



First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

Apr 2025

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US PRESIDENT TRUMP IMPOSES 44.0% TARIFF ON SRI LANKA

- On 2nd Apr-25, the U.S., under President Donald Trump, announced a new "reciprocal tariff" policy for all trading partners, which included a 44.0% tariff on all goods imported from Sri Lanka.
- This action was in response to the U.S. claim that Sri Lanka imposes an equivalent of 88.0% in tariffs and trade barriers on American goods.
- The implementation of this significant tariff, which was set to take effect on 9th Apr-25, caused considerable concern in Sri Lanka due to the potential negative impact on its export-dependent economy, particularly the apparel sector.
- However, on 10th Apr-25, the U.S. announced a 90-day suspension of these country-specific reciprocal tariffs, excluding China, thus providing a temporary reprieve for Sri Lanka and other trading partners until 8th Jul-25.
- During this suspension, a universal 10.0% tariff applies to all U.S. trading partners, including Sri Lanka, as negotiations are expected to take place.

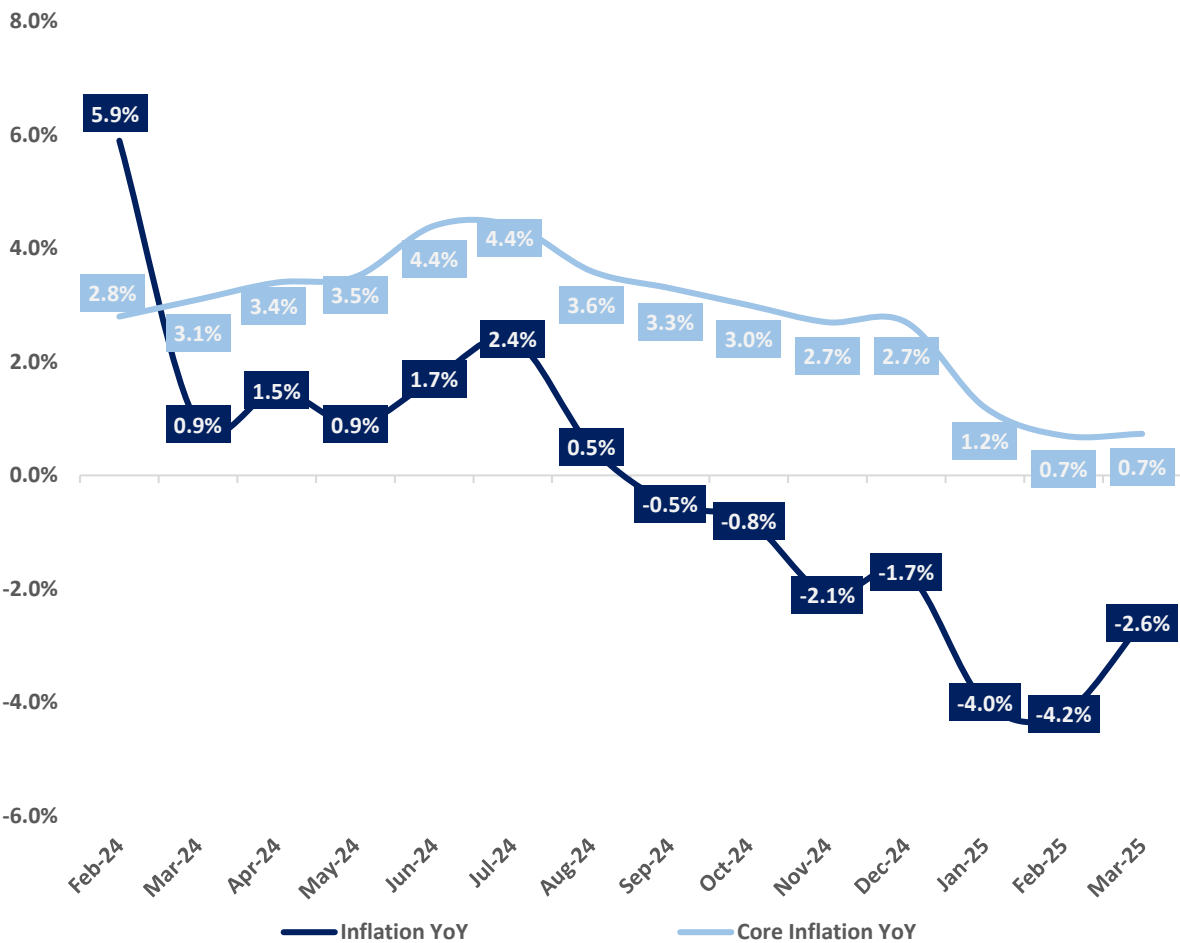
CCPI FOR MAR 2025:

MOM -0.3%

YOY -2.6%

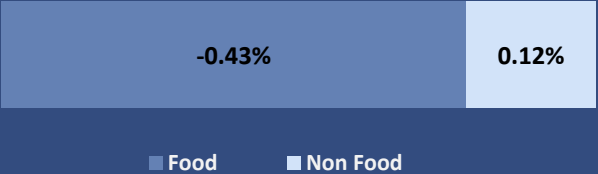
- MoM inflation decreased to -0.3%. This was driven by a 1.3%MoM dip in Food items against a 0.2% uptick in Non-Food items.
- The YoY figure increased to -2.6% in Mar 2025 from -4.2% in the previous month. This was propelled by a 0.6%YoY increase in Food items, along with Non-Food inflation rising to -4.1%YoY in Mar 2025, compared to -6.1%YoY seen in Feb.

Inflation – CCPI

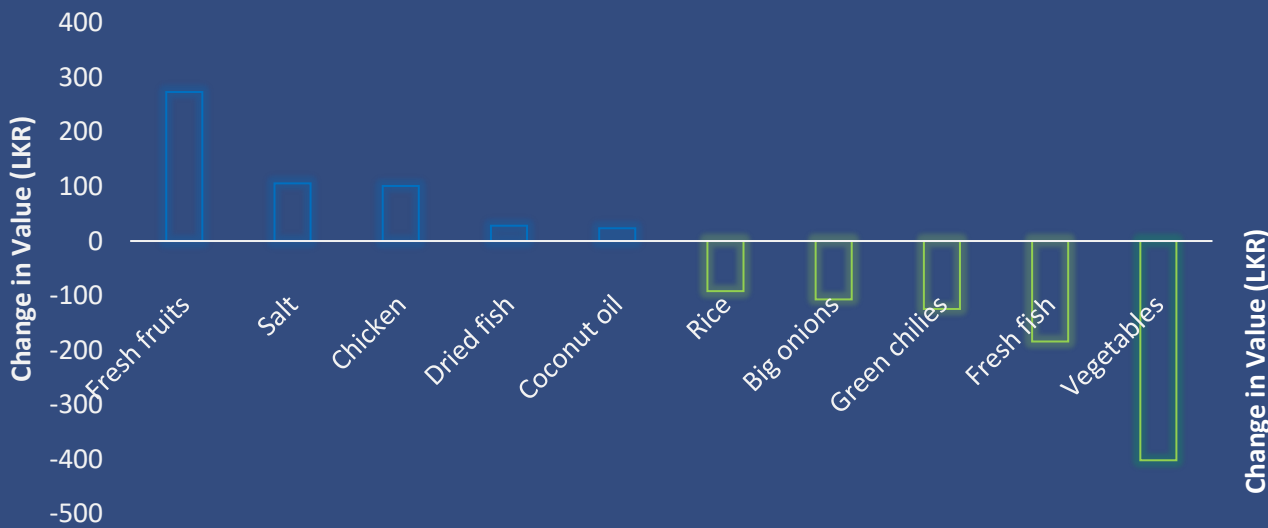


INFLATION ANALYSIS – CCPI-MOM

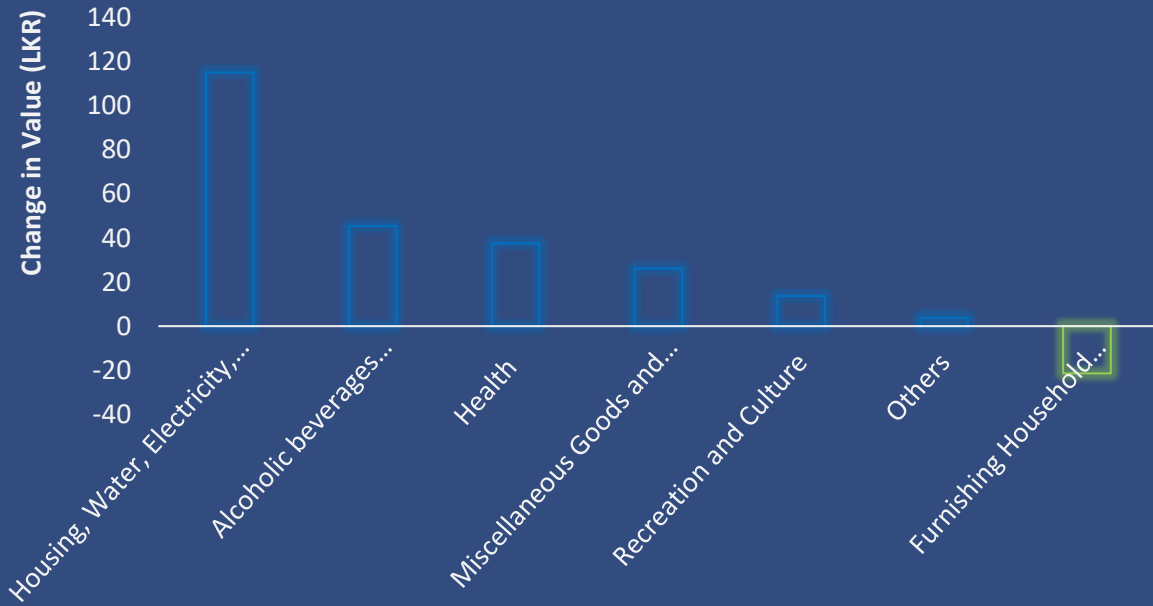
The CCPI Index for Mar 2025, dropped by 0.3%MoM. It was a 0.43% reduction in Food items that dominated this downturn. Consequently, Vegetables dropped by 0.23% followed by a 0.10% reduction in Fresh Fish, a 0.07% decrease in Green Chiles, a 0.06% decrease in Big Onions and a 0.05% decrease in Rice. The Non-Food group on the other hand recorded a 0.12% increase. The major subcomponents that fueled this were Housing, Water, Electricity, Gas and Other Fuels which rose by 0.07% Alcoholic Beverages, Tobacco and Narcotic which rose by 0.03%, Health which rose by 0.02% and Miscellaneous Goods and Services which rose by 0.01%.



