



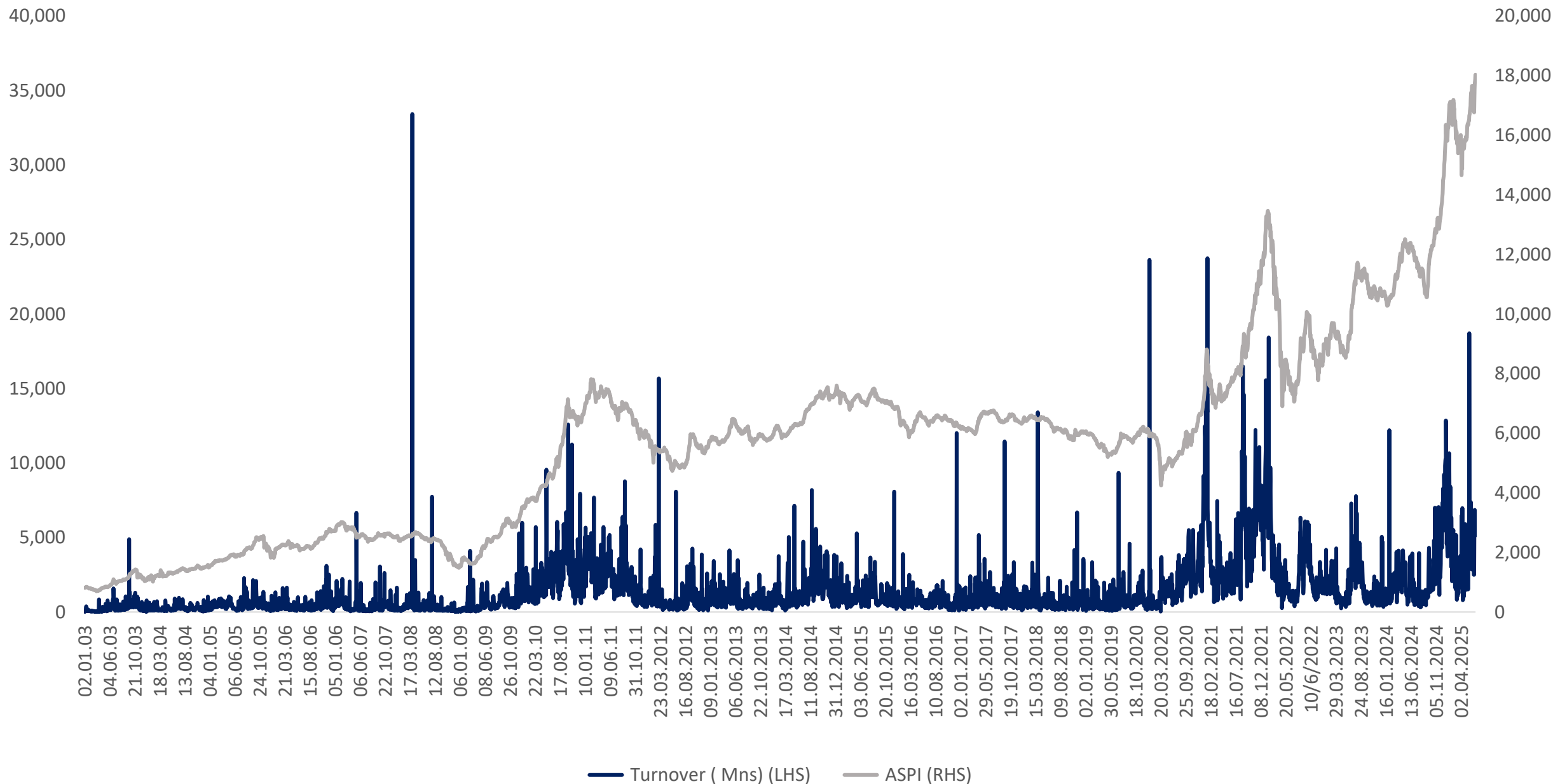


Key events for June'25

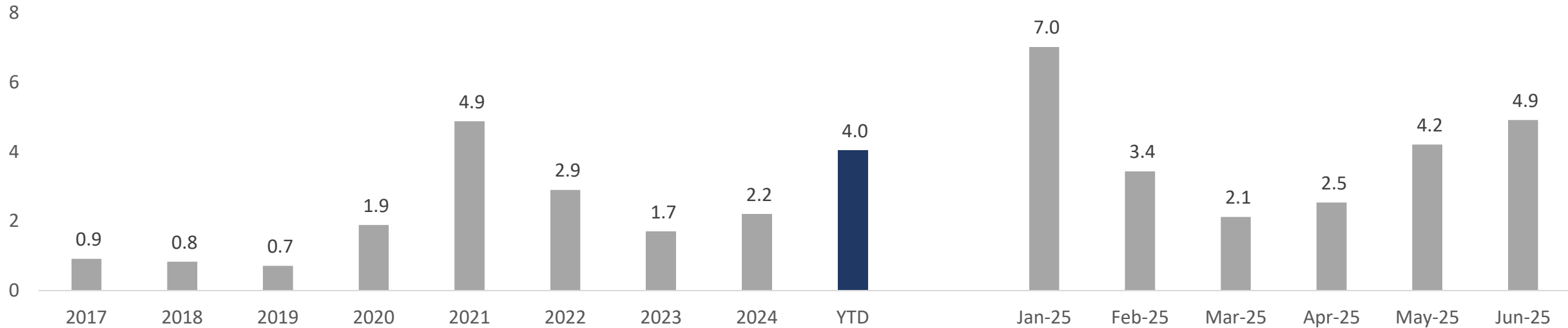
- CSE delivered a remarkable performance in Jun'25, marking its second consecutive monthly gain, with the benchmark ASPI breaching the historic 18,000 mark for the first time. This rally was underpinned by renewed investor confidence, buoyed by improving economic sentiment and a positive corporate earnings outlook. The ASPI advanced from 16,854 to 18,026, gaining 1,172 points, while the S&P SL20 index climbed to 5,352, reflecting a strong 7.4%MoM increase. Notably, both the ASPI and S&P SL20 returned to double digit YTD returns for the first time in 2025, at 13.1% and 10.1% respectively. Market liquidity also improved, as average daily turnover surged by 17%MoM to reach LKR 4.9Bn in Jun'25.
- Sri Lanka's economy meanwhile grew by 4.8% in the 1Q'25, marking the seventh consecutive quarter of expansion, supported by enhanced exchange rate stability and a more accommodative interest rate environment. Concurrently, the Board of Investment (BOI) of Sri Lanka recorded a notable uptick in foreign direct investment (FDI), which rose by USD 96Mn YoY to USD 139Mn in 1Q'25.
- SL's tourism sector maintained its upward momentum in the 1H'25, attracting over 1.1Mn tourist arrivals, supported by the government campaigns, national branding efforts and overall favorable conditions within the country. In line with this growth, tourism earnings rose by 10%YoY during the first five months of 2025, reaching to USD 1.5Bn. India remained as the largest tourist traffic generator for Sri Lanka, accounting for 20% of the total arrivals. Meanwhile, Russia, the UK, Germany and China emerged as the top source markets during 1H'25.
- During the first five months of 2025, Sri Lanka posted a cumulative current account surplus of USD 1.30Bn, reflecting a 37.5%YoY increase, primarily supported by an 18% rise in workers' remittances, which reached to USD 3.1Bn. However, the merchandise trade deficit widened by 26%YoY to USD 2.73Bn, largely due to a 12% increase in imports, driven in part by a sharp rise in motor vehicle imports totaling USD 312Mn during Jan-May'25.
- Sri Lanka's annual inflation rate (CCPI) recorded a marginally lower rate of deflation at 0.6% in June'25 compared to the deflation of 0.7% recorded in May'25. The food inflation decline to 4.3% YoY (from 5.2% YoY in May'25). Meanwhile, non-food deflation decelerated to 2.8% YoY in June'25 (from -3.3% YoY in May'25).



