



**Ceylon
Tea
Brokers**

**TEA INDUSTRY OVERVIEW
JANUARY TO SEPTEMBER - 2022**

CEYLON TEA BROKERS PLC

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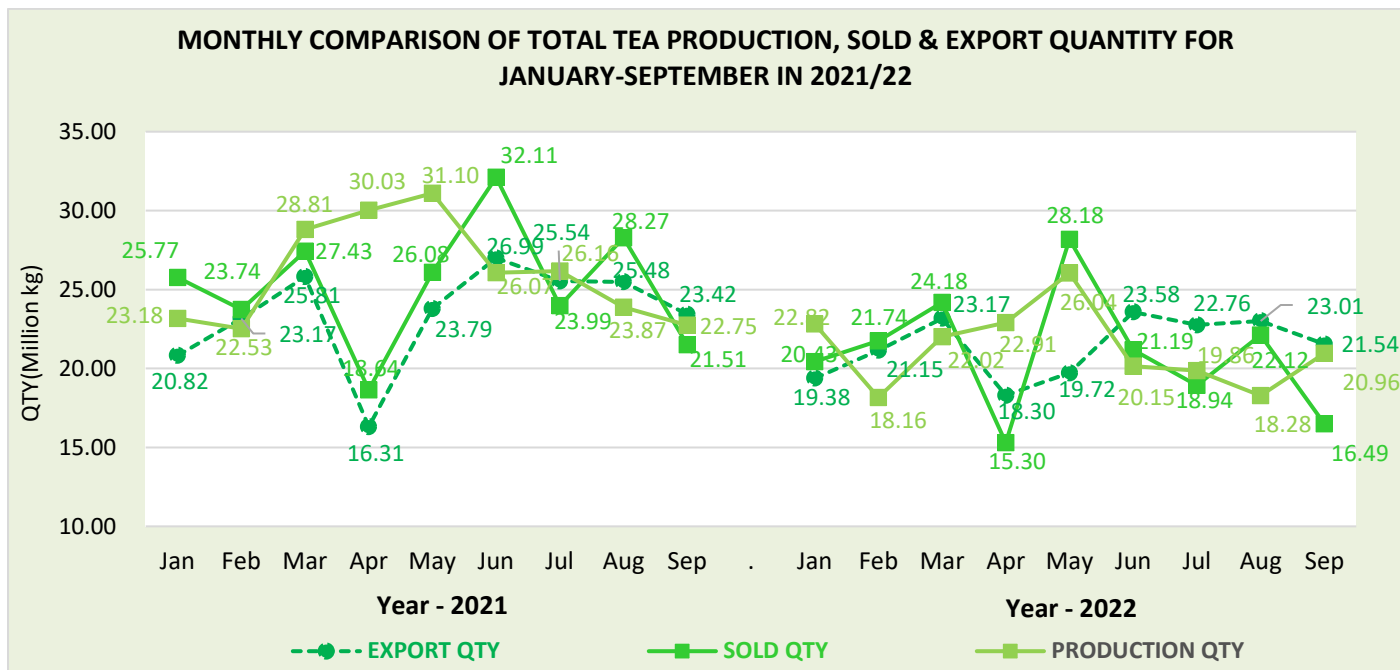
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