



MONTHLY ECONOMIC WRAP | FEBRUARY 2025

AMBEON
SECURITIES

12.03.2025



Contents

| | | |
|-----------------------|-------|----|
| CSE PERFORMANCE | ----- | 3 |
| MONETARY SECTOR | ----- | 11 |
| EXTERNAL SECTOR | ----- | 19 |
| COMMODITIES AND OTHER | ----- | 28 |



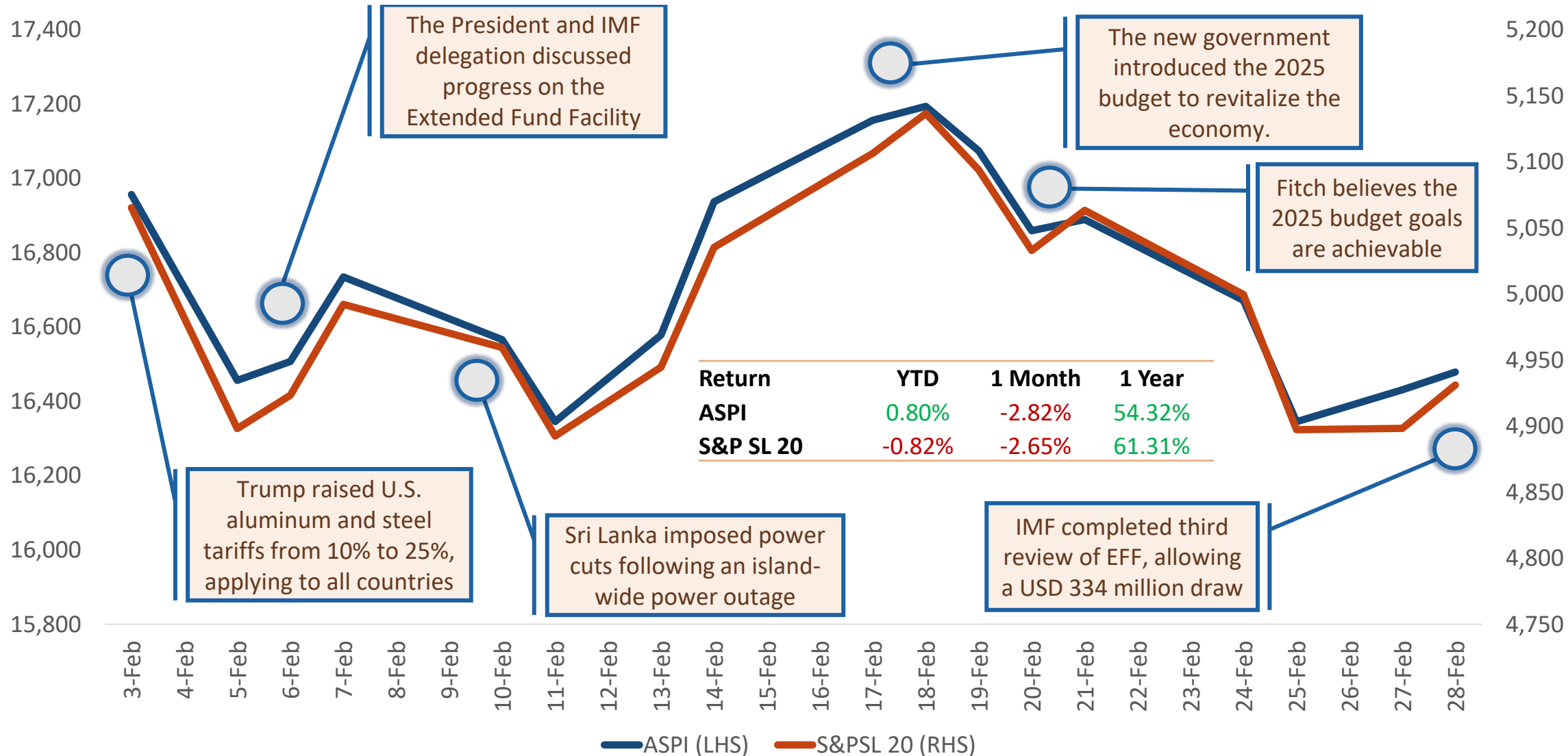


CSE PERFORMANCE

AMBEON
SECURITIES



ASPI declined 2.8% and S&PSL20 decreased 2.7% in February 2025



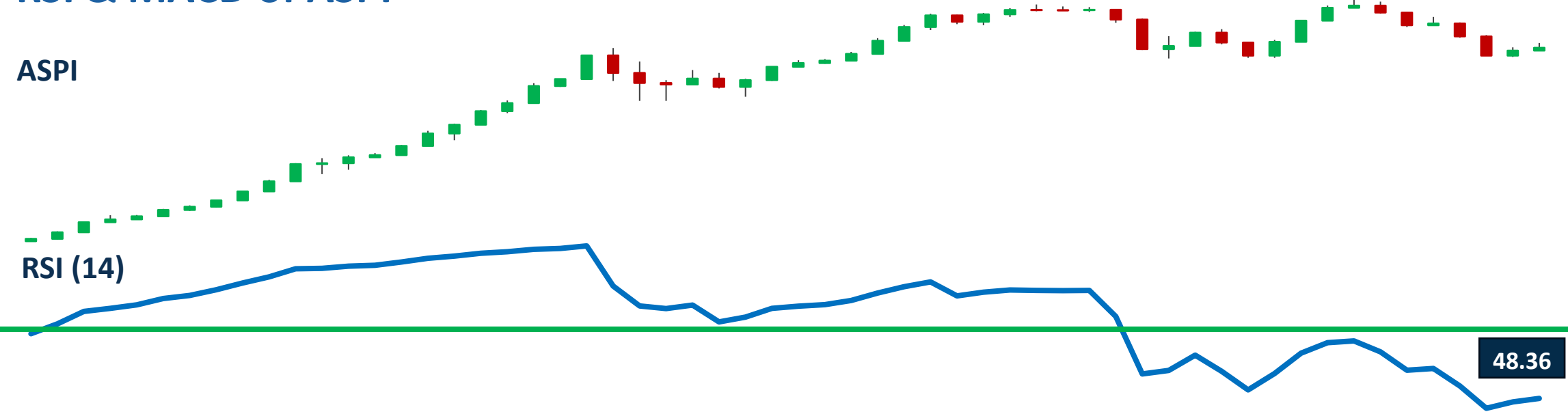
Note: Returns are calculated up to 28th February 2025

Source: CSE, Ambeon estimates

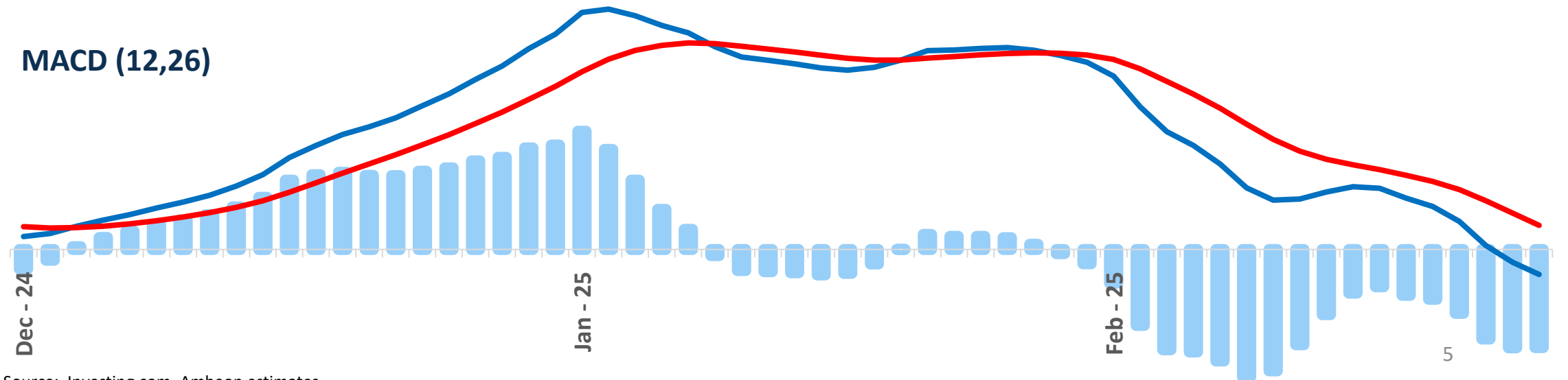
RSI & MACD of ASPI

ASPI

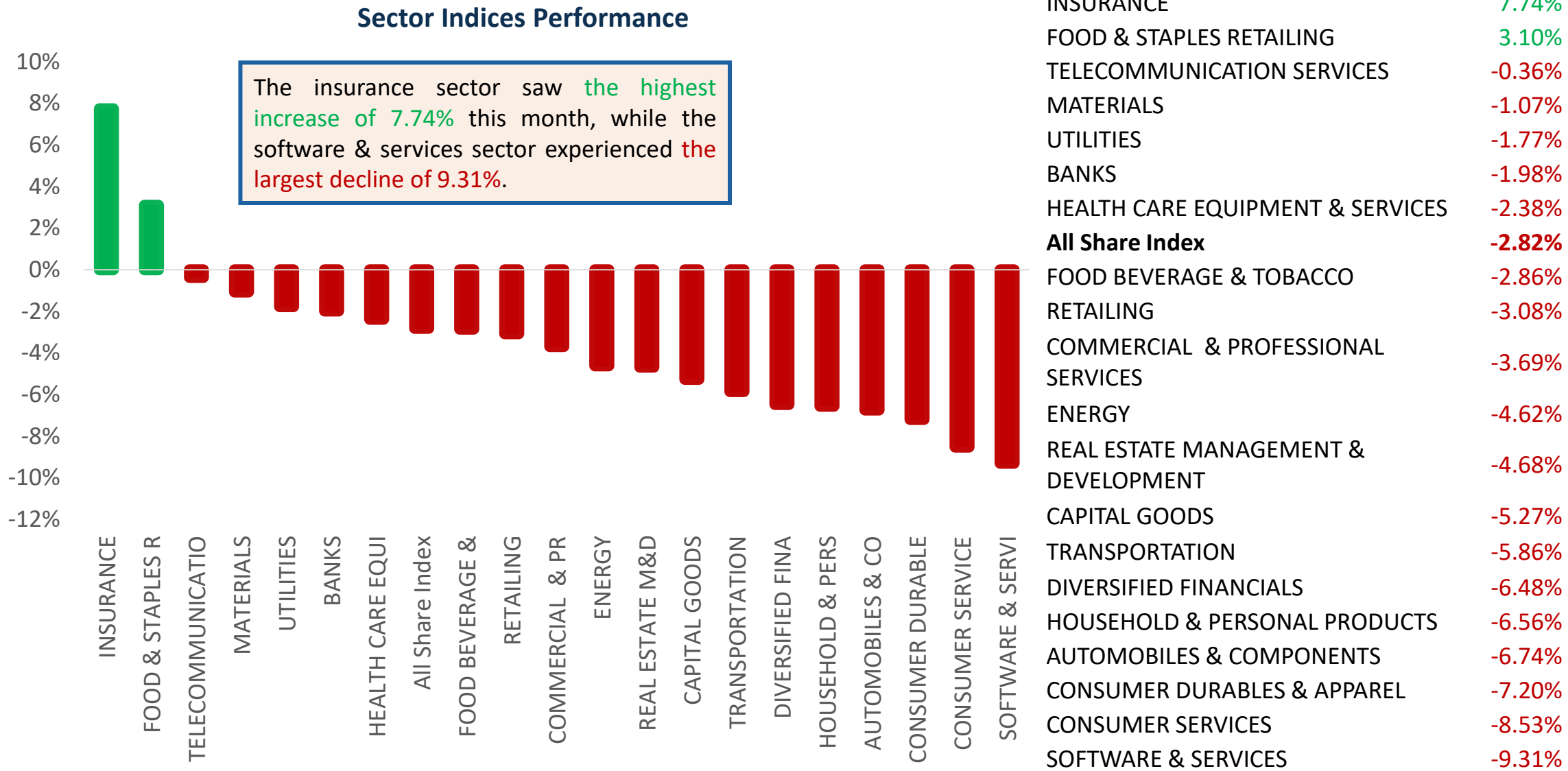
RSI (14)



MACD (12,26)



In February 2025, most sectors experienced a decline

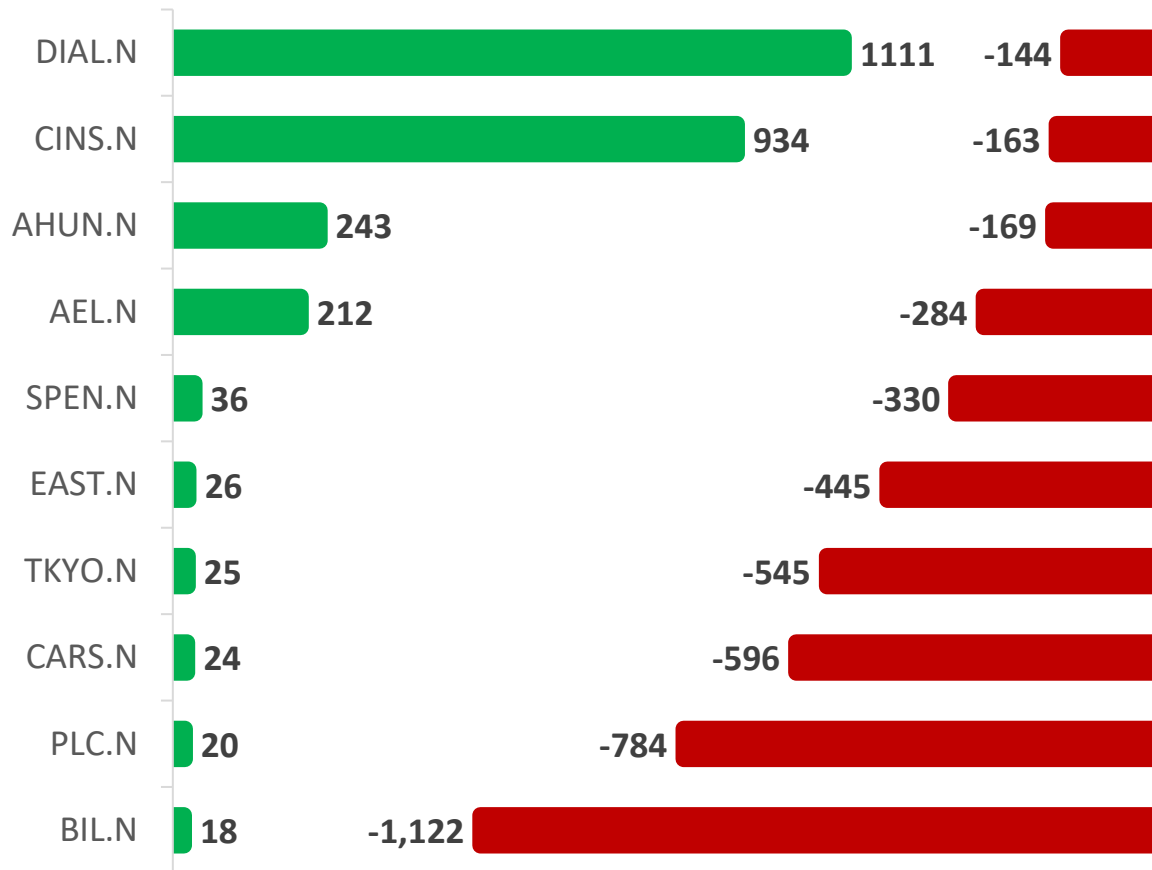


Source: CSE, Ambeon estimates

Total net foreign outflow for February 2025 was LKR 2,555 Mn

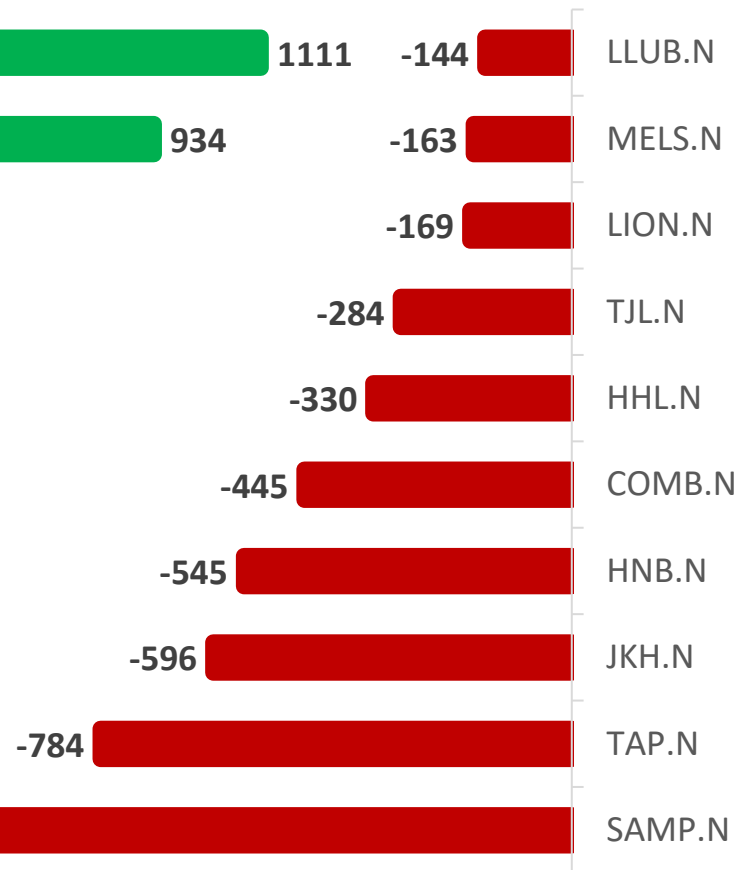
Top 10 Counters

Net Foreign Inflows (LKR Mn)

