



2022

JANUARY - DECEMBER

**TEA INDUSTRY
OVERVIEW**

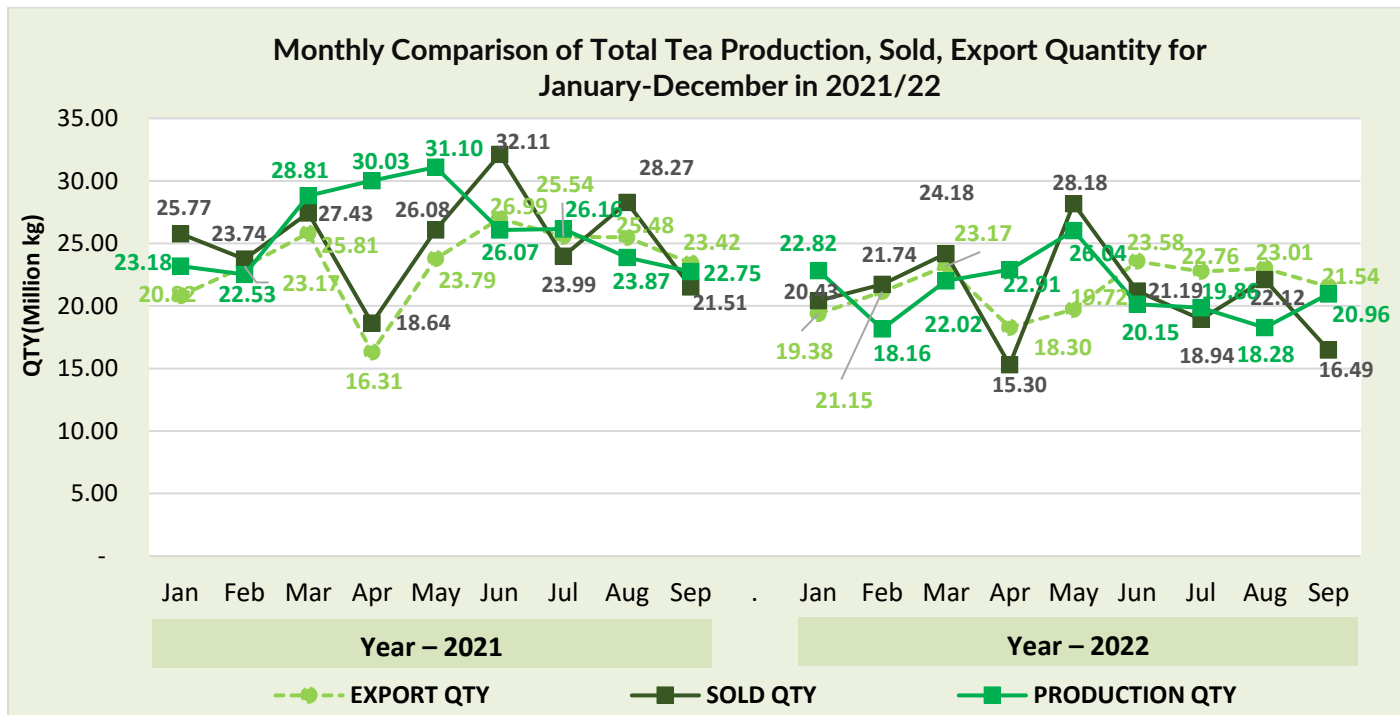


**Ceylon Tea
Brokers**

The Sri Lankan tea industry for the period January - December 2022 shows a decrease in Production and Exports whilst recorded an increase in National Average when compared to the same period in 2021.

