



FISCAL MANAGEMENT REPORT 2023

**Ministry of Finance, Economic Stabilization and National Policies
Sri Lanka**

November 14, 2022



FISCAL MANAGEMENT REPORT – 2023

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Minister of Finance, Economic Stabilization and National Policies, Sri Lanka

November 14, 2022

Issued under the Fiscal Management (Responsibility) Act, No. 3 of 2003, consisting of the Fiscal Strategy Statement – 2023 (in compliance with Sections 4, 5 and 6) and the Budget, Economic and Fiscal Position Report – 2023 (in compliance with Sections 7, 8 and 9) by the Hon. Minister of Finance, Economic Stabilization and National Policies.

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2021	2022
REAL SECTOR				
Economic Growth	First Half	%	9.3	-4.8
Agriculture	First Half	%	8.8	-7.6
Industry	First Half	%	12.4	-7.1
Services	First Half	%	5.6	-0.6
Inflation (Point to Point) – CCPI	End Oct	%	7.6	66.0
Inflation (Average) – CCPI	End Oct	%	4.8	38.3
Unemployment Rate	2nd Quarter	%	5.1	4.6
Labour Force Participation Rate	2nd Quarter	%	49.8	50.1
FISCAL SECTOR				
Budget Deficit	Jan-Sep	Rs. Bn.	-1,328	-1,244
Total Revenue	Jan-Sep	Rs. Bn.	1,051	1,448
Tax Revenue	Jan-Sep	Rs. Bn.	952	1,283
Non Tax Revenue	Jan-Sep	Rs. Bn.	99	165
Total Expenditure	Jan-Sep	Rs. Bn.	2,380	2,695
Recurrent Expenditure	Jan-Sep	Rs. Bn.	2,087	2,300
Public Investment	Jan-Sep	Rs. Bn.	305	418
Government Debt	End June	Rs. Bn.	16,565	24,264
EXTERNAL SECTOR				
Exports	Jan-Sep	USD Mn.	8,938	9,981
Agricultural Exports	Jan-Sep	USD Mn.	1,987	1,940
Industrial Exports	Jan-Sep	USD Mn.	6,903	8,001
Textile and Garments	Jan-Sep	USD Mn.	3,893	4,577
Other	Jan-Sep	USD Mn.	3,010	3,424
Imports	Jan-Sep	USD Mn.	14,938	14,085
Consumer Goods	Jan-Sep	USD Mn.	2,890	2,147
Intermediate Goods	Jan-Sep	USD Mn.	8,791	9,497
o/w Petroleum Products	Jan-Sep	USD Mn.	2,597	3,694
Investment Goods	Jan-Sep	USD Mn.	3,249	2,433
Trade Balance	Jan-Sep	USD Mn.	-5,999	-4,104
Tourist Arrivals	Jan-Oct	No.	60,695	568,258
Earnings From Tourism	Jan-Oct	USD Mn.	158.2	1,022
Workers' Remittances	Jan-Oct	USD Mn.	4,895	2,929
Portfolio Investments – (Net)	Jan-Aug	USD Mn.	-181.3	97.2
Overall Balance of Payments (BOP)	Jan-Sep	USD Mn.	-2,573	-2,927
Gross Official Reserves	End Sep	USD Mn.	2,704	1,777
Exchange Rate (End Month)	End Oct	Rs. per USD	201.9	363.3
Exchange Rate (Monthly Average)	Jan- Oct	Rs. per USD	201.1	363.1
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End Oct	%	5.00	14.50
Standing Lending Facility Rate (SLFR)	End Oct	%	6.00	15.50
Statutory Reserve Requirement (SRR)	End Sep	%	4.00	4.00
Commercial Bank Average Weighted Prime Lending Rate (AWPLR)	End Sep	%	6.42	25.95
W.A. Yield Rate of Treasury Bills (91 Days)	End Sep	%	6.70	31.94
W.A. Yield Rate of Treasury Bills (364 Days)	End Sep	%	7.01	29.85
Growth in Money Supply (M _{2b})	Sep 2021/Sep 2022	%	18.2	14.9
Growth in Credit to the Private Sector	Sep 2021/Sep 2022	%	13.8	11.0

Reporting Requirements
Under the Fiscal Management (Responsibility) Act, No. 3 of 2003

Section	Requirement	Required Contents	Compliance
Sections 4, 5 and 6	Submission of the Fiscal Strategy Statement*	Fiscal Strategy Statement to increase public awareness of the Government's fiscal policy and establish standards for evaluating the conduct of the Government's fiscal strategy.	To be released to the public and laid before Parliament on the day of the second reading of the Appropriation Bill.
Sections 7, 8 and 9	Submission of the Budget, Economic and Fiscal Position Report *	The Budget, Economic and Fiscal Position Report to set out the basis to evaluate the Government's fiscal performance as against its fiscal strategy.	To be released to the public and placed before Parliament on the day of the second reading of the Appropriation Bill.
Sections 10, 11 and 12	Submission of the Mid-year Fiscal Position Report *	Mid-year Fiscal Position Report to provide updated information of the Government's fiscal performance pertaining to the first four months of the relevant year, to enable an evaluation of the same against the Government's fiscal strategy.	To be released to the public by the last day of June or prior to the lapse of 6 months from the date of passing of the Appropriation Act, whichever is later; and to be placed before the Parliament within two weeks from the date of such release.
Sections 13, 14 and 15	Submission of the Final Budget Position Report (Annual Report) *	Final Budget Position Report (Annual Report) to provide updated information of the Government's fiscal performance pertaining to the relevant financial year, to enable an evaluation of the same against the Government's fiscal strategy.	To be released to the public within five months from the end of the Financial Year and placed before Parliament within two weeks from the date of such release.
Sections 16, 17, 18 and 19	Submission of Pre-election Budgetary Position Report **	Pre-election Budgetary Position Report to provide updated information of the fiscal position of the country.	To be released to the public within three weeks of the publication of the proclamation order requiring the holding of a general election for the election of Members of Parliament and placed before Parliament within two weeks of the first sitting of the new Parliament.

* By the Minister of Finance

** By the Secretary to Ministry of Finance

Compliance – 2022

- **Final Budget Position Report – Annual Report – 2021 of the Ministry of Finance, Economic Stabilization and National Policies**

Status of the fiscal and economic position of 2021 was released to the public by end May 2022 and was placed before Parliament on June 22, 2022.

- **Mid-Year Fiscal Position Report – 2022**

Status of the fiscal and economic position of first four months of 2022 was released to the public by end June 2022 and was placed before Parliament on July 21, 2022.

This Fiscal Management Report – 2023 contains:

- **Fiscal Strategy Statement – 2023**

This part presents the Government's fiscal strategy statement indicating the broad strategic priorities specifying key fiscal measures, which the Government considers important for the overall fiscal policy and to be placed before Parliament on the day of the second reading of the Appropriation Bill.

- **Budget, Economic and Fiscal Position Report – 2023**

This part describes the basis to evaluate the Government's fiscal performance as against its fiscal strategy, with estimates relating to Government revenue, expenditure and Government borrowing etc., and to be placed before Parliament on the day of the second reading of the Appropriation Bill.

PART I

Fiscal Strategy Statement – 2023

Issued by the Hon. Minister of Finance, Economic Stabilization and National Policies

Under Sections 4, 5 and 6 of the Fiscal Management (Responsibility)

Act, No. 3 of 2003

This report is issued under Sections 4, 5 and 6 of the Fiscal Management (Responsibility) Act, No. 3 of 2003 where the Minister of Finance is required to present the Fiscal Strategy Statement of the Government to the public and also lay before Parliament on the day of the second reading of the Appropriation Bill in Parliament.

This report explains the broad strategic priorities on which the budget is based while specifying the key fiscal measures which the Government considers important in view of the strategy and the overall fiscal policy to be implemented.

Medium-Term Fiscal Strategy | 01

1.1 Overview

Sri Lanka is currently emerging from an unprecedented level of macroeconomic crisis. The economy is crippled by numerous headwinds including the 'twin deficit syndrome'—a simultaneous chronic current account deficit in the Balance of Payments and fiscal deficit in the fiscal sector— and extraordinary tax cuts in end 2019 exacerbated the fiscal deficits and necessitated excessive monetary financing. On top of these domestic policy driven challenges, exogenous shocks including the Covid-19 pandemic and the Ukraine-Russia conflict further exposed these vulnerabilities as key external inflows such as tourism and remittances dramatically reduced. As a result, Sri Lanka has seen a rapid depletion of usable reserves to near zero levels, historically high inflation, sharp rupee depreciation and a major contraction in economic growth this year. GDP saw a contraction in the first half of 2022 of 4.8 percent from the sharp growth of 9.3 percent in the first half of 2021. The poor and vulnerable have been the most adversely affected by these adverse economic developments.

Government cash flow was severely affected as expenditure outpaced revenue growth resulting in debt increasing beyond already elevated levels. The government debt remains unsustainable which has caused the government to announce a debt standstill for the repayments of foreign debt obligations until the progress with creditors for the treatment of debt appropriately. However, there are initial signs of economic stabilisation and potential recovery in the second half of 2022. Monetary financing has been contained, the external sector has been stabilised through aggressive policy measures to contain imports, and the pace of inflation reduced in October.

The government announced long-neglected and essential reforms in the fiscal sector with the increase of tax rates and broadening tax bases while also rationalizing government expenditure. The government sought assistance from the International Monetary Fund (IMF) through an Extended Fund Facility (EFF) to lay the foundation for macroeconomic stability and debt sustainability along with comprehensive structural reforms in

key spheres of the economy. A staff-level agreement with the IMF was reached in September 2022 on a macroeconomic adjustments programme. The government has already implemented or announced several key reforms including tax adjustments under the IMF-EFF programme and several reforms to be implemented in the future to stabilize the economy.

Sri Lanka's real GDP is expected to contract significantly by 8.7 percent in 2022 and a further by 3.0 percent in 2023, according to the World Economic Outlook issued in October 2022 by the IMF. The slowdown of Chinese economy, linger effects of the conflict between Russia and Ukraine, and the rising global inflation and global monetary tightening will add further headwinds to Sri Lanka's domestic economic recovery. The IMF expects that global economic growth will be closer to 3.2 percent in 2022 and will slow down further to 2.7 percent in 2023.

After the record of more than 10 percent of budget deficits in 2020 and 2021, the budget deficit is expected to be contained to a single-digit level of around 8.0 percent of GDP in 2022 with revenue-based fiscal consolidation efforts commencing from June 2022. The central government debt in 2021 was Rs. 17,590 billion or 99.5 percent of GDP of which 36.9 percent was foreign currency-denominated debt. Outstanding Central government debt has increased by 37.9 percent to Rs. 24,264.4 billion by the end of June 2022 from Rs. 17,589.4 billion as of the end of 2021. At the end of June 2022, the total outstanding domestic debt increased by 14.8 percent to Rs. 12,738.5 billion while the rupee value of total outstanding foreign debt increased by 77.5 percent to Rs. 11,525.9 billion.

The Sri Lankan rupee depreciated over 70 percent during January-May 2022, after the Central Bank of Sri Lanka announced the relaxation of the currency peg on March 07, 2022. The Central Bank announced a middle rate and a variation of margin of the interbank weighted average spot exchange rate effective from May 13, 2022 to curtail the volatility in the intraday exchange rate which has helped significantly reduce the gap between the official and grey market exchange rates.

In mid-2022, the government implemented several revenue-based fiscal consolidation measures to mitigate the pressures evident in the fiscal deficit. The positive outcomes of the several revenue measures are yet to be realized, although there has been some improvement in revenue collection in recent months. The government implemented revenue enhancing measures including the imposition of Surcharge Tax and Social Security Contribution Levy, increased VAT rate from 15 percent to 18 percent on financial services, and increasing standard VAT rate from 8 percent to 12 percent effective from June 01, 2022 and to 15 percent effective from September 01, 2022 and the increase of Telecommunication Levy from 11.25 percent to 15 percent. The government announced a progressive tax reform package in 2022. This package announces: (i) increasing the marginal Personal Income Tax (PIT) rate schedule, raising the top marginal rate to 36 percent and reducing the tax-free threshold to Rs. 1.2 million per year of assessment, with the tax rate rising by 6 percentage points for every Rs. 500,000 above this allowance up to the rate; (ii) reintroduction of non-final withholding taxes on all payments other than dividends and introduce final withholding tax for dividends; (iii) unifying Corporate Income Tax (CIT) rate of 30 percent while removing all sector specific CIT exemptions; and (iv) lowering the VAT registration threshold to Rs. 80 million per annum from Rs. 300 million per annum.

The government revenue increased in the first nine months of 2022 reflecting several policy measures implemented in 2022 combined with the positive revenue impacts of high inflation and sharp depreciation of the rupee. Total government revenue notably increased by 37.9 percent in the first nine months of 2022 to Rs. 1,448.5 billion, compared to Rs. 1,050.8 billion in the same period of 2021 benefiting from the significant increase in both the tax and non-tax revenue. This marks a realization of 69.5 percent of the annual revenue estimate of Rs. 2,084 billion for 2022. In the first nine months of 2022, tax revenue significantly increased by 34.8 percent to Rs. 1,283.4 billion while non-tax revenue increased by 66.8 percent to Rs. 165.1 billion.

In parallel to the revenue enhancing measures,

rationalization of government expenditure continued with the issuance of Budget Circular No. 04/2022 in April 2022 to curtail non-urgent capital expenditure and recurrent expenditure on new recruitments and overtime, among other measures specified in the Circular. The government expenditure increased moderately by 13.2 percent to Rs. 2,694.8 billion in the first nine months of 2022, compared to Rs. 2,380.4 billion in the same period of 2021. The recurrent expenditure, increased by 10.2 percent to Rs. 2,300.2 billion in the first nine months of 2022, compared to Rs. 2,087.3 billion in the same period of 2021. The recurrent expenditure during the period increased considerably due to the increase in additional welfare expenditure measures to provide relief for the poor and vulnerable segments of society. In addition, interest expenditure increased reflecting the increased domestic interest rates while high inflation and rupee depreciation has resulted in the rise in expenditure on goods and services.

The fiscal deficit in nominal terms was contained at Rs. 1,244.4 billion in the first nine months of 2022 from Rs. 1,328.2 billion in the same period of 2021 benefiting from the growth of revenue outpacing the growth of expenditure during the period. As such, the primary deficit narrowed to Rs. 317.0 billion in the first nine months of 2022 from Rs. 495.2 billion in the same period of 2021, the enhanced revenue is expected to achieve a primary deficit target of Rs. 954.0 billion in 2022. However, arrears of payments as at end September, 2022 of Rs. 219 billion and delayed receipts of revenue flow would exert pressure on the achievement of the fiscal target.

The government relied entirely on domestic sources in financing the deficit due to the limited access to global financial markets. Net domestic financing to fill the fiscal deficit amounted to Rs. 1,303.5 billion and net foreign financing was a repayment of Rs. 59.1 billion in the first nine months of 2022.

In this context, as announced in the Interim Budget 2022, it is important to formulate a macroeconomic path towards enhancing growth through productivity and competitiveness, backed by export-oriented foreign direct investment, underpinned by

fiscal and monetary discipline, while ensuring equitable outcomes by protecting the most vulnerable sections of society. In addition, managing expenditures within the framework of a reasonable revenue stream with a sustainable debt position would reduce the debt burden for future generations. It is necessary to fast track the implementation of tax reforms that have already been announced for fiscal consolidation, combined with a rationalization of expenditure, whilst ensuring public investment in critical and priority areas. In addition, restructuring State-Owned Business Enterprises (SOBEs) while strengthening their financial position would further reduce the burden on the General Treasury.

1.2 Fiscal Strategy in the Medium Term

The fiscal operations of the Government are framed by the Fiscal Management (Responsibility) Act, No. 3 of 2003 and subsequent amendments to the Act, which provide a legal framework to phase out fiscal deficits and associated debt, to support the broad-based development objectives. The Government's major medium term fiscal objectives primarily are geared toward revenue based fiscal consolidation while protecting the most vulnerable communities. The government is committed to achieving a primary surplus of more than 2.0 percent of GDP by 2025 and thereafter with the reforms introduced in 2022 to enhance revenue. To achieve the target, the primary deficit of 2022 is fixed at 4.0 percent of GDP and is expected to be improved in 2023 to a deficit of 0.7 of GDP.

The fiscal position must be further strengthened while rationalizing and managing expenditure responsibly in the medium term on a path to recovery from the present challenging context. The social safety net programme provided to households will be streamlined by adopting an objective and transparent criterion for the selection of beneficiaries, thereby enabling more substantive support to those who are deserving. The fiscal space will be expanded in the medium term enabling more public investment paving way for economic growth in an equitable and sustainable manner. The country has been postponing the achievement of fiscal targets for many years.

This has made the legislative framework for fiscal responsibility ineffective. The plans to strengthen this framework and make fiscal rules binding with the introduction of the Public Financial Management Act is expected to be enacted in 2023.

1.2.1 Fiscal Strategy

The fiscal strategy of the government is geared towards achieving fiscal sustainability while strengthening fiscal discipline for transparency and accountability. To achieve this commitment, the government is primarily focused on revenue based fiscal consolidation supported by institutional developments and cost-reflective pricing in fuel and electricity. This will be accompanied by a well-defined social safety net programme while targeting welfare programmes for the neediest based on defined selection criteria. Debt sustainability is expected to be assured with the debt restructuring programme. Price stability is expected to be assured while rebuilding reserves under flexibility in the exchange rate. The economic growth potential is expected to be unlocked with growth enhancing reforms and assuring financial stability while enhancing governance and mitigating corruption vulnerabilities.

The fiscal path for 2023–2027 and the macroeconomic direction are detailed below:

Fiscal Path:

- Generating a material primary surplus of exceeding 2 percent of GDP by 2025 in the government budget in the medium term through strong revenue based fiscal consolidation adjustments including strengthening tax administration combined with rationalization of expenditures. The expected primary deficit of 4.0 percent of GDP in 2022 will be improved to 0.7 percent of GDP in 2023 and a primary surplus is expected in 2024 and thereafter.
- Enhancing revenue to GDP ratio to at least 15 percent of GDP in the medium term with appropriate tax policy and tax administration measures.
- Containing the non-interest recurrent expenditure through the rationalization and management of expenditure while improving the quality of expenditure to

increase fiscal space for development activities.

- Increasing allocation of funds and enhancing targeting of such funds for the most vulnerable segments of the society to uplift their livelihoods under the social safety net programme.
- Ensuring a robust selection and prioritization of public investment to ensure sustainable and equitable economic growth with a focus investment in areas such as education, healthcare, public transportation, digitalization and sustainable energy, among others.
- Improving the financial viability, competitiveness and governance of the State Owned Enterprises (SOEs) including those related to energy, water, transport, and aviation sectors through a well-managed restructuring process combined with the continuation of the cost-reflective pricing mechanism for fuel and electricity to curtail the fiscal risks arising due to SOE losses.
- Formulating a sustainable debt management strategy to reduce and maintain the debt to GDP ratio at a prudent level while establishing a Public Debt Management Agency (PDMA) to improve debt management and transparency.

Macroeconomic Path:

- Enable economic recovery by 2023 and achieve economic growth over 3.5 percent by 2024 while enhancing the growth over 5.0–6.0 percent over the period ahead with required structural adjustments
- Introducing growth enhancing structural reforms to remove bottlenecks to high, sustainable and equitable growth
- Maintaining unemployment below 5.0 percent through appropriate reforms to enhance labour market conditions
- Reverting to single digit inflation to restore price stability and ensuring a moderate real interest rate in the medium term
- Maintaining a stable exchange value of the rupee within a market-based framework and rebuilding international reserves

- Ensuring a healthy capitalized banking system in the medium term while strengthening financial sector supervision
- Improving governance and implementing anti-corruption reforms

The fiscal strategy is framed to support strong and sustainable private sector-led export-oriented and investment-led economic growth. Revenue administration will be strengthened through increased tax compliance, enhancing fiscal transparency and governance, tax audits and digitalization of processes through infused technology. In addition, various digital platforms such as the Revenue Administration Management Information System (RAMIS) at the Inland Revenue Department, the proposed Single Window System at the Sri Lanka Customs, the Revenue Administration System at Excise Department and the Integrated Treasury Management Information System (ITMIS) at the Treasury will be strengthened.

A comprehensive strategy will be developed to restructure all SOEs in particular, Ceylon Petroleum Corporation and Ceylon Electricity Board to make them financially viable ventures. In addition, a Statement of Corporate Intent (SCI) will be introduced to SOEs as a mandatory to enhance their financial transparency while Key Performance Indicators (KPIs) will be introduced to such entities to assure accountability.

Public financial management including fiscal rules, budget formulation, government procurement and public debt management, among others, will be strengthened. Growth enhancing structural, institutional, legislative, and administrative reforms are expected to be implemented in the areas of trade liberalization, labour market, human capital including health and education, foreign direct investment, public sector, SOEs, climate change, digitalization and law and order.

1.2.2 Medium-Term Macro Fiscal Framework (MTMFF)

The Medium-Term Macro Fiscal Framework (MTMFF) presented along with the Interim Budget 2022 has been revised with the inclusion of current economic developments.

In line with the MTMFF, the government's priorities for 2023–2027 are;

- Increasing revenue to GDP ratio to 15 percent in 2025 and at least maintaining the above or higher thereafter.
- Rationalizing expenditure to less than 20 percent of GDP, whilst ensuring expenditure is allocated appropriately to priority areas including health, education, public transport, and social protection.
- Containing the budget deficit to less than 5 percent of GDP by 2025 and further reduce it to 4.7 percent by 2027.
- Achieving a primary surplus of more than 2 percent by 2025 and beyond.
- Reducing the central government debt to GDP ratio at a sustainable level.

The realization of the medium-term path depends on the progress of the hitherto neglected structural reforms in every sphere of the economy. Major reforms in the fiscal sector have already been announced and are ready to be implemented in the near term. Economic stabilisation measures that have already been taken will improve confidence and will attract financial assistance from bilateral and multilateral development partners. The successful progress of the debt restructuring process and ensuring debt sustainability are expected to receive more funding for future development. The progress of structural adjustments made to the fiscal, monetary, external and financial sector will improve the stability in the economy in the near term while paving the way towards achieving a higher growth trajectory in the medium to long term.

Table 1.1: Medium Term Macro Fiscal-Framework from 2022 to 2027

Indicator	As a percentage of GDP						
	2021 Provisional	2022 Revised Est.	2023 Estimate	Projections			
				2024	2025	2026	2027
Total Revenue and Grants	8.3	8.8	11.3	13.5	15.0	15.1	15.2
Total Revenue	8.2	8.7	11.3	13.5	15.0	15.0	15.1
Tax Revenue	7.3	7.8	10.3	12.6	14.1	14.1	14.1
Non-Tax Revenue	0.9	1.0	0.9	0.9	0.9	0.9	1.0
Grants	0.04	0.04	0.02	0.04	0.04	0.04	0.04
Total Expenditure	19.9	18.6	19.2	19.9	20.0	19.9	19.9
Recurrent Expenditure	15.5	15.2	15.2	15.3	15.6	15.4	15.3
Capital Expenditure and Net Lending	4.4	3.4	4.0	4.5	4.5	4.5	4.5
Public Investments	4.5	4.5	4.0	4.5	4.5	4.5	4.5
Current Account Surplus (+)/Deficit (-)	-7.3	-6.4	-4.0	-1.8	-0.6	-0.4	-0.2
Primary Surplus (+)/Deficit (-)	-5.7	-4.0	-0.7	0.8	2.3	2.3	2.3
Budget Surplus (+)/Deficit (-)	-11.6	-9.8	-7.9	-6.3	-5.0	-4.9	-4.7

Sources : Department of Fiscal Policy and Department of National Budget

PART II

Budget, Economic and Fiscal Position Report – 2023

**Issued by the Hon. Minister of Finance, Economic Stabilization and National Policies
Under Sections 7, 8 and 9 of the Fiscal Management (Responsibility) Act, No. 3 of 2003**

This Report is issued under Sections 7, 8 and 9 of the Fiscal Management (Responsibility) Act, No. 3 of 2003, which requires the provision of a basis for the evaluation of the Government's fiscal performance as against its fiscal strategy statement and to be placed before Parliament on the day of the second reading of the Appropriation Bill. It includes estimates relating to gross domestic product, consumer prices, balance of payments, and assumptions based for estimating revenue and expenditure.

Accordingly, this Report contains provisional figures of government revenue, expenditure and borrowing in the first nine months of 2022. This Report provides key macroeconomic developments during this period to facilitate the understanding of the overall economic situation within which fiscal operations have been conducted. This Report also refers to the basis of information on economic and other assumptions used in preparation of estimates for 2023 and downside risks associated with these assumptions and other information that may have a material effect on the fiscal performance of Government.

**Fiscal Developments,
Treasury Operations and
Foreign Financing**

01

1.1 Overview

The fiscal sector suffers from structural weaknesses with the outpacing of expenditure over revenue covering only half of the recurrent expenditure from the revenue, non-discretionary recurrent expenditure and concerns over the public spending efficiency and productivity, which are alarmingly warranted a revenue-based fiscal consolidation through strengthening income taxes and Value Added Taxes (VAT) through the increase of rates, broadening of tax bases, enhancing tax compliance and improving tax administration.

The Government has taken corrective measures to enhance government revenue in 2022 which have been successful as demonstrated in the revenue performance in the first nine months of 2022. Benefiting from the expenditure circulars issued in April and August, 2022 to control expenditure, total government expenditure increased moderately in the first nine months of 2022. However, deficit financing has become challenging given the limited access to external financing hence, the entire financing on net basis has been met through domestic sources in particular, costly with the Central Bank's financing. In this context, the Government while taking necessary steps to secure financing under an Extended Fund Facility of the International Monetary Fund (IMF), has been exploring alternative bridging financing to alleviate immediate fiscal pressures. In addition, key reforms including revenue enhancement, expenditure rationalization and restructuring of State Owned Enterprises (SOEs) are to be introduced in the near to medium term to strengthen the government fiscal operations.

Total government revenue increased by 37.9 percent to Rs. 1,448.5 billion in the first nine months of 2022, compared to Rs. 1,050.8 billion recorded in the same period of 2021 stemming from the significant increase in both tax and non-tax revenue. Realization of the total government revenue was 69.5 percent in the first nine months of 2022 as against the annual estimate of Rs. 2,084.0 billion.

The tax revenue increased by 34.8 percent to Rs. 1,283.4 billion mainly due to the receipts

of the one-off Surcharge Tax. The notable increase in tax revenue from income tax by 106.1 percent to Rs. 431.8 billion, VAT by 38.6 percent to Rs. 310.5 billion, Excise duty on liquor and cigarettes by 32.4 percent to Rs. 207.2 billion, and Ports and Airports Development Levy (PAL) by 18.7 percent to Rs. 135.4 billion helped surge total government revenue. In the same vein, non-tax revenue increased significantly by 66.8 percent to Rs. 165.1 billion during the first nine months of 2022 reflecting the increase of sales and charges and Central Bank profit transfers.

