



First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

Nov 2025

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

- ❑ IMF staff and Sri Lankan authorities have reached a staff-level agreement on the Fifth Review under Sri Lanka's 4 year Extended Fund Facility (EFF) program. Once approved by the IMF Executive Board, Sri Lanka will gain access to USD 347Mn, bringing total disbursements to about USD 2.04Bn.
- ❑ Economic performance is strong as inflation is near target, reserves have risen to USD 6.1Bn, and GDP grew 4.8%YoY in 1H2025.
- ❑ Debt restructuring is close to completion, and fiscal revenues have improved, helped by higher import taxes on motor vehicles.
- ❑ The IMF stresses continued reforms to ensure macroeconomic stability, fiscal discipline, and resilience to external shocks.
- ❑ Key priorities included:
 - ❑ Passing the 2026 Appropriation Bill consistent with program targets.
 - ❑ Improving tax compliance and public financial management.
 - ❑ Maintaining cost-recovery energy pricing and reforming state-owned enterprises (SOEs).
 - ❑ Strengthening social protection for the poor and improving welfare targeting.
 - ❑ Finalizing debt deals with remaining creditors and operationalizing the Public Debt Management Office.
 - ❑ Ensuring monetary policy independence and continuing reserve accumulation.
 - ❑ Accelerating governance and anti-corruption reforms, including digitalization and enforcement under the Anti-Corruption Act.

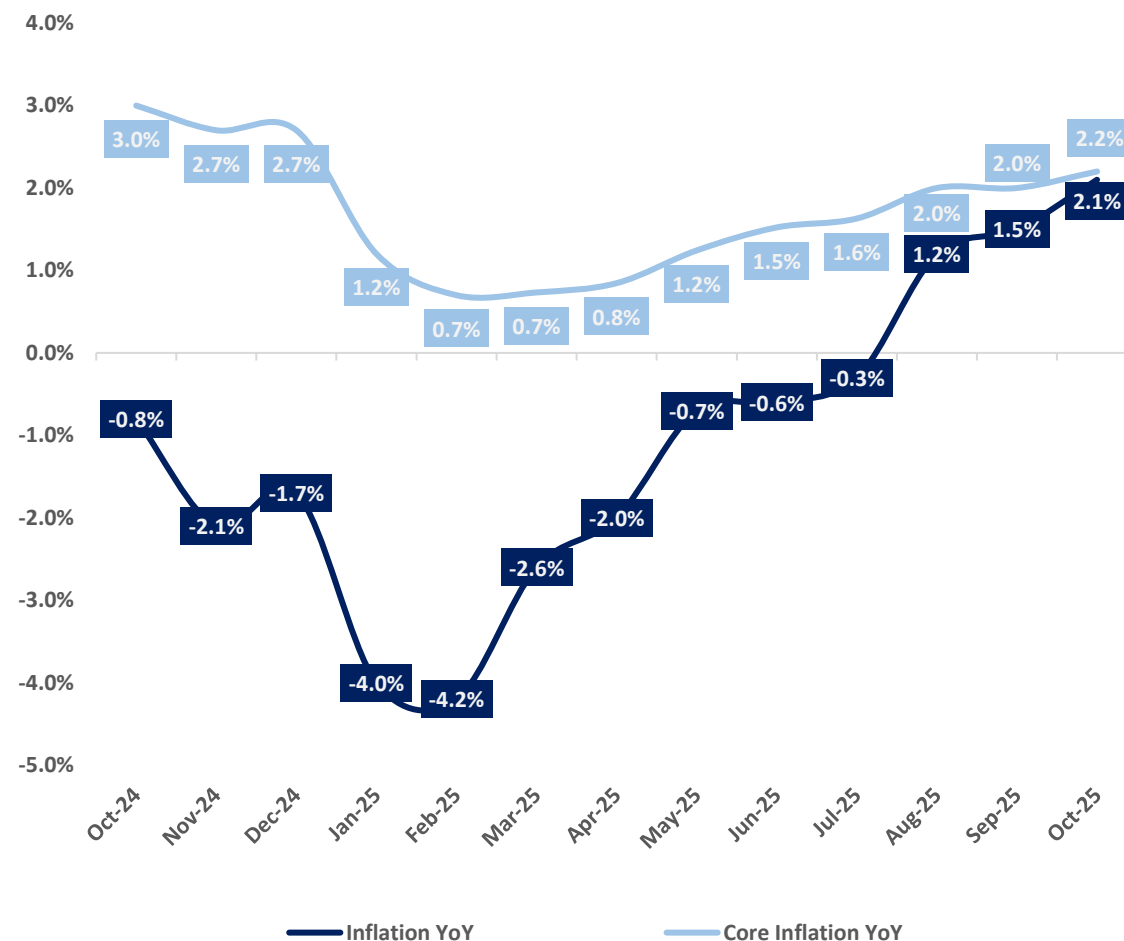
CCPI FOR OCT 2025:

MOM +0.1%

YOY +2.1%

- MoM inflation for Oct 2025 stood at +0.1%, a decrease from the +0.2% level seen in the previous month. Food inflation stayed stagnant at 0.0% compared to +0.3% in Sep 2025, while Non-Food inflation increased to +0.2%, compared to +0.1% in Sep 2025.
- The YoY figure reached +2.1% in Oct 2025 compared to the +1.5% level seen in Sep 2025. Food inflation increased to +3.5% from +2.9% previously. Non-food inflation increased to +1.4%, down from +0.7% in the previous month.

Inflation – CCPI

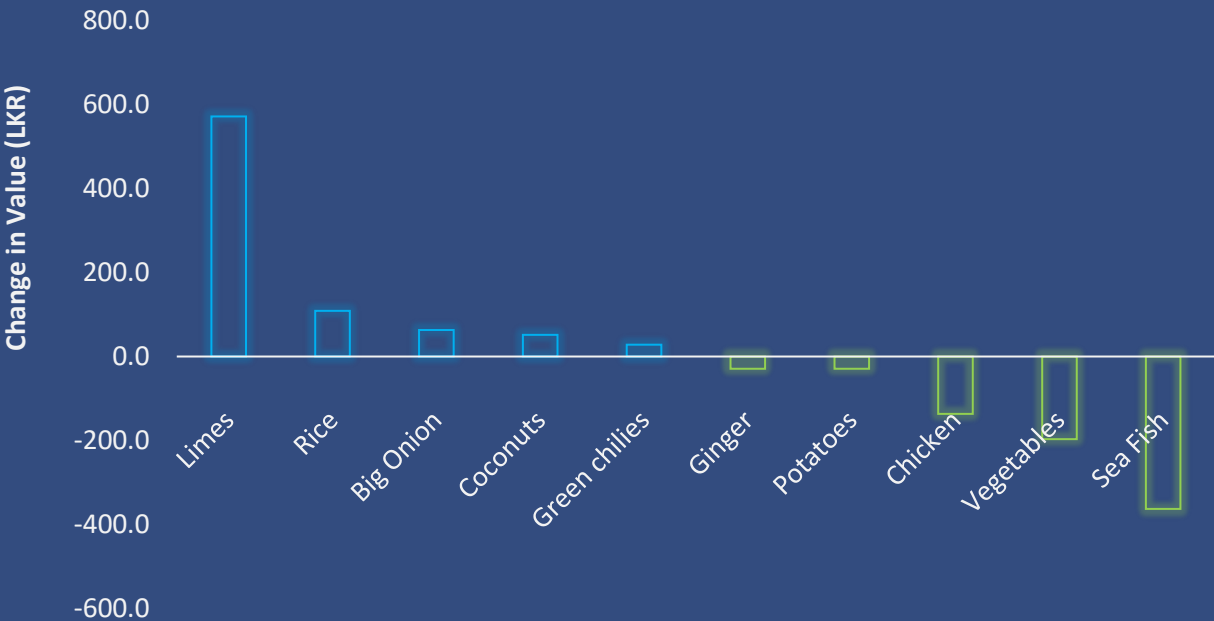


INFLATION ANALYSIS – CCPI-MOM

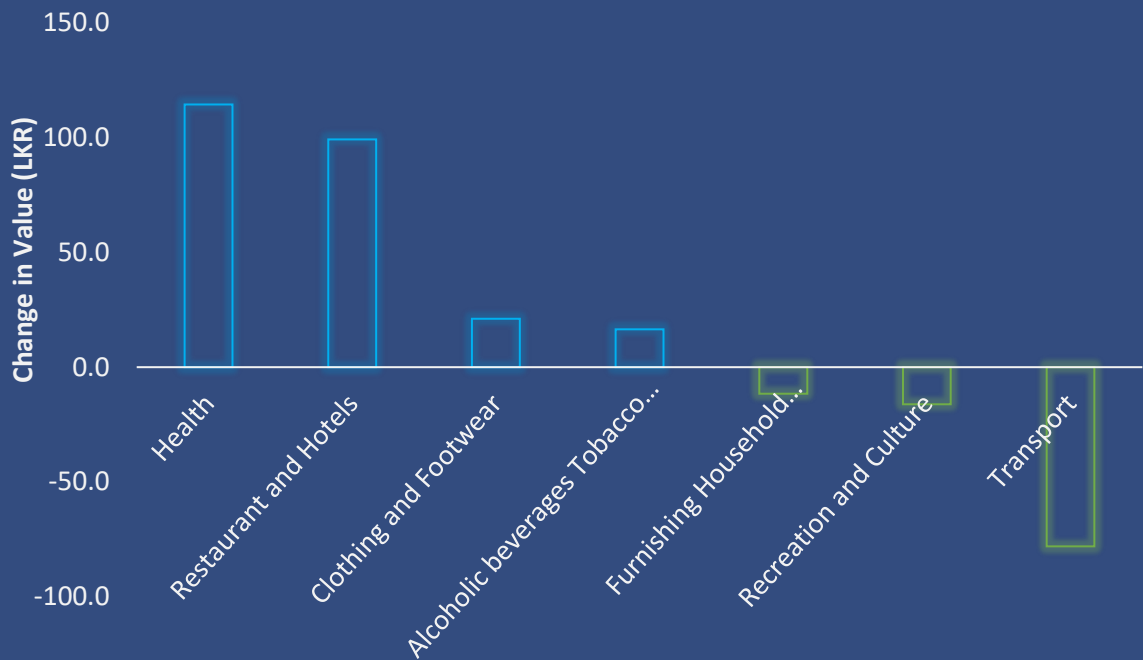
The CCPI Index for Oct 2025, increased to +0.07%MoM. The Food category contributed at a -0.03% rate. Sea fish, Vegetables, Chicken, Potatoes and Ginger showcased noteworthy price decreases. However, on the flip side, Limes, Rice and Big Onions were the top inflationary contributors within the Food category. The Non-Food category contributed +0.1% with Health, and Restaurant and Hotels being the major contributors to the price increment.



