



First Capital  
A Janashakthi Group Company

# MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

Oct 2025

• CBSL Maintains the Overnight Policy Rate (OPR).....	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

# CBSL MAINTAINS THE OVERNIGHT POLICY RATE (OPR)

- ❑ The Monetary Policy Board of CBSL decided to maintain the OPR at the current level of 7.75% at its meeting held on 23<sup>rd</sup> Sep 2025.
- ❑ The Board arrived at this decision after carefully considering both domestic and global developments. The Board is of the view that the current monetary policy stance will support steering inflation towards the target of 5%.
- ❑ Headline inflation based on the Colombo Consumer Price Index (CCPI) turned positive in Aug 2025, ending eleven months of deflation. Inflation is projected to gradually increase towards the target of 5% by mid-2026. Medium term inflation expectations remain anchored around the inflation target.
- ❑ The economy is estimated to have grown by 4.8% in 1H2025. Leading indicators reflect a continuation of this momentum into 3Q2025. Credit to the private sector recorded a notable and broad-based expansion thus far in 2025. The continued expansion in private sector credit is expected to further support domestic economic activity in the period ahead.

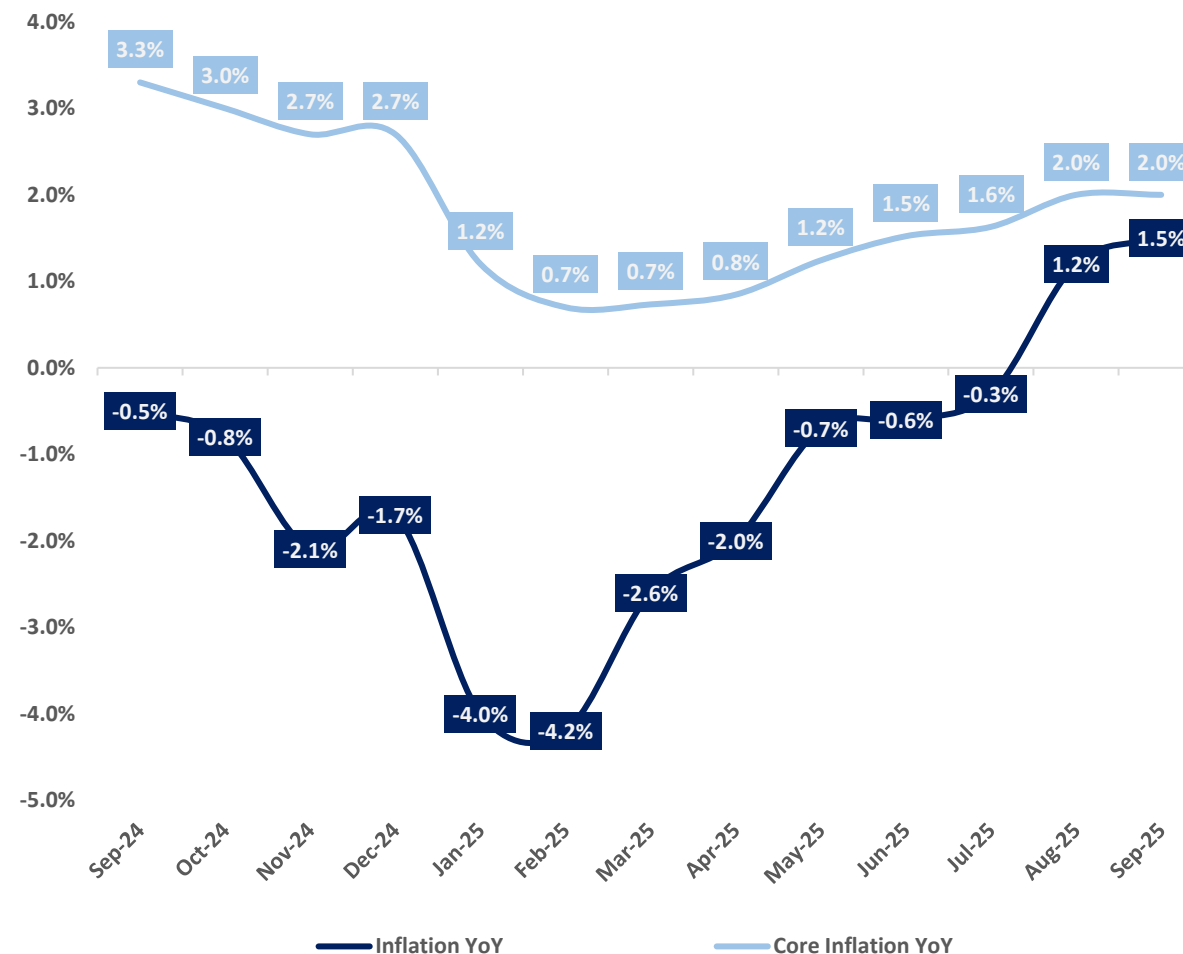
# CCPI FOR SEP 2025:

## MOM +0.2%

## YOY +1.5%

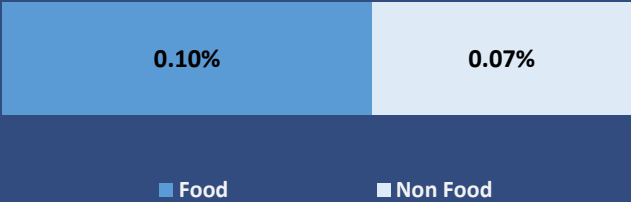
- MoM inflation for Sep 2025 stood at +0.2%, an increase from the -0.4% level seen in the previous month. Food inflation increased to +0.3% compared to -1.5% in Aug 2025, while Non-Food inflation decreased to +0.1%, compared to +0.2% in Aug 2025.
- The YoY figure reached +1.5% in Sep 2025 compared to the +1.2% level seen in Aug 2025. Food inflation increased to +2.9% from +2.0% previously. Non-food inflation decreased to +0.7%, down from +0.8% in the previous month.

## Inflation – CCPI

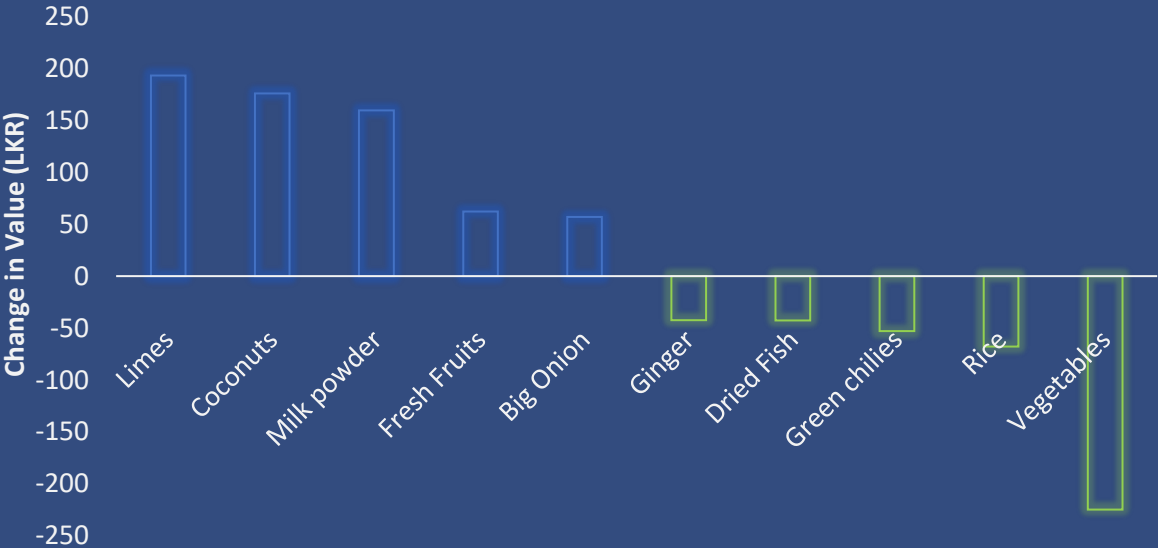


# INFLATION ANALYSIS – CCPI-MOM

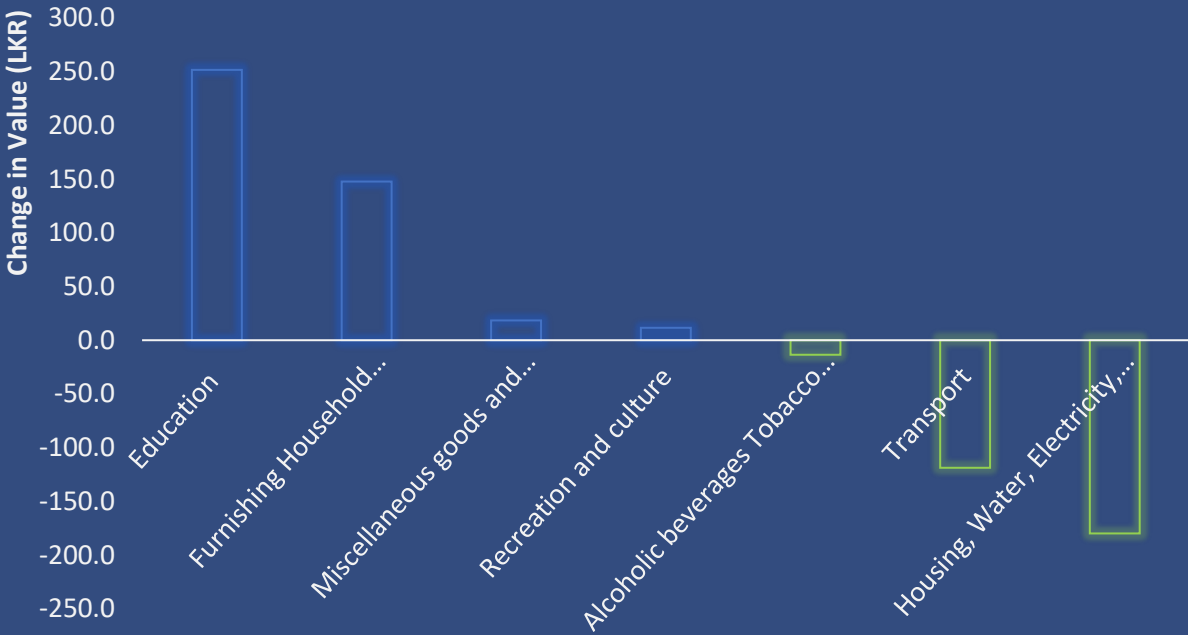
The CCPI Index for Sep 2025, increased to +0.24%MoM. The Food category contributed at a +0.10% rate. Limes, Coconut, Milk Powder, Fresh Fruits and Big Onions showcased noteworthy price increases. However, on the flip side, Vegetables, Rice and Green Chillies were the top negative contributors within the Food category. The Non-Food category contributed +0.07% with Education and Furnishing Household Equipment and Routine Household Maintenance being the major contributors to price increment.



