the recognition of Sri Lanka as the top travel destination. Meanwhile, India, Russia, Germany, the UK, and China emerged as the top source markets during Mar'24.

Source : CBSL , SLTDA

Reserves rose to 4.5Bn Feb'24, representing 3 month's worth of imports.



- Sri Lanka's foreign reserves increased to USD 4.5Bn at the end of Feb'24. The monthly import bill is also around USD 1.3Bn, which is comfortable to cover 3 month's worth of imports.



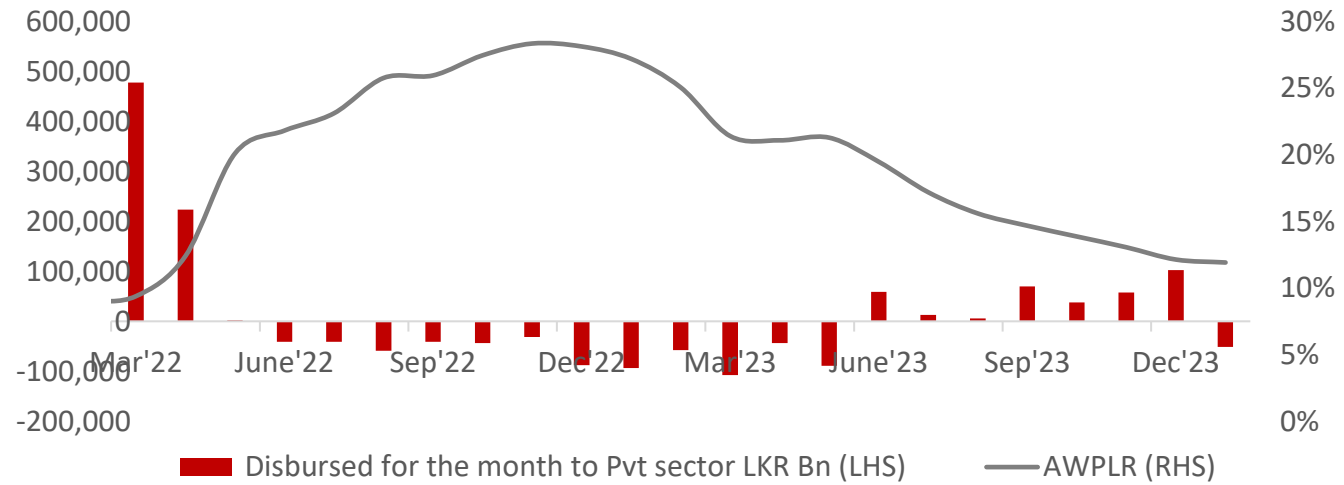
- Official exchange rate of LKR, and PKR against USD appreciated by 7.2% (Earlier in March, the buying rate of the US Dollar dropped below LKR 300 for the first time since July 2023), and 1.4% YTD respectively. While the EURO, INR, CNY, and BDT depreciated by 2.3%, 0.2%, 1.8%, and 3.4% YTD against USD.

Source : CBSL, Xe Currency,
 Note: LKR : Sri Lankan Rupee, EURO: Euro, INR: Indian Rupee, CNY: Chinese yuan, PKR: Pakistan Rupee, and BDT: Bangladesh Taka

