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நிதி, திட்டமிடல் மற்றும் பொருளாதார அபிவிருத்தி அமைச்சு
MINISTRY OF FINANCE PLANNING AND ECONOMIC DEVELOPMENT

මහලේකම් කාර්යාලය, කොළඹ 01, ශ්‍රී ලංකාව.
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The Secretariat, Colombo 01, Sri Lanka.

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Press Release

Fitch Ratings Upgrades Sri Lanka to ‘B-’ with a Stable Outlook

Ministry of Finance, Planning and Economic Development welcomes the decision of Fitch Ratings to upgrade Sri Lanka’s sovereign credit rating, its Long-Term Issuer Default Rating (IDR), to ‘B-’ from ‘CCC+’, with a Stable Outlook.
(https://www.fitchratings.com/research/sovereigns/fitch-upgrades-sri-lanka-to-b-outlook-stable-22-09-2026)

The upgrade applies across Sri Lanka’s rating profile. The Long-Term IDRs have been upgraded to ‘B-’ from ‘CCC+’ in both foreign and local currency, and the Short-Term IDRs to ‘B’ from ‘C’, also in both currencies. Sri Lanka’s senior unsecured debt, in foreign and local currency, has likewise been upgraded to ‘B-’ from ‘CCC+’, with a Recovery Rating of ‘RR4’. The Country Ceiling has been affirmed at ‘B-’.

Fitch attributes the upgrade to the implementation of macro-stabilisation policies, underpinned by structural reforms, which have eased external financing risks and strengthened the economy’s resilience to shocks. The agency highlights sharp improvements in fiscal and external balances and a rebuilding of foreign exchange reserves.

Key strengths recognised by Fitch

- Fiscal consolidation: Sri Lanka recorded a record primary surplus in 2025. Fitch expects primary surpluses to remain above 2% of GDP over the coming years, supported by tax reforms and revenue mobilisation that should sustain collections at just under 16% of GDP. Ministry of Finance, Planning and Economic Development expects further positive improvements in these fiscal parameters by the end of 2026. Fitch further notes that the Public Financial Management Act of 2024, which caps non-interest expenditure at 13% of GDP through 2031, supports fiscal discipline.
- Declining debt burden: Fitch forecasts government debt to fall to 92.9% of GDP in 2026 from 96.7% in 2025, and to continue declining towards the low-80% range over the next five years. The interest-to-revenue ratio is expected to ease to 41.0% in 2026, from 45.6% in 2025 and a peak of 76.3% in 2023.

- **External buffers and financing:** Continued support from the IMF and other multilateral partners, together with greater exchange rate flexibility, is expected to lift foreign exchange reserves to USD 7.7 billion by end-2026. Workers' remittances continue to rise steadily, and the current account is expected to return to near balance in 2027 as the global energy shock eases.
- **Resilient growth and price stability:** The economy has proved resilient to Cyclone Ditwah and the global energy shock, with growth averaging 5% over the past two years and projected at just over 4% over the medium term. Inflation is expected to recede to just below the Central Bank's 5% target next year.

Commitment to continued reform

The Government recognises that debt and debt service ratios remain elevated relative to peers and that external debt repayments will rise over the next five years. It remains firmly committed to fiscal discipline, adherence to the fiscal frameworks, continued reserve accumulation and sustained reform momentum, so as to consolidate these gains and support further improvement in Sri Lanka's creditworthiness.

Building on recent rating momentum

Fitch's rating upgrade reflects the growing recognition of the progress Sri Lanka has made in restoring macroeconomic stability, debt sustainability, and investor confidence. This progress was also recognized by the Institute of International Finance (IIF) in July 2026, which ranked Sri Lanka fourth among the countries with the highest improvement in scores, affirming the positive outlook for the country's economic growth.

Public Debt Management Office