

Central Bank maintains SDFR and SLFR at current levels

The Central Bank Monetary Board at its meeting held on October 10, 2019, decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank at their current levels of 7 per cent and 8 per cent, respectively.

The Board arrived at this decision following a careful analysis of current and expected developments in the domestic economy and the financial market as well as the global economy.

The decision of the Monetary Board is consistent with the aim of maintaining inflation in the desired 4-6 per cent range while supporting economic growth to reach its potential over the medium term.

The global economic outlook continued to deteriorate largely on account of trade tensions and geopolitical uncertainties, while the global inflation outlook remained subdued with weak demand and low commodity prices.

According to provisional estimates published by the Department of Census and Statistics, the Sri Lankan economy grew by 1.6 per cent (year-on-year), in real terms, during the second quarter of 2019, following the growth of 3.7 per cent recorded in the first quarter of 2019. A notable slowdown was observed in the performance of the Services related activities, which were impacted severely by the Easter Sunday attacks.

Agriculture and Industry related activities are also estimated to have grown sluggishly during the second quarter of 2019, compared to the previous quarter.

Headline inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI) accelerated in September 2019 driven by increased prices of domestic food supplies. Headline inflation based on the National Consumer Price Index (NCPI), which attributes a larger weight to food items, is also likely to accelerate in September.

Recent Measures taken to Ease Monetary Policy and Monetary Conditions

