ACS CAPITAL
(PVT) LTD.

Member of the Colombo Stock Exchange

MONTHLY ECONOMIC REVIEW

JULY 2026

Policy rates maintained at previously elevated levels In July'26	Exports surpassed USD 1.1Bn up by 0.2% YoY In June'26	Trade deficit narrowed by 14% to USD 828Mn. In June'26
CCPI inflation increased to 7.3% YoY In July'26	Worker remittances up by 9% YoY to USD 695Mn In June'26	Tourist arrivals crossed 1.3Mn Mark In July'26

Key events for July'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 July'26.
- Exports income edged up marginally by 0.2% YoY to USD 1.1Bn, reflecting modest export performance, supported by increased petroleum and rubber product exports. Meanwhile, import expenditure surged 17% YoY to USD 1.9Bn. However, imports declined by 10% compared to the previous month, contributing to a 14% MoM narrowing of the trade deficit.
- Worker remittances rose 9% YoY to USD 695Mn in June'26, although declining MoM. However, increasing departures to higher-paying markets such as Israel, Japan, and Romania remain positive for future remittance growth.
- Tourist arrivals exceeded 1.3Mn in July'26, reflecting a recovery driven by significant demand from India, the UK, the Netherlands, China, and Australia.
- CCPI inflation accelerated to 7.3% YoY in july'26 compared with 6.8% YoY in June'26. Food inflation surged to 6.3% YoY, and non-food inflation climbed to 7.8% YoY.

ASPI lost 51.5 points (-6.6% YTD) in July'26

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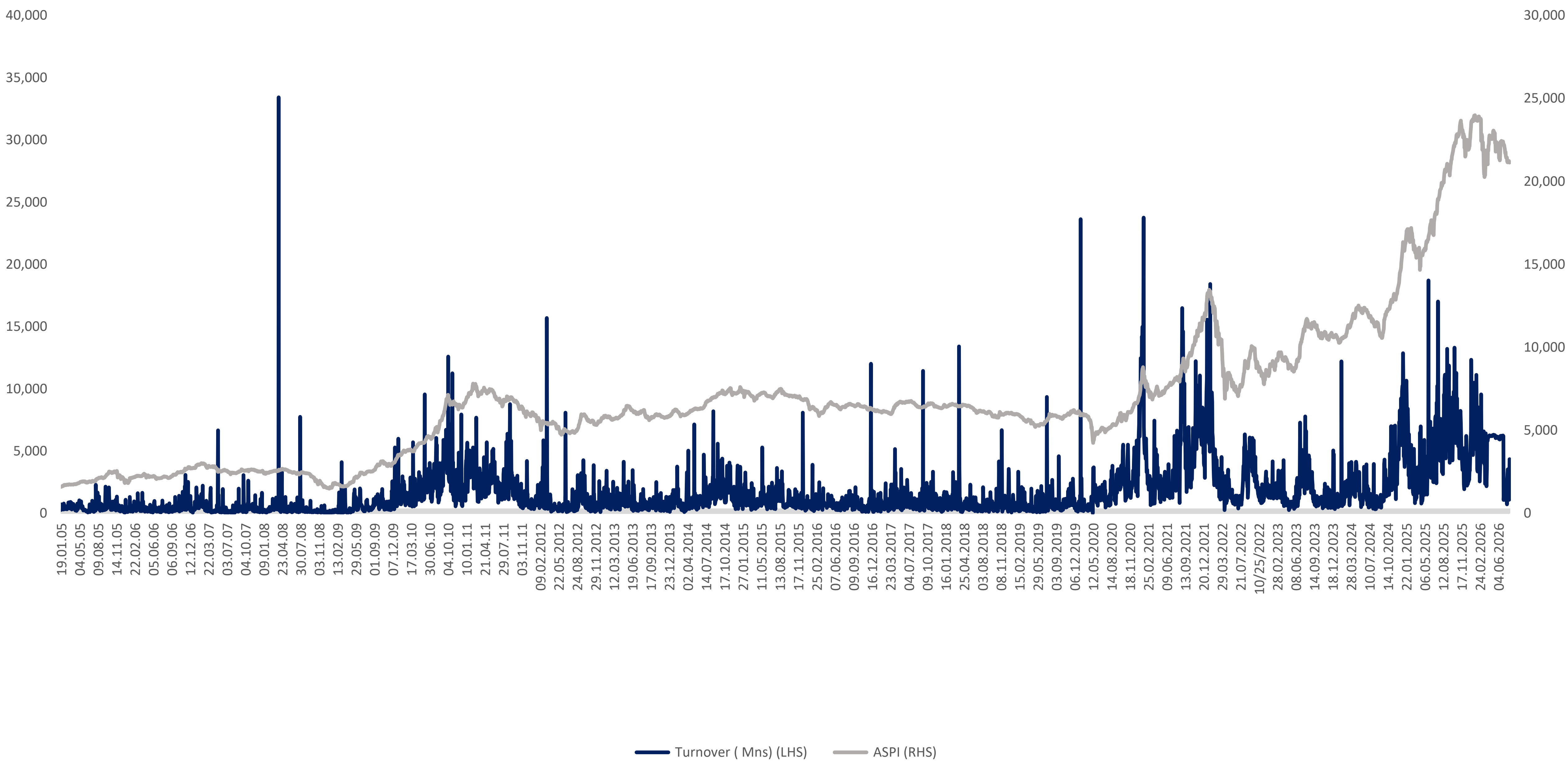
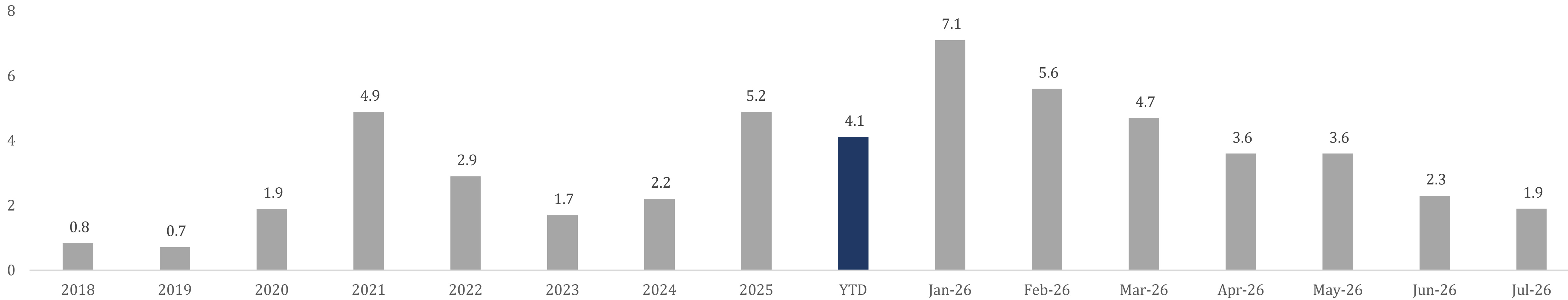
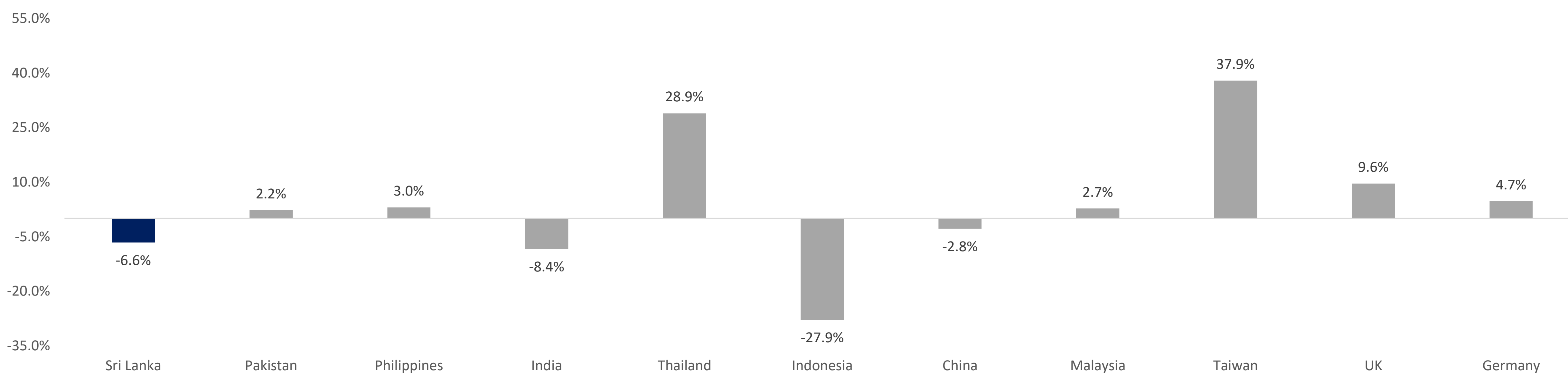