The revenue generated from domestic consumption-based taxes increased by 38.1 percent to Rs. 401.0 billion in the first nine months of 2022, compared to Rs. 290.5 billion recorded in the same period of 2021. This was mainly due to the increase in VAT on domestic activities by 44.7 percent to Rs. 193.8 billion. Meanwhile, revenue from the tax on liquor increased by 32.2 percent to Rs. 124.6 billion reflecting the increase in excise duty rates on liquor introduced by the Budget 2022 and the successful implementation of the security features and security features management system with effect from January 2022. Revenue generated from cigarettes increased by 32.6 percent to Rs. 82.6 billion in the first nine months of 2022 due to the revision of excise duty on cigarettes in November 2021.

Revenue from import-based taxes increased slightly by 3.3 percent to Rs. 425.6 billion in the first nine months of 2022, compared to Rs. 411.9 billion recorded in the same period of 2021 mainly due to the increase in import-based VAT by 29.5 percent to Rs. 116.7 billion and increase in Ports and Airports Development Levy (PAL) by 18.7 percent to Rs. 135.4 billion amidst the contraction in tax collection by Customs Import Duty (CID) and Special Commodity Levy (SCL). Revenue from CID declined considerably by 29.4 percent to Rs. 36.6 billion in the first nine months of 2022 mainly due to the import restrictions imposed by the Government as a response to the foreign exchange crisis. Revenue collection from SCL also declined considerably by 30.5 percent to Rs. 29.2 billion in the same period of 2022 due to the downward revisions of SCL rates on selected commodities to provide a cushion for stabilising domestic prices. Revenue collected from Commodity

Export Subsidy Scheme (CESS) Levy also fell marginally by 6.5 percent to Rs. 52.8 billion in the first nine months of 2022.

Non-tax revenue increased by 66.8 percent to Rs. 165.1 billion in the first nine months of 2022 due to the increase in sales and charges by 214.6 percent, Central Bank profit transfers by 99.9 percent, rent income by 38.6 percent and profit and dividends from State Owned Enterprises by 17.0 percent.

Several measures were taken to strengthen tax administration to increase tax compliance while mitigating tax evasion along with other tax policy reforms. Consequently, the improved Revenue Management Information System (RAMIS) at Inland Revenue Department (IRD), the "Single Window" system at Sri Lanka Customs (SLC) and Integrated Treasury Management Information System (ITMIS) at the General Treasury are expected to ensure efficient management of government resources. The fiscal strategy on improving the financial discipline of the SOEs is expected to reduce pressure on public finance. 36 SOEs contributed to non-tax revenue by paying dividends and levies of Rs. 17.8 billion while 31 SOEs recorded a profit before tax of Rs. 134.9 billion in the first eight months of 2022.

The government expenditure increased moderately by 13.2 percent to Rs. 2,694.8 billion in the first nine months of 2022, compared to Rs. 2,380.4 billion in the same period of 2021. The recurrent expenditure increased by 10.2 percent to Rs. 2,300.2 billion in the same period. The increased interest payments by 11.3 percent to Rs. 927.4 billion and the increased salaries and wages by 12.5 percent to Rs 714.3 billion were attributed to this surge. Capital and net lending has increased by 34.6 percent to Rs. 394.6 billion in the first nine months of 2022. Public investment has increased by 36.8 percent to Rs. 417.5 billion in the same period particularly with the expenditure on infrastructure development in priority areas of highways, water supply, irrigation and transport sectors.

The current account deficit improved during the first nine months of 2022 with a record of Rs. 851.7 billion, compared to Rs. 1,036.6 billion in the first nine months of 2021. The overall budget deficit contained to Rs. 1,244.4 billion during the first nine months of 2022 compared to Rs. 1,328.2 billion in the same period of 2021. The primary balance is estimated to maintain a deficit of 4.0 percent of GDP in 2022, compared to the deficit of 5.7 percent of GDP recorded in 2021.

Table 1.1: Summary of Fiscal Operations

Item	Rs. Million	
	Jan-Sep	
	2021	2022 ^(a)
Revenue and Grants	1,052,175	1,450,381
Revenue	1,050,758	1,448,482
Tax	951,751	1,283,368
Non-Tax	99,007	165,114
Grants	1,417	1,899
Expenditure	2,380,412	2,694,788
Current	2,087,309	2,300,171
Salaries	634,746	714,280
Interest Payments	832,992	927,366
Other	619,572	658,525
Public Investments	305,171	417,527
Other	-12,069	-22,910
Revenue Deficit (-)/Surplus (+)	-1,036,552	-851,689
Overall Budget Deficit (-)/Surplus (+)	-1,328,237	-1,244,407
Financing	1,328,237	1,244,407
Foreign Financing (Net)	-124,745	-59,125
Domestic Financing (Net)	1,452,981	1,303,531

Source : Department of Fiscal Policy
(a) Provisional

Table 1.2: Estimated and Actual Revenue and Expenditure – 2022

Rs. Billion			
Item	Annual Estimated	Jan-Sep Actual ^(a)	Deviation
Total Revenue	2,084.0	1,448.5	-635.5
Tax Revenue	1,852.0	1,283.4	-568.6
Inland Revenue Department			
Taxes on Income and Profit	558.0	431.8	-126.2
Value Added Tax (VAT) – Domestic (Net)	317.0	193.8	-123.2
Other	40.0	7.6	-32.4
Sub Total	915.0	633.2	-281.8
Sri Lanka Customs Department			
Customs Import Duty	42.0	36.6	-5.4
Value Added Tax – Imports (Net)	216.0	116.7	-99.3
Ports & Airports Development Levy	177.0	135.4	-41.6
CESS Levy	68.0	52.8	-15.3
Special Commodity Levy & Other	35.1	29.4	-5.7
Excise (Special Provisions) Duty	189.0	137.5	-51.5
Cigarettes	110.0	82.6	-27.4
Petroleum Products	55.0	36.7	-18.4
Motor Vehicles and Others	24.0	18.2	-5.8
Sub Total	727.1	508.4	-218.8
Excise Department			
Liquor/Tobacco	185.0	124.6	-60.4
Sub Total	185.0	124.6	-60.4
Other			
Telecommunication Levy	16.0	10.7	-5.3
Licence Tax & Other	8.8	6.5	-2.3
Sub Total	24.8	17.2	-7.6
Non-Tax Revenue	232.0	165.1	-66.9
Total Expenditure	4,427.4	2,694.8	-1,732.6
Current Expenditure	3,620.0	2,300.2	-1,319.8
Salaries and Wages	994.5	714.3	-280.2
Interest Payments	1,379.4	927.4	-452.0
Pension Payments	318.0	228.6	-89.4
Transfers to Public Corporations & Institutions	121.3	71.9	-49.4
Other	806.9	358.0	-448.9
Capital Expenditure and Net Lending	807.4	394.6	-412.8

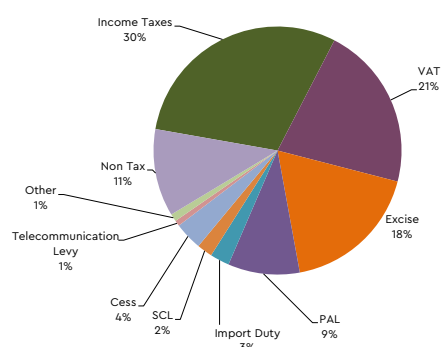
Sources : Department of Treasury Operations and Department of Fiscal Policy
(a) Provisional

1.2 Government Revenue

Total government revenue increased significantly by 37.9 percent to Rs. 1,448.5 billion in the first nine months of 2022, compared to Rs. 1,050.8 billion recorded in the same period of 2021. The realization of revenue collection in the first nine months of 2022 amounted to 69.5 percent of the revised estimate.

The surge in revenue was due mainly to the increase in tax revenue by 34.8 percent to Rs. 1,283.4 billion in the first nine months of 2022, compared to Rs. 951.8 billion in the same period of 2021. The collection of tax

Figure 1.1: Composition of Total Revenue from January to September 2022

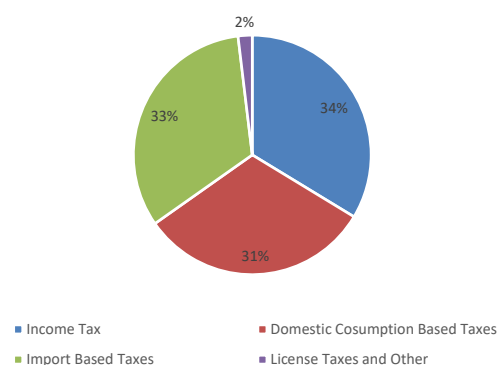


Source: Department of Fiscal Policy

revenue contributed to 88.6 percent of the total revenue, while realizing 69.3 percent of the revised estimate for 2022.

Income tax revenue increased by 106.1 percent to Rs. 431.8 billion in the first nine months of 2022 from Rs. 209.5 billion in the same period of 2021. This was notably attributable to the receipt of Rs. 120.7 billion from the Surcharge Tax, which was levied on individuals and companies whose taxable income exceeded Rs. 2,000 million for the year of assessment of 2020/21 at a rate of 25 percent, as a one-off tax to uplift the revenue as a temporary measure. In addition, revenue collected from personal and corporate taxes increased by 16.4 percent and 46.1 percent, respectively.

Figure 1.2: Tax Revenue by Sources from January to September 2022



Source: Department of Fiscal Policy

Table 1.3: Summary of Performance of Government Revenue

Item	Rs. Million		Change (%)
	2021	2022 ^(a)	
Tax Revenue	951,751	1,283,368	34.8
Income Taxes	209,485	431,795	106.1
Domestic Consumption Based Taxes	290,476	401,018	38.1
o/w Value Added Tax (VAT)	133,956	193,829	44.7
Excise Duty	156,520	207,189	32.4
Import Based Taxes	411,934	425,604	3.3
o/w Customs Duty	51,812	36,587	-29.4
Value Added Tax (VAT)	90,102	116,686	29.5
Ports & Airports Development Levy (PAL)	114,135	135,434	18.7
Special Commodity Levy (SCL)	42,084	29,232	-30.5
Excise Duty	57,405	54,914	-4.3
CESS Levy	56,395	52,751	-6.5
Licence Taxes and Other	39,856	24,952	-37.4
Non-Tax Revenue	99,007	165,114	66.8
Total Revenue	1,050,758	1,448,482	37.9

Sources : Department of Fiscal Policy
(a) Provisional

Further, revenue collected from Value Added Tax (VAT), Excise Duty on Liquor, Excise Duty on Cigarettes and Ports and Airports Development Levy increased by 38.6 percent, 32.2 percent, 32.6 percent, and 18.7 percent, respectively.

Non-tax revenue, contributing to 11.4 percent of total revenue, increased by 66.8 percent to Rs. 165.1 billion in the first nine months of 2022 from Rs 99.0 billion in the same period of 2021. This marks a realization of 71.2 percent from the revised estimate for 2022.

Revenue from sales and charges increased significantly by 214.6 percent to Rs. 56.8 billion in the first nine months of 2022, while revenue from Central Bank profit transfers amounted to Rs. 30.0 billion. Revenue from other non-tax sources also increased: rent by 38.6 percent to Rs. 4.7 billion, profit and dividends by 17.0 percent to Rs. 18.9 billion, social security contributions by 9.6 percent to Rs. 27.7 billion, interest by 7.6 percent to Rs 4.6 billion, and other non-tax revenue by 33.0 percent to Rs. 22.4 billion.

Income Tax

Revenue from income taxes increased notably by 106.1 percent to Rs. 431.8 billion in the first nine months of 2022, compared to Rs. 209.5 billion recorded in the same period of 2021 mainly with the increased revenue from surcharge tax and corporate

and non-corporate tax revenue. Revenue from corporate and non-corporate taxes significantly increased by 43.8 percent to Rs. 273.4 billion in the first nine months of 2022 from Rs. 190.1 billion in the same period of 2021. Meanwhile, revenue from surcharge tax was recorded as Rs. 120.7 billion in the first nine months of 2022 with the two installments received in April and July as a one-off tax. Revenue from capital gains tax increased by 186.9 percent to Rs. 1.3 billion in the first nine months of 2022, compared to Rs. 461 million recorded in the same period of 2021. In the same vein, revenue collected from Advance Personal Income Tax (APIT)/Pay As You Earn (PAYE) increased by 70.2 percent to Rs. 17.9 billion and tax on interest by 85.8 percent to Rs. 14.3 billion in the first nine months of 2022. In addition, revenue collected from the Voluntary Disclosure Tax (VDT) was Rs. 4.0 billion.

Value Added Tax (VAT)

Government revenue from Value Added Tax (VAT) increased notably by 38.6 percent to Rs. 310.5 billion in the first nine months of 2022 compared to Rs. 224.1 billion in the same period of 2021, which was a realization of 58.3 percent of the estimate of VAT revenue for 2022. VAT revenue from both domestic activities and imports increased in the first nine months of 2022. VAT on domestic activities increased by 44.7 percent to Rs. 193.8 billion from Rs. 134.0 billion while VAT revenue from imports

Table 1.4: Performance of VAT

Tax Base	Rs. Million		Growth (%)
	Jan-Sep		
	2021	2022 ^(a)	
Domestic	133,697	193,893	45.0
Imports	90,384	116,943	29.4
Gross Revenue	224,082	310,836	38.7
Refunds	24	320	1,233.3
Net Revenue	224,058	310,516	38.6
Refunds as a % of Gross Revenue	0.01	0.10	-

Sources : Department of Fiscal Policy
(a) Provisional

increased by 29.5 percent to Rs. 116.7 billion from Rs. 90.1 billion. The increase in VAT revenue was mainly attributable to the multiple effects stemming from rate increases and the sharp increase in inflation: VAT rate increased from 8 percent to 12 percent effective from

June 01, 2022; again, from 12 percent to 15 percent effective from September 01, 2022; and VAT rate on Financial Services from 15 percent to 18 percent effective from January 2022.

Excise Duty

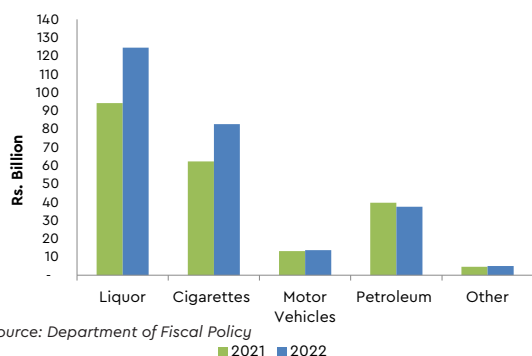
The total revenue generated from Excise Duty increased by 22.5 percent to Rs. 262.1

Table 1.5: Performance of Excise Duty

Tax Base	Rs. Million		
	Jan-Sep		Growth (%)
	2021	2022 ^(a)	
Liquor	94,219	124,558	32.2
Cigarettes	62,301	82,630	32.6
Motor Vehicles	13,225	13,672	3.4
Petroleum Products	39,616	36,665	-7.5
Other	4,564	4,577	0.3
Total	213,925	262,103	22.5

Sources : Department of Fiscal Policy
(a) Provisional

Figure 1.3: Performance of Excise Duty from January to September 2022



Source: Department of Fiscal Policy

revision of respective tax rates in November 2021 together with the improvements in tax administration. This was a realization of 70.1 percent from the annual estimate. Revenue from excise taxes contributed 20.4 percent to the total tax revenue in the first nine months of 2022.

Revenue from Excise Duty on liquor increased by 32.2 percent to Rs. 124.6 billion in the first nine months of 2022, compared to Rs. 94.2 billion in the same period of 2021. This was mainly attributed to the upward revision of excise duty on liquor on November 12, 2021 together with the introduction of Security Features and Security Features Management System on liquor and liquor-based products effective from January 03, 2022. The realization of revenue from the tax on liquor was 67.3 percent from the annual estimate for 2022 in the first nine months of 2022.

billion in the first nine months of 2022 from Rs. 213.9 billion recorded in the same period of 2021 mainly due to the increase in revenue from liquor and cigarettes stemming from the

Revenue from Excise Duty on motor vehicles increased marginally by 3.4 percent to Rs. 13.7 billion in the first nine months of 2022, compared to Rs. 13.2 billion in the same period of 2021. Revenue generated from Excise Duty on cigarettes increased notably by 32.6 percent to Rs. 82.6 billion in the first nine months of 2022 from Rs. 62.3 billion recorded in the same period of 2021, due to the upward revision of Excise Duty on cigarettes on November 12, 2021. On the other hand, cigarette sales increased by 30.1 percent to 2,204 million sticks in the first nine months of 2022, compared to 1,694 million sticks in the same period in 2021.

However, Excise Duty revenue from petroleum products declined marginally by 7.5 percent to Rs. 36.7 billion in the first nine months of 2022, compared to Rs. 39.6 billion in the same period of 2021 mainly due to the reduction in imports of fuel. Further, revenue from Excise Duty on other products such as sweetened beverages, refrigerators, washing machines, etc. increased slightly by 0.3 percent to Rs. 4.6 billion in the first nine months of 2022.

Customs Import Duty (CID)

Revenue from CID declined considerably by 29.4 percent to Rs. 36.6 billion in the first nine months of 2022, compared to Rs. 51.8 billion in the same period of 2021. The decline was mainly attributable to the imposition of import control measures, the introduction of a license system on non-essential goods, the increase in Customs Duty rates on selected items and the imposition of surcharge in order to manage forex outflows during the period under review.

Table 1.6: Motor Vehicle Imports and New Registration of Vehicles

Item	Imports				New Registrations ^(a)				Number
	Jan-Aug				Jan-Aug				
	2021	2022	Change	%	2021	2022	Change	%	
Motor Cars	1,916	123	-1,793	-94	2,626	964	-1,662	-63	
Passenger Van and Buses	48	37	-11	-23	232	253	21	9	
Three Wheelers	2,003	223	-1,780	-89	2,076	19	-2,057	-99	
Motor Cycles	1,335	10,017	8,682	650	5,662	6,209	547	10	
Goods Transport Vehicles ^(b)	1,880	288	-1,592	-85	2,759	1,537	-1,222	-44	
Land Vehicles ^(c)	9,131	3,398	-5,733	-63	8,846	5,406	-3,440	-39	
Other ^(d)	7	-	-7	-100	578	621	43	7	
Total	16,320	14,086	-2,234	-14	22,779	15,009	-7,770	-34	

Sources : Department of Customs and Department of Motor Traffic

(a) Provisional

(b) Includes special purpose vehicles, motor lorry and lorry others

(c) Includes tractors, hand tractors and tailors

(d) Includes dual purpose vehicles, quadricycles and motor homes

Special Commodity Levy (SCL)

Revenue collection from SCL declined considerably by 30.5 percent to Rs. 29.2 billion in the first nine months of 2022, compared to Rs. 42.1 billion recorded in the same period

of 2021. This was mainly due to the drop in imports together with the upward revision of SCL rates on commodities such as apples, grapes and oranges.

Table 1.7: Coverage of Products and Value of Imports/Exports Under Free Trade Agreements

Free Trade Agreement	Jan-Sep 2022		
	No. of Products Subject to Tariff Concessions	Import Value (CIF/Rs. Million)	Export Value (FOB/Rs. Million)
India – Sri Lanka Free Trade Agreement (ISFTA)	5,152	28,358	140,451
Pakistan –Sri Lanka Free Trade Agreement (PSFTA)	6,008	2,943	13,181
South Asia Free Trade Agreement (SAFTA)	5,739	1,266	19,015
Asia – Pacific Trade Agreement (APTA)	785	2,724	56,515
Total	17,684	32,291	229,162

Source : Department of Trade and Investment Policy

Ports and Airports Development Levy (PAL)

The total revenue collected from PAL increased moderately by 18.7 percent to Rs. 135.4 billion in the first nine months of 2022, compared to Rs. 114.1 billion recorded in the same period of 2021. This was mainly due to the impact of the increase in international prices of petroleum products, cement clinker, steel, raw materials and other consumable commodities together with the impact of the depreciation of Rupee.

Telecommunication Levy (TL)

Total Telecommunication Levy revenue increased notably by 11.1 percent to Rs. 10.7 billion in the first nine months of 2022 from Rs. 9.6 billion in the same period of 2021 due to the increase in both local incoming and outgoing call duration.

Commodity Export Subsidy Scheme (CESS) Levy

Revenue collected from CESS Levy marginally declined by 6.5 percent to Rs. 52.8 billion in the first nine months of 2022, compared to Rs. 56.4 billion in the same period of 2021. Revenue generated from CESS on imports

dropped by 6.4 percent to Rs. 51.0 billion in the first nine months of 2022, compared to Rs. 54.5 billion in the same period of 2021. Revenue generated from CESS on exports decreased by 8.3 percent to Rs. 1.7 billion in the first nine months of 2022 compared to Rs. 1.9 billion in the same period of 2021.

Table 1.8: CESS Revenue from International Trade

Item	Rs. Million	
	Jan-Sep	
	2021	2022 (a)
CESS on Exports	1,874	1,719
Tea – under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	369	352
Rubber – under Rubber Replanting Subsidy Act	7	8
Coconut – under Coconut Development Authority Act	138	145
EDB Cess – under Sri Lanka Export Development Act	1,360	1,213
CESS on Imports - under Sri Lanka Export Development Act	54,521	51,032
Total	56,395	52,751

Sources : Department of Fiscal Policy
(a) Provisional

Table 1.9: Performance of Stamp Duty and Motor Vehicle Registration Fees

Item	Rs. Million								
	2021			2022			% Change 2021/2022		
	Jan-Aug			Jan-Aug			Jan-Aug		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
Stamp Duty*	–	9,389.9	9,389.9	–	7,284.5	7,284.5	–	-22.4	-22.4
Motor Vehicle Registration Fees**	371.9	867.8	1,239.7	168.8	393.8	562.6	-54.6	-54.6	-54.6
Total	371.9	10,257.7	10,629.6	168.8	7,678.3	7,847.1	-54.6	-25.1	-26.2

Source : Department of Fiscal Policy

*Since 2011, 100 percent of the revenue collected from the Stamp Duty by the Central Government is transferred to Provincial Councils.

**Data represent 70 percent of the revenue collected by the Central Government from motor vehicles registration fee and transferred to PCs.

Note: CG= Central Government, PCs= Provincial Councils

Non-Tax Revenue

All the subcategories of non-tax revenue increased in the first nine months of 2022 compared to the same period of 2021. In nominal terms, non-tax revenue significantly increased by 66.8 percent to Rs. 165.1 billion in the first nine months of 2022, compared to Rs. 99.0 billion in the same period of 2021, mainly due to the increase in sales and charges and Central Bank profit transfers. The share of non-tax revenue in total revenue increased to 11.4 percent in the first nine months of 2022 compared to 9.4 percent in the same period of 2021.

Accordingly, contributing 34.4 percent of total non-tax revenue, sales and charges grew significantly by 214.6 percent to Rs. 56.8 billion in the first nine months of 2022, compared to Rs. 18.1 billion in the same period of 2021, mainly due to the revision of fees and charges of postal and railway departments. Central Bank profit transfers also notably increased to Rs. 30.0 billion in the first nine months of 2022, compared to Rs. 15.0 billion in the same period of 2021 due to the record of increased distributable profits. Rent income increased by 38.6 percent to Rs. 4.7 billion in the first nine

months of 2022, compared to Rs. 3.4 billion in the same period of 2021 owing to efficient management of public resources. Profits and dividends from State Owned Enterprises (SOEs) also increased by 17.0 percent to Rs. 18.9 billion in the first nine months of 2022, compared to Rs. 16.2 billion in the same period of 2021. Other non-tax revenue such as social security contribution, interest income

and other non-tax income increased by 9.6 percent to Rs. 27.7 billion, 7.6 percent to Rs. 4.6 billion, 33.0 percent to Rs. 22.4 billion, respectively in the first nine months of 2022 compared to the same period of 2021. The realization of non-tax revenue was 71.2 percent in the first nine months of 2022 as against its estimate of Rs. 232.0 billion for 2022.

Table 1.10: Variance Analysis of Government Revenue (January-September 2022)

Item	Rs. Billion				Reasons
	2021 (Jan-Sep)	2022 (Annual Est.)	2022 Revised Est.	2022 (Jan-Sep) (Provisional)	
Income Tax	209.5	496.0	558.0	431.8	Revenue collection from income taxes increased by 106.1 percent to Rs. 431.8 billion in the first nine months of 2022 compared to Rs. 209.5 billion in the same period of 2021, realizing 87.1 percent of the initial estimate for 2022. This was mainly due to the increase of 109.5 percent in the corporate and non-corporate tax revenue to Rs. 399.4 billion from Rs. 190.6 billion including the revenue of Rs. 120.7 billion received from the Surcharge Tax. Further, Rs. 4.0 billion received from Tax on Voluntary Disclosure which was introduced in September 2021. Moreover, Pay-As-You-Earn/Advance Personal Income Tax (APIT) also increased by 70.2 percent to Rs. 17.9 billion from Rs. 10.5 billion and withholding tax increased by 85.8 percent to Rs. 14.3 billion in the first nine months of 2022 from Rs. 7.7 billion compared to same period of 2021. In addition, the Capital Gain Tax increased significantly by 186.9 percent to Rs. 1.3 billion from Rs. 461 million during the period under review .
Value Added Tax (VAT)	224.1	424.0	533.0	310.5	VAT revenue increased significantly by 38.6 percent to Rs. 310.5 billion in the first nine months of 2022, compared to Rs. 224.1 billion recorded in the same period of 2021, realizing 73.2 percent of the initial estimate for VAT for 2022. This revenue performance was mainly due to the increased VAT rate to 12 percent from 8 percent effective from June 01, 2022 and to 15 percent, from 12 percent effective from September 01, 2022. The increase in VAT rate on financial services to 18 percent from 15 percent with effect from January 1, 2022 also positively contributed to this performance. Despite the contraction of domestic economic activities and imposition of import restrictions, increase in VAT revenue was recorded due to the sharp depreciation of Rupee and higher commodity prices in both domestic and international markets. Revenue from VAT on domestic economic activities and import-related activities increased by 44.7 percent to Rs. 193.8 billion and 29.5 percent to Rs. 116.7 billion, respectively in the review period.

