



First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

May 2025

• Sri Lanka reaches staff level agreement on the 4 th review of IMF – EFF arrangement.....	3
• Inflation.....	4
• M2B & Sector Credit.....	8
• Reserves & Liquidity.....	9
• Currency Movement.....	10
• Government Securities.....	11
• Finance Sector Rate Movement.....	14
• External Sector.....	15
• Tourist Arrivals.....	19
• Commodity Prices.....	20
• Global Markets.....	21

SRI LANKA REACHES STAFF LEVEL AGREEMENT ON THE 4TH REVIEW OF IMF – EFF ARRANGEMENT

- Sri Lanka reached a staff level agreement with the IMF on the 29th Apr-25, achieving an important milestone towards completing the 4th review of Sri Lanka's reform programme supported by the IMF's Extended Fund Facility (EFF).
- The IMF commended Sri Lanka on the performance of the programme, which according to the authorities has remained strong overall. It was also highlighted that the government's commitment to programme objectives remain steadfast.
- Moreover, the staff-level agreement is contingent on two conditions. First, the implementation of prior actions relating to restoring electricity cost-recovery pricing and ensuring proper function of the automatic electricity price adjustment mechanism.
- Secondly, the usual completion of financing assurances review by multilateral and bilateral partners.
- After successful implementation of these conditions and approval from the IMF Executive Board, Sri Lanka will unlock approximately USD 344Mn in financing. This funding will be crucial as the country navigates the recovery from economic challenges.

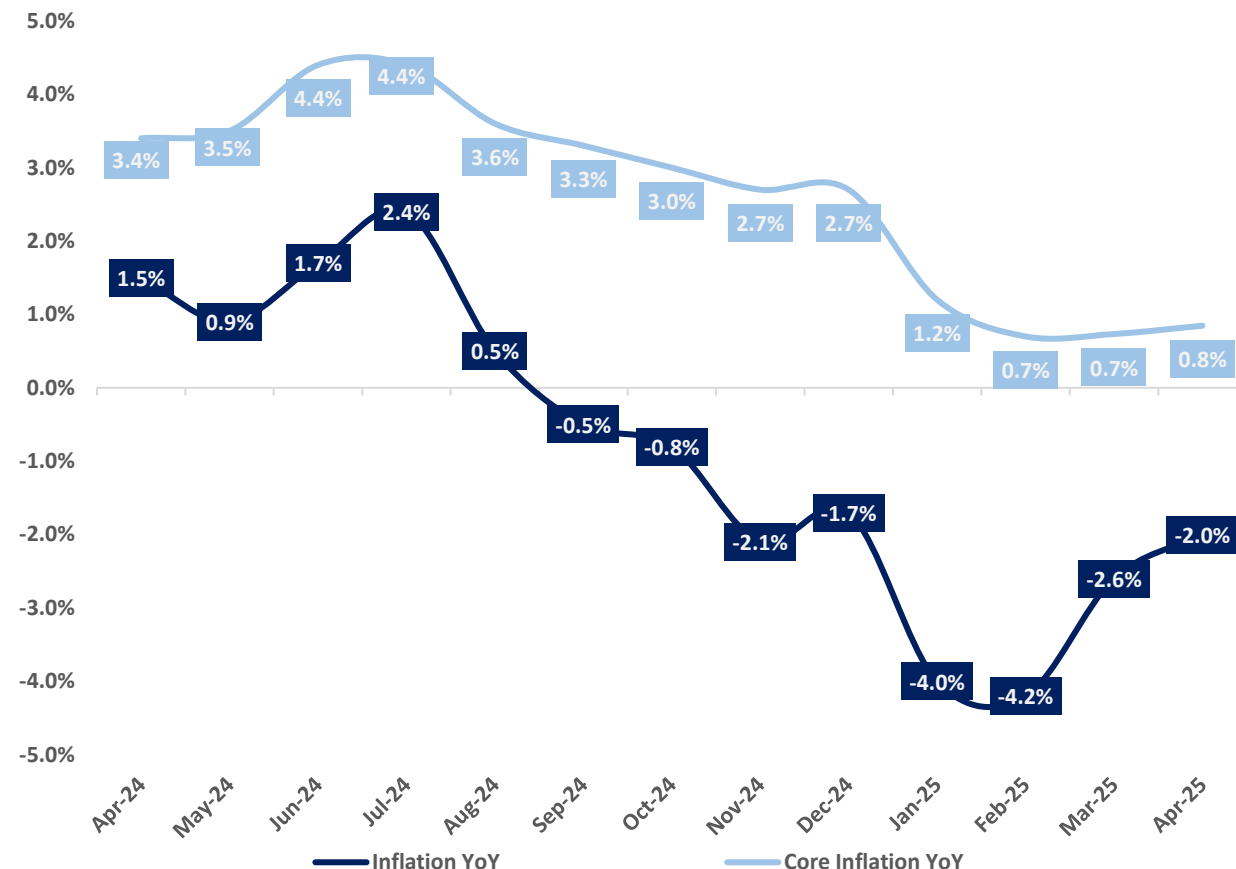
CCPI FOR APR 2025:

MOM -0.2%

YOY -2.0%

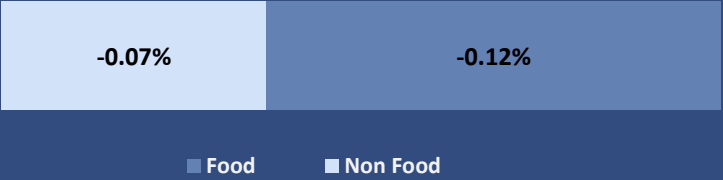
- MoM inflation for Apr 2025 stood at -0.2% up from the -0.3% level seen in the previous month. Food inflation rose to -0.3% while Non-Food inflation dipped to deflationary territory at -0.1%.
- The YoY figure reached -2.0% in Apr 2025 compared to the -2.6% level seen in Mar 2025. Food inflation rose to 1.3%. Non-Food inflation remained deflationary at -3.6%, up from -4.1% recorded previously.

Inflation – CCPI

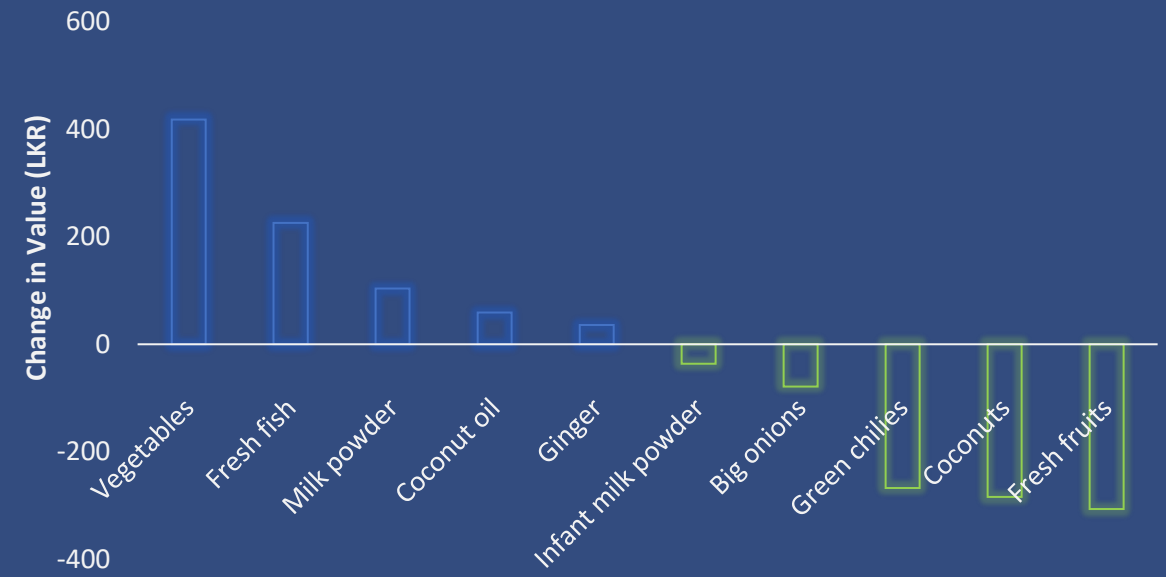


INFLATION ANALYSIS – CCPI-MOM

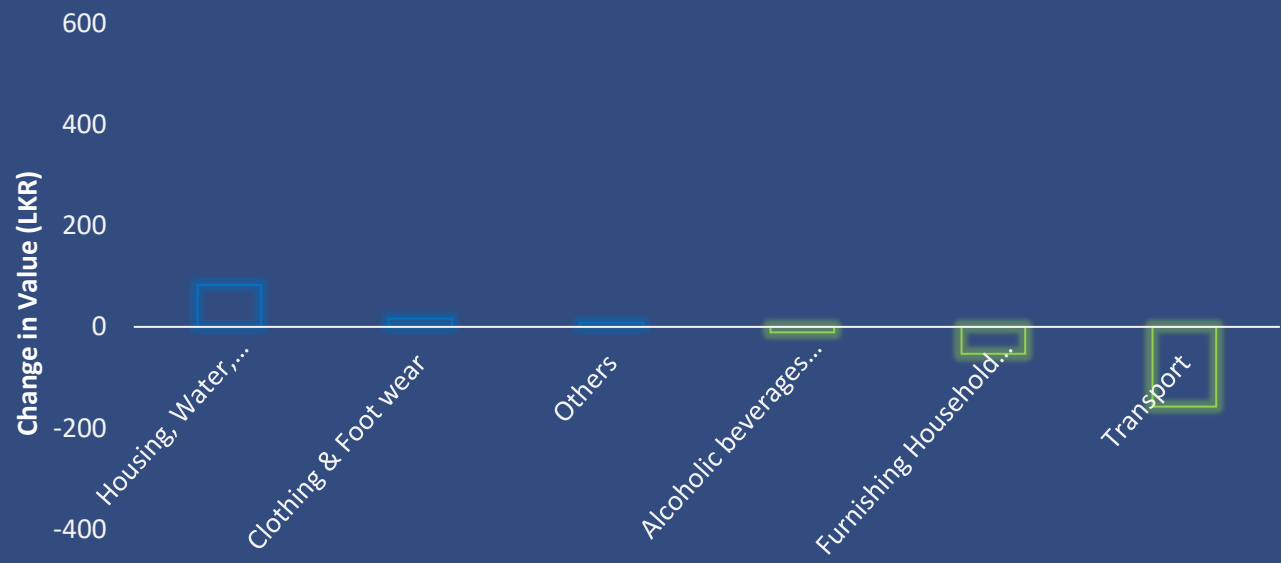
The CCPI Index for Apr 2025, dropped by 0.2%MoM. The Non-Food category contributed by -0.12% with Transport, Furnishing Household Equipment and Routine Household Maintenance and Alcoholic Beverages, Tobacco and Narcotic dominating the negative downturn. The Food category contributed at a lower -0.07% rate. Fresh fruits, Coconut, Green chilies, Big onions and Infant milk powder were the top negative contributors within the Food category. However, on the flip side, Vegetables and Fresh fish showcased noteworthy inflationary trends.



