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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

# MARKET OPERATIONS REPORT

June 2024

CENTRAL BANK OF SRI LANKA



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## Overview

Maintaining domestic price stability is the primary objective of the Central Bank of Sri Lanka (The Central Bank). For this purpose, the Central Bank conducts monetary policy, which is the process by which it manages the supply and/or cost of money in the economy. At present, the Central Bank conducts monetary policy within a Flexible Inflation Targeting (FIT) framework, aiming at maintaining quarterly headline inflation rate at the target of 5.0 per cent subject to a tolerance margin of  $\pm 2$  percentage points. The Central Bank achieves this price stability objective by steering short term interest rates, which ultimately affects a broader spectrum of interest rates in the economy.

In order to operationalise monetary policy decisions, the Central Bank uses a range of policy instruments, mainly policy interest rates which forms by the lower and upper bound of the Standing Rate Corridor (SRC) and Open Market Operations (OMOs), to guide short term interest rates. By employing such policy instruments, the Central Bank attempts to maintain the Average Weighted Call Money Rate (AWCMR), which is the operating target of the current monetary policy framework, at desired levels consistent with the inflation target.

With a view to achieving the ultimate inflation target, the Central Bank conducts monetary operations to implement the monetary policy stance as decided by the Monetary Policy Board (MPB) of the Central Bank. Monetary operations ensure that the policy decisions taken by the MPB are transmitted to pose the intended impact on financial markets and the broader economy. Such monetary operations involve managing liquidity, which influences interest rates in the economy and affects the behaviour of the borrowers and lenders, economic activity, and ultimately the rate of inflation.

The monetary policy stance is operationalised in the domestic money market by the Domestic Operations Department (DOD) of the Central Bank by performing key functions, such as conducting monetary operations including OMOs and regulating statutory reserves of Licensed Commercial Banks (LCBs). DOD also maintains settlement accounts for the participants of the Real Time Gross Settlement System

(RTGS) and provides Intraday Liquidity Facility (ILF) to the RTGS participants. These market operations support the attainment of the price stability objective as well as the financial system stability objective of the Central Bank.

The Market Operations Report (MOR) published by the Central Bank, bi-annually, in line with its broader communication strategy, aims at enhancing the awareness and knowledge of the stakeholders of the economy on the monetary policy and market operations carried out by the Central Bank. Hence, the MOR presents a synopsis of the key monetary operations of the Central Bank, while articulating developments in the domestic money market in Sri Lanka. It covers information on the monetary policy stance and policy measures adopted by the Central Bank in the recent past, behaviour of central bank liquidity, movements of short term interest rates, and movements of the Statutory Reserve Requirement (SRR). A special article and selected indicators of market operations and transactions are also presented in the MOR.

## Highlights

- The tight monetary policy stance that prevailed since 2022 was eased by the Central Bank in June 2023, in view of the faster-than-expected decline in inflation, gradual dissipation of inflationary pressures, and anchoring of inflation expectations. The Central Bank reduced its policy interest rates by a cumulative of 650 basis points on four occasions during 2023. Further, in March 2024, the Central Bank reduced the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) of the Central Bank by 50 basis points. Accordingly, the SDFR and the SLFR remained at 8.50 per cent and 9.50 per cent, respectively by end June 2024.



- Liquidity deficit, which remained persistently high during the first half of 2022, improved considerably from end 2023 and recorded a surplus of Rs. 120.4 billion by end June 2024.

- To address liquidity deficit together with the segmented banking markets, the Central Bank intervened in the market through OMOs and injected a substantial amount of liquidity through reverse repo auctions on an overnight, short term, and long term basis.



- To address the liquidity deficit on a permanent basis, the SRR applicable on all rupee deposit liabilities of LCBs was reduced by the Central Bank to 2.0 per cent from 4.0 per cent on 16 August 2023, thereby releasing a sizable amount of liquidity to the banking system.

- With the intentions of reducing the overdependence of LCBs on overnight facilities offered by the Central Bank, and supporting the reactivation of the domestic money market, particularly the call money market, while compelling LCBs to introduce internal corrective measures, the Central Bank imposed restrictions on the Standing Facility to LCBs under the OMOs in January 2023.



- These measures yielded positive outcomes by way of reactivating domestic money markets and curtailing excessive competition for deposit mobilisation among financial institutions. It also induced a moderation in the market interest rate structure in line with the monetary policy stance, while preserving stability of financial institutions and financial system.
- With the developments in the domestic money market, as well as the improved behaviour of LCBs in terms of market participation along with improvements in liquidity, in 2024, the Central Bank relaxed the restrictions imposed on Standing Facilities to LCBs under OMOs.
- The AWCMR, which is the operating target of the monetary policy framework, declined towards the lower bound of SRC due to improved liquidity conditions supported by the aggressive OMOs of the Central Bank. Other short term interest rates also followed the same trend.
- The yields on government securities declined substantially due to the reduction in risk premia associated with uncertainties despite some mixed movements observed intermittently. Other market interest rates also adjusted downwards on the back of easing monetary conditions.

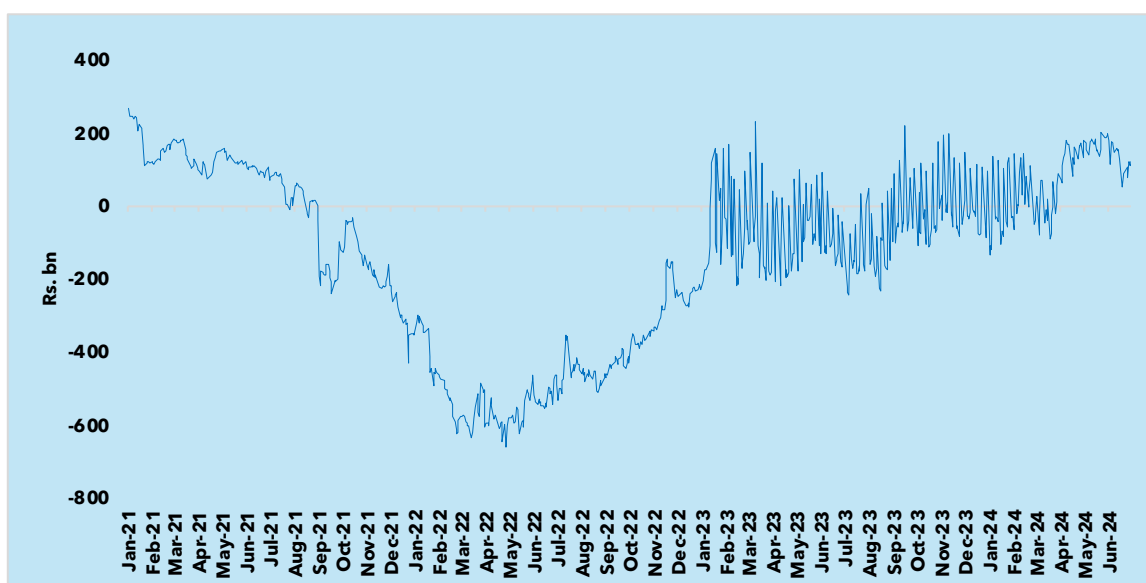
## Monetary Policy Stance in 2023 and 2024

