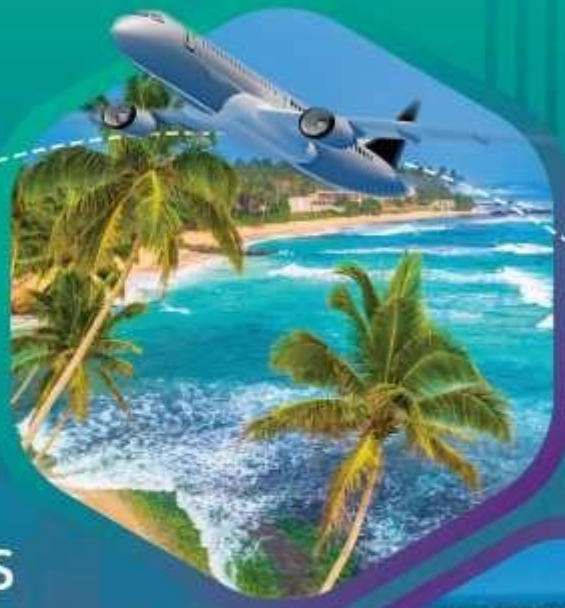

Growth Scenarios for Tourism to Sri Lanka 2026

Sri Lanka Tourism Development Authority
Published: 27th February 2026

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Introduction 1

Sri Lanka's tourism sector continued its upward trajectory in 2025, consolidating the strong recovery momentum that began in the post-pandemic period. Building on the 15.1% growth compared to 2024, the industry further strengthened its position through improved air connectivity, diversified source markets, targeted promotional campaigns, and increased confidence of travellers. The sector demonstrated increased stability and strategic direction, reflecting both institutional learning and adaptive policy responses to global and domestic challenges. As a result, tourist arrivals in 2025 surpassed 2018 benchmark, recording 2,362,521 tourist arrivals reinforcing tourism's role as a key driver of foreign exchange earnings, employment generation, and regional economic development.

Looking ahead to 2026, the outlook for Sri Lanka's tourism industry remains cautiously optimistic. Based on current performance trends, airline seat capacity growth, and global demand projections, arrivals in 2026 are expected to range between a conservative scenario of approximately 2,546,644 tourists and an optimistic scenario of around 3,000,000 tourists. These projections are underpinned by continued investments in tourism infrastructure, digital transformation initiatives, product diversification (including wellness, nature-based, cultural, and MICE tourism) and other key initiatives. Strategic market penetration in emerging source markets, alongside the consolidation of traditional European and Asian markets, is also expected to contribute to sustained growth.

In the global context, international tourism performed solidly in 2025, with worldwide arrivals growing by approximately 4%. According to UN Tourism, an estimated 1.52 billion international tourists were recorded globally, representing nearly 60 million more travellers than in 2024. (UN Tourism, 2026) Most destinations posted positive results, reflecting continued recovery and stabilization following recent global disruptions. However, the global tourism landscape remains sensitive to macroeconomic volatility, geopolitical tensions, climate-related disruptions, and fluctuating fuel prices. These factors are likely to shape traveler behavior, with continued emphasis on value for money, shorter booking windows, sustainable travel choices, and experiential tourism.

In this context, Sri Lanka's tourism growth scenarios for 2026 must balance ambition with resilience. While opportunities for expansion are substantial, particularly in niche and high-yield segments, the sector must remain responsive to external shocks and evolving consumer preferences. Strengthening destination competitiveness, ensuring sustainability and community inclusion, and maintaining policy consistency will be critical in achieving projected targets and positioning Sri Lanka as a resilient and preferred destination in the global tourism market.

The Global Economic Scenario: 2025 and 2026

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According to the IMF World Economic Outlook (October 2025), global growth is projected to remain steady at 3.3% in 2026 and 3.2% in 2027, consistent with the estimated 3.3% in 2025. Similarly, the *World Bank's Global Economic Prospects* (January 2026) highlights a subdued performance, estimating that global growth averaged 2.7 per cent in 2025. The United Nations World Economic Situation and Prospects 2026 report places global growth at 2.8 per cent in 2025, with a slight decline to 2.7 per cent in 2026, before a modest recovery to 2.9 per cent in 2027. These projections remain significantly below the pre-pandemic (2010-2019) average of 3.2 per cent, underscoring the persistence of structural and cyclical challenges in the global economy.

