



2023

**JANUARY TO JUNE
TEA INDUSTRY
OVERVIEW**

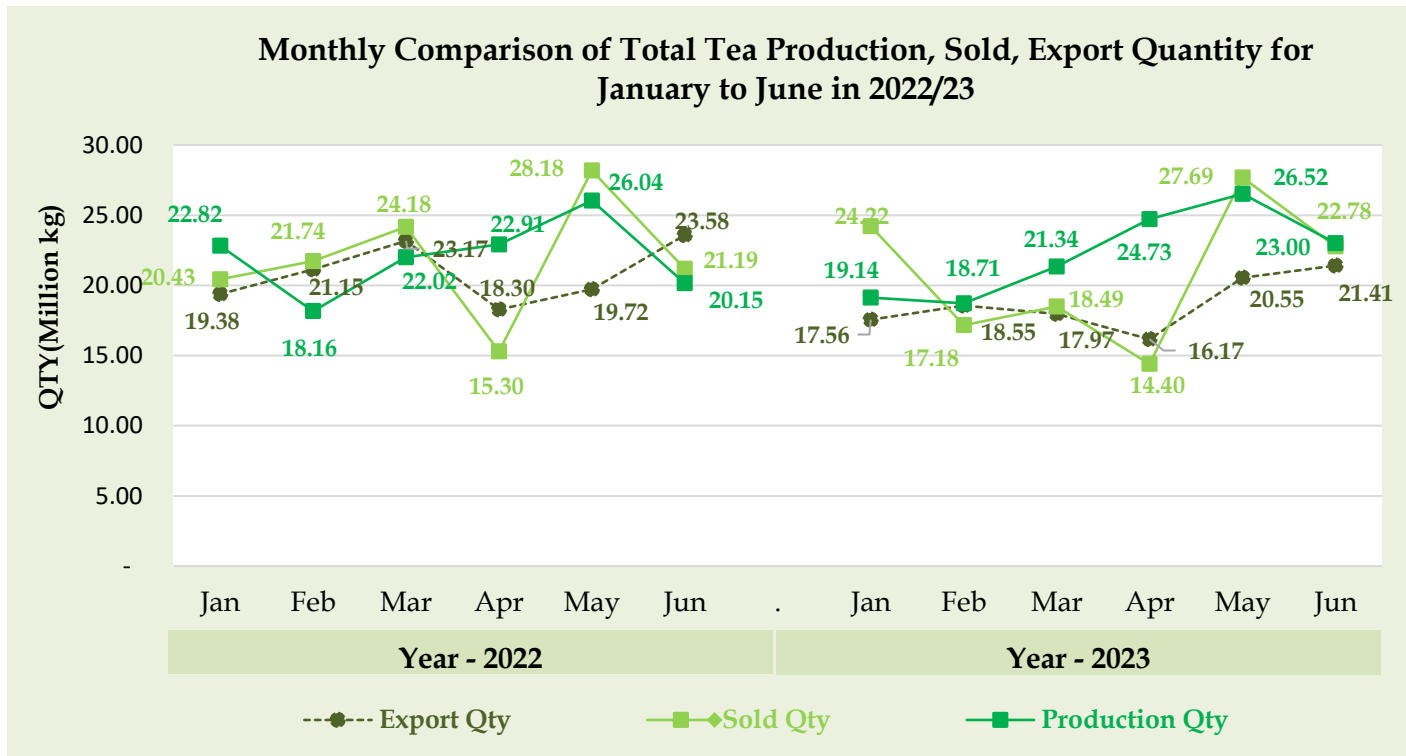


**Ceylon Tea
Brokers**

The Sri Lankan tea industry experienced growth in Production and National Average during the period of January to June 2023. However, there was a decline in Exports when compared to the same period in 2022.

Iraq, Turkey, and Russia continued with strong demand for Sri Lankan tea and were the top 03 importers for the period January to June 2023.

Macro-economic factors continued in fundamentally challenging the tea industry framework, with variations in supply and demand, currencies, and the political climate in importing countries.