Average daily turnover stood at LKR 1.9Bn in July'26

Avg YTD turnover levels stands above LKR 4.1Bn



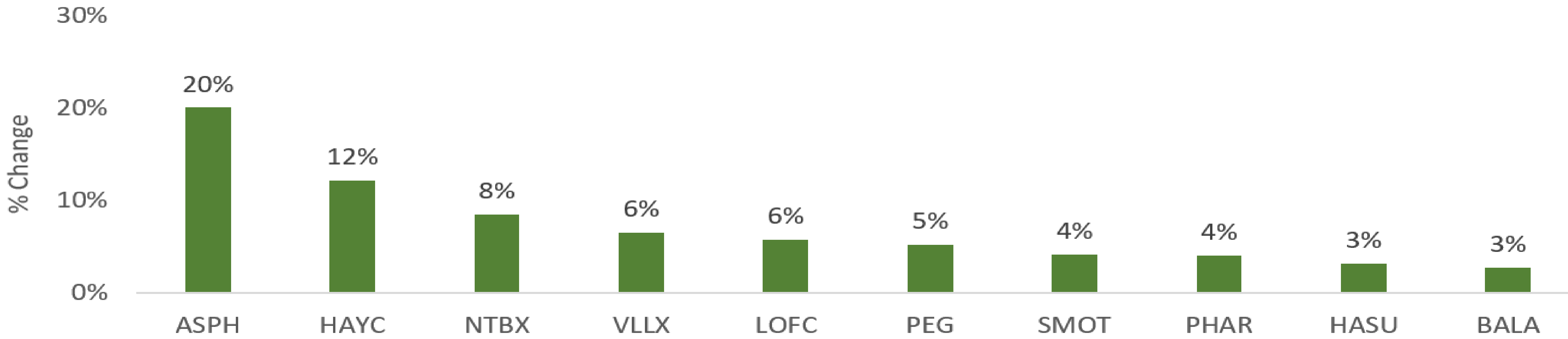
SL's returns declined by 6.6%YTD

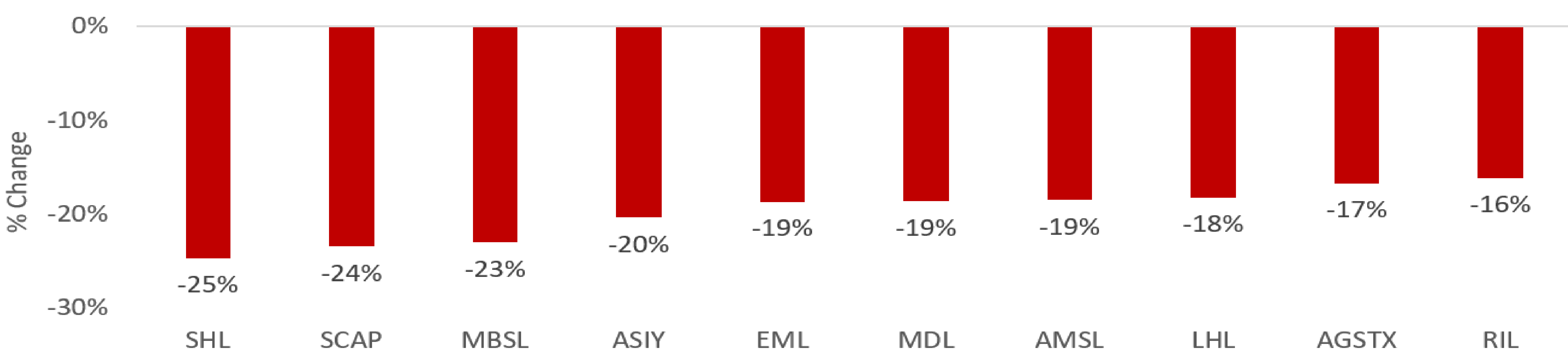


Source : CSE, Bloomberg

Top ten gainers and losers for the month

ASPH, HAYC & NTBX recorded the highest monthly gains.