Item	Rs. Billion				Reasons
	2021 (Jan-Sep)	2022 (Annual Est.)	2022 Revised Est.	2022 (Jan-Sep) (Provisional)	
Excise Duty	213.9	430.0	374.0	262.1	Revenue collection from excise duty increased by 22.5 percent in the first nine months of 2022 compared to the same period of 2021, a realization of 61.0 percent of the initial estimate for 2022. This was mainly due to the increase in revenue from liquor and cigarettes. The revenue collection from Excise Duty on liquor increased significantly by 32.2 percent to Rs. 124.6 billion in the first nine months of 2022 from Rs. 94.2 billion in the same period of 2021 mainly due to the upward revision of Excise Duty on liquor with effect from November 12, 2021 together with the introduction of Security Features and Security Features Management System on liquor and liquor-based products from January 03, 2022. Revenue collection from Excise Duty on cigarettes also increased by 32.6 percent to Rs. 82.6 billion during the period under review, mainly due to revision of duty rates of cigarettes in Budget 2022 together with enhanced sales of sticks by 30 percent in the first nine months of 2022. Further, excise duty on motor vehicles increased by 3.4 percent to Rs. 13.7 billion in the period from January to September, 2022, compared to Rs. 13.2 billion in the same period of 2021 despite the measures introduced to curtail the motor vehicle imports since March 2020. Moreover, revenue collection from other products positively contributed to enhance the excise duty revenue. However, the excise duty revenue collection from petroleum products declined by 7.5 percent to Rs. 36.7 billion in the first nine months of 2022 as a result of reduction of importation of fuel with the implementation of fuel pass system with the view to managing fuel demand.
Import Duties	51.8	115.0	42.0	36.6	The revenue from Import Duty significantly declined by 29.4 percent to Rs. 36.6 billion during the first nine months of 2022 compared to the same period of 2021, realizing 31.8 percent of the initial estimate for 2022. Imposition of import control measures, the introduction of license system on non-essential goods, the increase in Customs Duty rates on selected items and the imposition of surcharge in order to manage forex outflow negatively contributed for the import duty revenue in the period under review.
Ports and Airport Development Levy (PAL)	114.1	175.0	177.0	135.4	Revenue collection from PAL increased significantly by 18.7 percent to Rs. 135.4 billion in the first nine months of 2022 with a realization of 77.4 percent of the initial estimate for 2022. This was mainly due to the depreciation of the rupee against the US Dollar together with the increase in international prices of petroleum products, cement clinker, steel, raw materials and other consumable commodities.

Item	Rs. Billion				Reasons
	2021 (Jan-Sep)	2022 (Annual Est.)	2022 Revised Est.	2022 (Jan-Sep) (Provisional)	
Special Commodity Levy (SCL)	42.1	80.0	35.0	29.2	Revenue from SCL showed a significant decline by 30.5 percent to Rs. 29.2 billion during the period from January to September, 2022, collecting 36.5 percent from initial estimate 2022. This was due to the increase of rates of selected commodity items such as apples, grapes, oranges in order to discourage importation of non-essential commodities.
Other Taxes	96.3	267.0	133.0	77.7	The revenue collection from other taxes declined by 19.3 percent to Rs. 77.7 billion in the first nine months of 2022 from Rs. 96.3 billion in the same period in 2021, realizing 29.1 percent of the initial estimate for 2022. Delay in the implementation of Social Security Contribution Levy and withdrawal of implementation of Special Goods and Service Tax which was proposed in budget 2022 mainly contributed to the deviation from the estimated revenue. The shrinkage of imports and related activities and the decrease in revenue from CESS Levy by 6.5 percent to Rs. 52.8 billion in the first nine months of 2022 reflecting the impact of import restrictions imposed on selected CESS Levy applicable goods also negatively affected this performance. However, the revenue collection from Telecommunication Levy increased by 11.1 percent to Rs. 10.7 billion benefiting the upward revision of Telecommunication Levy rate to 15 percent from 11.25 percent with effect from June, 2022.
Non Tax Revenue	99.0	226.0	232.0	165.1	Non-tax revenue increased significantly by 66.8 percent during the first nine months of 2022 compared to the same period of last year. It was a realization of 73.1 percent of the initial estimate for 2022. This was mainly due to the revision of fees and charges together with improved revenue collection from rent, profits and dividends from SOEs, and interest income. Further, receipt of Central Bank profit transfers of Rs. 30 billion and Social Security Contributions also significantly contributed to the revenue enhancement of non-tax revenue in the reviewed period.
Total	1,050.8	2,213.0	2,084.0	1,448.5	

Compiled by the Department of Fiscal Policy

Box 2.1 | Major Fiscal Measures: January – October 2022

Effective Date	Measures
Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)	
01.01.2022	Excise Notification No. 01/2022 (Gazette Notification No. 2260/78 of 01.01.2022) - To exempt payment of Authorization fee applicable for the usage of liquor until March 31, 2022 for 3 Stars and 4 Stars Classes hotels and 5 Stars Classes and above Star Classes/ Boutique Hotels; Boutique Villas/ Heritage Hotels.
01.01.2022	Excise Notification No. 02/2022 (Gazette Notification No. 2260/79 of 01.01.2022) - To exempt the annual liquor license fee from hotels (licenses categorized as FL/7, FL /8, FL /11, FL/12 and FL /22 B by the Department of Excise) until March 31, 2022.
27.01.2022	Gazette Notification No. 2264/28 of 27.01.2022 and Gazette Notification No. 2264/29 of 27.01.2022 - To notify that the Excise Notification No. 08/2021 and 09/2021 were passed by Parliament on December 10, 2021, as per Section 32 of the Excise Ordinance (Chapter 52) in order to fulfill the legal requirements.
04.05.2022	Excise Notification No. 03/2022 (Gazette Notification No. 2277/62 of 29.04.2022) - To increase the Duty from Rs. 25/- to Rs. 50/ per litre of bottled toddy manufactured in and issued from any licensed manufactory established in Sri Lanka.
08.06. 2022	Excise Notification No. 04/2022 (Gazette Notification No. 2283/28 of 08.06.2022) - To increase the Duty on locally supplied/ imported Ethyl Alcohol, except for manufacturing of Alcohol.
28.07.2022	Excise Notification No.05/2022 (Gazette Notification No. 2290/24 of 28.07.2022) - To issue soft liquor licenses for tourism institutions registered under the Sri Lanka Tourism Development Authority (SLTDA) or tourism institutions identified by the SLTDA situated in tourism zones.
Value Added Tax – Value Added Tax Act, No. 14 of 2002	
01.01.2022	Value Added Tax (Amendment) Act, No. 13 of 2022 - To increase the VAT rate from 15 percent to 18 percent on the supply of financial services by financial institutions and to exempt certain goods and services from VAT.
01.06.2022	Gazette Notification No. 2282/26 of 31.05.2022 - To increase Value Added Tax rate from 8 percent to 12 percent.
01.09.2022	Gazette Notification No. 2295/08 of 31.08.2022 - To increase Value Added Tax Rate from 12 percent to 15 percent.
07.10.2022	Gazette Notification No. 2300/25 of 06.10.2022 - To zero-rate the import and/or supply of sanitary napkins and tampons under HS Code No. 9619.00.10.
Surcharge Tax – Surcharge Tax Act, No. 14 of 2022	
08.04.2022	- To impose Surcharge Tax as a one –off tax at the rate of 25 percent from individuals, partnerships or companies whose taxable income exceeds Rs. 2,000 million for the year of assessment 2020/2021.
Ports and Airports Development Levy (PAL) – Ports and Airports Development Levy Act, No. 18 of 2011	
06.01.2022	Gazette Notification No. 2261/58 of 06.01.2022 - To amend Gazette Notification No. 2199/2 dated October 26, 2020 by granting PAL exemptions on medical equipment, machinery etc. donated to a government hospital or the Ministry of Health for the provision of health services to address any pandemic or public health emergency.
12.01.2022	Gazette Notification No. 2262/19 of 11.01.2022 - To assign PAL concessionary rates and exemptions on newly created national HS sub divisions.
23.08.2022	Gazette Notification No. 2294/26 of 22.08.2022 - To grant PAL exemption for donation of essential goods by any foreign entity to provide relief measures or facilitate continuation of essential public services.
05.10.2022	Gazette Notification No. 2300/13 of 05.10.2022 - To grant PAL exemption on raw materials used in the production of sanitary napkins.

Box 2.1 | Major Fiscal Measures: January – October 2022 Contd...

Effective Date	Measures
CESS Levy – Sri Lanka Export Development Act, No. 40 of 1979	
12.01.2022	Gazette Notification No. 2262/20 of 11.01.2022 - To assign the existing CESS levy rates for the new national HS Sub Divisions created for rice, fisheries products and accessories related to liquefied petroleum gas.
11.03.2022	Gazette Notification No. 2270/59 of 10.03.2022 - To increase the existing CESS duty rates for textiles and garments.
19.05.2022	Gazette Notification No. 2280/32 of 18.05.2022 - To re- gazette the Gazette Notification No.2262/20 of 11.01.2022.
Customs Import Duty (CID) – Revenue Protection Act, No. 19 of 1962	
12.01.2022	Revenue Protection Order No. 01/2022 (Gazette Notification No. 2262/14 of 11.01.2022) Create HS Code National Subdivisions - To assess and monitor the standards of LP Gas related accessories. - To monitor import and market information of fisheries products. - To monitor the export growth and market information of Tissue Culture Plants. - To clearly identify brown sugar and white sugar based on ICUMSA value and to promote local brown sugar production. - To eliminate classification issues and easy identification of rice varieties as Basmati and other rice.
10.03.2022	Revenue Protection Order No. 02/2022 (Gazette Notification No. 2270/20 of 09.03.2022) - To increase CID on selected non essential imports to discourage importation and minimize foreign currency outflows.
Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007	
01.01.2022	Gazette Notification No. 2260/72 of 31.12.2021 - To reduce SCL by Rs. 20/- per kg on importation of Potatoes and by Rs. 10 per kg B'Onions for a period of six months.
12.01.2022	Gazette Notification No. 2262/15 of 11.01.2022 - To extend the existing duty rates according to the new HS Codes created for rice and sugar for a period of six months.
04.03.2022	Gazette Notification No. 2269/48 of 03.03.2022 - To introduce a concessionary rate of Rs.10 per kg on maize and sorghum for a period of 6 months, considering the raw material requirements of small-scale animal feed manufactures and poultry product prices.
04.03.2022	Gazette Notification No. 2269/56 of 03.03.2022 -To extend the validity period of SCL on the importation of mackerel fish, black gram, cowpea, kurakkan and millet for a period of one year in order to protect local canned fish industry, to ensure a good price for farmers and to maintain price stability.
10.03.2022	Gazette Notification No. 2270/19 of 09.03.2022 - To increase SCL on importation of yogurt, butter and dairy spread to Rs. 1,000 per kg, cheese to Rs. 400 per kg, dates and orange fresh to Rs. 200 per kg, grapes- fresh, apples and other fruits to Rs. 300 per kg for a period of six months to reduce the imports.
28.03.2022	Gazette Notification No. 2273/1 of 28.03.2022 - To grant duty waiver of Rs. 199/- for the importation of dates considering the Ramadan festive season for a period of 5 months.
14.04.2022	Gazette Notification No. 2275/2 of 13.04.2022 - To extend the validity period of SCL on the importation of lentils, fish, maldivefish, green gram, mangosteens and kiwi fruit for a period of six months.
15.06.2022	Gazette Notification No. 2284/3 of 15.06.2022 - To extend the validity period of SCL to discourage the importation of fruits and to stabilize the domestic edible refined oil industry, coconut based industries and industries such as food, biscuits and soap for a period of one year.

Box 2.1 | Major Fiscal Measures: January – October 2022 Contd...

Effective Date	Measures
10.08.2022	Gazette Notification No. 2292/29 of 09.08.2022 - To exempt SCL under section 5 of the Act on importation of essential goods liable to pay SCL as aid/donation from foreign countries for a period of one year.
12.08.2022	Gazette Notification No. 2292/41 of 10.08.2022 - To extend SCL for a period of one year on the importation of sprats, dried fish, mathe seeds, kurakkan, mustard seeds in order to stabilize the market prices for the benefit of consumers and to protect local producers.
04.09.2022	Gazette Notification No. 2295/44 of 03.09.2022 - To extend the SCL on importation of Maize and Sorghum at the prevailing rates until 31.12.2022, considering the raw material requirement of small-scale animal feed manufactures and to stabilize the poultry product prices.
23.09.2022	Gazette Notification No. 2298/51 of 22.09.2022 - To increase SCL on importation of B' Onions from Rs. 10 to Rs. 50 per kg, considering the local harvest season as recommended by the Ministry of Agriculture until August 11, 2023.
Regulations of Department of Imports and Exports Control	
12.01.2022	Imports & Exports (Control) Regulations No. 03 of 2022 (Gazette Notification No. 2262/18 of 11.01.2022) - To remove temporary suspension on long grain rice. - To continue restrictions on fish fillet as per new HS codes.
10.03.2022	Imports & Exports (Control) Regulations No. 05 of 2022 (Gazette Notification No. 2270/18 of 09.03.2022) - To impose requirement of Import Control License for selected items.
10.04.2022	Imports & Exports (Control) Regulations No. 06 of 2022 (Gazette Notification No. 2274/42 of 09.04.2022) - To impose requirement of Import Control License for selected items.
Embarkation Levy – Finance Act, No. 25 of 2003	
27.03.2022	Gazette Notification No. 2272/53 of 27.03.2022 - To reduce embarkation levy by 50 percent to USD 30 for the passengers leaving Sri Lanka by aircraft from Colombo International Airport, Ratmalana (CIAR) with the aim of promoting CIAR as an international airport serving regional destination.
Strategic Development Projects Act, No. 14 of 2008	
18.01.2022	Gazette Notification No. 2263/03 of 18.01.2022 - To Publish the relevant information and exemptions to be granted for the project to develop software and information technology (IT) related services for export by HCL Technologies Lanka (Private) Limited.
25.04.2022	Gazette Notification No. 2277/02 of 25.04.2022 - To publish the relevant information and exemptions granted for the project to construct and operate a four -lane elevated highway from New Kelani Bridge to Athurugiriya (NKBA) via Rajagiriya.
03.08.2022	Gazette Notification No. 2291/25 of 03.08.2022 - To Publish the relevant information and exemptions granted for the project to develop software and information technology (IT) related services for export by HCL Technologies Lanka (Private) Limited.
Casino Business (Regulation) Act, No. 17 of 2010	
31.08.2022	Gazette Notification No. 2295/10 of 31.08.2022 - To publish the Casino Business Licensing Regulation No. 01 of 2022.
01.09.2022	Gazette Notification No. 2295/09 of 31.08.2022 - Designate the specific area to engage in the business of Casino as the place or premises on or at which the business of a Casino is carried on as specified in the license issued under section 2 of the Casino Business Act, No 17 of 2010.
Excise Duty – Excise (Special Provisions) Act, No. 13 of 1989	
27.07.2022	Gazette Notification No. 2290/19 of 27.07.2022 - To revise the tax base of the concessionary Excise Duty rate applicable on locally assembled/manufactured vehicles to " percent of CIF value" in place of "percent of the payable duty".

1.3 Government Expenditure

The government expenditure requires to be authorised by Parliament annually. Accordingly, the Appropriation Act, No. 30 of 2021 was passed by Parliament, enabling the government to incur expenditure in 2022. However, the estimate of such government expenditure has turned out to be impractical due to the recent developments in the socio-economic landscape of the country.

There was a pressing need to increase the government expenditure in order to provide emergency relief to the poor and vulnerable groups, to meet the shortfall of allocations required for the supply of fertilizer subsidy and cover the increased cost of fuel, stationery, medical supplies, diet and uniforms provided for the security forces/police/hospitals etc.

Meanwhile, a provision of Rs. 300 billion was identified as possible savings from the capital projects that are of less priority and difficult to be implemented due to practical reasons in 2022. In mid-2022, the government presented a new budget for the year 2022 by amending the Appropriation Act, No. 30 of 2021, in order to meet the new requirements of the country. As a result, the Appropriation (Amendment) Act, No. 21 of 2022 was passed by Parliament to amend the Appropriation Act, No. 30 of 2021. Accordingly, government expenditure in 2022 is required to be managed within the ceilings stipulated in the Appropriation (Amendment) Act, No. 21 of 2022. However, the government expenditure in the first nine months of 2022 was Rs. 2,694.8 billion of which Rs. 2,300.2 billion was recurrent expenditure, Rs. 394.6 billion was capital and net lending expenditure.

Table 1.11: Performance of Government Expenditure

Item	Rs. Million	
	Jan-Sep	
	2021	2022 ^(a)
Recurrent	2,087,309	2,300,171
Salaries	634,746	714,280
Pension	197,833	228,609
Interest	832,992	927,366
Other	421,739	429,916
Capital and Net Lending	293,102	394,617
Total Expenditure	2,380,412	2,694,788

Sources : Department of National Budget & Department of Fiscal Policy

(a) Provisional

Personal Emoluments and Pensions

The expenditure on personal emoluments of public servants including the employees of Provincial Councils increased by 12.5 percent amounting to Rs. 714.3 billion in the first nine months of 2022, compared to Rs. 634.7 billion in the same period of 2021. Meanwhile, the expenditure on pension payments increased by 15.6 percent to Rs. 228.6 billion in the first nine months of 2022, compared to Rs. 197.8 billion in the same period of 2021. Payment of Rs. 5,000/- monthly special allowance effective from January 2022 for public servants and pensioners has contributed to this surge.

Interest Payments

Interest payments on domestic and foreign debt increased by 11.3 percent amounted to Rs. 927.4 billion in the first nine months of 2022 from Rs. 833.0 billion in the same period of 2021. This was due to the increase in interest payments on domestic debt by 29.2 percent. However, interest payments on foreign debt dropped significantly by 45.7 percent in the first nine months of 2022. Out of the total interest payments of Rs. 927.4 billion, interest payments on domestic debt amounted to Rs. 819.4 billion while interest payments on foreign debt were Rs.108.0 billion.

Table 1.12: Behaviour of Yield Rates (%) on Government Securities and Exchange Rate from 2021 to 2022

Period		Treasury Bills (%)			Treasury Bonds (%)				Rs. Million
		91 Days	182 Days	364 Days	2 year	3 year	4 year	5 year	Average Exchange Rate Rs/USD
2021	Jan	4.69	4.75	4.98	-	-	6.34	6.72	190.5
	Feb	4.90	4.99	5.09	-	6.25	6.70	7.07	194.1
	Mar	5.05	5.10	5.11	6.19	6.30	-	7.05	197.0
	Apr	5.11	5.14	5.18	6.50	-	-	7.25	197.4
	May	5.13	5.14	5.18	-	-	7.04	-	199.6
	Jun	5.18	5.19	5.23	6.35	-	7.30	7.31	199.8
	Jul	5.22	5.23	5.25	6.36	6.87	7.47	-	200.0
	Aug	5.87	5.90	5.93	6.75	-	8.55	-	200.5
	Sep	6.70	6.99	7.01	8.12	8.10	-	-	202.0
	Oct	8.43	8.16	8.18	9.36	9.94	-	11.14	201.1
	Nov	7.53	8.02	8.16	9.16	9.67	-	-	201.9
	Dec	8.16	8.33	8.24	-	9.70	-	-	201.4
2022	Jan	8.63	8.55	8.55	-	11.49	-	-	201.5
	Feb	8.61	8.53	8.53	-	12.25	-	11.92	201.7
	Mar	12.92	12.25	12.28	14.41	-	-	14.70	255.8
	Apr	23.53	23.96	24.09	-	22.01	-	22.16	319.4
	May	23.65	24.22	24.30	-	22.38	-	22.69	358.9
	Jun	23.85	24.40	23.84	-	23.77	-	21.18	360.2
	Jul	28.86	29.24	29.53	-	28.45	-	-	360.9
	Aug	32.89	31.28	30.50	-	29.16	-	-	361.0
	Sep	31.94	30.59	29.85	-	30.95	-	31.50	362.4

Sources : Department of Treasury Operations, Department of Public Debt and Central Bank of Sri Lanka

Welfare Expenditure

The government expenditure on welfare programmes covers expenditure on healthcare and nutrition, education, livelihood support, social welfare and safety net programmes. The expenditure on welfare programmes increased to Rs. 196.44 billion in the first nine months of 2022, compared to 193.99 billion in the same period of 2021 mainly due to the worldbank funded livelihood assistance programme provided for the vulnerable.

The health expenditure of Rs. 51.83 billion was mainly constituted by the programmes on the 'Free Medicine for All', 'Triposha', and 'Poshana Malla'. The 'Free Medicine for All' programme contributed to the largest expenditure on health and nutrition support. However, expenditure on free medicine has declined by almost 50 percent compared to the same period of 2021 due to the control of COVID-19 outbreak.

The Government has spent Rs. 10.14 billion for education-related welfare expenditure in

Table 1.13: Welfare Expenditure

Item	Rs. Million	
	Jan-Sep	
	2021	2022 ^(a)
Healthcare & Nutrition	96,148	51,827
Free Medicine for all	91,827	48,425
Thriposha Programme	473	226
Morning Meal for Pre-School Children	67	73
Poshana Malla	3,781	3,103
Education	12,393	10,137
Free Text books	842	836
Free School Uniforms	1,834	1,993
School Season Tickets	5,300	3,407
School Nutritional Foods	1,258	709 ^(b)
Shoes for Students in Difficult and Very Difficult Area Schools	898	900
Grade 5 Scholarships	370	321
Mahapola Scholarships	814	650
Bursaries	563	710
Assistance for Dhamma School teachers	514	611
Livelihood Support	67,224	112,461
Fertilizer subsidy	11,008	33,038
Samurdhi Relief	42,566	78,755
Subsidy for Tea & Ruber	730	557
Assisting the Farmers for Export Crop Development	141	71
Livelihood Assistance for COVID-19 Affected Persons	12,779	40
Social Welfare & Safety Net	18,232	22,017
Assistance for differently abled persons & Kidney Patient	4,958	5,795
Assistance for elderly	7,412	12,056
Social Care of Ranawiru Parents	1,653	1,726
Food Assistance, Flood & drought relief	209	40
Bus Services in Uneconomical Routes	4,000	2,400
Total	193,997	196,442

Source : Department of National Budget

(a) Provisional

(b) Due to not capturing inflation and price hike for the cost of meal per student, the service providers were reluctant to provide the food and requested price hike.

the first nine months of 2022 compared to Rs. 12.39 billion in the same period of 2021. The reduction in expenditure stemmed from the subsidy reduction provided to the School Season Tickets due to the closure of schools during the year to prevent the COVID-19 outbreak.

The Government has incurred an expenditure of Rs. 112.46 billion for the livelihood support programmes in the first nine months of 2022 compared to Rs. 67.22 billion in the same period of 2021. The sharp increase in the livelihood support expenditure was mainly due to the drastic rise in expenditure related to fertilizer subsidy from 11.00 billion to Rs. 33.03 billion resulting in the provision of essential chemical fertilizer to revitalize the farming and ensure the food security combined with the support extended to the vulnerable including Samurdhi, elders, differently-abled and Kidney patients. Accordingly, Rs. 78.76 billion has been spent for the payment of allowances for the livelihood assistance for the existing beneficiaries with a top up payment and for the payment of allowances to wait-listed beneficiaries from May to July 2022 and for the month of September 2022 with assistance from the World Bank and the Asian Development Bank.

Public Investment

The expenditure on infrastructure development in priority areas covering highways, water supply, irrigation, transport, and agriculture and education sectors was nearly Rs. 210 billion in the first nine months of 2022 including:

- Rs. 114 billion for the development of roads, highways, bridges and expressways
- Rs. 15 billion for ensuring adequate and safe drinking water for all
- Rs. 31 billion for improving efficiency, capacity and connectivity of the transport network
- Rs. 11 billion for improving productivity and efficiency of the agriculture value chain by introducing modern technology and introducing new seeds varieties
- Rs. 28 billion for ensuring water availability for agriculture by constructing multipurpose irrigation schemes and canals
- Rs. 11 billion for infrastructure development and quality improvement of the education system

1.4 Treasury Operations

Performance of the Cash Flow of the General Treasury

Cash inflows to the General Treasury by way of revenue and other receipts amounted to Rs. 1,361.9 billion, in the first nine months of 2022 as against the estimation of Rs. 1,557.3 billion, achieving 87.5 percent from the estimate. This was an increase of 33.4 percent, compared to Rs. 1,020.6 billion in the same period of 2021. Meanwhile, cash outflow for both recurrent and public investment amounted to Rs. 2,743.0 billion in the first nine months of 2022, which is a 16.7 percent increase compared to Rs. 2,350.9 billion over the same period of 2021.

Net cash deficit as at September 30, 2022 was Rs. 1,381.1 billion, an increase of 3.8 percent compared to Rs. 1,330.3 billion as at end September 2021 mainly due to the increase in the operational expenditure and public investment by 10.4 percent and 54.9 percent, respectively. However, a decrease in closing negative cash balance up to Rs. 48.2 billion as at September 30, 2022 from Rs. 856.8 billion as at September 30, 2021, has been recorded as a result of the increase in cash inflows including the increase in net borrowing during the period.

Management of Government Debt

The total borrowing limit approved by Parliament for the year 2022 amounted to Rs. 3,200 billion, which was subsequently increased up to Rs. 3,844 billion with the revised budget for the year. Utilization of Government borrowings for the period from January 01 to September 30, 2022 was recorded as Rs. 3,017.4 billion (Book value term), which could be considered as Rs. 2,234 billion after taking into consideration the decrease of financing through bank overdraft during the period from Rs. 831.6 billion which was prevailed at the beginning of the year, to Rs. 48.2 billion as at September 30, 2022. Total borrowing utilization comprising of domestic and foreign borrowings amounted to Rs. 2,720.1 billion and Rs. 297.3 billion, respectively as at September 30, 2022 to finance cash flow operations and development projects during the period.

Domestic borrowing obtained during the period was recorded as 90 percent of the total borrowing in the first nine months of 2022. Treasury Bonds, Treasury Bills and

Provisional Advances were the main sources of domestic borrowings of the Government. Accordingly, around 55 percent of the total domestic borrowings were raised by way of Treasury Bonds while 39 per cent were raised

by way of Treasury Bills and another 5 percent was raised by way of SLDBs and Provisional Advance of Central Bank of Sri Lanka in the first nine months of 2022. The net borrowing as at end September 2022 was Rs. 2,022.1 billion.

