

SRI LANKA INFLATION REVIEW · OCTOBER 2026

# NCPI September 2026

Benchmarked against the CCPI - what it means for household purchasing power, CSE-listed companies and investors

NCPI 8.1%

CCPI 8.0%

Target 5%



# Inflation holds at a 40-month high

 **8.1%**

**NCPI headline (national)**

Unchanged from August · highest since June 2023

 **8.0%**

**CCPI headline (Colombo)**

Unchanged from August · month-on-month +0.19%

 **8.75%**

**CBSL policy rate (OPR)**

vs 5% inflation target · held on 29 Sep

 **6.9%**

**NCPI food inflation**

▲ up from 6.6% in August

 **9.1%**

**NCPI non-food inflation**

▼ down from 9.3% in August

 **6.4%**

**NCPI core inflation**

CCPI core rose to 5.4% from 5.1%

# Same headline, different stories

| Indicator (Y-o-Y)     | NCPI          | CCPI    | Gap      |
|-----------------------|---------------|---------|----------|
| Headline inflation    | 8.1%          | 8.0%    | +0.1 pp  |
| Food inflation        | 6.9%          | 8.7%    | -1.8 pp  |
| Non-food inflation    | 9.1%          | 7.7%    | +1.4 pp  |
| Core inflation        | 6.4%          | 5.4%    | +1.0 pp  |
| Month-on-month change | +0.1%         | +0.19%  | -        |
| Food weight in basket | 39.2%         | 26.2%   | +13.0 pp |
| Non-food weight       | 60.8%         | 73.8%   | -13.0 pp |
| Coverage              | All provinces | Colombo | -        |

## 💡 Reading the gap

Outside Colombo, **non-food** costs (energy, transport, utilities) are running hotter: 9.1% vs 7.7%.

In Colombo, **food** is the bigger pain point: 8.7% vs 6.9% nationally.

Core is **1 pp higher** nationally, so underlying pressure is broader than the CCPI shows.

# Non-food still carries most of the national load

## Food

**6.9%**      **8.7%**

NCPI · from 6.6%

CCPI · from 8.5%

NCPI food index rose **0.4% in the month** to 253.0 - the main source of September's price rise.

In Colombo, **fresh fruit and big onions** drove the monthly increase.

## Non-food

**9.1%**      **7.7%**

NCPI · from 9.3%

CCPI · unchanged

NCPI non-food index **slipped 0.1%** to 205.6 - a small relief after energy-led increases.

In Colombo, the non-food uptick came mainly from **education**.

Contribution to the 8.1% NCPI headline (percentage points)

