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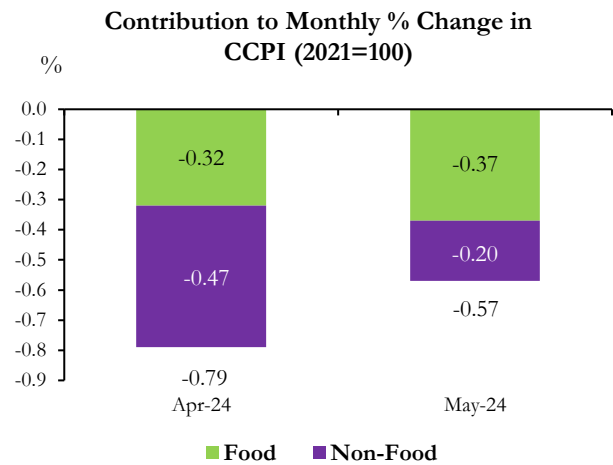
CCPI based headline inflation decelerated in May 2024

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 0.9% in May 2024 from 1.5% in April 2024. This deceleration in the headline inflation is broadly in line with the projections of the Central Bank of Sri Lanka (CBSL).

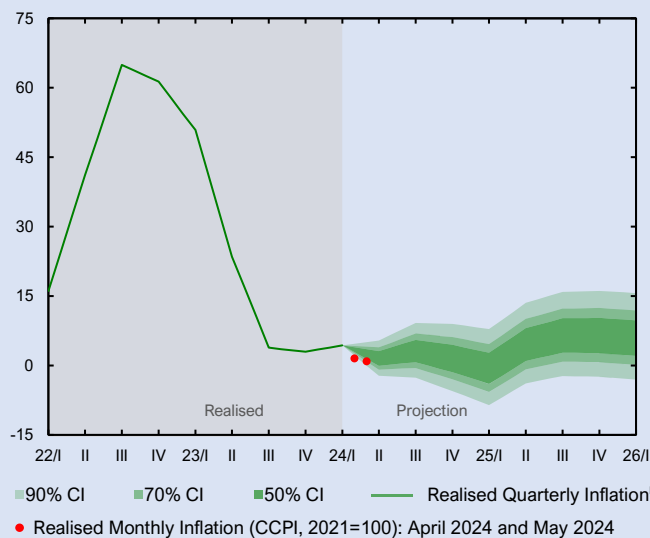
Prices of the items in the Food category, on year-on-year basis, remained unchanged in May 2024 (i.e., 0.0% Food inflation (Y-o-Y) in May 2024 compared to 2.9% in April 2024). Nevertheless, Non-Food inflation (Y-o-Y) accelerated to 1.3% in May 2024 from 0.9% in April 2024. On a month-on-month basis, inflation continued to decline. Accordingly, monthly change of CCPI recorded -0.57% in May 2024 due to the price decreases of 0.37% observed in the items of Food category and the price decreases of 0.20% observed in the items of Non-Food category. Meanwhile, core inflation (Y-o-Y), which reflects the underlying inflation trends in the economy, accelerated marginally to 3.5% in May 2024 from 3.4% in April 2024.

In the near term, inflation is likely to be below the target level of 5 per cent as per the latest available data, although some upside risks remain. Inflation is expected to align with and remain around the target level over the medium term, supported by appropriate policy measures.

Inflation CCPI (2021=100)	April 2024	May 2024
Index Value	195.2	194.1
Monthly Change (%)	-0.79	-0.57
Y-o-Y Inflation (%)	1.5	0.9



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.

There are upside risks to inflation projections stemming from factors such as the impact of possible upward pressures on global energy prices amidst uncertainty; the impact of adverse weather on agricultural production and in turn on food prices; possible upward revisions to electricity tariff; and any exchange rate depreciation more than the levels considered in the projections. Meanwhile, downside risks to inflation projections include the sustained impact of the diminished purchasing power of the public and further easing of supply conditions.

