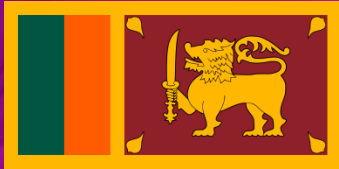




Q4 2017 Dashboard



Nielsen Sri Lanka
January, 2018

Is this the start of good times to come?



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The Q3 2017 (calendar year) GDP growth disappointed, mainly coming from a dip in Industrial sector. However, green shoots are visible on many fronts and it could augur well for a revival in 2018. The 'Blue-Green' budget was welcome across stakeholders though a few taxation concerns remain.

Inflation still clouds over consumption as FMCG clocked an annual decline in value sales, perhaps for the first time. This is one area that needs immediate attention to boost consumer confidence to go along with the rise in business confidence seen in last few months.

The Nielsen Sri Lanka Year in Review 2017 document will be released soon. Watch out for trends and opportunities across sectors and thoughts from industry leaders.

Thanks....

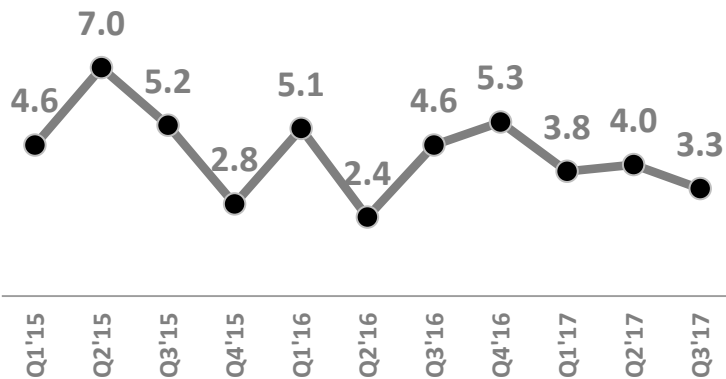
Macro indicators showed a mixed trend in Q4

GDP growth dipped in Q3'17

Significant drop in Industrial output impacted overall GDP growth in Q3'17

SRI LANKA TOTAL GDP GROWTH RATE %

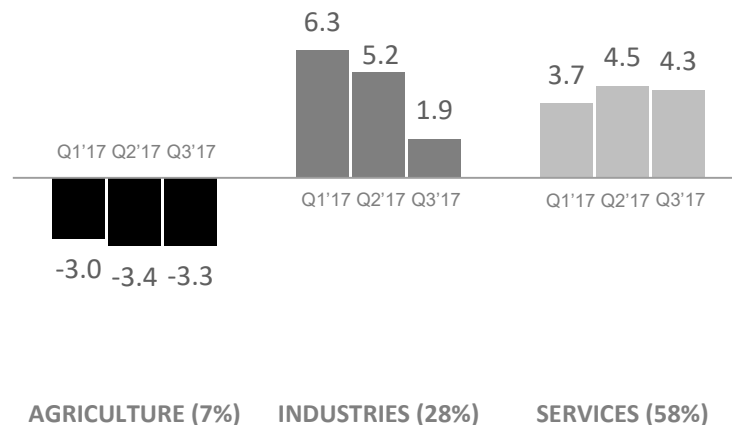
(VS SAME QUARTER LAST YEAR)



GROWTH RATE AT CONSTANT PRICES – 2010

SRI LANKA GDP GROWTH RATE BY SECTORS %

(VS SAME QUARTER LAST YEAR)



GROWTH RATE AT CONSTANT PRICES – 2010,
 FIGURES IN BRACKET INDICATE CONTRIBUTION OF SECTOR TO GDP IN THE
 PERIOD Q3YTD 2017. REMAINDER IS 'TAXES LESS SUBSIDIES'

However, lot of positives started coming in Q4'17

While movement on infrastructure was visible, authorities acted on other concerns like higher education, business climate, investments and inflation. Budget 2018 got a mixed response



GOVT. MEETS CONSOLIDATION TARGETS: IMF

Views - 472 Saturday, 30 September 2017 00:45

The passage of the landmark Inland Revenue Act is a major achievement which in turn will support the Government's ambitious social and developmental program, the International Monetary Fund said yesterday but voiced concern over