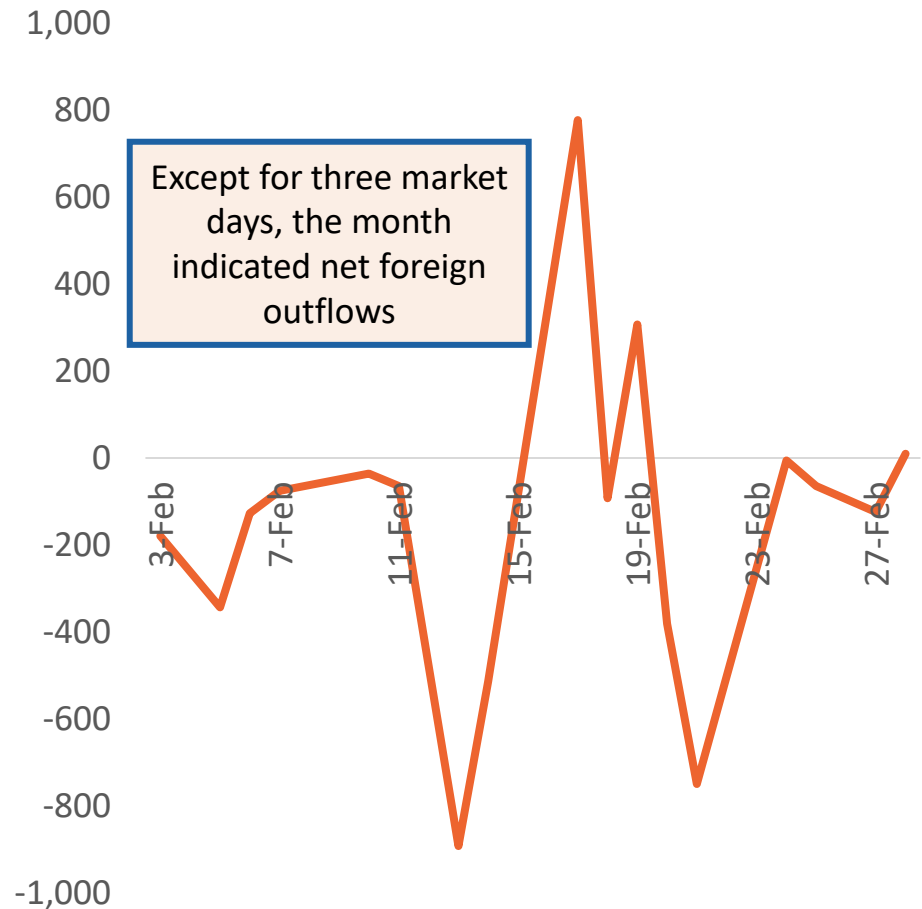


Top 10 Counters

Net Foreign Outflows (LKR Mn)



Net Foreign Flow (LKR Mn)

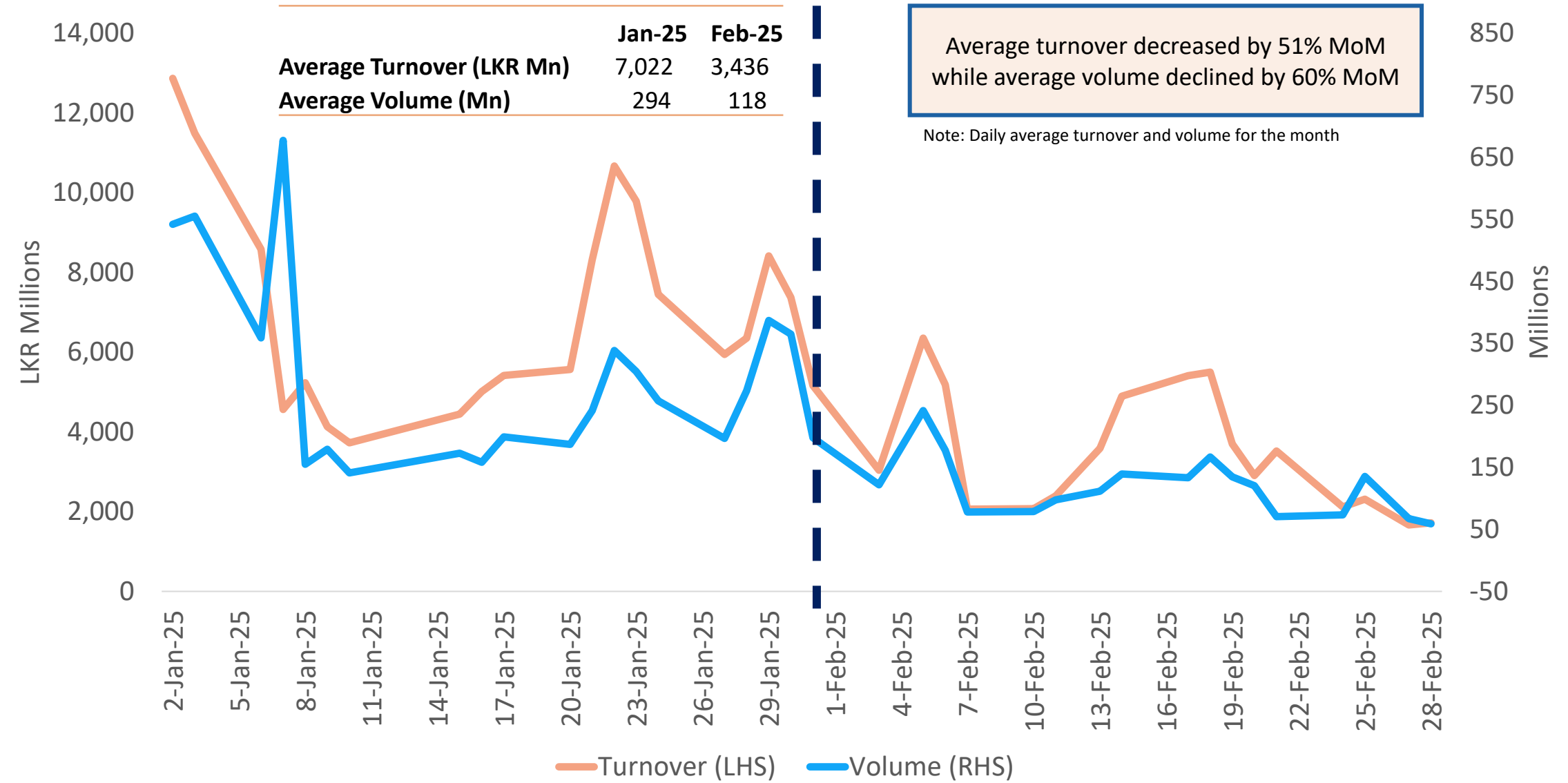


Feb 25 Total Net Foreign Flow LKR -2,555 Mn | Year-to-date Net Foreign Flow* LKR -9,016 Mn

Source: CSE, Ambeon estimates

*Year-to-date calculated as of 28th February 2025

February 2025, average turnover and volume declined



Source: CSE, Ambeon estimates

Regional valuation comparison

Frontier Markets (Asia)

| Index | PE | PBV |
|--------------------|------|-----|
| ASPI (Sri Lanka) | 11.8 | 1.5 |
| KSE 100 (Pakistan) | 6.6 | 1.3 |
| VNI (Vietnam) | 14.5 | 1.7 |

US & European Markets

| Index | PE | PBV |
|---------------|------|-----|
| S&P 500 (US) | 24.0 | 4.8 |
| DJIA (US) | 22.0 | 5.4 |
| FTSE 100 (UK) | 12.8 | 1.9 |

Other Markets (Asia)

| Index | PE | PBV |
|--------------------|------|-----|
| Nikkei 225 (Japan) | 20.1 | 2.1 |
| CSI 300 (China) | 19.0 | 1.9 |
| HSI (Hong Kong) | 11.9 | 1.3 |
| BSE 500 (India) | 22.1 | 3.4 |
| NIFTY 50 (India) | 21.0 | 3.3 |

Key economic news & events

13th Feb

Adani withdraws from wind power projects

The Adani Group withdrew from a USD 442 million wind power project in Sri Lanka after the government opted to renegotiate the agreement. Adani Green Energy Ltd formally notified the Board of Investment of its decision to "respectfully withdraw" from the project, which involved two wind power plants and transmission infrastructure.

14th Feb

ADB to finance SL with USD 900 Mn in 2025

The Asian Development Bank is considering USD 900 million in financial aid for Sri Lanka in 2025, following a USD 808 million disbursement in 2024 to support economic recovery. The funding will target key sectors such as energy, agriculture, finance, tourism, and skills development while promoting macroeconomic stability.

17th Feb

The 2025 budget targets to transform economy

The 2025 budget aims to drive Sri Lanka's sustainable growth while ensuring macroeconomic stability and social inclusivity. Key priorities include economic expansion, export growth, debt management, and poverty reduction. Targets include over 5% GDP growth, nearly \$19 billion in exports, a 2.3% primary budget surplus, and tax revenue at 13.9% of GDP.

28th Feb

IMF board approved third review of SL

The International Monetary Fund has completed the third review of Sri Lanka's USD 2.9 billion bailout, reinforcing the country's economic recovery from its financial crisis. In its statement, the global lender announced the disbursement of approximately USD 334 million, bringing the total funds released to around USD 1.3 billion.

