



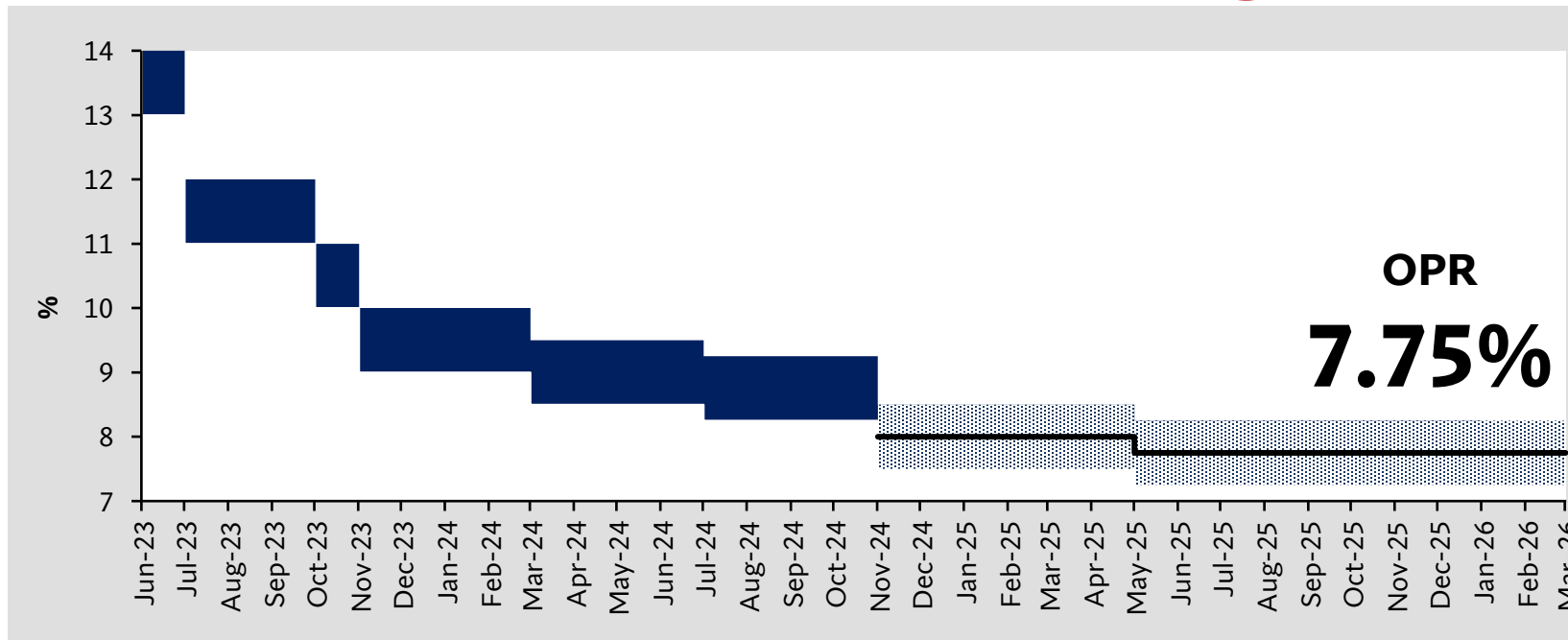
# Press Conference

## Monetary Policy Review: No. 02 – March 2026

**25 March 2026**

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

# The Central Bank of Sri Lanka keeps the Overnight Policy Rate (OPR) unchanged



**This monetary policy review was conducted against a backdrop of heightened uncertainty, as the magnitude of the domestic economic impact will depend on the severity and duration of the ongoing US–Israel–Iran conflict**

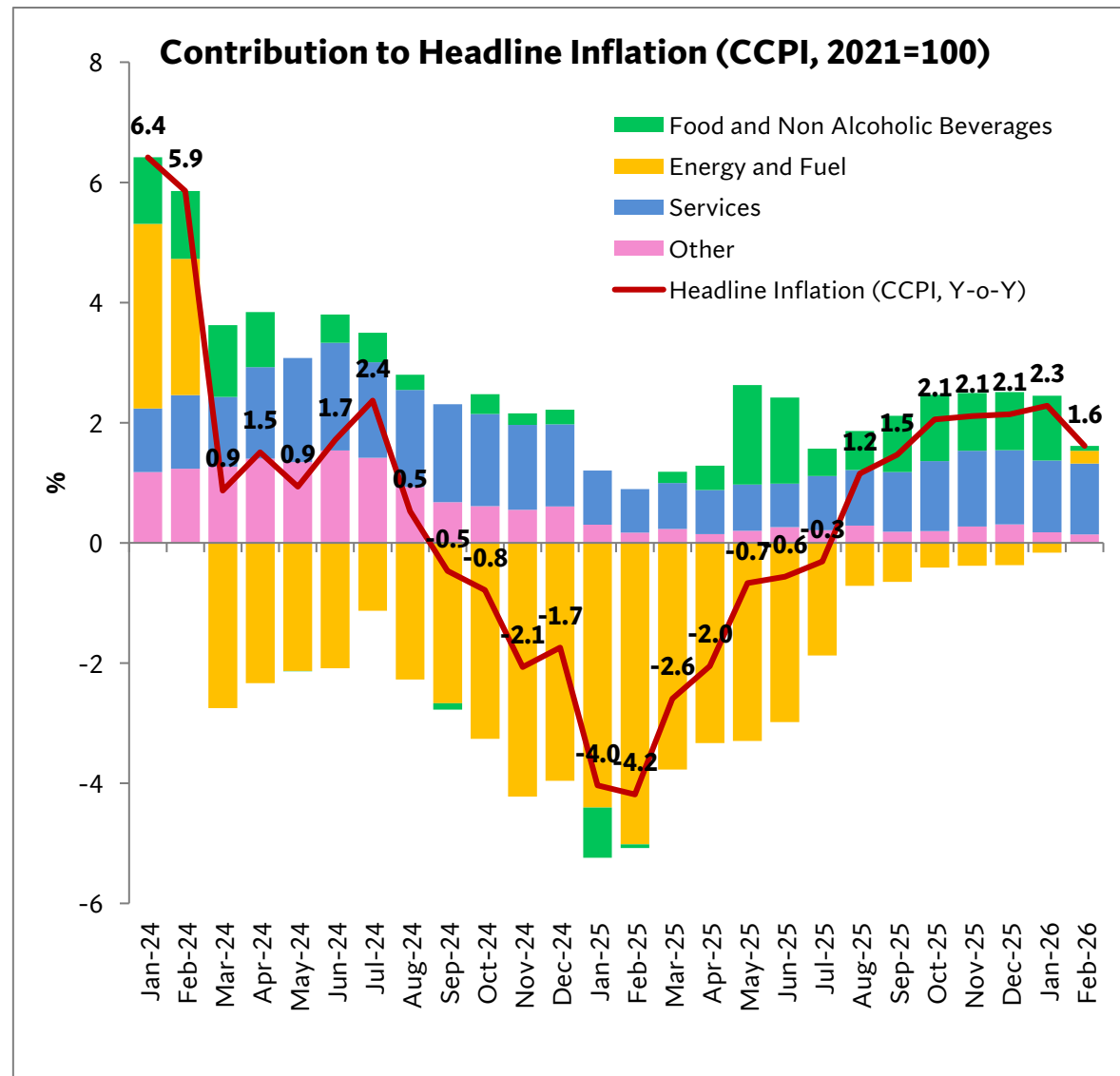
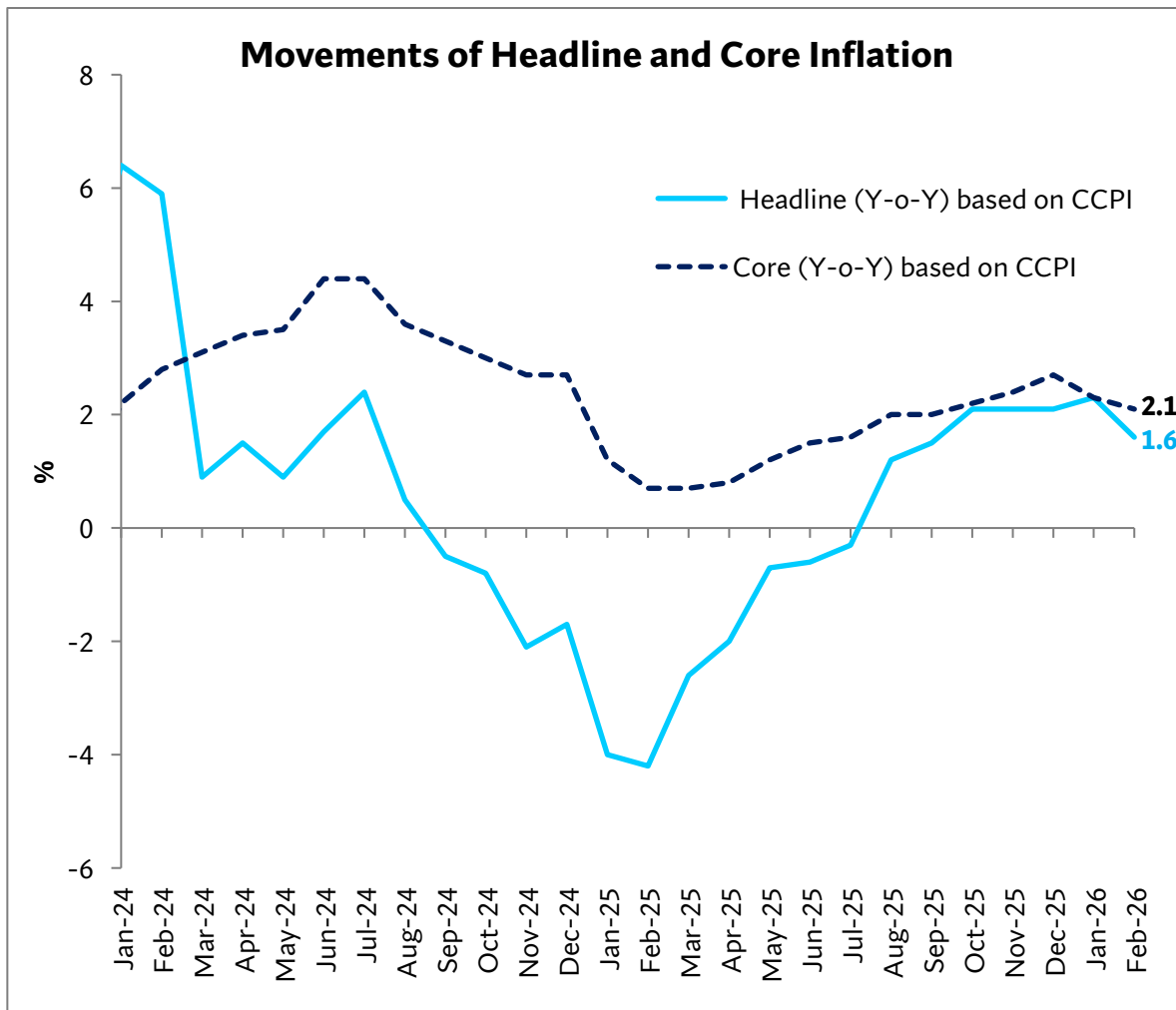
**Margins for determination of the interest rates for Standing Facilities of the Central Bank remain unchanged at current levels;**

