



# Web Release

## Producer's Price Index: July 2020 (Base: Fourth Quarter 2013=100)

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15<sup>th</sup> September 2020

### Introduction

The Producer's Price Index (PPI) measures the average change over the time in prices received by domestic producers of goods and services. The introduction of the PPI in Sri Lanka provides a more complete picture of price movements and trends for making informed policy decisions. Department of Census and Statistics (DCS) has been releasing PPI quarterly from September, 2015 with time lag of 35 days. Giving due consideration for making the estimates available more frequently, it has now been arranged to release PPI monthly with a time lag of 45 days.

PPI is an important macro-economic indicator. It serves as an indicator of short-term inflationary trends and as a deflator of economic series. It is also used in productivity analysis, contract escalation, business analysis and current cost accounting etc. PPI covers the Agriculture, Manufacturing and Electricity & Water supply sectors of the economy.

### Annual Changes of Producer's Price Index (PPI)

The PPI for all economic activities: agriculture, manufacturing and water supply & electricity, for the month of July is 144.9. The annual change in the PPI has been compiled as 7.8 per cent. The PPI reported for the three major economic activities, agriculture, manufacturing and electricity & water supply are 177.3, 136.9 and 92.5 respectively. Agriculture, manufacturing and electricity & water supply activities reported positive changes of 24.7 per cent, 5.2 per cent and 6.0 per cent on annual basis respectively (Table 1).

The major sub activities of agriculture sector, "Growing crops" and "Farming of animals" reported positive Changes of 25.5 per cent and 6.0 per cent on annual basis. Activities related to "Growing of crops": "Growing of fruits, nuts and beverage and spice crops", "Growing of cereals and other crops", and "Growing of vegetables" recorded positive annual changes of 28.5 per cent, 27.8 per cent and 0.1 per cent respectively. However, sub activities related to "Farming of animals": "Production of eggs" and "Production of dairy" and recorded positive percentage changes of 7.2 per cent and 3.9 per cent in July 2020 compared to the same month in 2019.

The sub activities of manufacturing sector, "Manufacturing of wearing apparel, dressing, and dyeing of fur"(12.0%), "Manufacturing of rubber and plastics"(11.4%), "Manufacturing of food products and beverages" (10.3%), "Manufacturing of electrical machinery and apparatus not elsewhere classified"(10.2%), "Manufacturing of basic metals" (6.9%), "Manufacturing of furniture and Manufacturing of goods not elsewhere classified" (4.3%), "Manufacturing of other non-metallic mineral products"(1.8%), "Manufacturing of Textiles" (0.2%), "Manufacturing of tobacco products"(0.2%) reported positive percentage changes on annual basis. However, "Manufacturing of coke, refined petroleum products and nuclear fuel" (37.1%), "Manufacturing of other transport equipment" (10.0%), "Publishing, printing and reproduction of recorded media" (1.6%) and "Manufacturing of chemicals and chemical products" (1.0%) recorded negative percentage changes in July 2020 compared to July 2019 (Table 4).

Both activities in utility sector, "Generation and distribution of electricity" and "Collection, purification and distribution of water" reported positive changes of 5.9 per cent and 1.8 per cent respectively in the month of July 2020 compared to the same month in 2019 (Table 4).

**Table 1: PPI of July of 2019 & 2020 and Year on Year changes of PPI by Major Economic Activity (Base: 2013 Q4=100)**

Major Economic Activity	PPI		Year on Year (July2020**/ July 2019)
	2019 July	2020 July**	
All Activities	134.4	144.9	7.8
Agriculture	142.2	177.3	24.7
Manufacturing	130.1	136.9	5.2
Electricity & water supply	87.3	92.5	6.0

\*\* - Provisional

### Monthly Changes of Producer's Price Index

The overall PPI decreased by 1.0 index points from 145.9 index points in 2020 to 144.9 index points in July 2020. The overall monthly negative change reported for the month of July 2020 is 0.7 per cent. Out of the three major economic activities, electricity and water supply activity & manufacturing sector reported positive changes of 1.6 per cent and 1.2 per cent on monthly basis, however agriculture sector reported negative change of 4.0 per cent compared to the previous month (Table 2).