PROPOSAL TO PROVIDE 50,000 NEW UNIVERSITY PLACES FOR GCE A/L QUALIFIED STUDENTS WHO ARE NOT ADMITTED

Views - 168 Wednesday, 25 October 2017 00:00

Today there is a lot of frustration among the youth due to many students passing the GCE A/L exams and eligible to enter



50% OF PORT CITY COMPLETED

Views - 1012 Thursday, 26 October 2017 00:00

By Uditha Jayasinghe The \$ 1.4 billion Port City is halfway to being completed, the Government said yesterday, as preparations get underway to ready the reclaimed land for construction and for it to be auctioned off to potential investors in the fir



Malik says
Govt. focused
on biz climate
improvements,
DBI and beyond

MALIK SAYS GOVT. FOCUSED ON BIZ CLIMATE IMPROVEMENTS, DBI AND BEYOND

Views - 685 Monday, 6 November 2017 00:00

The Ministry of Development Strategies and International Trade said yesterday that the Government continued to take the improvement of the climate...



BUDGET FOR ALL

Views - 2427 Friday, 10 November 2017 00:00

Delivering on his promise to keep the Budget speech concise, Finance Minister Mangala Samaraweera yesterday unveiled a slew of proposals to liberalise restrictive laws, promote exports, expand tourism, maintain fiscal



FOREIGN INVESTMENT IN STOCK MARKET HITS ALL-TIME HIGH IN 2017

Views - 648 Thursday, 23 November 2017 00:00

In what continues to be a record-breaking year for foreign portfolio investment in the Colombo stock market, 2017 has recorded an all-time high in foreign purchases during any given



SEPT. HITS TRIPLE EXPORT CROWN

Views - 950 Tuesday, 28 November 2017 01:17

September exports grew 12.6%, surpassing the \$ 1 billion mark for the third consecutive month, but the month also saw the trade deficit increase on higher fuel and rice imports as well as a dip in tourism and remittance earnings, the Central Bank said



TOP SUPERMARKETS JOIN GOVT. TO FIGHT COL

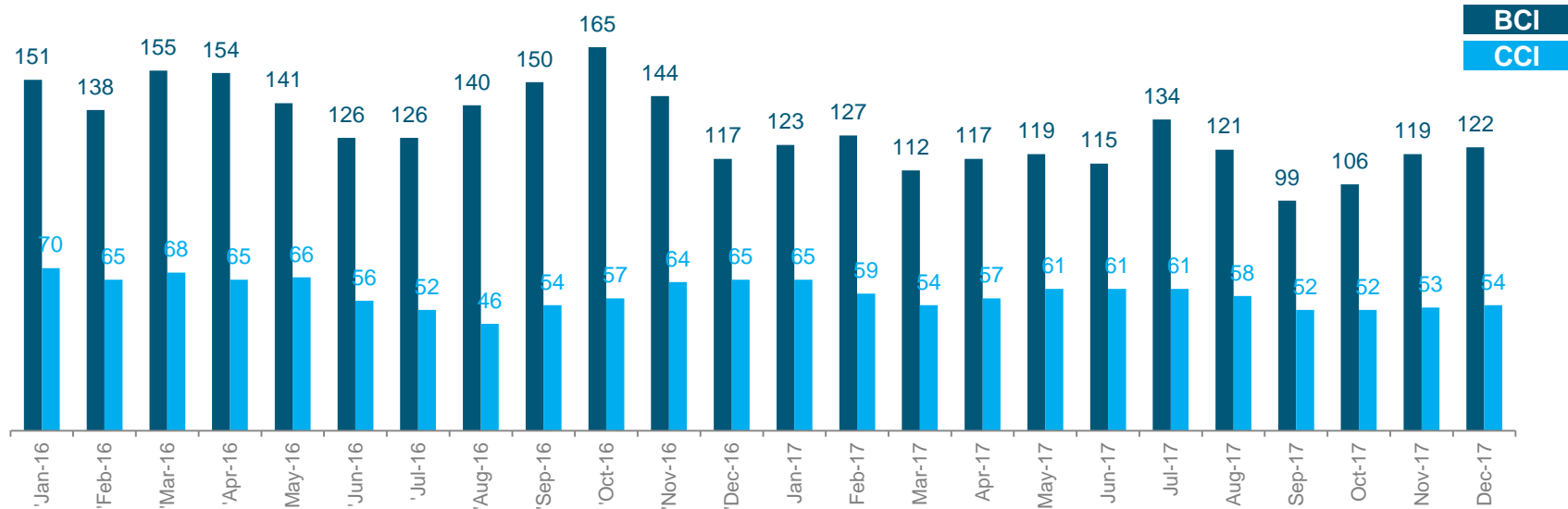
Views - 482 Friday, 15 December 2017 02:41