**Food 3.1 pp**

**Non-food 5.0 pp - about 62% of headline inflation**

# Colombo vs national inflation, 2022 peak and today

## INFLATION NOW (SEP-26)

8.0% 8.1%

CCPI

NCPI

Both well above the 5% target

## 2022 PEAK (SEP-22)

69.8% 73.7%

CCPI

NCPI

Food peaked at 94.9% vs 85.8%

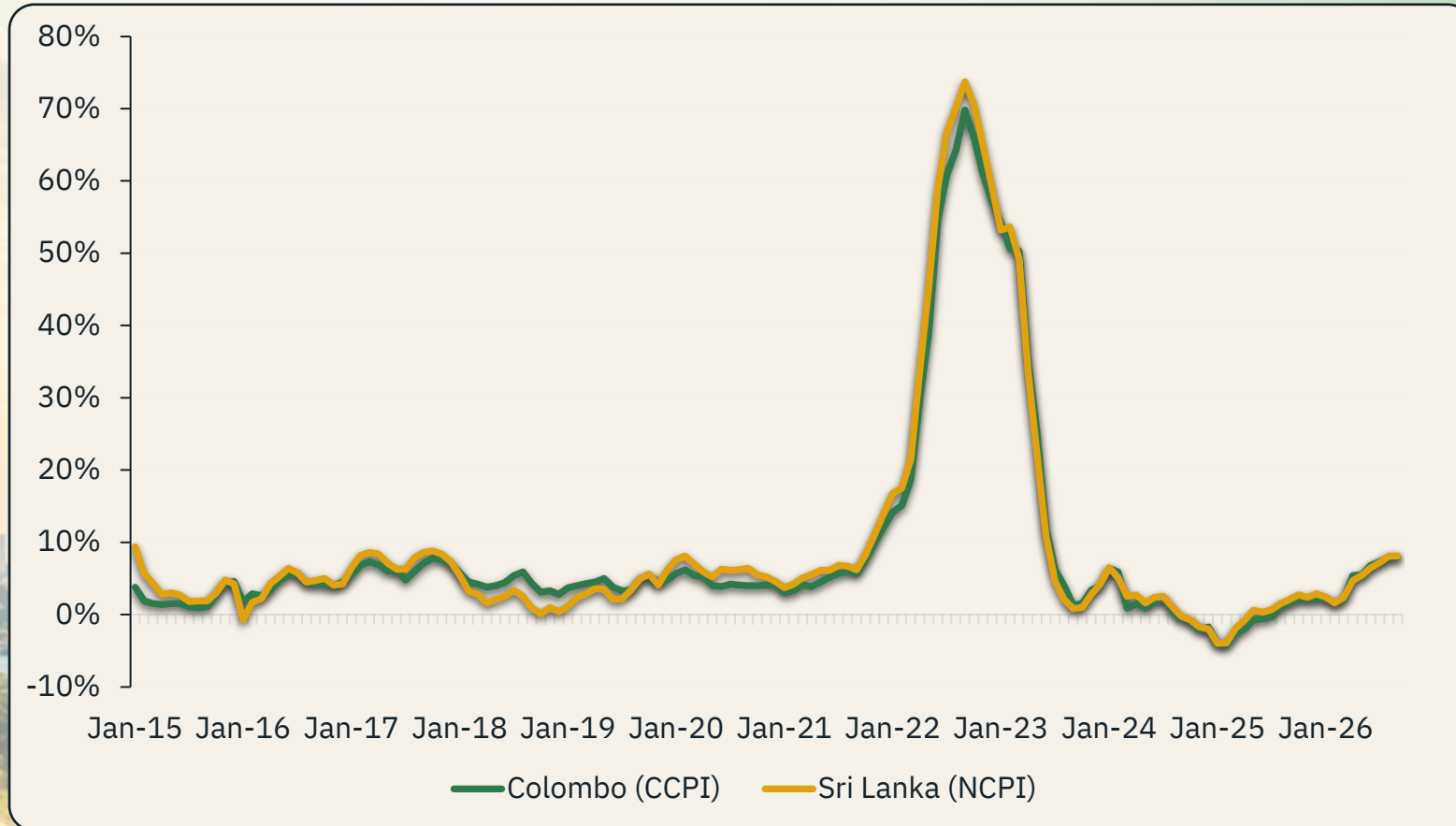
1

**Colombo and Sri Lanka followed the same path.** Inflation was normal, soared in the 2022 currency crisis, turned negative in 2024-25, and is back at 8% in 2026.

2

**Food counts for less in Colombo's index.** It is 28% of Colombo spending vs 44% nationally, so Colombo's inflation was lower, even though its food prices rose more.

