ACS CAPITAL
(PVT) LTD.

Member of the Colombo Stock Exchange

MONTHLY ECONOMIC REVIEW

AUGUST 2026

Policy rates maintained at previously elevated levels
In Aug'26

Exports surpassed USD 1.2Bn down by 5% YoY
In July'26

Trade deficit widened by 23% to USD 1.0Bn
In July'26

CCPI inflation increased to 8% YoY
In Aug'26

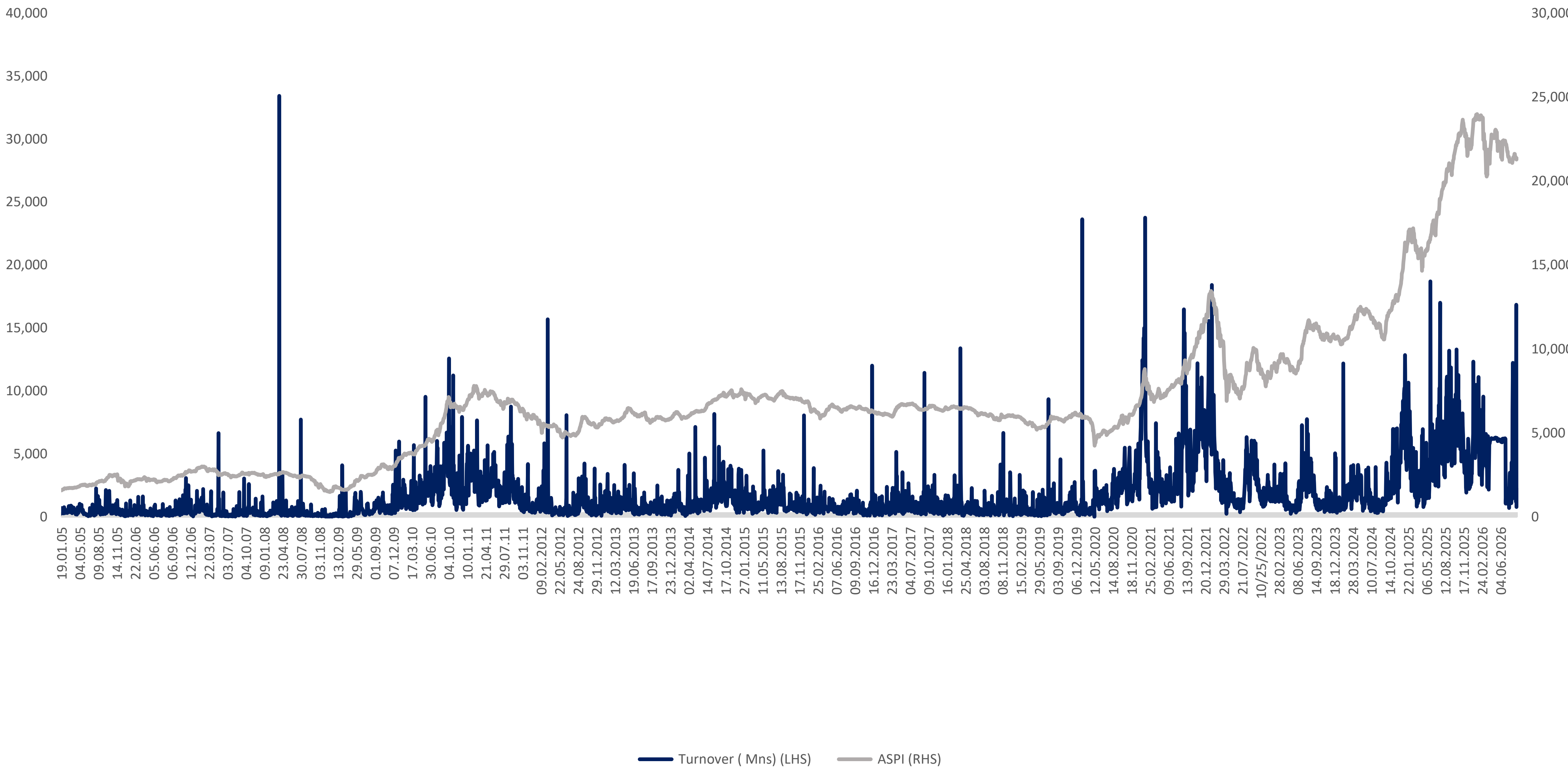
Worker remittances up by 12% YoY to USD 777.6Mn
In July'26

Tourist arrivals crossed 1.5Mn Mark
In Aug'26

Key events for Aug’26

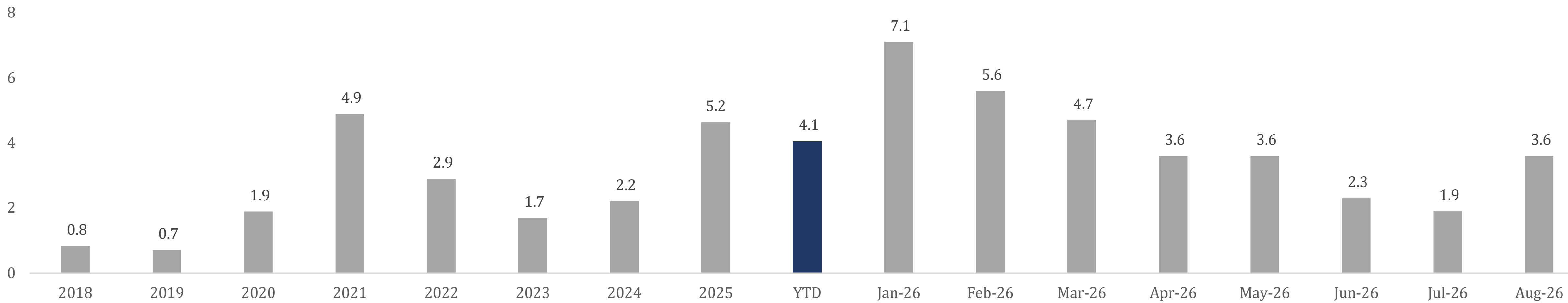
- The Central Bank of Sri Lanka increased the Overnight Policy Rate (OPR) by 100 bps to 8.75% from the previous level of 7.75% in May’26 and maintained rate at this level in Aug’26.
- Exports income plunged by 5% YoY to USD 1.2Bn, primarily due to the decline of major contributors of export income, Textiles & garments and Tea exports. Total import expenditure increased by 20% YoY to USD 2.3Bn in July'26, supported by rise in fuel and machinery & equipment imports. The decline in exports coupled with a surge in imports led to a widening trade deficit.
- Worker remittances rose 12% YoY to USD 777.6Mn,While 25,622 Sri Lankans departed for overseas employment in July’26.
- Tourist arrivals exceeded 1.5Mn in Aug’26, reflecting a recovery driven by significant demand from India, the UK, China, and Germany.
- CCPI inflation accelerated to 8% YoY in Aug’26 compared with 7.3% YoY in July’26. Food inflation surged to 8.5% YoY, and non-food inflation climbed to 7.7% YoY.