Food Category Inflation



Non-Food Category Inflation

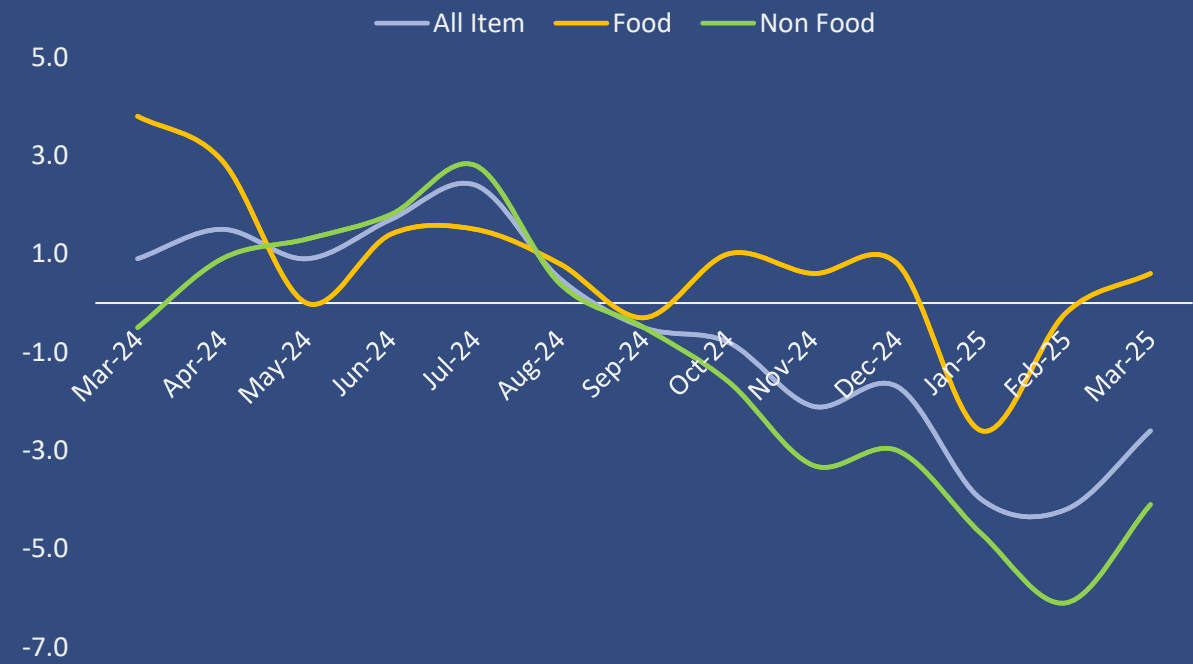


INFLATION ANALYSIS – CCPI-YOY

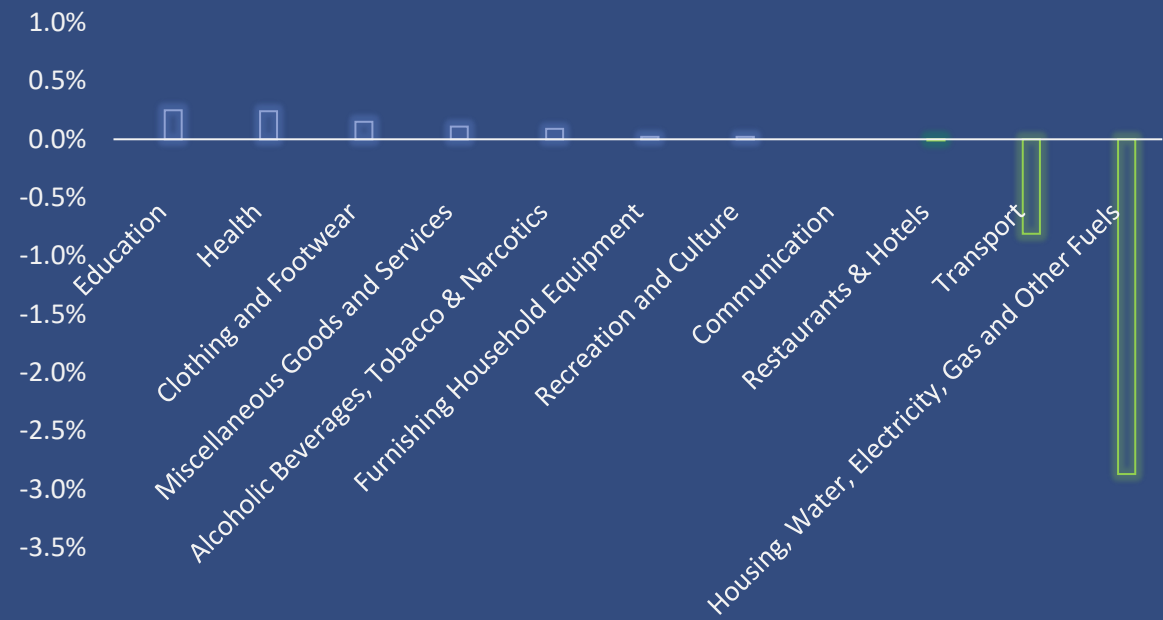
The YoY inflation of CCPI for Mar 2025 stood at -2.6%, registering an uptick from the -4.2% level seen in Feb 2025. While YoY inflation of the Food group rose to 0.6% in Mar 2025 from -0.2% seen in the previous month, YoY inflation of the Non-Food category increased to -4.1% in Mar from -6.1% in Mar 2025.



Inflation Analysis (YoY)



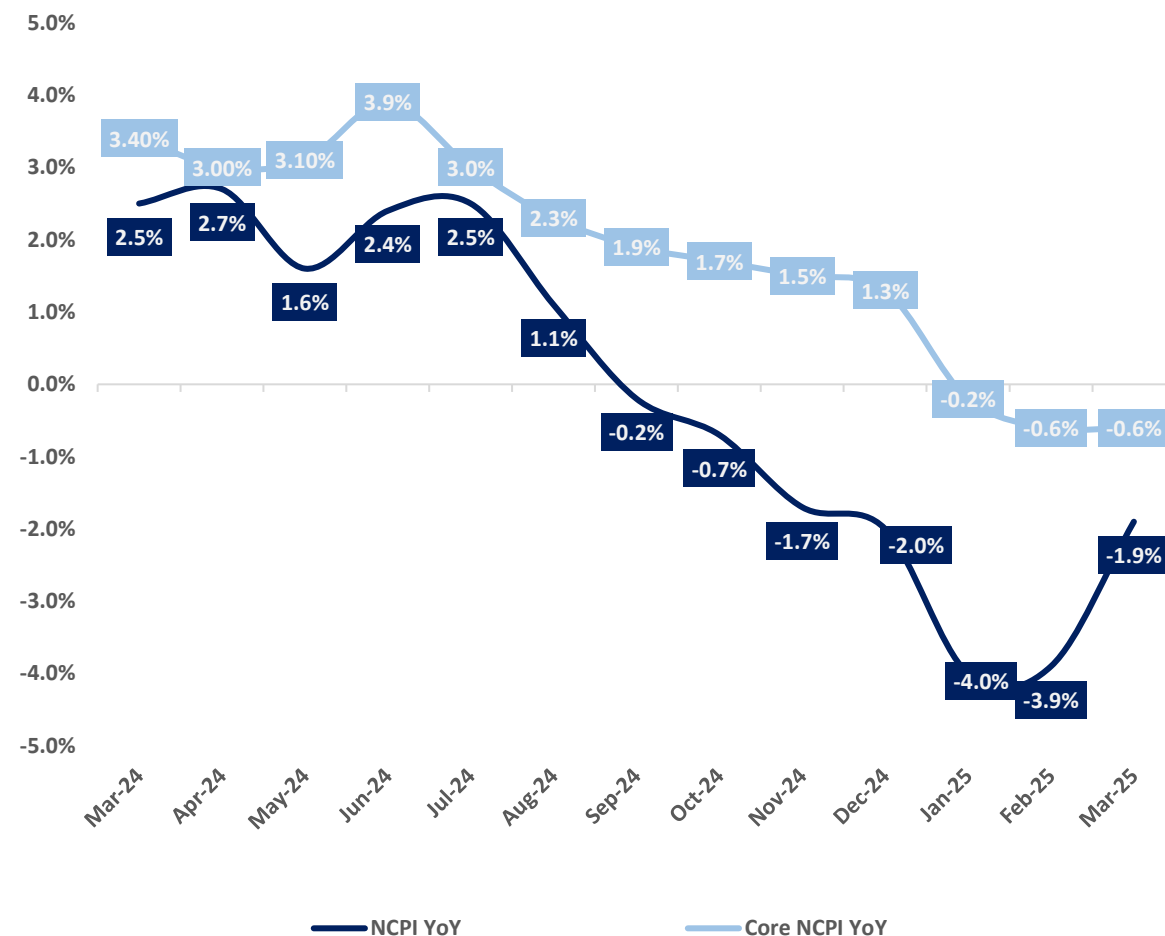
Non-Food Category Inflation



NCPI FOR MAR 2025: INCREASED TO -1.9%YOY

- NCPI for Mar 2025, inflated to -1.9% from -3.9% seen in Feb 2025.
- This trend was driven by subsequent increments seen in both Food and Non-Food categories. In Mar 2025, Food inflation increased to 0.8% from -1.1% seen in the previous month. Non-Food inflation also increased to -4.1% in Mar 2025 from -6.0% registered in the previous month.

