



2023

**JANUARY TO DECEMBER
TEA INDUSTRY
OVERVIEW**

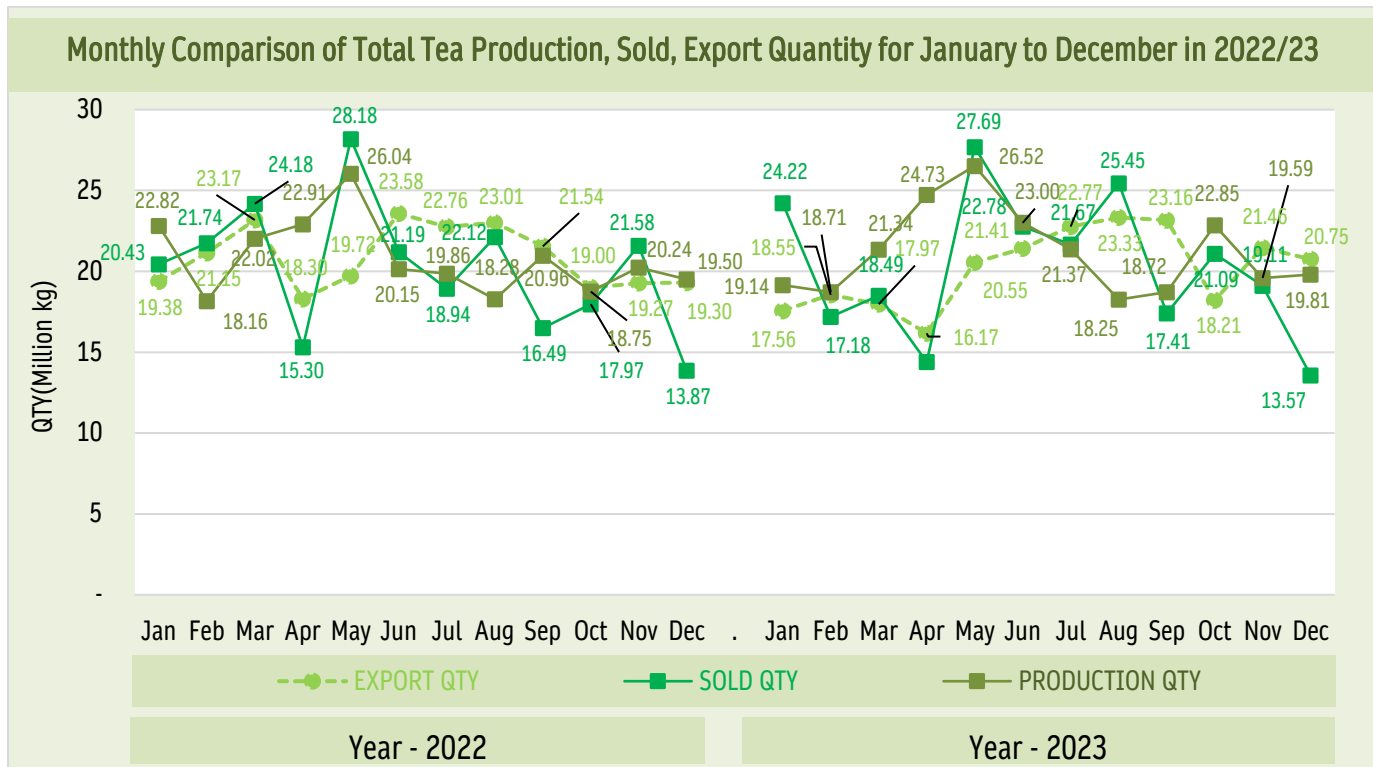


**Ceylon Tea
Brokers**

The Sri Lankan tea industry for the period January - December 2023 shows an increase in Production whilst recorded a decrease in National Average & Exports when compared to the same period in 2022.