- Following the tight monetary policy stance adopted in 2022, the Central Bank further increased policy interest rates by 100 basis points in March 2023 to ensure stability in the economy on multiple fronts. However, since inflation moderated faster than expected supported by the lagged impact of tight monetary and tight fiscal policies that were in place, as well as easing global commodity prices and its passthrough to domestic prices, appreciation of the exchange rate and the favourable base effect, the Central Bank commenced relaxing monetary policy stance since June 2023. Accordingly, the Central Bank reduced policy interest rates by 250 basis points in June 2023, 200 basis points in July 2023, 100 basis points in October 2023, as well as by another 100 basis points in November 2023, totaling 650 basis points. Accordingly, the SDFR and SLFR remained at 9.00 per cent and 10.00 per cent, respectively, at end December 2023.
- The Central Bank reduced the SRR applicable on all rupee deposit liabilities of LCBs by 200 basis points, from 4.0 per cent to 2.0 per cent, with effect from the reserve maintenance period commencing 16 August 2023. This decision was taken with a view to injecting durable liquidity into the banking system, while further reducing market liquidity deficit on a permanent basis, in line with the monetary policy stance of the Central Bank. The reduction in the SRR released around Rs. 200.0 billion of liquidity to the domestic money market, enabling a further downward adjustment in the market lending rates as a result of the reduction in the cost of funds of LCBs, thereby supporting the expansion in credit flows to the economy.
- Benefiting from the sustainable reduction in inflation and well anchored inflation expectations, the Central Bank continued to relax monetary policy in 2024. Accordingly, the Central Bank further reduced the SDFR and SLFR by 50 basis points in March 2024 and they remained at 8.50 per cent and 9.50 per cent, respectively, by end June 2024.

## Behaviour of Central Bank Liquidity Conditions

- Liquidity deficit, which remained persistently high during the first half of 2022, improved considerably towards the latter part of 2022. Liquidity levels further improved in 2023 and recorded a surplus of Rs. 120.4 billion by end June 2024.

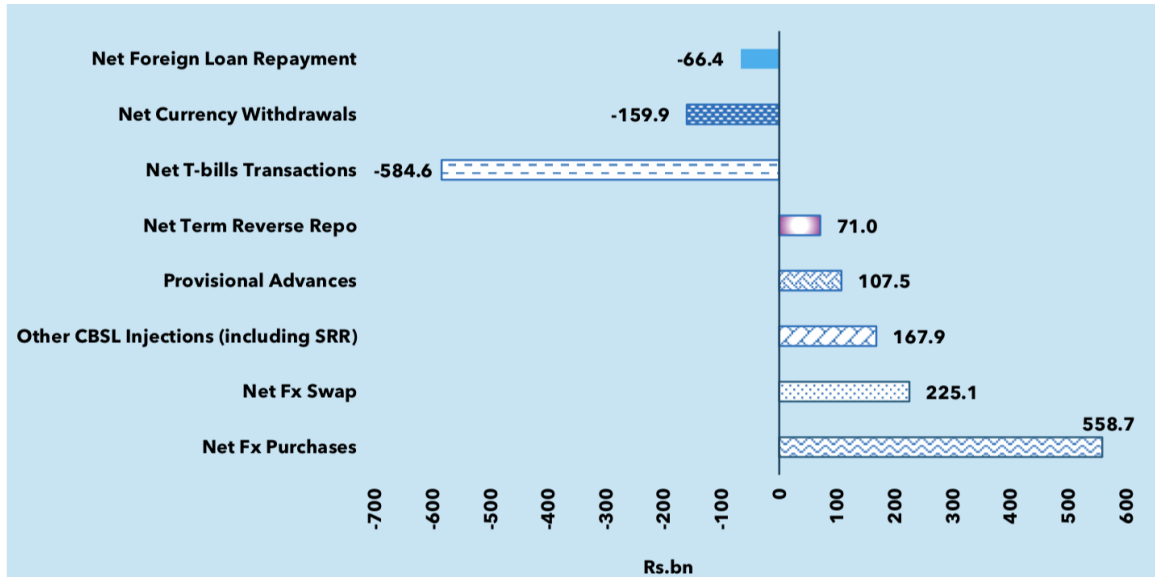
**Figure 1: Estimated Central Bank Liquidity Surplus/Deficit (January 2021 to June 2024)**



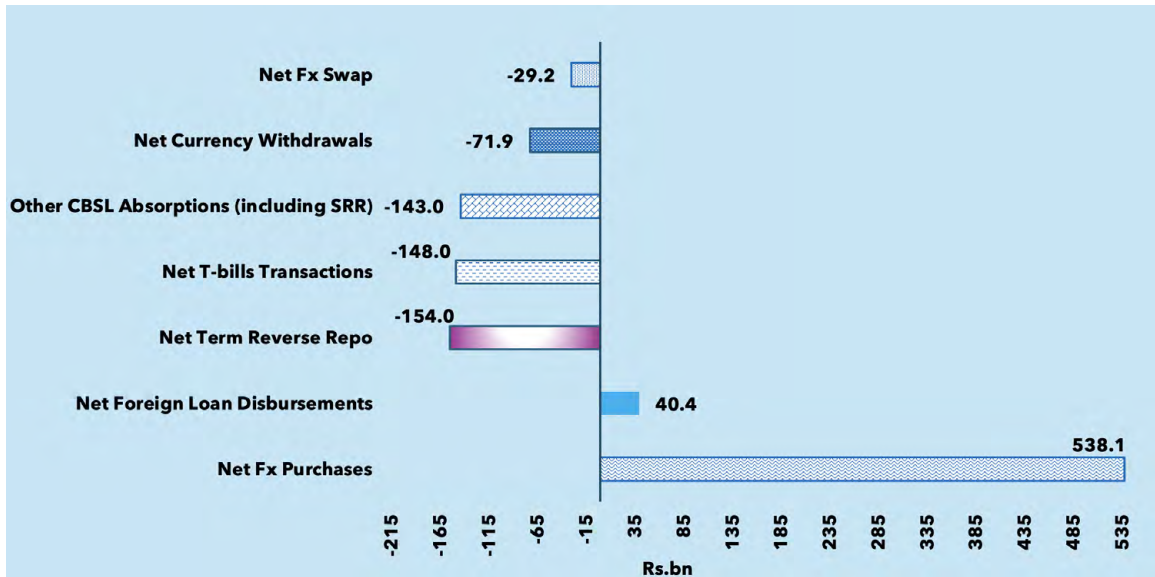
- Liquidity conditions improved driven by a host of factors, such as reduction in SRR, liquidity injections through foreign exchange transactions of the Central Bank and liquidity provision through term reverse repo auctions to LCBs.
- Factors such as maturities of Treasury bills holdings of the Central Bank, currency withdrawals by the LCBs from the Central Bank, and foreign loan repayments of the government resulted in an absorption of liquidity in 2023, while currency withdrawals, maturities of Treasury bills holdings of the Central Bank, and maturities of term reverse repo auctions caused a decline in domestic money market liquidity by end June 2024.