Source : CSE

ASPI plummeted 6.6% YTD and S&P SL20 plunged 3.5% YTD

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Total net foreign selling stood at LKR 2.2Bn for the month

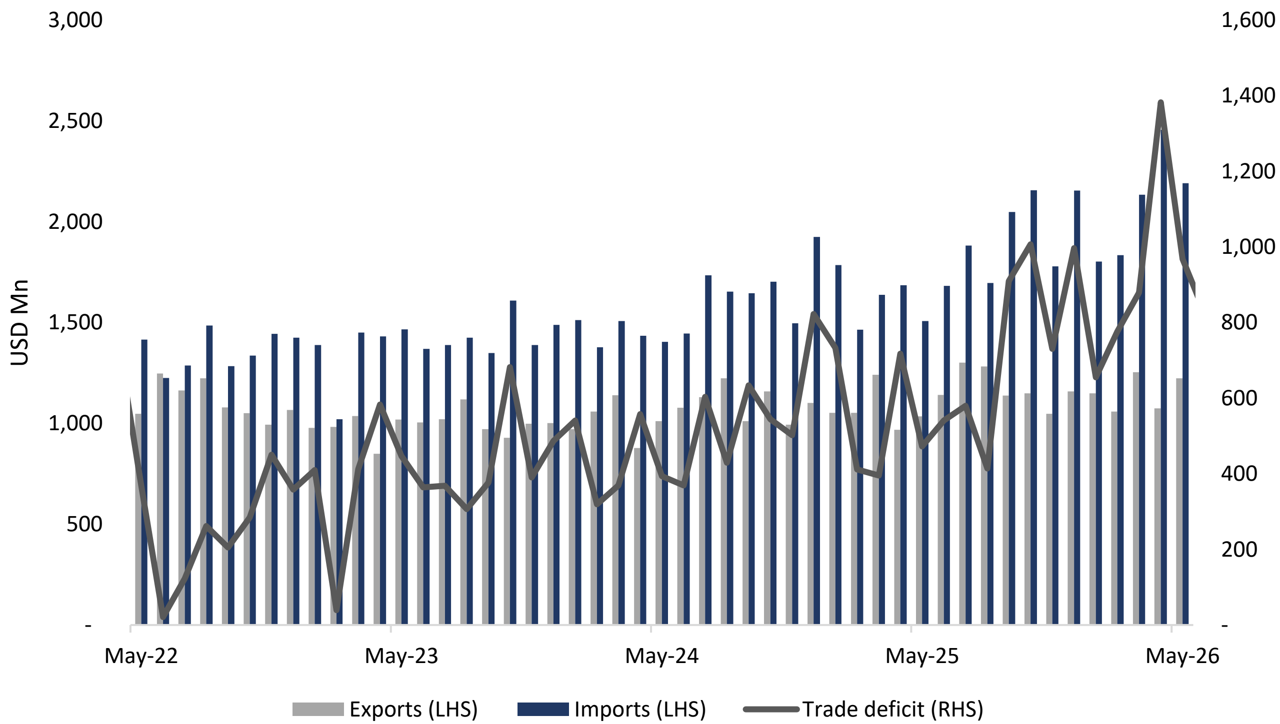
	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
ASPI (Year End)	6369.3	6052.4	6129.2	6774.2	12226.0	8489.7	10654.2	15944.6	22624.3	21129.2
ASPI Return (%)	*2.3%*	*-5.0%*	*1.3%*	*10.5%*	*80.5%*	*-30.6%*	*25.5%*	*49.7%*	*41.9%*	*-6.6%*
S&P SL20	3671.7	3135.2	2937.0	2638.1	4233.3	2635.6	3068.4	4862.1	6157.4	5940.0
S&P SL20 Return (%)	*5.0%*	*-14.6%*	*-6.3%*	*-10.2%*	*60.5%*	*-37.7%*	*16.4%*	*58.5%*	*26.6%*	*-3.53%*
Average Daily Turnover (LKR Mn)	915	834	711	1899	4888	2972	1697	2240	5239	4055
YoY Growth	*24.2%*	*-8.8%*	*-14.8%*	*167.0%*	*157.4%*	*-39.2%*	*-42.9%*	*32.0%*	*133.9%*	*-22.6%*
Avg USD =LKR	*152.5*	*162.5*	*178.8*	*185.4*	*203.0*	*371.6*	*328.8*	*292.6*	*300.9*	*336.0*
Average Daily Turnover (USD Mn)	6.0	5.1	4.0	10.2	24.1	8.0	5.2	7.7	17.4	12.1
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	26,142.0
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	63,419.0
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)	(37,276.7)
Foreign Purchases (USD Mn)	742.8	471.4	316.8	290.7	167.9	181.7	126.1	170.2	189.8	77.8
Foreign Sales (USD Mn)	623.3	615.1	382.3	562.1	427.0	99.3	112.9	204.1	317.7	188.7
Net Foreign Flows (USD Mn)	119.5	(143.7)	(65.5)	(271.4)	(247.7)	82.3	13.2	(33.9)	(127.9)	(110.9)
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**	**7,692.4**
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	22,891.3
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 – July’26

External Sector

A modest rise in exports of 0.2% YoY contrasted with a sharp increase in imports of 17% YoY, recorded a trade deficit.



- The trade deficit narrowed by 14% to USD 828Mn in June’26 from USD 968Bn recorded in May’26.

- In June’26, exports income edged up by 0.2% YoY to USD 1.1Bn, reflecting a modest performance. This growth was supported by increase of petroleum and Rubber products exports by 67% YoY to USD 119.1Mn and 7% YoY to USD 86.2Mn respectively. However, Despite their significant contribution to exports, textile and garment exports declined by 12% YoY to USD 410.3Mn, while tea exports fell by 11% YoY to USD 118.9Mn in June’26. Meanwhile, Total cumulative exports surge by 6% YoY to USD 6.9Bn.

- Total import expenditure increased by 17% YoY to USD 1.9Bn in June'26, supported by a 40% YoY rise in fuel imports to USD 464.7Mn due to fuel price hikes and 49% YoY surge in machinery and equipment imports to USD 273.4Mn. Meanwhile, textile imports declined by 7% YoY to USD 208.1Mn in June’26.

Source : CBSL

Cumulative exports improved by 6%YoY while cumulative import bill surged by 27%YoY.

