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Expected Foreign Exchange Inflows and the Official Reserve Position

The Central Bank of Sri Lanka wishes to inform the general public that the measures being taken at present will ensure that by end of 2021 official reserves will remain above US dollars 3 billion. Despite the headwinds of the economic impact of COVID-19 and challenges posed by adverse developments in the external sector, the Sri Lankan economy showed resilience throughout 2021. Also, Sri Lanka successfully met its debt obligations by repaying foreign loans, including the payments of the International Sovereign Bonds. Since the beginning of the year both the Central Bank and the Government have been actively pursuing possible avenues to replenish official reserves, with an emphasis on encouraging non-debt flows, so that the existing foreign debt could be managed in a sustainable manner. These efforts were accelerated since October 2021 with the announcement of the *Six-Month Road Map for Ensuring Macroeconomic and Financial System Stability,* which set out envisaged targets for build up of official reserves in the near term.

As articulated in the *Six-Month Road Map,* number of foreign exchange inflows are envisaged in the very near term. Major foreign exchange inflows to the Central Bank include SWAP facilities with Middle Eastern and other regional central banks amounting to about US dollars 2.0 billion. The Government is also in the process of securing Government to Government financing, syndicated loans as well as loans from multilateral organisations. In addition, the expected foreign exchange facilities that were negotiated during the high-level visits abroad made by authorities are also progressing well. Further, the interventions made by the Central Bank on several facets of the foreign exchange market, such as incentive scheme introduced for workers' remittances, and the repatriation and conversion requirements on account of exports proceeds will improve the liquidity in the domestic market, thereby enabling the Central Bank to build up official reserves further. With the recent rise in departures for foreign employment and exponential growth observed in tourist arrivals, the external sector is expected to recover well in the period ahead and the pressures observed at present are expected to moderate with increased inflows to the economy. The Government and the Central Bank remain confident that these expected inflows will materialise and the reserve position will remain at comfortable level throughout the year 2022.