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

**Statutory Reserve Ratio (SRR) remains unchanged at 2.00%**

**The Board arrived at this decision after carefully considering **evolving developments and outlook on the domestic and global fronts**, with particular attention to uncertainties arising from **the ongoing Middle East conflict****

# Headline inflation remained low at 1.6% in February 2026



**The decline in inflation in February 2026 was largely attributable to a reduction in food inflation**

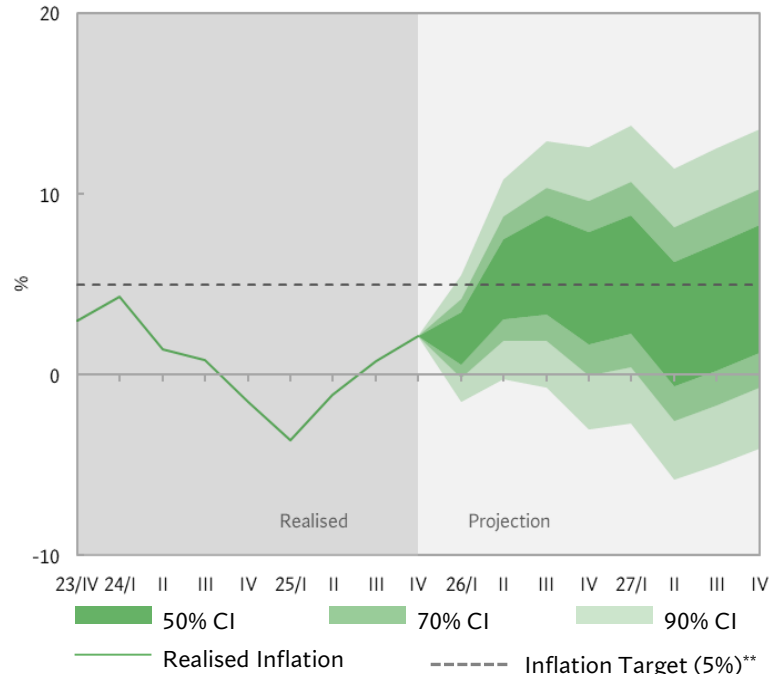


# Inflation is now expected to reach the target of 5% in Q2-2026, earlier than previously anticipated, driven by increases in energy prices

## Headline Inflation Projections

(Quarterly, CCPI, y-o-y)

Based on the Projections during the March 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

Sharp increase in global energy prices and trade disruptions amidst geopolitical tensions necessitated a significant upward adjustment in domestic energy prices

