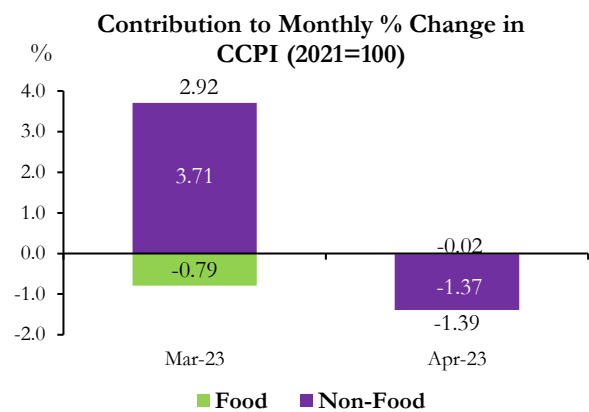| Issued By	Communications Department
Date	28.04.2023

CCPI based headline inflation declined sharply in April 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 35.3% in April 2023 from 50.3% in March 2023. The lower level of realised inflation compared to the projections made, was mainly due to higher than expected price decreases observed in Volatile Food and Non-Food items.

The Food inflation (Y-o-Y) decreased to 30.6% in April 2023 from 47.6% in March 2023, while the Non-Food inflation (Y-o-Y) decreased to 37.6% in April 2023 from 51.7% in March 2023. Monthly change of CCPI recorded at -1.39% in April 2023, which is the highest monthly decline recorded so far in CCPI (2021=100) series. This decrease was mainly due to price decreases observed in the items of Non-Food category, which was -1.37%. Meanwhile, the Food category also recorded a monthly decline of 0.02%. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, decreased to 27.8% in April 2023 from 39.1% in March 2023.

Inflation CCPI (2021=100)	March 2023	April 2023
Index Value	195.0	192.3
Monthly Change (%)	2.9	-1.4
Y-o-Y Inflation (%)	50.3	35.3

Contribution to Monthly % Change in CCPI (2021=100)

Looking ahead, based on the available information, the anticipated declining trend of inflation is expected to continue through 2023, bringing down the prevailing high inflation towards single digit levels by late 2023. This disinflation process is supported by subdued aggregate demand owing to tight monetary and fiscal policy measures, normalisation of supply conditions both globally and domestically, greater pass-through of lower global commodity prices, along with the favourable statistical base effect.

