



First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

Sep 2025

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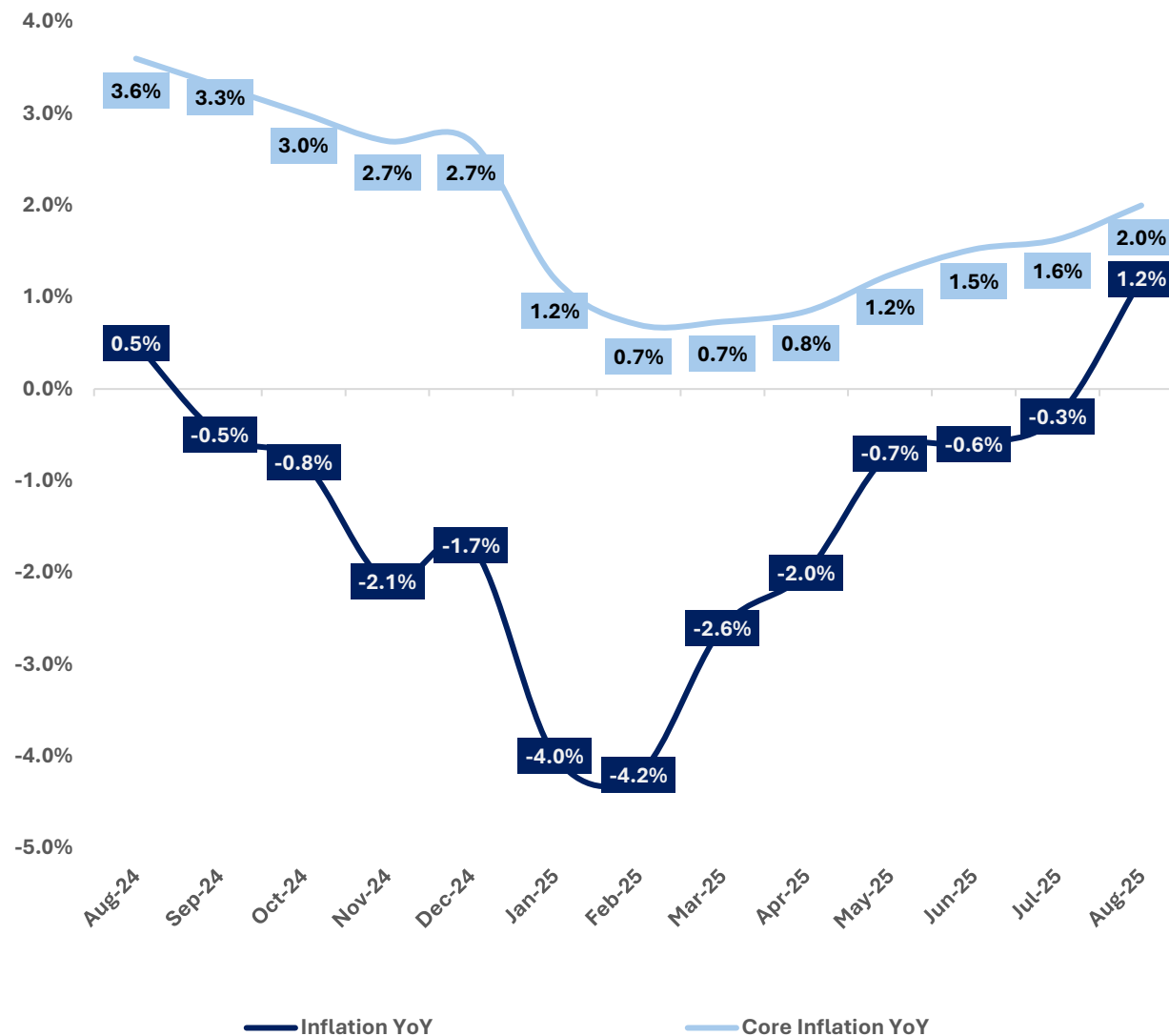
LAND VALUATION INDICATOR FOR COLOMBO DISTRICT IN 1H2025

- ❑ The Land Valuation Indicator (LVI) for Colombo District increased by 11.4% during the 1H2025 compared to the same period in 2024.
- ❑ All sub-indicators of the LVI, Residential, Commercial, and Industrial, contributed to this annual increase, with the following growth rates:
 - Residential LVI increased by 14.4%
 - Commercial LVI increased by 11.5%
 - Industrial LVI increased by 8.4%
- ❑ On a semi-annual basis, the LVI and its sub-indicators also recorded higher growth during the 1H2025 compared to the 2H2024. Among the sub-indicators, the Residential LVI recorded the highest semi-annual increase, followed by the Commercial LVI.
- ❑ The sharp ascent in the land prices, especially in the Colombo district, reflects the demand for lands in the most bustling city in the country from the buyers across all sectors – residential, commercial and industrial – due to its improved infrastructure, logistics and living standards in the recent past.

CCPI FOR AUGUST 2025: MOM - 0.4% YOY +1.2%

- MoM inflation for August 2025 stood at -0.4%, decrease from the -0.2% level seen in the previous month. Food inflation increased to -1.5% compared to -2.5% in July 2025, while Non-Food inflation decreased to +0.2%, compared to +1.0% in July 2025.
- The YoY figure reached +1.2% in August 2025 compared to the -0.3% level seen in July 2025. Food inflation increased to 2.0% from 1.5% previously. Non-food inflation increased to 0.8%, up from -1.2% in the previous month, indicating a return to inflationary territory.

Inflation – CCPI

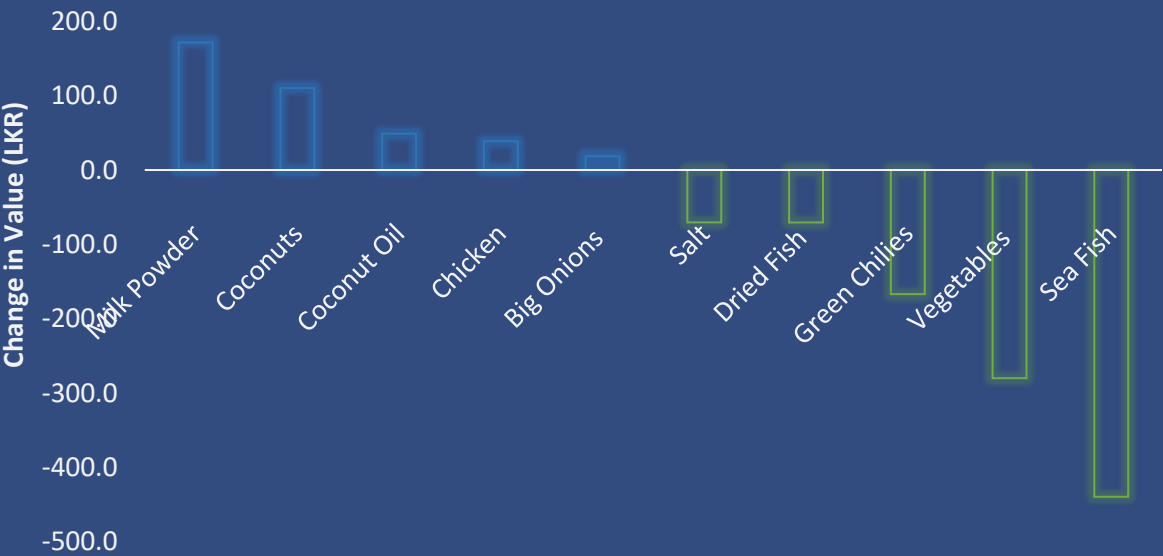


INFLATION ANALYSIS – CCPI-MOM

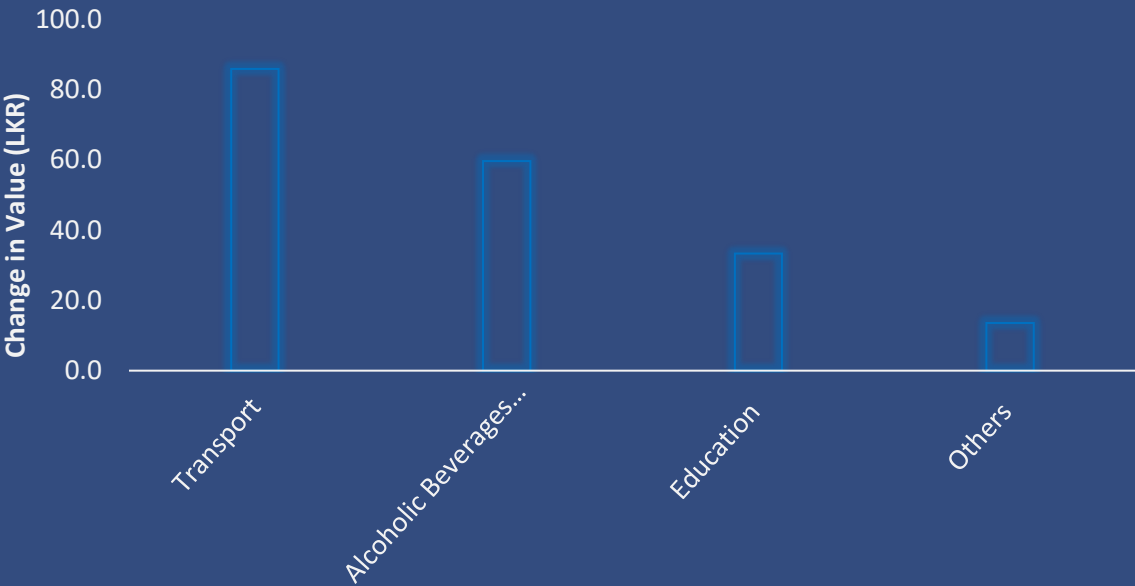
The CCPI Index for August 2025, decreased to -0.4%MoM. The Food category contributed at a -0.49% rate. Sea Fish, Vegetables, Green Chilies, Dried Fish and Salt showcased noteworthy price reductions. However, on the flip side, Milk Powder, Coconut, Coconut Oil, Chicken and Big Onions were the top positive contributors within the Food category. The Non-Food category contributed +0.11% with Transport, Alcoholic Beverages and Narcotics, and Education being the major contributors of price increment.



