

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

### INTRODUCTION & BRIEF ECONOMIC OVERVIEW

1. Sri Lanka, officially the Democratic Socialist Republic of Sri Lanka, lies in Southern Asia. It lies in the Indian Ocean, southwest of the Bay of Bengal, separated from the Indian peninsula by the Gulf of Mannar and the Palk Strait. It shares a maritime border with the Maldives in the southwest and India in the northwest. Sri Lanka is a member of the UN, WTO, the Commonwealth, the Asian Development Bank, SAARC, IOM and the Colombo Plan.

2. Sri Lanka is mainly an agricultural country. The chief crop is rice with which the country is almost self sufficient. Tea, rubber and coconut are also important agricultural crops, with tea being a major foreign exchange earner. In addition, other crops of importance are cocoa and spices such as cinnamon, cardamom, nutmeg, pepper and cloves. Fruit and vegetables, native to both tropical and temperate regions, grow well in Sri Lanka. Sri Lanka is also a major exporter of precious and semi-precious stones. Within the last few years remittances from Sri Lankans employed abroad have contributed a large share towards foreign exchange. 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 Review Under the Extended Fund Facility Arrangement with Sri Lanka February 28, 2025, “Reforms in Sri Lanka are bearing fruit and the economic recovery has been remarkable. Inflation remains low, revenue collection is improving, and reserves continue to accumulate. Economic growth averaged 4.3 percent since growth resumed in the third quarter of 2023. By end-2024, Sri Lanka’s real GDP is estimated to have recovered 40 percent of its loss incurred between 2018 and 2023. The recovery is expected to continue in 2025. As the economy is still vulnerable, it is critical to sustain the reform momentum to ensure macroeconomic stability and debt sustainability, and promote long-term inclusive growth. There is no room for policy errors.

**A snapshot of Sri Lanka’s select economic indicators 2022-2030 is as under**

**TABLE – 1**

	2022	2023 Act.	2024 Proj.	2025	2026	2027	2028	2029	2030
	Projections								
GDP and inflation (in percent)									
Real GDP	-7.3	-2.3	4.5	3	3	3.1	3.1	3.1	3.1
Inflation (average) 1/	45.2	17.4	1.2	3.8	5.4	5.2	5	5	5
Inflation (end-of-period) 1/	58.6	3	-1.5	7.8	5.4	5.2	5	5	5
GDP Deflator growth	47.5	17.5	3.5	4.9	5.5	5.3	5.2	5.1	5
Nominal GDP growth	36.6	14.8	8.2	8.1	8.7	8.5	8.5	8.4	8.3
Savings and investment (in percent of GDP)									
National savings	27.6	33.8	34	31.7	31.9	32.1	31.9	31.7	31.7
Government	-6.4	-6	-3.2	-1.8	-0.7	0	0.1	0.3	0.5
Private	34	39.8	37.2	33.5	32.6	32.1	31.7	31.4	31.2
National investment	28.6	30.8	32.1	32.2	32.5	32.9	32.7	32.6	32.5
Government	5.5	3.7	3.6	4.4	4.6	4.7	4.6	4.6	4.6
Private	23.1	27.1	28.5	27.7	27.9	28.2	28.1	28	28
Savings-Investment balance	-1	3.1	1.8	-0.4	-0.6	-0.8	-0.9	-0.9	-0.8