Table 1.14: Statement on Government Treasury Cash Flow Operations

Item	Rs. Billion		
	2021 Actual	Jan-Sep 2022	
		Estimate	Actual
Opening Cash balance year /month	-488.2	-831.6	-831.6
Total cash inflow from revenue and other receipts	1,020.6	1,557.3	1,361.9
Total cash outflow for recurrent payments	-2,021.1	-2,192.3	-2,232.2
Total cash outflow for capital payments*	-329.8	-658.8	-510.8
Net cash surplus / (deficit)	-1,330.3	-1,293.8	-1,381.1
Gross borrowing *	1,972.0	2,960.8	3,017.4
Debt repayment	-1,036.6	-1,085.2	-995.3
Net borrowing	935.4	1,875.6	2,022.1
Balance proceeds of commercial Borrowing previous year	-	-	4.5
Adjustment account balance (TEB, net deposits, Other Transfer, etc.)	26.3	-	137.9
Closing Cash balance year /month end	-856.8	-249.8	-48.2

Source : Department of Treasury Operations

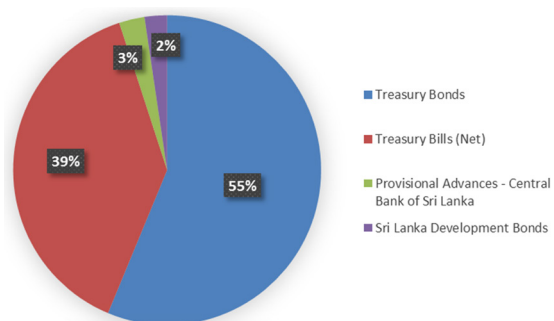
*Includes project/programme loans accounted as at September 30, 2022

Table 1.15: Gross Domestic Borrowings by Instruments

Instruments	Rs. Billion
	Jan-Sep 2022
Treasury Bonds	1,567.7
Treasury Bills (Net)	1,077.8
Provisional Advances – Central Bank of Sri Lanka	74.7
Sri Lanka Development Bonds	65.6
Total	2,785.8
Repayment of Foreign Currency Banking Unit	-65.7
Domestic Borrowings Utilization	2,720.1

Source : Department of Treasury Operations

Figure 1.4: Gross domestic borrowings by instruments from January to September 2022



Source: Department of Treasury Operations

1.5 Foreign Financing

In line with the policies adopted to mobilize foreign financing in 2021, the Government has committed to finance high priority projects and financial needs in 2022. As such, the Government acquired foreign loans for the import of essential commodities in 2022.

Foreign Financing Commitments

The Government has obtained foreign financing of USD 1,873.5 million by entering into 8 agreements with foreign development partners and lending agencies in the first nine months of 2022. This consists of USD 1,555.0 million of Export Credit Facilities extended by the EXIM Bank and State Bank of India for importing essential commodities, USD 200.0 million extended by the Asian Development Bank (ADB) for food security and livelihood recovery emergency assistance project, USD 32.9 million extended by the Government of Kuwait to be utilized for the construction and equipping Faculty of Medicine at University of Moratuwa, USD 17.6 million extended by Government of Federal Republic of Germany for the establishment of a Vocational Training Center in Matara, USD 65.0 million of grant extended by the United States of America for a democratic, prosperous, and resilient Sri Lanka programme and USD 3.0 million of grant extended by ADB for food security and livelihood recovery emergency assistance project. It is noted that the performance of mobilizing foreign financing during the first nine months of 2022 was greatly affected by the difficult economic situation in Sri Lanka.

Table 1.16: Foreign Financing Commitments with Terms – from January to September, 2022

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project/Program/ Instrument Name	Amount Committed (Million)		Financial Terms			Other Terms				
				Currency	In Instrument Currency	Rupees	USD	Type	Interest Annual Rate (%)	Margin (100 Basis Points)	Other Charges	Grace Period (Years)	Maturity/ Availability Period from the Date of Signing (Years)
Bilateral													
Kuwait	Loan	3/2/2022	Construction and Equipping Faculty of Medicine at University of Moratuwa Project	KWD	10.0	6,638.9	32.9	Fixed	Not Applicable	1	Commitment Fee 0.5%	6	26
Germany	Loan	27/1/2022	Establishment of a Vocational Training Center in Matara Project	EUR	15.7	3,561.6	17.6	Fixed	Not Applicable	2	-	10	30
	Loan	2/2/2022	Short-Term Line of Credit USD 500M	USD	500.0	100,710.3	500.0	Variable	SOFR 6M	1.5	Management fee 0.5%	1	1
India	Loan	17/3/2022	Importation of Essential Commodities for year 2022 (USD -1000)	USD	1,000.0	267,862.1	1,000.0	Variable	SOFR 3M	1.6	Upfront Fee 0.2%	3	3
	Loan	10/6/2022	Dollar Credit Line from Exim Bank for procurement of Urea Fertilizer	USD	55.0	19,789.0	55.0	Variable	SOFR 6M	1.6	Commitment fee 0.5%,	3	12
United States of America	Grant	31/8/2022	A Democratic, Prosperous and Resilient Sri Lanka Programme	USD	65.0	23,474.6	65.0				Not Applicable		5
Multilateral													
Asian Development Bank	Loan	9/9/2022	Food Security and Livelihood Recovery Emergency Assistance Project	USD	200.0	72,400.0	200.0	Variable	SOFR	0.7	Commitment fee 0.15%	8	31
	Grant	9/9/2022	Food Security and Livelihood Recovery Emergency Assistance Project	USD	3.0	1,086.0	3.0				Not Applicable		2
Total						495,522.5	1,873.5						

Source: Department of External Resources

Note: SOFR = Secured Overnight Financing Rate,

Financial values committed in different currencies have been converted into USD and LKR as per the prevailing exchange rates of each agreement date

Foreign Financing Disbursements and Utilization

Total foreign financing disbursements made during the period from 1st January to 30th September 2022 amounted to USD 1,910.1 million, of which, USD 1,902.9 million was disbursed as loans while USD 7.2 million was disbursed by way of grants.

The majority of the disbursements recorded in the first nine months of 2022 were from the loan agreements signed with India, which accounted for almost 45 percent, followed by ADB (25 percent) and World Bank (18 percent).

Table 1.17: Disbursements of Foreign Loans and Grants from January to September 2022

Development Partner	USD Million		
	Disbursements*		
	Loan	Grant	Total
Bilateral	1,073.4	0.8	1,074.2
India	855.5	0.0	855.5
China	67.8	0.0	67.8
Japan	73.0	0.0	73.0
France	35.7	0.0	35.7
Netherlands	17.5	0.0	17.5
Saudi Fund	7.4	0.0	7.4
Kuwait	5.6	0.0	5.6
Hungary	2.9	0.0	2.9
Korea	3.1	0.0	3.1
United Kingdom	2.0	0.0	2.0
Austria	1.4	0.0	1.4
Spain	1.2	0.0	1.2
Denmark	0.3	0.0	0.3
Germany	0.0	0.8	0.8
Multilateral	829.5	6.4	835.9
Asian Development Bank	479.3	0.5	479.8
World Bank	328.5	5.9	334.4
Asian Infrastructure Investment Bank	14.8	0.0	14.8
OPEC Fund	4.2	0.0	4.2
International Fund for Agriculture Development	2.7	0.0	2.7
Total	1,902.9	7.2	1,910.1

Source: Department of External Resources

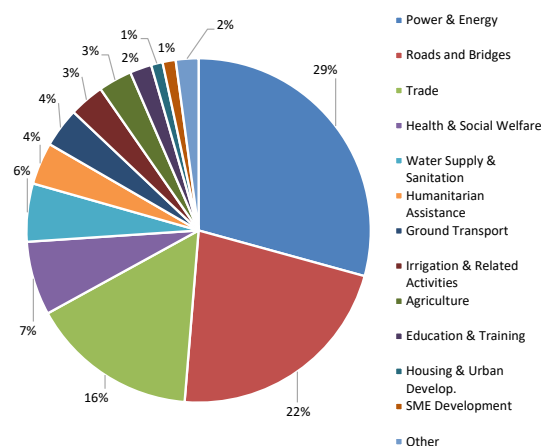
Note: For conversion of disbursements made in different currencies into USD and Rupees, the exchange rates as at September 30, 2022 have been used

* Provisional

The majority of the disbursements were in lieu of the projects implemented in the power and energy sector accounting for almost 29 percent of the total disbursements, followed by the road and bridges sector at 22 percent, the trade sector at 16 percent, health and social welfare at 7 percent, water supply and

sanitation sector at 6 percent, humanitarian assistance sector at 4 percent, ground transport sector 4 percent, irrigation sector 3 percent, agriculture sector at 3 percent and education sector at 2 percent.

Figure 1.5: Disbursements Made for Each Sector from January to September 2022 (USD Million)



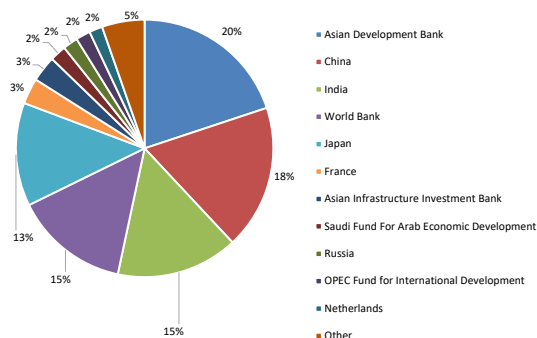
Source: Department of External Resources

Committed Undisbursed Balance (CUB) *

As at 30th September 2022, the total undisbursed balance of foreign financing available from already committed loans that are to be utilized in the next 3–5 years, was USD 7.2 billion. ADB has the majority of the balance to be disbursed followed by, China, India, World Bank and Japan, respectively.

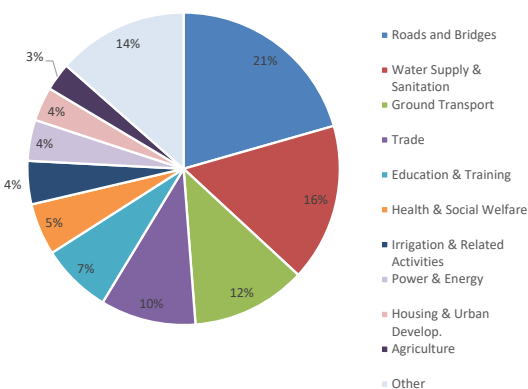
Almost 21 percent of the CUB to be utilized in the roads and bridges sector whereas 16 percent is for water supply and sanitation and 12 percent is for ground transport sector.

Figure 1.6: Lender-wise CUB of Development Projects and Programs – as at September 30, 2022 (USD Million)



Source: Department of External Resources

Figure 1.7: Sector-wise CUB of Development Projects and Programs as at September 30, 2022 (USD Million)



Source: Department of External Resources

External Debt Stock and External Debt Service Payments

The Government has initiated to seek the possibility of getting assistance from the International Monetary Fund (IMF) in designing an economic recovery program and for emergency financial assistance. It was intended to pursue its discussions with the IMF as expeditiously as possible with a view to formulating and presenting to the country's creditors a comprehensive plan for restoring Sri Lanka's external public debt to a fully sustainable position. Considering the above, the Government has taken a policy decision to temporarily suspend servicing external debt of bilateral and commercial creditors for an interim period commencing from 12th April, 2022 pending an orderly and consensual restructuring of those obligations in a manner consistent with the IMF programme. Accordingly, the debt stock of bilateral creditors has been affected.

By the end of September 2022, the total outstanding external debt of the Central Government was USD 35.1 billionⁱ. Total debt service paymentsⁱⁱ from 1st January to 30th September 2022 amounted to USD 1,758.0 million Of which, USD 1,323.1 million was in lieu of principal repayments and the balance USD 434.9 million for the payment of interest.

ⁱ Provisional

ⁱⁱ Debt Service = Principal Payments + Interest Payments

**Economic
Perspectives** | **02**

2.1 Overview

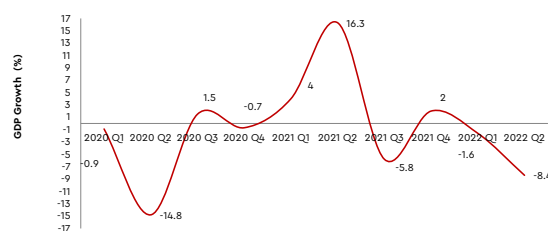
The Sri Lankan economy is facing with unprecedented macroeconomic challenges. The challenges include unsustainable debt stemming from the weak fiscal position over the years together with high risky commercial borrowings, near zero usable reserve position, historically high inflation, interest rates and pressures exerted to the balance of payments triggered by the global economic turmoil, among others. The global economic slowdown has been steepened with the Russian-Ukraine conflict and related to its effects on inflation, supply chain and financial market developments. The IMF October 2022 World Economic Outlook projected that global economic growth is expected to decelerate from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023.

Sri Lankan economy contracted by 4.8 percent in the first half of 2022 from 9.3 percent growth in the same period of 2021 due to the sharp contraction in Agriculture by 7.6 percent and Industries by 7.1 percent and moderate contraction of Services sector by 0.6 percent. Agriculture sector production was hampered by the shortage of inputs such as chemical fertilizer and Industry sector was affected due to supply chain disturbances. Meanwhile, the moderate recovery of the tourism sector helped the record of mere contraction of the Services sector.

The unemployment rate, which has shown a declining trend from the fourth quarter of 2021, bounced back to 4.6 percent in the second quarter of 2022, reflecting the contraction in economic activities.

Inflation reached its historic highs in 2022 mainly due to high food and transport inflation. Supply side disruptions due to the ban on chemical fertilizer, rising imported inflation due to the increase in global commodity prices such as fuel and food items, supply chain disruptions, energy price revisions, and the sharp depreciation of the local currency were attributable to the sharp increase in inflation, among others. Headline inflation, measured by the Colombo Consumer Price Index (CCPI), on a year-on-year basis, increased to 69.8 percent in September 2022 from 14.2 percent in January 2022. Reversing continued increasing trend, CCPI based headline inflation declined to 66

Figure 2.1: GDP Growth



Source: Department of Census and Statistics

percent in October 2022. The core inflation, on a year-on-year basis, increased to 50.2 percent in September 2022. The headline inflation measured by the National Consumer Price Index (NCPI), on a year-on-year basis increased to 73.7 percent in September 2022.

Demand pressures compelled the Central Bank to tighten monetary policy by revising the policy rates upward in March by 100 basis points, in April by 700 basis points, and in July by 100 basis points. As such, Standing Deposit Facility Rate and Standing Lending Facility Rate increased to 14.5 percent and 15.5 percent respectively as at the end of October 2022. Reflecting the significant effect of tightened monetary policy and the tight liquidity condition in the domestic money market, credit extended to the private sector contracted to Rs. 7,576.9 billion at the end of September 2022. Growth of broad money supply also declined in 2022.

The Stock market showed mixed performance during the first nine months of 2022. The All Share Price Index (ASPI) dropped by 39.9 percent from 12,226 at the beginning of the year to 7,342 as at end June 2022, while S&P SL20 dropped from 4,233 to 2,334 during the same period. However, the market showed signs of recovery from early July 2022 as both ASPI and S&P SL20 indices started to gain upward momentum. As at end September 2022, ASPI and S&P SL20 reached 9,931 and 3,165, respectively. Meanwhile, market capitalization recorded a marginal growth to Rs. 4,341 billion at the end September 2022, compared to Rs. 4,216 billion at the end September 2021. Net foreign capital outflows from the stock market were reported in the first quarter of 2022 whereas net foreign capital inflow of USD 529.5 million was recorded in the second quarter of 2022.

The merchandise trade deficit contracted notably to USD 4,104.1 million in the first nine months of 2022, compared to USD 5,999 million in the same period of 2021 as exports grew faster than imports. The earnings from exports increased by 11.7 percent to USD 9,981.1 million in the first nine months of 2022, compared to USD 8,938.5 million in the same period of 2021 mainly due to improvements in industrial exports.

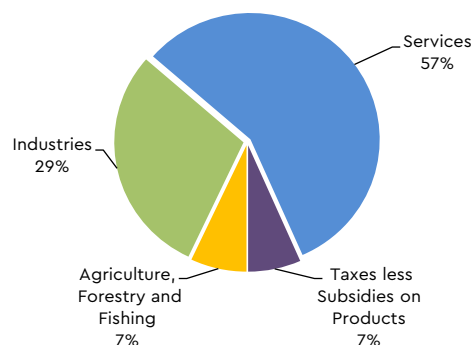
Import expenditures fell to USD 14,085.2 million in the first nine months of 2022, compared to USD 14,937.5 million in the same period of 2021, due to the tightened import restrictions on non-urgent imports amidst a shortage of forex liquidity. The earnings from tourism increased to USD 946.4 million, however, receipts of workers' remittances declined by 43.8 percent to USD 2,574.1 million in the first nine months of 2022. The gross official reserves as at end September 2022 stood at USD 1.8 billion, including the USD 1.4 billion SWAP facility from People's Bank of China.

2.2 Economic Growth

Sri Lankan economy sharply contracted by 4.8 percent in the first half of 2022, compared to the growth of 9.3 percent in the same period of 2021. All three major economic activities of Agriculture, Industry and Services recorded negative growth rates in the first half of 2022. The Agriculture sector contracted by

7.6 percent in the first half of 2022 from the expansion of 8.8 percent in the same period of 2021, which was mainly attributable to the significant decline in the growing of paddy, vegetables, tea, marine fishing and animal production. The industry sector recorded a negative growth of 7.1 percent in the first half of 2022, compared to the positive growth of 12.4 percent in the first half of 2021. This contraction was mainly due to the shrinkage of all the subsectors of the Industry sector except the sectors such as manufacture of textiles, wearing apparel and leather related products, electricity, gas, steam and air conditioning, and water collection, treatment and supply. The Services sector also slightly contracted by 0.6 percent in the first half of 2022, compared to the growth of 5.6 percent in the same period of 2021 mainly due to the contraction in financial service activities, insurance, reinsurance and pension funding, and professional services.

Figure 2.2: Composition of GDP – First Half of 2022



Source: Department of Census and Statistics

Table 2.1: Sectoral Composition of GDP at Constant (2015) Prices

Sector	Rs. Million						
	2019	2020	2021 ^(b)	First Half		Growth (%)	
				2021 ^(b)	2022 ^(a)	2021	2022
Agriculture, Forestry and Fishing	949,582	936,020	959,434	473,867	437,937	8.8	-7.6
1 Growing of Cereals (except rice)	13,355	21,342	23,138	12,053	9,681	31.1	-19.7
2 Growing of Rice	112,919	121,663	115,242	58,580	44,539	6.6	-24
3 Growing of Vegetables	102,037	111,088	109,180	53,761	47,809	-3.6	-11.1
4 Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	3,275	4,021	3,728	1,874	1,844	-8.5	-1.6
5 Growing of Fruits	77,200	81,823	75,485	36,375	34,140	15.3	-6.1
6 Growing of Oleaginous Fruits (Coconut, King Coconut, Oil Palm)	102,800	92,066	102,202	48,989	55,586	9.8	13.5
7 Growing of Tea (Green Leaves)	72,733	67,971	73,743	39,772	32,793	25.5	-17.5
8 Growing of Other Beverage Crops (Coffee, Cocoa etc.,)	1,302	1,613	1,457	719	765	-10.0	6.5
9 Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	90,880	93,776	97,956	45,734	46,938	5.2	2.6
10 Growing of Rubber	24,029	24,081	25,570	13,925	12,065	21.7	-13.4
11 Growing of Other Perennial Crops	28,751	29,900	26,809	13,462	13,497	-9.0	0.3
12 Animal Production	90,284	86,907	98,339	47,676	44,570	15.6	-6.5
13 Plant Propagation	772	625	792	305	362	-4.5	18.8
14 Agriculture supporting activities	22,969	21,313	26,303	13,261	10,674	43.2	-19.5

Rs. Million

Sector	2019	2020	2021 ^(b)	First Half		Growth (%)	
				2021 ^(b)	2022 ^(a)	2021	2022
15 Forestry and Logging	43,133	42,361	41,924	20,216	19,515	6.0	-3.5
16 Marine Fishing and Marine Aquaculture	141,700	111,307	112,825	55,919	51,752	0.2	-7.5
17 Fresh Water Fishing and Fresh Water Aquaculture	21,444	24,166	24,742	11,247	11,406	16.1	1.4
Industries	3,933,728	3,724,314	3,933,782	1,975,268	1,835,491	12.4	-7.1
18 Mining and Quarrying	318,658	284,079	288,061	143,973	125,075	9.0	-13.1
19 Manufacture of Food, Beverages and Tobacco Products	929,371	980,863	1,015,085	503,523	453,628	6.0	-9.9
20 Manufacture of Textile, Wearing Apparel and Leather Related products	469,028	416,312	475,377	244,469	266,632	23.7	9.1
21 Manufacture of Wood and Products of Wood and Cork, except Furniture	36,321	32,831	35,580	16,741	14,726	17.3	-12
22 Manufacture of Paper Products, Printing and Reproduction of Media Products	54,064	51,896	56,812	31,322	30,003	19.7	-4.2
23 Manufacture of Coke and Refined Petroleum Products	24,630	22,108	15,492	7,946	3,450	-16.6	-56.6
24 Manufacture of Chemical Products and Basic Pharmaceutical Products	90,144	92,157	95,794	48,929	43,488	16.6	-11.1
25 Manufacture of Rubber and Plastic Products	98,429	81,182	97,439	43,444	37,307	44.8	-14.1
26 Manufacture of Other Non-metallic Mineral Products	107,062	102,685	119,988	59,602	50,690	25.3	-15
27 Manufacture of Basic Metals and Fabricated Metal Products	80,312	77,859	81,174	39,074	32,482	20.6	-16.9
28 Manufacture of Machinery and Equipment	66,114	65,187	73,090	28,450	27,640	18.4	-2.8
29 Manufacture of Furniture	95,470	81,651	82,696	47,970	44,751	18.0	-6.7
30 Other Manufacturing and Repair and Installation of Machinery and Equipment	96,432	87,586	101,050	51,298	48,028	26.5	-6.4
31 Electricity, Gas, Steam and Air Conditioning Supply	184,041	180,176	187,763	90,613	92,870	0.1	2.5
32 Water Collection, Treatment and Supply	14,701	15,431	11,332	5,810	6,368	-27.5	9.6
33 Sewerage, Waste, Treatment and Disposal Activities	29,253	28,960	27,992	12,935	12,794	-7.1	-1.1
34 Construction	1,239,700	1,123,351	1,169,059	599,169	545,559	12.4	-8.9
Services	7,307,036	7,165,986	7,405,262	3,580,336	3,559,173	5.6	-0.6
35 Wholesale and Retail Trade	1,636,752	1,650,889	1,678,813	836,018	847,013	2.5	1.3
36 Transport of Goods and Passenger including Warehousing	1,398,230	1,313,312	1,324,646	662,196	656,318	8.9	-0.9
37 Postal Courier Activities	17,099	17,620	18,714	8,950	9,614	8.6	7.4
38 Accommodation, Food and Beverage Service Activities	216,976	128,556	130,474	66,185	84,955	-7.1	28.4
39 Programming and Broadcasting Activities and Audio Video Productions	42,752	43,841	42,161	23,601	21,579	0.0	-8.6
40 Telecommunication	103,325	118,845	138,238	68,291	73,952	19.3	8.3
41 IT Programming Consultancy and Related Activities	175,634	194,893	243,971	120,298	124,751	22.6	3.7
42 Financial Service Activities and Auxiliary Financial Services	510,367	557,357	597,267	293,758	258,452	8.1	-12
43 Insurance, Reinsurance and Pension Funding	120,550	117,075	125,326	57,833	51,739	10.0	-10.5
44 Real Estate Activities, Including Ownership of Dwelling	610,231	604,259	630,619	302,470	300,914	5.5	-0.5
45 Professional Services	297,462	287,781	301,890	128,181	118,616	8.0	-7.5
46 Public Administration and Defence; Compulsory Social Security	605,938	616,176	626,013	291,075	299,444	1.2	2.9
47 Education	283,605	284,751	290,487	149,433	153,772	6.5	2.9
48 Human Health Activities, Residential Care and Social Work Activities	235,136	246,735	260,499	114,101	109,246	3.3	-4.3
49 Other Personal Service Activities	1,052,980	983,900	996,144	457,945	448,808	3.9	-2
Gross Value Added (GVA), at basic prices	12,190,346	11,826,320	12,298,479	6,029,470	5,832,601	8.0	-3.3
(+) Taxes less Subsidies on Products	1,015,930	921,395	873,323	529,305	412,614	27.7	-22
Gross Domestic Product(GDP) at market prices	13,206,276	12,747,715	13,171,802	6,558,775	6,245,215	9.3	-4.8

Source : Department of Census and Statistics

(a) Provisional

(b) Revised

Taxes less subsidies on products decreased significantly by 22.0 percent in the first half of 2022 in value added terms, compared to the increase of 27.7 percent in the same period of 2021.

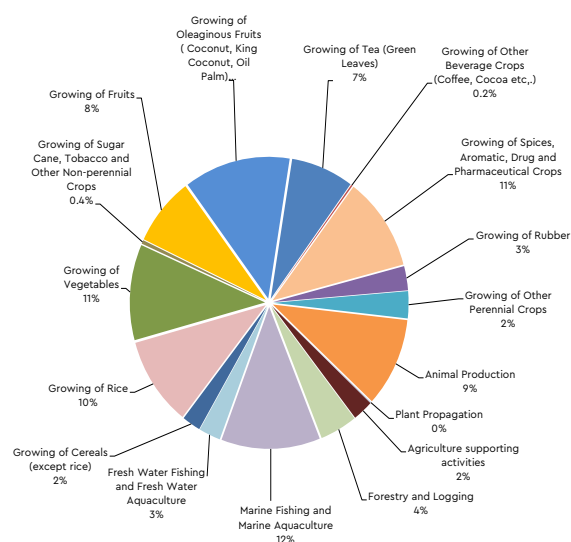
Agriculture

The Agriculture sector which accounted for 7.0 percent of the Gross Domestic Product (GDP) recorded a negative growth of 7.6 percent in the first half of 2022, compared to positive growth of 8.8 percent in the same period of 2021. This was mainly a result of contraction in sub-sectors such as growing of paddy, vegetables, tea, marine fishing and animal production. However, the growing of coconut, spices, fresh water fishing, plant propagation, growing of other perennial crops and other beverage crops recorded positive growth.

Paddy

Value added production of paddy contracted by 24.0 percent in the first half of 2022, compared to the growth of 6.6 percent recorded in the same period of 2021. The total paddy production recorded a sharp drop to

Figure 2.3: Composition of Agriculture Sector – First Half of 2022



Source: Department of Census and Statistics

2.9 million metric tons in 2022, compared to 5.1 million metric tons in 2021; production of 2021/22 Maha season was 1.9 million metric tons and 2022 Yala season is expected to be at 1.0 million metric tons, due to the shortages in supply of fertilizers and chemicals. Gross

extent sown in 2021/22 Maha season increased to 775,846 hectares compared to 770,240 hectares in 2020/21 Maha season.

