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Press Release

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The Central Bank of Sri Lanka Further Reduces Policy Rates to Support Economic Activity

The Monetary Board of the Central Bank of Sri Lanka, at a special meeting held on 06 May 2020, reviewed the current monetary policy stance and decided to reduce the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 50 basis points to 5.50 per cent and 6.50 per cent, respectively, effective from the close of business on 06 May 2020. The Board arrived at this decision considering the necessity to further support the economy to weather the adverse economic impact caused by the COVID-19 pandemic, given subdued inflationary pressures. With this decision, policy interest rates of the Central Bank have been reduced by 150 basis points thus far in 2020, in addition to the other measures taken to ease monetary conditions in the market.

The Monetary Board noted, with disappointment, that market lending rates have not declined in line with the series of measures taken to ease monetary policy and monetary conditions thus far during the year. Therefore, financial institutions are urged to reduce lending rates without further delay, failing which, the Central Bank will be compelled to take appropriate regulatory action to bring down market lending rates.

Monetary Policy Decision: Policy rates reduced by 50 basis points

Standing Deposit Facility Rate (SDFR)	5.50%
Standing Lending Facility Rate (SLFR)	6.50%
Bank Rate	9.50%
Statutory Reserve Ratio (SRR)	4.00% (unchanged)

Note: *There will be no monetary policy announcement on 21 May 2020 as previously scheduled. However, the Monetary Board may review the monetary policy stance of the Central Bank and make necessary changes as and when required in consideration of economic and market developments.*