Food Category Inflation

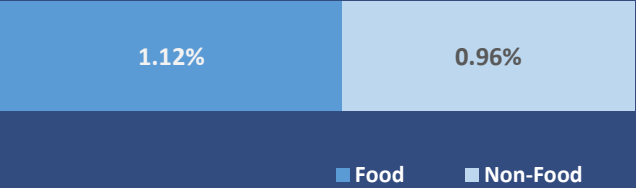


Non-Food Category Inflation

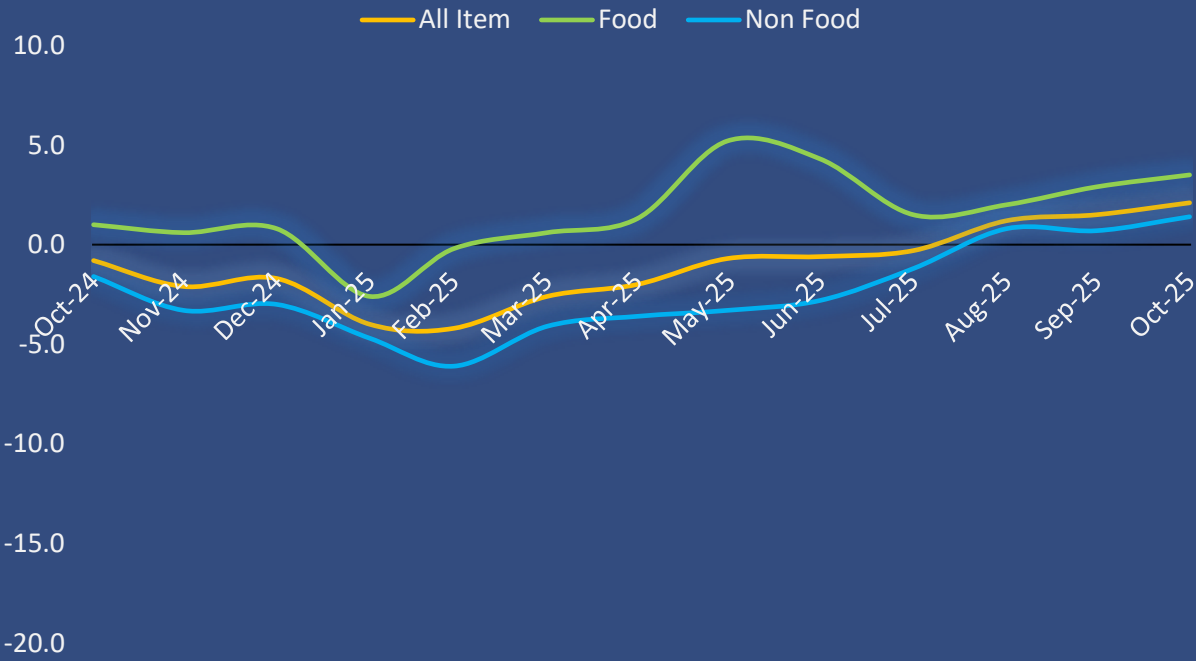


INFLATION ANALYSIS – CCPI-YOY

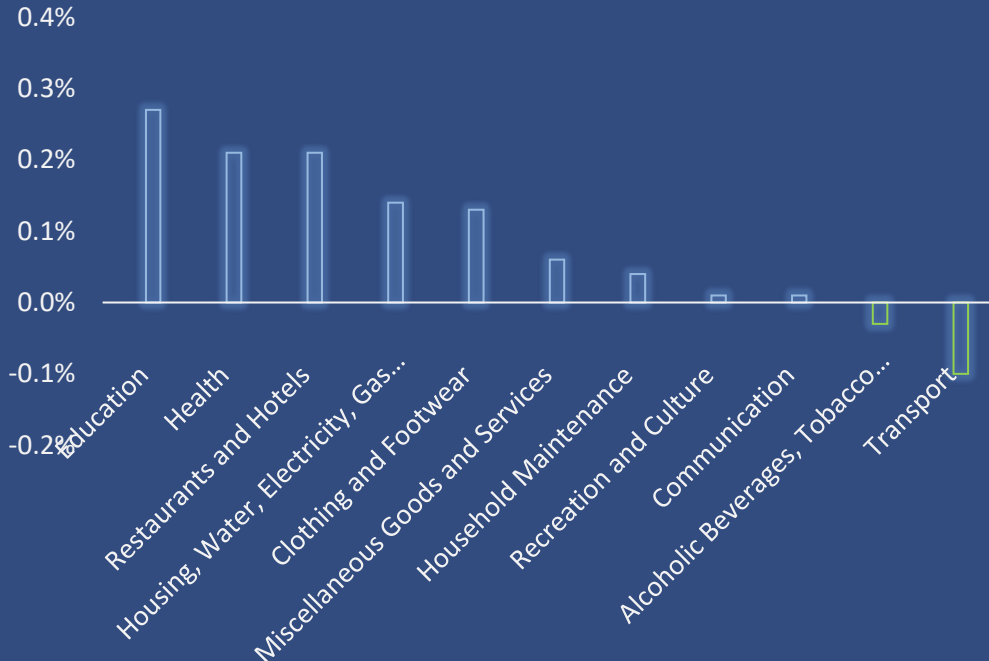
The YoY inflation of CCPI for Oct 2025 stood at +2.1%, registering an uptick from the +1.5% level seen in Sep 2025. While YoY inflation of the Food group increased to +3.5% in Oct 2025 from +2.9% seen in the previous month, YoY inflation of the Non-Food category increased to +1.4% in Sep from +0.7% in Oct 2025. The increase in food group inflation was mainly due to price increments of Coconut, Limes and Coconut oil.



Inflation Analysis (YoY)



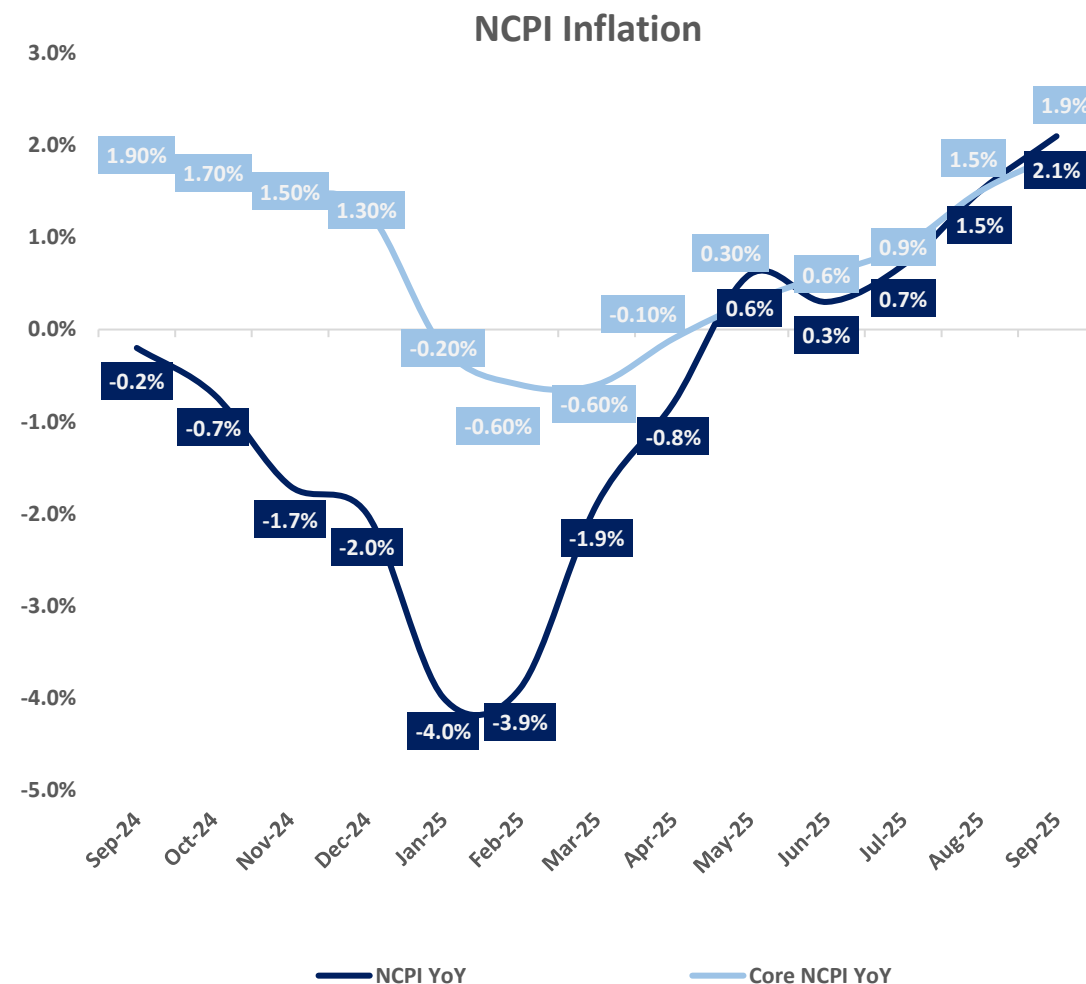
Non-Food Category Inflation



NCPI FOR SEP 2025: INCREASED TO +2.1% YOY

- NCPI for Sep 2025, inflated to +2.1% from +1.5% seen in Aug 2025.
- This trend was driven by a subsequent increase in inflation observed in both Food and Non-food categories. In Sep 2025, Food inflation increased to +3.8% from +2.9% seen in the previous month. Meanwhile, the Non-food inflation has increased from +0.4% to +0.7% during Sep 2025.

