MONTHLY ECONOMIC WRAP | JULY 2026

AMBEON SECURITIES

17.08.2026

AMBEON SECURITIES

Contents

CSE PERFORMANCE

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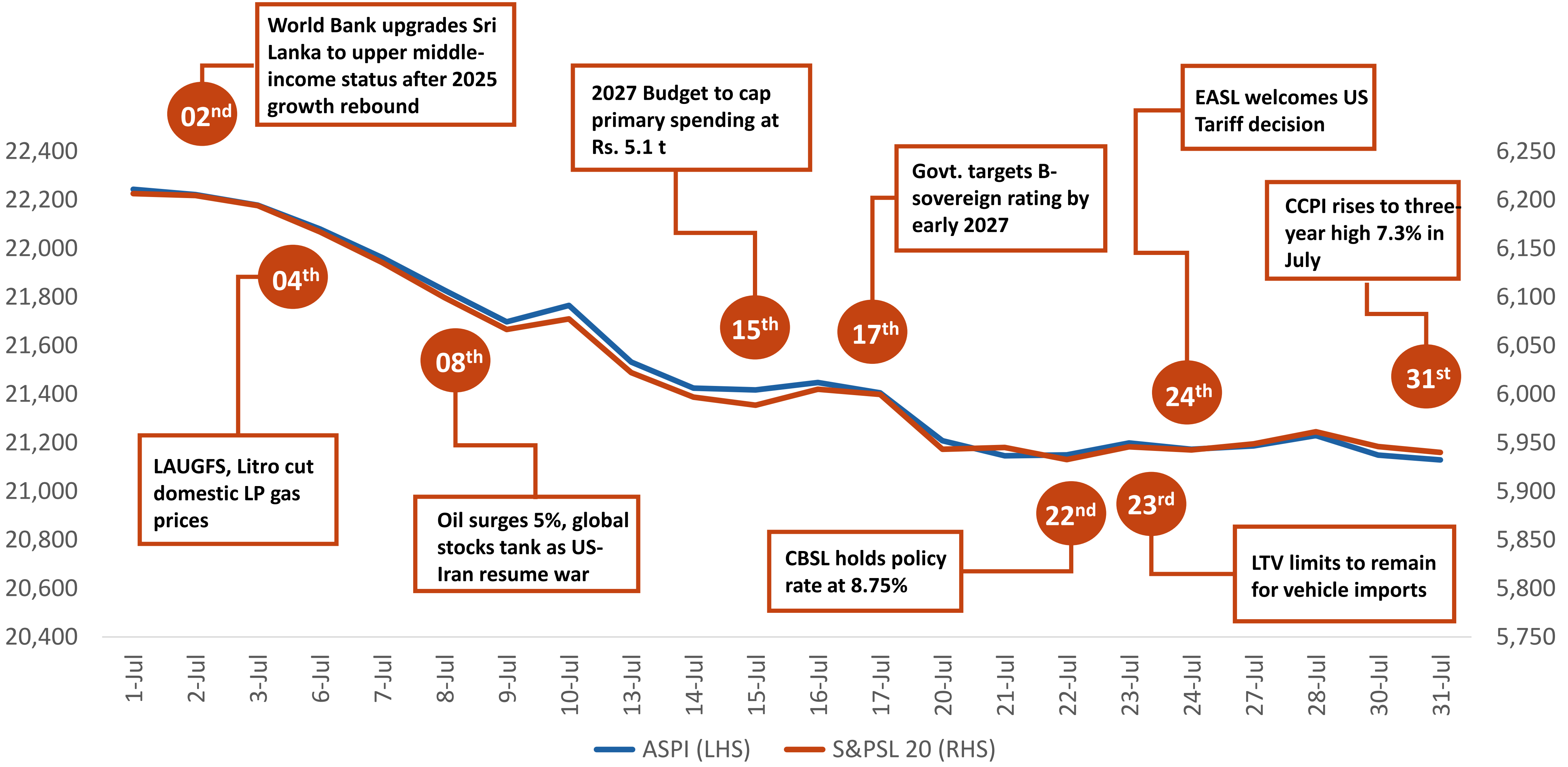
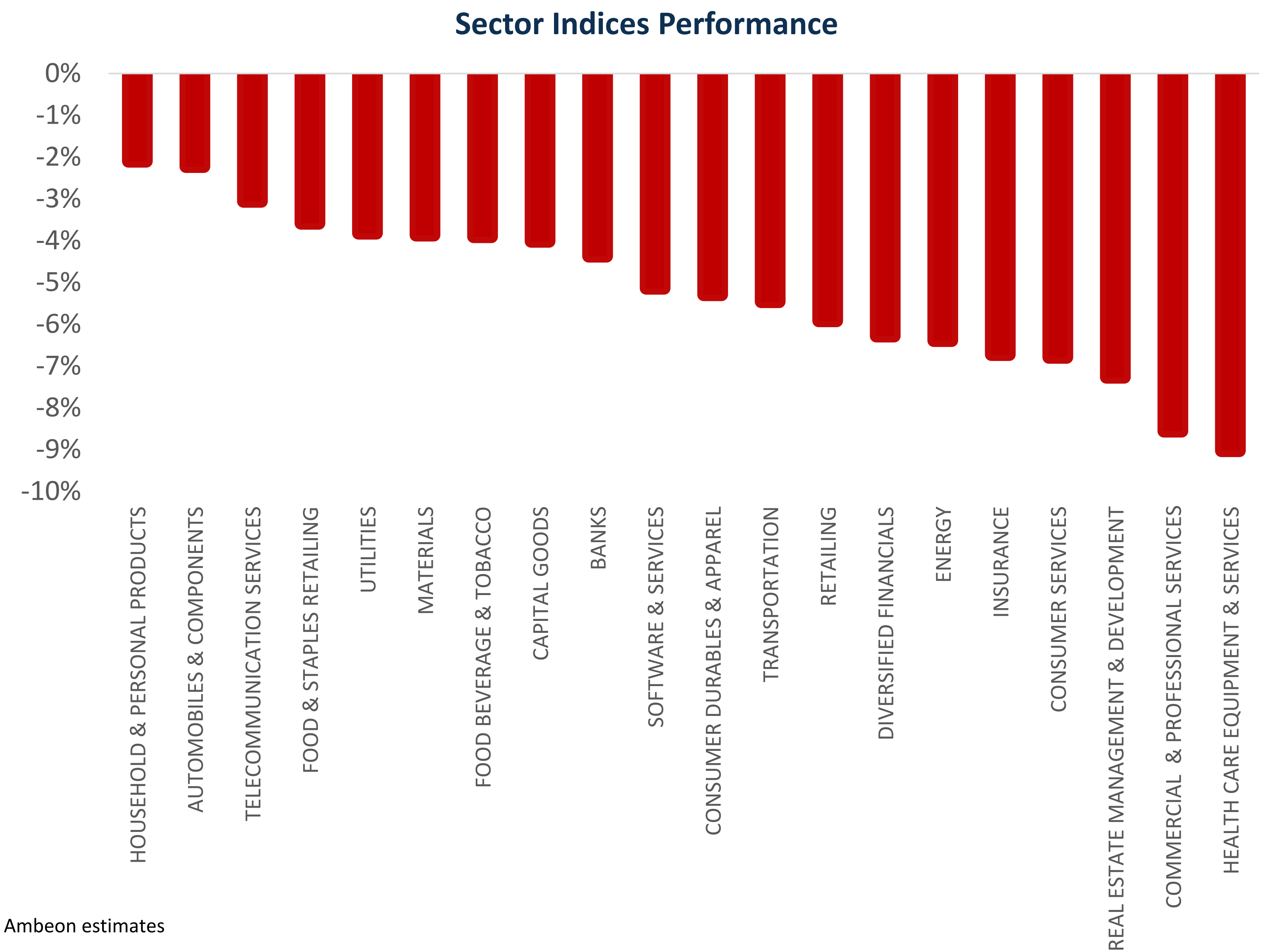
ASPI decreased by 5.01% and S&PSL20 decreased by 4.29% in July 2026



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

In July 2026, all sectors recorded declines



The **Healthcare Equipment and Services sector** had **largest decrease of -9.03%.**

Source: CSE, Ambeon estimates

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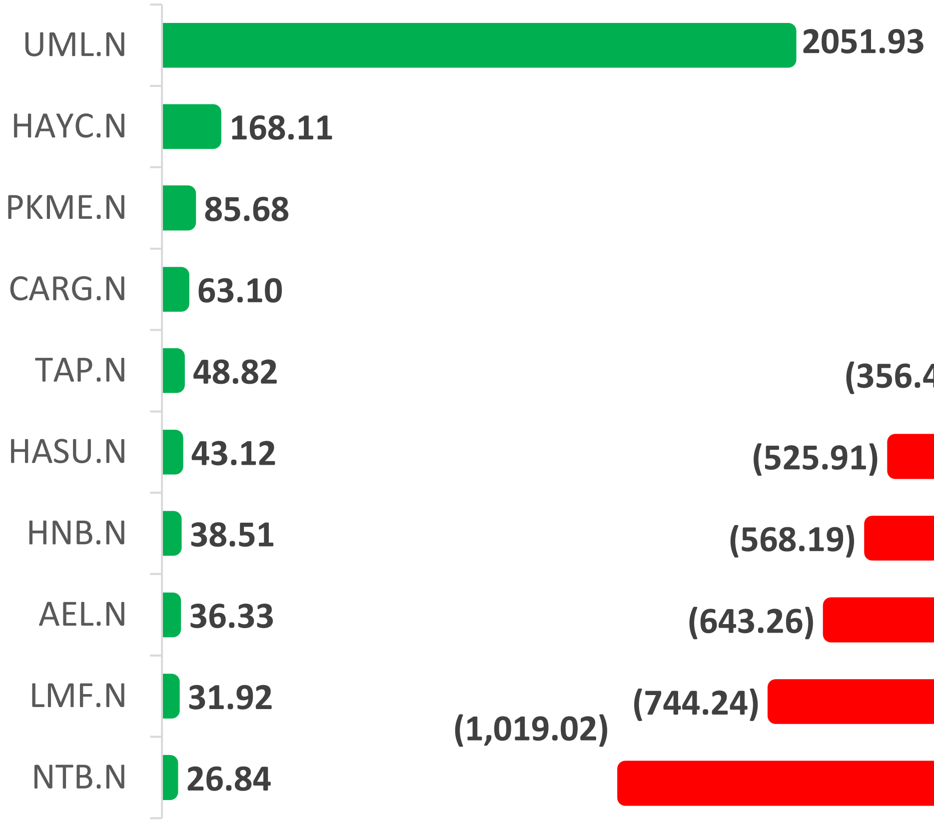
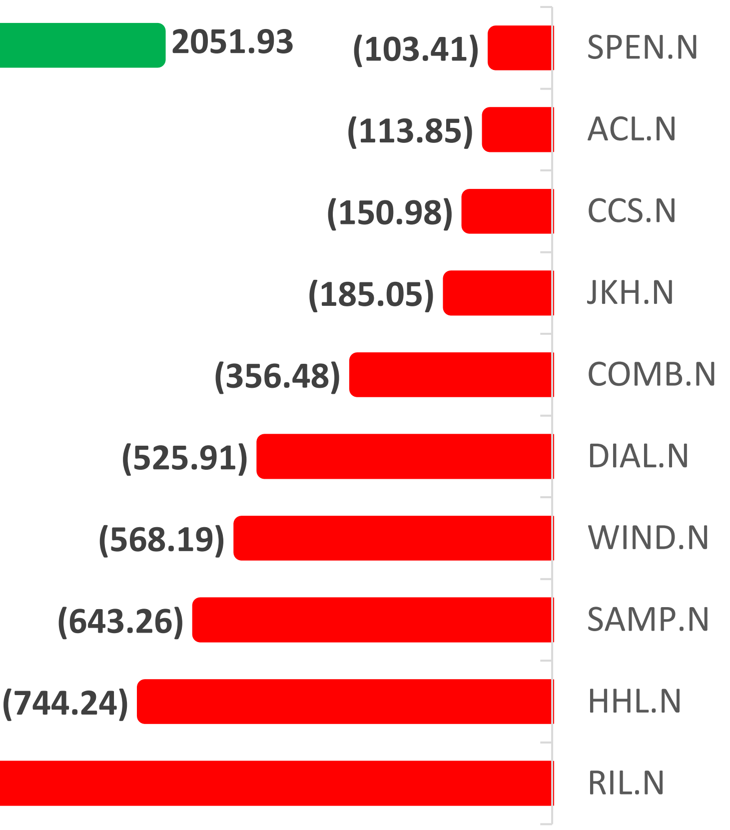
Total net foreign outflow for July 2026 was LKR 2,172.19 Mn

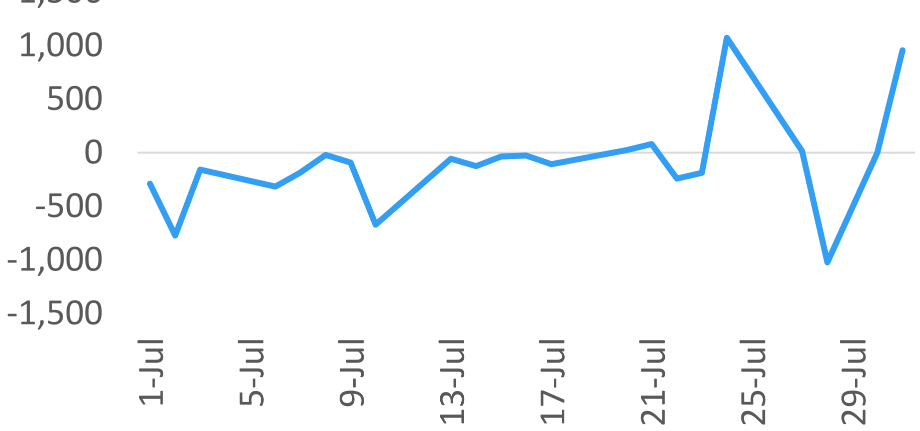
Top 10 Counters Net Foreign Inflows (LKR Mn)



Top 10 Counters Net Foreign outflows (LKR Mn)



Net Foreign Flow (LKR Mn)



Except for 5 market days, the remaining days in the month recorded net foreign outflows.

