

Inflation declines significantly in November 2013

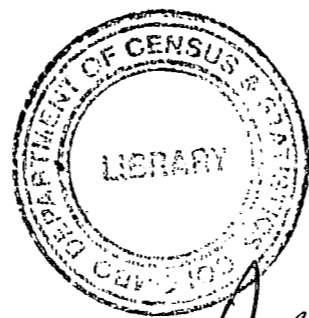
Inflation, as measured by the change in the Colombo Consumers' Price Index (CCPI) (2006/07=100), computed by the Department of Census and Statistics, declined significantly to 5.6 per cent in November 2013 on a year-on-year (YoY) basis, reaching the lowest level recorded since April 2012. The sharp deceleration of inflation was a result of the moderation in prices of both food and non-food categories. Annual average inflation moderated to 7.3 per cent in November 2013 from 7.6 per cent in the previous month, declining for the sixth consecutive month.

Meanwhile, reflecting well contained demand pressures on prices, core inflation continued to decelerate to 2.4 per cent, year-on-year in November 2013, recording a new low since its

introduction in 2007. The continued low level of core inflation is a result of prudent monetary management by the Central Bank, which supports favourable inflation expectations, thus enabling the economy to avoid the emergence of wage-price spirals. Annual average core inflation also continued to decline, and recorded 4.9 per cent in November 2013.

Compared to a month-to-month increase of 1.3 per cent in the CCPI in November 2012, the increase in CCPI was contained at 0.2 per cent in November 2013. Within the marginal monthly increase in the Index, prices in the Food and Non Alcoholic Beverages sub-category increased by 0.3 per cent reflecting higher prices of some varieties of vegetables, potatoes, red onions, big onions, green chillies

and milk powder during the month. Nevertheless, a decrease in the prices of all varieties of fresh fish, dried fish and fruits was reported. In the Non-Food category, price increases were reported in the sub-categories of Transport (0.5 per cent); Recreation and Culture (0.2 per cent); Furnishing, Household Equipment and Routine Household Maintenance (by 0.1 per cent) and Miscellaneous Goods and Services (by 0.1 per cent). The increase in the price of Transport sub-category was entirely due to the upward revision in bus fares, with effect from November 2013. Meanwhile, the prices in the sub categories of Clothing and Footwear; Housing, Water, Electricity, Gas and Other Fuels; Health; Communication and Education remained unchanged during the month.



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