Food Category Inflation



Non-Food Category Inflation



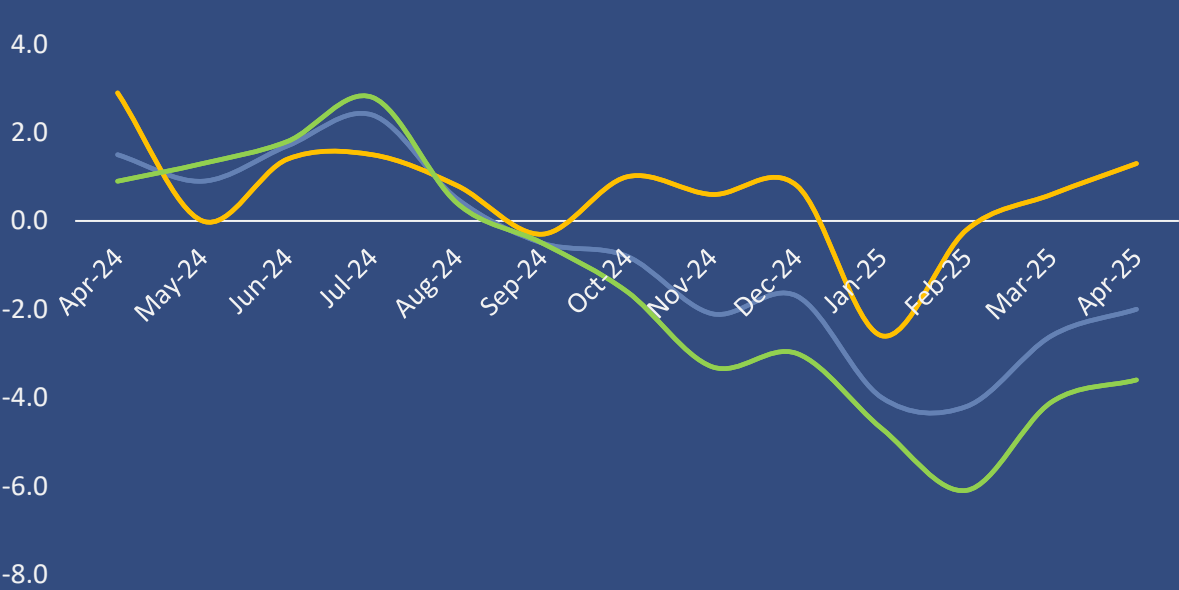
INFLATION ANALYSIS – CCPI-YOY

The YoY inflation of CCPI for Apr 2025 stood at -2.0%, registering an uptick from the -2.6% level seen in Mar 2025. While YoY inflation of the Food group rose to 1.3% in Apr 2025 from 0.6% seen in the previous month, YoY inflation of the Non-Food category increased to -3.6% in Apr from -4.1% in Mar 2025.

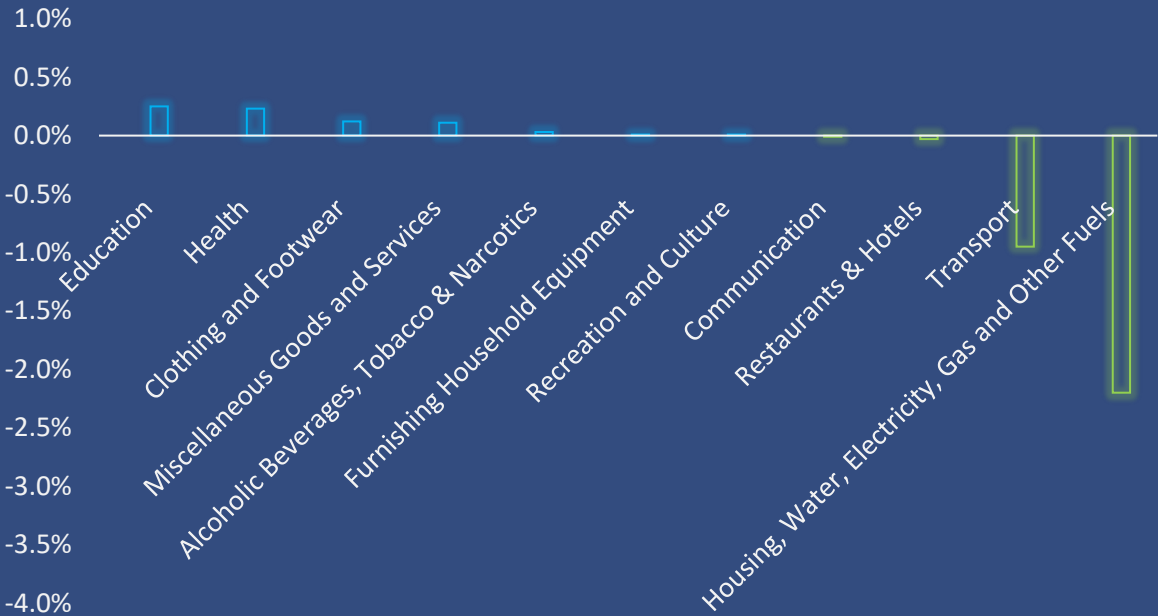


Inflation Analysis (YoY)

