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## The Central Bank of Sri Lanka releases the Monetary Policy Report – August 2025

The Central Bank released its second Monetary Policy Report for 2025 in keeping with the requirements of the Central Bank of Sri Lanka Act, No. 16 of 2023. The biannual Monetary Policy Report provides forward-looking insights about the economy, particularly inflation and economic growth outlook, and risks to projections. Through this Report, the Central Bank strives to improve transparency and accountability by communicating the rationale behind its recent monetary policy decisions.

The contents of this Report are based on information considered by the Monetary Policy Board in formulating the decision during the July 2025 monetary policy review.

### Key highlights

- The Central Bank continued its relaxed monetary policy stance, considering subdued demand-driven inflationary pressures.
- Deflation recorded since September 2024 is expected to end by Q3-2025.
- Inflation is projected to reach the target of 5% by mid-2026 with improving demand conditions.
- Core inflation is expected to increase gradually and stabilise in line with the headline inflation target thereafter.
- The economy is expected to grow by around 4.5% in 2025.
- Evolving global uncertainties pose challenges to economic growth prospects.

*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/en/publications/economic-and-financial-reports/monetary-policy-reports>*