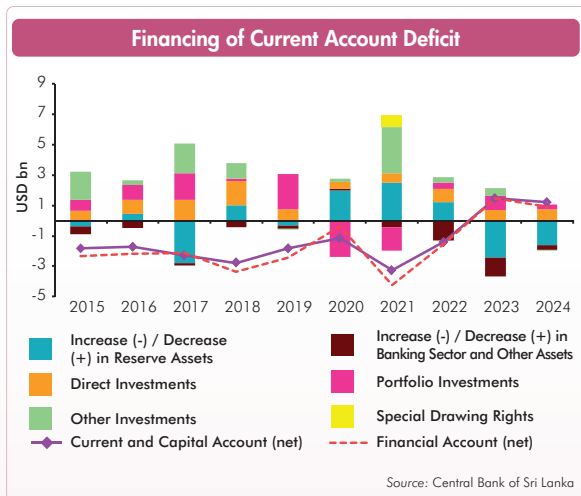


Featured Charts 1.4

Financing of the Pre-Crisis Current Account Deficit and Post-Crisis Dynamics of the Financial Account



Financing the current account deficit prior to the crisis reveals some interesting facts. Sri Lanka's persistent current account deficits over the years prior to 2023, have been mostly financed by other investments (which are predominantly net foreign loans), portfolio investments and direct investments as observed from 2015-2019. However, from 2020 to 2022, there was a net outflow of portfolio investments and significantly low direct investments. This had to be compensated by the significant draw down of reserves from 2020 to 2022. However, post-crisis, with the stabilisation of the external sector, the current account recorded a surplus in 2023 and 2024, resulting in a notable increase in reserves. Further, the banking sector was able to build up their foreign assets notably in 2022 and 2023.