



# **FISCAL MANAGEMENT REPORT 2024**

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

**November 13, 2023**



# **FISCAL MANAGEMENT REPORT 2024**

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**Minister of Finance, Economic Stabilization and National**  
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**November 13, 2023**

**Issued under the Fiscal Management (Responsibility) Act, No. 3 of 2003, consisting of the Fiscal Strategy Statement – 2024 (in compliance with Sections 4, 5 and 6) and the Budget, Economic and Fiscal Position Report – 2024 (in compliance with Sections 7, 8 and 9) by the Hon. Minister of Finance, Economic Stabilization and National Policies.**

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### Key Economic Indicators

Indicator	Period	Unit	Value	
			2022	2023
<b>REAL SECTOR</b>				
Economic Growth	First Half	%	-3.6	-7.9
Agriculture	First Half	%	-6.2	2.2
Industry	First Half	%	-6.6	-18.3
Services	First Half	%	0.2	-3.2
Inflation (Point to Point) – CCPI (2013=100)	End Oct	%	66.0	1.5 <sup>(a)</sup>
Inflation (Average) – CCPI (2013=100)	End Oct	%	38.3	–
Unemployment Rate	<sup>2nd</sup> Quarter	%	4.6	5.2
Labour Force Participation Rate	<sup>2nd</sup> Quarter	%	50.1	48.6
<b>FISCAL SECTOR</b>				
Budget Deficit	Jan-Sep	Rs. Bn.	-1,244	-1,614
Total Revenue	Jan-Sep	Rs. Bn.	1,448	2,110
Tax Revenue	Jan-Sep	Rs. Bn.	1,283	1,934
Non Tax Revenue	Jan-Sep	Rs. Bn.	165	176
Total Expenditure	Jan-Sep	Rs. Bn.	2,695	3,732
Recurrent Expenditure	Jan-Sep	Rs. Bn.	2,300	3,328
Public Investment	Jan-Sep	Rs. Bn.	418	443
Government Debt	End June	Rs. Bn.	24,264	26,916
<b>EXTERNAL SECTOR</b>				
Exports	Jan-Sep	USD Mn.	9,992	8,982
Agriculture Exports	Jan-Sep	USD Mn.	1,940	1,945
Industrial Exports	Jan-Sep	USD Mn.	8,012	6,998
Textile and Garments	Jan-Sep	USD Mn.	4,577	3,689
Other	Jan-Sep	USD Mn.	3,435	3,309
Imports	Jan-Sep	USD Mn.	14,085	12,323
Consumer Goods	Jan-Sep	USD Mn.	2,147	2,243
Intermediate Goods	Jan-Sep	USD Mn.	9,497	8,105
o/w Petroleum Products	Jan-Sep	USD Mn.	3,694	3,476
Investment Goods	Jan-Sep	USD Mn.	2,433	1,963
Trade Balance	Jan-Sep	USD Mn.	-4,093	-3,342
Tourist Arrivals	Jan-Sep	No.	526,232	1,016,256
Earnings From Tourism	Jan-Sep	USD Mn.	873	1,457
Workers' Remittances	Jan-Sep	USD Mn.	2,574	4,345
Portfolio Investments (Net)	Jan-Sep	USD Mn.	138	11
Overall Balance of Payments (BOP)	Jan-Sep	USD Mn.	-2,927	1,863
Gross Official Reserves	End Sep	USD Mn.	1,779	3,540
Exchange Rate (End Month)	End Oct	Rs. per USD	363.30	327.38
Exchange Rate (Monthly Average)	Jan- Oct	Rs. per USD	363.15	324.73
<b>MONETARY SECTOR</b>				
Standing Deposit Facility Rate (SDFR)	End Oct	%	14.50	10.00
Standing Lending Facility Rate (SLFR)	End Oct	%	15.50	11.00
Statutory Reserve Requirement (SRR)	End Sep	%	4.00	2.00
Commercial Bank Weekly Average Weighted Prime Lending Rate (AWPR)	End Sep	%	25.95	14.67
W.A. Yield Rate of Treasury Bills (91 Days)	End Sep	%	31.94	17.42
W.A. Yield Rate of Treasury Bills (364 Days)	End Sep	%	29.85	13.30
Growth in Money Supply (M <sub>2b</sub> )	Sep 22/Sep 23	%	14.9	6.3
Growth in Credit to the Private Sector	Sep 22/Sep 23	%	11.0	-5.4

(a) Base Year (2021=100)



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

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

\* By the Minister of Finance

\*\* By the Secretary to Ministry of Finance

## Compliance – 2023

- **Final Budget Position Report – Annual Report – 2022 of the Ministry of Finance, Economic Stabilization and National Policies**

Status of the fiscal and economic position of 2022 was released to the public by end May 2023 and was placed before Parliament on June 20, 2023.

- **Mid-Year Fiscal Position Report – 2023**

Status of the fiscal and economic position of first four months of 2023 was released to the public by end June 2023 and was placed before Parliament on July 19, 2023.

### **This Fiscal Management Report – 2024 contains:**

- **Fiscal Strategy Statement – 2024**

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

- **Budget, Economic and Fiscal Position Report – 2024**

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



# **FISCAL MANAGEMENT REPORT 2024**

This report contains two parts: Part I presents the Fiscal Strategy Statement – 2024 of the Government; and Part II presents the provision of a basis for the evaluation of the Government's fiscal performance as against its Fiscal Strategy Statement.



# PART I



## **Fiscal Strategy Statement – 2024**

**Issued by the Hon. Minister of Finance, Economic Stabilization and National Policies  
Under Sections 4, 5 and 6 of the Fiscal Management (Responsibility)  
Act, No. 3 of 2003**

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

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





# Medium-Term Fiscal Strategy | 01



## 1.1 Overview

The signs of initial economic stabilization were reflected in the Sri Lankan economy towards the end of 2022, as the Government has taken corrective measures through comprehensive reforms and policy interventions to abate the headwinds of the worst economic crisis in its post independence history. As one of the key policy interventions, the Government entered into four-year Extended Fund Facility Programme of the International Monetary Fund (IMF-EFF) on March 20, 2023. The objectives of the IMF supported programme include restoring macroeconomic stability and debt sustainability, securing financial sector stability, strengthening governance, safeguarding social safety net programmes, and enhancing economic growth. However, as the economy is gradually recovering amid vulnerabilities compounded by deep-rooted and long-neglected macroeconomic imbalances, and given that there is still a long way to go to entrench macroeconomic stability, continuous adherence to the IMF-EFF Programme is essential.

With the implementation of robust corrective measures, notable improvements in key elements of the macroeconomy have been observed. Following wide ranging revenue enhancement and expenditure management measures, the Government achieved a primary budget surplus of Rs. 123.8 billion in the first nine months of 2023, a significant improvement from a primary deficit of 3.7 percent of GDP in 2022. Benefiting from decisive monetary policy measures taken to curb inflation and improvements in supply side, as per the Colombo Consumer Price Index (CCPI), inflation declined from a peak of 70 percent in September 2022 to a single-digit level of 1.5 percent by the end of October 2023. Owing to the improvements in foreign exchange liquidity, the currency began to appreciate as the Sri Lankan Rupee reached around 296 per USD at end May 2023 before stabilizing around 327 per USD at end October 2023. Supported by a strong rebound in workers' remittances, partial recovery of earnings from exports, and a gradual uptick of earnings from tourism, the accumulation of gross official reserves began to improve. Gross Official Reserves improved from USD 1,898 million at the end of 2022 to USD 3,540 million at the end

of September 2023. However, economic growth remained suppressed recording a further contraction of 7.9 percent in the first half of 2023, following the 3.6 percent contraction recorded for the first half of 2022. Forward looking high frequency indicators such as Purchasing Managers' Index (PMI) data suggest a potential recovery to positive growth territory from the third quarter of 2023.

The world economy is projected to be more resilient than expected in the first half of 2023, though the growth outlook remains weak. The weaker than expected recovery of China, persistent inflation, high interest rates, geo-political tensions and elevated unsustainable level of global public debt are underlying causes for the subdued performance of world economic growth. As per the IMF's October 2023 World Economic Outlook, the world economy is expected to grow by 3.0 percent in 2023, before slowing down to 2.9 percent in 2024.

Revenue mobilization reforms were introduced addressing ill-timed policy choices and rectifying the structural weaknesses encompassing various changes to realign the tax system and tax administration. Some of the key tax reforms included raising the VAT rate from 8 percent to 12 percent in June 2022 and then to 15 percent in September 2022, reducing the VAT registration threshold from Rs. 300 million to Rs. 80 million, with effect from October 2022. The standard Corporate Income Tax (CIT) rate was increased from 24 percent to 30 percent, with the removal of sector-specific CIT exemptions and concessionary rates, commencing from October 2022. The marginal Advanced Personal Income Tax (APIT) rate schedule was also amended, to rise from 6 percent to 36 percent for every Rs. 500,000 per annum, alongside a reduction in the APIT tax-free allowance from Rs. 3 million per annum to Rs. 1.2 million per annum, and the introduction of mandatory non-final withholding taxes on all payments other than dividends and the introduction of final withholding tax for dividends, from the beginning of January 2023.

However, revenue mobilization is yet to reach its full potential due to subdued economic activities, faster than expected dis-inflation, import restrictions on high revenue items, currency appreciation, and

tax administration-related shortcomings. With the aim of raising the tax-to-GDP ratio to at least 14 percent by 2025, the Government is committed to realizing revenue mobilization efforts in 2024 and beyond by introducing further reforms to the VAT system by removing almost all product-specific VAT exemptions and establishing a robust VAT refund system while taking steps to abolish the Simplified VAT (SVAT) system. In addition, the Government is in the process of designing a property tax to be effective in 2025. These reforms aim to broaden the tax base while introducing more progressive measures to mobilize revenue. Further, the Government has focused on strengthening tax administration with special emphasis on institutional reforms of revenue-collecting agencies to complement the revenue enhancement measures.

With the implementation of major revenue enhancement measures since June 2022, combined with the depreciation of the rupee and inflation effect, the Government revenue including grants increased by 46.1 percent in the first nine months of 2023 to Rs. 2,118.7 billion from Rs. 1,450.4 billion in the same period of 2022. Revenue from income taxes increased by 53.7 percent to Rs. 663.6 billion in the first nine months of 2023 from Rs. 431.8 billion in the same period of 2022. This marks a realization of 72.8 percent of the annual revenue estimate. This was mainly due to the increase in revenue from APIT/ PAYE by 497.8 percent to Rs. 107.0 billion and Withholding Tax (WHT) by 672.7 percent to Rs. 110.4 billion. Revenue from taxes on goods and services also increased by 68.1 percent to Rs. 1,004.3 billion in the first nine months of 2023 from Rs. 597.6 billion in the same period of 2022, reflecting the increase in revenue collected from VAT by 62.6 percent to Rs. 505.0 billion and receipts from the newly introduced Social Security Contribution Levy (SSCL) amounting to Rs. 158.4 billion in the first nine months of 2023. However, revenue collected from taxes on external trade increased marginally by 4.7 percent to Rs. 266.0 billion in the first nine months of 2023 from Rs. 254.0 billion in the same period of 2022. The underperformance of taxes on external trade driven by the policy decision taken to phasing out of Ports and Airports Development Levy (PAL) and Commodity Export Subsidy Scheme (CESS), import restrictions to address pressure on foreign

reserves, currency appreciation, and lower global commodity prices in the first half of 2023. The revenue from non-tax increased by 6.9 percent to Rs. 176.5 billion in the first nine months of 2023 from Rs. 165.1 billion in the same period of 2022. This marks a realization of 63.5 percent of the annual revenue estimate.

In line with revenue-enhancement measures, the Government continued to implement expenditure management measures with a view to focusing on better quality spending and ensuring value for money in public investments. Measures to curtail non-urgent capital expenditure and recurrent expenditure have been implemented through a series of circulars issued by the General Treasury since April 2022. Nonetheless, government expenditure increased by 38.5 percent to Rs. 3,732.3 billion in the first nine months of 2023, compared to Rs. 2,694.8 billion in the same period of 2022 largely due to the increase in interest cost. Accordingly, the government expenditure is largely on track reaching 64.1 percent over the annual estimate of Rs. 5,819.0 billion. The recurrent expenditure increased by 44.7 percent to Rs. 3,327.7 billion in the first nine months of 2023, compared to Rs. 2,300.2 billion in the same period of 2022. The interest payments increased by 101.6 percent to Rs. 1,737.3 billion in the first nine months of 2023 from Rs. 927.4 billion in the same period of 2022. The interest payments reached 79.2 percent of the full-year estimate in the first nine months of 2023, with the increase of domestic interest payments by 87.3 percent compared to first nine months of 2022. The expenditure on goods and services increased by 76.8 percent to Rs. 208.7 billion in the first nine months of 2023 from Rs. 118.1 billion in the same period of 2022 due to the combined effect of high inflation and depreciation of the rupee since early 2022.

The Government expects to gradually contain budget deficits to be below 5 percent of GDP from 2026 and beyond. The gap between government revenue and expenditure expanded significantly in recent years. Whilst government expenditure being largely rigid and non-discretionary, ranged between 18 percent and 20 percent of GDP, which is not high compared to income and regional peers, the sharp decline in government revenue triggered the spike in budget deficits.

As a result, commencing from 2020, the budget deficit recorded more than 10 percent of GDP for three years in a row. The Government is expected to contain the budget deficit to a single-digit level of around 8.7 percent of GDP in 2023 and 7.6 percent in 2024 with the continuous implementation of revenue-based fiscal consolidation efforts that commenced since June 2022. The budget deficit, in nominal terms, widened to Rs. 1,613.6 billion in the first nine months of 2023 from Rs. 1,244.4 billion in the same period of 2022. The primary deficit turned to a primary surplus of Rs. 123.8 billion in the first nine months of 2023 compared to a Rs. 317.0 billion primary deficit recorded in the same period of 2022. The enhanced revenue will assist to achieve the primary deficit target Rs. 209.0 billion in 2023. Though the primary deficit is expected to decline in 2023 and beyond, the overall balance will remain elevated due to the considerably high interest payments. However, in the medium term, the overall balance is expected to be reduced with the debt restructuring being concluded and revenue-based fiscal consolidation being fully established. With limited access to international financial markets, the Government heavily relied on domestic sources to finance the fiscal deficit. Net domestic financing to fill the fiscal deficit amounted to Rs. 1,516.8 billion and net foreign financing amounted to Rs. 96.7 billion in the first nine months of 2023.

Outstanding central government debt fell by 2.1 percent to Rs. 26,916.2 billion by the end of June 2023 from Rs. 27,492.0 billion as of the end of 2022. At the end of June 2023, the total outstanding domestic debt increased by 6.2 percent to Rs. 15,961.4 billion while the outstanding foreign debt decreased by 12.1 percent to Rs. 10,954.8 billion. Owing to high and unsustainable debt, Sri Lanka found it imperative to undertake both domestic and external debt restructuring.

The Sri Lankan rupee demonstrated a notable appreciation of over 22 percent against the USD during January-May 2023, benefiting from continuous improvement in liquidity in the domestic foreign exchange market, reduction of monetary financing, and improved confidence following the confirmation of the IMF-EFF Programme. However, subsequently the currency has gradually depreciated by around 8 percent during the period May-August 2023. This

is largely due to transitional impacts of Domestic Debt Optimisation (DDO) on the financial account of the balance of payments as the banking sector purchased additional foreign exchange from the market in order to square Net Open Positions following the DDO.

To curb inflation, the Central Bank of Sri Lanka (CBSL) raised policy rates by a cumulative 950 basis points in 2022 and a further 100 basis points in March 2023. Amidst decelerating inflation, CBSL began to ease monetary policy with rate reduction by 250 basis points in June 2023 and a further reduction by 200 basis points in July 2023 and by 100 basis points in October 2023. Accordingly, the Standing Lending Facility Rate (SLFR) is at 11 percent and the Standing Deposit Facility Rate (SDFR) is at 10 percent in October 2023. Amid weak demand and re-anchoring of inflation expectations, inflation is projected to stay at the target mid-single digit level. The phasing out of monetary financing and legislation of the inflation targeting regime will help anchor inflation at target levels over the medium to long term.

In this context, with the materialization of the aforementioned comprehensive reforms and policy initiatives, the Government expects to maintain a primary surplus of 2.3 percent of GDP by 2025 and in the medium term. This will be achieved through robust revenue and careful expenditure management measures. The Government remains committed to continuing with the IMF-EFF programme and achieving programme parameters within the allotted time to restore the economic stability of the country. Key elements of this commitment include the continuation of already implemented revenue measures, the introduction of new reforms to complement existing revenue measures, the implementation of revenue administration measures to strengthen the tax base and tax compliance and to reduce tax avoidance, evasion, and revenue leakages. Additionally, expediting the debt restructuring process to restore public debt sustainability, continuing expenditure management measures to drive quality of spending, and further strengthening the social safety net programme. The government will continue with the SOE restructuring programme to mitigate fiscal risks arising from SOEs. Public investments will be prioritised to ensure spending is

maintained in critical and priority areas such as education, healthcare, social protection, digitisation, climate change mitigation and the green economy.

## 1.2 Fiscal Strategy in the Medium Term

The fiscal operations of the Government are framed by the Fiscal Management (Responsibility) Act, No. 03 of 2003 (FMRA) and subsequent amendments to the Act. Under the FMRA, fiscal rules such as targets for the budget deficit, central government guarantees as a percentage of GDP, and total government liabilities are set to manage fiscal operations at sustainable levels. However, historically, fiscal rules stipulated under the FMRA have not been adhered to in a satisfactory manner. In 2013, 2016, and 2021, the fiscal rules under the FMRA were amended, revising the targets outlined in 2003. Consequently, fiscal rules have never had a truly binding effect to ensure prudent management of the Government's fiscal operations. Recognizing the paramount importance of having binding fiscal rules to restore fiscal discipline and alleviate fiscal imbalances, the Government is in the process of enacting a new Public Financial Management (PFM) law. This new law will repeal the existing FMRA and establish a new fiscal rules framework effective from the 2025 Budget. In line with this reform agenda, a decision has been taken to publish a new Fiscal Strategy Statement (FSS) including Medium-term Fiscal Framework to provide strategic guidance over the preparation and execution of the Budget. Currently, the Government is in the process of preparing a new FSS and will publish it by the end of June 2024.

The Government's key medium-term fiscal objectives are targeting the restoration of fiscal discipline mainly through revenue-based fiscal consolidation and expenditure management while ensuring the well-being of the most marginalized and vulnerable segments of society and maintaining high quality capital expenditure to support long term growth. The government is fully committed to achieving fiscal targets outlined in line with the economic reform programme supported by the IMF-EFF programme. Among them, achieving a primary surplus of more than 2.3 percent of GDP by 2025 and beyond, with the help of comprehensive revenue enhancement reforms introduced since June 1, 2022, is

one of the key fiscal targets. To realize this target, the government revenue including grants is expected to be enhanced to 10.1 percent of GDP in 2023, 13.1 percent of GDP in 2024 and 15.0 percent of GDP in 2025, the government expenditure is expected to remain at around 20 percent of GDP throughout the medium-term and thereby the budget deficit is expected to be contained at 8.7 percent of GDP in 2023, 7.6 percent of GDP in 2024, and 5.3 percent of GDP in 2025.

The reform measures have resulted in early signs of recovery in most spheres of the economy. However, considering the deep structural issues inherent in the fiscal space, further measures are required to assure sustainability. Among revenue enhancement measures, addressing existing shortcomings in tax administration to broaden the tax base and enhance enforcement through required institutional reforms is paramount to addressing the revenue gap. In addition, it is essential to continue with cost-reflective energy pricing to restore fiscal sustainability and strengthen fiscal discipline, and sovereign debt restructuring to restore public debt sustainability. At present, the Government's fiscal space is extremely constrained as interest cost consumed 82.0 percent of revenue in the first nine months of 2023, making it challenging to fulfill mandatory payments such as salary and wages, pensions, and social security payments. Thus, the expansion of the fiscal space in the medium term is required to enable more public investments in the strategically important sectors. Sustained high quality public investment would be crucial to enhance long term economic growth led by the private sector, which in turn is an essential component of both fiscal and debt sustainability.

### 1.2.1 Fiscal Strategy

The Government's medium-term fiscal strategy is framed based on the fiscal targets stipulated under the reform programme supported by the IMF. Towards this end, the Government is strongly committed to achieving revenue-based fiscal consolidation targets with the necessary institutional reforms. These ambitious revenue consolidation efforts are accompanied by enhanced governance and measures to mitigate corruption vulnerabilities, strengthening social safety

net programmes, restoring price stability, safeguarding financial stability, rebuilding international reserves, and unlocking Sri Lanka's growth potential through comprehensive structural reforms.

The debt sustainability targets agreed upon with the IMF are expected to be realised through continuing negotiations with official creditors and commercial creditors to restructure external debt. The key components of the Domestic Debt Optimisation (DDO) programme have already been concluded in a manner that is consistent with the IMF stipulated debt reduction targets whilst protecting the stability of the financial system. As such, the government is committed to implementing the comprehensive economic reform package agreed upon under the IMF-EFF programme, and the fiscal strategy of the government is outlined based on the fiscal targets of the programme parameters.

The fiscal path for 2023–2028 toward restoration of fiscal sustainability is stipulated below:

#### **Fiscal Path:**

- Achieving a primary surplus of 2.3 percent of GDP by 2025 and in subsequent years through strong revenue-enhancing efforts for base broadening with a focus on core taxes, simplification of the tax system, improving tax administration and compliance while minimising tax evasion and avoidance through digitalization.
- Increasing revenue to GDP ratio to at least 15 percent of GDP in 2025 and beyond through continuing existing revenue measures to underpin targeted revenue mobilization, introducing additional progressive revenue measures to complement the already implemented revenue enhancement efforts.
- Revenue administration reforms to strengthen tax compliance will be prioritized with a focus on digitalisation, institutional reforms, enhanced risk based audit, introduction of Key Performance Indicators (KPIs) for three key revenue collecting agencies and data analytics.

Four priority reform areas have been identified for Inland Revenue Department (IRD): (i) boosting revenue and compliance focusing on large taxpayer compliance, expanded tax base and streamlined processes; (ii) addressing corruption vulnerabilities; (iii) sustained modernization of the IRD; and (iv) effective management and governance.

- To further broaden the tax base and to include non-taxpayers into the tax net, all individuals over 18 years of age are mandated to register with the IRD. Opening of tax files for non-taxpayers has been commenced focusing on the professionals of the country.
- 7 KPIs focusing on audit, tax return filing, recovering collectible taxes and registration have been introduced to IRD.
- Revenue Administration Management Information System (RAMIS) will be further enhanced to ensure that processing of all tax collections is carried out through RAMIS.
- Managing government expenditure and maintaining recurrent expenditure at around 16 percent of GDP by monitoring, controlling, rationalizing, and prioritizing government expenditure. Enhanced commitment controls through the complete roll-out of Integrated Treasury Management Information System (ITMIS) will be central to expenditure discipline.
- Improving the quality of expenditure to increase fiscal space for development activities and thereby gradually increasing and maintaining public investment over 4 percent of GDP from 2024 and beyond.
- Containing budget deficit gradually to be less than 5 percent of GDP from 2026 and beyond. Considering the financing constraints in the short term, there will be extra diligence in Treasury cash management in order to ensure uninterrupted debt service, timely settlement of mandatory expenditure such as salaries and pensions, and eliminating the accumulation of arrears.
- Continuing implementation of automatic fuel and electricity pricing



mechanism including automating monthly retail fuel price adjustments as prescribed by the 2018 fuel pricing formula to attain cost recovery. Implementing regular cost-recovery-based electricity price adjustment to strengthen financial viability, competitiveness and governance of the energy-related State-Owned Enterprises (SOEs).

- Furthermore, continuation of the structural reforms introduced to key SOEs to ensure sound financial position and to improve competitiveness along with enhanced governance. This includes measures to ensure professional leadership of SOEs, enhanced discipline on procurement, borrowings and financial management, and stricter limits on issuing government guarantees to SOEs.
- Raising and channelling more funds to strengthen the Social Safety Net (SSN) programme to protect the most vulnerable segment of society in a targeted manner. The institutional mechanism for the SSN will be strengthened along with the objective criteria for beneficiary selection and a robust grievance handling mechanism.
- Improving budget discipline through preparing annual budgets consistent with the medium-term framework whilst ensuring accurate estimation, transparency, and diligent monitoring of budget execution.
- Following the conclusion of debt restructuring, ensuring public debt remains on a sustainable path through careful management of public debt. The envisaged Public Debt Management Office (PDMO) is expected to provide the institutional framework to ensure professional debt management with appropriate risk mitigation structures.

As outlined above the fiscal strategy of the government, is based on holistic revenue enhancement reforms including tax policy reforms, tax administration reforms addressing institutional weaknesses, tax compliance reforms, and reforms in expenditure management. The fiscal strategy is framed to support

macroeconomic stabilization with an appropriate balance between consumption and savings in order to generate sufficient resources to finance investments in tradable goods and services. A stable macroeconomic framework is crucial to facilitate non-debt-creating inflows including the export of goods and services, and Foreign Direct Investments (FDIs). Such measures will be further facilitated through greater engagement with regional trading agreements that will enhance integration into regional and global value chains for trade and investment.

Improved revenue administration and compliance will play a crucial role in achieving the revenue envisaged targets as agreed under the IMF supported reform programme. Revenue administration reforms will focus on tax compliance, risk based tax audits, institutional reforms to eliminate corruption vulnerabilities, and digitalization of systems and processes to improve compliance and enhance the ease of doing business. Various digital platforms such as the RAMIS at the IRD, the proposed Single Window System at the Sri Lanka Customs, the Revenue Administration System at Excise Department and the ITMIS at the Treasury will be strengthened.

The measures to improve Public Financial Management will be given legislative force through the upcoming enactment of the new Public Financial Management Act. Through the new Public Financial Management Act, fiscal discipline will be strengthened with the inclusion of fiscal rules framework, rules on budget formulation and transparency, budget execution and monitoring, and disciplines on government procurement. Public debt management will be enhanced through the enactment of a new debt management law and the establishment of an independent PDMO. The new Central Bank Act establishing legislative and institutional framework for inflation targeting and Anti-corruption legislation have already been approved by the Parliament. The governance of SOEs will be strengthened and enhanced through structural reforms including restructuring of balance sheets of the Ceylon Petroleum Corporation (CPC), Ceylon Electricity Board (CEB), Sri Lankan Airlines (SLA), and Road Development Authority, restructuring (including divestment) of selected SOEs spearheaded by a dedicated SOE restructuring unit under

the Ministry of Finance. Public debt will be brought to a sustainable level through concluding negotiations with external creditors and improving transparency of debt management.

### 1.2.2 Medium – Term Macro Fiscal Framework (MTMFF)

The Medium-Term Macro Fiscal Framework (MTMFF) presented along with the Budget 2023 has been revised with the inclusion of current economic developments. In line with the MTMFF, the government's priorities for 2023–2028 are;

- Increasing revenue to GDP ratio to 15 percent in 2025 and at least maintaining this level or higher thereafter.
- Managing expenditure within 20 percent of GDP, whilst ensuring expenditure is allocated appropriately to priority areas including health, education, public transport, and social protection.
- Containing the budget deficit to less than 5 percent of GDP by 2026 and beyond.
- Achieving a primary surplus of at least 2.3 percent by 2025 and beyond.

- Reducing the central government debt to GDP ratio, gross financing needs, and foreign debt service at a sustainable level in line with IMF-EFF Programme targets.

The realization of the medium-term fiscal path hinges on the advancement of long-neglected structural reforms across all sectors of the economy. Significant changes in the fiscal sector have already been announced, some of the reforms are in the process of implementation and the full impact of some of the implemented reforms is yet to be achieved. The economic stabilization measures that have already been put in place will boost confidence and are expected to attract financial support from both bilateral and multilateral development partners following the conclusion of debt restructuring. The progress in implementing structural adjustments in the fiscal, monetary, external, and financial sectors will enhance economic stability in the near term while setting the stage for achieving a more robust and sustainable growth trajectory in the medium to long term, supported by non-debt creating inflows with complimentary structural reforms.

**Table 1.1 : Medium Term Macro Fiscal Framework : 2023–2028 (As a percentage of GDP)**

Indicator	2022 Actual	2023 Revised Estimate	2024 Est.	Projections			
				2025	2026	2027	2028
<b>Total Revenue and Grants</b>	<b>8.3</b>	<b>10.1</b>	<b>13.1</b>	<b>15.0</b>	<b>15.0</b>	<b>15.1</b>	<b>15.2</b>
Total Revenue	8.2	10.1	13.0	14.9	15.0	15.1	15.2
Tax Revenue	7.3	9.2	12.1	14.0	14.0	14.1	14.2
Non Tax Revenue	0.9	0.9	0.9	0.9	0.9	1.0	1.0
<b>Grants</b>	<b>0.14</b>	<b>0.04</b>	<b>0.06</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>
<b>Total Expenditure</b>	<b>18.5</b>	<b>18.9</b>	<b>20.7</b>	<b>20.3</b>	<b>19.7</b>	<b>19.3</b>	<b>19.4</b>
Recurrent Expenditure	14.6	16.0	16.8	15.9	15.4	14.9	14.9
o/w Interest Payment	6.5	8.0	8.4	7.6	7.0	6.5	6.5
Capital Expenditure and Net Lending	3.9	2.9	4.0	4.4	4.4	4.4	4.5
<b>Current Account Surplus (+)/ Deficit (-)</b>	<b>(6.4)</b>	<b>(5.9)</b>	<b>(3.7)</b>	<b>(0.9)</b>	<b>(0.4)</b>	<b>0.2</b>	<b>0.3</b>
<b>Primary Balance Surplus (+)/ Deficit (-)</b>	<b>(3.7)</b>	<b>(0.7)</b>	<b>0.8</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>
<b>Budget Deficit Surplus (+)/ Deficit (-)</b>	<b>(10.2)</b>	<b>(8.7)</b>	<b>(7.6)</b>	<b>(5.3)</b>	<b>(4.7)</b>	<b>(4.2)</b>	<b>(4.2)</b>

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



## **PART II**



## **Budget, Economic and Fiscal Position Report – 2024**

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

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

Accordingly, this Report contains provisional figures of government revenue, expenditure and borrowing in the first nine months of 2023. This Report provides key macroeconomic developments during this period to facilitate the understanding of the overall economic situation within which fiscal operations have been conducted. This Report also refers to the basis of information on economic and other assumptions used in preparation of estimates for 2024 and downside risks associated with these assumptions and other information that may have a material effect on the fiscal performance of Government.