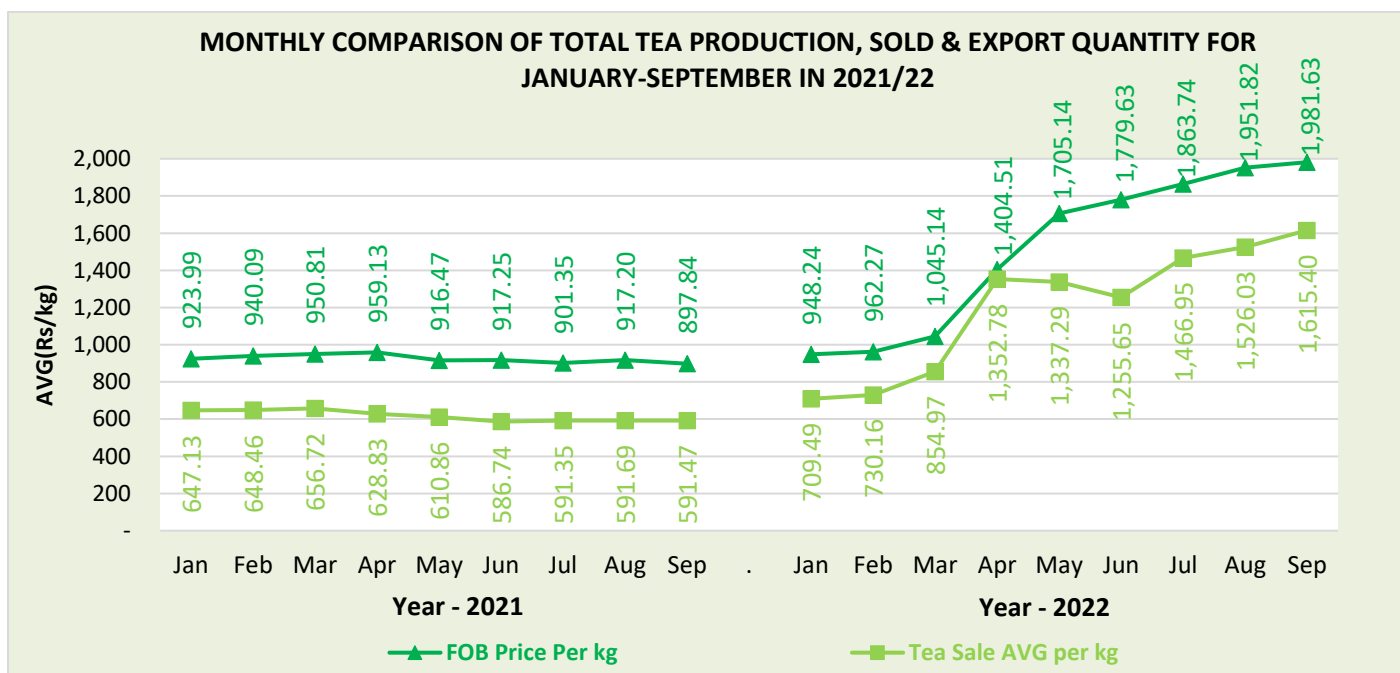
The Sri Lankan tea industry for the period January - September 2022 shows a decrease in Production and Exports whilst recorded a substantial increase in the National Average against the same period in 2021.