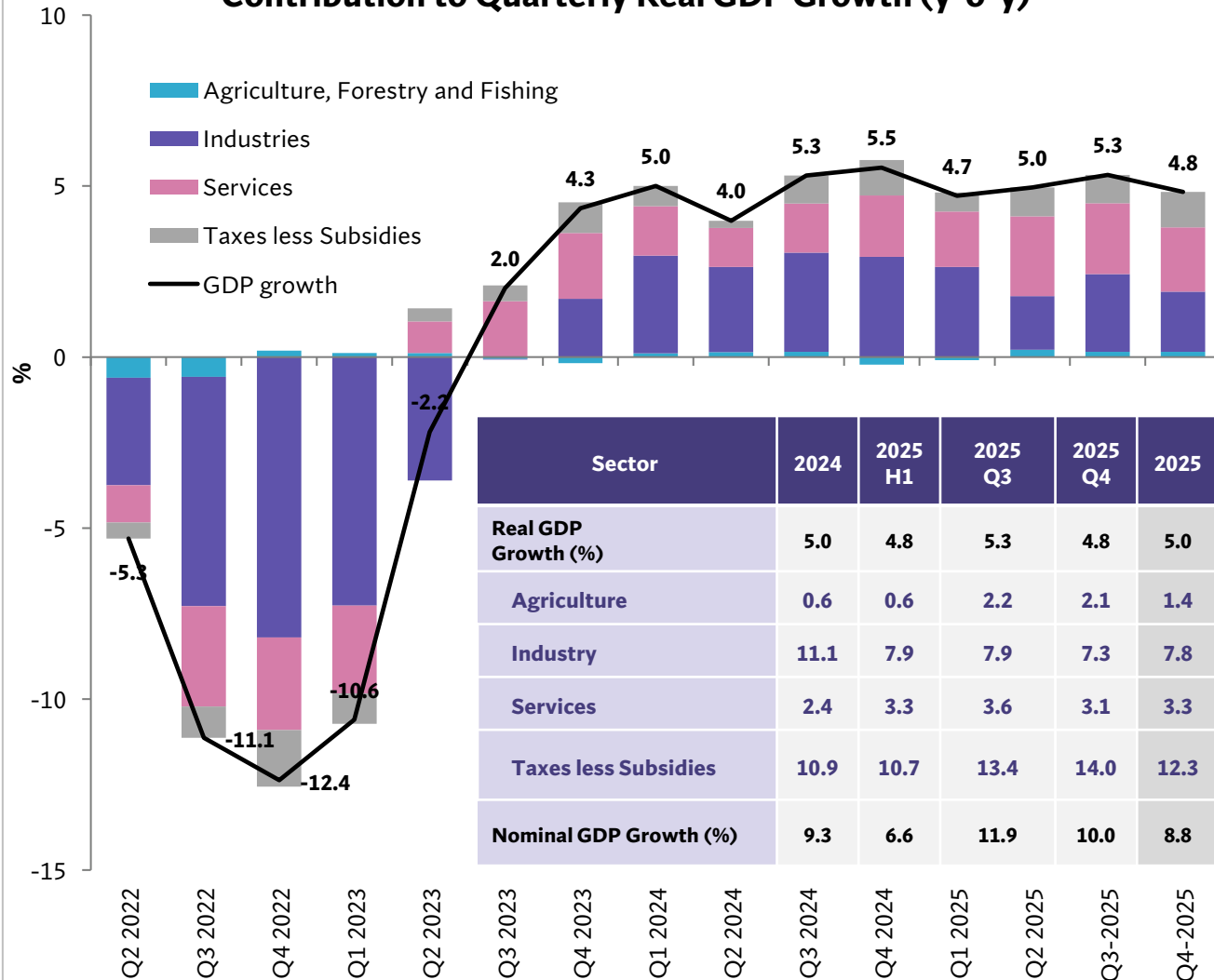
**The current low level of inflation, relative to the target of 5%, provides sufficient space to accommodate the impact of higher energy prices and their spillovers on inflation**

**Inflation is projected to remain around the target thereafter**

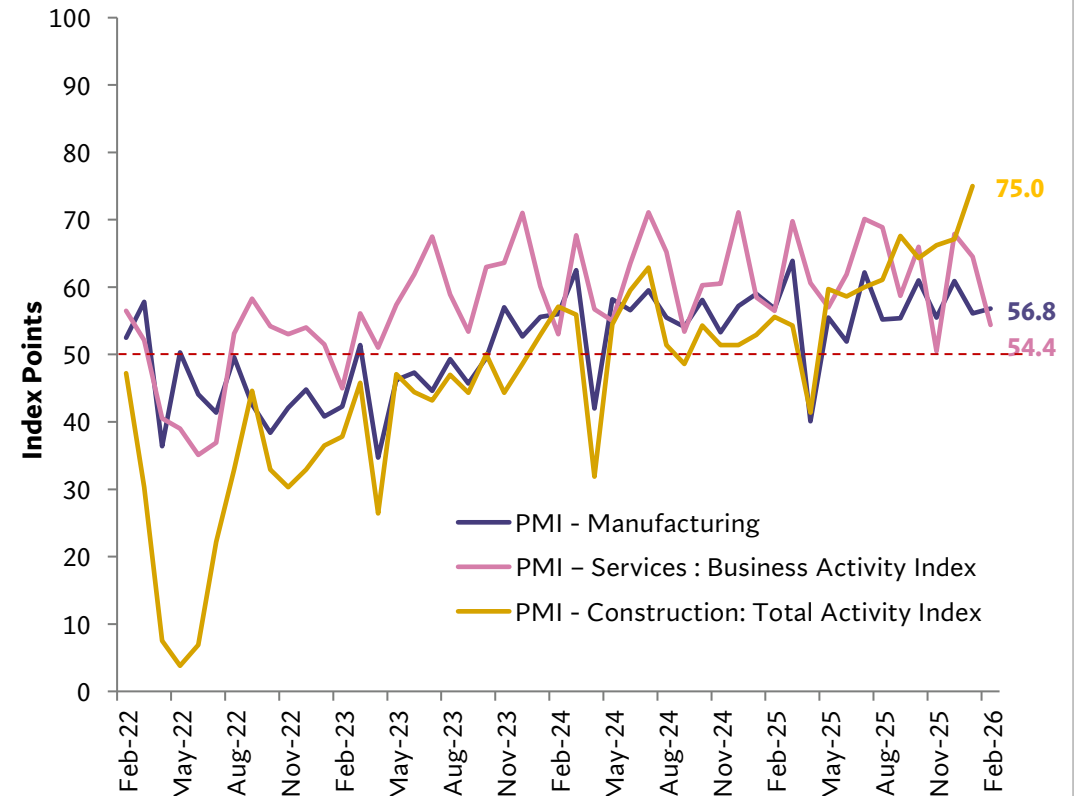
*“The projections are based on information available as of 24 March 2026. Amid the fluid nature of the prevailing crisis in the Middle East and its wide-ranging spillovers across both global and domestic economic activity, the present inflation outlook remains subject to elevated uncertainty. Accordingly, any significant changes in underlying conditions could lead to notable deviations from these projections.”*

