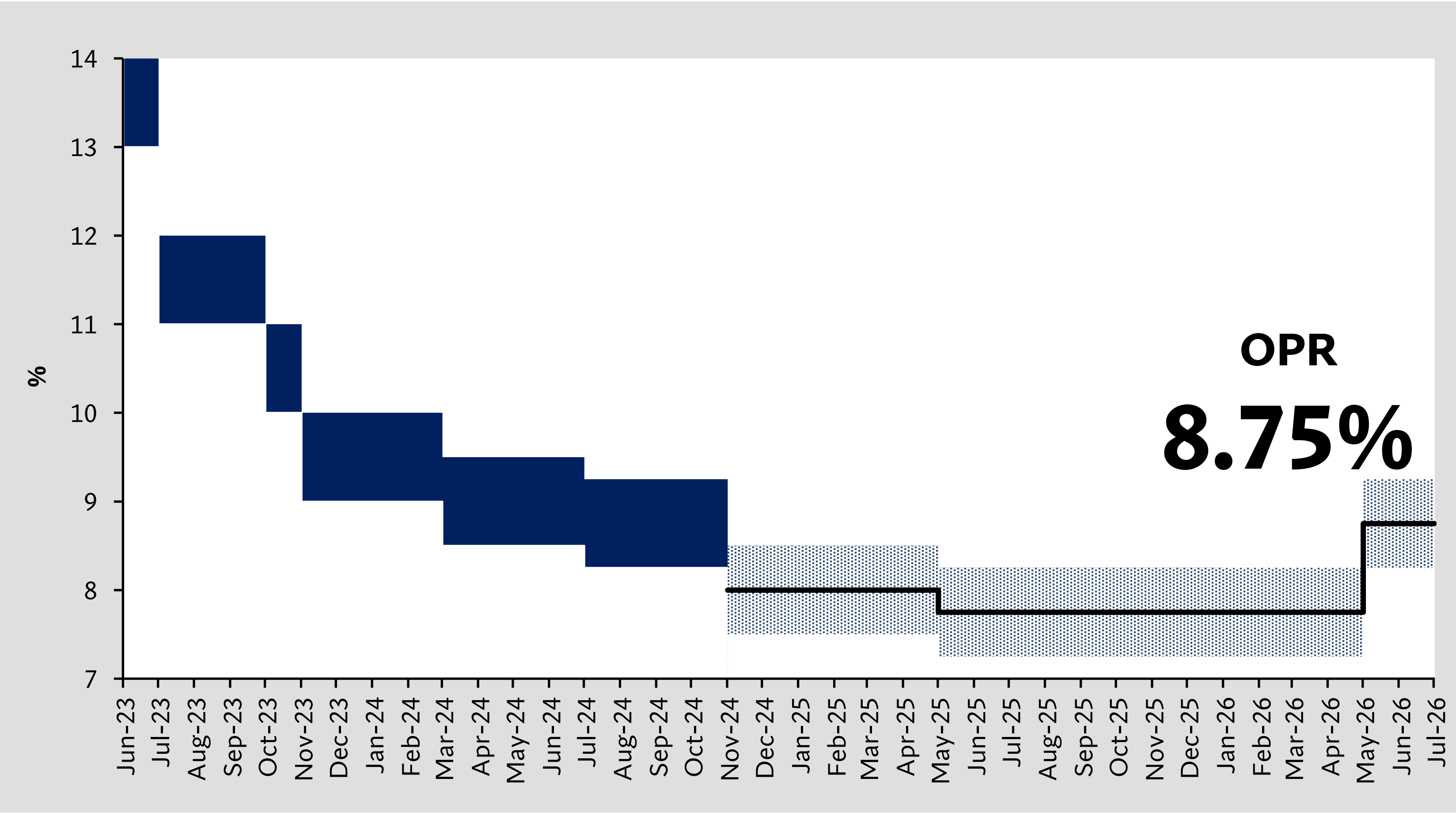
Press Conference

Monetary Policy Review: No. 04 – July 2026

Economic Research Department
Central Bank of Sri Lanka

22 July 2026

The Central Bank of Sri Lanka
keeps the Overnight Policy Rate (OPR)
unchanged at 8.75%



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

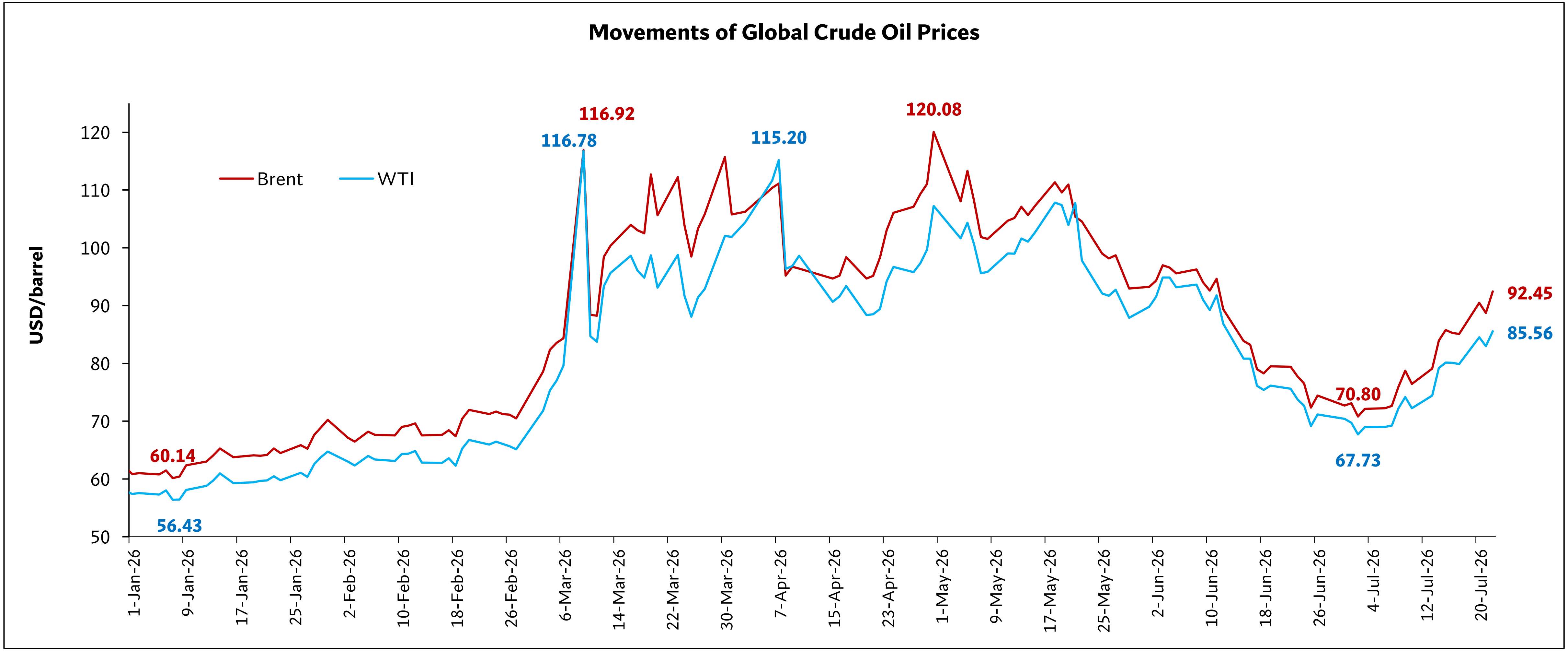
Accordingly, rates applicable on Standing Facilities of the Central Bank remain unchanged at current levels;

