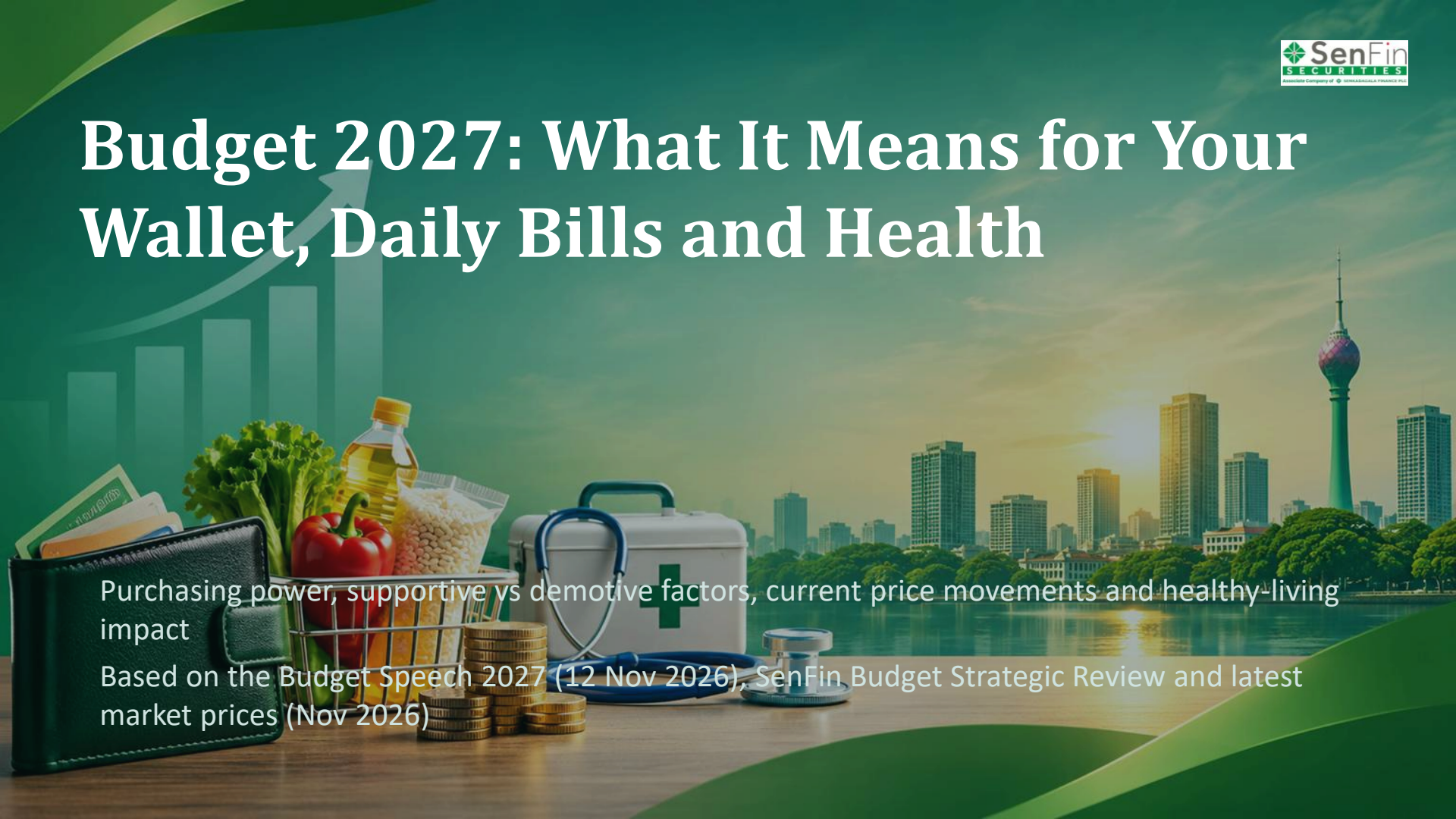
Budget 2027: What It Means for Your Wallet, Daily Bills and Health



Purchasing power, supportive vs demotive factors, current price movements and healthy-living impact

Based on the Budget Speech 2027 (12 Nov 2026), SenFin Budget Strategic Review and latest market prices (Nov 2026)