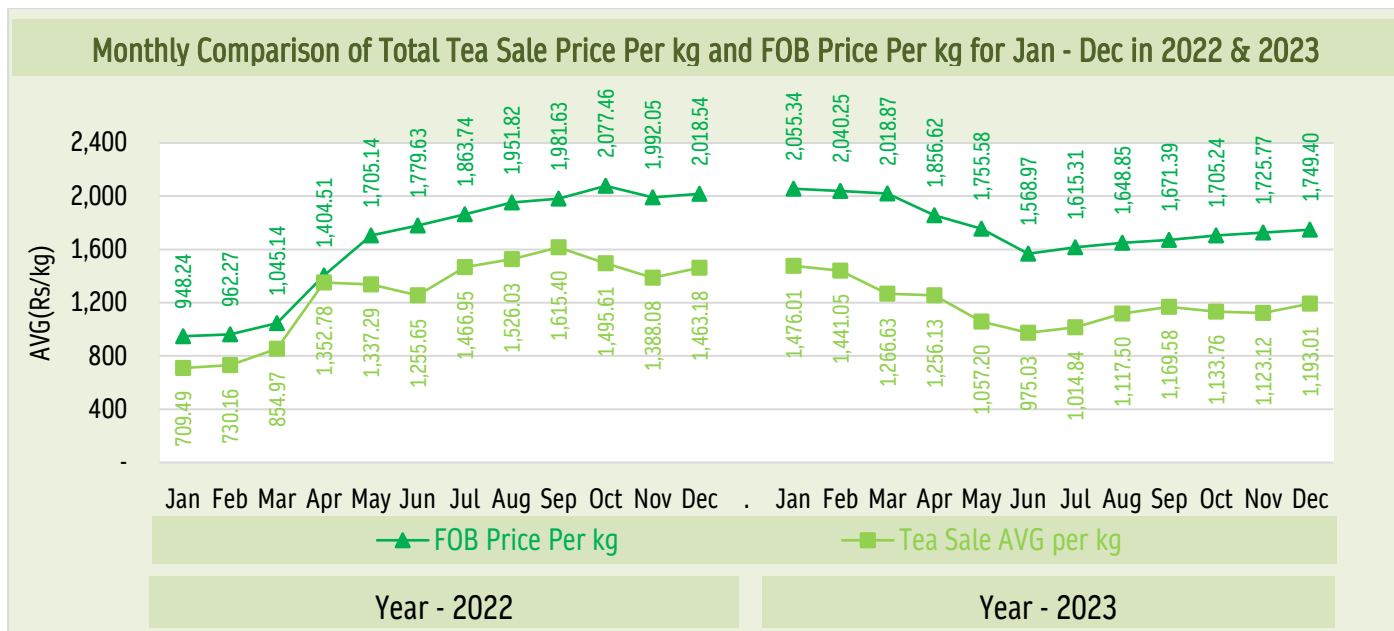
Iraq, Turkey, and Russia continued with strong demand for Sri Lankan tea and were the top 03 importers for the period January to December 2023.

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.