Iraq, Russia, and U.A.E continued with strong demand for Sri Lankan tea and were the top 03 importers for the period January to September 2022.



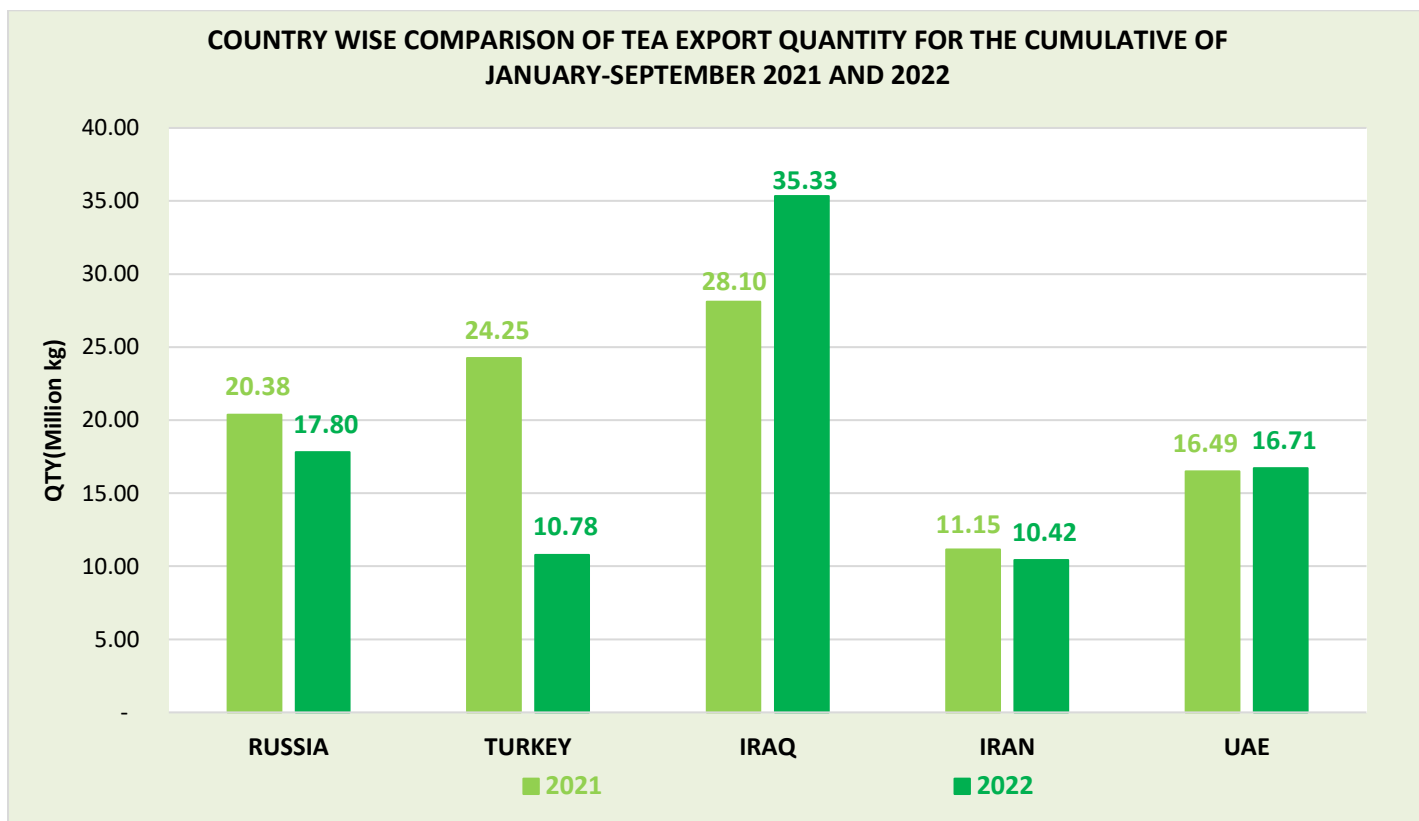
The total tea production of Sri Lankan Tea for the period January to September 2022 recorded 192.38 Mn/Kgs in comparison to 234.72 Mn/Kgs in 2021 (-42.35 Mn/Kgs). High, Medium & Low Growns shows a decrease in volume comparison to the same period in 2021.

Also, the CTC High, Medium and Low Growns recorded a decrease in volume comparison to the same period in 2021. Production and Exports decreased by -42.35 Mn/Kgs and -19.03 Mn/Kgs respectively when compared to the same period in 2021.



The total National Average of Teas sold for the period January to September 2022 was Rs. 1,177.51 (USD 3.81) per kilo in comparison to Rs. 614.19 (USD 3.10) for the same period in 2021, which recorded an increase of +Rs. 563.32. Low Growns averaged Rs. 1,291.23 (USD 4.18); Mid Growns recorded Rs. 978.55 (USD 3.17) and High Growns at Rs. 1,016.78 (USD 3.29).

For the period January to September 2022 all three elevations witnessed an increase in the Rupee terms and dollar value. Low Growns with the largest market share with 61.10% of the production, recorded an increase of +Rs. 647.28. Medium Growns recorded an increase of +Rs. 427.62 whilst High Grown recorded an increase of +Rs. 433.71.



