



2023

# JANUARY TO SEPTEMBER TEA INDUSTRY OVERVIEW

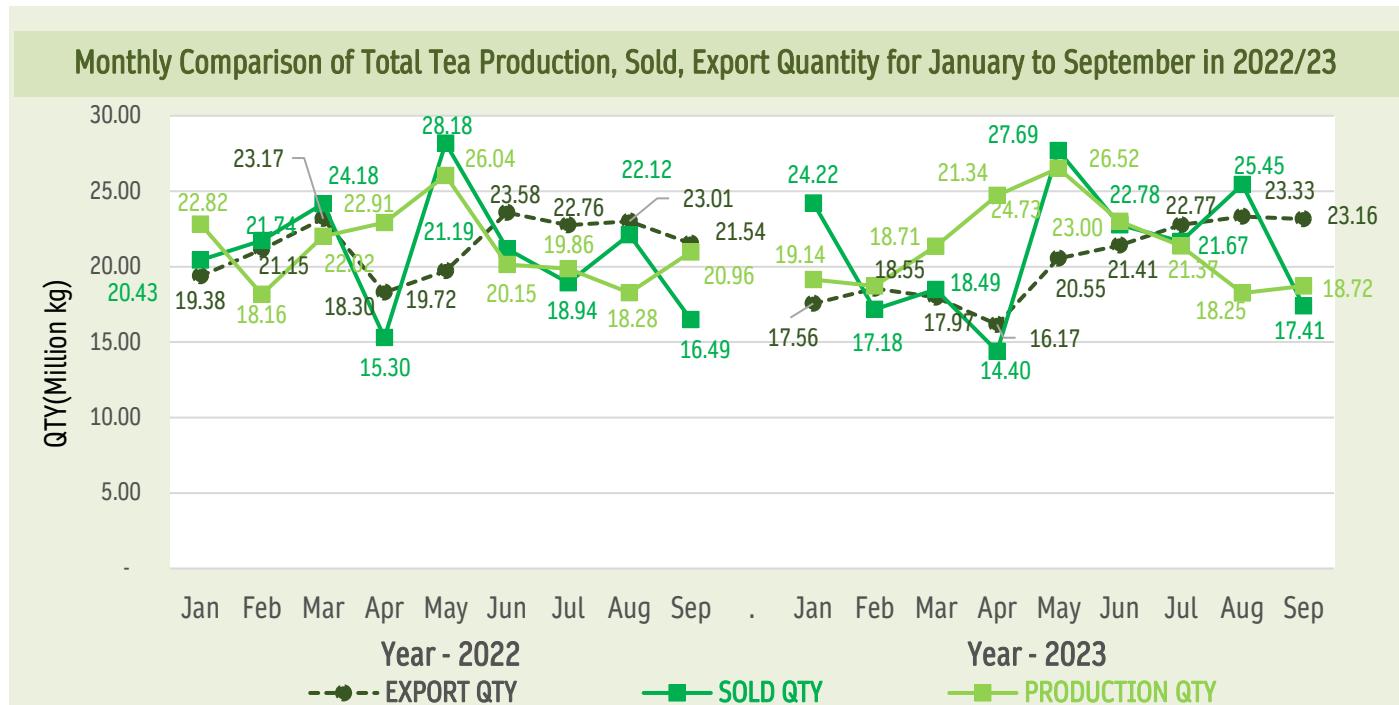


Ceylon Tea  
Brokers

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

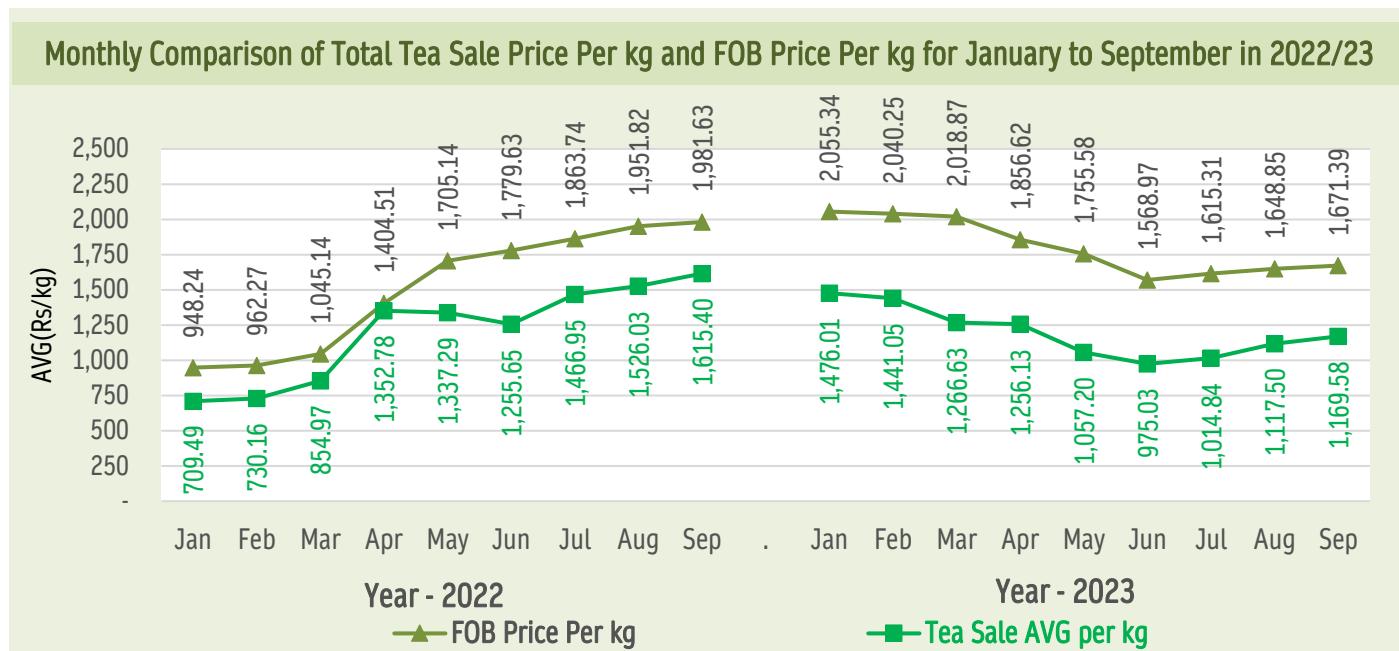
Iraq, Turkey, and Russia continued with strong demand for Sri Lankan tea and were the top 03 importers for the period January to September 2023.

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.



