

PULSE – Annual Economic and Social Infrastructure Digest - 2025

Economic and social infrastructure constitutes key pillars of sustainable and inclusive economic growth. Even if a country has a higher Gross Domestic Product, the economic benefits may often fail to reach ordinary citizens, due to insufficient development in economic and social infrastructure. Thus, economic and social infrastructure would shape the distribution of resources among citizens, enabling them to enjoy a high standard of quality of life. Economic infrastructure includes essential sectors such as power and energy, transportation, aviation, ports, road development, communications, digital infrastructure and housing and urban development. Economic infrastructure drives economic activity by connecting people to opportunities, boosting sectoral productivity, and expanding the country's overall growth potential. Social infrastructure, on the other hand, covers healthcare, education, welfare programs and social safety nets, as well as environmental protection that support vulnerable communities. Social infrastructure is critical in fostering human capital development and reducing inequalities within the economy. Thus, advancements in economic and social infrastructure ensure that increased output not only improves overall societal well-being but also drives inclusive growth and long-term prosperity.

The Central Bank of Sri Lanka (CBSL)'s primary mandate is to maintain the domestic price stability, with financial system stability as the other objective. Though the CBSL does not play a direct role in economic growth and development, it indirectly forms the foundation for these through macroeconomic stability. As an institution engaging in economic policy making, research, advice and macroeconomic data dissemination, the CBSL has been publishing and analysing economic and social infrastructure trends and issues. In the same spirit, the Economic Research Department of the CBSL inaugurated publishing an annual digest, namely PULSE (People, Utilities, Logistics, Social, Environment), in 2025, with a roundup of key data, trends, and policy implications related to the economic and social infrastructure of the country. All statistics published in this report have been sourced from the relevant authorities that are deemed to be the primary sources of information.

The objective of this publication is to fill the information gap created due to the streamlining of the previously published Annual Report of the CBSL in relation to the economic and social infrastructure sectors, with the shift to the publication of the Annual Economic Review in line with the Central Bank of Sri Lanka Act. No.16 of 2023. PULSE is now available on the CBSL official website, providing information on the recent developments of the economic and social infrastructure of the country, along with some related discussion on issues and challenges as well as required policy directions.

Overall, the PULSE -2025 publication covers developments related to 2024 and first ten months of 2025. Thus, the publication does not cover the impact of Cyclone Ditwah, which created significant infrastructure damages in the country.

Key Points Highlighted in PULSE-2025

The economic and social infrastructure sectors experienced prolonged setbacks due to the COVID-19 pandemic and the severe economic crisis in the recent past. With the economic revival since the third quarter of 2023, these sectors are gradually returning to normalcy, thereby supporting the overall economic expansion. This article highlights the salient points discussed in PULSE – 2025 publication.

Power and Energy

The power and energy sectors are critical not only for sustaining daily life but also for ensuring uninterrupted economic growth, technological advancement, and environmental sustainability. During 2024 and 2025, vital steps were taken for the progress of the power and energy sectors, including the continued adoption of cost-reflective utility pricing and the liberalisation of the domestic petroleum market. Untargeted energy subsidies in the past, which were provided outside the National Budget, resulted in massive losses to state-owned business enterprises in the power and energy sector, while creating pressure on the financial institutions. As subsidies proved unsustainable, electricity tariffs and petroleum prices were adjusted substantially at the peak of the economic crisis. In the aftermath of the economic crisis, cost-reflective pricing mechanisms were introduced for utilities. Had this transition occurred earlier, the negative spillovers from weak financial performance of SOBEs could have been successfully mitigated. Therefore, even with macroeconomic stability restored following the crisis, cost-reflective utility pricing should be continued to safeguard long-term economic stability. In the wake of the crisis, cost-reflective pricing has triggered investment incentives towards renewable energy, supporting the gradual transition to low-carbon economy.