Government	-11.9	-9.6	-6.8	-6.2	-5.3	-4.7	-4.5	-4.3	-4.1
Private	10.9	12.7	8.6	5.8	4.7	3.9	3.6	3.4	3.2
Public finance (in percent of GDP)									
Revenue and grants	8.4	11.1	13.7	15.1	15.3	15.3	15.2	15.3	15.3
Expenditure	18.6	19.4	19.3	20.4	19.8	19.2	19.1	19	18.8
Primary balance	-3.7	0.6	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Central government balance	-10.2	-8.3	-5.6	-5.4	-4.6	-4	-3.8	-3.7	-3.5
Central government gross financing needs	34.1	27.6	22.1	22.8	19.7	15.7	13.2	11.8	11.6
Central government debt	115.9	109.5	99.5	105.7	106.4	103.5	100.2	97	93.9
Public debt 2/	126.3	115.8	104.6	110.7	110.9	107.4	103.7	100.1	96.8
Money and credit (percent change, end of period)									
Reserve money	3.3	-1.5	10.3	9.7	8.7	8.5	8.5	8.4	8.3
Broad money	15.5	7.3	10	9.7	8.7	8.5	8.5	8.4	8.3
Domestic credit	18.8	-1.2	6.1	3.3	2.8	3.3	4	4.3	4.9
Credit to private sector	6.4	-0.8	7.9	7.5	9.5	9.5	9.4	9.4	9.4
Credit to private sector (adjusted for inflation)	-38.8	-18.2	6.6	3.7	4.1	4.3	4.3	4.3	4.3
Credit to central government and public corporations	31.1	-1.6	4.7	-0.1	-3.1	-2.9	-2.2	-2.2	-1.5
Balance of Payments (in millions of U.S. dollars)									
Exports	13107	11911	12772	13446	14090	14795	15638	16397	17192
Imports	-18291	-16811	-18841	21718	-22668	23410	-24105	25109	26026
Current account balance	-737	2582	1824	-409	-538	-751	-864	-952	-922
Current account balance (in percent of GDP)	-1	3.1	1.8	-0.4	-0.6	-0.8	-0.9	-0.9	-0.8
Current account balance net of interest (in percent of GDP)	0.1	4.2	3.8	1.7	1.6	1.5	1.5	1.3	1.3
Export value growth (percent)	4.9	-9.1	7.2	5.3	4.8	5	5.7	4.9	4.9
Import value growth (percent)	-11.4	-8.1	12.1	15.3	4.4				
Gross official reserves (end of period)									
In millions of U.S. dollars	1898	4392	6122	7056	9303	13118	14710	14875	15175
In months of prospective imports of goods & services	1.2	2.4	2.9	3.2	4.1	5.5	5.9	5.8	5.7
In percent of ARA composite metric	16.6	37.5	50.3	58.3	75.4	100.1	108.8	108.5	108.7
Usable Gross official reserves (end of period) 3/									
In millions of U.S. dollars	462	2956	4686	7056	9303	13118	14710	14875	15175
In months of prospective imports of goods & services	0.3	1.6	2.2	3.2	4.1	5.5	5.9	5.8	5.7
In percent of ARA composite metric	4	25.3	38.5	58.3	75.4	100.1	108.8	108.5	108.7
External debt (public and private)									
In billions of U.S. dollars	57.4	54.1	53.9	54.9	57.2	61.2	62.9	63.3	65.6
As a percent of GDP	77	64.1	54.4	56.1	62.9	65.9	64	60.4	58.9
Memorandum items:									
Nominal GDP (in billions of rupees)	24064	27630	29893	32309	35123	38113	41343	44819	48551
Exchange Rate (period average)	322.6	327.5	302	...	...	...	...	...	...
Exchange Rate (end of period)	363.1	323.9	293	...	...	...	...	...	...

Sources: Data provided by the Sri Lankan authorities; and IMF staff estimates

## 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 India, China, 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) T-shirts, singlets, etc, of other textiles, nes. On the other hand major five imported goods of Sri Lanka are (i) Petroleum oils, etc, (excl. crude); preparation, (ii) Knitted or crocheted fabrics, >30cm wide, >=5%, (iii) Petroleum oils and oils obtained from bituminous, (iv) Other medicaments of mixed or unmixed products and (v) Semi-milled or wholly milled rice.

4. Sri Lanka's total exports globally in 2020 were of the order of USD 10,707 million. It had scaled up to USD 12,110 million in 2024. 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 2020 to 2024, the annual average compound rate of growth of exports was 3.13%.

5. Sri Lanka's total imports from the world in 2020 were of the order of USD 15,607 million and had touched USD 18,392 million mark in 2024. During the period from 2020 to 2024, the annual average compound rate of growth of imports was 4.19%.

