



# MONTHLY ECONOMIC WRAP | FEB 2026

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SECURITIES

11.03.2026



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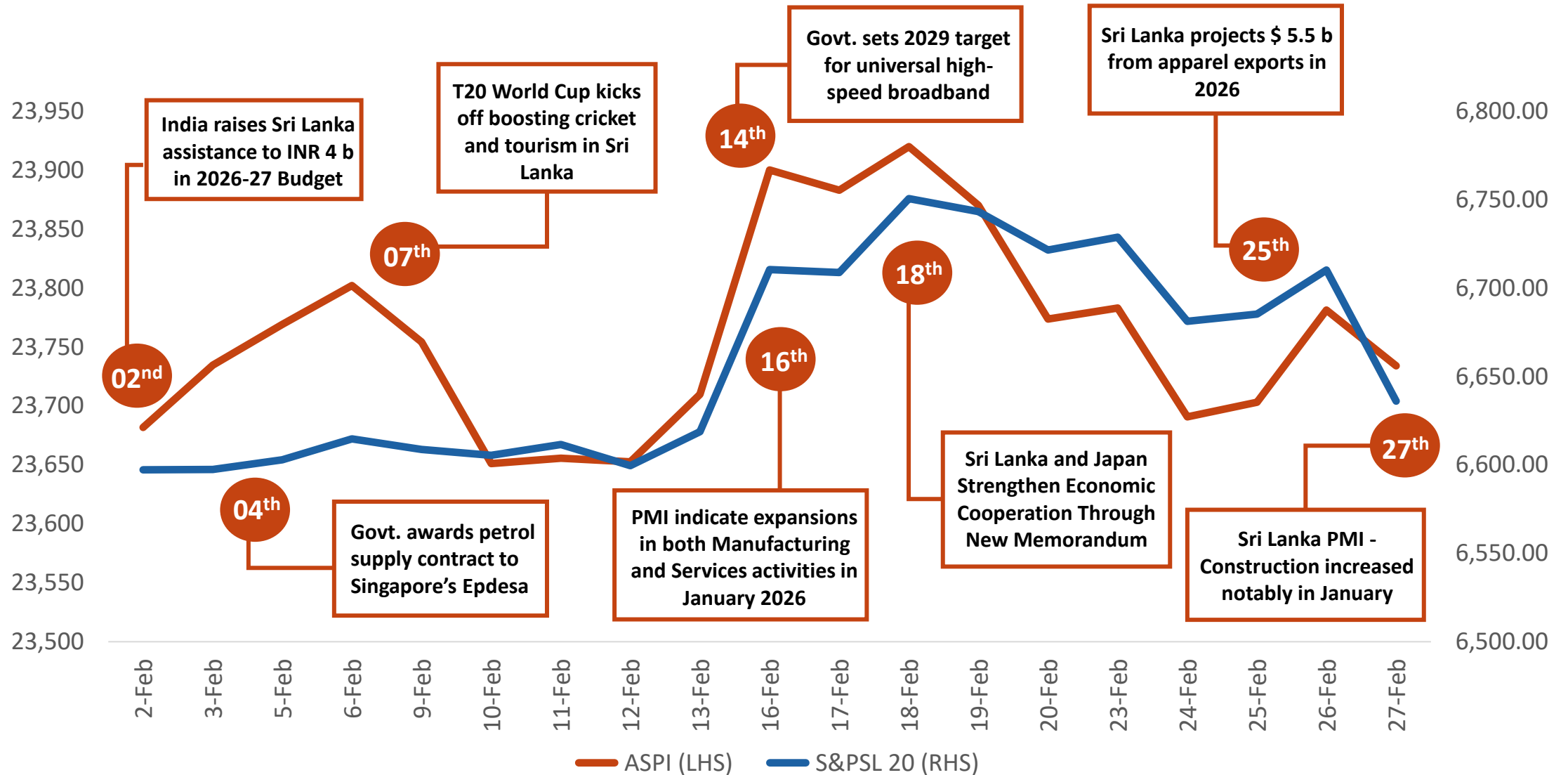


## CSE PERFORMANCE

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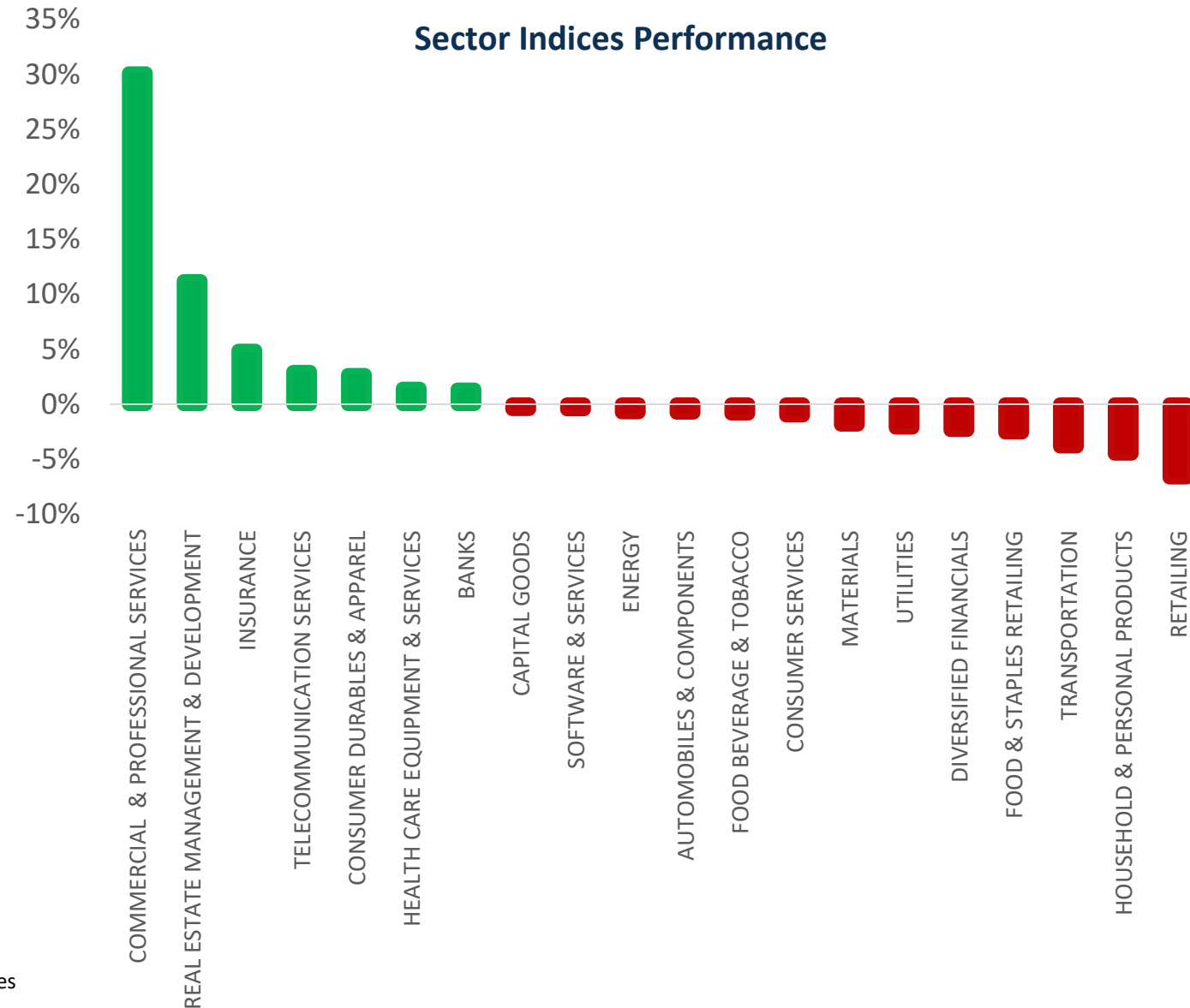
# ASPI increased by 0.22% and S&PSL20 increased by 0.59% in Feb 2026



Note: Returns are calculated up to 27<sup>th</sup> February 2026

Source: CSE, Ambeon estimates

## In Feb 2026, 7 sectors recorded increases, while 13 sectors experienced declines

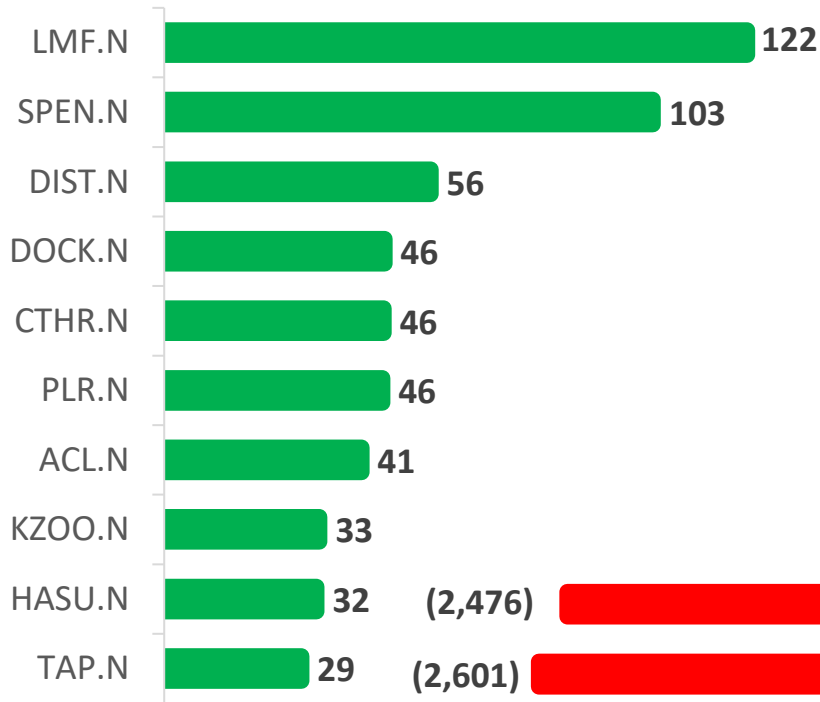


The Commercial and Professional Services had the highest increase of 30.11% this month, while the Retailing sector experienced the largest decline of -6.67%.

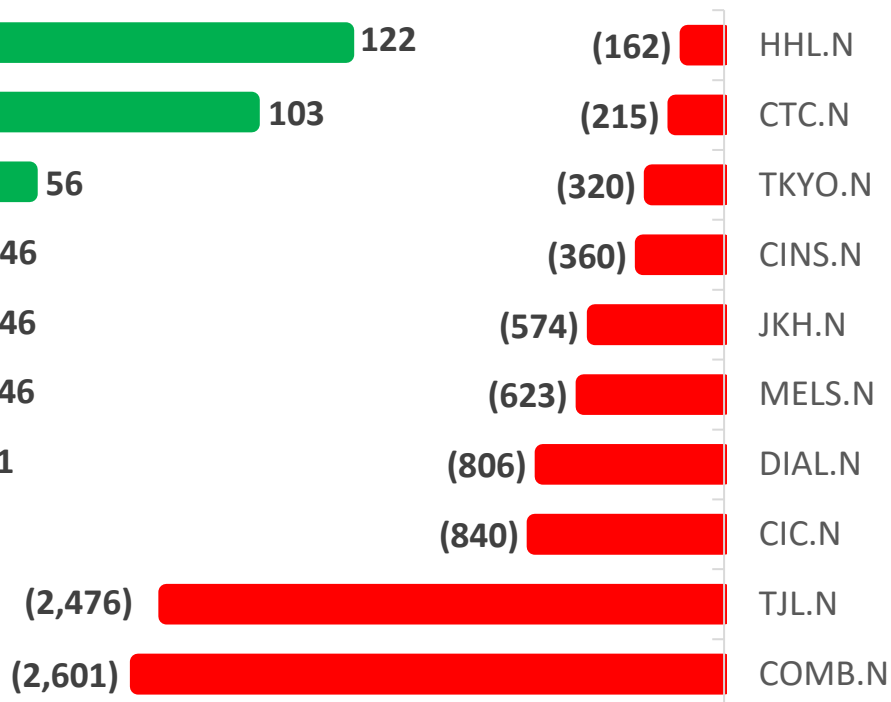
Source: CSE, Ambeon estimates

# Total net foreign outflow for Feb 2026 was LKR -9,358.49 Mn

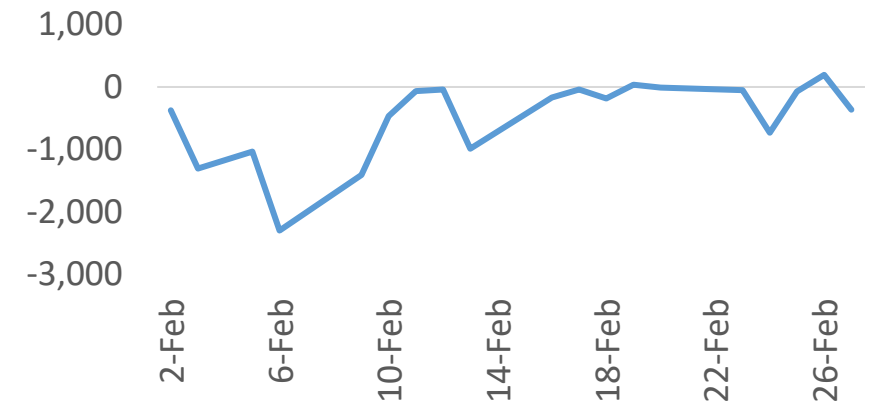
**Top 10 Counters  
Net Foreign Inflows (LKR Mn)**



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



**Net Foreign Flow (LKR Mn)**

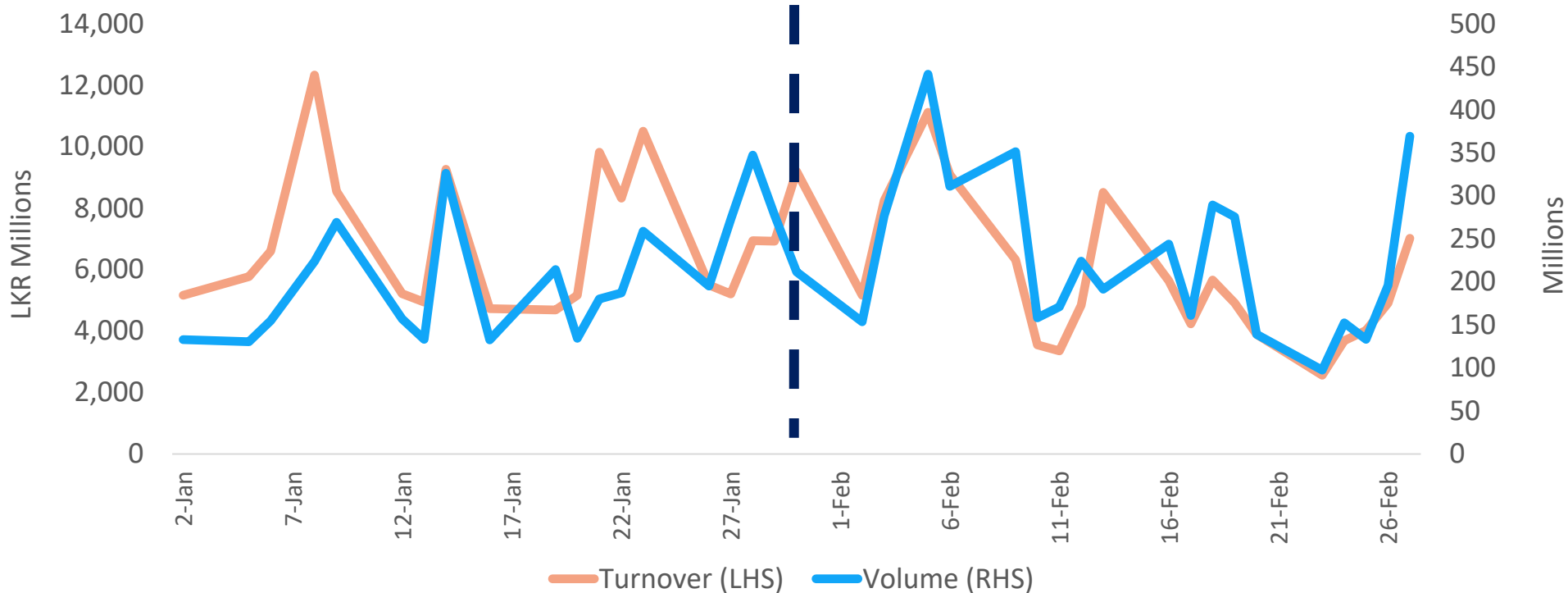


Except for 2 market days, the remaining days in the month recorded net foreign outflows.

