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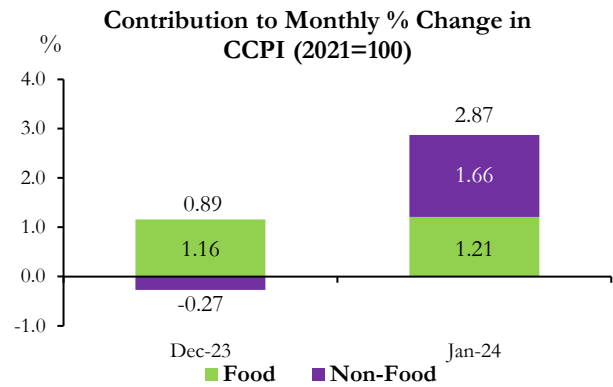
## CCPI based headline inflation continued to increase in January 2024

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 6.4% in January 2024 from 4.0% in December 2023. This increase in the headline inflation is mostly in line with the projections envisaged by the Central Bank of Sri Lanka (CBSL).

The Food inflation (Y-o-Y) increased to 3.3% in January 2024 from 0.3% in December 2023, while the Non-Food inflation (Y-o-Y) increased to 7.9% in January 2024 from 5.8% in December 2023. Monthly change of CCPI recorded 2.87% in January 2024 due to the price increases of 1.21% observed in the items of Food category and 1.66% observed in the items of Non-Food category. Meanwhile, the core inflation (Y-o-Y), which reflects the underlying inflation in the economy, increased to 2.2% in January 2024 from 0.6% in December 2023.

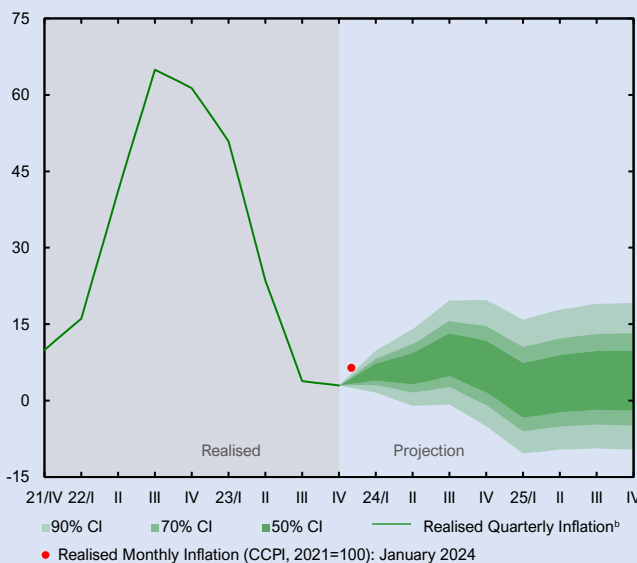
Inflation CCPI (2021=100)	December 2023	January 2024
Index Value	195.1	200.7
Monthly Change (%)	0.9	2.9
Y-o-Y Inflation (%)	4.0	6.4

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



As expected, inflation accelerated in January 2024 mainly due to tax adjustments implemented at the beginning of the month and weather related disruptions to food supply. A temporary uptick in inflation could be observed in the near term as communicated by the Central Bank. However, such increase in inflation is expected to dissipate over time and inflation is expected to stabilise around the targeted level of 5 per cent over the medium term, supported by well-anchored inflation expectations and appropriate policy measures.

**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. These risks arise due to the possibility of various factors deviating from the levels already internalised in projections, either explicitly or implicitly, and due to any unforeseen developments. In particular, there could be upside risks to inflation projections stemming from factors such as the possibility of more than anticipated second-round impacts of increased taxation; possible wage hikes; the impact of possible adverse weather on agricultural production and supply chain limitations, which in turn may affect food inflation; the uncertainty over global oil, energy and food prices, particularly amidst volatile geopolitical tensions, etc. Meanwhile, downside risks to inflation projections include the possibility of price reductions in domestically manufactured items amidst increased competition from imports and the sustained impact of diminished purchasing power of the public.

