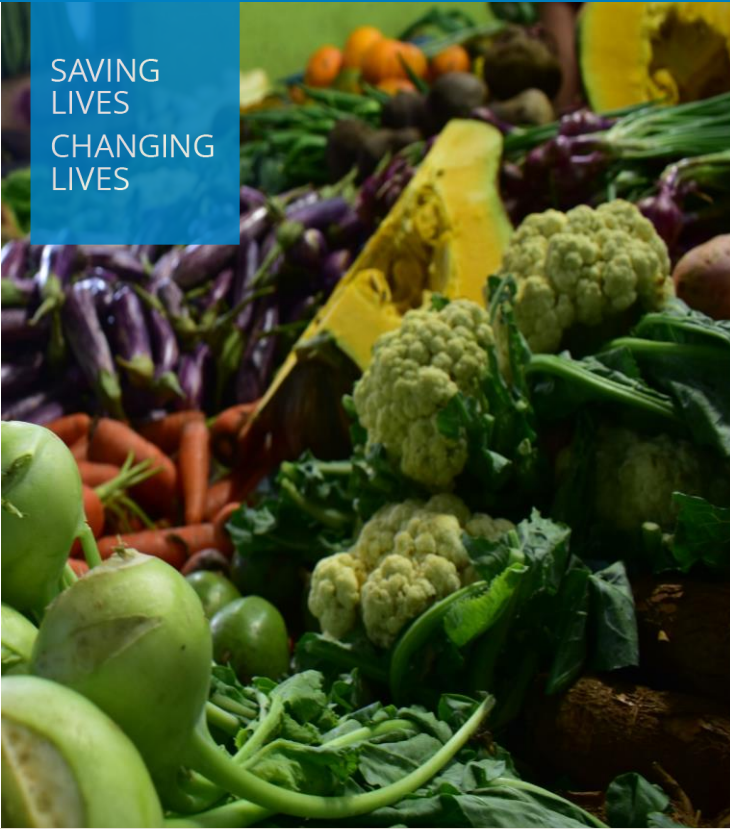


SAVING  
LIVES  
CHANGING  
LIVES



### Key Highlights

- Overall inflation in February increased to 17.5%, up from 16.8% in January.
- Food inflation increased to 24.7% in February, up from 24.3% in January; non-food inflation increased to 11% from 10.2% in January. The highest month-on-month food inflation was recorded in February 2022 due to considerable price changes in rice, Dhal and milk powder.
- Global food prices index continue to rise and are now 20.7% higher than they were in 2021. This was driven by increases in the price of vegetable oil and dairy products. Global wheat prices soared rapidly as a result of supply chain disruptions caused by the conflict in Ukraine.
- The retail price of most low country and up country vegetable varieties decreased towards the end of February due to an increased supply from the Maha harvest.
- The price of eggs has risen by 17% due to high cost of poultry feed.

*\*Data source: DCS, Sri Lanka/Talking Economics*

### Changes in the Policy Environment



- Cabinet has approved construction of an organic fertilizer manufacturing facility for Mahaweli Knuckles region (7th February).
- The Cabinet of Ministers approved the President's measures to appoint a committee to ensure that essential consumer goods are supplied to the market without shortage (14th February).
- The Cabinet has approved the Sahana Malla (relief pack) project, which will select 40 low-income families per Grama Niladhari division based on special criteria and the recommendation of the relevant Divisional Secretary. Each beneficiary family will be issued a digital card with a value of Rs. 2,000/- that can be used to purchase goods (14th February).
- Cabinet has approved the import of Muriate of Potash (Potassium Chloride) fertilizer for the Yala season paddy cultivation (28th February).



