



Press Conference

Review of the Monetary Policy Stance

26 March 2025

Economic Research Department
Central Bank of Sri Lanka

The Central Bank of Sri Lanka

keeps the Overnight Policy Rate unchanged

Overnight Policy Rate (OPR)	8.00%
Statutory Reserve Ratio (SRR)	2.00%

Margins for determination of the interest rates for Standing Facilities of the Central Bank remain unchanged at current levels;

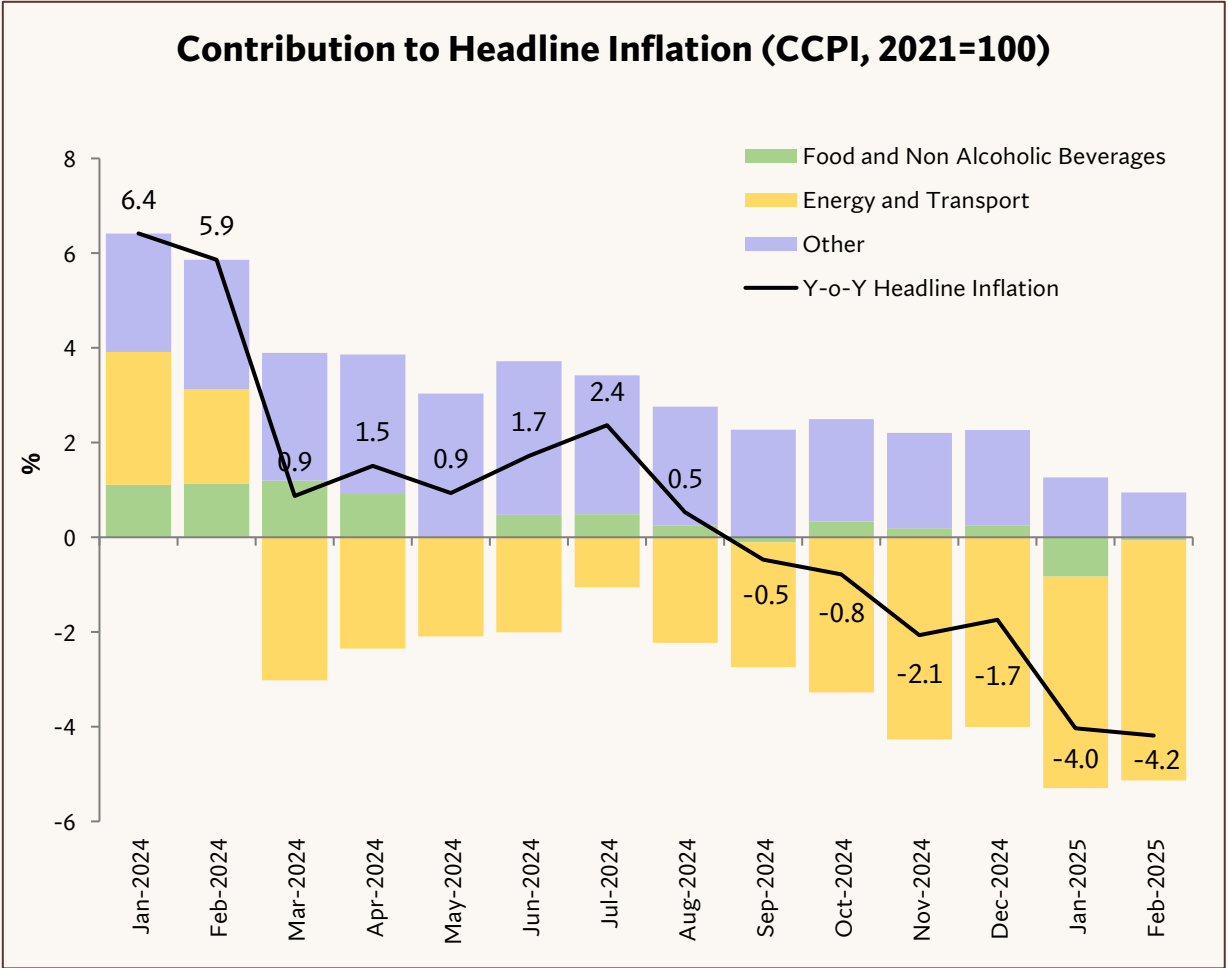
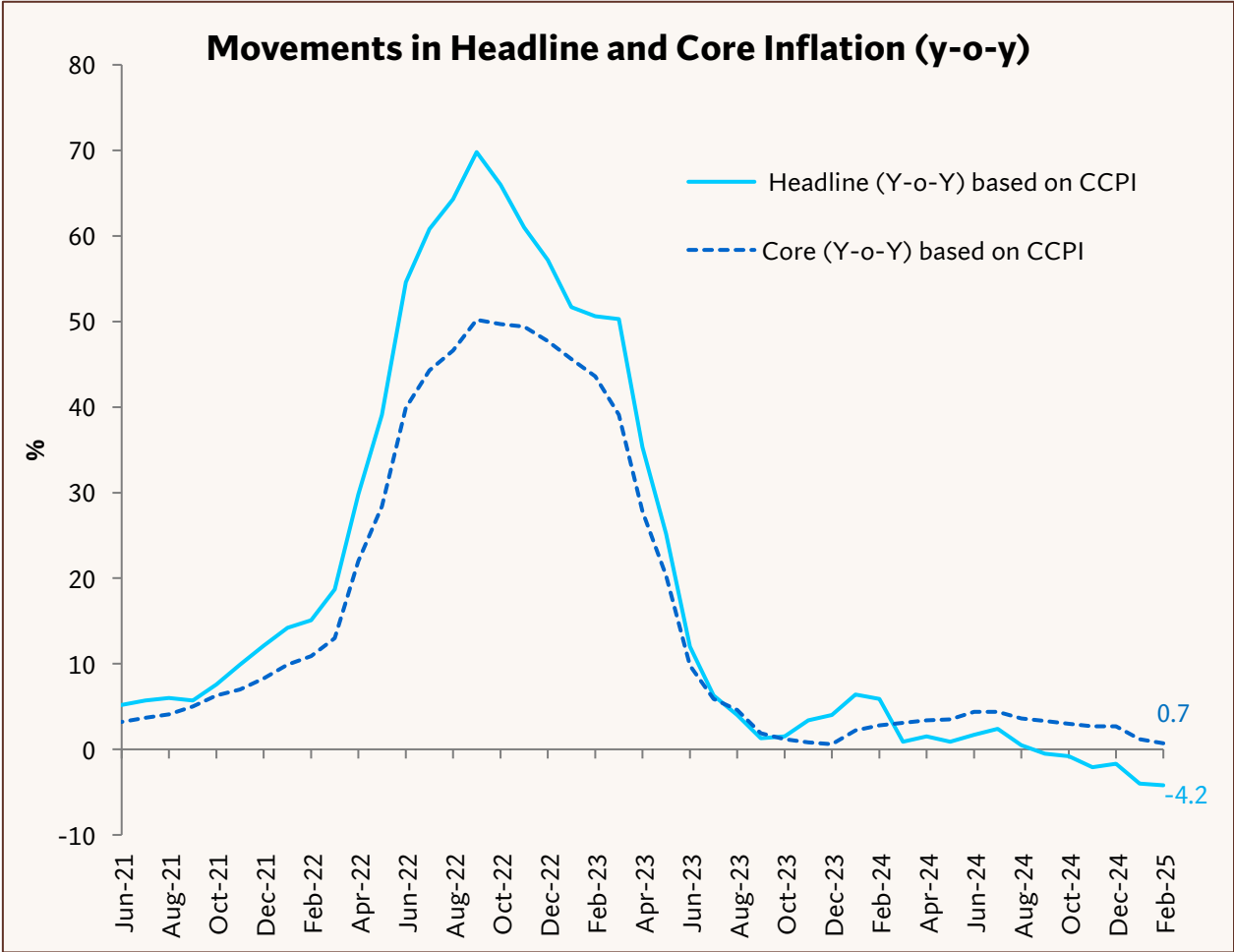
- a. Standing Deposit Facility Rate (SDFR): OPR - 50 bps**
- b. Standing Lending Facility Rate (SLFR): OPR + 50 bps**



The Board remains confident that the prevailing monetary policy stance will ensure that inflation will move towards the target of 5% while supporting the growth of the domestic economy



