



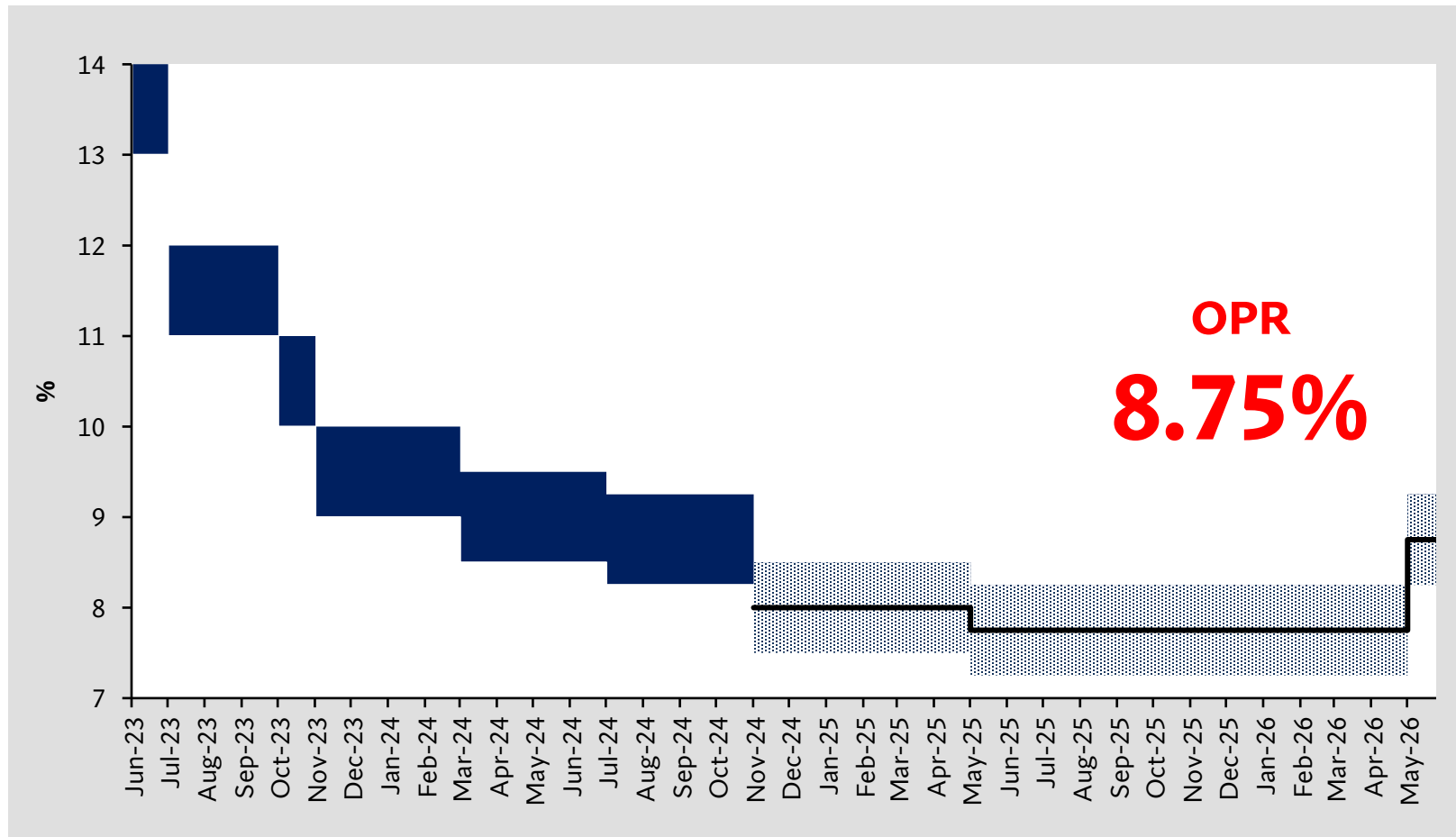
Press Conference

Monetary Policy Review : No. 03 – May 2026

Economic Research Department
Central Bank of Sri Lanka

26 May 2026

The Central Bank of Sri Lanka increased the Overnight Policy Rate (OPR) by 100 bps to 8.75%



The margins which linked SLFR and SDFR to OPR remain unchanged as ± 50 bps

Accordingly, rates applicable on Standing Facilities of the Central Bank were raised to;

