

Interest Rate (%)	End Mar 18	End Jun 18	End Sep 18	End Oct 18	End Nov 18	As at 27 Dec 18
Policy Rates of the Central Bank						
Standing Deposit Facility Rate	7.25	7.25	7.25	7.25	8.00	8.00
Standing Lending Facility Rate	8.75	8.50	8.50	8.50	9.00	9.00
Average Weighted Call Money Rate (AWCMR)	8.41	8.50	8.40	8.44	8.96	9.00
Treasury bill yields (Primary market)						
91-day	8.17	8.32	8.56	9.48	10.01	-
182-day	-	8.85	-	9.75	9.99	9.99
364-day	9.69	9.39	9.51	10.39	11.20	11.20
Lending Rates						
Average Weighted Prime Lending Rate (Weekly)	11.55	11.33	11.74	12.25	12.03	11.93
Average Weighted Lending Rate (AWLR)	14.04	14.05	14.27	14.36	14.50	-
Average Weighted New Lending Rate (AWNLR)	14.25	13.94	14.22	14.32	14.51	-
Deposit Rates						
Average Weighted Deposit Rate (AWDR)	9.00	8.92	8.69	8.73	8.77	-
Average Weighted Fixed Deposit Rate (AWFDR)	11.41	11.26	10.84	10.78	10.81	-
Average Weighted New Deposit Rate (AWNDR)	10.33	10.57	9.72	10.09	10.38	-

Source: Central Bank of Sri Lanka

both in nominal and real terms.

In spite of the increased cost of funds and tight liquidity conditions, the year-on-year growth of credit to the private sector accelerated since September 2018, partly reflecting the private sector advancing its activities in anticipation of measures by the government and the Central Bank to curb excessive import growth. Nevertheless, with the contraction in net foreign assets of the banking system, the year-on-year growth of broad money (M2b) remained within the expected levels.

Favourable outlook for inflation in the near term

Headline inflation, based on both the National Consumer Price Index (NCPI) and the Colombo Consumer Price Index (CCPI), remained in low single digit levels. Core inflation also remained subdued thus far in 2018. Recent downward adjustments to fuel prices and selected administratively determined prices, as well as the reduction of Special Commodity and telecommunication levies, along with the ongoing recovery in the agriculture sector are expected to impact favourably on inflation in the near term. Volatile global commodity prices, possible weather related disruptions to

and the possible pass-through of the effect of the rupee depreciation in recent months to domestic prices pose risks to the inflation outlook. 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.

External sector continues to face international and domestic headwinds

The trade deficit widened further in the first ten months of 2018 with the expansion in import expenditure outpacing the growth of export earnings. However, a moderation in import expenditure is expected, in response to the measures adopted to curb imports of motor vehicles and non-essential goods as well as the impact of the depreciation of the rupee. While earnings from tourism continued to grow, a slowdown in workers' remittances was observed. In the financial account, both the government securities market and the Colombo Stock Exchange experienced net outflows of foreign investment, although marginal inflows have been observed in December. The widening trade deficit, tight conditions in the

net exerted pressure on the exchange rate, and the Sri Lankan rupee depreciated by 15.9 per cent against the US dollar thus far during 2018 up to 27 December. Meanwhile, gross official reserves amounted to US dollars 7.0 billion at end November 2018, providing an import cover of 3.7 months.

Policy interest rates maintained at current levels

Although inflation remains subdued and economic growth remains below potential, the Monetary Board of the Central Bank was of the view that it is appropriate to continue the current monetary policy stance to stabilise overall economic conditions and domestic financial markets in a context where there has been an uptick in private sector credit as well as continued pressure on external reserves. Accordingly, the Monetary Board decided to maintain the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) of the Central Bank at their current levels.

Monetary Policy Decision: Policy rates unchanged

Standing Deposit Facility Rate (SDFR) 8.00%
 Standing Lending Facility Rate (SLFR) 9.00%
 Statutory Reserve Ratio (SRR) 6.00%