



MONTHLY ECONOMIC WRAP | **JAN 2026**

AMBEON
SECURITIES

11.02.2026



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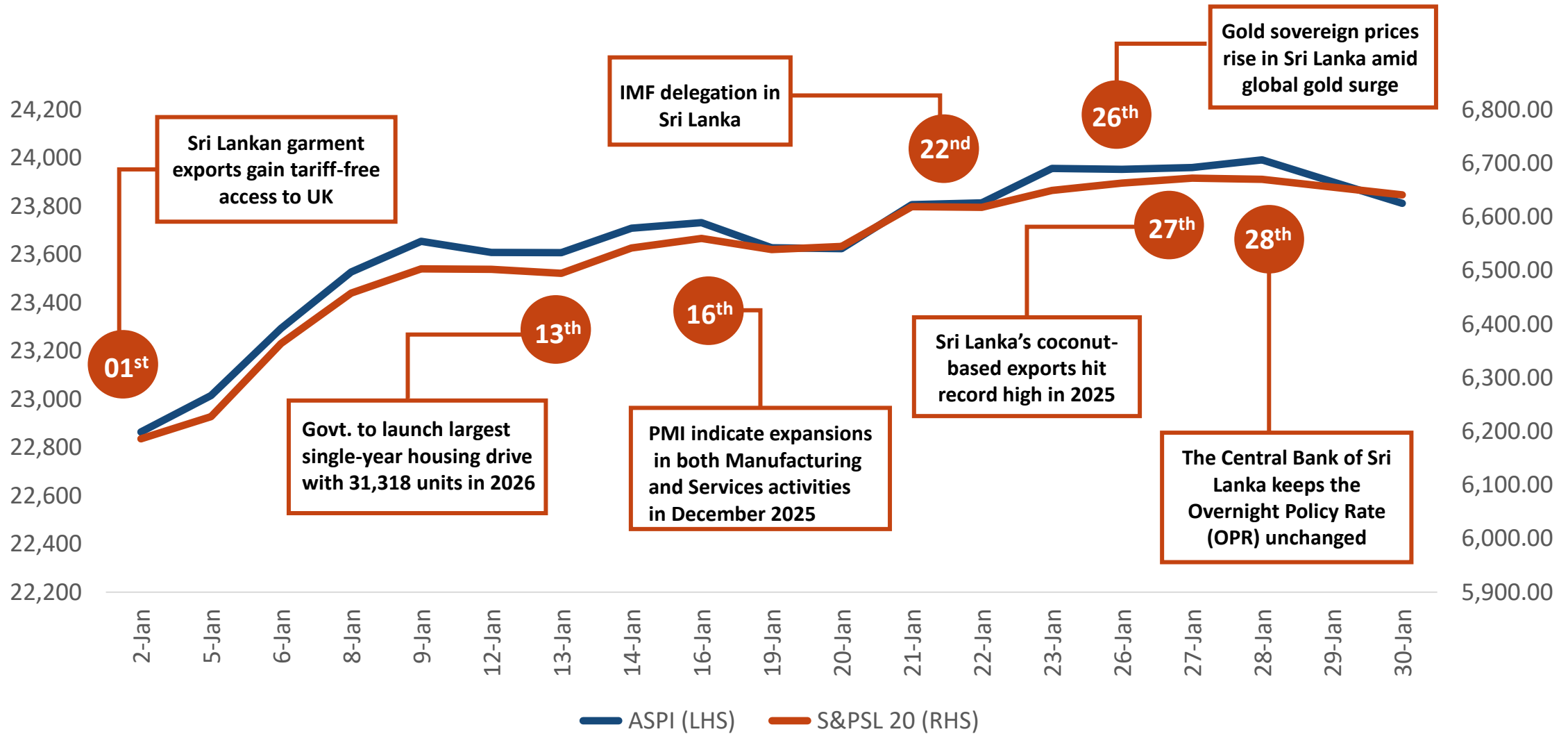


CSE PERFORMANCE

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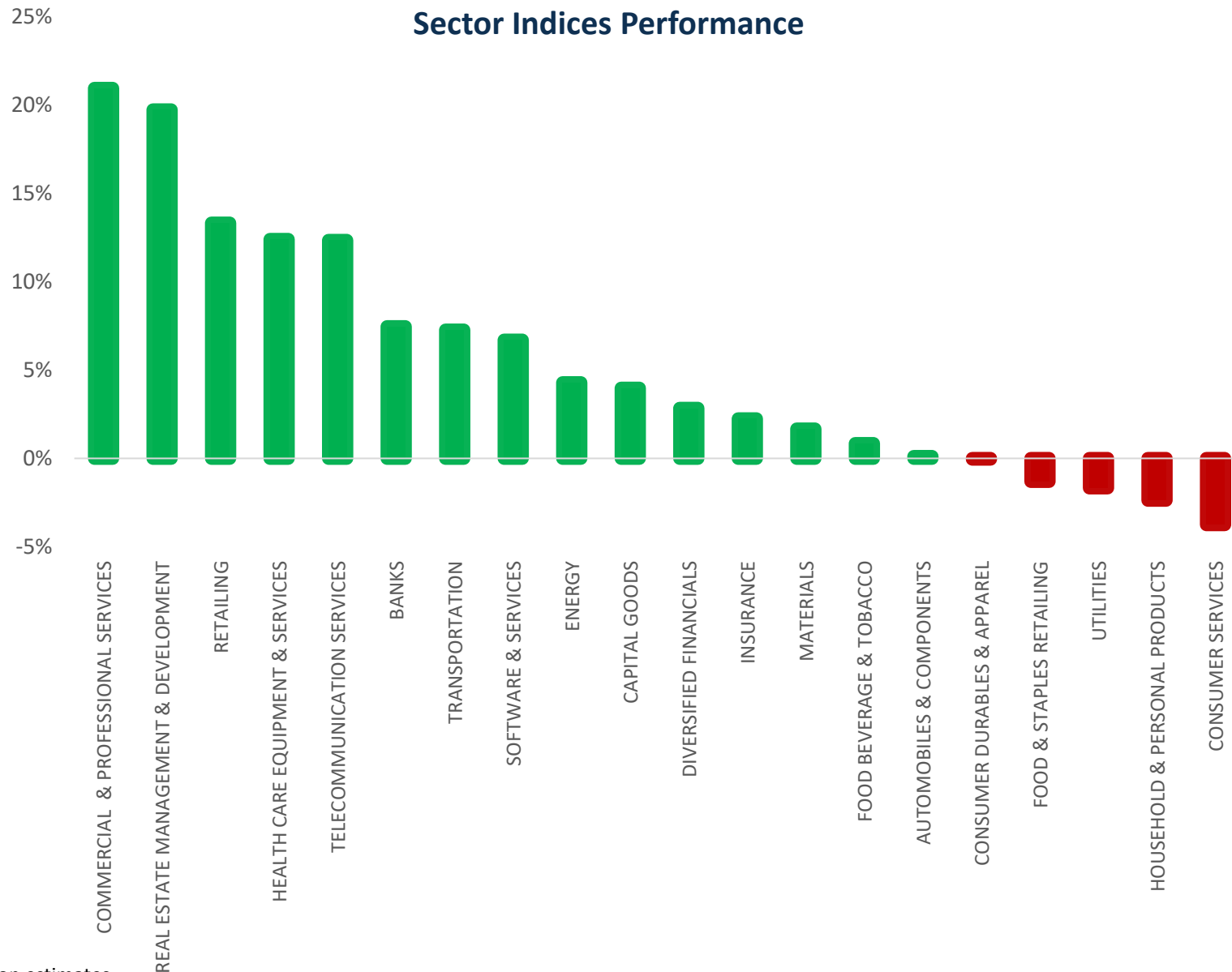


ASPI increased by 4.15% and S&PSL20 increased by 7.36% in Jan 2026



Note: Returns are calculated up to 30th January 2026
 Source: CSE, Ambeon estimates

In Jan 2026, most sectors experienced a growth

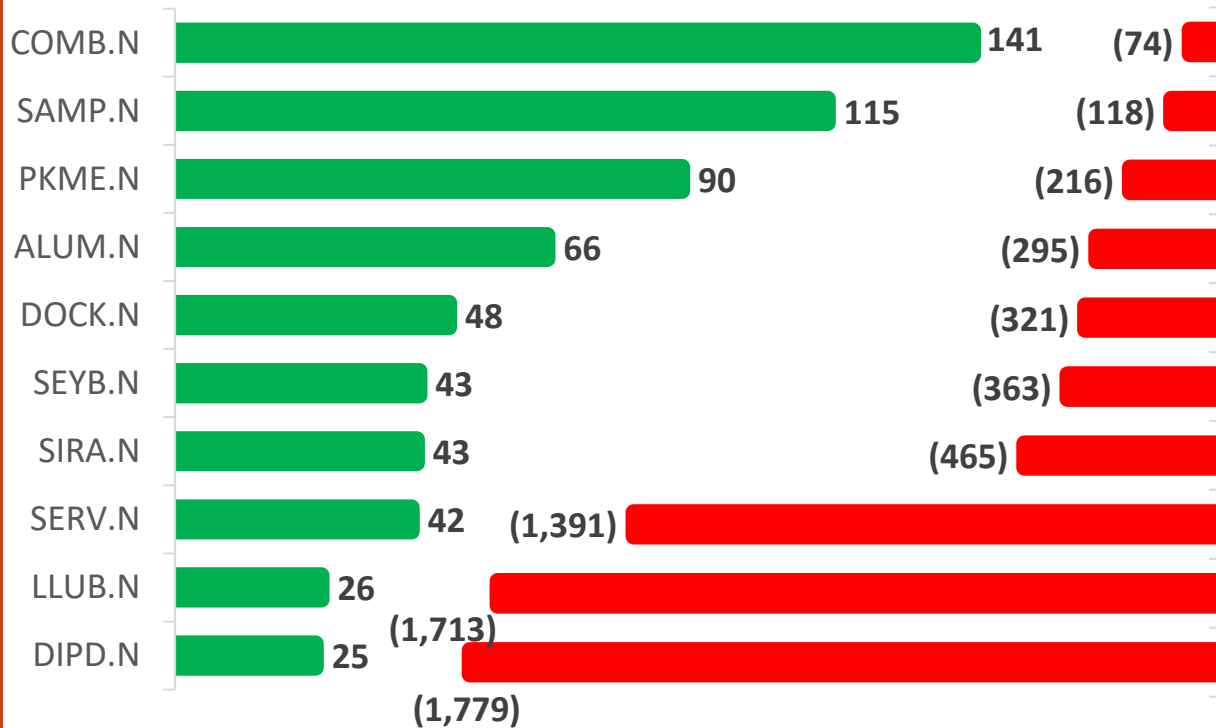


The Commercial and Professional Services had the highest increase of 20.94% this month, while the Consumer Services sector experienced the largest decline of -3.75%.

Source: CSE, Ambeon estimates

Total net foreign outflow for Jan 2026 was LKR -6,787.25 Mn

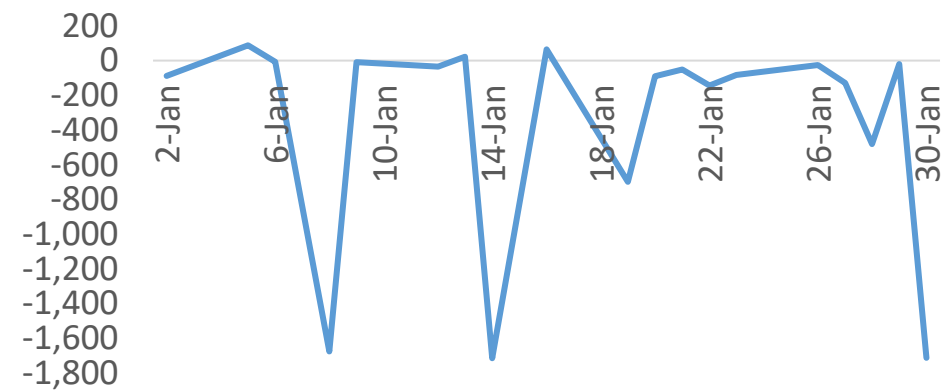
**Top 10 Counters
Net Foreign Inflows (LKR Mn)**



**Top 10 Counters
Net Foreign outflows (LKR Mn)**

MELS.N
HHL.N
TKYO.N
ACL.N
JKH.N
TKYO.X
CARG.N
DIAL.N
SHAW.N
HNB.N

Net Foreign Flow (LKR Mn)



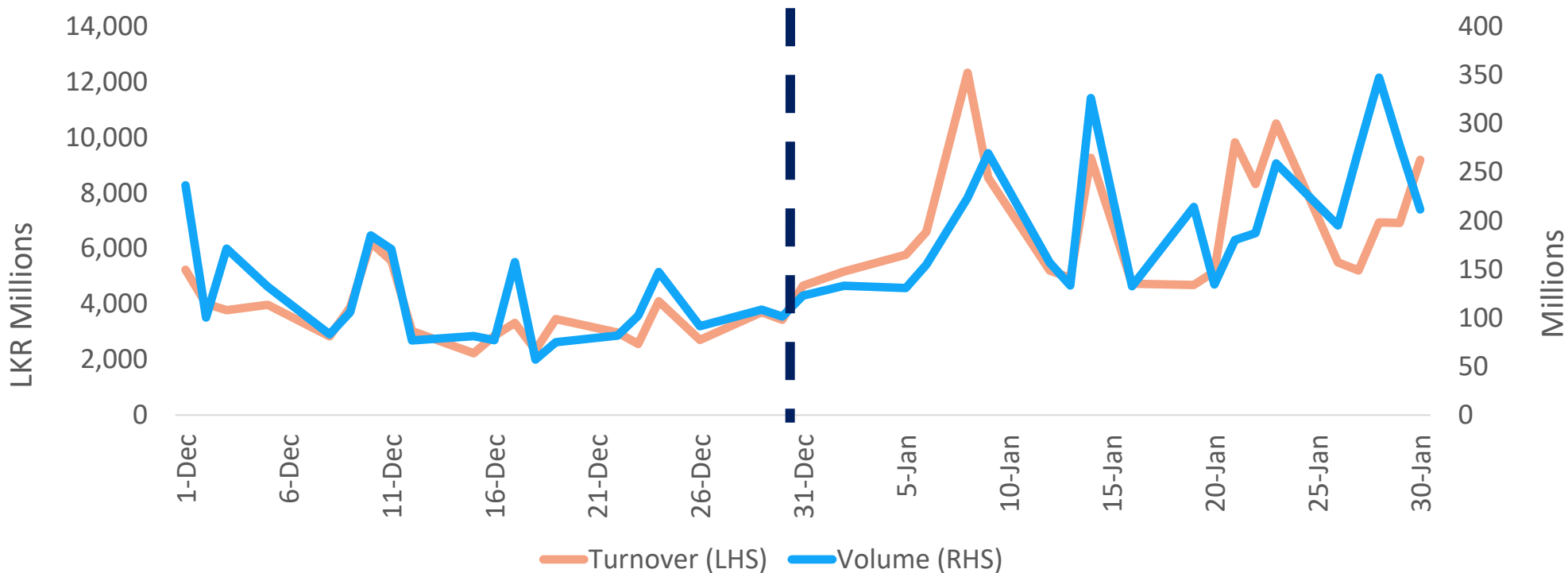
Except for 3 market days, the remaining days in the month recorded net foreign outflows.