## Food Category Inflation



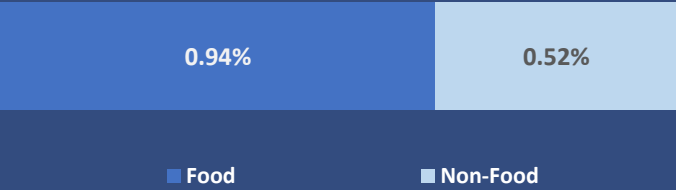
## Non-Food Category Inflation



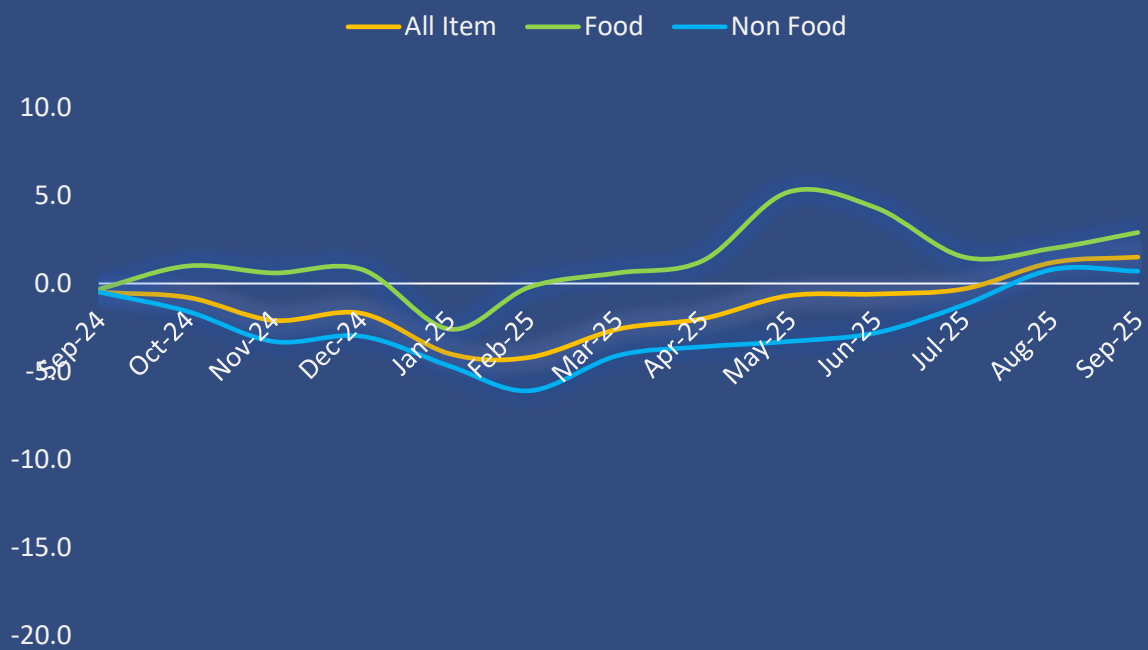


# INFLATION ANALYSIS – CCPI-YOY

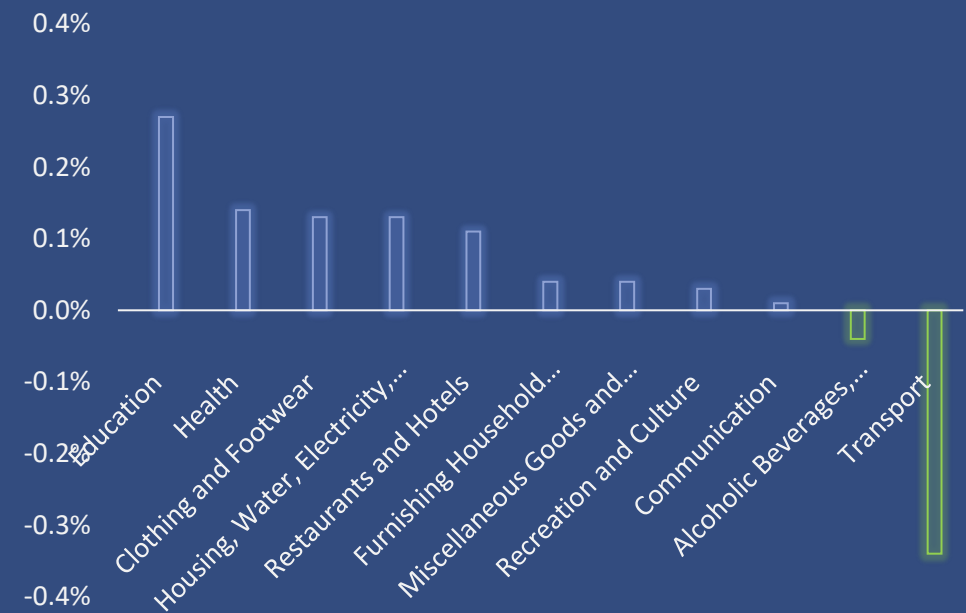
The YoY inflation of CCPI for Sep 2025 stood at +1.5%, registering an uptick from the +1.2% level seen in Aug 2025. While YoY inflation of the Food group increased to +2.9% in Sep 2025 from +2.0% seen in the previous month, YoY inflation of the Non-Food category decreased to +0.7% in Sep from +0.8% in Aug 2025. The increase in food group inflation was mainly due to price increments of Coconut, Sea fish and Coconut Oil.



## Inflation Analysis (YoY)



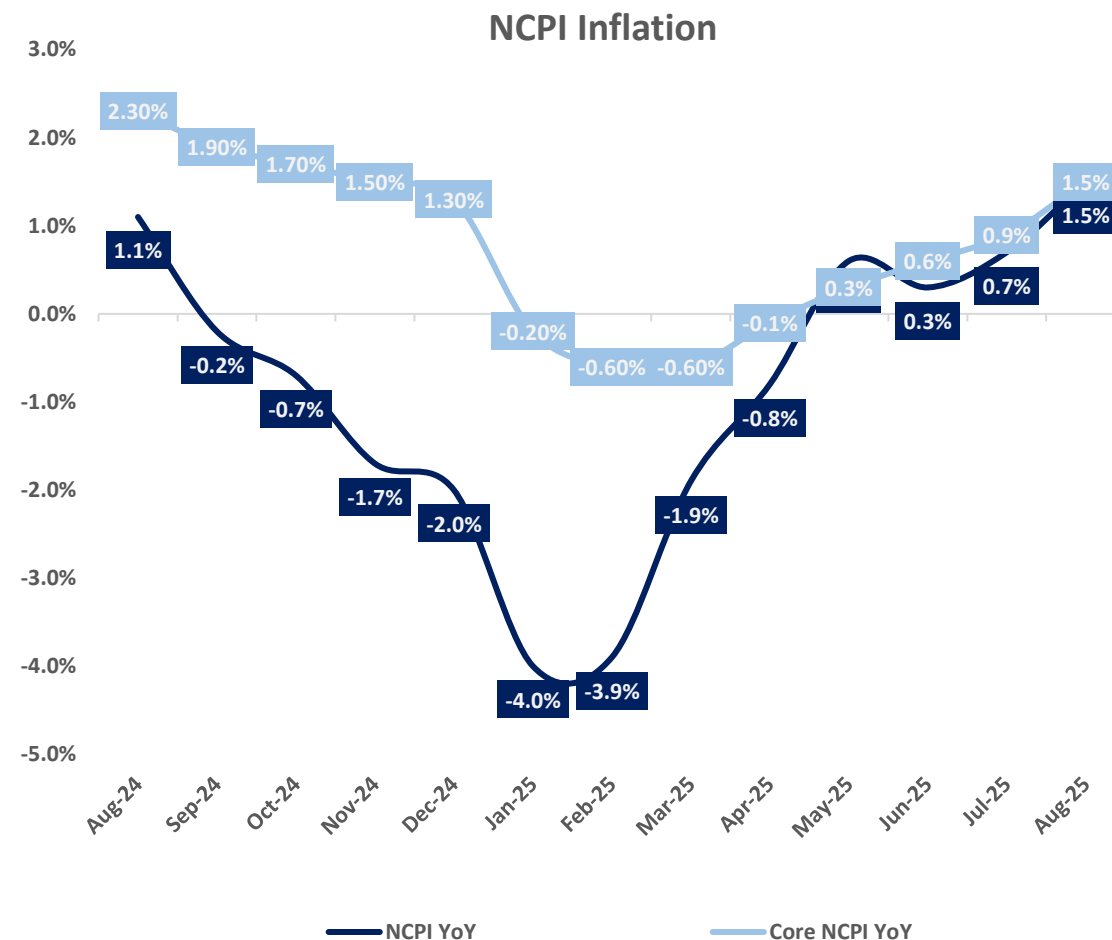
## Non-Food Category Inflation



# NCPI FOR AUG 2025: INCREASED TO +1.5% YOY

- NCPI for Aug 2025, inflated to +1.5% from +0.7% seen in Jul 2025.
- This trend was driven by a subsequent increase in inflation observed in both Food and Non-food categories. In Aug 2025, Food inflation increased to +2.9% from +2.2% seen in the previous month. Meanwhile, the Non-food inflation has increased from -0.6% to +0.4% during Aug 2025.