- SDFR: 8.25%
- SLFR: 9.25%

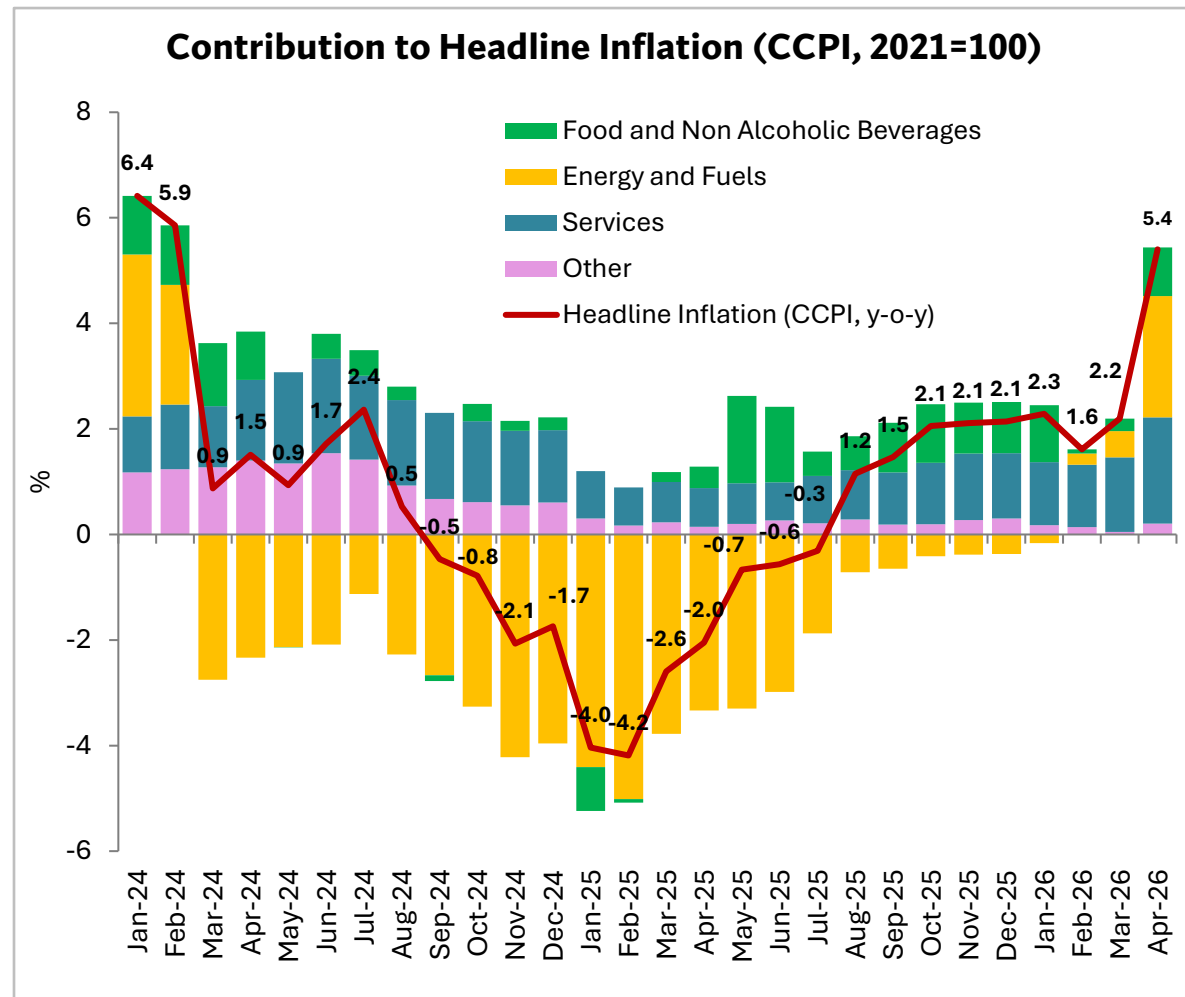
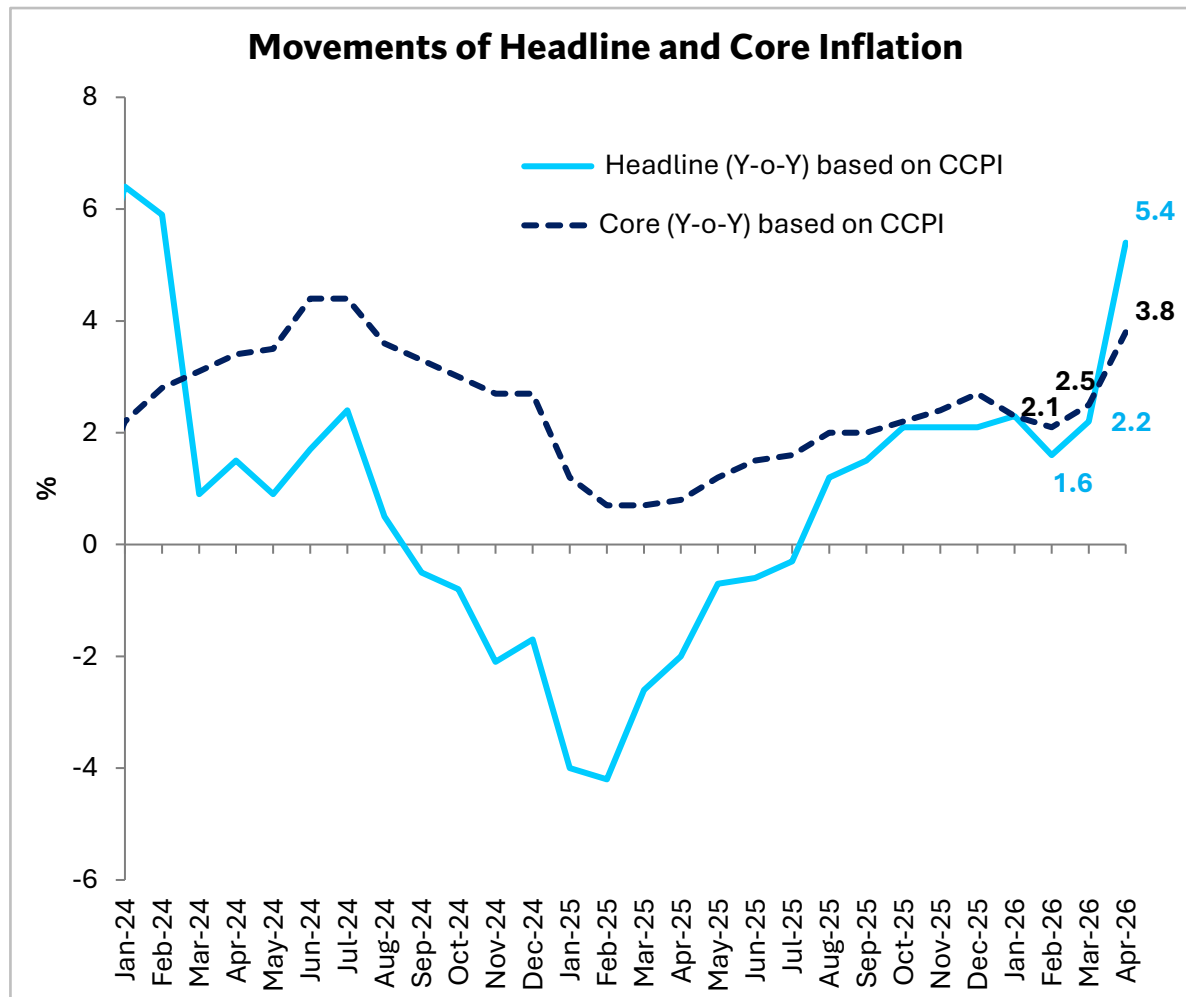
Statutory Reserve Ratio (SRR) remains unchanged at 2.00%



