



2026 BUDGET UPDATE | November 2025

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07.11.2025

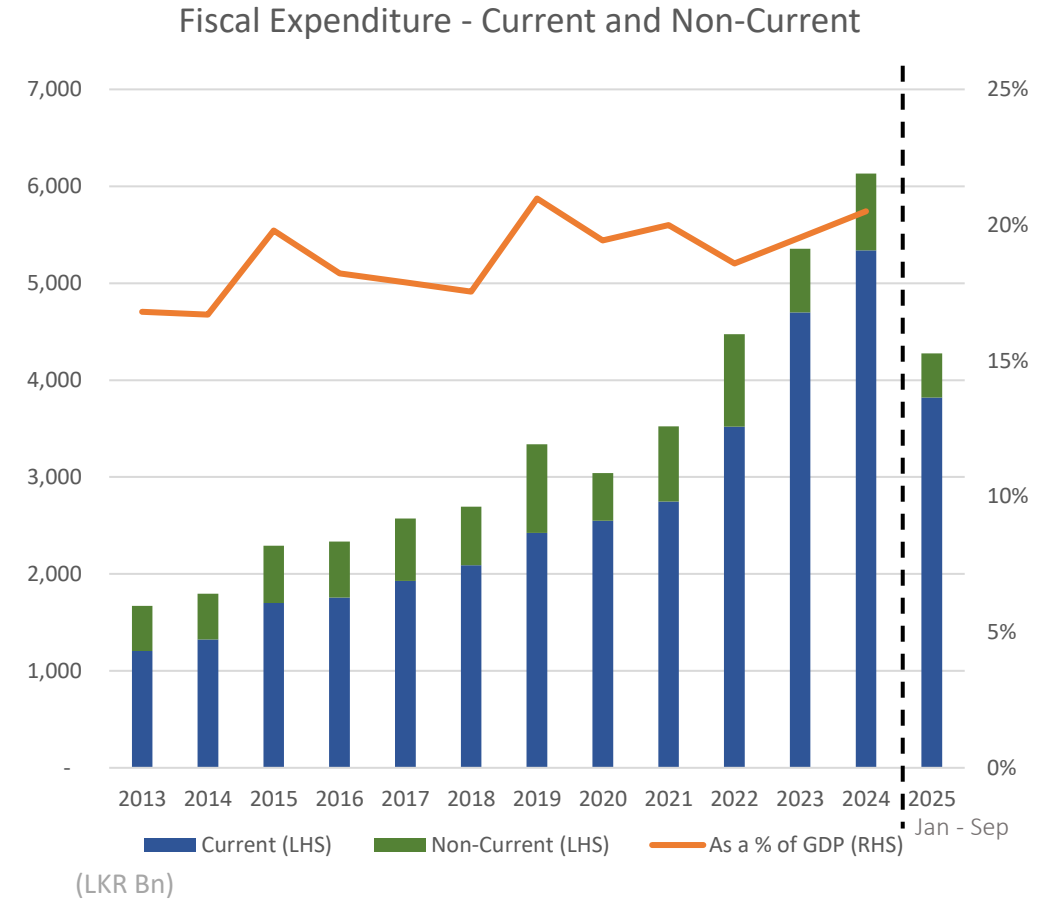
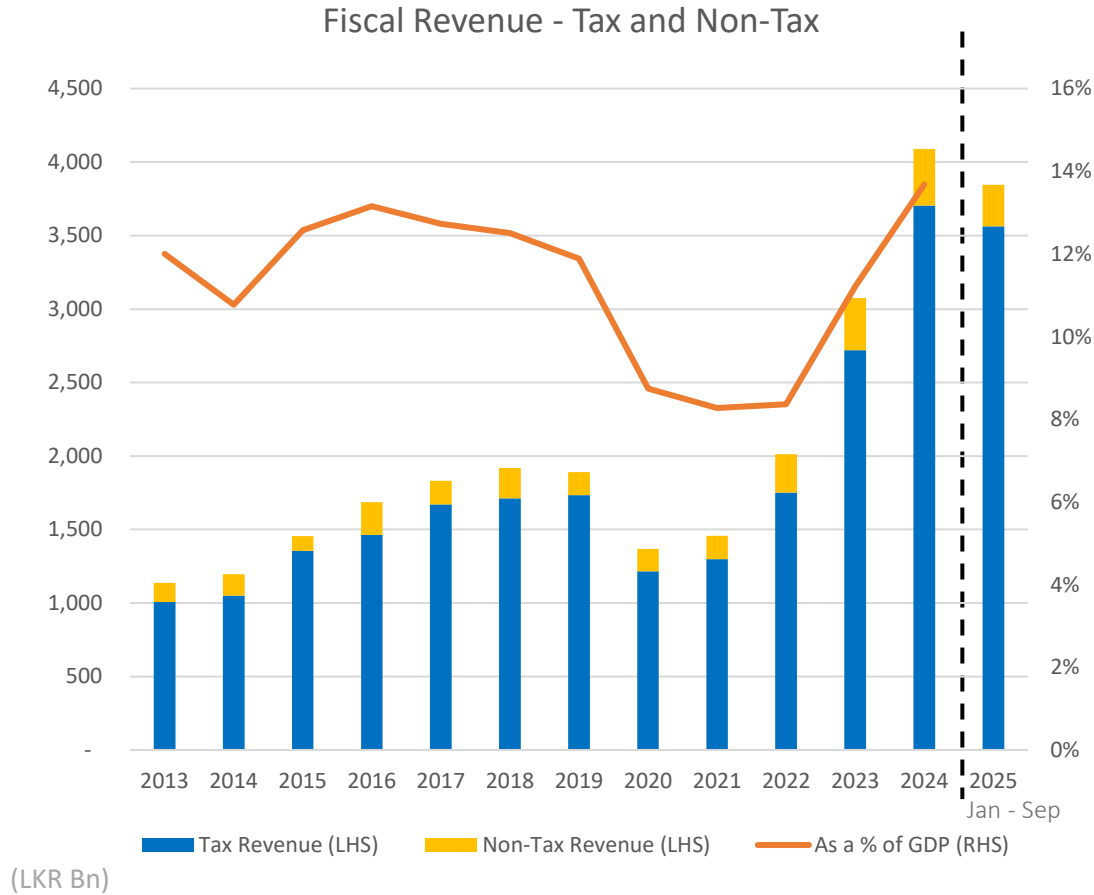