According to the UN World Tourism Organization, international tourism is projected to grow by 3-4 percent in 2026 compared to 2025, assuming that the recovery in Asia and the Pacific continues, global economic conditions remain supportive, tourism service inflation continues to ease, and geopolitical conflicts do not escalate. The 2026 outlook reflects a return to normalized growth rates following strong rebounds in international arrivals, with increases of 34 percent in 2023, 11 percent in 2024, and 4 percent in 2025.

This positive projection is further supported by the UN Tourism Confidence Index and a survey of its Panel of Experts. On a scale of 0 to 200, experts rated 2026 with a score of 126, signaling expectations for another strong year for tourism, although slightly less optimistic than the 2025 score of 129. Nevertheless, ongoing geopolitical tensions and conflicts remain important risk factors that could affect the sector's growth in 2026.

Collectively, these reports indicate that the global economic outlook remains uncertain and fragile. Elevated macroeconomic uncertainty, evolving trade policies, and sustained fiscal pressures continue to weigh on growth prospects. Geopolitical tensions and financial vulnerabilities further compound these risks. In 2025, a notable increase in United States tariffs introduced new trade frictions; however, the lack of broader retaliatory escalation helped contain immediate disruptions to global trade flows. Despite this tariff shock, global economic activity demonstrated resilience, supported by front-loaded export shipments, inventory accumulation, and relatively robust consumer spending amid monetary easing and broadly stable labour market conditions. While ongoing macroeconomic policy support is expected to mitigate some of the adverse effects of higher tariffs, growth in global trade and overall economic activity is anticipated to moderate in the near term.

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	ESTIMATE 2025	PROJECTIONS 2026	2027
World Output	**3.3**	**3.3**	**3.2**
Advanced Economies	**1.7**	**1.8**	**1.7**
United States	2.1	2.4	2.0
Euro Area	1.4	1.3	1.4
Germany	0.2	1.1	1.5
France	0.8	1.0	1.2
Italy	0.5	0.7	0.7
Spain	2.9	2.3	1.9
Japan	1.1	0.7	0.6
United Kingdom	1.4	1.3	1.5
Canada	1.6	1.6	1.9
Other Advanced Economies	1.8	2.0	2.1
Emerging Market and Developing Economies	**4.4**	**4.2**	**4.1**
Emerging and Developing Asia	5.4	5.0	4.8
China	5.0	4.5	4.0
India	7.3	6.4	6.4
Emerging and Developing Europe	2.0	2.3	2.4
Russia	0.6	0.8	1.0
Latin America and the Caribbean	2.4	2.2	2.7
Brazil	2.5	1.6	2.3
Mexico	0.6	1.5	2.1
Middle East and Central Asia	3.7	3.9	4.0
Saudi Arabia	4.3	4.5	3.6
Sub-Saharan Africa	4.4	4.6	4.6
Nigeria	4.2	4.4	4.1
South Africa	1.3	1.4	1.5
Memorandum			
Emerging Market and Middle-Income Economies	4.3	4.1	4.1
Low-Income Developing Countries	4.6	5.1	5.1

Source: IMF, *World Economic Outlook Update*, January 2026

Note: For India, data and projections are presented on a fiscal year (FY) basis, with FY 2025/26 (starting in April 2025) shown in the 2025 column. India's growth projections are 6.3 percent for 2026 and 6.5 percent for 2027 based on calendar year.

