



Press Conference

Review of the Monetary Policy Stance

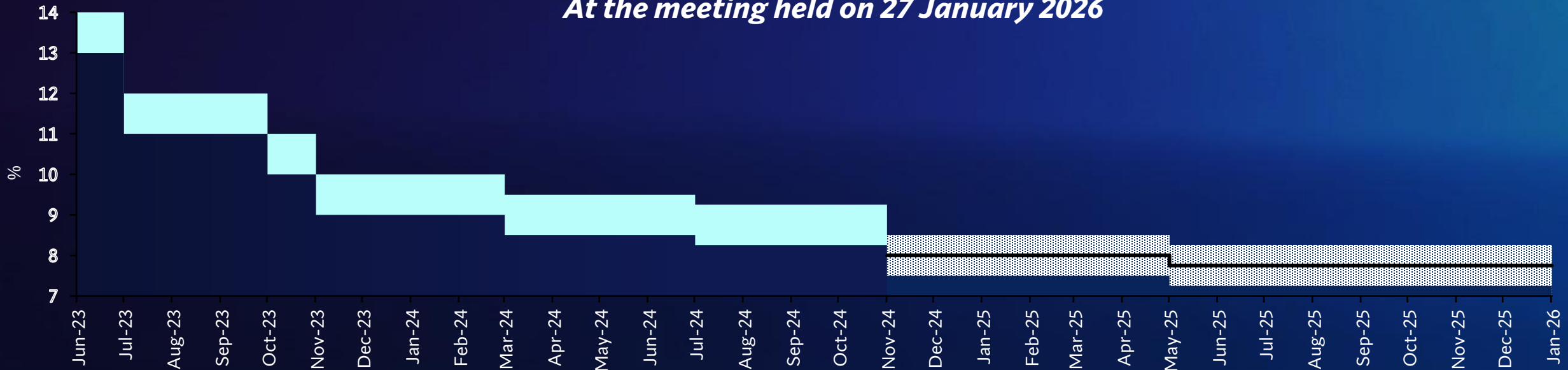
Monetary Policy Review: No. 01 – January 2026

28 January 2026

Economic Research Department
Central Bank of Sri Lanka

The Central Bank of Sri Lanka keeps the Overnight Policy Rate unchanged at 7.75%

At the meeting held on 27 January 2026



OPR

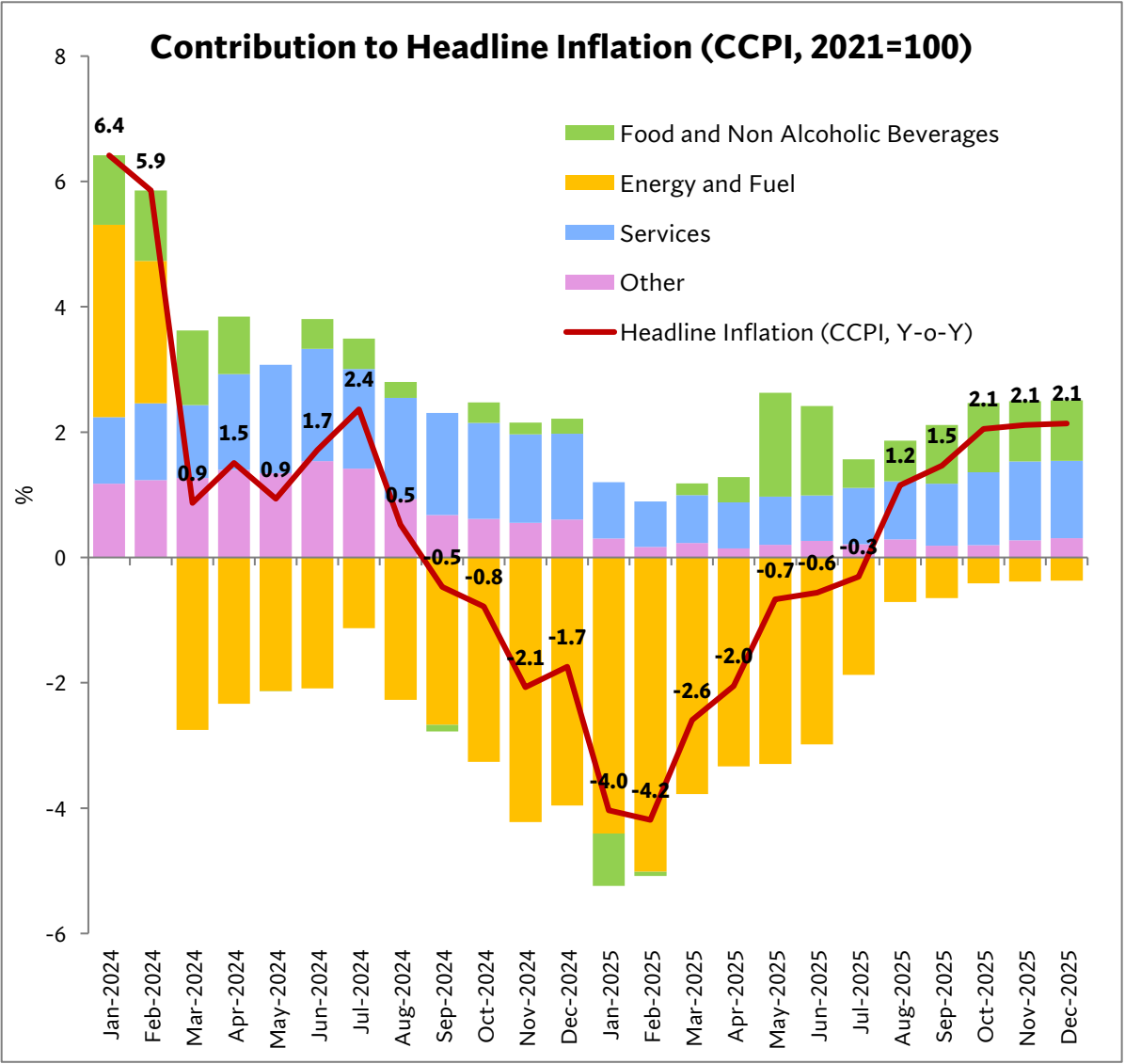
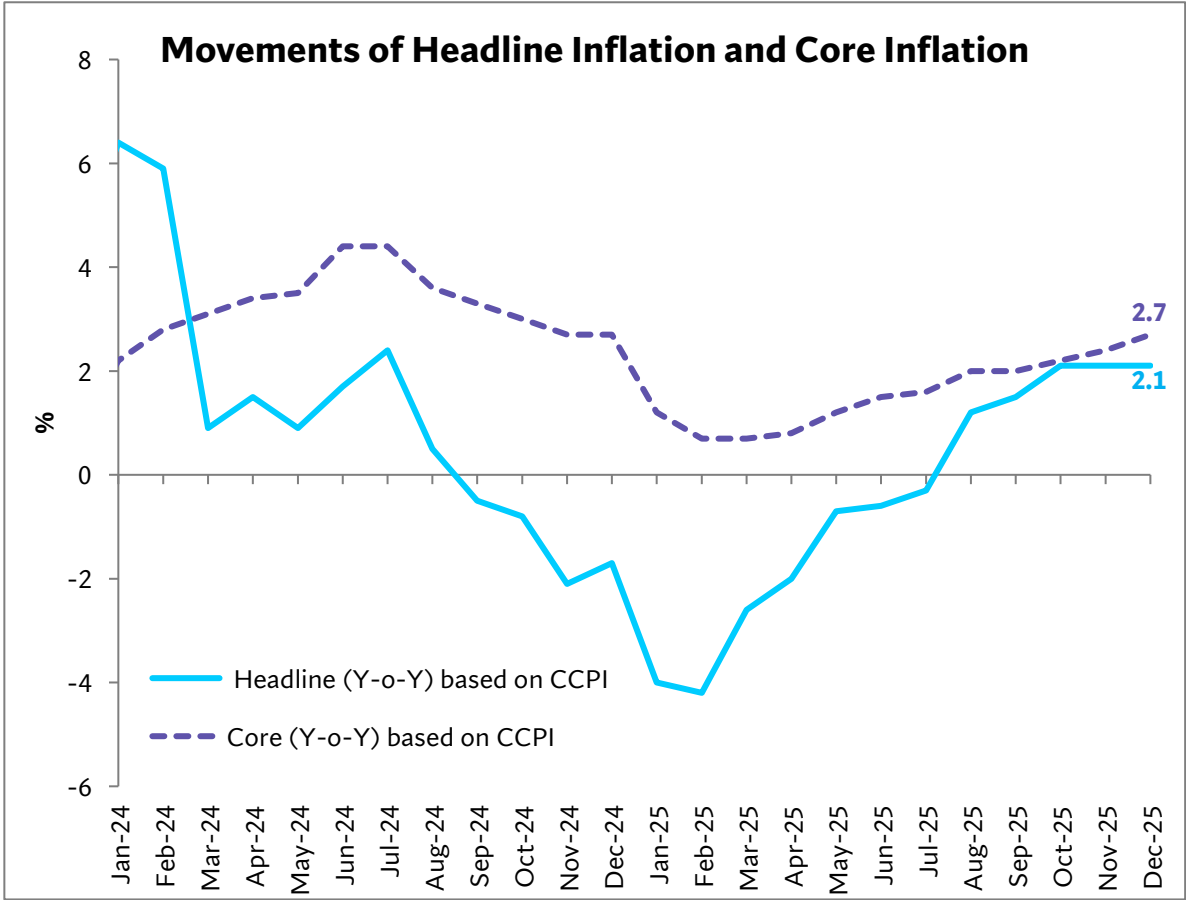
7.75%