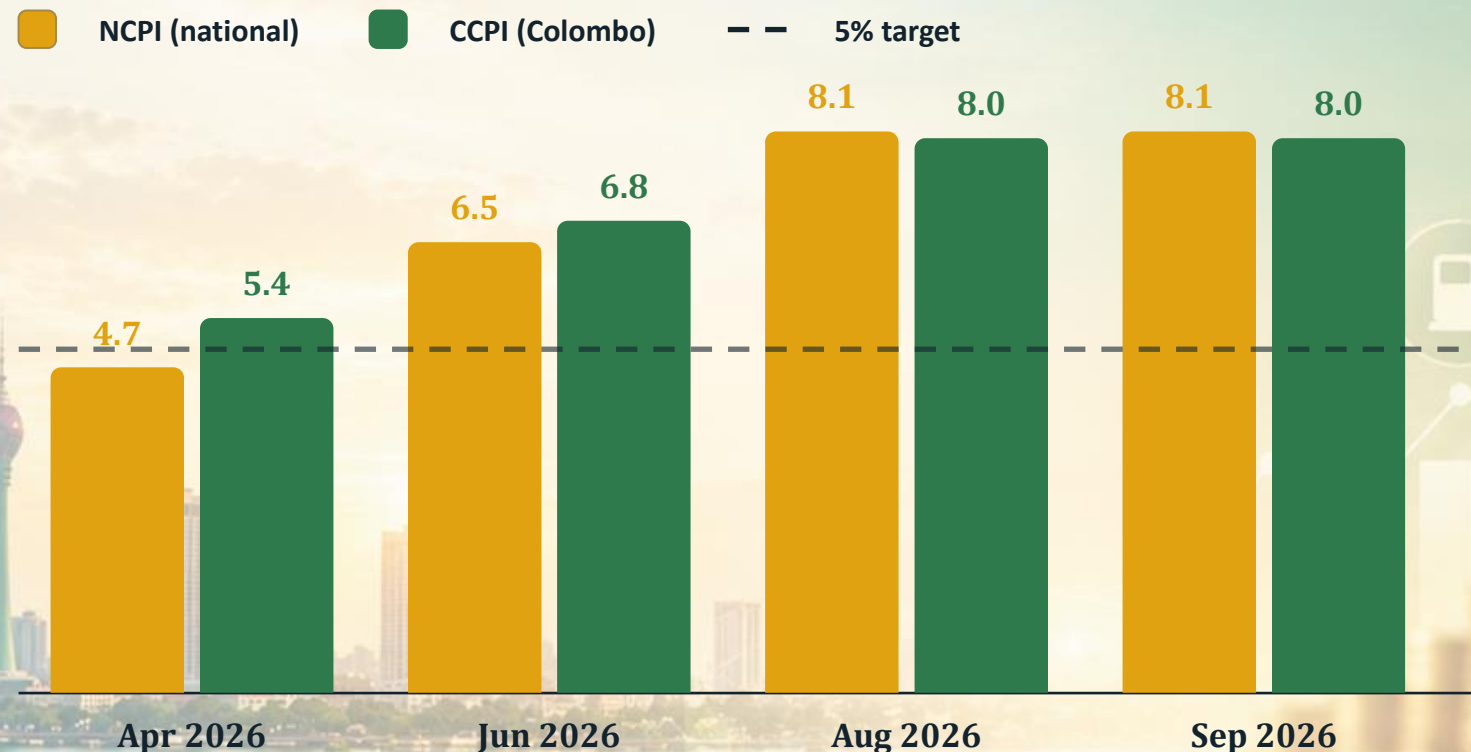
# Colombo and the country climbed the same mountain - the nation peaked slightly higher



|                     | Colombo | National |
|---------------------|---------|----------|
| Peak (Sep-22)       | 69.8%   | 73.7%    |
| Lowest (early 2025) | -4.2%   | -4.0%    |
| Months below zero   | 11      | 8        |
| 2025 average        | -0.5%   | +0.2%    |
| Now (Sep-26)        | 8.0%    | 8.1%     |

**Why the gap?** In the 2013 baskets used through 2022, food was 44% of the national basket but only 28% of Colombo's. Food was the fastest-rising group in 2022, so the food-heavier basket peaked higher.

# Inflation has climbed steadily since April



**1.6% → 8.1%**

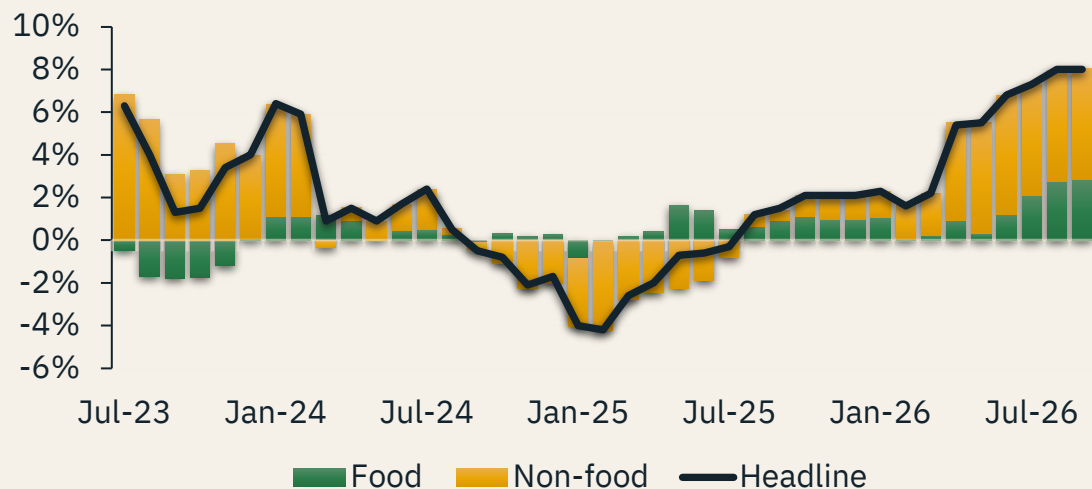
NCPI headline from February to September 2026 - a five-fold rise in seven months.