## Inflation – NCPI

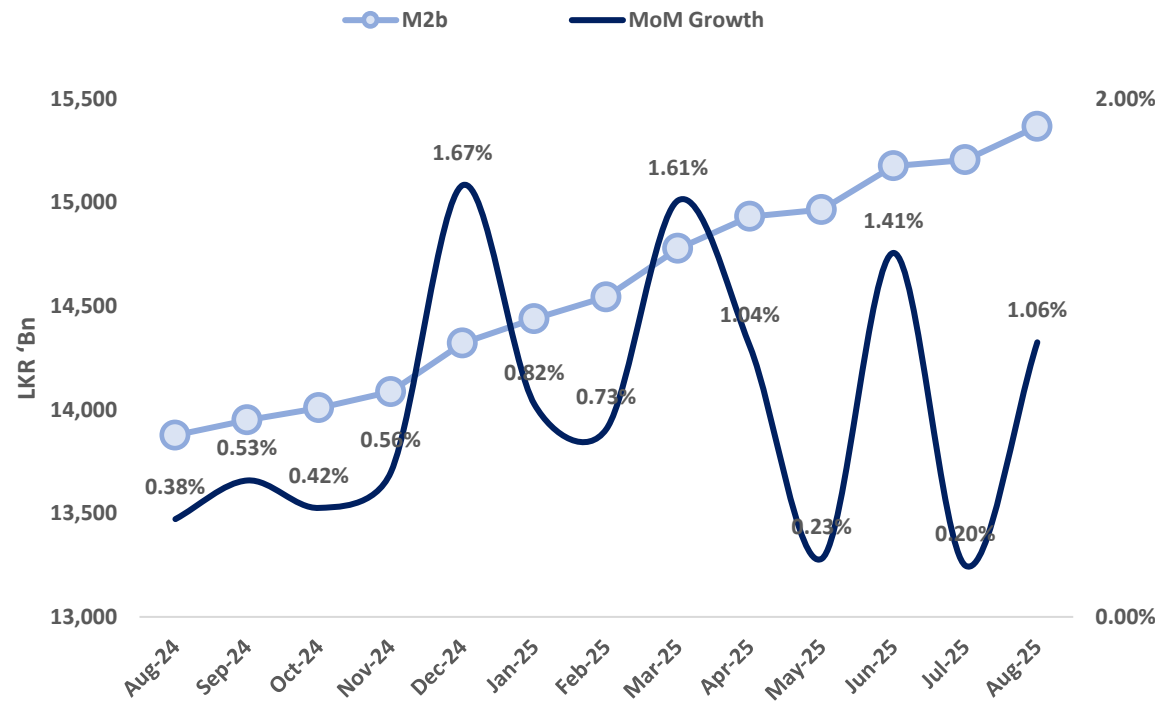


# M2B AND CREDIT GROWTH

Private sector credit increased by LKR 226.8Bn in Aug 2025. In contrast, credit to the public sector declined by LKR 140.3Bn during the same month, reversing the growth observed in July.

## M2b Growth – Aug 2025

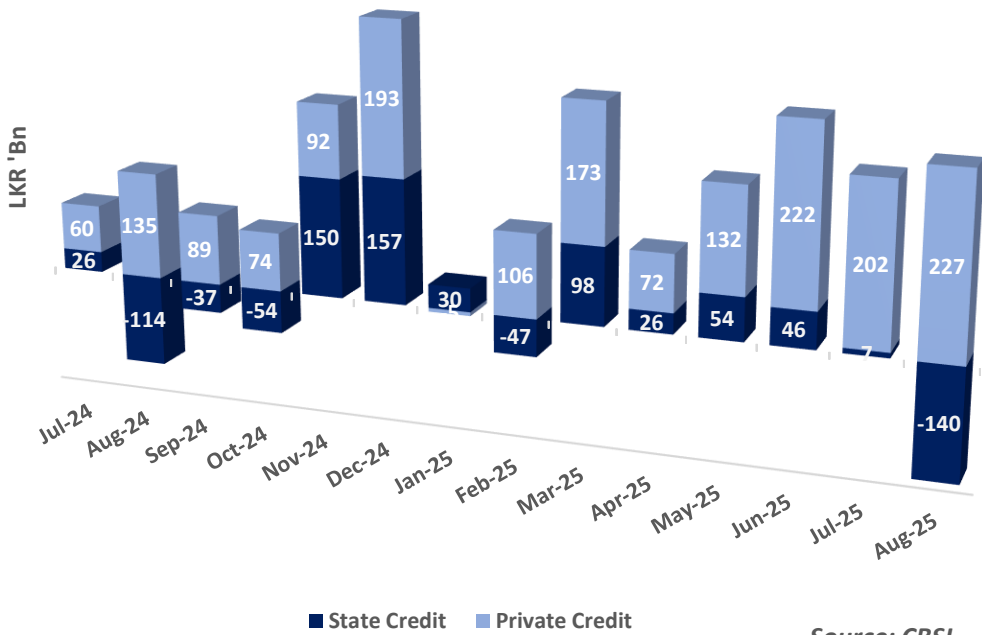
MoM +1.1%, YoY +10.7%, YTD +7.3%



Source: CBSL

## State Credit & Private Credit – Aug 2025

Private Credit MoM +2.5%, YoY +20.5%, YTD +13.8%



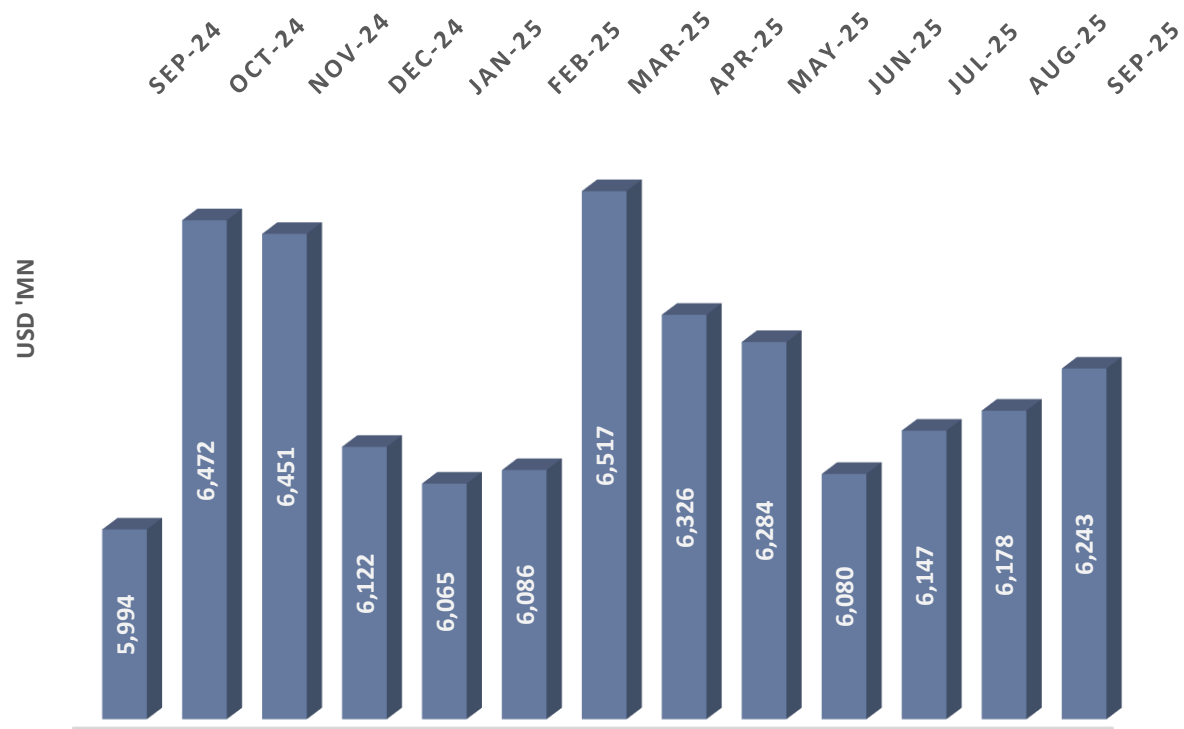
State Credit Private Credit

Source: CBSL

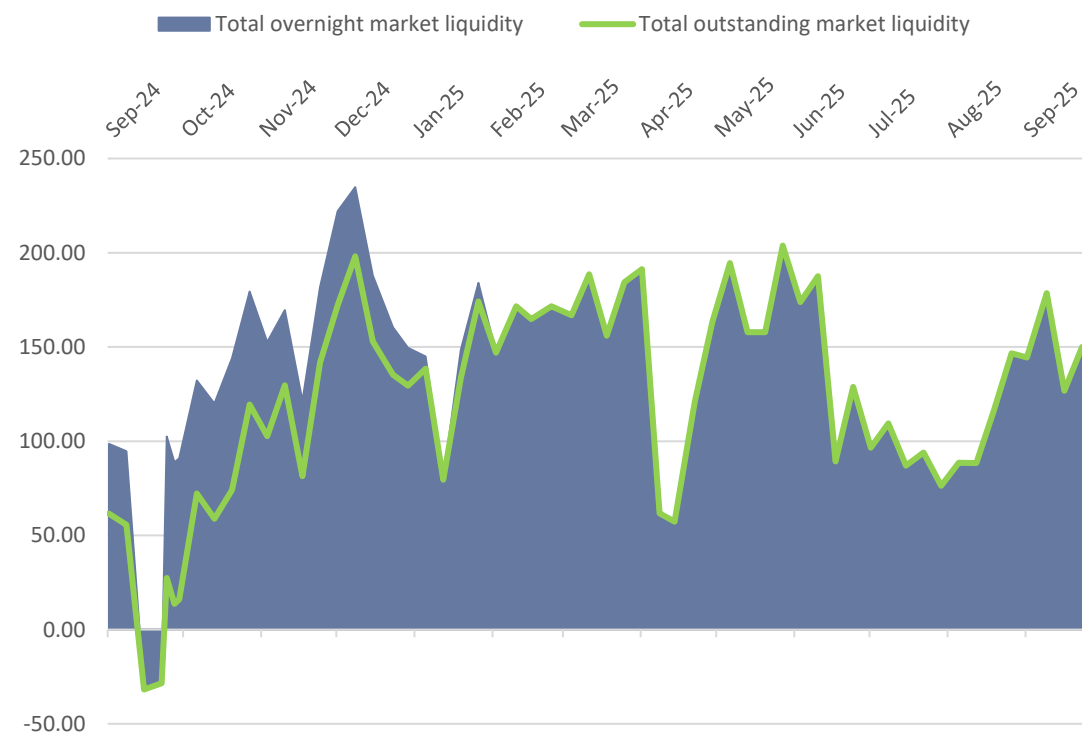


# LIQUIDITY & RESERVES

- Foreign Reserves increased by USD 65.0Mn to USD 6,243.0Mn in Sep 2025.



- Both overnight market liquidity and outstanding market liquidity increased in Sep 2025 relative to the previous month. By end-Sep, both overnight and market liquidity stood at LKR 150.0Bn.



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.