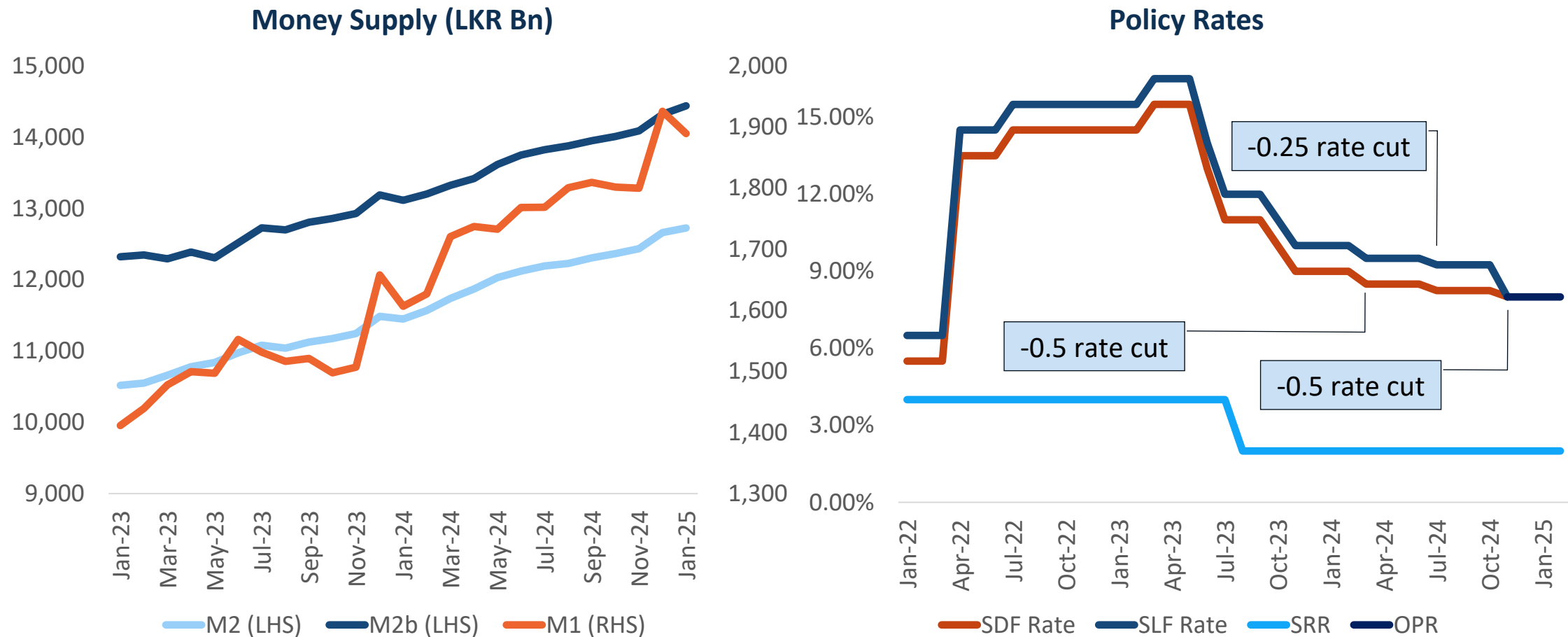


MONETARY SECTOR

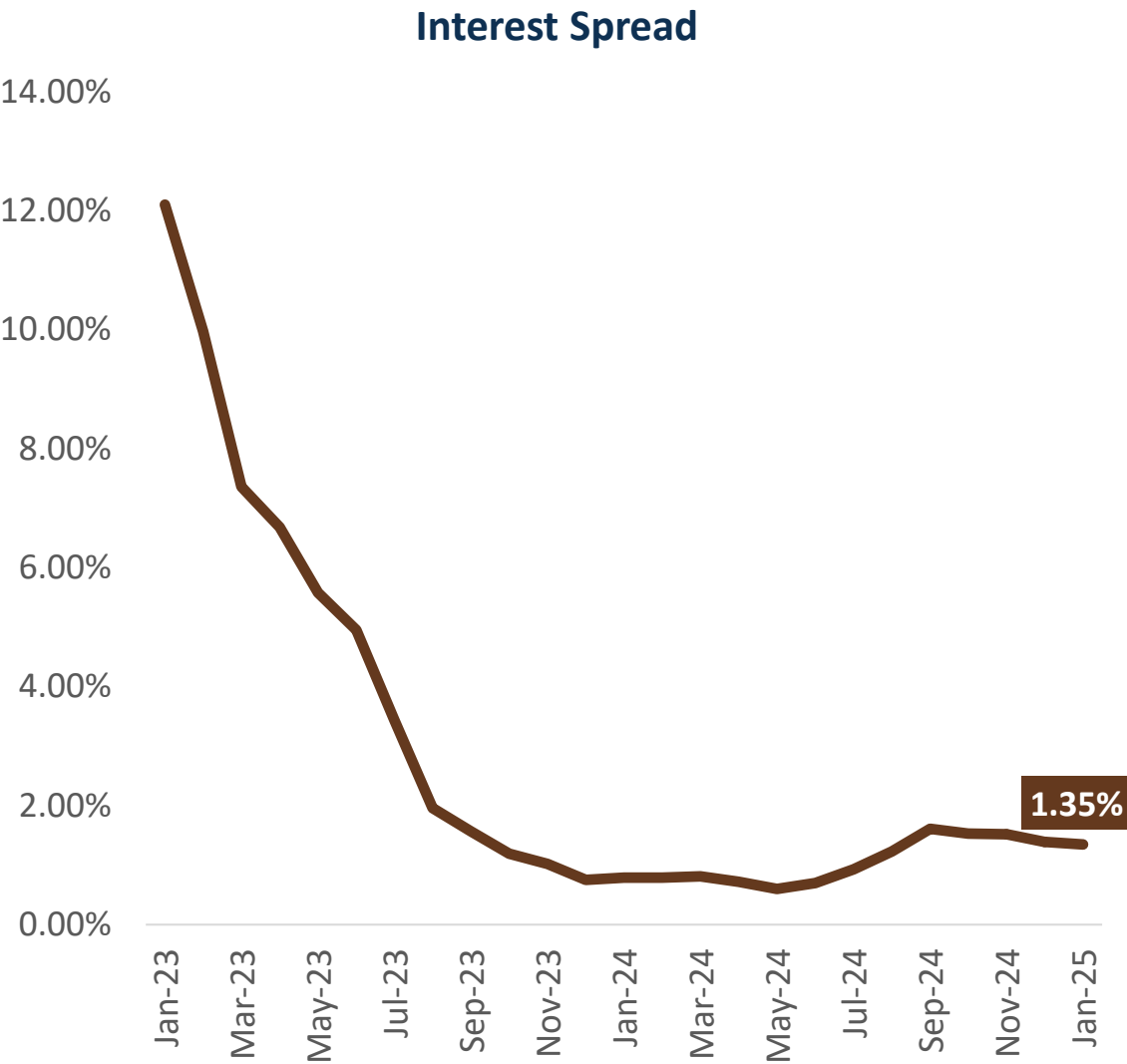
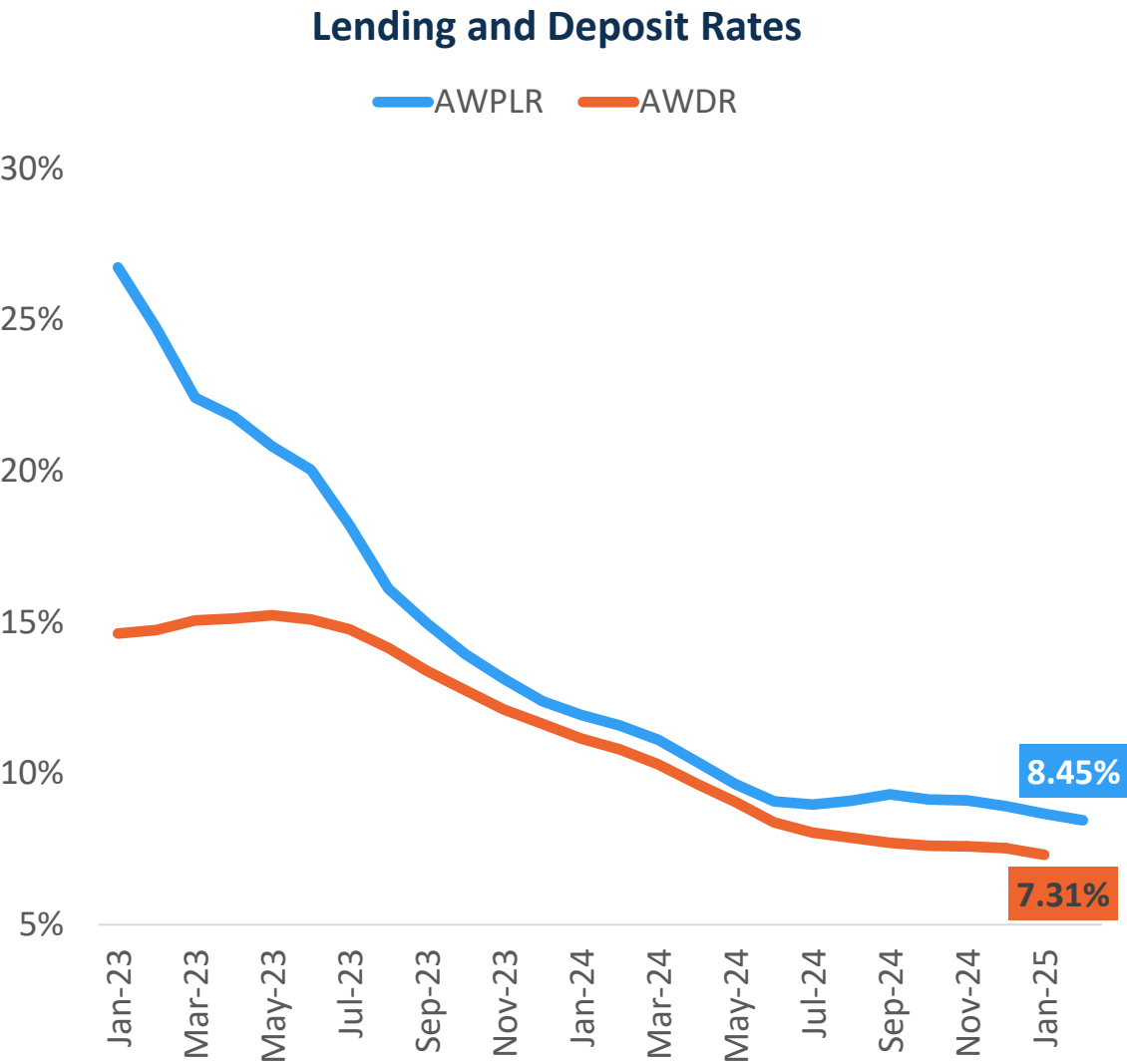


CBSL keeps the Overnight Policy Rate unchanged at 8.0%

By the end of January 2025, Sri Lanka's narrow money supply (M1) declined to LKR 1,889 billion, while the consolidated broad money supply (M2b) increased to LKR 14,439 billion, reflecting growth compared to December 2024. The Overnight Policy Rate is currently at 8.0% and the next policy meeting is scheduled for 25th March 2025.



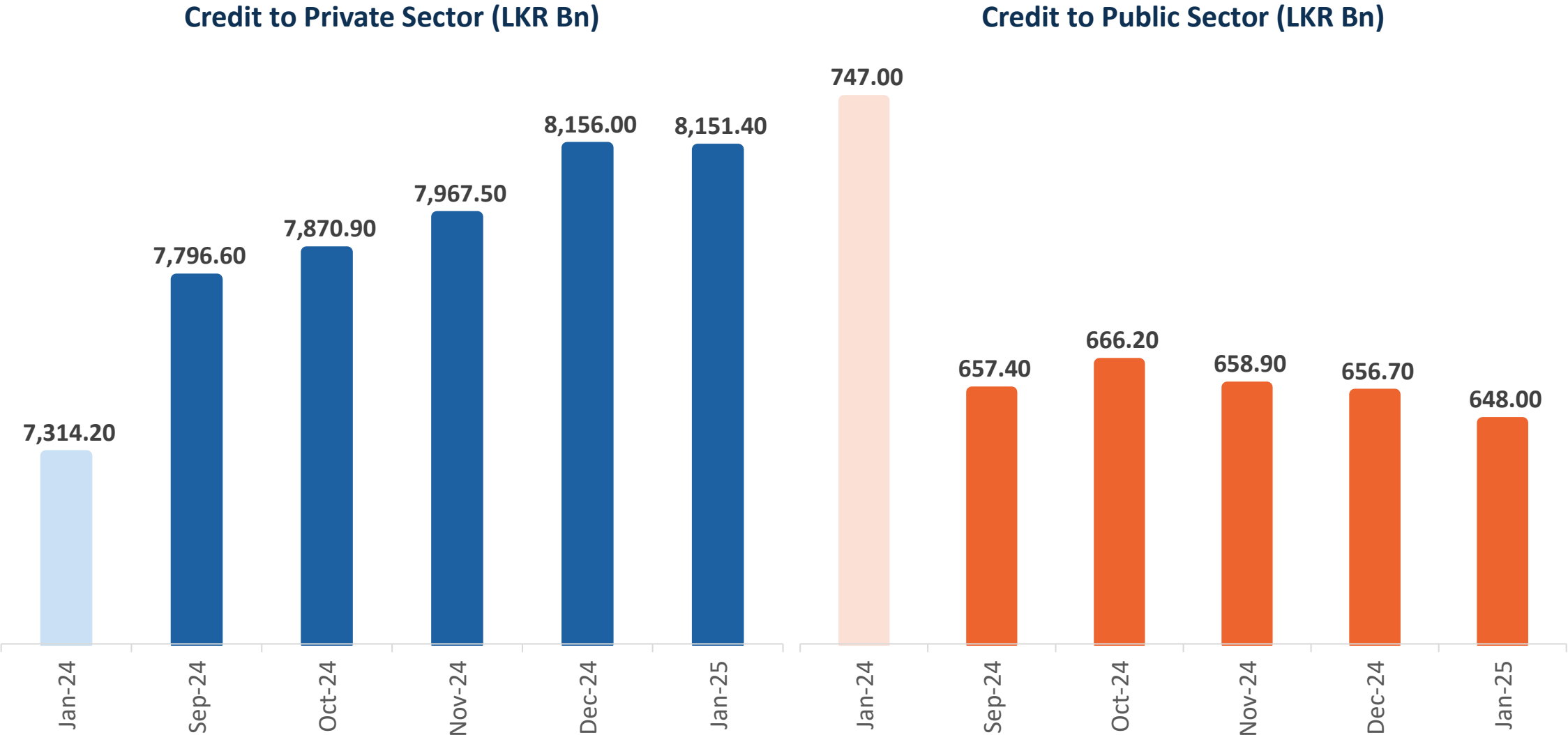
Lending rates experienced a slight decline in February 2025



Note: The AWDR for February 2025 is unavailable.

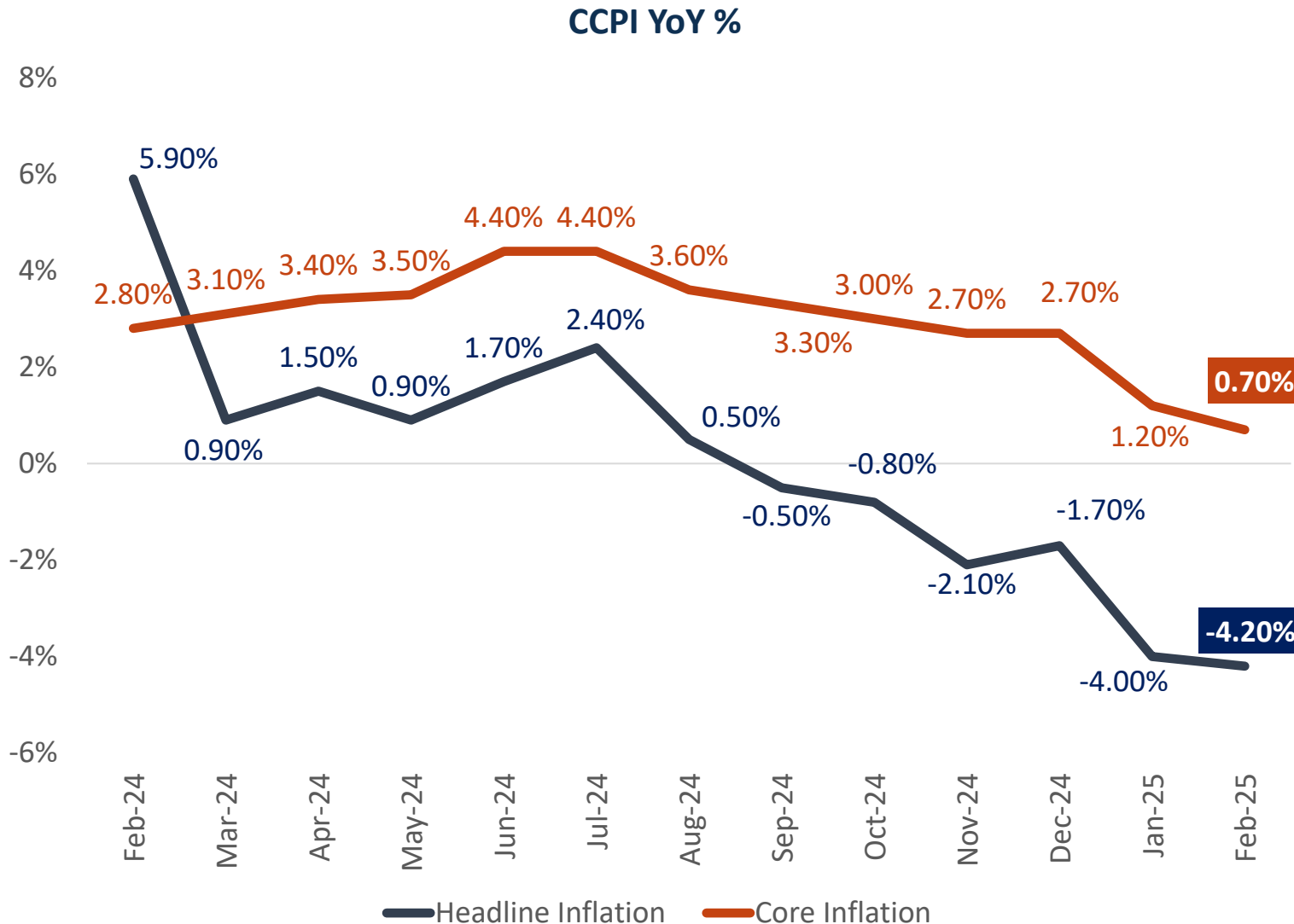
Source: CBSL

Private sector credit experienced a slight decline from Dec 2024 to Jan 2025



Source: CBSL

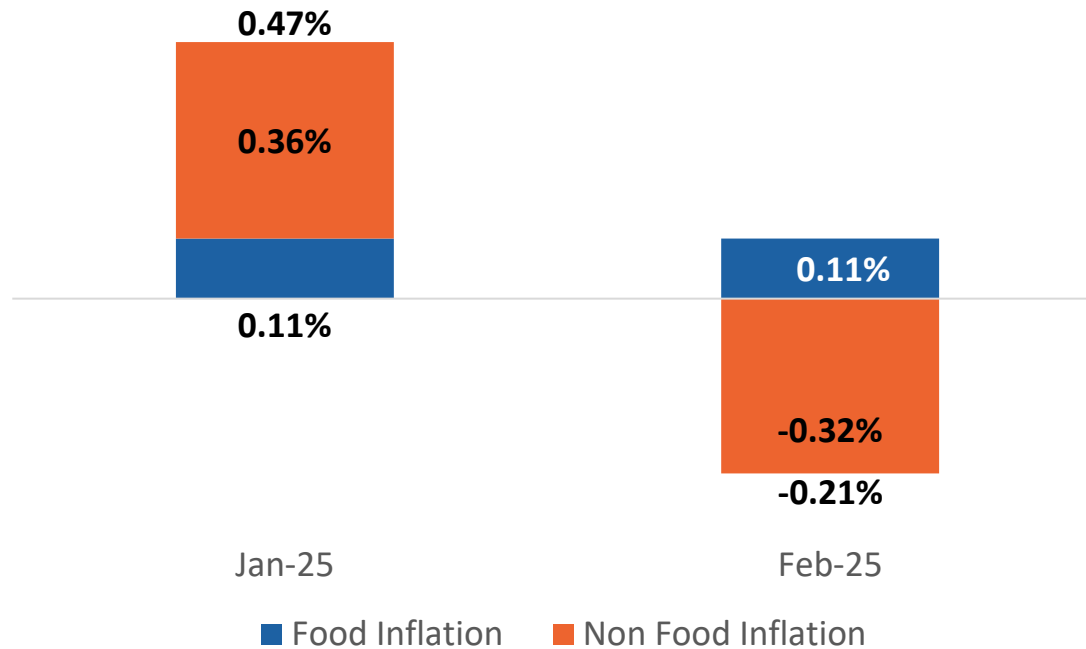
CCPI saw a deflation of 4.2% in February 2025



- Headline inflation, measured by the YoY change in the Colombo Consumer Price Index, remained negative for the sixth consecutive month. In February 2025, deflation widened to 4.2%, deepening from 4.0% in January 2025.
- Prices decelerated in alcoholic beverages and tobacco, education, household maintenance, and recreation and culture. Prices accelerated in clothing and footwear.
- Meanwhile, deflation in Housing & Utilities and Transport deepened, while the deflation in Restaurants and Hotels, as well as in Food and Non-Alcoholic Beverages, showed signs of slowing.
- YoY core inflation eased to 0.7% in February 2025, down from 1.2% in January 2025.

