



2023

**FIRST QUARTER
TEA INDUSTRY
OVERVIEW**

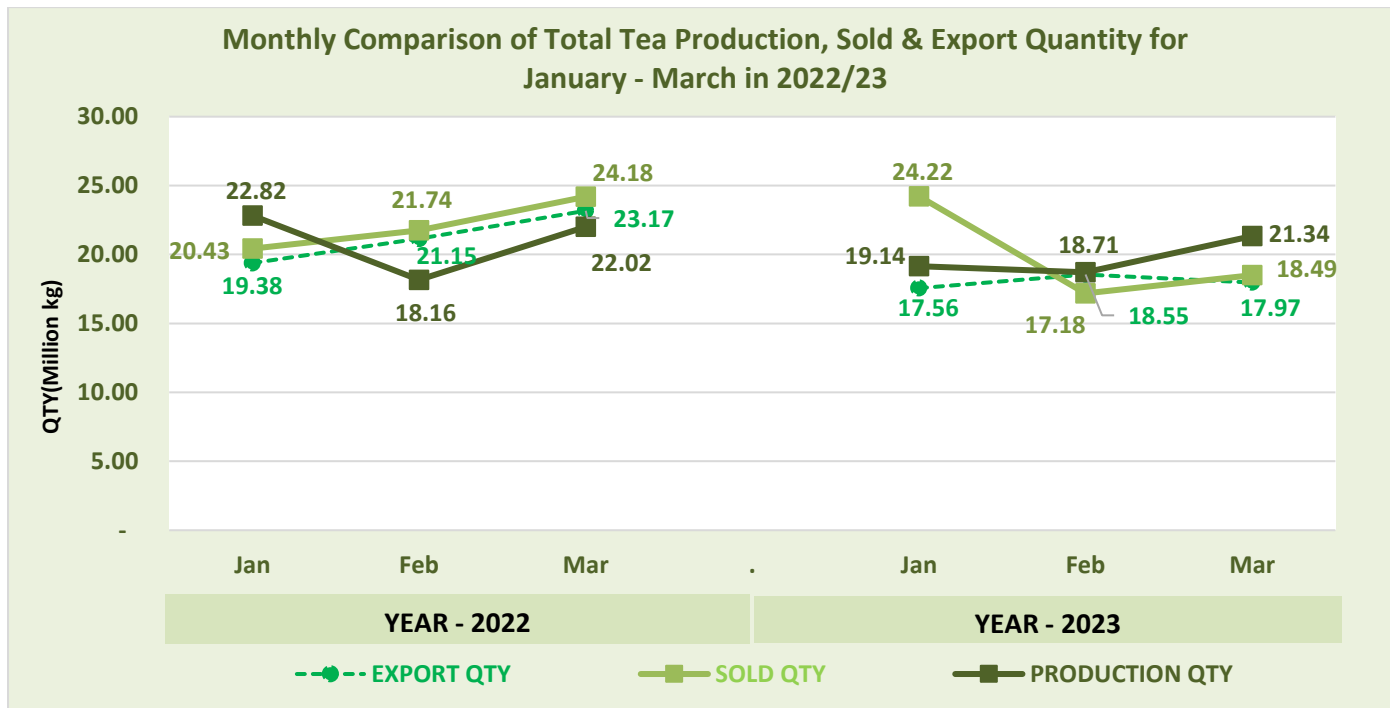


**Ceylon Tea
Brokers**

The Sri Lankan tea industry for the period January - March 2023 shows a decrease in Production and Exports whilst recorded a substantial increase in the National Average against the same period in 2022.

Turkey, Iraq, and Russia continued with strong demand for Sri Lankan tea and were the top 03 importers for the period January to March 2022.