Food Category Inflation



Non-Food Category Inflation

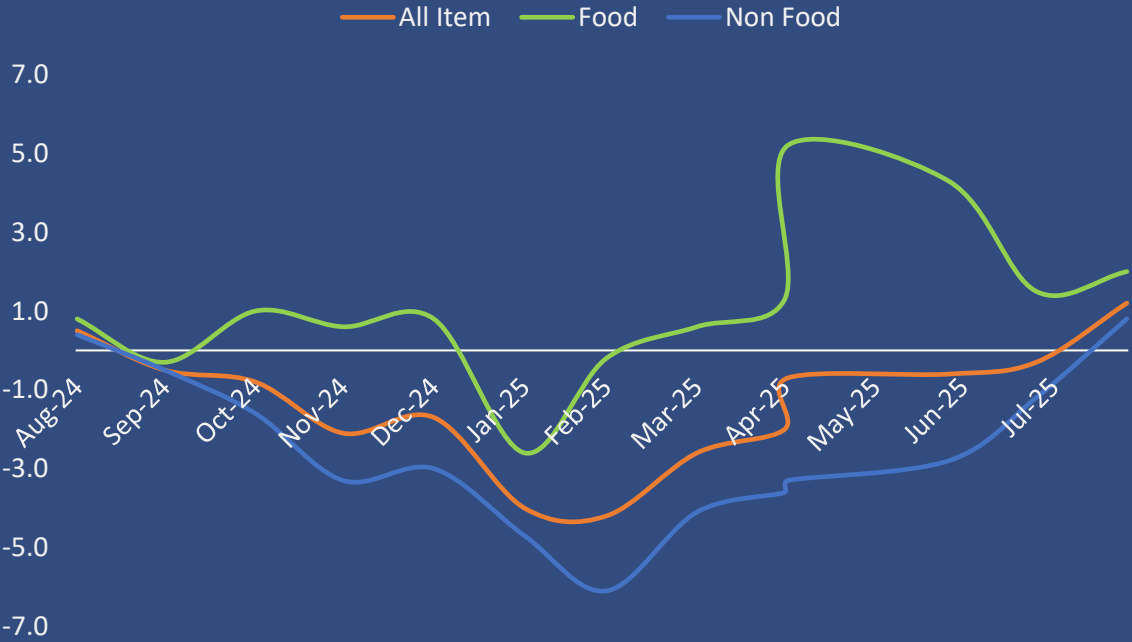


INFLATION ANALYSIS – CCPI-YOY

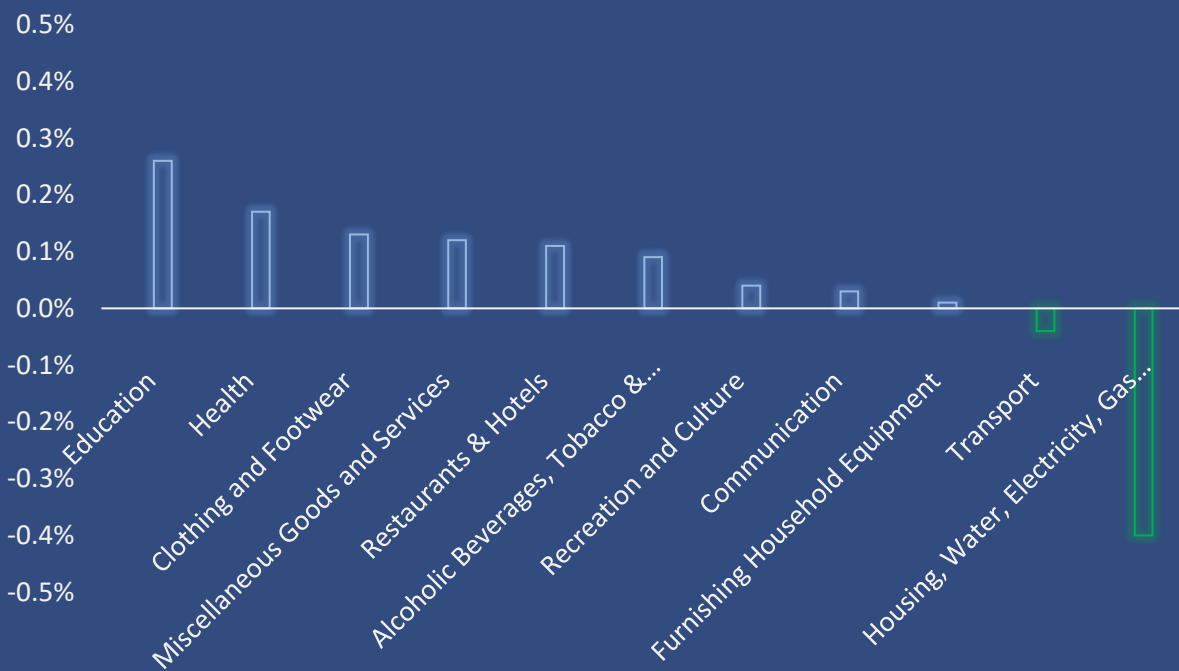
The YoY inflation of CCPI for August 2025 stood at 1.2%, registering an uptick from the -0.3% level seen in July 2025. While YoY inflation of the Food group increased to 2.0% in August 2025 from 1.5% seen in the previous month, YoY inflation of the Non-Food category increased to 0.8% in August from -1.2% in July 2025. The increase in food group inflation was mainly due to price increments of Coconut, Coconut Oil and Sea Fish.



Inflation Analysis (YoY)



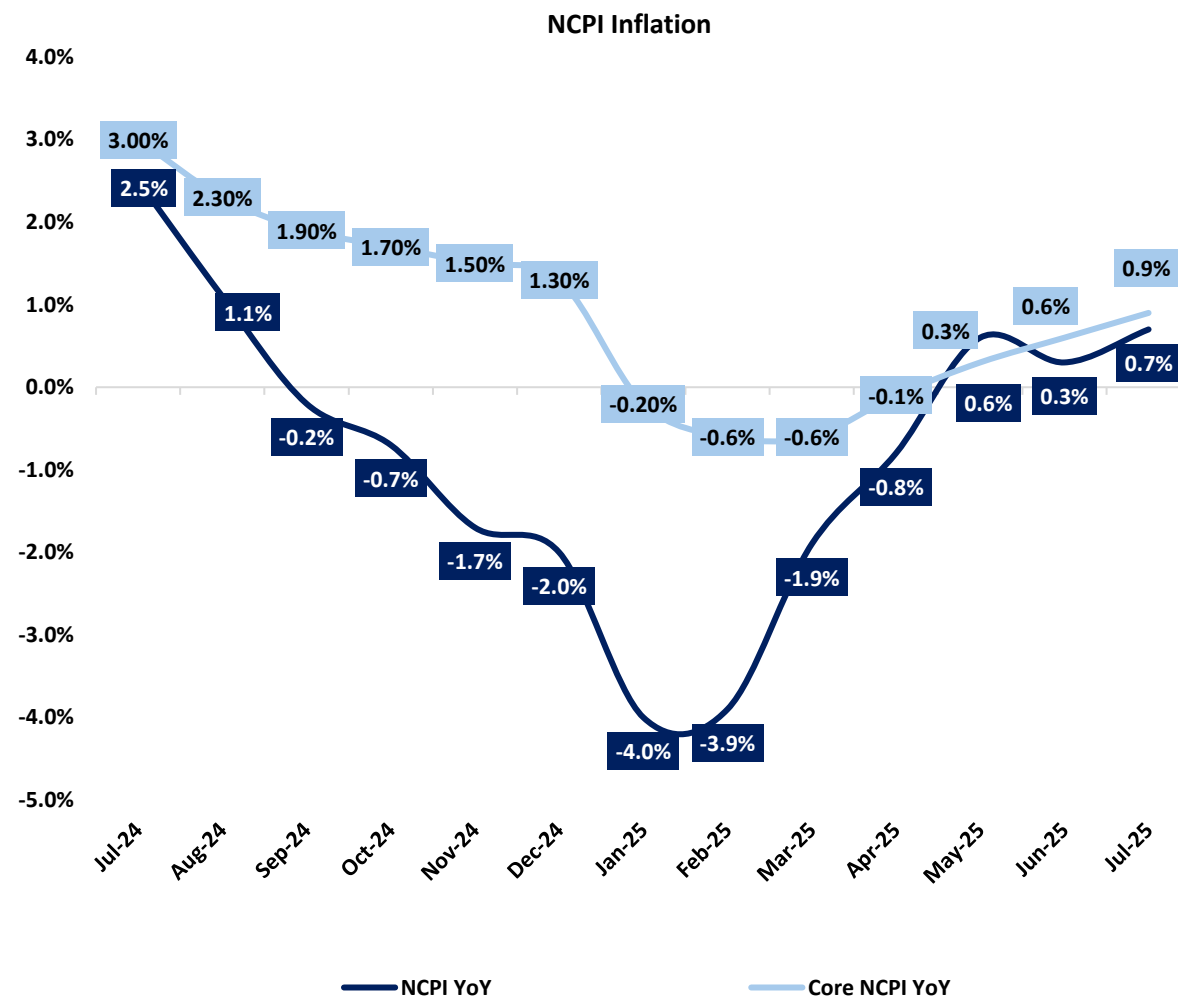
Non-Food Category Inflation



NCPI FOR JULY 2025: INCREASED TO 0.7%YOY

- NCPI for July 2025, inflated to 0.7% from 0.3% seen in June 2025.
- This trend was driven by subsequent increase seen in Non-Food category inflation. In July 2025, Food inflation decreased to 2.2% from 4.2% seen in the previous month. However the, Non-food inflation has increased from -2.8% to -0.6% during July 2025.

Inflation – NCPI

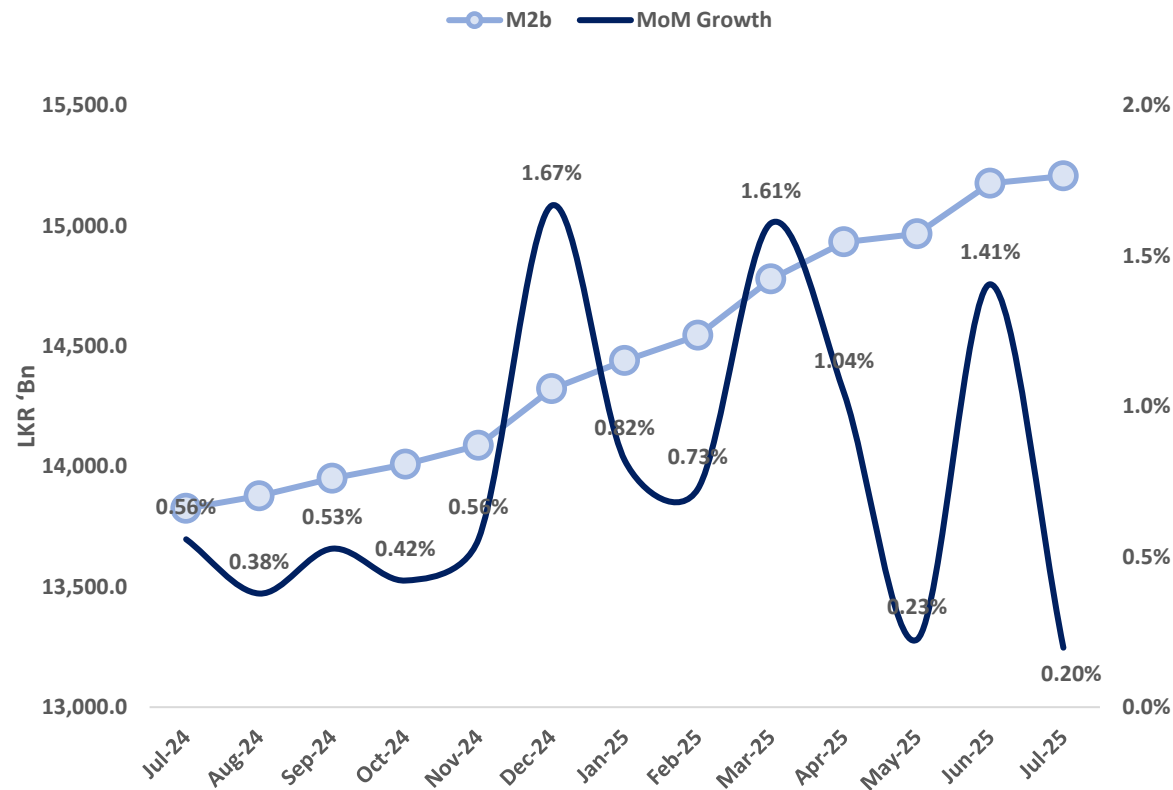


M2B AND CREDIT GROWTH

Private sector credit expanded by LKR 201.5Bn in July 2025. State credit also followed suit, having risen by LKR 6.5Bn in July 2025, like the expansion seen in the previous month.

