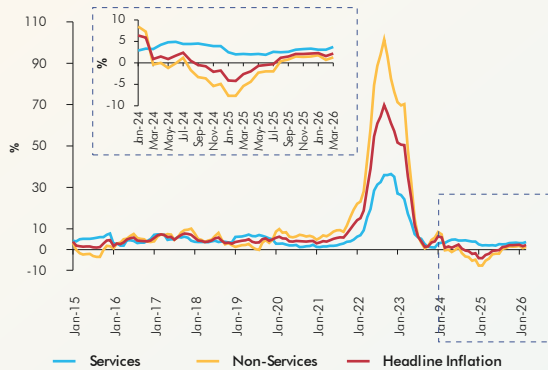
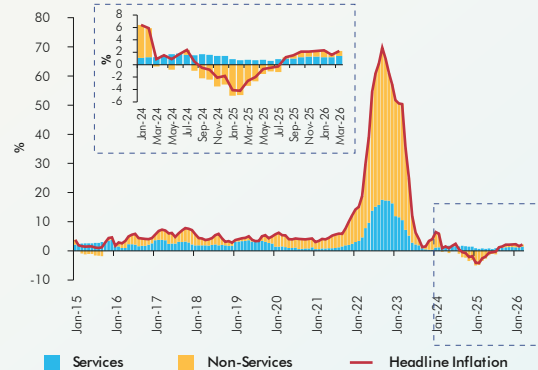




Movements of Services, Non-Services and Headline Inflation (CCPI, y-o-y)



Contribution to Headline Inflation (CCPI, y-o-y)



Note: Data preceding January 2023 are based on the CCPI (2013=100), while data commencing January 2023 are based on the CCPI (2021=100).

Sources: Central Bank Staff Calculations, Department of Census and Statistics

Services inflation refers to the increase in the prices of services over time, such as housing rent, restaurant and hotel services, education, communication, and transport services, among others. Compared to goods prices, services prices tend to be less volatile and adjust more gradually to supply-side disruptions or external shocks, thereby exhibiting greater persistence. Moreover, prices of services depend significantly on domestic factors, including wage dynamics. As a result, services inflation serves as an important indicator of underlying inflationary pressures.

In Sri Lanka, the available sub-categories within the Consumer Price Index (CPI) basket can be used to derive services inflation. Accordingly, as categorised by the Central Bank, services related items account for nearly half of the Colombo

Consumer Price Index (CCPI) basket.¹ As such, movements in service prices exert a substantial influence on headline inflation and the overall cost of living. Monitoring services inflation is therefore essential for understanding its drivers and assessing the inflationary environment.

The chart illustrates the y-o-y behaviour of services inflation alongside non-services and headline inflation over the period 2015 to early 2026. In contrast to the pronounced volatility in non-services inflation, services inflation remained relatively stable throughout the period. Notably, even during episodes of headline deflation where non-services deflation prominently deepened, services inflation remained positive, continuing to exert upward pressure on overall inflation.

¹ Central Bank staff have extracted service-specific components from the available sub-categories of the overall (Headline) CPI baskets of goods and services (2013=100 and 2021=100) using the Classification of Individual Consumption According to Purpose (COICOP) 2018. Please refer to 'Box B: Understanding Services Inflation: Why Does It Matter?' in Monetary Policy Report - August 2025 for more details on Services Inflation.