MID – YEAR
FISCAL POSITION REPORT
2025

Ministry of Finance, Planning and Economic Development
Sri Lanka
October 31, 2025

MID – YEAR
FISCAL POSITION REPORT – 2025

Issued under Section 50 of the

Public Financial Management Act, No. 44 of 2024

Anura Kumara Dissanayake
Minister of Finance, Planning and Economic Development

October 31, 2025

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Issued by the Hon. Minister of Finance, Planning and Economic Development Under sections 50 of the Public Financial Management Act, No. 44 of 2024

In terms of Section 50 of the Public Financial Management Act, No. 44 of 2024, the Minister of Finance, is required to present the Mid-Year Fiscal Position Report to the public by the last day of the month of October of the relevant year or the laps of the ten month from the date of the passing of the Appropriation Act of the relevant year, whichever is later and thereafter lay before Parliament.

The purpose of this report is 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.

The report contains the performance of government revenue, expenditure, cash flow operations and borrowings during the first six months of the year 2025. The report also provides provisional budget outturn for the first six months of 2025, updated information, depending on the availability of information, relating to macroeconomic performance, price developments, foreign financing, government debt and official reserves as well as the performance of state-owned business enterprises.

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Key Economic Indicators

Indicator	Period	Unit	Value 2024	Value 2025 (Provisional)
REAL SECTOR				
Economic Growth	First Half	%	4.6	4.8
Agriculture	First Half	%	1.8	0.6
Industry	First Half	%	10.5	7.9
Services	First Half	%	2.3	3.3
Inflation (Year on Year) CCPI (2021=100)	End June	%	1.7	-0.6
Unemployment Rate	1st Quarter	%	4.5	3.8
Labour Force Participation Rate	1st Quarter	%	47.1	49.7
FISCAL SECTOR				
Budget Deficit	Jan-Jun	Rs. Bn.	599	406
Total Revenue	Jan-Jun	Rs. Bn.	1,861	2,322
Tax Revenue	Jan-Jun	Rs. Bn.	1,709	2,152
Non-Tax Revenue	Jan-Jun	Rs. Bn.	151	170
Total Expenditure	Jan-Jun	Rs. Bn.	2,463	2,731
Recurrent Expenditure	Jan-Jun	Rs. Bn.	2,218	2,507
Public Investment	Jan-Jun	Rs. Bn.	258	228
Government Debt	End Jun	Rs. Bn.	28,563	29,635
EXTERNAL SECTOR				
Exports	Jan-Jun	USD Mn.	6,144	6,492
o/w Agriculture Exports	Jan-Jun	USD Mn	1,281	1,428
Industrial Exports	Jan-Jun	USD Mn	4,837	5,045
Textile and Garments	Jan-Jun	USD Mn	2,408	2,606
Other	Jan-Jun	USD Mn.	2,429	2,439
Imports	Jan-Jun	USD Mn.	8,684	9,762
Consumer Goods	Jan-Jun	USD Mn.	1,534	2,316
Intermediate Goods	Jan-Jun	USD Mn.	5,634	5,576
o/w Petroleum Products	Jan-Jun	USD Mn.	2,209	1,996
Investment Goods	Jan-Jun	USD Mn.	1,511	1,863
Trade Balance	Jan-Jun	USD Mn.	-2,540	-3,270
Tourist Arrivals	Jan-Jun	No.	1,010,249	1,168,044
Earnings From Tourism	Jan-Jun	USD Mn.	1,557	1,713
Workers' Remittances	Jan-Jun	USD Mn.	3,144	3,738
Overall Balance of Payments (BOP)	Jan-Jun	USD Mn.	1,761	523
Gross Official Reserves	End Jun	USD Mn.	5,654	6,081
Exchange Rate (End Month)	End Jun	Rs. Per USD	305.7	299.9
Exchange Rate (Monthly Average)	Jan- Jun	Rs. Per USD	303.8	299.9
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End Jun	%	8.50	7.25
Standing Lending Facility Rate (SLFR)	End Jun	%	9.50	8.25
Statutory Reserve Ratio (SRR)	End Jun	%	2.00	2.00
Commercial Bank Average Weighted New Lending Rate (AWNLR)	End Jun	%	11.45	10.28
Commercial Bank Average Weighted Lending Rate (AWLR)	End Jun	%	12.47	11.56
W.A. Yield Rate of Treasury Bills (91 Days)	End Jun	%	10.07	7.55
W.A. Yield Rate of Treasury Bills (364 Days)	End Jun	%	10.31	7.94
Growth in Money Supply (M_{2b})	Jun 2025/ Jun 2024	%	9.8	10.4
Growth in Credit to the Private Sector	Jun 2025/ Jun 2024	%	6.2	17.9

Sri Lanka: Selected Indicators

Indicator	Period	Unit	Value
Electricity			
Electrification Level	2016	%	99.3
Water			
Access to Safe Drinking Water	2024	% of Population	98.8
Access to Pipe borne Water	2024	% of Population	63.1
Roads			
Road Density	2024	km/km^2	0.19
Total Road Length	2024	km	1 44,975
Communication			
Telephone Density including Cellular Phones	2024	Per 100 persons	141.2
Access to Internet	2024	Per 100 persons	105.6
Education			
General Education			
Primary Net Enrolment Ratio	2024	%	83.1
Student/Teacher Ratio (Government Schools)	2024	Number	16.3
Literacy Rate (Average)	2023	%	93.2
Computer Literacy Rate (First 06 months)	2024	%	36.4
University Education			
Student/Teacher Ratio	2024	Number	23.0
Age Specific Enrolment Ratio (Age 19–22 yrs) [a]	2024	%	9.9
Health			
Hospitals (Practicing Western Medicine)	2023	Number	649
Beds	2023	Number	90,392
Hospital Beds	2023	Per 1,000 persons	4.1
Persons per Doctor	2023	Number	985
Population			
Population Density	2024	Persons per sq. km	352
Population Growth	2023	%	-0.6
Life Expectancy at Birth	2017	Years	75.5
Infant Mortality Rate	2020	Per 1,000 live births	6.4
Maternal Mortality Rate	2022	Per 1,000 live births	22.6
Crude Birth Rate	2024	Per 1,000 persons	10.1
Crude Death Rate	2024	Per 1,000 persons	7.8
Dependency Ratio	2024	%	49.5
Poverty			
Poverty Head Count Index	2019	%	14.3
Gini Coefficient of Household Income	2019	Coefficient	0.46
Poverty Gap Index	2019	%	2.8
Average Daily Calorie Intake	2019	Kilocalories	2,120
International Rankings			
Human Development Index	2023	Rank out of 193 Countries	78
Corruption Perceptions Index	2024	Rank out of 180 Countries	121
Global Competiveness Index	2019	Rank out of 141 Countries	84
Economic Freedom Index	2024	Rank out of 184 Countries	148
Global Peace Index	2024	Rank out of 163 Countries	100
e-Government Development Index	2024	Rank out of 193 Countries	98

(a) Only includes internal enrolment of students

CHAPTER 1

Economic Perspectives

1.1 Overview

The Sri Lankan economy expanded by 4.8 percent in the first half of 2025 compared to the expansion of 4.6 percent in the first half of 2024, benefiting from the expansion of all sectors of the economy, including Agriculture, Industry, Services and Taxes less Subsidies. Following 11 consecutive months of deflation, headline inflation, year-on-year, entered in to the positive territory in August 2025 and continued its upward trend in September 2025. The headline inflation increased to 1.5 percent in September 2025 from 1.2 percent in August 2025. Gross Official Reserves (GOR) stood at USD 6.2 billion at end August 2025 and Sri Lanka rupee remained broadly stable. Tax to GDP ratio increased by 2.5 percentage points to 12.4 percent in 2024, from 9.9 percent in 2023 bearing fruit from the revenue based fiscal consolidation process. The tax to GDP ratio is expected to rise to 14.8 percent in 2025 with the improvement of digitalization and tax administration efforts geared towards the reduction of corruption vulnerabilities of the revenue collecting agencies. The largely conclusion of the debt restructuring process has provided a path towards restoring debt sustainability. Sri Lanka's external sector remained resilient during January-August 2025 supported by improved inflows from tourism and workers' remittances amidst a widening trade deficit. The current account surplus was recorded benefiting from service inflows.

Reflecting the country's economic stability established after the general election in September 2024, Sri Lanka has officially emerged from default. Sri Lanka's credit ratings have upgraded by Fitch, Moody's and S&P: Fitch Ratings upgraded Sri Lanka's Long-Term Foreign-Currency IDR to 'CCC+' from 'RD' (Restricted Default); Moody's Investors Service upgraded its Long-Term Foreign Currency Issuer Rating to 'Caa1' from 'Ca'; S&P Global Ratings raised Sri Lanka's long-term and short-term foreign currency ratings to 'CCC+/C' from 'SD/SD'. Meanwhile, the government is in the process of a focused anti-corruption drive in order to preserve institutional reforms while addressing the structural bottlenecks of the economy, which will provide impetus for a sustained economic growth over the medium term to unlock Sri Lanka's growth potential.

The government is committed to the economic reform agenda supported by the Extended Fund Facility of the International Monetary Fund (IMF-EFF). The fourth review of Sri Lanka's four-year EFF program successfully completed on July 1, 2025. The IMF staff and the Sri Lankan authorities reached a staff level agreement on the fifth review under the EFF in October 2025, with the expected disbursment of USD 347 million by December, 2025.

All the sectors of the economy have improved in the first half of 2025. The Agriculture sector slightly grew by 0.6 percent in the first half of 2025 mainly due to the expansion in the growing of rice, marine fishing and marine aquaculture and animal production. The Industry sector surged by 7.9 percent in the first half of 2025 mainly due to the significant growth recorded in manufacturing, construction, mining and quarrying activities. The Services sector grew by 3.3 percent in the first half of 2025 due to the expansion in wholesale and retail trade, transportation and financial service activities. Meanwhile, Taxes less subsidies sector expanded by 10.6 percent demonstrating the contribution of this sector to the economy surpassing the contribution of 8.8 percent from the agriculture sector.

Following 11 consecutive months of deflation, headline inflation entered into the positive territory in August 2025. The headline inflation, as measured by the year-on-year (Y-O-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100) increased to 1.5 percent in September 2025 from 1.2 percent in August 2025 after nearly a year of deflation. Food inflation (Y-O-Y) accelerated to 2.9 percent in September 2025 and non-food inflation (Y-O-Y) remained at 0.7 percent. The projections indicate a gradual acceleration of inflation in the period ahead, moving towards the inflation target of 5.0 percent with the support of appropriate policies. Meanwhile, core inflation (Y-O-Y), which reflects the underlying inflation trends in the economy, remained at 2.0 percent in September 2025.

The Central Bank of Sri Lanka (CBSL) maintained the policy interest rate, Overnight Policy Rate (OPR), at the level of 7.75 percent in September 2025, with due consideration of the developments in both domestic and global fronts. With effect from November 27, 2024, the OPR was defined as the policy interest rate of the CBSL and the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were linked to the OPR with a margin as decided by the CBSL. The CBSL continued its OPR at 7.75 percent while the SDFR and SLFR remained at 7.25 percent and 8.25 percent respectively. It is expected that the current monetary policy stance will help achieve inflation targeting of 5.0 percent in the period ahead while supporting economic growth.

The stock market exhibited improved performance with the increase of the All-Share Price Index (ASPI, 1985 = 100) by 48.4 percent to 18,027 points (Y-O-Y) and the Standard and Poor's Sri Lanka 20 index (S&P SL20, 2004 = 1,000) by 49.2 percent to 5,353 (Y-O-Y) points at the end of June 2025.

The external sector showed improved performance in the first eight months of 2025. Merchandise exports increased by 6.7 percent to USD 9.1 billion in the first eight months of 2025 compared to USD 8.5 billion in the same period of 2024. Merchandise imports increased by 10.5 percent to USD 13.3 billion in the first eight months of 2025 compared to USD 12.1 billion in the same period of 2024. As a result, the merchandise trade deficit widened to USD 4.3 billion in the first eight months of 2025 compared to USD 3.6 billion in the same period of 2024.

TABLE 1.1 : Movements in Inflation (%)

Year	Month	CCPI				NCPI			
		Headline Inflation		Core * Inflation		Headline Inflation		Core* Inflation	
		Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average	Point to Point	Annual Average
2024	January	6.4	14.2	2.2	11.3	6.5	13.4	2.2	12.3
	February	5.9	11.3	2.8	8.5	5.1	10.2	2.7	9.2
	March	0.9	8.0	3.1	6.1	2.5	7.2	3.4	6.5
	April	1.5	5.7	3.4	4.4	2.7	5.2	3.0	4.6
	May	0.9	3.9	3.5	3.3	1.6	3.7	3.1	3.3
	June	1.7	3.1	4.4	2.8	2.4	3.0	3.9	2.7
	July	2.4	2.8	4.4	2.7	2.5	2.9	3.0	2.5
	August	0.5	2.5	3.6	2.7	1.1	2.8	2.3	2.3
	September	-0.5	2.4	3.3	2.8	-0.2	2.7	1.9	2.3
	October	-0.8	2.2	3.0	2.9	-0.7	2.5	1.7	2.4
	November	-2.1	1.7	2.7	3.1	-1.7	2.2	1.5	2.5
	December	-1.7	1.2	2.7	3.3	-2.0	1.6	1.3	2.5
2025	January	-4.0	0.4	1.2	3.2	-4.0	0.7	-0.2	2.3
	February	-4.2	-0.5	0.7	3.0	-3.9	0.0	-0.6	2.0
	March	-2.6	-0.8	0.7	2.8	-1.9	-0.4	-0.6	1.7
	April	-2.0	-1.1	0.8	2.6	-0.8	-0.7	-0.1	1.4
	May	-0.7	-1.2	1.2	2.4	0.6	-0.8	0.3	1.2
	June	-0.6	-1.4	1.5	2.1	0.3	-0.9	0.6	0.9
	July	-0.3	-1.6	1.6	1.9	0.7	-1.1	0.9	0.7
	August	1.2	-1.5	2.0	1.8	1.5	-1.0	1.5	0.7

Source: Department of Census and Statistics

**CCPI and NCPI Core Inflation (Base Year 2021=100) – Excluding Volatile Food, Energy and Transport*

Workers' remittances increased significantly by 19.3 percent to USD 5.1 billion in the first eight months of 2025 compared to USD 4.3 billion recorded in the same period of 2024. Earnings from tourism[1] also increased by 5.7 percent to USD 2.3 billion in the first eight months of 2025 compared to USD 2.2 billion recorded in the same period of 2024. Services sector net inflows reached USD 2.7 billion during the first eight months of 2025 compared to USD 2.6 billion in the same period of 2024.

By end August 2025, amidst debt service payments, Gross Official Reserves (GOR) stood at USD 6.2 billion, including the swap facility with the People's Bank of China (PBOC). As of end September 2025, the year-to-date depreciation of the Sri Lanka rupee against the US dollar was 3.3 percent.

The following sections entail the developments pertaining to the first six months of 2025 as per the Section 50 of the Public Financial Management Act, No. 44 of 2024.

1.2 Inflation

The headline inflation, as measured by the year-on-year (Y-O-Y) change of the Colombo Consumer Price Index (CCPI, 2021=100), increased to -0.6 percent in June 2025 from -4.0 percent recorded in January 2025. After entering the negative territory in September 2024 (-0.5 percent), inflation reached its lowest point of -4.2 percent in February 2025. The deflation was mainly due to supply-side factors, especially several rounds of downward revisions to electricity tariffs, and fuel, and LP gas prices, domestic supply-side improvements, and recovery in global supply chains. However, the deflationary trend began easing from March 2025, mainly due to the statistical base effect.

Meanwhile, core inflation, which reflects underlying inflation trends in the economy by excluding volatile items such as food, energy, and transport, as measured by the (Y-O-Y) change in the CCPI (2021=100), remained positive throughout the first half of 2025. It increased to 1.5 percent in June 2025 from 1.2 percent recorded in January 2025. This relatively stable core inflation suggests that the deflation was not demand-driven, while the trend in core inflation reflects the second-round effects of revisions to energy prices.

Headline inflation, as measured by the (Y-O-Y) change in the National Consumer Price Index (NCPI, 2021=100), which also entered the negative territory in September 2024 (-0.2 percent), recorded its lowest point of -4.0 percent in January 2025. It returned to positive territory in May 2025 recording 0.6 percent. However, the headline inflation dropped again to 0.3 percent in June 2025. This turnaround of NCPI-based headline inflation reflects differences in consumption basket composition: the CCPI basket has a higher share of non-food items whereas the NCPI basket places relatively greater weight on food. Similarly, core inflation, as measured by NCPI (2021=100), entered into negative territory in January 2025, recording -0.2 percent, returned to positive territory in May 2025, recording 0.3 percent, and increased to 0.6 percent in June 2025.

With the stabilization of energy and transport prices, and the gradual improvement in demand conditions due to the ongoing accommodative monetary policy stance, the Central Bank of Sri Lanka expects inflation to turn positive in the third quarter of 2025, gradually approaching the target of 5.0 percent.

1.3 Money and Credit

The CBSL reduced the Overnight Policy Rate (OPR), which stood at 8.00 percent at the beginning of the year, by 25 bps to 7.75 percent in May 2025, thus easing monetary policy further. Accordingly, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), which are linked to OPR with pre-determined margins of ± 50 bps, were reduced to 7.25 percent and 8.25 percent, respectively. As a result, most market interest rates have declined including short-term rates, lending rates such as the Average Weighted Prime Lending Rate (AWPR) and the Average Weighted New SME Rate (AWNSR), and other key market deposit and lending rates.