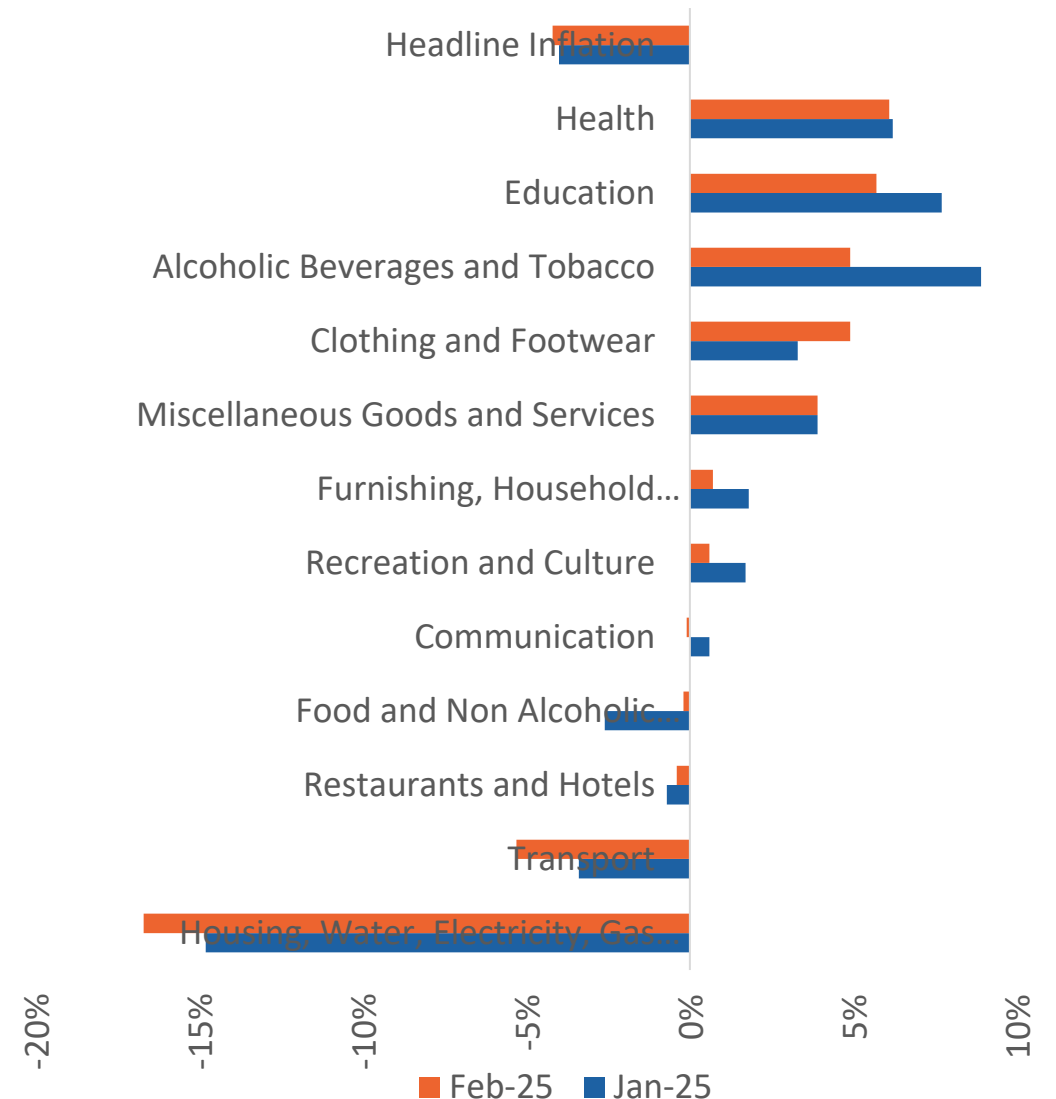
February 2025, CCPI dropped 0.21% MoM due to non-food category

Contribution to monthly change in CCPI



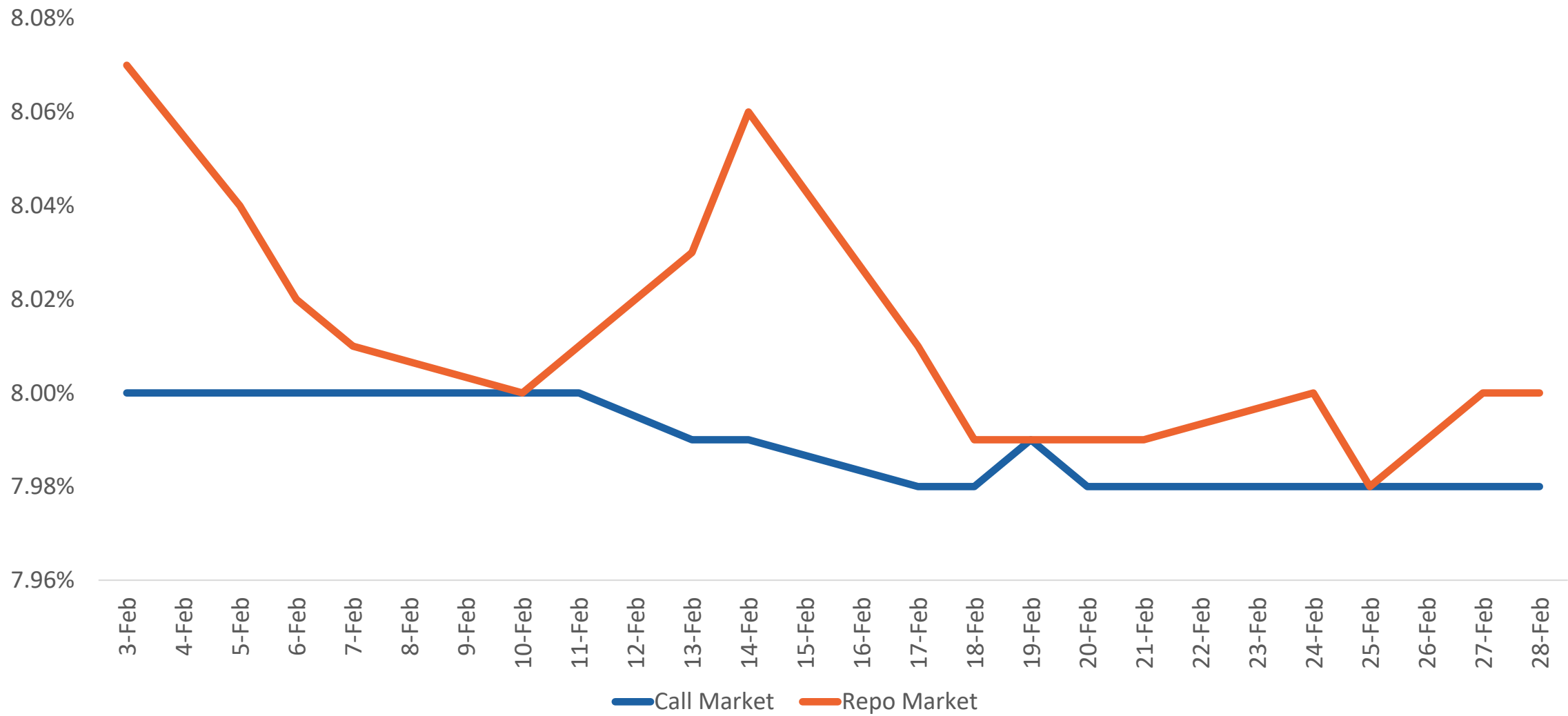
On a MoM basis, the CCPI dropped by 0.21% in February 2025, driven by a 0.11% increase in food prices and a 0.32% decrease in non-food prices. YoY, non-food deflation accelerated to 6.1% in February 2025, up from 4.7% in January 2025. In contrast, food deflation slowed to 0.2% in February 2025, compared to 2.6% in January 2025.

CCPI YoY Change by Subcategory



In February 2025, call rates and repo rates slightly declined

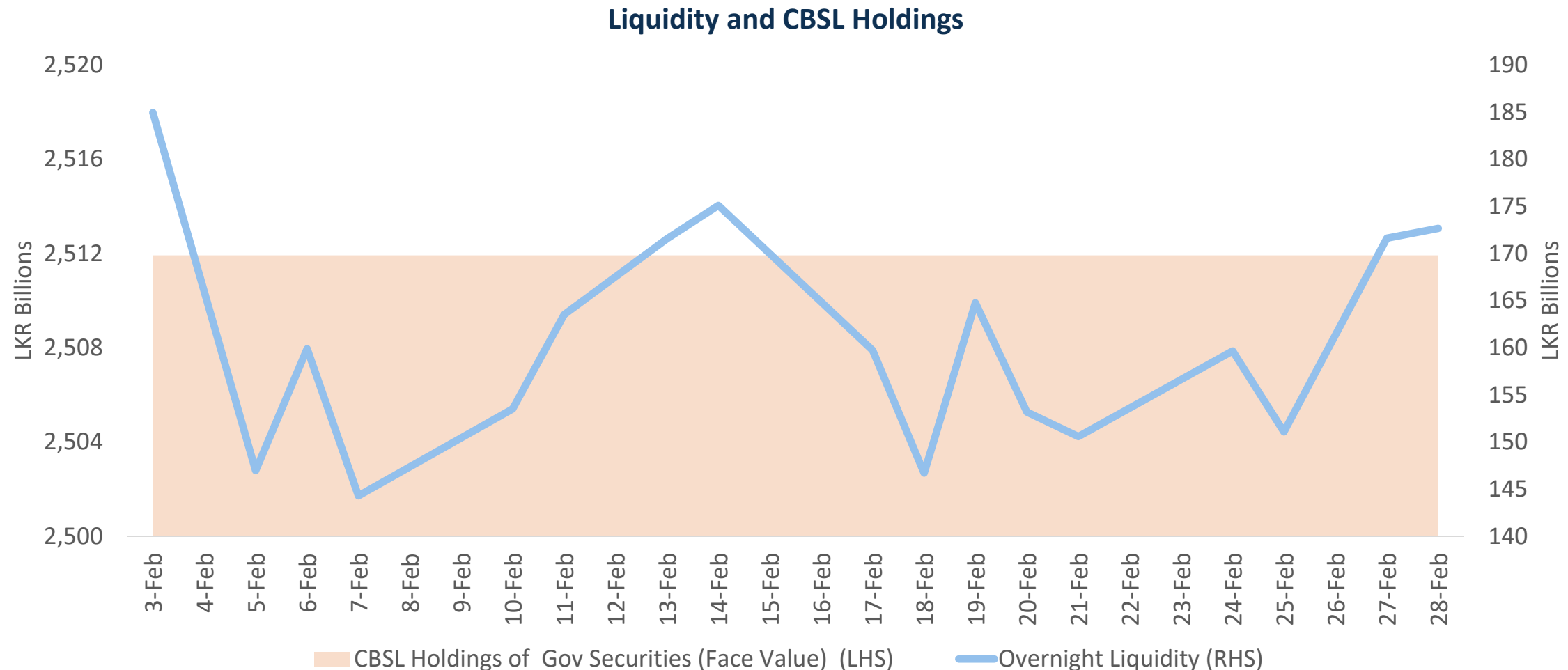
Weighted Averaged Yields of Money Market Rates



Source: CBSL

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

Overnight liquidity decreased throughout the month, staying positive and closing at LKR 172.65 billion on 28th February. Meanwhile, CBSL's holdings of government securities remained stable, ending at a face value of LKR 2,512 billion.



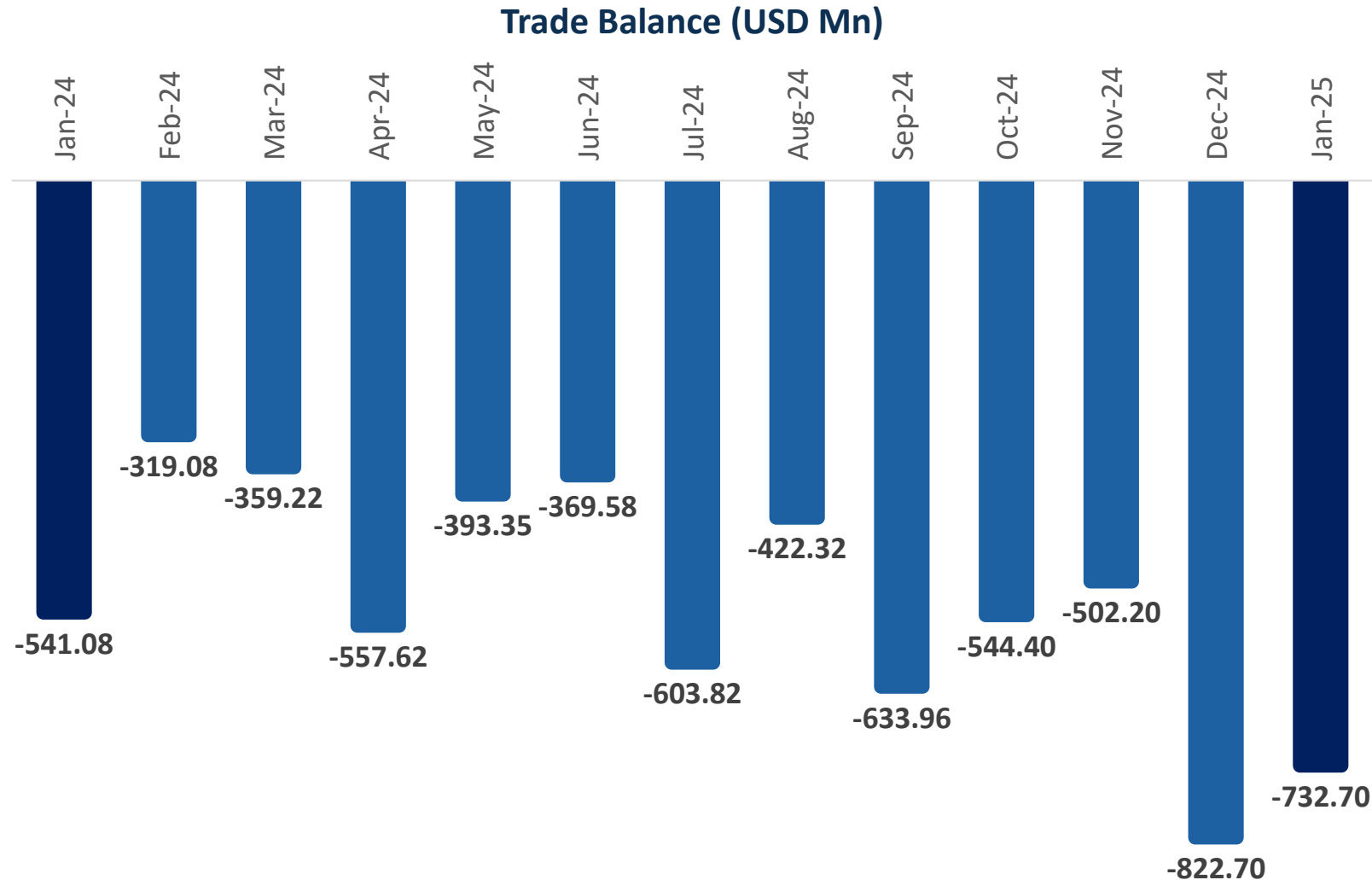


EXTERNAL SECTOR

AMBEON
SECURITIES



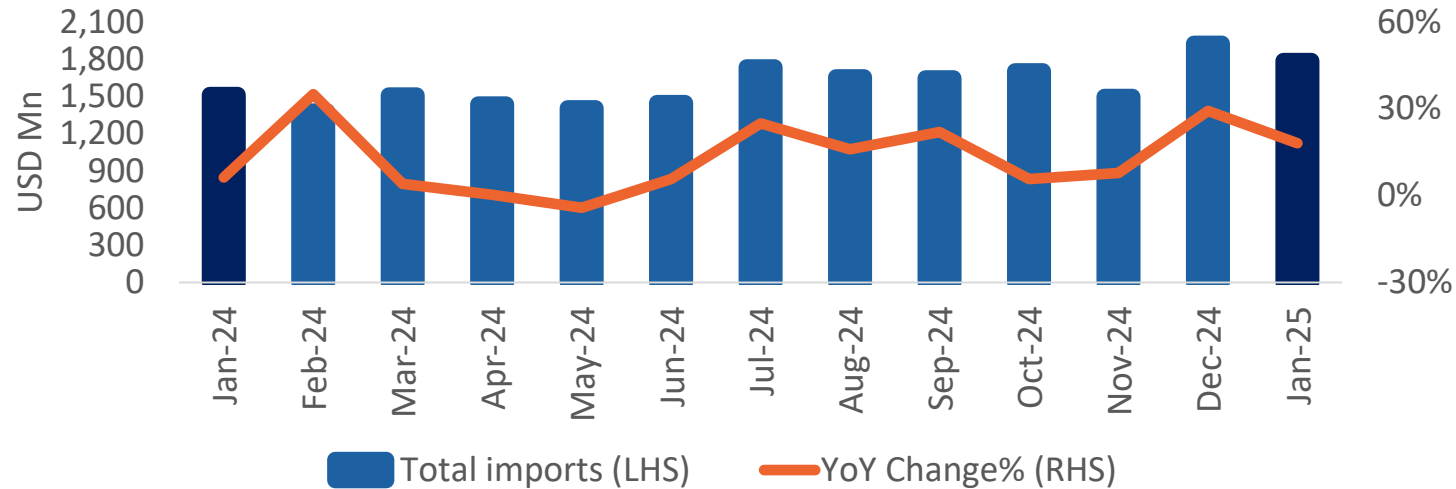
Balance of Trade worsened significantly by 35.4% YoY in January 2025



