



First Capital  
A Janashakthi Group Company

# MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

May 2026

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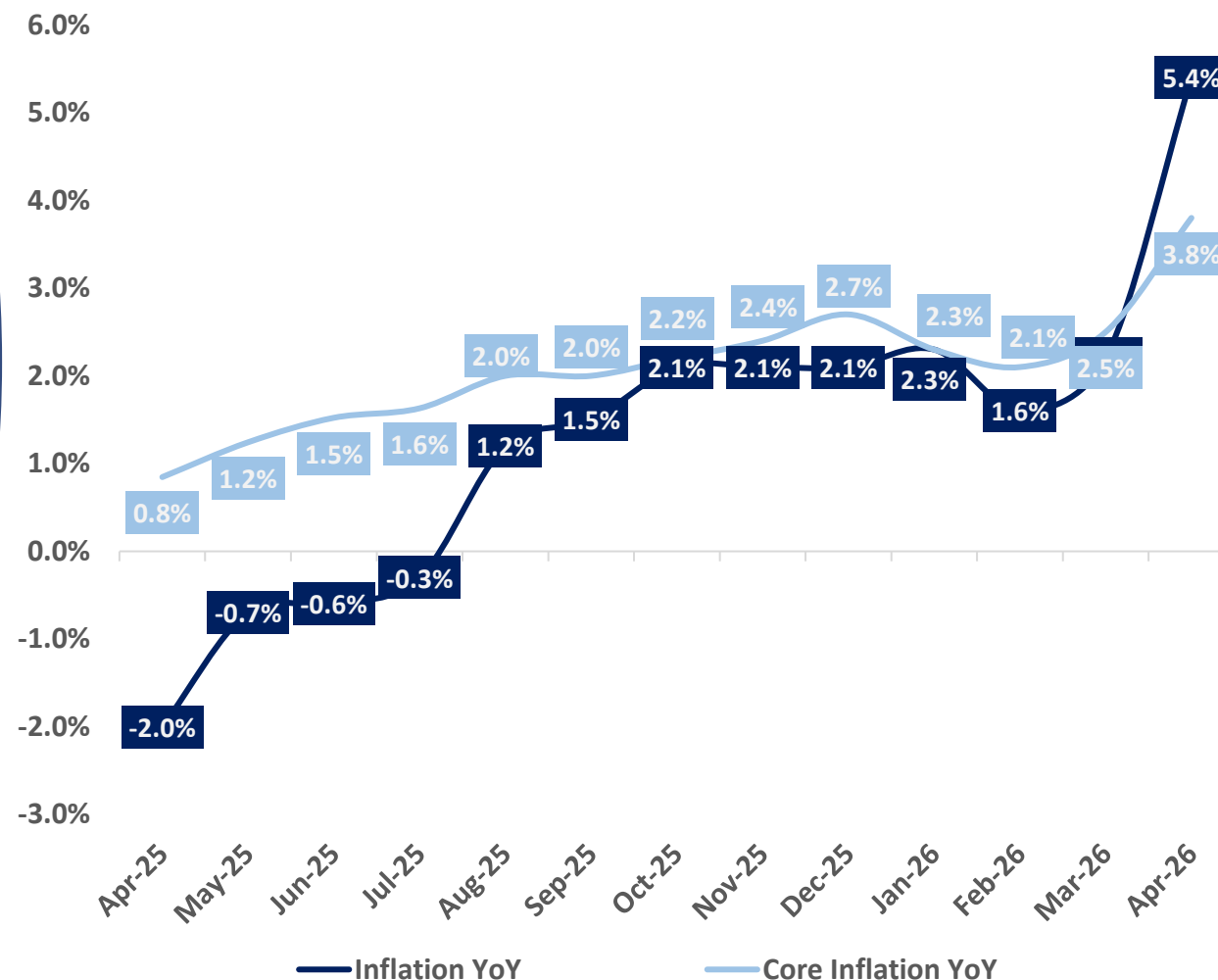
# IMF REACHES STAFF LEVEL AGREEMENT ON THE COMBINED FIFTH AND SIXTH REVIEWS UNDER SRI LANKA'S EXTENDED FUND FACILITY ARRANGEMENT

- ❑ The International Monetary Fund (IMF) staff and the Sri Lankan authorities have reached staff-level agreement on economic policies to conclude the combined fifth and sixth reviews of Sri Lanka's reform program under the Extended Fund Facility (EFF).
- ❑ Upon the approval of the IMF executive board, Sri Lanka will have access to SDR 508Mn (approximately USD 700Mn) in financing, bringing the total support disbursed under the arrangement to SDR 1,778Mn (approximately USD 2.4Bn).
- ❑ The IMF executive board approval is contingent on the restoration of cost-recovery electricity and fuel pricing while protecting the vulnerable and the completion of the financing assurances review, to confirm multilateral partners' financing contributions and assess adequate progress with debt restructuring.
- ❑ According to the IMF staff, Sri Lanka needs to urgently accelerate the reform momentum to safeguard macroeconomic stability, enhance the country's resilience to shocks and maintain the economy towards recovery and growth, due to the heightened disaster risk caused by Cyclone Ditwah and the conflict in Middle East, impacting the economy.
- ❑ The IMF staff further highlighted the importance of sustained efforts to improve tax compliance, broaden the tax base, address revenue leakages, and enhance public financial management to safeguard Sri Lanka's economy.

# CCPI FOR APR 2026: MOM +3.0% YOY +5.4%

- The CCPI for Apr-26 stood at +3.0% on a MoM basis, increased from the +0.3% level seen in Mar-26. Food inflation stood at +1.7% for the month, shifting from the deflationary level of -0.8% registered in the previous month. Non-food inflation increased by +3.6%, marking an acceleration from the +0.8% level recorded in Mar-26.
- The YoY increase accelerated to +5.4% in Apr-26 from the +2.2% level recorded in Mar-26. The food inflation increased to +2.8% from the +0.7% level seen in Mar-26, while non-food inflation sharply increased to +6.8% from the +2.9% level seen in Mar-26.

## Inflation – CCPI





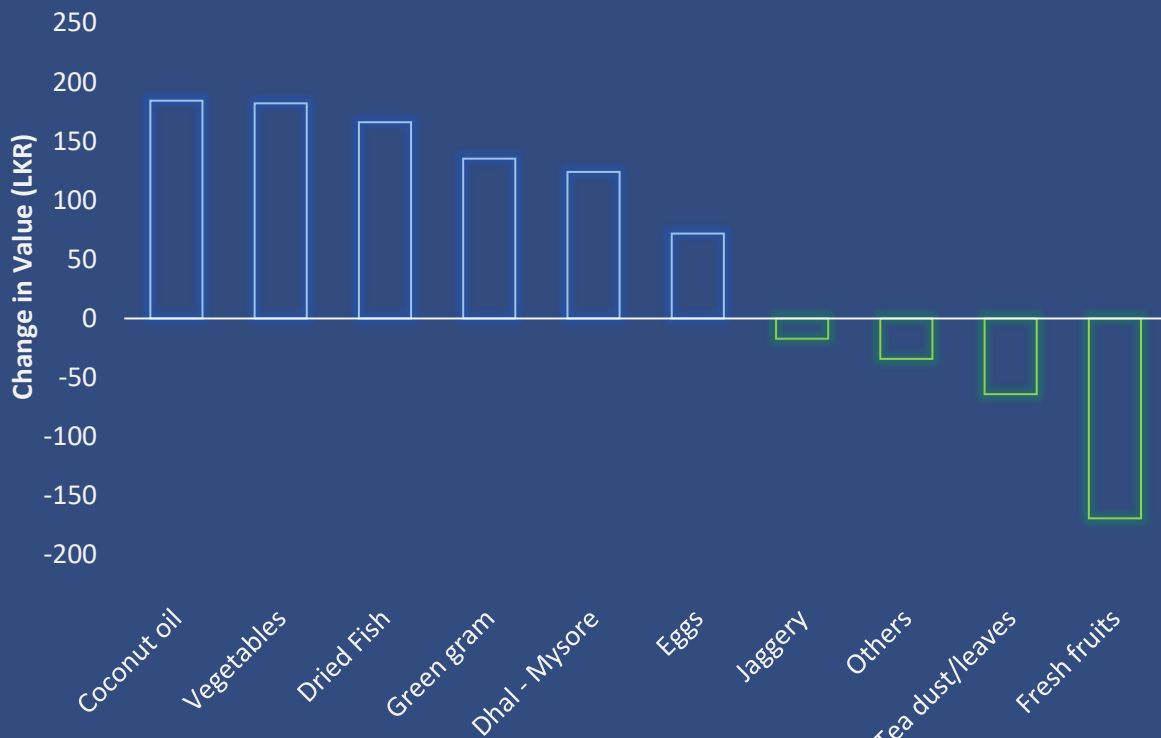
# INFLATION ANALYSIS – CCPI-MOM

The CCPI Index for April increased by +2.99% MoM. The Food category contributed +0.56%, with Coconut oil, Vegetables, Dried Fish, Green gram, Mysore Dhal and Eggs exerting upward pressure on the group, while Fresh fruits, Tea dust/leaves and Jaggery recorded price decreases. Notably, the Non-Food category contributed +2.43%. All sub-components within the Non-Food segment registered price increases in April-26, with the highest contribution from the Transport category, due to fuel price hikes.

