



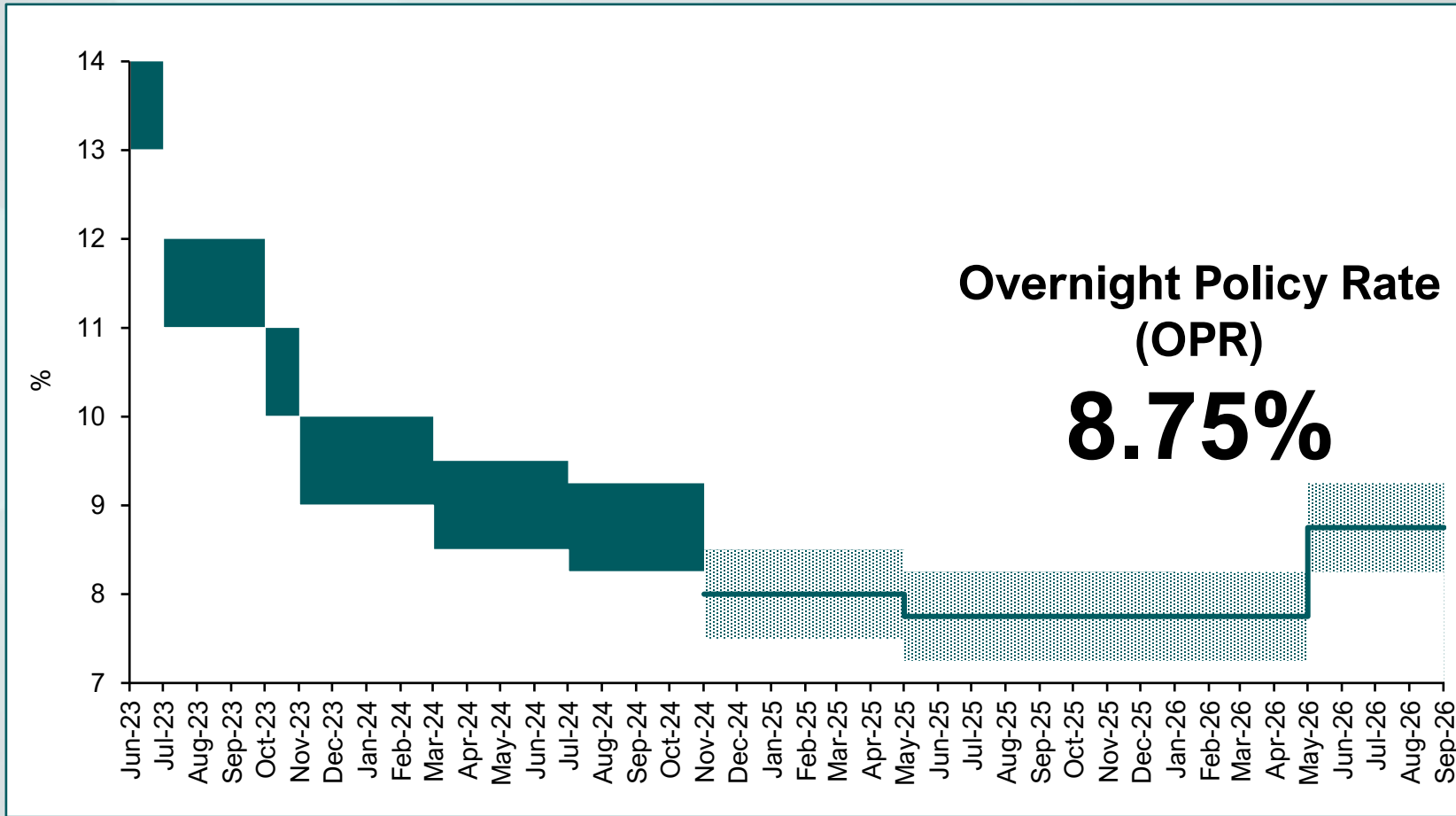
Press Conference

Monetary Policy Review: No. 05 – September 2026

**Economic Research Department
Central Bank of Sri Lanka**

30 September 2026

The Central Bank of Sri Lanka maintains the Policy Rate at the current level



Source: Central Bank of Sri Lanka

The margins for determination of the **Standing Deposit Facility Rate (SDFR)** and the **Standing Lending Facility Rate (SLFR)** to OPR remain **unchanged at ± 50 bps**

SDFR

8.25%

SLFR

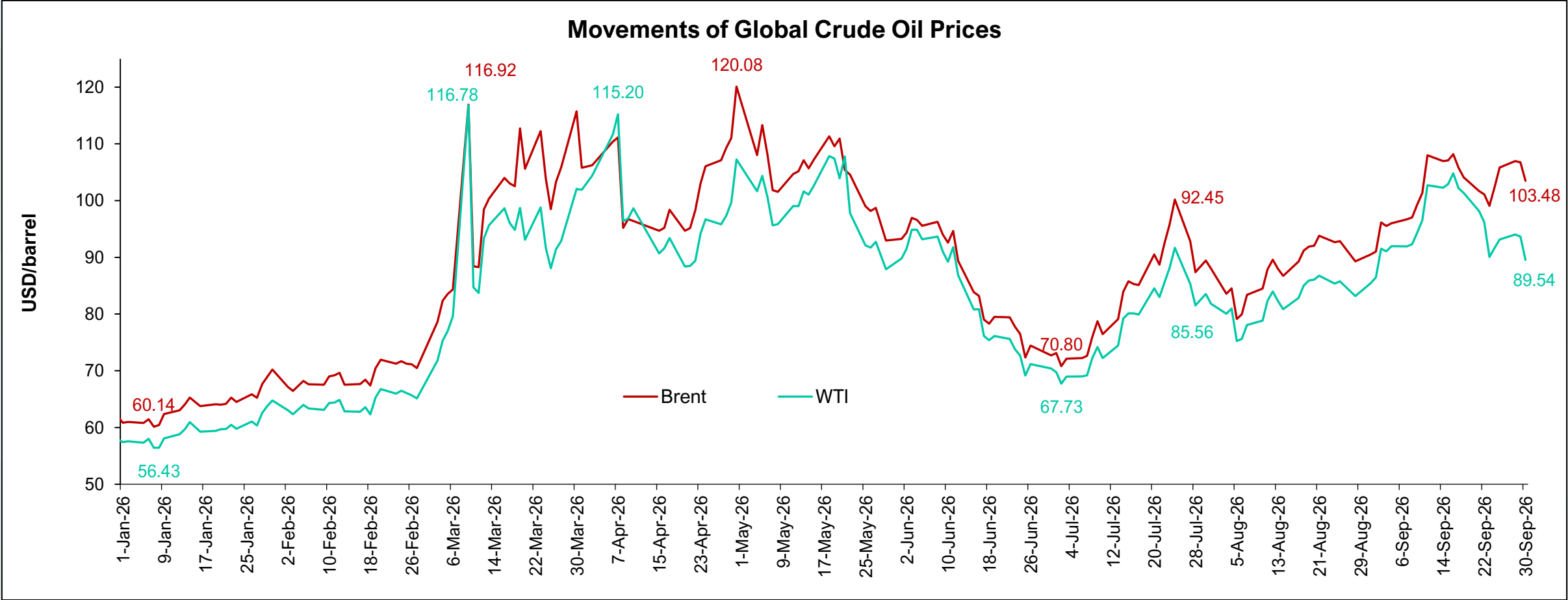
9.25%

Statutory Reserve Ratio (SRR)
remains unchanged at 2.00%

The Board paid particular attention to the effects of the proactive monetary policy tightening in May 2026 alongside other measures that had already materialised to a large extent.

The Board also recognised the uncertainty arising from evolving geopolitical tensions in the Middle East and potential risks associated with El Niño conditions on the economy.