- **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

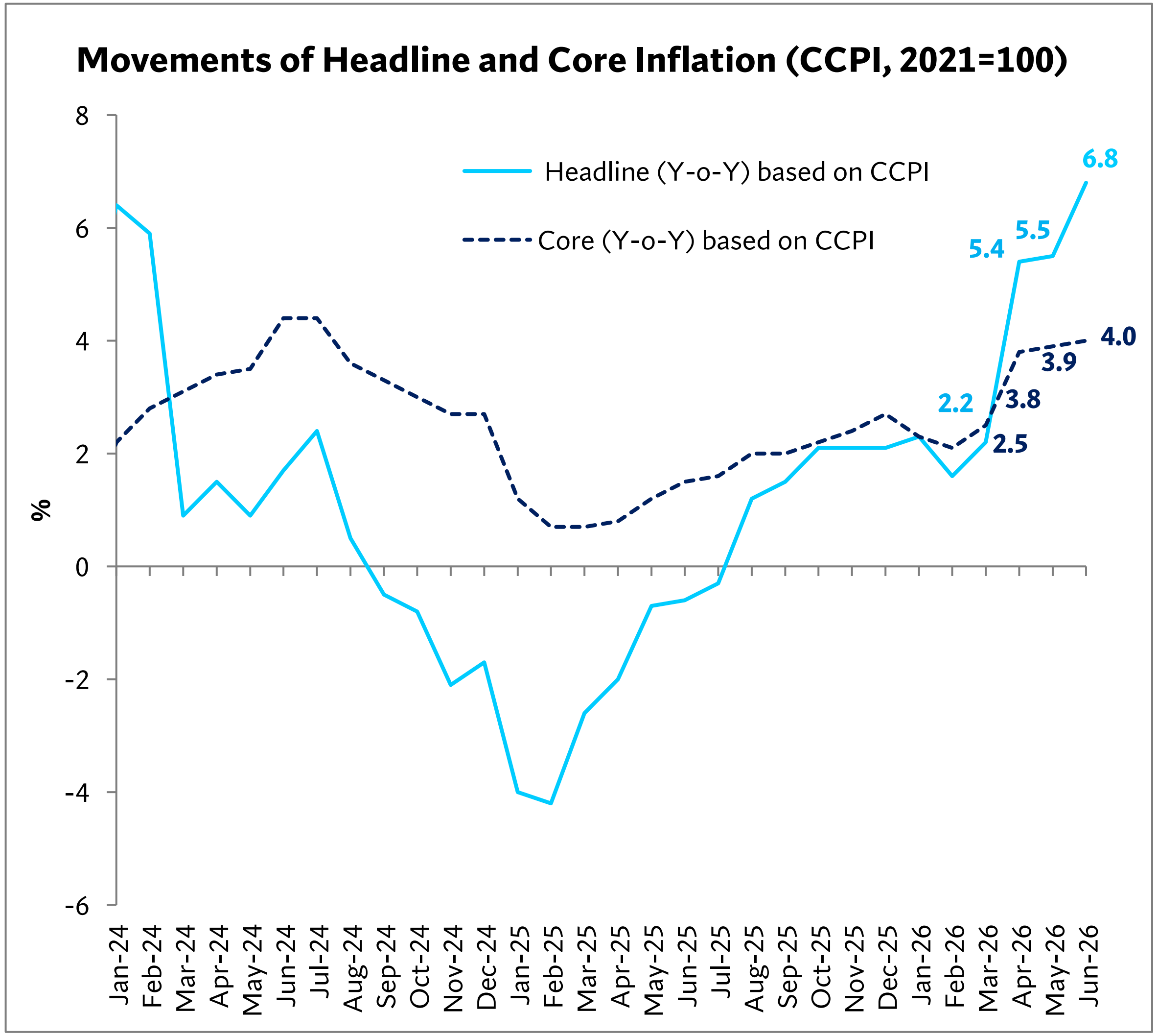
Renewed tensions in the Middle East have resulted in a surge in global commodity prices, particularly petroleum



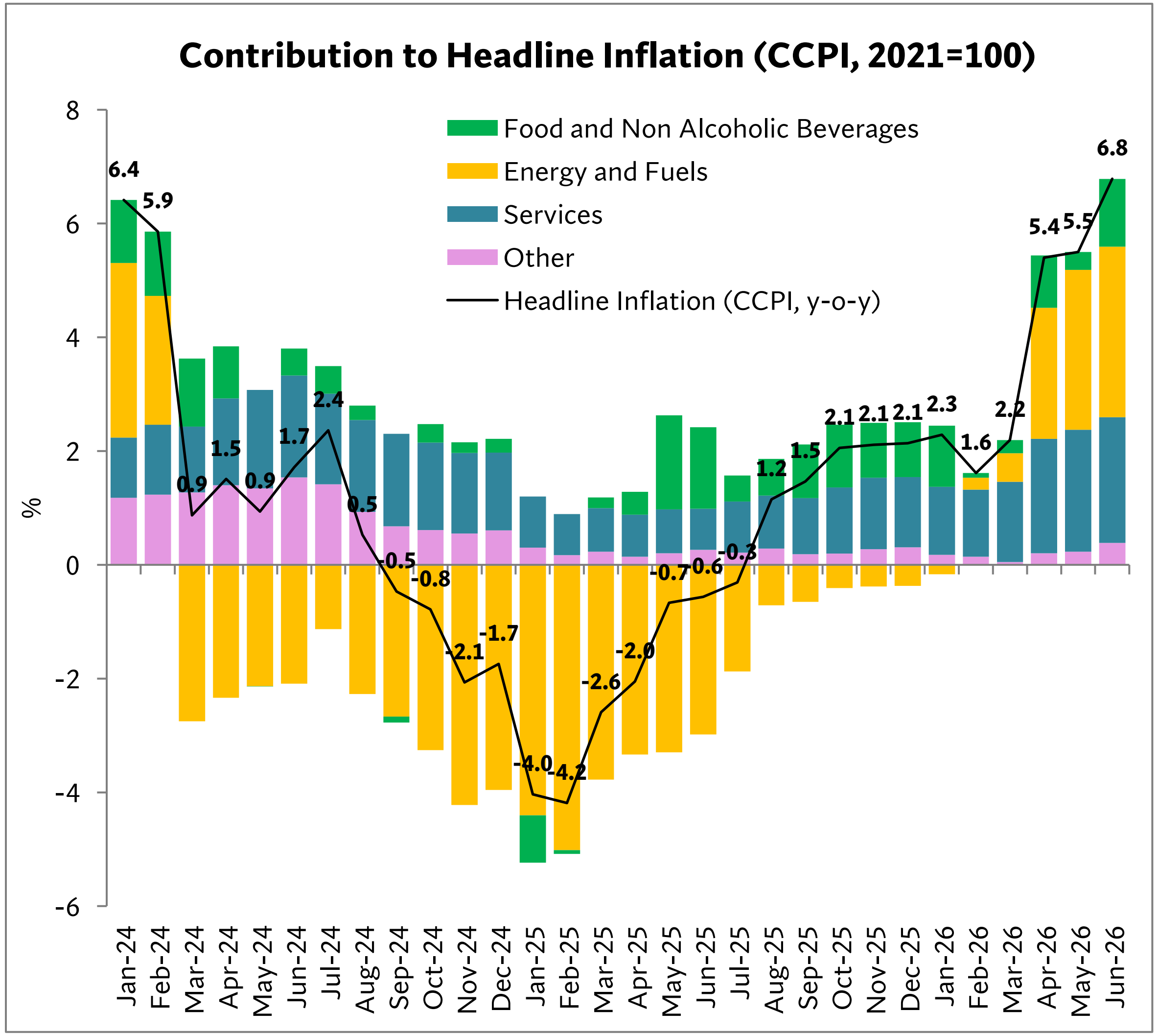
Source: Bloomberg

These developments are likely to dampen global economic prospects with potential spillovers to the domestic economy through multiple channels

Headline inflation accelerated to 6.8% (y-o-y) in June 2026, mainly due to higher domestic energy and food prices