— All Item — Food — Non Food



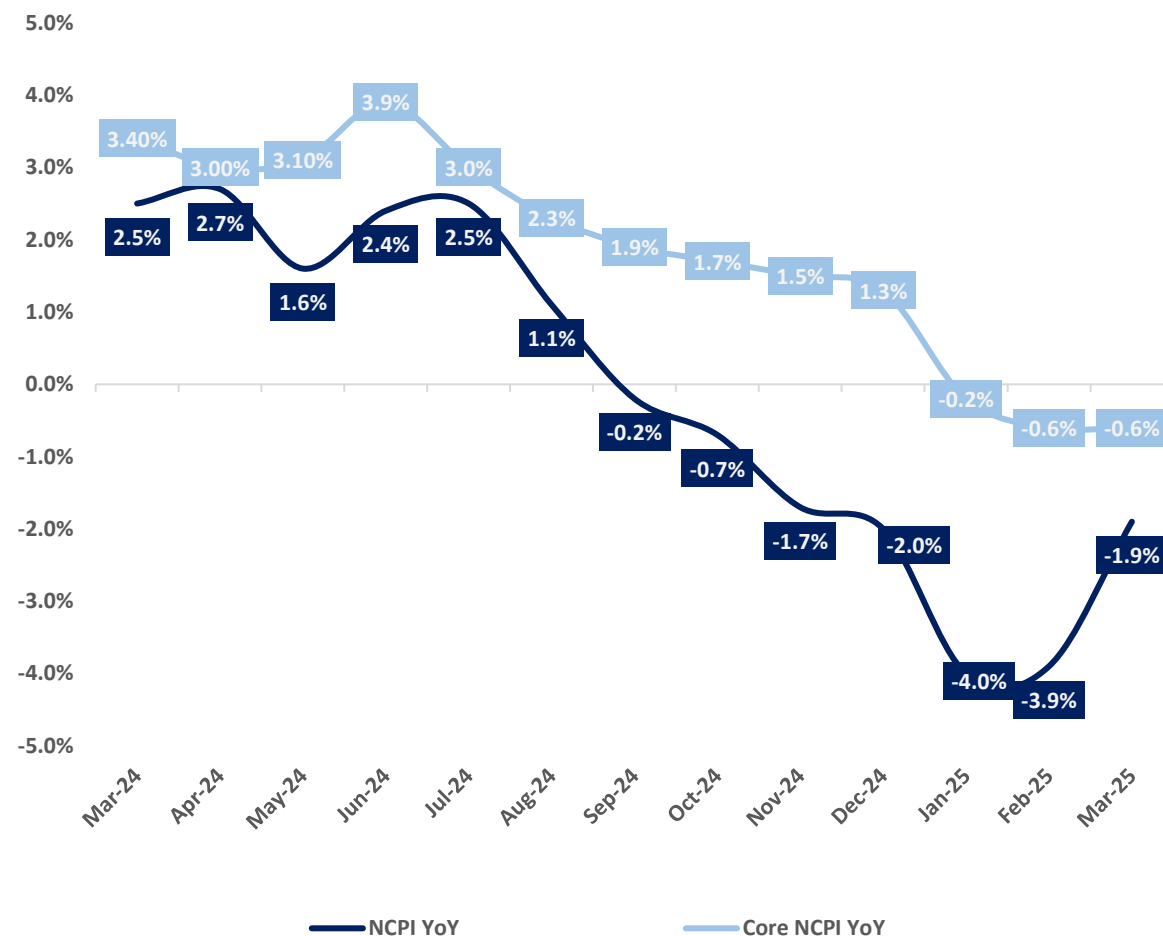
Non-Food Category Inflation



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

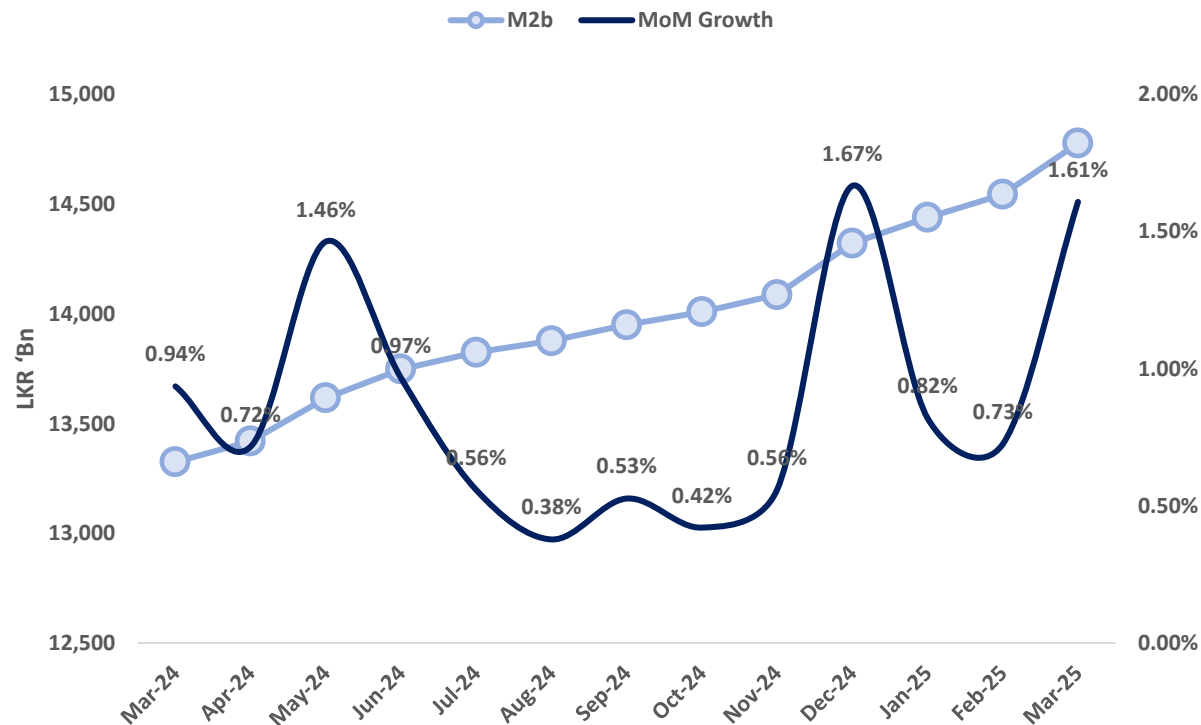


M2B AND CREDIT GROWTH

Private sector credit expanded by LKR 173.2Bn in Mar 2025. State credit also followed suit, having risen by LKR 97.7Bn in Mar 2025, unlike the contraction seen in the previous month.

M2b Growth – Mar 2025

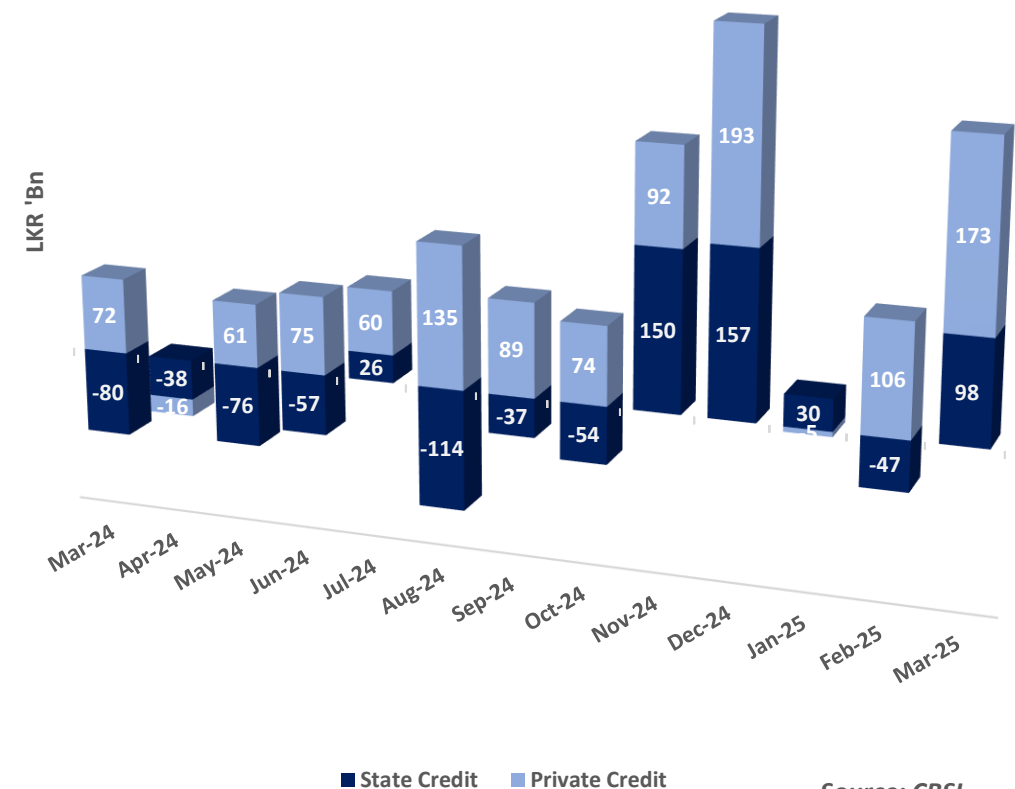
MoM +1.6%, YoY +10.9%, YTD +3.2%



Source: CBSL

State Credit & Private Credit – Mar 2025

Private Credit MoM +1.1%, YoY +13.0%, YTD +2.5%



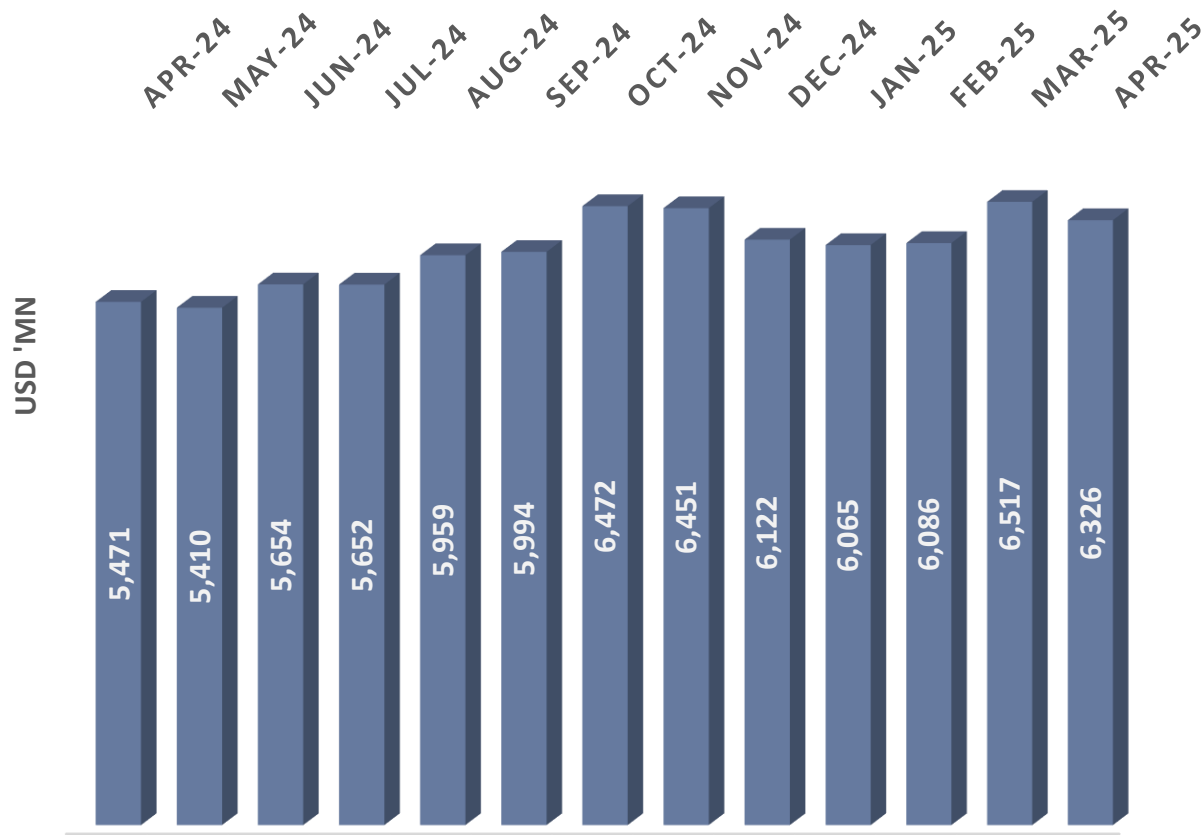
Source: CBSL



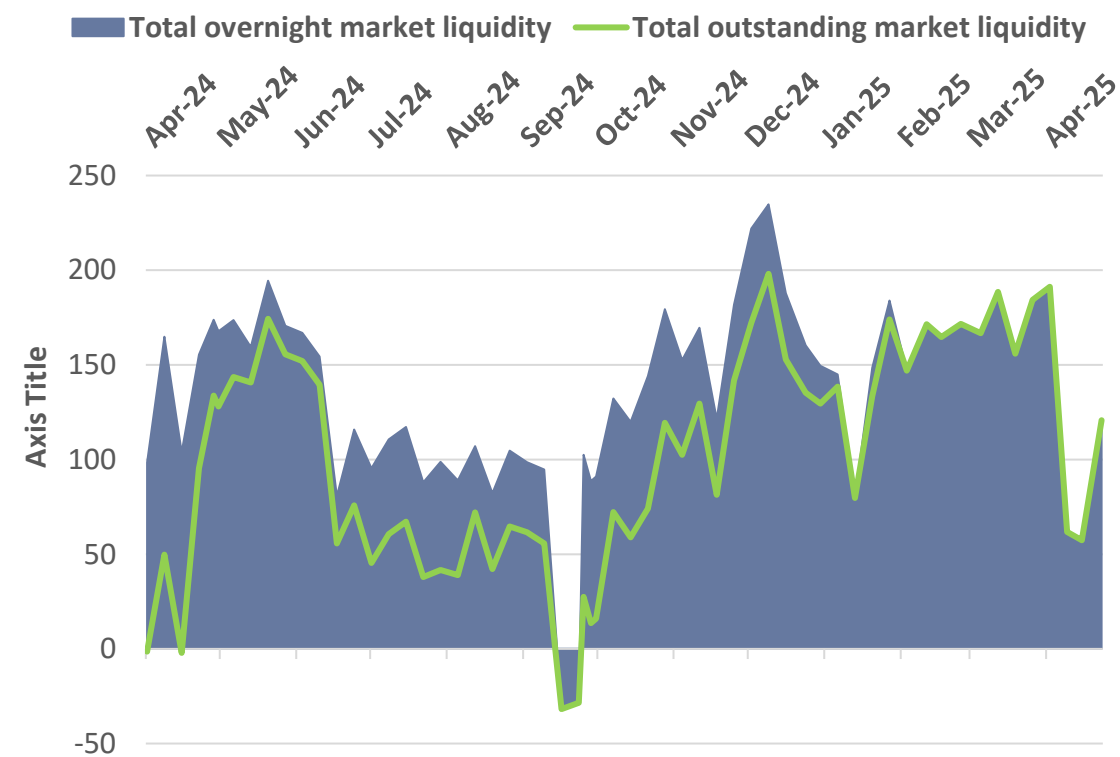
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LIQUIDITY & RESERVES

- Foreign Reserves dropped by USD 191.0Mn to USD 6,326Mn in Apr 2025.