Global crude oil prices remain elevated due to tensions in the Middle East

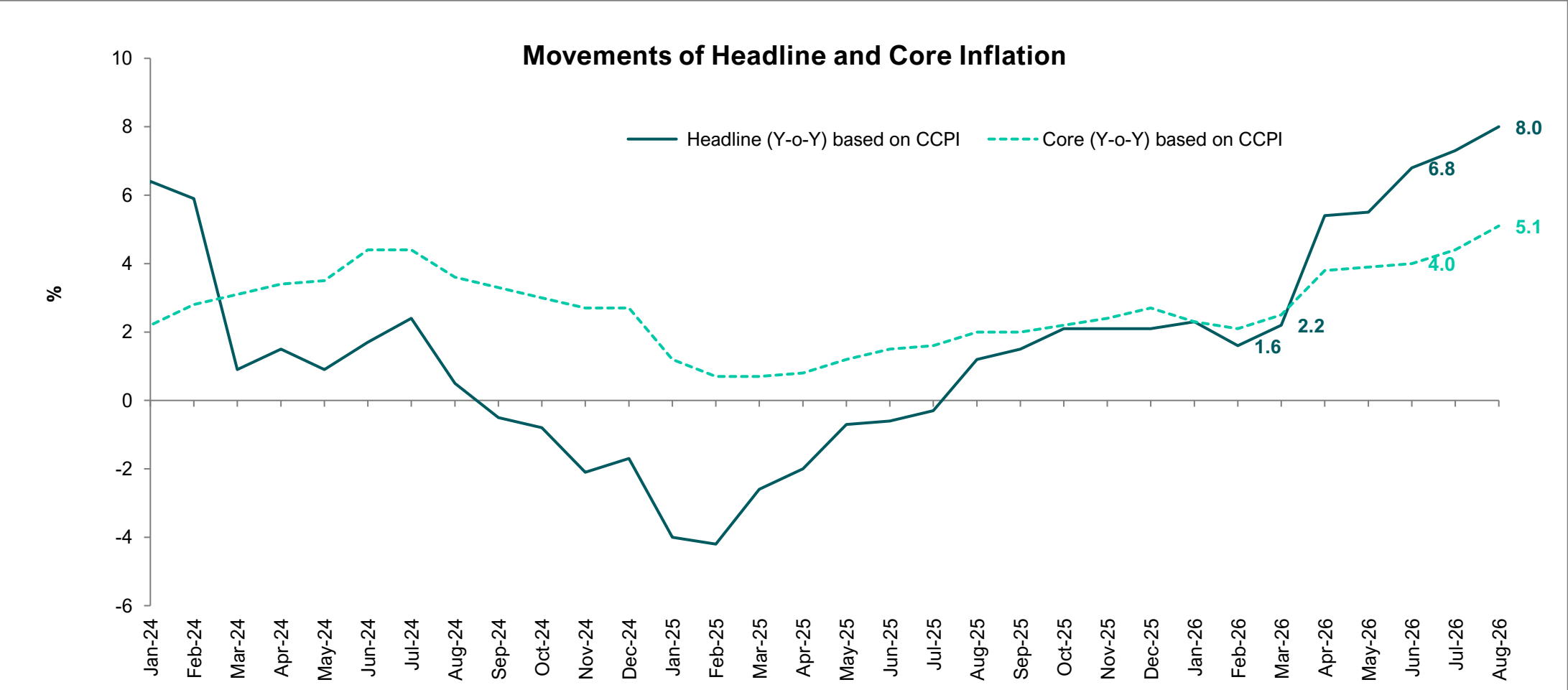


Source: Bloomberg

These developments could dampen global economic prospects with potential spillovers to the domestic economy



Headline inflation rose to 8.0% in August 2026, reflecting the pass-through of the energy shock across multiple sectors of the economy

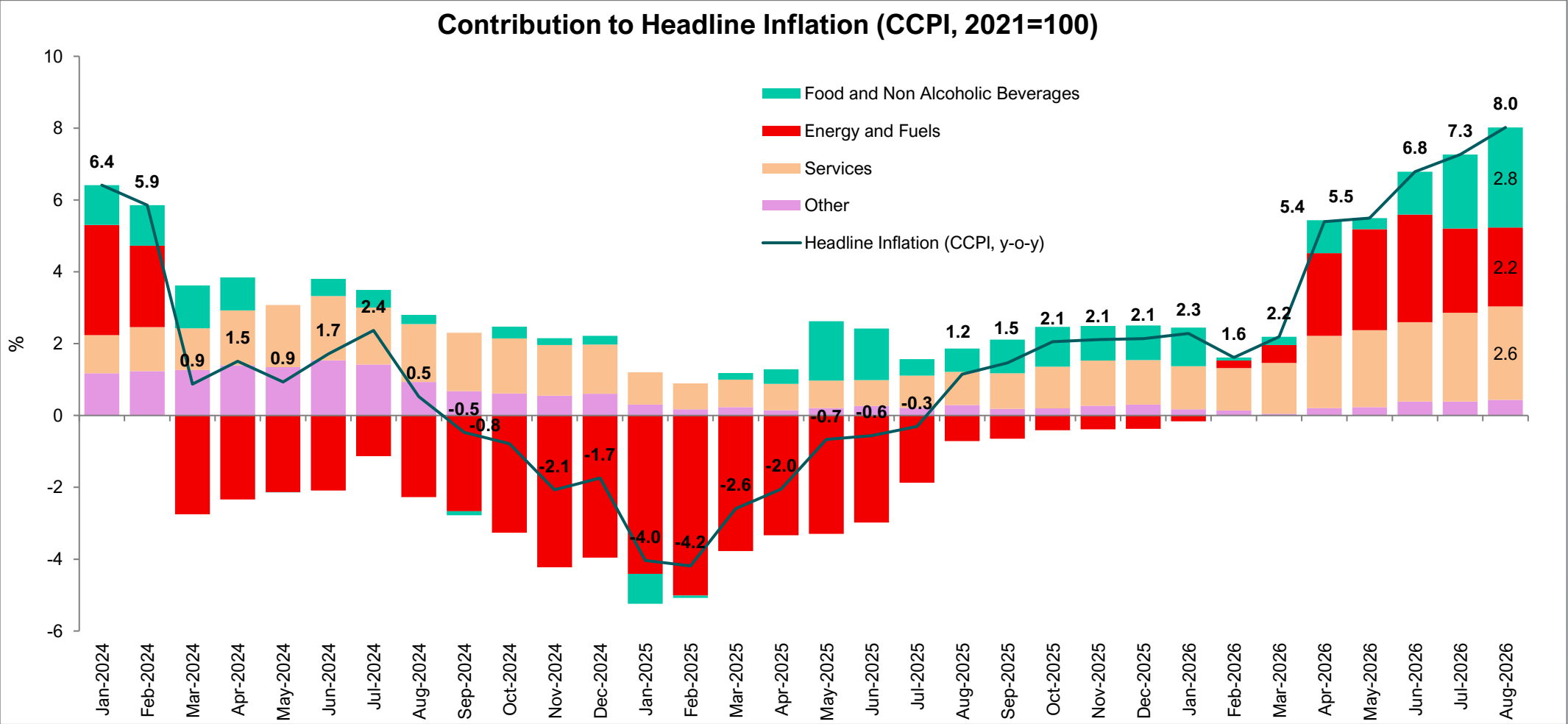


Source: Department of Census and Statistics

Core inflation also increased as a result of spillovers from higher energy prices



Headline inflation rose to 8.0% in August 2026, reflecting the pass-through of the energy shock across multiple sectors of the economy (cont.)

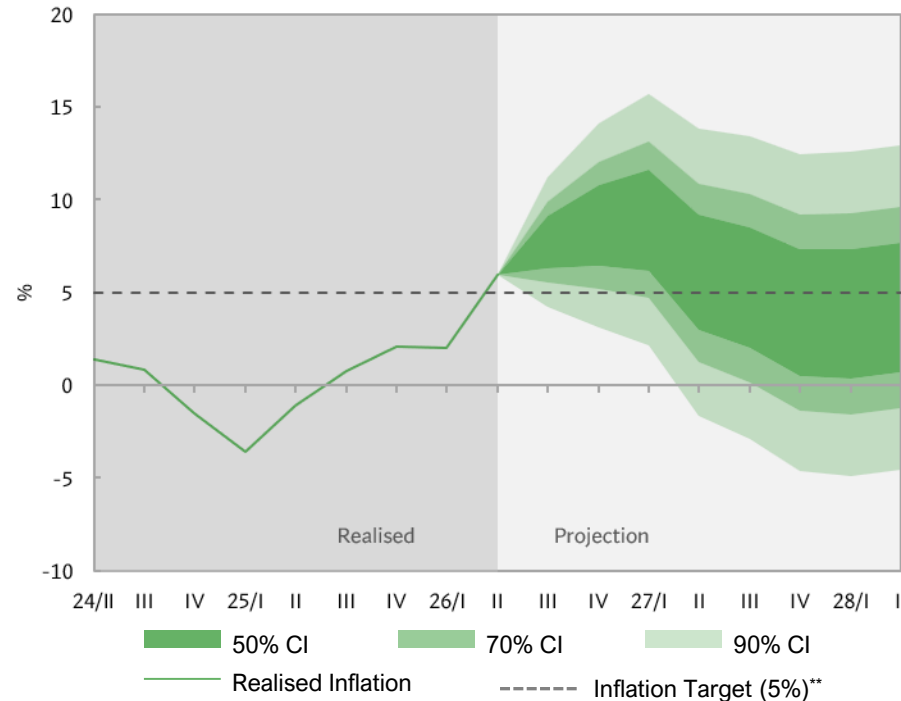


Sources: Department of Census and Statistics, Central Bank Staff Calculations



Headline inflation is projected to remain in high single digits through Q1-2027, before easing towards the 5% target

Baseline Quarterly Headline Inflation Forecast (CCPI, y-o-y) Based on the Projections during the September 2026 Monetary Policy Round



