



First Capital
A Janashakthi Group Company

MONTHLY ECONOMIC WATCH

FIRST CAPITAL RESEARCH

Dec 2025

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CYCLONE DITWAH DELIVERS HEAVY BLOW TO SRI LANKA'S ECONOMY

- ❑ Cyclone Ditwah became Sri Lanka's deadliest disaster since the 2004 tsunami, killing hundreds and affecting around 10% of the population. Severe flooding destroyed homes, infrastructure, and major crops, especially tea and rice, hurting livelihoods and key export industries.
- ❑ Agriculture sector: Crop losses (paddy, vegetables, plantations) and delays in cultivation cycles, increasing near-term food supply pressures.
- ❑ SMEs & Retail sector: Temporary business closures, inventory losses, and reduced consumer footfall, particularly in flood-affected commercial zones.
- ❑ Tourism & Services sector: Short-term booking cancellations and operational disruptions, especially in coastal and city-based tourism segments.
- ❑ FCR estimates cyclone losses at c.USD 0.7-1.1 Bn (c.1.0% of GDP), posing a setback to Sri Lanka's fragile recovery
- ❑ The cyclone is expected to slow economic growth in 2026, which had previously been improving after the IMF-supported reforms.
- ❑ The government has requested emergency IMF assistance of around USD 200Mn under the Rapid Financing Instrument (RFI), while the fifth IMF tranche, originally expected on 15-Dec-2025, has been postponed to early 2026, with programme assessments rescheduled accordingly.
- ❑ UN assessments show nearly 20% of the country was flooded, intensifying humanitarian and reconstruction needs.

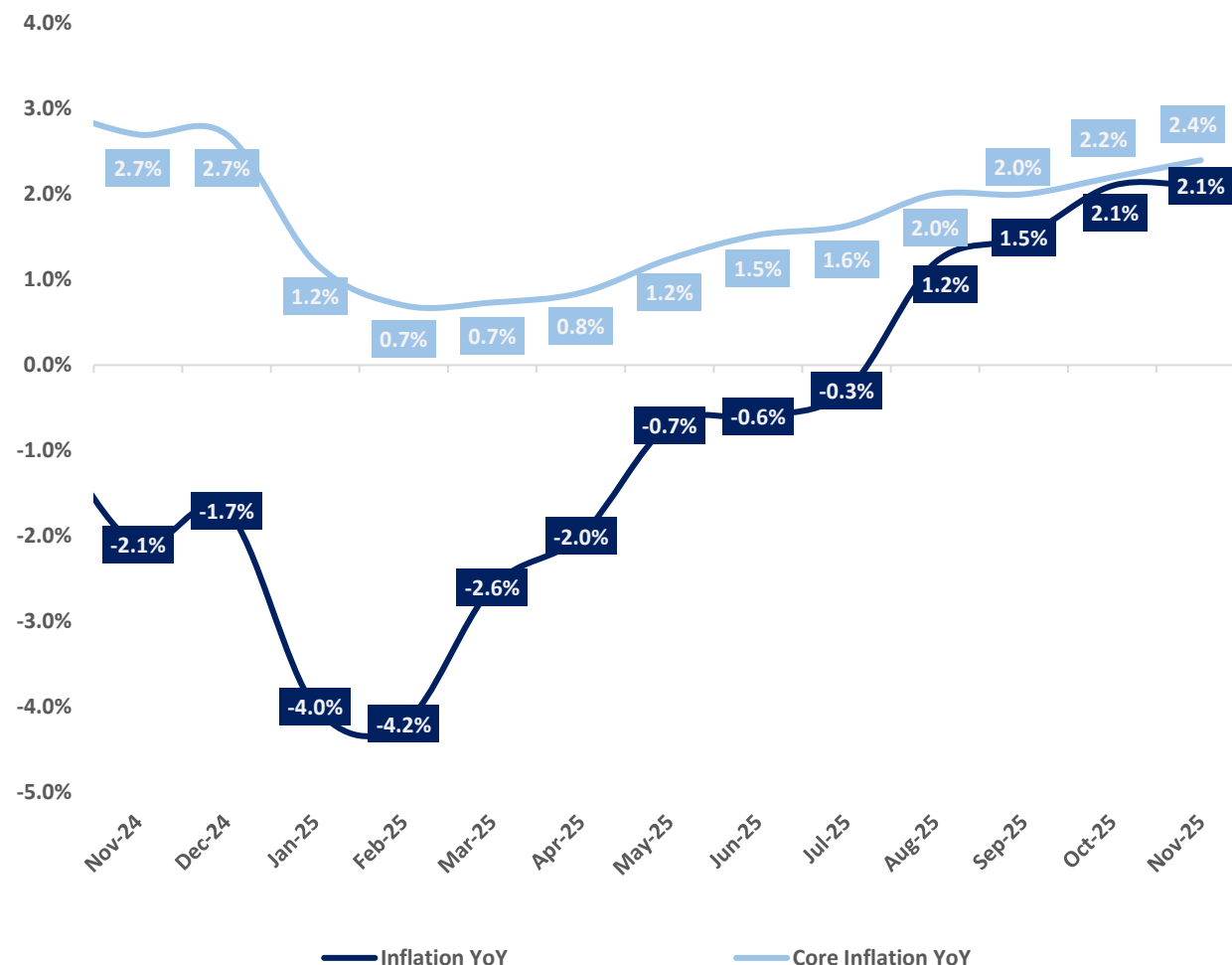
CCPI FOR NOV 2025:

MOM -0.2%

YOY +2.1%

- MoM inflation for Nov 2025 stood at -0.2%, a decrease into deflationary territory from the +0.1% level seen in the previous month. Food inflation reduced to -0.6% compared to 0.0% in Oct 2025, while Non-Food inflation decreased to -0.1%, compared to +0.2% in Oct 2025.
- The YoY figure remained at +2.1% in Nov 2025, in line with the +2.1% level seen in Oct 2025. Food inflation reduced to +3.0% from +3.5% previously. Non-food inflation increased to +1.7%, from 1.4% in the previous month.

Inflation – CCPI

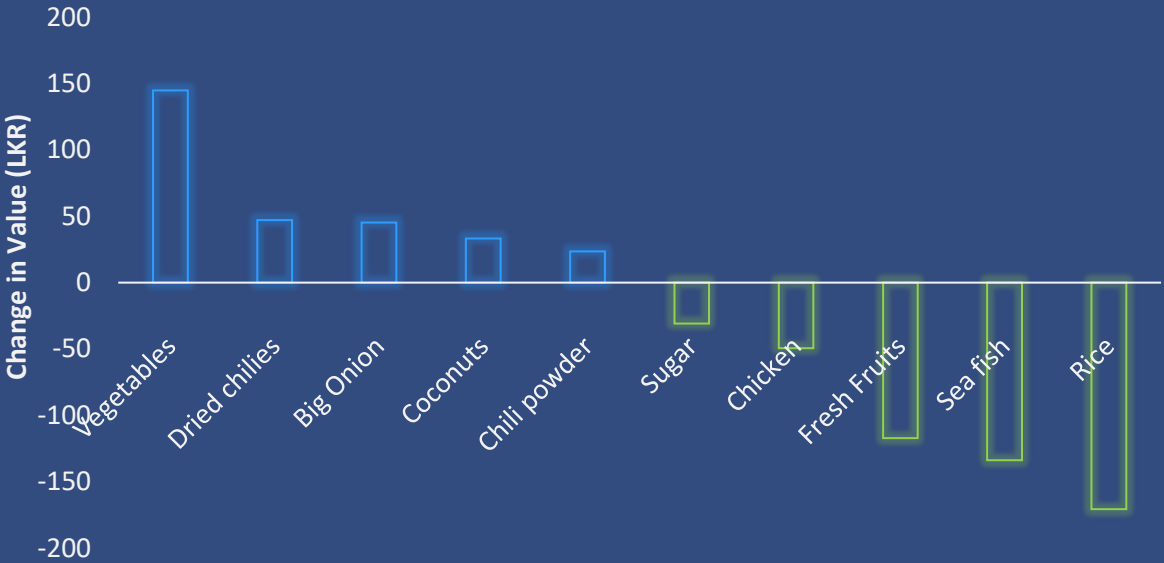


INFLATION ANALYSIS – CCPI-MOM

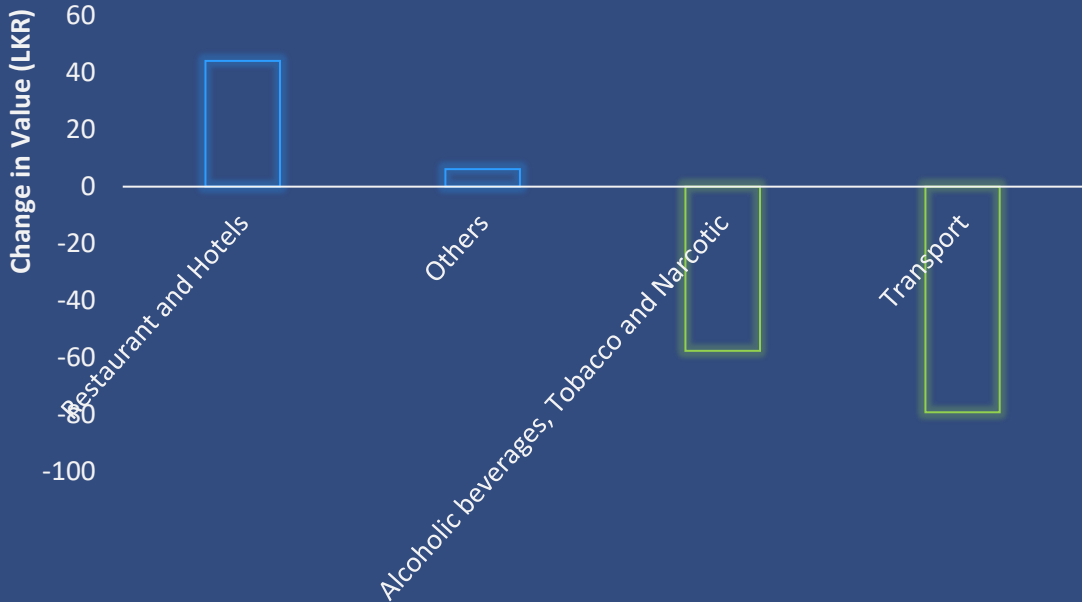
The CCPI Index for Nov 2025, decreased to -0.2%MoM. The Food category contributed at a -0.18% rate. Rice, Sea Fish, Fresh Fruits and Chicken showcased noteworthy price decreases. However, on the flip side, Vegetables, Big Onions, Dried Chillies and Coconuts were the top inflationary contributors within the Food category. The Non-Food category contributed -0.05% with Transport and Alcoholic beverages, Tobacco & Narcotics were the main reasons for the price decrease.



