



IMPORT BAN TO BE PARTLY LIFTED BY JUNE 2023

FLASH NOTE

Sri Lanka to lift import restrictions by June 2023

In response to the dollar crisis, the Sri Lankan government imposed an import ban in Mar 2020. However, recognizing the need to address shortages and promote economic recovery, the government has gradually eased restrictions on essential items starting from 2022. Building on this, the Ministry of Finance is currently considering a further lifting of import restrictions on less than 1,000 items (HS codes) from 3,000 items, ranging from electronics, clothing, cosmetics, to essential components and raw materials used for re-export as finished products.

This proposed policy shift aims to expand consumer choices and promote competition in the market. It also takes into account the positive trend in the country's balance of payments since the beginning of the year. For the period of Jan to Mar 2023, the country recorded a positive balance of payments amounting to USD 858.0Mn, a significant improvement compared to the negative balance of USD -2,269.0Mn during the same period in 2022. As a result, the country's foreign currency reserves have increased to USD 2,691.0Mn as of Apr 2023.

In light of these developments, the European Union (EU) has urged Sri Lanka to move away from protectionist trade policies, which have restricted many European products from entering the Sri Lankan market. Moreover, a comprehensive plan addressing the relaxation of import restrictions is currently being prepared by the government and will be submitted to the International Monetary Fund (IMF) in Jun 2023.

Positive and Negative Impacts of Import Ban Relaxation on Companies

| Goods subject to suspension | Affected counters | Positive Impact |
|--|-------------------|-------------------------------------|
| Electronic items including computers, mobile phones, television sets and home appliances | SHL, SINS, ABAN | Bridges supply- demand gap |
| Food items | CCS, CARG | Allows demand to expand |
| Articles of apparel and clothing accessories, leather or of composition leather | SHL, SIL | Improves sales |
| Medical equipment | HHL, CIC, SUN | Facilitates effective manufacturing |

| Goods subject to suspension | Affected counters | Negative Impact |
|-------------------------------------|-------------------|-----------------------------------|
| Stationery items | HHL | Creates competition in the market |
| Bathroom fittings and Ceramic tiles | RCL, LWL, CERA | Intensifies competition |
| Agriculture equipment | CIC | Opens up new competition |



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