Figure 2: Factors Contributed to Change in Central Bank Liquidity

(a) From end 2022 to end 2023



(b) From end 2023 to end June 2024

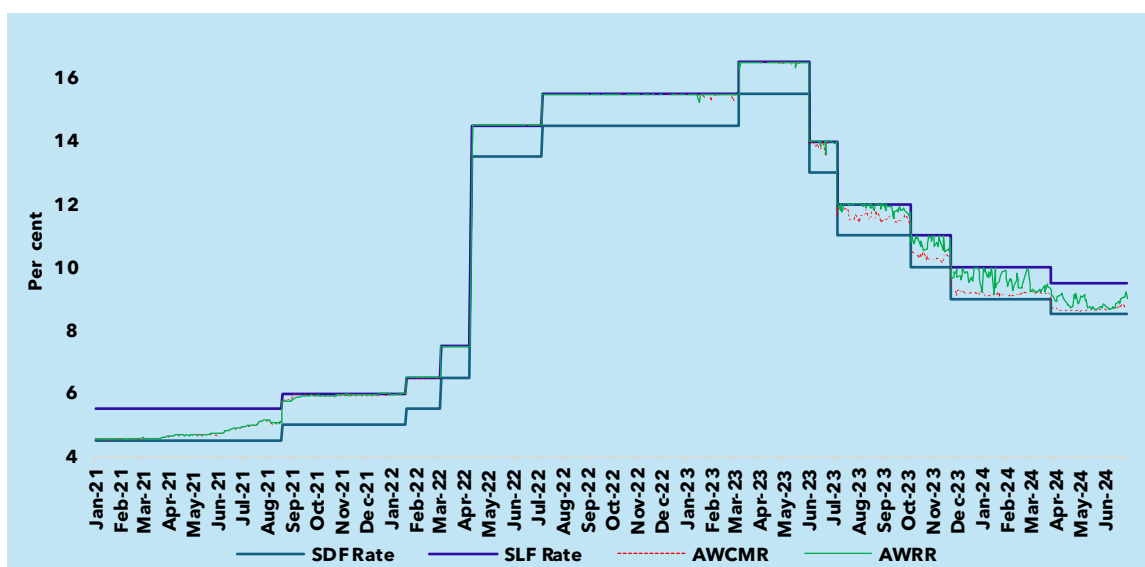


- The reduction in SRR from the reserve maintenance period commencing 16 August 2023 was instrumental in releasing approximately Rs. 200.0 billion worth of liquidity to the domestic money market. This caused an improvement in the liquidity in the banking system and helped reducing liquidity deficit on a permanent basis, in line with the relaxed monetary policy stance of the Central Bank.
- Following the imposition of restrictions to limit the Standing Facility for LCBs in January 2023, the Central Bank conducted regular reverse repo auctions by way of overnight, short term, and long term basis and injected a substantial amount of liquidity to the market in order to ensure certainty of liquidity. Since early April 2023, the Central Bank conducted OMOs aggressively in line with monetary relaxation measures. As a result, the liquidity levels improved notably by the end of December 2023. Liquidity was at a surplus of Rs. 88.0 billion by end 2023 and recorded Rs. 120.4 billion by end June 2024, even with limited injections of liquidity by the Central Bank through term reverse repo auctions.

## Movements in Short-Term Interest Rates

- The Central Bank reduced policy interest rates significantly by about 650 basis points during 2023 due to the faster-than-expected decline in inflation, gradual dissipation of inflationary pressures and well anchored inflation expectations. Continuing the monetary policy relaxation, policy interest rates were further reduced by 50 basis points in March 2024. In line with the policy rate adjustments together with the improvements in liquidity conditions, the AWCMR adjusted downward towards the middle rate of SRC since the latter part of July 2023. The Average Weighted Repo Rate (AWRR) also moved in line with the AWCMR. Accordingly, the AWCMR and AWRR recorded 9.24 per cent and 9.60 per cent, respectively, by end 2023. AWCMR and AWRR further declined and recorded at 8.75 per cent and 9.00 per cent, respectively, by end June 2024.

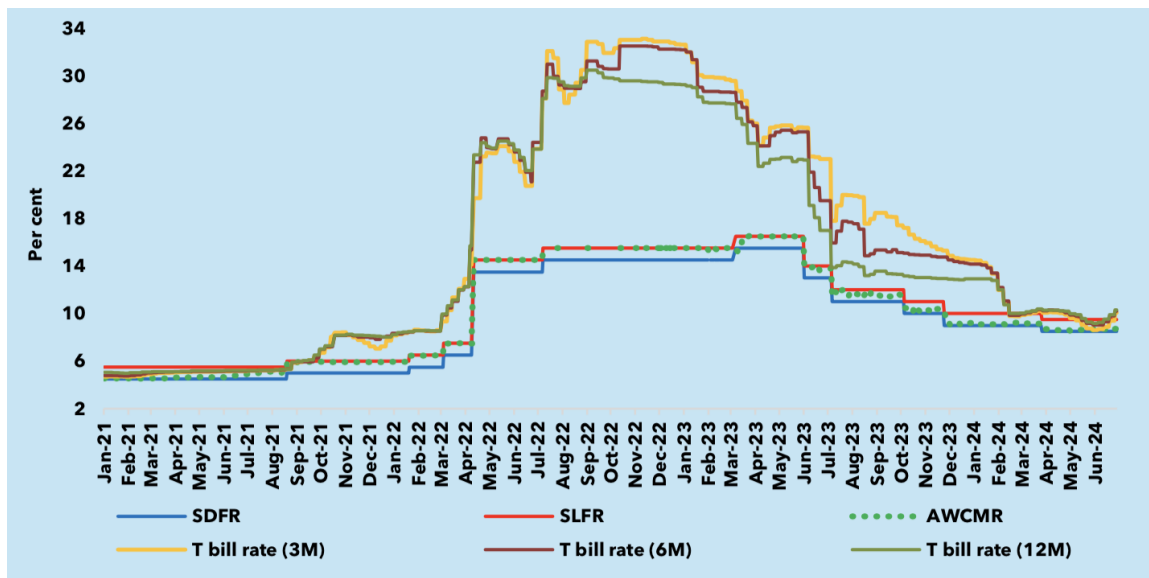
**Figure 3: SRC, Average Weighted Call Money Rate and Average Weighted Repo Rate (January 2021 to June 2024)**



- Following the unprecedented tightening of monetary policy, persistent cashflow pressures on the fiscal front, and uncertainties about debt restructuring perimeter, the yields on government securities rose significantly since the latter part of 2022. However, improved liquidity conditions, along with improved investor sentiment after the announcement of Domestic Debt Optimisation (DDO) plan has led to a notable moderation in the yields on government securities since July 2023 due to reduced risk premia. Further, the yields on government securities substantially declined in line with the relaxation of the monetary policy stance of the Central Bank.

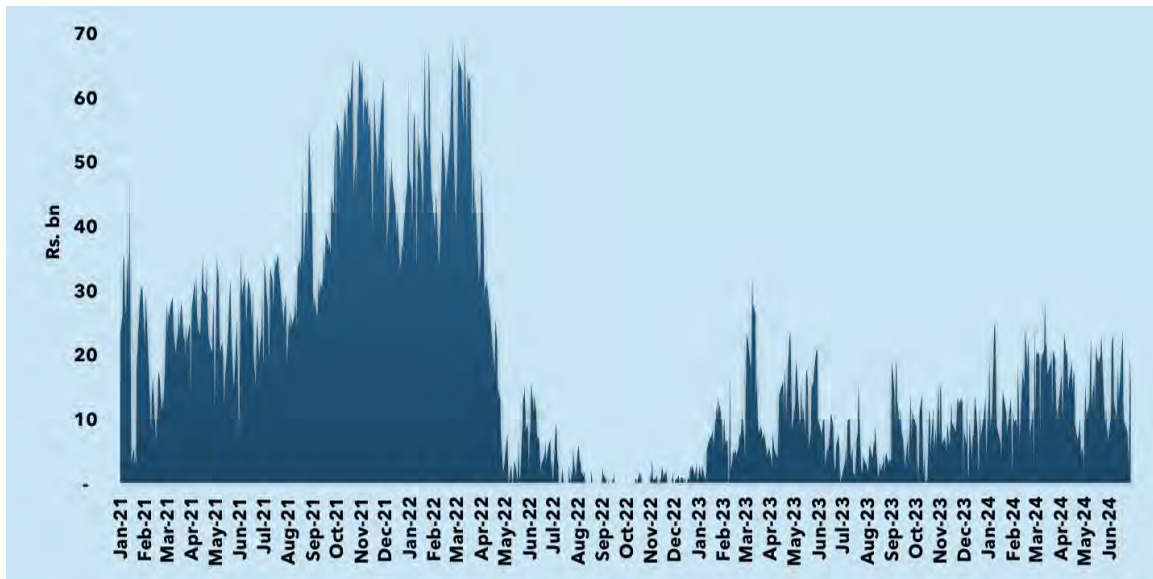
- The Central Bank imposed restrictions on the usage of the Standing Facilities to LCBs under OMOs with effect from 16 January 2023. These restrictions were imposed with the intention reducing the overdependence of LCBs on the overnight facilities offered by the Central Bank and to support reactivating the domestic money market, particularly call money market activities, while compelling LCBs to introduce internal corrective measures to improve liquidity.