- Both overnight market liquidity and outstanding market liquidity dropped in Apr 2025 relative to the previous month but made a recovery as the month drew to a close. By end-Apr, both overnight and market liquidity stood at LKR 120.8Bn.



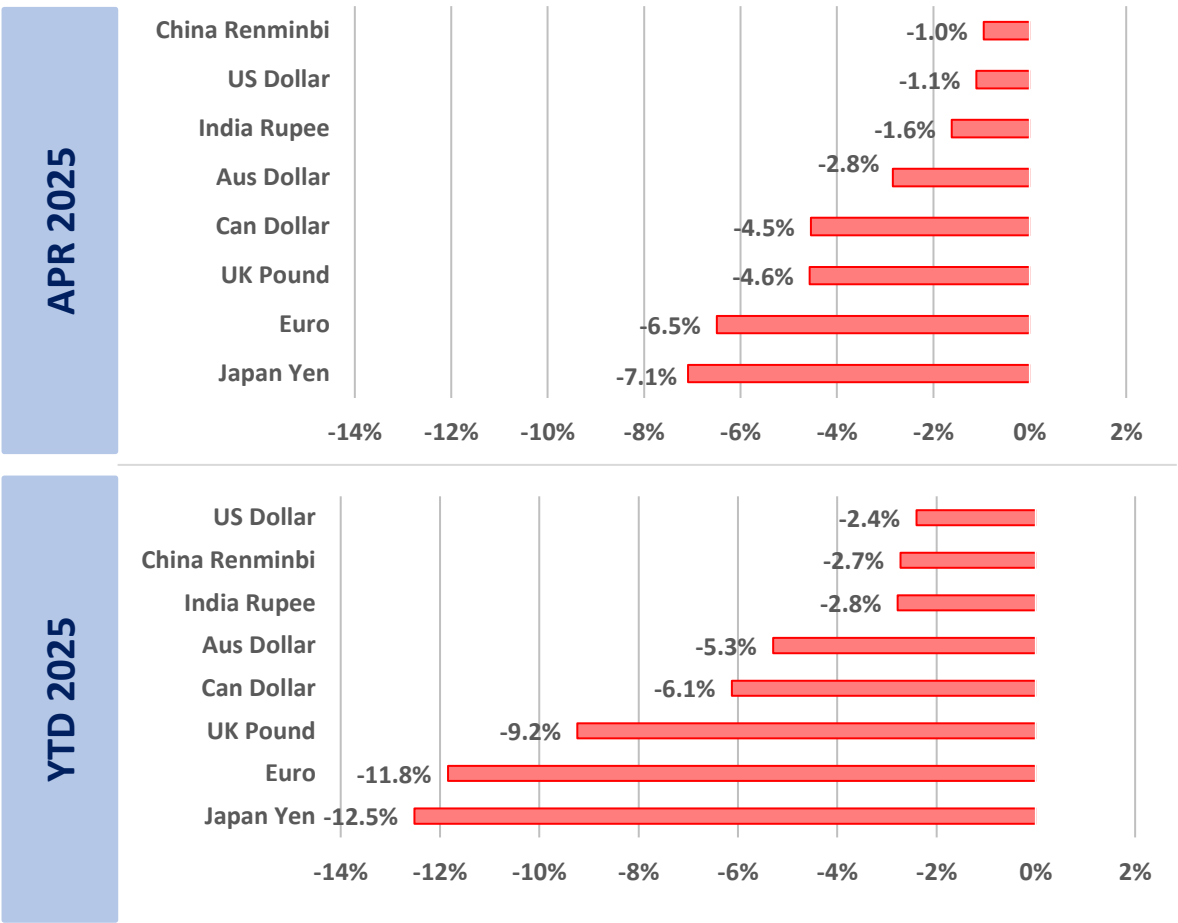
Note: total outstanding market liquidity represents overnight liquidity adjusted for outstanding amounts of term repo/reverse repo transactions of the central bank with market participants.

CURRENCY MOVEMENT

USD:LKR Movement



Sri Lankan Rupee vs Global Currencies



GOVERNMENT SECURITIES – NEW ISSUES

Bill and Bond auctions for Apr 2025

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
4-Apr-25	78,021		78,021
11-Apr-25	26,757		26,757
18-Apr-25		110,000	110,000
25-Apr-25	213,136		213,136
Total Issued			427,914

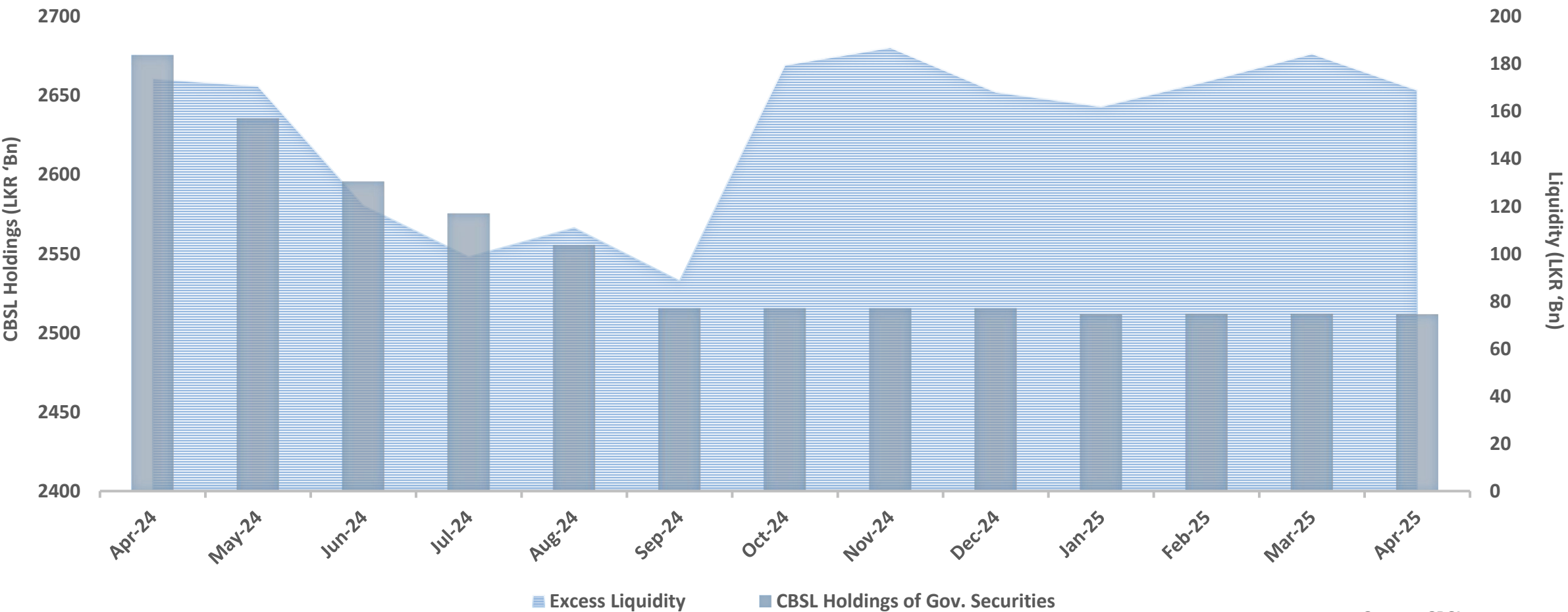
Net settlements for Apr 2025

Net Settlement	Apr 2025	YTD
Maturities	298,353	2,464,680
Coupon Payment	97,945	528,839
New Issues	427,914	2,897,469
Excess/ (Deficit)	31,616	(96,050)

CBSL Holdings of Gov. Securities		YTD
As at End Apr 2025	2,511,900	
As at End Mar 2025	2,511,900	
Increase/ (Decrease)	0	-4,100

CBSL HOLDINGS OF GOV. SECURITIES...

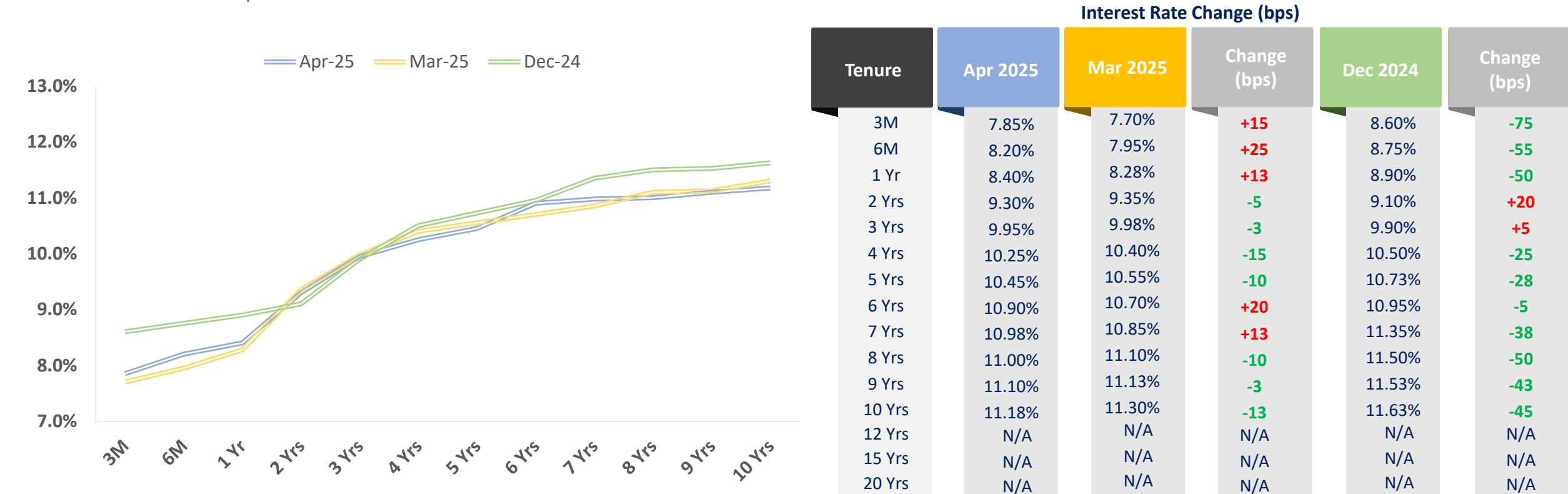
...remained largely stagnant in Apr 2025