**Feb 26 Total Net Foreign Flow LKR -9,358.49 Mn | Year-to-date Net Foreign Flow\* LKR - 16,145.75 Mn**

Source: CSE, Ambeon estimates  
\*Year-to-date calculated as of 27<sup>th</sup> February 2026

## During Feb 2026, daily turnover and volume increased



	Daily average	MoM %	Jan 2026	Feb 2026	YTD Average
Turnover (LKR Mn)		-21	7,095	5,616	6,356
Volume (Mn)		10	207	228	218

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)	11.98	1.70
KSE 100 (Pakistan)	8.82	1.48
VNI (Vietnam)	15.69	2.28

### US & European Markets

Index	PE	PBV
S&P 500 (US)	24.87	5.38
DJIA (US)	22.09	5.65
FTSE 100 (UK)	15.87	2.49

### Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	24.38	2.85
CSI 300 (China)	17.89	1.85
HSI (Hong Kong)	12.41	1.42
BSE 500 (India)	23.25	3.54
NIFTY 50 (India)	21.12	3.41
Indonesia (JCI)	20.52	2.14

Note: Figures are as of 27<sup>th</sup> February 2026

Source: Bloomberg

## Key economic news & events

02<sup>nd</sup> Feb

**India raises Sri Lanka assistance to INR 4 b in 2026-27 Budget**

India raised its budgetary assistance to Sri Lanka to INR 4 billion (about \$43.6 million) in the 2026-27 Union Budget, up from INR 3 billion in the revised 2025-26 estimates, marking about a 33% increase year-on-year. Actual Indian aid to Sri Lanka in 2024-25 was INR 3.17 billion. This allocation places Sri Lanka among the larger bilateral aid recipients in India's regional assistance framework, though India's total foreign aid budget remains broadly steady at around INR 56.86 billion.

16<sup>th</sup> Feb

**PMI indicate expansions in both Manufacturing and Services activities in January 2026**

The Sri Lanka Purchasing Managers' Index (PMI) January 2026 report by the Central Bank of Sri Lanka shows continued growth in the private sector, though slightly slower than December 2025. The Manufacturing PMI was 56.1, supported by higher new orders, production, and employment, while inventory stocks increased ahead of the Chinese New Year. The Services PMI stood at 64.5, driven by wholesale and retail trade, accommodation, food services, and financial activities, with rising employment and easing backlogs. Overall, the report indicates resilient domestic demand and steady economic momentum.

25<sup>th</sup> Feb

**Sri Lanka residential land prices rise 12.4% in H2 2025**

The Land Valuation Indicator (LVI) for the Colombo District increased by 10.6% year-on-year in the second half of 2025, indicating a continued rise in land values compared to the same period in 2024. The overall LVI reached 261.9, reflecting steady growth in the land market. All three sub-categories contributed to this increase, with residential land values rising by 12.4%, commercial land values by 11.3%, and industrial land values by 8.0%. On a semi-annual basis, the LVI increased by 2.1% compared to the first half of 2025, showing moderate growth during the period.

28<sup>th</sup> Feb

**Israel and US launches attacks against Iran**

Israel launched a pre-emptive military attack on Iran on 28 February 2026. The strike, announced by Israeli Defense Minister Israel Katz, was aimed at removing perceived threats from Iran and significantly escalated tensions in the Middle East. Reports citing U.S. officials suggested that the United States may also have been involved in the strikes, raising fears of a broader regional conflict and reducing the prospects for a diplomatic resolution to Iran's nuclear dispute with Western nations. Such tensions could indirectly affect Sri Lanka through higher global oil prices and potential disruptions to trade and shipping routes.



## MONETARY SECTOR

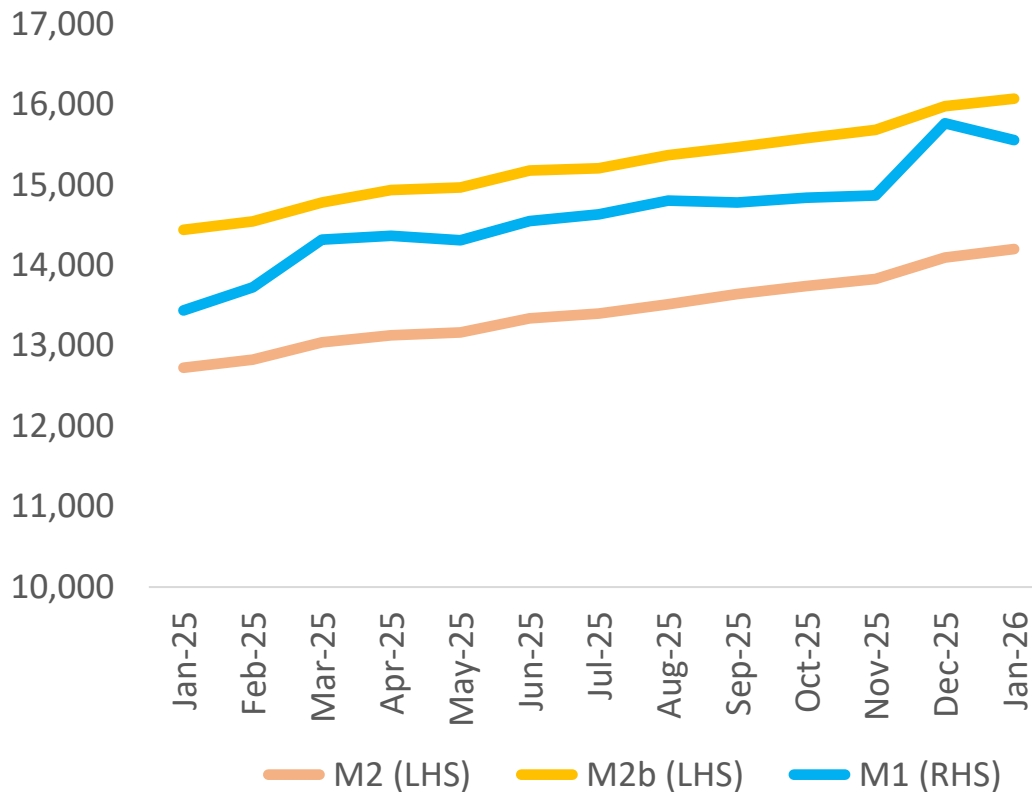
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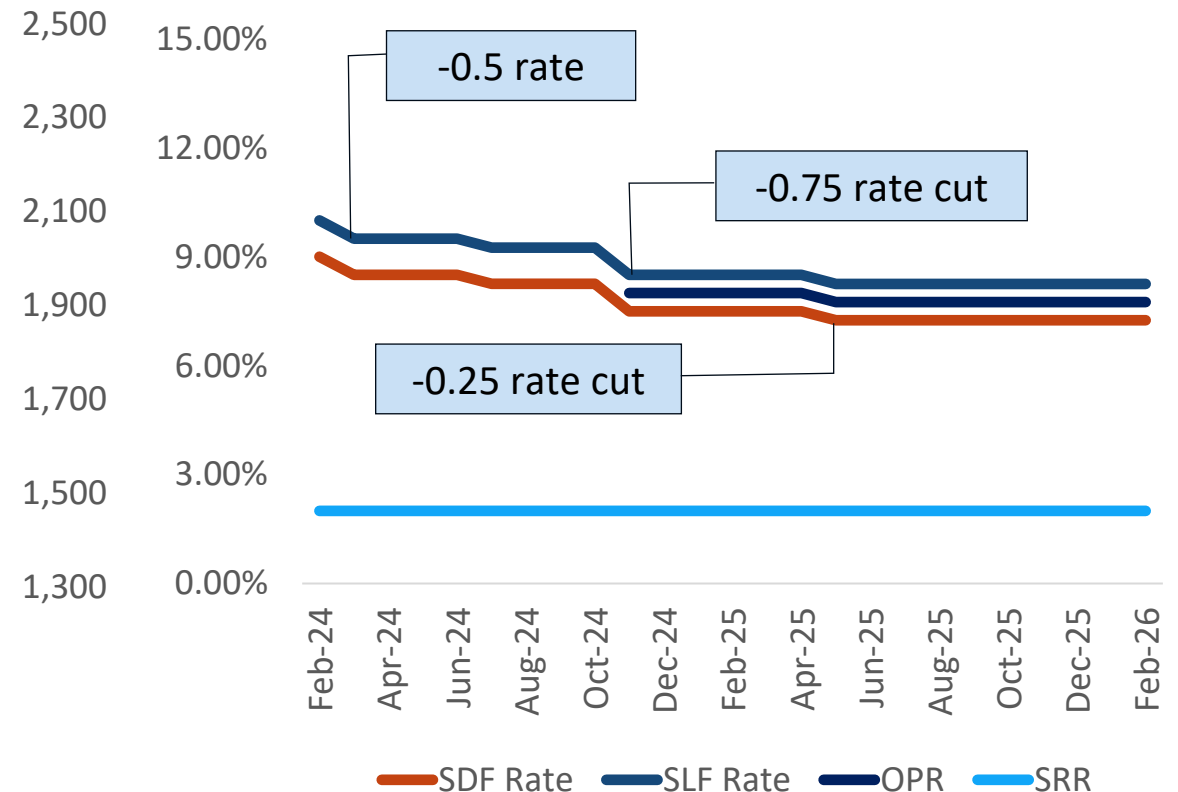
# Overnight Policy Rate of 7.75% unchanged in Feb 2026

By the end of January 2026, Sri Lanka's narrow money supply (M1) rose to LKR 2,251.9 billion, while the consolidated broad money supply (M2b) expanded to LKR 16,069 billion, marking an increase from December 2025. Policy rates remained unchanged in February 2026 at 7.75%, indicating a continuation of the monetary stance maintained since May 2025.

Money Supply (LKR Bn)