**Figure 4: Behaviour of Policy Rates, AWCMR and Treasury Bill (T-bill) Yields (January 2021 to June 2024)**



- With the measures taken by the Central Bank to limit the Standing Facility, a reactivation of the domestic money market was observed in 2023, which remained inactive for a considerable period in 2022. Call money market volumes also picked up with the introduction of restrictions on the Standing Facilities since January 2023. Further, foreign banks’ participation in the call money market has improved since February 2024 due to the reintroduction of credit operations in the interbank call money market by major foreign banks. Accordingly, a positive momentum was observed in the domestic money market.

Figure 5: Daily Volumes of Overnight Call Money Transactions (January 2021 to June 2024)



- After reviewing the developments in the domestic money market, as well as the behaviour of LCBs in market participation along with the improvements in liquidity, the Central Bank relaxed the restrictions imposed on the Standing Facilities to LCBs under OMOs. Accordingly, with effect from the reserve maintenance period commencing 16 February 2024, the restriction on the Standing Lending Facility (SLF) was removed and the restriction on the Standing Deposit Facility (SDF) was relaxed from five (5) times to ten (10) times during a calendar month.
- Observing the developments in the domestic money market together with the positive sentiments by some foreign banks to expand interbank lending, the Central Bank completely removed the remaining restrictions on the SDF, effective from the reserve maintenance period commencing 01 April 2024.
- Relaxation of the restrictions on the SDF was expected to support the downward adjustments in the market interest rates as envisaged under the overall monetary policy stance of the Central Bank.

## **Special Article: Interbank Call Money Market and Average Weighted Call Money Rate**

Central banks worldwide employ operating targets, typically benchmark interest rates, to guide the effective monetary policy conduct. These targets serve to transmit policy decisions into real-world effects by influencing borrowing rates, investment decisions, and overall spending patterns. The signaling intent of these targets provides clear guidance on the central bank's stance and economic outlook, shaping expectations for businesses, investors, and financial markets.

Moreover, these targets play vital roles in managing inflation and expectations, ensuring price stability, and fostering economic confidence. Hence, clear and well-understood benchmarks enable policy flexibility, allowing central banks to adapt swiftly to economic shocks or changing circumstances.

Different central banks utilise a variety of benchmarks tailored to their specific economic contexts and policy objectives, reflecting diverse approaches to monetary policy implementation across the globe.

For example, the Reserve Bank of India (RBI) uses the Weighted Average Call Rate as its operating target to influence lending rates and economic activity, while the U.S. Federal Reserve System adjusts the Federal Funds Rate to signal its policy stance. Similarly, the Bank of Japan relies on the Uncollateralised Overnight Call Rate, and the European Central Bank (ECB) influences the Euro Short-Term Rate to manage domestic economic conditions, particularly inflation. Central banks adjust these operating targets according to the economic and monetary conditions, ensuring their relevance and effectiveness in guiding policy decisions and maintaining economic stability.

**Table S.A 1: Operating Targets of Monetary Policy of Selected Countries**

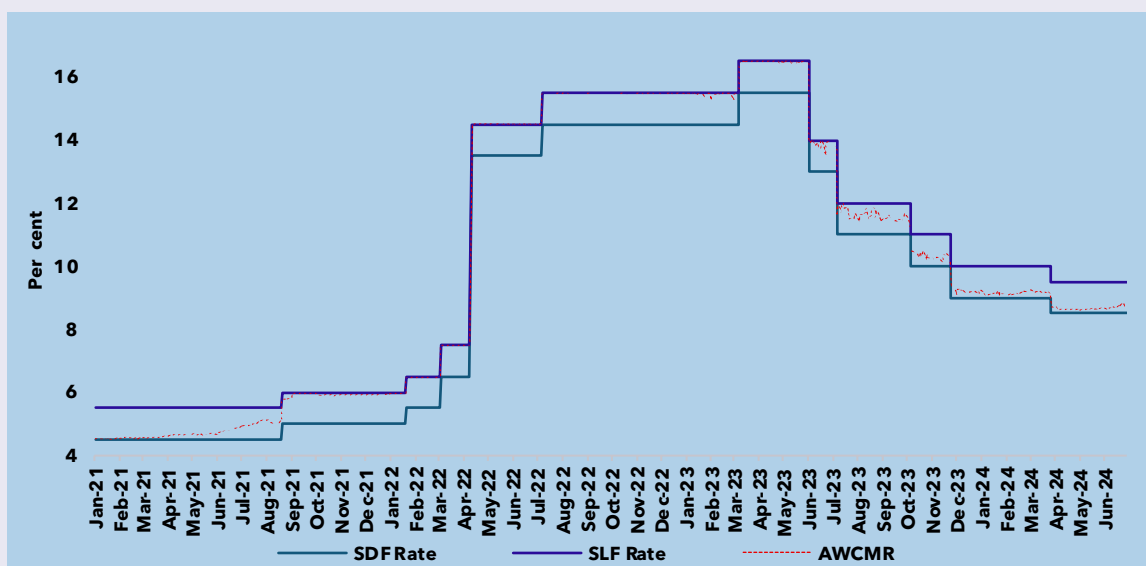
Country	Operating Target
USA	Federal Funds Rate (FFR)
Eurozone	Euro Short-Term Rate (€STR)
Australia	Cash Rate
Russia	Ruble Overnight Index Average (RUONIA)
India	Weighted Average Call Rate (WACR)
Japan	Uncollateralized Overnight Call Rate (UOCR)
South Korea	Overnight Call Rate (OCR)
Malaysia	Average Overnight Interbank Rate (AOIR)

The Central Bank of Sri Lanka prioritises price stability as its primary objective when conducting monetary policy, and the Central Bank operates within a Flexible Inflation Targeting (FIT) framework. Under this framework, the Central Bank adjusts monetary policy tools to maintain quarterly headline inflation rate at the target of 5.0 per cent, as measured by the Colombo Consumer Price Index (CCPI) subject to a tolerance margin of  $\pm 2$  percentage points, while also supporting sustainable economic growth.

Within this FIT framework, the Central Bank utilises key monetary policy instruments to guide short-term interest rates, with a particular focus on the Average Weighted Call Money Rate (AWCMR) as the operating target. This rate acts as a crucial link between the monetary policy framework and the money market, facilitating the transmission of policy decisions to the broader economy and aiding in achieving policy objectives of the Central Bank.

The sensitivity of the AWCMR to domestic money market liquidity conditions and changes in the monetary policy stance provides the basis for its role as the operating target variable. As an overnight rate, the AWCMR typically follows changes in the Standing Rate Corridor (SRC) and generally moves within this corridor.

