



2025 BUDGET UPDATE | FEBRUARY 2025

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SECURITIES

17.02.2025



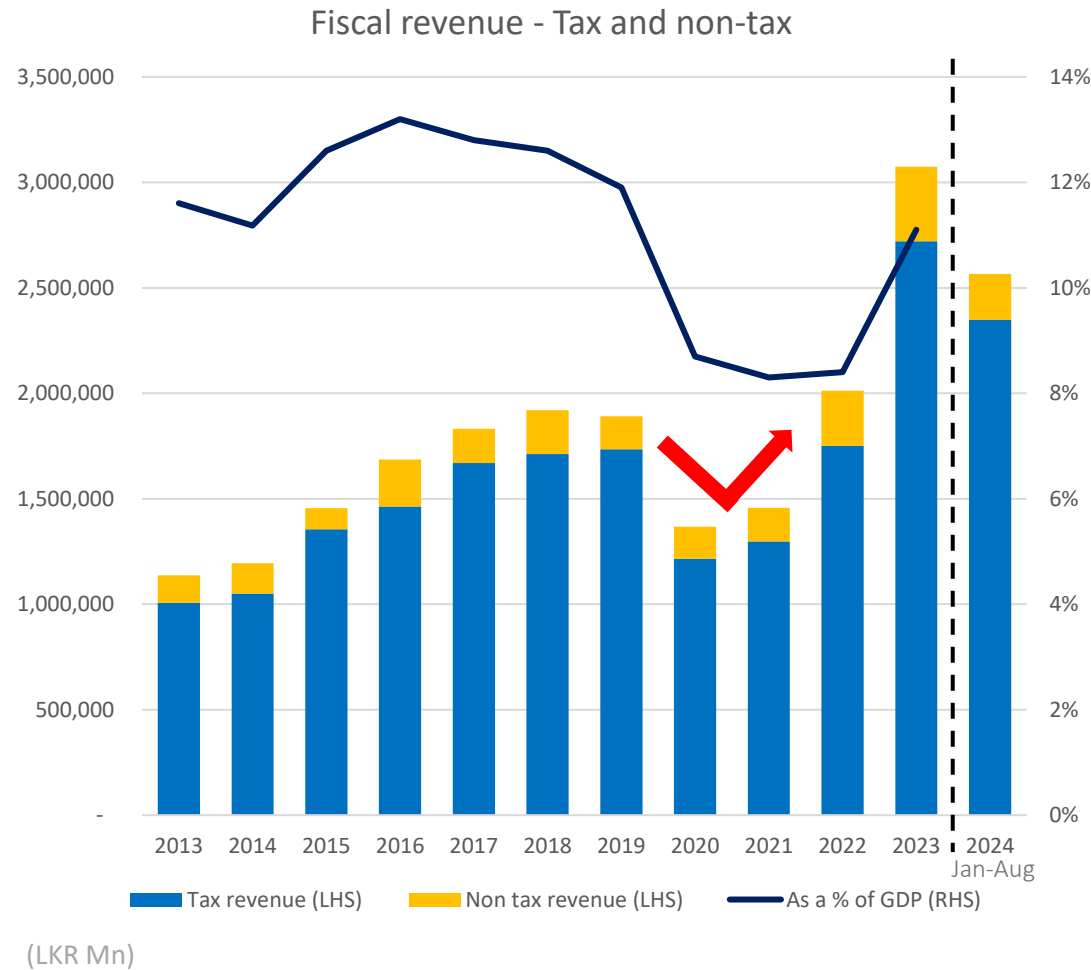