As the days tick down to the festive season, the Government yesterday announced plans to establish Fair Price Shops and through them to...

Confidence started moving up in Q4

After the steep drop of September 2017, BCI has been inching up backed by a mixed response to 2018 budget and constant communication from the government on short term and long term goals

BUSINESS CONFIDENCE INDEX TREND, CONSUMER CONFIDENCE INDEX TREND



Source: Nielsen Lanka CCI and BCI Surveys

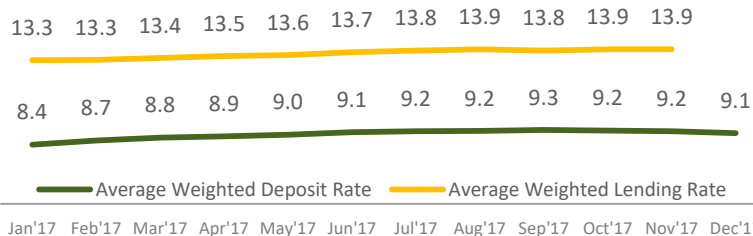
*BCI is based on survey of 100 Managers/Senior Executives or above in the city of Colombo carried out by Nielsen and is compiled through series of questions on business conditions and expectations

*CCI is based on survey of 100 respondents every month. From 2011 onwards Nielsen tracks the consumer confidence index every month among 100 consumers in Western, Central and Southern provinces. Index is developed based on consumers' confidence in the job market, status of their personal finances and readiness to spend.

Indices other than inflation have been stable

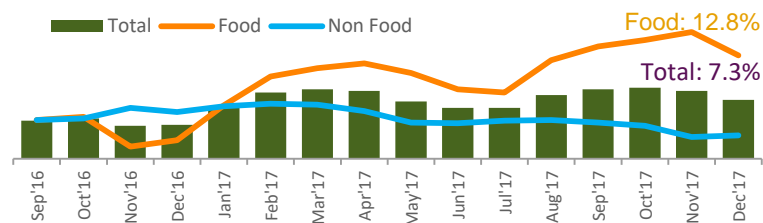
Interest rates are stable and currency did not depreciate further. Food inflation still remains a worry for businesses and consumers

COMMERCIAL BANK AVERAGE INTEREST RATE



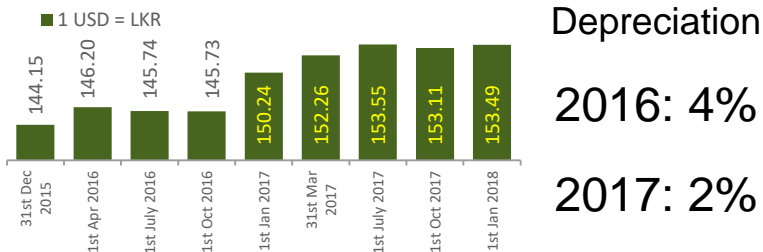
Source: Central Bank

NATIONAL CONSUMER PRICE INDEX (YOY CHANGES)



Source: Department of Census and Statistics Sri Lanka

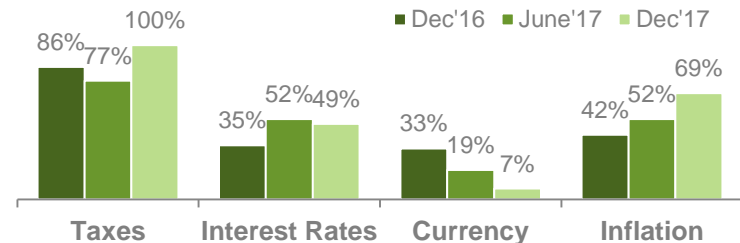
USD – LKR EXCHANGE RATE (LAST 12 MONTHS)



