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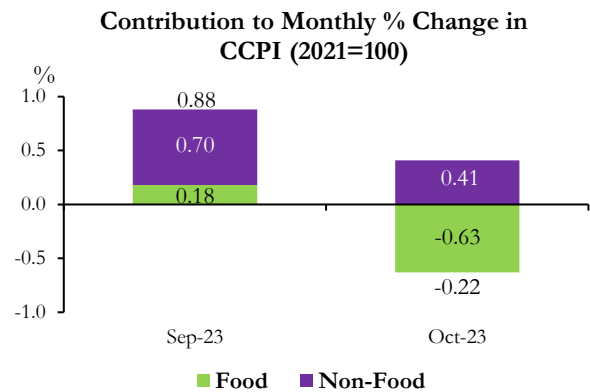
## CCPI based headline inflation edged up slightly in October 2023

Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100)<sup>1</sup> increased to 1.5% in October 2023 from 1.3% in September 2023. This slight increase in the headline inflation is mostly in line with the projections envisaged by the Central Bank of Sri Lanka (CBSL) in October 2023.

Inflation CCPI (2021=100)	September 2023	October 2023
Index Value	191.8	191.4
Monthly Change (%)	0.9	-0.2
Y-o-Y Inflation (%)	1.3	1.5

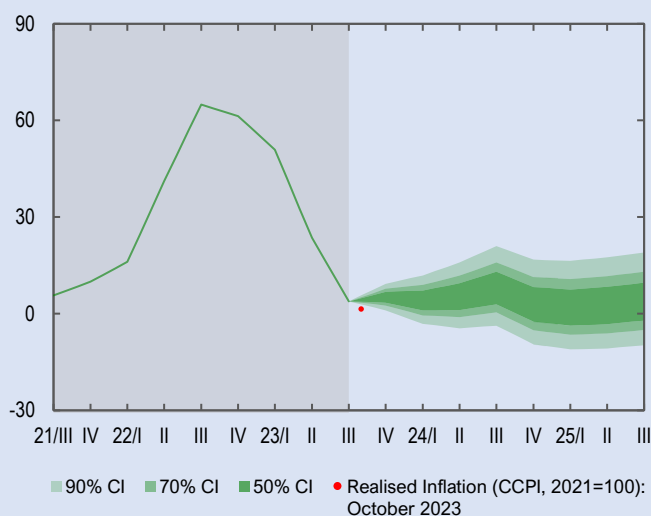
Note: As per DCS, Y-o-Y inflation and monthly change are calculated using the rounded off index numbers.

The Food deflation (Y-o-Y) continued for the fourth consecutive month and remained unchanged at 5.2% in October 2023 compared to the previous month. Meanwhile, the Non-Food inflation (Y-o-Y) increased to 4.9% in October 2023 from 4.7% in September 2023. Monthly change of CCPI recorded at -0.22% in October 2023 due to the combined effect of price decreases of -0.63% observed in the items of Food category and price increases of 0.41% recorded in the items of Non-Food category. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, decreased to 1.2% in October 2023 from 1.9% in September 2023.



Inflation is expected to stabilise around the targeted level of 5% over the medium term, supported by appropriate policy measures and well-anchored inflation expectations. Nevertheless, should there be any upward increases to administratively determined prices, tariffs or taxes by the Government, a transitory increase in inflation beyond the target is probable in the short term.

**Headline Inflation Projections<sup>a</sup>**  
CCPI,<sup>b</sup> 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 projections such as higher than expected increases in domestic energy prices due to the increase in global energy prices, the impact of possible adverse weather conditions on agricultural production, which could lead to food inflation, any pressures on the exchange rate, and possible wage hikes and tax adjustments. Meanwhile, possible downside risks include the possibility of further normalisation of supply conditions, and the sustained impact of decreasing purchasing power of the public.