**4.5%**

NCPI 12-month average, still rising (Jul 3.5%, Aug 4.1%). Low 2025 base keeps Y-o-Y readings high.

# Colombo and Sri Lanka move together, and non-food prices drive most of the change in both

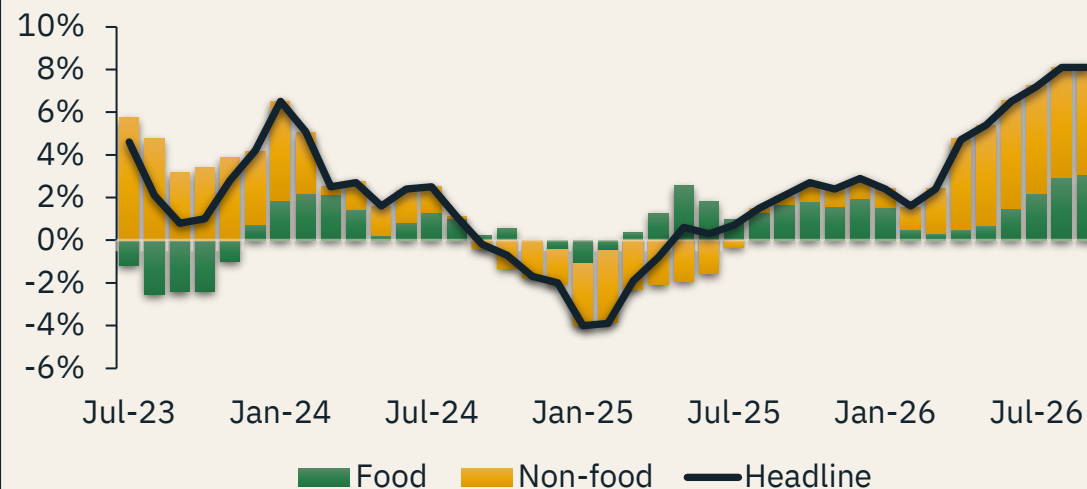
**Colombo (CCPI) - food is 26% of the basket**



**Colombo: non-food swung more than food**

Non-food inflation went from -6.1% in Feb 2025 to 7.7% in Sep 2026. Food bottomed at -2.6% and is now 8.7%.