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 (7.25%)
- b. Standing Lending Facility Rate (SLFR): OPR + 50 bps (8.25%)

**The Board is of the view that
the current monetary policy stance
will support steering inflation towards the
target of 5%**

Headline inflation remained unchanged at 2.1% in December 2025



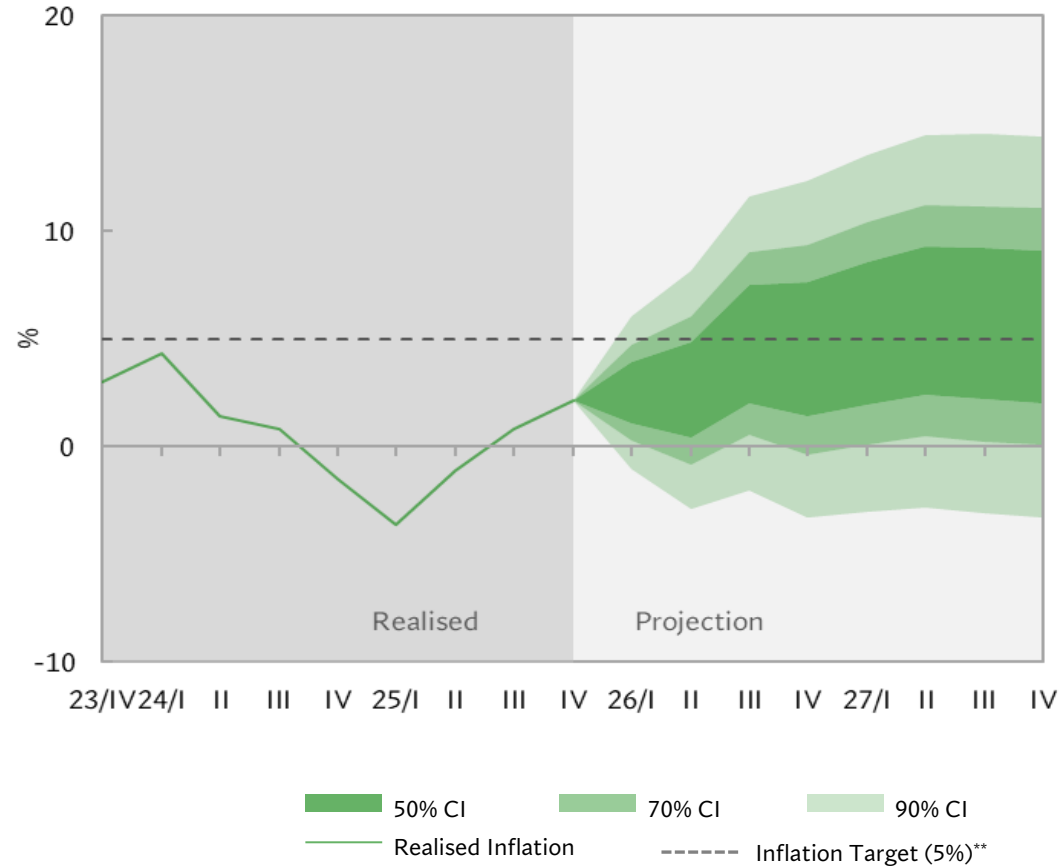
Food prices edged higher in December due to supply chain disruptions caused by Cyclone Ditwah and higher demand for food during the festive season

Inflation is projected to accelerate gradually and move towards the target of 5% by H2-2026

Headline Inflation Projections

(Quarterly, CCPI, y-o-y, %)

Based on the Projections during the January 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.