FISCAL PERFORMANCE | 2013-2025

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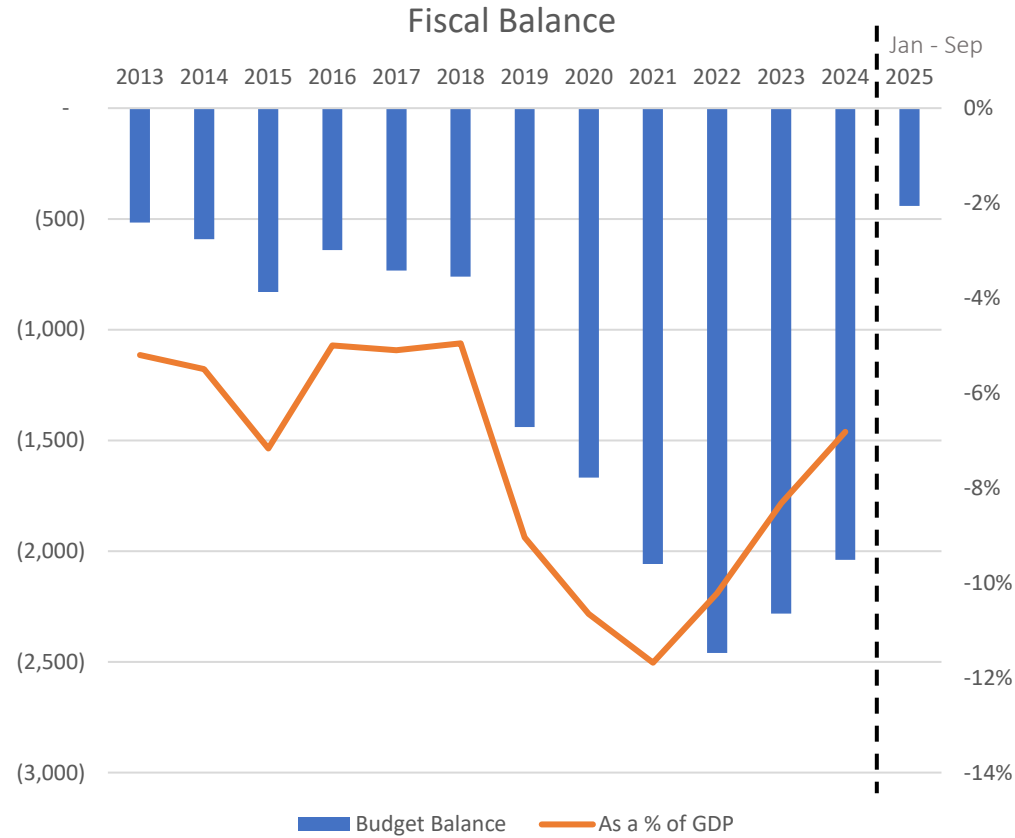


Government revenues and expenditure

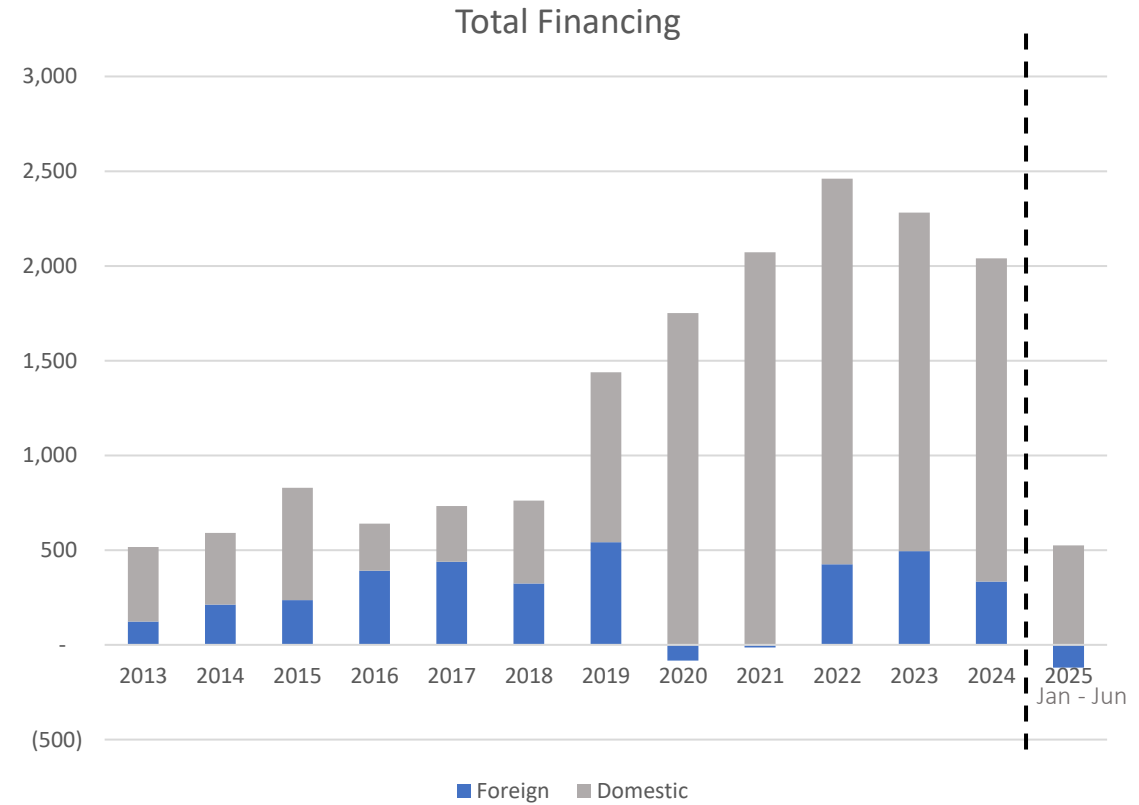


Note: Major tax cuts in 2020 resulted in lower tax revenues in 2020 and 2021

Budget deficit and financing



(LKR Bn)