Inflation – NCPI

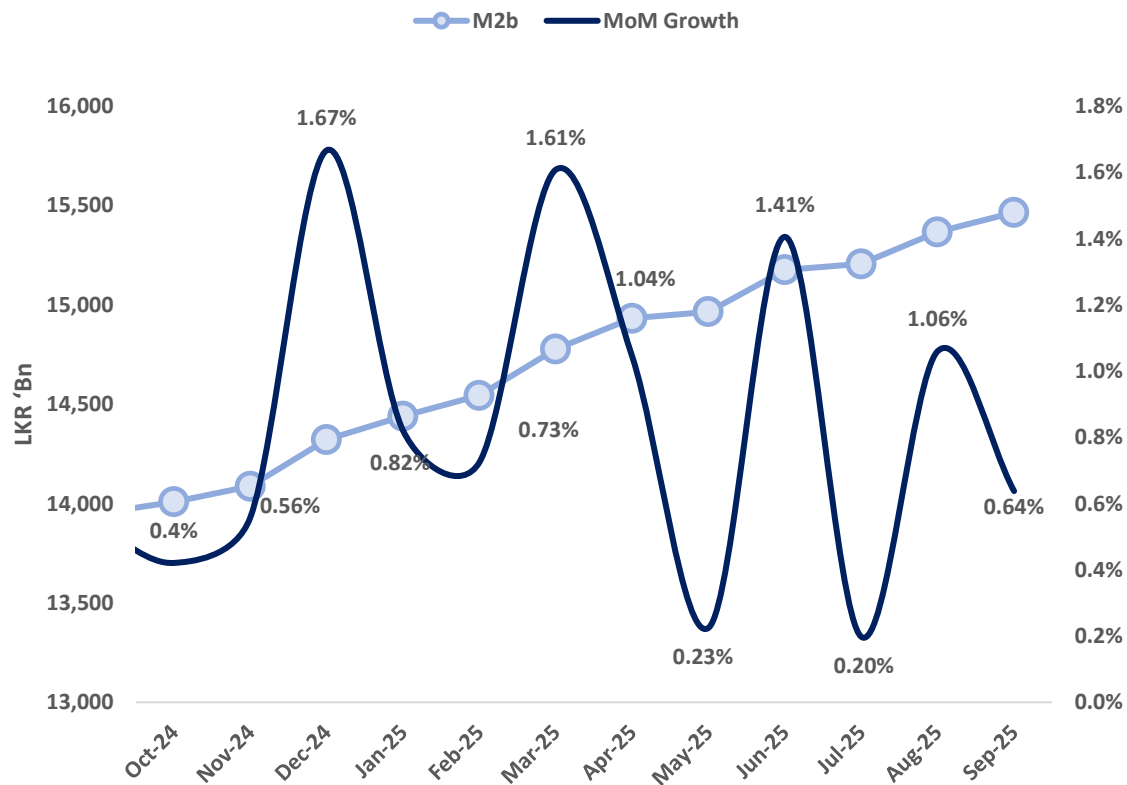


M2B AND CREDIT GROWTH

Private sector credit increased by LKR 236.3Bn in Sep 2025. In contrast, credit to the public sector declined by LKR 109.6Bn during the same month, similar to the trend observed in August.

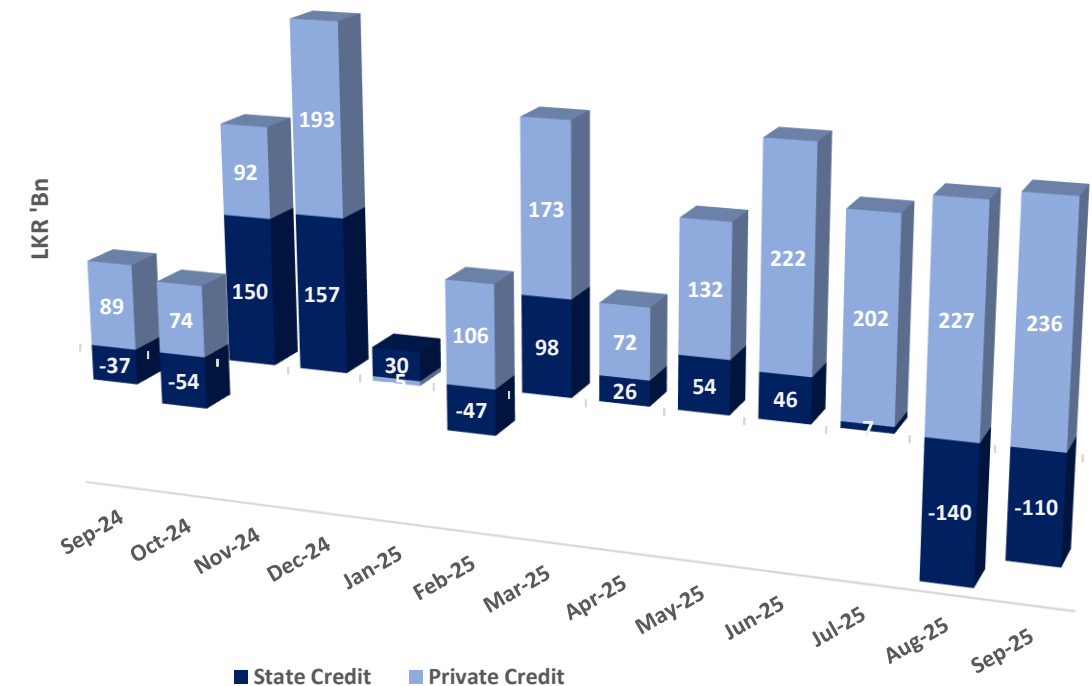
M2b Growth – Sep 2025

MoM +0.6%, YoY +10.9%, YTD +8.0%



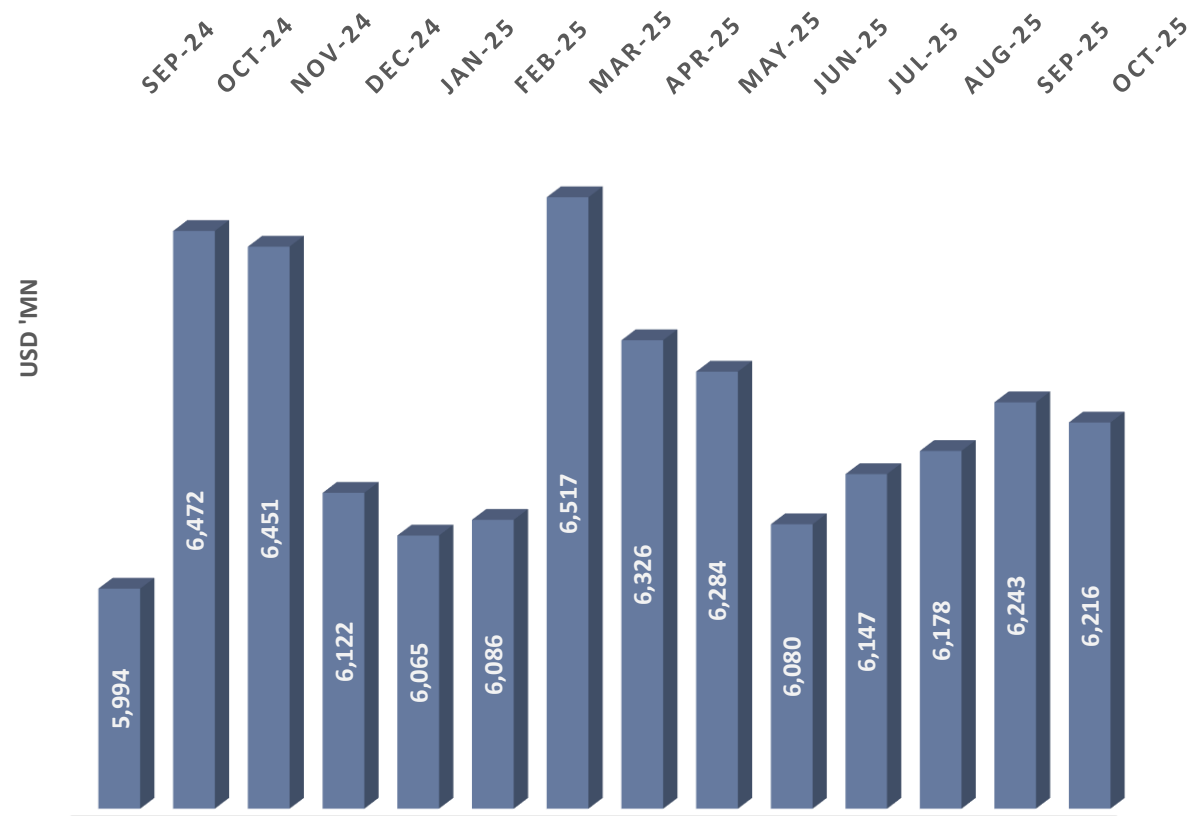
State Credit & Private Credit – Sep 2025

Private Credit MoM +2.5%, YoY +16.7%, YTD +22.1%

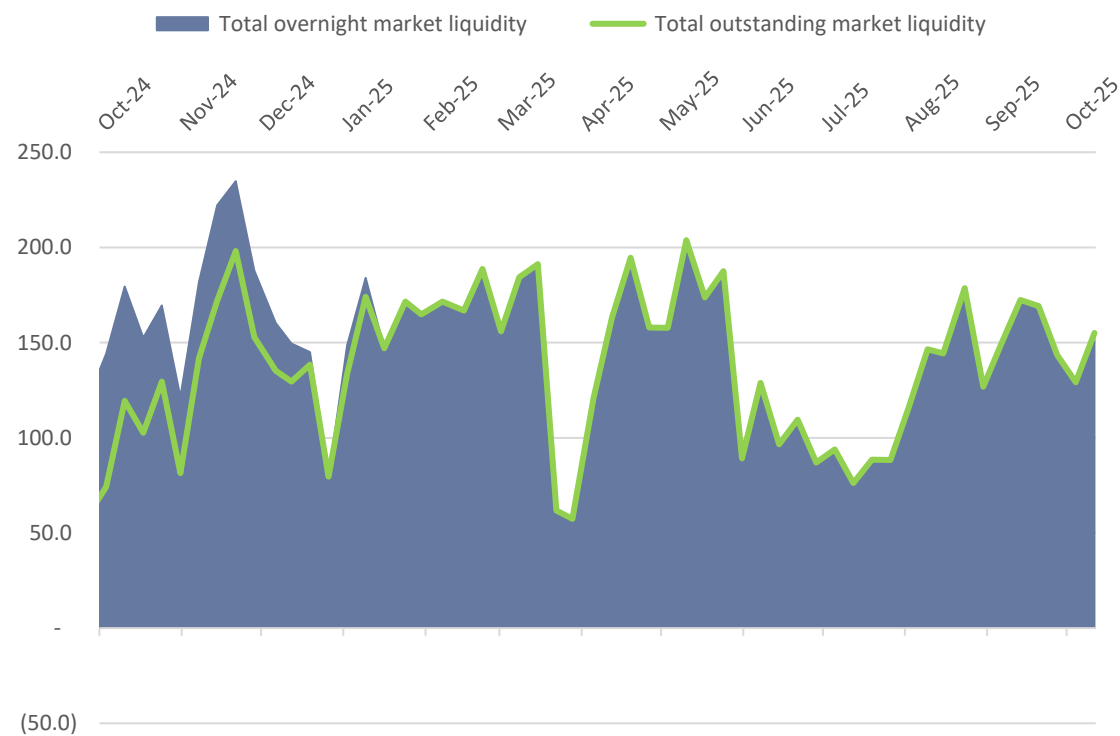


LIQUIDITY & RESERVES

- Foreign Reserves decreased by USD 27.0Mn to USD 6,216.0Mn in Oct 2025.