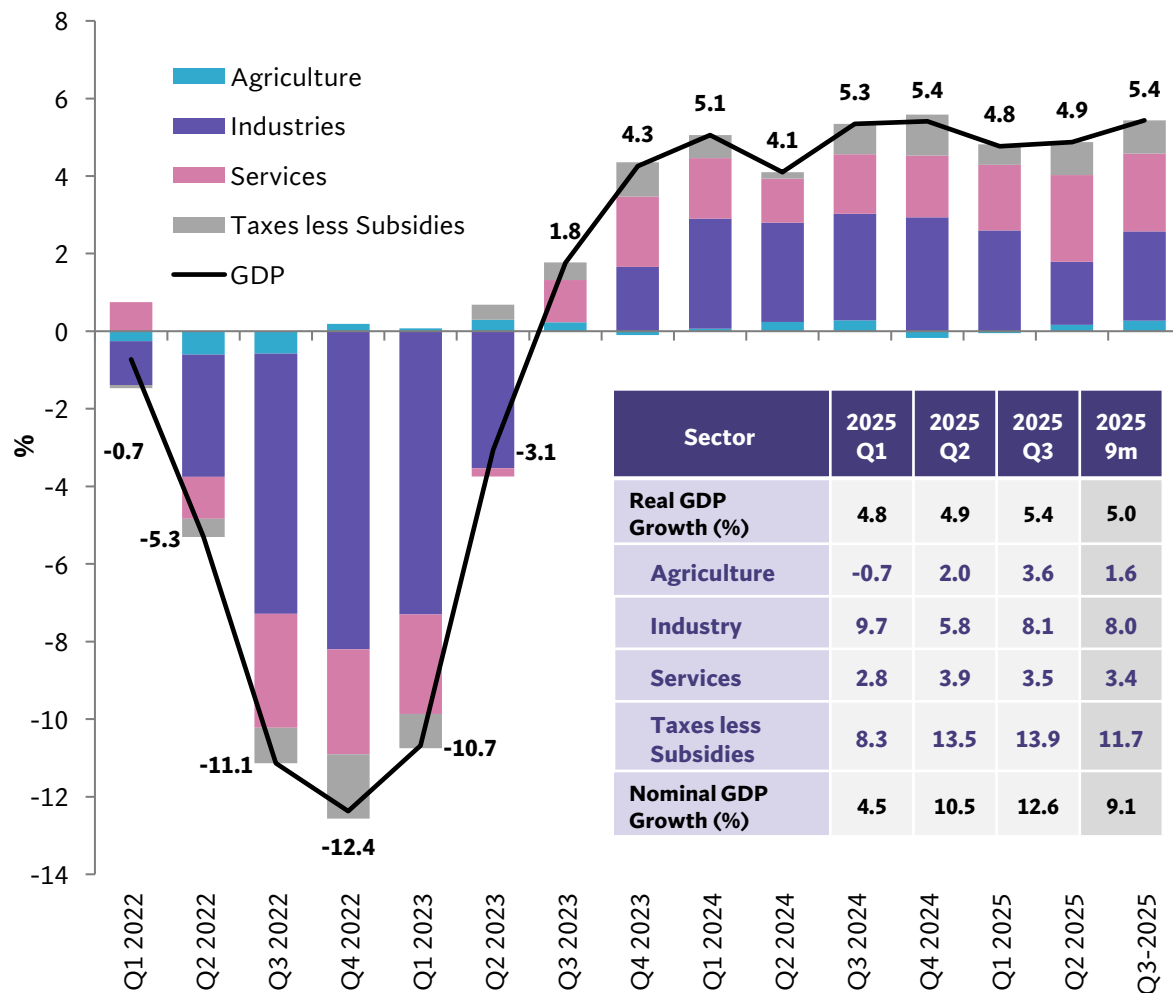
Source: Central Bank Staff Projections

Core inflation is expected to accelerate further as demand in the economy strengthens

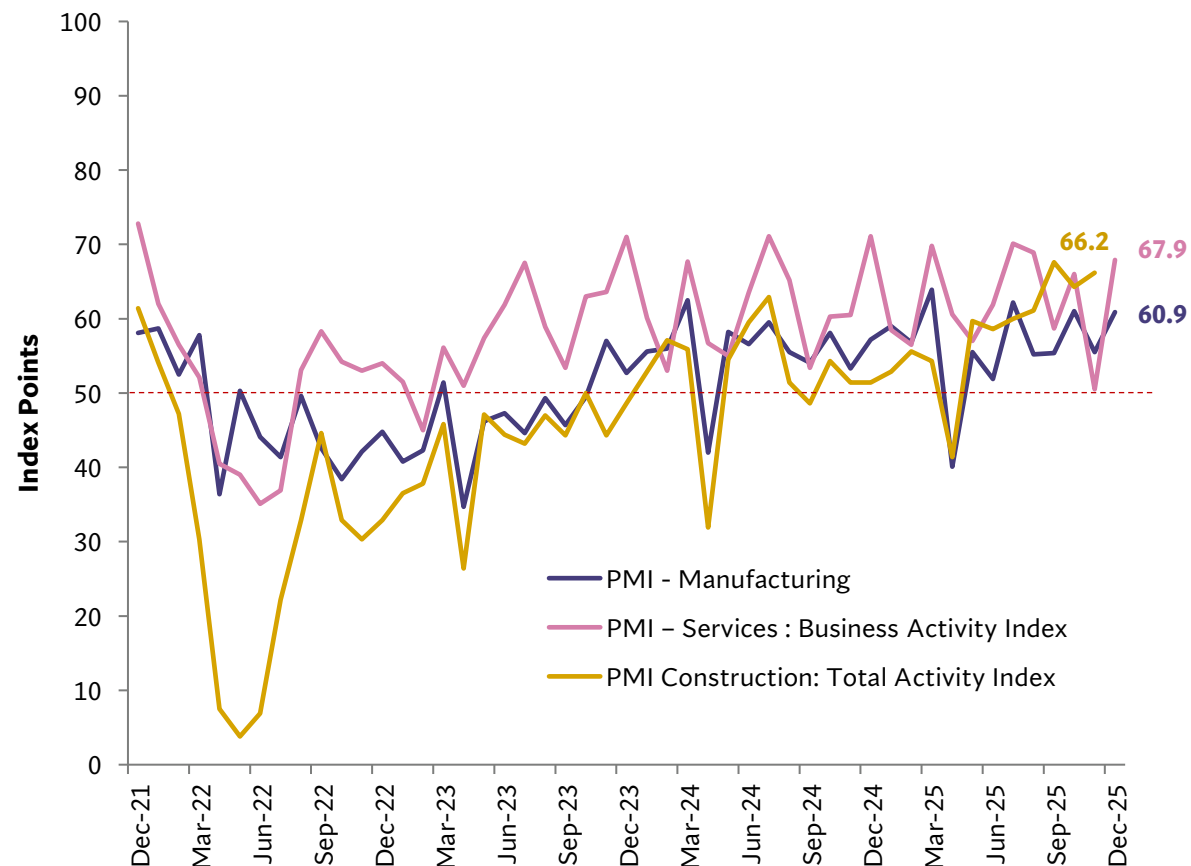
Inflation expectations appear to be well anchored around the inflation target

The economy grew by 5.0% during the first nine months of 2025

Contribution to Quarterly Real GDP Growth (y-o-y)



Purchasing Managers' Indices (PMI)



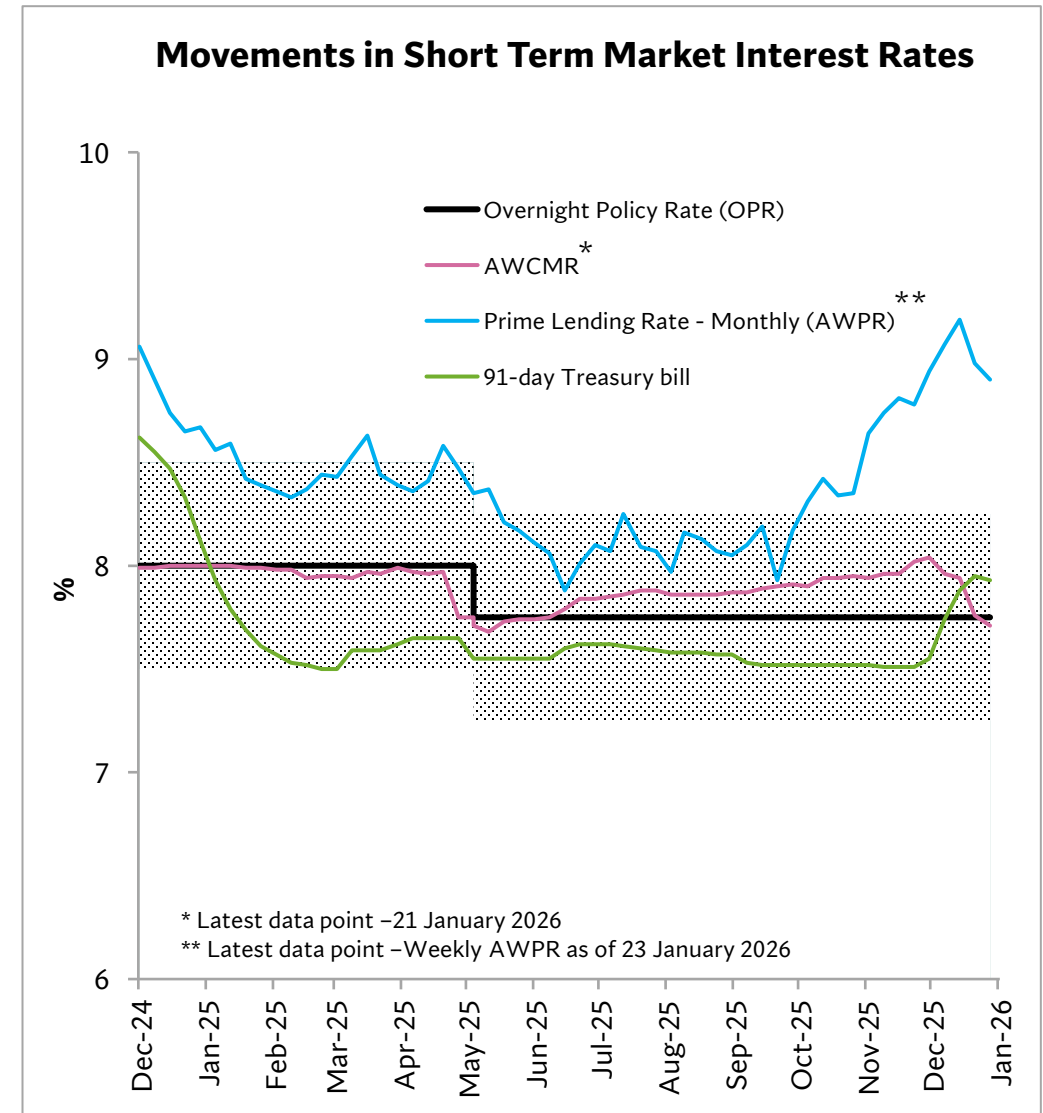
Despite the slowdown in economic activity following Cyclone Ditwah in late 2025, early indicators reflect greater resilience

