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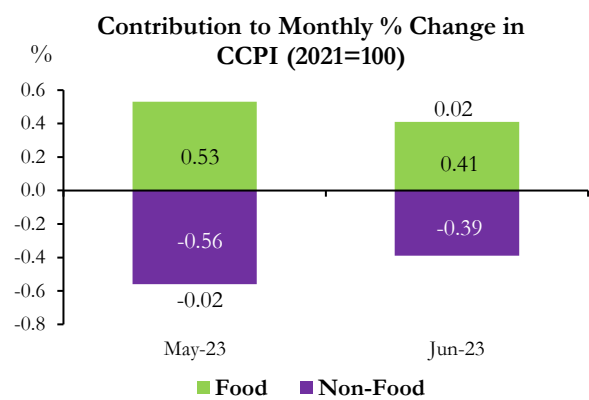
Date 30.06.2023

CCPI based headline inflation recorded another sharp decline in June 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 12.0% in June 2023 from 25.2% in May 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 April 2023.

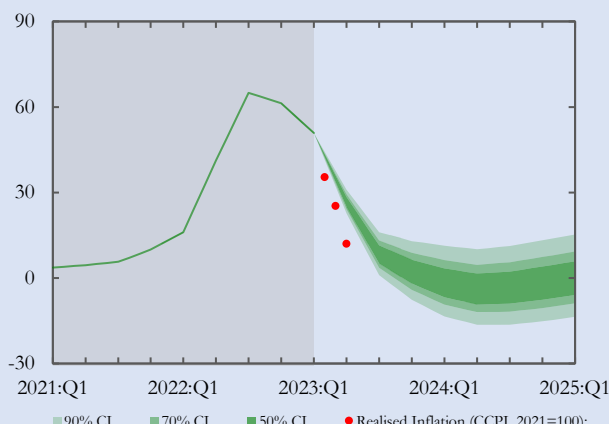
After two years, the Food inflation (Y-o-Y) decreased to a single digit level of 4.1% in June 2023 from 21.5% in May 2023, while the Non-Food inflation (Y-o-Y) decreased further to 16.2% in June 2023 from 27.0% in May 2023. Monthly change of CCPI recorded at 0.02% in June 2023 and this marginal change was due to the netting off of price increases observed in the items of Food category, which was 0.41% by the price decreases observed in the Non-Food category, which was -0.39%. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, decreased to 9.8% in June 2023 from 20.3% in May 2023.

Inflation CCPI (2021=100)	May 2023	June 2023
Index Value	192.3	192.3
Monthly Change (%)	0.0	0.0
Y-o-Y Inflation (%)	25.2	12.0



Looking ahead, based on the available information, inflation is expected to reach single digit levels by early Q3 2023 and continue the disinflation process. This disinflation process is supported by the lagged impact of tight monetary and fiscal policies, expected softening of energy and food prices and their spillover effects, and possible repricing of goods and services due to exchange rate appreciation, alongside the favourable impact of 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 faster normalisation of supply conditions, possible quicker than expected easing of world commodity prices and their passthrough to domestic prices etc. Nevertheless, possible upside risks, such as potential demand pressures that could develop with the expected revival of activity and possible pressure on the exchange rate resulting from the relaxation of import restrictions could exert upward pressures to the projections.

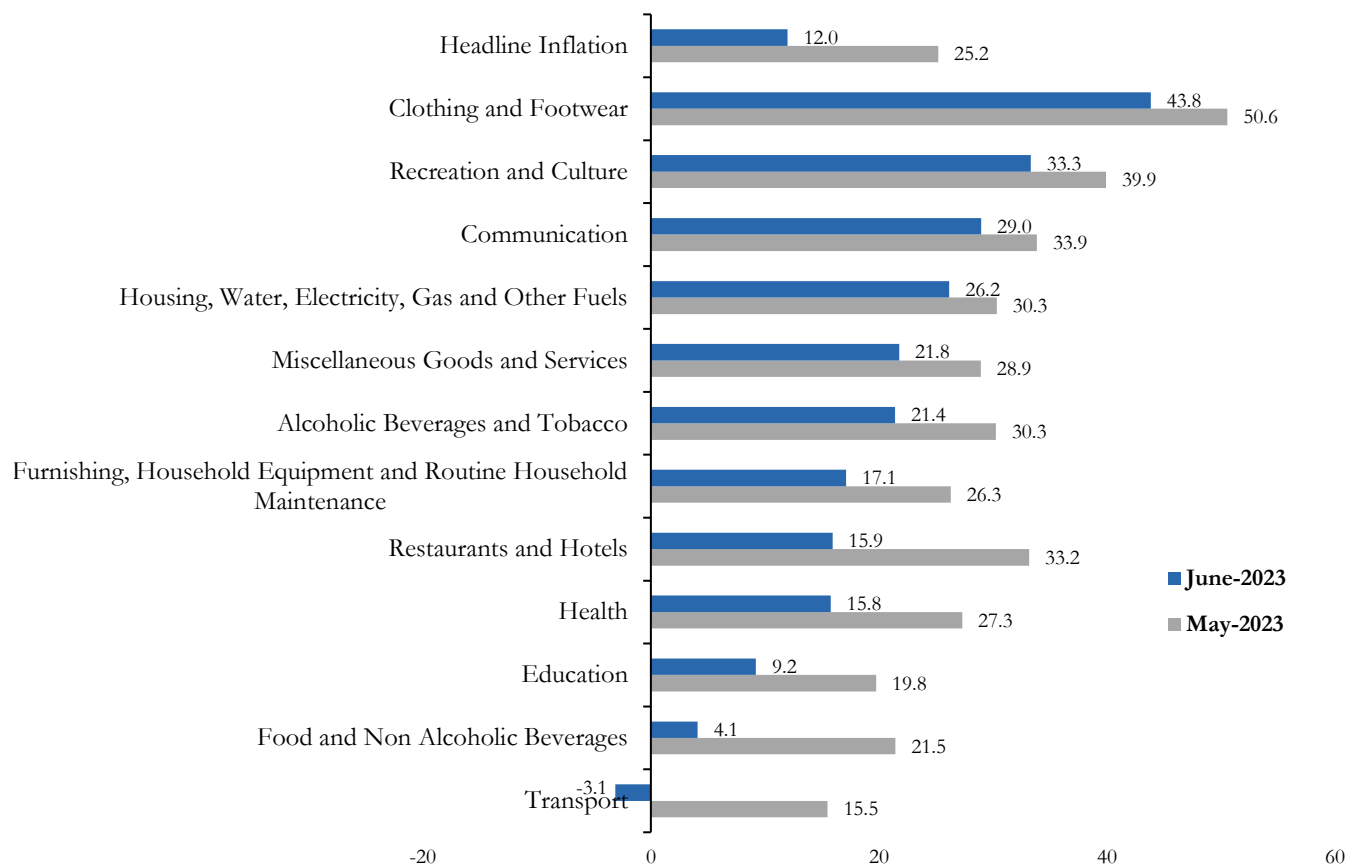
Source: Central Bank Staff Projections

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. These projections will be updated during the upcoming monetary policy cycle in early July 2023.

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.

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)



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	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
	May	192.3	171.0	0.0	-0.3	25.2	20.3
	June	192.3	169.9	0.0	-0.6	12.0	9.8

Source: Department of Census and Statistics