1 A downward adjustment was made to the estimate of average spending per day by a tourist by Sri Lanka Tourism Development Authority (SLTDA) in August 2025.

TABLE 1.2 : Money and Private Sector Credit

Rs. Billion

Item	2024						2025						
	January	February	March	April	May	June	January	February	March	April	May	June	2025 Jun/ 2024 Jun Growth (%)
Reserve Money	1,488.6	1,413.7	1,405.6	1,426.5	1,396.2	1,417.7	1,567.0	1,589.6	1,668.6	1,677.7	1,651.1	1,660.1	17.1
Broad Money (M2b)	13,114.9	13,201.1	13,324.6	13,420.0	13,616.4	13,747.9	14,439.1	14,543.8	14,777.7	14,931.9	14,965.5	15,175.8	10.4
Private Sector Credit	7,314.2	7,321.5	7,393.4	7,377.2	7,437.9	7,512.4	8,151.4	8,256.9	8,414.6	8,501.6	8,634.6	8,856.1	17.9

Source : Central Bank of Sri Lanka

TABLE 1.3 : Movements in the Capital Market

Indicators	2021	2022	2023	2024	End June	
					2024	2025
All Share Price Index (1985=100)	12,226	8,490	10,594	15,945	12,145	18,027
S & P SL 20 Index	4,233	2,636	3,010	4,862	3,589	5,353
Market Capitalization (Rs. Bn.)	5,489	3,847	4,261	5,696	4,760	6,438
No. of Listed Companies in Trading	296	290	290	284	284	284
Daily Average Turnover (Rs.Bn.)	4,888	2,972	1,697	2,240	1,777	4,085
Foreign Sales (Rs. Bn.)	86,689	36,863	37,088	52,441	36,093	37,999
Foreign Purchases (Rs. Bn)	39,410	67,488	41,451	42,524	27,069	26,214
Net Purchases (Rs. Bn)	-47,279	30,625	4,363	-9,918	-9,025	-11,785

Source: Colombo Stock Exchange

Treasury Bill yields across all maturities in the primary auctions declined during January-June 2025, and longer-term yields have also declined in both the primary and secondary markets. The Statutory Reserve Ratio (SRR) has remained unchanged at 2.0 percent during the first half of 2025, having no direct impact on liquidity, with monetary conditions primarily influenced by policy rate changes and market-based measures.

With monetary policy easing and improvements in liquidity conditions, Broad Money Supply (M_{2b}) increased to Rs. 15,175.8 billion at the end of June 2025 from Rs. 14,439.1 billion at the end of January 2025 supported by a notable rise in private sector credit and an expansion of net foreign assets. Credit flows to the private sector increased to Rs. 8,856.1 billion at the end of June 2025 from Rs. 8,151.4 billion at the end of January 2025. Reflecting improved external sector performance, Net Foreign Assets increased to Rs. 889.6 billion at the end of June 2025 from Rs. 747.4 billion at the end of January 2025.

1.4 Stock Market

Sri Lanka's stock market exhibited robust growth during the first half of 2025. The All-Share Price Index (ASPI, 1985 = 100), which reflects the overall market performance, increased significantly by 48.4 percent to 18,027 points at the end of June 2025 compared to 12,145 points as at the end of June 2024. 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 49.1 percent to 5,353 points as at the end of June 2025 from 3,589 points as at the end of June 2024. This upward trend was mainly driven by increased participation from domestic investors supported by stronger corporate performance, positive economic outlook and eased monetary conditions.

The market capitalization of the Colombo Stock Exchange (CSE) increased by 35.2 percent to Rs. 6,438 billion at the end of June 2025 compared to Rs. 4,760 billion recorded at the end of June 2024. This growth in market capitalization reflects the expanding value of listed companies and the increasing attractiveness of the Sri Lankan stock market to investors. Moreover, the CSE recorded a remarkable increase in the daily turnover of 129.8 percent to Rs. 4,085 million as at the end of June 2025 compared to Rs. 1,777 million recorded at the end of June 2024. This reflects an exceptional surge in trading activity on the exchange, a substantial expansion of market liquidity, and enhancement of investor confidence and participation.

1.5 External Sector Developments

Sri Lanka's external sector exhibited a positive momentum in the first half of 2025. This was driven by increased inflows from workers' remittances and earnings from tourism despite a widened trade deficit. In the first half of 2025, inflows from workers' remittances increased significantly by 18.9 percent to USD 3,738.0 million while earnings from tourism grew by 10.0 percent to USD 1,712.6 million. Earnings from exports increased by 5.7 percent to USD 6,492.1 million and expenditure on imports increased by 12.4 percent to USD 9,762.2 million which in turn widened the trade deficit to USD 3,270.1 million. The gross official reserves increased to USD 6.1 billion at the end of June 2025 from USD 5.7 billion at the end of June 2024.

Net inflow to the government securities market was USD 90.1 million in the first half of 2025 compared to the net outflow of USD 198.1 million in the same period of 2024. The Colombo Stock Exchange (CSE) recorded net outflow of USD 39.2 million in the first half of 2025 compared to the net inflow of USD 19.1 million in the same period of 2024. The overall Balance of Payments (BoP) recorded a surplus of USD 522.5 million in the first half of 2025 compared to a surplus of USD 1,761.1 million in the same period of 2024. The Sri Lankan rupee depreciated by 2.5 percent against the USD by the end of June 2025.

Exports

Earnings from exports increased by 5.7 percent to USD 6,492.1 million in the first half of 2025 compared to USD 6,144.4 million in the same period of 2024 with the increase in earnings from industrial and agricultural exports due to the economic revival and resilience to global uncertain volatilities. Industrial export earnings have contributed to 77.7 percent of the total export earnings, while agricultural and mineral export earnings accounted for 22.0 percent and 0.2 percent of total export earnings, respectively.

Earnings from industrial exports increased by 4.3 percent to USD 5,044.5 million in the first half of 2025 from USD 4,837.2 million in the same period of 2024 due to increased export earnings mainly from textiles and garments and food, beverages and tobacco products. Earnings from agricultural exports increased by 11.4 percent to USD 1,427.5 million in the first half of 2025 from USD 1,281.0 million in the same period of 2024 with the increased earnings from tea, coconut and spices. Meanwhile, mineral export earnings declined by 18.2 percent to USD 10.1 million in the first half of 2025 from USD 12.4 million in the same period of 2024.

Imports

Expenditure on imports increased by 12.4 percent to USD 9,762.2 million in the first half of 2025 compared to USD 8,684.4 million in the same period of 2024 due to the increase in import expenditure on consumer and investment goods reflecting the impact of revival of economic activities and removal of import restrictions particularly on motor vehicles. Import expenditure on consumer, intermediate and investment goods of the total import expenditure accounted for 23.7 percent, 57.1 percent and 19.1 percent, respectively.

Import expenditure on consumer goods increased significantly by 50.9 percent to USD 2,315.5 million in the first half of 2025 compared to USD 1,534.2 million in the same period of 2024 due to the increased import expenditure on food and beverages and non-food consumer goods. Meanwhile, import expenditure on intermediate goods dropped slightly by 1.0 percent to USD 5,575.6 million in the first half of 2025 from USD 5,634.2 million in the same period of 2024. This was mainly due to the decline of import expenditure on fuel by 9.7 percent despite increased expenditure on textiles and textile

TABLE 1.4 : External Trade (Jan – Jun 2025)

USD Million

Category	2024	2025	% Change
Exports	**6,144.4**	**6,492.1**	**5.7**
Agricultural Exports	1,281.0	1,427.5	11.4
Tea	687.0	743.1	8.2
Rubber	11.8	14.7	24.6
Coconut	191.2	248.7	30.1
Other Agricultural Products	391.0	421.0	7.7
Industrial Exports	4,837.2	5,044.5	4.3
Food, Beverages & Tobacco	312.6	407.6	30.4
Textile and Garments	2,408.1	2,605.8	8.2
Petroleum Products	533.1	465.3	-12.7
Rubber Products	487.1	453.1	-7.0
Machinery & Mechanical Appliances	247.1	225.4	-8.8
Other Industrial Products	849.2	887.3	4.5
Mineral	12.4	10.1	-18.2
Other	13.8	9.9	-28.3
Imports	**8,684.4**	**9,762.2**	**12.4**
Consumer Goods	1,534.2	2,315.5	50.9
Food and Beverages	843.6	1,094.5	29.7
Other Consumer Goods	690.6	1,221.0	76.8
Intermediate Goods	5,634.2	5,575.6	-1.0
Petroleum	2,209.2	1,995.7	-9.7
Fertilizer	47.4	94.1	98.5
Textiles and Textiles Articles	1,327.5	1,334.4	0.5
Chemical Products	464.3	488.6	5.2
Plastic & Articles there of	268.2	298.3	11.2
Other Intermediate Goods	1,317.6	1,364.5	3.6
Investment Goods	1,510.9	1,862.6	23.3
Machinery and Equipment	1,020.2	1,208.0	18.4
Transport Equipment	61.3	173.7	183.3
Building Material	428.3	479.1	11.9
Other Investment Goods	1.1	1.8	63.6
Unclassified Import	5.0	8.5	70.0
Trade Balance	**-2,540.0**	**-3,270.1**	**28.7**

Source: Central Bank of Sri Lanka

articles by 0.7 percent, chemical products by 5.2 percent and plastic and articles thereof by 11.2 percent. Import expenditure on fuel declined by 9.7 percent to USD 1,995.7 million in the first half of 2025 due to the decrease in import expenditure on refined petroleum by 7.3 percent to USD 1,420.3 million, crude oil by 11.9 percent to USD 445.9 million and coal by 24.0 percent to USD 129.5 million.

Import expenditure on investment goods increased by 23.3 percent to USD 1,862.6 million in the first half of 2025 from USD 1,510.9 million in the same period of 2024. This was mainly due to the increase in expenditure on machinery and equipment by 18.4 percent to USD 1,208.0 million, building materials by 11.9 percent to USD 479.1 million and transport equipment by 183.3 percent to USD 173.7 million due to enhancement of investment activities with the revival of the economy.

Workers' Remittances and Earnings from Tourism

The workers' remittances grew by 18.9 percent to USD 3,738.0 million in the first half of 2025 compared to USD 3,144.0 million in the same period of 2024 due to receipt of remittances through formal channels. Meanwhile, earnings from tourism increased by 10.0 percent to USD 1,712.6 million in the first half of 2025 compared to USD 1,556.6 million in the same period of 2024 due to strong and diversified recovery in the tourism sector. Accordingly, tourist arrivals

TABLE 1.5 : A Snapshot of the World – 2024

Country	2024 GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Balance (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	-1.7	219.9	7.2	0.9	85.3
Australia	1.0	3.2	4.0	-2.2	49.8
Brazil	3.4	4.4	6.9	-6.6	87.3
Canada	1.5	2.4	6.4	-2.1	110.8
Chile	2.6	3.9	8.5	-2.7	42.0
China	5.0	0.2	5.1	-7.3	88.3
France	1.1	2.3	7.4	-5.8	113.1
Germany	-0.2	2.5	3.4	-2.8	63.9
Greece	2.3	3.0	10.1	-0.3	150.9
India	6.5	4.7	4.9	-7.4	81.3
Indonesia	5.0	2.3	4.9	-2.3	40.2
Italy	0.7	1.1	6.6	-3.4	135.3
Japan	0.1	2.7	2.6	-2.5	236.7
Korea	2.0	2.3	2.8	-0.6	52.5
Malaysia	5.1	1.8	3.2	-4.0	70.4
Mexico	1.5	4.7	2.7	-5.7	58.4
Russia	4.1	8.4	2.5	-2.2	20.3
Singapore	4.4	2.4	2.0	4.4	174.3
South Africa	0.6	4.4	32.8	-6.1	76.4
Spain	3.2	2.9	11.3	-3.2	101.8
Sri Lanka	5.0	1.2	4.4	-6.8	96.1
Thailand	2.5	0.4	1.0	-1.3	63.2
United Kingdom	1.1	2.5	4.3	-5.7	101.2
United States	2.8	3.0	4.0	-7.3	120.8
Vietnam	7.1	3.6	2.2	-1.6	32.9
Venezuela	5.3	49.0	...	-3.6	164.3

Source: World Economic Outlook, IMF, April 2025
... Not available

grew by 15.6 percent to 1,168,044 persons in the first half of 2025 compared to 1,010,249 persons in the same period of 2024. The highest tourist arrivals were recorded from India, Russia, the United Kingdom, Germany, China, and France during the first half of 2025 and promising growth expected from South Asia, Europe and the Asia-Pacific regions.

1.6 Global Economic Perspectives[2]

Global economic conditions during the first half of 2025 reflected a moderate easing of the challenges observed in the preceding year. While activity was weighed down by tighter financing conditions, waning effects of earlier supply shocks, and still-elevated debt levels in several economies, resilience in key segments of consumption and services supported growth. Global inflation continued its downward trajectory, albeit unevenly across regions, as the impact of earlier monetary policy tightening became more visible. Commodity markets moderated from the peaks reached in recent years, though certain supply disturbances kept price volatility in energy and food markets. At the same time, global trade showed signs of recovery, reversing part of the slowdown recorded in 2023–2024, largely benefitting from improvements in supply chains and the rebound of demand in advanced and some EMDEs. Financial conditions remained tight, but market sentiment improved in several economies as signs of disinflation reinforced expectations of eventual monetary easing in advanced economies.

2 Based on the World Economic Outlook Update (July 2025, IMF) and the External sector report (July 2025, IMF)

Global Growth

Global output was estimated to have expanded by around 3.2 percent in 2024 and was projected to remain broadly unchanged in 2025. Growth in advanced economies decelerated slightly, reflecting the lagged impact of higher policy interest rates on domestic demand and investment. The United States (US) maintained a relatively stronger performance supported by resilient consumption and investment while growth in the Euro area remained subdued amidst weak industrial output and soft external demand. Japan's growth moderated as post-pandemic recovery effects faded.

Among emerging markets and developing economies, growth dynamics were mixed. Robust expansion in several large Asian economies offset slower activity in some commodity exporters that faced terms-of-trade pressures. China's economy grew moderately supported by policy measures to stabilize property markets and spur domestic consumption, though structural challenges in real estate and demographics continued to weigh on prospects. Global growth is expected to gradually strengthen in 2026 as disinflation permitted more accommodative monetary conditions and investment activity improved, although medium-term projections remained below historical averages.

Inflation

Inflationary pressures receded further during the first half of 2025. Global headline inflation declined more noticeably, aided by easing food and energy prices and the unwinding of earlier supply disruptions. Core inflation also trended down, though at a slower pace, reflecting still-firm services prices and wage stickiness in some advanced economies. Advanced-economy inflation approached Central Bank targets, while several EMDEs continued to face inflation rates above desired ranges, largely due to currency depreciation and domestic supply constraints.

Going forward, headline inflation in most economies is projected to decline towards target ranges in 2026, contingent on the absence of renewed commodity market shocks. Risks to the disinflation process include heightened geopolitical and trade tensions, potential oil supply disruptions, and persistent wage growth outpacing productivity.

Commodity Markets

Commodity price developments eased compared with the volatility observed in 2022 and 2023. International oil prices moderated in the first half of 2025, reflecting adequate supply conditions and subdued global demand growth. However, periodic volatility persisted as tensions in key producing regions created uncertainty over supply routes. Natural gas prices declined in Europe due to higher inventories and diversification of supply sources.

Food commodity prices moved lower, supported by improved harvest conditions in several major producing countries. Grain supplies increased, alleviating pressures in global food markets, although localized weather shocks related to climate variability created short-term fluctuations. Metal prices exhibited more stability, with demand for critical minerals being supported by investment in renewable energy and electric vehicles, while construction sector weakness dampened demand in certain regions.

1.7 Global Trade

After a sharp moderation in global trade volumes during 2023, trade indicators showed a rebound in the latter part of 2024, which extended into the first half of 2025. Manufacturing trade flows expanded, supported by reduced shipping costs and improved supply chain efficiency. Demand recovery in advanced economies, coupled with resilient consumer electronics and industrial inputs demand from Asia, contributed positively to global trade. Nonetheless, cross-border trade continued to face significant challenges from lingering protectionist measures such as US tariffs, geopolitical fragmentation, and slower-than-expected economic growth in parts of Europe and Latin America.

Services trade, particularly tourism and digital services, remained buoyant and played an important role in sustaining external sector activity in emerging market economies. Looking ahead, the recovery of world trade is

TABLE 1.6 : International Commodity Prices

Item	Unit	Actual		Projection	
		2023	2024	2025	2026
Energy					
Coal, Australia	$/mt	172.8	136.1	100.0	95.0
Crude oil, Brent	$/bbl	82.6	80.7	64.0	60.0
Natural gas, US	$/mmbtu	2.5	2.2	3.3	3.4
Non-energy					
Agriculture					
Beverages					
Cocoa	$/kg	3.28	7.33	8.00	7.00
Coffee, robusta	$/kg	2.63	4.41	5.50	5.00
Tea	$/kg	2.74	3.04	2.50	2.80
Food					
Fats and Oils					
Palm oil	$/mt	886	963	1,020	1,040
Soybean meal	$/mt	541	442	370	369
Soybeans	$/mt	598	462	382	386
Grains					
Maize	$/mt	253	191	187	183
Rice	$/mt	554	588	421	422
Wheat	$/mt	340	269	263	260
Other food					
Sugar	$/kg	0.52	0.45	0.44	0.43
Raw Materials					
Cotton	$/kg	2.09	1.91	1.65	1.70
Rubber	$/kg	1.38	1.75	2.00	1.90
Sawn wood	$/cum	678	697	690	700
Metals and Minerals					
Aluminium	$/mt	2,256	2,419	2,175	2,100
Copper	$/mt	8,490	9,142	8,200	8,000
Nickel	$/mt	21,521	16,814	15,800	16,000

Source: Commodity Markets Outlook – April 2025

anticipated to remain moderate, as subdued global investment and policy uncertainty are likely to constrain momentum.