Market interest rates have broadly adjusted downwards

Adjustment in Interest Rates in 2025

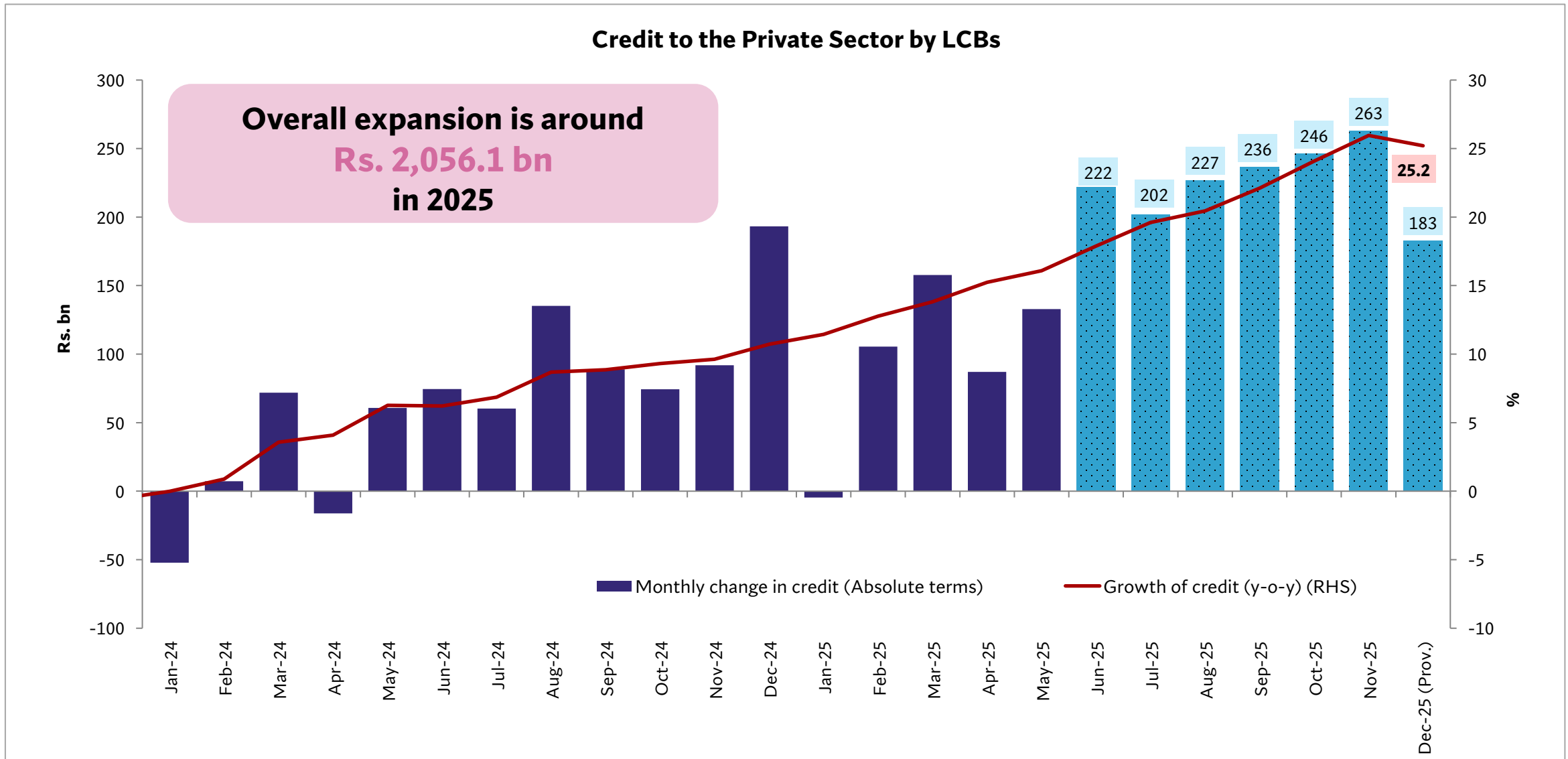
	End 2024 (%)	Adjustment during 2025 (bps)	End 2025 (%)
Average Weighted Call Money Rate	8.00	+4	8.04
91-day Treasury bill yield	8.62	-88	7.74
1 Year Treasury bill yield	8.96	-51	8.45
Monthly Average Weighted Prime Lending Rate	8.92	-5	8.87
Average Weighted Lending Rate	11.93	-45	11.48
Average Weighted New Lending Rate	10.77	-8	10.69
Average Weighted SME Rate	12.48	-95	11.53
Average Weighted New SME Rate	11.59	-47	11.12
Average Weighted Deposit Rate	7.53	-75	6.78
Average Weighted New Deposit Rate	6.52	-23	6.29