INTERNATIONAL MONETARY FUND **IMF**.org/pubs

Source: IMF

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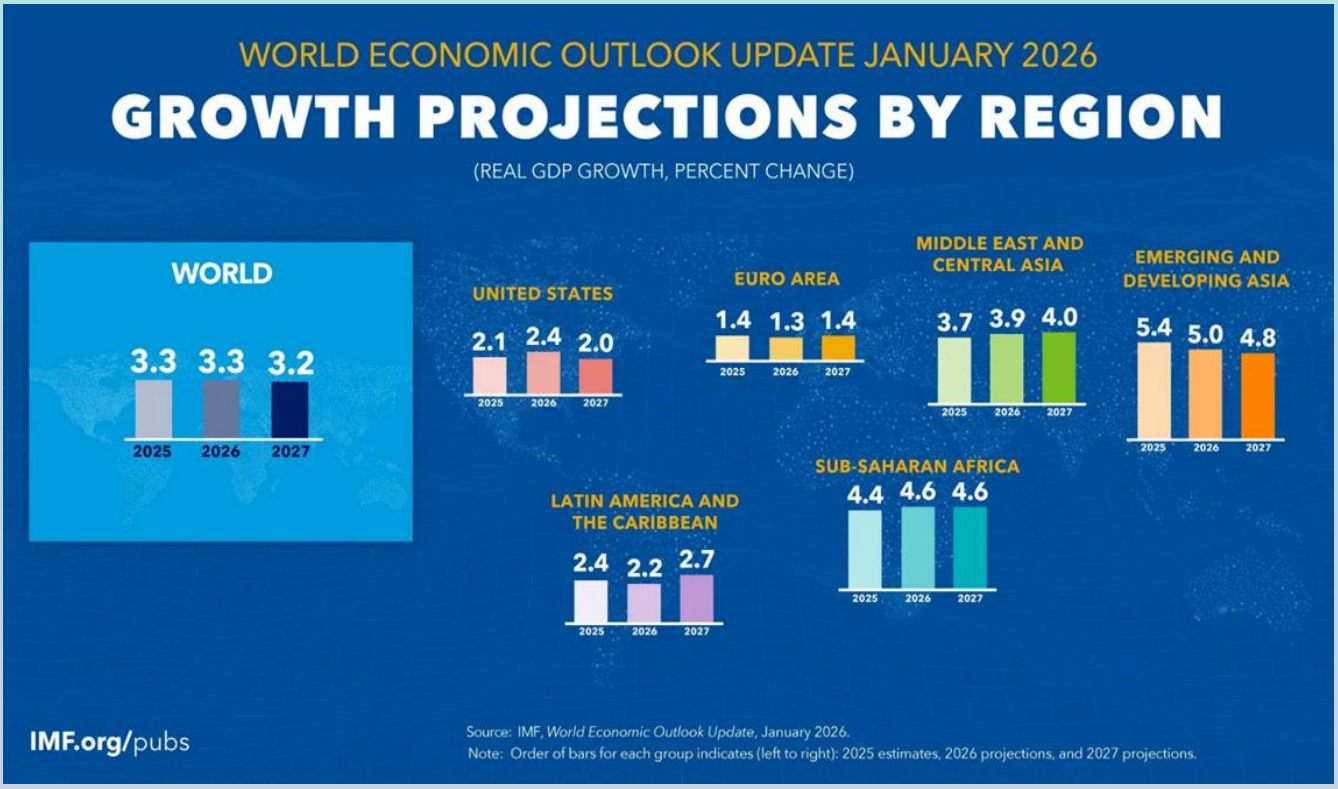
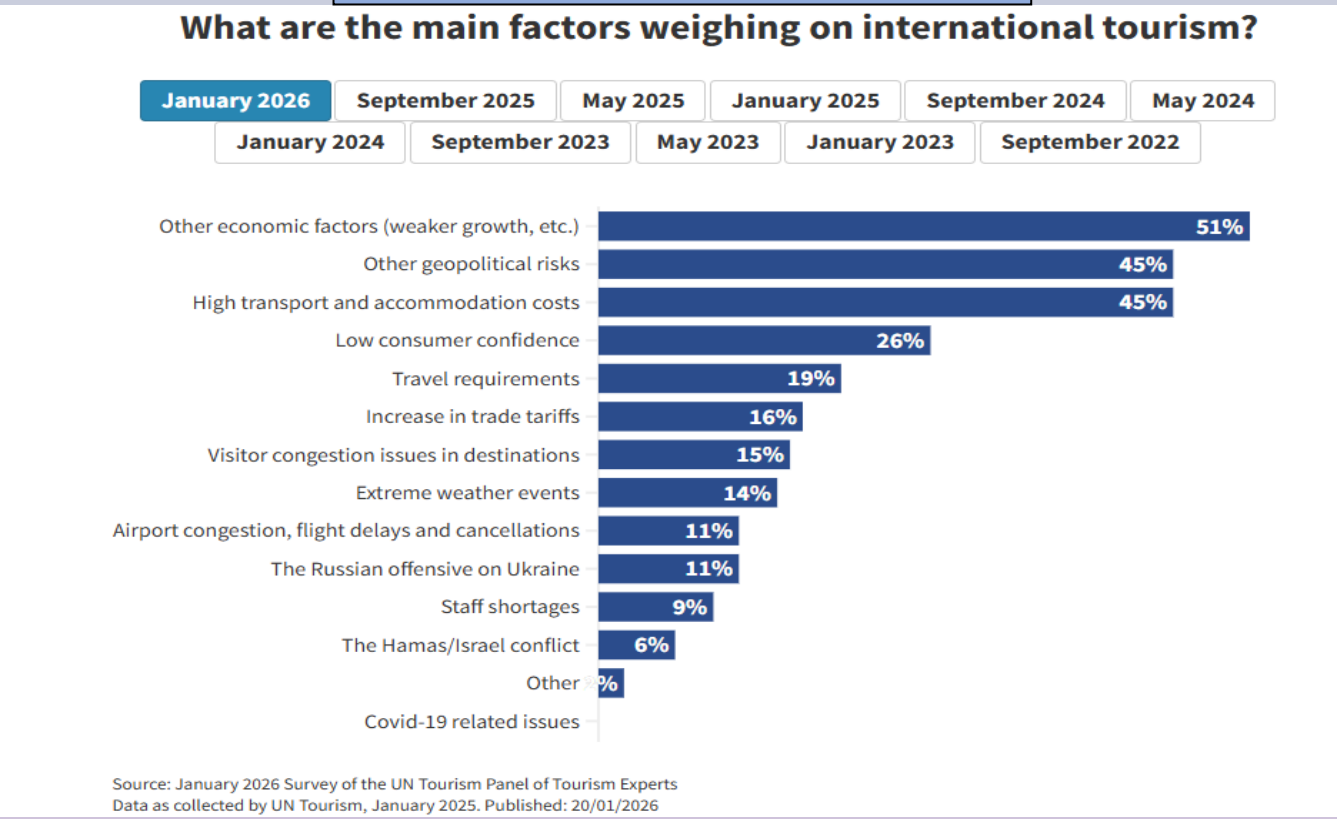