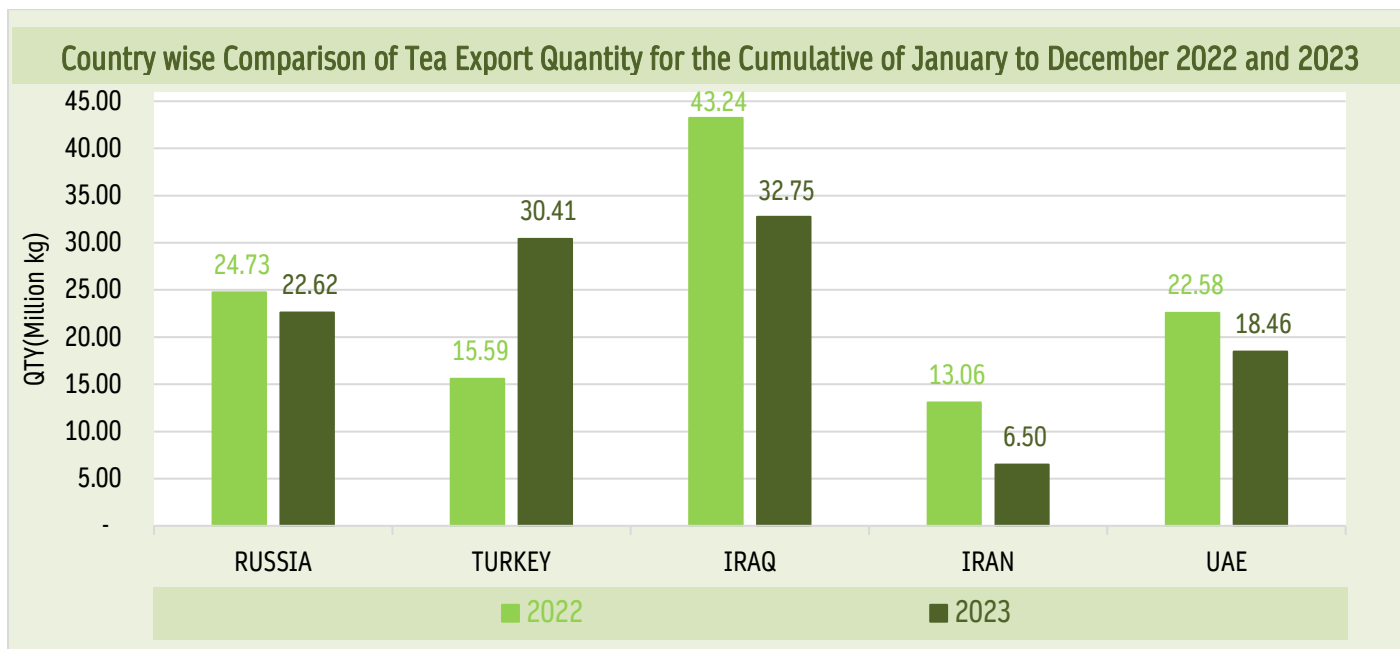
Total tea production of Sri Lankan Tea for the period January to December 2023 was 256.04 Mn/Kgs, as compared to 251.50 Mn/Kgs in 2022 (+4.54 Mn/Kgs). High, Medium & Low Growns witnessed an increase in volume when compared to the corresponding period in 2022.

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 +4.54 Mn/Kgs, whilst Exports recorded a decrease of -8.28 Mn/Kgs compared to 2022.



The total National Average of Teas sold for the period January to December 2023 was Rs. 1,171.29 (USD 3.58) per kilo in comparison to Rs. 1,234.24 (USD 3.80) for the same period in 2022, which recorded a drop of -Rs.62.95 in Rupee value and -USD 0.22 in Dollar Value. Low Growns averaged Rs. 1,252.15 (USD 3.82); Mid Growns recorded Rs. 1,012.35 (USD 3.09) with High Growns at Rs. 1,072.48 (USD 3.27).

Throughout January to December 2023, all three elevations experienced a decline in both Rupee and Dollar value. Low Growns, with the largest market share at 60.60% of production, recoded a decrease of -Rs.87.71. Meanwhile, High & Medium Growns saw decline of -Rs.20.62 and -Rs.18.47 respectively in comparison to the corresponding period in 2022.

