



## NEWS RELEASE

### **THE NATIONAL CONSUMER PRICE INDEX (BASE 2013=100) :- OCTOBER 2015**

#### **Department of Census and Statistics**

The Department of Census and Statistics (DCS) has been releasing Colombo Consumer Price Index (CCPI) with base period of 2006/07 from June 2011, covering the urban areas of Colombo district.. The latest Consumer Price Index (CPI) released by the DCS is National Consumer Price Index (NCPI). NCPI will be released monthly commencing from November 2015 with a time lag of 21 days. The NCPI will have weights based on consumer spending in 2012/13, and will reflect new methods consistent with international best practices.

A Consumer Price Index serves a number of purposes. It is an indicator to measure the changes in the general level of consumer prices and used as one of the key indicators of inflation. Consumer Price Index is also used for socio-economic analysis and policy purposes, mainly in the determination of monetary and income policies. It is used in the analysis of the trends in wages and other monetary incomes, for indexation of salaries and wages etc. Consumer Price Index is also used to deflate the current values in National Accounts to obtain real values and therefore, a major determinant of the GDP deflator, which is a more comprehensive indicator in the overall inflation in a country.

To better reflect international best practices, the new CPI i.e National Consumer Price Index for Sri Lanka will be compiled using prices collected for all of the nine provinces. From 1953 to April 2008 the DCS has compiled and disseminated a CPI for the Colombo metropolitan area only. Since May 2008 the DCS has been compiling and disseminating a CPI covering the urban areas of Colombo district. However, there is great need for an index that measure price change for the entire country. As noted above, the CPI is one of the key indicators used to formulate fiscal and monetary policy decisions and further to enhance the effectiveness of the policy decisions, a national index is needed. The NCPI represents a major milestone in the development and improvement of macroeconomic data for Sri Lanka.

The NCPI (Base 2013=100), is based on data from the Household Income and Expenditure Survey (HIES) conducted in 2012/13. The 2012/13 HIES included all types of consumption expenditures by households, and was broadly representative of all households in the country. The year 2013 is the base period for NCPI.

For compiling CCPI, the DCS collects prices from fourteen pricing centers located in the Colombo urban area. For the NCPI, the prices are collected for each item in the market basket from 03 price collecting centers in each district town.

The items of market basket are categorized in to 12 major divisions as per the internationally recommended classification of which Alcoholic beverages, Tobacco & Narcotics, and Hotels and Restaurants are two major divisions. In compiling CCPI, Alcoholic beverages, Tobacco and Narcotics division was not included and Restaurants and Hotels division was included under the food category limiting the number of categories to 10. But under the NCPI these two divisions were also included separately making the number of divisions to 12 as per the international recommendations. The price indices are compiled for these 12 divisions separately and NCPI is calculated as the weighted average of price indices of those 12 divisions.

The Department of Census and Statistics has released the National Consumer Price Index (NCPI) for the month of October 2015 on 23<sup>rd</sup> November 2015. It has been estimated as 109.2. This shows a increase of 0.8 index point and also a percentage of 0.74 compared to the previous month's (September) index point of 108.4. This change has occurred due to the price increases of food items by 0.63% and price increases of non-food items by 0.11% respectively.

In a communiqué issued on the latest price index: NCPI, Dr. Amara Satharasinghe Director General of Census and Statistics said that Year on Year inflation based on NCPI month of October 2015 was calculated as 3.0% and inflation calculated for September 2015 is 1.9%. According to Dr Satharasinghe, for comparison purposes, monthly NCPI for the period from January 2014 to September 2015 has also been calculated and published by the DCS.

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