Inflation – NCPI

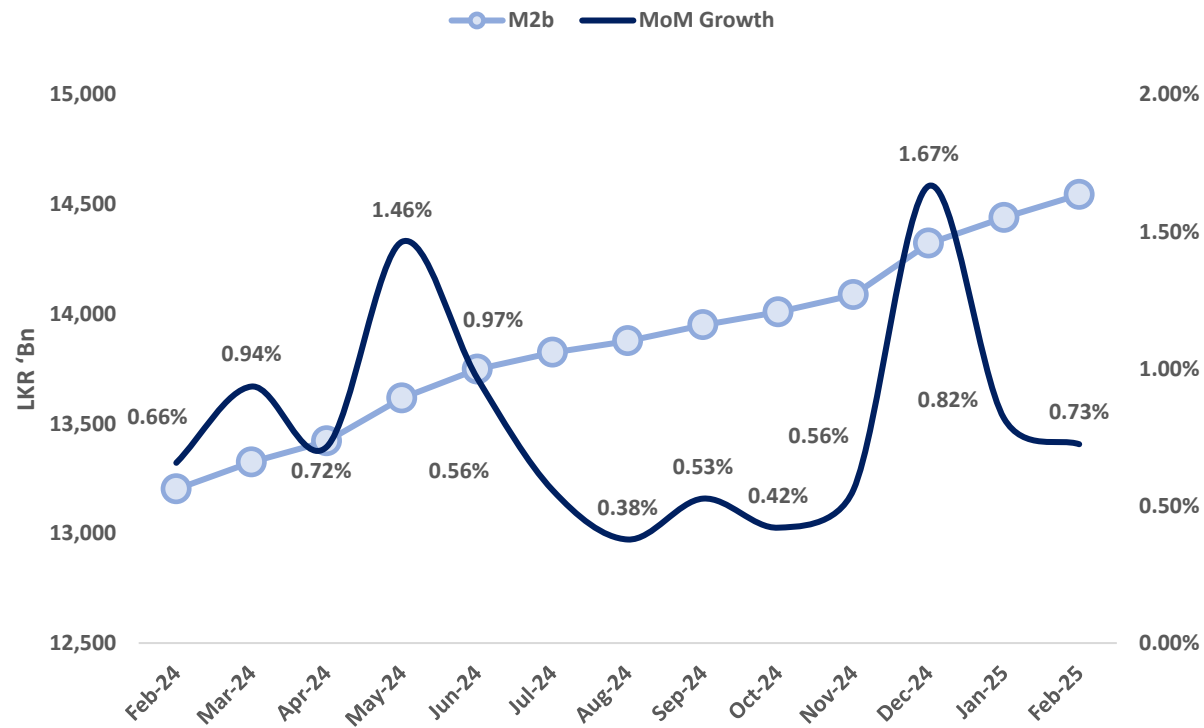


M2B AND CREDIT GROWTH

Private sector credit expanded by LKR 105.5Bn in Feb 2025. However, state credit registered a dip of LKR 46.9Bn for the month of Feb 2025, deviating from the upward trajectory seen since late 2024.

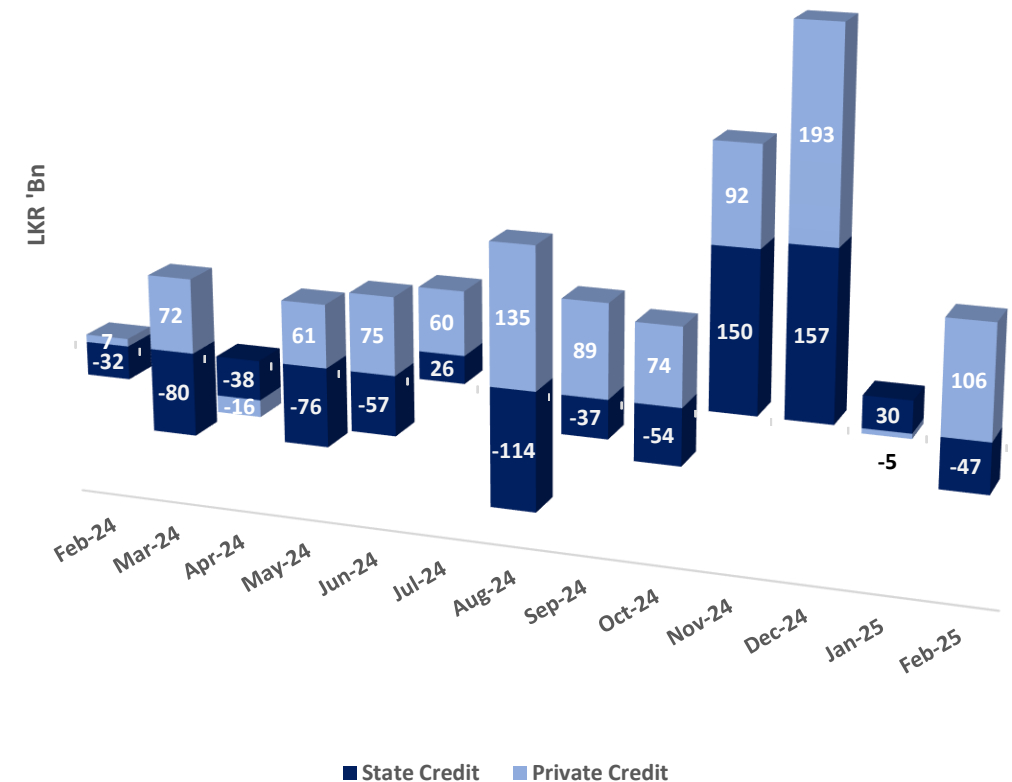
M2b Growth – Feb 2024

MoM +0.7%, YoY +10.2%, YTD +1.6%



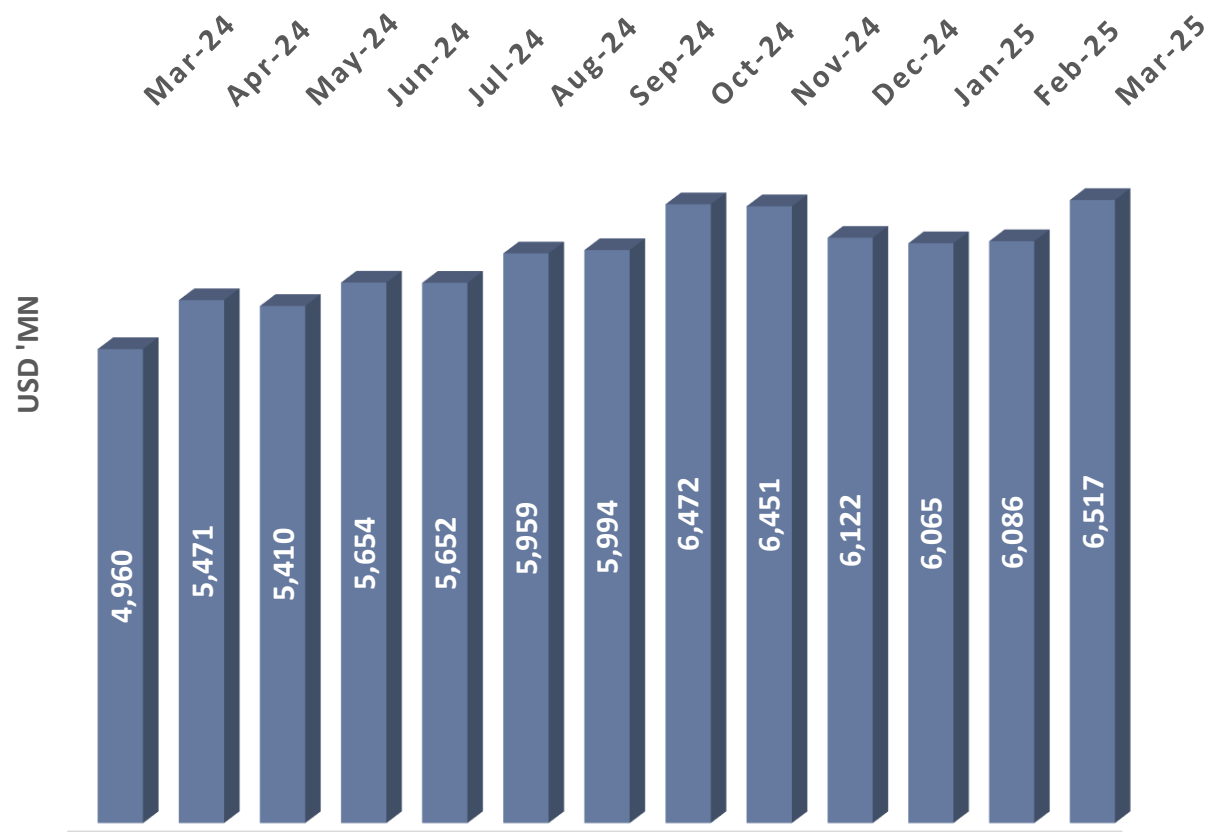
State Credit & Private Credit – Feb 2024

Private Credit MoM +1.3%, YoY +12.8%, YTD +1.2%

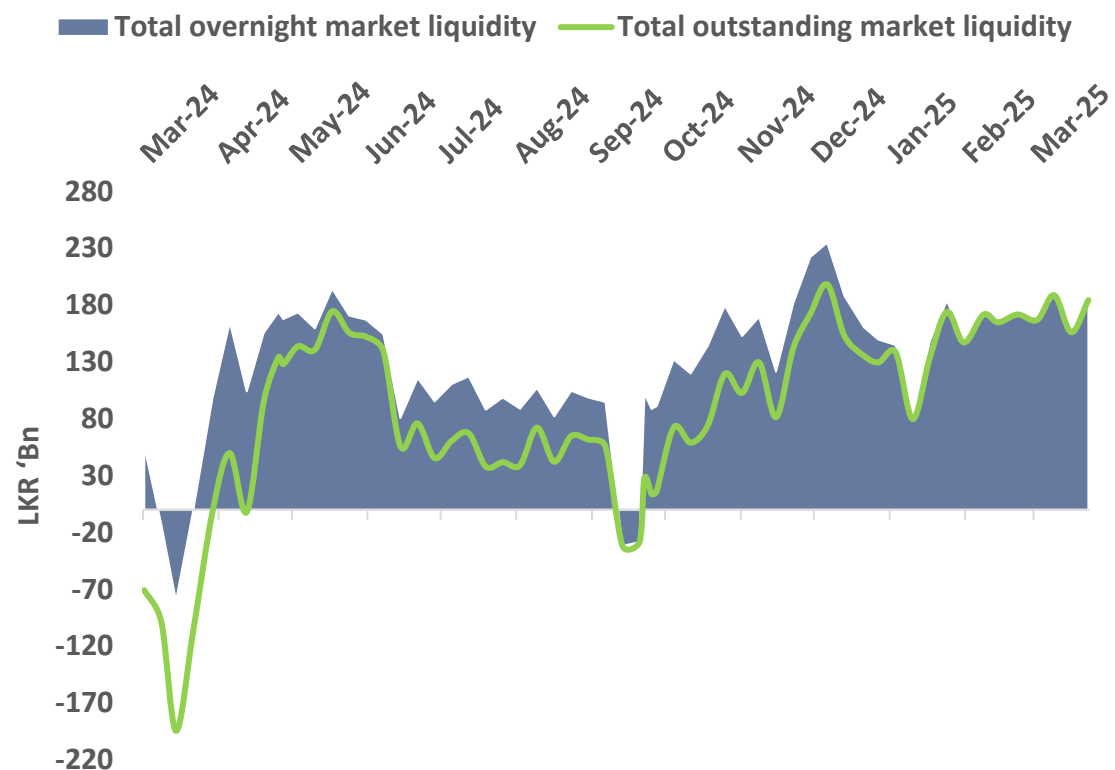


LIQUIDITY & RESERVES

- Foreign Reserves increased by USD 431.0Mn to USD 6, 517Mn in Mar 2025.



