PRESS RELEASE

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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The Central Bank of Sri Lanka Publishes the Market Operations Report – June 2026

The Central Bank of Sri Lanka (CBSL) released its latest Market Operations Report (MOR) on 31 July 2026. The MOR aims to enhance stakeholder understanding of the monetary and foreign exchange operations undertaken by the CBSL in the pursuit of implementation of monetary policy within the Flexible Inflation Targeting (FIT) framework, supported by the flexible exchange rate regime.

The latest MOR provides an overview of the policy stance of the CBSL, liquidity conditions, short-term interest rate and exchange rate developments, as well as money market and domestic foreign exchange market operations of the CBSL, with a particular focus on the first half of 2026. The MOR also presents two feature articles on timely topics and includes selected indicators of market operations and transactions.

Key Highlights:

- The Central Bank tightened its monetary policy stance in 2026 to safeguard price stability. Tightening of monetary policy, along with macroprudential and foreign exchange related measures, supported external sector stability.
- Surplus liquidity in the domestic money market persisted, supported primarily by the Central Bank's net foreign exchange purchases, despite intermittent declines.
- Short-term interest rates adjusted upward in response to monetary tightening, reflecting effective monetary policy transmission during the first half of 2026.
- The Central Bank aligned its monetary operations with the prevailing monetary policy stance to manage liquidity, steer short-term interest rates, and support orderly conditions in the money and foreign exchange markets.
- The exchange rate experienced some depreciation pressures during the first half of 2026 amid heightened global uncertainties and elevated foreign exchange demand.
- The Central Bank intervention in the domestic foreign exchange market was primarily aimed at curtailing undue exchange rate volatility while accumulating reserves at opportune times.
- Activity in the domestic interbank foreign exchange market moderated during the first half of 2026 amid heightened external uncertainties, before improving towards the end of the period.
- The growth in rupee deposits moderated during the first half of 2026, while refinements to the Statutory Reserve Requirement framework strengthened reserve management and the effectiveness of monetary operations.
- Currency in circulation and reserve money increased.
- The Central Bank's holdings of Government securities declined marginally during the first half of 2026.

The MOR is available in electronic form on the CBSL website:
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/market_operations_report_june_2026_e.pdf

A snapshot of the market operations and market dynamics is presented as an infographic:
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/market_operations_report_june_infographic_2026_e.pdf

SNAPSHOT OF MONETARY OPERATIONS AND MARKET DYNAMICS

MONEY MARKET LIQUIDITY IN H1/2026

Highest Surplus (Early March 2026): Rs. 403.8 bn

Average Surplus (H1/2026): Rs. 199.5 bn

Distribution (end Jun 2026/Rs. bn)

Domestic Banks :	(6.6)
Foreign Banks :	89.0
SPDs :	0.1

Surplus Liquidity in the Domestic Money Market (Rs. bn)

KEY FACTORS DRIVING LIQUIDITY IN H1/2026 (Rs. bn)

LIQUIDITY INJECTIONS

Net FX purchases by CBSL	+ 170.0
Net FX swaps by CBSL	+ 92.5
Profit transfer to the Government	+ 41.9

LIQUIDITY ABSORPTIONS

Net foreign loan repayments	(211.5)
Coupon payments to CBSL on its holding of Treasury bonds	(94.4)
Net currency withdrawals	(72.7)
Treasury bond maturities of CBSL	(10.8)

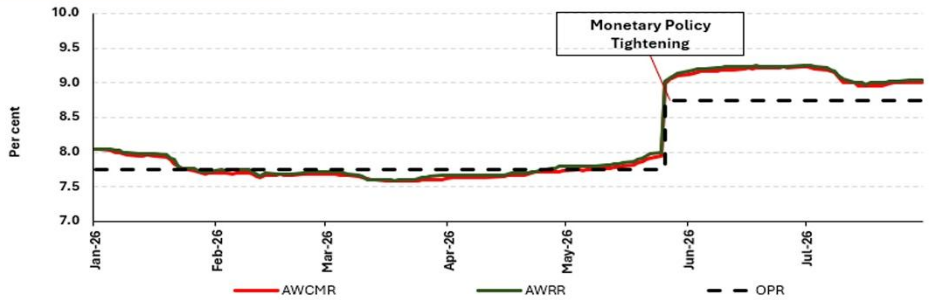
MOVEMENTS IN SHORT-TERM INTEREST RATES

Policy Rate Change:

OPR increased by 100 bps (26 May 2026)

Interest rates Movements:

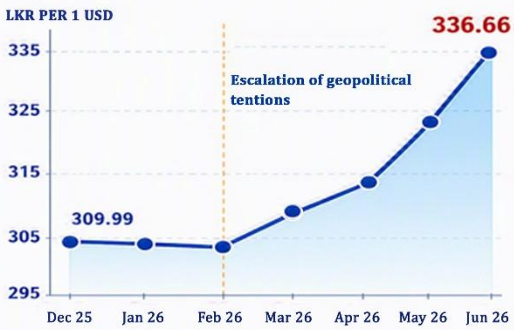
AWCMR responded to liquidity & market operations



	31-Dec-25	26-May-26	30-Jun-26
OPR	7.75	8.75	8.75
AWCMR	8.04	8.99	9.23
AWRR	8.06	9.02	9.25

EXCHANGE RATE MOVEMENTS, FX INTERVENTION AND GROSS OFFICIAL RESERVES IN H1/2026

MOVEMENTS OF INDICATIVE USD/LKR SPOT EXCHANGE RATE



7.9 % depreciation against USD

CBSL FX INTERVENTION (USD mn)

	Q1 2026	Q2 2026
Purchases	791	191
Sales	- 81	- 345
Net	+710 (Net purchaser)	-154 (Net seller)

NET PURCHASES (H1 2026)

USD 556 mn

GROSS OFFICIAL RESERVES (INCL. PBoC SWAP FACILITY)

END 2025
USD 6.8 bn

END-FEBRUARY 2026
USD 7.3 bn
POST-CRISIS HIGHEST

END-JUNE 2026
USD 6.5 bn