

First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

Nov 2026

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IMF STAFF REACHES STAFF-LEVEL AGREEMENT ON THE SEVENTH REVIEW UNDER THE EFF

- IMF staff and the Sri Lankan authorities have reached staff-level agreement on Sri Lanka's economic policies to conclude the Seventh Review under the IMF's Extended Fund Facility (EFF). Once approved by the IMF Executive Board, Sri Lanka will have access to USD 345.0Mn, bringing the total disbursement to USD 2.7Bn.

- IMF Executive Board approval is subject to the presentation of 2027 budget to Parliament, consistent with the program parameters; and the completion of the financing assurances review to confirm multilateral partners' financing contributions and assess adequate progress with debt restructuring.

- IMF commentary on Sri Lanka:
  - Sri Lanka's economic activity expanded by 4.2% in 2Q2026, marking 11 consecutive quarters of strong growth.
  - During 1H2026 Fiscal outturn was strong, and debt restructuring is now largely completed.

- Key priorities include:
  - Allowing domestic fuel prices to adjust with global fuel price improvements, in response to the persisting Middle East War.
  - Leveraging poverty targeted cash transfers to shield the most vulnerable.
  - Monetary policy poised to tighten in the event of stronger inflationary effects from the Middle East War.
  - Greater exchange rate flexibility to absorb shocks.

Source: IMF

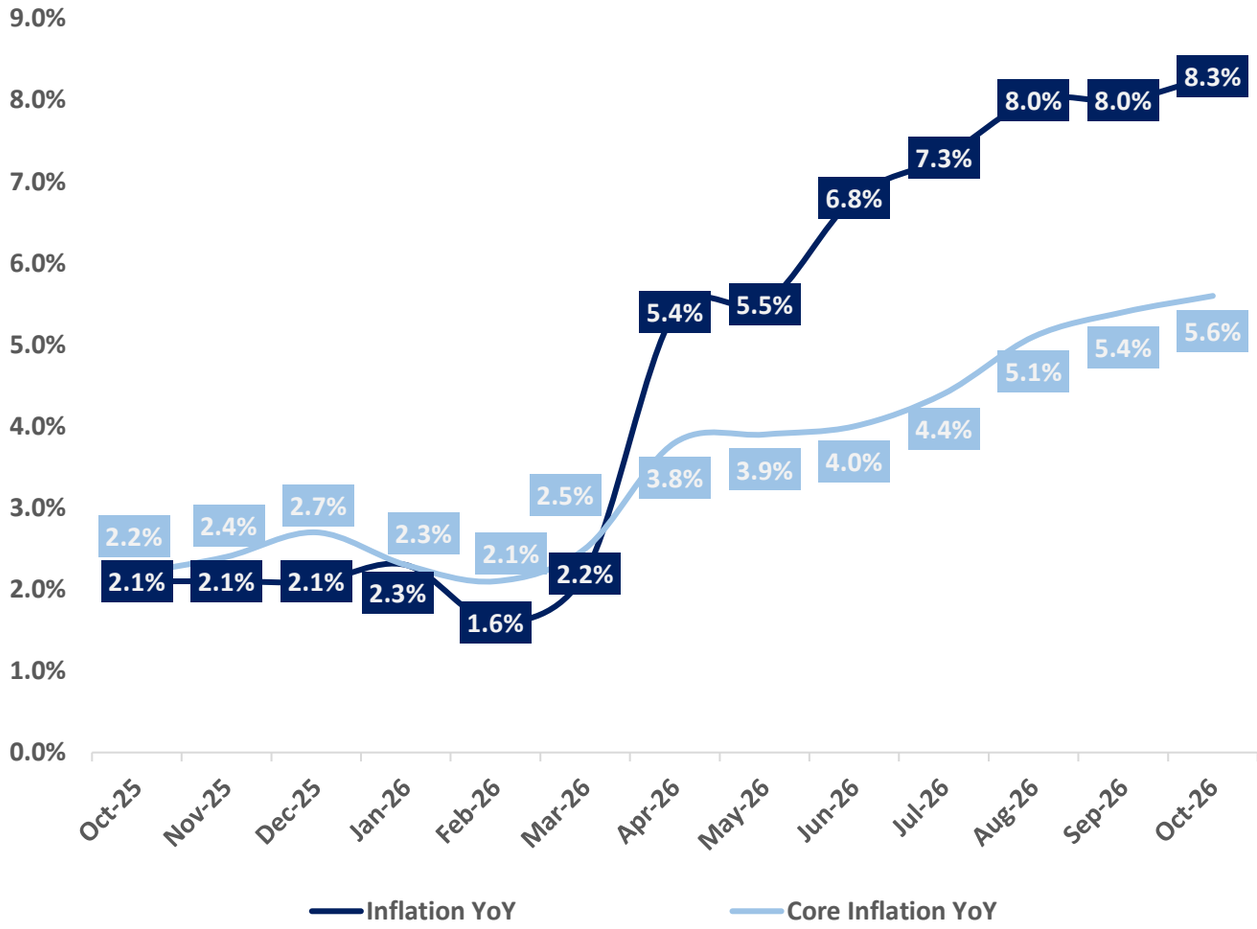
Inflation – CCPI

CCPI FOR OCT 2026:

MOM +0.4%

YOY +8.3%

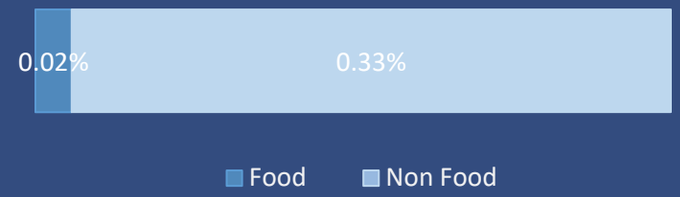
- The CCPI for Oct-26 stood at +0.4% on a MoM basis, compared to the +0.1% level seen in Sep-26. Food inflation remained flat compared to the uptick of +0.5% in previous month. Non-food inflation moved +0.5% from +0.1% level recorded in Sep-26.
- The YoY inflation rate moved further up to +8.3% in Oct-26 compared with +8.0% in Sep-26. Food inflation slightly increased to +8.8% from the +8.7% level recorded in Sep-26, while non-food inflation accelerated to +8.0% from +7.7% in Sep-26.



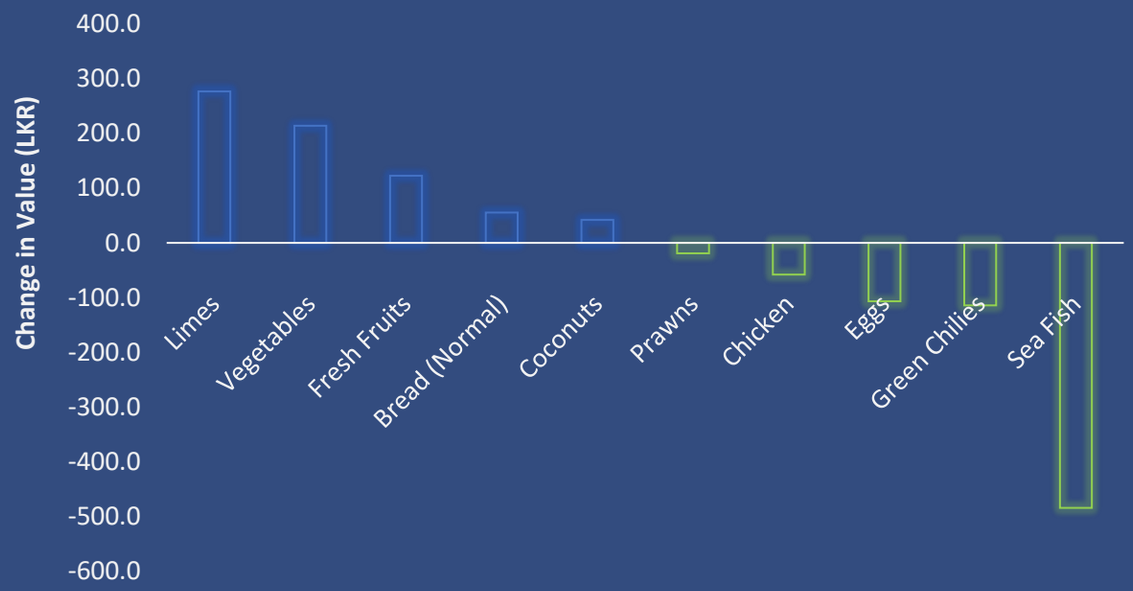
Source: Dept. Census and Statistics

INFLATION ANALYSIS – CCPI-MOM

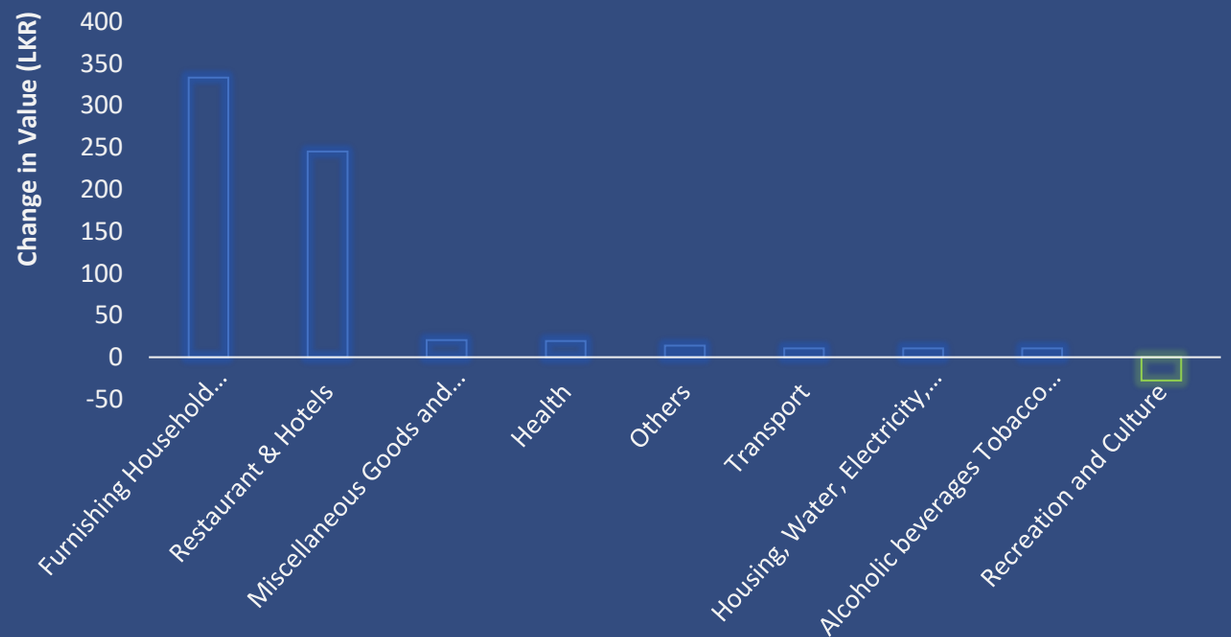
The CCPI Index for Oct-26 increased by +0.4% MoM. The Food category contributed +0.02%, with Limes, Vegetables, Fresh Fruits, Normal Bread and Coconuts exerting upward pressure on the group, while Sea Fish, Green Chilies, Eggs, Chicken and Prawns prices declined. The Non-Food category contributed +0.33%. Within the Non-Food segment, Recreation and Culture saw a decline, while prices of all other sub-categories increased.