Movements in Short Term Market Interest Rates



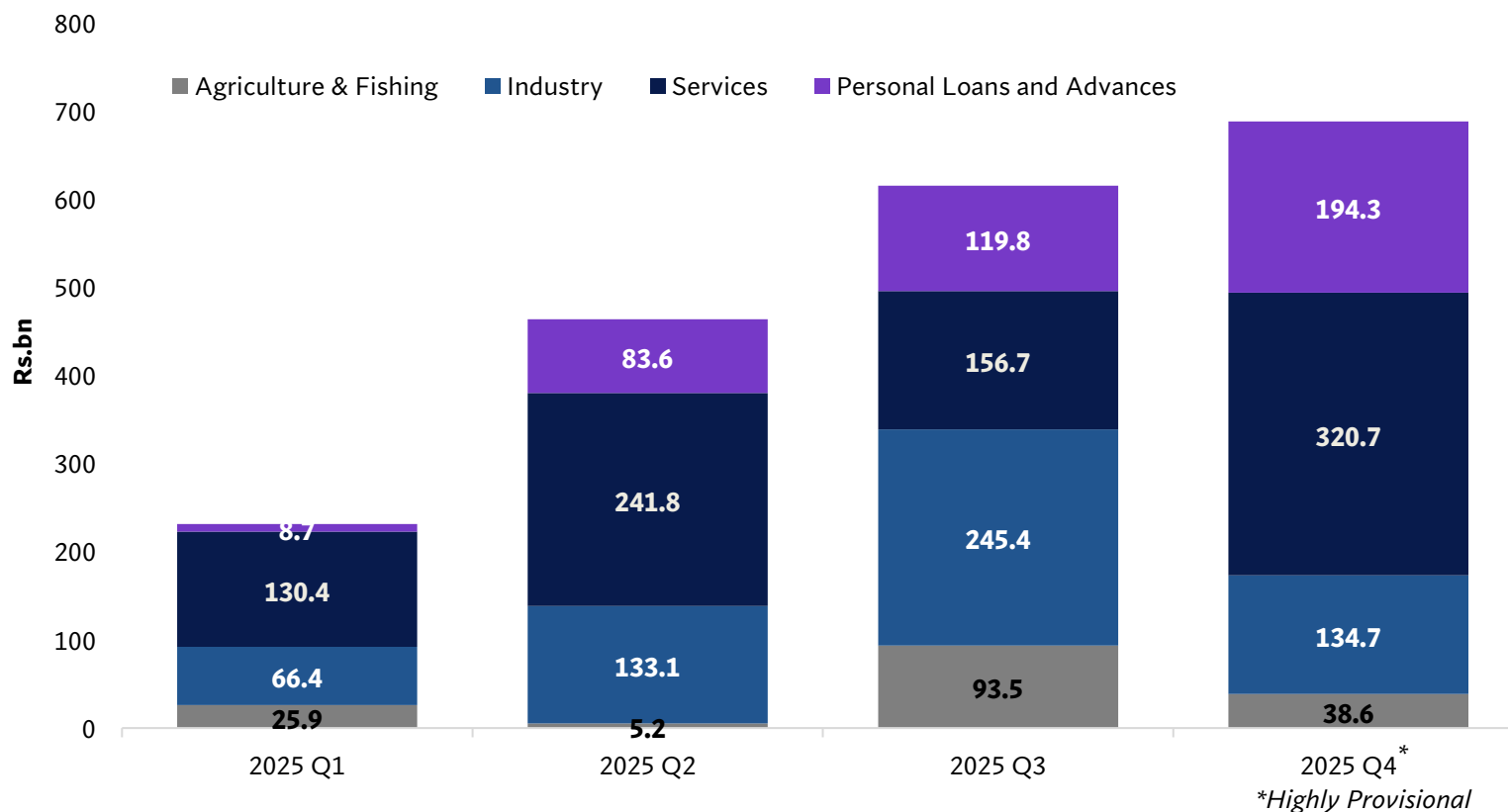
Credit to the private sector continued its notable expansion in late 2025

Credit to the Private Sector by LCBs

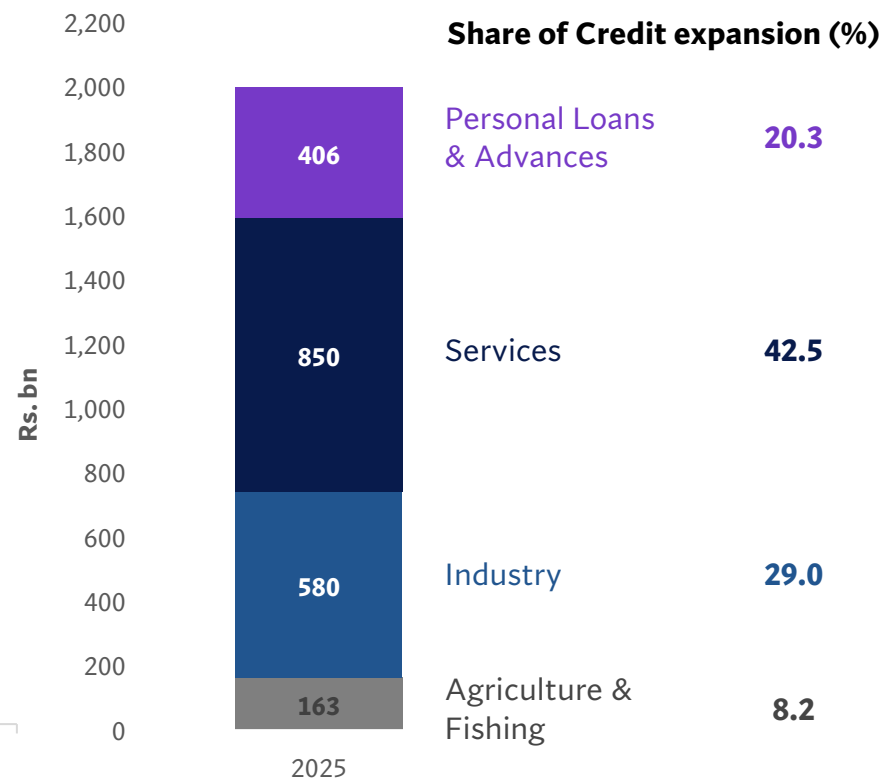


The expansion in private sector credit remained broad-based

Monthly Change in Sectoral Credit to the Private Sector by LCBs



Annual Expansion



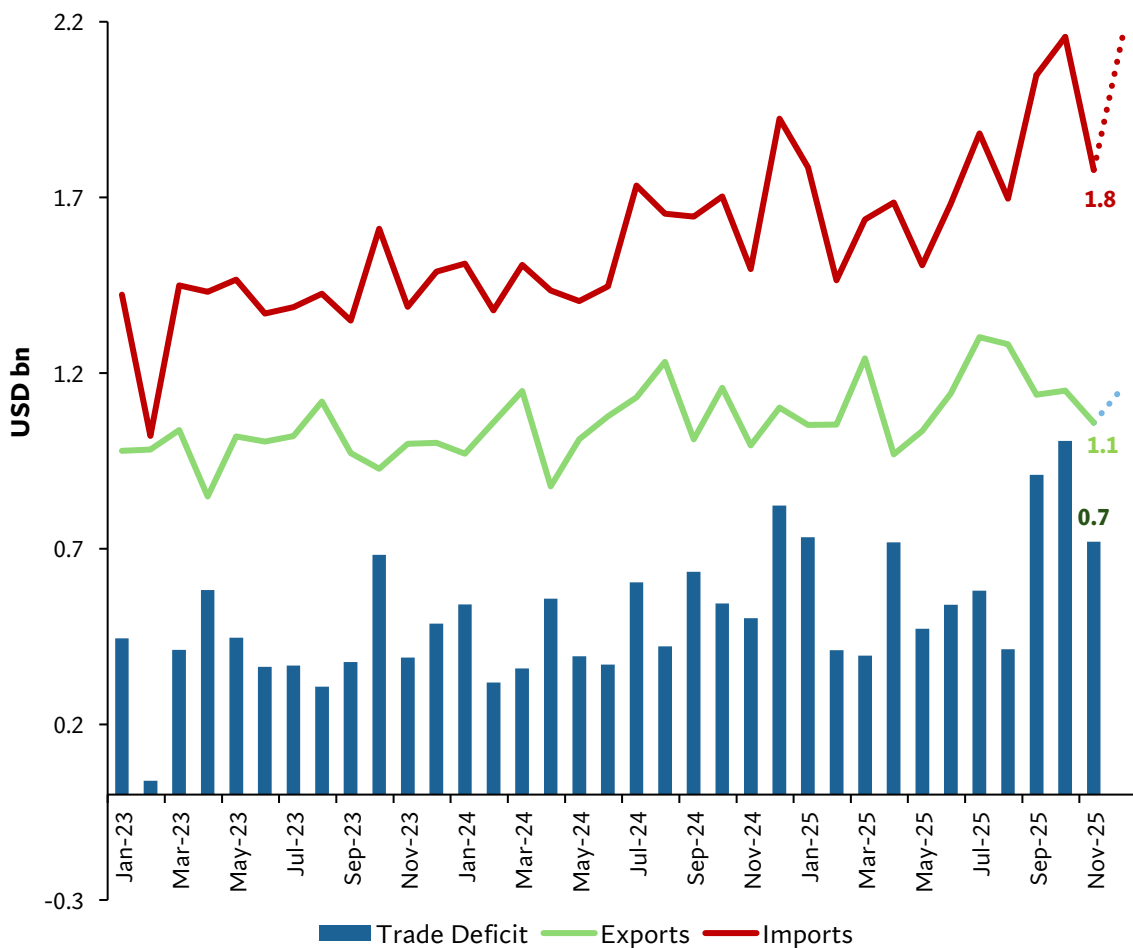
Note:

- The Monthly Survey on Loans and Advances by Licensed Commercial Banks (LCBs) to the private sector, with a detailed breakdown of credit extended to the key sectors of the economy was introduced from April 2025. The purpose of the new survey is to collect sector-wise credit data on a monthly basis, thereby enabling the monitoring and analysis of high-frequency movements in private sector credit.
- Total credit to the private sector as per the Monthly Survey slightly differ from that in the Monetary Survey due to differences in the compilation methodologies.

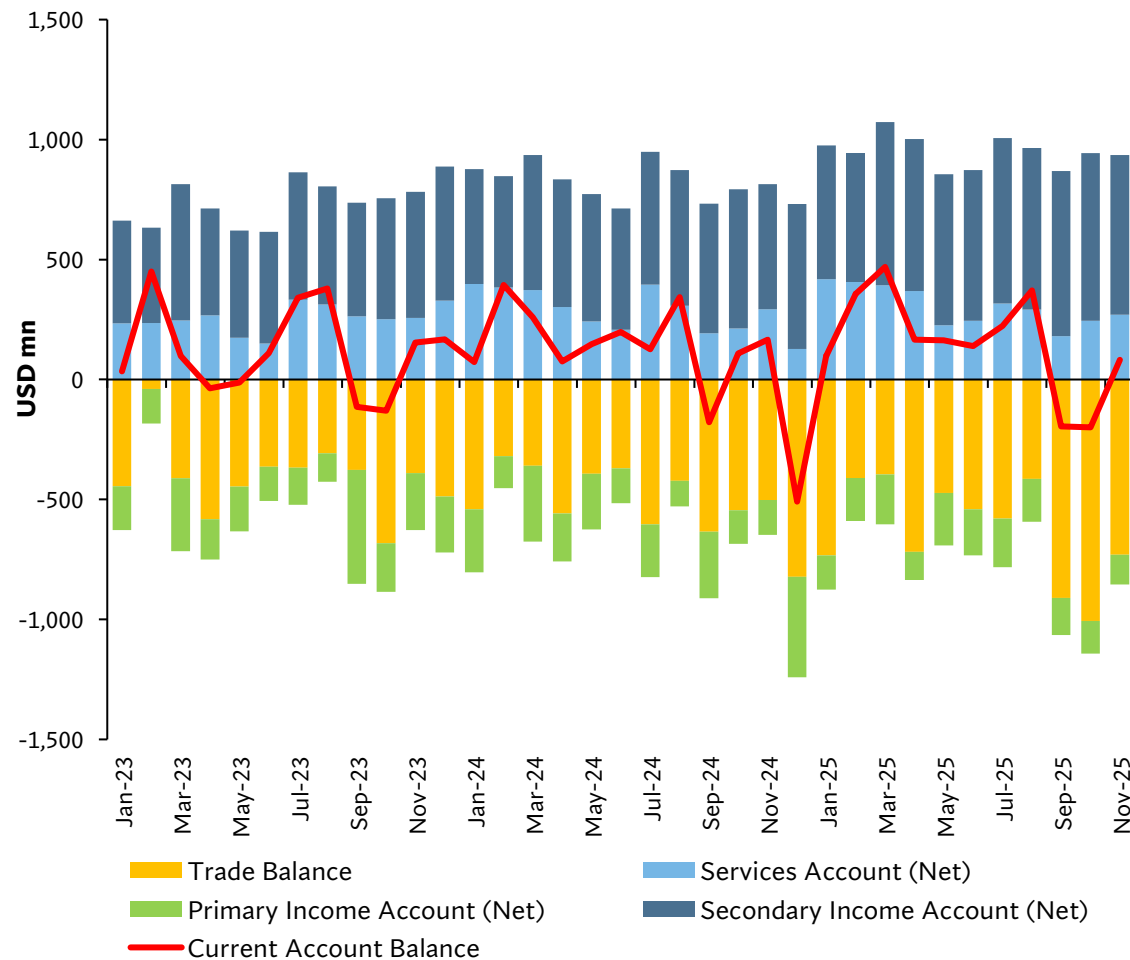
Notable expansion in credit to the private sector reflects increased demand for credit amid improving economic activity and increased vehicle imports

The external current account is estimated to have recorded a sizeable surplus in 2025, despite the widening of the trade deficit

