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Communications Department, 30, Janadhipathi Mawatha, Colombo 01, Sri Lanka
+94 11 2477424 / +94 11 2477669 +94 11 2346304
communications@cbsl.lk / dcommunications@cbsl.lk www.cbsl.gov.lk

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Monetary Policy Review: No. 06 – November 2025

The Central Bank of Sri Lanka keeps the Overnight Policy Rate (OPR) unchanged

The Monetary Policy Board, at its meeting held yesterday, decided to maintain the Overnight Policy Rate (OPR) at the current level of 7.75%. The Board arrived at this decision after carefully considering evolving developments and the outlook on both domestic and global fronts. The Board is of the view that the current monetary policy stance will support steering inflation towards the target of 5%.

Headline inflation based on the Colombo Consumer Price Index (CCPI) continued to accelerate in October for the third consecutive month. Inflation is expected to rise more gradually than projected earlier and move towards the target by H2-2026. Core inflation is also expected to accelerate at a modest pace, as demand in the economy gradually strengthens. Medium-term inflation expectations remain well anchored around the inflation target.

Leading economic indicators suggest a continuation of the growth momentum. Credit to the private sector has recorded a notable and broad-based expansion thus far in 2025, supported by the low-interest-rate environment. This also reflects a recovery in economic activity as well as the realisation of pent-up demand for vehicle imports. This credit momentum is likely to continue in the period ahead.

Imports have risen in recent months, contributing to a widening trade deficit. However, strong inflows from tourism and workers' remittances have cushioned the impact on the external current account. Gross Official Reserves were maintained above USD 6 billion thus far in 2025,[1] supported by net foreign exchange purchases by the Central Bank. Expected additional inflows in December 2025 include receipts from the multilateral organisations. The recent depreciation pressure on the rupee has subsided with the improvement in foreign exchange liquidity.

The Central Bank will continue to monitor and assess incoming data on evolving domestic and global economic conditions and emerging risks. The Board remains prepared to implement appropriate policy measures to ensure that inflation stabilises around the target, while supporting the economy to reach its potential.

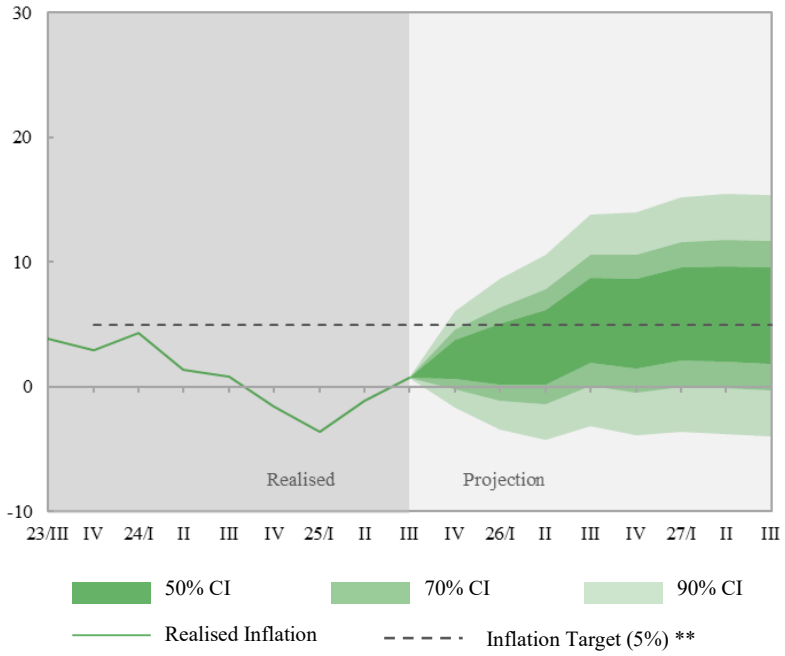
The date of release of the first statement on the monetary policy review for 2026 will be announced in due course.

[1] This includes the swap facility from the People's Bank of China.

Annexure 01:

Headline Inflation Projections* (Quarterly, CCPI, Y-o-Y, %)

Based on the Projections during the November 2025 Monetary Policy Round



Source: Central Bank Staff Projections

*** The inflation target (5%) was agreed under the Monetary Policy Framework Agreement (MPFA) signed between the Central Bank and the Minister of Finance in October 2023.*

* Realised data in the fan chart are based on the CCPI (2021=100, seasonally adjusted). Projections are based on all available data at the forecast round in November 2025.

Note: The fan chart illustrates the uncertainty surrounding the baseline projection path using confidence bands of gradually fading colours. The confidence intervals (CI) shown on the chart indicate the ranges of values within which inflation may fluctuate over the medium term. For example, the thick green shaded area represents the 50% confidence interval, implying that there is a 50% probability that the actual inflation outcome will be within this interval. The confidence bands show the increasing uncertainty in forecasting inflation over a longer horizon.

***Note:* A forecast is neither a promise nor a commitment.**

The projections reflect the available data, assumptions, and judgements made at the forecast round in November 2025. They are conditional on the forecasts of global energy and food prices, the expected growth path of Sri Lanka's major trading partners, the anticipated fiscal path of the Government, and global financial conditions implied by the Fed Funds rate. Further, the projections are conditional on the model-consistent interest rate path and the resulting macroeconomic responses. Any notable changes in these assumptions could lead to the realised inflation path deviating from the projected path.

There are upside risks to the realisation of inflation projections stemming from factors such as the possible development of higher-than-anticipated demand pressures fuelled by the lagged impact of strong credit growth; possible depreciation of the Sri Lanka rupee at higher levels; and possible adverse weather conditions affecting the agriculture and energy sectors, thereby exerting upward pressure on food and energy inflation. Meanwhile, downside risks to the realisation of inflation projections include possible persistence of inflation at lower levels; and the possibility of a slower increase in energy and transport sector inflation due to lower-than-expected fuel costs.

Data Annexure is accessible at https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/mpr06_2025_e.pdf