

2025



BUDGET, ECONOMIC AND FISCAL POSITION REPORT

**Issued under Section 49 of the
Public Financial Management Act,
No. 44 of 2024**

**Ministry of Finance, Planning and Economic
Development, Sri Lanka**

February 17, 2025



BUDGET, ECONOMIC AND FISCAL POSITION REPORT – 2025

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Sri Lanka

February 17, 2025

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2023	2024
REAL SECTOR				
Economic Growth	First 3 Quarters	%	-4.5	5.2
Agriculture	First 3 Quarters	%	3.3	1.9
Industry	First 3 Quarters	%	-13.3	11.2
Services	First 3 Quarters	%	-1.3	2.6
Inflation (Point to Point) – CCPI (2021=100)	End Dec	%	4.0	-1.7
Inflation (Average) – CCPI (2021=100)	End Dec	%	17.4	1.2
Unemployment Rate	2 nd Quarter	%	5.2	4.7
Labour Force Participation Rate	2 nd Quarter	%	48.6	47.8
FISCAL SECTOR				
Budget Deficit	Jan-Oct	Rs. Bn.	1,547	1,061
Total Revenue	Jan-Oct	Rs. Bn.	2,425	3,256
Tax Revenue	Jan-Oct	Rs. Bn.	2,213	3,000
Non Tax Revenue	Jan-Oct	Rs. Bn.	212	255
Total Expenditure	Jan-Oct	Rs. Bn.	3,981	4,328
Recurrent Expenditure	Jan-Oct	Rs. Bn.	3,532	3,796
Public Investment	Jan-Oct	Rs. Bn.	489	554
Government Debt	End Sep	Rs. Bn.	28,020	28,575
EXTERNAL SECTOR				
Exports	Jan-Dec	USD Mn.	11,911	12,772
Agriculture Exports	Jan-Dec	USD Mn.	2,567	2,775
Industrial Exports	Jan-Dec	USD Mn.	9,278	9,947
Textile and Garments	Jan-Dec	USD Mn.	4,879	5,061
Other	Jan-Dec	USD Mn.	4,399	4,886
Imports	Jan-Dec	USD Mn.	16,811	18,841
Consumer Goods	Jan-Dec	USD Mn.	3,044	3,466
Intermediate Goods	Jan-Dec	USD Mn.	11,007	11,915
o/w Petroleum Products	Jan-Dec	USD Mn.	4,703	4,354
Investment Goods	Jan-Dec	USD Mn.	2,745	3,448
Trade Balance	Jan-Dec	USD Mn.	-4,900	-6,069
Tourist Arrivals	Jan-Dec	No.	1,487,303	2,053,465
Earnings From Tourism	Jan-Dec	USD Mn.	2,068	3,169
Workers' Remittances	Jan-Dec	USD Mn.	5,970	6,575
Portfolio Investments (Net)	End Dec	USD Mn.	-866	n.a.
Overall Balance of Payments (BOP)	Jan-Dec	USD Mn.	2,826	2,890
Gross Official Reserves	End Nov	USD Mn.	3,571	6,451
Exchange Rate (End Month)	End Dec	Rs./USD	323.9	292.6
Exchange Rate (Monthly Average)	Jan- Dec	Rs./USD	327.5	302.1
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End Dec	%	9.00	7.50
Standing Lending Facility Rate (SLFR)	End Dec	%	10.00	8.50
Statutory Reserve Requirement (SRR)	End Dec	%	2.00	2.00
Commercial Bank Weekly Average	End Dec	%	12.13	8.90
Weighted Prime Lending Rate (AWPR)				
Weighted Average Yield Rate of Treasury Bills (91 Days)	End Dec	%	14.51	8.62
Weighted Average Yield Rate of Treasury Bills (364 Days)	End Dec	%	12.93	8.96
Growth in Money Supply (M _{2b})	Dec 2023/Dec 2024	%	7.3	8.6
Growth in Credit to the Private Sector	Dec 2023/Dec 2024	%	-0.6	10.7

n.a. – Not available

Reporting Requirements
Under the Public Financial Management Act, No. 44 of 2024 (PFMA)

Section	Requirement	Purpose	Compliance
Section 11	Submission of the Fiscal Strategy Statement*	To provide the Parliament and public with a formal statement of the Government's fiscal strategy, provide strategic guidance for the upcoming annual budget, establish a basis upon which fiscal performance shall be evaluated objectively strengthen parliamentary oversight of performance against Government's fiscal strategy and enhance fiscal transparency and accountability as per Section 11(4) of the PFMA.	To be announced by the Minister of Finance at Parliament on or before thirtieth day of June of each Year upon obtaining the approval of the Cabinet of Ministers. The Fiscal Strategy Statement shall be published on the official website of the Ministry of the Minister of Finance.
Section 49	Submission of the Budget, Economic and Fiscal Position Report*	To provide information on all Government decisions and all other circumstances that may have material effect on the fiscal and economic position of the Government including the content specified under Section 49(2) of the PFMA.	To be tabled in Parliament by the Minister of Finance on the day fixed for the second reading of the Appropriation Bill in Parliament, in each year. The report shall be published on the official website of the Ministry of the Minister of Finance upon submission to Parliament.
Section 50	Submission of the Mid-Year Fiscal Position Report*	To provide a basis for the public to evaluate the Government's Mid-year fiscal performance as against its fiscal strategy as set out in its statement including the content specified under Section 50(2) of the PFMA.	To be published in the website of the Ministry of the Minister of Finance, by the last day of the month of October of the relevant year or the lapse of ten months from the date of the passing of the Appropriation Act of the relevant year, whichever is later; and to be tabled in Parliament within two weeks of the date of such release or if Parliament is not sitting on the date of the release of the report, cause a copy of such report to be tabled within two weeks of the next sitting of Parliament.

Section	Requirement	Purpose	Compliance
Section 51	Submission of the Final Budget Position Report (Annual Report) *	To provide a basis for the public to evaluate the Government's annual fiscal performance as against its fiscal strategy as set out in its statement for the relevant financial year including the content specified under Section 51(2) of the PFMA.	To be published on the website of the Ministry of the Minister of Finance, not later than six months from the end of the financial year; and be tabled in Parliament within two weeks of the date of such release if Parliament is sitting on the date of the release of the final budget position report; or if Parliament is not sitting on the date of the release of the report, cause a copy of such report to be tabled in Parliament within two weeks of its next sitting.
Section 52	Submission of the Pre-election Budgetary Position Report **	To provide updated information to the public of the fiscal position of the country including the content specified under Section 52(2) of the PFMA.	To be released to the public within three weeks of the publication of proclamation or Order requiring the holding of a General Election to elect the members of Parliament; and placed before Parliament within two weeks of the first sitting of the new Parliament and be published in the official website of the Ministry of the Minister of Finance. The Minister of Finance shall, for the purpose of enabling the Secretary to the Treasury to prepare the report, disclose to the Secretary, details of all Government decisions and other circumstances, within his knowledge, which have, or could have material, fiscal or economic implications.
Section 53	Submission of Reports on financial performance of the Ministry of the Minister of Finance*	To provide a statement on financial performance including revenue and expenditure, of the Government.	To be submitted to the Cabinet of Ministers and simultaneously published on the official website of the Ministry of the Minister of Finance, not later than forty-five days after the end of each quarter.

* *By the Minister of Finance*

** *By the Secretary to the Treasury*

Compliance – 2024/2025

- **Pre-election Budgetary Position Report – 2024**

Updated information of the Fiscal position of the country was released to the public on October 14, 2024 and was placed before Parliament on December 03, 2024.

- **Mid-Year Fiscal Position Report – 2024**

Status of the fiscal and economic position of the first six months was released to the public by end October 2024 and was placed before Parliament on December 03, 2024.

- **Fiscal Strategy Statement – 2025**

As per the Section 11(3) of the Public Financial Management Act, No. 44 of 2024 (PFMA), Fiscal Strategy Statement (FSS) shall be announced by the Minister of Finance at Parliament on or before thirtieth day of June of each year. The FSS shall be published on the official website of the Ministry of the Minister of Finance upon the announcement made by the Minister of Finance.

Since the PFMA came into effect on August 8, 2024, the first FSS after enactment of the PFMA will be announced on or before June 30, 2025 and will be published the same on the website of the Ministry of the Minister of Finance. However, a strategic policy guidance has been laid out in the Budget, Economic and Fiscal Position Report-2025.

- **This Budget, Economic and Fiscal Position Report – 2025**

This report contains the estimates related to the gross domestic product, consumer prices, employment and unemployment, balance of payment, revenue and expenditure and Government borrowing, the basis which has been used in the preparation of the aforementioned estimates, a statement relating to the sensitivity of the aforementioned estimates and the changes which may occur in connection with the economic or other basis used in preparation of such estimates, a statement, quantified as far as practicable, the risks that may have a material effect on the fiscal position among other information which is to be tabled in Parliament on the day fixed for the second reading of the Appropriation Bill.

Budget, Economic and Fiscal Position Report – 2025

This Report contains three parts: Part I presents the Medium Term Fiscal Strategy; Part II presents Information on all Government decisions and all other circumstances that may have material effect on the fiscal and economic position of the Government including the content specified in Section 49(2) of the Public Financial Management Act, No. 44 of 2024; and Part III presents a statement of Tax expenditures including the total cost of existing tax expenditures and the disclosure of new tax expenditures.

PART I

Medium-Term Fiscal Strategy | 01

1.1 Overview

In 2024, the Sri Lankan economy stabilized and remained resilient following two years of deep economic downturn. Reform adjustments introduced since mid 2022 supported by the four-year Extended Fund Facility Programme (IMF-EFF) of the International Monetary Fund (IMF) since mid 2023 are now bearing fruit. These reforms, introduced during one of the most challenging periods in the country's post-independence economic history, were designed to address structural vulnerabilities, restore macroeconomic stability, and ensure long-term fiscal and debt sustainability while strengthening governance and fostering economic growth.

A pivotal recent development during this period was the change in administration, which brought in a renewed commitment to the reform agenda, in particular, governance improvements including transparency and anti-corruption measures. The new Government has decisively chosen to continue with the IMF-supported reform programme, recognizing its critical role in restoring macroeconomic stability, and rebuilding confidence among domestic and international stakeholders. The ongoing comprehensive policy interventions have begun to yield tangible outcomes, including a narrowing of fiscal deficits, improved revenue mobilization, and enhanced financial sector stability. The progress achieved highlights the importance of policy consistency and the alignment of governance priorities with economic recovery objectives. While going forward with the IMF-EFF programme, the Government has set a clear trajectory for sustained stabilization and resilience.

Through the maintenance of policy consistency and focused revenue enhancement and expenditure management measures, the Government achieved a primary surplus of Rs. 830.7 billion during the first ten months of 2024, surpassing the end December 2024 indicative target of Rs. 300 billion set under the IMF-EFF programme. However, due to the significant reduction in headline

inflation followed by deflation, and the appreciation of the Sri Lankan rupee, the inflation target was breached on the lower end for two consecutive quarters in the second and third quarters of 2024. This deviation from the target persisted into the final quarter of 2024 as well. Headline inflation as measured by the Y-O-Y change of the Colombo Consumer Price Index (CCPI, 2021=100) further declined to -1.7 percent in December 2024. With the exchange rate becoming less volatile as pressure on the rupee decreased, the Sri Lankan rupee appreciated 11.3 percent against the USD as of November 29, 2024. The domestic foreign exchange market experienced eased liquidity conditions, driven by a substantial increase in supply from export earnings, tourism, and workers' remittances. Gross Official Reserves (including the Peoples Bank of China Swap facility) improved notably to USD 6.1 billion by the end of December 2024 from USD 4.4 billion by the end December 2023.

The Sri Lankan economy demonstrated strong economic growth in 2024, building on the recovery in the second half of 2023. The economy expanded by 5.5 percent in the third quarter of 2024 compared to the 1.6 percent growth recorded in the same period of 2023. During the first three quarters of 2024, economic growth was 5.2 percent, a notable achievement with significant expansions across major economic sectors. Maintaining this positive trajectory, the key indicators of output growth in the industry and service sectors continued to improve in the final quarter of 2024. Sri Lanka's Purchasing Managers' Index (PMI) for December 2024 reflected notable expansion in the economy, with the Manufacturing PMI recording a value of 57.2 and the Services PMI reaching 71.1, highlighting strong growth in both sectors. Based on the above developments real GDP is estimated to grow by around 5.0 percent in 2024, achieving the highest annual growth rate since 2017.

Global growth is expected to remain stable but modest, with projections of 3.2 percent growth for 2024 and 2025 as per the IMF's October 2024 World Economic Outlook. Emerging markets and developing

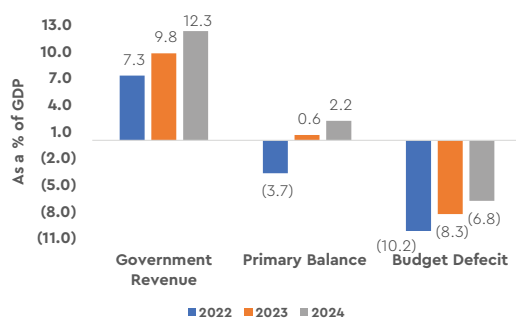
economies continue to face challenges such as disruptions to commodity production and shipping, due to conflicts, civil unrest, and extreme weather events, all of which remain significant concerns for the global economic outlook.

In 2024, Sri Lanka's fiscal consolidation measures continued, and some key tax reforms were introduced to strengthen revenue mobilization. These reforms included raising the VAT rate from 15 percent to 18 percent, reducing the VAT registration threshold from Rs. 80 million to Rs. 60 million, and removing the vast majority of VAT exemptions (95 out of 137 major items). However, standard VAT exemptions with significant impacts on low-income households and key sectors such as education, health, and public transport were retained. The Excise Duties on liquor and all excisable articles were increased by 14 percent to introduce an annual inflation adjustment for Excise Duty effective from January 1, 2024. Efforts were made to enhance revenue administration by establishing a High Net Wealth Individuals (HNWI) Unit at the Inland Revenue Department (IRD) and advancing digital revenue administration systems across key revenue departments focusing on enhancing compliance, improving digitalization, enhancing risk-based audits and reducing revenue leakages and corruption vulnerabilities.

2024 by Rs. 87 billion, Rs. 209 billion and Rs. 288 billion respectively. However, the full potential of revenue mobilization has yet to be reached due to prevailing deflation, currency appreciation, and weaknesses in revenue administration. In line with the enhancement of revenue administration measures, the Government focusses on institutional reforms on key revenue-collecting agencies.

The Government revenue including grants increased by 34.2 percent in the first ten months of 2024 to Rs. 3,266.9 billion from Rs. 2,434.0 billion in the same period of 2023. Revenue from income taxes increased by 9.5 percent to Rs. 815.6 billion in the first ten months of 2024 from Rs. 744.7 billion in the same period of 2023. This was a 75.5 percent realization of the annual revenue estimate. Revenue from taxes on goods and services increased by 55.1 percent to Rs. 1,797.8 billion in the first ten months of 2024 from Rs. 1,159.0 billion in the same period of 2023. This was mainly due to the increase in revenue collected from VAT by 86.8 percent to Rs. 1,067.4 billion which surpassed the full-year VAT revenue of Rs. 694.5 billion in 2023 by Rs. 372.9 billion and the increase in revenue collected from Excise Duty by 29.6 percent to Rs. 486.8 billion which exceeded the full year Excise Duty revenue of Rs. 469.6 billion in 2023 by Rs. 17.2 billion. The receipts from taxes on external trade increased by 25.3 percent to Rs. 386.9 billion. This impressive value stands at just Rs. 2.2 billion less than the total revenue collected from taxes on external trade for the entire year of 2023, which amounted to Rs. 389.1 billion. This near-equivalence of tax revenue from external trade during the period concerned reflects the positive performance of external trade and economic activities. The underperformance of revenue from the Ports and Airports Development Levy (PAL) and Commodity Export Subsidy Scheme (CESS) observed in recent years, due to the phasing out of para-tariffs, showed recovery during the first ten months of 2024. Revenue collected from CESS and PAL recorded growth of 47.9 percent and 0.6 percent, respectively, reflecting the impact of the relaxation of

Figure 1.1 : Key Fiscal Aggregates 2022-2024



Source : Department of Fiscal Policy

The tax revenue collection significantly improved, exceeding the indicative targets set under the IMF-EFF Programme for end-March, end-June and end-September,

import restrictions. The revenue from non-tax sources increased by 20.3 percent to Rs. 255.5 billion in the first ten months of 2024 from Rs. 212.3 billion in the same period of 2023. This was an 89.0 percent realization of the annual revenue estimate.

Government expenditure increased only marginally by 8.7 percent to Rs. 4,327.7 billion in the first ten months of 2023 from Rs. 3,981.1 billion in the same period of 2023. Government expenditure remained on track, achieving a 66.3 percent execution rate against the annual estimate of Rs. 6,527.8 billion for 2024. The recurrent expenditure marginally increased by 7.5 percent to Rs. 3,796.0 billion in the first ten months of 2024 from Rs. 3,532.2 billion in 2023. The interest payments marginally increased by 6.7 percent to Rs. 1,891.5 billion in the first ten months of 2024 from Rs. 1,772.4 billion in the same period of 2023. The expenditure on goods and services increased marginally by 12.0 percent to Rs. 255.9 billion in the first ten months of 2024 from Rs. 228.4 billion in the same period of 2023 due to the combined effect of low inflation and appreciation of the rupee in 2024.

The Government aims to contain the budget deficit below 5 percent of GDP from 2026 onward to achieve sustained macroeconomic stability. The widening gap between government revenue and expenditure in recent years has gradually narrowed in the first ten months of 2024, driven by improvements in government revenue and the containment of government expenditure. The budget deficit, in nominal terms, narrowed to Rs. 1,060.7 billion in the first ten months of 2024 from Rs. 1,547.0 billion in the same period of 2023. The primary surplus widened by Rs. 605.3 billion to Rs. 830.7 billion in the first ten months of 2024 from Rs. 225.4 billion primary surplus in the same period of 2023. The overall fiscal balance is also anticipated to improve due to reduced interest payments owing to lower domestic interest rates. In the medium term, the primary balance and overall balance are expected to improve with the full implementation of revenue-based fiscal

consolidation efforts and the completion of the debt restructuring process. Due to restricted access to international financial markets, the Government primarily depended on domestic sources to finance the fiscal deficit. Net domestic financing to finance the fiscal deficit amounted to Rs. 786.3 billion and net foreign financing amounted to Rs. 274.5 billion in the first ten months of 2024.

Outstanding central government debt decreased by 1.6 percent to Rs. 28,240.2 billion by the end of November 2024 from Rs. 28,696.0 billion as of the end of 2023. At the end of November 2024, the total outstanding domestic debt increased by 3.0 percent to Rs. 17,572.0 billion while the outstanding foreign debt decreased by 8.4 percent to Rs. 10,668.3 billion.

The rupee strengthened against the USD in the domestic foreign exchange market during the first eleven months of 2024, supported by increased inflows, particularly from higher workers' remittances, tourism earnings, and export proceeds, and improved market sentiments. Thus, the Sri Lankan rupee appreciated by 11.3 percent against the USD as of November 29, 2024. This has also been driven by improved investor confidence, supported by progress in debt restructuring negotiations, and the enhanced stability and credibility of fiscal consolidation measures and reforms under the agreement with the IMF.

In December 2024, Sri Lanka concluded the major part of its public debt restructuring process. In June 2024 debt treatment agreements were reached with external official creditors, the Exim Bank of China, and the Official Creditor Committee (OCC) comprising 17 countries co-chaired by Japan, India, and France. The Government is now finalising bilateral agreements with each of the 17 OCC members which would formally conclude that process. In December 2024, Sri Lanka concluded the debt exchange with bondholders resulting in a 98 percent exchange of the outstanding bonds into new restructured instruments. Debt with China Development Bank was also restructured in December 2024, as

were the Ceylon Petroleum Corporation loans transferred to the government and held by the two state banks.

Accordingly, Sri Lanka's sovereign credit rating was upgraded by both Fitch Ratings (CCC+) and Moody's (Caa1) from Restricted Default by the end of 2024. The overall debt restructuring provides Sri Lanka with significant debt relief. As per the IMF Baseline scenario as a result of the debt restructuring outcomes, over the next 10 years by end 2035, Sri Lanka's debt to GDP ratio would decline to 84 percent from 128 percent in 2022. Gross Financing Needs would drop to 13 percent of GDP from 34.6 percent of GDP in 2022 and foreign currency debt service would decline to 4 percent of GDP by 2035 from 9.2 percent of GDP in 2022. Therefore, Sri Lanka must use the fiscal space provided by the restructuring to rebuild its fiscal and external buffers to enable smooth resumption of debt service payments of restructured debt over the medium term.

Throughout 2024, inflation showed a steady downward trend, eventually entering deflationary territory by the end of 2024. In the early months of 2024, headline inflation demonstrated a temporary increase due to the increase in VAT and the removal of VAT exemptions on certain consumer goods. However, inflation began to reduce, dropping below the 5 percent target. This decline was primarily driven by sharper than expected reductions in energy prices, a stronger rupee, and decreases in food prices. By September 2024, headline inflation reached deflationary levels marking the first deflation in nine years. However, Inflation is projected to return to positive territory by mid-2025 and gradually align with the 5 percent target over the medium term, driven by appropriate policy measures.

On November 27, 2024, the Central Bank of Sri Lanka introduced the Overnight Policy Rate (OPR), with the objectives of simplifying the monetary policy framework, enhancing the effectiveness of signaling, improving transparency, aligning with international best practices, and maintaining stability in the financial

system. Under the new single policy interest rate framework, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) will no longer function as the Central Bank's policy interest rates. Instead, these rates, which apply to standing facilities available for overnight transactions with the CBSL, are now linked to the OPR with a margin of ± 50 basis points. Accordingly, the SDFR is set at 7.50 percent, while the SLFR is set at 8.50 percent.

Through the implementation of comprehensive reforms and strategic policy initiatives, the Government aims to achieve a primary surplus of 2.3 percent of GDP by 2025 and sustain it over the medium term. This target will be achieved through robust revenue generation and prudent expenditure management. The Government assures its commitment to the IMF-EFF programme, endeavoring to meet its objectives within the stipulated timeframe to restore macroeconomic stability. This commitment includes continuing existing revenue measures with provable amendments, introducing complementary reforms, and strengthening revenue administration to expand the tax base, improve compliance, and reduce tax evasion and revenue leakages. To improve the quality of spending, the expenditure management will be further continued. The Government remains dedicated to strengthening the social safety net programme to protect vulnerable communities and is also committed to alleviating the burden on middle-income earners. The restructuring of State-Owned Enterprises (SOEs) will also continue to mitigate fiscal risks associated with these entities. Public investment will be strategically enhanced in the medium term to attract inflows through targeted and impactful investments.

1.2 Fiscal Strategy in the Medium Term

The fiscal operations of the Government are governed under the Public Financial Management Act, No. 44 of 2024 (PFMA), which was enacted with effect from August 2024 and full implementation of the PFMA is expected to be completed

by end December 2025. The Act provides a legal framework for the achievement of overarching objectives of reducing and managing the public debt at a sustainable level, creating and maintaining fiscal buffers that secure against future shocks, managing and mitigating fiscal risks, and ensuring discipline, transparency and accountability in fiscal management. Further, it created legally binding requirement of publication of an annual fiscal strategy statement and rolling five-year medium term fiscal framework.

The debt reduction objective of the Act is monitored through the Primary balance target and primary expenditure ceiling under 13 percent of GDP which will be established under the medium term fiscal framework under the Fiscal Strategy Statement. This provides the foundation for revenue-based fiscal consolidation through revenue enhancement measures, while managing non-interest expenditure, which is one of the key pillars of the IMF-EFF.

Fiscal Strategy

The government's fiscal strategy is governed by the revenue based fiscal consolidation and is guided by the fiscal quantitative targets set out in the IMF-EFF programme and the fiscal rules stipulated under the PFMA. The Government is committed to achieving a primary surplus of not less than 2.3 percent of GDP in 2025. Towards this end, the Government has implemented several revenue measures to increase government revenue up to 15.1 percent of GDP in 2025. In addition, a number of measures are already underway to strengthen tax administration focusing on increasing tax compliance, reducing corruption vulnerabilities, digitalization and modernization of tax administration and effective management and governance.

While enhancing the government revenue, the Government is committed to maintaining prudent levels of government spending and primary expenditure below 13 percent of GDP in line with the PFMA. However, it will be ensured that adequate funds are allocated to key development

sectors while strengthening the social safety nets. The fiscal strategy will be supported by overall economic stabilization measures including pro-growth measures, ensuring price and financial stability, and strengthen governance.

Government remains committed to restoring debt sustainability in line with the debt sustainability targets under the IMF-EFF programme. The Government has concluded all components of Domestic Debt Optimization and External Debt Restructuring is also progressing with an extremely high level of participation which is expected to result in the exchange of close to 98 percent of the total outstanding amount of ISBs. The implementation of the debt exchange will provide substantial debt relief for Sri Lanka, freeing up resources for public investment. Further, the Public Debt Management Office (PDMO) has been established and commenced operationalization on December 02, 2024 under the Public Debt Management Act, No. 33 of 2024. The Public Debt Management Office will publish the medium-term debt management strategy in line with the PFMA.

According to the PFMA, the Fiscal Strategy Statement, including the Medium-Term Fiscal Framework, should be published at the end of June to provide a strategic roadmap for the preparation of next year's budget. However, as the PFMA took effect from August 2024, the said statement was not published for 2025, but a strategic policy guidance was made in line with the IMF supported economic and fiscal reform programme.

The fiscal path for 2025 – 2029 and the macroeconomic direction towards fiscal sustainability is stipulated below:

1.3 Fiscal Path:

- Achieving a primary surplus of 2.3 percent of GDP in 2025 and in subsequent years through strong revenue-enhancing efforts and rationalizing government expenditure.

- Increasing revenue to GDP ratio to at least 15 percent of GDP in 2025 and beyond through tax policy reforms and strengthening of tax administration.
- Improving tax compliance of core taxes, especially through the Value Added Tax (VAT) compliance improvement programme and establishment of a fully functional VAT refund system to ensure the full repeal of the Simplified VAT (SVAT) system.
- Monitoring Inland Revenue Department under Key Performance Indicators (KPIs) related to payment, filing, reporting and registration.
- Modernizing the Inland Revenue Department by introducing the RAMIS 3.0, introducing an online portal for simplified individual tax filing and processing all tax collections through RAMIS.
- Managing primary expenditure below the primary expenditure ceiling set under the Medium-Term Fiscal Framework, which needs to be below 13 percent of GDP as per the PFMA.
- Continuing to strengthen the Social Safety Net Programmes to provide relief to the most vulnerable segments of society.
- Maintaining public investment of over 4 percent in 2025 and beyond.
- Carefully prioritizing public investment and selection of projects and programmes to be funded under the budget, while ensuring that expenditure is adequately allocated for priority sectors including health, education, infrastructure and social protection.
- Enhanced commitment controls through the complete roll-out of the Integrated Treasury Management Information System (ITMIS) will be central to the expenditure discipline.
- Containing budget deficit gradually to be less than 5 percent of GDP from 2026 and beyond and thereby reduce the gross financing needs of the Government.
- Eliminating the accumulation of arrears over 3 months.
- Reducing the issuance of government guarantees to maintain the aggregate stock of outstanding Government guarantees at the end of each financial year to not exceed 7.5 percent of the average GDP of the relevant financial year and preceding two financial years with a view to limit fiscal risks emanating from government guarantees.
- Continuing the implementation of automatic fuel and electricity pricing mechanisms to ensure sound financial performance of Ceylon Electricity Board (CEB) and Ceylon Petroleum Corporation (CPC).
- Carrying out structural reforms of the State-Owned Enterprises (SOEs) to improve their financial viability and strengthen their governance.

As outlined above, the fiscal path is primarily based on revenue raising strategies focusing on tax policy as well as tax administration and prudent management of government expenditure. The fiscal outlook will be supported by SOE restructuring efforts, a strong institutional framework, digitalization and integration of digital systems and data, improved governance and growth and the stability of the economy.

1.4 Medium Term Fiscal Framework

The Medium-Term Fiscal Framework rests on the following:

- Increasing government revenue up to 15 percent of GDP in 2025 and increasing it over the medium term.
- Maintaining primary expenditure under 13 percent of GDP and maintaining public investments over 4 percent of GDP.
- Achieving a primary surplus of 2.3 percent in 2025 and maintaining the same level over time.
- Containing the budget deficit to less than 5 percent of GDP by 2026.
- Reducing central government debt to gradually bring down the debt to a sustainable level.

Table 1.1 : Medium-Term Fiscal Framework : 2024–2029

As a percentage of GDP

Indicator	2024	2025	2026	2027	2028	2029
	Provisional	Budget	Projections			
Total Revenue & Grants	13.6	15.1	15.1	15.2	15.3	15.3
Total Revenue	13.4	15.0	15.0	15.1	15.2	15.2
Tax Revenue	12.3	13.9	13.9	13.9	14.2	14.2
Income Tax	3.4	3.5	3.6	3.6	3.7	3.8
Taxes on Goods & Services	7.3	8.4	8.7	8.7	8.7	8.7
Taxes on External Trade	1.6	2.0	1.6	1.6	1.7	1.7
Non-Tax Revenue	1.1	1.1	1.1	1.1	1.1	1.1
Grants	0.2	0.1	0.1	0.1	0.1	0.1
Total Expenditure	20.4	21.8	19.6	19.1	19.0	18.8
Recurrent	17.8	17.8	15.5	15.0	14.8	14.7
Salaries & Wages	3.5	3.7	3.7	3.8	3.8	3.8
Goods & Services	1.2	1.3	1.1	1.1	1.1	1.1
Interest	9.0	8.9	6.8	6.2	6.1	5.9
Subsidies & Transfers	4.1	3.9	3.9	3.8	3.8	3.8
Capital and net lending	2.6	4.0	4.1	4.1	4.2	4.2
o/w Public Investments	2.7	4.0	4.1	4.1	4.2	4.2
Current Account Deficit (-)/Surplus (+)	(4.4)	(2.8)	(0.5)	0.1	0.4	0.6
Primary Deficit (-)/Surplus (+)	2.2	2.3	2.3	2.3	2.4	2.4
Budget Deficit (-)/Surplus (+)	(6.8)	(6.7)	(4.5)	(4.0)	(3.7)	(3.5)

Sources : Department of Fiscal Policy, Department of National Budget, International Monetary Fund (IMF) Programme Parameters

PART II

Budget, Economic and Fiscal Position Report – 2025

**Issued by the Hon. Minister of Finance, Planning and Economic Development
Under Section 49 of the Public Financial Management Act,
No. 44 of 2024**

This Report is issued under Section 49 of the Public Financial Management Act, No. 44 of 2024, which is required to be tabled in Parliament by the Minister of Finance on the day fixed for the second reading of the Appropriation Bill in Parliament, in each year.

It includes estimates relating to gross domestic product, consumer prices, employment and unemployment, balance of payments, revenue and expenditure, Government borrowing, basis used to prepare the aforementioned estimates among others. The information contained in this report takes into account, as far as possible, all Government decisions and all other circumstances that may have material effect on the fiscal and economic position of the Government.

