

COUNTRY PROFILE REPORT OF ITJ DIVISION, DGCI&S INDIA-SRI LANKA BILATERAL TRADE RELATIONS

INTRODUCTION & BRIEF ECONOMIC OVERVIEW

The Democratic Socialist Republic of Sri Lanka lies in southern Asia. It comprises one large island and several much smaller ones, situated in the Indian Ocean, about 80 km (50 miles) east of the southern tip of India. Sri Lanka is a member of the UN, WTO, the Commonwealth, the Asian Development Bank, SAARC, IOM and the Colombo Plan.

2. According to the International Monetary Fund, Sri Lanka's GDP in terms of purchasing power parity is the second highest in the South Asian region in terms of per capita income. In the 19th and 20th centuries, Sri Lanka became a plantation economy famous for its production and export of cinnamon, rubber, and Ceylon tea, which remains a trademark national export. As per IMF Executive Board Concludes 2024 Article IV Consultation with Sri Lanka and Completes the Second Review Under the Extended Fund Facility June 12, 2024, "Sri Lanka's performance under its Fund-supported program remains strong. All quantitative targets were met, except for the marginal shortfall of indicative target on social spending. Most structural benchmarks were either met or implemented with delay. Reforms and policy adjustment are bearing fruit. The economy is starting to recover, inflation remains low, revenue collection is improving, and reserves continue to accumulate. Despite these positive developments, the economy is still vulnerable and the path to debt sustainability remains knife-edged. Important vulnerabilities associated with the ongoing debt restructuring, revenue mobilization, reserve accumulation, and banks' ability to support the recovery continue to cloud the outlook. Strong reform efforts, adequate safeguards, and contingency planning help mitigate these risks".

A snapshot of Sri Lanka's select economic indicators is as under.

Sri Lanka: Selected Economic Indicators 2021–2029

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Prel.	Projections					
GDP and inflation (in percent)									
Real GDP	4.2	-7.3	-2.3	2.0	2.7	3.0	3.1	3.1	3.1
Inflation (average) 1/	6.0	45.2	17.4	7.0	5.8	5.4	5.2	5.1	5.0
Inflation (end-of-period) 1/	12.1	54.5	4.0	6.9	5.5	5.4	5.2	5.1	5.0
GDP Deflator growth	8.0	47.5	17.5	9.8	6.9	5.4	5.2	5.1	5.0
Nominal GDP growth	12.6	36.6	14.8	11.9	9.8	8.5	8.5	8.3	8.3
Savings and investment (in percent of GDP)									
National savings	33.0	27.6	33.9	32.5	31.0	31.3	31.9	31.8	31.8
Government	-7.3	-6.4	-6.0	-3.4	-1.0	-0.1	0.3	0.7	0.7
Private	40.4	34.0	39.9	35.9	31.9	31.4	31.6	31.1	31.0
National investment	36.7	28.6	30.8	32.1	32.1	32.4	32.8	32.7	32.6
Government	7.4	5.5	3.7	5.0	5.1	5.2	5.1	5.2	5.2
Private	29.4	23.1	27.1	27.1	27.0	27.3	27.7	27.5	27.4

Savings-Investment balance	-3.7	-1.0	3.1	0.5	-1.1	-1.2	-0.9	-0.9	-0.8
Government	-14.7	-11.9	-9.6	-8.4	-6.0	-5.3	-4.8	-4.5	-4.4
Private	11.0	10.9	12.8	8.8	4.9	4.1	3.9	3.6	3.6
Public finance (in percent of GDP)									
Revenue and grants	8.3	8.4	11.1	13.6	15.1	15.3	15.4	15.4	15.4
Expenditure	20.0	18.6	19.4	20.9	20.3	19.9	19.5	19.2	19.2
Primary balance	-5.7	-3.7	0.6	1.0	2.3	2.3	2.3	2.3	2.3
Central government balance	-11.7	-10.2	-8.3	-7.3	-5.2	-4.6	-4.1	-3.8	-3.8
Central government gross financing needs	31.0	34.1	27.8	24.9	23.7	20.5	16.6	13.1	11.9
Central government debt	102.7	115.9	109.8	108.8	108.4	108.3	106.6	103.2	100.1
Public debt	114.8	126.3	115.7	114.2	113.1	112.5	110.2	106.5	103.1
Money and credit (percent change, end of period)									
Reserve money	35.4	3.3	-1.5	18.8	11.0	8.5	8.5	8.3	8.3
Broad money	13.2	15.5	7.3	14.9	10.4	8.5	8.5	8.3	8.3
Domestic credit	19.5	18.8	-1.2	9.3	3.6	2.5	2.3	2.4	6.7
Credit to private sector	13.1	6.4	-0.8	7.2	9.2	9.3	9.5	9.4	9.3
Credit to private sector (adjusted for inflation)	7.2	-38.8	-18.2	0.2	3.4	4.0	4.3	4.3	4.3
Credit to central government and public corporations	26.5	31.1	-1.6	11.0	-0.9	-3.4	-4.7	-5.5	3.2
Balance of Payments (in millions of U.S. dollars)									
Exports	12,499	13,106	11,911	12,913	13,624	14,261	14,903	15,591	16,384
Imports	-20,638	-18,291	-16,811	-20,059	-22,565	-23,706	-24,362	-25,255	-26,363
Current account balance	-3,285	-744	2,644	412	-926	-1,031	-804	-819	-840
Current account balance (in percent of GDP)	-3.7	-1.0	3.1	0.5	-1.1	-1.2	-0.9	-0.9	-0.8
Current account balance net of interest (in percent of GDP)	-2.1	0.1	4.3	2.8	1.3	1.1	1.5	1.6	1.5
Export value growth (percent)	24.4	4.9	-9.1	8.4	5.5	4.7	4.5	4.6	5.1
Import value growth (percent)	28.5	-11.4	-8.1	19.3	12.5	5.1	2.8	3.7	4.4