Source: IMF

Main factors weighing on international tourism



Source: UN Tourism

Implications for Sri Lanka's Tourism Industry 3

Based on the global economic trends, several factors are likely to shape the trajectory of Sri Lanka's tourism industry in 2026. Slower global growth, projected to range between 3.3 and 2.7 per cent, is expected to moderate discretionary spending by international travelers, particularly from advanced economies. Tourists from regions such as the United States, Europe, and Japan, which are facing sluggish growth and persistent fiscal pressures, may prioritize cost-conscious travel, shorter stays, or regional destinations over long-haul trips to Sri Lanka. This is likely to temper inbound tourist arrivals and per-capita spending, especially in higher-end tourism segments, making the market more sensitive to global economic conditions.

Despite the general slowdown in global growth, emerging markets such as India, Southeast Asia, and parts of the Middle East are projected to maintain relatively stronger economic performance. These markets represent a key opportunity for Sri Lanka to attract tourists, potentially offsetting weaker demand from traditional high-income countries. Catering to the preferences of these markets through offerings such as cultural experiences, wellness tourism, and short-haul packages could help Sri Lanka capture resilient tourism demand and diversify its visitor base.

Global trade frictions and policy shifts, exemplified by the sharp increase in U.S. tariffs in 2025, can indirectly impact tourism by creating uncertainty in business travel and corporate tourism segments. Companies may reduce spending on conferences, incentive travel, and MICE (Meetings, Incentives, Conferences, Exhibitions) events, which could affect business and event tourism in Sri Lanka. Nevertheless, resilient consumer spending in certain markets, supported by monetary easing and broadly stable labour markets, may partially counterbalance these adverse effects, allowing for some sustained travel demand.

