



MONTHLY ECONOMIC WRAP | MAR 2026

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SECURITIES

16.04.2026



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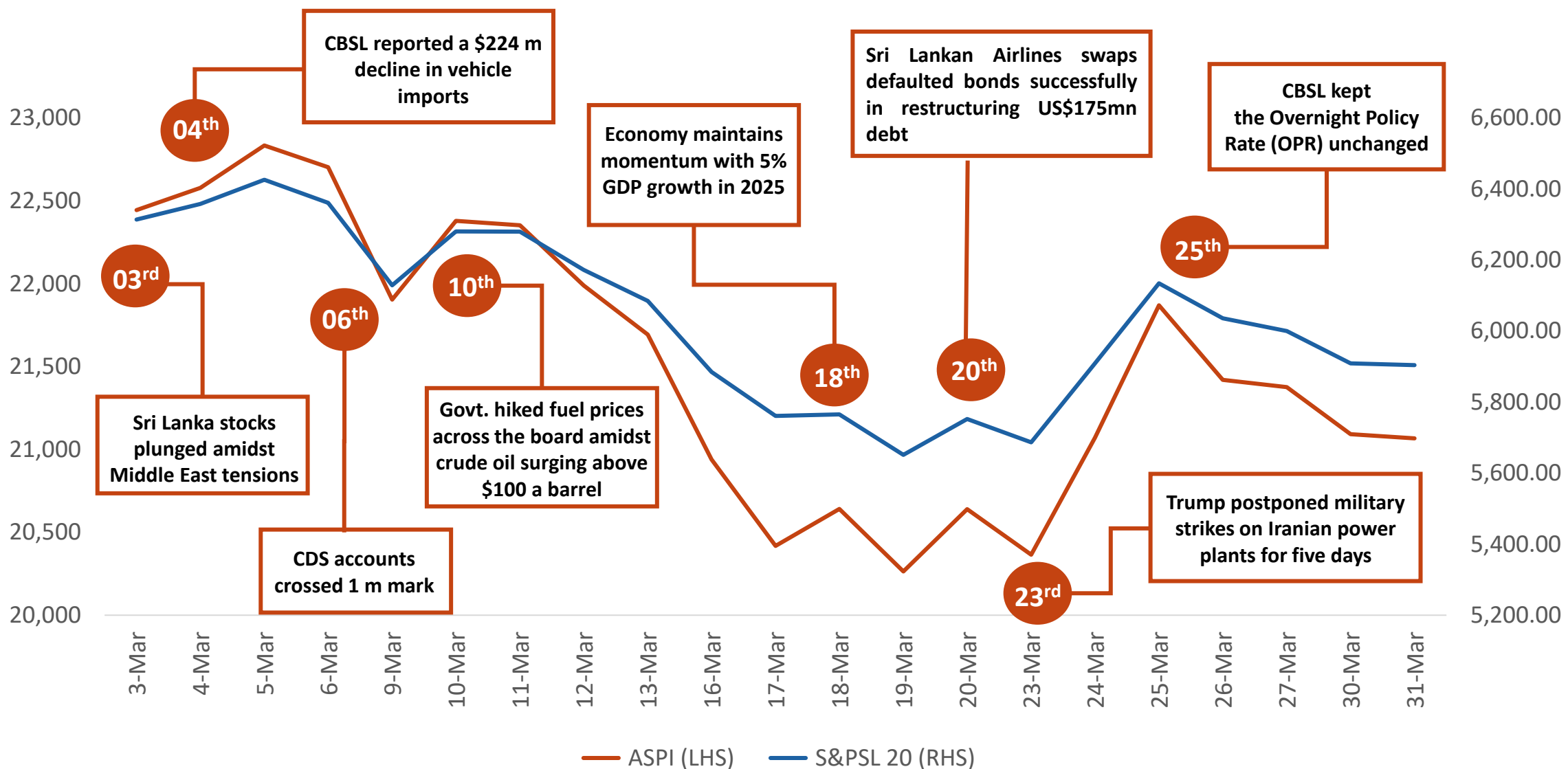


CSE PERFORMANCE

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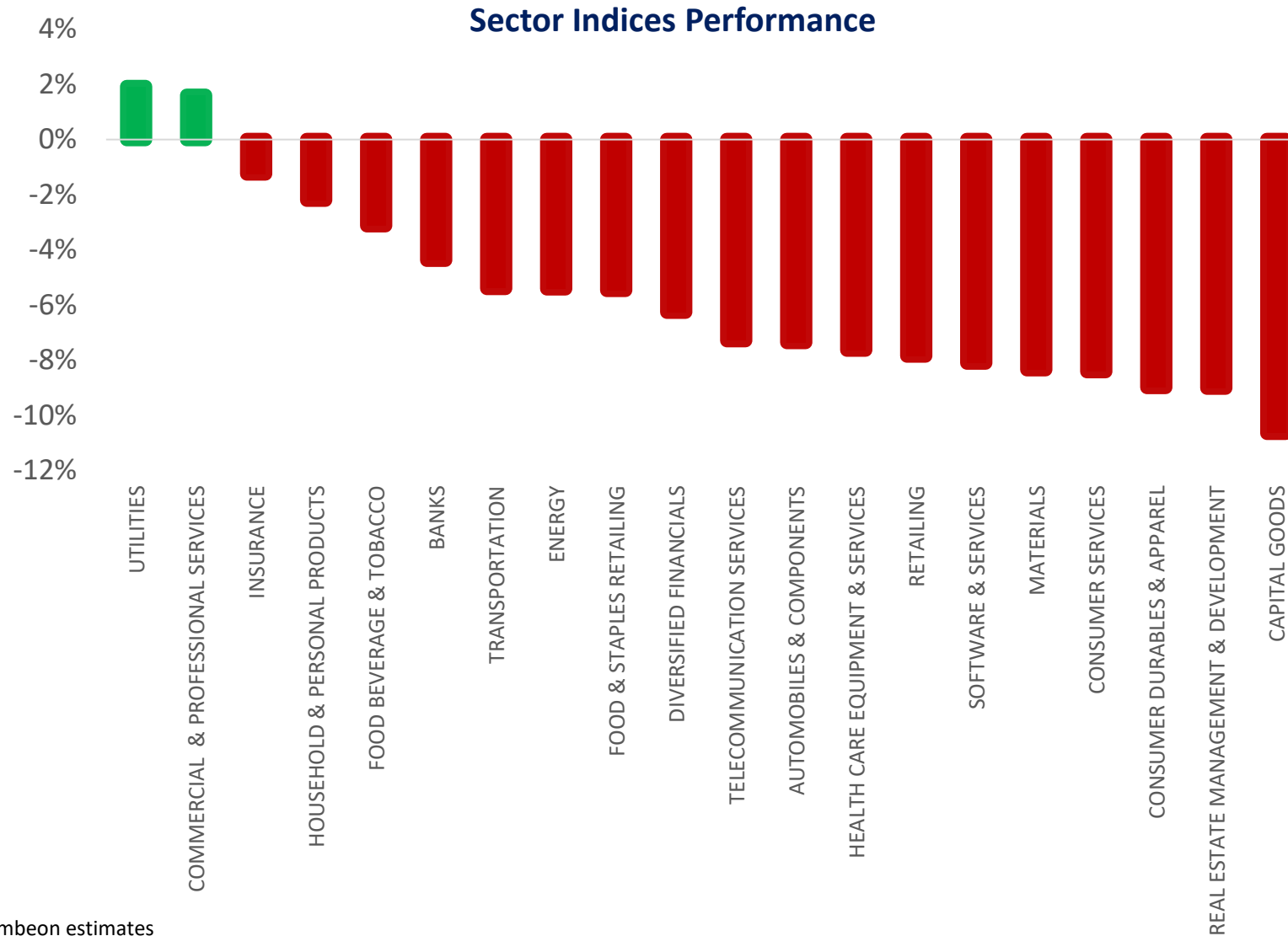


ASPI decreased by 6.14% and S&PSL20 decreased by 6.49% in Mar 2026



Note: Returns are calculated up to 31st March 2026
Source: CSE, Ambeon estimates

In Mar 2026, 2 sectors recorded increases, while 18 sectors experienced declines

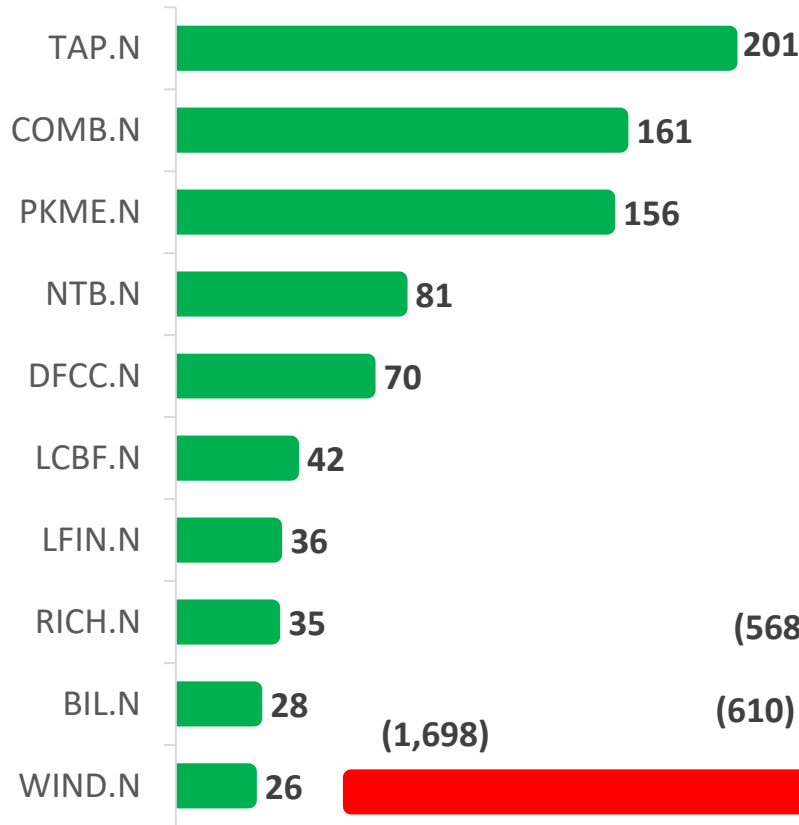


The **Utilities** sector had **the highest increase of 1.92%** this month, while the **Capital Goods** sector experienced **the largest decline of -10.65 %**.

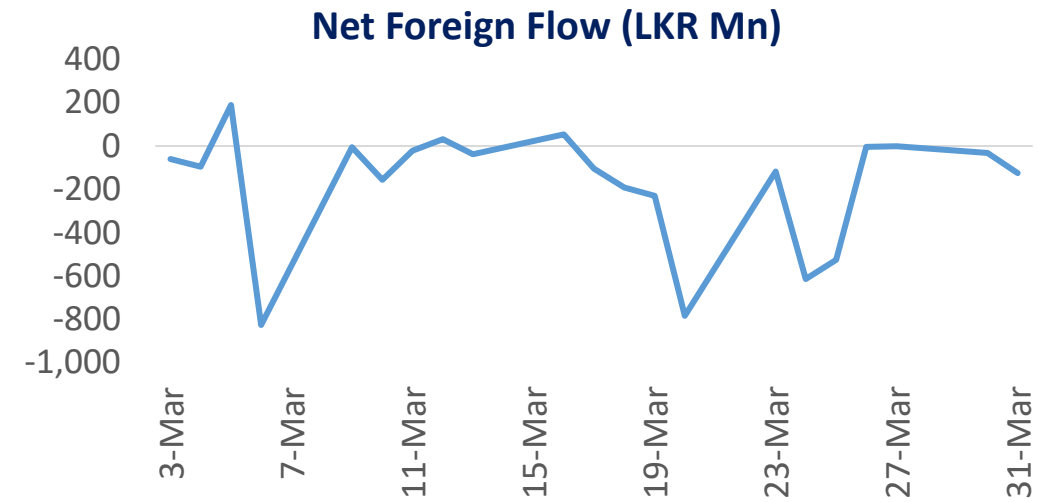
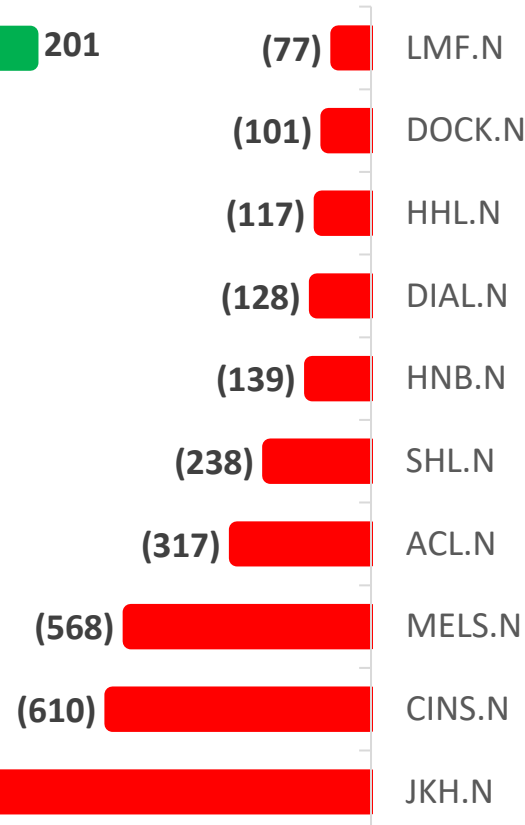
Source: CSE, Ambeon estimates

Total net foreign outflow for Mar 2026 was LKR -3,654.41 Mn

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



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



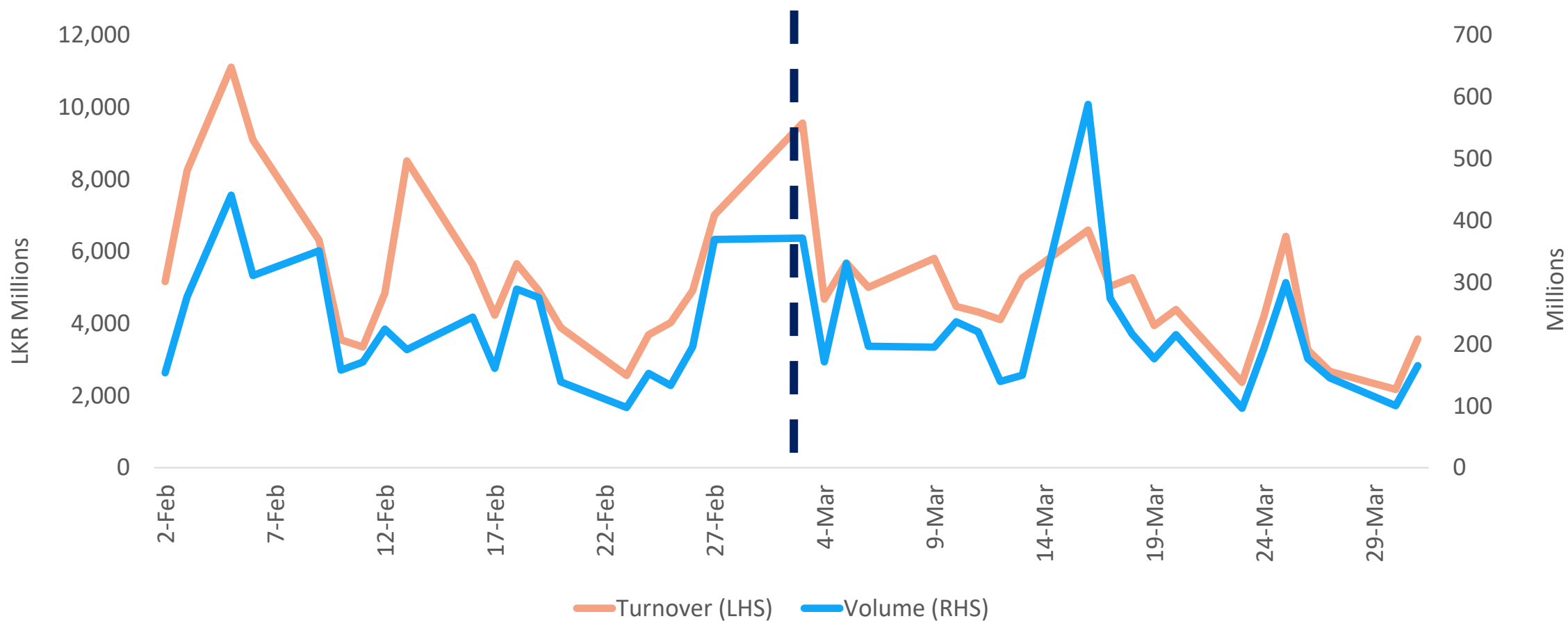
Except for 3 market days, the remaining days in the month recorded net foreign outflows.