ASPI gain 11.0 points (-5.8% YTD) in Aug'26

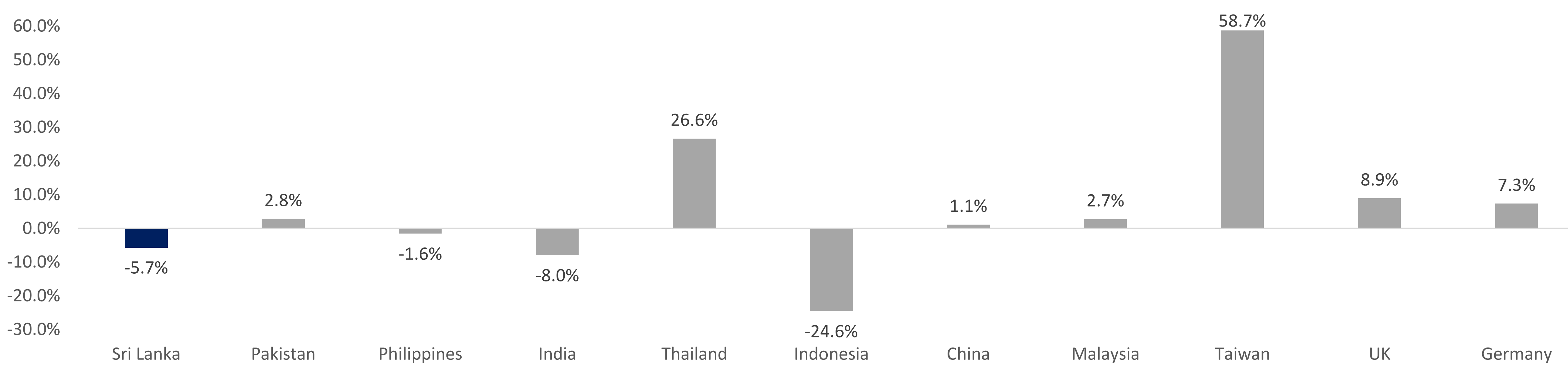


Average daily turnover stood at LKR 3.6Bn in Aug’26

Avg YTD turnover levels stands above LKR 4.1Bn



SL’s returns declined by 5.7% YTD



Source : CSE, Bloomberg

Top ten gainers and losers for the month

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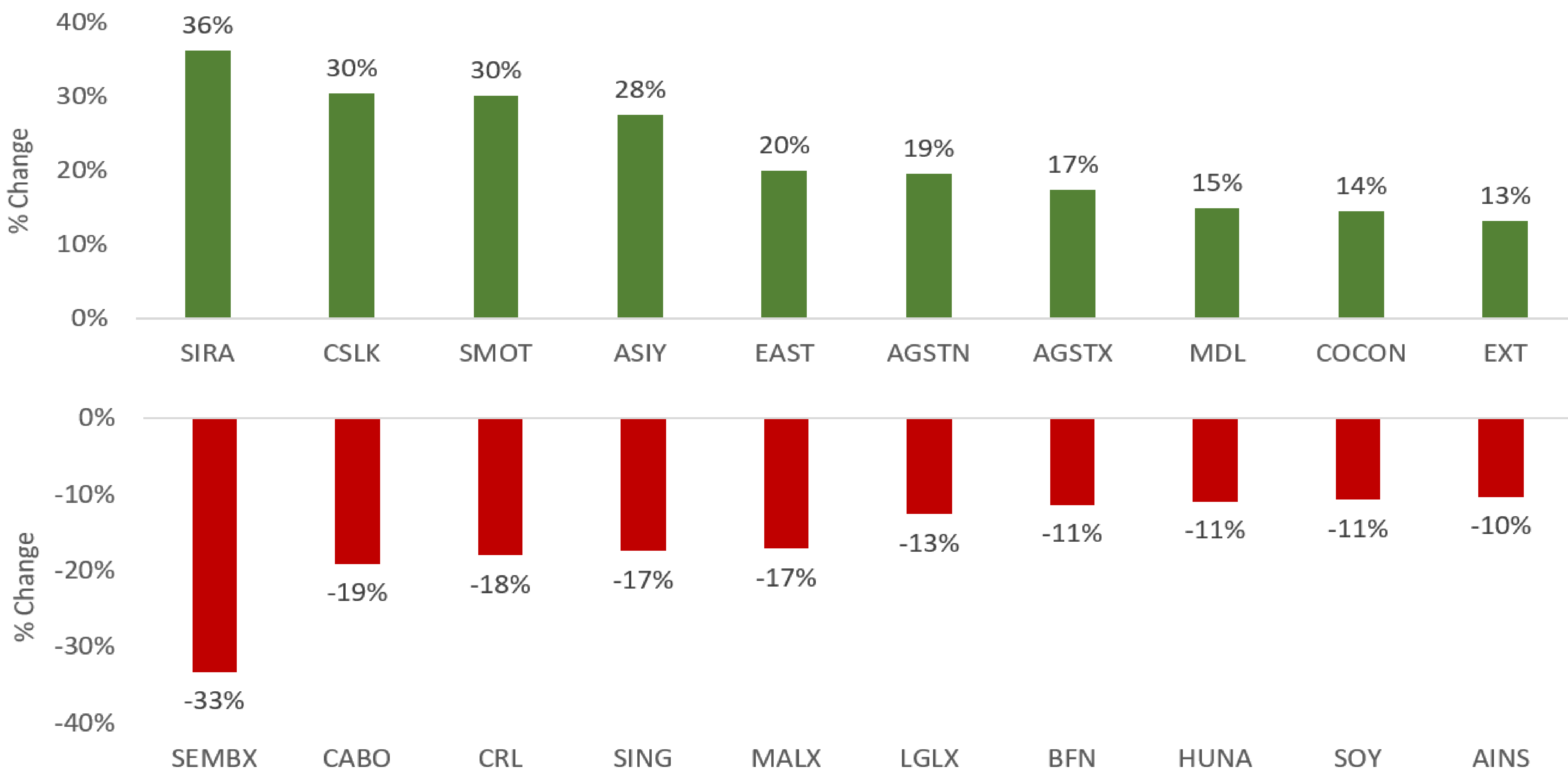
SIRA, CSLK & SMOT recorded the highest monthly gains.



