Sri Lanka’s 2027 budget intensifies IMF austerity against working people

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17 November 2026

Sri Lankan President and Finance Minister Anura Kumara Dissanayake presented his government’s third austerity budget to Parliament on November 12. Five weeks earlier, after talks with an IMF delegation, Deputy Finance Minister Anil Jayantha Fernando confirmed that the Janatha Vimukthi Peramuna/National People’s Power (JVP/NPP) government would continue to adhere to the IMF’s requirements for savage cuts and pro-business restructuring.

In his more than five-hour-long budget speech, Dissanayake declared that Sri Lanka had overcome past challenges and achieved “economic stability.” The government’s next goal, he said, was to “commence a forward-looking and transformative era in 2027.”

This “stability” has been achieved through the impoverishment of millions of workers and oppressed people under the brutal austerity program dictated by the IMF. On the eve of the budget presentation, the government announced cuts to the already limited Aswesuma social welfare program, which will impact nearly half a million poor people.

Scheduled interest and principal repayments of 4.85 trillion rupees (US$15.5 billion) will consume nearly four-fifths of projected government revenue of 6.23 trillion rupees. Interest payments alone will absorb about 43 percent of revenue, underscoring how heavily debt continues to constrain public finances. This amounts to an annual debt-service burden of more than 220,000 rupees ($661) per citizen.

The Ceylon Chamber of Commerce and Joint Apparel Association Forum praised the budget for incorporating their proposals. Alongside the 2 trillion-rupee capital allocation, the government will allow export-manufacturing and tourism enterprises investing more than $3 million to deduct twice their qualifying capital expenditure from taxable income. The budget also provides electricity tariff concessions and other incentives to attract private investors to build data centres.

Dissanayake announced plans to introduce a Public-Private Partnership (PPP) Bill in early 2027, which will advance the government’s plans to privatise and restructure state-owned enterprises to serve the needs of big business. The government had already revealed plans to close 34 state-owned enterprises.

Dissanayake cited the turnaround of 52 major state enterprises from a combined loss of 774 billion rupees in 2022 to a profit of 444 billion rupees in 2025 as an “achievement.” This has been driven by IMF-imposed restructuring, which has shifted the costs of public services onto the population through higher charges, while cutting jobs and real wages, and increasing workloads.

The government remains committed to IMF austerity targets, including a primary surplus of 2.3 percent of GDP, a budget deficit of 5 percent and raising government revenue towards 20 percent of GDP through broader taxation and stricter collection, including mandatory Taxpayer Identification Number (TIN) registration for all adults.

With the current IMF program due to end in March 2027, Dissanayake has appointed a ministerial committee to examine entering a further IMF program, to extend its right-wing, pro-corporate restructuring policies.

The IMF’s cost-recovery policy on electricity and fuel is passing international energy-price increases onto workers and the rural poor, with higher prices for transport, food-distribution, farming, fishing and manufacturing. Dissanayake warned of the “very adverse impact” of the Middle East war and risks from developing El Niño conditions.

The current 8.3 percent inflation rate comes on top of the enormous price increases suffered during the 2022 economic crisis, which led to a mass nationwide uprising, when food prices rose by approximately 100 percent. Although inflation later slowed, prices did not return to their earlier levels.

The budget provides no substantial general wage increase to compensate public-sector employees for the continuing loss of purchasing power. Dissanayake stressed that the 15,750-rupee ($47) increase in the minimum monthly basic salary announced in the 2025 budget had cost 330 billion rupees, with its final phase due in 2027 at a further cost of

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110 billion rupees. He cited these figures to justify the refusal to grant any further wage rises.

The president announced selected allowance increases, including for the armed forces, police and judiciary—the repressive arms of the state. He also announced a monthly allowance increase of 25,000 rupees ($75) for medical officers, smaller increases for nursing and other health-sector employees, and inadequate revised allowances for Grama Niladharis (village-level administrative officers), development officers and other field staff. Some increases will be phased in through 2028.

These concessions provide no general wage adjustment for rising living costs. The budget also neglects private-sector workers, including plantation, apparel and contract workers in Free Trade Zones.

Departing from his prepared speech, Dissanayake blamed workers for deteriorating public services caused by decades of underinvestment. He challenged state employees to consider whether citizens receive public services "comparable to their wage bill from the budget." This must be taken as a warning that further real wage cuts are being prepared.

The 2027 budget allocates just 8.6 billion rupees for new education proposals and 24.75 billion rupees for new health proposals. These announcements do not guarantee that the money will be spent. According to the Ministry of Finance, only 28 percent of the funds allocated in the 2026 budget had been spent by September.

Dissanayake invoked national sovereignty and a prosperous Sri Lanka, declaring that the budget's objective was "to make the Sri Lankan identity a symbol of intelligence, virtue and excellence." In reality, the government is subordinating the entire economy to the requirements of international creditors and big business, while workers are told there is no fiscal space for decent wages or improved social conditions.

Social inequality has soared in recent years. The real median household income plunged by 11.1 percent between 2019 and 2025, while the wealth of the richest quintile increased by 6.8 percent.

This trend is continuing, as underscored by recent profit announcements. The Commercial Bank reported first-half 2026 profits of nearly 35 billion rupees, up 13 percent year-on-year. John Keells Holdings, one of Sri Lanka's biggest diversified companies, recorded quarterly profits of 5.17 billion rupees for the quarter ending in September, a 213 percent increase.

The issue is not simply broken election promises or misguided policies by the JVP/NPP government, as the pseudo-left Frontline Socialist Party claims. These policies arise from the government's defence of the interests of the capitalist class. As the Socialist Equality Party (SEP) has explained, the Sri Lankan bourgeoisie, backed by the imperialist powers, brought the JVP/NPP to power based on its assurances that it would implement the IMF's dictates to the letter.

The 2022 mass uprising, driven by a profound economic collapse, forced President Gotabaya Rajapaksa to flee and resign. Ranil Wickremesinghe's government then secured a four-year, $2.9 billion IMF loan facility in March 2023 and pledged to impose severe austerity measures on workers and the poor. During the 2024 election campaign, the JVP/NPP exploited widespread opposition to austerity, promising to renegotiate the IMF program and ease the burden on the poor. Upon taking office, President Anura Kumara Dissanayake immediately abandoned that pledge and continued and deepened Wickremesinghe's austerity policies.

The unbearable conditions facing workers, farmers and young people are driving them into struggles, despite the trade union bureaucracy's continued efforts to suppress opposition. Immediately after the announcement of the 2027 budget, workers and other oppressed people joined street protests against the JVP/NPP government.

The SEP calls on workers to build democratically elected action committees in every workplace, factory, plantation and neighbourhood, independent of trade union bureaucracies and all capitalist parties. These committees must coordinate a nationwide struggle against austerity, privatisation, wage suppression and attacks on democratic rights. Workers and the rural poor must link their struggles with those of working people across Europe, the US and South Asia, based on an internationalist socialist program.

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