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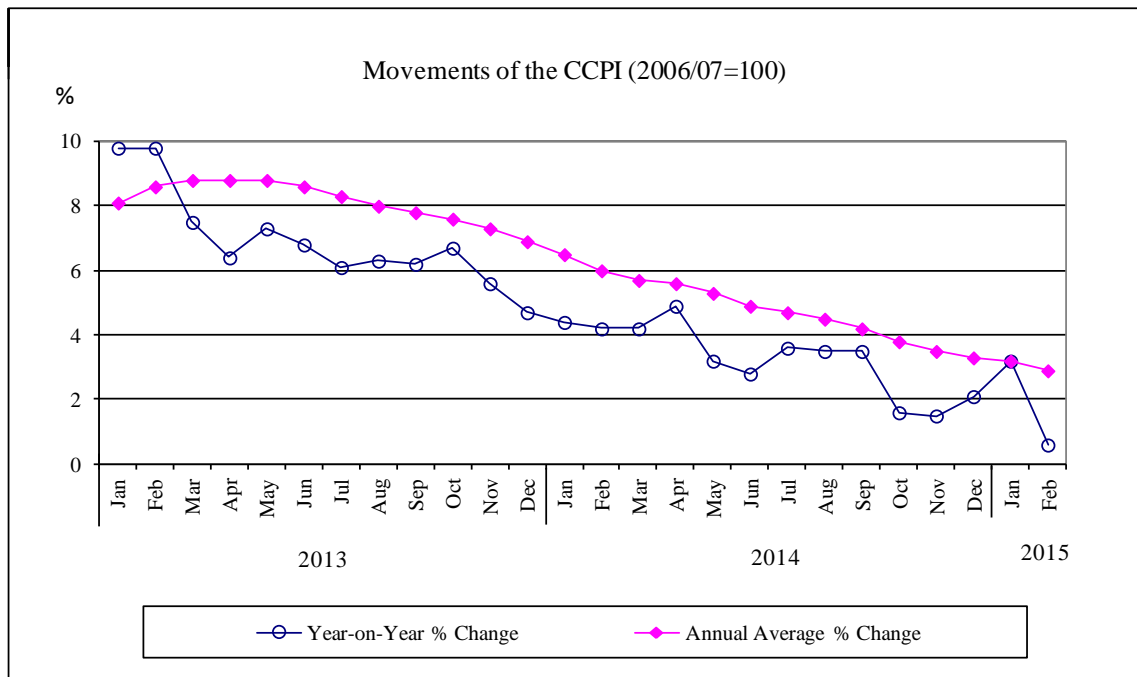
Press Release

Issued By Statistics Department

Date 2015 - 02 - 27

Inflation drops significantly in February 2015

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 0.6 per cent on year-on-year basis in February 2015, the lowest level recorded since February 2004. Annual average inflation also declined from 3.2 per cent recorded in January to 2.9 per cent in February 2015.



CCPI declined significantly by 2.3 per cent in February 2015 compared to the previous month. The downward revision of fuel prices effected during January 2015 and the reduction of price/import duty of both food and non-food items as proposed in the Interim budget 2015 contributed heavily towards this monthly decline in the index . Liquid fuel, LP Gas and bus fares in the Non-food category recorded considerable declines in prices. This monthly decline in inflation was further supported by the decline in the prices of food items such as rice, most varieties of fish and vegetables. However, prices of eggs, coconuts, fruits and some varieties of vegetables recorded increases during the month.

Within the Non-food category, sub groups of Housing, Water, Electricity, Gas and other Fuels; and Transport declined significantly reflecting the impact of recent downward administered price revisions while prices in Clothing and Footwear sub group increased. However, sub groups of Furnishing, Household Equipment and Routine Household Maintenance; Health; Communication; Recreation and Culture; Education; and Miscellaneous Goods and Services remained unchanged during the month.

Core inflation, which reflects the underlying inflation in the economy, declined significantly from 2.1 per cent in January 2015 to 0.8 per cent in February 2015 on a year on year basis. Annual average core inflation during February 2015 was 3.2 per cent, compared to 3.4 per cent recorded in January 2015.