



IMF RELEASES SRI LANKA'S 5TH AND 6TH EFF TRANCHES

FLASH NOTE

IMF EXECUTIVE BOARD COMPLETES 5TH & 6TH EFF REVIEWS, UNLOCKS USD 695Mn; TOTAL SUPPORT AT USD 2.4Bn

Overview

The IMF Executive Board has completed the combined Fifth and Sixth reviews of Sri Lanka's Extended Fund Facility program, unlocking an immediate disbursement of USD 695Mn and bringing total support to USD 2.4Bn. Program performance remains broadly strong, with most targets met, though some conditions were missed. Despite external shocks, the economy has shown resilience, but growth is expected to moderate to around 3% in 2026 amid rising downside risks.

Key Highlights

- **IMF Executive Board approval:** The Board completed the combined fifth and sixth EFF reviews, enabling an immediate disbursement of USD 695Mn to support Sri Lanka's reform program. The latest tranche raises total IMF financial support under the program to approximately USD 2.4Bn.
- **Strong overall program performance:** Sri Lanka met all end-December 2025 quantitative targets, reflecting continued progress in macroeconomic stabilization measures.
- **Mixed compliance on conditions:** While most structural benchmarks were achieved, some conditions relating to external arrears and import restrictions were not fully met.
- **Resilience despite external shocks:** The economy has remained stable despite pressures from global geopolitical tensions and the impact of Cyclone Ditwah.
- **Moderating growth outlook with risks:** GDP growth is projected to slow to around 3.0% in 2026, a downward revision from the IMF's pre-conflict forecast of 4.0%, with downside risks stemming from higher oil prices, inflationary pressures, and weaker tourism.
- **Fiscal Easing Greenlight:** The IMF supported a temporary fiscal easing in 2026 through activation of the escape clause under the PFM Act, allowing a lower primary surplus to accommodate reconstruction needs, with a commitment to return to the 2.3% of GDP target and fiscal discipline from 2027 onward.

Economic Outlook (IMF Projections)

Indicator	2025	2026	2027	2028
	Actual	Projections		
GDP Growth (%)	5.0	3.0	3.2	3.1
Inflation - Avg (%) (CCPI)	-0.5	5.0	5.3	5.0
Primary Balance (% GDP)	5.4	1.4	2.3	2.3
Public Debt (% GDP) ¹	101.1	100.1	96.9	95.5
Current Account (% GDP)	1.6	-0.5	-0.1	-0.3
Gross official reserves (USD Bn)	6.8	8.6	11.8	13.9

¹ Comprising central government debt, publicly guaranteed debt, and CBSL external liabilities (i.e., Fund credit outstanding and international currency swap arrangements). The debt statistics currently assume the external debt restructuring to have been completed at end 2023.



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