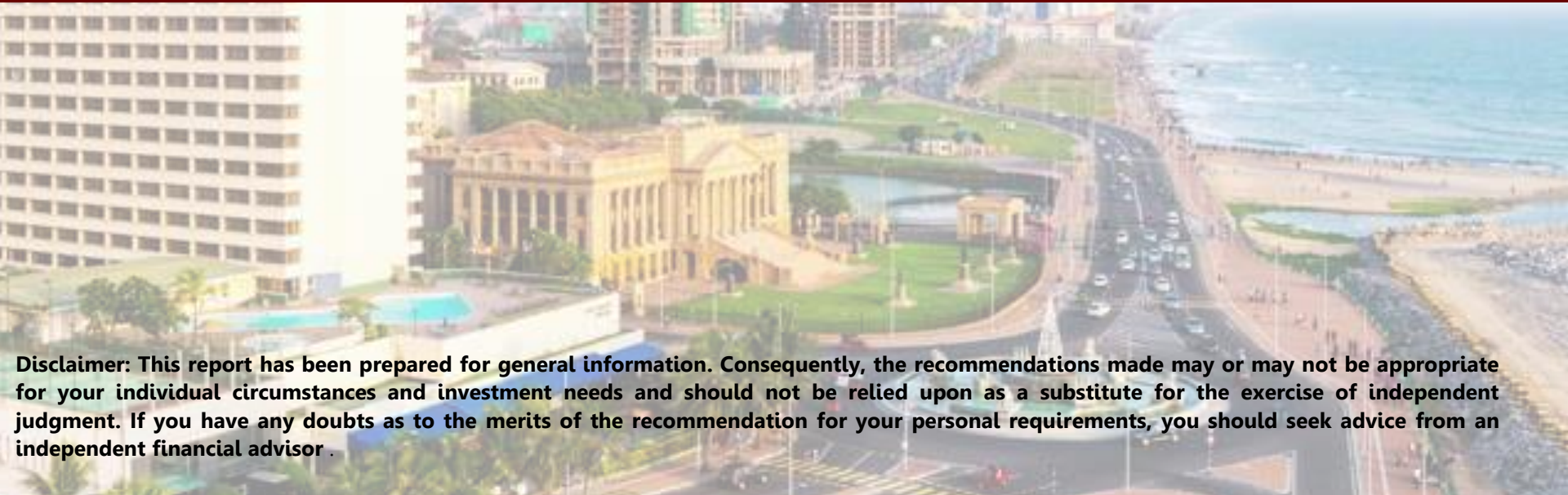


BRS Economic Snapshot

Gross Domestic Production - 2Q 2023

Agriculture Grows, and Industry & Services Face Challenges



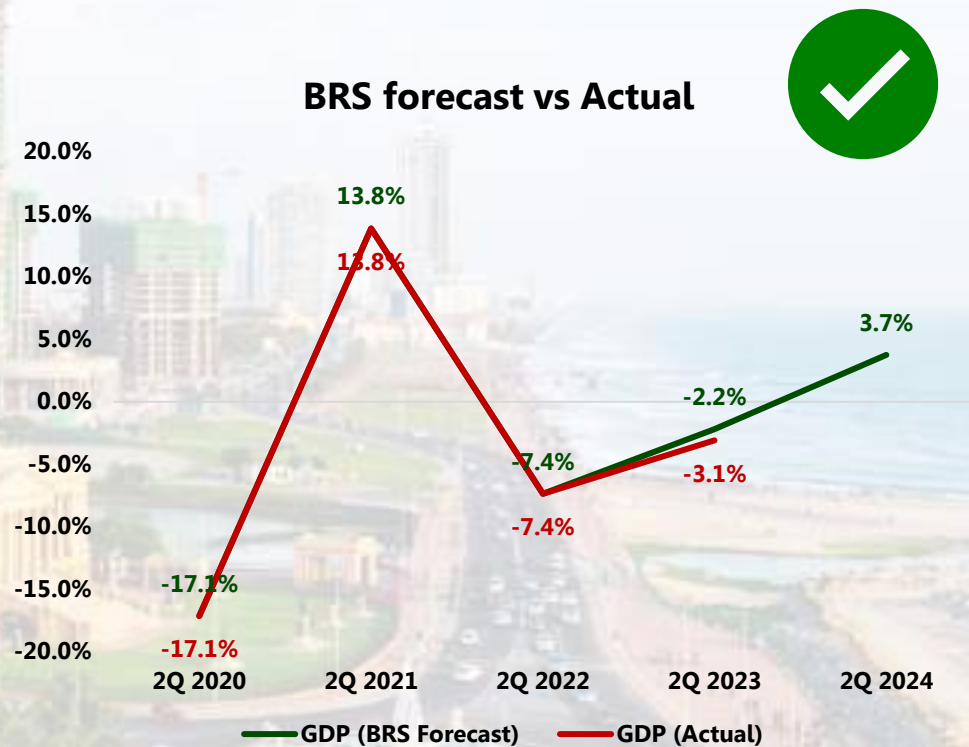
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RECAP of BRS Analysis