Food Category Inflation



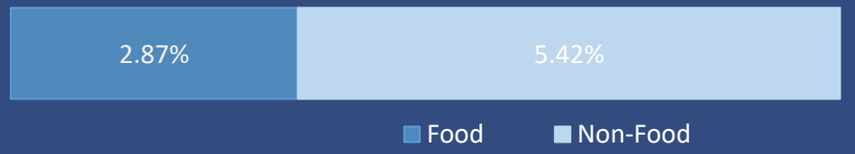
Non-Food Category Inflation



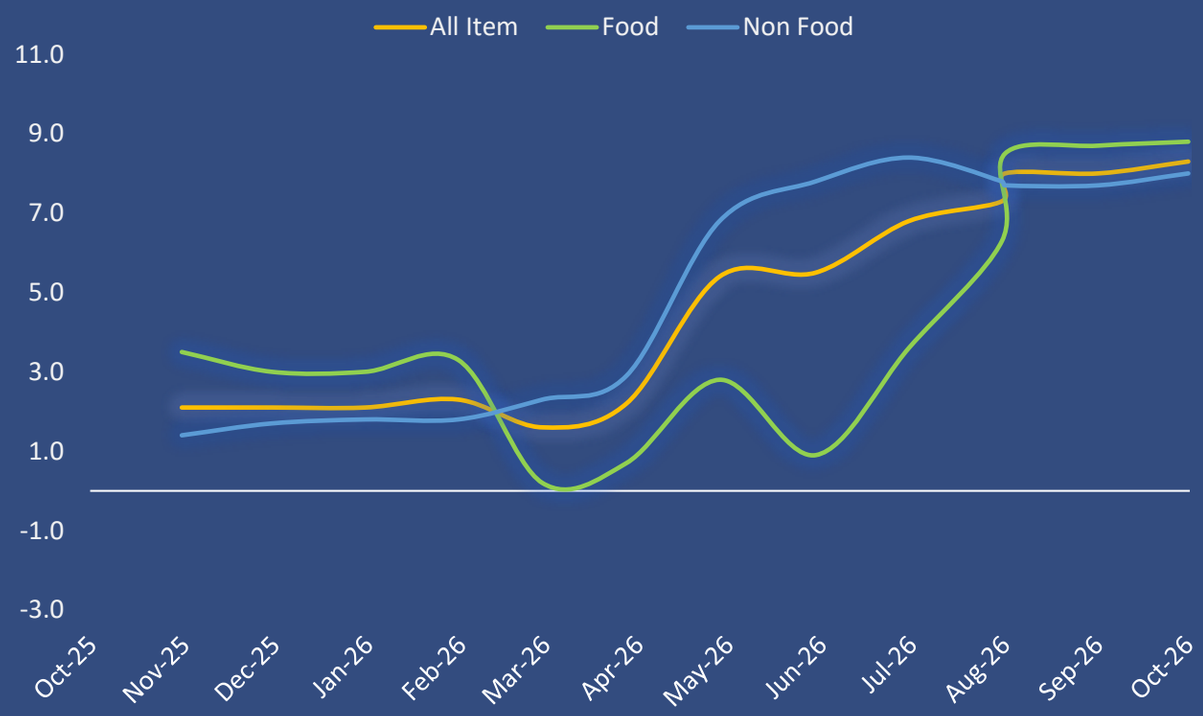
Source: Dept. Census and Statistics

INFLATION ANALYSIS – CCPI-YOY

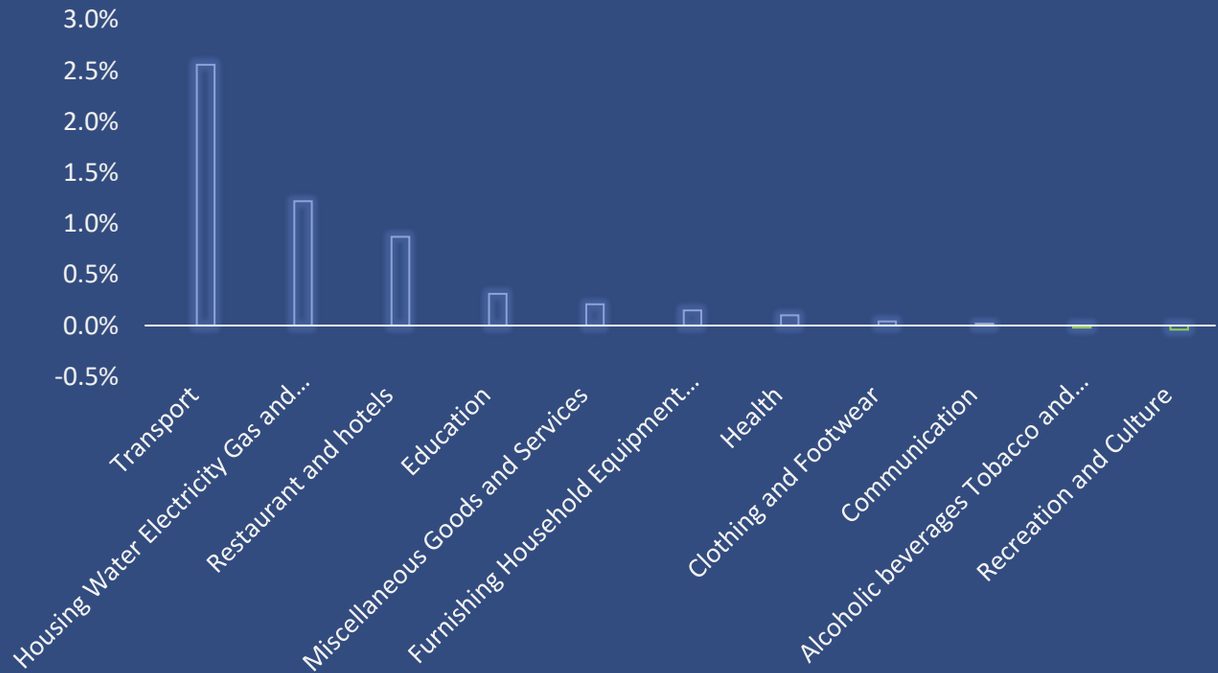
The YoY inflation of CCPI for Oct-26 stood at +8.3%, which moved up from the +8.0% level that was seen in Sep-26. Contribution of Food inflation stood at +2.87%, while that of Non-Food was +5.42%. In the Food segment, Sea Fish, Vegetables, Fresh Fruits and Dried Fish registered the highest upward adjustment. Within the Non-Food segment, Transport, Housing Water Electricity Gas and Other Fuels and Restaurant and Hotels recorded the highest uptick.



Inflation Analysis (YoY)



Non-Food Category Inflation

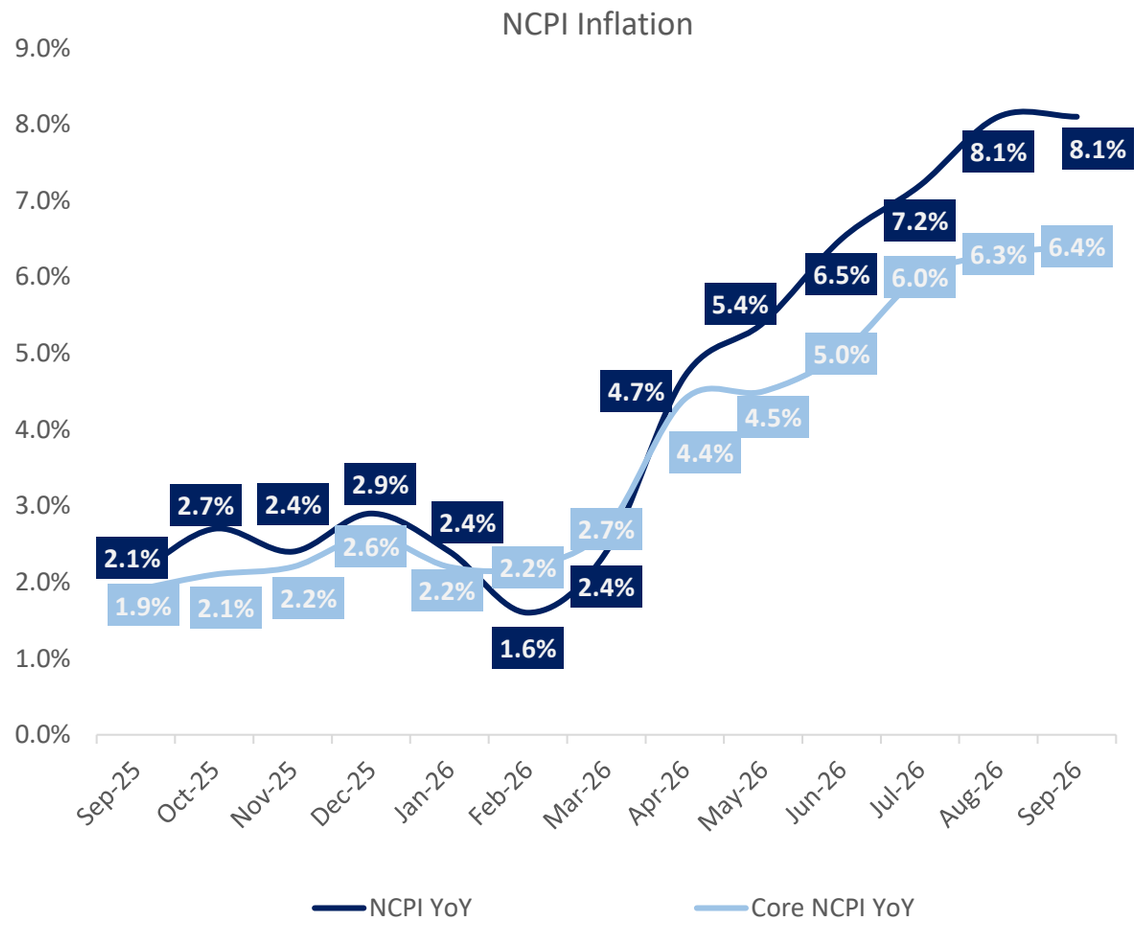


Source: Dept. Census and Statistics

NCPI FOR SEP 2026: STOOD FLAT AT +8.1%YOY

- NCPI for Sep-26, stood flat at +8.1%YoY compared to Aug-26.
- This trend was driven mainly by Food inflation, which rose to +6.9%YoY in Sep-26 from +6.6%YoY in the previous month. Non-Food inflation decreased to +9.1%YoY from +9.3%YoY in Aug-26.