Food inflation (NCPI) **24.7%\***



Headline inflation (NCPI) **17.5%\***

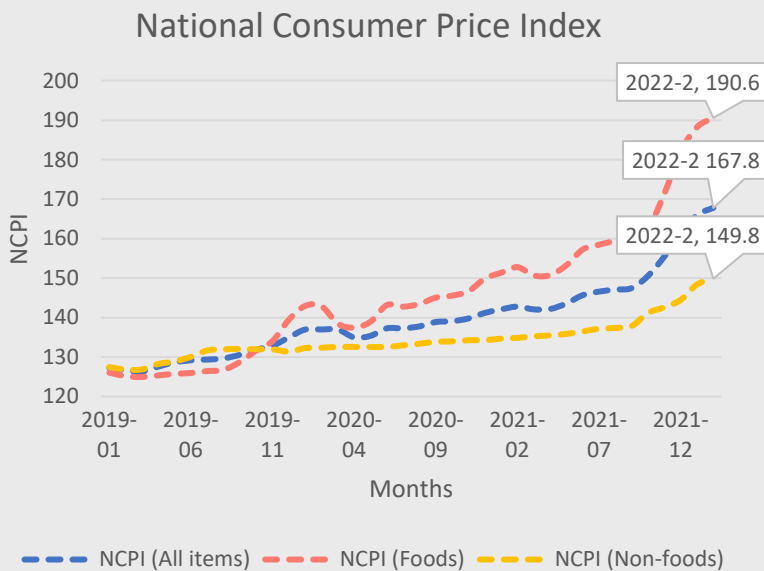


Average food expenditure **Rs. 26,981.89** (based on February 2022 food inflation rate)

*\*Data source: DCS, Sri Lanka*



# National Consumer Price Index



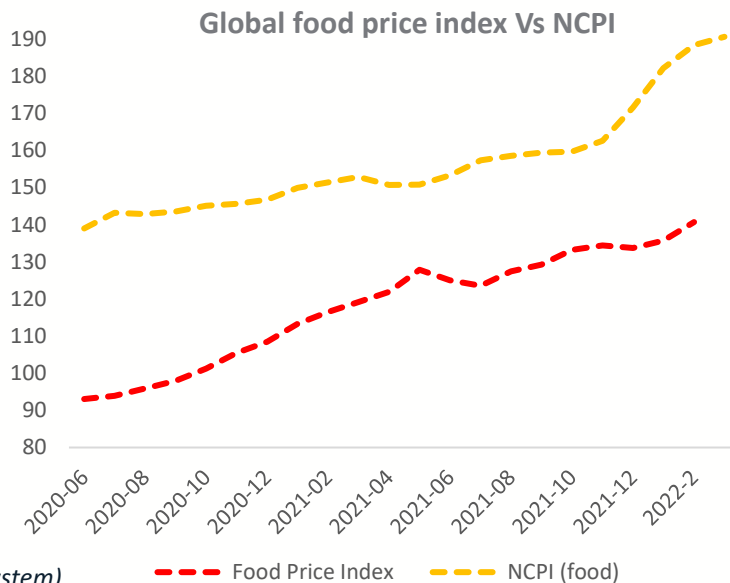
The National Consumer Price Index (NCPI) for all items was 167.8 points in February, a 17.5% increase from the same period in 2021. This is a 1.8 index point increase from the previous month (+1.1%), which represents a monthly increase in expenditure value of Rs. 580 in the market basket. The rate of food inflation in February as measured by the NCPI on year-to-year basis was 24.7%. Overall food inflation continued to increase from the previous month by +1.2%.

\*Data source: DCS, Sri Lanka

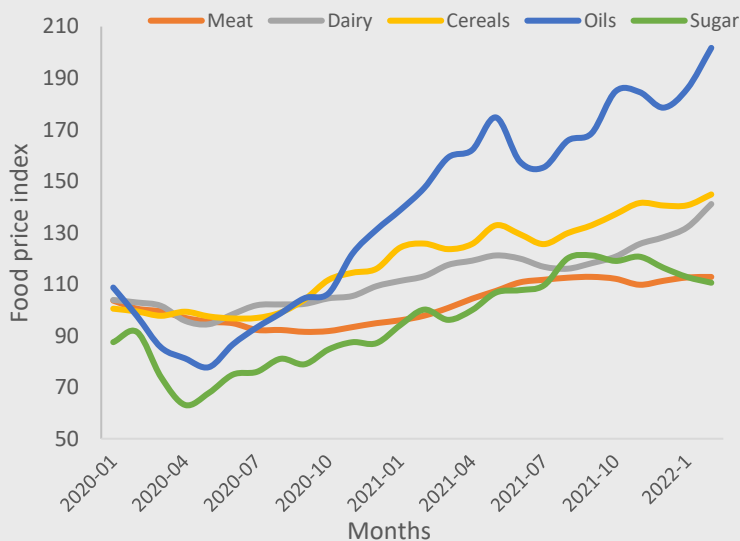
## Global Food Price Index

The FAO Food Price Index which tracks international prices of the most globally traded food commodities, continued to increase, reaching its highest in February 2022. The average Food Price Index was 140.7, a 3.9% increase from the previous month and 20.7% increase from the same period last year. The month-on-month increase was primarily due to the global increased price of vegetable oils and dairy. At current, the local food inflation increment rate is higher than the global price trend.