# The economy recorded a strong real growth of 5.0% in 2025

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



## Purchasing Managers' Indices (PMI)

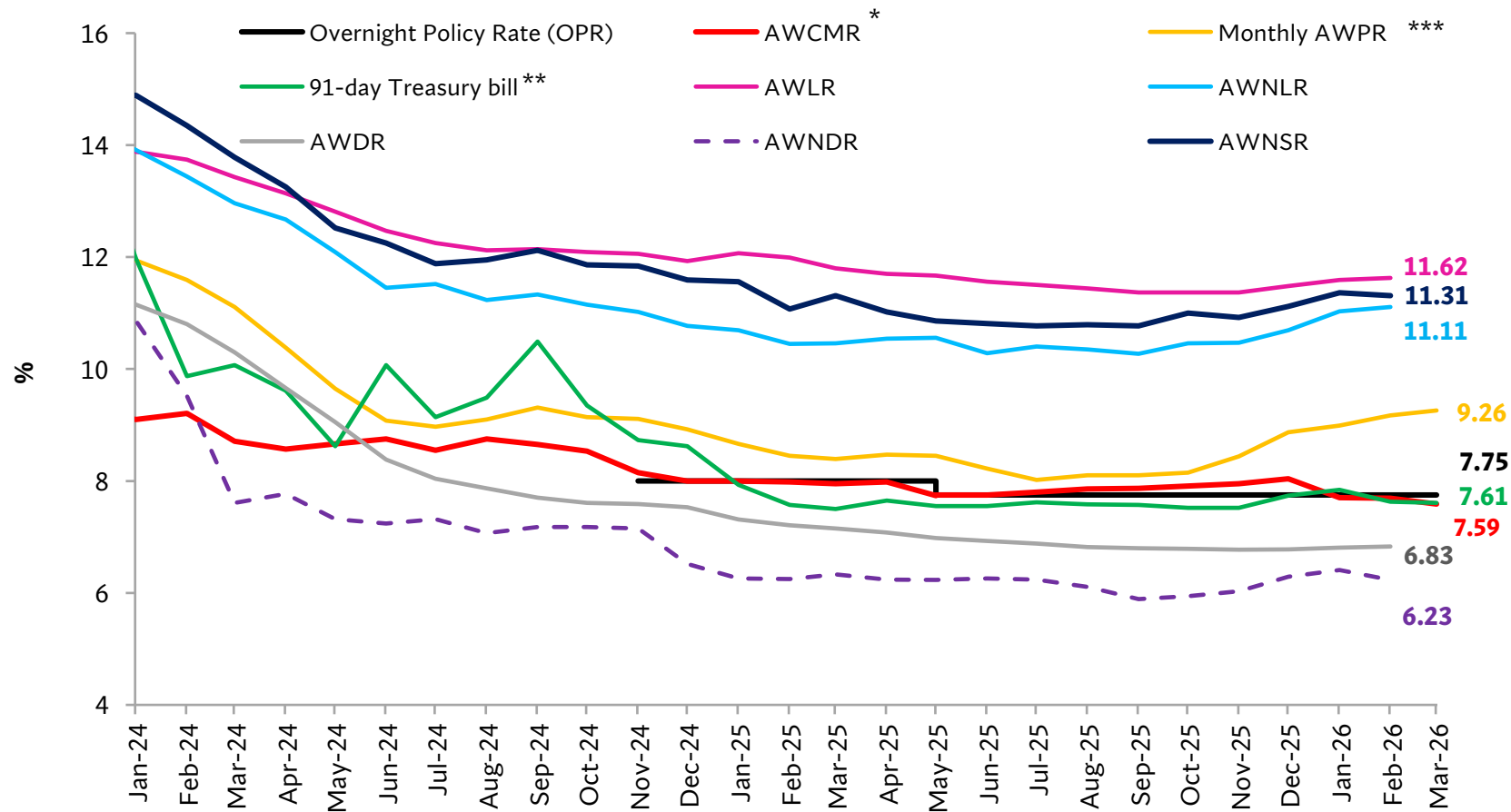


**Although leading economic indicators point to a strong post-Cyclone recovery during early 2026, spillovers from the ongoing conflict could weigh on domestic economic activity in the period ahead, should the conflict be prolonged**



# Market interest rates followed a broad-based downward adjustment in spite of a short-lived uptick in recent months

### Movements in Selected Market Interest Rates



### Adjustments in Interest Rates

Interest Rate	Current level % <sup>#</sup>
AWCMR*	7.59
91-day Treasury bill yield**	7.61
1 Year Treasury bill yield**	8.23
Weekly AWPR***	9.26
Monthly AWPR	9.17
AWLR	11.62
AWNLR	11.11
AWR	11.64
AWNSR	11.31
AWDR	6.83
AWNDR	6.23

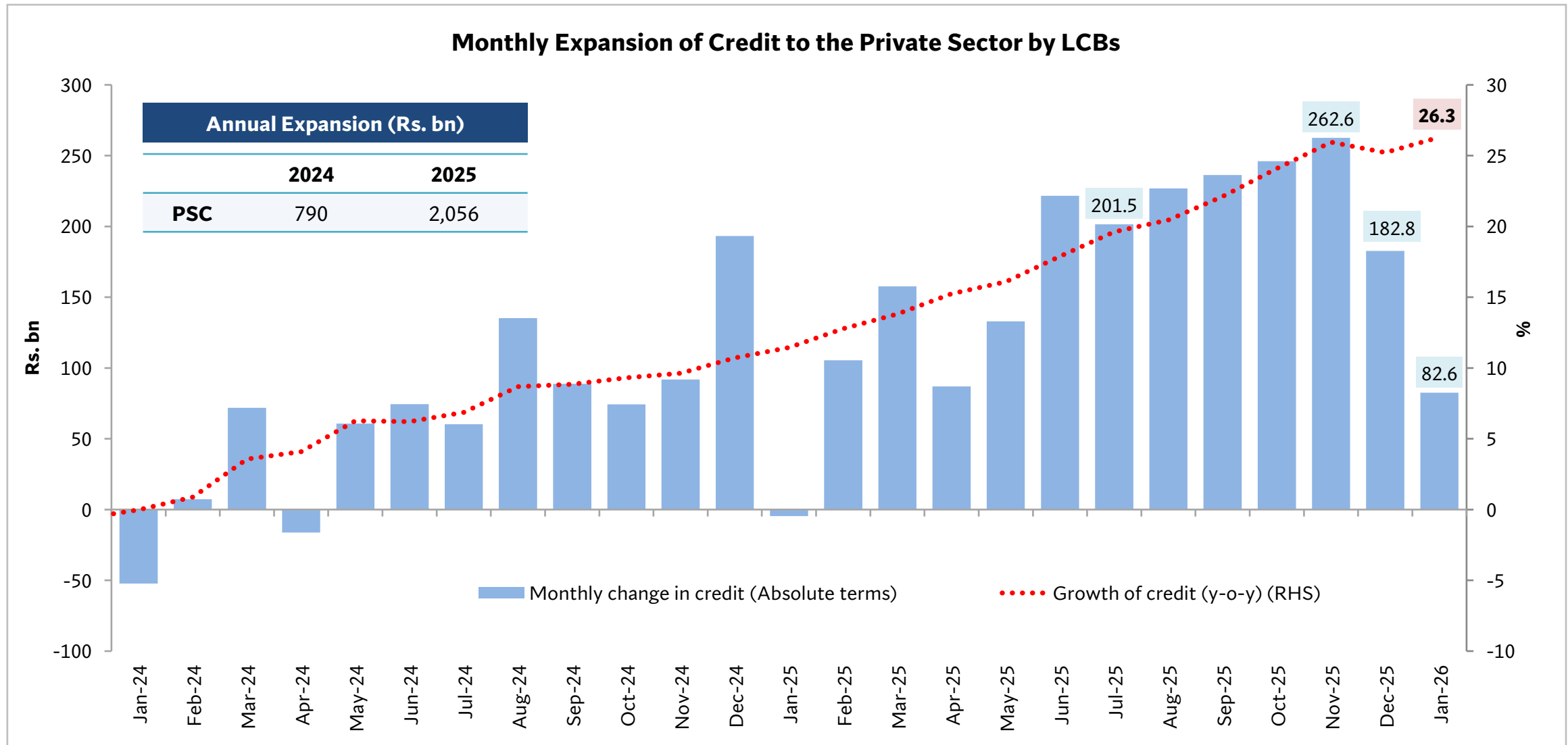
**AWCMR** Average Weighted Call Money Rate  
**AWNDR** Average Weighted New Deposit Rate  
**AWDR** Average Weighted Deposit Rate  
**AWNSR** Average Weighted New SME Rate

**AWPR** Average Weighted Prime Lending Rate  
**AWLR** Average Weighted Lending Rate  
**AWNLR** Average Weighted New Lending Rate