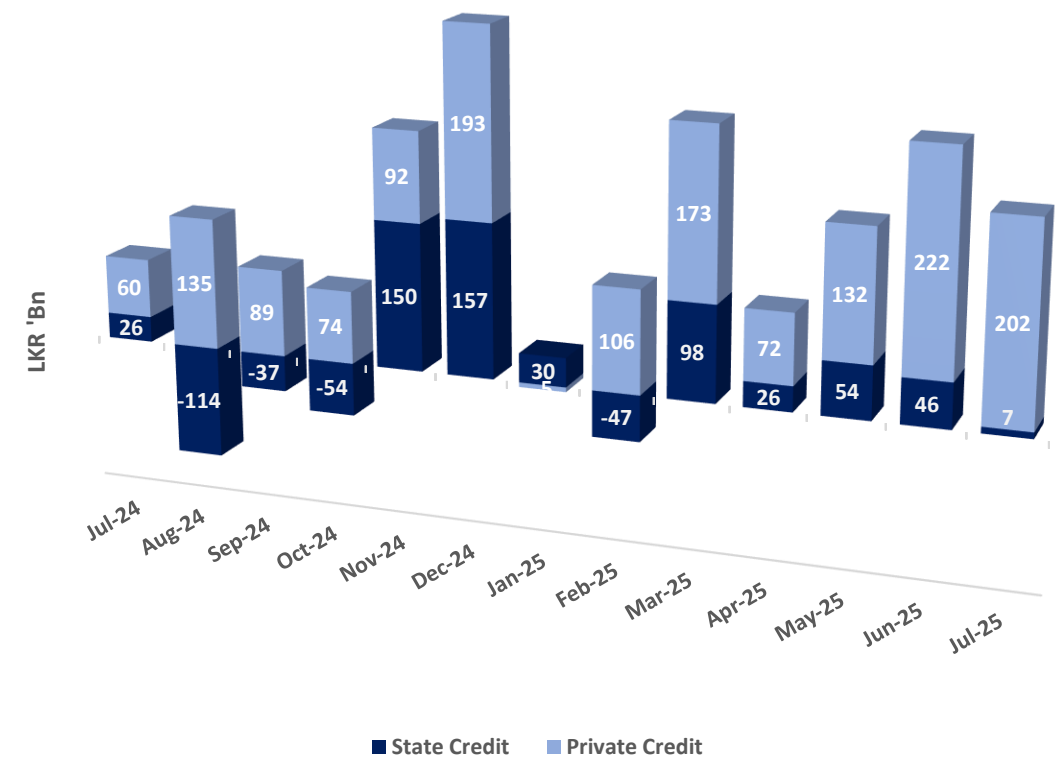
M2b Growth – July 2025

MoM +0.2%, YoY +10.0%, YTD +6.2%



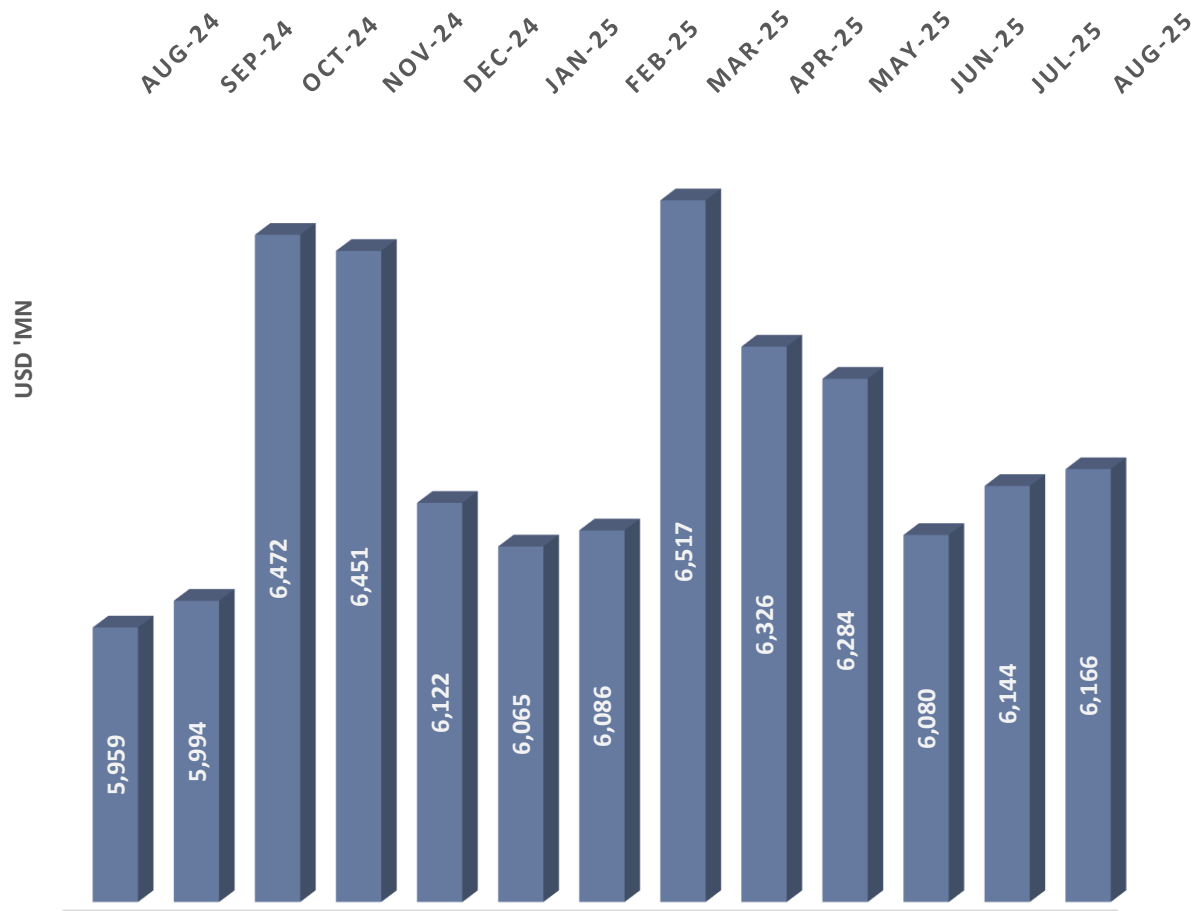
State Credit & Private Credit – July 2025

Private Credit MoM +2.3%, YoY +19.6%, YTD +11.1%

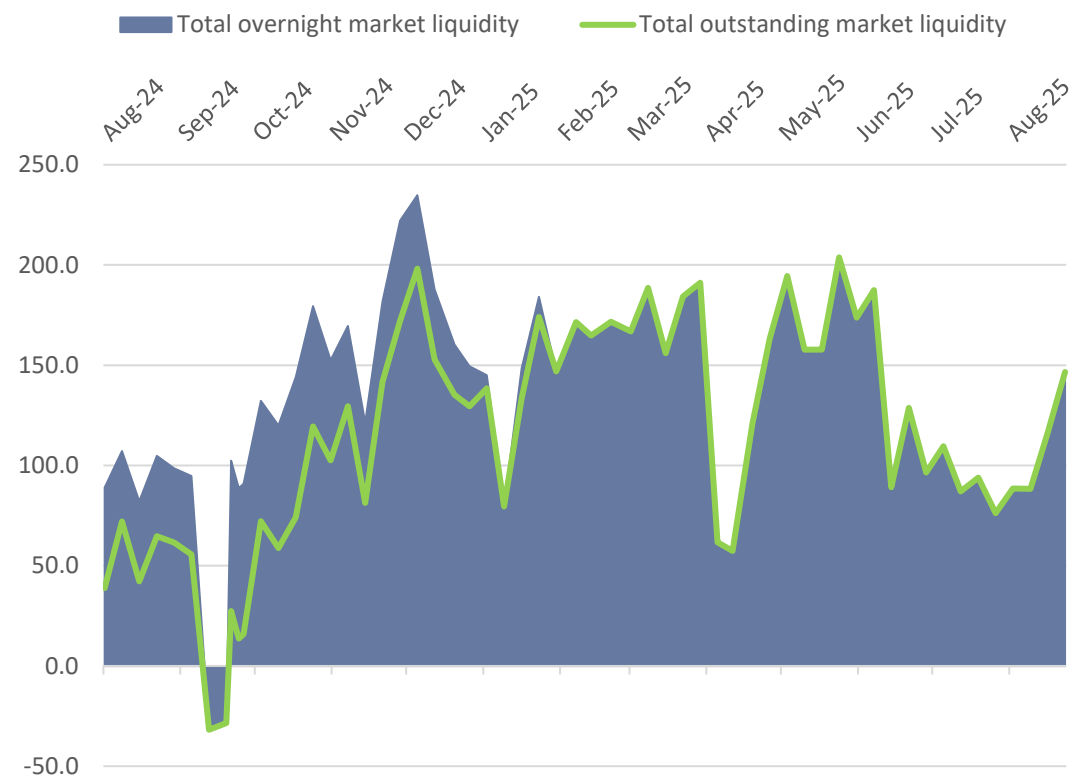


LIQUIDITY & RESERVES

- Foreign Reserves increased by USD 22.0Mn to USD 6,166.0Mn in August 2025.



- Both overnight market liquidity and outstanding market liquidity increased in August 2025 relative to the previous month. By end-August, both overnight and market liquidity stood at LKR 146.5Bn.