Jan 26 Total Net Foreign Flow LKR -6,787.25 Mn | Year-to-date Net Foreign Flow* LKR - 6,787.25 Mn

Source: CSE, Ambeon estimates
*Year-to-date calculated as of 30th January 2026

In Jan 2026, average daily turnover and volume increased

Average turnover increased by 94% MoM while average volume increased by 77% MoM.



Daily average	Dec 2025	Jan 2026	YTD Average
Turnover (LKR Mn)	3,660	7,095	7,095
Volume (Mn)	117	207	207

Source: CSE, Ambeon estimates
 Note: Daily average turnover and volume for the month

Regional valuation comparison

Frontier Markets (Asia)

Index	PE	PBV
ASPI (Sri Lanka)	11.25	1.62
KSE 100 (Pakistan)	10.39	1.63
VNI (Vietnam)	17.92	2.16

US & European Markets

Index	PE	PBV
S&P 500 (US)	25.88	5.57
DJIA (US)	23.31	5.83
FTSE 100 (UK)	14.76	2.33

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	22.94	2.63
CSI 300 (China)	17.99	1.86
HSI (Hong Kong)	13.14	1.50
BSE 500 (India)	23.41	3.52
NIFTY 50 (India)	21.01	3.45
Indonesia (JCI)	20.51	2.14

Note: Figures are as of 30th January 2026

Source: Bloomberg

Key economic news & events

01st Jan

Sri Lankan garment exports gain tariff-free access to UK from 1 January

Sri Lankan garment manufacturers have gained tariff-free access to the UK market under liberalised rules of the United Kingdom's Developing Countries Trading Scheme (DCTS) effective from 1 January 2026. Under the new rules, exporters can source up to 100% of raw materials from anywhere in the world while still qualifying for zero tariffs, and previous requirements for multiple manufacturing stages in Sri Lanka have been eased. The reforms are expected to boost Sri Lanka's competitiveness and export potential.

16th Jan

PMI indicate expansions in both Manufacturing and Services activities in December 2025

In December 2025, Sri Lanka's economic activity remained strong with both the Manufacturing and Services sectors showing continued expansion. The Manufacturing PMI rose to 60.9, signaling robust growth supported by increased new orders, higher production, expanded employment, and larger stock holdings, despite weather-related disruptions early in the month. Meanwhile, the Services PMI surged to 67.9, reflecting a notable expansion driven by heightened wholesale and retail trade during the festive season and positive contributions from other service activities.

22nd Jan

IMF delegation in Sri Lanka

The IMF staff mission to Sri Lanka in January 2026 focused mainly on assessing the economic and social impact of Cyclone Ditwah, including infrastructure damage and loss of livelihoods. Discussions with authorities covered the government's fiscal response to the disaster, monetary policy implications, and financial sector stability, while also reviewing financing needs and how the IMF can support recovery under the Extended Fund Facility (EFF). Also, IMF confirmed its continued support and plans for a future mission to continue program discussions.

28th Jan

The Central Bank of Sri Lanka keeps the Overnight Policy Rate (OPR) unchanged

The CBSL kept the Overnight Policy Rate (OPR) unchanged at 7.75%, signalling a stable monetary policy stance aimed at maintaining price stability and guiding inflation toward the 5% target. The decision reflects low inflation at 2.1% in December 2025, despite temporary food price pressures from cyclone-related disruptions and festive demand, with inflation expected to rise gradually toward target by H2 2026. Continued economic growth (5.0% in the first nine months of 2025), strong private sector credit expansion, and a stable external position with higher reserves supported the decision to keep the OPR unchanged.



MONETARY SECTOR

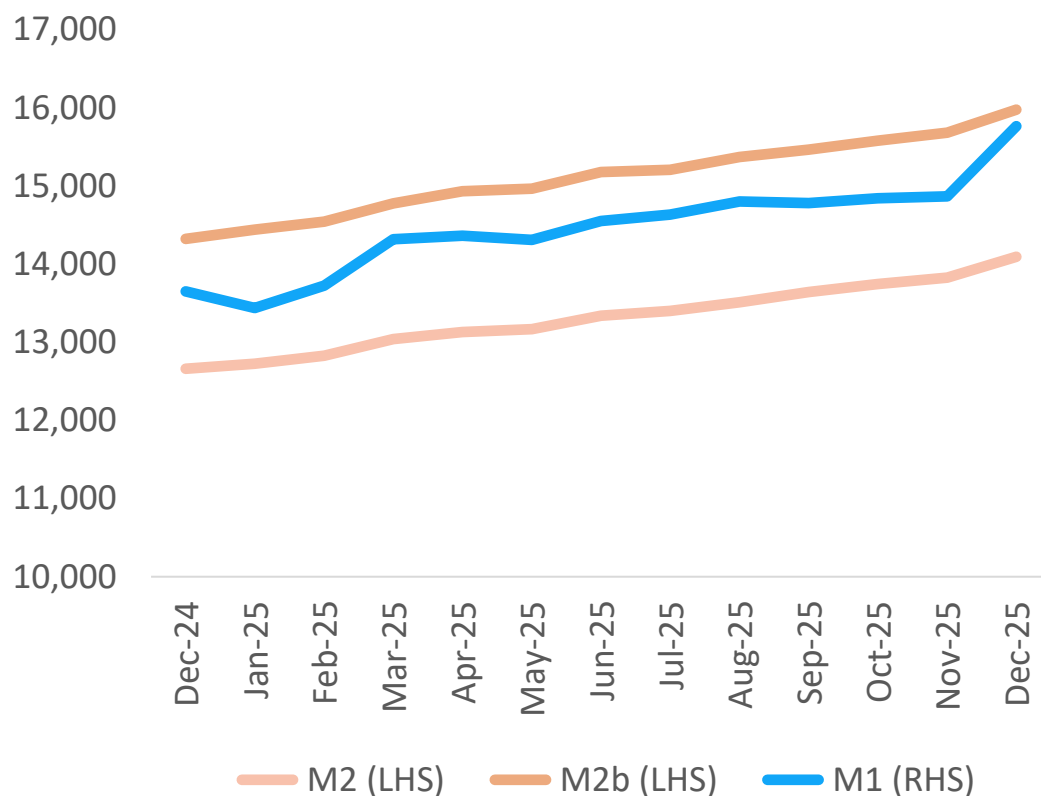
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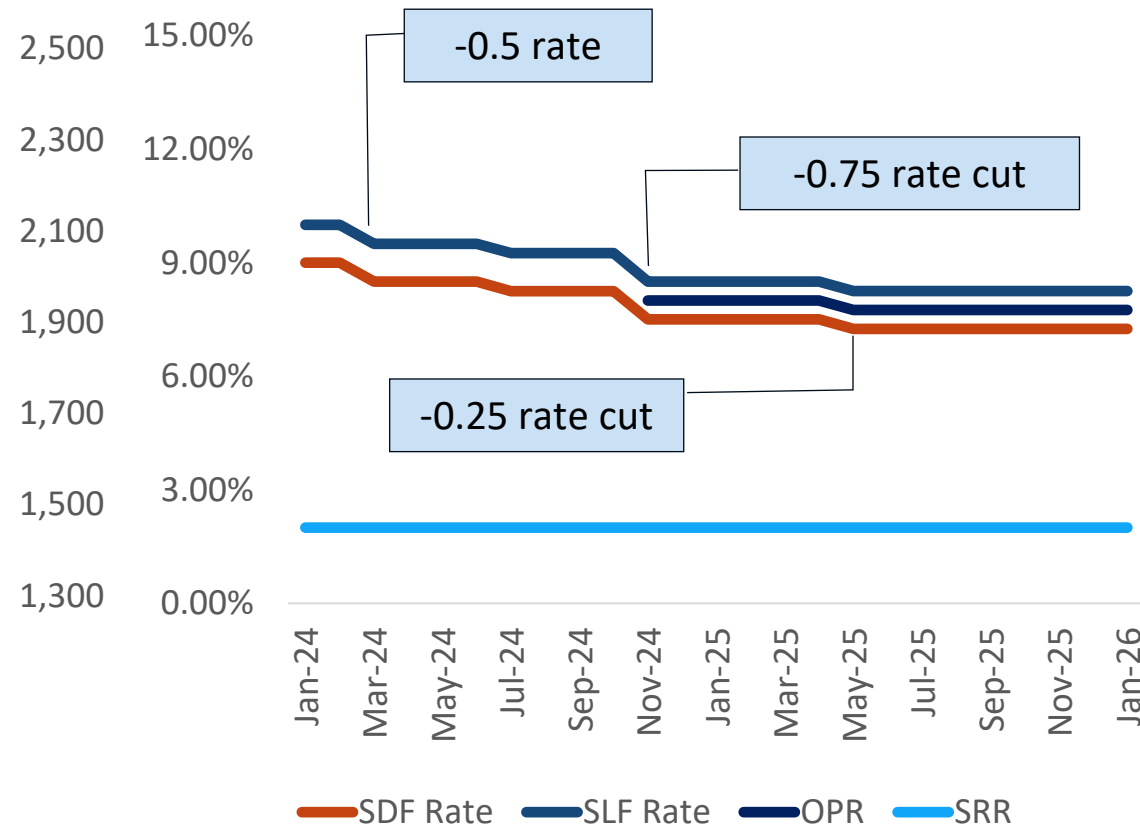
Overnight Policy Rate of 7.75% unchanged in Jan 2026

By the end of December 2025, Sri Lanka's narrow money supply (M1) rose to LKR 2,288 billion, while the consolidated broad money supply (M2b) expanded to LKR 15,975 billion, marking an increase from November 2025. Policy rates remained unchanged in January 2026 at 7.75%, indicating a continuation of the monetary stance maintained since May 2025.

Money Supply (LKR Bn)