1.8 Monetary and Financial Sector

Monetary and financial conditions remained generally tight during early 2025 as Central Banks in most advanced economies held interest rates at elevated levels to ensure inflation fell sustainably towards targets. While clear progress on disinflation was observed, monetary authorities remained cautious in signaling reductions in policy rates, being mindful of upside risks to inflation from supply shocks and wage dynamics.

Financial markets displayed improved sentiment, with equity markets registering gains and credit spreads narrowing, reflecting greater investor confidence that monetary easing could begin in the latter part of 2025. Bond yields in major economies remained elevated but began to stabilize in response to declining inflation expectations. EMDEs benefitted from improved investor appetite, resulting in reduced sovereign spreads and renewed portfolio inflows, though vulnerabilities persisted in countries with high external refinancing needs.

Although global financial stability risks moderated compared with earlier years, concerns persist with elevated corporate leverage, property market adjustments in certain large economies, and sovereign debt pressures in some emerging and low-income countries. Ensuring smooth global financial conditions continues to depend on careful calibration of monetary policy normalization and coordinated efforts to mitigate debt vulnerabilities.

CHAPTER 2

Fiscal Developments

2.1 Overview

In the first half of 2025, the fiscal sector regained its momentum supported by stronger revenue mobilization through revenue-based fiscal consolidation, anti-corruption efforts and restored macroeconomic stability. The revenue-based fiscal adjustments made during 2022–2024 are now bearing fruit, amounting to nearly 5.1 percent of GDP. The increase of tax revenue to GDP ratio from 7.3 percent in 2022 to 12.4 percent in 2024. The government is geared towards achieving sustained revenue stream for equitable, and growth-friendly fiscal adjustments. This includes the improvement of efficiency in expenditure, increase the execution of capital expenditure on priority projects and increase the contribution of direct taxes, digitalization of tax administration while targeting social safety net programmes, among others.

Reflecting the continued fiscal consolidation efforts, a primary surplus of Rs. 859.0 billion was recorded in the first half of 2025 compared with a primary surplus of Rs. 543.4 billion in the same period of 2024 mainly due to the increase in revenue and lower execution of capital expenditure. This has surpassed the Quantitative Performance Criteria (QPC) of Rs. 130 billion set as the primary surplus target for the first half of 2025 under the IMF-EFF Programme. The budget deficit narrowed by Rs. 193.1 billion to Rs. 405.6 billion in the first half of 2025 from Rs. 598.7 billion in the same period of 2024.

The total government revenue including tax and non-tax revenue and grants increased by 24.7 percent or Rs. 460.5 billion to Rs. 2,325.1 billion in the first half of 2025 from Rs. 1,864.6 billion in the same period of 2024, realizing 46.6 percent of the annual estimate of Rs. 4,990.0 billion. Tax revenue increased by 25.9 percent to Rs. 2,152.1 billion in the first half of 2025 compared to Rs. 1,709.3 billion in the same period of 2024, achieving 46.9 percent of the annual estimate of Rs. 4,590.0 billion. This improvement was primarily driven by the full impact of continued implementation of policy-driven, revenue-based fiscal consolidation measures, enhanced revenue administration, the revival of economic activities, and the lifting of import restrictions, including the removal of the ban on vehicle imports.

Revenue from income taxes increased by 9.2 percent to Rs. 488.5 billion in the first half of 2025, achieving 41.9 percent of the annual estimate of Rs. 1,167.0 billion. This revenue gain was mainly driven by the increase in revenue from personal and corporate taxes by Rs. 42.5 billion to Rs. 402.4 billion in the first half of 2025 from Rs. 359.9 billion in the same period of 2024.

Taxes on goods and services increased by 30.8 percent to Rs. 1,365.2 billion in the first half of 2025 from Rs. 1,043.9 billion in the same period of 2024. This was mainly driven by the increase in revenue from Value Added Tax (VAT) stemming from the increase in VAT rates, imposition of VAT on motor vehicles, reduction in the registration threshold, removal of the vast majority of exemptions, increase in revenue collection from VAT on financial services, and removal of import restrictions. This revenue gain was also driven by the substantial improvements in revenue from excise duty on motor vehicles, owing to the full resumption of vehicle importation since February 01,2025, and revenue increase from Social Security Contribution Levy (SSCL) stemming from the reduction of the registration threshold.

Revenue from taxes on external trade increased by 36.8 percent to Rs. 298.4 billion in the first half of 2025 from Rs. 218.2 billion in the same period of 2024, reflecting the increase in revenue from imports, owing to the lifting of import restrictions. Revenue collection from the Special Commodity Levy (SCL) increased by 70.5 percent to Rs. 77.6 billion, mainly due to the importation of salt and rice, which contributed approximately Rs. 10 billion, along with higher commodity imports volumes. Revenue from Customs Import Duty (CID) increased substantially by 92.7 percent to Rs. 94.0 billion, driven mainly by the imposition of CID of a 20 percent and a 50 percent surcharge on the applicable CID for motor vehicle imports and the increase in vehicle imports, and revenue from CESS marginally increased by 9.3 percent to Rs. 41.5 billion. Revenue collection from the Ports and Airports Development Levy (PAL) slightly decreased by 0.7 percent.

The non-tax revenue increased marginally by 12.1 percent to Rs. 169.6 billion in the first half of 2025 from Rs. 151.3 billion in the same period of 2024. This was mainly due to the increase in revenue from fines, fees, and charges, interest income, and social security contribution.

The government expenditure increased marginally by 10.9 percent to Rs. 2,730.7 billion in the first half of 2025. Recurrent expenditure, which accounted for 91.8 percent of total expenditure in the first half of 2025, increased by 13.0 percent to Rs. 2,506.8 billion from Rs. 2,218.4 billion in the same period of 2024. This was primarily driven by an increase of 10.7 percent in interest expenditure to Rs. 1,264.6 billion in the first half of 2025 from Rs. 1,142.1 billion in the same period of 2024, absorbing 54.5 percent of total revenue. The increase in interest expenditure reflects the legacy of elevated pre-crisis debt yields, which continue to weigh on debt servicing costs, despite policy rate cuts and low inflation having moderated interest rates compared to 2024. The salaries and wages increased by 15.6 percent to Rs. 555.1 billion in the first half of 2025 from Rs. 480.3 billion in the same period of 2024, largely reflecting the impact of the basic salary revision for the public sector implemented with effect from April 1, 2025. Expenditure on subsidies and transfers increased by 18.1 percent to Rs. 530.7 billion in the first half of 2025 from Rs. 449.3 billion in the same period of 2024, contributing 21.2 percent of the recurrent expenditure.

TABLE 2.1 : Summary of the Budget (Jan-Jun 2025)

Rs. Million

Item	2024	2025 [(a)]
Revenue and Grants	**1,864,607**	**2,325,104**
Revenue	1,860,632	2,321,719
Tax Revenue	1,709,305	2,152,087
Non-Tax Revenue	151,327	169,632
Grants	3,975	3,385
Expenditure	**2,463,305**	**2,730,707**
Recurrent	2,218,442	2,506,828
Interest Payments	1,142,105	1,264,591
Other	1,076,337	1,242,237
Public Investment	258,306	228,064
Other	-13,443	-4,185
Current Account Surplus(+)/Deficit(-)	**-357,810**	**-185,109**
Primary Surplus(+)/Deficit(-)	**543,407**	**858,988**
Overall Budget Surplus(+)/Deficit(-)	**-598,698**	**-405,603**
Financing	**598,698**	**405,603**
Foreign Financing	82,885	-120,042
Borrowing	167,131	137,715
Repayments	-84,246	-257,757
Domestic Financing	515,814	525,645
Borrowing	1,069,398	1,312,750
Repayments	-553,585	-787,104

Source: Department of Fiscal Policy
[(a)] Provisional

TABLE 2.2 : Estimated and Actual Revenue and Expenditure (Jan – Jun 2025)

Rs. Billion

Item	Estimated (Annual)	Provisional	Achievement (%)
Total Revenue & Grants	**4,990**	**2,325**	**46.6**
Total Revenue	**4,960**	**2,322**	**46.8**
Tax Revenue	4,590	2,152	46.9
Non – Tax Revenue	370	170	45.8
Grants	30	3	11.3
Total Expenditure	**7,190**	**2,731**	**38.0**
Recurrent Expenditure	5,886	2,507	42.6
Capital Expenditure and Net Lending	1,304	224	17.2

Sources: Department of National Budget, Department of Treasury Operations and Department of Fiscal Policy

Capital expenditure and net lending decreased by 8.6 percent to Rs. 223.9 billion in the first half of 2025 from Rs. 244.9 billion in the same period of 2024, mainly due to the delayed execution of the capital budget. The execution of capital expenditure was largely constrained during the first three months of 2025, as only a Vote on Account was approved on December 6, 2024, to cover expenditure for the first three months of 2025. The late commencement of Budget 2025 resulted in a lower capital spending execution in the first half of the year compared to the same period in 2024, although the capital spending resumed following the approval of the Appropriation Act, No.03 of 2025, on March 21, 2025.

2.2 Government Revenue

Total government revenue excluding grants, increased by 24.8 percent to Rs. 2,321.7 billion in the first half of 2025 compared to Rs. 1,860.6 billion in the same period of 2024, mainly due to the increase in tax revenue by 25.9 percent to Rs. 2,152.1 billion in the first half of 2025 compared to Rs. 1,709.3 billion recorded in the same period of 2024.

TABLE 2.3 : Annual Estimate and Actual Tax Revenue (Jan – Jun 2025)

Rs. Billion

Item	Annual Estimate	2025[(a)] (Jan-Jun)
Department of Inland Revenue		
Tax on Income and Profit	1,167	488
VAT – Domestic	825	433
SSCL -Domestic	190	109
Other	13	8
Sub Total	**2,195**	**1,038**
Department of Customs		
Import Duty	240	94
VAT – Imports	790	354
SSCL -Import	74	33
Ports and Airports Development Levy	185	85
Import/Export Cess	100	41
Special Commodity Levy	126	78
Excise Special Provisions	599	291
Cigarettes	130	44
Petroleum	230	112
Motor Vehicles & Other	239	135
Other	1	6
Sub Total	**2,115**	**982**
Department of Excise		
Liquor/Tobacco	242	109
Sub Total	**242**	**109**
Other		
Telecommunication Levy	18	8
License Tax & Other	20	15
Sub Total	**38**	**23**
Total Tax Revenue	**4,590**	**2,152**

Source : Department of Fiscal Policy

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

1. Excise duty on motor vehicles increased by 335.6 percent or Rs. 99.5 billion due to increase in motor vehicle imports by 361 percent to 126,829 for the period from January to June 2025, with the relaxation of imports of all type of motor vehicles with effect from February 2025 together with increased excise duty rates on motor vehicles by 5.9 percent with the application of inflation-adjusted indexation with effect from January 11, 2025.

2. VAT increased by 27.6 percent or 170.4 billion driven by increase in VAT on imports by 34.3 percent to Rs. 354.0 billion due to relaxation of imports of all type of motor vehicles with effect from February 2025 and increase in VAT on domestic by 22.6 percent to Rs. 433.4 billion resulted from the expansion of domestic activities, full impact of the increase in the VAT rate to 18 percent from 15 percent and reduction in the VAT registration threshold from Rs. 80 million per annum to Rs. 60 million per annum and administrative measures reflecting an increase in VAT registrations by 44.2 percent to 27,261 files in the first half of 2025 compared to the first half of 2024;

3. Customs import duty (CID) increased by 92.7 percent or Rs. 45.2 billion mainly due to the application of 20.0 percent of CID on motor vehicles together with 50.0 percent surcharge on applicable CID and increase in import of goods in the respective period.

4. Income taxes increased by 9.2 percent or Rs. 41.3 billion mainly due to increase in PAYE tax by 13.2 percent to Rs. 113.4 billion and personal income tax by 37.4 percent to Rs. 30.8 billion reflecting the higher wages and earnings together with strengthening of tax administrative measures reflecting individual income tax registrations expanded by 45.4 percent to 1.1 million and corporate tax registrations expanded by 23 percent to 111,824;

5. SCL increased by 70.5 percent or Rs. 32.1 billion driven by the rate increases for importation of potatoes and onions together with the increase in the volume of imports in major commodity items;

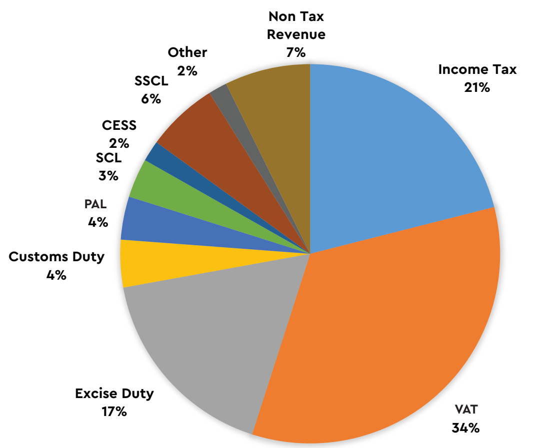
6. SSCL increased by 18.7 percent or Rs. 22.3 billion driven by expansion of the domestic and external activities together with improved tax administration measures reflecting growth in number of SSCL file registrations by 36.5 to 13,975 in the first half of 2025 compared to the first half of 2024.

7. Excise duty on Petroleum increased by 15.5 percent or Rs. 15.0 billion driven by the increase in petroleum imports by 15.0 percent in the first half of 2025 compared to the same period of 2024 coupled with increased demand for petrol and diesel with the relaxation of motor vehicle imports;

8. Excise duty on liquor increased by 9.2 percent or Rs. 9.1 billion mainly due to increase of excise duty rates by 5.9 percent with the application of inflation - adjusted indexation with effect from January 11, 2025 together with the increase in compliance.

9. CESS increased by 9.3 percent or Rs. 3.5 billion due to the increase in imports.

FIGURE 2.1 : Composition of Government Revenue (Jan – Jun 2025)



Source: Department of Fiscal Policy

TABLE 2.4 : Summary of Performance of Government Revenue (Jan – Jun 2025)

Rs. Million

Item	2024	2025 [(a)]	Growth %
Tax Revenue	**1,709,305**	**2,152,087**	**25.9**
Income Tax	447,252	488,506	9.2
Domestic Consumption Based Tax	600,370	699,990	16.6
VAT	353,392	433,364	22.6
SSCL	91,187	108,561	19.1
Excise Duty	155,695	158,023	1.5
Nation Building Tax	95	43	-55.1
Import Based Tax	636,469	926,988	45.6
Customs Duty	48,758	93,952	92.7
VAT	263,552	353,967	34.3
Nation Building Tax	3	405	...
PAL	85,992	85,431	-0.7
SCL	45,500	77,579	70.5
SSCL	28,115	33,061	17.6
Excise Duty	126,636	241,136	90.4
Cess	37,914	41,456	9.3
License Taxes and Others	25,214	36,604	45.2
Non – Tax Revenue	**151,327**	**169,632**	**12.1**
Total Revenue	**1,860,632**	**2,321,719**	**24.8**

Source : Department of Fiscal Policy

[(a)] *Provisional*

The increase in non-tax revenue by 12.1 percent or Rs. 18.3 billion, in the first half of 2025 also contributed to the escalation in revenue. This was mainly led by the increase in revenue from interest income by Rs. 10.1 billion and fine, fees, and charges by Rs. 2.3 billion. Meanwhile, revenue from social security contributions increased by Rs. 9.8 billion in the same period, reflecting higher public sector salaries and wages, as well as an increase in contributions to the Widowers' and Orphans' Pensions (W&OP) Scheme for all public sector employees to 8 percent, which came into effect in April 2024.

Tax Revenue

In the first half of 2025, tax revenue amounted to Rs. 2,152.1 billion, accounting for 92.7 percent of the Government's total revenue (excluding grants) of Rs. 2,321.7 billion. Higher collections of VAT, excise duty, and external trade taxes caused the proportion of direct taxes in total tax revenue to decline to 22.7 percent in the first six months of 2025 from 26.2 percent in the same period of 2024. By mid-2025, tax revenue collection had reached 46.9 percent of the annual estimate of Rs. 4,590.0 billion.

Income Tax

Revenue collection from income taxes increased notably by 9.2 percent to Rs. 488.5 billion in the first six months of 2025, compared to Rs. 447.3 billion in the same period of 2024, mainly due to higher Corporate Income Tax (CIT) and Advanced Personal Income Tax (APIT) payments, supported by enhanced compliance measures, and the removal of certain exemptions.