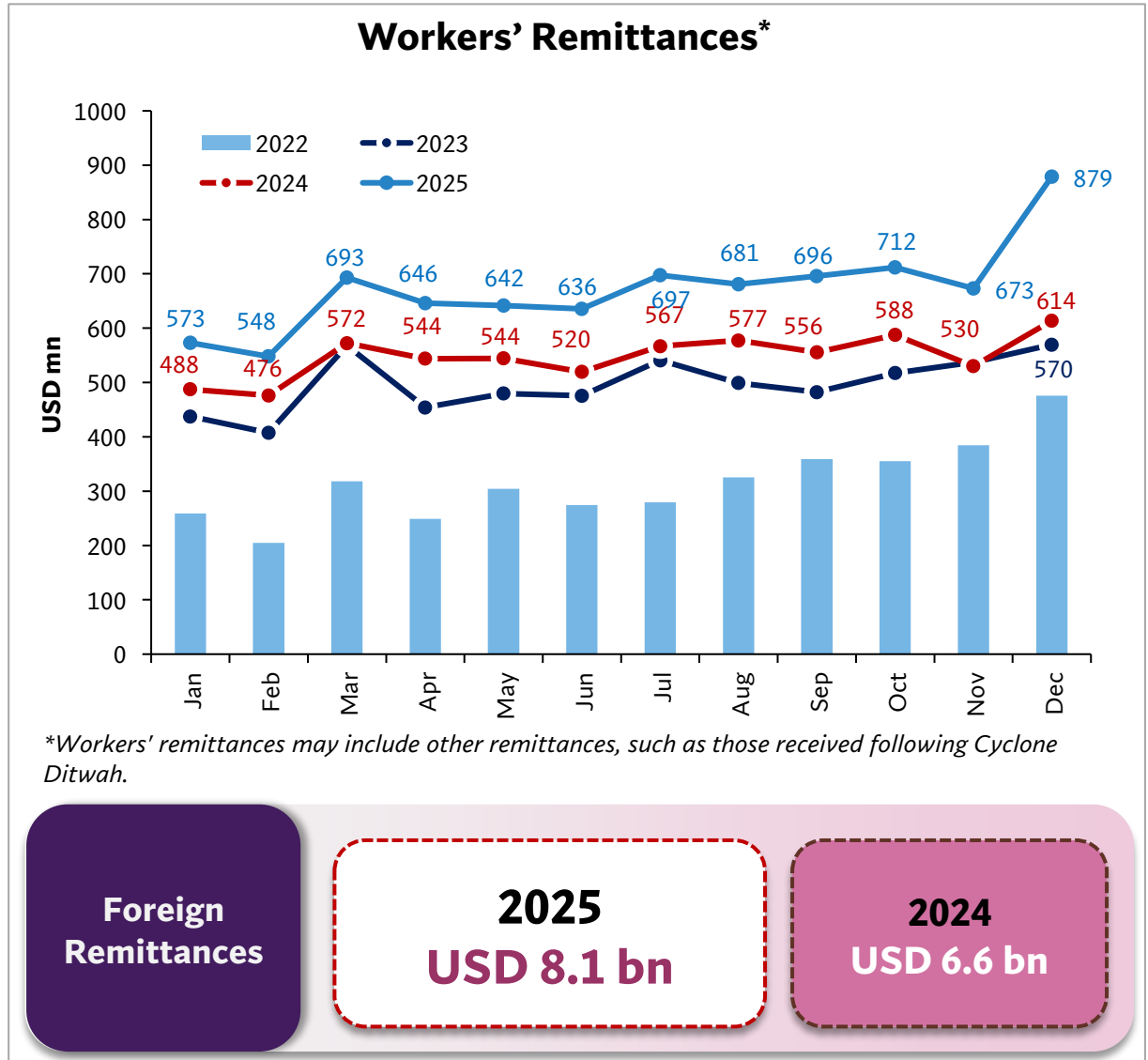
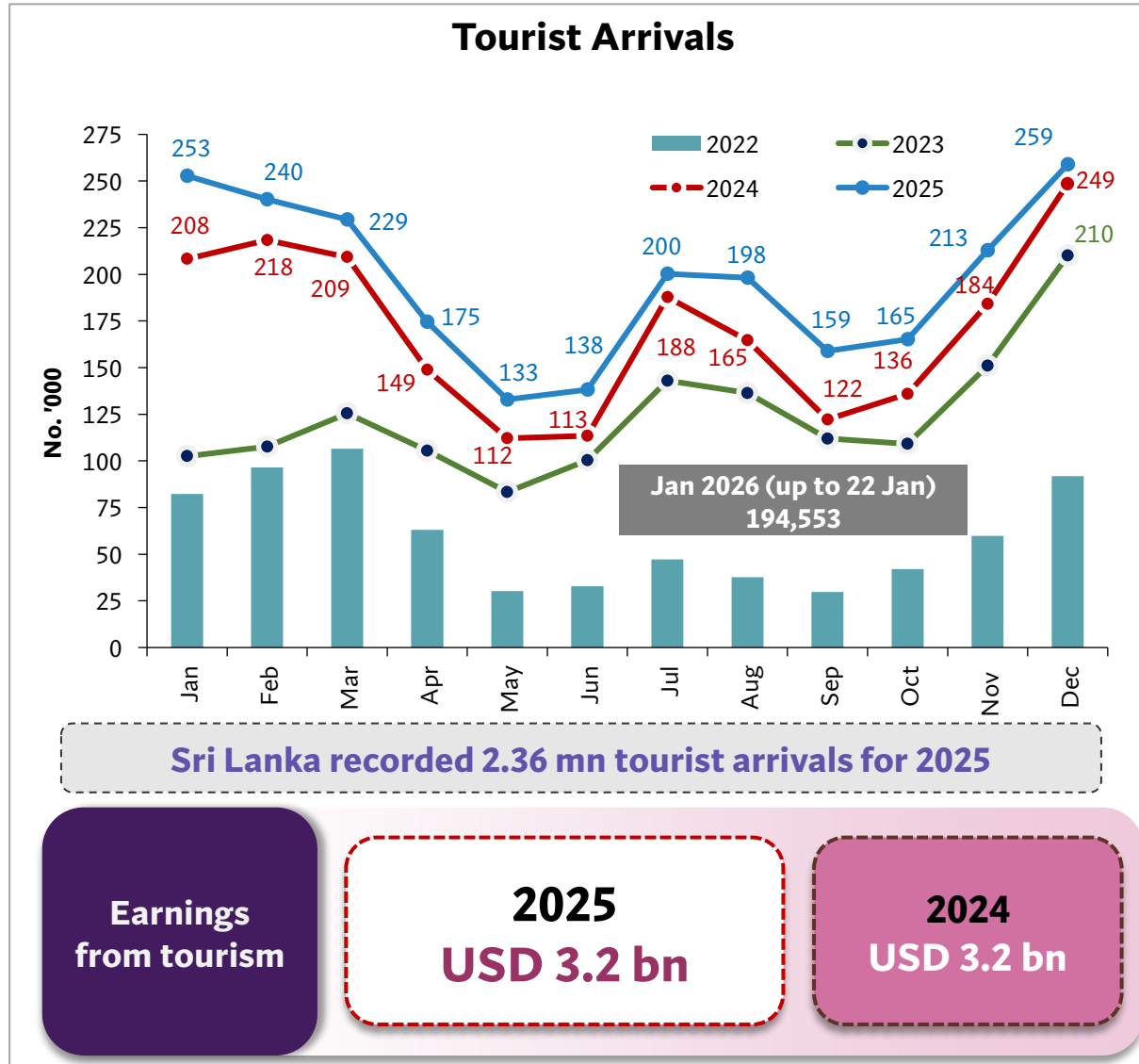
Monthly Merchandise Trade Performance



Composition of Monthly Current Account

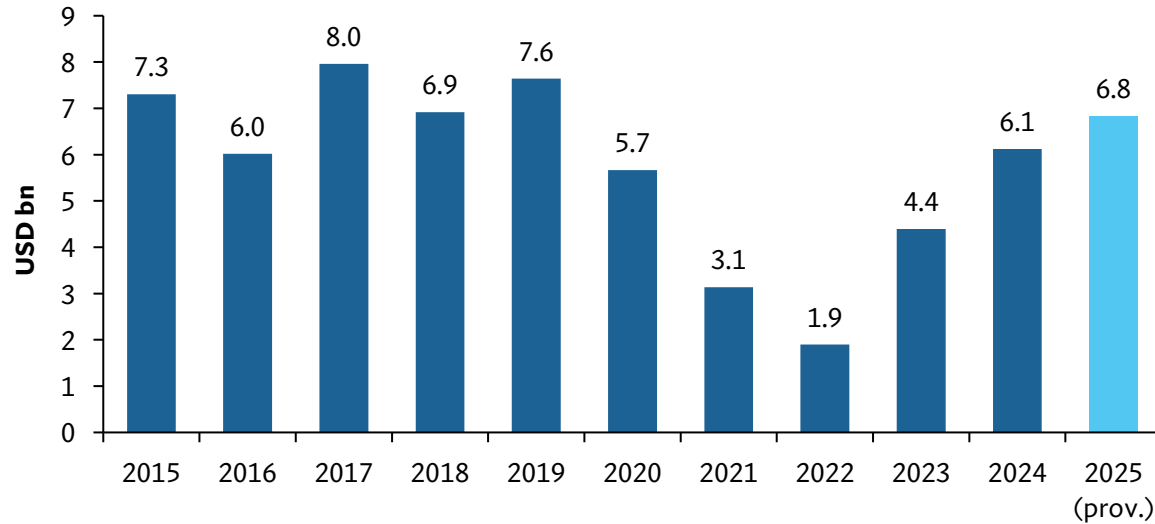


Earnings from tourism remained steady, while workers' remittances continued to improve