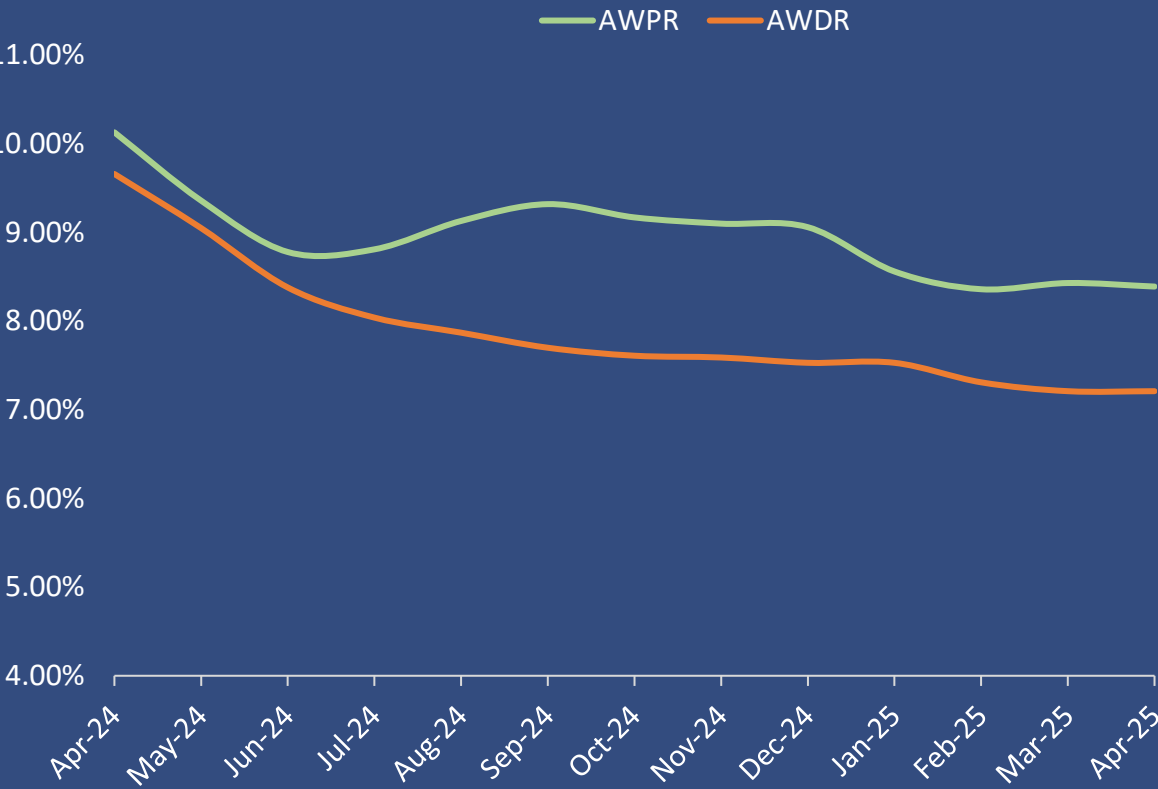
Source: CBSL

TREASURY BILLS AND BONDS – APR 2025

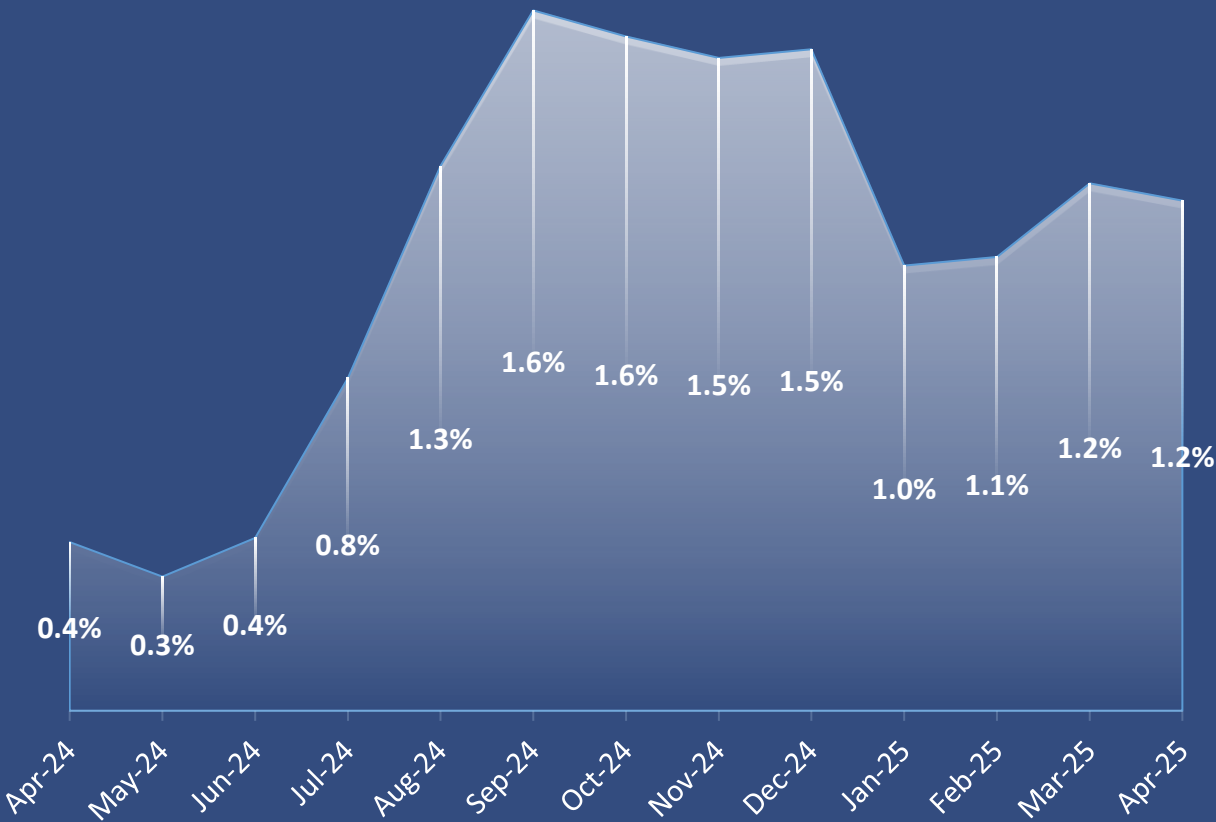
The government securities market exhibited varied activity through Apr 2025, shaped by shifts in global sentiment and domestic auction dynamics. The month opened with modest trading and upward yield pressure, following weak demand at the T-Bill auction where only LKR 78.0Bn was raised against an offer of LKR 140.0Bn. The second week saw continued selling amid heightened global uncertainty stemming from U.S. tariff announcements, pushing yields higher as CBSL accepted just 4.7% of the weekly T-Bill offer. By mid-month, sentiment improved briefly following the temporary suspension of the tariffs, with renewed buying interest softening the curve, although trading volumes eased ahead of the New Year holidays. In the final weeks, activity picked up slightly, with mixed sentiment and moderate volumes keeping yields relatively range-bound. T-Bill auctions showed selective shifts, with minor adjustments in short- and medium-term yields, while the month's T-bond auction drew strong interest, recording a 3.0x oversubscription. Overall, the yield curve ended the month broadly stable, reflecting a balance between external pressures and local seasonal factors.



AWPR vs AWDR



Interest Spread

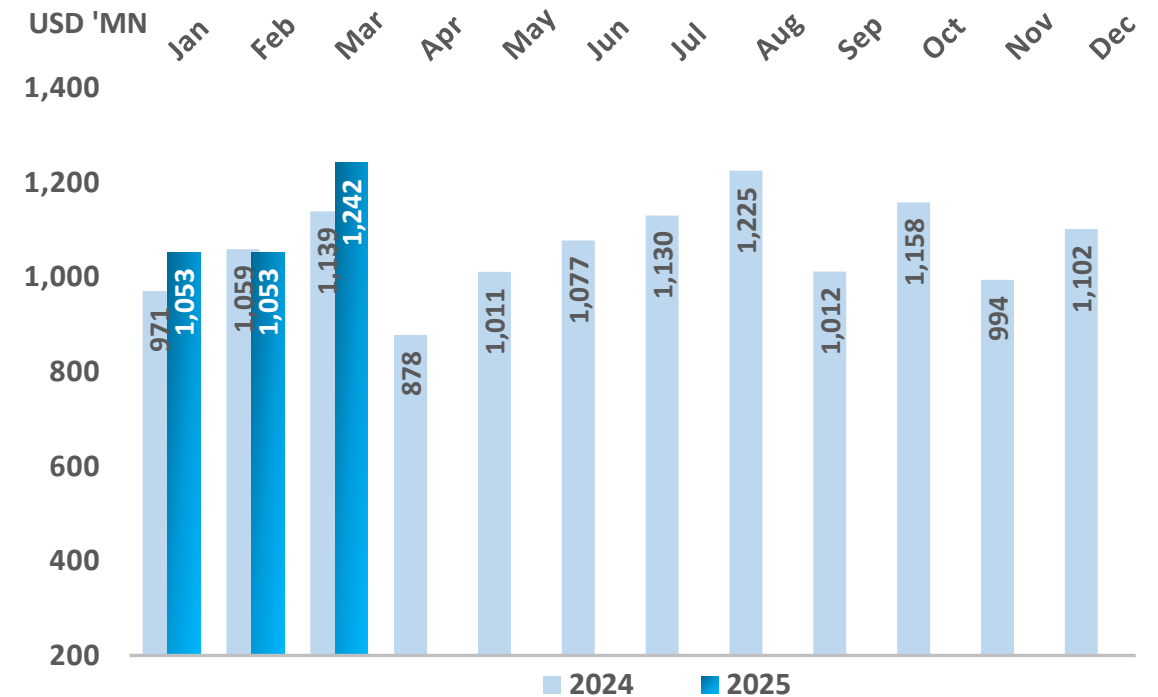


FINANCE SECTOR RATE MOVEMENTS

EXTERNAL SECTOR – MAR 2025 – EXPORTS

In Mar 2025, Exports registered a YoY uptick of 8.1%, driven by subsequent expansions in both Industrial and Agricultural exports while Mineral exports which make up a marginal fraction of the export basket recorded a dip of 12.1%. Consequently, the 6.0%YoY increase that was seen in Industrial exports was driven predominantly by a 11.7% increase in the Textiles and Garments subcomponent. Moreover, the 17.3%YoY increase registered within Agricultural exports was prompted by improvements in Tea, Coconut and Spices.