- Both overnight market liquidity and outstanding market liquidity continued to remain the same and relatively high throughout the month closing at LKR 184.3Bn.

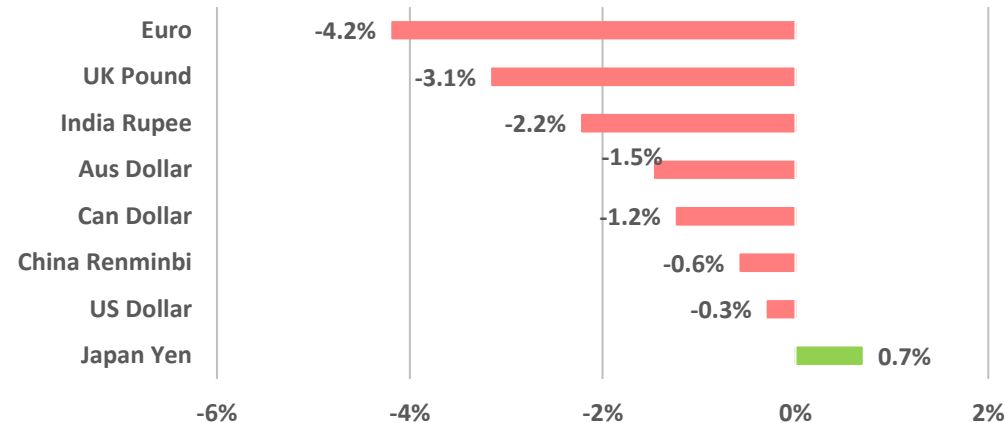


Note: total outstanding market liquidity represents overnight liquidity adjusted for outstanding amounts of term repo/reverse repo transactions of the central bank with market participants.

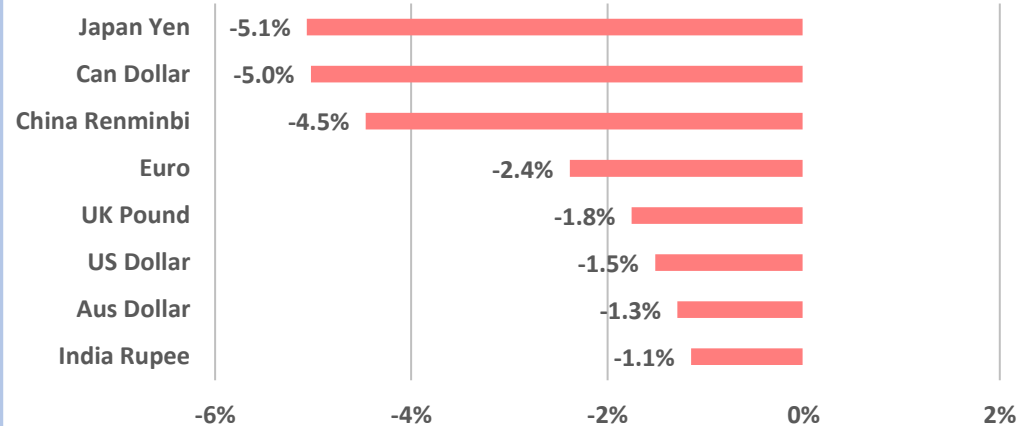
USD:LKR Movement



MAR 2025



YTD 2025



GOVERNMENT SECURITIES – NEW ISSUES

Bill and Bond auctions for Mar 2025

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
7-Mar-25	180,000	30,250	210,250
14-Mar-25	182,050		182,050
21-Mar-25	157,300	231,000	388,300
28-Mar-25	73,899		73,899
Total Issued			854,499

Net settlements for Mar 2025

Net Settlement	Mar 2024	YTD
Maturities	728,945	2,166,327
Coupon Payment	140,464	430,894
New Issues	854,499	2,469,555
Excess/ (Deficit)	(14,910)	(127,665)

CBSL Holdings of Gov. Securities		YTD
As at End Mar 2025	2,512,000	
As at End Dec 2024	2,516,000	
Increase/ (Decrease)	-4,000	-4,000

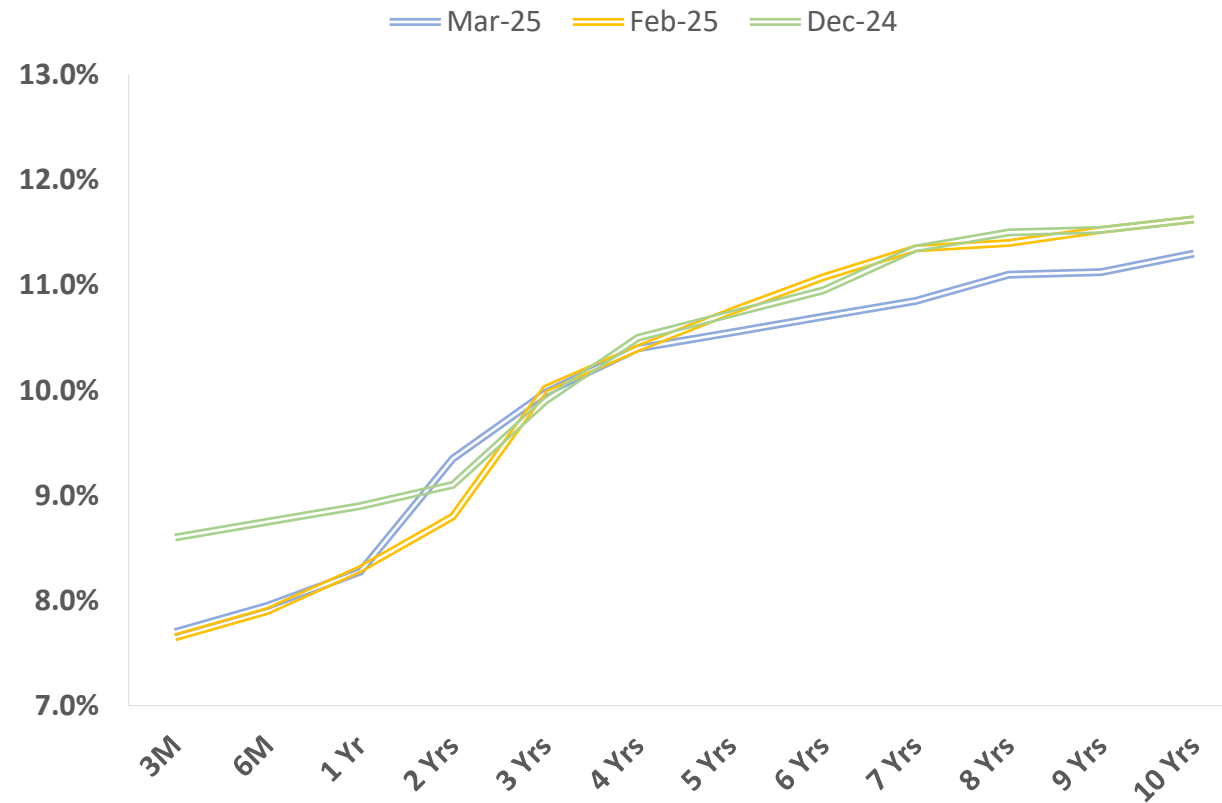
CBSL HOLDINGS OF GOV. SECURITIES...

...remained largely stagnant in Mar 2025



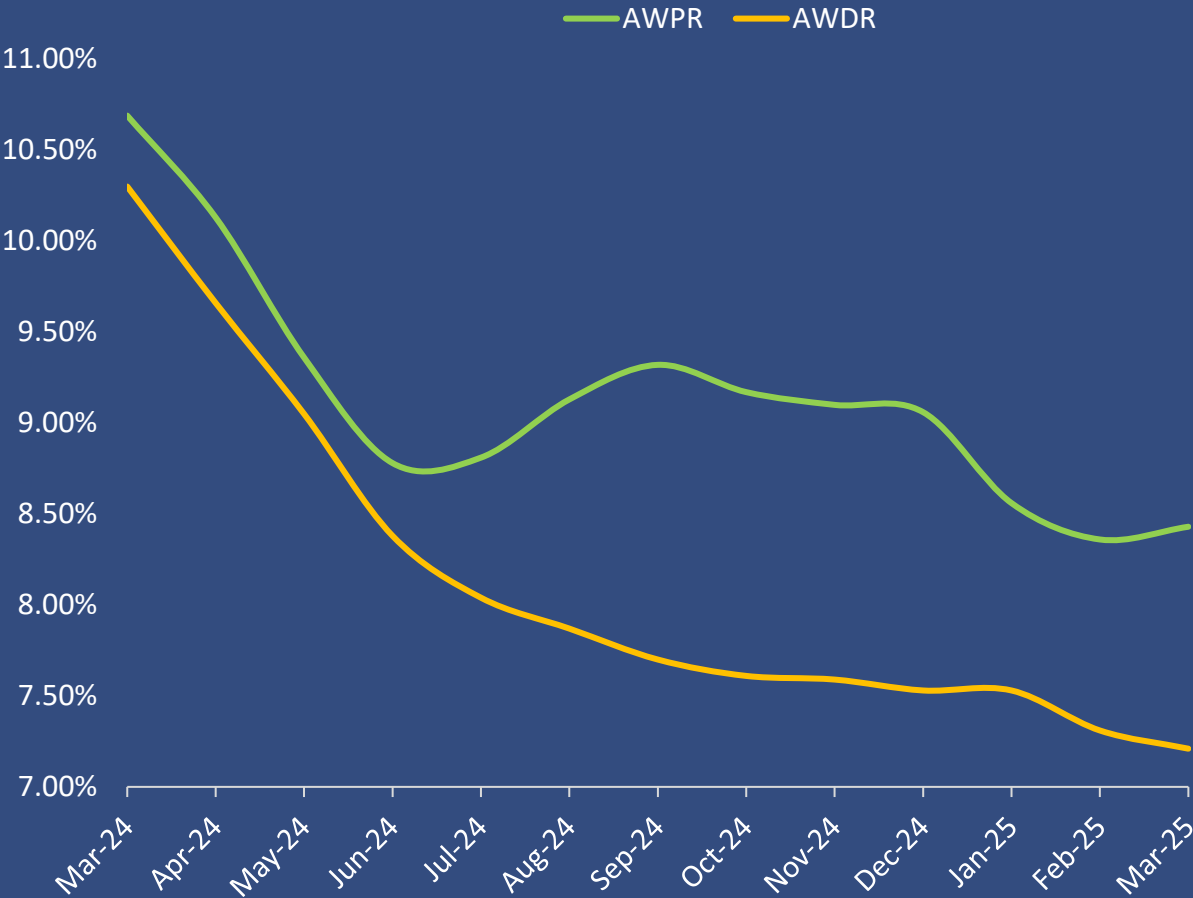
TREASURY BILLS AND BONDS – MAR 2025

The government securities market remained moderately active throughout March 2025, with sentiment shifting in response to policy signals and macroeconomic developments. The month opened with mixed interest and subdued volumes following a bond auction. Mid-month saw improved demand, particularly in the mid to long tenors, as the IMF's completion of the third EFF review and expectations around upcoming auctions lifted market confidence, nudging yields lower. However, toward the end of the month, sentiment turned cautious. The Central Bank's decision to hold the Overnight Policy Rate steady in its second policy review for the year and weaker-than-expected T-Bill auction results prompted a shift to selling interest. This led to a slight upward adjustment in yields, though the overall curve remained relatively stable. Despite fluctuations, trading volumes stayed moderate across the period.