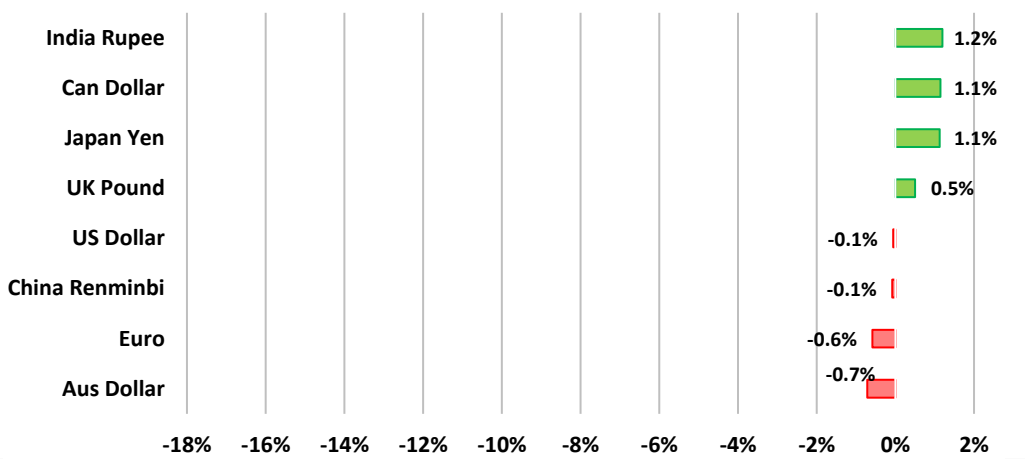
# CURRENCY MOVEMENT

## USD:LKR Movement

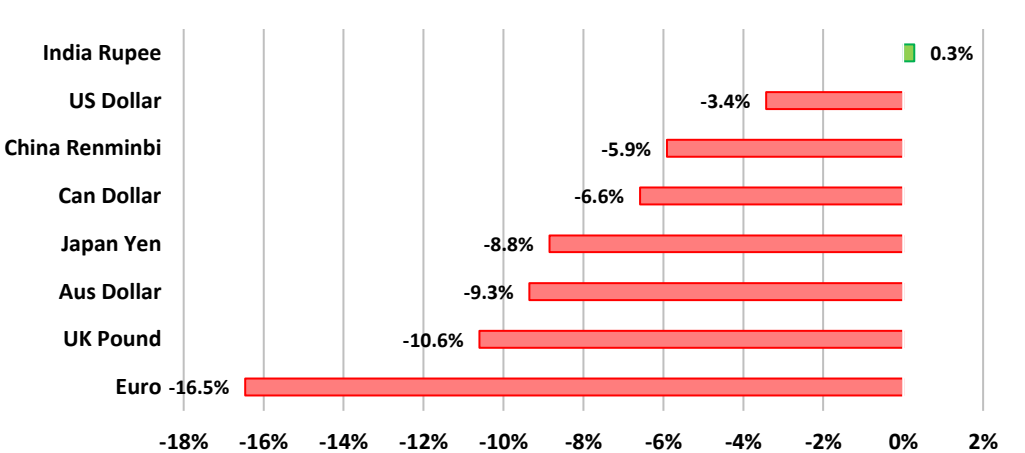


## Sri Lankan Rupee vs Global Currencies

SEP 2025



YTD 2025



# GOVERNMENT SECURITIES – NEW ISSUES

## Bill and Bond auctions for Sep 2025

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
5-Sep-25	49,655		49,655
12-Sep-25	59,175		59,175
19-Sep-25	57,259	123,161	180,420
26-Sep-25	34,629		34,629
Total Issued			<b>323,879</b>

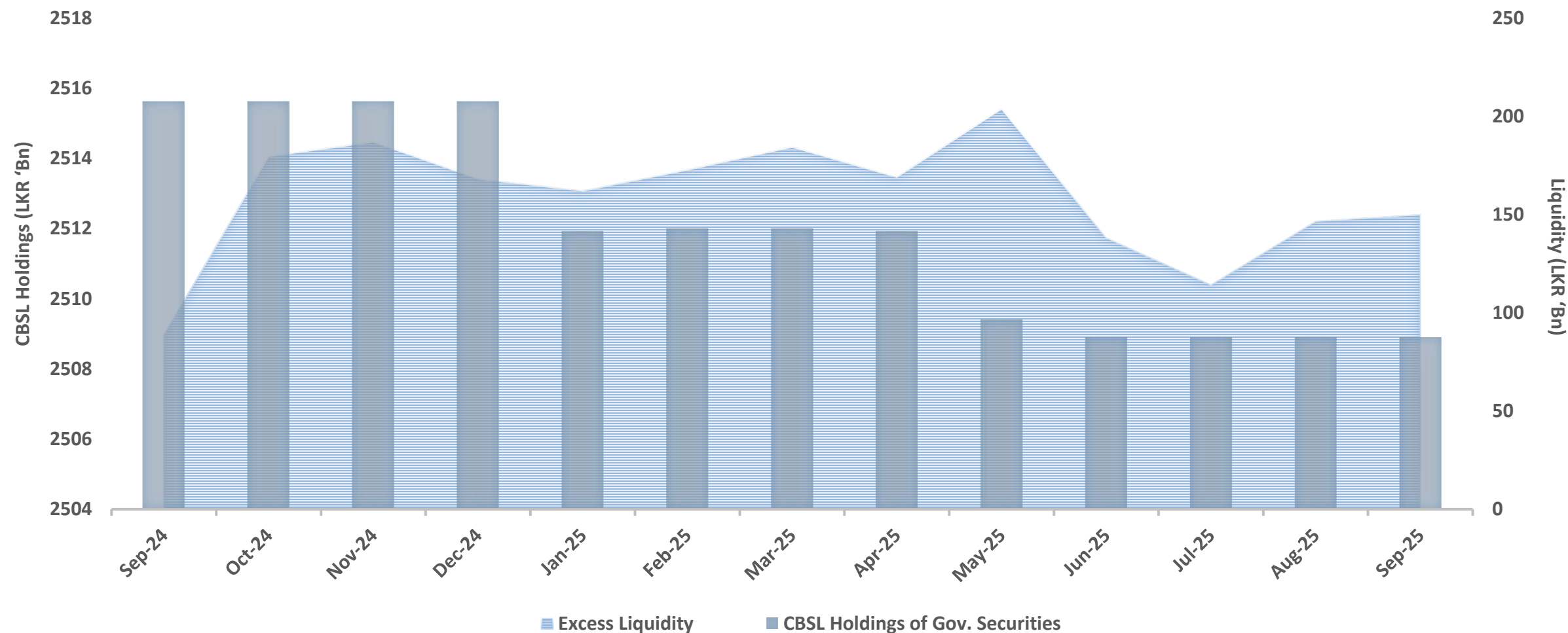
## Net settlements for Sep 2025

Net Settlement	Sep 2025	YTD
Maturities	284,893	5,188,102
Coupon Payment	155,099	1,264,538
New Issues	323,879	6,229,682
Excess/ (Deficit)	<b>(116,113)</b>	<b>(229,958)</b>

CBSL Holdings of Gov. Securities		YTD
As at End Sep 2025	2,508,900	
As at End Aug 2025	2,508,900	
Increase/ (Decrease)	-	<b>-7,100</b>

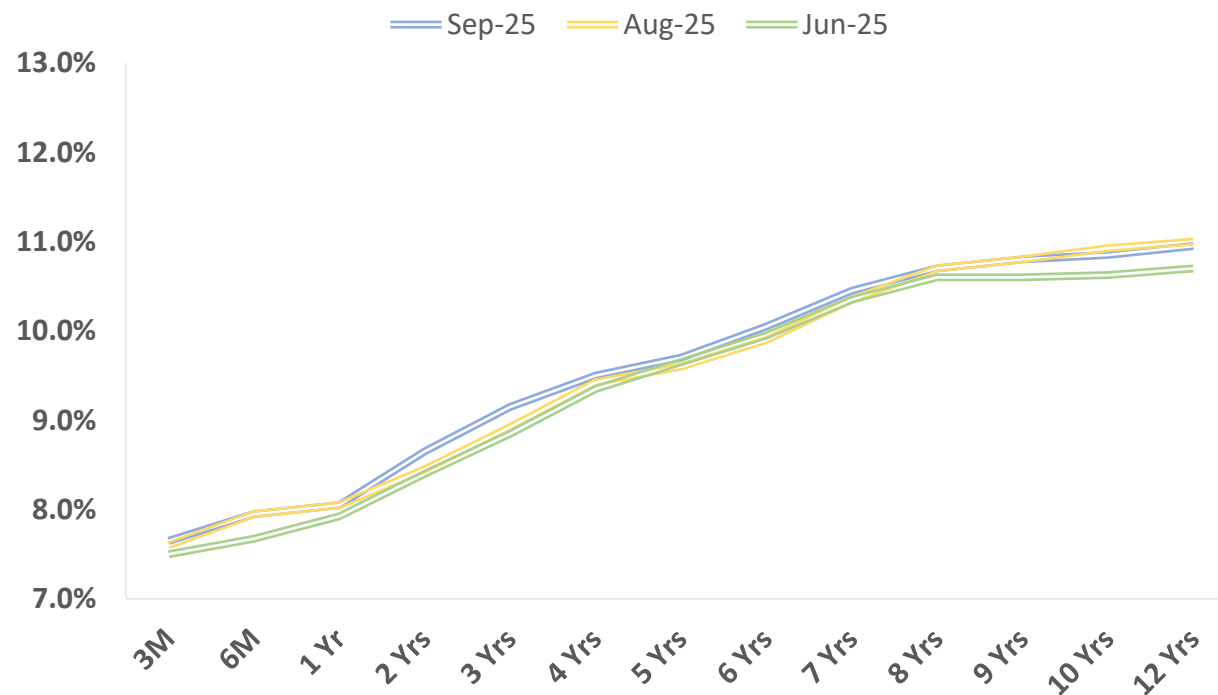
# CBSL HOLDINGS OF GOV. SECURITIES...