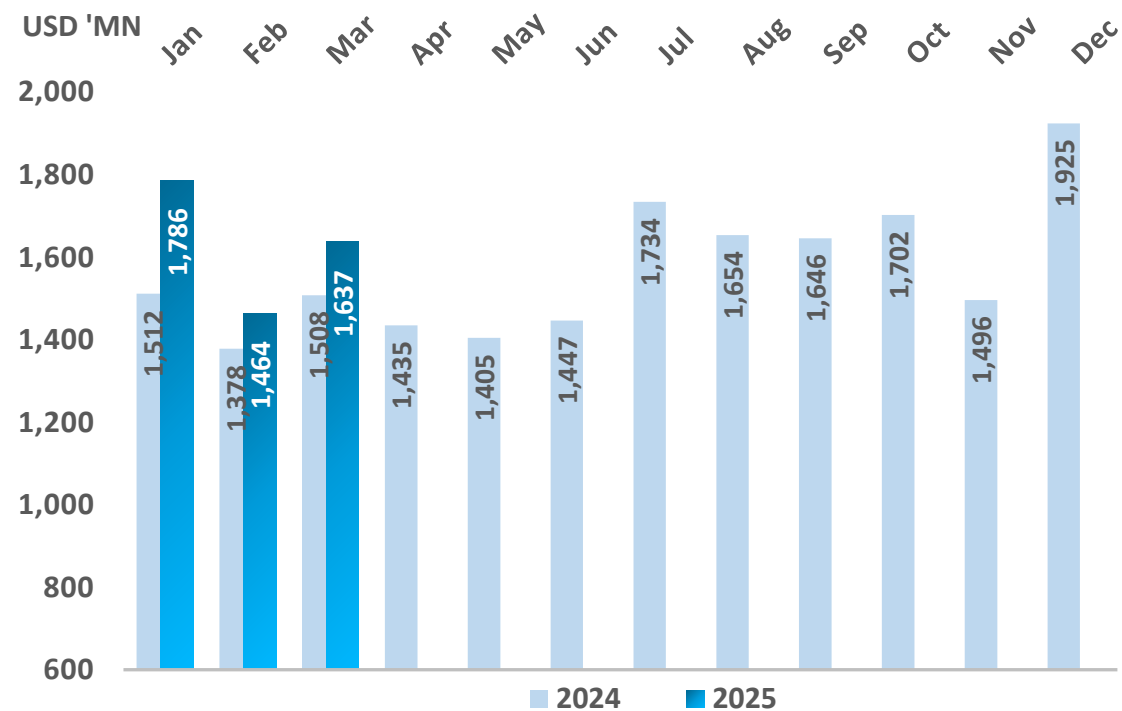
Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Industrial Exports			
- Mar	921.8	977.1	6.0
- YTD	2,526.9	2,626.9	4.0
Agricultural			
- Mar	221.9	260.3	17.3
- YTD	639.3	711.3	11.3
Mineral Exports			
- Mar	4.8	4.3	-12.1
- YTD	12.4	9.3	-24.9
Total			
- Mar	1,148.5	1,241.7	8.1
- YTD	3,178.5	3,347.4	5.3



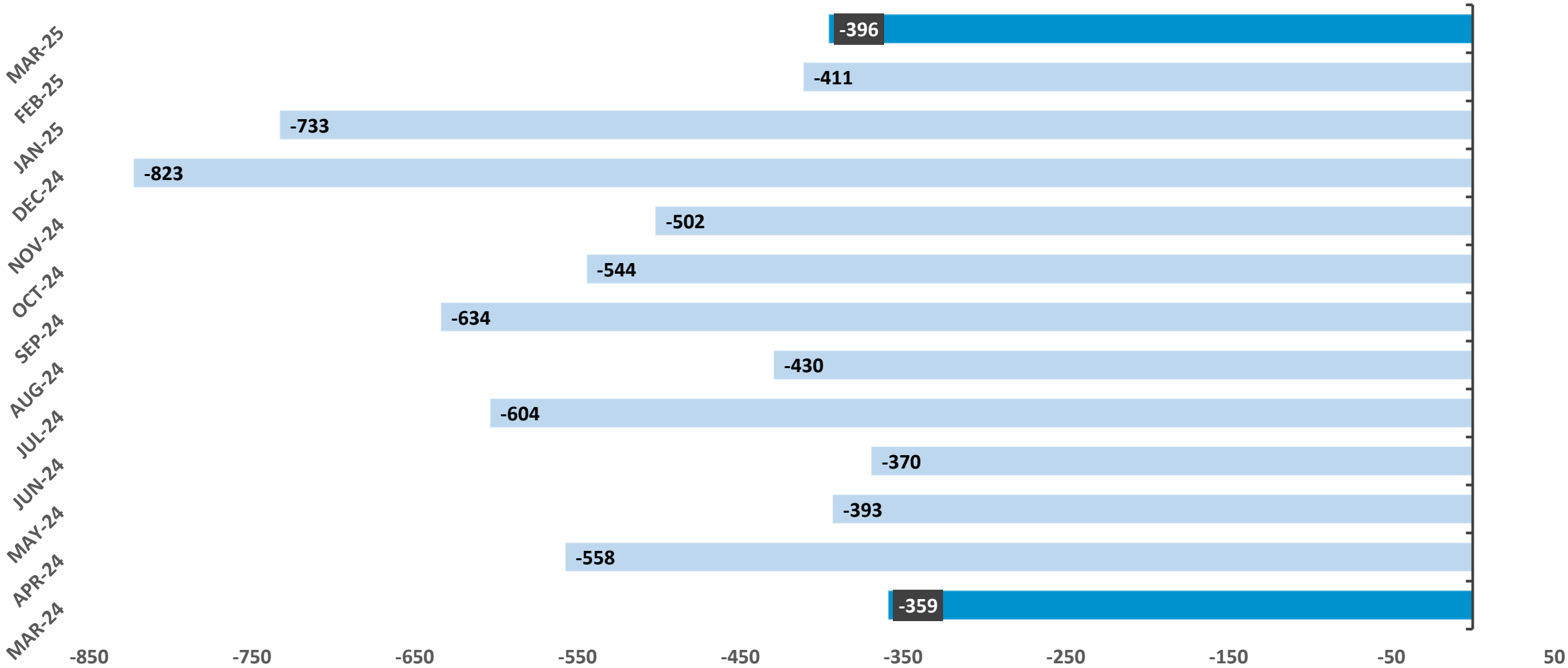
EXTERNAL SECTOR – MAR 2024 – IMPORTS

In Mar 2025, Imports registered a YoY increment of 8.6%, despite a downtick that was seen in Intermediate imports, which stands out as the largest component within the import basket. However, Consumer goods market a YoY uptick of 35.1% driven predominantly by higher levels of Non-Food Consumer good. Investment goods also registered a YoY increase of 39.3% prompted by greater imports made in Machinery and Equipment. Finally, the Intermediate goods segment contracted by 5.4%YoY in Mar 2025. It was a 21.9% drop in Fuel imports that dominated this trend despite increases registered in the importation of Textile and textile articles, Fertilizer and Wheat and maize.

Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Consumer goods			
- Mar	271.0	366.1	35.1
- YTD	801.9	1,097.4	36.8
Intermediate			
- Mar	1,010.2	955.7	-5.4
- YTD	2,830.9	2,857.1	0.9
Investment goods			
- Mar	226.5	315.5	39.3
- YTD	765.1	932.6	21.9
Total			
- Mar	1,507.7	1,637.3	8.6
- YTD	4,397.9	4,887.0	11.1