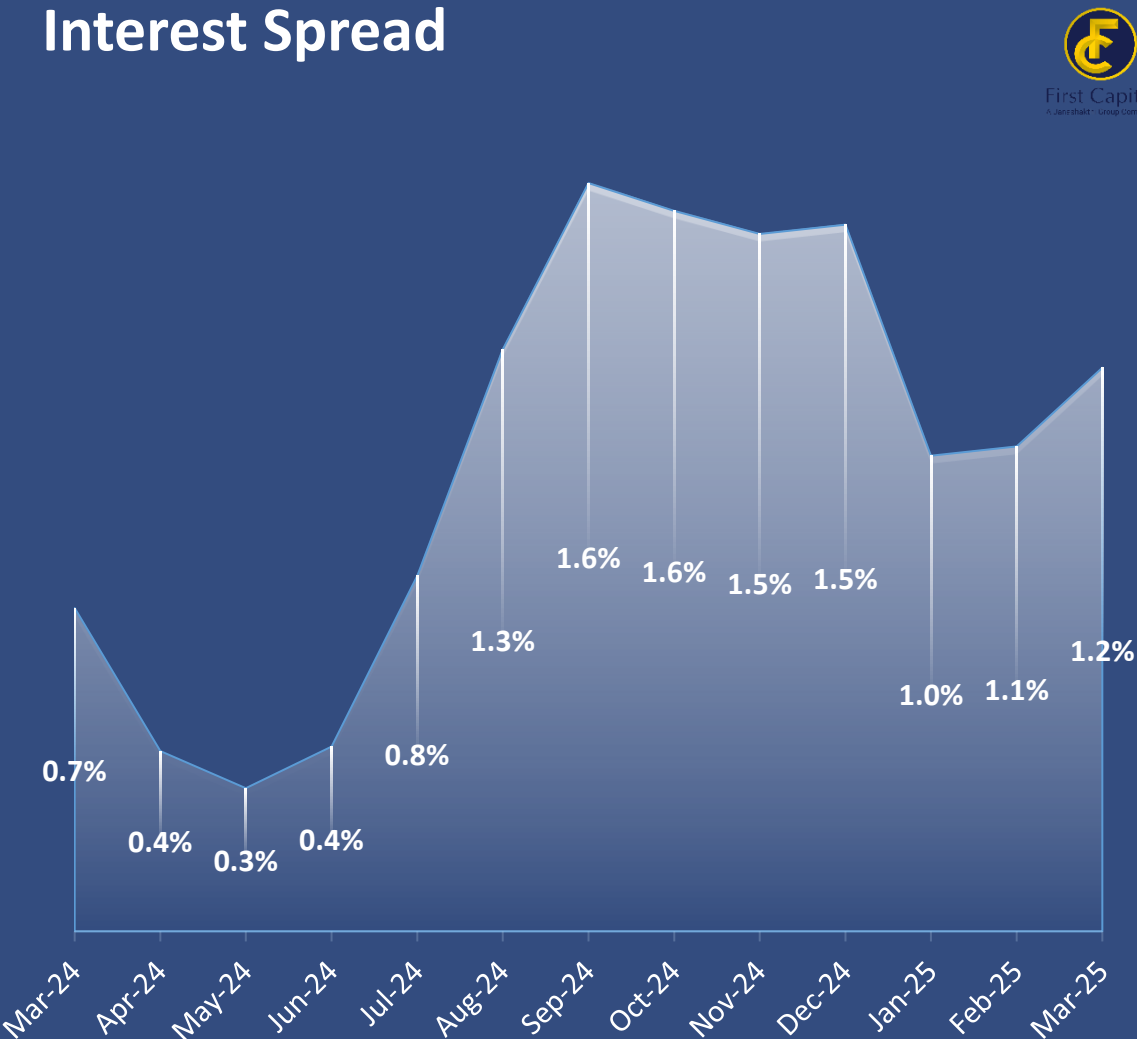


Tenure	Interest Rate Change (bps)				
	Mar 2025	Feb 2025	Change (bps)	Dec 2024	Change (bps)
3M	7.70%	7.65%	+5	8.60%	-90
6M	7.95%	7.90%	+5	8.75%	-80
1 Yr	8.28%	8.30%	-3	8.90%	-62
2 Yrs	9.35%	8.80%	+55	9.10%	+25
3 Yrs	9.98%	10.02%	-4	9.90%	+8
4 Yrs	10.40%	10.40%	0	10.50%	-10
5 Yrs	10.55%	10.75%	-20	10.73%	-18
6 Yrs	10.70%	11.08%	-38	10.95%	-25
7 Yrs	10.85%	11.35%	-50	11.35%	-50
8 Yrs	11.10%	11.40%	-30	11.50%	-40
9 Yrs	11.13%	11.53%	-40	11.53%	-40
10 Yrs	11.30%	11.63%	-32	11.63%	-32
12 Yrs	N/A	N/A	N/A	N/A	N/A
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

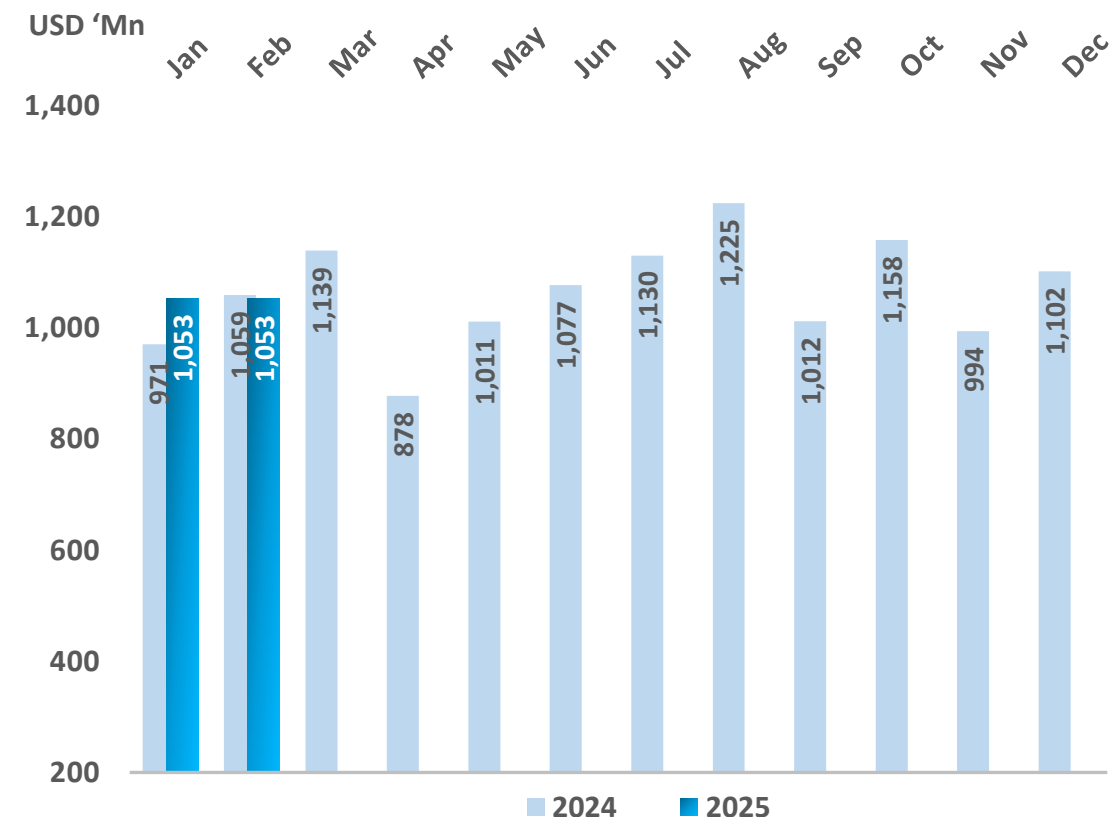


FINANCE SECTOR RATE MOVEMENTS

EXTERNAL SECTOR – FEB 2024 – EXPORTS

In Feb 2025, Exports experienced a downturn a of 0.6%YoY, driven by a 1.5% decrease in Industrial Exports and a 39.8% contraction in Mineral Exports, amid a 3.3% increase in Agricultural Exports. The contraction in Industrial Exports, which is the largest component within the overall export basket was predominantly driven by a 11.3% dip in petroleum products segment as well as a 7.3% decrease in rubber products, 13.0% dip in machinery and mechanical appliances and a 10.3% decrease in gems, diamonds and jewellery products.

Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Industrial Exports			
- Feb	833.6	821.4	-1.5
- YTD	1,605.1	1,649.7	2.8
Agricultural			
- Feb	221.9	229.2	3.3
- YTD	417.4	451.0	8.0
Mineral Exports			
- Feb	3.8	2.3	-39.8
- YTD	7.5	5.0	-33.2
Total			
- Feb	1,059.3	1,052.9	-0.6
- YTD	2,030.0	2,105.7	3.7

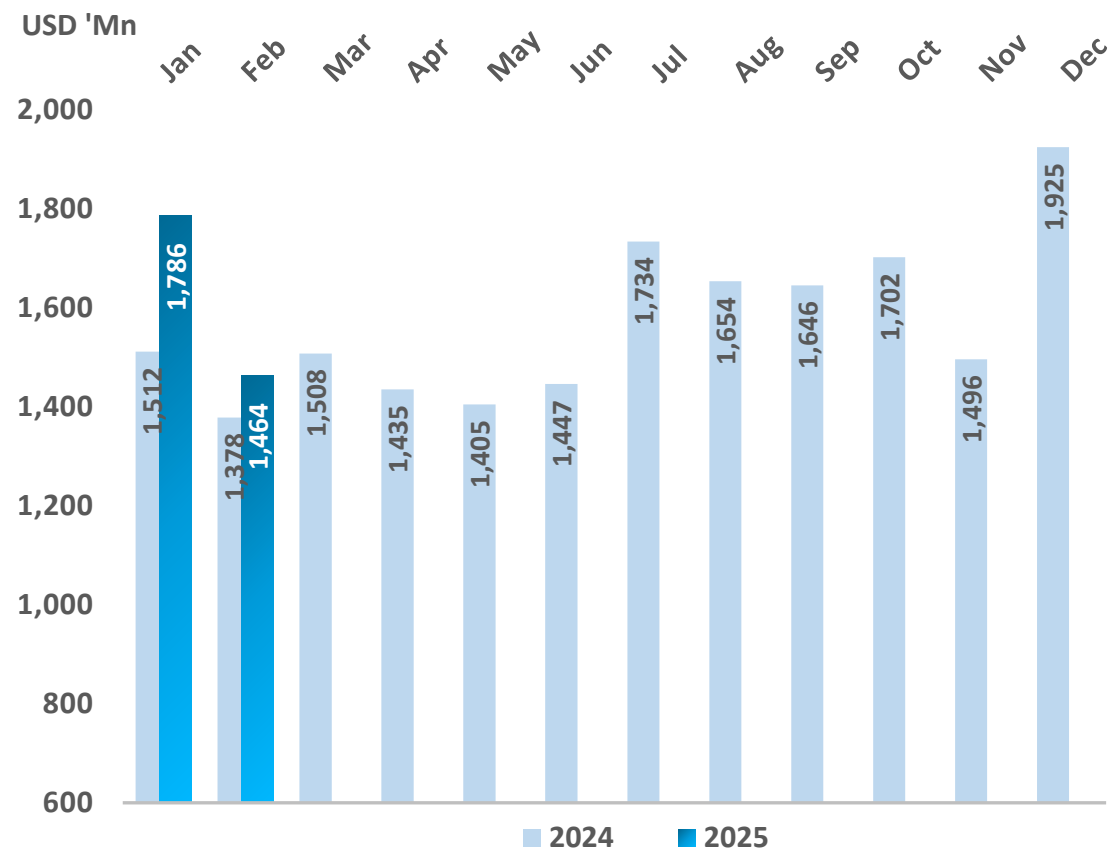




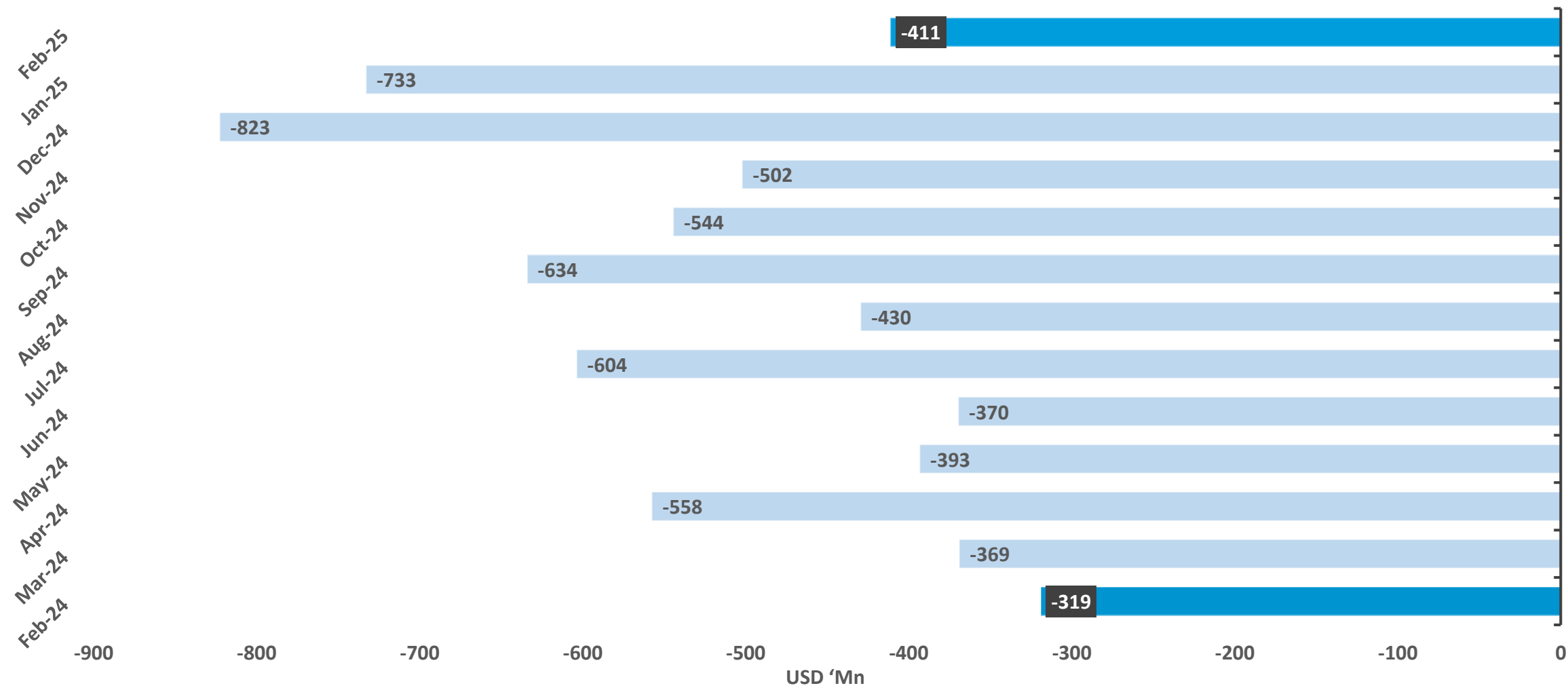
EXTERNAL SECTOR – FEB 2024 – IMPORTS

In Feb 2025, expenditure on imports rose by 6.2%YoY. Import expenditure on Consumer Goods rose by 40.6%, driven by a 57.4% uptick in the Food and Beverage sub-component. Non-Food Consumer goods also showcased an increase, but it was more contained at 23.4%. Intermediate Goods, the largest category within overall imports, remained stagnant during the month. Wheat and Maize and Fertilizer were the sub-components that saw the highest YoY increases within Intermediate Imports. Investments Goods also, registering a YoY contraction of 5.3%.

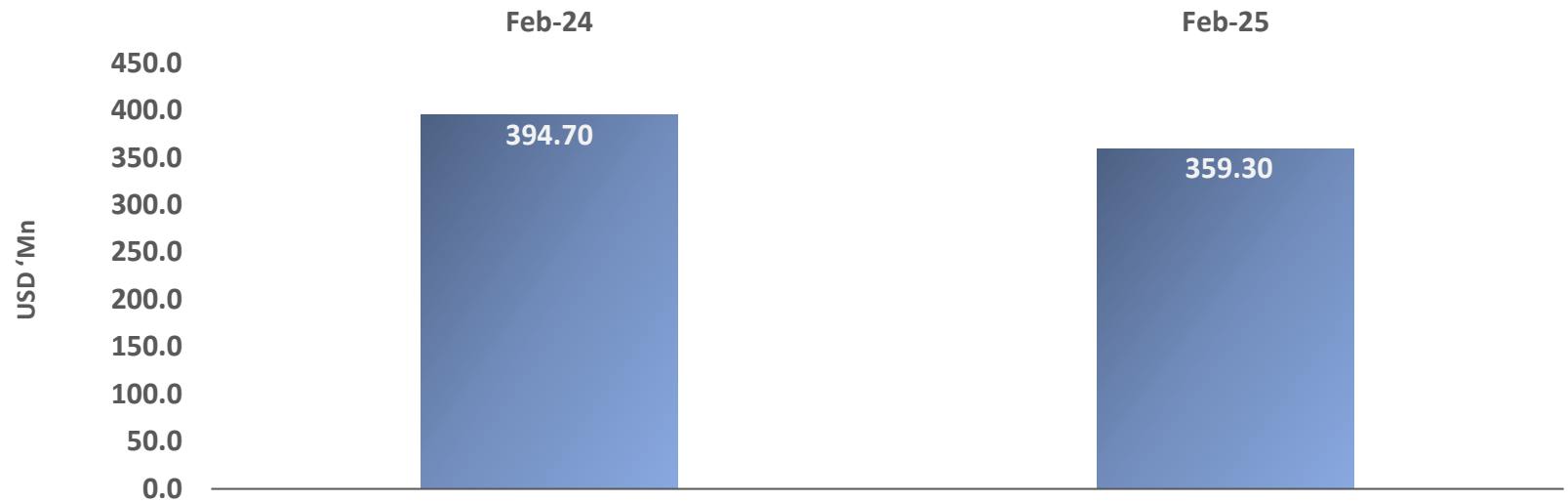
Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Consumer goods			
- Feb	249.6	351.0	40.6
- YTD	530.9	731.3	37.7
Intermediate			
- Feb	840.2	840.0	0.0
- YTD	1,820.7	1,901.4	4.4
Investment goods			
- Feb	288.6	273.2	-5.3
- YTD	538.6	617.1	14.6
Total			
- Feb	1,378.4	1,464.2	6.2
- YTD	2,890.2	3,249.7	12.4