Inflation – NCPI



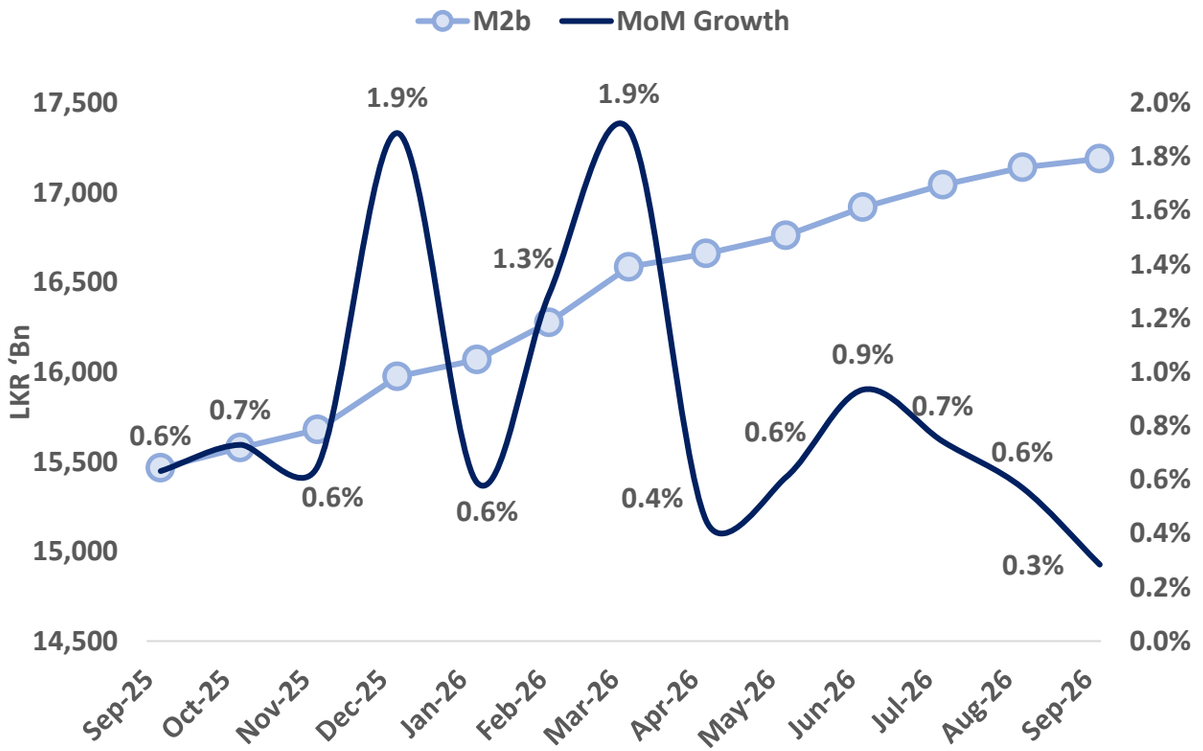
Source: Dept. Census and Statistics

M2B AND CREDIT GROWTH

Private sector credit increased by LKR 212.4Bn in Sep-26, while credit to the public sector decreased by LKR 101.7Bn for the same period.

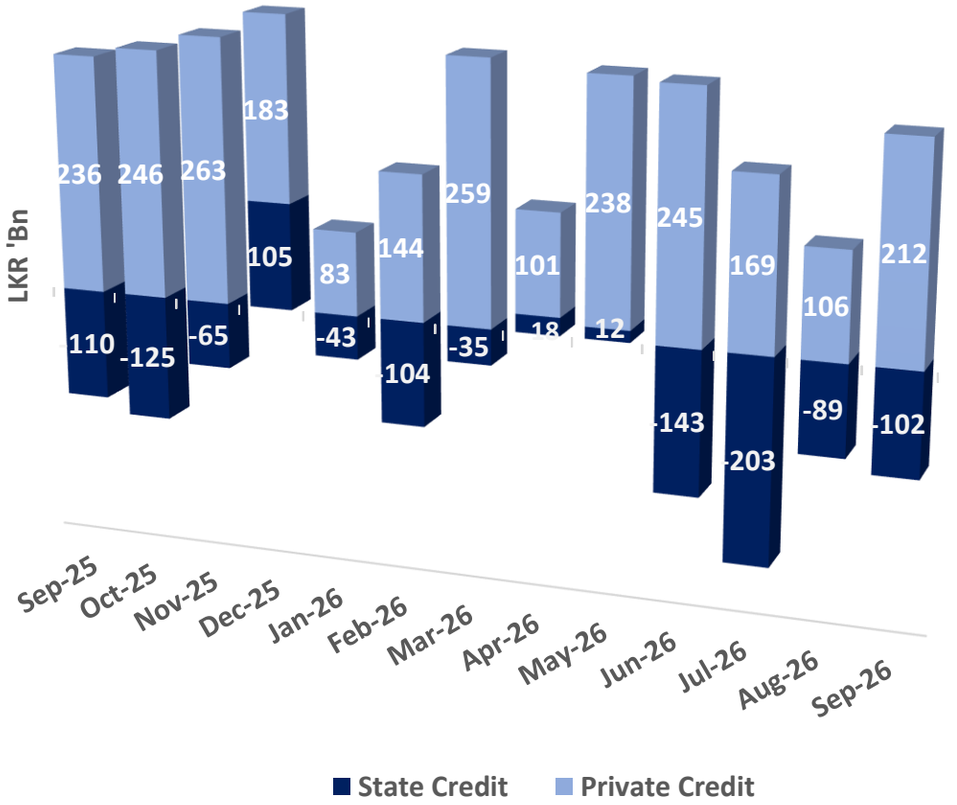
M2b Growth – Sep 2026

MoM +0.3%, YoY +11.1%, YTD +7.6%



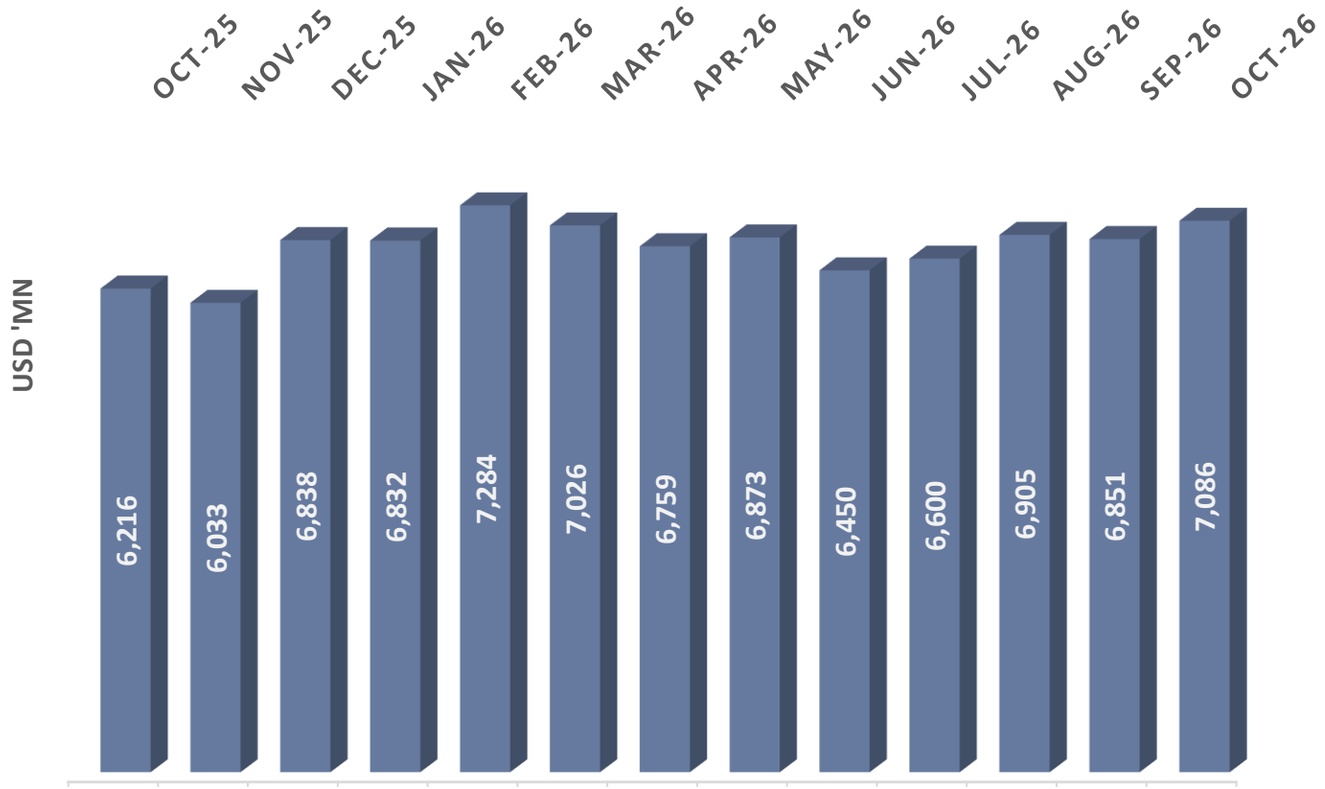
State Credit & Private Credit – Sep 2026

Private Credit MoM +1.8%, YoY +23.6%, YTD +15.2%

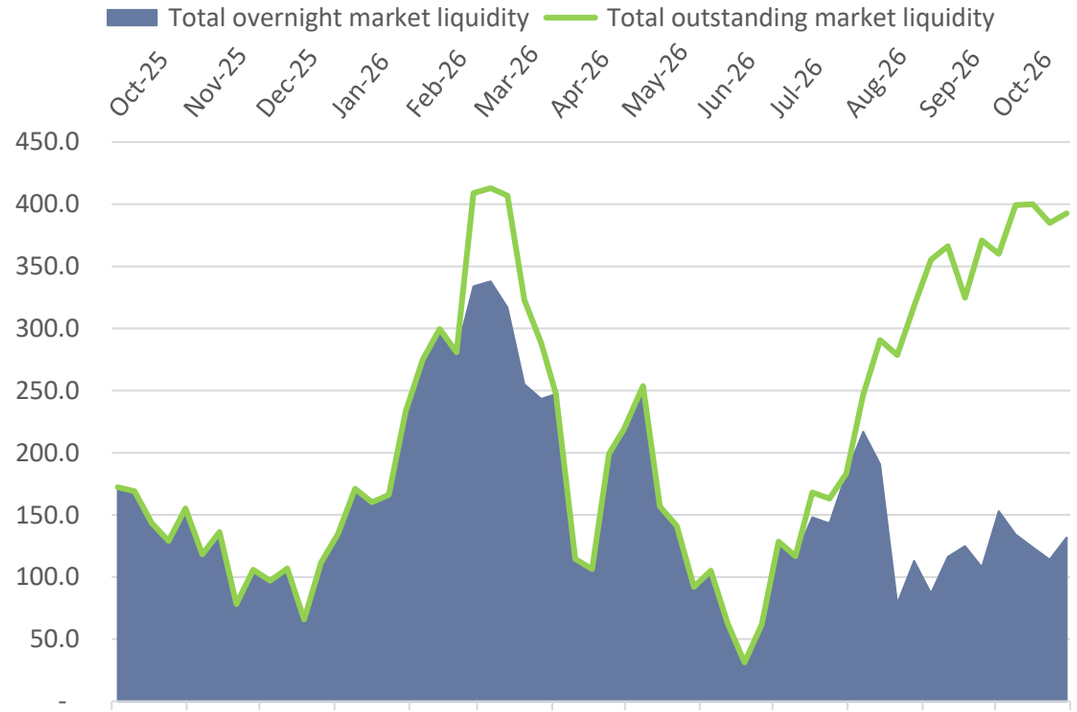


LIQUIDITY & RESERVES

- Foreign Reserves increased by USD 235.0Mn to USD 7,086Mn in Oct-26.