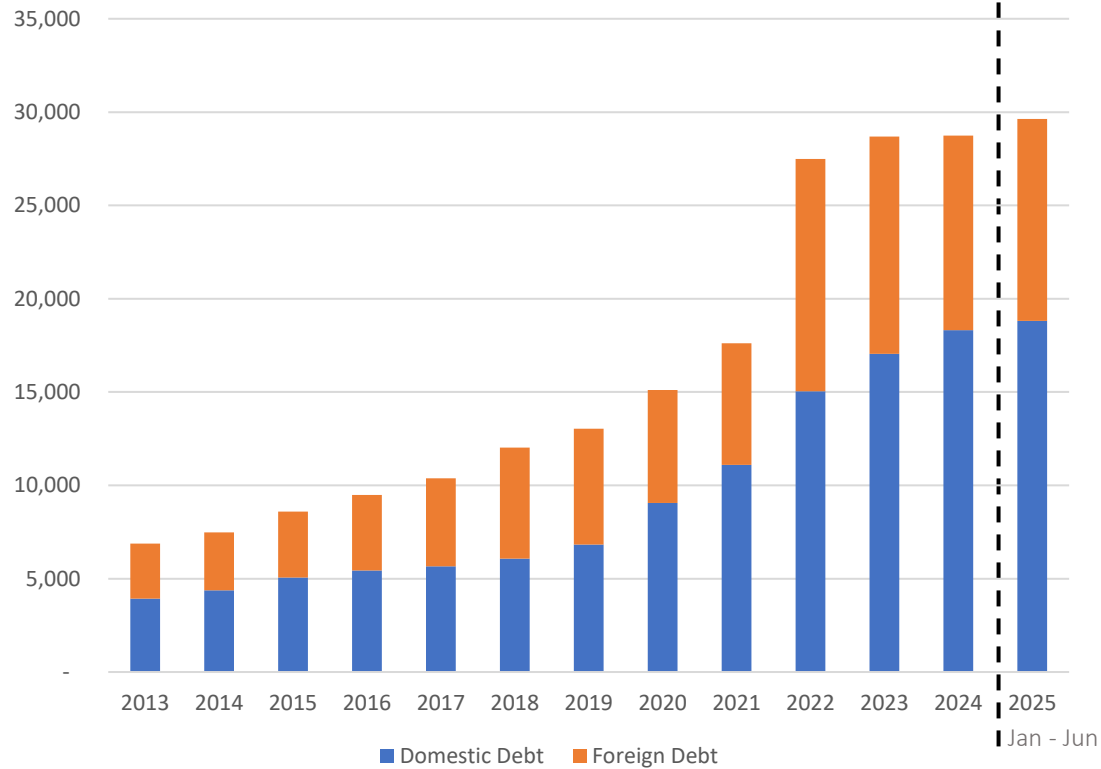


(LKR Bn)

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

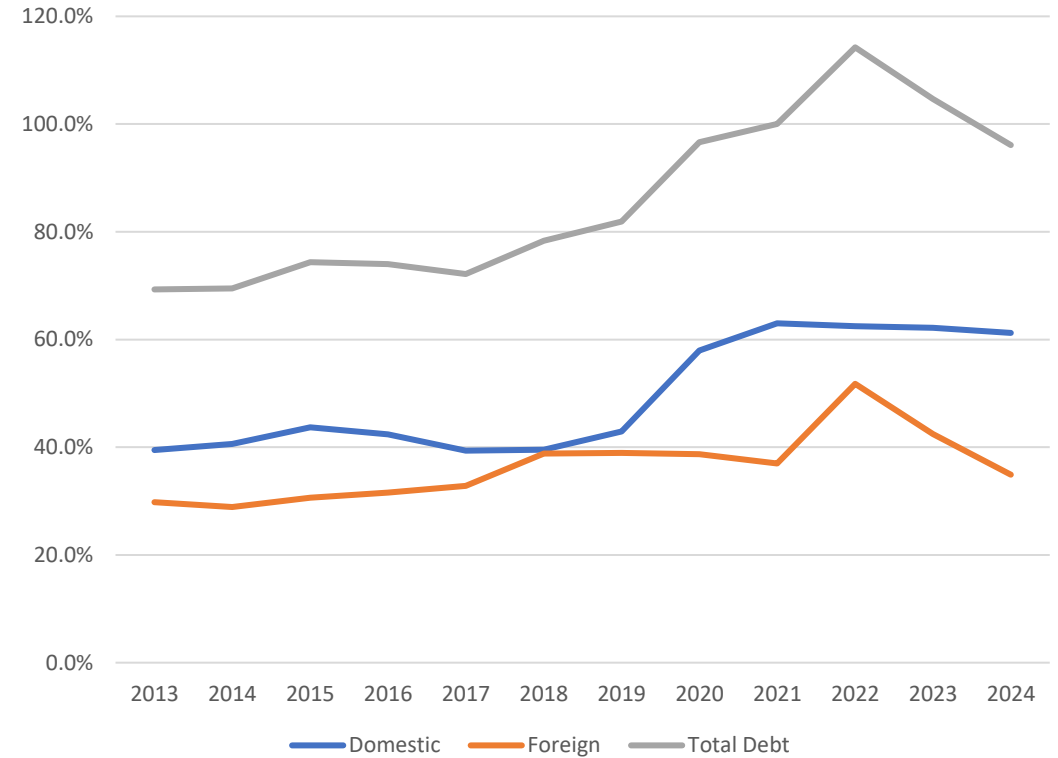
National debt

Outstanding Central Government Debt 2013 - 2025



(LKR Bn)