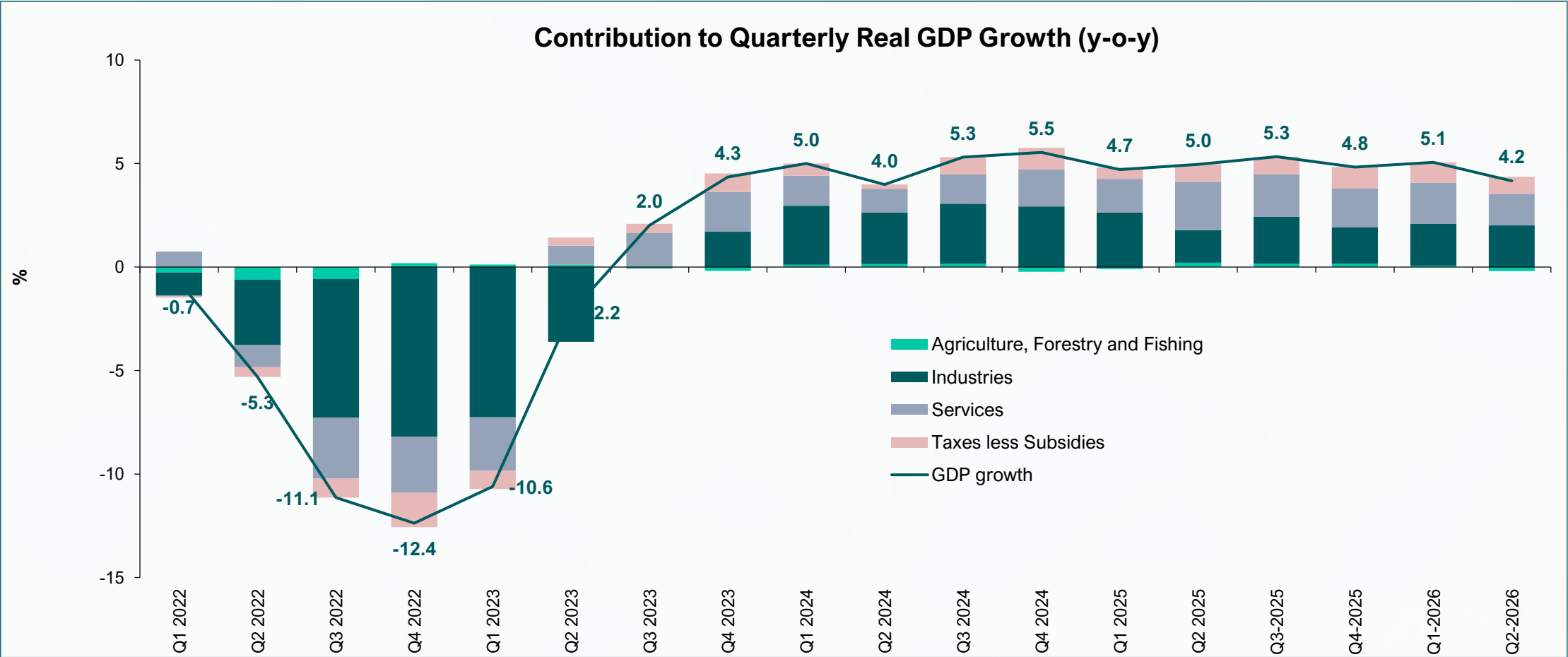
** The inflation target (5%) was agreed under the Monetary Policy Framework Agreement (MPFA) signed between the Central Bank and the Minister of Finance in October 2023.

Source: Central Bank Staff Projections

Note: The fan chart illustrates the uncertainty surrounding the baseline projection path using confidence bands of gradually fading colours. The confidence intervals (CI) shown on the chart indicate the ranges of values within which inflation may fluctuate over the medium term. For example, the thick green shaded area represents the 50% confidence interval, implying that there is a 50% probability that the actual inflation outcome will be within this interval. The confidence bands show the increasing uncertainty in forecasting inflation over a longer horizon. The projections reflect the available data, assumptions, and judgements made at the forecast round in September 2026. They are conditional on the forecasts of global energy and food prices, the expected growth path of Sri Lanka's major trading partners, the anticipated fiscal path of the Government, expected developments in the external sector, including the external current account balance, and global financial conditions implied by the US Fed Funds rate. Further, the projections are conditional on the model-consistent interest rate path and the resulting macroeconomic responses. Any notable changes in these assumptions could lead to the realised inflation path deviating from the projected path.

In spite of the current spike in inflation, medium-term inflation expectations remain broadly anchored around the target

Domestic economic activity remained resilient, recording a real growth rate of 4.7% in H1 - 2026

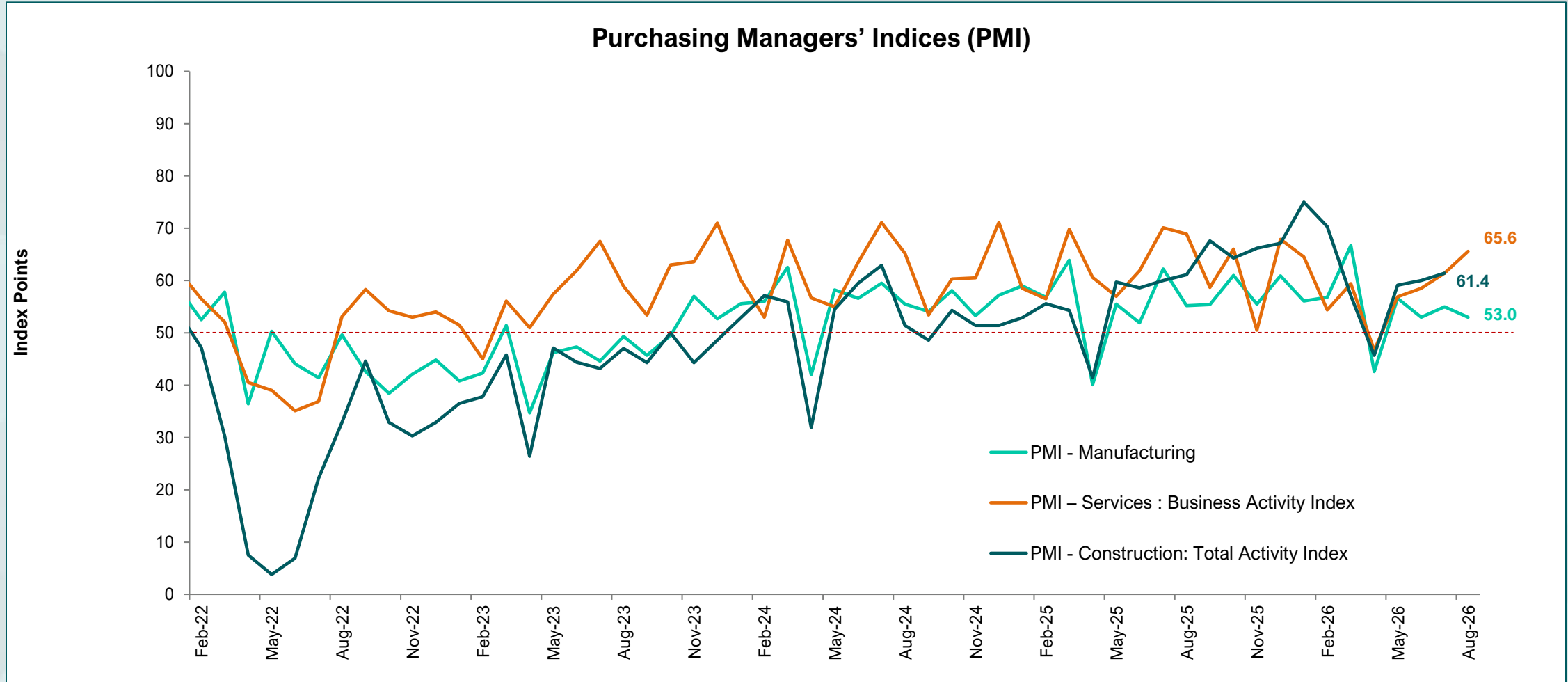


Source: Department of Census Statistics

Growth moderated in Q2 - 2026, as Middle East tensions and related energy price increases weighed on economic activity