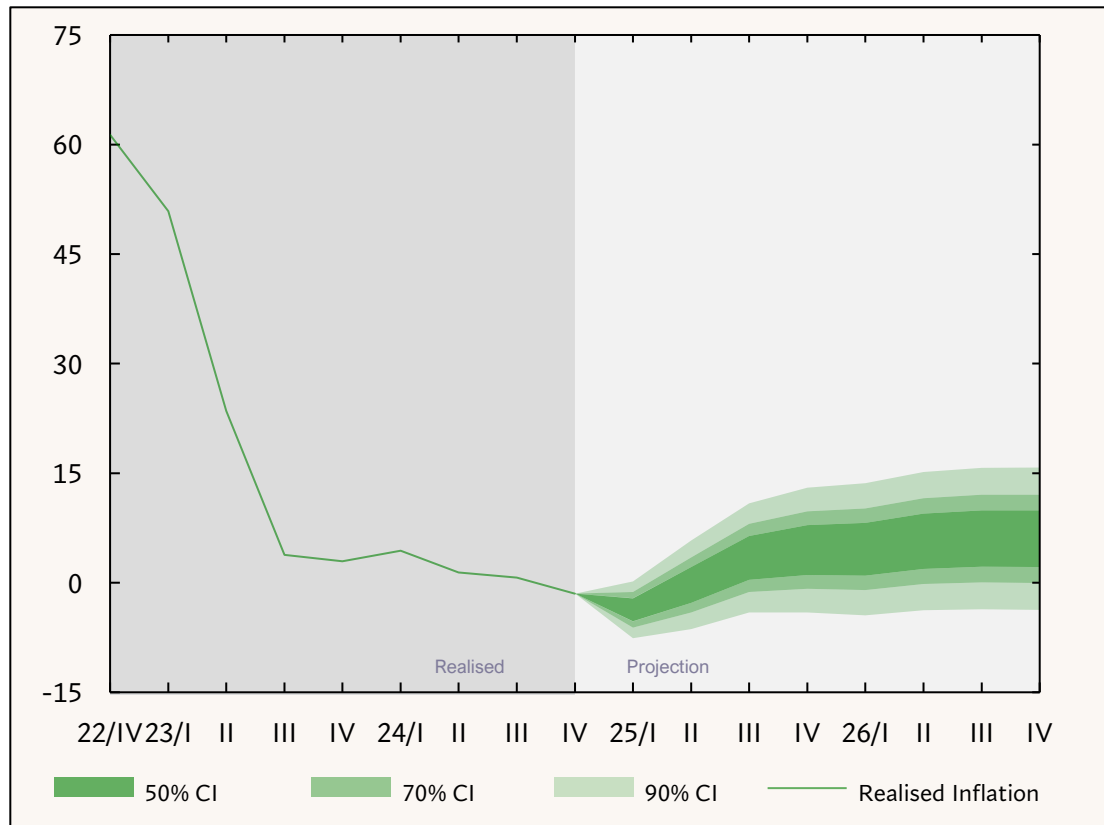
Deflationary conditions are expected to gradually ease from March 2025...



Headline inflation is projected to remain negative in the near term, and turn positive from mid-2025...

Headline Inflation Projections (Quarterly, CCPI, Y-o-Y, %)

Based on the Projections during the March 2025 Monetary Policy Round



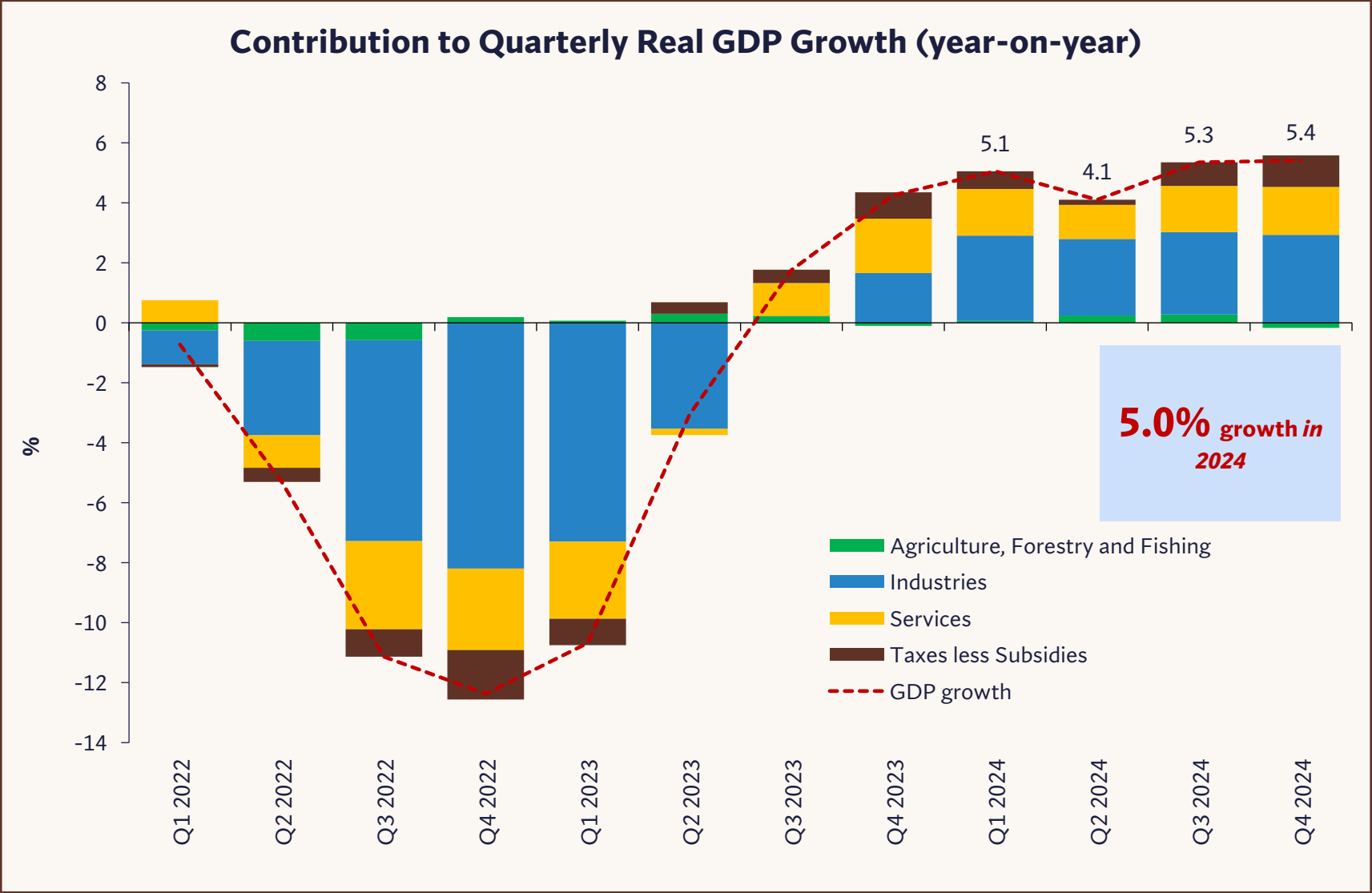
Source: Central Bank Staff Projections

- Projections based on the currently available data suggest that inflation would reach the targeted levels by year-end
- Core inflation, which is low at present, is projected to increase gradually

Over the medium term headline inflation is expected to converge towards the targeted level of 5%