Tea, Rubber and Coconut

Value added production of tea and rubber sub-sectors declined by 17.5 percent and 13.4 percent, respectively, while oleaginous fruits sub-sector grew by 13.5 percent in the first half of 2022, compared to the same period of 2021. Tea production dropped by 18.0 percent to 192.4 million kg in the first nine months of 2022, compared to 234.7 million kg in the same period of 2021. This was mainly due to the ban on importing chemical fertilizers followed by a price hike in agricultural fertilizers due to the Russia-Ukraine conflict and the large rupee depreciation. However, monthly tea average prices increased by 153.5 percent to Rs. 1,617.70 per kg at the Colombo Tea Auction in the first nine months of 2022, due to the rupee depreciation and the global commodity price hike. Similarly, rubber production fell by 13.8 percent to 48.5 million kg in the first eight months mainly due to the outbreak of the fungal leaf fall disease experienced during the period. However, due to the steep rupee depreciation, the average price of latex crepe 1X at the Colombo Rubber Auction (CRA) increased by 16.2 percent to Rs. 814.00 per kg in the first nine months of 2022 from Rs. 700.25 as at end 2021. Coconut production increased by 12.3 percent to 2,284.6 million nuts in the first eight months of 2022, compared to 2,035.2 million nuts in the same period of 2021 due to the favourable weather conditions that prevailed during 2022.

Cereals, Vegetables, Fruits, Spices and Pharmaceutical Crops

In value added terms, the growing of cereals sub-sector contracted by 19.7 percent in the first half of 2022, mainly due to the shortage of fertilizer, among others. Similarly, the growing of vegetables and fruits dropped by 11.1 percent and 6.1 percent, respectively, in value added terms, in the first half of 2022. Value-added production of spices, aromatic, drug and pharmaceutical crops increased by 2.6 percent in the first half of 2022, compared to the growth of 5.2 percent in the same period of 2021.

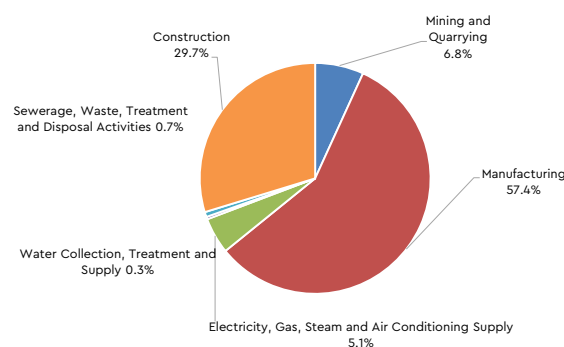
Fisheries and Livestock

In value added terms, the marine fishing and marine aquaculture sub-sector contracted by 7.5 percent in the first half of 2022, compared to the marginal expansion of 0.2 percent in the same period of 2021. However, the freshwater fishing and freshwater aquaculture sub-sector expanded by 1.4 percent in the first half of 2022, compared to the growth of 16.1 percent in the same period of 2021. The total fish production declined by 9.7 percent to 256.6 metric tons in the first eight months of 2022, compared to 284.2 metric tons in the same period of 2021. The animal production sub-sector decreased, in value added terms, by 6.5 percent in the first half of 2022, compared to the increase of 15.6 percent in the first half of 2021.

Industry and Manufacturing

The industry sector recorded a negative growth of 7.1 percent in the first half of 2022, compared to the positive growth of 12.4 percent in the same period of 2021. This was mainly due to the contraction in construction (8.9 percent), manufacture of food, beverages & tobacco product (9.9 percent) and mining and quarrying (13.1 percent). The sub-sectors such as the manufacture of other non-metallic mineral products (15.0 percent), manufacture of chemical products and basic pharmaceutical products (11.1 percent), manufacture of rubber and plastic products (14.1 percent) and other manufacturing, and repair and installation of machinery and equipment (6.4 percent) contracted in the first half of 2022. Similarly, the manufacture of basic metals and fabricated metal products (16.9 percent), manufacture of coke and refined petroleum products (56.6 percent), manufacture of furniture (6.7 percent), manufacture of wood and products of wood and cork, except furniture (12.0 percent), manufacture of paper products, printing and reproduction of media products (4.2 percent), manufacture of machinery and equipment (2.8 percent) and sewerage, waste, treatment and disposal activities (1.1 percent) reported negative growth in the first half of 2022. However, the manufacture of textiles, wearing apparel and leather related products (9.1 percent), water collection, treatment and supply (9.6 percent) reported positive growth during the first half of 2022.

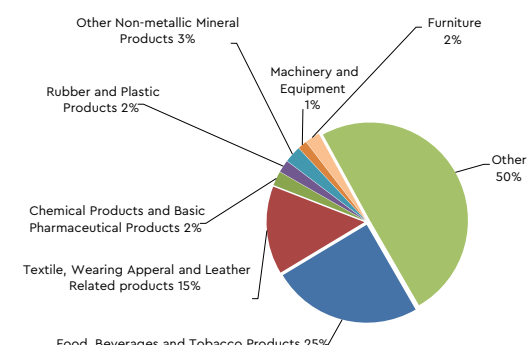
Figure 2.4: Composition of Industry Sector – First Half of 2022



Source: Department of Census and Statistics

Supply of electricity, gas, steam and air conditioning recorded a marginal growth of 2.5 percent, in value added terms, in the first half of 2022. Total power generation plummeted by 3.3 percent to 10,744 GWh in the first eight months of 2022, compared to 11,107 GWh in the same period of 2021. The sale of electricity to industries declined by 6.9 percent to 2,957 GWh in the first eight months of 2022, compared to the same period of 2021 mainly due to the slowdown in industrial activities with the shortage of fuel and raw materials. The generation mix of hydro: thermal (fuel): thermal (coal): nonconventional renewable energy and wind has shown a marginal adverse movement to 28:19:37:16 in the first eight months of 2022, compared to the 28:18:38:16 for the same period of 2021.

Figure 2.5: Composition of Manufacturing Sector – First Half of 2022



Source: Department of Census and Statistics

Services

The Services sector contracted by 0.6 percent in the first half of 2022, compared to the growth of 5.6 percent in the same period of 2021. This was mainly due to the contraction in financial service activities and auxiliary

financial services (12.0 percent), insurance, reinsurance and pension funding (10.5 percent) and professional services (7.5 percent). The sub-sectors such as transportation including warehousing (0.9 percent), real estate activities including ownership of dwelling (0.5 percent), other personal service activities (2.0 percent), human health activities, residential care (4.3 percent), and programming and broadcasting activities (8.6 percent) also contracted in the first half of 2022. However, wholesale and retail trade (1.3 percent), accommodation, food and beverage service activities (28.4 percent), public administration and defense (2.9 percent), IT programming consultancy and related activities (3.7 percent), education (2.9 percent), telecommunication (8.3 percent), and postal and courier activities (7.4 percent) grew in the first half of 2022.

Wholesale and Retail Sale, Transport of Goods, Warehousing and Passenger Services

In value added terms, wholesale and retail trade activities expanded by 1.3 percent in the first half of 2022, compared to 2.5 percent growth in the same period of 2021. The transport sector recorded a negative growth of 0.9 percent in the first half of 2022, compared to the 8.9 percent expansion in the first half of 2021. The total number of new vehicle registrations dipped considerably by 34.6 percent to 16,690 in the first nine months of 2022 from 25,505 in the same period of 2021. This was mainly due to the import restrictions of vehicles imposed by the government in order to manage the forex liquidity.

The registration of motor cars declined by 60.7 percent in the first nine months of 2022, while registration of three wheelers, goods transport vehicles and land vehicles dropped by 98.5 percent, 48.7 percent and 43.9 percent, respectively during the period. However, registration of motorcycles, busses and dual-purpose vehicles increased by 17.2 percent, 13.9 percent and 13.8 percent, respectively during the first nine months of 2022.

Total containers handled in the first nine months of 2022 decreased by 2.5 percent to 5.2 million Twenty-foot Equivalent Units (TEUs), compared to 5.4 million TEUs in the same period of 2021. Containers handled for domestic, transshipment and re-stowing decreased by 11.0 percent, 0.8 percent and

0.4 percent, respectively in the first nine months of 2022. The total number of cargo handled also decreased by 4.7 percent to 78.4 million metric tons in the first nine months of 2022, compared to 82.2 million metric tons in the same period of 2021. The supply side shocks in the global economy in 2022 could be attributable to this decline.

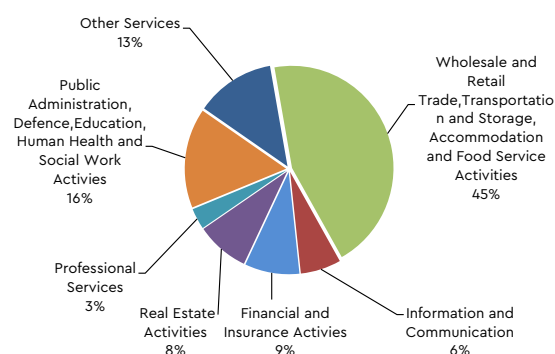
Accommodation, Food and Beverages

The accommodation, food and beverages sub-sector expanded by 28.4 percent in the first half of 2022 from a contraction of 7.1 percent in the same period of 2021. Tourist arrivals increased to 526,232 tourists in the first nine months of 2022, compared to 37,924 tourists in the same period of 2021. As such, earnings from tourism increased significantly to USD 946.4 million in the first nine months of 2022, compared to USD 98.8 million in the same period of 2021.

Telecommunication, IT consultancy, Postal Services

Value added services of the telecommunication sub-sector recorded a moderate growth of 8.3 percent in the first half of 2022 amidst an increase in foreign currency related cost components in this industry. IT programming consultancy and related services expanded by 3.7 percent in the first half of 2022 despite numerous challenges in the operating environment including power disruptions, fuel shortages and forex regulations. Similarly, postal and courier services recorded a growth of 7.4 percent in the first half of 2022, compared to the same period of 2021.

Figure 2.6: Composition of Service Sector – First Half of 2022



Source: Department of Census and Statistics

Table 2.2: Selected Indicators of Service Sector

Indicator	2018	2019	2020	2021 ^(a)	2021 ^(a)	2022 ^(a)
Port Services					Jan-Sep	Jan-Sep
Vessels Arrived (No.)	4,874	4,707	4,337	4,180	3,143	2,964
Total Cargo Handled (MT '000)	104,934	106,979	102,908	109,369	82,235	78,411
Total Container Handled (TEU '000)	7,047	7,228	6,855	7,249	5,370	5,235
Transshipment (TEU '000) ^(b)	5,704	5,955	5,765	6,050	4,327	4,291
Telecommunication Sector					End June	End June
Fixed Telephone Lines (No. '000)	2,485	2,300	2,613	1,264	1,252	1,266
Cellular Phones (No. '000)	32,528	32,884	28,739	29,959	29,049	29,561
Wireless Phones (No. '000)	1,269	1,055	1,367	1,587	1,618	1,765
Internet and E-mail Subscribers (No. '000)	10,563	13,408	17,524	22,236	20,629	22,516
Health Sector					End June	End June
Private Hospitals	191	207	217	233	227	243
Public Hospitals	612	603	609	618	609	617
No. of Beds (Government)	76,824	77,964	77,121	78,228	77,121	78,228
No. of Doctors (Government)	19,692	18,130	19,615	18,992	18,992	20,209
No. of Nurses (Government)	34,714	38,276	37,634	38,743	38,743	39,091
Financial Sector					End Sep	End Sep
Bank Branches and Other Outlets	6,882	7,387	3,619	7,414	7,412	7,417
Licensed Finance Companies	43	42	40	39	39	37
Specialised Leasing Companies	5	4	3	3	3	2
					End Jun	End Jun
Credit Cards in Use	1,710,671	1,854,103	1,984,525	2,054,985	2,045,716	2,082,685
Tourism Sector					Jan-Sep	Jan-Sep
Tourist Arrivals	2,333,796	1,913,702	507,704	194,495	37,924	526,232
Tourist Earnings (USD Million)	4,381	3,607	682	507	99	946
Room Occupancy Rate	72.8	n.a.	15.0	19	n.a.	n.a.
Transport Services (New Registration)					Jan-Sep	Jan-Sep
Buses	2,957	1,613	578	281	237	270
Cars	80,776	38,232	21,021	3,495	2,905	1,141
Goods Transport Vehicles ^(c)	16,931	3,738	3,941	4,432	3,241	1,663
Motor Cycles	339,763	284,301	151,634	8,011	6,031	7,067
Three Wheelers	20,063	15,490	7,150	2,093	2,080	32
Tractors and Trailers ^(d)	10,282	7,666	8,302	14,764	10,415	5,841

Source : Central Bank of Sri Lanka

(a) Provisional

(b) Includes re-stowing

(c) Includes special purpose vehicles, motor lorry and lorry others

(d) Includes tractors, hand tractors and tailors

n.a - not available

Table 2.3: Performance of Tourism Sector

Month	Tourist Arrivals					Tourist Earnings (USD Million)				
	2018	2019	2020	2021	2022 ^(a)	2018	2019	2020	2021 ^(b)	2022 ^(a)
January	238,924	244,239	228,434	1,682	82,327	448.5	460.3	307.0	4.4	148.0
February	235,618	252,033	207,507	3,366	96,507	442.3	475.0	278.9	8.8	173.6
March	233,382	244,328	71,370	4,581	106,500	438.1	460.5	95.9	11.9	191.5
April	180,429	166,975	-	4,168	62,980	338.7	314.7	-	10.9	113.3
May	129,466	37,802	-	1,497	30,207	243.0	71.2	-	3.9	54.3
June	146,828	63,072	-	1,614	32,856	275.6	118.9	-	4.2	59.1
July	217,829	115,701	-	2,429	47,293	408.9	218.1	-	6.3	85.1
August	200,359	143,587	-	5,040	37,760	376.1	270.6	-	13.1	67.9
September	149,087	108,575	-	13,547	29,802	279.8	204.6	-	35.3	53.6
October	153,123	118,743	-	22,771	42,026	287.4	223.8	-	59.3	75.6
November	195,582	176,984	-	44,294	-	367.1	333.6	-	115.4	-
December	253,169	241,663	393	89,506	-	475.2	455.5	0.5	233.3	-
Total	2,333,796	1,913,702	507,704	194,495	568,258	4,380.7	3,606.8	682.4	506.9	1,022.0

Source : Sri Lanka Tourism Development Authority

(a) Provisional

(b) Revised

Financial Services, Insurance and Real Estate and Other Services

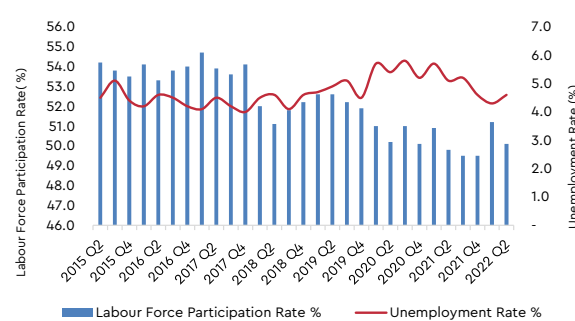
Value-added services of the financial and auxiliary financial sector decreased by 12.0 percent in the first half of 2022, compared to an increase of 8.1 percent in the same period of 2021. The insurance sub-sector also recorded a negative growth of 10.5 percent in the first half of 2022. Total assets of the insurance sector increased by 7.9 percent to Rs. 902.7 billion as at the end June 2022, compared to Rs. 836.9 billion as at the end June 2021.

Real estate activities, including ownership of dwelling contracted by 0.5 percent in the first half of 2022, compared to an expansion of 5.5 percent in the same period of 2021. Public administration and defence, and education sub-sectors expanded each by 2.9 percent while professional services, and human health activities and residential care contracted by 7.5 percent and 4.3 percent, respectively in the first half of 2022.

Unemployment

The unemployment rate increased to 4.6 percent in the second quarter of 2022, compared to the 4.3 percent recorded in the first quarter of 2022, reflecting the deceleration of economic activities. The labour force participation rate, which was 51.2 percent in the first quarter of 2022, has declined to 50.1 percent in the second quarter of 2022.

Figure 2.7: Labor Force Participation Rate and Unemployment Rate



Source: Department of Census and Statistics

Table 2.4: Sectoral Distribution of GDP Growth (%)

Sector	2017	2018	2019	2020	2021 ^(b)	First Half	
						2021 ^(b)	2022 ^(a)
Agriculture	-1.8	6.3	0.5	-1.4	2.5	8.8	-7.6
Growing of Tea	4.4	2.0	-3.3	-6.5	8.5	25.5	-17.5
Growing of Rice	-9.7	45.2	6.2	7.7	-5.3	6.6	-24.0
Growing of Rubber	4.3	1.8	-7.8	0.2	6.2	21.7	-13.4
Growing of Cereal	-10.0	2.1	-9.0	59.8	8.4	31.1	-19.7
Growing of Vegetables	-5.5	0.5	-2.9	8.9	-1.7	-3.6	-11.1
Animal Production	11.2	4.1	-4.5	-3.7	13.2	15.6	-6.5
Forestry and Logging	12.0	-13.6	-3.3	-1.8	-1.0	6.0	-3.5
Fishing	0.5	0.2	-4.4	-17.0	1.5	2.5	-6.0
Industry	13.0	-1.1	-4.1	-5.3	5.6	12.4	-7.1
Mining and Quarring	11.7	-2.7	-1.2	-10.9	1.4	9.0	-13.1
Manufacturing Activities	4.8	3.8	2.0	-2.6	1.2	14.6	-6.2
Other Industries	4.6	7.1	4.3	-1.5	0.02	-2.7	2.4
Construction	27.3	-8.0	-14.8	-9.4	4.1	12.4	-8.9
Services	3.6	4.3	2.9	-1.9	3.3	5.6	-0.6
Wholesale and Retail Trade	3.8	4.7	3.6	0.9	1.7	2.5	1.3
Transportation and Storage	3.3	2.1	2.0	-6.1	0.9	8.9	-0.9
Accommodation and Food Service Activities	3.1	5.1	-6.0	-40.8	1.5	-7.1	28.4
Information and Communication	11.1	7.2	12.0	11.2	18.7	18.6	3.8
Financial and Insurance Activities	7.5	16.6	1.2	6.9	7.1	8.4	-11.8
Real Estate Activities	7.3	5.6	5.1	-1.0	4.4	5.5	-0.5
Professional Services	1.9	3.8	5.4	-3.3	4.9	8.0	-7.5
Education, Human Health and Social Work Activities	5.4	1.4	4.6	2.5	3.7	5.1	-0.2
Public Administration and Defence	-4.3	1.9	0.8	1.7	1.6	1.2	2.9
Other Services (Excluding Own-services)	2.9	1.5	2.0	-6.6	1.2	3.9	-2.0
GDP	6.5	2.3	-0.2	-3.5	3.3	9.3	-4.8

Source : Department of Census and Statistics

(a) Provisional

(b) Revised

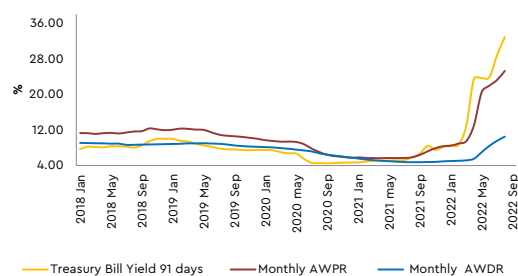
2.3 Monetary Sector Developments

The Central Bank continued to tighten the monetary policy by revising policy rates upward by 100 basis points in March 2022 after the upward revision of policy rates in August 2021. Monetary policy was further tightened in April 2022 by revising the policy rates upwards significantly with the intention of stabilizing the economy. The Central Bank increased Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by unprecedented 700 basis points to 13.5 percent and 14.5 percent, respectively in April 2022 while Standard Reserve Ratio (SRR) maintained at 4.00 percent. The Central Bank yet again tightened its monetary policy stance in July 2022, increasing policy rates by 100 basis points considering the adverse inflation expectations.

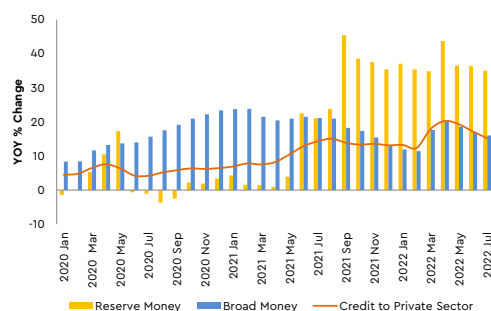
The Average Weighted Lending Rate (AWLR) was 9.87 percent at the end of December 2021 and increased to 16.86 percent at the end of August 2022 while the Average Weighted Deposit Rate (AWDR) increased to 10.49 percent from 4.94 during the same period. While Broad Money (M_{2b}) increased by 12.6 percent from Rs. 10,647 billion at the end of December 2021 to Rs. 11,987 billion at the end of August 2022, the credit to the private sector increased by 11 percent to Rs. 7,576.9 billion at the end of September 2022 from Rs. 6,824.6 billion at the end of September 2021. The net credit to the government (NCG) also increased by 20.8 percent during 2022 to Rs. 7,043.4 billion at the end of September 2022.

Inflation

Figure 2.8: Yield Rates, Monetary Aggregates and Private Sector Credit Growth



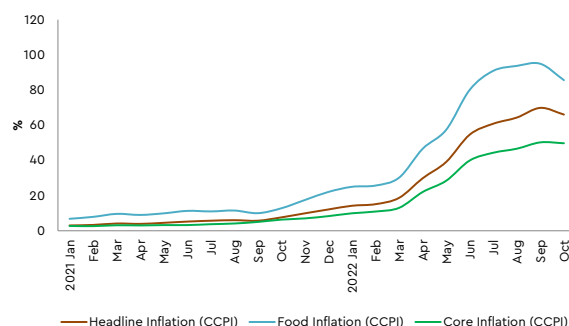
Source: Central Bank of Sri Lanka



Source: Central Bank of Sri Lanka

Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2013=100) increased to 69.8 percent in September 2022 from 5.7 percent in September 2021. This increase in Y-o-Y inflation was mainly driven by the monthly increases of both food and non-food categories stemming from the sharp rupee depreciation and the acute shortage of foreign exchange for imports. Accordingly, food inflation (Y-o-Y) increased to 94.9 percent in September 2022 from 10.0 percent in September 2021, while non-food inflation (Y-o-Y) increased to 57.6 percent in September 2022 from 3.8 percent in September 2021. However, the inflation measured by the year-on-year change of CCPI decelerated by 380 basis points to 66.0 percent in October 2022.

Figure 2.9: Movements in Headline, Core and Food inflation (Based : 2013 = 100)



Source: Department of Census and Statistics

Table 2.5: Headline Inflation, Core Inflation and Food Inflation (Base : 2013 = 100)

Month	Headline Inflation (%)				Core Inflation* (%)				Food Inflation (%)			
	Y-o-Y		Annual Average		Y-o-Y		Annual Average		Y-o-Y		Annual Average	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
January	3.0	14.2	4.3	6.9	2.7	9.9	3.1	5.0	6.8	25.0	10.9	13.3
February	3.3	15.1	4.1	7.9	2.6	10.9	3.0	5.7	7.9	25.7	10.3	14.8
March	4.1	18.7	4.0	9.1	3.1	13.0	3.0	6.5	9.6	30.2	10.1	16.5
April	3.9	29.8	3.9	11.3	3.0	22.0	3.0	8.1	9.0	46.6	9.7	19.7
May	4.5	39.1	3.9	14.2	3.2	28.4	3.0	12.2	9.9	57.4	9.7	23.7
June	5.2	54.6	4.1	18.4	3.2	39.9	3.0	13.3	11.3	80.1	9.9	29.7
July	5.7	60.8	4.2	23.1	3.7	44.3	3.1	16.7	11.0	90.9	9.9	36.5
August	6.0	64.3	4.3	28.0	4.1	46.6	3.2	20.3	11.5	93.7	9.8	43.5
September	5.7	69.8	4.5	33.4	5.0	50.2	3.3	24.1	10.0	94.9	9.7	50.6
October	7.6	66.0	4.8	38.3	6.3	49.7	3.6	27.8	12.8	85.6	10.0	56.7
November	9.9	-	5.3	-	7.0	-	4.0	-	17.5	-	10.6	-
December	12.1	-	6.0	-	8.3	-	4.4	-	22.1	-	11.7	-

Source : Department of Census and Statistics

2.4 Stock Market

Stock market performance as measured by the movement of market indices showed a downward trend up to July 2022. The All Share Price Index (ASPI) dropped by 38.7 percent from 12,226 in the beginning of the year to 7,342 at the end of June 2022 while S&P SL20 dropped from 4,233 to 2,334 during the same period. During the first nine months of 2022, ASPI peaked 13,462 on January 19 and recorded a low of 6,884 on April 26 while S&P SL20 recorded a high of 4,627 on January 24 and a low of 2,125 on April 26.

However, the market showed signs of recovery beginning in early July 2022 as both ASPI and S&P SL20 indices started to gain

upward momentum. ASPI reached 9,931 at the end of the third quarter from 7,457 at the beginning of July 2022 while S&P SL20 index recorded 3,165 at the end of third quarter from 2,380 at the beginning of July 2022.

The market capitalization increased to Rs. 4,341 billion at the end of September 2022 from Rs. 4,216 billion at the end of September 2021, a marginal increase of 2.96 percent. Foreign purchases of equity during the first three quarters of 2022 increased by 68.9 percent to Rs. 48.3 billion from Rs. 28.6 billion recorded during the same period of 2021 while foreign sales decelerated to Rs. 33 billion in the first three quarters of 2022 compared to Rs. 74 billion recorded in the same period of 2021.