Mar 26 Total Net Foreign Flow LKR -3,654.41 Mn | Year-to-date Net Foreign Flow* LKR – 19,800.16 Mn

Source: CSE, Ambeon estimates

*Year-to-date calculated as of 31st March 2026

During Mar 2026, daily turnover and volume decreased MoM



Daily average	MoM %	Feb 2026	Mar 2026	YTD Average
Turnover (LKR Mn)	(16)	5,616	4,706	5,769
Volume (Mn)	(3)	228	222	219

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)	10.3	1.6
KSE 100 (Pakistan)	7.70	1.3
VNI (Vietnam)	15.0	2.0

US & European Markets

Index	PE	PBV
S&P 500 (US)	24.8	4.9
DJIA (US)	22.4	5.2
FTSE 100 (UK)	16.2	2.3

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	20.5	2.5
CSI 300 (China)	17.7	1.8
HSI (Hong Kong)	12.6	1.2
BSE 500 (India)	21.9	3.1
NIFTY 50 (India)	20.7	3.0
JCI (Indonesia)	17.7	1.8

Note: Figures are as of 31st March 2026

Source: Bloomberg

Key economic news & events

03rd Mar

Sri Lanka stocks plunge amidst Middle East tensions

Sri Lanka's stock market recorded its worst-ever points decline as the Colombo Stock Exchange plunged sharply following concerns over the escalating Middle East crisis. The All Share Price Index (ASPI) fell by 1,290 points (5.44%), reflecting panic selling and heightened investor uncertainty. Trading was temporarily halted after steep losses, while major stocks especially in the banking and diversified sectors dropped significantly. The decline was largely driven by fears that the global crisis could trigger higher energy prices, inflationary pressures, and economic instability, negatively impacting investor sentiment and market performance.

10th Mar

Govt. hikes fuel prices across the board

The Sri Lankan Government increased fuel prices across all categories in March 2026, with petrol, diesel, and kerosene prices rising significantly under the fuel pricing formula. Petrol 92 was raised to Rs. 317, Petrol 95 to Rs. 365, diesel to around Rs. 303–353, and kerosene to Rs. 195 per litre. This hike was mainly driven by rising global oil prices amid escalating Middle East tensions, which increased Sri Lanka's fuel import costs. As a country heavily dependent on imported fuel, the revision reflects the direct pass-through of global energy price shocks, likely adding pressure on inflation and the overall cost of living.

20th Mar

Sri Lankan Airlines swaps defaulted bonds successfully in restructuring US\$175mn debt

The national carrier Sri Lankan Airlines successfully restructured its defaulted US\$175 million debt by swapping old bonds for a mix of cash and new government-backed bonds maturing in 2028 with a 4% interest rate. The deal received overwhelming support, with over 99% participation and more than 97% approval from bondholders, despite investors accepting an approximate 16% haircut on their holdings. This restructuring significantly reduces the airline's debt burden and strengthens its financial position, allowing it to focus on future operations.

25th Mar

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

The Central Bank of Sri Lanka kept the Overnight Policy Rate unchanged at 7.75% in its March 2026 Monetary Policy Review, aiming to guide inflation toward the 5% target. While inflation remains low in the short term, it is expected to gradually increase alongside improving economic activity. The economy continues its recovery with supportive financial conditions and rising external stability, though risks from global uncertainties and energy prices remain. The CBSL will continue a data-driven approach to maintain price stability and support growth.



MONETARY SECTOR

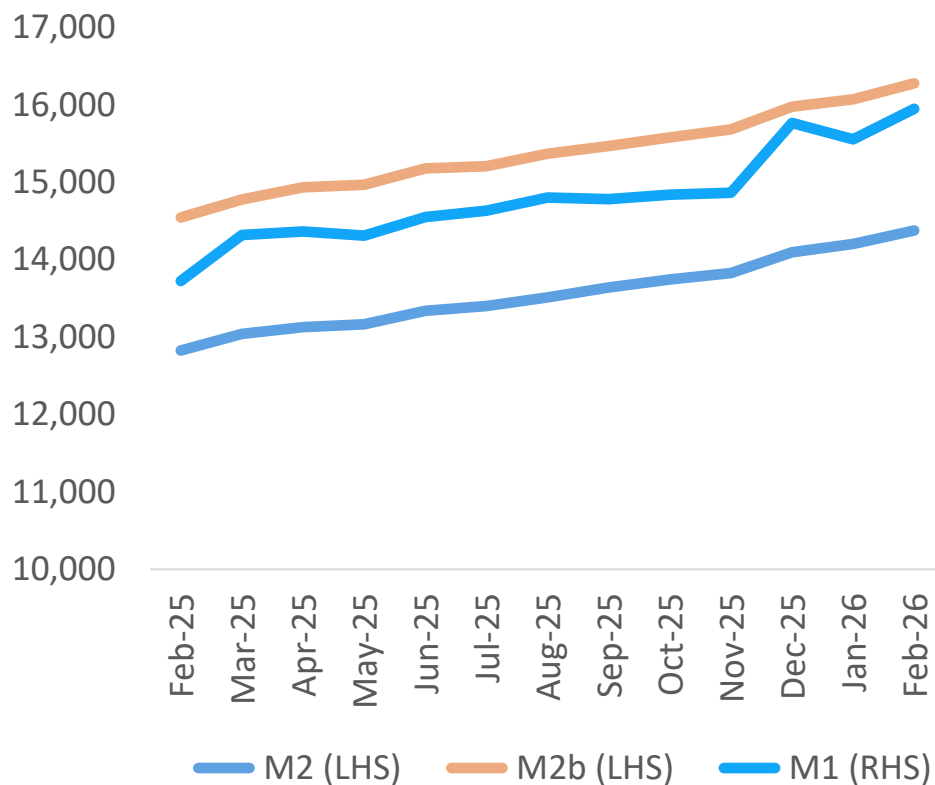
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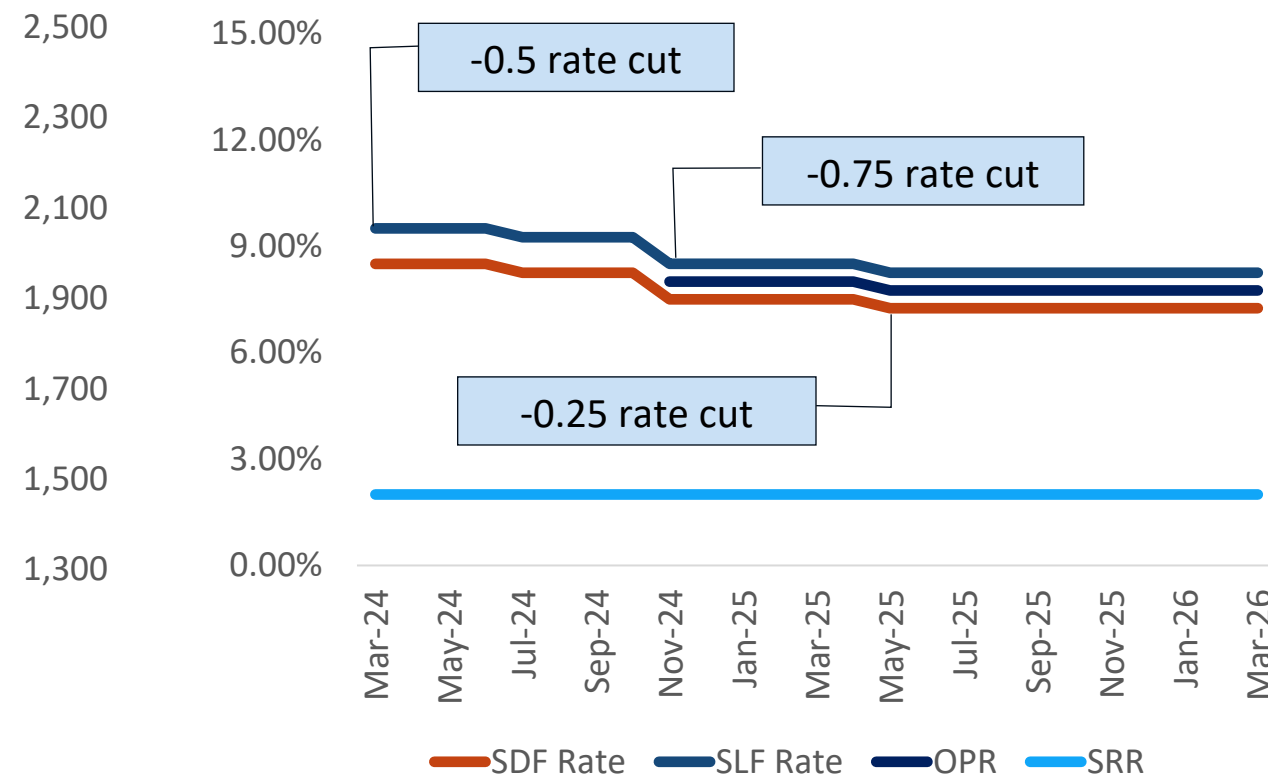
Overnight Policy Rate of 7.75% unchanged in Mar 2026

By the end of February 2026, Sri Lanka's narrow money supply (M1) rose to LKR 2,319.6 billion, while the consolidated broad money supply (M2b) expanded to LKR 16,276.3 billion, marking an increase from January 2026. Policy rates remained unchanged in March 2026 at 7.75%, indicating a continuation of the monetary stance maintained since May 2025.

Money Supply (LKR Bn)