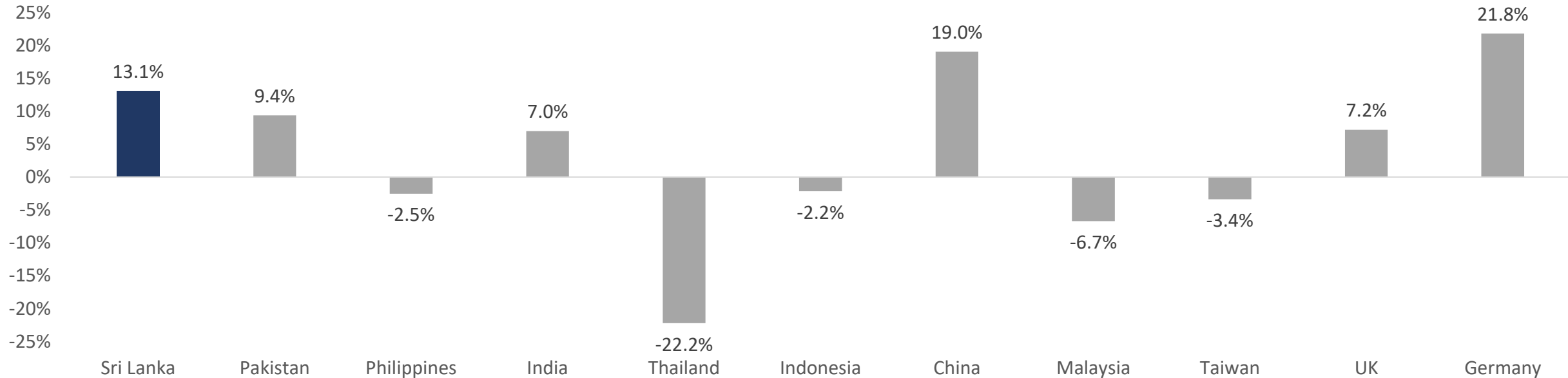
ASPI gained a substantial 1,172 points in June'25