Currency volatility and price sensitivity are additional considerations. Sluggish growth, trade shocks, and geopolitical tensions can contribute to exchange rate fluctuations and higher travel costs. In response, tourists may become more price-conscious, favoring competitive packages, all-inclusive deals, or destinations that provide better value for money. Sri Lanka's tourism industry will need to adjust pricing strategies, promotions, and product offerings to remain attractive under these conditions, ensuring that international travelers perceive strong value.

The global economic environment also underscores the importance of diversifying tourism source markets to reduce reliance on a few traditional markets. Focusing on niche tourism segments such as eco-tourism, cultural tourism, wellness tourism, and domestic tourism can strengthen resilience against external shocks. Strategic investments in infrastructure, service quality, and safety standards will further enhance the country's competitiveness, even in a moderate growth scenario. By adopting these approaches, Sri Lanka can not only mitigate the effects of slower global growth but also seize opportunities to attract new or underexplored visitor segments.

while the 2026 global economic outlook suggests a cautious environment for discretionary travel, Sri Lanka's tourism industry can maintain growth by targeting emerging markets, providing value-for-money offerings, diversifying products, and enhancing resilience. The projected moderate slowdown in global growth is likely to temper demand from high-income countries, but with strategic planning, the sector can capitalize on emerging opportunities, strengthen competitiveness, and sustain its appeal to a broad spectrum of international and domestic travelers.

4 Economic Prospects of Sri Lanka in 2026

Sri Lanka's economic growth is projected to slow to 3.5 percent in 2026 and 3.1 percent in 2027, reflecting structural constraints such as factor and product market inefficiencies, lingering effects of the economic crisis, and global economic uncertainty affecting export demand (World bank, 2026). The Asian Development Bank forecasts growth at 3.3 percent for 2026, while the Central Bank expects the economy to expand by around 4-5 percent, despite challenges such as Cyclone Ditwah.

The Central Bank of Sri Lanka will adopt a flexible inflation-targeting framework, aiming for a 5 percent inflation target with measures to ensure transparency and public accountability. Efforts to strengthen monetary policy frameworks will focus on data-driven decision-making, improved forecasting models, and enhanced communication. Financial sector reforms will prioritize systemic risk oversight, climate resilience, consumer protection, and the digitalization of payment systems. The Bank will also continue to support fiscal consolidation and work closely with the Government to coordinate macroeconomic policies(Central Bank, n.d).

Given Sri Lankas positioning in the South Asian region, it could face several downside risks that could weigh on economic growth as highlighted in the report on Global Economic prospects, January 2026. Rising trade restrictions, heightened uncertainty in global trade policies, and the potential removal of tariff exemptions could dampen export demand, particularly in economies with strong exposure to the United States, such as Bangladesh and Sri Lanka. Tighter financial conditions, banking sector vulnerabilities, and high debt levels in frontier markets like the Maldives may reduce investment and credit availability, while contingent liabilities from hydropower projects in Bhutan could strain financial markets. Additionally, elevated violence, social unrest, and political instability, especially in countries with weaker socioeconomic conditions pose risks to investor confidence. Natural hazards, including more frequent or severe extreme weather events, could cause significant humanitarian and economic losses, reduce food production, and drive-up living costs.

Conversely, there are notable upside risks that could support stronger than expected growth. The partial reversal of bilateral tariffs and the resolution of trade disputes could boost exports, attract foreign capital, and enhance business and consumer confidence. Technological advancements may spur faster productivity and employment growth, particularly in India. Moreover, the stabilization of political environments in some economies could facilitate structural reforms, further supporting investment, consumption, and overall economic expansion.

Potential Implications on tourism industry 5

Sri Lanka's slower projected growth, influenced by structural constraints, global economic uncertainty, and the lingering effects of the economic crisis, may limit disposable income and domestic spending, which could reduce demand for domestic tourism. Export-oriented sectors, including tourism services catering to foreign visitors, may face pressure if global trade uncertainty or rising tariffs dampen overall economic activity and foreign income flows. Furthermore, external shocks such as Cyclone Ditwah highlight the vulnerability of tourism infrastructure and operations to natural hazards, which could temporarily disrupt travel and reduce tourist arrivals.