6. Sri Lanka faced an overall Balance of Trade deficit from 2020 to 2024. During the period from 2020 to 2024, Sri Lanka had a trade deficit of USD 8,171 million in 2021. The annual average compound rate of growth of total volume of trade was 3.76% during the said period.

**TABLE - 2**

**SRI LANKA'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE  
AND BALANCE OF TRADE BETWEEN 2020 TO 2024**

*(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
2020	10707		15607		26,314		-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
2024	12110	0.48	18392	12.24	30,502	7.26	-6282

**Annual  
Compound  
Growth  
Rate**

**3.13**

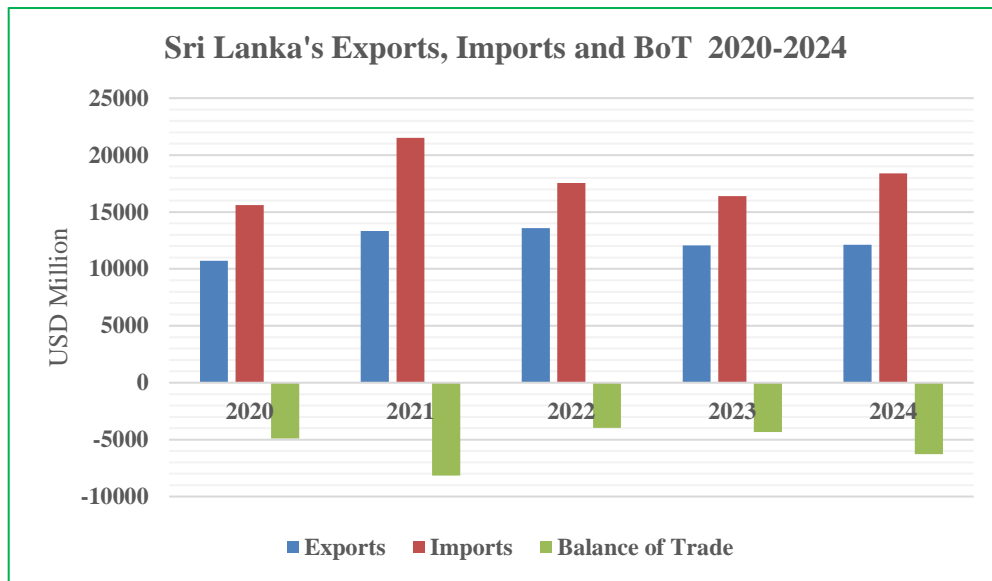
**4.19**

**3.76**

**NOTE : Figures relate to calendar year (January to December)**

**SOURCE : UN COMTRADE PUBLICATION**

**Figure 1**



## **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-Sri Lanka Free Trade Agreement (ISFTA), which came into effect in 2000, has significantly boosted trade between the two countries. In FY 2023-24, bilateral merchandise trade reached USD 5.5 billion, with India's exports at USD 4.1 billion and Sri Lanka's at USD 1.4 billion. Sri Lanka ranked 29<sup>th</sup> as an export destination of India in FY 2024-25. India had exported to Sri Lanka almost 1.04% of its total export value in FY 2024-25. In the same financial year imports from Sri Lanka was only 0.20% of India's total import value. Almost 0.44% 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 2024-25.

8. Indo-Sri Lanka total volume of bilateral trade in FY 2020-21 was of the order of USD 4,141.24 million. It had scaled to USD 5,971.87 million in FY 2024-25. The annual compound growth rate of total volume comprising both exports and imports during the period from 2020-21 to 2024-25 had been of the order of 9.58%.

9. It is seen from the available figures that between 2020-21 and 2024-25, 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 FY 2021-22. The annual average compound rate of growth of Exports was 6.80% 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 2020-21 to 2024-25, the annual average compound rate of growth of imports was 21.93%.

A snapshot of India's merchandise trade statistics with respect to Sri Lanka is presented in Table 3 & Figure 2.

