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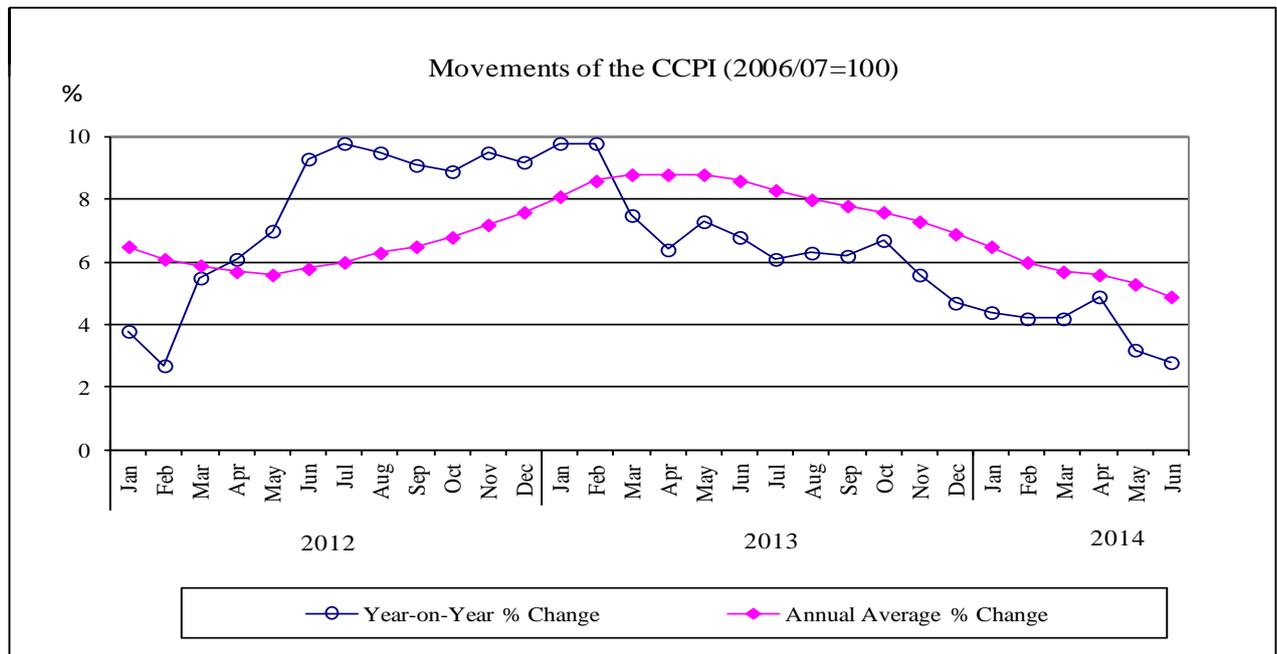
Press Release

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Inflation drops further in June 2014

Inflation, as measured by the change in the Colombo Consumers' Price Index (CCPI) (2006/07=100), which is computed by the Department of Census and Statistics, decreased to 2.8 per cent in June 2014, on a year-on-year (YoY) basis, from 3.2 per cent in the previous month. It is noteworthy to mention that inflation continues to remain at single digit levels for the 65th consecutive month in June 2014. Annual average inflation also continued its decelerating trend since June 2013 and reached 4.9 per cent in June 2014 from 5.3 per cent in May 2014.



The relatively low increase in prices of items in the Non-food category and the base effect contributed substantially to contain inflation at low levels in June 2014. Stable prices of items in many sub-categories, namely, Furnishing, Household Equipment and Routine Household Maintenance; Health; Transport; Communication; Recreation and Culture; and Education, and the marginal increase in prices of items in the sub categories of Miscellaneous Goods and Services; Clothing and Footwear; and Housing, Water, Electricity, Gas and Other Fuels contributed to this favourable development.

The increase in prices of items in the Food and Non-alcoholic beverages sub-category contributed to the monthly increase (1.1per cent) in the CCPI. Within the Food category, price increases were recorded in almost all the varieties of vegetables, fresh fish, potatoes, red onion, big onion, green chilies and some varieties of rice. However, prices of many varieties of fruits, eggs and coconut decreased significantly during the month.

Core inflation, being a more reliable predictor of future outlook for inflation, declined on an annual average basis to 3.0 per cent in June 2014 from 3.1 in the previous month, recording the lowest level since its inception. Meanwhile, YoY core inflation increased slightly to 3.5 per cent in June from 3.3 per cent in May 2014. The achievement of commendable low level of inflation was effectively influenced by the prudent demand management policies conducted by the Central Bank.