FISCAL PERFORMANCE | 2013-2024

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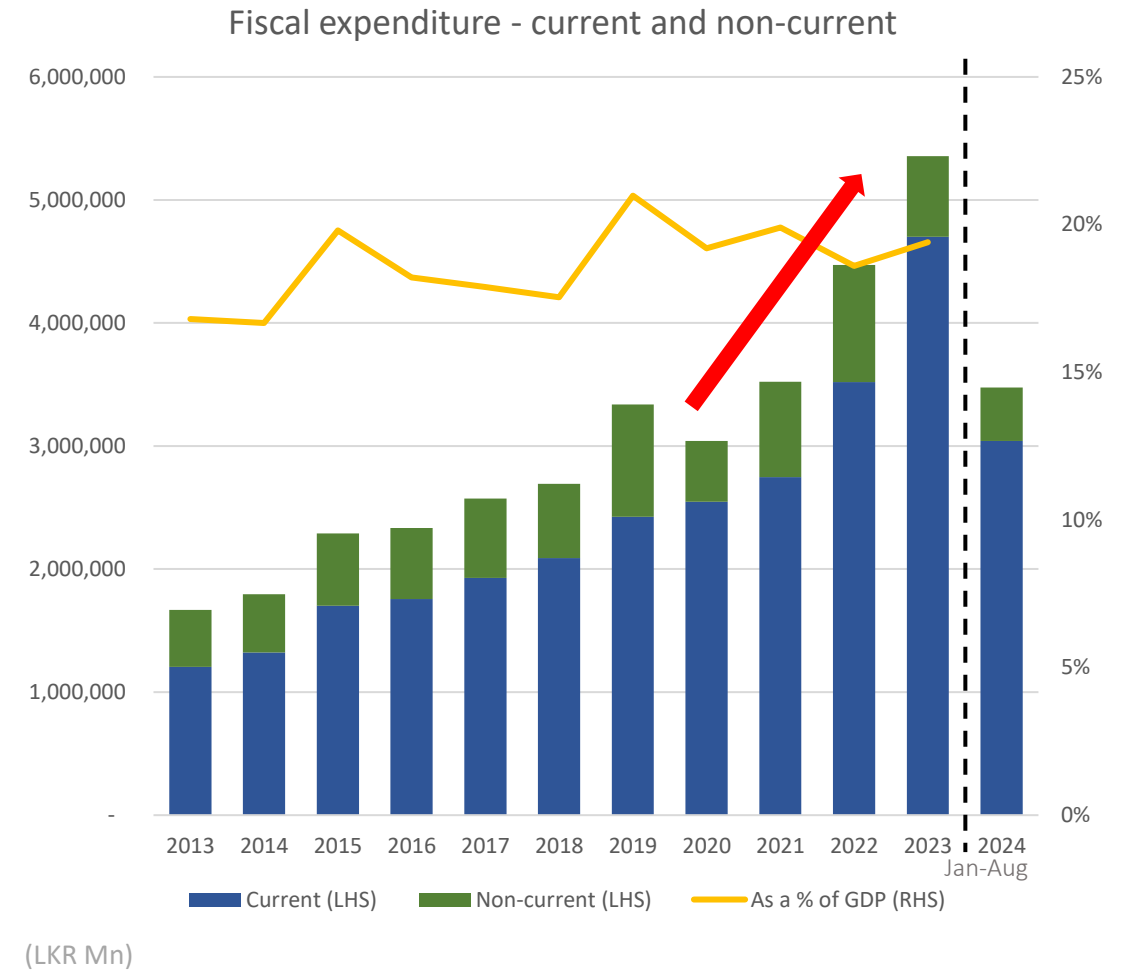