**Fiscal Developments,  
Treasury Operations  
and Foreign Financing** | **01**





## 1.1 Overview

In the first nine months of 2023, the primary budget deficit target of Rs. 160.0 billion set under the IMF-EFF arrangement turned into a primary surplus of Rs. 123.8 billion. This was due to the continued implementation of a sequenced package of revenue measures adopted since June 2022 combined with the well-managed government expenditure.

The total government revenue including grants increased by 46.1 percent to Rs. 2,118.8 billion in the first nine months of 2023, compared to Rs. 1,450.4 billion in the same period of 2022. The tax revenue increased by 50.7 percent to Rs. 1,934.0 billion while non-tax revenue increased by 6.9 percent to Rs. 176.5 billion in the first nine months of 2023. Realization of the total government revenue including grants was 62.0 percent in the first nine months of 2023 against the annual estimate of Rs. 3,415.0 billion.

Tax policy measures including the revision of personal income tax structure, the increase of Corporate Income Tax (CIT) rate and the removal of sector specific CIT concessionary rates and exemptions, the re-introduction of mandatory Advanced Personal Income Tax (APIT) and Withholding Taxes (WHT) and the increase in Value Added Tax (VAT) rates were attributable to this surge in revenue.

However, the tax revenue collection in the first three quarters fell short of the targets set under the IMF-EFF Program. This was mainly due to the underperformance of import-based taxes as a result of continued import restrictions, weak tax administration and unanticipated developments in macroeconomic variables. As such, additional revenue measures have been implemented to recoup the revenue while placing more emphasis on strengthening the tax administration in the three revenue collecting agencies to increase tax compliance and mitigate tax evasion and avoidance.

As announced in Budget 2023, tax administration measures are being implemented through improvements in technology, regulations, process improvements, and investment in Human Resources related to the Inland Revenue Department (IRD), Sri Lanka Customs, and Department of Excise.

The IRD has taken initial steps to broaden the tax base by bringing non-taxpayers to the tax net with the policy of opening tax files for all individuals above 18 years of age, focusing initially on professionals. Enforcement will be further enhanced through the strengthening of the Large Taxpayers' Unit (LTU) and the newly established High Net Worth Individuals' (HNWI) Unit. With the upgrade of RAMIS 2.0, IRD has shifted focus to the current period of return filing and assessment of large/wealthy taxpayers. Going forward, all tax collections will be processed only through RAMIS. Further, the online portal for Individual Tax Identification Number (TIN) registration and Personal Income Tax (PIT) filing will be simplified. Moreover, Key Performance Indicators (KPIs) will be introduced to IRD on enhancing audit-effectiveness, improving tax return filing, recovering collectible revenue and increasing registration.

The total Government expenditure increased by 38.5 percent to Rs. 3,732.3 billion in the first nine months of 2023, compared to Rs. 2,694.8 billion in the same period of 2022. Recurrent expenditure increased by 44.7 percent to Rs. 3,327.7 billion, while capital expenditure and net lending increased marginally by 2.5 percent to Rs. 404.6 billion. Interest cost alone absorbed 89.8 percent of government tax revenue, due to which it continues to remain challenging to manage the expenditure.

The upswing in recurrent expenditure was mainly due to the increased spending on interest payments, goods and services and subsidies and transfers. In the first nine months of 2023, interest payments increased by 87.3 percent to Rs. 1,737.3 billion compared to the same period of 2022. Interest payments on domestic borrowing in the first nine months of 2023 which constituted 95 percent of total interest expenditure, increased by 101.6 percent to Rs. 1,652.1 billion due to high interest rates on government securities of Treasury Bills and Treasury Bonds, while interest payments on foreign borrowing in the first nine months of 2023 fell by 21.0 percent to Rs. 85.3 billion. Expenditure on goods and services increased by 76.8 percent to Rs. 208.7 billion with the escalation of prices of fuel, electricity and other commodities. Meanwhile, expenditure on

**Table 1.1 : Summary of Fiscal Operations**

Rs. Million

Item	Jan – Sep	
	2022	2023 <sup>(a)</sup>
<b>Revenue and Grants</b>	<b>1,450,381</b>	<b>2,118,755</b>
<b>Revenue</b>	<b>1,448,482</b>	<b>2,110,487</b>
Tax	1,283,368	1,933,980
Non Tax	165,114	176,507
<b>Grants</b>	<b>1,899</b>	<b>8,269</b>
<b>Expenditure</b>	<b>2,694,788</b>	<b>3,732,331</b>
<b>Current</b>	<b>2,300,171</b>	<b>3,327,685</b>
Salaries	714,280	696,995
Interest Payments	927,366	1,737,338
Other	658,525	893,351
<b>Public Investments</b>	<b>417,527</b>	<b>442,906</b>
<b>Other</b>	<b>-22,910</b>	<b>-38,260</b>
<b>Revenue Deficit (-)/Surplus (+)</b>	<b>-851,689</b>	<b>-1,217,198</b>
<b>Overall Budget Deficit (-)/Surplus (+)</b>	<b>-1,244,407</b>	<b>-1,613,576</b>
<b>Financing</b>	<b>1,244,407</b>	<b>1,613,576</b>
Foreign Financing (Net)	-59,125	96,745
Domestic Financing (Net)	1,303,531	1,516,831

Source: Department of Fiscal Policy

(a) Provisional

subsidies and transfers increased by 26.7 percent to Rs. 684.6 billion in the first nine months of 2023, mainly due to the increase in the expenditure on Social Safety Net programmes. However, expenditure on salaries and wages of public servants declined by 2.4 percent to Rs. 697.0 billion in the first nine months of 2023 as a result of the suspension of recruitment to public sector together with the Government's decision to grant leave to the public officers to be spent in or out of the Island. Expenditure on pensions in the first nine months of 2023 increased by 15.5 percent to Rs. 264.0 billion due to the revision of the compulsory age of retirement to sixty years.

Public investment slightly increased by 6.1 percent to Rs. 442.9 billion in the first nine months of 2023 compared to the same period of 2022. However, public

investments have only achieved 36.3 percent of the annual estimate mainly due to the shortfall in foreign project financing.

The overall budget deficit increased to Rs. 1,613.6 billion in the first nine months of 2023 compared to Rs. 1,244.4 billion in the same period of 2022. This was mainly attributable to the nearly doubling of interest expenditure with an increase by Rs. 810.0 billion in the first nine months of 2023. However, the primary budget balance improved to a surplus of Rs. 123.8 billion in the first nine months of 2023 compared to a deficit of Rs. 317.0 billion recorded in the same period of 2022. As such, the Government is on track to achieve a primary balance deficit target of Rs. 209.0 billion by the end of 2023.

**Table 1.2 : Estimated and Actual Revenue and Expenditure – 2023**

Rs. Billion

Item	Annual Estimate	Jan – Sep	Achievement %
		Actual <sup>(a)</sup>	
<b>Total Revenue</b>	<b>3,408.0</b>	<b>2,110.5</b>	<b>61.9</b>
<b>Tax Revenue</b>	<b>3,130.0</b>	<b>1,934.0</b>	<b>61.8</b>
<b>Inland Revenue Department</b>			
Tax on Income and Profit	912.0	663.6	72.8
VAT – Domestic (Net)	553.0	351.6	63.6
Nation Building Tax (Domestic)	0.0	0.04	-
SSCL (Domestic)	186.0	122.0	65.6
<b>Sub Total</b>	<b>1,651.0</b>	<b>1,137.24</b>	<b>68.9</b>
<b>Sri Lanka Customs</b>			
VAT – Imports (Net)	355.0	153.4	43.2
Nation Building Tax (Import)	0.0	0.2	-
SSCL (Import)	64.0	36.4	56.9
Ports & Airports Development Levy (PAL)	220.0	123.6	56.2
Cess Levy	85.0	39.5	46.5
Special Commodity Levy	70.0	36.8	52.5
Import Duty	80.0	66.1	82.6
<b>Excise Special Provisions</b>			
Cigarettes	140.0	90.0	64.3
Petroleum	142.0	72.3	50.9
Motor Vehicles & Other	64.0	24.6	38.4
<b>Sub Total</b>	<b>1,220.0</b>	<b>642.9</b>	<b>52.7</b>
<b>Excise Department</b>			
Liquor	214.0	124.0	58.0
<b>Sub Total</b>	<b>214.0</b>	<b>124.0</b>	<b>58.0</b>
<b>Other</b>			
Telecommunication Levy	20.0	13.8	69.1
Licence Tax & Other	25.0	16.1	64.3
<b>Sub Total</b>	<b>45.0</b>	<b>29.9</b>	<b>66.4</b>
<b>Non Tax Revenue</b>	<b>278.0</b>	<b>176.5</b>	<b>63.5</b>
<b>Total Expenditure</b>	<b>5,819.0</b>	<b>3,732.3</b>	<b>64.1</b>
<b>Current Expenditure</b>	<b>4,609.0</b>	<b>3,327.7</b>	<b>72.2</b>
Salaries and Wages	1,002.0	697.0	69.6
Interest Payments	2,193.0	1,737.3	79.2
Pension Payments	376.0	264.0	70.2
Subsidies and Transfers	738.0	420.6	57.0
Goods and Services	300.0	208.7	69.6
<b>Capital Expenditure and Net Lending</b>	<b>1,210.0</b>	<b>404.6</b>	<b>33.4</b>

Source: Department of Treasury Operations and Department of Fiscal Policy

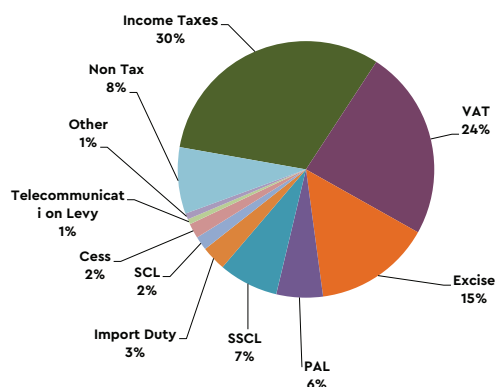
(a) Provisional

## 1.2 Government Revenue

Total government revenue increased significantly by 45.7 percent to Rs. 2,110.5 billion in the first nine months of 2023, compared to Rs. 1,448.5 billion recorded in the same period of 2022 which is a realization of 61.9 percent of the revenue estimate for 2023.

The surge in revenue was mainly due to the increase in tax revenue by 50.7 percent to Rs. 1,934.0 billion in the first nine months of 2023, compared to Rs. 1,283.4 billion in the same period of 2022. The collection of tax revenue contributed to 91.6 percent of the total revenue and was an achievement of 61.8 percent of the estimate for 2023.

**Figure 1.1 : Composition of Total Revenue from January to September 2023**



Source : Department of Fiscal Policy

Revenue generated from income tax increased by 53.7 percent to Rs. 663.6 billion in the first nine months of 2023 from Rs. 431.8 billion in the same period of 2022 reflecting the increased revenue collected from both corporate and non-corporate taxes. Revenue collected from corporate tax, which is the main contributor to income tax, increased by 8.7 percent to Rs. 415.6 billion in the first nine months of

2023 compared to Rs. 382.2 billion in the same period of 2022. Revenue mobilized from non-corporate taxes comprising of PAYE/APIIT and personal Income Tax increased by 291.7 percent to Rs. 137.4 billion benefiting from the reduction in the tax-free limit and broadening of the tax base. The revenue from PAYE/APIIT increased significantly by 497.8 percent to Rs. 107.0 billion in the first nine months of 2023 realizing 107.0 percent of the annual estimate. Revenue collected from WHT increased sharply by 672.7 percent to Rs. 110.4 billion in the first nine months of 2023 assisted by making the WHT/ Advanced Income Tax (AIT) mandatory.

Further, the revenue from VAT increased by 62.6 percent to Rs. 505.0 billion in the first nine months of 2023 compared to Rs. 310.5 billion in the same period of 2022. Similarly, revenue from Excise taxes increased by 18.6 percent to Rs. 310.9 billion in the first nine months of 2023 compared to Rs. 262.1 billion in the same

**Table 1.3 : Summary of Performance of Government Revenue**

Item	Jan – Sep		Change (%)
	2022	2023 <sup>(a)</sup>	
<b>Tax Revenue</b>	<b>1,283,368</b>	<b>1,933,980</b>	<b>50.7</b>
<b>Income Tax</b>	<b>431,795</b>	<b>663,586</b>	<b>53.7</b>
<b>Domestic Consumption Based Tax</b>	<b>405,914</b>	<b>690,731</b>	<b>70.2</b>
VAT	193,829	351,591	81.4
Excise Tax	211,766	217,118	2.5
SSCL	-	121,982	-
Nation Building Tax (NBT)	319	40	-87.6
<b>Import Based Tax</b>	<b>421,050</b>	<b>549,770</b>	<b>30.6</b>
Import Duty	36,587	66,100	80.7
VAT	116,686	153,420	31.5
SSCL	-	36,412	-
Nation Building Tax (NBT)	23	171	638.9
Ports & Airports Development Levy (PAL)	135,434	123,625	-8.7
Special Commodity Levy (SCL)	29,232	36,783	25.8
Excise Tax	50,337	93,738	86.2
Cess	52,751	39,521	-25.1
<b>Licence Taxes and Other</b>	<b>24,609</b>	<b>29,893</b>	<b>21.5</b>
<b>Non Tax Revenue</b>	<b>165,114</b>	<b>176,507</b>	<b>6.9</b>
<b>Total Revenue</b>	<b>1,448,482</b>	<b>2,110,487</b>	<b>45.7</b>

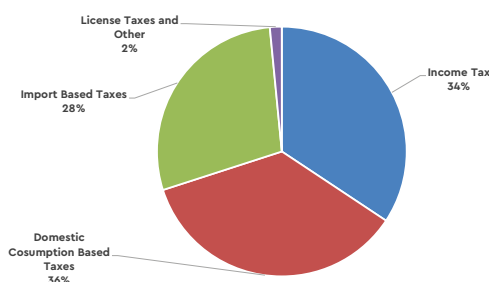
Sources: Department of Fiscal Policy

(a) Provisional

period of 2022. The recently introduced Social Security Contribution Levy (SSCL) has contributed Rs. 158.4 billion to the total revenue. However, taxes on external trade increased marginally by 4.7 percent to Rs. 266.0 billion in the first nine months of 2023 compared to Rs. 254.0 billion in the same period of 2022.

Non-tax revenue increased by 6.9 percent to Rs. 176.5 billion in the first nine months of 2023 contributing 8.4 percent to the total revenue, compared to Rs. 165.1 billion in the same period of 2022.

**Figure 1.2 : Tax Revenue by Sources from January to September 2023**



Source : Department of Fiscal Policy

### Income Tax

Revenue from Income taxes increased notably by 53.7 percent to Rs. 663.6 billion in the first nine months of 2023, compared to Rs. 431.8 billion recorded in the same period of 2022 which is an achievement of 72.8 percent of the annual estimate. This is primarily due to tax policy reforms implemented including the revision of income tax structure and making APIT and WHT/AIT mandatory with effect from January 01, 2023, and increasing CIT rate to

30 percent and removing CIT exemptions and concessions with effect from October 01, 2022.

Revenue from Corporate and Non-Corporate taxes grew by 11.7 percent to Rs. 445.9 billion in the first nine months of 2023 compared to Rs. 399.4 billion in the same period of 2022. The revenue from CIT increased by 8.7 percent to Rs. 415.6 billion in the first nine months of 2023 compared to Rs. 382.2 billion in the same period of 2022. Further, revenue from APIT showed a significant increase of 497.8 percent to Rs. 107.0 billion in the first nine months of 2023 compared to Rs. 17.9 billion in the same period of 2022. This is owing to the downward revision of the personal income tax-free limit to Rs. 1.2 million from Rs. 3.0 million per annum and revision of tax rates progressively from 6 percent to 36 percent for every Rs. 500,000 exceeding the tax relief. The revenue collection from APIT in the first nine months of 2023 has already surpassed the annual estimate of Rs. 100.0 billion.

The revenue from WHT/AIT increased significantly by 672.7 percent to Rs. 110.4 billion in the first nine months of 2023 from Rs. 14.3 billion in the same period of 2022. The revenue collection from WHT/AIT in the first nine months of 2023 has already surpassed the annual estimate of Rs. 90.0 billion. However, revenue from personal income tax other than PAYE/APIT increased to Rs. 30.3 billion which was 26.4 percent of revenue estimate indicating the importance of strengthening revenue administration at the IRD. Hence, a concerted effort is required to mobilize revenue at IRD.

**Table 1.4 : Performance of Income Tax**

Tax Base	Rs. Million		
	Jan - Sep		Growth (%)
	2022	2023 <sup>(a)</sup>	
Corporate and Non Corporate	399,372	445,916	11.7
PAYE	17,907	107,045	497.8
Tax on Interest Income	14,290	110,422	672.7
Economic Service Charge	226	203	-9.8
<b>Total</b>	<b>431,795</b>	<b>663,586</b>	<b>53.7</b>

Source: Department of Fiscal Policy

(a) Provisional

## Value Added Tax (VAT)

Government revenue from Value Added Tax (VAT) increased notably by 62.6 percent to Rs. 505.0 billion in the first nine months of 2023 compared to Rs. 310.5 billion in the same period of 2022 which is a realization of 55.6 percent of the estimate of VAT revenue for 2023.

VAT revenue from both domestic activities and imports increased in the first nine months of 2023. VAT on domestic activities increased by 81.4 percent to Rs. 351.6 billion in the first nine months of 2023 from Rs. 193.8 billion in the same period of 2022 while VAT revenue from imports increased by 31.5 percent to Rs. 153.4 billion in the first nine months of 2023 from Rs. 116.7 billion in the same period of 2022.

The increase in VAT revenue is mainly attributable to the increases in VAT rate and the reduction of the VAT registration

threshold in 2022. The VAT rate increased from 8 percent to 12 percent effective from June 01, 2022; again, from 12 percent to 15 percent effective from September 01, 2022. The VAT registration threshold reduced from Rs. 300 million to Rs. 80 million per annum with effect from October 01, 2022. As a result of these revenue measures, the VAT revenue contributed to 23.9 percent of the overall revenue performance of the first nine months of 2023. However, the implications of VAT reforms are not fully reflected within the increased revenue of VAT on imports due to the continuation of a majority of import restrictions during the first nine months of 2023. Further, a policy decision was taken to remove VAT exemptions for 87 out of the 137 exempted items to enhance revenue mobilization from VAT and to increase the efficiency of VAT, which is to be effective from December 2023.

**Table 1.5 : Performance of VAT**

Tax Base	Jan – Sep		Rs.Million
	2022	2023 <sup>(a)</sup>	Growth (%)
	Domestic	193,829	351,591
Imports	116,686	153,420	31.5
<b>Total</b>	<b>310,516</b>	<b>505,011</b>	<b>62.6</b>

Source : Department of Fiscal Policy

(a) Provisional

## Excise Duty

The total revenue from excise duty increased by 18.6 percent to Rs. 310.9 billion in the first nine months of 2023 from Rs. 262.1 billion recorded in the same period of 2022 mainly due to the increase in revenue from petroleum products, cigarettes and motor vehicles despite the slight reduction in revenue from liquor and other excisable items such as sweetened beverages and refrigerators. This was a realization of 55.5 percent of the annual estimate and revenue from excise taxes contributed by 14.7 percent to the total revenue in the first nine months of 2023.

Excise revenue from petroleum products increased significantly by 97.1 percent to Rs. 72.3 billion in the first nine months of 2023, compared to Rs. 36.7 billion in the same period of 2022 owing to the increase

of Excise Duty on the importation of all types of Petrol and Diesel by Rs. 25 per litre with effect from January 01, 2023 followed by a second increase of Rs. 25 per litre with effect from June 01, 2023 to yield additional revenue of 0.3 percent of the GDP in 2023, to finance the transferred liabilities to the General Treasury from the Ceylon Petroleum Corporation (CPC).

Despite the drop in cigarette sales by 20.9 percent to 1,743.0 million sticks in the first nine months of 2023, compared to 2,203.9 million sticks in the same period in 2022, the revenue from Excise Duty on cigarettes increased by 8.9 percent to Rs. 90.0 billion in the first nine months of 2023 from Rs. 82.6 billion recorded in the same period of 2023. This was mainly due to the increase in excise duty on cigarettes by 20 percent with effect from January 01, 2023 followed by a further upward revision of 20 percent on July 01, 2023.

Revenue from excise duty on motor vehicles also increased by 57.1 percent to Rs. 21.5 billion in the first nine months of 2023, compared to Rs. 13.7 billion in the same period of 2022. This was mainly attributable to the Government's decision to provide incentives to migrant workers by allowing the importation of electric vehicles to Sri Lanka.

However, revenue from excise duty on liquor declined marginally by 0.4 percent to Rs. 124.0 billion in the first nine months of 2023, compared to Rs. 124.6 billion in the same period of 2022. Despite the decline in revenue, excise duty on liquor records the largest contribution to the total revenue from excise duty at 39.9 percent. Excise duty on liquor increased by 20 percent with effect from January 03, 2023 followed by a second by 20 percent increase with

effect from July 01, 2023. The realization of revenue from tax on liquor in the first nine months of 2023 was 58.0 percent of the annual estimate for 2023. The production of alcohol also declined by 13.4 percent to 27.0 million absolute litres in the first nine months of 2023 compared to 31.2 million absolute litres in the same period of 2022. The Security Features and Security Features Management System was fully implemented by licensed manufacturers and importers commencing from January 03, 2022 as a revenue administration measure to enhance tax revenue from liquor and liquor-based products. However, fake/counterfeit stickers were found in many areas of the country eroding the expected revenue. Hence, strict enforcement of the system is important to secure due revenue from the liquor.

**Table 1.6 : Performance of Excise Duty**

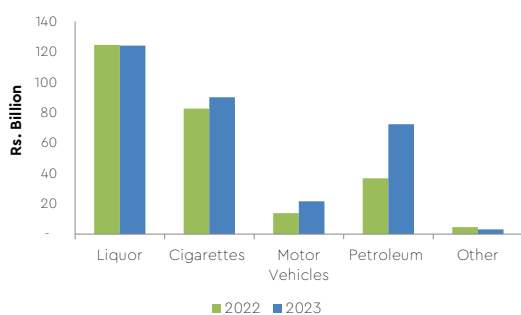
Tax Base	Jan - Sep		Growth (%)
	2022	2023 <sup>(a)</sup>	
Liquor	124,558	124,035	-0.4
Cigarettes and Tobacco	82,630	90,015	8.9
Motor Vehicles	13,672	21,484	57.1
Petroleum	36,665	72,254	97.1
Other	4,577	3,067	-33.0
<b>Total</b>	<b>262,103</b>	<b>310,856</b>	<b>18.6</b>

Source : Department of Fiscal Policy

(a) Provisional

The revenue from other excisable items such as sweetened beverages, refrigerators and palm oil fatty acid declined by 33.0 percent to Rs. 3.1 billion in the first nine months of 2023, compared to Rs. 4.6 billion in the same period of 2022 reflecting the effect of import restrictions imposed on non-essential products.

**Figure 1.3 : Performance of Excise Duty from January to September 2023**



Source : Department of Fiscal Policy

### Social Security Contribution Levy (SSCL)

The newly introduced SSCL is charged at the rate of 2.5 percent on liable turnover from importers, manufacturers, service providers and wholesalers and retailers, whose turnover exceeds Rs. 120.0 million per annum with effect from October 01, 2022. The total revenue from SSCL was Rs. 158.4 billion in the first nine months 2023. This amounts to 63.4 percent of the annual estimate in 2023 and 7.5 percent of the total revenue.

### Telecommunication Levy (TL)

Revenue generated from TL increased by 29.4 percent to Rs. 13.8 billion in the first nine months of 2023 from Rs. 10.7 billion in the same period of 2022. This was partly due to the upward rate revision of the TL



from 11.25 percent to 15 percent with effect from June 01, 2022.

### Customs Import Duty (CID)

Revenue collected from CID increased by 80.7 percent to Rs. 66.1 billion in the first nine months of 2023, compared to Rs. 36.6 billion in the same period of 2022. The increase is mainly attributed to the

removal of import restrictions on most imported items and the increase in CID rates on milk powder, wheat flour and wheat grain. Further, the upward revision of CID rates from 0 percent, 10 percent and 15 percent to 0 percent, 15 percent and 20 percent with effect from March 29, 2023 to accommodate the proposed phasing out of para-tariffs contributed positively to the increase in revenue from CID.

**Table 1.7 : Motor Vehicle Imports and New Registration of Vehicles**

Item	Number							
	Imports				New Registrations			
	Jan - Aug				Jan - Sep			
	2022	2023	Change	%	2022	2023	Change	%
Motor Cars	198	596	398	201	1,141	1,376	235	21
Passenger Vans & Buses	37	380	343	927	275	584	309	112
Three Wheelers	223	34	-189	-85	27	30	3	11
Motor Cycles	10,017	4,193	-5,824	-58	7,067	12,518	5,451	77
Goods Transport Vehicles <sup>(a)</sup>	236	92	-144	-61	1,401	264	-1,137	-81
Land Vehicles <sup>(b)</sup>	52	5	-47	-90	6,025	2,399	-3,626	-60
Other <sup>(c)</sup>	-	-	-	-	755	376	-379	-50
<b>Total</b>	<b>10,763</b>	<b>5,300</b>	<b>-5,463</b>	<b>-51</b>	<b>16,691</b>	<b>17,547</b>	<b>856</b>	<b>5</b>

Source: Department of Customs and Central Bank of Sri Lanka

(a) Lorries, Other Goods Transport Vehicle and Special Purpose Vehicle

(b) Tractor, Hand Tractor and Other Land Vehicles

(c) Single Cab, Dual Purpose vehicle, Quardycycles, Motor Homes, Ambulance, Hearse

### Special Commodity Levy (SCL)

Revenue collection from SCL increased by 25.8 percent to Rs. 36.8 billion in the first nine months of 2023, compared to Rs. 29.2

billion recorded in the same period of 2022. This was mainly due to the increase in the volume of imports of the major items.

**Table 1.8 : Coverage of Product and Value of Imports/Exports Under Free Trade Agreements**

Free Trade Agreement	Jan - Sep 2023		
	No. of Products Subject to Tariff Lines Concessions	Import value (CIF/Rs. Million)	Export Value (FOB/Rs. Million)
India - Sri Lanka Free Trade Agreement (ISFTA)	5,329	122,506	28,447
Pakistan - Sri Lanka Free Trade Agreement (PSFTA)	6,200	10,547	2,029
South Asia Free Trade Agreement (SAFTA)	5,932	20,069	1,197
Asia - Pacific Trade Agreement (APTA)	808	46,308	1,612
<b>Total</b>	<b>18,269</b>	<b>199,430</b>	<b>33,285</b>

Source: Department of Trade and Investment Policy

### Ports and Airports Development Levy (PAL)

The total revenue collected from PAL declined by 8.7 percent to Rs. 123.6 billion in the first nine months of 2023, compared to Rs. 135.4 billion recorded in the same period of 2022. This was mainly due to the elimination of PAL on 20 percent of total PAL liable items or 1,631 items with effect from April 04, 2023 with the aim of phasing out PAL within 05 years in line with the Budget 2023 to rationalise para-tariffs in order to support economic competitiveness whilst enhancing trade and investment.

### Commodity Export Subsidy Scheme (CESS) Levy

Revenue collected from CESS declined considerably by 25.1 percent to Rs. 39.5 billion in the first nine months of 2023,

compared to Rs. 52.8 billion in the same period of 2022. This was mainly due to the reduction of CESS rates applicable on 2,618 items with effect from March 29, 2023 with the aim of eliminating CESS within 03 years in line with the Budget 2023 proposal to rationalise para-tariffs. However, the CESS rate on the importation of clinker and cement was increased with effect from June 16, 2023.

Revenue generated from CESS on exports increased by 0.8 percent to Rs. 1.73 billion in the first nine months of 2023 compared to Rs. 1.71 billion in the same period of 2022. However, revenue generated from CESS on imports dropped by 26.0 percent to Rs. 37.8 billion in the first nine months of 2023, compared to Rs. 51.0 billion in the same period of 2022.

**Table 1.9 : CESS Revenue from International Trade**

Item	Rs. Million	
	2022	2023 <sup>(a)</sup>
<b>CESS on Exports</b>	<b>2,243</b>	<b>1,167</b>
Tea-under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	465	249
Rubber-under Rubber Replanting Subsidy Act	10	2
Coconut-under Coconut Development Act	189	97
EDB CESS- under Sri Lanka Export Development Act	1,579	820
<b>CESS on Imports- under Sri Lanka Export Development Act</b>	<b>66,990</b>	<b>25,563</b>
<b>Total</b>	<b>69,232</b>	<b>26,730</b>

Source: Department of Fiscal Policy

(a) Provisional

### Non-tax Revenue

Non-tax revenue marginally increased by 6.9 percent to Rs. 176.5 billion in the first nine months of 2023 compared to Rs. 165.1 billion in the same period of 2022. Revenue from non-tax contributed to 8.4 percent to the total revenue. This was mainly due to an increase in revenue generated from fines, fees and charges, interest income and profits and dividends.

Accordingly, revenue from fines, fees, and charges which has contributed 48.4 percent of total non-tax revenue, increased significantly by 50.3 percent to Rs.85.4 billion in the first nine months of

2023, compared to Rs. 56.8 billion in the same period of 2022, mainly due to the upward revision of fees and charges of the Department of Motor Traffic, Department of Immigration and Emigration and the Department of Registration of Persons.

Profits and dividends from State Owned Enterprises (SOEs) also increased by 20.6 percent to Rs. 22.8 billion in the first nine months of 2023 compared to Rs. 18.9 billion in the same period of 2022. Revenue from Interest increased by 212.0 percent to Rs. 14.3 billion in the first nine months of 2023, compared to Rs. 4.6 billion in the same period of 2022.

However, non-tax revenue from Social Security Contribution declined by 3.6 percent to Rs. 26.7 billion in the first nine months of 2023 compared to Rs. 27.7 billion

in the same period of 2022. The realization of non-tax revenue was 63.5 percent in the first nine months of 2023 as against the annual estimate of Rs. 278.0 billion.