Food Category Inflation



Non-Food Category Inflation

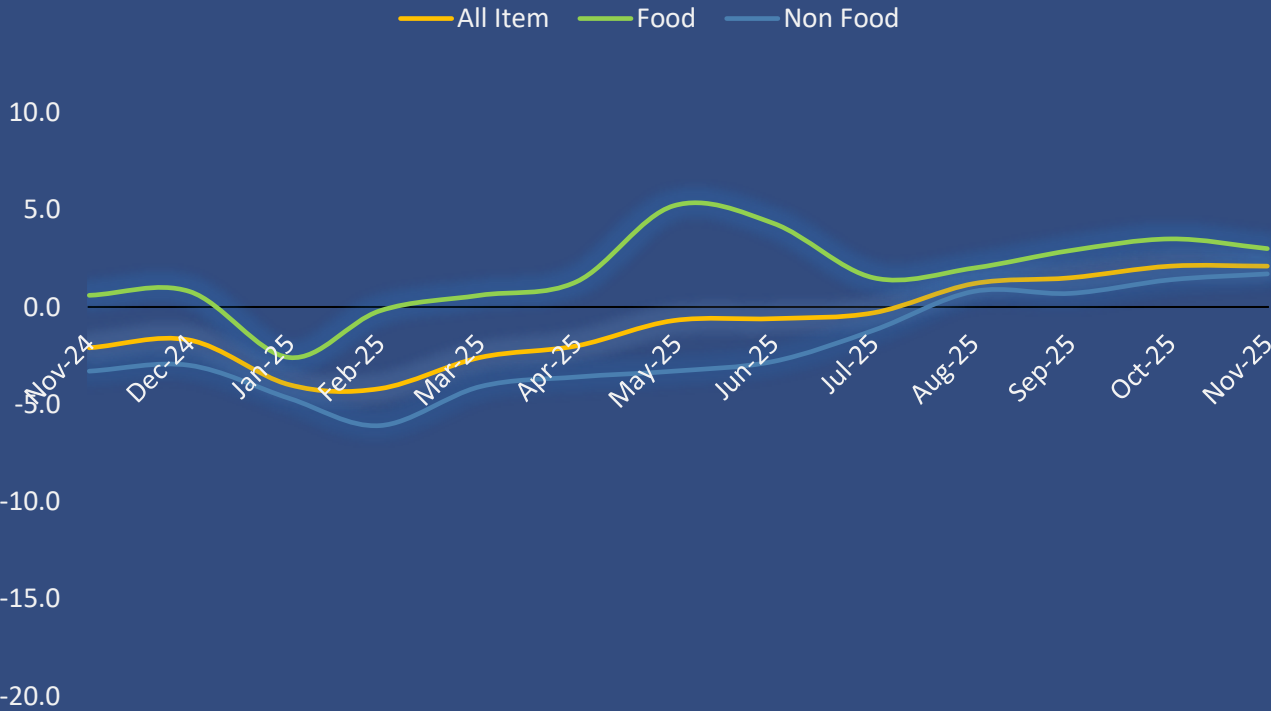


INFLATION ANALYSIS – CCPI-YOY

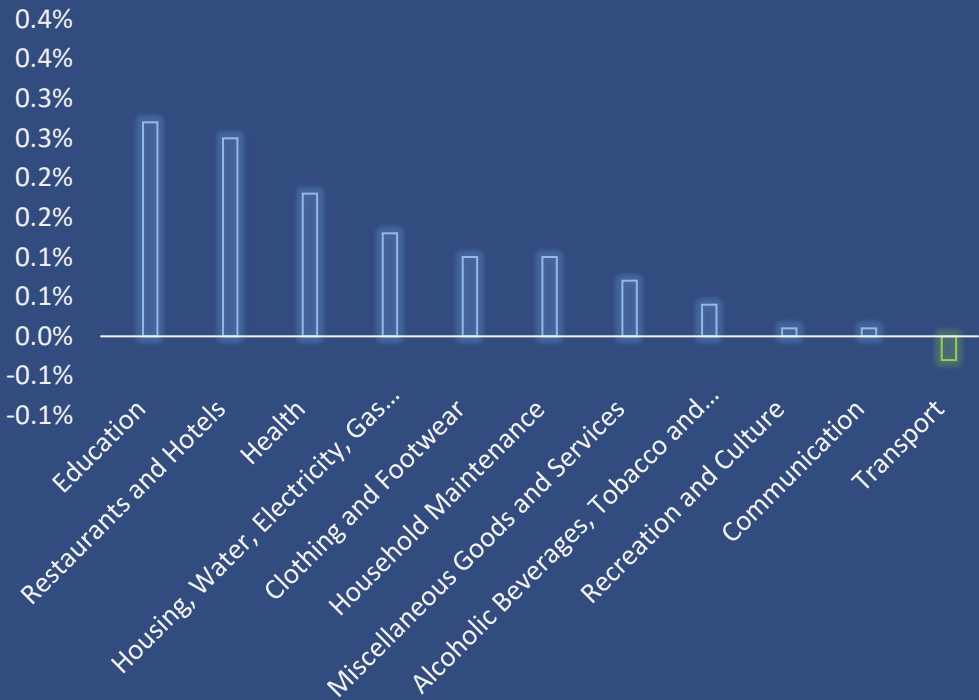
The YoY inflation of CCPI for Nov 2025 stood at +2.1%, which remained stagnant and in line with the Oct 2025 level. While YoY inflation of the Food group decreased to +3.0% in Nov 2025 from +3.5% seen in the previous month, YoY inflation of the Non-Food category increased to +1.7% in Nov from +1.4% in Oct 2025. The decrease in food group inflation was mainly due to price reductions in Big Onions, Rice, Sugar and Eggs.



Inflation Analysis (YoY)



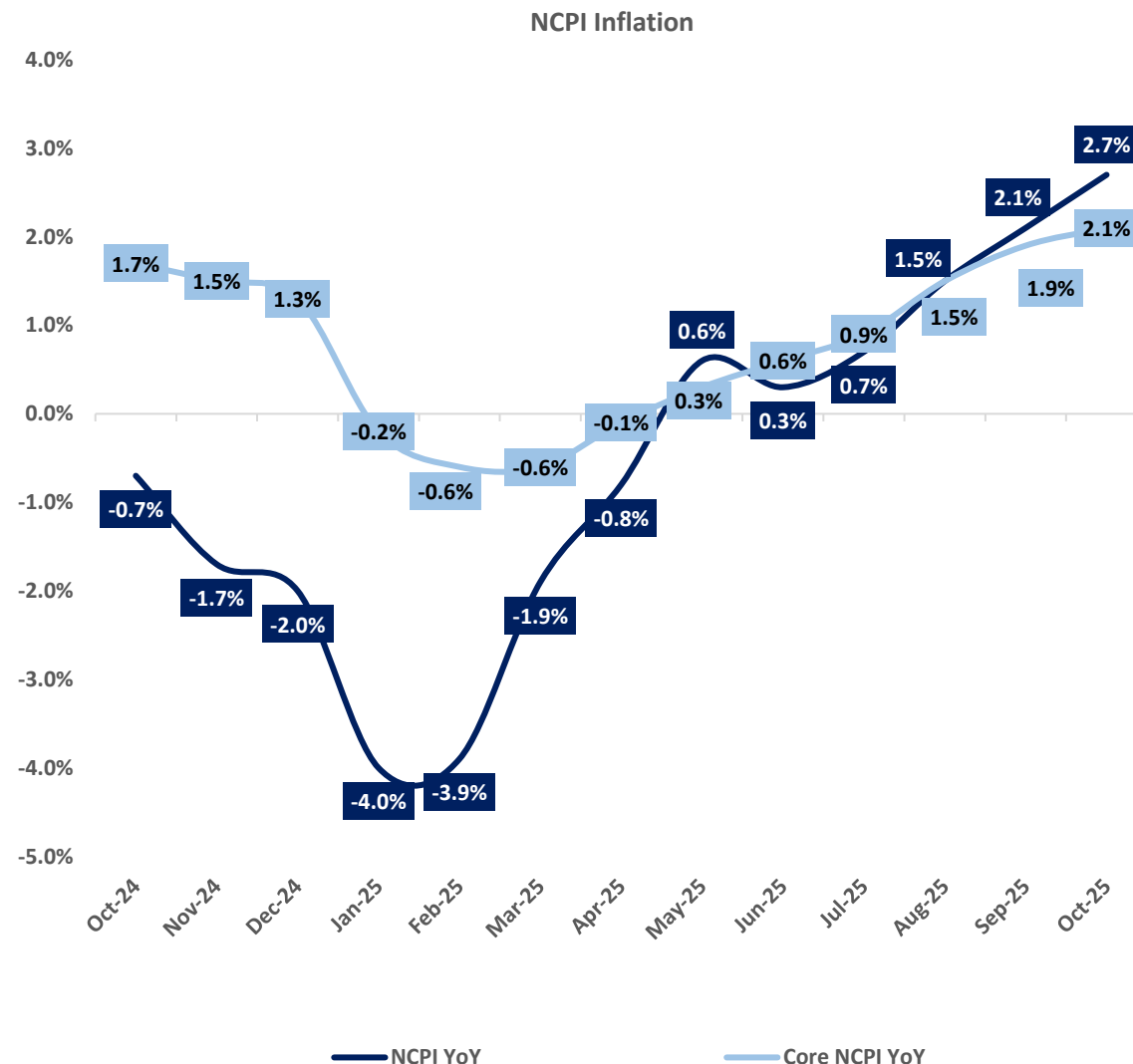
Non-Food Category Inflation



NCPI FOR OCT 2025: INCREASED TO +2.7% YOY

- NCPI for Oct 2025, inflated to +2.7% from +2.1% seen in Sep 2025.
- This trend was driven by a subsequent increase in inflation observed in both Food and Non-food categories. In Oct 2025, Food inflation increased to +4.1% from +3.8% seen in the previous month. Meanwhile, the Non-food inflation has increased from +0.7% to +1.5% during Oct 2025.