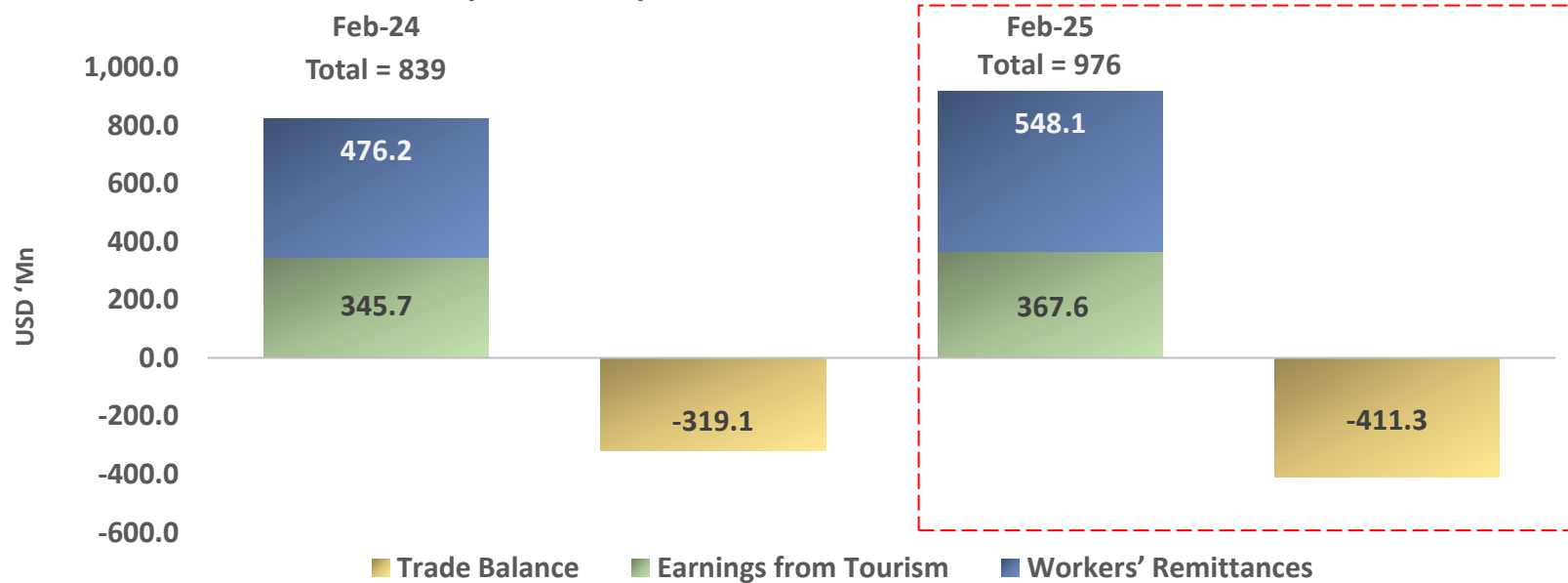
Balance of trade



The Current Account Balance for Feb 2025 decreased compared to that of Feb 2024 as it dipped to USD 359.3Mn from USD 394.7Mn.



Workers' Remittances increased to USD 548.1Mn in Feb 2025 (+15.1%YoY) while Earnings from Tourism rose to USD 367.6Mn (+6.3%YoY).



CURRENT ACCOUNT BALANCE YOY IMPROVED IN FEB 2025

Feb USD 'Mn	2024	2025	Change (%)
Trade Balance	-319.1	-411.3	
Earnings from Tourism	345.7	367.6	+6.3%
Workers' Remittances	476.2	548.1	+15.1%

YTD USD 'Mn	2024	2025	Change (%)
Trade Balance	-860.2	-1,144.0	
Earnings from Tourism	687.5	768.2	+11.7
Workers' Remittances	963.7	1,121.1	+16.3

TOURIST ARRIVALS – MAR 2025

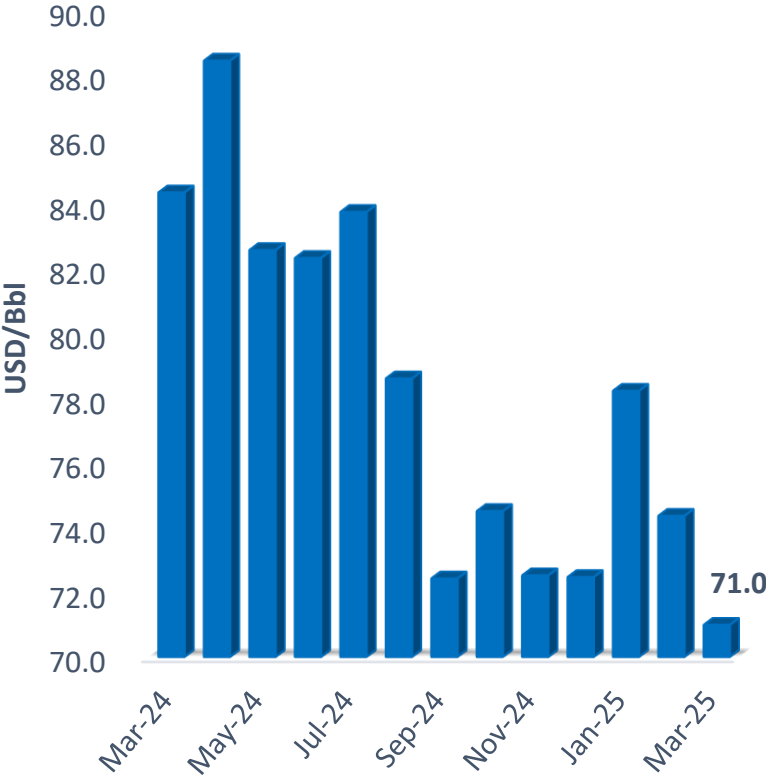
[Mar 229, 298 – UP +9.6%YoY] [MoM – DOWN -4.5%]

The total number of arrivals for the month reached 229, 298 registering a YoY uptick of 9.6% despite a MoM dip of 4.5%. India which accounted for 17.1% of tourist arrivals remained the top source market in Mar 2025. This was followed by The Russian Federation which accounted for 12.7% of total arrivals and The United Kingdom which accounted for 9.8% of arrivals.

