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Economic Report 2024 - 2025

Sri Lanka

June 2025

Executive Summary

Sri Lanka has a new government in the National Peoples Power (NPP), and it continues its economic recovery in 2024 - 2025. While there was some uncertainty in relation to financial discipline and reforms due to unpredictable elections in late 2024, this period has now passed, and a stable government is in place until elections in 2028. The new government also continues a US$ 3 Billion IMF program and economic reforms which is due to end in March 2027. Key bilateral creditors, including the Paris Club, India, and China, agreed to provide debt relief through extended maturities and grace periods.

The IMF program continues and negotiations with creditors have been successful. In May 2024, Sri Lanka achieved a major milestone by reaching agreements with both bilateral creditors and private bondholders to restructure over US$ 17 billion in external debt, marking a turning point in its economic recovery. Reserves reached US$ 6.5 billion in March 2025 relative to its lowest point of US$ 50 million in early 2022. ***There is stability and the recovery has begun. But the Sri Lankan economy remains fragile to external shocks.*** *Due to having a 2/3rds majority in the Sri Lankan Parliament, the current government is stable, and it has a strong backing for policy making.*

The NPP government must navigate its way through governance reforms, and institute changes to the Sri Lanka market and state to foster growth and development while ensuring a stable economy for the local populace. Its room to manoeuvre in this regard is limited and expectations with the public must be managed effectively. The new government has started well in pursuing a culture of anti-corruption and national unity. Publicly, the call for a cleaner political system and further calls for accountability in terms of financial crimes continue. In the middle of 2025, Sri Lanka must also successfully navigate complex trade relations in the world and regional political dynamics in the Indian Ocean.

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1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

There has been a historical change in Sri Lankan politics with a Centre-Left coalition known as the National Peoples Power (NPP) winning Presidential and Parliamentary elections in late 2024 and forming a stable government with a powerful 2/3rds majority in parliament. Sri Lanka's traditional political parties have ruled the country since independence in 1948, but in 2024 they have all been relegated to the opposition. Despite early fears that the NPP may renege on a 2-year US$ 3 Billion IMF bailout package and US$ 37 Billion worth of external debt restructuring agreements, **the NPP in government has continued with the IMF program and debt restructuring process**. In February 2025 the IMF granted Sri Lanka's a US$ 334 Million worth 4th tranche from its Extended Fund Facility (EFF) indicating that Sri Lanka has completed 45% of a program which is scheduled to conclude in March 2027. In December 2024 Sri Lanka successfully finalized US$ 37 billion of its sovereign bond restructuring process International Sovereign Bonds (ISBs) and bilateral loans. This includes a 28% haircut for ISB's and an extended maturity period from 2033 to 2038. US$ 11 billion in bilateral loans from countries like China, India, and Japan have been restructured with deferrals until 2028 and extended until 2043, providing fiscal relief and enabling the resumption of development projects. It is safe to say that Sri Lanka is now **on the road to recovery with a stable government in place until 2028**. And this can be clearly seen in an improvement of the economic statistics and data for 2024. According to the IMF, for the first time since the 2022 crisis Sri Lanka's GDP experienced **growth by 4.5% in 2024**, which is a rebound from the -2.3% GDP contraction in 2023. Headline inflation (CPI) fell drastically to 1.2% in 2024 compared to the 17% in 2023.

Sri Lanka's crisis was precipitated by its gross official reserves falling below US$ 500 million in 2022. As of March 2025 Sri Lanka's gross official foreign exchange reserves are at US$ 6.5 billion according to the IMF. This is a vast improvement, because it puts Sri Lanka above the **3-4 month of imports in terms of reserves in 2025** compared to still being at 2.2 months of imports in 2024. The reason for this improvement is an improved trade balance with Sri Lanka maintain an average monthly revenue of US$ 2 Billion through 2024 and into 2025. In February 2025 FX earnings from exports, remittances, and services exceeded imports by US$ 701 Million. FX revenues were up due to improvements in exports, worker remittances, net services and tourism income. A good example in March 2025 was that export earnings from coconut-based products increased by 27% compared to March 2024 with coconut milk powder exports rising by 93%, and coconut oil exports increasing by 76%. However, it must be noted that an unknown portion of Sri Lanka's reserves are made up of currency swaps, loan deferrals, credit lines, and loans from other countries and multilateral agencies. This includes a US$1.6 billion currency swap with the People's Bank of China, which is included in the gross reserves but is subject to specific usage conditions related to maintaining over 3 months of imports in FX reserves.