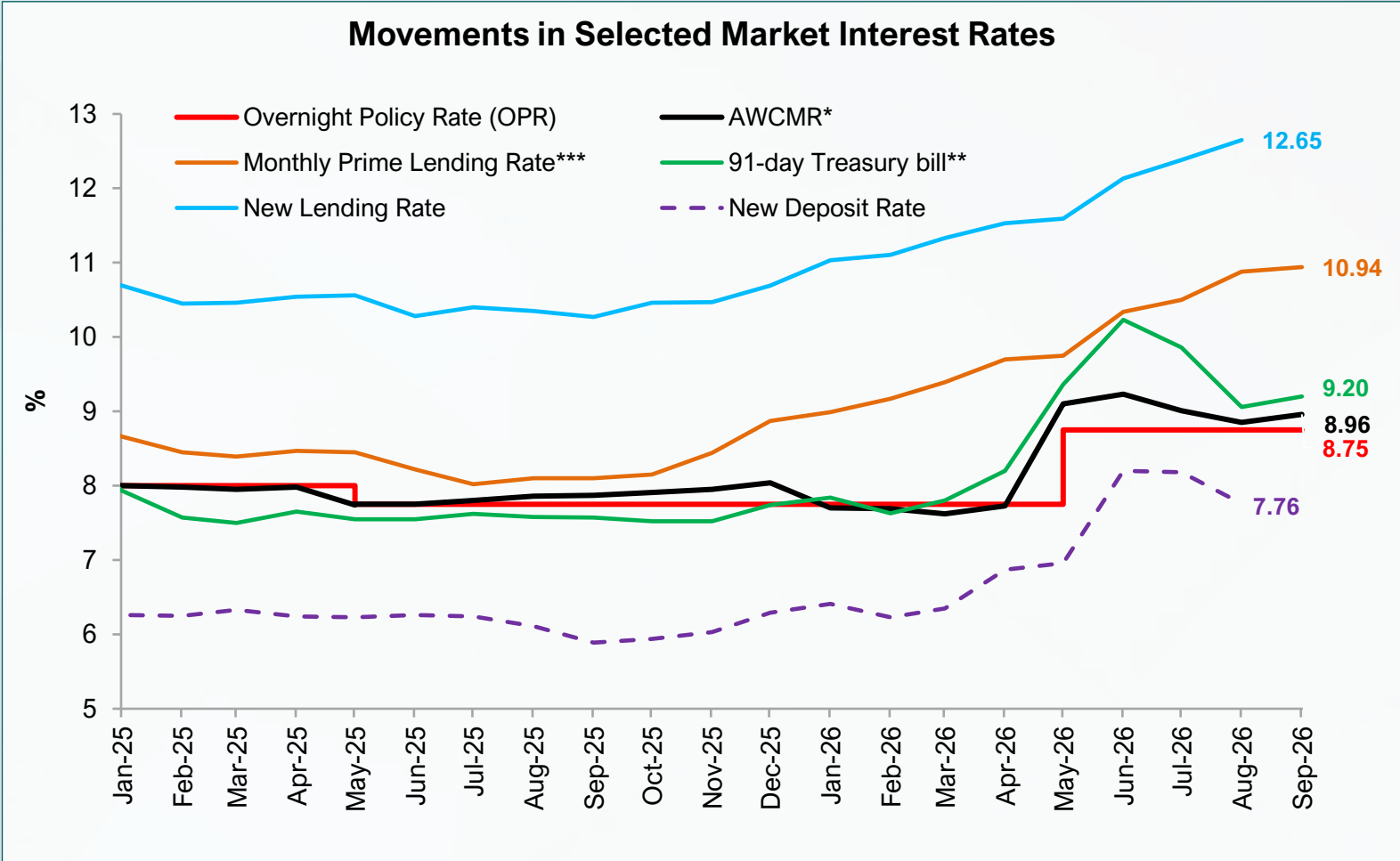


Leading economic indicators point towards continued momentum, although geopolitical and climate-related uncertainties could weigh on the outlook



Source: Central Bank of Sri Lanka

In line with the monetary policy tightening in May 2026, overall market interest rates increased



Source: Central Bank of Sri Lanka

AWCMR
AWNDR
AWDR
AWNSR

Average Weighted Call Money Rate
Average Weighted New Deposit Rate
Average Weighted Deposit Rate
Average Weighted New SME Rate

AWPR
AWLR
AWNLR

Average Weighted Prime Lending Rate
Average Weighted Lending Rate
Average Weighted New Lending Rate

Adjustments in Interest Rates (%)

Interest Rate	End 2025	Current level [#]	Change since policy rate hike (in bps)
AWCMR*	8.04	8.96	+102
91-day Treasury bill **	7.74	9.20	+102
1 Year Treasury bill **	8.45	9.93	+144
Weekly Prime Lending Rate (AWPR)***	9.07	10.94	+136
Monthly Prime Lending Rate (AWPR)	8.87	10.88	+113
Lending Rate (AWLR)	11.48	12.59	+62
New Lending Rate (AWNLR)	10.69	12.65	+106
SME Rate (AWSR)	11.53	12.67	+76
New SME Rate (AWNSR)	11.12	13.08	+113
Deposit Rate (AWDR)	6.78	7.52	+57
New Deposit Rate (AWNDR)	6.29	7.76	+80

*Latest data point – AWCMR as of 29 September 2026

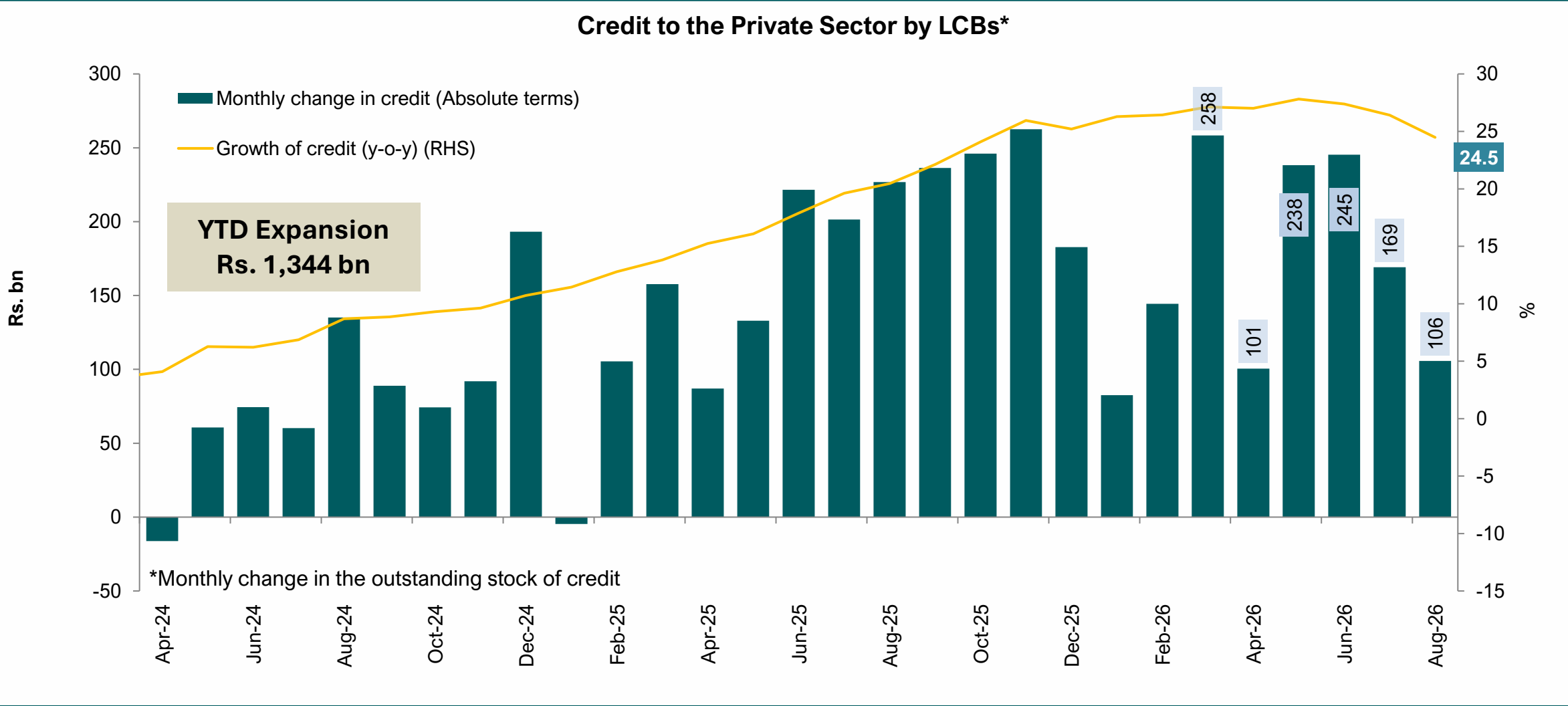
** Latest data point –Yield rate in T-bill auction held on 23 September 2026

