

FAQ: Updating Sri Lanka's Poverty Estimates

The World Bank has updated its estimates of poverty in Sri Lanka for the period of 2020-2024, using an improved methodology that draws on annual household survey data from the Labor Force Survey (LFS). The revision also affects the poverty nowcast (estimates for the current year) for 2025 and projections from 2026 until 2028. This note explains how to read the numbers, what the new figures show, and what they mean for the country and for policy.

The headline numbers

Poverty rate (US\$4.20/day, 2021 PPP)	2019	2022	2023	2024	2025*	2026*	2027*	2028*
Revised (S2S/LFS-based)	11.5	18.4	20.7	18.4	16.9	15.8	14.8	14.0
Previous (macro-to-micro)	11.5	23.1	27.6	25.0	22.1	20.1	19.5	18.9

Note: Estimates for 2022-2024 are based on a survey-to-survey imputation of household expenditure into the Labor Force Survey (LFS). 2025 is a nowcast and 2026-2028 projections are based on a macro-to-micro simulation of household expenditures. At the national poverty line, the 2023 peak is revised from 31.4 to 24.0 percent and 2024 from 29.0 to 21.7 percent.

How to read the revision

The revision does mean	That welfare in 2020 to 2024 is now estimated from observed household-level changes in employment, labor incomes, and household composition available in the Labor Force Survey, rather than inferred from macroeconomic aggregates.
The revision does mean	That poverty at the peak of the crisis is lower than previously estimated, but the overall picture is the same: poverty almost doubled, then began a partial recovery.
It does not mean	That poverty has fallen by 7 percentage points. The estimated crisis peak is about 7 percentage points lower than under the earlier method, but poverty on the ground has not changed, it is now measured more accurately. The 2019 baseline is unchanged, and poverty still roughly doubled during the crisis.
It does not mean	That the revised series is an official statistic. The official benchmark remains the Household Income and Expenditure Survey (HIES) produced by the Department of Census and Statistics.
It does not mean	That the estimated poverty rates should be read as precise point estimates. They are best understood as our best assessment of how poverty has evolved: the shape of the trend matters more than the exact level in any single year. The estimated trend should be interpreted alongside food security, nutrition, and labor market indicators.

What is the key finding?

According to this new methodology, poverty in Sri Lanka roughly doubled between 2019 and its peak in 2023, pushing an estimated two million people into poverty. The updated estimates put the poverty rate at around 20.7 percent in 2023, measured at the World Bank's \$4.20-per-day line. This shows a lower peak. However, poverty remains well above pre-crisis levels and is projected to stay elevated through at least 2028.

Does this mean that the crisis was not severe?

No. The revision reflects an improvement in the method used to estimate poverty between major household surveys. Poverty still roughly doubled between 2019 and 2023, pushing around two million people below the poverty line.

In summary, what has changed?

What changed is the way poverty is estimated until new microdata becomes available from an official household expenditure survey. Earlier estimates used national accounts data as a proxy for changes in household incomes. The updated approach uses observed household-level data from the Labor Force Survey, which tracks actual incomes, employment, and household characteristics. This produces lower poverty rates throughout the 2020-2024 period, but the underlying hardship of falling incomes, rising child malnutrition, and millions pushed into poverty, is corroborated by the new approach.

What do the revised numbers say about how deep the crisis was?

The new numbers confirm that households were hit hard, and show how thin household buffers were and how quickly decades of poverty reduction can be reversed:

- Real labor incomes fell by more than 40 percent between 2019 and 2023 and have not fully recovered.
- Labor force participation declined from 52.3 percent in 2019 to 47.4 percent in 2024, before a partial rebound to 49.4 percent in 2025.
- Female labor force participation fell from 34.5 percent in 2019 to 32.4 percent in 2024, among the lowest in the region.
- Stunting among children under five rose from 7.4 percent in 2021 to 10.1 percent in 2025.
- In 2026, two-fifths of Sri Lankans remain poor or are at risk of falling into poverty.

These are not just numbers. They reflect families cutting meals, children falling behind on nutrition, and workers leaving the labor market altogether. The crisis was real, deep, and its effects are still being felt.

Is the recovery on track?

Recovery is under way, but it is slow, incomplete, and uneven. Poverty is estimated at 16.9 percent in 2025 and is projected to decline to 15.8 percent in 2026 and 14.0 percent by 2028, but will remain above the 2019 level of 11.5 percent throughout this period. Progress has also been fragile. Real incomes stalled in early 2026 as rising energy costs, linked to the conflict in the Middle East, pushed inflation higher, squeezing household budgets again.

The recovery is also not reaching everyone equally. Poverty rates outside the Western Province are two to three times higher than within it, and in the estate sector, poverty is three times the national average. The average gap between what poor households have and what they need to meet basic needs has doubled nationally between 2019 and 2024. This is four times larger in the Northern Province than in the Western Province.