Inflation – NCPI

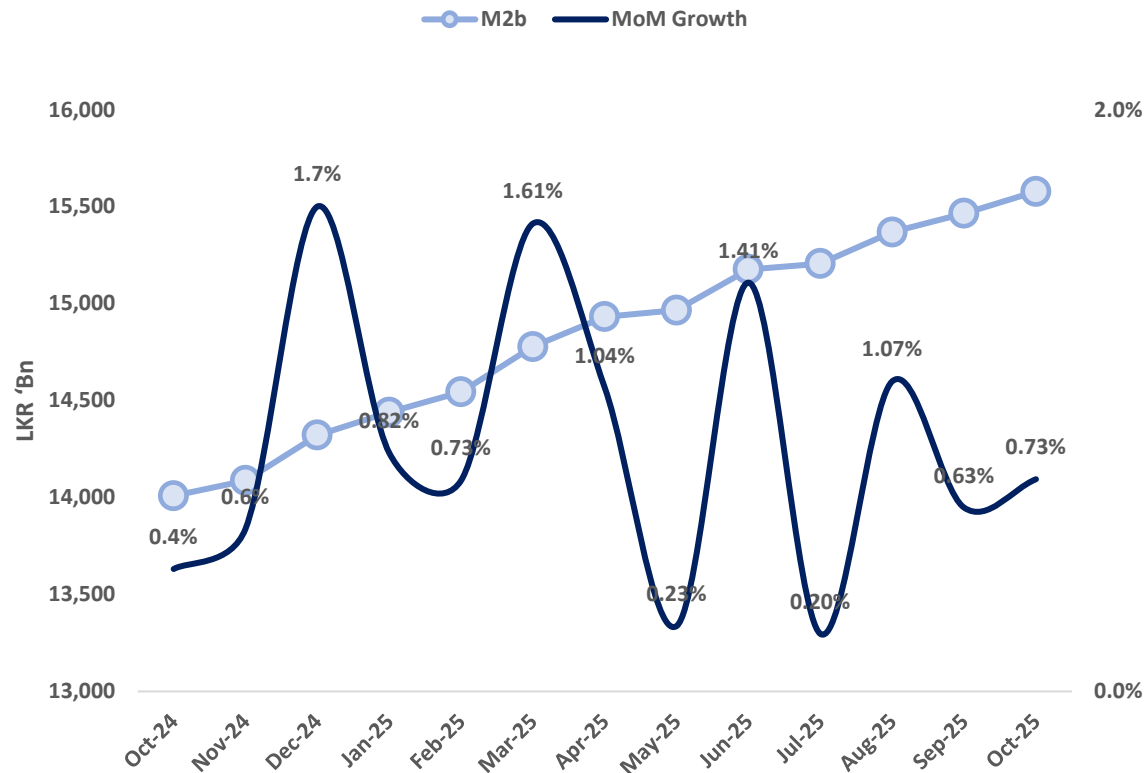


M2B AND CREDIT GROWTH

Private sector credit increased by LKR 246.1Bn in Oct 2025. In contrast, credit to the public sector declined by LKR 124.7Bn during the same month, similar to the trend observed in September.

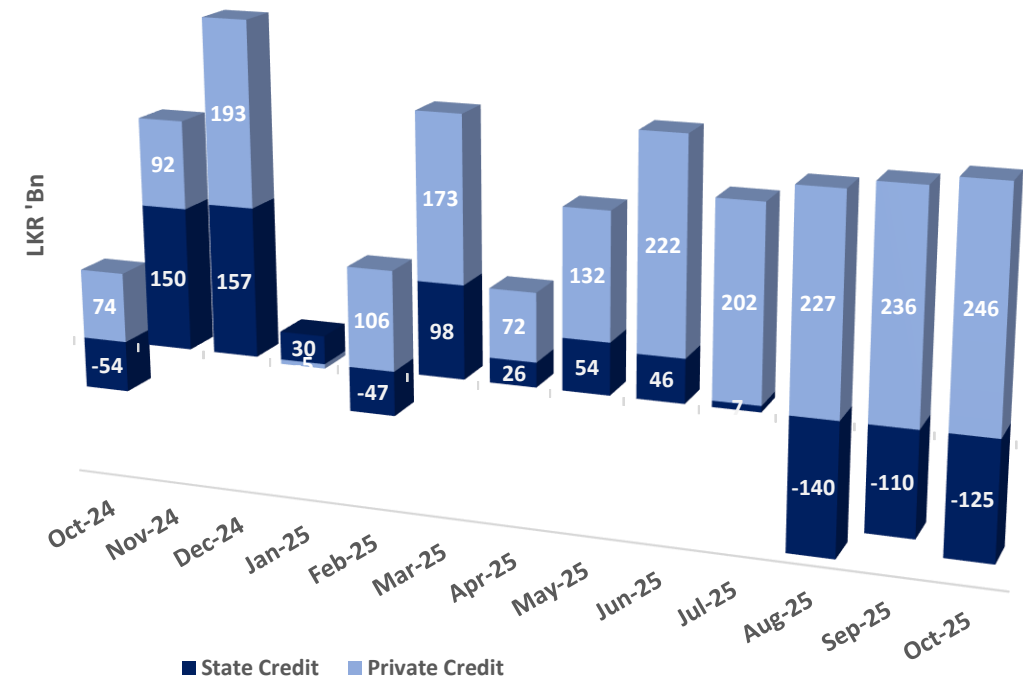
M2b Growth – Oct 2025

MoM +0.7%, YoY +11.2%, YTD +8.8%



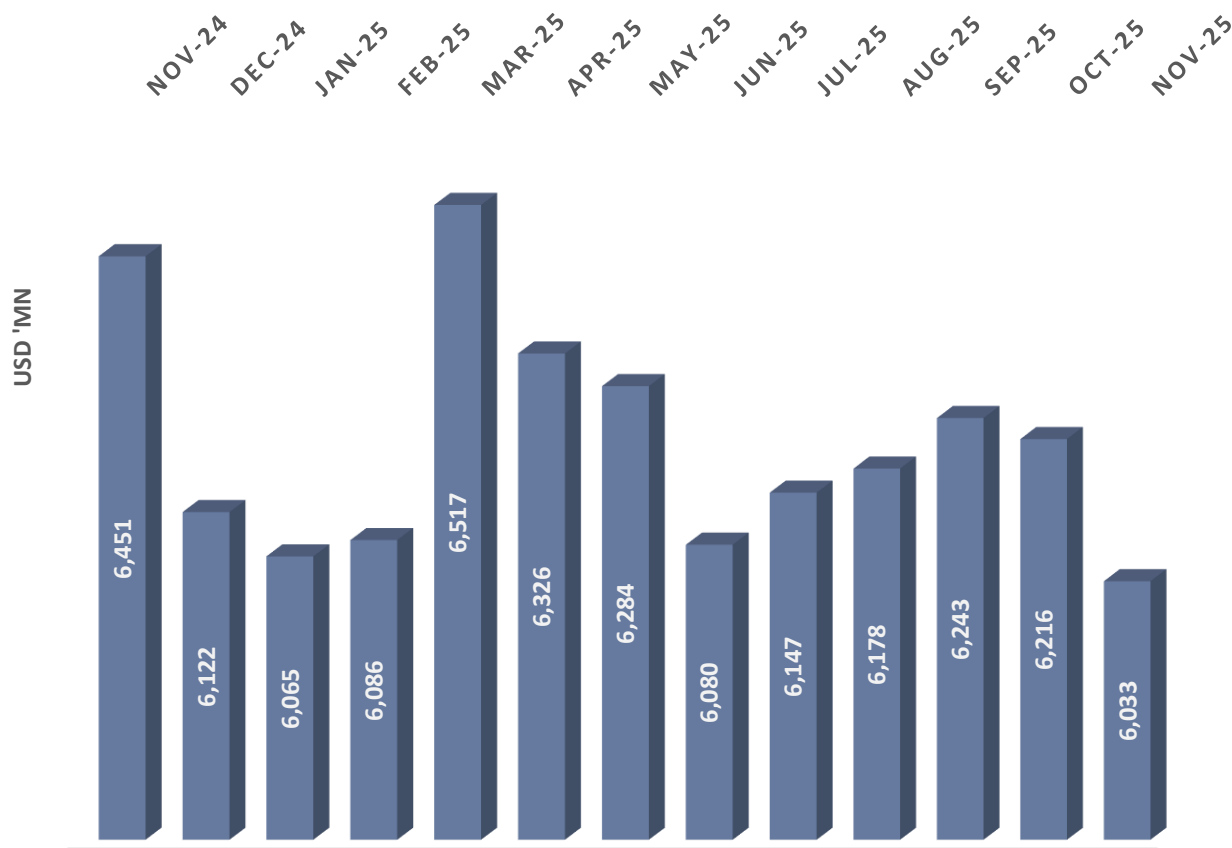
State Credit & Private Credit – Oct 2025

Private Credit MoM +2.6%, YoY +24.1%, YTD +19.8%

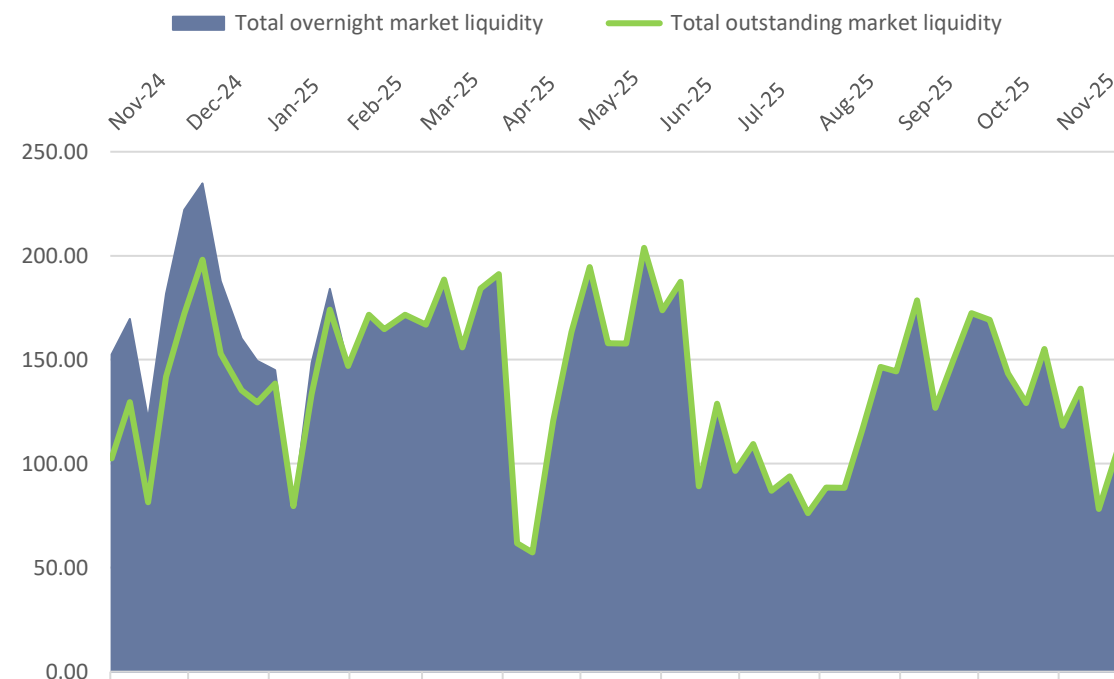


LIQUIDITY & RESERVES

- Foreign Reserves decreased further by USD 183.0Mn to USD 6,033.0Mn in Nov 2025.



- Both overnight market liquidity and outstanding market liquidity decreased in Nov 2025 relative to the previous month. By end-Nov, both overnight and market liquidity stood at LKR 105.8Bn.