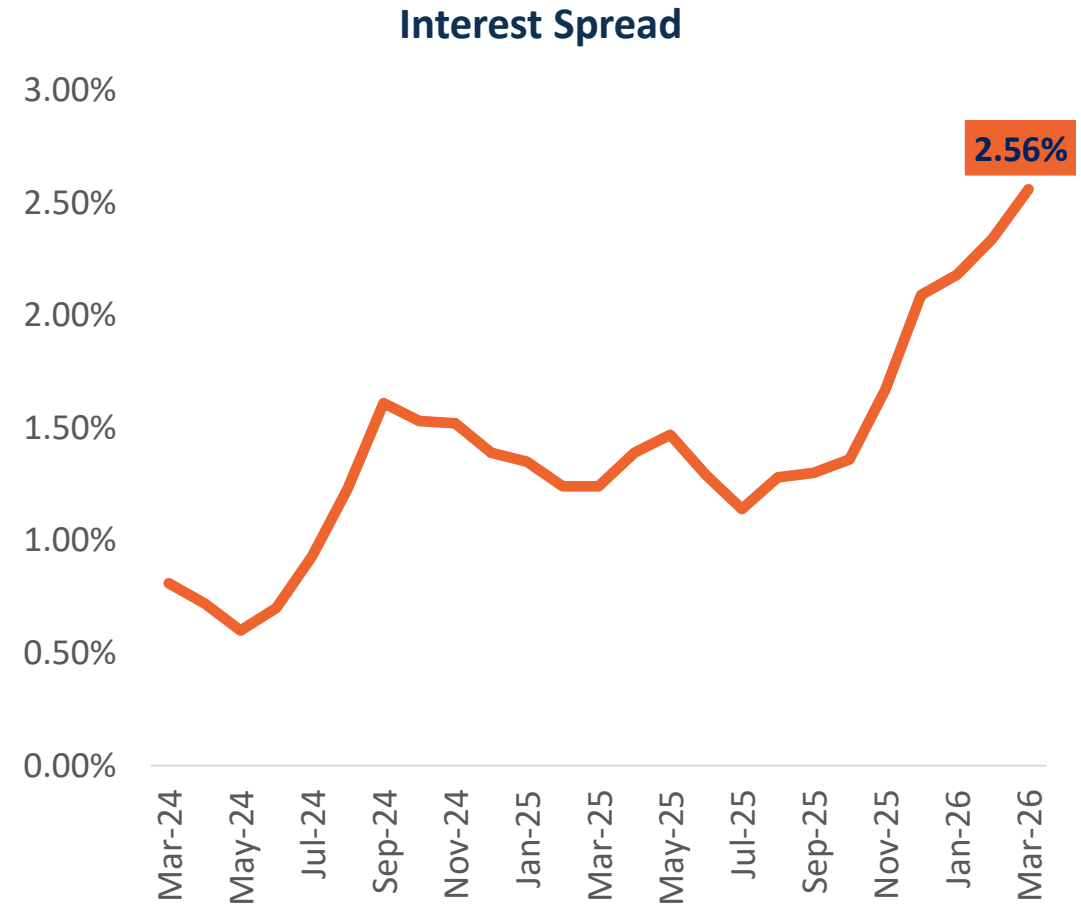
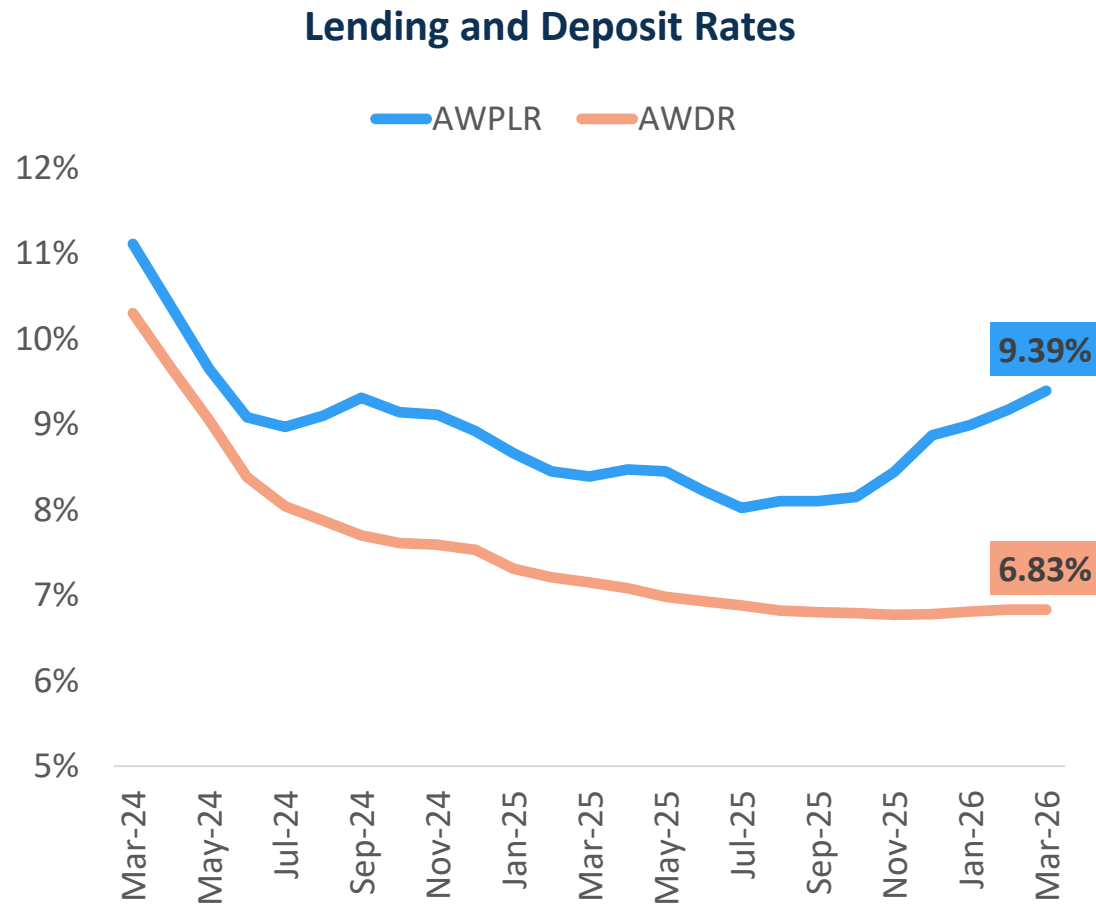


Policy Rates



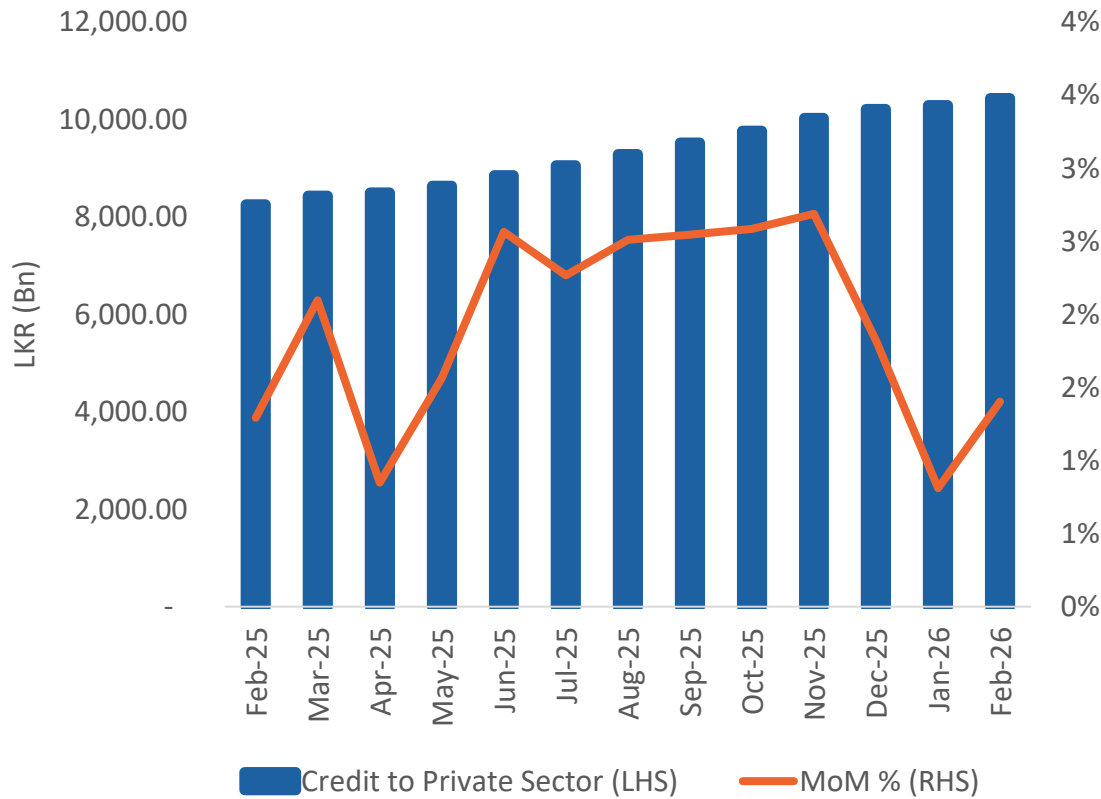
Source: CBSL

Lending rates and deposit rates experienced an increase in Mar 2026

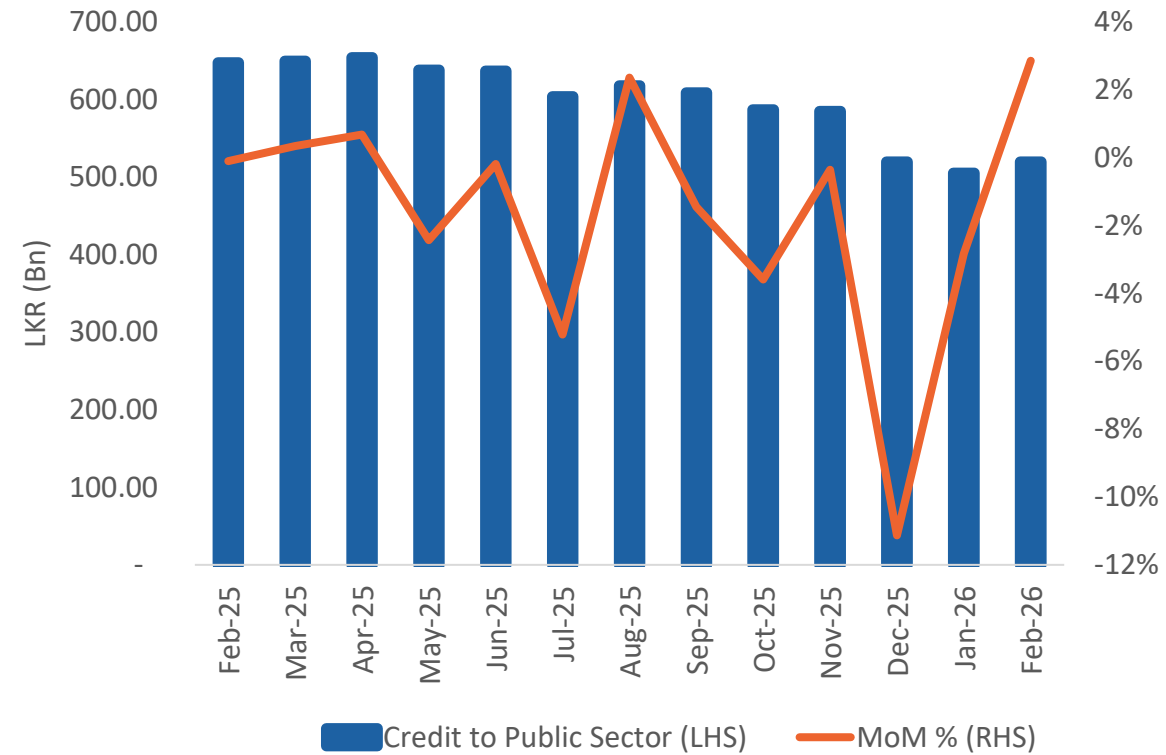


Private sector credit increased in Feb 2026

Credit to Private Sector

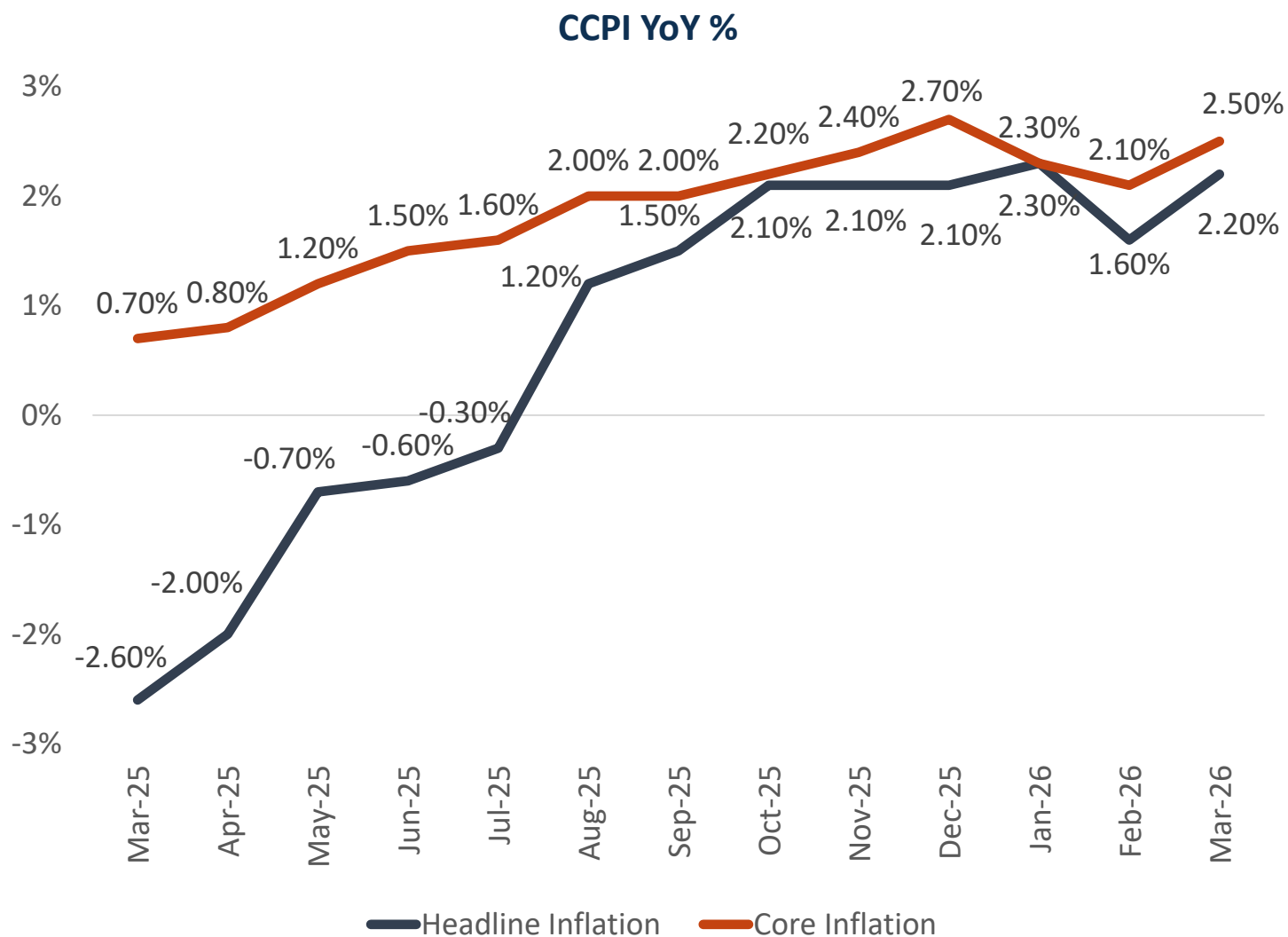


Credit to Public Sector



Source: CBSL

CCPI based headline inflation accelerated to 2.2% in Mar 2026



Headline inflation (YoY), measured by the Colombo Consumer Price Index (CCPI), accelerated to 2.2% in March 2026, after remaining at 1.6% in February 2026.

Meanwhile, core inflation (YoY) also increased to 2.5% in March 2026 from 2.1% in February 2026.

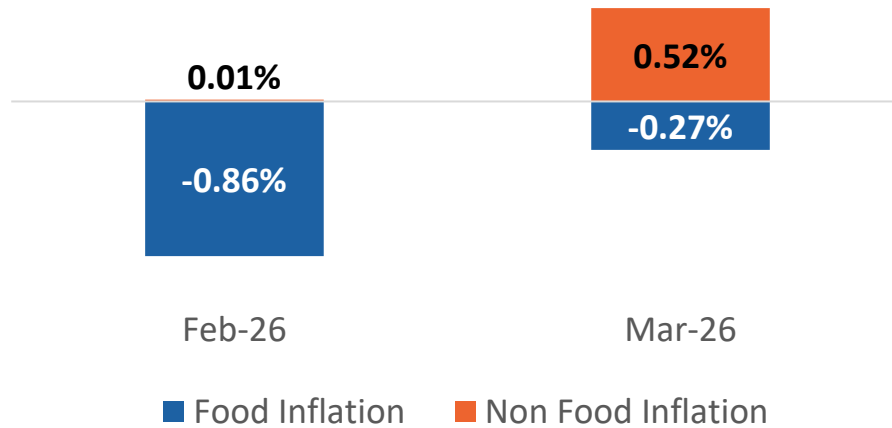
Many goods experienced notable price increases towards end of March, including fuel (>30%), transport fares (12.19%), and electricity (a 25% increase for consumption above 180 units, alongside more moderate increases of 4.3%–7.2% for lower consumption levels), as well as various food items. These upward price adjustments, coupled with heightened festive demand, are expected to exert additional pressure on inflation in April.