Financial sector vulnerabilities and tighter financial conditions may also indirectly affect tourism by limiting investment in hotels, resorts, and tourism-related businesses. High debt levels and fiscal consolidation efforts could constrain government spending on infrastructure development, and marketing campaigns, which are essential for maintaining competitiveness in the regional tourism market.

On the other hand, upside risks in the regional economy could positively influence tourism in Sri Lanka. Resolution of trade disputes, partial reversal of tariffs, and improved global economic confidence could increase foreign arrivals, particularly from countries like India and the United States, and boost tourism-related revenues. Technological advancements may support digital tourism solutions, improve visitor experience, and facilitate marketing to international audiences. Additionally, political stabilization and structural reforms could enhance infrastructure, regulatory efficiency, and investment in tourism facilities, supporting longer-term growth and resilience of the sector.

TABLE 2.5.2 South Asia country forecasts

(Real GDP growth at market prices in percent, unless indicated otherwise)

						Percentage-point differences from June 2025 projections		
	2023	2024	2025e	2026f	2027f	2025e	2026f	2027f
Calendar year basis								
Maldives	4.9	3.5	4.2	3.9	4.0	-1.5	-1.4	-0.7
Sri Lanka [1]	-2.3	5.0	4.6	3.5	3.1	1.1	0.4	0.0
Fiscal year basis [2]	2023/24	2024/25	2025/26e	2026/27f	2027/28f	2025/26e	2026/27f	2027/28f
India	9.2	6.5	7.2	6.5	6.6	0.9	0.0	-0.1
	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2024/25e	2025/26f	2026/27f
Bangladesh	5.8	4.2	3.7	4.6	6.1	0.4	-0.3	0.4
Bhutan	4.9	6.1	7.0	7.3	6.1	0.4	-0.3	0.8
Nepal	2.0	3.7	4.6	2.1	4.7	0.1	-3.1	-0.8

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing global circumstances. Consequently, projections presented here may differ from those in other World Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

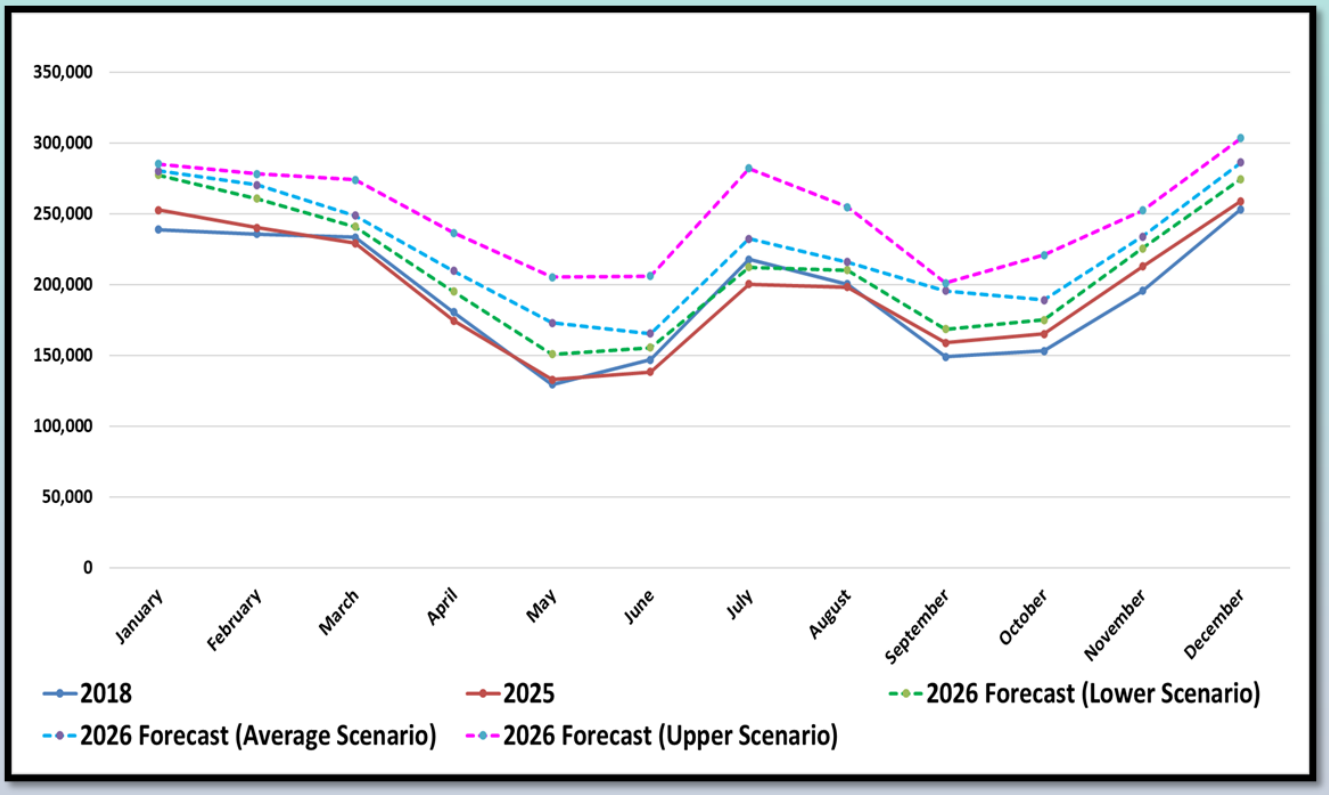
1. The impacts of Cyclone Ditwah in late 2025 have yet to be incorporated due to an ongoing damage assessment.
2. Fiscal year runs from April 1 to March 31 in India; from July 1 to June 30 in Bangladesh and Bhutan; and from July 16 to July 15 in Nepal.