Table 2.6: Movement in Capital Market

Indicators	2016	2017	2018	2019	2020	2021	End Sep	
							2021	2022 ^(a)
All Share Price Index (1985 = 100)	6,228	6,369	6,052	6,129	6,774	12,226	9,460	9,931
S&P SL 20 Index	3,496	3,672	3,135	2,937	2,638	4,233	3,535	3,165
Market Capitalization (Rs. Billion)	2,745	2,899	2,840	3,599	2,961	5,489	4,216	4,341
No. of Listed Companies in Trading	295	296	297	289	283	296	287	294
Annual Average Turnover (Rs. Billion)	176	221	200	171	397	1,173	793	567
Foreign Sales (Rs. Million)	74,200	94,627	100,315	68,173	104,186	86,689	73,554	33,034
Foreign Purchases (Rs. Million)	74,583	112,285	77,067	56,395	53,144	34,087	28,648	48,305
Net Purchases (Rs. Million)	384	17,658	-23,248	-11,778	-51,041	-52,602	-44,906	15,271

Sources : Colombo Stock Exchange and Central Bank of Sri Lanka
(a) Provisional

2.5 External Sector Developments

Sri Lanka's external sector demonstrated mixed performance during the first nine months of 2022 due to the improvement of trade deficit amidst decline in inflows including workers' remittances and disruptions in the foreign exchange market with domestic and global economic uncertainties. Monthly import expenditure declined for the seventh consecutive month in September, 2022 on year on year basis while monthly earnings from exports increased from April 2022. Accordingly, the trade deficit contracted to USD 4,104 million in the first nine months of 2022, compared to USD 5,999 million in the same period of 2021. Earnings from exports increased by 11.7 percent to

USD 9,981.1 million in the first nine months of 2022, compared to USD 8,938.5 million in the same period of 2021 mainly due to the increase in earnings from Industrial exports. Earnings from industrial exports grew by 15.9 percent to USD 8,000.6 million, while agricultural export earnings and mineral exports earnings declined by 2.4 percent to USD 1,939.8 million and by 28.6 percent to USD 24.1 million, respectively. The textiles and garment exports recorded USD 4.6 billion earnings in the first nine months of 2022, contributing 57.2 percent of the total industrial export earnings. Meanwhile, total import expenditure declined by 5.7 percent to USD 14,085.2 million in the first nine months of 2022, compared to USD 14,937.5 million in the same period of 2021 with the import restriction imposed

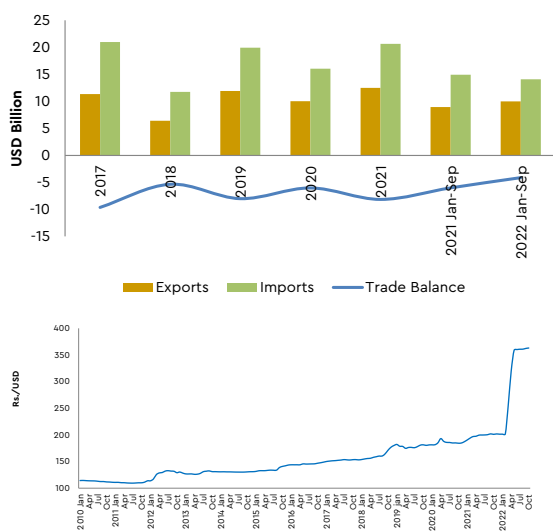
for non urgent imports during August 2022. However, certain restrictions were relaxed in September 2022. Import expenditure on intermediate goods grew by 8.0 percent to USD 9,497.4 million while consumer goods and investments goods declined by 25.7 percent to USD 2,146.7 million and by 25.1 percent to USD 2,433.0 million, respectively.

The overall Balance of Payments (BoP) recorded a deficit of USD 2,927 million during the first nine months of 2022, compared to the USD 2,573 million deficit in the same period of 2021. The gross inflows to the government were recorded as USD 1,798 million in the first nine months of 2022. Total foreign assets amounted to USD 6.0 billion at the end of September 2022 while Gross Official Reserves (GOR) stood at USD 1.8 billion by the end of September 2022 including the USD 1.4 billion SWAP facility from People's Bank of China. Meanwhile, the Sri Lankan rupee depreciated by 44.9 percent against the USD as of November 04, 2022.

increased earnings from industrial exports. Industrial exports earnings increased by 15.9

percent to USD 8,000.6 million in the first nine months of 2022 from USD 6,903.1 million in the same period of 2021. This was mainly due to the increased earnings from textile and garments by 17.6 percent to USD 4,577.2 million from USD 3,893.3 million in the same period of the previous year, with improved exports to all major export markets including the USA, the EU and the UK. In addition, increased earnings recorded from petroleum products by 26.2 percent to USD 439.9 million, machinery and mechanical appliances by 16.7 percent to USD 427.9 million, gems diamond and jewellery by 63.2 percent to USD 325.7 million, chemical products by 5.2 percent to USD 171.4 million and base metal and articles by 20.9 percent to USD 134.6 million in the first nine months of 2022. Meanwhile, earnings from agricultural exports declined by 2.4 percent to USD 1,939.8 million in the first nine months of 2022 from USD 1,986.7 million in the same period of 2021 with the drop in earnings from tea, spices, vegetables and unmanufactured tobacco despite the growth recorded in earning from rubber, coconut and minor agricultural products. Earnings from rubber, coconut and minor agricultural products increased by 0.9 percent to USD 32.7 million, by 0.4 percent to USD 314.0 million, by 33.0 percent to USD 138.9 million, respectively. Earnings from tea declined by 5.0 percent to USD 937.1 million from USD 986.6 million with the decreased tea export volumes despite the higher average tea prices. Mineral export earnings also recorded a decline of 28.6 percent to USD 24.1 million due to the decrease in earnings from titanium ores and zirconium ores which are categorized under ores, slag, and ash. Meanwhile, other unclassified exports earnings increased by 11.2 percent to USD 16.6 million during the first nine months of 2022.

Figure 2.10: Trade Balance and Exchange Rate Movements

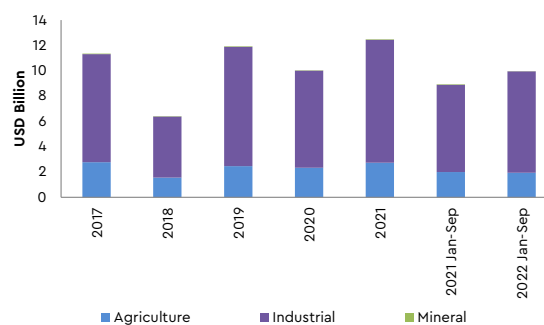


Source: Central Bank of Sri Lanka

Exports

Earnings from exports increased by 11.7 percent to USD 9,981.1 million in the first nine months of 2022, compared to USD 8,938.5 million in the same period of 2021 mainly due to the

Figure 2.11: Composition of Exports



Source: Central Bank of Sri Lanka

Table 2.7: External Trade

Category	USD Million				
	2019	2020	2021 ^(b)	Jan-Sep	
				2021 ^(b)	2022 ^(a)
Exports	11,940	10,047	12,502	8,939	9,981
Agricultural Exports	2,462	2,336	2,730	1,987	1,940
Tea	1,346	1,241	1,324	987	937
Other Agricultural Products	1,116	1,095	1,405	1,000	1,003
Industrial Exports	9,427	7,672	9,705	6,903	8,001
Textile and Garments	5,597	4,423	5,435	3,893	4,577
Food, Beverages and Tobacco	447	464	587	398	406
Rubber Products	866	786	1,050	773	755
Machinery and Mechanical Appliances	400	338	501	367	428
Petroleum Products	521	374	506	349	440
Other Industrial Exports	1,596	1,288	1,625	1,124	1,395
Mineral Exports	34	25	45	34	24
Unclassified	18	14	23	15	17
Imports	19,937	16,055	20,637	14,938	14,085
Consumer Goods	3,957	3,402	3,849	2,890	2,147
Food and Beverages	1,427	1,554	1,667	1,262	1,228
Other Consumer Goods	2,530	1,847	2,182	1,628	919
Intermediate Goods	11,369	9,077	12,309	8,791	9,497
Petroleum	3,892	2,543	3,743	2,597	3,694
Textiles and Garments	2,909	2,335	3,067	2,206	2,407
Wheat and Maize	346	384	418	291	189
Other	4,222	3,814	5,081	3,697	3,207
Investment Goods	4,603	3,563	4,463	3,249	2,433
Machinery and Equipment	2,490	2,176	2,810	2,049	1,571
Building Materials	1,509	1,036	1,249	901	747
Transport Equipments	597	348	399	295	113
Other	8	3	6	4	3
Unclassified	8	14	17	8	8
Trade Deficit	-7,997	-6,008	-8,136	-5,999	-4,104

Source : Central Bank of Sri Lanka

(a) Provisional

(b) Revised

Imports

Expenditure on imports declined by 5.7 percent to USD 14,085.2 million in the first nine months of 2022, compared to USD 14,937.5 million in the same period of 2021 with declined import expenditure recorded from consumer and investment goods. Import expenditure on consumer goods declined by 25.7 percent to USD 2,146.7 million due to the decline in imports expenditure of both food and beverages and non-food consumer goods categories. Import expenditure on food and beverages drop by 2.7 percent to USD 1,227.7 million in the first nine months of 2022 from USD 1,261.7 million in the same period of 2021, with the declined import expenditure recorded from dairy products, vegetables, sugar and confectionery and seafoods. Expenditure on non-food consumer goods drop by 43.6 percent to USD 919.0 million due to the decrease in import expenditure of personal vehicles, medical and pharmaceuticals, telecommunication devices, home appliances and household and furniture items. However, import expenditure on clothing and accessories increased by 8.4 percent to USD 169.9 million from USD 156.8 million. Meanwhile, import expenditure on intermediate goods increased by 8.0 percent to USD 9,497.4 million from USD 8,790.8 million, mainly due to increased expenditure on imports of fuel, textiles and textile articles. Expenditure on fuel imports increased by 42.3 percent to USD 3,694.3 million with the higher average import prices of crude oil and refined petroleum despite the decrease in import volumes.

Import expenditure on investment goods declined by 25.1 percent to USD 2,433.0 million in the first nine months of 2022 from USD 3,248.8 million in the same period of 2021, due to import expenditure decreased in all subcategories including machinery and equipment, building materials, transport equipment and other investments goods. Import expenditure of machinery and equipment dropped by 23.4 percent to USD 1,570.7 million, building materials by 17.0 percent

Figure 2.12: Composition of Imports



Source: Central Bank of Sri Lanka

to USD 747.1 million and transport equipment by 61.8 percent to USD 112.5 million.

Tourism and Workers' Remittances

Tourist arrivals increased to 526,232 persons during the first nine months of 2022, compared to 37,924 persons recorded in the same period of 2021 with the recovery from the COVID-19 pandemic. Accordingly, earnings from tourism increased to USD 946.4 million during the first nine months of 2022 from USD 98.8 million in the same period of 2021. Meanwhile, workers' remittances decreased by 43.8 percent to USD 2,574.1 million in the first nine months of 2022 compared to USD 4,577.5 million in the same period of 2021.

2.6 World Economic Perspectives

Global economic activities that have been depressed by the COVID-19 pandemic, further deepened owing to the Ukraine-Russia conflict, the cost-of-living crisis caused by high inflation and the slowdown of the three largest economies, the US, the EU, and China. As per the World Economic Outlook of the IMF of October 2022, the global growth is estimated to slowdown to 3.2 percent in 2022 and 2.7 percent in 2023 from 6.0 percent in 2021. This is seen as the weakest growth profile since 2001, excluding the global financial crisis, due to a significant slowdown in the largest economies. Also, inflation in advanced economies reached its highest rate since 1982 in 2022. The sharply rising cost of living has led to policy uncertainty, debt distress, social unrest, food insecurity and violence in many countries around the world.

As per the IMF October, 2022 report, the growth of advanced economies is projected to decline from 5.2 percent in 2021 to 2.4 percent and 1.1 percent in 2022 and 2023 respectively due to slowdown in the US and European economies. Growth in the United States is projected to decline from 5.7 percent in 2021 to 1.6 percent in 2022 and 1.0 percent in 2023 due to declining real disposable income and higher interest rates. The growth in Euro area is expected to slow down to 3.1 percent in 2022 and 0.5 percent in 2023 from 5.2 percent in 2021. Growth in Japan is expected to be stable at 1.7 percent in both 2021 and 2022 and 1.6 percent in 2023. The main reasons for this decline in growth prospects are higher energy prices and declining purchasing power accompanied by higher inflation.

Emerging market and developing economies are estimated to decline to 3.7 percent in 2022 and remain there in 2023 from 6.6 percent in 2021. The growth in emerging and developing Asia, is projected to decline from 7.2 percent in 2021 to 4.4 percent in 2022 before rising to 4.9 percent in 2023. The growth in China is expected to decline to 3.2 percent in 2022 and increase to 4.4 percent in 2023 from 8.1 percent in 2021 due to COVID-19 related lock downs and worsening property market crisis. However, the growth forecast to India is higher than China: The estimated growth for India in 2022 is 6.8 percent and 6.1 percent in 2023. Emerging and developing Europe including Russia, the growth is projected to be at 0.0 percent in 2022 and 0.6 percent in 2023 while the growth in Russia is estimated to be contracted to 3.4 percent and 2.3 percent in 2022 and 2023 respectively from 4.7 percent in 2021 owing to the war in Ukraine and international sanctions to Russia.

The global trade is estimated to decline from 10.1 percent in 2021 to 4.3 percent in 2022 and 2.5

percent in 2023 due to decrease in Chinese supply delivery times. The United States Dollar appreciated by about 13 percent in nominal effective terms as of September 2022 compared with the 2021 average which led further slowdown in world trade growth.

Crude oil prices, increased to USD 120/barrel in early March and by 3.5 percent between February and August 2022, due to Ukraine-Russia conflict. However, as Europe and United States of America reduced purchases of Russian oil, Russia redirected oil to China and India at a discount rate. Oil prices is estimated to rise by 41.4 percent in 2022, to average USD 98.2/barrel. In contrast, it will decline to USD 76.3/barrel in 2025.

Supply constraints have caused to increase in natural gas prices in Europe. Russia reduced gas exports to Europe by about 80 percent in September 2022 compared to the previous year. By reflecting gas-to-coal shifting, coal prices increased by 61.4 percent which records historically high levels.

Table 2.8: Key Indicators of World Economy – 2022 (Projection)

Country	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Overall Fiscal Balance (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	4.0	72.4	6.9	-3.5	76.0
Australia	3.8	6.5	3.6	-3.4	56.7
Brazil	2.8	9.4	9.8	-5.8	88.2
Canada	3.3	6.9	5.3	-2.2	102.2
Chile	2.0	11.6	7.9	0.9	36.2
China	3.2	2.2	4.2	-8.9	76.9
France	2.5	5.8	7.5	-5.1	111.8
Germany	1.5	8.5	2.9	-3.3	71.1
Greece	5.2	9.2	12.6	-4.4	177.6
India	6.8	6.9	n.a.	-9.9	83.4
Indonesia	5.3	4.6	5.5	-3.9	40.9
Italy	3.2	8.7	8.8	-5.4	147.2
Japan	1.7	2.0	2.6	-7.9	263.9
Korea	2.6	5.5	3.0	-1.8	54.1
Malaysia	5.4	3.2	4.5	-4.9	69.6
Mexico	2.1	8.0	3.4	-3.8	56.8
Russia	-3.4	13.8	4.0	-2.3	16.2
Singapore	3.0	5.5	2.1	1.4	141.1
South Africa	2.1	6.7	34.6	-4.9	68.0
Spain	4.3	8.8	12.7	-4.9	113.6
Thailand	2.8	6.6	1.0	-5.6	61.5
United Kingdom	3.6	9.1	3.8	-4.3	87.0
United States	1.6	8.1	3.7	-4.0	122.1
Vietnam	7.0	3.8	2.4	-4.7	40.2

Sources : World Economic Outlook, IMF, October 2022, Fiscal Monitor, IMF, October 2022, Ministry of Finance and Central Bank of Sri Lanka
n.a - not available

Performance of State Owned Enterprises | 03

3.1 Overview

The business operations of State-Owned Enterprises (SOEs) have been disrupted during the first eight months of 2022 due to the supply chain disturbances stemming from the difficult economic situation in the country. The unprecedented pressure exerted by the large rupee depreciation has become one of the contributors to the notable losses of the SOEs. The fiscal risks on the guaranteed debt of SOEs were also notably inclined during the first eight months of 2022. Two state banks have been highly exposed to the credit risks on SOEs' borrowings exerting pressure on banking operations. As such, a proactive and well informed balance sheet restructuring strategy for key SOEs needs to be implemented expeditiously to mitigate the fiscal risks to the government finances.

The difficult economic conditions of the country warranted much needed SOE reforms while mitigating the additional burden on the limited fiscal space. As such, energy prices including fuel and electricity have been adjusted to reduce the losses of Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB). Meanwhile, the Cabinet of Ministers has appointed a special unit to identify the methods for minimizing the financial burden shouldered by the General Treasury while enhancing the performance of SOEs more efficiently and productively. More importantly, the Government has embarked on initiatives to curtail expenditure on all public enterprises while rationalising their expenditure with the issuance of PED Circular No. 04/2022 dated August 08, 2022 and making performance oriented agreements including the Statement of Corporate Intent (SCI).

The total loss of the key 52 SOEs was Rs. 726.9 billion for the first eight months of 2022 of which 31 SOEs recorded a profit before tax of Rs. 134.9 billion and the balance, 21 SOEs reported a net loss of Rs. 861.7 billion. Notably, 99 percent of the total loss has been generated by three SOEs namely, CPC, CEB, and Sri Lankan Airlines (SLA) totalling a cumulative loss of Rs. 854.5 billion from these entities. These three entities have been loss making for years which has resulted from debt overhang warranting cost reflective

pricing for CPC and CEB and restructuring of SLA to mitigate large fiscal risks. The levy/dividend collection dropped to about Rs. 17.8 billion in the first eight months of 2022 due to the contraction of the economy.

3.2 Review of the Ten Major SOEs

This section reviews the performance of the major ten SOEs covering finance and insurance, electricity, water and aviation.

Bank of Ceylon (BoC)

The asset base of the BoC increased by 14.9 percent to Rs. 4,368.9 billion as at the end of August 2022 from Rs. 3,803.2 billion at the end of 2021 continuing its position as the leading Commercial Bank in the country. The deposit base increased by 13.9 percent to Rs. 3,264.3 billion as at the end of August 2022, compared to Rs. 2,866.8 billion as at the end of 2021. Stage III loans to total loans ratio increased to 6.2 percent at the end of August 2022, compared to 5.1 percent as at the end of 2021 reflecting the impact of the deceleration of economic activities and financial sector vulnerabilities. Profit Before Tax (PBT) of the BoC declined to Rs. 27.0 billion in the first eight months of 2022, compared to Rs. 36.9 billion reported in the same period of 2021.

People's Bank (PB)

PB's asset base increased by 10.8 percent to Rs. 2,934 billion as at the end of August 2022 from Rs. 2,647.6 billion as at the end of 2021. The deposit base of the bank increased to Rs. 2,216.6 billion as at the end of August 2022 from Rs. 2,034.7 billion as at the end of 2021. Loans and advances declined by 5.9 percent to Rs. 1,693.1 billion as at end of August 2022 from Rs. 1,798.7 billion as at the end of 2021. Non-performing loan ratio (NPL) increased to 4.8 percent as at the end of August 2022 from 3.2 percent as at the end of 2021. PB recorded a PBT of Rs. 15.7 billion in the first eight months of 2022, compared to Rs. 16.6 billion recorded in the same period of 2021.

National Savings Bank (NSB)

NSB's asset base increased by 2.06 percent to Rs. 1,611.6 billion as at the end of August 2022 from Rs. 1,579 billion as at the end of 2021. The

increase in assets was mainly funded through customer deposits, which increased by 2.2 percent to Rs. 1,459.8 billion as at the end of August 2022 from Rs. 1,428.4 billion as at the end of 2021. The bank has mobilized Rs. 31.4 billion worth of deposits in the first eight months of 2022. The portfolio of loans and advances marginally increased to Rs. 561.5 billion as at the end of August 2022 from Rs. 538.9 billion as at the end of 2021. NSB recorded a PBT of Rs. 6.6 billion in the first eight months of 2022, compared to the PBT of Rs. 18.9 billion recorded in the same period of 2021.

Sri Lanka Insurance Corporation Limited (SLIC)

SLIC recorded a PBT of Rs. 9.5 billion in the first eight months of 2022, compared to the PBT of Rs. 11.7 billion in the financial year of 2021. Further, total revenue improved by 15.2 percent to Rs. 44.7 billion in the first eight months of 2022, compared to Rs. 38.8 billion in the same period of 2021. Having capitalized the conducive insurance market conditions that prevailed in the first eight months of 2022, the SLIC has expanded its asset base to Rs. 272.2 billion whilst life and non-life funds have reached Rs. 156.1 billion and Rs. 22.2 billion, respectively at the end of August 2022.

Ceylon Electricity Board (CEB)

The total revenue of CEB increased by 4.6 percent to Rs. 172.0 billion in the first eight months of 2022, compared to Rs. 164.5 billion in the same period of 2021. The direct

generation cost has doubled from Rs. 104.7 billion to Rs. 209.5 billion in the first eight months of 2022, compared to the same period of 2021 due to the large price fluctuations in coal and fuel in the global market coupled with the sharp rupee devaluation. Accordingly, the cost per unit at the selling point increased to Rs. 29.17 per KWh in the first eight months of 2022 from Rs. 17.33 per KWh in the same period of 2021. As such, CEB has incurred a large operating loss of Rs. 108.7 billion in the first eight months of 2022, compared to Rs. 1.9 billion recorded in the same period of 2021. Meantime, daily power cuts have been executed with the approval of the Public Utilities Commission of Sri Lanka (PUCSL) to manage the electricity demand due to the foreign exchange constraints for heavy fuel importation and non-operation of the refinery of CPC. The generation mix has changed as hydro: thermal (fuel): thermal (coal): Non-Conventional Renewable Energy (NCRE) and wind 28:19:37:16 in the first eight months of 2022, compared to the generation mix of 28:18:38:16 recorded in the same period of 2021.

Having considered the adverse liquidity positions of both CEB and CPC, the General Treasury has channelled Rs. 80.0 billion to CEB up to August 2022 as an equity infusion to settle its outstanding obligations to CPC. Despite this, the total outstanding obligations of CEB to CPC and Independent Power Producers (IPP) have again reached to Rs. 148.1 billion, at the end of August 2022 due to

Table 3.1: Composition of Electricity Generation and Capacity

	2021 Jan-Aug			2022 Jan-Aug (Provisional)		
	Installed Capacity MW	Percentage on Total Generation (%)	GWh	Installed Capacity MW	Percentage on Total Generation (%)	GWh
Hydro	1,383	28	3,227	1,418	28	3,134
Thermal – CEB Oil	654	8	911	654	10	1,132
Thermal – IPP Oil	457	10	1,184	550	9	1,028
Wind-CEB	31	2	204	104	2	246
Thermal-Coal	900	38	4,440	900	37	4,095
NCRE & Wind	699	12	1,363	729	11	1,209
Rooftop Solar	309	2	249	515	3	345
Total	4,433	100	11,578	4,870	100	11,189

Source: CEB and Department of Public Enterprises

a significant level of fuel price hike. Further, the outstanding obligations to the state banks have increased to Rs. 168.1 billion as at the end of August 2022 due to an increase in overdraft facility and increase in borrowings. Meanwhile, the total outstanding to the banks including project loans stood at Rs. 395.5 billion at the end of August 2022.

Considering the severe financial burden faced by CEB mainly due to the non-implementation of cost-reflective pricing formula, PUCSL as the regulator increased the electricity tariff by 75 percent on average for all customer categories with effect from August 2022.

Ceylon Petroleum Corporation (CPC)

The oil import bill of CPC increased to USD 2.2 billion in the first eight months of 2022. This was due to the increase in average Brent crude oil price in the international market to USD 105/bbl in the first eight months of 2022 from USD 67/bbl in the same period of 2021.

CPC's total cost of sales increased by 106 percent to Rs. 737.4 billion in the first eight months of 2022, compared to Rs. 358.3 billion recorded in the same period of 2021 due to honouring high price by the limited suppliers with the rise in international oil price. This has resulted in the interruption of competitive procurement process of petroleum products with increasingly unsettled Letters of Credit by banks due to the financial turmoil in the country.

This increasing trend of international oil prices and the selling of petroleum products below cost by CPC have resulted to generate a substantial loss in the first five months of 2022. However, the CPC introduced a cost-reflective pricing formula at the end of May 2022 as a strategic move to minimize operational loss and financial constraints. Despite the frequent price adjustments, the CPC recorded an operating loss of Rs. 52.0 billion in the first eight months of 2022, compared to the loss of Rs. 19.8 billion in the same period of 2021.

The rupee depreciation has adversely affected the bottom line of the performance of the CPC. The exchange rate impact was Rs. 546.0 billion in the first eight months of

2022, compared to Rs. 44.8 billion recorded in the same period of 2021. Meanwhile, with the pressure to settle the outstanding of USD denominated loan, the CPC's finance cost has increased by 260 percent to Rs. 57.6 billion in the first eight months of 2022, compared to Rs. 16.0 billion in the same period of 2021.

CPC recorded the accumulated loss of Rs. 1,051.0 billion at the end of August 2022 associated with high-risk turmoil. Hence, the CPC's total payable to the Bank of Ceylon and People's Bank as at the end August 2022 has increased to Rs. 1,042.0 billion. Also, CPC has a payable of Rs. 228.8 billion to the Government for the Indian Line of Credit facility for the importation of petroleum products.

In addition, the weaker financial position of CEB and SLA had a crowding-out impact on the CPC's balance sheet as the unsettled amounts including both entities inclined to Rs. 206.6 billion.

The debt overhang of the CPC has distracted its future investments and smooth operations. Petroleum Products (Special Provisions) Amendment Bill, which is to allow global suppliers to enter into retail operations, eliminate the duopoly on the petroleum domestic market and liberalize the energy sector, was passed in Parliament in October, 2022. Parallely, the Government has taken policy direction to open up the fuel market in Sri Lanka by way of calling Expressions of Interest (EOI) from established companies in petroleum producing countries giving special emphasis on the feasibility of deployment of a viable business model using their funds for importation, distribution and selling of petroleum products in Sri Lanka based on long-term agreements.

This company should possess the ability to import petroleum products by utilizing its forex for an agreed period without depending on the Sri Lankan forex market. This will require to enter long-term contracts with the CPC to ensure a continuous supply of petroleum products to the country with using existing fuel stations owned or to be opened by the CPC as well as infrastructure facilities of the Ceylon Petroleum Storage Terminals Limited (CPSTL) based on a facilitation fee.

Sri Lanka Ports Authority (SLPA)

SLPA handled around 1,494,883 Twenty-foot Equivalent (TEUs) of containerized cargo and 6,397,640 metric tons of conventional cargo in the first nine months of 2022.

The total revenue of SLPA in the first seven months of 2022 was Rs. 36.7 billion and the total expenditure was Rs. 20.6 billion recording a operational profit of Rs. 16.1 billion. The SLPA recorded profits of Rs. 31.2 billion in the first seven months of 2022, compared to the budgeted profit of Rs. 19.3 billion. Further, SLPA recorded a Rs. 4.3 billion foreign exchange gain in the first seven months of 2022.

National Water Supply and Drainage Board (NWS&DB)

The NWS&DB is continuously committed to providing clean and safe drinking water in line with the national policy. The NWS&DB while continuously engaged in their mandate of increasing the water supply and sanitation coverage of the people towards achieving the targets for the year 2025, the water supply coverage recorded a total piped borne water coverage of 55.50 percent, safe water supply coverage of 95.6 percent and piped sewerage coverage of 2.08 percent in the first eight months of 2022.

The NWS&DB has recorded a revenue of Rs. 18.3 billion in the first eight months of 2022, compared to Rs. 17.2 billion recorded in the same period of 2021. However, the NWS&DB's operating loss increased significantly to Rs. 1.8 billion in the first eight months of 2022. This was mainly due to the increase in the cost of sales by 7.6 percent to Rs. 12.7 billion and the administrative cost by 9.7 percent for the first eight months of 2022 stemming from the increase in the fuel prices and other cost related issues.

