

Sri Lanka | October 31, 2013

Frontier Inflation Advantage Report

Frontier
— Research —
Advantage

Inflation Review

“Inflation increases on a YOY basis due to uptick in food prices”

**POST – DATA
October REVIEW**

**HEADLINE CCPI
6.7% YOY and 0.2% MOM**

**CORE INFLATION
2.60% YOY and 0.1% MOM**

**12 Mo. Moving Mar
7.6% (CCPI)**

**PRE-DATA ESTIMATES
6.75% YOY
0.19% MOM**

**FRONTIER LONG- TERM
FORECAST
6.58% YOY
0.0% MOM**

- Inflation gained 0.2% MOM to increase to 6.7% YOY in October from the 6.2% YOY recorded last month. This was in line with Frontier’s Pre-data expectation of 6.75% YOY. This was largely due to an uptick in food prices which recorded a 0.3% MOM increase.
- Food prices advanced after two consecutive months of declines. This was a result of significant price increases across most varieties of rice and certain vegetables. Our pre-data estimates based on two weeks of price data indicated a MOM increase of 0.4% in October. This has resulted in the YOY food prices accelerating to 7.6%, the highest since May of this year.
- The increase in food prices further emphasizes our opinion that the recent contraction in food prices has left limited space for further price decreases.
- The movement in non-food categories remained largely muted during the month of October. Clothing and Footwear and Household Equipment declined 0.2% and 0.1% MOM respectively while Miscellaneous Goods and Services increased 0.1% MOM.
- Core inflation fell to 2.6% YOY, reaching a fresh new low despite a 0.1% MOM increase during the month. The decline on a YOY basis is largely due to base effects, but is nevertheless indicative of benign inflationary environment.

Figure 1: October Dashboard

Data Source: Census and Statistics

Category (Weight)	YOY %			MOM%		
	October	September	High/Low	October	September	High/Low
All Items (100%)	6.7%	6.2%	↑	0.2%	-0.2%	↑
Food & Beverage (41%)	7.6%	5.9%	↑	0.3%	-0.5%	↑
Clothing (3.1%)	3.2%	3.7%	↓	-0.2%	-0.3%	↑
Utilities (23.7%)	12.4%	13.5%	↓	0.0%	0.1%	↓
H/H Equipment (3.6%)	2.6%	3.2%	↓	-0.1%	0.1%	↓
Health (3.2%)	0.7%	0.7%	↔	0.0%	0.2%	↓
Transport (12.3%)	2.7%	3.0%	↓	0.0%	0.1%	↓
Communication (4.8%)	0.0%	0.0%	↔	0.0%	0.0%	↔
Recreation (1.5%)	4.8%	5.9%	↓	0.0%	1.0%	↓
Education (3.9%)	0.9%	1.4%	↓	0.0%	0.0%	↔
Miscellaneous (2.9%)	3.4%	3.7%	↓	0.1%	0.1%	↔
Core Inflation	2.6%	3.0%	↓	0.1%	0.1%	↔

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