Government revenues and expenditure

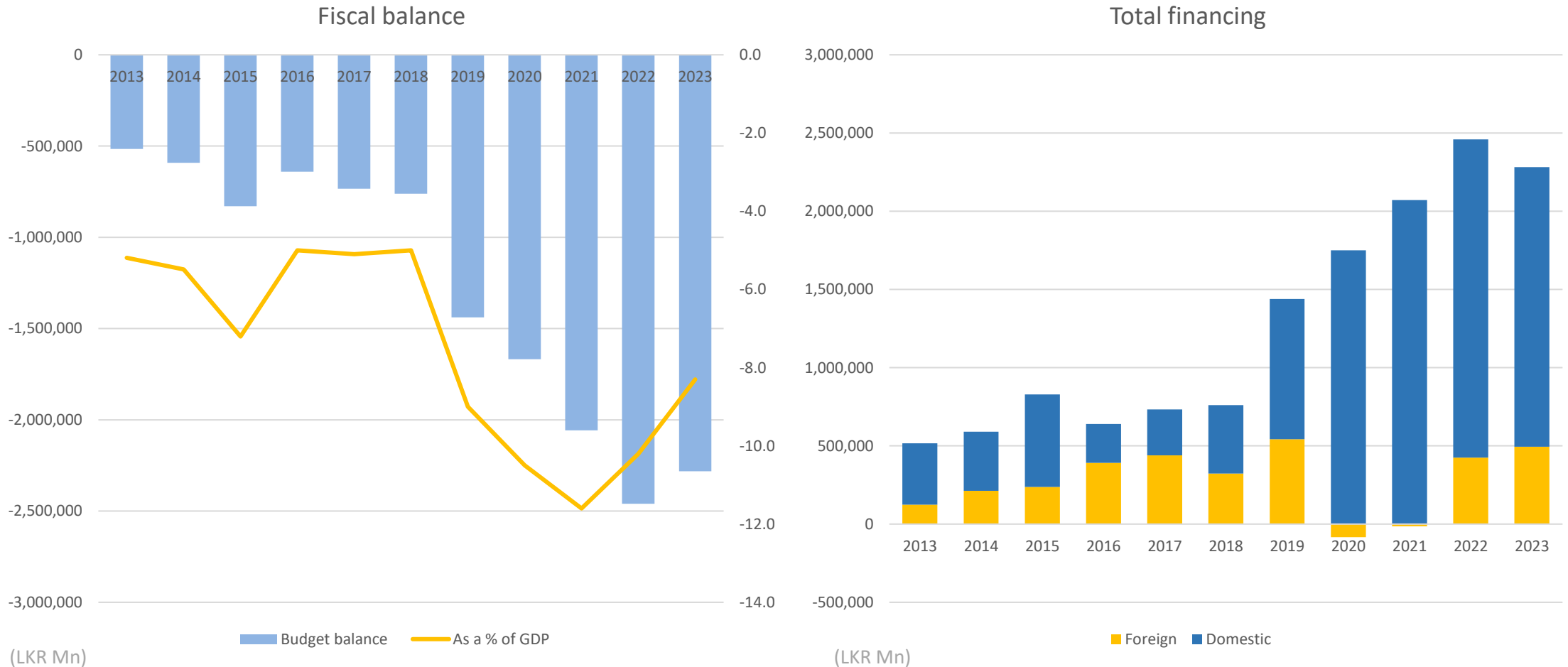


Note: Major tax cuts in 2020 resulted in lower tax revenues in 2020 and 2021