Avg YTD turnover levels stands at above LKR 4.0Bn



SL's returns records at 13.1% YTD

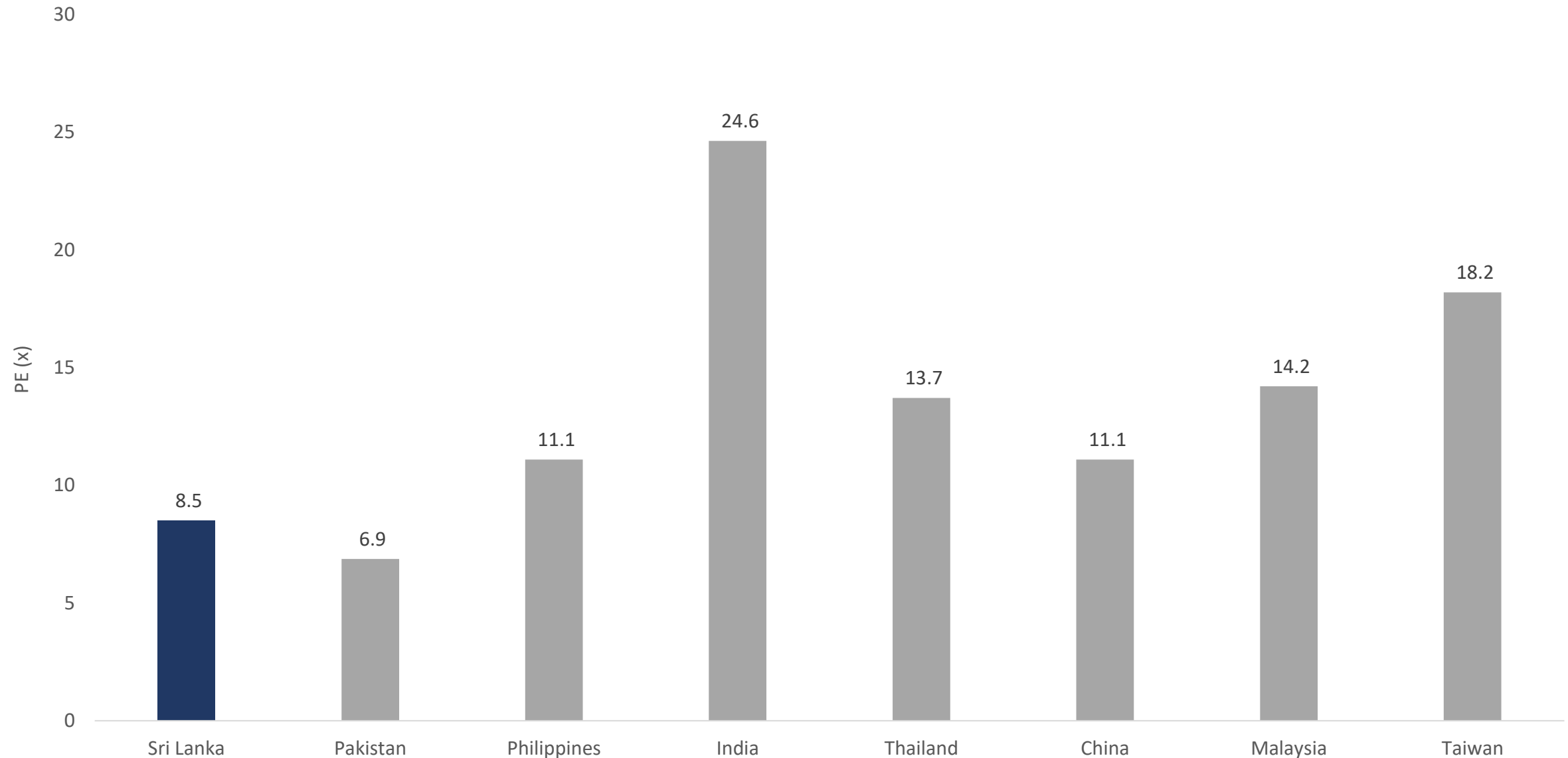


Source : CSE, Bloomberg



Sri Lanka is still cheaper than most of its regional peers

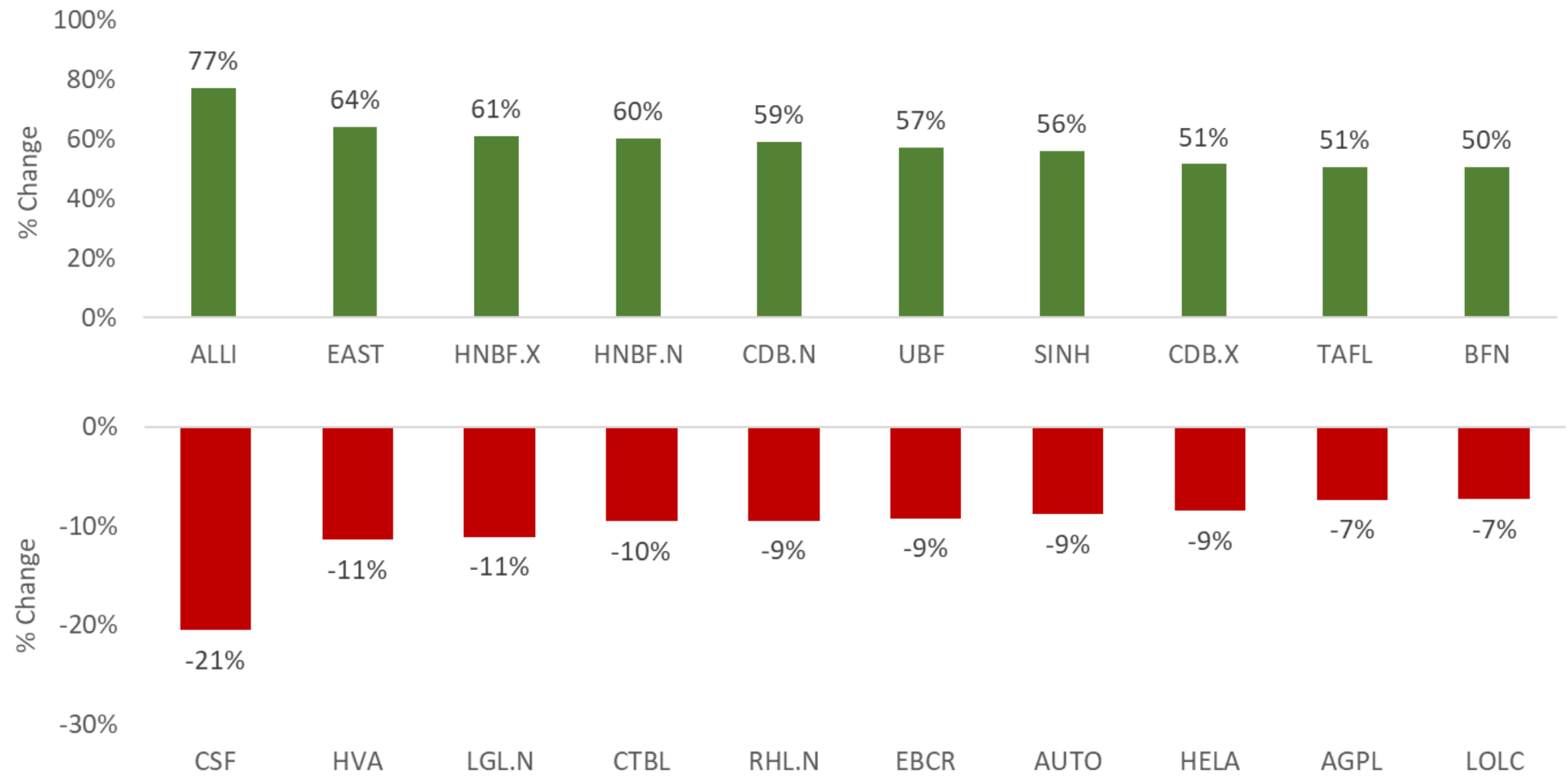
Sri Lanka still trades at attractive valuations, trading at a 65% discount to India, a 53% discount to Taiwan, and 40% discount to Malaysia.





Top ten gainers and losers for the month

ALLI, EAST HNBF.X as the biggest price gainers for the month.



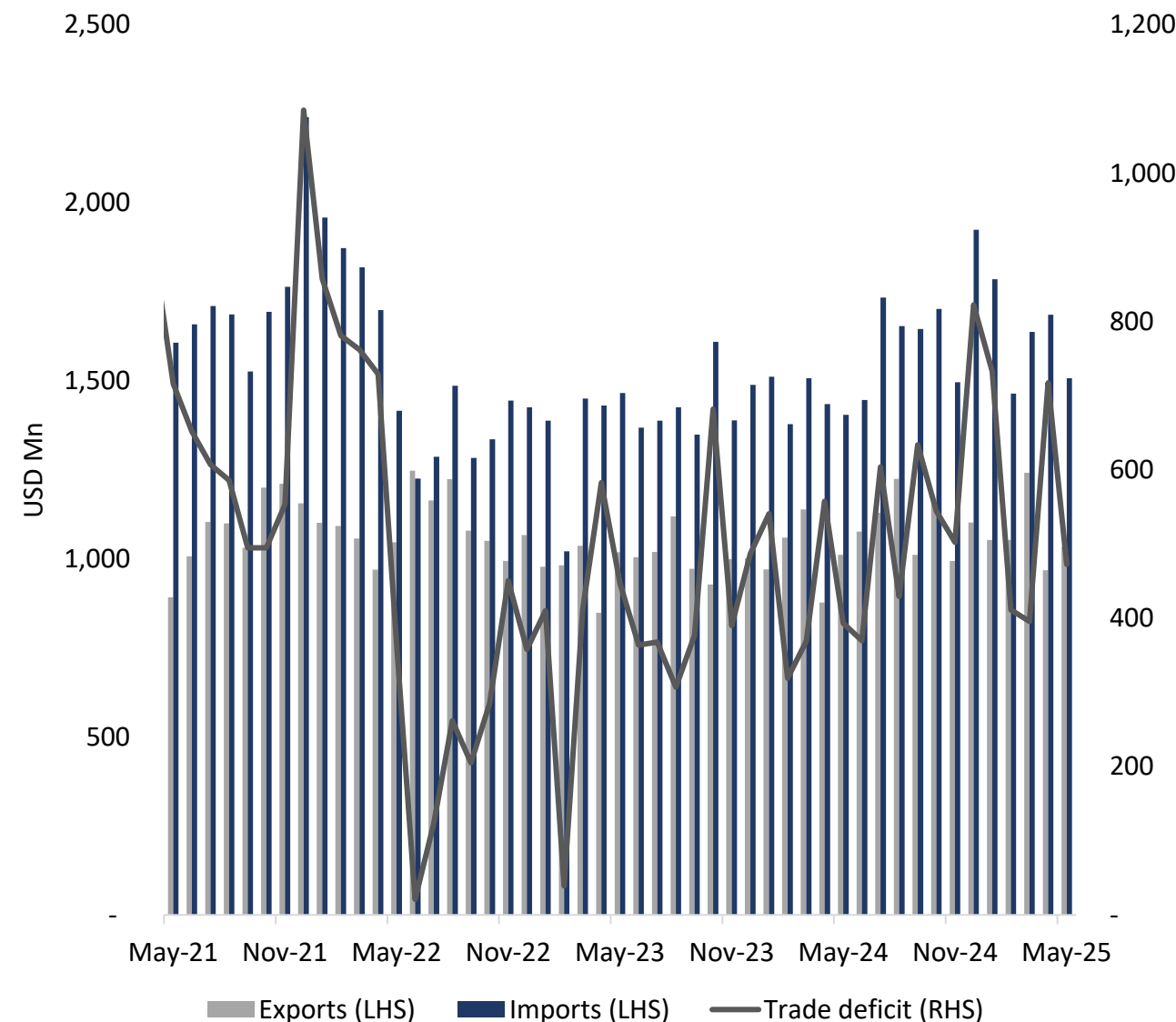
Total foreign buying stood at LKR 3.8Bn for the month