July 26 Total Net Foreign Flow LKR -2,172.19 Mn | Year-to-date Net Foreign Flow* LKR –35,853.58 Mn

Source: CSE, Ambeon estimates

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

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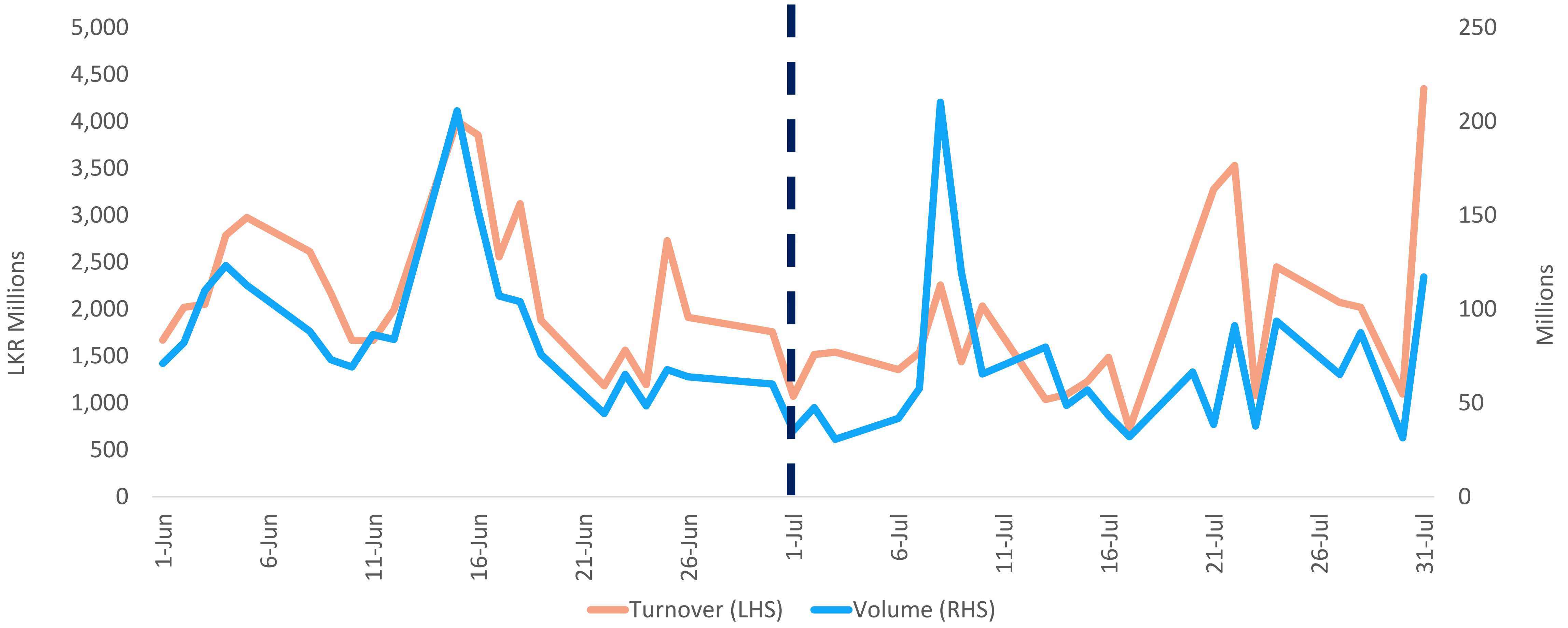
During July 2026, daily average turnover and volume declined



Daily average	MoM %	Jun 2026	July 2026	YTD Average
Turnover (LKR Mn)	-17.74%	2,255	1,855	4,055
Volume (Mn)	-24.54%	90	68	166

Source: CSE, Ambeon estimates

Note: Daily average turnover and volume for the month

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Regional valuation comparison

Frontier Markets (Asia)

Index	PE	PBV
ASPI (Sri Lanka)	**12.0**	**1.5**
KSE 100 (Pakistan)	8.2	1.5
VNI (Vietnam)	14.4	2.0

US & European Markets

Index	PE	PBV
S&P 500 (US)	27.4	5.7
DJIA (US)	25.1	6.1
FTSE 100 (UK)	16.1	2.4

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	22.5	2.8
CSI 300 (China)	17.8	1.8
HSI (Hong Kong)	13.5	1.4
BSE 500 (India)	24.6	3.2
NIFTY 50 (India)	22.6	3.0
JCI (Indonesia)	14.8	1.6

Note: Figures are as of 31st July 2026

Source: Bloomberg

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Key economic news & events

08th July

Oil surges 5%, global stocks tank as US-Iran resume war

The renewed US-Iran conflict triggered a sharp rise in global oil prices and a sell-off in equity markets. Brent crude rose 5.3% to US$78.10 per barrel, while WTI increased 5.4% to US$74.31, following renewed attacks around the Strait of Hormuz, a key global oil shipping route. The escalation increased concerns over potential disruptions to global energy supplies. Global stock markets also weakened as investors moved away from riskier assets amid heightened geopolitical uncertainty. The STOXX 600 fell 1.5%, Japan's Nikkei declined 2.1%, and South Korea's KOSPI dropped 5.4%. Energy stocks were among the few gainers as higher oil prices improved the outlook for oil and gas companies.

17th July

Govt. targets B- sovereign rating by early 2027

Sri Lanka's Government is targeting an upgrade in its sovereign credit rating from CCC+ to B- by early 2027, as it continues fiscal consolidation, debt reduction and reforms under the IMF-supported programme. Treasury officials said discussions are ongoing with the three major international rating agencies, although Sri Lanka's high debt-to-GDP ratio remains a key concern. Public debt declined to 98.3% of GDP in 2025 and is projected to fall to around 86.7% by 2032, supported by sustained primary surpluses and fiscal reforms. The upgrade is particularly important because Sri Lanka plans to return to international capital markets in 2027–28 and raise around US$1.5 billion.

22nd July

CBSL holds policy rate at 8.75%

The Central Bank of Sri Lanka (CBSL) maintained the Overnight Policy Rate (OPR) at 8.75%, as rising inflation and renewed global risks warranted a cautious monetary policy stance. Headline inflation increased to 6.8% in June 2026, mainly due to higher food and energy prices, and is expected to remain above the 5% target in the near term before gradually easing. Renewed Middle East tensions have also pushed up global petroleum and commodity prices, creating additional pressure on Sri Lanka's import costs and external sector. Although domestic demand and credit growth have strengthened, the CBSL expects the monetary tightening implemented in May to gradually moderate demand pressures.

24th July

EASL welcomes US Tariff decision

The Exporters Association of Sri Lanka (EASL) welcomed the US decision to impose a 10% tariff on Sri Lankan imports under Section 301, saying it is significantly lower than previously proposed rates and will help preserve Sri Lanka's competitiveness in the US market. The 10% rate places Sri Lanka on a similar tariff level to major regional competitors such as Bangladesh, India, Pakistan, Indonesia, Malaysia and Cambodia.. EASL believes the decision provides greater certainty for exporters and creates an opportunity to strengthen Sri Lanka–US trade relations

Source: CBSL, Press releases

MONETARY SECTOR

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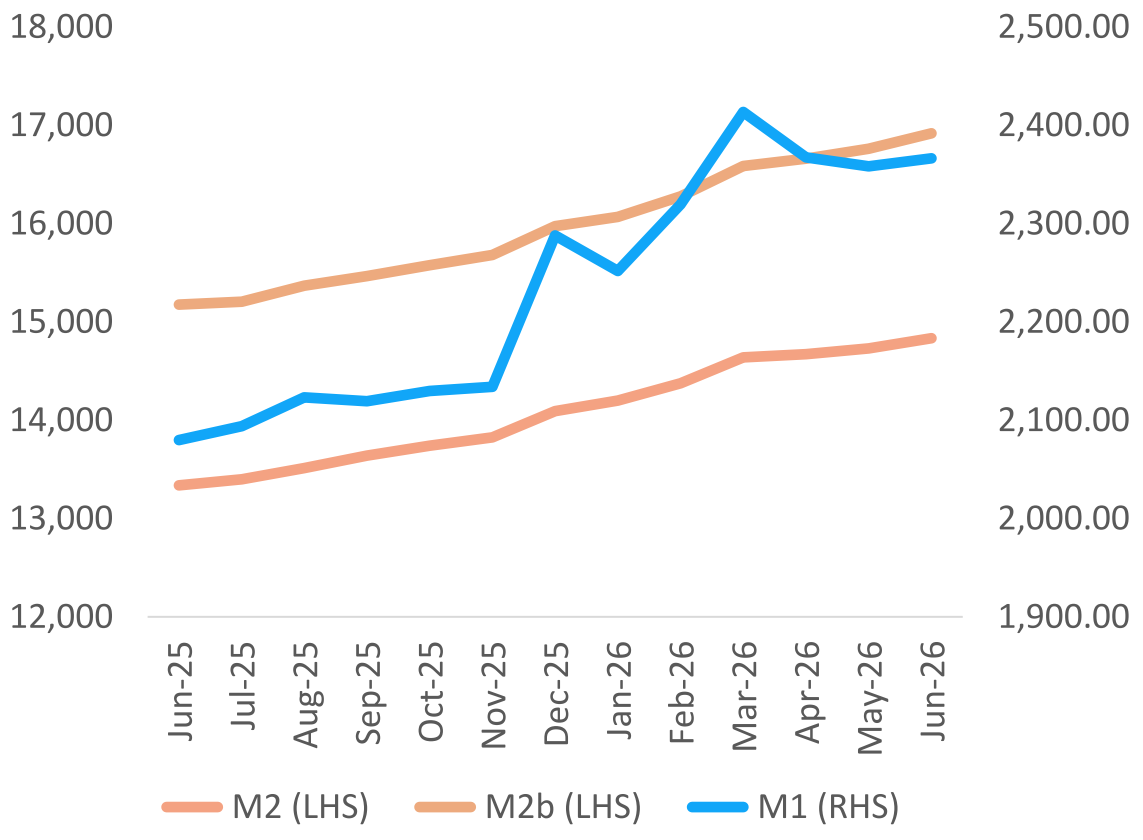
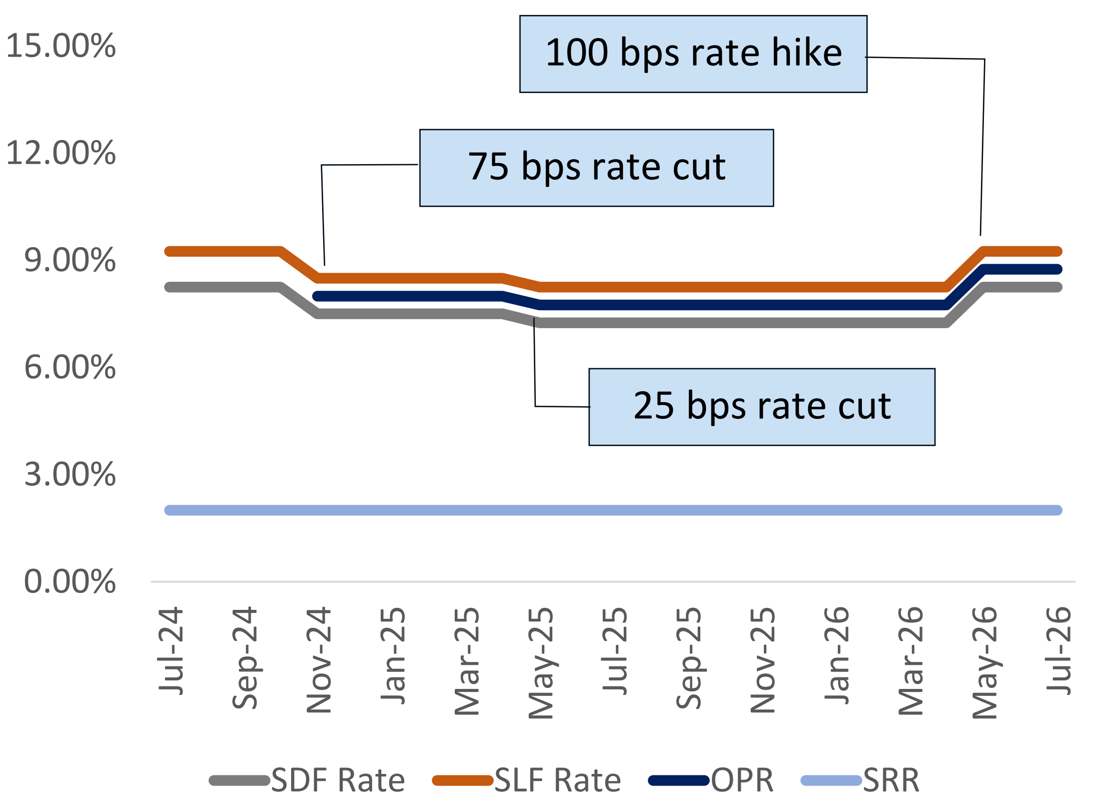
Overnight Policy Rate continues at 8.75% in July 2026

By the end of June 2026, Sri Lanka's narrow money supply (M1) marginally increased to LKR 2,366.40 billion, while the consolidated broad money supply (M2b) expanded to LKR 16,918 billion, marking an increase from May 2026. Policy rates remained unchanged in July 2026 at 8.75%, indicating a continuation of the monetary stance maintained since May 2026.

Money Supply (LKR Bn)