Debt to GDP (%)



IMF Targets

	2026	
	End - Mar Proposed Indicative Target	End - June Proposed Performance Criteria
Quantitative performance criteria		
Central government primary balance (floor, in billion rupees)	95	180
Program net official international reserves (Program NIR, floor, end of period stock, in million US\$)	593	949
Net credit to the government of the CBSL (ceiling, end of period stock, in billion rupees)	2,515	2,515
Central government tax revenue (floor, in billion rupees)	850	1,850

In a percent of GDP %	2024 (Est.)	Projections		
		2025	2026	2027
Total Revenue	13.7	15.0	15.2	15.3
Total Expenditure	19.3	20.5	19.7	19.2
Primary Balance	2.2	2.3	2.3	2.3
Public Debt	105.2	109.6	107.4	103.6



BUDGET HIGHLIGHTS | 2026

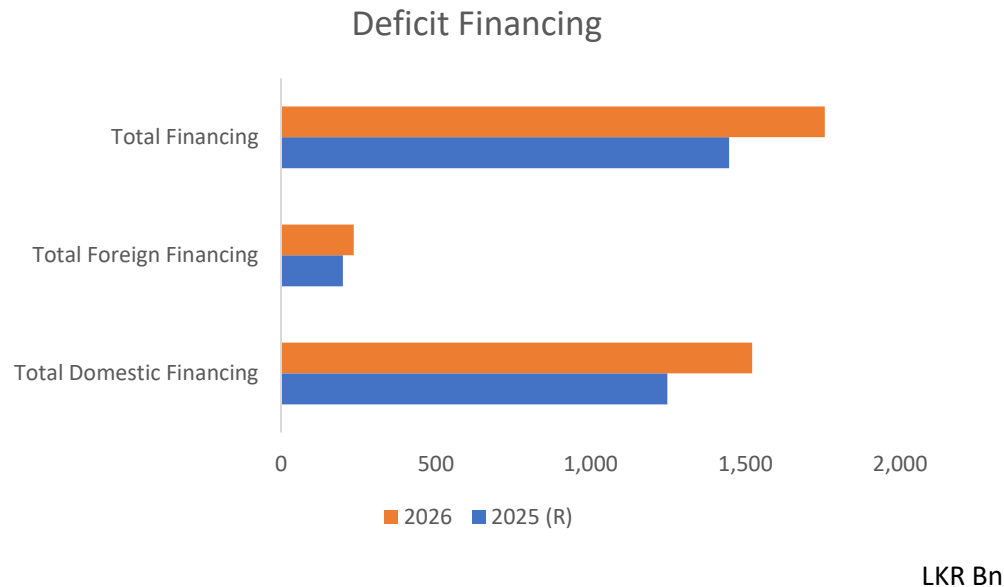


2026 Budget Summary

Total Revenue & Grants
LKR 5,300 Bn

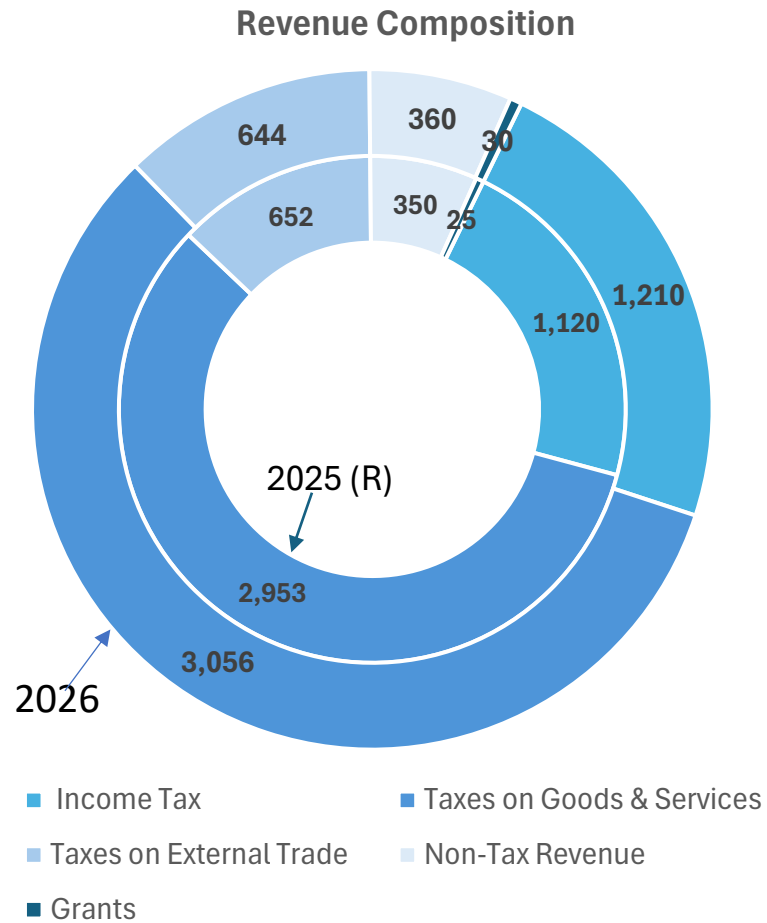
Total Expenditure and Net Lending
LKR 7,057 Bn