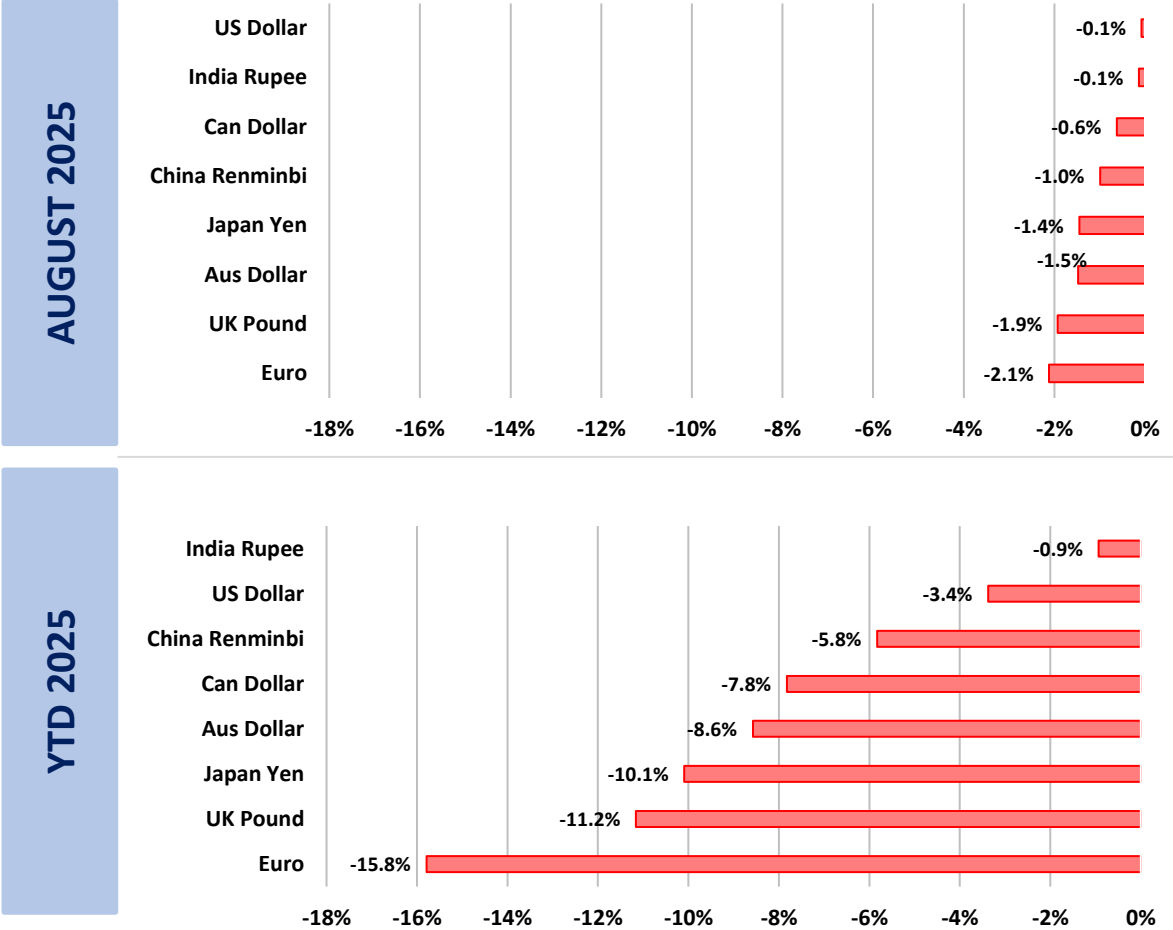
Note: total outstanding market liquidity represents overnight liquidity adjusted for outstanding amounts of term repo/reverse repo transactions of the central bank with market participants.

CURRENCY MOVEMENT

USD:LKR Movement



Sri Lankan Rupee vs Global Currencies



GOVERNMENT SECURITIES – NEW ISSUES

Bill and Bond auctions for August 2025

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
1-Aug-25	89,133	71,056	160,189
8-Aug-25	90,200	18,533	108,733
15-Aug-25	113,850		113,850
22-Aug-25	86,350		86,350
29-Aug-25	71,140		71,140
Total Issued			469,122

Net settlements for August 2025

Net Settlement	August 2025	YTD
Maturities	568,705	4,903,209
Coupon Payment	98,485	1,109,439
New Issues	469,122	5,905,803
Excess/ (Deficit)	-198,067	-106,846

CBSL Holdings of Gov. Securities		YTD
As at End August 2025	2,508,900	
As at End July 2025	2,508,900	
Increase/ (Decrease)	-	-7,100

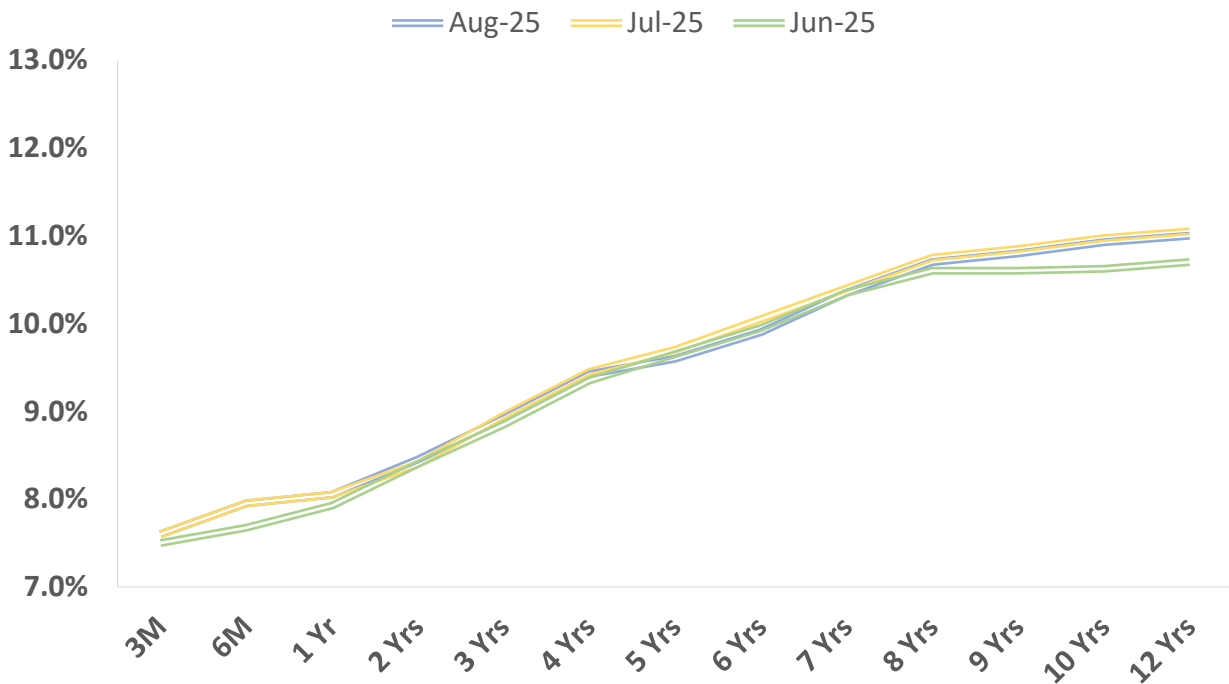
CBSL HOLDINGS OF GOV. SECURITIES...

...remained broadly stagnant in August 2025



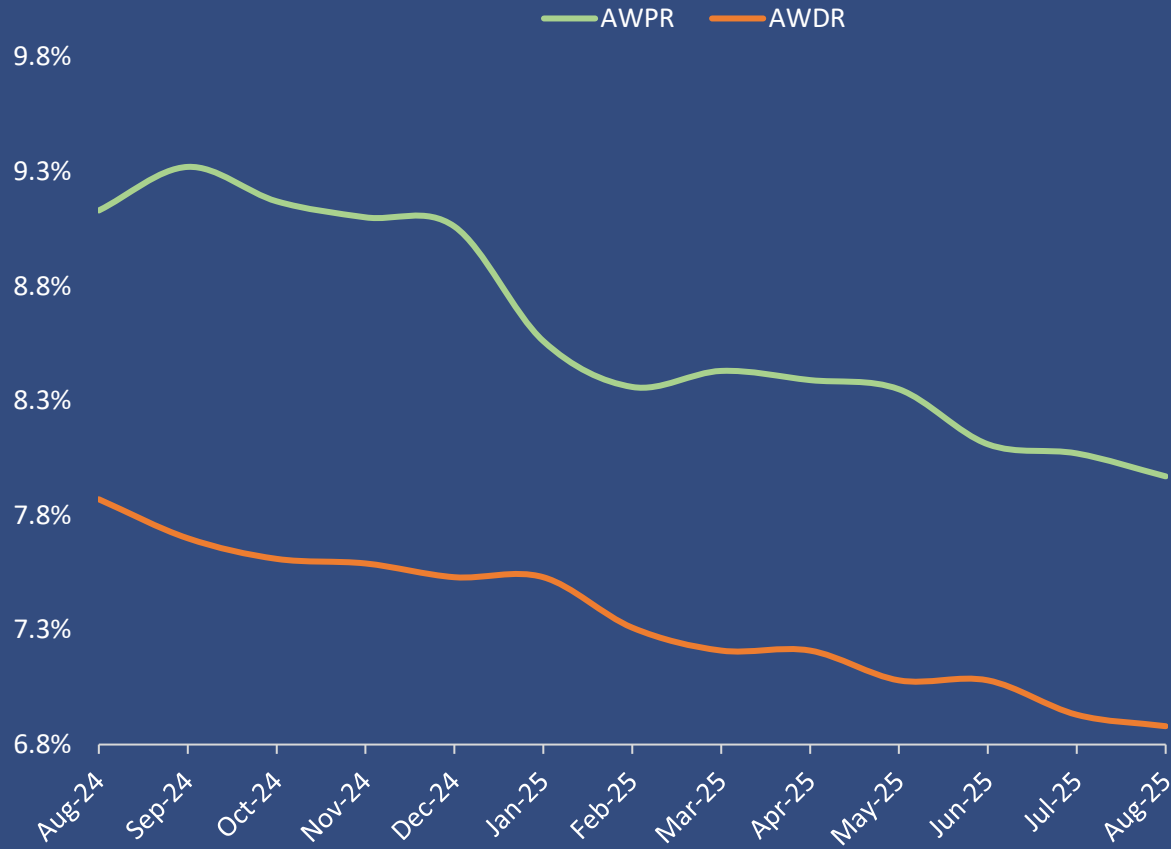
TREASURY BILLS AND BONDS –AUGUST 2025

The government securities market remained largely subdued throughout August 2025, amid persistent investor caution and the absence of major domestic drivers. The month began on a positive note, supported by improved sentiment following the U.S. decision to reduce tariffs on Sri Lankan imports, which prompted moderate buying interest in the 2028 and 2029 maturities. However, this momentum was short-lived, and trading volumes gradually declined as market participants adopted a wait-and-see stance. The second and third weeks saw mixed activity, with investor focus remaining on the 2029, 2032, and select longer-tenor maturities. Some pockets of selling were observed particularly in the 2028 maturities whilst the yields remained broadly stable as overall participation stayed light. The final week saw minor upward shifts in yields across the short to belly segment, driven by early-week selling pressure, though the market quietened toward the end. Overall, August ended on a cautious and steady note, with the yield curve holding firm and risk appetite remaining limited amid subdued trading conditions.