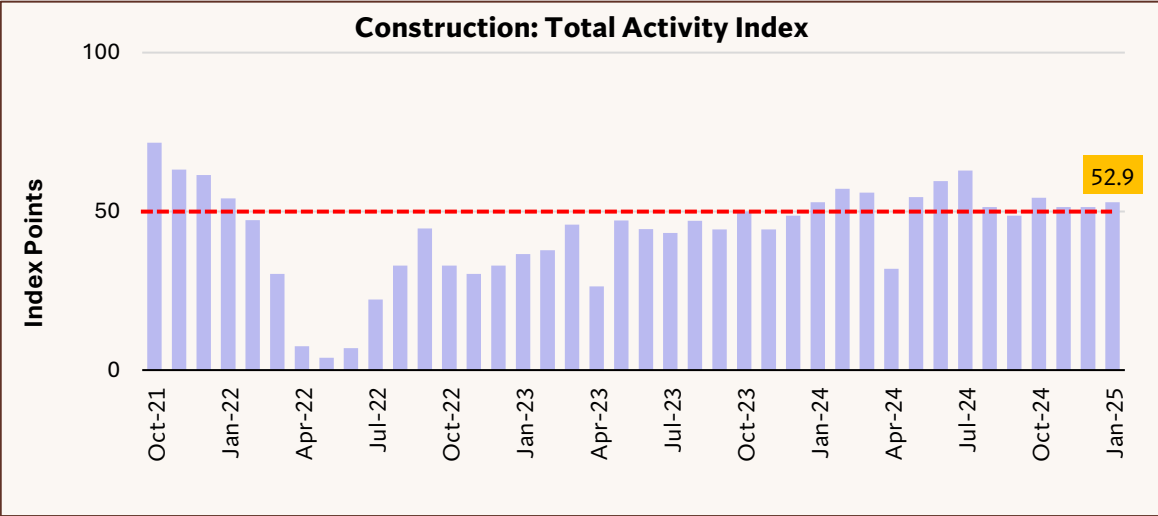
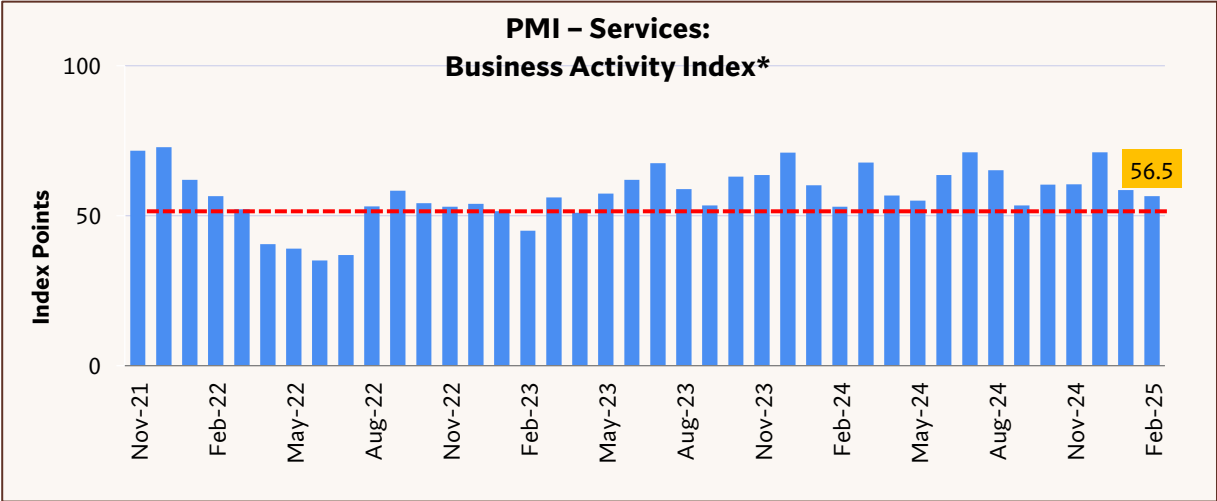
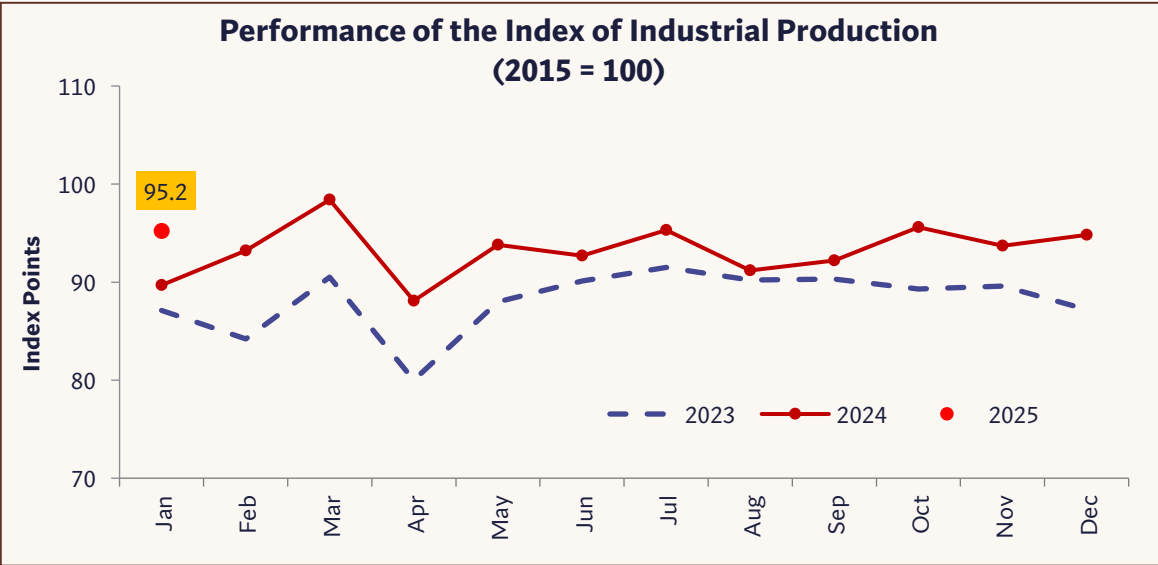
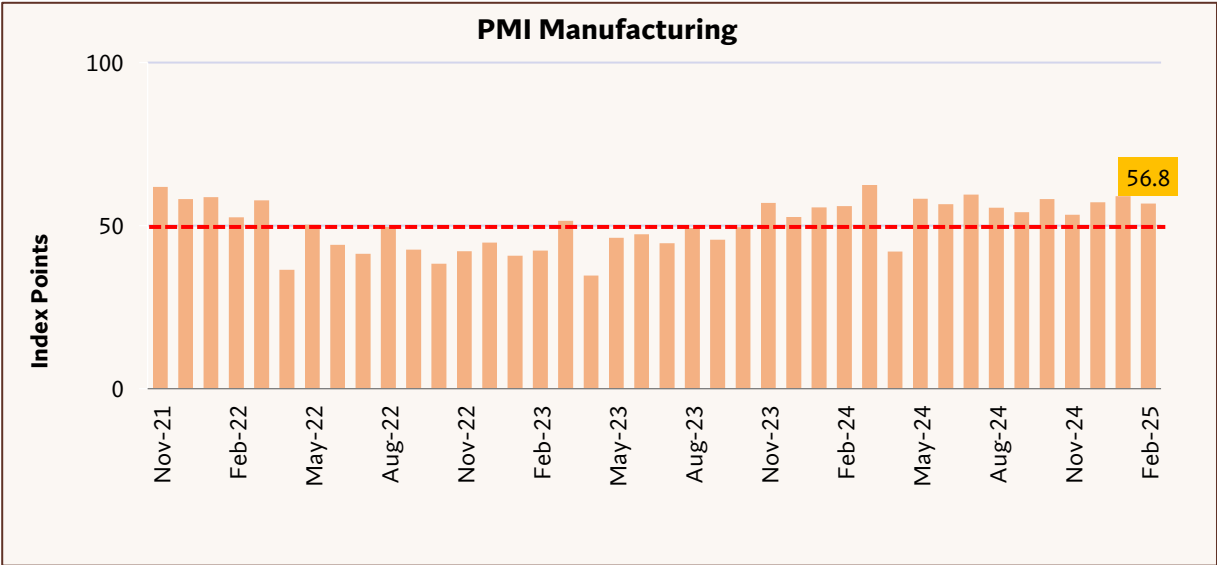
The Sri Lankan economy recorded a robust growth of 5.0% in 2024, after two years of contractions...