The deeper concern is that the losses many households suffered during the crisis may not be temporary. In more deprived regions, there is a real risk that setbacks become difficult to reverse or even permanent, layering new hardship on top of inequalities that existed long before the crisis began.

What does it mean for Aswesuma and Sri Lanka's social protection system?

Sri Lanka's social protection reforms have improved and expanded the targeting and coverage of its social protection programs significantly since 2019, especially in the estate sector. The Aswesuma program was expanded during the crisis with a target to cover at least the bottom 20 percent of the population in response to the rapid increase in poverty since the 2019 baseline. The new numbers confirm this rapid deterioration in living standards.

However, room for improvement in targeting of the program remains. The system also remains slow to respond to new shocks — whether from global commodity prices, a natural disaster, or a financial shock — when the support available to vulnerable households needs to be scaled up or expanded. Strengthening the targeting and shock-responsiveness of Sri Lanka's social protection system is a key policy priority going forward.

How does this relate to the World Bank's upper-middle-income reclassification?

These are two different measures and should not be read together as a single story of recovery. The income classification is based on Gross National Income per capita, a national average that reflects the overall size of a country's economy split equally across everyone living in Sri Lanka. It does not look at how income is distributed or whether the recovery has reached the most vulnerable.

What does the \$8.30 poverty line mean for Sri Lanka?

The \$8.30-per-person-per-day poverty line (in 2021 prices) is the World Bank's standard for tracking poverty reduction in upper-middle-income countries. The World Bank reports it alongside the \$3.00 international extreme poverty line and the \$4.20 lower-middle-income line. Together they give a more comprehensive picture of poverty at different levels of deprivation as economies grow. At the \$8.30 line, close to six in 10 Sri Lankans are poor. This is not a new poverty estimate but a different yardstick: it shows how many households remain below living standards typical of an upper-middle-income country. Because Sri Lanka's upper-middle-income status is still recent, the \$8.30 line is for now an aspirational benchmark. It will matter more as the economy grows, to assess whether growth translates into improvements of households' living standards.

Poverty in Sri Lanka will continue to be monitored using all three international poverty lines, as well as the national poverty line, currently set at LKR 6,966 per person per month in 2019 prices, which guides national policy. That national line will be updated once data from the 2025 HIES becomes available.

Why are the World Bank's poverty estimates being revised?

This is standard practice across economics and statistics. Just as GDP figures or inflation data are regularly revised as better information becomes available, poverty estimates are updated when more frequent and improved data or methods allow for more accurate measurement.

Sri Lanka's last official Household Income and Expenditure Survey was conducted in 2019, seven years ago. That is a long gap, and it means there is no single comprehensive data source that captures what happened to household welfare during and after one of the country's worst economic crises and subsequent other crises, including Cyclone Ditwah and the conflict in the Middle East.

The current revision represents an upgrade in that approach. Rather than relying on national accounts, which are broad economic aggregates that do not capture how growth or contraction is distributed across households, the updated methodology draws on the annual Labor Force Survey, which tracks actual household incomes and employment. Critically, these figures have been validated with local research partners and cross-checked against independent assessments from organizations including the World Food Programme (WFP) and the International Food Policy Research Institute (IFPRI). This means the estimates are grounded not just in modelling, but in data collected on the ground in Sri Lanka.

How reliable are these estimates?

The revised series has been validated against multiple independent sources. First, actual household expenditure data from 2016 and 2019 Household and Income Expenditure Surveys provide the backbone to calibrate the new estimation methodology. Second, four independent surveys — the 2024/25 BRIGHT survey conducted by IFPRI, WFP's 2023-2024 Food and Crop Security assessments, the 2024 World Bank Sri Lanka Phone Household Survey, and the 2022 Household Survey from LirneAsia — confirm a sharp deterioration in living standards since 2019 producing poverty rates in line with the revised series even when using alternative modelling approaches.

All estimates point to the same pattern: poverty roughly doubled during the crisis and is now slowly recovering. The consistency across these very different data sources provides strong confidence in the overall picture.

What does the new approach add for Sri Lanka?

Timeliness and granularity. Because the Labor Force Survey is annual and district-representative, it can support a government-led welfare tracker between household surveys rather than leaving a multi-year blind spot. With a small addition to the Labor Force questionnaire, it could also allow regular monitoring of social protection coverage among poor households, currently possible only when a full HIES round becomes available.

Will these poverty numbers be updated again?

Yes. New data from the 2025 Labor Force Survey are expected in November 2026 and will provide the first household-level reading post-Cyclone Ditwah. This will be used to update the estimates. The official HIES data for 2025 is expected in 2027 and will provide the next comprehensive benchmark. Regularly, projections will be refreshed through the bi-annual World Bank Macro Poverty Outlook cycle.

For more information

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The official benchmark for poverty in Sri Lanka remains the Household Income and Expenditure Survey produced by the Department of Census and Statistics. Modelled estimates are interim and are not a substitute for it.