Revenue from APIT increased significantly by 13.2 percent to Rs. 113.4 billion in the first six months of 2025 compared to Rs. 100.2 billion in the same period of 2024. CIT also yielded an increase in revenue by 8.8 percent to Rs. 258.3 billion from Rs.237.4 billion. The upward adjustment of the CIT rate from 40 percent to 45 percent for the liquor, tobacco, betting, and gaming industries effective from April 01, 2025 together with the imposition of a 15 percent tax on the export of services, is expected to further strengthen collections in the forthcoming periods by broadening the tax base and capturing a sector with growing foreign exchange earnings. Revenue from Personal Income Tax (PIT) increased by 37.4 percent, amounting to Rs. 30.7 billion compared to Rs. 22.4 billion, largely supported by increase in wage levels, including substantial salary revisions in the public sector implemented from January 2025, and the upward adjustment of minimum wages in the private sector from April 2025. Revenue from Withholding Tax (WHT) on interest declined marginally by 1.2 percent, to Rs. 86.1 billion in the first half of 2025 from Rs. 87.1 billion in the same period of 2024. This slight reduction occurred despite the increase in the WHT rate on interest income from 5 percent to 10 percent effective April 01, 2025, and was primarily attributable to the series of interest rate cuts introduced by the Central Bank of Sri Lanka in 2025, following the stabilization of the economy and the successful containment of inflation.

Measures to strengthen tax administration taken by the Government, contributed to the significant increase in the revenue collection of income taxes. These measures include streamlining the refund process and expediting the refund of amounts paid in excess, making electronic tax filing mandatory for personal income taxpayers, obligating financial institutions to submit taxpayer transaction information at the individual level to the Inland Revenue Department (IRD); discouraging cash transactions by not allowing such transactions, in the aggregate, to Rs. 500,000 or more in a day or in a single transaction or in a single event to be deducted as expenses for tax purposes, and issuing a regulation to prescribe the regular sharing of information with the Commissioner General of Inland Revenue by persons, including Government institutions, among others. These administrative initiatives also supported the growth of the taxpayer base, with new registrations for Corporate Income Tax (CIT) increasing by 23 percent and new registrations for Personal Income Tax (PIT) rising by 45 percent in the first six months of 2025.

TABLE 2.5 : Performance of Income Tax Revenue (Jan – Jun 2025)

Rs. Million

Item	2024	2025 [a]	Change %
Corporate and Non Corporate	259,742	289,055	11.3
PAYE/APIT	100,177	113,364	13.2
Economic Service Charge	237	17	-92.9
Withholdings Tax	87,096	86,070	-1.2
Total	**447,252**	**488,506**	**9.2**

Source : Department of Fiscal Policy

[a] *Provisional*

Value Added Tax (VAT)

In nominal terms, the revenue from VAT increased significantly by 27.6 percent to Rs. 787.3 billion in the first half of 2025 compared to Rs. 616.9 billion in the same period of 2024, realizing 48.8 percent of the annual estimate for 2025. VAT revenue from domestic activities increased by 22.6 percent to Rs. 433.4 billion in the first half of 2025 due to expansion on domestic economic activities. VAT revenue from imports increased by 34.3 percent to Rs. 354.0 billion in the first half of 2025. This growth was driven by the removal of import restrictions on all categories of vehicles with effect from February 01, 2025.

TABLE 2.6 : Performance of Revenue of VAT (Jan – Jun 2025)

Rs. Million

Item	2024	2025 [a]	Growth %
Domestic	353,392	433,364	22.6
Imports	263,552	353,967	34.3
Net Revenue	**616,944**	**787,331**	**27.6**

Source : Department of Fiscal Policy

[a] *Provisional*

Excise Duty

Revenue generated from Excise Duty increased by 41.4 percent to Rs. 399.2 billion in the first half of 2025, compared to Rs. 282.3 billion in the same period of 2024. This growth was mainly driven by higher revenue from motor vehicles, petroleum, liquor, and other excisable articles, despite a decline in revenue from cigarettes. Revenue from Excise Duty accounted for 18.6 percent of total tax revenue and 17.2 percent of total revenue collection during the first half of 2025, while achieving 47.6 percent of the annual estimate.

Revenue from Excise Duty on motor vehicles increased sharply by 335.6 percent to Rs. 129.1 billion in the first half of 2025 compared to Rs. 29.6 billion in the same period of 2024, mainly due to the lifting of temporary restrictions on motor vehicle imports with effect from February 1, 2025.

Revenue from petroleum products increased significantly by 15.5 percent to Rs. 112.0 billion during the first half of 2025, compared to Rs. 97.0 billion in the same period of 2024. This increase was primarily attributable to higher fuel imports, stemming from elevated demand and strengthened economic activity during the first half of 2025.

TABLE 2.7 : Performance of Excise Duty (Jan – Jun 2025)

Rs. Million

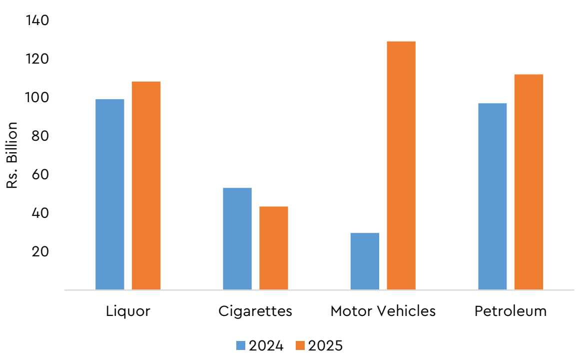
Item	2024	2025 [a]	Growth %
Liquor	99,116	108,240	9.2
Cigarettes /Tobacco	53,624	44,023	-17.9
Motor Vehicles	29,649	129,146	335.6
Petroleum	96,987	111,990	15.5
Other	2,956	5,760	94.8
Total	**282,331**	**399,159**	**41.4**

Source : Department of Fiscal Policy

[a] *Provisional*

Meanwhile, revenue from Excise Duty on other excisable items, including sweetened beverages, refrigerators, palm oil, and fatty acids, increased sharply by 94.8 percent to Rs. 5.8 billion in the first half of 2025, compared to Rs. 3.0 billion in the same period of 2024. This growth was mainly attributable to the upward revision of Excise Duty rates by 5.9 percent, effective from January 11 2025, under the annual inflation-adjusted indexation mechanism, as well as higher imports driven by elevated demand and strengthened economic activity during the first half of 2025. However, revenue from cigarettes declined by 17.9 percent to Rs. 44.0 billion during the first half of 2025, compared to Rs. 53.6 billion in the same period of 2024.

FIGURE 2.2 : Performance of Excise Duty (Jan – Jun 2024/2025)



Source: Department of Fiscal Policy

Revenue from liquor increased by 9.2 percent to Rs. 108.2 billion during the first half of 2025 compared to Rs. 99.1 billion during the same period of 2024 owing to the increase in the Excise Duty on liquor by 5.9 percent with effect from January 11, 2025. The total production of liquor rebounded by 9.6 percent to 17.4 million absolute liters during the first half of 2025, coming back up to 2023 levels compared to 15.9 million absolute liters during the same period of 2024. Revenue from locally produced hard liquor increased notably by 24.5 percent to Rs. 77.1 billion during the first half of 2025 compared to Rs. 61.9 billion collected during the same period of 2024. However, revenue from Sake increased substantially by 228 percent while revenue from Malt liquor increased moderately by 7.1 percent respectively. The realization of revenue from Excise Duty on liquor against the annual estimate was 45.1 percent during the first half of 2025.

Other Taxes

Revenue generated from other taxes increased by 31.5 percent to Rs. 477.1 billion in the first half of 2025 compared to Rs. 362.8 billion recorded in the same period of 2024.

Revenue from the CID increased notably by 92.7 percent to Rs. 94.0 billion in the first half of 2025 compared to Rs. 48.8 billion in the same period of 2024 mainly due to the upward revision of CID rates and increase in vehicle imports.

Revenue from the CESS levy increased by 9.3 percent to Rs. 41.5 billion in the first half of 2025 compared to Rs. 37.9 billion in the same period of 2024 owing to the increase of CESS liable imports. Accordingly, CESS revenue from imports increased by 15.0 percent to Rs. 40.8 billion in the first half of 2025 from Rs. 35.5 billion in the same period of 2024. Meanwhile, CESS revenue from exports declined by 39.1 percent to Rs. 0.6 billion in the first half of 2025 from Rs. 1.0 billion in the same period of 2024. The revenue collected from the CESS levy during this period represented 41.5 percent of the annual estimate of Rs. 100.0 billion for 2025.

Revenue from the PAL decreased by 0.7 percent to Rs. 85.4 billion in the first half of 2025 compared to Rs. 86.0 billion in the same period of 2024. This amount represents 46.2 percent of the annual estimate of Rs. 185 billion for 2025.

Revenue from the SCL increased significantly by 70.5 percent to Rs. 77.6 billion driven by increasing the tax rates on potatoes and Onion importation of salt and rice, and increased import quantities as a result of sustained economic recovery.

Revenue from the SSCL rose by 18.7 percent to Rs. 141.6 billion in the first half of 2025 compared to Rs. 119.3 billion in the same period of 2024, reflecting growth in revenue from both imports and domestic activities. Revenue from the Telecommunication Levy decreased by 9.1 percent to Rs. 8.0 billion in the first half of 2025 compared to Rs. 8.8 billion in the same period of 2024. Meanwhile, revenue collected from Luxury Motor vehicles tax, betting and gaming levy, share transaction levy etc. Increased significantly by 74.3 percent to Rs. 28.6 billion in the first half of 2025, compared to Rs. 16.4 billion in the same period of 2024. This performance represents 84.1 percent of the annual revenue estimate of Rs. 34 billion for 2025.

Non-Tax Revenue

Non-tax revenue increased by 12.1 percent to Rs. 169.6 billion in the first half of 2025, compared to Rs. 151.3 billion in the same period of 2024. This growth was mainly due to higher revenue from fines, fees, and charges, interest income, and Social Security Contributions.

Revenue from fines, fees and charges increased by 2.9 percent to Rs. 81.6 billion in the first half of 2025, from Rs. 79.3 billion in the same period of 2024. This revenue category remained the primary source of non-tax revenue, accounting for 48.3 percent of the total, driven by increased demand for services provided by the Department of Motor Traffic, the Department of Immigration and Emigration, and the Department of Registration of Persons.

Similarly, interest income increased by 43.1 percent to Rs. 33.5 billion in the first half of 2025, compared to Rs. 23.4 billion in the same period of 2024. Profit and dividend receipts from State-Owned Enterprises (SOEs) decreased by 18.1 percent to Rs. 12.2 billion in the first half of 2025, compared to Rs. 14.9 billion in the same period of 2024. Revenue from Social Security Contributions grew by 49.3 percent to Rs. 29.5 billion in the first half of 2025, compared to Rs. 19.8 billion in the same period of 2024. Revenue from rent income declined by 15.9 percent to Rs. 2.7 billion in the first half of 2025, compared to Rs. 3.2 billion in the same period of 2024. Overall, the non-tax revenue collected in the first half of 2025, amounted to 45.8 percent of the annual estimate of Rs. 370.0 billion for 2025.

Table 2.8 : Variance Analysis of Government Revenue

Rs. Billion

Item	2024 Jan – Jun	2025 Annual Estimate	2025 [(a)] Jan-Jun	Major Reasons for Variance
Income Taxes	447.3	1,167.0	488.5	The realization of income tax revenue was 41.9 percent in the first six months of 2025 against the annual estimate for the year. This performance was mainly attributable to: - Increased number of tax file registrations by 43 percent to 1,238,653 as at first half of 2025 from beginning of the second half of 2024 together with improved tax administration measures. - Increase in the WHT rate on interest to 10 percent from 5 percent with effect from 01.04.2025. - Increased wages of the public and private sector. - Gradual expansion of economic activities; and Despite the upward revision of WHT on interest, revenue collection from WHT decreased by 1.2 percent in the first half of 2025 compared with the same period in 2024, due to the combined effect of lower policy interest rates and the exemption granted to individuals who declared taxable income below the liable threshold.

Rs. Billion

Item	2024 Jan – Jun	2025 Annual Estimate	2025 [a] Jan-Jun	Major Reasons for Variance
Value Added Tax (VAT)	616.9	1,615.0	787.3	VAT revenue increased significantly by 27.6 percent to Rs. 787.3 billion in the first six months of 2025 compared with the same period last year, reaching 48.8 percent of the annual estimate. This performance was mainly attributable to: - Relaxation of import restrictions on motor vehicle. - Increase of total imports by 12.4 percent; and - Expansion of domestic economic activities.
Excise Duty	282.3	841.0	399.2	Revenue from Excise Duty increased significantly by 41.4 percent to Rs.399.2 billion in the first six months of 2025 compared with the same period of 2024, reaching 47.5 percent of the annual estimate. This performance was mainly attributable to : - Increase in revenue from Excise Duty on motor vehicles, following relaxation of import restrictions on all type of motor vehicle imports with effect from February 2025. - Increased Excise Duty rates on excisable articles including motor vehicles, cigarettes, sugar based beverages etc. under Excise (Special Provisions) Act, No. 13 of 1989 by 5.9 percent based on an annual inflation adjustment indexation. - Increased Excise Duty rates on liquor by 5.9 percent based on an annual inflation adjustment indexation. - increased revenue from Excise Duty on petroleum by 15.5 percent owing to higher petroleum imports. - increased revenue from other Excisable articles such as sugar based beverages refrigerators and palm oil fatty acids by 94.8 percents to Rs. 5.8 billion. However, revenue from cigarettes declined by 17.9 percent and negatively contributed to the Excise Duty revenue collection during the review period.
Import Duties	48.8	240.0	94.0	The realization of CID was 39.1 percent as against the annual budget estimate for 2025 mainly due to: - Imposed Customs Import Duty of 20 percent on importation of motor vehicles with effect from 28.01.2025. - Imposed a surcharge on Import Duties for the importation of motor vehicles with effect from 01.02.2025. - The increase in imports by 12.4 percent in the first six months of 2025.
Port and Airport Development Levy (PAL)	86.0	185.0	85.4	Revenue from PAL decreased marginally by 0.7 percent to Rs. 85.4 billion in the first six months of 2025, realizing 46.2 percent of the annual budget estimates. This decline primarily driven by ; - The realization of the full impact of 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. - Decrease import volume of PAL liable items in the review period.
Special Commodity Levy (SCL)	45.5	126.0	77.6	Revenue from the Special Commodity Levy increased significantly by 70.5 percent in the first six months of 2025 compared to the same period of 2024 achieving 61.6 percent of the annual budget estimate for 2025. This performance was mainly attributable to: - The upward revision of duty rates on potatoes, rice and salt; and - The increase in value of imports of major commodity items by 29.8 percent including cereals and milling industry products, dairy products, oils and fats etc.

Rs. Billion

Item	2024 Jan – Jun	2025 Annual Estimate	2025 [(a)] Jan-Jun	Major Reasons for Variance
Social Security Contribution Levy (SSCL)	119.3	264.0	141.6	Revenue collection from SSCL increased by 18.7 percent in the first six months of 2025 with the realization of 53.6 percent of the annual estimate. This performance was manly driven by : - The impact of increased imports in the first six months of 2025. - Expansion of domestic economic activities.
Other Taxes	63.2	152.0	78.5	The revenue from other taxes increased by 24.2 percent to Rs. 78.5 billion in the first six months of 2025 with the realization of 51.0 percent of the annual estimate for 2025. This was primarily driven by: – CESS Levy by 9.3 percent owing to the increase in imports; and – Increase of Luxury Tax on Motor Vehicles to Rs. 11.4 billion in the first six months of 2025 compared to Rs. 1.1 billion in the same period of 2024 with the relaxation of restrictions on motor vehicle imports; However, drop in Telecommunication Levy by 9.1 percent reflecting lower consumption of telecommunication services resulted to narrow the performance of tax revenue in the period from January to June, 2025.
Non-Tax Revenue	151.3	370.0	169.6	Revenue collection from Non-Tax sources increased significantly by 12.1 percent in the first six months of 2025, mainly due to higher revenue from interest income, reciptes from social security contribution, fines, fees, and charges. The realization of Non-tax revenue in the first six months of 2025 was 45.8 percent of the annual estimate. However, lower revenue from rent and Profits & Dividends of SOEs widened the deviation from the annual estimate.
Total	**1,860.6**	**4,960.0**	**2,321.7**	

Compiled by the Department of Fiscal Policy

[(a)]Provisional

Box 2.1 : Major Fiscal Measures (Jan – Jun 2025)

Effective Date	Measures
Income Tax- Amendments to the Inland Revenue Act, No. 24 of 2017	
01.04.2025	Inland Revenue (Amendment) Act, No. 2 of 2025 **1) Personal Income Tax (PIT) Rate Structure** To increase personal income tax relief of an individual to Rs. 1,800,000/- per annum and to revise the tax rates applicable on the taxable income of an individual as follows,

Rs. Million

	Annual Taxable Income	
Marginal Tax Rate (%)	**Previous Tax Slabs**	**Current Tax Slabs**
0	Up to 1.2	Up to 1.8
6	1.2 – 1.7	1.8 – 2.8
12	1.7 – 2.2	-
18	2.2 – 2.7	2.8 – 3.3
24	2.7 – 3.2	3.3 – 3.8
30	3.2 – 3.7	3.8 – 4.3
36	Over 3.7	Over 4.3

Box 2.1 : Major Fiscal Measures (Jan – Jun 2025) Contd ...