**Table 1.10 : Variance Analysis of Government Revenue (January – September 2023)**

Item	Rs. Billion			Reason
	2022 (Jan-Sep)	2023 Annual Est.	2023 (Jan-Sep) (Provisional)	
Income Tax	431.8	912.0	663.6	Revenue collection from income taxes increased by 53.7 percent to Rs.663.6 billion in the first nine months of 2023 compared to Rs. 431.8 billion in the same period of 2022, realizing 72.8 percent of the annual estimate for 2023. This was mainly due to the increased revenue collected from corporate and non-corporate tax, Pay- As-You-Earn/Advance Personal Income Tax (APIT) and Withholding tax with the tax policy reforms implemented in years 2022 and 2023. Corporate and non-corporate tax revenue increased by 11.7 percent to Rs. 445.9 billion in the first nine months of 2023 compared to Rs. 399.4 billion in the same period of 2022. Pay- As-You-Earn/Advance Personal Income Tax (APIT) increased notably by 497.8 percent to Rs. 107.0 billion from Rs. 17.9 billion due to the revising Personal income tax (PIT) rates structure including the upward revision of PIT rates progressively from 6 percent to 36 percent. Withholding tax also recorded a notable increase of 672.7 percent to Rs. 110.4 billion in first nine months of 2023 compared to Rs. 14.3 billion in the same period of 2022. Moreover, revenue from Capital gains tax increased by 140.7 percent to Rs. 3.2 billion during the review period.
VAT	310.5	908.0	505.0	VAT revenue increased significantly by 62.6 percent to Rs. 505.0 billion in the first nine months of 2023, compared to Rs. 310.5 billion in the same period of 2022, realizing 55.6 percent of the annual estimate for 2023. This was mainly due to the increased VAT rate from 8 percent to 12 percent effective from June 01, 2022 and from 12 percent to 15 percent effective from September 01, 2022. Furthermore, reducing VAT registration threshold to Rs. 80 million per annum from Rs.300 million with effect from October 01, 2022 contributed to this performance. Revenue from VAT on domestic economic activities and import-related activities increased by 81.4 percent to Rs. 351.6 billion and 31.5 percent to Rs. 153.4 billion, respectively in the review period.
Excise Duty	262.1	560.0	310.9	Revenue collection from excise duty increased by 18.6 percent to Rs. 310.9 billion in the first nine months of 2023 compared to the Rs.262.1 billion in the same period of 2022, a realization of 55.5 percent of the annual estimate for 2023. This was mainly due to the increase in revenue from cigarettes, petroleum products and motor vehicles despite the marginal reduction in revenue from liquor and other excisable articles. Revenue from excise duty on liquor, which contributes the highest revenue to the excise duty, declined slightly by 0.4 percent to Rs. 124.0 billion in the first nine months of 2023, compared to Rs. 124.6 billion in the same period of 2022. Excise duty on liquor was increased with effect from January 03, 2023 followed by a second increase with effect from July 01, 2023.

**Table 1.10 : Variance Analysis of Government Revenue (January – September 2023)**

Item	Rs. Billion			Reason
	2022 (Jan-Sep)	2023 Annual Est.	2023 (Jan-Sep) (Provisional)	
				Revenue collection from excise duty on cigarettes increased by 8.9 percent to Rs. 90.0 billion during the review period, mainly due to the upward revisions of excise duty on cigarettes by 20 percent with effect from January 01, 2023 and also further upward revision of 20 percent on July 01, 2023. Further, revenue from excise duty on motor vehicles increased by 57.1 percent to Rs. 21.5 billion in the first nine months of 2023, compared to Rs. 13.7 billion in the same period of 2022. This was mainly attributed by the government's decision to provide incentives to migrant workers by allowing the importation of electric vehicles to Sri Lanka. Furthermore, Excise revenue from petroleum products increased significantly by 97.1 percent to Rs. 72.3 billion in the first nine months of 2023, compared to Rs. 36.7 billion in the same period of 2022 mainly due to the increase of Excise Duty on the importation of all types of Petrol and Diesel by Rs. 25 per litre with effect from January 01, 2023 and again increased by Rs. 25 per litre with effect from June 01, 2023 to yield an additional revenue of 0.3 percent of the GDP in 2023 to finance the transferred liabilities to the Treasury from the Ceylon Petroleum Corporation (CPC).
Import Duties	36.6	80.0	66.1	The revenue from Import Duty increased significantly by 80.7 percent to Rs. 66.1 billion in the first nine months of 2023, compared to Rs. 36.6 billion in the same period of 2022 realizing 82.6 percent of the annual estimate for 2023. This increase was mainly due to the removal of import restrictions on most of imported items, the increase in CID rates on milk powder, wheat flour and wheat grain. Further, upward revision of CID rates from 0 percent, 10 percent and 15 percent to 0 percent, 15 percent and 20 percent with effect from March 29, 2023 contributed to the growth of revenue from CID.
Ports and Airports Development Levy (PAL)	135.4	220.0	123.6	Revenue collection from PAL declined by 8.7 percent to Rs. 123.6 billion in the first nine months of 2023, compared to Rs. 135.4 billion recorded in the same period of 2022 realizing 56.2 percent of the annual estimate for 2023. This was mainly due to the exemption of 20 percent of total PAL liable items with effect from April 04, 2023 with the aim of phasing out PAL within 05 years in line with the Budget 2023.
Special Commodity Levy (SCL)	29.2	70.0	36.8	Revenue from SCL increased significantly by 25.8 percent to Rs. 36.8 billion in the first nine months of 2023, compared to Rs. 29.2 billion recorded in the same period of 2022 realizing 52.6 percent from annual estimate of 2023. This was mainly attributable to the increase in the volume of imports of the major items.
Social Security Contribution Levy (SSCL)	-	250.0	158.4	Revenue from SSCL recorded as Rs. 158.4 billion in the first nine months of 2023 which contributes 7.5 percent of the total revenue, realizing 63.4 percent of the annual estimate for SSCL in 2023.

**Table 1.10 : Variance Analysis of Government Revenue (January – September 2023)**

Item	Rs. Billion			Reason
	2022 (Jan-Sep)	2023 Annual Est.	2023 (Jan-Sep) (Provisional)	
Other Taxes	77.7	130.0	69.6	The revenue collection from other taxes declined by 10.4 percent to Rs. 69.6 billion in the first nine months of 2023 from Rs. 77.7 billion in the same review period, realizing 53.6 percent of the annual estimate for 2023. This was mainly due to the drop in revenue from CESS Levy by 25.1 percent to Rs. 39.5 billion in the first nine months of 2023 reflecting the impact of the reduction of CESS on 2,618 items with effect from March 29, 2023 with the aim of eliminating CESS within next 03 years in line with the Budget 2023 proposal to rationalise para-tariffs. However, the revenue collection from Telecommunication Levy increased notably by 29.4 percent to Rs. 13.8 billion in the first nine months of 2023 from Rs. 10.6 billion in the same period of 2022 mainly due to the upward rate revision to 15 percent from 11.25 percent with effect from June 01, 2022.
Non Tax Revenue	165.1	278.0	176.5	Non-tax revenue increased by 6.9 percent to Rs. 176.5 billion in the first nine months of 2023 realizing 63.5 percent of the annual estimate for 2023. This was mainly due to the increase in revenue from fines, fees and charges by 50.3 percent to Rs. 85.4 billion with the revision of fees and charges of the Department of Motor Traffic, Department of Immigration and Emigration and Department of Registration of Persons. Further, improved revenue recorded from profits and dividends from SOEs, interest income and rent. However, Social Security Contributions income dropped by 3.6 percent to Rs. 26.7 billion during the review period.
<b>Total</b>	<b>1,448.5</b>	<b>3,408.0</b>	<b>2,110.5</b>	

Compiled by the Department of Fiscal Policy

**Box 1.1 : Major Fiscal Measures: January – November 01, 2023**

Effective Date	Measures
<b>Income Tax- Amendments to the Inland Revenue Act, No. 24 of 2017</b>	
01.06.2023	Gazette Notification No. 2334/21 of 31.05.2023 – To introduce compulsory tax registration at the Department of Inland Revenue for all residents who are above 18 Years of age without considering their annual income and tax free thresholds, as proposed in Interim Budget Speech 2022.
<b>Inland Revenue (Amendment) Act, No. 45 of 2022</b>	
01.01.2023	<b>Personal Income Tax</b>
	<b>Taxable income per annum</b>
	First Rs. 1,200,000 – Exempt Rs. 500,000- Rs. 1,000,000 – 6% Rs. 1,000,000- Rs. 1,500,000 – 12% Rs. 1,500,000- Rs. 2,000,000 – 18% Rs. 2,500,000- Rs. 3,000,000 – 24% Rs. 3,000,000- Rs. 3,500,000 – 30% Above Rs. 3,500,000 – 36%

**Box 1.1 : Major Fiscal Measures: January – November 01, 2023**

Effective Date	Measures
01.01.2023	<b>Withholding Tax (WHT)</b>
	<b>WHT Rates</b> Dividend – 15% Interest or Discount paid – 5% Rent payments exceeding Rs. 100,000 p.m. – 10% Service payments Rs. 100,000 p.m – 5% In all other cases – 14%
<b>Inland Revenue (Amendment) Act, No. 04 of 2023</b>	
08.05.2023	i. To make electronic tax filing mandatory for personal income taxpayers. ii. To streamline the refund process and expedite the refunding of amounts paid in excess of the tax liability by resident individuals. iii. To discourage cash transactions. Payment in aggregate to Rs. 500,000/= or more in a day, or in a single transaction or in a single event will not be allowed to deduct as expenses for tax purpose. iv. Obligating financial institutions etc to submit taxpayer transaction information at the individual level to the Inland Revenue Department (IRD). v. Exemption of amounts derived by a non-resident person from engaging in a project of the Government of Sri Lanka.
<b>Inland Revenue (Amendment) Act, No. 14 of 2023</b>	
01.04.2023	To increase the income tax rate applicable to the Employees Trust Fund, an approved provident or pension fund, or an approved termination fund up to 30% and the income tax rate applicable to the funds which effectively participate in the process of domestic debt optimization to continue as 14%.
<b>Betting and Gaming Levy- Betting and Gaming Levy Act, No. 40 of 1988</b>	
01.04.2023	<b>Betting and Gaming Levy (Amendment) Act, No. 11 of 2023</b> i. To remove the restriction on registration for new Casinos which are licensed under the Casino Business (Regulation) Act, No. 17 of 2010, with the Inland Revenue Department, to pay the levies imposed under the B & G Act. ii. To increase the Gross Collection Levy on the turnover from 10% to 15%. iii. To reduce the Casino Entrance Levy from USD 100 (It has not been collected up to now) to USD 50 or equivalent in Sri Lankan Rupees from every citizen of Sri Lanka who enters such place of business of gaming. iv. To increase the amount of Annual Levy payable by a person carrying on the Business of Gaming from Rs. 200 million to Rs. 500 million for every year commencing on or after April 01, 2023. v. To increase the Annual Levy payable by a person carrying on the business of a bookmaker for every year commencing on or after April 01, 2023 as follows; □ through an agent from Rs. 4 million to Rs. 5 million □ with the use of live telecast facilities from Rs. 600,000 to Rs.1,000,000 □ without the use of live telecast facilities from Rs. 50,000 to Rs. 75,000 vi. To redefine the terms of "bookmaker" and "gaming" to include online activities. vii. To redraft relevant sections of the B & G Act to give references to other Acts currently in effect.
<b>Social Security Contribution Levy(SSCL)- Social Security Contribution Levy)Act, No.25 of 2022</b>	
08.09.2023	<b>Social Security Contribution Levy(Amendment) Act, No.15 of 2023</b>

**Box 1.1 : Major Fiscal Measures: January – November 01, 2023**

Effective Date	Measures
	<ol style="list-style-type: none"> <li>1. To amend Part IA of the First Schedule to the Social Security Contribution Act (SSCL) to exempt the following items from SSCL;               <ol style="list-style-type: none"> <li>i. Any motor vehicle liable to the excise duty under the Excise (Special Provisions) Act, No. 13 of 1989 on the importation in considering excise duty is a composite tax introduced to simplify the tax structure.</li> <li>ii. Equipment used by differently-abled persons to lower the tax burden on such persons.</li> <li>iii. Rough unprocessed gem stones imported for re-exporting after cut and polishing to maintain the competitiveness of such Sri Lankan business in the global market by lowering the tax burden.</li> <li>iv. Any items sold at duty- free shops, similar to other import taxes.</li> <li>v. Rice manufactured out of locally produced paddy to ease the rising cost of living.</li> </ol> </li> <li>2. To amend item i of Part II of the First Schedule to the SSCL Act to exempt generation and supply of electricity other than supply of electricity under a distribution license from SSCL.</li> <li>3. To amend Part II of the First Schedule to the SSCL Act to exempt services provided by any General Sales Agent holding an Air Transport Service License issued under Section 97 of the Civil Aviation Act from SSCL considering thin profit margins of general sales agents.</li> </ol>
<b>Value Added Tax (VAT)- Value Added Tax Act, No. 14 of 2002</b>	
01.01.2023	Value Added Tax (Amendment) Act No. 44 of 2022 <ul style="list-style-type: none"> <li>- To remove VAT exemption on Condominium Residential Apartments.</li> </ul>
<b>Excise (Special Provisions) Duty – Excise (Special Provisions) Act, No. 13 of 1989</b>	
01.01.2023	Gazette Notification No. 2312/68 of 31.12.2022 <ul style="list-style-type: none"> <li>- To assign Excise Duty applicable the newly created/ subdivided and amended HS codes accomodating the 2022 HS code revision implemented by Sri Lanka Customs.</li> <li>- To increase Excise Duty applicable on Petroleum Products.</li> <li>- To increase Excise Duty applicable on Cigarettes.</li> </ul>
01.06.2023	Gazette Notification No. 2334/23 of 31.05.2023 <ul style="list-style-type: none"> <li>- To increase the Excise (Special Provision) Duty rate applicable on fuel (Petrol and Diesel) by Rs. 25/- per liter each.</li> </ul>
17.06.2023	Gazette Notification No. 2336/69 of 16.06.2023 <ul style="list-style-type: none"> <li>- To impose an Excise (Special Provision) Duty on Palmitic Acid (HS Code 2915.70.10) and Lauric Acid (HS Code 2915.90.10) used in soap manufacturing of 29% of CIF value.</li> </ul>
01.07.2023	Gazette Notification No. 2338/58 of 30.06.2023 <ul style="list-style-type: none"> <li>- To increase the Excise Duty on all varieties of Cigarettes by 20 percent in line with the IMF Extended Fund Facility Programme.</li> </ul>
<b>Excise (Ordinance) Duty – Excise Ordinance (Chapter 52)</b>	
03.01.2023	Excise Notification No.07/2022 (Gazette Notification No. 2312/70 of 31.12.2022) <ul style="list-style-type: none"> <li>- To Increase the Duty on Liquor.</li> </ul>
17.06.2023	Excise Notification No.01/2023 (Gazette Notification No. 2336/70 of 16.06.2023) <ul style="list-style-type: none"> <li>- To increase the current limits of Isopropyl Alcohol that can be kept in possession with and without license.</li> </ul>

**Box 1.1 : Major Fiscal Measures: January – November 01, 2023**

Effective Date	Measures
01.07.2023	Excise Notification No.02/2023 (Gazette Notification No. 2338/57 of 30.06.2023) – To increase the Excise Duty on all varieties of liquor by 20 percent in line with the IMF Extended Fund Facility Programme.
<b>Tobacco Tax – Tobacco Tax Act, No. 08 of 1999</b>	
01.01.2023	Gazette Notification No. 2312/71 of 31.12.2022 – To impose a tax on beedi of Rs. 2 per stick.
<b>Customs Surcharge – Customs Ordinance (Chapter 235)</b>	
05.01.2023	Gazette Notification No. 2313/35 of 04.01.2023 – To reissue the existing orders which have contained HS Codes 2017 version with the new HS version of 2022.
01.06.2023	Gazette Notification No. 2334/28 of 31.05.2023 – To reissue the Gazette Notification No. 2308/16 of 30.11.2022 to continue to the surcharge as a percentage of the Custom Import Duty on selected goods for another six months period till December 31, 2023.
<b>Ports and Airports Development Levy – Ports and Airports Development Levy Act, No. 18 of 2011</b>	
01.01.2023	Gazette Notification No. 2312/67 of 31.12.2022 – To assign PAL applicable the newly created / subdivided and amended HS Codes accommodating the 2022 HS Code revision implemented by Sri Lanka Customs.
04.04.2023	Gazette Notification No. 2326/02 of 03.04.2023 – To exempt PAL applicable on 1631 tariff lines as the first step of the five-year phasing out of PAL as per the proposal in Budget 2023.
22.09.2023	Gazette Notification No. 2350/45 of 21.09.2023 – To Impose PAL applicable on the importation of milk powder by 10% which was exempted since August 2021.
<b>CESS Levy – Sri Lanka Export Development Act, No. 40 of 1979</b>	
01.01.2023	Gazette Notification No. 2312/76 of 01.01.2023 – To assign CESS levy applicable the newly created/subdivided and amended HS Codes accommodating the 2022 HS Code revision implemented by Sri Lanka Customs.
29.03.2023	Gazette Notification No. 2325/06 of 28.03.2023 – To reduce CESS levy on 2,668 HS Codes out of 8,155 HS Codes as the first step of phasing out CESS levy within three years as proposed in Budget 2023.
17.06.2023	Gazette Notification No. 2336/71 of 16.06.2023 – To increase CESS levy on importation of Portland cement and impose CESS of Rs. 1 per kg on importation of Clinkers.
22.07.2023	Gazette Notification No. 2341/63 of 21.07.2023 – To grant exemption of Cess Levy on importation of raw materials for local printing ink manufacturing to eliminate tariff anomaly.
<b>CESS Levy – Securities &amp; Exchange Commission of Sri Lanka Act, No.19 of 2021</b>	
31.01.2023	Gazette Notification No. 2316/32 of 26.01.2023 – To impose a CESS levy of 0.006% on the value of Repurchase Transaction (REPO) in corporate debt securities which are carried out on the Over The Counter (OTC) platform of the Colombo Stock Exchange.



**Box 1.1 : Major Fiscal Measures: January – November 01, 2023**

Effective Date	Measures
<b>Customs Import Duty (CID) – Revenue Protection Act, No. 19 of 1962</b>	
01.01.2023	Revenue Protection Order No. 07/2022 (Gazette Notification No. 2312/75 of 01.01.2023) – To update the HS Code System every 5 years to facilitate the legitimate international trade flows. Sri Lanka has a total of 7,842 HS Codes in 08 Digits. However, due to the HS Code 2022 Version, the total HS Codes has increased to 8155 HS Codes.
29.03.2023	Revenue Protection Order No. 01/2023 (Gazette Notification No. 2325/07 of 28.03.2023) – To increase CID rate for specific items to maintain revenue neutrality due to reduction of CESS Levy by 20 percent by revision of the three-band tariff system of the Customs Import Duty from 0%, 10% and 15% to 0%, 15% and 20%.
17.06.2023	Revenue Protection Order No. 02/2023 (Gazette Notification No. 2336/72 of 16.06.2023) – To create new HS Codes (National Sub Divisions) for Palmitic Acid and Lauric Acid and to impose a duty structure on the same as the duty structure of Palm oil Fatty Acid to facilitate the local Cosmetic Industry.
01.07.2023	Revenue Protection Order No. 03/2023 (Gazette Notification No. 2338/54 of 30.06.2023) – To remove first installment out of the six annual installments under the category "6" of the Tariff Liberalization Programme (TLP) of the Customs Import Duty on 1,238 Tariff Lines under Sri Lanka Singapore Free Trade Agreement (SLSFTA).
22.07.2023	Revenue Protection Order No. 04/2023 (Gazette Notification No. 2341/64 of 21.07.2023) – To introduce 5 percent concessionary rate of CID on importation of raw materials for local printing ink manufacturing to eliminate tariff anomaly.
30.08.2023	Revenue Protection Order No. 05/2023 (Gazette Notification No. 2347/06 of 29.08.2023) – To increase import duty on importation of Wheat Flour of 15 percent or Rs. 16 per kg to 20 percent or Rs. 27 per kg.
<b>Special Commodity Levy (SCL) – Special Commodity Levy Act, No. 48 of 2007</b>	
05.01.2023	Gazette Notification No. 2313/34 of 04.01.2023 – To reissue the existing orders which have contained HS Codes 2017 Version with the new HS Version of 2022.
26.01.2023	Gazette Notification No. 2316/28 of 25.01.2023 – To facilitate local animal feed manufacturing industry and the concession was extended subject to consignments of Maize reaching ports on or before January 15, 2023 on the recommendation of Secretary, Ministry of Agriculture.
21.02.2023	Gazette Notification No. 2320/04 of 20.02.2023 – To introduce a SCL of Rs.50/- per egg on importation of eggs and to grant concessionary rate of only Rs.1/- per egg for State Trading Cooperation(STC) to make available the eggs at reasonable price for the Bakery Industry.
04.03.2023	Gazette Notification No. 2321/76 of 04.03.2023 – To extend the validity period of SCL imposed on Black Gram, Cowpea, Kurakkan and Millet for another one-year period in order to ensure better price for local farmers.
08.03.2023	Gazette Notification No. 2322/20 of 07.03.2023 – To increase SCL to Rs.50/- on importation of Potatoes in order to encourage the local farmers by ensuring a reasonable market price for their harvest.
08.03.2023	Gazette Notification No. 2322/21 of 07.03.2023 – To apply concessionary rate of Rs.1/kg for importation of dates to be received as donation or gifts in Ramazan Festival Season.

**Box 1.1 : Major Fiscal Measures: January – November 01, 2023**

Effective Date	Measures
18.03.2023	Gazette Notification No. 2323/40 of 17.03.2023 – To apply concessionary rate of Rs.200/kg for importation of frozen whole egg liquid subject to the recommendation of Secretary to the Ministry of Trade , Commerce and Food Security.
18.05.2023	Gazette Notification No. 2332/14 of 17.05.2023 – To extend the validity period and to increase SCL of 25 cents to Rs.65 per kg on importation of rice, and to impose SCL of Rs.75 per kg for importation of maize and grant duty waiver of Rs.50 per Kg for importation of maize for the production of Thriposha and to extend validity period of other 34 items as same duty rate.
21.05.2023	Gazette Notification No. 2332/53 of 20.05.2023 – To continue a SCL of Rs.50/- per egg on importation of eggs and to grant concessionary rate of only Rs.1/- per egg for State Trading Cooperation(STC) to make available eggs at reasonable price for the Bakery Industry.
23.06.2023	Gazette Notification No. 2337/16 of 22.06.2023 – To grant concessionary rate of Rs.200/kg for importation of frozen whole egg liquid subject to the recommendation of Secretary to the Ministry of Trade, Commerce and Food Security by considering the Food Policy Committee Decision.
14.07.2023	Gazette Notification No. 2340/45 of 13.07.2023 – To remove concessions granted on importation of maize considering the difference on import price and tender price for production of thriposha and applied normal duty structure.
01.08.2023	Gazette Notification No. 2343/11 of 31.07.2023 – To extend the validity period for 6 items and continue duty waiver on importation of salt for the purpose of manufacturing pharmaceuticals and revise the HS Codes liable to duty waiver on importation of fish varieties as sail fish, marlin fish and queen fish.
18.08.2023	Gazette Notification No. 2345/64 of 17.08.2023 – To introduce concessionary SCL duty rate of Rs 25 for importation of maize and revise the duty rate on importation of black gram and green gram.
21.08.2023	Gazette Notification No. 2346/16 of 21.08.2023 – To continue a SCL of Rs.50/- per egg on importation of eggs and to grant concessionary rate of only Rs.1/- per egg for State Trading Cooperation (STC).
08.09.2023	Gazette Notification No. 2348/44 of 08.09.2023 – To continue a duty on importation of Potatoes with considering the recommendations from Ministry of Agriculture and Ministry of Trade, Commerce and Food Security.
14.10.2023	Gazette Notification No. 2353/77 of 14.10.2023 – To extend the validity period of prevailing SCL duty on importation of fish, maldiv fish, lentils, mangoesteen and kiwi fruit for a period of one year and extend the duty waiver for importation of mackerel fish for the use of local canned fish Industry.
02.11.2023	Gazette Notification No. 2356/20 of 01.11.2023 – To increase the SCL rate on Sugar from 25 Cents per kg to Rs. 50/- per kg.
<b>Imports and Exports (Control) regulations – Imports and Exports (Control) Act, No. 01 of 1969</b>	
01.01.2023	Imports & Exports (Control) Regulations No.01 of 2023 (Gazette Notification No. 2312/77 of 01.01.2023 – To consolidate Import Control License.

**Box 1.1 : Major Fiscal Measures: January – November 01, 2023**

Effective Date	Measures
01.01.2023	Imports & Exports (Control) Regulations No.02 of 2023(Gazette Notification No. 2312/78 of 01.01.2023 – To consolidate Temporary Suspension.
19.01.2023	Imports & Exports (Control) Regulations No.03 of 2023 (Gazette Notification No. 2315/46 of 19.01.2023 – To amend the Regulations on Payment Terms.
22.02.2023	Imports & Exports (Control) Regulations No.04 of 2023 (Gazette Notification No. 2320/46 of 22.02.2023 – To amend the Regulations on Payment Terms.
22.02.2023	Imports & Exports (Control) Regulations No.05 of 2023 (Gazette Notification No. 2320/47 of 22.02.2023 – To amend Import and Export Control Regulations.
24.03.2023	Imports & Exports (Control) Regulations No.06 of 2023 (Gazette Notification No. 2324/45 of 24.03.2023 – To amend exhaust emission and safety measures/ standard regulations.
06.04.2023	Imports & Exports (Control) Regulations No.07 of 2023 (Gazette Notification No. 2326/40 of 06.04.2023 – To amend the Import Control Regulations on Payment Terms.
01.06.2023	Imports & Exports (Control) Regulations No.08 of 2023 (Gazette Notification No. 2326/41 of 06.04.2023 – To impose regulations of single use plastic items.
10.06.2023	Imports & Exports (Control) Regulations No.09 of 2023 (Gazette Notification No. 2335/26 of 09.06.2023 – Goods, classified under the HS Codes as described in the Schedule deleted from the Schedule I of the Imports and Exports (Control) Regulations No. 02 of 2023.
14.06.2023	Imports & Exports (Control) Regulations No.10 of 2023 (Gazette Notification No. 2336/45 of 14.06.2023 – To include Import Control License on wheat flour.
20.07.2023	Imports & Exports (Control) Regulations No.11 of 2023 (Gazette Notification No. 2341/38 of 20.07.2023 – Goods, classified under the HS Codes as described in the Schedule deleted from the Schedule I of the Imports and Exports (Control) Regulations No. 02 of 2023.
14.08.2023	Imports & Exports (Control) Regulations No.12 of 2023 (Gazette Notification No. 2345/03 of 14.08.2023 – To consolidate Temporary Suspension on Motor Vehicles used for transport passengers, goods and on special purpose motor vehicles. (Only valid for 1 month from 14.08.2023)
29.08.2023	Imports & Exports (Control) Regulations No.13 of 2023 (Gazette Notification No. 2347/08 of 29.08.2023 – To remove the license requirement of wheat flour which was imposed by the Gazette Notification No. 2336/45 of 14.06.2023.
09.10.2023	Imports & Exports (Control) Regulations No.14 of 2023 (Gazette Notification No. 2353/16 of 09.10.2023 – Goods, classified under the HS Codes as described in the Schedule deleted from the Schedule I of the Imports and Exports (Control) Regulations No. 02 of 2023.

**Box 1.1 : Major Fiscal Measures: January – November 01, 2023**

Effective Date	Measures
<b>Embarkation Levy- Finance Act, No. 25 of 2003</b>	
12.01.2023	Gazette Notification No. 2314/16 of 11.01.2023 – To collect Embarkation Levy from passengers leaving from SriLanka by ships. Regulations have not been imposed to collect embarkation levy for ships since the Embarkation Levy imposed in 2003. Therefore, introduce regulations to collect Embarkation Levy for passengers leaving Sri Lanka by a flight as well as a ship.
25.04.2023	Gazette Notification No. 2329/19 of 25.04.2023 – To continue the deduction of 50% from the applicable rate of USD 60( i.e. upto USD 30), for the embarkation levy for another period of one year from April 25, 2023 for the airlines commencing operations of scheduled flights at Colombo International Airport Ratmalana (CIAR).
25.07.2023	Gazette Notification No. 2342/24 of 25.07.2023 – To continue the deduction of 50% from the applicable rate of USD 60 for a period of another six (06) months with effect from July 25, 2023 for flights commencing operations from Jaffna Airport.
<b>International Telecom Operators Levy- Finance Act, No. 11 of 2004</b>	
01.01.2023	Gazette Notification No. 2312/80 of 01.01.2023 – To extend the rate of levy payable on incoming international calls, incoming international calls on Specific Telephone Numbers (STN), Incoming Local Access Charge (ILAC), Telecommunication Development Charge (TDC) and Outgoing Local Access Charge (OLAC) for further two years from January 01, 2023 to December 31, 2024.
<b>Luxury Tax on Motor Vehicle -Finance Act, No.35 of 2018</b>	
01.01.2023	Gazette Notification No. 2312/69 of 31.12.2022 – To assign Luxury Tax applicable the newly created/ subdivided and amended HS codes accomodating the 2022 HS code revision implemented by Sri Lanka Customs.
10.02.2023	Gazette Notification No. 2318/53 of 10.02.2023 – To increase Luxury tax-free threshold of fully electric vehicles from Rs. 6 million to Rs. 12 million for migrant workers importing electric cars.
31.05.2023	Gazette Notification No. 2334/24 of 31.05.2023 – To extend the period of consideration of remittances, establishment of Letters of Credit (LCs) and Registration of Motor vehicles published in the Extraordinary Gazette No. 2318/53 of 10.02.2023 ( increase of tax free threshold of fully electric motor vehicles from Rs. 6 million to Rs.12 million for migrant workers)
13.07.2023	Gazette Notification No. 2340/42 of 13.07.2023 – To determine the disposal mechanism for vehicles imported by either diplomats or diplomatic organizations on 100% duty-free basis on the basis of used years.