Sri Lanka posted a negative GDP growth of 3.1% YoY in 2Q 2023, a deviation of 0.9% from the BRS forecast of 2.2%YoY contraction.

Key assumptions from our forecast,

- ✓ High interest rates in 2Q 2023.
- ✓ Implementation of tightening fiscal measures.
- ✓ Material shortage followed by import restrictions
- ✓ Elevated energy and transportation costs.
- ✓ Global and local demand hampered by economic distress.

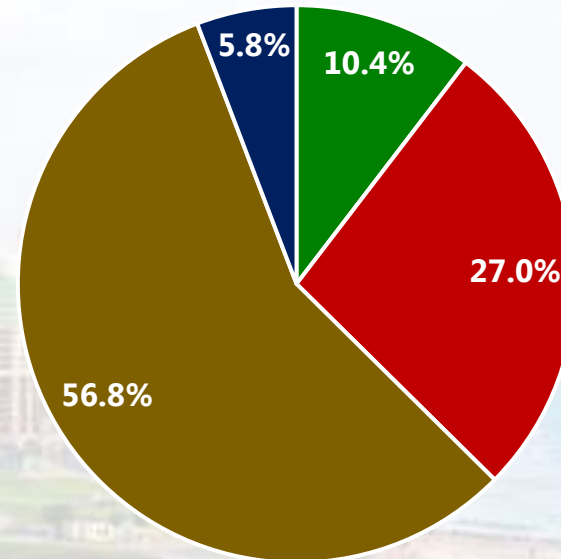


Source: Department of Census and Statistics and BRS Equity Research

Gross Domestic Production – 2Q 2023

- Real GDP (2015=100) declined to LKR. 2.6Tn in 2Q 2023 from LKR. 2.7Tn in 2Q 2022, representing a 3.1% YoY decline in GDP.
- This decline was however an improvement compared to the decline of -7.4% recorded in 2Q 2022.
- However, GDP at market price increased from LKR. 5.4Tn to LKR. 6.1Tn, reflecting a 12.9% YoY growth, which was driven by inflation pressures during the period.