Budget Deficit
LKR 1,757 Bn



Source: Ministry of Finance, Budget Speech 2026

Revenue highlights

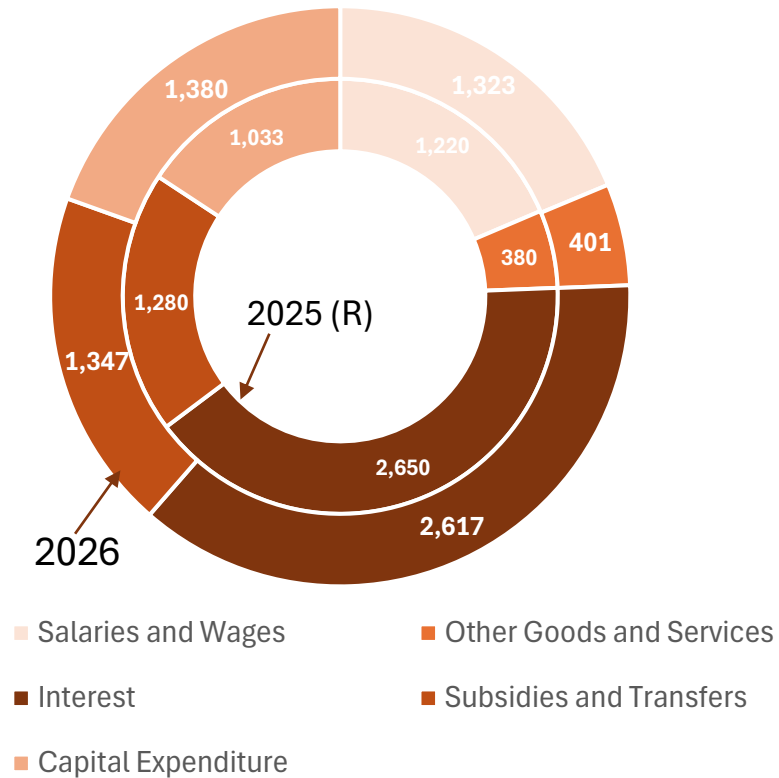


	2024	2025 Revised Budget	2026 Budget
(LKR Bn)			
Total Revenue and Grants	4,091	5,100	5,300
<i>Growth YoY (%)</i>	21%	25%	4%
Tax Revenue	3,705	4,725	4,910
<i>Growth YoY (%)</i>	36%	28%	4%
Income Tax	1,026	1,120	1,210
<i>Growth YoY (%)</i>	13%	9%	8%
Taxes on Goods & Services	2,201	2,953	3,056
<i>Growth YoY (%)</i>	57%	34%	3%
Taxes on External Trade	477	652	644
<i>Growth YoY (%)</i>	22%	37%	-1%
Non-Tax Revenue	326	350	360
Grants	60	25	30

Source: Ministry of Finance

Expenditure highlights

Recurrent and Capital Expenditure

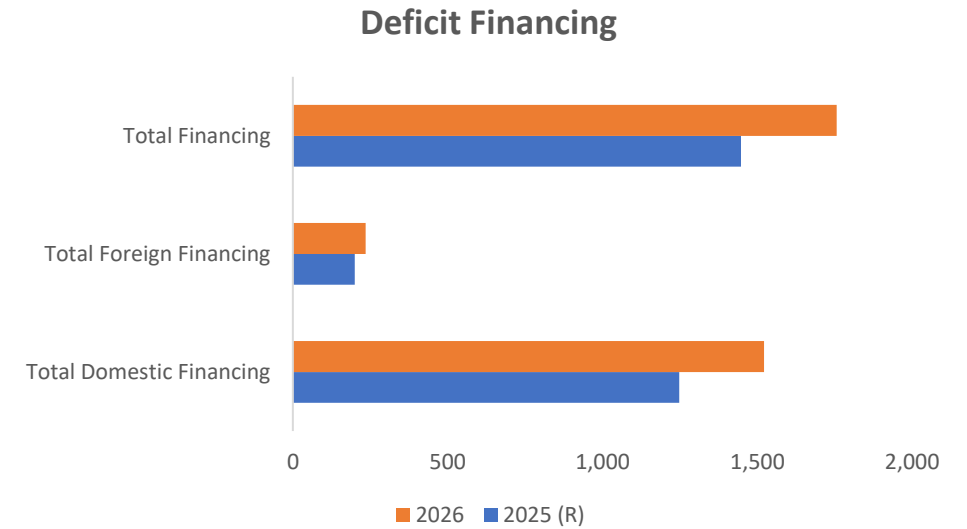


(LKR Bn)	2024	2025 Revised Budget	2026 Budget
Total Expenditure	6,131	6,548	7,057
<i>Growth YoY</i>	-43%	7%	8%
Recurrent	5,340	5,530	5,688
<i>Growth YoY</i>	13%	4%	3%
Salaries and Wages	1,066	1,220	1,323
<i>Growth YoY</i>	60%	14%	8%
Other Goods and Services	351	380	401
<i>Growth YoY</i>	-13%	8%	6%
Interest	2,690	2,650	2,617
<i>Growth YoY</i>	10%	-1%	-1%
Subsidies and Transfers	1,234	1,280	1,347
<i>Growth YoY</i>	2%	4%	5%
Capital Expenditure	817	1,033	1,380
<i>Growth YoY</i>	-12%	26%	34%