*...remained unchanged in Sep 2025*



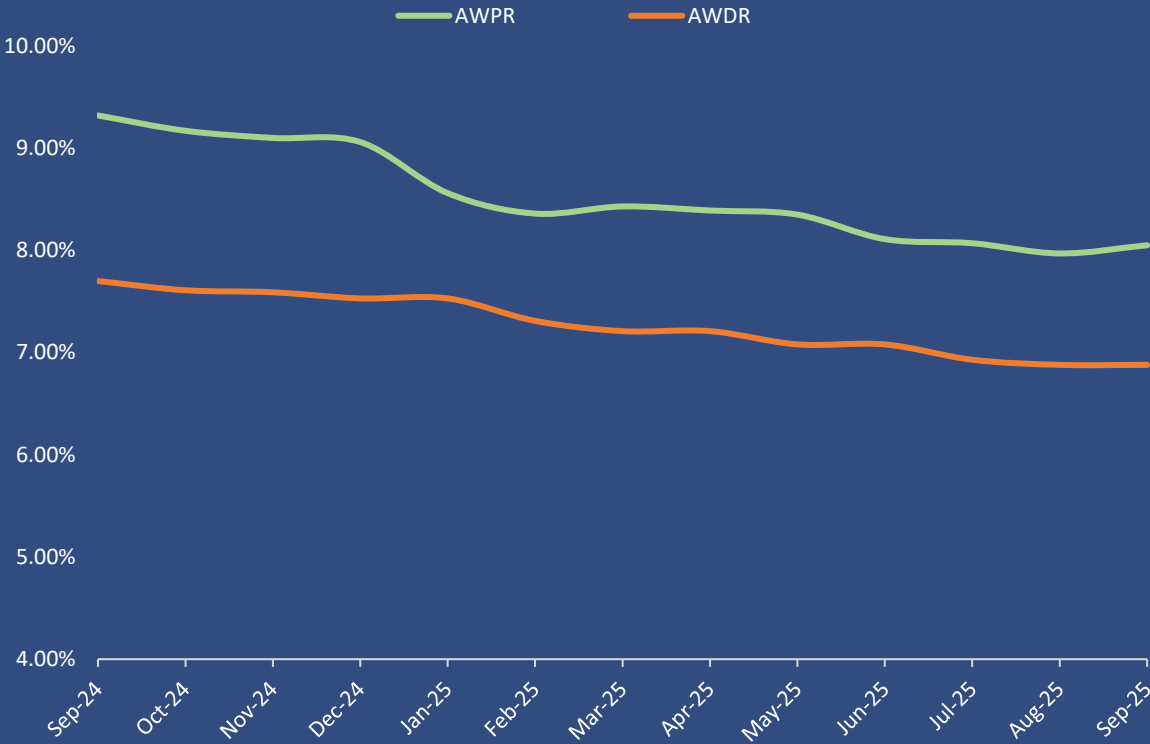
# TREASURY BILLS AND BONDS –SEP 2025

The government securities market remained largely subdued throughout September 2025, marked by muted investor participation and low trading volumes in the absence of significant market drivers. The month began with a stable yield curve and limited activity, with modest interest concentrated in the 2028 and 2029 maturities. This subdued sentiment continued into the second week, despite a slight upward movement in yields following the announcement of a Treasury bond auction targeting LKR 155.0Bn. At the auction held on 11<sup>th</sup> Sep 2025, total acceptances amounted to LKR 116.2Bn. Market conditions remained largely unchanged in the third week, with subdued trading activity and some interest observed in shorter-dated maturities ranging from 3 to 10 months. In the final week, investor sentiment was influenced by the CBSL's decision to maintain the policy rate at 7.75%, which led to a modest increase in market participation. Moderate trading volumes were recorded, with increased interest in the 2028, 2029, 2030, and 2035 maturities. Overall, the market concluded Sep on a cautious and steady note, with the yield curve remaining broadly stable and risk appetite continuing to be limited.



Tenure	Interest Rate Change (bps)				
	Sep 2025	Aug 2025	Change (bps)	Jun 2025	Change (bps)
3M	7.65%	7.60%	+5	7.50%	+15
6M	7.95%	7.95%	0	7.68%	+28
1 Yr	8.05%	8.05%	0	7.93%	+13
2 Yrs	8.65%	8.45%	+20	8.40%	+25
3 Yrs	9.15%	8.93%	+23	8.85%	+30
4 Yrs	9.50%	9.43%	+8	9.35%	+15
5 Yrs	9.70%	9.60%	+10	9.65%	+5
6 Yrs	10.05%	9.90%	+15	9.95%	+10
7 Yrs	10.45%	10.35%	+10	10.35%	+10
8 Yrs	10.70%	10.70%	0	10.60%	+10
9 Yrs	10.80%	10.80%	0	10.60%	+20
10 Yrs	10.85%	10.93%	-8	10.63%	+23
12 Yrs	10.95%	11.00%	-5	10.70%	+25
15 Yrs	N/A	N/A	0	N/A	N/A
20 Yrs	N/A	N/A	0	N/A	N/A

# AWPR vs AWDR



# Interest Spread



## FINANCE SECTOR RATE MOVEMENTS

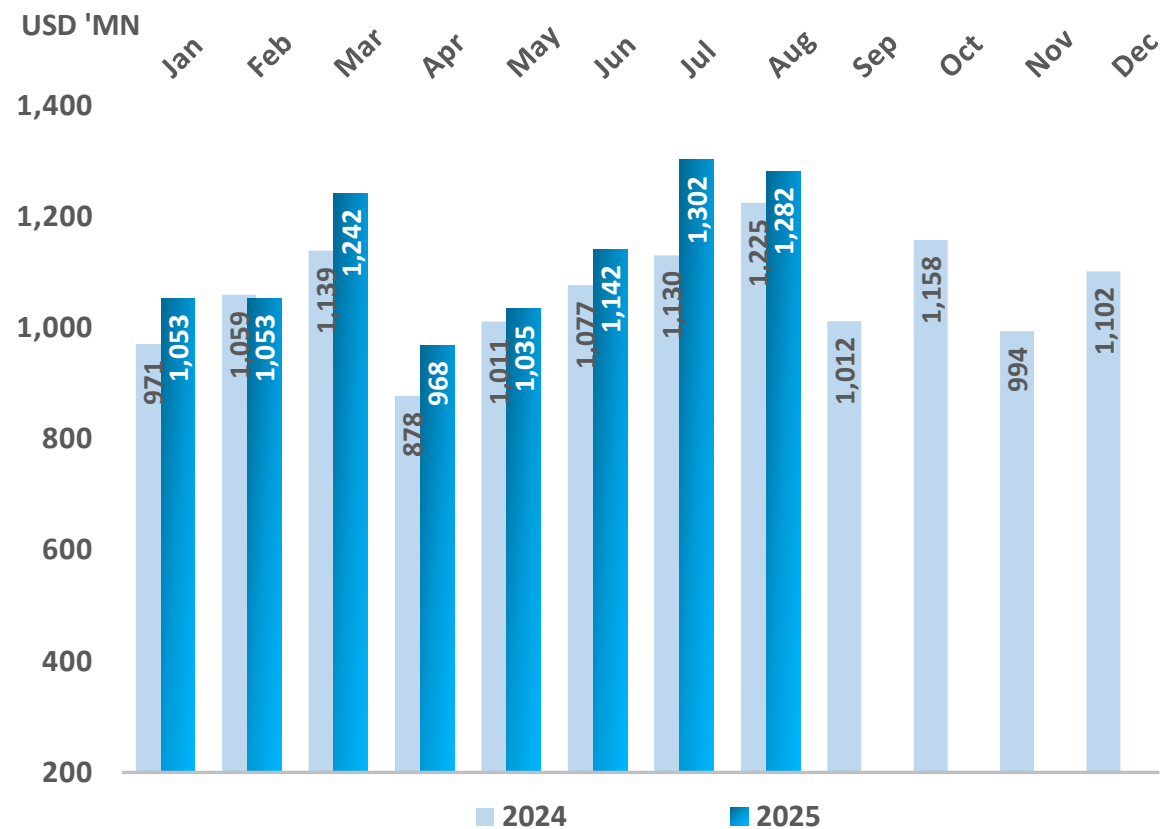




# EXTERNAL SECTOR – AUG 2025 – EXPORTS

In Aug 2025, Exports registered a YoY uptick of 4.1%, driven primarily by expansions in Agricultural exports followed by Industrial exports. The 13.3%YoY increase that was seen in Agricultural exports was driven predominantly increases in Coconut, Tea and Tea subcomponents. The main reasons behind the increase in Industrial exports were increments in Food, Beverage and Tobacco and Gems, diamonds and jewellery. Nevertheless, mineral and other exports recorded a sharp 39.3%YoY decline.

Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Industrial Exports			
- Aug	967.8	986.3	1.9
- YTD	6,665.8	7,015.4	5.2
Agricultural			
- Aug	258.1	292.6	13.3
- YTD	1,804.0	2,030.2	12.5
Mineral and other Exports			
- Aug	5.8	3.5	-39.3
- YTD	36.5	31.1	-14.9
Total			
- Aug	1,231.7	1,282.3	4.1
- YTD	8,506.3	9,076.6	6.7

