

Market Update

Key Takeaways from CBSL Policy Agenda 2026

MONETARY POLICY, INFLATION & GROWTH

Monetary Policy

- CBSL maintained an accommodative stance, with policy seen as appropriate to guide inflation back to target. Short-term rate deviations from OPR in late 2025 viewed as transitory.
- As required by law, there will be a review of the agreement with the Government regarding the inflation target this year
- **Monetary policy will continue to be data-driven, utilizing improved modeling and high-frequency data for real-time surveillance.**
- A single policy rate mechanism, operationalized through the Overnight Policy Rate (OPR), will remain the primary tool for managing market liquidity.

Inflation

- **Prior Ditwah, inflation was expected to gradually rise and** risks (cyclone-related disruptions, potential utility price adjustments, geopolitics). **converge to the 5% target by 2H 2026.** No immediate easing signaled in the near term due to supply-side
- Inflation risks are two-sided:
 - Upside: supply chain damage, climate shocks, administered price hikes
 - Downside: demand normalization, anchored expectations

GDP growth

- **Projected at ~4–5% in 2026E**, supported by:
 - Continued private sector credit expansion
 - Reconstruction and post-disaster recovery spending
 - Improved macro buffers vs past cycles

EXTERNAL & BANKING SECTOR

External Sector

- External current account surplus recorded for the third consecutive year
- FX pressures emerged in 2025 due to vehicle import surge, but exchange rate remained market-determined and relatively stable, with gradual depreciation.
- **Gross Official Reserves rose to ~USD 6.8bn (highest since crisis)** which was largely supported by US dollars 2.0Bn in net foreign exchange purchases made by the Central Bank. **CBSL committed to reserve accumulation via market purchases, while allowing FX flexibility.**
- **Benchmark intra-day reference exchange rate to be introduced in 2026** to improve FX market transparency and pricing

Banking Sector

- Banking and finance sectors show improved asset quality, profitability, capital and liquidity buffers.
- **SRR framework adjustments in 2026:**
 - Redefined reserve maintenance period
 - Phased removal of till-cash concession
 - Higher daily minimum reserve requirement
- Countercyclical Capital Buffer (CCyB) remains a key tool going forward.
- **Continued push for bank and finance company consolidation** to support scale, efficiency, and large-ticket investments.

Other

- Formulation of Phase II of the National Financial Inclusion Strategy in 2026.
- A National Payment System Roadmap for 2025–2027 has been developed to move toward a digitalized, "less-cash" economy.

MONETARY POLICY ADVANCE RELEASE CALENDAR- 2026

Cycle	Monetary Policy Board Meeting	Monetary Policy Announcement
1	27 th January	28 th January (Monetary Policy Report – on or before 15 February)
2	24 th March	25 th March
3	25 th May	26 th May
4	21 st July	22 nd July (Monetary Policy Report – on or before 15 August)
5	29 th September	30 th September
6	19 th November	20 th November

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