Source: Ministry of Finance

National Level Financing

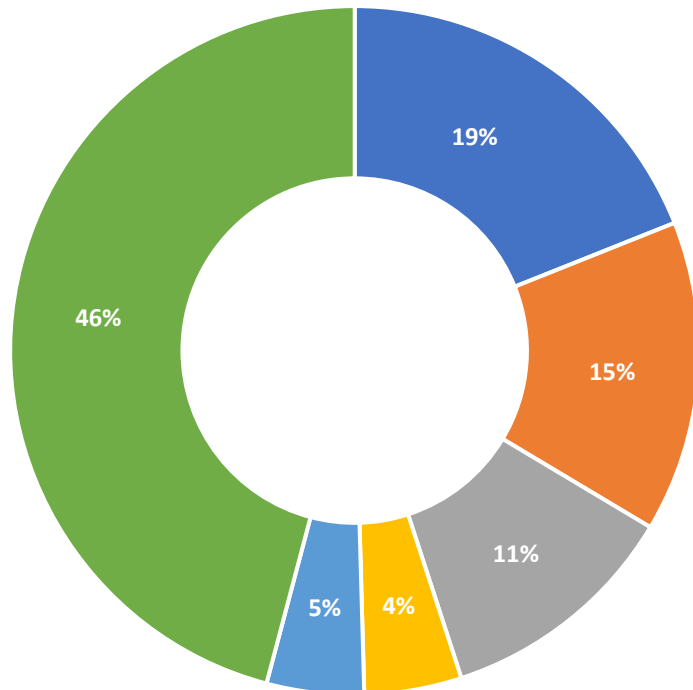
(LKR Bn)	2024	2025 Revised Budget	2026 Budget
Domestic	1,707	1,248	1,522
Non-Bank Borrowings (Net)	2,087	1,248	1,522
Bank Borrowings and Other (Net)	(381)	-	-
Foreign	333	200	235
Foreign Borrowings-Gross	3,967	650	700
Debt Repayment	(3,634)	(450)	(465)
Total Financing	2,040	1,448	1,757



Source: Ministry of Finance

Key budget allocations

Key Expenditures- 2026



	LKR Mn
Increasing the total allocation for "Praja Shakthi Program" to Rs. 25 billion, for district and divisional-level implementation	20,750
Construction of Rambukkana-Galagedara section of the Central Expressway	16,000
Providing vehicles/machineries required for Government Institutions and Provincial Councils	12,500
Settling the outstanding statutory payments of 10 State Own Enterprises within two years	5,000
Increasing the wages of Estate Workers	5,000
Other	50,250

Source: Ministry of Finance

Focal points of the budget

- **Economic Growth:** Sri Lanka achieved an economic growth rate of **4.8% in the first half of 2025**, surpassing initial projections. Growth is expected to reach **5% to 5.5% in 2026**, with a **long-term goal of exceeding 7%**.
- **Government Revenue:** Government revenue is projected to rise to **16% of GDP**, marking the **highest level since 2006**.
- **Primary Surplus:** The **primary surplus** is estimated at **2.5% of GDP**, which is the **highest in the country's history** and exceeds the **IMF target of 2.3%**.
- **Public Debt:** A significant decline in **Central Government debt** is expected, reducing from **114.2% of GDP in 2022** to **96.8% in 2026**. The **long-term target** is to bring this figure down further to **87% of GDP by 2030**.
- **Fiscal Stability and Investor Confidence:** Sri Lanka is now on a **sustainable fiscal path**, supported by **enhanced investor confidence** and **upgraded international credit ratings**.

Indicator	2025	2026 Target
Total Revenue (% of GDP)	15.9%	15.3%
Tax Revenue (% of GDP)	14.8%	14.2%
Total Expenditure (% of GDP)	20.5%	20.5%
Primary Balance (% of GDP)	3.8%	2.5%
Budget Deficit (% of GDP)	-4.5%	-5.1%

Debt sustainability focus

- **Foreign Debt Sustainability:** Sri Lanka's foreign debt payments in **2028** are considered **sustainable**, amounting to **USD 3,259 million**, which is only **USD 824 million higher than in 2025**. The government has affirmed that this increase is manageable.
- **Debt Restructuring:** As part of the **debt restructuring plan**, a portion of **International Sovereign Bonds (ISBs)** has been converted into **Governance-Linked Bonds (GLBs)**, scheduled for repayment in **2034 and 2035**.
- **Conditional Debt Relief:** Creditors have agreed to offer **interest rate relief** based on Sri Lanka's performance against **specific governance and fiscal indicators** established under the restructuring framework.
- **Revenue Targets:** The government aims to maintain **revenue above 15.3% of GDP in 2026 and 15.4% in 2027**. Achieving these targets will qualify Sri Lanka for a **0.75% reduction in the annual interest rate payable between 2028 and 2035**.
- **Annual Savings:** Meeting these fiscal targets will generate an estimated **USD 7.9 million in annual debt servicing savings**.
- **Debt Sustainability Strategy:** To ensure long-term debt stability, the government intends to keep the **gross financial requirement below 13% of GDP** and **foreign currency debt servicing below 4.5% of GDP** in the medium term.
- **Declining Debt Ratio:** With the strengthening of public finances, **public debt as a percentage of GDP is gradually declining**, reflecting progress toward sustainable fiscal management.