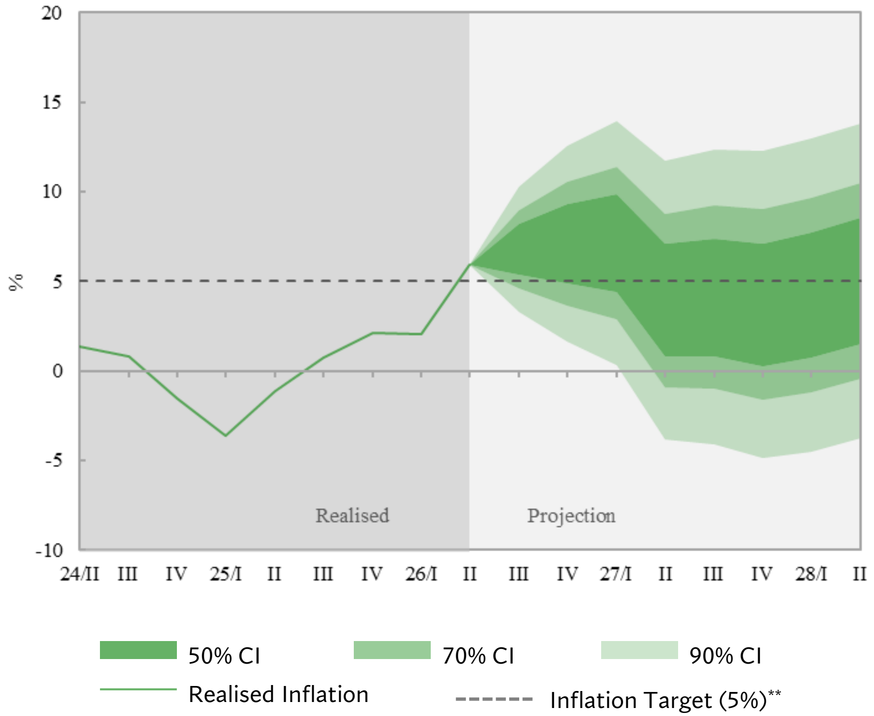
Source: Department of Census and Statistics



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

Headline inflation is expected to remain above the target of 5% in the near term before gradually returning to the target level

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



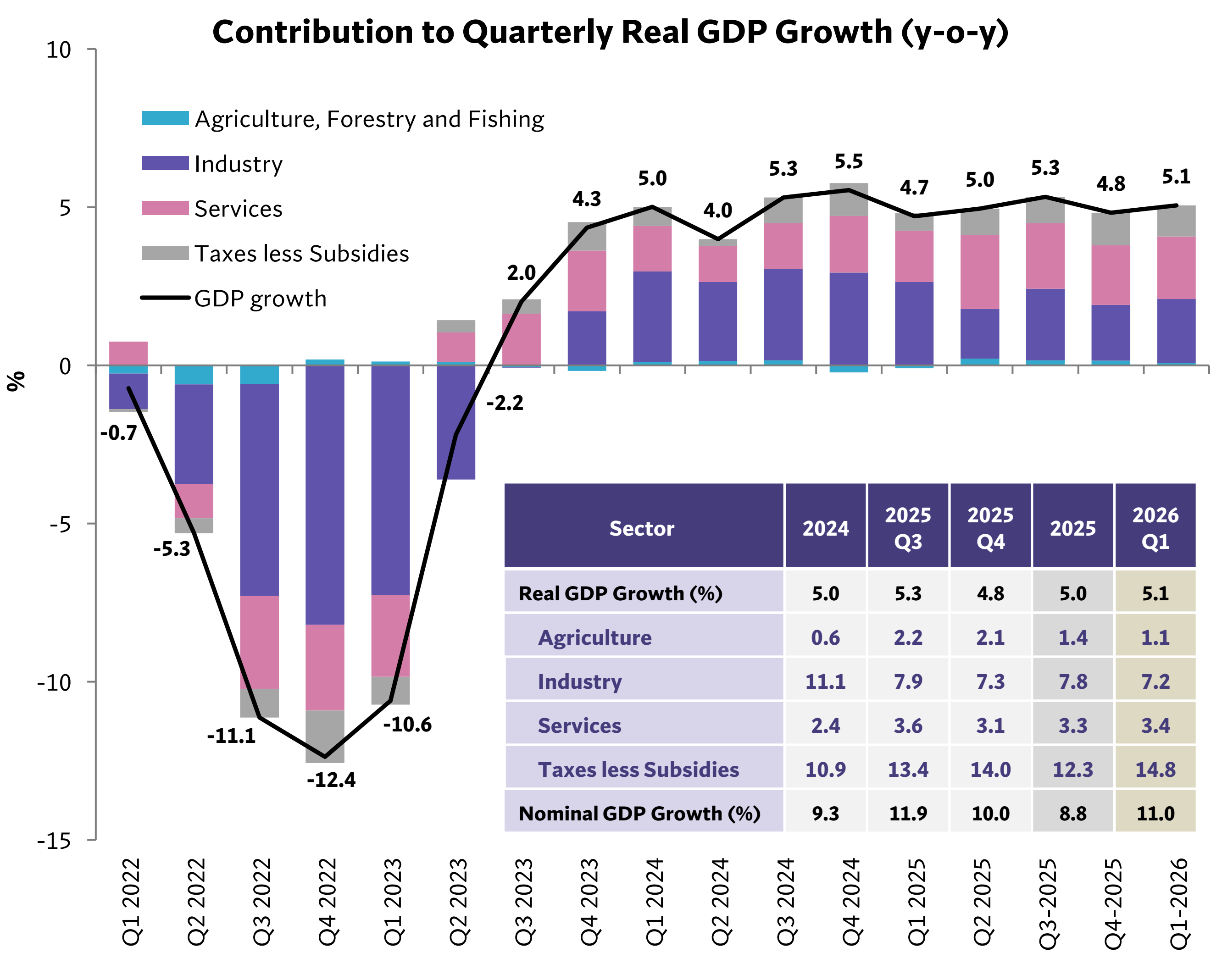
*** The inflation target (5%) was agreed under the Monetary Policy Framework Agreement (MPFA) signed between the Central Bank and the Minister of Finance in October 2023.*

Source: Central Bank Staff Projections

- **Core inflation is also expected to increase and remain around the headline inflation target**
- **In spite of the near-term uptick in actual inflation, inflation expectations remain well-anchored around the inflation target over the medium term**

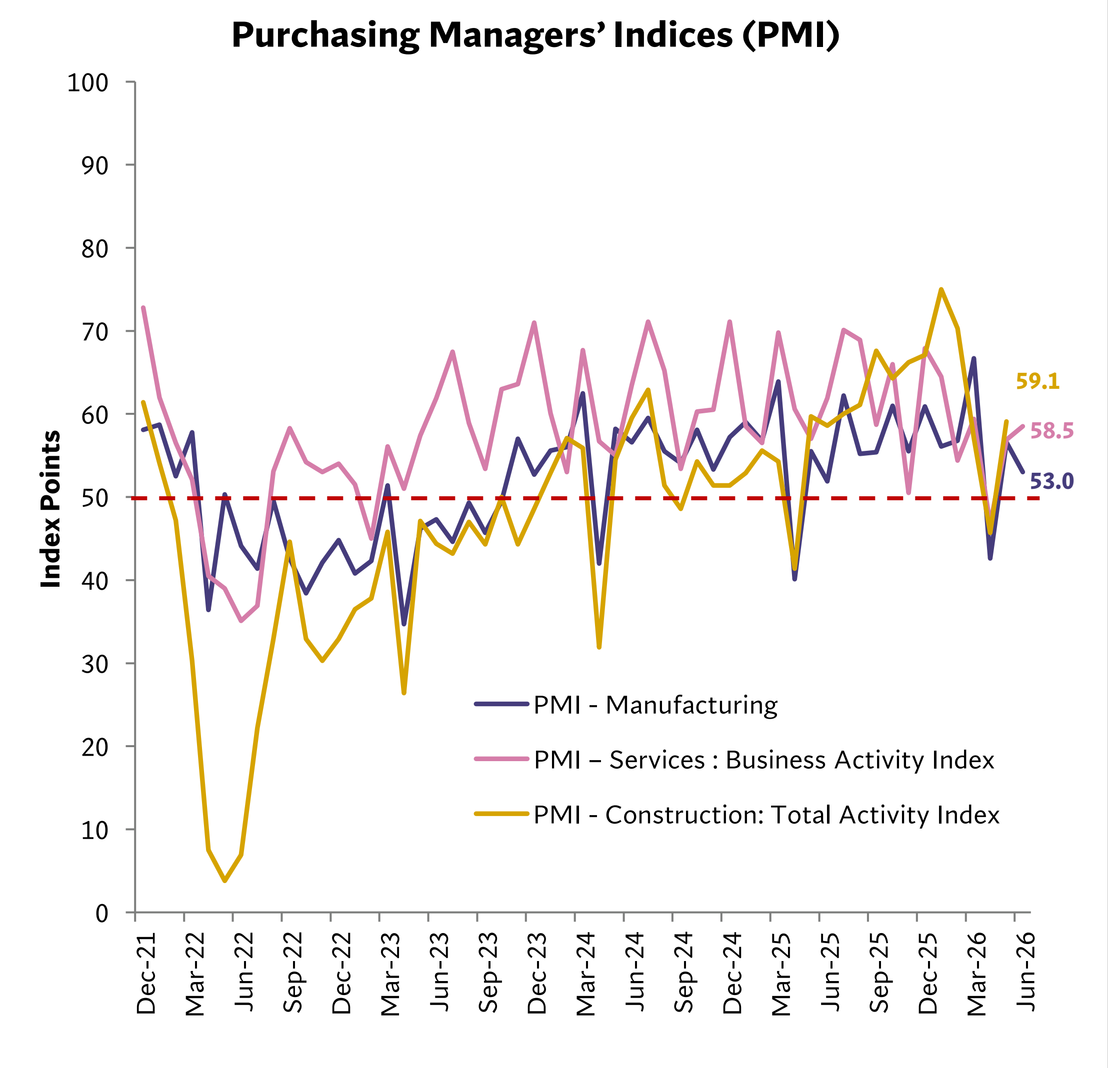
Note: The fan chart illustrates the uncertainty surrounding the baseline projection path using confidence bands of gradually fading colours. The confidence intervals (CI) shown on the chart indicate the ranges of values within which inflation may fluctuate over the medium term. For example, the thick 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 economy recorded a real growth of 5.1% in Q1-2026