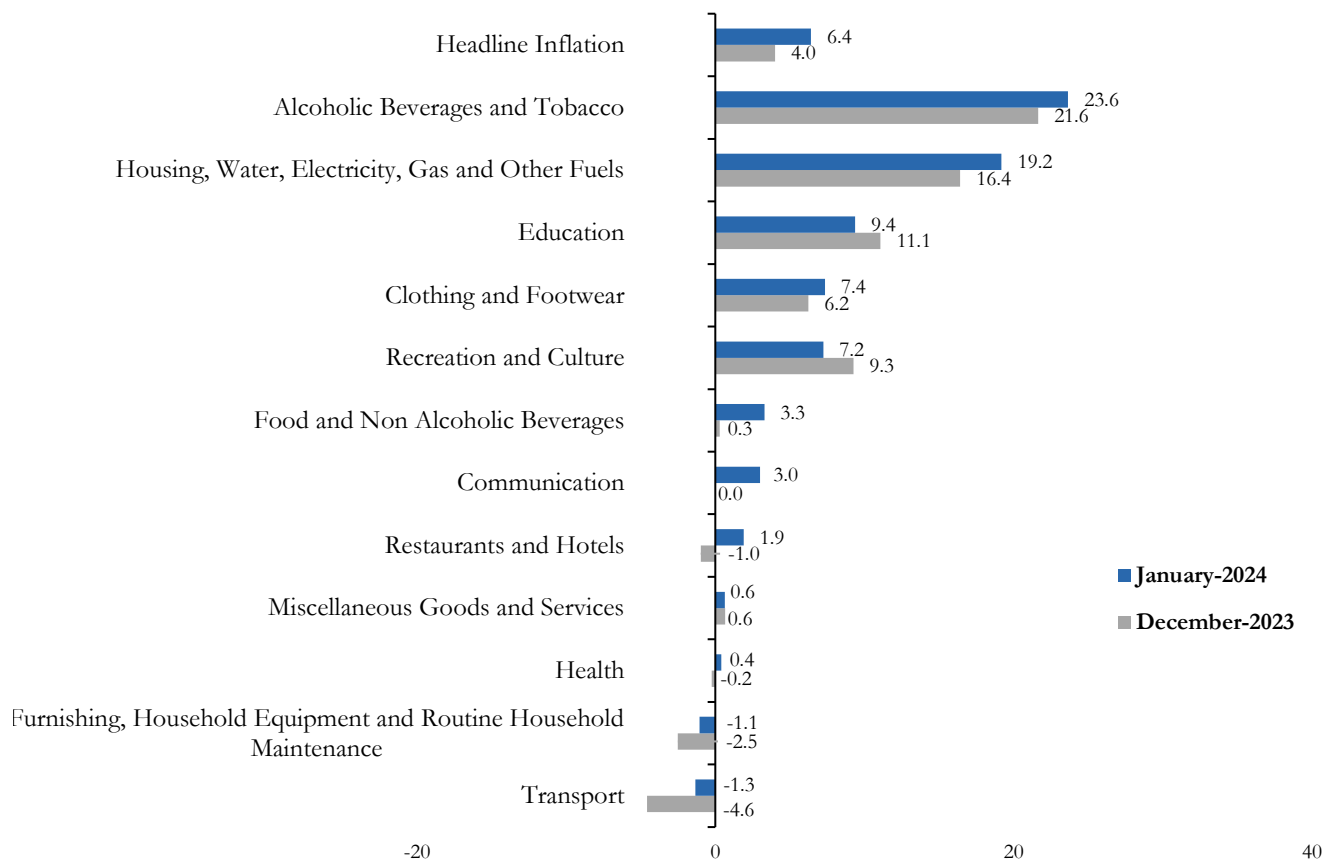
**Source:** Central Bank Staff Projections

a/ The projections displayed in the fan chart reflect the available data, assumptions and judgements made at the January 2024 forecast round.

b/ Realised data up to Q4 2022 shown in the fan chart are based on the CCPI (2013=100, seasonally adjusted), while data after this period are based on the CCPI (2021=100, seasonally adjusted). 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		Annual Average % Change	
Year	Month	CCPI	CCPI (Core)	CCPI	CCPI (Core)	CCPI	CCPI (Core)	CCPI	CCPI (Core)
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	-	-
	November	193.4	172.4	1.0	0.0	3.4	0.8	-	-
	December	195.1	172.5	0.9	0.1	4.0	0.6	17.4	14.5
2024	January	200.7	176.2	2.9	2.1	6.4	2.2	14.2	11.3

Source: Department of Census and Statistics