



Issued By Communications Department

Date 2023.08.31

CCPI based headline inflation experienced a further slowdown in August 2023

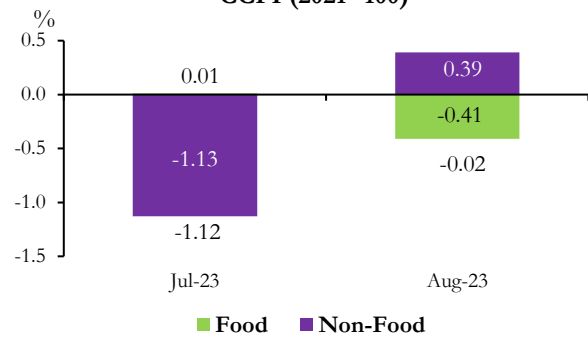
Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100)¹ decreased to 4.0% in August 2023 from 6.3% in July 2023. The decline in the headline inflation is mostly in line with the projections envisaged by the Central Bank of Sri Lanka (CBSL) in July 2023.

The Food deflation (Y-o-Y) continued for the second consecutive month recording 4.8% in August 2023 from 1.4% in July 2023. Meanwhile, the Non-Food inflation (Y-o-Y) decreased further to 8.7% in August 2023 from 10.5% in July 2023. Monthly change of CCPI recorded at -0.02% in August 2023 due to the combined effect of price decreases of -0.41% observed in the items of Food category and price increases of 0.39% recorded in the items of Non-Food category. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, decreased to 4.6% in August 2023 from 5.9%* in July 2023.

Inflation CCPI (2021=100)	July 2023	August 2023
Index Value	190.2	190.1
Monthly Change (%)	-1.1	-0.1
Y-o-Y Inflation (%)	6.3	4.0

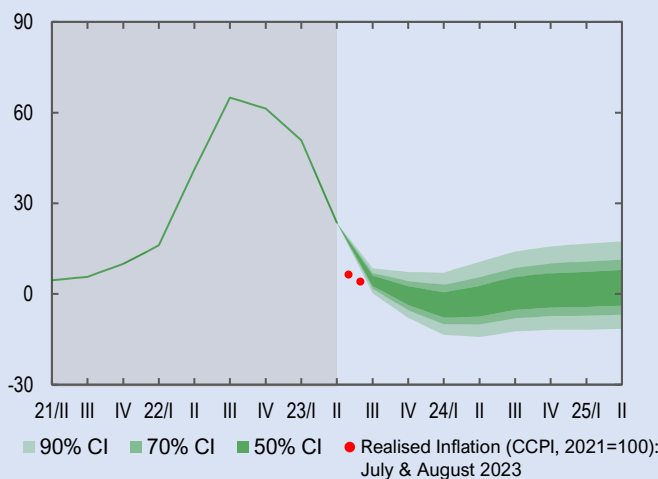
Note: As per DCS, Y-o-Y inflation and monthly change were calculated using the rounded off index numbers.

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



As a result of the policy measures taken thus far, and well anchored inflation expectations, inflation is expected to stabilise around mid-single digit levels over the medium term.

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 higher than in normal times. In particular, there are upside risks to baseline projections such as the impact of adverse weather conditions on agricultural production, which could lead to food inflation, possible upward revisions to domestic prices in line with increasing global oil and commodity prices, any deviation from the envisaged fiscal consolidation path, any depreciation pressures on the exchange rate amidst import relaxations, and the likelihood of wage inflation. Meanwhile, possible downside risks include the possibility of a faster recovery of the economy driven by further normalisation of supply conditions, and the sustained impact of decreasing purchasing power of the public.