***Latest data point –Weekly AWPR as of 25 September 2026

#Note: All monthly rates are as of August 2026



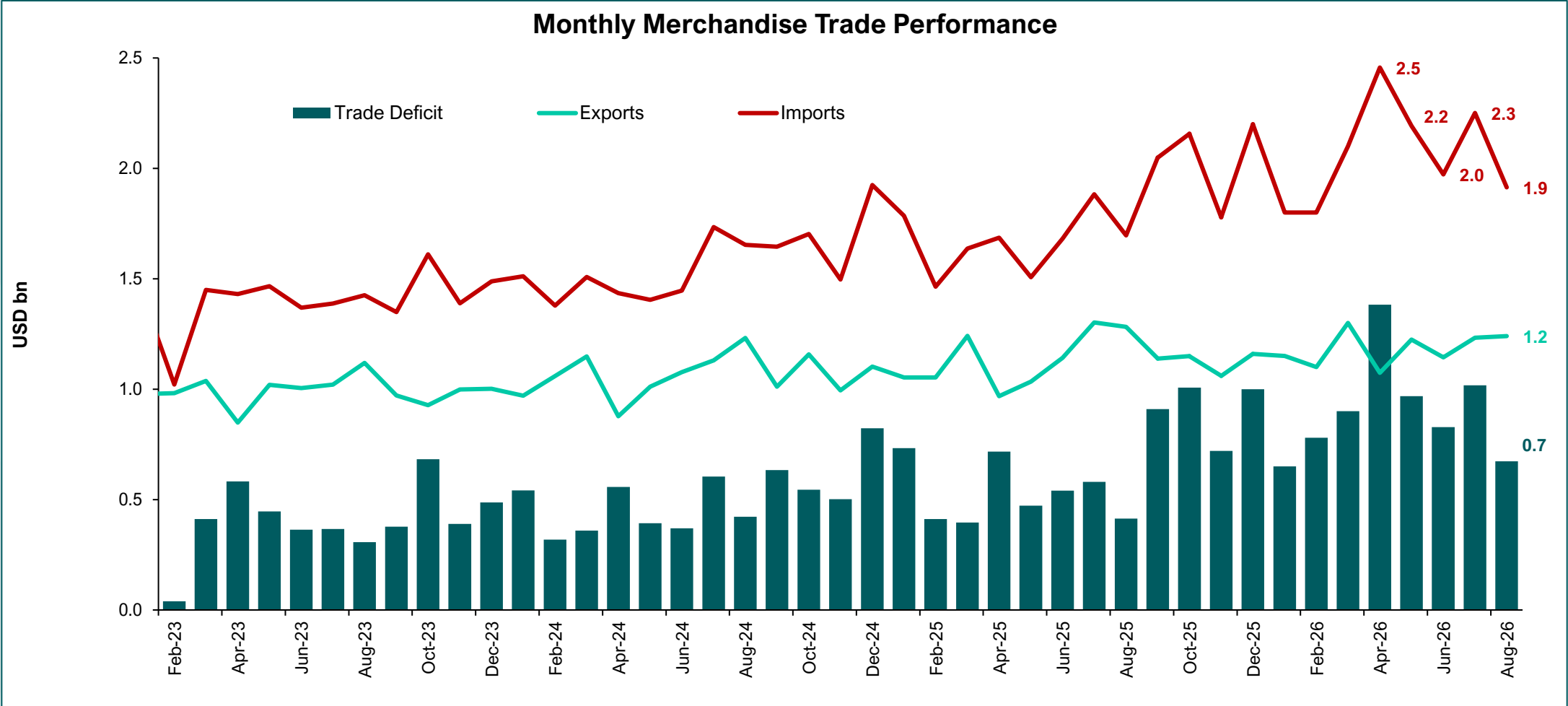
Although growth of credit to the private sector is gradually moderating, credit flows are expected to remain sufficient to support economic activity



Source: Central Bank of Sri Lanka



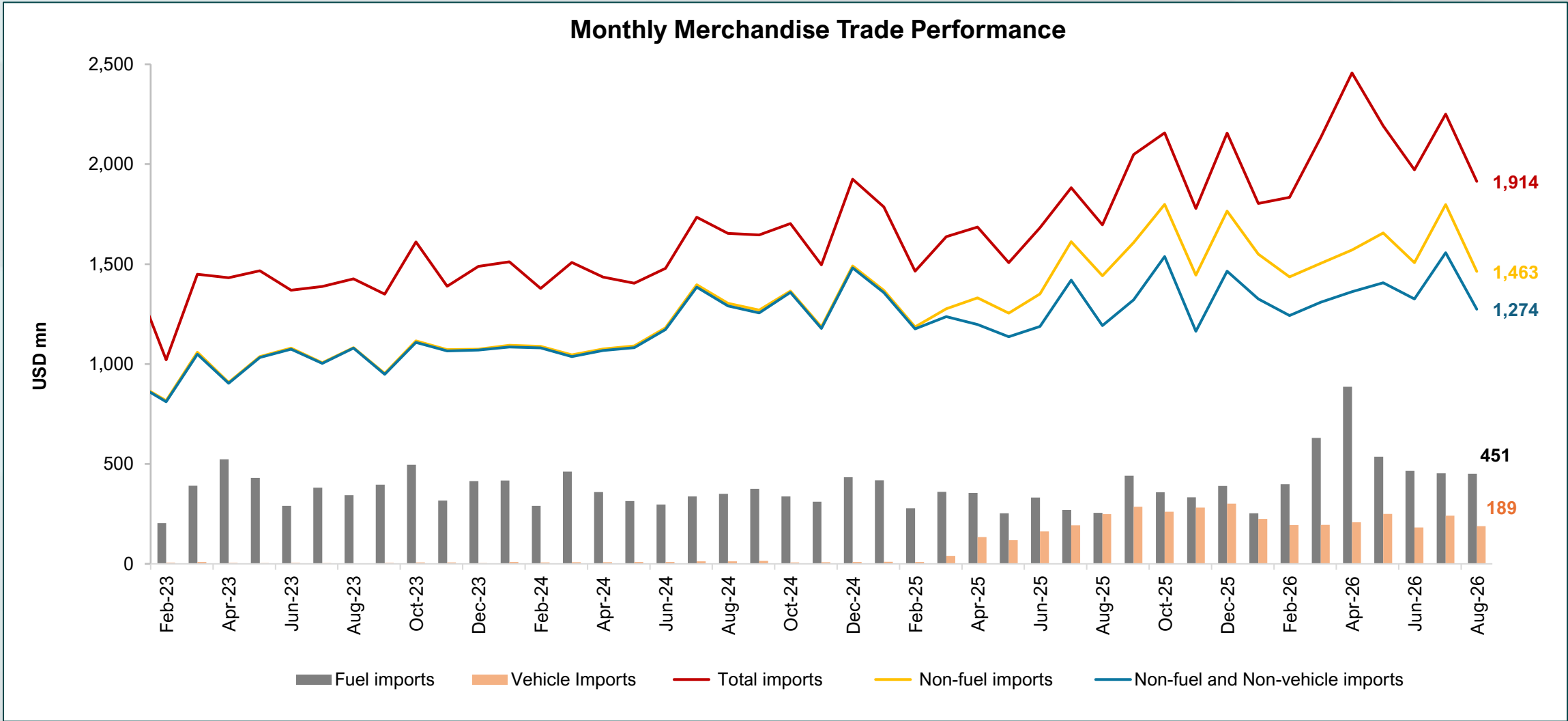
Merchandise trade deficit moderated compared to recent months