Figure S.A 1: AWCMR and Standing Rate Corridor (January 2021 to June 2024)



The domestic money market in Sri Lanka comprises the interbank call money market and the repo market, where transactions occur by channeling funds between reserve accounts of Licensed Commercial Banks (LCBs) held with the Central Bank. The call money market, exclusive to LCBs, facilitates uncollateralised transactions based on trust and rapport between Participating Institutions (PIs). These transactions fulfill short-term funding needs, especially to maintain adequate settlement balances in the Reserve account at the Central Bank. While trading in the call market is subject to bilateral credit limits, typically assessed on a gross basis, its volume is largely determined by the level of business activity of the economy, constituting a significant portion of the domestic money market.

The call market serves as the primary source of short-term funds for LCBs in Sri Lanka to fulfill their need for reserves, particularly due to its convenience, cleanliness in loan transactions, and the presence of all LCBs. Borrowing from the call money market increases substantially during periods of high business activity or heightened financial transactions.

Table S.A. 2: Money Market Transactions

Transactions	Annual Volume (Rs.bn)			Daily Average Volume (Rs.bn)		
	2021	2022	2023	2021	2022	2023
Call Money (Overnight)	7,934.8	3,746.0	2,076.9	32.9	15.6	8.6
Repo (Overnight)	3,532.5	1,568.3	3,522.7	14.7	6.5	14.7

Call money transactions in Sri Lanka are predominantly limited to overnight tenor, essentially constituting a one-day loan. As such, an LCB borrowing funds today would repay the call money loan on the following business day, along with interest at the pre-agreed rate. However, transactions in other tenors, such as one week, two weeks, and one month are less frequent.

Given the pivotal role of the interbank call money market and the AWCMR as the operating target within the current FIT monetary policy framework, the Central Bank diligently monitors these transactions. The Central Bank compiles the AWCMR and publishes daily on its website and through its Open Market Operations (OMO) press releases.

To facilitate this monitoring, the Central Bank employs a web-based Central Integrated Market Monitor (CIMM) system. This system comprehensively captures daily money market transactions, including call, repo, Treasury bill, and foreign exchange transactions. Eligible market participants, including LCBs, Standalone Primary Dealers (SPDs), and the Employees' Provident Fund (EPF), are mandated to report all call and repo transactions to the CIMM within 15 minutes of execution, as per Operating Instructions of the Central Bank.

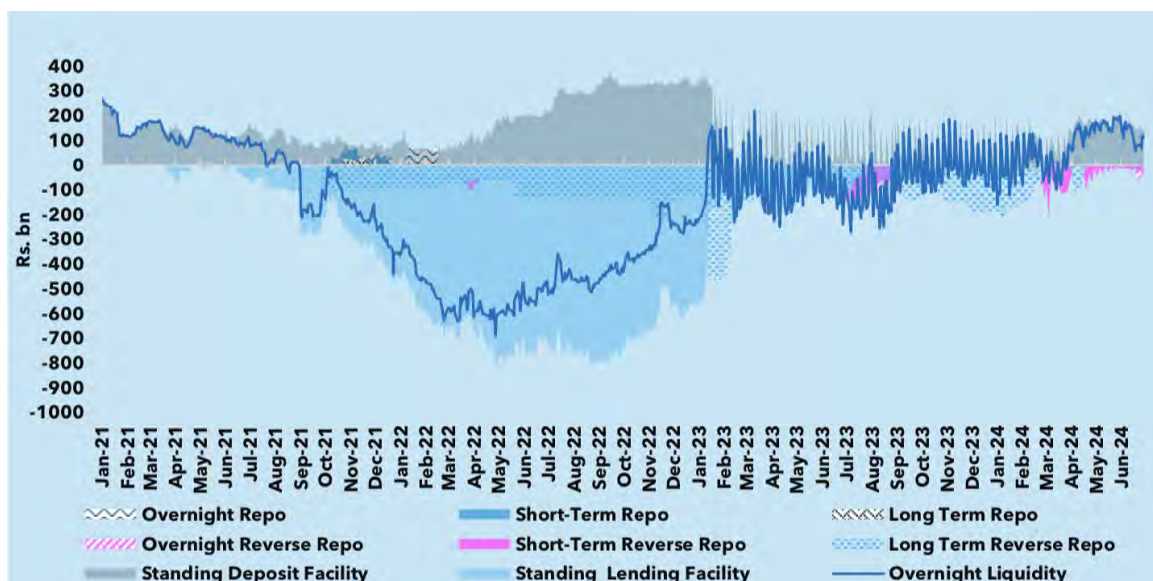
The AWCMR provides a comprehensive benchmark measure of the average interest rate in overnight call money transactions, reflecting both transaction size and interest rates. Other market interest rates, such as the Average Weighted Prime Rate (AWPR), Average Weighted New Lending Rate (AWNLR), and Average Weighted New Deposit Rate (AWNDR), move in line with the movements in short-term interest rates and the prevailing monetary policy stance. Hence, it underscores the significance of AWCMR as a benchmark.

## Monetary Operations of the Central Bank

### Open Market Operations

- The Central Bank attempts to maintain the AWCMR within the SRC by managing liquidity in the domestic money market using OMOs. Accordingly, being guided by the monetary policy stance of the Central Bank, OMOs were conducted aggressively from mid-April 2023 to ensure the availability of adequate liquidity with the view to inducing a downward adjustment in interest rates. Liquidity was provided by the Central Bank on overnight, short term, and long term basis.

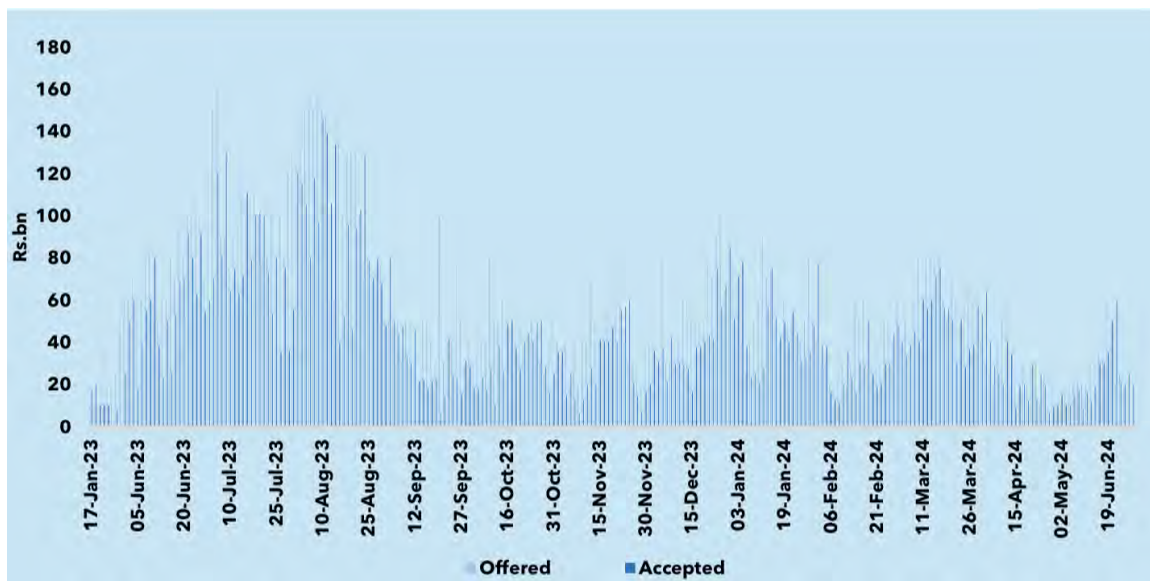
**Figure 6: Open Market Operations and Behaviour of the Overnight Liquidity (January 2021 to June 2024)**



- Under OMOs, the Central Bank conducted reverse repurchase auctions (reverse repo) continuously since mid-April 2023 considering the liquidity deficit in the domestic money market. Accordingly, by the end of December 2023, total injections through short term and long term reverse repurchase auctions were Rs. 1,450.3 billion and Rs. 1,393.3 billion, respectively. Accordingly, at end December 2023, total outstanding reverse repo transaction volume remained at Rs. 194.0 billion.