**Fiscal
Developments,
Treasury
Operations and
Foreign Financing** | **02**

2.1 Overview

The government's fiscal operations improved in the first ten months of 2024 benefiting from the increased government revenue and prudent management of government expenditure. Tax revenue increased significantly with the implementation of revenue measures whereas expenditure was contained mainly due to the low execution of capital expenditure. This impressive improvement helped improve the primary surplus to Rs. 830.7 billion in the first ten months of 2024 from the primary surplus of Rs. 225.4 billion in the same period of 2023. The primary surplus is expected to achieve more than 1.6 percent of GDP in 2024, well above the indicative target set under the Extended Fund Facility of the International Monetary Fund (IMF-EFF) Programme of 1.0 percent. The overall budget deficit contracted by 31.4 percent to Rs. 1,060.7 billion in the first ten months of 2024 from Rs. 1,547.0 billion in the same period of 2023 mainly due to the rise in revenue.

The total government revenue including grants increased by 34.2 percent to Rs. 3,266.9 billion in the first ten months of 2024 compared to Rs. 2,434.0 billion in the same period of 2023. This was a 79.2 percent achievement against the annual estimate of Rs. 4,127.0 billion. The tax revenue increased by 35.6 percent to Rs. 3,000.2 billion while non-tax revenue increased by 20.3 percent to Rs. 255.5 billion in the first ten months of 2024.

The increase in revenue was driven by a series of tax policy adjustments. The adjustments include the revisions to the personal income tax structure, the increase in the Corporate Income Tax (CIT) rate, the removal of sector-specific CIT concessions and exemptions, the reinstatement of mandatory Advanced Personal Income Tax (APIT) and Withholding Taxes (WHT), increase in Value Added Tax (VAT) rates and reduction of VAT registration thresholds and improved tax administration measures.

Table 2.1 : Summary of Fiscal Operations

Item	Jan. – Oct.	
	2023	2024 ^(a)
Revenue and Grants	2,434,032	3,266,944
Revenue	2,424,833	3,255,711
Tax	2,212,514	3,000,245
Non Tax	212,320	255,466
Grants	9,199	11,234
Expenditure	3,981,050	4,327,692
Current	3,532,249	3,796,046
Salaries	774,315	839,000
Interest Payments	1,772,387	1,891,451
Other	985,547	1,065,595
Public Investments	488,673	553,706
Other	-39,872	-22,060
Revenue Deficit (-)/Surplus (+)	-1,107,416	-540,335
Primary Deficit (-)/Surplus (+)	225,369	830,704
Overall Budget Deficit (-)/Surplus (+)	-1,547,018	-1,060,747
Financing	1,547,018	1,060,747
Foreign Financing (Net)	69,209	274,462
Domestic Financing (Net)	1,477,809	786,285

Source: Department of Fiscal Policy

^(a) Provisional

The tax revenue collection in the first three quarters of 2024 surpassed the targets set under the IMF-EFF Programme. Accordingly, tax revenue targets as at the end of March, end of June, and end of September 2024 exceeded by Rs. 87 billion, Rs. 209 billion, and Rs. 288 billion, respectively. This was mainly driven by the increased revenue from income taxes, VAT, excise taxes and Social Security Contribution Levy (SSCL), import-based taxes stemming from the gradual relaxation of import restrictions, improved tax administration, and improved macroeconomic developments.

Tax administration measures have been implemented in revenue-collecting agencies to eliminate tax evasion and tax avoidance and improve tax compliance through integrating technology, improve regulations and processes and introduce Key Performance Indicators (KPIs) related to the Inland Revenue Department (IRD), Sri Lanka Customs (SLC), and Department of Excise.

The IRD has taken steps to enhance audit effectiveness, improve tax return filing, recover collectible revenue and increase registration of new taxpayers which are monitored through their quarterly KPIs. The tax base and tax compliance have been further broadened by bringing non-taxpayers to the tax net with the opening tax files for all individuals above 18 years of age. The establishment of a dedicated unit to handle files of High Net Worth Individuals (HNWI) at the IRD is expected to identify potential tax non compliance.

In expenditure front, the total Government expenditure increased slightly by 8.7 percent to Rs. 4,327.7 billion in the first ten months of 2024 compared to Rs. 3,981.1 billion in the same period of 2023. Recurrent expenditure increased marginally by 7.5 percent to Rs. 3,796.0 billion, while capital expenditure and net lending increased by 18.5 percent to Rs. 531.6 billion. Interest payments increased marginally by 6.7 percent in the first ten months of 2024. Interest payments alone absorbed 63.0 percent of government tax revenue in the first ten months of 2024 compared to 80.1 percent recorded in the same period

of 2023. This improvement was due to the combined effect of the increase of the tax revenue by 35.6 percent and the management of expenditure during the period.

Despite 2024 being an election year, the primary expenditure was relatively contained due to the prudent fiscal management measures. Primary expenditure increased moderately by 10.3 percent to Rs. 2,436.2 billion in the first ten months of 2024, compared to Rs. 2,208.7 billion in the same period in 2023.

The recurrent expenditure increased slightly by 7.5 percent to Rs. 3,796.0 billion in the first ten months of 2024 compared to Rs. 3,532.2 billion in the same period of 2023. This was mainly due to the increased spending on interest payments, salaries and wages and subsidies and transfers. In the first ten months of 2024, interest payments increased slightly by 6.7 percent to Rs. 1,891.5 billion compared to the same period of 2023. Interest payments on domestic borrowing in the first ten months of 2024 which constituted 94 percent of total interest expenditure, increased slightly by 5.5 percent to Rs. 1,776.0 billion while interest payments on foreign borrowing in the first ten months of 2024 increased by 29.6 percent to Rs. 115.4 billion. Expenditure on goods and services increased by 12.0 percent to Rs. 255.9 billion. The expenditure on subsidies and transfers increased by 6.9 percent to Rs. 809.7 billion in the first ten months of 2024. The expenditure on salaries and wages of public servants increased by 8.4 percent to Rs. 839.0 billion in the first ten months of 2024, driven by higher spending on police and civil security, as 2024 was an election year.

Public investment moderately increased by 13.3 percent to Rs. 553.7 billion in the first ten months of 2024 compared to the same period of 2023. However, public investments have only achieved 44.0 percent of the annual estimate mainly due to the shortfall in foreign project financing.

Table 2.2 : Realization of Revenue and Expenditure during the first ten months against the annual estimate for 2024

Rs. Bn.

Item	Annual Estimate ^(a)	Jan. – Oct. 2024 ^(b)	Achievement against the Estimate (%)
Total Revenue	4,107.0	3,255.7	79.3
Tax Revenue	3,820.0	3,000.2	78.5
Inland Revenue Department^(c)	2,015.0	1,556.1	77.2
Tax on Income and Profits	1,080.0	815.6	75.5
VAT – Domestic (Net)	740.0	585.5	79.1
SSCL (Domestic)	195.0	154.8	79.4
Customs Department^(c)	1,533.0	1,236.2	80.6
VAT – Imports (Net)	660.0	481.9	73.0
SSCL (Import)	55.0	49.2	89.5
Ports & Airports Development Levy (PAL)	175.0	143.8	82.2
Cess Levy	60.0	66.8	111.4
Special Commodity Levy	95.0	86.4	91.0
Import Duty	175.0	89.8	51.3
Excise Special Provisions			
Cigarettes	143.0	88.1	61.6
Petroleum	135.0	176.1	130.5
Motor Vehicles & Other	35.0	54.0	154.2
Excise Department	232.0	168.6	72.7
Liquor/Tobacco	232.0	168.6	72.7
Other	40.0	39.4	98.5
Telecommunication Levy	18.5	13.6	73.3
Licence Tax & Other	21.5	25.8	120.1
Non Tax Revenue	287.0	255.5	89.0
Total Expenditure	6,527.8	4,327.7	66.3
Current Expenditure	5,277.0	3,796.0	71.9
Salaries and Wages	1,126.9	839.0	74.5
Interest Payments	2,651.0	1,891.5	71.3
Pension Payments	402.2	323.8	80.5
Transfers to Public Corporations & Institutions	126.3	85.9	68.0
Other	970.6	656.0	67.6
Capital Expenditure and Net Lending	1,250.8	531.6	42.5

Sources: Department of Fiscal Policy and Department of National Budget

^(a) Excluding bank Recapitalization of Rs. 450 Billion

^(b) Provisional

^(c) Including Nation Building Tax

The overall budget deficit contracted by 31.4 to Rs. 1,060.7 billion in the first ten months of 2024 compared to Rs. 1,547.0 billion in the same period of 2023. This was mainly due to the improved revenue collection owing to the enhanced tax

administration and compliance, along with the realization of the full impact of revenue measures, and reduced expenditure due to continued efforts on expenditure rationalization, slow growth of interest

payments due to the reduction in domestic interest rates, and better-managed election-related spending.

2.2 Government Revenue

Total Government Revenue excluding grants significantly increased by 34.3 percent to Rs. 3,255.7 billion in the first ten months of 2024 compared to Rs. 2,424.8 billion in the same period of 2023, which is a realization of 79.3 percent of the revenue estimate for 2024. This surge in revenue was mainly due to the increase in tax revenue by 35.6 percent to Rs. 3,000.2 billion in the first ten months of 2024 from Rs. 2,212.5 billion recorded in the same period of 2023. The collection of tax revenue contributed to 92.2 percent of the total revenue and was an achievement of 78.5 percent of the estimate for 2024.

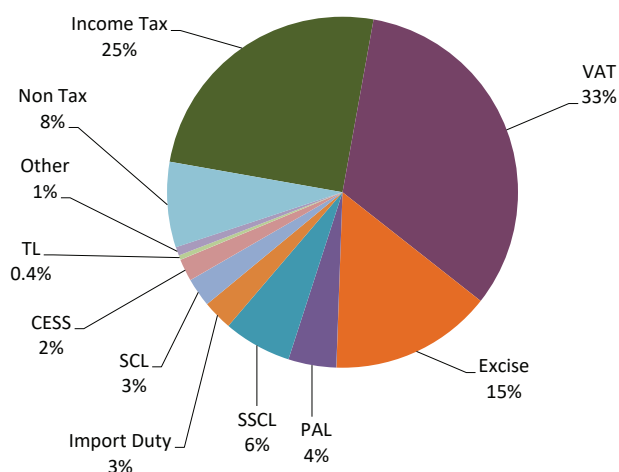
The increase in tax revenue was led by the increase in revenue from:

1. Income taxes by 9.5 percent or Rs. 70.8 billion due to the impact of the tax policy changes implemented effective from January 1, 2023 on the Personal Income Tax (PIT)

and Corporate Income Tax (CIT), Advanced Personal Income Tax (APIT) and Withholding Tax (WHT), impact of increased wages both in the public and informal private sector, positive impact of the increased economic activities and positive impact of tax administration measures;

2. VAT by 86.8 percent or Rs. 495.9 billion due to the reduction in the VAT registration threshold from Rs. 80 million per annum to Rs. 60 million per annum, the removal of the vast majority of VAT exemptions, the increase of the VAT rate to 18 percent from 15 percent with effect from January 1, 2024 and increase in the volume of imports by 10.7 percent during the first ten months of 2024;
3. Excise duty on Petroleum by 65.6 percent or Rs. 69.8 billion driven by the combined effect of the increase in excise duty rates on Petrol and Diesel by Rs. 25 per litre effective from June 01, 2023 and by a reduction of excise duty on Petrol by Rs. 5 per liter and Diesel by Rs. 6 per liter on January, 2024.

FIGURE 2.1 : Composition of Total Revenue (%) – from January to October 2024



Key : VAT – Value Added Tax
 PAL – Ports and Airports Development Levy
 SSCL – Social Security Contribution Levy
 SCL – Special Commodity Levy
 TL – Telecommunication Levy

Source : Department of Fiscal Policy

4. Excise duty on liquor by 20.8 percent or Rs. 28.8 billion mainly driven by the increase Excise duties on liquor by 14 percent effective from January 1, 2024 in line with the introduction of annual inflation adjusted indexation;
5. SCL by 97.7 percent or Rs. 42.7 billion due to the upward revision of duty rates for sugar to Rs. 50 per kg and potatoes to Rs. 60 per kg and the increase in the volume of imports in major commodity items;
6. SSCL by 14.7 percent or Rs. 26.2 billion due to the increase in revenue from both imports and domestic activities and lowering of the registration

threshold from Rs. 120 million per annum to Rs. 60 million per annum effective from January 01, 2024;

7. CID by 16.7 percent or Rs. 12.8 billion due to the revision of CID rates from 0:10:15 percent to 0:15:20 percent effective from March 28, 2023; and
8. CESS by 47.9 percent or Rs. 21.7 billion due to the increase in imports.

The increase of non-tax revenue by 20.3 percent or Rs. 43.1 billion in the first ten months of 2024 also had a positive impact on the increase in revenue. This was mainly due to the increase in revenue from interest income, fines, fees and charges and property income.

Table 2.3 : Summary of Performance of Government Revenue

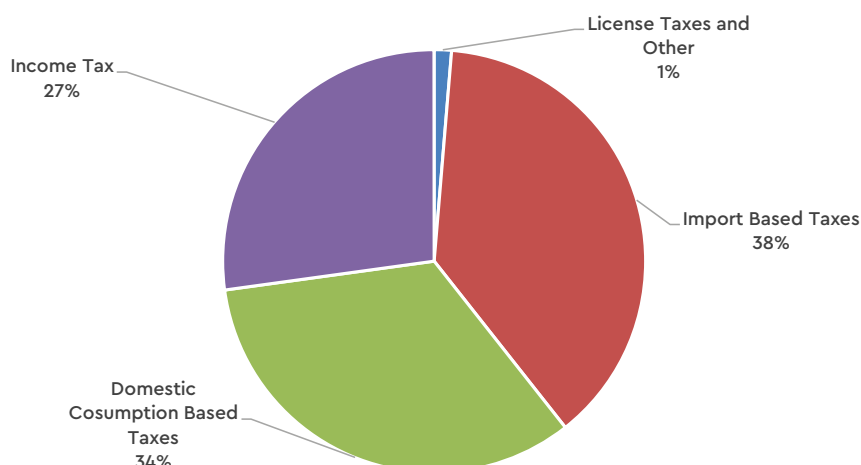
Item	Jan. – Oct.		Change (%)
	2023	2024 ^(a)	
	Rs. Mn.		
Tax Revenue	2,212,514	3,000,245	35.6
Income Tax	744,749	815,591	9.5
Domestic Consumption Based Taxes^(b)	772,456	1,003,616	29.9
VAT	394,674	585,524	48.4
Excise Tax	241,624	263,135	8.9
SSCL	136,112	154,841	13.8
Import Based Tax^(b)	661,723	1,141,646	72.5
Import Duty	76,965	89,813	16.7
VAT	176,847	481,864	172.5
SSCL	41,777	49,235	17.9
Ports & Airports Development Levy (PAL)	142,928	143,765	0.6
Special Commodity Levy (SCL)	43,728	86,438	97.7
Excise Tax	134,116	223,681	66.8
Cess	45,190	66,845	47.9
Licence Taxes and Other	33,585	39,392	17.3
Non Tax Revenue	212,320	255,466	20.3
Total Revenue	2,424,833	3,255,711	34.3

Source: Department of Fiscal Policy

^(a) Provisional

^(b) Including Nation Building Tax

FIGURE 2.2 : Tax Revenue by Sources (%) – January to October 2024



Source : Department of Fiscal Policy

Income Tax

Revenue from income taxes increased by 9.5 percent to Rs. 815.6 billion in the first ten months of 2024 compared to Rs. 744.7 billion recorded in the same period of 2023, a realization of 75.5 percent of the annual estimate.

Revenue from APIT showed a significant growth of 38.1 percent to Rs. 164.5 billion in the first ten months of 2024 compared to Rs. 119.1 billion in the same period of 2023. This was attributable to the income tax rate revisions. The revenue collection from APIT in the first ten months of 2024 has already surpassed the annual estimate of Rs. 160.0 billion.

Personal income tax revenue grew by 69.0 percent in the same period of 2024 compared to the first ten months of 2023. However, in the first ten months of the year 2024, the corporate tax revenue declined slightly to Rs. 452 billion from Rs. 464.8 billion in the same period of 2023 performing below expectations.

The revenue from WHT/AIT increased by 10.4 percent to Rs. 136.9 billion in the first ten months of 2024 from Rs. 124.0 billion in the same period of 2023. This is an achievement of 85.5 percent of the annual estimate of Rs. 160.0 billion.

Table 2.4 : Performance of Income Tax

Tax Base	Jan. – Oct.		Growth (%)
	2023	2024 ^(a)	
Corporate and Non Corporate	501,487	513,995	2.5
PAYE	119,090	164,480	38.1
Tax on Interest Income	123,952	136,861	10.4
Economic Service Charge	220	255	15.9
Total	744,749	815,591	9.5

Source: Department of Fiscal Policy

^(a) Provisional

Value Added Tax (VAT)

Government revenue from VAT increased significantly by 86.8 percent to Rs. 1,067.4 billion in the first ten months of 2024 compared to Rs. 571.5 billion in the same period of 2023, a realization of 76.2 percent of the estimate.

VAT revenue from both domestic and import activities increased in the first ten months of 2024. VAT on domestic activities increased by 48.4 percent to Rs. 585.5 billion in the first ten months of 2024 from Rs. 394.7 billion in the same period of 2023 while VAT revenue from imports increased significantly by 172.5 percent to Rs. 481.9 billion in the first ten months of 2024 from Rs. 176.8 billion in the same period of 2023.

The increase in VAT revenue is mainly attributable to the standard VAT rate up from 15 percent to 18 percent, the reduction in the VAT registration threshold from Rs. 80 million to Rs. 60 million per annum and the removal of a vast majority of VAT exemptions with effect from January 01, 2024. The impact of the removal of the majority of import restrictions and the subsequent increase in imports has also contributed to the rise in VAT revenue. As a result of these revenue measures, the VAT revenue contributed 32.8 percent of the overall revenue performance of the first ten months of 2024.

Table 2.5 : Performance of VAT

Rs.Mn.

Tax Base	Jan. – Oct.		Growth (%)
	2023	2024 ^(a)	
Domestic	394,674	585,524	48.4
Imports	176,847	481,864	172.5
Net Revenue	571,521	1,067,387	86.8

Source : Department of Fiscal Policy

^(a) Provisional

Excise Duty

The total revenue from excise duty increased by 29.6 percent to Rs. 486.8 billion in the first ten months of 2024 from Rs. 375.7 billion recorded in the same period of 2023 mainly due to the

increase in revenue from liquor, petroleum products, and motor vehicles despite the slight reduction in revenue from cigarettes. This was a realization of 89.3 percent of the annual estimate and revenue from excise taxes contributed 15.0 percent to the total revenue in the first ten months of 2024.

Excise revenue from petroleum products increased significantly by 65.6 percent to Rs. 176.1 billion in the first ten months of 2024 compared to Rs. 106.3 billion during the same period in 2023 mainly due to the net effect of changes in Excise Duty on fuel, including an increase of Rs. 25 per litre effective from June 1, 2023, followed by a reduction of Rs. 6 per litre for diesel and Rs. 5 per litre for petrol effective from January 1, 2024. In addition, the rise in fuel imports stemming from the removal of the fuel quota system and increased demand supported by economic growth in the third quarter of 2024 also contributed to this increase.

The revenue from Excise Duty on cigarettes declined by 10.1 percent to Rs. 89.0 billion in the first ten months of 2024 compared to Rs. 99.0 billion in the same period of 2023, primarily due to a 18.7 percent decrease in the sales of cigarettes to 1,563.0 million sticks in the first ten months of 2024, compared to 1,992.0 million sticks in the same period in 2023. The drop in sales was mainly due to the increase in excise duty on cigarettes by 20 percent, effective from July 1, 2024, followed by a further upward revision of 14 percent under the government's inflation-adjusted indexation policy, effective from January 1, 2024. Revenue from excise duty on motor vehicles also increased by 71.2 percent to Rs. 47.5 billion in the first ten months of 2024 compared to Rs. 27.8 billion in the same period of 2023.

Revenue from excise duty on liquor increased by 20.8 percent to Rs. 167.7 billion in the first ten months of 2024 compared to Rs. 138.8 billion in the same period of 2023. Contributing 34.4 percent to the total Excise duty revenue. Excise duties on liquor increased by 14.0 percent with effect from January 01, 2024 as per the policy of inflation indexation of Excise

taxes. The realization of revenue from tax on liquor in the first ten months of 2023 was 72.9 percent of the annual estimate for 2024. The overall production of alcohol declined by 9.5 percent to 27.2 million absolute litres in the first ten months of 2023 compared to 28.2 million absolute litres in the same period of 2023. Hard liquor production declined by 8.9 percent to 15.5 million absolute litres and beer production increased marginally by 3.6 percent to 11.5 million absolute litres. Even though the Security Features and Security Features Management System was fully implemented by licensed manufacturers and importers commencing from January 03, 2022, instances were reported in many areas of the country where fake/counterfeit stickers were found eroding the estimated revenue.

Table 2.6 : Performance of Excise Duty

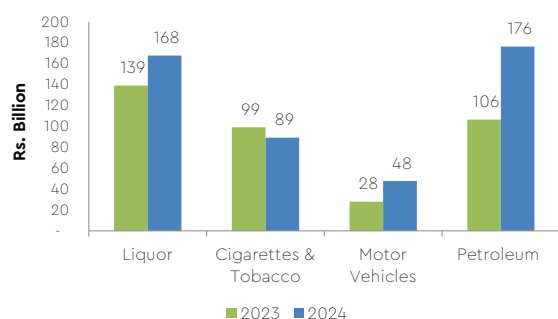
Rs. Mn

Tax Base	Jan. – Oct.		Growth (%)
	2023	2024 ^(a)	
Liquor	138,836	167,681	20.8
Cigarettes and Tobacco	99,042	89,040	-10.1
Motor Vehicles	27,778	47,542	71.2
Petroleum	106,338	176,139	65.6
Other	3,746	6,414	71.2
Total	375,739	486,816	29.6

Source : Department of Fiscal Policy

^(a) Provisional

FIGURE 2.3 : Performance of Excise Duty (Rs. Bn.) - January to October 2024



Source : Department of Fiscal Policy

Social Security Contribution Levy (SSCL)

SSCL is charged at the rate of 2.5 percent on liable turnover from importers, manufacturers, service providers and wholesalers and retailers effective from October 01, 2022. The SSCL turnover threshold of Rs. 120 million per annum reduced to Rs. 60 million per annum with effect from January 01, 2024. The revenue from SSCL increased by 14.7 percent to Rs. 204.1 billion in the first ten months of 2024 compared to Rs. 177.9 billion in the same period of 2023, a realization of 81.6 percent of the estimate.

Telecommunication Levy (TL)

Revenue generated from TL marginally decreased by 9.8 percent to Rs. 13.6 billion in the first ten months of 2024 from Rs. 15.0 billion in the same period of 2023.

Customs Import Duty (CID)

Revenue collected from CID increased by 16.7 percent to Rs. 89.8 billion in the first ten months of 2024 compared to Rs. 77.0 billion in the same period of 2023. The increase is mainly attributable to the removal of import restrictions on majority of imported items. Further, the upward revision of CID rates from 0 percent and 10 percent to 15 percent and 15 percent to 20 percent with effect from March 29, 2023 to accommodate the proposed phasing out of para-tariffs contributed positively to the increase in revenue from CID.

Special Commodity Levy (SCL)

Revenue collection from SCL increased significantly by 97.7 percent to Rs. 86.4 billion in the first ten months of 2024 compared to Rs. 43.7 billion recorded in the same period of 2023. This was mainly due to the increase in the volume of imports of the major items.

Ports and Airports Development Levy (PAL)

The total revenue collected from PAL increased nearly by 0.6 percent to Rs. 143.8 billion in the first ten months of 2024 compared to Rs. 142.9 billion recorded in the same period of 2023. This was mainly due to the increase in the volume of imports of the major items. The total revenue collected from PAL has been decelerated

due to the elimination of PAL on 20 percent of total PAL liable items or 1,631 items with effect from April 04, 2023 with the aim of phasing out PAL within 05 years in line with the Budget 2023 to rationalise para-tariffs in order to support economic competitiveness whilst enhancing trade and investment.

Commodity Export Subsidy Scheme (CESS)

Revenue collected from CESS increased significantly by 47.9 percent to Rs. 66.8 billion in the first ten months of 2024 compared to Rs. 45.2 billion in the same period of 2023. The increase is mainly attributable to the removal of import restrictions on most imported items and the increase in CESS rates on the importation of selected imported items.

Table 2.7 : Motor Vehicle Imports and New Registration of Vehicles

Unit: Number

Item	Imports				New Registrations			
	Jan. – Oct.				Jan. – Oct.			
	2023	2024	Change	%	2023	2024	Change	%
Motor Cars	848	1,182	334	39	1,505	1,405	-100	-7
Passenger Vans & Buses	385	33	-352	-91	598	120	-478	-80
Three Wheelers	-	5	5	-	50	70	20	40
Motor Cycles	4,806	15,271	10,465	218	14,698	49,463	34,765	237
Goods Transport Vehicles ^(a)	117	309	192	164	384	1,006	622	162
Land Vehicles ^(b)	2,324	4,190	1,866	80	3,024	4,175	1,151	38
Other ^(c)	18,362	31,692	13,330	73	407	855	448	110
Total	26,842	52,682	25,840	96	20,666	57,094	36,428	176

Sources: Sri Lanka Customs and Department of Motor Traffic

^(a) Lorries, other Goods Transport Vehicle and Special Purpose Vehicle

^(b) Tractor, Hand Tractor and Other Land Vehicles

^(c) Single cab, Dual Purpose vehicle, Quadrcycles, Motor Homes

Table 2.8 : Coverage of Product and Value of Imports/Exports Under Free Trade Agreements

Free Trade Agreement	Jan. – Nov. 2024		
	No. of Products Subject to Tariff Concessions (HS 8 Digit)	Import value (CIF/Rs. Mn.)	Export Value (FOB/Rs. Mn.)
Asia – Pacific Trade Agreement (APTA)	808	6,401	57,999
India – Sri Lanka Free Trade Agreement (ISFTA)	5,329	94,169	135,508
Pakistan – Sri Lanka Free Trade Agreement (PSFTA)	6,200	6,653	12,877
South Asia Free Trade Agreement (SAFTA)	5,932	3,753	46,465
Singapore Sri Lanka Free Trade Agreement (SSFTA)	4,334	-	40
Total	-	110,976	252,889

Sources: Sri Lanka Customs, Department of Trade and Investment Policy

Table 2.9 : CESS Revenue from International Trade

Item	Rs. Mn.	
	Jan. – Oct.	
	2023	2024 ^(a)
CESS on Exports	1,901	1,667
Tea-under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	431	394
Rubber-under Rubber Replanting Subsidy Act	5	12
Coconut-under Coconut Development Act	160	175
EDB CESS- under Sri Lanka Export Development Act	1,305	1,087
CESS on Imports- under Sri Lanka Export Development Act	43,289	65,177
Total	45,190	66,845

Source: Department of Fiscal Policy

^(a) Provisional

Non-tax Revenue

Non-tax revenue considerably increased by 20.3 percent to Rs. 255.5 billion in the first ten months of 2024 compared to Rs. 212.3 billion in the same period of 2023. Revenue from non-tax contributed to 7.8 percent to the total revenue. This was mainly due to an increase in revenue generated from fines, fees and charges, interest income and profits and dividends. Accordingly, revenue from fines, fees, and charges which has contributed 48.5 percent of total non-tax revenue, increased by 27.4 percent to Rs.124.0 billion in the first ten months of 2024 compared to Rs. 97.4 billion in the same period of 2023, mainly due to the upward revision of fees and charges of the Department of Motor Traffic, Department of Immigration and Emigration and the Department of Registration of Persons. Revenue from Interest

significantly increased by 141.1 percent to Rs. 43.5 billion in the first ten months of 2024 compared to Rs. 18.0 billion in the same period of 2023. Revenue from Social Security Contributions also increased by 19.9 percent to Rs. 35.5 billion in the first ten months of 2024 compared to Rs. 29.6 billion in the same period of 2023. However, non-tax revenue from dividends from State Owned Enterprises (SOEs) decreased by 15.7 percent to Rs. 30.5 billion in the first ten months of 2024 from Rs. 36.2 billion in the same period of 2023. Non-tax revenue from Rent also declined by 10.3 percent to Rs. 4.5 billion in the first ten months of 2024 from Rs. 5.0 billion in the same period of 2023. The realization of non-tax revenue was 89.0 percent in the first ten months of 2024 as against the annual estimate of Rs. 287.0 billion.

Table 2.10 : Variance Analysis of Government Revenue

Item	Rs. Bn.			Major Reasons for Variance
	2023	2024	2024	
	Jan. – Oct.	Estimate	Jan.-Oct. ^(a)	
Income Taxes	744.7	1,080.0	815.6	Revenue collected from income tax increased by 9.5 percent in the first ten months of 2024 compared to the same period of the previous year, reaching 75.5 percent of the annual estimate. This was mainly due to the following reasons: <ul style="list-style-type: none"> - Realization of the impact of policy changes implemented in 2023 during the first ten months of 2024; - Increased wages of the public and private sector; and - Gradual normalization of economic activities. However, the decline in interest rates had a negative impact on interest income.