Relief is real, but smaller than the price rise

8.3%

Headline inflation (Oct-2026), up from 2.1% a year earlier

Rs. 162,500

New tax-free monthly income (from Rs. 150,000), from April 2027

Approx. Rs. 190bn

Extra income to public employees, pensioners and allowance recipients in 2027

Rs. 750-15,750

Extra monthly take-home pay for income-tax payers only

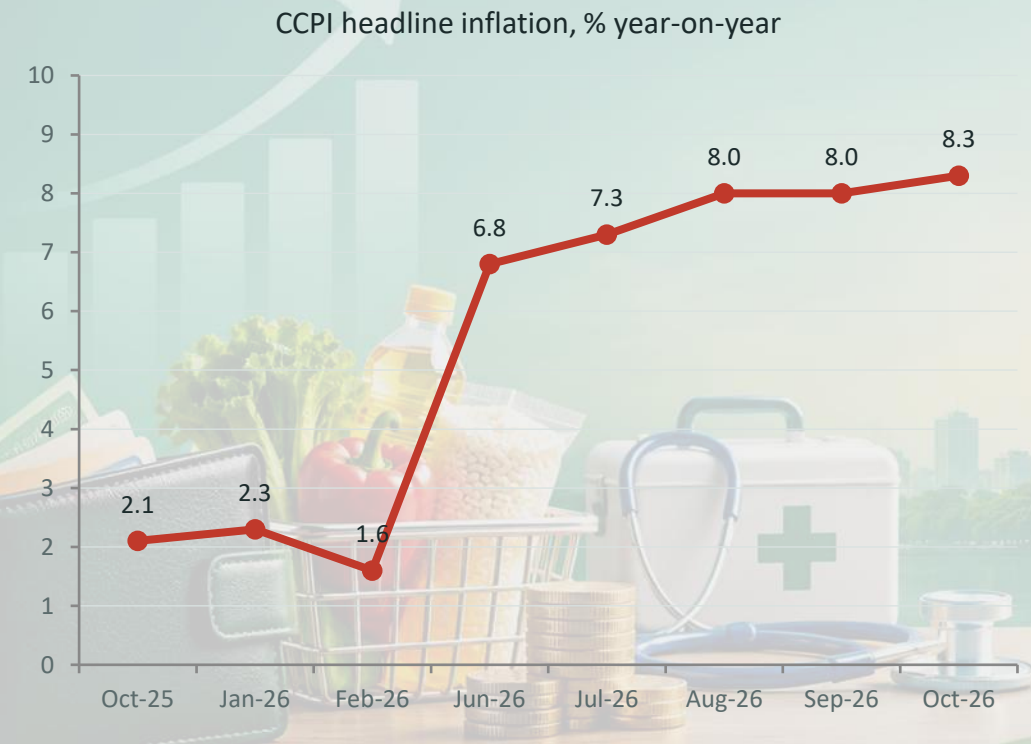
Income side: income-tax relief, the final public pay-revision phase and higher allowances lift incomes but mostly from April/July 2027, and mainly for salaried formal-sector workers and state beneficiaries.

Price side: a few food levies are cut and import CESS is trimmed, but fuel, LP gas, electricity and bus fares are still far above last year and are not changed by the Budget.

Net: most households will see purchasing power stay squeezed until inflation falls back toward the 5% target (expected by Q2-2027).

Sources: Budget Speech 2027 s.1, s.35, s.36; SenFin Budget Review 2027 p.5, p.22, p.29; CBSL CCPI Oct-2026

The Budget lands in a high-inflation year



Why prices jumped

Middle East war and the Strait of Hormuz closure pushed fuel up approx. 50% after Feb – 2026, Cyclone Ditwah hit food supply.

Rupee weaker

USD/LKR 304.8 → 332.4 in a year (-8.3%), lifting the cost of imported food, medicine and fuel.

Rates higher

Policy rate raised 100bp to 8.75%, T-bill yields up approx. 190bp - loans cost more.

