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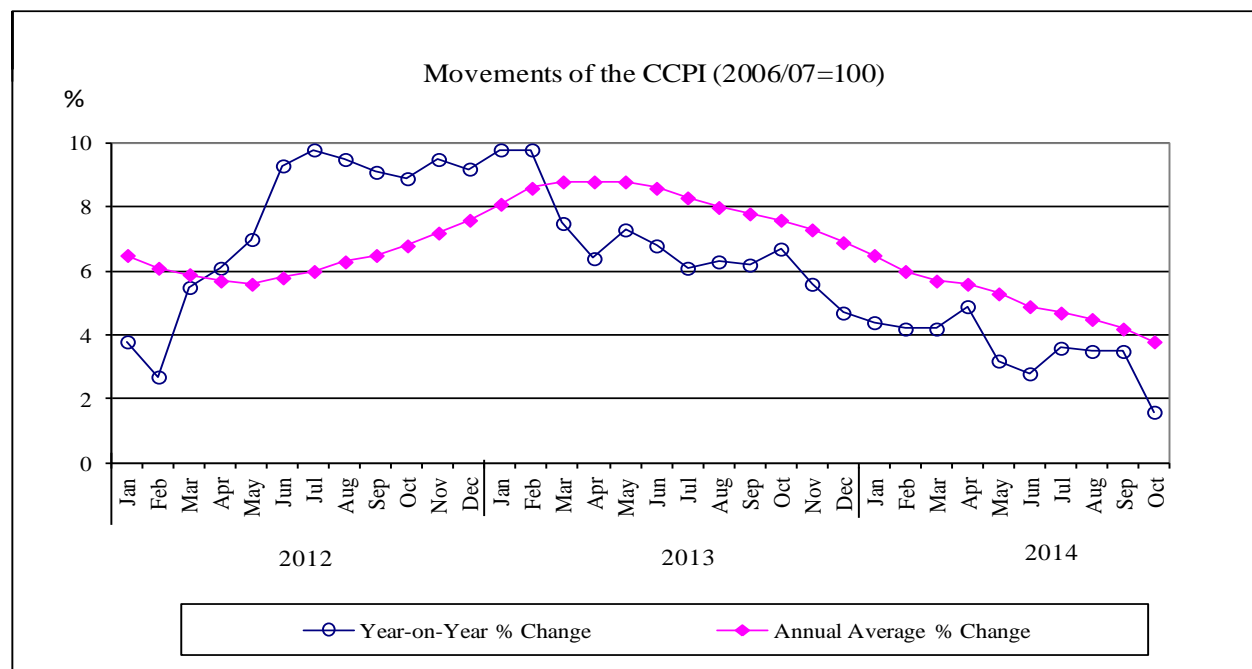
Press Release

Issued By Statistics Department

Date 2014 - 10 - 31

Inflation declines considerably in October

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 from 3.5 per cent recorded in September 2014 to 1.6 per cent in October 2014, on a year-on-year (YoY) basis, which is the lowest since November 2009. This decline was mainly due to the downward revision of electricity tariff by around 25 per cent. Annual average inflation also declined to 3.8 per cent in October 2014 from 4.2 per cent recorded in the previous month.



The monthly percentage change in CCPI recorded a decline of 1.6 per cent in October 2014, mainly due to decreases in prices of items in the Non Food category. This was mainly supported by the downward revision of electricity tariff, and prices of LP gas and fuel. Accordingly, within the Non-food category, prices in Housing, Water, Electricity, Gas and other Fuels; and Transport sub groups recorded decreases during the month. Prices in Clothing and Footwear; Health; Recreation and Culture; Education; and Miscellaneous Goods and Services sub groups recorded increases, while prices in Furnishing, Household Equipment and Routine Household Maintenance; and Communication sub groups remained unchanged during October 2014.

Prices in the Food and Non Alcoholic Beverages sub category increased marginally during the month, mainly due to the increase in average prices of some rice varieties, many vegetable varieties, dhal, eggs and coconuts. Nevertheless, average prices of many fresh fish varieties, coconut oil, potatoes, red onions, big onions and green chilies declined, exerting a downward pressure on inflation during the month.

Core inflation, which reflects the underlying inflation in the economy, declined from 3.7 per cent in the previous month to 3.6 per cent in October 2014 on a year on year basis. Annual average inflation during October 2014 was 3.3 per cent, compared to 3.2 per cent recorded in September 2014.