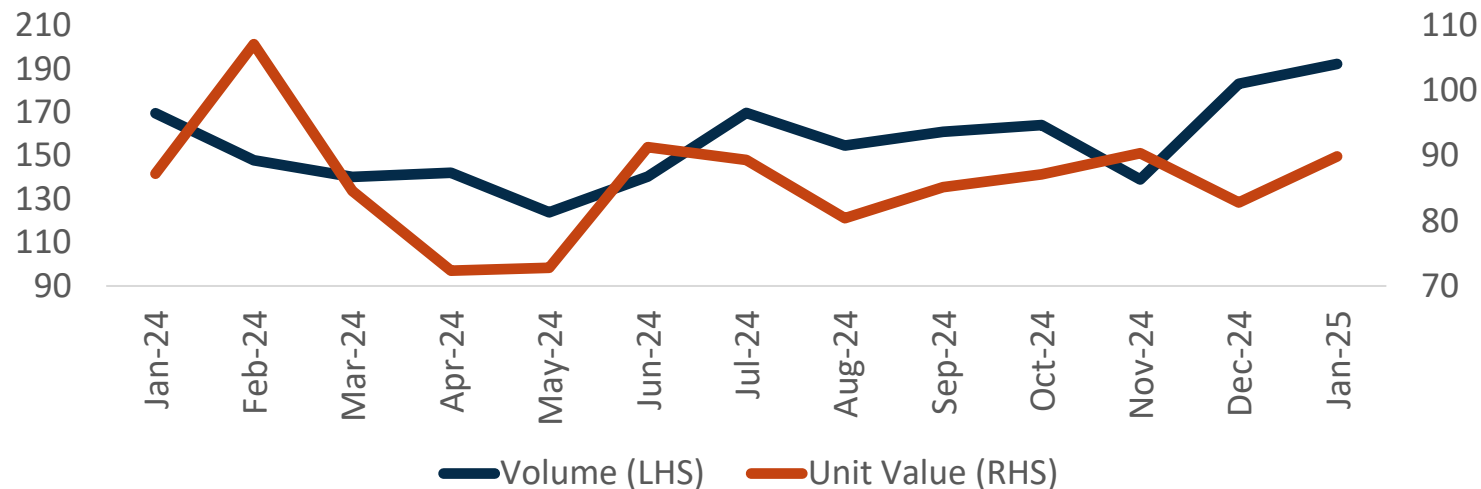
- In January 2025, Sri Lanka's trade deficit expanded to USD 732.7 million, worsening by 35.4% YoY. However, it showed a 10.9% improvement compared to the previous month.
- Import expenditure growth outpaced export earnings growth, widening the merchandise trade deficit YoY in January 2025.
- Total exports in January 2025 were USD 1,052.8 million, while total imports amounted to USD 1,785.5 million.

January 2025 import expenditure increased by 18.1% YoY

Total Imports and Growth



Import Indices



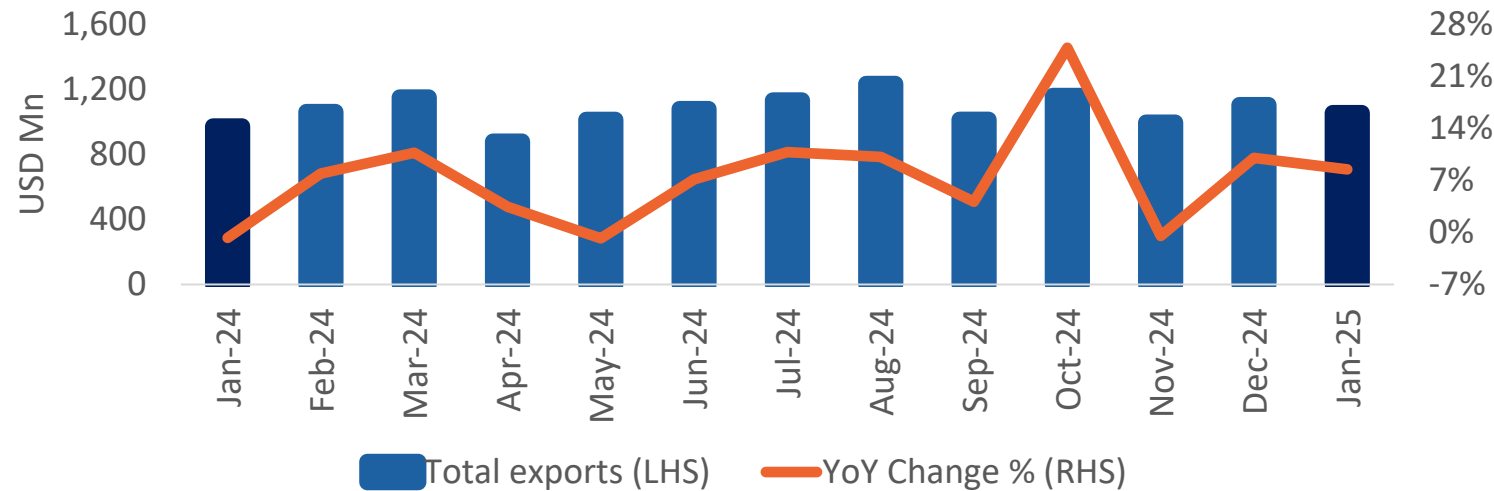
- In January 2025, imports rose by 18.1% YoY and declined by 7.2% compared to previous month. This growth was driven by increased expenditure across all major import categories.
- Imports of consumer goods increased, driven by higher spending on both food and non-food items. Meanwhile, expenditure on intermediate goods grew, mainly due to higher imports of wheat, maize, plastics, and vehicle and machinery parts. Fuel imports slightly increased due to a rise in refined petroleum, while crude oil and coal imports declined.
- Expenditure on investment goods increased, driven by higher imports of machinery and equipment.
- The Import Volume Index rose by 13.4% YoY in January 2025, while the Import Unit Value Index increased by 3.1% YoY during the same period.

Source: CBSL

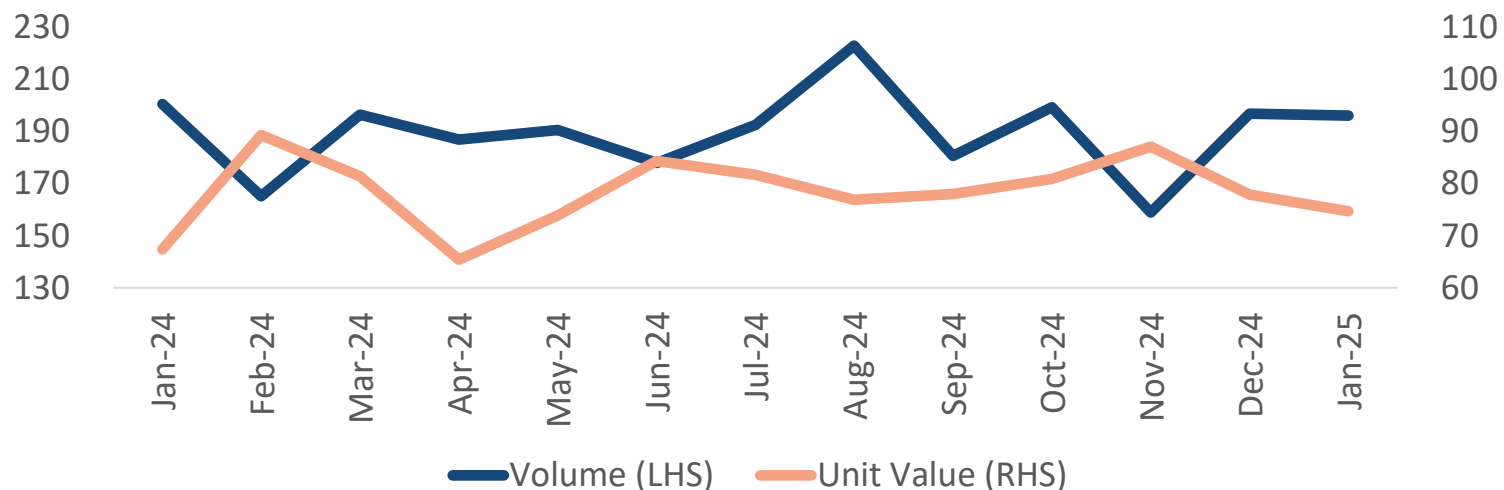
Note: Import unit value index is calculated in USD terms.

January 2025 export earnings increased by 8.5% YoY

Total Exports and Growth



Export Indices



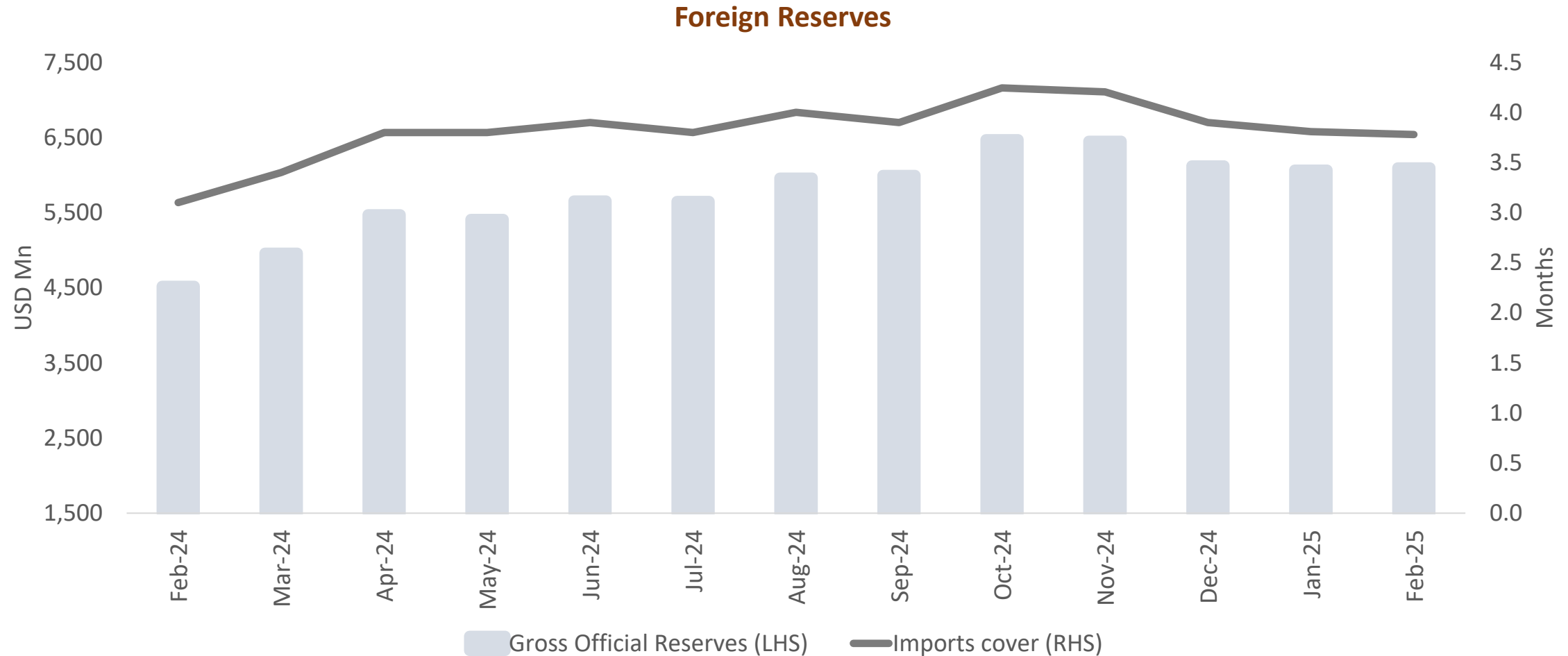
- In January 2025, export earnings increased by 8.5% YoY but declined by 4.4% MoM. The YoY growth was primarily driven by higher industrial and agricultural exports.
- Industrial goods exports were primarily driven by textiles and garment exports, while food, beverages, and tobacco also saw an increase.
- Earnings from agricultural goods exports grew, driven by higher exports of tea, coconut-related products, and spices.
- In January 2025, the Export Volume Index declined by 2.2% YoY, while the Export Unit Value Index increased by 10.8% YoY during the same period.

Source: CBSL

Note: Export unit value index is calculated in USD terms.

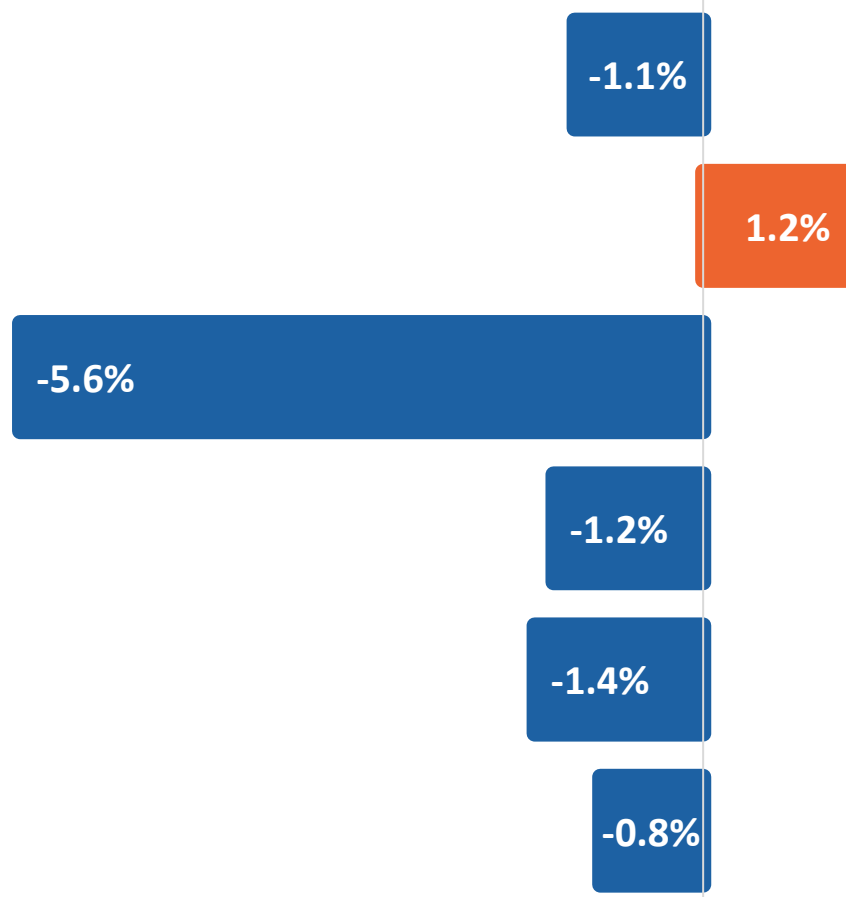
Foreign reserves marginally increased from January to February 2025

By the end of February 2025, Sri Lanka's gross official reserves slightly increased to USD 6,095 million, compared to the previous month, providing a comfortable buffer equivalent to approximately 3.8 months of import coverage.