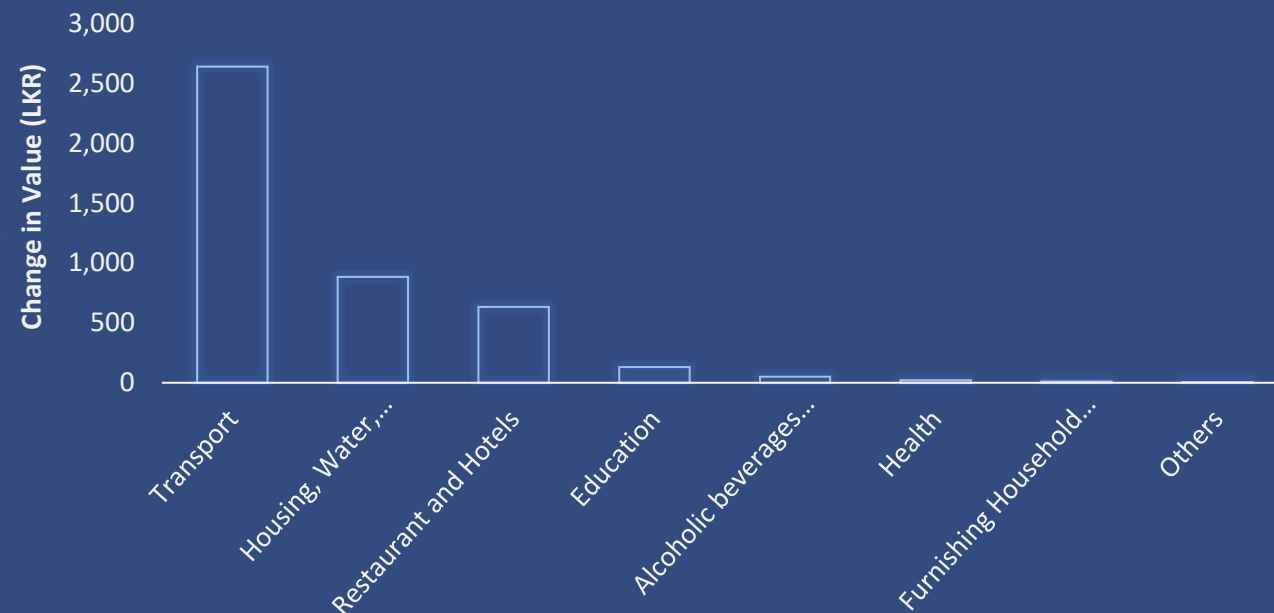


■ Food ■ Non-Food

## Food Category Inflation



## Non-Food Category Inflation

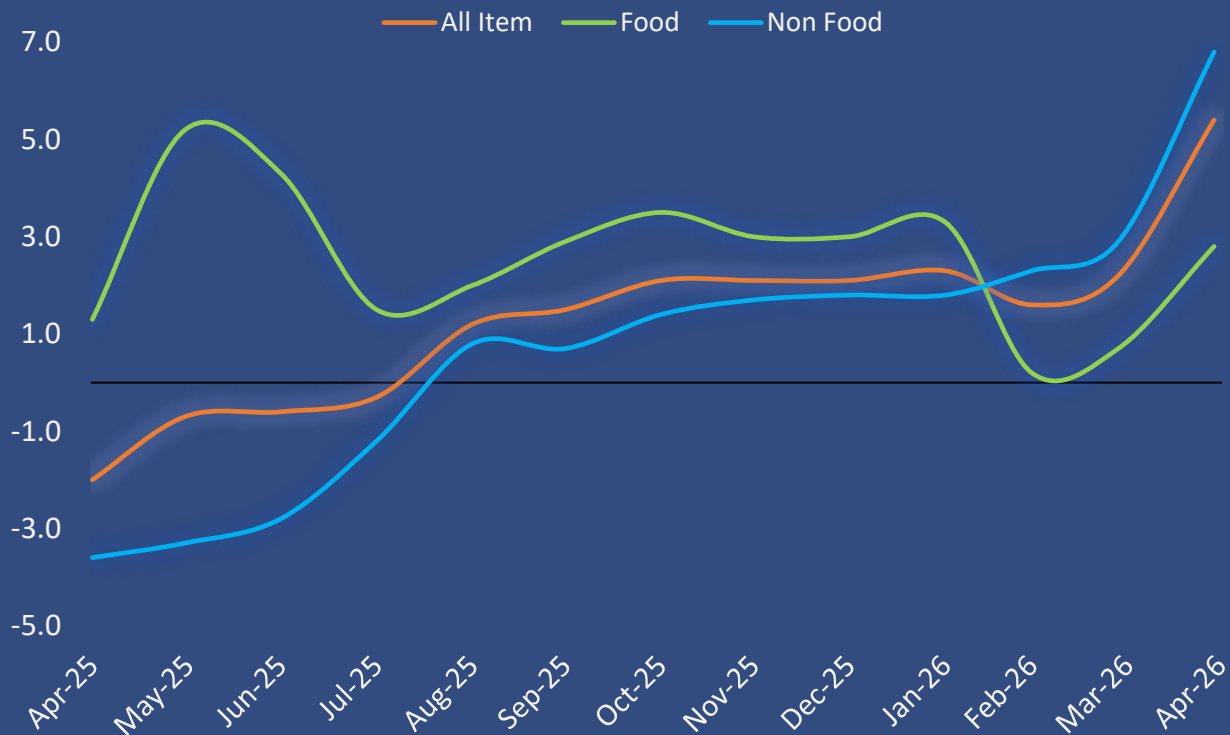


# INFLATION ANALYSIS – CCPI-YOY

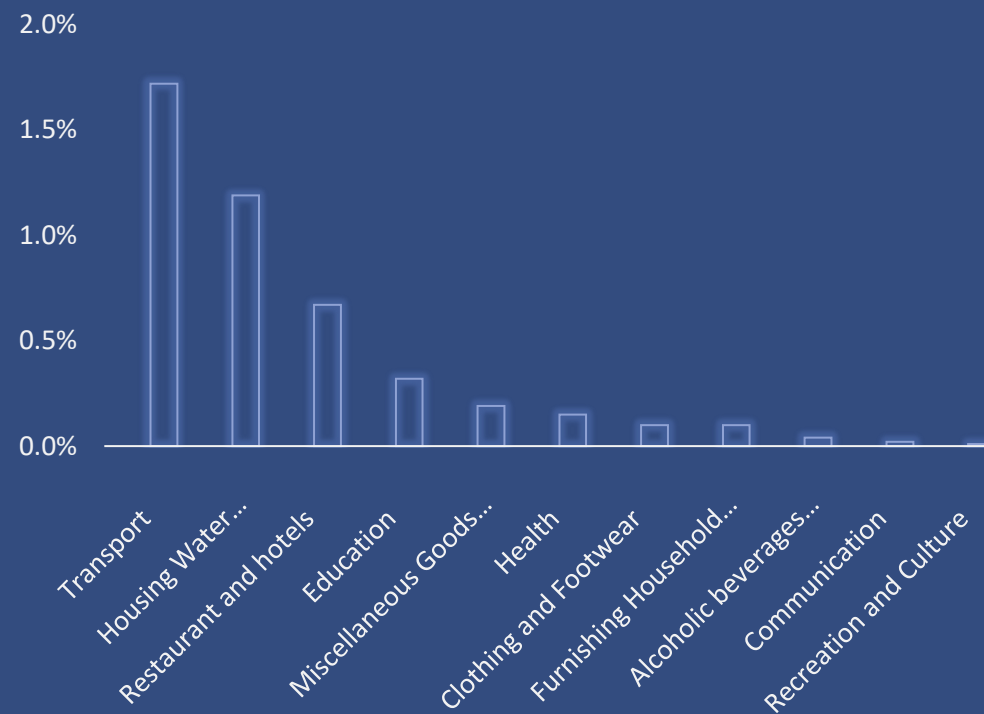
The YoY inflation of CCPI for Apr-26 stood at +5.4%, which marked an increase from the +2.2% level that was seen in Mar-26. Contribution of Food inflation stood at +0.92%, while that of Non-food was +4.53%. In the Food segment Sea Fish, Dried Fish, Chicken and Milk powder prices heightened the most. Within the Non-food segment all sub-components recorded price increases, with highest upticks in Transport, Housing, Water, Electricity, Gas and Other Fuels and Restaurant and hotels.



## Inflation Analysis (YoY)



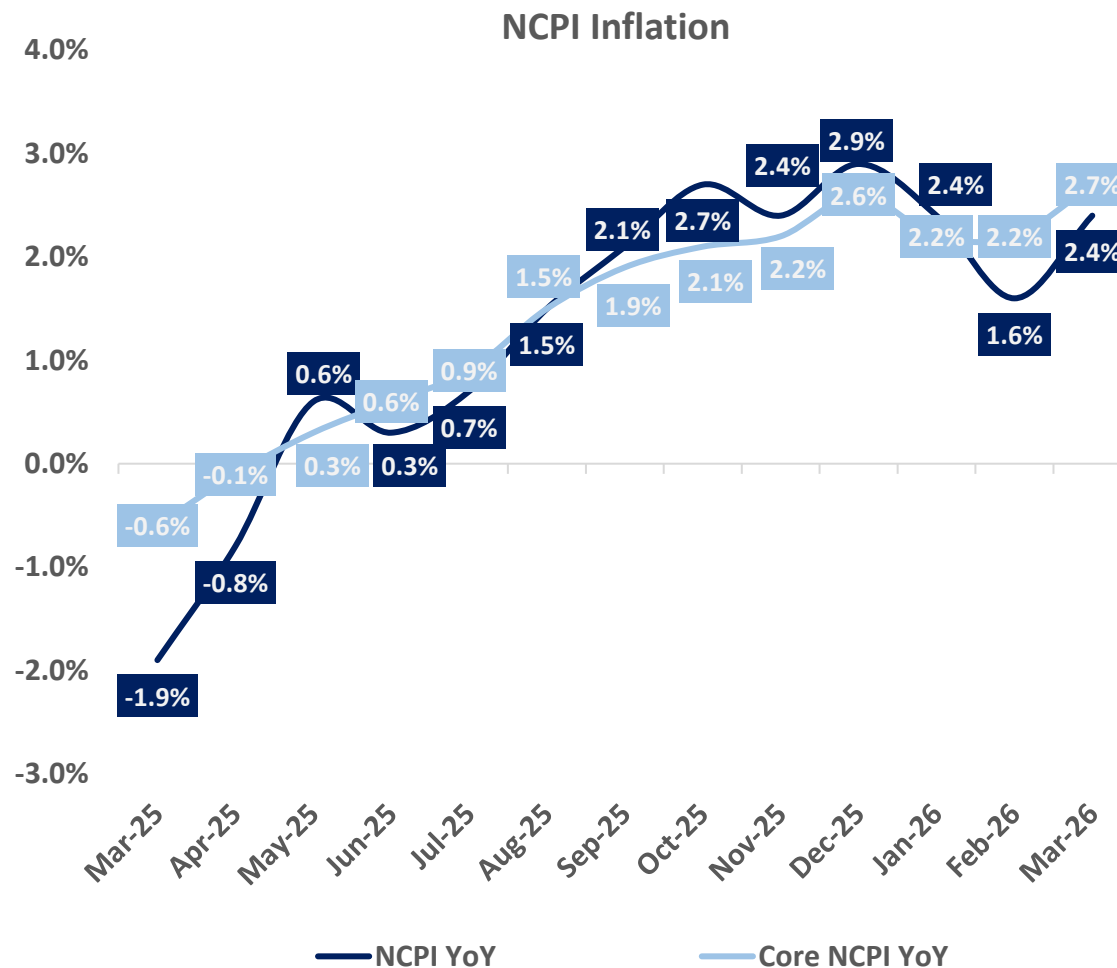
## Non-Food Category Inflation



# NCPI FOR MAR 2026: INCREASED TO +2.4%YOY

- NCPI for Mar-26, increased to +2.4%YoY from +1.6%YoY seen in Feb-26.
- This trend was driven by an increase in non-food inflation, which rose to +3.8% in Mar-26 from +1.9% in the previous month. Food inflation declined to +0.7% from +1.1% in Mar-26.