The both sub activities of agriculture sector, "Farming of animals" (2.9%) reported positive percentage change and "Growing of crops" (4.2%) reported negative percentage change on monthly basis. Further, all activities related to Both the sub activities related to "Farming of animals": "Egg production" (4.3%) and "Production of dairy" (0.3%) reported monthly positive percentage changes. "Growing of crops": "Growing of vegetables" (14.9%), "Growing of fruits, nuts and beverage crops" (3.2%) and "Growing of cereal crops" (2.8%) reported negative percentage changes on monthly basis.

In Manufacturing sector, the sub activities, "Manufacturing of coke, refined petroleum products and nuclear fuel" (22.6%), "Manufacturing of basic metals" (7.6%), "Manufacturing of food and beverages" (2.7%), "Manufacturing of Textiles" (1.8%), "Manufacturing of other non-metallic mineral products" (0.8%) "Manufacturing of rubber and plastics" (0.4%) reported positive percentage changes on monthly basis. However "Manufacturing of other transport equipment" (5.9%), "Manufacturing of wearing apparel, dressing, and dyeing of fur" (1.2%), "Manufacturing of furniture" (0.9%) "Manufacturing of electrical machinery and apparatus not elsewhere classified" (0.1%) reported negative percentage changes on monthly basis, while, "Manufacturing of tobacco products" , "Publishing, printing and reproduction of recorded media" and "Manufacturing of chemicals and chemical products" remained unchanged in the month of July 2020 compared to June 2020 (Table 4).

Both sub activities of the utility sector, "Generation and distribution of electricity" and "Collection, purification and distribution of water" reported same positive change of 1.7 per cent in the month of July 2020 on monthly basis (Table 4).

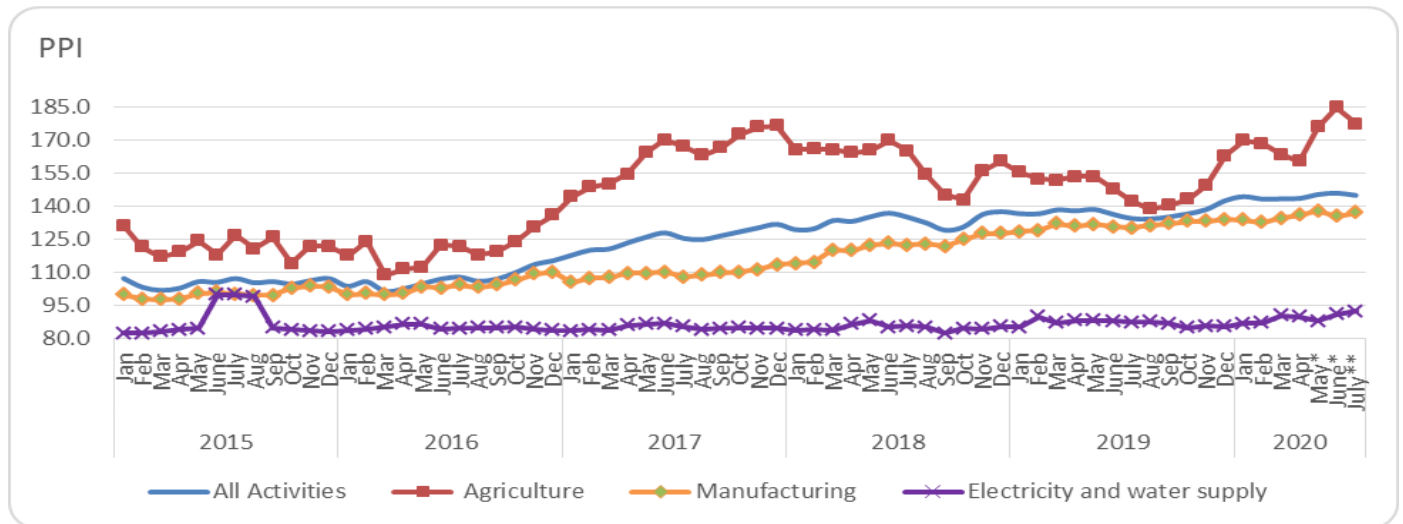
**Table 2: PPI of June & July of 2020 and Month to Month changes of PPI by Major Economic Activity (Base: 2013 Q4 =100)**

