



First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

Apr 2026

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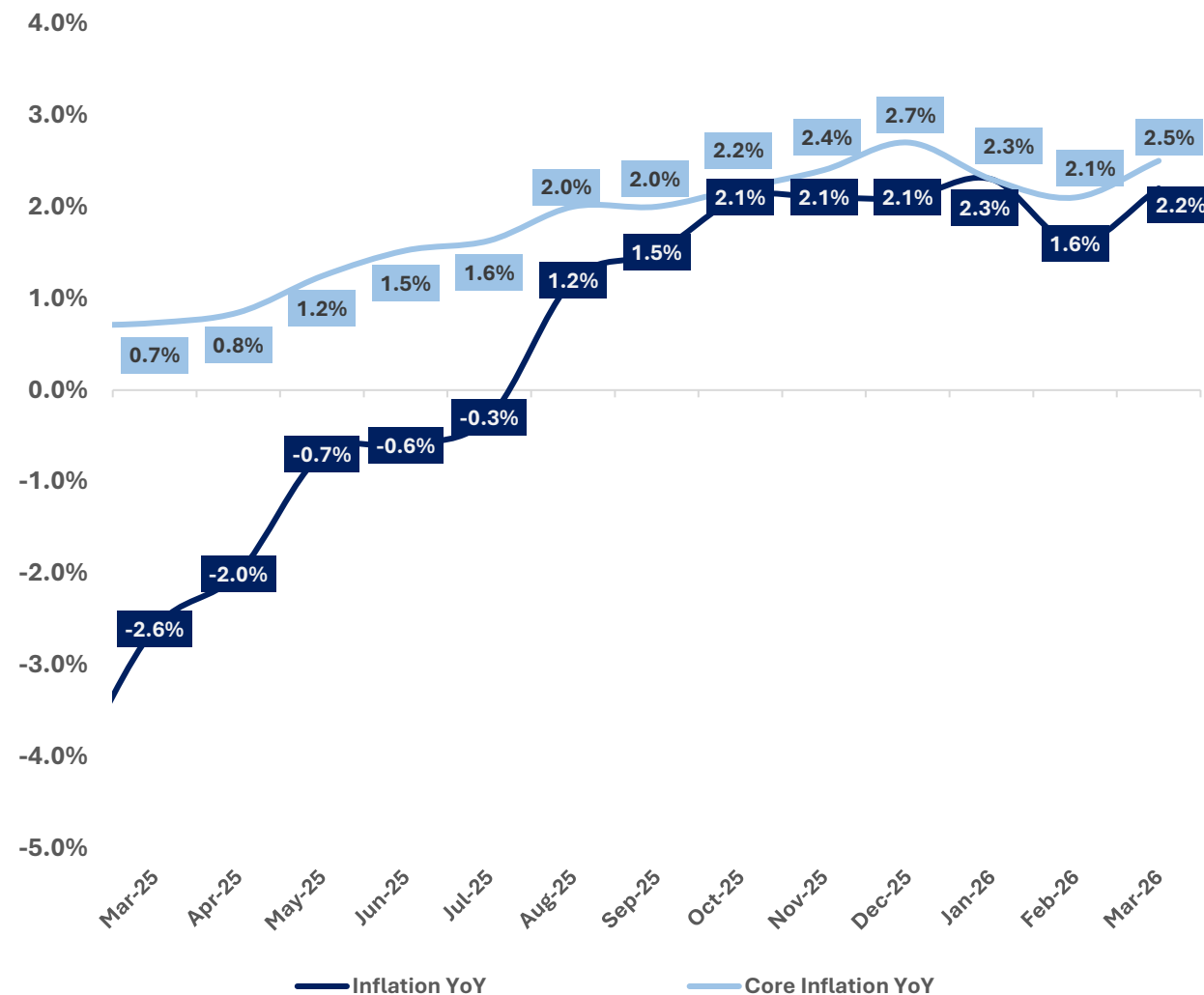
CBSL MAINTAINS THE OVERNIGHT POLICY RATE (OPR)

- ❑ The Monetary Policy Board kept the Overnight Policy Rate (OPR) unchanged at 7.75% at the first monetary policy meeting that was held on the 24th March 2026.
- ❑ The Board arrived at this decision after considering evolving developments and the outlook on the domestic and global fronts, amid heightened global uncertainties, in particular rising tensions in the Middle East and rising oil prices.
- ❑ CBSL is of the view that the current monetary policy stance will support steering inflation towards the target of 5.0%, despite near-term price pressures.
- ❑ The Board also believes that the prevailing monetary policy landscape would support the current growth trajectory of the Sri Lankan economy, while continuing to support private sector credit growth.
- ❑ It was also stated that the Board remains prepared to implement appropriate policy measures to ensure that inflation stabilises around the target, while supporting the economy to reach its potential.
- ❑ The release of the next regular statement on the monetary policy review will be on the 26th May 2026.

CCPI FOR MAR 2026: MOM +0.3% YOY +2.2%

- The CCPI for Mar-26 stood at +0.3% on a MoM basis, improved from the -0.9% level seen in Feb-26. Food inflation stood at -0.8% for the month, improving from the -2.6% decline registered in the previous month. Non-food inflation increased by +0.8%, marking an acceleration from the +0.0% level recorded in Feb-26.
- The YoY increase accelerated to +2.2% in Mar-26 from the +1.6% level recorded in Feb-26. The food inflation increased to +0.7% from the +0.2% level seen in Feb-26, while non-food inflation was at 2.9%, improving from the +2.3% level seen in Feb-26.

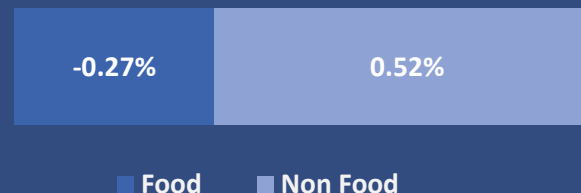
Inflation – CCPI



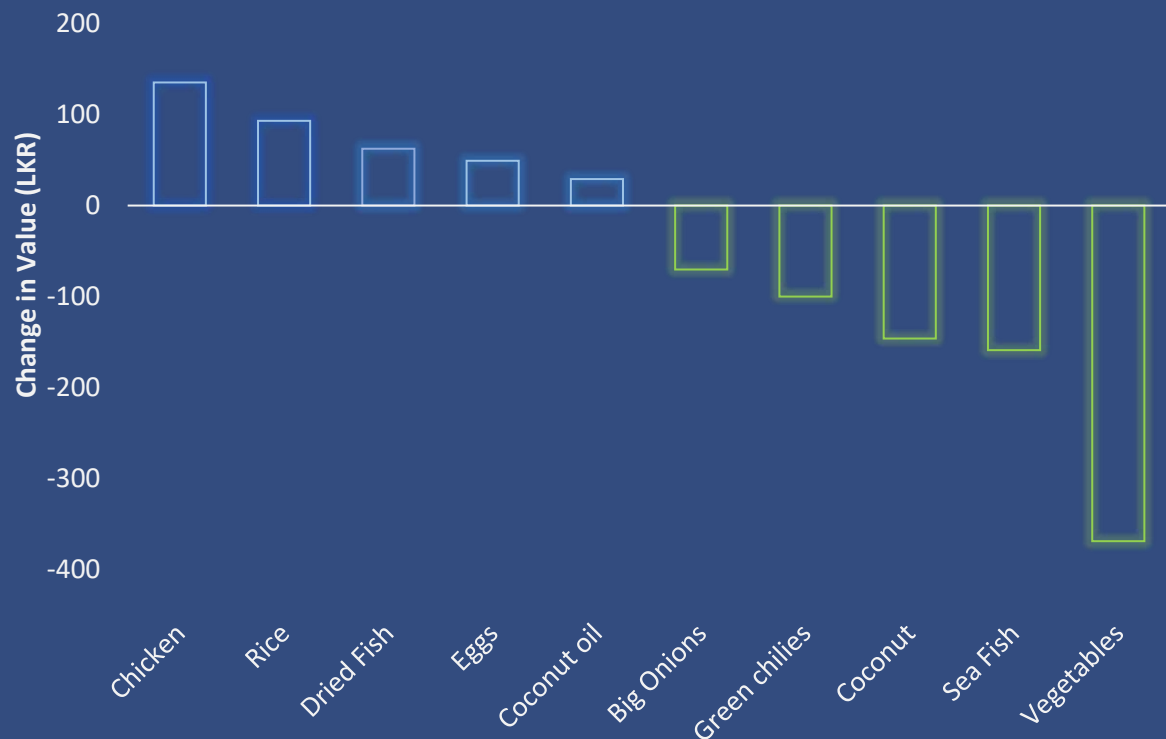


INFLATION ANALYSIS – CCPI-MOM

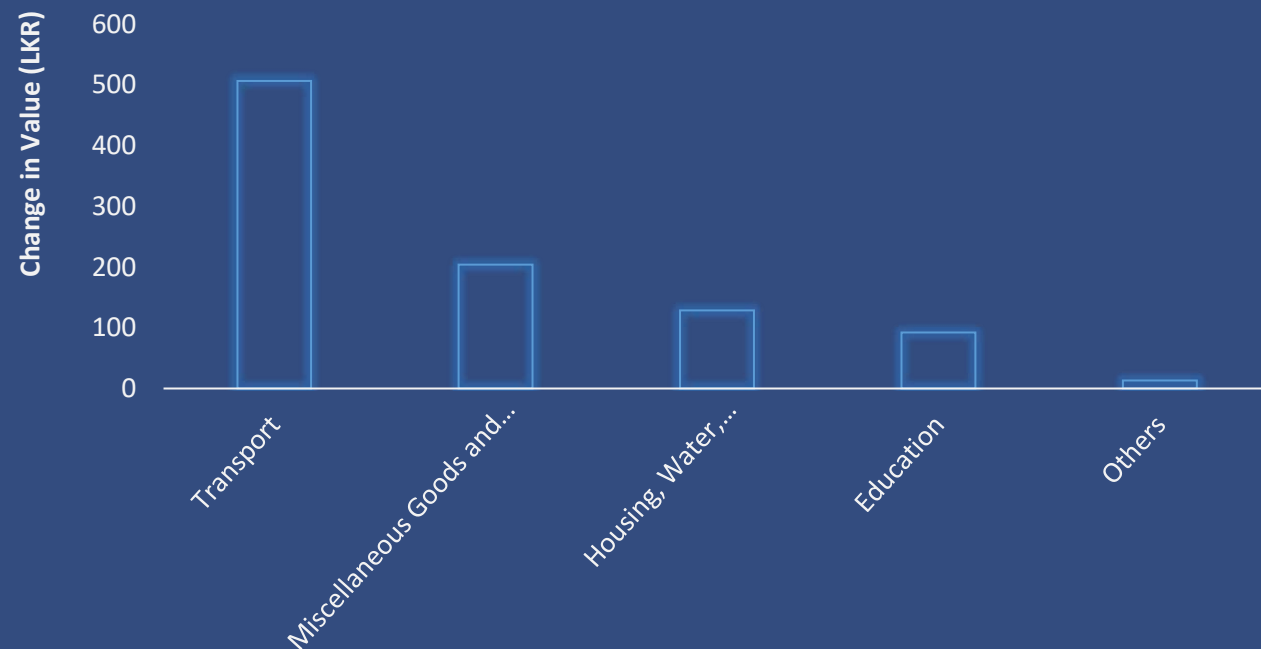
The CCPI Index for March increased by 0.25% MoM. The Food category contributed -0.27%, with Vegetables, Sea Fish and Coconut exerting significant downward pressure on the group, while Chicken, Rice, Dried Fish, and Egg recorded highest price increases. The Non-Food category contributed +0.52%. All sub-components within the Non-Food segment, except Alcoholic Beverages Tobacco and Narcotic, recorded increases in Mar-26.