Item	Rs. Bn.			Major Reasons for Variance
	2023 Jan. – Oct.	2024 Estimate	2024 Jan.-Oct. ^(a)	
Value Added Tax (VAT)	571.5	1,400.0	1,067.4	<p>The revenue from VAT recorded a significant growth of 86.8 percent from January to October 2024 compared to the same period of previous year, realizing 76.2 percent against the annual estimate. This was achieved mainly due to the following reasons:</p> <ul style="list-style-type: none"> - increased VAT rate; - the reduction of VAT registration threshold; - the removal of the vast majority of VAT exemptions; and - the increase in total imports by 10.7 percent.
Excise Duty	375.7	545.0	486.8	<p>The collection of Excise Duty increased by 29.6 percent in the first ten months of 2024 compared to the same period of the previous year. It was 89.3 percent as against the annual estimate. This performance was primarily attributed to;</p> <ul style="list-style-type: none"> - increase of Excise Duty on petroleum owing to the net increase in importation of all types of Petrol and Diesel, and the increase in refined petroleum imports; - improved Excise Duty on motor vehicles with the expansion of motor vehicle imports under certain schemes; and - increase in revenue from Excise Duty on liquor with the realization of the impact of Excise Duty rate revisions implemented in July 2023 and the indexation of Excise Duty to inflation. <p>However, the lower sales of cigarettes stemming from the upward revision of duty rates contributed to expanding the deviation from the annual estimate.</p>
Import Duties	77.0	175.0	89.8	<p>The revenue from Import Duty increased by 16.7 percent in the first ten months of 2024 compared to the same period of the previous year. The realization of Import Duty was 51.3 percent as against the estimate. This was achieved mainly due to;</p> <ul style="list-style-type: none"> - the realization of the impact of the upward revision of Customs Import Duty (CID).; and - the increase in imports by 10.7 percent in the first ten months of 2024.
Ports and Airports Development Levy (PAL)	142.9	175.0	143.8	<p>A marginal increase of 0.6 percent was recorded in PAL revenue despite the impact of</p> <ul style="list-style-type: none"> - the exemption of 20 percent on total PAL liable items effective from April 4, 2023 as a part of the phasing out of para-tariff; and - the application of concessionary rates to 3,117 items and the exemption of 595 items at the time of importation of such goods from Singapore as per the provisions of Sri Lanka – Singapore Free Trade Agreement (SLSFTA) with effect from March 29, 2024. <p>Revenue collection from PAL achieved 82.2 percent of the budget estimate due to the impact of increased volume of the imports during the first ten months of 2024.</p>

Item	Rs. Bn.			Major Reasons for Variance
	2023 Jan. – Oct.	2024 Estimate	2024 Jan.-Oct. ^(a)	
Special Commodity Levy (SCL)	43.7	95.0	86.4	The revenue collection of SCL increased significantly by 97.7 percent to Rs. 86.4 billion in the first ten months of 2024, realizing 91.0 percent of the budget estimate. This was mainly due to; <ul style="list-style-type: none"> - the upward revision of duty rates on sugar and potatoes; and - the increase in importation of major commodity items
Social Security Contribution Levy (SSCL)	177.9	250.0	204.1	Revenue collection from SSCL marks a realization of 81.6 percent of the 2024 annual estimate mainly due to: <ul style="list-style-type: none"> - the increase in tax payers due to the lowering of the registration threshold applicable for SSCL to Rs. 60 million per annum from Rs. 120 million per annum with effect from January 1, 2024 and, - the impact of increased imports in the first ten months of 2024.
Other Taxes	79.0	100.0	106.4	The revenue from other taxes increased by 34.6 percent to Rs. 106.4 billion realizing 106.4 percent of the annual estimate for 2024. This was mainly due to: <ul style="list-style-type: none"> - CESS Levy increased by 47.9 percent owing to the increase in imports and - other taxes increased by 39.3 percent. <p>However, lower revenue generated from the Telecommunication Levy had an adverse impact.</p>
Non-Tax Revenue	212.3	287.0	255.5	The revenue collection from non-taxes increased significantly by 20.3 percent mainly due to the increased revenue performance of interest income, Social Security Contribution and fines, fees, and charges. <p>The realization of Non-tax revenue in the first ten months of 2024 was 89.0 percent as against the 2024 annual estimate.</p>
Total	2,424.8	4,107.0	3,255.7	

Compiled by the Department of Fiscal Policy

^(a) Provisional

Box 2.1 : Major Fiscal Measures: January 2024 – January 2025

Effective Date	Measures
Income Tax- Amendments to the Inland Revenue Act, No. 24 of 2017	
01.04.2024	Gazette Notification No. 2376/25 of 21.03.2024 <ul style="list-style-type: none"> - To prescribe the information to be shared on a regular basis to the Commissioner General of Inland Revenue (CGIR) by the persons including Government Institutions.
Casino Business (Regulation) Act, No.17 of 2010	
12.01.2024	Gazette Notification No. 2366/33 of 12.01.2024 <ul style="list-style-type: none"> - To substitute section 05 of the Casino Business Licensing Regulation No.01 of 2022 and to incorporate a schedule II amending the license fee and license renewal fee structures given therein.

Effective Date	Measures
02.02.2024	Gazette Notification No. 2369/42 of 02.02.2024 <ul style="list-style-type: none"> - To amend the investment criteria associated with the License fees and license renewal fees given in Schedule II of the regulation.
22.04.2024	Gazette Notification No. 2381/16 of 22.04.2024 <ul style="list-style-type: none"> - To amend Sinhala translation errors in Extraordinary Gazette Notification No. 2366/33 dated January 12th, 2024, and the Extraordinary Gazette Notification No. 2369/42 dated February 02, 2024.
29.05.2024	Gazette Notification No. 2386/09 of 29.05.2024 <ul style="list-style-type: none"> - To amend the investment criteria associated with the License fees and license renewal fees given in Schedule II of the regulation.
Social Security Contribution Levy (SSCL)- Social Security Contribution Levy Act, No. 25 of 2022	
1.1.2024	Social Security Contribution Levy(Amendment) Act, No. 15 of 2024 <ul style="list-style-type: none"> - To reduce the registration threshold applicable for Social Security Contribution Levy (SSCL) to Rs. 60 million per annum from Rs. 120 million per annum.
Value Added Tax (VAT)- Value Added Tax Act, No. 14 of 2002	
01.01.2024	Gazette Notification No. 2363/22 of 19.12.2023 <ul style="list-style-type: none"> - To increase the VAT rate from 15 percent to 18 percent.
01.01.2024	Value Added Tax (Amendment) Act, No. 32 of 2023 <ul style="list-style-type: none"> - To remove vast majority of VAT exemptions applicable on major items.
01.01.2024	Value Added Tax (Amendment) Act, No. 16 of 2024 <ul style="list-style-type: none"> - To reduce VAT registration threshold to Rs. 60 million per annum from Rs. 80 million per annum.
Excise (Special Provisions) Duty – Excise (Special Provisions) Act, No. 13 of 1989	
01.01.2024	Gazette Notification No. 2364/36 of 31.12.2023 <ul style="list-style-type: none"> - To revise all excisable articles with unit rates Excise Duty by 14 percent based on an indexation and to reduce the Excise duty on Petrol per litre by Rs 5, and on Diesel per litre by Rs 6/-.
11.01.2025	Gazette Notification No. 2418/43 of 10.01.2025 <ul style="list-style-type: none"> - To increase Excise Duty for all excisable articles with unit rates Excise Duty (except Petrol and Diesel) by 5.9 percent based on an annual inflation adjustment indexation.
01.02.2025	Gazette Notification No. 2421/42 of 31.01.2025 <ul style="list-style-type: none"> - To increase the Excise Duty on Electric Vehicles.
Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)	
01.01.2024	Excise Notification No.04/2023 (Gazette Notification No. 2364/35 of 31.12.2023) <ul style="list-style-type: none"> - To increase Excise Duties on all varieties of liquor by 14 percent with the purpose of introducing an annual inflation adjustment for Excise Duty.
12.01.2024	Excise Notification No.01/2024 (Gazette Notification No. 2366/38 of 12.01.2024) <ul style="list-style-type: none"> - To revise Annual Excise License Fees.
12.01.2024	Excise Notification No.02/2024 (Gazette Notification No. 2366/39 of 12.01.2024) <ul style="list-style-type: none"> - To amend the provisions in Excise Notification No. 902.
01.02.2024	Excise Notification No.03/2024 (Gazette Notification No. 2369/32 of 01.02.2024) <ul style="list-style-type: none"> - To revise Annual Excise License Fees and introduce onetime fee to the industry entry.

Effective Date	Measures
13.08.2024	Excise Notification No.05/2024 (Gazette Notification No. 2397/22 of 13.08.2024) - To amend the provisions in Excise Notification No. 666.
11.01.2025	Excise Notification No.01/2025 (Gazette Notification No. 2418/42 of 10.01.2025) - To increase the Excise Duties on liquor by 5.9 percent based on an annual inflation adjusted indexation.
Ports and Airports Development Levy (PAL) – Ports and Airports Development Levy Act, No. 18 of 2011	
01.01.2024	Gazette Notification No. 2364/37 of 31.12.2023 - To exempt PAL on 26 essential items including Petrol, Diesel, and Fertilizers as PAL has to be phased out completely within five (05) years in accordance with the 2023 budget proposal No. 34.6 (Phasing-out of Para Tariffs).
29.03.2024	Gazette Notification No. 2377/39 of 28.03.2024 - To apply concessionary rates to 3,117 items and to exempt 595 items at the time of importation of such goods from Singapore, as per the provisions of Sri Lanka – Singapore Free Trade Agreement (SLSFTA).
CESS Levy – Sri Lanka Export Development Act, No. 40 of 1979	
06.01.2024	Gazette Notification No. 2365/50 of 04.01.2024 - To publish Tariff Liberalization Program (TLP) related to the CESS Levy under the Sri Lanka – Singapore Free Trade Agreement (SLSFTA).
06.09.2024	Gazette Notification No. 2400/25 of 05.09.2024 - To issue Gazette Notification on revising CESS Levy according to the Cabinet Decisions No. 24/1709/631/026-I dated 26.08.2024 and the No. 24/1541/622/002-II dated 12.08.2024.
Non Tax (Fees and Charges) – Securities & Exchange Commission of Sri Lanka Act, No.19 of 2021	
01.02.2024	Gazette Notification No. 2366/34 of 12.01.2024 - To revise the fees and charges charged by the Securities and Exchange Commission for Market Intermediaries and Market Institutions.
Non Tax (Fees and Charges) – Regulation of Insurance Industry Act, No. 43 of 2000	
23.12.2024	Gazette Notification No. 2415/79 of 22.12.2024 - To increase the annual fees applicable for the insurers from 0.125 percent to 0.2 percent of the gross written premium of insurance businesses enabling the IRCSL to cover the expenses on regulatory and supervisory activities.
Customs Import Duty (CID) – Revenue Protection Act, No. 19 of 1962	
06.01.2024	Revenue Protection Order No. 06/2023 (Gazette Notification No. 2365/51 of 04.01.2024) - To remove second installment out of the six annual installments under the category "6" of the Tariff Liberalization Programme (TLP) of the Customs Import Duty on 1,222 Tariff Lines under Sri Lanka Singapore Free Trade Agreement (SLSFTA).
27.01.2025	Revenue Protection Order No. 01/2025 (Gazette Notification No. 2421/05 of 27.01.2025) - To remove the item No. 33 from the list of Exemptions published in Gazette Extraordinary No. 2324/49 dated 24.03.2023.
Customs Surcharge- Customs Ordinance (Chapter 235)	
01.02.2025	Gazette Notification No. 2421/43 of 31.01.2025 - To impose a Surcharge on Import Duties for the importation of Motor Vehicles
Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007	
02.01.2024	Gazette Notification No. 2365/04 of 02.01.2024 - To grant duty waiver of Rs. 64/- per Kg on importation of rice with effect from 02.01.2024 to 21.01.2024.

Effective Date	Measures
08.01.2024	Gazette Notification No. 2365/84 of 07.01.2024 <ul style="list-style-type: none"> - To continue a SCL duty imposed on importation of Potatoes until December 31, 2024.
20.02.2024	Gazette Notification No. 2372/06 of 19.02.2024 <ul style="list-style-type: none"> - To extend the validity period of prevailing SCL duty on importation of Maize, Black Gram and Green Gram whereas to increase the SCL rate on Cowpea and Kurakkan from Rs.70/- per kg to Rs. 300/- per kg.
02.03.2024	Gazette Notification No. 2373/42 of 01.03.2024 <ul style="list-style-type: none"> - To grant duty waiver of Rs.199/- per kg for the importation of Dates considering the Ramadan Festive season till April 11, 2024.
27.03.2024	Gazette Notification No. 2377/17 of 26.03.2024 <ul style="list-style-type: none"> - To apply concessionary SCL duty rate of Rs. 10 per kg for the importation of Red Onion considering the Festive season till April 30, 2024 and to extend the duty waiver of Rs. 64/- per Kg for the importation of Rice for the period of 02.01.2024 to 21.01.2024.
18.05.2024	Gazette Notification No. 2384/31 of 17.05.2024 <ul style="list-style-type: none"> - To extend the validity period of SCL imposed on 34 Items for another one-year period till December 31, 2024.
31.07.2024	Gazette Notification No. 2395/32 of 31.07.2024 <ul style="list-style-type: none"> - To extend the validity period of 6 items and continue duty waiver on importation of salt for the use of Pharmaceuticals Industry till December 31, 2024.
03.10.2024	Gazette Notification No. 2404/19 of 02.10.2024 <ul style="list-style-type: none"> - To increase SCL to Rs.60/- on importation of Potatoes and Rs. 30/- on importation of B' Onions considering the local harvesting period.
14.10.2024	Gazette Notification No. 2406/02 of 14.10.2024 <ul style="list-style-type: none"> - To extend the validity period on prevailing SCL duty on importation of Fish, Maldive Fish, Massor Dhal, Mangoesteen and Kiwi Fruit till December 31, 2024 and to extend the duty waiver for importation of Mackerel Fish for the use of local canned fish Industry.
02.12.2024	Gazette Notification No. 2408/15 of 01.11.2024 <ul style="list-style-type: none"> - To continue the SCL rate on imported white Sugar at the same rate of Rs. 50/- per kg till December 31, 2024.
01.12.2024	Gazette Notification No. 2412/38 of 30.11.2024 <ul style="list-style-type: none"> - To continue the SCL rate imposed on imported potatoes and to reduce the SCL imposed on imported big onions from Rs. 30/- per kg to Rs. 10/- per kg till December 31, 2024.
01.01.2025	Gazette Notification No. 2417/20 of 31.12.2024 <ul style="list-style-type: none"> - To publish a single Gazette by including 63 items subject to the SCL Duty for a period commencing from January 01, 2025 to December 31, 2025.
28.01.2025	Gazette Notification No. 2421/03 of 27.01.2025 <ul style="list-style-type: none"> - To grant Duty waiver of Rs. 199 per kg for the importation of Dates considering the Ramadan festive season till March 03, 2025.
Imports & Exports (Control) Regulations- Imports and Exports (Control) Act, No. 01 of 1969	
11.01.2024	Imports & Exports (Control) Regulations No.01 of 2024 (Gazette Extraordinary No. 2366/19 of 11.01.2024) <ul style="list-style-type: none"> - To allow importation of selected motor vehicles, which were temporarily suspended, to fulfil specific requirements of several Government Institutions

Effective Date	Measures
07.02.2024	Imports & Exports (Control) Regulations No.02 of 2024 (Gazette Extraordinary No. 2370/15 of 07.02.2024) <ul style="list-style-type: none"> - To extend the period allowed importing fully electric vehicles for Sri Lankans working abroad until 31.08.2024 by amending regulation No. 12(a) of the Imports & Exports (Control) Regulations No. 02 of 2023 (published in the Gazette Extraordinary No. 2312/78 of 01.01.2023).*
19.02.2024	Imports & Exports (Control) Regulations No.03 of 2024 (Gazette Extraordinary No. 2372/04 of 19.02.2024) <ul style="list-style-type: none"> - To allow importation of selected spices (e.g., pepper, nutmeg, and mace, etc.) classified and listed out in the Schedule V of the Special Import License Regulations No. 01 of 2023 (published in the Gazette Extraordinary No. 2312/77 of 01.01.2023), for processing and re-exporting purposes, by an "Approved Enterprise" as approved by the Cabinet of Ministers.**
29.02.2024	Imports & Exports (Control) Regulations No.04 of 2024 (Gazette Extraordinary No. 2373/28 of 28.02.2024) <ul style="list-style-type: none"> - To remove regulation No. 6 of Import Control Regulation No. 07 of 2022 (published in the Gazette Extraordinary No. 2278/21 of 06.05.2024) pertains to the prior endorsement requirement of the DP and DA payment terms.
19.03.2024	Imports & Exports (Control) Regulations No.05 of 2024 (Gazette Extraordinary No. 2376/14 of 19.03.2024) <ul style="list-style-type: none"> - To allow importation of selected motor vehicles, which were temporarily suspended, to fulfill specific requirements of several Government Institutions.
08.04.2024	Imports & Exports (Control) Regulations No.06 of 2024 (Gazette Extraordinary No. 2379/03 of 08.04.2024) <ul style="list-style-type: none"> - To allow Sri Lanka State Trading Corporation (STC), National Food Promotion Board and Sri Lanka Hadabima Authority to import of total quantity of 2,000 metric tons of Black gram classified and listed out in the Schedule V of the Special Import License Regulations No. 01 of 2023 (published in the Gazette Extraordinary No. 2312/77 of 01.01.2023).
17.05.2024	Imports and Exports (Control) Regulations No. 07 of 2024 (Gazette Extraordinary No. 2384/34 of 17.05.2024) <ul style="list-style-type: none"> - To allow Tourism Sector to import selected motor vehicles which were Temporarily Suspended.
17.05.2024	Standardization and Quality Control Regulations under the Imports and Exports (Control) Act, No.1 of 1969 (Gazette Extraordinary No. 2384/35 of 17.05.2024) <ul style="list-style-type: none"> - To prescribe Sri Lanka Standards for selected importation goods.
06.06.2024	Imports and Exports (Control) Regulations No. 08 of 2024 (Gazette Extraordinary No. 2387/35 of 06.06.2024) <ul style="list-style-type: none"> - To allow importation of Areca Nuts classified and listed out in the Schedule V of the Special Import License Regulations No. 01 of 2023 (published in the Gazette Extraordinary No. 2312/77 of 01.01.2023), for processing and re-exporting purposes, by an "Approved Enterprise" as approved by the Cabinet of Ministers.**
28.06.2024	Imports and Exports (Control) Regulations No. 09 of 2024 (Gazette Extraordinary No. 2390/19 of 28.06.2024) <ul style="list-style-type: none"> - To remove Import Control License (ICL) requirement for selected Edible Grains and to impose Import Control License (ICL) requirement for Unmanned Aircrafts.
18.07.2024	Imports and Exports (Control) Regulations No. 10 of 2024 (Gazette Extraordinary No. 2393/36 of 18.07.2024) <ul style="list-style-type: none"> - To allow importation of selected spices (e.g., pepper, nutmeg, and mace, etc.) classified and listed out in the Schedule V of the Special Import License Regulations No. 01 of 2023 (published in the Gazette Extraordinary No. 2312/77 of 01.01.2023), for processing and re-exporting purposes, by an "Approved Enterprise" as approved by the Cabinet of Ministers.

Effective Date	Measures
21.08.2024	Imports Control Regulations on Payment Terms No. 11 of 2024 (Gazette Extraordinary No. 2398/18 of 21.08.2024) - To allow authorized Persons within the meaning of the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021, to import goods under Open Account Payment term.
11.09.2024	Imports and Exports (Control) Regulations No. 12 of 2024 (Gazette Extraordinary No. 2401/21 of 11.09.2024) - To allow importation of brand-new Semi Knocked Down (SKD) kits for motor vehicle assembling projects operating under the Board of Investment of Sri Lanka, with agreements duly approved by the Cabinet of Ministers.**
04.12.2024	Imports and Exports (Control) Regulations No. 13 of 2024 (Gazette Extraordinary No. 2413/37 of 04.12.2024) - To remove Import Control License (ICL) requirement for importation of rice until December 20, 2024*
18.12.2024	Imports and Exports (Control) Regulations No. 14 of 2024 (Gazette Extraordinary No. 2415/35 of 18.12.2024) - To remove temporary suspension on importation of public passenger transport vehicles, special purposes vehicles and other non-motorized goods.*
24.12.2024	Imports and Exports (Control) Regulations No. 15 of 2024 (Gazette Extraordinary No. 2416/11 of 24.12.2024) - To continue the removing of Import Control License (ICL) requirement for importation of rice by the Gazette Extraordinary No. 2413/37 dated 04.12.2024 until January 10, 2025.*
28.01.2025	Imports and Exports (Control) Regulations No. 01 of 2025 (Gazette Extraordinary No. 2421/04 of 27.01.2025) - To remove temporary suspension on importation of commercial or goods transport vehicles.*
01.02.2025	Imports and Exports (Control) Regulations No. 02 of 2025 (Gazette Extraordinary No. 2421/44 of 31.01.2025) - To remove temporary suspension on importation of motor vehicles including personal usage motor vehicles (Cars, Vans, Sport Utility Vehicles, etc.) and to impose Import Control License (ICL) requirement for motor vehicles that exceeds maximum age limits.
Embarkation Levy – Finance Act, No. 25 of 2003	
01.02.2024	Gazette Notification No. 2369/27 of 01.02.2024 - To grant an extension of one year, a concessionary rate of USD 30 on Embarkation Levy from the applicable levy of USD 60 for person leaving Sri Lanka by Aircraft for the flights commencing operations from Colombo International Airport Ratmalana (CIAR) and Jaffna International airport(JIA).
07.03.2024	Gazette Notification No. 2374/19 of 06.03.2024 - To grant a concessionary rate of USD 05 on the Embarkation Levy for person leaving Sri Lanka by Ferry and USD 20 for the person leaving Sri Lanka by cruise from the applicable levy of USD 60 for period of around three years with effect from March 07, 2024 to December 31, 2026.
31.01.2025	Gazette Notification No. 2421/30 of 31.01.2025 - To extend the tax exemption period for persons leaving Sri Lanka by aircraft from Mattala Rajapaksa International Airport (MRIA) for three years from the date of commencement of operations by an international airline. - To grant an extension of one year, for the concessionary rate of USD 30 on Embarkation Levy from the applicable levy of USD 60, for persons leaving Sri Lanka by Aircraft for the flights commencing operations from CIAR and JIA.

Effective Date	Measures
Luxury Tax on Motor Vehicle – Finance Act, No.35 of 2018	
24.01.2024	Gazette Notification No. 2368/24 of 24.01.2024 <ul style="list-style-type: none"> - To further extend the period of consideration for remittance, opening of Letters of Credits (LCs), and registration of vehicles published in the Extraordinary Gazette No. 2318/53 of 10.02.2023 (increase of tax free threshold of fully electric motor vehicles from Rs. 6 million to Rs. 12 million for migrant workers).
01.02.2025	Gazette Notification No. 2421/41 of 31.12.2024 <ul style="list-style-type: none"> - To revise the thresholds for the Luxury Tax on Motor Vehicles.

* Currently not effective

** Currently not valid

2.3 Government Expenditure

The government expenditure in the first ten months of 2024 was Rs. 4,327.7 billion of which Rs. 3,796.0 billion was recurrent expenditure and Rs. 531.6 billion was capital and net lending. The government expenditure is required to be authorized by Parliament annually. Accordingly, the Appropriation Act, No. 34 of 2023 was passed by Parliament, enabling the Government to incur expenditure in 2024.

Table 2.11 : Performance of Government Expenditure

Item	Jan. – Oct.	
	2023	2024 ^(a)
Recurrent Expenditure	3,532,249	3,796,046
Salaries	774,315	839,000
Pension	294,560	323,756
Interest	1,772,387	1,891,451
Other	690,987	741,839
Capital & Net Lending	448,801	531,645
Total Expenditure	3,981,050	4,327,692

Sources: Department of National Budget and Department of Fiscal Policy

^(a) Provisional

Personal Emoluments and Pensions

The expenditure on personal emoluments of public servants including the employees of Provincial Councils in the first ten months of 2024 increased by 8.4 percent to Rs. 839.0 billion from Rs. 774.3 billion in the same period of 2023. Meanwhile, the expenditure on pension payments increased by 9.9 percent to Rs. 323.8 billion in the first ten months of 2024, compared to Rs. 294.6 billion in the same period of 2023. This increase is mainly driven by

the policy decision to increase the cost of living allowance and the timely payment of Gratuity, eliminating zero arrears.

Interest Payments

Interest payments on domestic and foreign debt increased by 6.7 percent to Rs. 1,891.5 billion in the first ten months of 2024 compared to Rs. 1,772.4 billion in the same period of 2023.

During the first ten months of 2024, both interest on domestic and foreign interest payment components have increased by 5.5 percent and 29.6 percent, respectively compared to the same period of 2023. Accordingly, interest payments on domestic debt increased to Rs. 1,776.0 billion from Rs. 1,683.4 billion and interest payments on foreign debt increased to Rs. 115.4 billion from Rs. 89.0 billion in the first ten months of 2024 compared to the same period of 2023.

Welfare Expenditure

The Government is committed to strengthening the social safety net to ensure equitable support and empowerment for all citizens, with a special focus on the vulnerable and marginalized segments of society. This initiative aims to build a solid foundation for inclusive economic recovery and sustainable growth.

During the first ten months of 2024, the total welfare spending increased by 9.9 percent to Rs. 670.2 billion compared to Rs. 610 billion to the same period of 2023 covering social welfare, social security, education, health and nutrition,

Table 2.12 : Behaviour of Yield Rates (%) on Government Securities and Exchange Rate from 2023 to 2024

Period	Treasury Bills (%)			Treasury Bonds (%)				Average Exchange Rate Rs/ USD	
	91 days	182 days	364 days	2 year	3 year	4 year	5 year		
2023	Jan	29.91	28.72	27.78	32.19	30.85	29.21	29.79	362.42
	Feb	29.72	28.67	27.67	-	-	29.37	-	361.98
	Mar	25.99	25.79	24.31	29.99	-	28.11	-	329.47
	Apr	25.74	25.27	23.00	-	-	-	-	321.42
	May	25.65	25.29	22.91	-	-	-	-	310.16
	Jun	23.00	19.49	16.99	-	-	-	-	301.26
	Jul	19.96	17.69	14.29	-	-	-	15.74	319.29
	Aug	18.48	15.36	13.58	-	15.80	-	15.03	321.58
	Sep	17.42	15.13	13.30	-	15.64	-	14.52	322.77
	Oct	16.10	14.93	13.02	-	15.24	-	-	324.73
	Nov	14.86	14.52	12.89	-	14.48	14.52	14.52	328.25
	Dec	14.51	-	12.93	-	14.52	-	-	326.74
2024	Jan	11.97	12.20	12.00	13.83	13.08	14.21	13.65	321.17
	Feb	9.87	9.95	10.05	-	10.81	-	11.90	312.58
	Mar	10.07	10.23	10.28	-	11.33	-	12.25	305.67
	Apr	9.61	9.89	9.99	-	11.44	11.72	12.37	299.42
	May	8.62	9.04	9.18	-	-	11.01	-	299.69
	Jun	10.07	10.19	10.31	-	10.69	11.90	11.78	303.81
	Jul	9.14	9.34	9.95	-	12.07	-	-	303.76
	Aug	9.49	9.84	10.01	-	-	-	12.98	300.69
	Sep	10.49	10.72	10.05	-	13.79	-	13.98	301.15
	Oct	9.35	9.68	9.95	-	11.79	11.84	-	293.79
	Nov	8.73	8.97	9.08	11.63	10.62	-	11.28	292.01
	Dec	8.62	8.77	8.96	-	-	10.42	10.75	291.68

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

development assistance and subsidy programs on production and labour market inclusion. Social welfare and safety nets expenditures amounted to Rs. 506.9 billion in the first ten months of 2024. This includes specific allocations such as Rs. 141 billion for the "Aswesuma" program including categorical payments for Elderly allowance, allowance for differently abled persons and Kidney patients' allowance

which is a 35 percent increase compared to the same period of 2023.

Further, Government spending on welfare programs on health and nutrition increased by 20 percent to Rs. 116 billion in the first ten months of 2024 from Rs. 96 billion in the same period of 2023.

Table 2.13 : Welfare Expenditure

Rs. Mn.

Programme	Jan. – Oct.	
	2023	2024 ^(a)
Health & Nutrition	96,269	116,483
Free Medicine for All	76,675	92,888
School Nutritional foods	14,961	15,435
Thriposha Programme	1,306	1,794
Morning Meal for Pre-School Children	308	950
Poshana Malla	3,019	5,416
Education	29,513	18,085
Free Text Books	18,159	4,573
Free School Uniforms	2,537	1,085
Season Tickets	6,000	7,773
Shoes for Students in Difficult and Very Difficult Area Schools	–	858
Grade 5 students Scholarships	603	704
Mahapola and Bursaries Scholarships	1,576	2,250
Allowance for Pre-School Teachers "Guru Abimani"	276	414
Assistance for Damma School Teachers	362	428
Livelihood Support	45,509	28,611
Fertilizer subsidy	43,395	26,436
Crop Subsidies Tea, Rubber, Coconut , Cashew and other crops	836	1,163
Assistance for Farmers for Export Crop Development	198	170
World Food Program	1,080	842
Social Welfare & Safety net	438,818	506,990
Aswesuma Cash Grant	85,294	121,070
Assistance for Differently Abled Persons & Kidney Patient	3,731	6,573
Assistance for Elderly Person's	14,883	12,926
Social Care of Ranawiru Parents	1,856	1,763
Food Assistance, Flood and Drought Relief	59	283
Bus Services in Economically Non-Profitable Roots	2,800	1,725
Pension	294,557	323,756
Service Compensation for Death and Injured Soldiers	35,638	38,894
Total	610,109	670,169

Source: Department of National Budget

^(a) Provisional

Public Investment

The expenditure on infrastructure development was Rs. 553.7 billion, with investments covering the following areas:

1. Rs. 181.0 billion for the maintenance, rehabilitation, and development of rural roads, bridges, highways, and expressways;
2. Rs. 35.3 billion for the development and expansion of pipe-borne water supply schemes, development of housing schemes, and facilities in urban areas;
3. Rs. 15.8 billion for the rehabilitation and improvement of the railway fleet, railroads and improving transport network;
4. Rs. 21.0 billion for improvement of productivity and efficiency of the agriculture value chain by introducing modern technology;
5. Rs. 43.0 billion for ensuring water security for agriculture purposes by constructing canals such as Upper Elahera, Kaluganga Moragahakanda transfer canal and North Western Province canal;
6. Rs. 20.8 billion for rehabilitation and infrastructure development of schools, higher education institutions, vocational training centers, and

teacher training programs, with the aim of enhancing the quality of education;

7. Rs. 16.4 billion for maintenance and development of hospitals, providing equipment to hospitals;
8. Rs. 14.7 billion for the development of infrastructure related to the provision of electricity; and
9. Rs. 35.9 billion for the development of infrastructure in rural and regional areas under provincial councils and district secretariats.

2.4 Treasury Operations

Performance of the Cash Flow of the General Treasury

Reflecting the revenue-based fiscal consolidation measures, Rs. 3,188.3 billion was received to the Treasury cash flow by way of revenue and other receipts, as against the estimate of Rs. 3,377.2 billion. This was the 94.4 percent realization of the estimate in the first ten months of 2024. The revenue realization was an increase of 34 percent, compared to Rs. 2,375.5 billion in the same period of 2023. Meanwhile, cash outflow for both recurrent and public investment increased by 7.7 percent to Rs. 4,554.8 billion in the first ten months of 2024 compared to Rs. 4,229 billion in the same period of 2023.

Table 2.14 : Government Treasury Cash Flow Operations

Rs. Bn.

Item	Jan. - Oct.		
	2023	2024	
	Actual	Estimate	Provisional
Opening Cash balance	-84.2	599.5	599.5
Total cash inflow from revenue and other receipts	2,375.5	3,377.2	3,188.3
Total cash outflow for recurrent payments	-3,633.0	-4,113.3	-3,734.7
Total cash outflow for capital payments*	-596.5	-1,464.1	-820.1
Net cash surplus / (deficit)	-1,854.0	-2,200.2	-1,366.5
Gross borrowing *	10,091.4	3,355.6	2,940.0
Debt repayment	-7,752.8	-1,050.0	-1,121.5
Net borrowing	2,338.7	2,305.6	1,818.4
Adjustment account balance (TEB, net deposits, Other Transfer etc.)	0.5	-	-46.3
Closing Cash balance	401.0	704.9	1,005.1

Source: Department of Treasury Operations

*Includes project/programme loans accounted as at 31st October 2024.

Benefiting from the rise in revenue, net cash deficit as at 31st October 2024 declined by 26.3 percent to Rs. 1,366.5 billion, compared to Rs. 1,854.0 billion as at the end October 2023. In the same vein, positive bank balance prevailed at the beginning of the year at Rs. 401 billion has increased up to a positive balance of Rs. 1,005.1 billion at the end of October 2024, including dollar proceeds equivalent to Rs. 259 billion received by way of borrowing from multilateral donors and the IMF.