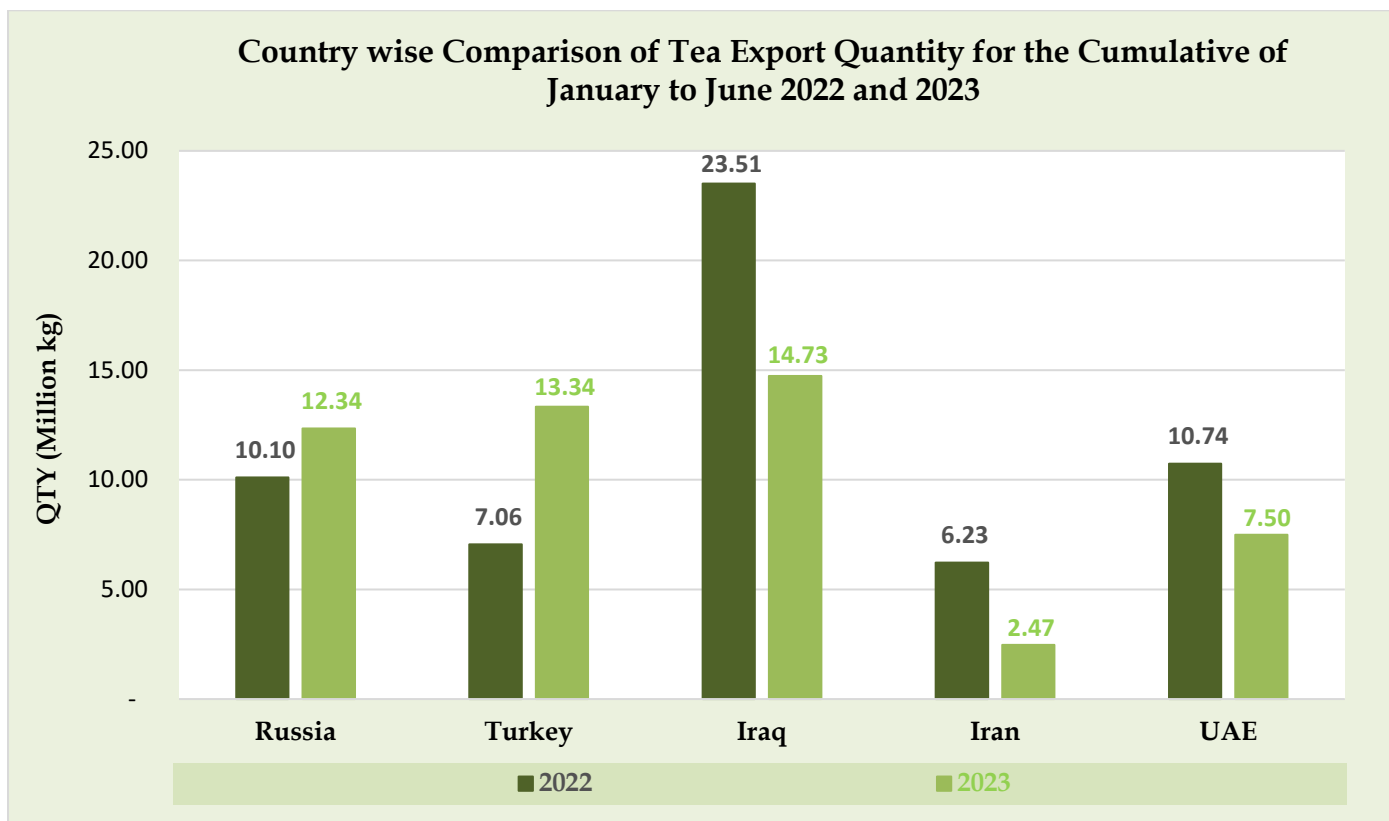
Total tea production of Sri Lankan Tea for the period January to June 2023 was 134.42 Mn/Kgs, as compared to 132.93 Mn/Kgs in 2022 (+1.49 Mn/Kgs). High, Medium, and Low Grown all witnessed an increase in volume when compared to the corresponding period in 2022.

Furthermore, the CTC High and Medium categories experienced a rise in volume, whereas the Low Grown category witnessed a decline when compared to the corresponding period in 2022. Production showed a growth of 1.49 Mn/Kgs, whilst Exports recorded a decrease of -13.08 Mn/Kgs compared to 2022.



The total National Average of Teas sold for the period January to June 2023 was Rs. 1,226.08 (USD 3.7) per kilo in comparison to Rs. 1,028.82 (USD 3.64) for the same period in 2022, which recorded an increase of +Rs. 197.26. Low Growns averaged Rs. 1,297.15 (USD 3.92); Mid Growns recorded Rs. 1,055.43 (USD 3.19) with High Growns at Rs.1,160.73 (USD 3.51).