To continue Sri Lanka's economic recovery, keep its reserves high and continue its external debt restructuring process Sri Lanka must continue a sophisticated and complex approach to geo-politics especially in the Red Sea - Indian Ocean to South China sea region. And therefore, it must balance between the USA, Europe, the Middle East, Russia, India and China. China currently holds 13% of Sri Lanka's total debt and is only 3rd behind the 47% owed through ISBs and 22% due to multilateral financial institutions. Sri Lanka was lucky to conclude its debt restructuring agreements in December 2024 before international tensions over trade escalated in 2025. Sri Lanka's geostrategic location and several of its strategic assets can be "leveraged" in exchange for bilateral support. China has funded the establishment of the Hambanthota Port in Southern Sri Lanka and the establishment of an artificial island for investment known as the "*Port City*" in the commercial capital of Colombo, in the Western Coast. The largest natural harbour in the world is Sri Lanka's Trincomalee Bay, on its Eastern Coast. In May 2025, India, the United Arab Emirates (UAE) and Sri Lanka signed a trilateral Memorandum of Understanding (MoU) to develop Trincomalee into a strategic regional energy hub which includes a bi-directional petroleum pipeline between India and Sri Lanka. Sri Lanka's Northern Provincial coast is only 27 kilometres away from South India. During Indian Prime Minister Narendra Modi's visit to Sri Lanka in April 2025, India and Sri Lanka signed 7 key agreements across various sectors, including defence, energy, trade, and digital infrastructure. The defence agreement is the first since India's involvement as peacekeepers in the Sri Lankan civil war 1987 – 1989.

Sri Lanka has long struggled with systemic corruption, with Global Financial Integrity estimating illicit financial outflows of over US$ 20 billion—roughly 26% of its US$ 77 billion GDP during the economic crisis of 2022. The new National People's Power (NPP) government elected in 2024 was elected on a mandate **to fight corruption and reform governance as its primary economic policy agenda**. The previous government led by former President Ranil Wickremesinghe established several economic governance laws such as the 2024 Public Financial Management Act and the 2024 Economic Transformation Act which were intended to improve fiscal discipline, the investment climate, and public accountability. However, public spending on energy remains high and wasteful. The previous government passed the 2024 Sri Lanka Electricity Act with the intention of unbundling the state-run Ceylon Electricity Board (CEB) and encouraging private investment and improving efficiency. The law aims to increase renewable energy usage to 70% by 2030 and it includes provisions for market competition and consumer protection. But the current government has struggled to implement these reforms due to pressure from trade unions.

Despite macroeconomic stabilization and a return to growth in 2024, many Sri Lankan households continue to face significant financial challenges. The World Bank reports that the national **poverty rate decreased by 2.7% in 2024 but remained high at 24.5%, more than double the 2019 level of 11.3%**. This persistent poverty is attributed to ongoing issues such as elevated food prices, which more than doubled between 2021 and 2024, and a labour market that has yet to fully recover. Although inflation has eased, household incomes, employment, and overall welfare remain below pre-crisis levels. Labor force participation declined from 49.9% in early 2023 to 47.1% in early 2024, with many individuals seeking employment opportunities abroad. These factors have led to continued financial strain for a significant portion of the population, underscoring the need for policies that create jobs and support the poor. Although the new administration has won public support on an anti-corruption platform, it inherits deep public frustration with austerity measures. Rebuilding public trust will depend on the government's ability to simultaneously deliver structural reforms and tangible improvements in living standards—an especially difficult task in a post-crisis economy.