Management of Government Debt

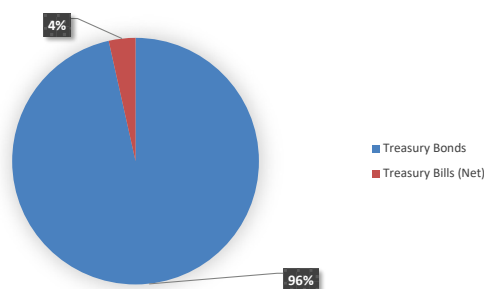
The total borrowing limit approved by the Parliament for 2024 amounted to Rs. 7,350 billion. The utilization of government borrowings from 01st of January to 31st October 2024 was Rs. 2,507.8 billion (Book value term). Through the improved performance, Rs. 454 billion was able to provide from surplus revenue to finance a part of domestic debt service payments during the period. Total borrowing utilization including domestic and foreign borrowings was Rs. 2,104.8 billion and Rs. 417.0 billion, respectively as at 31st October 2024 to finance cash flow operations.

Table 2.15: Gross Domestic Borrowings - January to October 2024

Instruments	Rs. Bn. Jan.-Oct. 2024
Treasury Bonds	2,031.1
Treasury Bills (Net)	73.7
Total	2,104.8

Source: Department of Treasury Operations

FIGURE 2.4: Gross Domestic Borrowings – January to October 2024



Source : Department of Treasury Operations

2.5 Foreign Financing

Overview

In 2024, Sri Lanka marked significant milestones in the debt restructuring process which is essential in the path to restoring macroeconomic stability. In June 2024, the Government (GOSL) reached a final agreement on its debt treatment with the members of the Official Creditor Committee (OCC) of Sri Lanka's major bilateral lenders and also signed bilateral debt treatment agreements in relation to the loans owed by Sri Lanka to Exim Bank of China. In September 2024, the GOSL reached agreements in principle on the restructuring of approximately USD 14.2 billion of sovereign debt (as of end 2023) with the holders of its International Sovereign Bonds. The successful completion of this bond exchange will enable Sri Lanka to achieve sovereign debt sustainability and accelerate the country's economic recovery. Sri Lanka will gain approximately USD 9.5 billion in debt service payments reduction over the 4-year IMF program period, a 31 percent reduction in the coupon rate of Sri Lanka's Bonds to 4.4 percent, and an extension of the average maturity profile of over 5 years. The successful completion of the bond exchange will also normalize relations with bondholders.

Foreign Financing Commitments

From January to October 2024, the Government entered into sixteen agreements with foreign development partners and lending agencies to mobilize foreign financing amounting to USD 955.5 million, of which USD 904.7 million was committed in the form of loans. Given the prevailing economic situation of the country, 43 percent of the total commitments, i.e, USD 408 million has been mobilized for budgetary support purposes.

Out of the total loans, USD 511.5 million and USD 393 million were borrowed from the World Bank and the Asian Development Bank (ADB), respectively.

Apart from loan agreements, USD 50.8 million was committed through eight grant agreements with the Government of Japan, Government of Australia and the European

Union under Official Development Assistance (ODA) in the first ten months of 2024.

Table 2.16 : Foreign Financing Commitments with Terms – from 1st January to 31st October 2024

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project / Program/ Instrument Name	Amount Committed (million)			Financial Terms				Other Terms		
				Currency	Instrument Currency	Rupees	USD	Interest		Other Charges	Grace Period (Years)	Maturity /Availability Period from the Date of Signing (Years)	
								Type	Annual Rate (%) Margin (100 basis points)				
Bilateral													
Australia	Grant	30/01/2024	Governance for the Growth Program	AUD	30.0	6,307.2	19.8					3	
									Not Applicable				
Australia	Grant	30/01/2024	Market Development Facility Program Phase 2	AUD	12.1	2,543.9	8.0					3	
									Not Applicable				
Japan	Grant	14/02/2024	The Project for the Stabilization of Power Supply using Renewable Energy at Hospitals in Sri Lanka	JPY	1,230.0	2,560.6	8.2					3	
									Not Applicable				
Japan	Grant	18/03/2024	Supportive Equipment for Maternal and Pediatric Care at Major Hospitals in the Northern Province	JPY	404.0	827.2	2.7					3	
									Not Applicable				
Japan	Grant	18/03/2024	Improving Oil Spill Response and Management of the Sri Lanka Coast Guard	JPY	1,000.0	2047.6	6.7					1	
									Not Applicable				
Japan	Grant	18/03/2024	Supportive Equipment for the Safety of Fishermen in the Northern and Eastern Province	JPY	200.0	409.5	1.3					3	
									Not Applicable				
Japan	Grant	19/07/2024	The Project for Human Resource Development Scholarship	JPY	304.0	587.1	1.9					7	
									Not Applicable				
Multilateral													
Asian Development Bank	Loan	25/03/2024	Enhancing Small and Medium-Sized Enterprises Finance Project	USD	100.0	30,354.9	100.0	Fixed	2	N/A	N/A	5	25

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project /Program/ Instrument Name	Amount Committed (million)			Financial Terms					Other Terms	
				Currency	Instrument Currency	Rupees	USD	Interest			Other Charges	Grace Period (Years)	Maturity /Availability Period from the Date of Signing (Years)
								Type	Annual Rate (%)	Margin (100 basis points)			
Asian Development Bank	Loan	05/08/2024	Power Sector Reforms and Financial Sustainability Program (Sub Program 1)	USD	100.0	30,208.9	100.0	Fixed	2	N/A	N/A	5	25
Asian Development Bank	Loan	20/09/2024	Water Supply and Sanitation Reform Program – Sub Program 1	USD	100.0	30,455.0	100.0	Fixed	2	N/A	N/A	5	25
Asian Development Bank	Loan	20/09/2024	Mahaweli Water Security Investment Program – Tranche 3	USD	93.0	28,323.2	93.0	Variable	SOFR	0.7	Commitment fee 0.15%	8	29
European Union	Grant	12/08/2024	Strengthening Social Cohesion and Peace Project (SCOPE) – Enhancement	EUR	2.0	656.2	2.2				Not Applicable		5
International Development Association	Loan	31/01/2024	Financial Sector Safety Net Strengthening Project	SDR	112.8	47,614.7	150.0	Fixed	1.25	N/A	Commitment fee 0.5% Service Fee 0.75%	5	30
International Development Association	Loan	10/09/2024	Primary Healthcare system Enhancing Project (Credit A)	SDR	38.0	15,368.1	51.2	Fixed	1.25	N/A	Commitment fee 0.5% Service Fee 0.75%	5	30
International Development Association	Loan	07/10/2024	Second Resilience, Stability & Economic Turnaround Development Policy Financing	SDR	150.6	61,149.4	208.1	Fixed	1.25	N/A	Commitment fee 0.5% Service Fee 0.75%	5	30
International Bank for Reconstruction and Development	Loan	10/09/2024	Primary Healthcare System Enhancing Project (Credit B-SML)	SDR	75.9	30,695.8	102.3	Interest Free			Commitment fee 0.5%	6	12
Total						290,109.2	955.5						

Source : Public Debt Management Office

Notes : SOFR = Secured Overnight Financing Rate

Financial values committed in different currencies have been converted into USD and LKR as per the indicative exchange rates published by the CBSL prevailed on each agreement date.

For conversion of SDR into USD, month end exchange rate of SDR prevailed on the end of previous month published by CBSL have been used.

Foreign Financing Disbursements and Utilization

Total foreign financing disbursements from January 1 to October 31, 2024, amounted to USD 1,482.3 million, of which, USD 1,458.4 million was disbursed as loans and USD 23.9 million was disbursed as grants.

The highest amount of the disbursements was from the ADB, which recorded 37 percent of the total disbursements,

followed by the loan agreements signed with WB (33 percent) and IMF (23 percent), respectively.

The major portion of the disbursements was utilized in the budget support sector which accounted for 50 percent of the total disbursements, followed by the water supply and sanitation sector at 8 percent, SME development sector at 7 percent and finance insurance sector at 5 percent.

Table 2.17 : Disbursements of Foreign Loans & Grants from January 1st to 31st October, 2024

Development Partner/ Lending Agency	Disbursements* (USD million)		
	Loan	Grant	Total
Bilateral	45.5	4.7	50.2
Japan	24.4	2.0	26.4
Saudi Fund	17.0	-	17.0
Germany		2.7	2.7
Netherlands	2.1	-	2.1
Korea	2.0	-	2.0
Multilateral	1,412.8	19.3	1,432.1
Asian Development Bank	549.5	2.3	551.8
World Bank	469.1	17.0	486.1
**International Monetary Fund	334.0	-	334.0
Asian Infrastructure Investment Bank	40.7	-	40.7
OPEC Fund	15.5	-	15.5
International Fund for Agricultural Development	4.0	-	4.0
Total	1,458.4	23.9	1,482.3

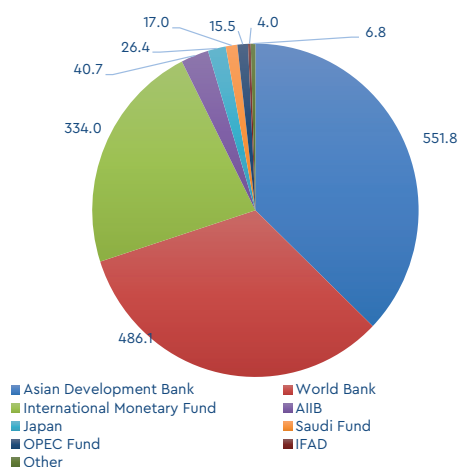
Source: Public Debt Management Office

* Provisional. Not included USD 200.9 million of capitalized unpaid interest and default interest of restructured loans

For conversion of disbursements made in different currencies into USD, the indicative exchange rates prevailed on each disbursement date published by Central Bank of Sri Lanka have been used

** For conversion of SDR into USD, monthend exchange rate of SDR applied to the end of previous month published by CBSL have been used.

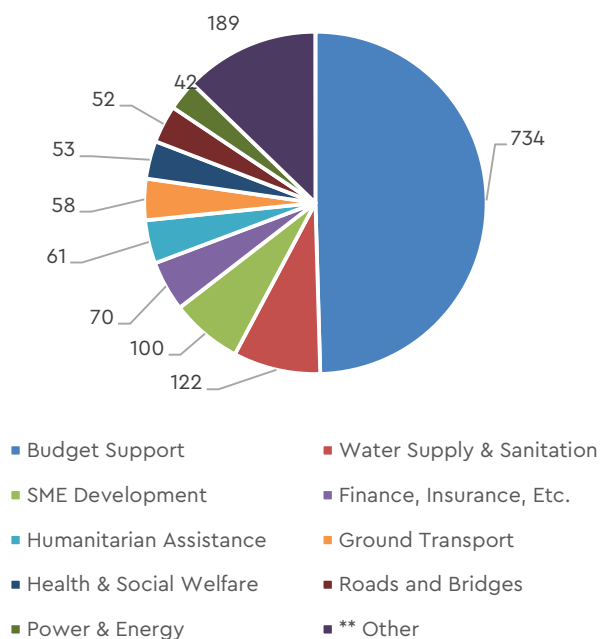
FIGURE 2.5: Disbursements – 1st January to 31st October 2024, as per the Development Partners/ Lending Agencies (USD million)



Source: Public Debt Management Office

Other: Germany, Netherlands, Korea

FIGURE 2.6: Utilization of Disbursements – 1st January to 31st October 2024, by Major Economic Sector (USD million)



Source: Public Debt Management Office

** Other = Education & Training, Irrigation & Related Activities, Housing & Urban Development, Agriculture, Science & Technology, Land Development, Fisheries, Plantation

External Debt Stock and External Debt Service Payments

The external debt of the government as of the end of October 2024 amounted to USD 38.2 billion¹.

Total debt service payments² from 1st January to 31st October in 2024 was amounted to USD 812.8 million, of which USD 424.7 million was in lieu of principal repayments and the balance USD 388.1 million for the interest payments.

In line with the interim policy of the debt standstill adopted by the Government, the servicing of the external debt of affected loans obtained from bilateral and commercial creditors have been temporarily suspended for an interim period commencing from 12th April, 2022. Accordingly, the principal amount of USD 6,095 million and interest³ of USD 2,986 million have been accumulated as unpaid debt service by the end of October 2024.

1 - Provisional, Only the Central Government outstanding Foreign Debt are depicted.
 - Included unpaid Principal accumulated from the date of debt standstill policy was adopted.
 - Non-resident holdings of T-bill / T-bonds are not included.
 - Included ISBs, however, outstanding amounts of ISBs have not been classified on the current resident/ non-resident basis of their holdings.
 - Included USD 200.9 million accumulated due to the capitalization of the interest and default interest of 39 restructured loans extended by China Exim Bank.

2 Debt Service = Principal Payments + Interest Payments

3 To be reconciled with creditors during restructuring discussions.

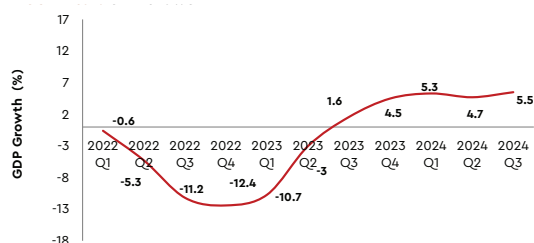
Economic Perspectives | **03**

3.1 Overview

Sri Lanka's economy has stabilized following domestic and external headwinds. The economy expanded by over 5 percent particularly in the latter part of 2024 with a significant revival across Agriculture, Industry and Services. In the same vein, a robust recovery is expected in 2025 and beyond. Inflation dipped into a negative territory particularly in the latter part of 2024 from the peak of nearly 70 percent in September 2022. Inflation is expected to remain at mid-single digit level in 2025. Gross official reserves reached USD 6.1 billion by end-2024 and the current account in the external sector is expected to station a surplus of 1.4 percent of GDP in 2024 supported by the strong tourism and workers' remittances. Tax revenue increased to 12.4 percent of GDP in 2024 following the implementation of robust revenue measures. The tax revenue to GDP ratio is expected to reach 13.9 percent in 2025 with the new revenue measures followed by the strengthened tax administration. The finalization of debt restructuring is expected to assure debt sustainability. Maintenance of financial stability helped increase capital buffers in the banking sector. Investors' confidence has improved as reflected in the rating CCC+. A much-needed and much-awaited anti-corruption and growth enhancing measures are being implemented to restore investor confidence and spur economic growth with inclusivity.

The Sri Lankan economy expanded by 5.2 percent in the first nine months of 2024 compared to the contraction of

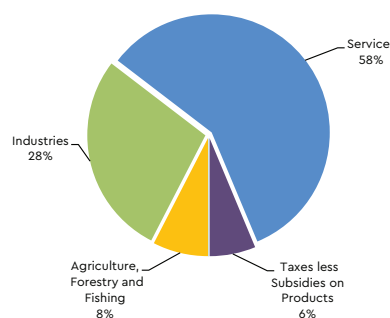
FIGURE 3.1 : GDP Growth



Source : Department of Census & Statistics

4.5 percent in the same period of 2023. All three major sectors of the economy recorded positive growth. Agriculture sector grew by 1.9 percent in the first nine months of 2024 mainly due to the positive growth in sub-sectors such as the growing of cereals (except rice), animal production, marine fishing and marine aquaculture. Industry sector expanded significantly by 11.2 percent in the first nine months of 2024 compared to the contraction of 13.3 percent in the first nine months of 2023, reflecting the notable increase in construction and mining and quarrying activities. The Services sector also expanded by 2.6 percent in the first nine months of 2024, compared to the contraction of 1.3 percent in the same period of 2023 mainly due to the expansion in tourism related activities, and insurance.

FIGURE 3.2 : Composition of GDP – First Nine Months of 2024



Source : Department of Census and Statistics

In the second quarter of 2024, the unemployment rate increased to 4.7 percent compared to 4.5 percent recorded in the first quarter of the same year. Meanwhile, the labour force participation rate increased slightly to 47.8 percent in the second quarter of 2024 compared to 47.1 percent in the first quarter of 2024.

The Central Bank of Sri Lanka (CBSL) continued its accommodative monetary policy stance during 2024. With effect from November 27, 2024, the Central Bank moved to a single policy interest rate mechanism from its dual policy interest rate mechanism. The Overnight Policy Rate (OPR) set at 8.00 percent will serve as the primary monetary policy tool of the Central Bank to signal and operationalize

its monetary policy stance henceforth. Accordingly, the effective reduction in the policy interest rate would be around 50 basis points from the current level of the Average Weighted Call Money Rate (AWCMR) which continues to serve as the operating target of the Flexible Inflation Targeting (FIT) framework.

Headline inflation as measured by the Y-O-Y change of the Colombo Consumer Price Index (CCPI, 2021=100) further declined to -4.0 percent in January 2025. In the same vein, the headline inflation as measured by the Y-O-Y change in the National Consumer Price Index (NCPI, 2021=100) declined to -2.0 percent in December 2024. Headline inflation is likely to remain in negative territory during the coming months due to significant downward revisions in electricity, fuel and transportation costs along with the drop in volatile food prices.

The stock market demonstrated robust growth in 2024 owing to the rise in investor confidence fueled by ongoing economic and anti-corruption measures. The All-Share Price Index (ASPI, 1985 = 100) increased by 49.6 percent to 15,945 points by end-2024 from 10,654 points at end-2023.

Sri Lanka's external sector exhibited an impressive performance in the first eleven months of 2024 supported by a strong rebound in exports, workers' remittances, and tourism together with 10.4 percent growth in imports. Export earnings increased by 7.0 percent to USD 11,670.2 million while expenditure on imports increased by a 10.4 percent to USD 16,916.9 million in the first eleven months of 2024. Earnings from tourism increased by 56.0 percent to USD 2,806.5 million in the first eleven months of 2024 due to the increase in tourist arrivals while workers' remittances increased by 10.4 percent to USD 5,961.6 million in the first eleven months of 2024 with the increase in departures for foreign employment. The overall Balance of Payments (BoP) recorded a surplus of USD 2,912.5 million during the first eleven months of 2024 compared to the USD 1,908.0 million surplus in the same period of 2023.

The Colombo Stock Exchange (CSE) recorded an increase in net inflow of USD 34.5 million in the first eleven months of 2024 compared to USD 19.9 million in the same period of 2023. Gross Official Reserves (GOR) stood at USD 6.1 billion by end-2024, including the SWAP facility from People's Bank of China. Meanwhile, the Sri Lankan rupee appreciated by 10.7 percent against the USD by end-2024.

3.2 Economic Growth

The economy expanded by 5.2 percent in the first nine months of 2024 benefiting from the positive growth in all three sectors of the economy i.e., Agriculture, Industry, and Services. The Agriculture sector grew marginally by 1.9 percent in the first nine months of 2024 compared to the growth of 3.3 percent in the same period of 2023. The Industry sector expanded by 11.2 percent in the first nine months of 2024, compared to the contraction of 13.3 percent in the first nine months of 2023.

The Services sector marginally expanded by 2.6 percent in the first nine months of 2024, compared to a contraction of 1.3 percent in the same period of 2023. In value added terms, taxes less subsidies on products increased by 8.8 percent in the first nine months of 2024 compared to the contraction of 1.2 percent in the same period of 2023.

Agriculture

The Agriculture sector attributing to 8.6 percent of the GDP, recorded a marginal growth of 1.9 percent in the first nine months of 2024, compared to the growth of 3.3 percent in the same period of 2023. This was mainly owing to the positive growth in sub-sectors such as growing of cereals (except rice), animal production, marine fishing and marine aquaculture, and the growing of fruits. However, subsectors such as the growing of rubber, and plant propagation contracted significantly during the period.

TABLE 3.1 : Sectoral Composition of GDP at Constant (2015) Prices

Rs. Mn.

Sector	2021	2022 ^(a)	2023 ^(a)	First Nine Months		Growth (%)	
				2023 ^(a)	2024 ^(b)	2023 ^(a)	2024 ^(b)
Agriculture, Forestry and Fishing	950,548	910,842	934,248	687,832	701,121	3.3	1.9
1 Growing of Cereals (except rice)	21,949	16,507	16,989	11,027	14,243	-3.7	29.2
2 Growing of Rice	107,359	94,730	113,690	74,476	75,672	31.2	1.6
3 Growing of Vegetables	109,147	103,161	106,494	84,023	83,635	5.8	-0.5
4 Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	3,729	3,797	3,507	2,646	2,645	-9.0	-0.1
5 Growing of Fruits	72,949	73,310	78,566	62,593	65,709	7.4	5.0
6 Growing of Oleaginous Fruits (Coconut, King Coconut, Oil Palm)	102,490	111,196	107,223	80,481	77,582	-4.3	-3.6
7 Growing of Tea (Green Leaves)	74,604	62,867	61,912	46,895	47,014	-2.8	0.3
8 Growing of Other Beverage Crops (Coffee, Cocoa etc.,)	1,352	1,229	1,135	852	831	-7.6	-2.4
9 Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	97,767	101,234	99,559	68,998	71,220	-0.1	3.2
10 Growing of Rubber	26,464	23,871	22,025	18,131	15,983	0.5	-11.9
11 Growing of Other Perennial Crops	26,963	27,533	29,979	23,108	21,946	10.5	-5.0
12 Animal Production	94,039	83,322	84,812	63,021	70,317	-1.6	11.6
13 Plant Propagation	813	965	727	624	512	15.2	-18.0
14 Agriculture supporting activities	29,019	33,062	33,569	24,514	24,170	2.1	-1.4
15 Forestry and Logging	44,348	50,931	47,221	34,752	33,310	-5.7	-4.1
16 Marine Fishing and Marine Aquaculture	112,814	95,447	100,099	72,506	76,830	3.7	6.0
17 Fresh Water Fishing and Fresh Water Aquaculture	24,742	27,682	26,739	19,184	19,503	-5.0	1.7
Industries	3,937,895	3,308,578	3,003,096	2,313,194	2,572,159	-13.3	11.2
18 Mining and Quarrying	287,969	198,612	154,291	117,894	143,471	-28.1	21.7
19 Manufacture of Food, Beverages and Tobacco Products	1,014,150	869,373	899,777	682,512	725,331	0.8	6.3
20 Manufacture of Textile, Wearing Apparel and Leather Related products	473,911	511,863	450,498	394,878	432,124	12.0	9.4
21 Manufacture of Wood and Products of Wood and Cork, except Furniture	35,579	29,758	23,807	15,797	17,608	-25.9	11.5
22 Manufacture of Paper Products, Printing and Reproduction of Media Products	56,811	52,069	47,259	36,925	38,132	-8.3	3.3
23 Manufacture of Coke and Refined Petroleum Products	15,492	6,474	21,895	16,170	13,981	194.2	-13.5
24 Manufacture of Chemical Products and Basic Pharmaceutical Products	95,793	82,349	82,949	63,082	72,654	-3.6	15.2
25 Manufacture of Rubber and Plastic Products	97,436	67,505	56,157	44,734	48,483	-21.4	8.4
26 Manufacture of Other Non-metallic Mineral Products	119,973	85,182	84,671	60,129	61,972	-7.4	3.1
27 Manufacture of Basic Metals and Fabricated Metal Products	81,174	58,780	60,303	34,723	44,160	-16.9	27.2
28 Manufacture of Machinery and Equipment	73,090	59,181	50,229	33,394	34,564	-19.4	3.5

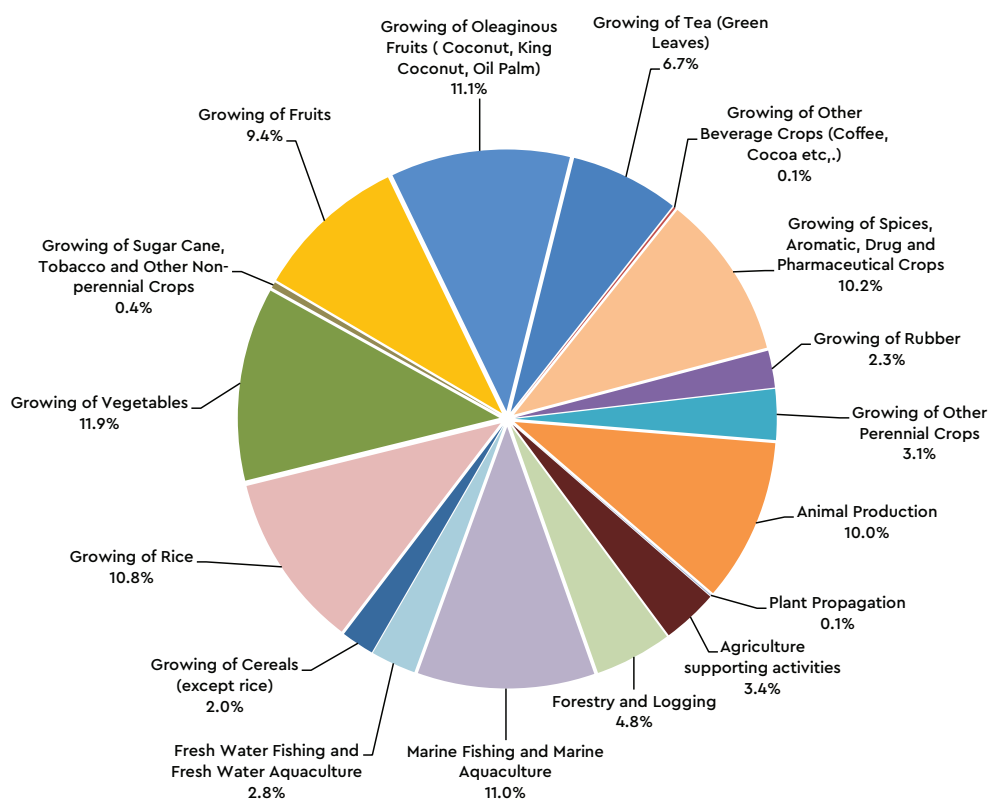
Rs. Mn.

Sector	2021	2022 ^(a)	2023 ^(a)	First Nine Months		Growth (%)	
				2023 ^(a)	2024 ^(b)	2023 ^(a)	2024 ^(b)
29 Manufacture of Furniture	82,694	60,837	56,089	46,027	48,069	-14.1	4.4
30 Other Manufacturing and Repair and Installation of Machinery and Equipment	101,048	79,088	66,747	53,505	57,905	-18.3	8.2
31 Electricity, Gas, Steam and Air Conditioning Supply	188,924	178,057	174,018	129,591	151,007	-5.9	16.5
32 Water Collection, Treatment and Supply	13,099	14,059	11,590	9,561	10,058	-14.4	5.2
33 Sewerage, Waste, Treatment and Disposal Activities	27,992	28,070	27,955	21,334	21,245	-0.8	-0.4
34 Construction	1,172,761	927,321	734,859	552,938	651,395	-26.5	17.8
Services	7,410,705	7,218,205	7,200,438	5,256,350	5,393,082	-1.3	2.6
35 Wholesale and Retail Trade	1,675,083	1,675,534	1,677,928	1,266,181	1,278,860	0.0	1.0
36 Transport of Goods and Passenger including Warehousing	1,325,233	1,364,679	1,418,410	1,024,454	1,051,235	4.4	2.6
37 Postal Courier Activities	18,886	19,780	20,349	14,632	15,827	2.4	8.2
38 Accomodation, Food and Beverage Service Activities	130,743	166,030	209,140	152,457	194,668	21.2	27.7
39 Programming and Broadcasting Activities and Audio Video Productions	42,161	37,350	36,551	27,598	28,640	-6.1	3.8
40 Telecommunication	131,952	140,524	137,403	102,573	106,590	-3.3	3.9
41 IT Programming Consultancy and Related Activities	243,971	238,455	187,341	142,283	153,343	-22.5	7.8
42 Financial Service Activities and Auxiliary Financial Services	596,106	529,907	477,047	355,732	369,575	-14.6	3.9
43 Insurance, Reinsurance and Pension Funding	148,658	78,728	99,192	71,477	80,822	19.3	13.1
44 Real Estate Activities, Including Ownership of Dwelling	630,570	554,456	521,465	386,206	401,648	-9.4	4.0
45 Professional Services	301,890	248,468	254,360	175,503	179,064	-2.0	2.0
46 Public Administration and Defence; Compulsory Social Security	621,834	629,031	618,542	443,156	429,853	-1.5	-3.0
47 Education	290,475	302,435	307,740	230,175	235,151	2.1	2.2
48 Human Health Activies, Residential Care and Social Work Activities	260,482	237,677	236,092	171,283	169,910	-1.7	-0.8
49 Other Personal Service Activies	992,662	995,154	998,877	692,637	697,895	0.5	0.8
Gross Value Added (GVA), at basic prices	12,299,149	11,437,626	11,137,782	8,257,375	8,666,362	-4.7	5.0
(+) Taxes less Subsidies on Products	826,356	723,576	743,954	536,372	583,456	-1.2	8.8
Gross Domestic Product(GDP) at market prices	13,125,505	12,161,202	11,881,736	8,793,747	9,249,818	-4.5	5.2

Source : Department of Census and Statistics

^(a) Revised^(b) Provisional

FIGURE 3.3 : Composition of Agriculture Sector – First Nine Months of 2024



Source : Department of Census and Statistics

Rice

Growing of the rice subsector expanded marginally by 1.6 percent in the first nine months of 2024 compared to the 31.2 percent expansion in the same period of 2023. The paddy production for the 2023/2024 Maha season, based on the sown extent reported as of end March 2024, is 2.63 million metric tons of paddy, which is about 1.65 million metric tons of milled rice, a 2.4 percent decline from the 2022/2023 Maha season. However, the paddy production expected for the 2024 Yala season, based on the sown extent reported as of end September 2024, is 2.02 million metric tons, which is an 11.4 percent increase from the 2023 Yala season. Paddy production of 2024/2025 Maha season is estimated as 2.56 million metric tons.

Tea, Rubber and Coconut

Value-added tea production marginally increased by 0.3 percent in first nine months of 2024 compared to the marginal decline of 2.8 percent in the same period of 2023. The tea production in the first nine months of 2024 was 195.6 million kg compared to the production of 191.7 million kg in the first nine months of 2023. This slight expansion can be attributable to the gradual recovery of the tea industry with the removal of the chemical fertilizer ban, despite the adverse weather conditions. The rubber sub-sector contracted by 11.9 percent compared to the marginal increase of 0.5 percent in the same period of 2023. Rubber production in the first nine months of 2024 dropped to 49.6 million kg compared to the 53.8 million kg of the same period of 2023. Further, the oleaginous fruits (coconut,

king coconut, oil palm) sub-sector also contracted marginally by 3.6 percent in the first nine months of 2024 compared to a decline of 4.3 percent in the same period of 2023. Accordingly, coconut production contracted by 4.0 percent to 2,286 million nuts in the first nine months of 2024, compared to the coconut production of 2,381 million nuts in the same period of 2023.

Cereals, Vegetables, Fruits, Spices and Pharmaceutical Crops

The growing of cereals (except rice) subsector increased significantly by 29.2 percent in the first nine months of 2024 compared to the same period in 2023, reflecting the increased availability of chemical fertilizer. In value added terms, growing of vegetables subsector declined by 0.5 percent in the first nine months of 2024 compared to an increase of 5.8 percent in the same period of 2023, whereas growing of fruits increased by 5.0 percent in the first nine months of 2024, compared to the 7.4 percent increase in the same period of 2023. Value added production of spices, aromatic, drug and pharmaceutical crops increased marginally by 3.2 percent in the first nine months of 2024.

Fisheries and Livestock

In value added terms, the marine fishing and marine aquaculture sub-sector expanded by 6.0 percent in the first nine months of 2024, compared to the marginal expansion of 3.7 percent in the same period of 2023. In value added terms, freshwater fishing and freshwater aquaculture subsector also grew marginally by 1.7 percent in the first nine months of 2024, compared to the contraction of 5.0 percent in the same period of 2023. The total fish production (marine and inland) increased slightly to 308 million kg in the first nine months of 2024, compared to the production of 294 million kg in the same period of 2023. The value-added production of the animal sub-sector increased by 11.6 percent in the first nine months of 2024 compared to the marginal contraction of 1.6 percent recorded in the same period of 2023.