Food Category Inflation



Non-Food Category Inflation



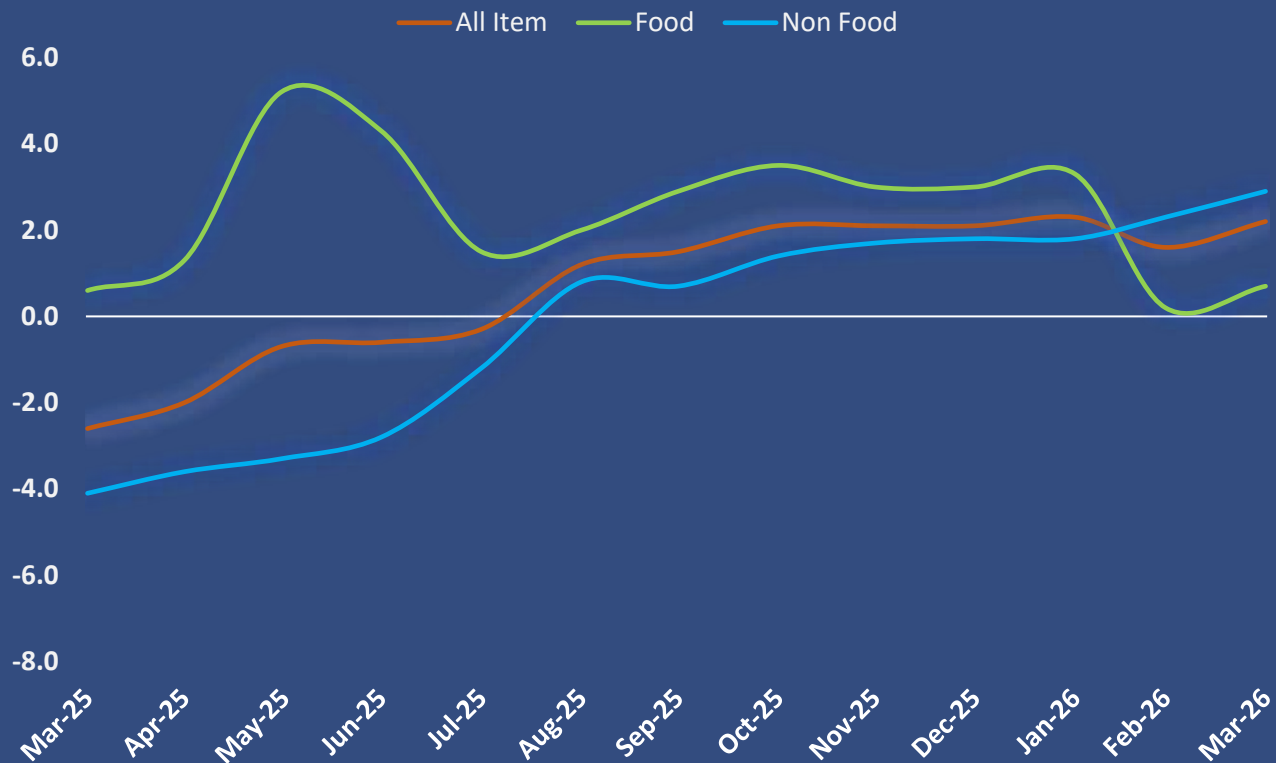


INFLATION ANALYSIS – CCPI-YOY

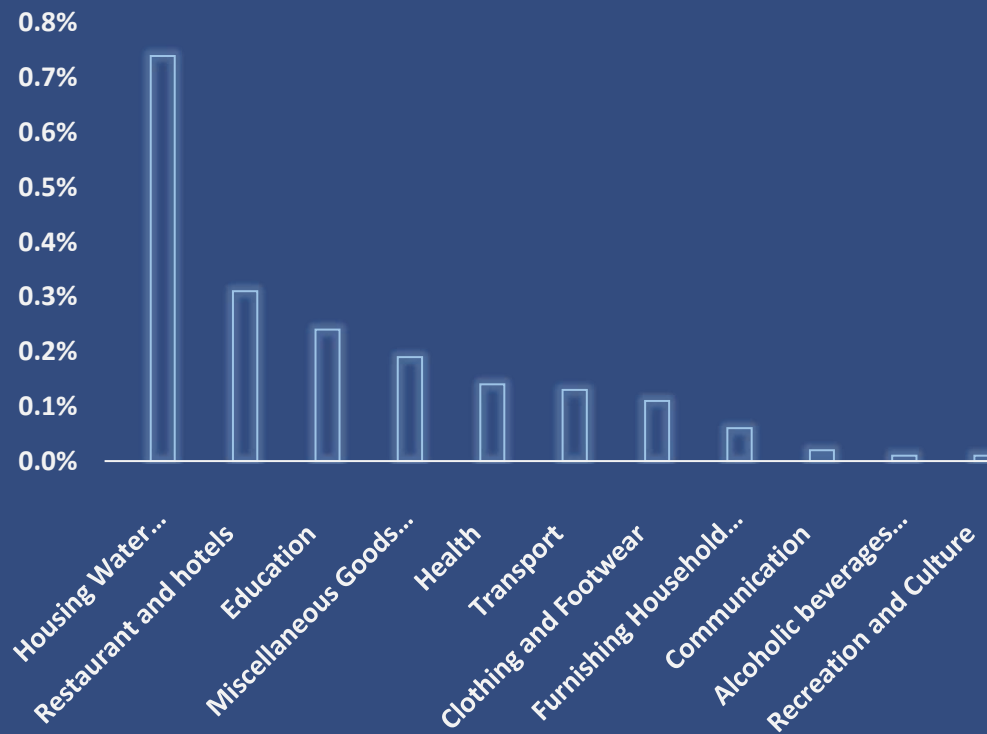
The YoY inflation of CCPI for Mar-26 stood at +2.2%, which marked an increase from the +1.6% level that was seen in Feb-26. Contribution of Food inflation stood at +0.23% while that of Non-food was +1.97%. Within the Non-food segment Housing, Water, Electricity, Gas and Other Fuels, Restaurants and Hotels and Education registered the highest upticks.



Inflation Analysis (YoY)



Non-Food Category Inflation



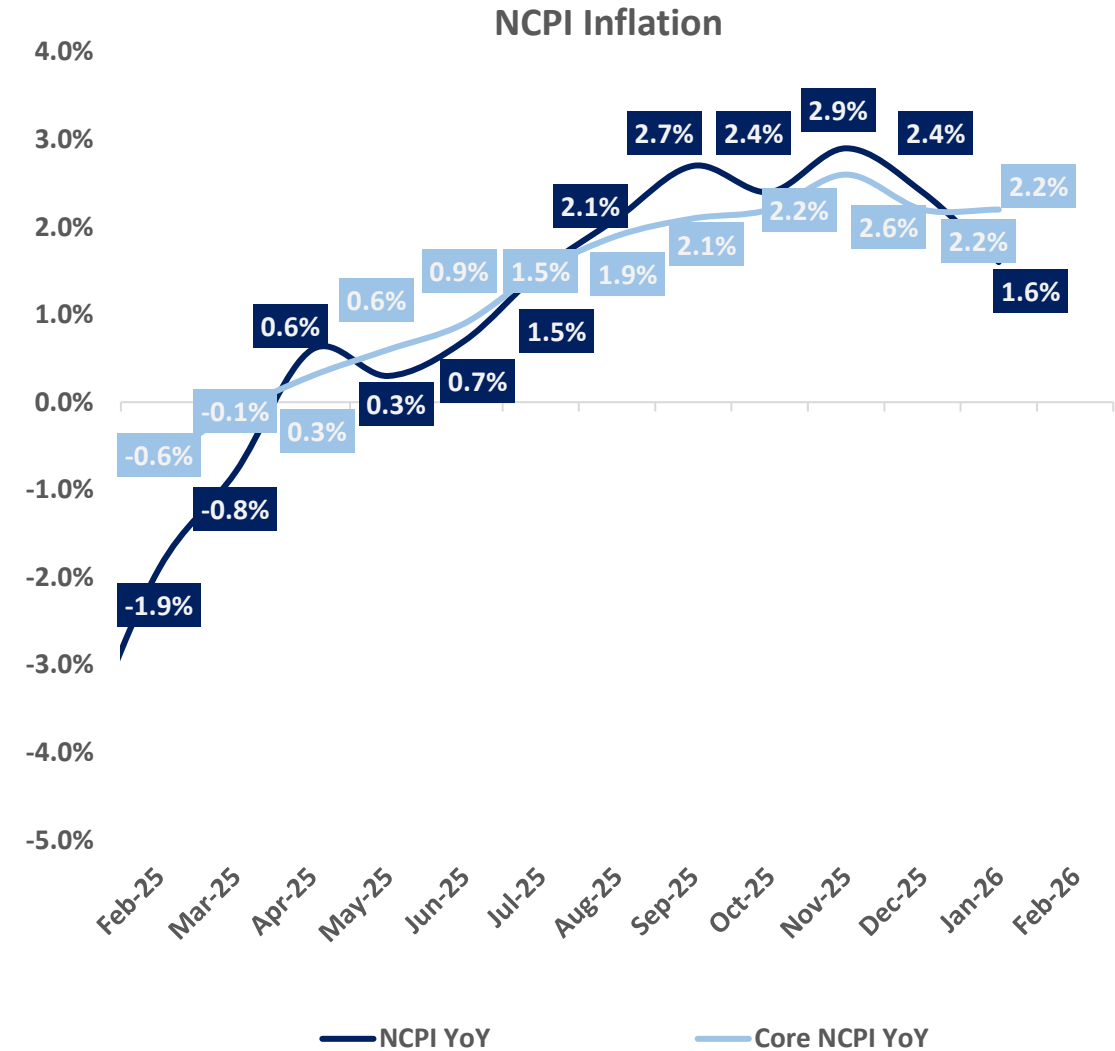


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NCPI FOR FEB 2026: DECREASED TO +1.6% YOY

- NCPI for Feb-26, decreased to +1.6%YoY from +2.4%YoY seen in Jan-26.
- This trend was driven by an increase in non-food inflation, which rose to 1.9% in Feb-26 from +1.6% in the previous month. Food inflation declined to 1.1% from +3.4% in Jan-26.