## Inflation – NCPI

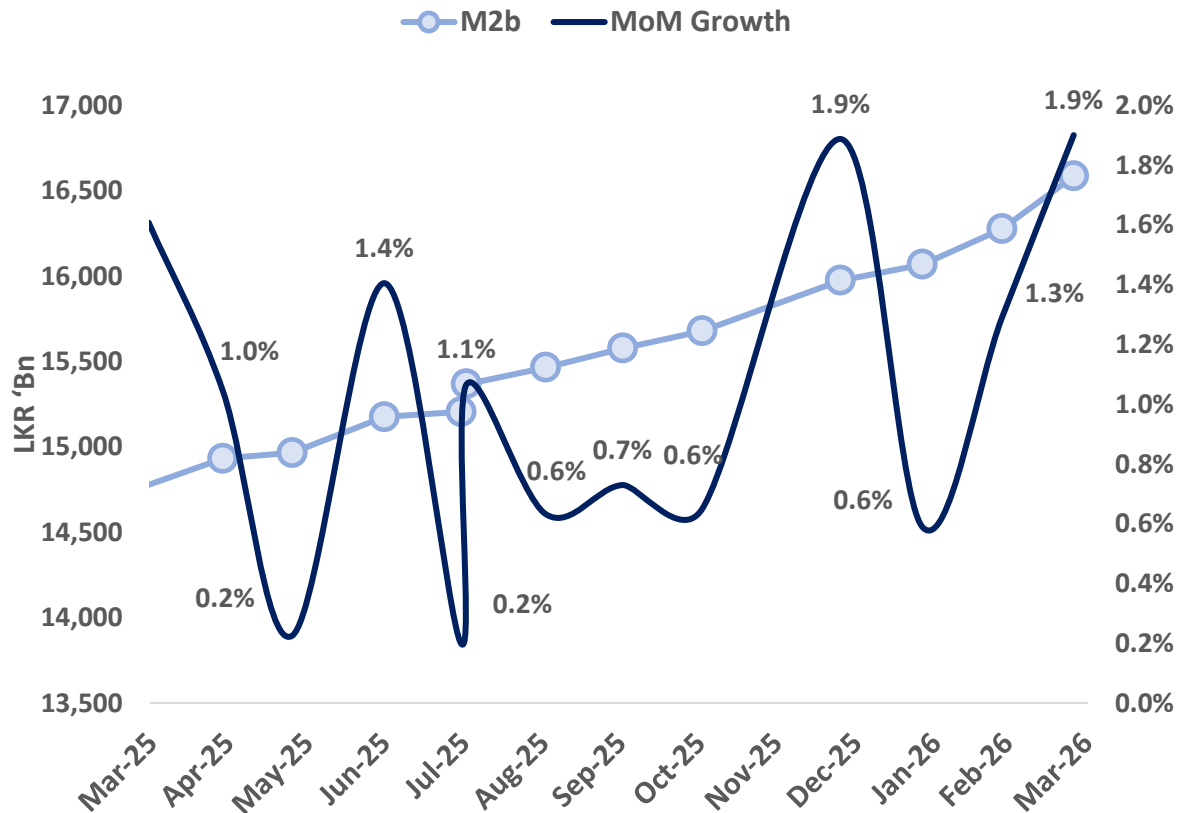


# M2B AND CREDIT GROWTH

Private sector credit increased by LKR 258.5Bn in Mar-26, while credit to the public sector decreased by LKR 35.3Bn for the same period.

## M2b Growth – Mar 2026

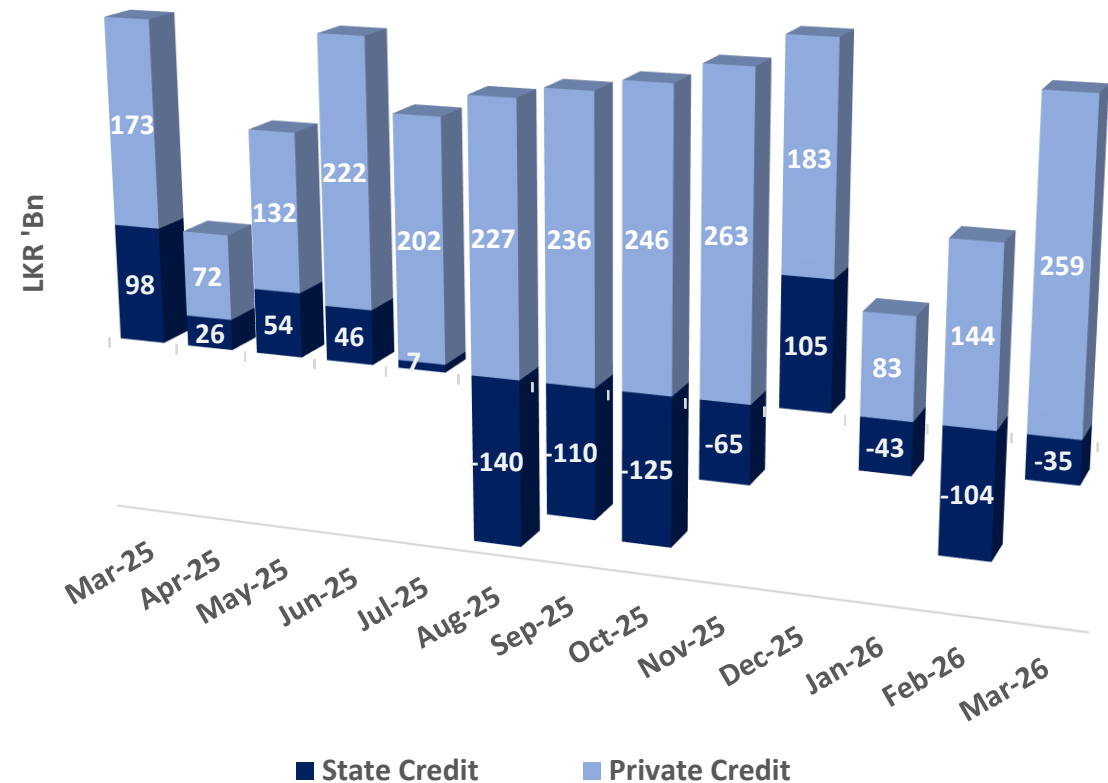
MoM +1.9%, YoY +12.2%, YTD +3.8%



Source: CBSL

## State Credit & Private Credit – Mar 2026

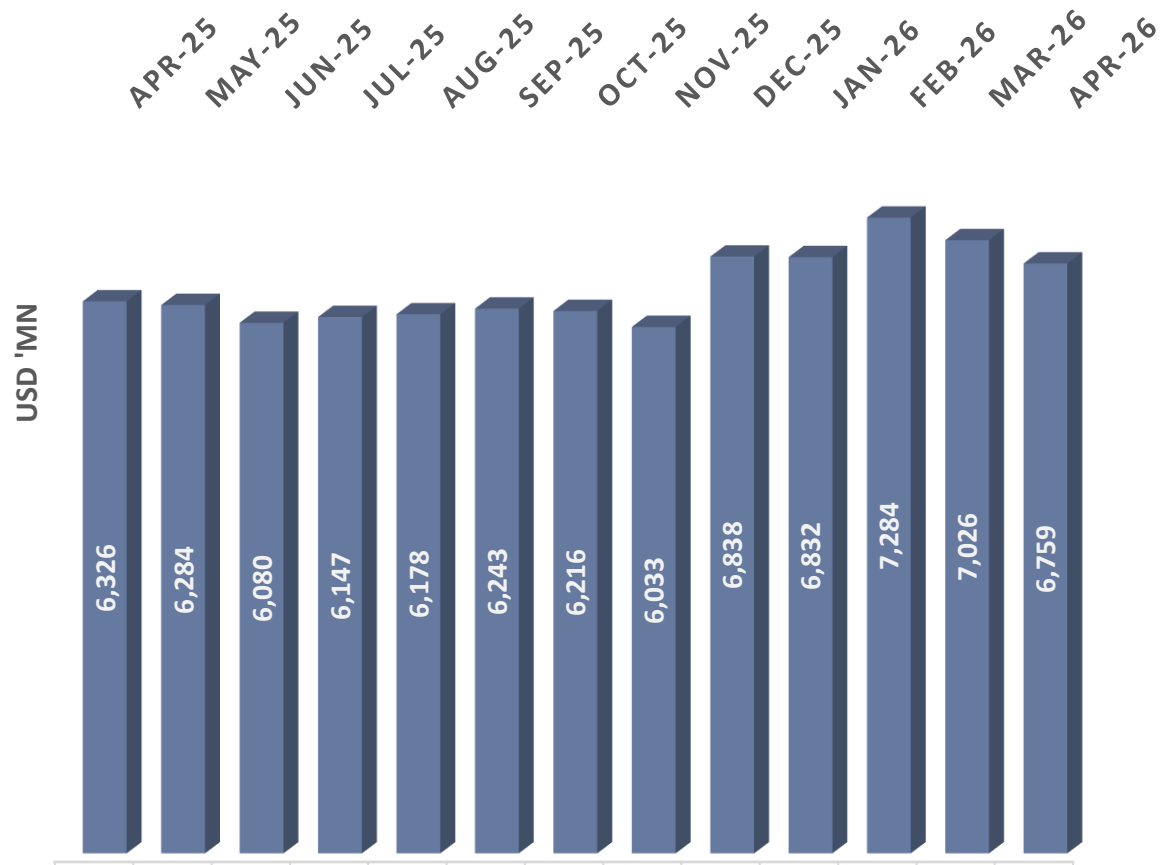
Private Credit MoM +79.3%, YoY +49.2%, YTD +41.4%