Source: CBSL, Ministry of Finance



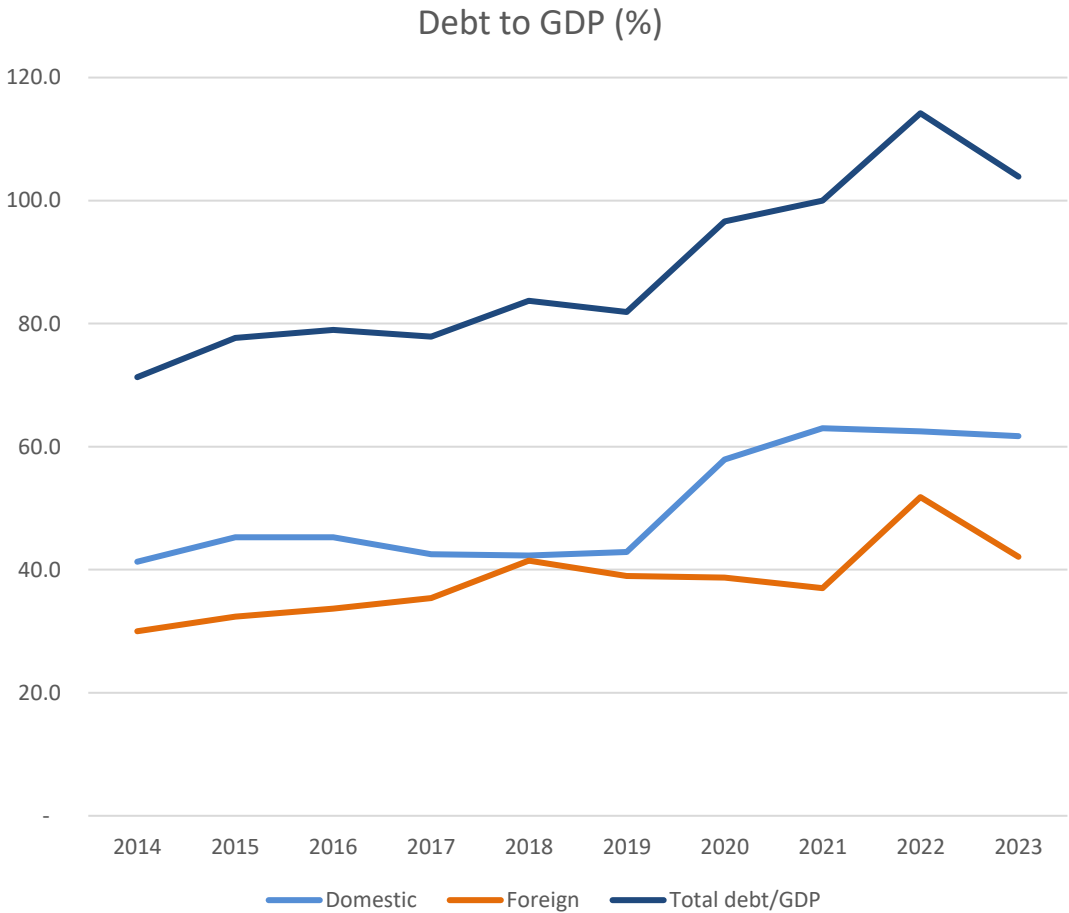
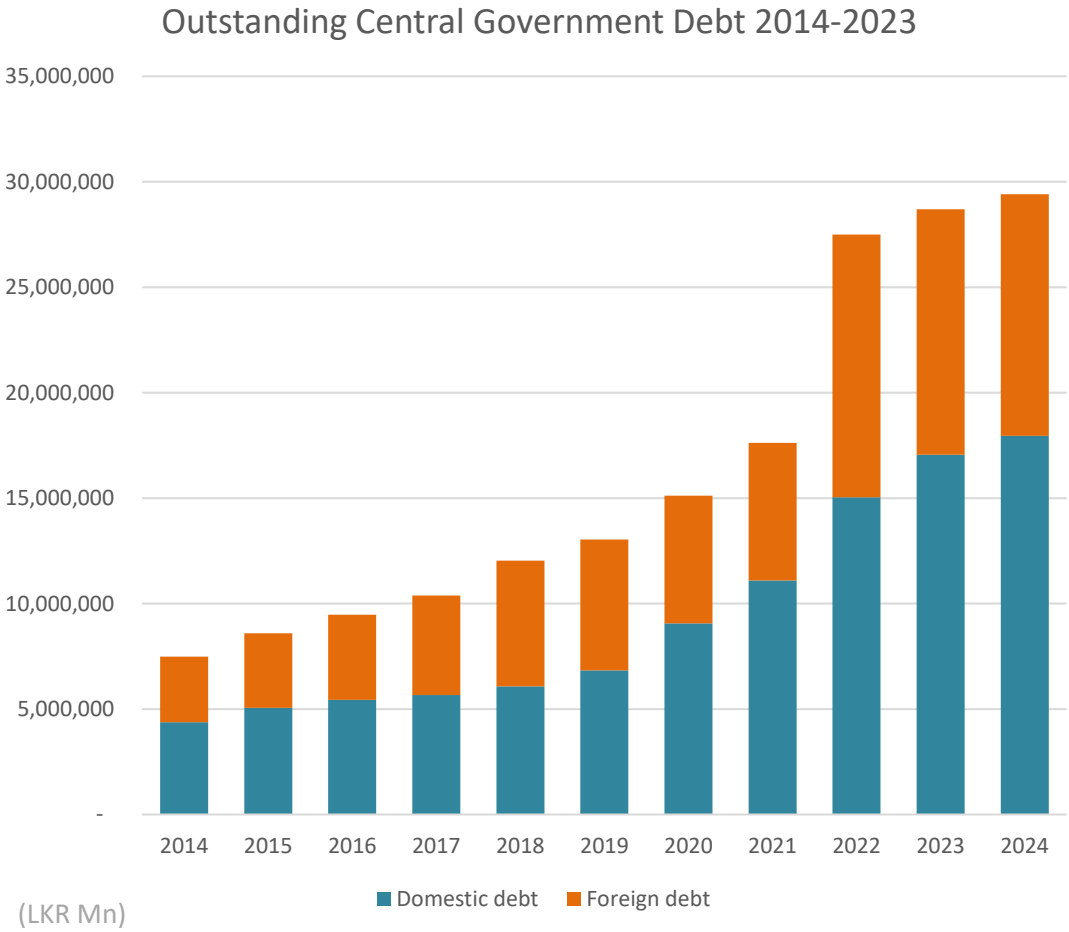
Budget deficit and financing