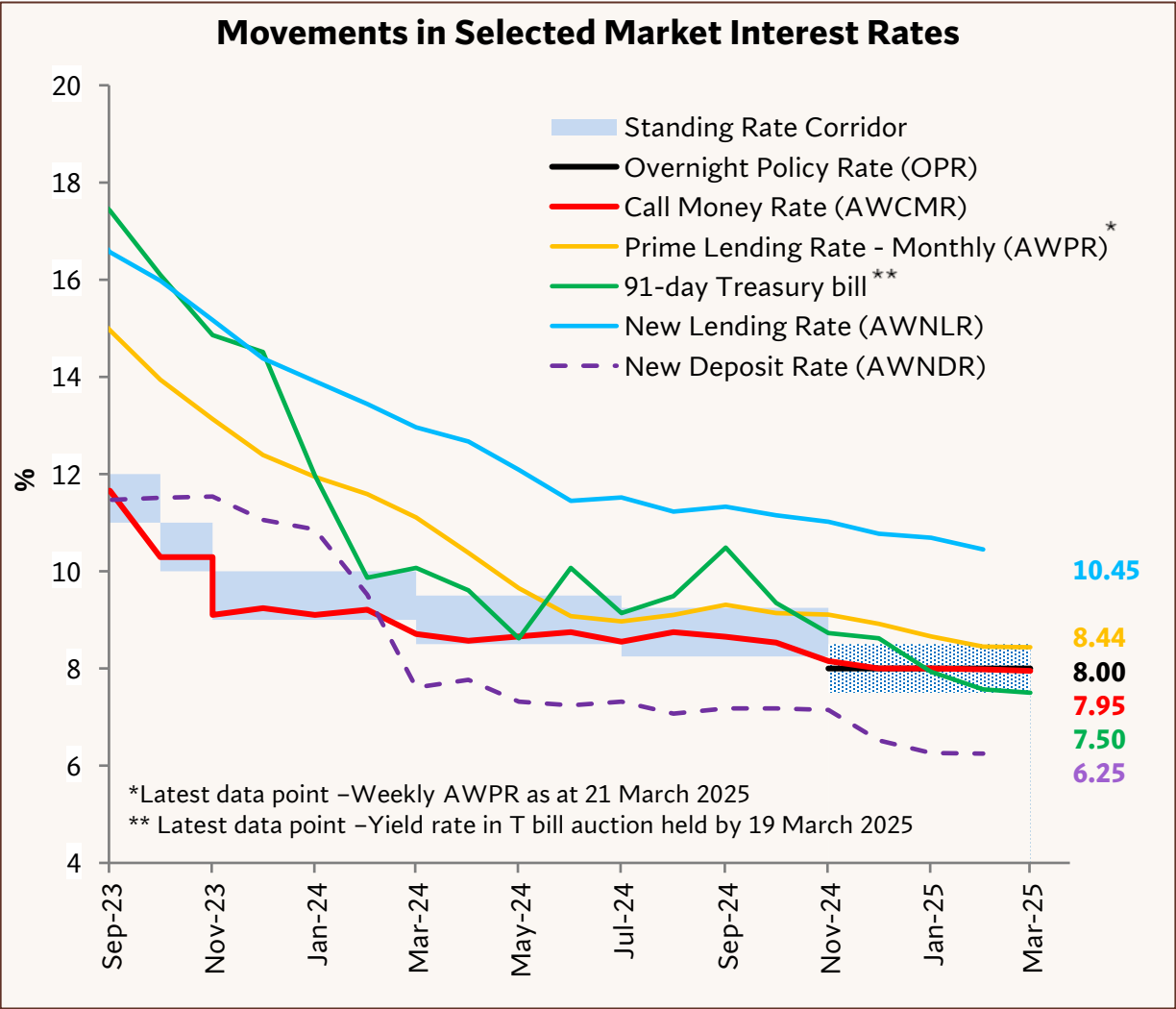
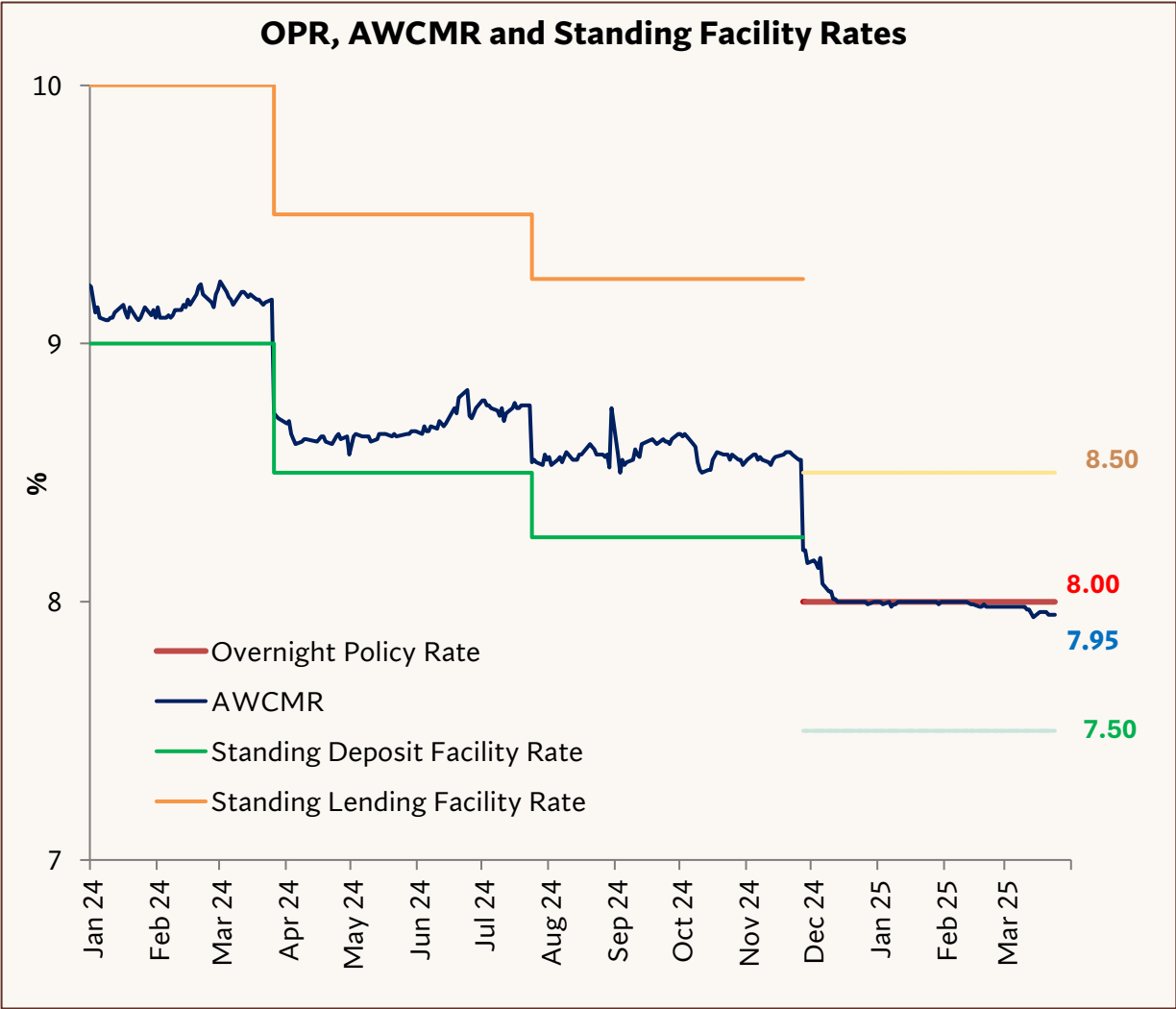
- Growth remained broad-based with all key economic sectors recording positive growth during 2024
- In Q4-2024, expansion in sub-sectors of construction, accommodation, manufacturing of food beverages as well as textiles and apparel have largely contributed to the positive growth