During the period from January to June 2023, all three elevations experienced a rise in Rupee value. However, High & Medium Growns witnessed growth, whereas Low growns recorded a decline in the dollar value. Low Growns with the largest market share with 59.20% of the production recorded an increase of +Rs. 170.77. Medium Growns recorded an increase of +Rs. 186.00 whilst High Grown recorded an increase of +Rs. 264.80.



Sri Lanka Tea Exports for the period January – June 2023 amounted to 112.22 Mn/Kgs vis-à-vis 125.30 Mn/Kgs recorded for the same period last year (-13.08 Mn/Kgs). The FOB average price per kilo for this period stood at Rs.1,870.66 (USD 5.65) in contrast to Rs.1,310.74 (USD 4.63), which shows an increase in the Rupee term (+Rs.559.92) and Dollar value (+USD 1.02) when compared to the corresponding period in 2022. The FOB value of Tea Bags has increased in comparison to the same period in 2022.

The Total revenue realized for the period January – June 2023 from Tea Exports was Rs. 209.92 Bn (USD 633.97 Mn) compared with Rs.164.23 Bn (USD 580.45 Mn) recorded for the period January to June 2022. It's an increase in Rupee term (+Rs. 45.69 Bn) and Dollar value (+USD 53.53 Mn) compared to the same period in 2022. 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 – June 2023 followed by Turkey and Russia. Tea exports to Turkey and Russia have increased by +6.28 Mn/Kgs & 2.24 Mn/Kgs respectively. However, Iraq dropped by -8.78 Mn/Kg. Tea exports to U.A.E dropped by -3.24 Mn/Kg whilst China has increased by +0.04 Mn/Kg.

WORLD ECONOMIC OUTLOOK

The world economy remains in an unstable state amongst the extended effects of the corresponding negative shocks of the pandemic, the Russian Federation's invasion of Ukraine, and the sharp tightening of monetary policy to contain high inflation. Therefore, the forecast is for growth estimated to fall from 3.1% in 2022 to 2.1% in 2023, before settling at 2.4% in 2024.

Also, tight global financial conditions and restricted external demand are expected to weigh on growth across emerging markets and developing economies (EMDEs).

EUROPE & CENTRAL ASIA (ECA)

Economic prospects in Europe and Central Asia (ECA) continue to be held back by the Russian Federation's invasion of Ukraine. Growth in Europe and Central Asia (ECA) is projected to remain weak in 2023, edging up to a modest 1.4%, as the effects of the invasion, high inflation, tight monetary policies, and subdued external demand weigh on activity.

Regional growth is forecast to pick up to 2.7% in 2024, as inflation gradually recedes and demand firms.

MIDDLE EAST AND NORTH AFRICA (MENA)

Economic growth in the Middle East and North Africa (MENA) expected to slow to 2.2% in 2023 with growth revised downward for both oil exporters and oil importers. Growth in the region is expected to recover in 2024 to 3.3% as inflation and global headwinds subside, and oil production rises.

Growth in oil exporters is expected to slow sharply to 2.0% this year, reflecting lower oil prices and production, whereas growth in oil importers is expected to edge down to 3.4% due to high inflation, dollar shortages, and fiscal and monetary policy tightening.

US ECONOMY

US Economy GDP growth is anticipated to decelerate to 1.3% in 2023, followed by a decline to 0.1% in 2024. In the event of a moderation in consumer spending during the latter half, it is projected to enter a mild recession by the end of the year.

CHINA ECONOMY

Economic activity in China bounced back in the first quarter of 2023 with the removal of mobility restrictions and a surge in spending on services. China's GDP growth is forecasted to increase to 5.6% in 2023, driven by a recovery in consumer spending. The growth will be led by a revival in consumer demand, especially in the services sector.

Economic expansion is expected to decelerate to 4.6% and 4.4% in 2024 and 2025 correspondingly, influenced by structural and external factors.

(Source: [Worldbank.org](https://www.worldbank.org))

CRUDE OIL

Brent crude oil is expected to trade at 81.85 USD/BBL by the end of this quarter, according to Trading Economics global macro models and analysts' expectations and estimated it to trade at 89.05 in 12 months' time.