\*Data source: FAO (Agricultural Market Information System)



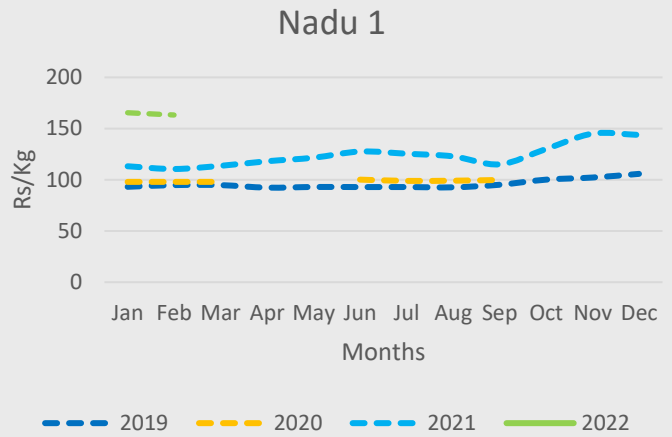
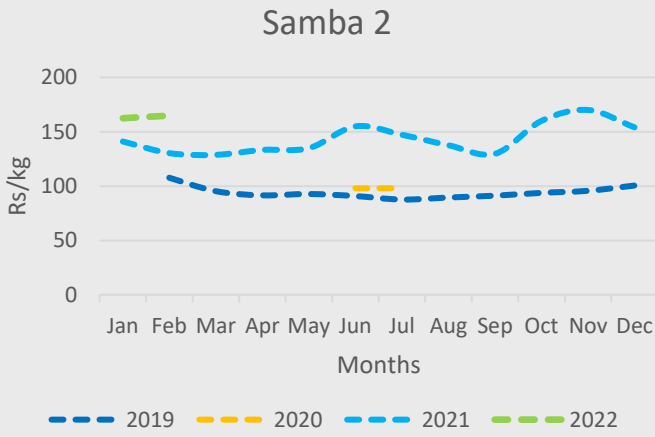
## Global Price Index on Major Food Groups



The global Vegetable Oil and Dairy Price Indices increased, respectively, by 8.5% and 6.4% compared with the previous month. World wheat prices increased by 2.1%, largely reflecting new global supply uncertainties amidst disruptions in the Black Sea region that could potentially hinder exports from Ukraine and Russian, two major wheat exporters. International rice prices increased by 1.1%, primarily sustained by appreciation of currencies of exporters against the US dollar and strong demand for fragrant rice from Near East Asian buyers.

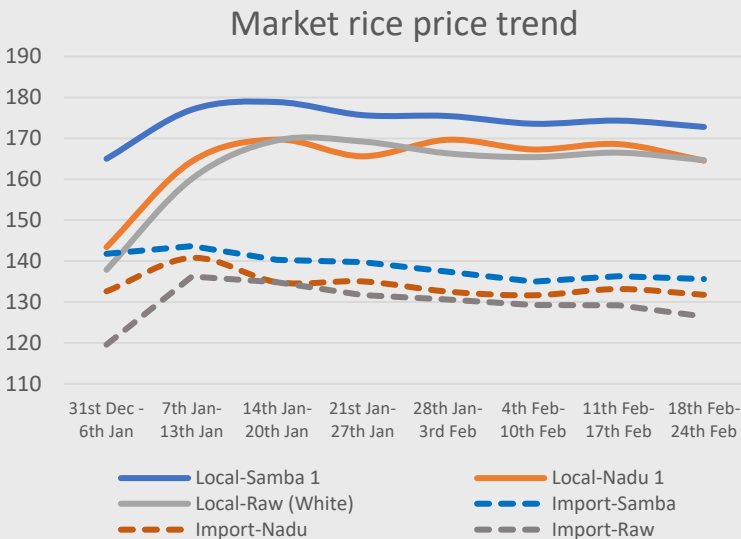
\*Data source: FAO (Agricultural Market Information System)

