

AMBEON WEEKLY ECON COMPASS

Sri Lanka weekly outlook | Week ended 16th October 2026

WEEK AT A GLANCE

Fiscal | External | Monetary | Real



FISCAL



Revenue & grants **Rs 4,002 bn, +21.2% YoY** Jan-Aug 2026



Expenditure **Rs 3,967 bn, +6.9% YoY** Jan-Aug 2026



Overall balance **+Rs 35.4 bn surplus** Jan-Aug 2026



Govt debt **Rs 31.3 tn** end Jun 2026



EXTERNAL



USD/LKR **331.16, -6.4% YTD** 16 Oct 2026



Remittances **+18.1% YoY** Jan-Sep 2026



Tourist arrivals **1.69 mn, -1.8% YoY** Jan-Sep 2026



Trade deficit **USD 7.2 bn** Jan-Aug 2026



MONETARY



Policy rate (OPR) **8.75%** 16 Oct 2026



AWPR **11.11%** week to 16 Oct



Private credit **+24.5% YoY** Aug 2026



364-day T-bill **9.95%** 15 Oct 2026



REAL



NCPI inflation **8.1% YoY** Aug 2026



CCPI inflation **8.0% YoY** Sep 2026



GDP growth **+4.2% YoY** Q2 2026



PMI Mfg / Svc **53.0 / 60.5** Sep 2026

AMBEON VIEW Fixed income remains attractive in the near term, while the recent equity market correction offers an entry point for investors to deploy fresh funds. Improving economic activity supports the longer-term equity outlook, although geopolitical tensions remain a key risk to Sri Lanka's future growth.

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FISCAL SECTOR

Jan-Aug 2026 outturn and yields (to 15 Oct)

Overall Fiscal Balance, Jan-Aug 2026

+Rs 35.4 bn

vs Rs 411.0 bn deficit, Jan-Aug 2025



Revenue & grants, Jan-Aug 2026

Rs 4,002 bn

+21.2% vs Jan-Aug 2025



Expenditure, Jan-Aug 2026

Rs 3,967 bn

+6.9% vs Jan-Aug 2025



Govt debt, end Jun 2026

Rs 31.3 tn

+4.3% vs end Dec 2025



Revenue & grants **+21.2% YoY** (Jan-Aug 2026)



Expenditure **+6.9% YoY**; capex **+31.6%** (Jan-Aug 2026)



Primary surplus **Rs 1,645 bn** (Jan-Aug 2026)



T-bills **flat**; T-bonds **+2-10 bps** (wk to 15 Oct)



Auctions **2.0x** bills, **2.9x** bonds (wk to 15 Oct)

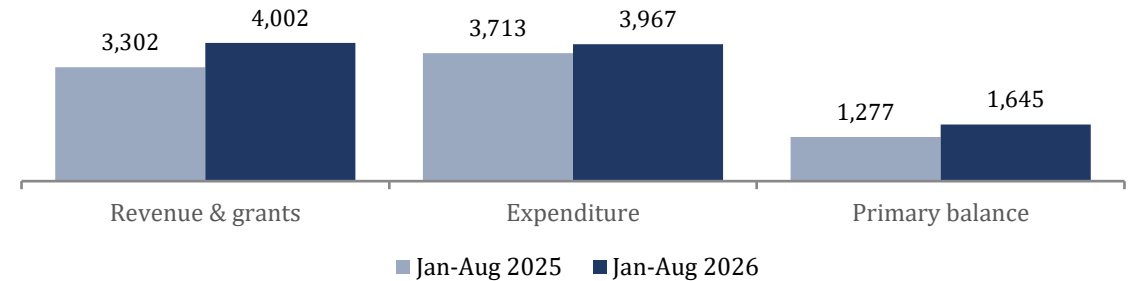


AMBEON VIEW

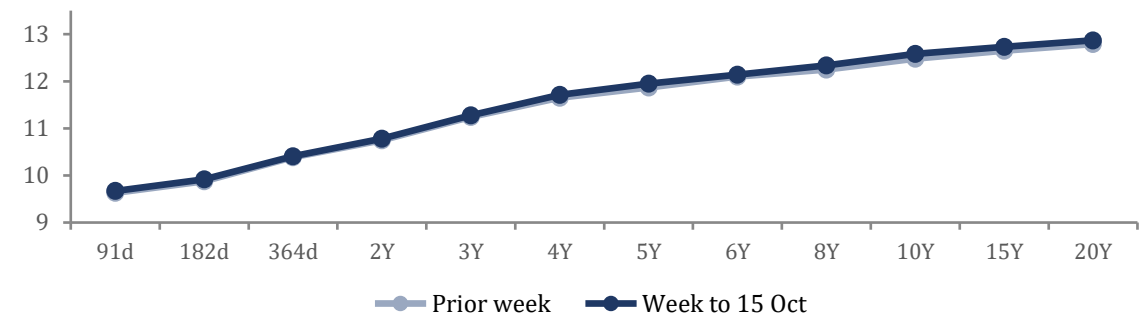
Higher revenue and grants (+21.2%) against slower spending growth (+6.9%) turned last year's Rs. 411 bn deficit into a surplus for Jan-Aug 2026. Strong auction demand supports the fiscal outlook, with bond yields ranging from 9.9% for 1-year to 12.4% for 20-year maturities.