Risk ahead

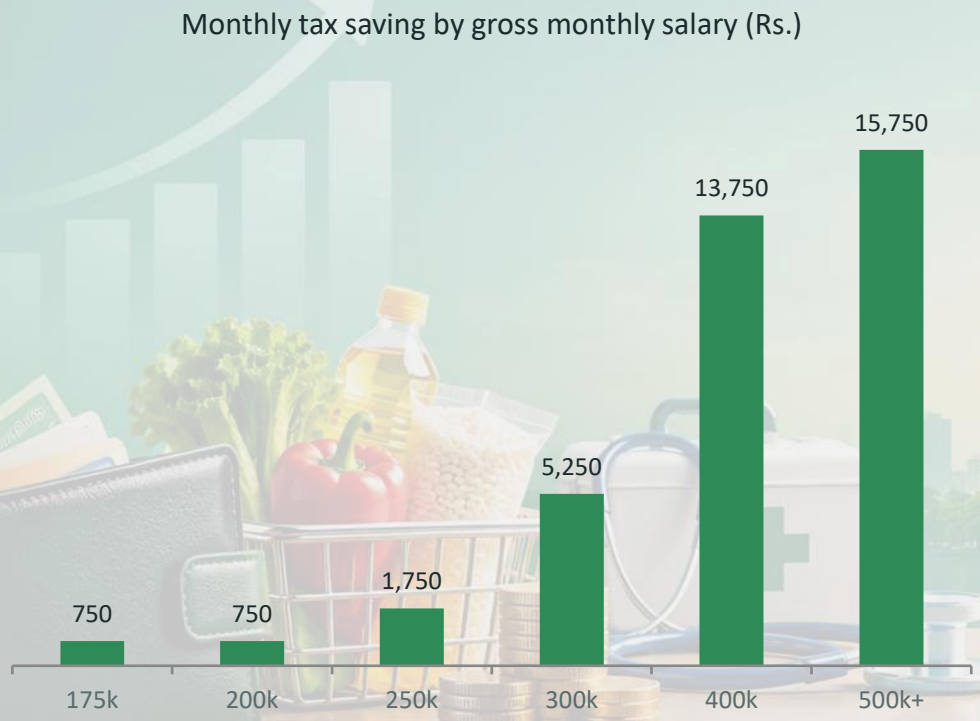
El Niño expected to peak in Feb-2027, threatening food prices and hydropower.

Sources: CBSL / DCS CCPI releases (Oct-2025 to Oct-2026); Budget Speech 2027 s.1; SenFin Budget Review p.11

1. Purchasing power

What the Budget adds to household income - and who it reaches

Income-tax relief helps the middle class most



- Tax-free threshold: Rs. 150,000 → Rs. 162,500 a month
- Second slab cut from 18% to 12%, bands widened to Rs. 50,000
- Top 36% rate now starts at Rs. 433,000 (was Rs. 358,000)
- Combined 2025 + 2027 relief: Rs. 4,250-36,250 a month

Limit: anyone earning under Rs. 150,000 a month - the large majority of workers - gains nothing from this measure.

Source: Budget Speech 2027 s.36.1 (effective April 2027). Monthly tax calculated on the old (2025) and new (2027) slab structures

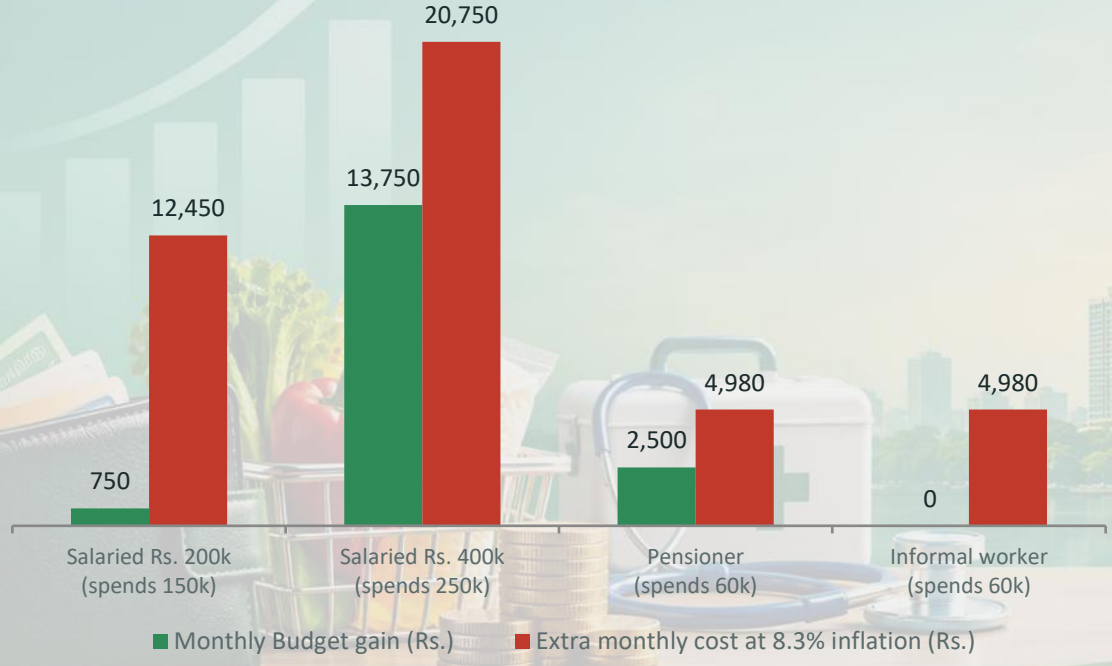
Income boosts reach state-linked groups first