- The Central Bank continuously conducted reverse repurchase auctions on a daily basis during the first quarter of 2024 to inject liquidity to the domestic money market and create certainty on the availability of liquidity among market participants. However, from early May 2024, liquidity injections through reverse repurchase auctions were scaled down and accordingly, by end June 2024, total outstanding reverse repo amount was Rs. 40.0 billion.

**Figure 7: Overnight Reverse Repo Auctions (January 2023 to June 2024)**



**Figure 8: Short-term Reverse Repo Auctions (January 2023 to June 2024)**

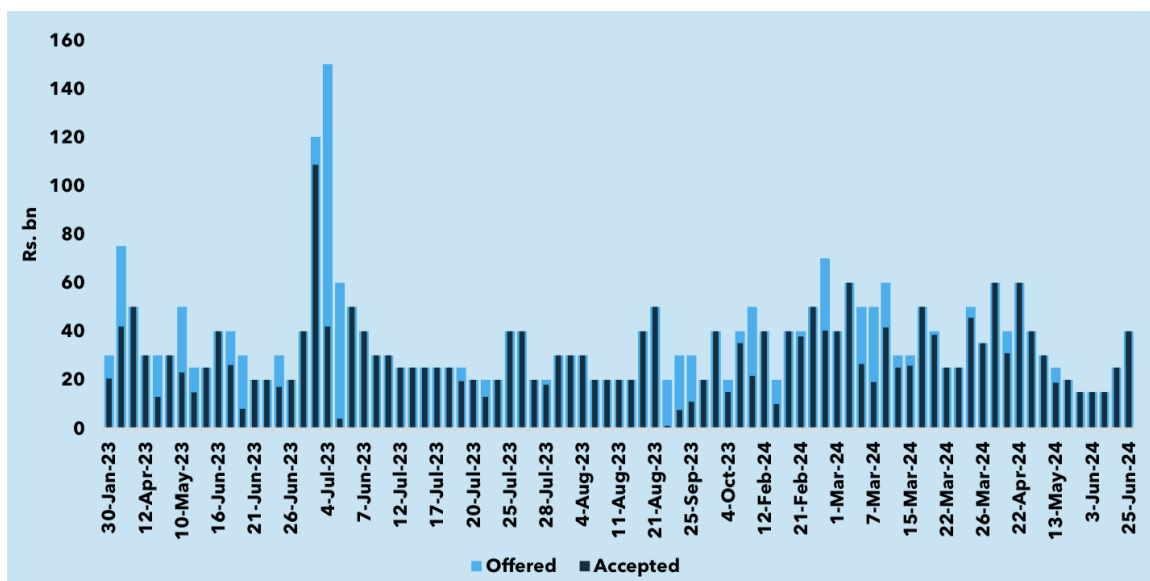
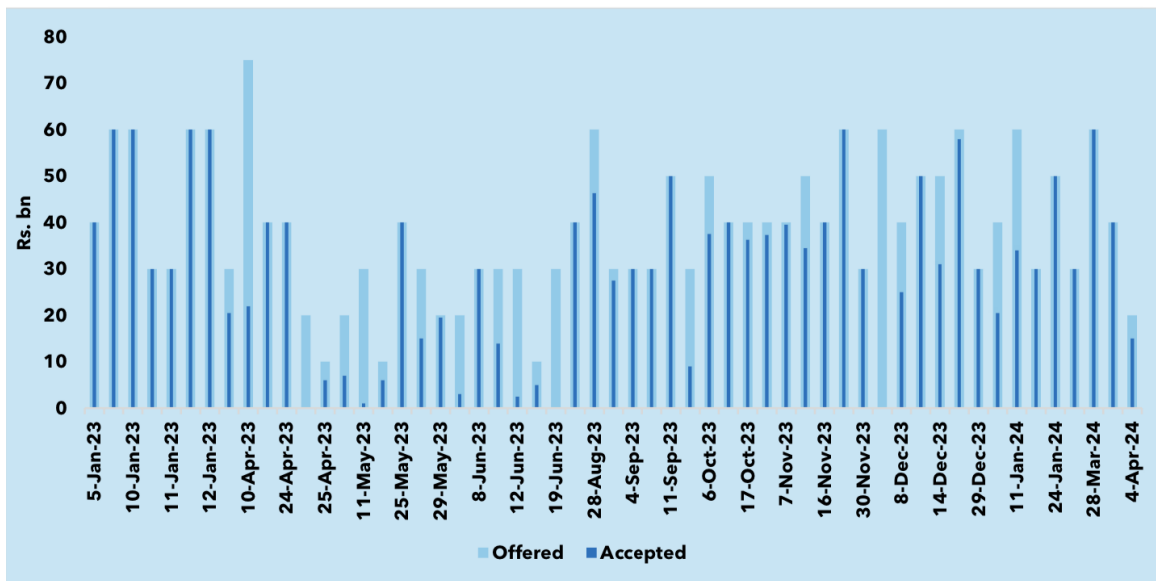


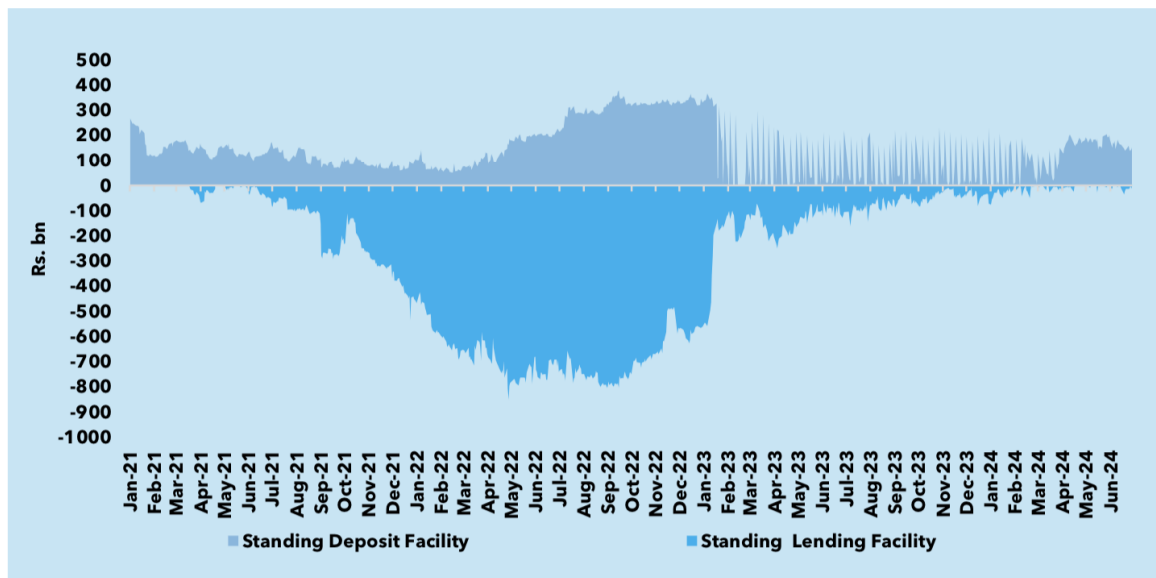
Figure 9: Long-Term Reverse Repo Auctions (January 2023 to June 2024)



### Standing Facilities

- Standing Facility is a window under OMOs that allows Participating Institutions (PIs) to deposit funds on an overnight basis without collaterals or to borrow funds overnight on collateralised basis. Accordingly, SDF is used to deposit excess liquidity of PIs with the Central Bank, while SLF is available to provide liquidity to PIs, when they are unable to fulfil their overnight liquidity requirements completely through the inter-bank money market and OMO auctions.