Source : CSE

ASPI plummeted 5.7% YTD and S&P SL20 plunged 2.4% YTD

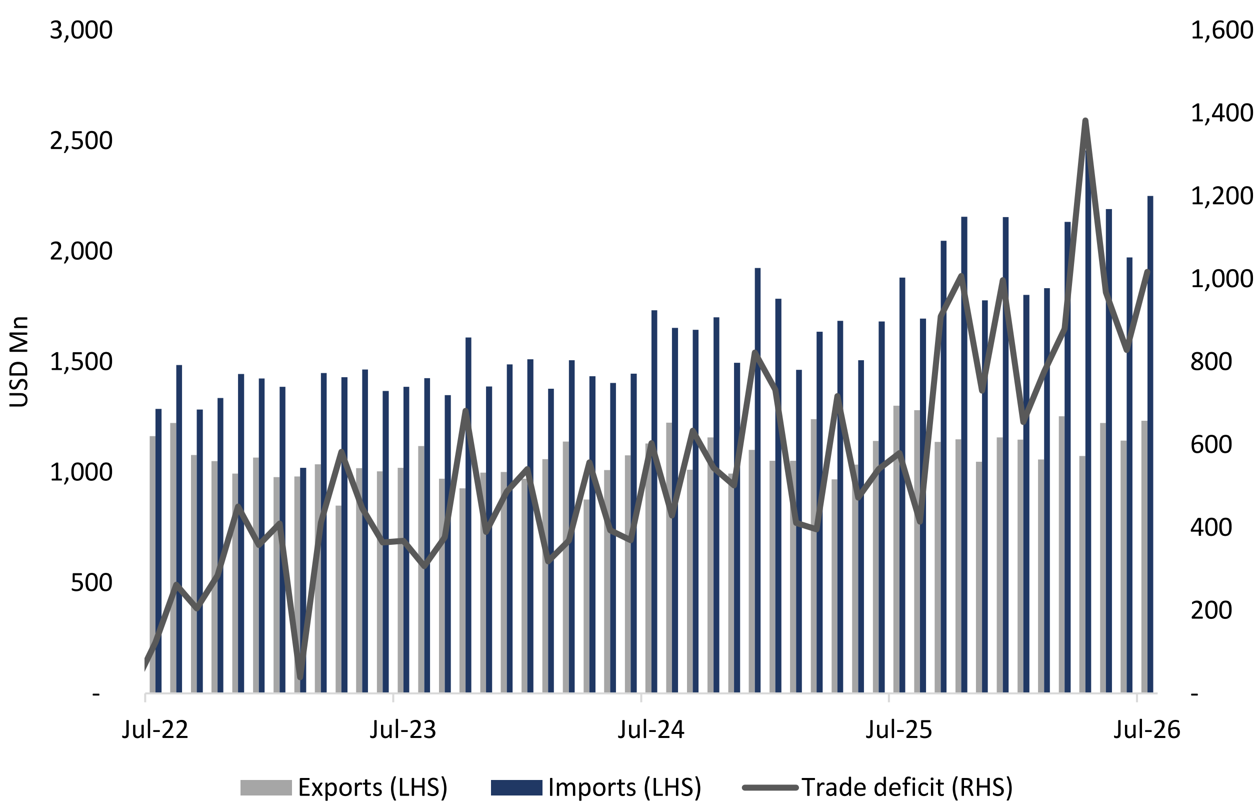
Total net foreign selling stood at LKR 19.4Bn for the month

	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
ASPI (Year End)	**6369.3**	**6052.4**	**6129.2**	**6774.2**	**12226.0**	**8489.7**	**10654.2**	**15944.6**	**22624.3**	**21338.7**
ASPI Return (%)	*2.3%*	*-5.0%*	*1.3%*	*10.5%*	*80.5%*	*-30.6%*	*25.5%*	*49.7%*	*41.9%*	*-5.7%*
S&P SL20	3671.7	3135.2	2937.0	2638.1	4233.3	2635.6	3068.4	4862.1	6157.4	6009.7
S&P SL20 Return (%)	*5.0%*	*-14.6%*	*-6.3%*	*-10.2%*	*60.5%*	*-37.7%*	*16.4%*	*58.5%*	*26.6%*	*-2.40%*
Average Daily Turnover (LKR Mn)	915	834	711	1899	4888	2972	1697	2240	5239	4000
YoY Growth	*24.2%*	*-8.8%*	*-14.8%*	*167.0%*	*157.4%*	*-39.2%*	*-42.9%*	*32.0%*	*133.9%*	*-23.6%*
Avg USD =LKR	*152.5*	*162.5*	*178.8*	*185.4*	*203.0*	*371.6*	*328.8*	*292.6*	*300.9*	*328.1*
Average Daily Turnover (USD Mn)	6.0	5.1	4.0	10.2	24.1	8.0	5.2	7.7	17.4	12.2
Foreign Purchases (LKR Mn)	113,276.0	76,621.5	56,649.0	53,901.0	34,084.6	67,507.9	41,471.2	49,797.1	57,117.0	29,605.0
Foreign Sales (LKR Mn)	95,052.0	99,979.3	68,366.5	104,233.0	86,687.0	36,906.3	37,123.6	59,721.9	95,595.0	86,342.0
Net Foreign flows (LKR Mn)	**18,223.5**	**(23,357.9)**	**(11,717.5)**	**(50,332.1)**	**(50,283.8)**	**30,601.0**	**4,347.8**	**(9,924.8)**	**(38,477.0)**	**(56,736.9)**
Foreign Purchases (USD Mn)	742.8	471.4	316.8	290.7	167.9	181.7	126.1	170.2	189.8	90.2
Foreign Sales (USD Mn)	623.3	615.1	382.3	562.1	427.0	99.3	112.9	204.1	317.7	263.2
Net Foreign Flows (USD Mn)	**119.5**	**(143.7)**	**(65.5)**	**(271.4)**	**(247.7)**	**82.3**	**13.2**	**(33.9)**	**(127.9)**	**(173.0)**
Market Cap (LKR Bn)	**2,899.0**	**2,839.4**	**2,851.3**	**2,959.5**	**5,489.0**	**3,888.2**	**4,248.9**	**5,695.6**	**8,068.6**	**7,730.8**
Market Cap (USD Mn)	**19,009.8**	**17,468.9**	**15,944.3**	**15,959.0**	**27,039.4**	**10,463.3**	**12,923.7**	**19,466.7**	**26,811.4**	**23,565.9**
CSE - PER (Year End)	**10.7**	**9.7**	**11.5**	**15.2**	**13.6**	**5.0**	**11.1**	**8.9**	**10.7**	**11.2**

Source : CSE

Economic Indicators – August'26

The decline in exports of 5% YoY contrasted with a sharp increase in imports of 20% YoY, widened trade deficit.



- The trade deficit widened by 23% to USD 1.0 Bn in July’26 from USD 828.5 Mn recorded in June’26.