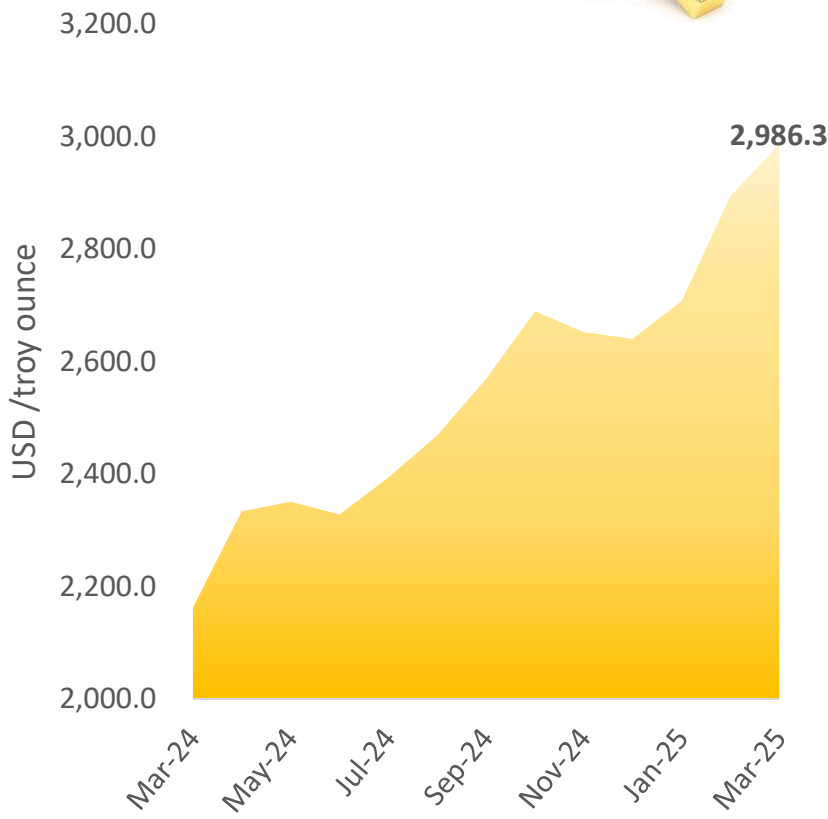


COMMODITY PRICES – MAR 2025

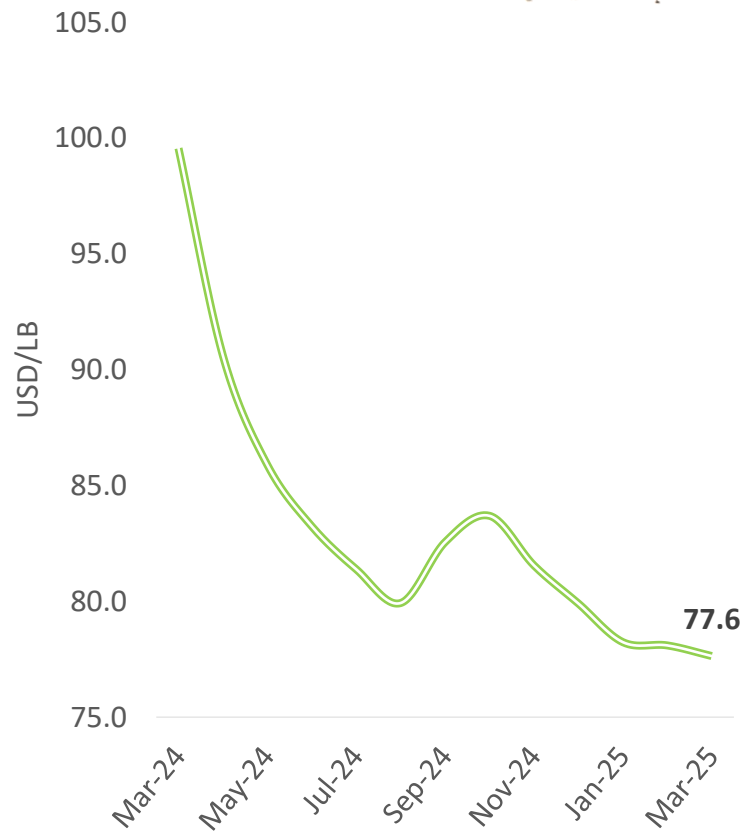
Crude oil



Gold



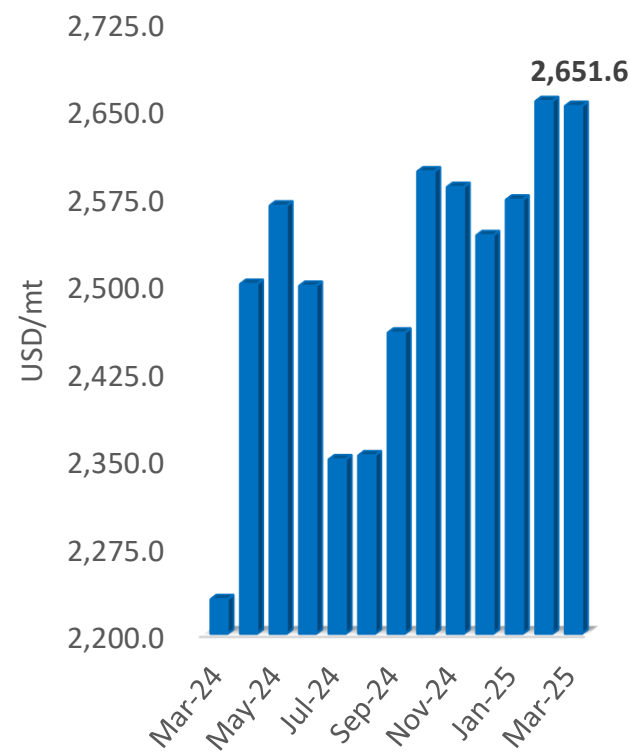
Cotton



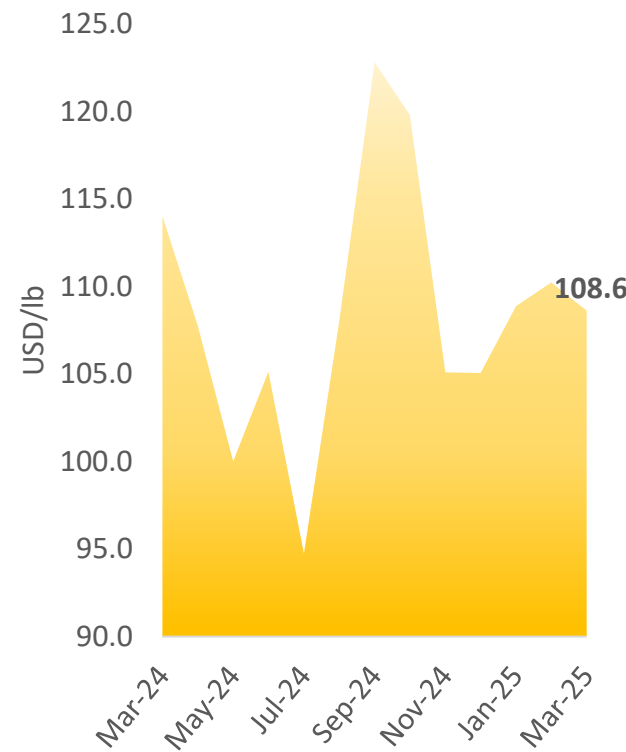
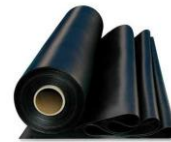
Note: crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

COMMODITY PRICES – MAR 2025 CONT'D

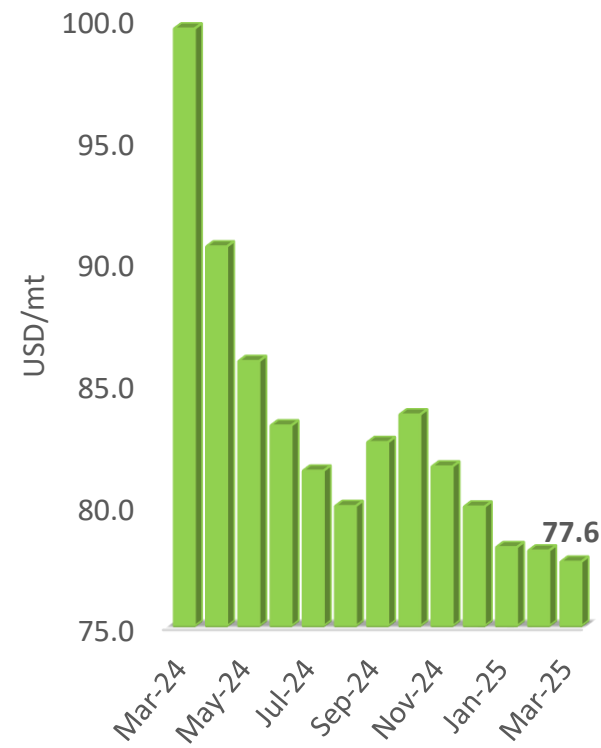
Aluminum



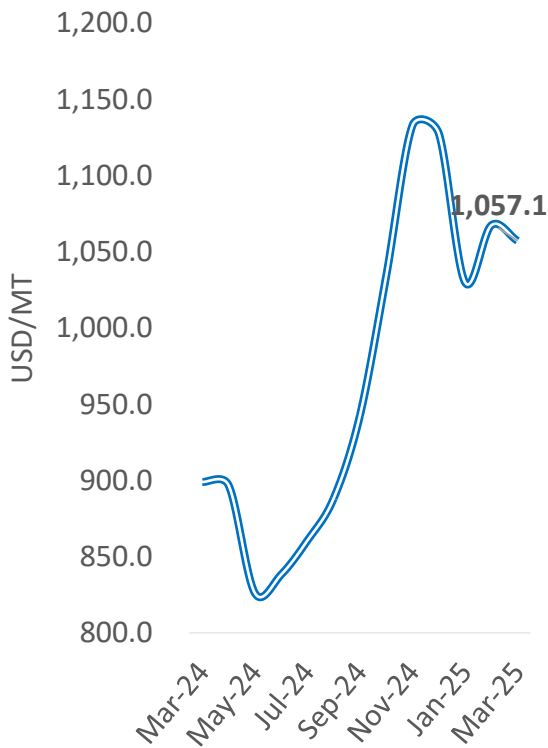
Rubber



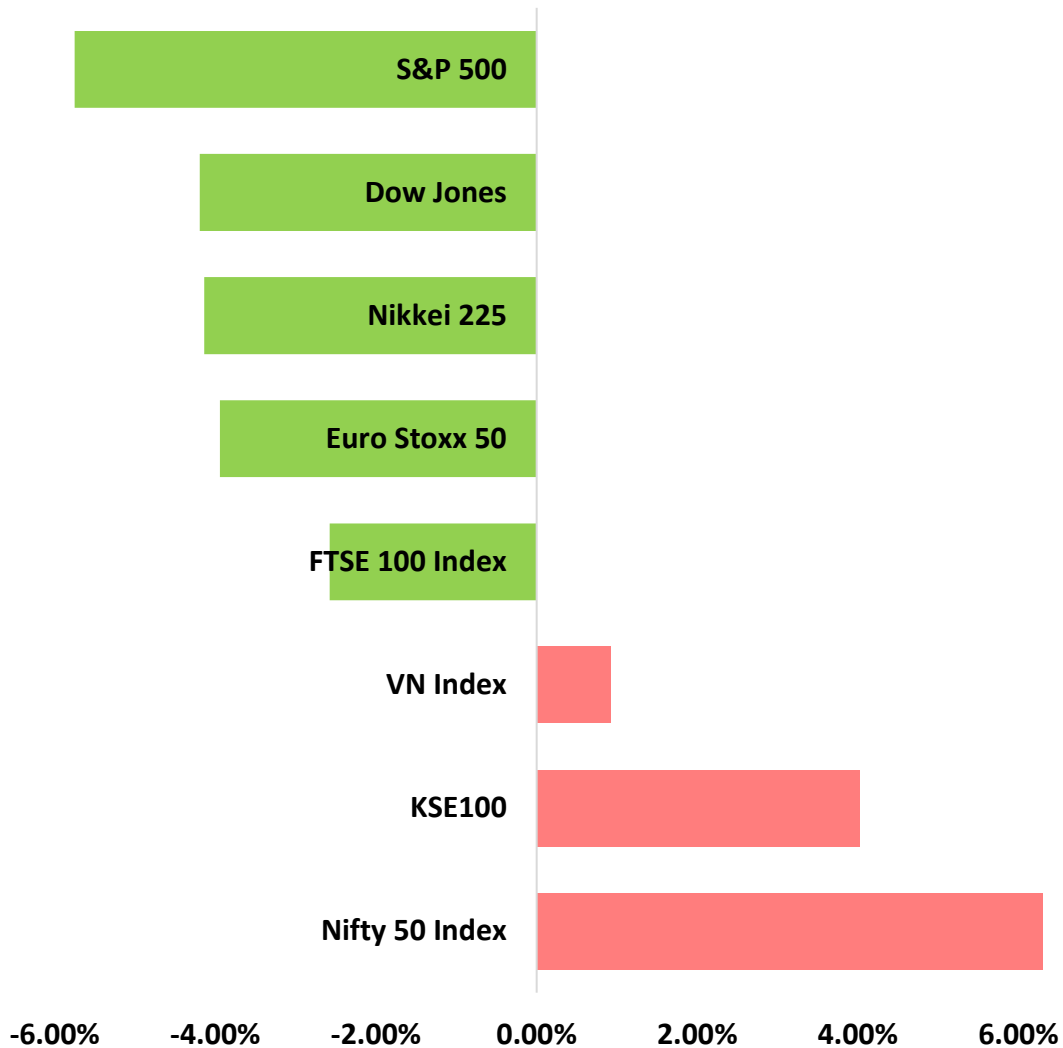
Copper



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



India closes in on long-sought free trade agreement with UK

The UK and India have agreed 90.0% of their free trade agreement, businesses were told on a call with negotiators this week. There are hopes the UK government will succeed in finalizing a highly coveted trade deal with India, a booming economy of 1.4 billion people, this year.



Inflation rate eases to 2.4% in March, lower than expected; core at 4-year low in U.S.

Consumer price inflation eased more than expected in March as President Donald Trump prepared to launch tariffs against U.S. trading partners, the Bureau of Labor Statistics reported Thursday. The consumer price index, a broad measure of goods and services costs across the U.S. economy, fell a seasonally adjusted 0.1% in March, putting the 12-month inflation rate at 2.4%, down from 2.8% in February. Excluding food and energy, so-called core inflation ran at a 2.8% annual rate, having increased 0.1% for the month. That was the lowest rate for core inflation since March 2021.

India, UAE to develop Sri Lanka energy hub as Delhi competes with China for influence

India and the United Arab Emirates agreed to develop an energy hub in Sri Lanka, India's foreign ministry said on Saturday, as New Delhi's competition with China grows in the Indian Ocean island nation. The three nations signed the pact for the hub during Indian Prime Minister Narendra Modi's visit to Sri Lanka, the first by a global leader since Sri Lankan President Anura Kumara Disanayake took office in September.



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