Abstract: Significant demographic and socio-economic changes have occurred in Sri Lanka during the past century, particularly during the last five decades. The demographic transition from high birth and death rates to relatively low levels of fertility and mortality has taken place at a relatively rapid pace. At the same time, the literacy and educational level of the population as well as per capita incomes have improved from modest to relatively high levels. The changing demographic scenario has brought about both positive and negative implications. On the positive side are the low dependency ratios; less pressure on the primary school system and maternal and child care services; reduction in the net addition to the labour force and the consequent increase of the ratio of capital to labour which would result in the increase of per capita income; and the “demographic bonus” of having a relatively high proportion of population in the peak working ages. Some of the challenges that Sri Lanka will have to face in the first half of this century are population ageing; slowing down of the economic after the demographic bonus is exhausted; the continued increase of the female population in the reproductive ages for a couple of decades; and the proportionate increase of population living in urban areas.