Figure 10: Standing Facility of the Central Bank (January 2021 to June 2024)

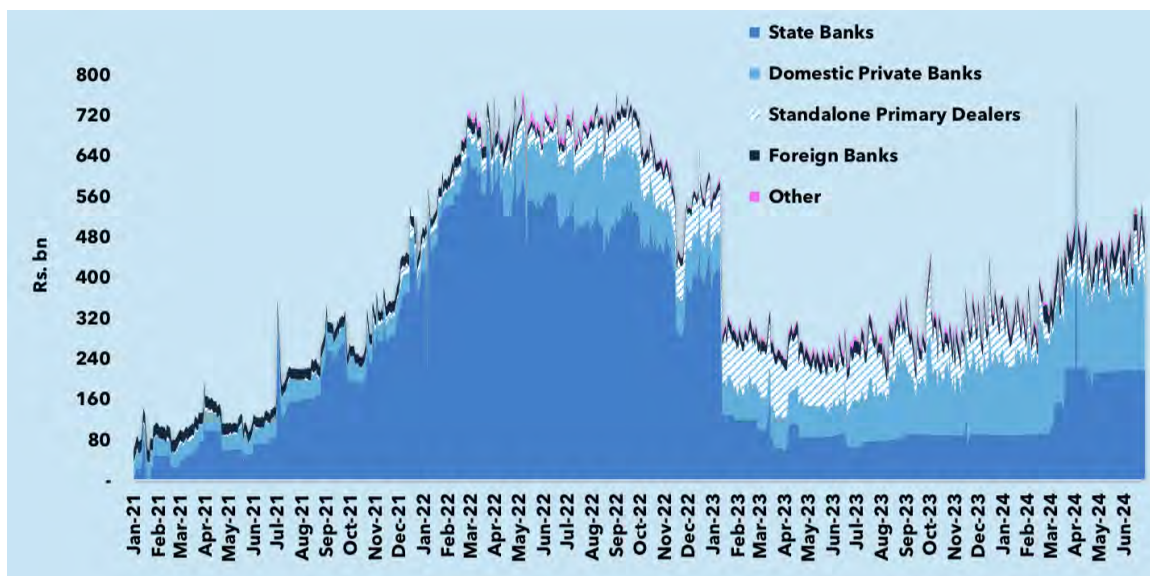


- However, with a view to reducing overdependence of LCBs on the overnight facilities offered by the Central Bank and to support the reactivation of the domestic money market, the Central Bank imposed restrictions on SDF and SLF resulting in less deposits and borrowings by PIs through the Standing Facility in 2023. Accordingly, the average amount accepted under SDF was Rs. 74.3 billion and the average amount granted under SLF was Rs. 107.5 billion by the end of 2023 compared to the average amount of Rs. 227.2 billion under SDF and the average amount of Rs. 679.4 billion under SLF by end December 2022. Further, the average amount accepted under SDF was Rs. 116.7 billion, and the average amount granted under SLF was Rs. 11.4 billion by end June 2024.

### Intra-day Liquidity Facility

- The Central Bank provides intra-day funding through the Intra-day Liquidity Facility (ILF) to the participants of the RTGS to ensure smooth and efficient operation of the payment and settlement system. This facility is provided free of charge against the collateral of Treasury bills /Treasury bonds, which are valued at their current market prices with a sufficient hair cut to absorb any variations in market prices during the day. The total value and the average daily value of ILF drawn by end 2023 amounted to Rs. 72,387.8 billion and Rs. 295.5 billion, respectively, compared to the Rs. 157,144.1 billion and Rs. 657.5 billion, respectively, reported by end December 2022. The total value and average daily value of ILF amounted to Rs. 48,652.9 billion and Rs. 412.3 billion, respectively, by end June 2024.

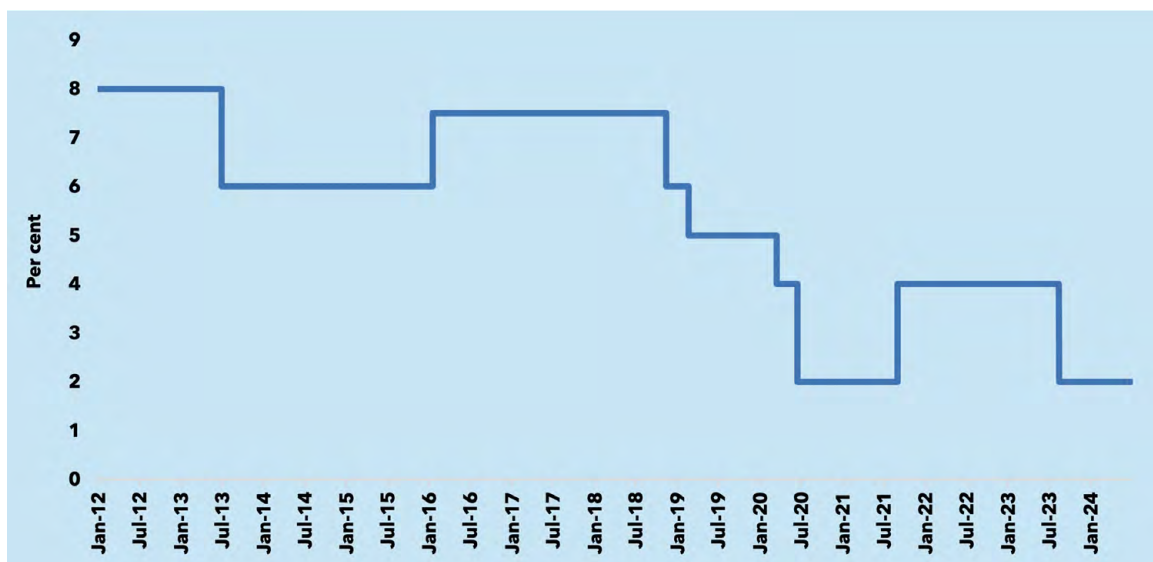
**Figure 11: Usage of Intraday Liquidity Facility (January 2021 to June 2024)**



## Movements in Deposit Liabilities of Licensed Commercial Banks and Statutory Reserve Requirement

- A marginal pickup in the growth of rupee deposit liabilities of LCBs, which was observed during the first half of 2023, decelerated with the easing of monetary conditions since June 2023. This trend appears to have continued during the first quarter of 2024 as well.
- The growth in rupee deposit liabilities in LCBs, which recorded at 7.50 per cent by end 2022, increased further to 11.70 per cent by end June 2023. The growth recorded a moderation thereafter and reached 10.50 per cent by end December 2023. However, a pickup in the growth was noted by end March 2024 and recorded a growth of 13.40 per cent during the first reserve maintenance period of June 2024.
- In absolute terms, the rupee deposit liabilities, which remained at Rs. 9,414.4 billion by end 2022, increased to Rs. 10,214.0 billion by end December 2023 and further to 11,379.0 billion by the end of the first reserve maintenance period of June 2024.