- Both overnight market liquidity and outstanding market liquidity increased in Oct-26 compared to the previous month. Overnight market liquidity increased from LKR 123.7Bn to LKR 131.7Bn, while outstanding market liquidity increased from LKR 338.7Bn to LKR 392.7Bn by end Oct-26. Also, repo injections stood at LKR 261.0Bn by end Oct-26.



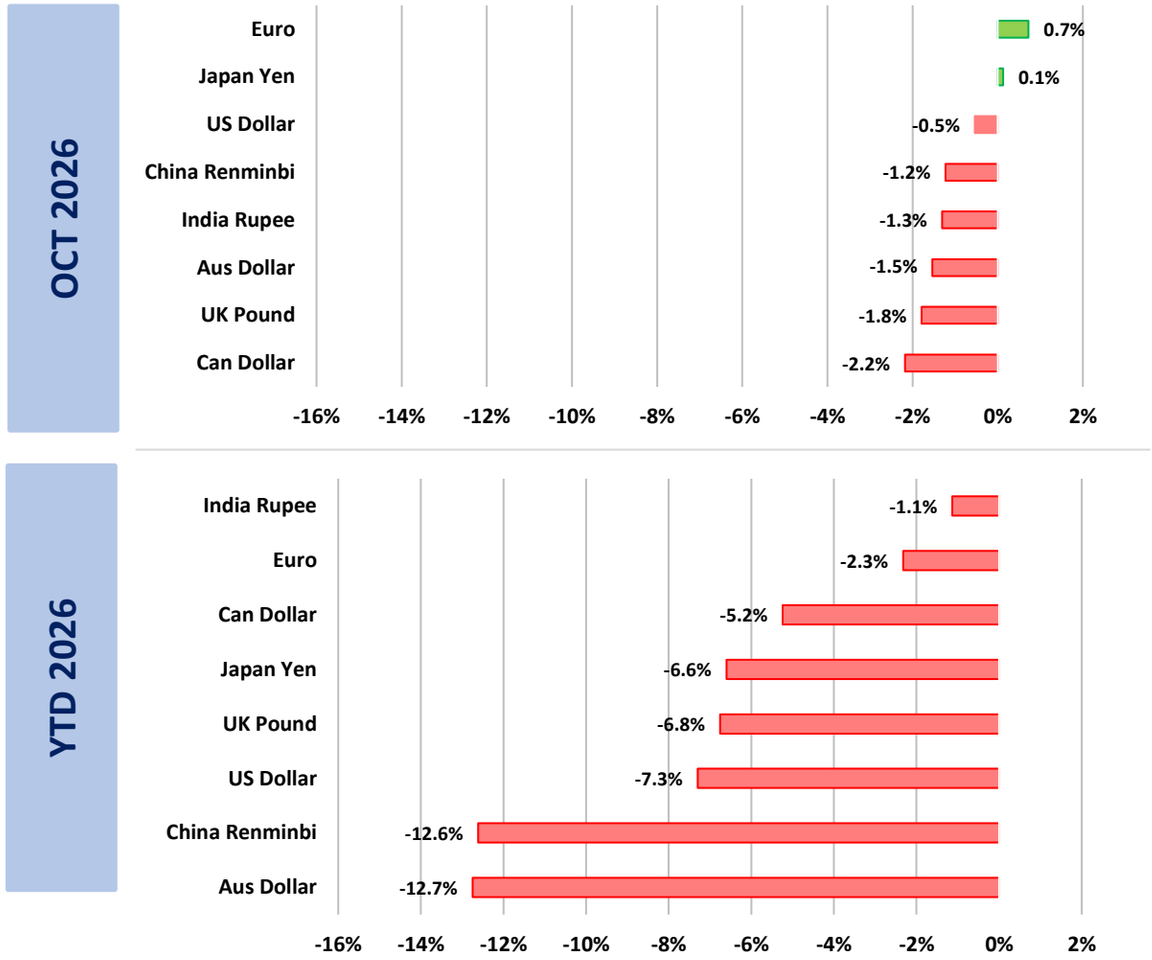
Note: total outstanding market liquidity represents overnight liquidity adjusted for outstanding amounts of term repo/reverse repo transactions of the central bank with market participants.

CURRENCY MOVEMENT

USD:LKR Movement



Sri Lankan Rupee vs Global Currencies



Source: CBSL

GOVERNMENT SECURITIES – NEW ISSUES

Bill and Bond auctions for Oct 2026

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
02-Oct-26	88,000		88,000
09-Oct-26	88,000		88,000
16-Oct-26	73,332	85,693	159,025
23-Oct-26	82,893		82,893
30-Oct-26	88,983		88,983
Total Issued			**506,901**

Net settlements for Oct 2026

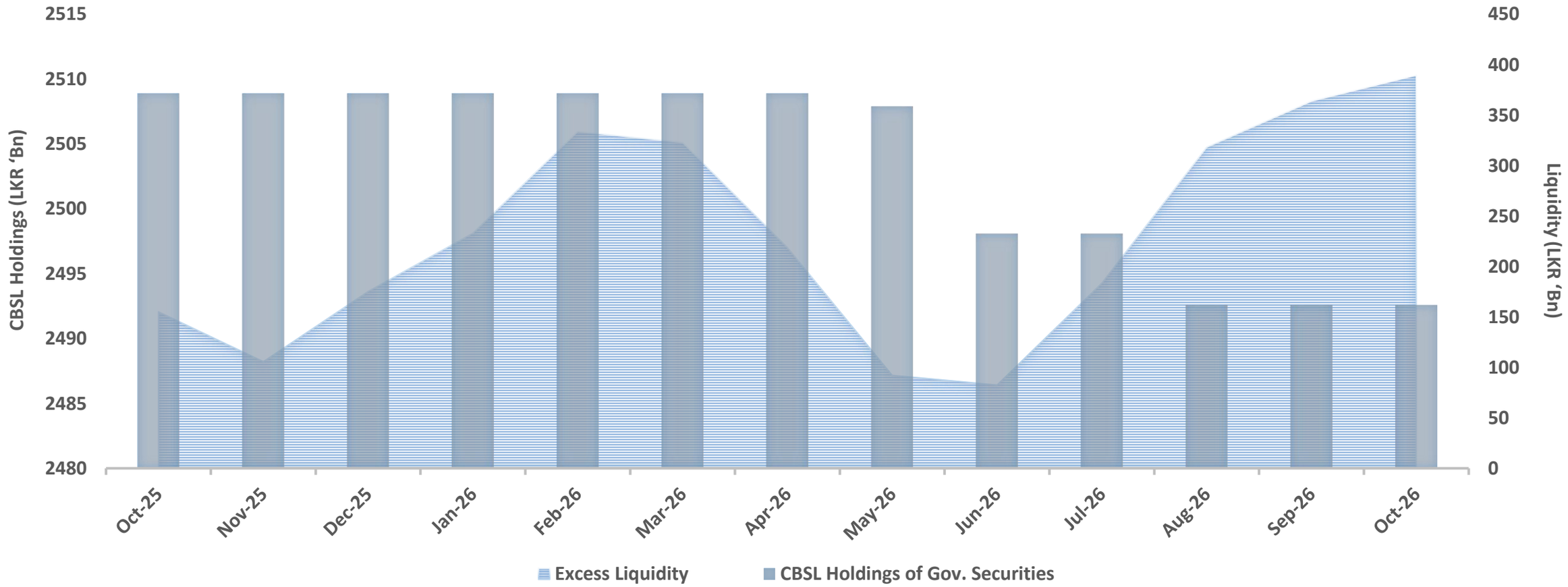
Net Settlement	Oct 2026	YTD
Maturities	492,767	5,995,229
Coupon Payment	154,954	1,478,635
New Issues	506,901	5,537,745
Excess/ (Deficit)	(140,820)	(1,936,119)

CBSL Holdings of Gov. Securities		YTD
As at End Oct 2026	2,492,619	
As at End Sep 2026	2,492,619	
Increase/ (Decrease)	**0**	**-16,320**