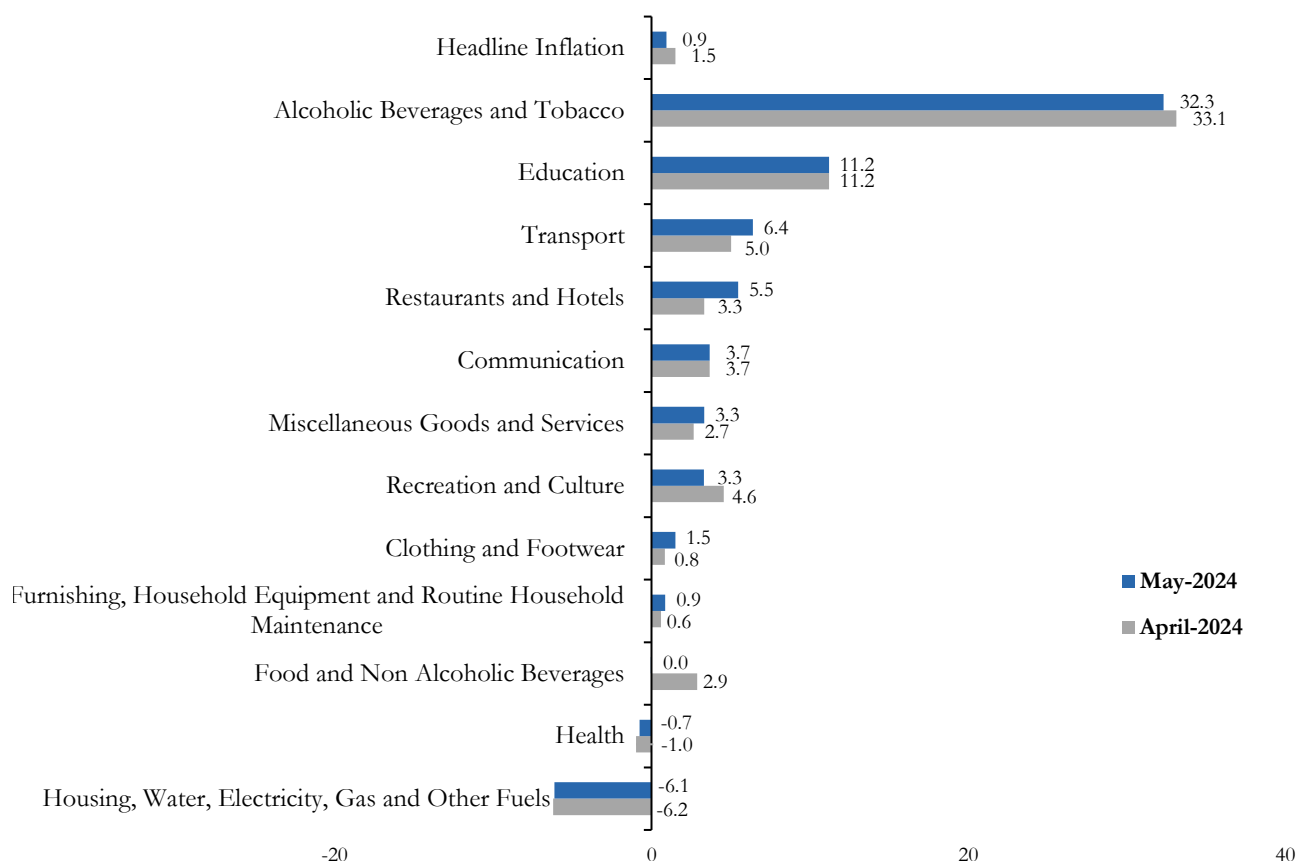
Source: Central Bank Staff Projections

a/ The projections displayed in the fan chart reflect the available data, assumptions and judgements made at the May 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	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
	April	195.2	177.3	-0.8	0.0	1.5	3.4	5.7	4.4
	May	194.1	177.0	-0.6	-0.2	0.9	3.5	3.9	3.3

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

Source: Department of Census and Statistics