Growth Scenarios for Tourism to Sri Lanka

2025

Sri Lanka Tourism Development Authority

CONTENTS

01 Introduction

A Worldwide Economic scenario, 2024 and 2025

B Sri Lankan Economic Scenario, 2024 and 2025

C Challenges for Sri Lanka in 2025

02 Methodology

03 International Tourist Arrivals to Sri Lanka - Growth Scenario 2025

01 Introduction

Sri Lanka's tourism sector has demonstrated remarkable resilience and adaptability in recent years, navigating challenges such as the COVID-19 pandemic and economic fluctuations. As of 2024, the industry is on a robust recovery trajectory, with significant growth in tourist arrivals and revenue. In the 2024, the country welcomed 2,053,465 tourists, marking a 38.07% increase compared to 2023.

Looking ahead, projections for 2025 are optimistic. It is anticipated that the tourist arrivals will reach an optimistic scenario of 2,676,596 and a conservative scenario of 3,000,000. These targets will be supported and bolstered by strategic initiatives and proactive measures to enhance the tourism infrastructure, diversify offerings, and implement effective marketing strategies.

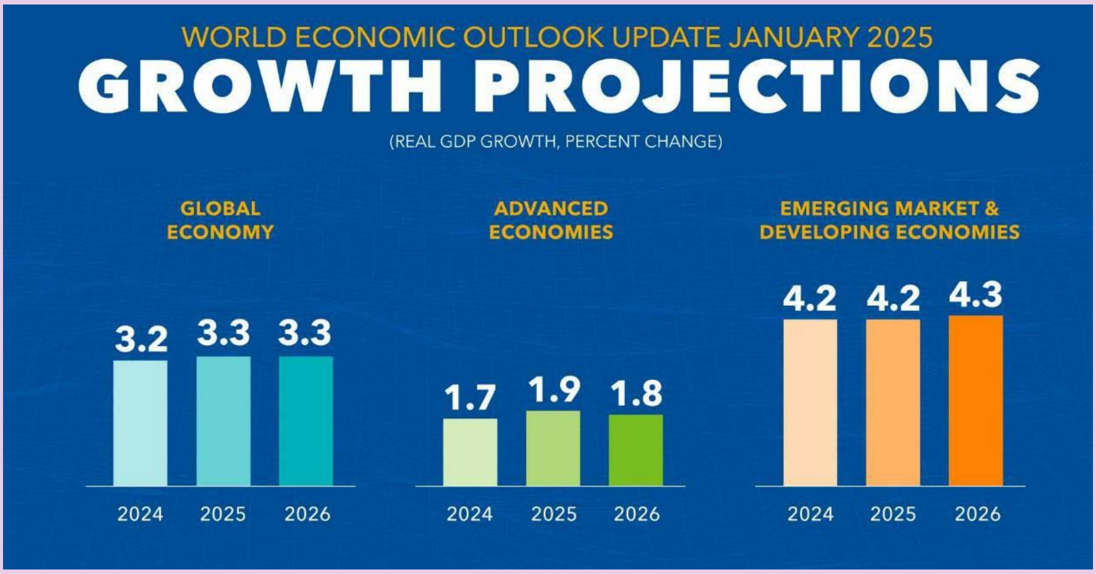
In 2024, international tourism experienced a significant resurgence, with approximately 1.4 billion tourists traveling globally, marking a 99% recovery to pre-pandemic levels and an 11% increase over 2023 figures. Looking ahead, the UN World Tourism Organization (UNWTO) anticipates a growth of 3% to 5% in international tourist arrivals for 2025 compared to 2024. This optimistic outlook is contingent upon factors such as sustained economic stability, decreasing inflation rates, and the absence of escalating geopolitical tensions.

However, the sector faces ongoing challenges, including elevated transportation and accommodation costs, geopolitical uncertainties, and economic variables like fluctuating oil prices. These issues are expected to influence travel patterns in 2025, with tourists increasingly seeking value for money in their travel choices (UNWTO, 2024).

