



THE SUNDAY ECONOMY

Cabinet Decisions

1. Rs. 2,000 million allocated under the 2025 budget for the "District Development Program" to improve infrastructure, local production, services, trade, and institutional capacity based on district poverty levels.
2. Sri Lanka to establish formal diplomatic relations with Belize to enhance political, economic, and cultural cooperation.
3. Government to provide underutilized state lands to private investors, including SMEs, for agriculture, plantations, tourism, power, and related industries.
4. A digital GIS-based system will be created to map and register rubber lands to comply with EU deforestation-free regulations.
5. The Sri Lanka Tea Board will continue the 50% subsidy scheme for exporters to promote "Ceylon Tea" globally.
6. The pilgrimage to Sabarimala Ayyappan Temple in Kerala, India, will be officially declared a government-recognized sacred pilgrimage.



Sri Lanka's Deflation Nearing an End

Sri Lanka's economy is on a path of gradual stabilisation, with the Central Bank projecting the end of deflation and a steady return to its 5% inflation target by mid-2026.

According to the Monetary Policy Report (17th August 2025), inflation has remained negative since September 2024, largely due to sharp declines in energy and transport prices. However, deflationary pressures have eased since March 2025 as food inflation picked up and electricity tariffs were revised upward. Headline inflation is expected to move back into positive territory in the third quarter of 2025 and gradually accelerate thereafter.

On the growth front, the Central Bank projects GDP to expand by around 4.5% in 2025, supported by robust performance in industry and agriculture, stronger credit flows, and improved domestic demand. Despite global uncertainties including US tariff hikes and geopolitical tensions Sri Lanka's external sector has shown resilience, with reserves maintained above USD 6 billion and steady inflows from tourism and remittances.



7. Sri Lanka to develop a hydrogen economy through policy frameworks, consultations, and alignment with global climate goals.
8. Construction on 12 suspended urban development projects will recommence, including markets, bus stands, parks, and administrative buildings.
9. The government will launch the "Healthy Food - Happy Life" national media mission to promote better nutrition and food safety awareness.
10. Sri Lanka will host the 78th WHO South-East Asia Regional Committee meeting in October 2025 with participation from 11 countries.
11. Floating solar power projects with a potential of 3,000 MW will be developed through feasibility studies and environmental assessments.
12. Cabinet approved drafting of the Micro Finance and Loan Regulation Authority Act, replacing the 2016 Act, incorporating Supreme Court guidance and committee recommendations.
13. R. M. Gamini Senarathne will be appointed as the Commissioner General of Buddhist Affairs.
14. Regulations under the Colombo Port City Economic Commission Act nominating strategic institutions were approved for submission to Parliament.

The report also highlights the Central Bank's accommodative monetary stance, with policy interest rates reduced by 800 basis points since June 2023. Market lending rates have eased notably, supporting private sector credit expansion. Still, the Bank cautions that sustaining recovery will depend on structural reforms, investor confidence, and careful management of external risks.

In Summary, the report paints a cautiously optimistic picture on Sri Lanka's economy is regaining momentum, but sustaining this growth will require consistent policy discipline and resilience against global headwinds.

-Editor -

Weekly CSE Summary

The Colombo Stock Exchange ended the week on a strong note, with the All Share Price Index (ASPI) surging 289.69 points (1.45%) to close at a record high of 20,218, surpassing the 20,000 milestone for the first time. The S&P SL20 also advanced by 114.26 points (1.98%). Weekly gains stood at 2% for the ASPI and 1.2% for the S&P SL20, supported by an average daily turnover of Rs. 6.36 billion. Yesterday's turnover reached Rs. 9.54 billion, up 49% from the monthly average, on 332.35 million shares traded.

Banking stocks drove the rally, contributing 22% of turnover, with Hatton National Bank and Commercial Bank leading the sector index to rise 2.78%. HNB closed at Rs. 379.75 (+Rs. 1.75), while Commercial Bank rose Rs. 8.75 to Rs. 181.25. Other top gainers included DFCC, Sampath, LOLC Holdings (Rs. 581, +Rs. 29.25), and Nations Trust Bank. The Capital Goods sector added 0.71%, with Sierra Cables up Rs. 1.90 to Rs. 18.80, though Access Engineering slipped 90 cents to Rs. 58.90.

Despite robust domestic buying by retail and high-net-worth investors, foreign investors recorded a net outflow of Rs. 18.8 million.

-editor-

Weekly Indices

ASPI

20,218.36 + 391.79

S&P SL 20

5,894.84 + 69.45

This content is for educational purposes only. This is not financial advice. Trading and investing in financial markets carries significant risks, including the possible loss of principal. Past performance does not guarantee future results. Always conduct your own research and consider consulting with a licensed financial advisor before making any investment decisions.