Gross official reserves (end of period)									
In millions of U.S. dollars	3,139	1,898	4,387	5,605	7,174	9,262	13,466	15,105	15,286
In months of prospective imports of goods & services	2.0	1.2	2.4	2.7	3.3	4.1	5.8	6.2	6.3
In percent of ARA composite metric	24.7	16.3	37.8	47.9	58.6	73.1	100.2	108.7	108.5
Usable Gross official reserves (end of period)									
In millions of U.S. dollars	1,565	462	2,951	4,169	7,174	9,262	13,466	15,105	15,286
In months of prospective imports of goods & services	1.0	0.3	1.6	2.0	3.3	4.1	5.8	6.2	6.3
In percent of ARA composite metric	12.3	4.0	25.4	35.6	58.6	73.1	100.2	108.7	108.5
External debt (public and private)									
In billions of U.S. dollars	58.4	57.4	52.7	53.6	55.6	58.0	62.3	64.0	65.8
As a percent of GDP	65.9	77.0	62.5	61.1	64.4	65.7	68.5	67.2	65.0
Memorandum items:									
Nominal GDP (in billions of rupees)	17,612	24,064	27,630	30,917	33,958	36,839	39,959	43,287	46,869
Exchange Rate (period average)	198.8	322.6	327.5	...	...	...	...	...	...
Exchange Rate (end of period)	200.4	363.1	323.9	...	...	...	...	...	...
Sources: Data provided by the Sri Lankan authorities; and IMF staff estimates.									
1/ Colombo CPI.									

Sources: IMF Executive Board Concludes 2024 Article IV Consultation with Sri Lanka and Completes the Second Review Under the Extended Fund Facility June 12, 2024.

FOREIGN TRADE

3. As per recent available inputs on WITS (World Integrated Trade Solution), the five major merchandise export partners of Sri Lanka are United States, United Kingdom, India, Germany and Italy. On the other hand five major import partners of Sri Lanka are China, India, United Arab Emirates, Malaysia and Singapore. Major four exported goods of Sri Lanka are (i) Black tea (fermented) and partly fermented tea, (ii) Brassieres, (iii) Solid... tyres, interchangeable tyre treads and (iv) Gloves, impregnated... with plastics or rubber. On the other hand major five imported goods of Sri Lanka are (i) Petroleum oils, etc, (excl. crude); preparation; Petroleum oils, etc, (excl. crude); preparation (ii) Transmission apparatus, for radioteleph incorpo, (iii) Semi-fin prod,i/nas,rect/sq cross-sect cntg by and (iv) Petroleum oils and oils obtained from bituminous.

4. Sri Lanka's total exports globally in 2019 were of the order of US\$ 11,974 million. It had scaled up to US\$ 12,052 million in 2023. Exports from Sri Lanka had steeply increased by 24.51% in the year 2021 just

after the initial serious impact of Covid-19 pandemic. During the period from 2019 to 2023, the annual average compound rate of growth of exports was 0.16%.

5. Sri Lanka's total imports from the world in 2019 were of the order of US\$ 19,474 million and had touched US\$ 16,386 million mark in 2023. During the period from 2019 to 2023, the annual average compound rate of growth of imports was -4.22%.