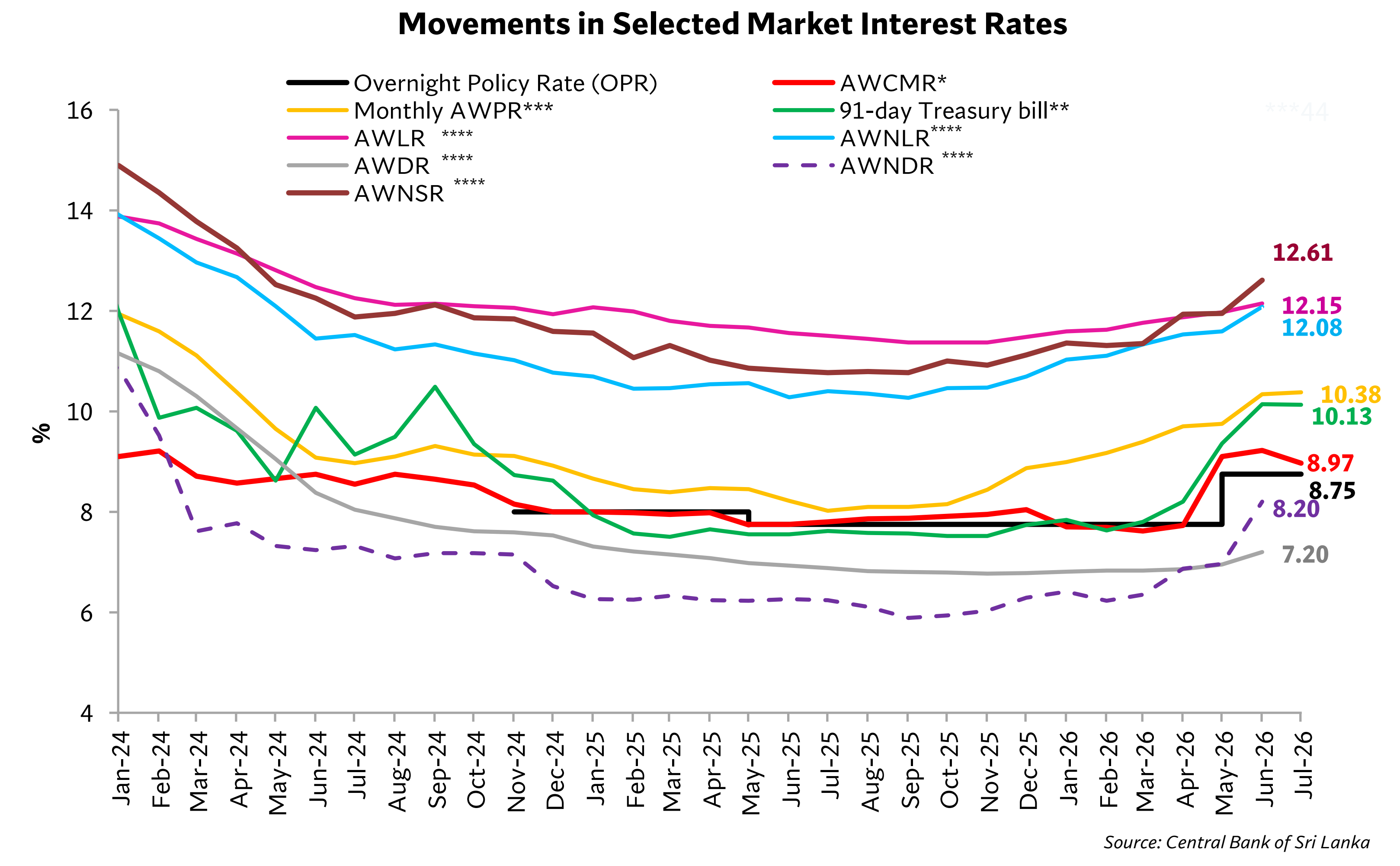
Sector	2024	2025 Q3	2025 Q4	2025	2026 Q1
Real GDP Growth (%)	5.0	5.3	4.8	5.0	5.1
Agriculture	0.6	2.2	2.1	1.4	1.1
Industry	11.1	7.9	7.3	7.8	7.2
Services	2.4	3.6	3.1	3.3	3.4
Taxes less Subsidies	10.9	13.4	14.0	12.3	14.8
Nominal GDP Growth (%)	9.3	11.9	10.0	8.8	11.0

Source: Department of Census Statistics



Source: Central Bank of Sri Lanka

In line with the monetary policy tightening in May 2026, overall market interest rates continued to increase