Source: World Bank

Methodology 6

Growth scenarios have been derived from a time series analysis of actual tourist arrivals to Sri Lanka considering peak and off-peak trend to Sri Lanka. Three primary scenarios, a lower scenario reflecting minimal growth, a conservative scenario representing average growth, and an optimistic scenario indicating higher growth provide a spectrum of potential international tourist arrivals. The data is accurate and may fluctuate due to market dynamics. The Sri Lanka Tourism Development Authority (SLTDA) intends to refresh these growth scenarios.

Month	2018	2025	2026 Forecast (Lower Scenario)	2026 Forecast (Conservative Scenario)	2026 Forecast (Optimistic Scenario)
January	238,924	252,761	277,327	280,298	285,298
February	235,618	240,217	260,720	270,255	278,255
March	233,382	229,298	240,935	248,660	273,977
April	180,429	174,608	195,084	209,783	236,597
May	129,466	132,919	150,894	172,846	205,126
June	146,828	138,241	155,538	165,483	205,906
July	217,829	200,244	212,259	232,232	282,065
August	200,359	198,235	210,129	215,869	254,739
September	149,087	158,971	168,509	195,537	201,080
October	153,123	165,193	175,105	189,053	220,940
November	195,582	212,906	225,680	233,879	252,495
December	253,169	258,928	274,464	286,105	303,522
Total	2,333,796	2,362,521	2,546,644	2,700,000	3,000,000



In developing the tourism scenarios for Sri Lanka, projections from other organizations, including the Pacific Asia Travel Association (PATA), were also taken into account. PATA has outlined an average scenario of 2,790,383 tourist arrivals and an upper scenario of 3,395,565 arrivals, providing a useful benchmark for forecasting. Achieving these projections, whether the more conservative or the optimistic scenario will depend on a combination of strategic, operational, and external factors.

Key drivers include effective marketing and promotional strategies, with a particular emphasis on digital marketing campaigns to reach both traditional and emerging source markets. Enhancing air connectivity is also critical; this includes increasing the number of direct international flights, improving flight frequency, and ensuring seamless connections within the country. Additionally, internal conditions such as political stability, safety, and quality of tourism infrastructure, as well as external economic and social factors including global demand, exchange rates, and regional economic growth will significantly influence outcomes. Environmental considerations, including the management of natural attractions and mitigation of climate-related risks, are also crucial to sustaining growth and ensuring that tourist arrivals align with the projected scenarios.