The NWS&DB provided 185,614 new connections to the system in the first eight months of 2022 with a total connection of 2.83 million. The NWS&DB has also produced 553 million m³ of water as against the sale of 413 million m³ of water. Meantime, the Non-Revenue Water (NRW) percentage has improved to 24.88 percent as at the end of August 2022

compared to 25.43 percent recorded at the end of August 2021.

The General Treasury continued to provide its support towards the loan repayment of the NWS&DB's development projects contributing to Rs. 12.9 billion as an equity contribution for the above projects at the end of August 2022.

Based on the proposal submitted by the NWS&DB, the Cabinet of Ministers has granted approval for a cost-reflective water tariff revision considering the financial obligations of the NWS&DB and the tariff revision was done after ten years and such tariff revisions will be made annual basis.

Airport and Aviation Services (Sri Lanka) Ltd. (AASL)

AASL has generated Rs. 13.7 billion of revenue in the first seven months of 2022, of which Rs. 10.4 billion was non-aeronautical revenue. Total expenditure incurred during the period increased to Rs. 8.0 billion, mainly due to the rise in personal emoluments and electricity charges. Accordingly, AASL has reported operating profits of Rs. 5.6 billion in the first seven months of 2022. However, owing to the impact of the exchange loss, AASL recorded a loss before tax of Rs. 1.1 billion in the first seven months of 2022.

Meanwhile, the construction of BIA Terminal 2 project has been temporarily halted due to the current debt treatment policy.

SriLankan Airlines (SLA)

SLA generated a revenue of Rs. 170.4 billion in the first half of the financial year 2022/23, while the total expenditure incurred was Rs. 284.2 billion, mainly due to the significant hike in aircraft fuel price, airport, enroute, passenger expenses, and exchange loss. The escalations of prices led the SLA to make an operating loss of Rs. 113.8 billion in the first half of the financial year 2022/23.

Considering the accumulation of losses over the years, it has been decided to divest the government stake in SLA. Accordingly, a restructuring process will be carried out with the support of SOE restructuring unit.

Table 3.2: Profitability of 52 State Owned Enterprises

		Rs. Million		
Enterprise	2020*	2021*	For the period ended 31.08.2022 unless otherwise specified (Provisional)	
1	Bank of Ceylon	23,552	43,190	27,033
2	People's Bank	21,227	30,387	15,697
3	National Savings Bank	15,645	28,555	6,575
4	State Mortgage & Investment Bank	790	621	185
5	HDFC Bank	1,381	1,199	390
6	Pradeshiya Sanwardena Bank (RDB)	2,061	1,927	431
7	Employees' Trust Fund Board	32,500	33,159	26,814
8	Sri Lanka Insurance Corporation Ltd	7,972	11,725	9,459
9	National Insurance Trust Fund	8,866	5,936	2,583**
10	Sri Lanka Export Credit Insurance Corporation	265	310	95**
11	Agriculture and Agrarian Insurance Board	1,257	1,780	579
12	Ceylon Electricity Board	-60,486	-21,450	-108,670
13	Ceylon Petroleum Corporation	2,371	-82,208	-632,044
14	Sri Lanka Ports Authority	20,328	25,601	31,189**
15	National Water Supply and Drainage Board	643	-2,996	-1,324
16	Airport and Aviation Services (Sri Lanka) Ltd	-3,733	-755	-1,113**
17	Sri Lankan Airlines Ltd (a) (from April to September 2022)	-45,230	-170,751	-113,767
18	Sri Lanka Transport Board	-2,105	-3,143	2,114
19	State Engineering Corporation	-1,066	-1,020	-522
20	Central Engineering Consultancy Bureau	261	250	-41
21	State Development and Construction Corporation	-257	43	31
22	Milco (Pvt) Ltd	230	330	-412***
23	National Livestock Development Board	-	158	-14***
24	Sri Lanka State Plantations Corporation	-150	-232	22
25	Janatha Estates Development Board	-351	-481	50
26	Kurunegala Plantations Ltd	214	468	400
27	Chilaw Plantations Ltd	283	511	321**
28	Kalubovitiyana Tea Factory Ltd	43	-15	247
29	Sri Lanka Cashew Corporation	15	16	1
30	Lanka Mineral Sands Ltd	69	1,205	3,124
31	Lanka Phosphate Ltd.	150	117	-7**
32	Kahatagaha Graphite Lanka Ltd (a)	14	4	41
33	Development Lotteries Board	2,994	2,954	2,202
34	National Lotteries Board	1,435	1,003	638
35	State Pharmaceuticals Manufacturing Corporation	1,161	1,238	808
36	Sri Lanka Ayurvedic Drugs Corporation	9	-21	-21
37	State Pharmaceuticals Corporation	2,546	3,157	-2,080
38	Sri Jayawardenepura General Hospital	174	-258	-10
39	Independent Television Network Ltd	-251	-344	-234
40	Sri Lanka Rupavahini Corporation	-236	-224	-338
41	Sri Lanka Broadcasting Corporation	-2	9	-111
42	Sri Lanka Handicraft Board	-98	-35	33
43	State Timber Corporation	464	1,236	201

Table 3.2: Profitability of 52 State Owned Enterprises Contd...

		Rs. Million		
Enterprise	2020*	2021*	For the period ended 31.08.2022 unless otherwise specified (Provisional)	
44	STC General Trading Company	-120	63	12
45	Lanka Sathosa Ltd	-1,381	-880	-360
46	State Printing Corporation	-44	-208	-213
47	Ceylon Fisheries Corporation	-48	-63	-60
48	Ceylon Fishery Harbour Corporation	-236	-140	-97
49	Ceylon Fertilizer Company Ltd	268	124	12
50	Colombo Commercial Fertilizer Company Ltd	241	260	138
51	Hotel Developers Lanka Ltd.	-877	-947	-297
52	Lanka Sugar Company Ltd	1,171	1,577	3,435
Total		33,929	-87,058	-726,875

Source: SOEs and Department of Public Enterprises

* Draft

** Profit as at 31.07.2022 (Jan-July 2022)

*** Profit as at 30.06.2022 (Jan-June 2022)

(a) Financial year end 31st March 2022

Table 3.3: Levy/ Dividend Income from SOEs

		Rs. Million				
		Actual		As at 31.08.2022	Projection	
		2020	2021		2023	2024
Levy		14,769	25,919	12,931	30,039	30,639
National Savings Bank		1,000	3,500	-	2,100	2,142
Bank of Ceylon		1,250	1,500	-	6,500	6,630
People's Bank		2,500	1,977	-	1,750	1,785
Telecommunication Regulatory Commission		5,000	8,500	7,200	9,000	9,180
Regional Development Bank		-	-	-	-	-
State Timber Corporation		-	100	150	100	102
National Insurance Trust Fund		782	1,824	1,508	2,500	2,550
Geological Survey and Mines Bureau		-	2,000	650	1,500	1,530
National Gem and Jewelry Authority		-	15	35	30	31
Board of Investment		156	-	416	450	459
Securities and Exchange Commission		-	-	-	-	-
Sri Lanka Export Credit Insurance Corporation		-	25	-	20	20
Central Engineering Consultancy Bureau		-	25	-	-	-
Sri Lanka Tourism Promotion Bureau		-	-	-	50	51
Civil Aviation Authority		-	50	500	500	510
State Pharmaceuticals Manufacturing Corporation		-	100	100	100	102
State Pharmaceuticals Corporation		-	-	128	100	102
National Transport Medical Institute		-	110	290	200	204
Sri Lanka Bureau of Foreign Employment		-	-	1,200	750	765
National Transport Commission		-	-	10	-	-
Sri Lanka Tourism Development Authority		-	-	-	50	51
Sri Lanka Land Reclamation and Development Corporation		-	-	-	5	5
Sri Lanka Ports Authority		-	-	-	1,499	1,529
National Medicine Regulatory Authority		81	147	400	250	255

Table 3.3: Levy/ Dividend Income from SOEs Contd...

Rs. Million

	Actual		As at 31.08.2022	Projection	
	2020	2021		2023	2024
National Institute of Business Management	-	16	33	35	36
Sri Lanka Ayurvedic Drugs Corporation	-	5	-	10	10
Road Development Authority	4,000	4,000	-	1,000	1,020
Land Reforms Commission	-	1,100	-	500	510
National Lotteries Board	-	900	261	500	510
Post Graduate Institute of Management	-	-	50	20	20
Condominium Management Authority	-	25	-	10	10
Sri Lanka Standards Institute	-	-	-	10	10
Others	-	-	-	500	510
Dividends	2,854	4,672	4,851	5,633	5,700
National Savings Bank	60	60	60	60	61
Bank of Ceylon	346	346	346	350	354
People's Bank	316	316	316	300	304
National Development Bank PLC	1	1	1	2	2
Commercial Bank of Ceylon PLC	-	-	0.17	2	2
Sri Lanka Insurance Corporation Ltd	695	899	1,511	900	911
Airport and Aviation Services Ltd	-	-	-	100	101
Lanka Mineral Sands Ltd	-	700	359	500	506
Lanka Phosphate Ltd	-	20	20	15	15
Lanka Leyland Ltd	2	3	-	3	3
Rakna Arakshaka Lanka Ltd	-	-	-	50	51
Manthai Salt Ltd (National Salt Company)	2	15	-	11	11
Ceylon Fertilizer Ltd	304	29	15	35	35
Colombo Commercial Fertilizer Ltd	-	-	10	10	10
Paranthan Chemicals Company Ltd	10	3	50	30	30
Sri Lanka Telecom PLC	947	1,331	1,805	2,100	2,125
De La Rue Lanka Ltd	-	345	-	130	132
Lanka Electricity Company Ltd	-	327	218	250	253
Lanka Industrial Estates Ltd	82	82	-	25	25
Ceylon Agro Industries Ltd.	77	95	24	30	30
Lanka Logistics Limited	-	-	-	-	-
Lanka Thripasha Ltd	-	-	-	10	10
STC General Trading Company	-	-	11	15	15
Plantation Companies	12	98	95	155	157
Others	-	2	10	550	557
Total	17,623	30,591	17,782	35,672	36,339

Source: SOEs and Department of Public Enterprises

**Basis Used for
Preparation of
2023 Budget** | **04**

BASIS USED FOR THE PREPARATION OF 2023 BUDGET ESTIMATES

The macroeconomic and fiscal estimates in the Budget 2023 are based on a series of assumptions, analyses and staff judgements at the time of budget preparation. This section provides details of the assumptions on key macroeconomic indicators used in the preparation of revenue and expenditure estimates such as Gross Domestic Product (GDP), inflation, external sector developments, and unemployment, while also providing sensitivities of the estimates.

Gross Domestic Product

Sri Lanka is currently emerging from the unprecedented economic crisis. The multifaceted crisis is marked by the depletion of foreign reserves leading to severe constraints in foreign exchange liquidity and subsequent shortages of fuel, LP Gas, pharmaceuticals, and raw materials, soaring levels of inflation and rising food prices, unsustainable levels of debt and temporary suspension of external debt payments, among others. The economy contracted by 4.8 percent in the first half of 2022 owing to the disruption of economic activities due to the crisis. Although, the impacts of the crisis are somewhat abated at the time of compilation of this report with a ration system introduced for the purchase of fuel and uninterrupted supply of LP Gas, issues persist with the shortage of foreign exchange leading to a shortage of raw materials, increase of prices of inputs and continuation of electricity cuts. These supply-side constraints will adversely affect production, posing threats to loss of employment and income. From the demand side, private consumption, as well as public investment, will be limited amidst the high inflationary setting. Further, demand for Sri Lankan exports as well as tourist arrivals in Sri Lanka will be affected by the recession predicted for most countries in 2023 and the slowdown in the key economies of the United States (US), Euro Area, and China. In this context, it is expected that the pressures of the present economic crisis will continue up to the next year and the economy is expected to contract by 3.0 percent in 2023.

Consumer Prices

Inflation is expected to moderately subside from the level of over 60 percent at the time of compilation of this report with the tightened monetary policy and stoppage of monetary financing from 2023 onwards. However, inflation will likely remain in double digits in 2023 averaging around 30 percent owing to the depreciation of the Sri Lanka Rupee and high global commodity prices. Global inflation will peak in late 2022 and will, therefore, remain elevated in 2023 before declining to 4.7 percent by the fourth quarter of 2023. Brent crude oil prices are forecast to average USD 92/bbl in 2023, before easing to USD 80/bbl in 2024.

Employment and Unemployment

The second quarter of 2022 recorded an increase in the unemployment rate to 4.6 percent and a decrease in the labour force participation rate to 50.2 percent owing to the effects of the economic crisis. However, with the gradual pick-up of economic activities, the unemployment rate is expected to remain below 5 percent in 2023. The agriculture sector will be revived with ensured access to fertilizer and the industry sector will recover greatly with the expected gradual removal of import restrictions. These developments will aid in employment generation in 2023.

External Sector

Moving forward from the contracted trade deficit of USD 4,104 million recorded in the first nine months of 2022, the trade deficit is expected to further narrow in 2023 with the increase of exports owing to the gradual alleviation of impediments to production and reduced demand for imported goods due to high prices, limited financing and import restrictions. However, certain import restrictions are expected to be released to cater to the increased demand for investment and intermediate goods. In addition, tourist arrivals and workers' remittances are expected to pick up in 2023 and FDI inflows are expected to rebound with the implementation of structural reforms. Further, the exchange rate will remain high but largely stable.

Monetary Aggregates

Money supply is expected to be maintained at a desirable level. With the revenue-based fiscal consolidation efforts and the expected narrowing of the budget deficit in 2023 along with the restructuring of State-Owned Enterprises (SOEs) and applying of cost recovery pricing mechanism for fuel and electricity, net credit to the government will be gradually reduced, while facilitating private sector investment.

Revenue

Assumptions used for the revenue estimates are given in Annex III.

Expenditure

The basis for the preparation of expenditure estimates are as follows:

- The expenditure estimates on salaries and wages are based on the assumption that there will be about 1.4 million employees in the public sector, while allowing a normal annual increase in the salaries due to annual increments entitled by the employees. It is also expected that new recruitments will be minimal due to the suspension of new recruitments unless deemed essential.
- The number of pensioners is assumed to be around 730,000 in estimating the expenditure on pension payments.
- There will be an increase in expenditure on interest payments given the high domestic interest rates as well as the depreciation of the Sri Lanka Rupee.
- The expenditure on goods and services will also increase due to the increase of prices of supplies such as fuel and stationery as well as the increase of prices for utility services such as electricity and water.
- Expenditure on subsidies and transfers will increase with the Social Safety Nets established to protect the poor and vulnerable from the impacts of the economic crisis. The reach of the Samurdhi programme will be widened by enhancing its targeting to include all eligible beneficiaries and increasing the cash grant. Other programmes which provide support to school children (uniforms and textbooks) and disabled soldiers as well as the programmes aiming for better

nutrition (eg: nutritional programme targeting expectant mothers) and health (eg: free medicine) will be continued with increased expenditure. The programme on fertilizer subsidy will also continue with the objective of ensuring food security.

- Continued efforts will be made to promote IT and digital solutions in the public sector.
- Transfers to public institutions and corporations will be on the increase with the pressures from the economic crisis. However, such transfers are controlled and are expected to reduce over the medium term with the restructuring of key SOEs.
- Public investment will be limited to essential expenditure owing to fiscal constraints. Public investment will be around 4.0 percent of GDP in 2023 as non-priority and non-essential expenditure will be curtailed.
- Steps will be taken to increase the efficiency of public investment.
- Close cooperation among agencies and strict monitoring will be ensured to avoid duplication and effective utilization of budgetary provisions.
- Commitment control mechanisms will be implemented for fiscal and cash flow management.

Borrowings

It is expected to reduce the Government Debt to GDP ratio gradually over the medium term. The revenue enhancement measures focusing on income tax, Value Added Tax (VAT), Betting and Gaming Levy and non-tax revenue along with the rationalization of government expenditure, will reduce the budget deficit and thereby the debt level. Further, debt management will be improved to ensuring that the financing needs of the government are met at the lowest possible cost.

Sensitivities to the Estimates

Economic Projections could be sensitive to the following challenges:

- Slowdown of the global economy with the continued impacts of the Russia-Ukraine conflict
- High global commodity prices which could adversely affect the import cost, domestic consumer prices, production

costs as well as budget costs, which can also affect the external demand for Sri Lankan goods.

- High adjustment costs to external shocks which may impact domestic production, international trade, domestic prices and overall growth.
 - Risks associated with natural disasters and unfavourable weather conditions which could adversely affect agriculture, hydropower generation and government budget.
 - Impediments and delays in administration and procurement
- Risks that can cause a material effect on the fiscal position including delays in getting relevant Acts approved by Parliament
 - High volatility of petroleum and commodity prices in the global market which can affect the macroeconomic stability and growth, while affecting government expenditure and revenue
 - Increasing recurrent expenditure with the developments in domestic and global inflation
 - Underperformance of SOEs and progress of restructuring process of SOEs

The List of Treasury Guarantees Issued by the General Treasury-September 30, 2022

S. No.	Name of the Bank or Institution	Name of Institution	Rs. Million	Total
1	Asian Development Bank	Ceylon Electricity Board	147,964.12	166,459.64
		Regional Development Bank	18,495.52	
2	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	66,583.85	66,583.85
3	Bank of Ceylon	Building Materials Corporation Ltd.	500.00	895,605.35
		Ceylon Electricity Board	5,000.00	
		Ceylon Fisheries Corporation	250.00	
		Ceylon Petroleum Corporation	610,352.00	
		General Sir John Kotelawala Defence University	835.00	
		Janatha Estates Development Board	200.00	
		Lanka Coal Company (Pvt) Ltd.	22,000.00	
		Litro Gas Lanka Limited	8,000.00	
		National School of Business Management Limited	8,600.00	
		National Water Supply & Drainage Board	72,913.84	
		Northsea Limited	38.63	
		Paddy Marketing Board	500.00	
		Road Development Authority	147,102.33	
		Sri Lanka Rupavahini Corporation	200.00	
		Sri Lankan Airlines Limited	13,396.86	
State Development and Construction Corporation	1,126.81			
State Engineering Corporation	2,400.00			
Urban Development Authority	2,189.88			
4	China Development Bank	National Water Supply & Drainage Board	61,039.12	61,039.12
5	China National Chemical Engineering No.14 Construction Co. Ltd	Ceylon Petroleum Corporation	16,192.82	16,192.82
6	Commercial Bank	National Water Supply & Drainage Board	968.36	5,724.29
		Road Development Authority	4,755.93	
7	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	64,734.30	64,734.30
8	DFCC Bank	National Water Supply & Drainage Board	6,026.24	11,922.75
		Road Development Authority	5,896.51	
9	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	32,794.40	32,794.40
10	Exim Bank of India	National Water Supply & Drainage Board	94,955.97	94,955.97
11	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	44,740.67
		Ceylon Electricity Board	4,551.44	
		National Water Supply & Drainage Board	16,056.08	
		Road Development Authority	20,133.15	
12	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	16,327.08	16,327.08
13	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	15,526.02	15,526.02
14	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	30,246.80	30,246.80
15	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	191,096.13	191,096.13
16	National Development Bank PLC	National Water Supply & Drainage Board	21,380.43	27,679.63
		Road Development Authority	6,299.21	

The List of Treasury Guarantees Issued by the General Treasury-September 30, 2022

S. No.	Name of the Bank or Institution	Name of Institution	Rs. Million	Total
17	National Savings Bank	Ceylon Electricity Board	7,500.00	204,830.17
		General Sir John Kotelawala Defence University	43,183.90	
		National Water Supply & Drainage Board	32,710.61	
		Road Development Authority	114,415.66	
		Sri Lanka Land Reclamation & Development Corporation	3,500.00	
		Techno Park Development Company Private Limited	750.00	
		Urban Development Authority	2,770.00	
18	People's Bank	Ceylon Electricity Board	20,350.08	783,114.44
		Ceylon Petroleum Corporation	613,209.55	
		Ceylon Shipping Corporation Ltd.	26,600.42	
		Lanka Coal Company (Pvt) Ltd.	28,000.00	
		Lanka Sathosa Limited	2,241.00	
		National Paper Corporation	140.00	
		National Water Supply & Drainage Board	7,344.21	
		Paddy Marketing Board	760.75	
		Road Development Authority	59,918.75	
		Sri Lanka State Plantation Corporation	100.00	
		Sri Lankan Airlines Limited	17,214.60	
		State Printing Corporation	1,350.00	
		STC General Trading Company Ltd.	5,135.09	
		Techno Park Development Company Private Limited	750.00	
19	Sampath Bank	Road Development Authority	14,500.00	14,500.00
20	Sri Lanka Insurance Corporation Ltd.	Sri Lanka Insurance Corporation Ltd.	4,438.92	4,438.92
21	Sri Lanka Savings Bank	Northsea Limited	60.00	60.00
22	UniCredit Bank Austria AG	National Water Supply & Drainage Board	18,450.31	18,450.31
Grand Total			2,767,022.68	2,767,022.68

Source : Department of Treasury Operations

Macroeconomic Indicators

Table 1: Key Sectoral Growth Rate % : 2020–2022

Item	2020	2021	2022 Q ₁ ^(a)	2022 Q ₂ ^(a)
GDP	-3.5	3.3	-1.6	-8.4
Agriculture	-1.4	2.5	-6.8	-8.4
Industry	-5.3	5.6	-4.7	-10
Services	-1.9	3.3	0.7	-2.2
Inflation – GDP Deflator (%)	2.1	6.9	31.1	45.6
Unemployment Rate (%)	5.5	5.1	4.3	4.6

Source : Department of Census and Statistics
(a) Provisional

Table 2: Quarterly Growth Rates of Key Sub-Sectors of Agriculture : 2020–2022

Item	2020	2021	2022 ^(a)		
			Q ₁	Q ₂	
Tea (Mn kg)	278.9	298.5	63.0	69.1	
Growth (%)	-7.2	7.0	-15.5	-19.5	
Rubber (Mn kg)	78.2	76.9	19.2	17.5	
Growth (%)	4.6	-1.7	-15.7	-15.9	
Coconuts (Mn nuts)	2,792.2	3,119.7	837.4	868.6	
Growth (%)	-9.5	11.7	17.5	12.7	
Fish ('000 Mt)	428.7	435.3	106.3	93.7	
Growth (%)	-15.2	1.5	-3.3	-7.5	
		2021	2022		
		Maha	Yala	Maha	Yala
Paddy ('000 Mt)	3,061.4	2,088.5	1,931.2	-	

Source : Central Bank of Sri Lanka
(a) Provisional

Table 3: Performance in Industrial Sector : 2020–2022

Item	2020	2021	2022 ^(a)	
			Q ₁	Q ₂
Food, Beverages and Tobacco Products	980,863	1,015,085	270,441	183,187
Growth Rate	5.5	3.5	-9.1	-11.0
Textile, Wearing Apparel and Leather Related Products	416,312	475,377	159,485	107,147
Growth Rate	-11.2	14.2	-0.9	28.2
Chemical Products and Basic Pharmaceutical Products	92,157	95,794	18,373	25,115
Growth Rate	2.2	3.9	-16.0	-7.2
Rubber and Plastic Products	81,182	97,439	13,588	23,718
Growth Rate	-17.5	20.0	-7.0	-17.7
Non-metallic Mineral Products	102,685	119,988	29,791	20,899
Growth Rate	-4.1	16.9	-2.1	-28.4
Furniture	81,651	82,696	21,946	22,806
Growth Rate	14.5	1.3	-13.0	0.2
Total Industrial Sector	3,724,314	3,933,782	1,043,511	791,980
Overall Industrial Growth	-5.3	5.6	-4.7	-10.0

Source : Department of Census and Statistics
(a) Provisional

Table 4: Performance in Electricity Generation and Services Sector : 2021 – 2022

Category	2021				2022 ^(a)			
	Q ₁	Q ₂	Aug	Jan-Aug	Q ₁	Q ₂	Aug	Jan-Aug
Electricity Generation								
Total Generation (GWh) (Excluding Self Generation)	4,089.5	4,120.2	1,426.8	11,107.5	4,197.7	3,945.0	1,296.0	10,744.1
Growth Rate	2.6	13.0	4.0	6.7	2.6	-4.3	-9.2	-3.3
Hydro (Excluding Mini Hydro)	691.8	1,459.1	488.8	3,215.1	926.0	1,117.2	633.9	3,121.8
Growth Rate	-11.8	78.4	4.4	38.5	33.8	-23.4	29.7	-2.9
Fuel Oil	1,227.5	529.1	89.1	2,063.2	1,228.1	572.6	110.0	1,097.5
Growth Rate	-15.6	-38.0	-71.5	-31.2	0.0	8.2	23.4	-46.8
Coal	1,720.7	1,370.4	557.1	4,019.6	1,548.8	1,475.6	292.0	3,707.1
Growth Rate	19.5	-9.9	38.9	1.5	-10.0	7.7	-47.6	-7.8
NCRE (Including Mini Hydro)	449.6	761.6	291.9	1,809.6	494.9	779.6	260.2	235.9
Growth Rate	45.7	68.5	53.7	60.8	10.1	2.4	-10.9	-87.0
Hydro: Fuel Oil: Coal: NCRE Ratio	17:30:42:11	35:13:33:18	34:6:39:20	29:19:36:16	22:29:37:12	28:15:37:20	49:8:23:20	29:10:35:2
Reservoir Water Level % (End Period Average)	75.4	74.1	78.7	76.1	47.8	45.8	77.7	51.4
Post Services								
Total Cargo Handled ('000 MT)	27,142.8	27,611.5	9,297.8	73,733.5	28,386.7	25,824.9	8,519.3	70,682.1
Growth Rate	-0.4	32.0	-3.4	9.9	4.6	-6.5	-8.4	-4.1
Total Container Handled ('000 TEUs)	1,749.5	1,826.3	601.6	4,796.5	1,849.4	1,705.1	571.8	4,680.1
Growth Rate	-3.0	23.8	-7.2	5.5	5.7	-6.6	-5.0	-2.4
Telecommunication Services (No. of Subscribers)								
Fixed Lines ('000)	2,823.7	2,870.0	2,938.3	-	2,799.7	3,030.7	-	-
Growth Rate	21.4	23.3	26.6	-	-0.9	5.6	-	-
Cellular ('000)	29,243.6	29,048.7	29,243.6	-	30,476.1	29,561.0	-	-
Growth Rate	-8.3	4.9	8.9	-	4.2	1.8	-	-
Total Fixed Lines and Cellular ('000)	32,067.3	31,918.7	32,182.0	-	33,275.8	32,591.7	-	-
Growth Rate	-6.2	6.4	10.3	-	3.8	2.1	-	-
Internet and email ('000)	19,371.0	20,628.9	20,552.9	-	22,224.5	22,516.4	-	-

Source : Central Bank of Sri Lanka
(a) Provisional

Table 5: Export Performance in 2021–2022

Item	USD. Million	
	2021 Jan-Sep	2022 Jan-Sep ^(a)
Agricultural Products	1,987	1,940
Tea	987	937
Rubber	33	33
Coconut Products	313	314
Other Agricultural Products	655	656
Industrial Products	6,903	8,001
Textile and Garments	3,893	4,577
Petroleum Products	349	440
Other Industrial Products	2,661	2,984
Mineral Export	34	24
Other Exports	15	17
Total Exports	8,939	9,981

Source : Central Bank of Sri Lanka
(a) Provisional

Table 6: Import Performance in 2021–2022

Item	USD. Million	
	2021 Jan-Sep	2022 Jan-Sep ^(a)
Consumer Goods	2,890	2,147
Cereals and Milling Industry Products	27	315
Sugar	215	181
Other Food Products	256	140
Other Consumer Goods	2,392	1,511
Intermediate Goods	8,791	9,497
Fuel	2,597	3,694
Wheat and Maize	291	189
Fertilizer	104	105
Textile and Clothing	2,206	2,407
Other Intermediate Goods	3,592	3,103
Investment Goods	3,249	2,433
Other Imports	8	8
Total	14,938	14,085

Source : Central Bank of Sri Lanka
(a) Provisional

Table 7: Balance of Payments-2022

Item	USD. Million	
	2022	
	Q1 ^(a)	Q2 ^(a)
Current Account Balance	-1,356	-473
Trade Balance	-2,402	-1,112
Exports	3,249	3,265
Imports	5,651	4,377
Services (net)	847	489
Receipts	1,049	716
Payments	202	227
Primary Income (net)	-499	-612
Receipts	38	71
Payments	537	683
Secondary Income (net)	698	763
Secondary Income: Credit	783	829
Secondary Income: Debit	85	67
Capital Account (net)	2	6
Capital Account: Credit	12	12
Capital Account: Debit	10	7
Current and Capital Account (net)	-1,354	-467
Financial Account (net)	-1,212	-628
Direct Investment: Assets	4	4
Direct Investment: Liabilities	78	220
Portfolio Investment: Assets	-	-
Debt Securities	-	-
Portfolio Investment: Liabilities	-253	191
Equity and Investment Fund Shares	135	0
Debt Securities	-388	191
Financial Derivatives	-	-
Other Investment: Assets	523	291
Currency and Deposits	244	244
Trade Credits and Advances	67	65
Other Accounts Receivable	212	-19
Other Investment: Liabilities	693	557
Currency and Deposits	729	-274
Loans	-676	336
Trade Credits and Advances	-139	-163
Other Accounts Payable	779	620
Special Drawing Rights (SDRs)	-	-
Reserve Assets	-1,221	45
Net Errors and Omissions	142	-161
Overall Balance	-2,269	-2,814

Source : Central Bank of Sri Lanka
(a) Provisional

Table 8: International Reserves

Item	USD. Million			
	End 2021	Jun 2022	Jul 2022	Aug 2022
Total External Reserves	6,122	5,521	5,859	5,721
Months of Imports	3.6	3.2	3.5	3.4
Gross Official Reserves	3,139	1,854	1,817	1,717
Months of Imports	1.8	1.1	1.1	1.0

Source : Central Bank of Sri Lanka

Table 9: Government Foreign Currency Debt Outstanding

Items	USD. Million
	End June 2022 (Provisional) *
Central Government Foreign Debt and Dollar dominated Domestic Debt	35,676.05
Central Government Foreign Debt ^{(a) (b) (c) (d) (e)}	32,027.11
Dollar dominated Domestic Debt	3,648.95
Sri Lanka Development Bonds (SLDBs) ^{(a) (e)}	1,459.76
Loans Foreign Currency Banking Units (FCBUs) ^(f)	394.85
International Sovereign Bonds (ISBs) ^{(a) (d)}	1,750.00
Domestic project loans denominated in foreign currency ^(g)	44.33

Source : Central Bank of Sri Lanka

(a) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt.