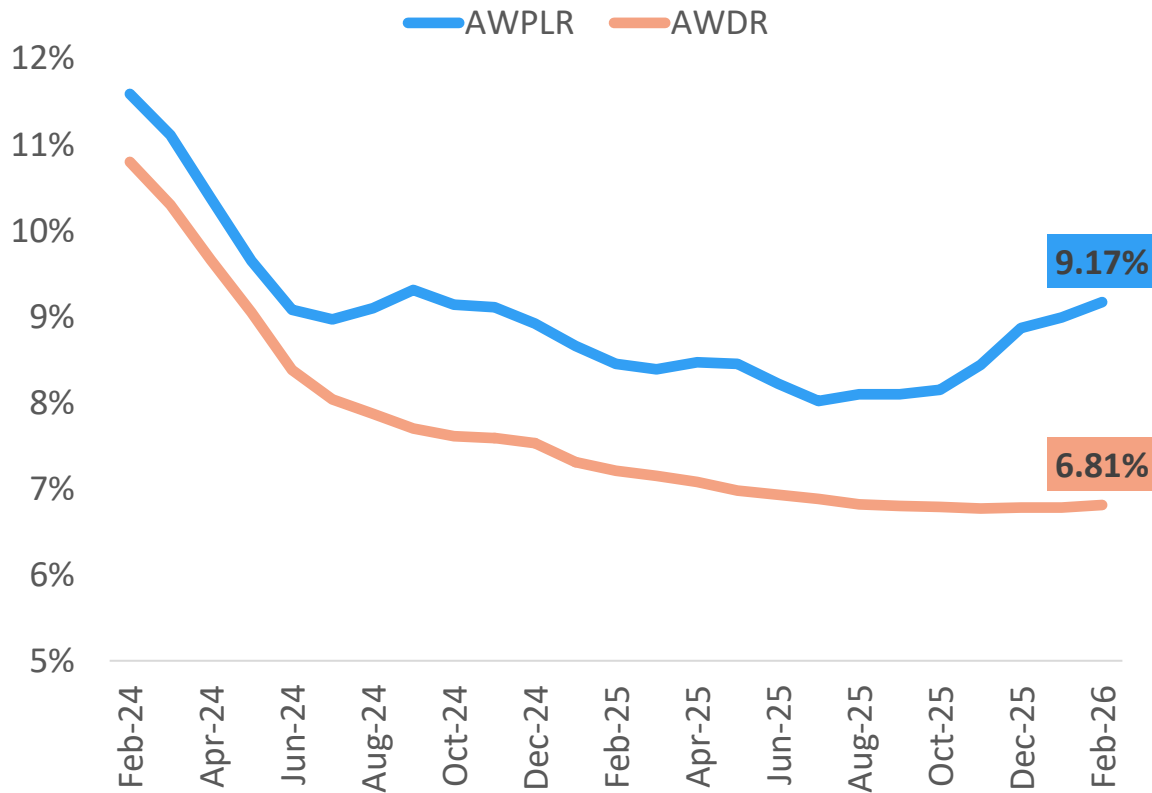
Policy Rates



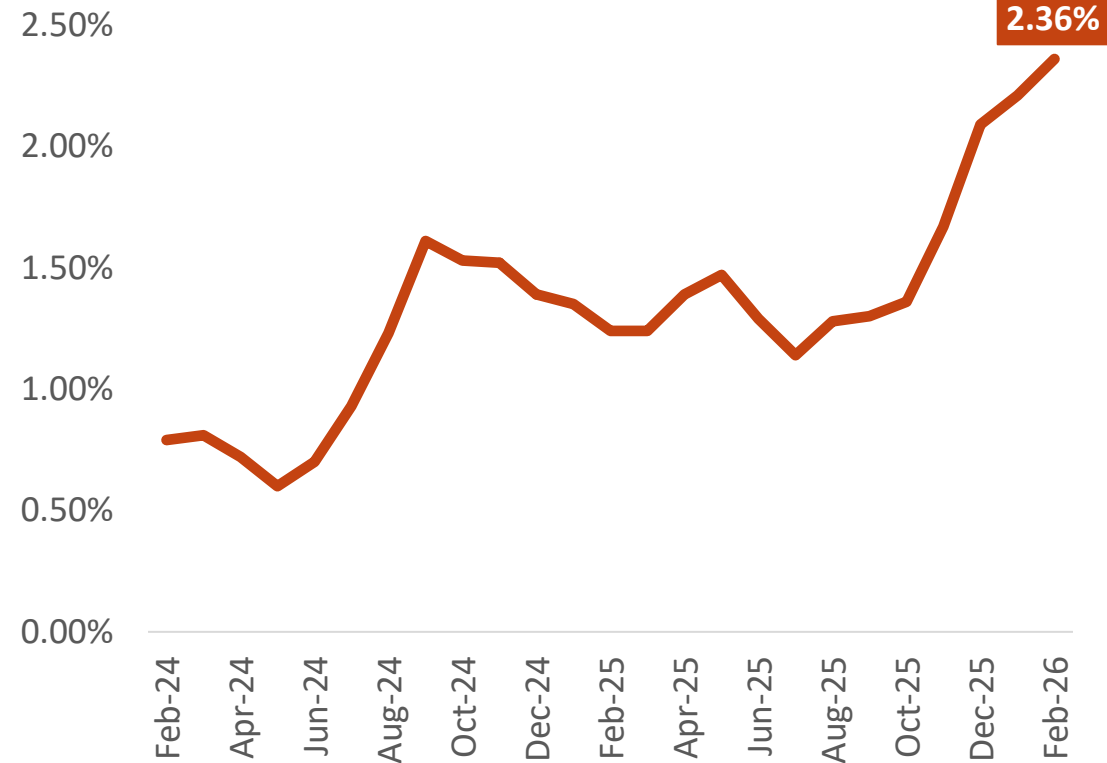
Source: CBSL

# Lending rates and depositing rates experienced an increase in Feb 2026

Lending and Deposit Rates



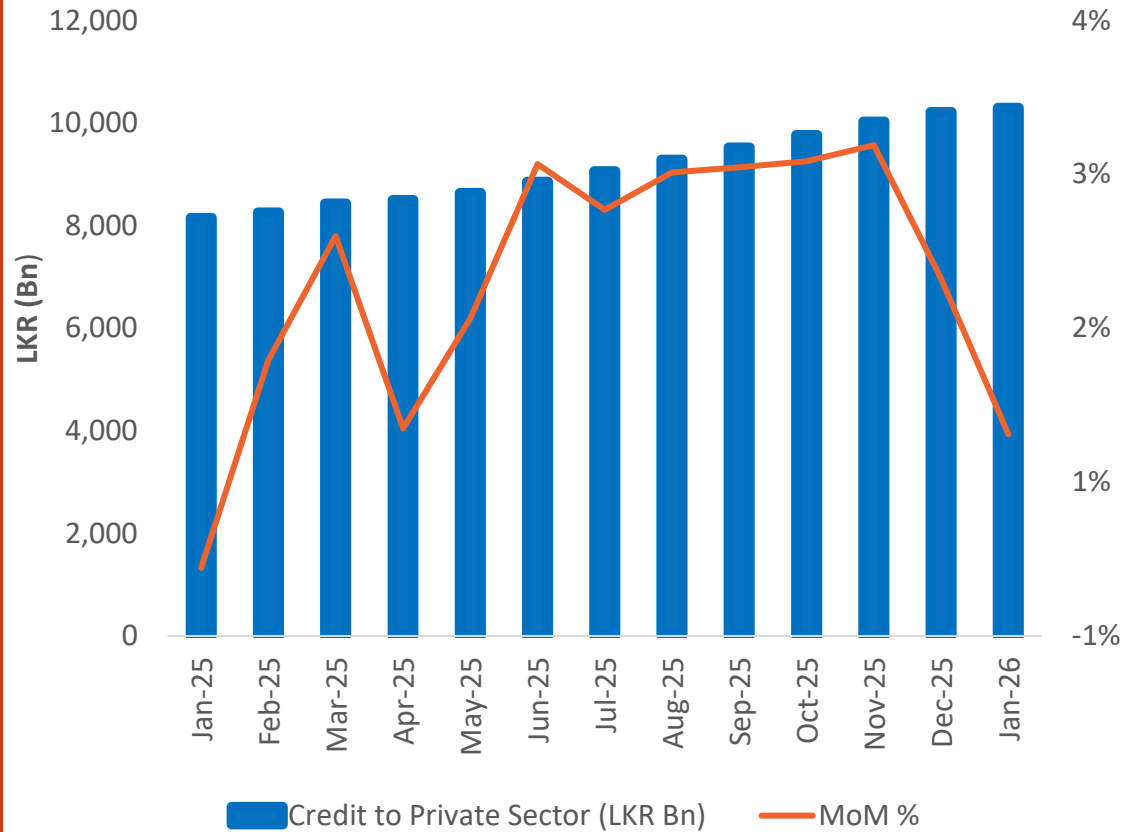
Interest Spread



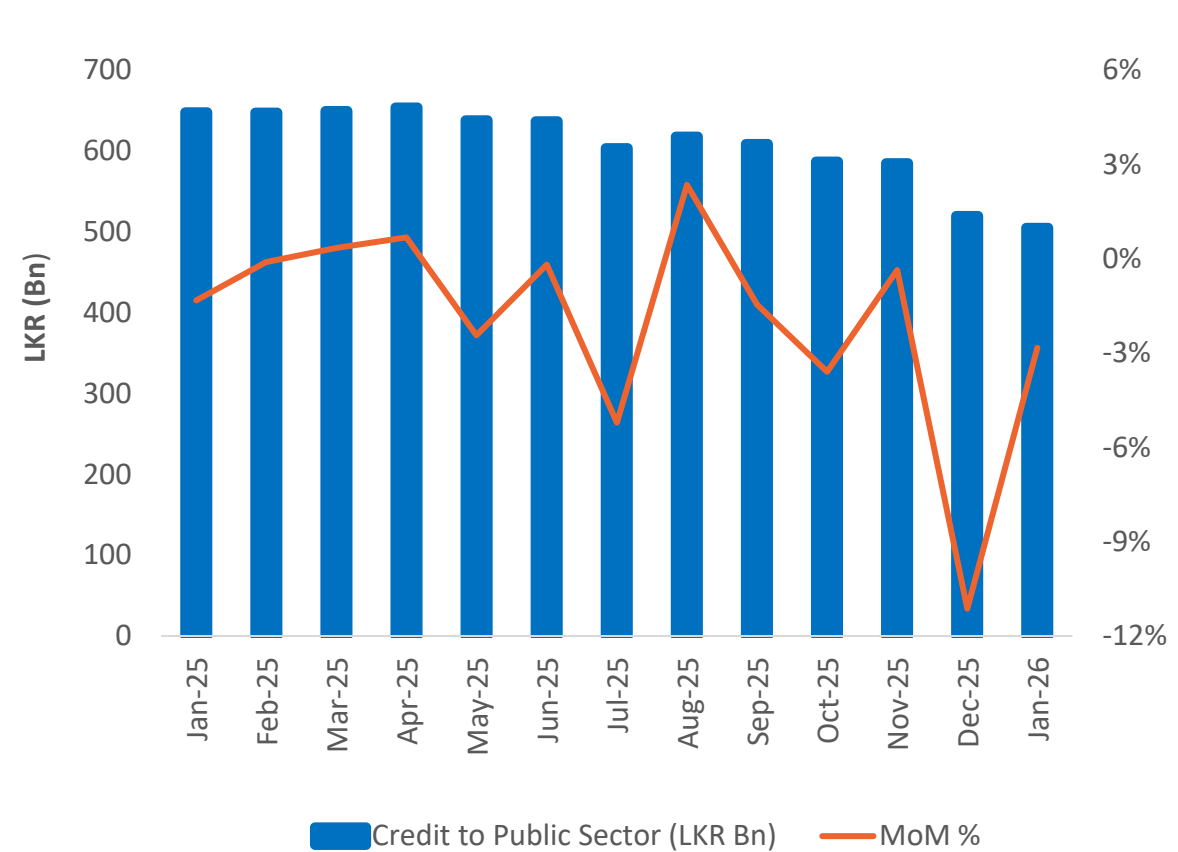
Source: CBSL

# Private sector credit remained relatively stable in Jan 2026

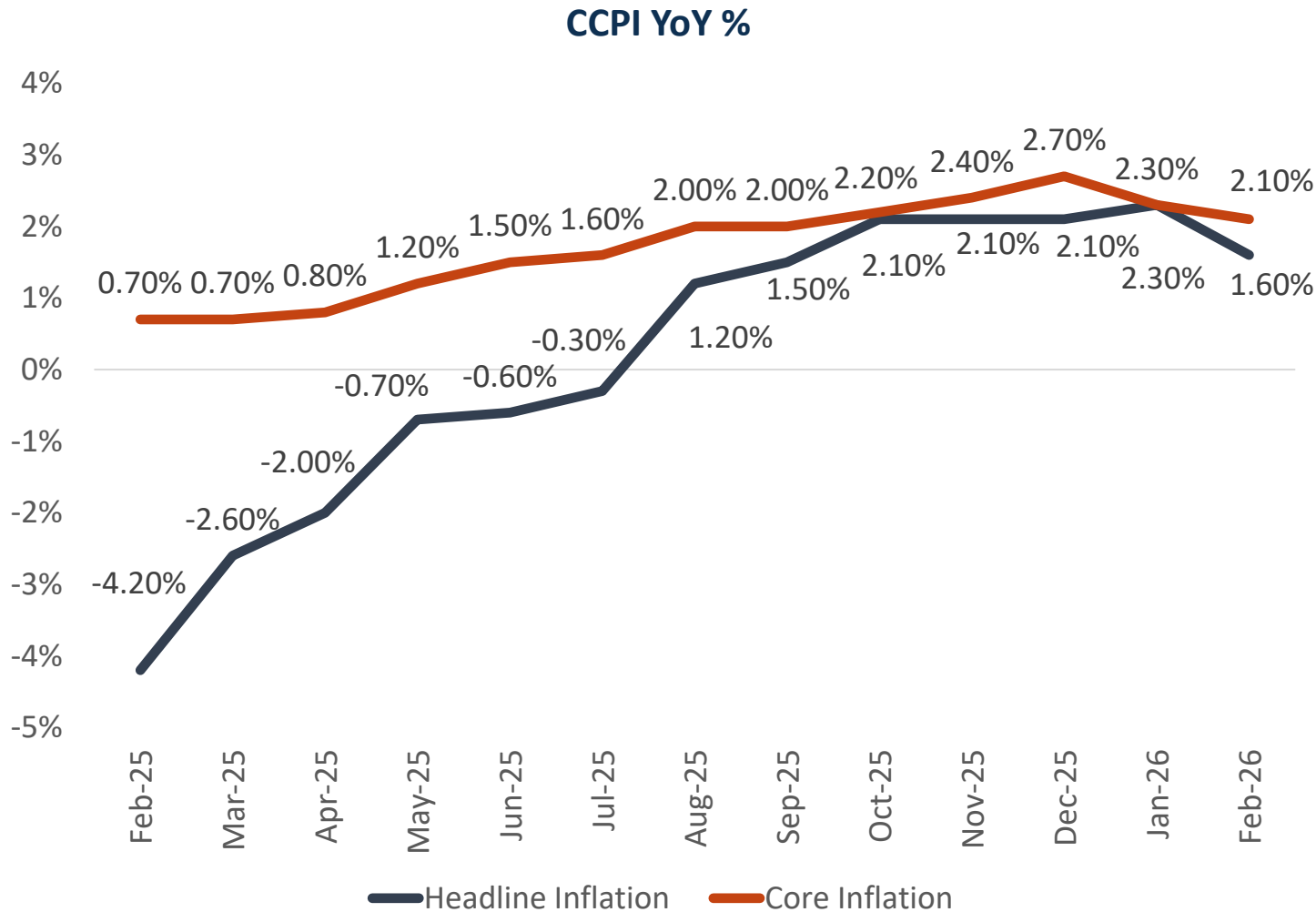
Credit to Private Sector



Credit to Public Sector



# CCPI based headline inflation decelerates to 1.6% in Feb 2026

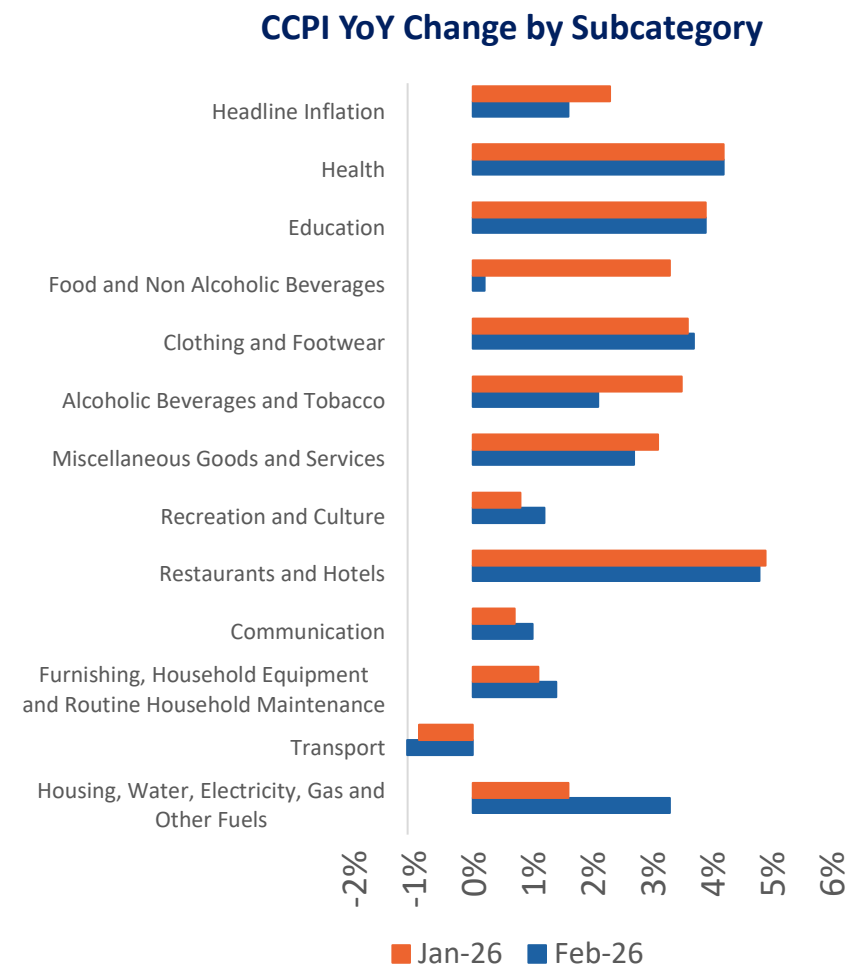
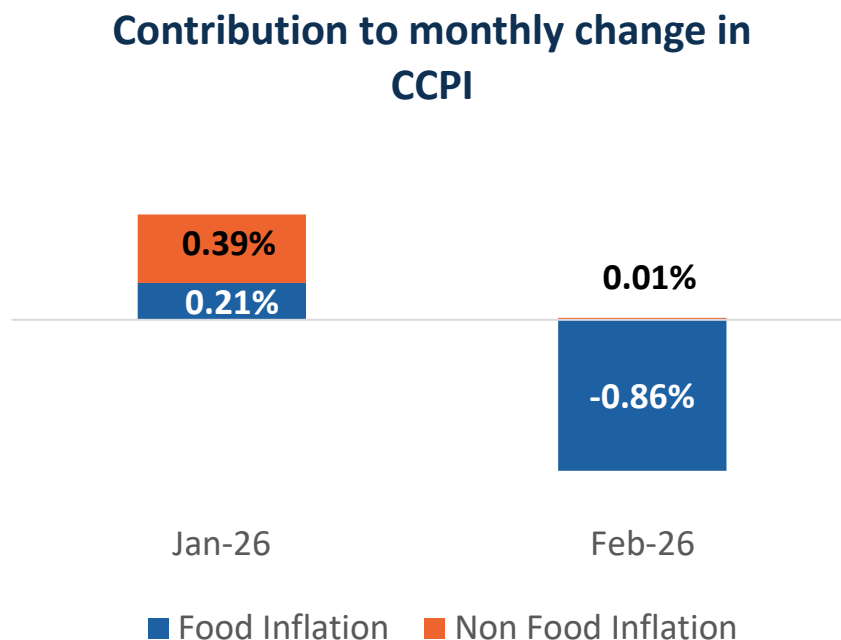


Headline inflation (YoY), measured by the Colombo Consumer Price Index (CCPI), decelerated to 1.6% in February 2026, after remaining at 2.3% in January 2026.