6. Sri Lanka faced an overall Balance of Trade deficit from 2019 to 2023. Sri Lanka had a trade deficit of USD 31,448 million in 2019 to USD 28,438 million in 2023. During the period from 2019 to 2023, the annual average compound rate of growth of total volume of trade was -2.48%.

A snapshot of Sri Lanka's overall Trade Statistics is presented in Table 2 and Figure 1 below.

A snapshot of India's merchandise trade statistics w.r.t. Sri Lanka is presented in Table 3 Figure 2.

BILATERAL TRADE WITH INDIA

Merchandise Trade

7. Sri Lanka has traditionally been one of India's most important trading partners in the Asia continent. India has traditionally been among Sri Lanka's largest trade partners and Sri Lanka remains among the largest trade partners of India in the SAARC. India was Sri Lanka's largest trading partner with an overall bilateral merchandise trade of US\$ 5.45 billion in 2021. Sri Lanka ranked 31st as an export destination of India in FY 2023-24. India had exported to Sri Lanka almost 0.94% of its total export value in FY 2023-24. In the same financial year imports from Sri Lanka was 0.21% of India's total import value. Almost 0.49% of India's total international trade value of goods was between India and Sri Lanka as has been recorded in DGCI&S data base for FY 2023-24.

8. Indo-Sri Lanka total volume of bilateral trade in FY 2019-20 was of the order of US\$ 4,704.60 million. It had scaled to US\$ 5,542.08 million in FY 2023-24. The annual compound growth rate of total volume comprising both exports and imports during the period from 2019-20 to 2023-24 had been of the order of 4.18%.

9. It is seen from the available figures that between 2018-19 and 2023-24, India has had a surplus Balance of Trade with Sri Lanka. It has been observed that exports from India to Sri Lanka increased by 65.86% in FY2021-22. The annual average compound rate of growth of Exports was 2.02% during the period under review. On the other hand, imports from Sri Lanka to India increased steeply by 57.09% in FY 2021-22. During the period from 2019-20 to 2023-24, the annual average compound rate of growth of imports was 12.04%.

10. Additionally, from Tables 4 & 5 presented below the following are stated:

a. (i) **Petroleum Products** (ii) **Ship, Boat and Floating Structures** and (iii) **Cotton Fabrics, Made-up Etc.** had occupied the top three slots in India's exports to Sri Lanka in FY 2023-24. **Petroleum Products** had occupied 17.04% share of India's total exports to Sri Lanka in FY2023-24.

b. (i) **Ship, Boat And Floating Structures** (ii) **Aircraft, Spacecraft And Structures** and (iii) **Spices** were the three major commodities in India's imports list from Sri Lanka in the year 2023-24, India had imported a significant amount of **Ship, Boat And Floating Structures** from Sri Lanka with a share of 30.61% of total imports from Sri Lanka recorded in 2023-24.

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TABLE - 2
SRI LANKA'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE AND BALANCE OF TRADE
BETWEEN 2019 - 2023

(Figures in USD Million)

Year	Exports	Percentage Growth in Exports	Imports	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2019	11974		19474		31,448		-7500
2020	10707	-10.58	15607	-19.86	26,314	-16.33	-4900
2021	13331	24.51	21502	37.77	34,833	32.37	-8171
2022	13592	1.96	17560	-18.33	31,152	-10.57	-3968
2023	12052	-11.33	16386	-6.69	28,438	-8.71	-4334

Annual Growth Rate	Compound	0.16	-4.22	-2.48
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NOTE: Figures relate to calendar year (January to December)