In line with these developments, inflation is projected to reach the 5% target by Q2 2026.

Source: CBSL

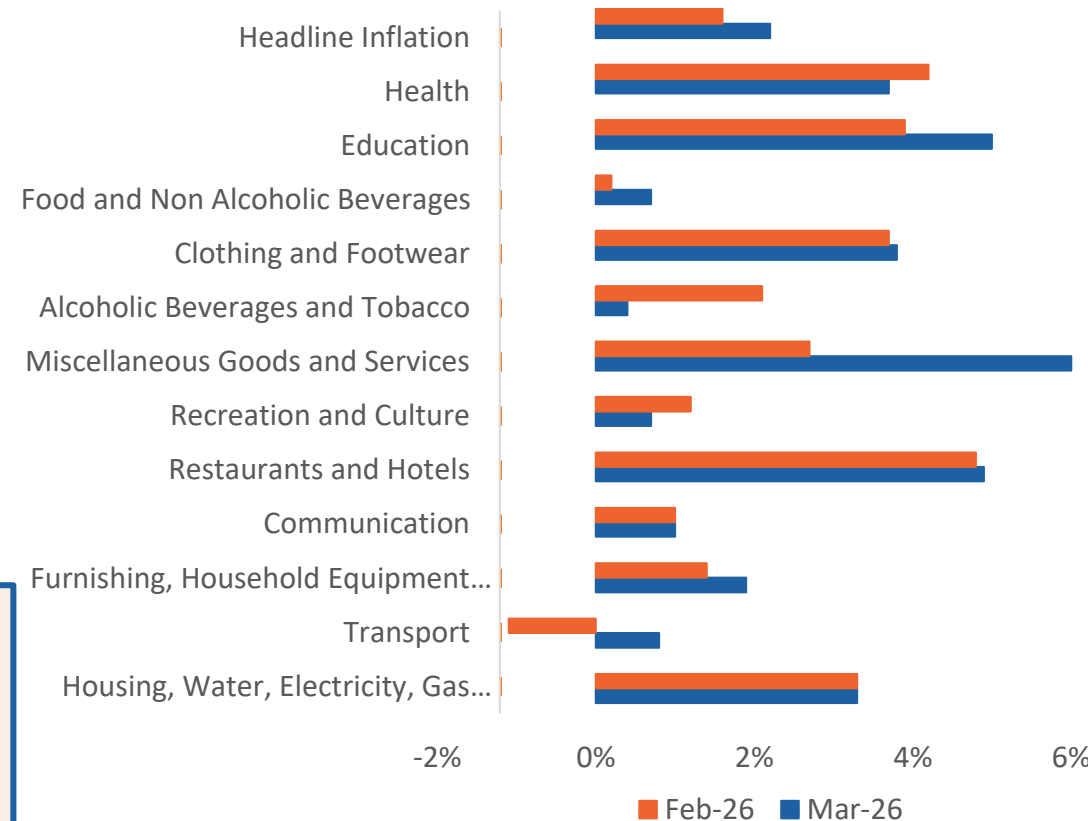
Mar 2026, CCPI increased by 0.25% MoM mainly due to non-food category

Contribution to monthly change in CCPI



On a month-on-month basis, the CCPI increased by 0.25% in March 2026, with non-food prices contributing 0.52 percentage points and food prices contributing -0.27 percentage points to the overall increase. On a year-on-year basis, headline inflation accelerated to 2.2% in March 2026 from 1.6% in February 2026. Food inflation (YoY) accelerated to 0.7% in March from 0.2% in the previous month, while non-food inflation (YoY) accelerated to 2.9% in March 2026 from 2.3% in February 2026.

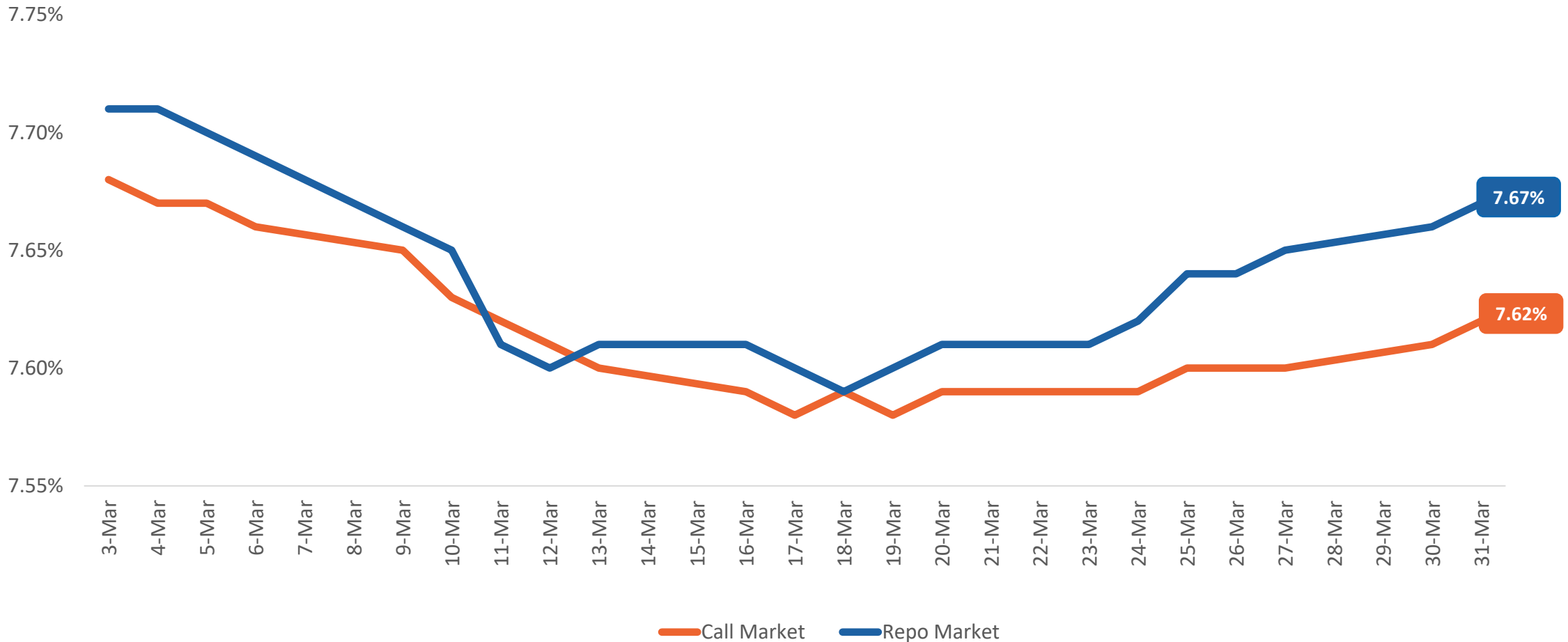
CCPI YoY Change by Subcategory



Prices accelerated in Education, Food and Non-alcoholic beverages, Furnishing, Transport, Miscellaneous goods, while decelerated in Health, Alcoholic beverages, and Recreation and Culture.

Call and Repo Rates experienced moderate volatility in Mar 2026

Weighted Averaged Yields of Money Market Rates

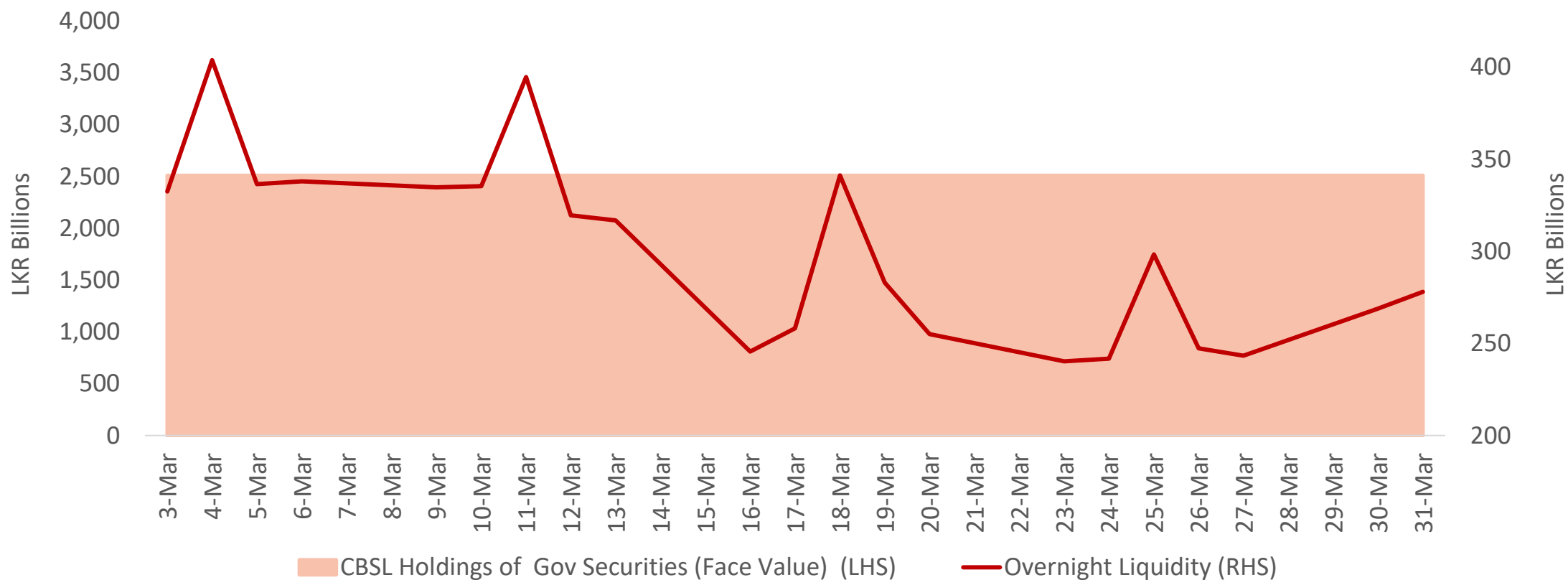


Source: CBSL

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

During March 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 remained volatile throughout the month, with several sharp fluctuations observed. It declined during the mid-month period, before showing a gradual recovery toward the latter part of the month, reaching approximately LKR 278 billion by end-March.