Inflation – NCPI





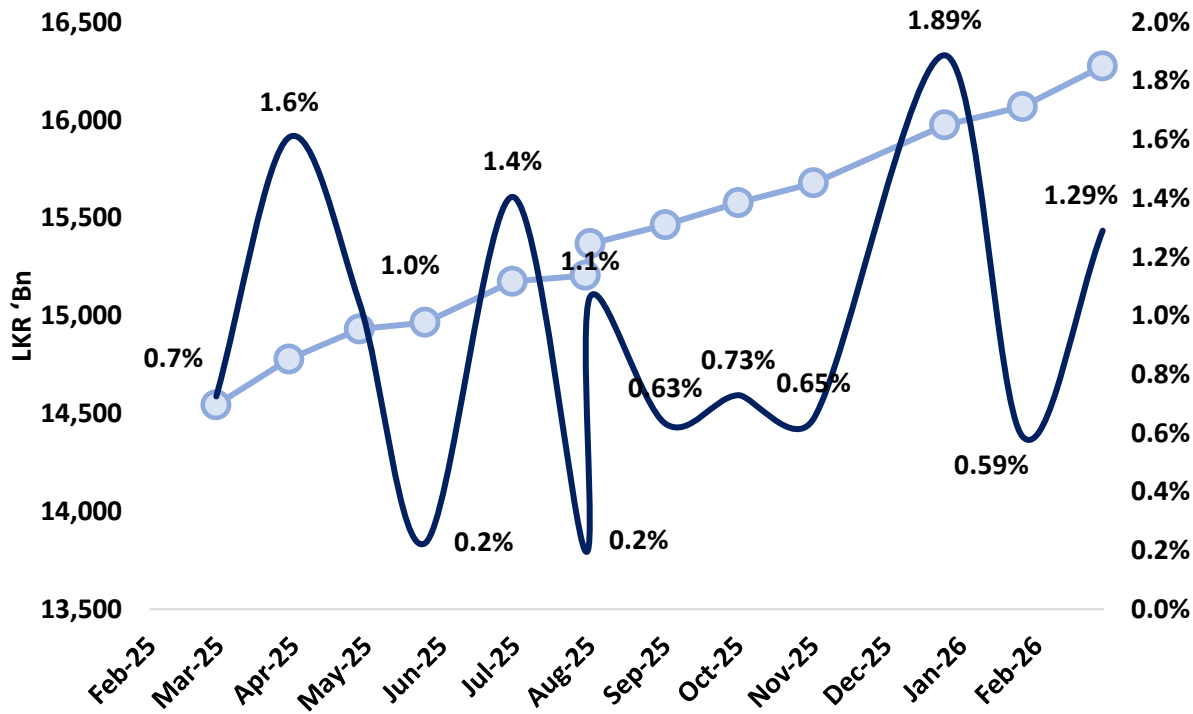
M2B AND CREDIT GROWTH

Private sector credit increased by LKR 144.4Bn in Feb-26, while credit to the public sector increased by LKR 14.5Bn for the same period.

M2b Growth – Feb 2026

MoM +1.3%, YoY +11.9%, YTD +1.3%

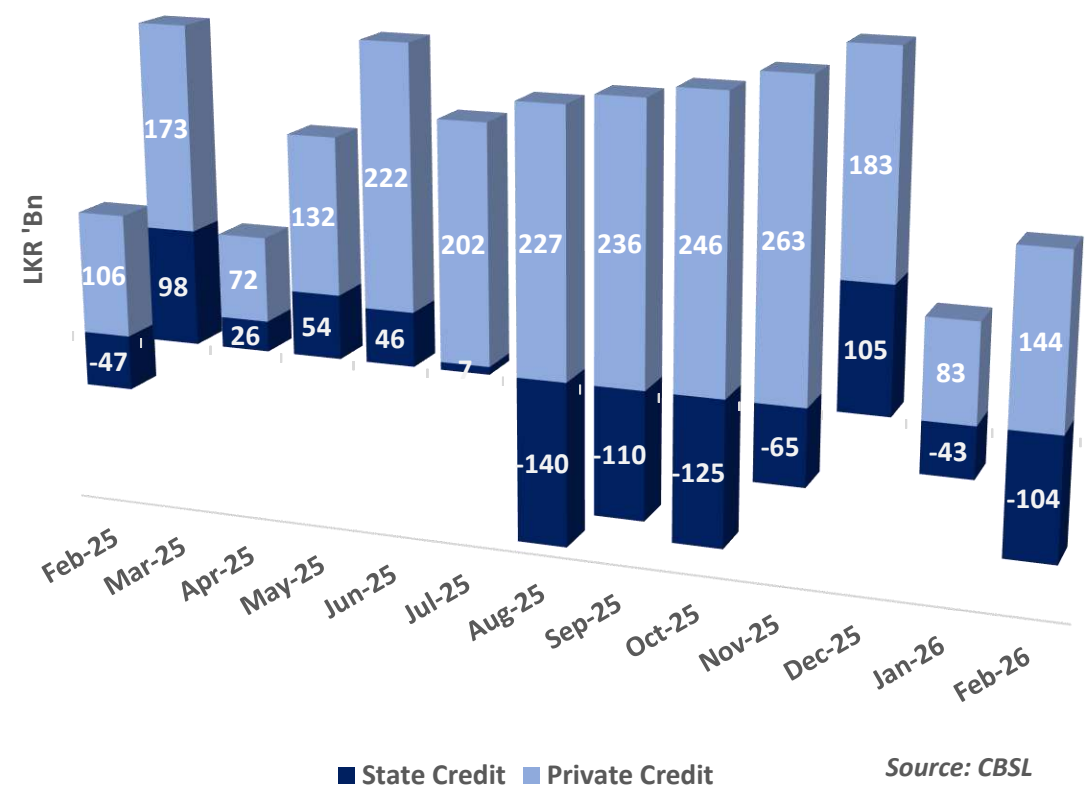
M2b MoM Growth



Source: CBSL

State Credit & Private Credit – Feb 2026

Private Credit MoM +74.6%, YoY +36.7%, YTD +74.6%



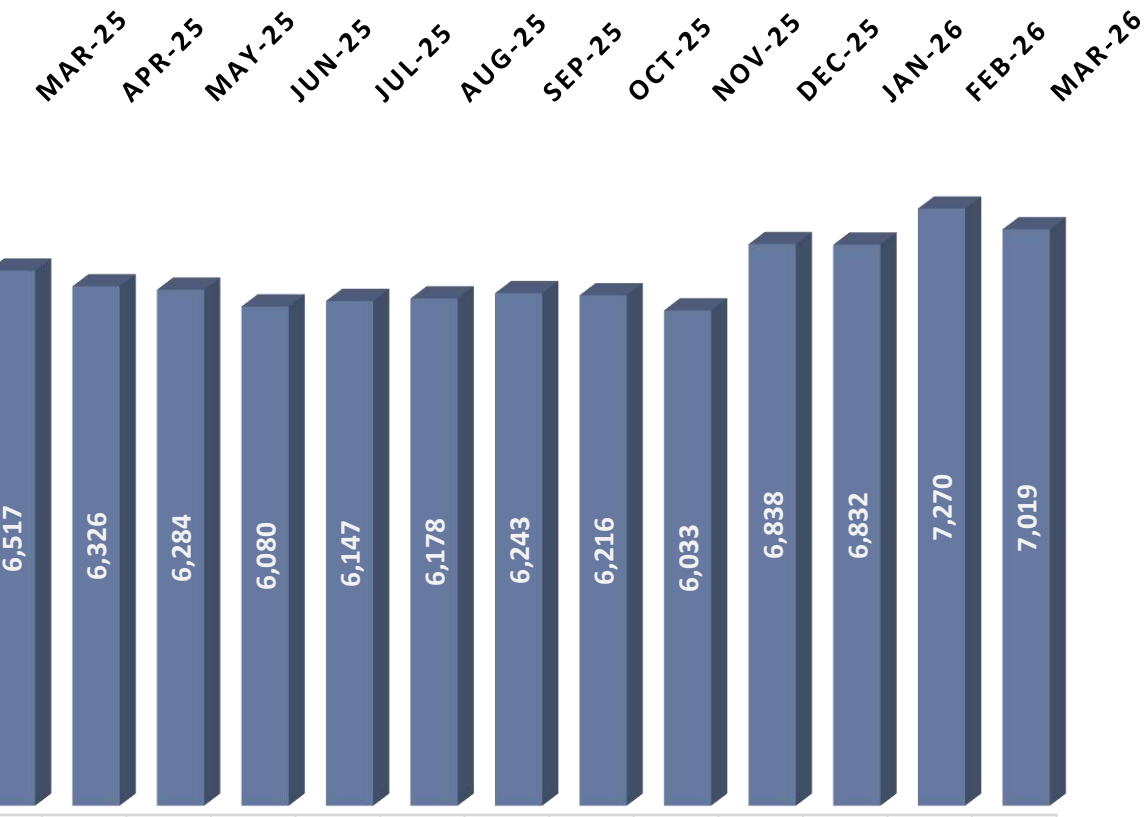
State Credit Private Credit

Source: CBSL

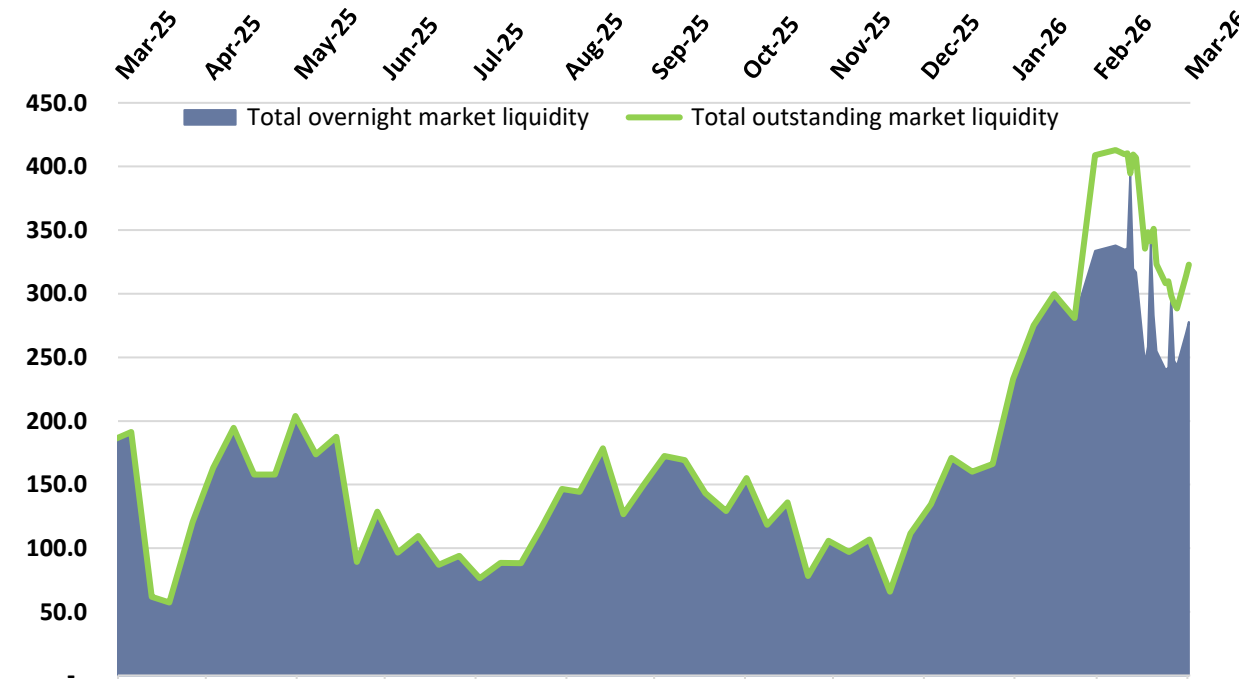


LIQUIDITY & RESERVES

- Foreign Reserves decreased by USD 251.0Mn to USD 7,019.0Mn in Mar-26.