Sources: Ambeon Research, CBSL, CSE, News articles

Fiscal operations, Jan-Aug 2025 vs Jan-Aug 2026 (Rs bn)



Secondary market yield curve, week to 15 Oct vs prior week (%)



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AMBEON
SECURITIES

EXTERNAL SECTOR

Rupee, trade, tourism and oil (latest months)

USD/LKR average, 16 Oct 2026

331.16

YTD depreciation 6.4%



Trade deficit, Jan-Aug 2026

USD 7.18 bn

vs USD 4.26 bn, Jan-Aug 2025



Remittances, Jan-Sep 2026

USD 6.87 bn

+18.1% vs Jan-Sep 2025



Brent crude, 16 Oct 2026

USD 105.48/Bbl

+2.11% WoW; +65% vs Jan avg



Remittances **+18.1% YoY** (Jan-Sep 2026), USD 734.4 mn Sep 2026



Tourist arrivals **1.69 mn**, -1.8% YoY (Jan-Sep 2026)



Tourism earnings **-9.2% YoY** (Jan-Sep 2026)



Exports **+3.3%**; imports **+24.1%** (Jan-Aug 2026)



Reserves **USD 6.85 bn** (end Sep 2026)



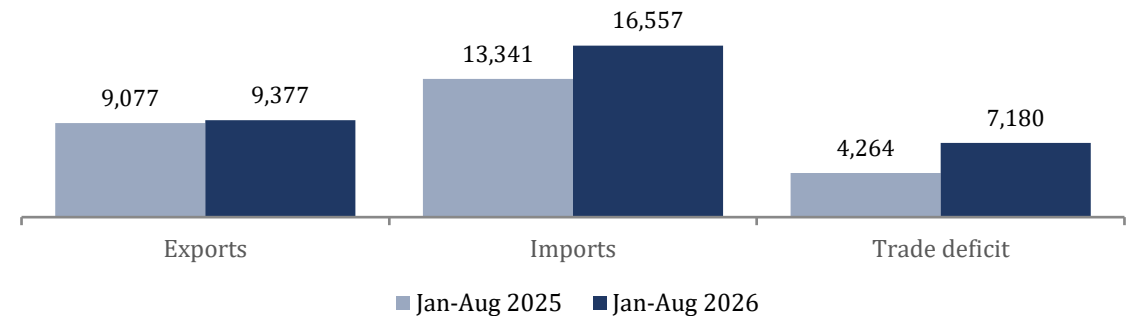
Brent Barrel **USD 105.5**, +65% since Jan (16 Oct 2026)



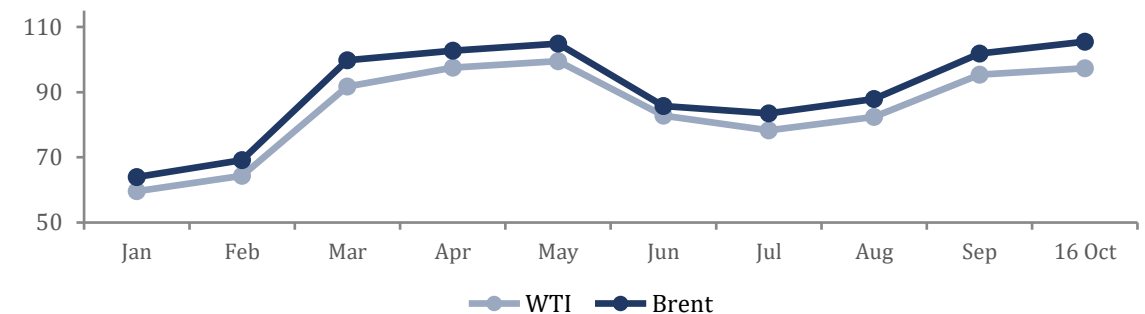
AMBEON VIEW

Higher remittances (+18%, Jan-Sep) support the rupee, although the wider trade deficit, rising oil prices and lower reserves keep depreciation risks alive. Favour export-linked stocks, while being selective on import-dependent companies.