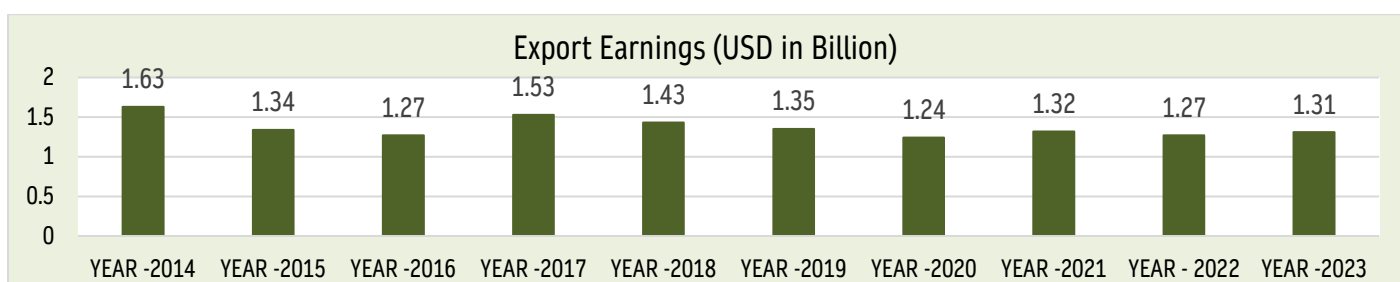


Sri Lanka Tea Exports for the period January – December 2023 amounted to 241.91 Mn/Kgs vis-à-vis 250.19 Mn/Kgs recorded for the same period last year (-8.28 Mn/Kgs). The FOB average price per kilo for this period stood at Rs. 1,770.44 (USD 5.41) in contrast to Rs. 1,643.11 (USD 5.06), which shows an increase in the Rupee term (+Rs. 127.33) and Dollar value (+USD 0.35) 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 – December 2023 from Tea Exports was Rs. 428.29 Bn (USD 1.31 Bn) compared with Rs. 411.09 Bn (USD 1.27 Bn) recorded for the period January to December 2022. It's an increase in Rupee term (+Rs. 17.20 Bn) and Dollar value (+USD 40.98 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 – December 2023 followed by Turkey and Russia. However, Tea exports to Iraq have dropped by 10.49 Mn/Kgs. Tea exports to Turkey increased by +14.82 Mn/Kg. Russia and U.A.E declined by 2.12 Mn/Kg and 4.12 Mn/Kg respectively. Exports to China moved up by 1.19 Mn/Kg.

In terms of the USD equivalent, based on the respective weighted average exchange rates, export earnings amounted to USD 1.31 Bn in 2023 in comparison to USD 1.27 Bn in 2022, 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 is expected to slow to 2.4% in 2024, the third consecutive year of deceleration reflecting the ongoing effects of tight monetary policies, high inflation, restrictive credit conditions, and weak global trade and investment.

Downside risks to the outlook include the recent conflict in the Middle East and associated commodity market disruptions, financial stress amid elevated debt and high borrowing costs, persistent inflation, weaker than expected activity in China, trade fragmentation, and climate related disasters.

EUROPE & CENTRAL ASIA (ECA)

Growth in Europe and Central Asia (ECA) is expected to moderate to 2.4% this year, and then firm to 2.7% in 2025, supported by strengthening domestic demand and a gradual recovery in the euro area. This recovery primarily reflects firming private consumption, supported by additional fiscal support, robust labor market conditions, and the resumption of growth in Russia and Ukraine.

MIDDLE EAST AND NORTH AFRICA (MENA)

The Middle East and North Africa (MENA) region currently face significant uncertainty and geopolitical risks due to ongoing conflicts. Despite these challenges, economic growth in the region is projected to reach 3.5% in both 2024 and 2025. This forecast is more robust than initially anticipated, primarily driven by oil-exporting economies benefiting from the easing of oil production cuts. However, oil-importing economies in the MENA region are experiencing a less favorable outlook due to domestic challenges, including persistent high inflation, leading to a decline in their economic prospects.

Other downside risks include climate change related weather shocks and adverse spillovers from further monetary policy tightening in advanced economies and tighter financial conditions.

US ECONOMY

The U.S. economic outlook for 2024 anticipates a slow start with two quarters of slightly negative GDP growth in Q2 and Q3, indicating potential volatility. Despite strong consumer spending in 2023, a forecasted reduction in Q2 and Q3 2024 is expected due to weakening pandemic savings, increasing household debt, and the impact of 'buy now, pay later' plans. The tight labor market is likely to prevent a significant economic downturn.

Inflation is expected to ease, leading to anticipated rate cuts by the Federal Reserve from Q2 2024 until rates fall below 3.0% in Q3 2025.

CHINA ECONOMY

In 2024, China is anticipated to experience a slowdown in economic growth, reaching 4.5%, marking the slowest expansion in over three decades, excluding the pandemic affected years of 2020 and 2022. This deceleration is expected to continue in 2025, with growth edging down further to 4.3%.

Mounting debt constraining investment, demographic headwinds, and narrowing opportunities for productivity catch-up are all expected to drag on potential growth.

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

CRUDE OIL

Brent crude oil is expected to trade at 80.54 USD/BBL by the end of this quarter, according to Trading Economics global macro models and analysts' expectations and estimated it to trade at 86.68 in 12 months' time.