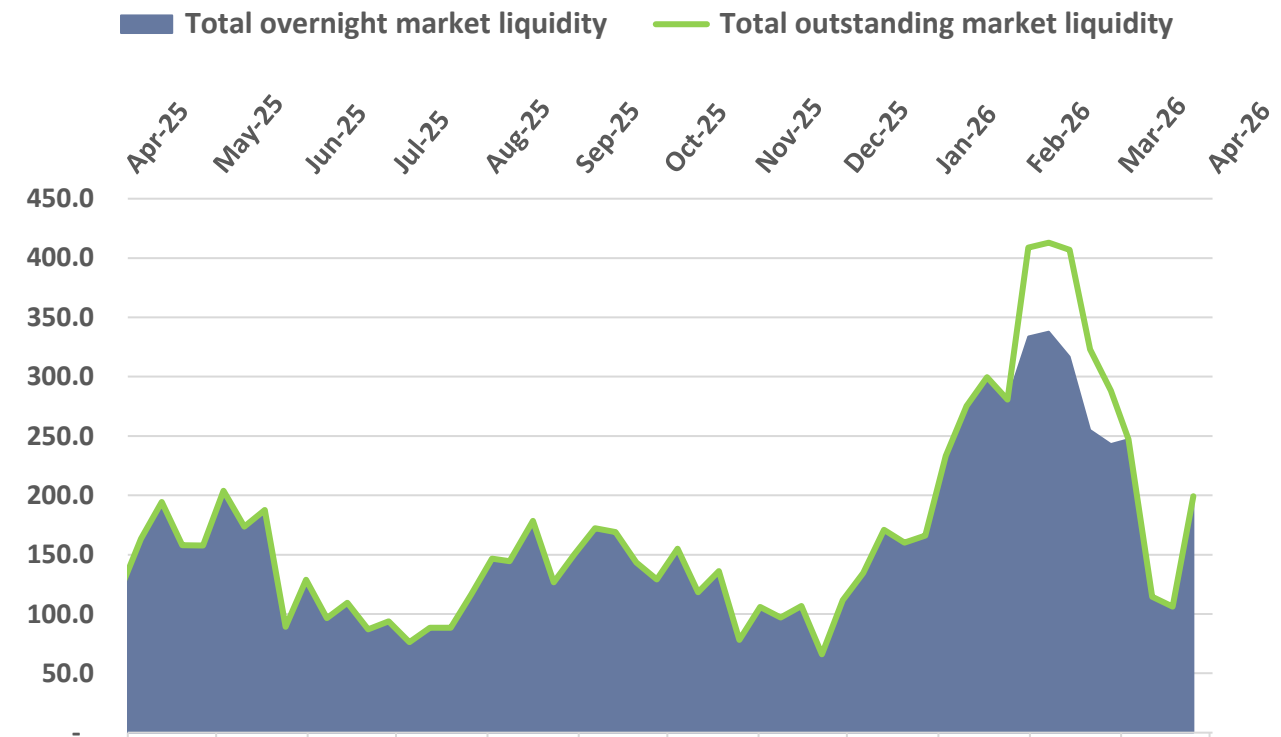
Source: CBSL

# LIQUIDITY & RESERVES

- Foreign Reserves decreased by USD 267.0Mn to USD 6,759.0Mn in Apr-26.



- Both overnight market liquidity and outstanding market liquidity decreased in Apr-26 compared to the previous month and stood at LKR 218.7Bn by the end-April.

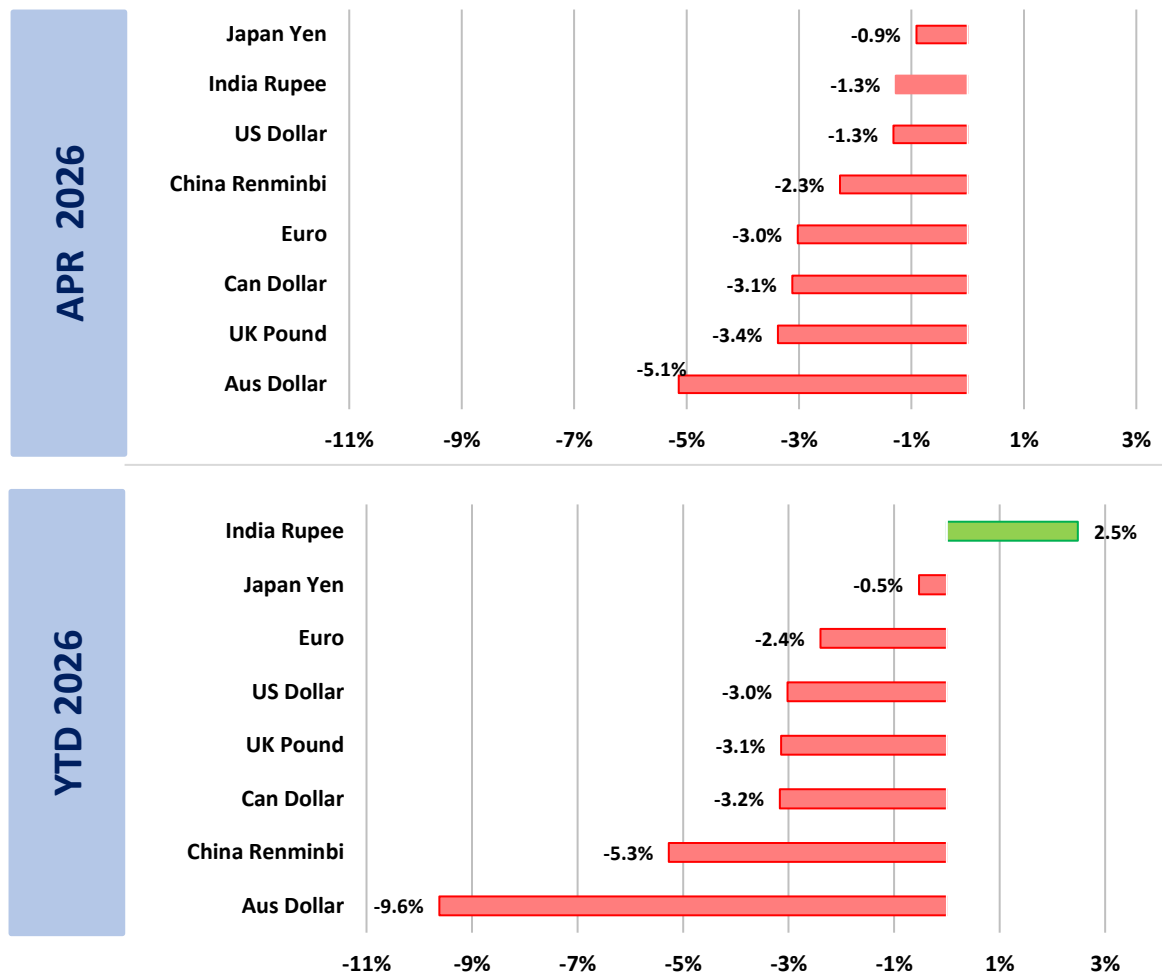


Note: total outstanding market liquidity represents overnight liquidity adjusted for outstanding amounts of term repo/reverse repo transactions of the central bank with market participants.

## USD:LKR Movement



## Sri Lankan Rupee vs Global Currencies



## Bill and Bond auctions for Apr 2026

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
3-Apr-26	32,698		32,698
10-Apr-26	35,000	82,093	117,093
17-Apr-26	84,043		84,043
24-Apr-26	121,000		121,000
<b>Total Issued</b>			<b>354,834</b>

## Net settlements for April 2026

Net Settlement	Apr 2026	YTD
Maturities	328,158	2,301,044
Coupon Payment	121,914	519,515
New Issues	354,834	2,059,293
<b>Excess/ (Deficit)</b>	<b>-95,238</b>	<b>-761,266</b>

CBSL Holdings of Gov. Securities	YTD	
As at End Apr 2026	2,508,921	
As at End Mar 2026	2,508,921	
<b>Increase/ (Decrease)</b>	<b>-</b>	<b>-</b>

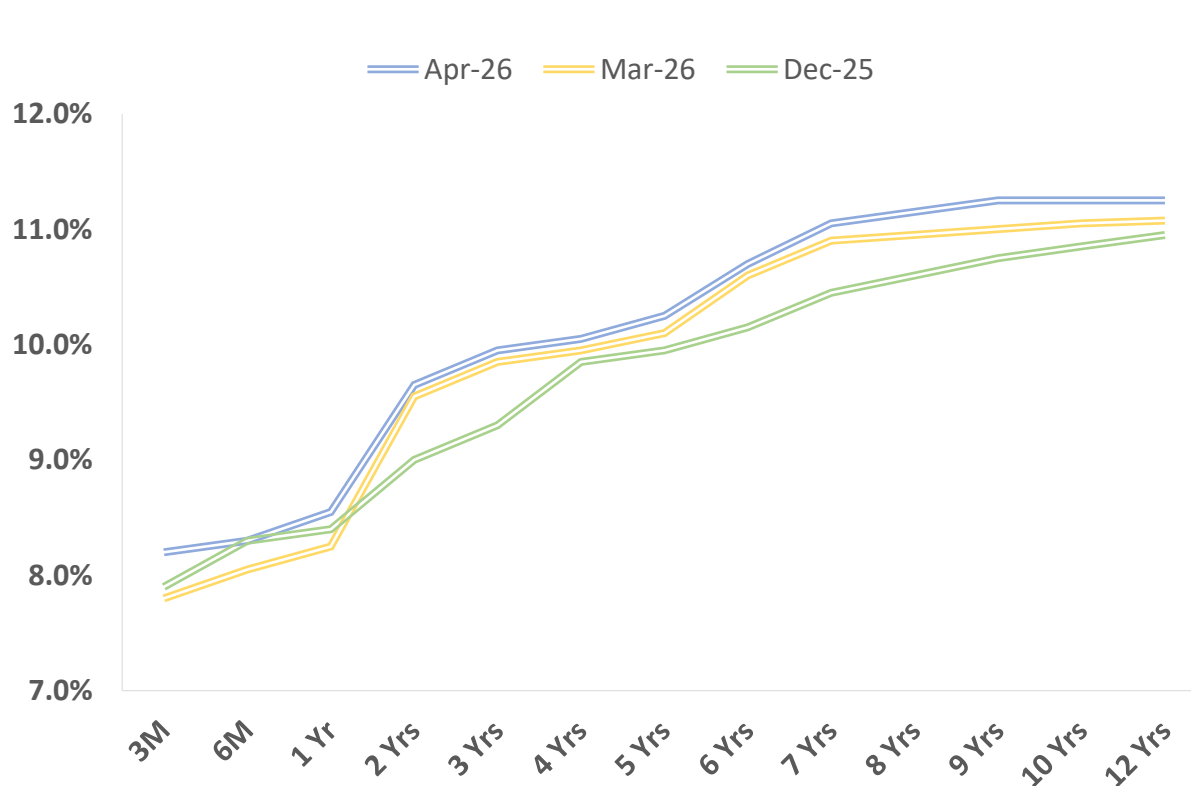
# CBSL HOLDINGS OF GOV. SECURITIES...

