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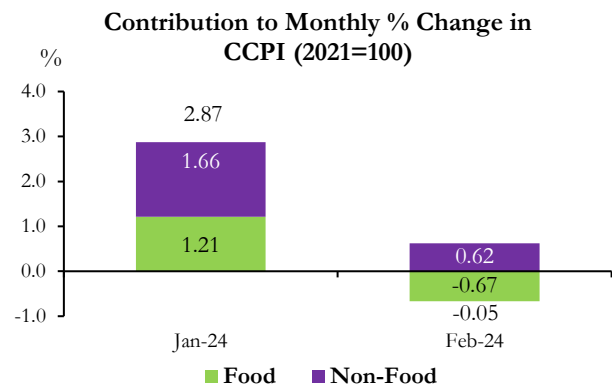
CCPI based headline inflation decelerated in February 2024

Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100)¹ decelerated to 5.9% in February 2024 from 6.4% in January 2024. This deceleration in the headline inflation is broadly in line with the projections of the Central Bank of Sri Lanka (CBSL).

Food inflation (Y-o-Y) accelerated to 3.5% in February 2024 from 3.3% in January 2024, whereas Non-Food inflation (Y-o-Y) decelerated to 7.0% in February 2024 from 7.9% in January 2024. Monthly change of CCPI recorded -0.05% in February 2024 due to the combined effect of price decreases of 0.67% observed in the items of Food category and price increases of 0.62% observed in the items of Non-Food category. Meanwhile, core inflation (Y-o-Y), which reflects the underlying inflation trends in the economy, accelerated to 2.8% in February 2024 from 2.2% in January 2024.

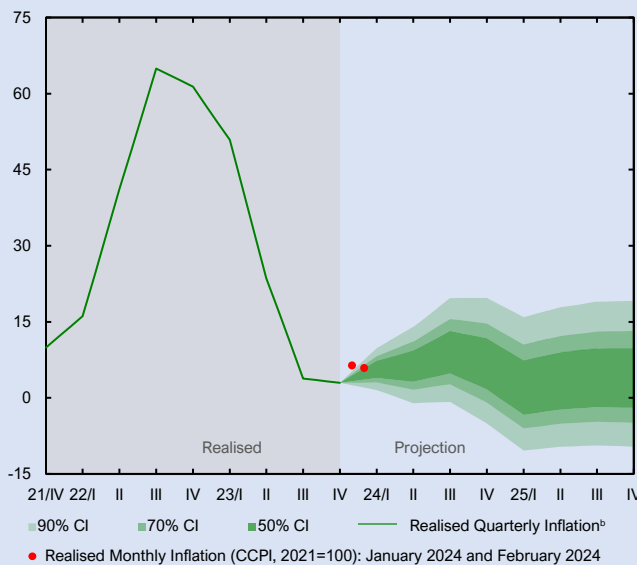
Inflation CCPI (2021=100)	January 2024	February 2024
Index Value	200.7	200.6
Monthly Change (%)	2.87	-0.05
Y-o-Y Inflation (%)	6.4	5.9

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



Broadly speaking, inflation is expected to remain above the target in the near term mainly driven by the recent tax adjustments, before stabilising around the targeted level of 5 per cent over time, supported by well-anchored inflation expectations and appropriate policy measures.

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. 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; and the uncertainty over global oil, energy and food prices, particularly amidst volatile geopolitical tensions. Meanwhile, downside risks to inflation projections include the possibility of higher than expected reduction in electricity tariffs, 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.

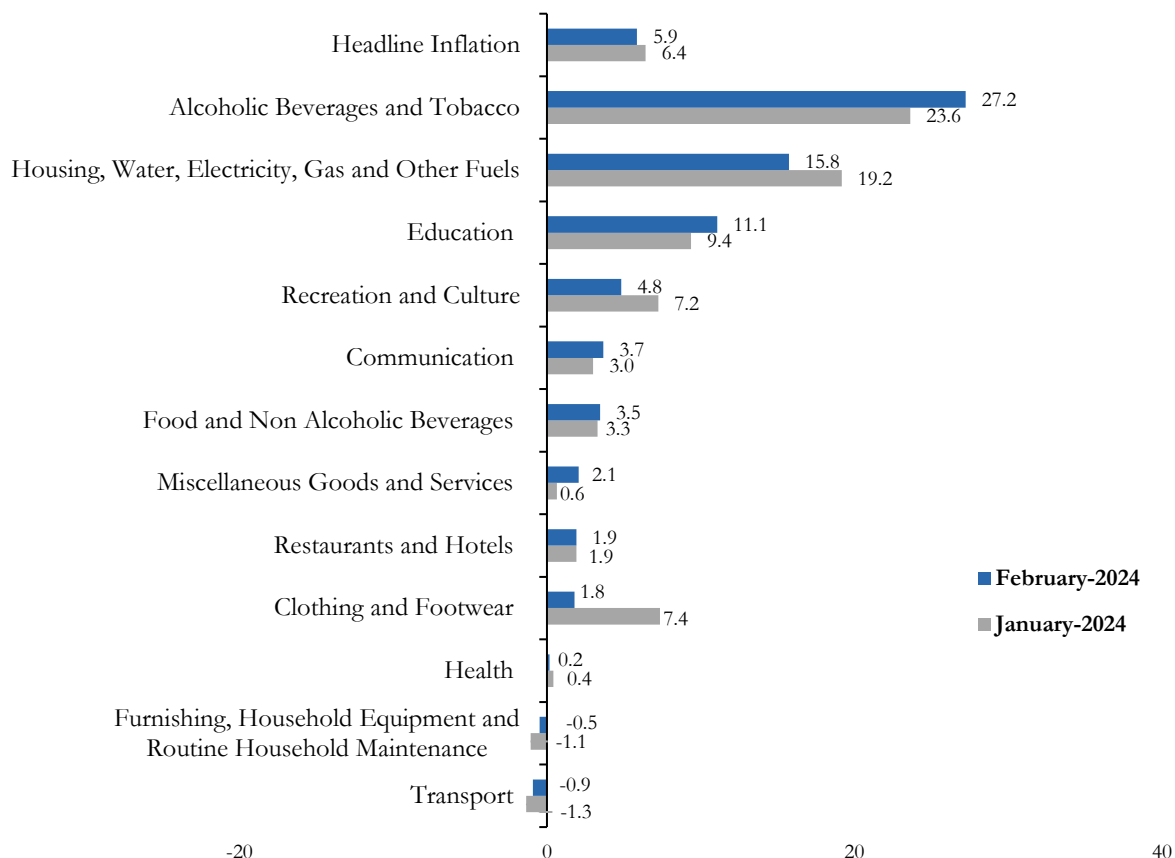
Source: Central Bank Staff Projections

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.

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		Annual Average % Change	
Year	Month	CCPI	CCPI (Core)	CCPI	CCPI (Core)	CCPI	CCPI (Core)	CCPI	CCPI (Core)
2023	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
February		200.6	177.2	0.0	0.6	5.9	2.8	11.3	8.5

Source: Department of Census and Statistics