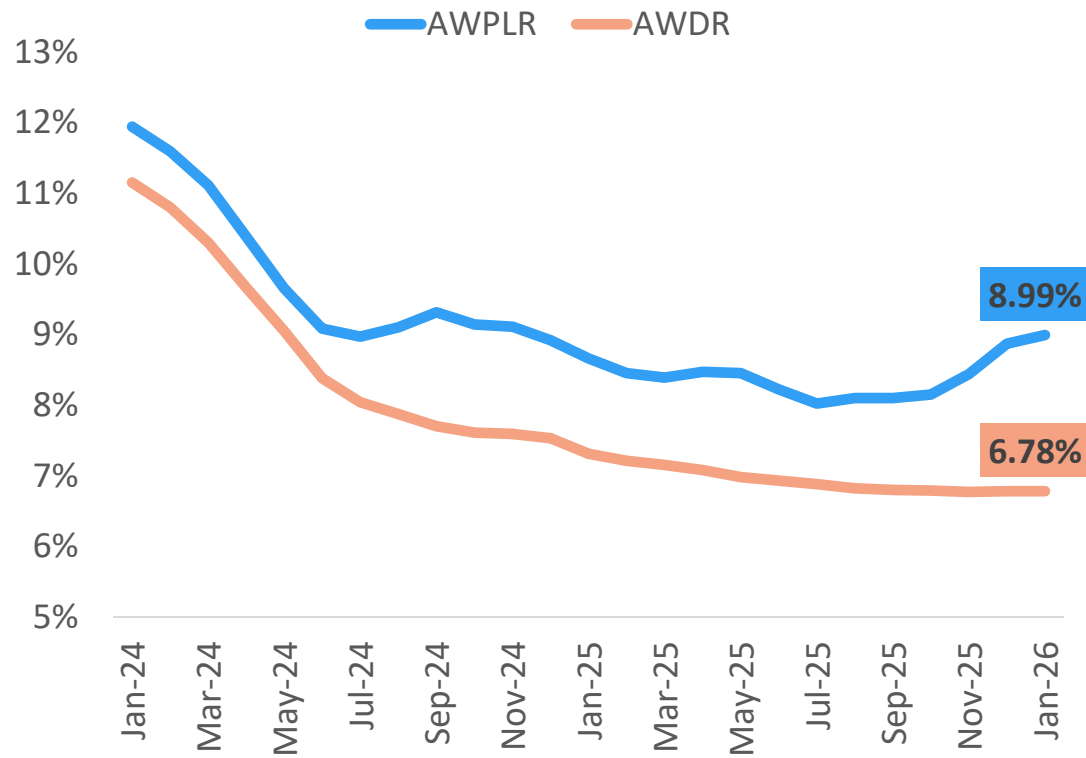
Policy Rates



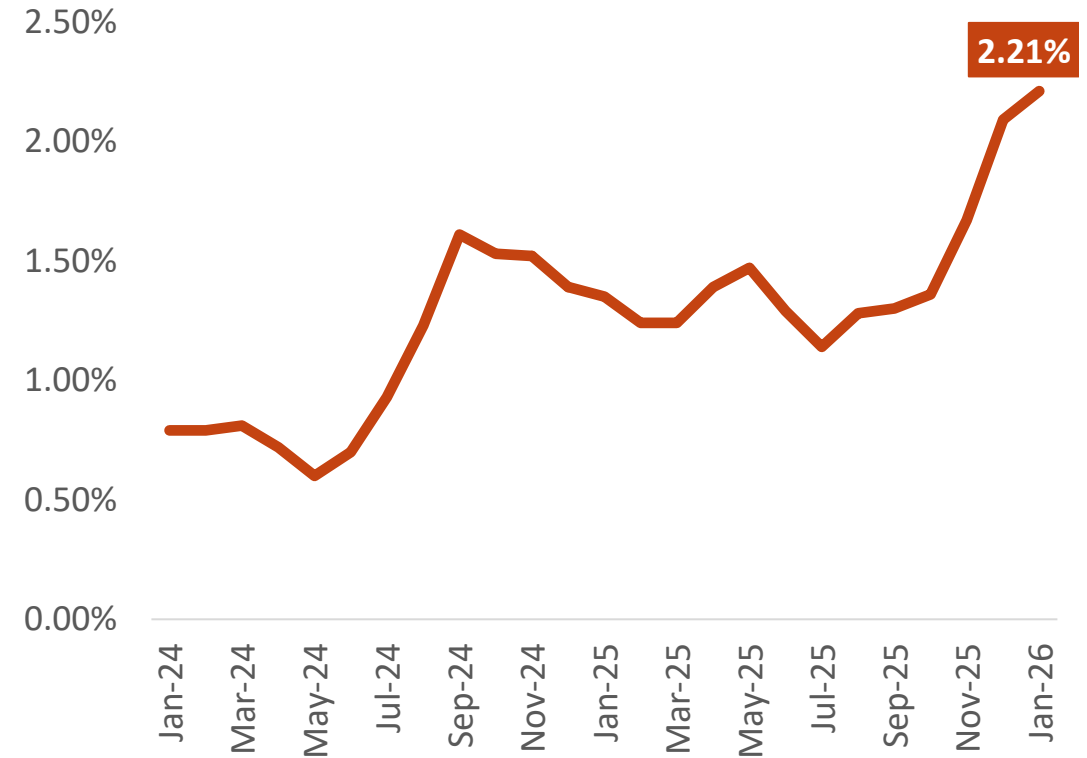
Source: CBSL

Lending rates experienced a slight increase in Jan 2026

Lending and Deposit Rates

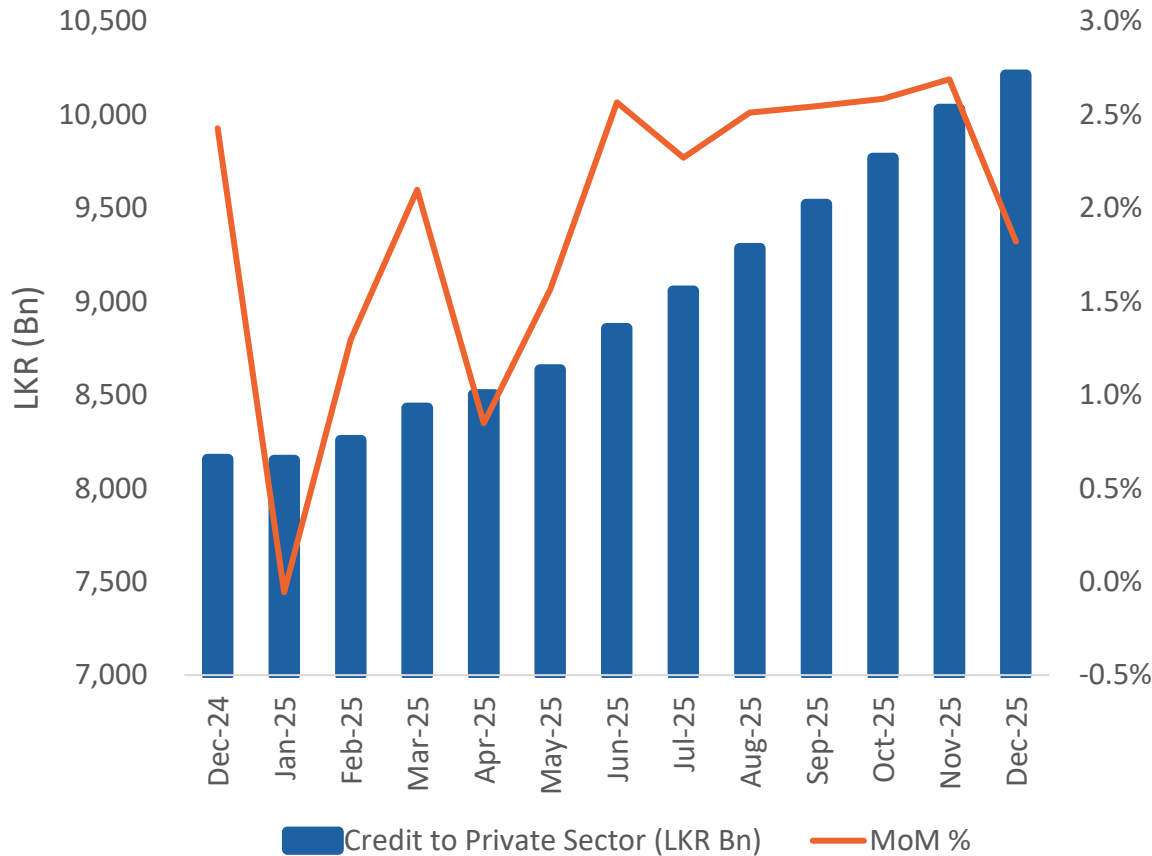


Interest Spread

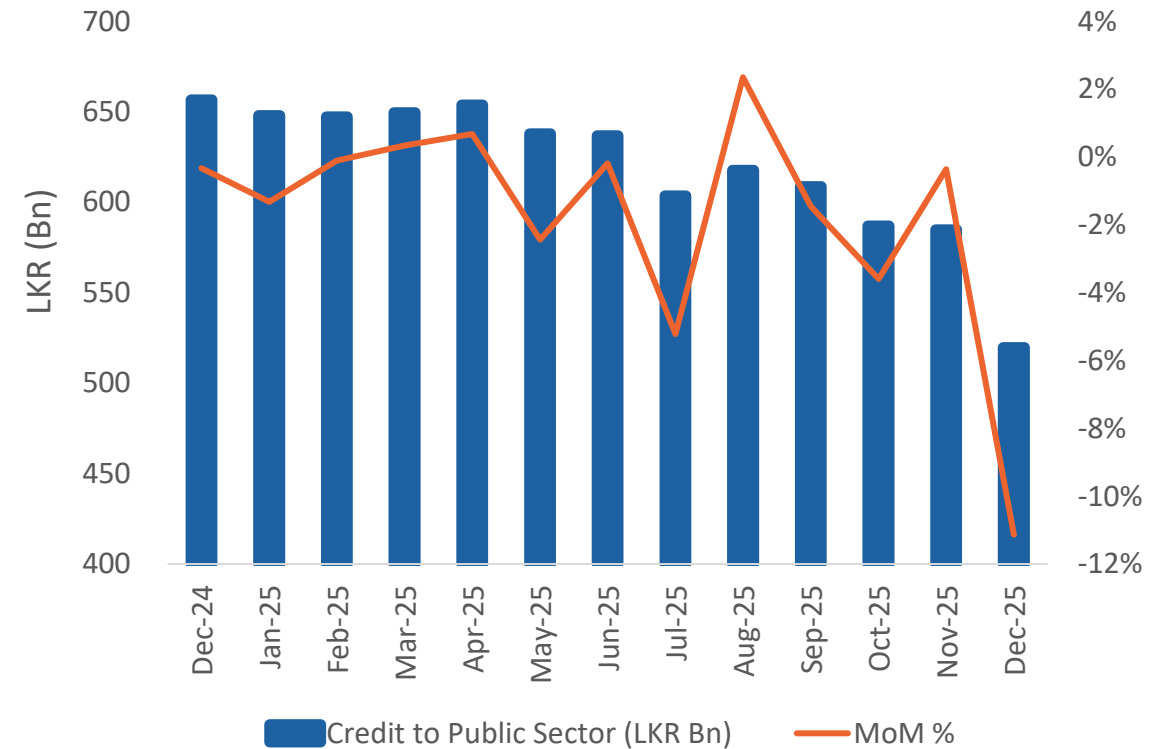


Private sector credit displayed a gradual upward movement

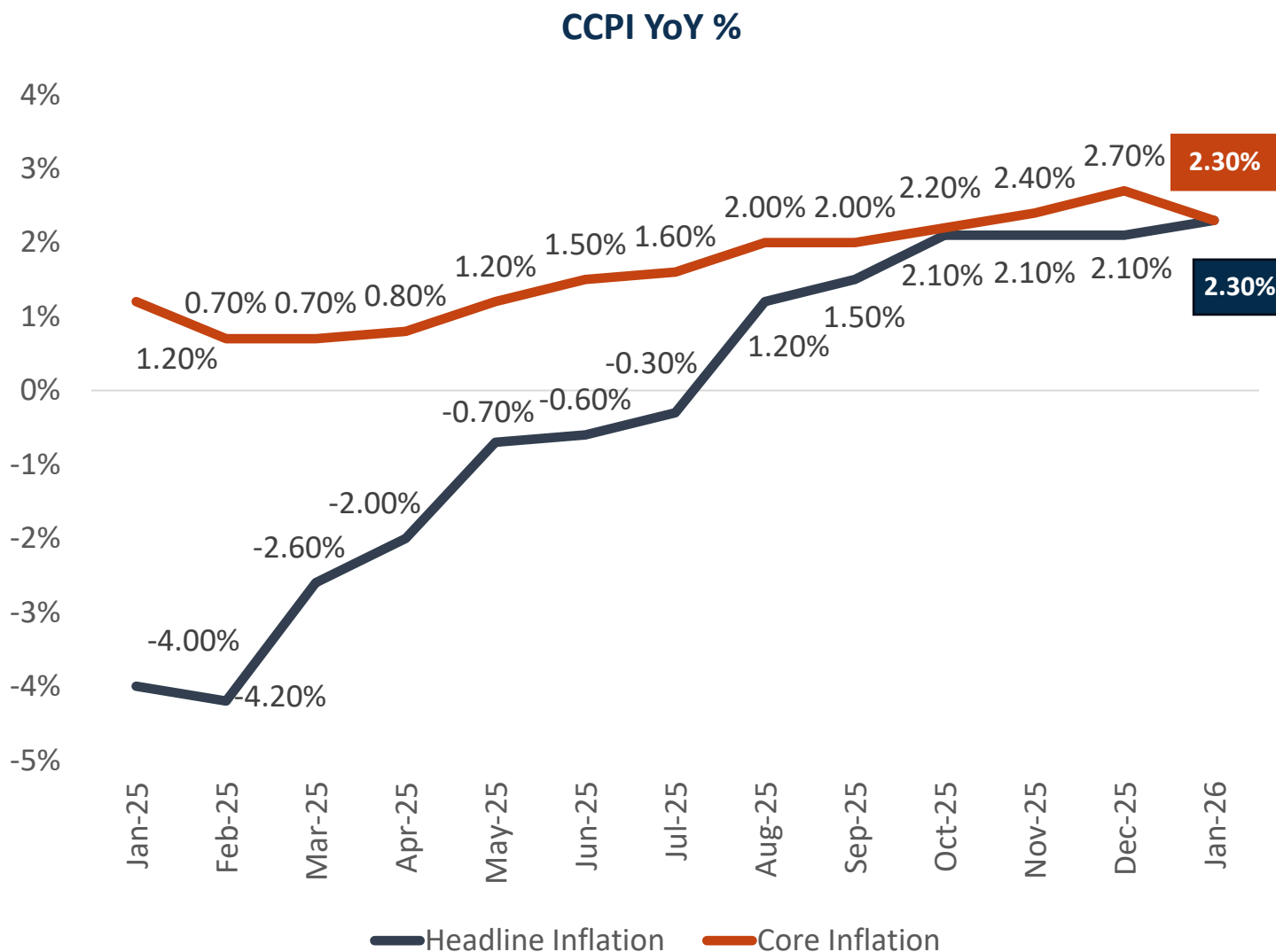
Credit to Private Sector



Credit to Public Sector



CCPI based headline inflation accelerates to 2.3% in Jan 2026



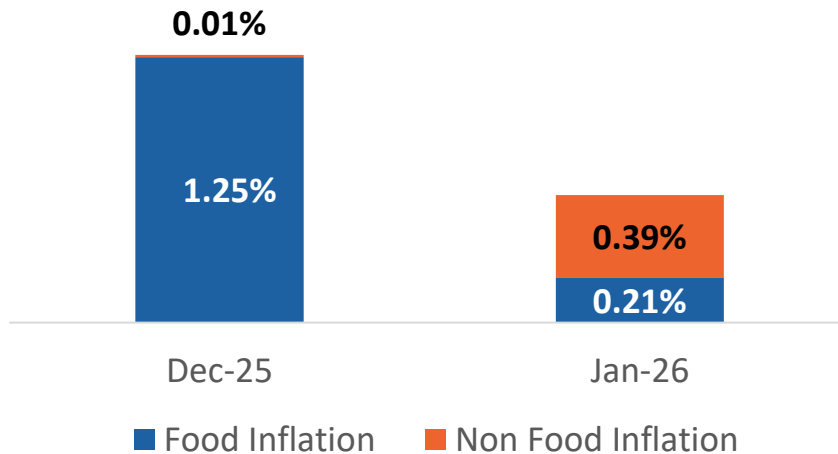
Headline inflation (YoY), measured by the Colombo Consumer Price Index (CCPI), accelerated to 2.3% in January 2026, after remaining at 2.1% for three consecutive months.

On a month-on-month basis, the CCPI increased by 0.59% in January 2026. This rise was driven mainly by Non-Food prices, which contributed 0.39 percentage points, while the Food category contributed 0.21 percentage points to the overall increase. Meanwhile, core inflation (Y-o-Y) decelerated to 2.3% in January from 2.7% in December, indicating a moderation in underlying inflationary pressures.

Inflation projections from the January 2026 monetary policy round continue to signal a gradual acceleration toward the 5% inflation target by the second half of 2026, supported by appropriate policy measures

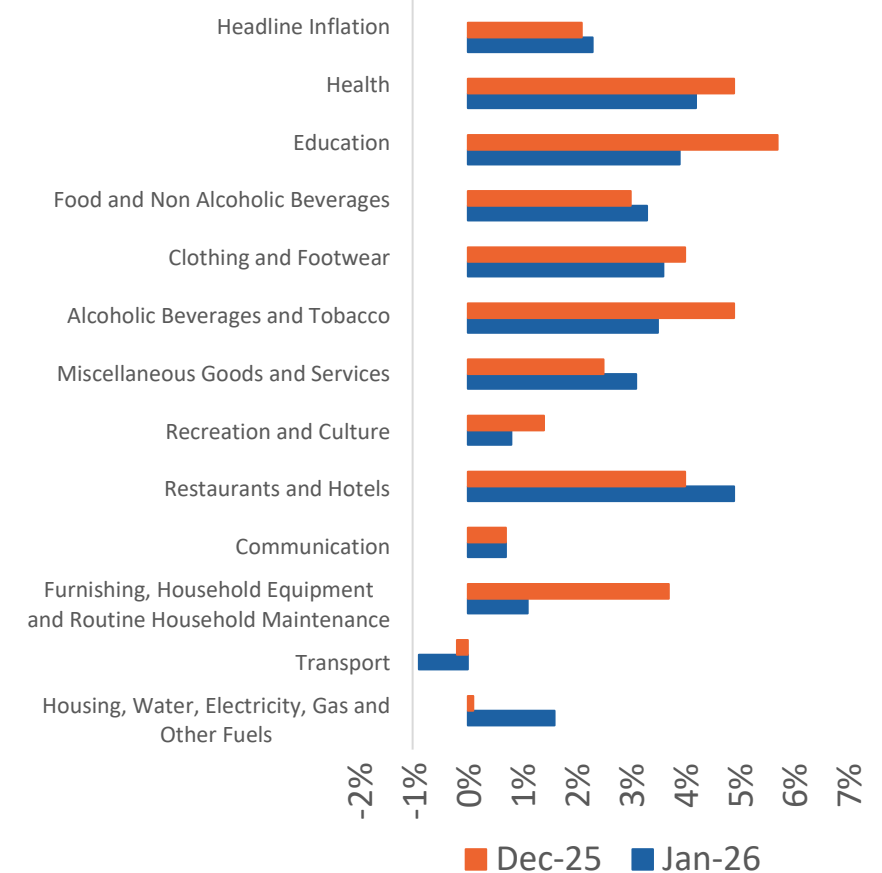
Jan 2026, CCPI increased by 0.59% MoM mainly due to non-food category

Contribution to monthly change in CCPI



On a month-on-month basis, the CCPI increased by 0.59% in January 2026, with food prices contributing 0.21 percentage points and non-food prices contributing 0.39 percentage points to the overall increase. On a year-on-year basis, headline inflation accelerated to 2.3% in January 2026 from 2.1% in December 2025. Food inflation (YoY) rose to 3.3% in January from 3.0% in the previous month, while non-food inflation (YoY) remained unchanged at 1.8% .