Sources: Sri Lanka Customs, Central Bank of Sri Lanka



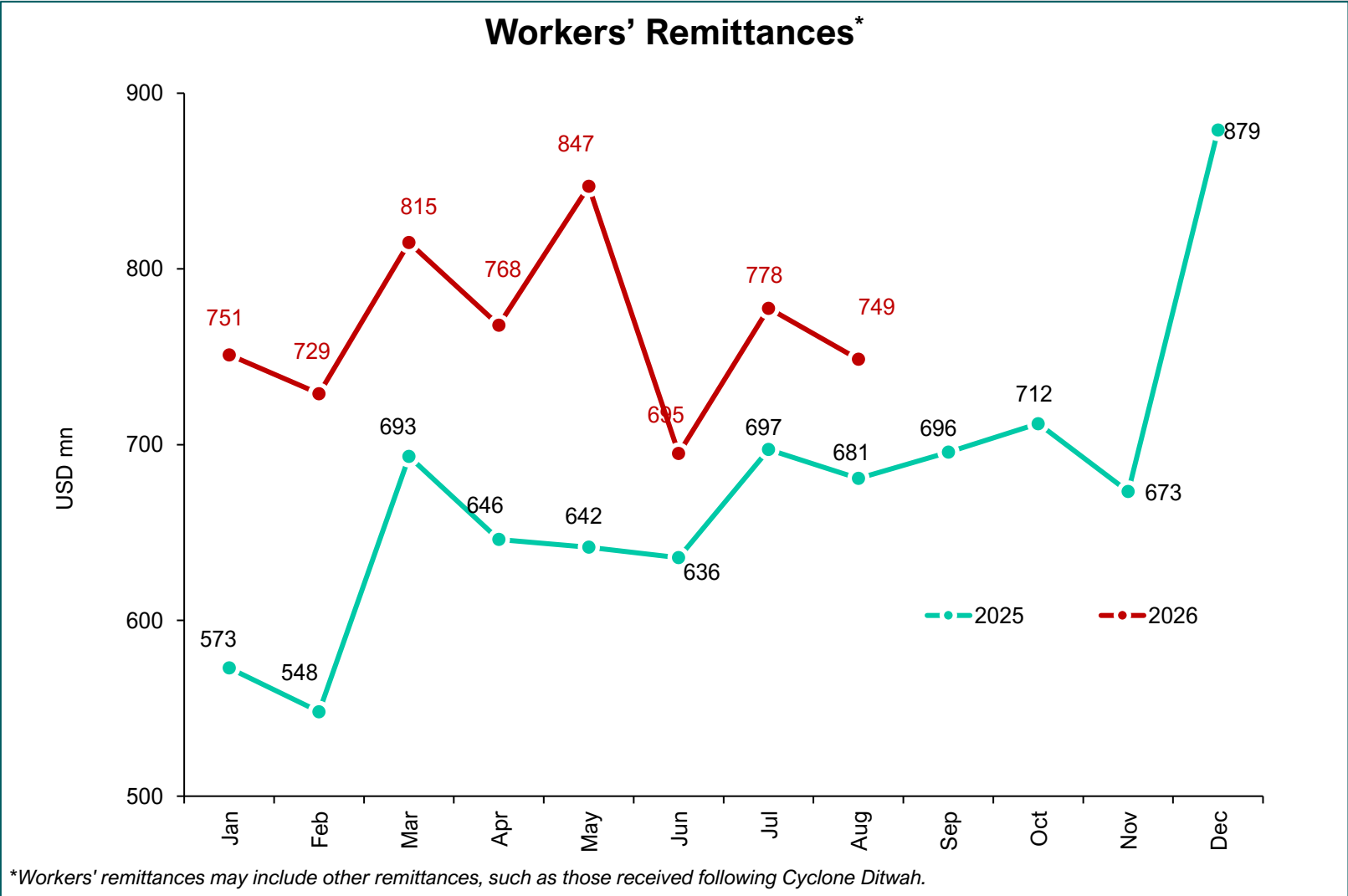
Merchandise trade deficit moderated compared to recent months (cont.)



Sources: Ceylon Petroleum Corporation
Lanka IOC PLC, Sri Lanka Customs
Central Bank of Sri Lanka



Workers' remittances improved



Sources: LCBs, Central Bank of Sri Lanka

Workers' Remittances

Jan-Aug

2026 : USD 6.1 bn

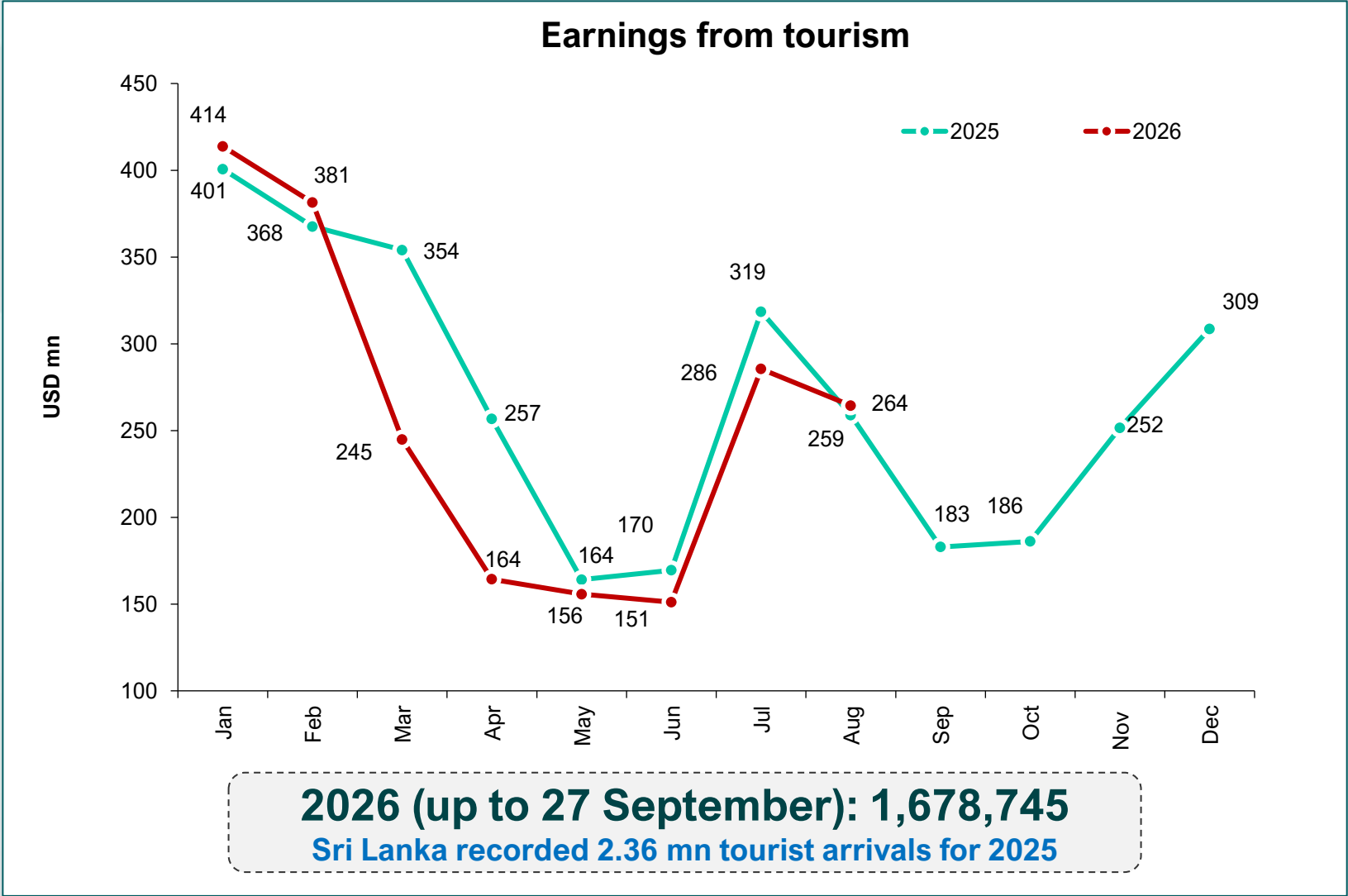
2025 : USD 5.1 bn

2025

USD 8.1 bn



Tourism earnings are estimated to have recorded a marginal y-o-y growth in August 2026