Transportation

Transportation and related infrastructure are vital to any economy, as they strengthen market integration, facilitate trade, support supply chains, and drive regional development, ultimately enabling marginalized sectors to participate in mainstream economic growth. However, the modes of transportation and related infrastructure in Sri Lanka continuously lag behind to keep pace with modern developments due to resource limitations, weak regulations

and lack of comprehensive national policy. In particular, bus and railroad transportation have not witnessed development in line with the growing demand of the population. Further, strengthening the civil aviation sector is essential for Sri Lanka to successfully meet its ambitious tourist arrival targets in the coming years, since capacity limitations at the Colombo International Airport is increasingly becoming a bottleneck for the tourism sector expansion. While upgrading the airport capacity and its facilities, it is also important to maximise the use of underutilised resources of the aviation sector.



During 2024 and 2025, the port sector showed healthy expansion supported by capacity additions at the Colombo Port, commencement of container handling at Hambantota Port and notable increase in vehicle imports. Nevertheless, the port sector of Sri Lanka is facing emerging challenges from rising regional competition,

indicating that mere reliance on geographical advantage may no longer be sufficient to maintain its position as a leading transshipment hub in the region. Thus, while terminal capacity expansions are already underway, complementary measures, such as infrastructure modernisation, enhancing operational efficiency through digitalisation, adoption of automation, and strengthening multimodal connectivity are equally critical in securing long-term competitiveness.

Telecommunications and Digital Infrastructure

Sri Lanka's telecommunications sector continued to expand in 2024 and 2025, driven by the growing adoption of internet-based communication methods. With the increasing globalisation, keeping pace with technological advancements is essential for Sri Lanka's future development. Despite the near-universal mobile broadband coverage and high mobile penetration levels, challenges remain in the sector in terms of quality, accessibility, affordability, digital adoption, and computer/ digital literacy, particularly among rural communities. Therefore, the country should undertake immediate reforms to achieve ambitious goal of growing the digital economy to US dollars 15 billion by 2030 while bridging the digital divide among different segments of society.

Social Infrastructure

Sri Lanka has made greater progress in terms of human development compared to regional peers owing to free health and education policies over the past several decades. Yet, resource constraints in the public sector and regional disparities are hindering the better health outcomes of the growing population, in the face of demographic, epidemiological and lifestyle transitions. While private sector is increasingly playing a critical role in filling the void created by the limited resources in the public sector, effective regulation of private healthcare providers as well as investment promotion in the sector are vital to enhance the well-being of the population. Further, accommodation of modern technological developments of the healthcare sector such as telemedicine and virtual care platforms, secured and common electronic database management for storing patient information and regulating pharmaceutical industry are vital to provide efficient and quality healthcare services.

Due to resource limitation of the Government, evolving global technologies, as well as changing aspirations of households with rising income levels, the state education system of Sri Lanka continues to fall behind. Thus, improving the education sector including the curriculum modernisation, integration of technology, human resource development and policy-oriented reforms are pivotal to enhance the education outcomes. Further, addressing the weaknesses in the regulatory framework for the private sector education at the general and vocational educational level and opening up the state universities for fee-paying students are important to bridge the resource gap in the education, creating space for effective allocation of state resources for low-income households and underserved communities.

During 2024 and 2025, the Government focused on strengthening social safety nets by expanding the coverage and by providing prompt relief to Ditwah affected families. Whilst social safety nets are vital in supporting low-income earners and vulnerable sectors, especially during economic shocks, prolonged reliance of the poor on social safety nets could create long term negative economic consequences. Therefore, welfare benefits should move beyond extended cash transfers to empowering citizens to rebuild livelihoods, alleviate poverty, and ultimately transition out of welfare programmes.

Although Sri Lanka's contribution to global climate change is relatively small, the country remains highly vulnerable to climate-related risks as evident from Cyclone Ditwah. Thus, it is vital to strengthen Sri Lanka's disaster management framework and build buffers while educating the general public on climate-conscious developmental activities and disaster preparedness.

Considering the pivotal role of economic and social infrastructure in boosting economic growth and shared prosperity, successive governments have invested heavily to build the infrastructure base of the country. However, given the narrow fiscal space, the Government needs to prioritise and better target its outlays on infrastructure, while creating a conducive, but well-regulated, environment for the private sector to invest in infrastructure related sectors.