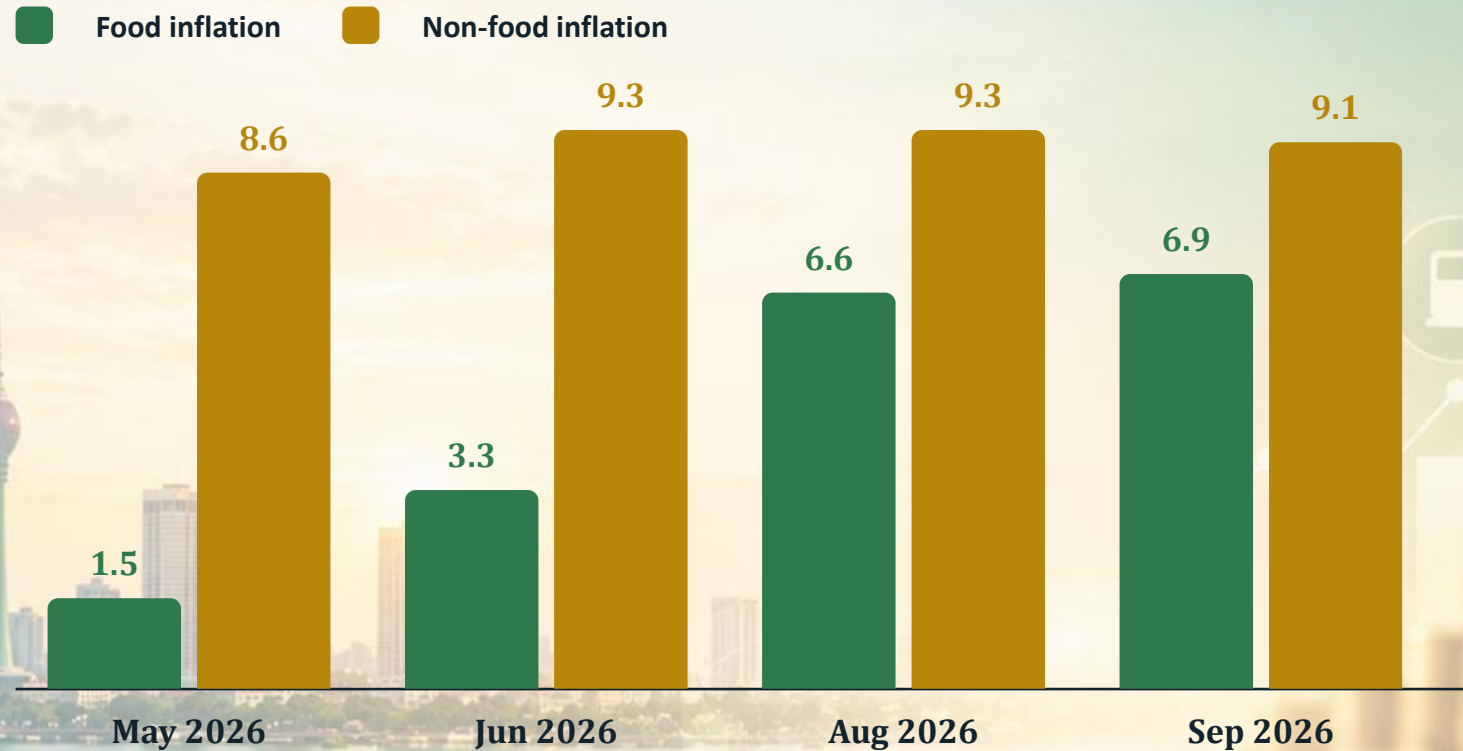
**Sri Lanka (NCPI) - food is 39% of the basket**



**Sri Lanka: a larger non-food swing**

Non-food inflation went from -6.0% in Feb 2025 to 9.1% in Sep 2026. Food bottomed at -2.5% and is now 6.9%.

# Food is catching up as non-food plateaus



**4.6×**

Food inflation since May (1.5% → 6.9%).  
Weather and base effects are now feeding through to the plate.

**Approx. 9%**

Non-food has held near 9% since June: the energy price reset is now built into costs.

# The heaviest items in the basket set the pace



## Food and non-alcoholic beverages

Largest weight: 39.2% NCPI ·  
26.2% CCPI

Food index +0.4% in September  
fresh fruit and big onions led the  
rise.

▲ Rising



## Housing, water, electricity and gas

A top-3 weight in both indices

Energy price hikes made after  
the oil shock in April are now  
embedded in household bills.

► High, holding steady



## Transport and fuel

A top-3 weight in both indices

Fuel and fares track crude oil,  
which topped USD 100 a barrel  
again in July.

► High, oil-sensitive



## Education

Smaller weight, notable move

The main non-food driver of  
September's CCPI rise (+0.04 pp  
of the +0.19% m-o-m).

▲ Rising



**Spillover watch:** core inflation is rising (NCPI 6.4%, CCPI 5.4% from 5.1%) as energy costs spread into wider prices.

# Every rupee buys less than it did a year ago

**Rs 1,000 → Rs 925**



At 8.1% inflation, Rs 1,000 today buys what about Rs 925 bought in September 2025.



**2.24× 2021 prices**

NCPI stands at 224.2 (2021 = 100): Rs 1,000 today buys what Rs 446 did in 2021.