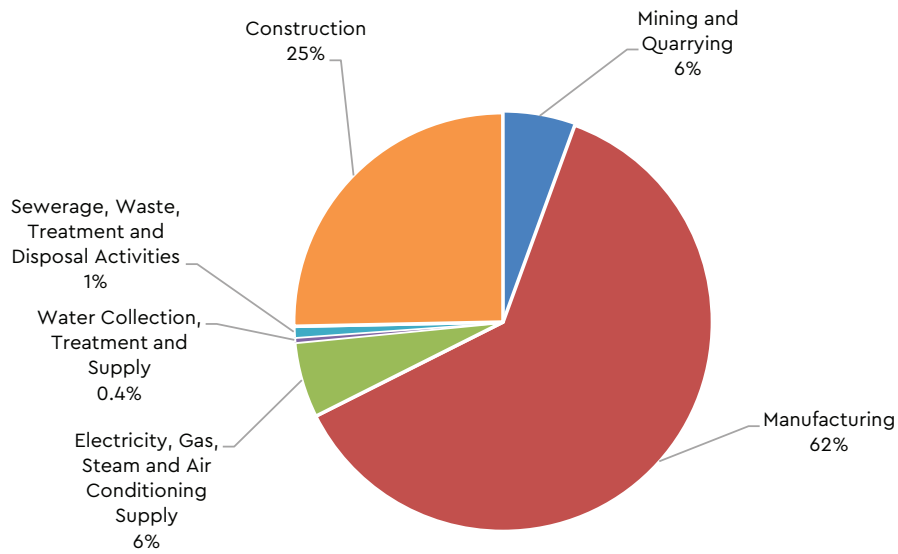
Industry and Manufacturing

The Industry sector which attributes to 26.4 percent of the GDP, recorded a positive growth of 11.2 percent in the first nine months of 2024 compared to the negative growth of 13.3 percent recorded in the same period of 2023. This was largely attributable to the significant expansion in construction, mining and quarrying, manufacture of basic metals and fabricated metal products, manufacture of chemical products and basic pharmaceutical products, and electricity, gas, steam and air conditioning supply sub-sectors which recorded positive growths of 17.8 percent, 21.7 percent, 27.2 percent, 15.2 percent and 16.5 percent, respectively.

The sub-sectors such as the manufacture of food, beverages and tobacco products (6.3 percent), manufacture of textiles, wearing apparel and leather related products (9.4 percent), manufacture of wood and products of wood and cork, except furniture (11.5 percent), manufacture of paper products, printing and reproduction of media product (3.3 percent), manufacture of rubber and plastic products (8.4 percent), manufacture of other non-metallic mineral products (3.1 percent), manufacture of machinery and equipment (3.5 percent) manufacture of furniture (4.4 percent), other manufacturing (8.2 percent) and water collection, treatment and supply (5.2 percent) expanded in the first nine months of 2024 compared to the same period of 2023.

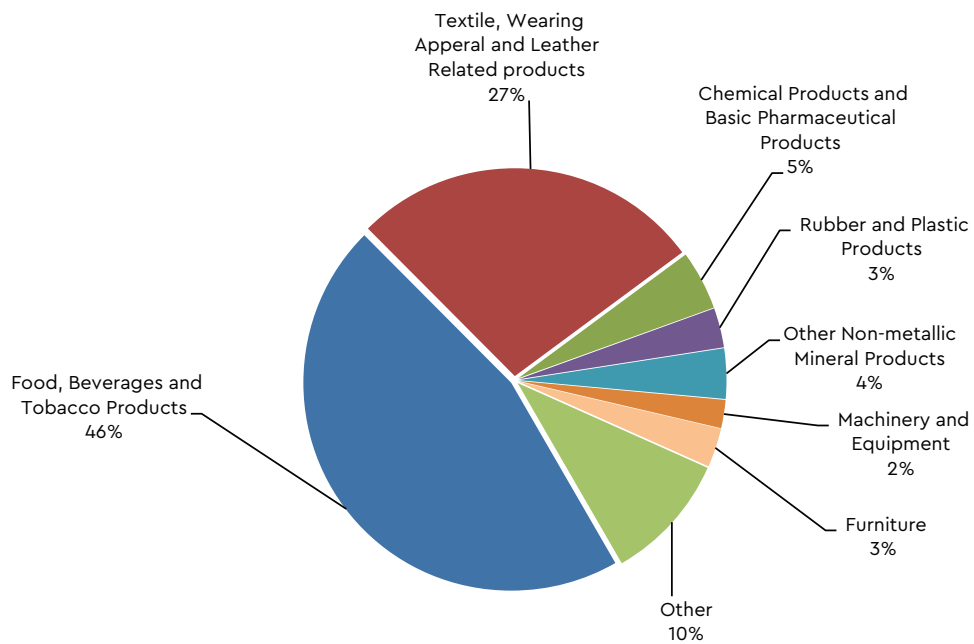
However, the manufacture of coke and refined petroleum products contracted by 13.5 percent in the first nine months of 2024 compared to the strong growth of 194.2 percent recorded in the same period of 2023. Further, sewerage, waste collection, treatment and disposal activities also contracted marginally by 0.4 percent in the first nine months of 2024 compared to the mere increase of 0.8 percent in the same period of 2023.

FIGURE 3.4 : Composition of Industry Sector – First Nine Months of 2024



Source : Department of Census and Statistics

FIGURE 3.5 : Composition of Manufacturing Sector – First Nine Months of 2024



Source : Department of Census and Statistics

Total power generation increased by 7.0 percent to 12,565 GWh in the first nine months of 2024 compared to 11,740 GWh in the same period of 2023. The sale of electricity to industries increased by 8.6 percent to 3,459 GWh in the first nine months of 2024, compared to 3,185 GWh in the same period of 2023 due to the expansion in industrial activities.

Electricity generation through hydropower increased significantly by 50.8 percent to 3,848 GWh in the first nine months of 2024 compared to 2,552 GWh in the same period of 2023. Electricity generation through coal also increased by 12.5 percent to 4,397 GWh in the first nine months of 2024 compared to 3,909 GWh in the same period of 2023. However, electricity generation through fuel oil decreased significantly by 36.3 percent, and electricity generation through wind also dropped marginally by 3.2 percent in the first nine months of 2024.

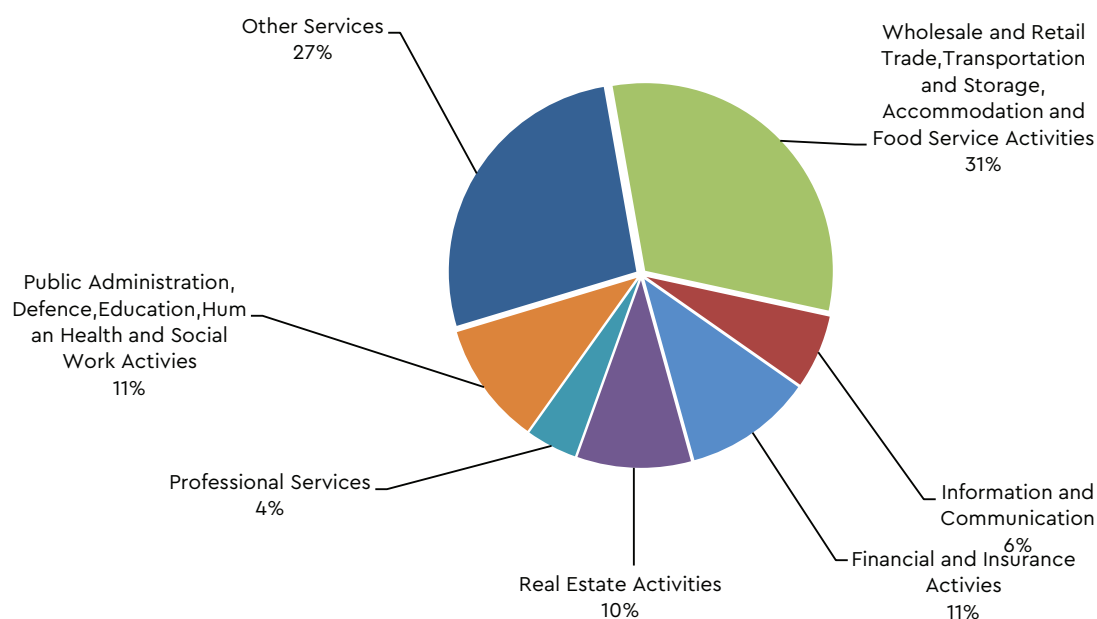
Services

The Services sector, which contributed to 56.7 percent of the GDP, recorded a marginal growth of 2.6 percent in the first nine months of 2024 compared to the

marginal decline of 1.3 percent in the same period of 2023. This is mainly due to the expansion in accommodation, food and beverage service activities, and Insurance, reinsurance and pension funding sub-sectors which increased by 27.7 percent, and 13.1 percent respectively.

Sub-sectors of wholesale and retail trade (1.0 percent), transportation of goods and passengers including warehousing (2.6 percent), postal and courier activities (8.2 percent), programming and broadcasting activities and audio video production (3.8 percent), telecommunication (3.9 percent), IT programming consultancy and related activities (7.8 percent), financial service activities and auxiliary financial services (3.9), real estate activities, including ownership of dwelling (4.0 percent), professional services (2.0 percent), education (2.2 percent) and other personal service activities (0.8 percent), expanded in the first nine months of 2024. However, public administration and defense (3.0 percent) and human health activities, residential care and social work activities (0.8 percent) recorded a contraction in the first nine months of 2024.

FIGURE 3.6 : Composition of Services Sector – First Nine Months of 2024



Source : Department of Census and Statistics

TABLE 3.2 : Selected Indicators of Services Sector

Indicator	2020	2021	2022	2023	2023	2024 ^(a)
Port Services					Jan-Oct	Jan- Oct
Vessels Arrived (No)	4,337	4,180	4,073	4,809	4,016	3,780
Total Cargo Handled (MT '000)	102,908	109,356	100,376	103,794	86,481	99,794
Total Container Handled (TEU '000)	6,855	7,249	6,862	6,950	5,796	6,461
Transshipment (TEU '000) ^(b)	5,765	6,050	5,832	5,754	4,844	5,248
Telecommunication Sector					Jan - Sep	Jan - Sep
Fixed Telephone Lines (No.'000)	2,613	2,852	2,651	2,308	2,389	2,526
Cellular Phones (No.'000)	28,739	29,959	28,838	28,986	29,035	28,884
Wireless Phones (No.'000)	1,367	1,587	1,388	1,163	1,211	1,449
Internet and E-mail Subscribers (No. '000)	17,524	22,106	21,668	22,864	22,084	22,958
Health Sector						
Private Hospitals	217	243	250	n.a.	n.a.	n.a.
Public Hospitals	609	618	617	n.a.	n.a.	n.a.
No. of Beds (Government)	77,121	78,228	78,228	n.a.	n.a.	n.a.
No. of Doctors (Government)	18,218	20,209	21,045	n.a.	n.a.	n.a.
No. of Nurses (Government)	37,133	39,091	40,775	n.a.	n.a.	n.a.
Financial Sector					End Sep	End Sep
Bank Branches and Other Outlets	7,406	7,369	7,378	7,522	7,523	7,526
Licensed Finance Companies ^(e)	40	39	37	33	33	32
Specialised Leasing Companies	3	3	1	1	1	1
Credit Cards in Use	1,984,525	2,054,985	2,054,896	1,987,857	1,989,403	1,950,204
Tourism Sector					Jan - Nov	Jan - Nov
Tourist Arrivals	507,704	194,495	719,978	1,487,303	1,276,951	1,804,873
Tourist Earnings (USD Million)	682	507	1,136	2,068	1,799	2,807
Room Occupancy Rate	15.0	18.6	30.4	39	n.a.	n.a.
Transport Services (New Registration)					Jan-Oct	Jan- Oct
Buses	578	281	404	685	598	120
Cars	21,021	3,495	1,489	1,816	1,505	1,405
Goods Transport Vehicles ^(c)	3,941	4,432	1,833	523	378	995
Motor Cycles	151,634	8,011	9,060	20,200	14,698	49,463
Three Wheelers	7,150	2,093	36	60	30	62
Tractors and Trailers ^(d)	8,302	14,764	6,929	4,020	3,096	4,175
Other ^(f)	10,002	774	760	586	361	874

Source : Central Bank of Sri Lanka, Department of Motor Traffic, Telecommunications Regulatory Commission of Sri Lanka

^(a) Provisional

^(b) Includes re-stowing

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

^(d) Includes tractors, hand tractors ,trailors and Bowsers

^(e) Excluding ETI Finance Ltd

^(f) Includes Single Cabs, Dual purpose vehicles, quadricycles and motor homes

Transportation and Port Services

The transport sector expanded by 2.6 percent in the first nine months of 2024. The total number of new vehicle registrations increased significantly by 179.6 percent to 49,053 in the first nine months of 2024 from 17,547 in the same period of 2023.

The registration of three wheelers (8.2 percent), dual-purpose vehicles (101.6 percent), motor cycles (239.1 percent), goods transport vehicles (192.3 percent) and land vehicles (52.8) recorded a significant increase in the first nine months of 2024, whereas the registration of buses (79.3 percent) and motor cars (13.4 percent) declined in the first nine months of 2024.

Total containers handled increased by 9.9 percent in the first nine months of 2024 to 5.8 million Twenty-foot Equivalent Units (TEUs) compared to 5.3 million TEUs in the same period of 2023. Domestic container handling increased by 19.8 percent, transshipment container handling increased by 6.7 percent and re-stowing container handling increased by 64.7 percent in the first nine months of 2024.

The total number of Cargo handled increased by 13.7 percent to 89.5 million metric tons in the first nine months of 2024 from 78.7 million metric tons in the same period of 2023. Cargo discharge increased by 15.9 percent to 49.2 million metric tons in the first nine months of 2024 compared to 42.5 million metric tons in the same period of 2023. Cargo loaded also increased by 11.1 percent to 40.2 million metric tons in the first nine months of 2024 from 36.2 million metric tons in the same period of 2023.

Telecommunication

Value added services of the telecommunication sub-sector recorded a growth of 3.9 percent in the first nine months of 2024. Telephone penetration including cellular phones, increased marginally by 0.5 percent to 143.3 per 100

persons in the first nine months of 2024 compared to 142.6 per 100 persons in the same period of 2023. Internet subscribers including mobile internet connections increased by 4.0 percent to 22.9 million in the first nine months of 2024. The number of fixed line telephones also increased by 5.7 percent in the first nine months of 2024, whereas the number of cellular phones decreased marginally by 0.5 percent in the same period.

Unemployment

In the second quarter of 2024, the unemployment rate increased to 4.7 percent, compared to 4.5 percent recorded in the first quarter of the same year. The unemployment rate among females and males in the second quarter of 2024 was recorded as 7.0 percent and 3.6 percent, respectively. Meanwhile, the youth unemployment rate (age 15 – 24 years) for the second quarter of 2024 was 25.4 percent, marking the highest reported unemployment rate across all age groups. Among all age groups, unemployment among females is higher than that of males.

Meanwhile, the labour force participation rate increased slightly to 47.8 percent in the second quarter of 2024 compared to 47.1 percent in the first quarter of 2024.

TABLE 3.3 : Performance of Tourism Sector

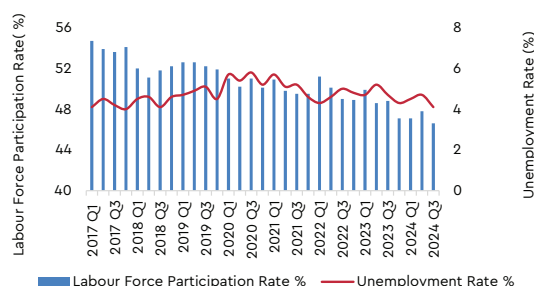
Month	Tourist Arrivals					Tourist Earnings (USD Mn.)				
	2020	2021	2022	2023	2024 ^(a)	2020	2021	2022	2023	2024 ^(a)
January	228,434	1,682	82,327	102,545	208,253	307.0	4.4	151.7	153.5	341.8
February	207,507	3,366	96,507	107,639	218,350	278.9	8.8	169.4	161.6	345.7
March	71,370	4,581	106,500	125,495	209,181	95.9	11.9	161.2	188.8	338.4
April	0	4,168	62,980	105,498	148,867	0.0	10.9	108.7	148.2	225.7
May	0	1,497	30,207	83,309	112,128	0.0	3.9	43.5	100.0	154.0
June	0	1,614	32,856	100,388	113,470	0.0	4.2	45.0	122.9	151.1
July	0	2,429	47,293	143,039	187,810	0.0	6.3	85.0	219.0	328.3
August	0	5,040	37,760	136,405	164,609	0.0	13.1	67.9	210.5	282.1
September	0	13,547	29,802	111,938	122,140	0.0	35.3	40.5	152.2	181.0
October	0	22,771	42,026	109,199	135,907	0.0	59.3	54.9	136.7	185.6
November	0	44,294	59,759	151,496	184,158	0.0	115.4	81.0	205.3	272.9
December	393	89,506	91,961	210,352	248,592	0.5	233.3	127.4	269.3	362.1
Total	507,704	194,495	719,978	1,487,303	2,053,465	682.4	506.8	1,136.3	2,068.0	3,168.6

Source : Sri Lanka Tourism Development Authority

(a) Provisional

Labour force participation rate among females and males in the second quarter of 2024 was recorded as 30.0 percent and 68.1 percent, respectively.

FIGURE 3.7 : Labor Force Participation Rate and Unemployment Rate



Source : Department of Census and Statistics

3.3 Monetary Sector Developments

In January 2024, CBSL continued to maintain the Standing Deposit Facility Rate (SDFR), Standing Lending Facility Rate (SLFR) and Statutory Reserve Ratio (SRR) at 9.00 percent, 10.00 percent and 2.00 percent, respectively since November 2023. In March 2024, SDFR and SLFR were reduced by 50 basis points each to 8.50 percent and 9.50 percent, respectively. Following the reduction, in July 2024, SDFR and SLFR were reduced further by 25 basis points each to 8.25 percent and 9.25 percent, respectively, while SRR remained same at 2.00 percent.

TABLE 3.4 : Sectoral Distribution of GDP Growth (%)

Sector	2019	2020	2021	2022 ^(a)	2023 ^(a)	First Nine Months	
						2023 ^(a)	2024 ^(b)
Agriculture	0.5	-0.9	1.0	-4.2	2.6	3.3	1.9
Growing of Tea	-3.3	-6.5	9.8	-15.7	-1.5	-2.8	0.3
Growing of Rice	6.2	7.7	-11.8	-11.8	20.0	-29.2	1.6
Growing of Rubber	-7.8	0.2	9.9	-9.8	-7.7	0.5	-11.9
Growing of Cereal	-9.0	59.8	2.8	-24.8	2.9	-3.7	29.2
Growing of Vegetables	-2.9	8.9	-1.7	-5.5	3.2	5.8	-0.5
Animal Production	-4.5	-3.7	8.2	-11.4	1.8	-1.6	11.6
Forestry and Logging	-3.3	-1.3	4.1	14.8	-7.3	-5.7	-4.1
Fishing	-4.4	-17.0	1.5	-10.5	3.0	1.7	5.1
Industry	-4.1	-5.3	5.7	-16.0	-9.2	-13.3	11.2
Mining and Quarring	-1.2	-10.9	1.4	-31.0	-22.3	-28.1	21.7
Manufacturing Activities	2.0	-2.6	-46.2	-12.2	-3.2	-6.4	7.6
Other Industries	4.3	-1.3	2.2	-4.3	-3.0	-5.8	13.6
Construction	-14.8	-9.4	4.4	-20.9	-20.8	-26.5	17.8
Services	2.9	-1.9	3.4	-2.6	-0.2	-1.3	2.6
Wholesale and Retail Trade	3.6	0.9	1.5	0.0	0.1	0.0	1.0
Transportation and Storage	2.0	-6.1	0.9	3.0	3.9	4.4	2.6
Accommodation and Food Service Activities	-6.0	-40.8	1.7	27.0	26.0	21.2	27.7
Information and Communication	17.6	15.0	11.0	6.5	-2.2	-3.3	3.9
Financial and Insurance Activities	1.2	7.0	10.3	-18.3	-5.3	-10.4	5.4
Real Estate Activities	5.1	-1.0	4.4	-12.1	-6.0	-9.4	4.0
Professional Services	5.4	-3.3	4.9	-17.7	2.4	-2.0	2.0
Education, Human Health and Social Work Activities	4.6	2.5	3.7	-2.0	0.7	0.5	0.9
Public Administration and Defence	0.8	1.7	0.9	1.2	-1.7	-1.5	-3.0
Other Services (Excluding Own-services)	2.0	-6.6	0.9	0.3	0.4	0.5	0.8
GDP	-0.2	-4.6	4.2	-7.3	-2.3	-4.5	5.2

Source : Department of Census and Statistics

^(a) Revised

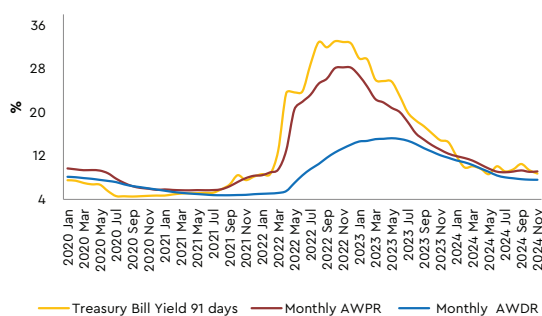
^(b) Provisional

With effect from November 27, 2024, the CBSL transitioned from its dual policy interest rate mechanism to a single policy interest rate system. As a result, the Overnight Policy Rate (OPR), set at 8.00 percent, will now serve as the primary tool for signaling and implementing the Central Bank's monetary policy stance. Additionally, with this shift to a single policy interest rate mechanism, the SDFR and the SLFR will no longer be regarded as policy interest rates of the Central Bank. SDFR and SLFR, the rates applicable for standing facilities that will continue to be available for participatory institutions for overnight transactions with the CBSL, are now linked to the OPR with a margin of \pm 50 basis points. As a result, the SDFR will be set at 7.50 percent, and the SLFR will be set at 8.50 percent.

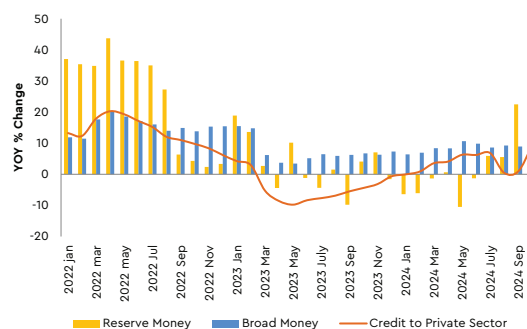
The Average Weighted Lending Rate (AWLR) which stood at 15.18 percent in October 2023, declined by 309 basis points to 12.09 percent in November 2024 while the Average Weighted Deposit Rate (AWDR) which stood at 12.11 percent in November 2023 dropped by 452 basis points to 7.59 percent in November 2024.

The Broad Money (M_{2b}) supply increased by 6.2 percent from Rs. 13,189 billion at the beginning of January 2024 to Rs. 14,009 billion at the end of October 2024 while the credit to the private sector increased by 6.9 percent to Rs. 7,871 billion at the end of October 2024 from Rs. 7,314 billion at the beginning of January 2024. However, the net credit to the government dropped by 4.0 percent to Rs. 7,954 billion at the end of October 2024 from Rs. 8,285 billion at the beginning of January 2024.

FIGURE 3.8 : Yield Rates, Monetary Aggregates, Money Supply and Private Sector Credit Growth



Source : Central Bank of Sri Lanka



Source : Central Bank of Sri Lanka

Inflation

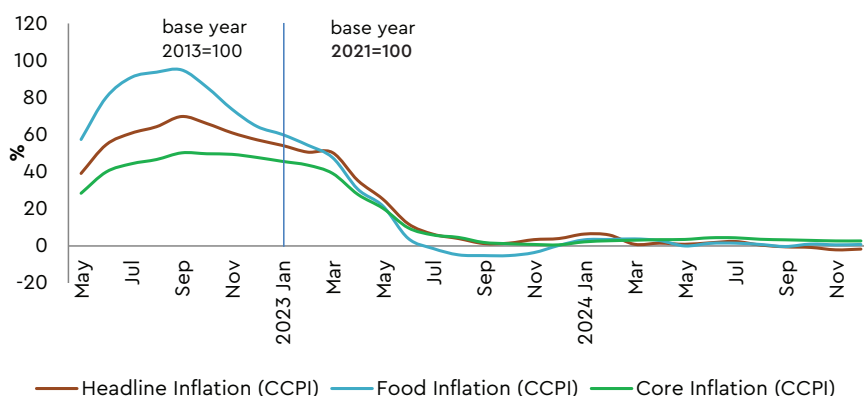
The headline inflation as measured by the year-on-year (YOY) change of the Colombo Consumer Price Index (CCPI, 2021=100) deflated to -0.5 percent in September 2024, reaching a negative territory for the first time since September 2015. This was driven mainly by favourable revision of energy prices, stronger real exchange rate, and supply-side improvements. Inflation remained negative for the remainder of the year recording an inflation of -1.7 percent in December 2024, and declined further to -4.0 percent in January 2025. In the same vein, the headline inflation as measured by the Y-O-Y change in the National Consumer Price Index (NCPI, 2021=100) also deflated to -0.2 in September 2024, and remained negative for the remainder of the year recording an inflation of -2.0 percent in December 2024. The deceleration of the inflation was mainly triggered by the downward revisions to the electricity tariff, and fuel and LP gas prices. Similarly, the moderation in food prices due to increased food production, recovery in global supply chains, and subdued demand conditions also contributed to the decrease in inflation.

The core inflation, which reflects the underlying inflation trends by excluding volatile items of food, energy, and transport groups in the economy, as measured by the Y-O-Y change in the CCPI (2021=100) declined to 1.2 percent in January 2025 compared to 2.2 percent recorded in January, 2024. Core inflation as measured by NCPI (2021=100) also dropped to 1.3 percent in December 2024 compared to 2.2 percent in January, 2024.

Headline inflation is expected to remain negative in the coming months, with a larger decline than previously projected. This is primarily attributed to significant downward adjustments in energy prices and transport costs, as well as a reduction in volatile food prices. CBSL expects the inflation to turn positive by mid-2025 and

gradually converge towards the targeted 5 percent over the medium term, supported by suitable policy adjustments. Although core inflation is expected to slow further in the coming months, a reversal of this trend is anticipated, with core inflation stabilizing over the medium term.

FIGURE 3.9 : Movements in Headline, Core and Food Inflation



Source : Department of Census And Statistics

(from 2022 May-2023 Jan Base Year 2013=100, from Feb 2023 base Year 2021=100)

TABLE 3.5 : Consumer Price Index

Month	2023 (base year 2021=100)				2024 (base year 2021=100)			
	Headline Inflation (YoY)		Core Inflation (YoY)		Headline Inflation (YoY)		Core Inflation (YoY)	
	CCPI	NCPI	CCPI	NCPI	CCPI	NCPI	CCPI	NCPI
January	54.2*	53.2	45.6*	52.0	6.4	6.5	2.2	2.2
February	50.6	53.6	43.6	50.1	5.9	5.1	2.8	2.7
March	50.3	49.2	39.1	44.2	0.9	2.5	3.1	3.4
April	35.3	33.6	27.8	31.8	1.5	2.7	3.4	3.0
May	25.2	22.1	20.3	21.6	0.9	1.6	3.5	3.1
June	12.0	10.8	9.8	11.3	1.7	2.4	4.4	3.9
July	6.3	4.6	5.9	6.3	2.4	2.5	4.4	3.0
August	4.0	2.1	4.6	4.1	0.5	1.1	3.6	2.3
September	1.3	0.8	1.9	1.7	-0.5	-0.2	3.3	1.9
October	1.5	1.0	1.2	0.6	-0.8	-0.7	3.0	1.7
November	3.4	2.8	0.8	0.8	-2.1	-1.7	2.7	1.5
December	4.0	4.2	0.6	0.9	-1.7	-2.0	2.7	1.3

Source : Department of Census and Statistics

* Base Year 2013=100

3.4 Stock Market

The stock market exhibited its growth momentum with improved investor confidence in the economic recovery and the resilience of financial markets. The All-Share Price Index (ASPI, 1985 = 100) showed a gain of 49.6 percent, rising from 10,654 points at the end of year 2023 to 15,944 points by the end of December 2024. After the election, on November 13, 2024, the ASPI surpassed the 13,000 marks for the first time since January 31, 2022. Stocks have remained strong with the ASPI crossing the 15,000 marks for the first time in history on December 23, 2024.

Meanwhile, the Standard and Poor's Sri Lanka 20 (S&P SL20, 2004 = 1,000) index, which represents the most liquid stocks, also increased significantly by 58.5 percent to 4,862 points at the end of December 2024 from 3,068 points at the end of December 2023. The S&P SL20 reached its highest at 4,862 points on December 31 and recorded its lowest at 2,896 on January 31, 2024.

Market capitalization increased significantly by 34.0 percent to Rs. 5,695 billion at the end of December 2024 compared to Rs. 4,249 billion recorded at the end of December 2023. Notably, foreign investments increased remarkably by 465.8 percent to Rs. 355.9 million from Rs. 62.9 million at the end of December 2023. Similarly, foreign sales of equities also increased remarkably by 448.5 percent to Rs. 226.0 million at the end of December 2024, in contrast to the Rs. 41.2 million recorded at the end of December 2023.

The Colombo Stock Exchange (CSE) recorded a significant increase in daily turnover to Rs. 7,756.4 million at the end of December 2024 compared to Rs. 642.4 million recorded at the end of December 2023.

3.5 External Sector Developments

Sri Lanka's external sector demonstrated positive momentum in the first eleven months of 2024 benefitting from increased earnings from exports and higher inflows from workers' remittances and earnings from tourism. Export earnings increased by 7.0 percent to USD 11,670.2 million while expenditure on imports increased by 10.4 percent to USD 16,916.9 million which in turn widened the trade deficit to USD 5,246.7 million in the first eleven months of 2024 from USD 4,413.6 million in the same period of 2023. However, monthly export earnings exceeded USD 1.0 billion during the first eleven months of 2024 except in January, April and November. Earnings from tourism increased by 56.0 percent to USD 2,806.5 million in the first eleven months of 2024 from USD 1,798.7 million in the same period of 2023 due to an increase in tourist arrivals. Meanwhile, workers' remittances increased by 10.4 percent to USD 5,961.6 million in the first eleven months of 2024 from USD 5,399.8 million in the same period of 2023 with the increase in departures for foreign employment.