Effective Date	Measures
	2) Revision of CIT Rates (i) To increase the income tax rate applicable on the gains and profits from the manufacture and sale or import and sale of any liquor or tobacco product other than the export of such product and the gains and profits from conducting betting and gaming from 40 percent to 45 percent. (ii) To impose income tax on the gains and profit earned or derived from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency and remitted through a bank to Sri Lanka at the rate of 15 percent. (iii) To impose income tax on the gains and profit earned or derived from any foreign source where such gain and profit are earned or derived in foreign currency and remitted through a bank to Sri Lanka at the rate of 15 percent. **3) Advance Income Tax rate (WHT rate)** To increase Advance Income Tax rate (WHT rate) applicable on interest or discount paid from 5 percent to 10 percent.
Stamp Duty- Stamp Duty (Special Provisions) Act, No. 12 of 2006	
01.04.2025	Gazette Notification No. 2429/39 of 27.03.2025 – To increase the Stamp Duty applicable on any instrument relating to the lease or hire of any property from Rs. 10/- to Rs. 20/- for every Rs. 1,000/- or part thereof of the aggregate lease or hire including any premium, payable for the whole term comprised in the lease or hire Agreement (other than a hire purchase agreement).
Value Added Tax (VAT)- Value Added Tax Act, No. 14 of 2002	
	Value Added Tax (Amendment) Act, No. 4 of 2025
01.01.2024	1) To avoid the unintended effects of the removal of exemptions from the Value Added Tax Act, No. 14 of 2002, to maintain clarity and to ensure smooth implementation of the VAT reforms introduced by the Value Added Tax (Amendment) Act, No. 32 of 2023.
11.04.2025	2) To issue the permanent VAT Registration Certificate when the import/export is done for commercial purposes, disregarding the facts that the goods are exempted from VAT or the importer/exporter is below the VAT registration threshold.
11.04.2025	3) To issue instructions by the Commissioner General of Inland Revenue to file VAT Returns in respect of the VAT exempt supplies/purchases as well.
11.04.2025	4) To exempt the supply of locally produced liquid milk and yoghurt from VAT.
w.e.f. 01.10.2025	5) To impose VAT on the supply of services by the Non-residents through an electronic platform with effect from October 01, 2025.
w.e.f. 01.10.2025	6) To repeal the Simplified VAT (SVAT) system, with effect from October 01, 2025 and to introduce a risk-based refund mechanism to expedite the refund process.
Excise (Special Provisions) Duty – Excise (Special Provisions) Act, No. 13 of 1989	
11.01.2025	Gazette Notification No. 2418/43 of 10.01.2025 – To increase Excise Duty for all excisable articles with unit rates by 5.9 percent based on an annual inflation adjustment indexation.
01.02.2025	Gazette Notification No. 2421/42 of 31.01.2025 – To increase the Excise Duty on Electric Vehicles by 100 percent.
29.04.2025	Gazette Notification No. 2434/04 of 28.04.2025 – To impose Excise Duty for the newly created National Sub Divisions for electric motor vehicles with engine used (petrol, diesel or semi-diesel) only for charging the electric accumulator, not capable of being charged by plugging to external source of electric power.
Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)	
11.01.2025	Excise Notification No.01/2025 (Gazette Notification No. 2418/42 of 10.01.2025) – To increase the Excise Duty on liquor by 5.9 percent based on an annual inflation adjustment indexation.

Box 2.1 : Major Fiscal Measures (Jan – Jun 2025) Contd ...

Effective Date	Measures
Tobacco Tax – Tobacco Tax Act, No. 08 of 1999	
02.04.2025	Gazette Notification No. 2430/16 of 01.04.2025 – To increase tobacco tax applicable on a stick of Beedi from Rs. 2/- per stick to Rs. 3/- per stick.
Customs Import Duty (CID) – Revenue Protection Act, No. 19 of 1962	
28.01.2025	Revenue Protection Order No. 01/2025 (Gazette Notification No. 2421/05 of 27.01.2025) – To impose Customs Import Duty of 20 percent or 20 percent with a Specific Rate of Duty (Mixed Rate of Duty) on importation of motor vehicles.
29.04.2025	Revenue Protection Order No. 02/2025 (Gazette Notification No. 2434/02 of 28.04.2025) – To create new National Sub Divisions (NSD) for electric motor vehicles with engine used (petrol, diesel or semi-diesel) only for charging the electric accumulator, not capable of being charged by plugging to external source of electric power.
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.
29.04.2025	Gazette Notification No. 2434/03 of 28.04.2025 – To impose 50 percent of surcharge for the newly created National Sub Divisions for electric motor vehicles with engine used (petrol, diesel or semi-diesel) only for charging the electric accumulator, not capable of being charged by plugging to external source of electric power.
Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007	
01.01.2025	Gazette Notification No. 2417/20 of 31.12.2024 – To extend the validity period of prevailing SCL duty on importation of 63 commodities including essential food items till December 31, 2025.
28.01.2025	Gazette Notification No. 2421/03 of 27.01.2025 – To grant Duty waiver of Rs.199/- per kg for the importation of Dates considering the Ramadan Festive season.
Imports & Exports (Control) Regulations- Imports and Exports (Control) Act, No. 01 of 1969	
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.
19.03.2025	Imports and Exports (Control) Regulations No. 03 of 2025 (Gazette Extraordinary No. 2428/07 of 19.03.2025) – To appoint Bureau Veritas as an authorized inspector for all countries to issue export inspection certificates for used motor vehicles and authorize license banks to release export inspection certificates of motor vehicles received without the stamp of the bank in country of export (required by the Regulation No. 5 of the Gazette Extraordinary No. 1804/17 dated April 03, 2013), through online verification.
29.04.2025	Imports and Exports (Control) Regulations No. 04 of 2025 (Gazette Extraordinary No. 2434/12 of 29.04.2025) – To review the list of items for which the issuance of Import Control License has been suspended in terms of the Special Gazette No. 2312/77 dated 01.01.2023 and remove selected items from the list, and to remove the requirement of Import Control License on importation of electric motorcycles unregistered in any country (Brand-new).
05.05.2025	Imports and Exports (Control) Regulations No. 05 of 2025 (Gazette Extraordinary No. 2435/02 of 05.05.2025) – To Incorporate National Subdivisions of the Harmonized System Codes published for electric motor vehicles by the Extraordinary Gazette No. 2434/02 dated 28 April 2025, in the Imports and Exports (Control) Regulations applicable to the importation of Motor Vehicles.

Box 2.1 : Major Fiscal Measures (Jan – Jun 2025) Contd ...

Effective Date	Measures
19.05.2025	Imports and Exports (Control) Regulations No. 06 of 2025 (Gazette Extraordinary No. 2437/04 of 19.05.2025) – To remove the requirement of a Import Control License (ICL) for the importation of raw non-iodized salt and edible iodized salt (powdered and granular salt), classified under the HS Code of 2501.00, until June 10, 2025.*
Embarkation Levy – Finance Act, No. 25 of 2003	
31.01.2025	Gazette Notification No. 2421/30 of 31.01.2025 – To extend 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 or 28.12.2025 which ever comes first. – To extend the concessionary rate of USD 30 on Embarkation Levy for persons leaving Sri Lanka by aircraft from CIAR and JIA.
International Telecommunications Operators Levy – Finance Act, No. 11 of 2004	
01.04.2025	Gazette Notification No. 2430/14 of 01.04.2025 – To extend the current rate of levy payable on Incoming International Calls, Incoming International Calls on specific telephone numbers, Incoming Local Access Charge, Telecommunication Development Charge and Outgoing Local Access Charge for three years from January 01, 2025 to December 31, 2027.
Luxury Tax on Motor Vehicle – Finance Act, No.35 of 2018	
01.02.2025	Gazette Notification No. 2421/41 of 31.01.2025 – To revise Luxury Tax on Motor Vehicles threshold by Rs. 1.5 million for each fuel category except electric.
29.04.2025	Gazette Notification No. 2434/05 of 28.04.2025 – To impose Luxury Tax on motor vehicles for the newly created National Sub Divisions for electric motor vehicles with engine used (petrol, diesel or semi-diesel) only for charging the electric accumulator, not capable of being charged by plugging to external source of electric power.

** – This Gazette is Currently not effective.*

2.3 Government Expenditure

Government expenditure increased by 10.9 percent to Rs. 2,730.7 billion in the first six months of 2025 compared to Rs. 2,463.3 billion in the same period of 2024. Recurrent Expenditure increased by 13.0 percent to Rs. 2,506.8 billion in the first six months of 2025, compared to Rs. 2,218.4 billion in the same period of 2024. Capital expenditure and net lending decreased by 8.6 percent to Rs. 223.9 billion in the first six months of 2025 from Rs. 244.9 billion in the same period of 2024.

TABLE 2.9 : Performance of Government Expenditure (Jan – Jun 2025)

Rs.Million

Item	Jan – Jun	
	2024	2025 [(a)]
Recurrent Expenditure	**2,218,442**	**2,506,828**
Salaries	480,326	555,136
Pension	188,086	208,371
Interest Payments	1,142,105	1,264,591
Other	407,925	478,730
Capital Expenditure & Net Lending	**244,863**	**223,879**
Total	**2,463,305**	**2,730,707**

Source: Department of Fiscal Policy
[(a)] *Provisional*

Interest Payments

The total expenditure on interest payments, including both domestic and foreign debt, increased by 10.7 percent to Rs. 1,264.6 billion in the first six months of 2025 compared to Rs. 1,142.1 billion in the same period of 2024. This is due to the increase in interest payments for domestic debt by 4.1 percent to Rs. 1,117.5 billion in the first six months of 2025 from Rs. 1,073.7 billion, and interest payments on foreign debt by 115.2 percent to Rs. 147.1 billion from Rs.68.4 billion in the first six months of 2025 compared to the same period of 2024.

Salaries and Pensions

The expenditure on salaries and wages of public servants including Provincial Councils increased by 15.6 percent to Rs. 555.1 billion in the first six months of 2025, compared to Rs. 480.3 billion in the same period of 2024. This increase was mainly, due to the increased basic salary of Public Servants as per the Public Administration Circular No. 10/2025.

However, the expenditure on pensions increased by 10.8 percent to Rs. 208.4 billion in the first six months of 2025, compared to Rs. 188.1 billion in the same period of 2024 due to the increase in the pension payments and the number of pensioners.

Welfare expenditure

During the first six months of 2025, the Government incurred an expenditure of Rs. 461.9 billion on social welfare and social security including *Aswesuma* household cash grant, allowance for the elderly, financial support for kidney patients, allowance for the differently-abled low-income earning persons, assistance to the differently-abled soldiers, food packages for expectant mothers (*Poshana Malla*), school textbooks, school uniforms, and development assistance including fertilizer subsidy.

Rs. 232.5 billion was allocated as the social security expenditure for the *Aswesuma* and other categorical household cash grants for 2025 of which Rs. 75.3 billion was spent for providing cash grants to families with low income during the first six months of 2025.

The government expenditure on health and nutrition programmes including medical supplies to the government hospitals in the first six months of 2025 amounted to Rs. 44.7 billion. The cost of welfare programmes on education such as free textbooks, school uniforms and shoes for students in difficult

TABLE 2.10 : Major Welfare Expenditure (Jan – Jun 2025)

Rs.Million

Programme	2024	2025 [a]
Social Welfare		
Medical supplies for Government Hospitals (including Ayurvedha)	28,961	44,740
Health insurance for school children (Suraksha)	–	444
Agrahara insuarance scheme for pensioners	460	486
Allowance for pre-school teachers	111	334
"Ranaviru Mapiya Rakawarana" allowance	1,084	699
Property loan interest to public servants	855	725
Subsidy for economically unprofitable routes, contribution of socially obligatory bus services (Sisu sariya, Gami seriya and Nisi seriya) and Armed Forces Bus Passes	1,529	1,985
"Suwasariya" – 1990 free ambulance service	591	1,162
Interest difference on senior citizens' accounts	20,000	10,000
World Food Programme	485	110
Other	1,566	906
Social Security		
Cash grant for low income families	64,079	75,329
Support for low-income differently abled persons	2,514	6,828
Financial support for elderly people	5,527	21,086
Financial support for kidney patients	1,183	2,296
Financial assistance to purchase school stationeries	-	2,815
Pension	188,086	208,371
Service compensation for death & injured soldiers	23,338	24,806
Pension for Farmers	2,434	2,630
Other	96	152
Health and Nutrition		
Thriposha programme	978	1,126
Nutritional food package for expectant mothers	2,790	3,058
School nutritional foods programme	6,349	12,215
Morning meal for pre-school children	344	767
Other	336	144
Education		
School texbooks	3,364	1,530
School uniforms	1,034	54
Shoes for students in difficult schools	200	2,474
Scholarships – grade 5 students	418	253
Mahapola and bursaries	1,250	2,405
Loan scheme for the students who are unable to get into the state universities	812	758
School & higher education season Tickets	4,725	5,900
Others	134	406
Development Assistance		
Fertilizer subsidy	20,398	21,997
Other	337	3,004
Total	**386,367**	**461,995**

Source: Department of National Budget
[a] *Provisional*

schools for the first six months was Rs. 4 billion. It is also important to note that Rs. 21.9 billion was incurred to provide the government subsidy on chemical fertilizer in the first six months of the year 2025.

Sectoral Expenditure

School Education

During the first six months of 2025, Rs. 189.2 billion was spent on school education, out of which Rs. 184.6 billion was spent as recurrent expenditure and Rs. 4.6 billion was spent as capital expenditure.

The Government has continued investments in welfare programmes such as school nutritional food programme, provision of school text books, school uniforms, and provision of shoes for students in difficult schools, sanitary napkins for female students, as well as Health Insurance Scheme for Students (Suraksha) by incurring an expenditure of Rs. 16.9 billion for programmes. Accordingly, the expenditure incurred on these programmes increased by 48.7 percent compared to the same period in 2024.

Further, the Government has increased Grade 5 scholarship allowance up to Rs. 1,500 and the nutritious food allowance for sports school students up to Rs. 10,000 from 2025.

Capital expenditure of Rs. 4.6 billion was mainly spent on rehabilitation and infrastructure development in national schools as well as the provincial schools.

TABLE 2.11 : Expenditure on Major Activities of School Education (Jan – Jun 2025)

Rs.Million

Description	Jan-Jun	
	2024	2025[(a)]
Recurrent Expenditure		
Personnel emoluments for school teachers and other staff	135,839	165,975
National	29,372	33,356
Provincial	106,467	132,619
Welfare Programs	11,414	16,971
Evaluation of examination	2,361	3,314
Capital Expenditure		
Rehabilitation/ Infrastructure Developments in School	290	362
Teacher development	29	94
General Education modenization project	512	52
Establishment of National College of Education for Technology Stream	517	559
Provincial education	820	2,873

Source: Department of National Budget

[(a)] *Provisional*

Higher Education

Expenditure on university education increased by 20.3 percent to Rs. 45.6 billion in the first six months of 2025, compared to the same period in 2024. The recurrent expenditure increased by 26.9 percent to Rs. 37.2 billion, while capital expenditure declined by 2.4 percent to Rs. 8.4 billion, in the first six months of 2025, compared to the same period in 2024.

The Government increased the Mahapola scholarship for university students from Rs. 5,000 to Rs. 7,500 and the bursary from Rs. 4,000 to Rs. 6,500, allocating an additional Rs. 2.0 billion compared to 2024, and incurred an expenditure of Rs. 2.4 billion during the first six months of 2025.

TABLE 2.12 : Expenditure on Major Activities of Higher Education (Jan – Jun 2025)

Rs. Million

Description	Jan-Jun	
	2024	2025[(a)]
Recurrent Expenditure		
Personnel emoluments of universities & higher educational institutions	24,050	29,928
Mahapola and Bursary payments	1,250	2,405
Capital Expenditure		
Improvement of facilities in universities	1,526	3,089
Science & Technology Human Resource Development project (GOSL – ADB)	3,108	4,126
Establishment of Faculty of Medicine at University of Sabaragamuwa – Phase ii (GOSL-Saudi)	472	222
Wayamba University Township Development Project (GOSL – Saudi)	163	133
Other Development Projects	850	174

Source: Department of National Budget

[(a)] *Provisional*

Skills Development and Vocational Education

In the first six months of 2025, the total expenditure on skills development and vocational education was Rs. 4,758 million of which Rs. 4,334 million, and Rs. 424 million were incurred on recurrent and capital expenditure, respectively.

The monthly allowance "Nipunatha Sisu Diriya" for students pursuing vocational education was increased from Rs. 4,000 to Rs. 5,000, allocating an additional Rs. 200

million compared to 2024, and incurred an expenditure of Rs. 317 million during the first six months of 2025.

TABLE 2.13 : Expenditure on Major Activities of Skill Development (Jan – Jun 2025)

Rs. Million

Description	Jan-Jun	
	2024	2025[(a)]
Skills Development and Vocational Education	2,721	2,810
Technical Education and Training	1,112	1,258
Vocational Training in Sri Lanka (GOSL/GIZ)	7	221
Modernization of 7Colleges of Technology & Technical Colleges	83	54
Self-Employment Promotion Initiative (SEPI) Programme	70	34
Improvement of Vocational Training	40	3
Development of Vocational and Technological Training	6	8
Nipunatha Sisu Diriya	45	317
Season Tickets for Vocational Students	70	53

Source: Department of National Budget

[(a)] *Provisional*

Science and Technology

In the first six months of 2025 total expenditure spent on Science and Technology amounted to Rs.1,416 million of which Rs. 1,240 million and Rs. 176 million was incurred on recurrent expenditure and capital expenditure, respectively.

