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## The Central Bank of Sri Lanka releases the Monetary Policy Report – February 2025

The Central Bank released its first Monetary Policy Report for 2025 in keeping with the requirements of the Central Bank of Sri Lanka Act, No. 16 of 2023. The Monetary Policy Report is published biannually, and the content of the current Report is based on information, which the Monetary Policy Board of the Central Bank considered in formulating the monetary policy decision during the January 2025 review.

The Monetary Policy Report provides forward-looking insights about the economy, particularly in terms of inflation and economic growth. The Report also aims to provide an assessment of risks to the projections on inflation and economic growth, considering the ongoing and expected developments on domestic and global fronts. Through this Report, the Central Bank strives to improve transparency and accountability by communicating the rationale behind its recent monetary policy decisions.

### The key highlights

- The monetary policy stance was further eased in late 2024, while the accommodative monetary policy stance continued into January 2025.
- The Central Bank implemented a single policy interest rate mechanism, introducing the Overnight Policy Rate as the primary monetary policy tool.
- Headline inflation (year-on-year) remained in the negative territory since September 2024 mainly due to significant reductions in energy prices.
- Following the projected near term deflation in early 2025, headline inflation is forecast to increase and converge to the targeted level of 5 per cent over the medium term.
- Economic activity continued its recovery in 2024, supported by eased monetary conditions and improving investor confidence.
- With the effective implementation of necessary structural reforms and growth-oriented policies, the growth momentum of the economy is expected to continue.

*The Monetary Policy Report, which is an online publication, is available on the official website of the Central Bank at <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/monetary-policy-reports>.*