USD Mn	June'25	June'26	Variance	Jan-June 2025	Jan- June 2026	Variance	Contribution to Exports
Total Exports	**1,142**	**1,144**	***0.2%***	**6,492**	**6,903**	***6%***	
Industrial Exports	884	897	*2%*	5,045	5,425	*8%*	79%
Textiles and garments	464	410	*-12%*	2,606	2,451	*-6%*	36%
Rubber Products	80	86	*7%*	453	478	*5%*	7%
Agricultural Exports	255	244	*-5%*	1,428	1,450	*2%*	21%
Tea	133	119	*-11%*	743	701	*-6%*	10%

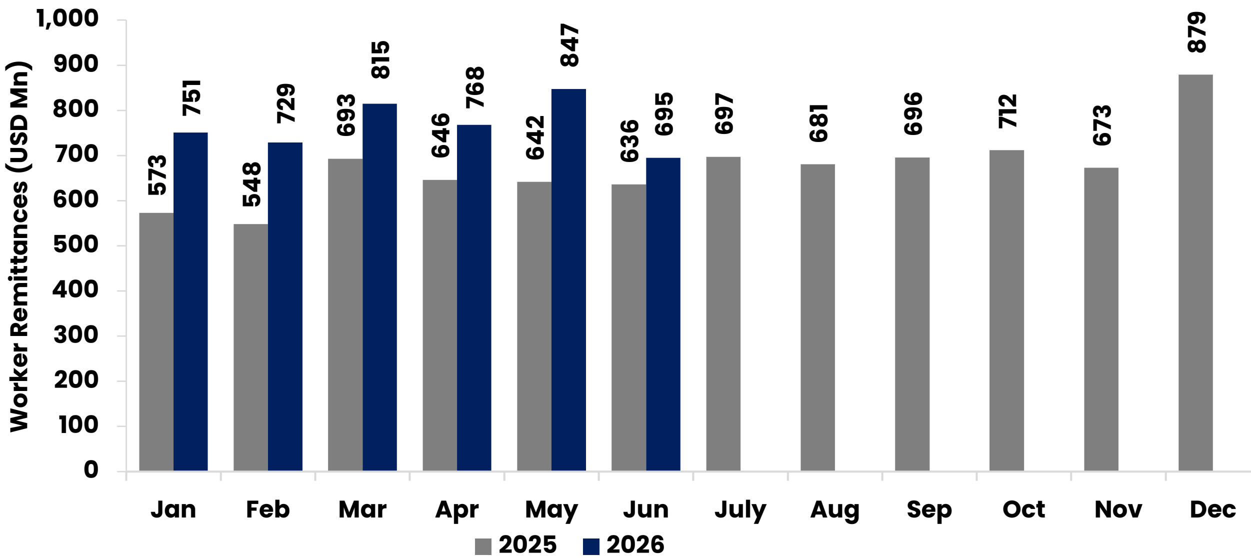
USD Mn	June'25	June'26	Variance	Jan-June 2025	Jan- June 2026	Variance	Contribution to Exports
Total Imports	**1,682**	**1,972**	***17%***	**9,762**	**12,392**	***27%***	
Consumer Goods	419	473	*13%*	2,316	3,037	*31%*	25%
Food and beverages	141	166	*18%*	1,095	1,114	*2%*	9%
Non-food consumer goods	278	307	*10%*	1,221	1,923	*57%*	16%
Medical and pharmaceuticals	55	60	*9%*	310	361	*16%*	3%
Personal vehicles	127	143	*13%*	361	972	*170%*	8%
Intermediate goods	959	1089	*14%*	5,576	7,059	*27%*	57%
Fuel	332	465	*40%*	1,996	3,168	*54%*	26%
Textiles and textile articles	224	208	*-7%*	1,336	1,303	*-2%*	11%
Investment goods	305	403	*32%*	1,863	2,284	*23%*	18%
Machinery and equipment	184	273	*49%*	1,208	1,423	*18%*	11%

USD Mn	June'25	June'26	Variance	Jan-June 2025	Jan- June 2026	Variance
Trade balance	-540	-829	*53%*	-3270	-5,489	*68%*
Earnings from tourism	170	151	*-11%*	1,713	1,511	*-12%*
Workers' remittances	636	695	*9%*	3,738	4,605	*23%*
Current Account Balance	**149**	**-149**	***-200%***	**1,444**	**-245**	***-117%***

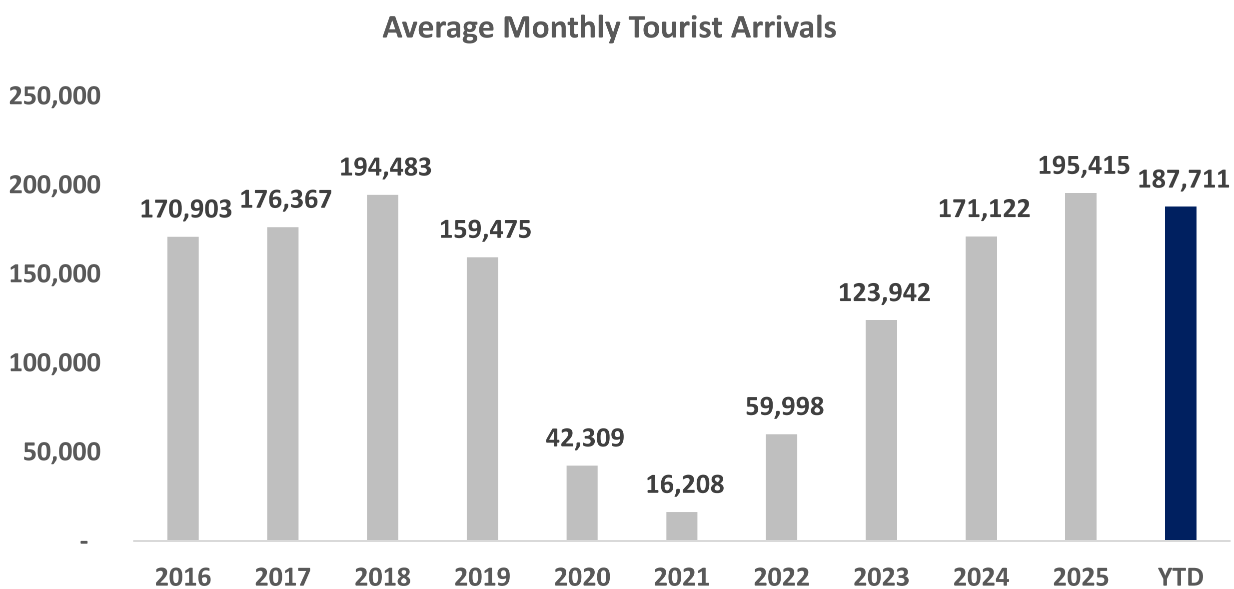
Source : CBSL

Remittances and Tourism

Remittances soared by 9%YoY in June’26 while tourist arrivals exceed 1.3Mn mark in July’26



Sri Lanka's worker remittances rose by 9% YoY to USD 695.0 Mn in June’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, departures to higher-paying markets such as Israel, Japan, and Romania continue to increase, reflecting a shift from traditional low-skilled employment to better-paying overseas jobs, which is expected to enhance remittance inflows.