Source: XE.com

PRESSING ISSUES FOR DOING BUSINESS

(% respondents mentioning each issue)



Source: Nielsen Business Confidence Index Survey, Frequency: Monthly; Base: All respondents n=100 per month

Exports have been good but remittances have dropped

Exports grew 9% and Apparel Exports too show a pick up post GSP+. Import bill continues to grow with higher fuel imports. Tourism numbers are a tad disappointing and lower remittances put pressure on disposable income.

EXPORTS FROM SRI LANKA

Exports Growth

9%



Tea : 21%
 Garments : 0%
Garments : 6%
June-Oct'17
post GSP+ approval

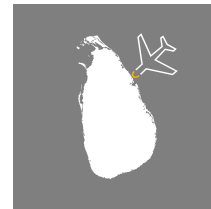
YTD Oct'17

Source: Central Bank Statistics, Exports in US \$ Millions

WORKERS REMITTANCES INTO SRI LANKA

Remittances Growth

-7%



Remittances

- Accounts for 9% of GDP
- Received by 1 in 8 households in Sri Lanka
- 250K Lankans go abroad every year for work

YTD Nov'17

Source: Central Bank Statistics, Remittances in US \$ Millions

IMPORTS INTO SRI LANKA

Imports Growth

9%



Dairy : 27%
 Vehicles : -9%
 Telco : 14%
 Fuel : 39%

YTD Oct'17

Source: Central Bank Statistics, Imports in US \$ Millions

EARNINGS FROM TOURISM

Growth in earnings

3%



Tourist Arrivals

- 2.12 Million arrivals in 2017 versus 2.05 in 2016
- 3% growth in tourist arrivals in 2017 versus 14% growth in 2016

YTD Oct'17

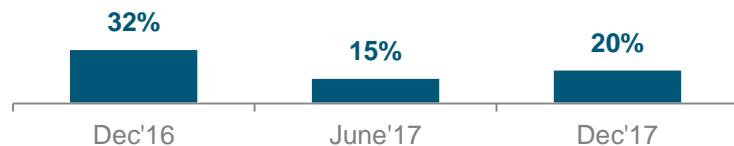
Source: Central Bank Statistics, SL Tourism Development Authority

Source: Multiple Sources

Marginal improvement on outlook for the economy

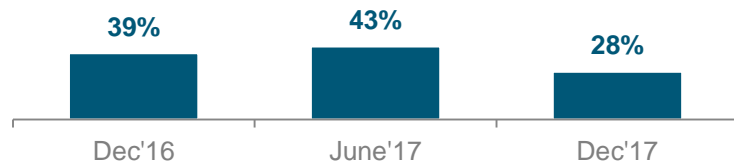
Businesses feel economy will do better in the next 12 months and therefore an opportunity to invest or expand workforce. However, consumption uptick is still not visible impacting business outlook

ECONOMY OUTLOOK LONG TERM



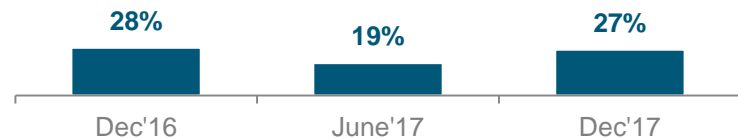
% respondents saying economy will improve in next 12 months

BUSINESS OUTLOOK LONG TERM



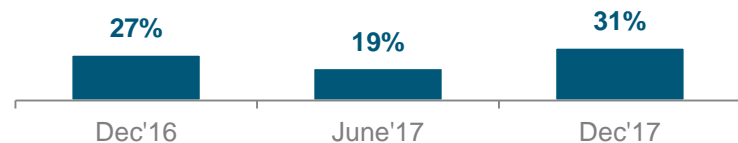
% respondents saying business will improve in next 12 months