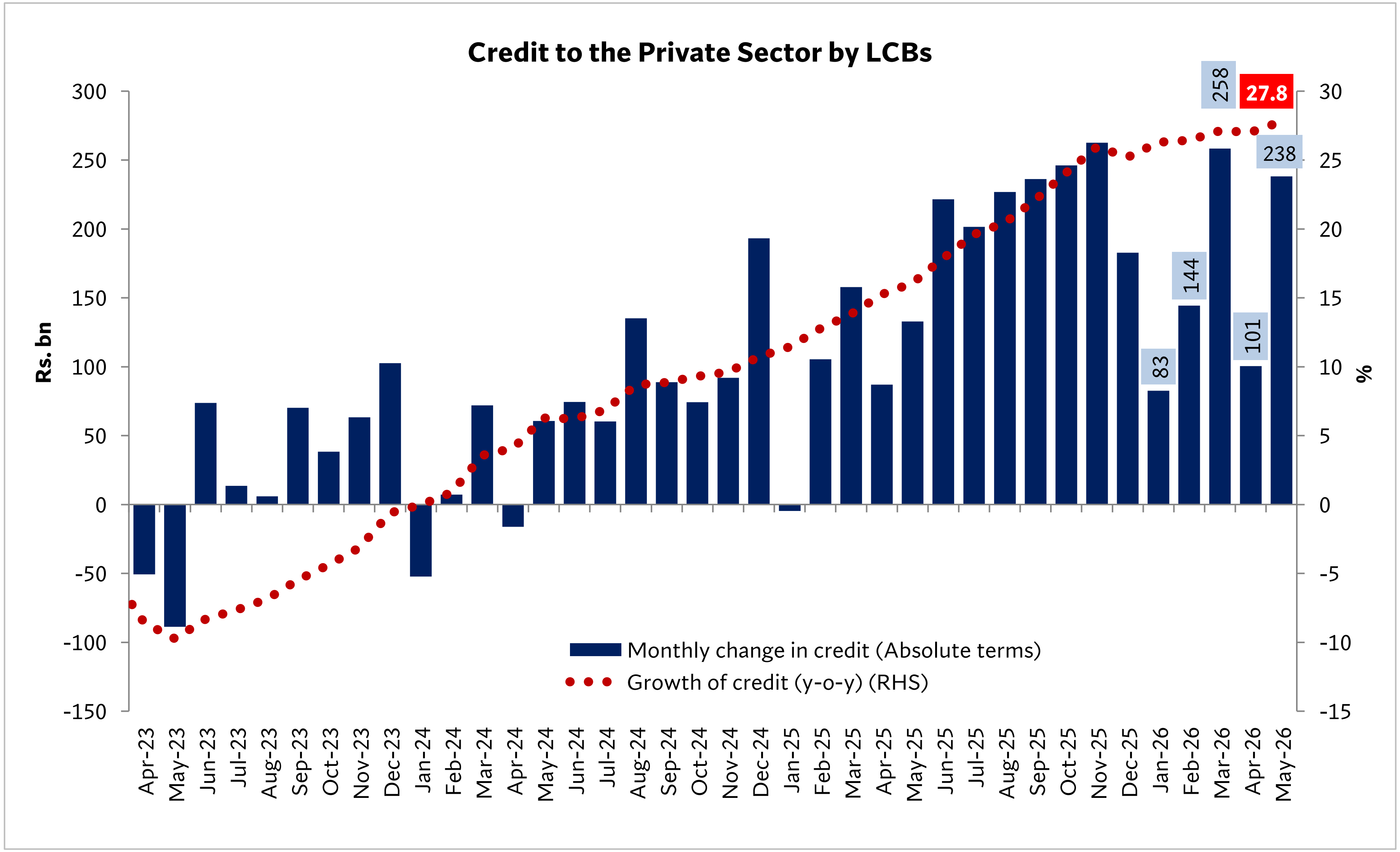
Adjustments in Interest Rates (%)

Interest Rate	End 2025	Current level#	Change since policy rate hike (in bps)
AWCMR*	8.04	8.97	+103
91-day Treasury bill **	7.74	10.13	+195
1 Year Treasury bill **	8.45	10.20	+171
Weekly AWPR***	9.07	10.38	+80
Monthly AWPR	8.87	10.34	+59
Lending Rate (AWLR)****	11.48	12.15	+18
New Lending Rate (AWNLR) ****	10.69	12.08	+49
SME Rate****	11.53	12.34	+43
New SME Rate****	11.12	12.61	+66
Deposit Rate (AWDR) ****	6.78	7.20	+25
New Deposit Rate (AWNDR) ****	6.29	8.20	+124

*Latest data point – AWCMR as of 21 July 2026
** Latest data point –Yield rate in T-bill auction held on 15 July 2026
***Latest data point –Weekly AWPR as of 17 July 2026
#Note: All monthly rates are as of June 2026
**** Latest data points are for June 2026, and they are highly provisional

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

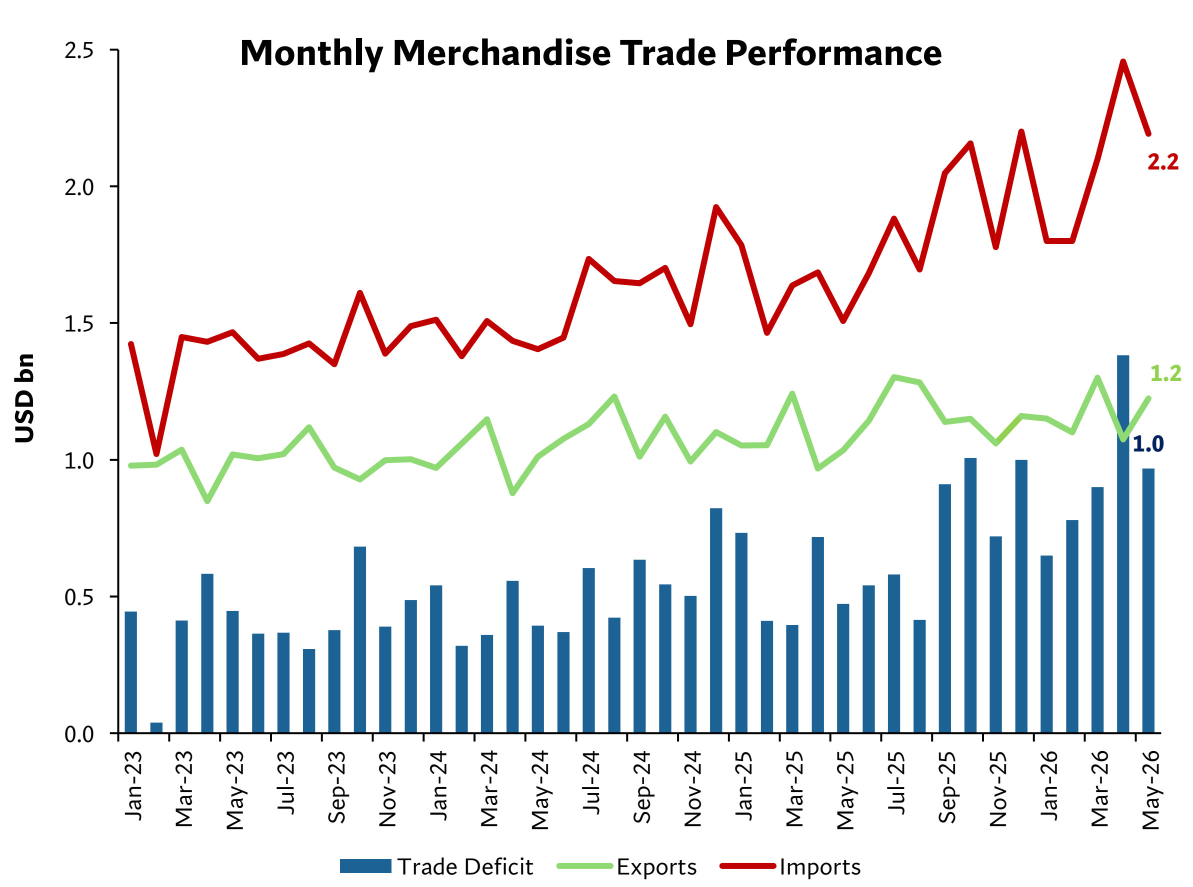
Credit to the private sector has expanded notably by Rs. 824 bn (27.8% y-o-y) during Jan-May 2026