	2017	2018	2019	2020	2021	2022	2023	2024	YTD
ASPI (Year End)	6369.3	6052.4	6129.2	6774.2	12226.0	8489.7	10654.2	15944.6	18026.7
ASPI Return (%)	2.3%	-5.0%	1.3%	10.5%	80.5%	-30.6%	25.5%	49.7%	13.1%
S&P SL20	3671.7	3135.2	2937.0	2638.1	4233.3	2635.6	3068.4	4862.1	5352.5
S&P SL20 Return (%)	5.0%	-14.6%	-6.3%	-10.2%	60.5%	-37.7%	16.4%	58.5%	10.1%
Average Daily Turnover (LKR Mn)	915	834	711	1899	4888	2972	1697	2240	4085
YoY Growth	24%	-9%	-15%	167%	157%	-39%	-43%	32%	82%
Avg USD =LKR	152.5	162.5	178.8	185.4	203.0	371.6	328.8	292.6	300.0
Average Daily Turnover (USD Mn)	6.0	5.1	4.0	10.2	24.1	8.0	5.2	7.7	13.6
Foreign Purchases (LKR Mn)	113,276	76,621	56,649	53,901	34,085	67,508	41,471	49,797	26,273
Foreign Sales (LKR Mn)	95,052	99,979	68,366	104,233	86,687	36,906	37,124	59,722	38,034
Net Foreign flows (LKR Mn)	18,224	(23,358)	(11,717)	(50,332)	(50,284)	30,601	4,348	(9,925)	(11,761)
Foreign Purchases (USD Mn)	743	471	317	291	168	182	126	170	88
Foreign Sales (USD Mn)	623	615	382	562	427	99	113	204	127
Net Foreign Flows (USD Mn)	119	(144)	(66)	(271)	(248)	82	13.2	(33.9)	(39.2)
Market Cap (LKR Bn)	2,899	2,839	2,851	2,959	5,489	3,888	4,249	5,696	6,438
Market Cap (USD Mn)	19,010	17,469	15,944	15,959	27,039	10,463	12,924	19,467	21,463
CSE - PER (Year End)	10.7	9.7	11.5	15.2	13.6	5.0	11.1	8.9	8.5

Economic Indicators – June’25



Export income grew by 2%YoY and import bill soared by 7%YoY in May’25. Meanwhile, trade deficit widened by 20%YoY to USD 473Mn in May’25.



- The trade deficit in May’25, widened by 20%YoY to USD 473Mn driven by a relatively larger expansion in import expenditure by 7%YoY to USD 1.5Bn. However, the trade deficit narrowed by 34%MoM compared to Apr’25.
- Meanwhile, export income improved by 2%Yoy to USD 1.03Bn in May’25. this growth was widespread, with a major contribution from agricultural exports, which grew by 15%YoY. This surge was mainly due to higher volumes and prices of tea, along with an uptick in the export of spices and coconut-based products. However, industrial exports decline slightly by 1.1%YoY, primarily led by the 0.3%YoY reduction in textile exports.
- The rise in imports was mainly attributed to a surge in vehicle imports. In May’25 alone, imports of vehicles including both personal and commercial reached to USD 118Mn, bringing the total for the Jan to May 2025 period to USD 312Mn. In contrast, intermediate good imports plunged by 10%YoY to USD 829Mn.

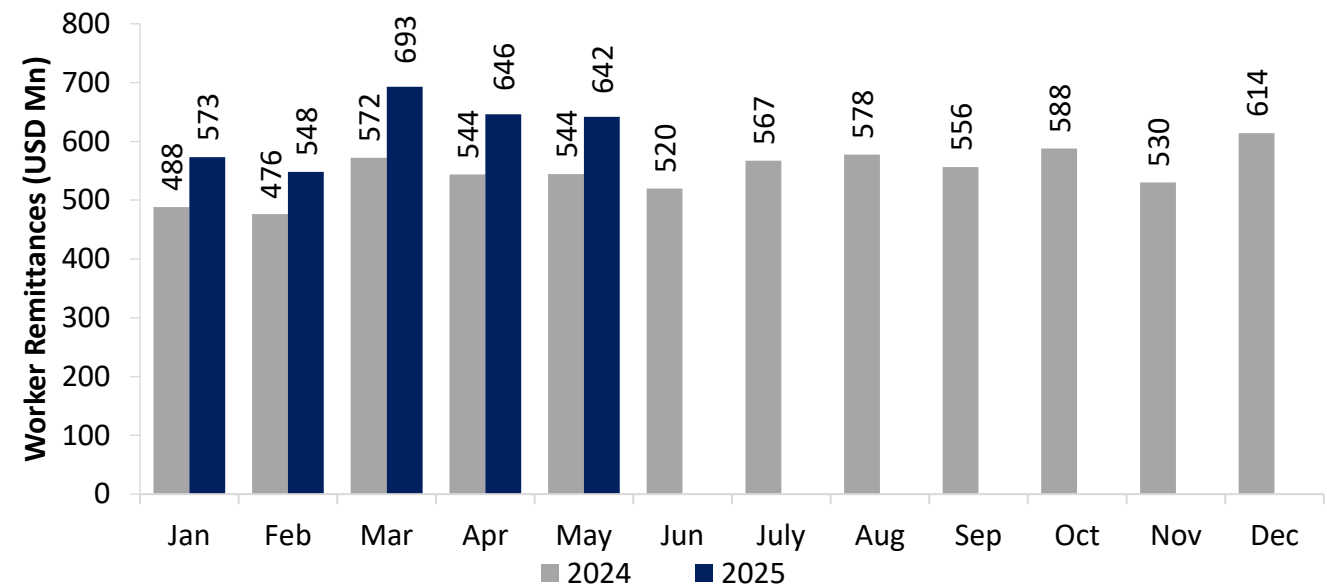
USD Mn	May'24	May'25	Variance	Jan - May 2024	Jan - May 2025	Variance	Contribution to Exports
Total Exports	1,011	1,035	2%	5,067	5,350	6%	
Industrial Exports	797	788	-1%	4,007	4,161	4%	78%
Textiles and garments	391	390	0%	1,961	2,142	9%	40%
Rubber Products	79	71	-10%	406	373	-8%	7%
Agricultural Exports	211	244	16%	1,039	1,172	13%	22%
Tea	115	132	15%	565	610	8%	11%

USD Mn	May'24	May'25	Variance	Jan - May 2024	Jan - May 2025	Variance	Contribution to Imports
Total Imports	1,405	1,507	7%	7,238	8,080	12%	
Consumer Goods	229	388	70%	1,287	1,897	47%	23%
Food and beverages	124	160	29%	701	954	36%	12%
Non-food consumer goods	105	228	117%	587	943	61%	12%
Medical and pharmaceuticals	40	50	28%	226	255	13%	3%
Intermediate goods	928	830	-11%	4,707	4,617	-2%	57%
Fuel	314	253	-19%	1,844	1,664	-10%	21%
Textiles and textile articles	227	218	-4%	1,094	1,113	2%	14%
Investment goods	247	289	17%	1,239	1,558	26%	19%
Machinery and equipment	167	181	9%	833	1,024	23%	13%