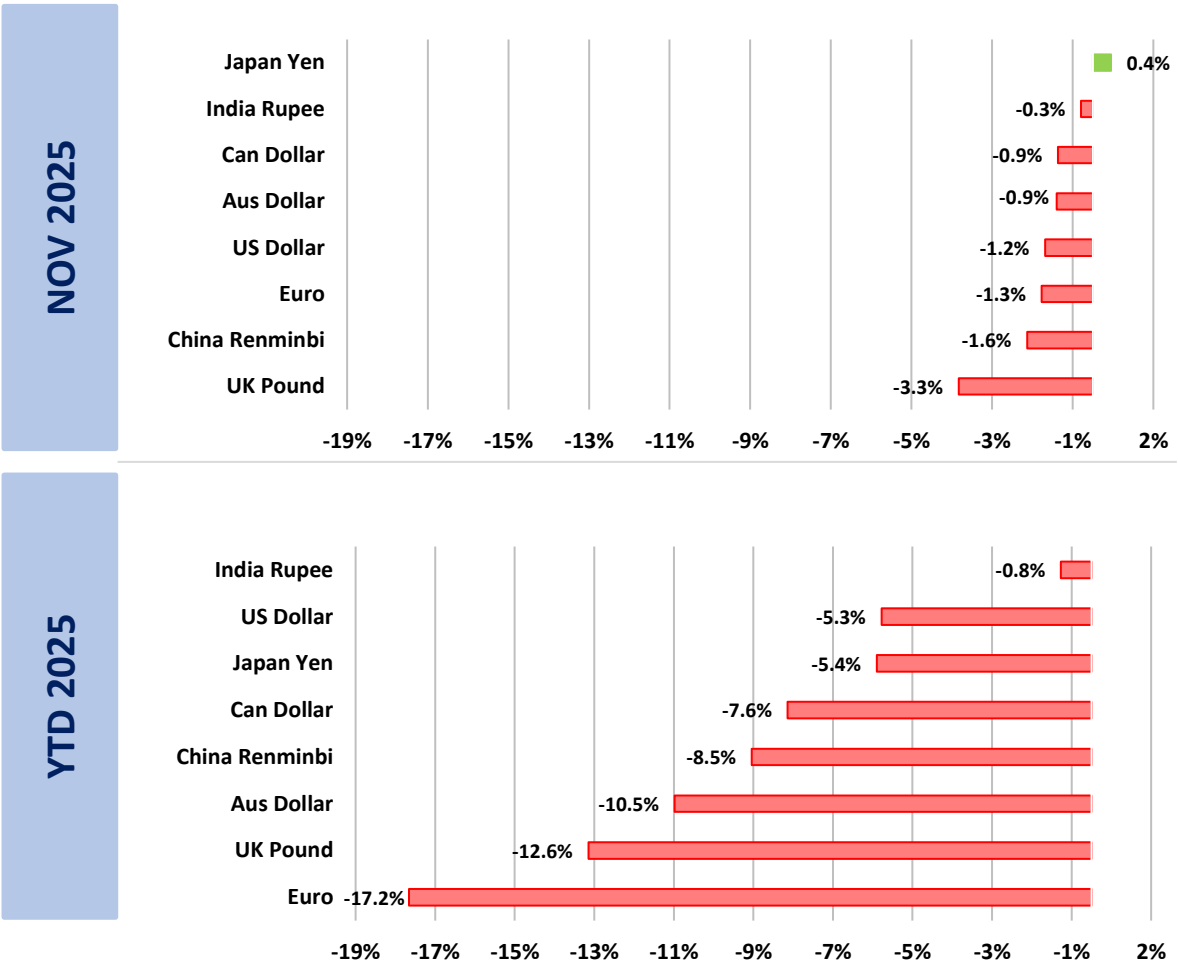
Note: total outstanding market liquidity represents overnight liquidity adjusted for outstanding amounts of term repo/reverse repo transactions of the central bank with market participants.

CURRENCY MOVEMENT

USD:LKR Movement



Sri Lankan Rupee vs Global Currencies



GOVERNMENT SECURITIES – NEW ISSUES

Bill and Bond auctions for Nov 2025

Week Ending	Bills ('Mn)	Bonds ('Mn)	Total
7-Nov-25	67,060		67,060
14-Nov-25	43,434	88,000	131,434
21-Nov-25	67,569		67,569
28-Nov-25	55,717	41,601	97,318
Total Issued			363,381

Net settlements for Nov 2025

Net Settlement	Nov 2025	YTD
Maturities	361,442	5,904,926
Coupon Payment	124,529	1,501,345
New Issues	363,381	6,949,156
Excess/ (Deficit)	(122,590)	(457,150)

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

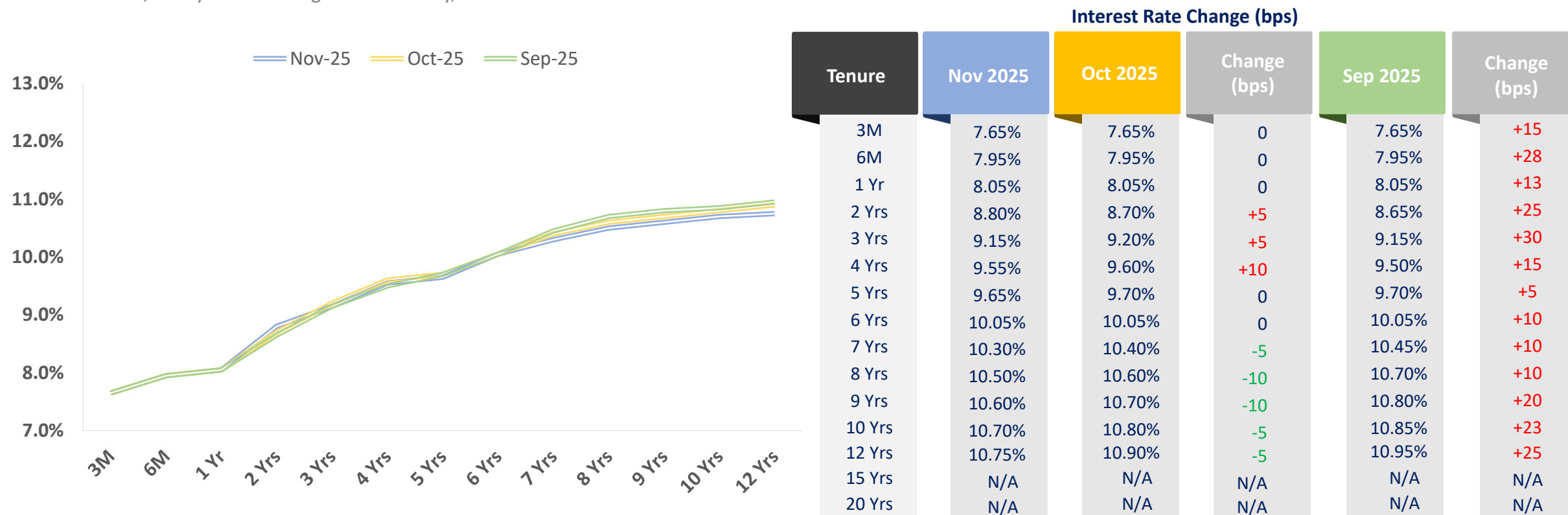
CBSL HOLDINGS OF GOV. SECURITIES...