A Worldwide economic scenario, 2024 and 2025

In 2024, the global economic condition reflected a complex landscape shaped by recent challenges, including a pandemic, geopolitical conflicts, and extreme weather events that have disrupted supply chains and triggered energy and food crises. While overall growth is projected to remain stable at 3.2%, this figure masks significant disparities across regions. Emerging markets and developing economies faced downward revisions due to production disruptions, civil unrest, and adverse weather, particularly affecting the Middle East, Central Asia, and sub-Saharan Africa. Conversely, emerging Asia is experienced an uplift in growth driven by heightened demand for semiconductors and electronics, fueled by substantial investments in artificial intelligence. Despite stabilization in goods prices, services price inflation continued to pose challenges in many areas, highlighting the uneven recovery within the global economy (IMF, 2024).

As 2025 commences, the global economic landscape is marked by significant uncertainty stemming from policy shifts following numerous elections worldwide. These new policies are poised to influence various economic factors, including inflation rates, borrowing costs, currency valuations, trade dynamics, capital flows, and production expenses (Kalish, 2025). As per the IMF, Global growth is projected at 3.3 percent both in 2025 and 2026, below the historical (2000–19) average of 3.7 percent. Global headline inflation is expected to decline to 4.2 percent in 2025 and to 3.5 percent in 2026. Global growth is expected to remain stable, the forecasts for growth are below the historical (2000–19) average of 3.7 percent. New policies could lead to new trajectories for inflation, borrowing costs, and currency values, as well as trade flows, capital flows, and costs of production. Meanwhile, governments and central banks continue to navigate a balance between a desire to suppress inflation and a goal to boost growth.



Impact of Global Economic Factors on Sri Lanka's Tourism industry

Inflation and Currency Valuations: Global inflation trends and currency fluctuations can affect the affordability of travel. A stronger U.S. dollar or euro could make Sri Lanka a more attractive destination for travelers from these regions, as their purchasing power increases. Conversely, if the Sri Lankan rupee appreciates significantly, it may deter budget-conscious tourists.

Borrowing Costs and Investment: Changes in global borrowing costs influence investment in tourism infrastructure. Higher interest rates may deter investment in new hotels, resorts, and other amenities, potentially limiting the industry's growth.

Trade Dynamics and Capital Flows: Global trade policies and capital flows can impact the broader economy, affecting employment and income levels. A robust global economy enhances disposable incomes, encouraging international travel. Conversely, economic downturns in key source markets could reduce tourist arrivals.

	ESTIMATE	PROJECTIONS	
(Real GDP, annual percent change)	2024	2025	2026
World Output	3.2	3.3	3.3
Advanced Economies	1.7	1.9	1.8
United States	2.8	2.7	2.1
Euro Area	0.8	1.0	1.4
Germany	-0.2	0.3	1.1
France	1.1	0.8	1.1
Italy	0.6	0.7	0.9
Spain	3.1	2.3	1.8
Japan	-0.2	1.1	0.8
United Kingdom	0.9	1.6	1.5
Canada	1.3	2.0	2.0
Other Advanced Economies	2.0	2.1	2.3
Emerging Market and Developing Economies	4.2	4.2	4.3
Emerging and Developing Asia	5.2	5.1	5.1
China	4.8	4.6	4.5
India	6.5	6.5	6.5
Emerging and Developing Europe	3.2	2.2	2.4
Russia	3.8	1.4	1.2
Latin America and the Caribbean	2.4	2.5	2.7
Brazil	3.7	2.2	2.2
Mexico	1.8	1.4	2.0
Middle East and Central Asia	2.4	3.6	3.9
Saudi Arabia	1.4	3.3	4.1
Sub-Saharan Africa	3.8	4.2	4.2
Nigeria	3.1	3.2	3.0
South Africa	0.8	1.5	1.6
Memorandum			
Emerging Market and Middle-Income Economies	4.2	4.2	4.2
Low-Income Developing Countries	4.1	4.6	5.4