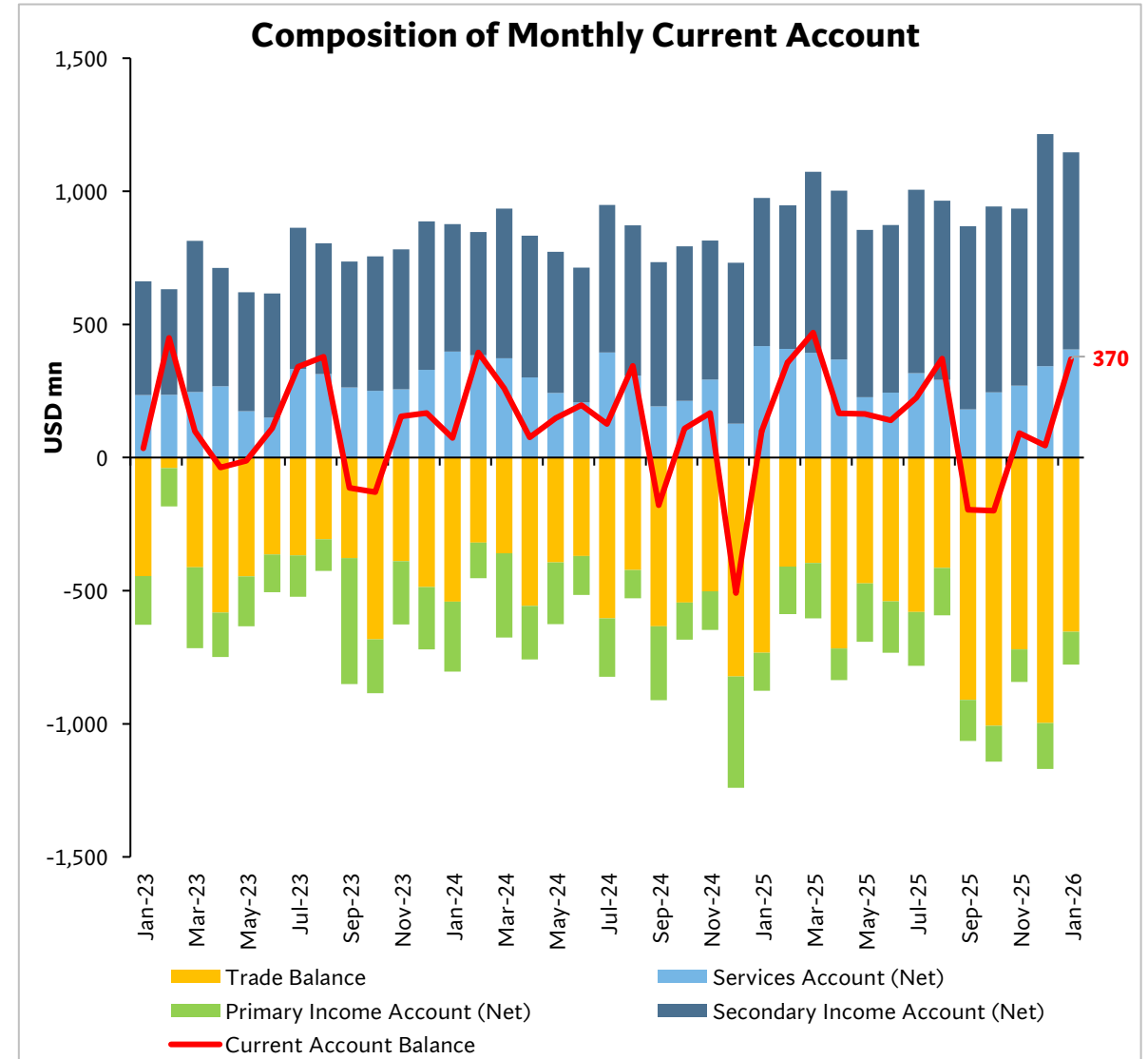
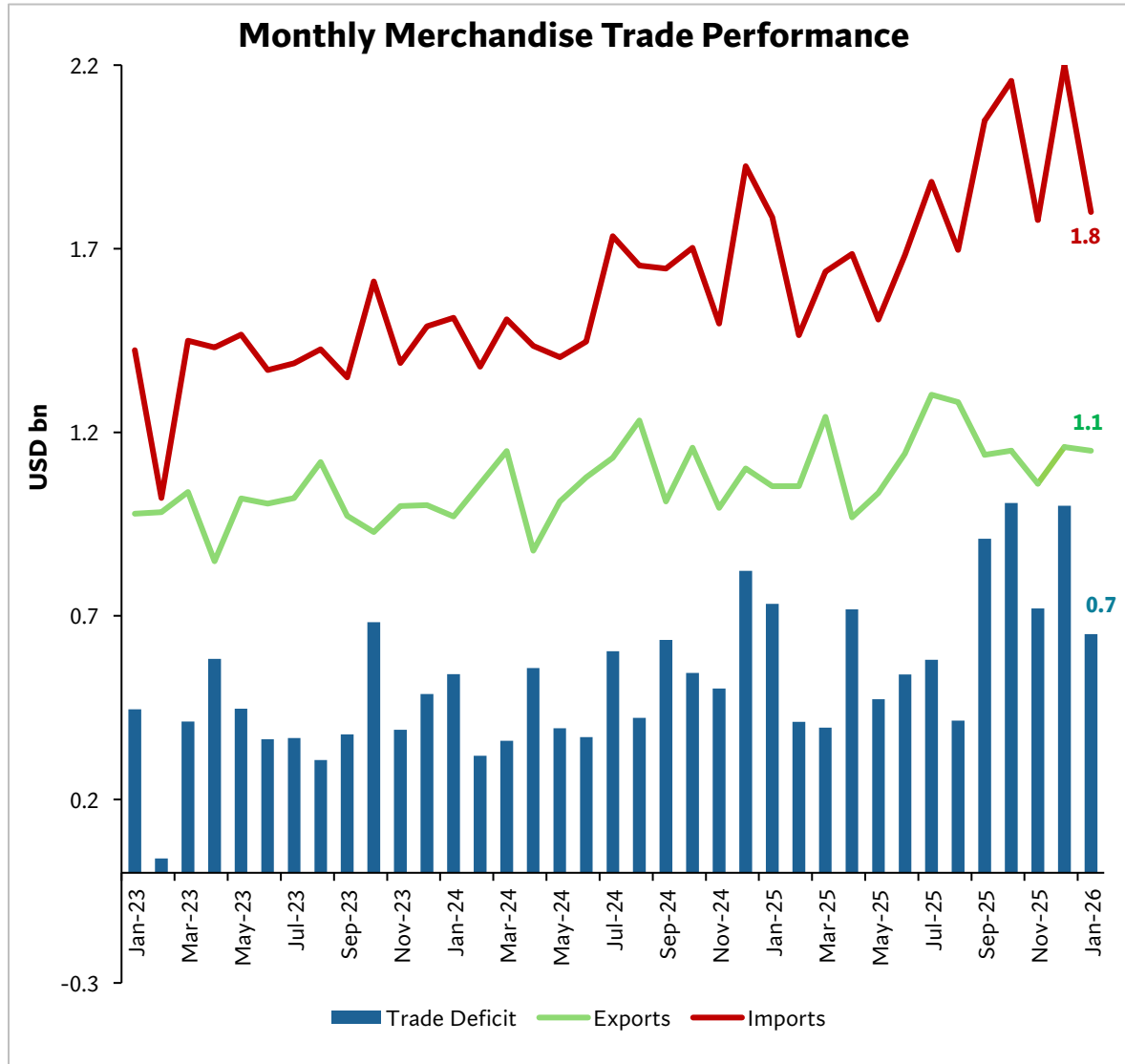
\* Latest data point – AWCMR as of 24 March 2026  
 \*\* Latest data point – Yield rate in T-bill auction held on 18 March 2026  
 \*\*\* Latest data point – Weekly AWPR as of 20 March 2026  
<sup>#</sup>Note: All monthly rates are as of February 2026