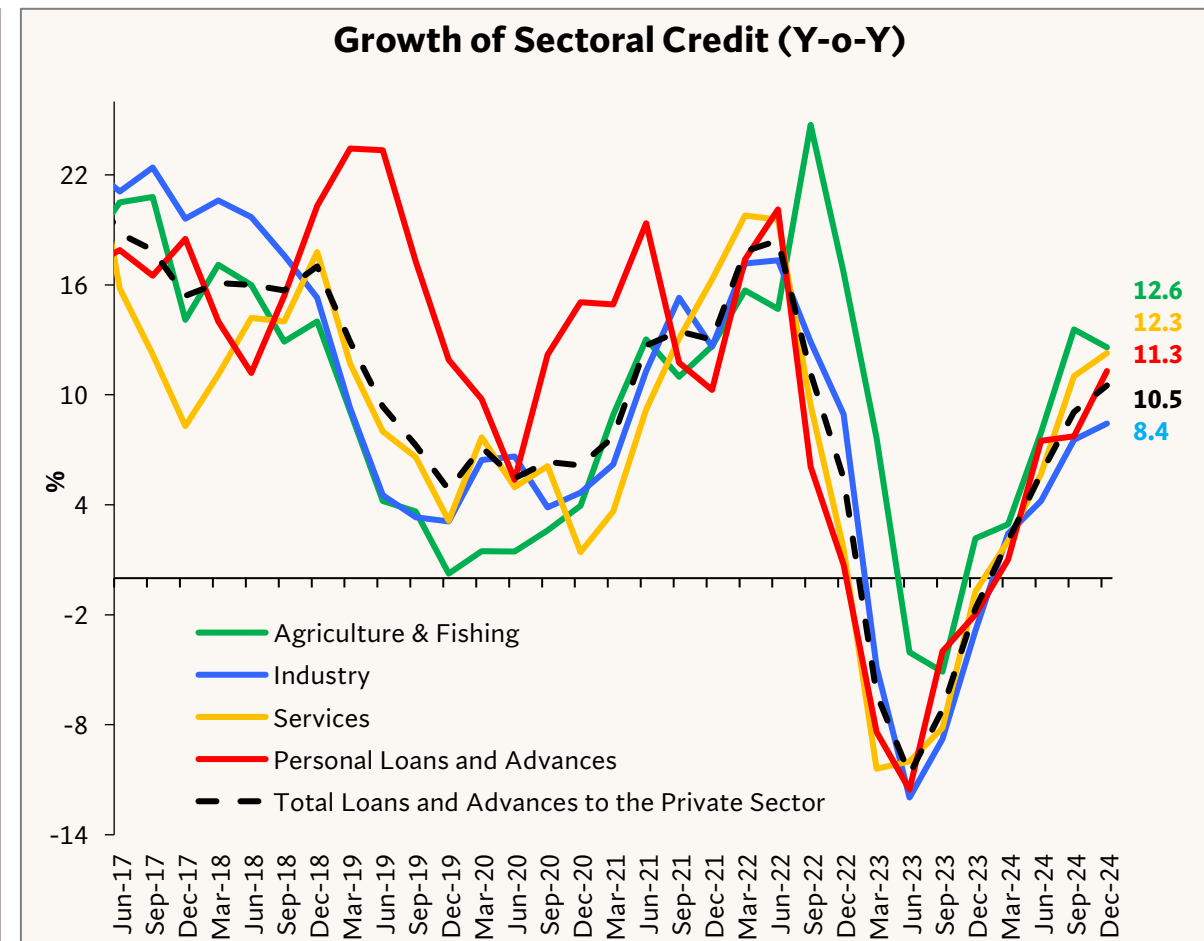
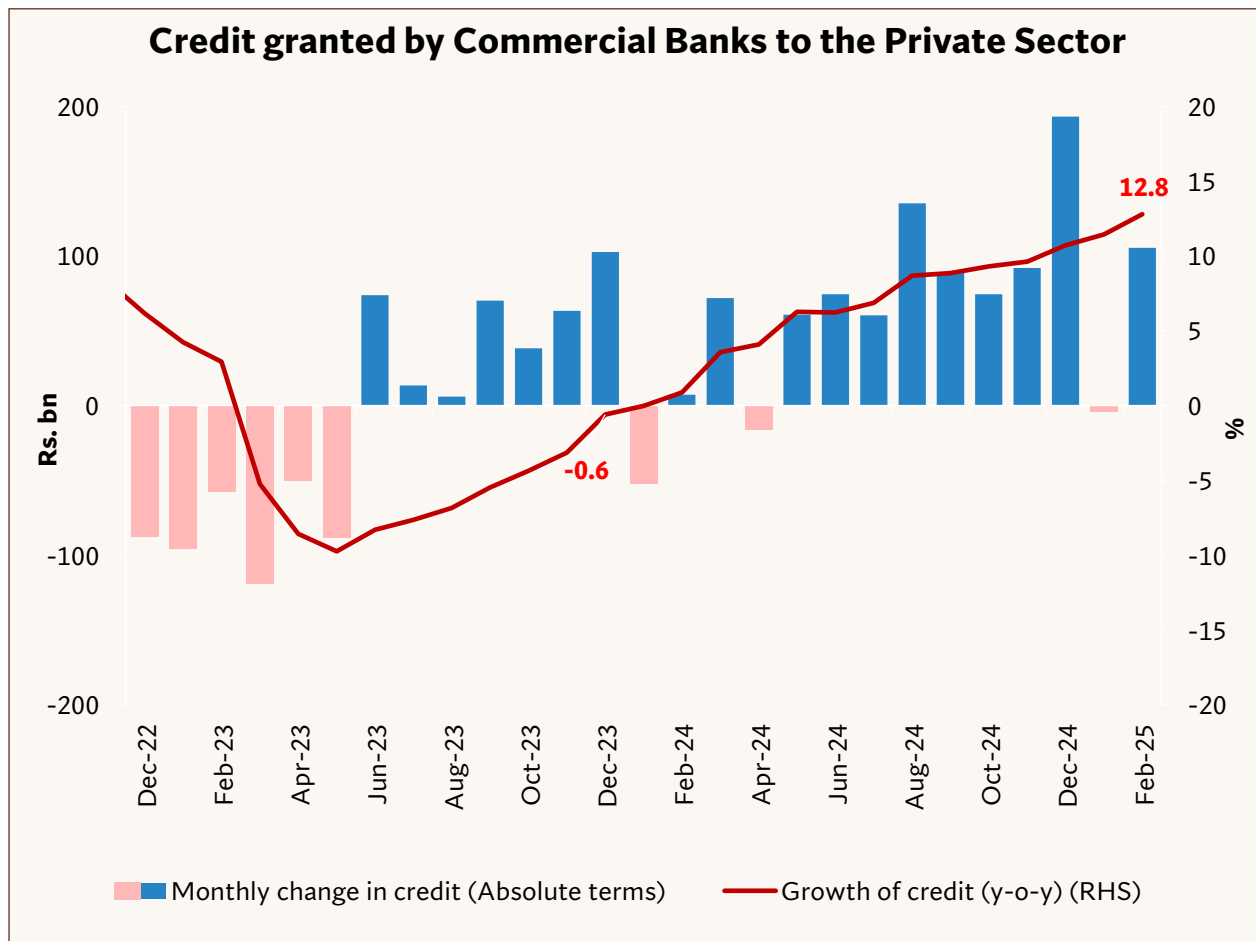
Leading indicators point towards a continuation of growth momentum...



The downward adjustment in overall market lending interest rates continued...