- Both overnight market liquidity and outstanding market liquidity decreased in Mar-26 compared to the previous month. By end-Mar, overnight liquidity stood at LKR 278.0Bn, while total outstanding liquidity stood at LKR 323.0Bn, including LKR 45.0Bn in term repo.



Note: total outstanding market liquidity represents overnight liquidity adjusted for outstanding amounts of term repo/reverse repo transactions of the central bank with market participants.

CURRENCY MOVEMENT



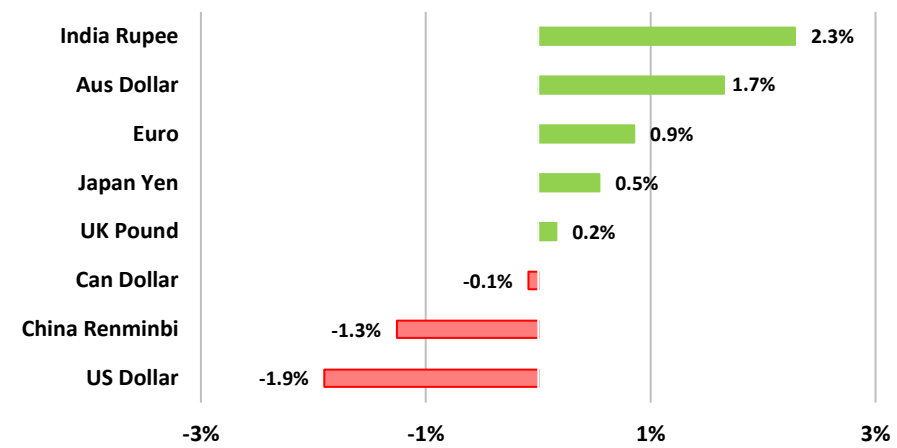
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USD:LKR Movement

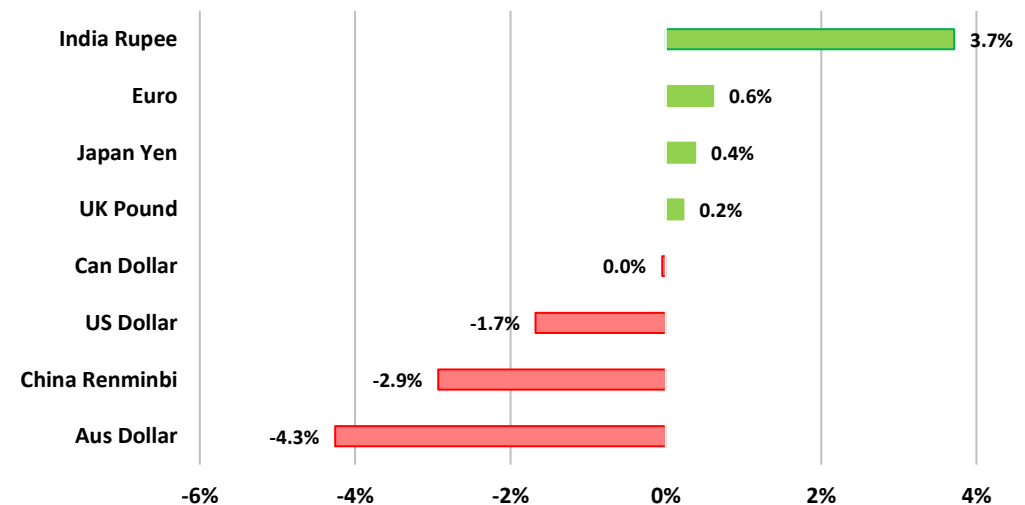


Sri Lankan Rupee vs Global Currencies

MAR 2026



YTD 2026



Bill and Bond auctions for Mar 2026

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
6-Mar-26	55,332		55,332
13-Mar-26	105,719	91,022	196,741
20-Mar-26	64,162		64,162
27-Mar-26	34,941		34,941
			351,176

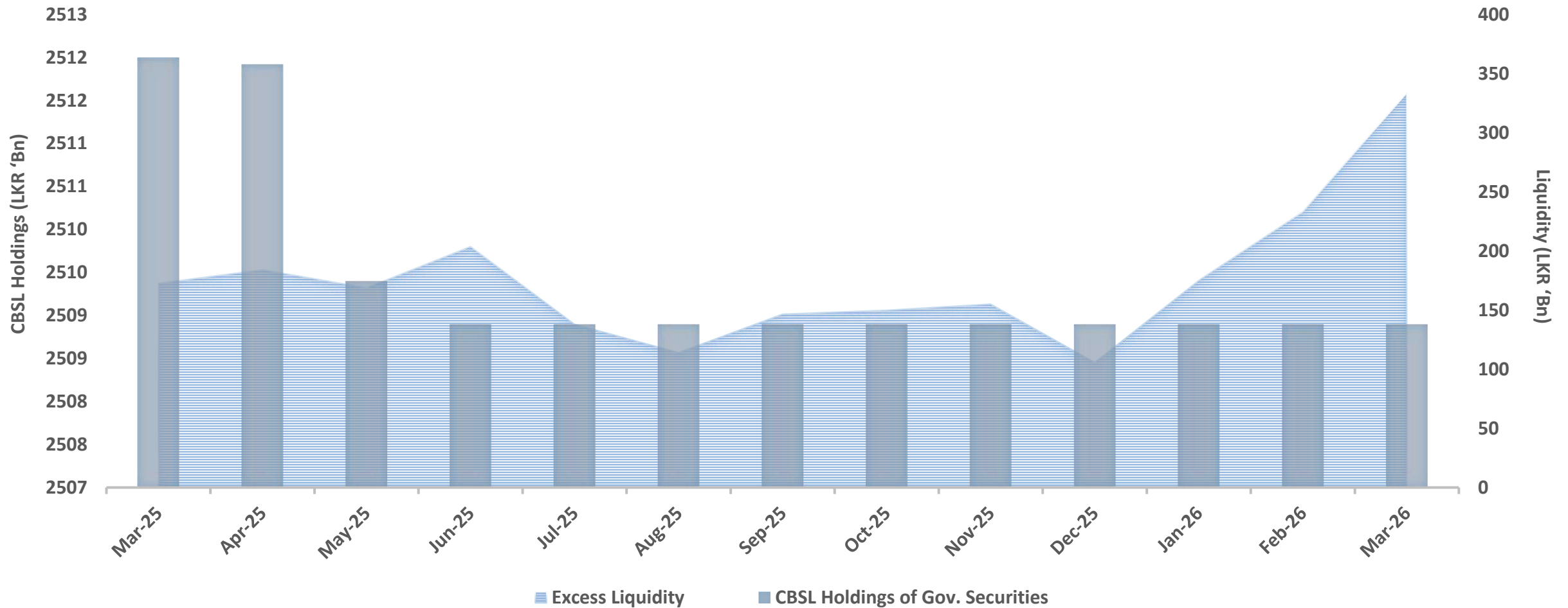
Net settlements for March 2026

Net Settlement	Feb 2026	YTD
Maturities	631,141	1,972,886
Coupon Payment	161,144	397,601
New Issues	351,176	1,704,459
Excess/ (Deficit)		(606,028)

CBSL Holdings of Gov. Securities	YTD	
As at End Mar 2026	2,508,921	
As at End Feb 2026	2,508,921	
Increase/ (Decrease)	-	0

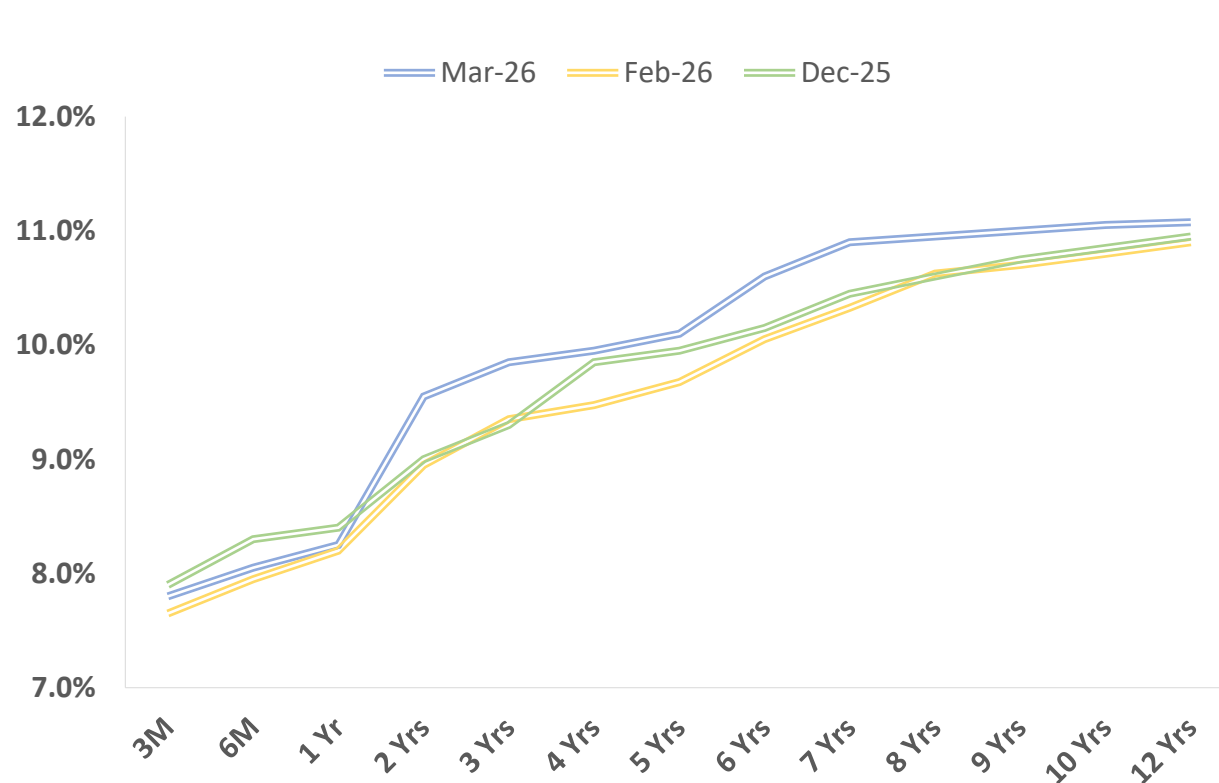
CBSL HOLDINGS OF GOV. SECURITIES...