The overall Balance of Payments (BoP) recorded a surplus of USD 2,912.5 million during the first eleven months of 2024 compared to the USD 1,908.0 million surplus in the same period of 2023. The Colombo

TABLE 3.6 : Movements in Capital Markets

Indicators	2018	2019	2020	2021	2022	2023	End Nov.	
							2023	2024 ^(a)
All Share Price Index (1985 = 100)	6,052	6,129	6,774	12,226	8,490	10,654	10,594	13,189
S&P SL 20 Index	3,135	2,937	2,638	4,233	2,636	3,068	3,010	3,905
Market Capitalization (Rs. Billion)	2,840	2,851	2,961	5,489	3,847	4,249	4,261	4,782
No. of Listed Companies in Trading	297	289	283	296	290	290	290	284
Annual Average Turnover (Rs. Billion)	200	171	397	1173	687	411	388	405
Foreign Sales (Rs. Million)	100,316	68,272	104,165	86,689	36,863	37,088	34,810	52,441
Foreign Purchases (Rs. Million)	77,067	56,537	52,889	39,410	67,488	41,451	39,826	42,524
Net Purchases (Rs. Million)	-23,249	-11,735	-51,276	-47,279	30,625	4,363	5,017	-9,917

Sources : Colombo Stock Exchange and Central Bank of Sri Lanka

^(a) Provisional

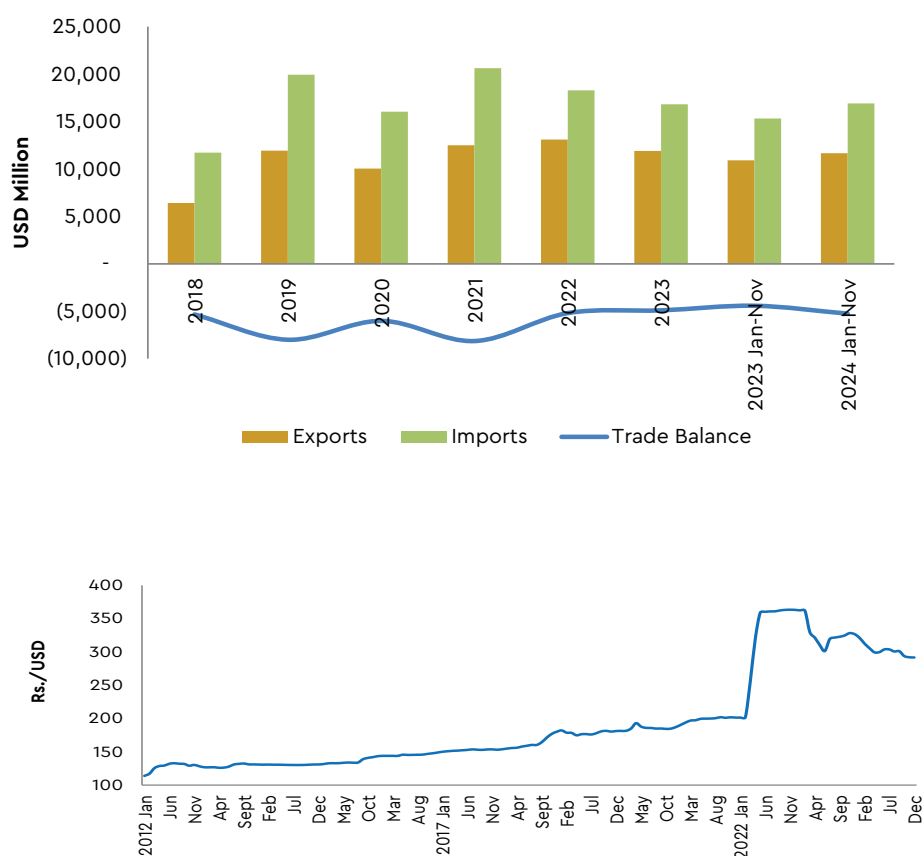
Stock Exchange (CSE) recorded an increase in net inflow of USD 34.5 million in the first eleven months of 2024 compared to USD 19.9 million in the same period of 2023. Net flows to the government securities market were recorded as the outflow of USD 197.3 million in the first eleven months of 2024 compared to the inflow of USD 232.7 million in the same period of 2023. Gross Official Reserves (GOR) stood at USD 6.1 billion by the end of December 2024, including the SWAP facility from the People's Bank of China. The increase in GORs was driven by the Central Bank's net purchases of foreign exchange from the domestic foreign exchange market, which amounted to USD 327 million on a net basis in November 2024. Further, the funds received from the World Bank and the Asian Development Bank contributed to an increase in the GOR. Meanwhile, the Sri Lankan rupee appreciated 11.3 percent against the USD as of November 29, 2024.

Exports

Earnings from exports increased by 7.0 percent to USD 11,670.2 million in the first eleven months of 2024 compared to USD 10,908.9 million in the same period of 2023 mainly due to the increase in earnings from industrial and agricultural exports with the economic revival. Industrial export earnings contributed 78.0 percent of the total export earnings, while agricultural and mineral export earnings accounted for 21.6 percent and 0.2 percent of total export earnings, respectively.

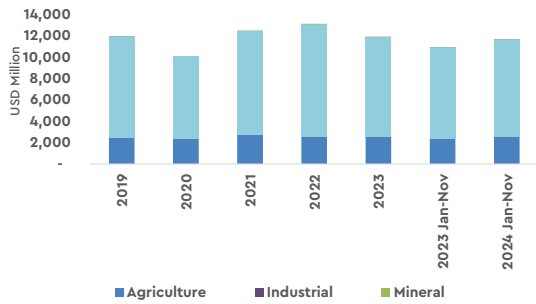
Earnings from industrial exports increased by 7.3 percent to USD 9,105.3 million in the first eleven months of 2024 from USD 8,486.8 million in the same period of 2023 mainly due to increased export earnings from textiles and garments, petroleum products, rubber products and food, beverages and tobacco products.

FIGURE 3.10 : Trade Balance and Exchange Rate Movements



Source : Central Bank of Sri Lanka

FIGURE 3.11 : Composition of Exports



Source : Central Bank of Sri Lanka

Accordingly, export earnings from textiles and garments increased by 3.9 percent to USD 4,613.4 million while export earnings from petroleum products increased by 104.0 percent to USD 975.5 million in the first eleven months of 2024. Earnings from agricultural exports increased by 6.7 percent to USD 2,517.9 million in the first eleven months of 2024 from USD 2,359.9 million in the same period of 2023 with the increased earnings from tea, spices, coconut and vegetables. Earnings from tea exports increased by 8.8 percent to USD 1,304.3 million in the first eleven months of 2024 from USD 1,198.8 million with the increase in tea export volumes. In addition, an increase in export earnings was recorded from spices by 12.8 percent to USD 407.9 million, coconut by 21.3 percent to USD 380.5 million and vegetables by 1.3 percent to USD 25.6 million while export earnings declined from rubber by 11.2 percent to USD 23.6 million in the first eleven months of 2024. Meanwhile, mineral export earnings dropped by 37.1 percent to USD 23.0 million in the first eleven months of 2024 from USD 36.5 million in the same period of 2023.

Imports

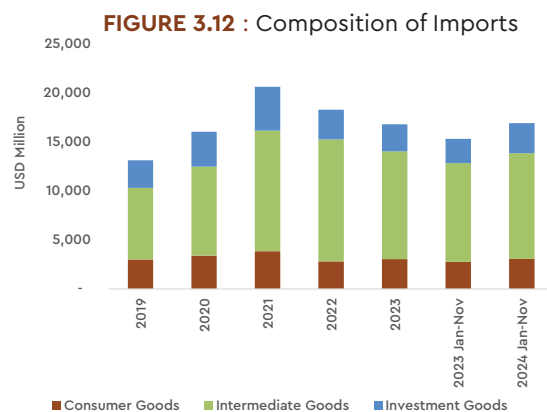
Expenditure on imports increased by 10.4 percent to USD 16,916.9 million in the first eleven months of 2024 compared to USD 15,322.6 million in the same period of 2023 due to the increase in import expenditure on consumer, intermediate and investment goods driven by increased demand with the revival of economic activities, removal of import restrictions and also with the impact of high commodity prices of the global markets. Import expenditure on

consumer, intermediate and investment goods of the total import expenditure accounted for 18.1 percent, 63.8 percent and 18.0 percent, respectively.

Import expenditure on consumer goods increased by 10.7 percent to USD 3,068.1 million in the first eleven months of 2024 compared to USD 2,771.2 million in the same period of 2023 owing to increased import expenditure on food and beverages and nonfood consumer goods. Import expenditure on food and beverages increased by 8.5 percent to USD 1,671.8 million in the first eleven months of 2024 from USD 1,541.0 million in the same period of 2023, with the increased import expenditure recorded from vegetables, seafood and cereals and milling industry products. Expenditure on non-food consumer goods imports increased by 13.5 percent to USD 1,396.3 million from USD 1,230.1 million due to the increase in import expenditure on clothing and accessories, home appliances, telecommunication devices, household and furniture items and personal vehicles despite the decline in import expenditure on medical and pharmaceuticals.

Import expenditure on intermediate goods increased by 7.3 percent to USD 10,789.7 million in the first eleven months of 2024 from USD 10,058.2 million in the same period of 2023 due to the increase in expenditure mainly on textiles and textile articles, chemical products, plastic and articles thereof, base metals, and paper and paper boards and articles. Import expenditure on textiles and textile articles increased by 18.6 percent to USD 2,594.5 million in the first eleven months of 2024 from USD 2,188.0 million in the same period of 2023. However, import expenditure on fuel declined by 8.6 percent to USD 3,920.4 million in the first eleven months of 2024 with a significant decline in coal import expenditure by 39.6 percent to USD 260.1 million and crude oil by 24.7 percent to USD 749.8 million despite the expenditure on refined petroleum increased by 1.7 percent to USD 2,910.6 million. Import expenditure on investment goods increased by 23.2 percent to USD 3,051.6 million in the first

eleven months of 2024 from USD 2,477.5 million in the same period of 2023. This was mainly due to the increase in expenditure on machinery and equipment by 22.4 percent to USD 2,072.8 million, building materials by 18.8 percent to USD 838.1 million and transport equipment by 80.7 percent to USD 137.8 million due to the improvement in investment activities with the revival of the economy and higher equipment prices in foreign markets.



Source : Central Bank of Sri Lanka

TABLE 3.7 : External Trade

USD Mn.

Category	2021	2022	2023 ^(a)	Jan.-Nov.	
				2023 ^(a)	2024 ^(b)
Exports	12,502	13,106	11,911	10,909	11,670
Agricultural Exports	2,730	2,568	2,567	2,360	2,518
Tea	1,324	1,259	1,310	1,199	1,304
Other Agricultural Products	1,406	1,309	1,257	1,161	1,214
Industrial Exports	9,705	10,465	9,278	8,487	9,105
Textile and Garments	5,435	5,952	4,879	4,439	4,613
Food, Beverages and Tobacco	587	520	539	495	594
Rubber Products	1,050	977	902	824	897
Machinery and Mechanical Appliances	501	581	598	555	446
Petroleum Products	506	568	539	478	976
Other Industrial Exports	1,626	1,867	1,821	1,696	1,579
Mineral Exports	45	50	39	37	23
Unclassified	23	23	28	26	24
Imports	20,637	18,291	16,811	15,323	16,917
Consumer Goods	3,849	2,813	3,044	2,771	3,068
Food and Beverages	1,667	1,608	1,693	1,541	1,672
Other Consumer Goods	2,182	1,205	1,351	1,230	1,396
Intermediate Goods	12,309	12,439	11,007	10,058	10,790
Petroleum	3,743	4,897	4,703	4,289	3,920
Textiles and Garments	3,067	3,065	2,371	2,188	2,595
Wheat and Maize	418	303	338	318	324
Other	5,081	4,174	3,595	3,263	3,951
Investment Goods	4,463	3,030	2,745	2,478	3,052
Machinery and Equipment	2,810	1,969	1,868	1,693	2,073
Building Materials	1,249	926	775	706	838
Transport Equipments	399	132	99	76	138
Other	6	3	3	3	3
Unclassified	17	9	16	16	8
Trade Deficit	-8,139	-5,185	-4,900	-4,414	-5,247

Source : Central Bank of Sri Lanka

^(a) Revised

^(b) Provisional

Tourism and Workers' Remittances

Earnings from tourism increased notably by 56.0 percent to USD 2,806.5 million in the first eleven months of 2024 compared to USD 1,798.7 million in the same period of 2023 due to increased tourist arrivals significantly by 41.3 percent to 1,804,873 persons in the first eleven months of 2024 from 1,276,951 persons in the same period of 2023. The highest tourist arrivals were recorded from India, Russia, the United Kingdom, Germany, China, Australia and France. Meanwhile, workers' remittances grew by 10.4 percent to USD 5,961.6 million in the first eleven months of 2024 compared to USD 5,399.8 million in the same period of 2023 due to the higher departures for foreign employment and receipt of remittances through formal channels with the government's policy measures to encourage remit through official channels. Departures for foreign employment increased by 3.2 percent to 283,618 persons in the first eleven months of 2024 compared to the departures of 274,562 persons in the same period of 2023.

3.6 World Economic Perspectives

The world economy is expected to grow by 3.2 percent in 2024 demonstrating its economic stability and resilience. The global economic outlook remains largely stable, with growth projected at 3.3 percent for both 2025 and 2026, according to the January 2025 update of the World Economic Outlook by the International Monetary Fund (IMF). Meanwhile, global headline inflation is expected to decline to 4.2 percent in 2025 and further to 3.5 percent in 2026.

Financial conditions remain largely accommodative, albeit with variations across regions. Equities in advanced economies have been priced high, driven by expectations of business-friendly policies. However, in Emerging Markets and Developing Economies (EMDEs), equity valuations are more subdued, and financial conditions are tighter due to the strengthening of the US dollar, driven by expectations of new tariffs and higher interest rates in the US.

Economic policy uncertainty has increased sharply across the globe, though to varying degrees, especially regarding trade and fiscal policies. These uncertainties stem largely from expected policy changes under newly elected governments in 2024 in many countries, unstable markets in some Asian and European nations, and geopolitical tensions in the Middle East.

Regional Projections

In advanced economies, the growth outlook remains robust, albeit to different degrees. The US economy is projected to grow by 2.7 percent in 2025, reflecting the estimated strong growth of 2.8 percent in 2024, supported by strong labour markets and enhanced investment. The Euro Area is estimated to grow by 1.0 percent in 2025 due to weak momentum in manufacturing and policy uncertainties. However, growth is expected to pick up in 2026 with stronger domestic demand, loose financial conditions, improved confidence, and reduced uncertainties.

EMDEs, which grew at an estimated pace of 4.2 percent in 2024, are generally expected to maintain the same growth momentum, with 4.2 percent growth in 2025 and 4.3 percent in 2026. The Chinese economy is expected to grow by 4.6 percent in 2025 and 4.5 percent in 2026, compared to the estimated growth of 4.8 percent in 2024. With an estimated growth of 6.5 percent in 2024, the Indian economy is expected to maintain the same growth pace of 6.5 percent in both 2025 and 2026.

Growth in the Middle East and Central Asia is expected to pick up to 3.6 percent in 2025 and 3.9 percent in 2026, compared to an estimated growth of 2.4 percent in 2024. In Latin America and the Caribbean, growth is expected to increase to 2.5 percent in 2025 and 2.7 percent in 2026 from 2.4 percent in 2024. Sub-Saharan Africa is expected to grow by 4.2 percent in both 2025 and 2026, compared to estimated growth in 2024.

Growth in Emerging and Developing Europe is expected to lag, with projected growth rates of 2.2 percent and 2.4 percent

in 2025 and 2026, respectively, compared to estimated growth of 3.2 percent in 2024.

Global Trade and Commodity Markets

Global trade growth showed signs of recovery in 2024, with an uptick in goods trade. Global trade volume is expected to increase in 2025 and 2026. However, trade will be adversely affected by policy uncertainty amid the intensification of protectionist policies. The implementation of new trade restrictions in 2024 was five times higher than the 2010–2019 average.

Despite geopolitical tensions, commodity prices declined by about 3 percent in 2024, largely due to favorable supply conditions for energy and food commodities. Commodity prices are expected to continue their downward trend. Energy commodity prices are projected to decline by 2.6 percent in 2025, driven by

a projected decline in oil prices due to weak global demand and strong non-OPEC supply. However, gas prices are expected to rise due to weather conditions and geopolitical tensions in the Middle East.

Meanwhile, non-fuel commodity prices are expected to increase by 2.5 percent due to the increase in food and beverage prices due to bad weather conditions prevailing in large produce of food and beverages.

Policies in Light of the Global Economic Outlook

Given the uncertainties surrounding the outlook, nuanced policy responses are warranted. Monetary policies are to be designed to ensure price stability while supporting economic activity and employment while such policies to be adopted based on country-specific inflation conditions.

TABLE 3.8 : Key Indicators of World Economy – 2024 (Projections)

Country	GDP Growth	Inflation (%)	Unemployment (%)	Fiscal Deficit (% of GDP)	Gross Debt (% of GDP)
Argentina	-3.5	229.8	8.2	-0.1	91.5
Australia	2.0	3.3	4.1	-1.7	49.3
Brazil	3.0	4.3	7.2	-6.9	87.6
Canada	1.3	2.4	6.2	-2.0	106.1
Chile	2.5	3.9	8.5	-2.3	41.0
China	4.8	0.4	5.1	-7.4	90.1
France	1.1	2.3	7.4	-6.0	112.3
Germany	0.0	2.4	3.4	-2.0	62.7
Greece	2.3	2.9	10.5	-1.0	159.0
India	7.0	4.4	–	-7.8	83.1
Indonesia	5.0	2.5	5.2	-2.7	40.5
Italy	0.7	1.3	7.0	-4.0	136.9
Japan	0.3	2.2	2.5	-6.1	251.2
Korea	2.5	2.5	2.9	-0.5	52.9
Malaysia	4.8	2.8	3.5	-3.6	68.4
Mexico	1.5	4.7	3.0	-5.9	57.7
Russia	3.6	7.9	2.6	-1.9	19.9
Singapore	2.6	2.6	1.9	4.5	175.2
South Africa	1.1	4.7	33.7	-6.2	75.0
Spain	2.9	2.8	11.6	-3.0	102.3
Sri Lanka	2.6	3.5	4.4	-6.8	93.3
Thailand	2.8	0.5	1.1	-2.4	65.0
United Kingdom	1.1	2.6	4.3	-4.3	101.8
United States	2.8	3.0	4.1	-7.6	121.0
Vietnam	6.1	4.1	2.1	-2.6	33.8

Sources : World Economic Outlook, IMF, October 2024, Fiscal Monitor, IMF, October 2024, Ministry of Finance and Central Bank of Sri Lanka

Fiscal policies are needed to structure to ensure the sustainability of public debt and build fiscal buffers without hindering economic growth. Pro-growth policies are necessary to enhance economic dynamism, strengthen the supply side, and address the economic risks.

Such risks may arise from the intensification of protectionist policies, geopolitical

tensions, renewed inflationary pressures, and concerns about fiscal sustainability and financial stability in some countries. Thus, policymakers face the challenge of balancing inflation control with economic growth. Therefore, stronger multilateral cooperation is needed to address these challenges and reduce economic fragmentation.

Performance of State Owned Enterprises | 04

4.1 Overview

The main 52 State Owned Enterprises (SOEs) witnessed improved performance in terms of profitability by recording a total profit of Rs. 428.5 billion in the first ten months of 2024, compared to the total profit of Rs. 312.7 billion recorded in the same period of 2023. This was mainly due to the key reforms implemented in the SOE sector including the introduction of cost-reflective pricing for electricity and fuel, restructuring of the balance sheets of selected key SOEs, and the favorable external factors such as rupee appreciation and the reduction in interest rates during the period under review.

While creating greater operational and financial autonomy for the generation, transmission and distribution of the Ceylon Electricity Board (CEB) together with allowing the private sector participation with improved efficiency, transparency and accountability in the power sector of the country, the Electricity Act, No. 36 of 2024 was enacted in June, 2024. As approved by the Cabinet of Ministers in December 2024, a committee has been appointed to study, consult and provide recommendations on amending the Electricity Act, No. 36 of 2024. Meanwhile, the number of players in the downstream petroleum market also increased to five with the commencement of operations by the M/s United Petroleum in September, 2024. The liberalized petroleum retail market would bring cost benefits and improved service standards to the consumers.

The Committee was appointed as per the decision of the Cabinet of Ministers in April, 2024 to select independent directors under a transparent procedure for the State Owned Banks (SOBs) and the committee is in the process of selecting candidates for the Bank of Ceylon, People's Bank and National Savings Bank. Further, under the reform policy for SOBs, a specialized unit was established under the Department of Public Enterprises to oversee all SOBs and the unit is responsible for managing the state's shareholdings in SOBs and to monitor and report on their performance.

The collection of levies and dividends from the SOEs decreased to Rs. 30.5 billion in the first ten months of 2024, compared to Rs. 36.1 billion in the same period of 2023.

4.2 Review of the ten Major State Owned Business Enterprises (SOBEs)

Bank of Ceylon

The asset base of the Bank of Ceylon (BoC) increased by 7.0 percent to Rs. 4,720 billion as at end October 2024 from Rs. 4,412 billion as at end 2023. During the first ten months of 2024, the deposit base of the bank increased by 6.2 percent to Rs. 4,123 billion, compared to Rs. 3,882 billion as at end 2023. Stage III loan ratio of the bank has deteriorated to 6.02 percent as at end October 2024, compared to 5.07 percent as at end 2023. The BoC recorded a Profit before Tax (PBT) of Rs. 44.4 billion in the first ten months of 2024, a significant increase compared to Rs. 29.4 billion PBT reported in the same period of 2023. This was mainly due to the substantial improvements in net interest income and non-interest income.

People's Bank

People's Bank's (PB) asset base increased by 8.1 percent to Rs. 3,285 billion as at end October 2024 from Rs. 3,038 billion as at end 2023. The deposit base of the bank increased by 8.9 percent to Rs. 2,890 billion as at end October 2024, compared to Rs. 2,653 billion as at end 2023. Loans and advances increased marginally to Rs. 1,736 billion as at end October 2024 from Rs. 1,709 billion as at end 2023. Stage III loan ratio of the bank has deteriorated to 9.4 percent as at end October 2024, compared to 8.8 percent as at end 2023. PB recorded a profit before tax of Rs. 32.2 billion in the first ten months of 2024, a significant increase of 270 percent compared to Rs. 8.7 billion in the same period of 2023.

National Savings Bank

National Savings Bank's (NSB) asset base recorded a marginal increase to Rs. 1,710 billion as at end October 2024 from Rs. 1,687 billion as at end 2023. The deposit base of the bank increased by 2.2 percent

to Rs. 1,516 billion as at end October 2024 from Rs. 1,483 billion as at end 2023. Loans and advances balance decreased by 1.7 percent to Rs. 518 billion as at end October 2024, compared to Rs. 527 billion as at end 2023. NSB recorded a profit before tax of Rs. 28.5 billion in the first ten months of 2024, compared to Rs. 1.9 billion in the same period of 2023 mainly due to the significant increase in net interest income.

Sri Lanka Insurance Corporation Limited

In adherence to the regulations outlined in the Insurance Industry (Amendment) Act, No. 03 of 2011, the segregation of Sri Lanka Insurance Corporation Limited's (SLIC) life and general insurance operations into its wholly owned subsidiaries, namely Sri Lanka Insurance Corporation Life Limited (SLICLL) and Sri Lanka Insurance Corporation General Limited (SLICGL) under the SLIC was completed by the end of January 2024.

Accordingly, SLIC reported a PBT of Rs. 2.5 billion during the first ten months of 2024. Furthermore, for the nine months period following the segregation, SLICGL and SLICLL reported a PBT of Rs. 2.5 billion and Rs. 22.6 billion, respectively.

Under the State Owned Enterprise Reform Program, the share ownership of the Canwill Holdings Company (Pvt) Ltd., a subsidiary of SLIC, was transferred to the

Secretary to the Treasury during the year 2024.

Ceylon Electricity Board

The revenue from the sale of electricity slightly decreased by 5.1 percent to Rs. 472.8 billion in the first ten months of 2024, compared to Rs. 498.1 billion in the same period of 2023 mainly due to the two continuous tariff reductions implemented in the year 2024, even though the demand for electricity increased by 7.2 percent to 12,686 GWh in the first ten months of 2024 against 11,825 GWh in the same period of 2023. The direct generation cost of the CEB declined significantly by 31.4 percent to Rs. 260.7 billion in the first ten months of 2024, compared to Rs. 379.8 billion in the same period of 2023 due to the favorable weather conditions. As such, CEB recorded a gross profit of Rs. 112 billion in the first ten months of 2024, compared to the gross profit of Rs. 41.1 billion in the same period of 2023. Benefitting from the gain of Rs. 26 billion on the disposal of shares of its subsidiary, Lanka Transformers Limited, the foreign exchange gain of Rs. 10 billion together with the decrease in finance cost by Rs. 30.6 billion, CEB recorded a net profit before tax of Rs. 139.4 billion in the first ten months of 2024, compared to the net loss of Rs. 362.3 million in the same period of 2023.

During the first ten months of 2024, the

TABLE 4.1 : Composition of Electricity Generation and Capacity

	2023 Jan- Oct Generation			2024 Jan -Oct (Provisional) Generation		
	Installed Capacity MW	Percentage on Total Generation (%)	Net Gen- GWh	Installed Capacity MW	Percentage on Total Generation (%)	Net Gen -GWh
Hydro	1,413	24	3,099	1,413	30	4,237
Thermal – CEB Oil	811	15	1,944	801	10	1,399
Thermal – IPP Oil	386	8	1,114	482	5	698
Wind – CEB	104	3	351	104	3	347
Thermal – Coal	900	33	4,264	900	34	4,795
NCRE & Wind	774	13	1,733	784	13	1,832
Rooftop Solar	631	4	532	1,031	5	693
Total	5,019	100	13,037	5,515	100	14,001

Source: Ceylon Electricity Board

generation mix changed favorably as thermal (Coal): Hydro: NCRE, Wind & Rooftop: and thermal (Fuel) 34:30:21:15 in comparison to 33:24:20:23 in the same period of 2023. Accordingly, the cost per unit at the selling point has also considerably decreased to Rs. 30.75 per KWh in the first ten months of 2024, compared to Rs. 43.28 per KWh in the same period of 2023.

The total outstanding obligations of CEB to Ceylon Petroleum Corporation (CPC) and Independent Power Producers (IPP) have significantly decreased by 74 percent to Rs. 20.5 billion as at end October 2024, compared to Rs. 79.2 billion as at end 2023. However, the outstanding debt to banks has increased by 13.2 percent to Rs. 254.3 billion as at end October 2024, compared to Rs. 224.7 billion as at end 2023 due to the increase of project loans.

Two tariff revisions made in 2024 have resulted in the end user average tariff reduction of 21.9 percent in March, 2024, subsequently further reduction of 22.5 percent in July, 2024.

Ceylon Petroleum Corporation

Ceylon Petroleum Corporation's (CPC) revenue decreased by 25.6 percent to Rs. 843 billion in the first ten months of 2024, compared to Rs. 1,132.6 billion in the same period of 2023 due to the entrance of new three competitors to the petroleum retail market. As a result of lower revenue, CPC's gross profit decreased by 55 percent to Rs. 65.7 billion in the first ten months of 2024, compared to Rs. 146.4 billion in the same period of 2023.

CPC's net profit declined sharply by 76 percent to Rs. 25.1 billion in the first ten months of 2024, compared to Rs. 106.7 billion in the same period of 2023. The decrease in net profit was mainly due to the significant drop in sales revenue despite the drop in finance expenses by Rs. 23.2 billion in the first ten months of 2024 to Rs. 1.1 billion, compared to the same period of 2023.

The payables to National Iranian Oil Company (NIOC) decreased from USD 230.9 million as at end 2023 to USD 170.9 million as at end October 2024, while CPC's payables to BoC were USD 53 million for import and modality bills as at end October 2024.

During the first ten months of 2024, CPC fulfilled its fiscal obligations by paying a levy of Rs. 10 billion to the Consolidated Fund.

The total outstanding trade debt of CPC decreased by 60 percent to Rs. 7.1 billion as at end October 2024, compared to Rs. 17.7 billion as at end 2023. This reduction was due to the settlement of dues by key buyers including the Ceylon Electricity Board, Sri Lanka Navy and Sri Lanka Army.

SriLankan Airlines Limited

The Government made efforts previously to restructure and privatize the SriLankan Airlines Limited (SLA). However, with the appointment of the new Government, taking into consideration the significant contribution of the airline to the national economy, it was decided to support the SLA by exploring the best alternate model to restructure the airline without privatizing. Accordingly, the Board of Directors of the SLA has approved a revised business plan.

During the seven months period from April to October 2024, SLA recorded a loss before tax of Rs. 1,960 million, compared to the profit before tax of Rs. 4,133 million in the same period of 2023, mainly due to the decrease in net traffic revenue by 14.9 percent to Rs. 152,322 million during the period from April to October 2024, compared to Rs. 178,818 million in the same period of 2023. In order to safeguard the national carrier, the government offered assistance by issuing Rs. 9.8 billion equity contribution to the SLA to support its ongoing cash flow problems during 2024. Furthermore, the government will assist in restructuring of Sovereign-guaranteed International Bond of USD 175 million for which the modalities are yet to be finalized.

National Water Supply and Drainage Board

The National Water Supply and Drainage Board (NWS&DB) increased the piped borne water and safe drinking water supply coverage in the country to 62.7 percent and 98.4 respectively as at end October 2024, compared to 61.4 percent and 97.1 percent respectively as at end October 2023.

During the first ten months of 2024, the NWS&DB added nearly 120,260 new connections to the system, which increased the total connections to 3.12 million as at end October 2024. With the implementation of the new tariff revision to water in August 2024, the NWS&DB recorded a revenue of Rs. 70.8 billion during this period, an increase of 44.6 percent compared to Rs. 49 billion in the same period of 2023. Due to the marginal increase in the cost of sales in the first ten months of 2024, compared to the same period of 2023, the board was able to record a gross profit of Rs. 44.3 billion during this period under review, an increase of 94 percent compared to the same period of 2023. As a result, the NWS&DB recorded a net profit of Rs. 21.7 billion during the first ten months of 2024, compared to a net profit of Rs. 9.5 billion in the same period of 2023.

The NWS&DB produced 695 million cubic meters (m³) of water during the first ten months of 2024 against 672 million m³ in the same period of 2023 and recorded a water sale of 524 million m³ against 503 million m³ in the same period of 2023. Further, Non-Revenue Water (NRW) showed a declining trend over the previous year and was recorded as 24.65 percent against 25.20 percent in the same period of 2023. Further, the General Treasury contributed Rs. 21.4 billion as equity for the repayment of loans of the local banks and to support the settlement of liabilities of the ongoing projects during 2024.

Further, the NWS&DB has submitted the 1st quarter progress of the Statement of Corporate Intent, a tripartite agreement between the General Treasury, Ministry of Water Supply and & Estate Infrastructure Development and the NWS&DB. Accordingly, the board shows a favorable

achievement for the outlined Key Performance Indicators (KPIs) during this period.

Sri Lanka Ports Authority

The Port of Colombo owned by the Sri Lanka Ports Authority (SLPA) is treated as one of the notable players in the realm of international marine trade. It now ranks 23rd out of all ports globally in the Alpha Liner ranking. With the help of ambitious ongoing development projects like the East Container Terminal (ECT) and Colombo West International Terminal (CWIT), the port's handling capacity will increase from the current 8.5 million Twenty-foot Equivalent Units (TEUs) to 14 million TEUs. This massive leap will solidify the port's position as a crucial player in ensuring the seamless operation of the global supply chain. During the first ten months of 2024, SLPA handled 1,985,870 TEUs of containerized cargo and 8,372,734 M/T of conventional cargo, an increase of 20 percent and 22 percent, respectively due to various factors, including the Red Sea crisis and its ramifications.

