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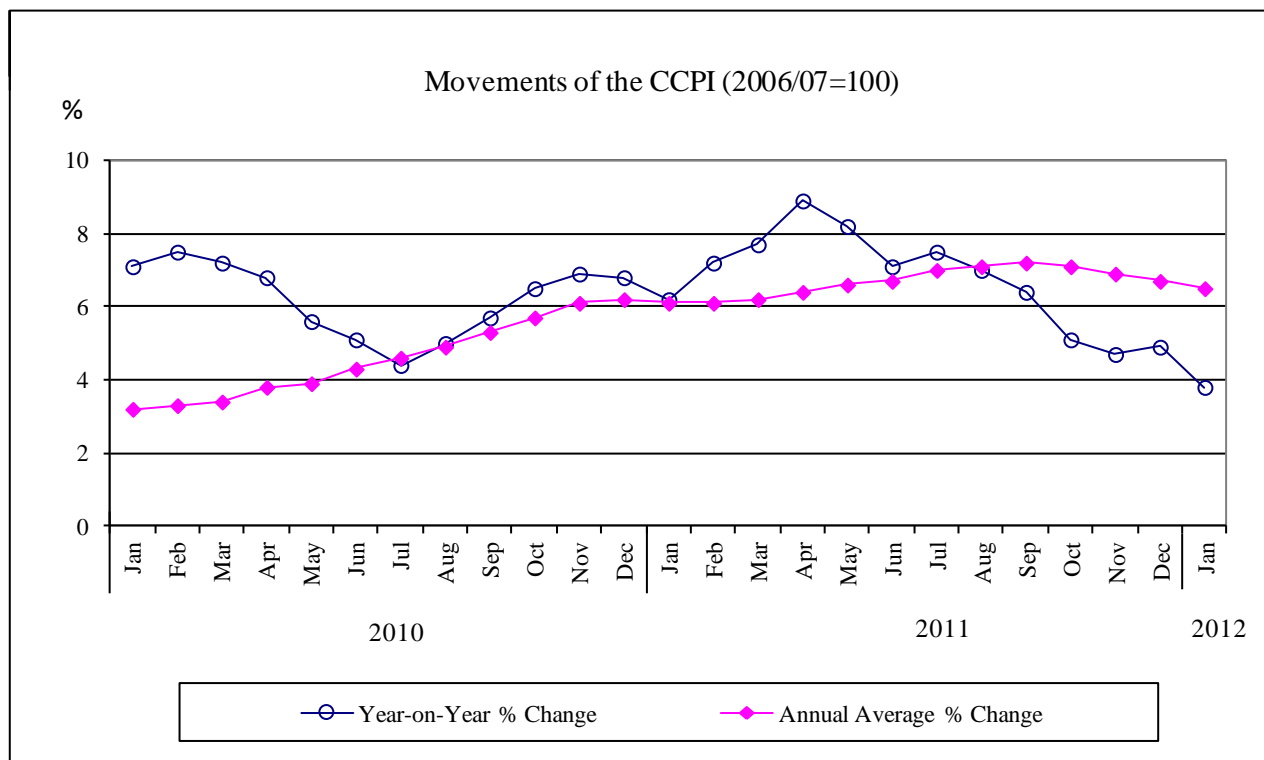
# Press Release

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## Inflation drops in January 2012

Year-on-year (YoY) inflation, as measured by the Colombo Consumers' Price Index (CCPI) (2006/07=100) computed by the Department of Census and Statistics, decreased significantly to 3.8 per cent in January 2012 from 4.9 per cent in December 2011. The annual average inflation also decreased to 6.5 per cent in January from 6.7 per cent in December 2011. In addition, the core inflation, which is computed by excluding the items of fresh food, energy, transport, rice and coconut from the CCPI basket, continued to decline for the fourth consecutive month to 6.7 per cent on an annual average basis in January 2012. Meanwhile, the YoY core inflation remained unchanged at 4.7 per cent in January 2012.



Meanwhile, the general price level as indicated by the monthly index recorded an increase of 0.3 per cent in January 2012 over the previous month, with the Index increasing in absolute terms to 154.8 from 154.4. The contribution to the monthly increase in the Index came mainly from price increases in the non-food category. Accordingly, prices in the sub categories of Transport (2.0 per cent); Housing, water, electricity, gas and other fuels (0.3 per cent); Furnishing, household equipment and routine household maintenance (1.1 per cent); Health (0.5 per cent); Clothing and footwear (0.5 per cent); Recreation and culture (0.4 per cent); Miscellaneous goods and services (0.2 per cent); and Education (0.1 per cent) increased compared to the previous month. Meanwhile, the prices in the sub category of Communication remained unchanged during the month. However, the prices of the sub category of Food and non alcoholic beverages decreased by 0.3 per cent in January compared to December 2011. Within the Food sub category, prices of some varieties of vegetables, potatoes, big onions, limes, green chillies, dried chillies and sugar declined due to improvements in supply.