**The Board arrived at this decision after
carefully considering the **evolving**
conditions and outlook on the domestic
and global fronts**



Headline inflation increased to 5.4% in April 2026



Source: Department of Census Statistics

- **High global oil prices due to Middle-east war have necessitated sharp upward adjustments to domestic energy prices, largely contributing to the increase in inflation in April 2026**

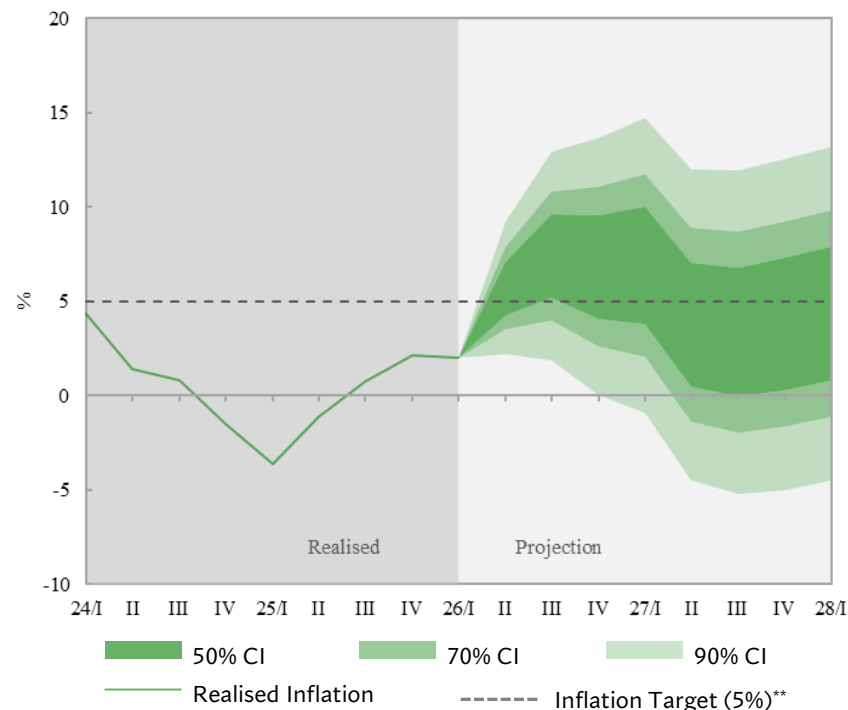


Headline inflation is likely to remain above the target of 5% in the period ahead, before easing and stabilising around it

Headline Inflation Projections

(Quarterly, CCPI, y-o-y)

Based on the Projections during the May 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

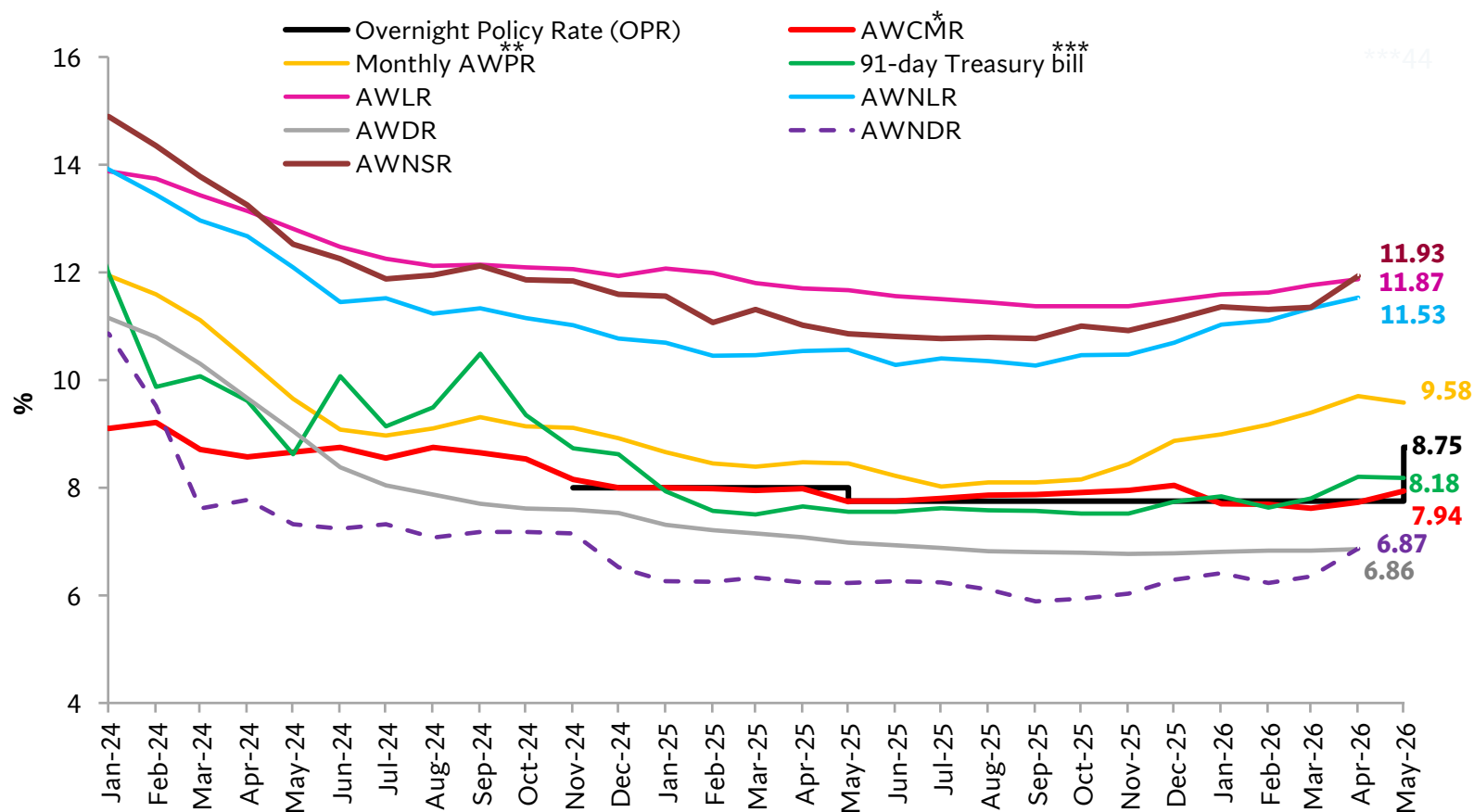
While the recent increase in inflation is largely supply-driven, demand conditions in the economy have also strengthened, as shown by the continued credit expansion, credit-driven imports, and leading indicators of economic activity

Inflation expectations in the short term have also increased somewhat, although they remain well-anchored around the inflation target over the medium term

“The projections presented above are based on information available as of 25 May 2026. Amid the fluid nature of the prevailing Middle East war 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.”