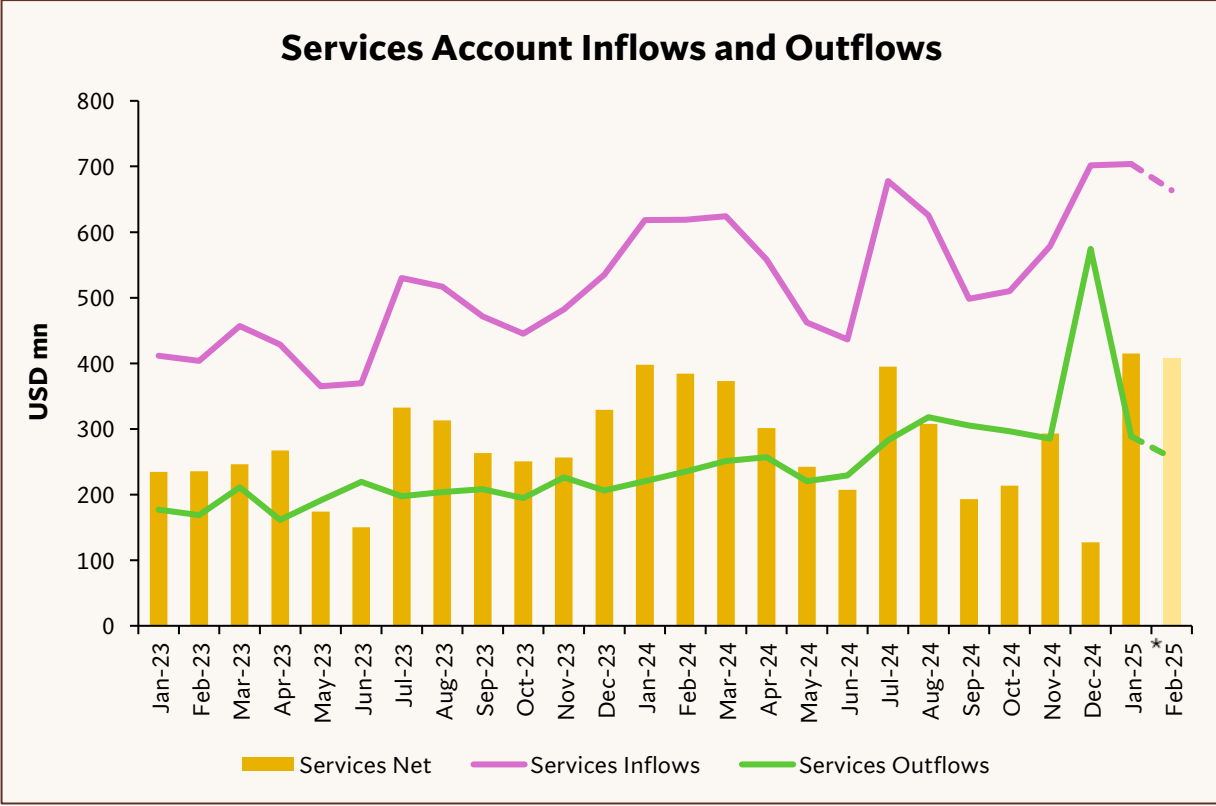
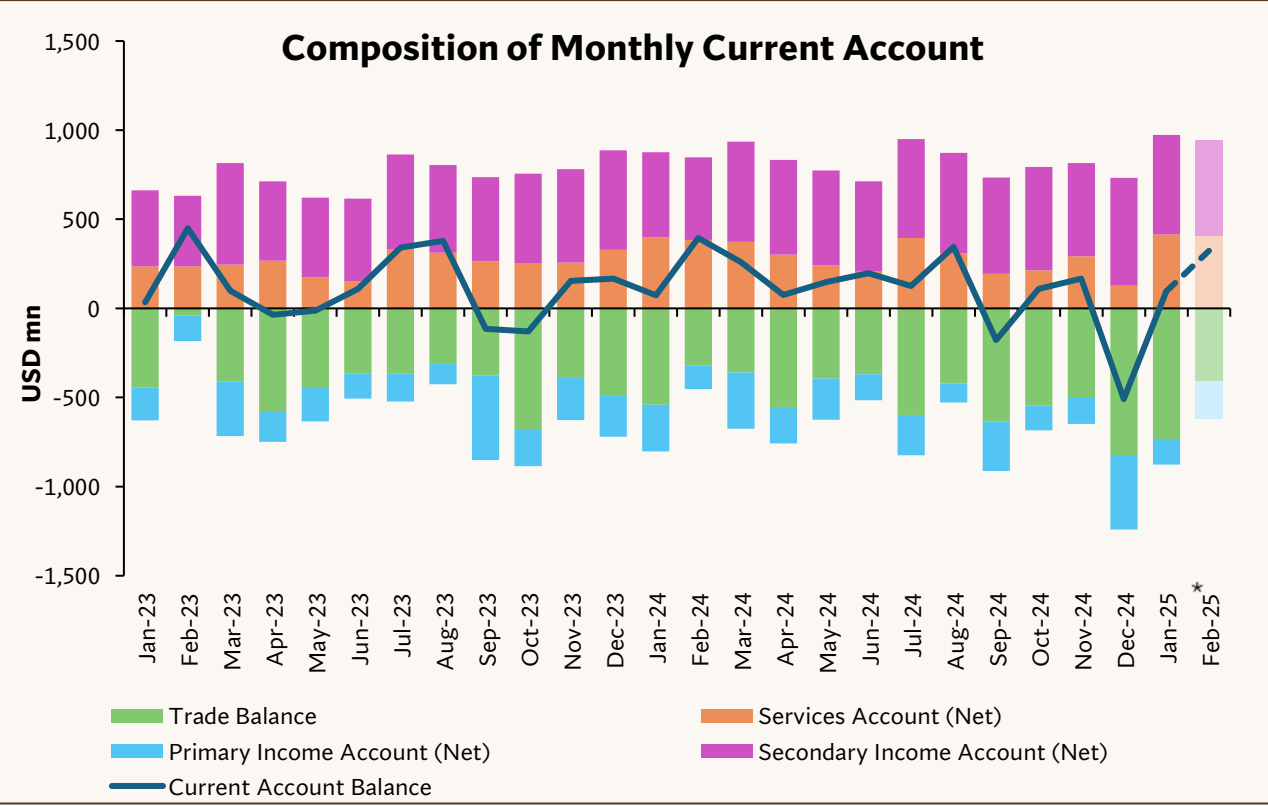
The growth of credit extended to the private sector by banks continued to accelerate...



- Credit expansion is **broad-based**
- The expansionary momentum of credit to the private sector is expected to persist



Monthly publication of external current account data for timely and data driven policy decisions...



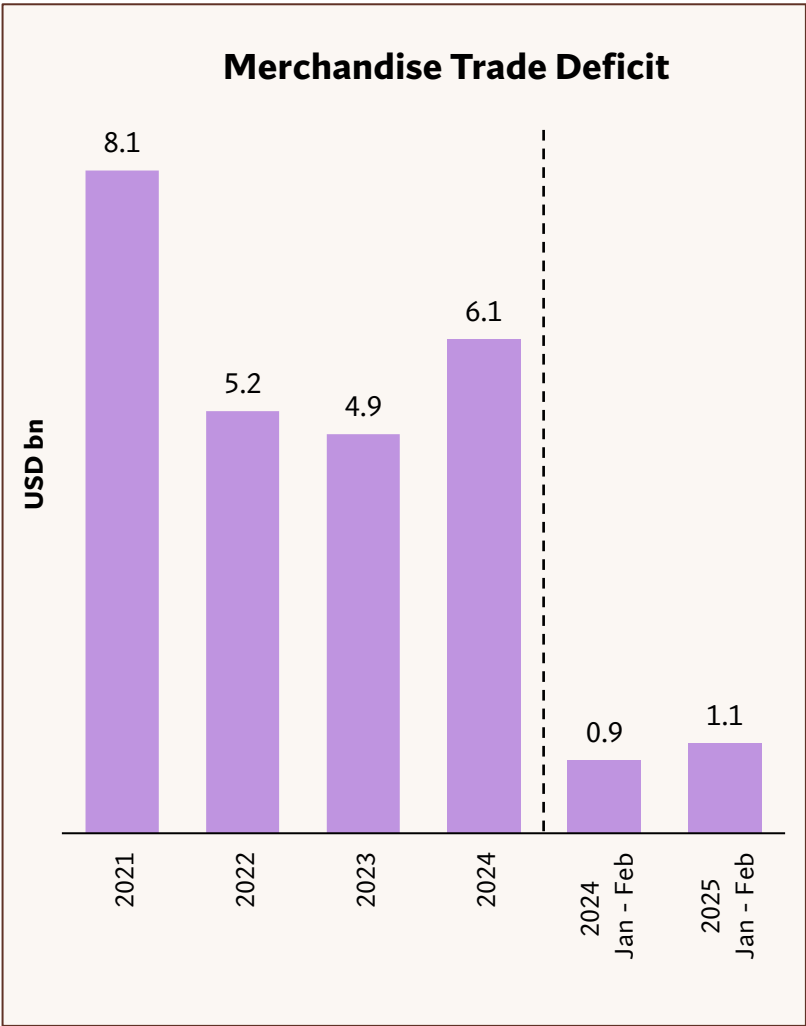
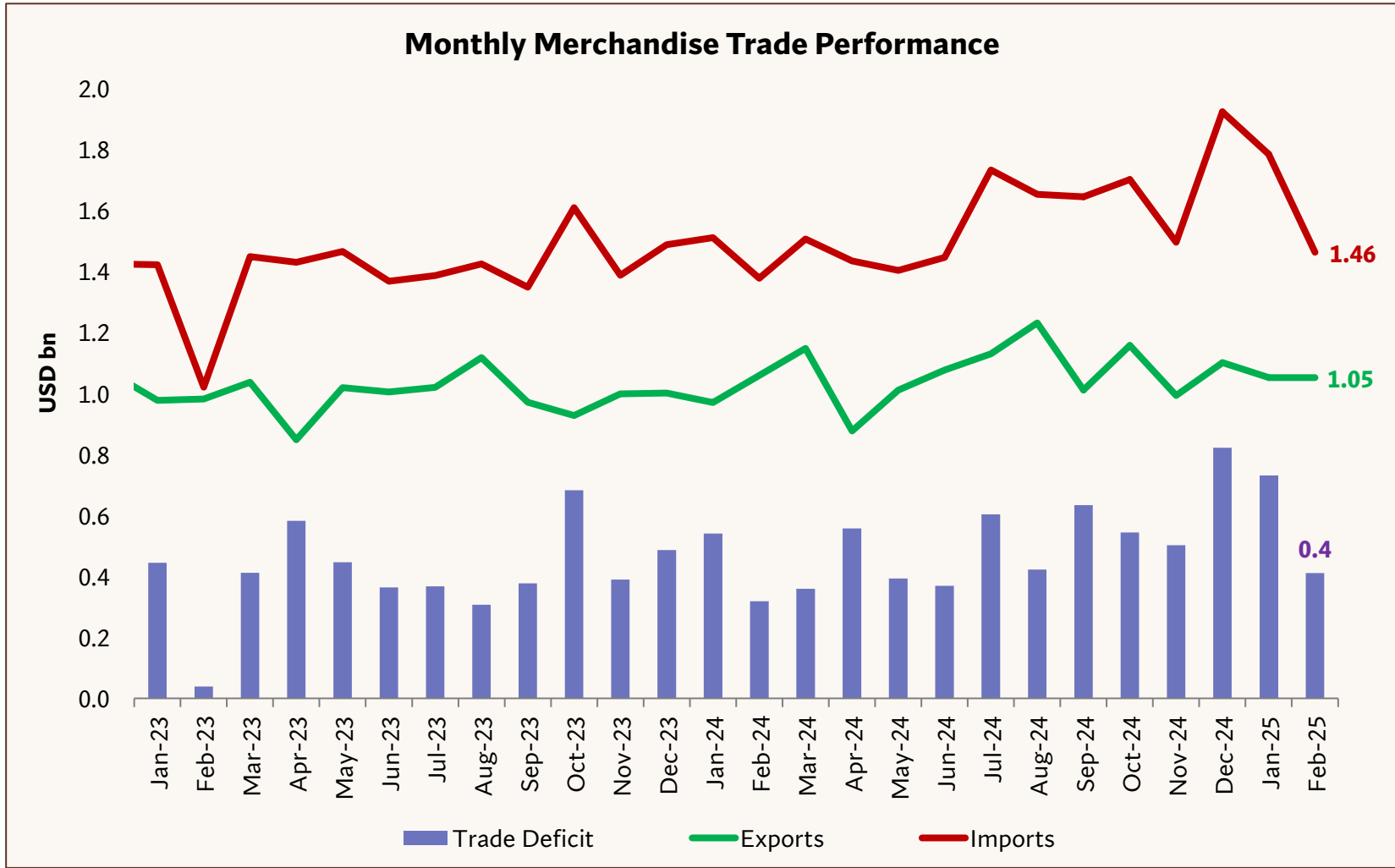
*provisional