INVESTMENT CLIMATE



% respondents mentioning climate as Good & Very Good

PLANS FOR WORKFORCE EXPANSION

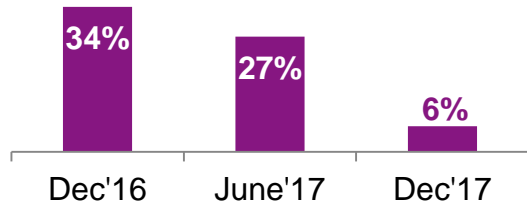


% respondents mentioning plans to increase workforce in 6 months

Consumers still feel the inflation pressure

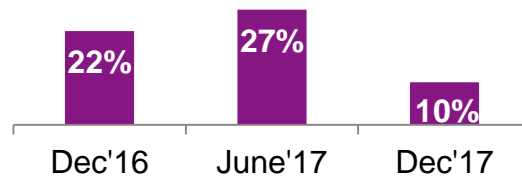
Food prices and prices of other essentials continued to rise in Q4 impacting consumer confidence

JOB PROSPECTS IN NEXT 12 MONTHS (Good or Excellent)



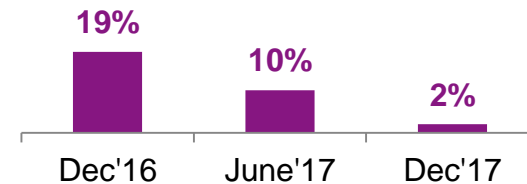
% consumers calling Job Prospects Good or Excellent in the next 12 months in Sri Lanka

STATE OF PERSONAL FINANCE IN NEXT 12 MONTHS (Good or Excellent)



% consumers calling state of Personal Finance Good or Excellent in the next 12 months in Sri Lanka

TIME TO BUY IN NEXT 12 MONTHS (Good or Excellent)



% consumers calling time to buy things they need Good or Excellent in the next 12 months in Sri Lanka

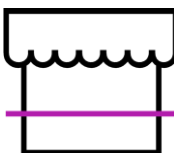
FMCG consumption dipped to its lowest in Q4'17

Steep drop in consumption in Q4 2017

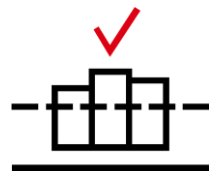
Rising inflation impacted consumption severely towards end of 2017 pulling down annual growth into negative territory



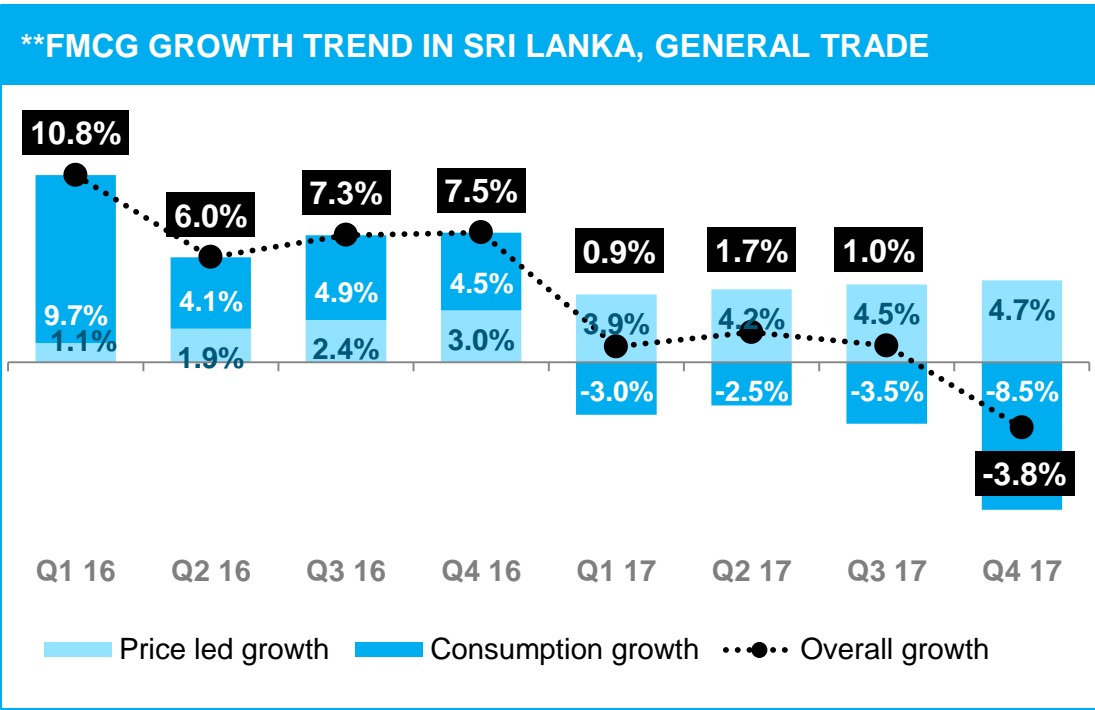
234 Billion LKR*
 FMCG Value Sales in General Trade for Sri Lanka, Year 2017