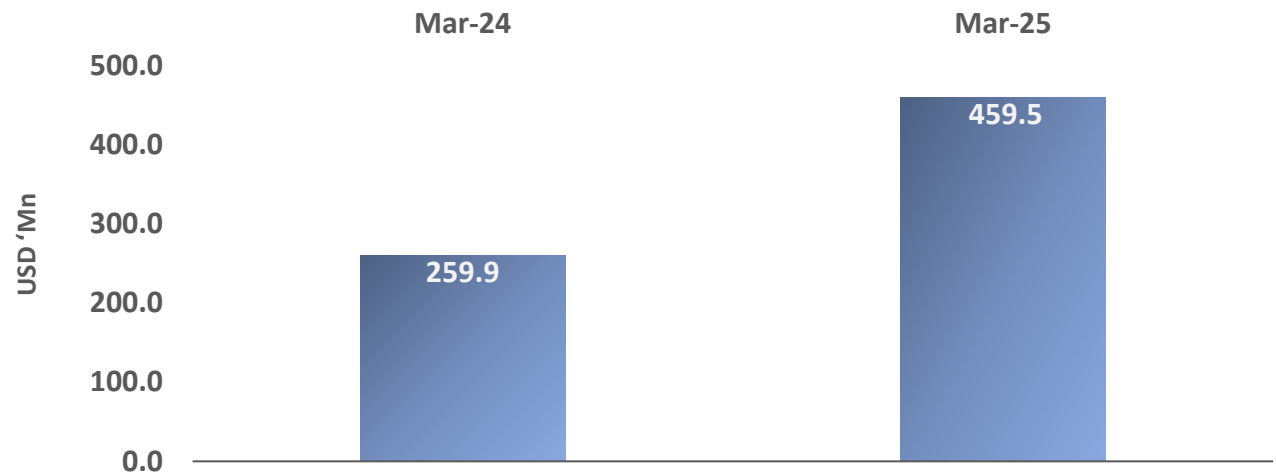


Balance of Trade

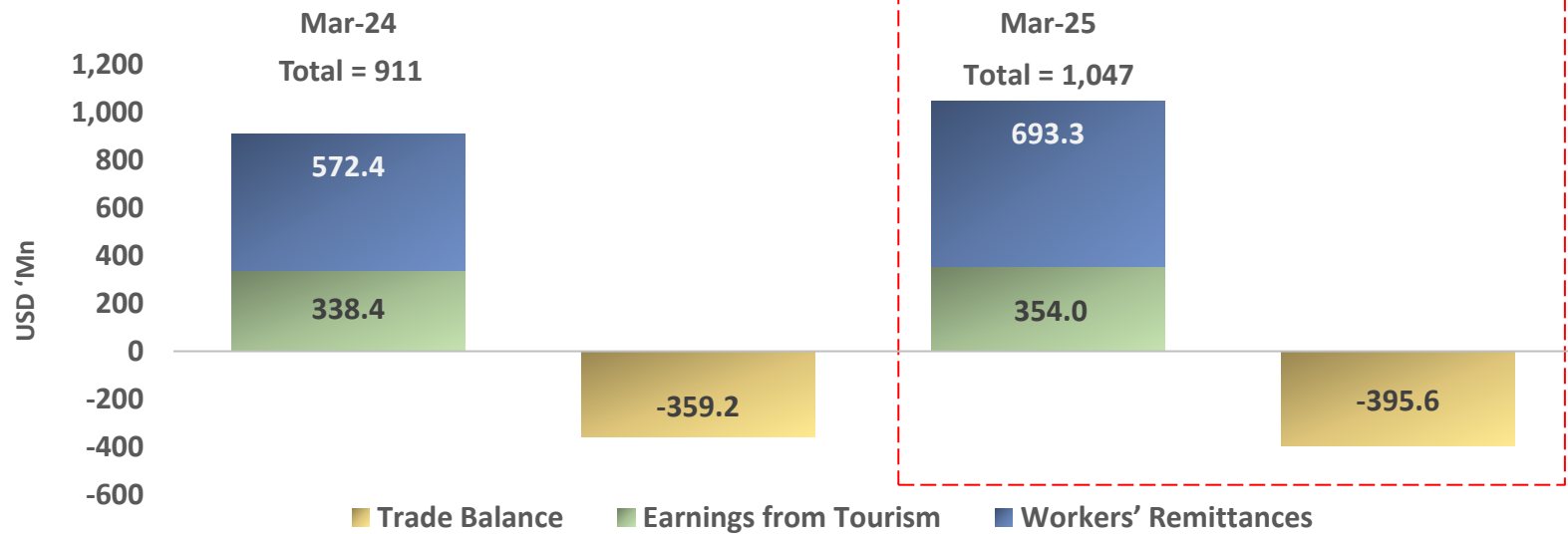


Source: Central Bank

The Current Account Balance for Mar 2025 rose compared to that of Mar 2024, registering an uptick of 76.8%.



Workers' Remittances increased to USD 693.3Mn in Mar 2025 (+21.1%YoY) while Earnings from Tourism rose to USD 354.0Mn (+4.6%YoY).



CURRENT ACCOUNT BALANCE YOY IMPROVED IN MAR 2025

Mar USD 'Mn	2024	2025	Change (%)
Trade Balance	-359.2	-395.6	
Earnings from Tourism	338.4	354.0	+4.6%
Workers' Remittances	572.4	693.3	+21.1%

YTD USD 'Mn	2024	2025	Change (%)
Trade Balance	-1,219.4	-1,539.6	
Earnings from Tourism	1,025.9	1,122.3	+9.4
Workers' Remittances	1,536.1	1,814.4	+18.1

TOURIST ARRIVALS – APR 2025

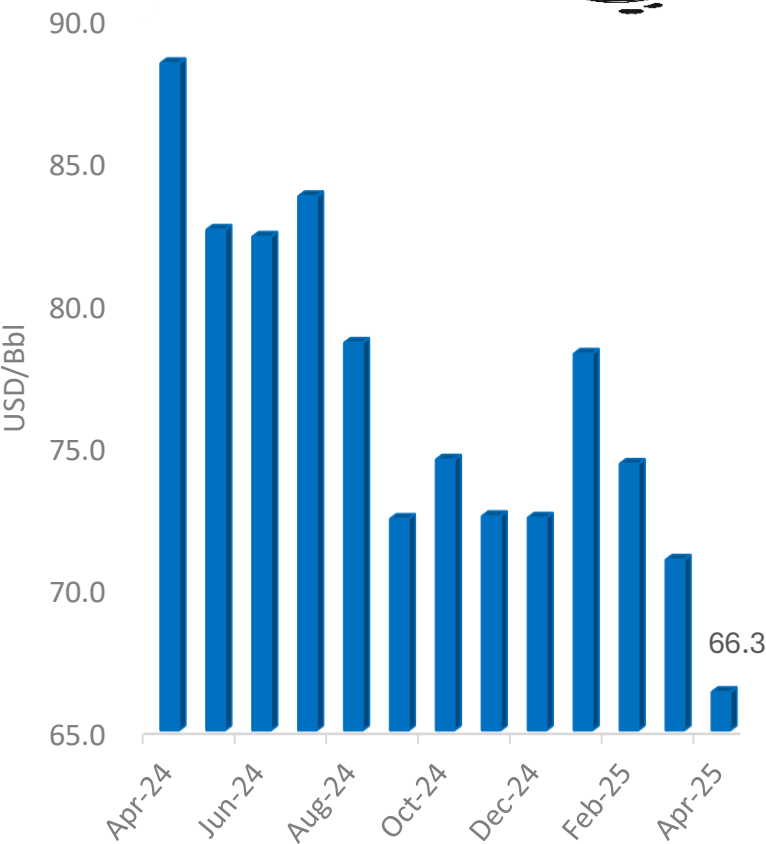
[Apr 174,608 – UP +17.3%YoY] [MoM – DOWN -23.9%]

The total number of arrivals for the month reached 174,608 registering a YoY uptick of 17.3% despite a MoM dip of 23.9%. India which accounted for 22.2% of tourist arrivals remained the top source market in Apr 2025. This was followed by The United Kingdom which accounted for 9.9% of total arrivals and The Russian Federation which accounted for 7.7% of arrivals.