Current account recorded a surplus of around USD 300 mn in February 2025

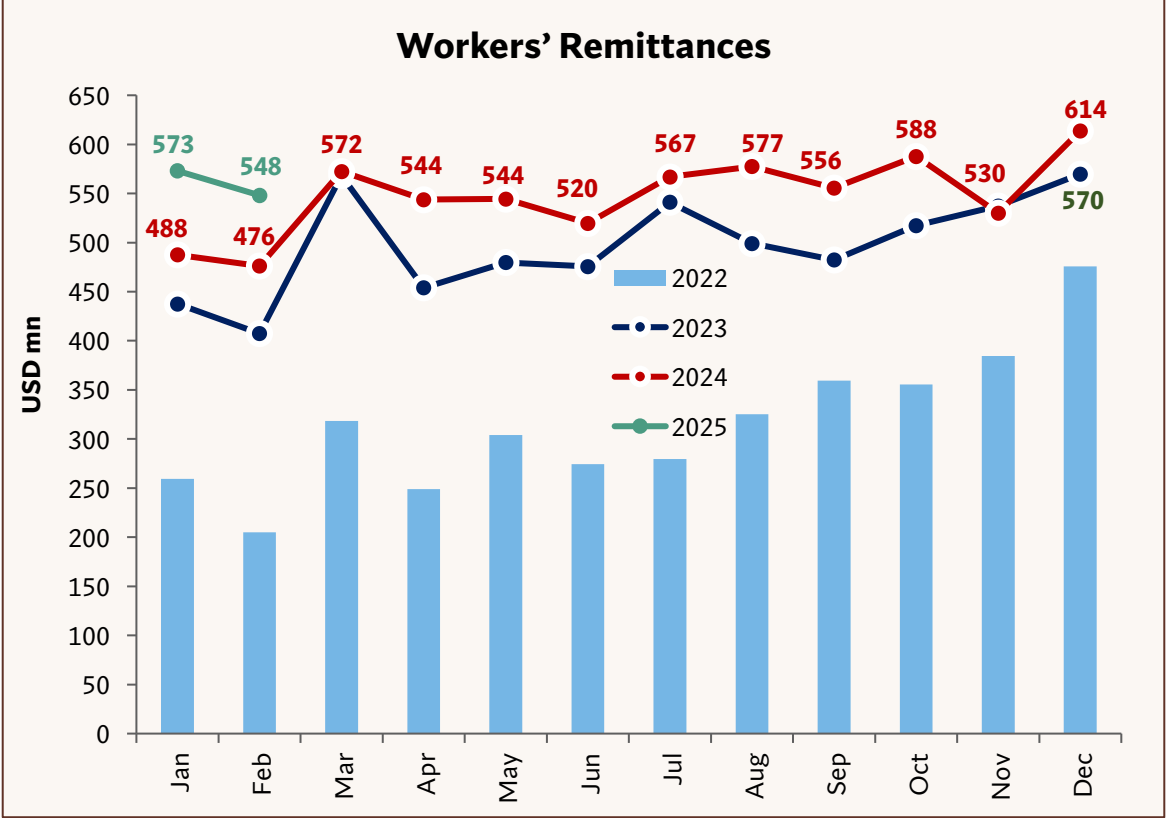
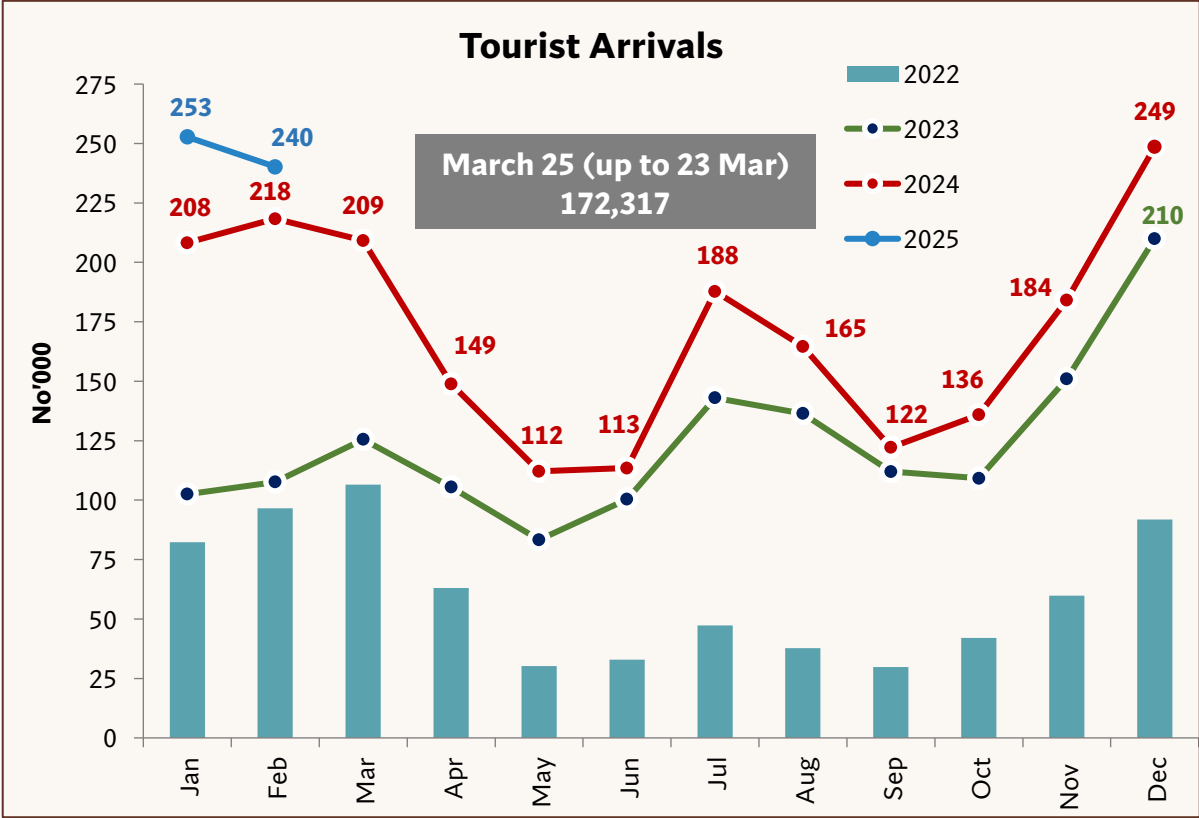
Services net inflow of around USD 400 mn in February 2025 was supported mainly by tourist earnings, sea transport and IT/BPO services.



