



Issued By Economic Research Department

Date 15 August 2024

The Central Bank of Sri Lanka releases the Monetary Policy Report – August 2024

The Central Bank released its second Monetary Policy Report for 2024 in keeping with the requirements of the Central Bank of Sri Lanka Act, No. 16 of 2023. The content of this Report is based on information that the Monetary Policy Board of the Central Bank considered in formulating the monetary policy decision during the July 2024 review.

The Monetary Policy Report provides forward-looking insights about the economy, particularly in terms of inflation and economic growth. The Report also aims to provide an assessment of risks to the projections on inflation and economic growth, considering the ongoing and expected developments on domestic and global fronts. Through this Report, the Central Bank strives to improve transparency and accountability by communicating the rationale behind its recent monetary policy decisions.

The key highlights

- An accommodative monetary policy stance was continued thus far in 2024, in line with the easing inflationary pressures.
- Following a temporary rise in early 2024, headline inflation declined notably thereafter due to reductions in energy prices, a slowdown in food inflation, and subdued demand conditions.
- Headline inflation is expected to remain well below the targeted level of 5 per cent (year-on-year) in the near term, and gradually stabilise around the targeted level over the medium term.
- Economic activity continued to rebound in 2024, supported by the gradual restoration of macroeconomic stability, low interest rates and improving investor confidence.
- The Sri Lankan economy is expected to continue its growth momentum in 2024, gradually moving towards its potential level over the medium term.

The Monetary Policy Report, which is an online publication, is available on the official website of the Central Bank at <https://www.cbsl.gov.lk/publications/economic-and-financial-reports/monetary-policy-reports>.



MONETARY POLICY REPORT August 2024 SNAPSHOT

MONETARY POLICY FRAMEWORK

The Central Bank of Sri Lanka conducts monetary policy under a **Flexible Inflation Targeting (FIT)** framework,

aimed at maintaining

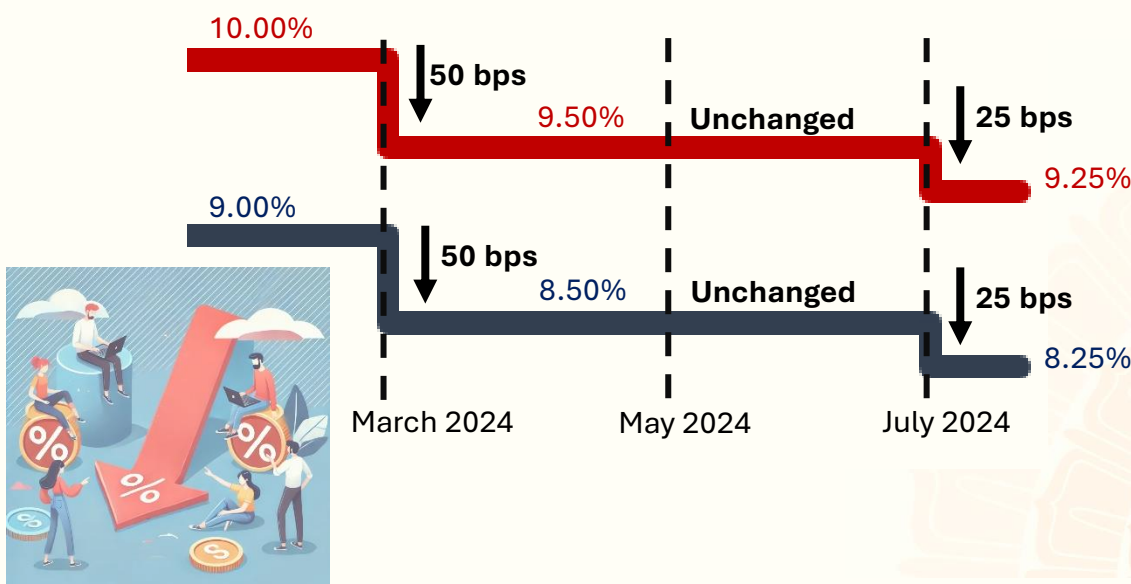
inflation at the target rate of

5%

while supporting economic growth to reach its potential.



RECENT MONETARY POLICY DECISIONS



Central Bank of Sri Lanka continues the **eased monetary policy stance** commenced in mid 2023.

OUTLOOK

Headline inflation

is expected to be **below the target** in the forthcoming months, and

reach the 5% target with appropriate policies in the medium term.



Economic growth recovery towards the potential level is expected to continue over the medium term with appropriate policies.