Market interest rates have tightened in recent months, and the Central Bank has activated absorption operations after April festive season

Movements in Selected Market Interest Rates



Source: Central Bank of Sri Lanka

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

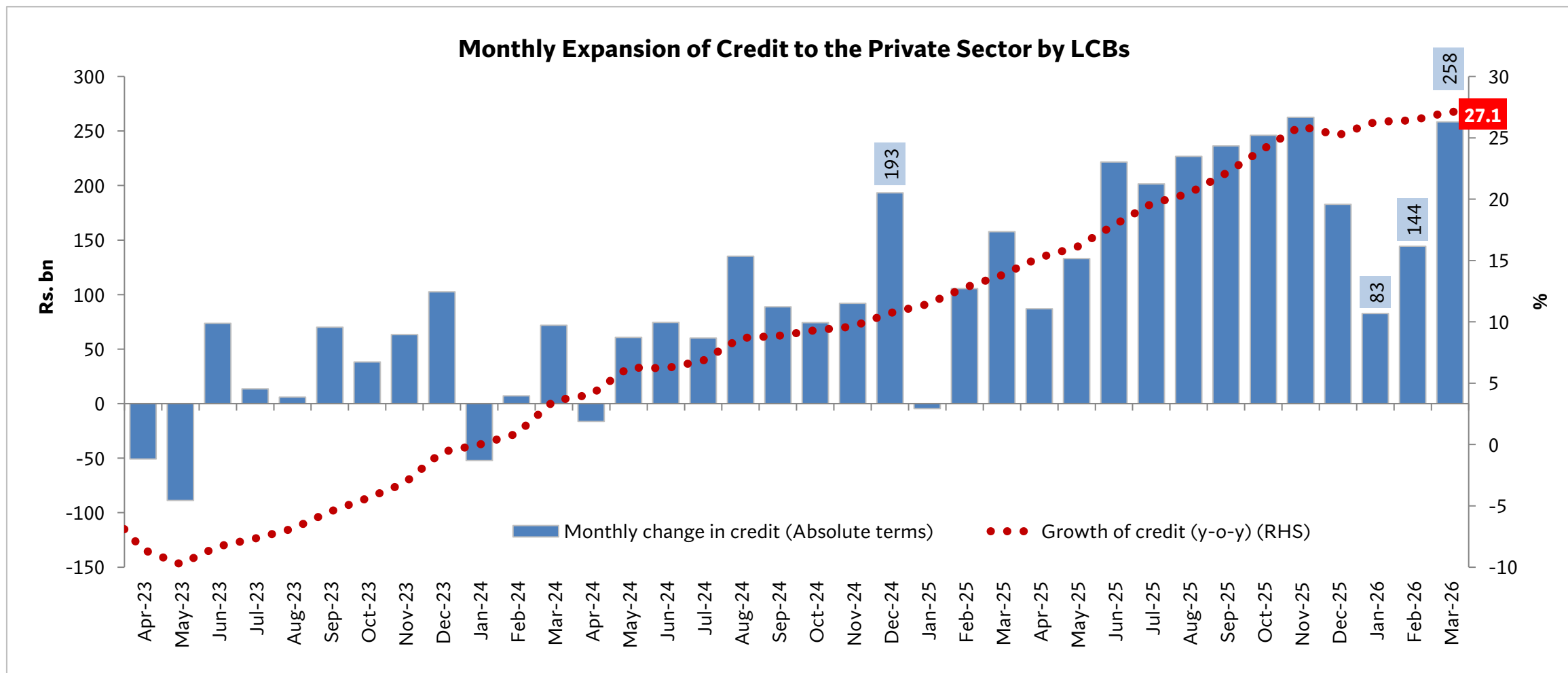
AWPR Average Weighted Prime Lending Rate
AWLR Average Weighted Lending Rate
AWNLR Average Weighted New Lending Rate

Adjustments in Interest Rates (%)

Interest Rate	End 2025	Current level [#]
AWCMR*	8.04	7.94
91-day Treasury bill **	7.74	8.18
1 Year Treasury bill **	8.45	8.49
Weekly AWPR***	9.07	9.58
Monthly AWPR	8.87	9.70
Lending Rate	11.48	11.87
New Lending Rate	10.69	11.53
SME Rate	11.53	11.85
New SME Rate	11.12	11.93
Deposit Rate	6.78	6.86
New Deposit Rate	6.29	6.87

*Latest data point – AWCMR as of 25 May 2026
 **Latest data point – Weekly AWPR as of 22 May 2026
 *** Latest data point – Yield rate in T-bill auction held on 20 May 2026
[#]Note: All monthly rates are as of April 2026