The new government elected in 2024 is striving to introduce sweeping legislative changes aimed at institutional reform and a long-term economic transformation. Yet, the direction of Sri Lanka's economic future remains uncertain. Elections have altered the political landscape but delivering growth while managing citizen expectations will be a major challenge. GDP, which shrank from US$ 88.5 billion in 2021 to US$ 77 billion in 2022, has yet to fully recover. The World Bank projects that **Sri Lanka's economy will grow by 3.5% in 2025, reflecting continued recovery following the 2022 economic crisis.** However, returning to pre-crisis levels will require sustained structural reforms, targeted investment, and inclusive growth strategies that address persistent poverty and labour market weaknesses. The coming years will test whether Sri Lanka can maintain its reform momentum while responding to growing demands for social equity, improved public services, and greater political accountability.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

Sri Lanka's economy continued to stabilize in 2024, and the **services sector remained dominant, contributing around 59% to GDP** and accounting for over 48% of total employment. Unlike the marginal contraction seen in 2023, services grew strongly, supported by the revival of tourism which boosted accommodation, food and beverage services, and transport. **Tourism earnings peaked at over US$ 400 million in January 2025**—the highest monthly figure in 5 years. Meanwhile, the easing of interest rates from nearly 30% in 2022 to below 9% by late 2024 helped stabilize financial services and real estate. Insurance services also saw double digit growth. The **industrial sector, comprising nearly 27% of GDP** and employing a similar share of labour showed a sharp recovery with a 25% expansion. Manufacturing picked up, with the PMI for manufacturing hitting a 4 year high in March 2025, reflecting improved output and new orders. Construction, mining, and quarrying also rebounded aided by more stable prices. Agriculture, which continues to employ over 26% of the workforce and now contributes around 7.5% to GDP, grew by 8.3% in 2024, reversing previous declines. The increase was driven mainly by the growing of rice, fruits, vegetables, and strong fishing output, with paddy production reaching 4.5 million metric tons—enough to meet domestic demand for more than a year. However, the growing of tea, rubber and coconut declined again, largely due to erratic weather patterns.

Given Sri Lanka's robust economic growth of 5.4% in early 2025, **Swiss companies have promising opportunities for exports and investments across several sectors**. The tourism industry, nearing pre-pandemic levels with over 2 million arrivals, offers potential for Swiss firms specializing in hospitality, eco-tourism, and travel technology. The IT and BPO sectors, bolstered by competitive labor costs and government incentives, present avenues for Swiss investments in software development and fintech. Agricultural exports, particularly in tea, spices, and coconut products, have seen notable growth, aligning with global demand for organic and value-added goods, thus opening doors for Swiss agro-tech and processing firms. Additionally, the renewable energy sector is expanding, with significant government support for solar and wind projects, providing investment opportunities for Swiss companies in green technologies. The recent 25 basis point rate cut by Sri Lanka's Central Bank to 7.75% aims to foster growth, indicating a favorable investment climate. Furthermore, the launch of the GovPay digital platform reflects the country's commitment to digital transformation, presenting prospects for Swiss firms in digital infrastructure and services. Overall, Sri Lanka's economic trajectory and sectoral developments offer Swiss companies diverse and strategic opportunities for engagement. Several Swiss companies operate in Sri Lanka with a vast presence across sectors such as agricultural manufacturing, pharmaceuticals and fertilizer and industrial manufacturing focused on electrical equipment. Switzerland has around US$ 326 Million in Foreign Direct Investments (FDI) in Sri Lanka. Traditional Swiss imports to Sri Lanka include electrical machines, chemicals and pharmaceuticals, textiles and garments, clocks and watches. Swiss companies would be well poised to take advantage of these sectors through investments if the market potential to export to Europe from Sri Lanka expands considerably in the upcoming years. To better understand the investment climate in Sri Lanka, businesses could contact the Board of Investment (BOI) of Sri Lanka.

Switzerland’s State Secretariat for Economic Affairs (SECO) contracting the International Trade Center Geneva continues a Global program on Textile and Clothing (Gtex) 2024 – 2027. The program supports the transformation of Sri Lanka’s textile and clothing industry by assisting it to shift towards green quality products and by promoting digitization. The main objective of the program is to contribute to economic growth and poverty reduction through sustainable trade, decent job creation, and retention of employment, creation of new higher value-added jobs, supporting innovation on environmental technology and recycling along the T&C value chain. The outcomes it wishes to achieve are increased competitiveness of textile and clothing enterprises through sustainable trade and a more effective ecosystem able to direct the textile and clothing sector towards systemic change addressing sustainability and circularity. The Gtex program started after Switzerland’s Import Promotion Program (SIPPO) working with the State Secretariat for Economic Affairs (SECO) and Sri Lanka’s Export Development Board (EDB) produced a report on Sri Lanka’s potential to export to Switzerland and select European Free Trade Association (EFTA) and European Union (EU) countries in late 2023.