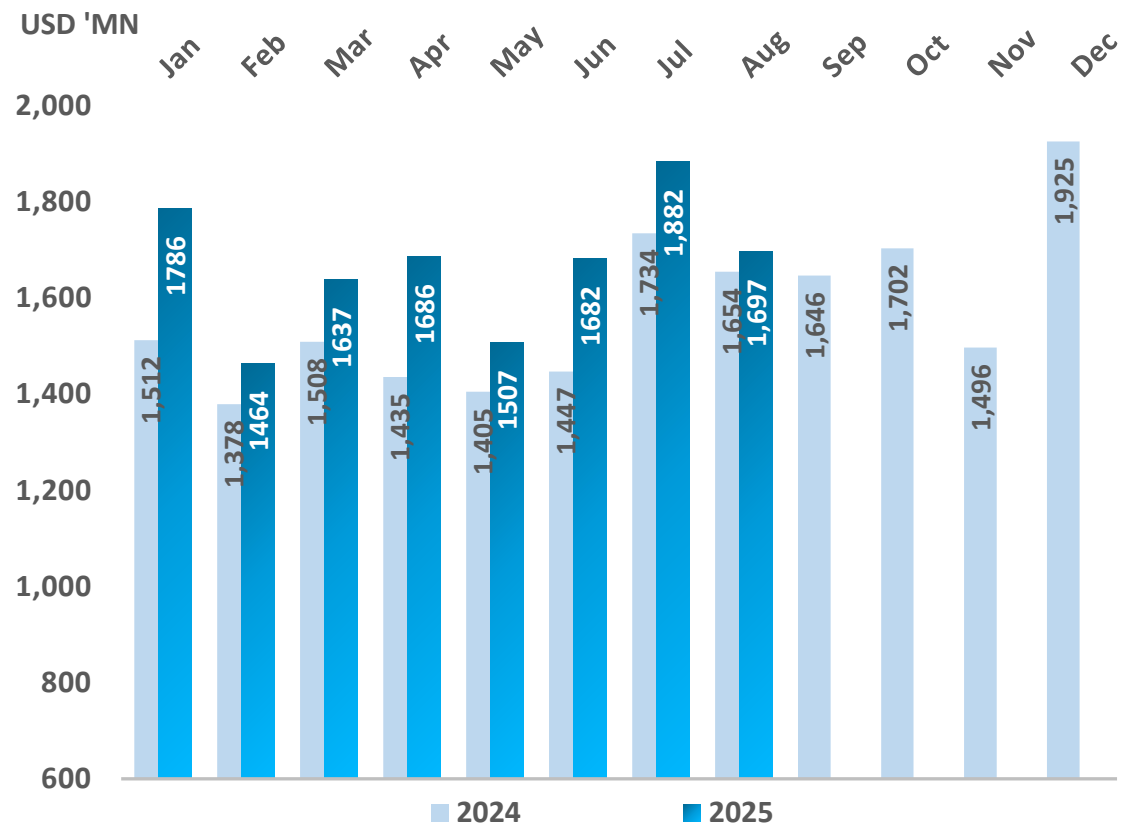




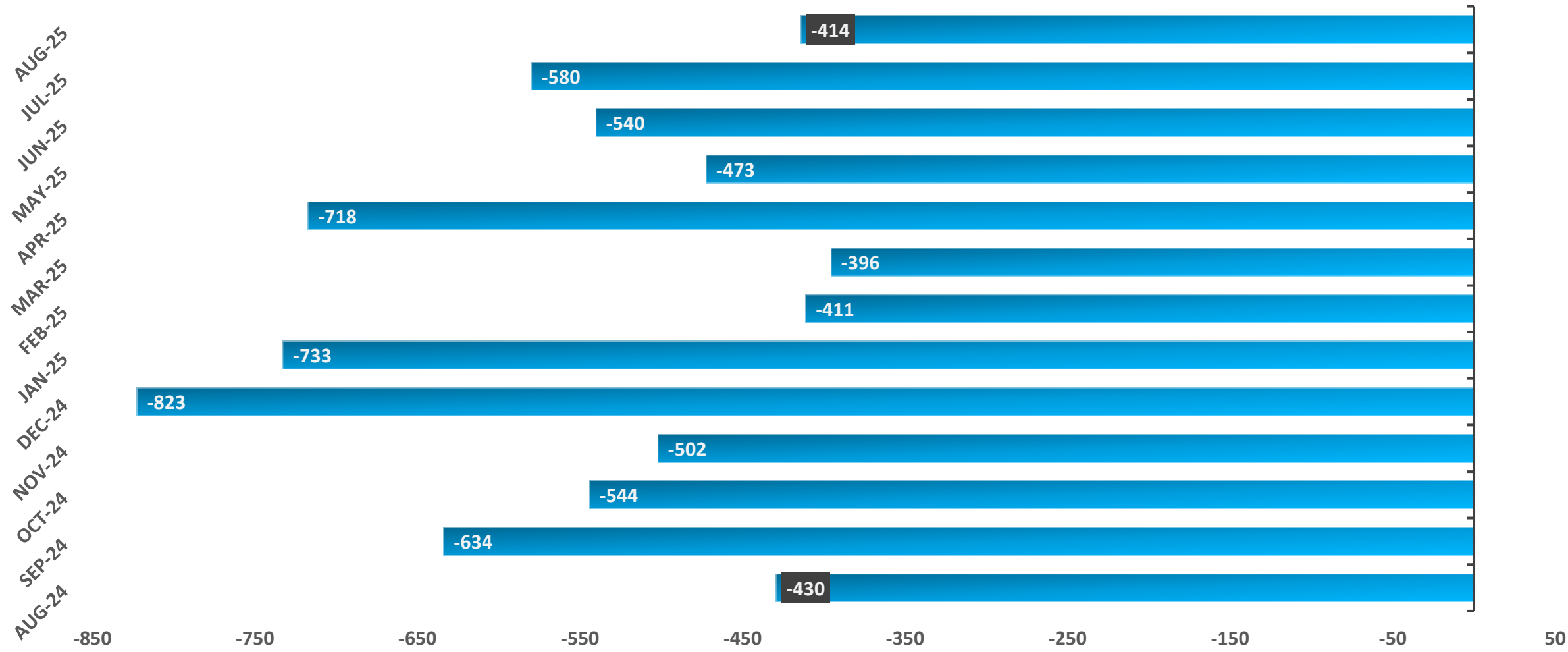
# EXTERNAL SECTOR – AUG 2025 – IMPORTS

In Aug 2025, Imports registered a YoY increment of 2.6%, with two sub-categories experiencing an increment. Consumer goods marked a YoY uptick of 56.5% driven predominantly by higher levels of Non-Food Consumer goods. Investment goods also registered a YoY increase of 14.8% prompted by greater imports made in Commercial vehicles. Finally, the Intermediate goods segment decreased by 17.2%YoY in Aug 2025. The Fuel, Textiles and Textile article imports dominated this trend.

Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Consumer goods			
- Aug	318.8	499.1	56.5
- YTD	2,176.3	3,294.7	51.4
Intermediate			
- Aug	1,049.2	869.0	-17.2
- YTD	7,750.0	7,437.4	-4.0
Investment goods and other			
- Aug	285.5	325.9	14.1
- YTD	2,140.3	2,597.2	21.3
<b>Total</b>			
- Aug	1,654.0	1,696.5	2.6
- YTD	12,072.5	13,340.9	10.5

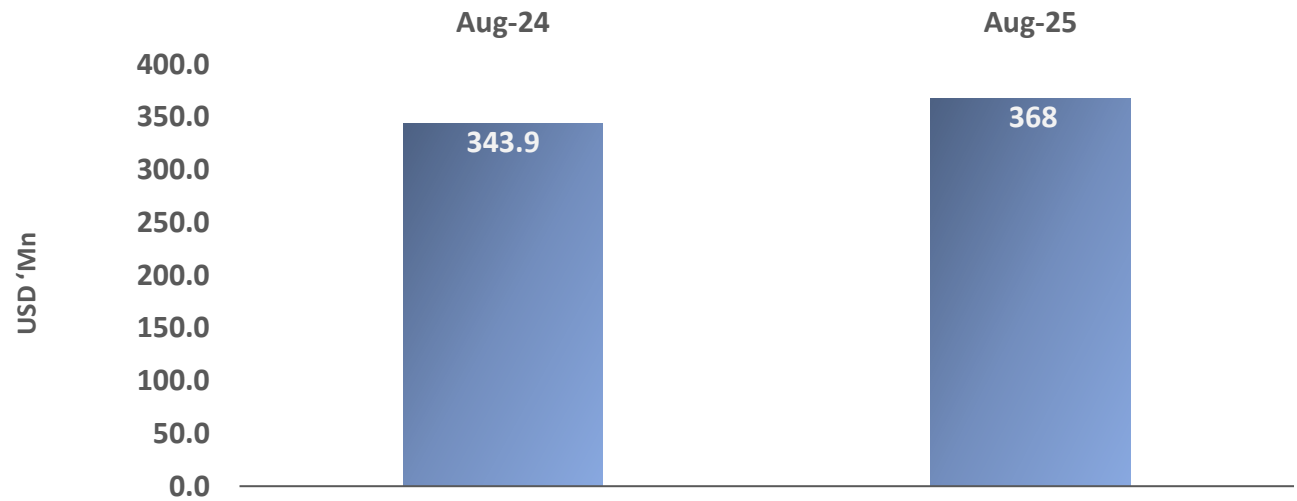


Balance of Trade

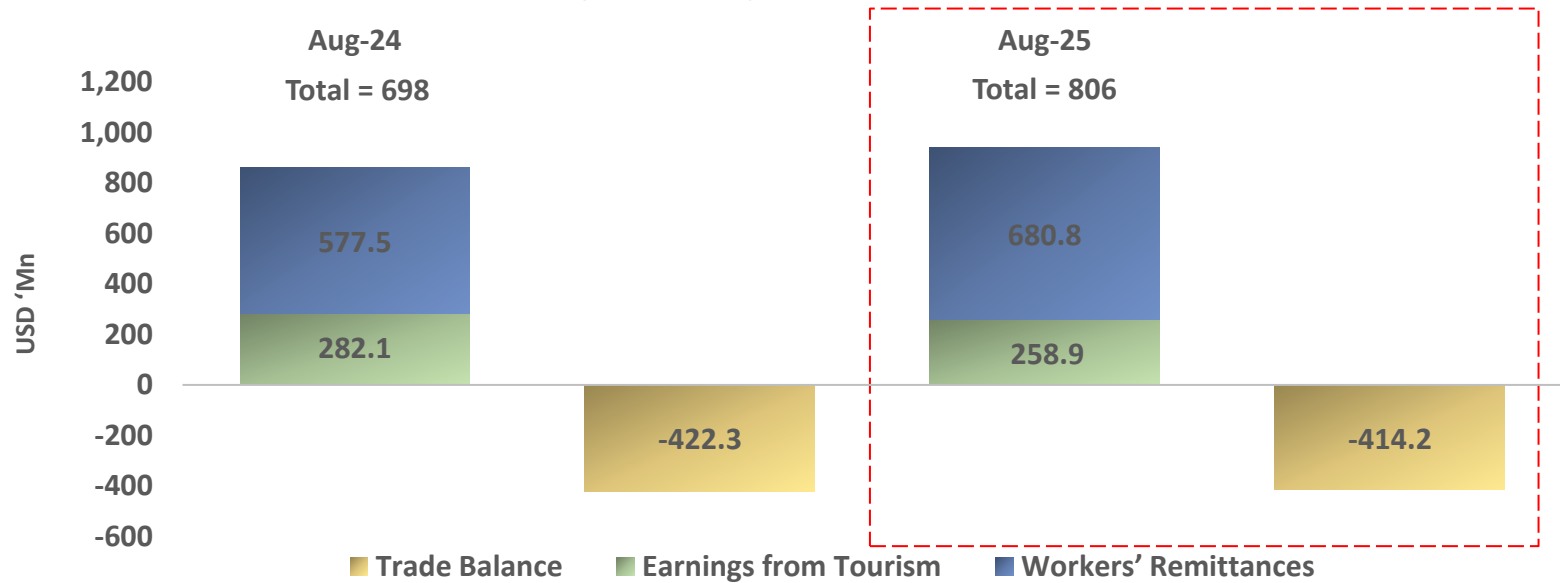


Source: Central Bank

The Current Account Balance for Aug 2025 increased compared to that of Aug 2024, registering an uptick of 7.0%.