*...remained unchanged in Apr 2026*



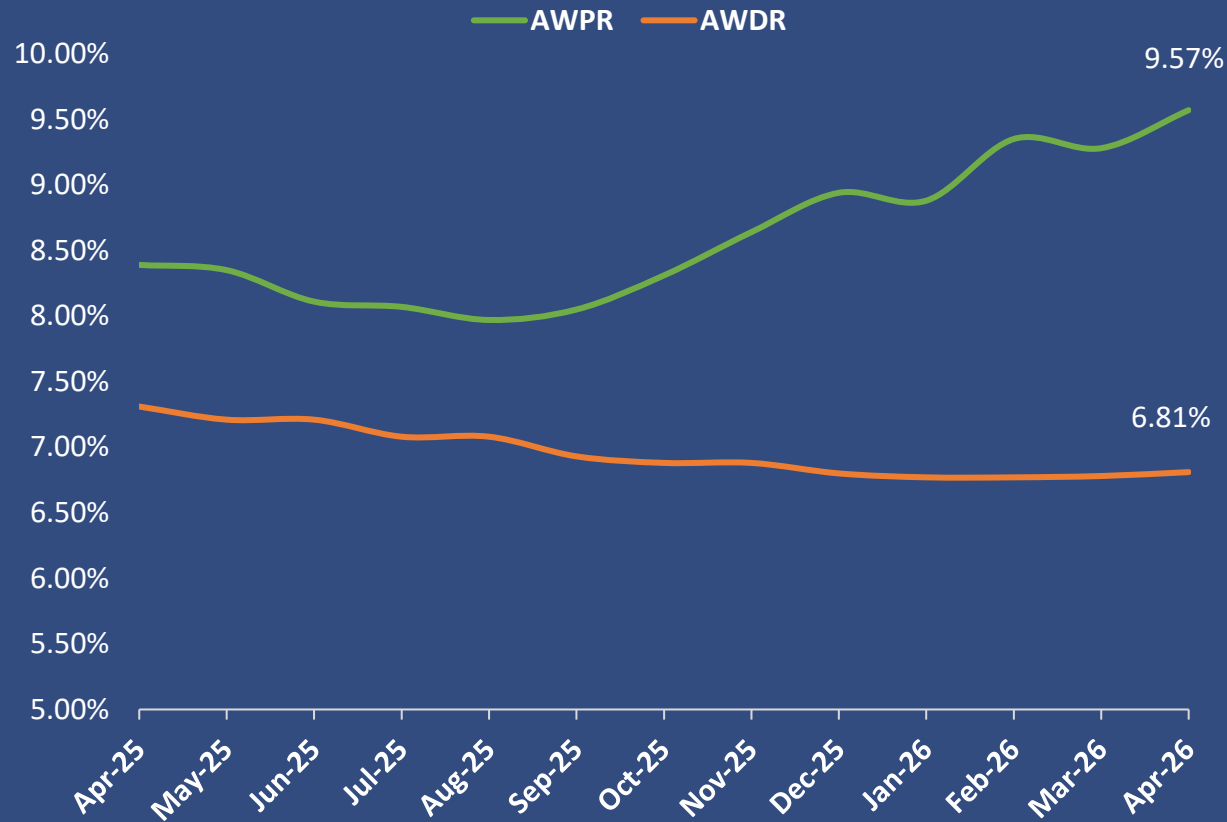
# TREASURY BILLS AND BONDS – APR 2026

During Apr-2026, the cross-border tensions and geopolitical instability caused cautious investor sentiment in the secondary market, which led to largely muted market activity. As investor sentiment was prone to the Middle East escalations, some buying interest emerged when US-Iran peace talks kicked in, however, it was waved off by the selling pressure due to re-escalations, resulting a broadly stable yield curve in mid and longer tenor bonds. Moreover, effects of the seasonal holidays weighed on subdued market activity. Notably, the short-term yields picked up significantly at the T-bill auctions held in April 2026. Liquidity in the banking system stood at LKR 218.7Bn by end-Apr.



Tenure	Interest Rate Change (bps)				
	Apr 2026	Mar 2026	Change (bps)	Dec 2025	Change (bps)
3M	8.20%	7.80%	+40	7.90%	+30
6M	8.30%	8.05%	+25	8.30%	0
1 Yr	8.55%	8.25%	+30	8.40%	+15
2 Yrs	9.65%	9.55%	+10	9.00%	+65
3 Yrs	9.95%	9.85%	+10	9.30%	+65
4 Yrs	10.05%	9.95%	+10	9.85%	+20
5 Yrs	10.25%	10.10%	+15	9.95%	+30
6 Yrs	10.70%	10.60%	+10	10.15%	+55
7 Yrs	11.05%	10.90%	+15	10.45%	+60
8 Yrs	11.15%	10.95%	+20	10.60%	+55
9 Yrs	11.25%	11.00%	+25	10.75%	+50
10 Yrs	11.25%	11.05%	+20	10.85%	+40
12 Yrs	11.25%	11.08%	+18	10.95%	+30
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



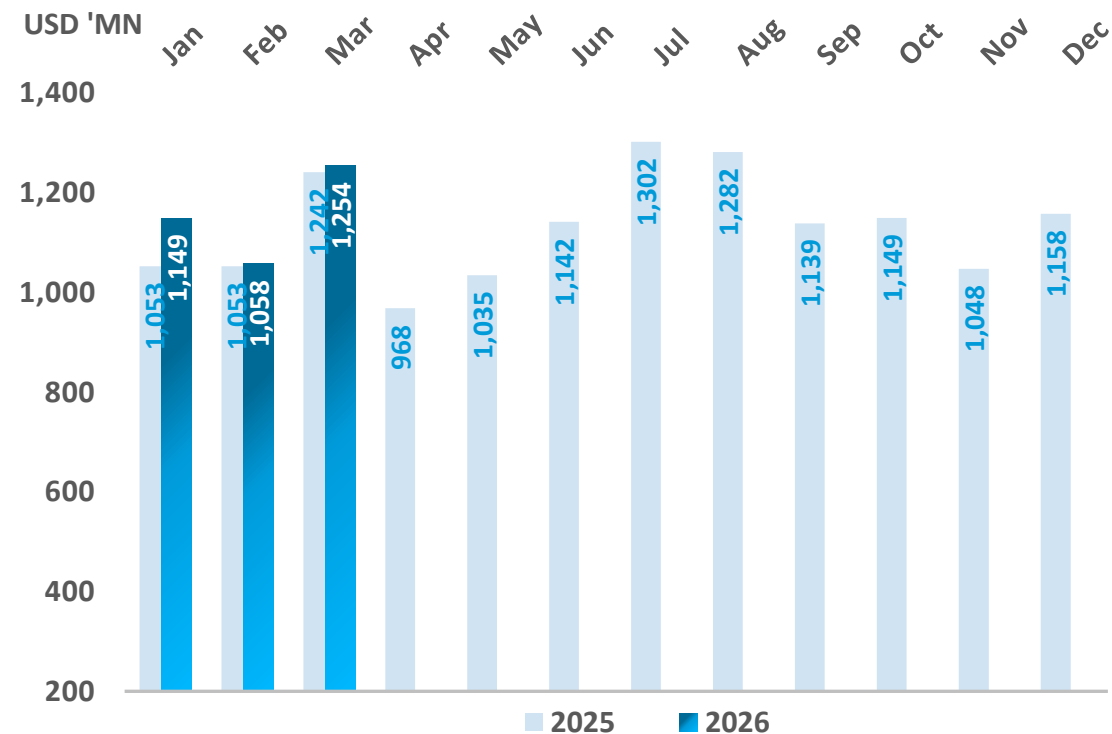
## FINANCE SECTOR RATE MOVEMENTS



# EXTERNAL SECTOR - MAR 2026 - EXPORTS

In Mar-26, exports stood at USD 1,254.3Mn, reflecting a 1.0%YoY increase. Growth was driven by a modest 3.0% (YoY) surge in industrial exports, whereas agricultural exports and mineral and other exports declined by -6.3% (YoY) and -12.3% (YoY) respectively. Within industrial exports, petroleum products (+50.6%YoY), machinery and mechanical appliances (+31.7%YoY), and leather, travel goods and footwear (+16.2%YoY) registered significant increases, while textiles and garments (-11.0%YoY) predominantly showed negative growth. Although agricultural exports saw an overall decrease, it was softened by the rise in seafood (+32.0%YoY) and coconut (+13.7%YoY) exports.