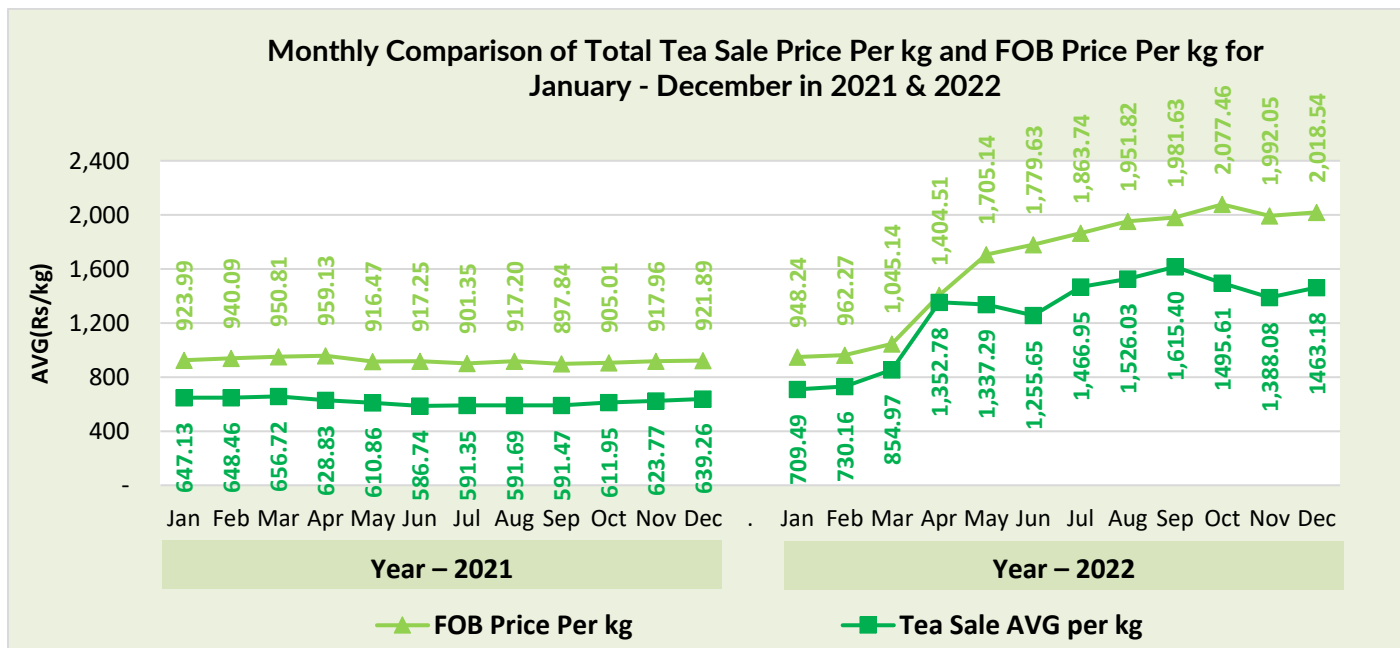
Iraq, Russia and U.A.E continued with strong demand for Sri Lankan tea and were the top 03 importers for the period January to December 2022.

Macro-economic factors continued to fundamentally challenge the tea industry framework with fluctuations in supply and demand, currencies, political climate in importing countries, policy decisions affecting the industry.



The total tea production of Sri Lankan Tea for the period January to December 2022 recorded 251.50 Mn/Kgs in comparison to 299.49 Mn/Kgs in 2021 (-47.99Mn/Kgs). High, Medium & Low Growns shows a decrease in volume when compared with the same period in 2021.

Also, the CTC High, Medium and Low Growns recorded a decrease in volume when compared with the same period in 2021. Production and Exports decreased by -47.99 Mn/Kgs and -35.82 Mn/Kgs respectively when compared to the same period in 2021.



The total National Average of Teas sold for the period January to December 2022 was Rs. 1,234.24 (USD 3.83) per kilo in comparison to Rs. 615.44 (USD 3.09) for the same period in 2021, which recorded an increase of +Rs. 618.80 (USD 0.74). Low Growns averaged Rs. 1,339.86 (USD 4.15); Mid Growns recorded Rs. 1,030.82 (USD 3.20) with High Growns at Rs. 1,093.10 (USD 3.39).

For the period January to December 2022 the averages for High, Medium & Low Grown shows an increase in Rupee and dollar value. Low Growns with the largest market share with 61.60% of the production recorded an increase of +Rs. 695.63. Medium Grown recorded an increase of +Rs. 480.02 and High Grown recorded an increase of +Rs. 505.97.