Workers' Remittances increased to USD 680.8Mn in Aug 2025 (+17.9%YoY) while Earnings from Tourism decreased to USD 258.9 Mn (-8.2%YoY).



## CURRENT ACCOUNT BALANCE YOY IMPROVED IN AUG 2025

Aug USD 'Mn	2024	2025	Change (%)
Trade Balance	-422.3	-414.2	
Earnings from Tourism	282.1	258.9	-8.2
Workers' Remittances	577.5	680.8	+17.9

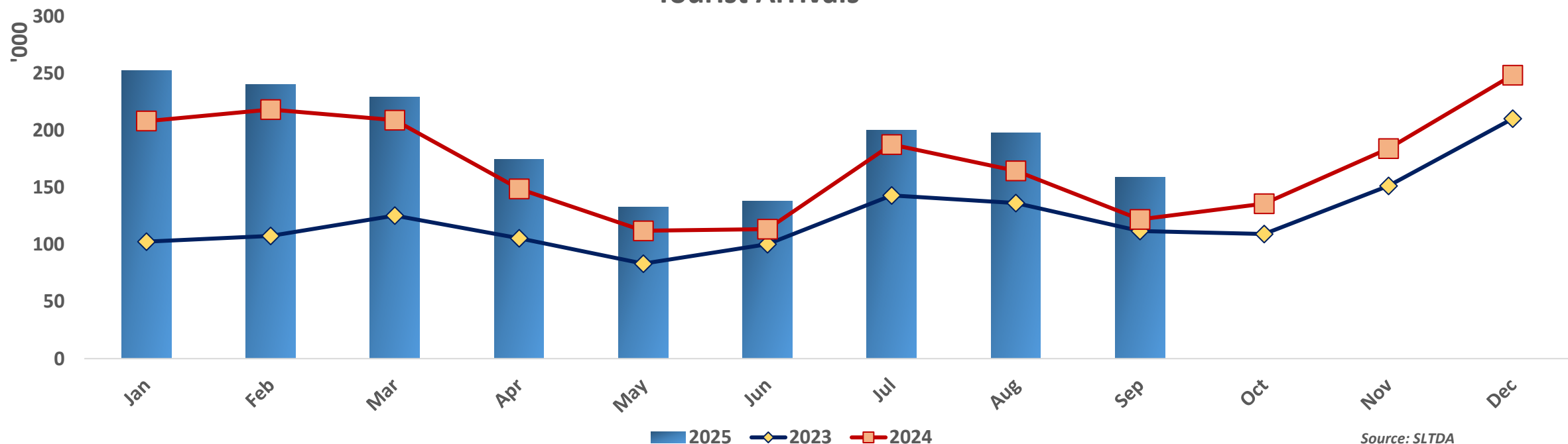
YTD USD 'Mn	2024	2025	Change (%)
Trade Balance	-3,566.2	-4,264.2	
Earnings from Tourism	2,167.0	2,290.0	+5.7
Workers' Remittances	4,288.2	5,116.0	+19.3

# TOURIST ARRIVALS – SEP 2025

**[Sep 158,971 – UP +30.2%YoY] [MoM – DOWN -19.8%]**

The total number of arrivals for the month reached 158,971 registering a YoY uptick of 30.2% alongside a MoM down of -19.8%. India which accounted for 31.3% of tourist arrivals remained the top source market in Sep 2025. This was followed by The United Kingdom which accounted for 6.8% of total arrivals and China which accounted for 6.6% of arrivals.

