

Inflation declined further in October 2018

Headline inflation as measured by the year-on-year change in the National Consumer Price Index (NCPI, 2013=100) continued to decline for the third consecutive month, recording 0.1 per cent in October 2018, the lowest since January 2016. The deceleration observed in year-on-year inflation in October 2018 is mainly driven by the higher base prevailed during the corresponding month of the previous year due to higher food prices. Year-on-year Food inflation dropped for the third consecutive month and recorded -6.6 per cent in October 2018. However, year-on-year Non-food inflation continued to increase and reached 5.8 per cent during the month.

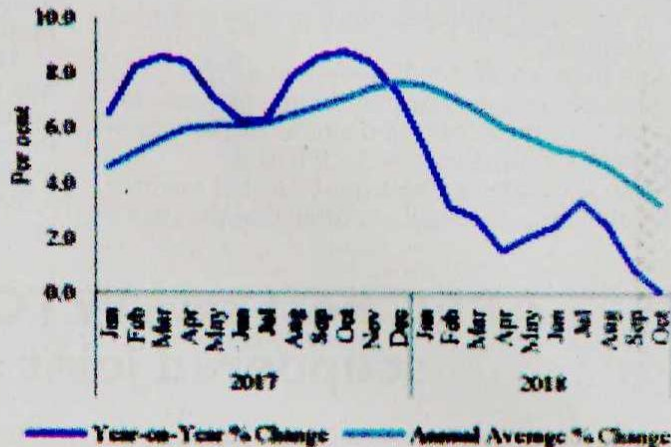
The change in the NCPI measured on an annual average basis decreased to 3.3 per cent in October 2018 from 4.0 per cent in September 2018.

The month on month change of the

NCPI increased by 0.4 per cent in October 2018 due to increase in the prices of the items in the Non-food category, particularly that of Transport (Petrol, Diesel, Bus Fare and Train Fare) and Miscellaneous Goods and Services sub-categories.

Meanwhile, prices of the items in the Food category declined during the month where prominent price declines were observed in fresh fish, eggs and coconuts.

The core inflation, which reflects the underlying inflation in the economy, increased to 3.4 per cent in October 2018



from 3.1 per cent in September 2018 on year-on-year basis. Meanwhile, annual average core inflation remained unchanged at 2.4 per cent in October 2018.