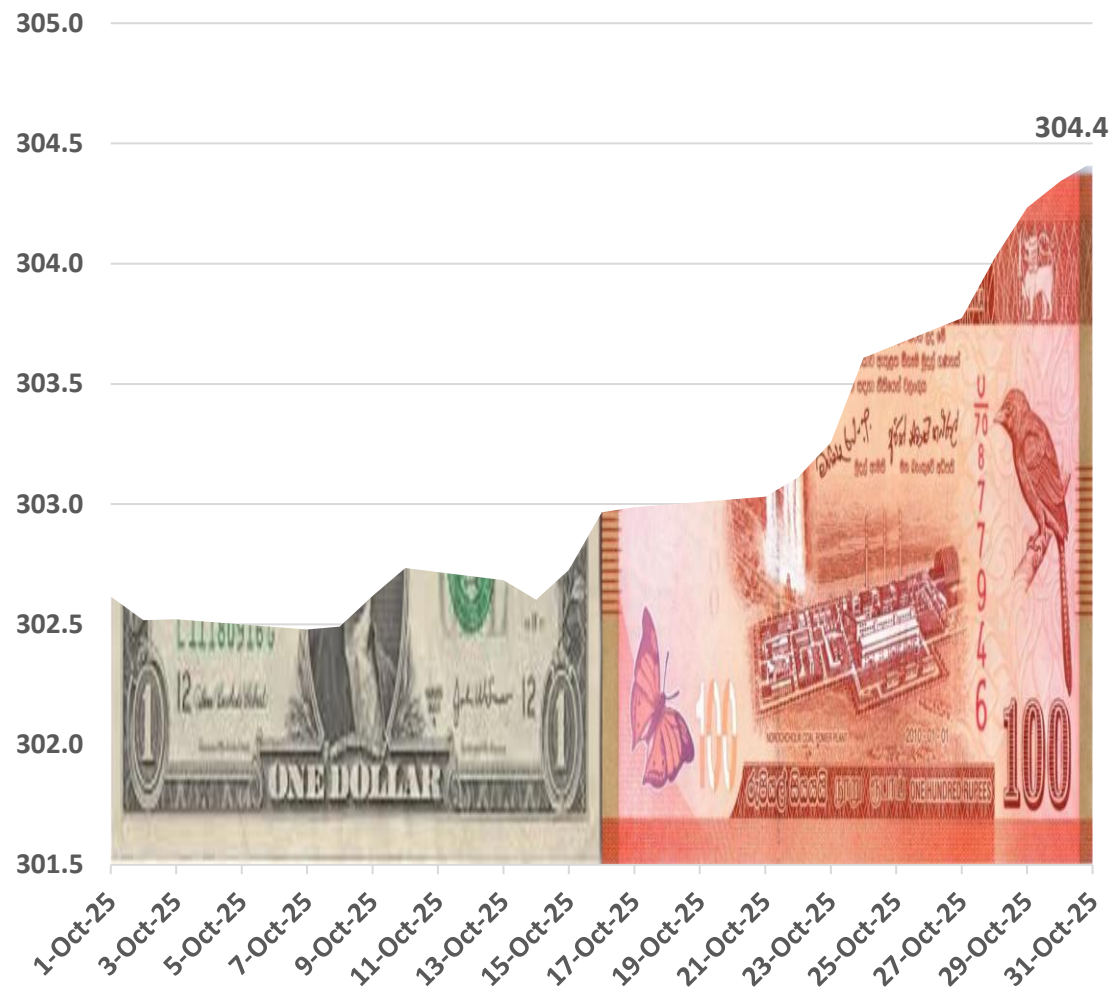
- Both overnight market liquidity and outstanding market liquidity increased in Oct 2025 relative to the previous month. By end-Oct, both overnight and market liquidity stood at LKR 155.1Bn.



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.

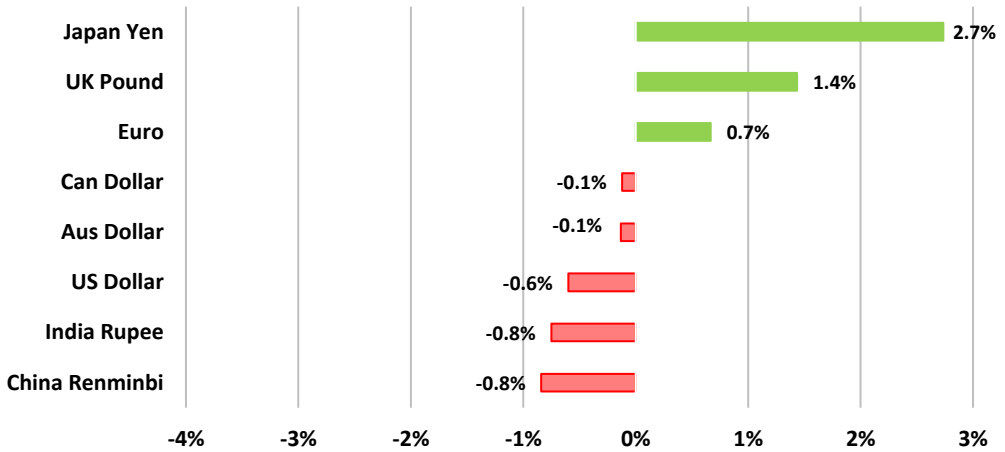
CURRENCY MOVEMENT

USD:LKR Movement

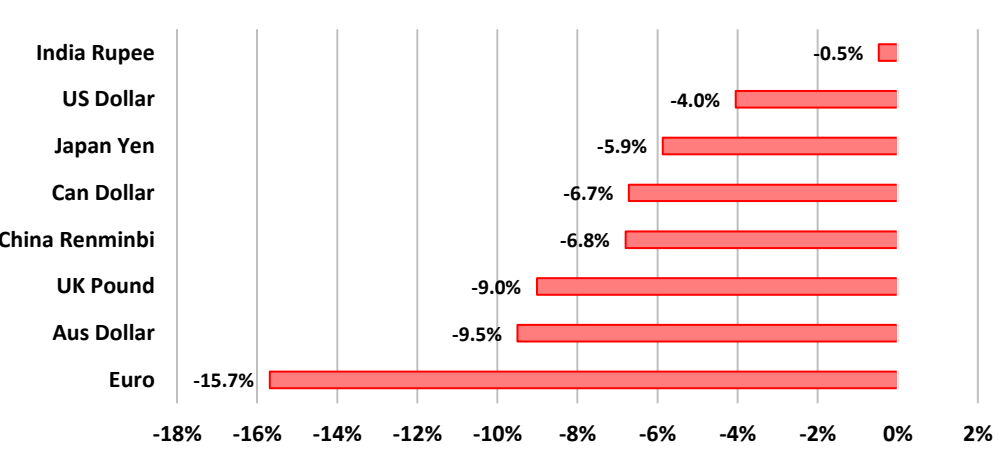


Sri Lankan Rupee vs Global Currencies

OCT 2025



YTD 2025



GOVERNMENT SECURITIES – NEW ISSUES

Bill and Bond auctions for Oct 2025

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
3-Oct-25	44,927		44,927
10-Oct-25	20,427		20,427
17-Oct-25	27,809	166,209	194,018
24-Oct-25	39,621		39,621
31-Oct-25	57,100		57,100
Total Issued			356,093

Net settlements for Oct 2025

Net Settlement	Oct 2025	YTD
Maturities	355,417	5,543,520
Coupon Payment	112,278	1,376,816
New Issues	356,093	6,585,775
Excess/ (Deficit)	(111,602)	(334,560)

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

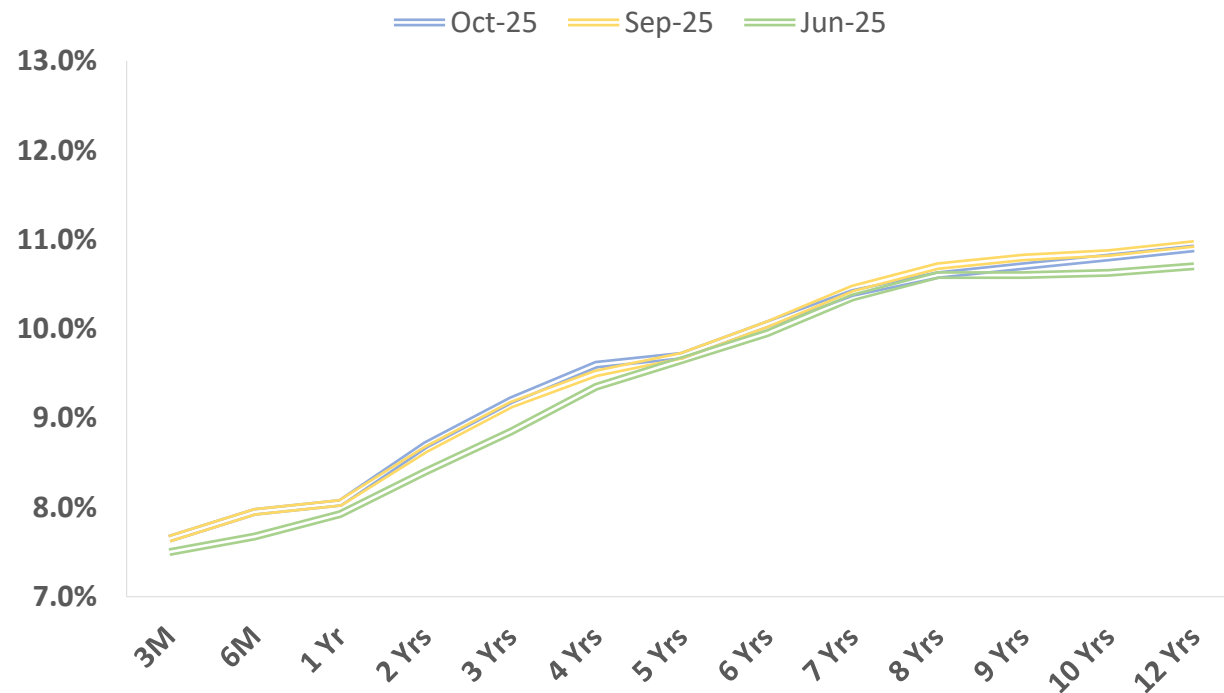
CBSL HOLDINGS OF GOV. SECURITIES...