Liquidity and CBSL Holdings



Source: CBSL

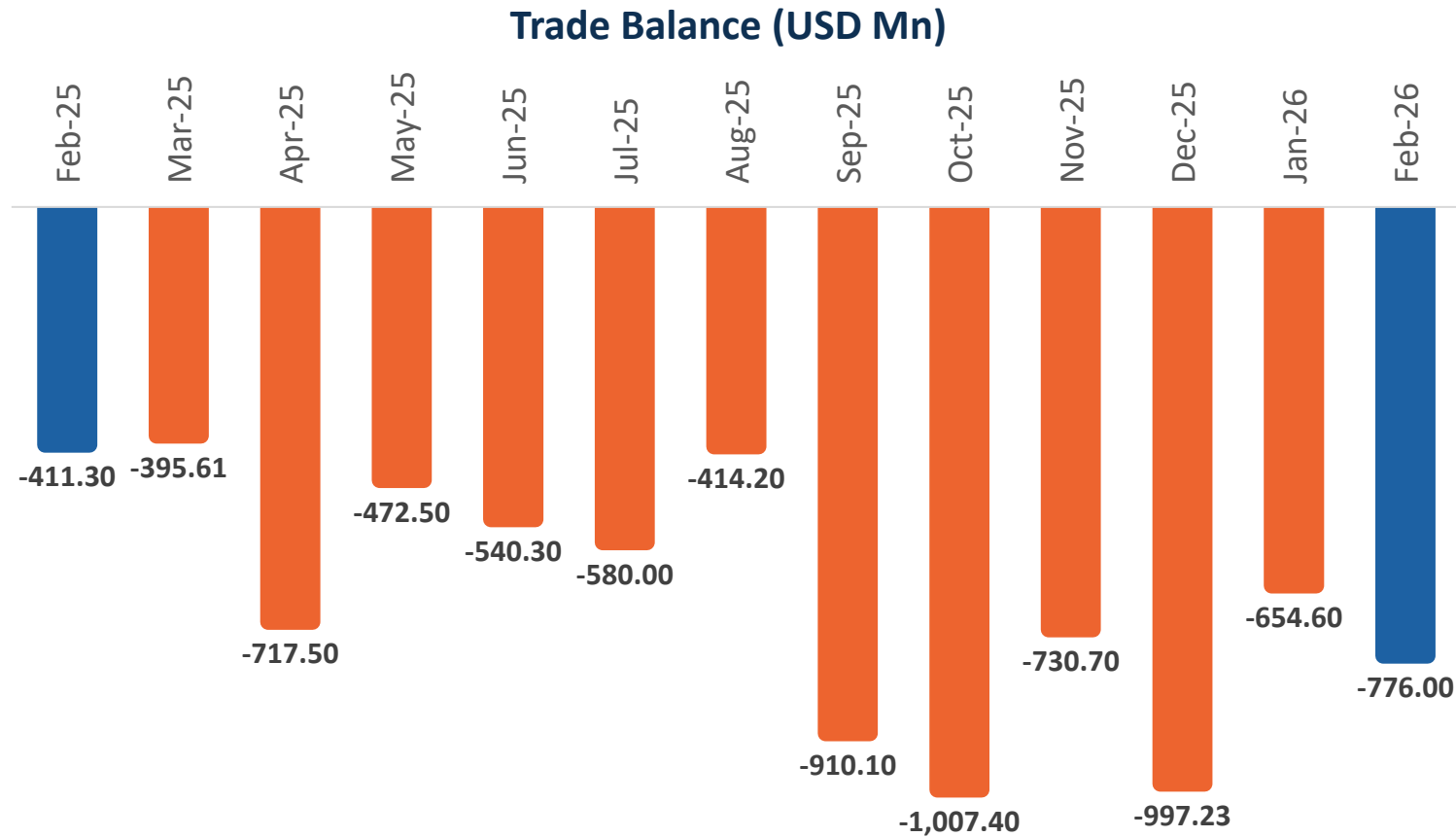


EXTERNAL SECTOR

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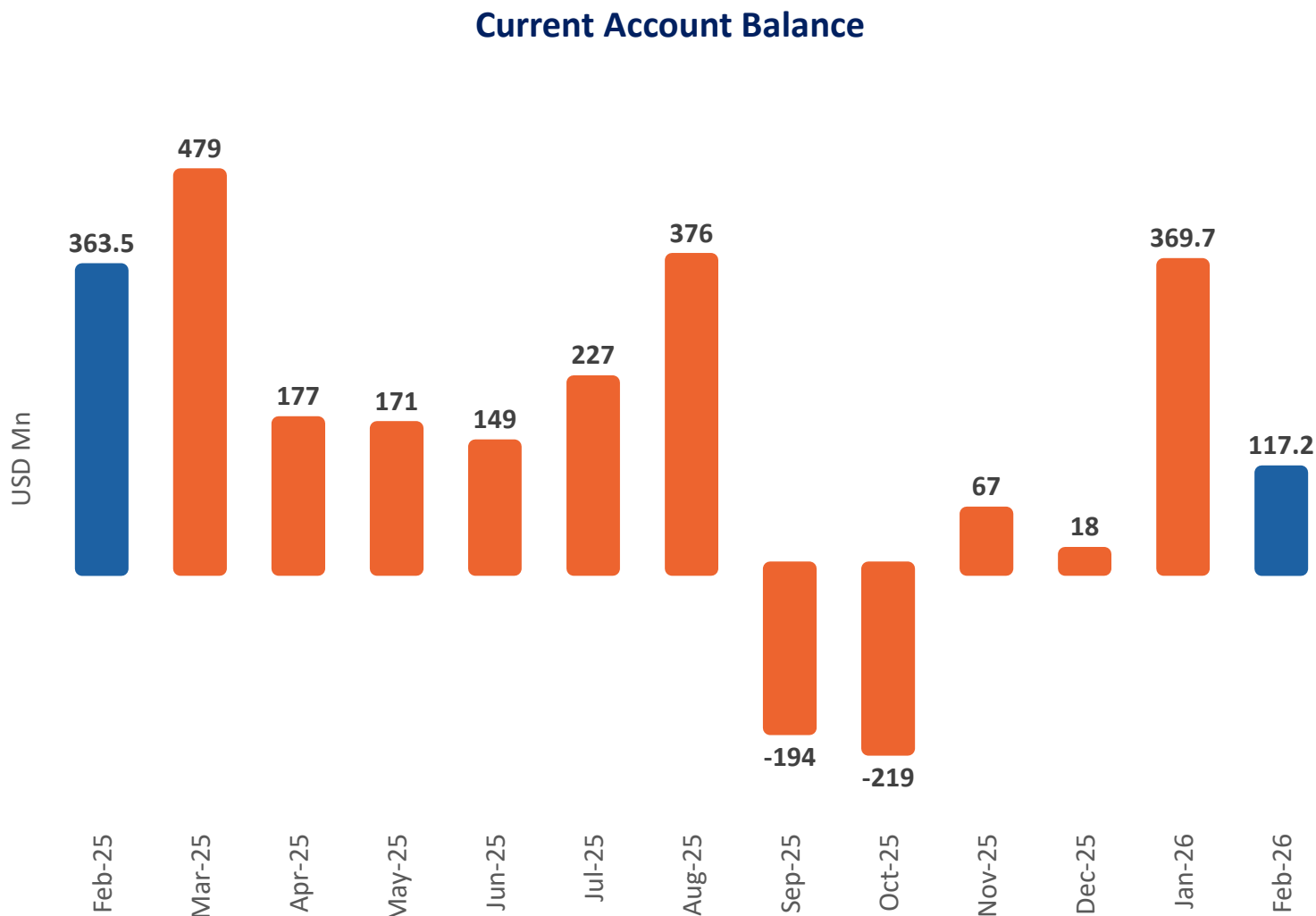
Trade Balance deteriorated by 88.7% YoY in Feb 2026



In February 2026, Sri Lanka’s trade deficit widened to USD 776 million, reflecting an 88.7% increase compared to February 2025 and a 18.5% increase from the previous month.

The year-on-year decrease in the trade balance was driven mainly by the increase in import expenditure by 25.2% YoY.

Current Account Balance decreased by 67.8% YoY in Feb 2026

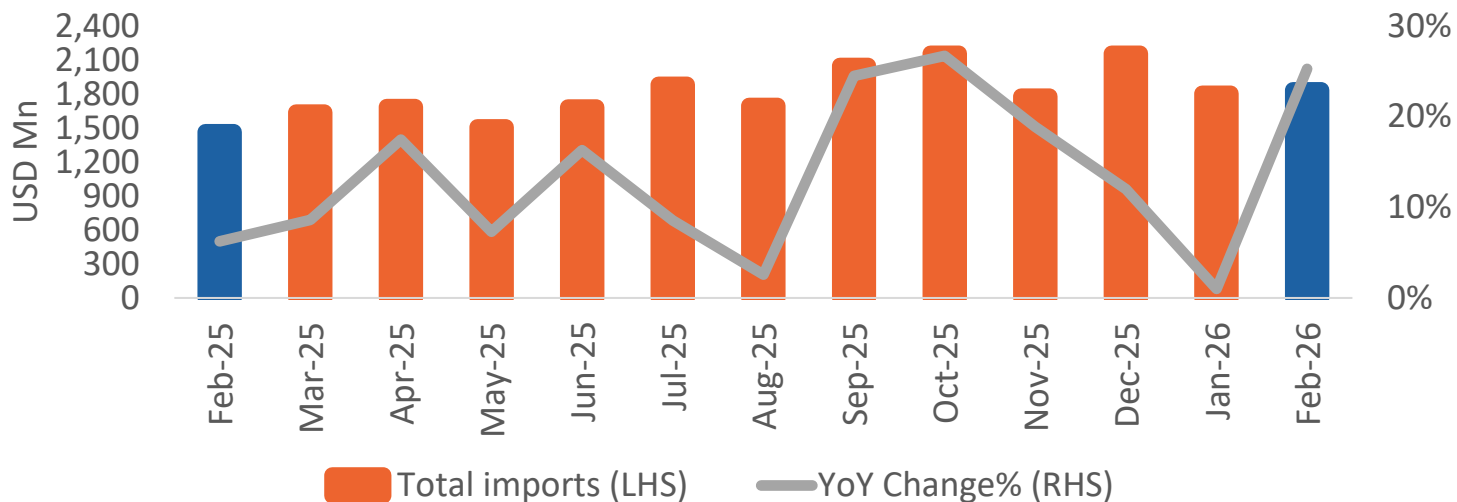


The current account recorded a surplus for the fourth consecutive month in February 2026. The current account balance deteriorated by 67.8% YoY and posted a surplus of USD 117.2 million. On a month-on-month basis, the balance deteriorated by 68.3%. The cumulative current account surplus amounted to approximately USD 486.9 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 February 2026, the trade balance deteriorated by 88.69% YoY. Similarly, service account decreased by 16.72% YoY. However, the Primary account and secondary account surpluses increased by 0.71% YoY and 34.66% YoY, respectively.

Feb 2026 import expenditure increased by 25.2% YoY

Total Imports and Growth



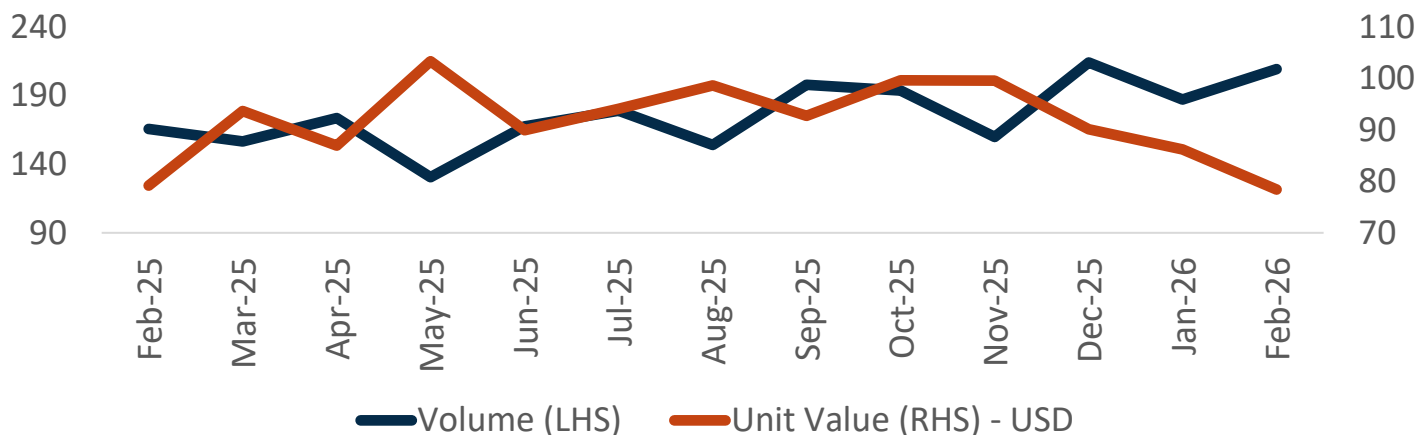
In February 2026, imports increased by 25.2% year-on-year to USD 1,833.8 million, marking a 1.7% increase compared to the previous month. The year-on-year growth was mainly driven by higher imports of intermediate goods.

On a month-on-month (MoM) basis, imports of consumer goods and intermediate goods increased, while imports of investment goods declined. The increase in consumer goods imports was primarily driven by higher imports of items within the food and beverages category, including dairy products, oils and fats, spices, and fruits.

Meanwhile, intermediate goods imports also rose on a MoM basis, mainly due to increased imports of fuel, fertilizers, and mineral products.

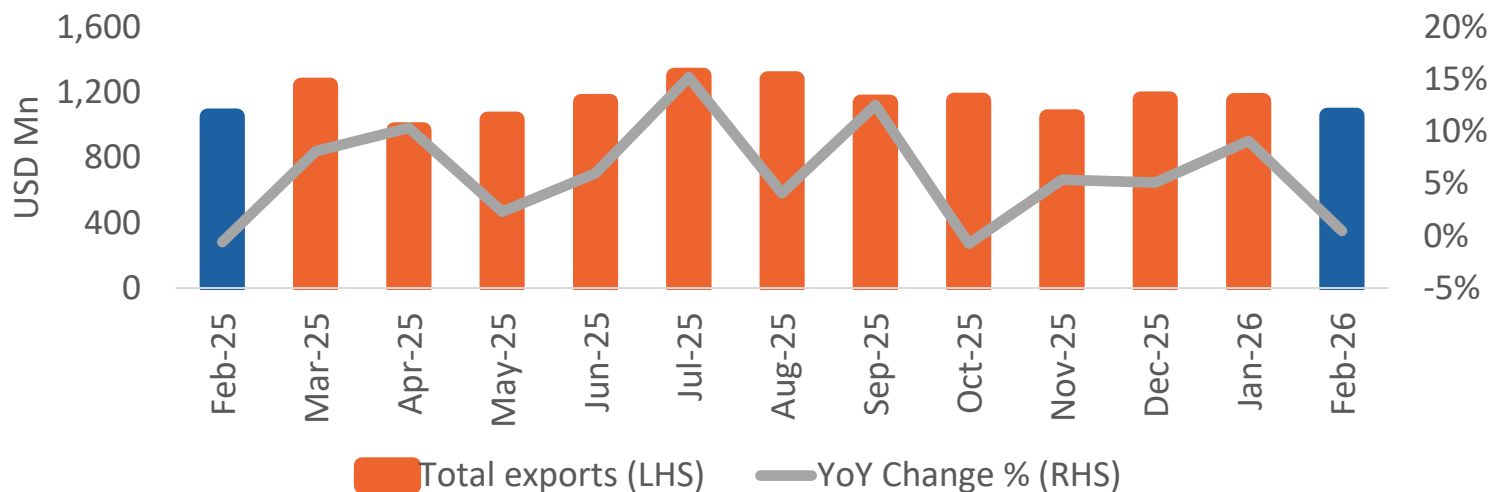
In February 2026, the Import Volume Index increased by 26.4% YoY, while the Import Unit Value Index decreased by 0.9% YoY.

Import Indices

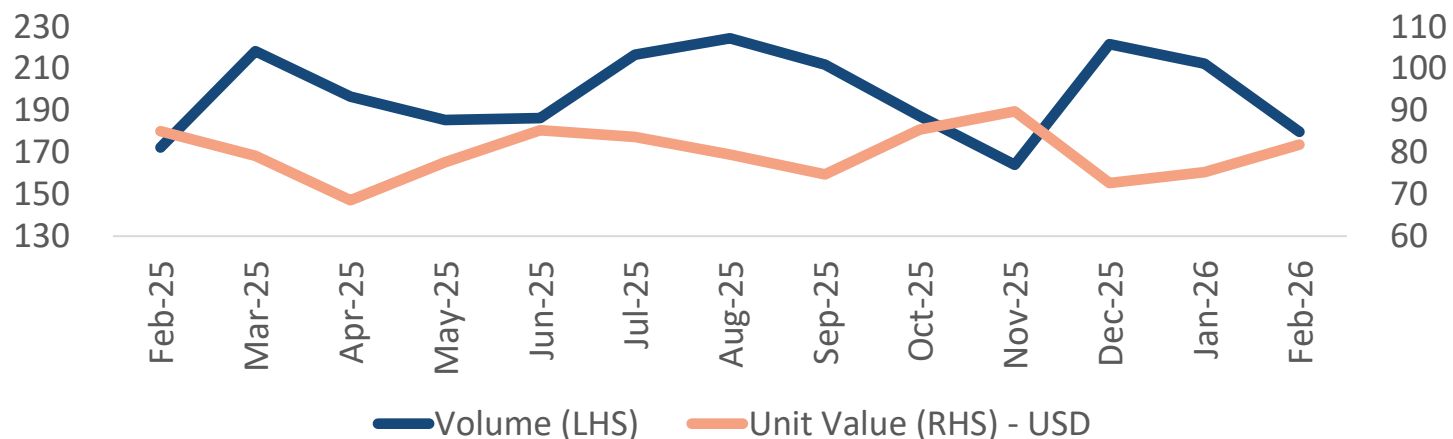


Feb 2026 export earnings increased by 0.5% YoY

Total Exports and Growth



Export Indices



In February 2026, export earnings marginally increased by 0.5% YoY to USD 1,057.8 million, representing a 7.9% drop compared to January 2026. The YoY increase was mainly driven by agricultural exports.