**1.3 Government Expenditure**

The government expenditure in the first nine months of 2023 was Rs. 3,732.3 billion of which Rs. 3,327.7 billion was recurrent expenditure and Rs. 404.6 billion was capital and net lending expenditure. The government expenditure is required to be authorised by Parliament annually. Accordingly, the Appropriation Act, No. 43 of 2022 was passed by Parliament, enabling

the government to incur expenditure in 2023.

Taking into account the issuance of loans pertaining to the debt restructuring process, the existing ceiling on government borrowings and debt servicing expenditure imposed by the Appropriation Act, No. 43 of 2022 for 2023 was subsequently amended by the Appropriation (Amendment) Act, No. 12 of 2023.

**Table 1.11 : Performance of Government Expenditure**

Item	Rs. Million	
	Jan - Sep	
	2022	2023 <sup>(a)</sup>
<b>Recurrent Expenditure</b>	<b>2,300,171</b>	<b>3,327,685</b>
Salaries	714,280	696,995
Pension	228,609	263,998
Interest	927,366	1,737,338
Other	429,916	629,354
<b>Capital &amp; Net Lending</b>	<b>394,617</b>	<b>404,647</b>
<b>Total Expenditure</b>	<b>2,694,788</b>	<b>3,732,331</b>

Sources: Department of National Budget and Department of Fiscal Policy

(a) Provisional

### Personal Emoluments and Pensions

The expenditure on personal emoluments of public servants including the employees of Provincial Councils in the first nine months of year 2023 declined by 2.4 percent to Rs. 697.0 billion from Rs. 714.3 billion in the same period of 2022. Meanwhile, the expenditure on pension payments increased by 15.5 percent to Rs. 264.0 billion

in the first nine months of 2023, compared to Rs. 228.6 billion in the same period of 2022. This increase is mainly triggered by the policy decision taken to reduce the compulsory retirement age of public service from 65 to 60 years. Accordingly, public servants who were above the age of 60 years in 2022 were retired with effect from 31.12.2022, resulting in a significant increase in the total expenditure on the payment of pensions during the first nine months of 2023, compared to the amount of such spending during the similar period in 2022.

### Interest Payments

Interest payments on domestic and foreign debt increased by 87.3 percent to Rs. 1,737.3 billion in the first nine months of the year 2023 compared to Rs. 927.4 billion in the same period of 2022. This was mainly due to the increase in interest payments on domestic debt by 101.6 percent to Rs. 1,652.1 billion despite the drop in interest payments on foreign debt by 21.0 percent to Rs. 85.3 billion in the first nine months of 2023.

**Table 1.12 : Behaviour of Yield Rates (%) on Government Securities and Exchange Rate from 2022 to 2023**

Period	Treasury Bills (%)			Treasury Bonds (%)				Average Exchange Rate Rs/USD	
	91 days	182 days	364 days	2 year	3 year	4 year	5 year		
2022	Jan	8.63	8.55	8.55	-	11.49	-	-	201.46
	Feb	8.61	8.53	8.53	-	12.25	-	11.92	201.74
	Mar	12.92	12.25	12.28	14.41	-	-	14.70	255.81
	Apr	23.53	23.96	24.09	-	22.01	-	22.16	319.44
	May	23.65	24.22	24.30	-	22.38	-	22.69	358.94
	Jun	23.85	24.40	23.84	-	23.77	-	21.18	360.24
	Jul	28.86	29.24	29.53	-	28.45	-	-	360.87
	Aug	32.89	31.28	30.50	-	29.16	-	-	361.00
	Sep	31.94	30.59	29.85	-	30.95	-	31.50	362.38
	Oct	33.05	32.53	29.60	32.71	32.63	-	31.78	363.15
	Nov	32.91	32.27	29.46	33.01	31.69	-	-	363.39
	Dec	32.64	32.20	29.27	32.19	31.36	-	-	363.17
2023	Jan	29.91	28.72	27.78	-	30.85	29.21	29.79	362.42
	Feb	29.72	28.67	27.67	-	-	29.37	-	361.98
	Mar	25.99	25.79	24.31	29.99	-	28.11	-	329.47
	Apr	25.74	25.27	23.00	-	-	-	-	321.42
	May	25.65	25.29	22.91	-	-	-	-	310.16
	Jun	23.00	19.49	16.99	-	-	-	-	301.26
	Jul	19.96	17.69	14.29	-	-	-	15.74	319.29
	Aug	18.48	15.36	13.58	-	15.80	-	15.03	321.58
	Sep	17.42	15.13	13.30	-	15.64	-	14.52	322.77

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

## Welfare Expenditure

The government expenditure on welfare programmes covers expenditure on healthcare, nutrition, education, livelihood support, social welfare and safety net programmes. The expenditure on welfare programmes increased by 46.2 percent to Rs. 312.5 billion in the first nine months of 2023, compared to Rs. 213.7 billion in the first nine months of 2022.

The expenditure of Rs. 97.1 billion on healthcare in the first nine months of 2023 was mainly constituted by the programmes on "Free Medicine for All", "Thriposha", and "Poshana Malla". The "Free Medicine for All" programme contributed as the largest expenditure on health and nutrition support. Expenditure on free medicine has increased by 93.4 percent in the first nine months of 2023, compared to the same period of 2022, due to the escalation of prices of medicine.

The Government has spent Rs. 35.1 billion for education-related welfare expenditure

in the first nine months of 2023 compared to Rs. 12.8 billion in the first nine months of 2022. Expenditure on free Textbooks has increased from Rs. 836 million to Rs. 18.1 billion compared to the first nine months of 2022 due to an increase in prices of printing materials and payment of duties for the import of materials.

The Government has incurred an expenditure of Rs. 155.6 billion for the livelihood support programmes in the first nine months of 2023 compared to Rs. 127.0 billion in the same period of 2022. The expenditure incurred on cash grants for vulnerable people including Samurdhi, elders, differently-abled and Kidney patients has declined as a result of the selection of beneficiaries on a scientific basis, preventing the receipt of two kinds of benefits. Accordingly, Rs. 114.3 billion has been spent for the payment of allowances for the Samurdhi relief for the first nine months of 2023.

**Table 1.13 : Welfare Expenditure from January to September 2023**

Programme	Rs. Million	
	2022	Jan-Sep 2023
<b>Health &amp; Nutrition</b>	<b>51,827</b>	<b>97,074</b>
Free Medicine for All	48,425	93,659
Thriposha Programme	226	851
Morning Meal for Pre-School Children	73	204
Poshana Malla	3,103	2,360
<b>Education</b>	<b>12,770</b>	<b>35,127</b>
Free textbooks	836	18,074
Free School Uniforms	1,993	2,536
School Season Tickets	3,407	5,200
School Nutritional foods	3,342	7,228
Shoes for Students in Difficult and Very Difficult Area Schools	900	-
Grade 5 students Scholarships	321	586
Mahapola Scholarships	650	508
Bursaries Scholarships	710	896
Assistans for Damma School Teachers	611	99
<b>Livelihood Support</b>	<b>127,043</b>	<b>155,614</b>
Fertilizer subsidy	33,038	39,905
Samurdhi Relief/ Household Cash Trasfers Programme	93,337	114,299
Crop Subsidies Tea, Rubber, Coconut , Cashew and other crops	557	1,258
Assisting for Farmers for Export Crop Development	71	152
Livelihood Assistance for COVID-19 Affected Persons	40	-
<b>Social Welfare &amp; Safety net</b>	<b>22,017</b>	<b>24,639</b>
Assistance for Differently Abled Persons & Kidney Patient	5,795	5,634
Assistance for Elderly Person's	12,056	14,787
Social Care of Ranawiru Parents	1,726	1,694
Food Assistance, Flood and Drought Relief	40	24
Bus Services in Uneconomical Roots	2,400	2,500
<b>Total</b>	<b>213,657</b>	<b>312,454</b>

Source: Department of National Budget

## Public Investment

The expenditure on infrastructure development in priority areas covering highways, water supply, irrigation, transport, and agriculture and education sectors was nearly Rs. 412 billion in the first nine months of 2023 including:

- Rs. 173 billion for the development of roads, highways, bridges and expressways
- Rs. 29.5 billion for ensuring adequate and safe drinking water for all
- Rs. 44 billion for improving the efficiency, capacity and connectivity of the transport network
- Rs. 15.9 billion for improving productivity and efficiency of the agriculture value chain by introducing modern technology and new seed varieties
- Rs. 28 billion for ensuring water availability for agriculture by constructing multipurpose irrigation schemes and canals
- Rs. 18.6 billion for infrastructure development and quality improvement of the education system

## 1.4 Treasury Operations

### Performance of the Cash Flow of the General Treasury

Cash inflows to the General Treasury by way of revenue and other receipts amounted to Rs. 2,028.2 billion, in the first nine months of the year 2023 as against the estimation of Rs. 2,446.5 billion, achieving the 82.9 percent from the estimate. This was an increase of 49 percent, compared to Rs. 1,361.9 billion in the same period of 2022. Meanwhile, cash outflow for both recurrent and public investment amounted to Rs. 3,936 billion in the first nine months of 2023 which is a 43 percent increase compared to Rs. 2,743 billion over the same period of 2022.

Net cash deficit as at 30<sup>th</sup> September 2023 was Rs. 1,907.9 billion, an increase of 38.1 percent compared to Rs. 1,381.1 billion as at end September 2022 mainly due to the increase in the operational expenditure including interest payments and public investment by 52.2 percent and 5.4 percent respectively. However, increase in closing positive cash balance up to Rs. 183.5 billion as at 30<sup>th</sup> September 2023 from Rs. 48.2 billion negative cash balance as at 30<sup>th</sup> September 2022, has recorded as a result of the increase in cash inflows which mainly represent from increase in net borrowing along with revenue & other receipts during the period.

**Table 1.14 : Statement on Government Treasury Cash Flow Operations**

Item	Rs. Billion		
	Jan - Sep		
	2022	2023	
	Actual	Estimate	Actual
Opening Cash balance	-831.6	-84.2	-84.2
Total cash inflow from revenue and other receipts	1,361.9	2,446.6	2,028.1
Total cash outflow for recurrent payments	-2,232.2	-3,556.7	-3,397.5
Total cash outflow for capital payments*	-510.8	-749.1	-538.5
Net cash surplus / (deficit)	-1,381.1	-1,859.2	-1,907.9
Gross borrowing	3,017.4	3,193.6	6,936.1
Debt repayment	-995.3	-1,228.7	-4,773.7
Net borrowing	2,022.1	1,964.8	2,162.4
Balance proceeds of Commercial Borrowing previous year	4.50	-	-
Adjustment account balance (TEB, net deposits, Other Transfer etc.)	137.9	-	13.2
<b>Closing Cash balance</b>	<b>-48.2</b>	<b>21.4</b>	<b>183.5</b>

Source: Department of Treasury Operations

\*Includes project/programme loans accounted as at 30<sup>th</sup> September 2023.

## Management of Government Debt

The total borrowing limit approved by the Parliament for the year 2023 amounted to Rs. 4,979 billion, which was subsequently increased up to Rs. 13,979 billion through the revised budget for the year to facilitate the execution of Domestic Debt Optimization (DDO) Programme. Utilization of Government borrowings for the period from 01<sup>st</sup> of January to 30<sup>th</sup> September 2023 was recorded as Rs. 6,833.9 billion (Book value term), which could be considered as Rs. 6,732.7 billion after taking in to consideration the decrease of financing through bank overdraft during the period from Rs. 84.2 billion which was prevailed at the beginning of the year, to a positive balance of Rs. 183.5 billion as at 30<sup>th</sup> September 2023 and without considering the impact of decreasing treasury bills/

CBSL advances due to DDO executions. Total borrowing utilization comprising of domestic and foreign borrowings amounted to Rs. 6,732.7 billion and Rs 595.4 billion, respectively as at 30<sup>th</sup> September 2023 to finance cash flow operations, the execution of a part of DDO program and development projects during the period.

Thus with the execution of the DDO program, Treasury bill holdings of the CBSL and the provisional advance, a part of SLDB stock and a part of Treasury bond holdings of superannuation funds were converted to Treasury bonds with longer maturity.

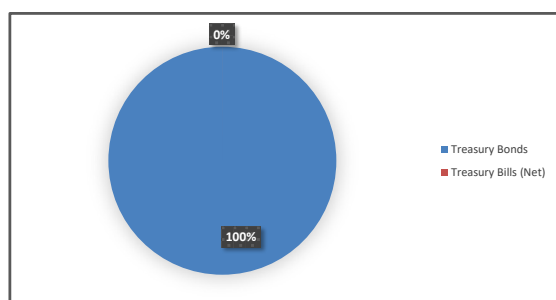
Domestic borrowing usage during the period was recorded as 90 percent from the total borrowing in the first nine months of 2023.

**Table 1.15 : Gross Domestic Borrowings – January to September 2023**

	Rs.Billion
Instruments	Jan-Sep 2023
Treasury Bonds	6,833.6
Sri Lanka Development Bonds	0.3
<b>Total</b>	<b>6,833.9</b>
Settlement of Bank OD	-84.2
Repayment of Foreign Currency	-17.0
<b>Domestic Borrowings Utilization</b>	<b>6,732.7</b>

Source: Department of Treasury Operations

**Figure 1.4 Gross Domestic Borrowings after DDO Conversion (January to September 2023)**



Source : Department of Treasury Operations



## 1.5 Foreign Financing

To strengthen the support under the Extended Fund Facility programme of the International Monetary Fund (IMF-EFF), the Asian Development Bank (ADB) and the World Bank (WB) have extended their assistance by disbursing USD 350.0 million under the Economic Stabilization Programme and USD 247.6 million under the Resilience, Stability, and Economic Turnaround (RESET) Development Policy Financing programme, respectively.

In the bilateral stream, USD 158.0 million worth of external financing was received from India, Netherlands, Saudi Fund for Arab Economic Development, Germany, and France by the end of third quarter 2023. Also, the Emergency Credit Lines received from the Government of India helped substantially to ease the foreign currency need for the importation of essential goods in the first quarter of 2023. Accordingly, the Government was able to secure a substantial amount of foreign

financing, amounted to USD 1,516.3 million, from January 1 to September 30, 2023.

### Foreign Financing Commitments

The Government obtained foreign financing of USD 1,479 million by entering into 13 agreements with foreign development partners and lending agencies during the period under review. This consists of USD 333.0 million received under the IMF-EFF arrangement, USD 350.0 million for the Economic Stabilization programme extended by the ADB, USD 495.6 million for RESET Development Policy Financing, USD 196.3 million for the Social Protection Project extended by the International Development Association (IDA), and a total of USD 73.4 million in Official Development Assistance (ODA) commitments by entering into nine grant agreements with the Government of Japan, Government of Korea, Government of the United States, and the IDA by the end of third quarter of 2023.

**Table 1.16 : Foreign Financing Commitments with Terms – from 1<sup>st</sup> January to 30<sup>th</sup> September 2023**

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project / Program/ Instrument Name	Amount Committed (million)			Financial Terms			Other Terms		
				Currency	Instrument Currency	USD	Type	Annual Rate (%)	Margin (100 basis points)	Other Charges	Grace Period (Years)	Maturity / Availability Period from the Date of Signing (Years)
<b>Bilateral</b>												
Japan	Grant	22/02/2023	Fuel Grant Assistance under Japanese Economic and Social Development Programme	JPY	5,000.0	13,423.0	37.1			Not Applicable		3
Japan	Grant	26/04/2023	Grant Assistance for the project for the Improvement of Infectious Waste Management	JPY	503.0	1,211.7	3.8			Not Applicable		3
Japan	Grant	09/08/2023	The Project for Human Resource Development Scholarship	JPY	284.0	636.2	2.0			Not Applicable		3
Korea	Grant	31/05/2023	Floating Solar Photovoltaic (PV) Pilot Project in the Southern Area of Sri Lanka (Chandrika Weva and Kiribban Weva, 1MW Each)	Won	6,830.0	1,524.5	5.2			Not Applicable		1

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project / Program / Instrument Name	Amount Committed (million)				Financial Terms			Other Terms		
				Currency	Instrument Currency	Rupees	USD	Type	Annual Rate (%)	Margin (100 basis points)	Other Charges	Grace Period (Years)	Maturity / Availability Period from the Date of Signing (Years)
Korea	Grant	12/05/2023	Strengthening Labour Market Demand Driven Technical Vocational Education and Training (TVET) Sector in Niyagama in Sri Lanka	Won	2,150.0	516.2	1.6		Not Applicable			1	
Korea	Grant	15/02/2023	The Community-Based Tourism Development Project in the North Eastern and Central Regions of Sri Lanka	Won	400.0	117.8	0.3		Not Applicable			1	
USA	Grant	28/07/2023	A Democratic, Prosperous, and Resilient Sri Lanka (Enhancement)	USD	13.2	4,356.3	13.2		Not Applicable			4	
USA	Grant	17/08/2023	A Democratic, Prosperous, and Resilient Sri Lanka (Enhancement)	USD	6.0	1,926.6	6.0		Not Applicable			4	
<b>Multilateral</b> Asian Development Bank	Loan	29/05/2023	Economic Stabilization Program	USD	350.0	104,689.1	350.0	Variable	SOFR	2	Commitment fee 0.75%	3.5	8

Development Partner/ Lending Agency	Instrument Type	Agreement Date	Project / Program/ Instrument Name	Amount Committed (million)				Financial Terms			Other Terms	
				Currency	Instrument Currency	Rupees	USD	Interest		Other Charges	Grace Period (Years)	Maturity / Availability Period from the Date of Signing (Years)
								Type	Annual Rate (%)			
			Resilience, Stability, and Economic Turnaround (RESET) Development Policy Financing	SDR	371.2	153,049.4	495.6	Interest Free		Commitment fee 0.5%	6	12
International Development Association	Loan	28/06/2023		SDR	148.5	63,724.8	196.3	Fixed	1.25	Service fee 0.75% Commitment fee 0.5%	5	30
International Development Association	Loan	21/09/2023	Social Protection project	SDR								
International Development Association	Grant	06/07/2023	Sri Lanka - Public Financial Management Strengthening Project	USD	4.2	1,289.3	4.2			Not Applicable		3
International Monetary Fund	Loan	20/03/2023	Sri Lanka's 2023-26 Extended Fund Facility (EFF) Arrangement from IMF	SDR	254.0	122,055.3	364.0 *	Amount Based		Commitment fee 0.5% Service fee 0.5%	4.5	10
<b>Total</b>							<b>468,520.2</b>					<b>1,479.3</b>

**Source:** Department of External Resources

**Notes:** SOFR = Secured Overnight Financing Rate,

Financial values committed in difference currencies have been converted into USD and LKR as per the prevailing exchange rates of each agreement date  
\* As per the exchange rate published by CBSL as at 20.03.2023 for SDR 480.5327 has been used.

## Foreign Financing Disbursements and Utilization

The total foreign financing disbursements during the period from January 1 to September 30, 2023, amounted to USD 1,516.3 million. Of which, USD 343.7 million was received as the first tranche of the IMF-EFF programme 2023–26, USD 1,006.1 million was received from other multilateral

agencies, the rest of USD 155.9 million was disbursed from bilateral agencies, and USD 10.6 million was disbursed by way of grants.

The majority of the disbursements recorded in 2023 were received from the ADB, which accounted for 35 percent of the total disbursements, followed by the World Bank (29 percent, the IMF (23 percent), and India (9 percent).

**Table 1.17 : Disbursements of Foreign Loans and Grants from 1<sup>st</sup> January to 30<sup>th</sup> September 2023**

(USD Million)

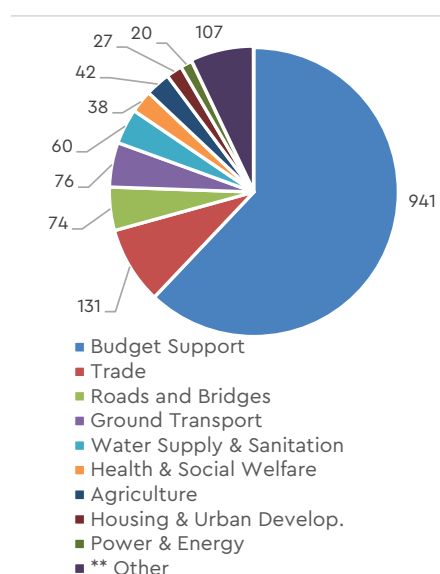
Development Partner	Disbursements*		
	Loan	Grant	Total
<b>Bilateral</b>	<b>155.9</b>	<b>2.1</b>	<b>158.0</b>
India	142.5	-	142.5
Netherlands	7.4	-	7.4
Saudi Fund for Arab Economic Development	5.6	-	5.6
Germany	-	2.1	2.1
France	0.4	-	0.4
<b>Multilateral</b>	<b>1,349.8</b>	<b>8.5</b>	<b>1,358.3</b>
Asian Development Bank	529.7	0.1	529.8
World Bank	434.4	8.4	442.8
International Monetary Fund (IMF)	343.7	-	343.7
Asian Infrastructure Investment Bank	22.9	-	22.9
OPEC Fund	11.0	-	11.0
International Fund for Agricultural Development	8.1	-	8.1
<b>Total</b>	<b>1,505.7</b>	<b>10.6</b>	<b>1,516.3</b>

**Source:** Department of External Resources

**Note:** For conversion of disbursements made in different currencies into USD, the exchange rates as at 27<sup>th</sup> September 2023 have been used

\* Provisional

**Figure 1.5 : Disbursements Made for each Economic Sector from 1<sup>st</sup> January to 30<sup>th</sup> September 2023 (USD Million)**



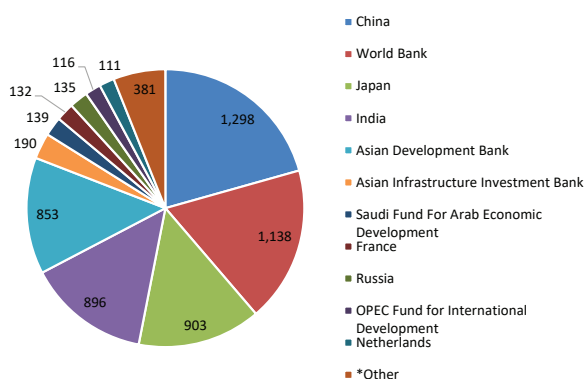
**Source:** Department of External Resources

\*\* Other = Education & Training, Defence, Science & Technology, Irrigation & Related activities, Environment, Rural Development, Humanitarian Assistance, Disaster Management, SME Development, Land Development, Plantation

## Committed Undisbursed Balance (CUB)

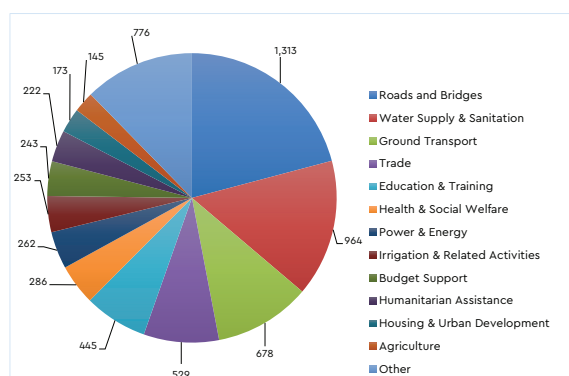
As of September 30, 2023, the total undisbursed balance of foreign financing available from already committed loans that are to be utilized in the next 3 – 5 years was USD 6.3 billion. The major portion of the balance is to be disbursed from the projects committed with China, and others are from the World Bank, Japan, India, and the Asian Development Bank, respectively. Almost 21 percent of the CUB is to be utilized in the roads and bridges sector, whereas 15 percent is for water supply and sanitation and 11 percent in the ground transport sector

**Figure 1.6 : CUB for Development Projects and Programs, by Major Development Partners as of 30 th September 2023 (USD Million)**



Source: Department of External Resources

**Figure 1.7 : Sector wise CUB for Development Projects and Programs, by Major Development Partners as of 30 th September 2023 (USD Million)**



Source: Department of External Resources

\*Other = Australia, UK, Hungary, Kuwait, Pakistan, Korea, Russia, Germany, Denmark, Spain, Austria, European Investment Bank, IFAD

## External Debt Stock and External Debt Service Payments

The total central Government external debt as of the end of September 2023 amounted to USD 36.4<sup>1</sup> billion.

Total debt service payments<sup>2</sup> from 1<sup>st</sup> January to 30<sup>th</sup> September 2023 was amounted to USD 912.8 million, of which USD 631.9 million was in lieu of principal repayments and the balance USD 280.9 million was for the payment of interest.

In line with the interim policy adopted by the Government, the servicing of the external debt of affected loans obtained from bilateral and commercial creditors has been temporarily suspended for an interim period commencing from 12<sup>th</sup> April, 2022. Accordingly, the principal amount of USD 4,229 million and interest of USD 1,819\* million have been accumulated as unpaid debt service by the end of September 2023.

1 Provisional, Only the Central Government outstanding foreign debt are depicted. This includes unpaid principal accumulated after the debt standstill policy was adopted.

2 Debt Service = Principal Payments + Interest Payments

\* To be reconciled with creditors during restructuring discussions



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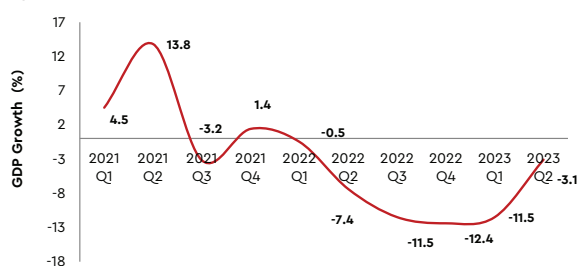


## 2.1 Overview

Sri Lankan economy has embarked on showing stability on many macroeconomic fronts including inflation, reserve position and fiscal adjustments with the implementation of long-overdue structural reforms in particular, fiscal, non-debt foreign currency inflows and monetary sectors. Signs of recovery were witnessed: (i) inflation decelerated to 1.5 percent in October, 2023 from the peak of 70 percent in year ago; (ii) foreign reserves increased by USD 1.7 billion to USD 3.5 billion in September, 2023 from USD 1.8 billion in September 2022; (iii) primary budget balance recorded a surplus of Rs. 123.8 billion in the first nine months of 2023 from a deficit of Rs. 317.0 billion during the same period of 2022; and (iv) non-debt inflows of remittances and tourism doubled.

However, economic growth was subdued. The economy contracted by 7.9 percent from 3.6 percent contraction in the same period of 2022 mainly due to the sharp contraction in Industries sector. The unemployment rate increased to 5.2 percent in the second quarter of 2023 compared to 4.6 percent in the same period of 2022.

**Figure 2.1 : GDP Growth**



Source : Department of Census And Statistics

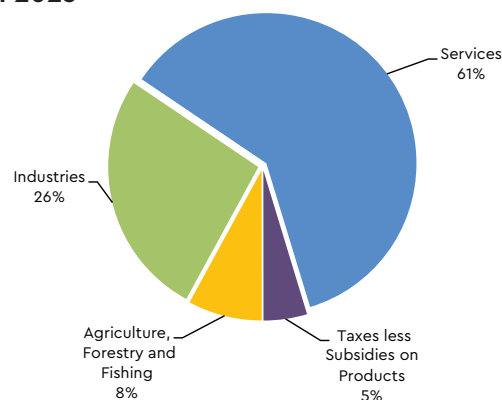
Tightened monetary policy stance adopted by the Central Bank of Sri Lanka (CBSL) was relaxed from June, 2023 onwards and the policy rates were reduced gradually by 550 basis points upto October 2023. As such, Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) reduced to 10.00 percent and 11.00 percent, respectively. However, credit to the private sector contracted by 5.4 percent to Rs. 7,168 billion at the end of

September, 2023 compared to Rs. 7,577 billion recorded at the end of September, 2022.

The Stock market showed a mixed performance during the first five months of 2023 while an upward momentum was witnessed during the last four months.

Meanwhile external sector showed a mixed performance. The merchandise trade deficit narrowed down notably to USD 3,342 million in the first nine months of 2023, compared to USD 4,093 million in the same period of 2022 as merchandised imports dropped faster than exports. The earnings from tourism increased by 66.8 percent to USD 1,456.7 million in the first nine months of 2023. Tourist arrivals more than doubled to 1.0 million. Workers' remittances rose significantly by 68.8 percent to USD 4,345.1 million during the first nine months of 2023. However, the accumulation of gross official reserves slowed.

**Figure 2.2 : Composition of GDP – First Half of 2023**



Source : Department of Census And Statistics

## 2.2 Economic Growth

The economy registered a contraction of 7.9 percent in the first half of 2023. Industry and Services sectors contracted whereas Agriculture sector recorded a positive growth.

The Industry sector contracted by 18.3 percent in the first half of 2023, compared to the contraction of 6.6 percent in the first half of 2022 reflecting the notable shrinkage in construction, manufacturing and, mining and quarrying activities.

The Services sector also marginally contracted by 3.2 percent in the first half of 2023, compared to a marginal growth of 0.2 percent in the same period of 2022.

This decline was mainly be attributable to the decline in financial services, professional services and computer programming activities. However, Agriculture sector expanded by 2.2 percent in the first half of 2023.

Taxes less subsidies on products exhibited a contraction of 14.2 percent in the first half of 2023 in value added terms, compared to the significant contraction of 20.1 percent in the same period of 2022.