- In July’26, exports income plunged by 5% YoY to USD 1.2Bn, primarily due to the decline of major contributors of export income, Textiles & garments and Tea. Textiles & garments exports fell by 9% YoY to USD 439.3 Mn while Tea exports fell by 17% YoY to USD 116.7 Mn respectively . Further Coconut exports plummeted by 11% YoY to USD 52.7Mn in July’26. Meanwhile, Total cumulative exports surge by 4% YoY to USD 8.1Bn.

- Total import expenditure increased by 20% YoY to USD 2.3Bn in July'26, supported by a 68% YoY rise in fuel imports to USD 453.1Mn due to fuel price hikes and 25% YoY surge in machinery and equipment imports to USD 329.2Mn. Meanwhile, textile imports declined by 5% YoY to USD 236.1Mn in July’26.

Source : CBSL

Cumulative exports improved by 4%YoY while cumulative import bill surged by 26%YoY.

USD Mn	July'25	July'26	Variance	Jan-July 2025	Jan- July 2026	Variance	Contribution to Exports
Total Exports	**1,302**	**1,233**	***-5.3%***	**7,794**	**8,137**	***4%***	
Industrial Exports	985	958	*-3%*	6,029	6,383	*6%*	78%
Textiles and garments	481	439	*-9%*	3,087	2,890	*-6%*	36%
Rubber Products	82	86	*5%*	535	563	*5%*	7%
Agricultural Exports	310	273	*-12%*	1,738	1,723	*-1%*	21%
Tea	141	117	*-17%*	884	818	*-8%*	10%

USD Mn	July'25	July'26	Variance	Jan-July 2025	Jan- July 2026	Variance	Contribution to Exports
Total Imports	**1,882**	**2,251**	***20%***	**11,644**	**14,643**	***26%***	
Consumer Goods	480	547	*14%*	2,796	3,584	*28%*	24%
Food and beverages	171	191	*12%*	1,266	1,305	*3%*	9%
Non-food consumer goods	309	356	*15%*	1,530	2,279	*49%*	16%
Medical and pharmaceuticals	57	67	*17%*	367	428	*16%*	3%
Personal vehicles	146	180	*24%*	506	1,152	*128%*	8%
Intermediate goods	993	1193	*20%*	6,568	8,252	*26%*	56%
Fuel	270	453	*68%*	2,265	3,622	*54%*	25%
Textiles and textile articles	249	236	*-5%*	1,585	1,539	*-3%*	11%
Investment goods	409	511	*25%*	2,271	2,795	*23%*	19%
Machinery and equipment	263	329	*25%*	1,471	1,752	*19%*	12%

USD Mn	July'25	July'26	Variance	Jan-July 2025	Jan- July 2026	Variance
Trade balance	-580	-1018	*75%*	-3850	-6,507	*69%*
Earnings from tourism	319	286	*-10%*	2,031	1,797	*-12%*
Workers' remittances	697	778	*12%*	4,435	5,382	*21%*
Current Account Balance	**227**	**-142**	***-163%***	**1,671**	**-387**	***-123%***

Source : CBSL

Remittances and Tourism

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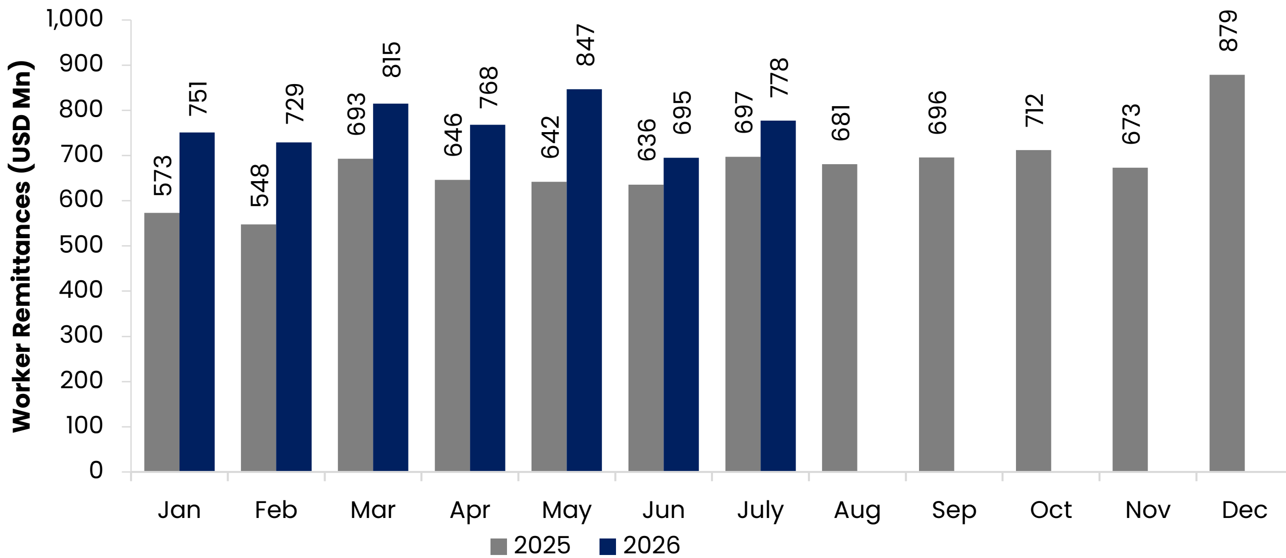
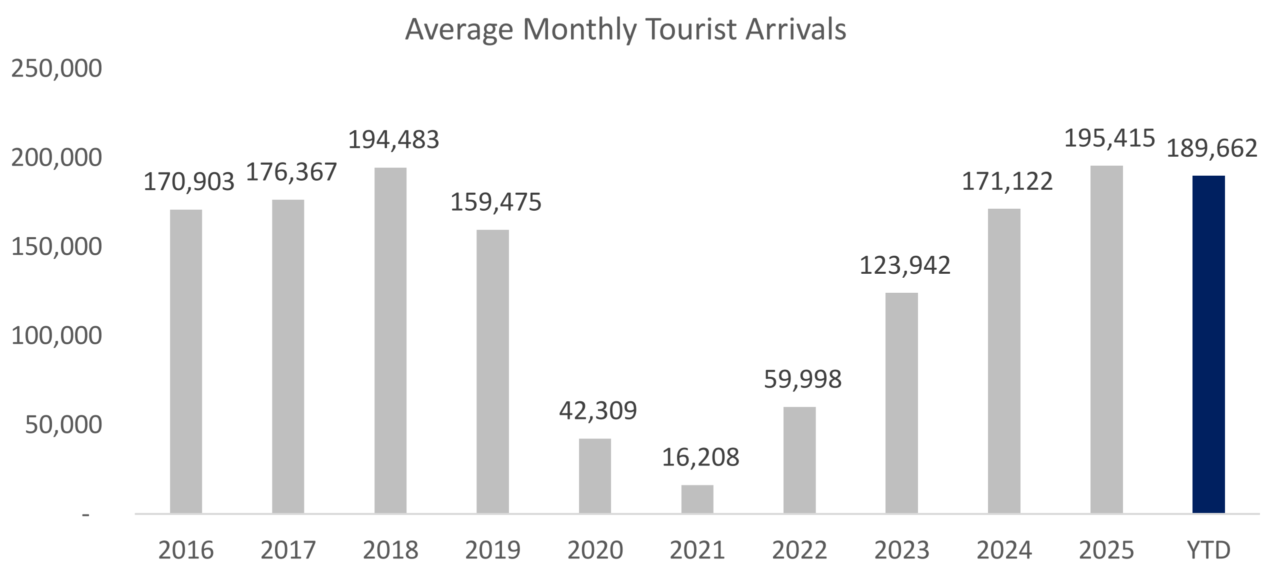
Remittances soared by 12%YoY in July'26 while tourist arrivals exceed 1.5Mn mark in Aug'26