Group	Budget 2027 measure	From
Public servants	Final phase of 2025 pay revision (Rs. 110bn), higher field, health, police, prison and forces allowances	2027 / Apr–Jul 2027
Pensioners (retired 2020–24)	Interim allowance Rs. 2,500 a month; final conversion for pre-2020 retirees	Jul 2027
Kidney patients, disabled	Monthly allowance Rs. 10,000 → Rs. 12,500	2027
Low-income families	Rs. 230bn for Aswesuma & social allowances; Rs. 25bn Praja Shakthi	2027
Estate workers	Rs. 200 a day incentive allowance continued	2027
Farmers	Fertiliser subsidy Rs. 30,000/ha paddy, Rs. 4,000/bag for tea & rubber smallholders	2026/27 Maha
Small entrepreneurs, women heads	Rs. 174bn concessionary loans at 3-5% (Samurdhi Bank, SME schemes)	2027

Left out: private-sector and informal workers earning below the tax threshold get no direct income measure; the Budget announces no private-sector wage change.

Source: Budget Speech 2027 s.18, s.20, s.35, s.17; SenFin Budget Review p.29–30

Gains vs inflation: most households still fall behind



Every persona has a gap

Even the best-placed taxpayer recovers only about two-thirds of the inflation hit.

Timing matters

Tax relief starts April 2027 and most allowances July 2027, while prices are high now.

What closes the gap

Inflation falling back inside 3-7% by Q2-2027, as CBSL and the Budget assume.

Illustrative: monthly cost of inflation = assumed monthly spending × 8.3% (Oct-2026 CCPI). Gains from Budget Speech 2027 s.35–36. Not a forecast

2. Day-to-day expenses

Budget price measures and what people are actually paying now

Budget price measures: small, targeted cuts

Pushes prices down

Sprats (imported)	Special levy Rs. 100 → Rs. 10 per kg (from 13 Nov 2026)
Maldive fish	Special levy Rs. 302 → Rs. 10 per kg
Dried chillies	Special levy cut by Rs. 50 per kg
800 import items	CESS rates reduced by 25%
Books & exercise books	Exempted from VAT - cheaper school costs
Home solar batteries	Rs. 25,000/kW subsidy (max Rs. 250,000) + PAL removed

Pushes prices up / unchanged

- Imported sugar levy +Rs. 10/kg (to protect local sugar)
- No change to fuel, LP gas or electricity prices - these follow cost formulas
- No VAT cut on everyday goods, VAT stays the main tax
- Allowance and pay increases add demand while inflation is above target

Source: Budget Speech 2027 s.6.1, s.36.3, s.36.10–36.12

Energy and transport: up 18–71% in a year

Item (Colombo)	Nov 2025	Nov 2026	Change
Petrol 92 (litre)	294	424	+44%
Petrol 95 (litre)	335	490	+46%
Auto diesel (litre)	277	397	+43%
Super diesel (litre)	318	543	+71%
Kerosene (litre)	180	285	+58%
LP gas 12.5kg (Litro)	3,690*	4,365	+18%
Minimum bus fare	27	34	+26%

All prices in Rs. *Price before the March-2026 hike to Rs. 3,990.