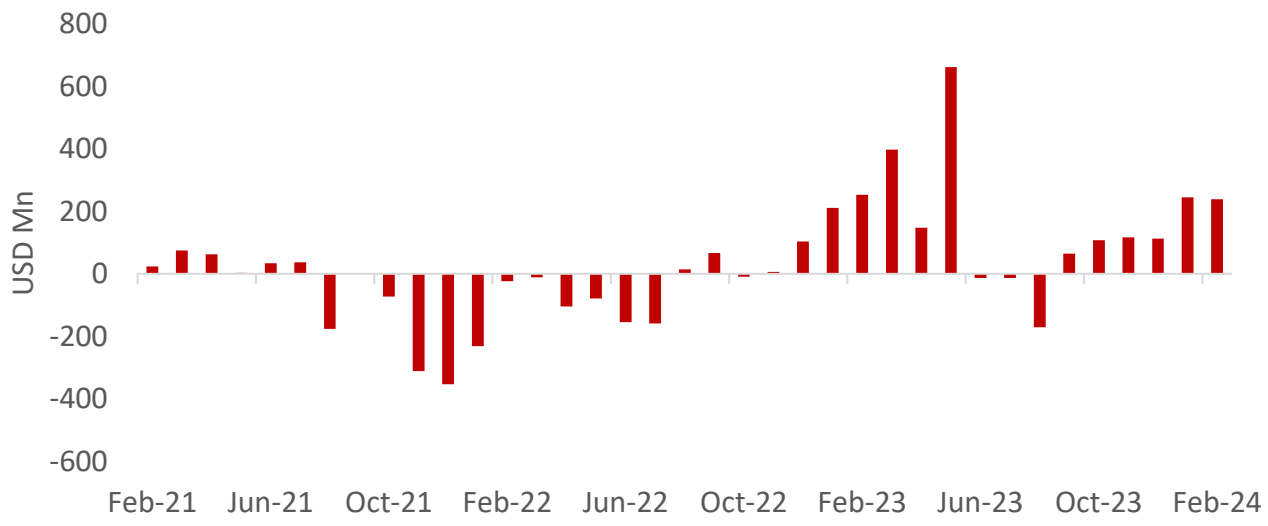


Pvt sector credit & Foreign Intervention

Private sector credit continues its growth momentum



- Private sector credit lost its winning streak by dropping LKR 9.0BnMoM in Jan'24 mainly due to strong rupee that rerated the foreign loan component. We however expect the credit to private sector to surge on the back of declining interest rates which would be promoted further by the rate cut.