Medium term macro economic path

- **Macroeconomic Focus:** The government will continue to build on the progress achieved in **macroeconomic stabilization, good governance, and revenue-based fiscal consolidation.**
- **Growth Objective:** The goal is to achieve **strong, sustainable, and inclusive growth**, targeting an **economic growth rate of over 7% in the medium term.**
- **Government Revenue:** Revenue is projected to **exceed 15.3% of GDP by 2026**, with a **long-term objective of reaching 20% of GDP.**
- **Revenue Administration:** The **Inland Revenue Department** is being modernized through the implementation of **RAMIS 3.0** to enhance efficiency and transparency.
- **Tax Structure Reform:** The government aims to **adjust the direct-to-indirect tax ratio from 25:75 to 40:60**, ensuring a **more progressive and equitable tax system.**
- **Expenditure Management:** **Primary expenditure** will be maintained **within 13% of GDP**, while **public investment** will remain **at a minimum of 4% of GDP**, with priority given to **social protection and infrastructure development.**
- **Fiscal Vision:** The fiscal strategy emphasizes **stability over volatility, equity over privilege, and long-term prosperity over short-term gains.**
- **National Aspiration:** This approach is designed to **lay the foundation for a sovereign, prosperous, and equitable Sri Lanka.**

Impact on Business Sectors and Listed Companies

Budget proposal	Sector	Impact
Funds have been allocated to provide loans of up to Rs. 50 mn at concessionary interest rates for small and medium-scale entrepreneurs, the President announced.	Banking (DFCC, NDB) NBFI (LOFC, CFIN)	This measure is likely positive for banking and NBFI stocks, as concessional loan schemes can boost lending volumes and stimulate SME activity, improving credit growth and fee income. Increased SME financing may also strengthen domestic demand, indirectly benefiting consumer and manufacturing stocks
State-owned bungalows will be converted into revenue-generating ventures through Public-Private Partnerships. A total of 900 properties have been identified for this initiative.	Tourism (AHPL, AHUN, KHL) Real estate, Construction (AEL, ACL, TKYO, RCL)	This initiative is positive for real estate, construction, and tourism-related stocks, as converting state-owned bungalows into revenue-generating ventures through PPPs can attract private investment, boost property development, and expand tourism infrastructure..
All government payments will be moved to the digital sphere to promote cashless transactions. Further, digital payments will be free of service fee.	Banking (BOC, HNB) Fintech Telecom (DIAL, SLTL)	This initiative is positive for banking, fintech, and IT-related stocks, as the shift of all government payments to digital platforms will accelerate cashless transactions, expand digital payment volumes, and drive demand for financial technology solutions. Banks and payment service providers could see higher transaction activity and customer engagement, while IT firms may benefit from system integration and digital infrastructure projects, boosting overall sector growth and investor sentiment.

Impact on Business Sectors and Listed Companies

Budget proposal	Sector	Impact
The expansion project of Bandaranaike International Airport (BIA) is scheduled to begin next year	Construction, (AEL, ACL, TKYO, RCL) Tourism	The planned expansion of Bandaranaike International Airport is positive for construction, engineering, and tourism-related stocks on the CSE, as it signals upcoming infrastructure contracts, increased tourist capacity, and higher passenger inflows.
A five-year tax concession will be offered for the establishment of digital communication towers.	Telecom (DIAL, SLTL)	This proposal is positive for telecommunications and infrastructure-related stocks on the CSE, as the five-year tax concession lowers project costs and encourages network expansion.
Rs. 1,000 mn allocated for the development of domestic airports	Tourism Construction (TKYO.N/X)	The allocation of Rs. 1,000 mn for developing domestic airports is positive for construction, engineering, and tourism-related stocks on the CSE, as it indicates increased infrastructure spending and improved regional air connectivity. This can stimulate tourism, boost hotel occupancy, and create project opportunities for listed construction and material companies.
The daily wage of estate workers will be increased to Rs. 1,550 from January. In addition, the government will provide a daily attendance allowance of Rs. 200.	Plantation focusing on tea and rubber (AGPL, MASK, TPL, HAPU)	This measure is negative for plantation sector stocks on the CSE, as the sharp increase in estate worker wages and attendance allowances will raise production costs, particularly in tea and rubber companies, potentially squeezing profit margins. However, higher rural incomes could marginally support consumer and retail sector stocks through improved purchasing power, though the overall near-term market impact is likely negative for plantation companies.

Impact on Business Sectors and Listed Companies

Budget proposal	Sector	Impact
Rs. 2 bn allocated from the SLBFE to introduce housing loan schemes at concessional interest rates for migrant workers. A contributory pension scheme will also be introduced for such workers.	Banking (HDFC, HNB, COMB, NDB, DFCC) NBFIs Construction (AEL, ACL, RCL, TKYO)	This proposal is positive for banking, NBFIs, and construction-related stocks on the CSE, as concessional housing loans for migrant workers will stimulate credit growth and housing demand, benefiting financial institutions and building material companies. The introduction of a pension scheme enhances financial inclusion and long-term savings, which could increase deposit inflows to banks and NBFIs, improving liquidity and supporting earnings in the financial sector.
Rs. 24,000 mn allocated for rural road development and Rs. 2,500 mn for rural bridge development. For overall road development in the year 2026, Rs. 342 bn has been allocated.	Construction (AEL, ACL, SIRA) Engineering Building Material	This is highly positive for construction, engineering, and building material stocks, as the large-scale allocation for rural and national road and bridge development will drive new infrastructure projects and contract opportunities.
Rs. 2500 mn was allocated to create the National Single-Window (NSW) framework for trade.	IT	Boost the demand for IT infrastructure and digital integration services, strengthening investor sentiment and technology-linked sectors

Impact on Business Sectors and Listed Companies

Budget proposal	Sector	Impact
Rs. 1,000 mn has been allocated for the development of services related to investment zones.	Construction (AEL, ACL, RCL, TKYO)	It can attract new investors to these zones, boosting demand for construction materials and services, and enhancing growth prospects for listed firms linked to industrial development and infrastructure.
Rs. 800 mn is proposed to be allocated to establish a sustainable Agricultural Loan Fund.	Banking, NBF Agriculture (CIC, AGST, DIMO)	This proposal is positive for agricultural, banking, and NBF stocks on the CSE, as the creation of a Sustainable Agricultural Loan Fund will improve credit access for farmers, enhancing productivity and rural income. Financial institutions could benefit from increased lending activity, while agri-input and plantation-related companies may see stronger demand and supporting earnings growth.
Broadband voucher will be provided to children from Aswesuma beneficiary households and low-income families, with access limited to approved educational websites.	Telecom (DIAL, SLTL), IT	This initiative is positive for telecom and IT-related stocks on the CSE, as broadband vouchers for low-income students will expand internet usage and data demand, boosting revenue for telecom operators and digital service providers
Rs. 2,500 mn has been allocated to implement a program to increase productivity and exports in the coconut sector by supporting small-scale growers with less than five acres.	Agriculture (RAL.N)	It can benefit listed coconut-based product manufacturers and exporters through improved input availability and competitiveness, supporting revenue growth and investor optimism in the agricultural export sector.