TABLE 2.14 : Expenditure on Major Activities of Science & Technology (Jan – Jun 2025)

Rs. Million

Description	Jan-Jun	
	2024	2025[(a)]
Science & Technology Collaboration under Bilateral and Multilateral cooperation	0.024	2.4
Facilitation of Research Projects	-	0.3

Source: Department of National Budget

[(a)] *Provisional*

Health

The total government expenditure on health including, the western and indigenous medicine sectors increased by 20.0 percent to Rs. 202.7 billion during the first six months of 2025, compared to the same period of 2024, covering both Provincial and Central Government health expenditure. Out of the total health expenditure, the recurrent expenditure was Rs. 190.2 billion, and the capital investment was Rs. 12.6 billion. Out of the recurrent expenditure, Rs. 44.8 billion was spent on medical supplies which was one of the major categories in the recurrent expenditure. This expenditure included the spending on pharmaceuticals, surgical items and laboratorial items.

TABLE 2.15 : Expenditure on Major Activities of Health Sector (Jan – Jun 2025)

Rs. Million

Description	Jan-Jun	
	2024	2025 [(a)]
Total Recurrent Expenditure	**158,091**	**190,152**
service delivery expenditure	85,705	95,953
of which Salaries of medical personnel and support staff	67,711	75,753
Provision of Medicine	28,961	44,793
Provincial Health	43,425	49,406
Public Investment Expenditure	**10,569**	**12,620**
Medical Equipment	577	2,326
Health System Enhancement Project – ADB	1,254	903
Sri Lanka COVID 19 Emergency Response and Health Systems Preparedness Project (WB)	844	-
Improvement of ETU- Facilities under Line Ministry Hospitals	215	79
Provision of High Quality Radiotherapy for Cancer Patients in Sri Lanka with High Energy Radiation	-	495
Construction of Nursing Faculty/Hostel	83	83
Establishment of a Bone Marrow Transplant Unit – TH Kandy	32	62
Construction of Heart Centre at Lady Ridgeway Hospital	125	184
Construction of 5 Storied Surgical Wards and Operation Theatre Complex – DGH Monaragala	-	71
Construction of a Ten-Storied Building at the PGH Badulla	-	98
Other Capital Investments	4,644	8,006
Provincial Health Investment	2,795	396

Source: Department of National Budget

[(a)] *Provisional*

Agriculture

Expenditure on the agriculture sector, including plantation, livestock, fisheries and land development increased by 11 percent to Rs. 59.4 billion in the first six months of 2025 compared to Rs. 53.3 billion in the same period of 2024. This is mainly due to the increase in the Fertilizer Subsidy from Rs. 15,000 to

Rs. 25,000 per hectare since 2024/25 Maha Season. Out of the total expenditure in the first six months of 2025, Rs. 21.99 billion was spent on the Fertilizer Subsidy Programme, Rs. 1.47 billion for the plantation sector development, Rs. 812 million for the fisheries development, Rs. 455 million for the land development and Rs. 190 million for the crop agriculture. The remainder was spent on livestock development and the improvement of infrastructure to provide required facilities for the sector.

Water Supply and Sanitation

The Government has spent Rs. 8,980 million on ensuring access to safe drinking water and quality sanitization services in the first six months of 2025. Accordingly, Rs. 299 million and Rs. 8,681 million were spent on recurrent and capital expenditure, respectively. The national programme of Capacity Enhancement and Distribution Expansion Project with the aim of enhancing production capacity, establishing new water supply schemes, and expediting ongoing projects to ensure access to safe drinking water by the entire population is being implemented in 2025.

Roads and Bridges

During the first six months of 2025, the expenditure on roads and bridges amounted to Rs. 77,874 million representing a reduction of nearly 18.0 percent compared to the corresponding period of the previous year.

TABLE 2.16 : Expenditure on Roads and Bridges (Jan – Jun 2025)

Rs. Million

	Project/Programme	Jan –Jun	
		2024	2025[(a)]
1	**Expressways Development**	**20,608**	**15,793**
	Central Expressway Project	14,427	14,577
	Colombo – Rathnapura – Pelmadulla Expressway	1,787	523
	Elevated Highway from New Kelani Bridge to Athurugiriya	–	3
	Port Access Elevated Highway Project	3,894	690
	Extension of Southern Expressway Project	500	-
2	**Roads Development**	**25,551**	**25,054**
	Road Maintenance and Improvement	7,192	11,000
	Colombo District Road Development Project	792	777
	Western Province National Highways	368	124
	Integrated Road Investment Programme (iRoad)	3,220	2,913
	Rehabilitation of the A 17 Road Corridor Project (Rakwana – Suriyakanda)	394	378
	Inclusive Connectivity and Development Project	2,652	3,830
	Development of an alternative Road Network to Access Main Roads and Expressways and to ease the Traffic Congestion	9,095	5,588
	Other Roads Development	1,838	444
3	**Widening and Improvement of Roads**	**344**	**704**
4	**Construction of Bridges and Flyovers**	**1,257**	**3,174**
	Reconstruction of Damaged and Weak Bridges on National Highways	106	230
	Construction of Rural Bridges using old bridge components	125	151
	Design and Construction of Flyovers in Kohuwala and Gatambe	97	81
	Construction of Flyovers over the Railway Line at Uttharananda Mawatha and near the Slave Island Railway Station	829	2576
	Reconstruction of 25 Bridges on National Highways	100	136
5	**"Maganeguma" Rural Road Development Programme**	**915**	**388**
6	**Lands & Land Improvements (Other projects excluding priority projects)**	**3,128**	**3,235**
7	**Gap Financing of the Road Development Authority's Commitments**	**43,145**	**29,526**
8	**Others**	**–**	**–**
	Total	**94,948**	**77,874**

Source: Department of National Budget

[(a)] *Provisional*

A closer examination shows that expenditure on expressways development has gone down falling from Rs. 20,608 million to Rs. 15,793 million. Within this, the Central Expressway Project continues to dominate the expenditure, while the Port Access Elevated Highway, have recorded substantially low expenditure.

The stability in overall road development progress masks significant reallocation within sub programmes. Notably, Road Maintenance and Improvement saw a sharp increase, confirming progress in preserving and upgrading the existing road network. The Inclusive Connectivity and Development Project also recorded increased progress compared to the previous year.

One of the most significant areas of advancement is in bridges and flyovers, where the expenditure has more than doubled. The increase is largely driven by the construction of flyovers over the railway line at Uttarananda Mawatha and Slave Island. Other smaller bridge projects also advanced steadily, indicating strong progress in this subsector.

Furthermore, approximately Rs. 29,526 million, representing the largest proportion of total expenditure, was paid as interest and capital repayment for the Road Development Authority's loans obtained from local banks to implement road rehabilitation and improvement projects.

Transport

Government expenditure on the transport sector increased by 12.0 percent to Rs. 30.8 billion during the first six months of 2025 compared to the same period of 2024, of which Rs. 22.3 billion and Rs. 8.5 billion were spent on recurrent and capital expenditure, respectively. The progress of constructing the Multimodal Transport Terminal at Kandy has also increased in 2025 significantly compared to the first six months of 2024 .

During the first six months of 2025, the Railway Department spent Rs. 6.2 billion towards key infrastructure initiatives, including the Colombo Suburban Railway Project and the rehabilitation of the railway line from Maho to Omanthai. This expenditure also covered the maintenance of existing railway lines, along with both minor and major repairs to the rail network.

In the first half of the year 2025, expenditure on bus transportation was Rs. 7 billion. This expenditure was spent on welfare services such as operating SLTB buses on economically unprofitable routes and issuing School and higher education season tickets. The Department of Motor Traffic has spent Rs. 0.98 billion during this period on the implementation of the Motor Traffic Act.

Housing development

During the first six months of 2025, Rs. 5,506 million was spent on the construction of housing and related infrastructure development including urban regeneration housing programme, resettlement/ permanent houses for the conflict affected families, Semata Niwahana and construction of 2,000 housing units under the Chinese Aid implemented by the Ministry of Urban development, Construction and Housing, Indian-funded 10,000 housing programme and state housing programs implemented by the Ministry of Plantation and Community Infrastructure.

Urban development

The total expenditure on Urban Development was Rs. 1,252 million in the first six months of 2025. Out of which Rs. 526 million was recurrent expenditure and Rs. 726 million was spent on capital expenditure including Metro Colombo Urban Development Project, the Strategic Urban Development Project (Anuradapura), "Siyak Nagara" Programme, Weras Ganga Storm Water Drainage and Environment Improvement Project, and Metro Colombo Solid Waste Management Project.

Environment

During the first six months of 2025, total government expenditure on the environment sector amounted to Rs. 5.2

billion, of which Rs. 4.8 billion was incurred on recurrent expenditure, and Rs. 401 million on capital expenditure. Within this expenditure, Rs. 68 million was spent on environmental protection, Rs. 175 million on the expansion of forest coverage and forest protection, and Rs. 158 million on mitigating the human–elephant conflict, including the establishment of electric fences.

In addition, Rs. 23 million was utilized for implementing major activities on coast conservation and coastal resource management, while Rs. 38 million and Rs. 17 million were spent on the development of zoological gardens and botanical gardens, respectively. The balance of the expenditure was utilized for operational and administrative activities associated with the implementation of programs and policies relating to environmental protection, wildlife, forest and coastal conservation, and the development of zoological and botanical gardens.

Irrigation and Water Management

During the first six months of 2025, the expenditure for irrigation and water management was Rs. 13.8 billion. Out of that expenditure, Rs. 9.0 billion was spent on the Mahaweli Water Security Investment Program. The balance of Rs. 4.8 billion was spent on the development and improvement of irrigation systems under the Ministry and the Department of Irrigation.

2.4 Performance of the cash flow of the General Treasury

In light of the remarkable achievements observed in the first half of 2025, it is evident that the concerted efforts undertaken by the government to bolster revenue collection have yielded substantial and tangible results. The positive trajectory of cash inflows during this period has not only alleviated the fiscal pressures traditionally faced by the Treasury but also underscored the efficacy of recent reforms aimed at enhancing the efficiency and effectiveness of revenue generating agencies. Notably, institutions such as the Inland Revenue Department, Sri Lanka Customs and the Excise Department have demonstrated commendable performance by surpassing their predefined revenue targets, thereby reflecting a strong commitment to fiscal discipline and strategic planning. This upward movement in revenue collection has empowered the Treasury to allocate a significant portion of the accumulated cash reserves towards debt servicing obligations, thereby reducing reliance on external borrowings and fostering a more sustainable fiscal environment.

However, the issue emerged concerning foreign debt repayments, primarily attributable to a shortage of US Dollar proceeds of the government. Consequently, the cash flow buffer was utilized by obtaining US dollars from the Central Bank of Sri Lanka to fulfill these obligations. Additionally, the receipt of approximately USD 350 million from the IMF's fourth tranche significantly contributed to alleviating USD liquidity pressures, thereby supporting the maintenance of the treasury's cash flow. This sequence of events highlights the critical dependence on external financial support to sustain external debt service commitments and underscores the importance of strategic liquidity management in the context of limited foreign exchange reserves.

Simultaneously, the surplus liquidity circulating within the domestic money & capital markets, complemented by the improved liquidity position of the banking sector has contributed to maintaining stable interest rates, which in turn supports ongoing economic activities. The commencement of 2025 has thus been marked by a historic high in cash buffer in hand that illustrates the tangible impact of innovative policy measures and diligent administrative efforts. Furthermore, the excess cash generated through enhanced revenue avenues has been prudently channeled into public banking institutions, serving as an alternative funding arrangement to mitigate market volatility and ensure liquidity adequacy. This strategic reserve has been actively utilized during the initial six months of the year to meet both domestic and foreign payment commitments. Overall, these developments exemplify a proactive and forward-looking approach to fiscal management, emphasizing sustainable growth, prudent resource allocation and resilience in the face of economic uncertainties.

Table 2.17 : Government Treasury Cash Flow Operations (Jan – Jun 2025)

Rs. Billion

Item	Jan – Jun 2024 Actual	Jan – Jun 2025 Estimate	Jan – Jun 2025 Provisional
Opening Cash balance	599.5	805.1	805.1
Total cash inflow from revenue and other receipts	1,812.3	2,267.9	2,275.1
Total cash outflow for recurrent payments	-2,265.5	-2,918.9	-2,413.1
Total cash outflow for capital payments*	-379.3	-450.9	-211.1
Net cash surplus / (deficit)	-832.6	-1,101.8	-349.2
Gross borrowing *	1,665.3	1,681.9	1,675.9
Debt repayment	-749.0	-763.3	-945.2
Net borrowing	916.4	918.6	730.7
Balance proceeds of Commercial Borrowing previous year	-	-	-
Adjustment account balance (TEB, net deposits, Other Transfer etc.)	-36.6	-	-106.9
Closing Cash balance	646.7	621.8	1,079.7

Source: Department of Treasury Operations

**Includes project/programme loans accounted by Department of Treasury Operations as at 30th June 2025.*

Accordingly, during the first six months of the year 2025, cash inflows to the General Treasury by way of revenue and other receipts amounted to Rs. 2,275.1 billion, as against the estimate of Rs. 2,267.9 billion, achieving 100.3 percent from the revenue estimate. Meanwhile, during the first six months of the year 2025, cash outflow for both recurrent and public investment amounted to Rs. 2,624.3 billion as against the estimate of Rs. 3,369.8 billion, achieving 77.9 percent of the estimate. Furthermore, cash outflow for recurrent reflects an increase of 6.5 percent compared to Rs. 2,265.5 billion over the same period of 2024.The reason for this increase in expenditure is primarily attributed to the salary increases and the rise in social benefit expenditures.

Total cash deficit as at 30th June 2025 was Rs. 349.2 billion, reflecting a decrease of 58.1 percent compared to Rs. 832.6 billion deficits prevailed at the end of June 2024 mainly due to the increase in revenue and other receipts by 25.5 percent during first half the of 2025.

Although the total cash outflow for both recurrent expenditure and public investment and total borrowing do not reflect significant variance, debt repayment has increased by 26.2 percent compared to the previous year. This has occurred mainly due to the use of a part of increased revenue for debt service payments, which were earmarked to be financed through the market borrowings. Accordingly, positive cash balance has remained at Rs. 1,079.7 Bn as at the end of the first six months of 2025.

2.5 Management of Government Debt

The total gross borrowing limit approved by Parliament for the fiscal year 2025 was set at Rs. 4,000 billion, from which Rs. 1,494.5 billion was allocated for the period from January 1 to June 30, 2025. This borrowing comprised both domestic and foreign sources, amounting to Rs. 1,357.3 billion and Rs. 137.5 billion, respectively. The primary purposes of these borrowings were to finance debt service obligations and support development projects.

As of the reporting date, approximately 90.8 percent of the total borrowings in the first half of 2025 were sourced domestically. Treasury Bonds were solely used for domestic debt service payments.

The utilization of government approved borrowing limit from January 1 to June 30, 2025, was recorded at Rs. 1,357.3 billion, predominantly reflecting borrowings through Treasury Bonds. The apparent negative net issuance of Treasury Bills, Rs. 149.8 billion during this period indicates that outflows exceeded new issuances, suggesting that cash flow financing was employed to reduce the outstanding volume of the Treasury Bill repayments.

Table 2.18 : Domestic Borrowings (Jan – Jun 2025)

Instruments	Rs.Billion
Treasury Bonds (Gross Borrowing)	1,357.3
Total	**1,357.3**

Source: Department of Treasury Operation

Table 2.19 : Domestic Borrowings (Jan – Jun 2025)

Instruments	Rs.Billion
Treasury Bills (Net)	(149.8)
Total	**(149.8)**

Source : Department of Treasury Operation

TABLE 2.20 : The Outstanding List of Treasury Guarantees & Letters of comfort Issued by the General Treasury up to 30.06.2025

S. No	Name of the Bank or Institution	Name of Institution	Issued Value Rs. Mn as at 30.06.2025		Outstanding Value Rs. Mn as at 30.06.2025	
1	Asian Development Bank	Ceylon Electricity Board	119,986.96	134,985.33	90,452.17	105,450.54
		Regional Development Bank	14,998.37		14,998.37	
2	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	53,994.13	53,994.13	29,996.74	29,996.74
3	Bank of Ceylon	Building Materials Corporation Ltd	500.00	428,127.85	500.00	299,152.05
		Ceylon Electricity Board	4,540.00		1,239.54	
		Ceylon Fisheries Corporation	250.00		158.62	
		Ceylon Petroleum Corporation	100,000.00		77,724.75	
		General Sir John Kotelawala Defence University	835.00		35.83	
		Janatha Estates Development Board	200.00		80.21	
		Lanka Coal Company (Pvt) Ltd	49,500.00		13,087.29	
		National School of Business Management Limited	8,600.00		5,225.00	
		National Water Supply & Drainage Board	65,395.67		39,349.88	
		Northsea Limited	38.63		37.41	
		Road Development Authority	147,102.33		110,746.31	
		Sri Lanka Rupavahini Corporation	93.00		30.20	
		Sri Lankan Airlines Limited	44,396.58		44,396.58	
		State Development and Construction Corporation	1,126.81		990.61	
		State Engineering Corporation	2,400.00		2,399.99	
		Mihin Lanka Limited	3,149.84		3,149.84	
4	China Development Bank	National Water Supply & Drainage Board	49,497.80	49,497.80	60,209.46	60,209.46
5	China National Chemical Engineering No.14 Constrution Co. Ltd	Ceylon Petroleum Corporation	13,131.07	13,131.07	7,100.23	7,100.23
6	Commercial Bank	National Water Supply & Drainage Board	968.36	5,724.29	492.21	5,248.14
		Road Development Authority	4,755.93		4,755.93	
7	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	52,494.30	52,494.30	52,494.30	52,494.30
8	DFCC Bank	National Water Supply & Drainage Board	6,026.24	11,922.75	3,339.63	8,149.18
		Road Development Authority	5,896.51		4,809.55	
9	Exim Bank of India	National Water Supply & Drainage Board	77,001.63	77,001.63	46,803.91	46,803.91
10	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	43,578.26	4,000.00	31,623.28
		Ceylon Electricity Board	3,690.85		215.98	
		National Water Supply & Drainage Board	15,754.26		7,274.15	
		Road Development Authority	20,133.15		20,133.15	
11	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	13,239.95	13,239.95	8,849.04	8,849.04