## Nominal wage growth vs 8.1% inflation

### Public sector



### Informal agriculture



### Informal private (all)



### Informal industry



Dashed line = NCPI 8.1%. Public-sector real wages approx. -3 pp. Wage data: CBSL wage rate indices, May 2026 (latest reported).

# Fixed incomes and outstation households feel it most



## Lower-income & rural households

Food, fuel and utilities take a bigger slice of their budgets and national non-food inflation (9.1%) runs hotter than Colombo's.



## Public-sector & fixed-salary staff

Nominal public pay up 5.0% vs 8.1% inflation: real take-home pay is shrinking by roughly 3% a year.



## Savers & pensioners

A 3-month T-bill at 9.2% leaves only approx. 1.1 pp of real return, fixed pensions lose approx. 7.5% of buying power a year.



## Spending patterns

Expect trading down to essentials and delayed big-ticket buys, CBSL expects vehicle import demand to ease.



**Our view:** real incomes for most salaried households are falling, so consumption growth is likely to cool into early 2027.

# Higher for longer rates are weighing on the CSE

**8.75%**

**Overnight Policy Rate**

+100 bp in May, held in July and September

**+0.65 pp**

**Real policy rate**

8.75% OPR minus 8.1% NCPI: barely positive

**9.20%**

**3-month T-bill**

Up 2 bp at the 21 Oct auction

**9.44%**

**6-month T-bill**

Unchanged, weak take-up at auction

 **ASPI since the May hike**

|             |          |
|-------------|----------|
| 26 Jun 2026 | 22,409.8 |
|-------------|----------|

|             |          |
|-------------|----------|
| 24 Jul 2026 | 21,172.7 |
|-------------|----------|

|             |          |
|-------------|----------|
| 22 Oct 2026 | 19,717.9 |
|-------------|----------|

**-12.0%**

since late June. The rupee had also weakened 7.8% against the dollar year-to-date by late July.

# Pricing power and dollar earnings decide the winners

## Banks & finance

**Mixed**

Higher loan yields help margins, slower credit and stretched borrowers hurt.

## Consumer staples, F&B

**Mixed to positive**

Pricing power on essentials protects margins, but volumes may soften.

## Retail, durables & motor

**Negative**

Discretionary spend is squeeze, costlier leasing and vehicle import curbs.

## Manufacturing & construction

**Negative**

Energy and input costs rise while borrowing stays expensive.

## Exporters, apparel, plantations

**Positive**

A weaker rupee lifts LKR earnings, El Niño is a crop-output risk.

## Hotels & leisure

**Positive**

Dollar-linked room rates offset local cost inflation.

## Power & energy

**Mixed**

Tariff pass-through supports revenue, fuel-cost and regulatory risk.

## Diversified holdings

**Neutral**

Spread exposure cushions shock, watch leverage and consumer arms.

# Protect real returns, be selective on equities



## Fixed income

- T-bills at 9.2-9.44% vs 8.1% inflation: only approx. +1.1 to +1.3 pp real
- Keep duration short while another hike is possible
- Roll maturities as yields reprice upward