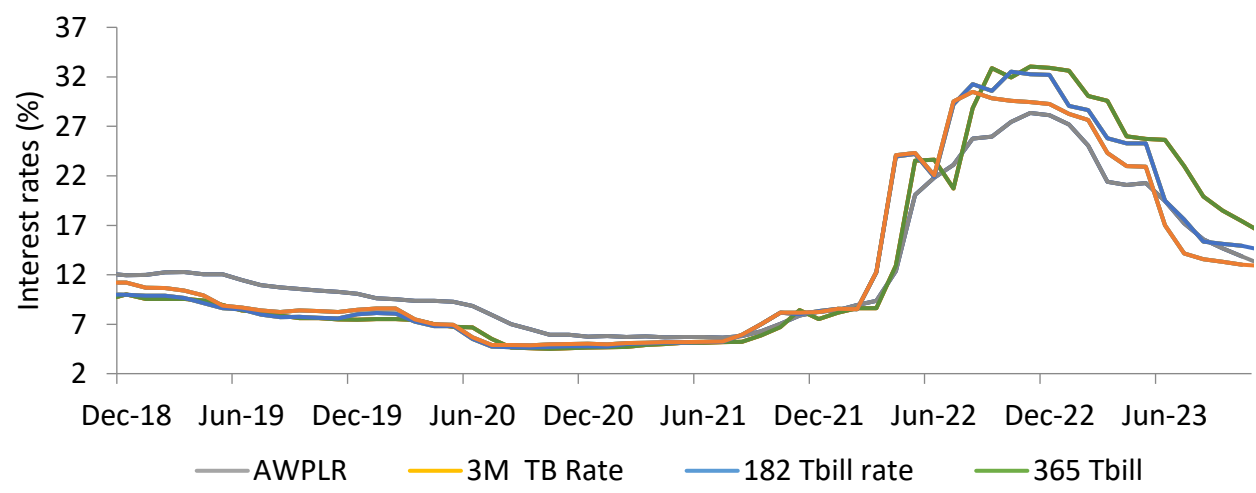
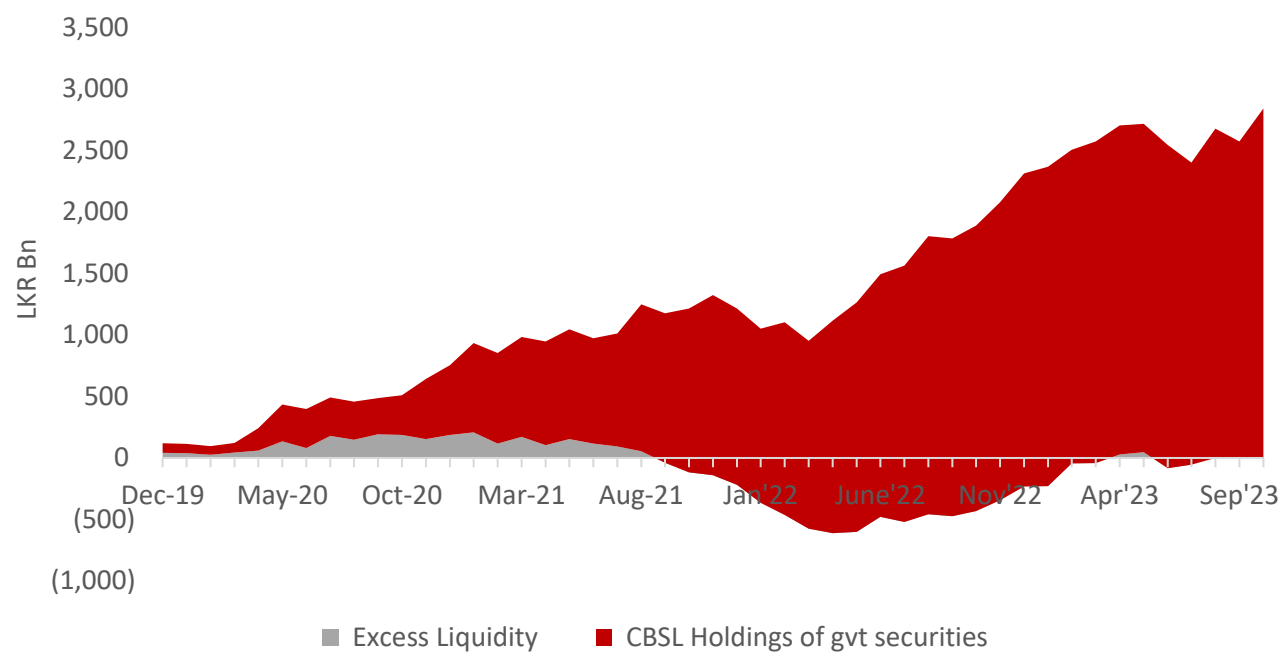


- Sri Lanka purchased USD 248.5Mn in Feb'24 and USD 9Mn selling has reported in Feb'24, resulting in a net purchase of USD 239.5Mn.