...remained unchanged in Mar 2026



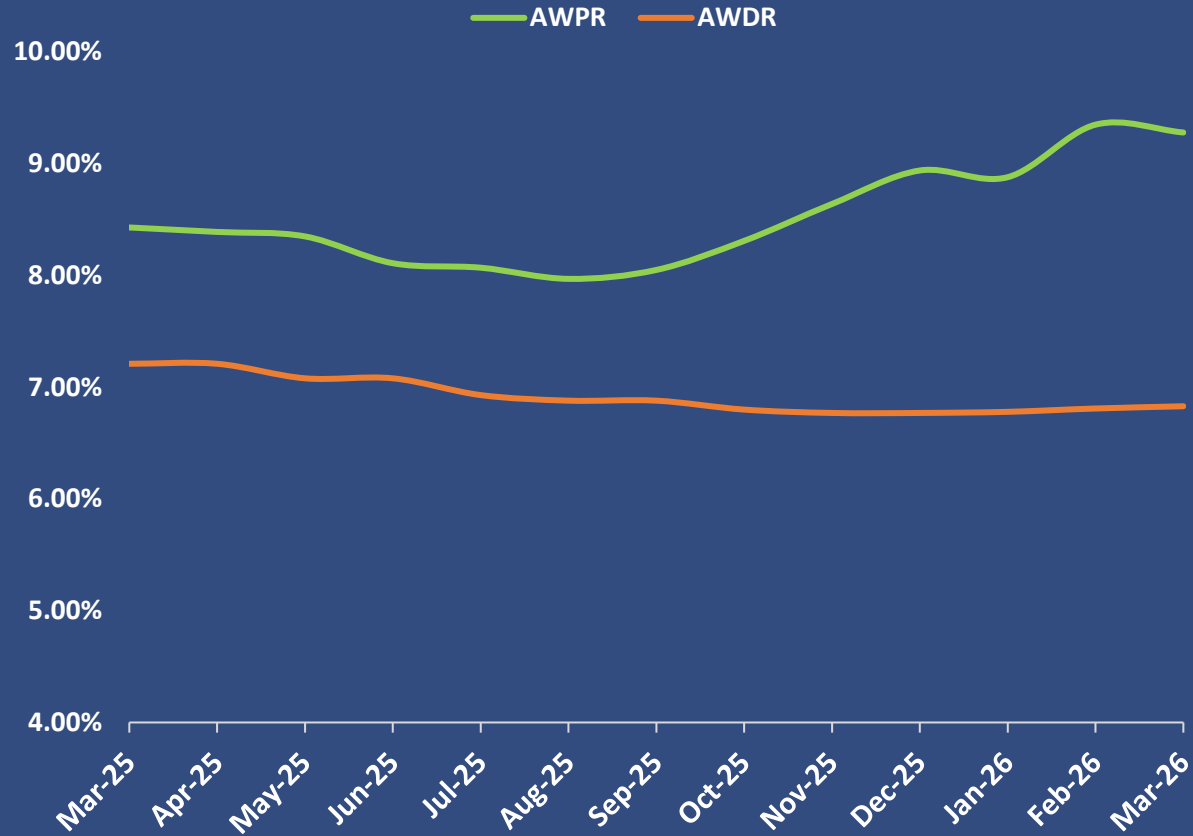
TREASURY BILLS AND BONDS – MAR 2026

In March 2026, yields across T-bills and shorter-tenor bonds remained broadly stable compared to February, with a slight decline observed in the short term. While the CBSL maintained its Overnight Policy Rates unchanged and excess liquidity, although moderating, remained around LKR 300Bn, this supported short-term yields. In contrast, mid and longer tenor bond yields rose significantly amid heightened Middle East tensions and selling pressure from foreign holders. Rising oil prices also exerted upward pressure on the longer end, driven by near-term inflation concerns.

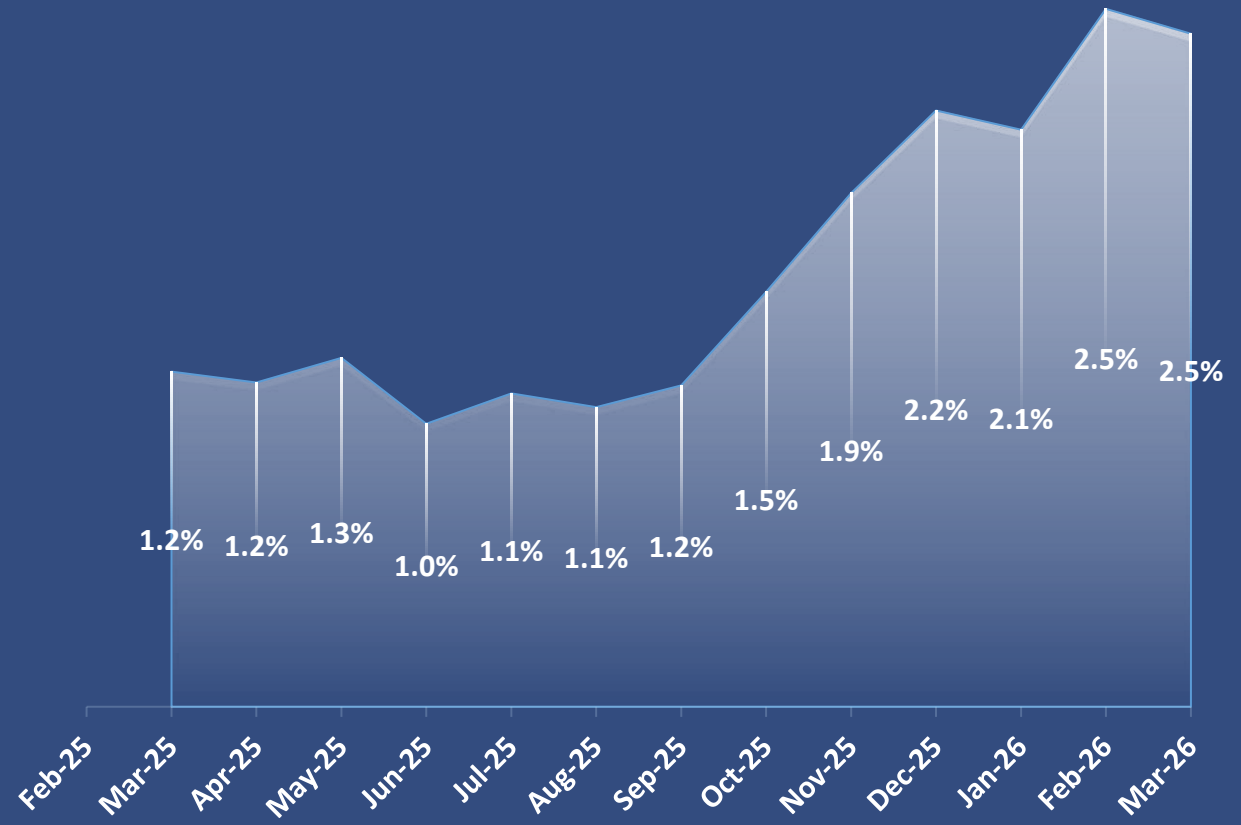


Interest Rate Change (bps)					
Tenure	Mar 2026	Feb 2026	Change (bps)	Dec 2025	Change (bps)
3M	7.80%	7.65%	+15	7.90%	-10
6M	8.05%	7.95%	+10	8.30%	-25
1 Yr	8.25%	8.20%	+5	8.40%	-15
2 Yrs	9.55%	8.95%	+60	9.00%	+55
3 Yrs	9.85%	9.35%	+50	9.30%	+55
4 Yrs	9.95%	9.48%	+48	9.85%	+10
5 Yrs	10.10%	9.68%	+43	9.95%	+15
6 Yrs	10.60%	10.05%	+55	10.15%	+45
7 Yrs	10.90%	10.33%	+58	10.45%	+45
8 Yrs	10.95%	10.63%	+33	10.60%	+35
9 Yrs	11.00%	10.70%	+30	10.75%	+25
10 Yrs	11.05%	10.80%	+25	10.85%	+20
12 Yrs	11.08%	10.90%	+18	10.95%	+13
15 Yrs	N/A	N/A	N/A	N/A	N/A
20 Yrs	N/A	N/A	N/A	N/A	N/A

AWPR vs AWDR



Interest Spread



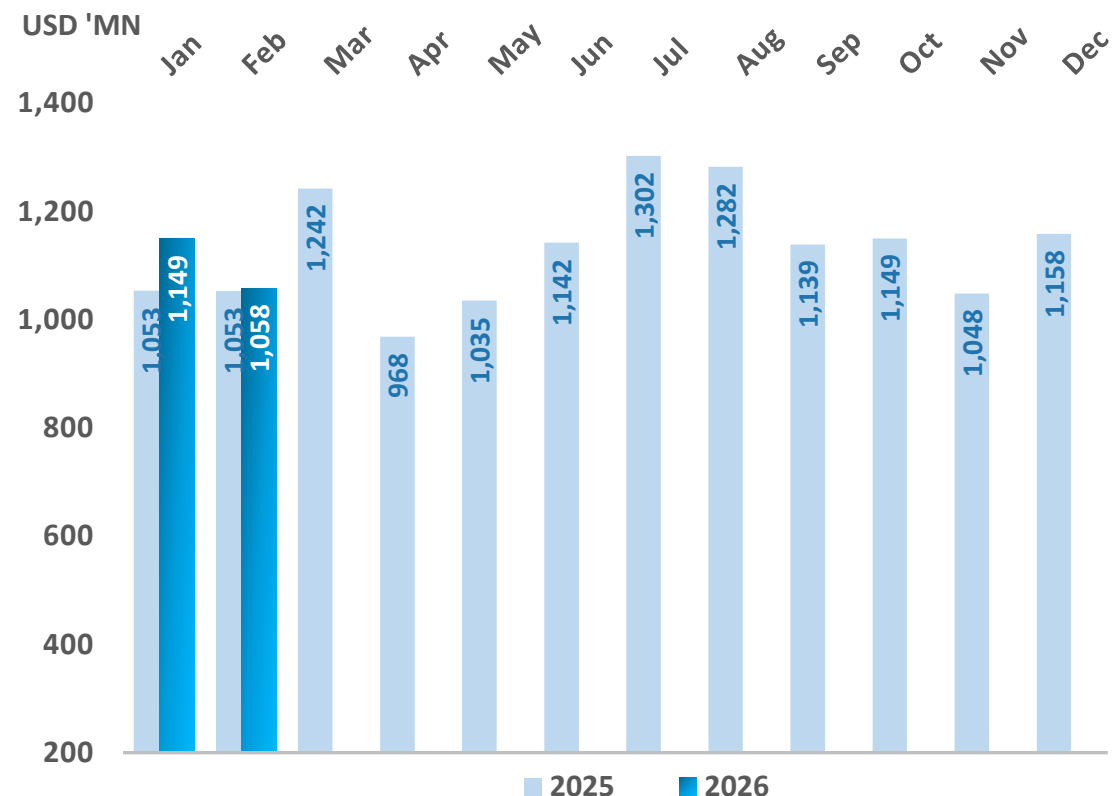
FINANCE SECTOR RATE MOVEMENTS



EXTERNAL SECTOR - FEB 2026 - EXPORTS

In Feb-26, exports stood at USD 1,057.8 Mn, reflecting a marginal 0.5% YoY increase. Growth was primarily driven by a 142.7% (YoY) surge in mineral and other exports, alongside a modest 1.5% (YoY) rise in agricultural exports. However, industrial exports recorded a slight YoY decline of -0.1%. Within industrial exports, transport equipment (-28.2% YoY), ceramic products (-16.5% YoY), and textiles and garments (-9.9% YoY) registered significant declines, whereas machinery and mechanical appliances (+42.7% YoY), chemical products (+41.9% YoY), and base metals and articles (+28.9% YoY) showed strong positive growth. Agricultural exports reached USD 232.7 Mn (+1.5% YoY), continuing the recovery following the 18.8% YoY rebound recorded in Jan-26 after Cyclone Ditwah.

