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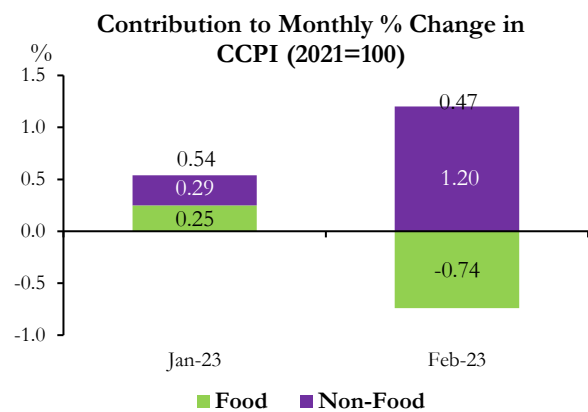
Date 28.02.2023

CCPI based headline inflation eased in February 2023

Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100)¹ decreased to 50.6% in February 2023 from 51.7% in January 2023. The decline in the headline inflation is broadly in line with the disinflation path envisaged by the Central Bank of Sri Lanka (CBSL) in January 2023.

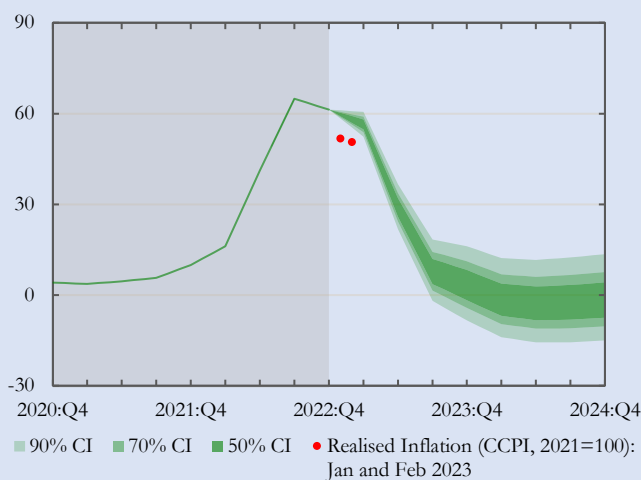
The Food inflation (Y-o-Y) decreased to 54.4% in February 2023 from 60.0% in January 2023, whereas the Non-Food inflation (Y-o-Y) increased to 48.8% in February 2023 from 47.9% in January 2023. Monthly change of CCPI recorded at 0.47% in February 2023 due to price increases observed in items of Non-Food category, which was 1.20%. However, the Food category recorded a monthly decline of 0.74%. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, decreased to 43.6% in February 2023 from 45.6% in January 2023.

Inflation CCPI (2021=100)	January 2023	February 2023
Index Value	188.6	189.5
Monthly Change (%)	0.5	0.5
Y-o-Y Inflation (%)	51.7	50.6



Looking ahead, based on the latest macroeconomic projections of the CBSL and available information, the anticipated declining trend of inflation is expected to continue through 2023, supported by subdued demand conditions owing to tight monetary and fiscal policy measures, and anticipated improvements in domestic supply conditions, along with the favourable statistical base effect.