Source : CBSL

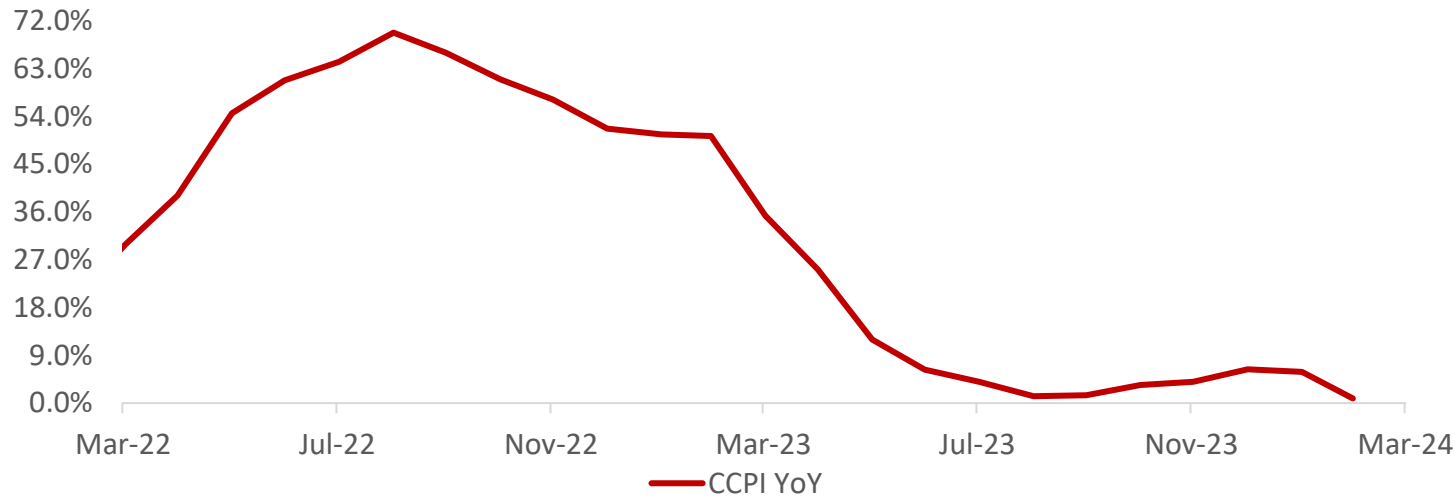


Tbill rates falls further



- Overnight liquidity levels meanwhile ended positive of LKR 85Bn. CBSL's holdings of government securities meanwhile dropped by LKR 24BN to stand at LKR 2.691Tn.
- T bill rates edged upwards in the early part of the month, however saw a slight drop with the announcement of rate cute. 91 days, 182 days and 365Bill edged up by 20bps, 28bps and 23bps respectively to end at 10.07%, 10.23% and 10.28%.
- AWPLR meanwhile dropped to 10.69%, 73bps down from last month.

CCPI inflation plummeted to 0.9%YoY in Mar'24

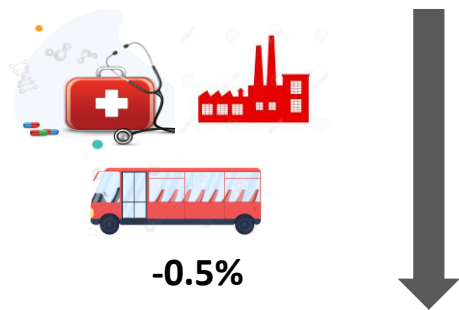


- The CCPI dropped by 1.9% (MoM), with Food and Non-Food decreasing by 2.1% (MoM) and 1.9% (MoM), respectively.
- The contribution of Non-Food items was -0.32%. This was mainly due to price decreases in groups of items ‘Housing, Water, Electricity, Gas and Other Fuels’ (1.22%), Transport’ (0.31%), Health (0.04%), ‘Clothing and Footwear’ (0.02%), ‘Furnishing Household Equipment and routine Household Maintenance’ (0.01%) and price increases in groups of items ‘Alcoholic beverages Tobacco and Narcotics’ (0.47%), ‘Education’ (0.45%), ‘Restaurants and Hotels’ (0.13%), ‘Miscellaneous Goods and Services’ (0.08%), ‘Recreation and Culture’ (0.08%) and Communication (0.07%) Compared to March 2023.