Category	2025 (USD 'Mn)	2026 (USD 'Mn)	Change (%)
Industrial Exports			
- Feb	821.4	820.9	-0.1
- YTD	1,649.7	1,698.2	2.9
Agricultural			
- Feb	229.2	232.7	1.5
- YTD	451.0	496.2	10.0
Mineral & Other Exports			
- Feb	2.3	4.1	82.7
- YTD	5.0	12.2	142.5
Total			
- Feb	1,052.9	1,057.8	0.5
- YTD	2,105.7	2,206.5	4.8

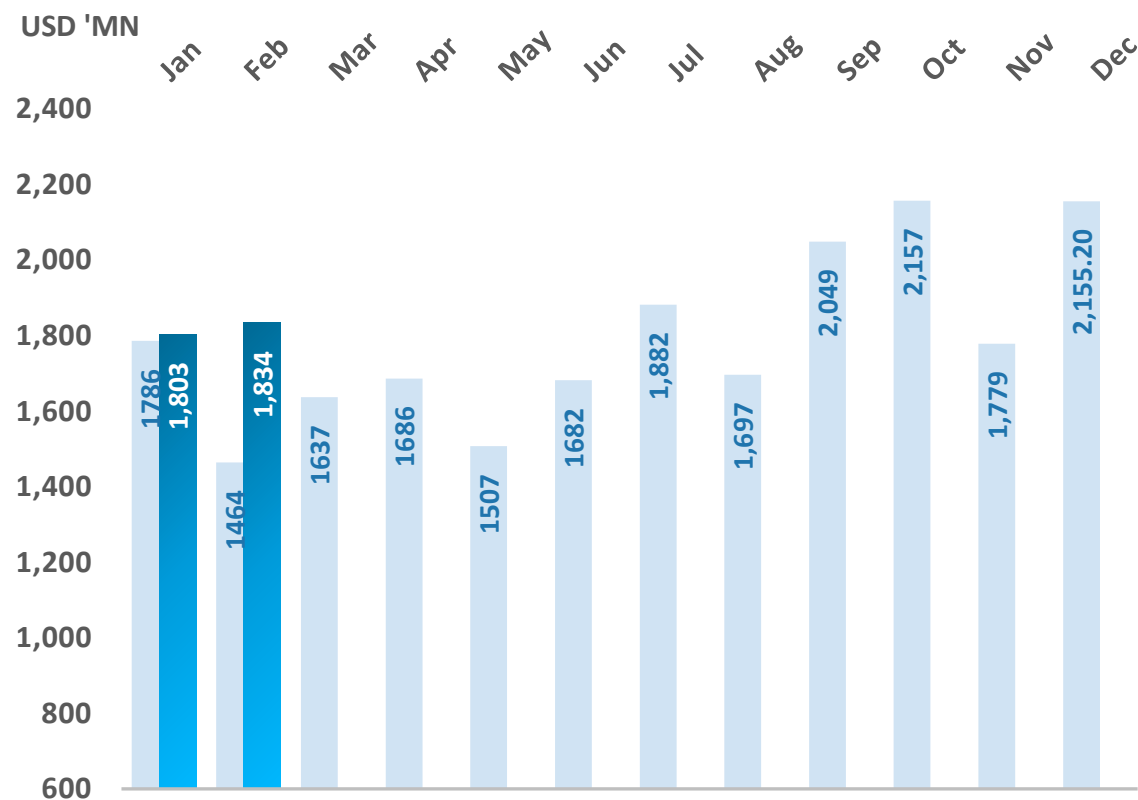




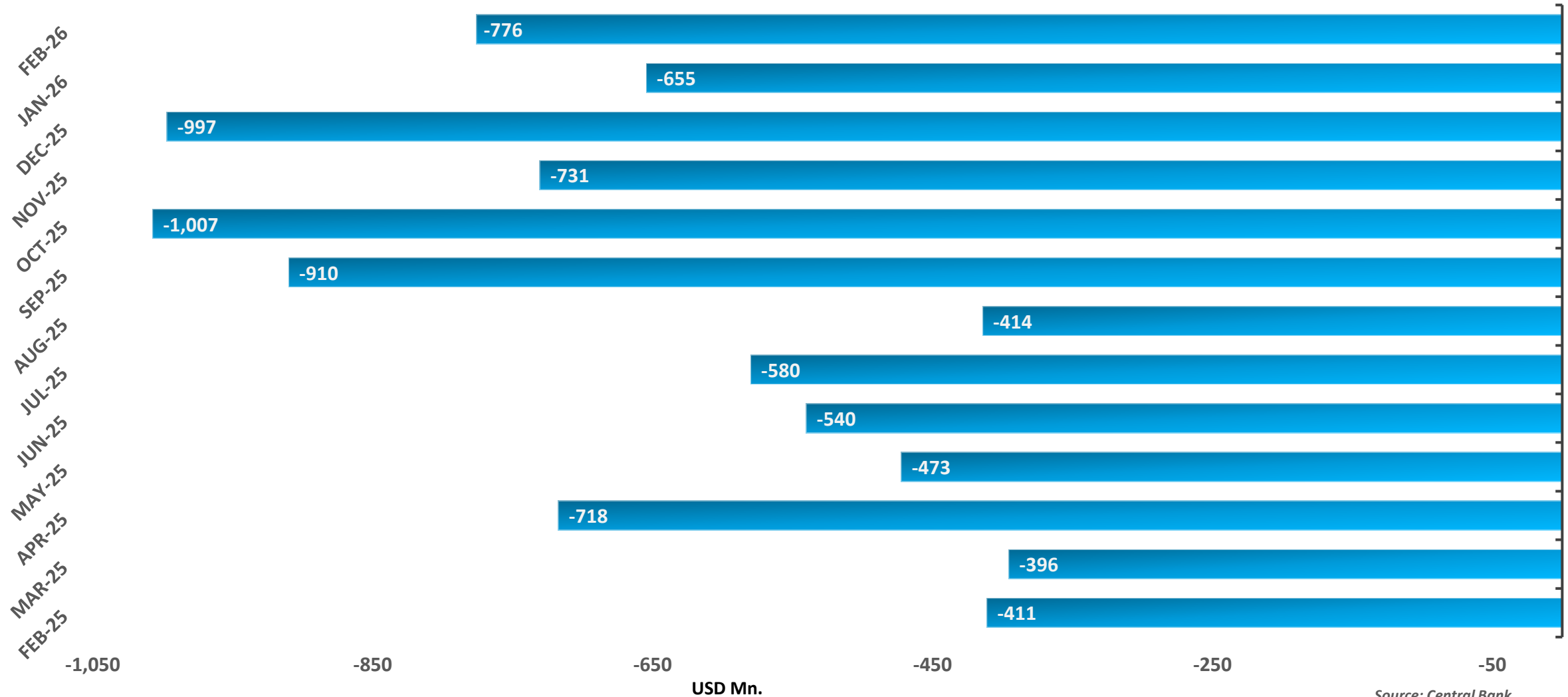
EXTERNAL SECTOR - FEB 2026 - IMPORTS

In Feb-26, imports climbed to USD 1,833.8Mn, registering a YoY increase of 25.2%. All other subcomponents also rose during the month, with the consumer goods segment recording the highest growth (35.7% YoY), followed by investment goods (33.3% YoY) and intermediate goods (18.3% YoY). Within the broader consumer goods category, non-food imports (largely vehicle imports) drove this increase, rising by 107.0% YoY, while food and beverage imports declined by 18.7% YoY during the period under review.

Category	2025 (USD 'Mn)	2026 (USD 'Mn)	Change (%)
Consumer goods			
- Feb	351.0	476.3	35.7
- YTD	731.3	951.3	30.1
Intermediate			
- Feb	840.0	993.4	18.3
- YTD	1,901.4	1,928.3	1.4
Investment goods & other			
- Feb	273.2	364.1	33.3
- YTD	617.1	757.5	22.8
Total			
- Feb	1,464.2	1,833.8	25.2
- YTD	3,249.7	3,637.1	11.9



Balance of Trade

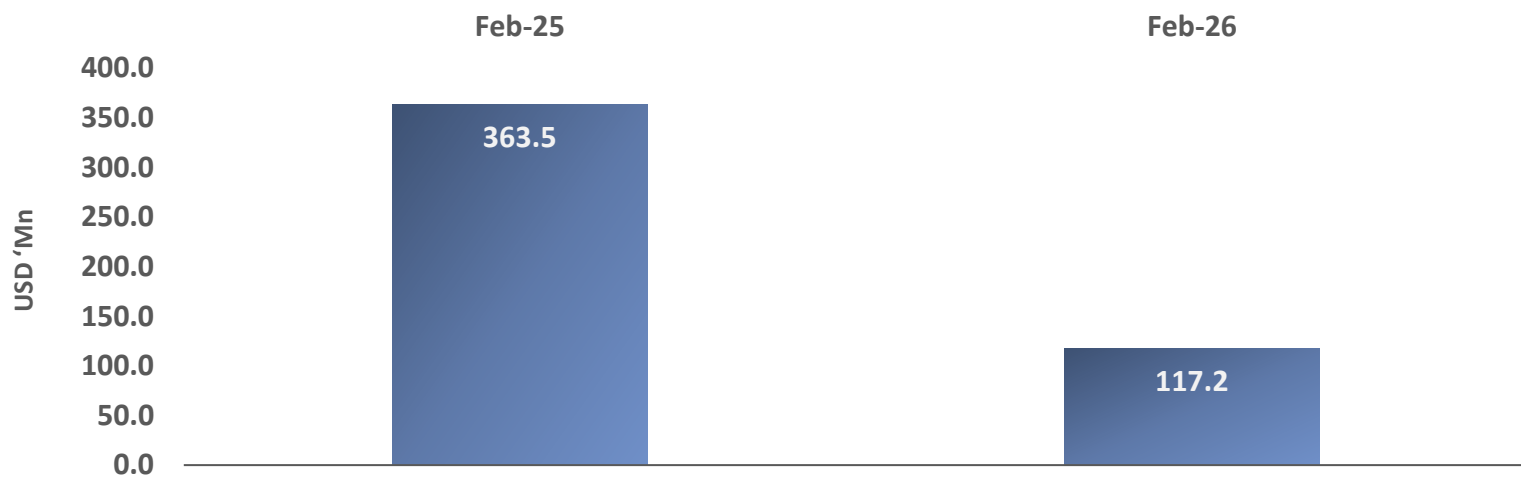


Source: Central Bank

The Current Account Balance for FEB-26 recorded a surplus of USD 117.2Mn compared to a surplus of USD 363.5Mn seen in FEB-25.