**Figure 12: Movements in Statutory Reserve Requirement Ratio  
(January 2012 to June 2024)**



- The Statutory Reserve Requirement (SRR) which is the proportion of the all rupee deposit liabilities that LCBs are required to maintain as a cash deposit in their settlement accounts with the Central Bank, was reduced by 200 basis points from 4.0 per cent to 2.0 per cent, with effect from the reserve maintenance period commencing 16 August 2023.

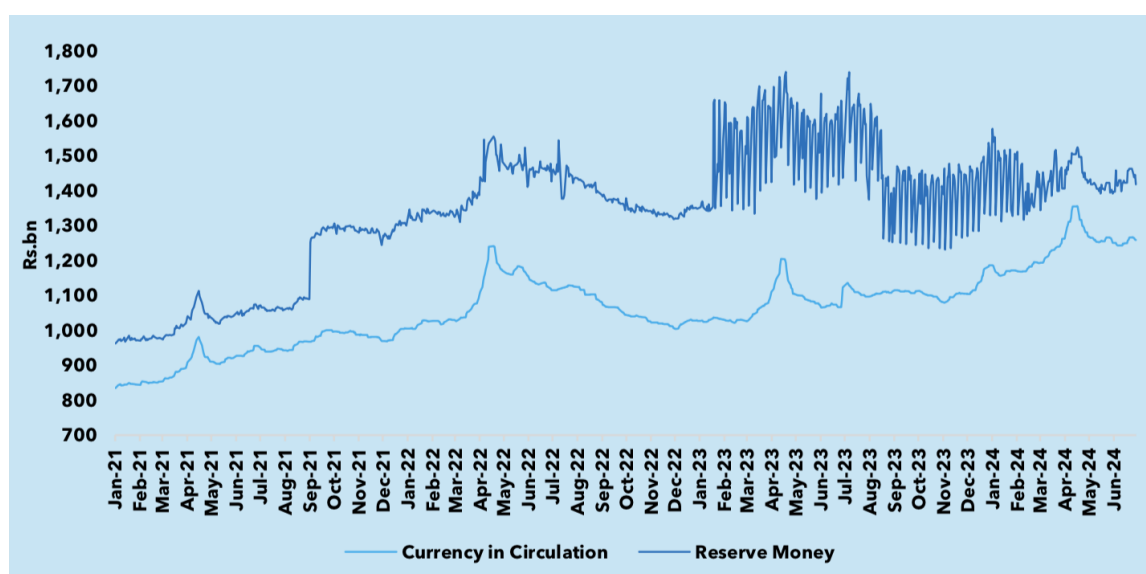
**Table 1: Changes in Components in Required Reserve Calculations**

Category to SRR	Value (Rs. billion)		
	August 2023 1 <sup>st</sup> Reserve Period	December 2023 2 <sup>nd</sup> Reserve Period	June 2024 1 <sup>st</sup> Reserve Period
	(SRR 4%)	(SRR 2%)	(SRR 2%)
1. Rupee Demand Deposits	699.0	674.5	734.0
2. Rupee Time & Savings Deposits	9,293.6	9,501.3	10,613.0
3. Other Rupee Deposits	33.3	38.2	32.5
4. Total Rupee Deposit Liabilities	10,026.0	10,214.0	11,379.5
5. Total Required Reserves	319.2	136.2	162.3
Percentage of Currency to Total Deposits	0.82	0.67	0.57

## Movements in Currency in Circulation and Reserve Money

- Currency in Circulation (CIC), which increased significantly during the festive season of April 2023, decreased thereafter. However, CIC recorded an uptick during the announcement of the Domestic Debt Optimisation (DDO) plan due to market uncertainty. Currency withdrawals were high in the latter part of 2023 due to holding of more cash in view of easing of monetary conditions and increased economic activities. Similarly, CIC increased significantly during the festive season of April 2024 and decreased thereafter, depicting a similar trend in normal economic conditions. The continued uptick in CIC in 2024 may be due to elevated preference to hold currency as a hedge against tax measures and increased cash based transactions in the economy together with the lower opportunity cost of holding currency due to reduced deposit interest rates.

**Figure 13: Reserve Money and Currency in Circulation (January 2021 to June 2024)**



- Reserve money, which is the monetary base of the economy, recorded a moderate growth during 2023 and continued to expand in 2024. However, it indicated a higher volatility after imposing restrictions on the Standing Facility. Reserve money increased to Rs. 1,417.7 billion by end June 2024, mainly due to the increase in CIC.

## Holding of Treasury Bills and Treasury Bonds of the Central Bank

- The Central Bank holding of government securities (Treasury Bills and Treasury Bonds) which is used for the monetary operations, remained at Rs. 2,598.2 billion by the end of December 2022. However, under the provisions of the Central Bank of Sri Lanka Act No. 16 of 2023 and the DDO Programme of the Government, the composition of Treasury bill/bond holding of the Central Bank has changed with effect from 21 September 2023 due to the conversion of outstanding credit extended to the Government by the Central Bank, into negotiable debt instruments with specified maturities. Accordingly, at end September 2023, Treasury bill/bond holding of the Central Bank amounted to Rs. 2,839.3 billion. Treasury bill/bond holding of the Central Bank amounted to Rs. 2,743.6 billion and Rs. 2,595.6 billion, respectively, at the end of 2023 and end of June 2024. The reduction of the holding indicates maturities of the government securities held by the Central Bank, which is in line with the requirement under the Extended Fund Facility (EFF) programme of the International Monetary Fund (IMF).

## Appendix: Selected Indicators of Market Operations and Transactions

Transactions	Volume (Rs. Billion)			Weighted Average Interest Rate		
				(Min-Max) - %		
	2022	2023	2024 (As of 28.06.2024)	2022	2023	2024 <sup>1</sup> (As of 28.06.2024)
<b>Money Market</b>						
Call Money (Overnight)	3,746.0	2,076.9	1,677.9	5.94- 15.50	9.10 -16.50	8.57-9.24
Repo (Overnight)	1,568.3	3,522.7	3,277.9	5.95-15.50	9.52 -16.50	8.68-10.00
<b>Open Market Operations</b>						
<i>Overnight Basis</i>						
Repo	1,533.3	-	-	5.96-6.49	-	-
Reverse Repo	-	7,484.7	3,405.5	-	9.05- 16.19	8.54-9.55
Liquidity Support Facility	-	-	-	-	-	-
<i>Short Term Basis</i>						
Repo	22.0	-	-	5.98-6.49	-	-
Reverse Repo	235.0	1,450.3	1,019.6	7.50	10.31-16.50	8.72-10.00
Liquidity Support Facility	-	-	-	-	-	-
<i>Long Term Basis</i>						
Repo	-	-	-	-	-	-
Reverse Repo	954.5	1,393.3	279.5	7.73-33.07	10.78-29.24	8.85-10.77
Liquidity Support Facility	-	-	-	-	-	-
<i>Outright Basis</i>						
Purchase of T-bills	-	-	-	-	-	-
Purchase of T-bonds	-	8.5	12.0	-	13.70-30.80	13.20-13.73
Sale of T-bills	23.5	-	-	20.75-26.97	-	-
Sale of T-bonds	-	-	-	-	-	-
<b>Standing Facility (at Policy Interest Rates)</b>						
Standing Deposit Facility	54,528.3	17,991.0	13,648.7	14.50 <sup>2</sup>	9.00 <sup>2</sup>	8.50 <sup>2</sup>
Standing Lending Facility	163,058.1	26,015.3	1,328.0	15.50 <sup>2</sup>	10.00 <sup>2</sup>	9.50 <sup>2</sup>
1 Minimum and maximum rates of the period						
2 End period rates						
Source: Central Bank of Sri Lanka						