S. No	Name of the Bank or Institution	Name of Institution	Issued Value Rs. Mn as at 30.06.2025		Outstanding Value Rs. Mn as at 30.06.2025	
12	Industrial and Commercial Bank of China Limited	Ceylon Electricity Board	12,590.35	12,590.35	7,958.14	7,958.14
13	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	29,177.65	29,177.65	25,086.23	25,086.23
14	International Air Transport Association(IATA)	Sri Lankan Airlines Limited	3,479.62	3,479.62	3,479.62	3,479.62
15	Japan International Coorporation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	154,820.16	154,820.16	55,710.45	55,710.45
16	National Development Bank PLC	National Water Supply & Drainage Board	21,380.43	27,679.63	14,471.89	20,771.73
		Road Development Authority	6,299.21		6,299.84	
17	National Savings Bank	Ceylon Electricity Board	5,000.00	190,272.35	3,500.00	172,760.14
		General Sir John Kotelawala Defence University	33,896.09		31,474.94	
		National Water Supply & Drainage Board	32,710.61		27,106.37	
		Road Development Authority	114,415.66		108,994.82	
		Sri Lanka Land Reclamation & Development Corporation	3,500.00		934.01	
		Techno Park Development Company Private Limited	750.00		750.00	
18	People's Bank	Ceylon Electricity Board	15,333.33	175,718.35	10,527.07	134,779.54
		Ceylon Petroleum Corporation	2,317.25		1,505.84	
		Ceylon Shipping Corporation Ltd	21,570.80		14,263.45	
		Lanka Sathosa Limited	5,241.00		4,734.02	
		National Paper Corporation	140.00		48.53	
		National Water Supply & Drainage Board	7,245.93		3,366.15	
		Paddy Marketing Board	751.99		751.99	
		Road Development Authority	56,791.60		41,815.73	
		Sri Lanka Insurance Corporation	3,599.61		3,599.61	
		Sri Lanka State Plantation Corporation	100.00		81.90	
		Sri Lankan Airlines Limited	57,562.01		50,284.49	
		State Printing Corporation	1,165.00		-	
		Techno Park Development Company Private Limited	750.00		750.00	
		Mihin Lanka Limited	3,149.84		3,050.76	
19	Reserve Bank of India	Central Bank of Sri Lanka	330,392.77	330,392.77	330,392.77	330,392.77
20	Sampath Bank	Road Development Authority	14,500.00	14,500.00	9,886.36	9,886.36
21	Sri Lanka Savings Bank	Northsea Limited	60.00	60.00	55.36	55.36
22	UniCredit Bank Austria AG	National Water Supply & Drainage Board	17,798.14	17,798.14	14,351.07	14,351.07
23	Paddy Marketing Board	Co-operative Wholesale Establishment	880.00	880.00	729.60	729.60
24	Export Development Board	Bank of Ceylon and Peoples Bank	60.00	60.00	60.00	60.00
		Grand Total	**1,841,126.39**	**1,841,126.39**	**1,431,097.85**	**1,431,097.85**

CHAPTER 3

Performance of State Owned Enterprises

3.1 Overview

The main 52 State Owned Enterprises (SOEs) reported mixed performance during the first six months of 2025, recording a total profit of Rs. 227.8 billion compared to Rs. 280.7 billion in the same period of 2024. The three largest state banks, namely, Bank of Ceylon (BoC), People's Bank (PB), and National Savings Bank (NSB), together increased their profitability by Rs. 65.5 billion. This was further supported by improved performance of Sri Lanka Ports Authority (SLPA), National Water Supply and Drainage Board (NWS&DB), and Employees' Trust Fund Board, which collectively added around Rs. 16 billion in additional profits compared to the first six months of 2024. However, the overall profitability of the SOE sector was significantly constrained by the Ceylon Electricity Board (CEB), which reported a loss of Rs. 13.2 billion in the first six months of 2025 in contrast to the profit of Rs. 119.2 billion recorded in the same period of 2024.

With the government's broader objective of efficient management and reform of Public Commercial Enterprises in Sri Lanka, the Cabinet of Ministers granted policy approval to introduce a Public Commercial Enterprises Management Act and accordingly, a Ministerial Committee was appointed in April, 2025 to review the initial draft. Based on the Ministerial Committee report, in June 2025, the Cabinet of Ministers approved directing the draft to the Legal Draftsman for the preparation of the Public Commercial Enterprises Management Bill. This reform is expected to manage all public commercial enterprises professionally, independently, productively and according to commercial principles while being subject to the highest standard of governance, accountability and scrutiny. Further, a Cabinet - appointed Committee for reviewing Non-Commercial State-Owned Enterprises reviews the SOEs and has already given recommendations for reforms, including the closure and merger of several entities.

In line with the Cabinet approved State Owned Banks (SOB) reform policy, the Committee with professionals appointed to select independent directors for the SOBs submitted their recommendations for all SOBs in July 2025. In the meanwhile, power sector reforms continued, with the certification of the Sri Lanka Electricity (Amendment) Act, No. 14 of 2025 in August 2025. These reforms are expected to improve efficiency, transparency, and accountability in the power sector.

The collection of levies and dividends from the SOEs decreased to Rs. 11.7 billion in the first six months of 2025, compared to Rs. 14.9 billion in the same period of 2024.

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

Bank of Ceylon

The asset base of the BoC increased marginally to Rs. 5,290 billion as at end June 2025 from Rs. 4,985 billion as at end 2024. Loans and advances increased marginally to Rs. 2,216 billion as at end June 2025 from Rs. 2,178 billion as at end 2024. During the first six months of 2025, the deposit base of the bank increased by 5.2 percent to Rs. 4,429 billion, compared to Rs. 4,208 billion as at end 2024. Impaired loans (Stage III) ratio of the bank slightly improved to 7.13 percent as at end June 2025, compared to 7.20 percent as at end 2024. During the first six months of 2025, the BoC reflected robust financial performance and operational efficiency by recording a Profit before Tax (PBT) of Rs. 61.1 billion, a significant increase compared to Rs. 22.4 billion PBT reported in the same period of 2024. This growth was primarily driven by the increase in net interest income by 78.6 percent to Rs. 102.7 billion in the first six months of 2025.

People's Bank

The asset base of PB increased by 8.3 percent to Rs. 3,572 billion as at end June 2025 from Rs. 3,298 billion as at end 2024. The deposit base of the bank increased by 9.5 percent to Rs. 3,125 billion as at end June 2025, compared to Rs. 2,855 billion as at end 2024. Loans and advances increased by 4.6 percent to Rs. 1,592 billion as at end June 2025 from Rs. 1,522 billion as at end 2024. Impaired loans (Stage III) ratio of the bank has improved marginally to 9.39 percent as at end June 2025, compared to 10.26 percent as at end 2024. PB recorded an all-time high profit before tax of Rs. 28 billion in the first six months of 2025, compared to Rs. 2.6 billion in the same period of 2024, mainly due to the increase in net interest income by 151 percent to Rs. 69.3 billion.

National Savings Bank

The NSB's asset base recorded a marginal increase to Rs. 1,811 billion as at end June 2025 from Rs. 1,752 billion as at end 2024. The deposit base of the bank increased by 1.3 percent to Rs. 1,576 billion as at end June 2025 from Rs. 1,556 billion as at end 2024. Loans and advances balance decreased by 3.4 percent to Rs. 514 billion as at end June 2025, compared to Rs. 532 billion as at end 2024. Impaired loans (Stage III) ratio of the bank has improved to 2.83 percent as at end June 2025, compared to 5.18 percent as at end 2024. NSB recorded a remarkable increase of 55 percent in profit before tax to Rs. 31 billion in the first six months of 2025, compared to Rs. 20 billion in the same period of 2024. This growth was mainly driven by the increase in net interest income and reversal of impairment charges.

Sri Lanka Insurance Corporation Limited

Sri Lanka Insurance Corporation Limited (SLIC) recorded a profit before tax of Rs. 2,378 million in the first six months of 2025, an increase by 35.6 percent compared to Rs. 1,753 million in the same period of 2024. SLIC's fully owned subsidiaries namely Sri Lanka Insurance Corporation Life Limited recorded a PBT of Rs. 14,417 million in the first six months of 2025, compared to Rs. 15,298 million in the same period of 2024, and Sri Lanka Insurance Corporation General Limited recorded a PBT of Rs. 2,087 million in the first six months of 2025, compared to Rs. 1,763 million in the same period of 2024.

Ceylon Electricity Board

The revenue from the sale of electricity decreased significantly by 38.8 percent to Rs. 192.6 billion in the first six months of 2025, compared to Rs. 314.4 billion in the same period of 2024, despite the increase in demand for electricity by 4.3 percent to 7,814 GWh in the first six months of 2025 against 7,491 GWh in the same period of 2024. This is mainly due to the reduction of average end-user tariffs, where the sales revenue per unit declined to Rs. 24.64 per KWh in the first six months of 2025, compared to Rs. 41.97 per KWh in the same period of 2024.

However, the direct generation cost of the CEB declined by 8.7 percent to Rs. 144.3 billion in the first six months of 2025, compared to Rs. 158.1 billion in the same period of 2024 primarily due to favorable weather conditions that reduced reliance on thermal generation. Despite the decline in generation cost, due to the reduction of average end-user tariffs in 2025, CEB recorded a gross loss of Rs. 11.2 billion in the first six months of 2025, compared to the gross profit of Rs. 99.7 billion in the same period of 2024. As such, CEB recorded a net loss of Rs. 13.2 billion in the first six months of 2025, against the net profit of Rs. 119.2 billion recorded in the same period of 2024, which included the gain of Rs. 26 billion on the disposal of shares of its subsidiary, Lanka Transformers Limited.

During the first six months of 2025, the generation mix changed to hydro: thermal (coal): NCRE, wind & rooftop: and thermal (fuel) at 34:31:23:12 in comparison to 30:36:18:16 in the same period of 2024. The expansion of hydro and renewable energy, particularly rooftop solar, helped reduce the reliance on high-cost coal and oil-based generation. Accordingly, the cost per unit at the selling point decreased to Rs. 27.43 per KWh in the first six months of 2025, compared to Rs. 31.10 per KWh in the same period of 2024.

As at end June 2025, the trade payables of CEB recorded as Rs. 52.6 billion of which 37.6

percent due to be settled to independent power producers (IPP), amounting to Rs. 19.8 billion, compared to Rs. 14.1 billion as at end 2024.

Two tariff revisions made in 2025, resulted in the end user average tariff reduction of 20 percent in January, 2025 followed by an increase of 15 percent in June, 2025.

Meanwhile, amendments were proposed to the Sri Lanka Electricity Act, No. 36 of 2024 and accordingly, the Sri Lanka Electricity (Amendment) Act, No. 14 of 2025 was certified on 18 August 2025. Consequently, government owned four companies were established for generation, transmission, distribution and the National System Operator in line with the provisions of the Act.

Ceylon Petroleum Corporation

The cost of importing petroleum and petroleum products by CPC during the first six months of 2025 declined to USD 1,040 million, compared to USD 1,235 million recorded in the same period of 2024. This reduction was primarily attributable to the decline in global fuel prices and the appreciation of the Sri Lankan rupee against the US dollar. As a result, the cost of sales of CPC decreased by 19.2 percent to Rs. 377.9 billion in the first half of 2025, compared to Rs. 467.7 billion recorded in the same period of 2024.

Consequently, CPC's turnover also experienced a notable decline of 19.3 percent to Rs. 439.5 billion in the first six months of 2025, compared to Rs. 544.3 billion in the same period of 2024. Reflecting these trends, CPC's net profit decreased by 17.9 percent to Rs. 17.0 billion in the first six months of 2025, compared to Rs. 20.7 billion in the same period of 2024.

On the liabilities front, the dues to the National Iranian Oil Company reduced from USD 191 million as at end June 2024 to USD 130.96 million as at end June 2025, reflecting partial settlement of outstanding dues through the Tea for Oil Barter Agreement.

SriLankan Airlines Limited

SriLankan Airlines Limited (SLA) reported mixed financial results for the first three months of the financial year 2025/26, reflecting improvements in passenger revenue but continued strain on profitability due to structural cost pressures and debt overhang. Passenger revenue rose to Rs. 51.7 billion, an increase of Rs. 1.5 billion year-on-year, supported by higher traffic volumes and a load factor of 82.3 percent in the first three months of the financial year 2025/26, up from 74.8 percent in the same period of 2024/25. The airline carried more than one million passengers across 3,217 flights during the quarter, marking a 23 percent growth in traffic. However, cargo revenue and other revenue declined by 13 percent and 28 percent to Rs. 7.1 billion and Rs. 3.8 billion, respectively, in the first three months of the financial year 2025/26, bringing the net traffic revenue to Rs. 62.7 billion, compared to Rs. 63.8 billion in the same period of 2024/25.

During the period under review, despite the drop in aircraft fuel and aircraft & spare engine lease cost, total operating expenses increased marginally to Rs. 67.8 billion, driven largely by aircraft maintenance cost. Consequently, the airline recorded an operating loss of Rs. 5.2 billion in the first three months of 2025/26, compared to the operating loss of Rs. 3.5 billion in the same period of 2024/25 from its core air transportation business. Contributions from SriLankan Catering provided some relief, resulting in a modest Group-level operating profit of Rs. 1.1 billion before finance charges and foreign exchange impacts. Nevertheless, after accounting for finance costs of Rs. 6.4 billion, exchange losses of Rs. 4.9 billion, and penalties, the group reported a net loss of Rs. 10.7 billion in the first three months of the financial year 2025/26, which is an improvement compared to the net loss of Rs. 12.9 billion recorded in the same period of 2024/25.

From a balance sheet perspective, SLA remains under significant financial stress. As at end June 2025, the airline reported total assets of Rs. 191.5 billion, including aircraft-related right-of-use assets, trade receivables, and maintenance reserves. However, accumulated losses of Rs. 628.3 billion have eroded shareholder equity to a negative balance of Rs. 415.2 billion. Total liabilities stood at Rs. 606.7 billion as at end June 2025, underscoring the high leverage and liquidity risks faced by the airline.

SLA expects continued benefits from rising passenger demand amid Sri Lanka's tourism recovery and growing regional connectivity. Nevertheless, profitability remains constrained by debt servicing costs and limited revenue diversification. While recognizing the need to have a comprehensive plan for business sustainability through cost rationalization and strategic fleet optimization, the Board of Directors of the SLA approved a business plan for a period of five years commencing from the financial year 2025/26.

National Water Supply and Drainage Board

The NWS&DB as at end June 2025 was able to increase the piped borne water and safe drinking water supply coverage in the country to 63.7 percent and 99.1 percent, respectively, compared to 62.4 percent and 98.1 percent, respectively as at end June 2024. However, the piped sewerage coverage performance was not significantly changed as at end June 2025 from the performance of 2.1 percent as at end June 2024.

During the first six months of 2025, the NWS&DB added nearly 100,000 new connections to the system. The revenue of the NWS&DB for the first six months in 2025 is recorded as Rs. 41.5 billion against the revenue of Rs. 42.8 billion in the same period of 2024. However, the cost of sales during this period has declined significantly by 20 percent to Rs. 15 billion mainly due to the reduction in the pumping cost associated with the reduction in the electricity tariff in January 2025. As a result, the board recorded a gross profit of Rs. 26.5 billion for the period under review against Rs. 24 billion for the same period in 2024. Subsequently, the NWS&DB recorded an operating profit of Rs. 20.6 billion during the first six months of 2025 compared to Rs. 19.1 billion in the same period of 2024. Meantime, easing of local interest rates has contributed to a notable decline in financing costs by 41.9 percent to Rs. 3.6 billion and resulted a net profit of Rs. 17.7 billion in the first six months of 2025, an increase of 28.3 percent compared to Rs. 13.8 billion in the same period of 2024.

Both the water production and water sales for the period under review has increased by around 1 percent and stood at 419 million m^3 and 317 million m^3, respectively compared to the same period of previous year. Further, Non-Revenue Water (NRW) showed a negative trend over the same period of previous year whereas it has decreased to 24.2 percent from 24.4 percent.

Further, during the first six months of 2025, the General Treasury contributed an equity of Rs. 23.25 billion for the repayment of loans of the local banks, foreign banks and to settle the liabilities of the major ongoing projects such as Thambuttegama water supply project, Gampaha, Attanagalla, Minuwangoda integrated water supply project, Aluthgama, Mathugama and Agalawatta water supply project and Polgahawela, Alawwa and Pothuhara water supply project in order to facilitate the completion of the remaining work under the budgetary support.

Sri Lanka Ports Authority

The SLPA delivered a strong financial performance in the first six months of 2025, underlining its resilience and profitability. Total revenue increased to Rs. 52.0 billion during the period under review, compared to Rs. 42.5 billion in the same period of 2024. With the expenditure contained at Rs. 23.7 billion, the Authority achieved an operating profit of Rs. 28.3 billion in the first six months of 2025, compared to Rs. 18.4 billion in the same period of 2024. After accounting for net finance income and a modest foreign exchange loss, profit before tax stood at Rs. 29.2 billion, in the first six months of 2025, a remarkable increase compared to the net profit of Rs. 19.8 billion reported in the same period of 2024.