SOURCE: UN COMTRADE PUBLICATION

Figure - 1

Sri Lanka's Exports, Imports and BoT 2019-2023

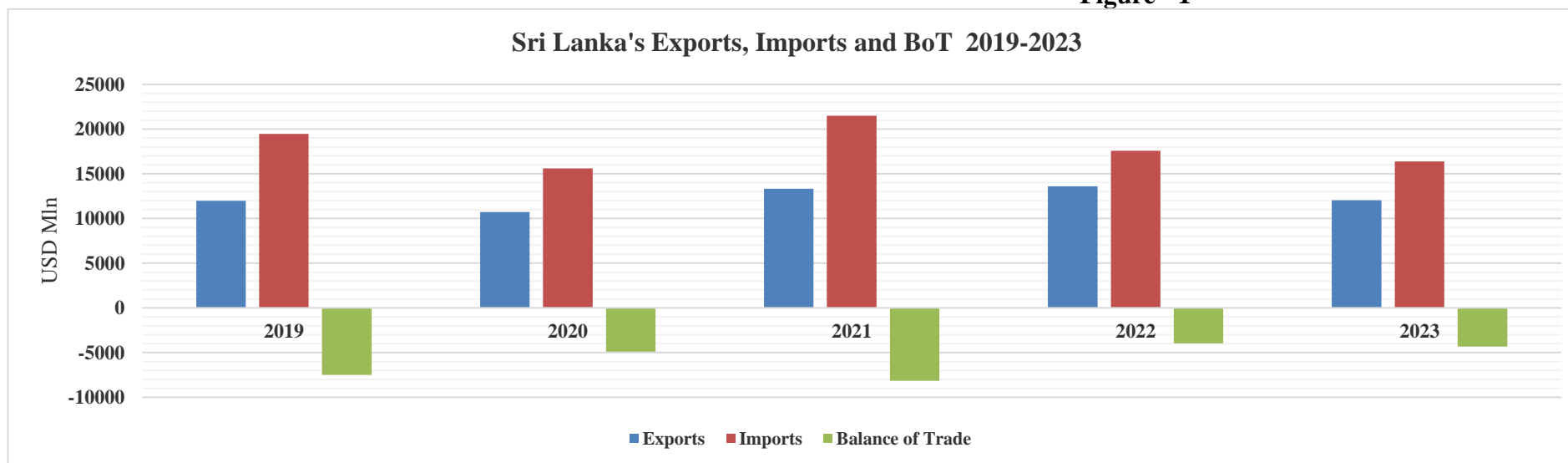


TABLE - 3
INDIA'S MERCHANDISE EXPORTS & IMPORTS w.r.t. SRI LANKA
FY 2019-2020 to 2023-2024

(Value in USD Million)

Year	Exports from India to Sri Lanka	Percentage Growth in Exports	Imports from Sri Lanka to India	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2019-20	3800.91		903.69		4704.60		2897.22
2020-21	3498.30	-7.96	642.94	-28.85	4141.24	-11.97	2855.36
2021-22	5802.18	65.86	1009.99	57.09	6812.17	64.50	4792.19
2022-23	5111.48	-11.90	1078.16	6.75	6189.64	-9.14	4033.32
2023-24	4117.83	-19.44	1424.25	32.10	5542.08	-10.46	2693.58

Annual Growth Rate

Compound

2.02

12.04

4.18

NOTE: Figures relate to Financial Year (April to March)