Note: External shocks such as covid-19 pandemic and poor policy choices have resulted in a rapid deterioration in fiscal balance post-2019

Source: CBSL

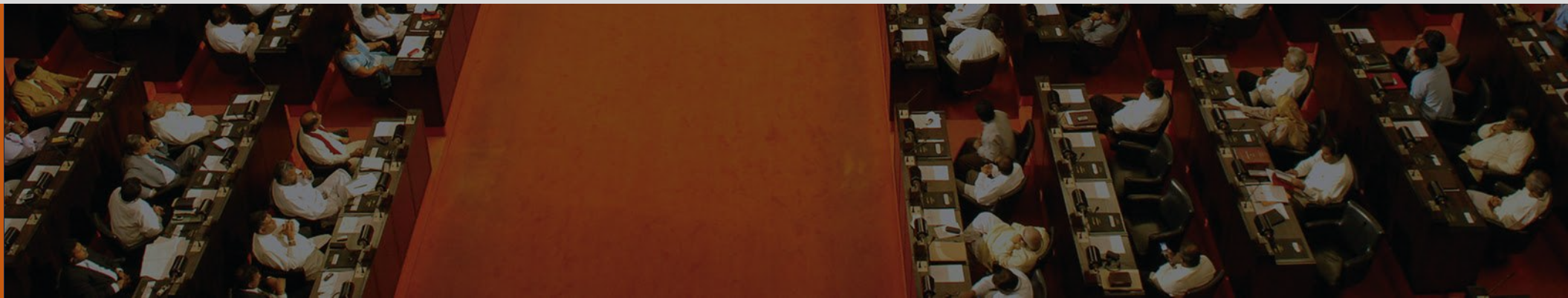
National debt



Source: CBSL



BUDGET HIGHLIGHTS | 2025



The Focal Points of 2025 Budget

- **Economic Stability and Fiscal Discipline** - A key fiscal rule is limiting primary expenditure to **13% of GDP**
- **Democratization of Economic Opportunities** - Economic activity has historically been concentrated in the Western Province (44% of GDP in 2023). The government aims to **distribute economic opportunity more fairly** across the country.
- **Growth with Social Inclusion** - Expansion of the **Aswesuma social welfare program** and increased funding for **senior citizens' interest subsidies and rural development**
- **Investment in Key Economic Sectors** - **SMEs, public transport, rural development, and agriculture** receive targeted investments with a capital expenditure allocation of **4% of GDP** to drive economic growth
- **Supply-Side Policy Objectives** - Boost **production in industry, services, and agriculture**
- **Demand-Side Policy Objectives** - Ensure a **continuous supply of essential goods and services** with fair and reasonable pricing
- **Governance and Anti-Corruption Measures** - Implementation of the **Clean Sri Lanka initiative**
- **Public-Private Partnerships (PPPs) and Innovation** - Increased **focus on entrepreneurship, digitalization, and startup ecosystems**

Medium Term Fiscal Goals

Targeting Over 5% Real GDP Growth:

- The government aims to achieve economic growth of **over 5% annually** in the medium term.