Sources: SLTDA, Central Bank of Sri Lanka

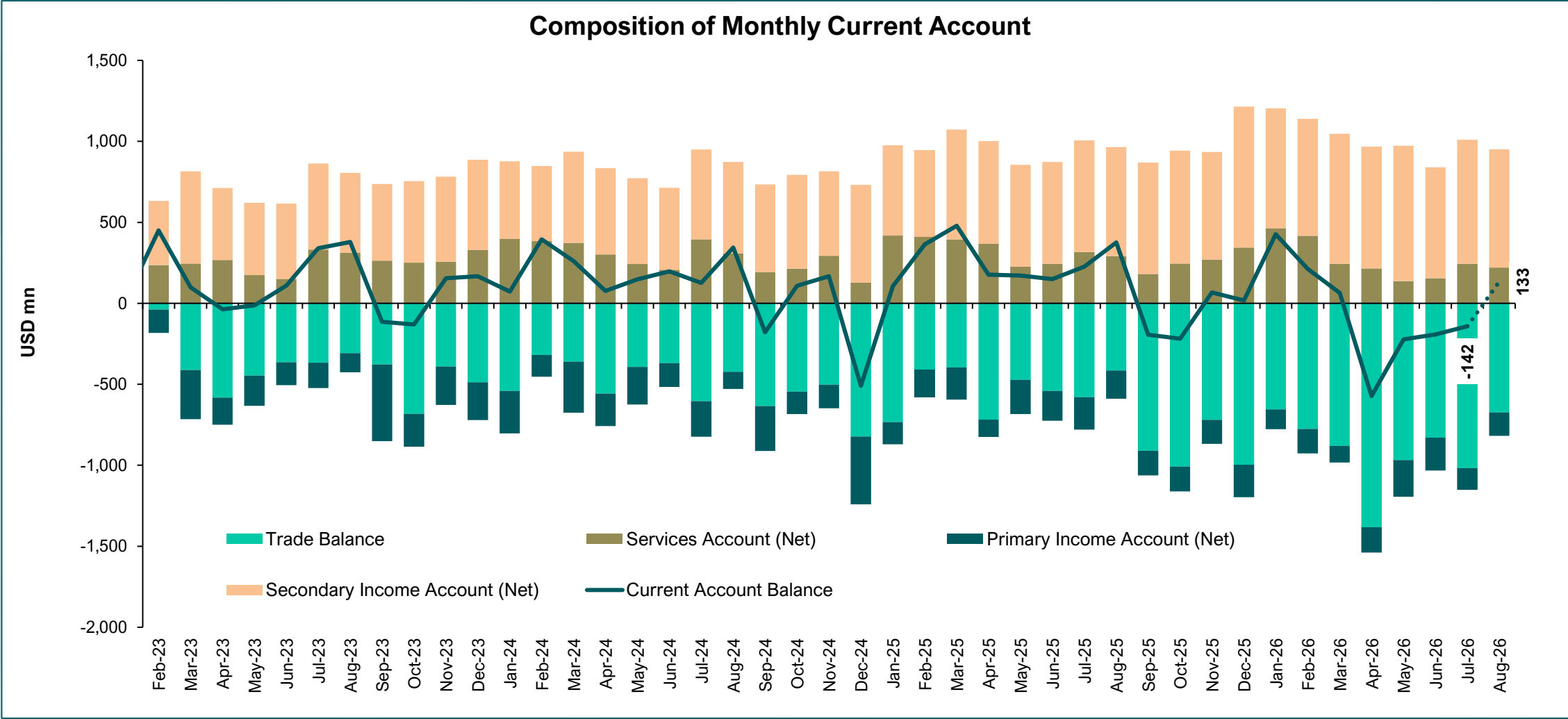
Earnings from tourism

Jan-Aug
2026: USD 2.1 bn
2025: USD 2.3 bn

2025
USD 3.2 bn



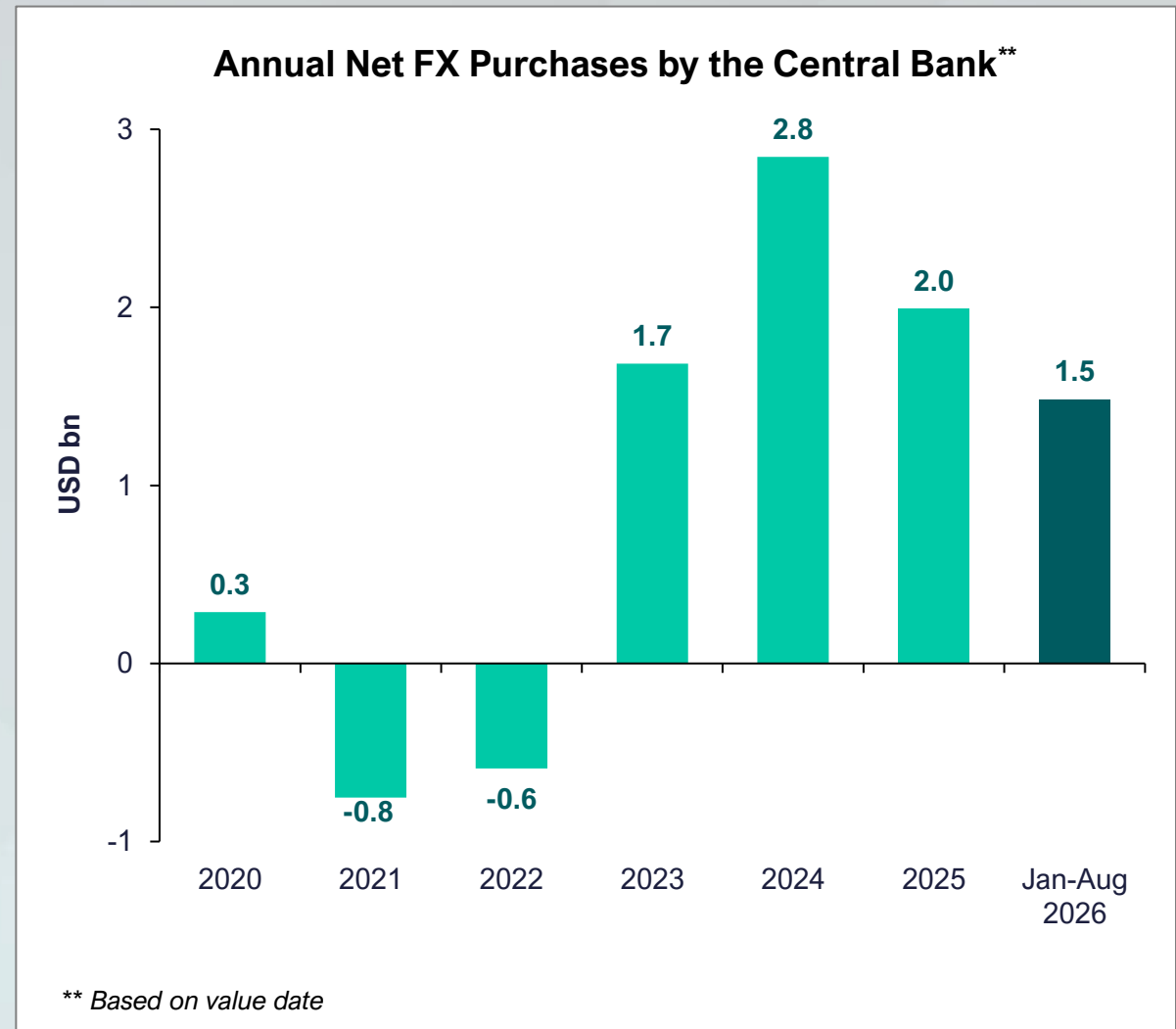
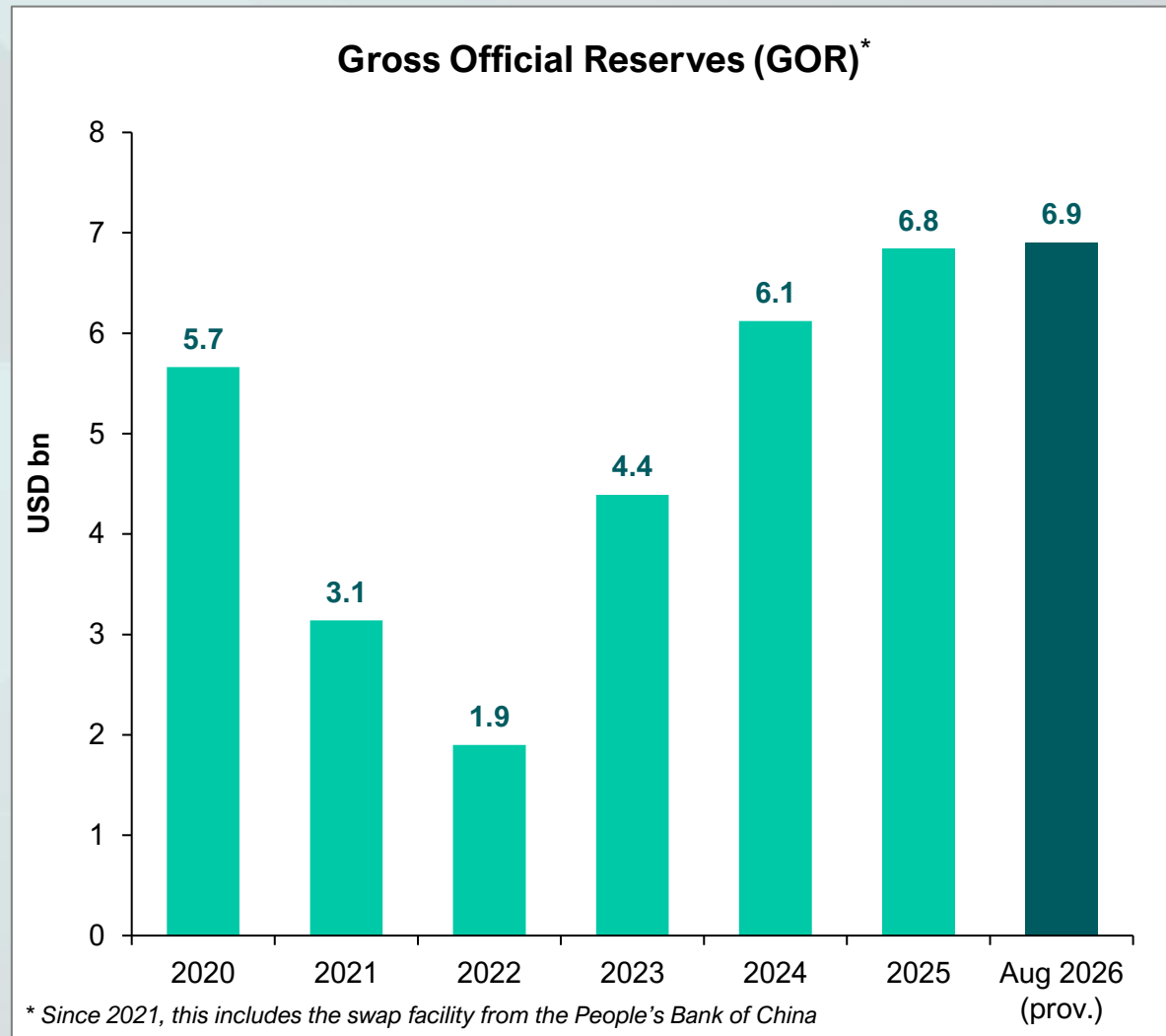
The current account is estimated to have recorded a surplus in August 2026 after four consecutive months of deficits supported mainly by moderated merchandise imports