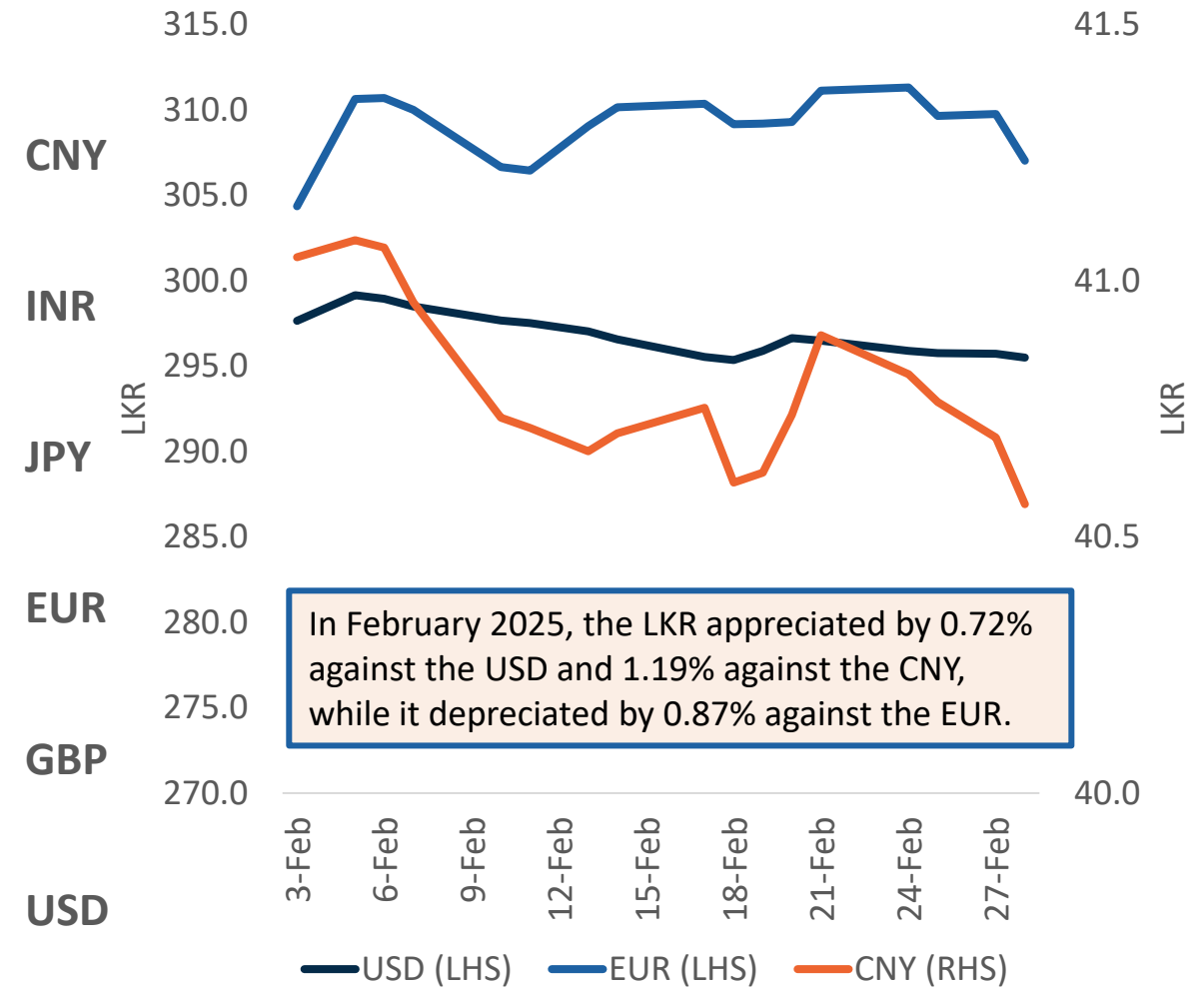


Sri Lankan rupee depreciated against most major currencies YTD

LKR appreciation/depreciation against major currencies YTD end of Feb 2025



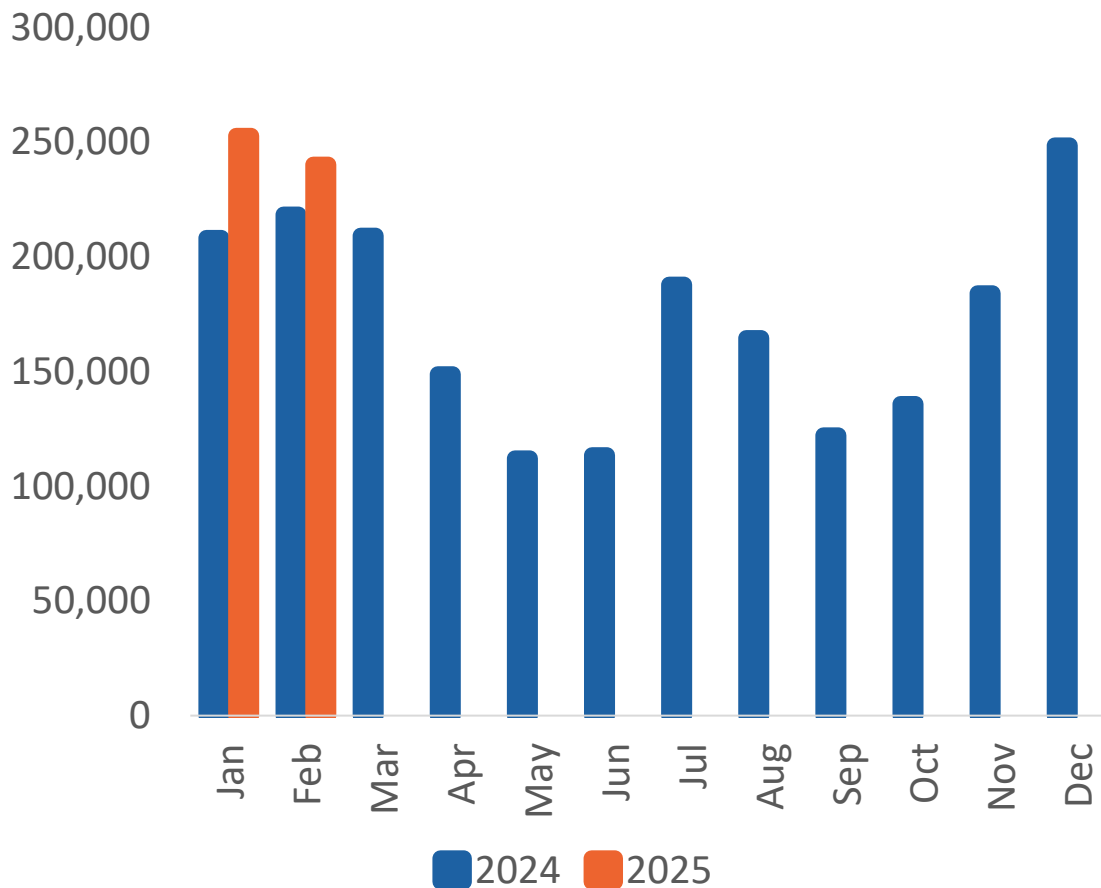
Monthly movement of major currencies



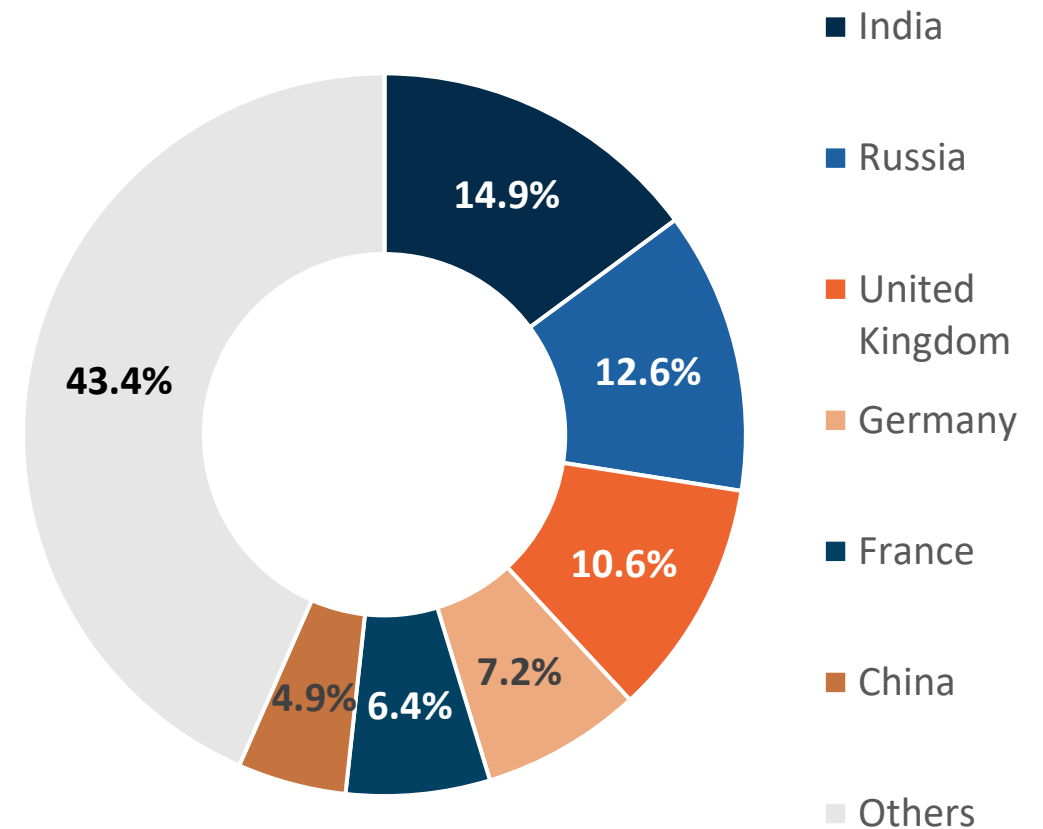
February 2025 tourist arrivals increased by 10.0% YoY

In February 2025, Sri Lanka welcomed 240,217 tourists, marking a 10.0% YoY growth but a 5.0% decline compared to January 2025. Key source markets included India, Russia, the United Kingdom, Germany, France, and China.

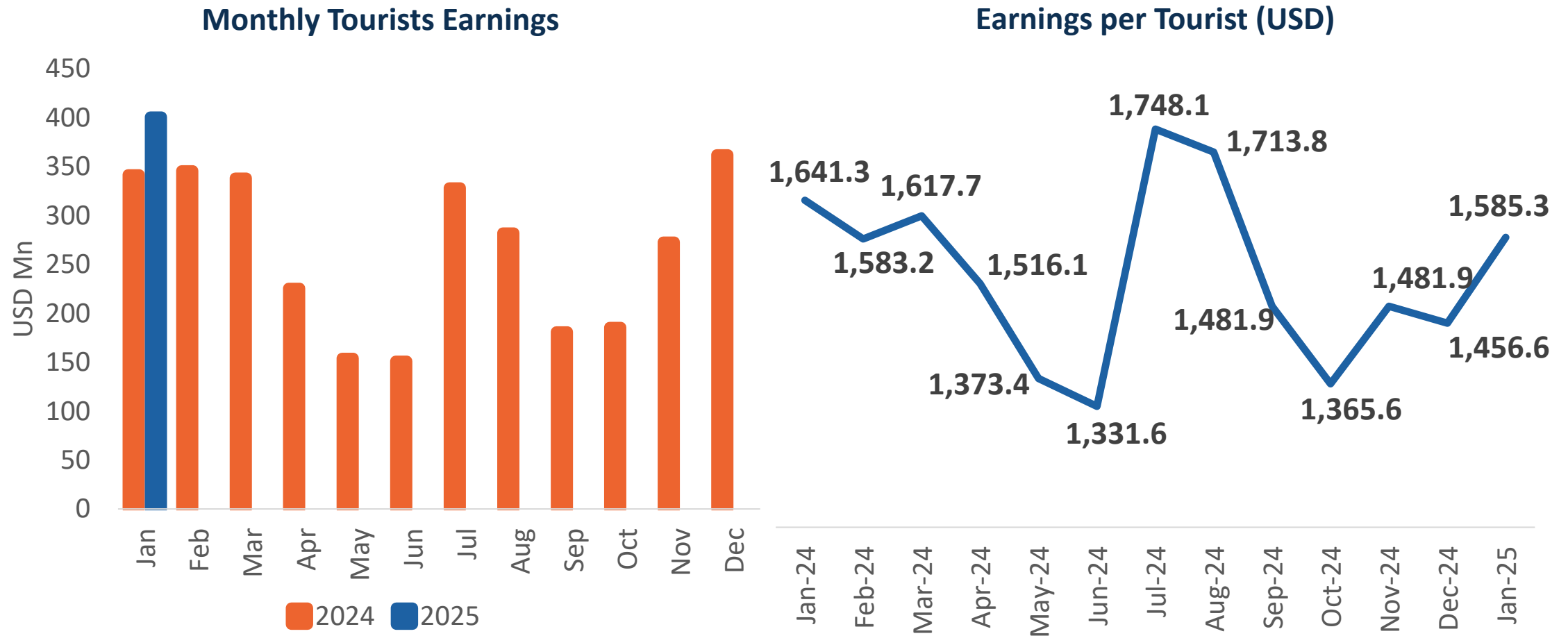
Monthly Tourists Arrivals



Arrival % by Country in Feb 25



January 2025 tourism earnings soared by 17.2% YoY

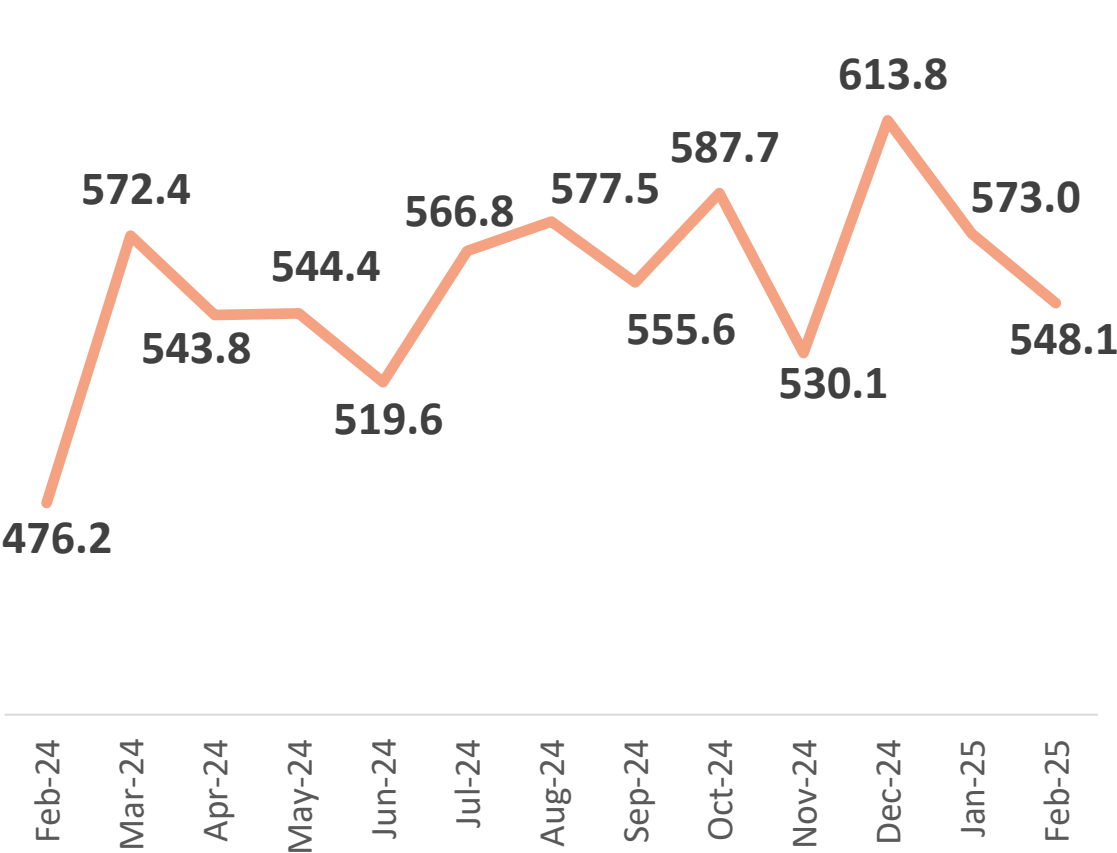


In January 2025, tourism earnings surged by 17.2% YoY, reaching USD 400.7 million, also reflecting a 10.7% increase compared to the previous month. Earnings per tourist stood at USD 1,585.3, showing a 3.4% YoY decline but an 8.8% increase compared to the previous month.