Sri Lanka’s tourism sector crossed 1.3 Mn arrivals at the end of the July’26. Tourist arrivals for July’26 recorded 167,401 in the first 25 days, reflecting a 16% decline compared to July’25 due to geopolitical tensions from the Middle East crisis. India remained the leading source market followed by the UK, Netherlands ,China and Australia while tourism earnings for June’26 fell by 11% YoY to USD 151.1 Mn.

Source : CBSL , SLTDA

LKR/USD

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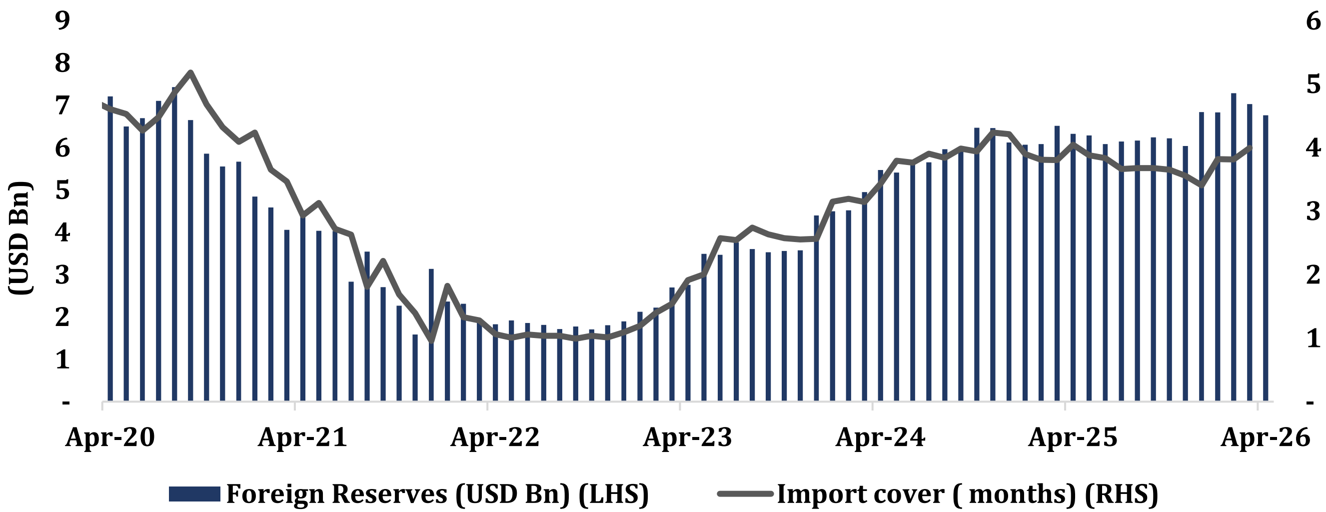
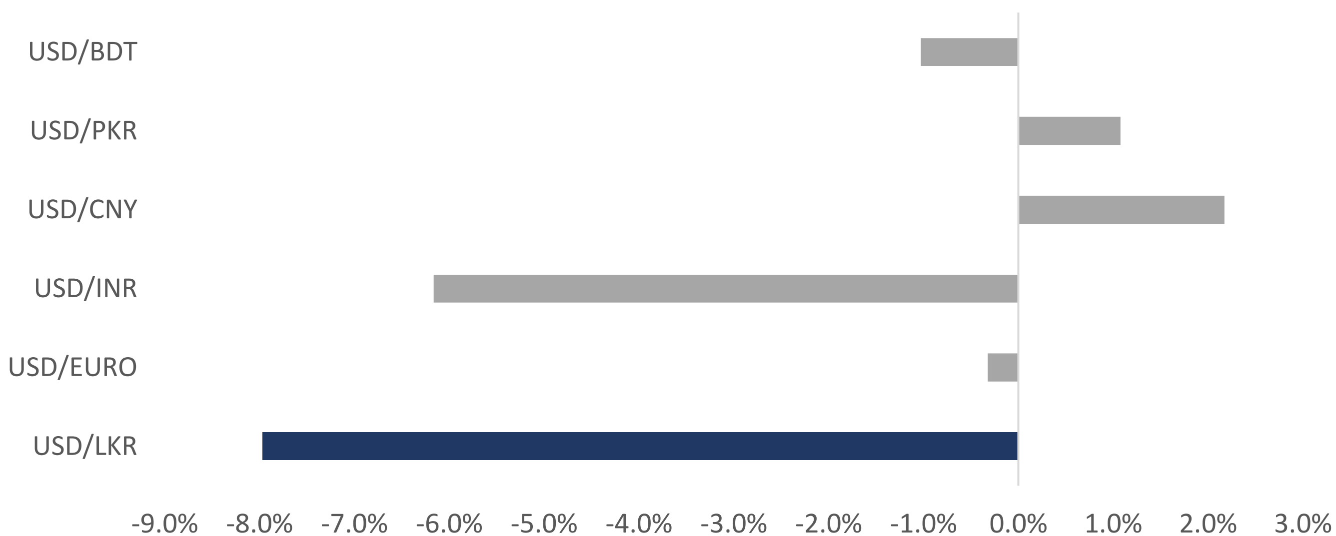
Reserves declined to USD 6.4Bn in June'26, representing near 3 month's worth of imports.





- Sri Lanka's Gross Official Reserves declined by 6% MoM to USD 6.4Bn at the end of June 2026, primarily due to foreign debt servicing and related external payment obligations. The decline was mainly driven by a reduction in foreign currency reserves, while gold holdings also decreased during the month. Nevertheless, reserve levels remain supported by continued inflows from worker remittances, tourism earnings, and the Central Bank's ongoing foreign exchange purchases. 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 8.0% YTD and the INR ,BDT and EURO also depreciated by 6.2%, 1.0% and 0.3% YTD against USD. While the CNY,PKR appreciated by 2.2%, 1.1% 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