Revenue of SLPA for the first ten months of 2024 was recorded as Rs. 73.5 billion, an increase of 17 percent compared to Rs. 62.7 billion recorded in the same period of 2023. However, SLPA's PBT declined by 3 percent to Rs. 34.6 billion in the first ten months of 2024, compared to Rs. 35.7 billion in the same period of 2023 due to the increase in operational expenses by 18.3 percent to Rs. 40 billion, compared to Rs. 33.8 billion in the same period of 2023.

Airport and Aviation Services (Sri Lanka) (Private) Ltd

Airport and Aviation Services (Sri Lanka) (Pvt) Limited (AASL) is continuing to advance important development initiatives and technological advancements to fortify Sri Lanka's aviation infrastructure. Since the Bandaranaike International Airport's (BIA) existing capacity is not sufficient to cater to the current demand, AASL is in the process of completing the substructure works of Terminal 2, which was left partially completed, through a local contractor

under the supervision of the original project consultant by utilizing the AASL's funds.

AASL generated Rs. 35.5 billion of revenue in the first ten months of 2024, compared to Rs. 31.9 billion in the same period of 2023, of which Rs. 28.9 billion was non-aeronautical revenue and Rs. 6.4 billion was aeronautical revenue. Total operational expenditure incurred during the period was Rs. 19.4 billion, compared to Rs. 14.2 billion in the same period of 2023. Accordingly, AASL's

operating profit declined by 9 percent to Rs. 16.1 billion in the first ten months of 2024, compared to Rs. 17.7 billion in the same period of 2023.

After adjusting for net financial income and exchange gain, AASL recorded a PBT of Rs. 24.3 billion in the first ten months of 2024, a decrease of 26.4 percent compared to the PBT of Rs. 33 billion in the same period of 2023.

TABLE 4.2: Profit before Tax of 52 State Owned Enterprises

		Rs. Mn.		
Enterprise	2022 Actual	2023 Provisional	2024 Jan. – Oct. Provisional	
1	Bank of Ceylon	30,977	40,342	44,350
2	People's Bank	21,338	15,345	32,209
3	National Savings Bank	4,510	4,287	28,458
4	State Mortgage & Investment Bank	-89	-1,165	76
5	HDFC Bank	303	2,800	289 ^(a)
6	Pradeshiya Sanwardena Bank	359	1,183	1,100
7	Employees' Trust Fund Board	43,428	64,959	50,497
8	Sri Lanka Insurance Corporation Limited	23,494	10,704	2,510
9	National Insurance Trust Fund	8,530	12,547	14,212
10	Sri Lanka Export Credit Insurance Corporation	711	1,056	805
11	Agriculture and Agrarian Insurance Board	2,651	-3,885	1,442
12	Ceylon Electricity Board	-298,189	61,236	139,363
13	Ceylon Petroleum Corporation	-617,588	120,346	25,118
14	Sri Lanka Ports Authority	57,027	40,359	34,582
15	National Water Supply and Drainage Board	-2,701	5,287	21,741
16	Airport and Aviation Services (SL) (Pvt) Ltd	6,434	33,639	24,318
17	Sri Lankan Airlines Ltd	-73,264	1,124	-1,960 ^(b)
18	Sri Lanka Transport Board	1,421	2,189	-1,024
19	State Engineering Corporation	-1,269	-2,458	-601
20	Central Engineering Consultancy Bureau	69	748	354
21	State Development and Construction Corp.	27	-2,261	-485
22	Milco (Pvt) Ltd	-392	-216	63
23	National Livestock Development Board	133	-122	440
24	Sri Lanka State Plantations Corporation	19	-93	-67
25	Janatha Estates Development Board	20	-156	6
26	Kurunegala Plantations Ltd	511	534	335
27	Chilaw Plantations Ltd	514	303	201
28	Kalubovitiyana Tea Factory Ltd	346	94	32
29	Sri Lanka Cashew Corporation	17	-5	5
30	Lanka Mineral Sands Ltd	6,160	4,051	-37
31	Lanka Phosphate Ltd	61	363	353
32	Kahatagaha Graphite Lanka Ltd	57	28	23
33	Development Lotteries Board	3,267	3,516	3,373
34	National Lotteries Board	1,390	845	1,241

Rs. Mn.

Enterprise		2022 Actual	2023 Provisional	2024 Jan. – Oct. Provisional
35	State Pharmaceuticals and Manufacturing Corp.	1,586	2,173	2,568
36	Sri Lanka Ayurvedic Drugs Corporation	-26	218	338
37	State Pharmaceuticals Corporation	-2,285	1,268	1,719
38	Sri Jayawardanepura General Hospital	247	-2,139	769
39	Independent Television Network Ltd	-370	-205	-24
40	Sri Lanka Rupavahini Corporation	-541	-360	-174
41	Sri Lanka Broadcasting Corporation	-235	-532	-81
42	Sri Lanka Handicraft Board	-99	57	68
43	State Timber Corporation	1,016	1,274	449
44	STC General Trading Company	735	901	238
45	Lanka Sathosa Ltd	-687	115	-311
46	State Printing Corporation	-380	2,794	437
47	Ceylon Fisheries Corporation	-193	4	-7
48	Ceylon Fishery Harbour Corporation	364	637	43
49	Ceylon Fertilizer Company Ltd	113	61	-154 ^(c)
50	Colombo Commercial Fertilizer Company Ltd	501	162	-41 ^(c)
51	Hotel Developers Lanka Ltd	-633	-784	-344
52	Lanka Sugar Company Ltd	6,045	2,828	-307
Total		-774,560	425,996	428,506

Source: SOEs and Department of Public Enterprises

^(a) 2024 Jan- Sep^(b) 2024 April-Oct^(c) 2024 April-June**Table 4.3: Levy/Dividend income from SOEs**

Rs. Mn.

Enterprise	Actuals			Projections	
	2022	2023	As at 31.10.2024	2025	2026
Levy	22,004	60,497	27,645	49,610	52,091
People's Bank	441	-	-	-	-
Ceylon Petroleum Corporation	-	5,000	10,000	15,000	15,750
Telecommunication Regulatory Commission of Sri Lanka	13,200	23,000	9,000	12,700	13,335
State Timber Corporation	320	641	-	100	105
State Pharmaceuticals Manufacturing Corporation	100	300	-	300	315
National Insurance Trust Fund	1,608	2,000	2,189	4,000	4,200
Geological Survey and Mines Bureau	1,000	2,000	1,018	2,000	2,100
National Gem and Jewellery Authority	35	390	25	50	53
Board of Investment of Sri Lanka	416	533	467	500	525
National Lotteries Board	361	1,000	1,060	500	525
Sri Lanka Standards Institution	10	40	13	-	-
Sri Lanka Export Credit Insurance Corporation	50	620	35	150	159
Sri Lanka Tourism Promotion Bureau	-	500	500	600	630
Civil Aviation Authority	1,000	4,000	-	1,000	1,050
State Pharmaceutical Corporation	350	-	100	100	105

Enterprise	Actuals			Projections	
	2022	2023	As at 31.10.2024	2025	2026
National Transport Medical Institute	290	150	700	250	263
Sri Lanka Bureau of Foreign Employment	1,200	7,000	-	1,000	1,050
National Transport Commission	10	300	200	250	262
Sri Lanka Tourism Development Authority	-	75	-	-	-
Sri Lanka Land Reclamation and Development Authority	-	500	-	50	52
Sri Lanka Ports Authority	1,015	8,066	607	10,000	10,500
National Medicine Regulatory Authority	400	646		85	89
Road Development Authority	-	75	861	-	-
Land Reforms Commission	-	350	-	500	525
Condominium Management Authority	50	200	15	15	16
National Institute of Business Management	33	115	-	30	31
Post Graduate Institute of Management	90	25	85	30	31
Urban Development Authority	-	-	4	125	131
Other SOEs	25	2,971	345	275	289
Dividends	6,087	15,204	2,853	6,218	6,529
National Savings Bank	60	30	-	-	-
Bank of Ceylon	346	173	-	-	-
People's Bank	316	158	-	-	-
National Development Bank	1	-	2	-	-
Sri Lanka Insurance Corporation Ltd	1,511	2,272	-	2,000	2,100
Airport and Aviation Services (Sri Lanka)(Pvt) Ltd	500	5,500	-	1,300	1,365
Lanka Mineral Sands Ltd	759	2,500	-	1,200	1,260
Lanka Phosphate Ltd	20	220	75	100	105
Lanka Leyland Ltd	13	6	-	3	3
Rakna Arakshaka Lanka Ltd	-	125	75	50	53
Manthai Salt Ltd. (National Salt Ltd)	-	120	-	5	5
Ceylon Fertilizer Ltd	15	22	-	-	-
Colombo Commercial Fertilizer Ltd	10	60	-	-	-
Paranthan Chemicals Company Ltd	50	305	49	60	63
STC General Trading Company	11	150	50	50	53
Sri Lanka Telecom PLC	1,805	223	-	200	210
De La Rue Lanka (Pvt) Ltd	313	-	1,324	350	368
Lanka Electricity Company Ltd	218	697	436	350	368
Lanka Industrial Estates Ltd	-	174	-	100	105
Ceylon Agro Industries	24	167	202	-	-
Plantation Companies	95	554	540	295	309
Lanka Sugar Company Limited	-	1,597	-	-	-
Lanka Thriposhha Ltd	10	75	100	10	10
Other SOEs	10	75	-	145	152
Total	28,091	75,701	30,498	55,828	58,619

Source: SOEs and Department of Public Enterprises

**Basis Used for the
Preparation of 2025
Budget** | **05**

5.1 Overview

The macroeconomic and fiscal estimates in the Budget 2025 are derived from analyses and evaluations of the Ministry of Finance made during its preparation and are based on a series of assumptions.

This section outlines key macroeconomic indicators considered for the preparation of the revenue and expenditure estimates including GDP, inflation, external sector developments, and unemployment and, highlights sensitivities of the estimates.

5.2 Gross Domestic Product

Sri Lanka's economy stabilized after two years of economic crisis and exhibited the broad-based expansion of sectors such as Agriculture, Industry and Services. The Sri Lankan economy grew by 5.5 percent in the third quarter of 2024. In 2025, the economy is anticipated to make substantial progress towards economic recovery with a projected GDP growth rate of 3 – 5 percent in 2025. Widespread positive growth is expected across all sectors of the economy, driven by the resurgence in domestic economic activity stimulated by increased external demand, improved supply conditions, and the revival of the tourism sector.

The Government has acknowledged the crucial role of agriculture in the economy and has recognized the importance of research laboratories and new seed varieties in driving growth in the sector. These measures are expected to enhance agricultural productivity and thereby to increase production for not only meeting domestic demand, but also catering to the export market through innovation. Such initiatives are expected to provide a fresh momentum to the agricultural sector, significantly contributing to the overall economic growth. The industrial sector is projected to expand significantly, particularly in construction and manufacturing, as domestic activity rebounds from the economic and financial crisis of 2022. The services sector, the largest contributor to GDP, is expected to sustain its steady growth, driven by

the growth in external and domestic trade, telecommunication, tourism, transportation, financial services, and real estate. This will be supported by increased public investments in areas such as transportation, automation, and the digitalization of services. In addition, improving the quality of service delivery by greater efficiency, transparency and, accountability is envisaged to boost public confidence, further strengthening the growth of the service sector.

5.3 Consumer Prices

Sri Lanka recorded a deflation for five consecutive months since September 2024, reaching -4.0 percent in January 2025. The deflation is driven by reduction of energy prices, stronger real exchange rate and improved supply conditions. By January 2025, non-food deflation amounted to 4.7 percent where as food deflation was 2.6 percent.

It is expected that the deflationary trend will continue for several months in 2025 before stabilizing at target inflation rate of 5 percent by mid-2025 supported by appropriate monetary policy measures. Inflation may also increase with the potential increases in global food prices, wage hikes, adverse weather conditions affecting agricultural output and potential high global inflation amid the geopolitical tensions and global policy shifts.

5.4 Employment and Unemployment

The unemployment rate has reduced to 4.1 percent in the third quarter of 2024, compared to 4.7 percent in the same period of 2023. However, labour force participation rate has also reduced to 46.6 percent in the third quarter of 2024 compared to 48.9 percent in the same period of 2023.

With the gradual recovery of the economy and with the envisaged expansions of the all three sectors of the economy, the unemployment rate is expected to further reduce in 2025.

5.5 External Sector

Sri Lanka's external sector demonstrated significant improvement in 2024, driven by strong current account inflows for the second consecutive year and strengthening of foreign reserves. In 2024, merchandise trade deficit widened to USD 6,069 million in 2024 from USD 4,900 million in 2023 with the larger expansion of import expenditure surpassing the growth of export earnings. Earnings from Tourism in 2024 are estimated at USD 3,169 million, compared to USD 2,068 million in 2023, recording a growth of 53.2 percent. Other services sector inflows increased to USD 3,714 million, compared to USD 3,348 million in 2023. Sea transport services and computer & IT/BPO related services were the main contributors to the inflows in 2024. Workers' remittances in 2024 increased by 10.1 per cent to USD 6,575 million, compared to USD 5,970 million in 2023. Gross Official Reserves (GOR) reached USD 6.1 billion by the end of 2024 from USD 4.4 billion at the end of 2023, driven by record-high net purchases by the Central Bank from the domestic foreign exchange market and inflows from multilateral institutions.

It is expected that the merchandise trade deficit will further widen in 2025 with the lifting of the temporary suspension on vehicle imports. However, it is expected that positive external sector performance will be sustained through further increase in export earnings, tourism proceeds and workers' remittances. Further, other non-debt creating inflows such as FDIs are also expected to rebound owing to the implementation of structural reforms and favourable economic environment. In addition, it is expected that Sri Lanka will continue to receive inflows from multilateral agencies in 2025. Thus, the exchange rate is expected to be stable in 2025.

5.6 Monetary Aggregates

The money supply is expected to be maintained at an appropriate level. With the expected increase in revenue up to 15.0 percent of GDP in 2025 and the anticipated reduction in the budget deficit up to 6.7 percent of GDP, it is expected

to reduce to gross financing needs of the government. This will create a more favourable environment for private sector investment.

5.7 Revenue

Assumptions underlying the revenue estimates are detailed in Annex III.

5.8 Expenditure

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

- **Salaries and Wages:** Estimates are based on the public sector workforce of approximately 1.3 million employees. It is assumed that the number of public sector employees will not be considerably increased through new recruitments in 2025. Further, annual salary increments have been factored in to the estimate, along with the potential wage increase of the public sector employees.
- **Pension Payments:** The expenditure estimates for pensions are based on the estimated number of pensioners of 723,000 and the potential increase of pensions in 2025.
- **Interest Payments:** Expenditure on interest payment for 2025 is expected to increase given the impact of restructuring of Treasury Bonds.
- **Goods and Services:** The expenditure on goods and services is envisaged to increase Rs. 416 billion.
- **Subsidies to households:** Spending on Social Safety Nets (SSN) will rise with the increased allocation for Social Safety Net programmes, which includes the *Aswesuma* programme and other categorical programmes catering to the elderly, the disabled and chronic kidney patients. Further, the allocations on other key welfare programmes, such as support for schoolchildren (uniforms and textbooks), differently-abled soldiers, nutrition programs for expectant mothers, free medicine, and fertilizer subsidies for food security is expected to continue with increased funding.

- **Transfers to Public Institutions and Corporations:** These will see only slight increases due to the restructuring of major State-Owned Enterprises (SOEs) and improvement of their financial positions.
- **Public Investment:** In 2025, public investment will be around 4.0 percent of GDP, gearing investments to priority sectors while reducing non-priority and non-essential expenditure.
- **Efficiency of Public Investment:** The Public Financial Management Act, No. 44 of 2024 will enhance the efficiency of public investment through the establishment of the Public Investment Committee and other governing measures specified in the Act.
- **Public Financial Management Act, No. 44 of 2024:** The Act came into effect on August 8, 2024 and will be fully implemented by end December 2025. The structural, procedural and institutional amendments introduced under the Act will, *inter alia*, enhance the transparency, accountability, discipline, effectiveness, efficiency, and economy in the management of the public finances, including expenditure management.
- **IT and Digital Solutions:** Efforts to transform the country into a digital society along with the introduction of 'GovPay' platform for the digitalization of all government payments will enhance public service delivery as well as operational efficiency.
- **Agency Coordination and Monitoring:** Enhanced cooperation among public agencies and string oversight will ensure effectiveness of budgetary allocations, while avoiding duplication
- **Commitment Control Mechanisms:** The Public Financial Management Act, No. 44 of 2024 provides for the establishment of an effective commitment control system which will strengthen fiscal and cash flow management.

5.9 Borrowings

The estimates on government gross borrowing requirements are projected to Rs. 4,000 billion in 2025. The government budget deficit is expected to improve by 0.1 percentage points to 6.7 percent in 2025, compared to the provisional budget deficit of 6.8 percent recorded in 2024.

Further, the Public Debt Management Office (PDMO) has been established with the key responsibilities of management of Government debt, issuance and management of loan guarantees, management of on-lending operations and recording and reporting of public debt. The PDMO will ensure implementation of efficient and transparent borrowing practices.

5.10 Sensitivities to the Estimates

Economic projections could be influenced by several risks and challenges, including:

- **External shocks:** Adjusting to global economic shocks which could arise from geo-political tensions will be challenging. These external shocks may impact domestic international trade, inflation, and overall economic growth.
- **Natural disasters and unfavorable weather conditions:** Adverse weather could negatively impact agriculture, hydropower generation, and government finances.
- **Administrative and procurement delays:**
 - Bureaucratic inefficiencies and delays could slow down economic progress and fiscal operations.
 - **Legislative delays:** Delays in the approval of key fiscal-related Acts in Parliament could materially impact the government's financial position.
 - **State-Owned Enterprises (SOEs) performance:** Underperformance of SOEs and delays in restructuring efforts could hinder economic efficiency and fiscal consolidation.

PART III

Tax Expenditure Statement – 2023/2024

**Issued by the Hon. Minister of Finance, Planning and Economic Development
Under Section 20 of the Public Financial Management Act,
No. 44 of 2024**

This Report includes a statement of Tax expenditures including the total cost of existing tax expenditures and the disclosure of new tax expenditures, to be submitted with the Annual Budget.

**Tax Expenditure
Statement
2023/2024** | **06**

6.1 Introduction

This Tax Expenditure Statement (TES) reports estimates of the revenue forgone from tax expenditures which establishes a transparent reporting and offers a platform to understand the impact of government policies on the society including individuals, households and businesses. This report presents Government's latest estimates of the fiscal cost of tax expenditure and assumptions and the methodology used to produce these estimates. This is the first statement published under the Public Financial Management Act, No. 44 of 2024 and a comprehensive TES is expected to be submitted with the Budget 2026.

Types of tax expenditure items and the type of taxes considered in preparation of this report are as follows;

Tax system primarily aims to raise adequate revenue for financing the Government budget. However, by ways of targeted tax exemptions, deductions, deferrals, allowances and others of tax liability and concessional tax rates, Government expects to achieve social and economic objectives. Tax expenditures are estimates of the total revenue forgone as a result

of exemptions, allowances, credits, rate reliefs and tax deferrals pertaining to tax.

6.2 Benchmarking in Tax Expenditure Statements

Benchmarking in tax expenditure statements involves defining a normative tax system against which deviations such as exemptions, deductions, credits, deferrals, and preferential rates that are identified as tax expenditures. The benchmark serves as a reference to distinguish between structural tax provisions and policy-induced concessions.

A well-defined benchmark typically includes:

- 1. The Tax Base** – The comprehensive income, consumption, or other tax bases as per standard tax principles.
- 2. Tax Rates** – The standard statutory rates applied uniformly without preferential treatment.
- 3. Structural Elements** – Core features necessary for tax administration, such as loss carry-forward provisions or inflation adjustments.

Table 6.1: Tax Expenditure Classification

Tax Expenditure Items	Tax Expenditure by Type of Taxes			
	Personal Income Tax	Corporate Income Tax	Consumption Taxes (VAT)	Customs
Preferential tax rates	✓	✓	✓	
Tax holidays		✓		
Special Zones		✓	✓	✓
Capital Recovery Incentives		✓		
Exemptions	✓	✓		✓
Investment Subsidies		✓		
Tax deferrals		✓	✓	✓
Fiscal regime benefits for extractive industries		✓	✓	✓

Table 6.2: Tax Expenditure by tax type

Tax Expenditure Items	Reporting Time Period	Tax Expenditure (Rs. Mn.)
Personal Income Tax (PIT)	2023/24	12,248
Corporate Income Tax (CIT)	2023/24	243,224
Consumption Taxes (VAT)	2024	333,104
Custom Import Duties (CID)	2024	375,116
Luxury Tax on Motor Vehicles	2024	1,928

Tax expenditures, therefore, include provisions that deviate from this benchmark, such as:

- Exemptions (e.g., tax-free thresholds or sector-specific exemptions)
- Preferential tax rates (e.g., lower rates for specific industries or income sources)
- Deductions and allowances (e.g., investment allowances, accelerated depreciation)
- Tax credits (e.g., Research & Development tax credits, employment-related incentives)
- Deferrals (e.g., tax deferrals on capital gains)

Tax concessions under trade agreements (e.g., preferential tax treatment for businesses operating under Free Trade Agreements (FTAs) or Double Taxation Agreements (DTAs)) are not considered as tax expenditures as these provisions are policy-driven, and therefore, can be considered as part of the standard system.

Similarly, since Sri Lanka has a progressive income tax system, the tax-free threshold, which is a portion of income that is not taxed to ensure equity, is considered as part of the benchmark and not considered a tax expenditure. Further, the tax-free threshold is designed to reduce the tax burden on low-income earners rather than as a discretionary concession. Considering the above, tax-free threshold can be considered as part of the standard system.

6.3 Basis for Tax Expenditure Calculation

This tax expenditure statement is prepared on the following basis;

- a) There are three main approaches to estimate revenue foregone
 - (i). The Revenue foregone by providing the raw benefit
 - (ii). The Revenue gained by providing the raw benefit
 - (iii). Outlay equivalent the amount of direct government funding that would be needed to provide the

same financial benefits to taxpayers without the expenditures.

This estimate uses the "revenue forgone" method, which is an ex-post calculation of the loss of the revenue incurred by the Government. It assumes that the tax payers' behavior remains unchanged in response to withdrawal of tax expenditure.

- b) Inland Revenue Department (IRD) calculations are based on the tax returns submitted.
- c) Base erosion of revenue due to valuation issues, procedural errors, transfer pricing and non-compliance are not considered.
- d) Tax expenditure on free services provided by Government is not taken into consideration.
- e) Tax expenditure calculations on Personal Income Tax and, Corporate Income Tax calculations are based on 2023/24 actual data & estimates.
- f) Tax expenditure calculations on Value Added Tax and import taxes are based on 2024 actual data.
- g) Tax expenditure calculations for Luxury tax on motor vehicles are based on actual data as at end December, 2024.
- h) Any deviations from the Schedules in the Inland Revenue Act, No.24 of 2017 are treated as tax expenditure;
 - 1st Schedule = Tax Rates
 - 2nd Schedule = Investment incentives
 - 3rd Schedule = Exempt Amounts
 - 4th Schedule = Capital Allowances, Balancing Allowances and Assessable Charges
 - 5th Schedule = Qualifying Payments and Reliefs
 - 6th Schedule = Temporary Concessions
- i) Tax concessions granted to BOI

undertakings were considered in calculating tax expenditure at the point of importation.

- j) Luxury Tax Concession granted under the Scheme for Granting Permits to Import Fully Electric Vehicles for Sri Lankans Employed Abroad (Migrant workers remittance scheme) have been considered in calculating the tax expenditures.

6.4 Tax Expenditure Estimates

Personal Income Tax (PIT)

Effective from January 01, 2023, personal relief was reduced to Rs. 1.2 million per annum from Rs. 3.0 million per annum and the expenditure relief of Rs 1.2 million per annum was removed. Personal Income Tax was levied under 6 slabs of Rs. 500,000 at the rates of 6 percent, 12 percent, 18 percent, 24 percent, 30 percent and 36 percent.

With the tax policy revisions that reduced of personal tax-free limit, the removed expenditure relief, removed exemptions and narrowed the tax slab, the personal tax expenditure amount will most likely be significantly reduced with effect from the year of assessment 2023/2024.

The following PIT rate structure is proposed to be implemented with effect from April 1, 2025;

Table 6.3: Proposed PIT Rate Schedule

Marginal Tax rate (%)	Tax Slab (Rs.)
0	Up to 1.8 Mn.
6	1.8 – 2.8 Mn.
12	-
18	2.8 – 3.3 Mn.
24	3.3 – 3.8 Mn.
30	3.8 – 4.3 Mn.
36	Over 4.3 Mn.

The personal income tax expenditures for the year 2023/24 are provided in Table 6.4.

Table 6.4: Personal Income Tax Expenditure

Expenditure Type	Tax Expenditure (Rs. Mn.)
	2023/24
Relief and Qualifying payments Exempted	938
Total	12,310

Source: Inland Revenue Department

Corporate Income Tax (CIT)

The increase of Corporate Income Tax rate from 24 percent to 30 percent and the removal of sector specific concessionary rates were implemented with effect from October 01, 2022. The impact of the above revisions is not fully reflected in the Tax Expenditure Statement for 2022/23 as the revisions have only been effective for two quarters in the said year of assessment. However, the full impact of the CIT changes are reflected in the CIT expenditure for 2023/24.

Table 6.5: Corporate Income Tax Expenditure for 2023/24

Sector	Expenditure Type	Tax Expenditure (Rs. Mn.)
BOI	SDP	
	Concessionary Rate	-
	Exempted	123
	Non-SDP	
Non-BOI	Concessionary Rate	41,682
	Exempted	
	Concessionary Rate	201,419
	Exempted	

Source: Inland Revenue Department

Value Added Tax (VAT)

Value Added Tax expenditures are higher for non-BOI sector compared to the BOI sector. Out of the BOI companies, manufacturing sector and services and utility sector have mostly benefited from VAT incentives. Banks and financial sector are not considered due to their liability for VAT on financial services.

Vast majority of VAT exemptions were removed and VAT registration threshold was reduced from Rs. 80 million per annum to Rs. 60 million per annum with effect from January 01, 2024.

Table 6.6: Value Added Tax (VAT) Expenditure by Sector for 2024

Sector	Tax Expenditure Rs. Mn.
BOI	
Agriculture	1,628
Apparel	355
Infrastructure	1,085
Knowledge Services	877
Manufacturing	17,266
Services and Utility	11,048
Tourism	255
Total	32,515
Non-BOI	300,590

Source: Inland Revenue Department

Taxes on Imports

Customs Import Duty is the major contributor to tax expenditure on import taxes. Deferral of taxes under Temporary Imports Export Processing (TIEP) scheme was not considered for tax expenditure, since the tax, if paid, is refundable after the goods are exported. Tax deferrals granted on project cargo for specified projects where the Government has to bear the tax cost is not taken into account in calculating the tax expenditure.

Tax exemptions granted for BOI undertakings are considered for tax expenditure.

Table 6.7: Sector wise Tax Expenditure on Custom Duties for 2024

Sector	Tax Expenditure (Rs. Mn.)
BOI	92,725
Non-BOI	282,391
Total	375,116

Source: Sri Lanka Customs

Luxury Tax on Motor Vehicles

Luxury tax on motor vehicles is a special levy imposed under Section 19 of the Finance Act, No. 35 of 2018, on high-value vehicles, primarily to regulate luxury consumption, generate government revenue, and promote social equity in taxation. This tax is generally applicable to vehicles exceeding a specified threshold based on CIF (Cost, Insurance, and Freight) value or ex-factory price, for locally assembled vehicles.

The luxury tax threshold for electric vehicles is Rs. 6 million, with any amount exceeding this threshold subject to a 60% tax rate. However, under the Scheme for Granting Permits to Import Fully Electric Vehicles for Sri Lankans Employed Abroad, the threshold was revised to Rs. 12 million, allowing eligible individuals to receive a maximum concession of Rs. 3.6 million under this scheme.

Table 6.8: Summary of Luxury Tax on Motor Vehicles Exemptions- As at 31.12.2024

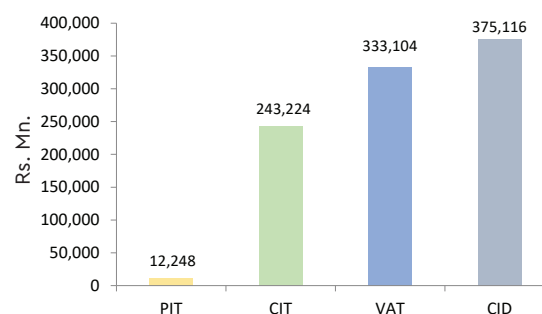
Year	Number of beneficiaries	Tax Expenditure (Rs. Mn.)
2023	162	491
2024	721	1,928

Source: Sri Lanka Customs

6.5 Conclusion

Highest amount of tax expenditure has been incurred through tax expenditure incurred for CID followed by VAT.

Chart 6.1: Summary of Tax Expenditure (Rs. Mn.) for 2023/24*



*Different types of tax expenditures which are calculated for different taxable periods cannot be aggregated.

However, with the recent tax policy reforms including the removal of a vast majority of VAT exemptions from January 01, 2024, the tax expenditure estimated for the year 2023/24 and onwards is expected to be significantly lowered.