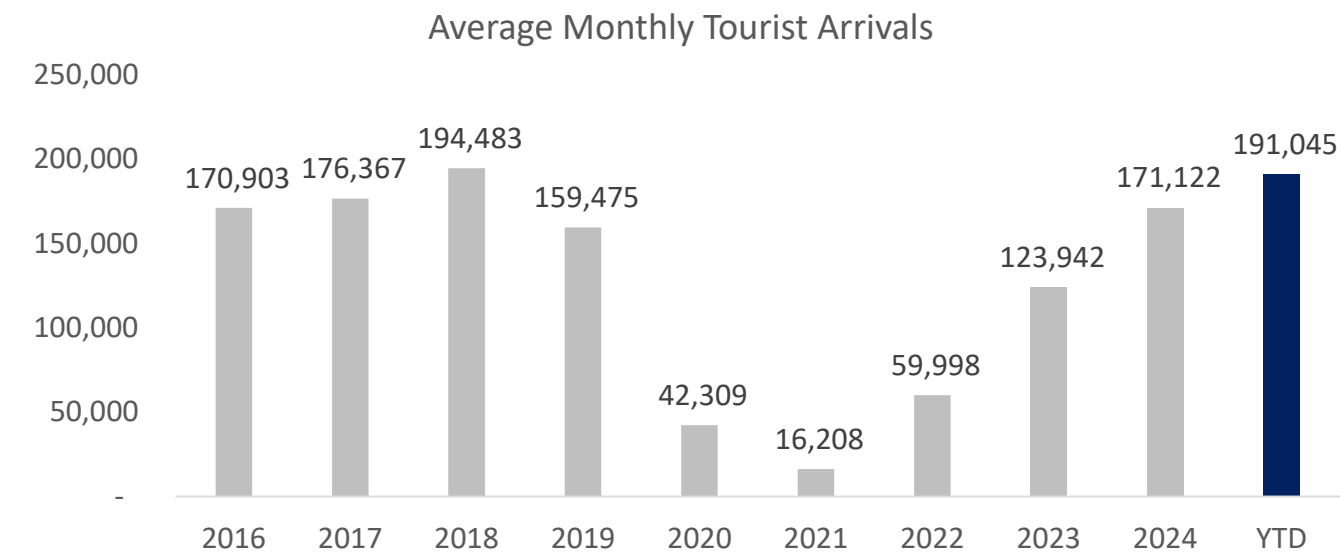
USD Mn	May'24	May'25	Variance	Jan - May 2024	Jan - May 2025	Variance
Trade balance	-394	-473	20%	-2170	-2,730	26%
Earnings from tourism	154	164	7%	1,406	1,543	10%
Workers' remittances	544	642	18%	2,624	3,102	18%
Current Account Balance	147.7	190.6	29%	951	1,308	37%



Remittances soared by 18%YoY in May'25 while tourist arrivals exceeds 1.1 Mn YTD



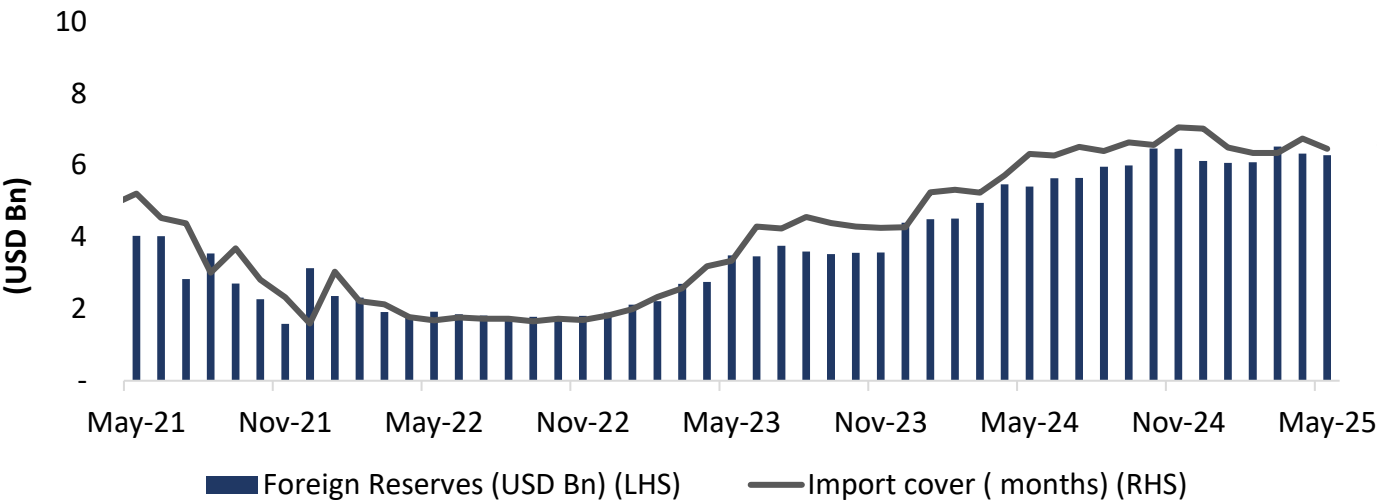
- Remittances for the month of May'25 surged by 18%YoY to USD 642Mn, in comparison to USD 544Mn in May'24. This significant growth is driven by the increased use of official banking channels and robust labour demand from the Middle East. In the meantime, Workers' Remittances soared by 18%YoY to USD 3.1Bn in Jan-May'25 from USD 2.62Bn during the same period in 2024.