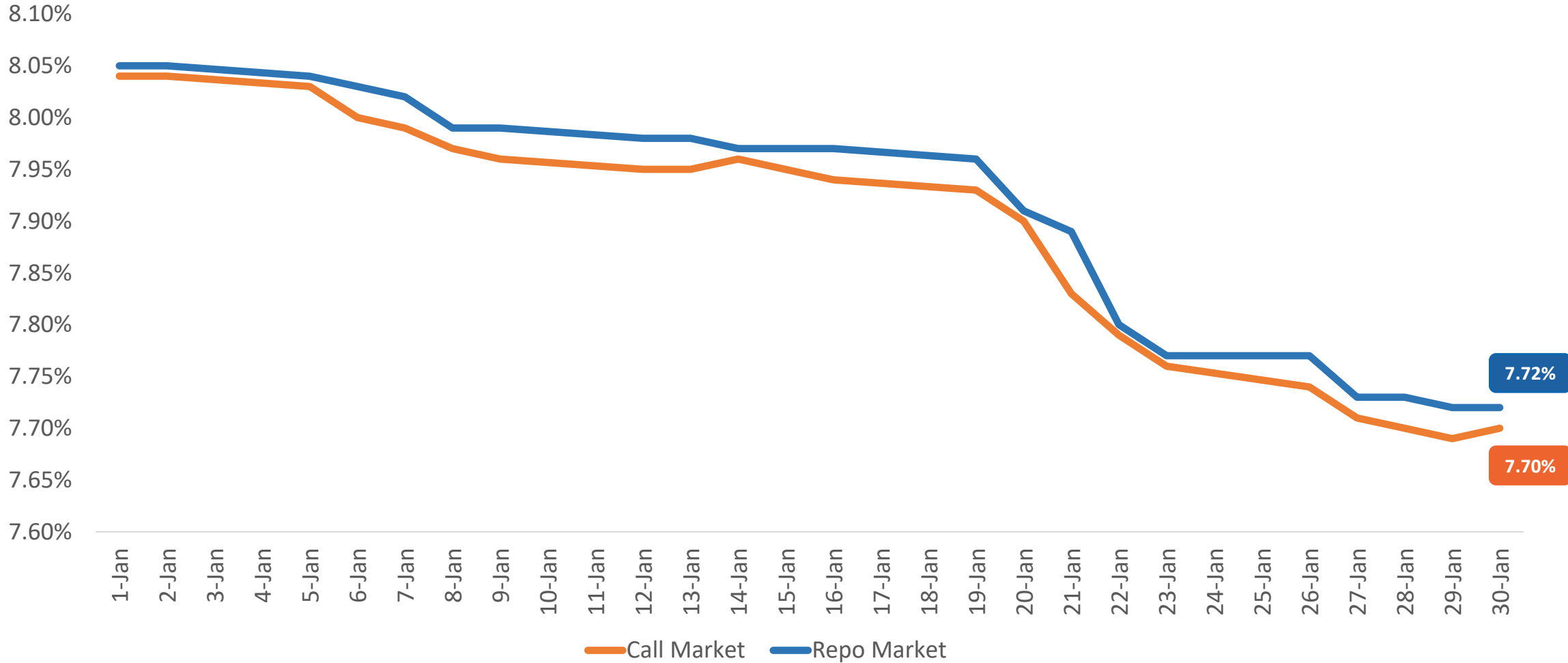
CCPI YoY Change by Subcategory



Prices accelerated in the housing, water, electricity, gas and other fuels, restaurants and hotels category while decelerated in health, alcoholic beverages and tobacco, clothing and footwear, education and recreation and culture category.

Call and Repo Rates declined in the month of January

Weighted Averaged Yields of Money Market Rates

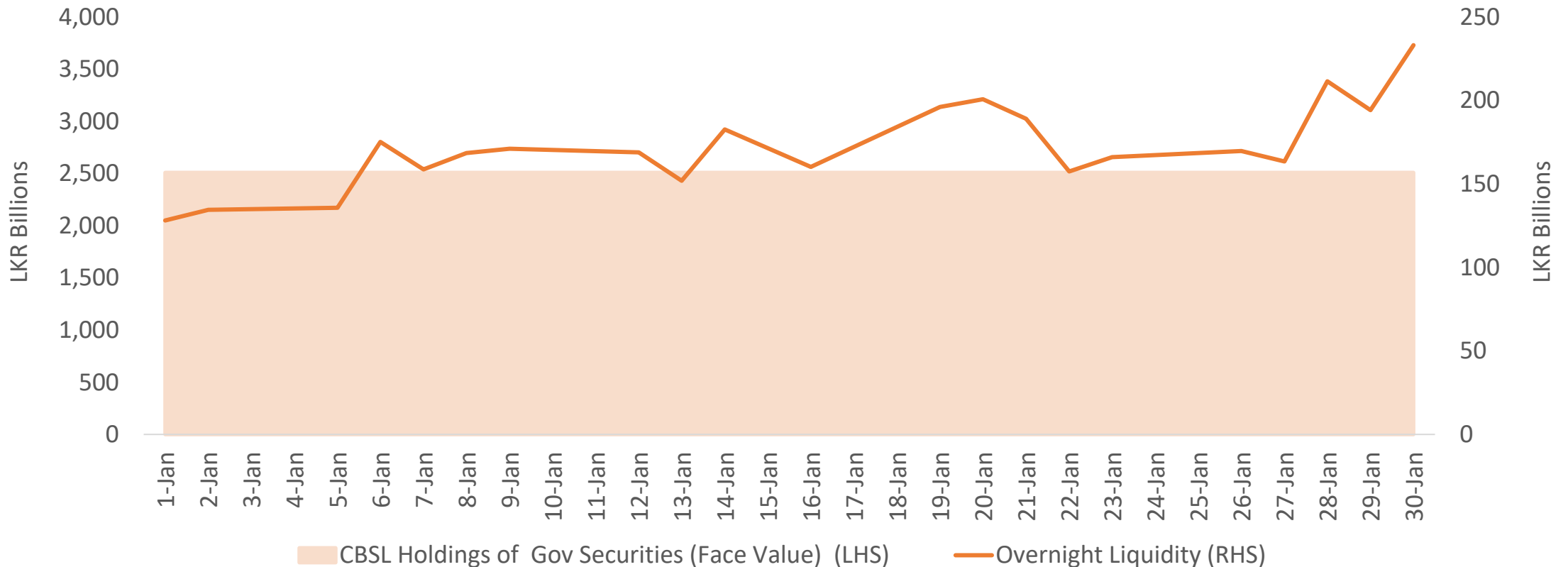


Source: CBSL

CBSL's G-Sec holdings were stable; overnight liquidity remained positive

During January 2026, the Central Bank of Sri Lanka's (CBSL) holdings of government securities remained broadly stable at LKR 2508.92 billion, indicating limited new monetary financing. Meanwhile, overnight liquidity in the banking system showed fluctuations, dipping mid-month but rising sharply towards end-January to about LKR 233.13 billion.

Liquidity and CBSL Holdings



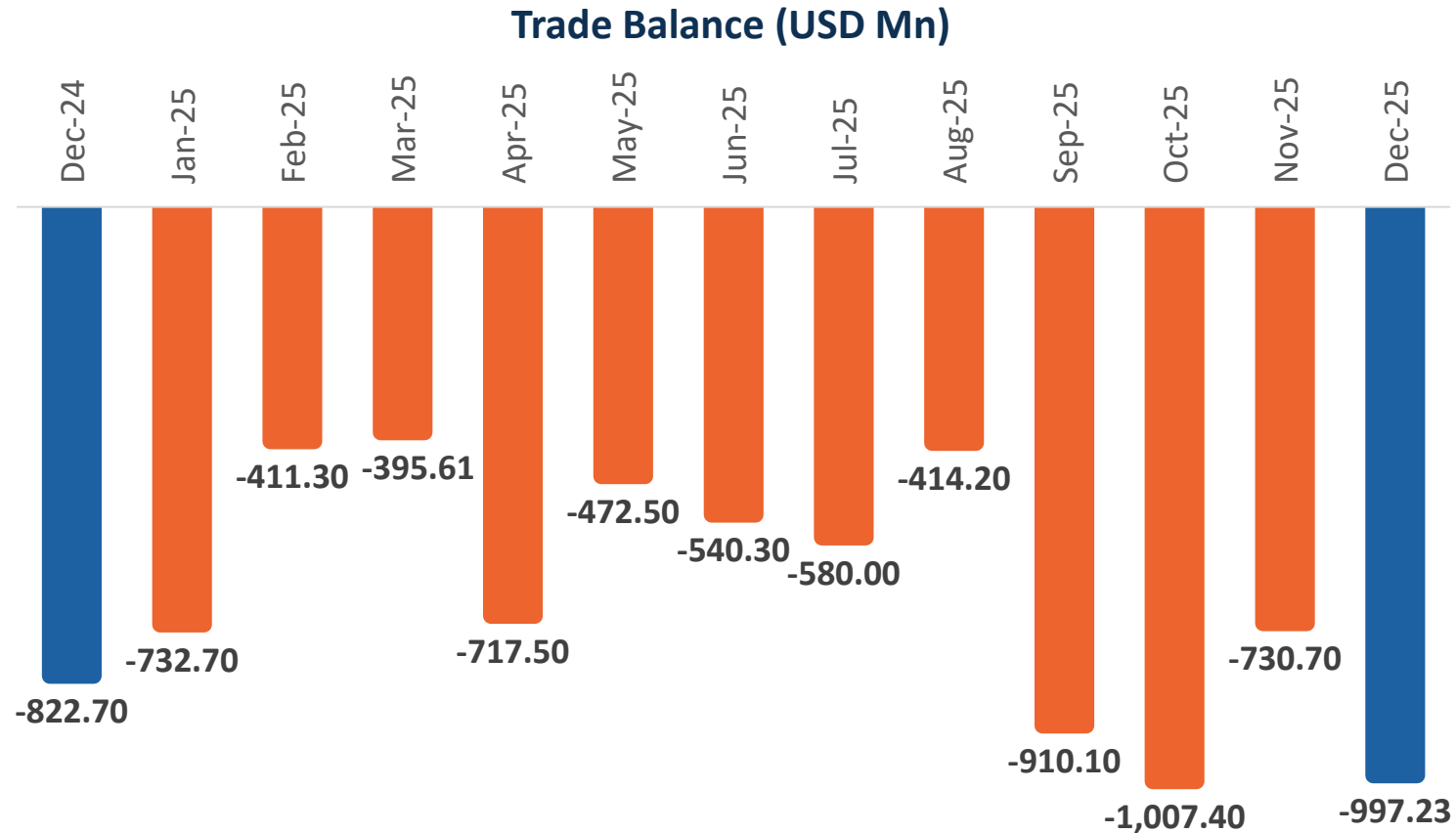


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Trade Balance worsened by 21.2% YoY in Dec 2025

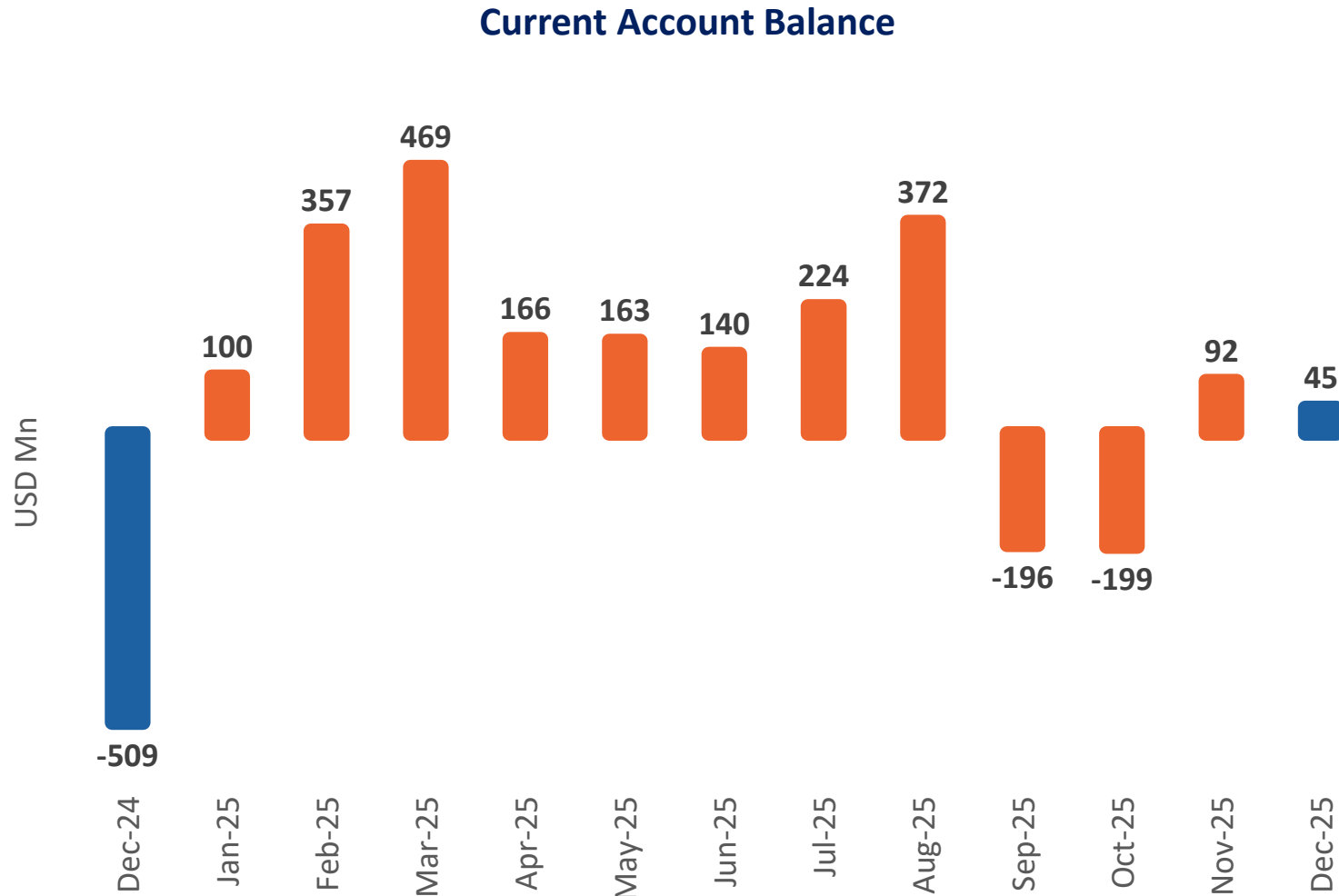


In December 2025, Sri Lanka’s trade deficit widened to USD 997.23 million, reflecting an 21.2% increase compared to December 2024 and a 36.5% increase from the previous month.