On a month-on-month basis, the CCPI decreased by 0.85% in February 2026. This drop was driven mainly by Food prices, which contributed -0.86 percentage points, while the non - food category contributed 0.01 percentage points to the overall decrease. Meanwhile, core inflation (Y-o-Y) decelerated to 2.1% in February from 2.3% in January.

Inflation projections made at the monetary policy round in January 2026 indicate that inflation will gradually move towards the target of 5% by the second half of 2026, with the support of appropriate policies.

## Feb 2026, CCPI decreased by 0.85% MoM mainly due to food category

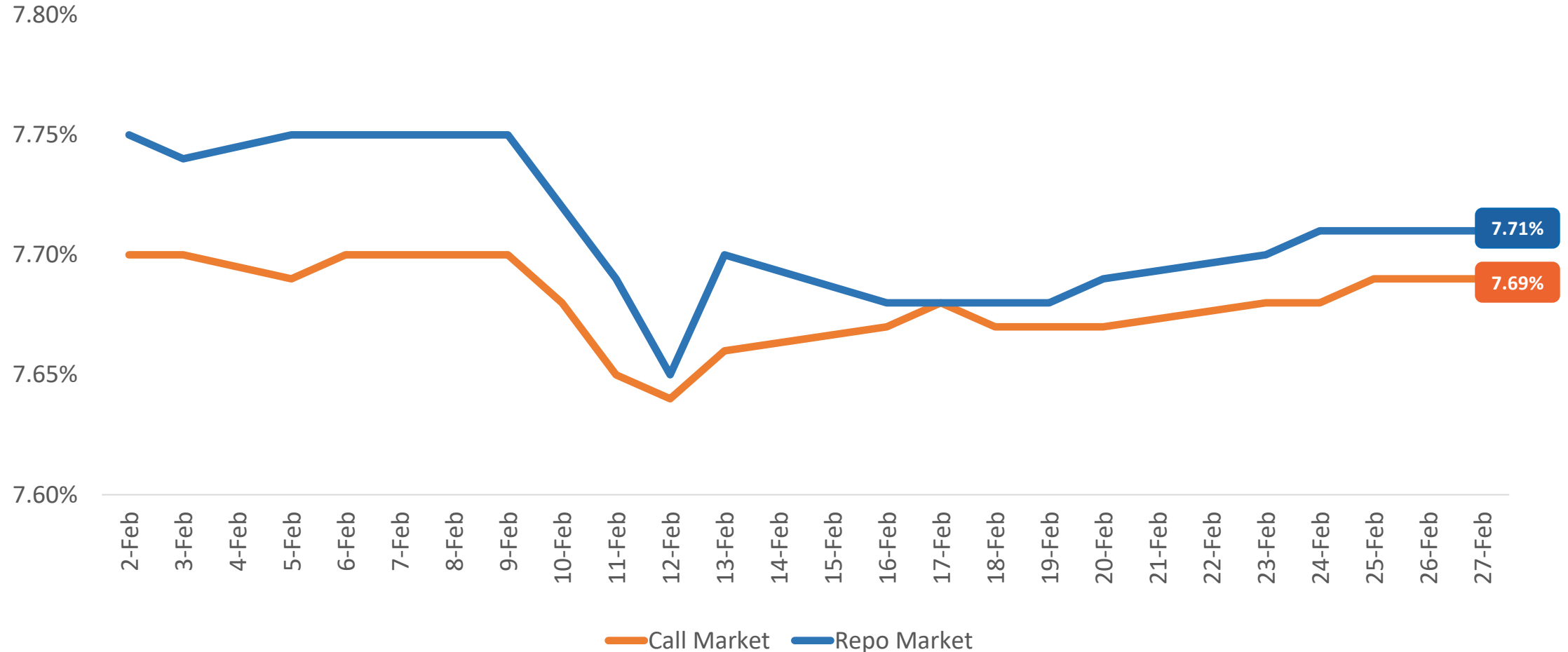


On a month-on-month basis, the CCPI decreased by 0.85% in February 2026, with food prices contributing -0.86 percentage points and non-food prices contributing 0.01 percentage points to the overall decrease. On a year-on-year basis, headline inflation decelerated to 1.6% in February 2026 from 2.3% in January 2026. Food inflation (YoY) decelerated to 0.2% in February from 3.3% in the previous month, while non-food inflation (YoY) accelerated to 2.3% in February 2026 from 1.8% in January 2026.

Prices accelerated in the housing, furnishing, recreation, clothing, and communication categories, while decelerating in all other categories.

# Call and repo rates showed volatility in February before stabilizing

### Weighted Averaged Yields of Money Market Rates

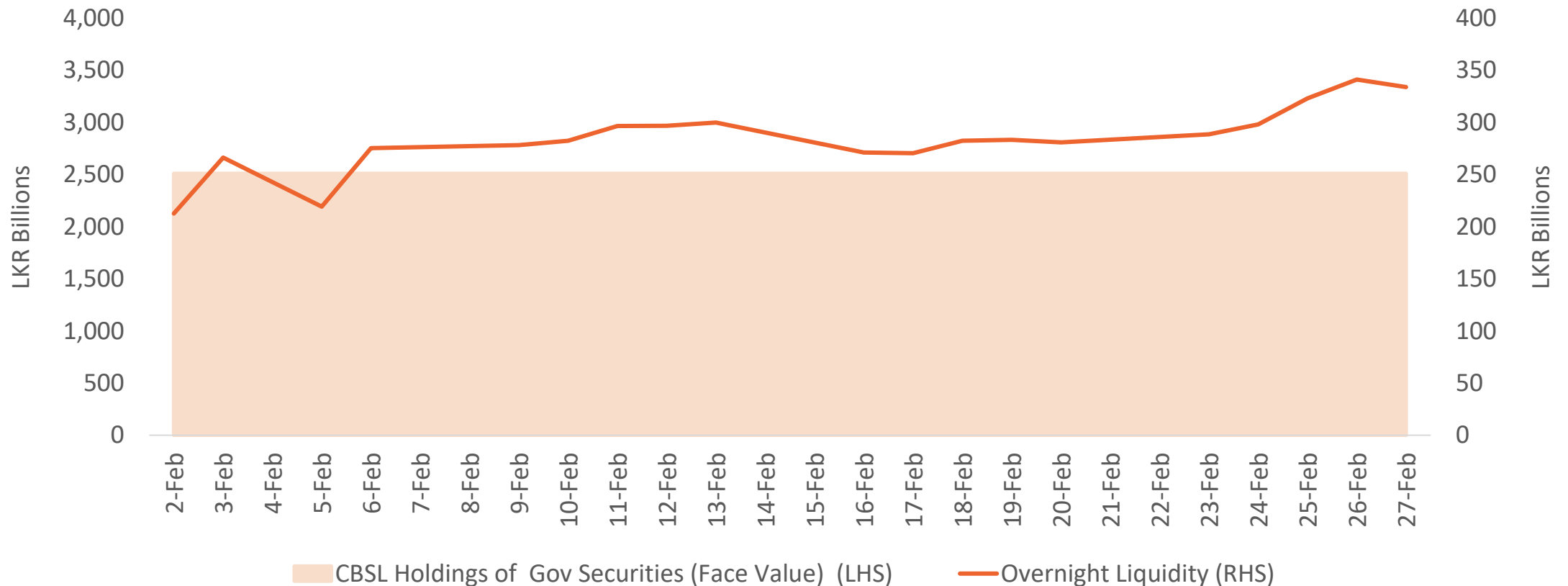


Source: CBSL

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

During February 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 fluctuated during the middle of the month. However, liquidity conditions improved toward the latter part of the month, rising steadily to around LKR 333.76 billion by end-February.