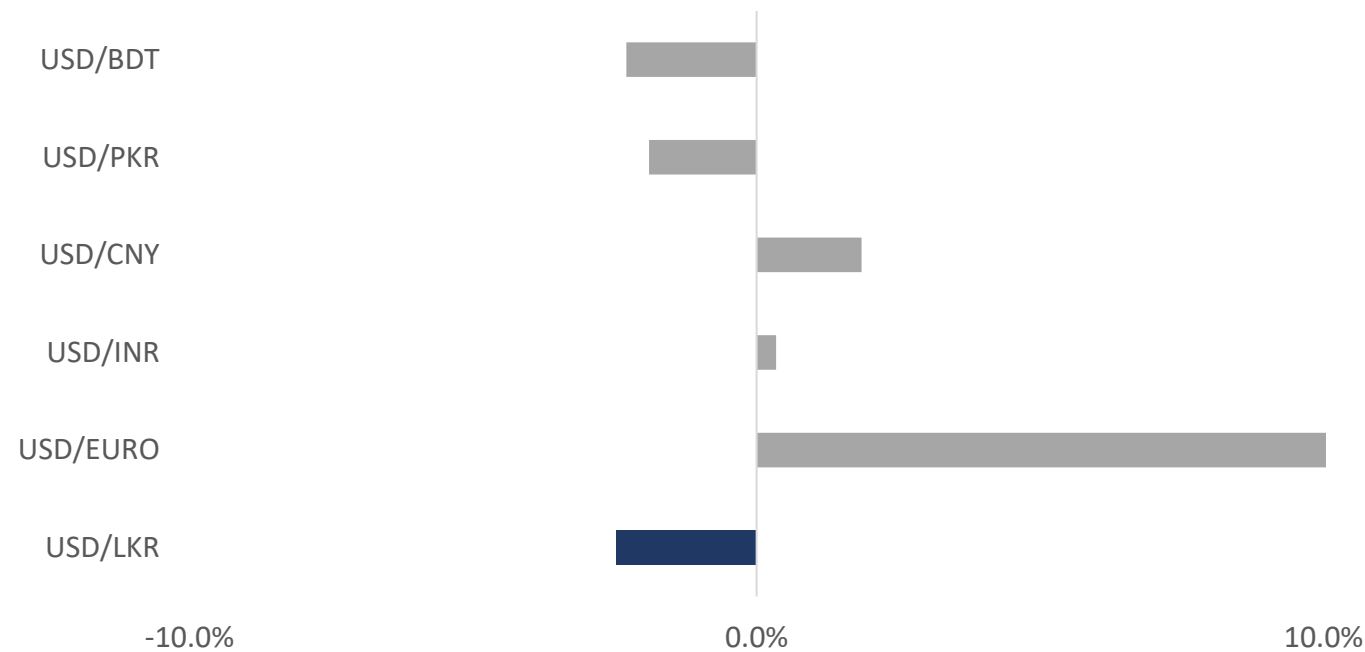
- Sri Lanka's tourism sector sustained its upward trajectory in the first half of 2025, recording over 1.1Mn tourist arrivals. Aligned with this surge, tourism earnings rose by 10%Yoy during the Jan-May period, reaching USD 1.4Bn. This growth has been primarily driven by a consistent influx of visitors from India, which remains the leading source market, accounting for over 20% of total arrivals. Other key contributors to the tourism boom include Russia, the United Kingdom, Germany, and China.



Reserves stood at USD 6.2Bn in May'25, representing near 4 month's worth of imports.



- Sri Lanka's Gross Official Reserves in May'25 stood at USD 6.2n, broadly similar to end Apr'25. The monthly import bill is also around USD 1.6Bn, which is comfortable to cover nearly 4 month's worth of imports.

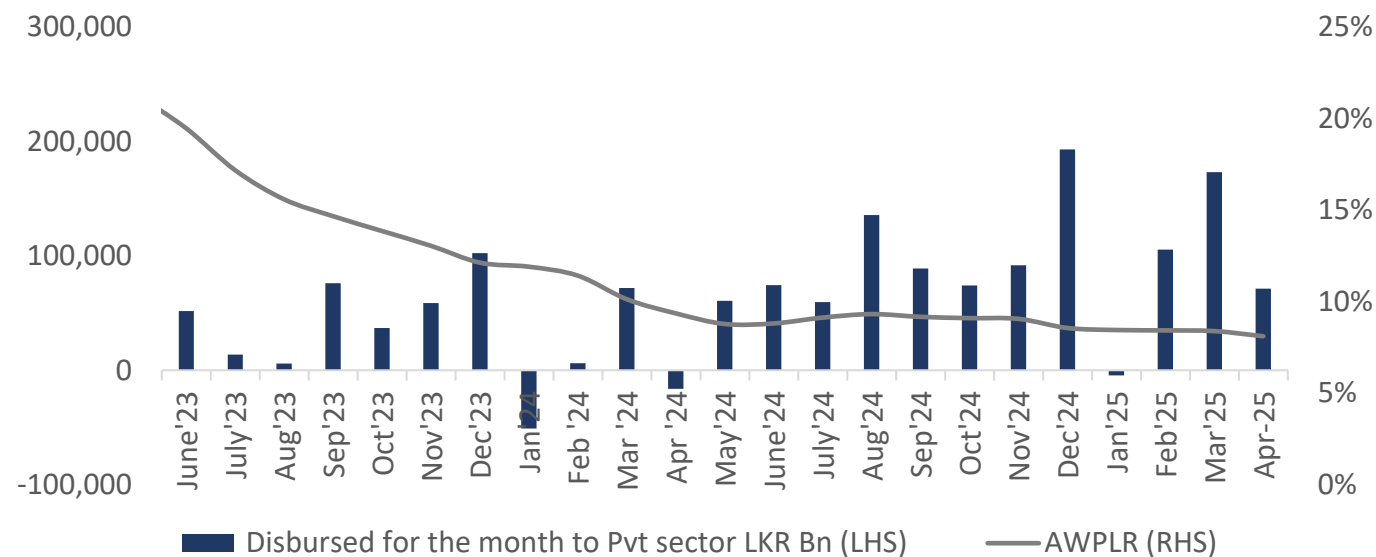


- Official exchange rate of LKR against USD depreciated by 2.5% YTD and the Bangladesh Taka and Pakistan Rupee also depreciated by 2.3% and 1.9% YTD respectively against USD. While the EURO, INR and CNY appreciated by 11.2%, 0.3% and 1.8% YTD against USD.

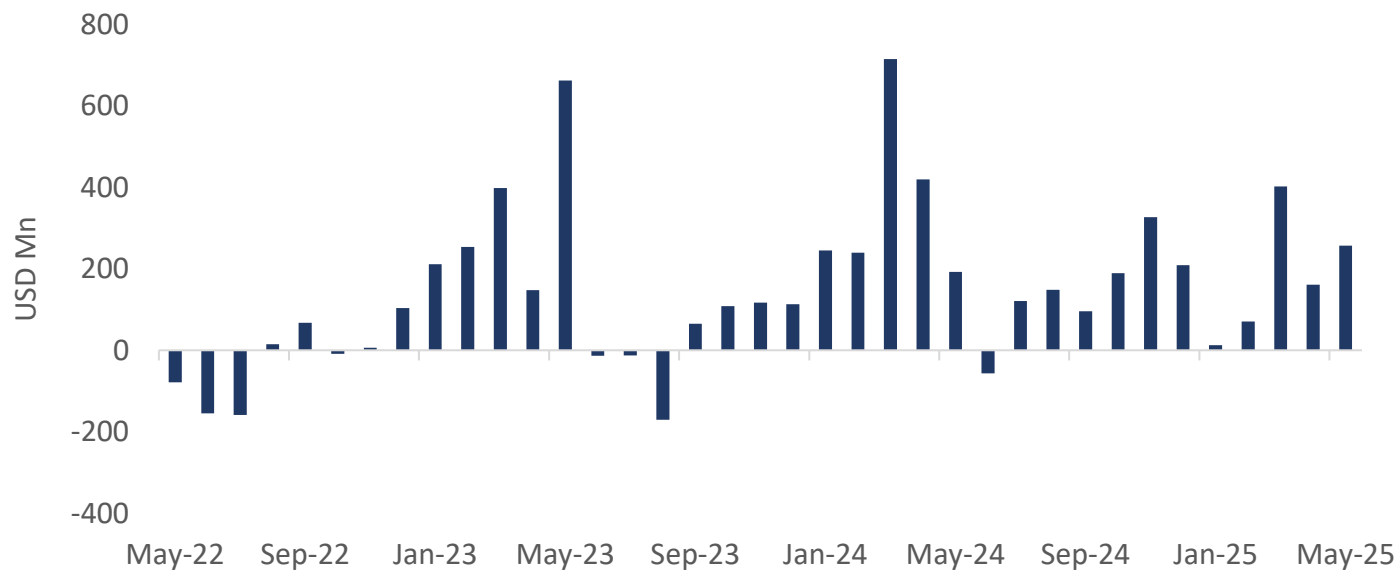
Source : CBSL, Xe Currency,
Note: LKR : Sri Lankan Rupee, EURO: Euro, INR: Indian Rupee, CNY: Chinese yuan, PKR: Pakistan Rupee, and BDT: Bangladesh Taka



Private sector credit picks up by 15.4% YoY for April '25



- Private sector credit edged up by LKR 71.5Bn in April'25, up 15.4%YoY. We expect the private sector credit growth to hover around 16%YoY-18%YoY for 2025E on the back of improved economic activities and low lending rates.