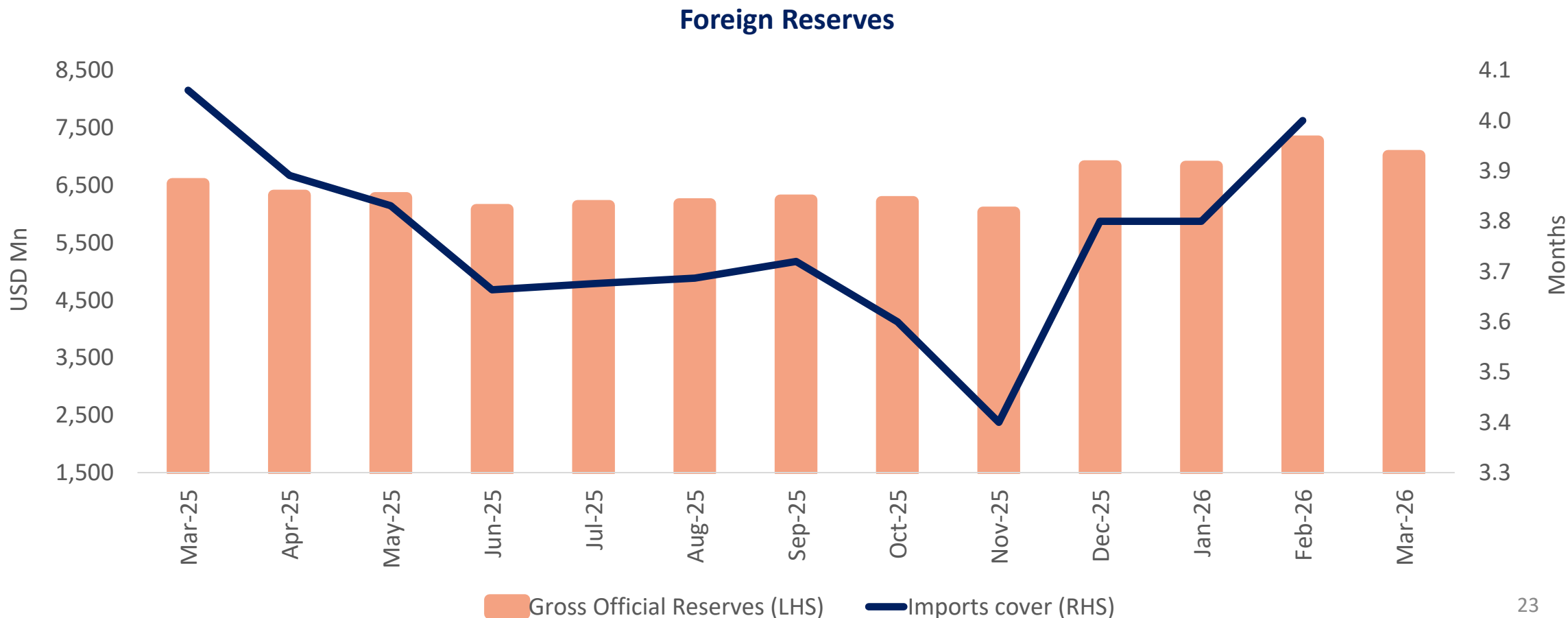
On a month-on-month (MoM) basis, earnings from agricultural, industrial, and mineral exports declined. Among these, industrial exports recorded the largest decrease, primarily driven by lower export volumes of textiles, petroleum products, transport equipment, and gems.

Meanwhile, agricultural export earnings also declined on a MoM basis, mainly due to reduced exports of tea, seafood, and vegetables.

In February 2026, the Export Volume Index increased by 4.4% YoY while the Export Unit Value Index decreased by 3.7% YoY during the same period.

In Mar 2026 gross official reserves declined

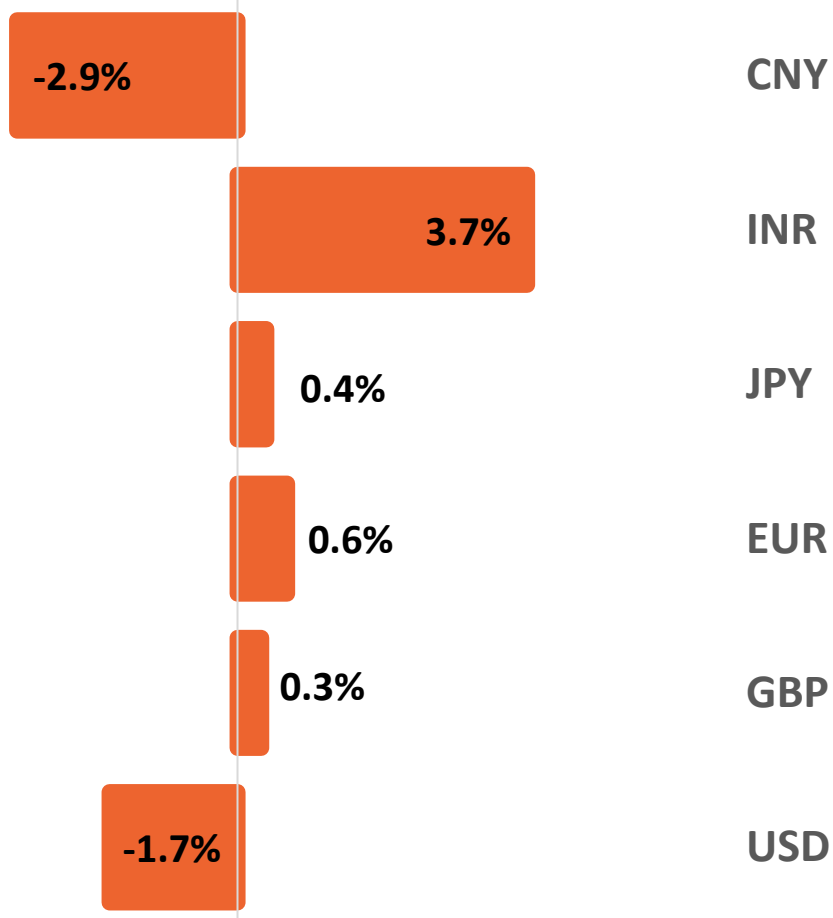
In March 2026, Sri Lanka’s gross official reserves dropped to approximately USD 7 billion. Reserves increased by 7.47% year-on-year but decreased by 3.45% month-on-month. The decrease in March 2026 was mainly due to external payment pressures, including foreign exchange outflows for imports and debt-related obligations. Import cover, which measures how many months of imports can be financed by reserves, increased to 4 months by February 2026, indicating improved external liquidity and a stronger buffer to finance imports.



Source: CBSL

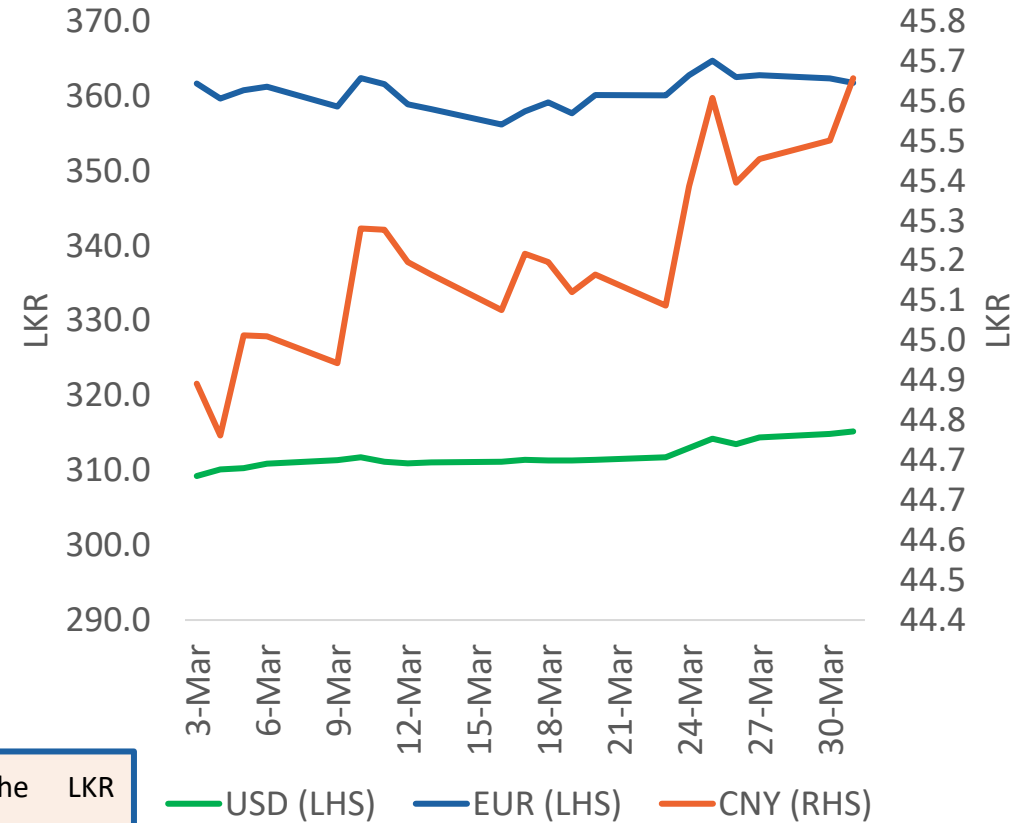
In Mar 2026, the LKR depreciated against the majority of currencies

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



Source: CBSL

Monthly movement of major currencies

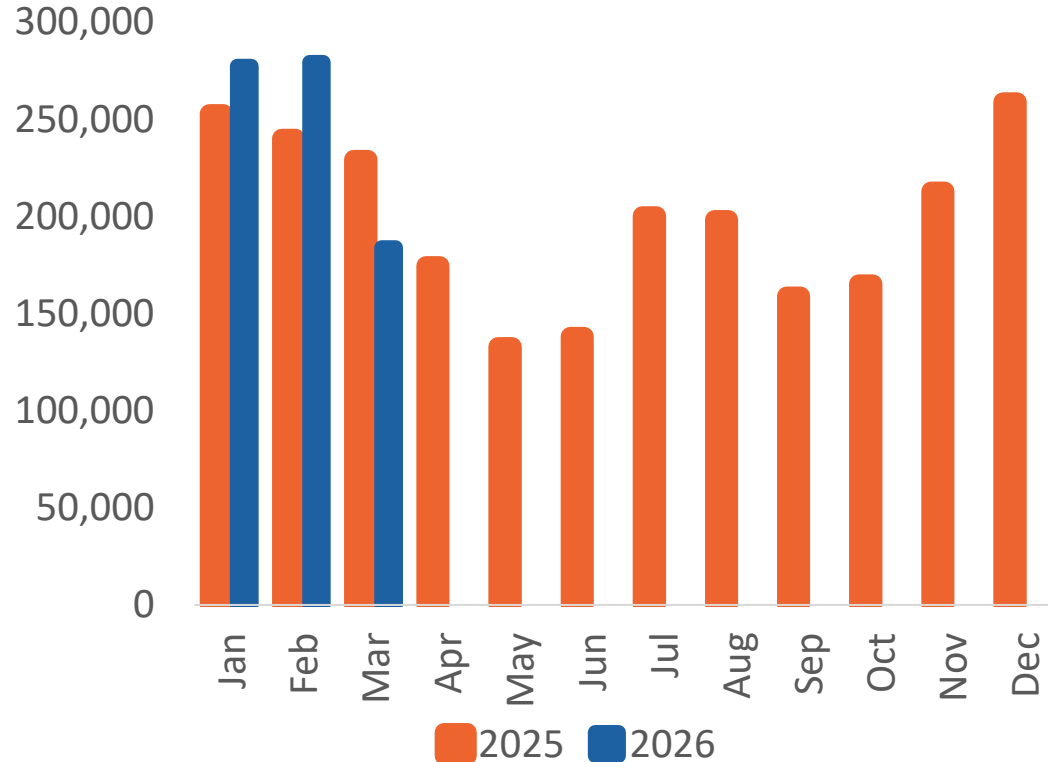


In March 2026, the LKR depreciated by 1.93% against the USD, depreciated by 0.03% against the EUR and depreciated by 1.62% against the CNY.

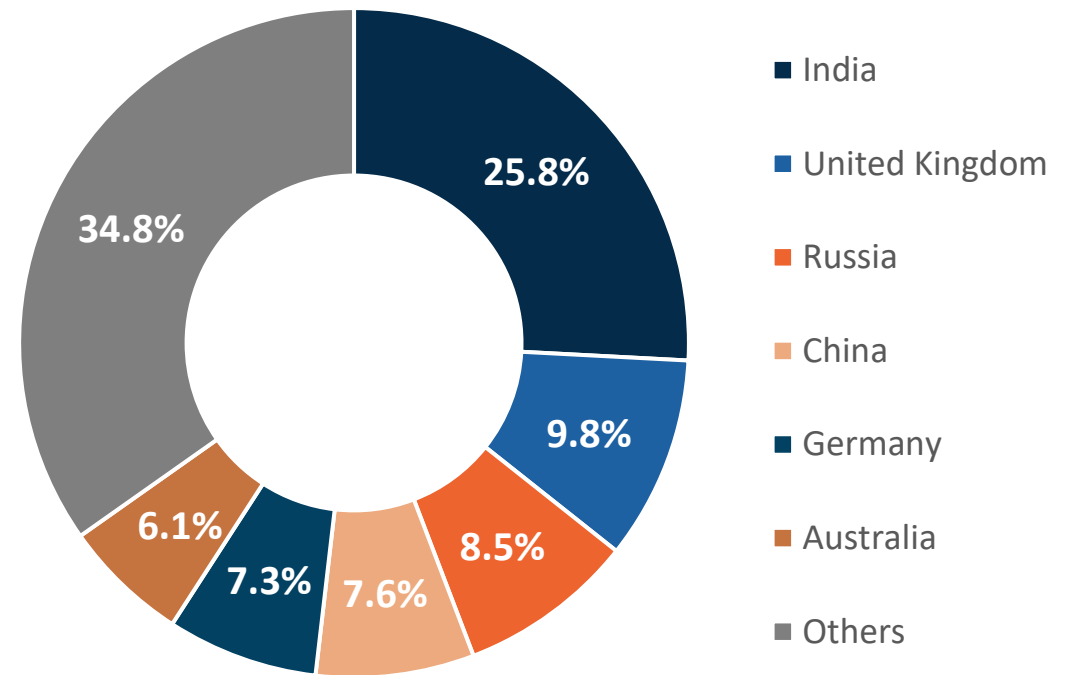
Mar 2026 tourist arrivals declined by 19.8% YoY

In March 2026, Sri Lanka recorded 183,979 tourist arrivals, reflecting a 19.8% year-on-year decrease and a 34.1% drop compared to February 2026. The main source markets were India, United Kingdom, Russia, China, Germany, and Australia. The drop was driven primarily by severe travel disruptions and airspace closures stemming from the Middle East conflict. The unrest forced major airlines to cancel flights and disrupted key transit hubs, which impacted the tourism industry in the country.