# Price trend of rice varieties



\*Data source: HARTI, Sri Lanka

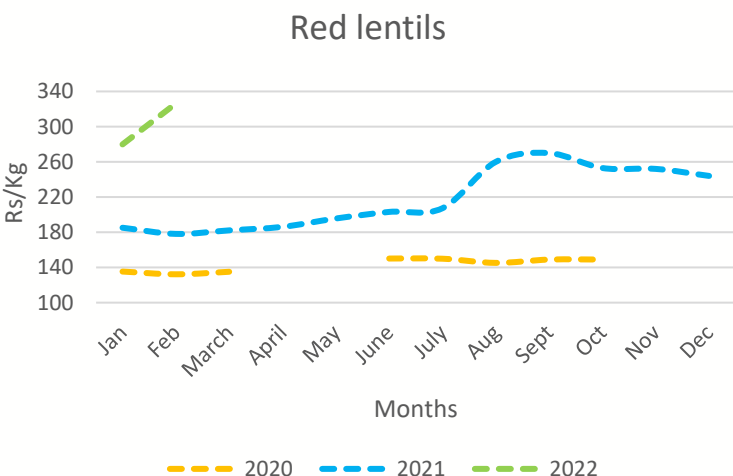
The retail price of Nadu grade I rice decreased by Rs. 1.00/kg with prices ranging between Rs. 160.00-170.00/kg. Prices of all other local rice varieties have increased by Rs. 1.00-10.00/kg. The highest price increase was reported for keeri samba with prices ranging between Rs. 220.00-260.00/kg. The price increase for both Samba grade I and Nadu grade II are reported as Rs. 3.00/kg and Rs. 2.00/kg respectively, with their prices ranging between Rs. 155.00-170.00/kg and Rs. 150.00-165.00/kg. Farm gate prices for all paddy varieties saw an increase in most of the major paddy producing areas, which is primarily linked to the reduction in harvest. The highest average farm gate price increase was reported for short grain paddy in Anuradhapura at Rs. 11.00/kg (14%).



## Price trend of imported rice varieties

Imported rice varieties are approximately 20% lower than domestic varieties due to the earlier reductions in tax levies on imported rice. The prices of local rice varieties tend to fall on the local market with the influx of available imported rice. Prices of imported rice varieties continued to gradually decline over the past month.

\*Data source: HARTI, Sri Lanka



## Price trend of red lentils

The price of red lentils reached its peak over the past year in February 2022. Lentil prices are 30% higher than in February 2021. Between July and September 2021, the price of red lentils increased rapidly due to the rescinded maximum retail price limit and have remained relatively high.

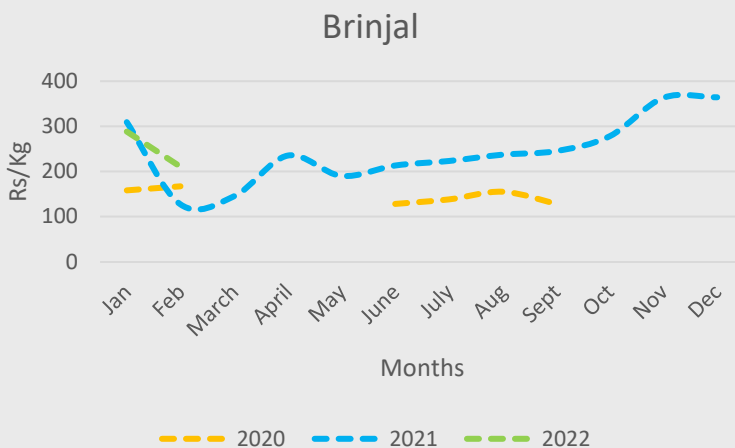
\*Data source: DCS, Sri Lanka



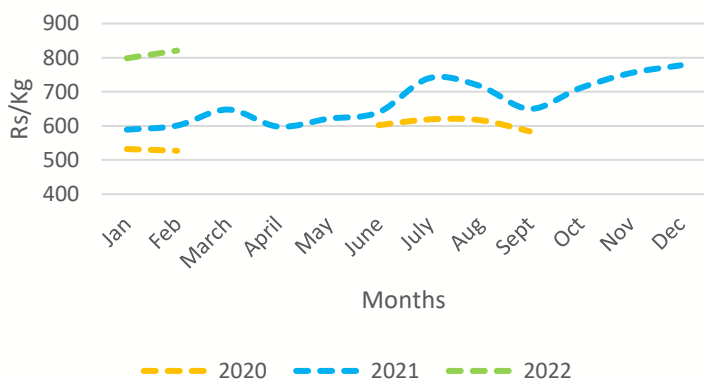
## Price trend of brinjal

In February, the price of brinjal decreased by 27% compared to the previous month. Most vegetable costs decreased in price by the end of February as compared to December and November 2021. This is primarily due to an increase in supply from the Maha vegetable harvesting season.