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

		Rs. Million						
Sector		2020	2021	2022 <sup>(b)</sup>	First Half		Growth (%)	
					2022 <sup>(b)</sup>	2023 <sup>(a)</sup>	2022 <sup>(b)</sup>	2023 <sup>(a)</sup>
<b>Agriculture, Forestry and Fishing</b>		<b>941,046</b>	<b>949,929</b>	<b>906,505</b>	<b>444,471</b>	<b>454,251</b>	<b>-6.2</b>	<b>2.2</b>
1	Growing of Cereals (except rice)	21,342	21,949	17,200	8,266	10,523	-32.2	27.3
2	Growing of Rice	121,663	107,359	93,377	40,664	52,702	-30.6	29.6
3	Growing of Vegetables	111,088	109,147	99,960	49,209	51,413	-10.2	4.5
4	Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	4,021	3,729	3,797	1,934	1,973	3.4	2.0
5	Growing of Fruits	81,823	72,949	73,310	35,795	37,245	-0.3	4.1
6	Growing of Oleaginous Fruits (Coconut, King Coconut, Oil Palm)	92,197	102,490	111,315	55,755	52,072	13.8	-6.6
7	Growing of Tea (Green Leaves)	67,971	73,741	62,005	32,839	32,877	-17.4	0.1
8	Growing of Other Beverage Crops (Coffee, Cocoa etc.,)	1,613	1,352	1,229	614	614	-9.1	-0.1
9	Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	93,776	98,021	101,235	46,939	50,300	3.9	7.2
10	Growing of Rubber	24,081	25,571	23,863	12,052	12,342	-13.5	2.4
11	Growing of Other Perennial Crops	29,781	26,963	27,513	13,631	13,522	1.0	-0.8
12	Animal Production	86,907	94,039	81,874	43,997	41,384	-4.9	-5.9
13	Plant Propagation	622	813	881	365	415	20.4	13.5
14	Agriculture supporting activities	26,102	29,810	34,202	14,788	16,479	6.5	11.4
15	Forestry and Logging	42,587	44,440	51,611	24,465	19,769	17.8	-19.2
16	Marine Fishing and Marine Aquaculture	111,307	112,814	95,451	51,747	49,310	-7.5	-4.7
17	Fresh Water Fishing and Fresh Water Aquaculture	24,166	24,742	27,682	11,407	11,313	1.4	-0.8
<b>Industries</b>		<b>3,724,566</b>	<b>3,937,880</b>	<b>3,309,764</b>	<b>1,851,593</b>	<b>1,512,276</b>	<b>-6.6</b>	<b>-18.3</b>
18	Mining and Quarrying	284,079	287,969	198,661	124,366	77,899	-13.4	-37.4
19	Manufacture of Food, Beverages and Tobacco Products	980,863	1,014,150	869,715	455,050	433,410	-9.8	-4.8
20	Manufacture of Textile, Wearing Apparel and Leather Related products	416,312	473,911	512,399	269,466	235,823	10.2	-12.5
21	Manufacture of Wood and Products of Wood and Cork, except Furniture	32,831	35,579	29,758	14,736	10,281	-12.4	-30.2
22	Manufacture of Paper Products, Printing and Reproduction of Media Products	51,896	56,811	52,069	30,219	26,858	-4.1	-11.1
23	Manufacture of Coke and Refined Petroleum Products	22,108	15,492	6,474	3,470	10,718	-56.3	208.9
24	Manufacture of Chemical Products and Basic Pharmaceutical Products	92,157	95,793	82,350	44,523	41,513	-9.0	-6.8

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

		Rs. Million						
Sector	2020	2021	2022 <sup>(b)</sup>	First Half		Growth (%)		
				2022 <sup>(b)</sup>	2023 <sup>(a)</sup>	2022 <sup>(b)</sup>	2023 <sup>(a)</sup>	
25	Manufacture of Rubber and Plastic Products	81,182	97,436	67,507	37,552	29,014	-13.5	-22.7
26	Manufacture of Other Non-metallic Mineral Products	102,685	119,973	85,188	50,800	43,908	-15.7	-13.6
27	Manufacture of Basic Metals and Fabricated Metal Products	77,859	81,174	58,781	32,262	22,276	-18.5	-31.0
28	Manufacture of Machinery and Equipment	65,187	73,090	59,181	27,816	21,157	-3.1	-23.9
29	Manufacture of Furniture	81,651	82,694	60,837	44,481	34,519	-8.3	-22.4
30	Other Manufacturing and Repair and Installation of Machinery and Equipment	87,586	101,048	79,088	47,051	38,718	-9.5	-17.7
31	Electricity, Gas, Steam and Air Conditioning Supply	180,176	188,924	177,783	94,476	86,674	2.2	-8.3
32	Water Collection, Treatment and Supply	15,908	13,083	13,168	6,852	6,531	13.8	-4.7
33	Sewerage, Waste, Treatment and Disposal Activities	28,960	27,992	29,088	13,374	13,417	3.2	0.3
34	Construction	1,123,127	1,172,761	927,719	555,101	379,559	-7.5	-31.6
	<b>Services</b>	<b>7,166,506</b>	<b>7,414,251</b>	<b>7,265,095</b>	<b>3,590,144</b>	<b>3,476,316</b>	<b>0.2</b>	<b>-3.2</b>
35	Wholesale and Retail Trade	1,650,889	1,675,083	1,672,370	845,046	840,718	1.4	-0.5
36	Transport of Goods and Passenger including Warehousing	1,313,312	1,325,233	1,372,116	661,176	686,566	0.5	3.8
37	Postal Courier Activities	17,620	18,714	19,780	9,646	10,006	7.8	3.7
38	Accommodation, Food and Beverage Service Activities	128,556	130,743	166,059	84,125	96,620	27.1	14.9
39	Programming and Broadcasting Activities and Audio Video Productions	43,841	42,161	37,510	22,515	19,585	-5.5	-13.0
40	Telecommunication	118,845	135,663	139,919	70,062	67,103	6.8	-4.2
41	IT Programming Consultancy and Related Activities	194,893	243,971	238,455	124,263	114,525	3.3	-7.8
42	Financial Service Activities and Auxiliary Financial Services	557,357	596,106	530,274	302,360	221,744	1.7	-26.7
43	Insurance, Reinsurance and Pension Funding	117,595	148,665	78,509	48,001	36,766	-34.6	-23.4
44	Real Estate Activities, Including Ownership of Dwelling	604,259	630,570	554,473	295,187	260,286	-2.0	-11.8
45	Professional Services	287,781	301,890	289,841	126,094	117,735	-1.1	-6.6
46	Public Administration and Defence; Compulsory Social Security	616,176	621,834	629,213	295,419	293,805	2.2	-0.5
47	Education	284,751	290,475	301,510	153,784	158,405	2.9	3.0
48	Human Health Activities, Residential Care and Social Work Activities	246,735	260,482	238,638	107,157	101,204	6.0	-5.6
49	Other Personal Service Activities	983,900	992,662	996,429	445,310	451,247	-2.2	1.3
	<b>Gross Value Added (GVA), at basic prices</b>	<b>11,832,118</b>	<b>12,302,060</b>	<b>11,481,364</b>	<b>5,886,208</b>	<b>5,442,843</b>	<b>-2.5</b>	<b>-7.5</b>
	<b>(+) Taxes less Subsidies on Products</b>	<b>763,432</b>	<b>735,874</b>	<b>536,485</b>	<b>313,266</b>	<b>268,784</b>	<b>-20.1</b>	<b>-14.2</b>
	<b>Gross Domestic Product(GDP) at market prices</b>	<b>12,595,550</b>	<b>13,037,934</b>	<b>12,017,849</b>	<b>6,199,474</b>	<b>5,711,627</b>	<b>-3.6</b>	<b>-7.9</b>

Source : Department of Census and Statistics

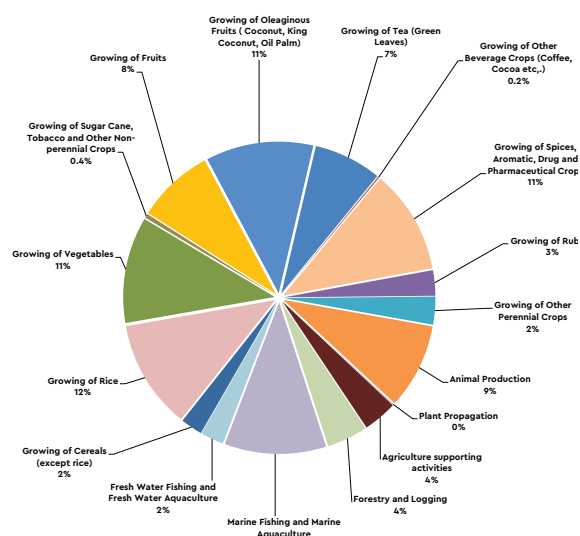
(a) Provisional

(b) Revised

## Agriculture

The Agriculture sector recorded a positive growth of 2.2 percent in the first half of 2023, compared to the negative growth of 6.2 percent exhibited in the same period of 2022. This was mainly owing to the positive growths in sub-sectors such as growing of cereals (except rice), paddy, vegetables, tea, rubber and fruits. However, sub-sectors such as the growing of coconut, oleaginous fruits and fishing declined.

**Figure 2.3 : Composition of Agriculture Sector – First Half of 2023**



Source : Department of Census And Statistics

## Paddy

Growing of rice expanded by 19.8 percent in the first half of 2023. The paddy production in the 2022/ 23 Maha season was 2.63 million metric tonnes of paddy, which is about 1.65 million metric tonnes of milled rice. However, the yield of the Yala season is expected to be significantly reduced due to the severe drought conditions that prevailed in the country during the May to September months. The expected production of 2023 Yala season is 1.8 million metric tons of paddy compared to 1.5 million metric tons of paddy in the Yala season of 2022.

## Tea, Rubber and Coconut

Value added tea production marginally expanded by 0.1 percent in first half of 2023. The rubber sub-sector expanded by

2.4 percent. Further, Oleaginous fruits sub-sector contracted by 6.6 percent in the first half of 2023, compared to a positive growth of 13.8 percent in the same period of 2022. The tea production in January to July period of 2023 was 155.5 million kg compared to the production of 153.2 million kg in the first half of 2022. This slight expansion can be attributed to the gradual recovery of the tea industry with the removal of the chemical fertilizer ban. Rubber production slightly increased to 43.3 million kg in the first half of 2023 compared to the 41.9 million kg of the same period of 2022. However, coconut production contracted by 7.6 percent to 1,837 million nuts in the first six months of 2023, compared to the coconut production of 1,988.3 million nuts in the same period of 2022.

## Cereals, Vegetables, Fruits, Spices and Pharmaceutical Crops

The growing of cereals (except rice) increased significantly by 27.3 percent in the first half of 2023 compared to the same period in 2022 reflecting the availability of chemical fertilizer during the period. The growing of vegetables and fruits increased by 4.5 percent and 4.1 percent respectively, in value added terms, in the first half of 2023. Value-added production of spices, aromatic, drug and pharmaceutical crops increased by 7.2 percent in the first half of 2023, compared to the growth of 3.9 percent in the same period of 2022.

## Fisheries and Livestock

In value added terms, the marine fishing and marine aquaculture sub-sector contracted by 4.7 percent in the first half of 2023, compared to the contraction of 7.5 percent in the same period of 2022. The total fish production declined by 2.0 percent to 222.1 million kg in the first six months of 2023, compared to 226.5 million kg in the same period of 2022. The value added production of animal sub-sector contracted by 5.9 percent in the first half of 2023 compared to the contraction of 4.9 percent exhibited in the first half of 2022.

## Industry and Manufacturing

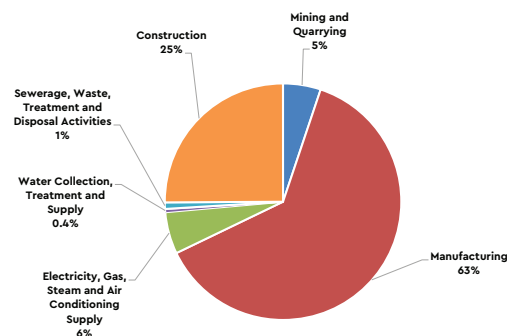
The industry sector which attributes to 26.5 percent of the GDP recorded a negative growth of 18.3 percent in the first half of 2023 compared to the negative growth of 6.6 percent recorded in the same period of 2022. This was largely attributable to the significant contractions in construction, manufacturing and, mining and quarrying activities which recorded negative growths of 31.6 percent, 5.1 percent and 37.4 percent, respectively.

The sub-sectors such as manufacture of food, beverages and tobacco products (4.8 percent), manufacture of textiles, wearing apparel and leather related products (12.5 percent), manufacture of wood and products of wood and cork, except furniture (30.2 percent), manufacture of paper products, printing and reproduction of media product (11.1 percent), manufacture of other non-metallic mineral products (13.6 percent), manufacture of basic metals and fabricated metal products (31.0 percent), manufacture of furniture (22.4 percent), manufacture of chemical products and basic pharmaceutical products (6.8 percent), manufacture of rubber and plastic products (22.7 percent), manufacture of machinery and equipment (23.9 percent) and other manufacturing (17.7 percent) all contracted in the first half of 2023 compared to the same period of 2022.

Further, water collection, treatment and supply (4.7 percent) and supply of electricity, gas, steam and air conditioning (8.3 percent) recorded negative growth rates in the first half of 2023, whereas Sewerage, Waste collection, treatment and disposal activities increased marginally by 0.3 percent.

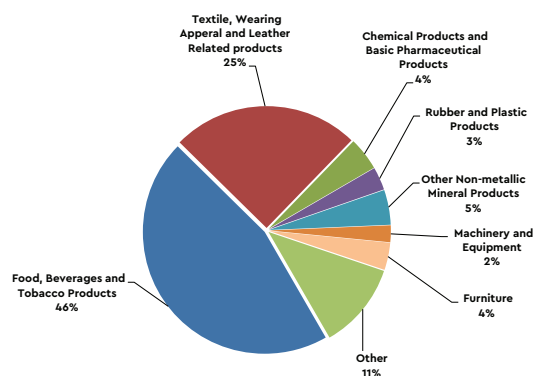
However, manufacture of coke and refined petroleum products showed a significant positive growth of 208.9 percent in the first half of 2023 compared to the contraction of 56.3 percent recorded in same period of 2022.

**Figure 2.4 : Composition of Industry Sector - First Half of 2023**



Source : Department of Census And Statistics

**Figure 2.5 : Composition of Manufacturing Sector – First Half of 2023**



Source : Department of Census And Statistics

Total power generation fell by 4.5 percent to 10,341 GWh in the first eight months of 2023, compared to 10,832 GWh in the same period of 2022. Sale of electricity to industries declined by 4.5 percent to 2,825 GWh in the first eight months of 2023, compared to the 2,957 GWh in the same period of 2022 mainly due to the slowdown in industrial activities with the shortage of fuel and raw materials.

Electricity generation through hydropower fell by 26.8 percent to 2,287 GWh in the first eight months of 2023, compared to 3,122 GWh in the same period of 2022. Similar reduction can be seen in electricity generation through coal (3.6 percent). An increase in electricity generation through fuel oil (52.7 percent) and wind (13.9 percent) was also recorded in the first eight months of 2023.

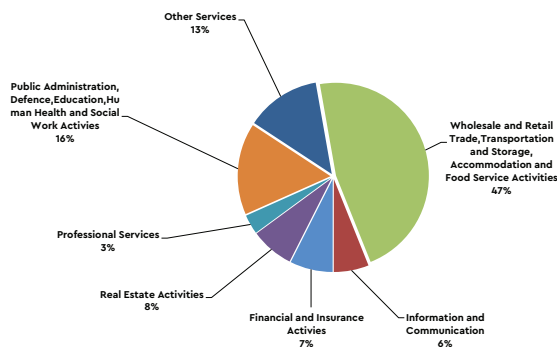
## Services

The Services sector recorded a marginal contraction of 3.2 percent in the first half of 2023, with the decline in financial services, professional services and computer programming activities which contracted by 26.7 percent, 6.6 percent and 7.8 percent

respectively. This is in comparison to the marginal growth of 0.2 percent recorded in the first half of 2022.

Sub-sectors of wholesale and retail trade (0.5 percent), Programming and broadcasting activities (13.0 percent), and human health activities, residential care and social work activities (5.6 percent) recorded contractions in the first half of 2023. However, sub-sectors such as postal and courier activities (3.7 percent), education (3.0 percent), accommodation (14.9 percent), and other personal services (1.3 percent) have recorded positive growth rates in the first half of 2023.

**Figure 2.6 : Composition of Services Sector - First Half of 2023**



Source : Department of Census And Statistics

### Transportation and Port Services

The transport sector recorded a positive growth of 5.4 percent in the first half of 2023. The total number of new vehicle registrations increased by 7.3 percent to 17,176 in the first nine months of 2023 from 16,014 in the same period of 2022.

The registration of motor cars and motor cycles increased by 20.6 percent, 77.1 percent, respectively during the first nine months of 2023. The registration of buses (109.3 percent) and three wheelers (53.1 percent) recorded significant increases in first nine months of 2023. However, registration of Dual-Purpose Vehicles, Goods Transport Vehicles and Land Vehicles showed contractions of 45.5 percent, 82.1 percent and 9.4 percent respectively.

Total containers handled marginally increased by 0.6 percent in the first nine months of 2023 to 5.3 million Twenty-foot Equivalent Units (TEUs), compared to 5.2 million TEUs in the same period of 2022. Containers handled for domestic and re-stowing decreased by 10.2 percent and 8.1 percent, respectively whereas containers

handled for transshipment increased by 2.9 percent in the first nine months of 2023.

The total number of Cargo handled also marginally increased by 0.7 percent to 78.4 million metric tons in the first nine months of 2023, compared to 77.8 million metric tons in the same period of 2022. This marginal improvement was due to the slight increase in Cargo Discharged by 1.2 percent to 42.2 million metric tons in the first nine months of 2023, compared to 41.7 million metric tons in the same period of 2022.

### Telecommunication

Value added services of the telecommunication sub-sector recorded a contraction of 4.2 percent in the first half of 2023. Telephone penetration including cellular phones, reduced by 6.8 percent to 137.0 per 100 persons in the first half of 2023 compared to 146.9 per 100 persons in the same period of 2022. Internet subscribers including mobile internet connections also reduced by 1.0 percent to 21.9 million in the first half of 2023. The number of Fixed line telephones and cellular phones in use also reduced by 19.4 percent and 5.3 percent respectively in the first six months of 2023.

### Financial Services, Insurance and Real Estate and Other Services

Value-added services of the financial and insurance activities declined by 26.2 percent to Rs. 258.5 billion in the first half of 2023 compared to Rs. 350.4 billion in the same period of 2022. Further, value added services of Real estate activities, including ownership of dwelling fell by 11.8 percent to Rs. 260.3 billion in the first half of 2023 compared to Rs. 295.2 billion in the same period of 2022. Total assets of the insurance sector increased by 12.9 percent to Rs. 1,023.5 billion as at the end June 2023, compared to Rs. 906.3 billion as at the end June 2022.

Public administration, defence, education, human health and social work activities marginally declined by 0.5 percent to Rs. 553.4 billion in the first half of 2023 compared to Rs. 556.4 billion in the same period of 2022 while Professional, scientific, technical, administration and supporting service activities declined by 6.6 percent to Rs. 117.7 billion in the first half of 2023 compared to Rs. 126.1 billion in the same period of 2022.

**Table 2.2 : Selected Indicators of Service Sector**

Indicator	2019	2020	2021	2022	2022	2023 <sup>(a)</sup>
<b>Port Services</b>					<b>Jan-Sep</b>	<b>Jan-Sep</b>
Vessels Arrived (No)	4,697	4,337	4,180	4,073	2,959	3,629
Total Cargo Handled (MT '000)	106,979	102,908	109,356	100,376	77,822	78,347
Total Container Handled (TEU '000)	7,228	6,855	7,249	6,862	5,235	5,267
Transshipment (TEU '000) <sup>(b)</sup>	5,955	5,765	6,050	5,832	4,438	4,552
<b>Telecommunication Sector</b>					<b>Jan - Jun</b>	<b>Jan - Jun</b>
Fixed Telephone Lines (No.'000)	2,300	2,613	2,852	2,651	3,031	2,442
Cellular Phones (No.'000)	32,884	28,739	29,959	28,838	29,561	27,980
Wireless Phones (No.'000)	1,055	1,367	1,587	1,388	1,765	1,242
Internet and E-mail Subscribers (No. '000)	13,408	17,524	22,106	21,668	22,142	21,920
<b>Health Sector</b>					<b>Jan - Jun</b>	<b>Jan - Jun</b>
Private Hospitals	209	217	243	250	243	198
Public Hospitals	603	609	618	617	617	617
No. of Beds (Government)	77,964	77,121	78,228	78,228	78,228	78,228
No. of Doctors (Government)	18,130	18,218	20,209	21,045	20,209	21,045
No. of Nurses (Government)	38,276	37,133	39,091	40,775	39,091	40,775
<b>Financial Sector</b>					<b>End Sep</b>	<b>End Sep</b>
Bank Branches and Other Outlets	7,390	7,406	7,369	7,378	7,416	7,520
Licensed Finance Companies (e )	42	40	39	37	35	33
Specialised Leasing Companies	4	3	3	1	2	1
					<b>End Aug</b>	<b>End Aug</b>
Credit Cards in Use	1,854,103	1,984,525	2,054,985	2,054,896	1,963,705	1,917,336
<b>Tourism Sector</b>					<b>Jan - Sep</b>	<b>Jan - Sep</b>
Tourist Arrivals	1,913,702	507,704	194,495	719,978	526,232	1,016,256
Tourist Earnings (USD Million)	3,607	682	507	1,136	873	1,457
Room Occupancy Rate	57.1	15.0	18.6	30	n.a.	n.a
<b>Transport Services (New Registration)</b>					<b>Jan-Sep</b>	<b>Jan-Sep</b>
Buses	1,613	578	281	404	270	565
Cars	38,232	21,021	3,495	1,489	1,141	1,376
Goods Transport Vehicles <sup>(c)</sup>	5,223	3,941	2,593	940	1,663	298
Motor Cycles	284,301	151,634	8,011	9,060	7,067	12,518
Three Wheelers	15,490	7,150	2,093	36	32	49
Tractors and Trailers <sup>(d)</sup>	7,666	8,302	12,616	5,285	5,841	2,370

Source : Central Bank of Sri Lanka, Department of Motor Traffic

(a) Provisional

(b) Includes re-stowing

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

(d) Includes tractors, hand tractors and trailers

(e) Excluding ETI Finance Ltd

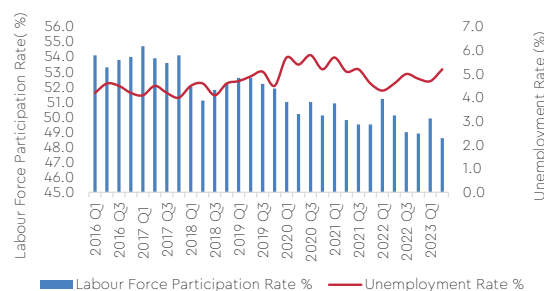
n.a - not available

## Unemployment

In the second quarter of 2023, the unemployment rate surged to 5.2 percent, up from the 4.7 percent registered in the first quarter of the same year, underscoring a notable slowdown in economic activities. Simultaneously, the labour force participation rate declined to 48.6 percent in the second quarter of 2023 compared to 49.9 percent in the first quarter of 2023.

Meanwhile, the youth unemployment rate (age 15 – 24 years) for the second quarter of 2023 was 25.8 percent, marking the highest reported unemployment rate across all age groups. This represents an increase from the 22.4 percent recorded in the first quarter of 2023.

**Figure 2.7 : Labor Force Participation Rate and Unemployment Rate**



Source : Department of Census And Statistics

**Table 2.3 : Performance of Tourism Sector**

Month	Tourist Arrivals					Tourist Earnings (USD Million)				
	2019	2020	2021	2022	2023 <sup>(a)</sup>	2019	2020	2021	2022 <sup>(b)</sup>	2023 <sup>(a)</sup>
January	244,239	228,434	1,682	82,327	102,545	460.3	307.0	4.4	151.7	153.5
February	252,033	207,507	3,366	96,507	107,639	475.0	278.9	8.8	169.4	161.6
March	244,328	71,370	4,581	106,500	125,495	460.5	95.9	11.9	161.2	188.8
April	166,975	-	4,168	62,980	105,498	314.7	-	10.9	108.7	148.2
May	37,802	-	1,497	30,207	83,309	71.2	-	3.9	43.5	100.0
June	63,072	-	1,614	32,856	100,388	118.9	-	4.2	45.0	122.9
July	115,701	-	2,429	47,293	143,039	218.1	-	6.3	85.0	219.0
August	143,587	-	5,040	37,760	136,405	270.6	-	13.1	67.9	210.5
September	108,575	-	13,547	29,802	111,938	204.6	-	35.3	40.5	152.2
October	118,743	-	22,771	42,026		223.8	-	59.3	54.9	
November	176,984	-	44,294	59,759		333.6	-	115.4	81.0	
December	241,663	393	89,506	91,961		455.5	0.5	233.3	127.4	
<b>Total</b>	<b>1,913,702</b>	<b>507,704</b>	<b>194,495</b>	<b>719,978</b>	<b>1,016,256</b>	<b>3,606.8</b>	<b>682.4</b>	<b>506.8</b>	<b>1,136.3</b>	<b>1,456.7</b>

Source : Sri Lanka Tourism Development Authority

(a) Provisional

(b) Revised



**Table 2.4 : Sectoral Distribution of GDP Growth (%)**

Sector	2018	2019	2020	2021	2022 <sup>(b)</sup>	First Half	
						2022 <sup>(b)</sup>	2023 <sup>(a)</sup>
<b>Agriculture</b>	<b>6.3</b>	<b>0.5</b>	<b>-0.9</b>	<b>0.9</b>	<b>-4.6</b>	<b>-6.2</b>	<b>2.2</b>
Growing of Tea	2.0	-3.3	-6.5	8.5	-15.9	-17.4	0.1
Growing of Rice	45.2	6.2	7.7	-11.8	-13.0	-30.6	29.6
Growing of Rubber	1.8	-7.8	0.2	6.2	-6.7	-13.5	2.4
Growing of Cereal	2.1	-9.0	59.8	2.8	-21.6	-32.2	27.3
Growing of Vegetables	0.5	-2.9	8.9	-1.7	-8.4	-10.2	4.5
Animal Production	4.1	-4.5	-3.7	8.2	-12.9	-4.9	-5.9
Forestry and Logging	-13.6	-3.3	-1.3	4.4	16.1	17.8	-19.2
Fishing	-0.2	-4.4	-17.0	1.5	-10.5	-6.0	-4.0
<b>Industry</b>	<b>-1.1</b>	<b>-4.1</b>	<b>-5.3</b>	<b>5.7</b>	<b>-16.0</b>	<b>-6.6</b>	<b>-18.3</b>
Mining and Quarring	-2.7	-1.2	-10.9	1.4	-31.0	-13.4	-37.4
Manufacturing Activities	3.8	2.0	-2.6	-46.2	-12.2	-6.1	-10.3
Other Industries	7.1	4.3	-1.3	2.2	-4.3	2.9	-7.0
Construction	-8.0	-14.8	-9.4	4.4	-20.9	-7.5	-31.6
<b>Services</b>	<b>4.3</b>	<b>2.9</b>	<b>-1.9</b>	<b>3.5</b>	<b>-2.0</b>	<b>0.2</b>	<b>-3.2</b>
Wholesale and Retail Trade	4.7	3.6	0.9	1.5	-0.2	1.4	-0.5
Transportation and Storage	2.1	2.0	-6.1	0.9	3.5	0.5	3.8
Accommodation and Food Service Activities	5.1	-6.0	-40.8	1.7	27.0	27.1	14.9
Information and Communication	7.2	12.0	11.1	18.0	-1.4	3.4	-7.2
Financial and Insurance Activities	16.6	1.2	7.0	10.3	-18.3	-5.4	-26.2
Real Estate Activities	5.6	5.1	-1.0	4.4	-12.1	-2.0	-11.8
Professional Services	3.8	5.4	-3.3	4.9	-4.0	-1.1	-6.6
Education, Human Health and Social Work Activities	1.4	4.6	2.5	3.7	-2.0	-0.9	-0.5
Public Administration and Defence	1.9	0.8	1.7	0.9	1.2	2.2	-0.5
Other Services (Excluding Own-services)	1.5	2.0	-6.6	0.9	0.4	-2.2	1.3
<b>GDP</b>	<b>2.3</b>	<b>-0.2</b>	<b>-4.6</b>	<b>3.5</b>	<b>-7.8</b>	<b>-3.6</b>	<b>-7.9</b>

Source : Department of Census and Statistics

(a) Provisional

(b) Revised

### 2.3 Monetary Sector Developments

Central Bank continued to maintain the tight monetary policy stance in January 2023 by maintaining SDFR, SLFR and Standard Reserve Ratio (SRR) at 14.50 percent, 15.50 percent and 4.00 percent, respectively to arrest inflation. Policy rates were raised by 100 basis points in March 2023 while maintaining SRR at 4.00 percent, further tightening the policy stance. However, CBSL reversed its policy stance in June 2023 by reducing policy rates by 250 basis points with the substantial deceleration in inflation witnessed over a period of close to 8 months. SDFR, SLFR and SRR stood at 13.0 percent, 14.0 percent and 4.00 percent, respectively, at the end of June 2023. Monetary policy was further eased with the reduction of SRR to 2.00 percent in August 2023.

With the aim of stabilizing inflation at the envisaged 5 percent level in the medium term and thereby enabling the economy to reach its potential growth, the CBSL further reduced the policy rates by 100 basis points in October 2023 by maintaining SDFR at 10.0 percent and SLFR at 11.0 percent.

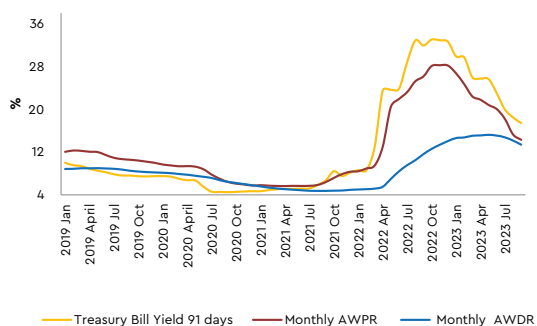
CBSL imposed interest rate caps on pawning facilities, pre-arranged temporary overdrafts, and credit cards in August 2023 considering the downward rigidity of market lending rates. The interest rate caps were set at 18 percent per annum for pawning facilities, 23 percent per annum for pre-arranged temporary overdrafts, and 28 percent per annum for credit cards. The interest rate caps were introduced to ensure the effective transmission of its

monetary policy easing measures and to protect consumers.