Liquidity and CBSL Holdings



Source: CBSL

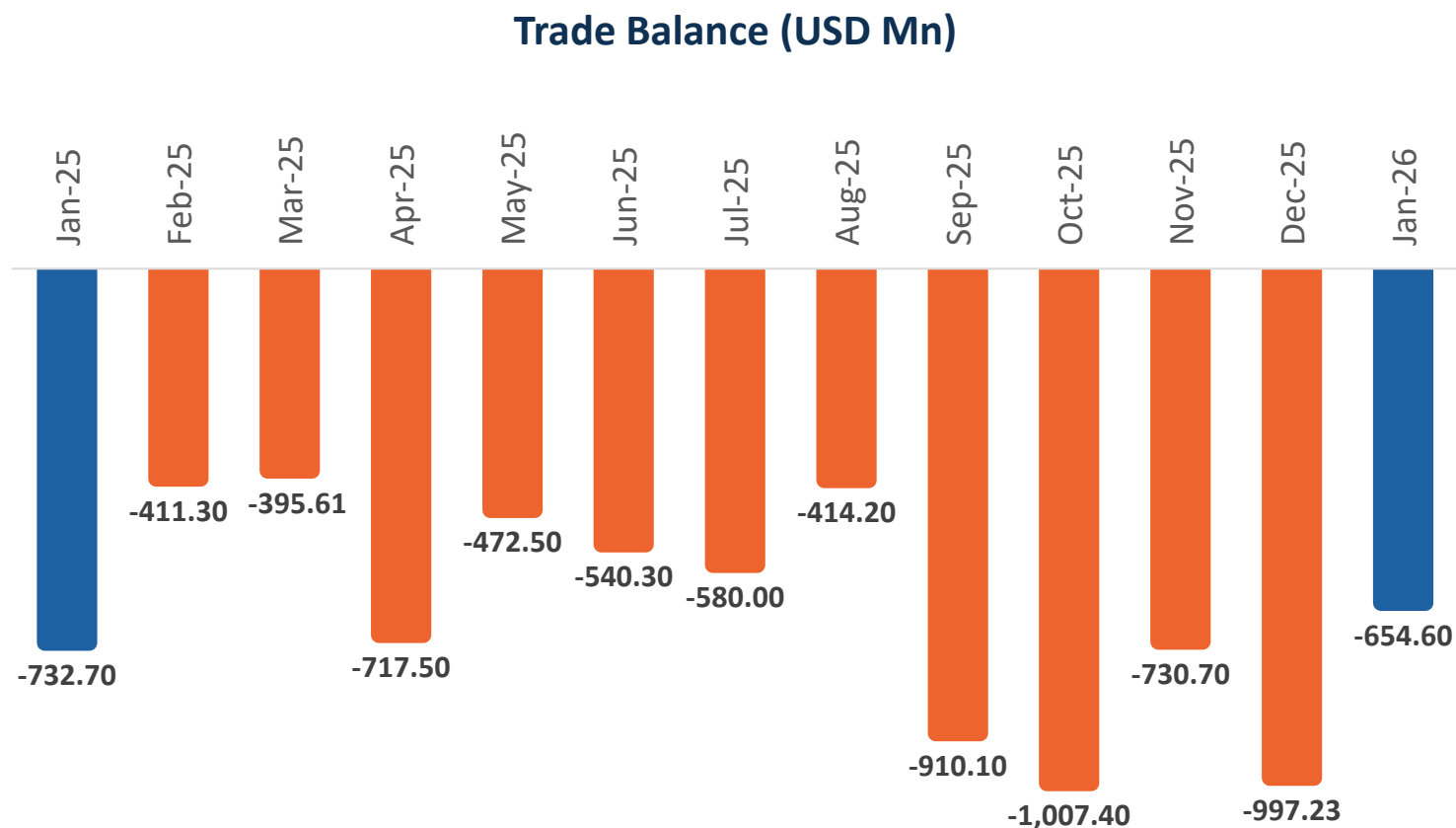


## EXTERNAL SECTOR

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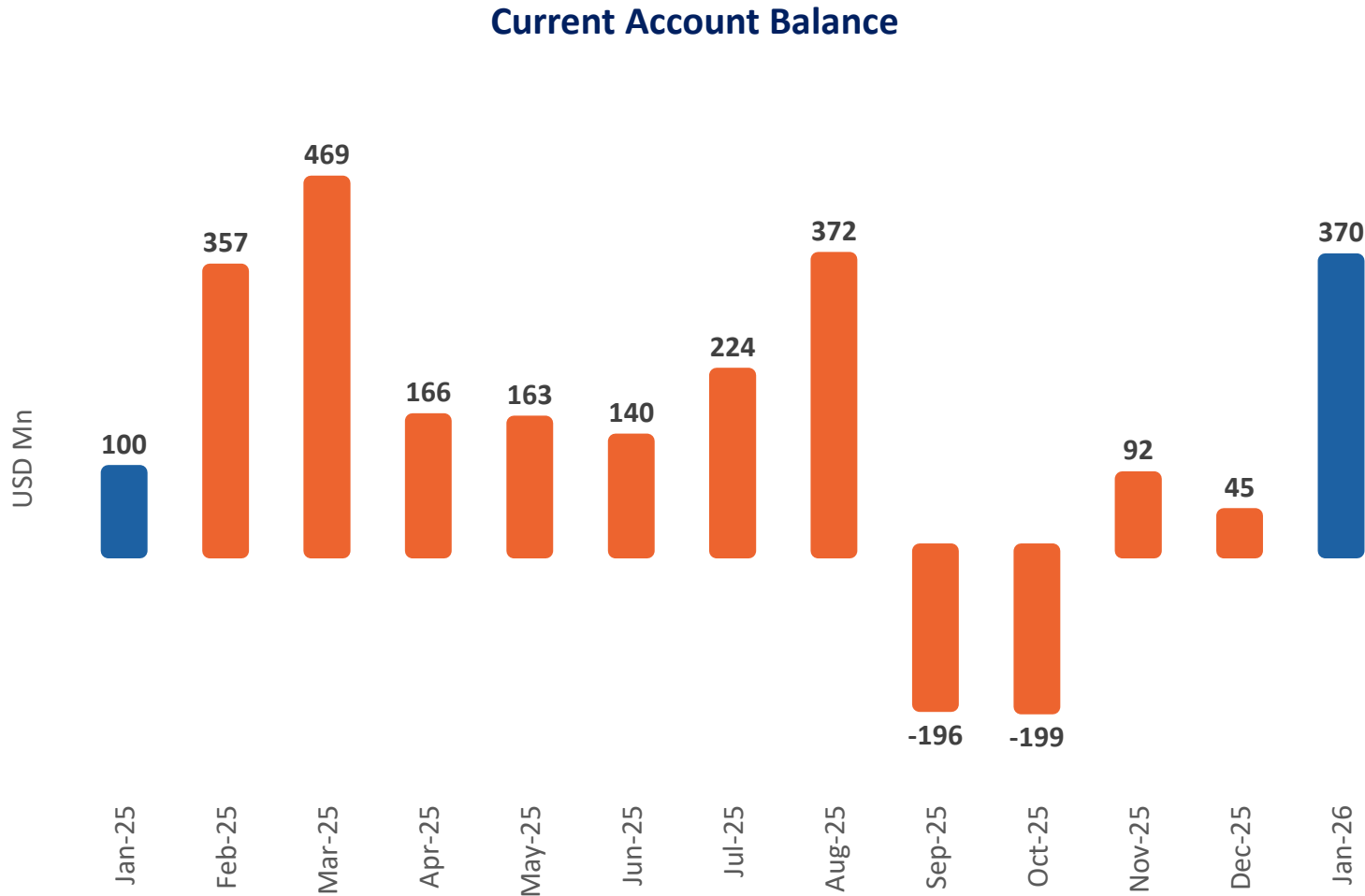
## Trade Balance improved by 10.7% YoY in Jan 2026



In January 2026, Sri Lanka’s trade deficit narrowed to USD 654.6 million, reflecting an 10.7% decrease compared to January 2025 and a 34.4% decrease from the previous month.

The year-on-year rise in the trade balance was driven mainly by the increase in exports income by 9.1% YoY.

## Current Account Balance increased by 270% YoY in Jan 2026

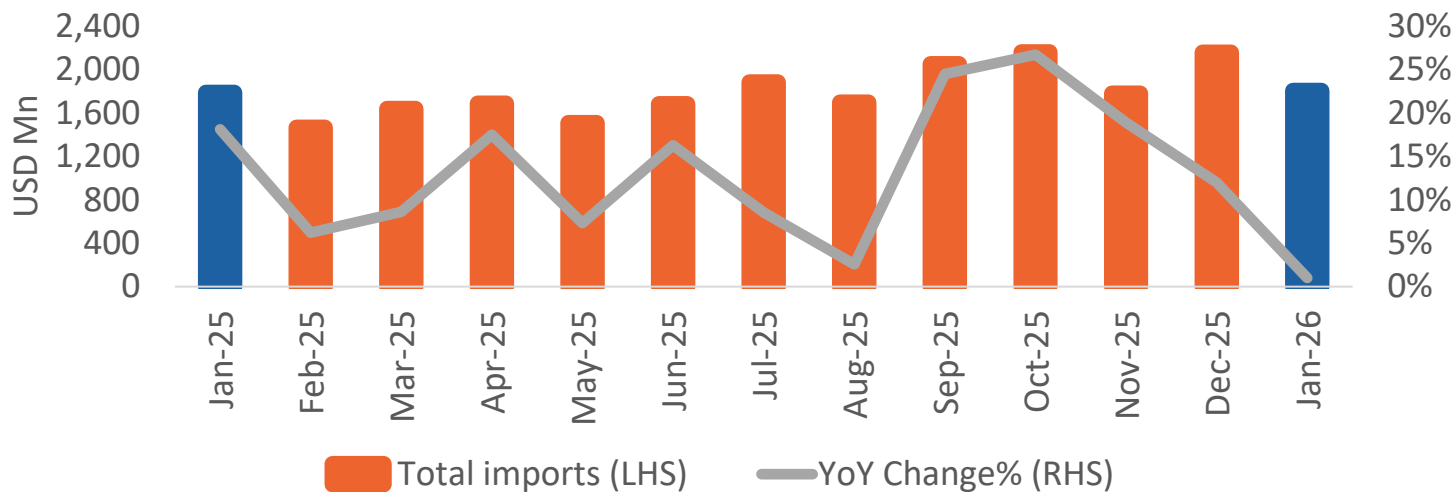


The current account recorded a surplus for the third consecutive month in January 2026. The current account balance improved by 270% YoY and posted a surplus of USD 369.7 million. On a month-on-month basis, the balance improved by 722%. The cumulative current account surplus amounted to approximately USD 369.7 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 January 2026, the trade balance improved by 10.67% YoY. Similarly, the primary income account and the secondary income account increased by 14.27% and 32.88% YoY, respectively. However, the services account surplus decreased by 2.84% YoY.

# Jan 2026 import expenditure increased by 1% YoY

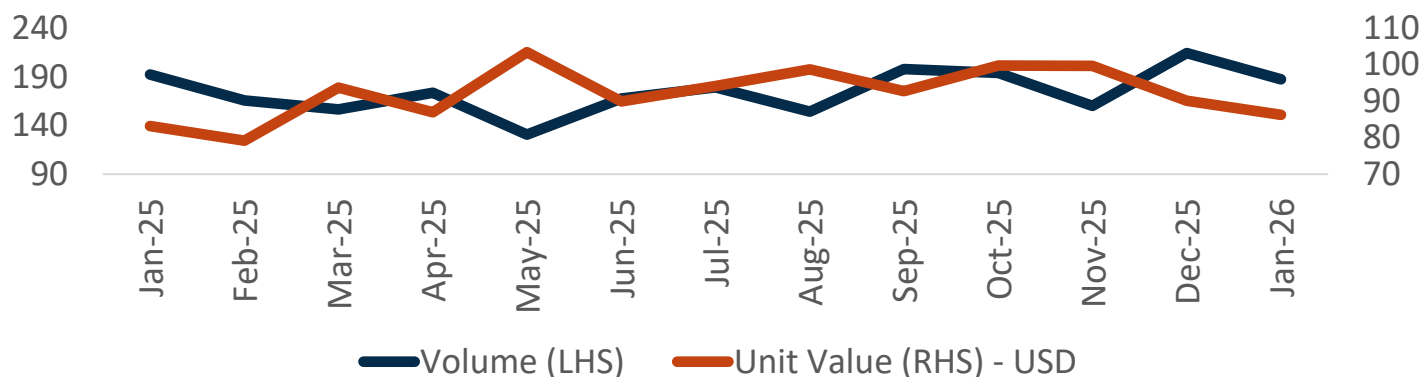
### Total Imports and Growth



In January 2026, imports increased by 1% year-on-year to USD 1,803.3 million, marking a 16.3% decrease compared to the previous month. The year-on-year growth was mainly driven by higher imports of intermediate goods.

On a month-on-month basis, imports of consumer goods, intermediate goods, and investment goods decreased. Consumer goods imports dropped mainly due to product in the other consumer goods category such as personal vehicles, medical and pharmaceuticals and telecommunication devices.

### Import Indices

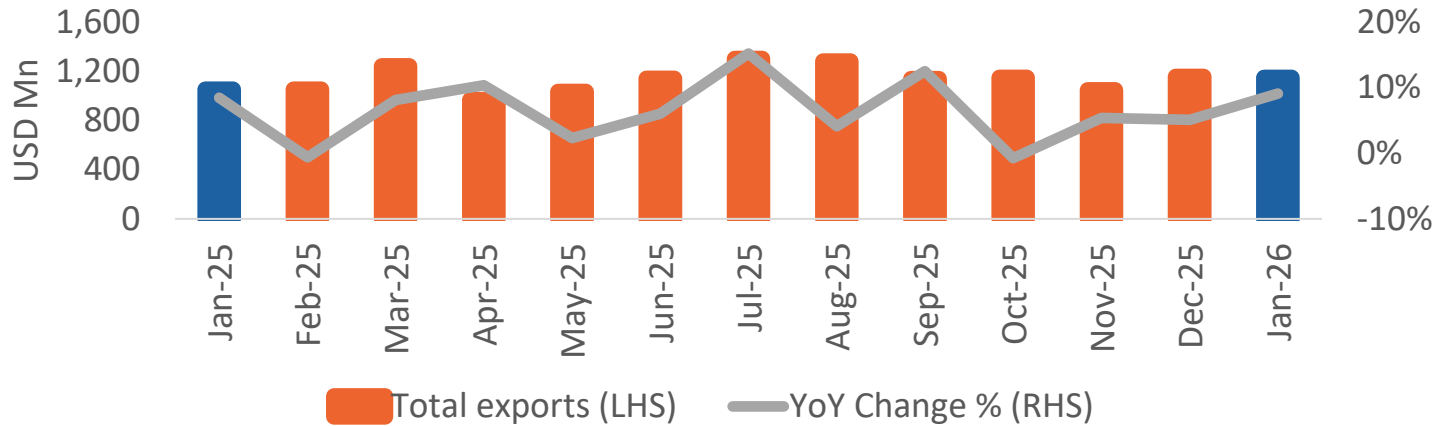


Meanwhile, imports of intermediate goods decreased MoM, driven mainly by lower imports of fuel, textiles, base metals, chemical products, plastics and rubber.

In January 2026, the Import Volume Index decreased by 2.6% YoY, while the Import Unit Value Index rose by 3.7% YoY.

# Jan 2026 export earnings increased by 9.1% YoY

**Total Exports and Growth**



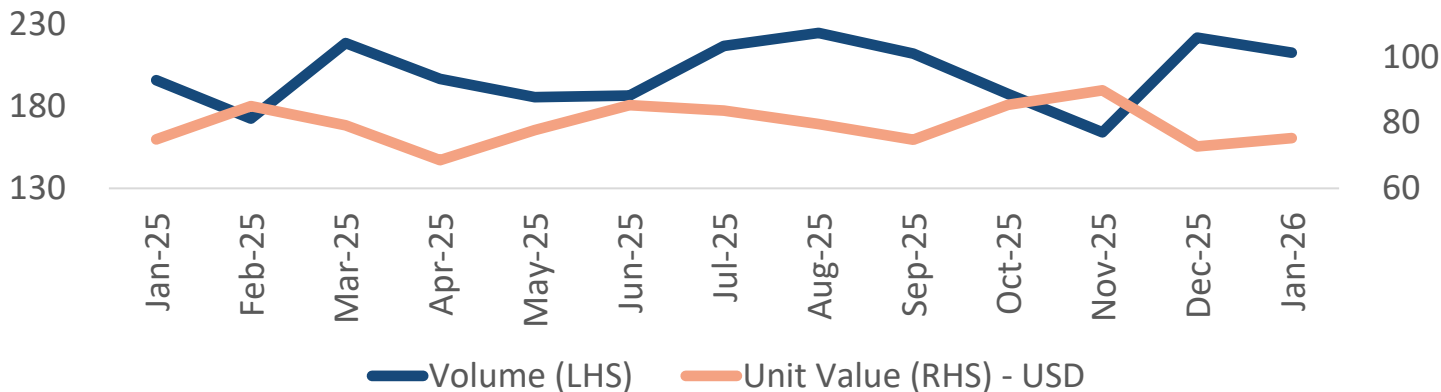
In January 2026, export earnings increased by 9.1% YoY to USD 1148.7 million, representing an 0.8% drop compared to December 2025. The YoY increase was mainly driven by industrial exports and mineral exports.

On a MoM basis, earnings from agricultural exports increased but industrial exports dropped due to lower export volumes of textiles, petroleum products, transport equipment and printing industry products.

Agricultural export earnings increased mainly due to higher exports of tea followed by seafood, vegetables and rubber.

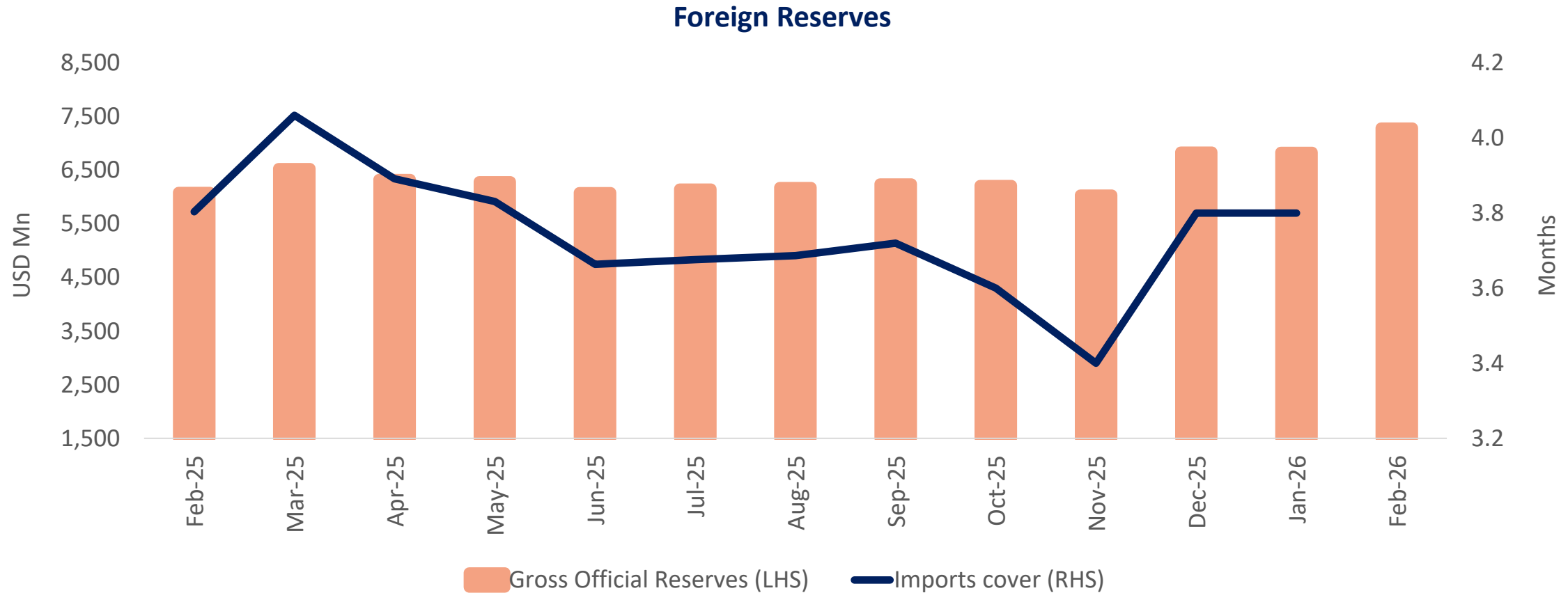
In January 2026, the Export Volume Index increased by 8.6% YoY and the Export Unit Value Index rose by 0.5% YoY during the same period.