Source: PDMO, CBSL

CBSL HOLDINGS OF GOV. SECURITIES…

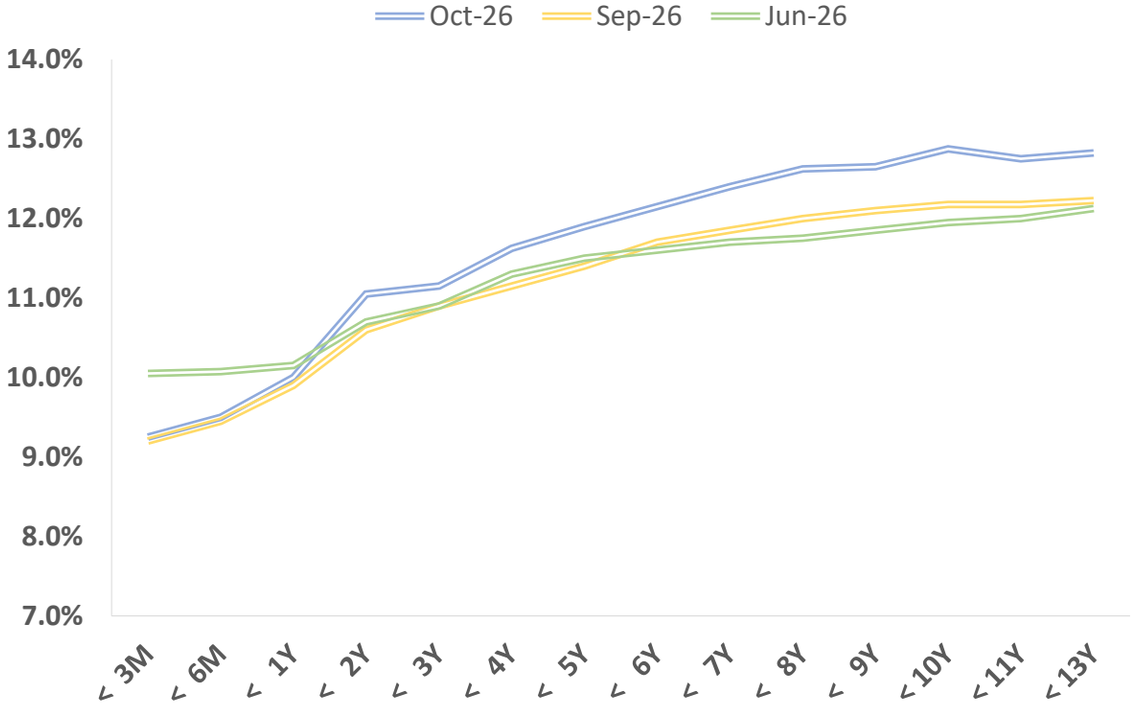
…unchanged in Oct 2026



Source: CBSL

TREASURY BILLS AND BONDS – OCT 2026

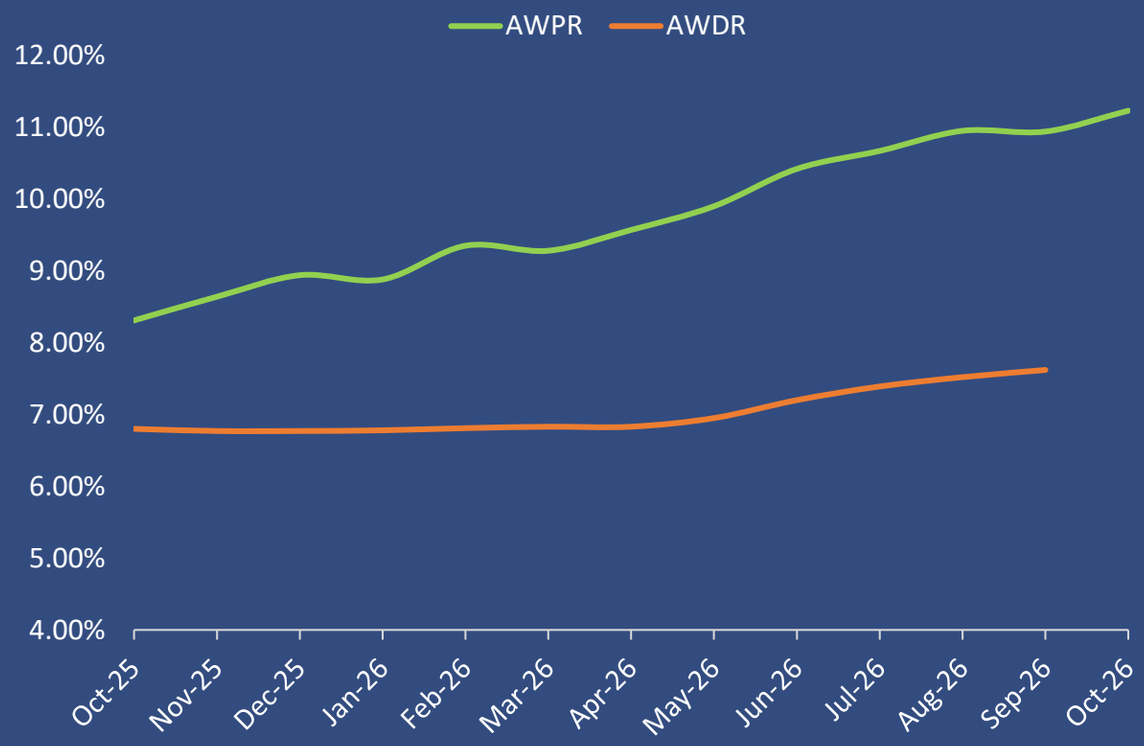
During Oct-26, the secondary market remained largely subdued amid cautious investor sentiment, geopolitical uncertainties and limited trading activity. Intermittent selling interest from both local and foreign investors drove a gradual upward adjustment in yields, particularly across longer-dated maturities. While some buying interest emerged in selected short-term maturities, including 2028 and 2029, overall market activity remained muted. T-Bill yields recorded a gradual increase compared to Sep-26, with the 3M weighted average yield rising to 9.25%, while the 6M and 12M yields rose to 9.50% and 10.00%, respectively, at end Oct-26. However, T-Bill rates remained below the levels seen in Jun-26, with 3M, 6M and 12M Bills edging lower by 80bps, 58bps, and 15bps respectively. Meanwhile, the T-Bond auction held on 13th Oct-26 raised LKR 80.7Bn, lower than the initial offer of LKR 100.0Bn. Both 2029 and 2031 maturities were accepted in full, while only a portion of the 2036 bond was accepted by the PDMO. Also, at the T-Bond auction held on 29th Oct-26, PDMO raised LKR 100.0Bn, compatible with the initial offer, with all 2030, 2034 and 2036 maturities accepted in full. Overall, the market remained characterised by cautious investor participation, selective demand and a gradual upward bias in yields throughout the month.



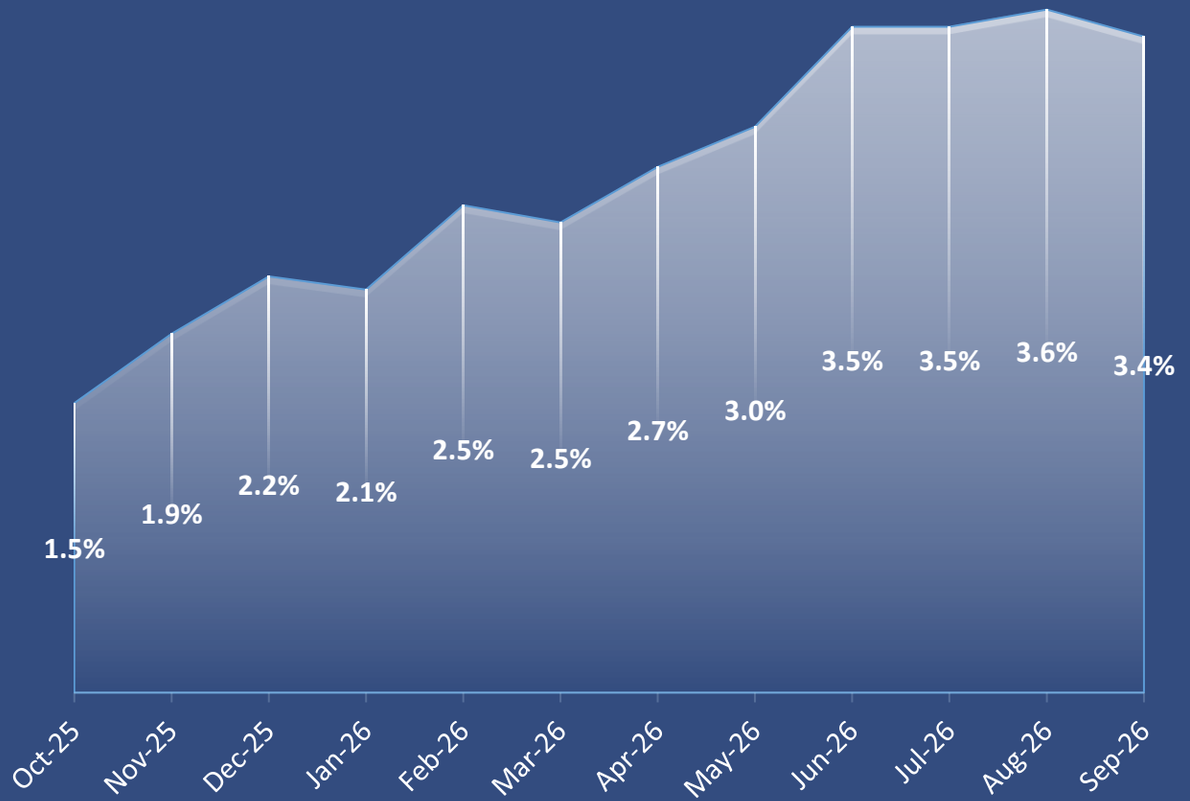
Interest Rate Change (bps)

Tenure	Oct 2026	Sep 2026	Change (bps)	June 2026	Change (bps)
< 3M	9.25%	9.20%	+5	10.05%	-80
< 6M	9.50%	9.45%	+5	10.08%	-58
< 1Y	10.00%	9.90%	+10	10.15%	-15
< 2Y	11.05%	10.60%	+45	10.70%	+35
< 3Y	11.15%	10.90%	+25	10.90%	+25
< 4Y	11.63%	11.15%	+48	11.30%	+33
< 5Y	11.90%	11.40%	+50	11.50%	+40
< 6Y	12.15%	11.70%	+45	11.60%	+55
< 7Y	12.40%	11.85%	+55	11.70%	+70
< 8Y	12.63%	12.00%	+63	11.75%	+88
< 9Y	12.65%	12.10%	+55	11.85%	+80
< 10Y	12.88%	12.18%	+70	11.95%	+93
< 11Y	12.75%	12.18%	+58	12.00%	+75
< 13Y	12.83%	12.23%	+60	12.13%	+70
< 15Y	N/A	N/A	N/A	N/A	N/A

AWPR vs AWDR



Interest Spread

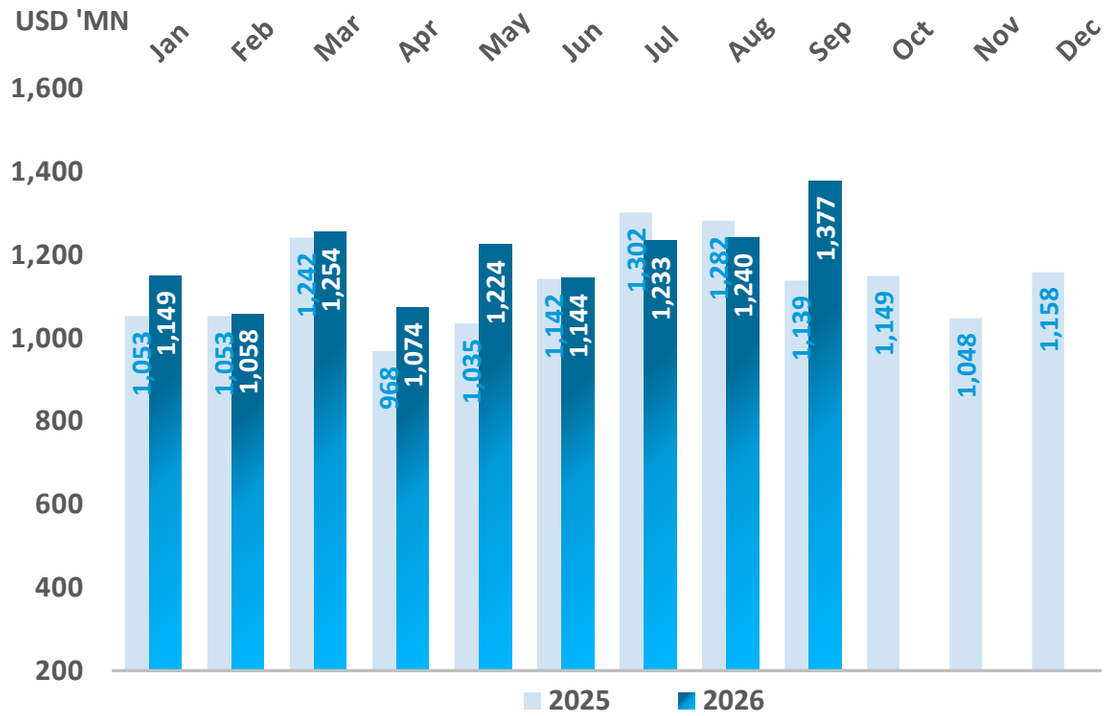


FINANCE SECTOR RATE MOVEMENTS

EXTERNAL SECTOR – SEP 2026 - EXPORTS

In Sep-26, exports stood at USD 1,377.3Mn, reflecting a 21.0%YoY increase. Industrial exports, which account for the largest share of the export basket, increased by 27.7%YoY during the month, amid higher performance particularly in Textiles and garments, and Petroleum Products categories. Agricultural exports also increased by 2.9%YoY, while Mineral & Other exports decreased by 36.4%YoY. Nevertheless, cumulative exports during the first nine months of 2026 reached USD 10,754.2Mn, recording a 5.3%YoY increase. Industrial exports continued to underpin overall export growth, rising 6.9%YoY on a year-to-date basis, while Mineral & Other exports expanded by 2.9%YoY. In contrast, Agricultural exports declined by 0.3%YoY during the period.