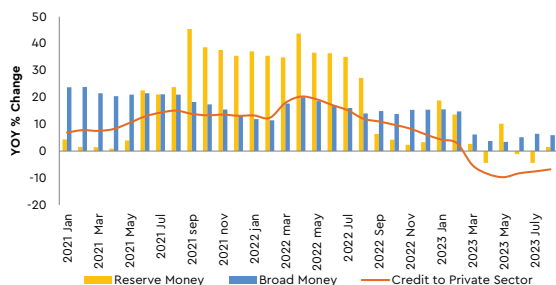
The Average Weighted Lending Rate (AWLR) stood at 18.7 percent at the end of December 2022, decreased to 15.6 percent at the end of September 2023 while the Average Weighted Deposit Rate (AWDR) decreased to 13.39 percent at the end of September 2023 from 14.06 percent at the end of December 2022.

Broad Money (M2b) increased by 4.2 percent from Rs. 12,290 billion at the end of December 2022 to Rs. 12,806 billion at the end of September 2023 while the credit to the private sector declined by 3.3 percent to Rs. 7,168 billion at the end of September 2023 from Rs. 7,414 billion at the end of 2022. However, the net credit to the government increased by 9.8 percent to Rs. 8,204 billion at the end September 2023 from Rs. 7,471 billion at the end of 2022.

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



Source : Central Bank of Sri Lanka



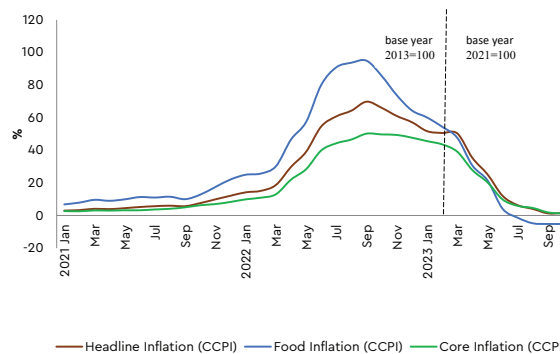
Source : Central Bank of Sri Lanka

## Inflation

The significant deceleration of inflation helped ease inflation expectations notably during 2023 due to the flexible inflation targeting framework adopted by the CBSL to conduct its monetary policy. Colombo Consumer Price Index (CCPI, 2021=100) based headline inflation (year-on-year) decelerated significantly below the mid-single-digit target of medium term to 1.3 percent in September 2023 driven by the decline in both food and non-food inflation. Similarly, National Consumer Price Index (NCPI, 2021=100) based headline inflation (year-on-year) also declined to 0.8 percent in September 2023. However, CCPI (2021=100) based headline inflation (year-on-year) increased slightly to 1.5 percent in October, 2023.

CCPI based core inflation (year-on-year), which reflects underlying demand pressures in the economy decreased further in October 2023 to 1.2 percent while the NCPI based core inflation (year-on-year) decreased to 1.7 percent in September, 2023.

**Figure 2.9 : Movements in Headline, Core and Food Inflation**



Source : Department of Census and Statistics  
(from 2021 Jan-2023 Jan Base Year 2013=100, from Feb 2023 Base Year 2021=100)

**Table 2.5 : Consumer Price Indices**

Month	2022 (base year 2013=100)				2023 (base year 2021=100)			
	Headline Inflation (YoY)		Core Inflation (YoY)		Headline Inflation (YoY)		Core Inflation (YoY)	
	CCPI	NCPI	CCPI	NCPI	CCPI	NCPI	CCPI	NCPI
January	14.2	16.8	9.9	12.9	54.2*	53.2	45.6*	52.0
February	15.1	17.5	10.9	14.1	50.6	53.6	43.6	50.1
March	18.7	21.5	13.0	17.3	50.3	49.2	39.1	44.2
April	29.8	33.8	22.0	27.9	35.3	33.6	27.8	31.8
May	39.1	45.3	28.4	37.7	25.2	22.1	20.3	21.6
June	54.6	58.9	39.9	49.3	12.0	10.8	9.8	11.3
July	60.8	66.7	44.3	57.3	6.3	4.6	5.9	6.3
August	64.3	70.2	46.6	60.5	4.0	2.1	4.6	4.1
September	69.8	73.7	50.2	64.1	1.3	0.8	1.9	1.7
October	66.0	70.6	49.7	62.4	1.5		1.2	
November	61.0	65.0	49.4	60.1				
December	57.2	59.2	47.7	57.5				

Source : Department of Census and Statistics

\* base year 2013 = 100

## 2.4 Stock Market

The stock market performance, as reflected in the movement of market indices, exhibited a mixed performance until May 2023. The All Share Price Index (ASPI) showed a gain of 10.3 percent, rising from 8,510 at the beginning of the year to 9,443 by the end of June 2023. Meanwhile, the S&P SL20 experienced a more modest increase, going from 2,641 to 2,714 during the same period. Over the first nine months of 2023, the ASPI reached its highest point at 11,724 on August 08 and recorded a low of 8,263 on January 13, while the S&P SL20 reached its peak at 3,470 on August 08 and hit a low of 2,421 on May 30.

Nevertheless, noticeable indications of a market recovery were observed, commencing in early June 2023, with a resurgence in positive momentum displayed by both the ASPI and S&P SL20 indices. ASPI increased from 10,077 at the beginning of July 2023 to 11,336 at the end

of the third quarter, while the S&P SL20 index recorded a rise from 2,973 at the beginning of July 2023 to 3,198 at the end of the third quarter.

Market capitalization witnessed a marginal increase, rising to Rs. 4,537 billion by the end of September 2023, compared to Rs. 4,341 billion at the end of September 2022. This represented a slight uptick of 4.52 percent. Notably, foreign investments in equities during the first nine months of 2023 significantly declined by 33.8 percent to Rs. 32 billion from Rs. 48.3 billion in the corresponding period in 2022. Similarly, foreign sales of equities slowed down, amounting to Rs. 28.3 billion in the first nine months of 2023, in contrast to the Rs. 33 billion recorded during the same period in 2022.

**Table 2.6 : Movements in Capital Market**

Indicators	2017	2018	2019	2020	2021	2022	End Sep	
							2022	2023 <sup>(a)</sup>
All Share Price Index (1985 = 100)	6,369	6,052	6,129	6,774	12,226	8,490	9,931	11,336
S&P SL 20 Index	3,672	3,135	2,937	2,638	4,233	2,636	3,165	3,198
Market Capitalization (Rs. Billion)	2,899	2,840	2,851	2,961	5,489	3,847	4,341	4,537
No. of Listed Companies in Trading	296	297	289	283	296	290	294	291
Annual Average Turnover (Rs.Billion)	221	200	171	397	1,173	687	567	345
Foreign Sales (Rs. Million)	94,627	100,316	68,272	104,165	86,689	36,863	33,034	28,354
Foreign Purchases (Rs. Million)	112,285	77,067	56,537	52,889	39,410	67,488	48,306	32,008
Net Purchases (Rs. Million)	17,658	-23,249	-11,735	-51,276	-47,279	30,625	15,272	3,654

Sources : Colombo Stock Exchange and Central Bank of Sri Lanka

(a) Provisional

## 2.5 External Sector Developments

Sri Lanka's external sector demonstrated positive signs of stabilization during the first nine months of 2023 due to the significant contraction in the trade deficit, increase in inflows from workers' remittances and earnings from tourism despite the uncertain economic situation prevailing in the country and geopolitical uncertainties with the Russian-Ukraine conflict. Import expenditure declined by 12.5 percent to USD 12,323.4 million on year-on-year basis while earnings from exports dropped by 10.1 percent to USD 8,981.8 million during the first nine months of 2023. However, monthly export earnings remained above USD 1.0 billion for the fourth consecutive month until August 2023 and marginally declined to USD 972 million in September 2023. Accordingly, the trade deficit contracted to USD 3,341.5 million in the first nine months of 2023, compared to USD 4,093.3 million in the same period of 2022. Earnings from exports dropped by 10.1 percent to USD 8,981.8 million in the first nine months of 2023, compared to USD 9,992.0 million in the same period of 2022 mainly due to drop in earnings from Industrial exports. Earnings from agricultural exports marginally increased by 0.3 percent to USD 1,945.4 million while industrial exports and mineral exports dropped by 12.7 percent to USD 6,997.9 million and 25.6 percent to USD 18.0 million, respectively. Industrial export earnings contributed 77.9 percent of the

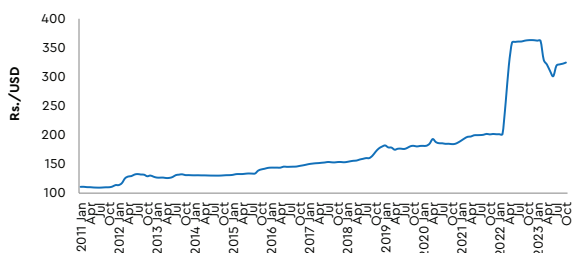
total export earnings while agricultural export earnings recorded 21.7 percent of the total export earnings. Meanwhile, total import expenditure declined by 12.5 percent to USD 12,323.4 million in the first nine months of 2023, compared to USD 14,085.2 million in the same period of 2022 with the continuation of import restrictions for non-urgent imports including motor vehicles during the considered period. Import expenditure on consumer goods grew by 4.5 percent to USD 2,242.5 million while intermediate goods and investments goods declined by 14.7 percent to USD 8,105.3 million and by 19.3 percent to USD 1,963.0 million, respectively.

The overall Balance of Payments (BoP) recorded a surplus of USD 1,863 million during the first nine months of 2023, compared to the USD 2,927 million deficit in the same period of 2022. The gross inflows to the government securities market were recorded as USD 709 million in the first nine months of 2023. Gross Official Reserves (GOR) stood at USD 3.5 billion by the end of September 2023, including the USD 1.3 billion SWAP facility from People's Bank of China. Further, the receipt of around USD 250 million from the World Bank and USD 350 million from the Asian Development Bank (ADB) contributed to an increase in the GOR level. Meanwhile, the Sri Lankan rupee appreciated by 10.9 percent against the USD as of October 31, 2023.

**Figure 2.10 : Trade Balance and Exchange Rate Movements**



Source : Central Bank of Sri Lanka



Source : Central Bank of Sri Lanka

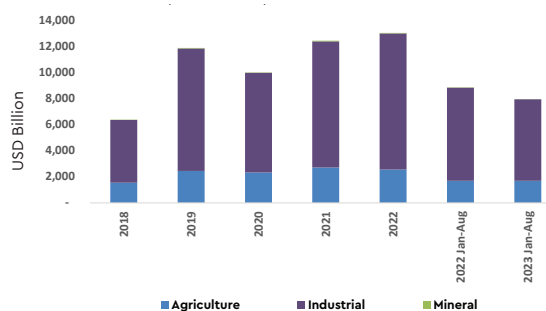
## Exports

Earnings from exports dropped by 10.1 percent to USD 8,981.8 million in the first nine months of 2023, compared to USD 9,992.0 million in the same period of 2022 mainly due to the significant decline in earnings from industrial exports with the subdued global demand. Accordingly, Industrial exports earnings declined by 12.7 percent to USD 6,997.9 million in the first nine months of 2023 from USD 8,011.5 million in the same period of 2022. This was mainly due to the declined earnings recorded from textile and garments by 19.4 percent to USD 3,688.7 million in the first nine months of 2023 from USD 4,577.2 million in the same period of 2022 with the declined global demand recorded specially from major export markets including the USA, the EU and the UK. In addition, the decline in earnings recorded from rubber products by 11.5 percent to USD 668.6 million, petroleum products by 15.6 percent to USD 371.4 million and chemical products by 16.8 percent to USD 142.6 million contributed to the slower export earnings in the first nine months of 2023. Meanwhile, earnings from machinery and mechanical appliances increased by 8.8 percent to USD 465.5 million and gems, diamonds and jewellery increased by 17.1 percent to USD 394.3 million.

Earnings from agricultural exports marginally increased by 0.3 percent to USD 1,945.4 million in the first nine months

of 2023 from USD 1,939.8 million in the same period of 2022 with the increase in earnings from tea, spices, minor agricultural products, vegetables and unmanufactured tobacco despite the declined earnings recorded from coconut, seafood and rubber. Earnings from tea exports increased by 5.7 percent to USD 990.3 million from USD 937.1 million with the increase in tea export volumes despite the lower average tea prices. In addition, earnings from spices, minor agricultural products, vegetables and unmanufactured tobacco increased by 8.9 percent to USD 298.5 million, by 3.3 percent to USD 143.5 million, by 3.2 percent to USD 20.5 million, by 11.4 percent to USD 19.8 million, respectively. Mineral export earnings recorded a decline of 25.6 percent to USD 18.0 million from USD 24.1 million while other unclassified exports earnings increased by 23.7 percent to USD 20.5 million during the first nine months of 2023.

**Figure 2.11 : Composition of Exports**



Source : Central Bank of Sri Lanka

## Imports

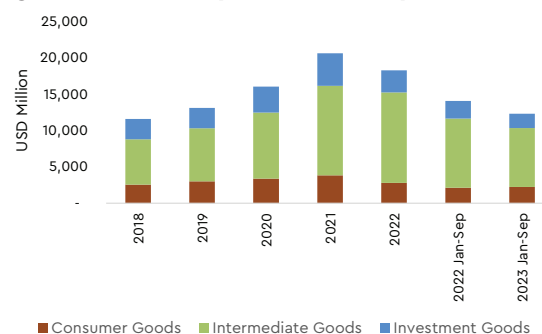
Expenditure on imports declined by 12.5 percent to USD 12,323.4 million in the first nine months of 2023, compared to USD 14,085.2 million in the same period of 2022 owing to declined import expenditure recorded from intermediate and investment goods. However, import expenditure on consumer goods increased by 4.5 percent to USD 2,242.5 million from USD 2,146.7 million due to the increase in imports expenditure of both food and beverages and non-food consumer goods categories. Import expenditure on food and beverages increased by 3.2 percent to USD 1,266.6 million in the first nine months of 2023 from USD 1,227.7 million in the same period of 2022, with the increased import expenditure recorded from sugar and confectionery, vegetables and dairy products. Expenditure on non-food consumer goods increased by 6.2 percent

to USD 976.0 million from USD 919.0 million due to the increase in import expenditure of medical and pharmaceuticals and telecommunication devices despite the decline in import expenditure on clothing and accessories, household and furniture items and home appliances. Import expenditure on intermediate goods dropped by 14.7 percent to USD 8,105.3 million from USD 9,497.4 million, mainly due to decreased expenditure on imports of fuel and textiles and textile articles. Expenditure on fuel imports decreased by 5.9 percent to USD 3,476.3 million from USD 3,694.3 million while textiles and textile articles dropped by 26.9 percent to USD 1,760.6 million from USD 2,407.2 million.

Import expenditure on investment goods declined by 19.3 percent to USD 1,963.0 million in the first nine months of 2023 from USD 2,433.0 million in the same period of 2022, due to import expenditure

decreased in all subcategories including machinery and equipment, building materials, transport equipment and other investments goods. Import expenditure of machinery and equipment dropped by 13.7 percent to USD 1,355.7 million, building materials by 26.7 percent to USD 547.4 million and transport equipment by 48.8 percent to USD 57.6 million.

**Figure 2.12 : Composition of Imports**



Source : Central Bank of Sri Lanka

**Table 2.7 : External Trade**

Category	USD Million				
	2020	2021	2022 <sup>(b)</sup>	Jan-Sep 2022 <sup>(b)</sup>	2023 <sup>(a)</sup>
<b>Exports</b>	<b>10,047</b>	<b>12,499</b>	<b>13,106</b>	<b>9,992</b>	<b>8,982</b>
<b>Agricultural Exports</b>	<b>2,336</b>	<b>2,730</b>	<b>2,568</b>	<b>1,940</b>	<b>1,945</b>
Tea	1,241	1,324	1,259	937	990
Other Agricultural Products	1,095	1,405	1,309	1,003	955
<b>Industrial Exports</b>	<b>7,672</b>	<b>9,702</b>	<b>10,465</b>	<b>8,012</b>	<b>6,998</b>
Textile and Garments	4,423	5,435	5,952	4,577	3,689
Food, Beverages and Tobacco	464	587	520	406	398
Rubber Products	786	1,050	977	755	669
Machinery and Mechanical Appliances	338	501	581	428	466
Petroleum Products	374	506	568	440	371
Other Industrial Exports	1,288	1,625	1,868	1,406	1,406
<b>Mineral Exports</b>	<b>25</b>	<b>45</b>	<b>50</b>	<b>24</b>	<b>18</b>
<b>Unclassified</b>	<b>14</b>	<b>23</b>	<b>23</b>	<b>17</b>	<b>21</b>
<b>Imports</b>	<b>16,055</b>	<b>20,637</b>	<b>18,291</b>	<b>14,085</b>	<b>12,323</b>
<b>Consumer Goods</b>	<b>3,402</b>	<b>3,849</b>	<b>2,813</b>	<b>2,147</b>	<b>2,243</b>
Food and Beverages	1,554	1,667	1,608	1,228	1,267
Other Consumer Goods	1,847	2,182	1,205	919	976
<b>Intermediate Goods</b>	<b>9,077</b>	<b>12,309</b>	<b>12,439</b>	<b>9,497</b>	<b>8,105</b>
Petroleum	2,543	3,743	4,897	3,694	3,476
Textiles and Garments	2,335	3,067	3,065	2,407	1,761
Wheat and Maize	384	418	303	189	264
Other	3,814	5,081	4,174	3,207	2,604
<b>Investment Goods</b>	<b>3,563</b>	<b>4,463</b>	<b>3,031</b>	<b>2,433</b>	<b>1,963</b>
Machinery and Equipment	2,176	2,810	1,969	1,571	1,356
Building Materials	1,036	1,249	926	747	547
Transport Equipments	348	399	132	113	58
Other	3	6	3	3	2
<b>Unclassified</b>	<b>14</b>	<b>17</b>	<b>9</b>	<b>8</b>	<b>13</b>
<b>Trade Deficit</b>	<b>6,008</b>	<b>8,139</b>	<b>5,185</b>	<b>4,093</b>	<b>3,342</b>

Source : Central Bank of Sri Lanka

(a) Provisional

(b) Revised

## Tourism and Workers' Remittances

Tourist arrivals increased notably to 1,016,256 persons during the first nine months of 2023, compared to 526,232 persons recorded in the same period of 2022 with the growth of the domestic and global tourism sector. The arrivals were recorded mainly from India, the United Kingdom, China, Germany, Russia and France during the considered period. Earnings from tourism increased to USD 1,456.7 million during the first nine months of 2023 from USD 873.1 million in the same period of 2022. Meanwhile, workers' remittances increased significantly by 68.8 percent to USD 4,345.1 million in the first nine months of 2023 compared to USD 2,574.1 million in the same period of 2022 with the government's measures to curtail activity in the informal foreign exchange market.

## 2.6 World Economic Perspectives

The recovery of the world economy from the COVID-19 pandemic and Russian-Ukraine conflict, is slower than expected amid the persistent constraints and uncertainties of the global economic activities. In general, the high inflation of the global economy has eroded household purchasing power. Policy tightening of the central banks across the world in response to inflation has increased the borrowing cost, curtailing the credit to the public as well as private sectors. According to the World Economic Outlook of the IMF published in October 2023, Global growth is estimated to decline from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024 on an annual average basis. However, despite these headwinds, the services sector contributed to the resilience of the world economy that prevailed in the First quarter of 2023, while the non-services sector including the manufacturing sector has underperformed amid scaled-back productive capacity due to softening consumption of goods, heightened uncertainties over the geoeconomic landscape, weak productivity growth and challenging financial environment.

### Regional projections

As per the IMF October 2023 report, the growth slowdown projected for advanced economies in 2023 remains significant. The growth has declined from 2.6 percent in 2022 to 1.5 percent in 2023. Approximately, 90 percent of the advanced economies are struggling with lower growth in 2023

and the projected growth for advanced economies is expected to remain at 1.4 percent in 2024. Growth in the United States is projected at 2.1 percent in 2023, the same as the year 2022, and will slow down to 1.5 percent in 2024. According to the 'Fitch' the US economy will enter into a mild recession at end of the 2023, due to the decline in real disposable income as a result of the tightening monetary policy of the Federal Reserve, despite the robust consumption and job growth. The growth in the Euro area is expected to decline from 3.3 percent in 2022 to 0.7 percent in 2023 due to the aggressively tightening monetary Policy of the European Central Bank, before increasing the growth to 1.2 percent in 2024. Growth in Japan is expected to increase from 1.0 percent in 2022 to 2.0 percent in 2023 as a result of pent-up demand and accommodative policies, then will decline to 1.0 percent in 2024.

Growth of Emerging markets and developing economies is projected to decline relatively modestly from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024. However, 61 percent of the economies under this category will grow faster above the said stable average while the growth of Latin America and the Caribbean, Middle East and Central Asia; and sub-Saharan Africa are projected to decline. Growth in emerging and developing Asia will increase from 4.5 percent in 2022 to 5.2 percent in 2023 and then decline to 4.8 percent in 2024.

The growth of the Chinese economy will slightly decline to 5.0 percent in 2023 and will decline further to 4.2 percent in 2024. The growth of India is projected at 6.3 percent in both 2023 and 2024 as a result of stronger domestic investment.

In emerging and developing Europe including Russia, the growth is projected to increase to 2.4 percent in 2023 before declining to 2.2 in 2024. Russia's GDP growth is expected to increase 2.2 percent in 2023 from 2.1 percent contraction in 2022 to despite the intensifying Russian-Ukraine conflict, with a large fiscal stimulus, strong investment, and resilient consumption in the tight labor market driving the strength.

### Global Trade and Commodity Market

The World trade growth is estimated to decline from 5.1 percent in 2022 to 0.9 percent in 2023 before increasing to 3.5 percent in 2024 due to the decline

in overall global demand and its shift in the composition towards domestic services. Further, the lagged effects of the US Dollar appreciation which slows dollar-denominated trade and rising trade barriers will also be behind the hindered trade growth. Due to the weaker-than-expected demand in China and the buildup of gas inventories in Europe, the oil price is estimated to fall by 16.5 percent in 2023 and further decline can be expected according to the IMF report. The average assumed price of crude oil in US Dollars a barrel is USD 80.50 based on the simple average of future prices of the UK Brent, Dubai Fateh, and West Texas Intermediate price indices. In coming years, gradual decline in the prices up to USD 72.7 per barrel in can be expected, in 2026.

In addition to the normalization of supply chains, these factors contributed to the rapid decline of headline inflation. However, core inflation persists above the targets of the central banks and therefore, a continuity of aggressive and tight monetary policies are expected to continue constraining the global credit growth. As a result, headline inflation continues to decline, from 9.2 percent in 2022, on a year-over-year basis,

to 5.9 percent this year and 4.8 percent in 2024. Core inflation, excluding food and energy prices, is also projected to decline, more slowly than headline inflation, to 4.5 percent in 2024.

### Impact of Recent Developments in the Middle East on the Global Economy

The Conflict in the Middle East can send tremors through the world because the region is a crucial supplier of energy and a key shipping passageway. There are speculations that the conflict may further evolve.

Bloomberg Economics estimates oil prices could sharply increase to USD 150 a barrel and global growth will drop to 1.7 percent, leading to a recession that takes about USD 1 trillion off world output, in the event of direct conflict between the key players in the Middle East, which is the worst case scenario. Even a confined conflict in Gaza may increase the crude oil price by USD 4 and the Global Growth will possibly decline by 0.1 percent. However, as the conflict is still evolving, the prevailing uncertainties may also have a significant impact on global trade and economic growth.

**Table 2.8 : Key Indicators of World Economy – 2023 (Projection)**

Country	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Deficit (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	-2.5	121.7	7.4	-4.0	89.5
Australia	1.8	5.8	3.7	-1.4	51.9
Brazil	3.1	4.7	8.3	-7.1	88.1
Canada	1.3	3.6	5.5	-0.7	106.4
Chile	-0.5	7.8	8.8	-1.6	38.4
China	5.0	0.7	5.3	-7.1	83.0
France	1.0	5.6	7.4	-4.9	110.0
Germany	-0.5	6.3	3.3	-2.9	65.9
Greece	2.5	4.1	10.8	-1.6	168.0
India	6.3	5.5	n.a	-8.8	81.9
Indonesia	5.0	3.6	5.3	-2.2	39.0
Italy	0.7	6.0	7.9	-5.0	143.7
Japan	2.0	3.2	2.5	-5.6	255.2
Korea	1.4	3.4	2.7	-1.2	54.3
Malaysia	4.0	2.9	3.6	-4.7	66.9
Mexico	3.2	5.5	2.9	-3.9	52.7
Russia	2.2	5.3	3.3	-3.7	21.2
Singapore	1.0	5.5	1.8	3.2	167.9
South Africa	0.9	5.8	32.8	-6.4	73.7
Spain	2.5	3.5	11.8	-3.9	107.3
Thailand	2.7	1.5	1.2	-2.9	61.4
United Kingdom	0.5	7.7	4.2	-4.5	104.1
United States	2.1	4.1	3.6	-8.2	123.3
Vietnam	4.7	3.4	2.1	-1.3	34.0

Sources : World Economic Outlook, IMF, October 2023, Fiscal Monitor, IMF, October 2023, Ministry of Finance and Central Bank of Sri Lanka

n.a : not available





# Performance of State-Owned Enterprises | 03



### 3.1 Overview

State Owned Enterprises (SOEs) sector is showing signs of financial improvements with the reform measures adopted during 2022/23 including cost-reflective electricity tariff adjustment, implementation of fuel price formula and revision of water tariff, among others. The reform measures are expected to reduce the credit risk on SOEs' borrowings from the banking sector. Meanwhile, the Cabinet of Ministers has approved a comprehensive strategy to restructure the balance sheets of four key SOEs i.e. Ceylon Electricity Board (CEB), Ceylon Petroleum Corporation (CPC), Road Development Authority (RDA), and SriLankan Airlines Ltd. (SLA), which would ease the burden on fiscal operations in the medium term. In the first eight months of 2023, two new players entered into the downstream petroleum retail market, which in turn enhanced the competition of the industry.

In response to the pressing need for SOE reforms, the Cabinet of Ministers approved a restructuring policy for SOEs, a special guideline on divestiture of SOEs and the appointment of Transaction Advisors for the divestment of seven key SOEs i.e. SLA, Sri Lanka Telecom PLC (SLT), The Lanka Hospitals Corporation PLC (LHC), Sri Lanka Insurance Corporation Ltd. (SLIC), Canwill Holdings (Pvt) Ltd., Hotel Developers (Lanka) Ltd. (HDL) and Litro Gas Lanka Limited (LGL). In the meantime, the General Treasury also entered into agreements of Statement of Corporate Intent with five SOEs with a view to improve the performance through performance-oriented culture.

With consideration of the SOEs performances, the total loss of the key 52 SOEs amounting to Rs. 726.9 billion in the first eight months of 2022 has converted into a total profit of Rs. 311.5 billion in the same period of 2023 of which 38 SOEs recorded a profit before tax of Rs. 338.5 billion and the balance, 14 SOEs reported a net loss of Rs. 27.0 billion. Notably, CPC has contributed to 26.2 percent of the total profit of 38 SOEs during the period. The levy/ dividend collection increased to about Rs. 22.2 billion in the first eight months of 2023, compared to Rs. 17.8 billion in the same period of 2022.

### 3.2 Review of the Ten Major SOEs

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

#### Bank of Ceylon (BOC)

The asset base of the BoC decreased by 4.5 percent to Rs. 4,137.3 billion as at the end of August 2023 from Rs. 4,336.4 billion as at the end of 2022. However, the deposit base of the bank has slightly increased by 7.1 percent to Rs. 3,571.9 billion as at the end of August 2023, compared to Rs. 3,334.7 billion as at the end of 2022. Stage III loans to total loans ratio increased to 7.1 percent as at the end of August 2023, compared to 5.27 percent as at the end of 2022. Profit Before Tax (PBT) of the BoC declined to Rs. 16.1 billion in the first eight months of 2023, compared to Rs. 27.0 billion reported in the same period of 2022. This was mainly due to a sharp decrease in net interest income with the high cost of funding resulting from the deposit repricing at higher rates while the bank has not transferred the full impact of the increase in the market interests to its customers in helping them to revive their businesses, and decrease in non-interest income with the rupee appreciation during the period, compared to the same period of 2022.

#### People's Bank (PB)

PB's asset base decreased marginally by 2.0 percent to Rs. 2,909.9 billion as at the end of August 2023 from Rs. 2,972 billion as at the end of 2022. The deposit base of the bank increased by 7.5 percent to Rs. 2,456.6 billion as at the end of August 2023 from Rs. 2,284.3 billion as at the end of 2022. Loans and advances declined by 9.1 percent to Rs. 1,557.9 billion as at end of August 2023 from Rs. 1,715.2 billion as at the end of 2022 due to prevailed higher interest rates. Stage III loans to total loans ratio increased to 5.5 percent as at the end of August 2023, compared to 4.4 percent as at the end of 2022. PBT of the PB decreased to Rs. 7.3 billion in the first eight months of 2023, compared to Rs. 15.7 billion recorded in the same period of 2022 mainly due to the sharp decrease in net interest income under the high interest rate environment prevailed during the period.

### **National Savings Bank (NSB)**

NSB's asset base increased by 3.7 percent to Rs. 1,677.1 billion as at the end of August 2023 from Rs. 1,616.6 billion as at the end of 2022. However, the customer deposits marginally decreased to Rs. 1,475.5 billion as at the end of August 2023 from Rs. 1,476.7 billion as at the end of 2022. The portfolio of loans and advances also marginally decreased to Rs. 536.4 billion as at the end of August 2023 from Rs. 553 billion as at the end of 2022. NSB recorded a Loss Before Tax of Rs. 316.7 million in the first eight months of 2023, compared to the PBT of Rs. 6,574.7 million recorded in the same period of 2022 mainly due to the sharp decrease in net interest income with the high cost of funding, and the decrease in net fee and commission income. However, the NSB has been able to record Rs. 500 Million profit before tax for the period ended September 30, 2023.

### **Sri Lanka Insurance Corporation Limited (SLIC)**

SLIC reported a PBT of Rs. 19.5 billion in the first eight months of 2023, recording a notable increase compared to the PBT of Rs. 12.5 billion recorded for the entire financial year of 2022. This was mainly due to the increase in income from investments because of the increased in return on investments in the market, despite the decrease in revenue by 5 percent to Rs. 42.6 billion in the first eight months of 2023, compared to Rs. 44.8 billion recorded in the same period of 2022. SLIC expanded its asset base to Rs. 301.6 billion as at the end of August 2023 from Rs. 273.7 billion as at the end of 2022, and mainly consists of life and non-life funds standing at Rs. 175 billion and Rs. 20.3 billion, respectively. Moreover, the divestment process of SLIC has been initiated and a Transaction Advisor has been appointed to facilitate this divestiture process.