TABLE - 3

**INDIA'S MERCHANDISE EXPORTS & IMPORTS w.r.t. SRI LANKA**  
**FY 2020-21 to 2024-25**

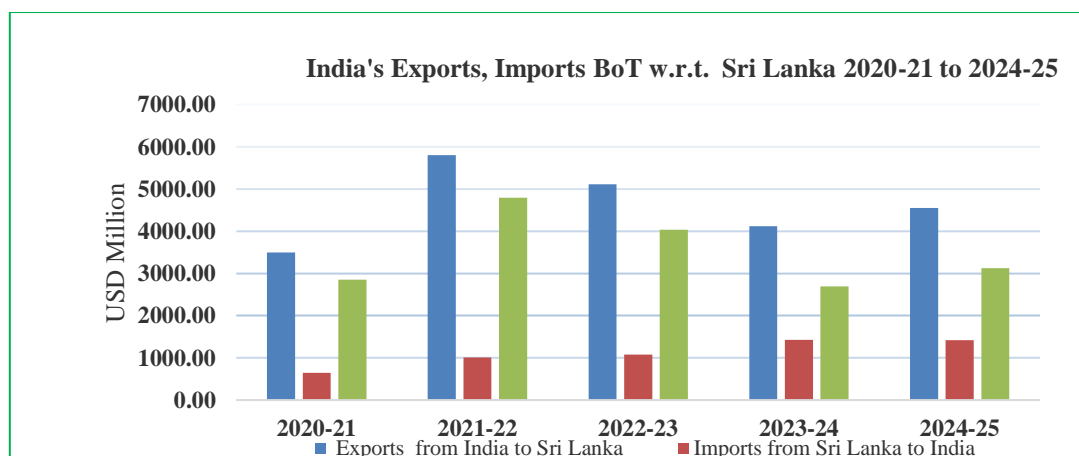
(Value in USD Million)

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
2020-21	3498.30		642.94		4141.24		2855.36
2021-22	5802.18	65.86	1009.99	57.09	6812.17	64.50	4792.19
2022-23	5111.59	-11.90	1078.16	6.75	6189.75	-9.14	4033.43
2023-24	4117.83	-19.44	1424.25	32.10	5542.08	-10.46	2693.58
2024-25	4550.70	10.51	1421.17	-0.22	5971.87	7.76	3129.53
<b>Annual Compound Growth Rate</b>		<b>6.80</b>		<b>21.93</b>		<b>9.58</b>	

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

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

Figure 2



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

- a. (i) **Petroleum Products** (ii) **Cotton Fabrics, Madeups Etc.** and (iii) **Ship, Boat and Floating Structures** had occupied the top three slots in India's exports to Sri Lanka in FY 2024-25. **Petroleum Products** had occupied 17.16 % share of India's total exports to Sri Lanka in FY 2024-25.
- b. (i) **Ship, Boat and Floating Structures** (ii) **Spices** and (iii) **Aircraft, Spacecraft and Structures** were the three major commodities in India's imports list from Sri Lanka in the year 2024-25, India had imported a significant amount of **Ship, Boat and Floating Structures** from Sri Lanka with a share of 21.14% of total imports from Sri Lanka recorded in 2024-25.

**TABLE -4**

**INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORTS TO SRILANKA  
2020-2021 TO 2024-2025 AND THEIR GROWTH RATES**