\*Data source: HARTI, Sri Lanka



## Chicken -Broiler



\*Data source: HARTI, Sri Lanka

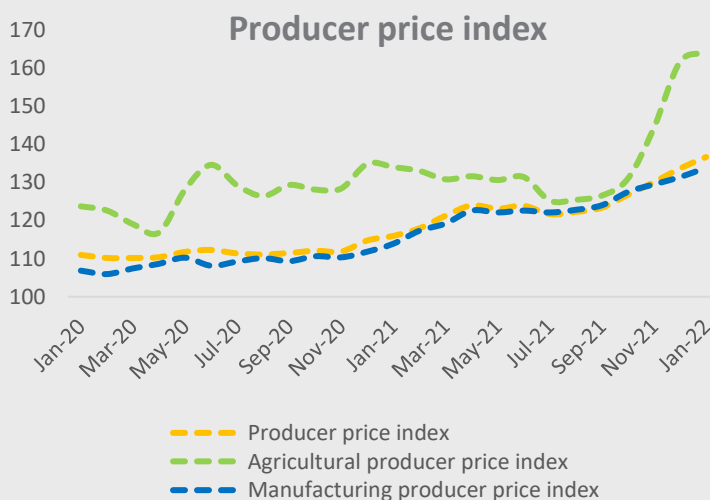
## Price trend of chicken

Overall, the price of broiler chicken slightly increased by 3% month-on-month change. Due to rising production costs, the prices of skinless broiler chicken and skinless curry chicken have increased by Rs. 28.00/kg and Rs. 5.00/kg, respectively.

## Producer Price Index

The Producer's Price Index (PPI) measures the average change over time in prices received by domestic producers of goods and services. Comparing the month-on-month changes, PPI in January increased by 1.8%. Between December and January, "Growing of Perennial crops" reported positive changes of 8%. In contrast, "Growing of Non-Perennial crops" and "Animal production" reported negative changes of 2.4% and 0.4% respectively.

\*Data source: DCS, Sri Lanka



## Key Issues to Watch

- Sri Lanka imports 45% of its wheat from Russia and Ukraine, which enhances susceptibility for wheat price fluctuations in the local market. Increased wheat prices may increase the local demand for rice.
- Sri Lankan exports such as black tea, of which Russia and Ukraine purchase 18% of Sri Lankan exports, will likely be impacted as the Russia-Ukraine crisis continues.
- Due to the increase in local wheat prices and decreased demand in the tea market, the estate sector is expected to be highly exposed to food insecurity.
- Imports of basic consumer items continue to be restricted as a result of depleted foreign exchange reserves.

\*Data source: Institute of Policy Studies Sri Lanka (IPS)

Commodity	Range		Average Price		Price Change
	Min	Max	This week	Last week	Last week %
<b>Rice</b>					
Samba 1	160	180	173.13	172.79	0.20%
Samba 2	155	170	164.85	160.93	2.44%
Keeri Samba	220	260	246.67	236.76	4.19%
Nadu 1	160	170	163.19	164.52	-0.81%
Nadu 2	150	165	156.25	154.17	1.35%
Raw (Red)	160	175	166.71	165.69	0.62%
Raw (White)	160	170	165	164.71	0.18%
Samba-Imported	130	150	139.87	135.29	3.39%
Nadu-Imported	125	140	131.97	131.72	0.19%
Raw (White)-Imported	120	135	127.13	126.43	0.55%
Dried Chillies-Imported	980	1200	1128.46	1121.84	0.59%
<b>Onion</b>					
Imported	280	400	359.66	346.15	3.90%
<b>Big Onion</b>					
Imported	130	200	165.34	169.4	-2.40%
<b>Potato</b>					
N'Eliya	280	320	308	312.67	-1.49%
Imported	140	180	159.44	160	-0.35%
<b>Vegetable</b>					
Leeks	120	240	188.97	238.46	-20.75%
Raddish	60	180	127.59	125.67	1.53%
Tomato	300	500	392.76	312.67	25.61%
Ladies Fingers	180	320	263.57	251.48	4.81%
Capsicum	360	700	503.57	718.46	-29.91%
Bitter Gourd	280	480	356.79	348.15	2.48%
Snake Gourd	200	320	268.57	314.07	-14.49%
Luffa	260	400	322.31	348.52	-7.52%
Carrot	320	480	405.86	453.1	-10.43%
Beetroot	220	320	271.43	326.33	-16.82%
Green Chillies	400	800	575.86	699.66	-17.69%
<b>Eggs</b>					
Brown	27	28	27.23	21.76	25.14%
White	26	27	26.17	20.27	29.11%
<b>Meat</b>					
Beef (without Bones)	1400	1500	1440	1425	1.05%
Chicken (Broiler)	800	850	821.25	824.29	-0.37%
Chicken (Curry)	750	850	777.5	764.29	1.73%
Mutton	2000	2200	2085.71	2083.33	0.11%
Pork	800	950	862.5	862.5	0.00%

\*Data source: HARTI, Sri Lanka. Ref This week: 25 February – 03 March 2022/ Last week- 18 - 24 February 2022