(Source: [tradingeconomics.com](https://www.tradingeconomics.com))

US DOLLAR

The target for the federal funds rate has varied widely over the years in response to the prevailing economic conditions. It was set as high as 20% in the early 1980's in response to inflation and with the great recession in 2007 to 2009, the rate was slashed to a record-low target of 0% - 0.25% to encourage growth.

The Fed left the target for the funds rate unchanged at 5%-5.25% in June. Interest Rate in the United States is expected to be 5.50% by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. In the long-term, the United States Fed Funds Rate is projected to trend around 4.75% in 2024 and 3.50% in 2025.

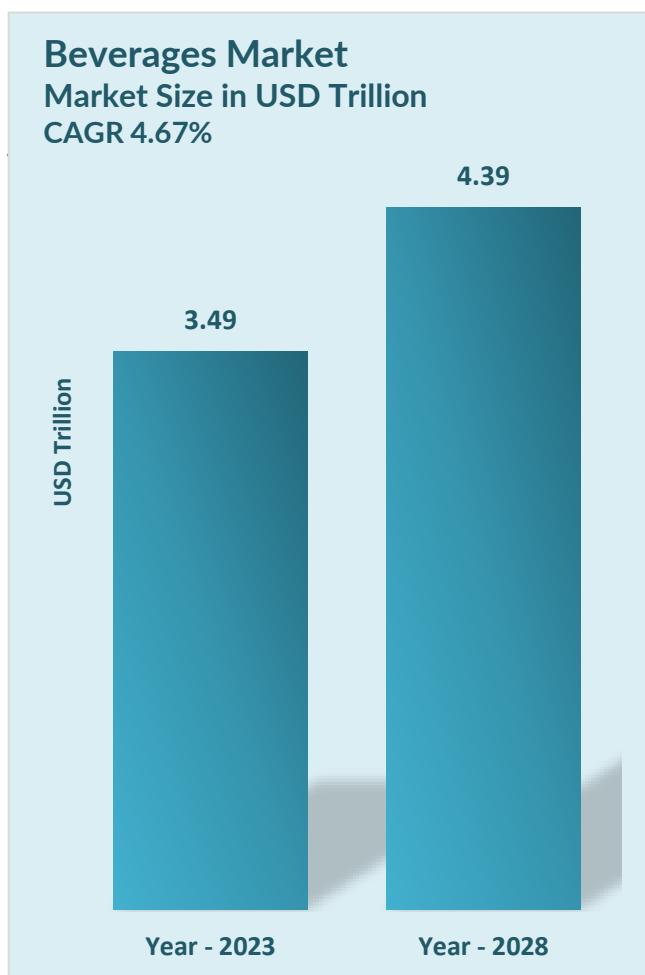
(Source: Federal Reserve)

SRI LANKAN RUPEE

The USD/LKR forecast 2023 from Trading Economics, predicts that the Sri Lankan Rupee is expected to trade at 324.52 by the end of this quarter and estimated it to trade at 344.90 in 12 months' time.

(Source: tradingeconomics.com)

BEVERAGES MARKET SIZE (2023 - 2028)



Study Period	: 2018 - 2028
Market Size (2023)	: USD 3,494.17 Billion
Market Size (2028)	: USD 4,389.90 Billion
CAGR (2023 - 2028)	: 4.67 %
Fastest Growing Market	: Asia-Pacific
Largest Market	: North America

The Beverages Market size is expected to grow from USD 3,494.17 billion in 2023 to USD 4,389.90 billion by 2028, at a CAGR of 4.67% during the forecast period (2023-2028).

Post Covid-19, with the changing consumption habits, consumers are now ready to experiment with new products, especially healthy and safer ones, which has prompted companies to look at interesting and affordable products.

Rising health-consciousness, increasing awareness regarding the need for an active lifestyle, and the growing rates of lifestyle diseases inspired health-oriented consumers to opt for healthy drinks.

The beverages market is also projected to grow due to an increase in the promotional and advertisement strategies by various manufacturers operating in the market.

Furthermore, the sales of low-alcohol beverages have been rising, with consumers' growing interest in health-consciousness and availability of a wider product portfolio with improved taste, aiding consumer to easily select product as per their preference.

(Source: Mordor Intelligence)

World's major tea producing countries are currently witnessing moderate production levels. The tea prices are expected to be at healthy levels going into the 2nd quarter.