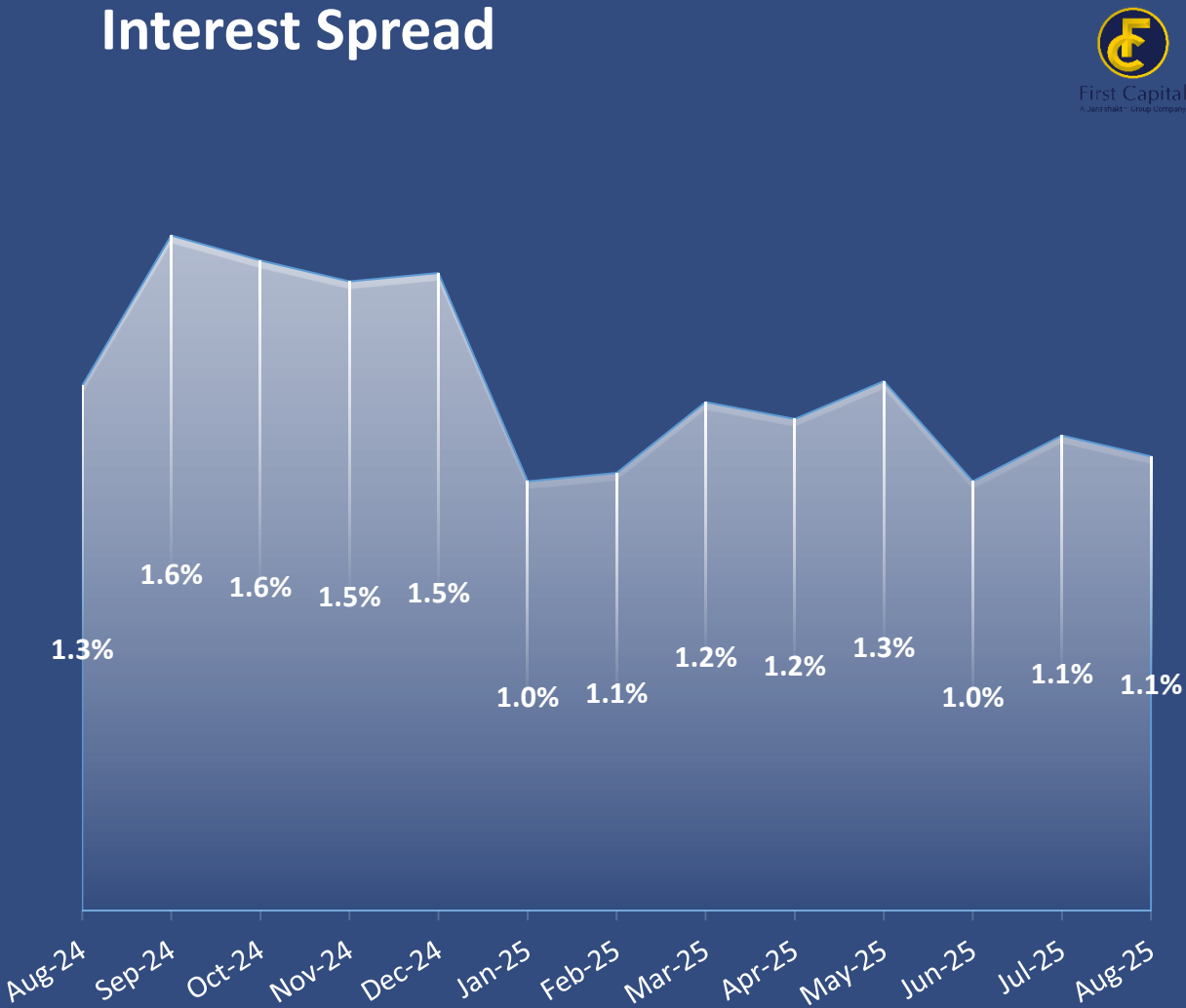


Tenure	Interest Rate Change (bps)				
	Aug 2025	Jul 2025	Change (bps)	Jun 2025	Change (bps)
3M	7.60%	7.60%	0	7.50%	+10
6M	7.95%	7.95%	0	7.68%	+28
1 Yr	8.05%	8.05%	0	7.93%	+13
2 Yrs	8.45%	8.40%	5	8.40%	+5
3 Yrs	8.93%	8.95%	-3	8.85%	+8
4 Yrs	9.43%	9.45%	-3	9.35%	+8
5 Yrs	9.60%	9.70%	-10	9.65%	-5
6 Yrs	9.90%	10.05%	-15	9.95%	-5
7 Yrs	10.35%	10.40%	-5	10.35%	0
8 Yrs	10.70%	10.75%	-5	10.60%	+10
9 Yrs	10.80%	10.85%	-5	10.60%	+20
10 Yrs	10.93%	10.98%	-5	10.63%	+30
12 Yrs	11.00%	11.05%	-5	10.70%	+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



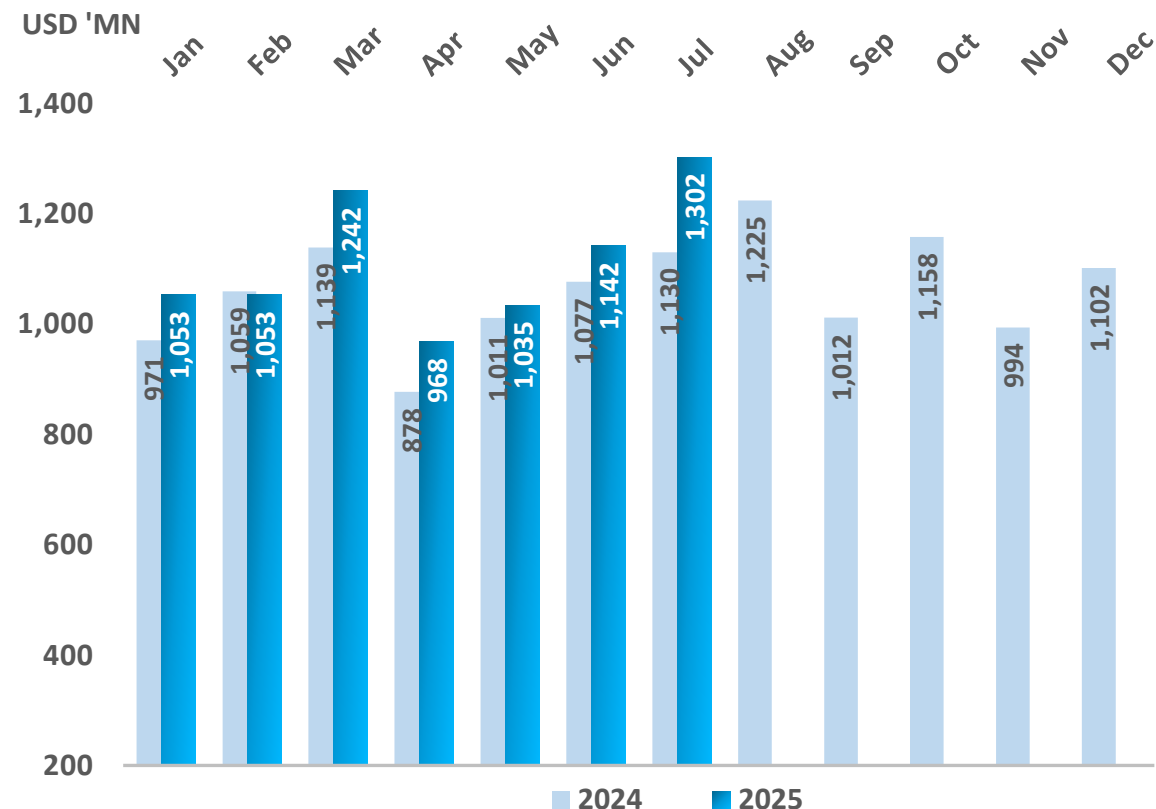
FINANCE SECTOR RATE MOVEMENTS



EXTERNAL SECTOR – JULY 2025 – EXPORTS

In July 2025, Exports registered a YoY uptick of 15.2%, driven primarily by subsequent expansions in Industrial exports followed by Agricultural exports, which make up a substantial amount of the basket, while Industrial exports saw an increase of 14.4%YoY. The main reasons behind the increase in Industrial exports were increments in Food, Beverage and Tobacco, Petroleum Products and Textile and Garments. The 17.1%YoY increase that was seen in Agricultural exports was driven predominantly increases in Tea, Coconut, and Tea subcomponents. Additionally, mineral and other exports recorded a sharp 65.7%YoY incline.

Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Industrial Exports			
- July	860.9	984.6	14.4
- YTD	5,698.0	6,029.1	5.8
Agricultural			
- July	264.9	310.1	17.1
- YTD	1,545.9	1,737.7	12.4
Mineral and other Exports			
- July	4.5	7.5	65.7
- YTD	30.7	27.5	-10.3
Total			
- July	1,130.3	1,302.2	15.2
- YTD	7,274.7	7,794.3	7.1