Headline Inflation Projections[a]
CCPI,[b] quarterly average, y-o-y, %
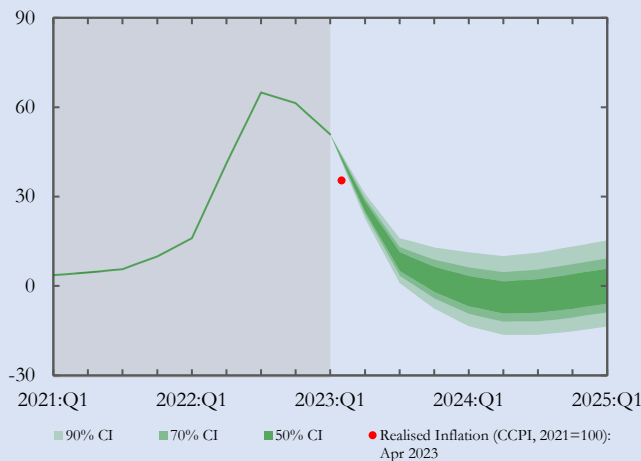
The inflation fan chart depicted here illustrates the uncertainty surrounding the baseline projections using confidence bands of gradually fading colours. Given the prevailing domestic and global economic uncertainties and geopolitical tensions, the risks associated with the current projections are much higher than in normal times. In particular, there are downside risks to baseline projections arising from possible second round effects of the recent fuel and gas price revisions, faster normalisation of supply bottlenecks, easing of world commodity prices, softening of imported inflation, etc. Nevertheless, possible upside risks, mainly due to the second round impact of recent upward revisions to electricity tariffs and potential demand pressures that could develop with the expected revival of activity, could exert upward pressures to the projections.
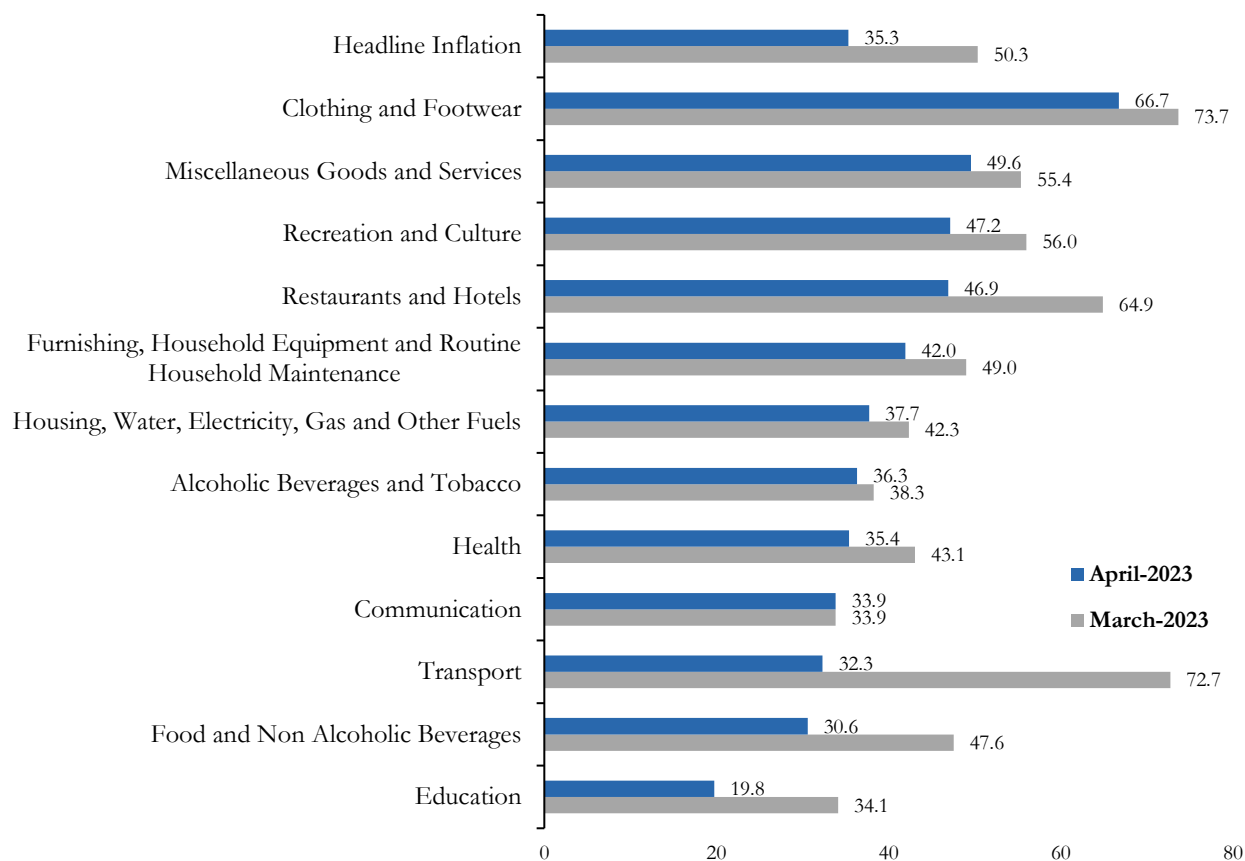
Source: *Central Bank Staff Projections*

a/ The Central Bank revises its medium-term inflation projections on a quarterly basis, along with the release of GDP estimates by the DCS. The projections displayed in the fan chart reflect the available data, and assumptions and judgements made at the April 2023 forecast round.

b/ Realised data up to Q4 2022 are based on the CCPI (2013=100), while data for Q1 2023 are based on the CCPI (2021=100). Projections are based on all available data.

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[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.

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

Subcategory	April-2023	March-2023
Headline Inflation	35.3	50.3
Clothing and Footwear	66.7	73.7
Miscellaneous Goods and Services	49.6	55.4
Recreation and Culture	47.2	56.0
Restaurants and Hotels	46.9	64.9
Furnishing, Household Equipment and Routine Household Maintenance	42.0	49.0
Housing, Water, Electricity, Gas and Other Fuels	37.7	42.3
Alcoholic Beverages and Tobacco	36.3	38.3
Health	35.4	43.1
Communication	33.9	33.9
Transport	32.3	72.7
Food and Non Alcoholic Beverages	30.6	47.6
Education	19.8	34.1

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	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
	April	192.3	171.5	-1.4	-0.2	35.3	27.8

Source: Department of Census and Statistics