An expansion in import expenditure relative to export earnings drove the merchandise trade deficit to widen...



Improvements in earnings from tourism and workers' remittances contributed positively to the external current account...



Earnings from Tourism

2024
USD 3.2 bn

2025 Jan-Feb
USD 768 mn

2024 Jan-Feb
USD 687 mn



2024
USD 6.6 bn

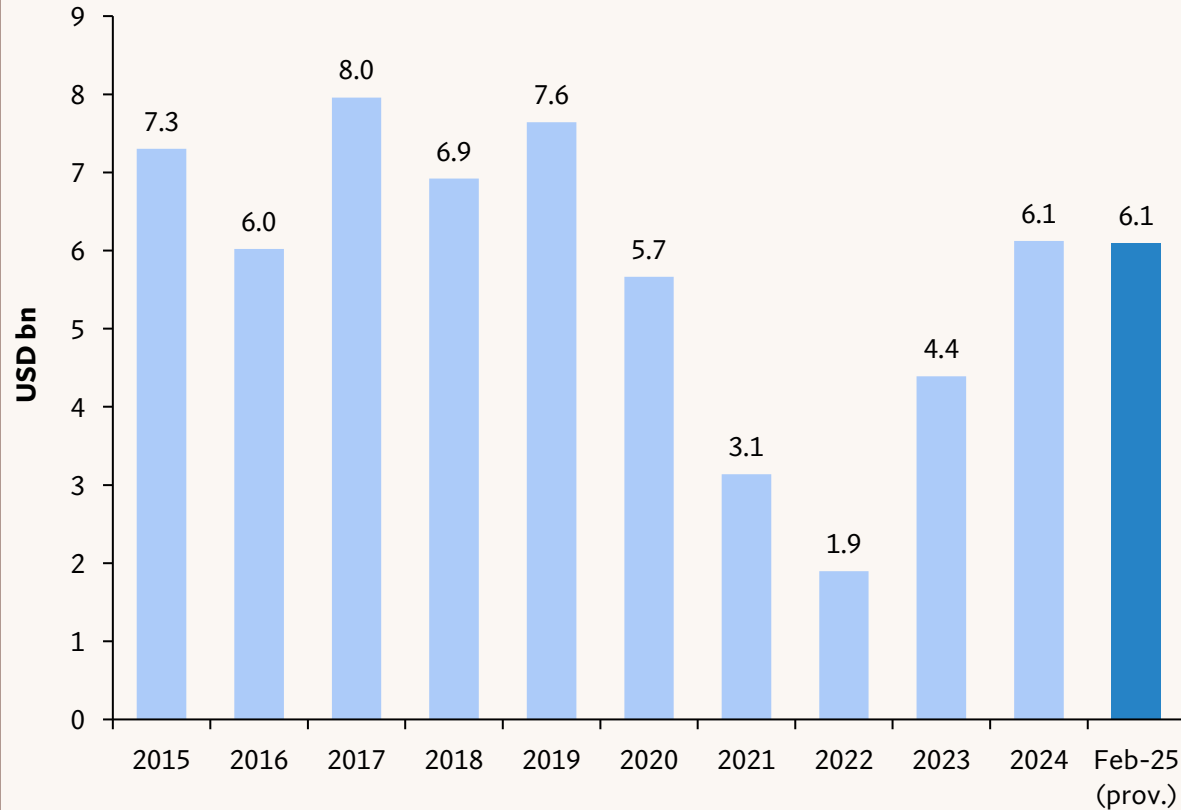
2025 Jan-Feb
USD 1,121 mn

2024 Jan-Feb
USD 964 mn

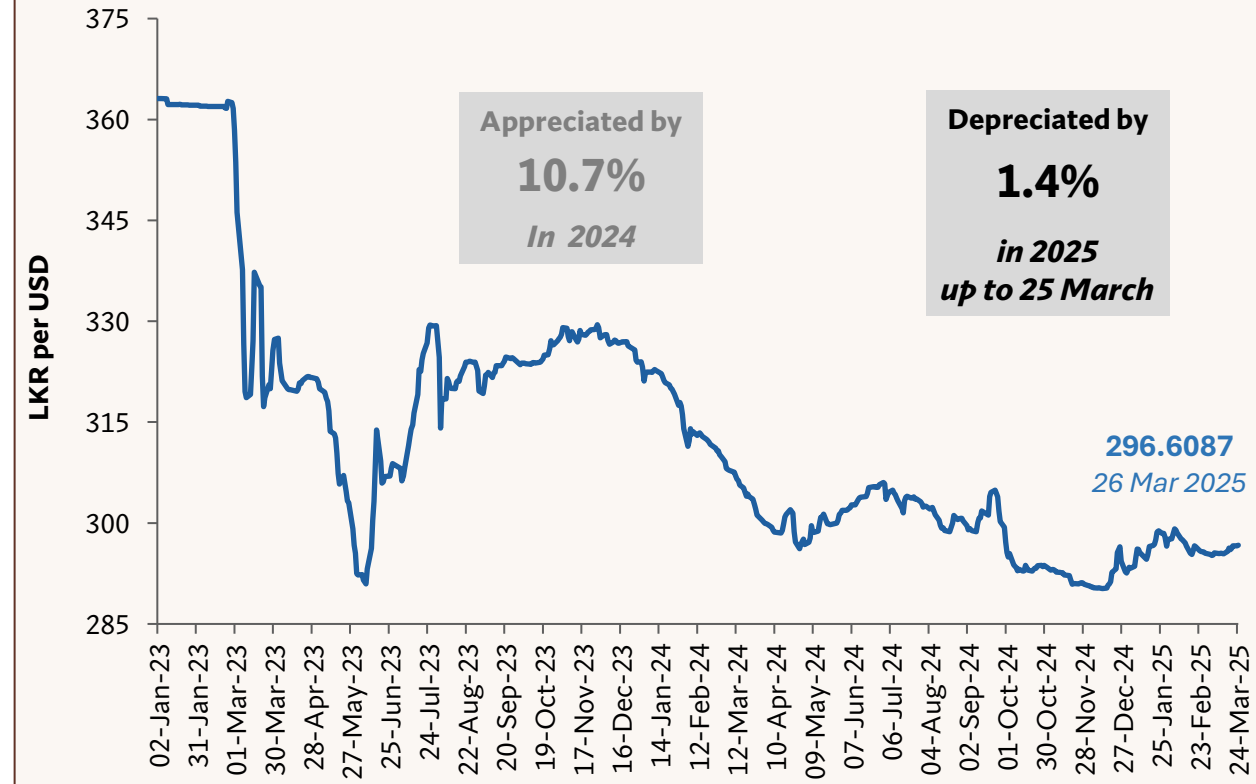


Gross Official Reserves remained at a healthy level by end February 2025...

Gross Official Reserves (GOR)



Recent Movement of USD/LKR spot exchange rate



GOR is expected to improve further by end March 2025, with the receipt of 4th tranche under the IMF-EFF and forex purchases by the CBSL



*The Board is watchful, among other things, of the **possible impact of global trade and geopolitical uncertainties** on the Sri Lankan economy.*

*As such, monetary policy formulation will continue to be based on a **forward-looking and data-dependent** approach.*

The Board stands ready to respond to emerging risks to maintaining price stability while supporting the economy to reach its potential

Thank You