Sri Lanka's worker remittances rose by 12% YoY to USD 777.6 Mn in July'26. Sri Lanka has set a target of securing 350,000 foreign employment opportunities in 2026, supporting the long-term growth outlook for worker remittances. Meanwhile, in July '26, 25,622 Sri Lankans departed for overseas employment, marking a 4% increase compared to June '26.

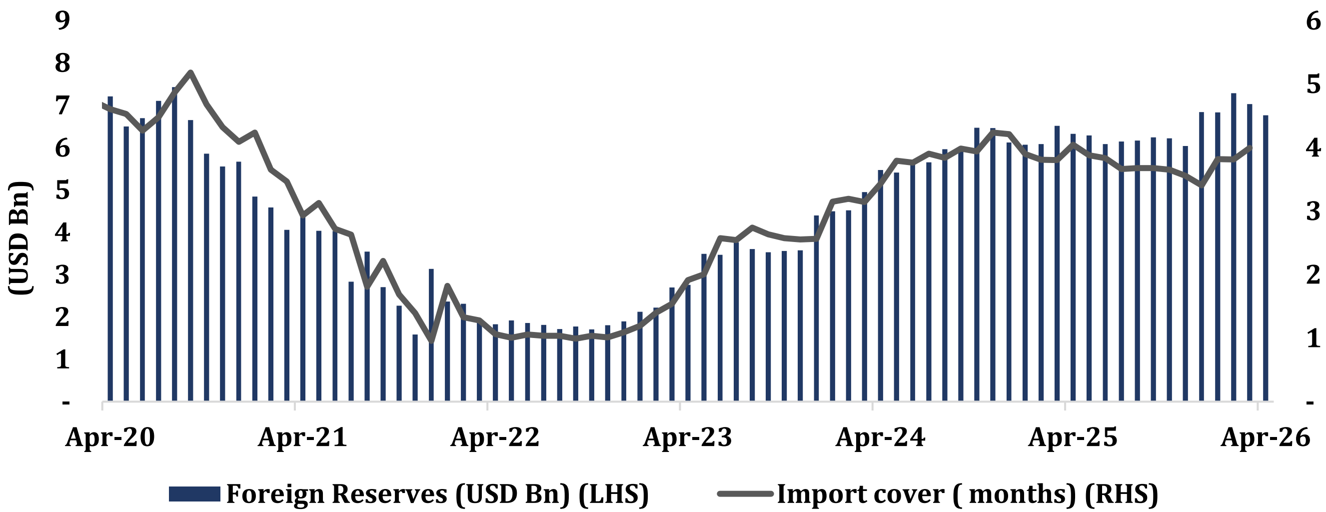


Sri Lanka's tourism sector crossed 1.5 Mn arrivals at the end of the Aug'26. Tourist arrivals for Aug'26 recorded 191,704 , reflecting a 3% decline compared to Aug'25 due to geopolitical tensions from the Middle East crisis. India remained the leading source market followed by the UK, China and Germany while tourism earnings for July'26 fell by 10% YoY to USD 285.5 Mn.

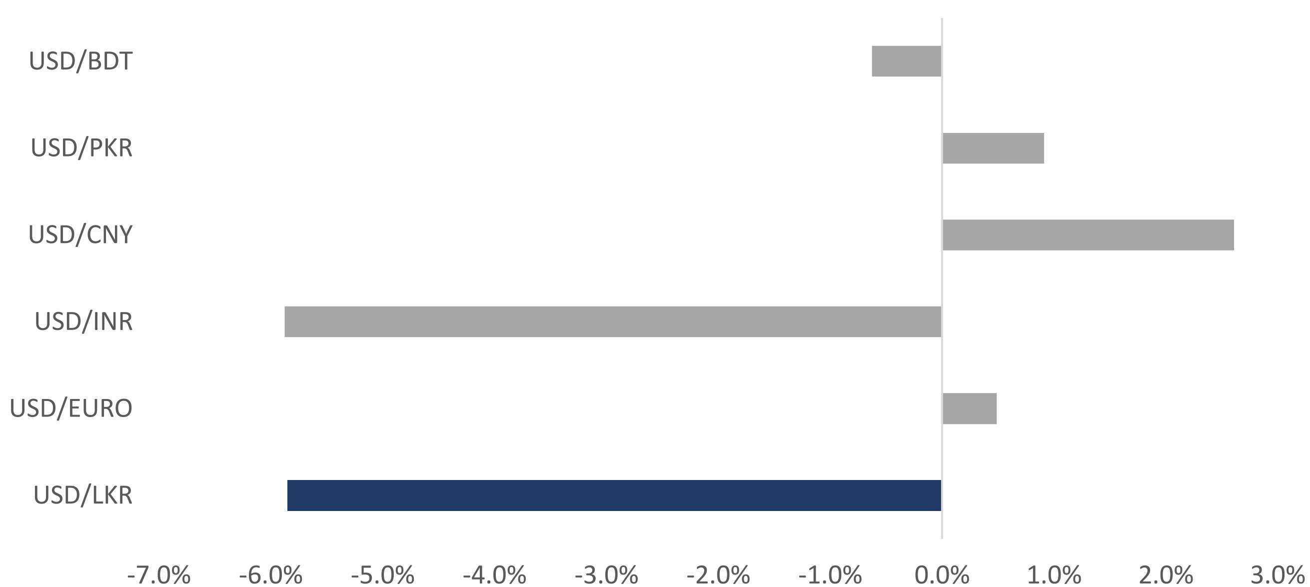
Source : CBSL , SLTDA

LKR/USD

Reserves declined to USD 6.3Bn in July’26, representing near 3 month's worth of imports.



- Sri Lanka's Gross Official Reserves surged by 2% MoM to USD 6.3Bn at the end of July 2026, primarily due to increased foreign exchange purchases by the Central Bank, which recorded net FX purchases of USD 348.6 Mn during the month. . The average monthly import bill is also around USD 2.0Bn, which is comfortable to cover 3 months’ worth of imports.