Credit to the private sector has continued to expand thus far in 2026



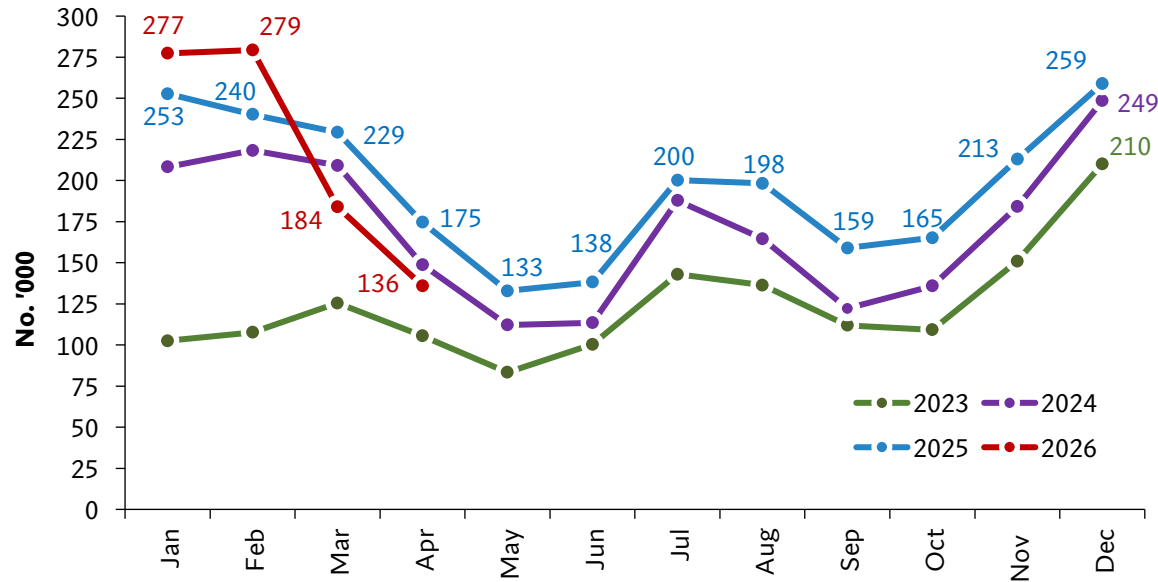
Source: Central Bank of Sri Lanka

Credit to the private sector has expanded by Rs. 485 bn for the Q1-2026



While earnings from tourism slowed down, workers' remittances have remained resilient thus far in 2026

