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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department
30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.
Tel : 2477424, 2477423, 2477311
Fax: 2346257, 2477739
E-mail: dcommunications@cbsl.lk, communications@cbsl.lk
Web: www.cbsl.gov.lk

Press Release

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Monetary Policy Review – February 2015

Year-on-year (y-o-y) headline inflation increased to 3.2 per cent in January 2015 from 2.1 per cent in December 2014 while annual average inflation declined marginally to 3.2 per cent from 3.3 per cent recorded in the previous month. The increase in inflation in January is attributed to higher food prices, which have now broadly stabilised. The impact of the recent downward price revisions of domestic petroleum prices as well as of essential consumer items would be reflected in official price indices from February, which would result in a considerable downward shift in inflation in the period ahead. Accordingly, it is expected that inflation, which has registered single digit rates in the post-conflict period, will continue to remain comfortably low in 2015.

In December 2014, credit extended to the private sector by commercial banks grew by 8.8 per cent on a y-o-y basis, maintaining its upward trend since August 2014. In absolute terms, credit obtained by the private sector recorded a historic high of Rs. 76.5 billion during the month of December, resulting in a cumulative increase in private sector credit of Rs. 223.9 billion during 2014. The sector-wise classification of credit growth indicates increased credit disbursements to the Industry and Services sectors in the latter half of 2014, which augurs well for economic growth prospects. With low nominal interest rates and improving business confidence, it is expected that credit extended to the private sector would grow at a healthy pace in 2015. During the year 2014, net credit to the government (NCG) from the banking sector increased by Rs. 134.6 billion while credit to public corporations increased by Rs. 80.9 billion. Broad money (M_{2b}) recorded a y-o-y growth of 13.4 per cent by December 2014 compared to the projected broad money growth of 13.5 per cent for the year. Broad money growth averaged 13.3 per cent during 2014.

On the external front, the Sri Lankan rupee depreciated against the US dollar by 1.4 per cent by 20 February 2015 year-to-date, mainly due to higher import demand. With this seasonal demand gradually easing and the realisation of the anticipated foreign investment inflows, it is expected that the external sector would show greater resilience during the remainder of the year.

Taking the above factors into consideration, the Monetary Board at its meeting held on 23 February 2015, decided to maintain policy interest rates of the Central Bank unchanged at their current levels. Accordingly, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank would remain at 6.50 per cent and 8.00 per cent, respectively. Access to the Standing Deposit Facility (SDF) will remain rationalised.

The date for the release of the next regular statement on monetary policy would be announced in due course.

Monetary Policy Decision:	**Policy rates unchanged. Access to SDF remains rationalised.**

Standing Deposit Facility Rate (SDFR)	6.50%
Standing Lending Facility Rate (SLFR)	8.00%
Statutory Reserve Ratio (SRR)	6.00%