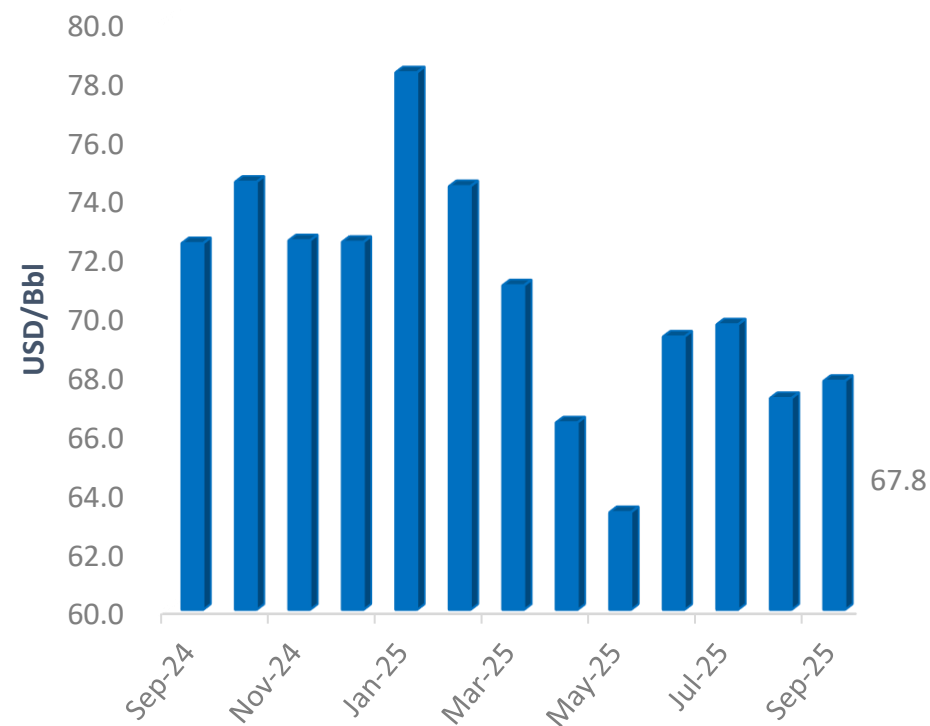
**Tourist Arrivals**



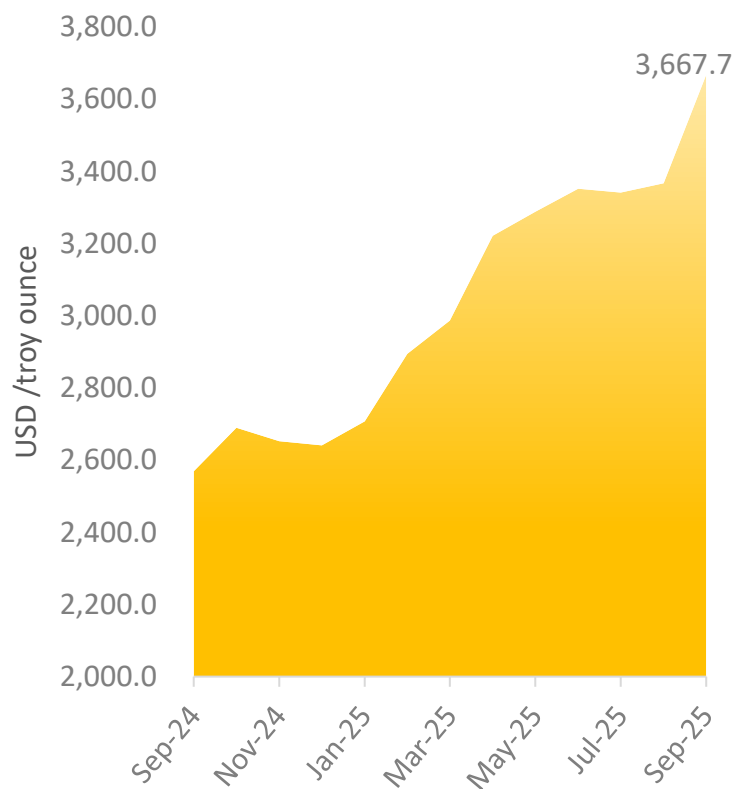
Source: SLTDA

# COMMODITY PRICES – SEP 2025

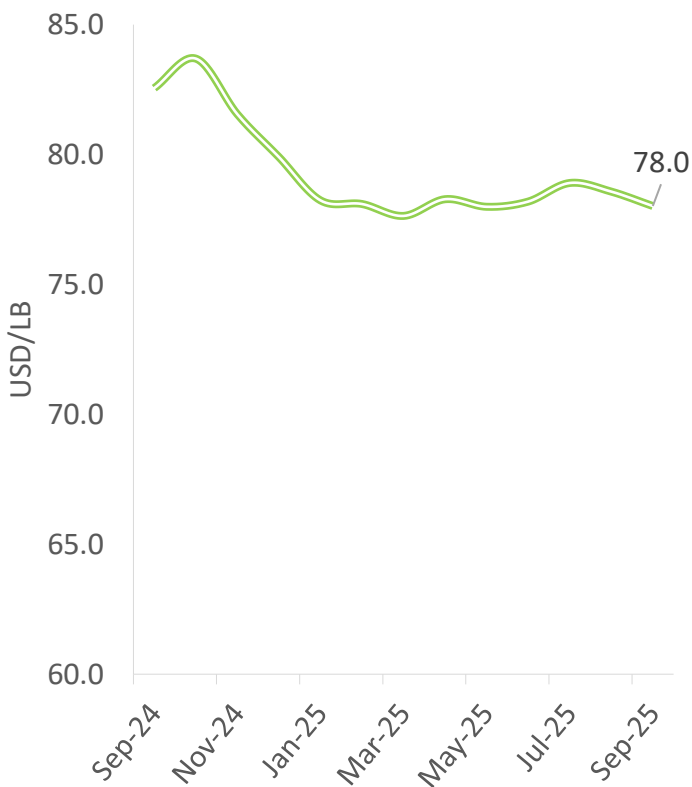
Crude oil



Gold



Cotton

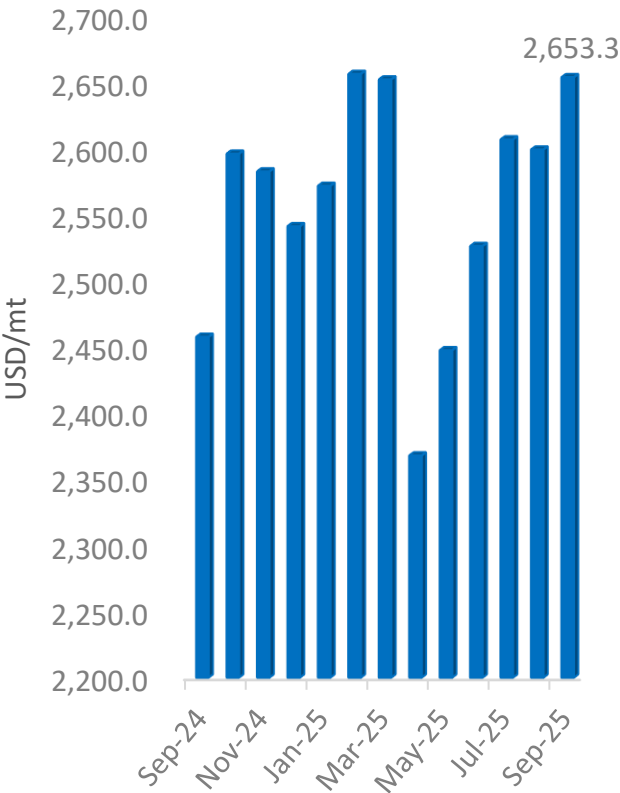


**Note:** crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

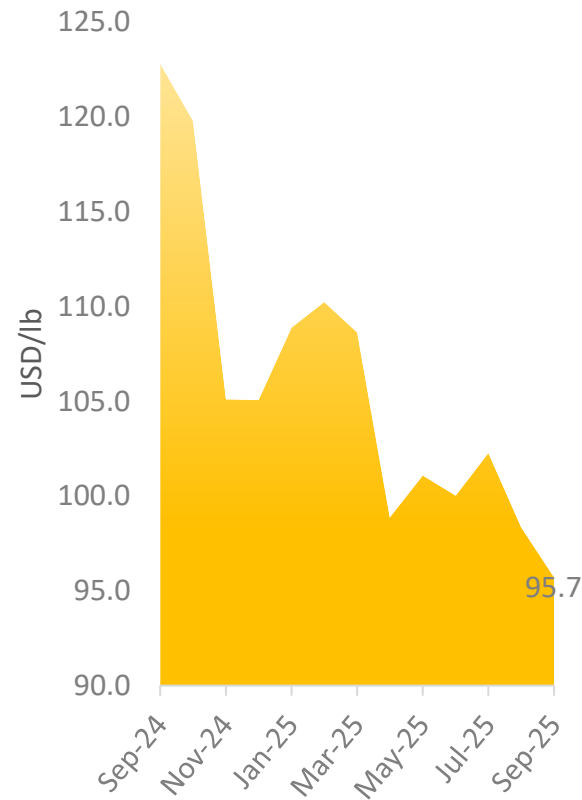


# COMMODITY PRICES – SEP 2025 CONT'D

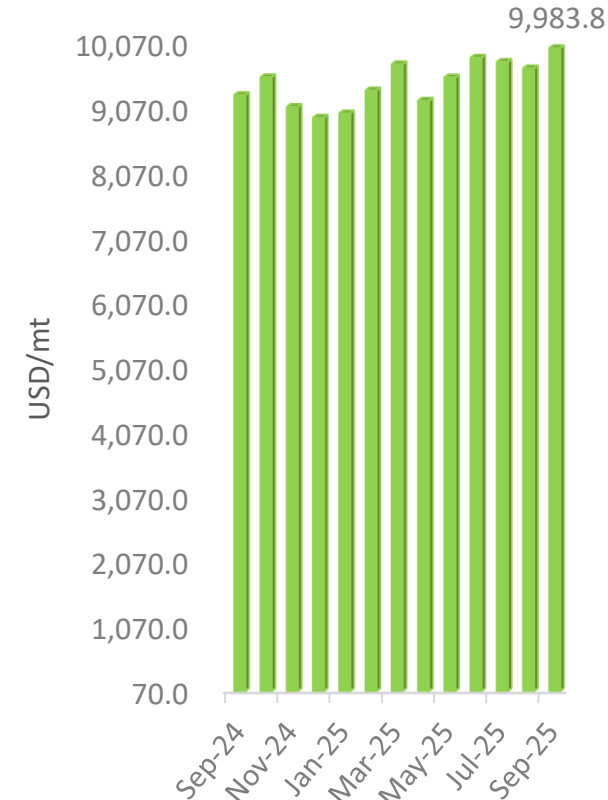
Aluminum



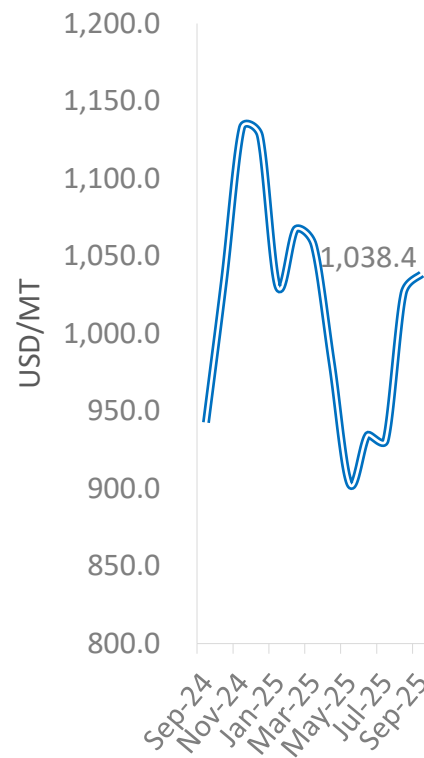
Rubber



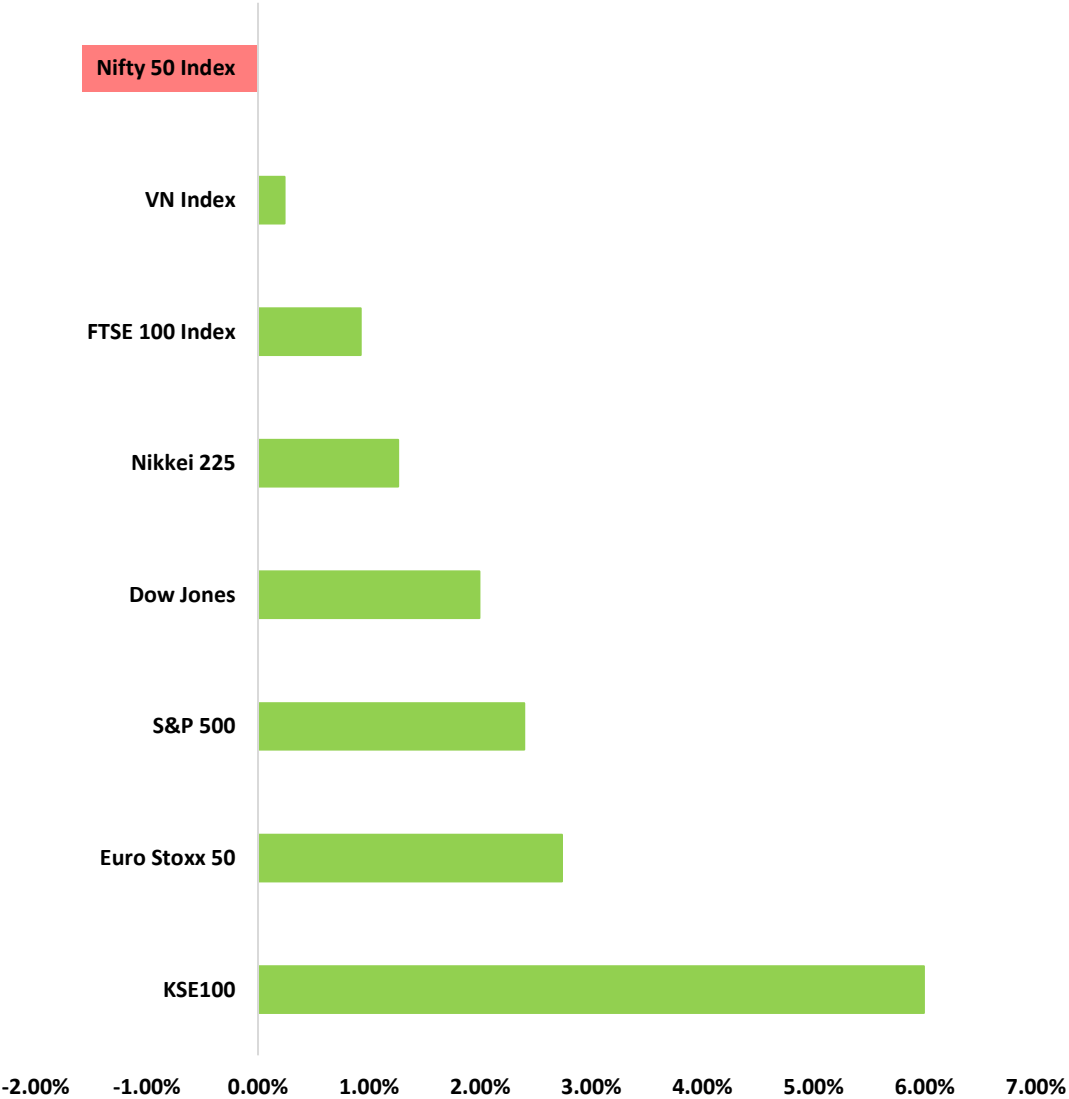
Copper



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



**Economists Mark Up US Growth Forecasts, See Tepid Job Gains, Survey Shows**

Economists marked up their estimates for US economic growth this year and next, though job growth is expected to remain weak, according to a survey from the National Association for Business Economics. Inflation-adjusted gross domestic product is seen rising 1.8% this year, up from the 1.3% forecasters expected in June. That reflected a sharp upward adjustment in forecasts for business investment, according to the report released on 13 Oct 2025. The economy is expected to grow at a similar rate in 2026..



**Fed approves quarter-point interest rate cut and sees two more coming this year**

The Federal Reserve approved a widely anticipated rate cut and signaled that two more are on the way before the end of the year as concerns intensified over the U.S. labor market even as inflation is still in the air. In an 11-to-1 vote signaling less dissent than Wall Street had anticipated, the Federal Open Market Committee lowered its benchmark overnight lending rate by a quarter percentage point. The decision puts the overnight funds rate in a range between 4.00%-4.25%.

**Oil recoups some losses as investors focus on US-China trade talks**

Oil prices rose on 13 Oct 2025, after hitting five-month lows in the previous session, as investors hoped potential talks between the presidents of the U.S. and China could ease trade tensions between the world's two largest economies and oil consumers. Brent crude futures climbed 92 cents, or 1.47%, to \$63.65 a barrel by 0622 GMT after settling down 3.82% on Friday at the lowest since 07 May. 2025.



REUTERS  
WORLD

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