

Producer inflation soars to 16.6% but shows signs of easing

Sri Lanka's producer prices, a measure of inflation before it hit the end consumer, continued to climb in December, predominantly pushed up by the soaring agriculture producer prices but the monthly index changes pointed to some signs of easing in the months ahead.

According to the Producer Price Index (PPI) measured by the Census and Statistics Department, Sri Lanka's producer prices had increased by 16.6 percent from a year ago, with the agriculture producer prices rising by 19.9 percent during the same period, as both growing of non-perennial and perennial crops and animal husbandry costs rose.

Meanwhile, the monthly producer prices rose by 2.5 percent in December, from 2.6



percent in November, reflecting some easing price pressures in the next few months.

Sri Lanka's consumer inflation measured by the Colombo consumer price index rose by 14.5 percent in January 2022, reaching a 13-year

high, accelerating from 12.1 percent in December 2021, as food prices rose by 25 percent.

Inflation is a global phenomenon plaguing every economy, except Japan.

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Global central banks have quickly shifted the gear to arrest the rising prices, as strong consumer demand triggered by record stimulus collided with virus-related supply chain disruptions causing price pressures, which proved to be more sticker than earlier anticipated.

The United States Labour Department on Thursday reported 7.5 percent consumer inflation, setting a new 40-year high, sending global stocks indices tumbling and bond yields rising.

The US 10-year treasury note, the widely watched benchmark note, hit 2.0 percent yield for the first time since mid-2019, upon releasing inflation data for January. In the US, the gasoline prices rose by 40 percent while the energy prices rose by 27 percent in the 12 months to January 2022. Meanwhile, the electricity prices rose by 12 percent and the food prices rose by 7.0 percent.

Also, the used car prices in the US rose by the most or 40.5 percent, as demand returned strong while the production hit bottlenecks, due to the global semiconductor shortage, as companies from all industries raced to order the chips they needed for their products after the pandemic shifted things online.

Meanwhile, in Sri Lanka, manufacturing prices rose by 17.7 percent over the last 12 months while the category that captures 'electricity, gas, steam, air conditioning supply and water supply' declined in prices by 5.2 percent from a year ago.