3 FOREIGN ECONOMIC POLICY

3.1 Host country’s policy and priorities

From 1948 to 2024, Sri Lanka’s economic policy was determined by two competing political ideologies in the form of its two main traditional political blocs which pushed the free market or protectionism at any given time depending on which faction was in power. These competing interests created an unstable ‘hybrid economy’ which transitioned between ‘open’ and ‘closed’ every 5-10 years creating a degree of policy instability which eventually led to the economic crisis of 2022. The current NPP government which came to power in 2024 do not belong to these two traditional ideological camps. Therefore, Sri Lanka is in a new and speculative period in terms of its domestic and foreign economic policies in 2025. As mentioned earlier, the new government is seen to be Centre-Left and it has thus far honoured Sri Lanka's commitments, to the IMF EFF process, and debt restructuring with multilateral donors, ISB creditors and bilateral creditors including India, China, Japan, the USA and European countries. Sri Lanka remains a member of the World Trade Organization and is gradually redefining its foreign trade policy following the 2022 economic crisis. The country continues to **rely heavily on bilateral and regional trade agreements**, with limited success in integrating into broader multilateral frameworks. Sri Lanka's export of goods and services remained subdued at approximately 20% of GDP in 2024, continuing the long-term decline from 39% in 2000. Imports, which had fallen from 49% of GDP in 2000 to 22% in 2023, saw a modest recovery in 2024 as import demand gradually picked up, particularly in the industrial and tourism sectors. Despite this, the current account remained in surplus, estimated at 1.2% of GDP by the end of 2024, supported by strong growth in tourism receipts up 66% and remittances up 11%. This turnaround reflects the impact of continued import restrictions on non-essential goods and improved foreign exchange liquidity. However, value-added exports remain underdeveloped, underscoring the need for deeper structural reforms to enhance trade competitiveness and long-term economic resilience.

Amidst efforts to recover from the crisis, Sri Lanka has become more proactive in international trade diplomacy. In early **2025, Sri Lanka signed a Free Trade Agreement with Thailand**—its fourth bilateral FTA—covering goods, services, investment, intellectual property, and customs procedures. It is also negotiating Preferential Trade Agreements with Indonesia and Bangladesh, with the Indonesia deal expected to conclude by March 2025. Meanwhile, long-standing negotiations with India over the Economic and Technology Cooperation Agreement (ETCA) continue, with the 13th round taking place in January 2024. ETCA aims to build on the India-Sri Lanka Free Trade Agreement (ISFTA), covering services, technology, and investment. Talks on FTAs with China and a CEPA with Pakistan remain stalled.

Sri Lanka is part of the South Asian Free Trade Agreement (SAFTA) and **benefits from the EU's GSP+ scheme, recently extended until 2027**. These concessions remain vital as Sri Lanka explores broader economic partnerships. In 2025, the country submitted a Letter of Intent to join the Regional Comprehensive Economic Partnership (RCEP) and seeks Sectoral Dialogue Partnership status with ASEAN, underscoring its pivot towards Southeast Asia. Relations with the U.S. have also evolved. Tariffs on Sri Lankan exports, previously raised to 44%, were reduced to 10% following Sri Lanka's commitment to reduce trade barriers. This move reflects a more outward-looking strategy aimed at improving market access and diversifying trade flows in support of long-term growth.

3.2 Outlook for Switzerland (potential for discrimination or comparative advantage)

Sri Lanka and Switzerland have maintained bilateral agreements since 1981 to promote investment protection and since 1983 to avoid double taxation. These agreements continue to be in force as originally signed. While there is no significant risk of discrimination against Swiss exports or imports, Sri Lanka's foreign exchange challenges have led to the imposition of various import restrictions and tariffs, which have affected certain Swiss goods. Although these restrictions were gradually eased in 2023 as part of Sri Lanka's economic recovery, there is no guarantee that they won't be reintroduced if the country faces renewed foreign exchange shortages. Swiss traders are advised to carefully monitor these evolving regulations before engaging in the Sri Lankan market.