...remained unchanged in Oct 2025



TREASURY BILLS AND BONDS - OCT 2025

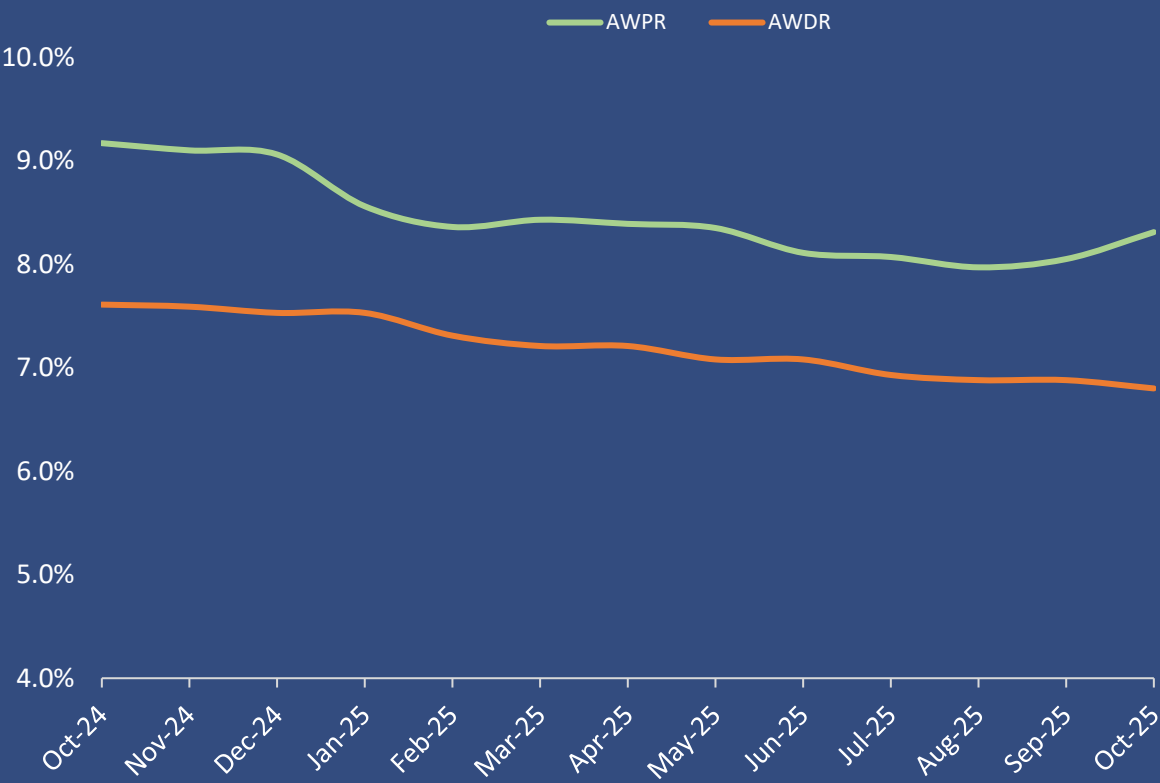
The government securities market remained largely subdued throughout Oct-2025, marked by cautious investor sentiment and moderate activity amid limited market drivers. The month began on a mixed note, with interest focused on short- to mid-term maturities, particularly the 2028 and 2029 segments. At the CBSL's weekly T-Bill auction on 01-Oct-2025, the full amount offered of LKR 43.0Bn was raised, while yields remained broadly stable. This subdued sentiment persisted into the second week, with activity centered in the 2029 segment, where total acceptances at the T-Bill auction held on 08-Oct-2025 amounted to LKR 19.1Bn, below the initial offer of LKR 33.5Bn. Market conditions saw a slight improvement in the third week, supported by the T-Bond auction on 13-Oct-2025, at which the CBSL raised LKR 162.1Bn against an offer of LKR 181.0Bn. The following T-Bill auction accepted LKR 27.2Bn, well below the LKR 77.5Bn on offer, with yields remaining unchanged. In the final two weeks, sentiment turned mixed, with moderate buying interest emerging in the 2028–2031 maturities. At the month-end T-Bill auction on 29-Oct-2025, the CBSL raised the full amount of LKR 57.0Bn, with yields edging slightly higher.



Interest Rate Change (bps)

Tenure	Oct 2025	Sep 2025	Change (bps)	Jun 2025	Change (bps)
3M	7.65%	7.65%	0	7.50%	+15
6M	7.95%	7.95%	0	7.68%	+28
1 Yr	8.05%	8.05%	0	7.93%	+13
2 Yrs	8.70%	8.65%	+5	8.40%	+25
3 Yrs	9.20%	9.15%	+5	8.85%	+30
4 Yrs	9.60%	9.50%	+10	9.35%	+15
5 Yrs	9.70%	9.70%	0	9.65%	+5
6 Yrs	10.05%	10.05%	0	9.95%	+10
7 Yrs	10.40%	10.45%	-5	10.35%	+10
8 Yrs	10.60%	10.70%	-10	10.60%	+10
9 Yrs	10.70%	10.80%	-10	10.60%	+20
10 Yrs	10.80%	10.85%	-5	10.63%	+23
12 Yrs	10.90%	10.95%	-5	10.70%	+25
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

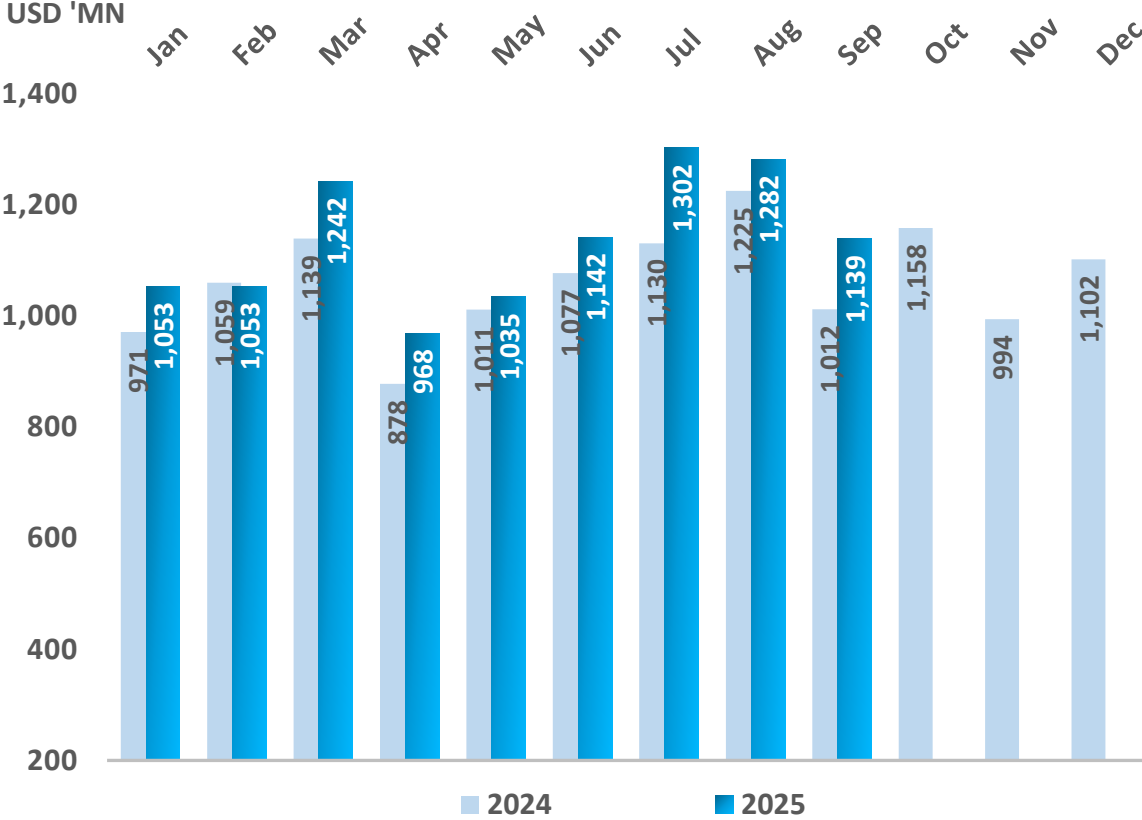


FINANCE SECTOR RATE MOVEMENTS

EXTERNAL SECTOR - SEP 2025 - EXPORTS

In Sep 2025, Exports registered a YoY uptick of 12.5%, driven primarily by expansions in Agricultural exports followed by Industrial exports. The 26.3%YoY increase that was seen in Agricultural exports was driven predominantly increases in Coconut, Tea and Rubber. The main reasons behind the increase in Industrial exports were increments in Food, Beverage and Tobacco and Gems, diamonds and jewellery. Furthermore, mineral and other exports recorded a sharp 346.0%YoY increase, mainly due to the rise in mineral exports.

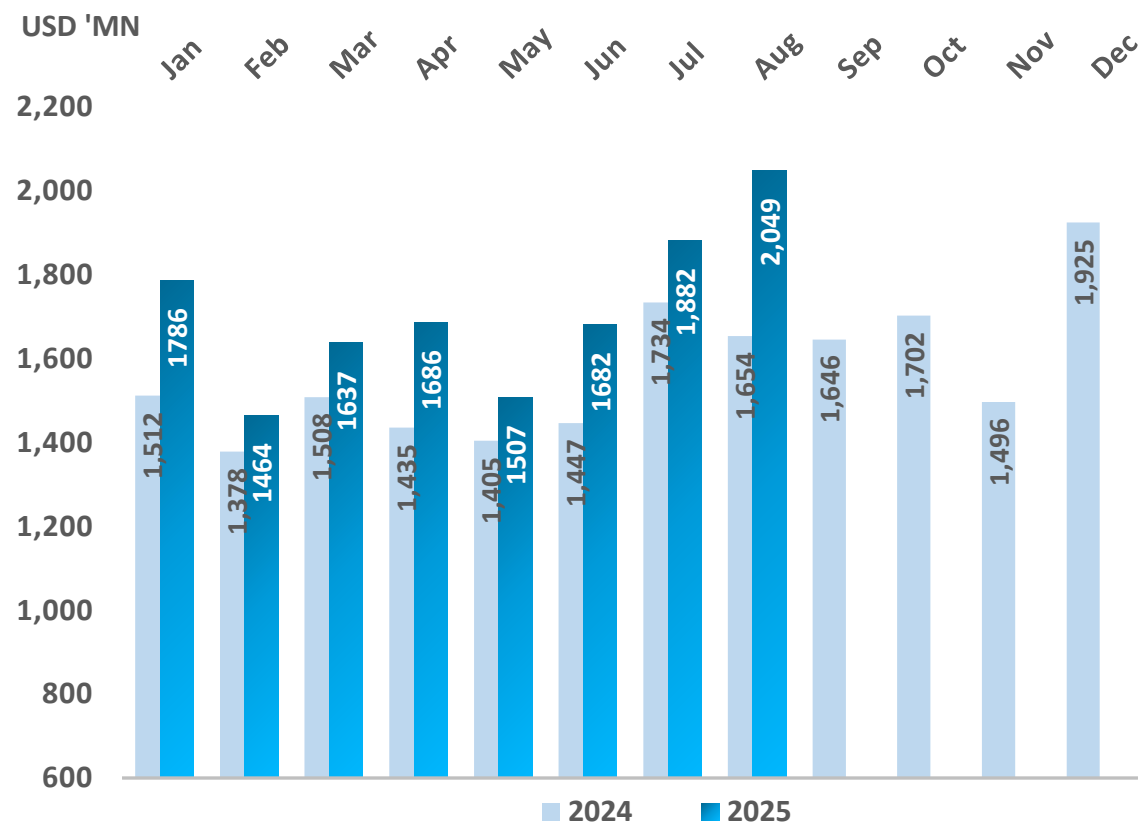
Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Industrial Exports			
- Sep	776.3	838.8	8.0
- YTD	7,442.2	7,854.2	5.5
Agricultural			
- Sep	232.3	293.4	26.3
- YTD	2,036.3	2,323.6	14.1
Mineral and other Exports			
- Sep	3.2	6.8	112.5
- YTD	39.6	37.3	-5.8
Total			
- Sep	1,011.7	1,138.5	12.5
- YTD	9,518.1	10,215.1	7.3