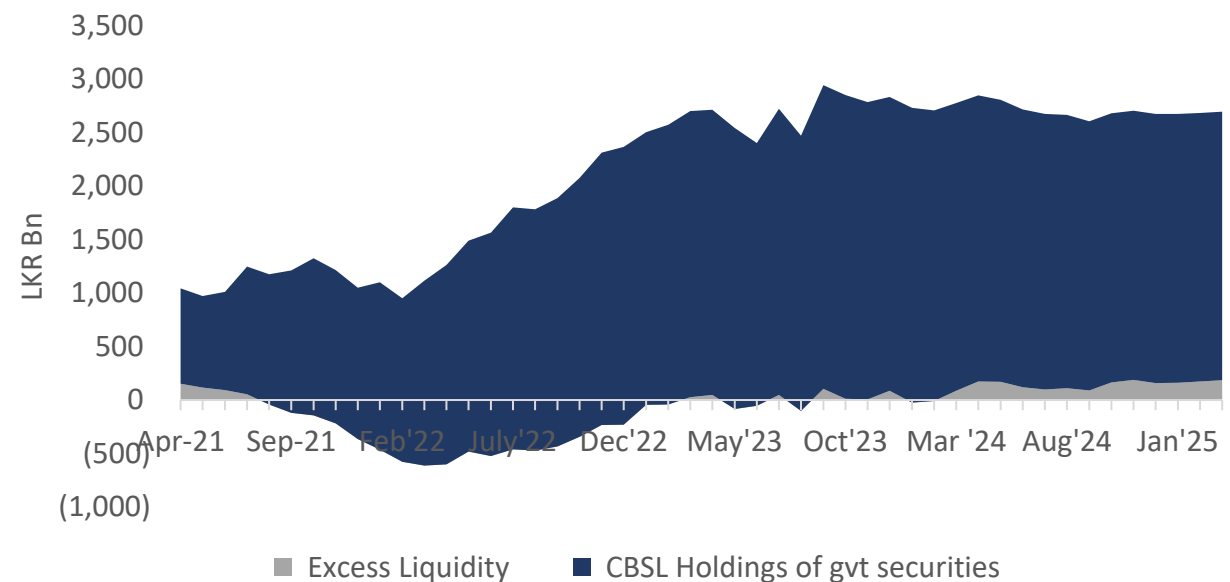


- Sri Lanka purchased USD 260.8Mn in May'25 and USD 4Mn of selling has reported in May'25, resulting in a net purchase of USD 256.8Mn. Meanwhile, the net purchases during the first five months of 2025 amounted to USD 902.1Mn.

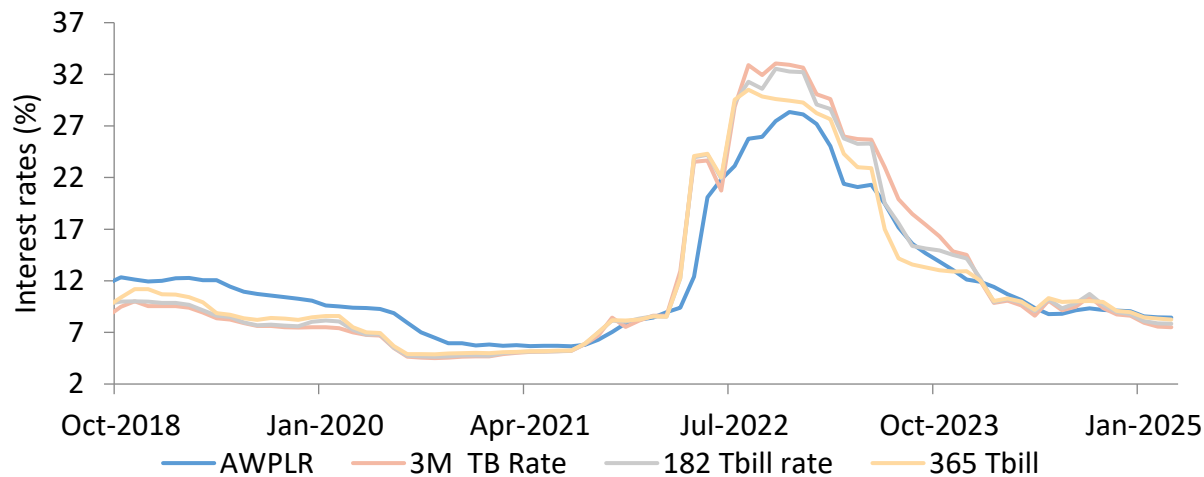
Source : CBSL



Tbill rates edge up



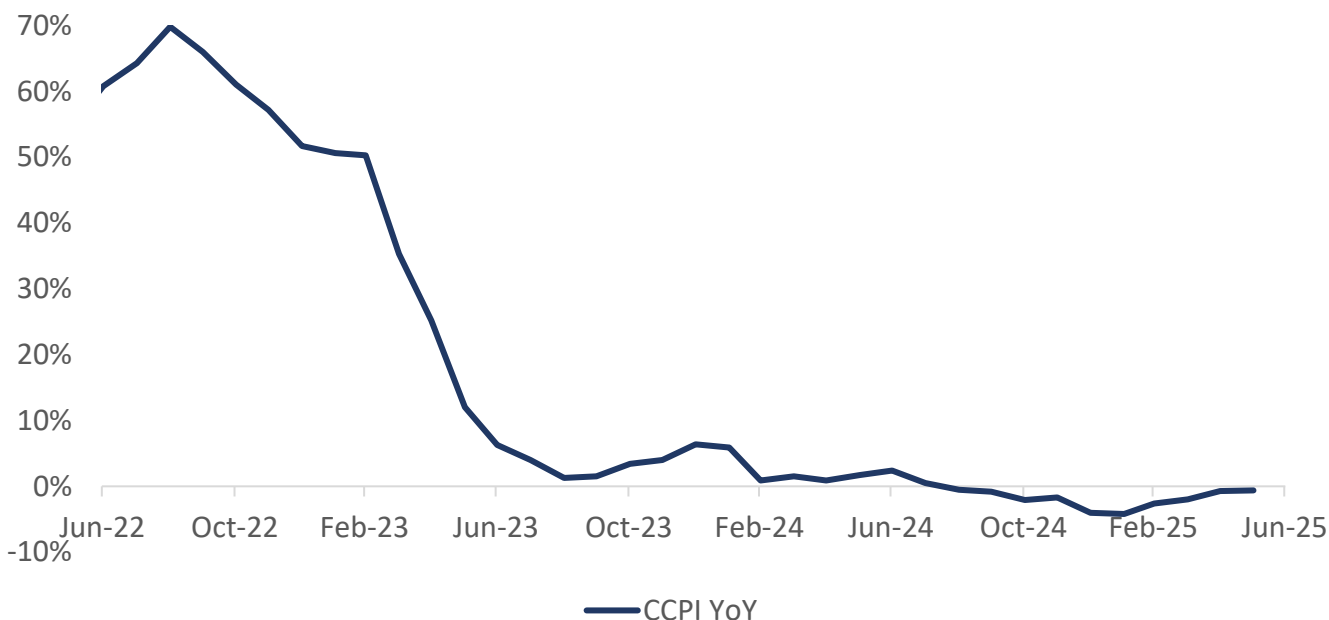
- Overnight liquidity levels meanwhile ended positive of LKR 138.1Bn. CBSL's holdings of government securities meanwhile remained at LKR 2.509Tn.