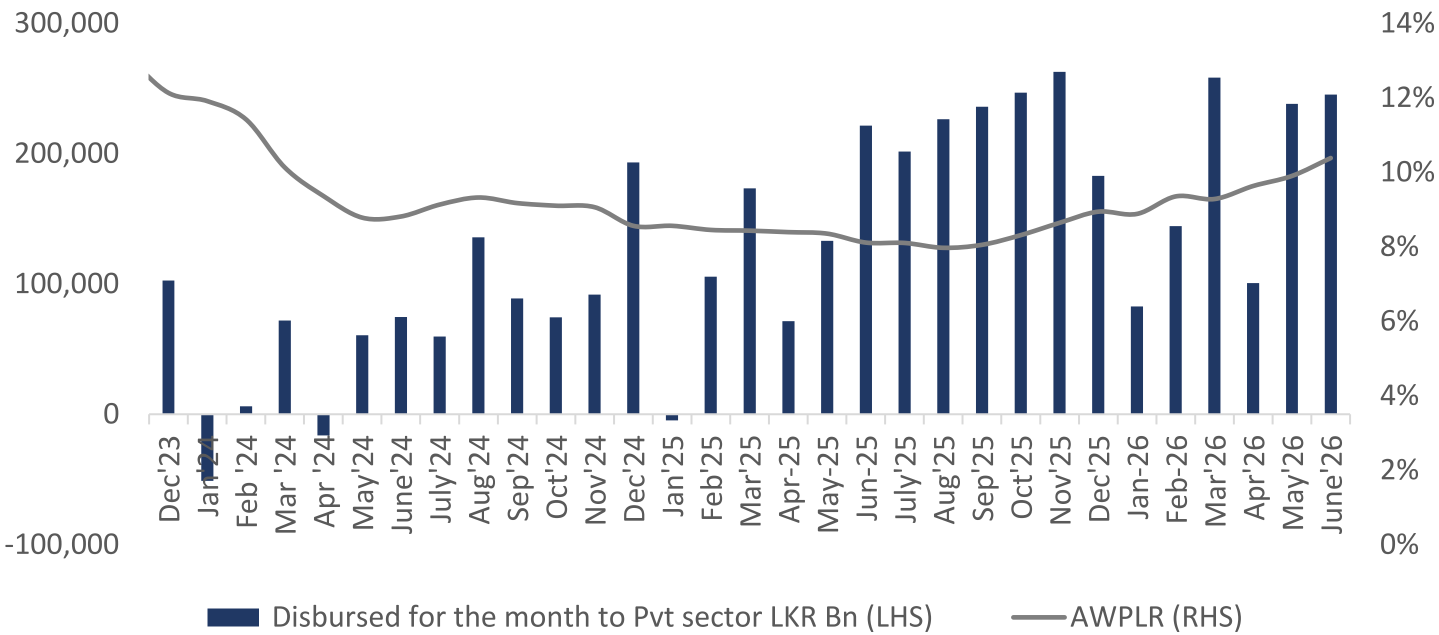
- Official exchange rate of LKR against USD depreciated by 5.9% YTD and the INR and BDT also depreciated by 5.9% and 0.6% YTD against USD. While the CNY,PKR and EURO appreciated by 2.2%, 0.9% and 0.5% YTD against USD.

Source : CBSL, Xe Currency,

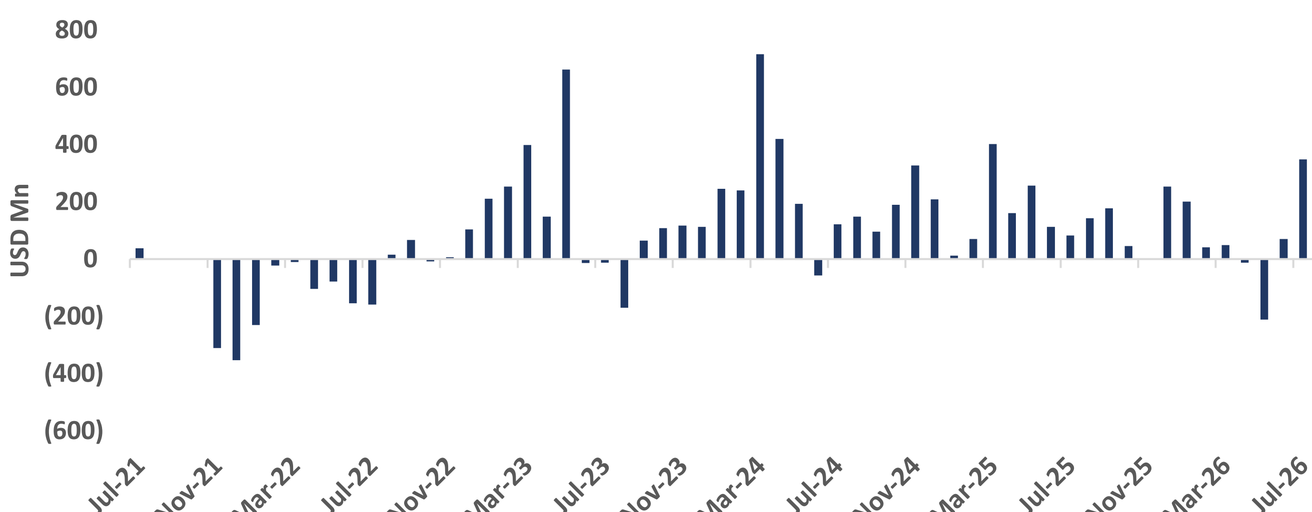
Note: LKR : Sri Lankan Rupee, EURO: Euro’INR: Indian Rupee, CNY:Chinese yuan, PKR:Pakistan Rupee , and BDT:Bangladesh Taka

Pvt sector credit & Foreign Intervention

Private sector credit picks up by 27% YoY in June'26



- Private sector credit expanded by 27% YoY to LKR 11.2Tn in June 2026, increasing by LKR 245.3 Bn over May. However, following the CBSL's 100 bps policy rate hike in late May, aimed at moderating credit growth and supporting currency stability, we expect private sector credit growth to gradually moderate in the coming months as higher borrowing costs weigh on credit demand.