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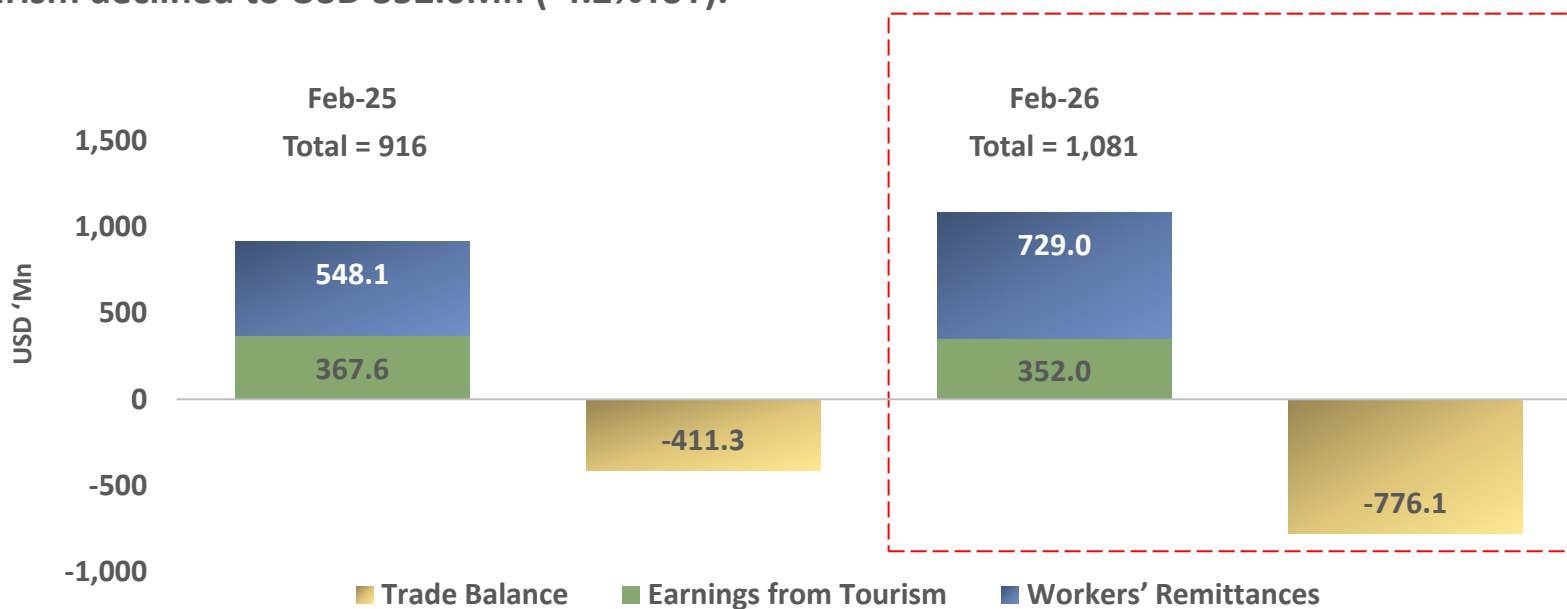


CURRENT ACCOUNT BALANCE CONTRACTED YOY IN FEB-26

FEB USD 'Mn	2025	2026	Change (%)
Trade Balance	-411.3	-776.1	-88.7
Earnings from Tourism	367.6	352.0	-4.2
Workers' Remittances	548.1	729.0	+33.0

YTD USD 'Mn	2025	2026	Change (%)
Trade Balance	-1,144.0	-1,430.6	-25.0
Earnings from Tourism	768.2	730.3	-4.9
Workers' Remittances	1,121.1	1,480.1	+32.0

Workers' Remittances increased to USD 729.0Mn in FEB-26 (+33.0%YoY) while Earnings from Tourism declined to USD 352.0Mn (-4.2%YoY).



TOURIST ARRIVALS - MAR 2026

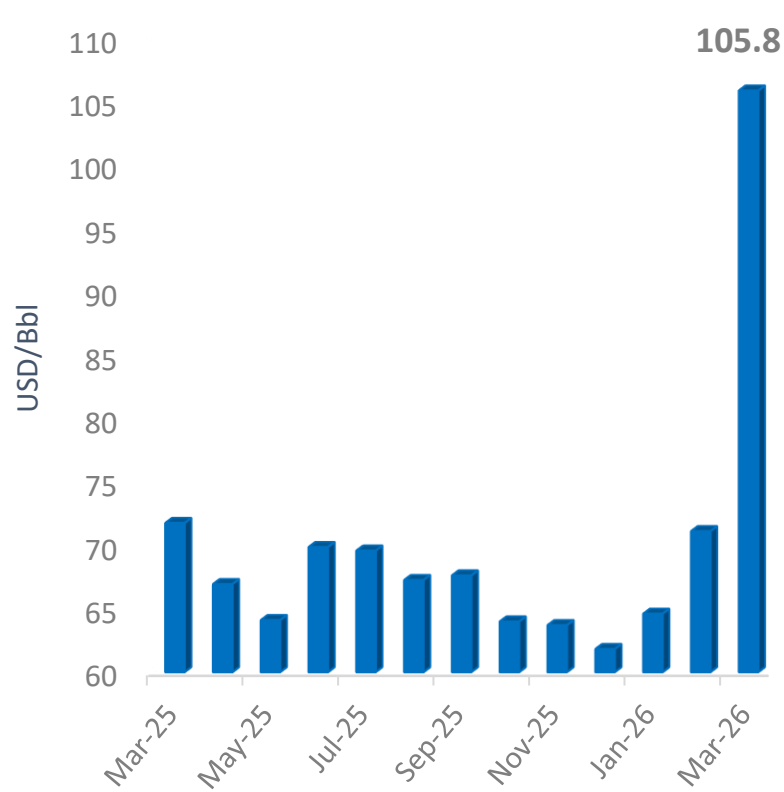
[MAR 183,979: DOWN -19.8%YoY] [MoM: DOWN -34.1%]

Total tourist arrivals for Mar-26 reached 183,979, denoting a YoY decline of 19.8% and a MoM decline of 34.1%. India emerged as the top source market, accounting for 25.8% of total arrivals during the month. This was followed by the United Kingdom, the Russian Federation, China, and Germany, which accounted for 9.8%, 8.5%, 7.6%, and 7.3% of total arrivals, respectively.