4 FOREIGN TRADE

4.1 Developments and general outlook

In 2024, Sri Lanka's trade dynamics shifted notably. While India remained a key trading partner, the **United States emerged as the top export destination**, accounting for 22.8% of exports, followed by the **United Kingdom (7.1%) and India (6.9%).** These three countries collectively represented over 36% of Sri Lanka's total exports. On the import side, China led with 23.2%, trailed by India at 20.5% and the United Arab Emirates at 7.9%. **Switzerland ranked 18th among export destinations (1.2%) and 34th among import sources (0.4%),** with both experiencing a slight decline of 0.2% compared to the previous year. The trade deficit widened to USD 6 billion in 2024 from USD 4.9 billion in 2023, despite a 7.2% increase in exports to USD 12.8 billion—the second highest on record—due to a 12.1% surge in imports to USD 18.9 billion. This growth in imports was driven by eased restrictions, rising domestic demand, and increased consumer spending. The apparel sector, a major export contributor, saw a 3.7% year-on-year growth, rebounding from earlier contractions. However, the overall trade imbalance underscores the need for continued economic reforms and diversification to ensure sustainable growth.

4.1.1 Trade in goods

In 2024, Sri Lanka's merchandise trade exhibited signs of recovery amid ongoing economic stabilization efforts. Export earnings grew by approximately 7% year-on-year, reaching $16.17 billion, while imports rose by about 12% to $18.9 billion, resulting in a trade deficit of $2.73 billion. This improvement was supported by a resurgence in key sectors, including textiles and garments, which experienced a 3.7% growth after previous declines, and a robust performance in tea exports.

The trade balance benefited from increased foreign inflows through tourism and remittances, contributing to a current account surplus of 1.8% of GDP in 2024. However, the terms of trade remained under pressure due to global commodity price fluctuations and domestic cost challenges. Notably, the Central Bank of Sri Lanka reported that the total value of exports and imports declined by 8.5% in 2023, with export earnings decreasing to 14.1% of GDP.

Regarding trade partners, the United States remained Sri Lanka's largest export destination, accounting for 22.8% of exports, followed by the United Kingdom (7.1%) and India (6.9%). On the import side, China led with 23.2%, followed by India (20.5%) and the United Arab Emirates (7.9%). Switzerland ranked 18th among export destinations and 34th among import sources, with trade volumes experiencing a slight decline.

In terms of import legislation, Sri Lanka continued to adjust its policies to balance economic recovery with domestic industry protection. While **most import restrictions were lifted by October 2023**, certain goods remained subject to licensing requirements, including agricultural products, pharmaceuticals, and specific consumer goods. Additionally, the government imposed special commodity levies on items like maize and onions to manage domestic supply and price stability.

For Swiss businesses, these developments suggest a cautiously optimistic outlook. The gradual easing of import restrictions and the stabilization of the Sri Lankan economy may present new opportunities for trade and investment. However, companies should remain vigilant regarding regulatory changes and continue to monitor the trade environment closely.

4.1.2 Trade in services

In 2024, Sri Lanka's services sector demonstrated robust growth, significantly contributing to the country's external account surplus. The net services balance improved by 19%, rising from US$ 3 billion in 2023 to US$ 3.6 billion in 2024. This upturn was primarily driven by a 27% increase in services inflows, notably from **tourism** and sea transport. Tourism experienced a remarkable resurgence, with earnings surging by **53% to US$ 3 billion in 2024**, up from US$ 2 billion in 2023. This growth was underpinned by over 2 million tourist arrivals, marking a 38% increase year-on-year. The government's initiatives, including enhanced marketing campaigns and the introduction of free 30-day tourist visas for visitors from 35 countries including Switzerland, played a pivotal role in this recovery. Beyond tourism, other service sectors also contributed to the positive trend. **Sea transport services** revenues increased by 44%, benefiting from expanded port operations and higher global shipping demand. The **IT and Business Process Outsourcing (BPO)** sector continued its steady growth, with inflows reaching US$ 773 million in 2024, reflecting a 6.8% increase from the previous year. However, not all service sectors experienced growth. Air transport services saw a 20% decline in earnings due to fluctuating international travel demand. Additionally, exports of financial services and insurance & pension-related services decreased, while construction-related service exports, particularly in architectural and engineering services, showed an uptick, indicating a diversification in service export composition.

In terms of legislation, Sri Lanka continued to liberalize its services sector in 2024. The government gradually phased out remaining restrictions on imports and capital flows, in consultation with the Central Bank, to support economic recovery and attract foreign Overall, the services sector's performance in 2024 highlights its critical role in Sri Lanka's economic recovery, with tourism and transport services leading the growth, supported by favourable policy measures and global demand trends.