**Export Indices**



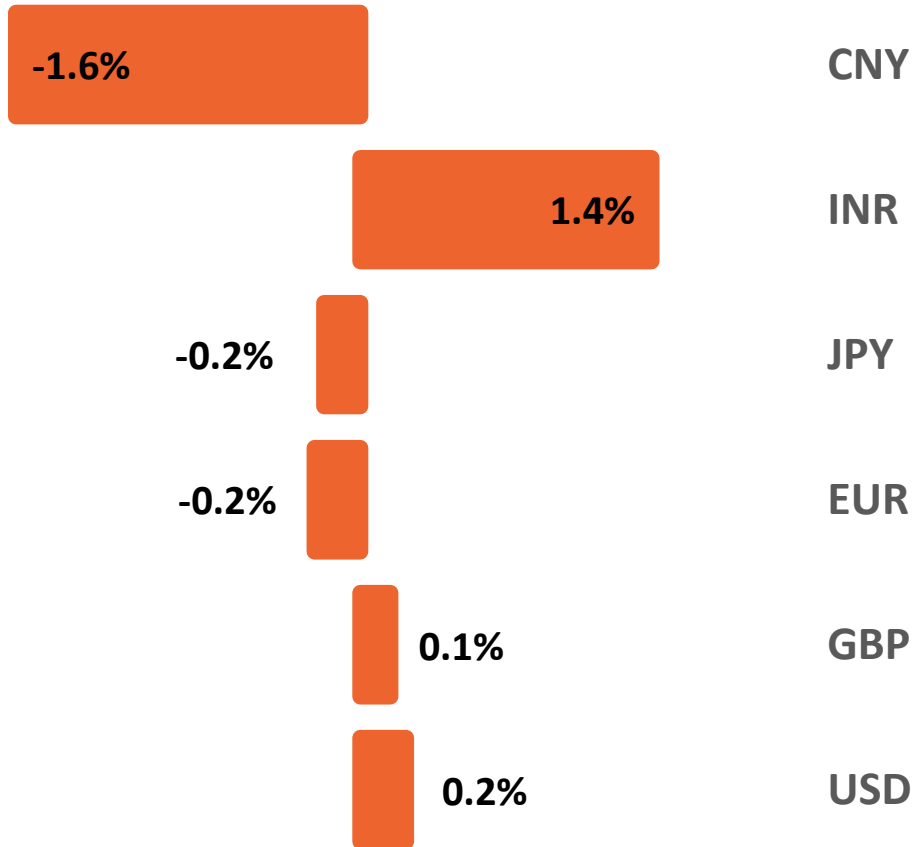
## In Feb 2026 gross official reserves hit record high

In February 2026, Sri Lanka’s gross official reserves reached a record high, amounting to USD 7.3 billion. The reserves increased by 19.68% year-on-year and 6.62% month-on-month. This marked a six-year high, mainly driven by foreign exchange purchases by the Central Bank of Sri Lanka from the domestic market.

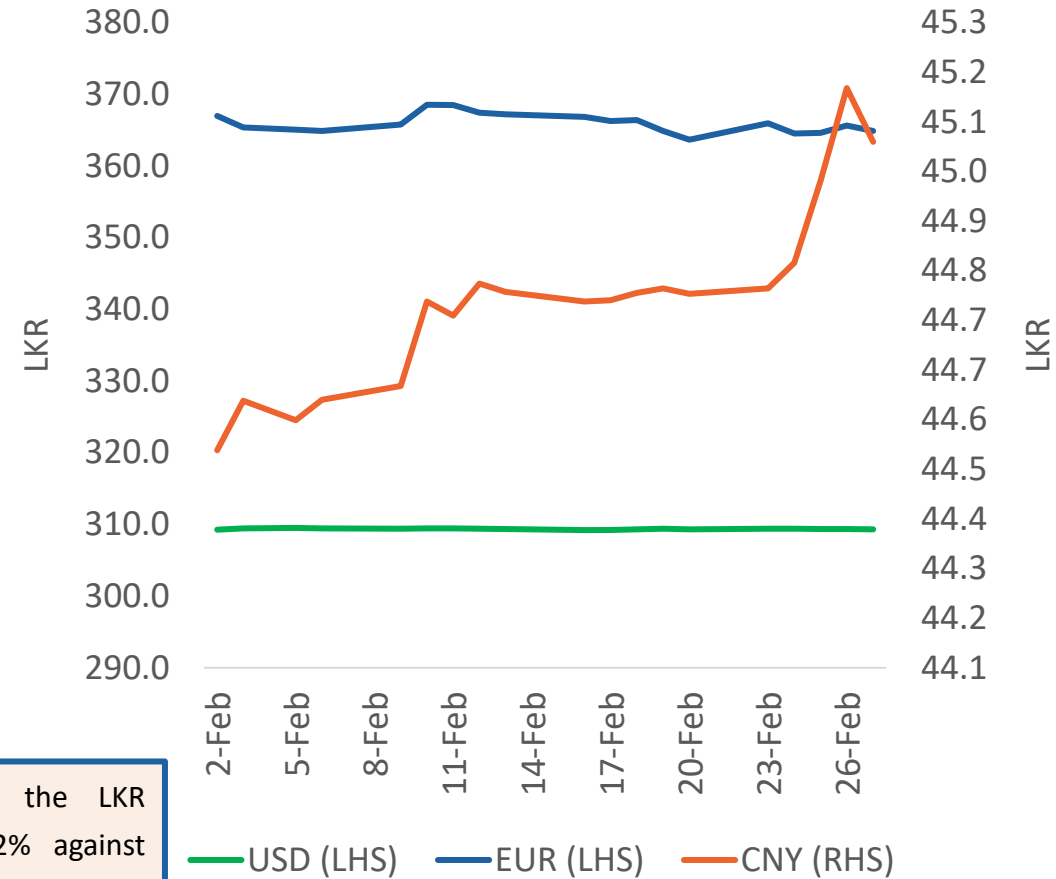


## In February 2026, the LKR marginally depreciated against the USD

LKR appreciation/depreciation against major currencies YTD end of Feb 2026



Monthly movement of major currencies

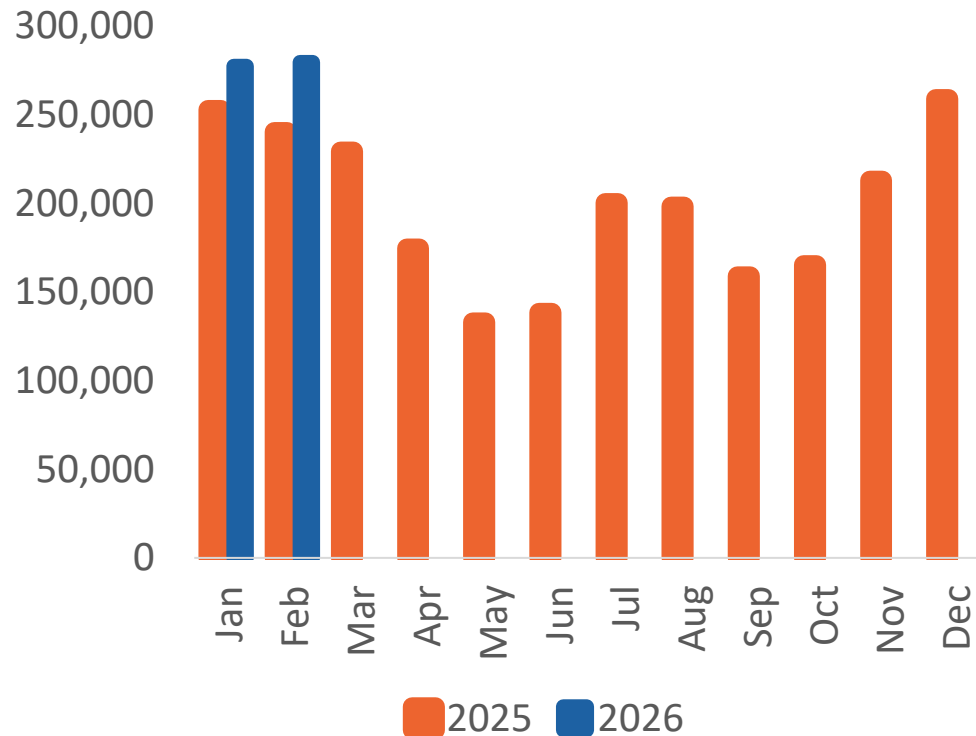


In February 2026, the LKR depreciated by 0.02% against the USD, appreciated by 0.58% against the EUR and depreciated by 1.33% against the CNY.

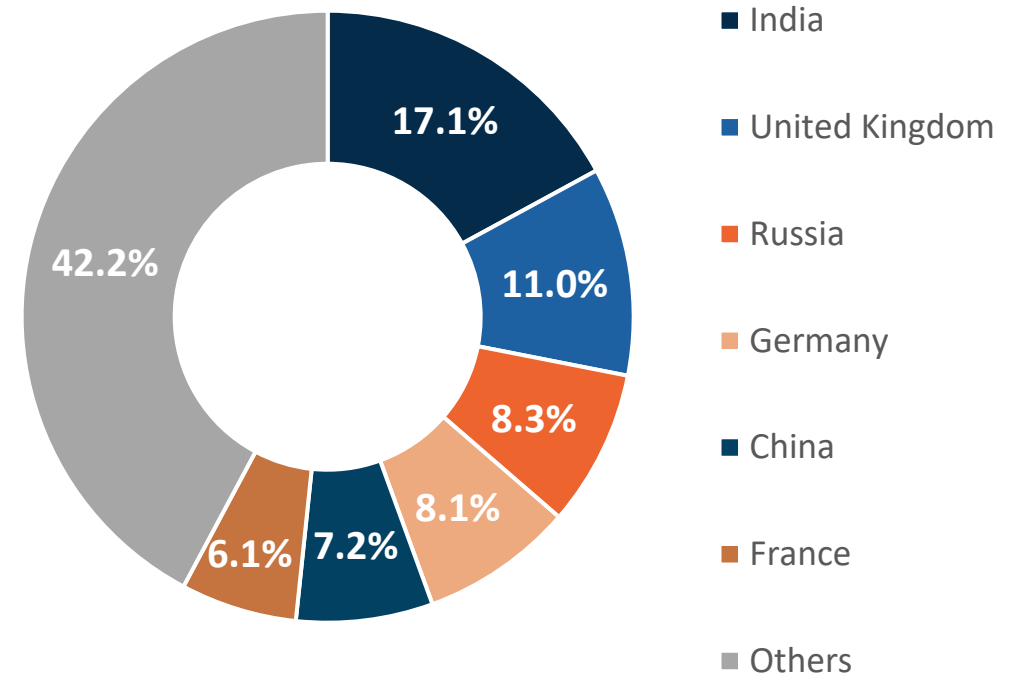
## Feb 2026 tourist arrivals rose by 16.3% YoY

In February 2026, Sri Lanka recorded 279,328 tourist arrivals, reflecting a 16.3% year-on-year increase and a 0.7% rise compared to January 2026. The main source markets were India, United Kingdom, Russia, Germany, China, and France. Sri Lanka recorded its highest-ever monthly tourist arrivals in February, boosted by the ICC T20 World Cup tournament matches that was held in Colombo. However, industry stakeholders caution that March arrivals may face headwinds due to escalating tensions in Middle East.

Monthly Tourists Arrivals



Arrival % by Country in Feb 26

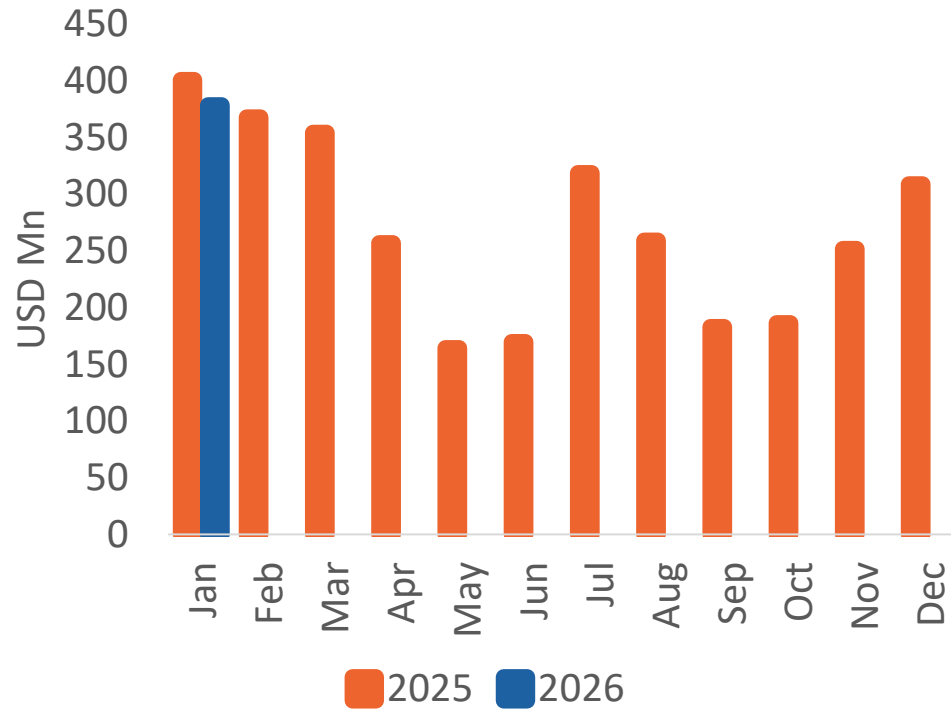


Source: SLTDA

YTD Tourist Arrivals = 556,655

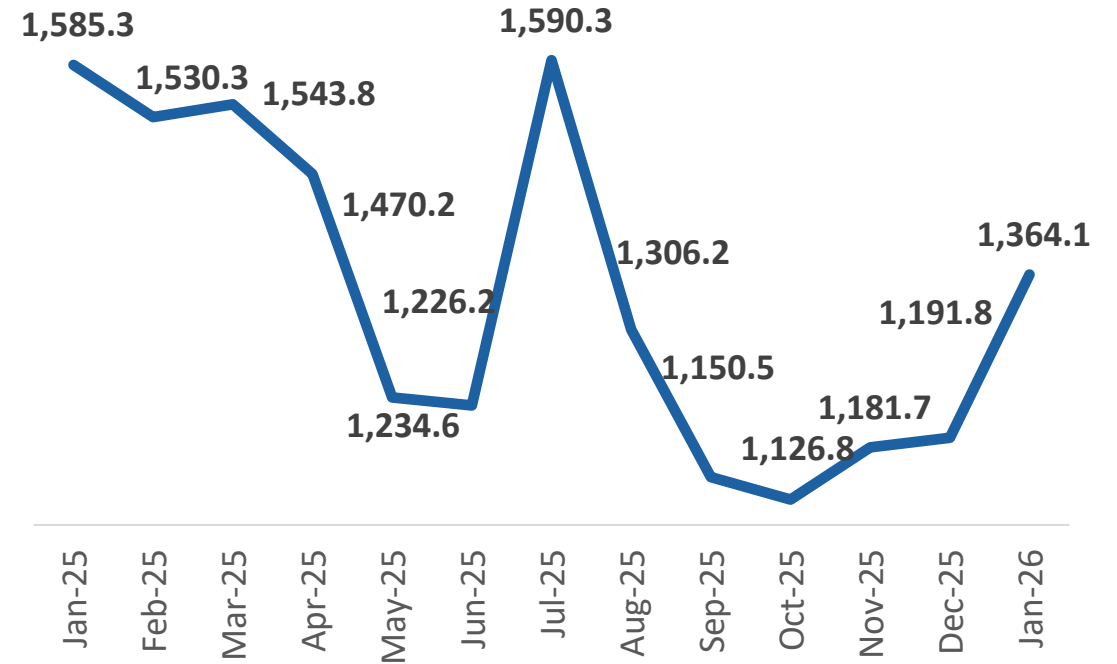
# Jan 2026 tourism earnings dropped by 5.6% YoY