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2020-21	2021-22	2022-23	2023-24	2024-25	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23	24-25 over 2023-24
1	Petroleum Products	511.71	1412.75	1780.76	701.77	780.88	176.08	26.05	-60.59	11.27
	Share in total export	14.63	24.35	34.84	17.04	17.16				
2	Cotton Fabrics, Madeups Etc.	240.72	365.44	328.45	318.57	371.07	51.81	-10.12	-3.01	16.48
	Share in total export	6.88	6.30	6.43	7.74	8.15				
3	Ship, Boat and Floating Structures	269.88	485.90	436.15	465.70	269.84	80.04	-10.24	6.78	-42.06
	Share in total export	7.71	8.37	8.53	11.31	5.93				
4	Drug Formulations Biologicals	239.68	207.06	214.42	251.24	225.86	-13.61	3.55	17.17	-10.10
	Share in total export	6.85	3.57	4.19	6.10	4.96				
5	Sugar	245.00	173.90	275.43	248.64	205.02	-29.02	58.38	-9.73	-17.54
	Share in total export	7.00	3.00	5.39	6.04	4.51				
6	Aircraft, Spacecraft And Parts	0.04	0.06	0.28	28.70	151.99	50.00	366.67	10150.00	429.58
	Share in total export	0.00	0.00	0.01	0.70	3.34				
7	Other Txtl. Febric Madeups Rtile	103.58	172.92	138.04	104.88	144.29	66.94	-20.17	-24.02	37.58
	Share in total export	2.96	2.98	2.70	2.55	3.17				
8	Paper, Paper Board, And Products	105.35	156.25	151.93	130.32	135.66	48.32	-2.76	-14.22	4.10
	Share in total export	3.01	2.69	2.97	3.16	2.98				
9	Auto Components/ Parts	58.15	86.53	41.83	72.83	134.24	48.80	-51.66	74.11	84.32
	Share in total export	1.66	1.49	0.82	1.77	2.95				
10	Manmade Yarn, Fabrics, Madeups	77.30	120.93	102.56	107.73	118.55	56.44	-15.19	5.04	10.04
	Share in total export	2.21	2.08	2.01	2.62	2.61				
	Total export to SRILANKA	3498.30	5802.18	5111.59	4117.83	4550.70	65.86	-11.90	-19.44	10.51

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

**SOURCE : DGCIS, M/o C&I**

**TABLE -5**

**INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORTS FROM SRILANKA  
2020-2021 TO 2024-2025 AND THEIR GROWTH RATES**

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2020-21	2021-22	2022-23	2023-24	2024-25	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23	24-25 over 2023-24
1	Ship, Boat And Floating Structures	27.43	139.61	70.05	435.93	300.37	408.97	-49.82	522.31	-31.10
	Share in total import	4.27	13.82	6.50	30.61	21.14				
2	Spices	90.17	140.51	108.58	110.58	205.04	55.83	-22.72	1.84	85.42
	Share in total import	14.02	13.91	10.07	7.76	14.43				
3	Aircraft, Spacecraft And Structures	0.03	0.20	0.08	160.24	124.70	566.67	-60.00	200200.00	-22.18
	Share in total import	0.00	0.02	0.01	11.25	8.77				
4	Misc. Processed Items	10.41	19.40	36.85	57.61	58.65	86.36	89.95	56.34	1.81
	Share in total import	1.62	1.92	3.42	4.04	4.13				
5	Fresh Fruits	50.48	56.15	71.02	84.82	53.37	11.23	26.48	19.43	-37.08
	Share in total import	7.85	5.56	6.59	5.96	3.76				
6	Paper, Paper Board And Products	34.45	57.95	49.29	32.19	39.04	68.21	-14.94	-34.69	21.28
	Share in total import	5.36	5.74	4.57	2.26	2.75				
7	RMG Cotton Incl. Accessories	10.98	19.72	28.95	29.31	36.65	79.60	46.81	1.24	25.04
	Share in total import	1.71	1.95	2.69	2.06	2.58				
8	RMG Manmadev Fibres	6.72	12.89	22.97	19.93	33.07	91.82	78.20	-13.23	65.93
	Share in total import	1.05	1.28	2.13	1.40	2.33				
9	Other Textl Yrn. Fabrics MDUP Artcl	24.77	42.74	37.56	34.10	23.51	72.55	-12.12	-9.21	-31.06
	Share in total import	3.85	4.23	3.48	2.39	1.65				
10	Vegetable Oils	13.84	39.85	8.79	2.12	23.36	187.93	-77.94	-75.88	1001.89
	Share in total import	2.15	3.95	0.82	0.15	1.64				
	Total import from SRILANKA	642.94	1009.99	1078.16	1424.25	1421.17	57.09	6.75	32.10	-0.22

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

**SOURCE : DGCIS, M/o C&I**

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