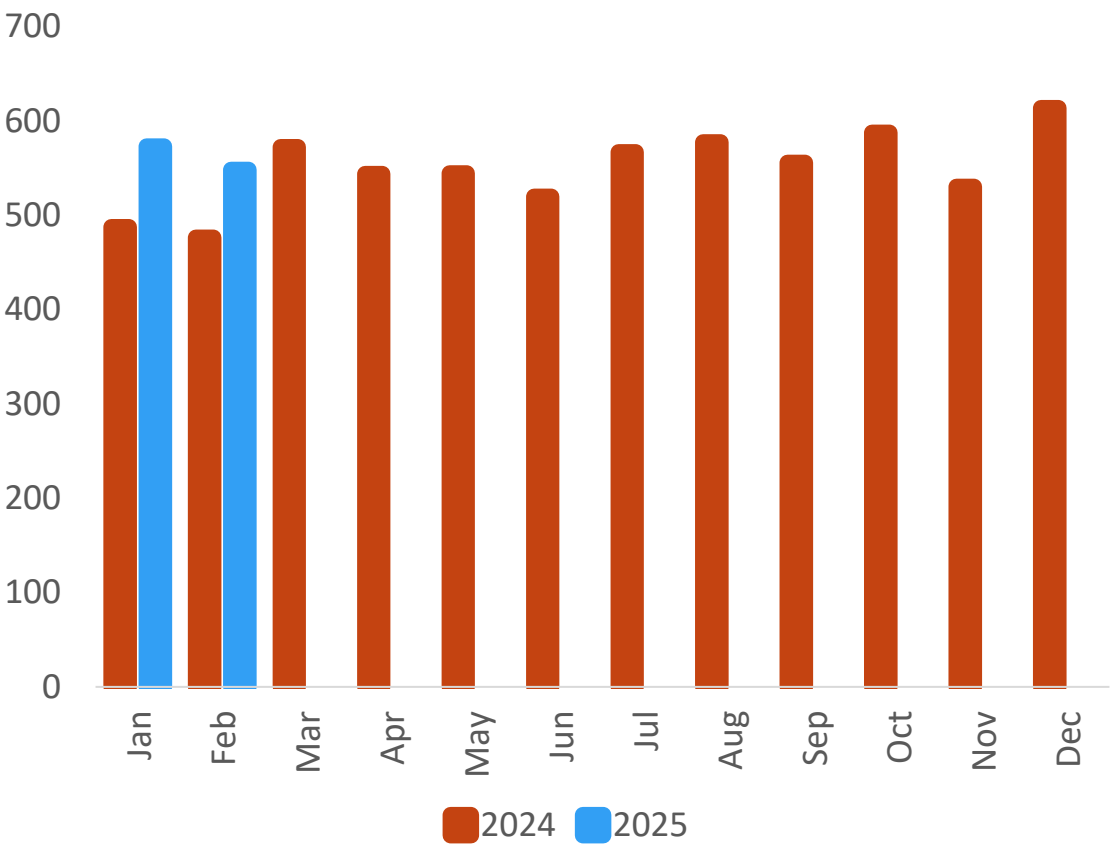
February 2025 worker remittances increased by 15.1%

In February 2025, remittance inflows reached USD 548.1 million, reflecting a 15.1% YoY growth. However, this was a 4.3% decline compared to January 2025.

Workers' Remittances (USD-Mn)



Workers' Remittances (USD Mn)



Source: CBSL

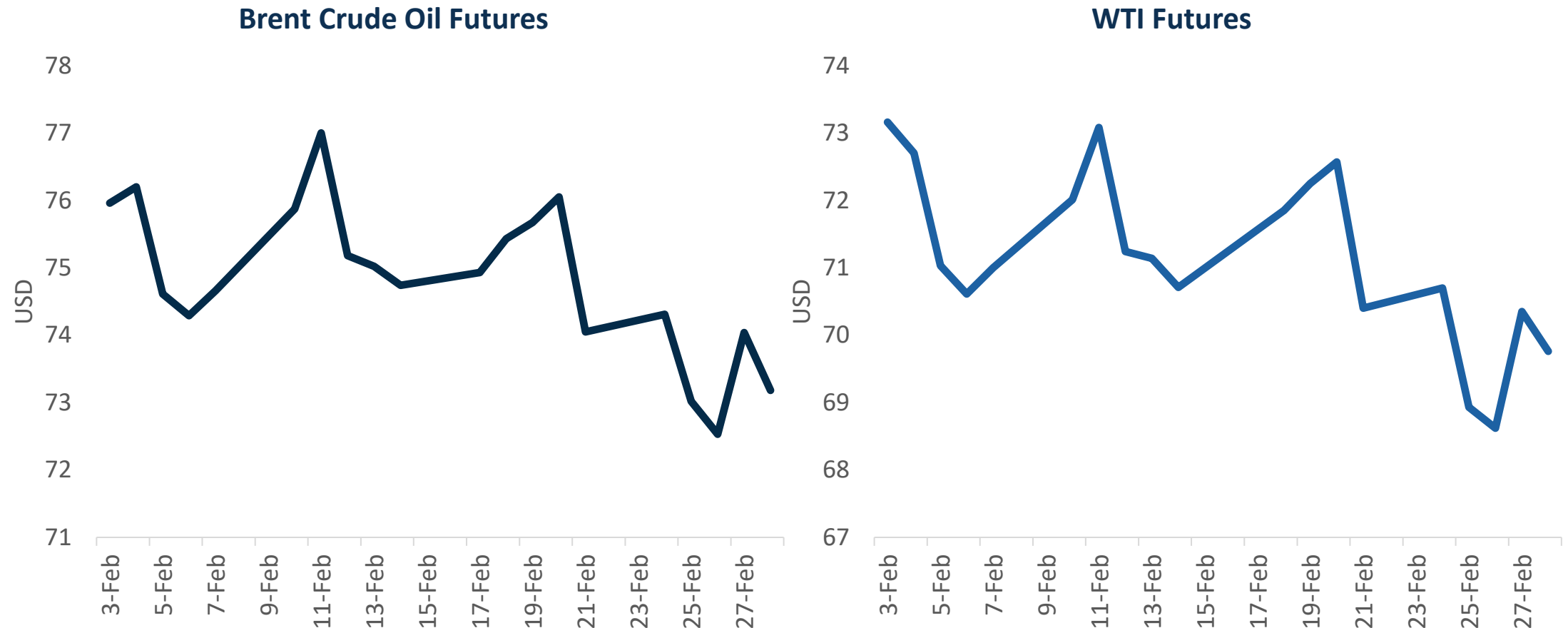


COMMODITIES AND OTHER

AMBEON
SECURITIES



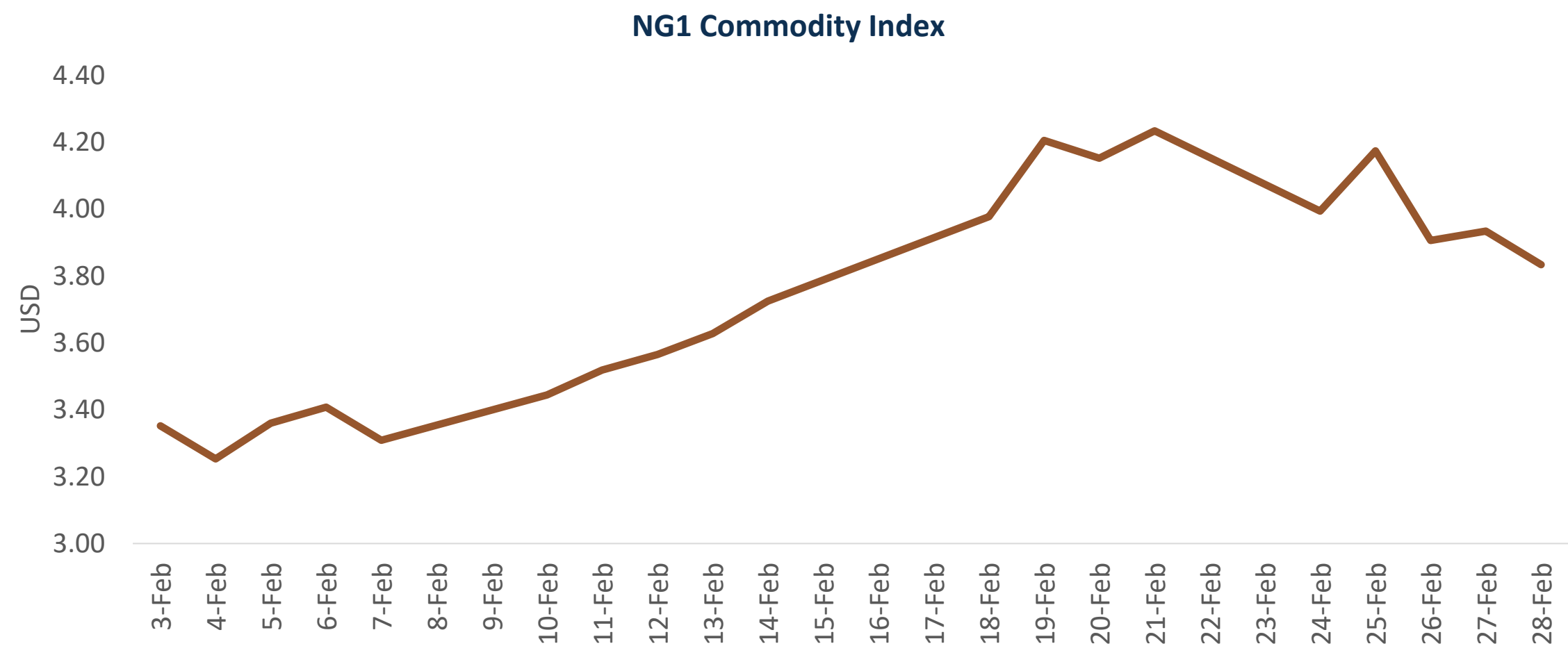
Crude oil prices declined in February 2025



In February 2025, crude oil prices declined, with Brent crude falling by 3.66% and WTI futures dropping by 4.65%. Early in the month, China's State Council Tariff Commission announced a 10% duty on U.S. crude, escalating the US-China trade war. Mid-month, OPEC signaled no changes to its production policy despite U.S. pressure to increase supply. Additionally, uncertainty over a potential Ukraine peace deal and weak economic data from the U.S. and Germany further weighed on oil prices.

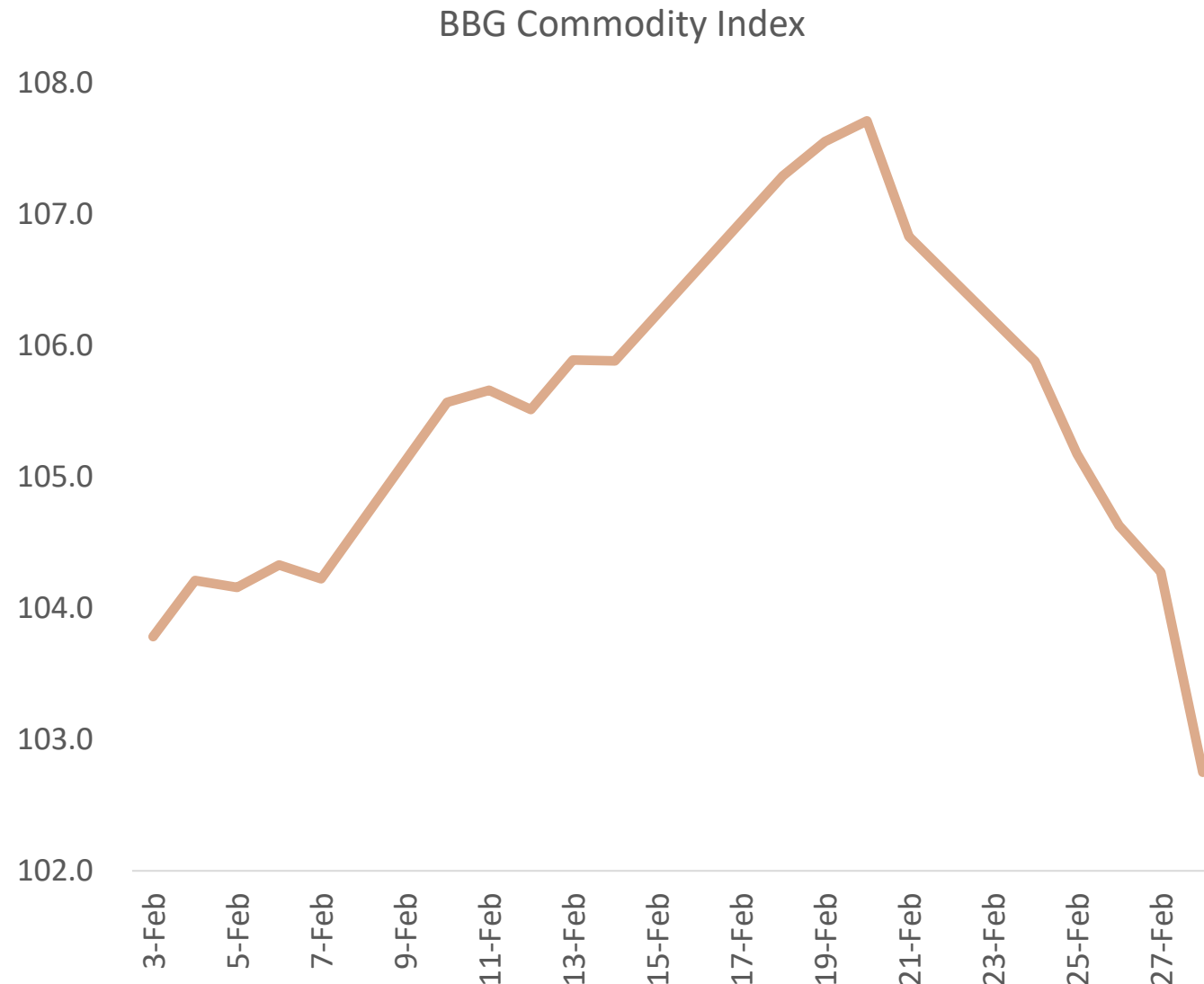
Natural gas prices increased by 14.4% during February 2025

In February 2025, U.S. natural gas prices rose by 14.4%, driven by newly imposed U.S. tariffs on Canada, Mexico, and China early in the month. Strong LNG exports, sustained cold weather, and potential production disruptions further tightened supply, boosting demand. Toward the end of the month, widening storage deficits and rising LNG demand also contributed to the price increase.