Tourist Arrivals



**Sri Lanka recorded 2.36 mn tourist arrivals for 2025
2026 (up to 24 May): 990,032 (-1.2% y-o-y)**

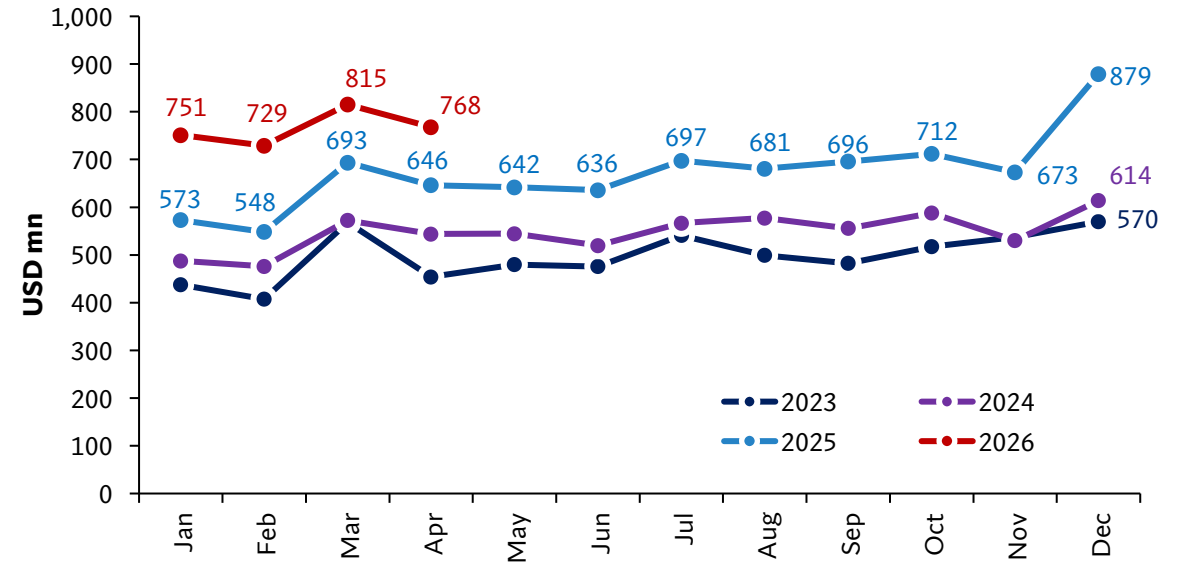
Earnings from tourism

Jan-Apr
2026: USD 1,111.0 mn
2025: USD 1,379.0 mn

-19.4%

2025
USD 3.2 bn

Workers' Remittances*



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

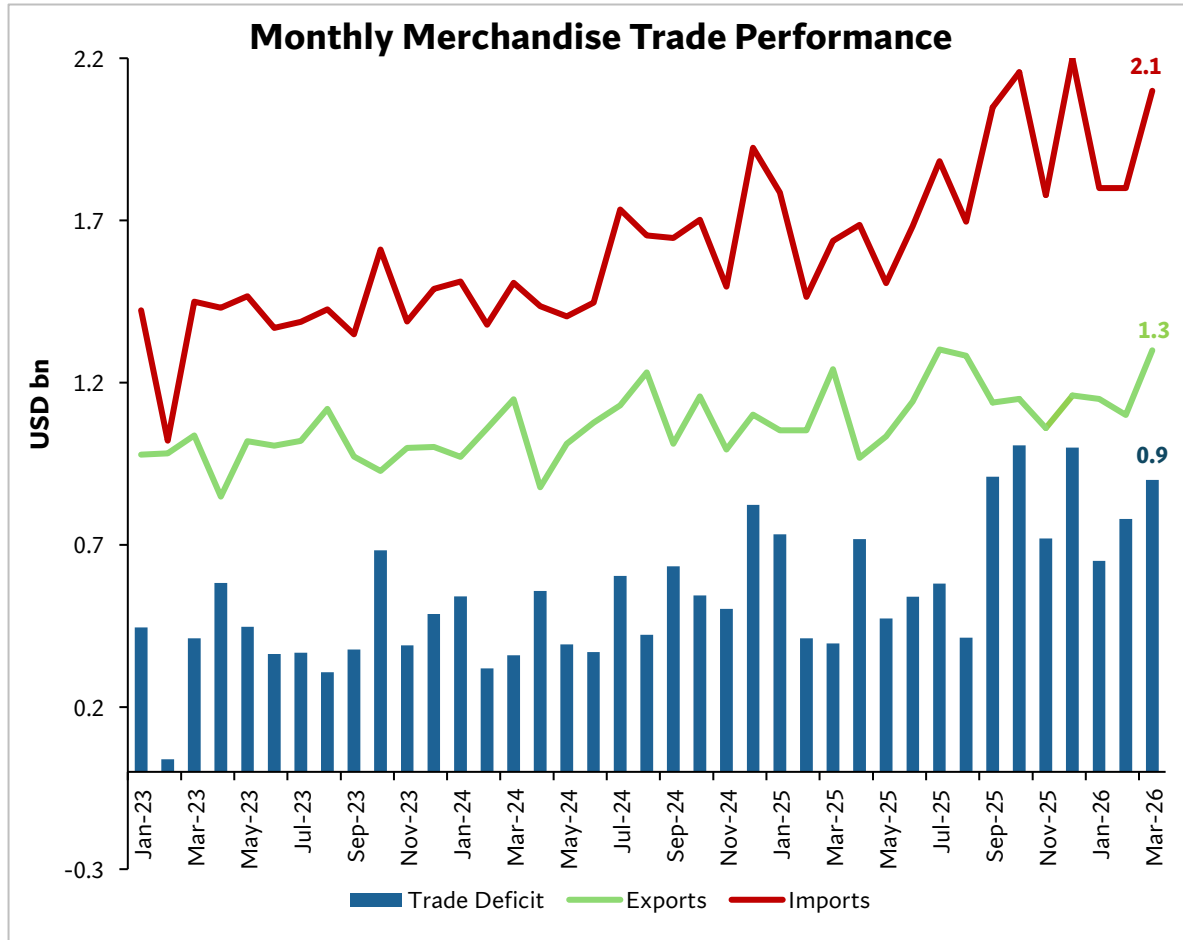
Workers' Remittances

Jan-Apr
2026: USD 3.1 bn
2025: USD 2.5 bn

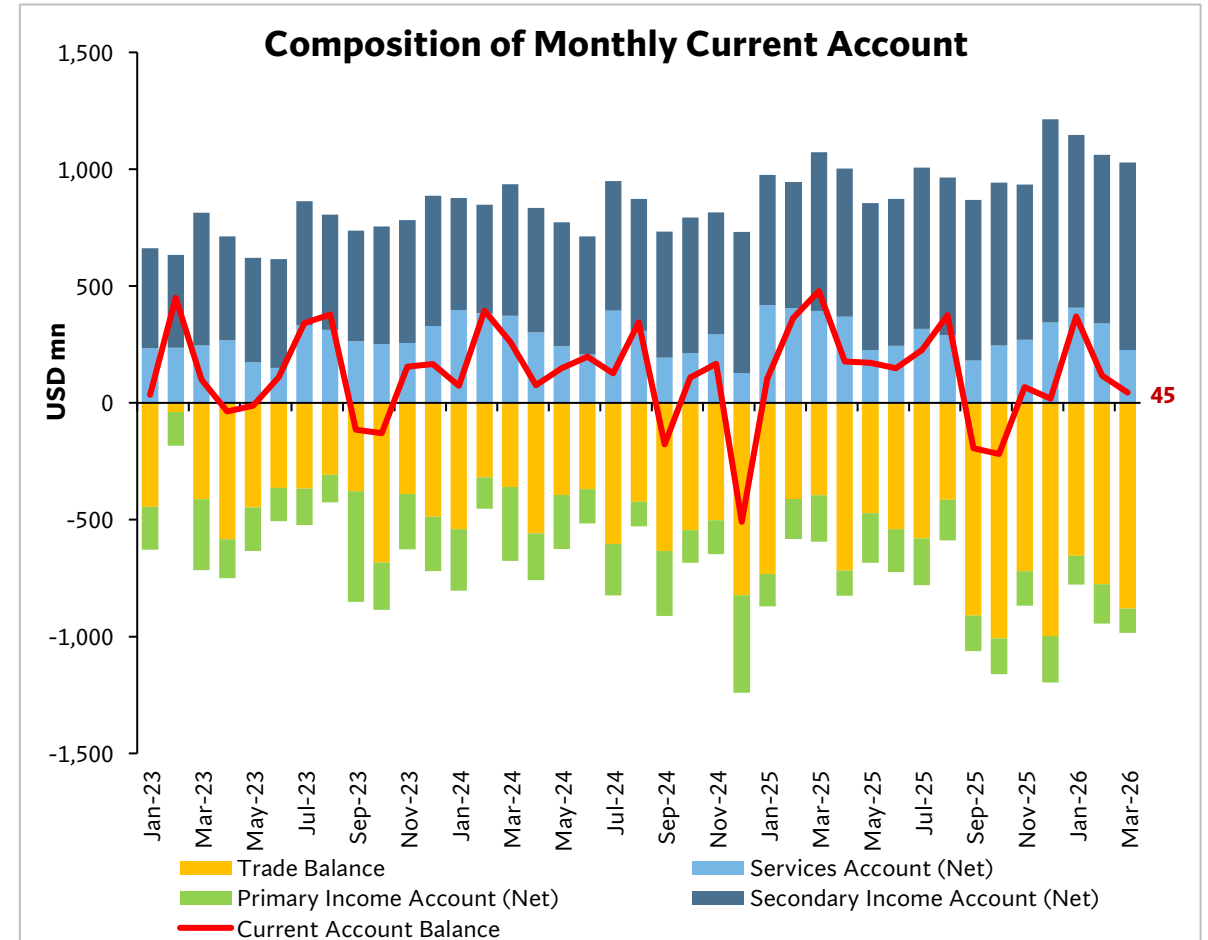
24.5%

2025
USD 8.1 bn

Following the robust performance recorded in 2025, the surplus in the external current account remained modest in Q1-2026