Electricity

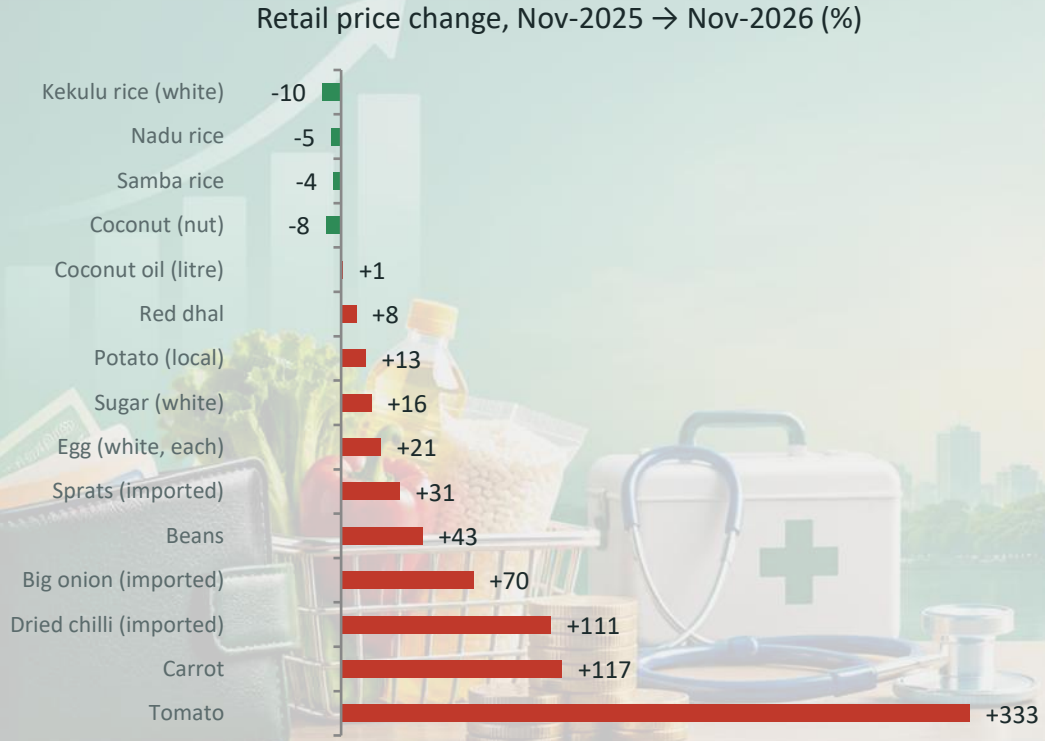
Avg +10% in Apr-2026 (+25% above 180 units), then +18% for users above 180 units from May. No change for Oct-Dec 2026.

Knock-on

Transport inflation hit 17.6% and restaurants & hotels 13.4% in Oct-2026 - eating out and travel cost far more.

Sources: CPC fuel revisions (Nov-2025, 1 Nov 2026) via Lankasara, The Morning, Newswire; Litro (Mar & Sep 2026, Nov 2026 unchanged) via Ada Derana, LNW; NTC bus fares (Mar & Jul 2026)

Food: staples eased, vegetables and protein jumped



Staples steady

Rice is 4-10% cheaper and coconuts 8% cheaper than a year ago.

Nutrition costs up

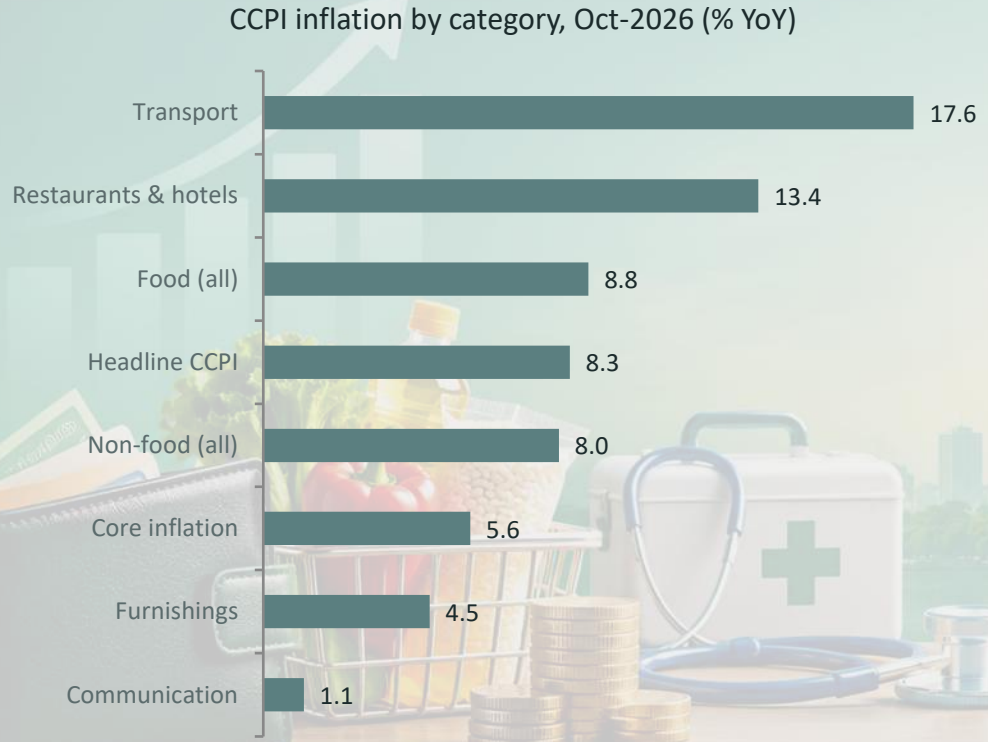
Eggs +21%, sprats +31%, sugar +16%, beans +43%, dried chilli more than doubled.