Category	2025 (USD 'Mn)	2026 (USD 'Mn)	Change (%)
Industrial Exports			
- Sep	838.8	1,071.2	27.7
- YTD	7,854.2	8,398.3	6.9
Agricultural			
- Sep	293.4	302.0	2.9
- YTD	2,323.6	2,317.4	-0.3
Mineral & Other Exports			
- Sep	6.3	4.0	-36.4
- YTD	37.3	38.4	2.9
Total			
- **Sep**	1,138.5	1,377.3	21.0
- **YTD**	10,215.1	10,754.2	5.3

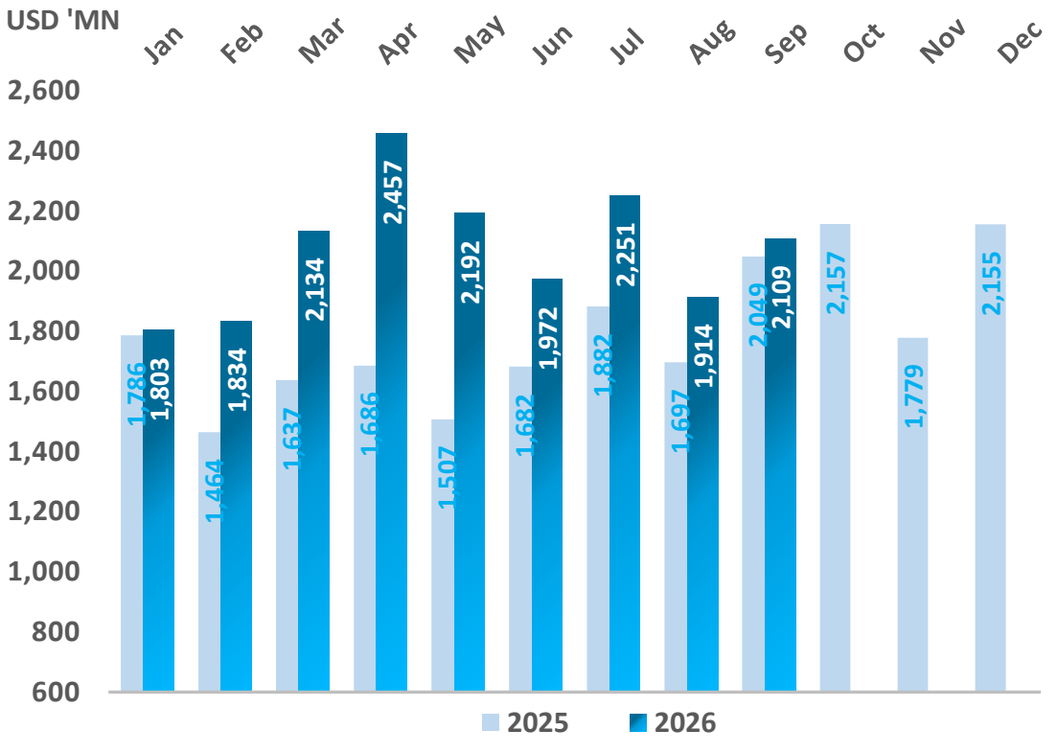


Source: CBSL

EXTERNAL SECTOR - SEP 2026 - IMPORTS

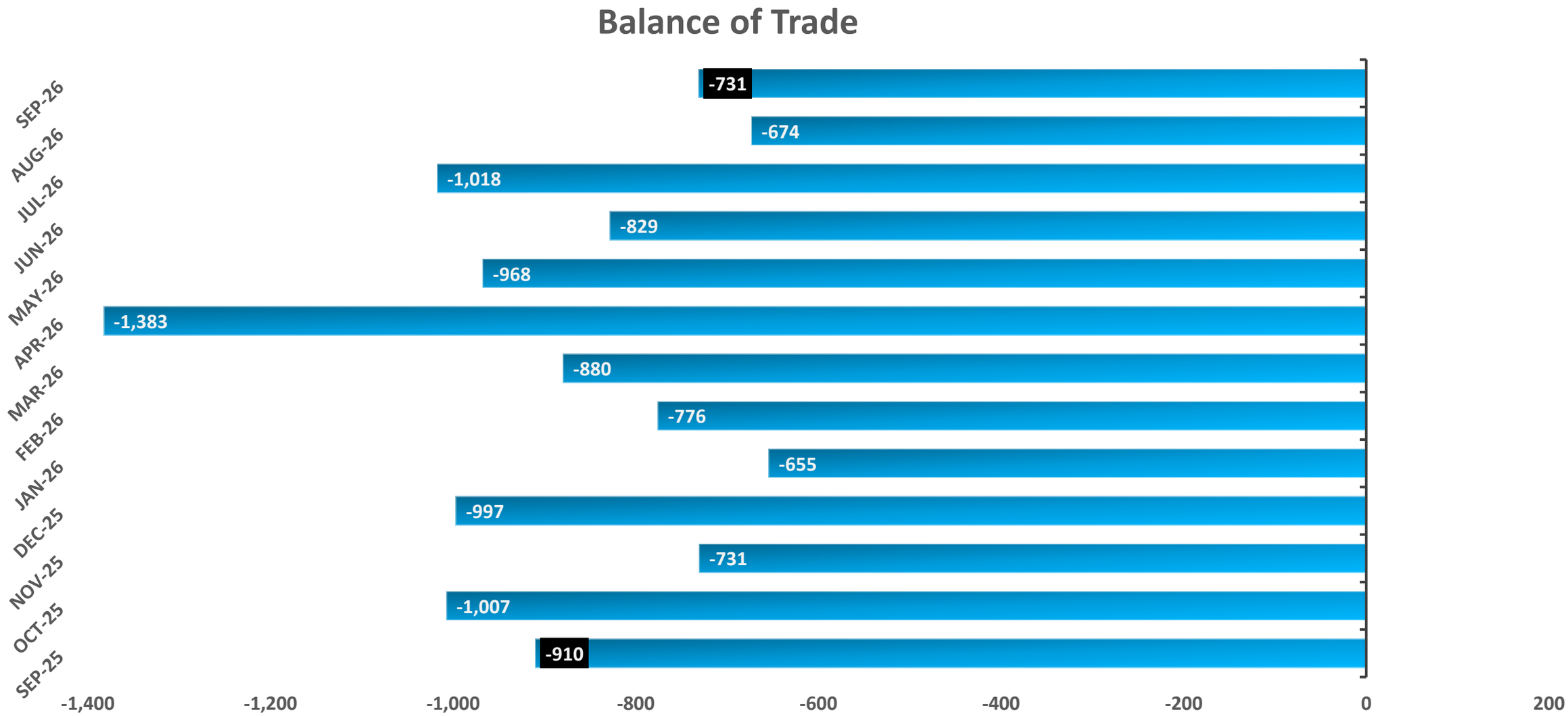
In Sep-26, imports increased to USD 2,108.6Mn, recording a 2.9%YoY growth. Intermediate goods imports, the largest component of the import basket, declined by 4.9%YoY, while investment goods and other imports increased by 45.9%YoY during the month. Meanwhile, consumer goods imports declined by 8.0%YoY. Cumulative imports for the first nine months of 2026 stood at USD 18,665.7Mn, denoting a 21.3%YoY increase, driven by growth in investment goods & other imports (+26.0%YoY) and intermediate goods (+21.3%YoY) while consumer goods imports increased by 17.5%YoY on a YTD basis.

Category	2025 (USD 'Mn)	2026 (USD 'Mn)	Change (%)
Consumer goods			
- Sep	521.8	480.1	-8.0
- YTD	3,816.4	4,484.6	17.5
Intermediate			
- Sep	1,179.8	1,122.0	-4.9
- YTD	8,617.2	10,456.2	21.3
Investment goods & other			
- Sep	347.0	506.5	45.9
- YTD	2,955.9	3,724.9	26.0
Total			
- Sep	2,048.6	2,108.6	2.9
- YTD	15,389.5	18,665.7	21.3