- T bill rates largely remained at the same levels as last week with 91 days, 182 days and 365Bill ending at 7.55%, 7.75% and 7.94% on the back of policy rate cut by 25bps.
- AWPLR meanwhile dropped to 8.11% , 4bps lower than last month.



In June 2025, the CCPI indicates a continued moderation of deflationary trends, with deflation slowing to 0.6%

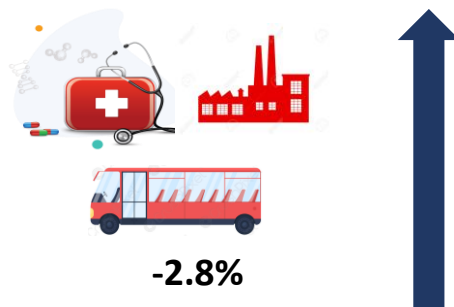


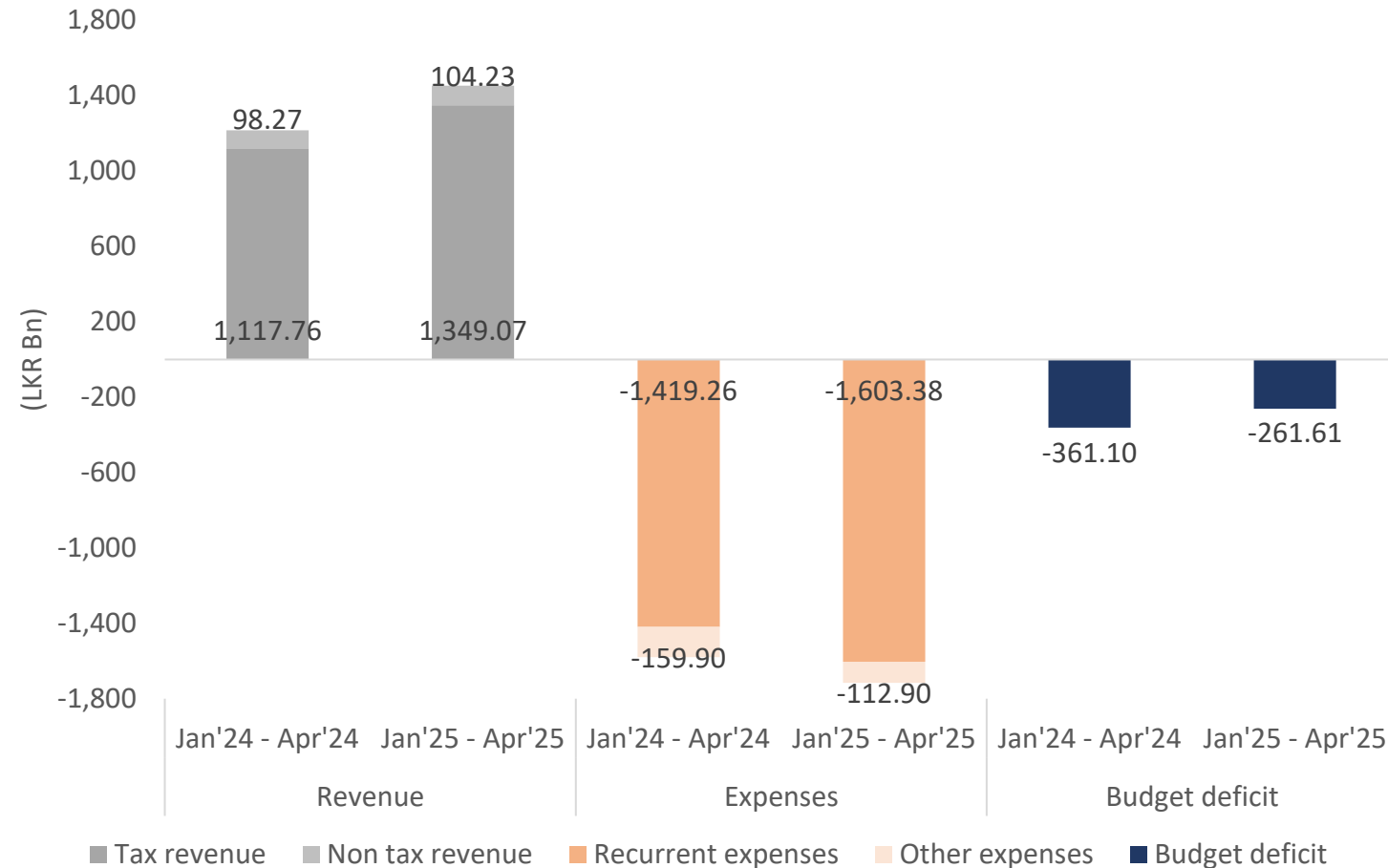
- CCPI headline inflation reflected a slower pace of headline deflation at 0.6% in June'25 compared to the deflation of 0.7% recorded in May'25. The food inflation moderated to 4.3%YoY (from 5.2%YoY in May'25). Meanwhile, non-food deflation decelerated to 2.8%YoY (from -3.3% YoY in May'25).
- For the month of June'25, on YoY basis, contribution to inflation by food commodities was 1.37%. The contribution of Non Food items was -1.92%. This was mainly due to price decreases in the groups of 'Housing, Water, Electricity, Gas and Other Fuels' (1.84%), 'Transport' (0.84%) and 'Furnishing household Equipment and Routine Household Maintenance' (0.02%). However, price increases in groups of items were reported for 'Education' (0.24%), 'Health' (0.14%), 'Clothing and Footwear' (0.11%), 'Miscellaneous Goods and Services' (0.11%), 'Alcoholic beverages Tobacco and Narcotics' (0.09%), 'Restaurants and Hotels' (0.08%), 'Communication' (0.01%), and 'Recreation and Culture' (0.01%).

Food Inflation (Y-o-Y)



Non-Food Inflation (Y-o-Y)





- Government revenue for Jan’25-Apr’25 soared by 19%YoY to LKR 1,453.30Bn, with tax revenue also growing by 20%YoY (accounts for 93% of total revenue) and the non-tax revenue increased by 6%YoY for the same period.
- Recurrent expenses soared by 13%YoY while capital expenses plunged by 29%YoY in Jan’25-Apr’25. Consequently, the total expenses recorded at LKR 1,716.28Bn for the same period, reflecting an increase of 8%YoY.
- Meanwhile, the Budget deficit plummeted by 27%YoY to LKR 261.61Bn during the same period.

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