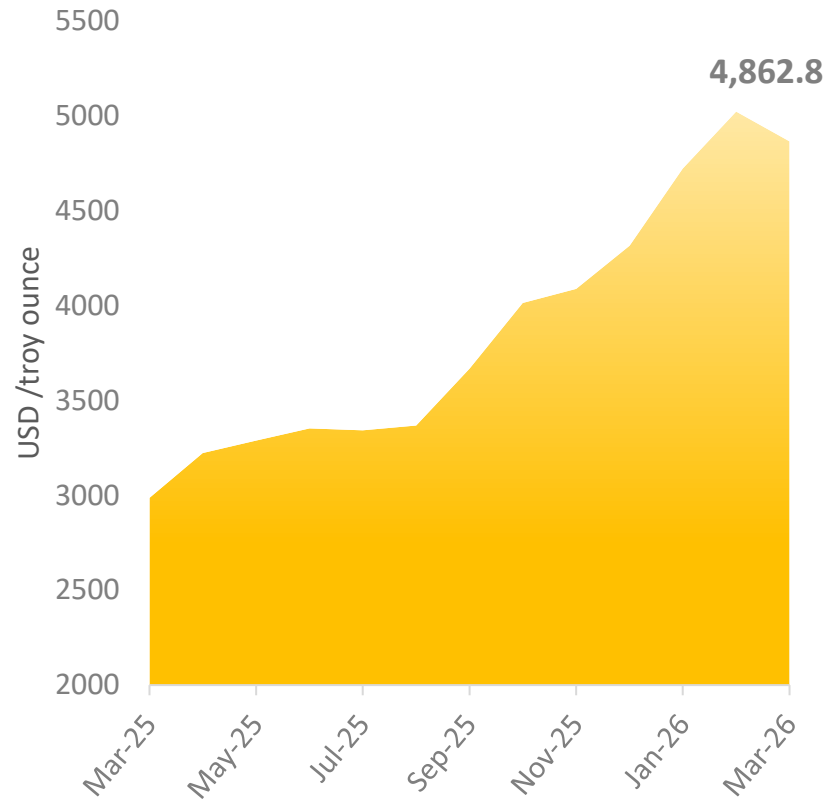


COMMODITY PRICES - MAR 2026

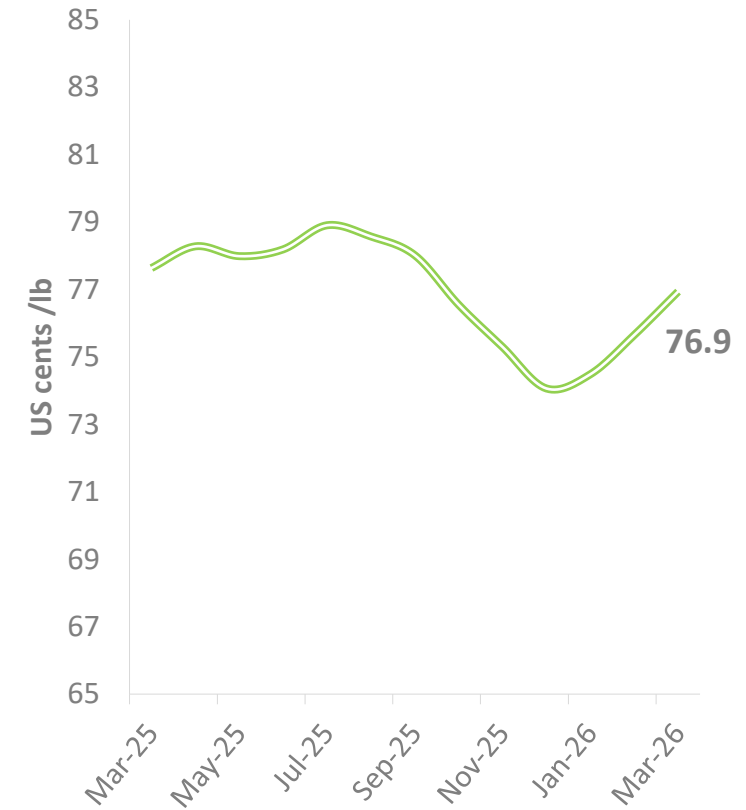
Crude oil



Gold



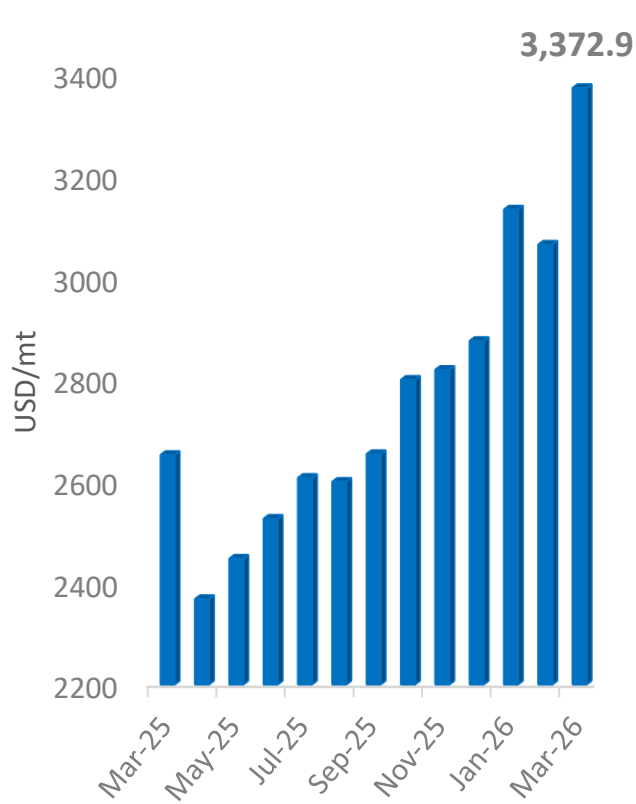
Cotton



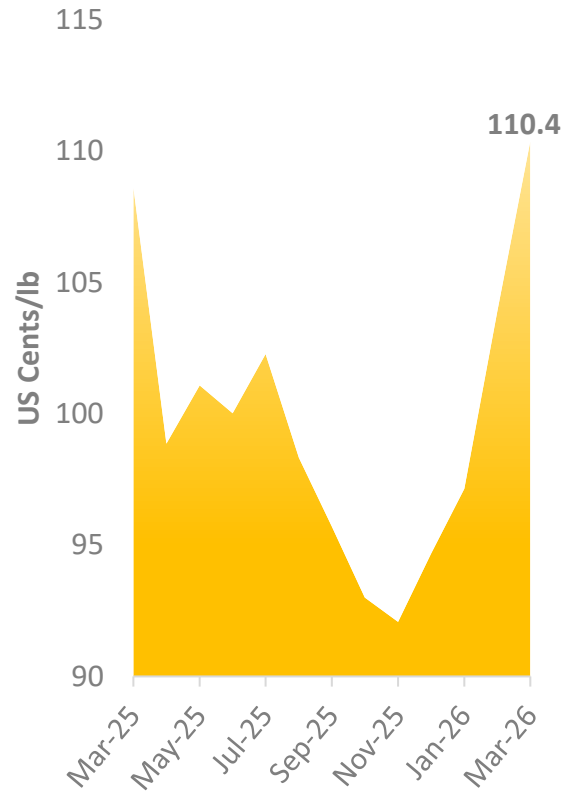
Note: crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

COMMODITY PRICES - MAR 2026 CONT'D

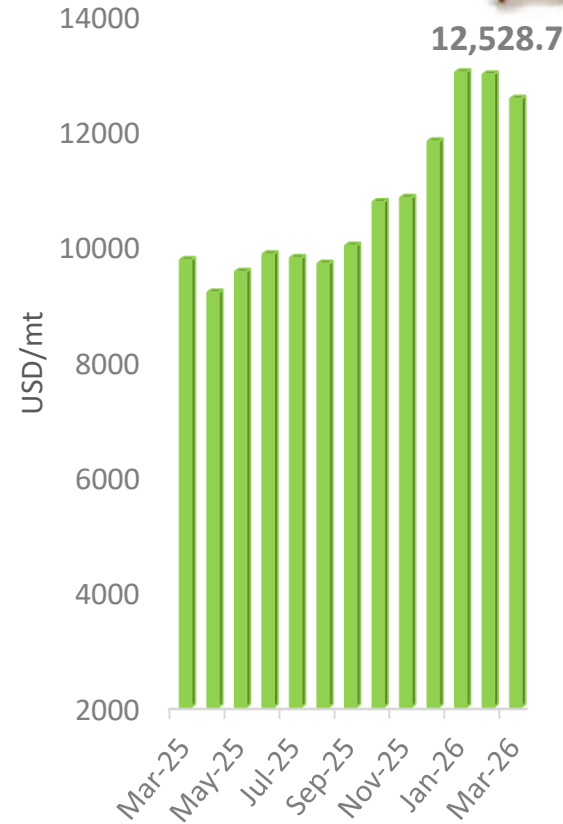
Aluminum



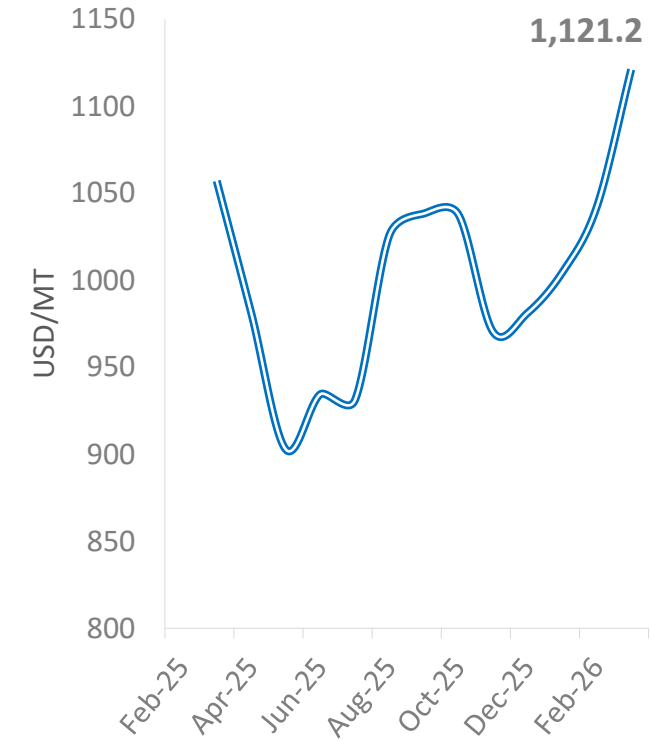
Rubber



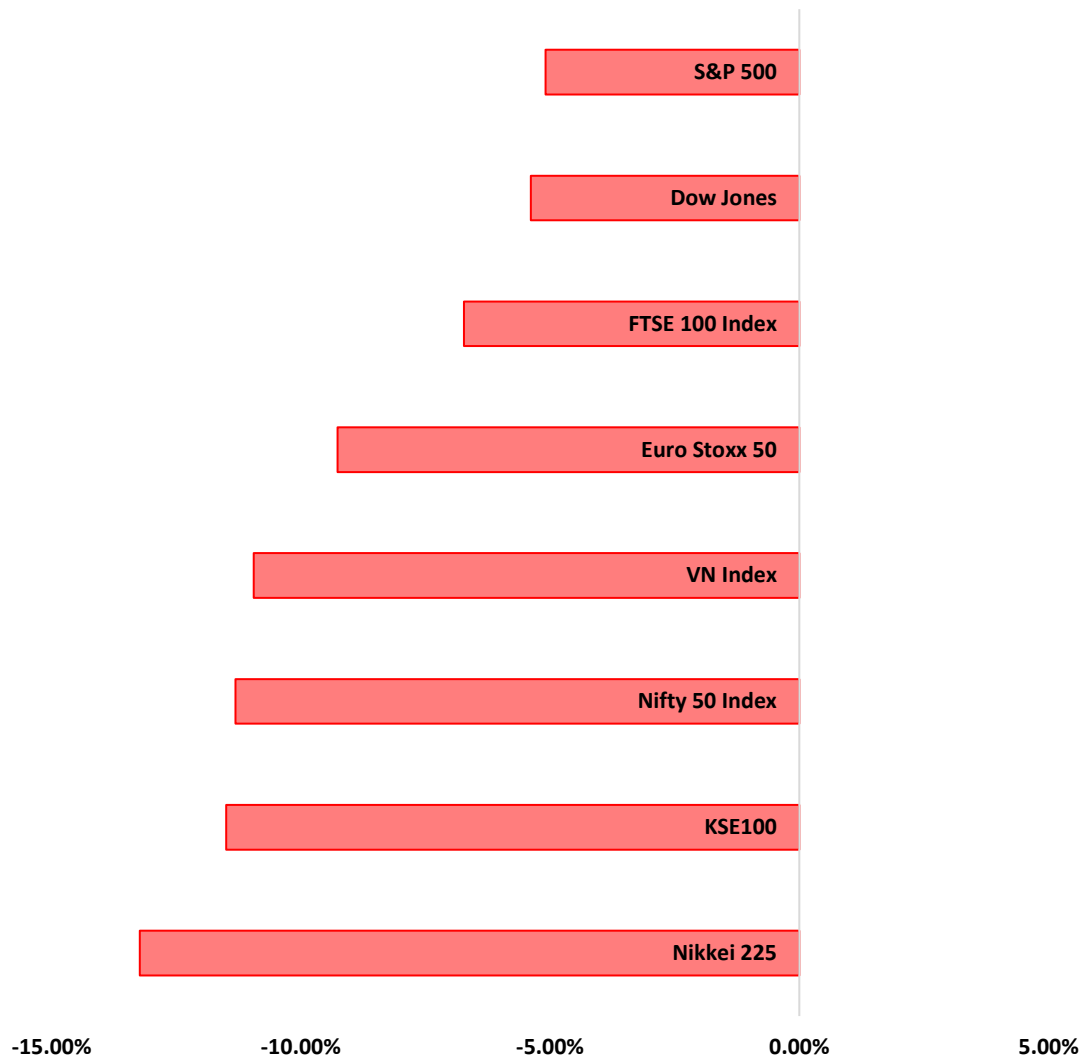
Copper



Palm oil



Note: price of no. 3 rubber smoked sheets have been taken as the rubber prices whilst for palm oil, prices of Malaysia palm oil futures have been considered



U.S.-Iran War Sparks Oil Price Shock & Market Sell-Off

Turmoil in the Middle East sparked fresh losses in stocks and bonds, with fears about an escalation of the war in Iran boosting oil prices as anxiety built around the potential economic fallout of the conflict. Brent crude crossed \$100 a barrel for the first time since August 2022, while the Dow, S&P 500, and Nasdaq all posted closing lows for 2026.



Fed votes to hold rates steady, notes 'uncertain' impacts from Iran war

The Federal Open Market Committee voted 11-1 to keep the benchmark federal funds rate anchored in a range between 3.5%-3.75%.

The policymakers are navigating their way through higher-than-expected inflation readings, mixed signs on the labor market and a war.



Trump says U.S. could end Iran war in two to three weeks

President Donald Trump said on Tuesday that the U.S. could end its military campaign against Iran within two to three weeks. "We'll be leaving very soon," he told reporters in the White House's Oval Office, adding that the exit could take place "within two weeks, maybe two weeks, maybe three."

The declaration was Trump's clearest to date that he intends to soon end a month-long war that has reordered the Middle East, disrupted global energy markets and changed the trajectory of the Republican's presidency [March 31].





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MANAGING RISKS”*



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