Operationally, the Port of Colombo continues to strengthen its role as a regional transshipment hub, with throughput projected to exceed 8 million TEUs in 2025. Key infrastructure developments, including the East Container Terminal Phase II, Jaya Container Terminal Phase V, and preparatory work for the West Container Terminal Phase II and Colombo North Port Project, will further expand capacity and efficiency.

Looking forward, SLPA's strong profitability, solid balance sheet, and strategic expansion projects provide a firm foundation for long-term growth. With Sri Lanka's advantageous location on major shipping routes, the Authority is positioned to capture additional transshipment volumes, enhance competitiveness, and support the government's broader development agenda.

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

Airport and Aviation Services (Sri Lanka) (Private) Limited (AASL) recorded a significant growth in total revenue by 31 percent to Rs. 27.3 billion in the first six months of 2025, compared to Rs. 20.8 billion in the same period of 2024. A dominant share of about 85 percent of the total revenue was generated from non-aeronautical sources. Operating expenses during the first six months of 2025 declined to Rs. 11.1 billion, compared to Rs. 11.8 billion in the same period of 2024. As a result, AASL's operating profit in the first six months of 2025 increased by Rs. 7.1 billion to Rs. 16.1 billion. However, due to the exchange loss of Rs. 4.3 billion reported in the first six months of 2025, compared to the exchange gain of Rs. 4.6 billion in the same period of 2024, net profit before tax declined by 15.6 percent to Rs. 14.6 billion in the first six months of 2025. Following a tax provision of Rs. 4.8 billion, the company posted a net profit of Rs. 9.8 billion for the period under review, compared to Rs. 14.9 billion in the same period of 2024.

As at end June 2025, AASL maintains a solid balance sheet with total assets of Rs. 243 billion, an increase by 9.3 percent compared to Rs. 222.4 billion as at end 2024. The increase in asset base is primarily due to the increase in work in progress, trade & other receivables and short-term investments. However, the company also carried a sizable debt burden as at end June 2025, with total borrowings exceeding Rs. 103.0 billion, alongside Rs. 4.0 billion in debentures. Overall, AASL's financial performance reflects robust profitability and retained earnings, though the high leverage and exchange rate losses highlight the importance of prudent debt and treasury management going forward.

TABLE 3.1 : Reform/Key Initiatives for Major SOEs

Institution	Reform/Key Initiatives
State-Owned Banks	• Strengthen governance and risk management practices, as approved by the Cabinet of Ministers, to enhance the competitiveness of State-Owned Banks in the market. Accordingly, independent directors appointed on a merit basis shall constitute the majority of the Board of Directors, thereby ensuring independence in governance. • Expand access to and strengthen integration with platforms such as GovPay, the new government digital payment gateway, and LankaQR, to enhance financial inclusion and operational efficiency. • Enhance credit quality through strengthened monitoring mechanisms and improved collection processes. • Update with the evolving regulatory landscape, implement necessary changes, and maintain transparent reporting practices. • Develop new products to assist the existing customers and attract new customers. • Expand financial services to underserved populations with the objective of promoting broader financial inclusion.
SriLankan Airlines Limited	• Cabinet of Ministers approved to restructure the SLA legacy loans worth of USD 210 million and Rs. 31.4 billion and the loans are to be serviced by the General Treasury through equity injection to the SLA.
Ceylon Electricity Board	• Sri Lanka Electricity (Amendment) Act, No. 14 of 2025 was certified on 18 August 2025. • Four new limited liability companies were incorporated to unbundle the CEB while ensuring greater autonomy and transparency between the generation, transmission, and distribution segments of the entity.
Sri Lanka Ports Authority	• In July 2025, the Cabinet of Ministers approved to incorporate a SLPA fully owned subsidiary company called "Colombo East Container Terminal (Private) Limited" to manage and operate the East Container Terminal.

Sources : SOEs and Department of Public Enterprises

TABLE 3.2 : Profit before Tax of 52 State Owned Enterprises

Rs. Million

	Enterprise	2023	2024 [(a)]	As at 30.06.2025 [(a)]
1	Bank of Ceylon	40,342	106,904	61,087
2	People's Bank	15,345	41,584	27,989
3	National Savings Bank	4,287	26,431	31,274
4	State Mortgage & Investment Bank	-1,165	158	249
5	HDFC Bank	2,650	412	111
6	Pradeshiya Sanwardena Bank	1,183	3,210	2,194
7	Employees' Trust Fund Board	64,959	63,177	32,902
8	Sri Lanka Insurance Corporation Limited	10,704	3,546	2,378
9	National Insurance Trust Fund	13,329	16,793	9,626
10	Sri Lanka Export Credit Insurance Corporation	1,056	852	344
11	Agriculture and Agrarian Insurance Board	-3,885	-3,182	483
12	Ceylon Electricity Board	57,633	144,394	-13,162
13	Ceylon Petroleum Corporation	120,346	33,265	17,018
14	Sri Lanka Ports Authority	40,359	46,734	29,195
15	National Water Supply and Drainage Board	5,235	23,945	17,673
16	Airport and Aviation Services (SL) (Pvt) Ltd	33,639	28,671	14,574
17	Sri Lankan Airlines Ltd	3,871	-7,595	-12,041*
18	Sri Lanka Transport Board	2,189	547	927
19	State Engineering Corporation[(a)]	-2,709	-1,041	-247
20	Central Engineering Consultancy Bureau	748	608	150
21	State Development and Construction Corporation	-2,246	-1,411	-169
22	Milco (Pvt) Ltd	-470	-43	628
23	National Livestock Development Board[(a)]	-136	281	-15
24	Sri Lanka State Plantations Corporation	-93	-69	-42
25	Janatha Estates Development Board[(a)]	-156	-223	-25
26	Kurunegala Plantations Ltd	534	415	323
27	Chilaw Plantations Ltd	303	219	384
28	Kalubovitiyana Tea Factory Ltd	69	-11	40*
29	Sri Lanka Cashew Corporation	-5	14	-3
30	Lanka Mineral Sands Ltd	4,051	-77	489
31	Lanka Phosphate Ltd	363	465	101*
32	Kahatagaha Graphite Lanka Ltd	28	24	19*
33	Development Lotteries Board	3,516	4,197	2,764
34	National Lotteries Board	845	1,693	910
35	State Pharmaceuticals and Manufacturing Corporation	2,173	3,083	1,522
36	Sri Lanka Ayurvedic Drugs Corporation	218	183	145
37	State Pharmaceuticals Corporation	1,268	2,474	874
38	Sri Jayawardenepura General Hospital	304	552	587
39	Independent Television Network Ltd	-205	3	-77
40	Sri Lanka Rupavahini Corporation	-360	-247	-162
41	Sri Lanka Broadcasting Corporation	-528	-158	-30
42	Sri Lanka Handicraft Board	57	85	45
43	State Timber Corporation	1,274	825	-73
44	STC General Trading Company	1,501	367	67
45	Lanka Sathosa Ltd	-695	-1,097	-240
46	State Printing Corporation	2,792	284	-61
47	Ceylon Fisheries Corporation[(a)]	-47	-20	-1
48	Ceylon Fishery Harbour Corporation	640	-85	-23
49	Ceylon Fertilizer Company Ltd	61	-476	**
50	Colombo Commercial Fertilizer Company Ltd	162	-41	**
51	Hotel Developers Lanka Ltd	-784	-268	-249
52	Lanka Sugar Company Ltd	2,835	-1,945	-2,618
	Total	**427,385**	**538,408**	**227,834**

Source: SOEs and Department of Public Enterprises

[(a)]Provisional

** 2025 April – June*

*** Ceylon Fertilizer Company Ltd and Colombo Commercial Fertilizer Company Ltd was amalgamated in 2024 and the newly formed company, State Fertilizer company has generated a profit of Rs. 241 million for April to June 2025.*

Table 3.3 : Levy/ Dividend Income from SOEs

Rs.Million

	2023	2024	As at 30.06.2025
Levy	**60,497**	**33,191**	**10,181**
People's Bank	–	–	–
Ceylon Petroleum Corporation	5,000	10,000	–
Telecommunication Regulatory Commission of Sri Lanka	23,000	9,000	–
State Timber Corporation	641	–	447
State Pharmaceuticals Manufacturing Corporation	300	300	282
National Insurance Trust Fund	2,000	2,919	1,000
Geological Survey and Mines Bureau	2,000	1,468	1,388
National Gem and Jewellery Authority	390	25	120
Board of Investment of Sri Lanka	533	928	–
National Lotteries Board	1,000	1,060	200
Sri Lanka Standards Institution	40	13	–
Sri Lanka Export Credit Insurance Corporation	620	300	–
Sri Lank Tourism Promotion Bureau	500	500	–
Civil Aviation Authority	4,000	750	500
State Pharmaceutical Corporation	–	100	–
National Transport Medical Institute	150	850	–
Sri Lanka Bureau of Foreign Employment	7,000	–	5,000
National Transport Commission	300	250	100
Sri Lanka Tourism Development Authority	75	–	–
Sri Lanka Land Reclamation and Development Corporation	500	–	–
Sri Lanka Ports Authority	8,066	607	–
National Medicine Regulatory Authority	646	880	716
Road Development Authority	75	1,749	–
Land Reforms Commission	350	15	–
Condominium Management Authority	200	–	10
National Institute of Business Management	115	85	–
Post Graduate Institute of Management	25	4	20
Other SOEs	2,971	1,388	398
Dividends	**15,204**	**7,889**	**1,540**
National Savings Bank	30	–	–
Bank of Ceylon	173	–	–
People's Bank	158	–	–
Sri Lanka Insurance Corporation Ltd	2,272	1,271	–
Airport and Aviation Services (Sri Lanka)(Pvt) Ltd	5,500	1,286	–
Lanka Mineral Sands Ltd	2,500	158	–
Lanka Phosphate Ltd	220	75	25
Lanka Leyland Ltd	6	–	–
Rakna Arakshaka Lanka Ltd	125	75	–
Manthai Salt Ltd. (National Salt Ltd)	120	–	–
Ceylon Fertilizer Ltd	22	15	–
Colombo Commercial Fertilizer Ltd	60	30	–
Paranthan Chemicals Company Ltd	305	131	–
STC General Trading Company	150	50	–
Sri Lanka Telecom PLC	223	–	–
De La Rue Lanka (Pvt) Ltd	–	1,324	–
Lanka Electricity Company Ltd	697	436	–
Lanka Industrial Estates Ltd	174	98	
Ceylon Agro Industries	167	202	131
Plantation Companies	554	559	60
Lanka Sugar Company Limited	1,597	–	–
Lanka Thriposha Ltd	75	100	11
Other SOEs	75	2,080	1,313
Total	**75,701**	**41,080**	**11,721**

Source: SOEs and Department of Public Enterprises

CHAPTER 4

Foreign Financing

4.1 Overview

Sri Lanka has achieved several key milestones in the debt restructuring process in 2024, which is a critical step toward achieving debt sustainability targets. In 2025, Sri Lanka recorded further progress in its debt restructuring efforts through the signing of bilateral mandatory agreements with key partners. The process is now nearing completion. On 24 March 2025, Sri Lanka successfully concluded the restructuring process with the Government of Japan. This was followed by the signing of bilateral amendatory agreements with the Export-Import Bank of India, covering Lines of Credit and Buyer's Credit Agreements, on 25 March 2025 and 3 April 2025, respectively. Subsequently, on 16 June 2025, Sri Lanka signed bilateral amendatory agreements with the Government of the French Republic. As of end-June 2025 Sri Lanka has successfully completed 92 percent of the debt restructuring process, based on the debt volume identified for restructuring.

In this context, Sri Lanka resumed regular debt servicing with the respective development partners. Furthermore, as of end-June 2025, Sri Lanka has concluded signing of 36 amended agreements covering 194 loans and bonds, with respective development partners and bondholders, and has also shared debt treatment proposals with other bilateral development partners. Debt data reconciliation and the preparation of legal agreements with these remaining development partners on an individual basis are being carried out.

4.2 Foreign Financing Commitments

During the first half of 2025, no new commitments were entered into with bilateral, multilateral, or external commercial creditors.

4.3 Foreign Financing Disbursements and Utilization

During the period from 1st January to 30th June 2025, total foreign loan disbursements amounted to USD 547.5 million.

The largest share of disbursements was recorded under the International Monetary Fund's Extended Fund Facility, accounting for 61 percent of the total. This was followed by disbursements under loan agreements with the World Bank (16 percent) and the Asian Development Bank (11 percent).

Table 4.1 : Disbursements of Foreign Loans and Grants from January 1, 2025 to June 30, 2025

Development Partner/ Lending Agency	Disbursements* (USD million)
	Loan
Bilateral	**17.7**
Japan	10.7
Saudi Fund	4.4
Co-op Centrale Netherlands	1.3
Korea	1.2
Multilateral	**529.8**
IMF	332.7
World Bank	86.5
Asian Development Bank	58.6
OPEC Fund	33.1
Asian Infrastructure Investment Bank	17.9
International Fund for Agricultural Development	1.0
Total	**547.5**

Source: Public Debt Management Office

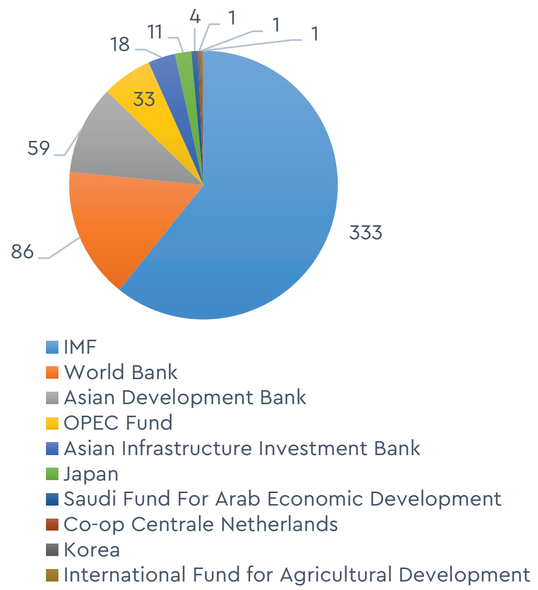
For conversion of disbursements made in different currencies into USD, the exchange rates prevailed on each disbursement date have been used.

For convension of SDR into USD month end exchange rate of SDR apply to the end of previous month published by CBSL have been used.

* *Provisional*

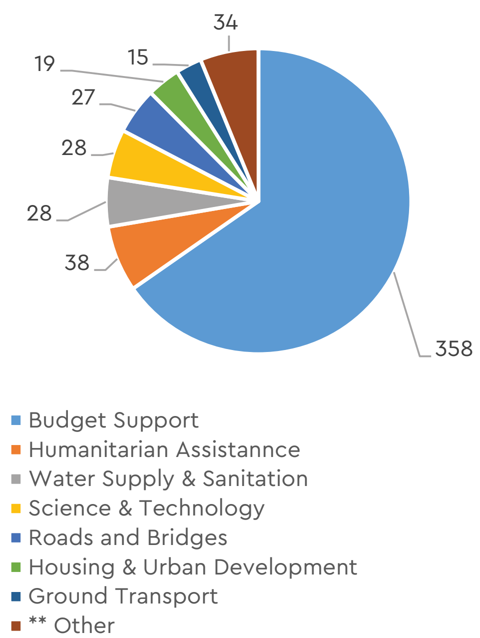
In terms of sectoral allocation, the Budget Support sector accounted for the majority share, representing 65 percent of total disbursements, followed by the Humanitarian Assistance sector (7 percent) and the Water Supply and Sanitation sector (5 percent).

Figure 4.1 : Disbursements from 1st January to 30th June 2025, as per the Development Partners/ Lending Agencies (USD million)



Source: Public Debt Management Office

Figure 4.2 : Disbursements from 1st January to 30th June 2025, as per the Major Economic Sector (USD million)



Source: Public Debt Management Office

*** Other = Agriculture, Education & Training, Health & Social Welfare, Land Development, Power & Energy, Rural Development*

4.4 External Debt Stock and External Debt Service Payments

The external debt of the government as of end of June 2025 amounted to USD 37.1 billion[1.] Multilateral debt accounts for 36 percent of total government external debt, followed by commercial debt at 34 percent and bilateral debt at 30 percent. Approximately 81 percent of commercial debt comprised outstanding International Sovereign Bonds (ISBs) issuances, with the remainder consisting of foreign currency term financing facilities (syndicated loans).

Among multilateral creditors, the Asian Development Bank (ADB) and the World Bank (WB) together represented over 85 percent of the total multilateral debt. With respect to bilateral debt, 59 percent was held by non-Paris Club creditors, while the remaining 41 percent was from Paris Club members.

Total debt service payments[2] from 1st January to 30th June in 2025 amounted to USD 1,358.9 million, of which USD 863.6 million was for principal repayments and the balance USD 495.3 million for the interest payments.

As of end-June 2025, there were no external payment arrears. External payments arrears consist of debt-service obligations (principal and interest) to non-residents that have not been paid at the time they are due, as specified in the contractual agreements, subject to any applicable grace period. However, overdue debt and debt service obligations that are in dispute will not be considered as external payments arrears for the purposes of program monitoring. Arrears resulting from the non-payment of debt service, for which a rescheduling or restructuring agreement is being sought, are excluded from this definition.[3]

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.
– Outstanding amounts of ISBs have not been classified on the current resident/ non-resident basis of their holdings.

2 Debt Service = Principal Payments + Interest Payments

3 Source = IMF Country Report No. 25/162