

## **P Nandalal Weerasinghe: Safeguarding stability in a world of shocks**

Speech by Dr P Nandalal Weerasinghe, Governor of the Central Bank of Sri Lanka, at the Inauguration of the Central Bank of Sri Lanka's 14th International Research Conference, Colombo, 8 December 2025.

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First of all, let me extend a warm welcome to all of you gathered here for the 14th International Research Conference of the Central Bank of Sri Lanka. This annual forum has long served as an important platform for academics, researchers, central bankers, policymakers, and our international partners to engage in rigorous dialogue and exchange of ideas on policy research. While this international research conference promotes the Central Bank's research culture, which is essential for the formulation of theoretically sound and evidence-based macroeconomic policies, it also strengthens our valuable collaborations with the global research community.

This conference is the first in a series of three events comprising the International Research Symposium for this year, organised to mark the Central Bank's 75th Anniversary, as you know we have several events during the year. Over the next two days, we will also host the SAARCFINANCE Database Seminar 2025 and the CBSL–ADB–APAEA Joint Workshop, further fostering regional and international engagement in research and policy dialogue, all three of these events together to celebrate our 75th Anniversary.

Today, we are deeply honoured to welcome Dr. Michael Patra, a veteran Central Banker, who was at the Fund, at the same office constituency and a strong support to Sri Lanka all the time, a pioneer member of the Monetary Policy Committee established in India for the same purpose, an eminent economist and former Deputy Governor of the Reserve Bank of India, whose presence adds significant value to this year's conference. Dr. Patra's distinguished career and extensive policy expertise are invaluable to our deliberations, and we are pleased to have him with us today, to share his insights and experience.

We are hosting this conference at a particularly challenging time for Sri Lanka. The Cyclone Ditwah and resultant devastating floods and landslides have caused a tragic loss of life and widespread displacement of families across the country. We extend our heartfelt condolences to all those affected, and we recognise the extraordinary humanitarian efforts unfolding to support our communities in distress. This tragedy is not only a profound human catastrophe; it is also a powerful reminder of how climate-related shocks can threaten economic and financial stability. Just as Sri Lanka was beginning to regain stability after the economic crisis and cautiously steer itself back onto a growth trajectory, this disaster has underscored how fragile stability can be. But Sri Lanka as a country has demonstrated how it could overcome the multiple crises that it encountered in recent history in an astonishingly resilient manner. We are confident that this time too Sri Lanka will overcome this massive natural calamity as it did over the years. Building resilience, therefore, is not optional; it is necessary and essential.

As we look ahead, it is increasingly evident that uncertainty has become the defining feature of the global economy. During the 2025 Annual Meetings, Ms. Kristalina

Georgieva, Managing Director of the IMF, emphasised that "uncertainty is the new normal, and it is here to stay." This underscores that the world is now navigating a landscape shaped by overlapping and multiple shocks from escalating geopolitical tensions, rising protectionism, leading to geoeconomic fragmentation and rapidly evolving patterns of trade and finance. These multidimensional risks amplify vulnerabilities, particularly for small open economies, and necessitate far stronger resilience. For central bankers, navigating this environment has become especially challenging: inflation forecasting is increasingly complicated by recurrent supply-side shocks, while climate-related risks must now be integrated into macroeconomic modelling, monetary policy formulation, and financial sector oversight. In such a world, the task of stabilisation requires not only sound judgement, but also agile policy frameworks, innovative analytical tools, and institutions capable of responding swiftly to shocks that are more frequent, more interconnected, and far less predictable than in the past.

The theme of this year's conference, "Stability for Prosperity," is both timely and compelling, as the challenging global and domestic economic landscape reminds us that enduring prosperity is built on the foundation of overall macroeconomic and financial stability. Stable macroeconomic conditions provide clarity and predictability that households, businesses, and investors need to make long-term decisions with confidence. Stability lays the foundation for investment, job creation, and innovation, while enabling economies to better withstand economic, financial, or climate-related shocks without derailing growth. In a world where disruptions are frequent and increasingly interconnected, stability is not merely desirable, it is indispensable. Without a stable macroeconomic environment, the pursuit of shared prosperity becomes increasingly difficult, particularly for economies that remain highly vulnerable to shocks.

Central banks play a pivotal role in safeguarding this stability. While maintaining price stability and ensuring financial system stability remains at the core of our mandates, the scope of our responsibilities has expanded considerably. The task before us is no longer merely to respond when crises arise, but to anticipate emerging vulnerabilities and build the buffers that reinforce stability well before shocks materialise. By doing so, central banks enhance the resilience of economies and uphold the conditions necessary for durable and broad-based prosperity.

In this context, building strong buffers is an essential element in safeguarding stability. Recent experiences, such as recovering from a severe economic crisis and then facing the devastation caused by a cyclone, underscore why preparedness matters. Global or domestic shocks, whether from trade disruptions, shifts in global tariffs, or unforeseen crises such as pandemics or natural disasters, are beyond our control. What is within our control, however, is preparing for these shocks. That is why we need to place strong emphasis on building resilience through multiple shocks and multiple buffers that can be mobilised when needed by building external reserves, restoring fiscal space through sustained revenue-based consolidation and comprehensive state-owned enterprise reforms, strengthening the financial system through sound and well-capitalised institutions, and developing effective disaster-response mechanisms. It is pertinent to mention that, unlike in the recent economic crisis, Sri Lanka has since built reasonably strong buffers on the fiscal, monetary, financial and external fronts providing ample policy space to face and respond to a natural catastrophe of this scale. Ultimately, preparedness is the strongest defence against both economic and climate-

related shocks, enabling us to absorb disruptions without derailing long-term stability and growth.

In this backdrop, the value of strong data, rigorous research, and evidence-based policymaking becomes even more significant. Preparedness is strengthened not only by buffers but also by the ability to anticipate emerging vulnerabilities through timely, high-frequency, and granular data. Well-grounded research enhances forecasting accuracy, informs the calibration of monetary and macroprudential tools, and supports policy decisions that are both proactive and resilient. In a world where shocks are increasingly frequent, interconnected, and complex, cultivating a robust research culture is indispensable for modern central banking. At the same time, new technologies, including artificial intelligence, offer significant opportunities to deepen analytical capabilities, while also introducing challenges that must be carefully managed.

In an environment where shocks transcend borders, collaboration has become more essential than ever. Platforms such as this International Research Conference not only showcase high-quality research but also strengthen partnerships with the global research community, enabling policymakers to integrate cutting-edge insights into their policy frameworks. Enhanced cooperation among central banks, governments, academia, development partners, and international institutions is vital for sharing knowledge, best practices, and innovation.

Hosting this conference at this moment, despite recent national challenges, reflects our continued commitment to research, dialogue, and global engagement. It is a testament to our resilience and to the value we place on academic and policy collaboration as we work together to shape policies that safeguard stability and promote inclusive prosperity.

Finally, I take this opportunity to congratulate the researchers whose papers were competitively selected for presentation at today's conference. I wish you a very productive conference with interesting discussions and exchange of knowledge. Thank you.