GDP Composition - 2Q 2023



■ Agriculture

■ Industry

■ Service

■ Taxes less subsidies

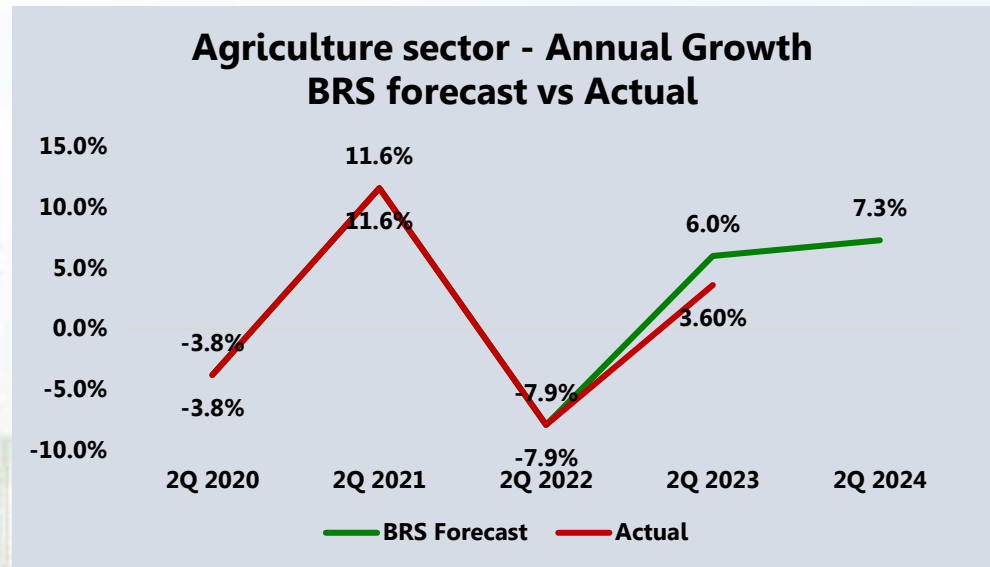
*GDP Based on Market Price

Source: Department of Census and Statistics and BRS Equity Research

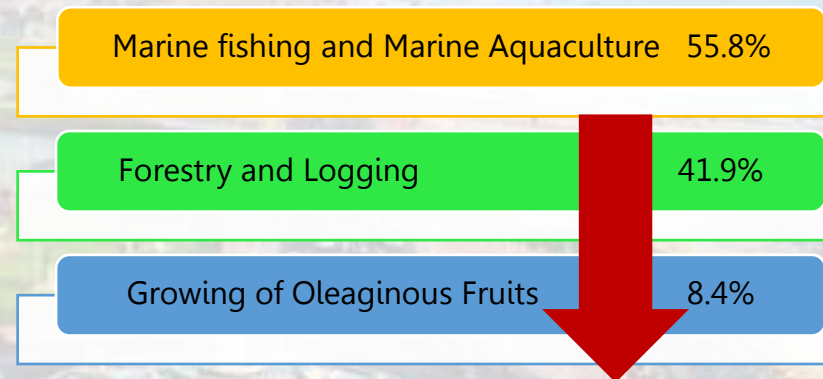
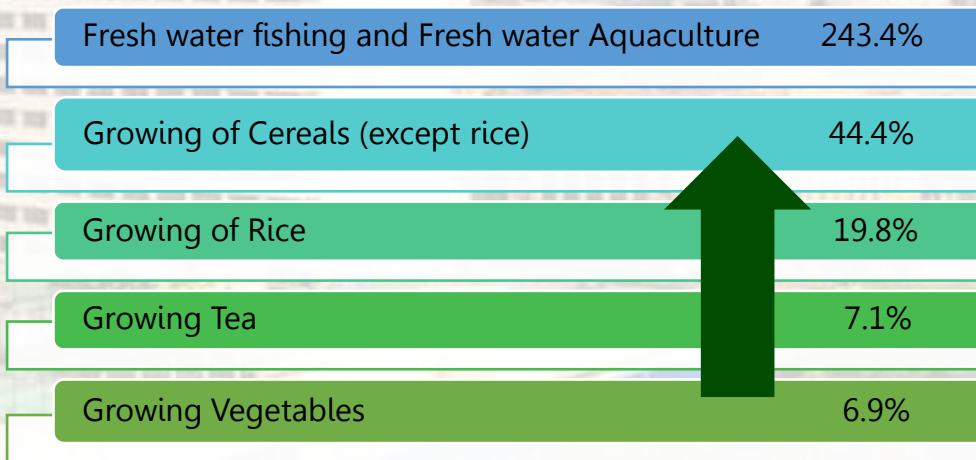
Agriculture performed lower than anticipated

RECAP of BRS Analysis

The agricultural sector posted a growth of 3.6% YoY below BRS forecast of 6.0%. The subsectors forestry and logging, Marine fishing and Marine Aquaculture, Plant Propagation and Agriculture support services performed below par during the period.



Performance of subsectors (YoY):



Source: Department of Census and Statistics and BRS Equity Research

Industrial output aligns with BRS forecast

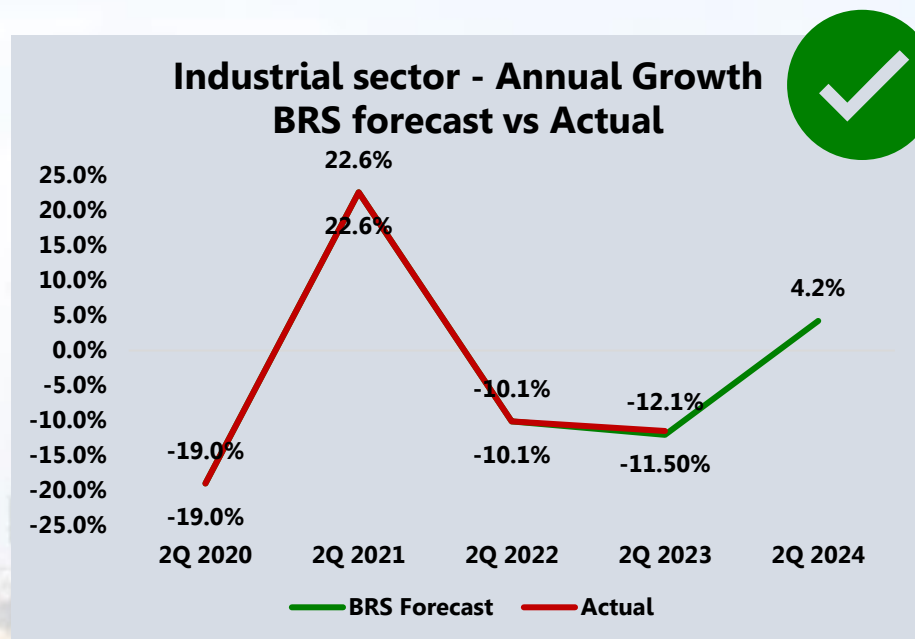
RECAP of BRS Analysis

Capping it close, the Industrial sector posted a decline of 11.5% YoY compared to BRS forecast of 12.1% YoY.