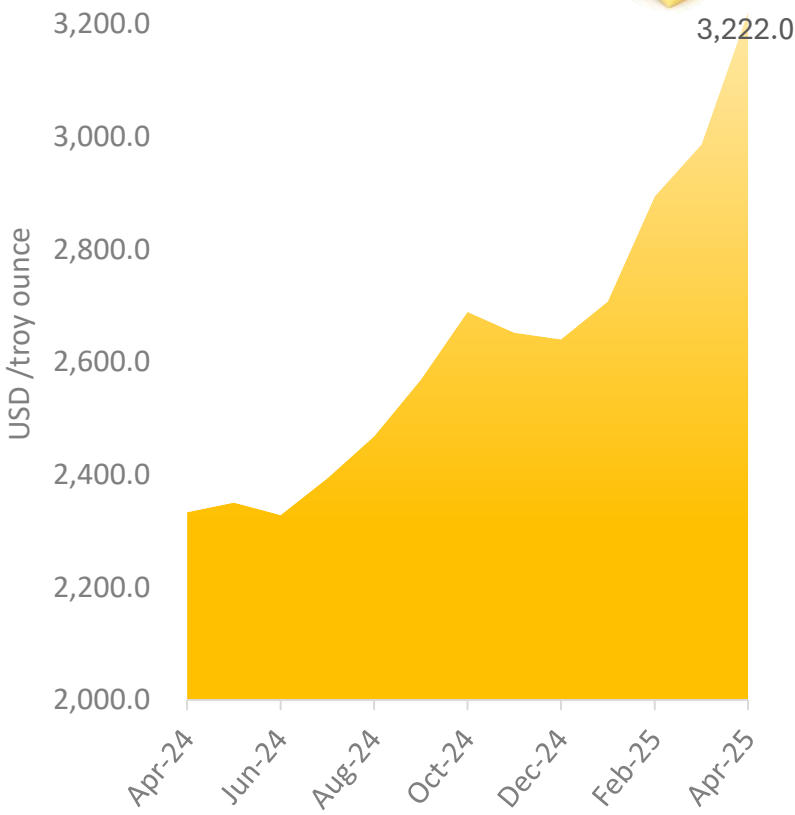


COMMODITY PRICES – APR 2025

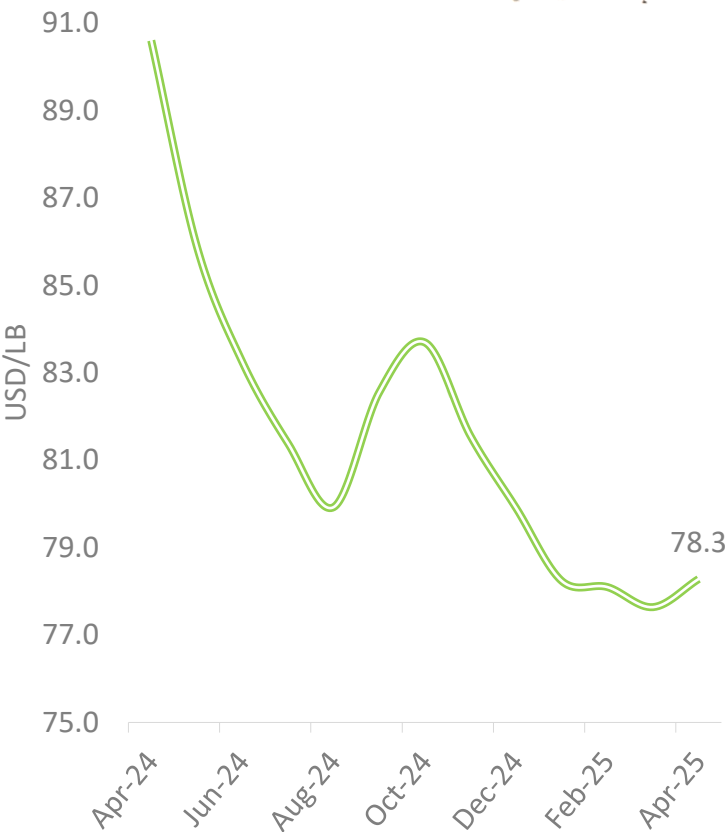
Crude oil



Gold



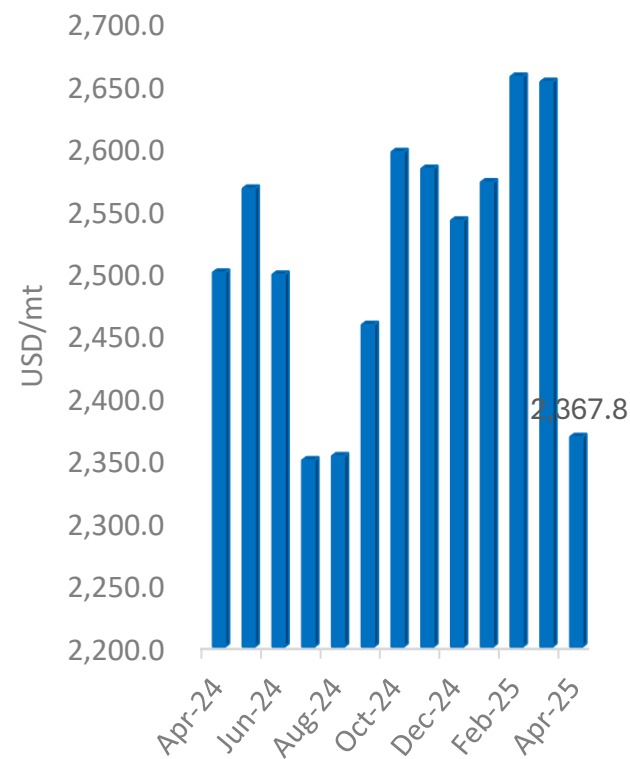
Cotton



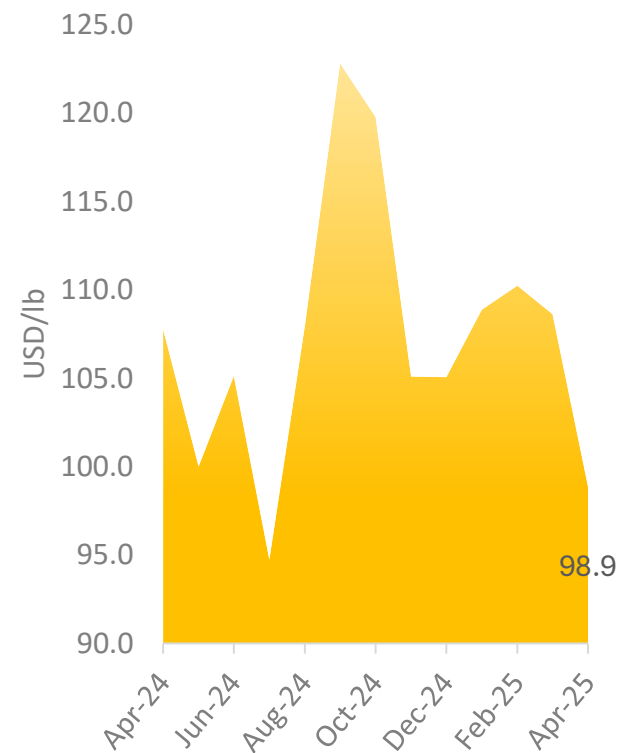
Note: crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

COMMODITY PRICES – APR 2025 CONT'D

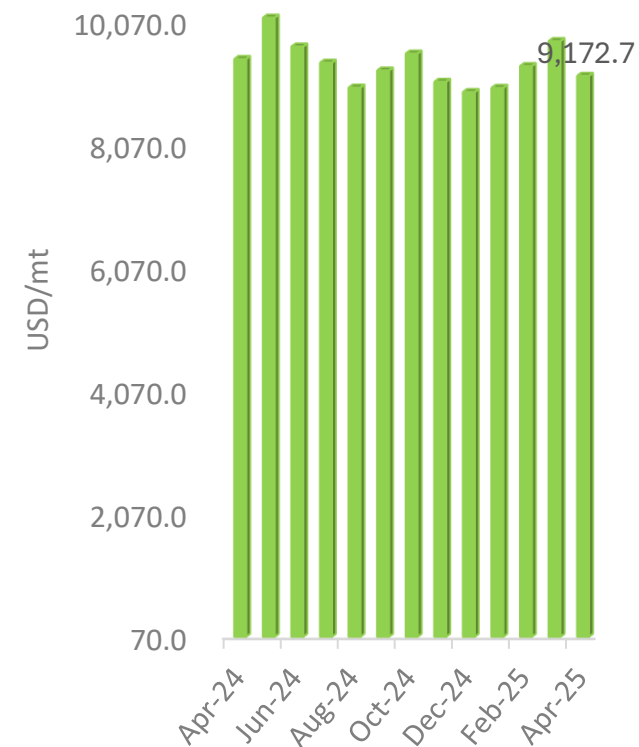
Aluminum



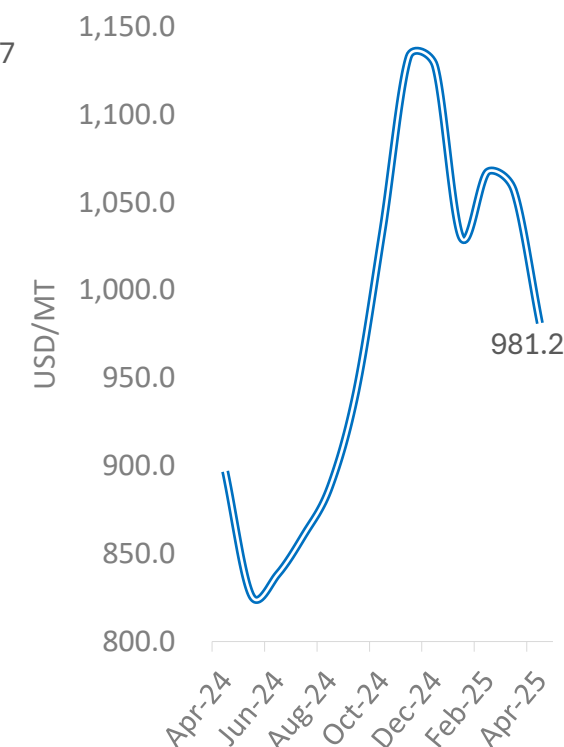
Rubber



Copper

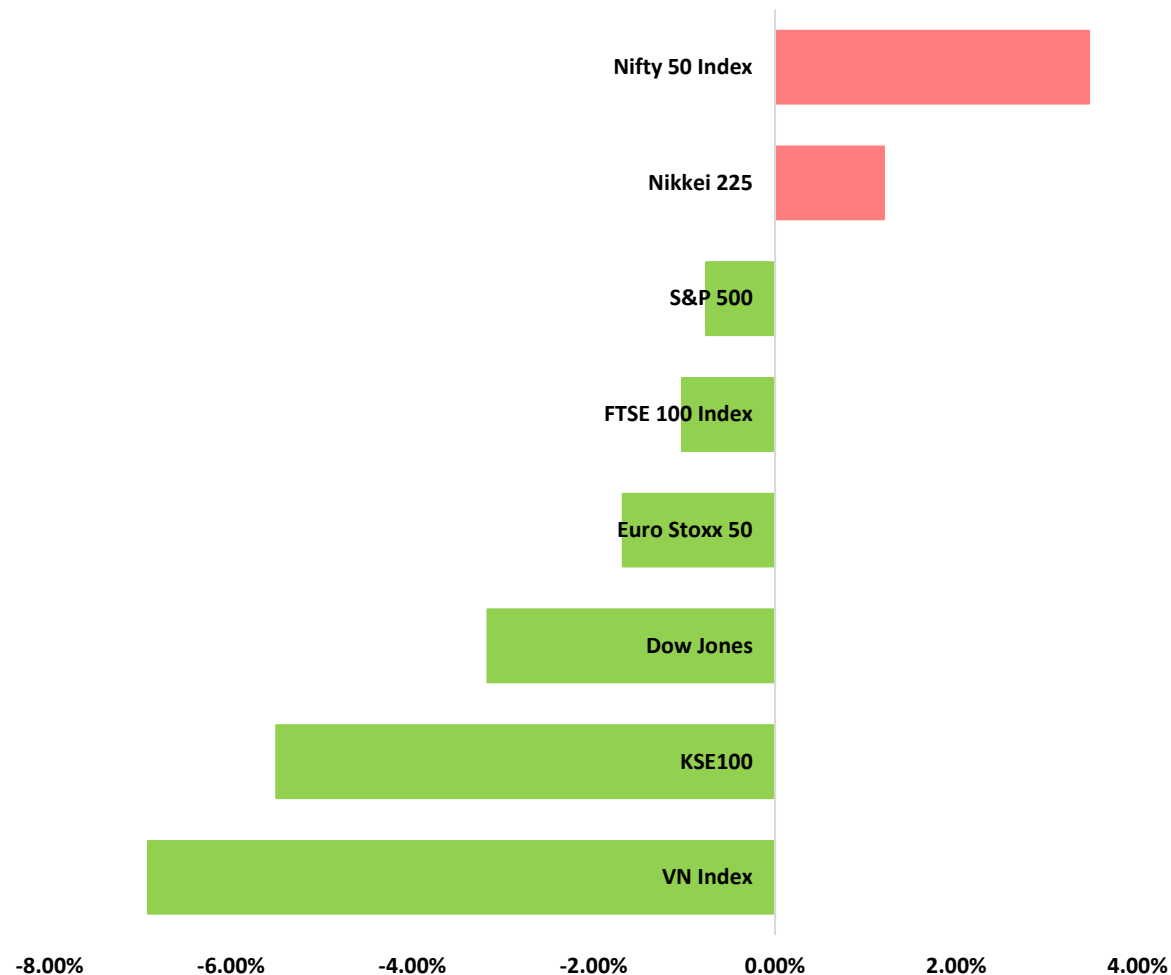


Palm oil



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

GLOBAL MARKET – APR 2025



US inflation data comes in softer than forecast

Traders are unwinding bets that called for the Federal Reserve to slash rates. The combination of a U.S. walk-back on triple-digit tariffs on China, Beijing's simultaneous retreat and a new read on inflation from the U.S. government has Wall Street putting near-term cuts on the shelf. Recent activity in rate options show the unwinds came immediately after the temporary trade war truce between the US and China.



U.S.-China trade war pushed global supply chain near breaking point, new data shows

The trade truce reached between the U.S. and China arrived just as President Donald Trump's tariffs took a big bite out of North American & Asian manufacturing, with a steep retreat in April purchasing activity after the rush to hoard supply, according to the GEP Global Supply Chain Volatility Index. The GEP Global Supply Chain Volatility Index tracks demand conditions, shortages, transportation costs, inventories, and backlogs based on a monthly survey of 27,000 businesses.



US slashes 'de minimis' tariff on small China parcels to as low as 30%

The U.S. will cut the "de minimis" tariff for low-value shipments from China to as low as 30%, according to a White House executive order and industry experts, further de-escalating a potentially damaging trade war between the world's two largest economies. The order offers some relief to big Chinese e-commerce players Shein and Temu and follows a weekend deal between Beijing and Washington to unwind for 90 days most of the tit-for-tat tariffs imposed on each other's goods since early April.



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