Source: Central Bank of Sri Lanka

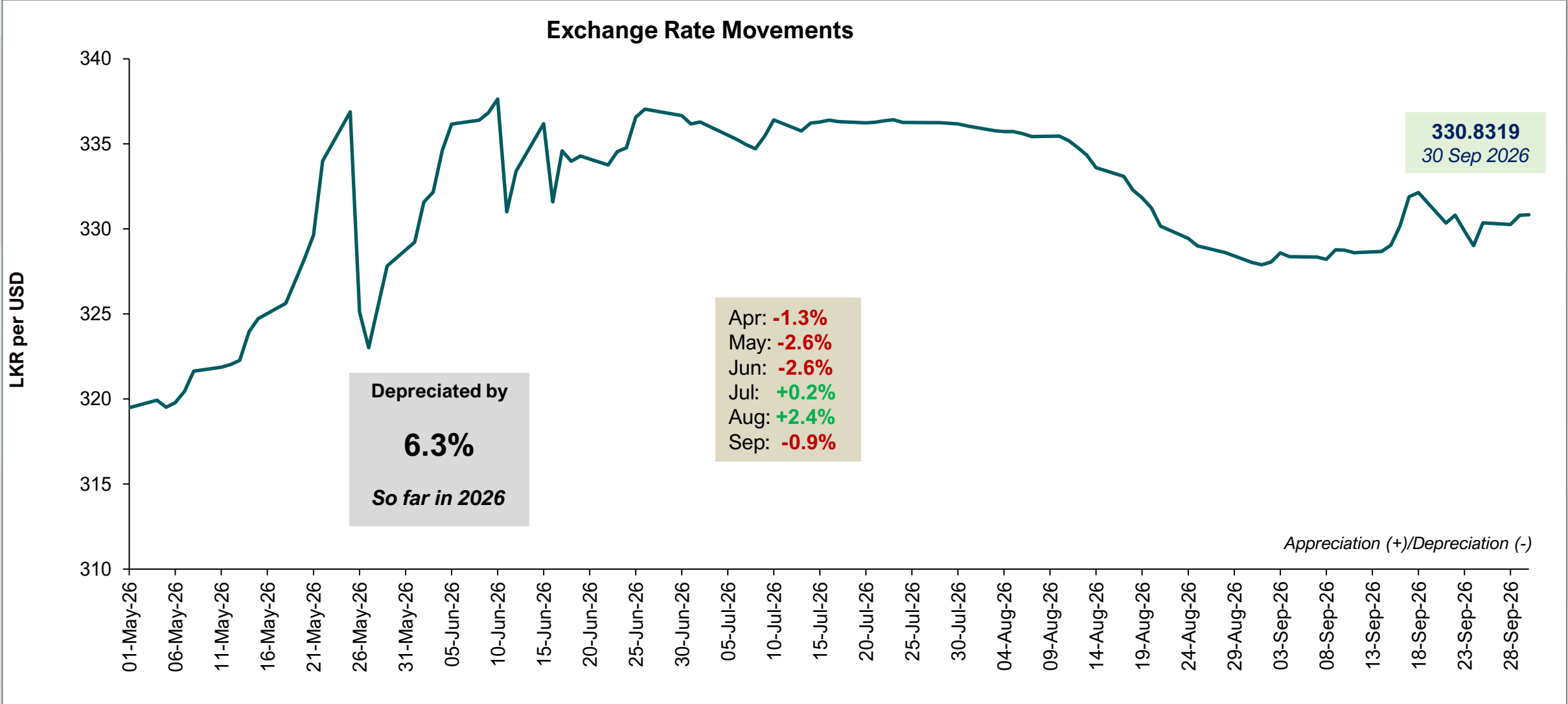


GOR stood at USD 6.9 bn* at the end of August 2026, supported by net forex purchases by the Central Bank



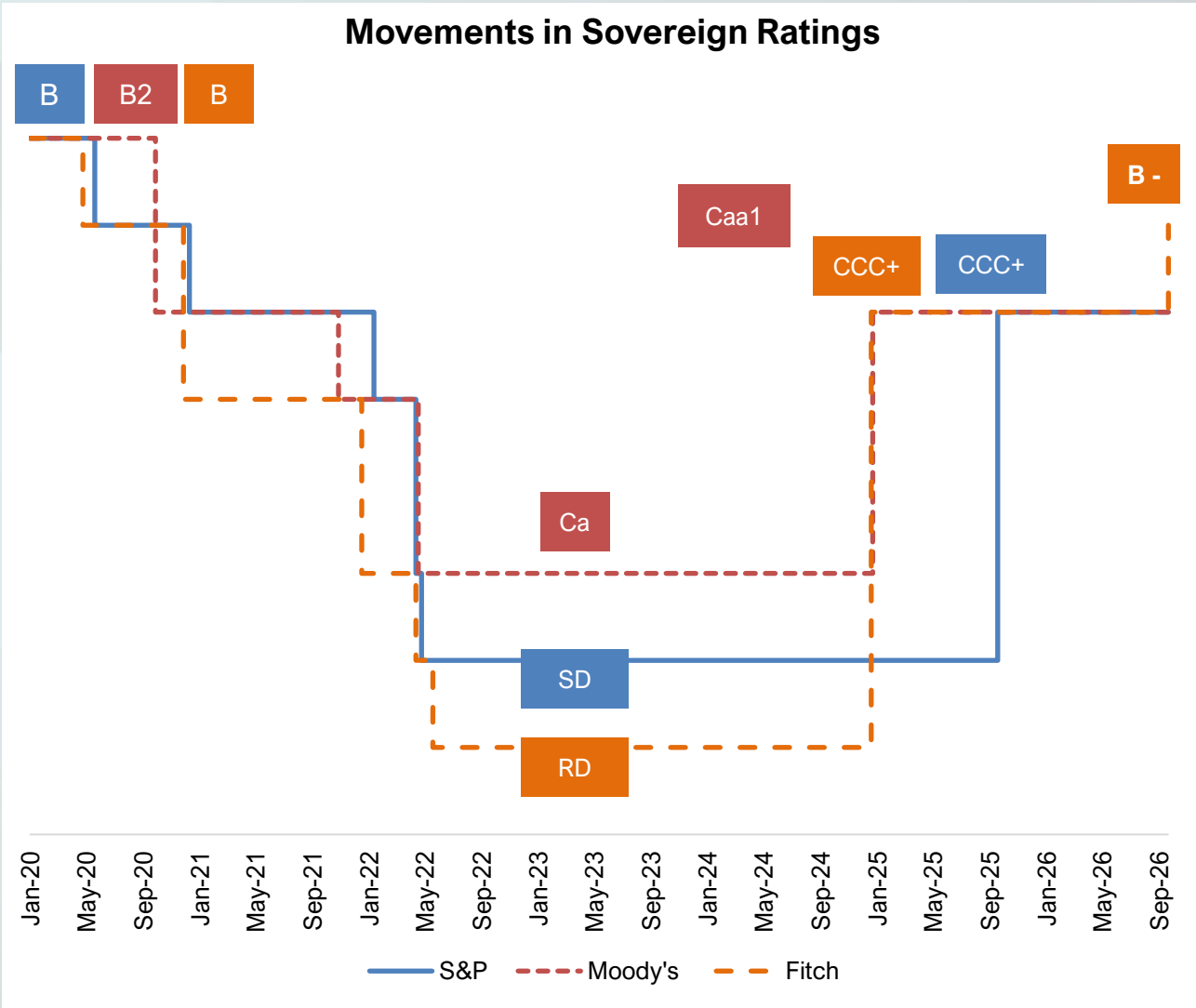
Source: Central Bank of Sri Lanka

The Sri Lanka rupee, having appreciated against the USD in July and August 2026, witnessed mixed movements in September



Source: Central Bank of Sri Lanka

The recent Sovereign rating upgrade is expected to further strengthen market sentiments



FitchRatings

CCC+ (Previous rating) → **B- (Stable)** (Sep 22, 2026)

MOODY'S

Ca (Previous rating) → **Caa1 (Stable)** (Dec 23, 2024)

S&P Global

SD (Previous rating) → **CCC+/c (Stable)** (Sep 19, 2025)

The Central Bank will remain forward-looking and data-dependent in its policy decisions.

Should inflationary pressures intensify or inflation expectations show signs of de-anchoring, the Central Bank stands ready to take timely and appropriate measures to ensure that inflation stabilises around the target, while supporting the economy to operate around its potential over the medium term

Thank you