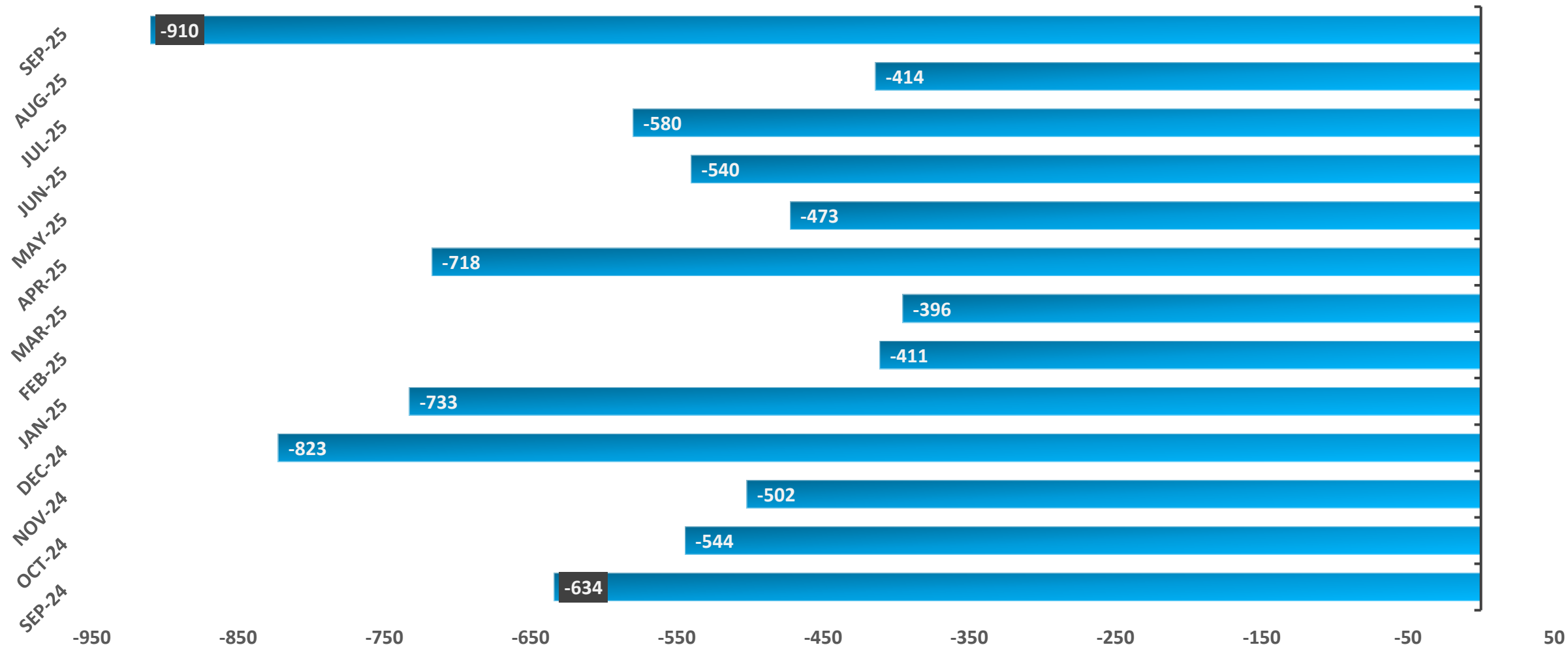
EXTERNAL SECTOR - SEP 2025 - IMPORTS

In Sepg 2025, Imports registered a YoY increment of 24.5%, with all sub-categories experiencing an increment. Consumer goods marked a YoY uptick of 86.2% driven predominantly by higher levels of Non-Food Consumer goods. Investment goods also registered a YoY increase of 6.7% prompted by greater imports made in Commercial vehicles. Finally, the Intermediate goods segment increased by 13.4%YoY in Sep 2025. The Fuel, and Diamonds, precious stones and metals segments dominated this trend.

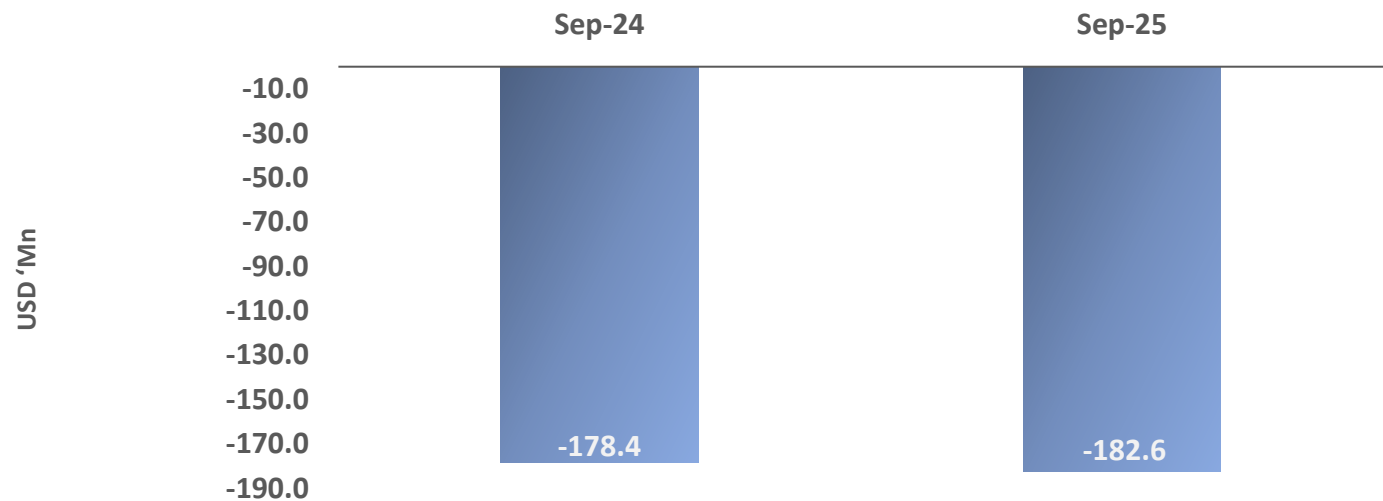
Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Consumer goods			
- Sep	280.2	521.8	86.2
- YTD	2,456.6	3,816.4	55.4
Intermediate			
- Sep	1,040.4	1,179.8	13.4
- YTD	8,790.4	8,617.2	-2.0
Investment goods and other			
- Sep	325.1	347.0	6.7
- YTD	2,471.3	2,955.9	19.6
Total			
- Sep	1,645.7	2,048.6	24.5
- YTD	13,718.3	15,389.5	12.2



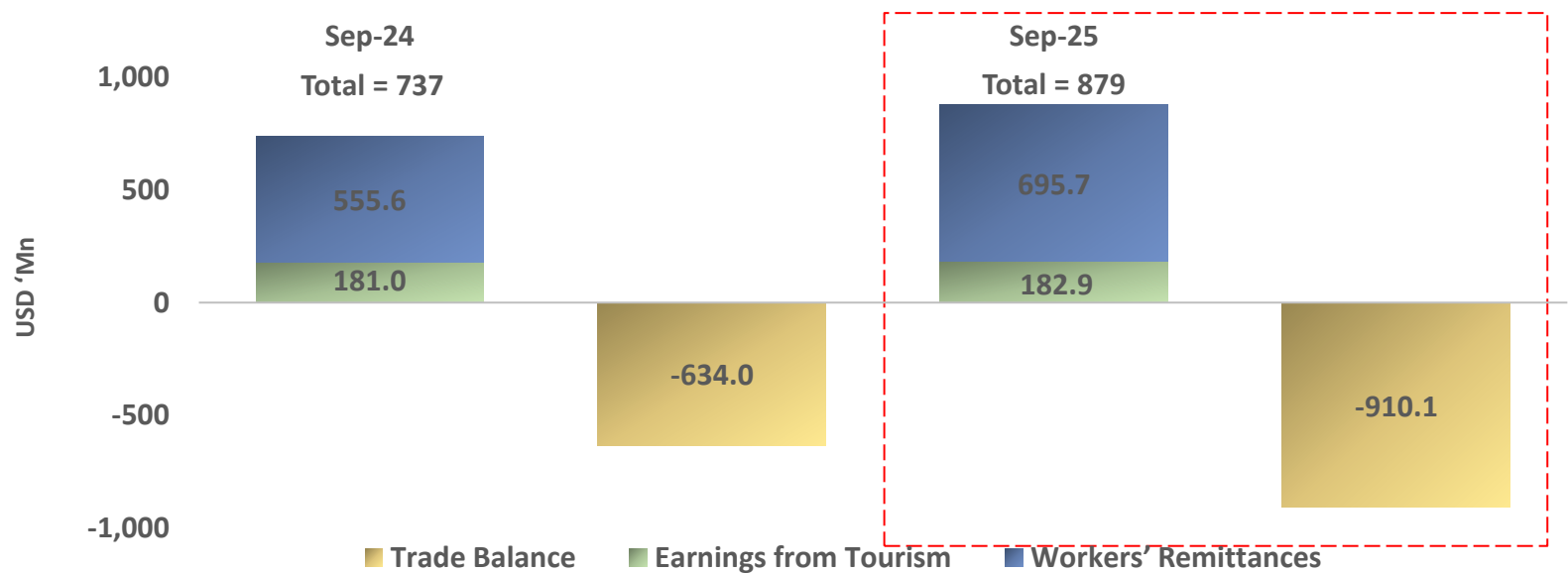
Balance of Trade



The Current Account Balance for Sep 2025 decreased compared to that of Sep 2024, registering a downtick of 2.4%.