External trade, Jan-Aug 2025 vs Jan-Aug 2026 (USD mn)



Global oil prices, 2026 monthly average to 16 Oct (USD/bbl)



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MONETARY SECTOR

Rates, bonds and credit (to 16 Oct)

Policy rate (OPR), 16 Oct 2026

8.75%

Unchanged vs prior week



364-day T-bill, week to 15 Oct

9.95%

Unchanged vs prior week



AWPR, week ending 16 Oct 2026

11.11%

-5 bps vs prior week



Liquidity surplus, 16 Oct 2026

Rs 399.88 bn

vs Rs 399.14 bn, 9 Oct



Policy rate **8.75%**, unchanged (16 Oct 2026)



AWDR **7.52%** (+13 bps) (Jul to Aug'26)



Private credit **+24.5%**; M2b **+11.5%** (Aug 2026)



T-bond auction **Rs 80.7 bn** sold; 2036 at **12.33%** (13 Oct)



USD bond **US\$100 mn** (1-3Y), bids **19-23 Oct**



Liquidity surplus **Rs 400 bn** (16 Oct 2026)

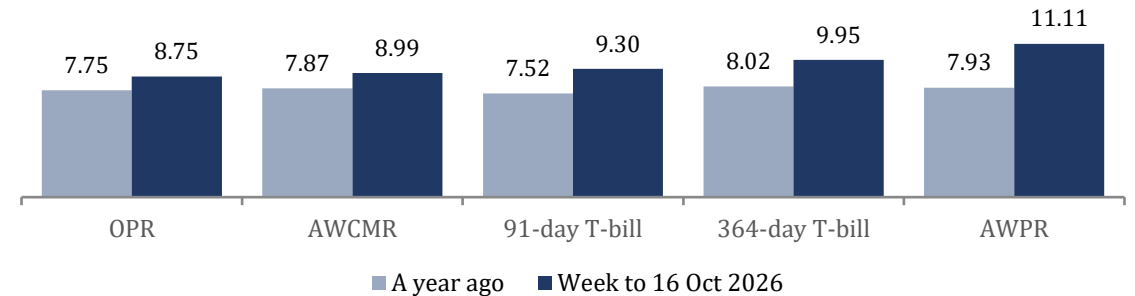


AMBEON VIEW

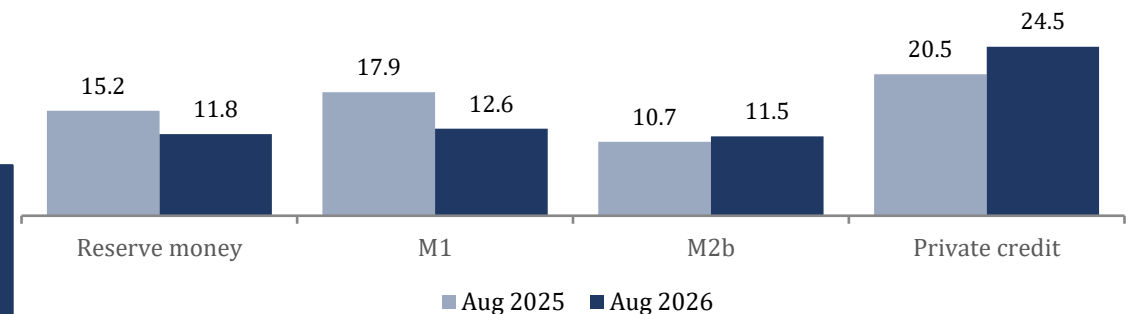
The rise in inflation to 8.1% in Aug, nearing the 8.75% OPR, limits room for further rate cuts. Sri Lanka's USD100 mn Domestic Dollar Bond opens on 19 Oct'26, offering 1-, 2- and 3-year tenures at competitively determined fixed rates, with a USD10k minimum investment for eligible local & foreign investors and Licensed commercial banks, eligible specialized banks and NBFIs.

Sources: Ambeon Research, CBSL, CSE, News articles

Key rates: a year ago vs week to 16 Oct 2026 (%)



Money and credit growth, Aug 2025 vs Aug 2026 (% YoY)



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REAL SECTOR

Prices, output and activity (latest months)

Industrial Production IIP Aug 2026

99.7

Up from 98.4 in Aug 2025



CCPI inflation, Sep 2026 (YoY)

8.0%

Core 5.4%



GDP growth, Q2 2026 (YoY)

4.2%

vs 5.0% in Q2 2025



PMI Manufacturing / Services, Sep'26

53.0 / 60.5

Both above 50



Inflation **8.1%** NCPI, **8.0%** CCPI (Aug / Sep 2026)



Industrial output **+1.3%** YoY (Aug 2026)



PMI **53.0** Manufacturing, **60.5** Services (Sep 2026)