263 Thousand*
 FMCG General Trade Universe in Sri Lanka, Dec. 2017



-0.3%*
 FMCG Value Sales Growth in Sri Lanka, Year 2017 over Year 2016



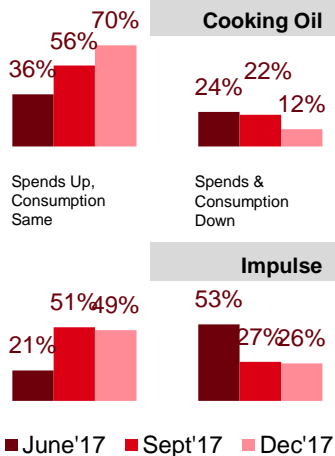
Source: * Nielsen Sri Lanka, RMS Data, for All FMCG (40 Categories including Soft Drinks), from General Trade, including Northern Province, Year 2017

** Nielsen Sri Lanka, RMS Data, for All FMCG (32 Categories including Soft Drinks), from General Trade, including Northern Province, Q4 2017

About 1 in 2 reducing consumption of Impulse F&B

Prices have gone up across and consumption therefore continued to drop

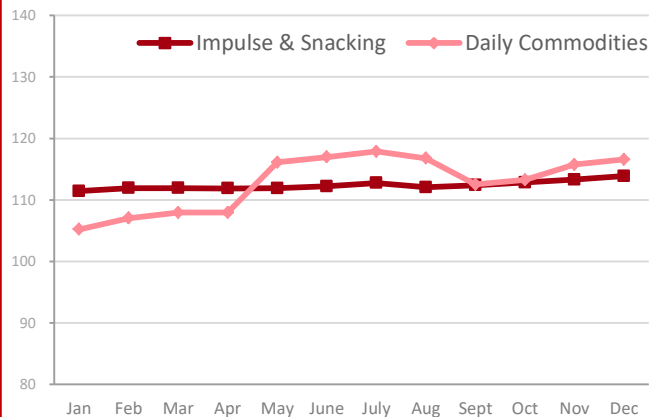
Consumer reaction to price increases*



Spend increase on grocery, down on impulse

- Urban consumer's change in spend and consumption in last 3 months
- Spend same, Consumption drop
 - Both Spend & Consumption drop
 - Spend up, Consumption drop
 - Spend up, Consumption up

Nielsen Price Index (F&B). Based on price movements of Top 10 selling SKUs, base Jan 2015