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



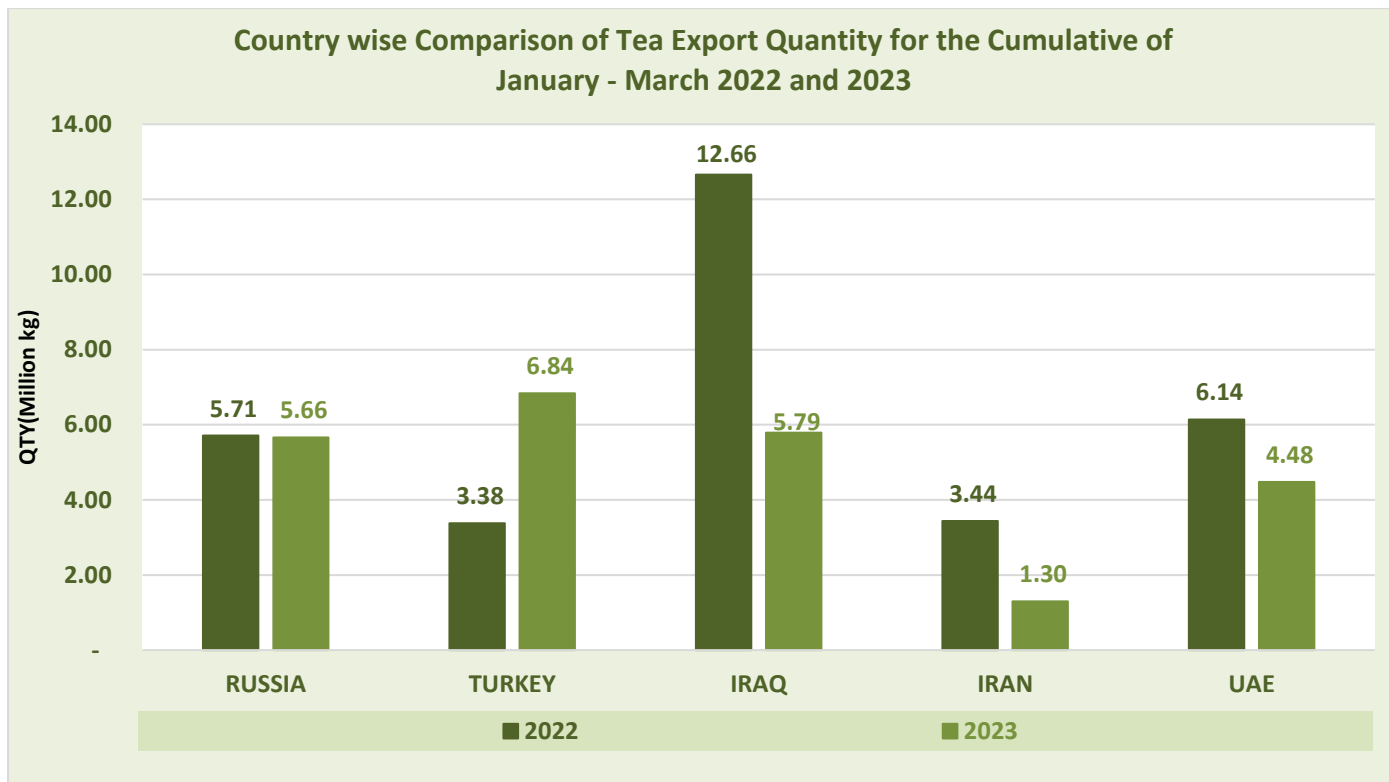
The total tea production of Sri Lankan Tea for the period January to March 2023 recorded 58.52 Mn/Kgs in comparison to 63.10 Mn/Kgs in 2022 (-4.58 Mn/Kgs). High, Medium & Low Growns shows a decrease in volume comparison to the same period in 2022.

Also, the CTC High, Medium and Low Growns recorded a decrease in volume comparison to the same period in 2022. Production and Exports decreased by -4.58 Mn/Kgs and -9.62 Mn/Kgs respectively when compared to the same period in 2022.



The total National Average of Teas sold for the period January to March 2023 was Rs. 1,395.56 (USD 3.97) per kilo in comparison to Rs. 763.83 (USD 3.48) for the same period in 2022, which recorded an increase of +Rs. 631.73. Low Growns averaged Rs. 1,450.21 (USD 4.13); Mid Growns recorded Rs. 1,209.97 (USD 3.44) with High Growns at Rs. 1,366.82 (USD 3.89).

For the period January to March 2023 all three elevations witnessed an increase in Rupee terms and dollar value. Low Growns with the largest market share with 62.80% of the production recorded an increase of +Rs. 643.72. Medium Growns recorded an increase of +Rs. 536.68 whilst High Grown recorded an increase of +Rs. 649.89.



Sri Lanka Tea Exports for the period January - March 2023 amounted to 54.08 Mn/Kgs vis-à-vis 63.70 Mn/Kgs recorded for the same period last year (-9.62 Mn/Kgs). The FOB average price per kilo for this period stood at Rs. 2,038.04 (USD 5.80) in contrast to Rs. 988.15 (USD 4.50), which shows an increase in the Rupee term (+Rs. 1,049.89) and Dollar value (+USD 1.30) when compared to the corresponding period in 2022. The FOB value of Tea Bags has gained in comparison to the same period in 2022.