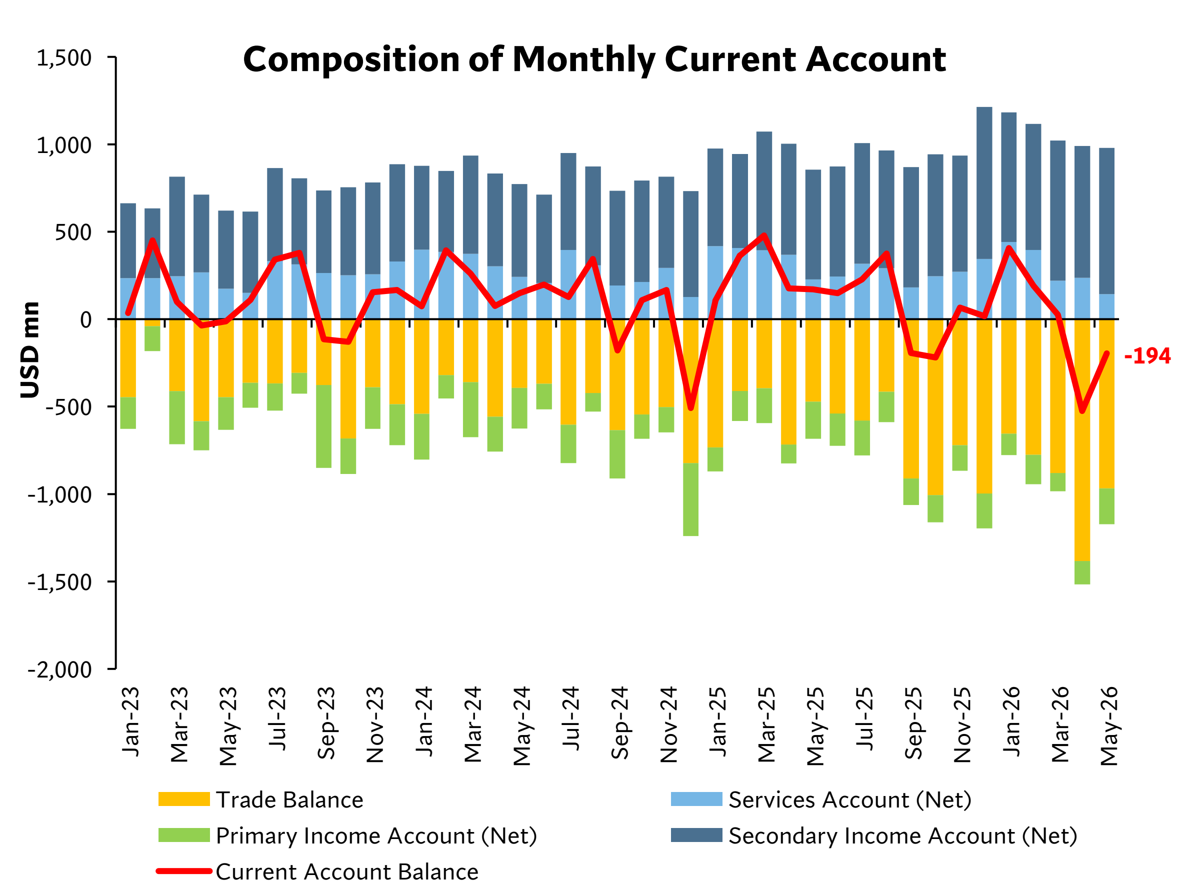
However, together with other policy measures taken by the Government and the Central Bank, the monetary policy tightening in May 2026 and its gradual transmission to the real economy are expected to moderate credit growth and the buildup of demand pressures going forward

Source: Central Bank of Sri Lanka

The pressure on the external sector caused by the Middle East conflict has eased somewhat, although the outlook remains uncertain due to renewed tensions



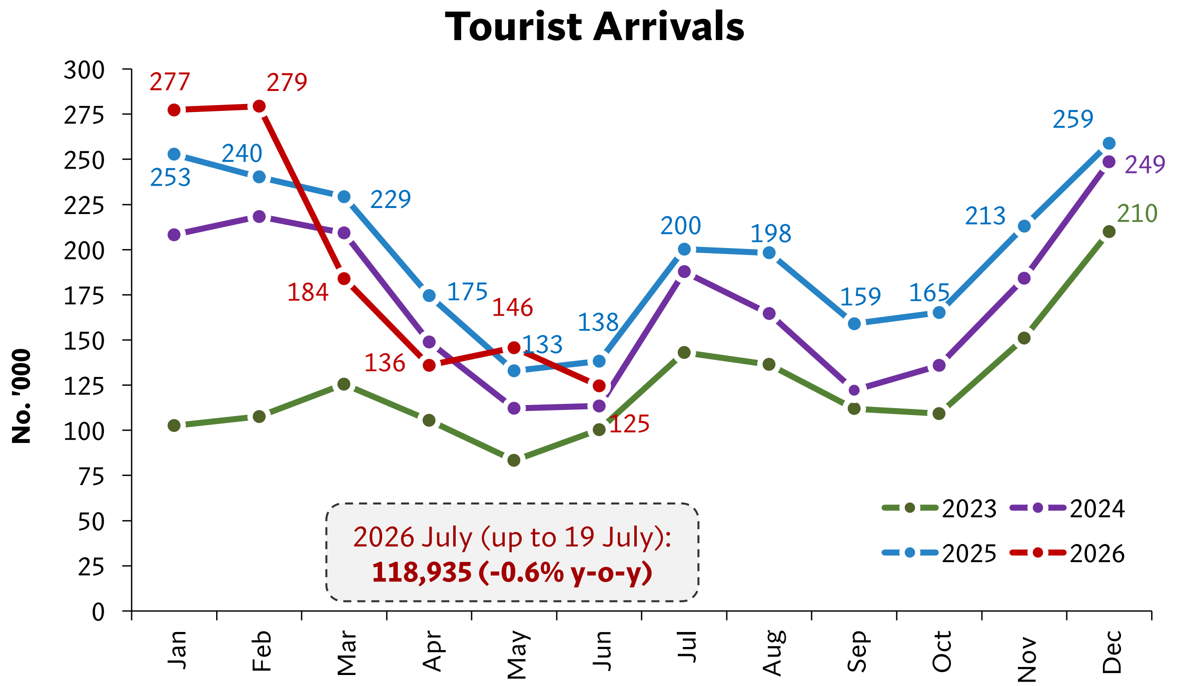
Source: Central Bank of Sri Lanka



Source: Central Bank of Sri Lanka

- **Since April 2026, the external current account recorded a deficit, mainly because higher fuel import costs widened the merchandise trade deficit and tourism earnings slowed down**
- **Going forward, import demand, including demand for motor vehicles, is expected to reduce in response to recent policy measures**

Workers' remittances have remained strong so far in 2026, while tourism earnings slowed down

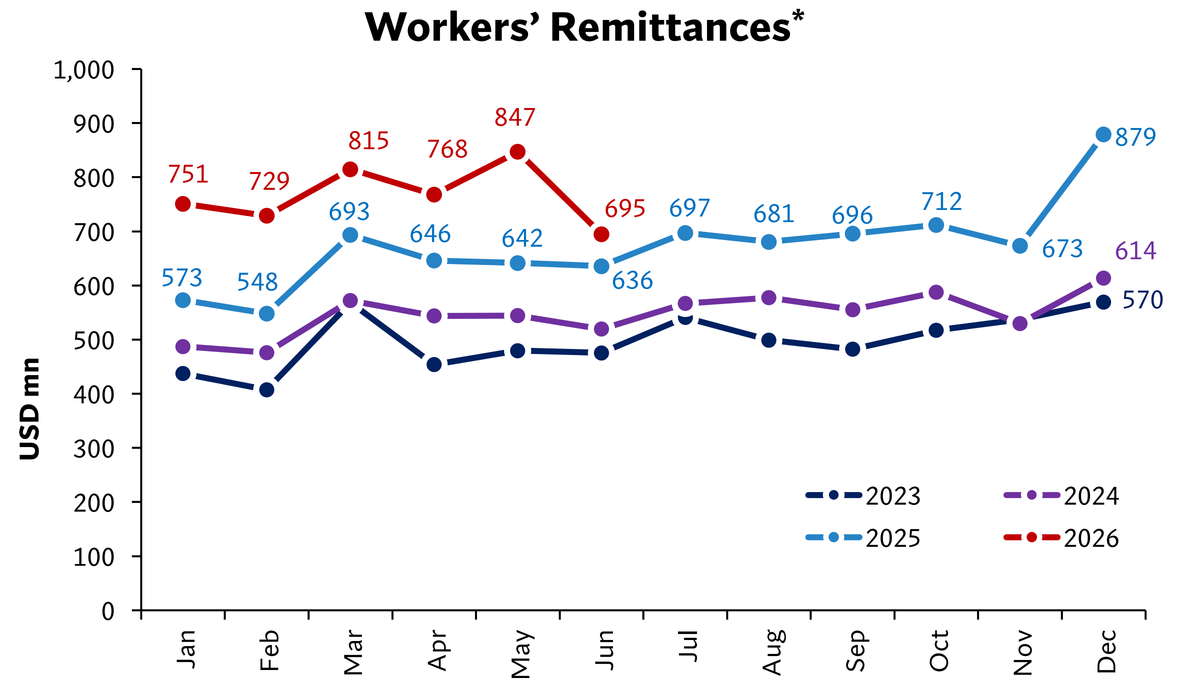


Sri Lanka recorded 2.36 mn tourist arrivals for 2025
2026 (up to 19 July): 1,265,508