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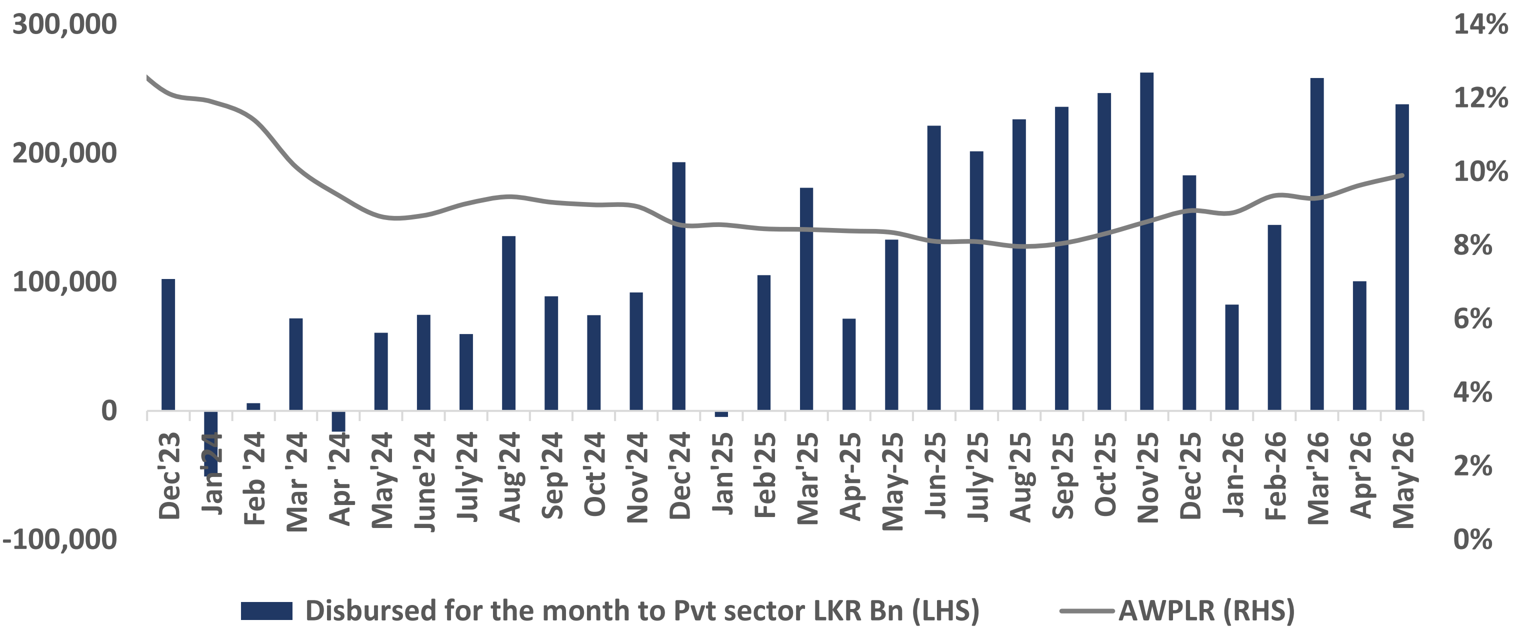
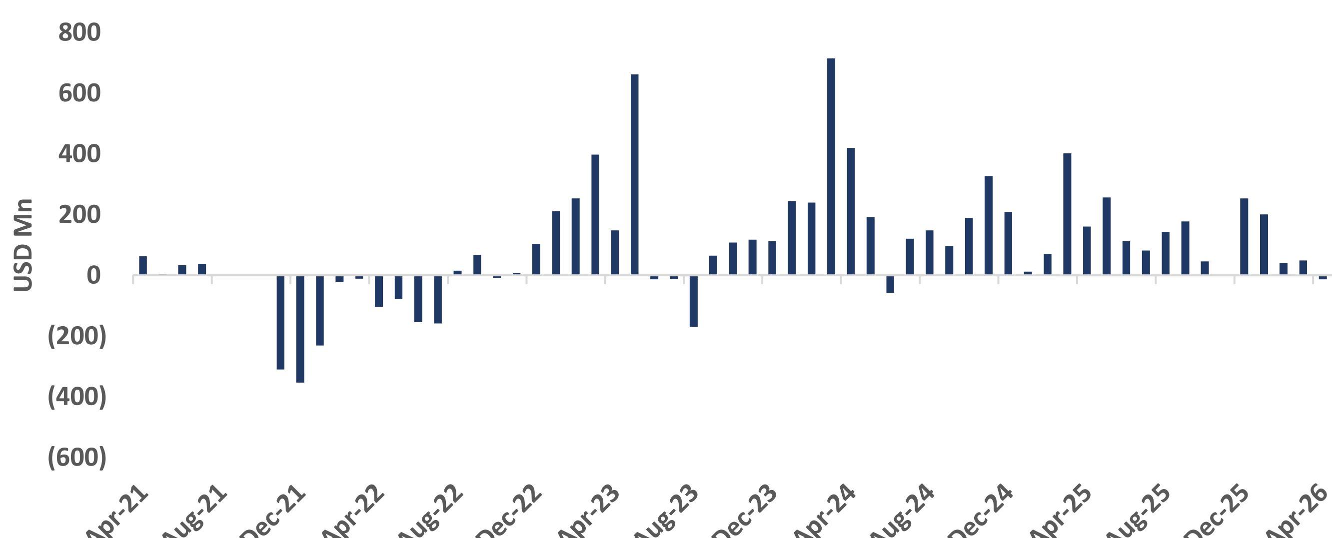
Private sector credit picks up by 28% YoY in May'26



Private sector credit expanded by 28% YoY to LKR 11.0Tn in May 2026, increasing by LKR 238.1 Bn over April. 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.