### **Ceylon Electricity Board (CEB)**

Even though, the electricity tariff was reduced by 14.14 percent from July 01, 2023, the revenue generated for the first eight months of 2023 was more than doubled compared to the same period of 2022, owing primarily to the upward price revision of tariff with an average of 66 percent on February 15, 2023. Accordingly,

the revenue generated by CEB was Rs. 402 billion in the first eight months of 2023, compared to Rs. 172 billion recorded in the same period of 2022. However, the electricity demand has slightly decreased by 4 percent to 9,465 Gwh during the period concerned from 9,854 Gwh in the same period of 2022.

The direct generation cost soared by 55 percent to Rs. 324 billion in the first eight months of 2023, compared to Rs. 209.4 billion in the same period of 2022, as a result of higher fuel and coal prices. Similarly, with the higher rates of interest on bank borrowings, the finance cost has also risen to Rs. 42.2 billion in the first eight months of 2023 from Rs. 18.2 billion in the same period of 2022. As such, CEB incurred a loss of Rs. 20.8 billion in the first eight months of 2023 owing to the delayed and limited tariff which was not adequate to compensate for the significant increase in generation cost. Accordingly, the cost per unit at the selling point significantly increased to Rs. 45.71 per kWh from Rs. 29.17 per kWh.

Further, the generation mix has changed adversely as hydro: thermal (fuel): thermal (coal): NCRE & Wind of 22:26:35:18 in the first eight months of 2023, from 29:20:34:17 recorded in the same period of 2022.

Furthermore, the total outstanding obligations of CEB to CPC and Independent Power Producers (IPP) have increased to Rs. 212.3 billion as at the end of August 2023. However, the long-term borrowings have decreased to Rs. 230.6 billion as at the end of August 2023 from Rs. 396 billion as at the end of August 2022.

Meanwhile, having considered the unexpected drought situation that has prevailed during the last few months and the unfavourable financial situation of the CEB, average electricity tariff increased by 18 percent effective from October 20, 2023 to ensure that the CEB breaks even in 2023.

**Table 3.1 : Composition of Electricity Generation and Capacity**

	2022 Jan- August			2023 Jan -August (Provisional)		
	Generation		Net Gen- GWh	Generation		
	Installed capacity MW	Percentage on Total Generation (%)		Installed capacity MW	Percentage on Total Generation (%)	Net Gen -GWh
Hydro	1,413	29	3,122	1,413	22	2,287
Thermal – CEB Oil	654	10	1,098	811	16	1,677
Thermal – IPP Oil	550	10	1,028	294	10	990
Wind – CEB	104	2	236	104	3	268
Thermal – Coal	900	34	3,707	900	34	3,574
NCRE & Wind	732	12	1,294	769	11	1,112
Rooftop Solar	515	3	347	610	4	433
<b>Total</b>	<b>4,868</b>	<b>100</b>	<b>10,832</b>	<b>4,901</b>	<b>100</b>	<b>10,341</b>

Source: Ceylon Electricity Board

### Ceylon Petroleum Corporation (CPC)

CPC's revenue grew by 28.6 percent to Rs. 921.8 billion in the first eight months of 2023, compared to Rs. 716.6 billion in the same period of 2022, due to the adoption of a cost reflective pricing model for gasoline, diesel, and kerosine. As a result, CPC's gross loss of Rs. 23.2 billion recorded in the first eight months of 2022 turned into a gross profit of Rs. 121.6 billion in the first eight months of 2023. Benefitting from the growth in revenue together with the rupee appreciation during the first eight months of 2023, CPC recorded a net profit of Rs. 88.6 billion, compared to the loss Rs. 632 billion in the same period of 2022.

CPC's oil import cost dropped to USD 1.8 billion in the first eight months of 2023. This was due to the fall in the average price of Brent crude oil to USD 86/bbl from USD 105/bbl in the same period of 2022 in the global market. However, CPC's overall cost of sales slightly increased by 4.2 percent to Rs. 768.1 billion compared to Rs. 737.4 billion due to the normalization of the demand factor.

As at the end of August 2023, CPC owes Rs. 228.8 billion to the Government for the importation of petroleum goods under the Indian Line of Credit facility. Additionally, CPC also owes Rs. 82.1 billion to the National Iranian Oil Company (NIOC) as at the end of August 2023.

The total outstanding trade debt of CPC increased by 8.9 percent to Rs. 292.6 billion

as at the end of August 2023 from Rs. 268.8 billion as at the end of 2022 mainly due to the liquidity issues of the CEB and SLA who are main buyers of the CPC.

In addition, two reputable businesses, namely M/s Sinopec Fuel Oil Lanka (Private) Limited and M/s RM Parks that are major producers of petroleum entered into the market for importation, storage, distribution, and sale of petroleum products via pre-selected distributors operating in Sri Lanka. It is expected that this would increase the service standards and hence, customers would be benefited through the competition.

### Sri Lanka Ports Authority (SLPA)

The Port of Colombo stands out as an influential force in the world of maritime trade and international trade. According to the Alpha liner ranking, it presently has a ranking of 23 among all ports worldwide. With the ambitious ongoing development projects such as East Container Terminal (ECT) and Colombo West International Terminal (CWIT) operations, it will increase the handling capacity from the current 8.5 million Twenty-foot Equivalent Units (TEUs) to 14 million TEUs, the port's status as a key participant in guaranteeing the smooth operation of the global supply chain will be paved by this enormous leap, which will catapult SLPA to ranking among the top 14 ports in the world.

In the first eight months of 2023, SLPA handled approximately 1,357,104 TEUs of

containerized freight and 5,306,166 metric tons of conventional cargo. SLPA recorded a PBT of Rs. 24.5 billion in the first eight months of 2023, a significant decrease of 32.5 percent, compared to Rs. 36.3 billion for the same period in 2022. This was mainly due to the exchange loss of Rs. 3.5 billion in the first eight months of 2023, compared to the exchange gain of Rs. 4.6 billion in the same period of 2022, and the country's import suspensions also affected to this reduction.

### **National Water Supply and Drainage Board (NWS&DB)**

The NWS&DB continued its service by expanding the coverage of population access to piped water and overall safe drinking water to 61 percent and 96.7 percent, respectively in the first eight months of 2023, compared to 55.5 percent and 95.6 percent recorded in the same period of 2022. During the period, 113,904 new connections were added to the system with a total of 2.9 million connections.

The revenue of the NWS&DB in the first eight months of 2023 increased to Rs. 33.6 billion, compared to Rs. 18.2 billion recorded in the same period of 2022, an increase of 84 percent mainly due to the upward revision of the water and sewerage tariff implemented on September 01, 2022 and August 02, 2023. This has resulted to a gross profit of Rs. 15.3 billion and an operating profit of Rs. 5.5 billion in the first eight months of 2023, compared to the gross profit of Rs. 7.2 billion and the operating loss of Rs. 1.8 billion recorded in the same period of 2022.

Meantime, water production and water sales decreased by 2 percent and 3 percent, respectively during the period, compared to the same period of 2022 and stood as 540 million m<sup>3</sup> and 403 million m<sup>3</sup>, respectively. Further, Non-Revenue Water (NRW) increased to 25.32 percent as at the end of August 2023, compared to 24.87 percent as at the end of August 2022.

### **Airport and Aviation Services (Sri Lanka) (Pvt) Ltd. (AASL)**

AASL has generated Rs. 25.3 billion of revenue in the first eight months of 2023, compared to Rs. 16 billion in the same period of 2022, of which Rs. 20.2 billion was non-aeronautical revenue. Total operational expenditure incurred during

the period was Rs. 11 billion. Accordingly, AASL has reported operating profits of Rs. 14.2 billion for the first eight months of 2023. After adjusting for net financial income and exchange gain, AASL recorded a PBT of Rs. 26.6 billion in the first eight months of 2023, compared to the loss before tax of Rs. 2.5 billion in the same period of 2022.

Due to the country's interim debt policy, the development of BIA Terminal 2, which is expected to have significant economic benefits, has temporarily been put on hold.

### **SriLankan Airlines (SLA)**

In line with the initial approval of the Cabinet of Ministers to restructure the SLA and its subsidiary companies, in July 2023, the Cabinet of Ministers approved the appointment of the International Finance Corporation (IFC) as the Transaction Advisor to facilitate the divestment of SLA. SLA's dues to the CPC amounting to Rs. 102.5 billion as at the end of April 2023 will be settled as per the strategy approved by the Cabinet of Ministers to restructure the balance sheet of a few SOEs.

As a result of the expanding global enthusiasm for travel coupled with the exchange gain, SLA recorded improved financial performance in the first eight months of 2023 as reflected by PBT of Rs. 79.8 billion. The total revenue of SLA increased by 27.2 percent to Rs. 238.9 billion in the first eight months of 2023, compared to Rs. 187.8 billion in the same period of 2022. The total expenditure incurred by SLA in the first eight months of 2023 was Rs. 207.5 billion, an increase by 8 percent from Rs. 192.2 billion in the same period of 2022 mainly due to the significant increase in airport, enroute and passenger costs.

However, SLA carries a debt of US\$ 1.2 billion to various organizations, including local state banks, accumulated unpaid fuel bills, outstanding payments for international bonds and leased aircrafts, and an accumulated loss of Rs. 594.4 billion.

**Table 3.2 : Profit before Tax of 52 State Owned Enterprises**

Enterprise	Rs. Million		
	Actual 2021	Provisional 2022	Provisional 31.08.2023
1 Bank of Ceylon	43,190	30,977	16,116
2 People's Bank	30,387	21,338	7,353
3 National Savings Bank	28,381	4,510	-317
4 State Mortgage & Investment Bank	422	-48	-786
5 HDFC Bank	878	303	2,092
6 Pradeshiya Sanwardhana Bank (PSB)	776	359	743
7 Employees' Trust Fund Board	33,159	43,428	43,246
8 Sri Lanka Insurance Corporation Ltd	11,725	12,476	19,451
9 National Insurance Trust Fund	5,936	8,010	9,933
10 Sri Lanka Export Credit Insurance Corporation	334	1,884	379
11 Agriculture and Agrarian Insurance Board	1,780	2,651	1,094
12 Ceylon Electricity Board	-34,139	-261,869	-20,789
13 Ceylon Petroleum Corporation	-81,816	-615,053	88,646
14 Sri Lanka Ports Authority	25,601	57,026	24,464
15 National Water Supply and Drainage Board	-3,054	-3,064	5,639
16 Airport and Aviation Services (SL) (Pvt) Ltd	-961	6,433	26,626
17 SriLankan Airlines Ltd	-166,370	-74,673	79,789
18 Sri Lanka Transport Board	-3,054	484	-2,198
19 State Engineering Corporation	-1,597	-940	-568
20 Central Engineering Consultancy Bureau	48	69	88
21 State Development and Construction Corporation	43	37	114
22 Milco (Pvt) Ltd	114	-391	-265
23 National Livestock Development Board	160	133	65*
24 Sri Lanka State Plantation Corporation	-232	19	-78
25 Janatha Estates Development Board	-490	-5	-20
26 Kurunegala Plantations Ltd	468	511	397
27 Chilaw Plantations Ltd	511	514	293
28 Kalubovitiyana Tea Factory Ltd	-3	347	28
29 Sri Lanka Cashew Corporation	-16	14	1
30 Lanka Mineral Sands Ltd	1,387	6,160	510
31 Lanka Phosphate Ltd	157	58	29*
32 Kahatagaha Graphite Lanka Ltd	11	60	30*
33 Development Lotteries Board	2,953	3,267	2,221
34 National Lotteries Board	1,004	1,390	734
35 State Pharmaceuticals Manufacturing Corporation	1,235	1,586	2,139*
36 Sri Lanka Ayurvedic Drugs Corporation	-15	15	38
37 State Pharmaceuticals Corporation	3,199	854	-402
38 Sri Jayawardenapura General Hospital	-254	247	470
39 Independent Television Network Ltd	-344	-370	-172
40 Sri Lanka Rupavahini Corporation	-229	-541	-279*
41 Sri Lanka Broadcasting Corporation	11	-236	-384
42 Sri Lanka Handicraft Board	-59	-101	25
43 State Timber Corporation	1,496	1,016	153
44 STC General Trading Company	473	735	427**
45 Lanka Sathosa Ltd	-840	-687	-124
46 State Printing Corporation	-208	-381	996
47 Ceylon Fisheries Corporation	-166	-150	26
48 Ceylon Fishery Harbour Corporation	-136	370	91
49 Ceylon Fertilizer Company Ltd	65	401	115
50 Colombo Commercial Fertilizer Company Ltd	234	501	205
51 Hotel Developers Lanka Ltd	-976	-633	-628
52 Lanka Sugar Company Ltd	445	2,917	3,702
<b>Total</b>	<b>-98,376</b>	<b>-748,042</b>	<b>311,459</b>

Source: SOEs and Department of Public Enterprises

\* Jan- July

\*\* Jan- June



**Table 3.3 : Levy/ Dividend Income from SOEs**

Rs. Million

	Actual			Projections	
	2021	2022	up to 2023.08.31	2024	2025
<b>Levy</b>	<b>25,919</b>	<b>22,004</b>	<b>17,142</b>	<b>64,945</b>	<b>68,200</b>
National Savings Bank	3,500	-	-	-	-
Bank of Ceylon	1,500	-	-	7,500	7,875
People's Bank	1,977	441	-	7,260	7,623
Telecommunication Regulatory Commission	8,500	13,200	8,000	15,000	15,750
Pradeshiya Sanwardhana Bank	-	-	-	300	315
Housing Development Finance Corporation Bank	-	-	-	180	189
State Timber Corporation	100	320	191	100	105
State Pharmaceuticals Manufacturing Corporation	100	100	-	150	158
National Insurance Trust Fund	1,824	1,608	450	2,000	2,100
Geological Survey and Mines Bureau	2,000	1,000	1,500	3,000	3,150
National Gem and Jewellery Authority	15	35	40	50	53
Ceylon Petroleum Corporation	-	-	-	15,000	15,750
Board of Investment	-	416	500	350	368
Industrial Development Board	-	-	-	5	5
Insurance Regulatory Commission of Sri Lanka	-	-	-	9	9
National Lotteries Board	900	361	1,000	410	431
Sri Lanka Standard Institution	-	10	-	15	16
Sri Lanka Export Credit Insurance Corporation	25	50	500	300	315
National Livestock and Development Board	-	-	-	50	53
Central Engineering Consultancy Bureau	25	-	-	10	11
Sri Lanka Tourism promotion Bureau	-	-	-	500	525
Civil Aviation Authority	50	1,000	1,000	750	788
State Pharmaceutical Corporation	-	350	-	200	210
National Transport Medical Institute	110	290	150	200	210
Sri Lanka Bureau of Foreign Employment	-	1,200	3,000	1,000	1,050
National Transport Commission	-	10	100	50	53
National Film Corporation of Sri Lanka	-	-	-	10	11
Public Utilities Commission of Sri Lanka	-	-	-	25	26
Sri Lanka Land Development Corporation	-	-	-	50	53
Sri Lanka Ports Authority	-	1,015	-	10,000	10,500
National Medicine Regulatory Authority	147	400	646	250	263
Road Development Authority	4,000	-	-	-	-
Land Reforms Commission	1,100	-	-	15	16
Condominium Management Authority	25	50	15	20	21
National Institute of Business Management	16	33	-	70	74
Sri Lanka Ayurvedic Drugs Corporation	5	-	-	10	11
Post Graduate Institute of Management	-	90	-	30	32
Sri Lanka Institute of Tourism & Hotel Management	-	-	-	10	11
Sri Lanka Cashew Corporation	-	-	-	5	5
Sri Lanka Cement Corporation	-	-	-	15	16
Sri Lanka Convention Bureau	-	-	-	15	16
Sri Lanka Tea Board	-	-	-	30	32
Other SOEs	-	25	50	1	1
<b>Dividends</b>	<b>4,672</b>	<b>6,087</b>	<b>5,060</b>	<b>5,055</b>	<b>5,310</b>
National Savings Bank	60	60	30	60	63
Bank of Ceylon	346	346	173	350	368
People's Bank	316	316	158	300	315
National Development Bank	1	0.9	-	2	2
Commercial Bank	-	0.17	-	2	2
Sri Lanka Insurance Corporation Ltd	899	1,511	1,001	-	-
Airport and Aviation Services Ltd	-	500	500	1,000	1,050

**Table 3.3 : Levy/ Dividend Income from SOEs**

Rs. Million

	Actual			Projections	
	2021	2022	up to 2023.08.31	2024	2025
Lanka Mineral Sands Ltd	700	759	1,726	1,500	1,575
Lanka Phosphate Ltd	20	20	20	25	26
Lanka Leyland Ltd	3	13	-	3	3
Rakna Arakshaka Lanka Ltd	-	-	25	46	48
National Salt Ltd	15	-	20	15	16
Ceylon Fertilizer Ltd	29	15	-	15	16
Colombo Commercial Fertilizer Ltd	-	10	-	50	53
Colombo Lotus Tower Management (Pvt) Ltd	-	-	-	12	13
BCC Lanka Ltd	-	-	-	25	26
Kahatagaha Graphite Lanka Limited	-	-	-	5	5
Paranthan Chemicals Company Ltd	3	50	30	40	42
STC General Trading Company	-	11	-	50	53
Sri Lanka Telecom PLC	1,331	1,805	-	-	-
De La Rue Lanka Ltd	345	313	-	300	315
Lanka Electricity Company Ltd	327	218	436	350	368
Lanka Industrial Estates Ltd	82	-	86	100	105
Skills Development Fund Ltd	-	-	-	5	5
Ceylon Agro Industries	95	24	119	120	126
Lanka Sugar Company Ltd	-	-	352	100	105
Plantation Companies	98	95	349	445	467
Lanka Thriposha Ltd	-	10	10	10	11
Sri Lanka Cement Corporation	-	-	-	15	16
Selacine Media Solutions (Pvt) Ltd	-	-	-	100	105
Lanka Canneries Ltd	-	-	-	10	11
Others	2	10	25	-	-
<b>Total</b>	<b>30,591</b>	<b>28,091</b>	<b>22,202</b>	<b>70,000</b>	<b>73,510</b>

Source: SOEs and Department of Public Enterprises



**Basis Used for  
Preparation of 2024  
Budget** | **04**



## Overview

The macroeconomic and fiscal estimates in the Budget 2024 are based on a series of assumptions, analyses and judgements at the time of budget preparation. This section provides details of the assumptions on key macroeconomic indicators used in the preparation of revenue and expenditure estimates such as Gross Domestic Product (GDP), inflation, external sector developments, and unemployment, while also providing sensitivities of the estimates.

2024 Budget Estimates were prepared under the parameters stipulated in the IMF-Extended Fund Facility (IMF-EFF) programme. Accordingly, it is targeted to achieve a tax revenue amounting to 12.1 percent of GDP and a primary surplus of 0.8 percent of GDP in 2024.

### Gross Domestic Product

At the time of the preparation of 2024 budget estimates, Sri Lanka is showing signs of economic recovery from the unprecedented economic crisis that erupted in early 2022 largely owing to the stabilization policy measures implemented by the government. However, further headwinds continue to exist. The economy contracted by 7.8 percent in the first half of 2023, with a significant contraction of 18.3 percent recorded in the industry sector.

The economy is projected to contract by 3.6 percent in 2023 and is expected to record a growth of 1.8 percent in 2024. The economic recovery in 2024 will be driven by further normalization of production and manufacturing following the removal of import restrictions and enhanced availability of inputs. However, further supply-side shocks can affect domestic prices with the increase in commodity prices emanating from the recent geopolitical tensions in the Middle East. The agriculture sector is also expected to pick up with the uninterrupted granting of fertilizer subsidy and the availability of other inputs. The services sector is expected to pick up with the economic stabilization. In addition, it is expected that tourist arrivals will further increase to reach pre-pandemic levels and that workers' remittances will also continue to increase. It is also expected that other financial flows including investment will pick up in 2024.

## Consumer Prices

Following a peak of 69.8 percent recorded in September 2022, inflation as measured by Colombo Consumer Price Index (CCPI, 2021=100) rapidly decelerated to 1.5 percent in October 2023. Inflation is expected to remain at a single-digit level.

Global inflation will decelerate from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024 and inflation is not expected to return to target until 2025 in most countries. Although year-on-year global inflation is expected to decelerate, the price levels are expected to remain high due to decade-high inflation recorded last year. Further, global price levels may be further effected by the emerging geopolitical tensions in the Middle Eastern region.

### Employment and Unemployment

The second quarter of 2023 recorded an increase in the unemployment rate to 5.2 percent and a decrease in the labour force participation rate to 48.6 percent owing to the effects of the economic crisis. However, with the gradual pick-up of economic activities, the unemployment rate is expected to remain below 5 percent in 2024. The agriculture sector will be revived with ensured access to fertilizer and the industry sector will recover greatly with the removal of import restrictions and resultant enhanced availability of raw materials. These developments will aid in employment generation in 2024.

### External Sector

Although the trade deficit has narrowed to USD 3,342 million in the first nine months of 2023 compared to USD 4,093 million recorded in the same period in 2022, the trade deficit is expected to widen in 2024 with the relaxation of import restrictions. However, it is expected that the earnings from exports will increase. In addition, tourist arrivals and workers' remittances are expected to pick up in 2024 and FDI inflows are expected to rebound with the implementation of structural reforms and the conducive economic environment. Further, the exchange rate is expected to be stable in 2024.

## Monetary Aggregates

Money supply is expected to be maintained at a suitable level. With the revenue-based fiscal consolidation efforts and the expected narrowing of the budget deficit in 2024 along with the restructuring of State Owned Enterprises (SoEs) and the application of cost recovery pricing mechanism for fuel and electricity, net credit to the government will be gradually reduced, while facilitating private sector investment.

## Revenue

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

## Expenditure

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

- The expenditure estimates on salaries and wages are based on the assumption that there will be about 1.3 million employees in the public sector, while allowing a normal annual increase in the salaries due to annual increments entitled by the employees. It is expected that the salary bill will increase with the recent demand for salary hike. Allocations will be made available for new recruitments in 2024, if the need arises, in the education and health sectors, in particular.
  - The number of pensioners is assumed to be around 770,000 in estimating the expenditure on pension payments.
  - There will be an increase in expenditure on interest payments with the impact of domestic debt restructuring process.
  - The expenditure on goods and services will also increase due to the increase in prices of supplies and utilities.
  - Expenditure on subsidies and transfers will increase with the increase in spending on Social Safety Nets (SSN) established to protect the poor and vulnerable from the impacts of the economic crisis while addressing IMF - EFF programme parameters on the ceiling on SSN programme spending.
- The efficiency of SSN programmes will be enhanced with the implementation of the new welfare benefit payments scheme and the application of the new eligible criteria to identify low-income families. The delays under the newly introduced Aswesuma programme will also be addressed by next year. Other programmes which provide support to school children (uniforms and textbooks) and differently-abled soldiers as well as the programmes aiming for better nutrition (eg: nutritional programme targeting expectant mothers) and health (eg: free medicine) will be continued with increased expenditure. The programme on fertilizer subsidy will also continue with the objective of ensuring food security.
- Continued efforts will be made to promote IT and digital solutions in the public sector and this will both enhance the service delivery as well as the efficiency of public services.
  - Transfers to public institutions and corporations will only moderately increase due to the restructuring of major SOEs.
  - Public investment will be augmented for identified prioritised areas. Public investment will be around 4.0 percent of GDP in 2024 as non-priority and non-essential expenditure will be curtailed.
  - Steps will be taken to increase the efficiency of public investment.
  - The Public Financial Management Bill which will be submitted to Parliament in 2024 will guide the fiscal operations of the Government in a disciplined manner.
  - Close cooperation among agencies and strict monitoring will be ensured to avoid duplication and effective utilization of budgetary provisions.
  - Commitment control mechanisms will be implemented for fiscal and cash flow management.

## **Borrowings**

The Gross Borrowing requirements of the Government is estimated to slightly go down in 2024 in comparison to the revised estimate of 2023. The budget deficit is expected to be reduced by 1.1 percentage points in 2024 compared to the revised estimate of 2023. However, Borrowing requirements will still be high due to the increased expenditure for interest payments. The primary balance is expected to record a surplus in 2024 with the enhancement of revenue generation with the further fiscal consolidation measures to be implemented in 2024 and expenditure management.

Further, debt management will be further improved with the adoption of new Debt Management Law and Public Debt Management Office (PDMO). Financing needs of the Government will be met at the lowest possible cost.

## **Sensitivities to the Estimates**

Economic projections could be sensitive to the following challenges:

- The headwinds from the economic crisis may continue to affect the Sri Lankan economy as certain vulnerabilities remain.
- Sustenance of ongoing reform momentum which is the key to the achievement of fiscal objectives, while agreeing with debt treatment would be essential to assure debt sustainability.
- Potential slow down of global growth depending on the developments of geopolitical tensions in the Middle Eastern region.

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



**The Outstanding List of Treasury Guarantees & Letters of comfort Issued by the General Treasury up to September 30, 2023**

S. No	Name of the Bank or Institution	Name of Institution	Rs. Million	Total Rs. Million
1	Asian Development Bank	Ceylon Electricity Board	96,535.47	112,980.47
		Reginoal Development Bank	16,445.01	
2	Asian Infrastructure Investment Bank (AIIB)	Bank of Ceylon & People's Bank	59,202.02	59,202.02
3	Bank of Ceylon	Building Materials Corporation Ltd	500.00	263,623.48
		Ceylon Electricity Board	4,640.00	
		Ceylon Fisheries Corporation	158.62	
		Ceylon Petroleum Corporation	20,569.99	
		General Sir John Kotelawala Defence University	155.13	
		Janatha Estates Development Board	152.57	
		Lanka Coal Company (Pvt) Ltd	9,989.71	
		National School of Business Management Limited	6,680.00	
		National Water Supply & Drainage Board	43,692.11	
		Northsea Limited	37.41	
		Paddy Marketing Board	371.07	
		Road Development Authority	122,465.32	
		Sri Lanka Rupavahini Corporation	91.95	
		Sri Lankan Airlines Limited	47,434.51	
State Development and Construction Corporation	990.60			
State Engineering Corporation	2,399.99			
Mihin Lanka Limited	3,294.50			
4	China Development Bank	National Water Supply & Drainage Board	74,374.18	74,374.18
5	China National Chemical Engineering No.14 Construction Co. Ltd	Ceylon Petroleum Corporation	8,311.31	8,311.31
6	Commercial Bank	National Water Supply & Drainage Board	685.89	5,441.82
		Road Development Authority	4,755.93	
7	DB Trustees (Hong Kong) Limited	Sri Lankan Airlines Limited	57,557.52	57,557.52
8	DFCC Bank	National Water Supply & Drainage Board	4,616.74	10,078.47
		Road Development Authority	5,461.73	
9	Exim Bank of China	Telecommunications Regulatory Commission of Sri Lanka	4,627.62	4,627.62
10	Exim Bank of India	National Water Supply & Drainage Board	50,150.69	50,150.69
11	Hatton National Bank	Airport & Aviation Services (Sri Lanka) Limited	4,000.00	34,676.46
		Ceylon Electricity Board	950.52	
		National Water Supply & Drainage Board	9,592.79	
		Road Development Authority	20,133.15	
12	Hongkong & Shanghai Banking Co.Ltd.	Airport & Aviation Services (Sri Lanka) Limited	9,702.55	9,702.55
13	Industrial And Commercial Bank of China Limited	Ceylon Electricity Board	8,725.72	8,725.72

**The Outstanding List of Treasury Guarantees & Letters of comfort Issued by the General Treasury up to September 30, 2023**

<b>S. No</b>	<b>Name of the Bank or Institution</b>	<b>Name of Institution</b>	<b>Rs. Million</b>	<b>Total Rs. Million</b>
14	ING Bank, NV of Netherlands	National Water Supply & Drainage Board	24,926.81	24,926.81
15	Japan International Cooperation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	35,572.81	35,572.81
16	National Development Bank PLC	National Water Supply & Drainage Board	17,622.36	23,922.19
		Road Development Authority	6,299.83	
17	National Savings Bank	Ceylon Electricity Board	5,000.00	189,531.20
		General Sir John Kotelawala Defence University	35,463.30	
		National Water Supply & Drainage Board	32,569.18	
		Road Development Authority	113,999.00	
		Sri Lanka Land Reclamation & Development Corporation	1,467.72	
		Techno Park Development Company Private Limited	750.00	
		Urban Development Authority	282.00	
18	People's Bank	Ceylon Electricity Board	14,087.16	148,276.95
		Ceylon Petroleum Corporation	2,032.60	
		Ceylon Shipping Corporation Ltd	17,109.38	
		Lanka Sathosa Limited	5,538.62	
		National Paper Corporation	83.73	
		National Water Supply & Drainage Board	3,470.74	
		Paddy Marketing Board	759.08	
		Road Development Authority	48,464.85	
		Sri Lanka State Plantation Corporation	79.31	
		Sri Lankan Airlines Limited	52,546.48	
		State Printing Corporation	159.58	
		Techno Park Development Company Private Limited	750.00	
		Mihin Lanka Limited	3,195.42	
19	Sampath Bank	Road Development Authority	12,522.73	12,522.73
20	Sri Lanka Insurance Corporation	Sri Lanka Insurance Corporation	3,946.80	3,946.80
21	Sri Lanka Savings Bank	Northsea Limited	59.33	59.33
22	UniCredit Bank Austria AG	National Water Supply & Drainage Board	14,088.61	14,088.61
23	Paddy Marketing Board	Co-operative Wholesale Establishment	729.60	729.60
24	Export Development Board	Bank of Ceylon and Peoples Bank	60.00	60.00
		<b>Grand Total</b>	<b>1,153,089.34</b>	<b>1,153,089.34</b>