Workers’ Remittances increased to USD 695.7Mn in Sep 2025 (+25.2%YoY) while Earnings from Tourism marginally rose to USD 182.9Mn (+1.0%YoY).



CURRENT ACCOUNT BALANCE STEEPENED YOY IN SEP 2025			
Sep USD 'Mn	2024	2025	Change (%)
Trade Balance	-634.0	-910.1	
Earnings from Tourism	181.0	182.9	+1.0
Workers' Remittances	555.6	695.7	+25.2

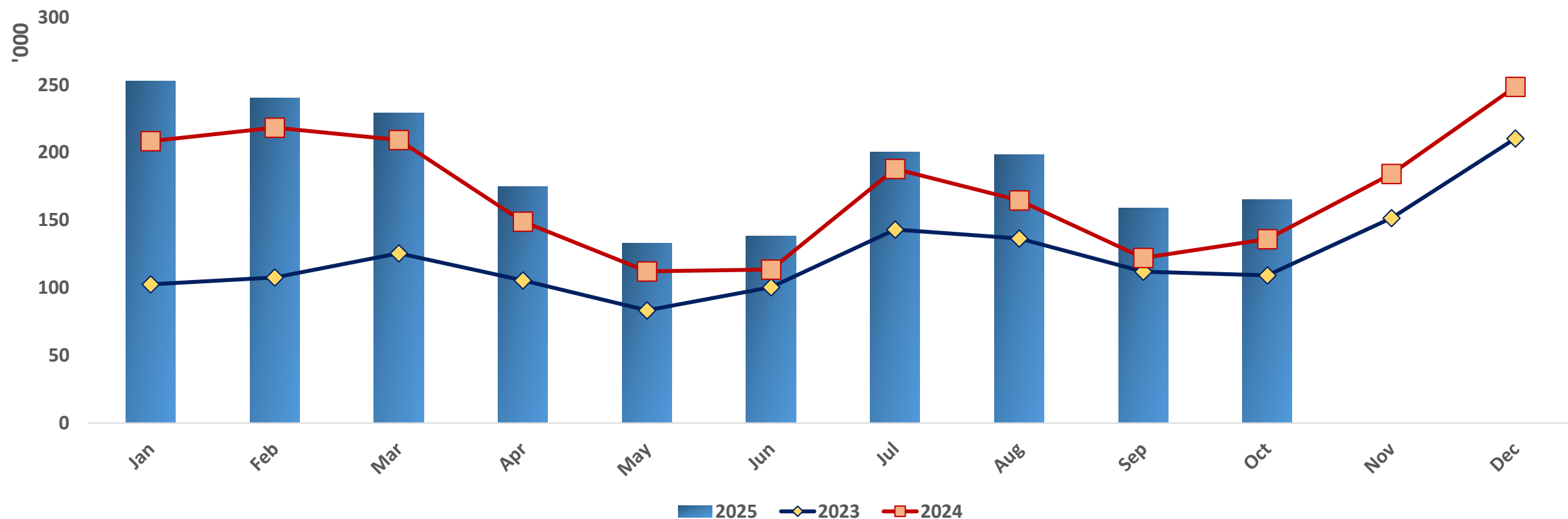
YTD USD 'Mn	2024	2025	Change (%)
Trade Balance	-4,200.2	-5,147.4	
Earnings from Tourism	2,348.0	2,472.9	+5.3
Workers' Remittances	4,843.8	5,811.7	+20.0

TOURIST ARRIVALS - OCT 2025

[Oct 165,193 - UP +21.5%YoY] [MoM - UP +3.9%]

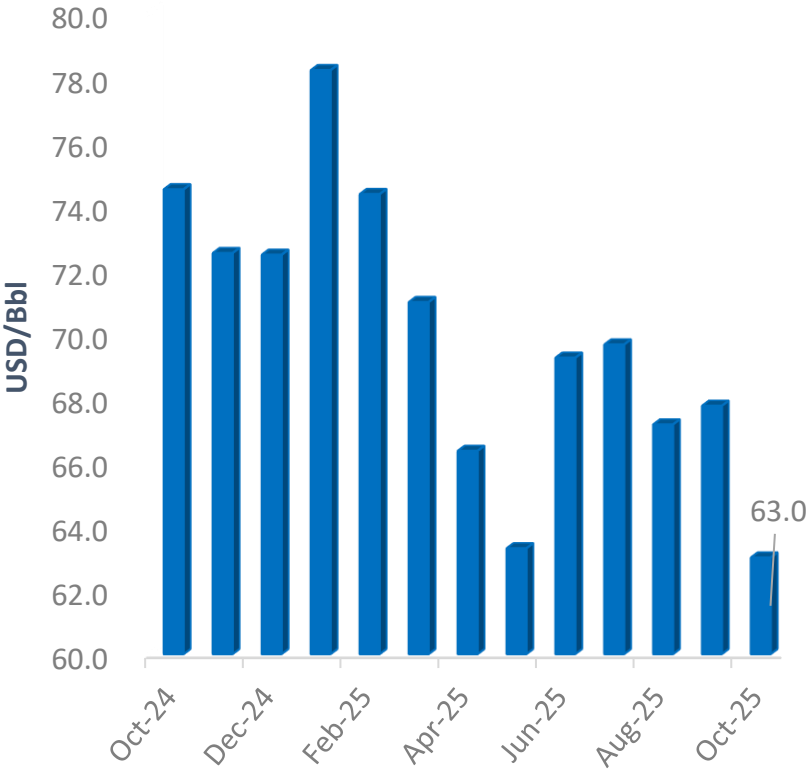
The total number of arrivals for the month reached 165,193 registering a YoY uptick of 21.5% alongside a MoM increment of +3.9%. India which accounted for 29.1% of tourist arrivals remained the top source market in Oct 2025. This was followed by The United Kingdom which accounted for 7.8% of total arrivals and the Russian Federation which accounted for 7.0% of arrivals.