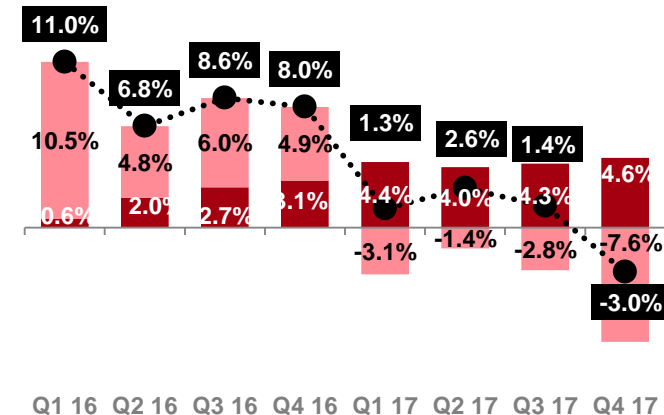


Prices have moved up consistently since Q2'17

Daily Commodities : Milk Food Drinks, Tea

Impulse & Snacking : Biscuits, Milk Chocolates, Noodles, Light Snacks, Yoghurt

Growth trend in Food & Beverages segment

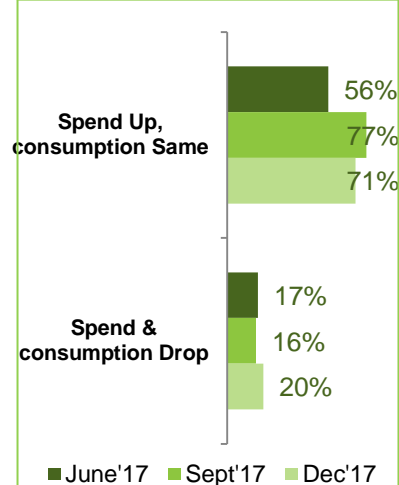


Growth dropped again as Food inflation increased in Q4

Consumption of Personal Care drops

1 in 5 Urban consumers say their consumption has dropped in recent times

Consumer reaction to price increases*

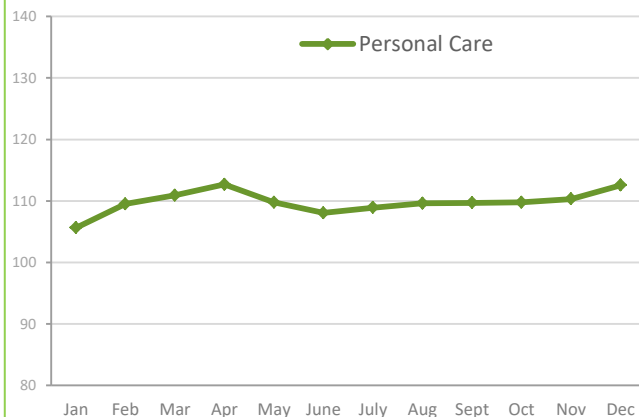


Urban consumers maintain consumption

Urban consumer's change in spend and consumption in last 3 months

- Spend same, Consumption drop
- Both Spend & Consumption drop
- Spend up, Consumption drop
- Spend up, Consumption up

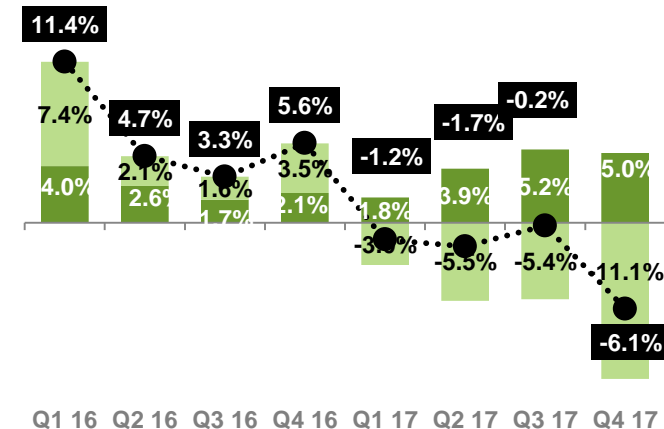
Nielsen Price Index (PC). Based on price movements of Top 10 selling SKUs, base Jan 2015