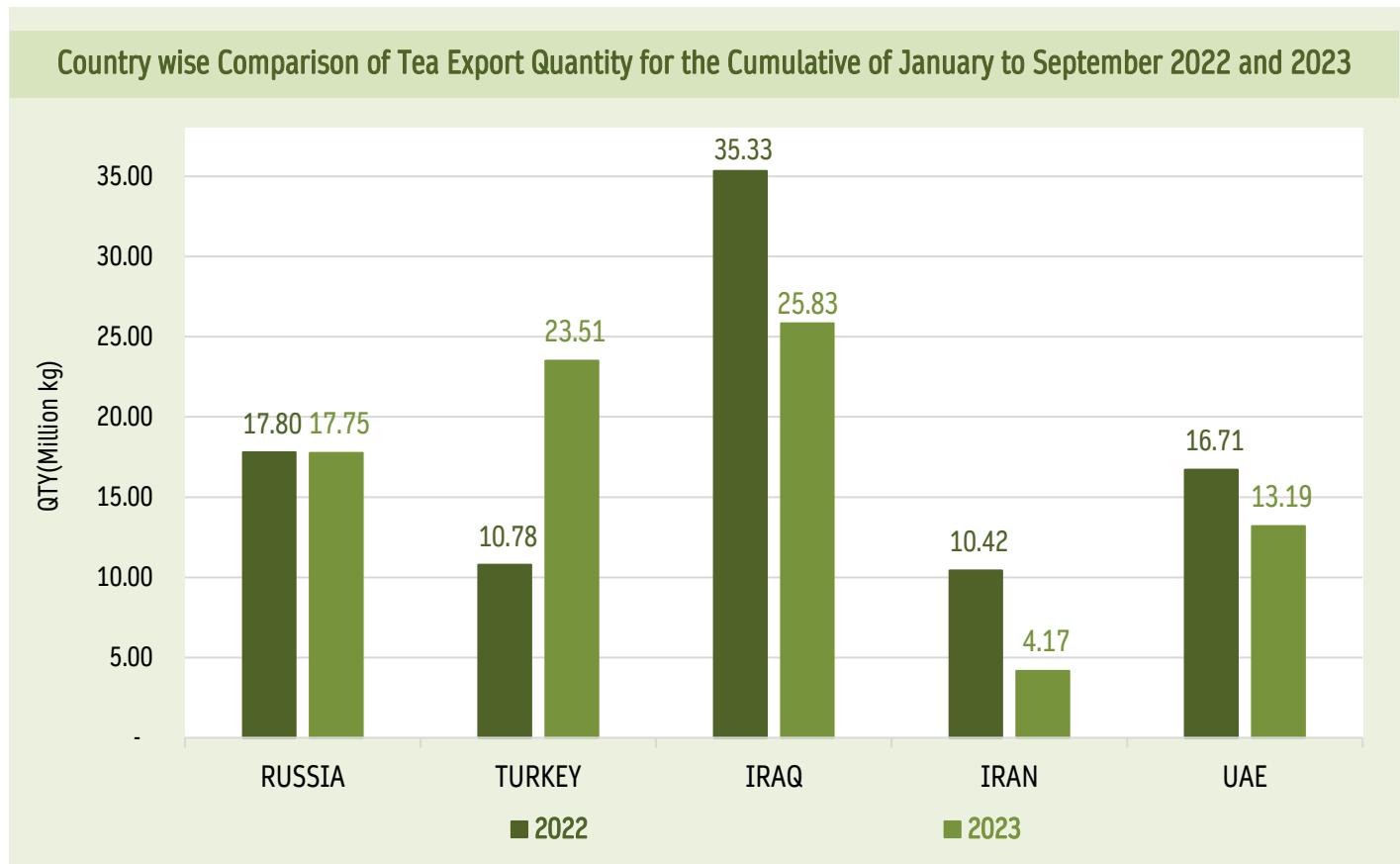
Total tea production of Sri Lankan Tea for the period January to September 2023 was 193.24 Mn/Kgs, as compared to 192.38 Mn/Kgs in 2022 (+0.86 Mn/Kgs). High & Medium Growns witnessed an increase in volume whilst Low Grown recorded a marginal declined when compared to the corresponding period in 2022.

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 +0.86 Mn/Kgs, whilst Exports recorded a decrease of -11.12 Mn/Kgs compared to 2022.



The total National Average of Teas sold for the period January to September 2023 was Rs. 1,180.52 (USD 3.60) per kilo in comparison to Rs. 1,177.51 (USD 3.81) for the same period in 2022, which recorded an increase of +Rs. 3.01 in Rupee value and decrease of -USD 0.21 in Dollar Value. Low Growns averaged Rs. 1,260.29 (USD 3.84); Mid Growns recorded Rs. 1,019.12 (USD 3.11) with High Growns at Rs. 1,086.48 (USD 3.31).

During the period from January to September 2023, High & Medium Growns experienced a rise whilst Low Grow recorded a drop in Rupee value. However, High Growns witnessed a growth, whereas Medium & Low growns recorded a decline in the dollar value. Low Growns with the largest market share with 60.07% of the production recorded a drop of -Rs.30.94. Although, High & Medium Growns recorded an increase of +Rs. 69.70 & +Rs. 40.57 respectively when compared to the corresponding period in 2022.



Sri Lanka Tea Exports for the period January - September 2023 amounted to 181.49 Mn/Kgs vis-à-vis 192.61 Mn/Kgs recorded for the same period last year (-11.12 Mn/Kgs). The FOB average price per kilo for this period stood at Rs. 1,784.67 (USD 5.44) in contrast to Rs. 1,527.71 (USD 4.94), which shows an increase in the Rupee term (+Rs. 256.96) and Dollar value (+USD 0.50) 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 - September 2023 from Tea Exports was Rs. 323.89 Bn (USD 988.05 Mn) compared with Rs. 294.25 Bn (USD 951.98 Mn) recorded for the period January to September 2022. It's an increase in Rupee term (+Rs. 29.65 Bn) and Dollar value (+USD 36.07 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 - September 2023 followed by Turkey and Russia. However, Tea exports to Iraq & Russia dropped by -9.50 Mn/Kgs & -0.06 Mn/Kgs respectively. Turkey have increased by +12.73 Mn/Kgs & U.A.E have dropped the exports by -3.52 Mn/Kgs. However, China increased the exports by +0.36 Mn/Kgs.