The year-on-year rise in the trade balance was driven mainly by the rise in imports expenditure by 12% YoY.

The cumulative trade deficit from January to December 2025 expanded to USD 7,909.5 million, marking a 30.3% increase compared to the corresponding period in the previous year.

Current Account Balance increased by 109% YoY in Dec 2025

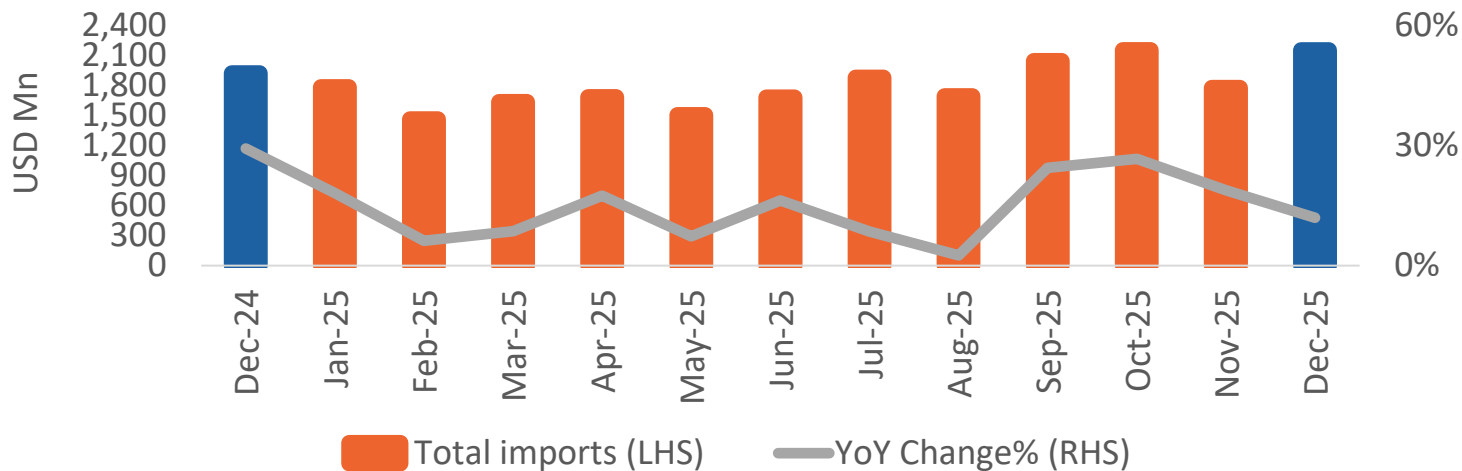


The current account recorded a surplus for the second consecutive month in December 2025. The current account balance improved by 109% YoY and posted a surplus of USD 45 million. On a month-on-month basis, the balance worsened by 51.1%. The cumulative current account surplus from January to December 2025 amounted to approximately USD 1,733 million.

The current account balance comprises four key components: the trade balance, the services account, the primary income account, and the secondary income account. In December 2025, the trade balance deteriorated by 21.21 % YoY. In contrast, the services account increased by 170.50 % YoY, the primary income account and the secondary income account increased by 58.80 % and 44.02 % YoY, respectively.

Dec 2025 import expenditure increased by 12% YoY

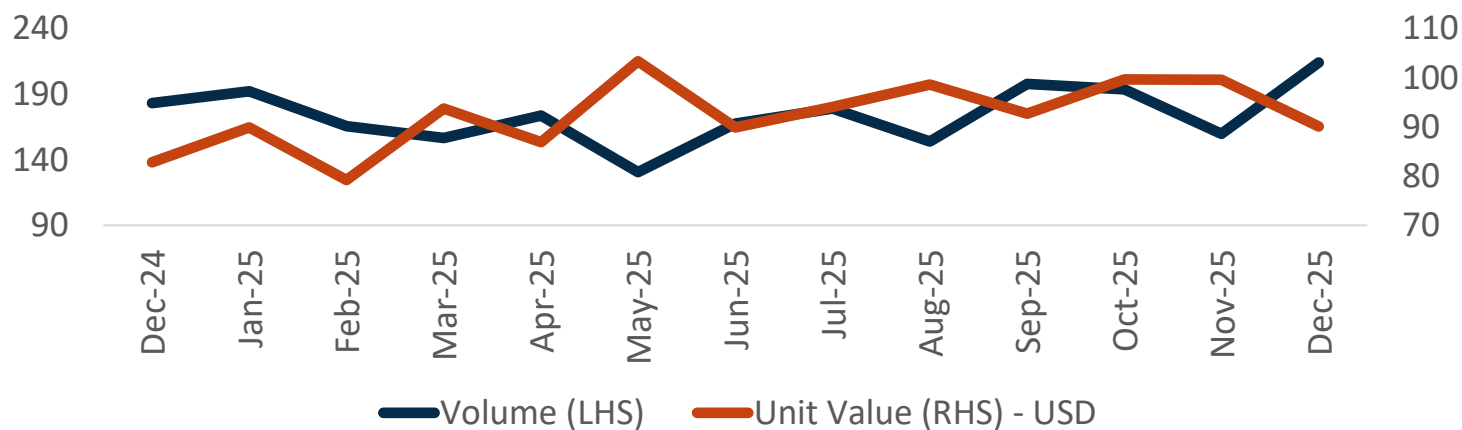
Total Imports and Growth



In December 2025, imports increased by 12% year-on-year to USD 2,155.2 million, marking a 21.2% increase compared to the previous month. The year-on-year growth was mainly driven by higher imports of consumer goods.

On a month-on-month basis, imports of consumer goods, intermediate goods, and investment goods increased. Consumer goods imports rose mainly due to higher expenditure on personal vehicles, medical and pharmaceuticals, and clothing and accessories under the other consumer goods category.

Import Indices

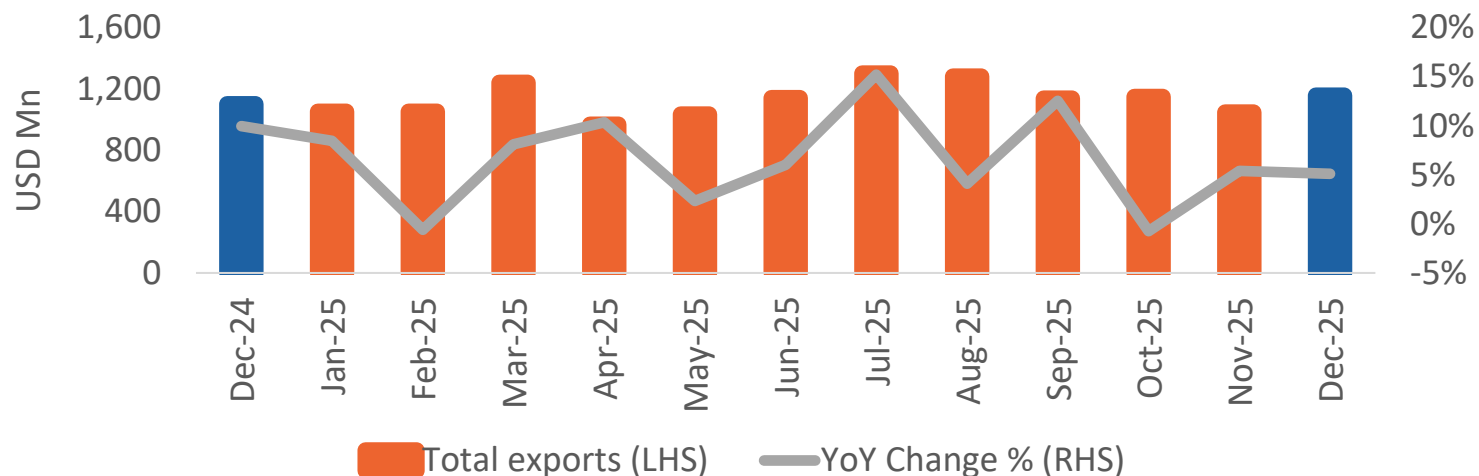


Meanwhile, imports of intermediate goods increased, driven mainly by higher imports of fuel, base metals, chemical products, plastics, wheat, and rubber.

In December 2025, the Import Volume Index increased by 16.9% YoY, while the Import Unit Value Index rose by 8.8% YoY.

Dec 2025 export earnings increased by 5.1% YoY

Total Exports and Growth



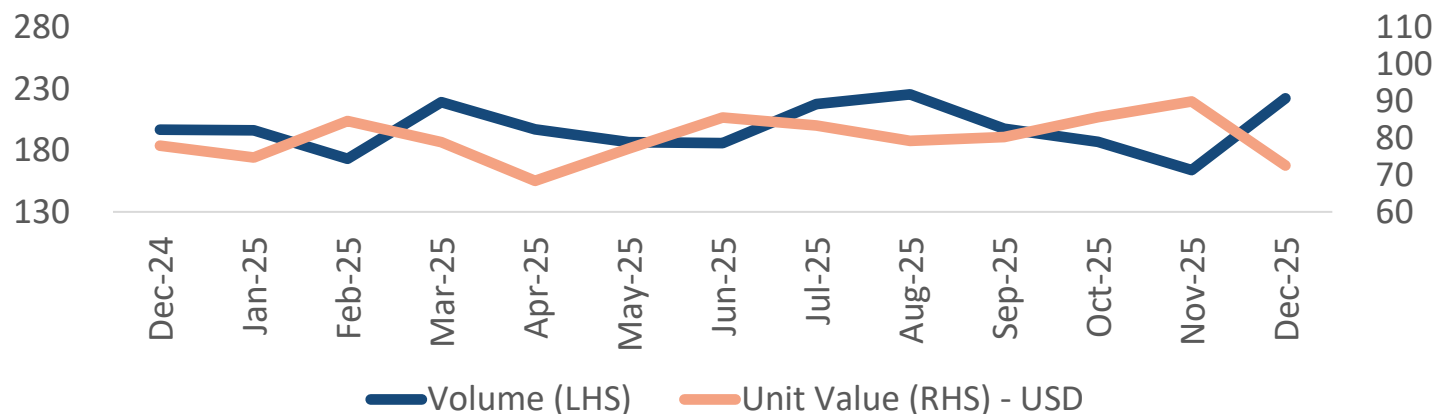
In December 2025, export earnings increased by 5.1% YoY to USD 1158 million, representing an 10.5% rise compared to November 2025. The YoY increase was mainly driven by industrial exports.

On a MoM basis, earnings from both agricultural and industrial exports increased due to higher export volumes across most product varieties.

Agricultural export earnings increased mainly due to higher exports of rubber, spices, vegetables and seafood. Meanwhile, industrial goods exports increased during the month primarily due to higher exports of textiles and garments, transport equipment, rubber products and petroleum products.

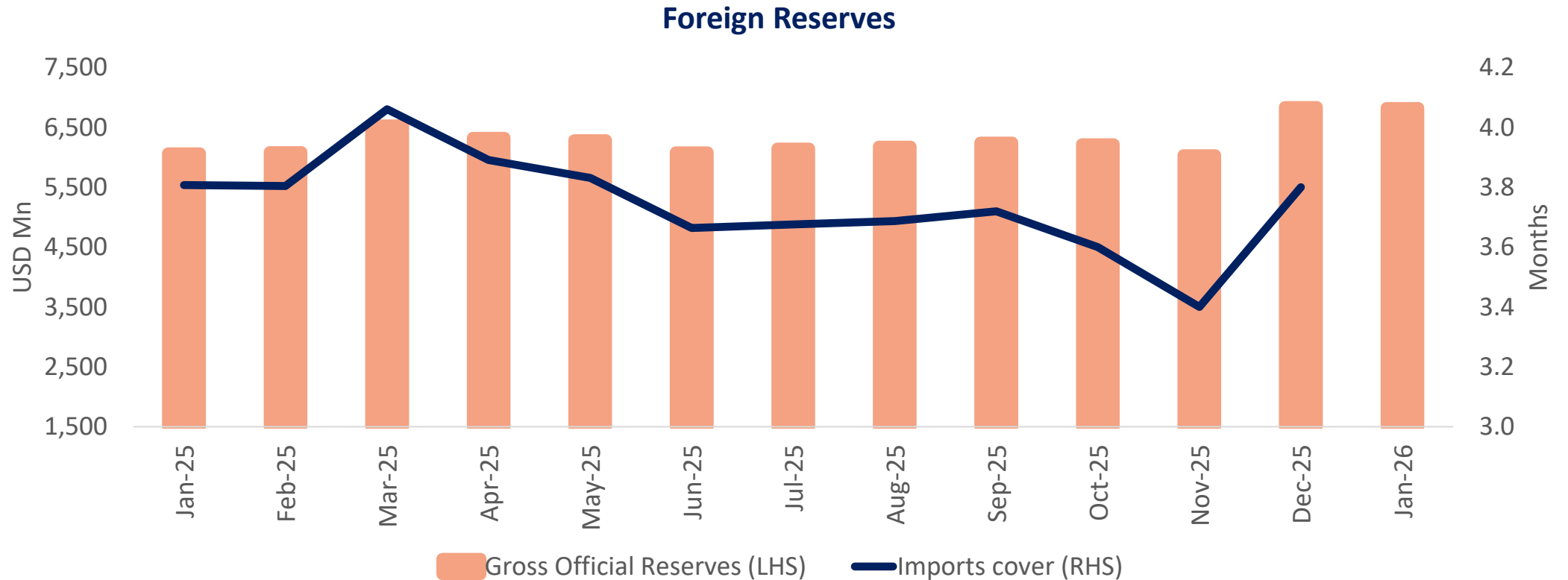
In December 2025, the Export Volume Index increased by 12.9% YoY, while the Export Unit Value Index declined by 6.9% YoY during the same period.

