Sri Lanka's corporate profits surge as IMF austerity deepens poverty

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Sri Lanka's Dissanayake government secured the fourth tranche of its $US3 billion bailout loan from the International Monetary Fund (IMF) this month, receiving approximately $315 million, bringing total disbursements to around $1.75 billion.

Under the IMF's stringent conditions, ordinary Sri Lankans face exorbitant increases in the cost of living. In sharp contrast to the social distress of the poor, corporate earnings are booming, with major firms reaping massive profits largely fueled by the same IMF-backed economic reforms.

At the end of the first quarter of 2025, listed companies on the Colombo stock market posted a staggering 57.4 percent year-on-year increase in earnings, marking their sixth consecutive quarter of growth. The surge was primarily driven by the banking and consumer-led sectors.

The banking sector alone saw its earnings jump by 43.5 percent year-on-year, with major private banks collectively recording a 52.9 percent increase in profits. This financial boom was attributed to an expansion in net interest income and increased fees and commissions, most notably from rising credit card debt.

The food, beverage and tobacco industry reported the strongest earnings growth of all sectors, climbing by an astonishing 174 percent from the previous financial year. This was driven by strong sales growth, margin expansions and reduced finance costs.

As ordinary citizens shoulder rising taxes and utility costs, the corporate tax rates remain comparatively low at 15 to 30 percent. No wealth or property taxes have been introduced for the super-rich. Instead, large businesses and foreign investors continue to enjoy tax holidays and special concessions, while utilising tax consultants to minimise payments.

Notable increases in corporate profits for the year ending March 2025 include:

* Hayleys Group, one of the biggest conglomerates in Sri Lanka, increased its profit before tax by 40 percent year-on-year (YoY), reaching 35 billion rupees ($US116 million), with revenue climbing to a record 492 billion rupees.

* Cargills (Ceylon) increased its after-tax profit by 22.5 percent with quarterly revenue rising to 59.5 billion rupees.

* Aitken Spence: Earned 25 billion rupees in profit before tax, up 12.5 percent YoY.

* LOLC Holdings: Profits after tax surged 89 percent to 41 billion rupees.

* Brown & Company: Reported 34 percent YoY growth in revenue to 108 billion rupees, and 26 billion rupees in profit before tax.

While the Janatha Vimukthi Peramuna (JVP)-led National People's Power government came to power last year falsely claiming it would ease the social burden for ordinary Sri Lankans, it is fully committed to IMF austerity and to boosting big business profits.

Addressing the annual economic summit of the Ceylon Chamber of Commerce on January 28, President Dissanayake hailed big business: "You are the engine of growth for the economy… The economy's future lies in your hands. You have the power, the knowledge and the attitudes to make a difference."

Sri Lankan workers and the poor face dire social conditions with the cost of living more than doubling in the past four years. In 2021, 7,913 rupees ($US26) were needed per person to meet basic needs each month. In 2025, that figure stands at 16,302 rupees according to the government's Department of Census and Statistics.

Poverty and unemployment have soared. A World Bank update report in April 2025 estimated that 25 percent of the population—or about 5.5 million people—now live in extreme poverty with 55.7 percent (12.3 million) experiencing multidimensional poverty.

The Asian Development Bank reported this month that youth unemployment remains alarmingly high at 22.2 percent, one of the highest among Asia-Pacific countries.

Over one-third of the population has resorted to unsustainable borrowing just to cover essentials like food, medicine, and education.

In line with IMF demands for "cost-reflective pricing," utility prices have dramatically increased since 2022. Electricity bills alone climbed by 159 percent between August 2022 and July 2024.

Although the JVP/NPP government announced a 20 percent reduction in electricity bills in January 2025, the IMF demanded this be reversed. The ruthlessness of this institution's hostility to any deviation from its program was such that it withheld the release of its fourth installment of the bailout until the government reversed course. The Dissanayake administration complied, hiking electricity bills by 18.3 percent in June.

The IMF's harshest blows still lie ahead with demands for further spending cuts in health, education and welfare subsidies. The government's Memorandum of Understanding with the IMF, agreed in June, promises to expedite the restructuring of 400 state-owned enterprises (SOEs), beginning with 52 major institutions. These actions will inevitably result in massive unemployment across the country.

The further enrichment of big business and the corporate elites through low interest rates, deregulation and favourable tax regimes via the immiseration of the masses continues the pattern seen at the beginning of Sri Lanka's economic crisis.

Deeply impacted by the global crisis caused by COVID-19 and the NATO proxy war against Russia in Ukraine, Sri Lanka's economy collapsed in early 2022, leading to shortages of food and fuel and extended power cuts. This precipitated mass anti-government protests that brought down the Rajapakse government.

Big business, however, recorded a massive increase in profits in the first quarter of 2022. This included a 303 percent growth in the earnings of the food, beverage, and tobacco industry, 210.2 percent in capital goods, 138.8 percent in diversified financials, 682.1 percent in transportation and 173.6 percent in consumer services—compared to the same quarter of 2021.

These processes—the further enrichment of the corporate elite through the deepening exploitation and impoverishment of the working class and the poor—are another exposure of the historic bankruptcy of the capitalist system.

The working class and the rural poor cannot defend their living standards and social conditions by appealing for reform of the capitalist system. They must instead organise and act independently to defend social and democratic rights.

The futile claims of the trade union bureaucracies that it is possible to pressure the government to change course are a deliberate attempt to suppress the development of a genuine struggle by workers to defend their rights.

The Socialist Equality Party (SEP) urges workers and rural communities to form independent action committees in every workplace, plantation and neighbourhood. These committees must be democratically controlled by workers and free from the influence of all factions of the capitalist establishment, including the trade union bureaucracy, which all function as agents of the IMF.

To genuinely address the critical challenges facing working people they must reject IMF austerity and demand the repudiation of foreign debt. The banks, big companies and plantations must be brought under public ownership and democratic workers' control.

The SEP calls for the building of a Democratic and Socialist Congress of Workers and Rural Masses, made up of delegates from these committees. This congress would serve as a platform to develop a unified socialist strategy, laying the groundwork for a government led by workers and peasants, committed to implementing socialist policies as part of a wider international movement for socialism.

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