Policy Rates



Source: CBSL

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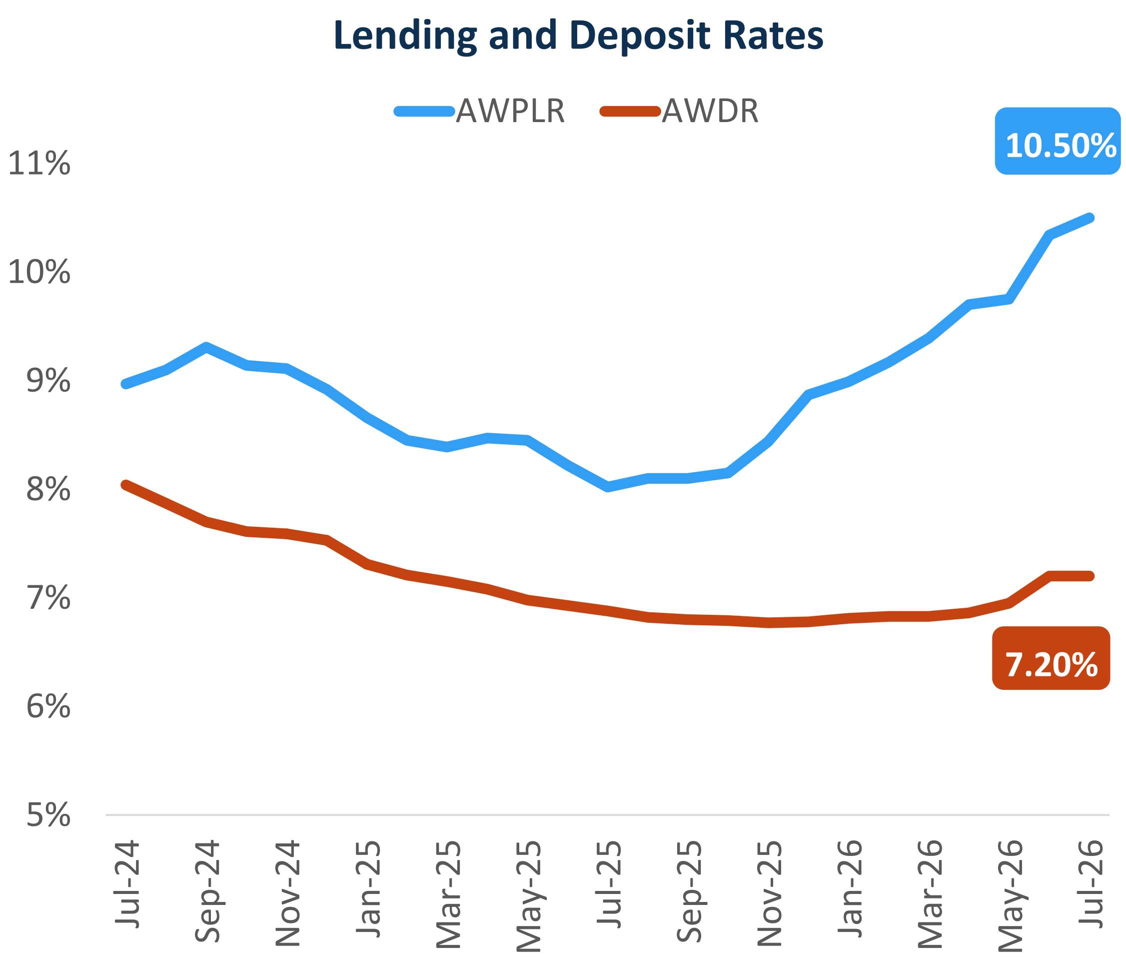
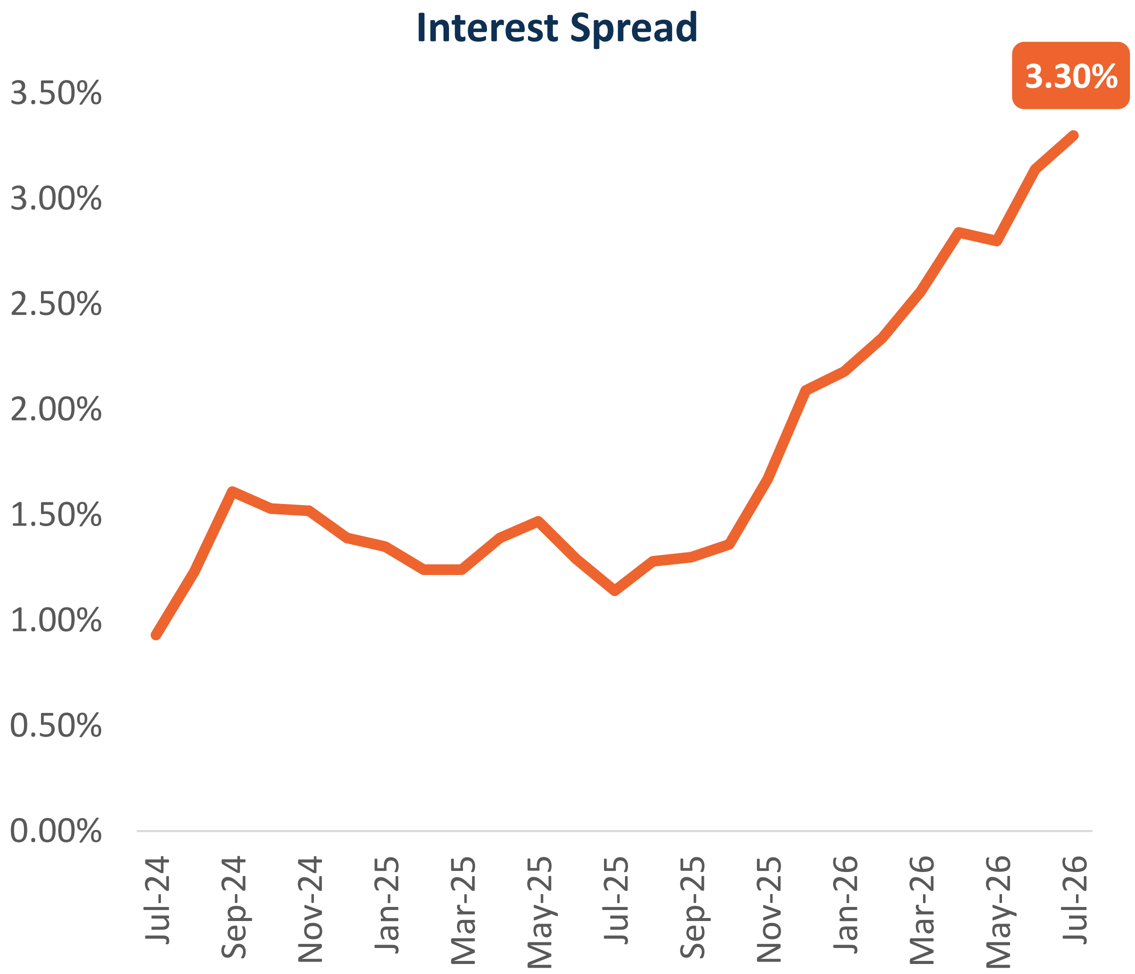
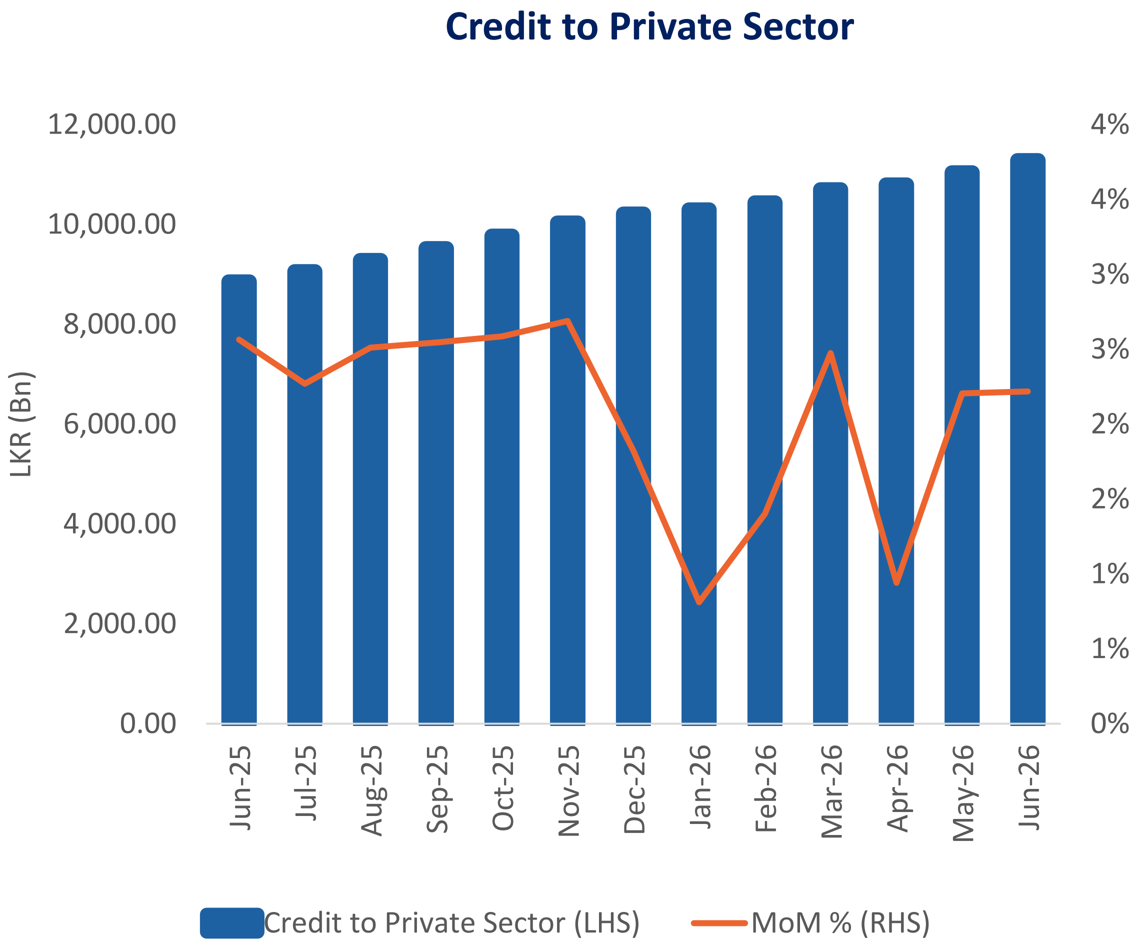
Lending rates and interest rate spread increased in July 2026

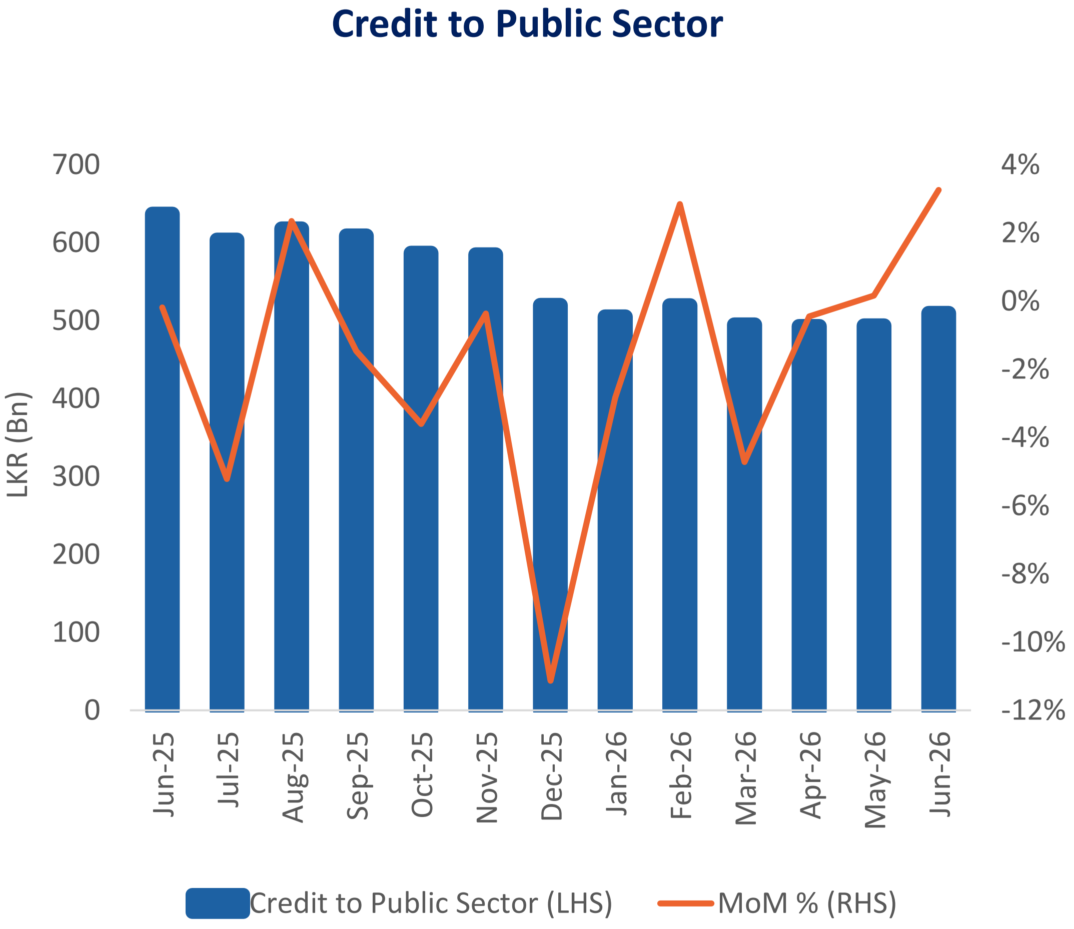




Source: CBSL

Private and public sector credit increased in June 2026





Source: CBSL

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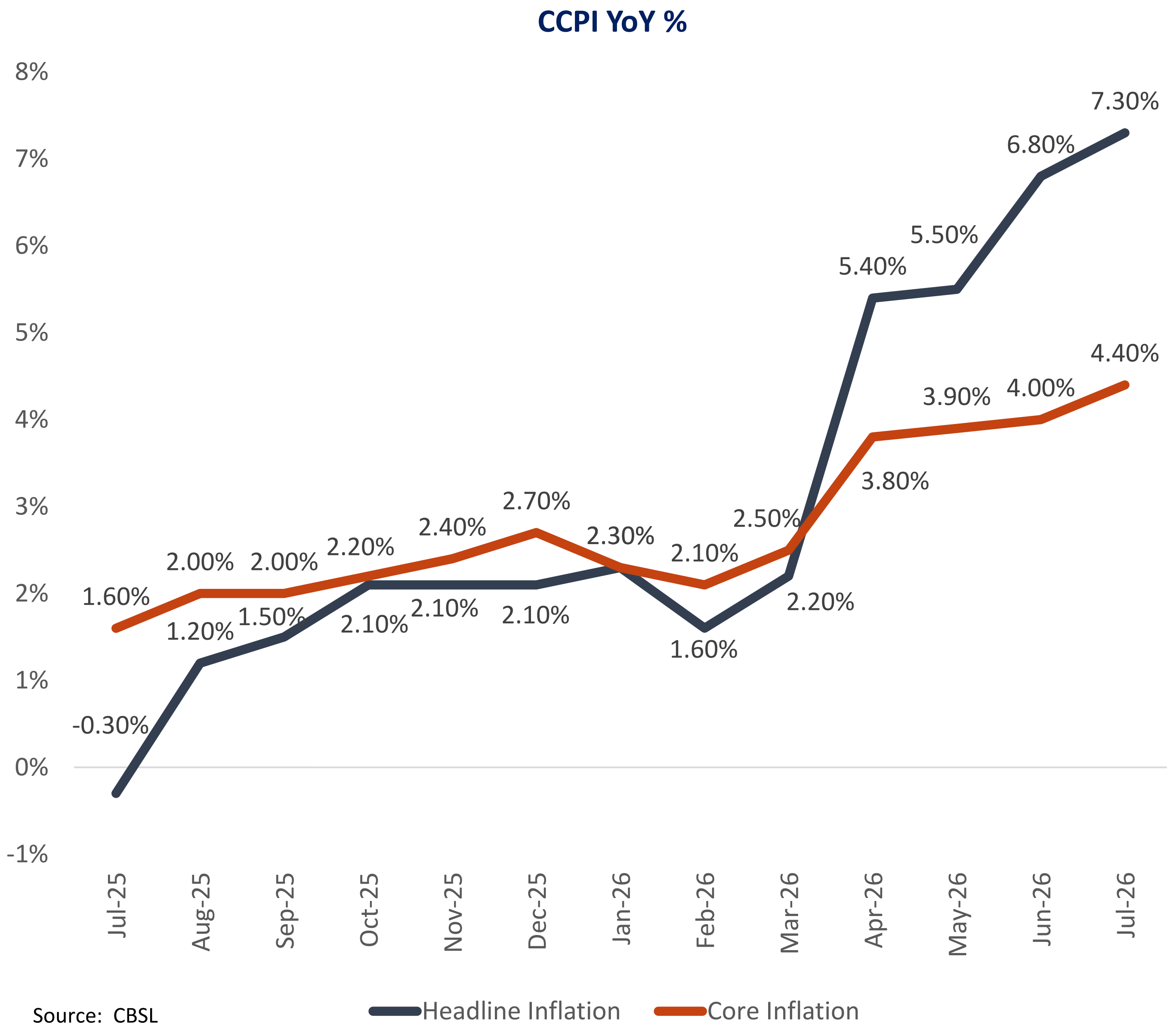
Headline inflation accelerated to 7.3% in July 2026



Source: CBSL

Headline inflation (YoY), measured by the Colombo Consumer Price Index (CCPI), accelerated to 7.3% in July 2026 from 6.8% in June 2026, mainly due to the ongoing Middle East war, which caused domestic energy prices to rise.

Meanwhile, core inflation (YoY) also increased to 4.4% in July 2026 from 4% in June 2026.

Based on the inflation projections made during the July 2026 monetary policy round, headline inflation is expected to remain above the Central Bank's 5% target in the near term before easing and stabilising around the target over the medium term, supported by appropriate policy measures. However, amid the fluid nature of the prevailing tensions in the Middle East and their wide-ranging spillover effects on both global and domestic economic activity, the inflation outlook remains subject to elevated uncertainty.