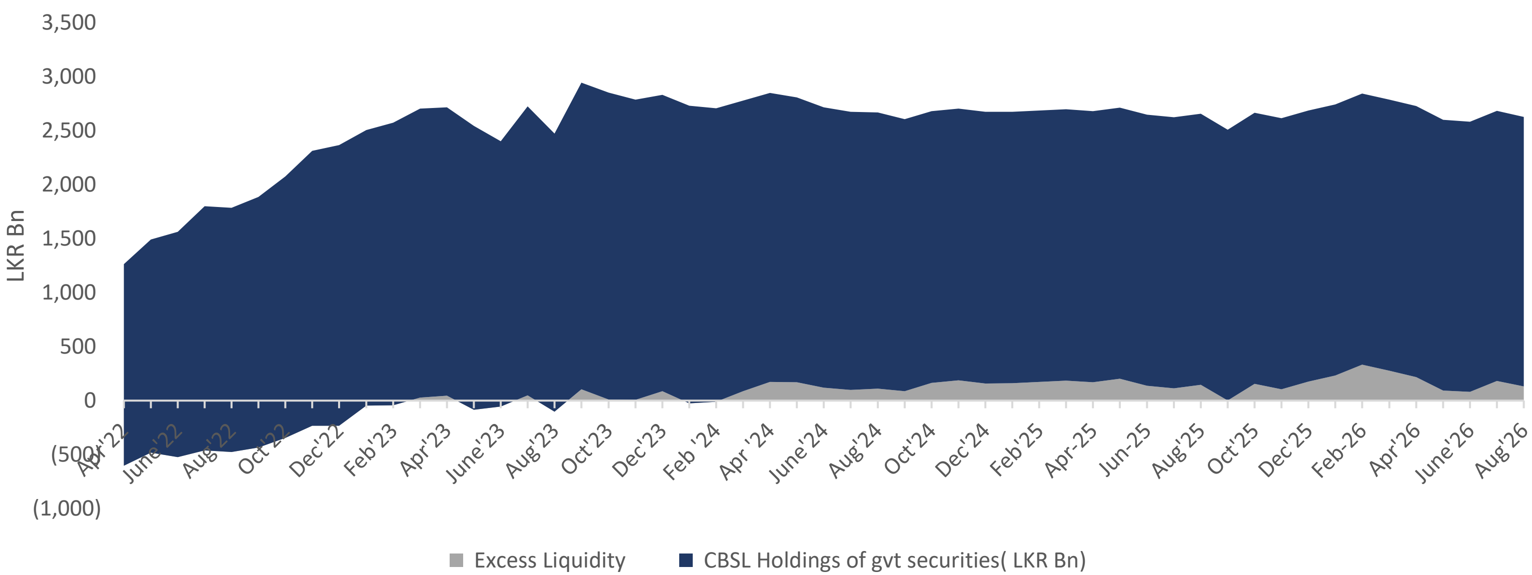


- The CBSL purchased USD 348.6Mn in July'26, with no reported foreign currency sales, resulting in a net purchase of USD 348.6Mn.

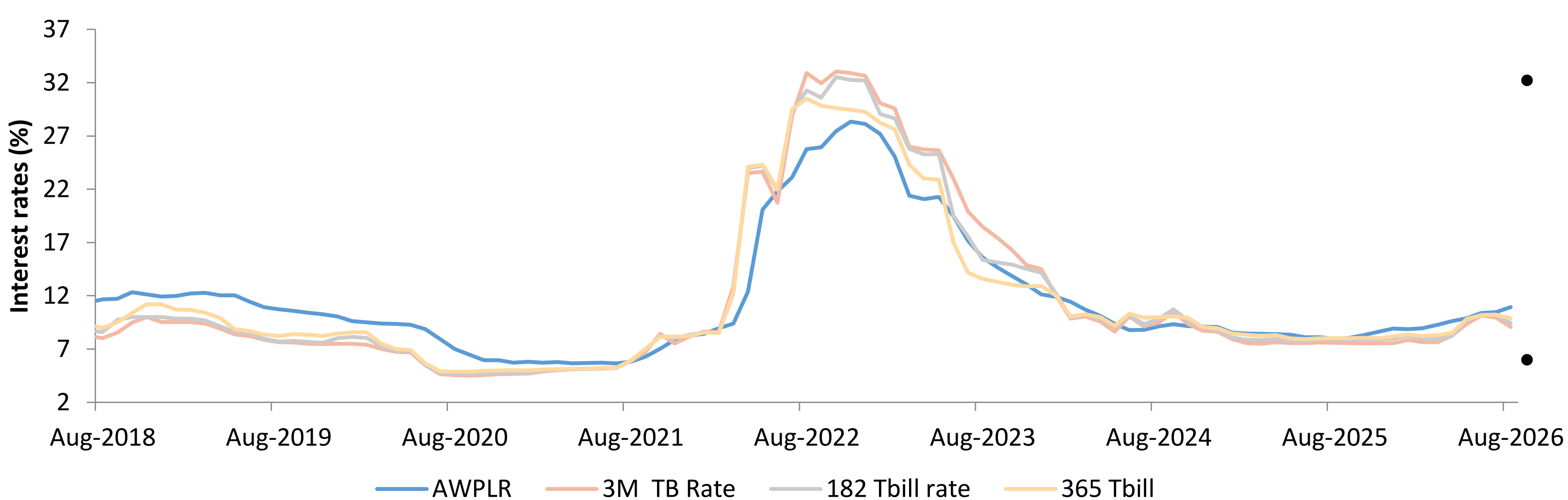
Source : CBSL

Liquidity & Rates

Tbill rates declined, AWPLR edges up marginally



- Overnight liquidity levels meanwhile ended positive of LKR 132.3Bn. CBSL's holdings of government securities meanwhile remained at LKR 2.5Tn in Aug’26.



- In Aug’26, Treasury bill yields declined, with the 91-day, 182-day and 364-day bills reaching to 9.06%, 9.44% and 9.89%, respectively.
- Meanwhile, the Average Weighted Prime Lending Rate (AWPLR) edged up to 10.95% during this month.

Source : CBSL

Inflation

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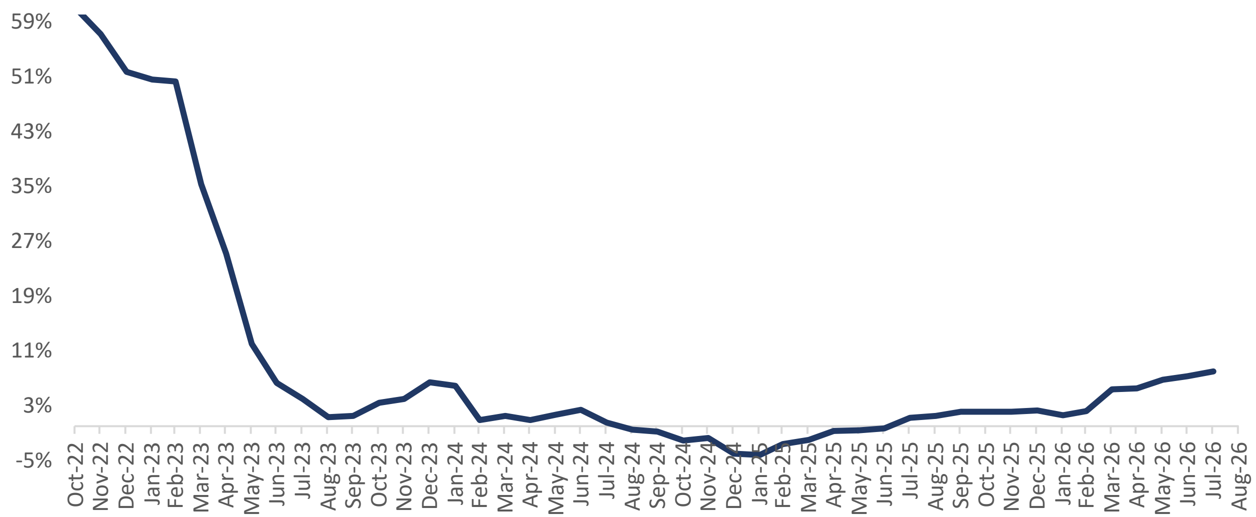
CCPI inflation accelerates to 8.0% YoY in Aug’26, 0.7% rise from July’26