Strengthening Export Performance:

- Targeting a **record-high export revenue** of nearly USD 19 billion in 2025.
- Enhancing Sri Lanka's **competitiveness** in global markets.

Fiscal Discipline and Debt Management:

- Achieving a **primary budget surplus** of 2.3% of GDP.
- Ensuring Sri Lanka is **well-positioned** to meet increasing debt repayments from 2028.

Minimizing Price Shocks and Ensuring Low Inflation:

- Enhancing **supply-side efficiency** to **reduce inflationary pressures**.
- Maintaining **price stability** to protect household incomes and encourage investment.

Poverty Alleviation and Inclusive Growth:

- The **poverty rate** stood at **25.9% in 2023**, following the economic crisis.
- Unlike many countries that experience prolonged poverty after a default, Sri Lanka aims for a **reversal of this trend by 2025**.

Revenue Estimates and Projections

(LKR Mn)

Description	2023	2024	2025	2026	2027
		Revised Budget	Estimate	Projection	
Tax Revenue	2,720,563	3,704,572	4,590,000	4,977,000	5,422,000
Taxes on International Trade	392,450	481,278	654,832	593,934	630,036
Taxes on Domestic Goods And Services	1,399,928	2,177,560	2,740,580	3,075,790	3,345,067
License Taxes & Other	16,830	19,536	27,589	31,521	35,437
Taxes on Income & Profits	911,355	1,026,199	1,167,000	1,275,755	1,411,460
Non-Tax Revenue	634,757	388,948	422,400	462,900	501,400
Grants	25,502	59,970	30,000	33,000	41,000
Total (Tax Revenue + Non Tax Revenue + Grants)	3,380,822	4,153,490	5,042,400	5,472,900	5,964,400

Expenditure Estimates and Projections

(LKR Mn)

Category	2023	2024	2025	2026	2027
		Revised Budget	Estimate	Projection	
Recurrent Expenditure	4,729,386	5,598,720	5,920,000	5,613,491	5,610,647
Personal Emoluments	664,615	744,733	747,802	778,651	820,521
Travelling Expenses	24,251	10,198	8,902	9,920	10,637
Supplies	291,723	381,102	417,367	429,802	448,877
Maintenance Expenditure	12,379	15,234	18,525	19,742	21,092
Services	75,172	140,826	293,825	130,175	131,835
Transfers	1,205,468	1,557,322	1,442,952	1,511,055	1,586,818
Interest Payments and Discounts	2,455,599	2,749,085	2,950,000	2,703,492	2,556,647
Other Recurrent Expenditure	179	220	40,627	30,654	34,219
Capital Expenditure	932,745	1,525,736	1,315,000	1,323,906	1,427,937
Rehabilitation and Improvement of Capital Assets	38,697	78,187	131,870	144,539	147,749
Acquisition of Capital Assets	95,729	588,447	620,630	517,644	521,099
Capital Transfers	114,182	108,823	162,311	198,118	220,736
Acquisition of Financial Assets	289,664	403,444	133,101	95,361	92,222
Capacity Buildings	6,070	6,920	6,429	6,337	7,666
Other Capital Expenditure	388,402	339,915	260,658	361,907	438,464
Public Debt Amortization	5,012,201	4,630,395	1,600,000	2,037,035	2,355,274
Total	10,674,332	11,754,851	8,835,000	8,974,432	9,393,857

Source: Ministry of Finance, Budget Estimates 2025

National Level Financing

(LKR Mn)

Description	2023	2024	2025
		Revised Budget	Estimate
Total Financing	10,674,332	11,754,851	8,835,000
Domestic	10,387,209	11,142,029	8,478,051
Domestic Funds	2,835,755	3,651,508	3,820,085
Foreign Finance Associated Costs	31,231	51,017	41,215
Foreign Financing Related Domestic Co-Financing	-	500	-
Special Law	7,520,223	7,439,004	4,616,752
Foreign	287,123	612,822	356,949
Foreign Loans	262,338	489,478	283,560
Foreign Grants	24,728	93,055	54,413
Reimbursable Foreign Loans	42	30,235	18,898
Reimbursable Foreign Grants	4	40	39
Counterpart Funds	11	14	40