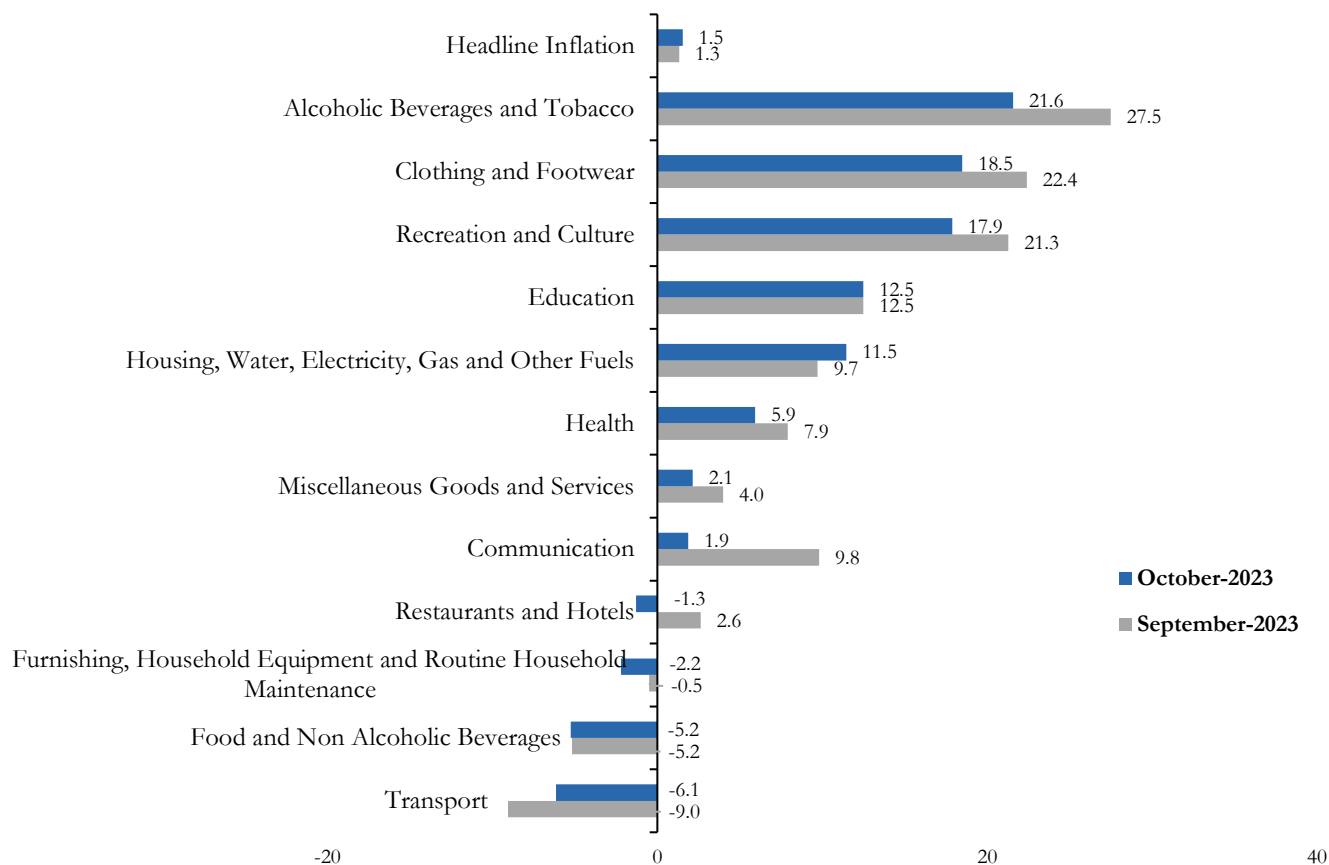
Source: Central Bank Staff Projections

a/ The projections displayed in the fan chart reflect the available data, and assumptions and judgements made at the October 2023 forecast round.

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.

<sup>1</sup> 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	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
	October	191.4	172.4	-0.2	0.2	1.5	1.2

Source: Department of Census and Statistics