Production (Mn Kg) Tea: **-3.7%YoY**, Rubber: **-2.2% YoY** (Aug 2026)



Unemployment **4.0%** (Q2 2026)



Wage Rate Index: informal private **+9.9% YoY**, public **+5.0% YoY** (Aug 2026)

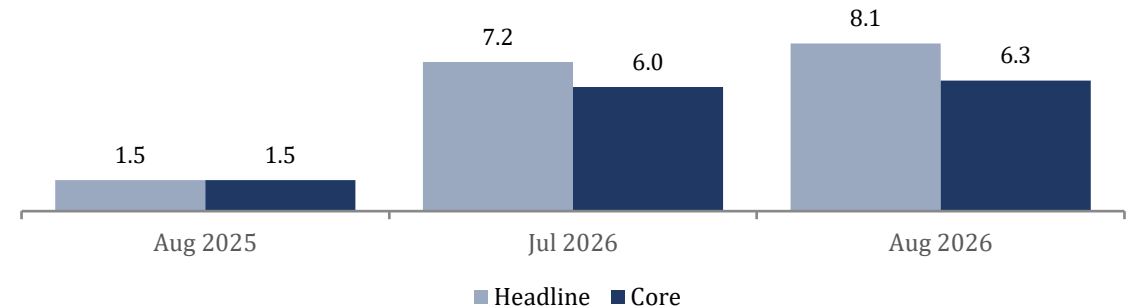


AMBEON VIEW

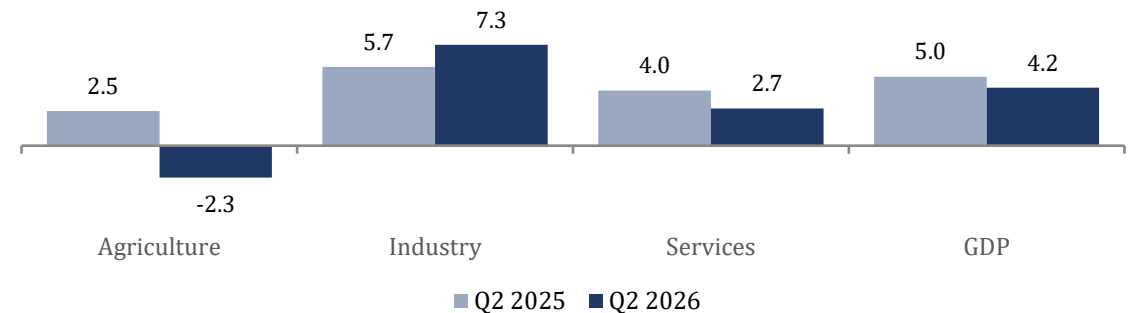
The rise in NCPI inflation to 8.1% and the slowdown in Q2 2026 GDP growth to 4.2% were witnessed, while September PMIs above 50 indicated resilient economic activity. Meanwhile oil and food prices likely to remain in key focus.

Sources: Ambeon Research, CBSL, CSE, News articles

NCPI inflation, YoY: Aug 2025, Jul 2026, Aug 2026 (%)



GDP growth by sector, Q2 2025 vs Q2 2026 (% YoY)



SRI LANKA: THE WEEK IN NEWS

Budget 2027, giveaways and reforms (7-16 Oct 2026)



BUDGET 2027E



Appropriation Bill tabled; Budget speech due 12 Nov, final vote 14 Dec (7 Oct)



Recurrent spend Rs 3,240 bn (over 20% higher); capex Rs 1,753 bn (-5.4%) (Bill, 7 Oct)



Public pay bill to add Rs 330 bn in 2027E, in three stages (8 Oct)



Focus on rural empowerment; collateral-free loans at Rs 18 bn so far (12 Oct)



GIVEAWAYS & RELIEF



Teachers' starting pay Rs 65,000, doctors' Rs 94,000 from Jan 2027 (11 Oct)



121,000 new public sector recruits planned (teachers, police, GN officers) (11 Oct)



Diesel subsidy Rs 70/litre, Oct-Dec; cost about Rs 41 bn (12 Oct)



VAT cuts planned within 2-3 years; no new rates announced yet (8 Oct)



REFORMS & OUTLOOK



East Container Terminal to be run by a company with private shares (14 Oct)



Two grid lines to be built privately, ending CEB transmission monopoly (14 Oct)



Open to a new IMF programme if it backs growth; current EFF ends in ~6 months (14 Oct)



IMF WEO: GDP 4.0% (2026), 3.7% (2027); inflation 5.3% (2026) (13 Oct)



AMBEON VIEW

Pay rises (+Rs. 330 bn) and diesel subsidies support consumer spending but increase government expenditure. The 12 November Budget and the next IMF program will be key to determining future bond yields and rupee movements.