Source: Central Bank of Sri Lanka

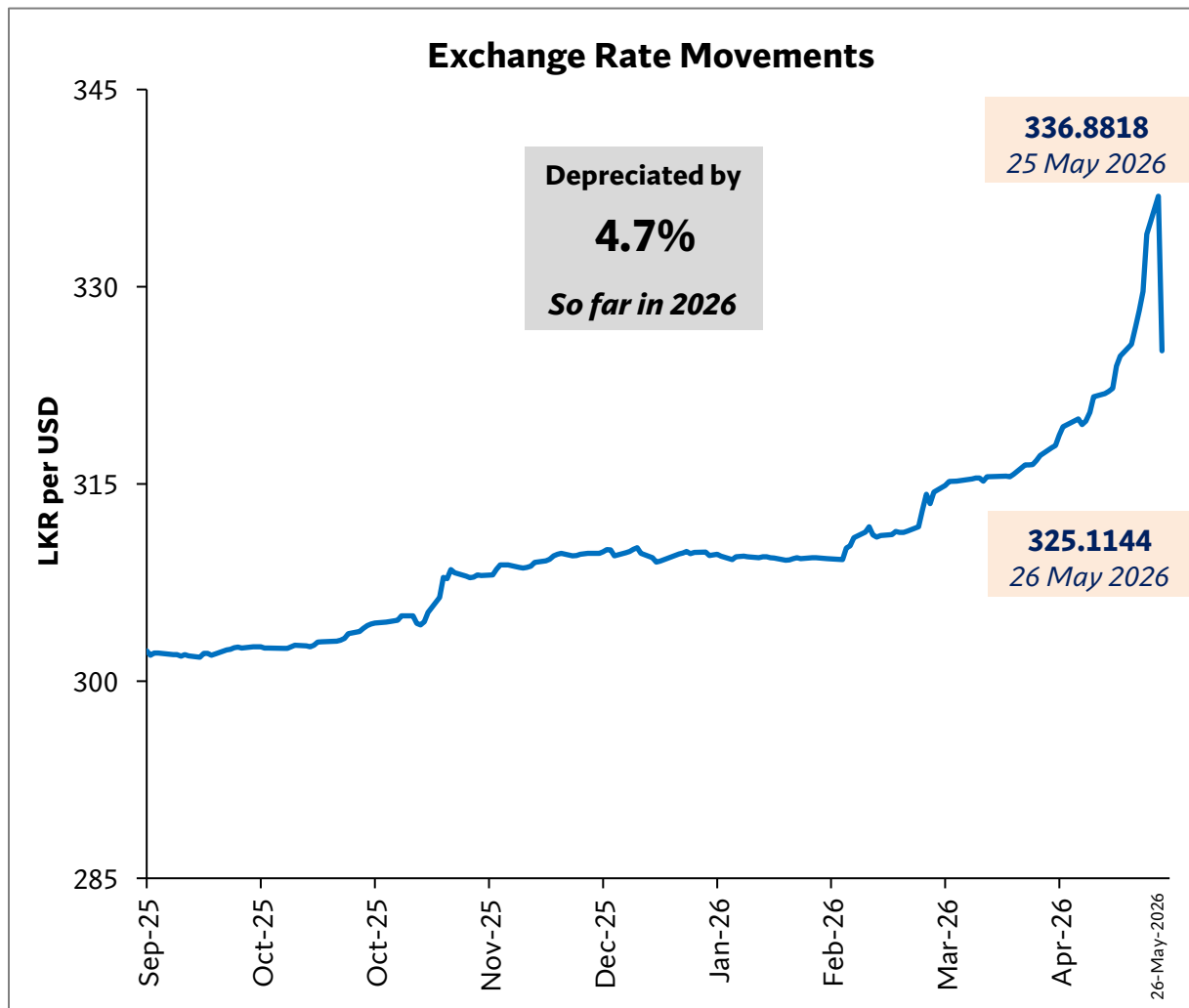


Source: Central Bank of Sri Lanka

- This was mainly due to the widening merchandise trade deficit, particularly driven by increased expenditure on fuel imports and slowdown in tourism earnings



While near term pressures on the external sector were expected amid global headwinds stemming from the Middle East conflict, such pressures were seen to have amplified in recent weeks due to speculative activity



Source: Central Bank of Sri Lanka

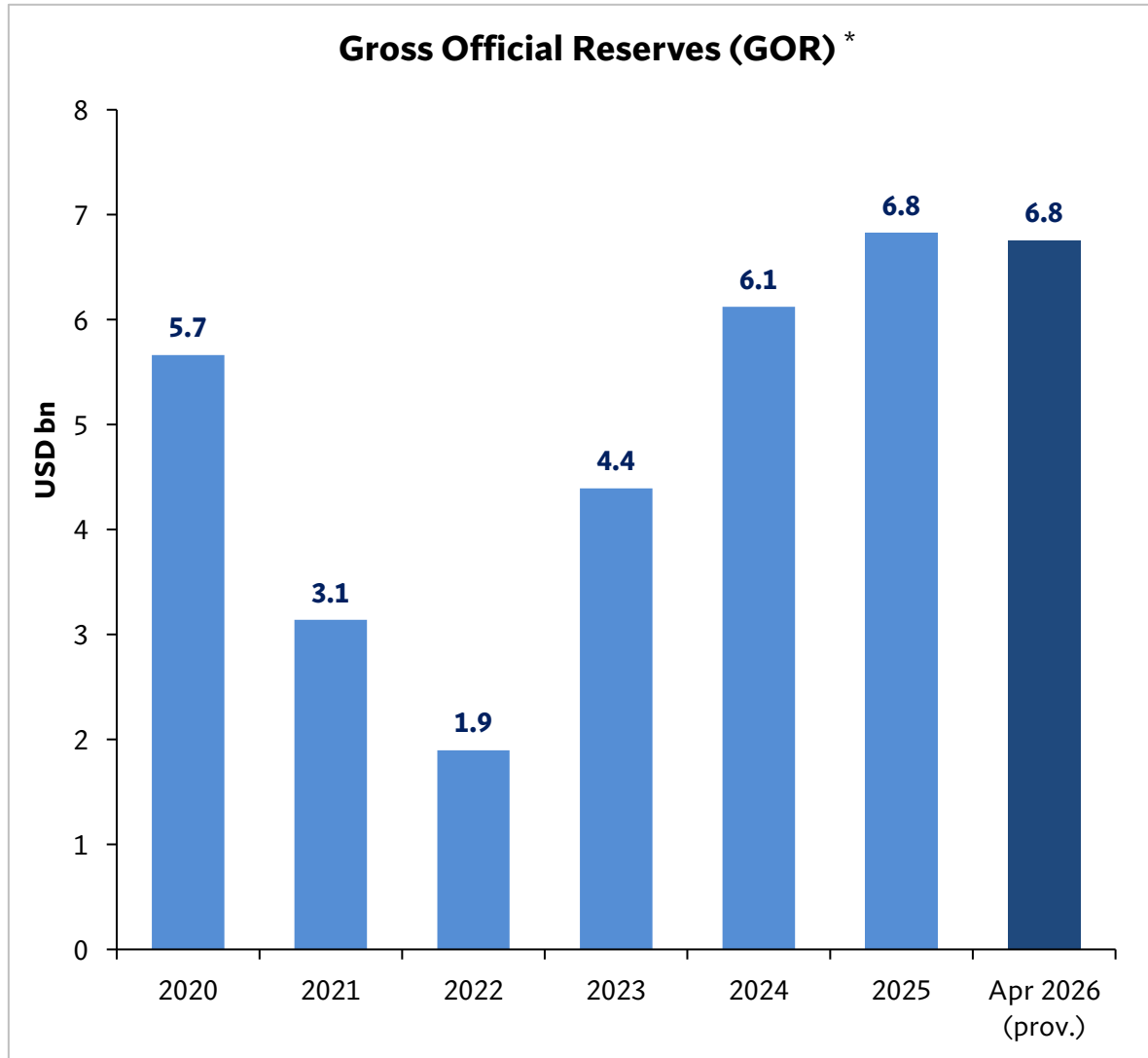
Similar to several regional peer currencies, Sri Lanka rupee experienced notable depreciation pressures in recent weeks, although conditions have since eased to some extent