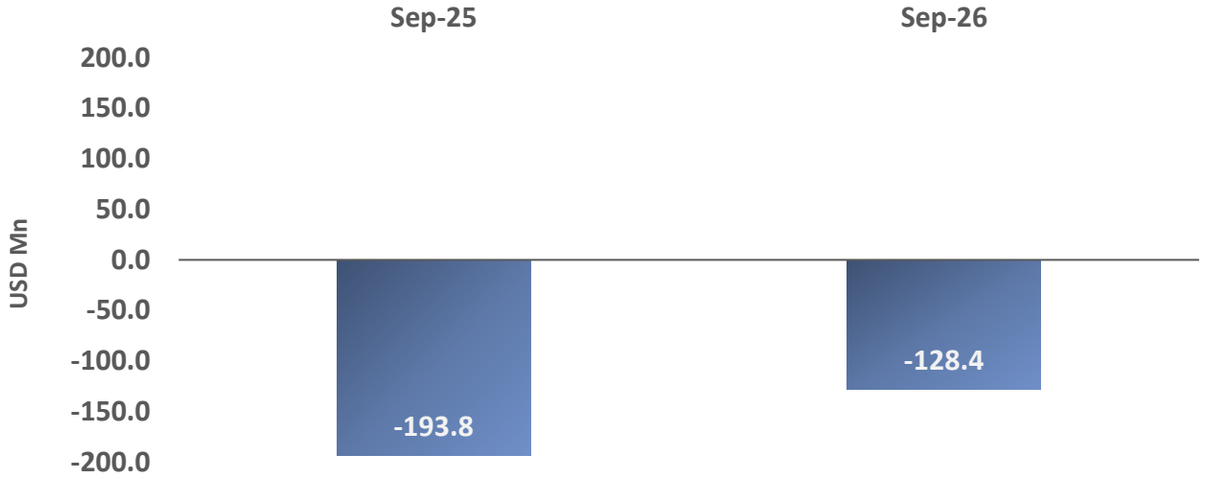
Source: CBSL

EXTERNAL SECTOR – SEP 2026

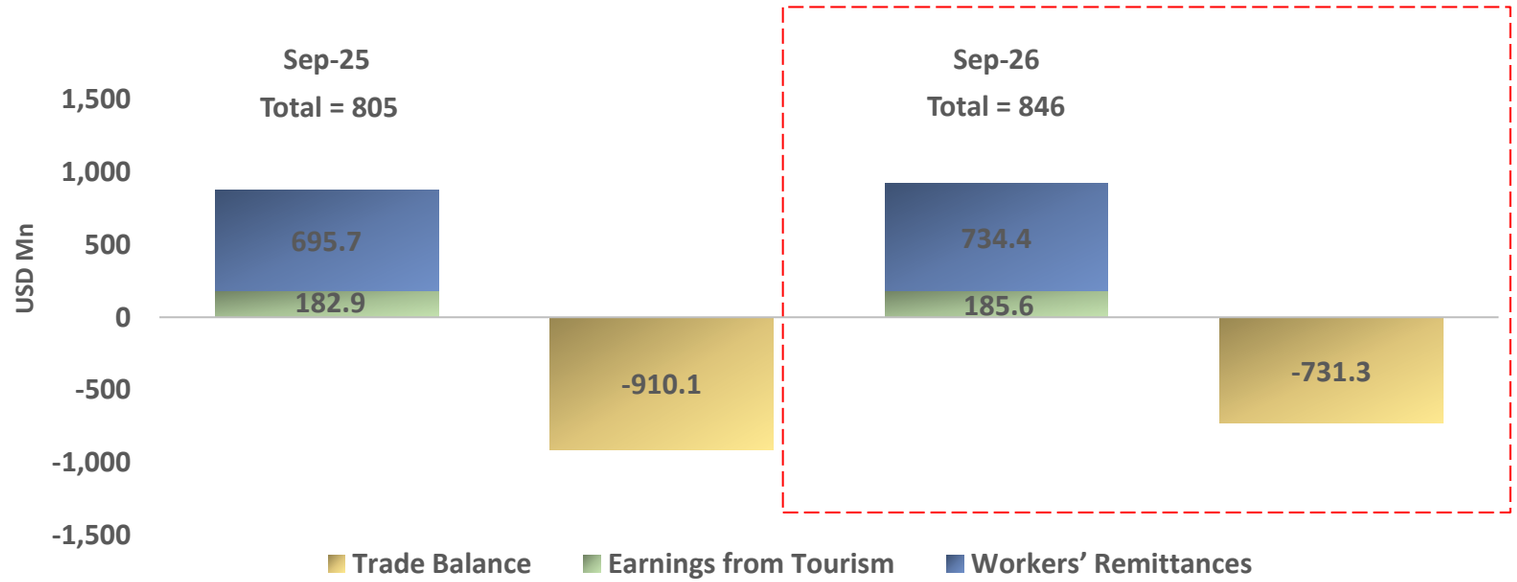


Source: CBSL

The Current Account Balance for Sep-26 recorded a deficit of USD 128.4Mn, improving from a deficit of USD 193.8Mn seen in Sep-25.



Workers' Remittances increased to USD 734.4Mn (+5.6%YoY) in Sep-26 while Earnings from Tourism increased to USD 185.6Mn (+1.5%YoY).



CURRENT ACCOUNT BALANCE IMPROVED YOY IN SEP-26

AUG USD Mn	2025	2026	Change (%)
Trade Balance	-910.1	-731.3	-19.6
Earnings from Tourism	182.9	185.6	+1.5
Workers' Remittances	695.7	734.4	+5.6

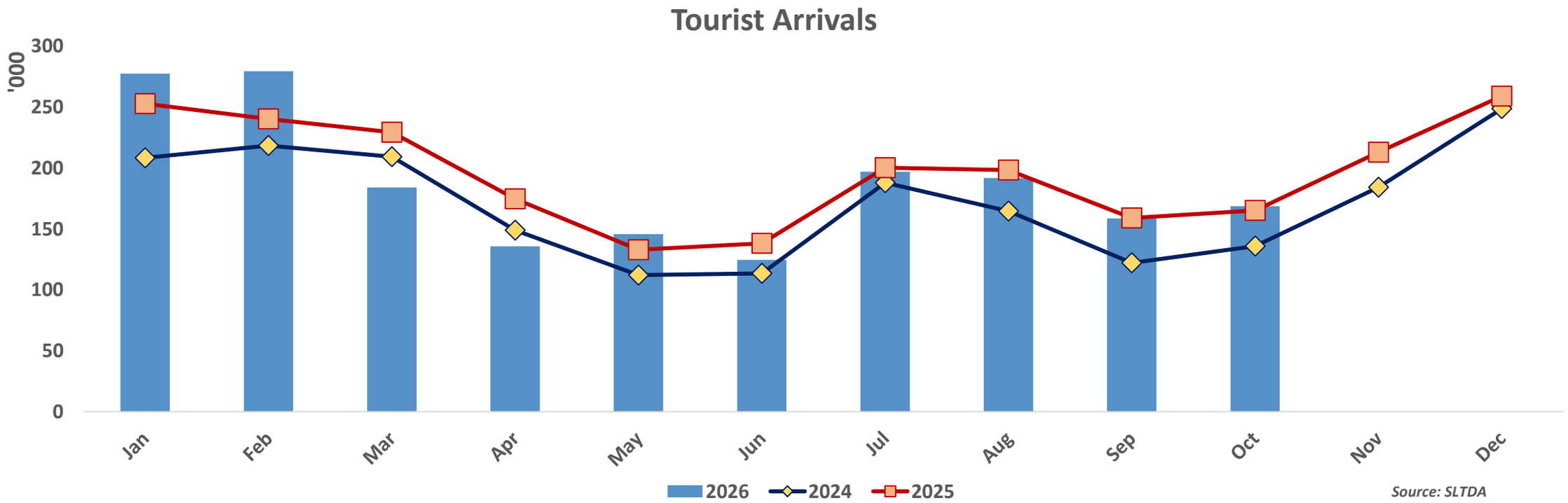
YTD USD 'Mn	2025	2026	Change (%)
Trade Balance	-5,174.4	-7,911.5	-52.9
Earnings from Tourism	2,472.9	2,245.2	-9.2
Workers' Remittances	5,811.7	6,865.4	+18.1

Source: CBSL

TOURIST ARRIVALS – OCT 2026

[OCT 168,625: UP +2.1%YoY] [MoM: UP +6.3%]

Total tourist arrivals for Oct-26 reached 168,625, reflecting a YoY uptick of 2.1% and a MoM increase of 6.3%. India remained the largest source market, accounting for 37.0% of total arrivals during the month. This was followed by the United Kingdom (7.0%), China (7.0%), Australia (5.0%), and Germany (5.0%).