Monthly Tourists Earnings



**YTD Tourism Earnings = USD 378.3 Mn**

Earnings per Tourist (USD)

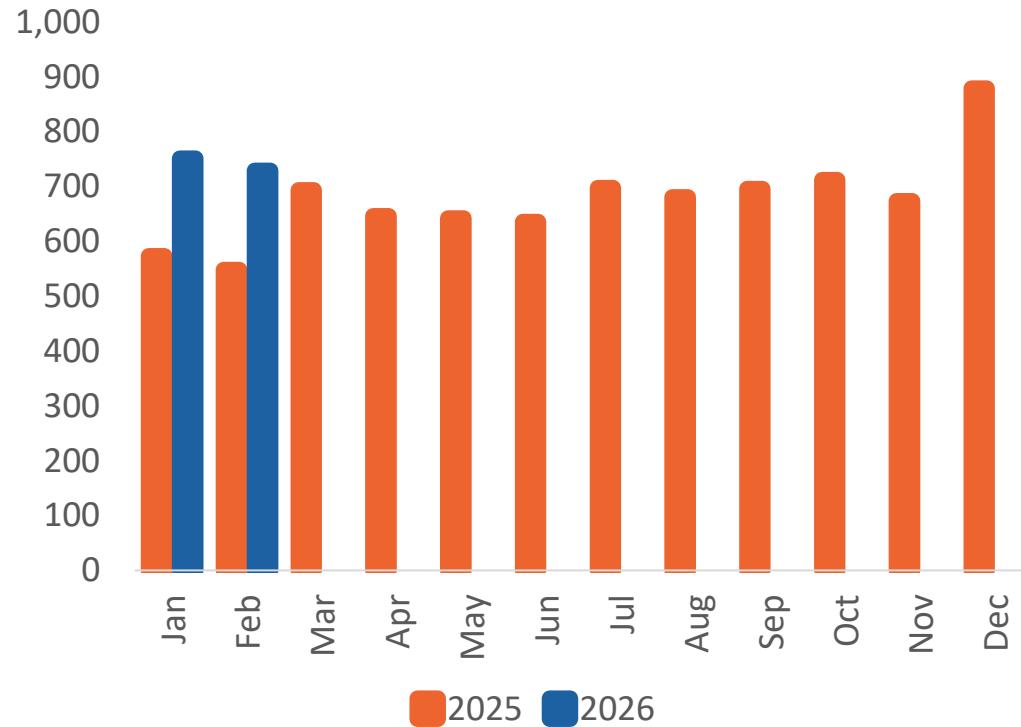


In January 2026, tourism earnings dropped by 5.6% YoY to USD 378.3 million and rose by 22.6% compared to the previous month. Earnings per tourist was USD 1,364.1 , reflecting a 14% YoY decline and a 14.5% growth from the previous month.

## Feb 2026 worker remittances increased by 33% YoY

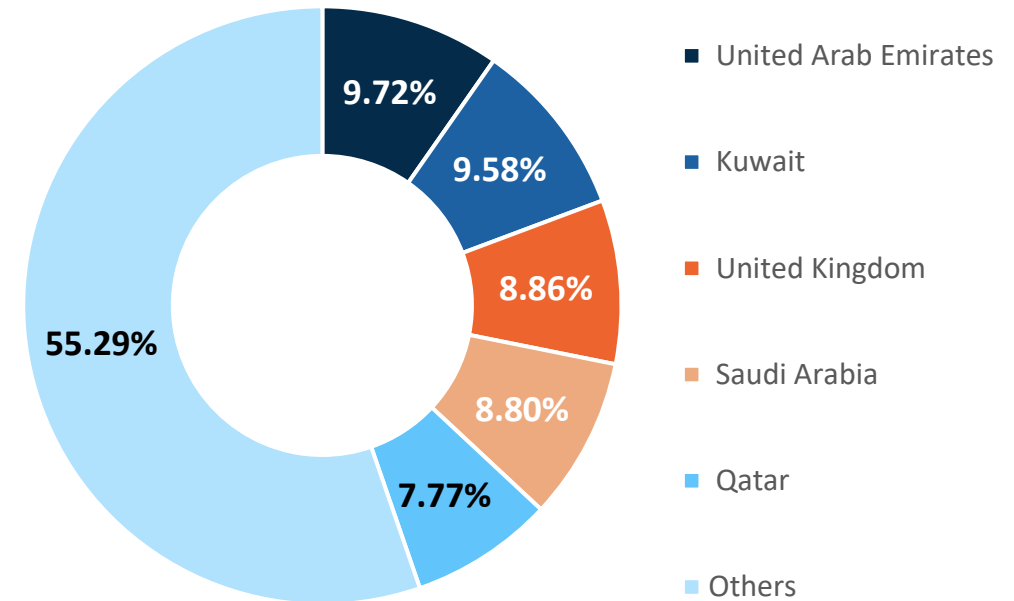
In February 2026, remittance inflows reached USD 729 million, reflecting a 33% YoY growth and a 2.9% MoM decrease. The Jan-Feb 2026 remittances showed a 32% increase compared to the same period last year. Remittance earnings were primarily driven by the United Arab Emirates accounting for 9.72% of the total earnings.

Workers' Remittances (USD Mn)



YTD Remittances = USD 1,480.1 Mn

Remittance Earnings % by country in Q4 of 2025



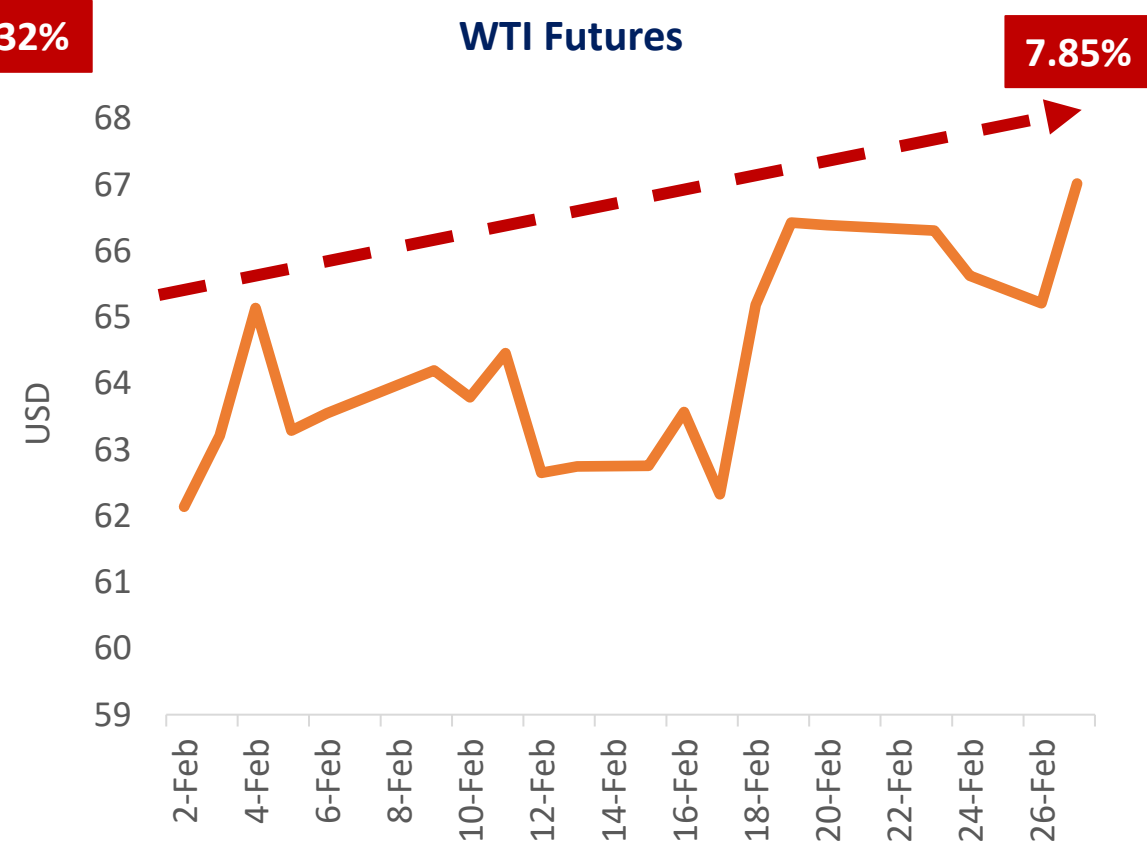
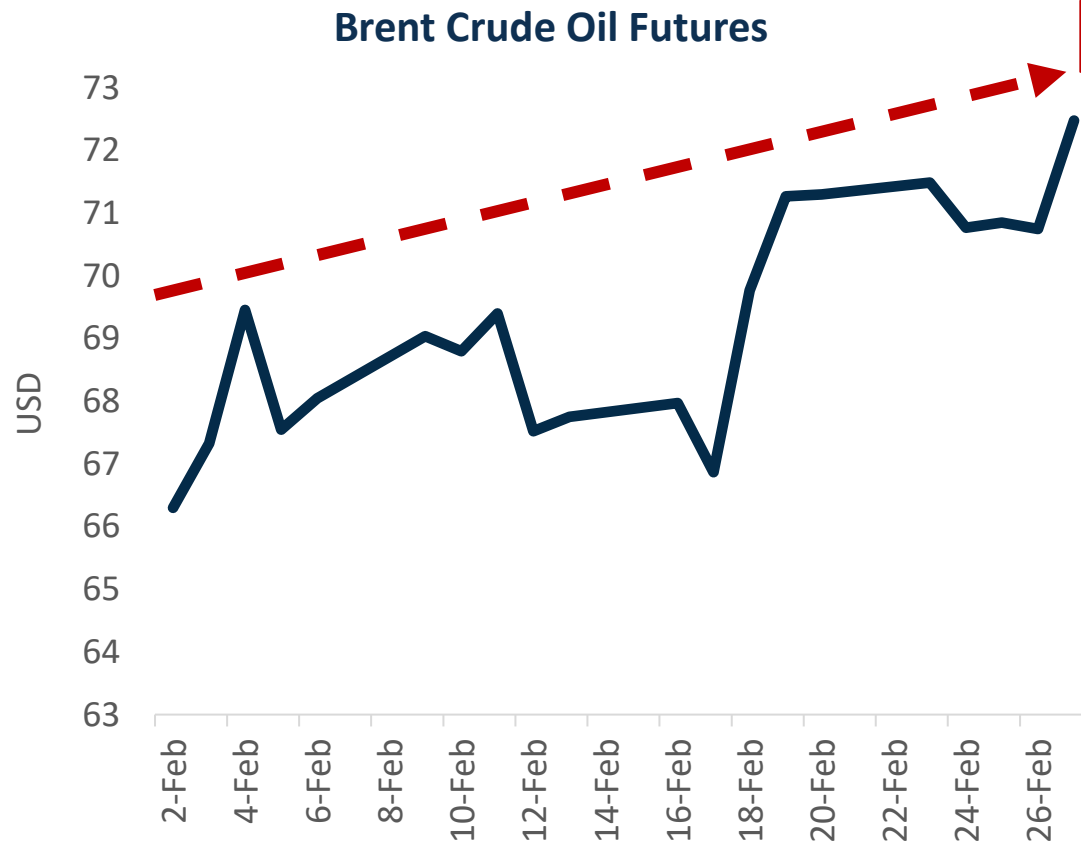


## COMMODITIES AND OTHER

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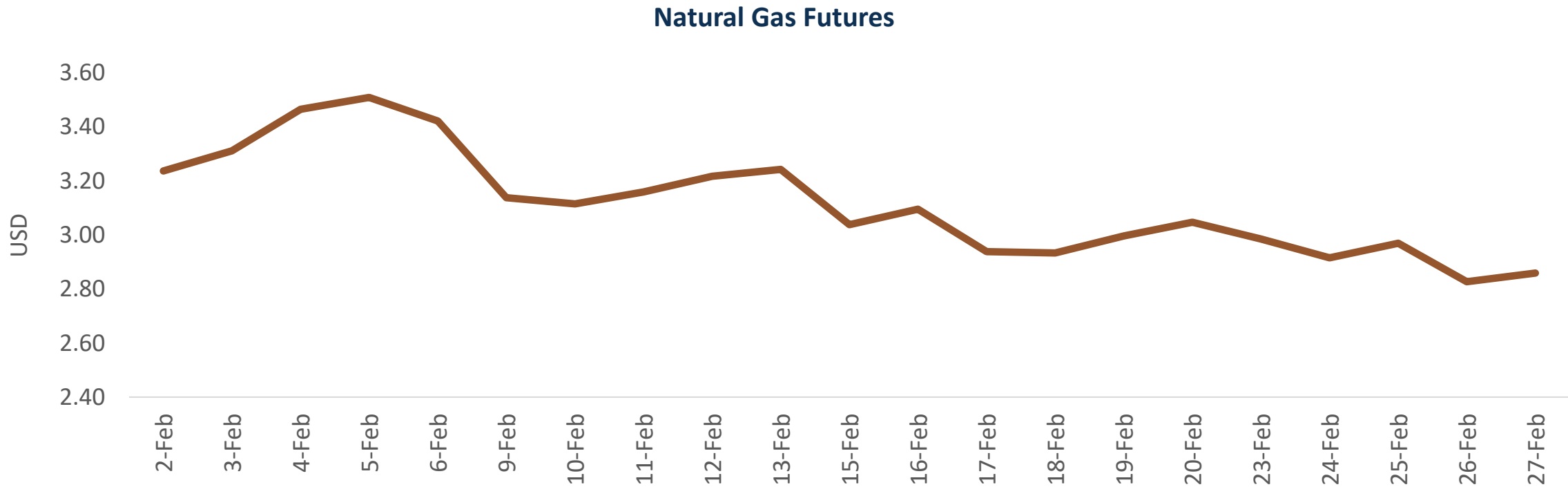
## Crude oil prices increased in Feb 2026



In February 2026, crude oil prices increased, with Brent crude oil futures increasing by 9.32% and WTI futures by 7.85%. Oil prices increased due to uncertainty surrounding U.S – Iran nuclear talks, which raised concerns about potential disruptions to global oil supply.