...remained unchanged in Nov 2025

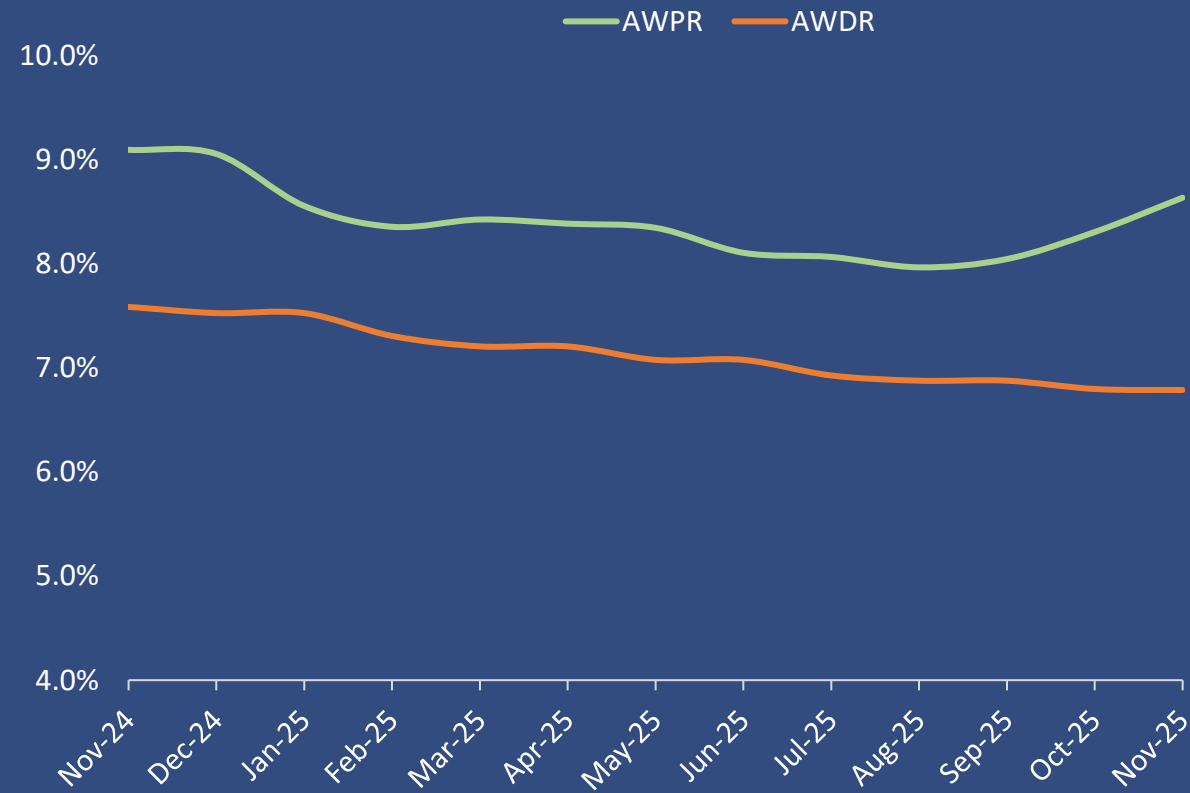


TREASURY BILLS AND BONDS – NOV 2025

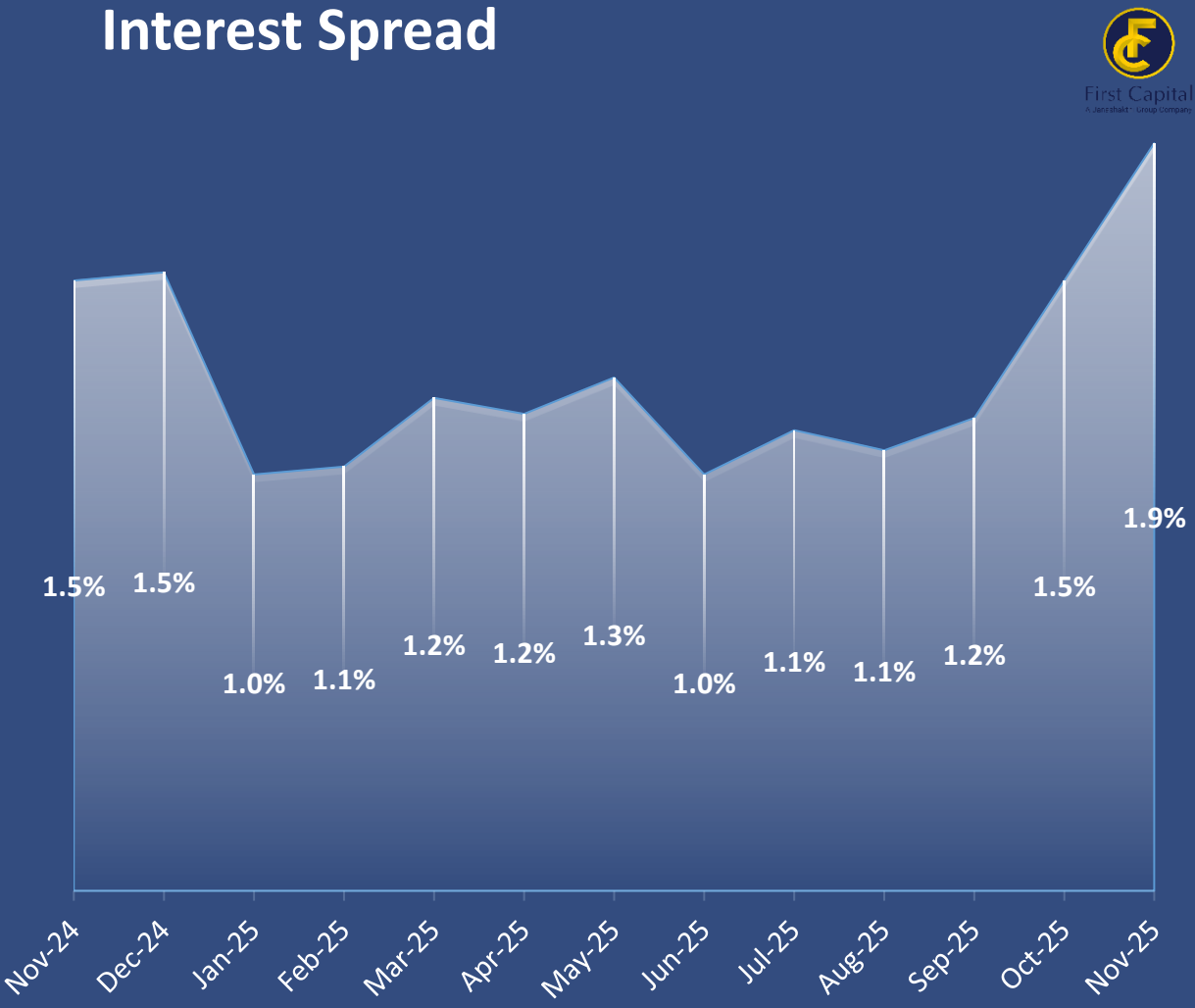
The government securities market remained mixed and cautious throughout Nov-2025, with intermittent buying interest and generally moderate activity. The month began on a subdued note, with early interest focused on the 2028 and 2029 maturities. At the T-Bill auction on 04-Nov-2025, CBSL raised LKR 66.9Bn against an offer of LKR 77.5Bn, with yields unchanged. Sentiment improved in the second week following the unveiling of Budget 2026, supporting buying interest and pushing yields lower across the curve. However, activity slowed ahead of the scheduled bond auction. At the T-Bill auction on 12-Nov-2025, acceptances amounted to LKR 43.3Bn against an offer of LKR 77.0Bn, with yields remaining broadly stable. Mid-month, market conditions were supported by the T-Bond auction on 13-Nov-2025, where the CBSL raised the full offered LKR 80.0Bn through the 2030 and 2035 maturities. Despite this, sentiment turned cautious thereafter. At the T-Bill auction on 19-Nov-2025, CBSL raised LKR 63.1Bn against an offer of LKR 86.0Bn, with yields largely unchanged. In the final week, market sentiment remained mixed amid low volumes, particularly at the short end of the curve. The CBSL maintained the OPR at 7.75%, while the month-end T-Bill auction on 25-Nov-2025 raised LKR 55.6Bn against an offer of LKR 86.5Bn, with yields unchanged. Additionally, CBSL announced a T-Bond issuance of LKR 42.0Bn toward month end.



AWPR vs AWDR



Interest Spread



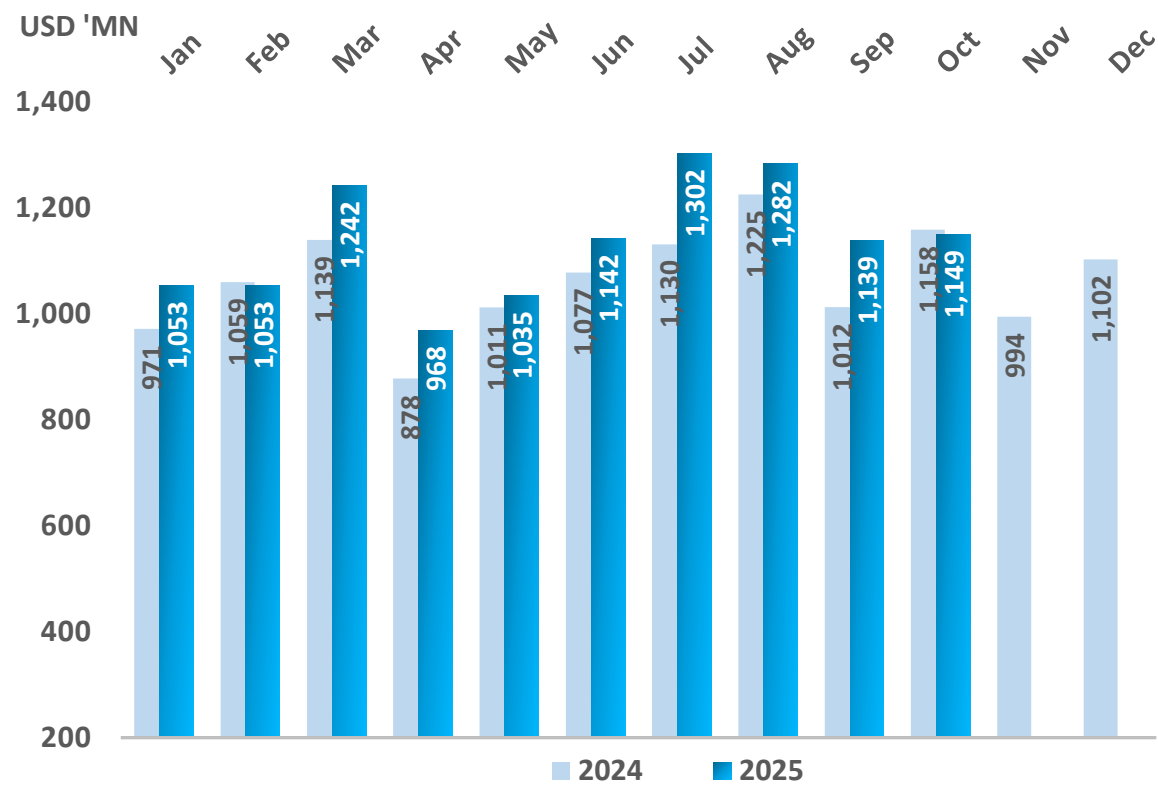
FINANCE SECTOR RATE MOVEMENTS



EXTERNAL SECTOR - OCT 2025 - EXPORTS

In Oct 2025, Exports registered a YoY decrease of 0.7%, driven primarily by reductions in Industrial Exports followed by a minor reduction in Mineral & other exports, despite a marginal increase in Agricultural exports. The 2.1%YoY decrease that was seen in Industrial exports was driven predominantly by reductions in Petroleum products and Textiles. In the Agricultural exports category, Coconut exports recorded a YoY increase but this was offset by reductions across Tea, Spices and Seafood exports. Furthermore, Mineral & other exports also recorded a 6.2% drop, adding strain to overall exports.

Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Industrial Exports			
- Oct	900.2	881.1	-2.1
- YTD	8,342.4	8,735.3	4.7
Agricultural			
- Oct	253.7	264.5	4.2
- YTD	2,290.0	2,588.1	13.0
Mineral and other Exports			
- Oct	4.1	3.8	-6.2
- YTD	43.7	41.1	-5.8
Total			
- Oct	1,158.0	1,149.4	-0.7
- YTD	10,676.1	11,364.5	6.4

