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CENTRAL BANK OF SRI LANKA

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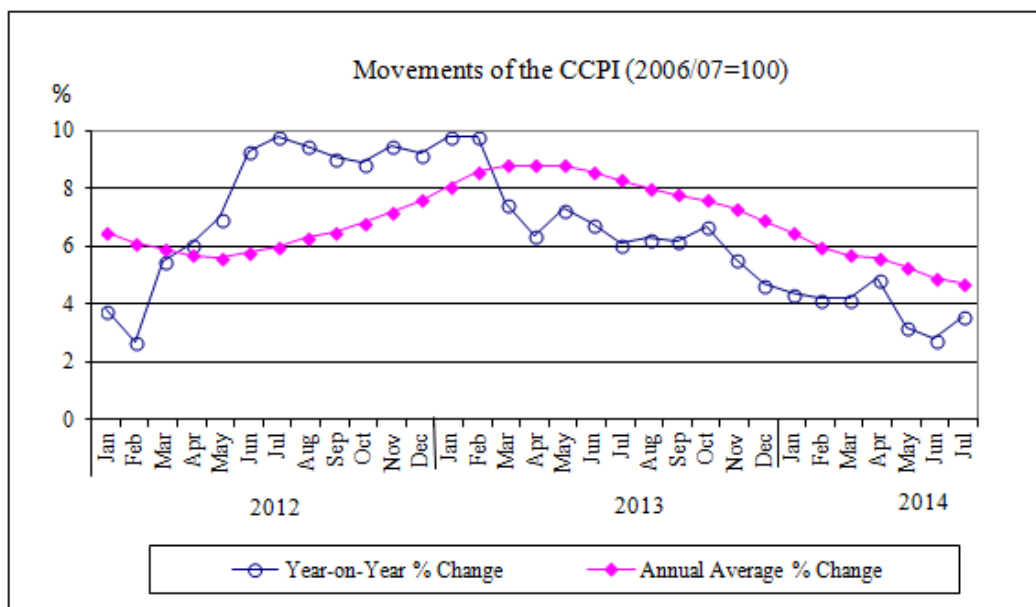
# Press Release

Issued By Statistics Department

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## Inflation in July 2014

Inflation, based on the change in the Colombo Consumers' Price Index (CCPI) (2006/07=100), which is computed by the Department of Census and Statistics, moderated further to 4.7 per cent in July 2014 from 4.9 per cent in June 2014, on an annual average basis, declining for the fourteenth consecutive month. The year-on-year (YoY) inflation has been maintained within benign single digit levels so far in 2014, although it increased to 3.6 per cent in July 2014 from 2.8 per cent in a month earlier, as a result of price increase of food items.



Overall, stable prices of items in the Non-food category contributed inflation to be contained at a low level in July 2014. Within this category, prices of items in the sub group of Housing, Water, Electricity, Gas and other Fuels declined while that of Miscellaneous Goods and Services increased. Prices in all the other sub groups, namely, Clothing and Footwear; Furnishing, Household Equipment and Routine Household Maintenance; Health; Transport; Communication; Recreation and Culture; and Education remained unchanged during July 2014, compared to the previous month.

The increase in prices of items in the Food and Non-alcoholic beverages sub-category was the main contributor to the monthly increase (1.0 per cent) in the CCPI. Within the Food category, drought conditions prevailed in main producing areas caused average prices of many varieties of vegetables to increase during the month. Due to the seasonal factors, prices of many fresh fish and dried fish varieties, eggs, big onions and green chilies also increased. Nevertheless, prices of several varieties of fruits declined.

Core inflation, which is responsive to changes in aggregate demand, increased slightly in July 2014 compared to the previous month. Accordingly, core inflation, on a YoY and annual average basis, increased to 3.7 per cent and 3.1 per cent, respectively, in July 2014 from 3.5 per cent and 3.0 per cent, respectively, in June 2014.