Source: Investing.com

Commodities prices declined by 1.0% in February 2025



- In February 2025, the Bloomberg Commodity Index rose by 1.0%, driven by an early-month uptrend before declining toward the month's end.
- Throughout the month, soybean prices declined by 3.1%, while corn prices dropped by 3.9%. U.S. farmers plan to increase corn cultivation and reduce soybean planting this spring, aiming to maximize profits and mitigate risks from potential tariffs.
- In the industrial metals sector, copper prices rose by 5.6% during the month, while aluminum prices saw a slight decline of 0.7%. U.S. metal prices remained higher than European prices as buyers rushed to secure supply ahead of President Trump's proposed metal tariffs.
- In the precious metals sector, gold prices edged down by 0.3% after peaking mid-month, ultimately closing near their starting value. The decline was influenced by mixed U.S. economic data and a sharp drop in U.S. Treasury yields.

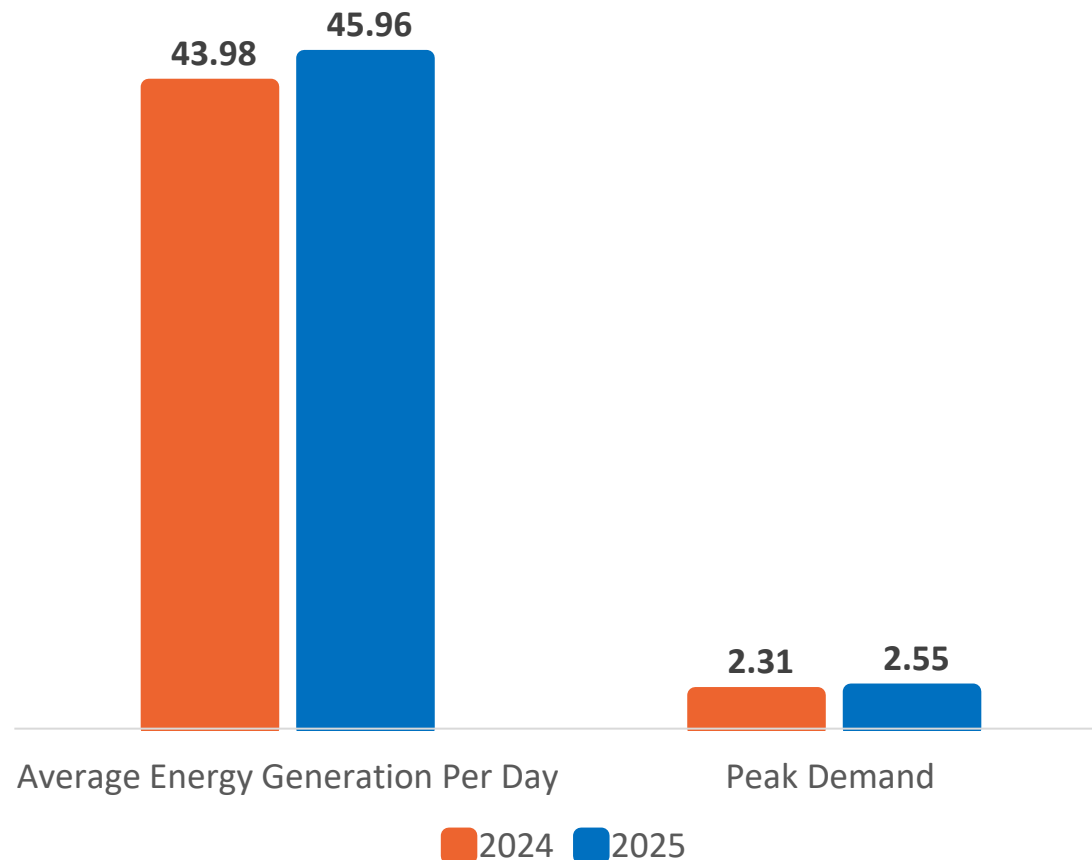
Note: The Bloomberg Commodity Index is a diversified commodity price index covering 23 exchange-traded futures in sectors like energy, grains, industrial metals, livestock, and precious metals.

Source: Investing.com

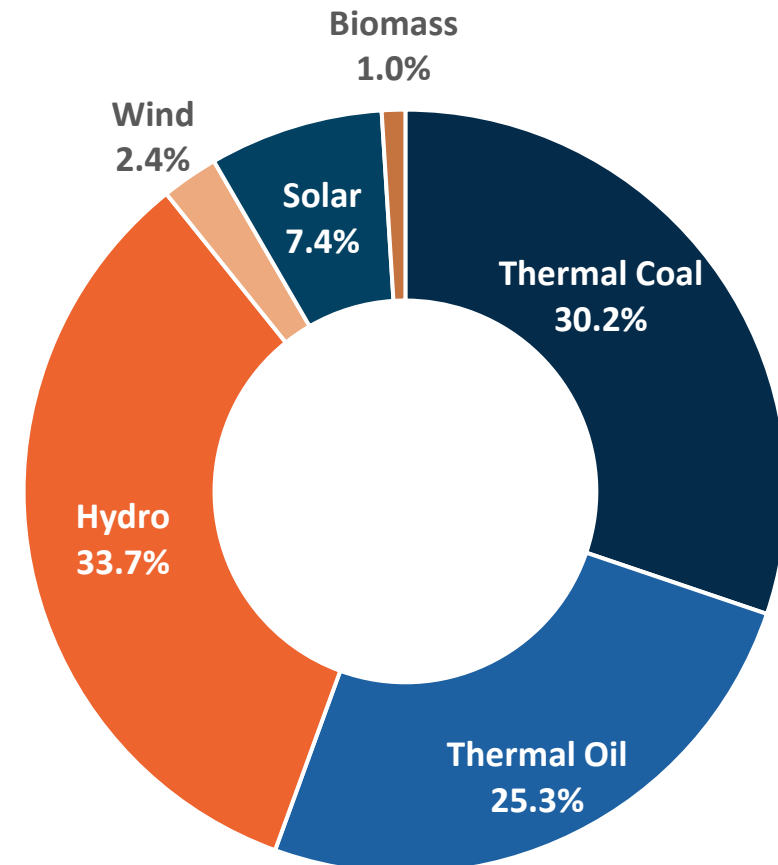
February 2025 daily electricity generation rose 4.5% YoY

In February 2025, average daily electricity generation reached 45.96 GWh, marking an 4.5% increase compared to the same month last year. The average daily peak demand during the month was 2.55 GWh.

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



**Electricity Generation Composition by Category
in Feb 2025**



January 2025 tea production rose by 14.6% YoY

In January 2025, Sri Lanka's tea production rose by 14.6% YoY to 21.46 million kilograms. Tea exports also saw an increase, with volumes rising by 3.3% YoY to 19.37 million kilograms, while export earnings grew by 1.7% YoY to LKR 33.38 billion.

Tea Exports

| For Jan 24 | Volume in Kgs | Value in LKR Mn |
|----------------|-------------------|-----------------|
| Tea in Bulk | 8,241,565 | 12,276 |
| Tea in Packets | 8,492,407 | 13,649 |
| Tea in Bags | 2,106,353 | 5,512 |
| Instant Tea | 199,866 | 698 |
| Green Tea | 334,337 | 1,244 |
| Total | 19,374,528 | 33,378 |

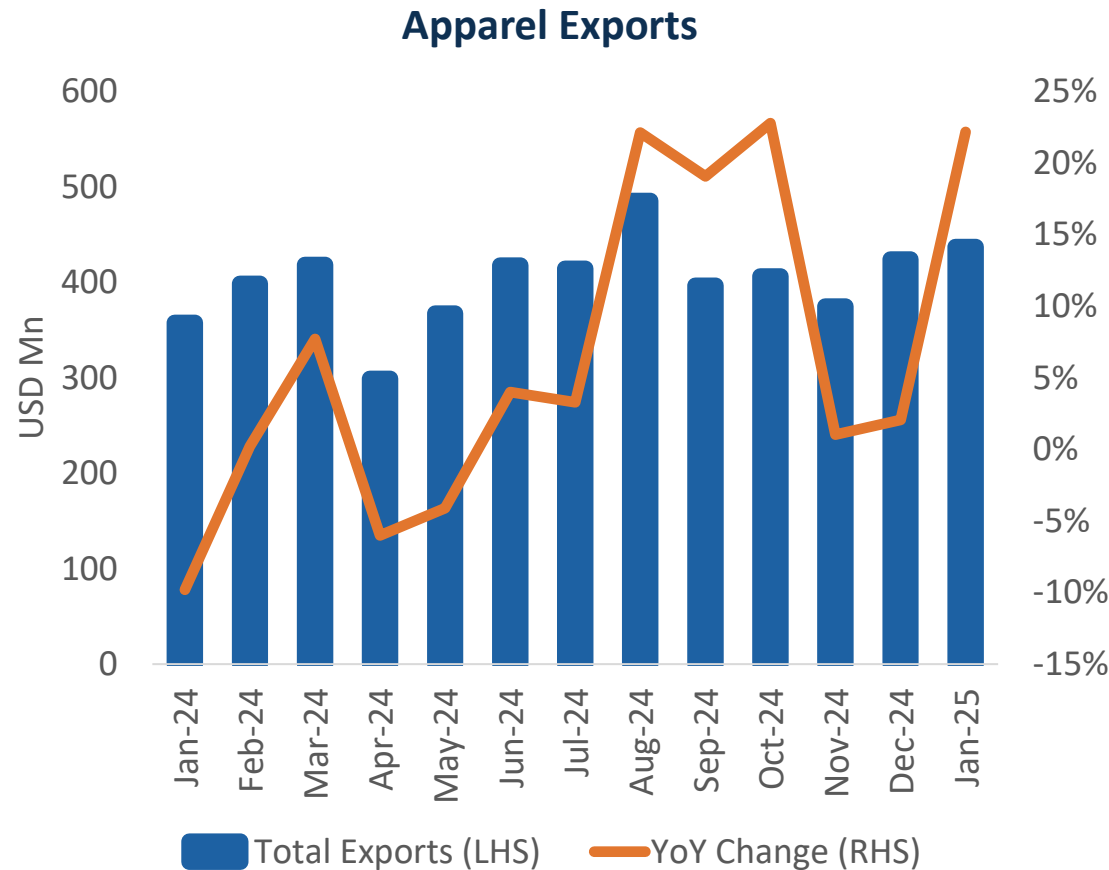
Average Tea Auction Prices (Monthly)

| For Jan 25 | LKR per Kg |
|--------------|-----------------|
| High | 1,115.22 |
| Medium | 1,041.82 |
| Low | 1,280.13 |
| Total | 1,207.64 |

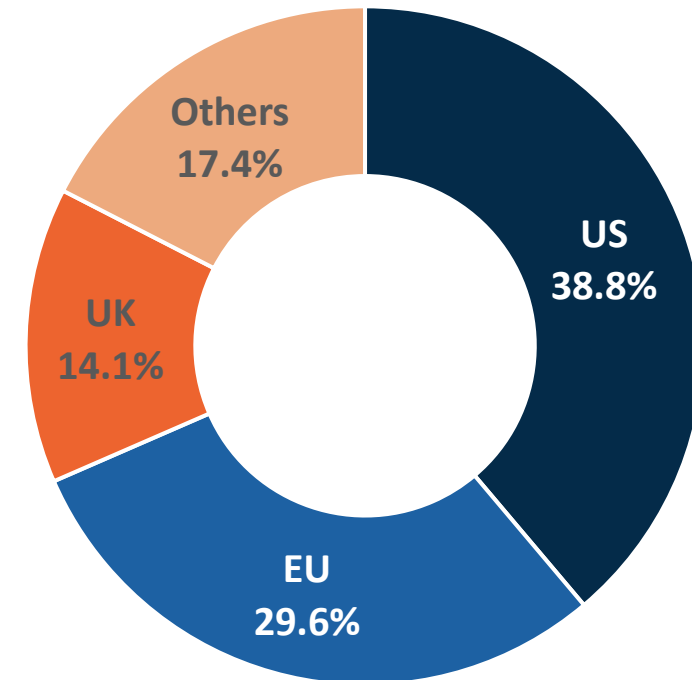
Tea Production

| For Jan 24 | Kgs |
|--------------|-------------------|
| High | 4,579,128 |
| Medium | 3,395,023 |
| Low | 13,297,657 |
| Green Tea | 191,206 |
| Total | 21,463,014 |

January 2025 apparel exports soared by 22.2% YoY



Top Export Markets - January 2025



In January 2025, Sri Lanka's apparel exports reached USD 437.07 million, marking a 22.2% YoY growth and a 3.0% increase compared to the previous month. Export performance across key markets showed strong growth, with shipments to the United States rising by 27.4% YoY, exports to the European Union increasing by 26.4% YoY, and exports to the United Kingdom expanding by 17.4% YoY.

AMBEON SECURITIES (PVT) LIMITED

No. 100/1, 2nd Floor
Elvitigala Mawatha,
Colombo 08,
Sri Lanka.

T : +94 11 532 8 100

F : +94 11 532 8 177

E: research@ambeonsecurities.lk



Sales Team

Charith Kamaladasa
Niranjan Niles
Chinthaka Weeraratna
Pasindu Yatawara

Director/CEO
Executive Director
Senior Investment Advisor
Senior Investment Advisor

charithk@ambeonsecurities.lk
niles@ambeonsecurities.lk
chinthaka@ambeonsecurities.lk
pasindu@ambeonsecurities.lk

Research Team

Hansinee Beddage
Shashikala Hanshani
Amoda Prasansana
Hiruni Samarasekera

Manager Investment Research
Investment Research Analyst
Trainee Investment Research Analyst
Trainee Investment Research Analyst

hansinee@ambeonsecurities.lk
shashikala@ambeonsecurities.lk
amoda@ambeonsecurities.lk
hiruni@ambeonsecurities.lk

DISCLAIMER

Ambeon Securities has taken reasonable steps to ensure the accuracy and reliability of the information presented in this Report. While we strive for accuracy, we do not guarantee the completeness or correctness of the information. The information may be subject to change without notice, and Ambeon Securities is not obligated to update or revise the Report after its initial publication. Any updates or revisions will be made at the sole discretion of Ambeon Securities.

Ambeon Securities, its employees, and affiliates shall not be held liable for any direct or indirect loss or damage that may arise from the use of the information contained in this Report. This includes, but is not limited to, financial losses, lost profits, direct, indirect, incidental, punitive or any other consequential damages.

The information and opinions presented in this Report are for informational purposes only and should not be construed as any offer, investment advice, a recommendation to buy or sell any securities, or an endorsement of any investment strategy. Ambeon Securities does not provide personalized investment advice, and you should consult with a qualified financial advisor before making any investment decisions. This Report may contain forward-looking statements that involve risks and uncertainties. These statements are based on our current expectations and assumptions and are subject to various factors that may cause actual results to differ materially from those expressed or implied in the Report.

This report does not take into account the specific financial situation, investment objectives, or risk tolerance of individual readers. Consequently, investments discussed in this report may not be suitable for all investors. Each reader is responsible for determining the suitability of any investment based on their own circumstances.

Ambeon Securities, its employees, and affiliates may have financial interests in the securities mentioned in this Report. These interests may change without notice, and such positions may have an impact on the opinions expressed in the Report.

This Report is intended solely for the use of the recipient and may not be reproduced, redistributed, or otherwise disseminated to any other person or entity without the express written consent of Ambeon Securities. All rights, including copyright, are reserved.

Investing in securities involves risks, including the risk of loss of principal. Past performance is not indicative of future results, and the value of investments may go up or down. These risks may include, but are not limited to, market risk, liquidity risk, credit risk, geopolitical risk, and other factors that can impact the performance of investments.

By accessing and reading this Report or downloading the report electronically, you acknowledge and agree to the terms and conditions outlined above. If you do not agree with these terms, please refrain from using this Report. Ambeon Securities assumes no responsibility for any unauthorized use of this Report or its contents.