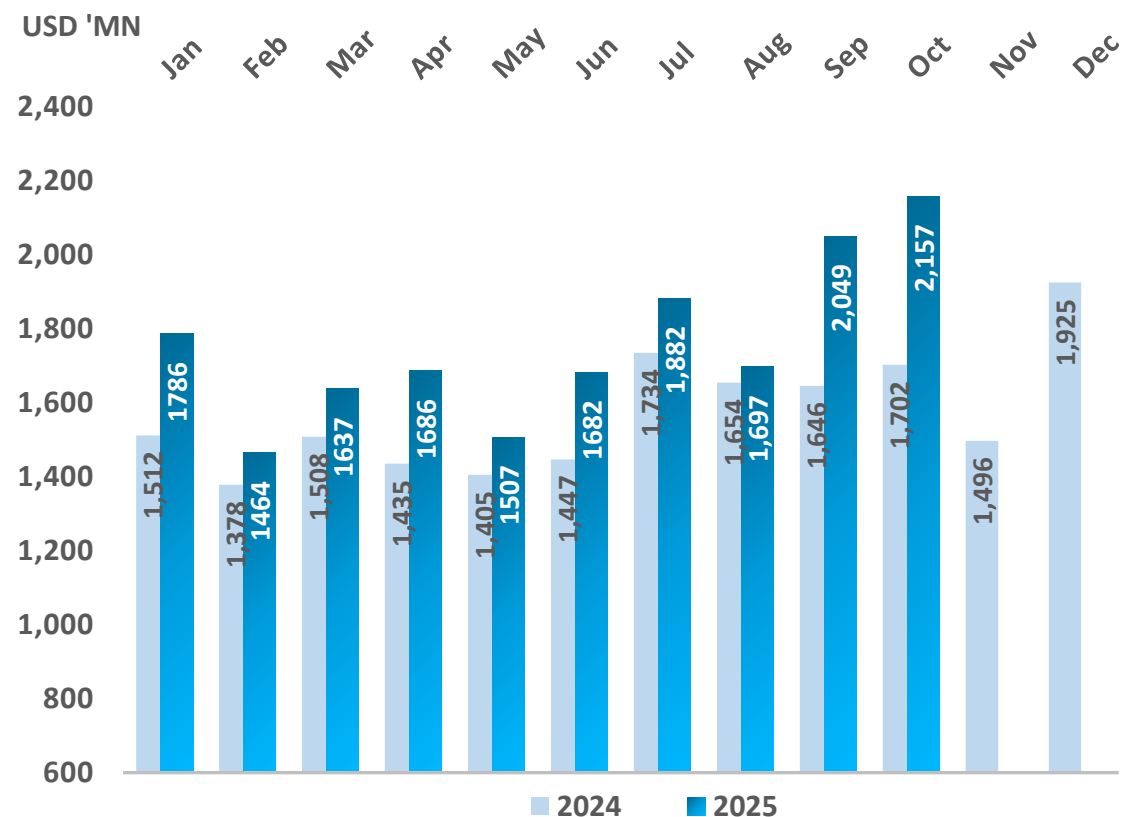




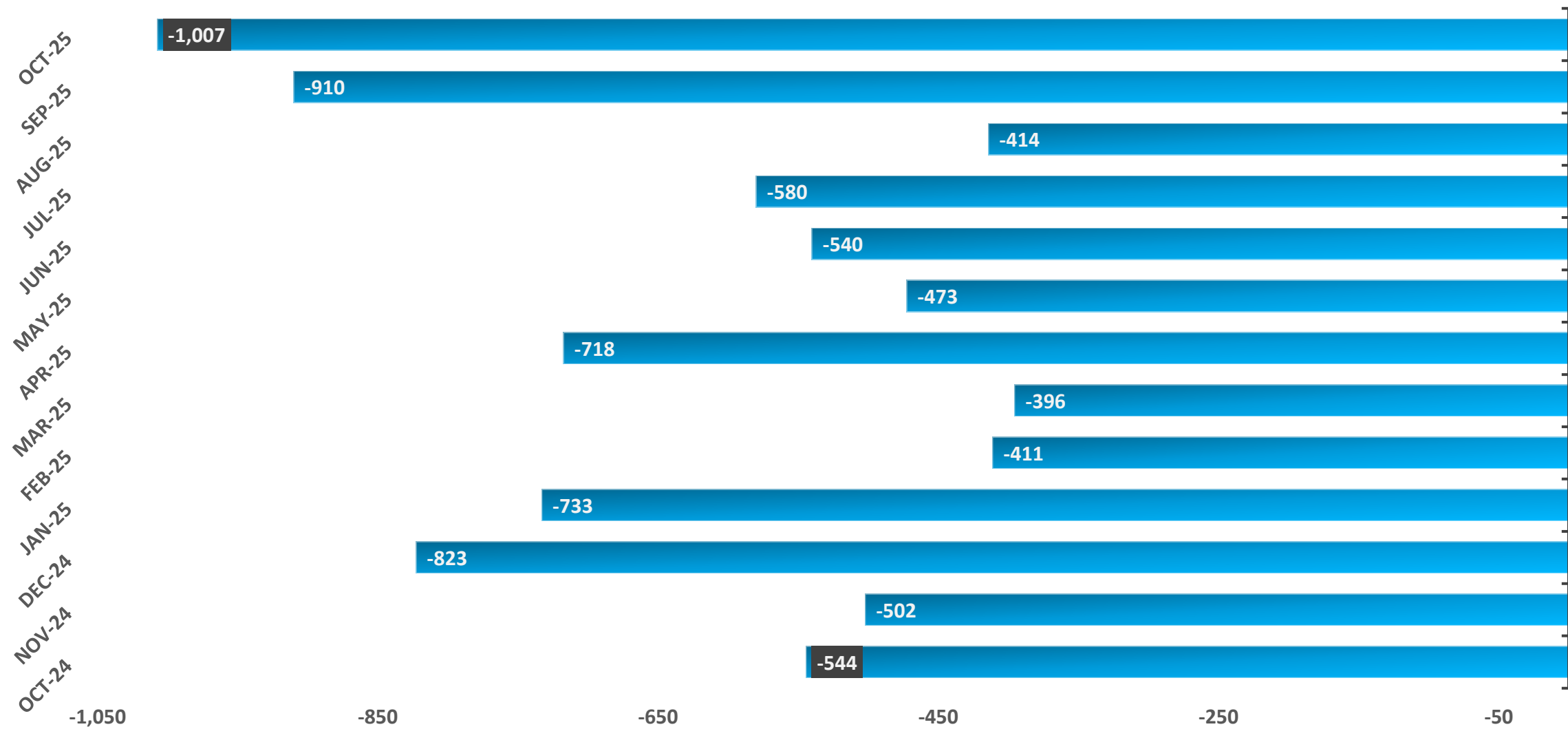
EXTERNAL SECTOR – OCT 2025 - IMPORTS

In Oct 2025, Imports registered a YoY increment of 26.7%, with all sub-categories experiencing an increment. Consumer goods marked a YoY uptick of 95.2% driven predominantly by higher levels of Non-Food Consumer goods and Rice. Investment goods also registered a YoY increase of 28.4% prompted by greater imports made in Commercial vehicles. Finally, the Intermediate goods segment increased by 7.6%YoY in Oct 2025. The Wheat and Maize segment dominated this trend.

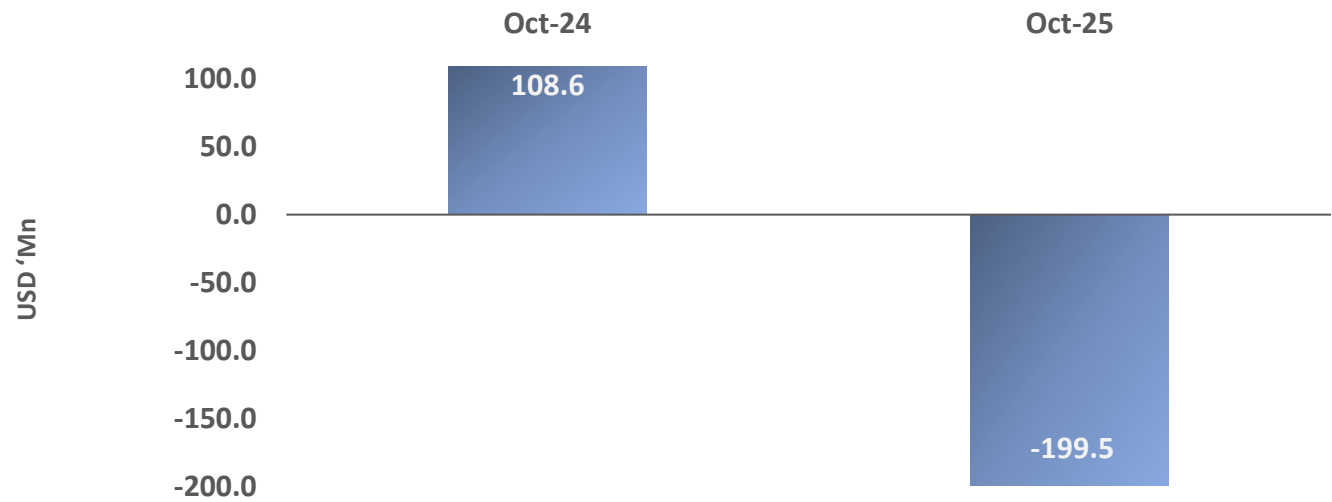
Category	2024 (USD 'Mn)	2025 (USD 'Mn)	Change (%)
Consumer goods			
- Oct	291.9	569.9	95.2
- YTD	2,748.5	4,386.3	59.6
Intermediate			
- Oct	1,079.2	1,161.4	7.6
- YTD	9,869.6	9,778.6	-0.9
Investment goods and other			
- Oct	331.3	425.5	28.4
- YTD	2,802.6	3,381.4	20.7
Total			
- Oct	1,702.4	2,156.8	26.7
- YTD	15,420.6	17,546.2	13.8



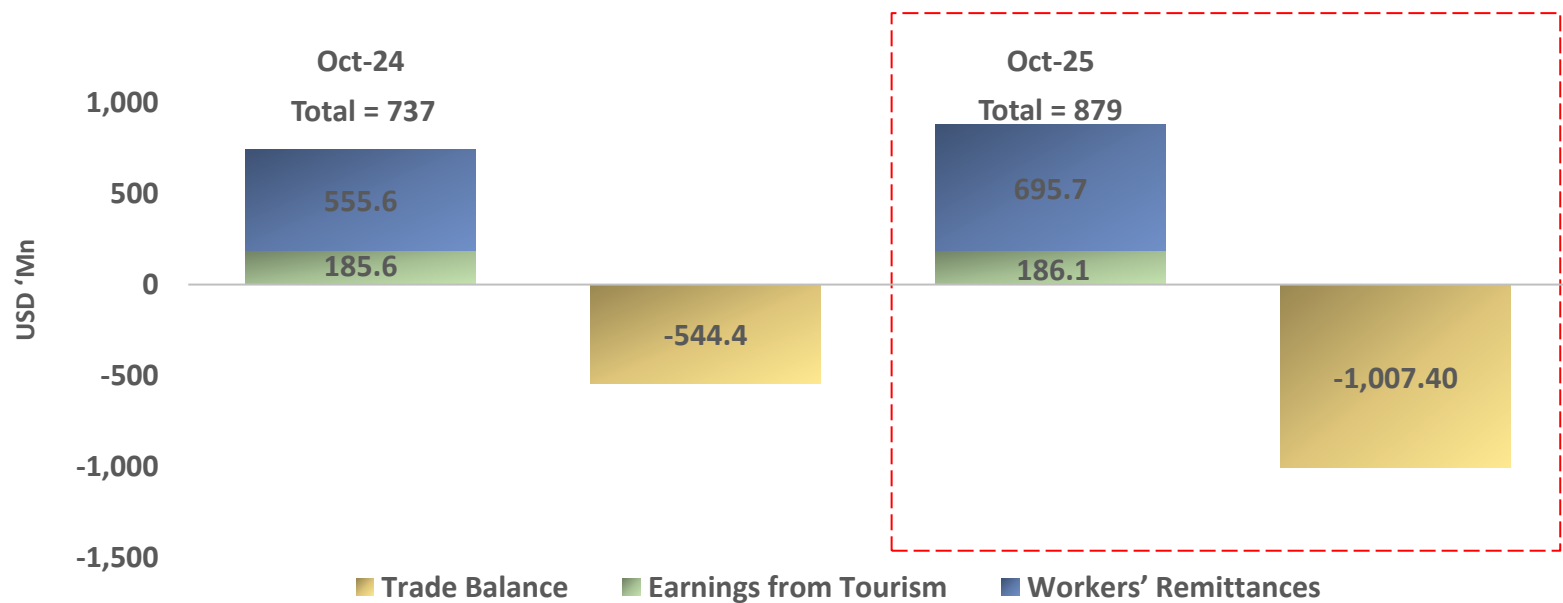
Balance of Trade



The Current Account Balance for Oct 2025 recorded a deficit compared to a surplus in Oct 2024, registering a downtick of 283.8%.



Workers' Remittances increased to USD 695.7Mn in Oct 2025 (+25.2%YoY) while Earnings from Tourism marginally rose to USD 186.1Mn (+0.3%YoY).