Impact on Business Sectors and Listed Companies

Budget proposal	Business sectors and listed companies affected
Establish a National Tariff Policy	Import counters and companies who use imported raw material will be subject to the new tariff policy. Direct importers such as SINS.N, ABAN would see the impact of any revised tariffs
Double Taxation Avoidance Agreements (DTA) to be expanded	All import and export counters will be benefitted by avoidance of double taxation
Provide required technical and financial assistance for exporters and importers	All import and export counters will be benefitted with the ability of obtaining quality testing and certifications
Acceleration towards digital economy	Information Technology sector counters (e.g. HBS.N, KPHL.N, DIAL.N, SLT.N, PKME.N) will have greater opportunities in line with the government's prioritization of digital economy
Allocate Rs. 500 million to develop tourism infrastructure	All hotel / tourism sector counters will be benefitted with better infrastructure access
Setting up a development Bank for SME sector	SMEs will be benefitted with better financial access.

Impact on Business Sectors and Listed Companies

Budget proposal	Business sectors and listed companies affected
Allocate LKR 604Bn for the development of healthcare sector	Long term benefit for the healthcare sector (e.g. HHL.N, ASIR.N)
VAT exemption for importing packing materials for pharmaceuticals	Healthcare and pharmaceutical stocks (e.g. SUN.N, HHL.N) as well as PACK.N could benefit from the opportunity
Develop remaining 61 oil tanks in Trincomalee	Energy sector to be benefitted. LIOC is already involved in the project and could benefit with the new development.
Allocate LKR 500Mn to increase production of other crops	Plantation and agricultural counters (e.g. CIC.N) that engage in growing alternative crops such as chilles, maize, red onion, potatoes etc.
Allocate LKR 2.5 Bn for necessary improvement of Dairy Value Chains	Agricultural sector companies (e.g. LMF) engaged in dairy production could see long term benefits
Allocate LKR 500Mn for developing high yielding coconut	Plantation and Agricultural sector counters such as COCO.N, RAL.N could see long term benefits

Impact on Business Sectors and Listed Companies

Budget proposal	Business sectors and listed companies affected
Plantation sector worker wages to be increased to 1700	Negative impact on the plantation sector counters due to higher cost of wages. Counters heavy in tea and rubber will see the most impact
Allocate LKR 35Bn for a fertilizer subsidy	All plantation and agricultural counters (e.g. CIC.N)
Allocate additional LKR 3Bn for rural road development	Construction sector counters to benefit from more opportunities
LKR 78Bn allocated to irrigation sector development	Construction sector counters that specialize in water management projects could see opportunities to contribute to these projects
Expansion of Colombo Port (East & West Container Terminals, Colombo West Terminal 2, Colombo North Port).	Positive impact on port operators and logistics companies due to increased capacity and efficiency. SPEN (maritime and freight logistics sector), JKH (ports and shipping segment: via SAGT and WCT), HHL and HAYL (transportation and logistic) to see long term benefits

Impact on Business Sectors and Listed Companies

Budget proposal	Business sectors and listed companies affected
Welcome energy at a competitive cost and no preferential treatment	Local power and energy companies (e.g. WIND.N, LVEF.N, HPWR.N) can benefit from equal opportunities against foreign counterparts
Develop remaining 61 oil tanks in Trincomalee	Energy sector to be benefitted. LIOC is already involved in the project and could benefit with the new development.
Allocate LKR 1.5Bn for Industrial Estate for automobile and rubber products	Manufacturing sector counters and automobile sector counters to benefit in the long term with locally sourced parts
Allocate LKR 500Mn for chemical manufacturing	Manufacturing counters (e.g. CIC.N, JAT.N) could benefit in the long term in terms of locally sourced chemicals
Allocate LKR 15Bn for a Special interest scheme for senior citizens	Banks and finance companies would need to pay 3% additional interest for deposits up LKR 1Mn of senior citizens, funded by the budget

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