Food Inflation (Y-o-Y)

8.5%

Non-Food Inflation (Y-o-Y)

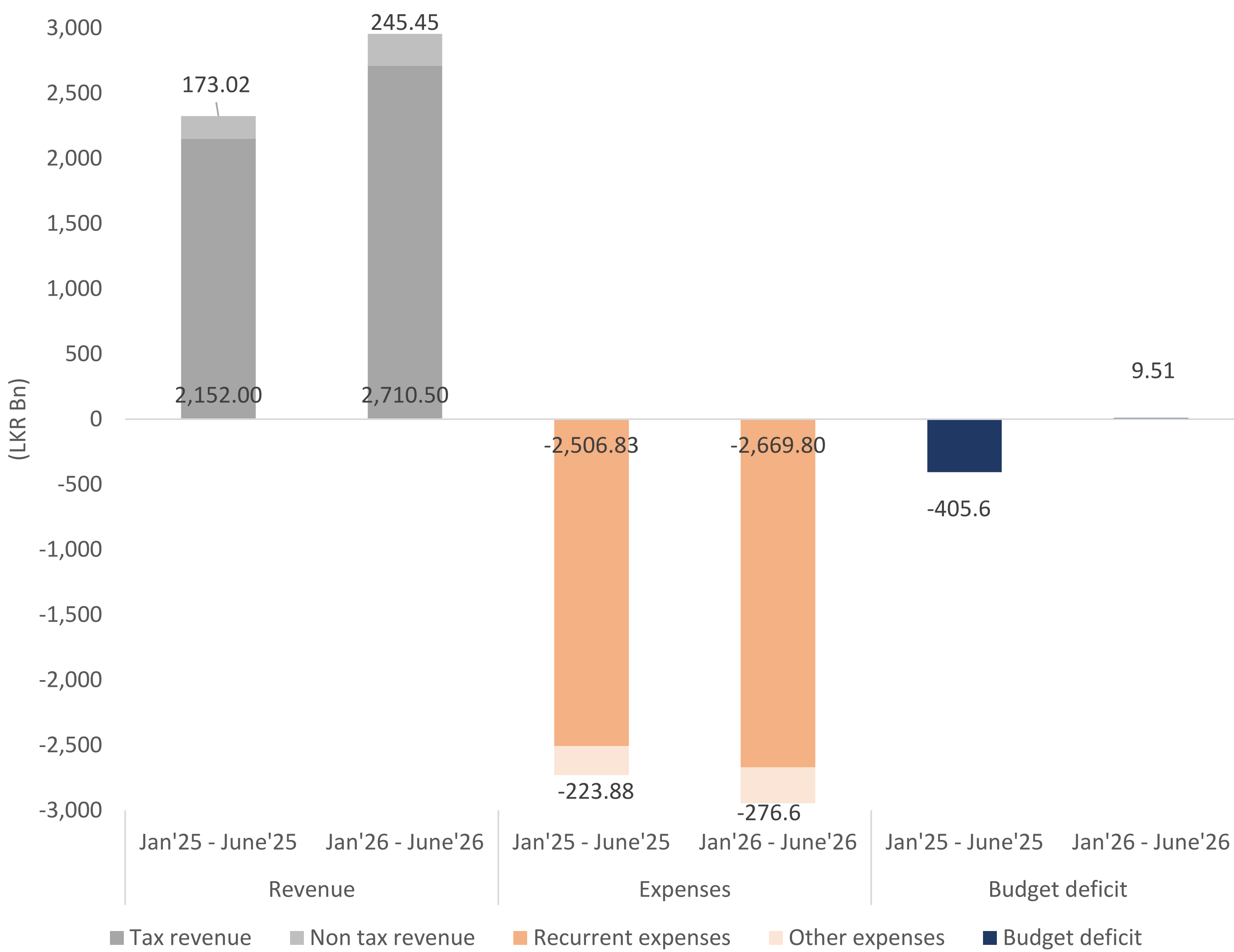
7.7%

Sri Lanka’s CCPI inflation recorded at 8.0% YoY in August’26, primarily driven by higher food prices, breaching the Central Bank’s upper inflation target rate of 7.0%. Food inflation edged up to 8.5% YoY, while non-food inflation surged to 7.7% YoY, contributing to overall price pressures during the month.

For the month of August 2026, on Y-on-Y basis, the contribution to inflation by food commodities was 2.77% percentage points. The contribution of Non-Food items was 5.20%. This was mainly driven by increases in the price indices of 'Transport' (2.45%), 'Housing, Water, Electricity, Gas and Other Fuels' (1.14%), 'Restaurants and Hotels' (0.72%), 'Education' (0.33%), 'Miscellaneous Goods and Services' (0.22%), 'Furnishing Household Equipment and Routine Household Maintenance' (0.22%), 'Health' (0.13%), 'Clothing and Footwear' (0.04%) and 'Communication' (0.02%) while price decreases were reported for the groups of 'Recreation and Culture' (0.04%) and 'Alcoholic Beverages, Tobacco and Narcotics' (0.03%).

Source : CBSL , Department of Census and Statistics- Sri Lanka

Fiscal Position



- Government revenue increased by 27% YoY to LKR 3.0Tn during Jan’26 to June’26. This growth was primarily driven by a strong rise in tax revenue, which expanded by 26% YoY to LKR 2.7Tn, while non-tax revenue increased by 42% YoY to LKR 245.4Bn.

- Further, Recurrent expenditure slightly increased by 7% YoY to LKR 2.7Tn, while capital and lending minus repayments increased by 24% YoY to LKR 276.6Bn. As a result of the improvement in revenue performance relative to expenditure growth, the budget recorded a positive balance of LKR 9.5Bn during Jan’26 – June’26.

Source : CBSL

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