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## **Report on the Deviation of Headline Inflation from the Inflation Target Set Out in the Monetary Policy Framework Agreement**

*Reference Period: Quarter 2 and Quarter 3 of 2024*

In terms of Section 26(5) of the Central Bank of Sri Lanka Act, No. 16 of 2023 (CBA), if the Central Bank fails to meet the inflation target set out in the Monetary Policy Framework Agreement (MPFA) by a margin specified in the same for two consecutive quarters, the Monetary Policy Board is required to submit a report to Parliament through the Hon. Minister of Finance, which shall also be made available to the public. The MPFA signed between the Hon. Minister of Finance and the Central Bank, on 03 October 2023, stipulates the inflation target as 5 per cent and specifies the margin for the purpose of Section 26(5) of the CBA as  $\pm 2$  percentage points.

Since quarterly headline inflation, as measured by the Colombo Consumer Price Index (CCPI), deviated from the inflation target by more than the margin stipulated in the MPFA, from the lower side for two consecutive quarters in the second and third quarters of 2024, recording 1.4 per cent and 0.8 per cent respectively, the Report required under Section 26(5) of the CBA was submitted to Parliament through the Hon. Minister of Finance.

The Report was presented to Parliament on 10 January 2025 by Hon. (Dr.) (Ms.) Harini Amarasuriya - Prime Minister and Minister of Education, Higher Education and Vocational Education, and deliberated in detail at the Committee on Public Finance (CoPF) held on 23 January 2025. The Report is now available for public access via the Central Bank Website: [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/publications/report\\_on\\_deviation\\_of\\_inflation\\_target\\_Q2\\_and\\_Q3\\_2024\\_e.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/report_on_deviation_of_inflation_target_Q2_and_Q3_2024_e.pdf).