Source: Central Bank Staff Projections

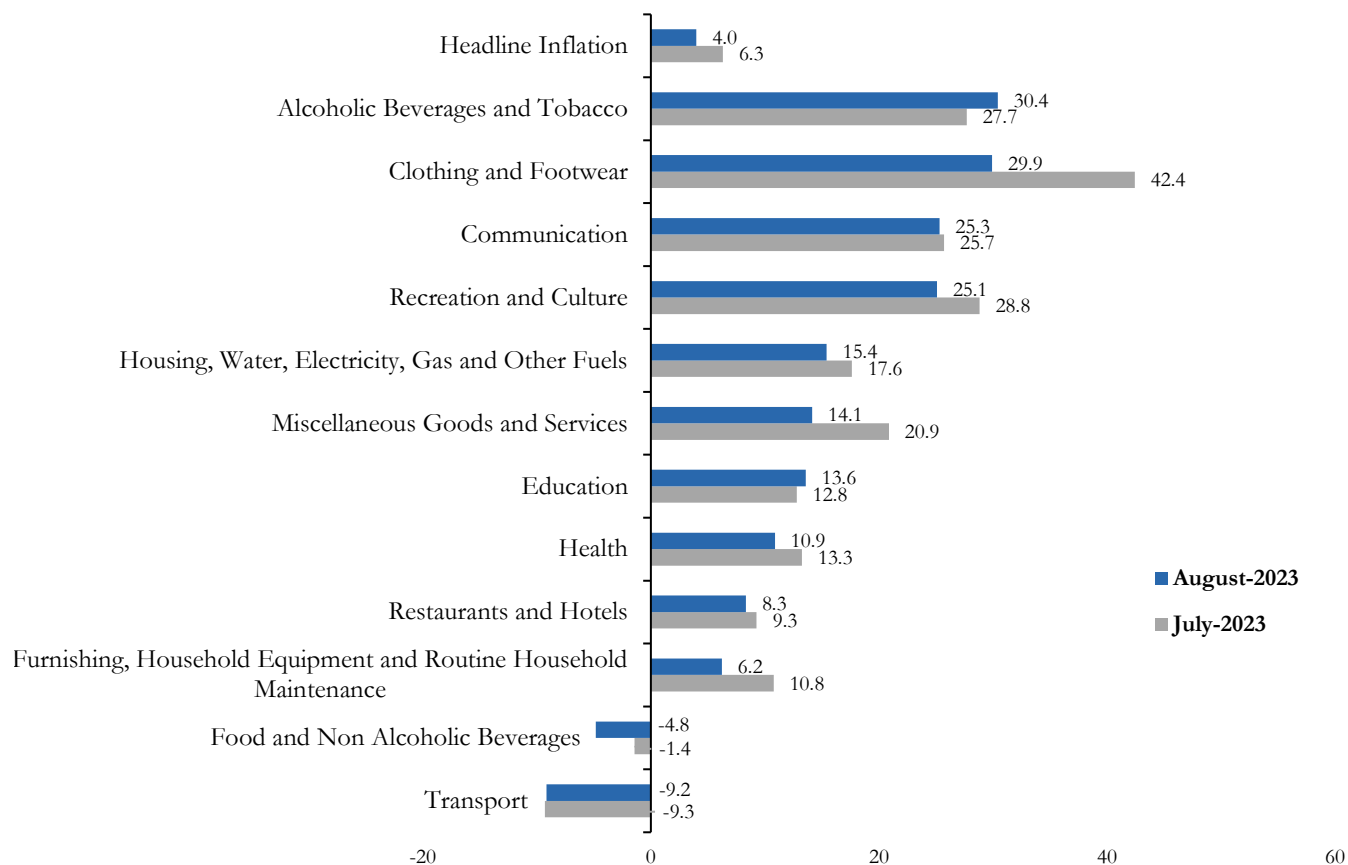
a/ The projections displayed in the fan chart reflect the available data, and assumptions and judgements made at the July 2023 forecast round. The fan chart and medium-term projections will be updated in the next monetary policy cycle in October 2023, along with the release of GDP data for Q2 2023 by the Department of Census and Statistics.

b/ Realised data up to Q4 2022 shown in the fan chart are based on the CCPI (2013=100), while data after this period 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.

* Revised by DCS

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	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
	July	190.2	170.4*	-1.1	0.3*	6.3	5.9*
	August	190.1	171.2	-0.1	0.5	4.0	4.6

Source: Department of Census and Statistics

* Revised by DCS