Similar currency pressures were also observed among several regional peers

Currency	2025 (%)	2026 (from end 2025 to end Feb 2026) (%)	2026 (from end Feb 2026 to 26 May 2026) (%)	2026 (from end 2025 to 26 May 2026) (%)
Malaysia ringgit	9.9	4.2	-1.9	2.3
Pakistan rupee	-0.6	0.2	0.4	0.6
Singapore dollar	5.8	1.6	-1.0	0.6
Taiwan dollar	4.3	0.4	-0.4	0.0
Vietnam dong	-3.1	1.0	-1.2	-0.3
Bangladesh taka	-2.2	-0.1	-0.4	-0.5
Thailand baht	8.7	1.1	-4.6	-3.5
Philippines peso	-1.7	2.0	-6.3	-4.4
Sri Lanka rupee	-5.6	0.2	-4.9	-4.7
Indian rupee	-4.7	-1.2	-4.5	-5.7
Nepal rupee	-4.8	-1.1	-4.8	-5.8
Indonesian rupiah	-3.6	-0.3	-5.6	-5.9

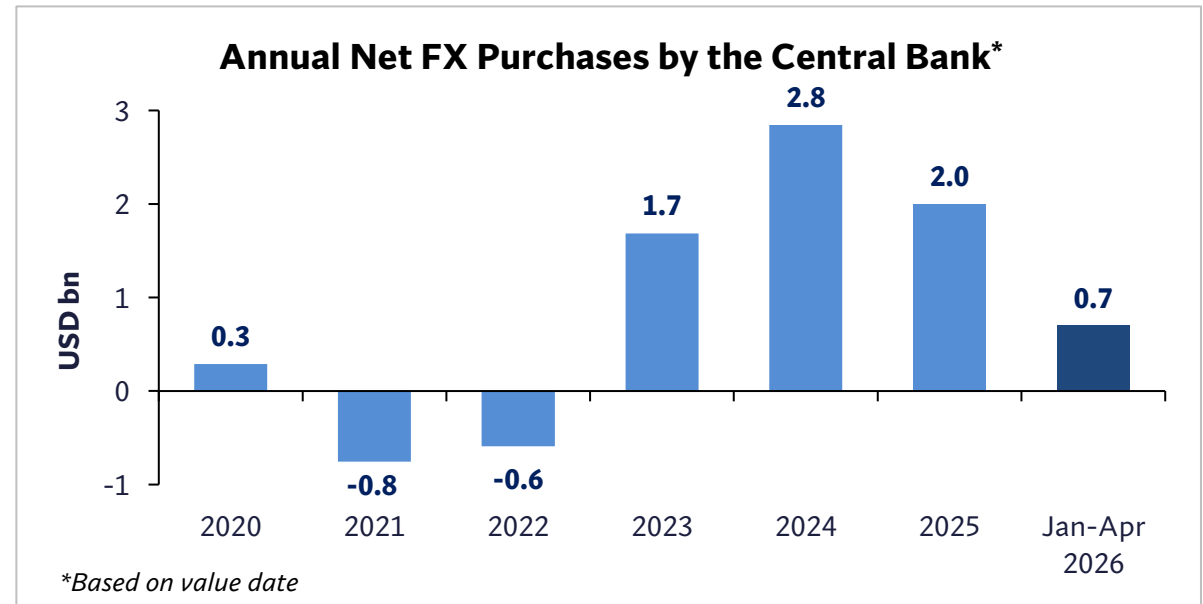


Gross Official Reserves stood at USD 6.8 bn* by end April 2026, amid foreign debt servicing



* Since 2021, this includes the swap facility from the People's Bank of China

- **Going forward, envisaged sizeable multilateral inflows, together with the anticipated easing of geopolitical tensions, and recently announced measures by the Government and the Central Bank, are expected to support the stabilisation of the external sector**
- **A steady buildup of reserves is expected in the second half of the year**



Source: Central Bank of Sri Lanka



The Board viewed that a tightening of the monetary policy stance is appropriate given the elevated inflation forecast, the potential second-round effects on headline inflation from energy price adjustments, continued expansion in private sector credit fueling import demand, pressures on the external sector, as well as the risk of de-anchoring inflation expectations

This stance reflects the Board's continued commitment to maintaining domestic price stability



Thank you