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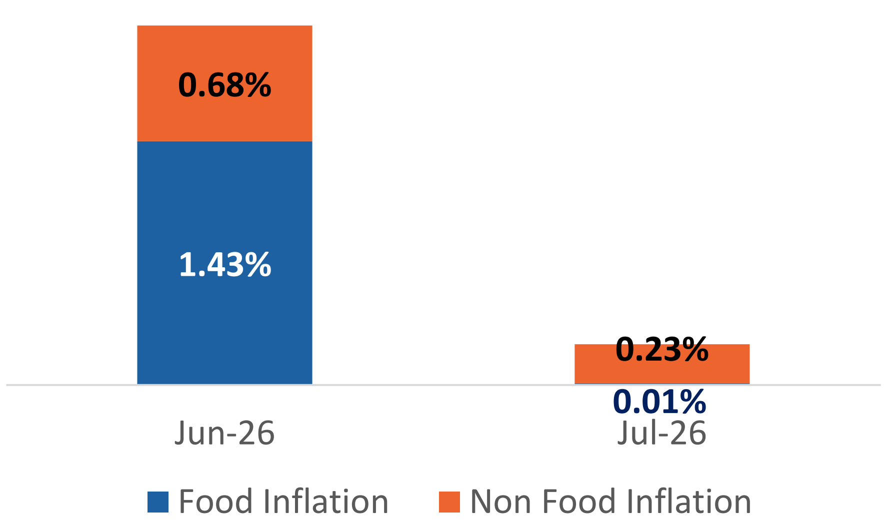
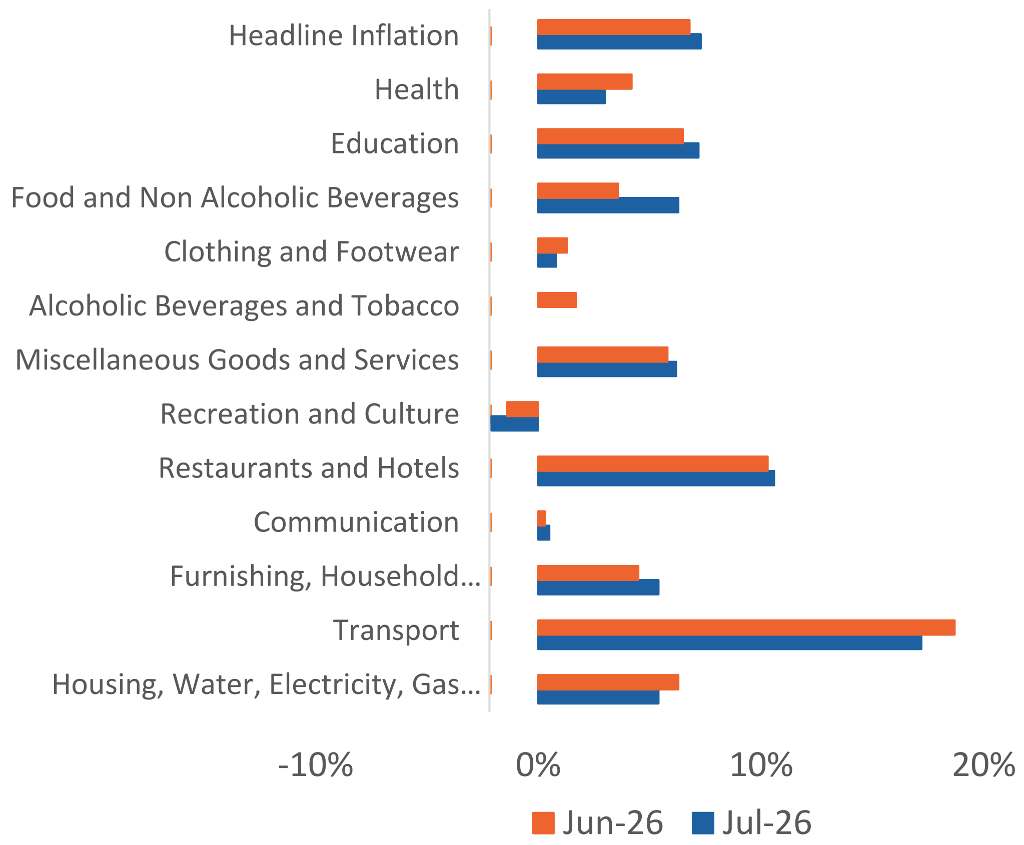
July 2026, CCPI increased by 0.24% MoM mainly due to non-food category

Contribution to monthly change in CCPI



On a month-on-month basis, the CCPI increased by 0.24% in July 2026, with non-food prices contributing 0.23 percentage points and food prices contributing 0.01 percentage points to the overall increase. On a year-on-year basis, headline inflation accelerated to 7.3% in July 2026 from 6.8% in June 2026. Food inflation (YoY) accelerated to 6.3% in July 2026 from 3.6% in the previous month, while non-food inflation (YoY) decelerated to 7.8% in July 2026 from 8.4% in June 2026.

CCPI YoY Change by Subcategory



Prices accelerated in the Restaurants and hotels, Education, Food and Non-Alcoholic Beverages ,Furnishing, Miscellaneous Goods and communication while price decelerated in the remaining subcategories.

Source: CBSL

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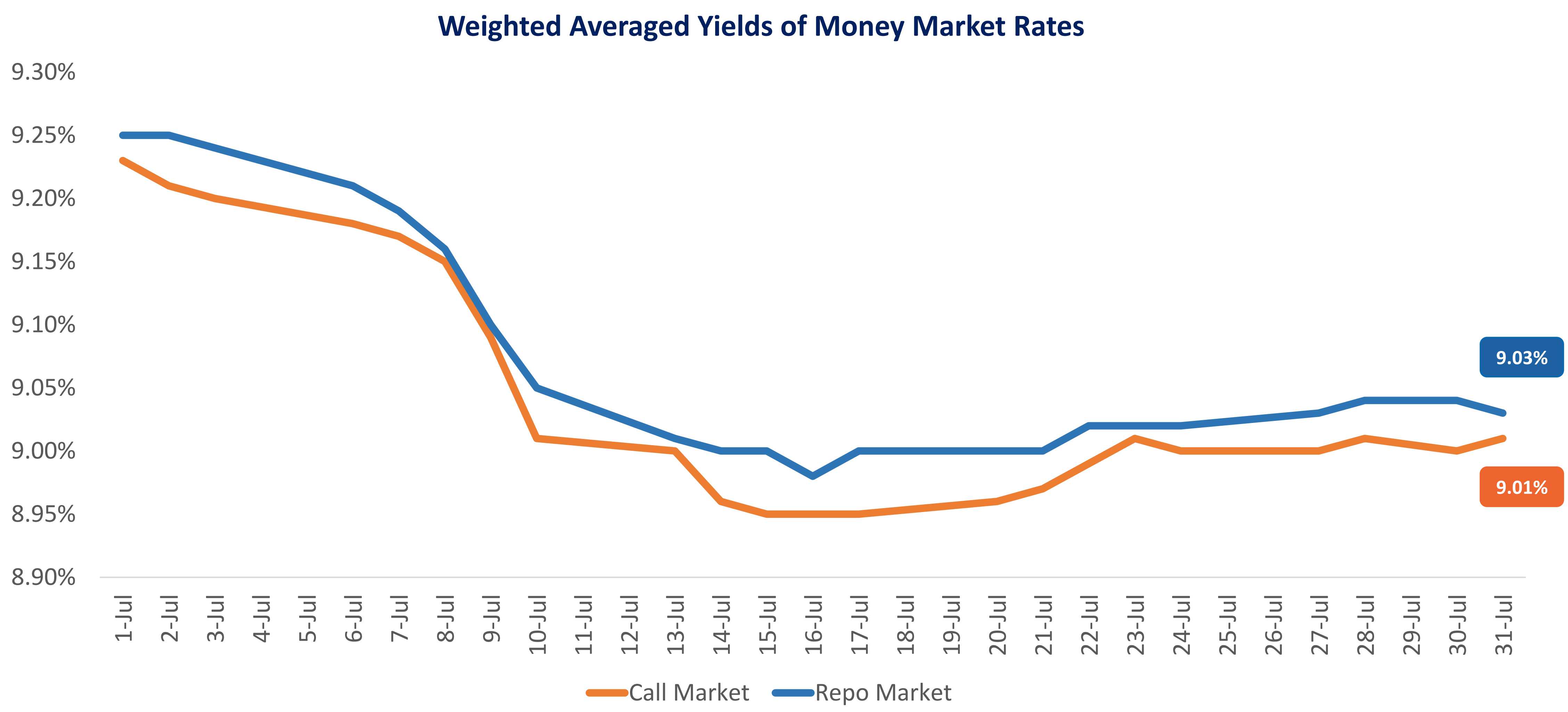
Call and Repo Rates decreased in July 2026



Source: CBSL

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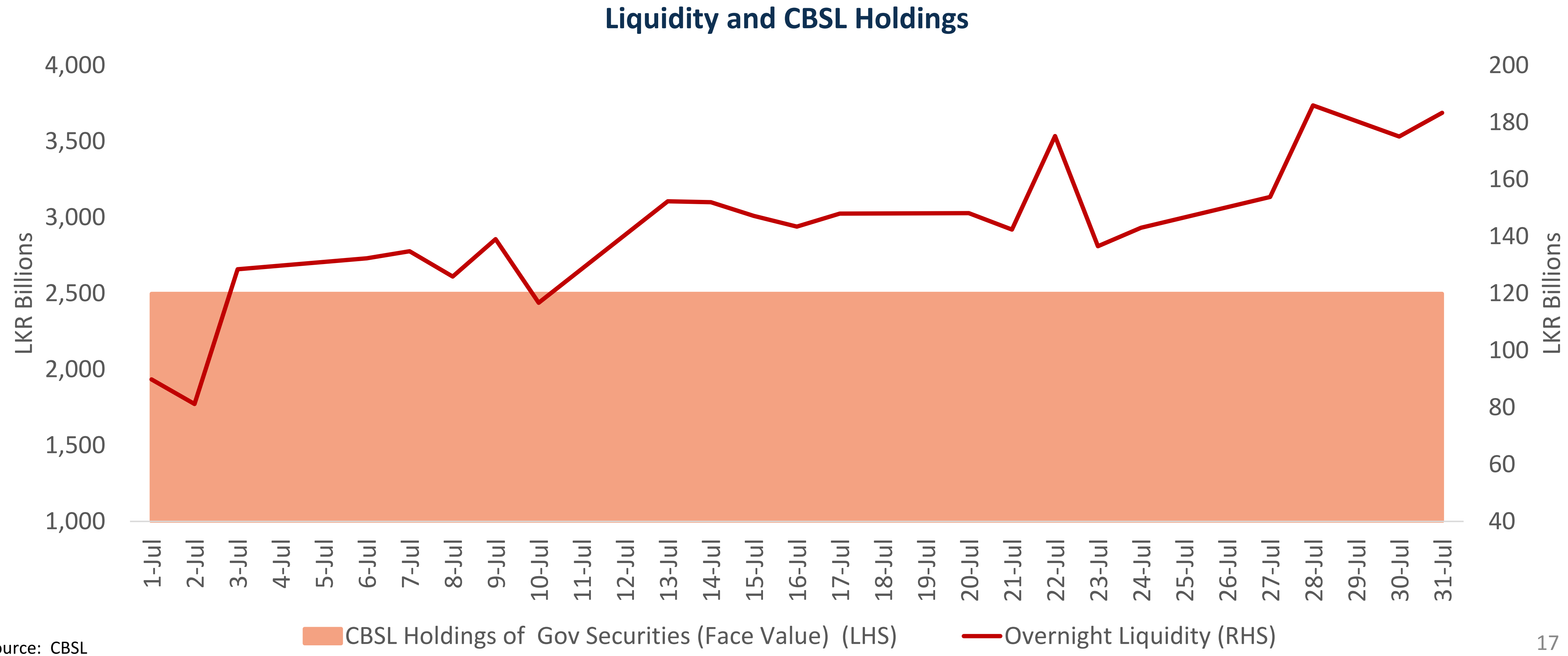
CBSL's G-Sec holdings were stable; overnight liquidity remained positive

During July 2026, the Central Bank of Sri Lanka's (CBSL) holdings of government securities remained broadly stable at LKR 2,498.12 billion. Meanwhile, overnight liquidity in the banking system remained volatile throughout the month, with several sharp fluctuations observed. However, it remained in positive territory throughout the period.



Source: CBSL

EXTERNAL SECTOR

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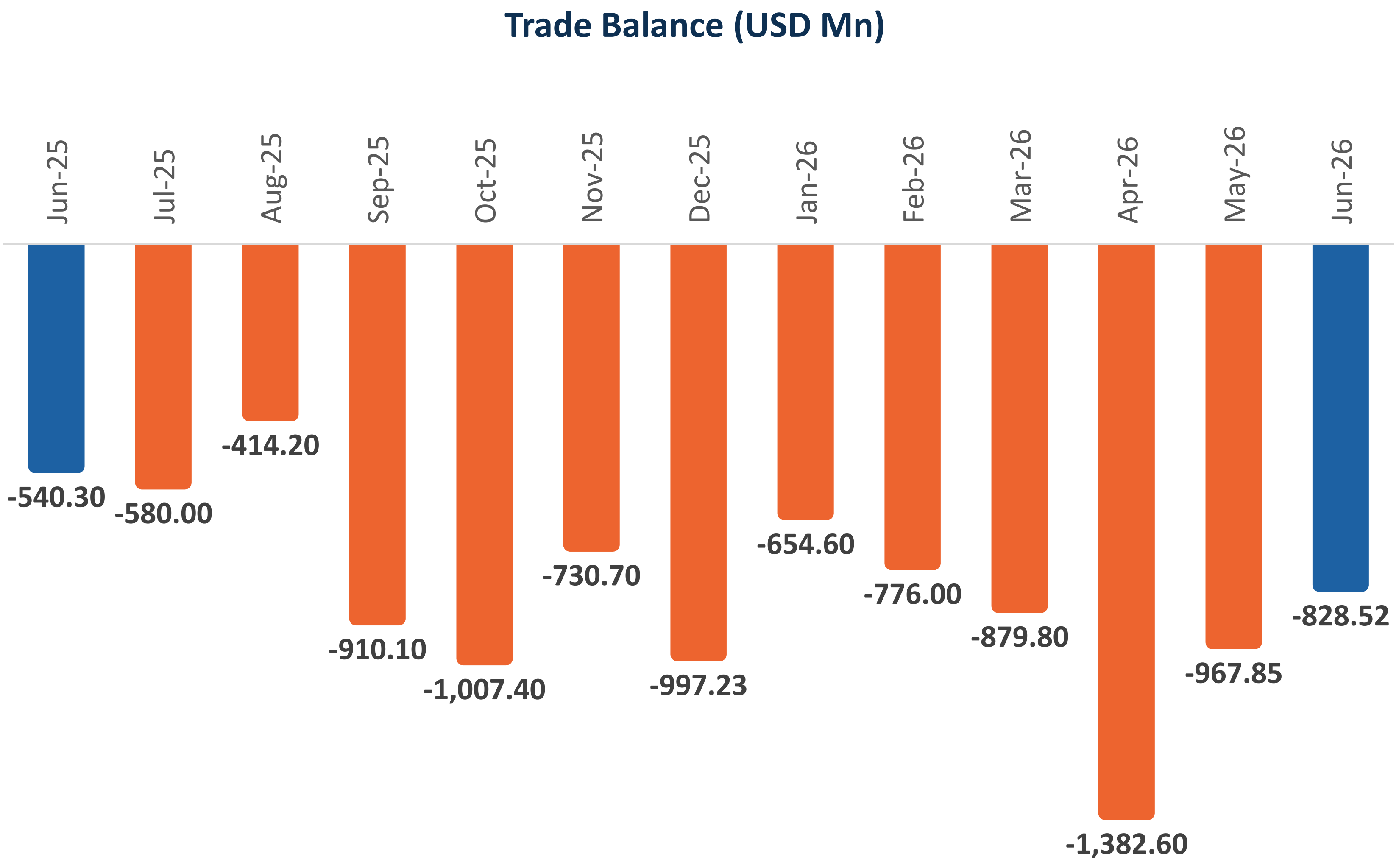
Trade Balance deteriorated by 53.3% YoY in June 2026



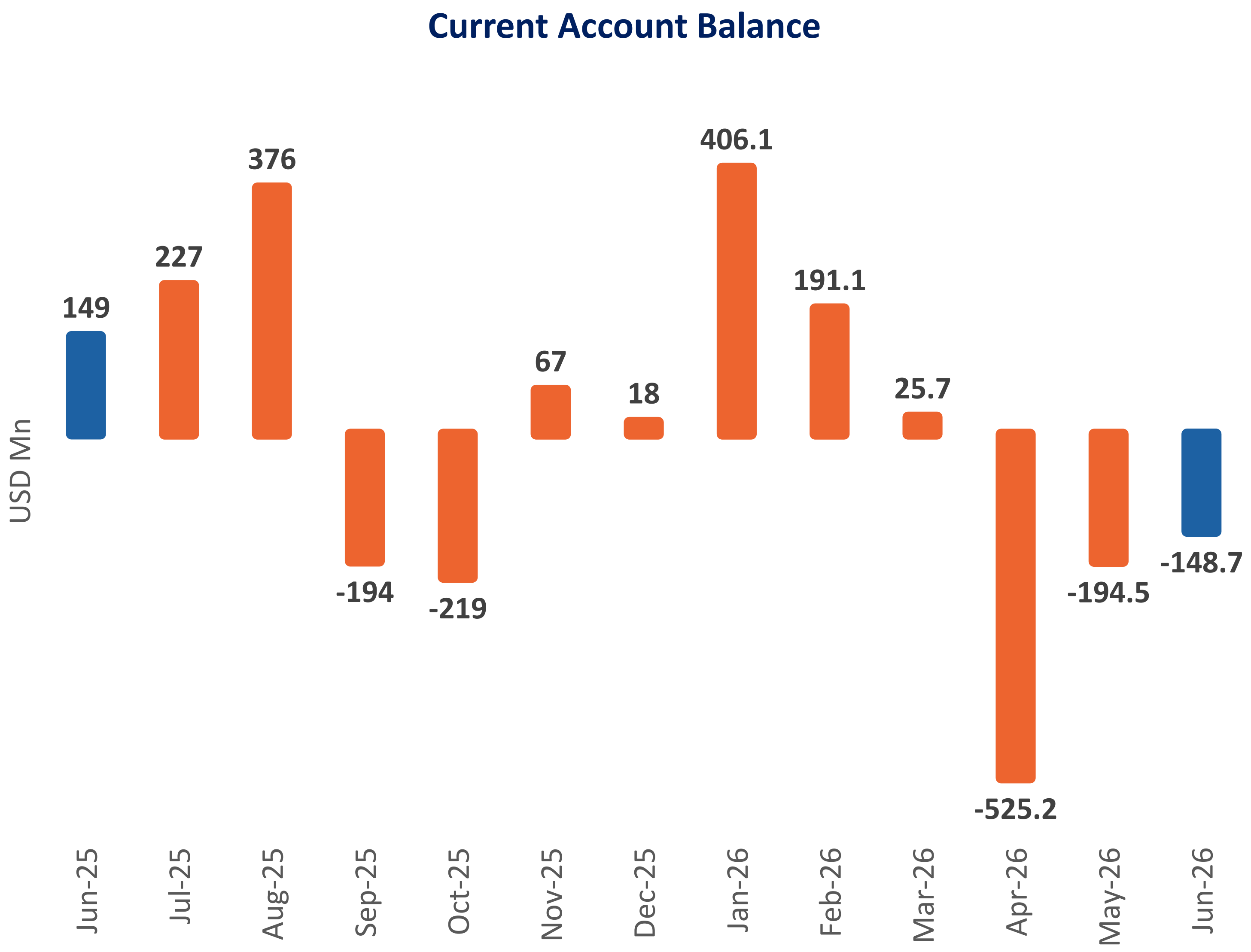
In June 2026, Sri Lanka's trade deficit widened to USD 828.52 million, reflecting a 53.3% increase compared to June 2025 and a 14.4% improvement compared to previous month.