Tourist Arrivals

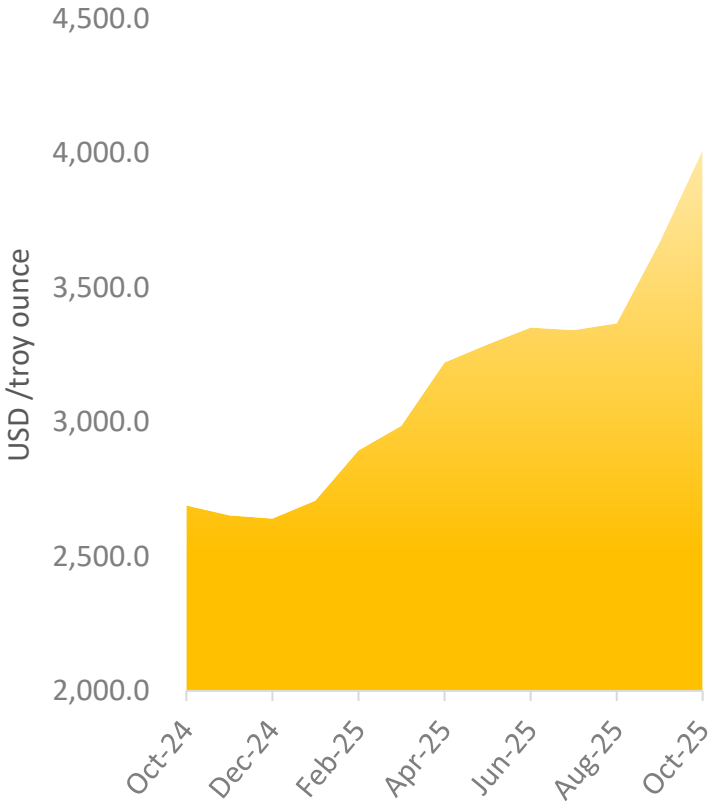


COMMODITY PRICES - OCT 2025

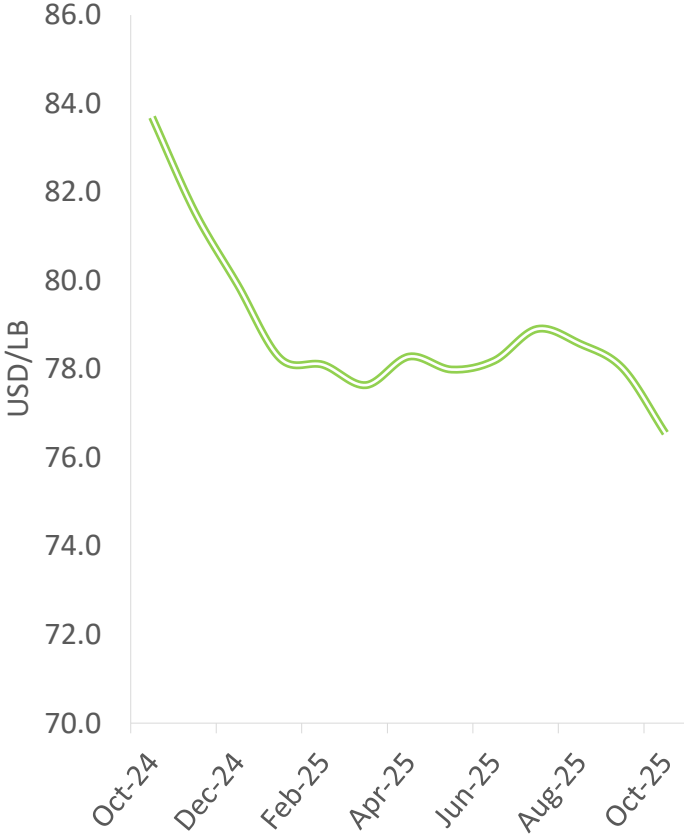
Crude oil



Gold



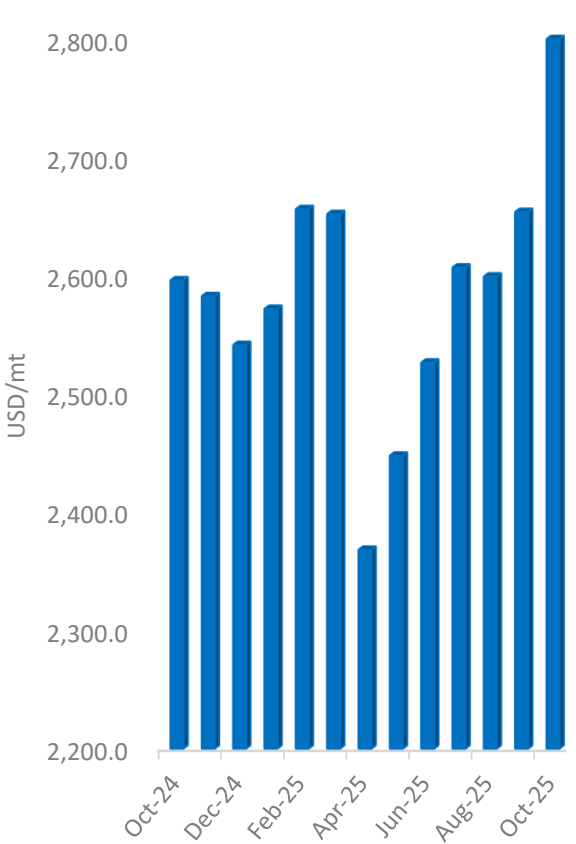
Cotton



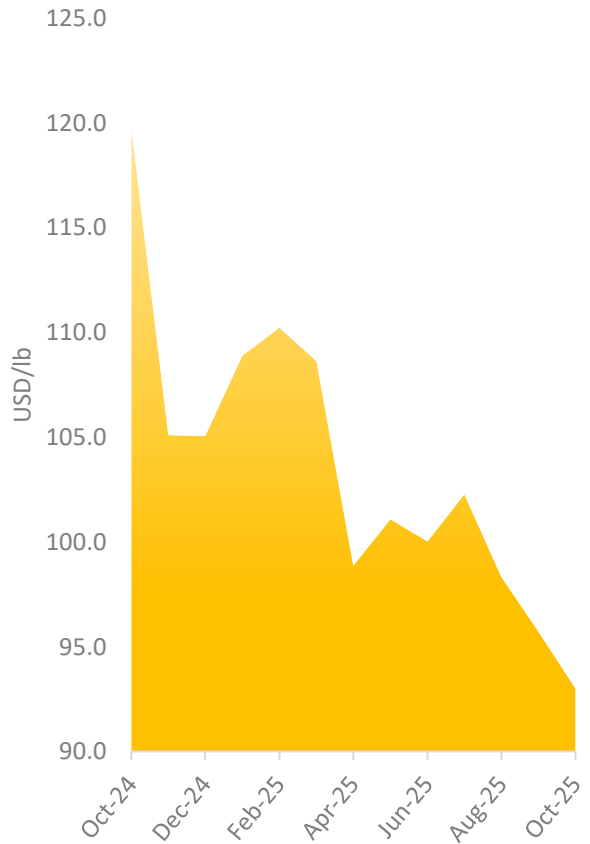
Note: crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

COMMODITY PRICES - OCT 2025 CONT'D

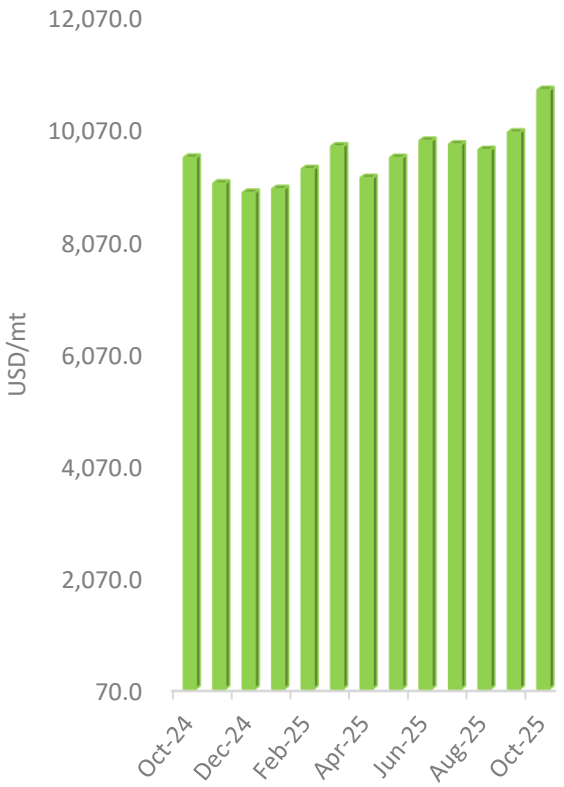
Aluminum



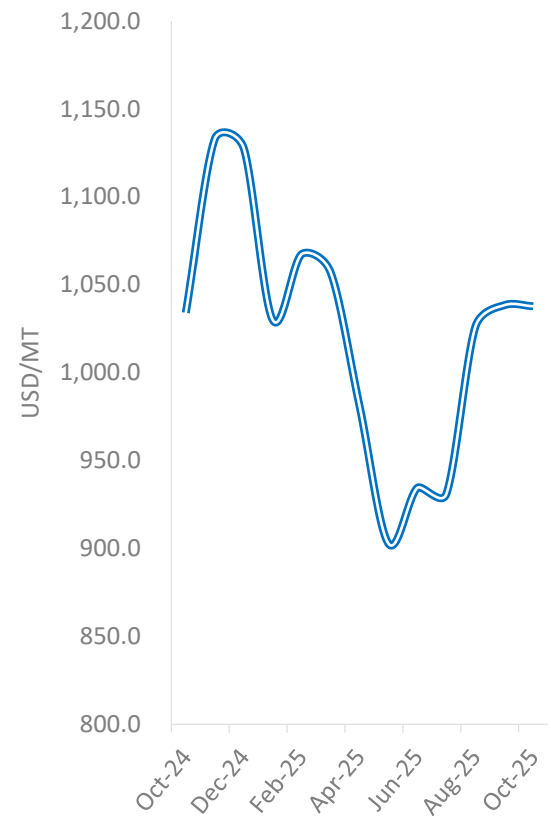
Rubber



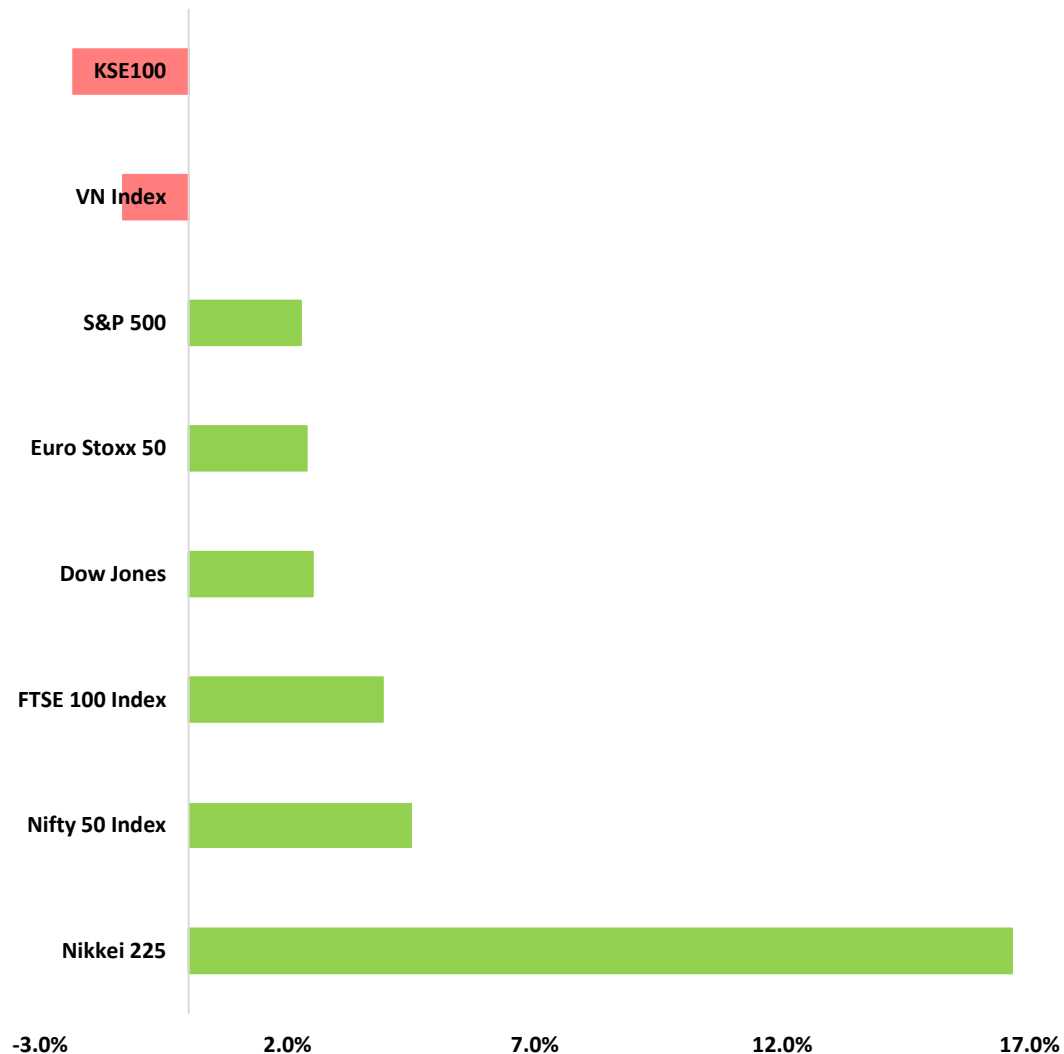
Copper



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



IMF warns of dim outlook for world economy hit by rolling shocks

The International Monetary Fund warned that the global economy is showing signs of strains from sweeping US tariffs and protectionism — even though it so far has held up better than expected. The global economy is expected to grow by 3.2% this year, up from 3% predicted in July, the Washington-based lender said in its latest World Economic Outlook on Tuesday. In 2026, growth is seen edging down to 3.1%.



Fed cuts rates again, but Powell raises doubts about easing at next meeting

The Federal Reserve cut interest rates for the second consecutive time, lowering its benchmark rate to 3.75–4%, while ending its quantitative tightening program on Dec. 1. However, Chair Jerome Powell unsettled markets by signaling uncertainty over another cut in December, noting “strongly differing views” among officials. The move came amid limited economic data due to a government data shutdown, with inflation still above target at 3% and job growth slowing. Markets reacted negatively to Powell’s cautious tone, as the likelihood of another rate cut dropped from 90% to 67%, reflecting growing concern over inflation persistence and labor market risks.

US business activity regains speed in October; sentiment deteriorates

U.S. business activity strengthened in October, with S&P Global’s flash Composite PMI rising to 54.8 from 53.9 in September, signaling continued private sector expansion. However, optimism was dampened by concerns over the Trump administration’s protectionist trade policies, which weighed on exports, slowed job growth, and left companies holding excess inventories.



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