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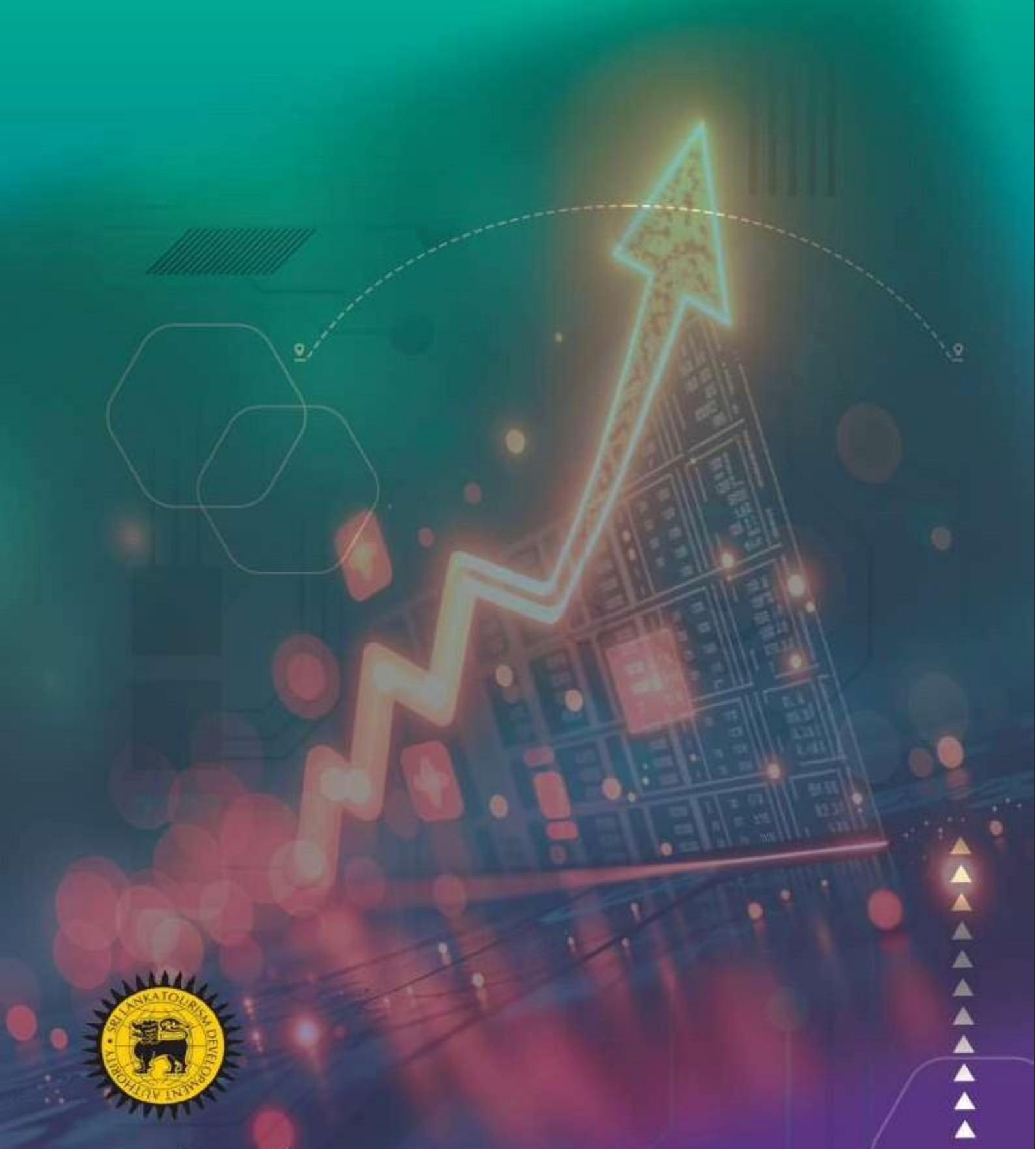

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