(b) Includes non resident holdings of outstanding ISBs, non resident holdings of outstanding SLDBs, Foreign Project Loans, Syndicated & Term Loans and Foreign Holdings of T-bills and T-bonds and excludes project loans issued to Puttalam Coal Power Project, Mattala Hambantota International Airport Project and Hambantota Port Development Project.

(c) Foreign Project, Term and Syndicated Loan debt outstanding is compiled based on CS-DRMS reports downloaded on 28th July 2022 (Cutoff – end June 2022). Foreign holdings of Treasury bills, Treasury bonds, SLDBs and ISBs are as of end of relevant month.

(d) ISB outstanding is on the basis of ISIN Issuances as at 30.06.2022 and do not include unsettled interest amounting to USD 211.78 Mn as at 30.06.2022 under the interim policy decision of MOF on 12.04.2022.

(e) SLDB outstanding is on the basis of ISIN Issuances as at 30.06.2022 (Based on investor confirmations as at 30.06.2022) and do not include unsettled principal amounting to USD 216.83 Mn and interest amounting to USD 22.40 Mn as at 30.06.2022.

(f) As per the latest information received from Treasury Operations Department (TOD) of Ministry of Finance (MOF) – As end June 2022.

(g) Compiled based on CS-DRMS reports downloaded on 28th July 2022 (Cutoff – end June 2022)

* Exchange rate used 1 US \$ = 359.8782 (Date = 30 June 2022)

Table 10: Outstanding Domestic Foreign Currency Debt of the Government

Item	USD. Million	
	End 2021	End Sep. 2022*
Outstanding		
FCBUs	695.00	394.85
SLDBs ^{(a) (d)}	2,295.41	939.71
Receipts		
SLDBs ^(b)	1,041.33	588.19
Payments		
SLDBs ^(c)	1,384.52	1,943.88

Source : Central Bank of Sri Lanka

* Provisional

(a) Includes both resident and non resident holdings of SLDBs.

(b) Receipts are issues during the period.

(c) Payments are maturities during the period.

(d) SLDB outstanding as end September 2022 is on the basis of ISIN Issuances as at 30.09.2022 (Based on investor confirmations as at 30.09.2022) and do not include unsettled principal amounting to USD 348.52 Mn and interest amounting to USD 22.72 Mn as at 30.09.2022.

Table 11: Movements in Selected Exchange Rates (Against the USD)

Currency	Appreciation (+) / Depreciation (-)	
	End 2020-End 2021	End 2021-Sep 2022
Sri Lanka Rupee	-7.00	-44.77
Indian Rupee	-1.64	-8.69
Bangladesh Taka	-1.25	-15.38
Pakistan Rupee	-9.96	-22.33
Singapore Dollar	-2.21	-5.75
Thailand Bhat	-10.24	-12.32
Taiwan Dollar	1.33	-12.74
Indonesian Rupiah	-1.63	-6.26
Philippine Peso	-5.77	-13.29
Korean Won	-8.79	-16.97
Japanese Yen	-10.43	-20.47

Source : Central Bank of Sri Lanka

Table 12: Central Bank Holdings of Treasury Bills

End Period	Rs. Billion	
	Gross (Face Value)	Net of Repos (Book Value)
2013	3.05	13.29
2014	123.50	3.14
2015	104.75	79.05
2016	331.39	330.08
2017	9.91	25.60
2018	45.80	274.20
2019	74.74	125.30
2020	725.19	737.41
2021	1,416.75	1,960.08
End Sep. 2022	2,320.40	3,065.18

Source : Central Bank of Sri Lanka

Table 13: Commercial Banks' Loans and Advances to the Private Sector – June 2022 (a,b,c)

	Amount (Rs. Million)	As a % of Total
1. Agriculture & Fishing	607,535	7.5
of which...		
Tea	108,856	1.3
Rubber	57,670	0.7
Coconut	36,102	0.4
Paddy	42,642	0.5
Vegetable, Fruit Cultivation and Minor Food Crops	37,389	0.5
Livestock and Dairy Farming	30,723	0.4
Fisheries	22,464	0.3
2. Industry	3,312,279	40.6
of which...		
Construction	1,604,165	19.7
of which...		
– Personal Housing including Purchasing/Construction/Repairs	708,698	8.7
– Staff Housing	107,731	1.3
Food and Beverages	233,192	2.9
Textiles and Apparel	346,313	4.2
Wood and Wood Products including Furniture	21,999	0.3
Paper and Paper Products	23,560	0.3
Chemical, Petroleum, Pharmaceutical, Healthcare and Rubber and Plastic Products	277,409	3.4
Non-metallic Mineral Products	7,686	0.1
Basic Metal Products	55,119	0.7
Fabricated Metal Products, Machinery and Transport Equipment	170,318	2.1
Other Manufactured Products	26,362	0.3
3. Services	2,269,769	27.8
of which...		
Wholesale and Retail Trade	628,841	7.7
Tourism	416,117	5.1
Financial and Business Services	497,958	6.1
Transport	74,209	0.9
Information and Communication Technology	92,942	1.1
Printing and Publishing	28,320	0.3
Education	30,794	0.4
Health	53,114	0.7
Shipping, Aviation, Supply and Freight Forwarding	33,138	0.4
4. Personal Loans and Advances (d)	1,962,513	24.1
of which...		
Consumer Durables	380,540	4.7
Pawning	341,990	4.2
Credit Card	147,467	1.8
Personal Education	12,510	0.2
Personal Healthcare	2,491	0.0
5. Other	1,009,731	12.4
Total (e)	8,152,096	100.0

Source : Central Bank of Sri Lanka

(a) Based on the Quarterly Survey of Commercial Banks' Loans and Advances to the Private Sector

(b) Includes loans, overdrafts and bills discounted and excludes cash items in the process of collection

(c) Provisional

(d) Excludes personal housing loans, which have been included under 'Construction' classified under 'Industry' and includes Safety Net Scheme related loans

(e) Total credit to the private sector as per the Quarterly Survey differ from that in the Monetary Survey due to differences in the compilation methodologies.

Table 14: Interest Rate Movements in 2021–2022

Interest Rate	End July 2021	End Dec 2021	End March 2022	End June 2022	End Sep 2022
Policy Rates of the Central Bank					
Standing Deposit Facility Rate (SDFR)	4.50	5.00	6.50	13.50	14.50
Standing Lending Facility Rate (SLFR)	5.50	6.00	7.50	14.50	15.50
Weighted Average Call Money Rate (AWCMR)	5.10	5.95	7.49	14.50	15.50
Weighted Average OMO Auction Rate (Repo)-Overnight	-	5.99	6.49	-	-
Weighted Average OMO Auction Rate (Reverse Repo)-Overnight	-	-	-	-	-
Treasury Bill Rates					
91-days	5.22	8.16	12.92	23.85	31.94
182-days	5.23	8.33	12.25	24.40	30.59
364-days	5.25	8.24	12.28	23.84	29.85
Lending Rates					
Average Weighted Prime Lending Rate(AWPR) (weekly)	5.76	8.61	9.85	22.62	25.95
Average Weighted Prime Lending Rate (AWPR) (monthly)	5.70	8.33	9.47	21.94	26.16
Average Weighted Lending Rate(AWLR)	9.45	9.87	10.35	15.06	16.86 ^(a)
Deposit Rates					
Average Weighted Deposit Rate (AWDR)	4.77	4.94	5.17	8.41	11.63
Average Weighted Fixed Deposit Rate (AWFDR)	5.67	5.94	6.30	11.06	15.41

Source : Central Bank of Sri Lanka

(a) As at Aug 2022

Assumptions for Revenue Estimates – 2023

The assumptions are based on actual revenue collected up to September 2022 for the revenue estimates of 2023 and emerging trends including the impact of contraction of the economy, foreign currency crisis, policy reforms on taxation and other activities followed by the staff's best judgment about performance of the economy and revenue.

The broad assumptions are as follows;

- The economy is expected to contract by 3.0 percent in 2023 with the exerted pressure from struggled global and domestic activities mainly driven by higher commodity prices, foreign currency and energy challenges, poverty and other social challenges.
- The profitability of the financial sector is anticipated to improve.
- The average inflation is expected to maintain at 30 percent level in 2023.
- Unemployment rate is expected to be below 5.0 percent in 2023.
- Estimated full impact of the new revenue measures announced to support continued revenue based fiscal consolidation process in consultation with the International Monetary Fund (IMF).
- Export growth is expected to continue with the enhanced external demand particularly from major trading partners.
- Relaxation of certain import restrictions with the increased demand for investment and intermediate goods by both private and public sector.
- Implementation of the re-structuring measures especially targeting loss-making State-Owned Enterprises (SOEs).
- Expansion of implementation of the welfare subsidy programmes under the Social Safety Net (SSN) programme with the establishment of the Welfare Benefit Board.
- Enhance the efficiency of administrative capacity of the revenue agencies with implementation of online revenue management systems such as strengthening of the Integrated Treasury Management Information System (ITMIS), Revenue Administration Management Information System (RAMIS) etc.
- Enhance tax compliance in line with expansion of tax bases together with the introduction of new tax structures.

Table 1: Excise (Special Provisions) Duty Structure for Motor Vehicles Duty Structure (As at 30.09.2022)

Item/Engine Capacity	Rate
(i) Cars – Petrol	
Less than 1,000 cc	Rs. 1,650,000/- per unit or Rs. 2,000/- per cm ³
1,000 cc – 1,300 cc	Rs. 3,200/- per cm ³
1,300 cc – 1,500 cc	Rs. 3,700/- per cm ³
1,500 cc – 1,600 cc	Rs. 4,250/- per cm ³
1,600 cc – 1,800 cc	Rs. 5,300/- per cm ³
1,800 cc – 2,000 cc	Rs. 6,350/- per cm ³
2,000 cc – 2,500 cc	Rs. 7,000/- per cm ³
2,500 cc – 2,750 cc	Rs. 8,000/- per cm ³
2,750 cc – 3,000 cc	Rs. 9,000/- per cm ³
3,000 cc – 4,000 cc	Rs. 10,000/- per cm ³
Exceeding 4,000 cc	Rs. 11,000/- per cm ³
(ii) Cars – Diesel	
Less than 1,500 cc	Rs. 4,600/- per cm ³
1,500 cc – 1,600 cc	Rs. 5,750/- per cm ³
1,600 cc – 1,800 cc	Rs. 6,900/- per cm ³
1,800 cc – 2,000 cc	Rs. 8,000/- per cm ³
2,000 cc – 2,500 cc	Rs. 8,000/- per cm ³
2,500 cc – 2,750 cc	Rs. 9,000/- per cm ³
2,750 cc – 3,000 cc	Rs. 10,000/- per cm ³
3,000 cc – 4,000 cc	Rs. 11,000/- per cm ³
Exceeding 4,000 cc	Rs. 12,000/- per cm ³
(iii) Cars – Hybrid/ Petrol	
Less than 1,000 cc	Rs. 1,500,000/- per unit
1,000 cc – 1,300 cc	Rs. 2,300/- per cm ³
1,300 cc – 1,500 cc	Rs. 2,850/- per cm ³
1,500 cc – 1,600 cc	Rs. 4,000/- per cm ³
1,600 cc – 1,800 cc	Rs. 5,200/- per cm ³
1,800 cc – 2,000 cc	Rs. 5,700/- per cm ³
2,000 cc – 2,500cc	Rs. 6,000/- per cm ³
2,500 cc – 2,750 cc	Rs. 7,000/- per cm ³
2,750 cc – 3,000 cc	Rs. 8,000/- per cm ³
3,000 cc – 4,000 cc	Rs. 9,000/- per cm ³
Exceeding 4 000 cc	Rs. 10,000/- per cm ³
(iv) Cars – Hybrid/ Diesel	
Less than 1,000 cc	Rs. 3,400/- per cm ³
1,000 cc – 1,300 cc	Rs. 3,400/- per cm ³
1,300 cc – 1,500 cc	Rs. 3,400/- per cm ³
1,500 cc – 1,600 cc	Rs. 4,600/- per cm ³
1,600 cc – 1,800 cc	Rs. 5,700/- per cm ³
1,800 cc – 2,000 cc	Rs. 6,900/- per cm ³
2,000 cc – 2,500 cc	Rs. 7,000/- per cm ³
2,500 cc – 2,750 cc	Rs. 8,000/- per cm ³
2,750 cc – 3,000 cc	Rs. 9,000/- per cm ³
3,000 cc – 4,000 cc	Rs. 10,000/- per cm ³
Exceeding 4,000 cc	Rs. 11,000/- per cm ³

Item/Engine Capacity	Rate
(v) Electric Cars	
Car – Electric – By External Source or Generator	
Less than 50kW	Rs. 7,500/- per kW
50kW – 100kW	Rs. 10,000/- per kW
100kW – 200kW	Rs. 15,000/- per kW
Exceeding 200kW	Rs. 40,000/- per kW
Car – Electric – By Solar Panels	Rs. 7,500/- per kW
(vi) Vans	
13 – 25 Persons/ Diesel	Rs. 4,500,000/- per unit
13 – 25 Persons/ Petrol	Rs. 1,750/- per cm ³
Less than 13 Persons/ Diesel	200%
Less than 13 Persons/ Petrol	150%

Source : Department of Fiscal Policy

Table 2: Excise Duty Structure for Cigarettes (As at 30.09.2022)

Category	Rs. per 1,000 Sticks
Cigarettes each not exceeding 60mm. in length	6,750
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	28,850
Cigarettes each exceeding 67mm. but not exceeding 72mm in length	41,100
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	46,600
Cigarettes each exceeding 84mm. in length	51,800

Source : Department of Fiscal Policy

Table 3: Excise Duty Structure for Petroleum Products (As at 30.09.2022)

Item	Rs. per Litre
Petrol	27.00
Diesel – Auto	6.00
Diesel – Super	13.00

Source : Department of Fiscal Policy

Table 4: Excise Duty Structure under Excise Ordinance (As at 30.09.2022)

Classifications	Duty Rate (Rs.)
Liquor	
Molasses, Palmyrah, Coconut and Processed Arrack (per litre of alcohol)	4,460
Country Made Foreign Spirits (per litre of alcohol)	4,570
Malt Liquor less than 5% of absolute strength (per litre of alcohol)	3,300
Malt Liquor more than or equal 5% of absolute strength (per litre of alcohol)	3,300
Liquor by process from natural products of the palm tree or any other plant (per litre of alcohol)	3,450
Raw materials used for production of Ethanol	
Coconut Toddy (per bulk litre)	5
Molasses (per bulk kg)	10
Rice used for production of spirits by distillation (per bulk kg)	10
Maize used for production of spirits by distillation (per bulk kg)	10
Fruit used for production of spirits by distillation (per bulk kg)	10
Foreign liquor	
Imported Malt Liquor (Beer) (per bulk kg)	135
Imported Wine (per bulk kg)	230
Any other imported Foreign Liquor (which does not come under malt liquor or wine) (per bulk kg)	650
Non-potable Spirits (per bulk kg)	6

Source : Department of Fiscal Policy

Table 5: Ports and Airports Development Levy (As at 30.09.2022)

Category	Rate
General Rate	10.0%
Concessionary Rates	7.5%, 5.0%, 2.5%

Source : Department of Fiscal Policy

Table 6: Value Added Tax (VAT)

Rate	Item
Zero Rate	Export Goods
Standard Rate (8%) UP TO 31.05.2022 From 01.06.2022 – 31.08.2022 – 12% From 01.09.2022 – 15%	General Items
Exemptions	Goods and Services which are listed in the Part II of the First Schedule of the VAT Act

Source : Department of Fiscal Policy

Table 7: Customs Import Duty Structure (As at 30.09.2022)

Item	Rate
Basic raw materials and machinery	Zero
Semi processed items and Intermediate products	10%
Finished products and luxury goods	15%

Source : Department of Trade and Investment Policy

Table 8: Rent Income

Item	Rs. Million			
	2020	2021 (Provisional)	2022 Revised Estimate	2023 Estimate
Rent on Government Buildings & Housing	1,153	1,289	1,300	1,400
Rent on Crown Forests	1,290	1,184	3,000	1,600
Rent from Land & Other	105	105	100	100
Lease Rental from Regional Plantation Companies	952	1,097	1,400	1,400
Others	8,555	1,415	1,200	1,500
Total Rent Income	12,055	5,090	7,000	6,000

Source : Department of Fiscal Policy

Table 9: Fees and Charges

Item	Rs. Million			
	2020	2021 (Provisional)	2022 Revised Estimate	2023 Estimate
Service Charges by Government Press	1,041	757	800	900
Fees of Passport, Visas and Dual Citizenship	5,533	8,663	23,500	25,500
Examination & Other Fees	312	282	100	180
Fees under the Motor Traffic Act & other Receipts	7,237	6,417	7,000	12,000
From others Various Sources	15,589	12,057	23,244	45,700
Total	29,712	28,176	54,644	84,280

Source : Department of Fiscal Policy

Table 10: Special Commodity Levy Rates

		Rs. per kg.	
Item		End 2021	End Sept. 2022
1	Sprats	100	100
2	Potatoes	50	20
3	Red Onions	50	50
4	B'onions	40	50
5	Garlic	50	50
6	Watana – Whole	5	5
	Watana – Split	10	10
7	Chickpeas – Whole	5	5
	Chickpeas – Split	10	10
8	Green gram	40	40
9	Lentils- Whole	25 cents	25 cents
	Lentils- Split	25 cents	25 cents
10	Chillies- Not Crushed or ground	100	100
	Chillies- Crushed or ground	125	125
11	Canned fish	100	100
12	Sugar (White only)	25 cents	25 cents
13	Black gram -Whole	200	200
	Black gram –Skinned	300	300
14	Cowpea	70	70
15	Kurakkan	70	70
	Millet/ Other	70	70
16	Maldive fish	302	302
17	Dried fish	100	100
18	Orange – fresh	125	600
19	Grapes – fresh	200	600
20	Apples	100	600
21	Coriander- Not Crushed or ground	26	26
	Coriander- Crushed or ground	52	52
22	Cumin	162	162
23	Fennel	162	162
24	Turmeric – Not Crushed or ground	102	102
	Turmeric – Crushed or ground	360	360
25	Mathe seeds	50	50
26	Kurakkan flour	150	150
27	Black gram flour	325	325
28	Ground nuts	220	220
29	Mustard seed	62	62
30	Palm oil / Other Veg. oil – Crude	250	250
	Palm olen	255	255
	Palm stearin	250	250
	Refine Palm oil	275	275
	Other Veg.oil Refine	275	275
	Plam Kernal – Crude	250	250
	Refine	275	275
	Coconut oil (Crude)	125	125
	Coconut oil (Refine)	150	150

Table 10: Special Commodity Levy Rates Contd...

		Rs. per kg.	
Item		End 2021	End Sept. 2022
31	Fish	10% or Rs.200	10% or Rs.200
32	Mackerel fish (And Jac /Horse Mackerel Duty Waiver)	6	6
33	Yogurt	800	2000
34	Butter	880	1,500 (Other dairy Spreads -2000/-)
35	Margarine – Fat content 80%>	650	650
	– Fat content 80%<	650	650
36	Salt	40	40 (Waiver for Health Sector 30/-)
37	Dates	100	200
38	Grapes – dried	200	600
39	Mangoesteem (fresh& dried)	200	200
40	Orange- dried	125	125
41	Pears	220	220
42	Cherries – Other	315	315
43	Plums and sloes	250	250
44	Kiwifruit	175	175
45	Pomegranate (Other)	200	600
46	Grated /powdered Cheese	200	600
47	Maize	25	10 (Waiver for Triposha production 9/-)
48	Face Mask	1	1
49	Clementines – fresh	120	120
50	Clementines – dried	250	250
51	Other (citrus) fruits – fresh	120	120
52	Other(citrus) fruits – dried	250	250
53	Grapefruit –fresh	285	285
54	Grapefruit – dried	300	300
55	Lemon- fresh	350	350
56	Lemon- dried	400	400
57	Other citrus fruits – fresh	300	300
58	Other citrus fruits – dried	375	375
59	Quinces	350	350
60	Apricots	350	350
61	Cherries – Sour	330	330
62	Peaches and Nectarines	310	310
63	Vegetable fats and oils	160	160
64	Margarine – liquid	200	200
65	Rice	-	25 Cents
66	Sorghum	-	10

Source : Department of Trade and Investment Policy

Table 11: State Owned Enterprises' Levy/Dividend Income and Revised Estimate for 2022

Rs. Million

	2020	2021	Revised Estimate 2022
Levy	14,769	25,919	34,700
1 National Savings Bank	1,000	3,500	2,000
2 Bank of Ceylon	1,250	1,500	6,000
3 People's Bank	2,500	1,977	1,650
4 Telecommunication Regulatory Commission of Sri Lanka	5,000	8,500	13,000
5 State Timber Corporation	-	100	50
6 State Pharmaceuticals Manufacturing Corporation	-	100	200
7 National Insurance Trust Fund	782	1,824	3,350
8 Geological Survey and Mines Bureau	-	2,000	1,000
9 National Gem and Jewellery Authority	-	15	50
10 Board of Investment of Sri Lanka	156	-	500
11 National Lotteries Board	-	900	350
12 Sri Lanka Export Credit Insurance Corporation	-	25	75
13 Central Engineering Consultancy Bureau	-	25	25
14 Civil Aviation Authority	-	50	500
15 State Pharmaceutical Corporation	-	-	200
16 National Transport Medical Institute	-	110	300
17 National Medicine Regulatory Authority	81	147	400
18 Road Development Authority	4,000	4,000	1,000
19 Land Reforms Commission	-	1,100	500
20 Condominium Management Authority	-	25	25
21 National Institute of Business Management	-	16	70
22 Sri Lanka Ayurvedic Drugs Corporation	-	5	10
23 Post Graduate Institute of Management	-	-	50
24 Others	-	-	3,395
Dividends	2,854	4,672	6,300
1 National Savings Bank	60	60	60
2 Bank of Ceylon	346	346	347
3 People's Bank	316	316	317
4 National Development Bank	1	1	1
5 Sri Lanka Insurance Corporation Ltd	695	899	1,000
6 Lanka Mineral Sands Ltd	-	700	370
7 Lanka Phosphate Ltd	-	20	15
8 Lanka Leyland Ltd	2	3	26
9 Manthai Salt Ltd (National Salt Company)	2	14.8	8
10 Ceylon Fertilizer Ltd	304	29	45
11 Paranthan Chemicals Company Ltd	10	3	50
12 Sri Lanka Telecom PLC	947	1,331	2,000
13 De La Rue Lanka Ltd	-	345	150
14 Lanka Electricity Company Ltd	-	327	300
15 Lanka Industrial Estates Ltd	82	82	25
16 Ceylon Agro Industries	77	95	35
17 Plantation Companies	12	98	143
18 Others	-	2.2	1,408
Total	17,623	30,591	41,000

Source: SOEs and Department of Public Enterprises