Sri Lanka Tea Exports for the period January – September 2022 amounted to 192.61 Mn/Kgs vis-à-vis 211.64 Mn/Kgs recorded for the same period last year (-19.03 Mn/Kgs). The FOB average price per kilo for this period stood at Rs. 1,527.71 (USD 4.94) in contrast to Rs. 922.79 (USD 4.66), which shows an increase in Rupee term (+Rs. 604.92) and Dollar value (+USD 0.28) when compared to the corresponding period in 2021. The FOB value of Tea Bags has gained in comparison to the same period in 2021.

The Total revenue realized for the period January – September 2022 from Tea Exports was Rs. 294.25 Bn (USD 951.96 Mn) compared with Rs. 195.30 Bn (USD 987.01 Mn) recorded for the period January to September 2021, which recorded an increase in Rupee term (+Rs. 98.95 Bn) and decrease in the Dollar value (-USD 35.05Mn) compared to the same period in 2021. Teas in Packets and Bulk showed an increase in FOB Value.

Country wise analysis of exports shows that the Iraq emerged as the largest importer of Sri Lankan tea for the period of January – September 2022 followed by Russia and U.A.E. Tea exports to Iraq have increased by 7.23 Mn/Kgs & U.A.E increased by 0.22 Mn/Kgs. However, Russia has dropped by -2.58 Mn/Kg. Tea exports to Turkey has decreased by -13.47 Mn/Kg. Iran, Libya, and China decreased by -0.73Mn/Kg, -0.13 Mn/Kg and -2.1Mn/Kgs compared to the same period in year 2021.

WORLD ECONOMIC OUTLOOK

The global economy is experiencing several unstable challenges. Inflation higher than seen in several decades, tightening financial conditions in most regions, and the remaining Covid-19 pandemic all weigh heavily on the outlook.

The Russia's invasion of Ukraine has also sharply accelerated the deceleration in global economic activity and the global economy at risk of falling into a recession in 2023 as major economies continue to slow sharply.

Global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth recorded since 2001 except for the global financial crisis and the severe stage of the Covid-19 pandemic and reflects significant slowdowns for the largest economies.

EUROPE & CENTRAL ASIA

Economic outlook in Europe and Central Asia is forecast to contract 0.25% in 2022, reflecting negative spillovers caused by the war. It is expected that the regional output will barely return to grow in 2023, with gross domestic product (GDP) set to expand 0.3%.

This outlook is based on slowing inflation, tightening global financing conditions, softening external demand, and easing supply chain restrictions. An extended war would likely heighten policy uncertainty and destroy regional trade and investment integration.

MIDDLE EAST AND NORTH AFRICA (MENA)

The regional growth of Middle East and North Africa forecasted to grow by 5.5% in 2022 (the fastest rate since 2016) and by 3.5% in 2023 driven by high oil prices as well as higher growth rates in non-oil sectors.

US ECONOMY

US Economy Real GDP expected to grow by 1.5% year-over-year and 2023 growth will slow to zero percent year-over-year.

CHINA ECONOMY

Economic growth in China is expected to moderate to 3.3% this year, amongst the restrictions related to the Covid-19 pandemic and moderate consumer demand and the economy is forecasted to grow 4.5% in 2023.

Covid-19 control policies, the sluggish housing market, weak consumer confidence and weakening export demand are anticipated as the key economic challenges for China this year and in 2023.

(Source: Worldbank.org)

CRUDE OIL

The Brent crude oil spot price forecasted averages USD 93 per barrel in the fourth quarter of 2022 and USD 95/b in 2023.

Potential petroleum supply disruptions and slower-than-expected crude oil production growth could lead to higher oil prices, while the possibility of slower-than-forecast economic growth may contribute to lower prices.