4.2 Bilateral trade

4.2.1 Trade in goods

In 2024, significant discrepancies remain between Sri Lankan and Swiss trade statistics. Swiss Customs reported **imports from Sri Lanka at US$276 million**, while Sri Lanka’s Central Bank listed only US$169 million in exports to Switzerland. Meanwhile, Swiss **exports to Sri Lanka stood at US$133 million**, while Sri Lanka recorded US$143 million in imports. These mismatches, consistent with past years, may reflect trade mis invoicing—an issue highlighted in the Global Financial Integrity 2022 report. Based on Swiss data, the trade deficit favoring Sri Lanka narrowed to US$143 million in 2024, down from US$170 million in 2023, marking a 16% reduction. Textiles, clothing, and footwear remained the top import category to Switzerland, comprising 31% of total imports from Sri Lanka, despite an 8% increase from 2023. Machinery and electrical goods, making up 19%, saw a 3% rise, while forestry, agricultural, and seafood products—accounting for 8%—remained relatively flat. Imports of **precision instruments, clocks, watches, and jewelry**, at 7% of the total, declined by 0.6%. On the export side, Swiss goods to Sri Lanka declined by 8.9%, driven by reductions in machinery, electronics, and appliances—still the leading category at 44% of exports. Textiles and footwear exports from Switzerland remained below 1%, continuing the downward trend from 2020. Chemical and pharmaceutical products dropped from 13% in 2023 to 11% in 2024, underscoring a shift in export composition.

4.2.2 Trade in services

The number of Swiss tourists to Sri Lanka in 2024 grew 21% to 29,829 from 23,556 in 2023. This is partly due to a global recovery in terms of tourism, and it is almost up to the levels seen between 2016 and 2019 when they averaged around 30,000 annually. Tourist numbers in Sri Lanka are improving significantly with Sri Lanka crossing over 1 million by May 2025. In the first 4 months of 2025 Swiss tourist figures continue to grow and increased by 13% to 12'569 compared to 10,918 in 2024. 2025 is likely to see the highest influx of Swiss tourists to date.

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

In 2024, Sri Lanka's foreign direct investment (FDI) inflows totalled US$ 711 million, representing a 20.8% decline from US$898 million in 2023, and continuing a downward trend from pre-crisis highs of US$ 1.8 billion annually before 2018. In terms of total FDI stock, India overtook China as the top investor with US$ 2.56 billion, a 6.5% increase from 2023, edging out China’s US$2.52 billion, which grew by just 0.8%. Japan remains third with US $1.8 billion in FDI stock, boosted by US$ 222.6 million in new inflows in 2024—down slightly from the US$ 230 million it invested in 2023. India, a key stakeholder in Sri Lanka’s debt restructuring, invested US$ 113.5 million in 2024, compared to US$ 198 million the previous year, but still maintains strategic momentum through over US$ 4 billion in cumulative support since 2021. Meanwhile, in 2025 China's footprint expanded with a US$ 3.7 billion oil refinery project in Hambantota—Sri Lanka's largest-ever FDI—further intensifying the Indo-China economic competition. The Adani Group of India continues major projects such as US$ 553 million investment in the Colombo Port Terminal investments. India, Sri Lanka and the UAE signed a MoU to set up Trincomalee Port in Eastern Sri Lanka as an energy hub. The investment amount in this is still unknown and can range from about US$ 1 Billion to around US$ 4 Billion if it includes a refinery. Sector-wise, FDI to government-registered firms was concentrated in logistics, telecoms, hospitality, and manufacturing, while FDI to CSE-listed but unregistered firms went largely into telecoms, fuel, gas, and petroleum. In 2024, the IMF's target of US$ 1 billion annually remains unmet for a second consecutive year, indicating continuing investor caution amid fragile recovery.