Source: Department of Treasury Operations

## Macroeconomic Indicators

**Table 1 : Key Sectoral Growth Rate % : 2021 – 2023**

Item	2021	2022	2023	
			Q <sub>1</sub> <sup>(a)</sup>	Q <sub>2</sub> <sup>(a)</sup>
GDP	3.5	-7.8	-11.5	-3.1
Agriculture	0.9	-4.6	0.8	3.6
Industry	5.7	-16.0	-23.4	-11.5
Services	3.5	-2.0	-5.0	-0.8
Inflation – GDP Deflator (%)	8.5	48.8	51.9	21.5
Unemployment Rate (%)	5.1	4.7	4.7	5.2

Source : Department of Census and Statistics

(a) Provisional

**Table 2 : Quarterly Growth Rates of Key Sub-Sectors of Agriculture : 2021 – 2023**

Sector	2021	2022	2023 <sup>(a)</sup>	
			Q <sub>1</sub>	Q <sub>2</sub>
Tea (Mn kg)	299.5	251.5	59.2	74.9
Growth %	7.4	-16.0	-6.5	7.0
Rubber (Mn kg)	76.9	70.9	18.7	18.4
Growth %	-1.7	-7.8	-2.5	5.1
Coconuts (Mn nuts)	3,120	3,391	790.2	781.8
Growth %	11.7	8.7	-5.6	-10.0
Fish ('000 Mt)	435.9	397.2	102.8	89.6
Growth %	1.7	-8.9	-4.2	-3.3
	<b>2021</b>		<b>2022</b>	
	<b>Maha</b>	<b>Yala</b>	<b>Maha</b>	<b>Yala</b>
Paddy ('000 Mt)	3,061.4	2,088.2	1,931.2	1,461.7

Source : Department of Census and Statistics

(a) Provisional

**Table 3 : Performance in Industrial Sector : 2021 – 2023**

Description	2021	2022	2023 <sup>(a)</sup>	
			Q <sub>1</sub>	Q <sub>2</sub>
Food, Beverages and Tobacco Products (Rs. Million)	1,014,150	869,715	243,070	190,340
Growth Rate (%)	3.4	-14.2	-10.2	3.2
Textile, Wearing Apparel and Leather Related Products (Rs. Million)	473,911	512,399	146,745	89,078
Growth Rate (%)	13.8	8.1	-8.5	-18.4
Chemical Products and Basic Pharmaceutical Products (Rs. Million)	95,793	82,350	14,589	26,924
Growth Rate (%)	3.9	-14.0	-22.0	4.3
Rubber and Plastic Products (Rs. Million)	97,436	67,507	11,448	17,567
Growth Rate (%)	20.0	-30.7	-16.2	-26.5
Non-metallic Mineral Products (Rs. Million)	119,973	85,188	22,950	20,957
Growth Rate (%)	16.8	-29.0	-23.0	-0.2
Furniture (Rs. Million)	82,694	60,837	14,398	20,122
Growth Rate (%)	1.3	-26.4	-33.1	-12.3
<b>Total Industrial Sector (Rs. Million)</b>	<b>3,937,880</b>	<b>3,309,764</b>	<b>809,638</b>	<b>702,638</b>
<b>Overall Industrial Growth (%)</b>	<b>5.7</b>	<b>-16.0</b>	<b>-23.4</b>	<b>-11.5</b>

Source : Department of Census and Statistics

(a) Provisional

**Table 4 : Performance in Electricity Generation and Services Sector : 2022 – 2023**

Category	2022			2023 <sup>(a)</sup>		
	Q <sub>4</sub>	Q <sub>3</sub>	Jan-Aug	Q <sub>4</sub>	Q <sub>3</sub>	Jan-Aug
<b>Electricity Generation</b>						
Total Generation(Excluding Self Generation) (GWh)	4,203.0	3,974.0	10,832.0	3,743.0	3,950.0	10,341.0
Growth Rate (%)	2.8	-3.6	-2.5	-10.9	-0.6	-4.5
Hydro (excluding mini hydro) (GWh)	926.0	1,117.0	3,122.0	917.0	812.0	2,287.0
Growth Rate (%)	33.8	-23.4	-2.9	-0.9	-27.3	-26.8
Fuel Oil (GWh)	1,228.0	573.0	2,126.0	738.0	995.0	2,667.0
Growth Rate (%)	0.1	8.2	3.0	-39.9	73.8	25.5
Coal (GWh)	1,549.0	1,476.0	3,707.0	1,520.0	1,356.0	3,574.0
Growth Rate (%)	-10.0	7.7	-7.8	-1.8	-8.1	-3.6
NCRE <sup>(b)</sup> (Including mini hydro) (GWh)	500.0	808.0	1,877.0	567.0	787.0	1,813.0
Growth Rate (%)	11.2	6.1	3.7	13.5	-2.7	-3.4
Hydro: Fuel Oil: Coal: NCRE Ratio	22:29:37:12	28:14:37:20	29:20:34:17	25:20:41:15	21:25:34:20	22:26:35:18
Reservoir Water Level % (End Period Aeverage)	47.8	45.8	77.7	56.3	33.1	41.7
<b>Port Services</b>						
Total Cargo Handled ('000 MT)	28,379.0	25,243.0	8,519.0	22,549.0	26,971.0	70,185.0
Growth Rate (%)	4.6	-8.6	-4.9	-20.5	6.8	0.1
Total Container Handled ('000 TEUs)	1,849.0	1,705.0	4,680.0	1,620.0	1,838.0	4,709.0
Growth Rate (%)	5.7	-6.6	-2.4	-12.4	7.8	0.6
<b>Telecommunications Services (No. of Subscribers)</b>						
Fixed Lines ('000)	2,800.0	3,031.0	2,975.0	2,517.0	2,442.0	2,442.0
Growth Rate (%)	-0.9	5.6	1.3	-10.1	-19.4	-19.4
Cellular ('000)	30,476.0	29,561.0	29,059.0	28,117.0	27,980.0	27,980.0
Growth Rate (%)	4.2	1.8	-0.6	-7.7	-5.3	-5.3
Total Fixed Lines and Cellular ('000)	33,276.0	32,592.0	32,034.0	30,634.0	30,421.0	30,421.0
Growth Rate (%)	3.8	2.1	-0.5	-7.9	-6.7	-6.7
Internet and email ('000)	22,224.0	22,142.0	21,808.0	21,810.0	21,920.0	21,920.0

Source : Central Bank of Sri Lanka

(a) Provisional

(b) non – conventional renewable energy

**Table 5 : Export Performance in 2022 – 2023**

USD Million

Item	2022	2023
	Jan-Sep	Jan-Sep <sup>(a)</sup>
<b>Agricultural Products</b>	<b>1,940.0</b>	<b>1,945.0</b>
Tea	937.1	990.3
Rubber	32.7	23.5
Coconut Products	314.0	256.4
Other Agricultural Products	656.0	675.0
<b>Industrial Products</b>	<b>8,011.6</b>	<b>6,997.9</b>
Textile and Garments	4,577.2	3,688.7
Petroleum Products	439.9	371.4
Other Industrial Products	2,994.5	2,938
<b>Mineral Export</b>	<b>24.0</b>	<b>18.0</b>
<b>Other Exports</b>	<b>17.0</b>	<b>21.0</b>
<b>Total Exports</b>	<b>9,992.0</b>	<b>8,982.0</b>

Source : Central Bank of Sri Lanka

(a) Provisional

**Table 6 : Import Performance in 2022 – 2023**

USD Million

Item	2022	2023
	Jan-Sep	Jan-Sep <sup>(a)</sup>
<b>Consumer Goods</b>	<b>2,147</b>	<b>2,243</b>
Cereals and Milling Industry Products	315	95
Sugar	181	316
Other Food Products	732	856
Other Consumer Goods	919	976
<b>Intermediate Goods</b>	<b>9,497</b>	<b>8,105</b>
Fuel	3,694	3,476
Wheat and Maize	189	264
Fertilizer	105	162
Textile & Clothing	2,407	1,761
Other Intermediate Goods	3,103	2,443
<b>Investment Goods</b>	<b>2,433</b>	<b>1,963</b>
<b>Other Imports</b>	<b>8</b>	<b>13</b>
<b>Total</b>	<b>14,085</b>	<b>12,323</b>

Source : Central Bank of Sri Lanka

(a) Provisional

**Table 7 : Balance of Payments – 2023**

USD Million

Item	2023	
	Q1 <sup>(a)</sup>	Q2 <sup>(a)</sup>
<b>Current Account Balance</b>	<b>583</b>	<b>91</b>
<b>Trade Balance</b>	<b>-896</b>	<b>-1,393</b>
Exports	2,998	2,873
Imports	3,894	4,267
<b>Services (net)</b>	<b>671</b>	<b>571</b>
Receipts	1,243	1,140
Payments	572	569
<b>Primary Income (net)</b>	<b>-556</b>	<b>-436</b>
Receipts	110	114
Payments	666	550
<b>Secondary Income (net)</b>	<b>1,365</b>	<b>1,349</b>
Secondary income: credit	1,415	1,410
Secondary income: debit	50	62
<b>Capital Account (net)</b>	<b>8</b>	<b>10</b>
Capital account: credit	15	18
Capital account: debit	7	8
<b>Current and Capital Account (net)</b>	<b>591</b>	<b>101</b>
<b>Financial Account (net)</b>	<b>615</b>	<b>222</b>
<b>Direct Investment: Assets</b>	<b>4</b>	<b>4</b>
<b>Direct Investment: Liabilities</b>	<b>177</b>	<b>111</b>
<b>Portfolio Investment: Assets</b>	<b>-</b>	<b>-</b>
Debt securities	-	-
<b>Portfolio Investment: Liabilities</b>	<b>289</b>	<b>510</b>
Equity and investment fund shares	1	1
Debt securities	288	509
<b>Financial Derivatives</b>	<b>-</b>	<b>-</b>
<b>Other Investment: Assets</b>	<b>59</b>	<b>136</b>
Currency and deposits	-220	25
Trade credits and advances	-107	-46
Other accounts receivable	386	156
<b>Other Investment: Liabilities</b>	<b>-222</b>	<b>338</b>
Currency and deposits	-330	251
Loans	333	96
Trade credits and advances	-190	-8
Other accounts payable	-35	-1
Special Drawing Rights (SDRs)	-	-
<b>Reserve Assets</b>	<b>796</b>	<b>1,041</b>
<b>Net Errors and Omissions</b>	<b>24</b>	<b>122</b>
<b>Overall Balance</b>	<b>858</b>	<b>1,958</b>

Source : Central Bank of Sri Lanka

(a) Provisional

**Table 8 : International Reserves**

Item	USD Million				
	End 2022	Jun End 2023	Jul End 2023	Aug End 2023	Sep End 2023
Total External Reserves	5,874	8,045	8,511	8,532	n.a
Months of Imports	3.9	5.9	6.2	6.2	n.a
Gross Official Reserves	1,898	3,724	3,765	3,600	3,530
Months of Imports	1.2	2.7	2.7	2.6	2.6

Source : Central Bank of Sri Lanka

n. a – not available

**Table 9 : Government Foreign Currency Debt Outstanding**

Items	USD Million
	End Aug 2023 (Provisional) *
Central Government Foreign Debt and Dollar dominated Domestic Debt	38,532.93
Central Government Foreign Debt <sup>(a) (b) (c) (d) (e)</sup>	36,398.73
Dollar dominated Domestic Debt	2,134.20
Sri Lanka Development Bonds (SLDBs) <sup>(a) (d)</sup>	20.04
Loans Foreign Currency Banking Units (FCBUs) <sup>(f)</sup>	325.94
International Sovereign Bonds (ISBs) <sup>(a) (d)</sup>	1,750.00
Domestic project loans denominated in foreign currency <sup>(f)</sup>	38.22

Source : Central Bank of Sri Lanka

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

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

(c) Foreign Project, Term and Syndicated Loan debt outstanding is compiled based on CS-DRMS reports downloaded on 04th October 2023 (Cutoff – end August 2023). Treasury bonds, SLDBs and ISBs are as of end of relevant month.

(d) SLDBs and ISBs outstanding includes the principal and coupon payments pending settlement or capitalisation as at end August 2023.

(e) Includes project loans issued to Puttalam Coal Power Project, Mattala Hambantota International Airport project and Hambantota Port development Project 30.01.2023 (CM ME/PE/001/CM/2023/005 dated 20.01.2023)

(f) Compiled base on CS-DRMS reports downloaded on 01.10.2023 (cutoff – end August 2023)

\* Exchange rate used 1 USD = 322.6634 (Date = 31 Aug 2023)

**Table 10 : Outstanding Domestic Foreign Currency Debt of the Government**

	USD Million	
	End 2022	End Aug. 2023 <sup>(a)</sup>
<b>Outstanding</b>		
FCBUs	361.80	325.94
SLDBs <sup>(b) (c)</sup>	1,078.84	47.50
<b>Receipts<sup>(d)</sup></b>		
SLDBs	270.71	-
<b>Payments<sup>(e)</sup></b>		
SLDBs	1,969.92	711.45

Source : Central Bank of Sri Lanka

(a) Provisional

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

(c) SLDB outstanding as at end 2022 includes the principal payments settlement and the SLDB outstanding as at end August 2023 includes a principal and coupon payments pending settlement or capitalisation as respective dates.

(d) Receipts are issues during the period.

(e) payments are maturities during the period and does not include settlement under the SLDB alternative settlement mechanism carried concurrence with the Ministry of Finance, Economic Stabilization and policies (MOF)

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

Currency	Appreciation (+) / Depreciation (-)	
	End 2021 – End 2022	End 2022 – Sep 2023
Sri Lanka Rupee	-44.80	11.92
Indian Rupee	-10.11	-0.57
Bangladesh Taka	-16.90	-6.44
Pakistan Rupee	-21.37	-20.84
Singapore Dollar	0.50	-1.86
Thailand Bhat	-3.60	-5.22
Taiwan Dollar	-9.71	-4.73
Indonesian Rupiah	-8.59	0.68
Philippine Peso	-8.56	-2.10
Korean Won	-5.83	-6.66
Japanese Yen	-13.20	-11.01

Source : Central Bank of Sri Lanka

**Table 12 : Central Bank Holdings of Government securities**

End Period	Rs. Billion	
	Gross (Face Value)	Net of Repos (Book Value)
2013	3.10	13.30
2014	123.50	3.10
2015	104.80	79.10
2016	331.40	330.10
2017	9.90	25.60
2018	45.80	274.20
2019	74.70	125.30
2020	725.20	737.41
2021	1,416.80	1,960.10
2022	2,598.20	3,186.50
End Sep. 2023	2,839.40	2,009.10

Source : Central Bank of Sri Lanka



**Table 13 : Interest Rate Movements in 2022 – 2023**

Interest Rate	End July 2022	End Dec 2022	End March 2023	End June 2023	End Sep 2023
<b>Policy Rates of the Central Bank</b>					
Standing Deposit Facility Rate (SDFR)	14.50	14.50	15.50	13.00	11.00
Standing Lending Facility Rate (SLFR)	15.50	15.50	16.50	14.00	12.00
<b>Weighted Average Call Money Rate (AWCMR)</b>	15.50	15.50	16.49	13.85	11.66
<b>Weighted Average OMO Auction Rate (Repo) – Overnight</b>	6.49	0.00	0.00	-	-
<b>Weighted Average OMO Auction Rate (Reverse Repo)- Overnight</b>	-	-	15.50	13.73	11.34
<b>Treasury Bill Rates</b>					
91-days	28.86	32.64	25.99	23.00	17.42
182-days	29.24	32.20	25.79	19.49	15.13
364 -days	29.53	29.27	24.31	16.99	13.30
<b>Lending Rates</b>					
Average Weighted Prime Lending Rate(AWPR) (weekly)	24.94	27.24	21.40	19.47	14.67
Average Weighted Prime Lending Rate (AWPR) (monthly)	23.23	28.19	22.42	20.04	14.96
Average Weighted Lending Rate(AWLR)	15.94	18.70	18.29	17.51	16.2 <sup>(a)</sup>
<b>Deposit Rates</b>					
Average Weighted Deposit Rate (AWDR)	9.56	14.06	15.06	15.09	13.39
Average Weighted Fixed Deposit Rate (AWFDR)	12.60	18.49	19.80	19.70	17.24

Source : Central Bank of Sri Lanka

(a) As at Aug 2023

### Assumptions for Revenue Estimates – 2024

Revenue estimates for 2024 are based on the actual revenue collected up to September 2023, the assumptions regarding emerging economic trends including the gradual recovery of the economy in 2024, deceleration of inflation, and stabilization of the Sri Lanka Rupee, and the staff's best judgment about performance of the economy and revenue.

The broad assumptions are as follows;

- The economy is expected to grow by 1.8 percent in 2024 with the picking up of economic activities. The growth is driven by expansion in the industry sector facilitated by better input availability, as well as the anticipated growth in agriculture supported by the uninterrupted grant of fertilizer subsidy and other inputs. The services sector is also expected to grow benefitting from the favourable conditions and expected pick up in tourism arrivals and remittances.
- The average inflation is expected to be maintained at a single-digit level in 2024.
- The unemployment rate is expected to be below 5.0 percent in 2024.
- Exchange Rate is expected to be stable in 2024.
- Exports are expected to increase with the enhanced external demand, particularly from major trading partners and easing off of supply-side restrictions.
- The imports are expected to improve due to the relaxation of import restrictions and thereby an increase in import-based taxes is expected.
- The profitability of the financial sector is anticipated to improve.
- The estimated impact of the new revenue measures announced to support continued revenue-based fiscal consolidation in 2024 has been included in the budget estimates in consultation with the International Monetary Fund (IMF).
- Implementation of the re-structuring measures especially targeting loss-making State-Owned Enterprises (SOEs) will increase their efficiency and profitability.
- The revenue administration strengthening strategies implemented in the Inland Revenue Department (IRD), Sri Lanka Customs and Excise Department will contribute to increase in the revenue.
- Implementation of Revenue Administration Management Information System (RAMIS) 2.0 version will further enhance revenue administration at IRD.
- Tax compliance at IRD will improve with the implementation of the strategy of opening of tax file for everyone over 18 years of age, introduction of mandatory e-filing for individuals, increasing audit-efficiency, strengthening of Large Taxpayer Unit (LTU) and High Net Worth Individuals Unit (HNWI Unit) and other strategies implemented at the IRD.

**Table 1 : Excise (Special Provisions) Duty Structure for Motor Vehicles Duty Structure (As at 30.09.2023)**

Item/ Engine Capacity	Rate
<b>(i) Cars – Petrol</b>	
Less than 1,000 cc	Rs. 1,650,000/- per unit or Rs. 2,000/- per cm <sup>3</sup>
1,000 cc – 1,300 cc	Rs. 3,200/- per cm <sup>3</sup>
1,300 cc – 1,500 cc	Rs. 3,700/- per cm <sup>3</sup>
1,500 cc – 1,600 cc	Rs. 4,250/- per cm <sup>3</sup>
1,600 cc – 1,800 cc	Rs. 5,300/- per cm <sup>3</sup>
1,800 cc – 2,000 cc	Rs. 6,350/- per cm <sup>3</sup>
2,000 cc – 2,500 cc	Rs. 7,000/- per cm <sup>3</sup>
2,500 cc – 2,750 cc	Rs. 8,000/- per cm <sup>3</sup>
2,750 cc – 3,000 cc	Rs. 9,000/- per cm <sup>3</sup>
3,000 cc – 4,000 cc	Rs. 10,000/- per cm <sup>3</sup>
Exceeding 4,000 cc	Rs. 11,000/- per cm <sup>3</sup>
<b>(ii) Cars – Diesel</b>	
Less than 1,500 cc	Rs. 4,600/- per cm <sup>3</sup>
1,500 cc – 1,600 cc	Rs. 5,750/- per cm <sup>3</sup>
1,600 cc – 1,800 cc	Rs. 6,900/- per cm <sup>3</sup>
1,800 cc – 2,000 cc	Rs. 8,000/- per cm <sup>3</sup>
2,000 cc – 2,500 cc	Rs. 8,000/- per cm <sup>3</sup>
2,500 cc – 2,750 cc	Rs. 9,000/- per cm <sup>3</sup>
2,750 cc – 3,000 cc	Rs. 10,000/- per cm <sup>3</sup>
3,000 cc – 4,000 cc	Rs. 11,000/- per cm <sup>3</sup>
Exceeding 4,000 cc	Rs. 12,000/- per cm <sup>3</sup>
<b>(iii) Cars – Hybrid/ Petrol</b>	
Less than 1,000 cc	Rs. 1,500,000/- per unit
1,000 cc – 1,300 cc	Rs. 2,300/- per cm <sup>3</sup>
1,300 cc – 1,500 cc	Rs. 2,850/- per cm <sup>3</sup>
1,500 cc – 1,600 cc	Rs. 4,000/- per cm <sup>3</sup>
1,600 cc – 1,800 cc	Rs. 5,200/- per cm <sup>3</sup>
1,800 cc – 2,000 cc	Rs. 5,700/- per cm <sup>3</sup>
2,000 cc – 2,500cc	Rs. 6,000/- per cm <sup>3</sup>
2,500 cc – 2,750 cc	Rs. 7,000/- per cm <sup>4</sup>
2,750 cc – 3,000 cc	Rs. 8,000/- per cm <sup>4</sup>
3,000 cc – 4,000 cc	Rs. 9,000/- per cm <sup>5</sup>
Exceeding 4 000 cc	Rs. 10,000/- per cm <sup>5</sup>
<b>(iv) Cars – Hybrid/ Diesel</b>	
Less than 1,000 cc	Rs. 3,400/- per cm <sup>3</sup>
1,000 cc – 1,300 cc	Rs. 3,400/- per cm <sup>3</sup>
1,300 cc – 1,500 cc	Rs. 3,400/- per cm <sup>3</sup>
1,500 cc – 1,600 cc	Rs. 4,600/- per cm <sup>3</sup>
1,600 cc – 1,800 cc	Rs. 5,700/- per cm <sup>3</sup>
1,800 cc – 2,000 cc	Rs. 6,900/- per cm <sup>3</sup>
2,000 cc – 2,500 cc	Rs. 7,000/- per cm <sup>3</sup>
2,500 cc – 2,750 cc	Rs. 8,000/- per cm <sup>3</sup>
2,750 cc – 3,000 cc	Rs. 9,000/- per cm <sup>3</sup>
3,000 cc – 4,000 cc	Rs. 10,000/- per cm <sup>3</sup>
Exceeding 4,000 cc	Rs. 11,000/- per cm <sup>3</sup>
<b>(v) Electric Cars</b>	
<b>Car – Electric – By External Source or Generator</b>	
Less than 50kW	Rs. 7,500/- per kW
50kW – 100kW	Rs. 10,000/- per kW
100kW – 200kW	Rs. 15,000/- per kW
Exceeding 200kW	Rs. 40,000/- per kW

Item/ Engine Capacity	Rate
<b>Car – Electric – By Solar Panels</b>	Rs. 7,500/- per kW
<b>(vi) Vans</b>	
13 – 25 Persons/ Diesel	Rs. 4,500,000/- per unit
13 – 25 Persons/ Petrol	Rs. 1,750/- per cm <sup>3</sup>
Less than 13 Persons/ Diesel	200%
Less than 13 Persons/ Petrol	150%

Source : Department of Fiscal Policy

**Table 2 : Excise (Special Provisions) Duty Structure for Cigarettes (As at 30.09.2023)**

Category	Rs. per 1,000 Sticks
Cigarettes each not exceeding 60mm. in length	16,030
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	41,540
Cigarettes each exceeding 67mm. but not exceeding 72mm in length	59,180
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	67,100
Cigarettes each exceeding 84mm. in length	74,590

Source : Department of Fiscal Policy

**Table 3 : Excise (Special Provisions) Duty Structure for Petroleum Products (As at 30.09.2023)**

Item	Rs. Per litre
Petrol	77.00
Diesel – Auto	56.00
Diesel – Super	63.00

Source : Department of Fiscal Policy

**Table 4 : Excise Duty Structure under Excise Ordinance (As at 30.09.2023)**

Classifications	Duty Rate (Rs.) (per absolute litre of Alcohol)
<b>Liquor</b>	
Special Arrack	6,000
Molasses, Palmyrah, Coconut and Processed Arrack	6,420
Locally Manufactured Foreign Liquar	6,600
Malt Liquor of Five Per centum (5%) and below of absolute strength	4,750
Malt Liquor of more than Five Per centum (5%) of absolute strength	4,980
Wine	4,750
Sake	1,300
Milk Punch	3,300
Cider	3,600
<b>Raw materials used for production of Ethanol</b>	<b>Duty Rate (Rs.)</b>
Coconut Toddy (per bulk litre)	5
Molasses (per bulk kg)	10
Rice used for production of spirits by distillation (per bulk kg)	10
Maize used for production of spirits by distillation (per bulk kg)	10
Fruit used for production of spirits by distillation (per bulk kg)	10
<b>Foreign liquor</b>	
Imported Malt Liquor (Beer)	135
Imported Wine	230
Any other imported Foreign Liquor (which does not come under malt liquor or wine)	650
Non-potable Spirits (per bulk kg)	6

Source : Department of Fiscal Policy

**Table 5 : Ports and Airports Development Levy (As at 30.09.2023)**

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

Source : Department of Fiscal Policy

**Table 6 : Value Added Tax (VAT) (As at 30.09.2023)**

Rate	Item
Zero Rate	Export Goods
Standard Rate (15%)	General Items
Exemptions	Goods and Services which are listed in the Part II of the first shedule of the VAT Act.

Source : Department of Fiscal Policy

**Table 7 : Customs Import Duty Tariff Structure (As at 30.09.2023)**

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

Source : Department of Trade and Investment Policy

**Table 8 : Rent Income**

Item	Rs. Million			
	2021	2022 (Provisional)	2023 Revised	2024 Estimate
Rent on Government Buildings & Housing	1,289	1,505	1,600	1,650
Rent on Crown Forests	1,184	2,081	1,600	1,600
Rent from Land & Other	105	113	100	102
Lease Rental from Regional Plantation Companies	1,097	1,216	2,200	2,415
Others	1,415	946	900	1,000
<b>Total Rent Income</b>	<b>5,090</b>	<b>5,862</b>	<b>6,400</b>	<b>6,767</b>

Source : Department of Fiscal Policy

**Table 9 : Fees and Charges**

	Rs. Million			
	2021 (Provisional)	2022 (Provisional)	2023 Revised	2024 Estimate
Service Charges by Government Press	757	929	1,000	1,050
Fees of Passport, Visas and Dual Citizenship	8,663	23,835	28,100	31,200
Examination & Other Fees	282	69	180	180
Fees under the Motor Traffic Act & other Receipts	6,417	6,554	11,500	12,000
From others Various Sources	12,057	31,387	40,780	44,430
<b>Total</b>	<b>28,176</b>	<b>64,203</b>	<b>88,730</b>	<b>106,147</b>

Source : Department of Fiscal Policy

**Table 10 : Special Commodity Levy Rates**

		Rs. per kg.	
Item	End Sept. 2022	End Sept. 2023	
1	Sprats	100	100
2	Potatoes	20	50
3	Red Onions	50	50
4	B'onions	50	10
5	Garlic	50	50
6	Watana – Whole	5	5
	Watana – Split	10	10
7	Chickpeas – Whole	5	5
	Chickpeas – Split	10	10
8	Green gram	40	300
9	Lentils- Whole	25 Cents	25 Cents
	Lentils- Split	25 Cents	25 Cents
10	Chillies- Not Crushed or ground	100	100
	Chillies- Crushed or ground	125	125
11	Canned fish	100	200
12	Sugar	25 Cents (White)	25 Cents (White)
13	Black gram -Whole	200	300
	Black gram –Skinned	300	300
14	Cowpea	70	70
15	Kurakkan	70	70
	Millet/ Other	70	70
16	Maldive fish	302	302
17	Dried fish	100	100
18	Orange – fresh	600	600
19	Grapes – fresh	600	600
20	Apples	600	600
21	Coriander- Not Crushed or ground	26	26
	Coriander- Crushed or ground	52	52
22	Cumin	162	162
23	Fennel	162	162
24	Turmeric – Not Crushed or ground	102	102
	Turmeric – Crushed or ground	360	360
25	Mathe seeds	50	50
26	Kurakkan flour	150	150
27	Black gram flour	325	325
28	Ground nuts	220	220
29	Mustard seed	62	62
30	Palm oil / Other Veg. oil – Crude	250	250
	Palm olen	255	255
	Palm stearin	250	250
	Refine Palm oil	275	275
	Other Veg.oil Refine	275	275
	Palm Kernal – Crude	250	250
	Refine	275	275
	Coconut oil (Crude )	125	125
	Coconut oil (Refine)	150	150
31	Fish	10% or Rs.200	10% or Rs. 400
32	Mackerel fish (And Jac /Horse Mackerel Duty Waiver)	6	6
33	Yogurt	2000	2000
34	Butter	1500 (other 2000)	1500 (other 2000)

**Table 10 : Special Commodity Levy Rates**

		Rs. per kg.	
	Item	End Sept. 2022	End Sept. 2023
35	Margarine – Fat content 80%>	650	650
	Margarine – Fat content 80%<	650	650
36	Salt	40(Waiver-30)	40(Waiver-30)
37	Dates	200	200
38	Grapes – dried	600	600
39	Mangoesteen (fresh& dried)	200	200
40	Orange- dried	125	125
41	Pears	220	220
42	Cherries – Other	315	315
43	Plums and sloes	250	250
44	Kiwifruit	175	175
45	Pomegranate (Other)	600	600
46	Grated /powdered Cheese	600	600
47	Maize	10	25
		(Waiver-1/Tripasha )	
48	Face Mask	1	1
49	Clementines – fresh	120	120
50	Clementines – dried	250	250
51	Other (citrus) fruits – fresh	120	120
52	Other( citrus) fruits – dried	250	250
53	Grapefruit –fresh	285	285
54	Grapefruit – dried	300	300
55	Lemon- fresh	350	350
56	Lemon- dried	400	400
57	Other citrus fruits – fresh	300	300
58	Other citrus fruits – dried	375	375
59	Quinces	350	350
60	Apricots	350	350
61	Cherries – Sour	330	330
62	Peaches and Nectarines	310	310
63	Vegetable fats and oils	160	160
64	Margarine – liquid	200	200
65	Rice	25 Cents	65
66	Sorghum	10	-
67	Egg	-	50 per Egg (Rs.1 per Egg for STC)
68	Frozen Liquid eggs	-	1300 (Min. of Trade 200)

Source : Department of Trade and Investment Policy