The YoY decrease in the trade balance was driven mainly by the increase in import expenditure by 17.3% YoY.

Source: CBSL

AMBEON SECURITIES

Current Account Balance decreased by 199.8% YoY in June 2026



The current account recorded a deficit for the third time in the year 2026 after 3 consecutive surpluses. The current account balance deteriorated by 199.8% YoY and posted a deficit of USD 148.7 million. On a month-on-month basis, the balance improved by approximately 23.5%. The cumulative current account deficit amounted to approximately USD 245.5 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 June 2026, the trade balance deteriorated by 53.3% YoY. Similarly, service account decreased by 33.7% YoY. The Primary account surplus increased by 9.1% YoY and secondary account surpluses increased by 9%.

Source: CBSL

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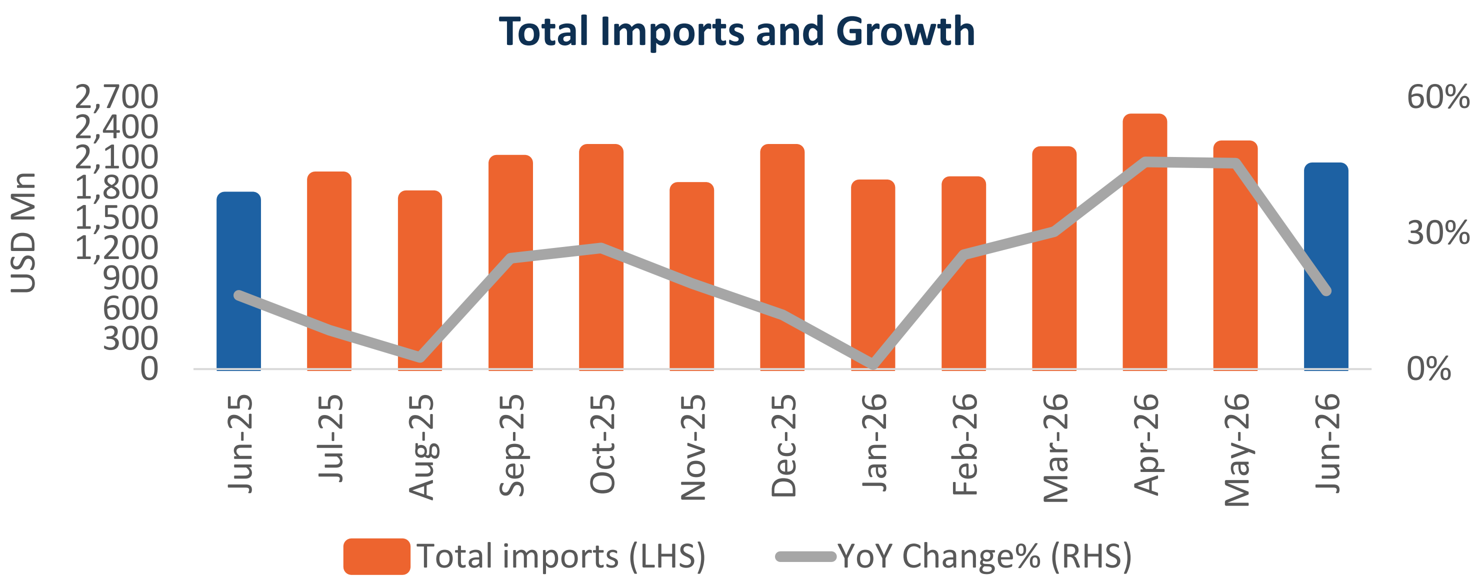
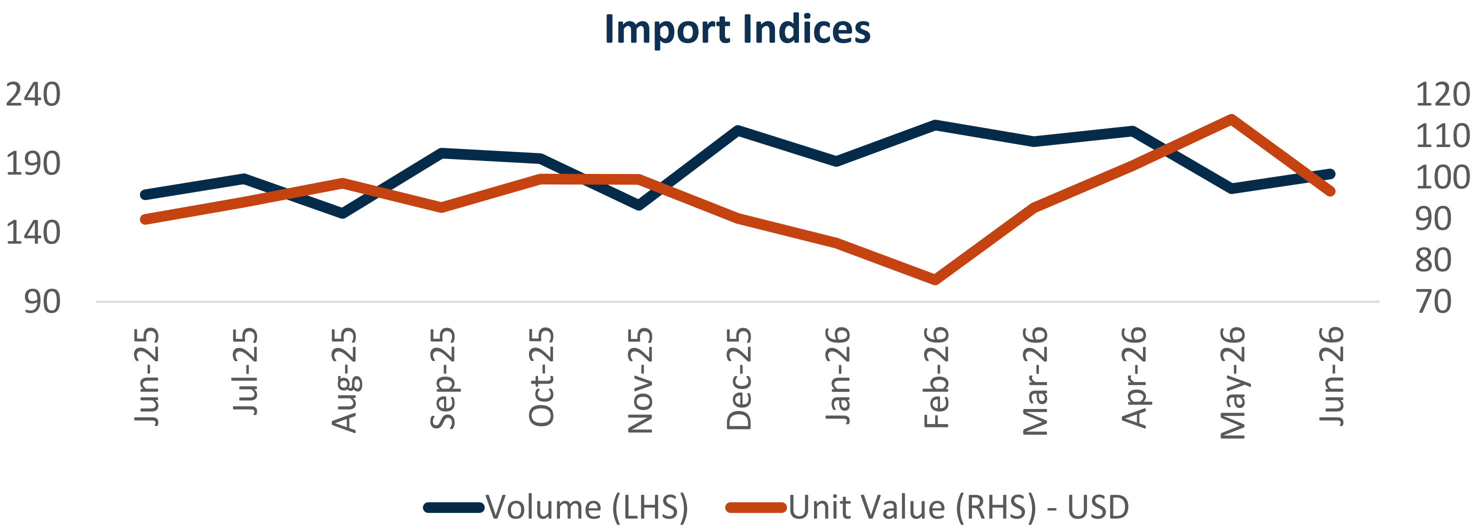
June 2026 import expenditure increased by 17.3% YoY





Source: CBSL

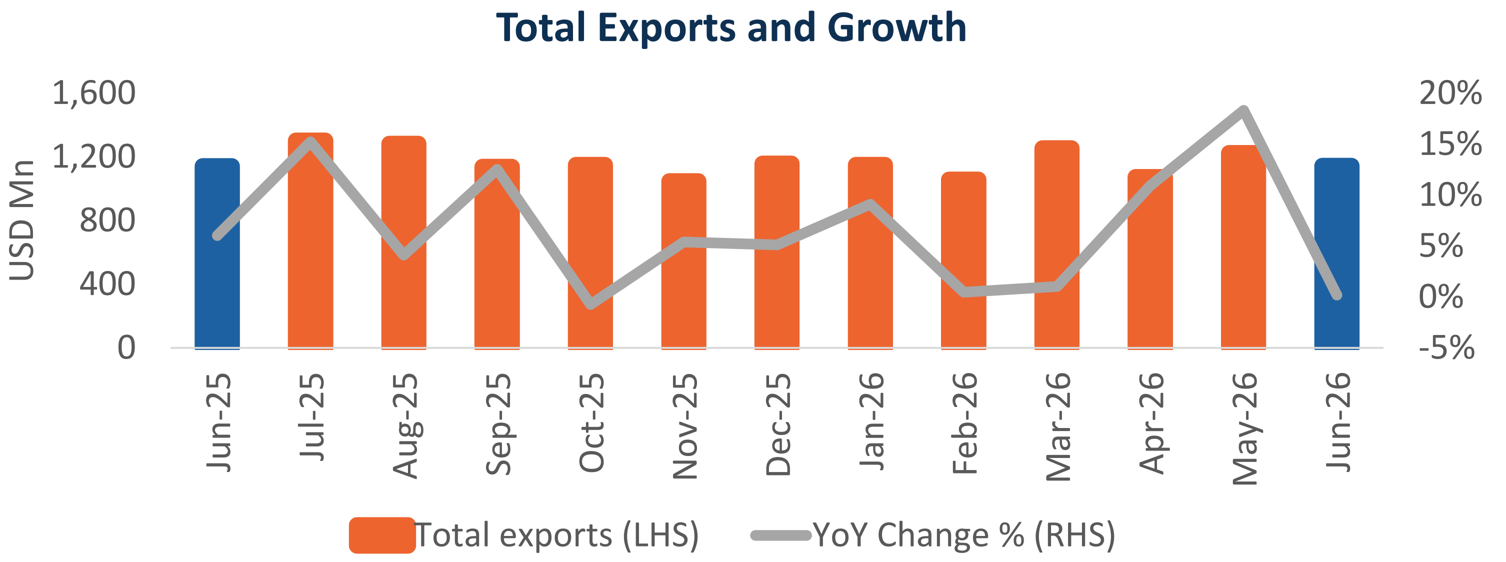
In June 2026, imports increased by 17.3% year-on-year (YoY) to USD 1,972.29 million, marking a 10% decrease compared to the previous month. The year-on-year growth was mainly driven by higher imports of intermediate goods.

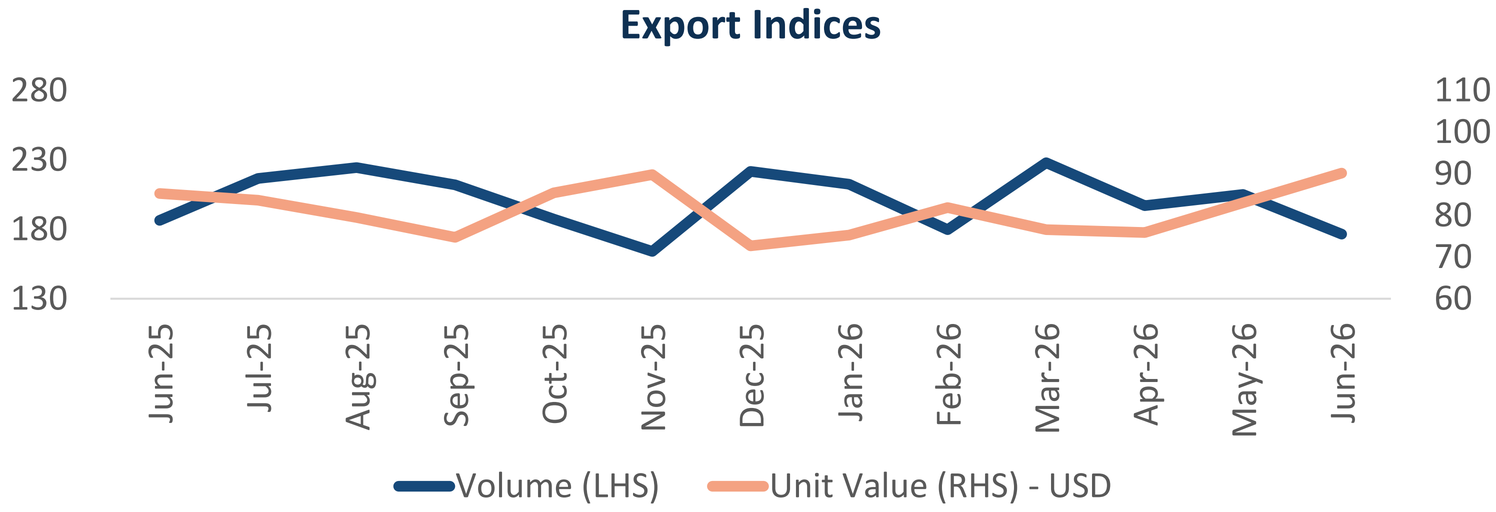
On MoM basis, imports of consumer goods and intermediate goods decreased while investment goods increased. The decrease in consumer goods imports was primarily driven by lower imports of personal vehicles, within the other consumer goods category.

Meanwhile, imports of intermediate goods decreased on a MoM basis, mainly due to lower fuel, chemical products, plastics and wheat import prices.

In June 2026, the Import Volume Index increased by 9.1% YoY, while the Import Unit Value Index increased by 7.5% YoY.

June 2026 export earnings increased by 0.2% YoY





Source: CBSL

In June 2026, export earnings marginally increased by 0.2% YoY to USD 1,143.77 million, representing a 6.6% decrease compared to May 2026. The YoY increase was mainly driven by industrial exports.

On a MoM basis, earnings from agricultural, industrial exports and mineral exports decreased. Among these, industrial exports recorded the largest decline, mainly due to petroleum products, rubber products, machinery, and Textiles etc. Meanwhile, agricultural export earnings also decreased on a MoM basis, mainly due to Tea, Coconut, and rubber.

In June 2026, the Export Volume Index decreased by 5.2% YoY while the Export Unit Value Index increased by 5.7% YoY during the same period.