CURRENT ACCOUNT BALANCE STEEPENED YOY IN OCT 2025			
Oct USD 'Mn	2024	2025	Change (%)
Trade Balance	-544.4	-1,007.4	
Earnings from Tourism	185.6	186.1	+0.3
Workers' Remittances	555.6	695.7	+25.2

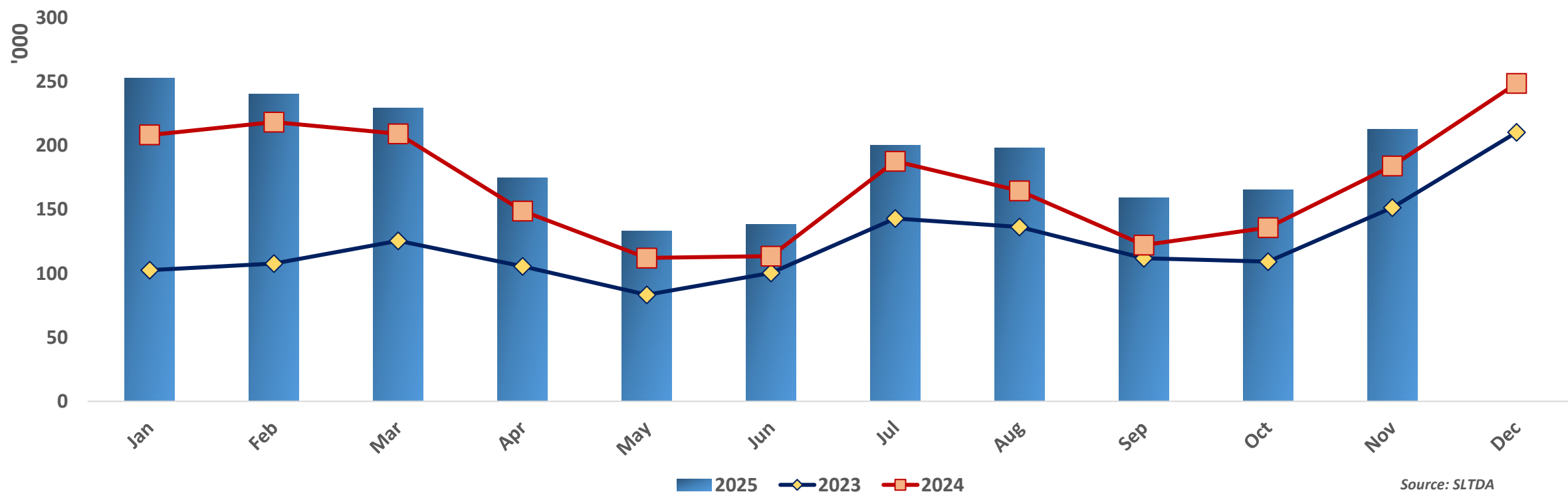
YTD USD 'Mn	2024	2025	Change (%)
Trade Balance	-4,744.6	-6,181.8	
Earnings from Tourism	2,533.6	2,659.0	+4.9
Workers' Remittances	4,843.8	5,811.7	+20.0

TOURIST ARRIVALS - NOV 2025

[Nov 212,906 - UP +15.6%YoY] [MoM - UP +28.9%]

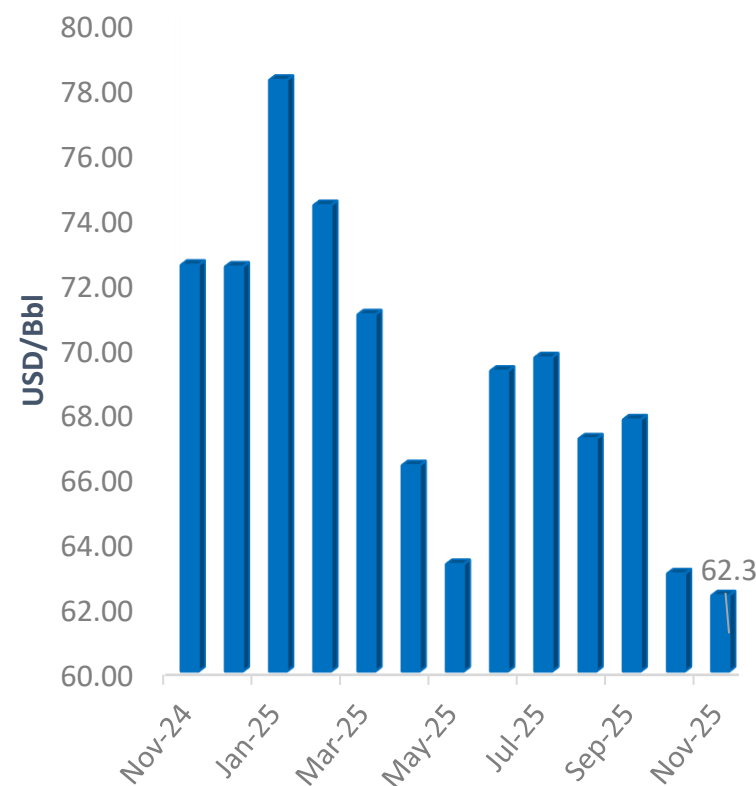
The total number of arrivals for the month reached 212,906 registering a YoY uptick of 15.6% alongside a MoM increment of +28.9%. India which accounted for 24.1% of tourist arrivals remained the top source market in Nov 2025. This was followed by The Russian Federation which accounted for 11.7% of total arrivals and the United Kingdom which accounted for 7.09% of arrivals.

Tourist Arrivals

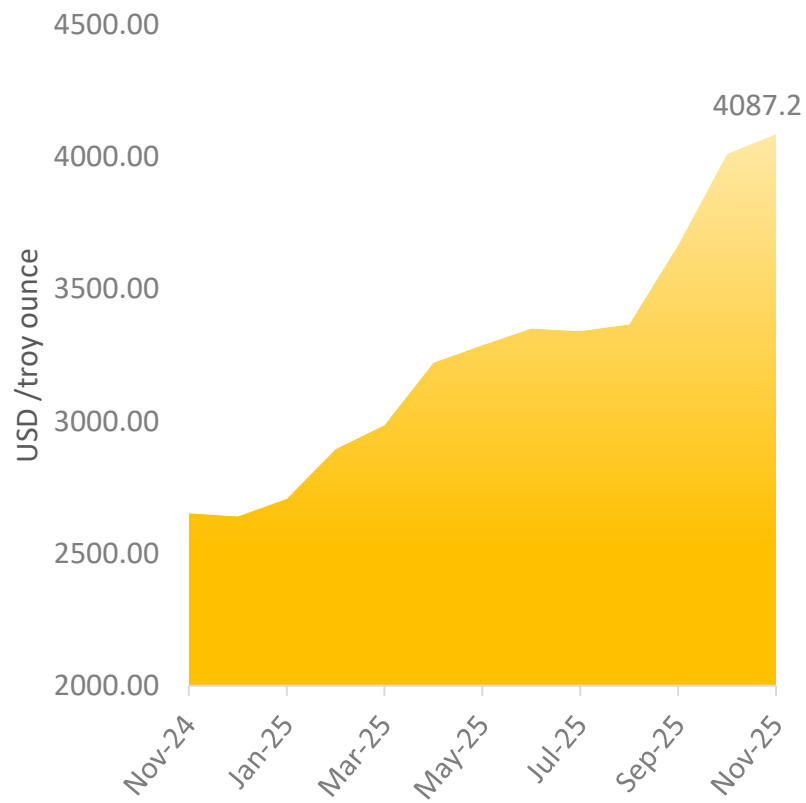


COMMODITY PRICES - NOV 2025

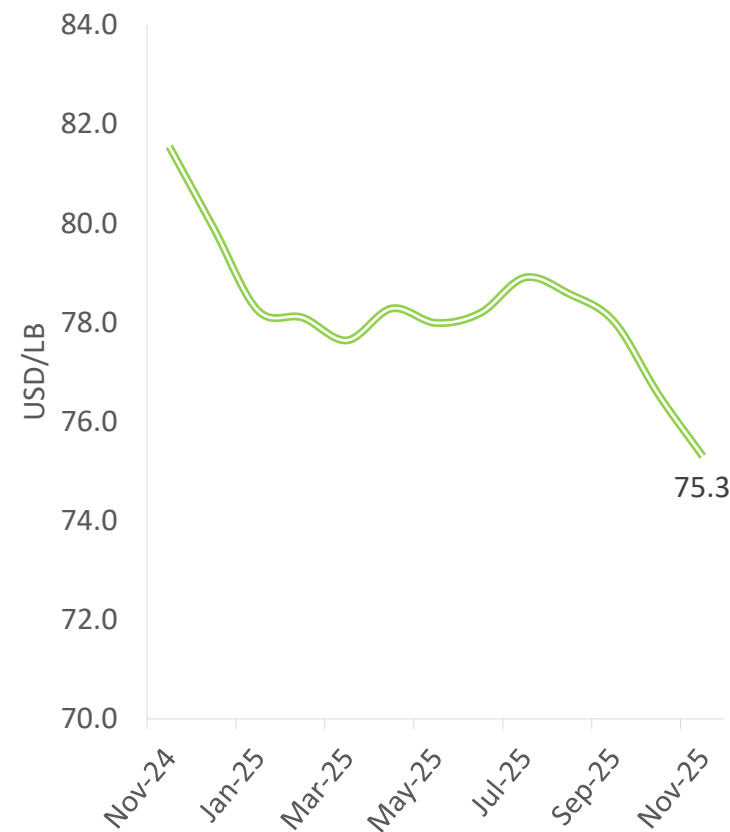
Crude oil



Gold



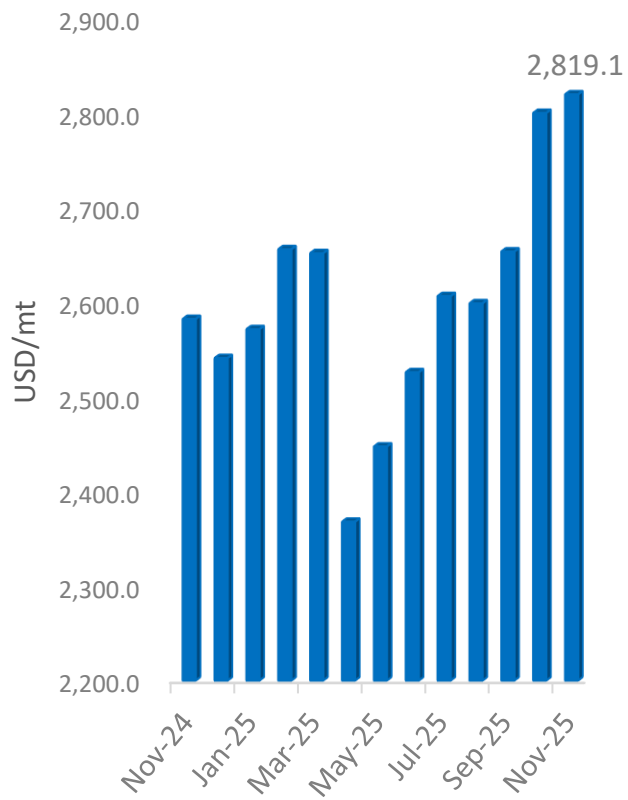
Cotton



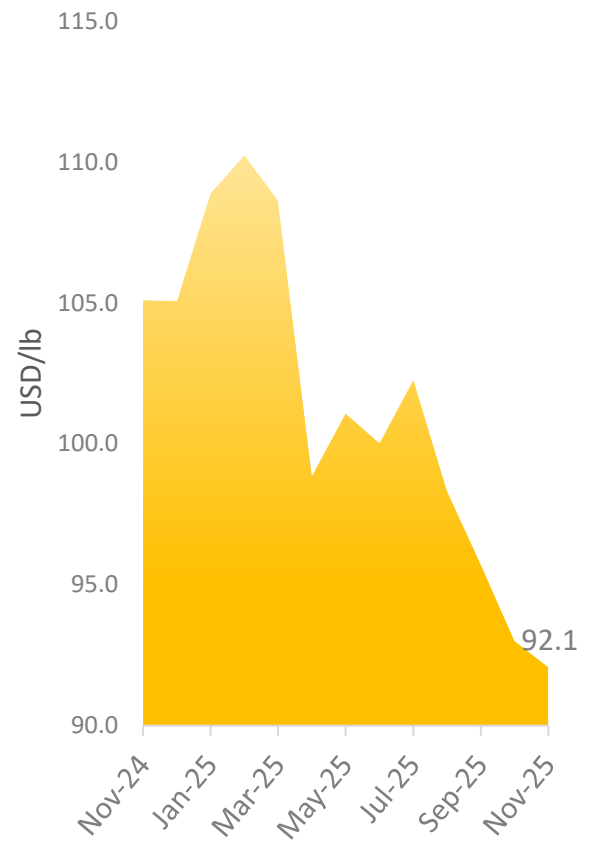
Note: crude oil prices have been taken considering simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