Overall

Food inflation 8.8% in Oct-2026 (3.5% a year earlier). Budget levy cuts on sprats and chillies should ease two of these items.

Source: CBSL Daily Price Reports, 13 Nov 2025 vs 13 Nov 2026 — Pettah retail prices (Rs./kg; eggs and coconut per unit). Vegetables are seasonal and volatile

Non-food: transport and eating out lead the rise



Milk powder

Imported milk powder up Rs. 50 per 400g and Rs. 125 per 1kg (May-2026) on a weaker rupee.

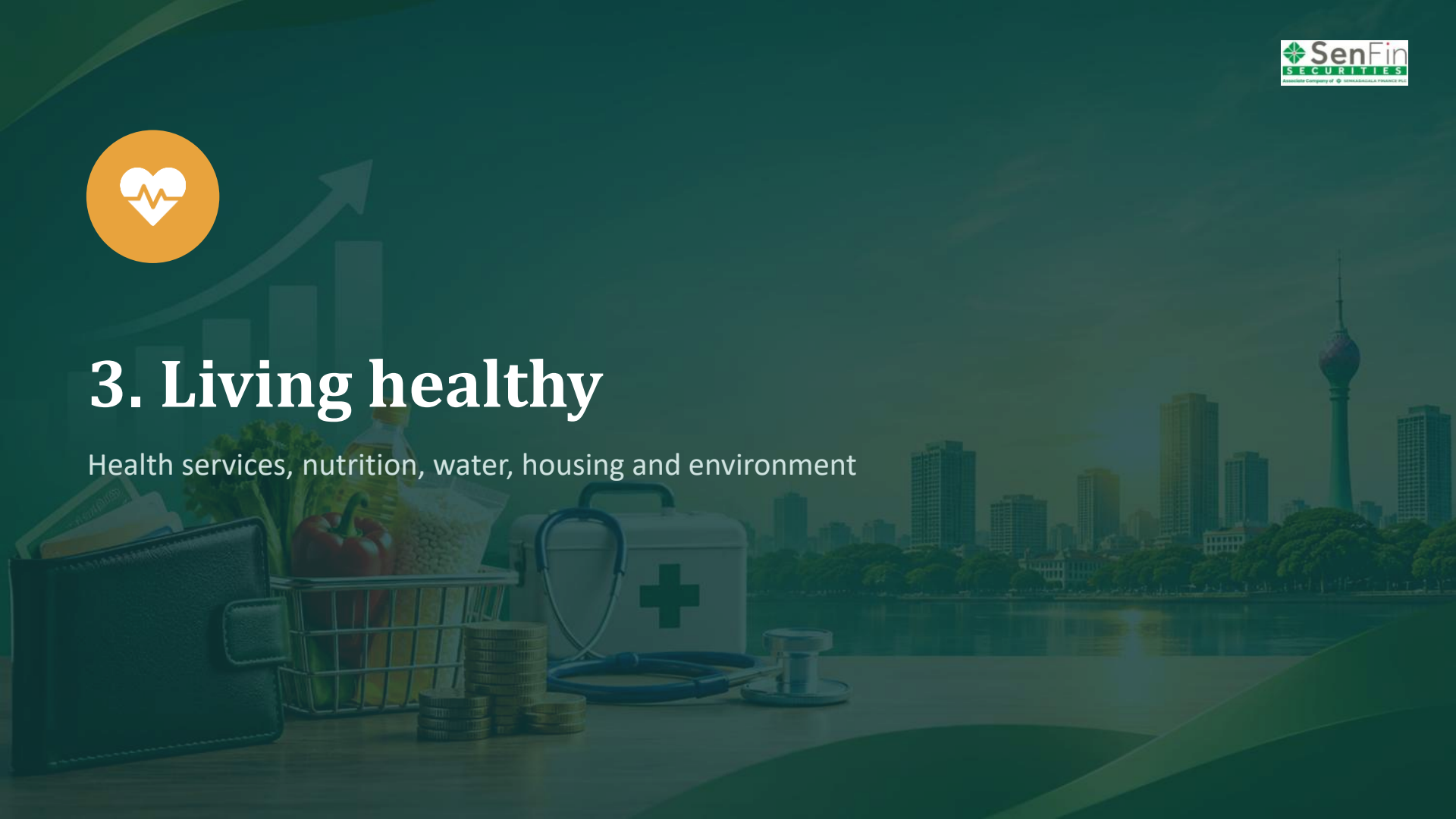
Medicines

6-7% increase signalled from 30 June 2026; new NMRA price formula cuts some brands by up to 40%.

Electricity

Unchanged for Q4-2026, but users above 180 units took two hikes this year (+25% in April, +18% in May).

Sources: CBSL / DCS CCPI Oct-2026 (via Trading Economics, Daily FT); Milk Powder Importers' Association (May-2026); Health Minister on medicines (Jun-2026); NMRA (Nov-2026)



3. Living healthy

Health services, nutrition, water, housing and environment

Supportive: more spending on care, water and homes

Rs. 131bn

Health capital spending

1,000

Arogya Wellness Centres, 2027–29 (Rs. 3.6bn in 2027)

Rs. 77bn

Clean drinking water & sanitation

Rs. 20.5bn

MRI, CT, Cath-lab equipment in 2027

- Staff: 1,797 doctors, 3,441 nurses and 952 midwives recruited; health allowances raised to retain them
- Rs. 3bn for new ambulances, 45 more via ADB and Japan, and 100 for the 1990 Suwa Seriya
- Rs. 400m for the Wolbachia dengue-control method; free spectacles for school children (Rs. 100m)
- 70,000 low-income homes (aid per house up to Rs. 1.5mn), flood-control and drainage projects
- Cheaper rooftop solar with batteries; Rs. 1bn for accessibility for elders and disabled

Source: Budget Speech 2027 s.20, s.22, s.26, s.27, s.35