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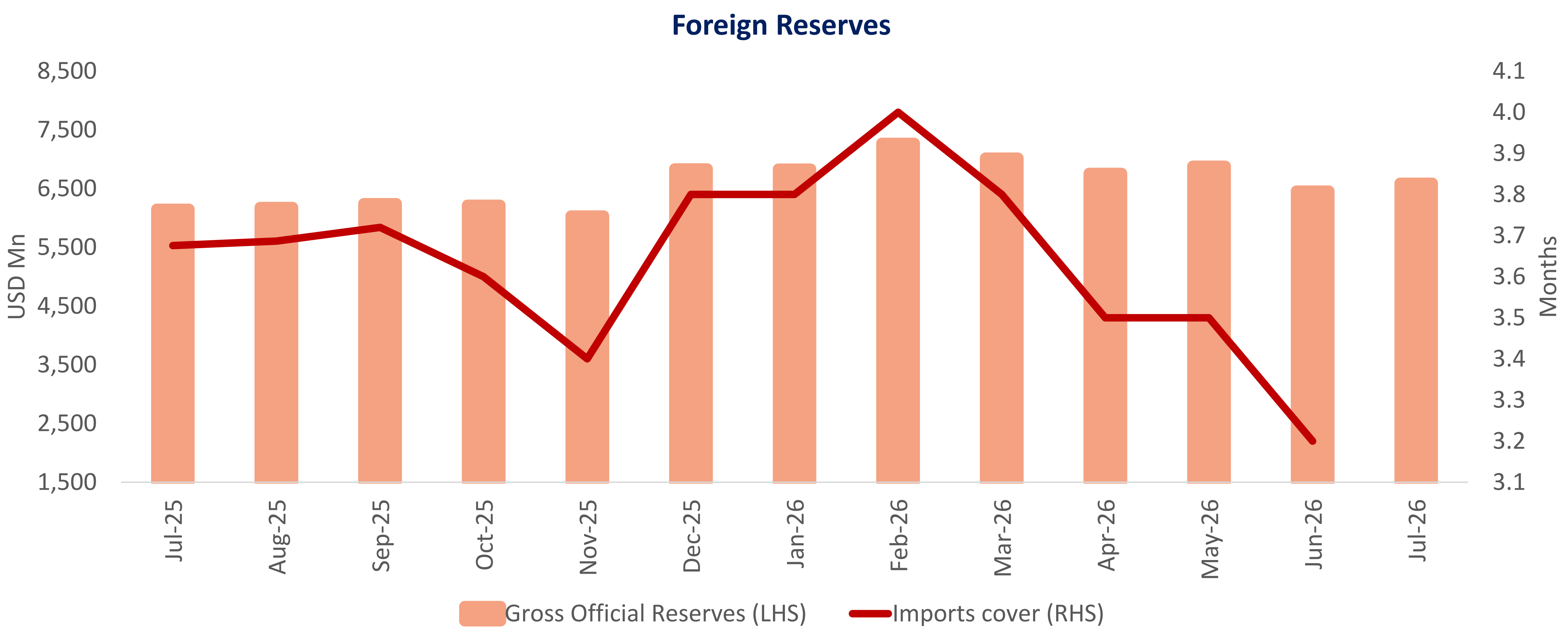
In July 2026 gross official reserves increased to USD 6.6 Bn

In July 2026, Sri Lanka's gross official reserves increased to approximately USD 6.6 billion. Reserves increased by 7.22% YoY and by 2.06% MoM.



Source: CBSL

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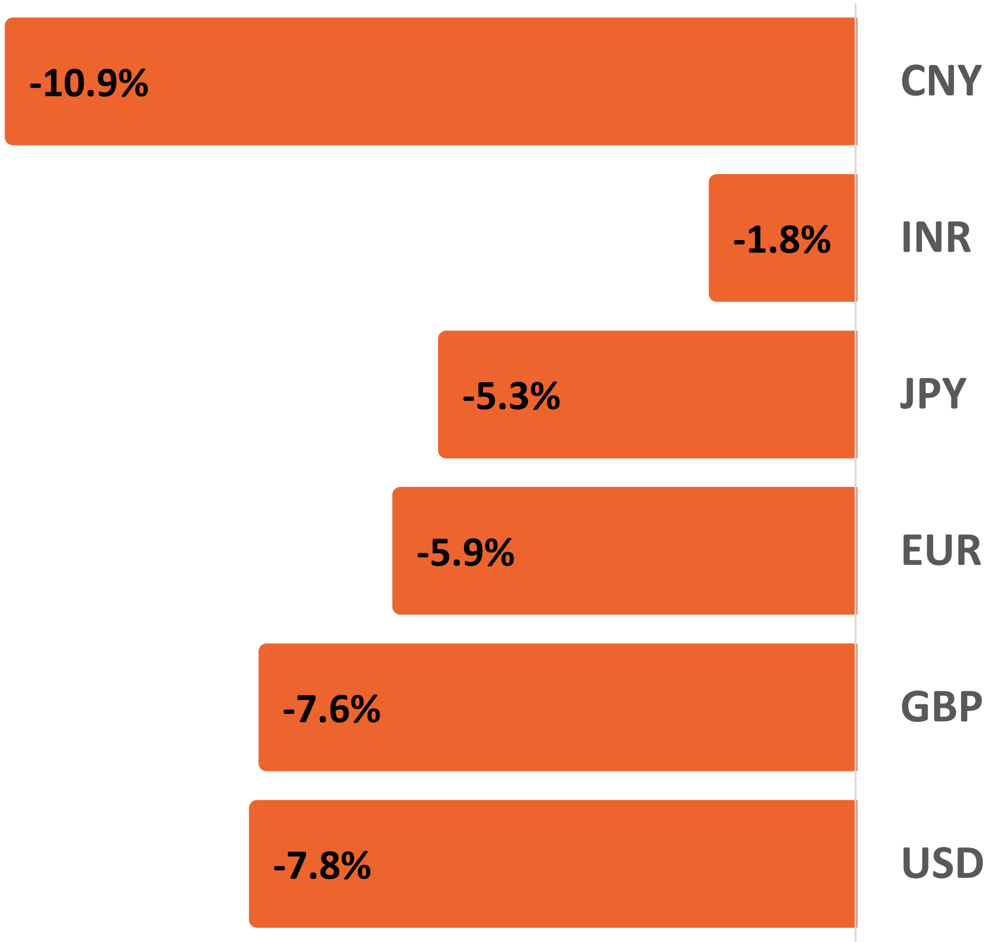
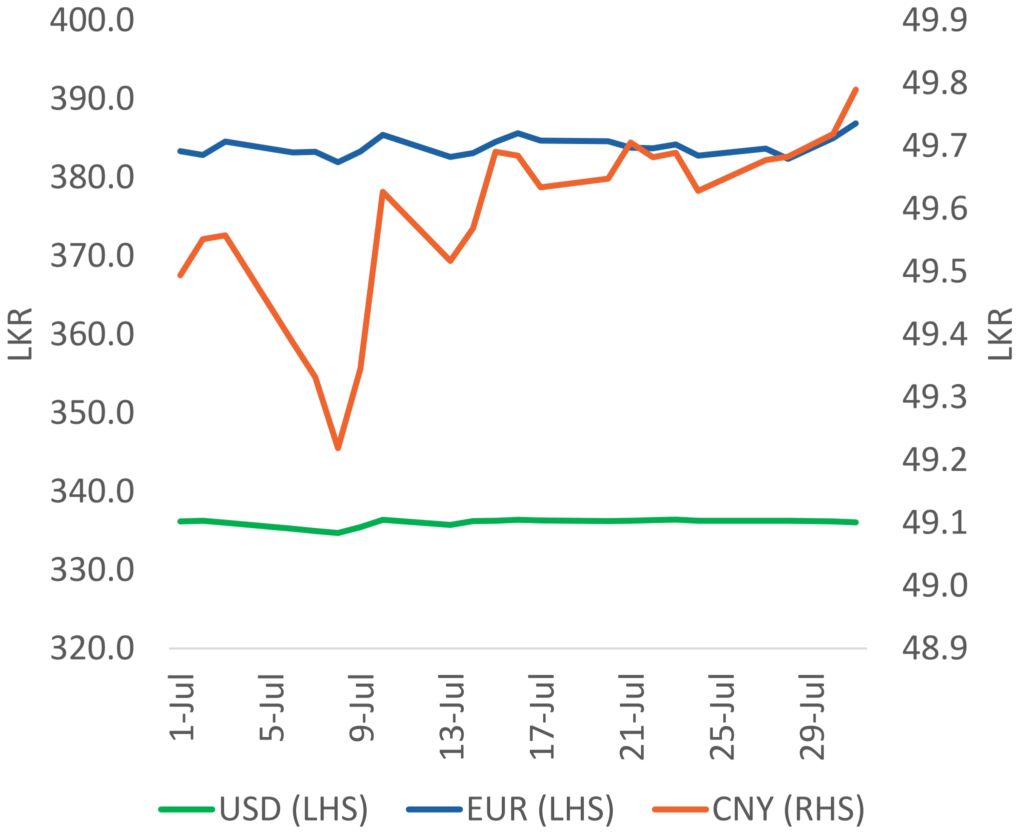
In July 2026, the LKR depreciated against major currencies

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



Monthly movement of major currencies



In July 2026, the LKR appreciated by 0.04% against the USD, depreciated by 0.92% against the EUR and depreciated by 0.60% against the CNY.

Source: CBSL

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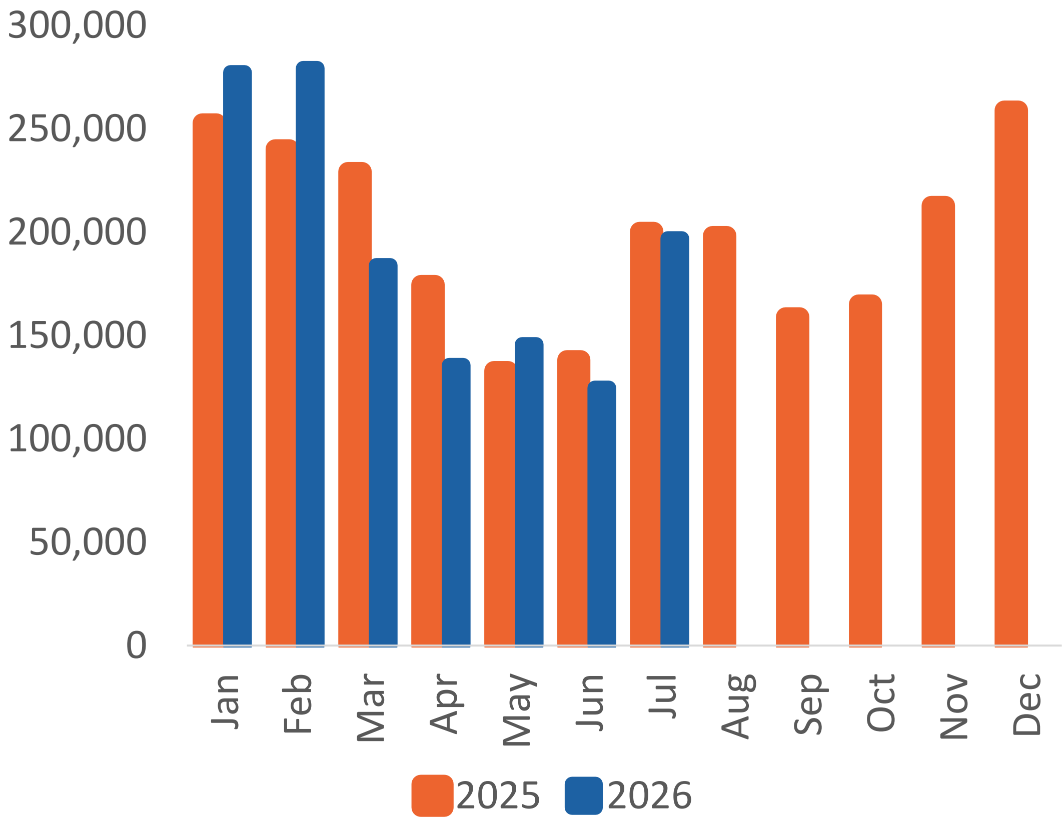
July 2026 tourist arrivals decreased by 1.7% YoY

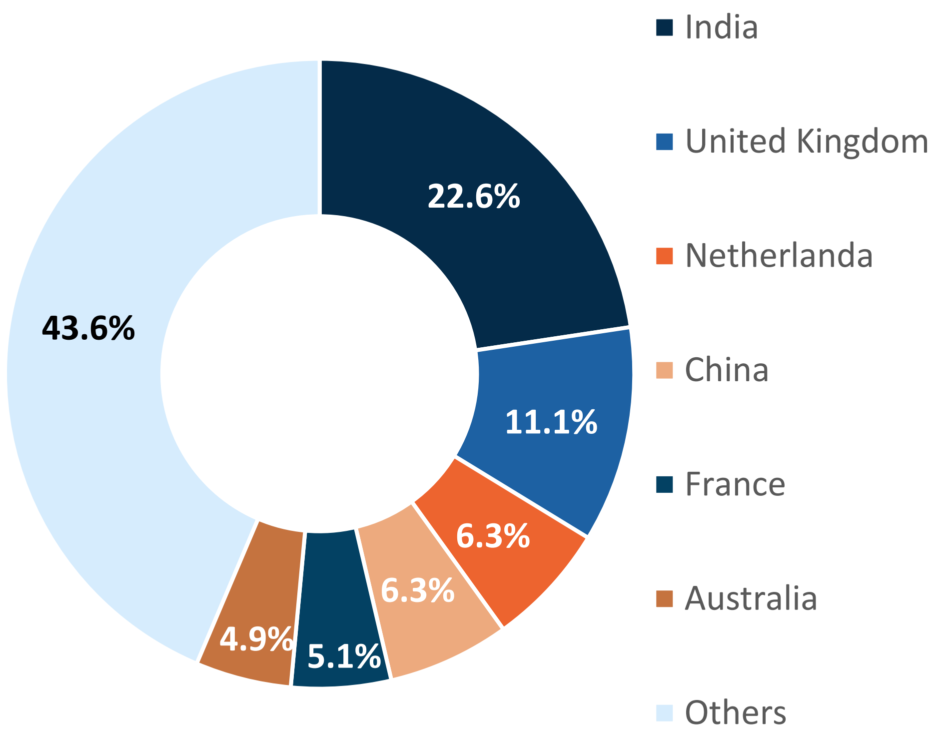
In July 2026, Sri Lanka recorded 196,845 tourist arrivals, reflecting a 1.7% YoY decrease and a 58% increased compared to last month. This decrease is mainly due to weaker demand from European markets amid geopolitical uncertainty, disruptions to air connectivity through Middle Eastern hubs and higher travel costs. However, strong arrivals from India helped cushion the decline.

Monthly Tourists Arrivals



YTD Tourist Arrivals = 1,343,418

Arrival % by Country in Jul 26



Source: SLTDA, Press Releases

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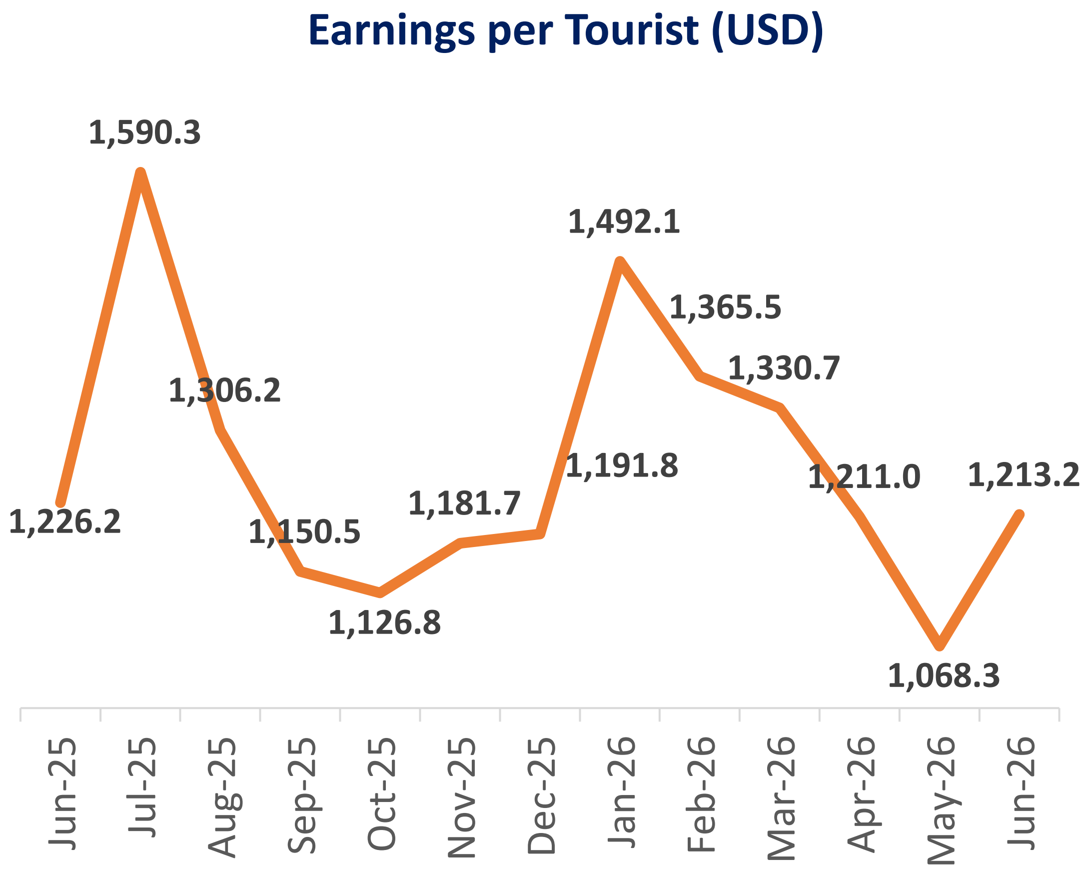
June 2026 tourism earnings dropped by 10.9% YoY



YTD Tourism Earnings = USD 1,511 Mn

In June 2026, tourism earnings dropped by 10.9% YoY to USD 151.1 million and dropped by 3% compared to the previous month. Earnings per tourist was USD 1,213.2, reflecting a 1.1% YoY decrease and a 13.6% MoM increase.

