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CCPI based headline inflation accelerated, yet remained below the target, in July 2024

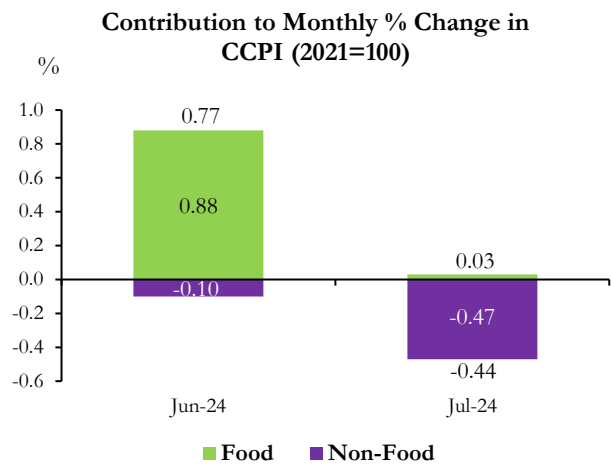
Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100)¹ was recorded at 2.4% in July 2024. Inflation continued to remain below the targeted level of 5% even after this acceleration.

Food inflation (Y-o-Y) accelerated marginally to 1.5% in July 2024 from 1.4% in June 2024. Further, Non-Food inflation (Y-o-Y) also accelerated to 2.8% in July 2024 from 1.8% in June 2024.

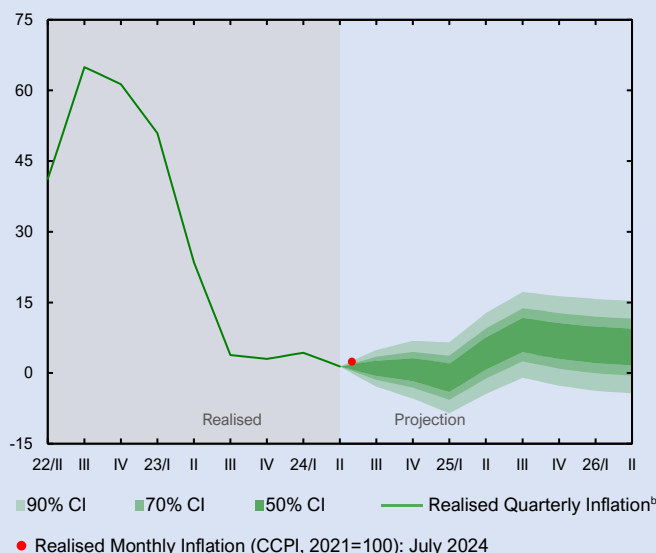
On a month-on-month basis, the CCPI recorded a decline of 0.44% in July 2024 due to the combined effect of price increases of 0.03% observed in the items of the Food category and the price decreases of 0.47% observed in the items of the Non-Food category. Meanwhile, core inflation (Y-o-Y), which reflects the underlying inflation trends in the economy, remained unchanged at 4.4% in July 2024.

Inflation is projected to remain below the target of 5% in the near term. Over the medium term, inflation is expected to gradually align with and remain around the targeted level, aided by appropriate policy measures.

Inflation CCPI (2021=100)	June 2024	July 2024
Index Value	195.6	194.7
Monthly Change (%)	0.77	-0.44
Y-o-Y Inflation (%)	1.7	2.4



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 possible realisation of demand for higher wages; adverse weather conditions affecting agricultural production; possible exchange rate depreciation; any deviation from the envisaged fiscal consolidation path; and possible upward pressures on global food and energy prices amidst uncertainty. Meanwhile, downside risks to inflation projections include, among others, the sustained impact of diminished purchasing power of people; possible easing of geopolitical tensions over the medium term, and possible larger-than-expected spillovers of energy price reductions to other price levels.

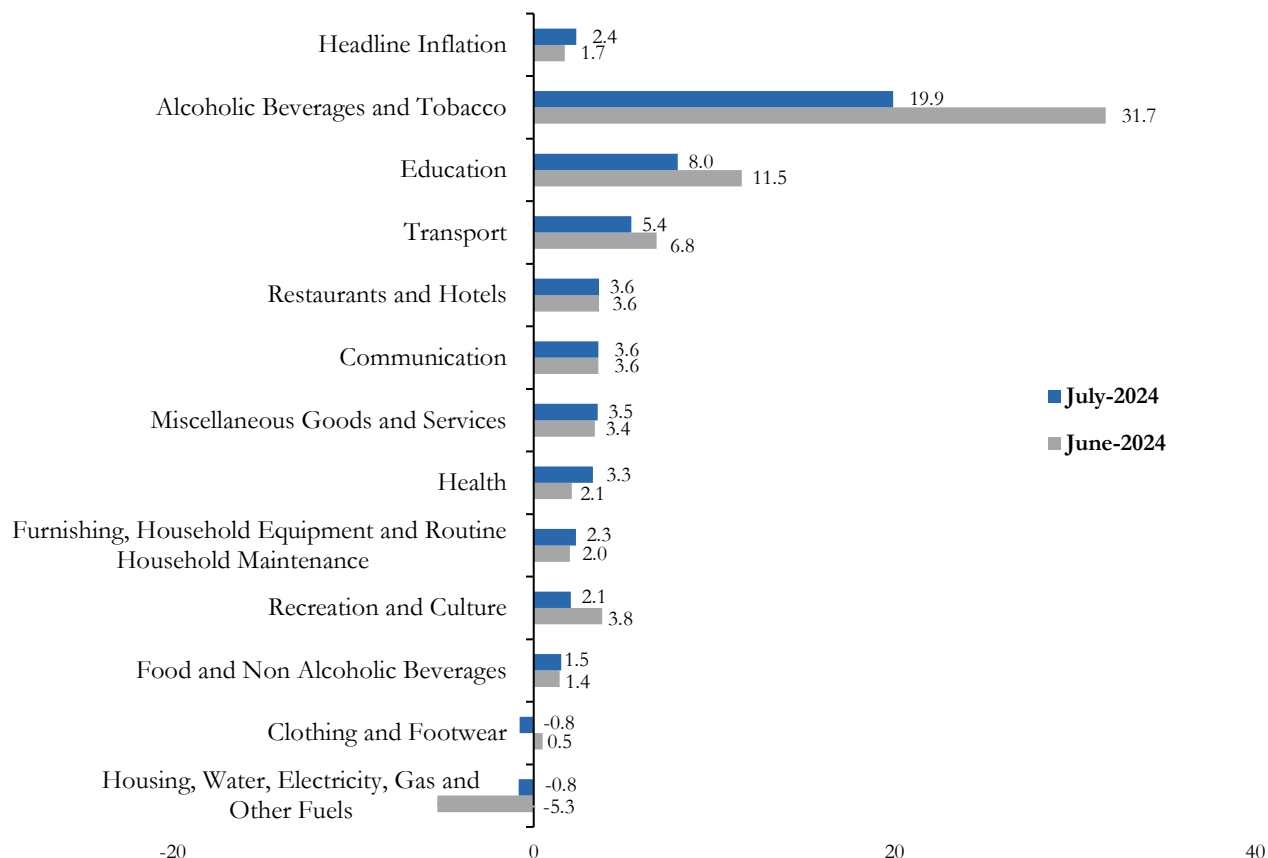
Source: Central Bank Staff Projections

a/ The projections displayed in the fan chart reflect the available data, assumptions and judgements made at the July 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	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
	June	195.6	177.4	0.8	0.2	1.7	4.4	3.1	2.8
	July	194.7	177.9	-0.5	0.3	2.4	4.4	2.8	2.7

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