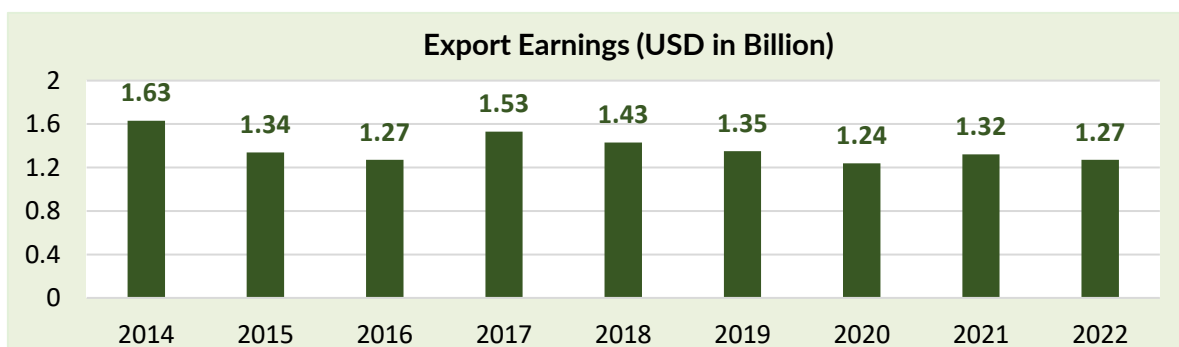


Sri Lanka Tea Exports for the period January – December 2022 amounted to 250.19 Mn/Kgs vis-à-vis 286.02 Mn/Kgs recorded for the same period last year (-35.82 Mn/Kgs). The FOB average price per kilo for this period stood at Rs. 1,643.11 (USD 5.09) in contrast to Rs. 920.76 (USD 4.63), which shows an increase in the Rupee term (+Rs.722.35) and Dollar value (+USD 0.46) 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 – December 2022 from Tea Exports was Rs. 411.09 Bn (USD 1.27 Bn) compared with Rs. 263.35 Bn (USD 1.32 Bn) recorded for the period January to December 2021. It's an increase in Rupee term (+Rs.147.74 Bn) and decrease in Dollar value (-USD 49.99 Mn) compared to the same period in 2021. Also, 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 – December 2022 followed by Russia and U.A.E. Tea exports to Iraq have increased by 0.79 Mn/Kgs. However, Russia and U.A.E have dropped by -2.62 Mn/Kg, -0.57 Mn/Kg respectively. Also, Tea exports to Turkey decreased by -14.15 Mn/Kg.

In terms of the USD equivalent, based on the respective weighted average exchange rates, export earnings amounted to USD 1.27 Bn in 2022 in comparison to USD 1.32 Bn in 2021, USD 1.24 Bn in 2020, USD 1.35 Bn in 2019, USD 1.43 Bn in 2018, USD 1.53 Bn in 2017, USD 1.27 Bn in 2016, USD 1.34 Bn in 2015 and USD 1.63 Bn in 2014.



WORLD ECONOMIC OUTLOOK

Global growth sharply declining due to high inflation, worsening financial conditions and rising geopolitical tensions.

The economic output projected at 1.7% in 2023. Slowing growth expected to affect 95% of advanced economies and nearly 70% of emerging markets and developing economies with the potential for increasing poverty rates in some regions.

EUROPE & CENTRAL ASIA (ECA)

As a result of the Russia's invasion of Ukraine, growth in Europe and Central Asia (ECA) sharply decelerated in 2022, to 0.2%. This reflects reduction in Russia and a deep downturn in Ukraine. Excluding these two countries, growth in Europe & Central Asia nearly reduced in 2022, to an estimated 4.2%, with broad-based deceleration across the region.

Growth in Europe & Central Asia (ECA) is forecast to grow by a modest 2.1% in 2023.

MIDDLE EAST AND NORTH AFRICA (MENA)

Growth in Middle East and North Africa is anticipated to decelerate from 5.7% last year to 3.5% in 2023 and to 2.7% in 2024.

Growth in Oil Exporters is expected to slow from 6.1% in 2022 to 3.3% in 2023 and 2.3% in 2024.