Table 6.9: Individual Income Tax Expenditure 2023/24

Exemption	Total Relief Amount (Rs. Mn.)	Tax after including exempt or relief (Rs. Mn.)	Actual (Rs. Mn.)	Tax expenditure (Rs. Mn.)
Relief for Rent income	7,253			
Relief for Expenditure*	2,270			
Qualifying Payment	938			
Exemption – Employment		157,367	148,256	9,111
– Business	11,310			
– Investment				

*Relief for expenditure only include solar panel

Source: Inland Revenue Department

Table 6.10: Corporate Income Tax expenditure 2023/24

Description	Tax base (Rs.)	Tax Rate (%)	Tax (Rs.)	Tax base (Rs.)	Standard Rate	Tax (Rs.)	Tax expenditure (Rs.)
	1,217.88	1	12	1,218	30	365	353
	216.40	2	4	216	30	65	61
	21.25	6	1	21	30	6	5
	1.34	7.5	0	1	30	0.403	0
	0.02	8	0	0	30	0.005	0
Tax Laible income tax under concessionary Rate	114.19	10	11	114	30	34	23
	406,261.98	14	56,877	406,262	30	121,879	65,002
	43,212.96	15	6,482	43,213	30	12,964	6,482
		20	1,629	8,143	30	2,443	814
	8,143.28						
	1.75	24	0	2	30	1	0
Total	459,191		65,017	459,191		137,757	72,740
Exempt Amounts under Third Schedule of the Inland Revenue Act, No. 24 of 2017	413,589			413,589	30%	124,076.84	124,077
Exemptions under the Provisions of the Inland Revenue Act, No. 10 of 2006	15,341			15,341	30%	4,602.31	4,602
Total	428,931			428,931		128,679	128,679
Grand Total	888,122			888,122		266,436	201,419

Source: Inland Revenue Department

Table 6.11: VAT Expenditure by Sector for BOI Companies 2024

Sector	Tax Base	Tax Rate	Tax Rate	Estimated Tax	Tax Expenditure
Agriculture	9,047	Exempted	18%	1,628	1,628
Apparel	1,974	Exempted	18%	355	355
Infrastructure	6,029	Exempted	18%	1,085	1,085
Knowledge Services	4,872	Exempted	18%	877	877
Manufacturing	95,923	Exempted	18%	17,266	17,266
Power	–	Exempted	18%	–	–
Services and Utility	61,377	Exempted	18%	11,048	11,048
Tourism	1,416	Exempted	18%	255	255
Grand Total	180,637			32,515	32,515

Source: Inland Revenue Department

The Outstanding List of Treasury Guarantees & Letters of comfort Issued by the General Treasury as at December 31, 2024

S. No.	Name of the Bank or Institution	Name of Institution	Outstanding Value Rs.Mn. as at 31.12.2024	
1	Asian Development Bank	Ceylon Electricity Board	94,587.78	109,438.59
		Regional Development Bank	14,850.81	
2	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	35,641.94	35,641.94
3	Bank of Ceylon	Building Materials Corporation Ltd	500.00	242,651.67
		Ceylon Electricity Board	4,280.00	
		Ceylon Fisheries Corporation	158.62	
		Ceylon Petroleum Corporation	-	
		General Sir John Kotelawala Defence University	69.91	
		Janatha Estates Development Board	103.52	
		Lanka Coal Company (Pvt) Ltd	25,692.05	
		National School of Business Management Limited	5,765.00	
		National Water Supply & Drainage Board	39,826.53	
		Northsea Limited	37.41	
		Paddy Marketing Board	345.73	
		Road Development Authority	115,208.44	
		Sri Lanka Rupavahini Corporation	52.09	
		Sri Lankan Airlines Limited	44,086.70	
		State Development and Construction Corporation	990.60	
State Engineering Corporation	2,399.99			
Mihin Lanka Limited	3,135.08			
4	China Development Bank	National Water Supply & Drainage Board	42,657.47	42,657.47
5	China National Chemical Engineering No.14 Construction Co. Ltd	Ceylon Petroleum Corporation	7,544.21	7,544.21
6	Commercial Bank	National Water Supply & Drainage Board	556.77	5,312.70
		Road Development Authority	4,755.93	
7	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	51,977.84	51,977.84
8	DFCC Bank	National Water Supply & Drainage Board	3,658.91	8,685.85
		Road Development Authority	5,026.94	
9	Exim Bank of India	National Water Supply & Drainage Board	45,259.33	45,259.33
10	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	32,416.90
		Ceylon Electricity Board	429.94	
		National Water Supply & Drainage Board	7,853.81	
		Road Development Authority	20,133.15	
11	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	8,761.98	8,761.98
12	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	7,879.84	7,879.84
13	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	22,176.57	22,176.57
14	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	5,805.55	5,805.55
15	National Development Bank PLC	National Water Supply & Drainage Board	15,290.45	21,590.29
		Road Development Authority	6,299.84	
16	National Savings Bank	Ceylon Electricity Board	4,000.00	179,438.46
		General Sir John Kotelawala Defence University	33,896.09	
		National Water Supply & Drainage Board	28,436.37	
		Road Development Authority	111,288.57	
		Sri Lanka Land Reclamation & Development Corporation	1,067.44	
		Techno Park Development Company Private Limited	750.00	

S. No.	Name of the Bank or Institution	Name of Institution	Outstanding Value Rs.Mn. as at 31.12.2024	
17	People's Bank	Ceylon Electricity Board	12,543.67	138,692.20
		Ceylon Petroleum Corporation	1,606.86	
		Ceylon Shipping Corporation Ltd	14,262.72	
		Lanka Sathosa Limited	4,554.66	
		National Paper Corporation	55.53	
		National Water Supply & Drainage Board	3,532.98	
		Paddy Marketing Board	751.99	
		Road Development Authority	43,840.47	
		Sri Lanka State Plantation Corporation	91.50	
		Sri Lankan Airlines Limited	50,053.31	
		State Printing Corporation	48.32	
		Techno Park Development Company Private Limited	750.00	
		Mihin Lanka Limited	3,036.00	
		Sri Lanka Insurance Corporation	3,564.19	
18	Sampath Bank	Road Development Authority	10,545.45	10,545.45
19	Sri Lanka Savings Bank	Northsea Limited	56.86	56.86
20	UniCredit Bank Austria AG	National Water Supply & Drainage Board	12,686.54	12,686.54
21	International Air Transport Association(IATA)	Sri Lankan Airlines Limited	3,445.39	3,445.39
22	Reserve Bank of India	Central Bank of Sri Lanka	460,799.52	460,799.52
23	Paddy Marketing Board	Co-operative Wholesale Establishment	729.60	729.60
24	Export Development Board	Bank of Ceylon and Peoples Bank	60.00	60.00
		Grand Total	1,454,254.75	1,454,254.75

Macroeconomic Indicators

TABLE 1 : Key Sectoral Growth Rate % 2022–2024

	2022	2023	2024		
			Q1 ^(a)	Q2 ^(a)	Q3 ^(a)
GDP	-7.3	-2.3	5.3	4.7	5.5
Agriculture	-4.2	2.6	1.1	1.7	3.0
Industry	-16.0	-9.2	11.8	10.9	10.8
Services	-2.6	-0.2	2.6	2.5	2.6
Inflation – GDP Deflator (%)	47.5	17.5	3.0	5.9	2.6
Unemployment Rate (%)	4.7	4.7	4.5	4.7	4.1

Source : Department of Census and Statistics

(a) Provisional

TABLE 2 : Quarterly Growth Rates of Key Sub-Sectors of Agriculture

Sector	2022	2023	2024 ^(a)		
			Q1	Q2	Q3
Tea (Mn kg)	251.8	256.1	58.3	69.0	68.3
Growth %	-15.9	1.7	-1.9	-7.5	17.0
Rubber (Mn kg)	70.9	64.4	19.3	15.2	15.1
Growth %	-7.8	-9.2	3.2	-17.4	-9.6
Coconuts (Mn nuts)	3,391.4	3,169.7	790.9	796.4	789.3
Growth %	8.7	-6.5	0.1	1.9	-2.4
Fish ('000 Mt)	397.2	406.6	103.1	92.7	111.9
Growth %	-8.9	2.4	0.3	3.5	10.2
		2022	2023		
		Yala	Maha	yala	
Paddy ('000 Mt)	1,461.7	2,696.0	1,817.4		

Source : Central Bank of Sri Lanka

(a) Provisional

TABLE 3 : Performance in Industrial Sector : 2022 – 2024

Description	2022	2023	2024 ^(a)			Rs. Mn.
			Q1	Q2	Q3	
Food, Beverages and Tobacco Products	869,373	899,777	272,090	199,736	253,505	
Growth Rate	-14.3	3.5	11.9	5.0	1.8	
Textile, Wearing Apparel and Leather Related Products	511,863	450,498	155,602	94,093	182,430	
Growth Rate	8.0	-12.0	6.6	6.6	13.5	
Chemical Products and Basic Pharmaceutical Products	82,349	82,949	17,439	33,233	21,982	
Growth Rate	-14.0	0.7	19.9	24.0	1.2	
Rubber and Plastic Products	67,505	56,157	12,460	18,585	17,437	
Growth Rate	-30.7	-16.8	9.7	7.0	9.0	
Non-metallic Mineral Products	85,182	84,671	24,074	21,951	15,946	
Growth Rate	-29.0	-0.6	5.3	5.5	-3.0	
Furniture	60,837	56,089	14,571	21,584	11,913	
Growth Rate	-26.4	-7.8	1.3	8.0	2.3	
Total Industrial Sector	3,308,578	3,003,096	896,473	777,045	898,642	
Overall Industrial Growth	-16.0	-9.2	11.8	10.9	10.8	

Source : Department of Census and Statistics

(a) Provisional

TABLE 4 : Performance in Electricity Generation and Services Sector : 2023 – 2024

Category	2023			2024 ^(a)				
	Q1	Q2	Oct	Jan-Oct	Q1	Q2	Oct	Jan-Oct
Electricity Generation								
Total Generation (GWh)(Excluding Self Generation)	3,748.2	3,963.5	1,312.6	13,052.1	4,103.2	4,142.0	1,436.0	14,000.6
Growth Rate	-10.8	-0.3	0.2	-3.0	9.5	4.5	9.4	7.3
Hydro (excluding mini hydro)	917.3	811.7	546.8	3,098.7	1,258.9	1,243.8	388.4	4,236.9
Growth Rate	-0.9	-27.3	-13.7	-28.3	37.2	53.2	-29.0	36.7
Fuel Oil	738.3	995.2	79.3	3,057.6	709.5	593.4	333.7	2,096.1
Growth Rate	-39.9	73.8	73.1	33.8	-3.9	-40.4	321.0	-31.4
Coal	1,520.3	1,356.3	355.0	4,263.7	1,474.1	1,470.6	398.7	4,795.2
Growth Rate	-1.8	-8.1	3.4	-2.6	-3.0	8.4	12.3	12.5
NCRE (Including mini hydro)	572.4	800.2	331.6	2,632.1	660.7	834.2	315.1	2,872.3
Growth Rate	14.5	-1.0	15.8	6.4	15.4	4.2	-5.0	9.1
Hydro: Fuel Oil: Coal: NCRE Ratio	25:20:41:15	21:25:34:20	42:6:27:25	24:23:33:20	31:17:36:16	30:14:36:20	27:23:28:22	30:15:34:21
Reservoir Water Level % (End Period AVERAGE)	56.3	33.1	59.1	42.7	81.2	56.8	63.4	69.4
Port Services								
Total Cargo Handled ('000 MT)	22,655.5	26,973.2	7,547.7	94,028.7	30,500.5	28,477.8	9,229.8	109,023.4
Growth Rate	-20.2	6.9	1.3	1.6	34.6	5.6	22.3	15.9
Total Container Handled ('000 TEUs)	1,619.8	1,838.1	511.8	6,308.2	2,008.8	1,881.7	644.4	7,105.9
Growth Rate	-12.4	7.8	-2.8	0.0	24.0	2.4	25.9	12.6
Telecommunications Services (No. of Subscribers)								
Fixed Lines ('000)	2,516.8	2,441.6	2,389.4		Q1	Q2	Q3	
Growth Rate	-10.1	-19.4	-19.7		2,180.9	2,155.3	2,525.7	
Cellular ('000)	28,117.3	29,051.7	29,034.5		-13.3	-11.7	5.7	
Growth Rate	-7.7	-1.7	-0.1		27,977.4	29,004.5	28,884.5	
Total Fixed Lines and Cellular ('000)	30,634.1	31,493.3	31,423.9		-0.5	-0.2	-0.5	
Growth Rate	-4.0	-4.0	-1.9		30,158.3	31,159.8	31,410.1	
Internet and email ('000)	21,810.0	21,919.5	22,083.9		-1.6	-1.1	0.0	
					22,512.6	23,349.5	22,958.2	

Source : Central Bank of Sri Lanka

(a) Provisional

TABLE 5 : Export Performance in 2023 – 2024

Item	USD Mn.	
	2023 Jan-Nov	2024 Jan-Nov ^(a)
Agricultural Products	2,359.9	2,517.9
Tea	1,198.8	1,304.3
Rubber	26.5	23.6
Coconut Products	313.6	380.5
Other Agricultural Products	821.0	809.5
Industrial Products	8,486.8	9,105.3
Textile and Garments	4,439.0	4,613.4
Petroleum Products	478.3	975.5
Other Industrial Products	3,569.5	3,516.4
Mineral Export	36.5	23.0
Other Exports	25.7	24.0
Total Exports	10,908.9	11,670.2

Source : Central Bank of Sri Lanka

(a) Provisional

TABLE 6 : Import Performance in 2023 – 2024

Item	USD Mn.	
	2023 Jan-Nov	2024 Jan-Nov ^(a)
Consumer Goods	2,771.2	3,068.1
Cereals and Milling Industry Products	108.7	114.5
Sugar	390.4	346.0
Other Food Products	1,041.9	1,211.3
Other Consumer Goods	1,230.1	1,396.3
Intermediate Goods	10,058.2	10,789.7
Fuel	4,288.5	3,920.4
Wheat and Maize	318.3	324.3
Fertilizer	200.5	173.9
Textile & Clothing	2,188.0	2,594.5
Other Intermediate Goods	3,063.0	3,776.6
Investment Goods	2,477.5	3,051.6
Other Imports	15.7	7.6
Total	15,322.6	16,916.9

Source : Central Bank of Sri Lanka

(a) Provisional

TABLE 7 : Balance of Payments – 2024

USD Mn.

Item	2024		
	Q1 ^(a)	Q2 ^(a)	Q3 ^(a)
Current Account Balance	753	432	303
Trade Balance	-1,219	-1,321	-1,660
Exports	3,179	2,966	3,374
Imports	4,398	4,286	5,034
Services (net)	1,155	751	881
Receipts	1,861	1,457	1,787
Payments	706	706	906
Primary Income (net)	-687	-567	-577
Receipts	115	136	176
Payments	802	703	753
Secondary Income (net)	753	432	303
Secondary income: credit	6,693	6,169	7,040
Secondary income: debit	5,940	5,737	6,737
Capital Account (net)	12	13	13
Capital account: credit	18	20	21
Capital account: debit	6	7	8
Current and Capital Account (net)	765	445	317
Financial Account (net)	409	280	344
Direct Investment: Assets	7	7	7
Direct Investment: Liabilities	131	384	45
Portfolio Investment: Assets	93	65	198
Debt securities	93	65	198
Portfolio Investment: Liabilities	76	108	146
Equity and investment fund shares	-14	-2	27
Debt securities	90	110	119
Financial Derivatives	-	-	-
Other Investment: Assets	-73	138	1
Currency and deposits	-27	-68	-186
Trade credits and advances	54	52	73
Other accounts receivable	-101	154	114
Other Investment: Liabilities	183	75	-46
Currency and deposits	-222	-155	-68
Loans	420	261	50
Trade credits and advances	-14	-31	-28
Other accounts payable	-	-	-
Special Drawing Rights (SDRs)	-	-	-
Reserve Assets	772	637	284
Net Errors and Omissions	-356	-165	27
Overall Balance	720	1,761	2,285

Source : Central Bank of Sri Lanka

(a) Provisional

TABLE 8 : International Reserves

Item	USD Mn.					
	End 2023	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024
Total External Reserves	9,373	10,767	10,947	11,143	11,254.0	11,625
Months of Imports	6.7	7.5	7.4	7.5	7.4	7.6
Gross Official Reserves	4,392	5,654	5,652	5,959	5,994	6,472
Months of Imports	3.1	3.9	3.8	4.0	4.0	4.2

Source : Central Bank of Sri Lanka

TABLE 9 : Government Foreign Currency Debt Outstanding

Items	USD Mn.
	End Sep. 2024 (Provisional) *
Central Government Foreign Debt and Dollar dominated Domestic Debt	38,267.76
Central Government Foreign Debt ^{(a) (b) (c) (d) (e)}	36,539.72
Dollar dominated Domestic Debt	1,728.04
Sri Lanka Development Bonds (SLDBs) ^{(a) (d)}	-
Loans Foreign Currency Banking Units (FCBUs) ^(f)	-
International Sovereign Bonds (ISBs) ^{(a) (d)}	1,728.04
Domestic project loans denominated in foreign currency ^(f)	n.a.

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 bonds.

^(c) Foreign Project, Term and Syndicated Loan debt outstanding is compiled based on CS-DRMS reports downloaded on 08th November 2024 (Cutoff – end September 2024).

^(d) The outstanding central government debt excludes several debt service payments that became overdue after 12 April 2022, the date of which the Interim Policy regarding the servicing of Sri Lanka's external public debt was announced by the Ministry of Finance, Planning and Economic Development. These debt service payments comprise of overdue interest payments of affected debt which deemed to be capitalised as per the Interim Policy.

^(e) From 2023 onwards, domestic debt compilation method was change and is based on the data confirmed by the Ministry of Finance, Planning and Economic Development.

* Exchange rate used 1 US \$ = 299.3565 (Date = 30 Sep 2024)

n.a. – Not available

TABLE 10 : Movements in Selected Exchange Rates (Against the USD)

Currency	Appreciation (+) / Depreciation (-)		
	End 2022 – End 2023	End 2023 – Oct 2024	End 2023 – End 2024
Sri Lanka Rupee	12.10	10.28	10.71
Indian Rupee	-0.42	-1.12	-2.84
Bangladesh Taka	-6.01	-8.16	-8.16
Pakistan Rupee	-19.65	1.59	1.36
Singapore Dollar	2.01	-0.48	-2.98
Thailand Bhat	0.98	1.48	0.15
Taiwan Dollar	0.01	-4.16	-6.26
Indonesian Rupiah	1.25	-1.89	-4.34
Philippine Peso	0.65	-4.98	-4.26
Korean Won	-1.93	-6.96	-12.64
Japanese Yen	-6.22	-7.85	-9.63

Source : Central Bank of Sri Lanka

TABLE 11 : Central Bank Holdings of Government securities

End Period	Gross (Face Value)	Rs. Bn.
		Net of Repos (Book Value)
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	1,960.10
2022	2,598.20	3,186.50
2023	2,743.62	1,956.00
End of Nov 2024	2,515.62	1,540.20

Source : Central Bank of Sri Lanka

TABLE 12 : Commercial Banks' Loans and Advances to the Private Sector – Sep 2024 ^{(a)(b)(c)}

Sector	Amount (Rs. Mn.)	as a % of Total
1. Agriculture & Fishing	721,969	9.1
<i>of which...</i>		
Tea	166,565	2.1
Rubber	40,965	0.5
Coconut	32,598	0.4
Paddy	49,885	0.6
Vegetable, Fruit Cultivation and Minor Food Crops	37,449	0.5
Livestock and Dairy Farming	45,292	0.6
Fisheries	30,384	0.4

Sector	Amount (Rs. Mn.)	as a % of Total
2. Industry	3,060,871	38.5
<i>of which...</i>		
Construction	1,431,694	18.0
<i>of which...</i>		
– Personal Housing including Purchasing/Construction/Repairs	608,525	7.7
– Staff Housing	92,978	1.2
Food and Beverages	213,709	2.7
Textiles and Apparel	282,673	3.6
Wood and Wood Products including Furniture	37,596	0.5
Paper and Paper Products	35,201	0.4
Chemical, Petroleum, Pharmaceutical, Healthcare and Rubber and Plastic Products	200,153	2.5
Non-metallic Mineral Products	28,622	0.4
Basic Metal Products	55,972	0.7
Fabricated Metal Products, Machinery and Transport Equipment	183,223	2.3
Other Manufactured Products	74,277	0.9
3. Services	2,242,102	28.2
<i>of which...</i>		
Wholesale and Retail Trade	635,468	8.0
Tourism	328,722	4.1
Financial and Business Services	419,494	5.3
Transport	68,016	0.9
Communication and Information Technology	140,553	1.8
Printing and Publishing	34,191	0.4
Education	32,879	0.4
Health	109,982	1.4
Shipping, Aviation, Supply and Freight Forwarding	51,466	0.6
4. Personal Loans and Advance^(d)	1,919,930	24.2
<i>of which...</i>		
Consumer Durables	306,156	3.9
Pawning	609,877	7.7
Credit Card	159,943	2.0
Personal Education	30,104	0.4
Personal Healthcare	1,265	0.0
5. Other	768,489	9.7
Total ^(e)	7,944,872	100.0

Source: Central Bank of Sri Lanka

^(a) Based on the Quarterly Survey of Commercial Banks' Loans and Advances to the Private Sector, which includes loans and advances of both DBUs and OBUs of licensed commercial banks.

^(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 13 : Interest Rate Movements in 2023 – 2024

Interest Rate	End Dec 2023	End June 2024	End Sep 2024	End Nov 2024	End Dec 2024
Policy Rates of the Central Bank					
Standing Deposit Facility Rate (SDFR)	9.00	8.50	8.25	7.50	7.50
Standing Lending Facility Rate (SLFR)	10.00	9.50	9.25	8.50	8.50
Weighted Average Call Money Rate (AWCMR)	9.40	8.80	8.70	8.30	8.00
Weighted Average OMO Auction Rate (Reverse Repo)- Overnight	-	-	-	-	8.00
Treasury Bill Rates					
91-days	14.51	10.07	10.49	8.73	8.62
182-days	14.16	10.19	10.72	8.97	8.77
364 -days	12.93	10.31	10.05	9.08	8.96
Lending Rates					
Average Weighted Prime Lending Rate(AWPR) (weekly)	12.13	8.78	8.70	9.10	8.92
Average Weighted Prime Lending Rate (AWPR) (monthly)	12.39	9.08	9.31	9.11	8.92
Average Weighted Lending Rate(AWLR)	14.21	12.47	12.14	12.06	11.93
Deposit Rates					
Average Weighted Deposit Rate (AWDR)	11.64	8.38	7.70	7.59	7.53
Average Weighted Fixed Deposit Rate (AWFDR)	11.82	10.39	9.46	9.36	9.27

Source : Central Bank of Sri Lanka

Assumptions for Revenue Estimates – 2025

The assumptions are made in line with section 49 of the Public Financial Management Act, No. 44 of 2024 (PFMA).

The revenue estimates for 2025 are based on key factors including trend or long-run averages for growth rates, the actual revenue collected in 2024, revenue gains expected from the new measures, developments of the macroeconomic and demographic variables, and the staff's best judgment about the revenue performance.

The broad assumptions are as follows.

- The economy is expected to grow by 3 – 5 percent in 2025 aided by both domestic and external developments. Growth is expected to expand with the contributions from all three sectors of the economy ie., Agriculture, Industry, and Services.
- Inflation is projected to remain at an average of mid-single-digit level at 5 percent in 2025.
- The unemployment rate is expected to be below 5.0 percent in 2025.
- The exchange rate is expected to be stable in 2025.
- Increase in import-based taxes with the removal of import restrictions on motor vehicle imports.
- Implementation of the PFMA to improve fiscal policy for better macroeconomic management.
- Strengthening revenue administration strategies implemented in the Inland Revenue Department (IRD), Sri Lanka Customs (SLC) and Excise Department.
- Increased tax compliance at IRD with the implementation of the strategy of opening a tax file for all individuals over 18 years of age, the introduction of mandatory e-filing for individuals, implementation of the VAT compliance programme, removal of simplified Value Added Tax (SVAT), increasing audit efficiency, strengthening of tax administration strategies implemented at IRD.
- Implementation of KPIs for IRD, SLC and Excise Department and implementation of code of conduct and establishment of Internal Affairs Unit at three revenue collecting agencies to improve governance.

TABLE 1 : Excise (SpecialProvisions) Duty Structure for Motor Vehicles Duty Structure (As at 01.02.2025)

Item / Engine Capacity	Rate
(i) Cars – Petrol	
Less than 1,000 cc	Rs.1,992,000/-per unit or Rs.2,450/-per cm ³
1,000 cc -1,300 cc	Rs.3,850/-per cm ³
1,300 cc -1,500 cc	Rs.4,450/-per cm ³
1,500 cc -1,600 cc	Rs.5,150/-per cm ³
1,600 cc -1,800 cc	Rs.6,400/-per cm ³
1,800 cc -2,000 cc	Rs.7,700/-per cm ³
2,000 cc -2,500 cc	Rs.8,450/-per cm ³

Item / Engine Capacity	Rate
2,500 cc -2,750 cc	Rs.9,650/-per cm ³
2,750 cc -3,000 cc	Rs.10,850/-per cm ³
3,000 cc -4,000 cc	Rs.12,050/-per cm ³
Exceeding 4,000 cc	Rs.13,300/-per cm ³
(i) Cars – Diesel	
Less than 1,500 cc	Rs.5,550/-per cm ³
1,500 cc -1,600 cc	Rs.6,950/-per cm ³
1,600 cc -1,800 cc	Rs.8,300/-per cm ³
1,800 cc -2,000 cc	Rs.9,650/-per cm ³
2,000 cc -2,500 cc	Rs.9,650/-per cm ³
2,500 cc -2,750 cc	Rs.10,850/-per cm ³
2,750 cc -3,000 cc	Rs.12,050/-per cm ³
3,000 cc -4,000 cc	Rs.13,300/-per cm ³
Exceeding 4,000 cc	Rs.14,500/-per cm ³
(ii) Cars – Hybrid / Petrol	
Less than 1,000 cc	Rs.1,810,900/-per unit
1,000 cc -1,300 cc	Rs.2,750/-per cm ³
1,300 cc -1,500 cc	Rs.3,450/-per cm ³
1,500 cc -1,600 cc	Rs.4,800/-per cm ³
1,600 cc -1,800 cc	Rs.6,300/-per cm ³
1,800 cc -2,000 cc	Rs.6,900/-per cm ³
2,000 cc -2,500cc	Rs.7,250/-per cm ³
2,500 cc -2,750 cc	Rs.8,450/-per cm ³
2,750 cc -3,000 cc	Rs.9,650/-per cm ³
3,000 cc -4,000 cc	Rs.10,850/-per cm ³
Exceeding 4 000 cc	Rs.12,050/-per cm ³
(iv) Cars – Hybrid / Diesel	
Less than 1,000 cc	Rs. 4,150/-per cm ³
1,000 cc -1,300 cc	Rs. 4,150/-per cm ³
1,300 cc -1,500 cc	Rs. 4,150/-per cm ³
1,500 cc -1,600 cc	Rs.5,550/-per cm ³
1,600 cc -1,800 cc	Rs.6,900/-per cm ³
1,800 cc -2,000 cc	Rs.8,350/-per cm ³
2,000 cc -2,500 cc	Rs.8,450/-per cm ³
2,500 cc -2,750 cc	Rs.9,650/-per cm ³
2,750 cc -3,000 cc	Rs.10,850/-per cm ³
3,000 cc -4,000 cc	Rs.12,050/-per cm ³
Exceeding 4,000 cc	Rs.13,300/-per cm ³
(v) Electric Cars	
Car- Electric – By ExternalSource or Generator	
Less than 50kW	Rs.18,100/-per kW
50kW -100kW	Rs.24,100/-per kW
100kW -200kW	Rs.36,200/-per kW
Exceeding 200kW	Rs.96,600/-per kW
Car- Electric – By Solar Panels	
(vi) Vans	
Rs.7,500/-per kW	
13 -25 Persons/ Diesel	Rs. 5,432,650/-per unit
13 -25 Persons/ Petrol	Rs.2,100/-per cm ³
Less than 13 Persons/ Diesel	200%
Less than 13 Persons/ Petrol	150%

Source : Department of Fiscal Policy

TABLE 2 : Excise (Special Provisions) Duty Structure for Cigarettes (As at 31.01.2025)

Category	Rs. per 1,000 Sticks
Cigarettes each not exceeding 60mm. in length	19,350
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	50,150
Cigarettes each exceeding 67mm. but not exceeding 72mm in length	71,450
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	81,000
Cigarettes each exceeding 84mm. in length	90,050

Source : Department of Fiscal Policy

TABLE 3 : Excise (Special Provisions) Duty Structure for Petroleum Products (As at 31.01.2025)

Item	Rs. Per litre
Petrol	72.00
Diesel – Auto	50.00
Diesel – Super	57.00

Source : Department of Fiscal Policy

TABLE 4 : Excise Duty Structure under Excise Ordinance (As at 31.01.2025)

Classifications	Duty Rate per liter/kg (Rs.)
Liquor	
Special Arrack (750ml)	7,244
Molasses, Palmyrah, Coconut and Processed Arrack (750ml)	7,752
Locally Manufactured Foreign Liquar (750ml)	7,969
Malt Liquor of Five Per centum (5%) and below of absolute strength (625ml)	5,735
Malt Liquor of more than Five Per centum (5%) of absolute strength (625ml)	6,015
Wine (625ml)	5,735
Sake (625ml)	1,567
Milk Punch (750ml)	3,982
Cider (750ml)	4,347
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)	135
Imported Wine	230
Any other imported Foreign Liquor (which does not come under malt liquor or wine)	650
Non-potable Spirits (per bulk kg)	6

Source : Department of Fiscal Policy

TABLE 5 : Ports and Airports Development Levy (As at 31.12.2024)

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) (As at 31.12.2024)

Description	Item
Zero Rate	Export Goods/Services
Standard Rate (18%)	General Items
Exemptions	Goods and Services which are listed in the Part III of the first schedule of the VAT Act.

Source : Department of Fiscal Policy

TABLE 7 : Social Security Contribution Levy (SSCL) (As at 31.12.2024)

Description	Item
Rate (2.5%)	
Exemptions	Articles and Services which are listed in Part IA and Part II of the SSCL Act

Source : Department of Fiscal Policy

TABLE 8 : Customs Import Duty Tariff Structure (As at 31.12.2024)

Duty Rate	No of HS Codes
Free	3,724
15%	526
20%	2,643
Specific	852
Specific & Advelorum (Mixed)	412

Source : Department of Trade and Investment Policy

TABLE 9 : Rent Income

Item	Rs. Million		
	2023	2024 (Provisional)	2025 Estimate
Rent on Government Buildings & Housing	1,635	1,804	1,925
Rent on Crown Forests	1,739	974	1,000
Rent from Land & Other	150	148	156
Lease Rental from Regional Plantation Companies	1,881	2,053	2,351
Others	1,581	1,450	1,500
Total Rent Income	6,986	6,428	6,932

Source : Department of Fiscal Policy

TABLE 10 : Fees and Charges

	2023	2024 (Provisional)	2025 Estimate
Service Charges by Government Press	1,091	2,099	1,600
Fees of Passport, Visas and Dual Citizenship	42,773	38,012	43,000
Embarkation Levy	38,829	38,312	47,000
Fees under the Motor Traffic Act & other Receipts	12,198	14,464	16,000
From others Various Sources	81,218	81,585	82,365
Total	176,108	174,472	189,965

Source : Department of Fiscal Policy

TABLE 11 : Special Commodity Levy Rates

Item	End Sept. 2023	End Dec. 2024
1 Sprats	100	100
2 Potatoes	50	60
3 Red Onions	50	50
4 B'onions	10	10
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	300	300
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	200	200
12 Sugar	25 Cents (White)	Rs.50 per Kg
13 Black gram -Whole	300	300
Black gram –Skinned	300	300
14 Cowpea	70	300
15 Kurakkan	70	300
Millet/ Other	70	300
16 Maldiv fish	302	302
17 Dried fish	100	100
18 Orange – fresh	600	600
19 Grapes – fresh	600	600
20 Apples	600	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

		Rs. per kg.	
Item	End Sept. 2023	End Dec. 2024	
Other Veg.oil Refine	275	275	
Plam Kernal – Crude	250	250	
Refine	275	275	
Coconut oil (Crude)	125	125	
Coconut oil (Refine)	150	150	
31 Fish	10% or Rs. 400	10% or Rs. 400	
32 Mackerel fish (And Jac /Horse Mackerel Duty Waiver)	6	6	
33 Yogurt	2000	2000	
34 Butter	1500 (other 2000)	1500 (other 2000)	
35 Margarine – Fat content 80%>	650	650	
Margarine – Fat content 80%<	650	650	
36 Salt	40(Waiver-30)	40(Waiver-30)	
37 Dates	200	200	
38 Grapes – dried	600	600	
39 Mangoesteen (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)	600	600	
46 Grated /powdered Cheese	600	600	
47 Maize	25	n.a.	
48 Face Mask	1	n.a.	
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	65	65	
66 Sorghum	n.a.	25	
67 Egg	50 per Egg (Rs.1 per Egg for STC)	n.a.	
68 Frozen Liquid eggs	1300 (Min. of Trade 200)	n.a.	

Source : Department of Trade and Investment Policy

n.a. – Not available