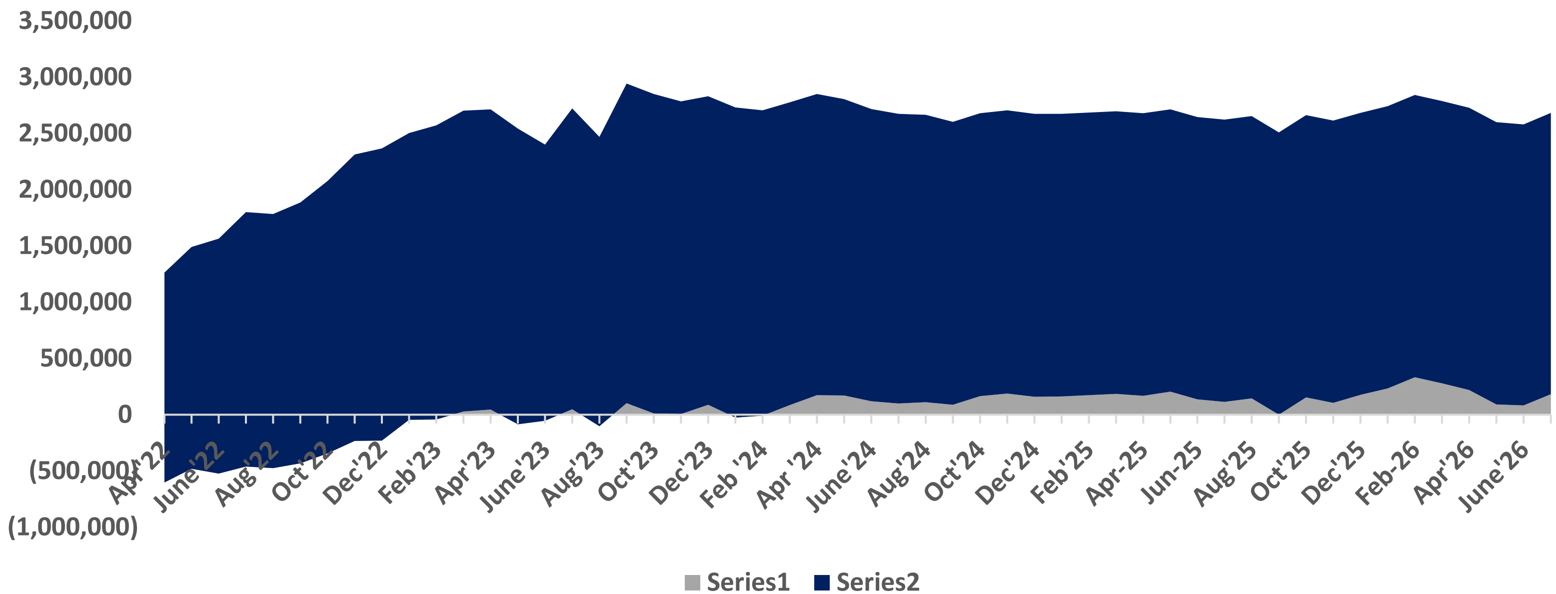


- The CBSL purchased USD 96.3Mn and USD 25.8Mn selling has reported in June'26, resulting in a net purchase of USD 70.5Mn.

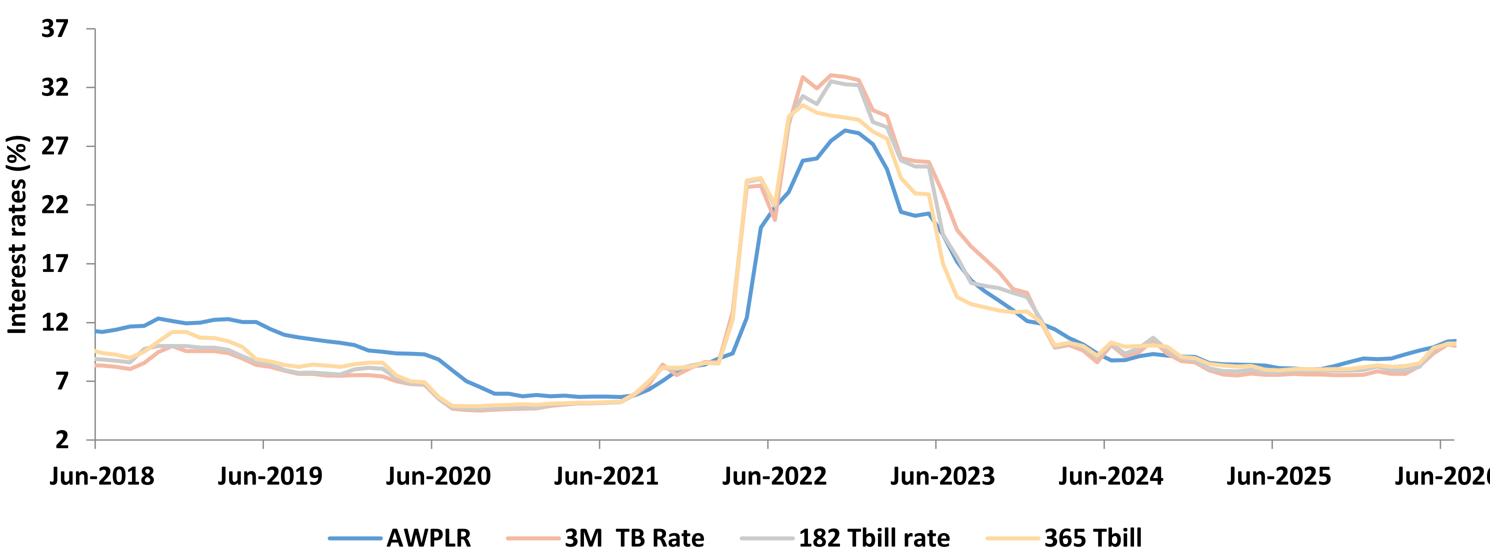
Source : CBSL

Liquidity & Rates

Tbill rates increased, AWPLR edges up marginally



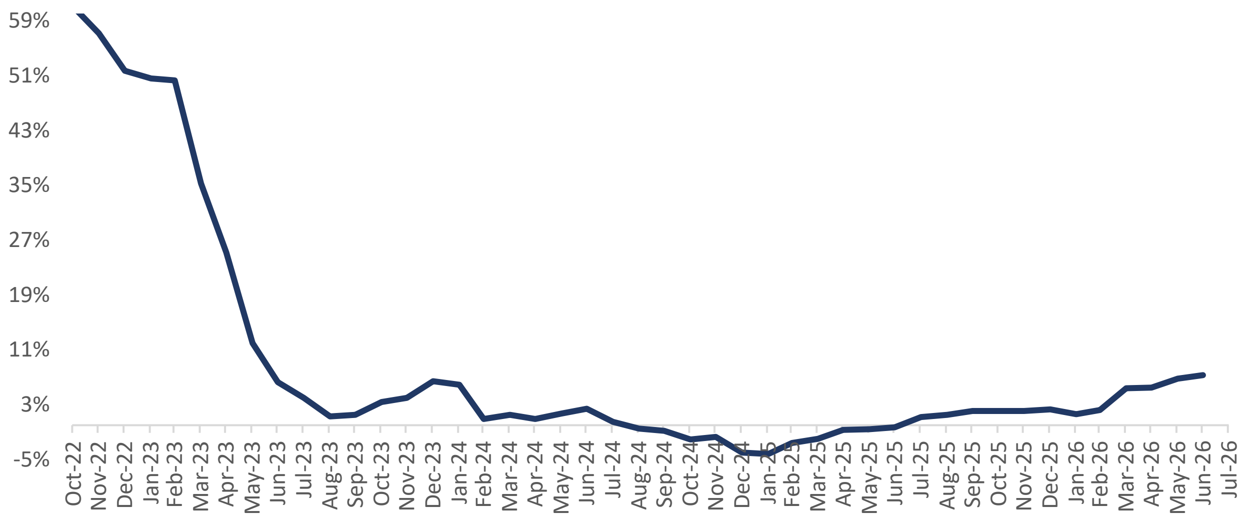
- Overnight liquidity levels meanwhile ended positive of LKR 183.3Bn. CBSL's holdings of government securities meanwhile remained at LKR 2.5Tn in July'26.