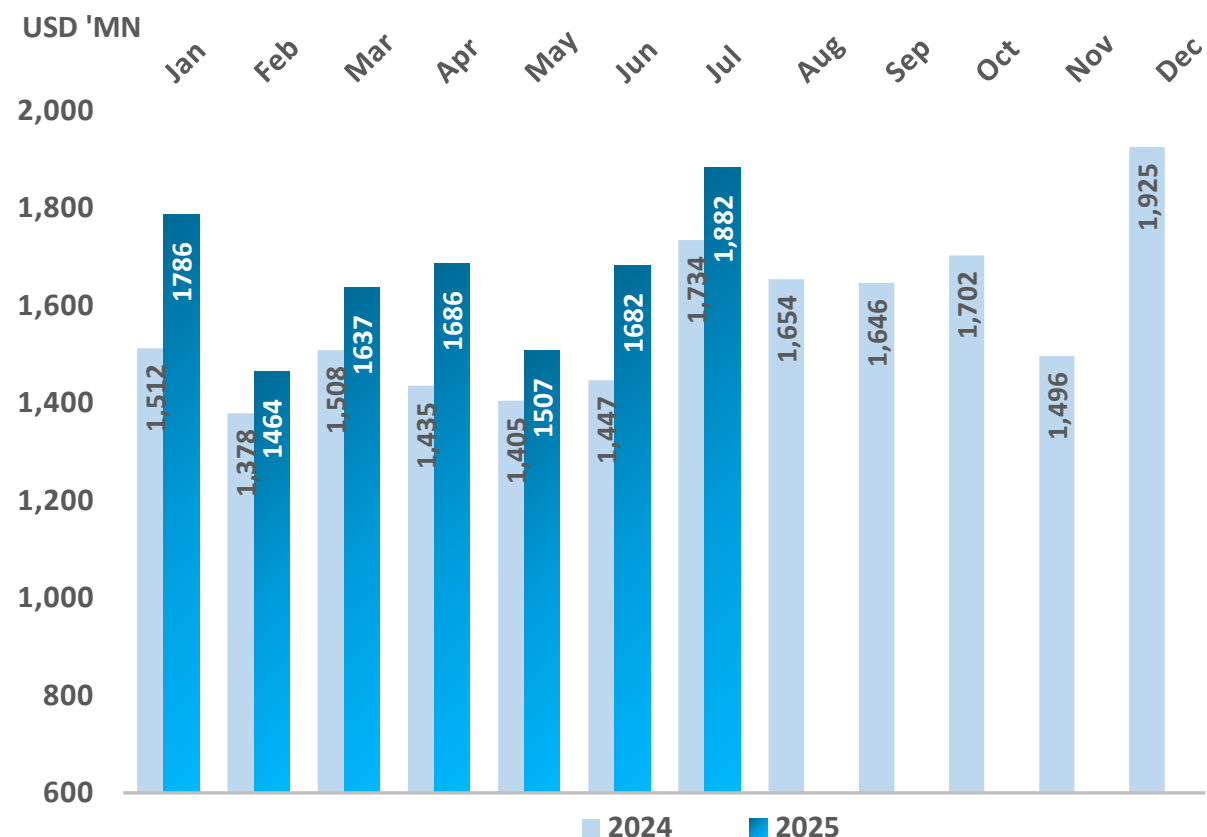




EXTERNAL SECTOR – JULY 2025 – IMPORTS

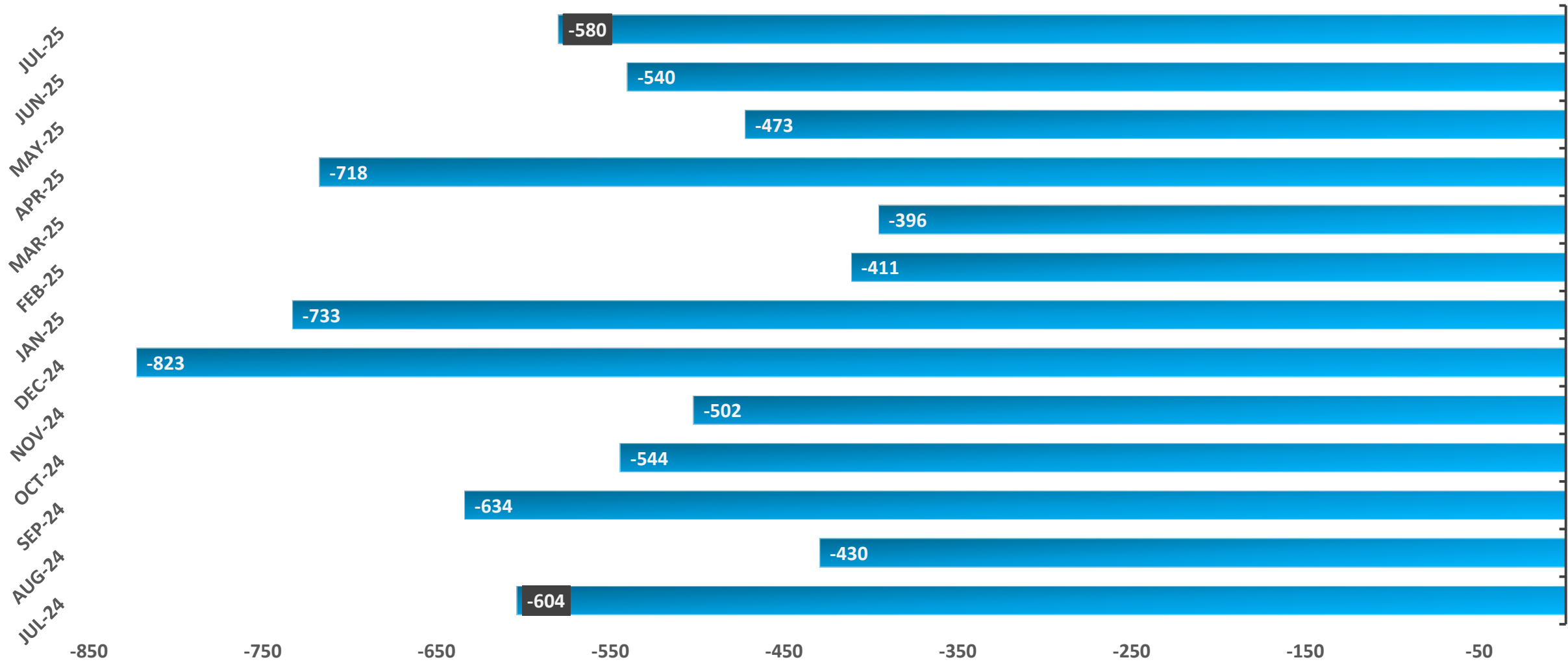
In July 2025, Imports registered a YoY increment of 8.5%, with two sub-categories experiencing an increment. Consumer goods marked a YoY uptick of 48.5% driven predominantly by higher levels of Non-Food Consumer goods. Investment goods also registered a YoY increase of 18.9% prompted by greater imports made in Transport equipment. Finally, the Intermediate goods segment decreased by 6.9%YoY in July 2025. The Textiles and Textile articles and Fuel imports that dominated this trend whilst decreases in Fertiliser and Wheat and Maize.

Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Consumer goods			
- July	323.3	480.1	48.5
- YTD	1,857.5	2,795.6	50.5
Intermediate			
- July	1,066.6	992.8	-6.9
- YTD	6,700.8	6,568.4	-2.0
Investment goods and other			
- July	344.3	409.3	18.9
- YTD	1,860.2	2,280.4	22.6
Total			
- July	1,734.1	1,882.2	8.5
- YTD	10,418.5	11,644.4	11.8

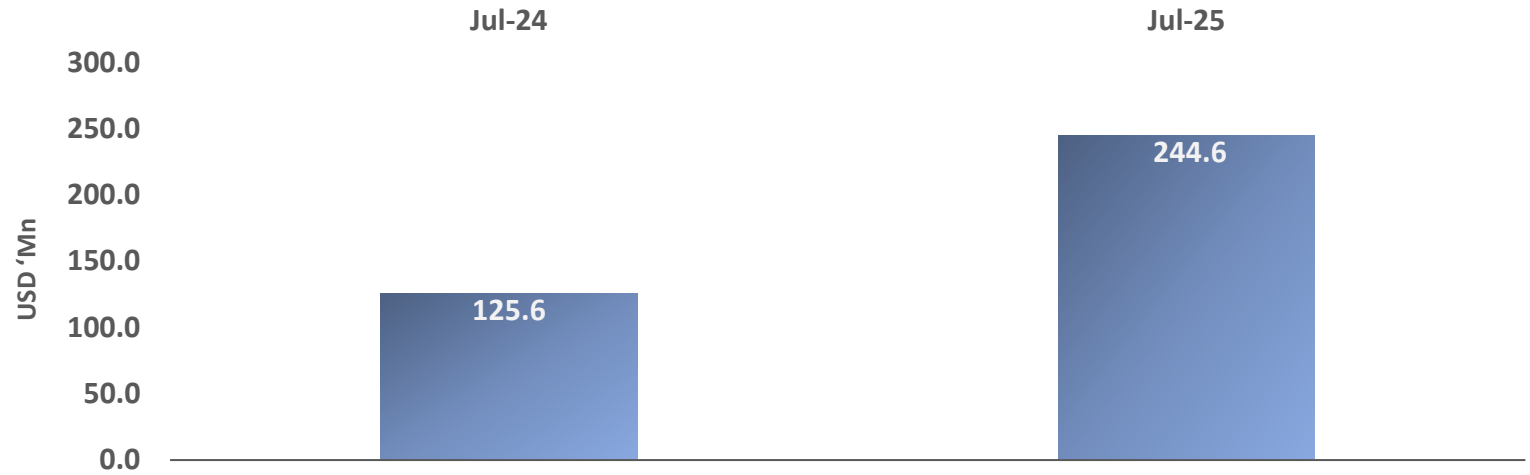


EXTERNAL SECTOR – JULY 2025

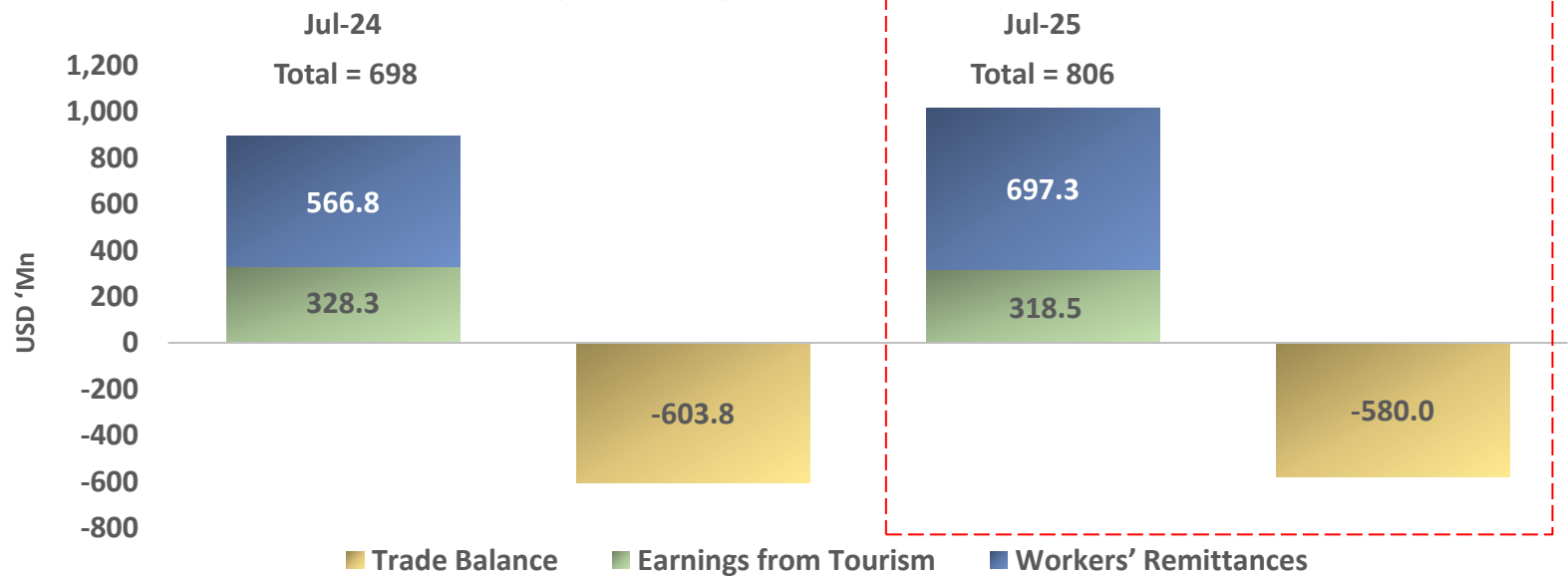
Balance of Trade



The Current Account Balance for July 2025 increased compared to that of July 2024, registering an uptick of 94.7%.