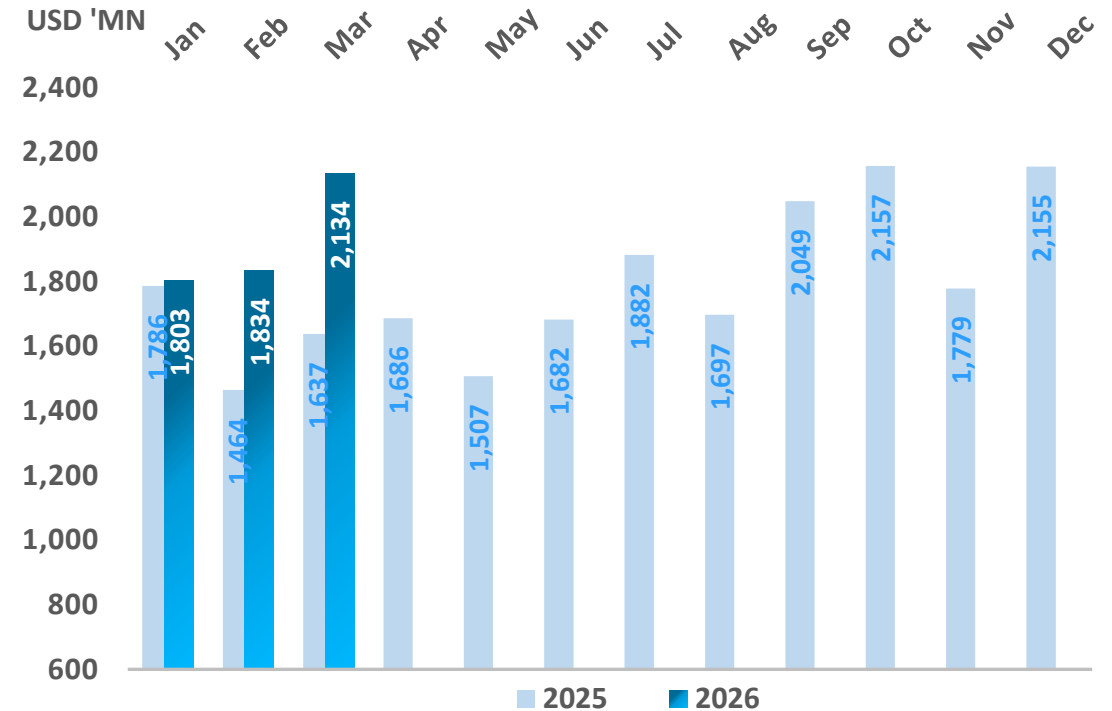
Category	2025 (USD 'Mn)	2026 (USD 'Mn)	Change (%)
Industrial Exports			
- Mar	977.1	1,006.6	3.0
- YTD	2,626.9	2,704.8	3.0
Agricultural			
- Mar	260.3	244.0	-6.3
- YTD	711.3	740.1	4.1
Mineral & Other Exports			
- Mar	4.3	3.7	-12.3
- YTD	9.3	15.9	71.5
Total			
- Mar	1,241.7	1,254.3	1.0
- YTD	3,347.4	3,460.8	3.4



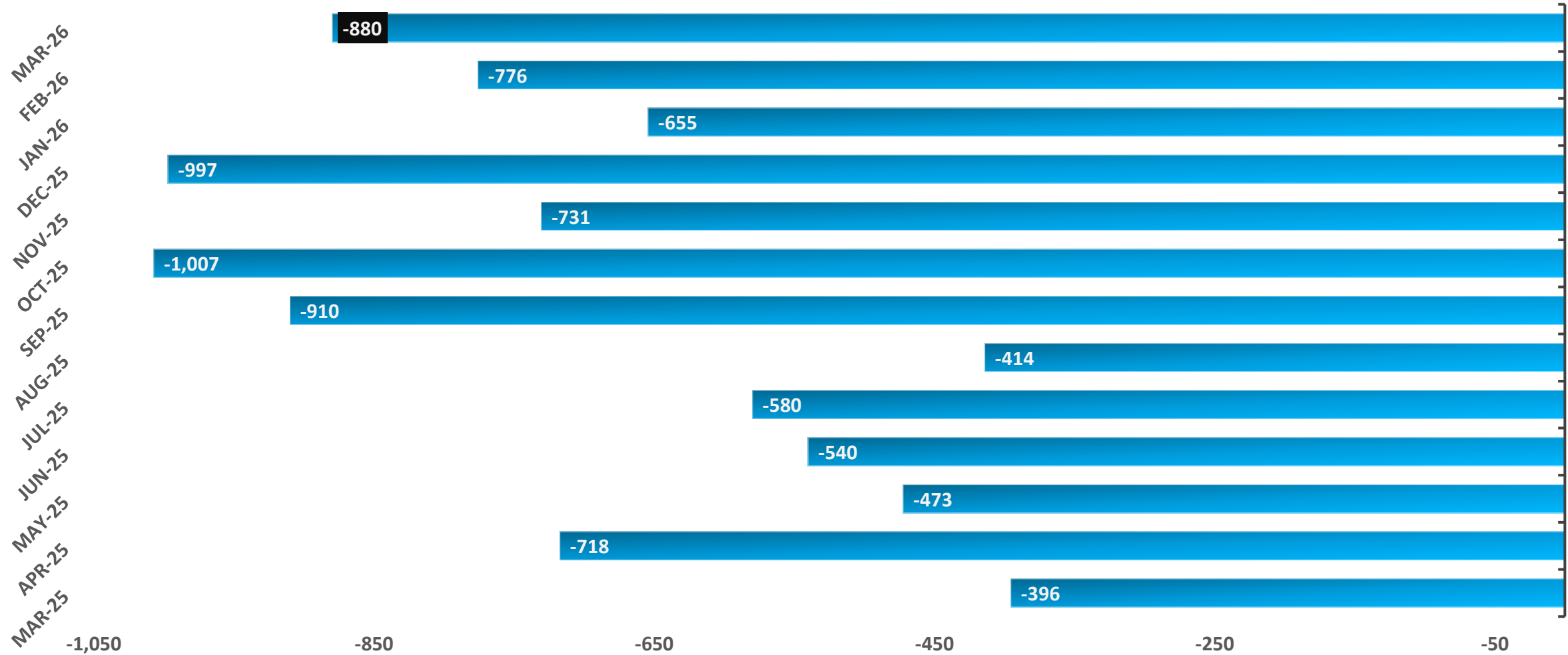
# EXTERNAL SECTOR - MAR 2026 - IMPORTS

In Mar-26, imports climbed to USD 2,134.1Mn, registering a YoY increase of 30.3%. All other subcomponents also rose during the month, with the consumer goods segment recording the highest growth (+36.1%YoY), followed by intermediate goods (+32.0%YoY) and investment goods and other (18.7%YoY). Within the broader consumer goods category, non-food imports drove this increase, rising by 80.4%YoY, while food and beverage imports marginally declined by -3.3%YoY. Fuel imports (+74.7%YoY) and textiles and textile articles (+10.2%YoY) significantly contributed to the rise in intermediate goods segment during the period under review.

Category	2025 (USD 'Mn)	2026 (USD 'Mn)	Change (%)
Consumer goods			
- Mar	366.1	498.3	<b>36.1</b>
- YTD	1,097.4	1,449.6	<b>32.1</b>
Intermediate			
- Mar	955.7	1,261.2	<b>32.0</b>
- YTD	2,857.1	3,189.5	<b>11.6</b>
Investment goods & other			
- Mar	315.5	374.5	<b>18.7</b>
- YTD	932.6	1,132.0	<b>21.4</b>
<b>Total</b>			
- Mar	1,637.3	2,134.1	<b>30.3</b>
- YTD	4,887.0	5,771.2	<b>18.1</b>



## Balance of Trade

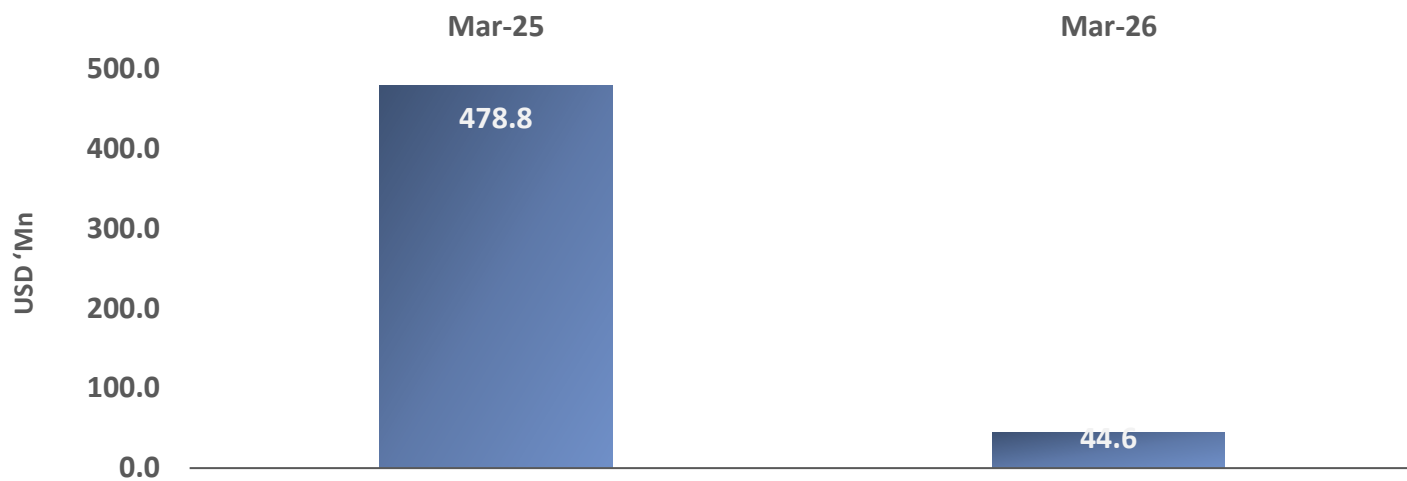


Source: Central Bank

The Current Account Balance for MAR-26 recorded a surplus of USD 44.6Mn compared to a surplus of USD 478.8Mn seen in MAR-25.