Source: IMF, World Economic Outlook Update, January 2025

Source: IMF

B Sri Lankan Economic Scenario, 2024 and 2025

After enduring its most severe economic crisis since independence, Sri Lanka has made significant strides toward recovery through decisive policy measures and collective determination. This progress has restored macroeconomic stability, laying a foundation for a more robust and resilient economy. The economy grew by 5 percent in the first quarter of 2024, driven by a rebound in the industrial sector, particularly in construction and food and beverage manufacturing as well as strong performance in tourism-related services. Headline inflation, measured by the Colombo Consumer Price Index, remained in the low single digits throughout 2024 (0.5 percent in August 2024) Inflation is expected to turn positive from mid-2025 and converge towards the targeted level of 5 per cent over the medium term, supported by appropriate policy adjustments. As per the GDP estimates published by the Department of Census and Statistics (DCS), the economy is estimated to have grown by 5.5 per cent (year-on-year) in Q3 2024, following an expansion of 4.7 per cent (year-on-year) recorded in Q2 2024(Central Bank, 2025).

GDP in Sri Lanka is forecast to expand by 3.5 percent in 2025 due to stronger industrial activity. Growth will moderate to 3.1 percent in 2026 but continue to be supported by recoveries in remittances and tourism, partly offset by tightening fiscal policy (World Bank, 2024x).

C Challenges for Sri Lanka in 2025

Sri Lanka's recent economic performance has shown positive trends, yet macroeconomic stability remains delicate, heavily reliant on the consistent application of key fiscal, financial, and monetary policies. Despite these efforts, limited fiscal and external buffers pose significant downside risks. These risks encompass the potential for a prolonged or insufficient debt restructuring process, policy uncertainties, including the direction and pace of reforms and the fiscal implications of electoral promises and the medium term scarring effects of the recent crisis (World Bank, 2024)

Potential Impacts on Tourism in 2025

Economic Stability and Policy Implementation: The tourism industry's continued recovery in 2025 is contingent upon sustained economic stability and the effective implementation of fiscal and monetary policies. Policy uncertainties, particularly regarding the direction and pace of reforms, could affect investor confidence and the overall business environment, potentially impacting tourism-related investments.

Debt Restructuring and Fiscal Constraints: The ongoing debt restructuring process and limited fiscal buffers present challenges. A protracted or insufficiently deep debt restructuring could strain public finances, limiting the government's ability to invest in tourism infrastructure and marketing initiatives essential for attracting visitors.

Global Economic Conditions: Global economic factors, such as a slowdown reducing disposable income and international travel spending, could impact global travel demand. Developing economies facing economic challenges may see a decline in outbound tourists, affecting Sri Lanka's tourism reliant on diverse visitors. Consequently, Sri Lanka may pivot towards promoting domestic tourism amidst decreasing international visitors.

Policy Reforms and Infrastructure Development: Continued policy reforms aimed at improving the business environment, coupled with investments in infrastructure, are crucial for enhancing Sri Lanka's attractiveness as a tourist destination. Efforts to streamline visa processes, improve safety and security, and develop tourism facilities can bolster the industry's growth prospects.