Workers' Remittances increased to USD 697.3Mn in July 2025 (+23.0%YoY) while Earnings from Tourism decrease to USD 318.5 Mn (-3.0%YoY).



CURRENT ACCOUNT BALANCE YOY IMPROVED IN JULY 2025

July USD 'Mn	2024	2025	Change (%)
Trade Balance	-603.8	-580.0	
Earnings from Tourism	328.3	318.5	-3.0
Workers' Remittances	566.8	697.3	+23.0

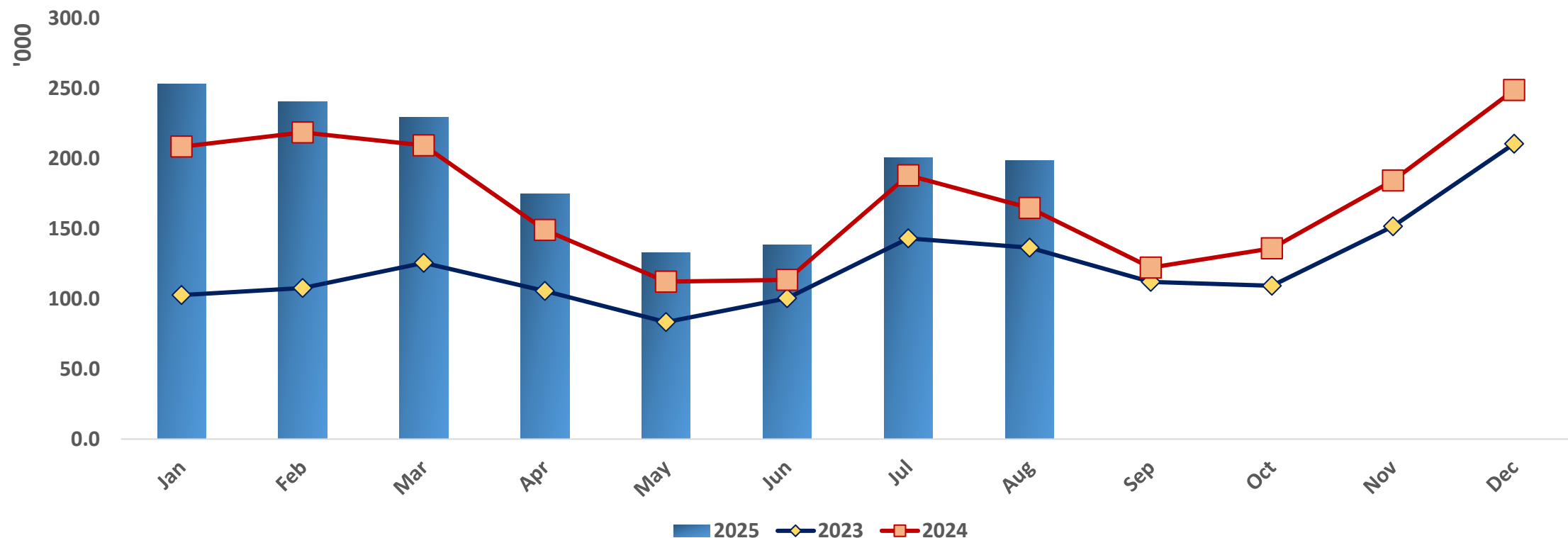
YTD USD 'Mn	2024	2025	Change (%)
Trade Balance	-3,143.8	-3,850.1	
Earnings from Tourism	1,884.9	2,031.1	+7.8
Workers' Remittances	3,710.8	4,435.2	+19.5

TOURIST ARRIVALS – AUGUST 2025

[August 198,235 – UP +20.4%YoY] [MoM – DOWN -1.0%]

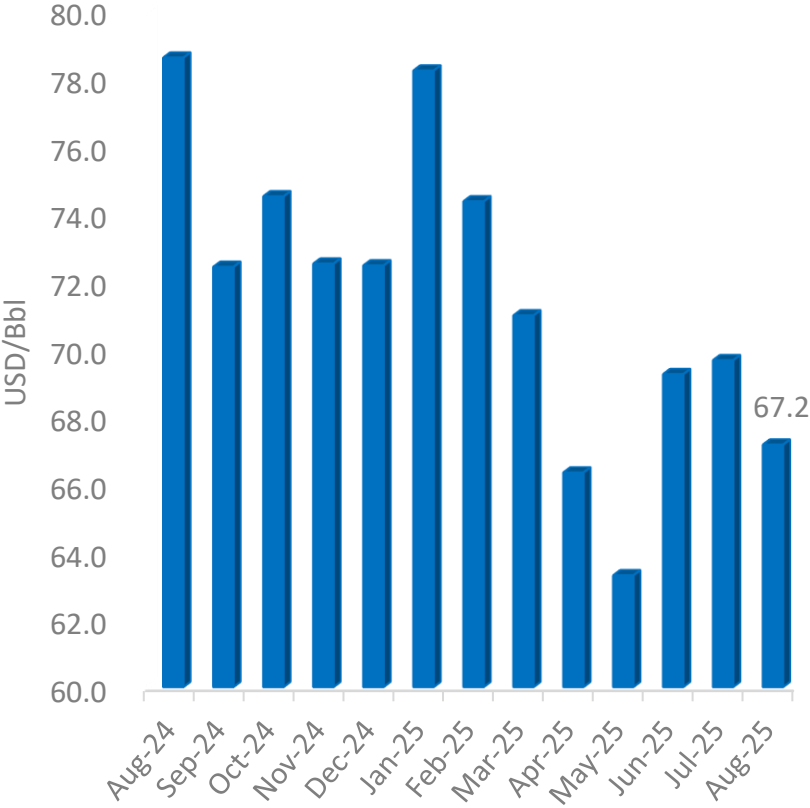
The total number of arrivals for the month reached 198,235 registering a YoY uptick of 20.4% alongside a MoM down of -1.0%. India which accounted for 23.4% of tourist arrivals remained the top source market in August 2025. This was followed by The United Kingdom which accounted for 10.0% of total arrivals and Germany which accounted for 6.3% of arrivals.