5.2 Bilateral investment

According to a survey conducted by the Embassy of Switzerland since 2011 the cumulative Swiss investments in the country amounted to US$ 550 million across approx. 25 companies. However, according to data from the Central Bank of Sri Lanka in 2024 Switzerland's total debt stock was around US$ 326 Million. According to past Sri Lanka data Swiss FDI stocks have dropped by almost 40% within a 6-year period. It was US$ 543 Million in 2018. Switzerland has dropped from being the 8th biggest investor in 2017 to 13th place. It is currently unknown as to how the FDI debt stock came down except for the possibility that this reduction considers the exit of Holcim Cement from Sri Lanka. Sri Lanka's volatile economy and tense political situation from 2018 to 2023 combined with the COVID pandemic 2020 – 2021 affected every Swiss owned enterprise in Sri Lanka. Nevertheless, Nestlé has a remarkable presence in Sri Lanka. It is implementing a multi-year new investment program of around US$ 100 million. There is also one or the other Swiss SME that is expanding its investment stock (e.g. Variosystems).

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

Since 2004, the Swiss Business Circle (SBC) Sri Lanka brings together representatives of Swiss business interests. The circle meets 3 to 4 times a year, the Embassy providing the secretariat. The Embassy maintains direct contact with State Secretariat for Economic Affairs (SECO), the Swiss Import Promotion Programme (SIPPO) and Switzerland Global Enterprises (S-GE). The Embassy maintains regular contacts with the various local Chambers of Commerce, the Board of Invest (BOI) and the Export Development Board (EDB) for Sri Lanka. The Embassy assists Swiss companies and future investors as a *"door opener"* for trade and service opportunities. During the Sri Lankan economic crisis in 2022 - 2023 Switzerland's Import Promotion Program (SIPPO) working in partnership with the State Secretariat for Economic Affairs (SECO) assisted Sri Lanka's Export Development Board (EDB) to broaden its horizons in terms of exports to Switzerland and selected European Free Trade Association (EFTA) and European Union (EU) countries in the fish, seafood, processed food and value-added textiles categories with a CHF 100,000 program.

SECO is currently engaged in Sri Lanka as a part of a Global Program on Textile and Clothing (Gtex) targeted at shifting the industry towards green quality products and digitization. Textiles and clothing represent 46% of Sri Lanka national export revenue making it the most important export sector in the country. The Gtex is currently underway, and the Embassy is currently a part of the project review committee in Sri Lanka along with ITC and local partners. This is a timely initiative because the textile and clothing industry in Sri Lanka maybe affected by tensions in global trade in 2025. 350,000 Sri Lankans are employed in this sector, and it represents 33% of manufacturing related employment with a spillover effect of benefiting around 600,000 to 1 million people indirectly, of which more than 80% are women from rural areas.

6.2 The host country's interest in Switzerland

Presently, many of the persons visiting Sri Lanka are relatives of the 55’000 strong Sri Lankan Diaspora who are mostly of Sri Lankan Tamil ethnicity and living in Switzerland. A restrictive visa practice aims at controlling illegal immigration. There is direct connectivity between Colombo and Zurich, operated on a seasonal basis by Swiss Air and Edelweiss Airlines. There is a potential to improve tourism both ways and a potential for cooperation between Sri Lankan and Swiss tourism schools and vocational training institutes. The SIPPO and SECO programs initiated by Switzerland has created an interest by Sri Lankan SME’s and export companies to export products and establish offices in Switzerland to access Europe. Sri Lankan government officials are informally interested in establishing a Free Trade Agreement with Switzerland.

ANNEX 1 – Economic structure

Economic structure of the host country

	Year *2024-5= 2019*	**Year 2024**
Distribution of GDP		
Primary sector	**7.0%**	**7.5%**
Manufacturing sector	**26.4%**	**26.7%**
Services	**57.4%**	**59.2%**
- of which public services	**-**	**-**

Distribution of employment		
Primary sector	**25.3%**	**25.7%**
Manufacturing sector	**27.6%**	**25.5%**
Services	**47.1%**	**48.8%**
- of which public services	**37.2%**	**34.6%**

Source(s): Central Bank of Sri Lanka, Annual Economic Review 2024

ANNEX 2 – Main economic data

Host country's main economic data

	2022	2023	2024
GDP (USD bn)**	**76.8**	**83.7**	**98.9**
GDP per capita (USD)**	**3464**	**3801**	**4516**
Growth rate (% of GDP)*	**-7.3**	**-2.3**	**4.5**
Inflation rate (%)*	**45.2**	**17.4**	**1.2**
Unemployment rate (%)*	**4.7**	**4.7**	**4.4**
Fiscal balance (% of GDP)*	**-10.2**	**-8.3**	**-5.6**
Current account balance (% of GDP)*	**-1.0**	**3.1**	**1.8**
Total external debt (% of GDP)*	**77**	**64.1**	**54.4**
Debt-service ratio (% of exports)**	**15.4**	**15.9**	**21.1**
Reserves (months of imports)*	**0.3**	**1.6**	**2.2**