Monthly Tourists Arrivals



Arrival % by Country in Mar 26

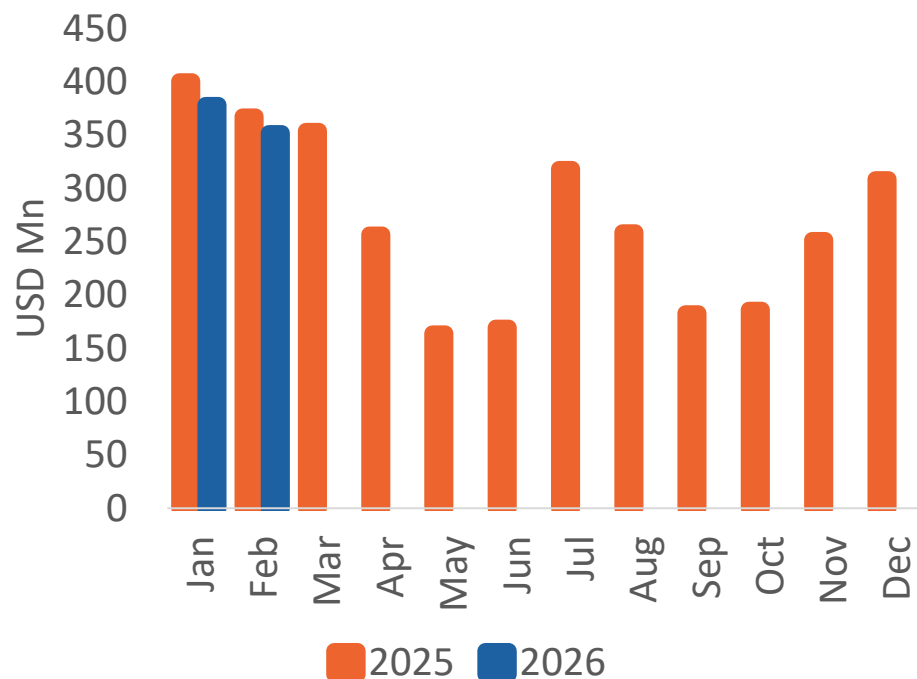


Source: SLTDA

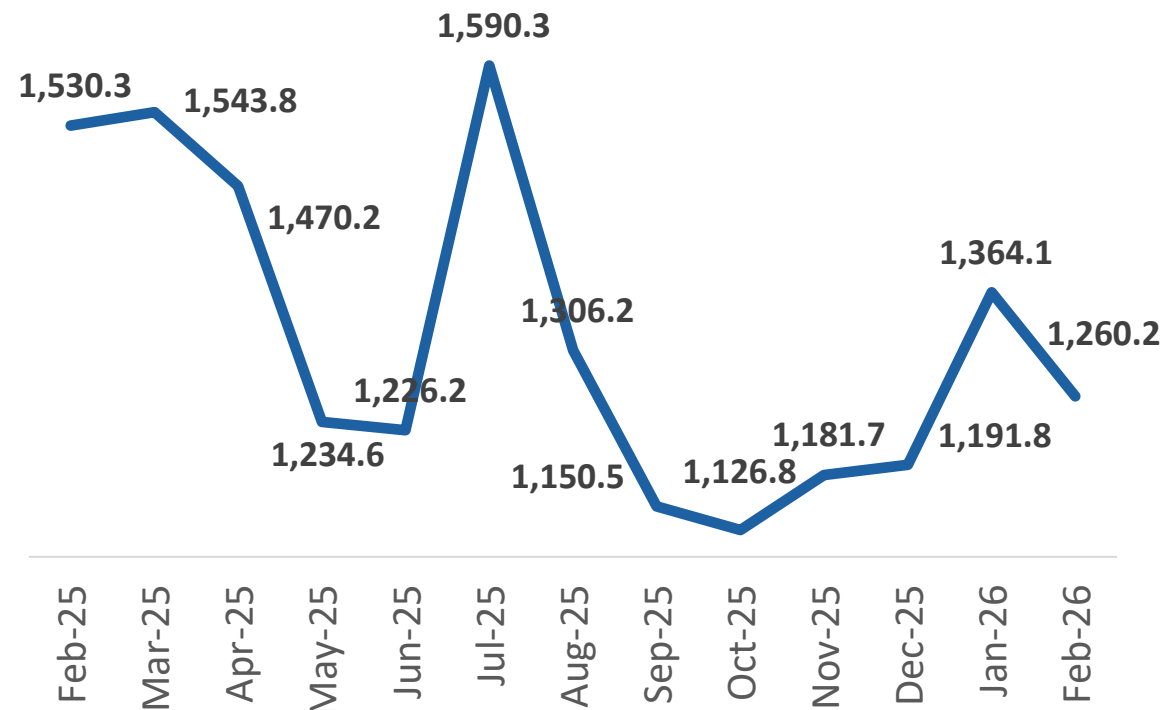
YTD Tourist Arrivals = 740,634

Feb 2026 tourism earnings dropped by 4.2% YoY

Monthly Tourists Earnings



Earnings per Tourist (USD)



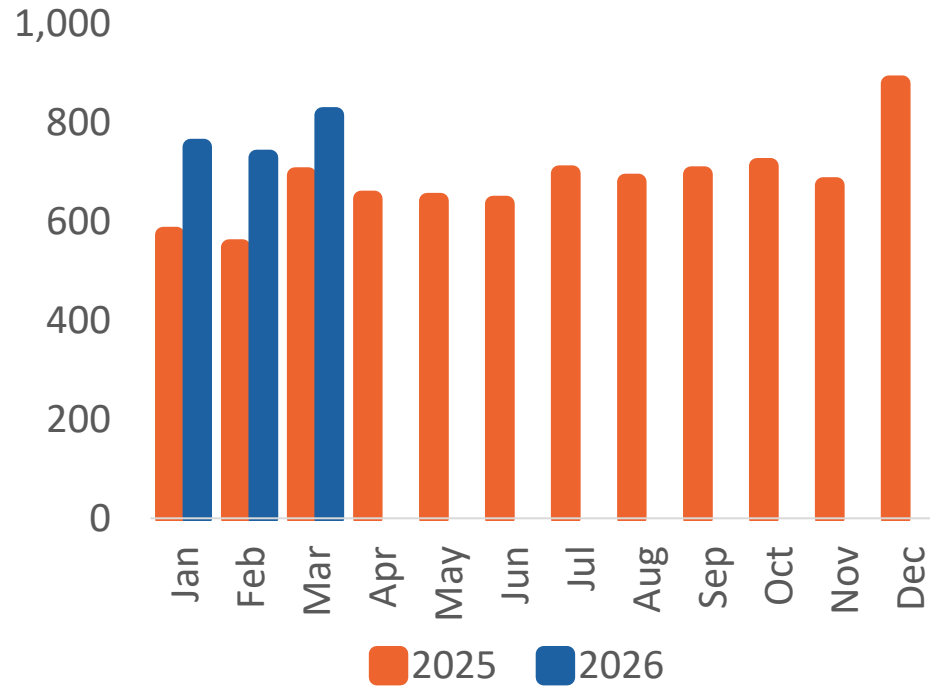
YTD Tourism Earnings = USD 730.3 Mn

In February 2026, tourism earnings dropped by 4.2% YoY to USD 352 million and dropped by 7% compared to the previous month. Earnings per tourist was USD 1,260.2 , reflecting a 17.7% YoY decrease and a 7.6% MoM decrease.

Mar 2026 worker remittances increased by 17.5% YoY

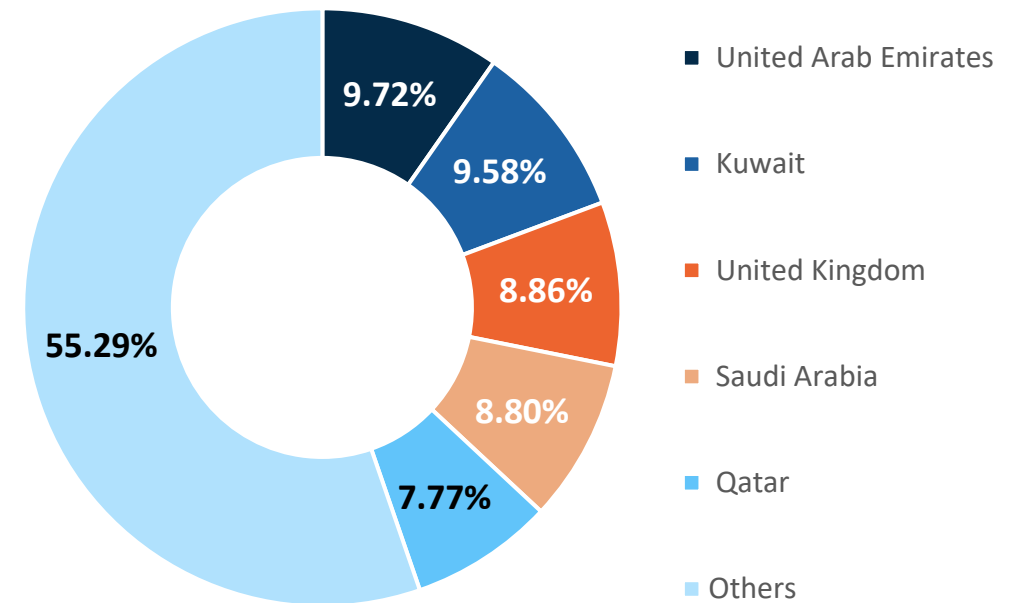
In March 2026, remittance inflows reached USD 814.8 million, reflecting a 17.5% YoY growth and a 11.8% MoM increase. The Jan-Mar 2026 remittances showed a 26.5% increase compared to the same period last year. Remittance earnings were primarily driven by the United Arab Emirates accounting for 9.72% of the total earnings.

Workers' Remittances (USD Mn)



YTD Remittances = USD 2,294.9 Mn

Remittance Earnings % by country in Q4 of 2025



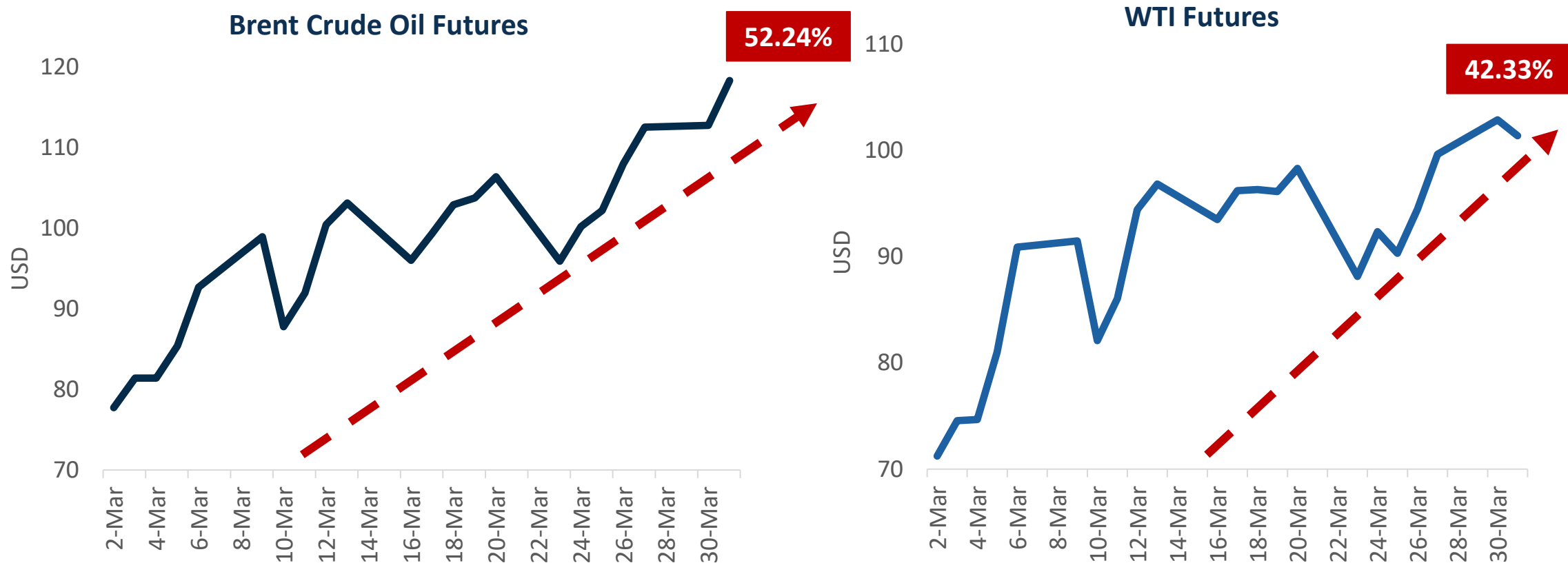


COMMODITIES AND OTHER

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Crude oil prices increased in Mar 2026

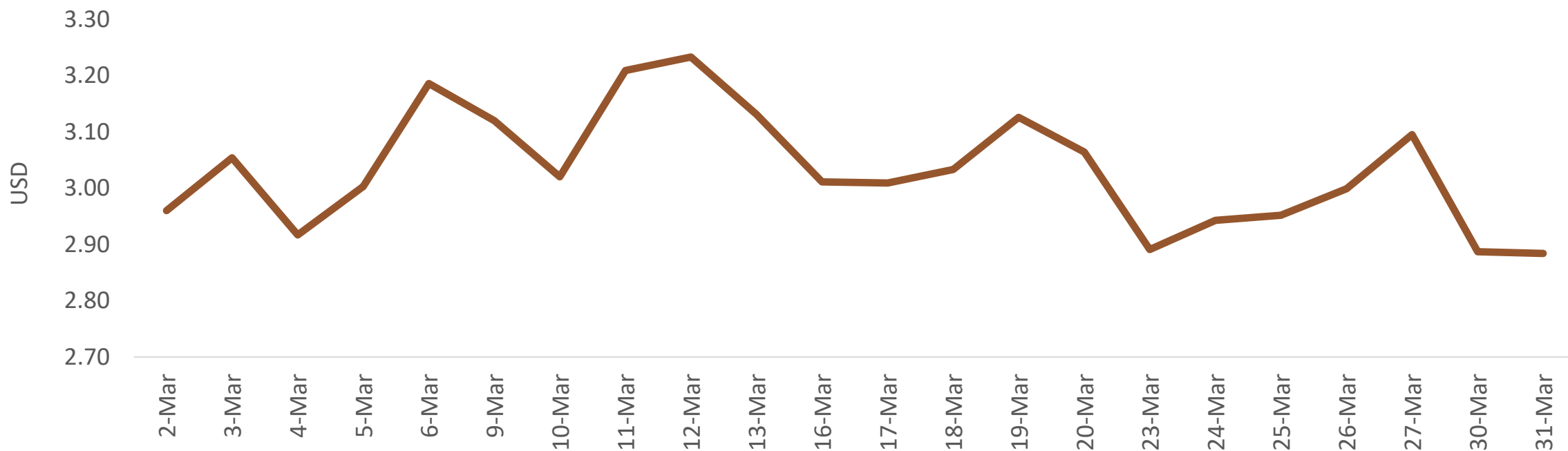


In March 2026, crude oil prices rose, with Brent increasing by 52.24% and WTI by 42.33%. Prices continued to increase towards month-end due to heightened geopolitical tensions in the Middle East. The escalation of the Iran-related conflict and involvement of additional regional actors raised concerns over potential disruptions to global oil supply, particularly from key exporting regions. As a result, market sentiment turned cautious, leading traders to bid up oil futures and push prices higher.