Our forecasts rely on the following assumptions:

- ✓ Impact of high electricity tariff and transport cost
- ✓ High taxes
- ✓ Global demand contractions
- ✓ High interest rates

- The decline in industrial sector in 2Q 2023 was driven by the dip in manufacturing (-5.1% YoY), Mining and quarrying (-24.3% YoY) and construction (-23.1% YoY) activities.
- The contraction in manufacturing activities were primarily observed in several subsectors, including the manufacture of rubber and plastic products (-26.5% YoY), paper and paper products (-25.0% YoY), wood and wood products (-21.4% YoY), textiles, wearing apparel, leather, and other related products (-18.4% YoY), and furniture (-12.3% YoY).



Source: Department of Census and Statistics and BRS Equity Research

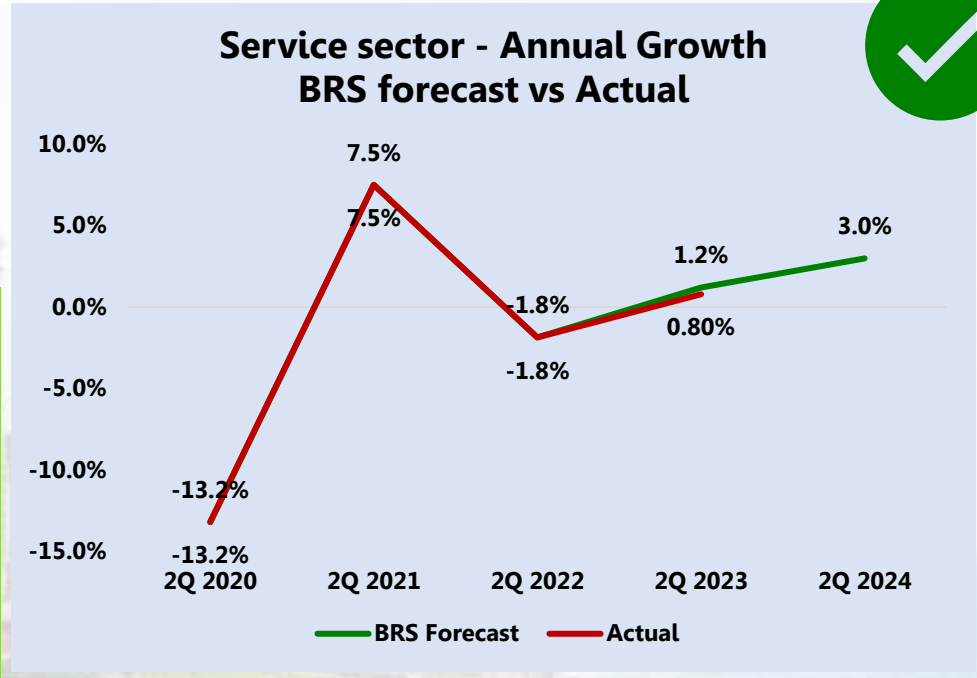
Service output closely matched the BRS forecast

RECAP of BRS Analysis

The service sector recorded a 0.8% YoY growth in 2Q 2023, closely aligning with the BRS forecast of 1.2% YoY, a rebound against -1.8% YoY contraction reported in 2Q 2022.

Our forecasts rely on the following assumptions:

- ✓ Impact of high electricity tariff
- ✓ Low consumer spending
- ✓ High tax and interest rates
- ✓ Favorable impact from gradual pickup in tourism



- Despite the marginal growth, significant shortfalls were observed in subsectors such as Financial service activities (-18.8% YoY), Professional services (-9.3% YoY), and IT programming consultancy and related activities (-8.5% YoY).
- Activities such as Accommodation, food and beverage serving activities' (34.2% YoY), Programming and broadcasting activities (6.2% YoY), Transportation of goods and passengers including warehousing (5.4% YoY) reported the highest growth in 2Q 2022.

Source: Department of Census and Statistics and BRS Equity Research

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