Source: CBSL, Press releases

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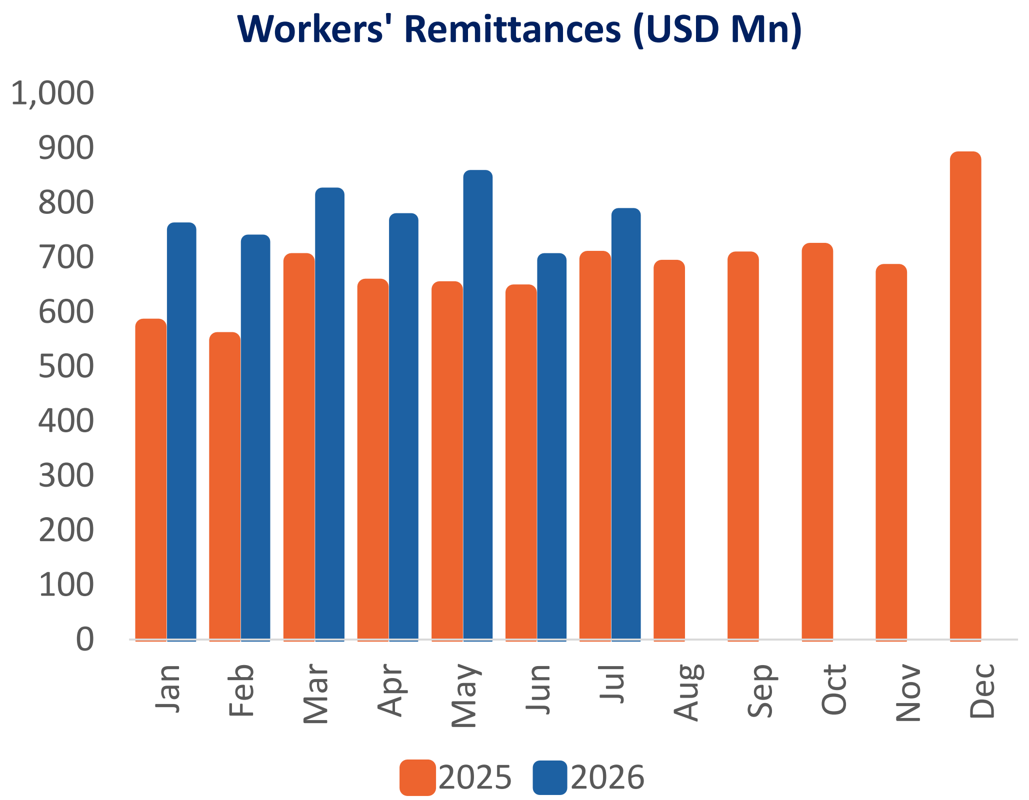
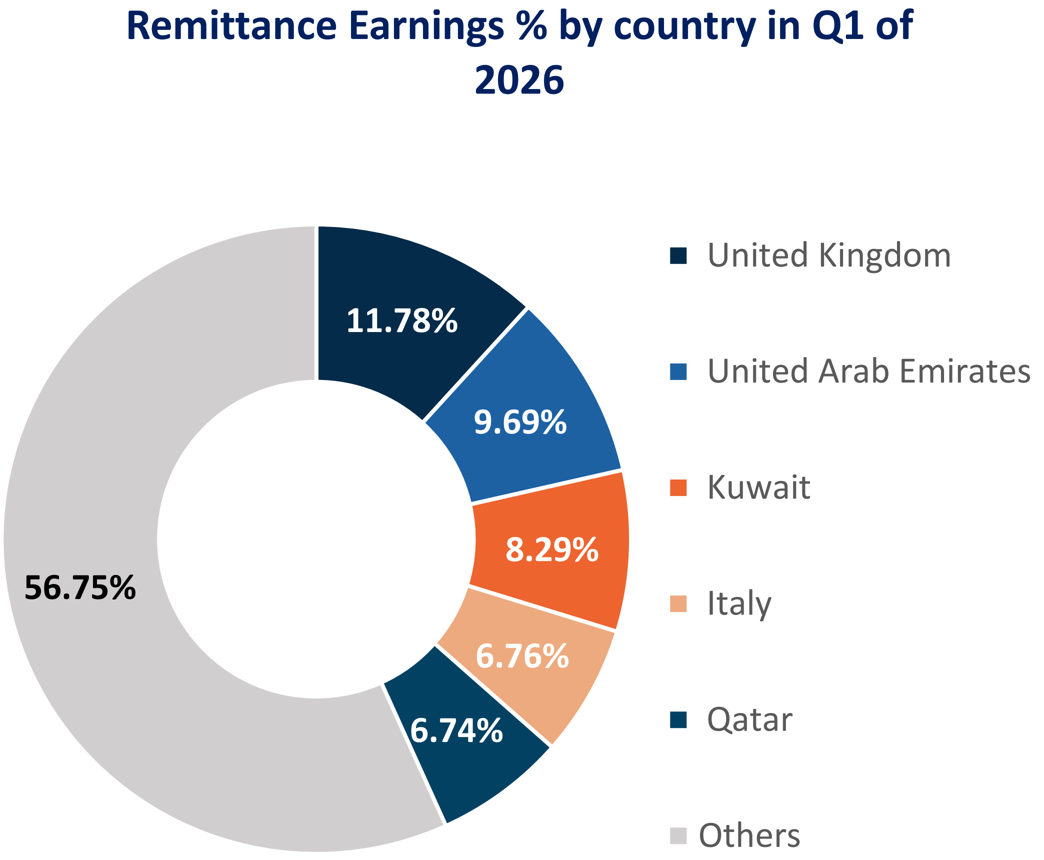
July 2026 worker remittances increased by 11.5% YoY

In July 2026, remittance inflows reached USD 777.6 million, reflecting a 11.5% YoY growth and a 11.9% MoM increase. Workers' remittances during January - July 2026 increased by 21.4% compared to the corresponding period of the previous year. During 1Q of 2026, the United Kingdom overtook the United Arab Emirates to become the largest source of remittance inflows, with the United Arab Emirates falling to second place after having been the leading remittance generating country in the previous quarter.



YTD Remittances = USD 5,382.4 Mn



Source: CBSL, Press Releases

COMMODITIES AND OTHER

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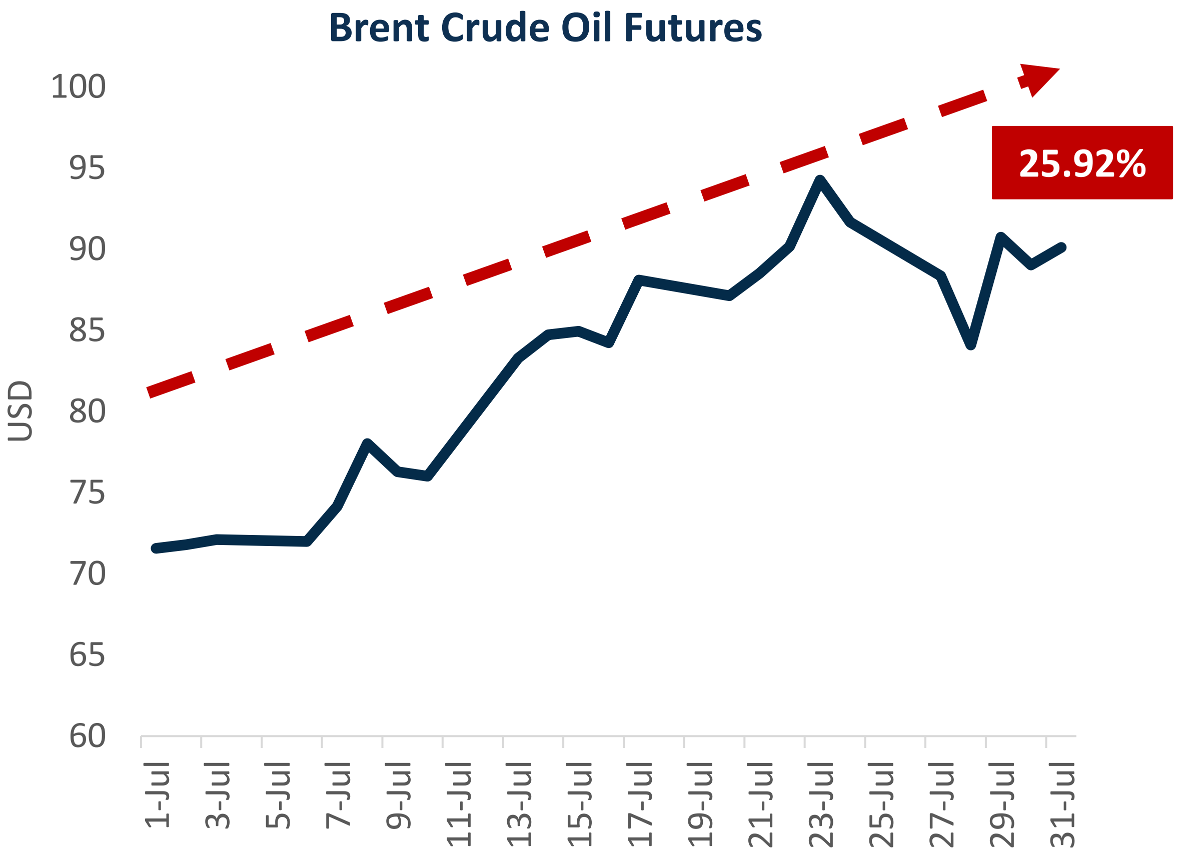
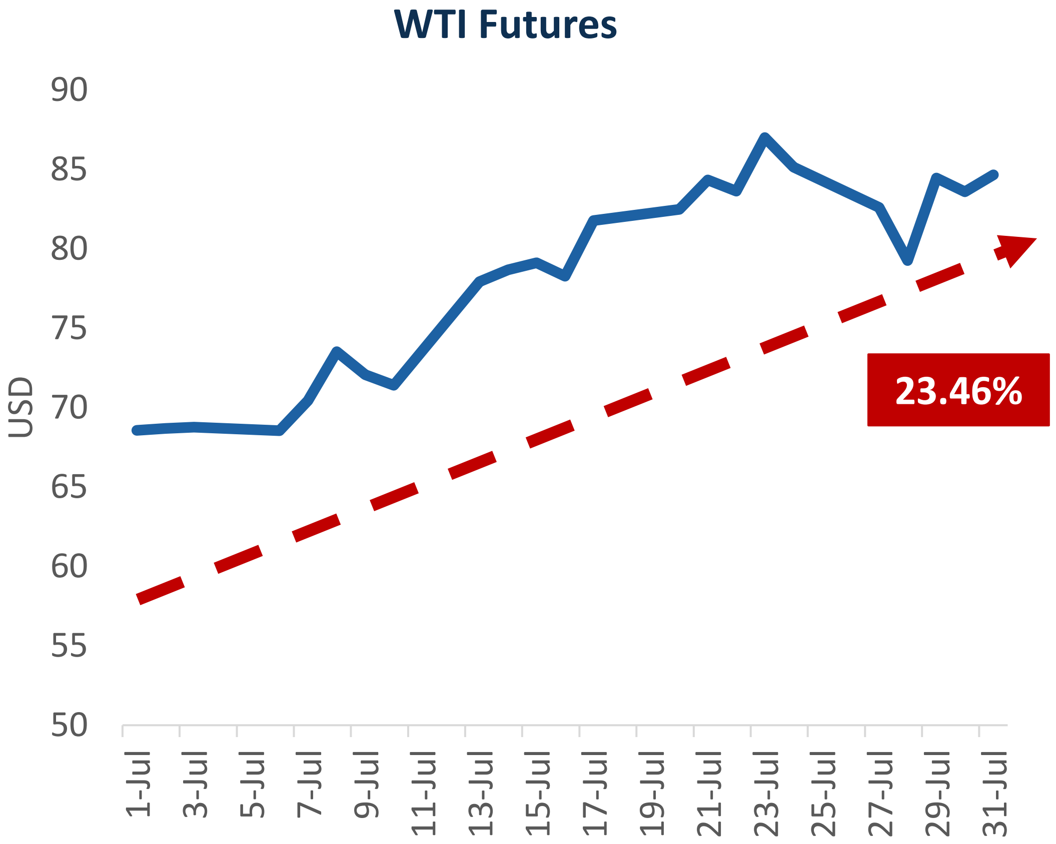
Crude oil prices increased in July 2026





In July 2026, crude oil prices increased, with Brent crude increasing by 25.92% and WTI crude increasing by 23.46%. Oil prices increased as persistent supply disruptions in the Middle East raised concerns over global oil supplies. Geopolitical tensions, disruptions to shipping through the Strait of Hormuz, and attacks on vessels in the Red Sea increased the risk of further supply shortages, pushing Brent and WTI prices higher.

Source: Reuters.com, Investing.com

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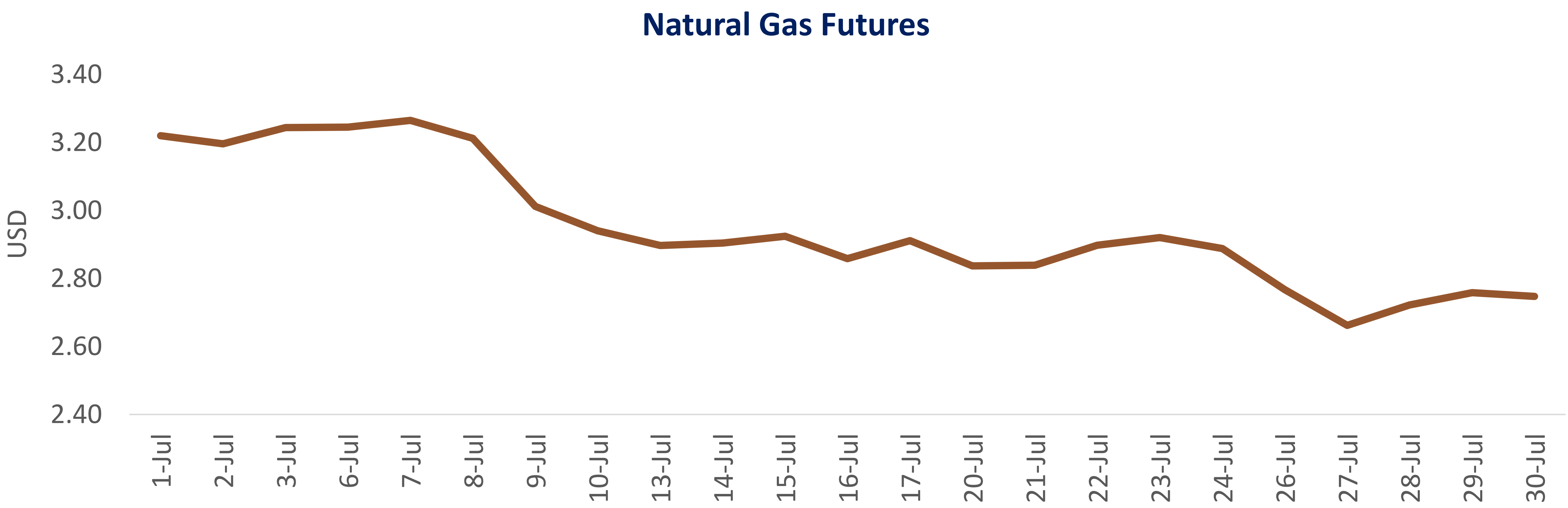
US natural gas prices decreased by 14.69% in July 2026

In July 2026, U.S. natural gas prices decreased by 14.69%. U.S. natural gas prices declined in July as rising domestic production, ample inventories and weaker LNG export flows eased concerns over supply tightness.