# The momentum in private sector credit growth continued

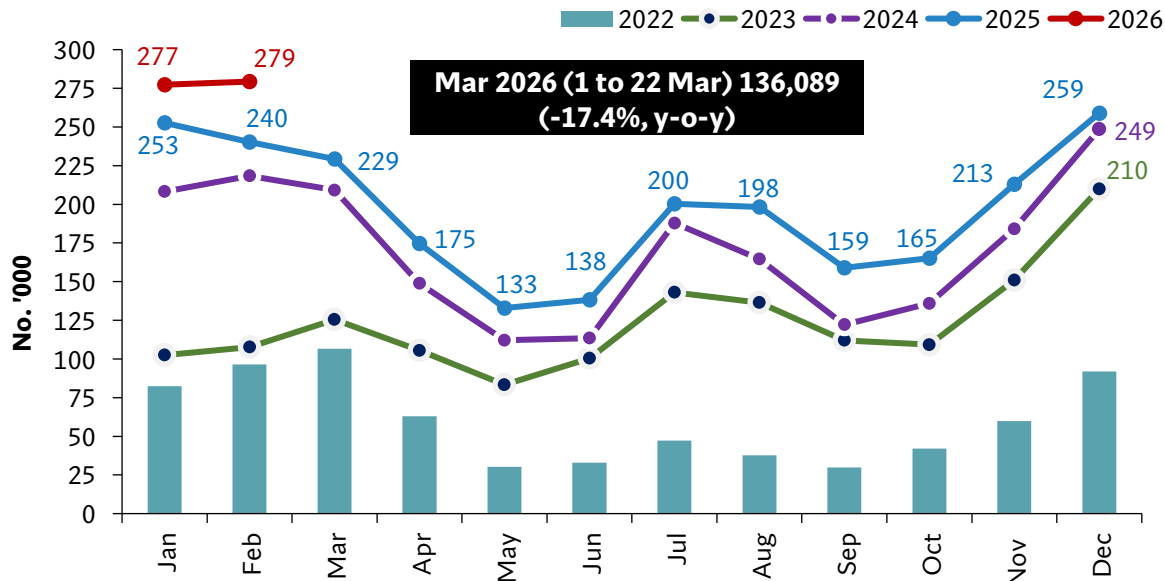


# The external sector remained robust in early 2026



# This was supported by tourism earnings and higher remittances

## Tourist Arrivals



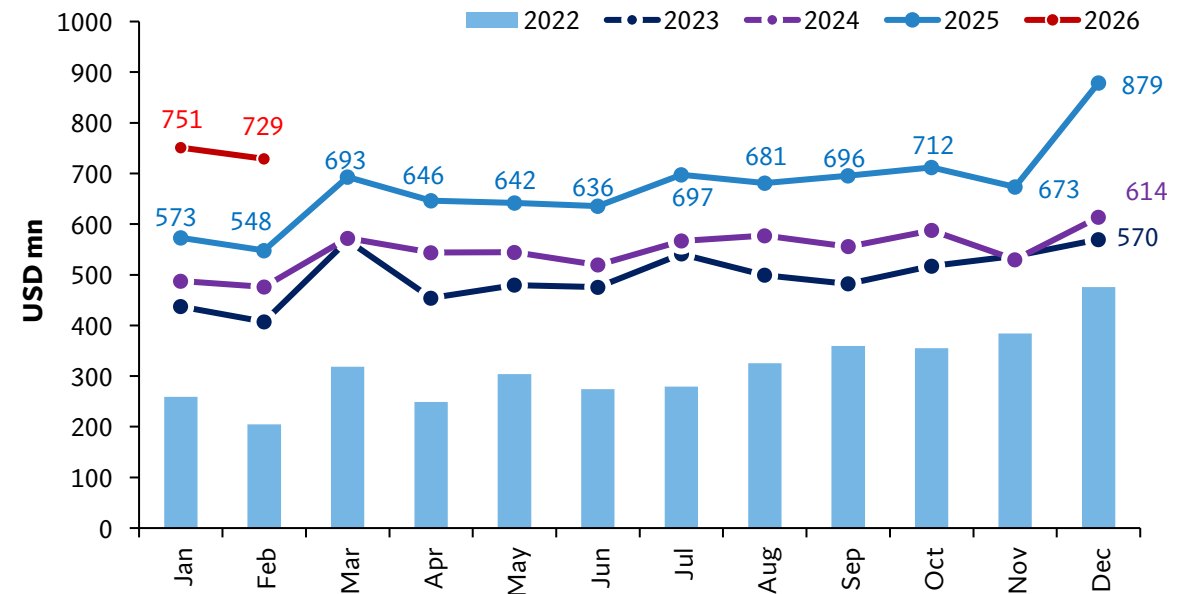
**Sri Lanka recorded 2.36 mn tourist arrivals for 2025**  
**2026 (up to 22 March): 692,744 (+5.3% y-o-y)**

**Earnings from tourism**

**Jan- Feb**  
**2026 : USD 730.3 mn**  
**2025 : USD 768.2 mn**

**2025**  
**USD 3.2 bn**

## Workers' Remittances\*



*\*Workers' remittances may include other remittances, such as those received following Cyclone Ditwah.*

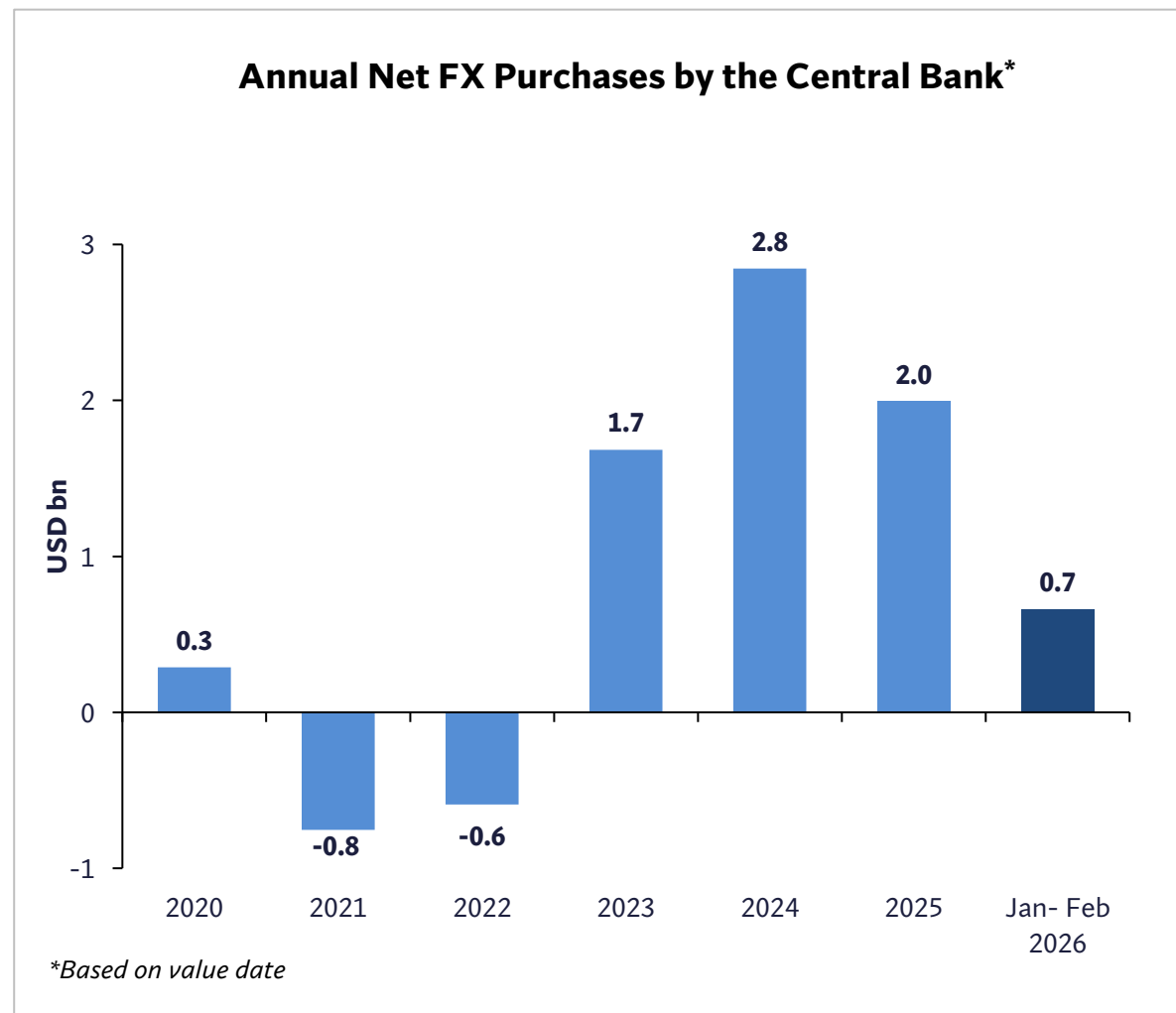
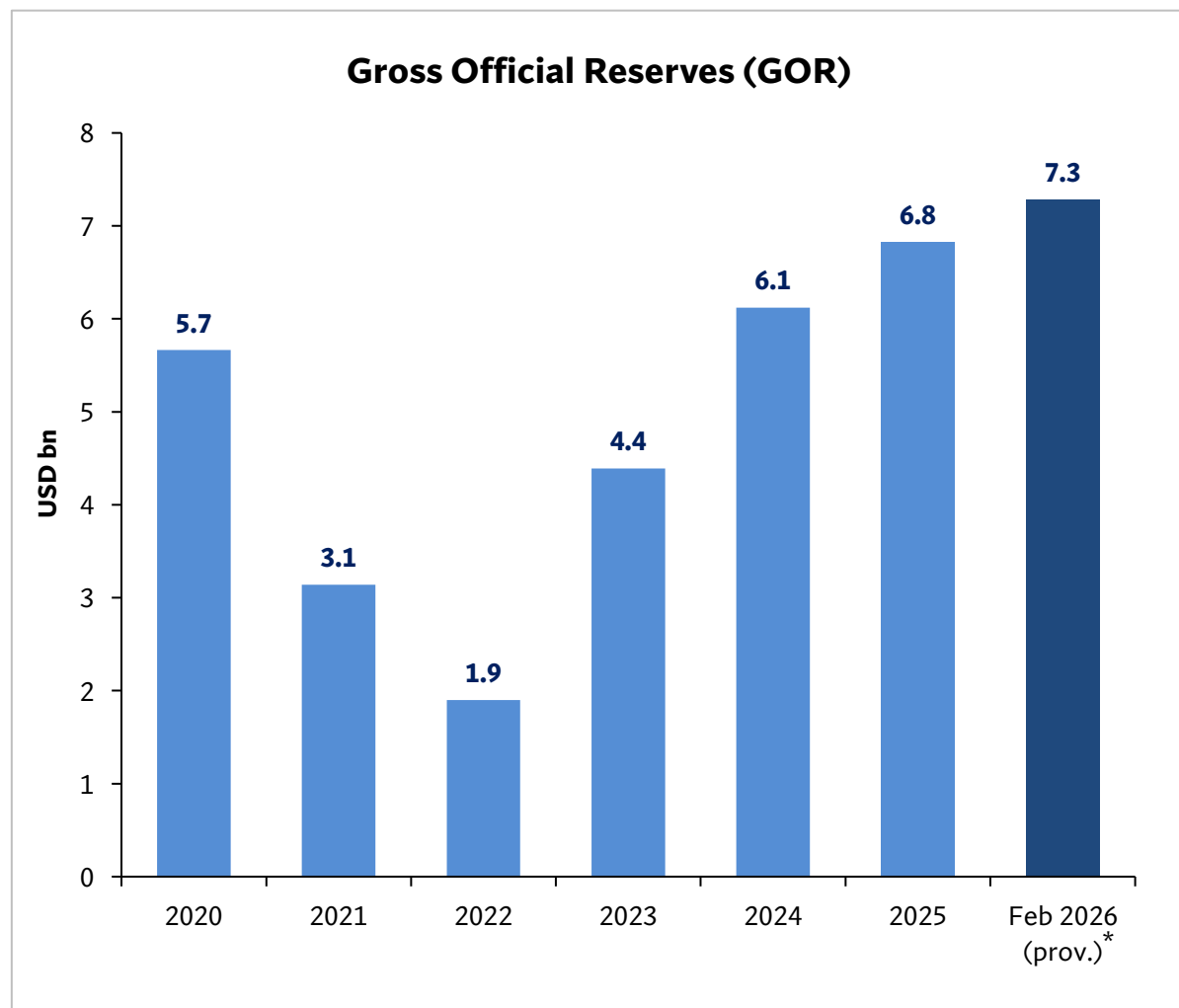
**Workers' Remittances**