## Equities

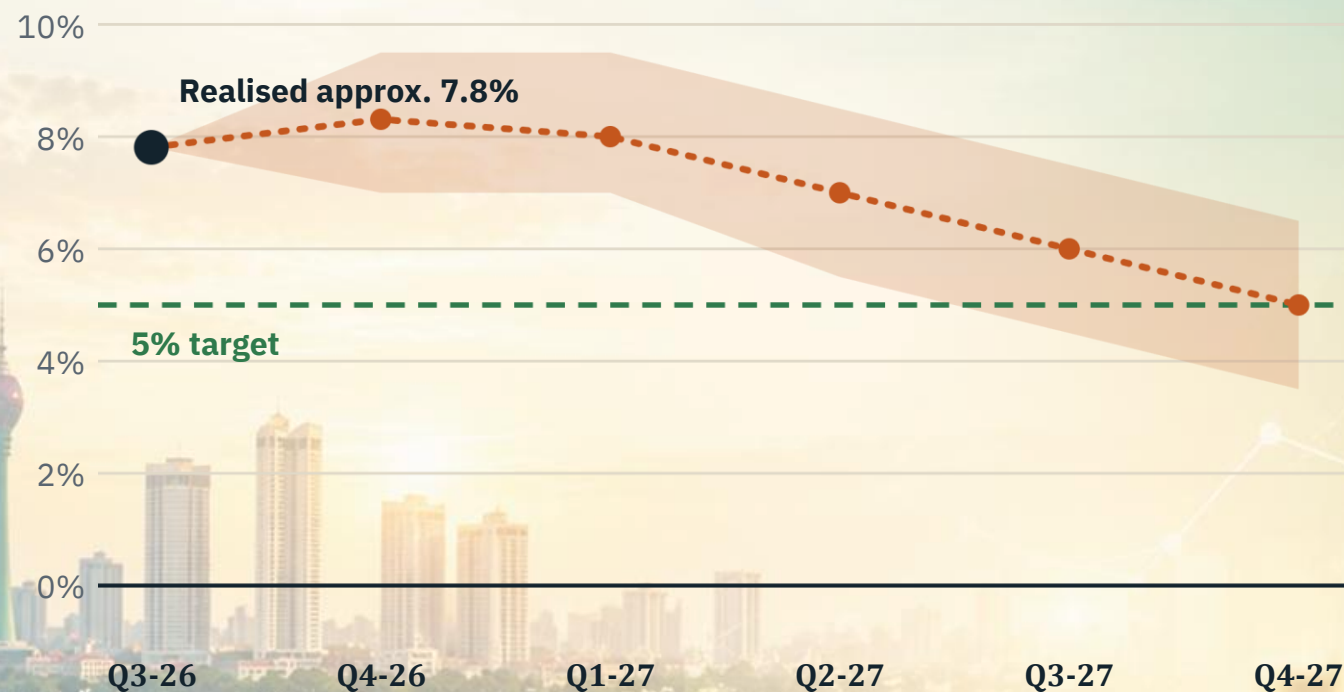
- Favour pricing power, dollar earners and low debt
- Expect valuations to compress as discount rates rise
- ASPI -12% since June: stagger entries for the long term



## Watchlist

- **20 Nov 2026:** next CBSL monetary policy review
- October CCPI (end-Oct) and NCPI (late Nov)
- Crude oil, the rupee and El Niño rainfall

# High single digits through Q1-2027, then easing to 5%



Target: 5% for the next three years (agreement gazetted 1 Oct 2026)

## ⚠️ Upside risks

- Middle East tensions and oil prices
- El Niño hitting food supply
- Rupee weakness and second-round effects

## ✅ Downside risks

- Lagged effect of the May rate hike
- Moderating private-sector credit
- 2026 base effects fade from mid-2027

# Sticky at 8%, with the 5% target a 2027 story

## 01 Plateau, not peak-and-fall

NCPI 8.1% and CCPI 8.0% both held steady - the highest since mid-2023.

## 02 The mix is rotating

Non-food (energy, utilities, transport) eases slightly, food and core inflation are climbing.

## 03 Real incomes are falling

Rs 1,000 buys approx. Rs 925 of last year's basket, public pay trails inflation by approx. 3 pp.

## 04 Rates stay high for longer

OPR 8.75% with thin real yields, favour pricing power and dollar earners on the CSE.



# Disclaimer

This is solely for SenFin Securities Limited (SSL) clients' information and is not construed as investment advice. It is also not intended as an offer or solicitation to purchase and sell any financial instruments. This report is prepared based on publicly available information, internally developed data, and other sources believed to be reliable. The information and opinions contained in this report are based upon information obtained from sources believed to be reliable and made in good faith. Such information has not been independently verified and no guarantee, representation, or warranty, express or implied is made as to their accuracy, completeness, or correctness. All such information and opinions are subject to change without notice. This report is for information purposes only, and the description of any company or its securities mentioned herein is not intended to be complete. This report is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments, and SenFin Securities Limited or its employees or associates cannot be held responsible for any losses or gains. The recipient of this report must make their own independent decision regarding any securities, investments, or financial instruments mentioned herein. SenFin Securities Limited (SSL) its directors, officers, consultants, employees, and associates, will not be responsible, for any claims of damages, compensation, suits, damages, loss, costs, charges, expenses, outgoing or payments including attorney's fees which recipients of the reports suffers or incurs directly or indirectly arising out of actions taken as a result of this report. The contents herein should not be construed as investment, legal, or tax advice. Investors should seek independent professional advice to ascertain (a) the possible tax consequences, (b) the legal requirements, and (c) any foreign exchange restrictions or exchange control requirements that may be encountered under the laws of the countries of citizenship, residence, or domicile. Past performance does not guarantee future returns; there can be no assurance that investments will achieve any targeted price levels or rate of return. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied, or distributed to any other party, without the prior express written permission of SSL.