Earnings from tourism

Jan-Jun
2026: USD 1.5 bn
2025: USD 1.7 bn
-11.8 %

2025
USD 3.2 bn



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

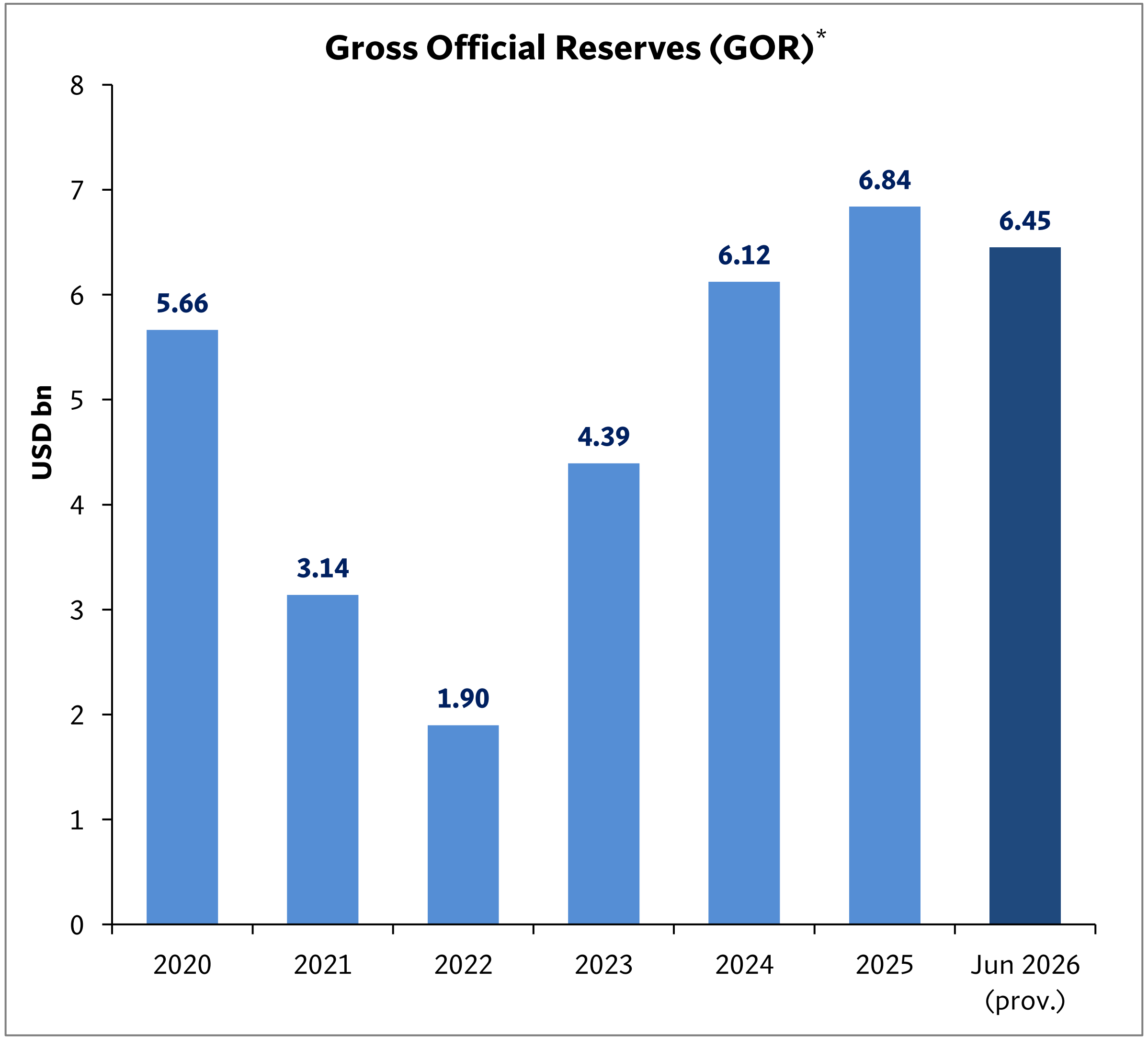
Workers' Remittances

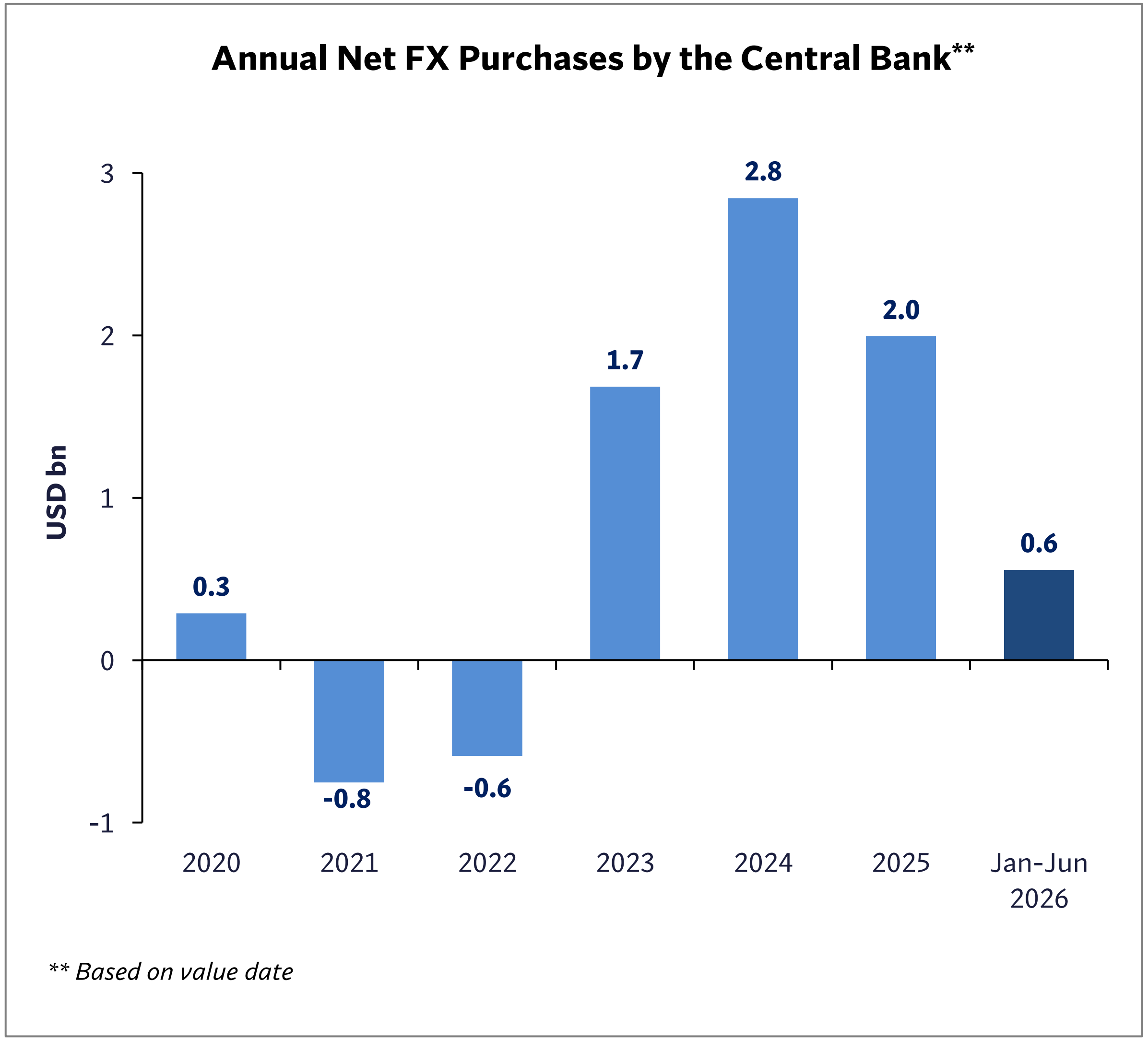
Jan-Jun
2026 : USD 4.6 bn
2025 : USD 3.7 bn
23.2 %

2025
USD 8.1 bn

Sources: SLTDA, LCBs, Central Bank of Sri Lanka

Gross Official Reserves stood at USD 6.45 bn* at the end of June 2026, amid foreign debt service payments