**Jan- Feb**  
**2026 : USD 1.5 bn**  
**2025 : USD 1.1 bn**

**2025**  
**USD 8.1 bn**



# Gross Official Reserves increased to USD 7.3 bn at end of February 2026

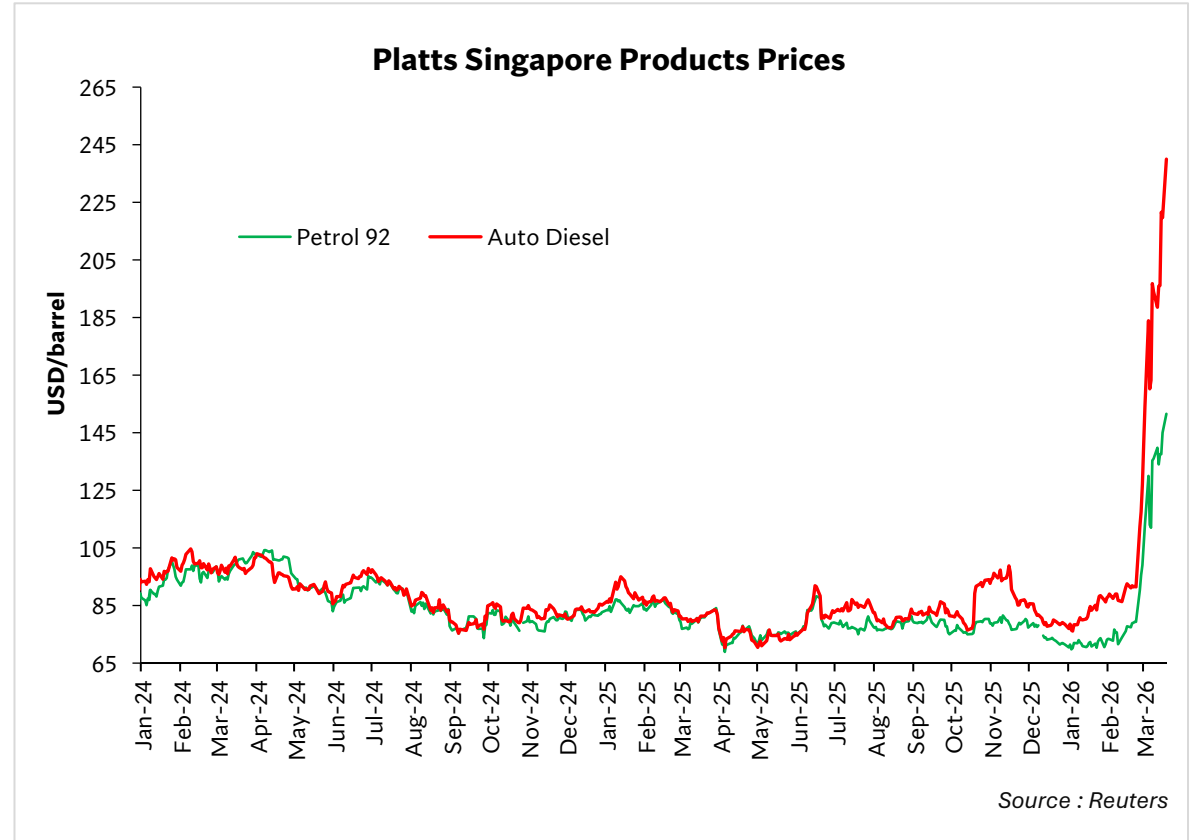
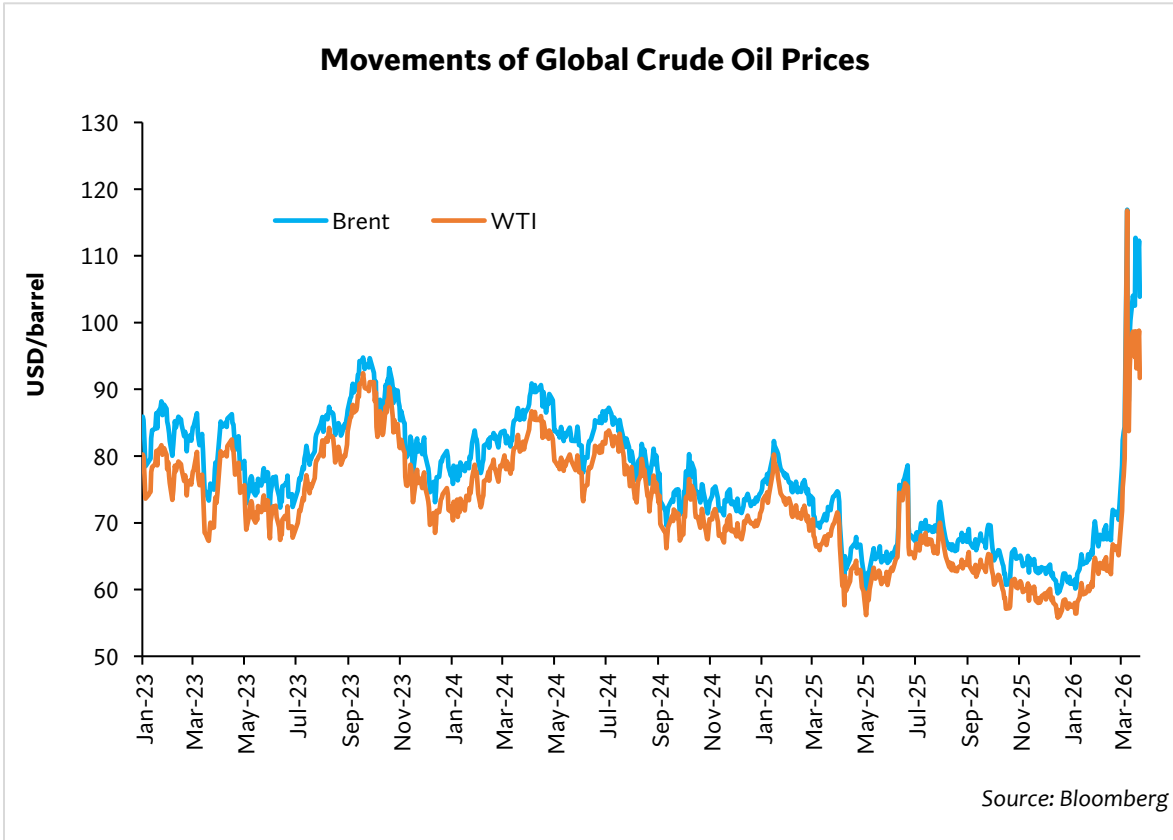