Export Indices



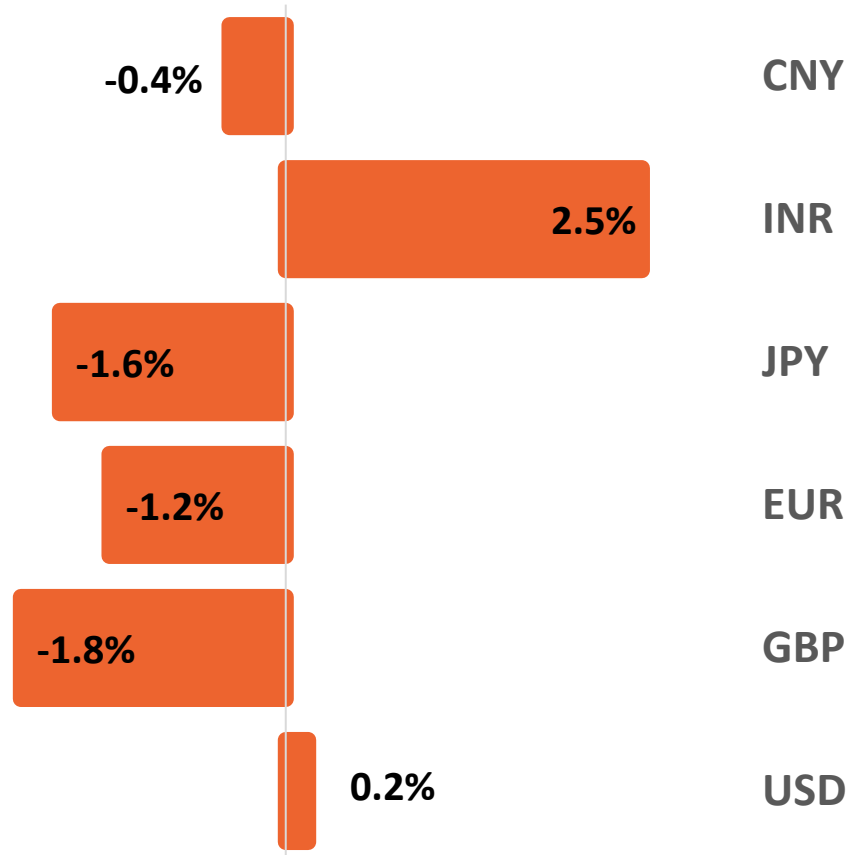
In Jan 2026 gross official reserves shows a slight dip

Sri Lanka’s gross official reserves recorded a decline, averaging around USD 6.8 billion. The reserves grew by 12.51% year-on-year and declined by 0.20% month-on-month. Reserves showed a slight dip in January 2026 mainly due to external payment pressures, including foreign exchange outflows for imports and debt-related obligations.

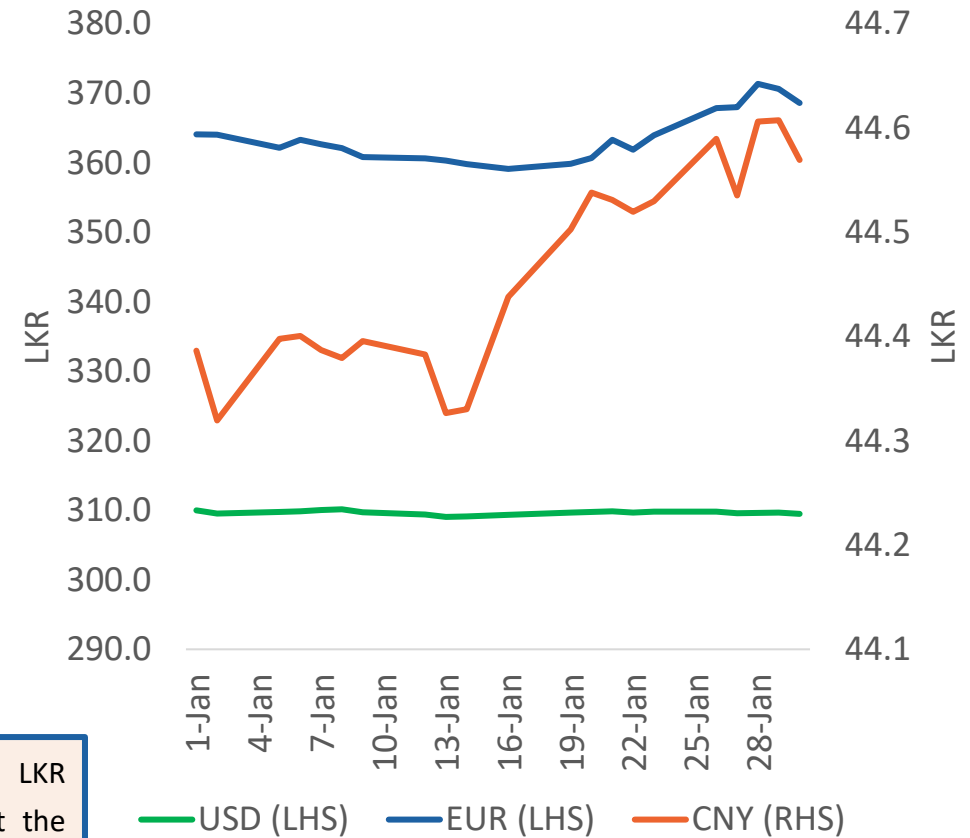


In Jan 2026 LKR depreciated against major currencies

LKR (depreciation)/appreciation against major currencies YTD end of Jan 2026



Monthly movement of major currencies

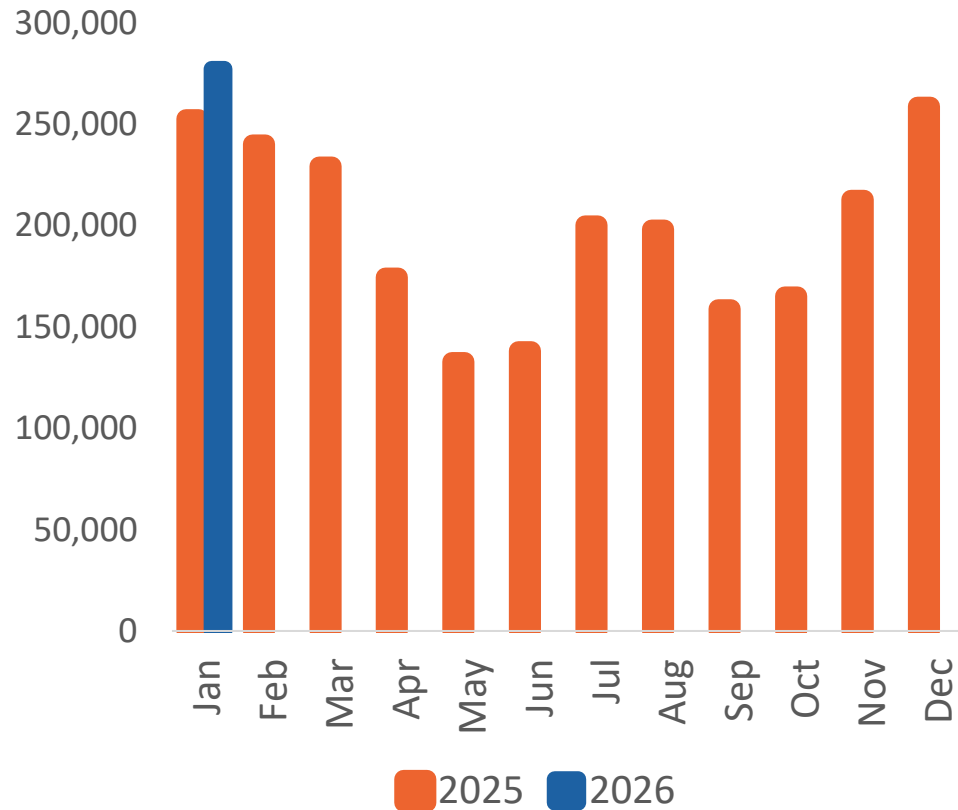


In January 2026, the LKR appreciated by 0.16% against the USD, depreciated by 1.24% against the EUR and depreciated by 0.39% against the CNY.

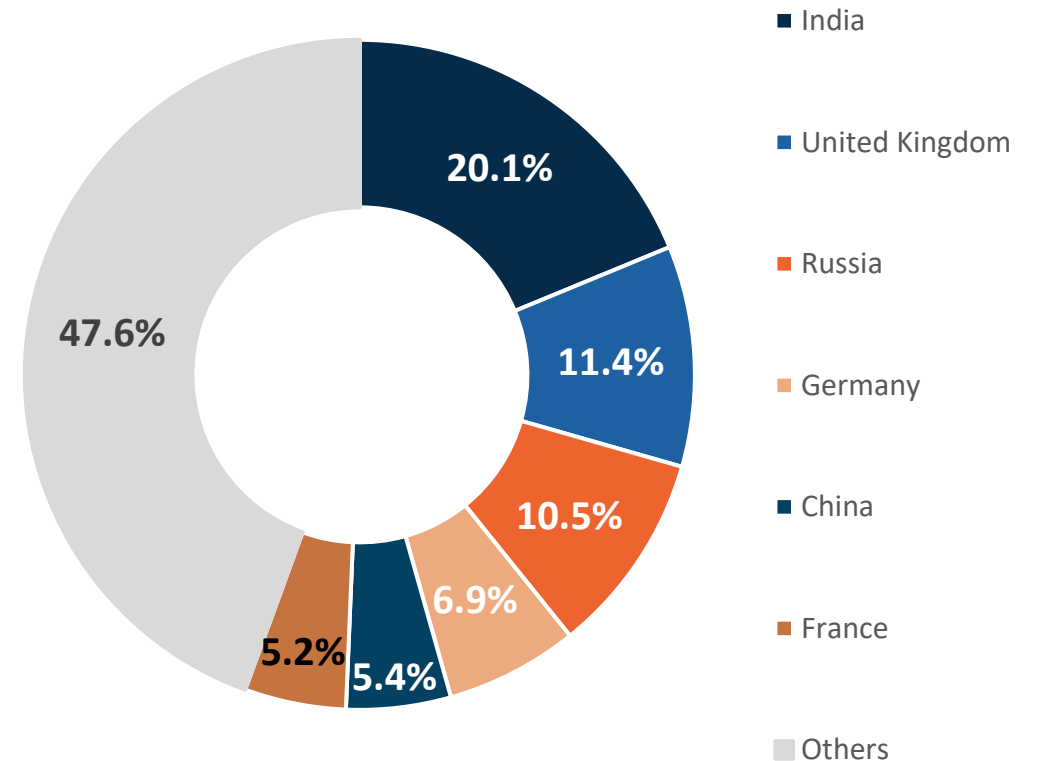
Jan 2026 tourist arrivals rose by 9.7% YoY

In January 2026, Sri Lanka recorded 277,327 tourist arrivals, reflecting a 9.7% year-on-year increase and a 7.1% rise compared to December 2025. The main source markets were India, United Kingdom, Russia, Germany, China, and France. This month's arrivals mark the highest number of tourist arrivals recorded in a single calendar month in Sri Lanka's history. The highest single-day arrival was recorded on 15 January 2026, when 10,483 tourists entered the country.

Monthly Tourists Arrivals



Arrival % by Country in Jan 26

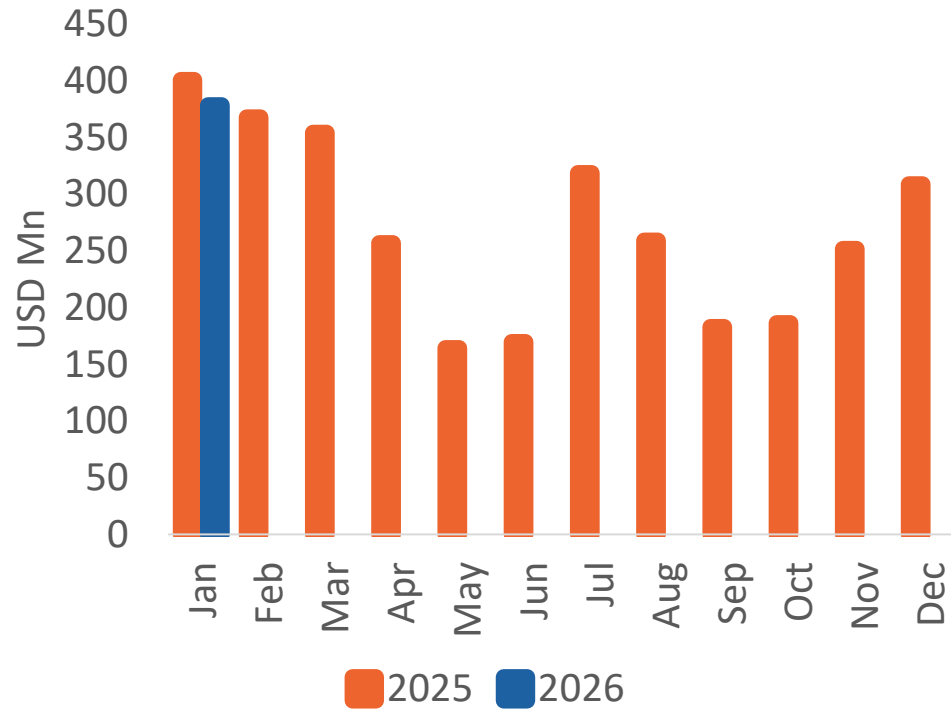


Source: SLTDA

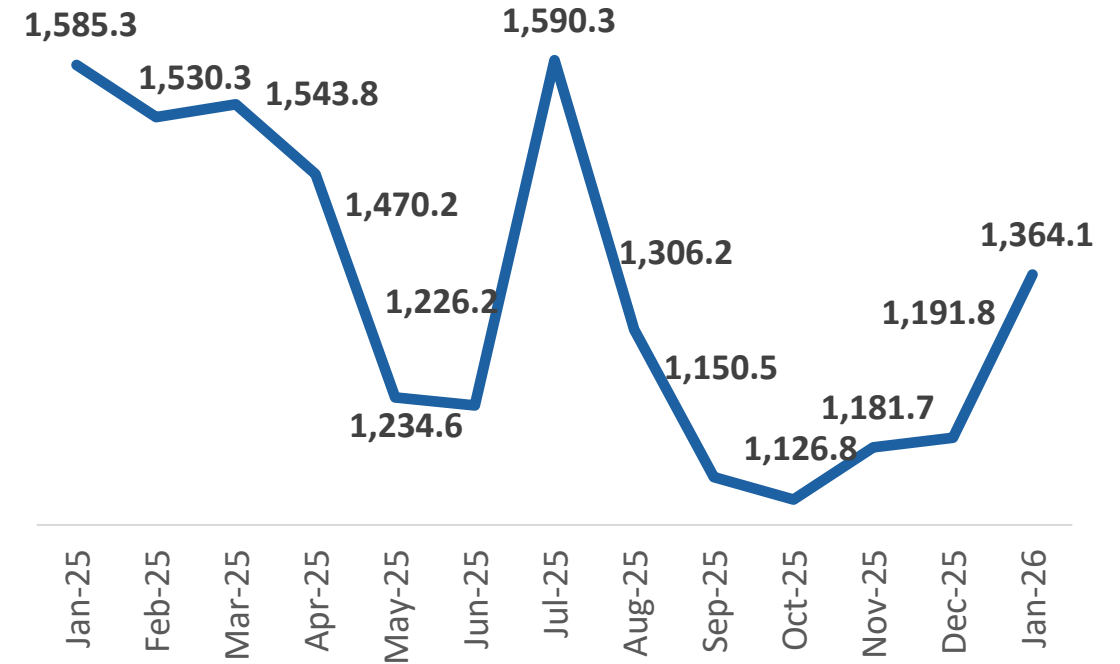
YTD Tourist Arrivals = 277,327

Jan 2026 tourism earnings dropped by 5.6% YoY

Monthly Tourists Earnings



Earnings per Tourist (USD)