- In July'26, Treasury bill yields soared, with the 91-day, 182-day and 364-day bills reaching to 9.95%, 10.24% and 10.20%, respectively.
- Meanwhile, the Average Weighted Prime Lending Rate (AWPLR) edged up to 10.46% during this month.

Source : CBSL

CCPI inflation accelerates to 7.3% YoY in July’26, 0.5% rise from June’26



Sri Lanka’s CCPI inflation recorded at 7.3% YoY in July’26, primarily reflecting the adjustment in housing rent in the non-food category and the base effect in food inflation. Food inflation edged up to 6.3% YoY, while non-food inflation surged to 7.8% YoY, contributing to overall price pressures during the month.

For the month of July 2026, on Y-on-Y basis, the contribution to inflation by food commodities was 2.06% percentage points. The contribution of Non-Food items was 5.21%. This was mainly driven by increases in the price indices of ‘Transport’ (2.51%), ‘Housing, Water, Electricity, Gas and Other Fuels’ (1.19%), ‘Restaurants and Hotels’ (0.68%), ‘Education’ (0.34%), ‘Miscellaneous Goods and Services’ (0.20%), ‘Furnishing Household Equipment and Routine Household Maintenance’ (0.18%), ‘Health’ (0.12%), ‘Communication’ (0.01%) and ‘Clothing and Footwear’ (0.01%) while a price decrease was reported for the group of ‘Recreation and Culture’ (0.04%). Meanwhile, a slight price decrease was reported in the group of ‘Alcoholic Beverages, Tobacco and Narcotics’.

Food Inflation (Y-o-Y)

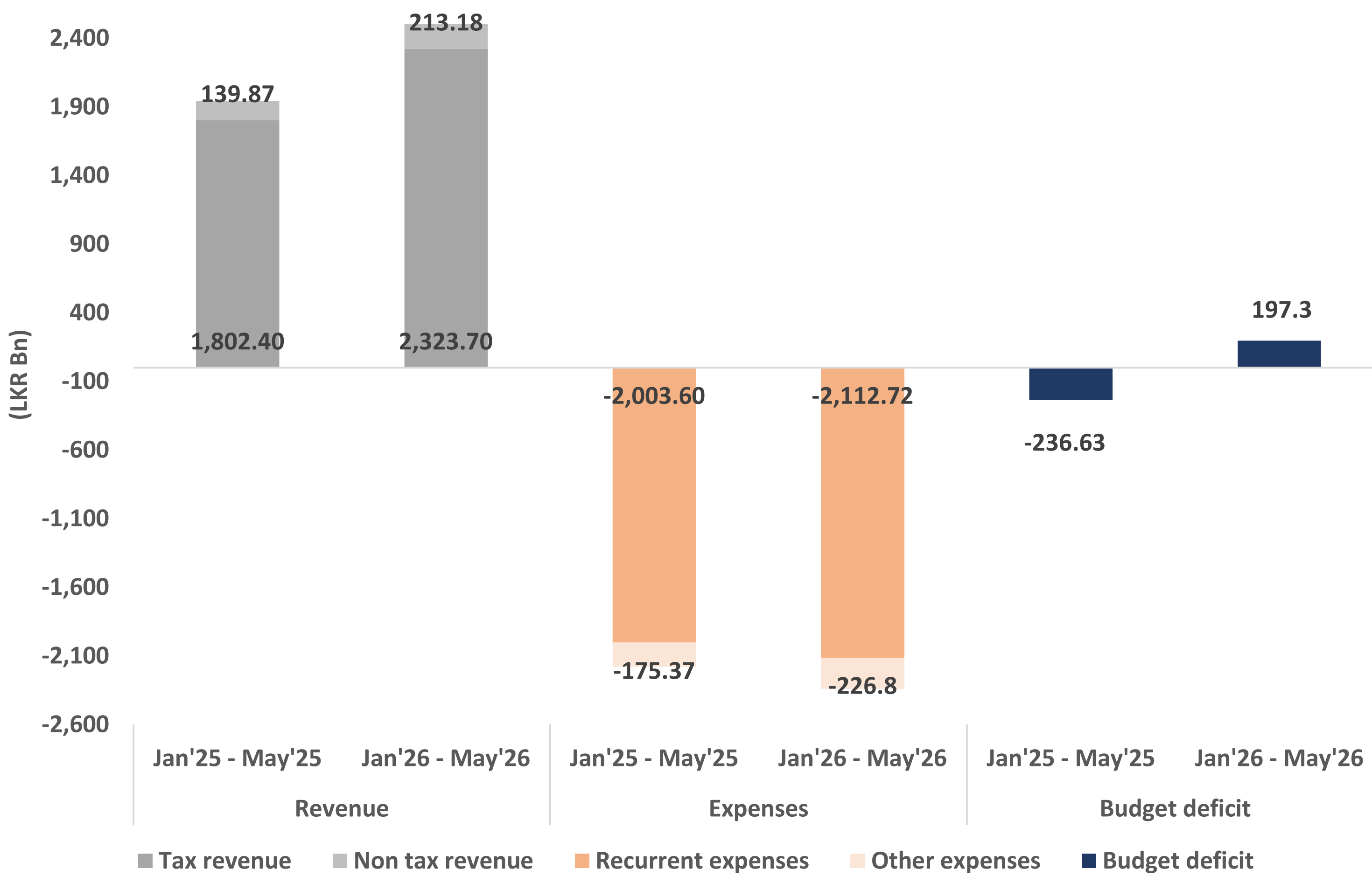
6.3%

Non-Food Inflation (Y-o-Y)

7.8%

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

Fiscal Position



- Government revenue increased by 31% YoY to LKR 2.5Tn during Jan'26 to May'26. This growth was primarily driven by a strong rise in tax revenue, which expanded by 29% YoY to LKR 2.3Tn, while non-tax revenue increased by 52% YoY to LKR 213.1Bn.

- Further, Recurrent expenditure slightly increased by 5% YoY to LKR 2.1Tn, while capital and lending minus repayments increased by 30% YoY to LKR 226.8Bn. As a result of the significant improvement in revenue performance relative to expenditure growth, the budget recorded a positive balance of LKR 197.3Bn during Jan'26 – May'26.

Source : CBSL

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