US natural gas prices decreased by 2.6% in Mar 2026

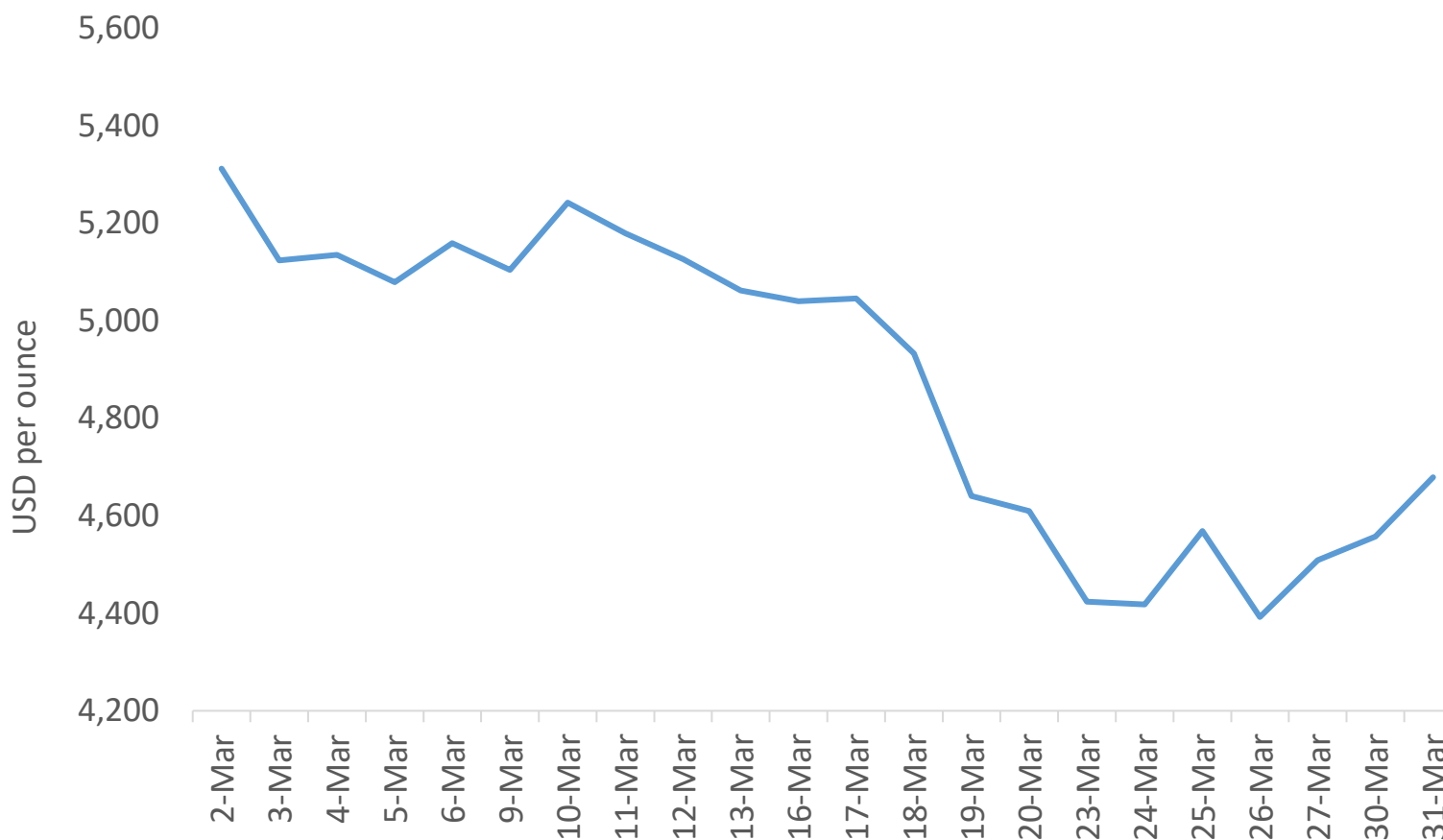
In March 2026, U.S. natural gas prices decreased by 2.6%. Natural gas prices increased in mid-March 2026 due to severe disruptions in global LNG supply caused by the escalation of the Middle East conflict, which included attacks on key energy infrastructure and heightened fears of prolonged supply shortages. This led to a sharp rise in prices as markets priced in significant supply risk. However, towards the end of the month, prices declined as geopolitical tensions showed signs of easing and expectations of a possible ceasefire reduced immediate supply concerns.

Natural Gas Futures



Gold prices decreased by 11.92% in Mar 2026

Gold Price Movement



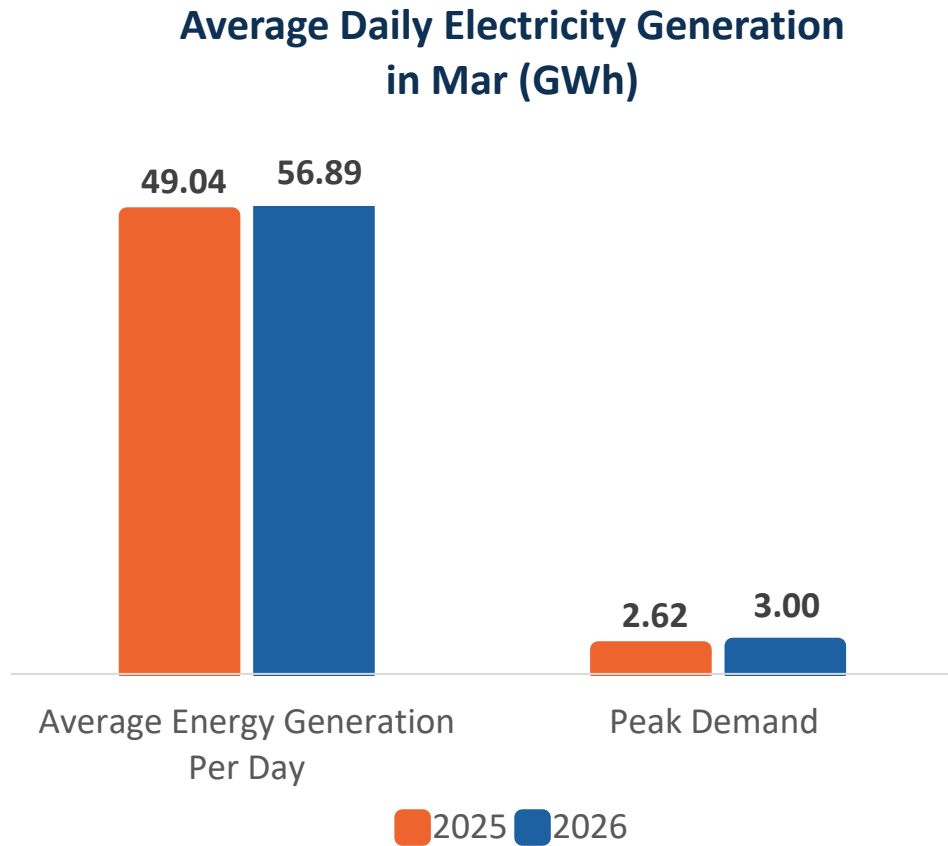
Gold prices decreased by 11.92% in March 2026, marking their worst monthly performance in over 17 years.

The sharp decline was mainly driven by fading expectations of U.S. Federal Reserve interest rate cuts, as markets increasingly priced in the likelihood that interest rates would remain higher for longer due to persistent inflation pressures, particularly from rising energy prices. A stronger U.S. dollar and profit-taking also added further pressure, reducing demand for gold despite ongoing geopolitical uncertainty.

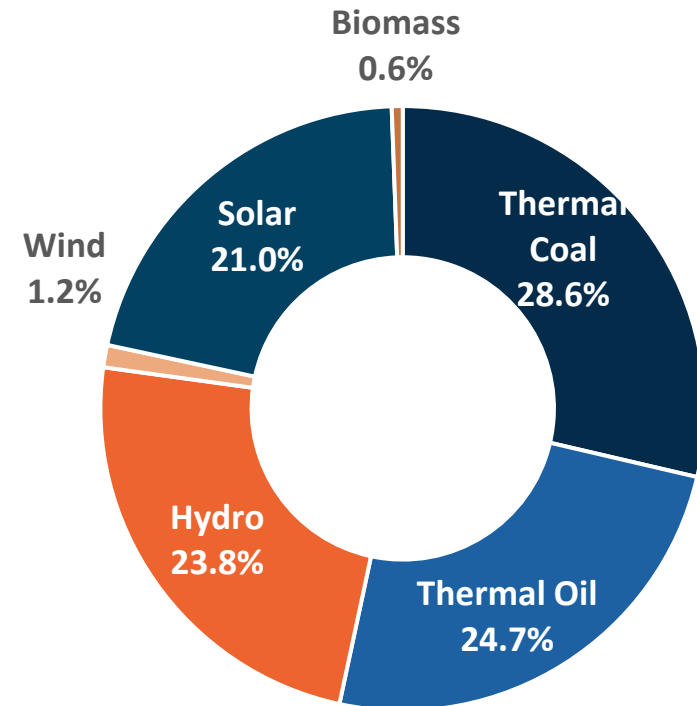
Toward the end of the month, gold prices saw a slight recovery due to technical factors and short-term buying activity. However, this rebound did not reflect a change in the overall trend. Gold remained under pressure as higher interest rate expectations and a strong dollar continued to dominate market sentiment.

Mar 2026 daily electricity generation rose 16% YoY

In March 2026, average daily electricity generation reached 56.89 GWh, marking an 16 % increase compared to the same month last year. The average daily peak demand during the month was 3 GW which is a 14.1% increase YoY.



Electricity Generation Composition by Category in March 2026



Feb 2026 tea production increased by 15.2% YoY

In February 2026, Sri Lanka's tea production recorded a significant increase of 15.2% YoY, totaling 17.97 million kilograms. However, tea export volumes declined by 2.3% YoY, reaching 19.92 million kilograms. Despite this, export earnings increased by 0.4% YoY to LKR 35.57 billion.

Average Tea Auction Prices (Monthly)

	For Feb 2026	LKR per Kg
High		1,155.22
Medium		979.25
Low		1,209.84
Total		1,163.10

Tea Exports

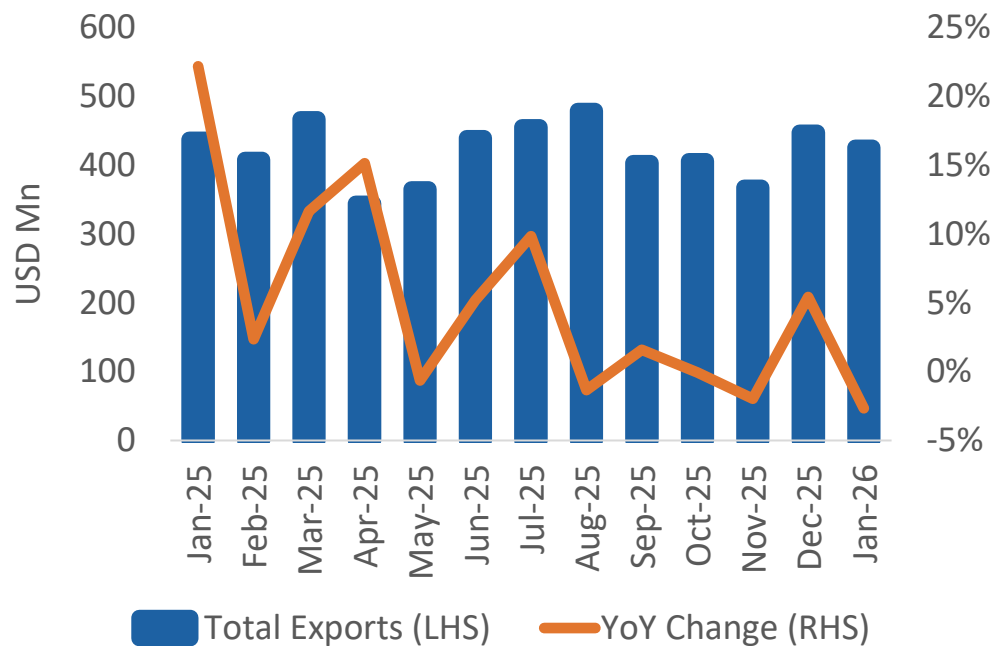
Export	Volume in Kgs	Value in LKR Mn
Tea in Bulk	8,429,326	12,755
Tea in Packets	8,674,849	14,097
Tea in Bags	2,126,006	6,079
Instant Tea	325,950	1,135
Green Tea	364,589	1,507
Total	19,920,720	35,574

Tea Production

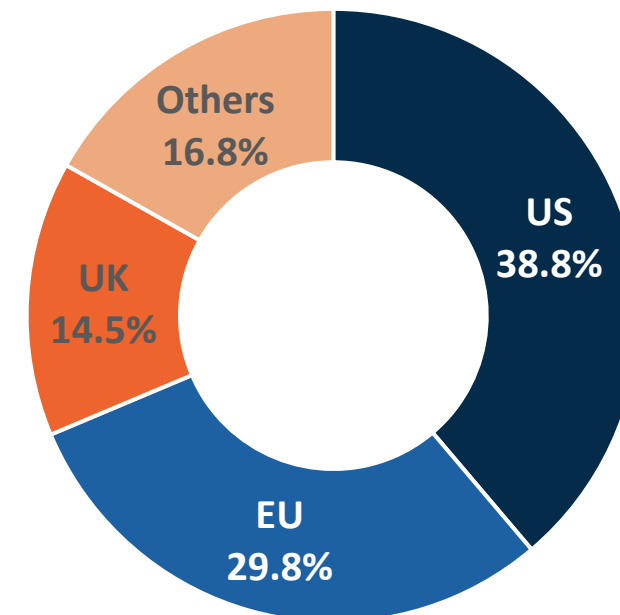
Production	Kgs
High	3,772,822
Medium	2,727,353
Low	11,291,709
Green Tea	180,057
Total	17,971,941

Jan 2026 apparel exports decreased by 2.66% YoY

Apparel Exports



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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