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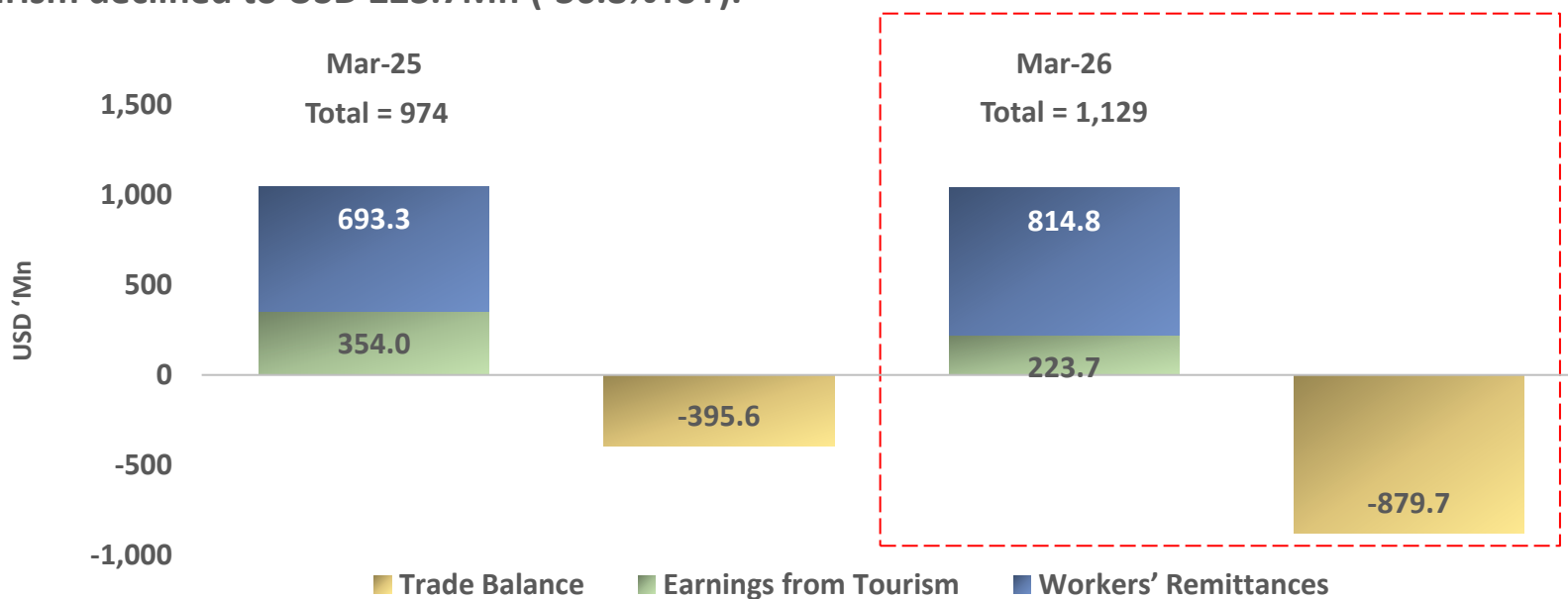
### CURRENT ACCOUNT BALANCE CONTRACTED YOY IN MAR-26

MAR USD 'Mn	2025	2026	Change (%)
Trade Balance	-395.6	-879.7	-122.4
Earnings from Tourism	354.0	223.7	-36.8
Workers' Remittances	693.3	814.8	+17.5

YTD USD 'Mn	2025	2026	Change (%)
Trade Balance	-1,539.6	-2,310.3	-250.1
Earnings from Tourism	1,122.3	954.0	-15.0
Workers' Remittances	1,814.4	2,294.9	+26.5

Workers' Remittances increased to USD 814.8Mn in MAR-26 (+17.5%YoY) while Earnings from Tourism declined to USD 223.7Mn (-36.8%YoY).



# TOURIST ARRIVALS - APR 2026

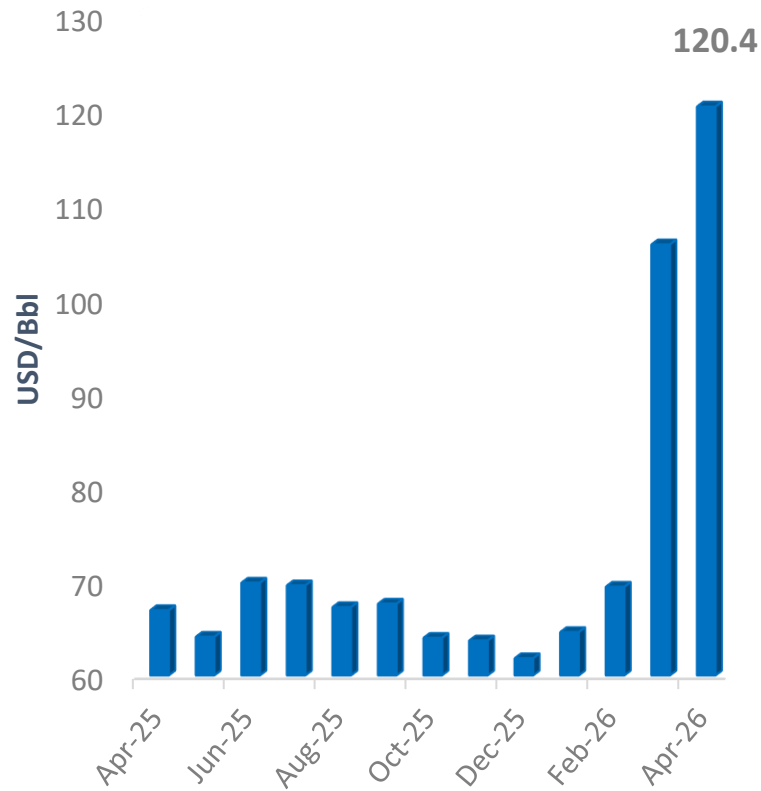
**[APR 135,643: DOWN -22.3%YoY] [MoM: DOWN -26.3%]**

Total tourist arrivals for Apr-26 reached 135,643, denoting a YoY decline of 22.3% and a MoM decline of 26.3%. India emerged as the top source market, accounting for 31.0% of total arrivals during the month. This was followed by China and the United Kingdom, which both accounted for 8.0%, while Australia and the Russian Federation accounted for 7.0% and 5.0% of total arrivals, respectively.