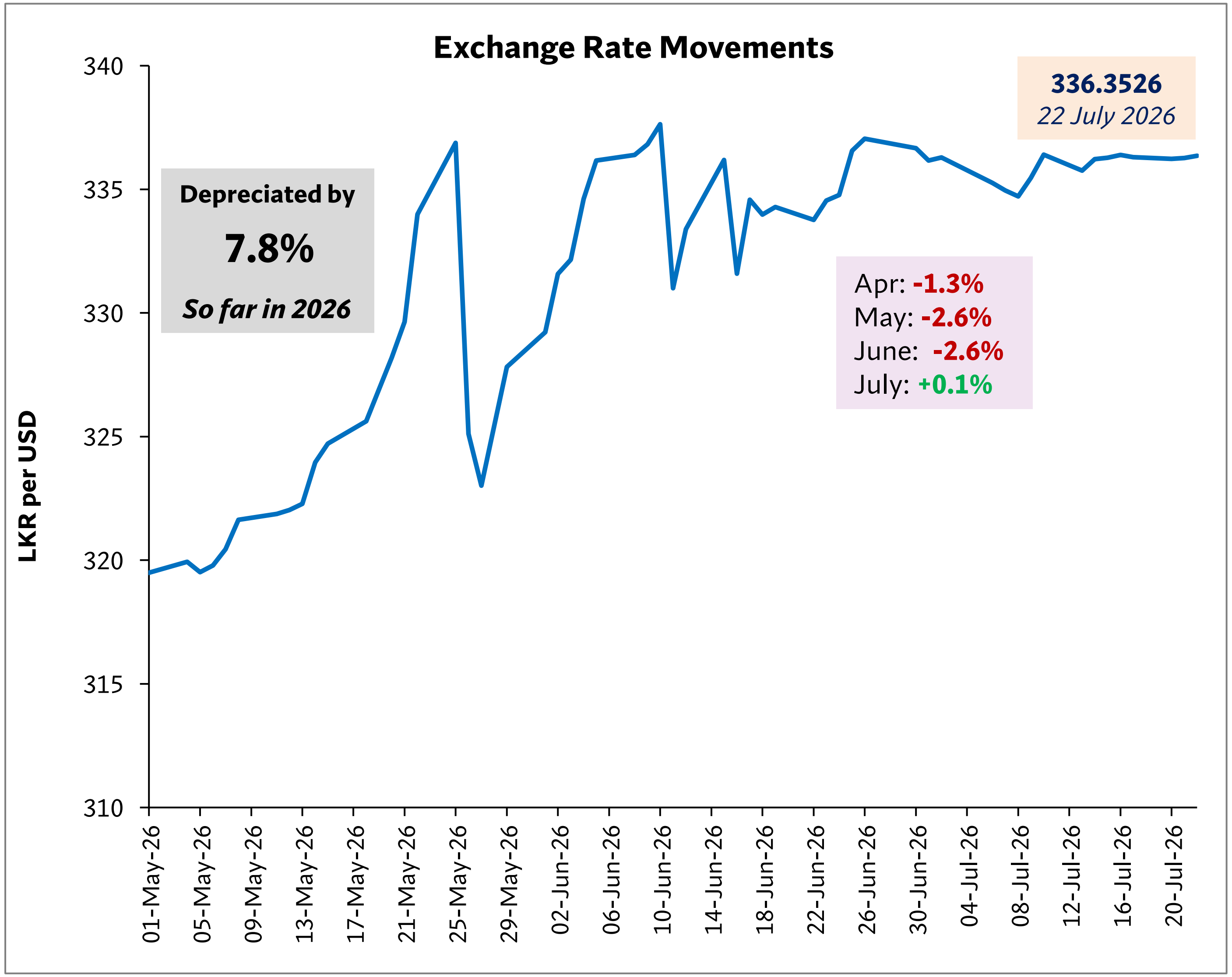




** Since 2021, this includes the swap facility from the People's Bank of China*

Source: Central Bank of Sri Lanka

The Sri Lanka rupee has stabilised somewhat in recent weeks reflecting the impact of policy measures that have been taken thus far



Source: Central Bank of Sri Lanka

Movements in Peer Country Currencies against the US dollar

Currency	2025 (%)	2026		
		(from end 2025 to end Feb 2026) (%)	(from end Feb 2026 to 22 July 2026) (%)	(from end 2025 to 22 July 2026) (%)
Sri Lanka rupee	**-5.6**	**+0.2**	**-8.0**	**-7.8**
Malaysia ringgit	+9.9	+4.2	-5.0	-1.0
Indonesian rupiah	-3.6	-0.3	-6.3	-6.5
Singapore dollar	+5.8	+1.6	-2.1	-0.6
Indian rupee	-4.7	-1.2	-5.5	-6.7
Taiwan dollar	+4.3	+0.4	-3.1	-2.7
Thailand baht	+8.7	+1.1	-7.9	-6.9
Philippine peso	-1.7	+2.0	-6.6	-4.7
Pakistan rupee	-0.6	+0.2	0.6	+0.7
Bangladesh taka	-2.2	-0.1	-0.6	-0.7
Vietnam dong	-3.1	+1.0	-1.1	-0.2
Nepal rupee	-4.8	-1.1	-5.6	-6.6

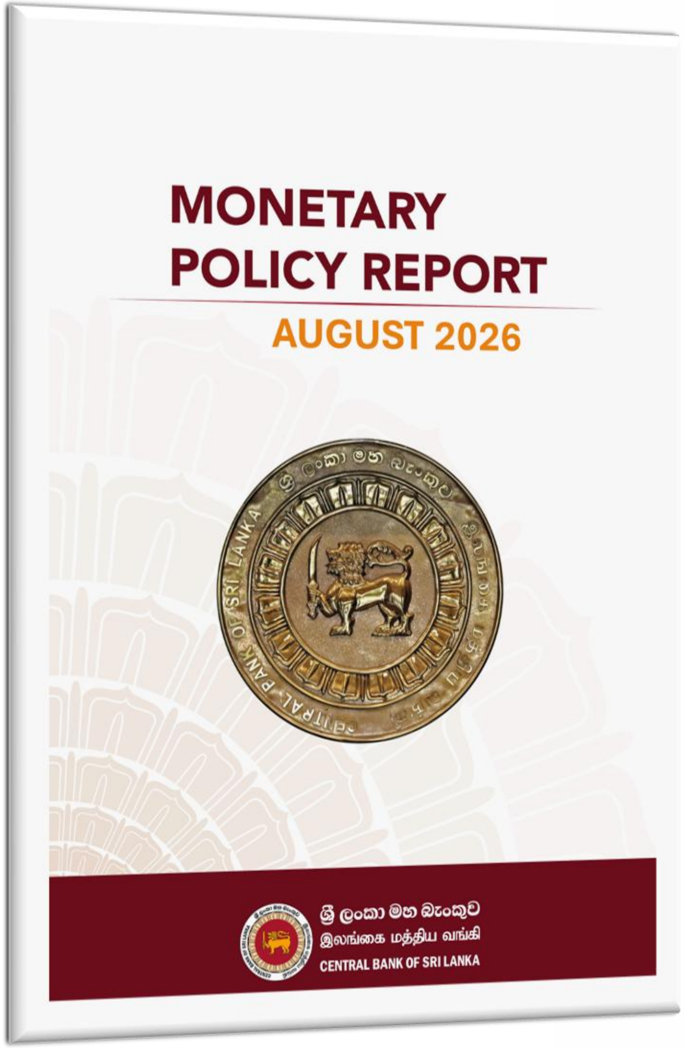
Appreciation (+)/Depreciation (-)

The Central Bank expects the monetary policy tightening carried out previously to transmit to the economy in the period ahead

The Central Bank will continue to closely monitor domestic and global developments for emerging risks

It stands ready to take appropriate measures to ensure that inflation stabilises around the 5% target,
while supporting the economy to reach its potential over the medium term

Monetary Policy Report – August 2026



The second Monetary Policy Report for 2026 is expected to be published by mid August 2026

Thank you