Headline Inflation Projections²
 CCPI, 2013=100, quarterly average, y-o-y, %



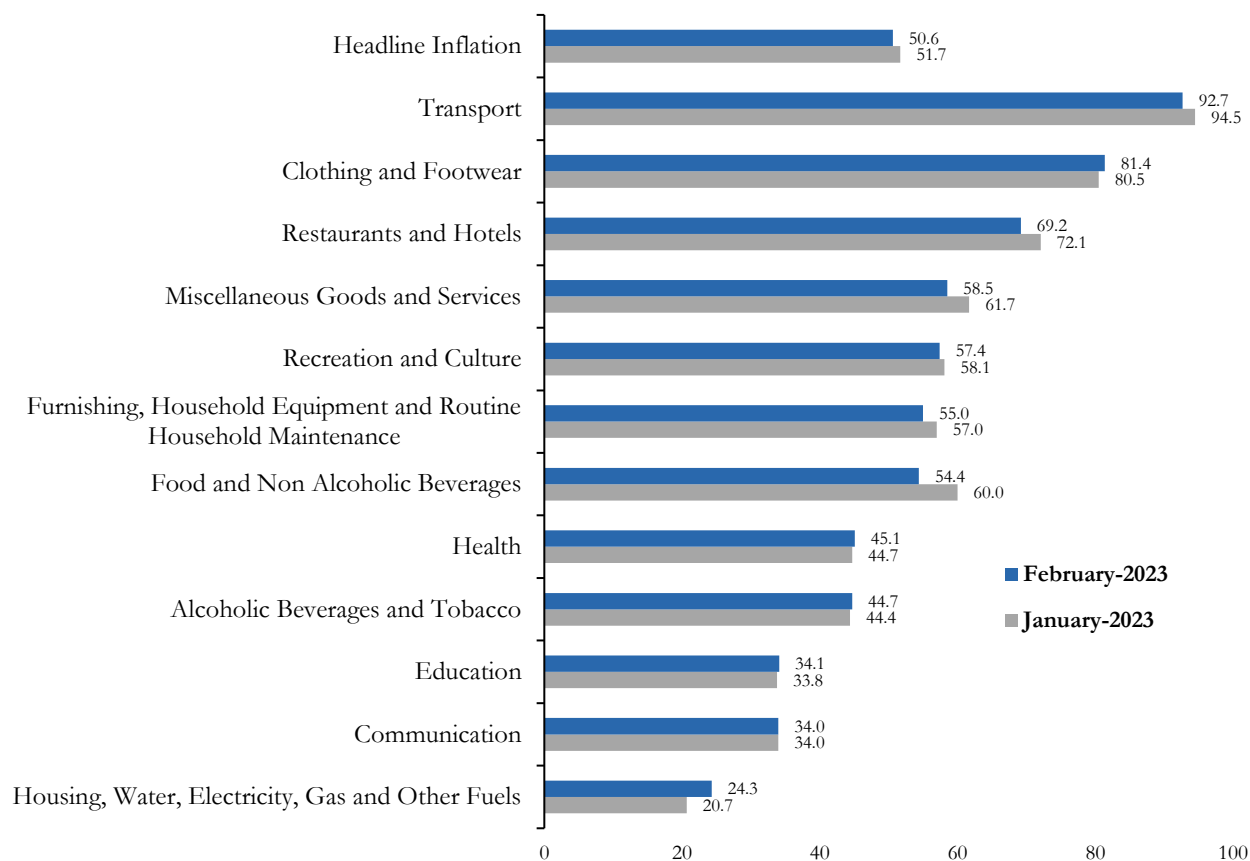
The inflation fan chart depicted here illustrates the uncertainty surrounding the baseline projections using confidence bands of gradually fading colours. Given the prevailing domestic and global economic uncertainties and geopolitical tensions, the risks associated with the current projections are much higher than in normal times. In particular, there are upside risks to baseline projections arising from possible second round effects of the recent electricity tariff increase, any upward adjustments in other utility and energy prices, possible deviation of expected fiscal consolidation path, etc. Nevertheless, the substantial deterioration of the purchasing power of the public could offset some upward pressures on inflation, exerting downside risks to its projections.

Source: Central Bank Staff Projections

¹ Compilation of Colombo Consumer Price Index (CCPI, 2013=100) is discontinued and replaced by CCPI (2021=100) since February 2023. The Colombo Consumer Price Index (CCPI, 2021=100) is compiled by the Department of Census and Statistics (DCS) to indicate average changes in the prices of goods and services purchased by households in urban areas of Colombo district.

² The projections displayed in the fan chart reflect the available data, and assumptions and judgements made at the January 2023 forecast round. The realised inflation numbers, depicted by the red dots, are based on the new base year series (CCPI, 2021=100), whereas the fan chart and historical data are based on the old base year series (CCPI, 2013=100), which has resulted in a noticeable shift in realised inflation compared to the projections given in the fan chart. The Central Bank revises its medium-term inflation projections on a quarterly basis, along with the release of GDP estimates by the DCS. Accordingly, the fan chart will be updated during the April 2023 forecast round, using latest available information, including rebased inflation and 2022 Q4 GDP data.

CCPI (2021=100) based Headline Inflation by Subcategory (Y-o-Y % Change)



Movement of the CCPI (2021=100)

Period		Index Number		Monthly % Change		Y-o-Y % Change	
Year	Month	CCPI	CCPI (Core)	CCPI	CCPI (Core)	CCPI	CCPI (Core)
2022	January	124.3	118.4	-	-	-	-
	February	125.8	120.0	1.2	1.4	-	-
	March	129.7	123.6	3.1	3.0	-	-
	April	142.1	134.2	9.6	8.6	-	-
	May	153.6	142.2	8.1	6.0	-	-
	June	171.7	154.7	11.8	8.8	-	-
	July	178.9	160.9	4.2	4.0	-	-
	August	182.8	163.6	2.2	1.7	-	-
	September	189.3	168.8	3.6	3.2	-	-
	October	188.5	170.4	-0.4	0.9	-	-
	November	187.1	171.1	-0.7	0.4	-	-
	December	187.6	171.5	0.3	0.2	-	-
2023	January	188.6	172.4	0.5	0.5	51.7	45.6
	February	189.5	172.3	0.5	-0.1	50.6	43.6

Source: Department of Census and Statistics