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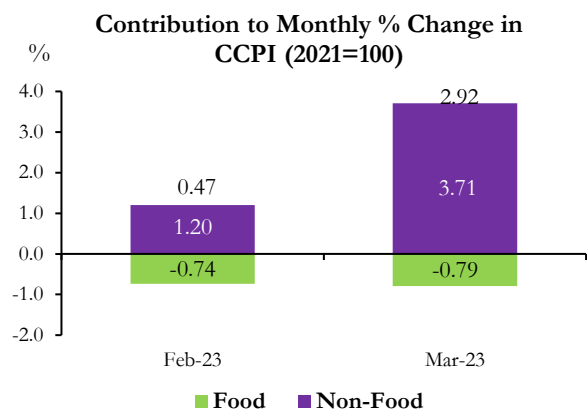
Date 31.03.2023

CCPI based headline inflation eased further in March 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 50.3% in March 2023 from 50.6% in February 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 2023.

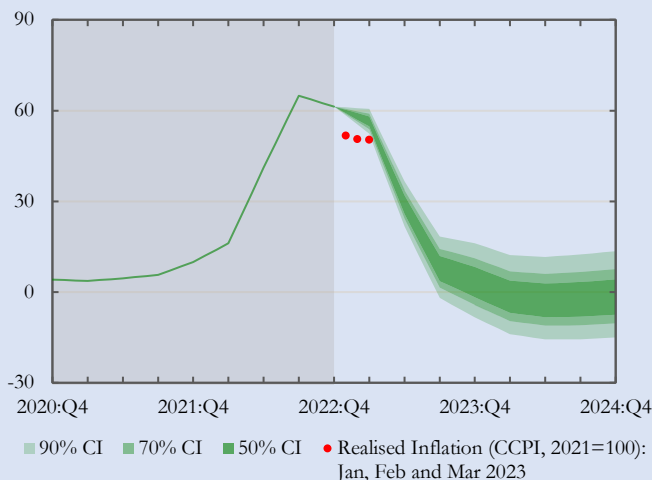
Inflation CCPI (2021=100)	February 2023	March 2023
Index Value	189.5	195.0
Monthly Change (%)	0.5	2.9
Y-o-Y Inflation (%)	50.6	50.3

The Food inflation (Y-o-Y) decreased to 47.6% in March 2023 from 54.4% in February 2023, whereas the Non-Food inflation (Y-o-Y) increased to 51.7% in March 2023 from 48.8% in February 2023. Monthly change of CCPI recorded at 2.92% in March 2023 due to price increases observed in items of Non-Food category, which was 3.71%. However, the Food category recorded a monthly decline of 0.79%. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, decreased to 39.1% in March 2023 from 43.6% in February 2023.



Looking ahead, based on the available information, the anticipated declining trend of inflation is expected to continue through 2023. This disinflation process would be supported by subdued demand conditions owing to tight monetary and fiscal policy measures, softening of food and energy prices amidst the recent exchange rate appreciation and greater pass-through of lower global commodity prices, second round impacts of recent fuel price revisions, and anticipated improvements in domestic supply conditions, along with the favourable statistical base effect.

Headline Inflation Projections²
 CCPI, quarterly average, y-o-y, %



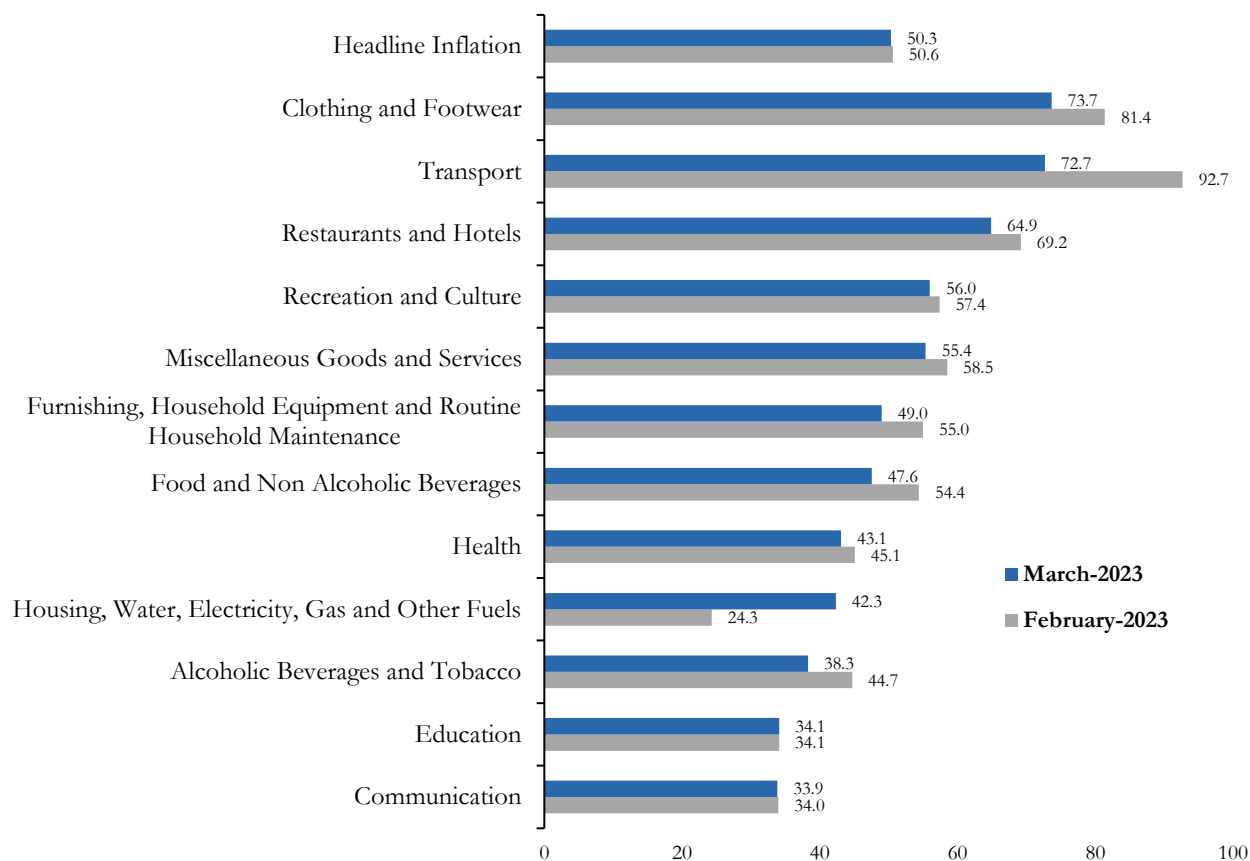
The inflation fan chart depicted here illustrates the uncertainty surrounding the baseline projections using confidence bands of gradually fading colours. Given the prevailing domestic and global economic uncertainties and geopolitical tensions, the risks associated with the current projections are much higher than in normal times. In particular, there are downside risks to baseline projections arising from possible second round effects of the recent fuel price revisions, softening of imported inflation, easing of world commodity prices, etc. Nevertheless, possible upside risks, mainly the second round impact of recent upward revisions to electricity tariffs, could exert upward pressures to the projections.

Source: Central Bank Staff Projections

¹ 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 and will be published in the monetary policy press release on 4 April 2023.

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	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
		March	195.0	171.9	2.9	-0.2	50.3	39.1

Source: Department of Census and Statistics