Food Inflation (Y-o-Y)



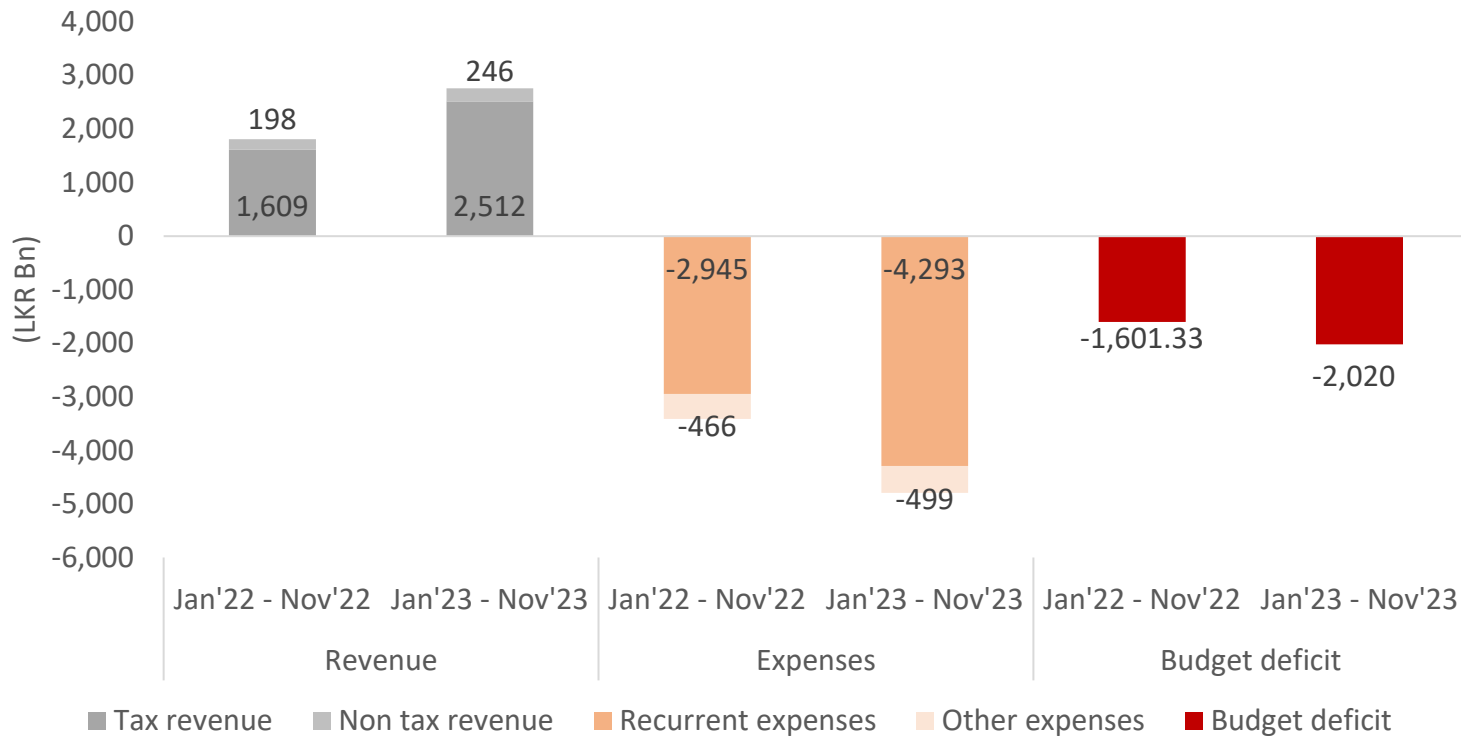
Non-Food Inflation (Y-o-Y)



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



Fiscal Position



- Government revenue for Jan'23-Nov'23 increased by 53%YoY to LKR 2.7Tn, with tax revenue growing by 56%YoY (accounts for 91% of total revenue) and the non-tax revenue by 24%YoY for the same period.
- Recurrent expenses and capital expenses grew by 46%YoY and 7%YoY respectively. Consequently, the total expenses grew by 40% YoY during Jan'23 – Nov'23 to LKR 4.8Tn.
- Therefore, the Budget deficit soared by 26%YoY during the period to LKR 2.02Tn.

Source : CBSL

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