Growth in 2023 is predicted to be supported by continuing recovery in tourism and the government's capital spending drive.

US ECONOMY

US Economic growth is expected to slow down from 2% in 2022 to 1.4% in 2023.

CHINA ECONOMY

China's economic growth is expected to rebound to 4.9% in 2023, before strengthening in 2024, as policymakers pledge to step up support for the Covid-19 destroyed economy.

(Source: Worldbank.org)

CRUDE OIL

Crude oil prices are projected to moderate to an average of USD 88/bbl in 2023. The downward revision is due to slower global growth and the subsequent weakness in oil demand in 2023, particularly in Europe.

Russian oil exports are expected to fall in 2023 due to additional European Union sanctions.

(Source: Worldbank.org)

US DOLLAR

The Fed projected that the federal funds rate would reach at a rate of 5.1% by the end of 2023 and would decrease to 4.1% in 2024, and 3.1% in 2025.

(Source: Federal Reserve)

SRI LANKAN RUPEE

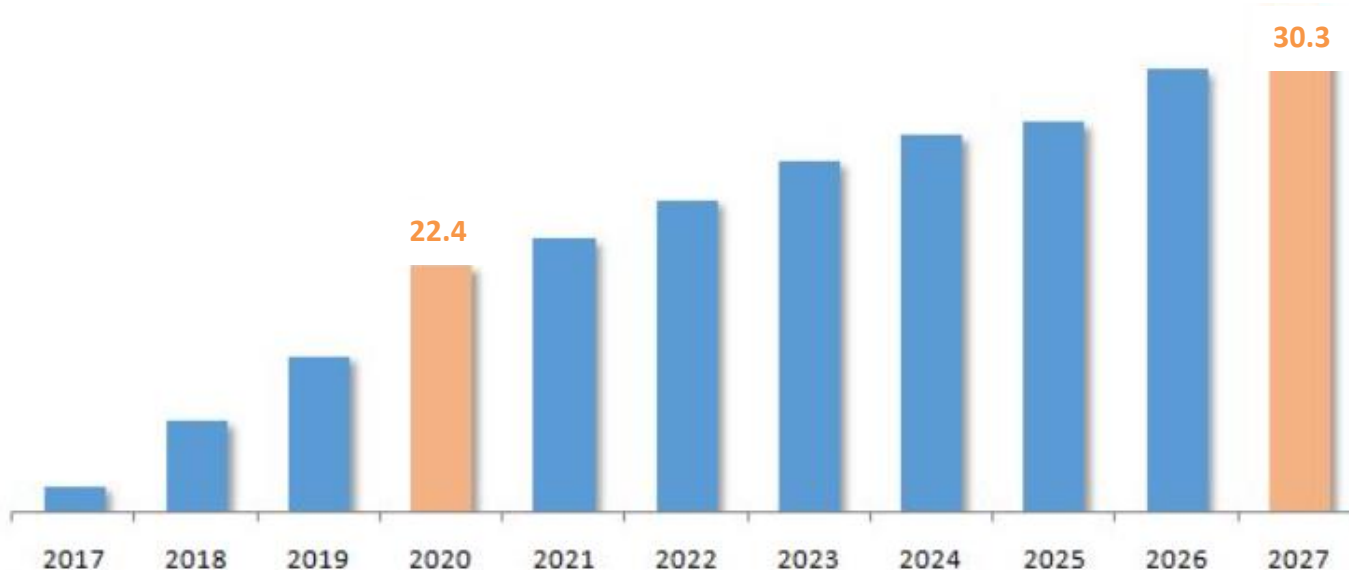
The Sri Lankan Rupee is expected to trade at 377.41 by the end of this quarter, according to Trading Economics global macro models and analysts' expectations.

(Source: CBSL)

GLOBAL TEA MARKET

The global tea market was worth USD 22.4 Billion in 2020 and is further projected to reach USD 30.3 Billion by 2027, at a CAGR of 4.5% during 2021-2027.

Global Tea Market by Value (USD Billion)



The major factor driving the growth of the global tea market is the rising consumer awareness regarding the health benefits.

(Source: blueweaveconsulting)