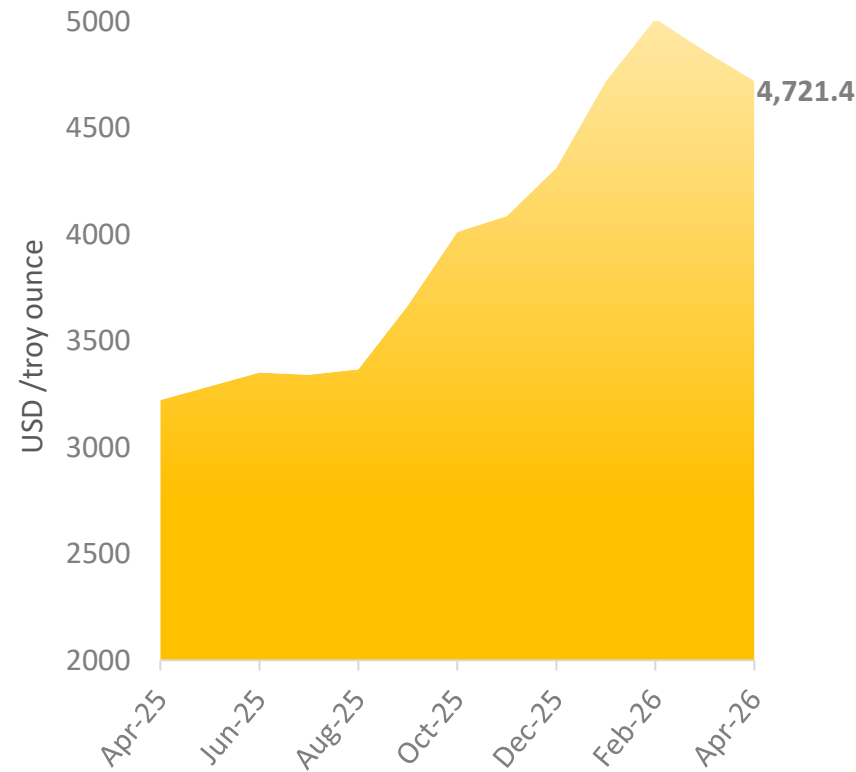


# COMMODITY PRICES - APR 2026

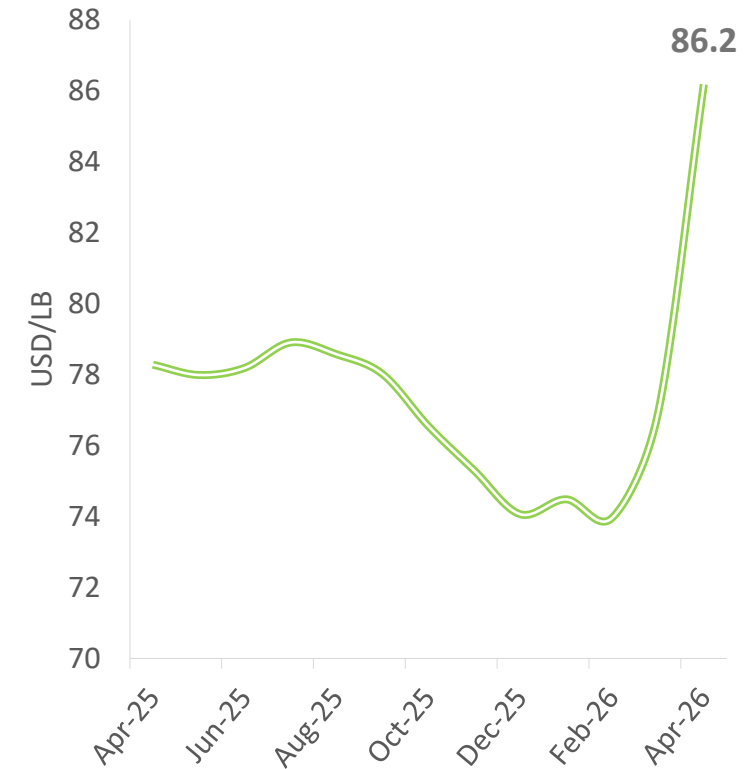
## Crude oil



## Gold



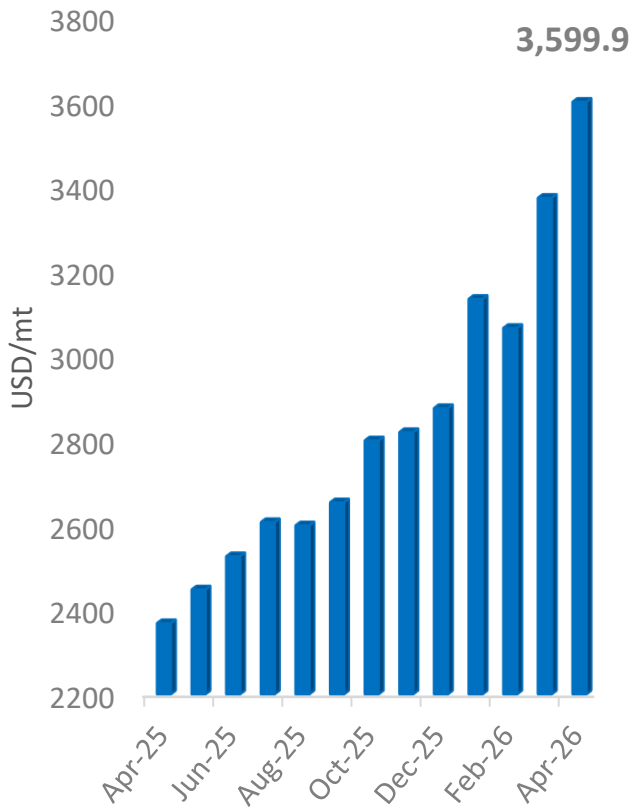
## Cotton



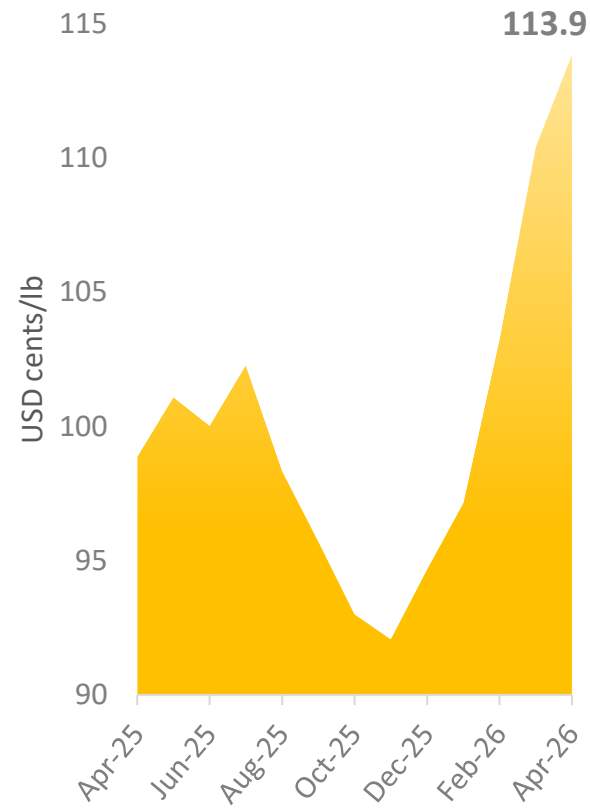
**Note:** crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

# COMMODITY PRICES - APR 2026 CONT'D

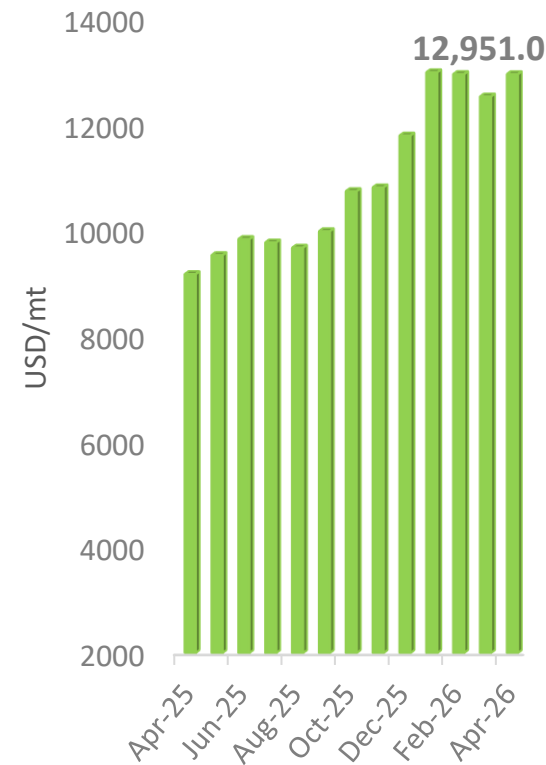
## Aluminum



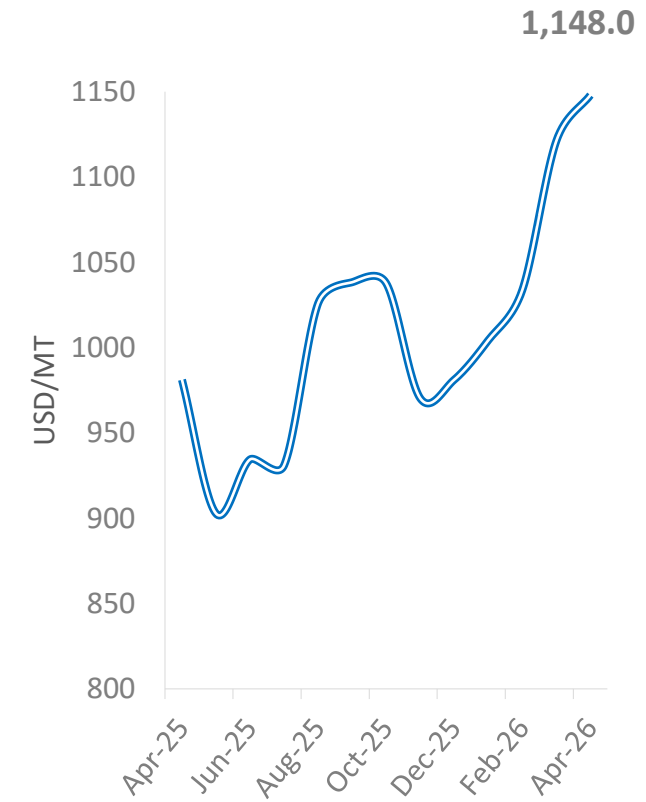
## Rubber



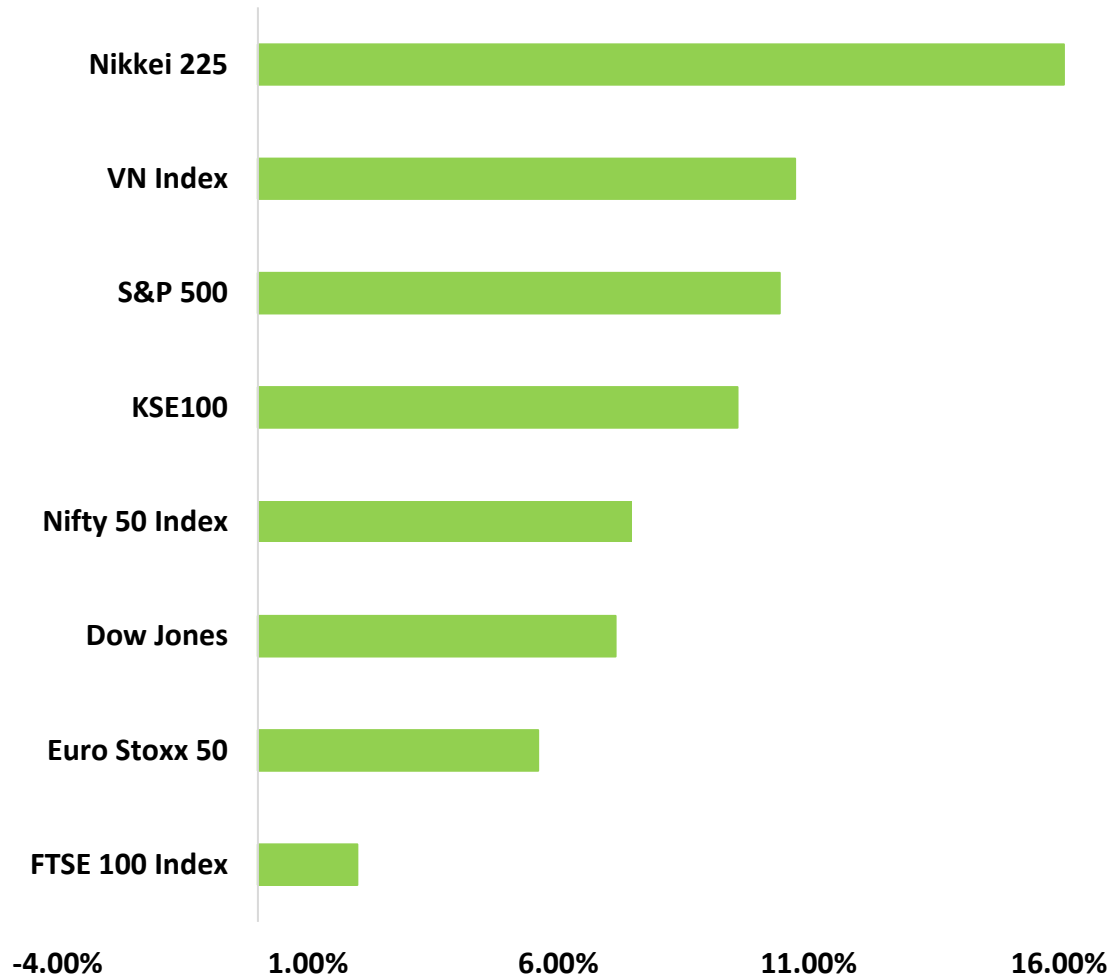
## Copper



## 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



### *UAE quits OPEC as war upends oil markets and Gulf tensions rise*

The United Arab Emirates will leave OPEC next month, in a significant blow to the group that raises questions about its future at a time when the industry is grappling with the massive supply disruption caused by the Iran war. The UAE's exit May 1 after six decades of membership is the culmination of years of tension with OPEC leader Saudi Arabia both over oil output policy and competition for regional political influence. [April 28]



### *Brent crude hits 4-year high, soaring past USD 126.0, as U.S. military to reportedly brief Trump on action against Iran*

Brent crude hit a 4-year high Thursday following a report that the U.S. military would brief President Donald Trump on potential action against Iran, raising worries that armed conflict could resume, and building on the American blockade of Iranian exports. [April 30]

### *US war in Iran has cost USD 25.0Bn so far, says Pentagon official*

The United States' war in Iran has cost \$25 billion so far, a senior Pentagon official said on Wednesday, providing the first official estimate of the military's price tag for the conflict.

With just six months before midterm elections in which President Donald Trump's Republicans may face an uphill battle to keep their House majority, Democrats are riding high in public opinion polls as they attempt to link the unpopular Iran war with affordability. [April 30]





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