(Source: 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 United States Fed Funds Interest Rate is projected to trend around 4.75% in 2024 and 3.75% in 2025, according to Trading Economics global macro models and analysts' expectations.

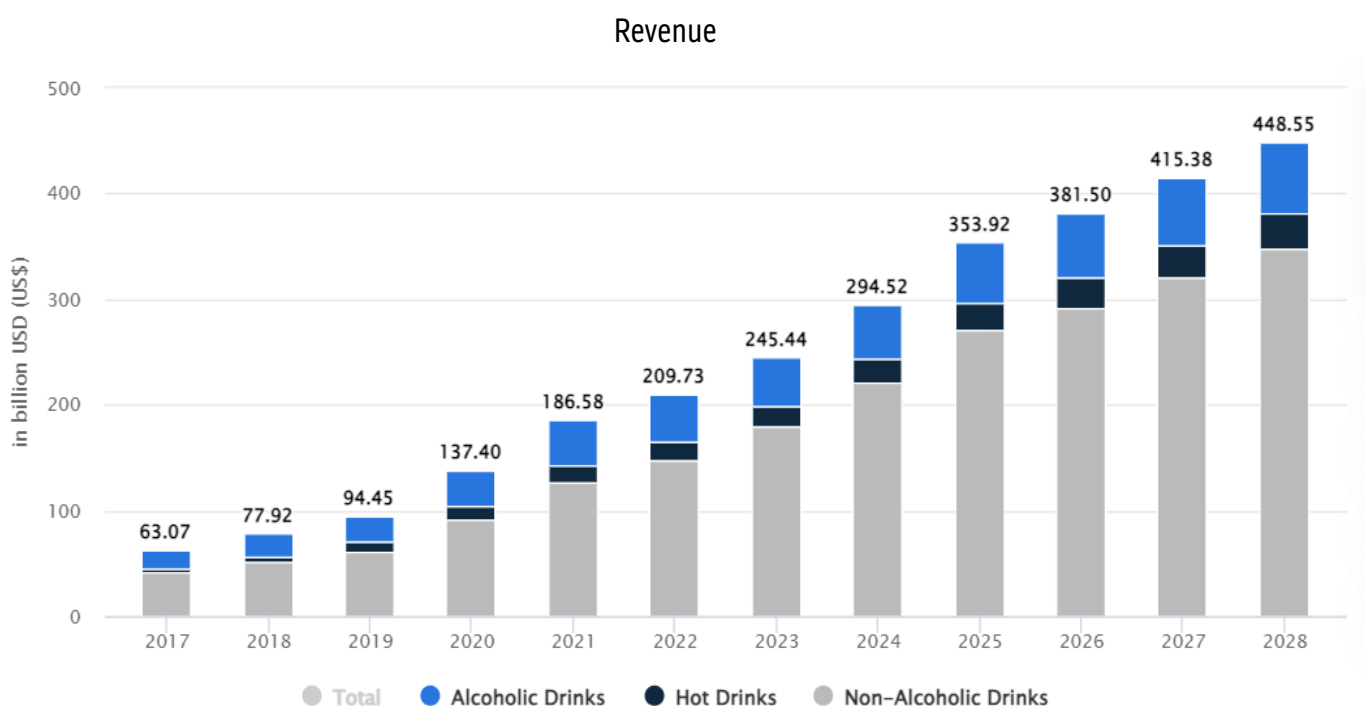
(Source: Federal Reserve)

SRI LANKAN RUPEE

The Sri Lankan Rupee is expected to trade at 327.96 by the end of this quarter, according to Trading Economics global macro models and analysts' expectations.

(Source: tradingeconomics.com)

BEVERAGES - WORLDWIDE



Revenue in the Beverages Market is projected to reach USD 294.50bn in 2024. Revenue is expected to show an annual growth rate (CAGR 2024-2028) of 11.09%, resulting in a projected market volume of USD 448.60bn by 2028. In the Beverages Market, the number of users is expected to amount to 1.1Bn users by 2028. User penetration will be 13.5% in 2024 and is expected to hit 15.5% by 2028. The average revenue per user (ARPU) is expected to amount to USD 347.20.

(www.statista.com)

