

Inflation expected to remain below 5 per cent in 2019

CBSL keeps policy interest rates unchanged

The current projections show that inflation, on average, will remain below 5 per cent in 2019 and stabilise in the range of 4-6 per cent thereafter with appropriate policy adjustments, stated the Monetary Policy Review issued by the Central Bank of Sri Lanka (CBSL) yesterday.

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 27 December 2018, has decided to maintain policy interest rates at their current levels. Accordingly, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) of the

Central Bank will remain at 8.00 per cent and 9.00 per cent, respectively.

The Board has considered current and expected developments in the domestic economy and the domestic financial markets as well as the global economic environment, with the broad aim of stabilising inflation at mid single digit levels in the medium term to enable the economy to achieve its potential growth.

As per the provisional estimates of the Department of Census and Statistics (DCS), the Sri Lankan economy recorded

a modest real GDP growth of 2.9 per cent, year-on-year, during the third quarter of 2018, compared to the revised growth of 3.6 per cent in the second quarter of 2018. As per the available economic indicators and other economic developments, real GDP growth is likely to be low in the fourth quarter of 2018 as well, before picking up gradually in 2019. The continued low economic growth reemphasises the need for implementing broad based structural reforms without further delay.

Please see page 3 for full text of the CBSL's Monetary Policy Review