* Source: Sri Lanka: Third Review Under the Extended Arrangement Under the Extended Fund Facility, Financing Assurances Review, and Monetary Policy Consultation Clause-Press Release; Staff Report; and Statement by the Executive Director for Sri Lanka - March 3, 2025

** Source: Central Bank of Sri Lanka, Annual Economic Review 2024 report

ANNEX 3 – Trade partners

Trade partners of the host country Year: 2024

Rank	Country	**Exports** *from the host country* (USD million)	Share	Change [1]	Rank	Country	**Imports** *to the host country* (USD million)	Share	Change [10]
1	USA	2911	22.8%	-0.4%	1	China	4366	23.2%	+5.2%
2	UK	906	7.1%	0.0%	2	India	3870	20.5%	+1.8%
3	India	884	6.9%	-0.3%	3	UAE	1489	7.9%	-3.1%
4	Germany	629	4.9%	0.0%	4	Singapore	1300	6.9%	+1.7%
5	Italy	596	4.7%	-1.0%	5	Malaysia	660	3.5%	-1.4%
6	Netherlands	393	3.1%	+0.2%	6	Russia	545	2.9%	+0.4%
7	UAE	337	2.6%	-0.5%	7	Oman	473	2.5%	+0.5%
18	*Switzerland*	153	*1.2%*	*-0.2%*	34	Switzerland	84	0.4%	-0.2%
	EU	2761	21.6%	-1.2%		EU	1233	6.5%	-1.6%
	Total	12772	100%	7.2%		Total	18841	100%	12.1%

Source(s): Central Bank of Sri Lanka, Annual Economic Review 2024, pp. 142-143

[1] Change from the previous year in %

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and the host country

	Export (CHF million)	*Change (%)*	Import (CHF million)	*Change (%)*	Balance (in million)	Volume (in million)
2019	104	-38.5	218	9.7	-113	322
2020	109	3.9	190	-12.9	-81	298
2021	95	-12.2	227	19.6	-132	322
2022	126	+32	289	27.3	-163	415
2023	**106**	**+16.2**	**276**	**+14.4**	**-170**	**381**
2024	**79**	**-24.9%**	**254**	**-7.9**	**-175**	**333**

Exports	**2023** (% of total)	**2024** (% of total)
1. Machines, appliances, electronics	44.2%	31.6%
2. Chemical and Pharmaceutical products	11.2%	16.4%
3. Precision instruments, clocks, watches, jewellery	6.41%	16.4%
4. Metals	3.8%	4.6%

Imports	**2023** (% of total)	**2024** (% of total)
1.Textiles, clothing, shoes	31.1%	38.1%
2. Machines, appliances, electronics	19.3%	14.9%
3. Forestry and agricultural products, fisheries	8.1%	9.0%
4. Precision instruments, clocks, watches, jewellery	7.7%	5.1%

Source: Federal Office for Customs and Border Security

ANNEX 5 – Main investing countries

Main investing countries in the host country **Year: 2024**

Rank	Country	Direct investment (USD Million, stock)	Share	Variation (stock)	Inflows over past year (USD)
1	India	2'562.9	15.5%	+6.5%	113.5
2	China	2'520.0	15.2%	+0.8%	27.2
3	UK	1'897.6	11.4%	+0.4%	8.9
4	Japan	1'797.1	10.9%	+39.5%	222.6
5	Hong Kong	1'199.0	7.2%	+4.9%	45.3
6	Singapore	1'073.6	6.5%	+6.2%	16.3
7	USA	864.4	5.2%	+65.2%	69.0
8	Malaysia	669.7	4.0%	+10.8%	29.3
9	France	484.8	2.9%	+38.9%	135.7
10	Italy	452.4	2.7%	+0.8%	3.7
…	EU	1'593.5	9.6%	+12.3%	196.1
13	*Switzerland*	*326.0*	*1.9%*	*+0.4%*	*1.4*
	Total	16'556.3	100%	+4.5%	761.1

Source(s): Annual Economic Review 2024 – Central Bank of Sri Lanka Statistical appendix