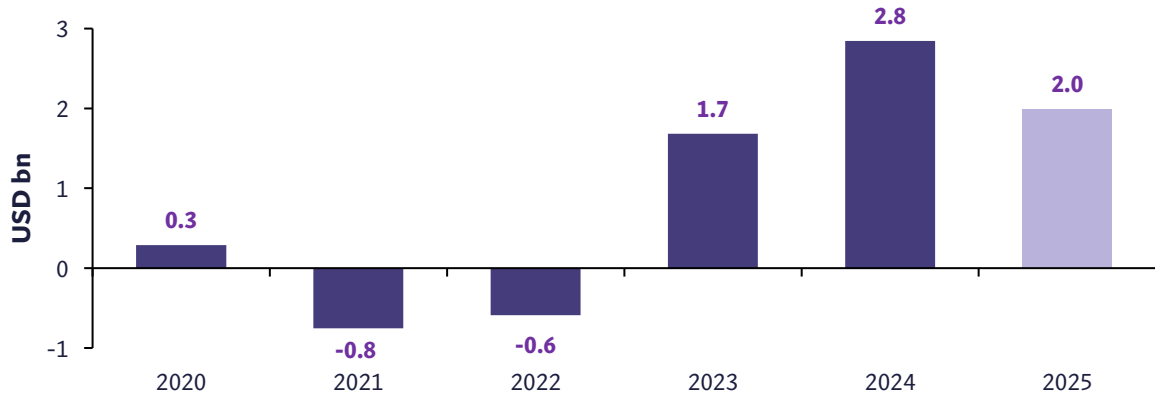


Despite large debt service payments, Gross Official Reserves were built up to USD 6.8 bn by the end of 2025

Gross Official Reserves (GOR)



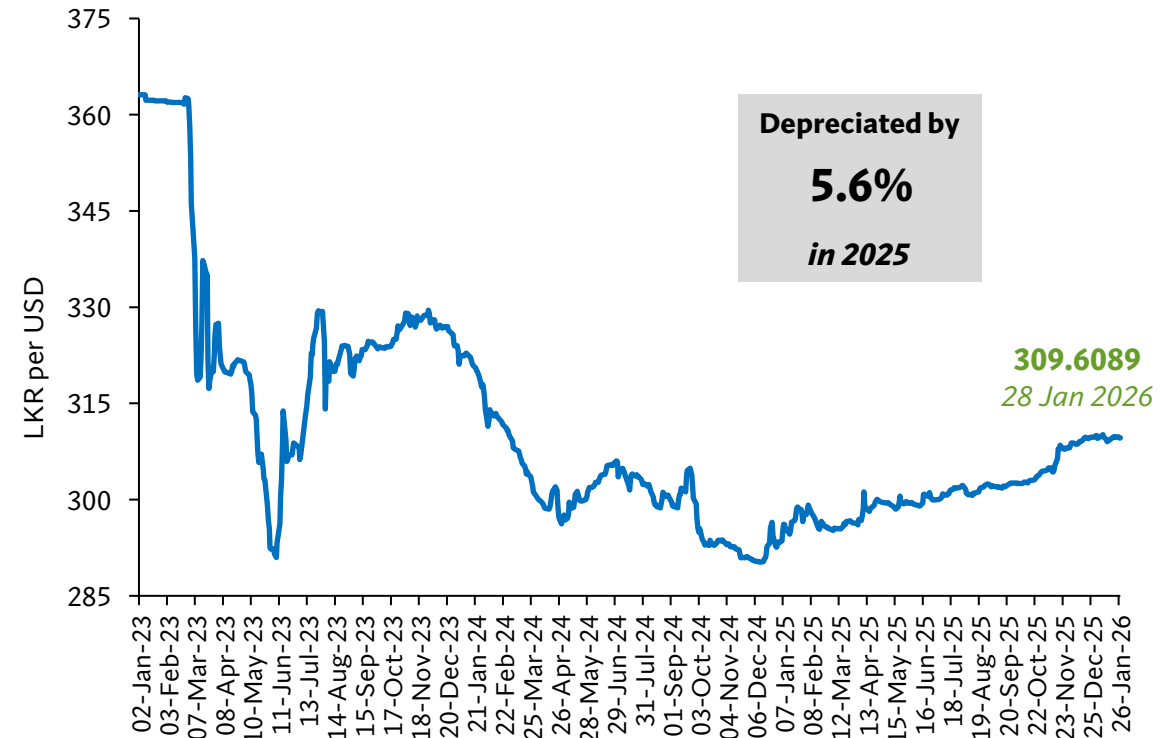
Annual Net FX Purchases by the Central Bank*



*Based on value date

GOR buildup has been mainly supported by the net foreign exchange purchases by the Central Bank and inflows from multilateral agencies

Recent Movement of USD/LKR spot exchange rate



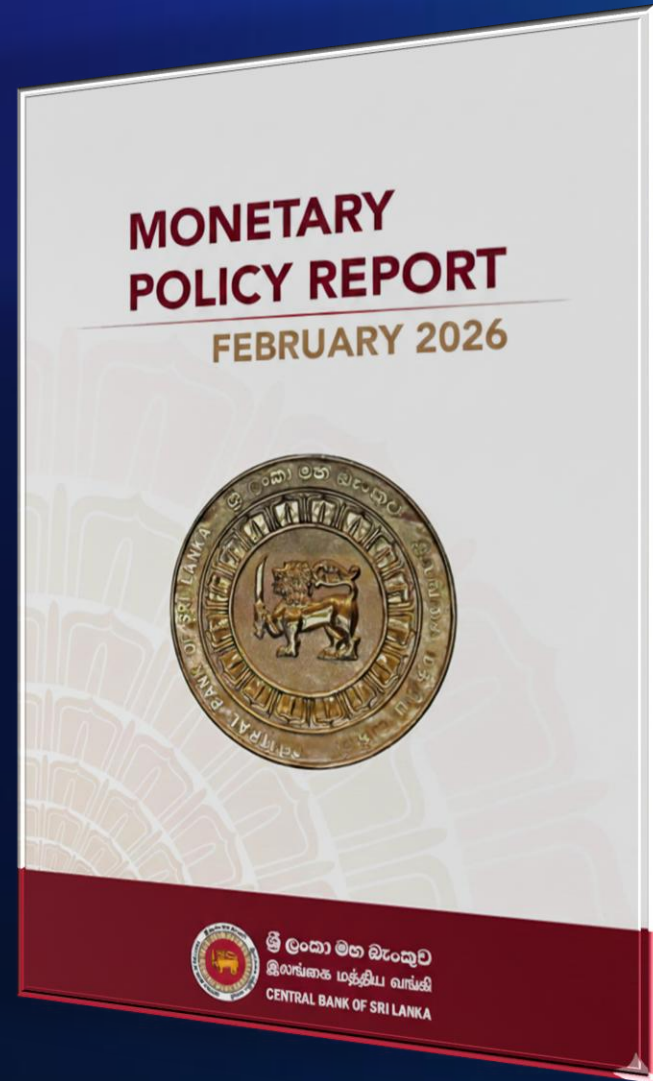
Rupee has remained broadly stable so far in 2026

The Board remains prepared to implement appropriate policy measures to ensure that inflation stabilises around the target, while supporting the economy to reach its potential

Monetary Policy Report – February 2026

The first Monetary Policy Report
for 2026 is expected to be
published on

13 February 2026



Thank you