Historical events

August 17, 1945: Indonesia proclaims independence from Dutch colonial rule, with Sukarno becoming the country's first president.

August 18, 1920: The 19th Amendment to the U.S. Constitution is ratified, granting women the right to vote after decades of activism.

August 19, 1944: Members of the French Resistance, supported by Allied forces, launch the uprising in Paris against Nazi occupation, leading to the city's liberation a week later.

August 20, 1968: Warsaw Pact troops invade Czechoslovakia, crushing the Prague Spring reform movement and reaffirming Soviet dominance in Eastern Europe.

August 21, 1959: Hawaii is admitted as the 50th state of the United States, completing the nation's current configuration.

August 22, 1485: The Battle of Bosworth Field ends the Wars of the Roses, with Henry Tudor defeating King Richard III to become Henry VII of England.

August 23, 1939: Nazi Germany and the Soviet Union sign the Molotov-Ribbentrop Pact, a non-aggression treaty that secretly divides Eastern Europe between them

Japan Calls for Transparent and Fair Business Environment in Sri Lanka

Japanese Ambassador to Sri Lanka, Akio Isomata, on Thursday (14) emphasized the need for a transparent, predictable, and non-discriminatory business environment for Japanese companies operating in the country. Speaking at the launch of the first Japan-Sri Lanka Committee on Business Environment meeting, Ambassador Isomata highlighted three key elements: transparency, ensuring laws and regulations are clear; predictability, where changes are communicated in advance; and non-discriminatory treatment, ensuring all companies compete fairly.

He noted that these factors are essential for investors making decisions on new or renewed investments and expressed hope that the committee would meet quarterly to address real challenges faced by Japanese firms in Sri Lanka.

50th state - Hawaii

Hawaii, the 50th state of the United States, is a unique tropical paradise located in the central Pacific Ocean.

Comprised of eight main islands, including Oahu, Maui, Kauai, and the Big Island, Hawaii is renowned for its stunning natural beauty, from lush rainforests and cascading waterfalls to volcanic landscapes and pristine beaches.

The islands' diverse ecosystems host rare flora and fauna, making them a hotspot for environmental conservation and eco-tourism. Hawaii has a rich cultural heritage shaped by Polynesian traditions, Asian influences, and Western history, reflected in its music, dance, and festivals like hula and the Merrie Monarch Festival.



World Column

NYSE weekly summary

Last week, global equity markets rebounded, recovering much of the losses from the post-job report decline, as investors looked ahead to key events including U.S. inflation data, the China trade deadline, and the Trump-Putin meeting in Alaska. While the S&P 500 and Dow Jones Industrial Average reached new all-time highs, small and mid-cap indices outperformed, rising around 3%, reflecting investor confidence in a potential Federal Reserve easing cycle despite hotter-than-expected inflation data. Market reactions were mixed at times, creating some uncertainty ahead of Fed Chair Powell's Jackson Hole speech.

The U.S.-China trade détente was officially extended for 90 days, delaying a sharp increase in tariffs and providing retailers time to prepare for the holiday season. Chipmakers Nvidia and AMD agreed to pay 15% of China sales to secure export licenses, while President Trump targeted Intel over China ties, indicating increased U.S. intervention in tech. China urged local firms to avoid U.S. chips, highlighting ongoing tensions.

Sector-wise, healthcare led gains, up nearly 5%, followed by communication services and consumer discretionary, while defensive and yield-oriented sectors lagged. Globally, Japan led Asian markets (+4%), and Europe gained ~1%, supported by optimism over U.S.-Russia diplomacy and regional economic data.

**DOW 44,946 (+35),
S&P 500 6,450 (-19),
Russell 2000 2,287 (-13),
NYSE FANG+ 15,459 (-3),
ICE Brent Crude \$66.15/barrel (-\$0.69),
Gold \$3,383/oz (-\$0),
Bitcoin ~117.2k (-722)**

Follow Us for daily Updates

@lankaneconomist

Instagram- <https://instagram.com/lankaneconomist?igshid=NGVhN2U2NjQ0Yg==>

Youtube- <https://youtube.com/@LankanEconomist?si=mKDPAjzflV9cjEI>

LinkedIn- <https://www.linkedin.com/company/lankaneconomist/>

X(Twitter) - <https://x.com/LKeconomist?s=20>

We are Now Live

Visit

[www.lankaneconomist .com](http://www.lankaneconomist.com)

Editor
Anupa De Silva -
lankaneconomist@gmail.com