02 Methodology

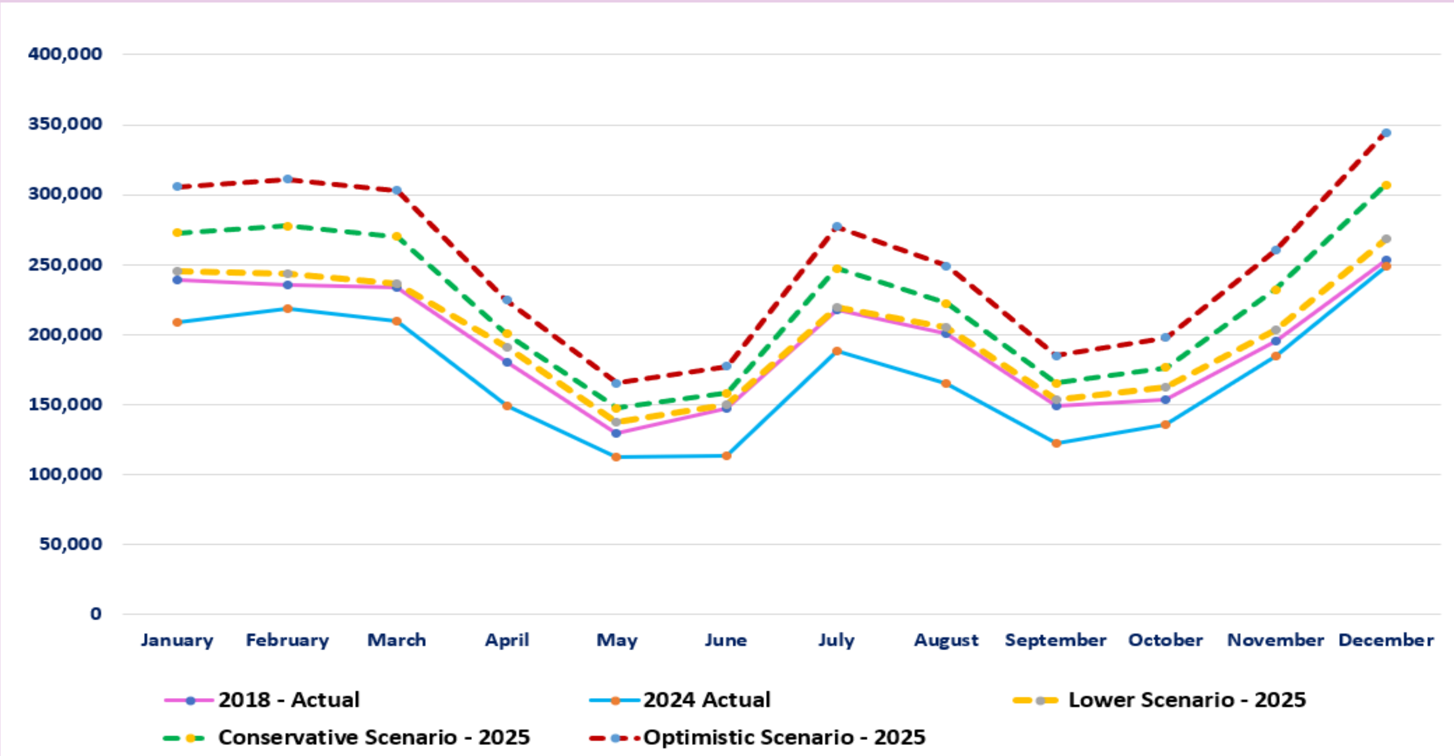
Growth scenarios have been derived from a time series analysis of actual tourist arrivals to Sri Lanka considering peak and off-peak trend to Sri Lanka. Three primary scenarios, a lower scenario reflecting minimal growth, a conservative scenario representing average growth, and an optimistic scenario 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.

03 International Tourist Arrivals to Sri Lanka – Growth Scenario 2025

Month	2018 (Actual values)	2024 (Actual values)	2025 Lower Scenario	2025 Conservative Scenario	2025 Optimistic Scenario
January	238,924	208,253	**245,402**	**272,733**	**305,687**
February	235,618	218,350	**243,547**	**277,418**	**310,937**
March	233,382	209,181	**236,652**	**270,160**	**302,803**
April	180,429	148,867	**190,461**	**200,486**	**224,710**
May	129,466	112,128	**136,952**	**147,318**	**165,118**
June	146,828	113,470	**150,241**	**158,149**	**177,257**
July	217,829	187,810	**219,013**	**247,313**	**277,195**
August	200,359	164,609	**205,065**	**222,174**	**249,019**
September	149,087	122,140	**153,014**	**165,095**	**185,043**
October	153,123	135,907	**162,562**	**176,381**	**197,693**
November	195,582	184,158	**203,259**	**232,176**	**260,229**
December	253,169	248,592	**268,832**	**307,192**	**344,309**
Total	**2,333,796**	**2,053,465**	**2,415,000**	**2,676,596**	**3,000,000**

These growth scenarios are based on current market forces and are subject to change.

Trend of monthly forecast, 2025



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