COMMODITY PRICES - NOV 2025 CONT'D

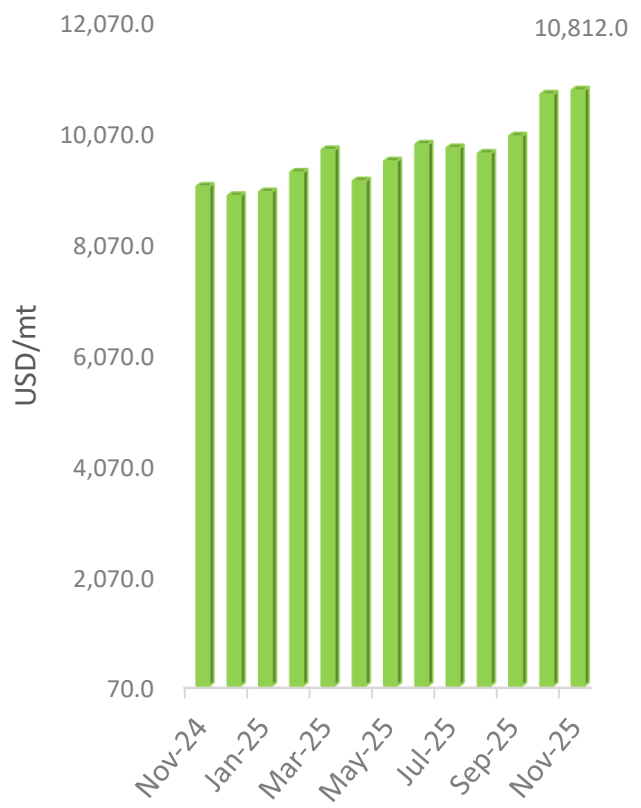
Aluminum



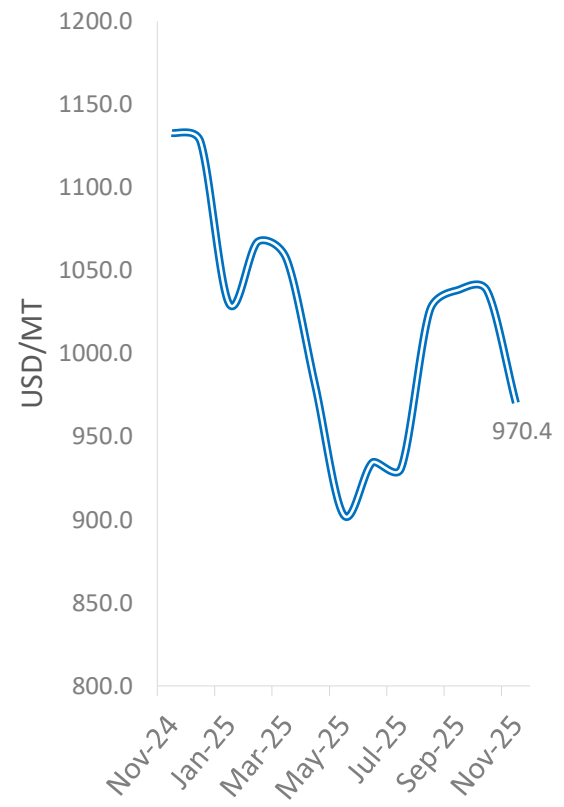
Rubber



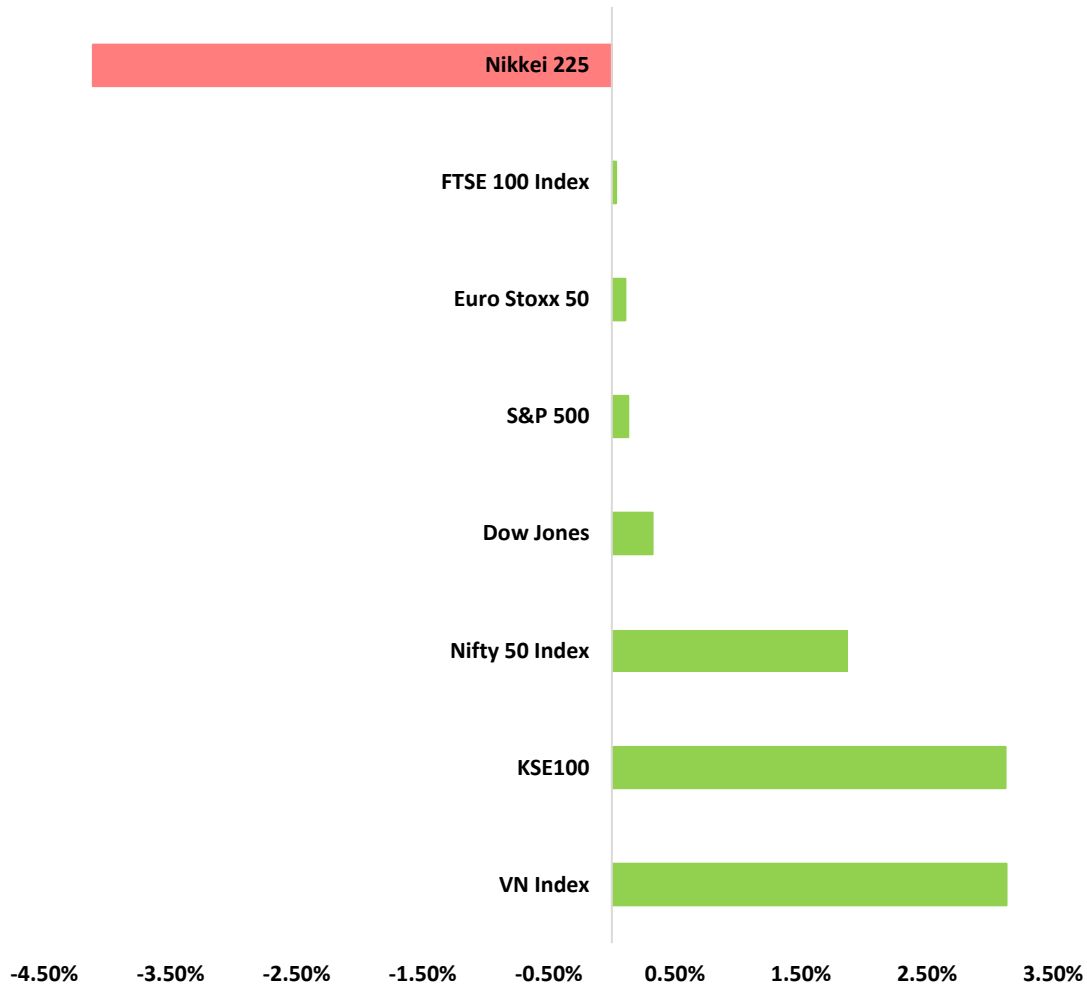
Copper



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's Economic Activity Slows in November, Flash PMIs Show

India's economic activity showed signs of moderation in November, with flash Purchasing Managers' Index (PMI) data indicating that although growth remained above the expansion threshold, momentum eased as both manufacturing and private-sector output slowed compared with October, reflecting weaker new orders and external demand pressures that weighed on job creation and overall business sentiment.



Fed's Collins leans against December rate cut in CNBC interview

Federal Reserve officials stated that the Fed is unlikely to cut interest rates in December, emphasizing that the current policy stance remains appropriate amid stubborn inflation and a still-resilient U.S. economy. Collins also highlighted that the labor market, though cooling, remains relatively strong, reducing the urgency for rate cuts unless clear evidence emerges of weakening employment or softening consumer demand. Her comments reinforced market expectations that the Fed will maintain a cautious approach, keeping rates higher for longer until policymakers gain more confidence that inflation is firmly on track toward the 2% target.

Global Economic Growth Moderates as Demand Weakens and Central Banks Hold Policy

Global economic momentum softened in November as manufacturing and services activity eased across several major economies, reflecting weaker demand, lingering inflation pressures, and ongoing geopolitical uncertainty. Central banks maintained cautious stances, with some holding interest rates steady and others signaling only gradual easing as they monitor inflation and labor-market trends. Meanwhile, China's targeted stimulus efforts and improving tech-sector trade helped stabilize parts of Asia, but overall global growth expectations remained subdued heading into 2026.



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First Capital
A Janashakthi Group Company

Contact Us

First Capital Holdings PLC

No: 02, Deal Place,
Colombo 00300,
Sri Lanka.

E: research@firstcapital.lk



Dimantha Mathew

Chief Research & Strategy Officer

T: +94 11 2639 853

E: dimantha@firstcapital.lk

Charith Gamage

Vice President – Research

T: +94 11 2639 863

E: charith@firstcapital.lk

Ranjan Ranatunga

Assistant Vice President – Research

T: +94 11 2639 863

E: ranjan@firstcapital.lk

Shahana Kanagaratnam

Senior Assistant Manager – Research

T: +94 11 2639 866

E: shahana@firstcapital.lk

Akna Tennakoon

Senior Research Analyst

T: +94 11 2639 866

E: akna@firstcapital.lk

Dilhari Dias

Research Analyst

T: +94 11 2639 866

E: dilhari@firstcapital.lk

Imashi Sellapperuma

Research Analyst

T: +94 11 2639 866

E: imashi@firstcapital.lk

Manusha Kandanaarachchi

Research Associate

T: +94 11 2639 866

E: manusha@firstcapital.lk

Salaama Sanoon

Research Associate

T: +94 11 2639 866

E: salaama@firstcapital.lk