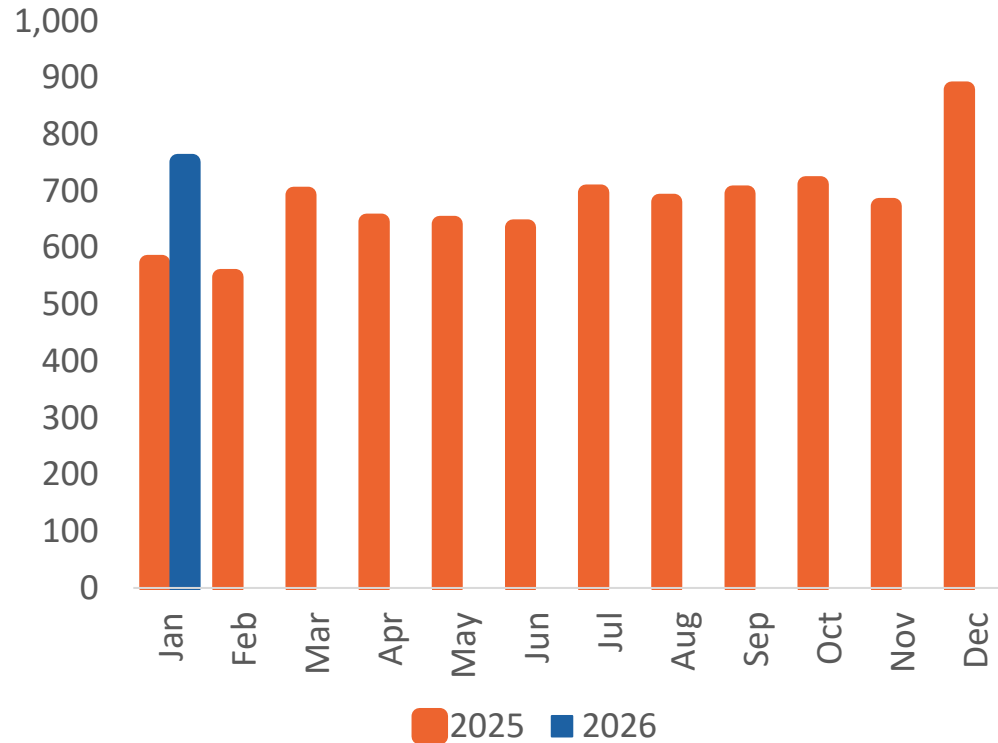
YTD Tourism Earnings = USD 378.3 Mn

In January 2026, tourism earnings dropped by 5.6% YoY to USD 378.3 million and rose by 22.6% compared to the previous month. Earnings per tourist was USD 1,364.1 , reflecting a 14% YoY decline and a 14.5% growth from the previous month.

Jan 2026 worker remittances increased by 31.1% YoY

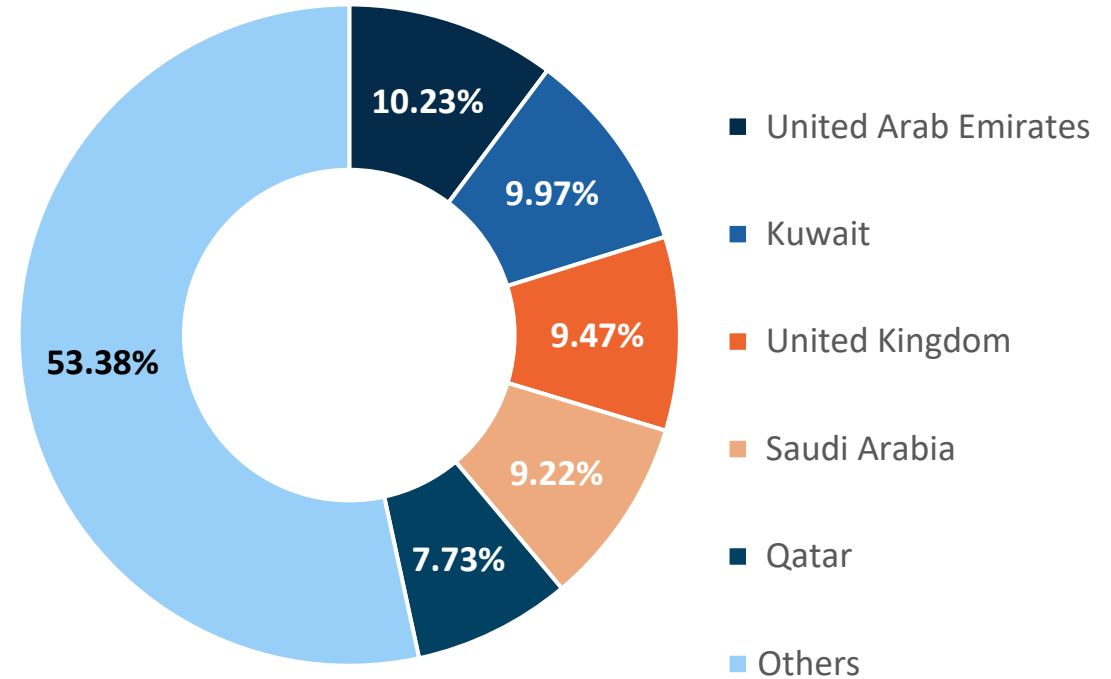
In January 2026, remittance inflows reached USD 751.1 million, reflecting a 31.1% YoY growth and a 14.6% MoM decrease. Remittance earnings were primarily driven by the United Arab Emirates accounting for 10.23% of the total earnings. The first month of 2026 recorded a strong increase in remittance earnings compared to the first month of 2025, indicating the potential for higher remittance inflows throughout the year.

Workers' Remittances (USD Mn)



YTD Remittances = USD 751.1Mn

Remittance Earnings % by country in Q3 of 2025



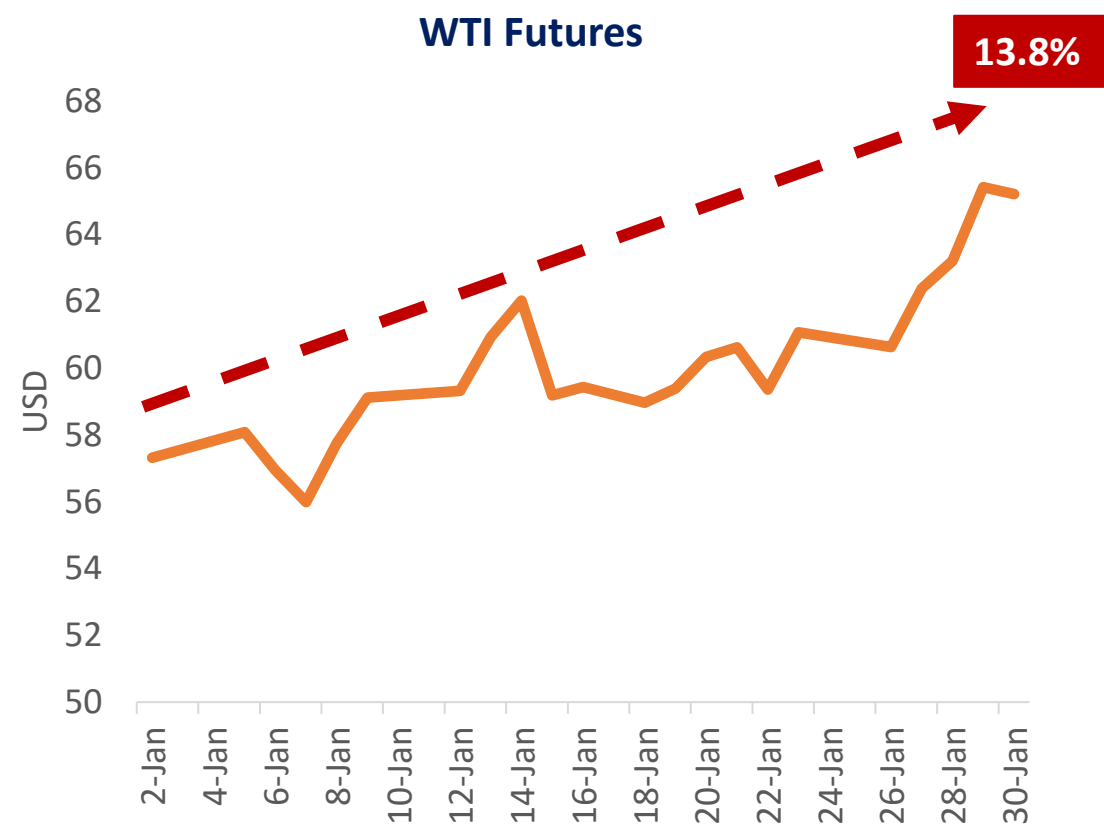
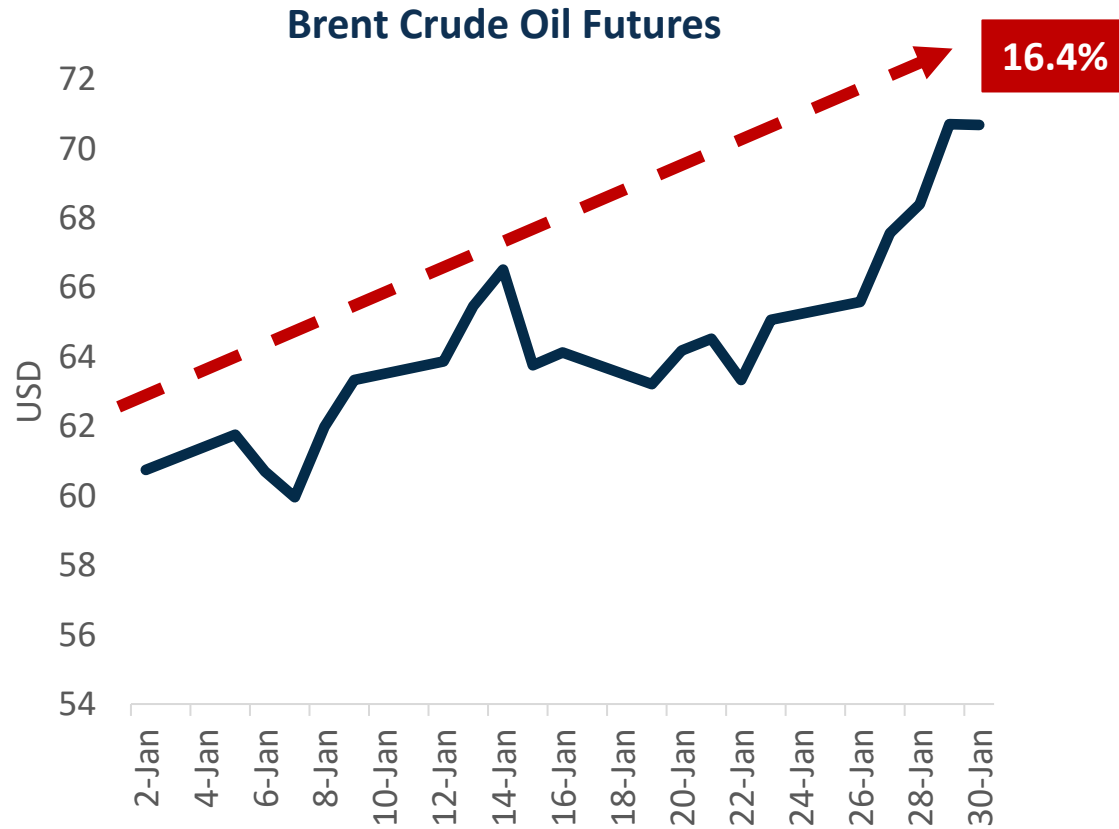


COMMODITIES AND OTHER

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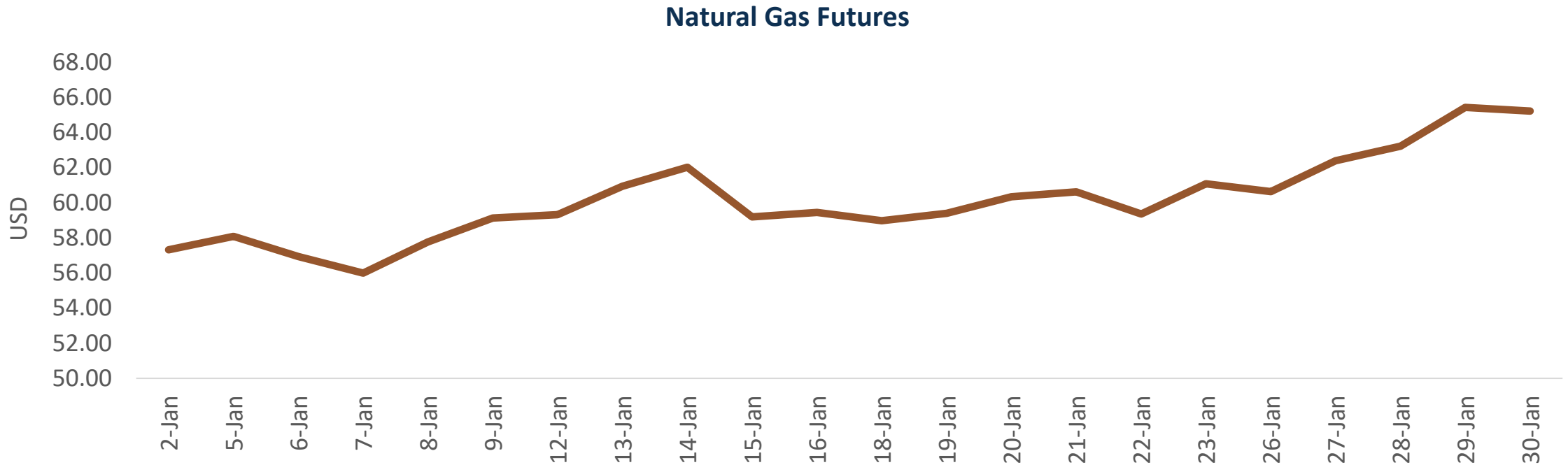
Crude oil prices increased in Jan 2026



