

CBSL reduces key policy interest rates with eye on inflation

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 30 May 2019, decided to reduce the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 50 basis points to 7.50 per cent and 8.50 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, with the broad aim of stabilising inflation at mid-single digit levels in the medium term to enable the economy to reach its potential.

A dovish approach to monetary policy is observed globally Driven by a number of factors such as increased trade tensions, weakened business confidence and softened external demand, a slowdown in global economic growth is observed.

Table III: Interest Rates

Interest Rate (%)	End Dec 18	End Jan 19	End Feb 19	End Mar 19	End Apr 19	As at 30 May 19
Policy Rates of the Central Bank						
Standing Deposit Facility Rate	8.00	8.00	8.00	8.00	8.00	8.00
Standing Lending Facility Rate	9.00	9.00	9.00	9.00	9.00	9.00
Average Weighted Call Money Rate (AWCMR)	8.95	9.00	8.96	8.51	8.49	8.43
Treasury bill yields (Primary market)						
91□ day	□	□	9.55	9.39	8.89	8.52
182□ day	9.99	9.87	9.87	9.67	9.09	8.63
364□ day	11.20	10.69	10.67	10.40	9.81	8.88
Lending Rates						
Average Weighted Prime Lending Rate (Weekly)	12.09	12.27	12.51	12.23	12.20	11.93
Average Weighted Lending Rate (AWLR)	14.40	14.44	14.48	14.49	14.47	□
Average Weighted New Lending Rate (AWNLR)	14.44	14.41	14.60	14.56	14.62	□
Deposit Rates						
Average Weighted Deposit Rate (AWDR)	8.81	8.85	8.88	8.98	8.97	9.00
Average Weighted Fixed Deposit Rate (AWFDR)	10.85	10.91	10.96	11.11	11.15	11.19
Average Weighted New Deposit Rate (AWNDR)	10.94	11.21	11.13	11.42	11.24	□

Source: Central Bank of Sri Lanka

Table I: Inflation

Month		Jun 18	Sep 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19
Headline Inflation (Year on year % change)	CCPI (2013=100)	4.4	4.3	2.8	3.7	4.0	4.3	4.5
	NCPI (2013=100)	2.5	0.9	0.4	1.2	2.4	2.9	3.6
Core Inflation (Year on year % change)	CCPI (2013=100)	3.4	3.8	3.1	5.5	5.4	5.6	5.5
	NCPI (2013=100)	1.8	3.1	3.1	5.1	5.5	5.8	6.3

Source: Department of Census and Statistics

Table II: Monetary Sector Developments (Provisional)

Indicator	Outstanding Amount (Rs. billion)					Year □ on □ Year % Change				
	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19
Reserve Money	961	949	963	963	924	2.3	2.1	2.7	(3.4)	(7.6)
Broad Money (M _{2s})	7,128	7,111	7,189	7,252	7,294	13.0	11.5	11.4	9.8	9.0
Net Foreign Assets (NFA)	(67)	(129)	(103)	22	109	(155.1)	(201.3)	(189.2)	(79.4)	(8.6)
Net Domestic Assets (NDA)	7,195	7,240	7,292	7,230	7,185	16.3	15.8	15.1	11.2	9.3
Net Credit to the Government (NCG)	2,515	2,625	2,672	2,613	2,594	16.0	18.2	19.0	14.7	11.7
Credit to Public Corporations	755	711	715	703	726	40.7	34.6	31.0	26.2	24.9
Credit to the Private Sector	5,561	5,557	5,565	5,588	5,544	15.9	14.8	13.6	11.3	9.9
Broad Money (M _{1s})	8,730	8,741	8,831	8,901	8,966	12.0	10.7	10.7	9.7	9.1