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CENTRAL BANK OF SRI LANKA

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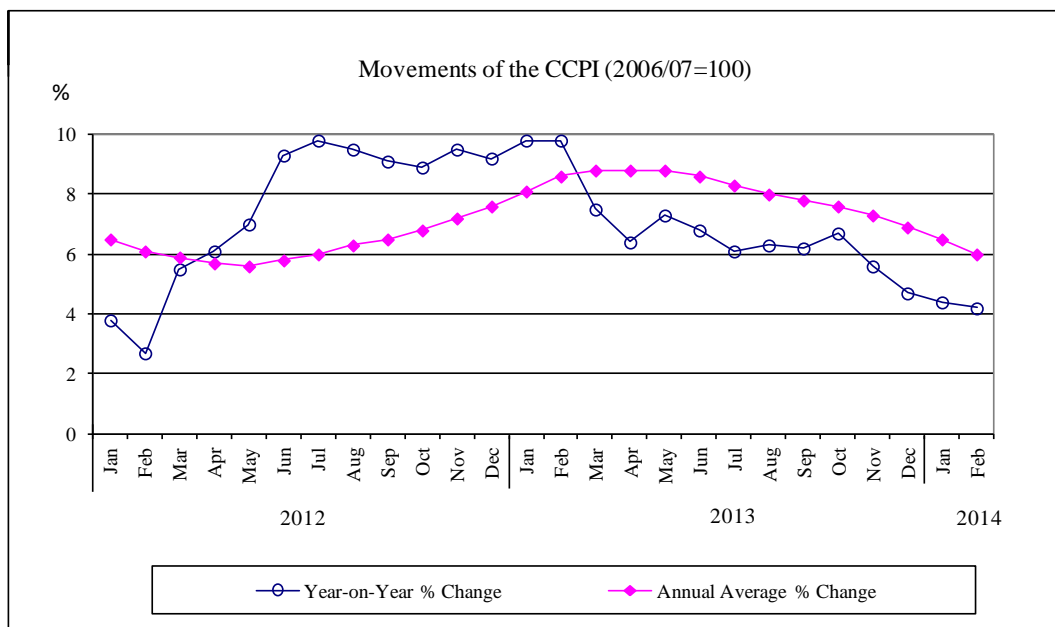
# Press Release

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## Inflation decelerates further in February 2014

Inflation, as measured by the year-on-year (YoY) change in the Colombo Consumers' Price Index (CCPI) (2006/07=100), which is computed by the Department of Census and Statistics, declined further to 4.2 per cent in February 2014, from 4.4 per cent in January 2014. This is the fourth consecutive month in which inflation fell continuously from high of 6.7 per cent in October 2013. Annual average inflation, which followed a same declining trend since June 2013, moderated further to 6.0 per cent in February 2014, from 6.5 per cent in January 2014.



Deceleration of inflation in February 2014 was mainly attributed to the moderate increase in the price index over the previous month and the base effect. Within the food category, the price declines were recorded in red onion, big onion, potatoes, eggs and most varieties of vegetables. However, prices of rice, coconut, chicken, milk powder, some varieties of fish and fruits recorded increases.

In the Non-food category, prices in the Housing, Water, Electricity, Gas and Other Fuels sub-category recorded a decline in February 2014. Meanwhile, the prices in the sub categories of Communication; Recreation and Culture; and Education remained unchanged during the month. However, price increases were reported in the sub-categories of Furnishing, Household Equipment and Routine Household Maintenance (0.8 per cent); Miscellaneous Goods and Services (0.6 per cent); Clothing and Footwear (0.1 per cent); Health (0.1 per cent); and Transport (0.1 per cent) in February 2014, compared to the previous month.

Core inflation continued its declining trend, reflecting the effectiveness of monetary policy measures implemented by the Central Bank. Accordingly, core inflation on both annual average and YoY basis decelerated to 3.8 per cent and 3.1 per cent, respectively, in February 2014 from 4.1 per cent and 3.5 per cent, respectively, in January 2014.