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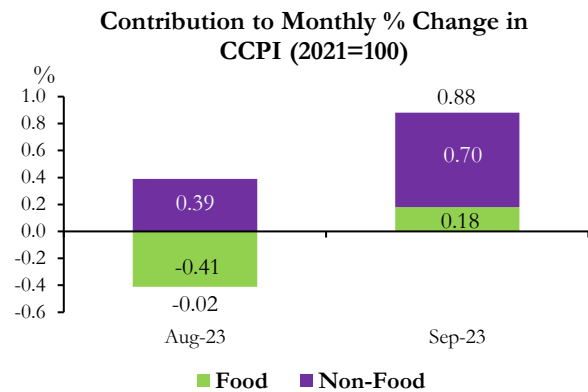
CCPI based headline inflation recorded a significant decline in September 2023

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 1.3% in September 2023 from 4.0% in August 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 third consecutive month recording 5.2% in September 2023 from 4.8% in August 2023. Meanwhile, the Non-Food inflation (Y-o-Y) decreased further to 4.7% in September 2023 from 8.7% in August 2023. Monthly change of CCPI recorded at 0.88% in September 2023 due to the price increases of 0.18% observed in the items of Food category and 0.70% recorded in the items of Non-Food category. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, decreased to 1.9% in September 2023 from 4.6% in August 2023.

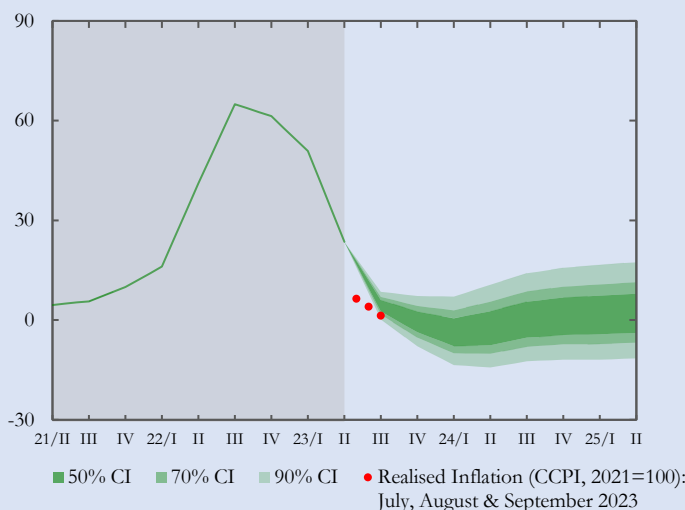
Inflation CCPI (2021=100)	August 2023	September 2023
Index Value	190.1	191.8
Monthly Change (%)	-0.1	0.9
Y-o-Y Inflation (%)	4.0	1.3

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



As envisaged, inflation is expected to stabilise around mid-single digit level over the medium term, aided by appropriate policy measures alongside well-anchored expectations.

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 considerable upside risks to baseline projections such as possible upward revisions to domestic prices due to increasing global commodity prices, possible wage hikes, any depreciation pressures on the exchange rate amidst import relaxations, and the impact of possible adverse weather conditions on agricultural production, which could lead to food inflation. Meanwhile, possible downside risks include the possibility of a faster recovery of supply conditions, and the sustained impact of decreasing purchasing power of the public.

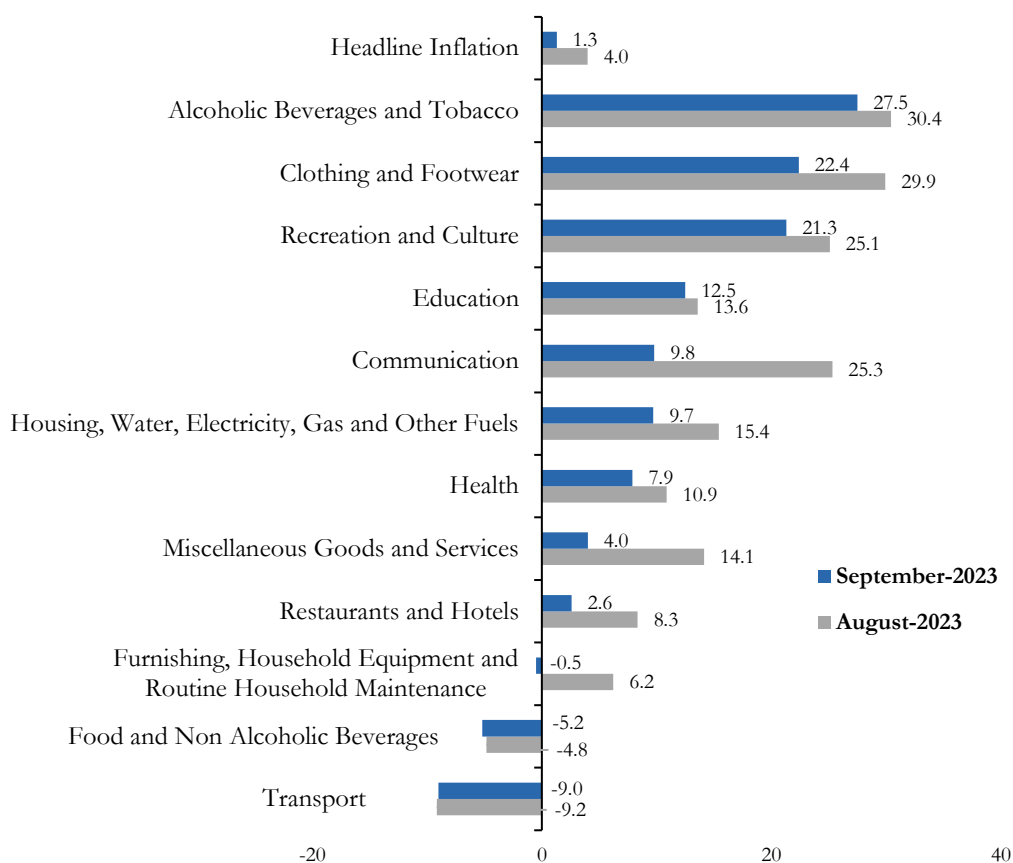
Source: Central Bank Staff Projections

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 upcoming monetary policy cycle in October 2023.

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.

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
	September	191.8	172.0	0.9	0.5	1.3	1.9

Source: Department of Census and Statistics