SOURCE: DGCI&S, M/o C&I

Figure 2

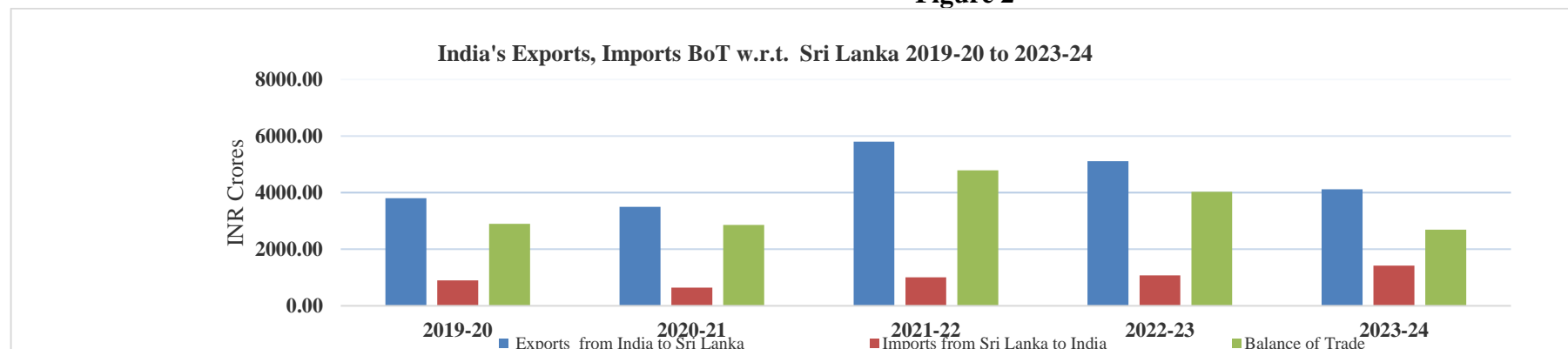


TABLE -4
INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORTS TO SRILANKA
2019-2020 TO 2023-2024 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2019-20	2020-21	2021-22	2022-23	2023-24	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23
1	Petroleum Products	552.39	511.71	1412.75	1780.76	701.77	-7.36	176.08	26.05	-60.59
	Share in total export	14.53	14.63	24.35	34.84	17.04				
2	Ship, Boat and Floating Structures	228.69	269.88	485.90	436.15	465.70	18.01	80.04	-10.24	6.78
	Share in total export	6.02	7.71	8.37	8.53	11.31				
3	Cotton Fabrics, Madeups Etc.	262.78	240.72	365.44	328.45	318.57	-8.39	51.81	-10.12	-3.01
	Share in total export	6.91	6.88	6.30	6.43	7.74				
4	Drug Formulations Biologicals	193.87	239.68	207.06	214.42	251.24	23.63	-13.61	3.55	17.17
	Share in total export	5.10	6.85	3.57	4.19	6.10				
5	Sugar	154.06	245.00	173.90	275.43	248.64	59.03	-29.02	58.38	-9.73
	Share in total export	4.05	7.00	3.00	5.39	6.04				
6	Paper, Paper Board, And Products	117.09	105.35	156.25	151.93	130.32	-10.03	48.32	-2.76	-14.22
	Share in total export	3.08	3.01	2.69	2.97	3.16				
7	Spices	107.27	112.20	112.01	114.12	116.50	4.60	-0.17	1.88	2.09
	Share in total export	2.82	3.21	1.93	2.23	2.83				
8	Manmade Yarn, Fabrics, Madeups	97.19	77.30	120.93	102.56	107.73	-20.47	56.44	-15.19	5.04
	Share in total export	2.56	2.21	2.08	2.01	2.62				
9	Other Txtl. Febric Madeups Rtitle	128.34	103.58	172.92	138.04	104.88	-19.29	66.94	-20.17	-24.02
	Share in total export	3.38	2.96	2.98	2.70	2.55				
10	Cotton Yarn	75.53	78.18	114.18	97.10	96.89	3.51	46.05	-14.96	-0.22
	Share in total export	1.99	2.23	1.97	1.90	2.35				
	Total export to SRILANKA	3800.91	3498.30	5802.18	5111.48	4117.83	-7.96	65.86	-11.90	-19.44

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I

TABLE -5
INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORTS FROM SRILANKA
2019-2020 TO 2023-2024 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2019-20	2020-21	2021-22	2022-23	2023-24	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23
1	Ship, Boat And Floating Structures	191.28	27.43	139.61	70.05	435.93	-85.66	408.97	-49.82	522.31
	Share in total imports	21.17	4.27	13.82	6.50	30.61				
2	Aircraft, Spacecraft And Structures	0.01	0.03	0.20	0.08	160.24	200.00	566.67	-60.00	200200.00
	Share in total imports	0.00	0.00	0.02	0.01	11.25				
3	Spices	68.18	90.17	140.51	108.58	110.58	32.25	55.83	-22.72	1.84
	Share in total imports.	7.54	14.02	13.91	10.07	7.76				
4	Fresh Fruits	61.69	50.48	56.15	71.02	84.82	-18.17	11.23	26.48	19.43
	Share in total import	6.83	7.85	5.56	6.59	5.96				
5	Misc. Processed Items	20.77	10.41	19.40	36.85	57.61	-49.88	86.36	89.95	56.34
	Share in total import	2.30	1.62	1.92	3.42	4.04				
6	Pearl, Precs. Semi Precs Stones	8.26	6.13	11.73	32.02	45.85	-25.79	91.35	172.98	43.19
	Share in total import	0.91	0.95	1.16	2.97	3.22				
7	Paper, Paper Board And Products	40.97	34.45	57.95	49.29	32.19	-15.91	68.21	-14.94	-34.69
	Share in total import	4.53	5.36	5.74	4.57	2.26				
8	RMG Cotton Incl. Accessories	24.42	10.98	19.72	28.95	29.31	-55.04	79.60	46.81	1.24
	Share in total import	2.70	1.71	1.95	2.69	2.06				
9	Electric Machinery And Equipments	19.22	18.85	21.08	32.43	28.02	-1.93	11.83	53.84	-13.60
	Share in total import	2.13	2.93	2.09	3.01	1.97				
10	Other Textl Yrn. Fabrics MDUP Artel	36.15	24.77	42.74	37.56	34.10	-31.48	72.55	-12.12	-9.21
	Share in total import	4.00	3.85	4.23	3.48	2.39				
	Total import from SRILANKA	903.69	642.94	1009.99	1078.16	1424.25	-28.85	57.09	6.75	32.10

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I