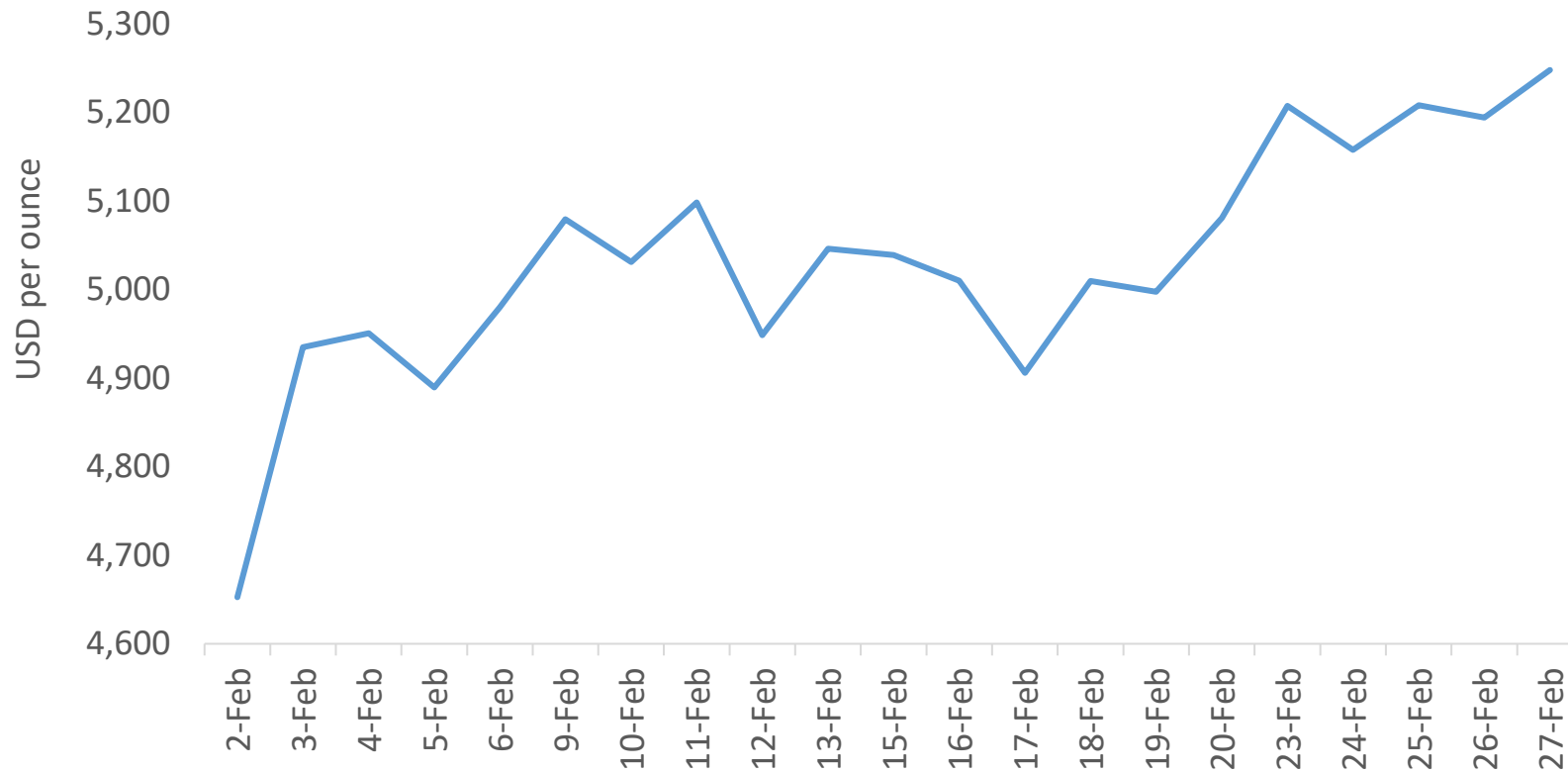
# US natural gas prices decreased by 11.7% in Feb 2026

In February 2026, U.S. natural gas prices decreased by 11.7%, dropping from around USD 3.24 to USD 2.86. Natural gas futures prices dropped toward the end of February 2026 primarily due to warmer than expected weather forecasts, which reduced anticipated heating demand in the U.S.



## Gold prices increased by 12.8% in Feb 2026

Gold Price Movement



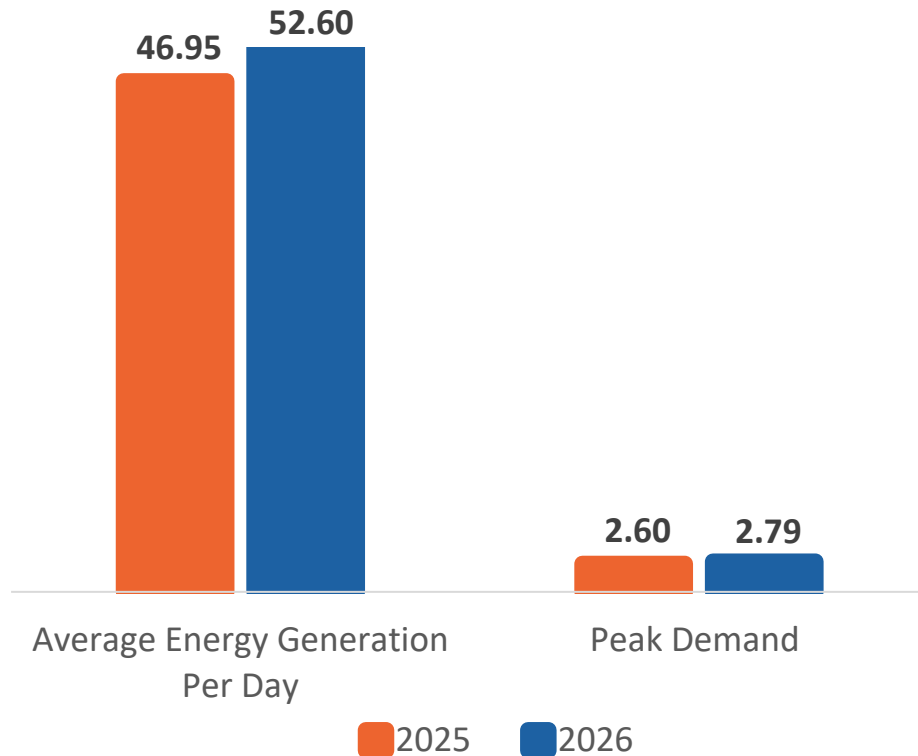
Gold prices increased toward the end of February 2026 mainly due to a weaker U.S. dollar and rising safe-haven demand amid geopolitical uncertainties. Concerns surrounding the U.S.–Iran nuclear talks and uncertainty over global trade policies encouraged investors to shift toward gold as a protective asset.

Additionally, expectations that the Federal Reserve may reduce interest rates later in the year further supported gold prices, as lower interest rates make non-yielding assets like gold more attractive. Consequently, gold prices climbed during the final week of February, reaching approximately \$5,247.90 per ounce, marking the highest level recorded during the month.

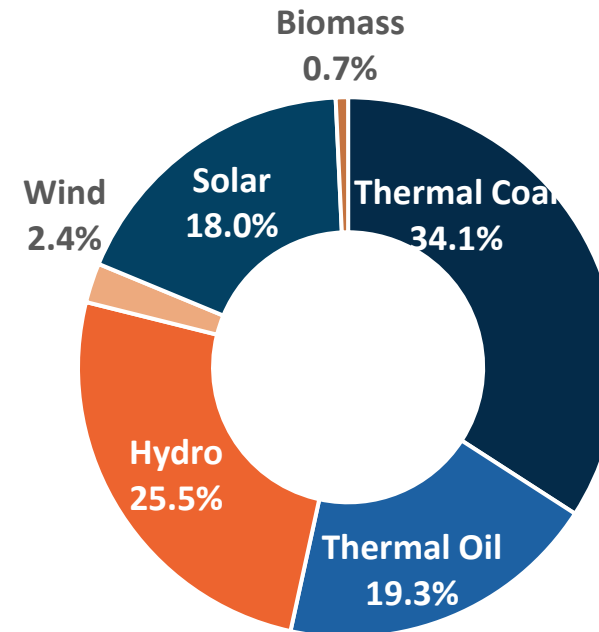
## Feb 2026 daily electricity generation rose 12% YoY

In February 2026, average daily electricity generation reached 52.6 GWh, marking an 12 % increase compared to the same month last year. The average daily peak demand during the month was 2.79 GW which is a 7.3% increase YoY.

**Average Daily Electricity Generation in Feb (GWh)**



**Electricity Generation Composition by Category in Feb 2026**



## Jan 2026 tea production declined by 3.6% YoY

In January 2026, Sri Lanka's tea production experienced a significant decrease of 3.6% YoY, totaling 20.68 million kilograms. Conversely, tea exports showed a rise, with volumes increasing by 6.9% YoY, reaching 20.71 million kilograms. Consequently, export earnings also increased by 13% YoY, amounting to LKR 37.73 billion.

### Tea Exports

Export	Volume in Kgs	Value in LKR Mn
Tea in Bulk	8,907,441	13,568
Tea in Packets	8,883,193	15,368
Tea in Bags	2,200,757	6,073
Instant Tea	314,065	1,114
Green Tea	404,629	1,605
<b>Total</b>	<b>20,710,085</b>	<b>37,728</b>

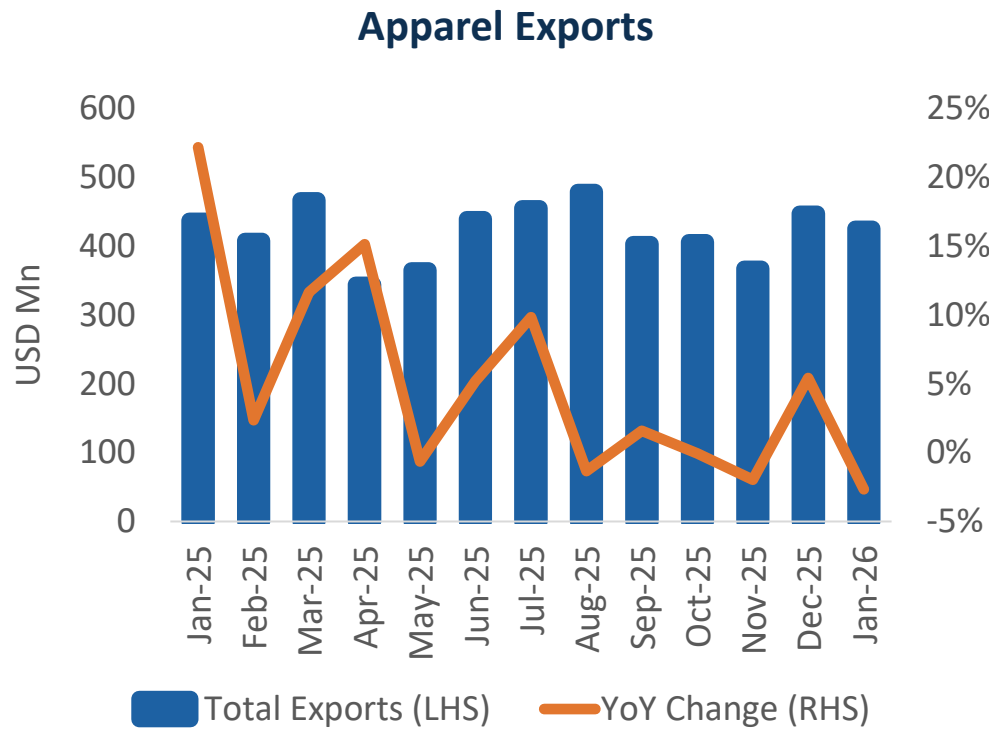
### Average Tea Auction Prices (Monthly)

For Jan 2026	LKR per Kg
High	1,142.13
Medium	979.74
Low	1,233.03
<b>Total</b>	<b>1,173.81</b>

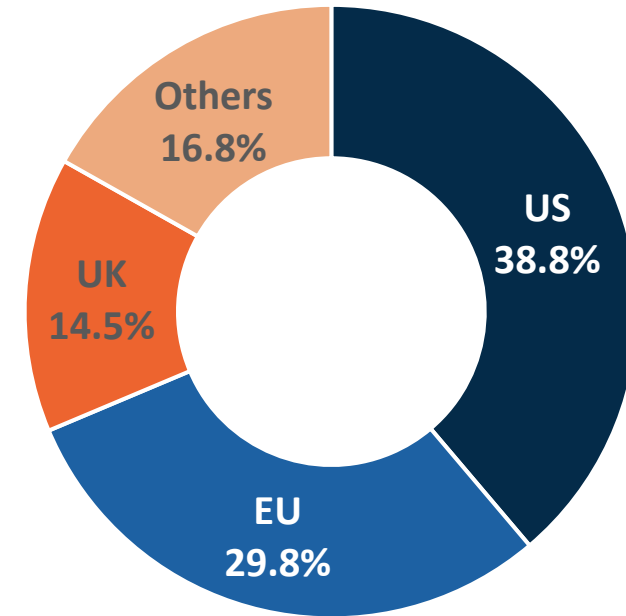
### Tea Production

Production	Kgs
High	4,764,027
Medium	3,406,872
Low	12,324,352
Green Tea	188,838
<b>Total</b>	<b>20,684,089</b>

## Jan 2026 apparel exports decreased by 2.66% YoY



### Top Export Markets - Jan 2026



Sri Lanka's apparel exports in January 2026 amounted to USD 425.44 million, reflecting a 2.66% YoY decrease and a 4.87% decrease MoM. Key export markets showed a decline, with exports to the US decreasing by 2.7% YoY, exports to UK increasing by 0.2% and exports to the European Union decreasing by 1.9% YoY. The UK market recorded marginal growth mainly due to the revised DCTS (Developing Countries Trading Scheme) framework that came into effect on 1 January 2026. Additionally, the US move to impose a uniform 10% temporary tariff reduced uncertainty and eased pressure from previously higher country-specific tariffs, giving exporters better short-term pricing stability. However, overall exports declined in January because of continued volatility in global demand.

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