Tourist Arrivals

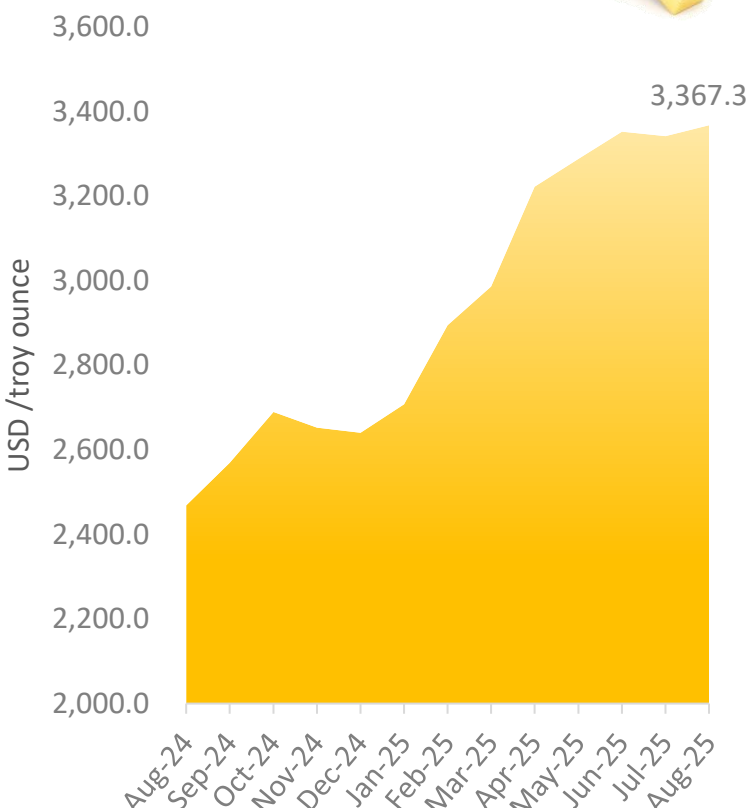


COMMODITY PRICES – AUGUST 2025

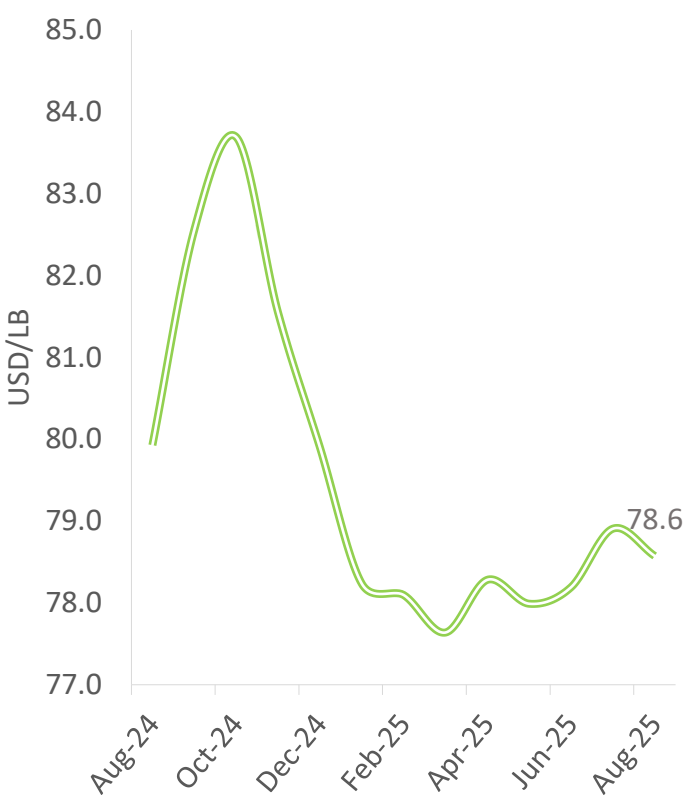
Crude oil



Gold



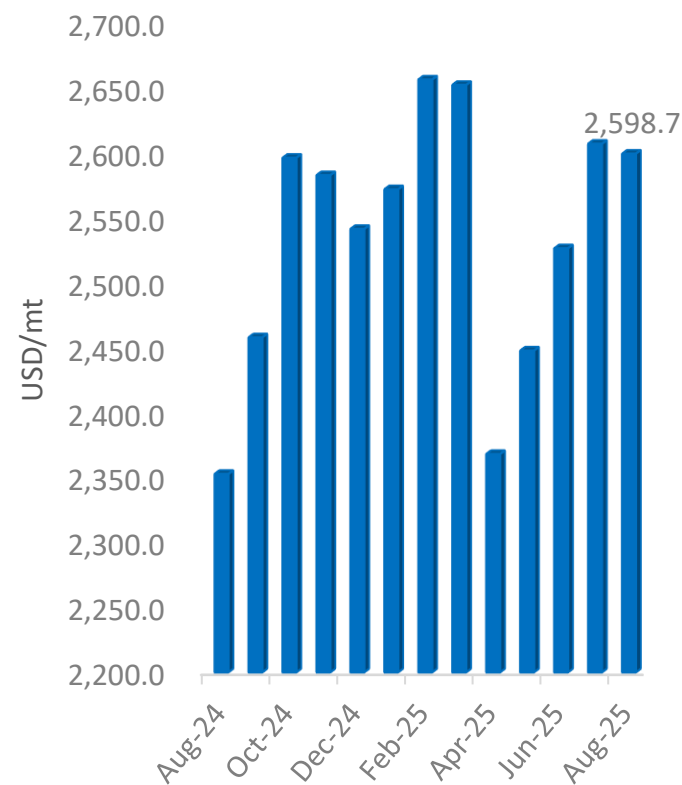
Cotton



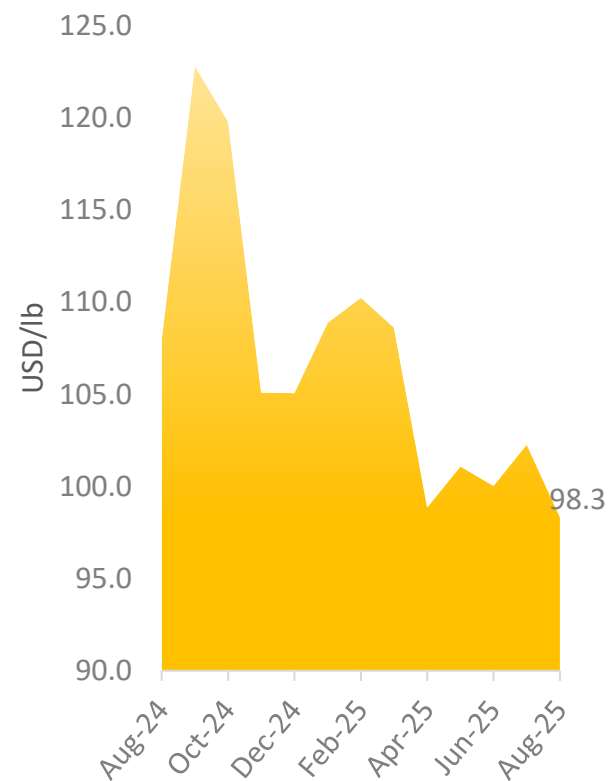
Note: crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

COMMODITY PRICES – AUGUST 2025 CONT'D

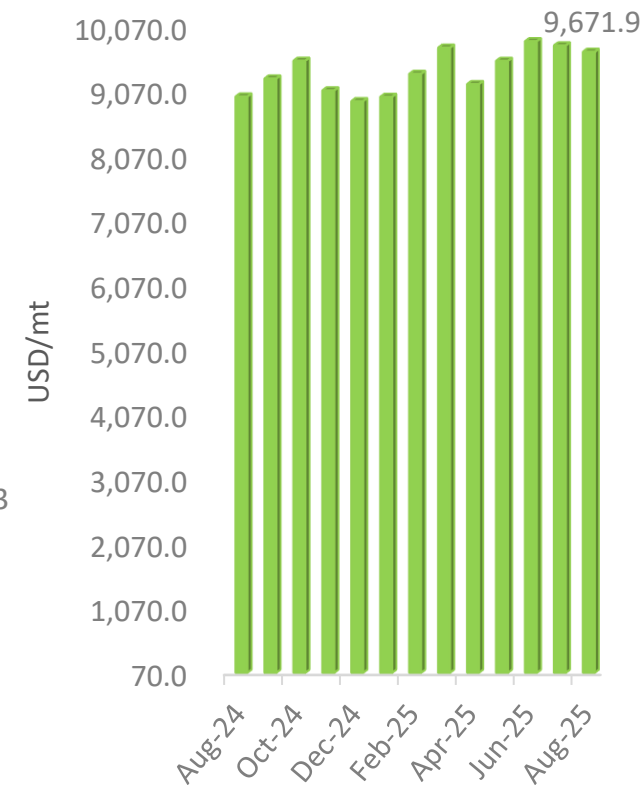
Aluminum



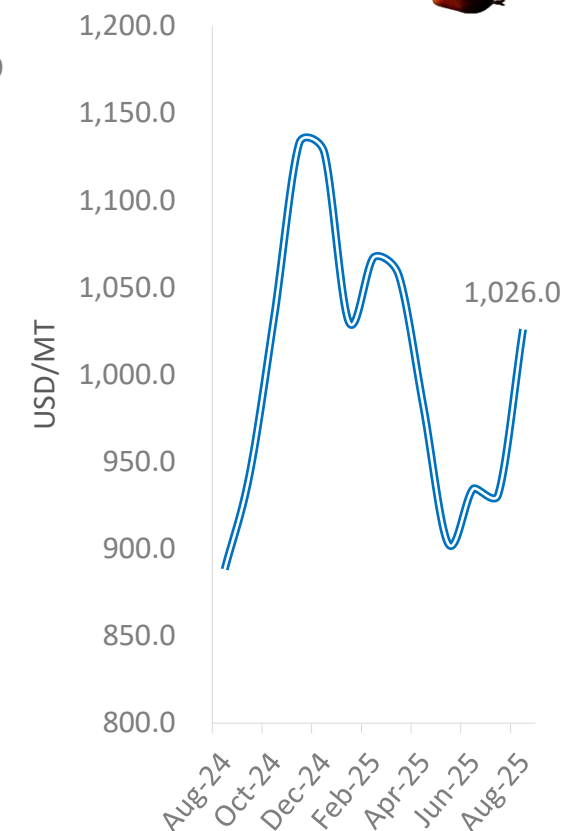
Rubber



Copper

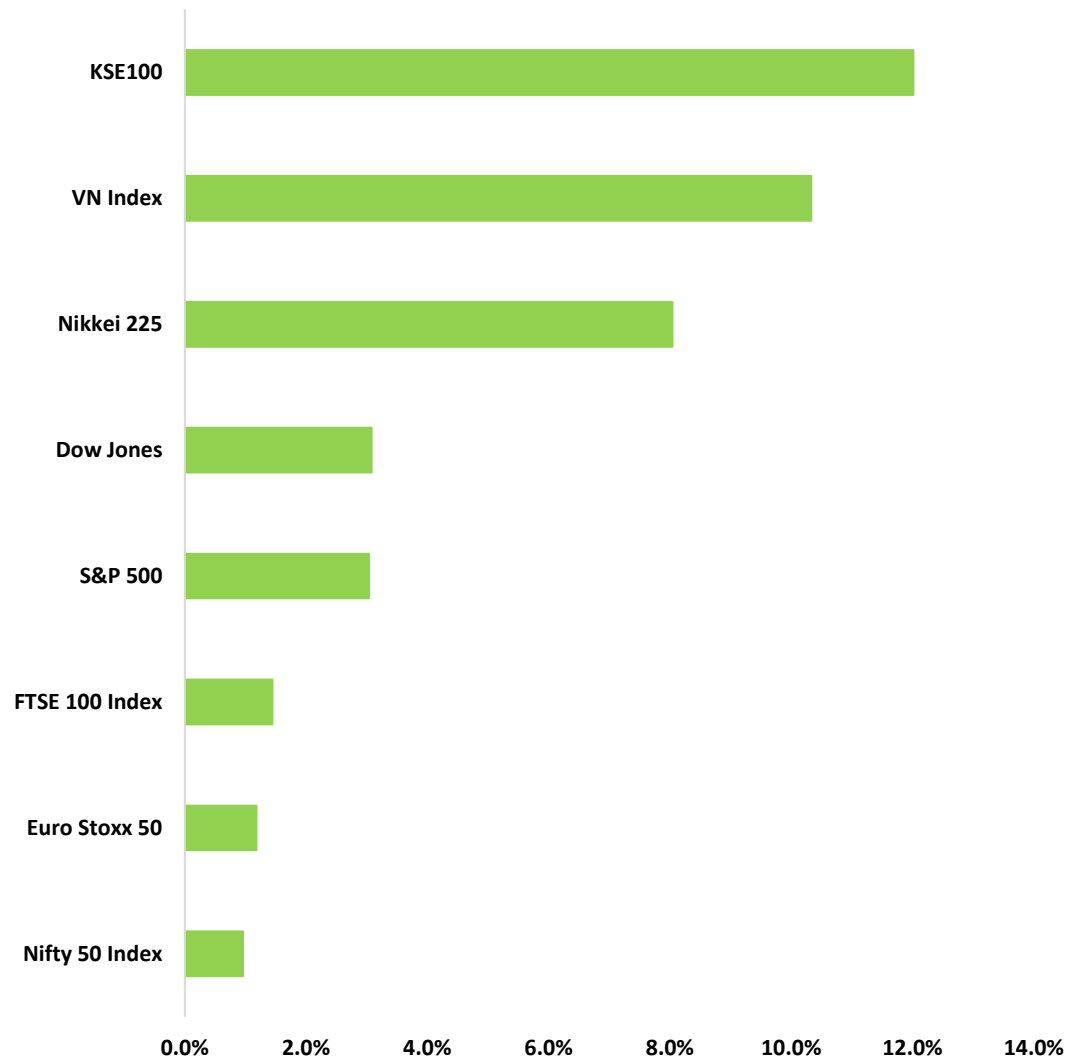


Palm oil



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 – AUGUST 2025



US, European Manufacturing Expands

Manufacturing in the euro area emerged from a three-year downturn while factories in the US expanded by the most since 2022 as demand picked up. The euro area's private sector grew at the quickest pace in 15 months as manufacturing exited a three-year downturn despite a deal locking in higher levies for exports to the US. Federal Reserve Chair Jerome Powell acknowledged rising risks for the labor market that "may warrant adjusting our policy stance," which fueled a market rally and bets that the central bank will cut interest rates when it meets next month.



Higher inflation and unemployment cast shadow over Europe's biggest economy

Increases in unemployment and inflation cast a shadow over the outlook for Europe's largest economy, which joins the wider EU bloc in bracing for the full impact of newly implemented U.S. tariffs. German inflation rose by a higher-than-expected 2.1% in August, preliminary data showed Friday, exceeding the 2% expectations of analysts polled by Reuters. Inflation, which is harmonized for comparability across the euro zone, had risen by a cooler-than-expected 1.8% in July.

India rate panel says US tariffs key drag on growth, flags benign inflation outlook

India faces as much as 50% tariff on exports to the United States starting August 27 after U.S. President Donald Trump imposed an additional 25% tariff earlier in the month citing New Delhi's continued imports of Russian oil. The moderation in food inflation since the June meeting was larger than expected, but cautioned that the uncertainties around tariffs were still evolving. He added that the neutral stance would provide the necessary flexibility to respond to changing conditions.



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MANAGING RISKS"*

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