Source: Reuters.com, Investing.com

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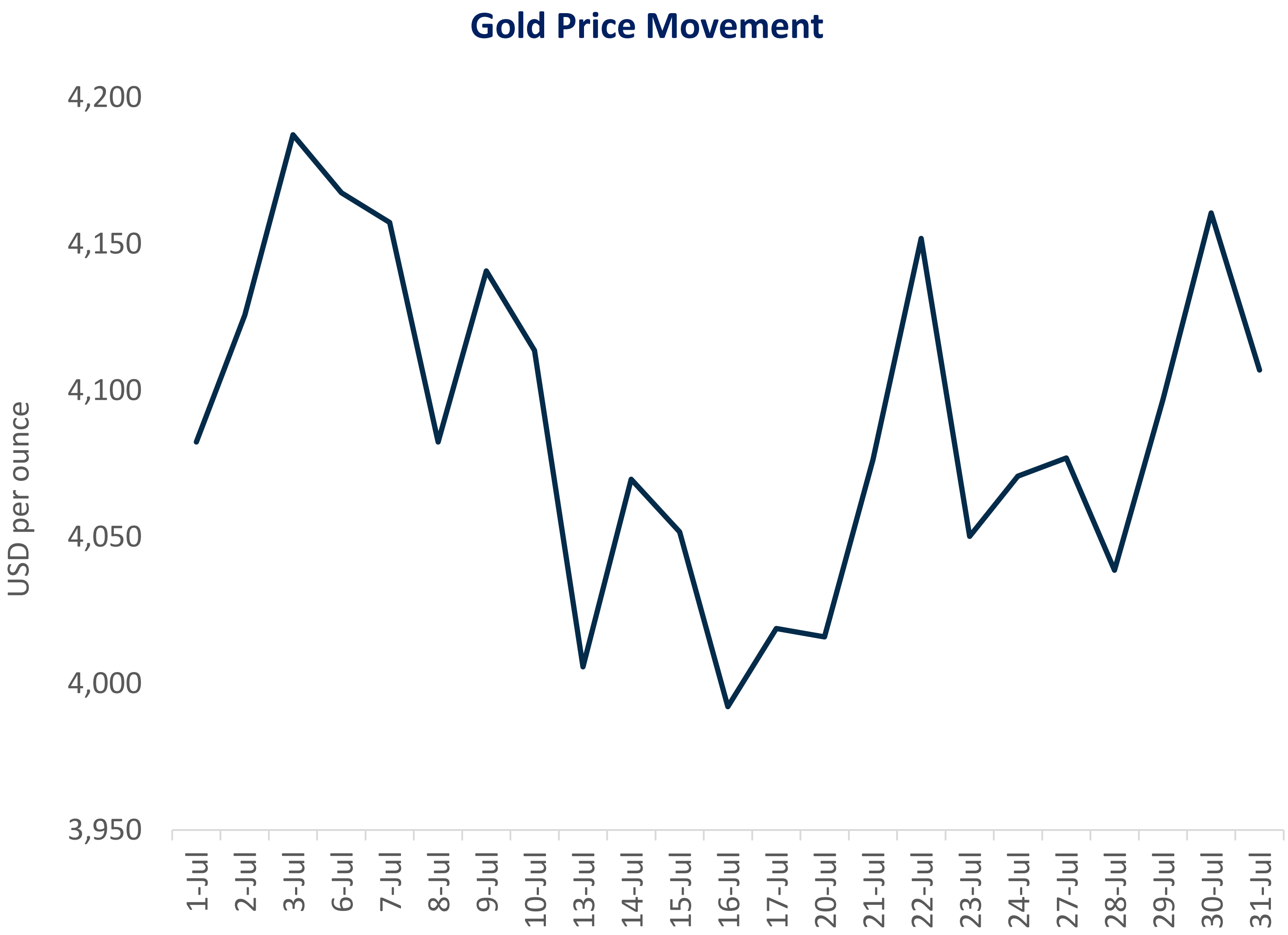
Gold prices marginally increased by 0.6% in July 2026



Gold prices marginally increased by 0.6% in July 2026.

Gold prices increased in July, marking the first monthly gain after four consecutive months of declines. The rise was mainly driven by softer U.S. inflation data, which reduced expectations of further Federal Reserve rate hikes, making non-yielding gold more attractive to investors.

Source: Reuters.com , Investing.com

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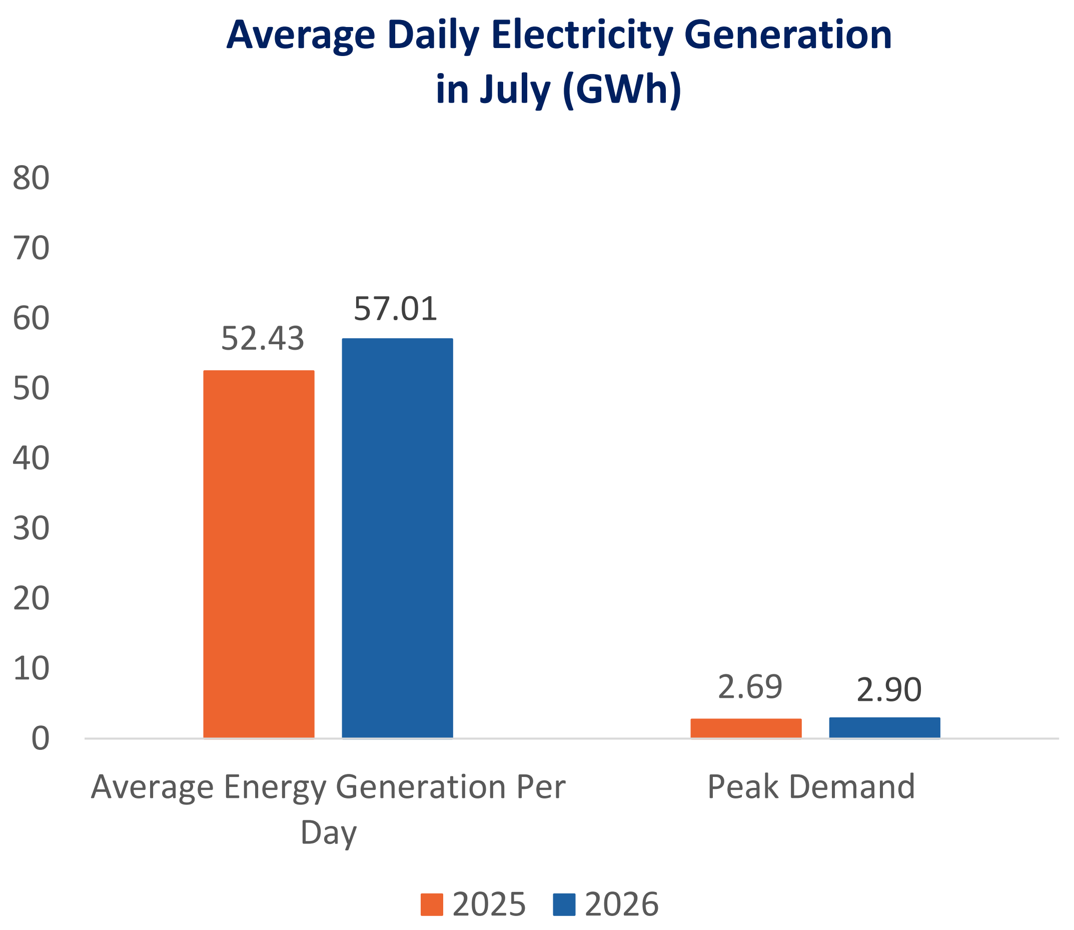
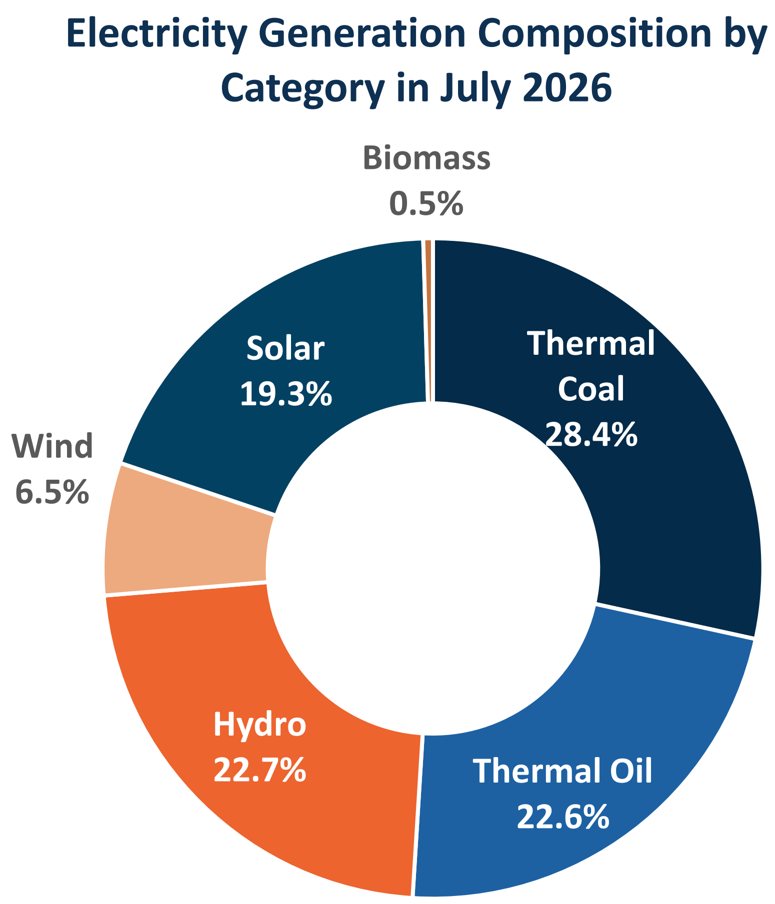
July 2026 daily electricity generation rose 8.7% YoY

In July 2026, average daily electricity generation reached 57.01 GWh, marking an 8.7% increase compared to the same month last year. The average daily peak demand during the month was 2.90 GW which is a 7.6% increase YoY.





Source: CBSL

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May 2026 tea production decreased by 1.8% YoY

In May 2026, Sri Lanka's tea production decreased by 1.8% YoY to 24.91 million kilograms. Tea export volumes rose by 7.5% YoY to 23.51 million kilograms. As a result, export earnings increased by 7.3% YoY to LKR 42.34 billion.

Tea exports recovered in May 2026 following the weak performance in April, supported by stronger export volumes and easing shipping disruptions in key Middle Eastern markets.

Average Tea Auction Prices (Monthly)

LKR per Kg	Apr 2026	May 2026
High	1,181.24	1,119.68
Medium	1,029.64	1,016.08
Low	1,255.17	1,288.32
Total	**1,200.91**	**1,200.38**

Tea Exports (May 2026)

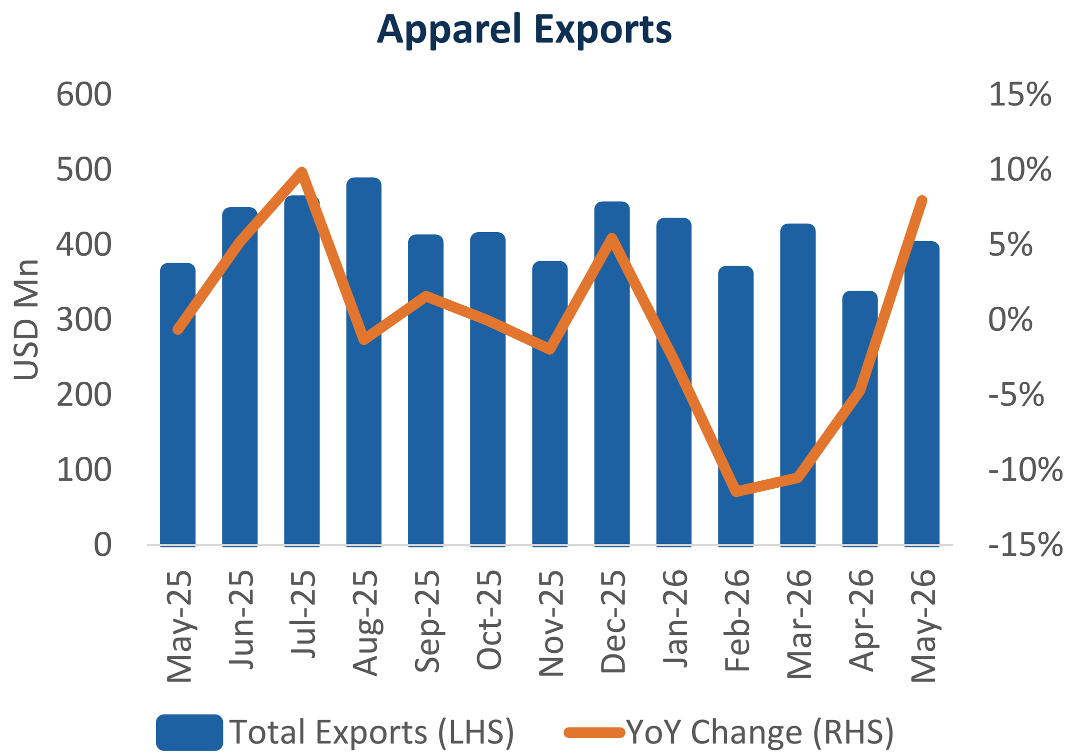
Export	Volume in Kgs	Value in LKR Mn
Tea in Bulk	10,236,159	15,702
Tea in Packets	10,434,313	17,521
Tea in Bags	2,098,373	6,178
Instant Tea	419,911	1,449
Green Tea	325,111	1,492
Total	**23,513,867**	**42,342**

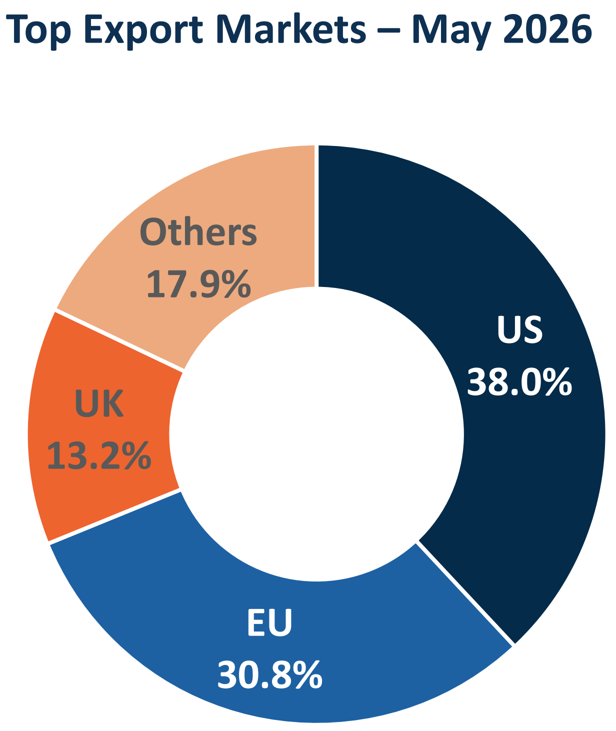
Tea Production (May 2026)

Production	Kgs
High	5,614,870
Medium	4,570,521
Low	14,513,704
Green Tea	210,511
Total	**24,909,606**

Source: Forbes & Walker tea brokers

May 2026 apparel exports increased by 7.96% YoY





Sri Lanka's apparel exports in May 2026 amounted to USD 394.14 million, reflecting a 7.96% year-on-year increase and a 20.11% month-on-month increase. Key export markets also showed increases, with exports to the US increasing by 15.36% YoY, exports to the UK increasing by 0.87%, and exports to the European Union slipped marginally by 0.3% YoY. The increase in exports was driven largely by a sharp recovery in demand from the United States.

Source: JAAF, Press Releases

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