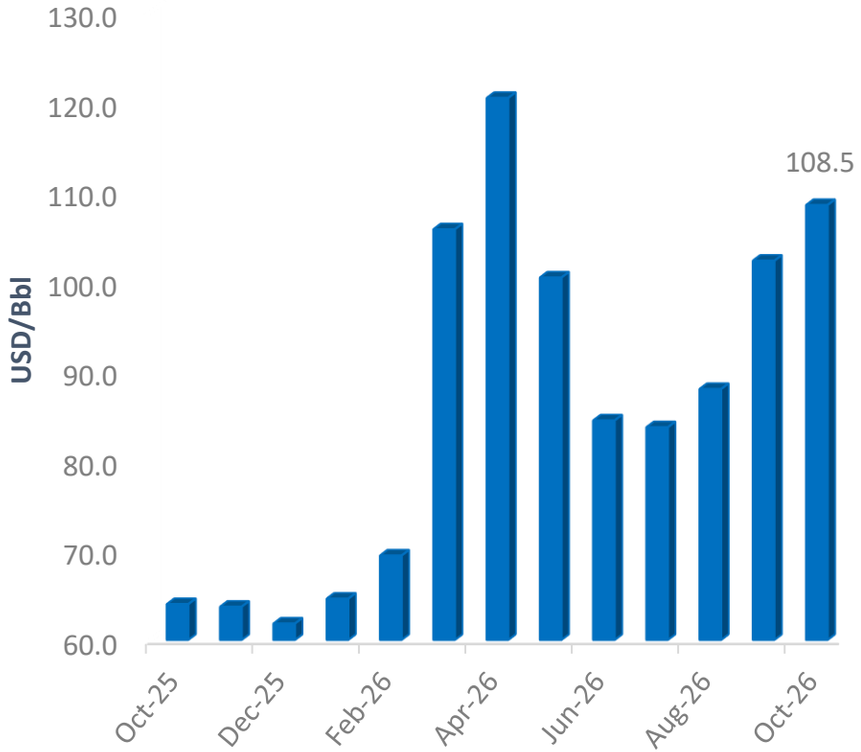


Source: SLTDA

COMMODITY PRICES - OCT 2026

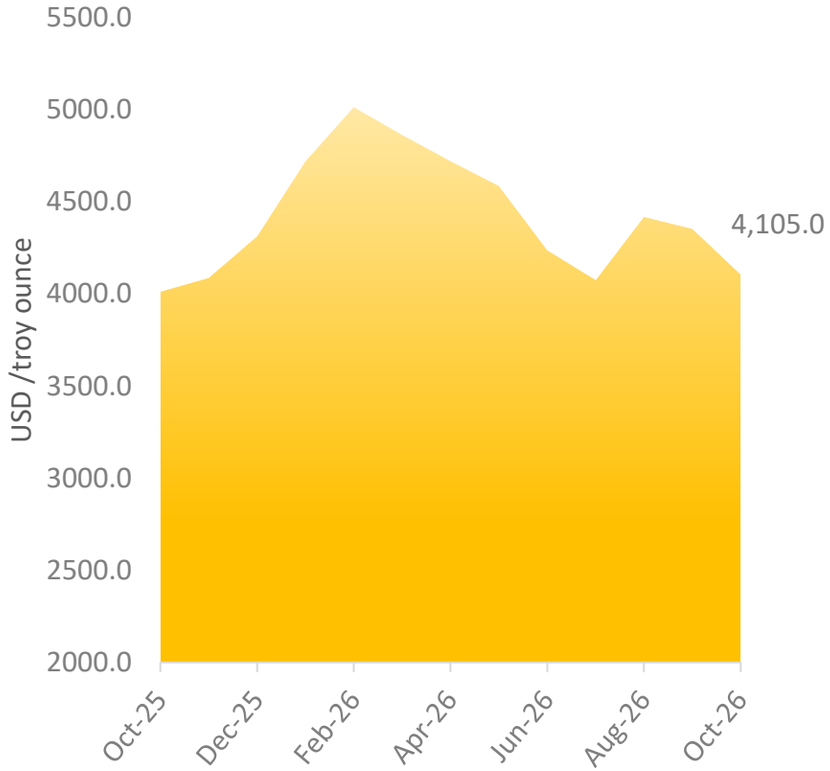
Crude oil





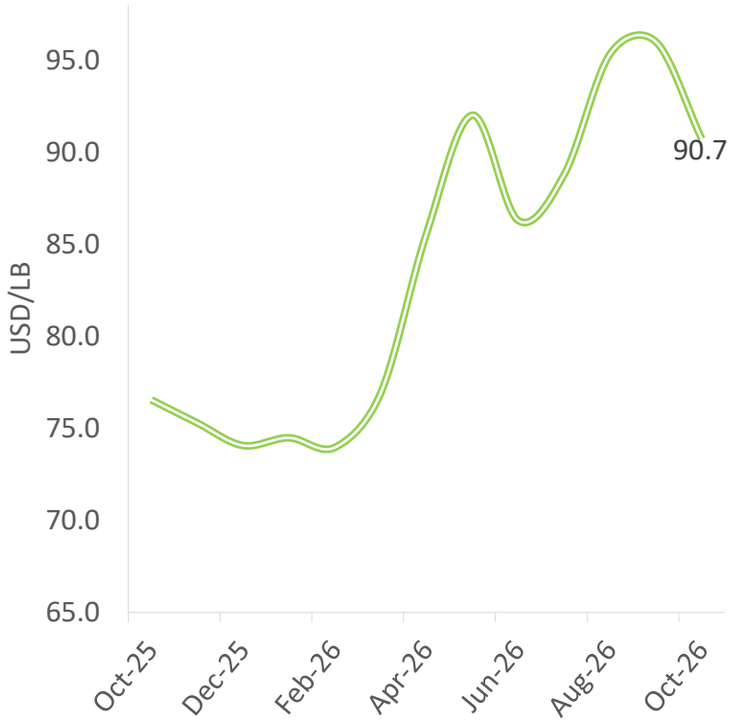
Gold





Cotton





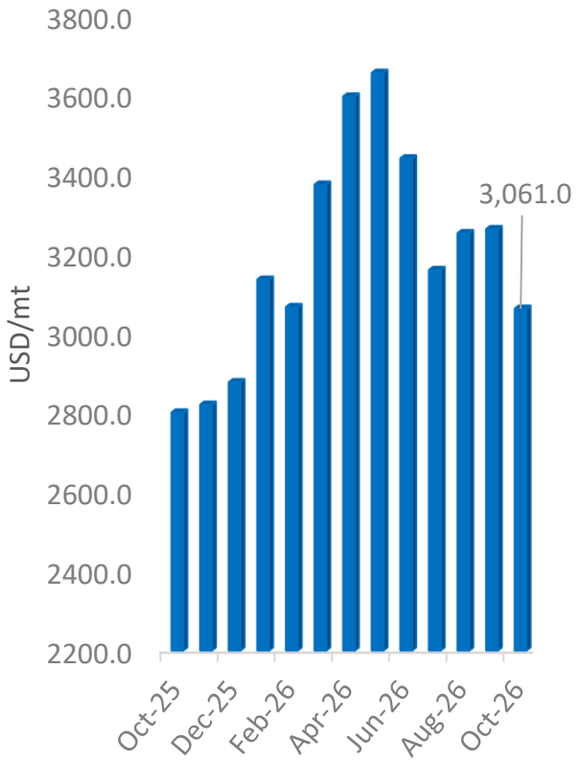
Note: crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

Source: IMF, World Bank

COMMODITY PRICES - OCT 2026 CONT'D

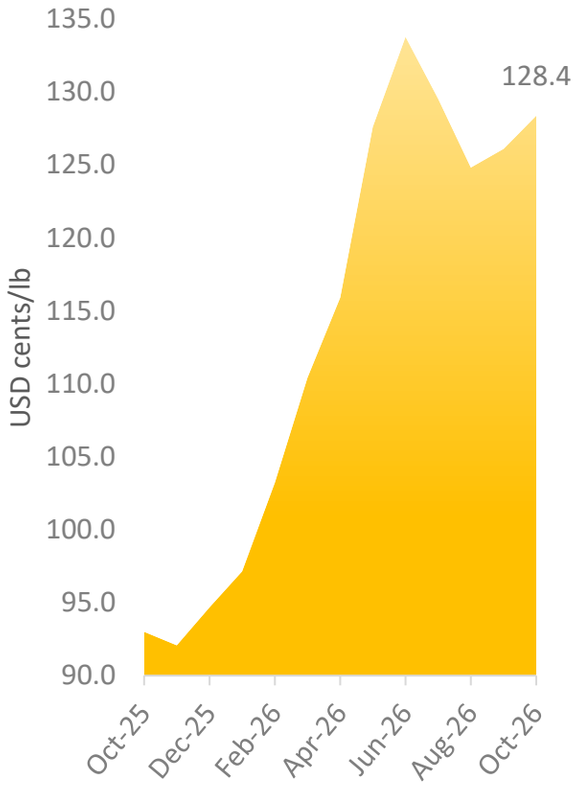
Aluminum





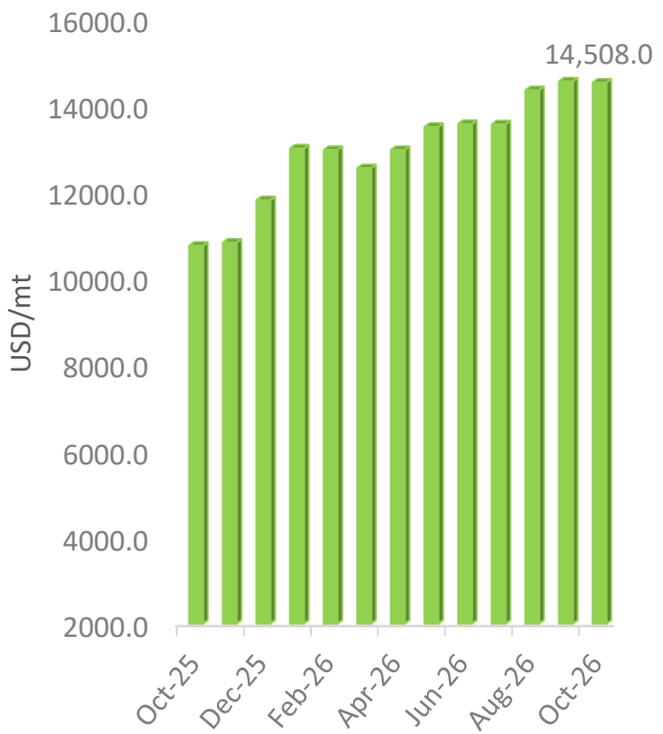
Rubber





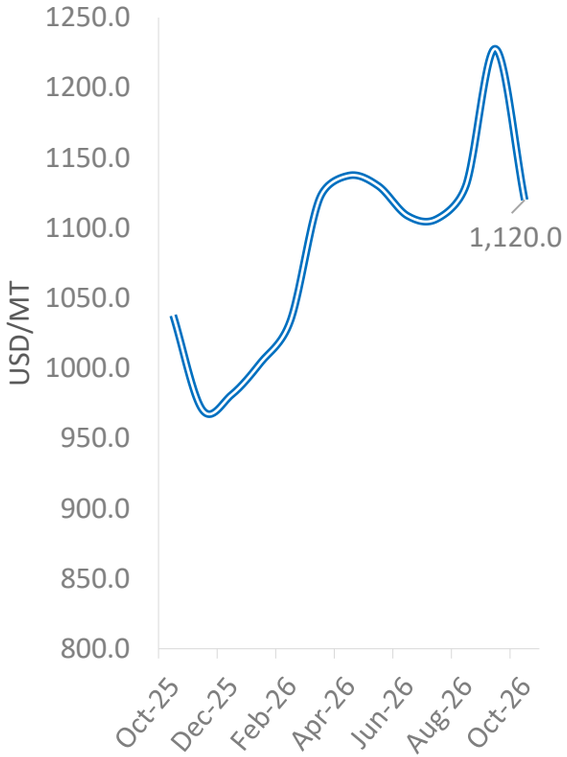
Copper





Palm oil

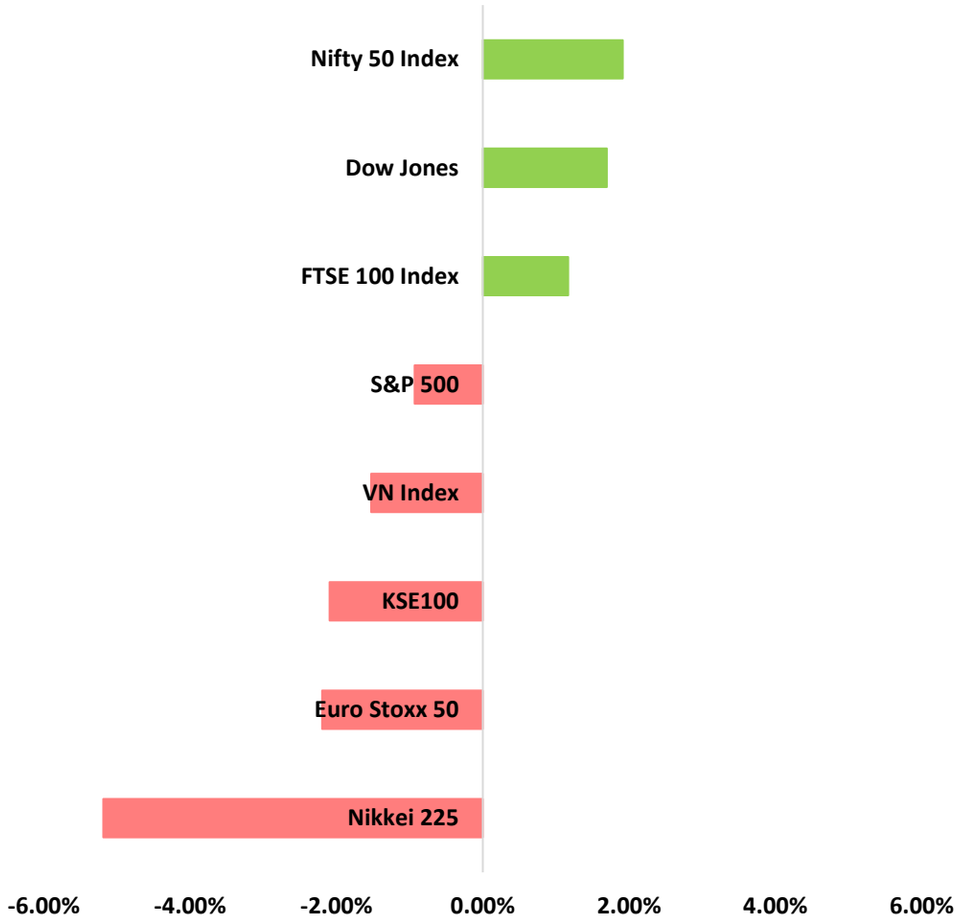




Note: price of no. 3 rubber smoked sheets have been taken as the rubber prices whilst for palm oil, prices of Malaysia palm oil futures have been considered

Source: IMF, World Bank

GLOBAL MARKET – OCT 2026



Asian rice price climbs near two-year high in inflation threat (5 Nov)

A benchmark Asian rice price climbed to the highest in almost two years, threatening to accelerate food inflation as the El Niño weather pattern disrupts production of the staple grain.

Bloomberg

Euro zone inflation hits 4% for first time in three years as interest rate hike looms (4 Nov)

Inflation in the Euro area jumped to a three-year high of 4% in October, a flash estimate showed on 4th November 2026. The reading is in line with the expectations of economists polled by Reuters and was up from 3.8% in September. Officials said the increase was largely due to surging energy costs, with energy inflation rising to 20.8% from 18.9% in September.

CNBC

Trump's midterm drubbing could give trade partners room to resist (4 Nov)

The drubbing for Donald Trump's Republicans in US midterm elections could embolden some trade partners to push back against his combative policies, although they may need to tread lightly to avoid provoking him in his final two years in power.

REUTERS WORLD

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