## WORLD ECONOMIC OUTLOOK

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The global economy is facing a slowdown in growth and a rise in inflation due to various factors, such as policy tightening, war, and commodity price shocks. The slowdown is more pronounced in advanced economies than in emerging markets and developing economies.

Global Economic Growth is projected to be around 3.0% in 2023, but it is anticipated to slow down to 2.7% in 2024.

### EUROPE & CENTRAL ASIA (ECA)

The Europe & Central Asia (ECA) region is facing several challenges, including the consequences of Russia's invasion of Ukraine, global financial conditions, inflation, and economic fragmentation. However, there is some positive news as economic growth for emerging markets and developing economies in the region is expected to increase to 2.4% in 2023. This growth is driven by improved projections for countries like Ukraine, Central Asia, Turkey, and Russia.

However, the region faces significant challenges including ongoing conflicts, a cost-of-living crisis, climate-related risks, and more, which could impact its growth prospects.

### MIDDLE EAST AND NORTH AFRICA (MENA)

The Middle East and North Africa (MENA) region is expected to experience slower economic growth due to various challenges, including reduced crude oil production, elevated interest rates, a sluggish global economy, and drought conditions.

The GDP forecast for the MENA region has been lowered by 0.3% since July, when Saudi Arabia began its unilateral oil production.

### US ECONOMY

The US economy is expected to face difficulties in early 2024, resulting in a short and mild recession. These challenges include high inflation, elevated interest rates, reduced pandemic savings, rising consumer debt, decreased government spending, and the reintroduction of mandatory student loan repayments.

The forecast suggests that real GDP growth will be 2.2% in 2023, declining to 0.8% in 2024.

### CHINA ECONOMY

China's economy saw robust growth in the July to September quarter, with a 4.9% year-on-year increase, surpassing the expected 4.6% growth. Quarter-on-quarter, China's GDP grew by 1.3% in the third quarter, following a revised 0.5% growth in the second quarter.

Additionally, September retail sales and industrial production exceeded expectations. However, fixed asset investment for the first nine months of the year was slightly disappointing, notably with a 9.1% decline in property investment during the January-September period.

(Source: Worldbank.org)

## CRUDE OIL

Oil prices have experienced fluctuations due to supply concerns and fears of the Israel-Hamas conflict potentially spreading in the Middle East. Recent support for oil prices has come from expectations of a wider market shortage in the fourth quarter, following supply cuts extended by major producers Saudi Arabia and Russia until the end of the year.

Brent crude oil is expected to trade at 90.29 USD/BBL by the end of this quarter, according to Trading Economics global macro models and analysts' expectations and estimated it to trade at 97.05 in 12 months' time.

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

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 5.25% in 2024 and 4.00% in 2025.

(Source: [Federal Reserve](https://www.federalreserve.gov))

## SRI LANKAN RUPEE

The USD/LKR forecast 2023 from Trading Economics, predicts that the Sri Lankan Rupee is expected to trade at 329.91 by the end of this quarter and estimated it to trade at 350.73 in 12 months' time.

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

## TEA IMPORTS BY COUNTRY - 2022

In 2022, global imports of tea reached a total value of \$7.3 billion, showing a slight increase of 1.2% since 2018 when the total was \$7.14 billion. Compared to 2021, there was a marginal 0.3% increase from \$7.2 billion.

Below are the 10 countries that imported the highest dollar value worth of tea during 2022.



The five most valuable import markets for tea in 2022 were Pakistan, the United States of America, the United Arab Emirates, Russia, and the United Kingdom. These top importers collectively represented 32.4% of the total global tea imports.

Black tea accounted for approximately 75.4% of the tea imports worldwide, while green tea made up the remaining 24.6%.

From a regional perspective, Asian countries were the largest importers of tea in 2022, with purchases amounting to \$3.2 billion, or 44.2% of the global total. European countries followed at 27.2%, and Africa accounted for 15.2% of all tea imports.

(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 04th quarter.

COURTESY: CEYLON TEA BROKERS

