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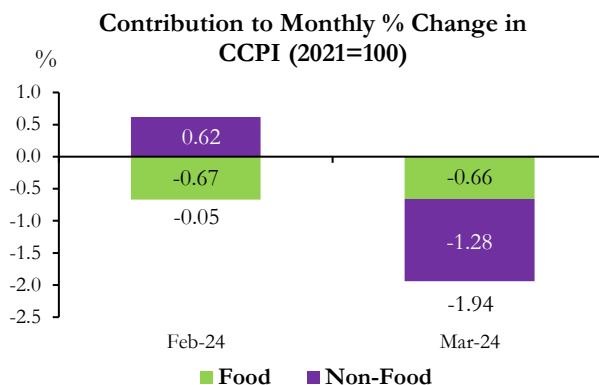
## CCPI based headline inflation decelerated sharply in March 2024

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> decelerated sharply to 0.9% in March 2024 from 5.9% in February 2024. This deceleration in the headline inflation is broadly in line with the projections of the Central Bank of Sri Lanka (CBSL).

Inflation CCPI (2021=100)	February 2024	March 2024
Index Value	200.6	196.7
Monthly Change (%)	-0.05	-1.94
Y-o-Y Inflation (%)	5.9	0.9

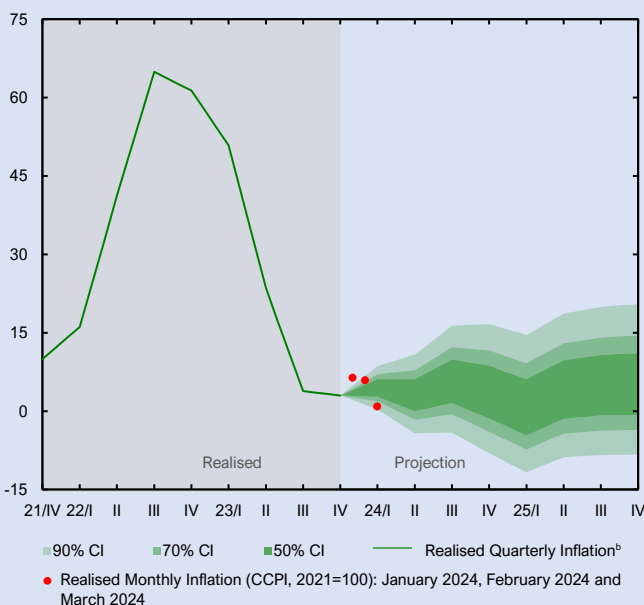
Note: As per DCS, Y-o-Y inflation and monthly change are calculated using the rounded off index numbers.

Non-Food Category recorded a deflation (Y-o-Y) of 0.5% in March 2024 compared to the inflation of 7.0% observed in February 2024. Nevertheless, food inflation (Y-o-Y) accelerated to 3.8% in March 2024 from 3.5% in February 2024. Monthly change of CCPI recorded -1.94% in March 2024 due to the price decreases of 0.66% observed in the items of Food category and decreases of 1.28% observed in Non-Food category items. Meanwhile, core inflation (Y-o-Y), which reflects the underlying inflation trends in the economy, accelerated to 3.1% in March 2024 from 2.8% in February 2024.



In spite of intermittent variations, inflation is expected to converge to the targeted level in the period ahead and remain around the target over the medium term, supported by 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 impact of the possible upward pressures on global food and energy prices amidst uncertainty; the impact of adverse weather on agricultural production and in turn on food prices; the possible upward revision to electricity tariff at the next round of revision; the possible realisation of higher wages. Meanwhile, downside risks to inflation projections include a faster recovery of supply conditions; and the sustained impact of diminished purchasing power of the public.

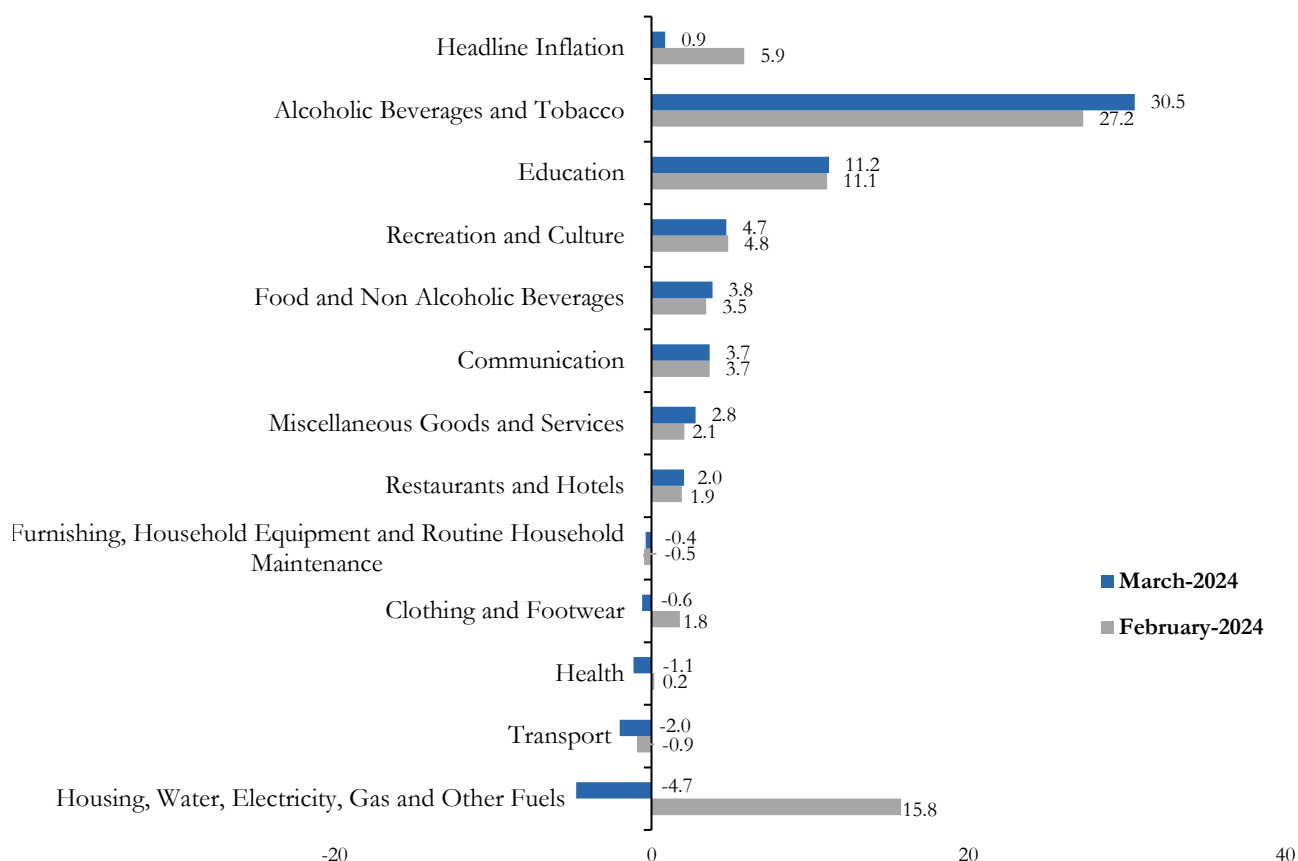
Source: Central Bank Staff Projections

a/ The projections displayed in the fan chart reflect the available data, assumptions and judgements made at the March 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	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
		February	200.6	177.2	0.0	0.6	5.9	2.8	11.3	8.5
March		196.7	177.3	-1.9	0.1	0.9	3.1	8.0	6.1	

Source: Department of Census and Statistics