IMPACT OF FLUCTUATIONS IN GLOBAL CRUDE OIL PRICES ON ECONOMY OF SRI LANKA WITH A SPECIAL REFERENCE TO TOURISM AND AGRICULTURAL SECTORS

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DECLARATION

I declare that this is my own work and this thesis/dissertation does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any other University or Institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text. I retain the right to use this content in whole or part in future works (such as articles or books).

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The above candidate has carried out research for the Master's thesis/dissertation under my supervision. I confirm that the declaration made above by the student is true and correct.

Name of Supervisor: Dr. Samanthi Mathugama

Signature of the Supervisor: Date:

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ABSTRACT

This research is to focus on the complicated relationship between the economy of Sri Lanka and the price variability of crude oil on a global scale, including tourism and agriculture sectors by itself. This study is carried out using the secondary data from annual reports since 1984 till 2023. The results analyzed by econometric analysis, which is conducted using data as an input in EVIEWS and SPSS, aim at ascertaining the dimension of oil price volatility's impact on these sectors. The results demonstrate that, along with the oil price volatility, there is a strong connection between the contribution of agriculture to GDP and Tourism sector revenue.

ARMA models for both sectors yielded notably intriguing insights. Autoregressive relation in both agriculture and Tourism Sectors have highlighted the instinct connection of current level with the previous ones. Autoregressive relation in Tourism Sector has stressed the level of future final sales depends on the level of profit earned in the past. Agricultural trend analysis displays declining trend despite the one significant role it has in the economy. For that contrast, tourism revenues' foreseen trend shows in increasing trend over the years and the volatilities can be assigned to uncontrollable, external factors such as war, COVID-19 pandemic etc.

In brief, this study argues that global crude oil price fluctuations, in a way, either harm or help the economy of Sri Lanka depending on the conditions. While the agricultural sector needs strategic planning and resilience measures under increasing oil prices, the tourism sector is inherently stable and risk absorbing.

Key words: Agricultural Sectors, Crude Oil Prices, Economy, Tourism

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LIST OF ABBREVIATIONS

SL - Sri Lanka

GDP - Gross Domestic Product

EViews - Econometric Views (Statistical Software)

SPSS - Statistical Package for the Social Sciences (Statistical Software)

ARMA - Auto Regressive Moving Average

SD - Standard Deviation