Budget proposal	Sector	Impact
Total Allocation for Irrigation is Rs. 91,700 mn to boost agriculture, regional development, and job creation by resuming suspended projects.	Construction	This allocation is strongly positive for construction, building material, and agricultural stocks on the CSE, as restarting irrigation projects will drive demand for construction services, cement, and engineering inputs while enhancing agricultural productivity and rural income.
For 2026, Rs. 342 bn has been allocated for overall road development including Rs. 66,150 million for the construction of the Kadawatha–Mirigama section (Phase I) of the Central Expressway and Rs. 1,500 mn has been allocated for ongoing land acquisition for the Kahathuduwa–Ingiriya section of the Ruwanpura Expressway	Construction, Engineering (AEL.N) Building Material	This is highly positive for construction, engineering, and building material stocks on the CSE, as major allocations for expressway and road projects will generate large-scale infrastructure contracts and sustained demand for cement, steel, and related inputs.
The distress loan limit for public servants will increase from Rs. 250,000 to Rs. 400,000 at a 4.2% interest rate, with Rs. 10,000 million allocated.	Banking, NFI, Consumer Goods (HHL.N, CCS.N, CARG.N)	This measure is positive for banking, NFI, and consumer sector stocks on the CSE, as the higher distress loan limit for public servants will boost credit demand and household liquidity, leading to increased spending on consumer goods and services.
Customs Import Duty rates will be revised to 0%, 10%, 20%, and 30% under the National Tariff Policy, with a phased plan to gradually eliminate para-tariffs while minimizing revenue loss.	Consumer Goods (SINS, ABAN)	Consumer goods companies may benefit from lower prices and higher demand, while trade and logistics firms gain from increased import activity. However, some domestic producers facing greater import competition could experience margin pressure.

Budget proposal	Sector	Impact
The Social Security Contribution Levy on vehicle sales will be collected at the point of import, manufacture, or initial sale, and exempted from after-sales.	Automobile (DIMO.N, ASHO.N, AUTO.N, UML.N)	It will improve cash flow and reduce compliance costs for vehicle dealers and distributors, slightly enhancing operating efficiency and supporting sentiment in the automotive trade sector. However, Importers and distributors will now bear the SSCL at the import or initial sale stage, tightening short-term cash flows.
CESS on imported fabric will be removed, and VAT will be imposed to align with the treatment of locally manufactured fabric	Apparel (TJL.N, MGT.N, HELA.N)	This policy is positive for apparel and textile sector stocks on the CSE, as removing the CESS on imported fabric lowers input costs for garment manufacturers, improving competitiveness and export margins. Aligning tax treatment through VAT ensures a level playing field between imported and locally produced fabric.
The government proposed to reduce the annual turnover threshold for VAT and Social Security Contribution Levy registration from Rs. 60 million to Rs. 36 million, effective April 1, 2026.	Consumer goods (HHL, RICH)	This measure is slightly negative for SME-focused and consumer-driven sectors on the CSE, as lowering the VAT and SSCL registration threshold will expand the tax net to smaller businesses, increasing their compliance costs and potentially raising prices.
Proposed to remove the Special Commodity Levy on imported coconut oil and palm oil and apply the general tax structure	Plantation, consumer goods (HHL, RICH)	This measure is negative for plantation and edible oil manufacturing stocks on the CSE, as removing the Special Commodity Levy on imported coconut and palm oil could increase competition from cheaper imports, pressuring local producers' margins. However, it may benefit consumer goods companies that use these oils as inputs by lowering production costs, supporting profitability in the FMCG sector and moderating retail prices.

AMBEON SECURITIES (PVT) LIMITED

No: 100/1, 2nd Floor
 Elvitigala Mawatha,
 Colombo 08,
 Sri Lanka.
 T: +94 11 532 8 100
 F: +94 11 532 8 177
 E: research@ambeonsecurities.lk
 W: www.ambeonsecurities.lk



Sales Team

Charith Kamaladasa
 Niranjana Niles
 Romesh Priyadarshana
 Subeeth Perera
 Chinthaka Weeraratna
 Pasindu Yatawara
 Thushan Perera

Dilusha Gamage

Research Team

Hansinee Beddage
 Buddhi Akalanka
 Kavindu Horadugoda

Director/CEO
 Executive Director
 Vice President
 Vice President
 Manager Investment Advisory
 Manager Investment Advisory
 Senior Investment Advisor

AGM - Business Development &
 Corporate Communication

Senior Manager – Investment Research
 Investment Research Analyst
 Investment Research Analyst

charithk@ambeonsecurities.lk 077 321 3344
niles@ambeonsecurities.lk 077 383 2597
romeshp@ambeonsecurities.lk 077 254 8795
subeeth@ambeonsecurities.lk 071 404 2683
chinthaka@ambeonsecurities.lk 077 528 6885
pasindu@ambeonsecurities.lk 077 930 4624
thushan@ambeonsecurities.lk 077 361 8745

dilusha@ambeonsecurities.lk 077 899 3267

hansinee@ambeonsecurities.lk
buddhi@ambeonsecurities.lk
kavindu@ambeonsecurities.lk

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