Demotive: a healthy diet is getting harder to afford

33% of households were food insecure before Cyclone Ditwah, 55% in estate areas

100k+ dengue cases by late Sep-2026, with 77 deaths - the worst outbreak since 2019

+21% / +31% rise in egg and sprat prices - key cheap proteins

Gaps in the Budget

- The speech announces no new school-meal, nutrition-supplement or food-price support beyond three levy cuts
- Vegetables from +43% (beans) to over +300% (tomato) squeeze fibre and micronutrient intake, pushing families toward cheaper starch
- Medicine and milk powder costs rising with the weaker rupee
- High fuel and bus costs make hospital and clinic visits dearer
- El Niño (peak Feb-2027) threatens harvests, water and food prices
- New wellness centres and equipment take 2–3 years to reach people

Sources: CBSL Daily Price Reports (Nov-2025/26); IFPRI–IWMI BRIGHT survey via Daily FT (Jan-2026); Health Ministry dengue data via Xinhua (Sep-2026); Budget Speech 2027 s.1

Scorecard: supportive vs demotive factors

Supportive

- Wider tax bands lift take-home pay for earners above Rs. 150k
- Pay, pension and allowance increases (approx. Rs. 190bn)
- Rs. 230bn safety net; disability and kidney allowances +25%
- Levy cuts on sprats, Maldive fish, chillies, CESS –25%
- VAT-free school books, fertiliser and SME credit support
- Big health, water and housing investment

Demotive

- Inflation 8.3% outpaces most gains
- Relief starts Apr/Jul 2027 - prices are high now
- No direct help for informal and private low earners
- Fuel +43–71%, LP gas +18%, bus fares +26% in a year
- Protein and vegetable prices sharply higher
- Weak rupee, higher rates, El Niño and dengue risks

Synthesis of the analysis in this deck

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