\*This includes the swap facility from the People's Bank of China



# However, the ongoing conflict in the Middle East poses risks to Sri Lanka's external sector outlook

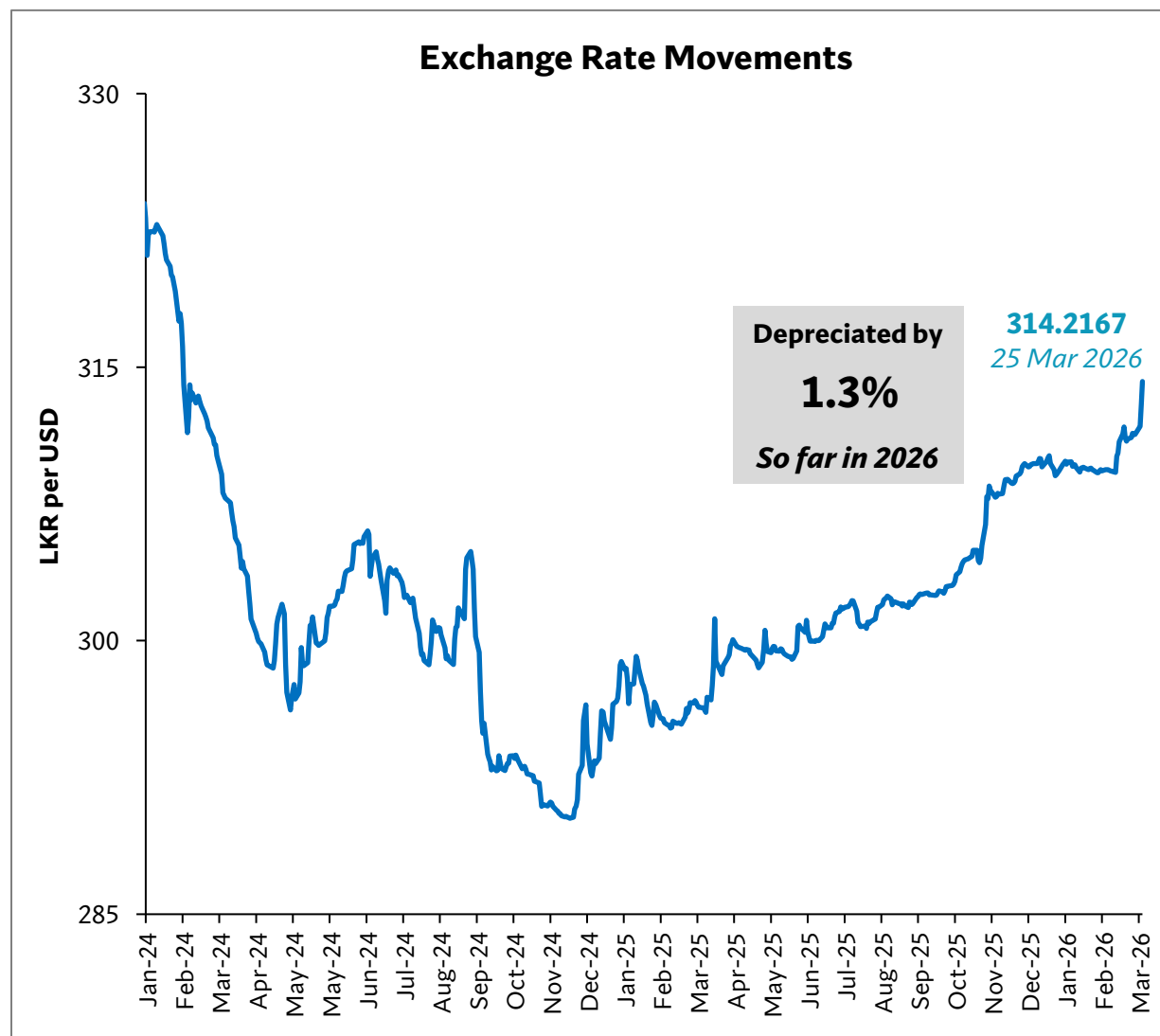
The impact would be felt particularly through energy, tourism, trade, and remittance flows, although the overall magnitude of the impact remains uncertain



Latest prices USD/barrel	Brent	WTI	Petrol 92	Auto Diesel
	98.50	88.08	145.50	218.54



# While the Sri Lanka rupee remained relatively stable in early 2026, some depreciation pressures were observed following the onset of the Middle East conflict



*Regional peer currencies have also experienced some depreciation pressures following the onset of the Middle East conflict*

## Movements in Peer Country Currencies against the US dollar

Currency	2025 (%)	2026 (from end 2025 to end Feb 2026) (%)	2026 (from end Feb 2026 to 25 Mar 2026) (%)
<b>Sri Lanka rupee</b>	<b>-5.6</b>	<b>0.2</b>	<b>-1.6</b>
Malaysia ringgit	9.9	4.2	-1.6
Indonesian rupiah	-3.6	-0.3	-0.6
Singapore dollar	5.8	1.6	-1.1
Indian rupee	-4.7	-1.2	-3.1
Taiwan dollar	4.3	0.4	-1.8
Thailand baht	8.7	1.1	-4.6
Philippines peso	-1.7	2.0	-3.8
Pakistan rupee	-0.6	0.2	0.04
Bangladesh taka	-2.2	-0.1	-0.4
Vietnam dong	-3.1	1.0	-1.2
Nepal rupee	-4.8	-1.1	-3.2



**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**





**Thank you**