The Total revenue realized for the period January - March 2023 from Tea Exports was Rs. 110.22 Bn (USD 313.77 Mn) compared with Rs. 62.95 Bn (+USD 286.55 Mn) recorded for the period January to March 2022. It's an increase in Rupee term (+Rs. 47.28 Bn) and Dollar value (+USD 27.22 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 Turkey emerged as the largest importer of Sri Lankan tea for the period of January - March 2023 followed by Iraq and Russia. Tea exports to Turkey have increased by +3.47 Mn/Kgs. However, Iraq and Russia have dropped by -6.87 Mn/Kg and -0.05 Mn/Kg respectively. Tea exports to U.A.E dropped by -1.66 Mn/Kg whilst Libya has decreased by -0.75 Mn/Kg.

WORLD ECONOMIC OUTLOOK

Global growth is projected to slow sharply in 2023, resulting in the third weakest pace of expansion in nearly three decades after the global recession caused by the Covid-19 pandemic and the global financial crisis.

The slowdown reflects ongoing monetary policy tightening to contain very high inflation, fiscal adjustment, worsening financial conditions, and continued disruptions from the Russian Federation's invasion of Ukraine.

The baseline forecast is for growth to fall from 3.4% in 2022 to 2.8% in 2023, before settling at 3.0% in 2024. Advanced economies growth is expected to slow down from 2.7% in 2022 to 1.3% in 2023.

EUROPE & CENTRAL ASIA (ECA)

Excluding Russia and Ukraine, growth is projected to weaken to 2.4% in 2023, from 4.7% in 2022, as a result of tighter financial conditions, constant inflation, and subdued external demand.

Growth in 2023 may be weaker still if there is an escalation of the war in Ukraine, further increases in food and energy prices, an accelerated tightening of monetary policy globally or in the region, or a sudden reversal of capital flows into the region.

MIDDLE EAST AND NORTH AFRICA (MENA)

Economic growth in the Middle East and North Africa (MENA) will slow to 3.0% in 2023 after growing 5.8% in 2022 when Gulf Cooperation Country (GCC) economies benefited from oil windfalls. While Gulf economies will decelerate the most in 2023, growth remains uneven across country groups.

US ECONOMY

US Economy growth is expected to fall into a low recession in 2023. U.S. GDP is expected to decline by 0.3% from its peak in first quarter 2023 to its third quarter trough. This may beat the 2001 recession as the softest recession in recent history, since 1960.

CHINA ECONOMY

China's reopening has paved the way for a faster-than-expected recovery. The Chinese economy is expected to grow by 5.4% in 2023 and 5.0% in 2024.

(Source: Worldbank.org)

CRUDE OIL

Brent crude oil is expected to trade at 85.32 USD/BBL by the end of this quarter, according to Trading Economics global macro models and analysts' expectations and estimated it to trade at 94.15 USD/BBL in 12 months' time.

(Source: Worldbank.org)

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.

At the Federal Open Market Committee (FOMC) meeting held on March 2023, it was decided that to raise the fed funds rate by 25 basis points from 4.5% to 4.75% (target set in February 2023). Further, the fed funds rate is expected to drop to 3.25% - 3.5% by December 2023.

(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 325.05 by the end of this quarter and estimated it to trade at 357.15 in 12 months' time.

(Source: CBSL)

TEA IMPORTS BY COUNTRY - 2021

Global purchases of imported tea totaled USD 6.6 billion in 2021. The overall value of tea imported by all buyer countries shrank by an average -8% since 2017 when global tea purchases cost USD 7.2 billion.

Year over year, the total dollar cost of imported tea decreased by -4.1% from USD 6.9 billion during 2020.

From a continental perspective, Asian countries bought the most imported tea during 2021 with purchases costing USD 2.7 billion or 40.8% of the worldwide total. In second place were European countries at 31.2% while 14.2% of all tea imports were delivered to customers in Africa.

Smaller percentages went to North America (10.3%), Oceania (2%) led by Australia and New Zealand, then Latin America (1.5%) excluding Mexico but including the Caribbean.

Below are the top 10 countries that imported the highest dollar value worth of tea during 2021.



Among the above countries, the fastest-growing markets for tea since 2020 were Vietnam (+1,049%), Germany (+22.3%), Hong Kong (+18.2%) and Canada (+14.9%).

Four top importers posted declines in their imported tea purchases were led by Saudi Arabia (-22.5%), United Arab Emirates (-19.7%), United Kingdom (-12.1%) and mainland China (-7.0%).

(Source: ITC)

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.