Prices are on the up again in Q4 2017

Personal Care : Toilet Soap, Shampoos/Conditioners, Toothpaste, Creams & Lotions

Growth trend in Personal Care segment

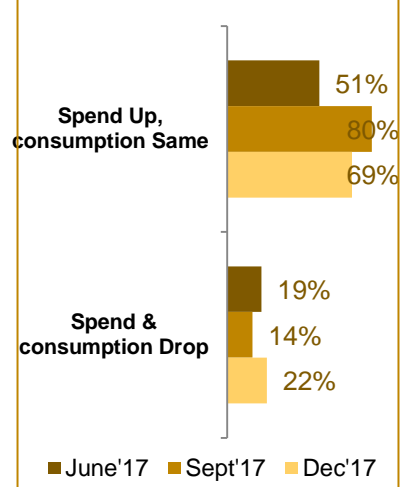


Growth dropped significantly in Q4

Consumption of Home Care drops

1 in 5 Urban consumers say their consumption has dropped in recent times

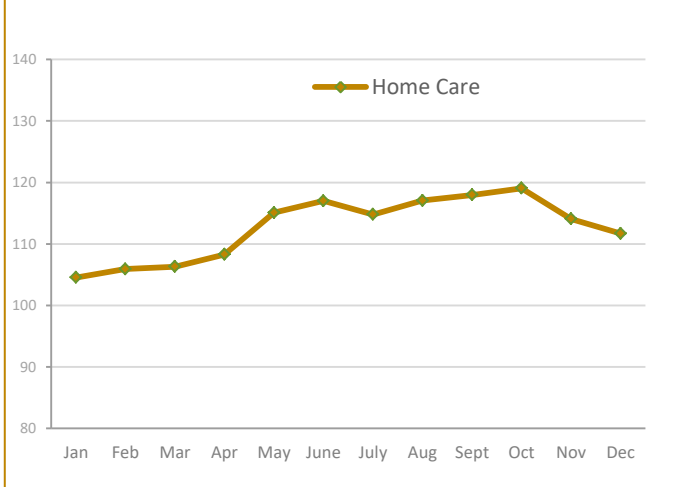
Consumer reaction to price increases*



Urban consumers maintain consumption

- Urban consumer's change in spend and consumption in last 3 months
- Spend same, Consumption drop
 - Both Spend & Consumption drop
 - Spend up, Consumption drop
 - Spend up, Consumption up

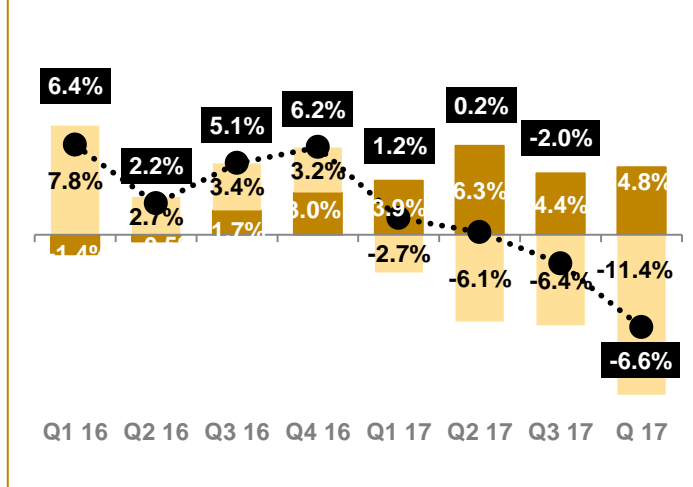
Nielsen Price Index (HC). Based on price movements of Top 10 selling SKUs, base Jan 2015



Prices have come down marginally in Q4 2017

Home Care : Washing Powder, Washing Soap

Growth trend in Home Care segment



Growth dropped further in Q4 2017

Q4 2017 in summary

Q4 2017 in summary



Economic growth dropped further for Sri Lanka in Q3 2017. However, macro factors are showing signs of easing in Q4. Exports have grown close to double digits in the period July-Oct 17 versus last year. Garments exports too show a pick up. Inflation and taxes remain concerns impacting consumption.



Business Confidence and Consumer Confidence have shown signs of revival in Q4'17. Outlook on economy and investment climate showed improvement though business outlook is still bleak given pressures on consumption.



Inflation continued to impact FMCG prices and **FMCG consumption witnessed a big drop in Q4 2017** rendering a decline at an annual level. Food inflation is higher compared to Non-Food but consumers are trading off on consumption of Home Care and Personal Care products more than Food & Beverages.

The background of the image is a vibrant purple with a 3D effect of wavy, undulating lines that create a sense of depth and movement. The Nielsen logo is centered in the middle of the frame. It consists of the word "nielsen" in a white, lowercase, serif font. Below the letters, there is a horizontal line of eight white dots, each positioned directly under a letter: 'n', 'i', 'e', 'l', 's', 'e', 'n', and a final dot under the space between the last two 'e's.

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