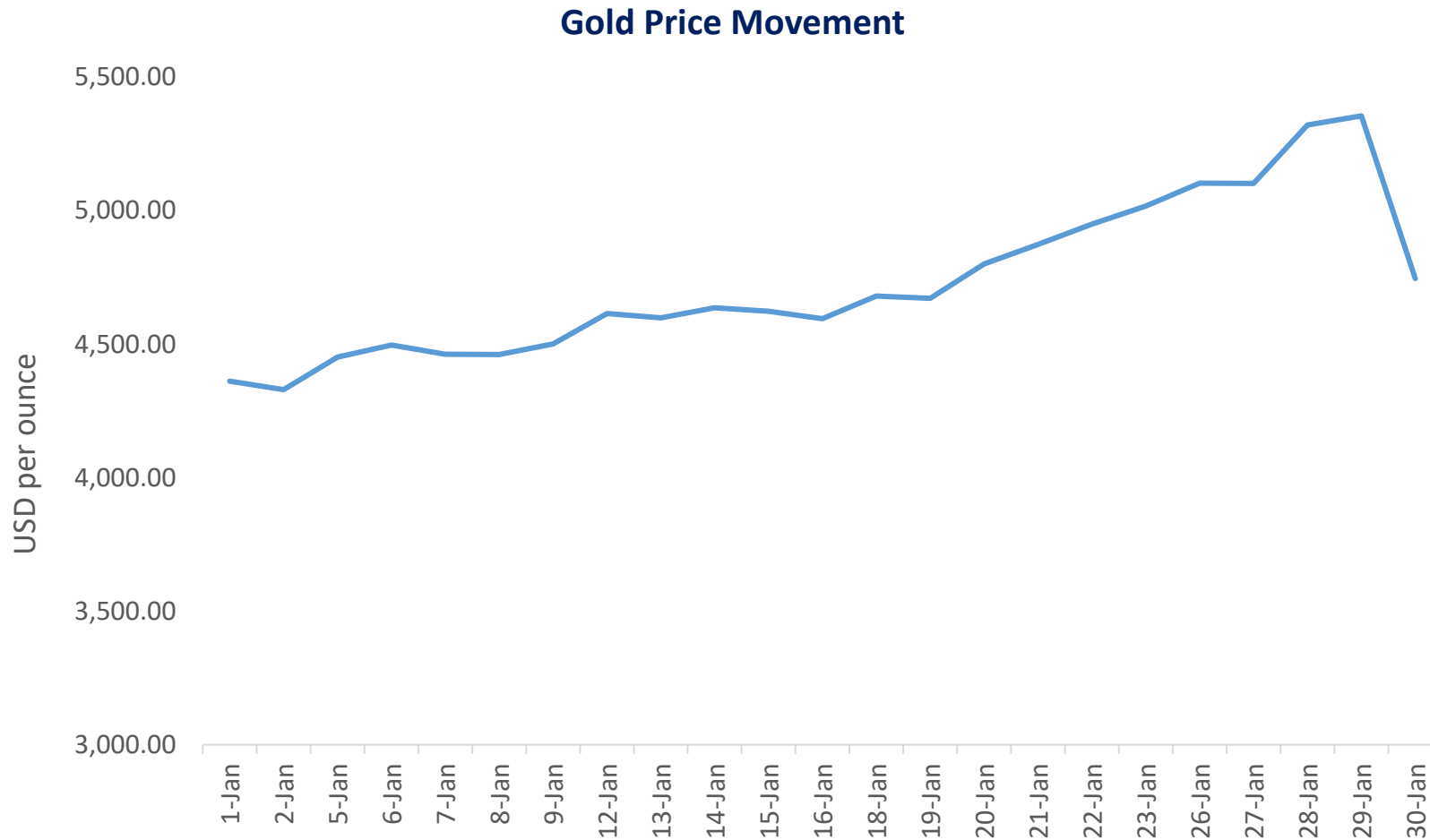
In January 2026, crude oil prices increased, with Brent crude oil futures increasing by 16.4% and WTI futures by 13.8%. Traders locked in prices amid uncertainty over U.S. crude inventories and broader global supply risks, helping both Brent and WTI climb during the month.

US natural gas prices increased by 13.8% in Jan 2026

In January 2026, U.S. natural gas prices increased by 13.8%, rising from around USD 57.32 to USD 65.21. Natural gas prices rose in January 2026 mainly because a prolonged and severe cold snap sharply increased heating demand across much of the United States, driving up consumption, tightening available supply and pushing prices higher.



Gold prices increased by 8.79% in Jan 2026



In January 2026, the gold prices have risen by 8.79%.

After an exceptional start to the year, with gold climbing sharply on strong safe-haven demand, several key forces continued to support prices toward the month’s end.

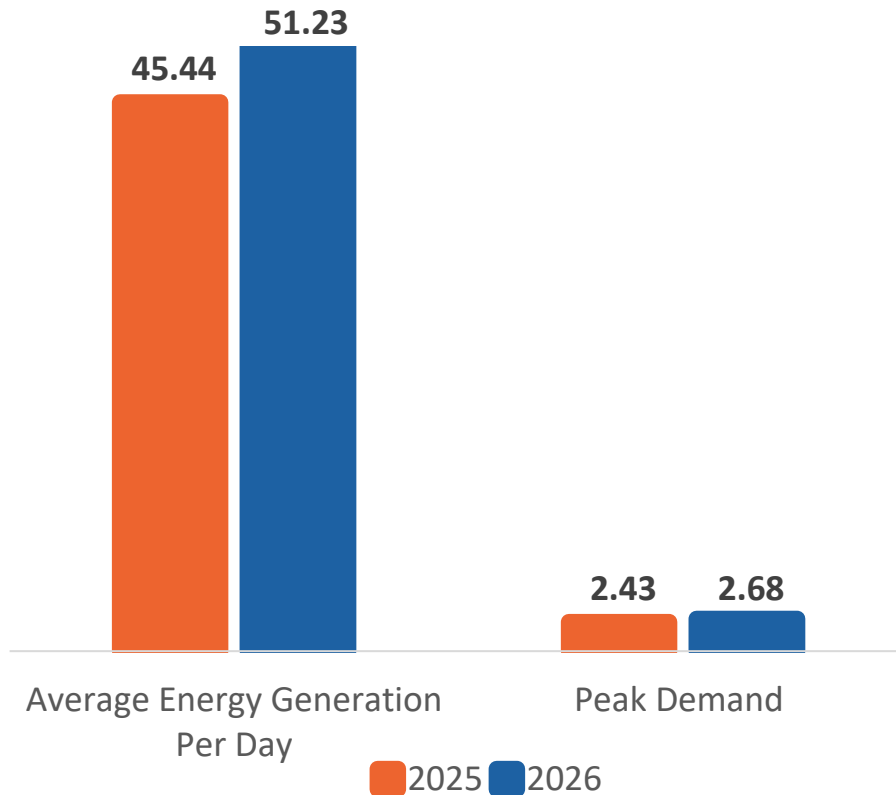
Gold prices surged past \$5,100 per ounce in late January 2026, as investors piled into the metal amid rising geopolitical tensions and strong safe-haven demand. Uncertainty around global politics and market volatility, along with expectations of a weaker U.S. dollar and potential monetary easing, drove strong buying, pushing gold to record highs.

However, gold fell sharply on 29 January as investors took profits after reaching a record high.

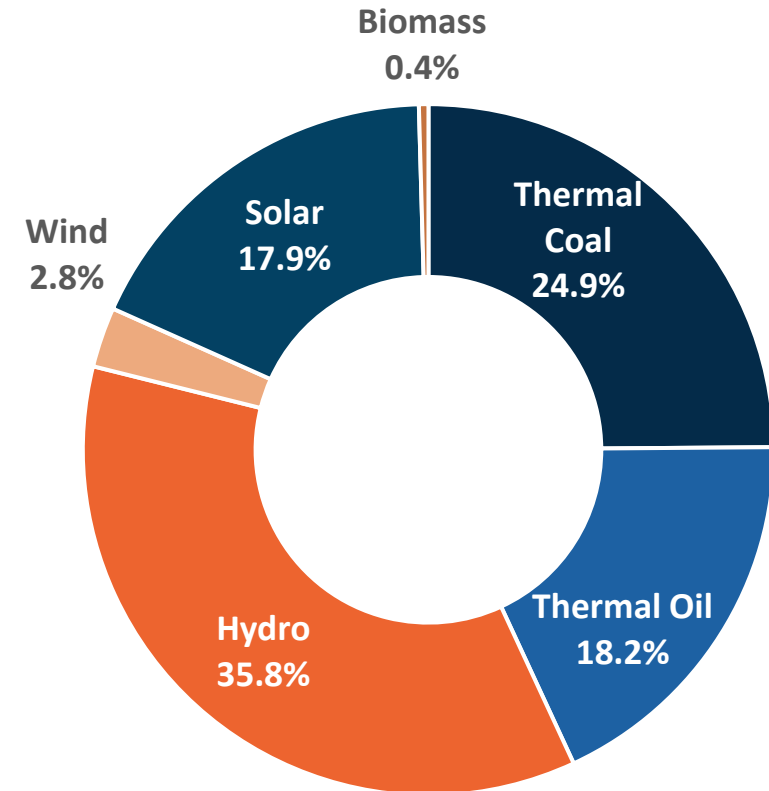
Jan 2026 daily electricity generation rose 12.7% YoY

In January 2026, average daily electricity generation reached 51.23 GWh, marking an 12.7% increase compared to the same month last year. The average daily peak demand during the month was 2.68 GWh which is a 10.3% increase YoY.

Average Daily Electricity Generation in Jan (GWh)



Electricity Generation Composition by Category in Jan 2026



Dec 2025 tea production declined by 1.6% YoY

In December 2025, Sri Lanka's tea production experienced a significant decrease of 1.6% YoY, totaling 21.38 million kilograms. Similarly, tea exports showed a decline, with volumes decreasing by 20.8% compared to the previous year, reaching 17.87 million kilograms. Consequently, export earnings also dropped by 14.8% YoY, amounting to LKR 32.72 billion.

Tea Exports

Export	Volume in Kgs	Value in LKR Mn
Tea in Bulk	7,979,797	12,075
Tea in Packets	7,316,464	12,771
Tea in Bags	2,098,224	5,995
Instant Tea	124,004	422
Green Tea	350,354	1,457
Total	17,868,843	32,720

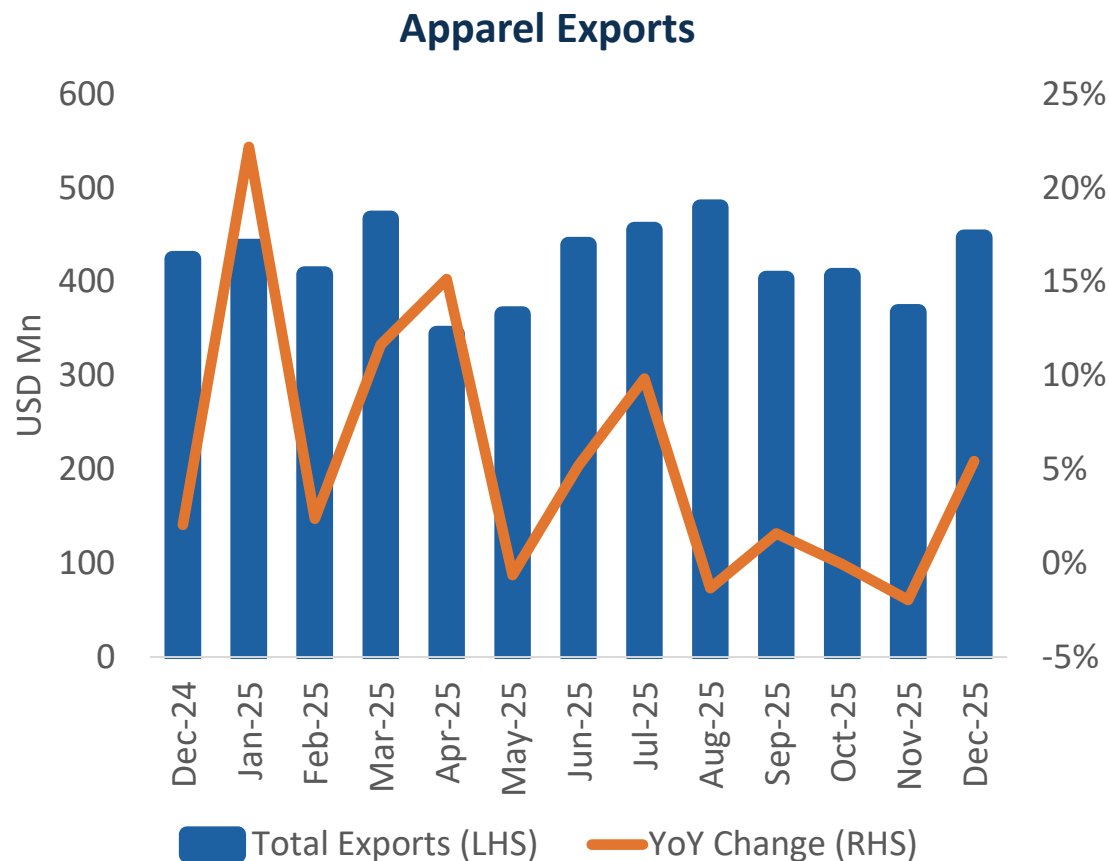
Average Tea Auction Prices (Monthly)

	For Dec 2025	LKR per Kg
High		1,186.95
Medium		1,056.30
Low		1,278.41
Total		1,219.72

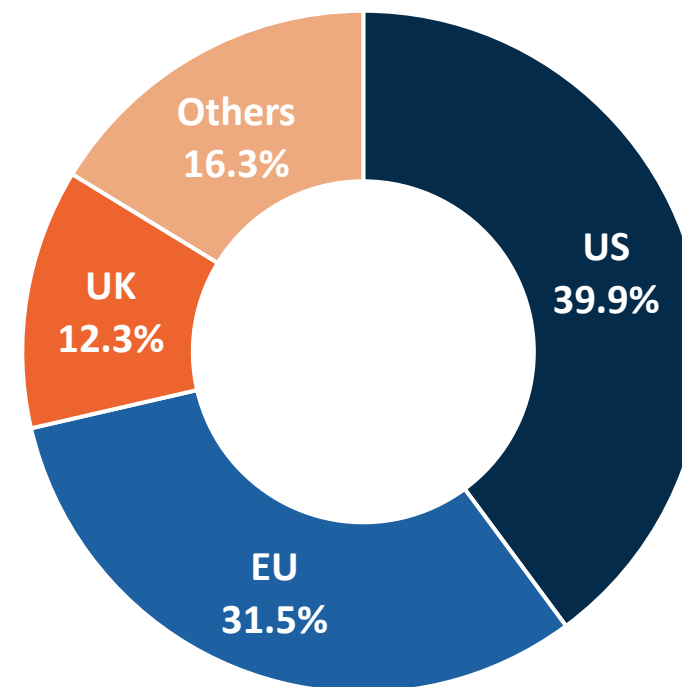
Tea Production

Production	Kgs
High	4,513,977
Medium	3,536,134
Low	13,128,737
Green Tea	196,710
Total	21,375,558

Dec 2025 apparel exports increased by 5.43% YoY



Top Export Markets – Dec 2025



Sri Lanka's apparel exports in December 2025 amounted to USD 447.21 million, reflecting a 5.43% YoY increase and a 21.66% increase MoM. Key export markets showed a growth, with exports to the US increasing by 6.5% YoY, exports to UK increasing by 13% and exports to the European Union increasing by 6.8% YoY. Apparel export performance is expected to improve from January 2026 onwards following the implementation of tariff-free access to the UK market, effective 1 January 2026.

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