Investment involves risk and securities, financial instruments and investment strategies mentioned may not be suitable for all investors. Please ensure that you fully understand the risks involved. As a general rule, you should only trade in financial products that you are familiar with and understand their risk. You should carefully consider your investment experience, financial situation, investment objective, and risk tolerance level and consult your independent financial adviser as to the suitability of your situation before making any investments.



# Contact

## RESEARCH TEAM



**Bhashini Hewawitharana**  
Assistant Manager  
+94 112 359 162 / +94 72 186 4893  
bhashini.hewawitharana@senfinsecurities.com



**Mayakrishnan Jagatheeswar**  
Assistant Manager  
+94 112 359 104 / +94 72 949 9419  
jagatheeswar@senfinsecurities.com



**Dulani Jayarathna**  
Assistant Manager  
+94 112 359 103 / +94 72 949 9422  
dulani@senfinsecurities.com



**Himaya Wanigasuriya**  
Assistant Manager  
+94 112 359 142 / +94 72 949 9421  
himaya@senfinsecurities.com



**Vindya Gunathilake**  
Junior Analyst  
+94 74 064 6457  
vindya@senfinsecurities.com



**Thathsarani Bandara**  
Trainee Analyst  
+94 76 612 7910  
thathsarani@senfinsecurities.com



**Dinuvi Samintha**  
Trainee Analyst  
+94 74 193 5582  
dinuvi@senfinsecurities.com



**Suraj Perera**  
Trainee Analyst  
+94 76 355 7422  
Suraj@senfinsecurities.com

## SALES TEAM



**Eardly Kern**  
Senior Vice President- Equities  
+94 112 359 102/ +94 77 734 8018  
kern@senfinsecurities.com



**Bishen Mendis**  
Vice President- Equities  
+94 112 359 121/ +94 729 499 477  
bishen.mendis@senfinsecurities.com



**Madawalage Damayanthi**  
Assistant Vice President – Equities  
+94 112 269 519/ +94 729 499 114  
damayanthi.madawalage@senfinsecurities.com



**Janak Kulananda**  
Associate Vice President – Equities  
+94 714909656  
Janak@senfinsecurities.com



**Bandula Lansakara**  
Senior Manager - Equities  
+94 704 724 932  
bandula.lansakara@senfinsecurities.com



**Himash Fernando**  
Investment Advisor  
+94 76 542 5203  
himash@senfinsecurities.com



**Umay Perera**  
Investment Advisor - Equities  
+94 721 864 520 /+94 722 522 335  
umaya@senfinsecurities.com



**Maniesh Rodrigo**  
Senior Vice President – Equities  
+94 112 359 173/ +94 729 499 325  
maniesh@senfinsecurities.com



**Eranga Z. Siriwardhana**  
Vice President - Equities  
+94 729 499 480  
eranga.siriwardhana@senfinsecurities.com



**Sudam Hasantha**  
Associate Vice President - Equities  
+94 112 359 171/ +94 729 499 222  
sudam@senfinsecurities.com



**Ajith Kumarasinghe**  
Associate Vice President-Equities  
+94 773252333  
Ajith@senfinsecurities.com



**Mohammedu Illiyas Zahir sha**  
Senior Investment Advisor - Equities  
+94 729 374 678/+94 729 499 433  
zahir.shah@senfinsecurities.com



**Vivekananthan Kirushanathan**  
Investment Advisor - Equities  
+94 778 690 983 /+94 729 499 475  
vivekananthan@senfinsecurities.com

## SOCIAL MEDIA



<https://tinyurl.com/cwvwnf4x>



<https://tinyurl.com/4r9nej6s>



<https://tinyurl.com/4rriuh6n>



<https://tinyurl.com/yc2mu9cf>



<https://tinyurl.com/38smbn5f>



<https://rb.gy/sn4rmt>