(Source: Worldbank.org)

US DOLLAR

In September, the Federal Reserve announced that it would raise interest rates by 0.75%, shifting the target range to 3% to 3.25%. During the Covid-19 pandemic, the interest rate was kept at a near-zero range but has changed course as inflation has surged.

While the Fed's goal is to support the economy as it continues to rebound from the coronavirus pandemic, which includes reducing higher inflation.

(Source: Federal Reserve)

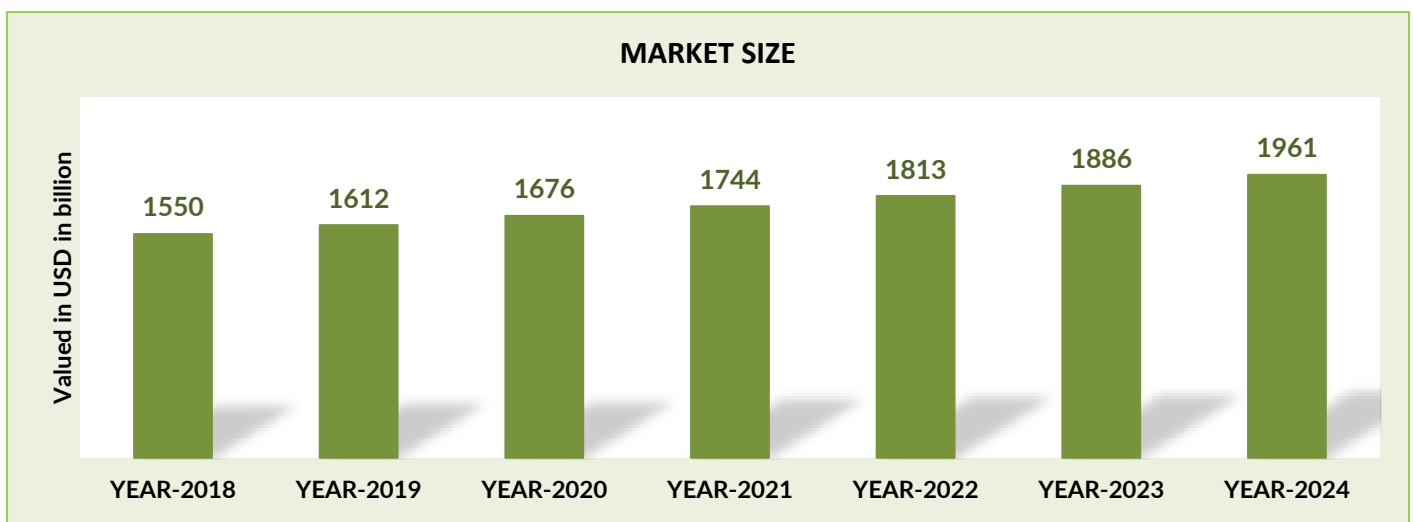
SRI LANKAN RUPEE

The Sri Lankan Rupee is expected to trade at 362.67 by the end of this quarter.

(Source: CBSL)

MARKET SHARE OF THE BEVERAGE INDUSTRY | 2022 - 2024

The global beverage industry is valued at USD 1813 billion for 2022 and the industry is growing at a CAGR of 4%. Its value estimations are USD 1885 billion in the year 2023. The beverage industry will further expand and be valued at USD 1961.24 billion in 2024.



High disposable income, rapid urbanization, and changing lifestyles are the major factors that contribute to the growth of the global beverage industry.

(Source: PipeCandy)

World tea production depicts a marginal decrease in volume for the period January to September 2022 when compared to the same period in 2021.

The war in Ukraine, Covid-19 pandemic, Global inflation, tighter global financial conditions could have an adverse effect on the Sri Lanka Tea Industry. However, the Rupee devaluation has helped Sri Lanka Tea Industry to harness a higher Rupee revenue.

COURTESY: CEYLON TEA BROKERS PLC 