Major Economic Activity	PPI		Month to Month % change (2020 July**/2020 June*)
	2020 June*	2020 July**	
All Activities	145.9	144.9	-0.7
Agriculture	184.7	177.3	-4.0
Manufacturing	135.3	136.9	1.2
Electricity & Water Supply	91.0	92.5	1.6

\* - Revised \*\* - Provisional



**Figure 1: Movements of Monthly Producer's Price Index by Major Economic Activity: January 2015 – July 2020 (Base: 2013 Q4=100)**



\* - Revised \*\* - Provisional

**Table 4: PPI of June 2020 & July of 2019 & 2020 and percentage changes by two-digit level Economic Activity of ISIC (Base: 2013 Q4 = 100)**

ISIC Rev.3.1	Description of the Economic Activity	2019	2020		% change	
		July	June*	July**	July** 2020/June* 2020	July** 2020/July 2019
	<b>All Activities</b>	<b>134.4</b>	<b>145.9</b>	<b>144.9</b>	<b>-0.7</b>	<b>7.8</b>
	<b>Agriculture</b>	<b>142.2</b>	<b>184.7</b>	<b>177.3</b>	<b>-4.0</b>	<b>24.7</b>
01	Agriculture and farming	142.2	184.7	177.3	-4.0	24.7
	<b>Manufacturing</b>	<b>130.1</b>	<b>135.3</b>	<b>136.9</b>	<b>1.2</b>	<b>5.2</b>
15	Manufacture of food products and beverages	128.9	138.4	142.2	2.7	10.3
16	Manufacture of tobacco products	236.3	236.7	236.7	0.0	0.2
17	Manufacture of textiles	129.1	127.0	129.3	1.8	0.2
18	Manufacture of wearing apparel, dressing, and dyeing of fur	137.6	156.0	154.1	-1.2	12.0
22	Publishing, printing and reproduction of recorded media	128.9	126.9	126.9	0.0	-1.6
23	Manufacture of coke, refine petroleum products and nuclear fuel	86.2	44.2	54.2	22.6	-37.1
24	Manufacture of chemicals and chemical products	122.7	121.5	121.5	0.0	-1.0
25	Manufacture of rubber and plastics	109.5	121.5	122.0	0.4	11.4
26	Manufacture of other non metallic mineral products	119.8	121.0	122.0	0.8	1.8
27	Manufacture of basic metals	116.5	115.7	124.5	7.6	6.9
31	Manufacture of electrical machinery and apparatus n.e.c.	123.0	135.7	135.6	-0.1	10.2
35	Manufacture of other transport equipments	122.6	117.2	110.3	-5.9	-10.0
36	Manufacture of furniture, Manufacturing n.e.c.	129.9	136.7	135.5	-0.9	4.3
	<b>Electricity and water supply</b>	<b>87.3</b>	<b>91.0</b>	<b>92.5</b>	<b>1.6</b>	<b>6.0</b>
40	Electricity	85.0	88.5	90.0	1.7	5.9
41	Collection, purification and distribution of water	114.4	114.6	116.5	1.7	1.8

\* - Revised \*\* - Provisional

ISIC refers to International Standard Industrial Classification of all activities (Revision 3.1)

## Revision Policy

PPI is compiled by collecting prices received by the domestic producers for about 514 products from 376 manufacturing and utility related establishments. Prices of 36 agricultural products are collected from 331 Divisional Secretariat Divisions covering the whole country. Electricity & Water supply sector prices are collected from Ceylon Electricity Board and National Water Supply & Drainage Board respectively.

In certain circumstances, it is not possible to collect requested prices by the time of releasing PPI. Such prices are therefore, statistically imputed. Therefore, indices of the latest month are released as provisional.

Further details of Producer's Price Index compiled for the month of July 2020, are also published in the department web site: <http://www.statistics.gov.lk/page.asp?page=Inflation%20and%20Prices>

Producer's Price Index (PPI) is released monthly with 45 days time lag with effect from January, 2017. The PPI for month of August, 2020 will be released on 15<sup>th</sup> of October 2020.

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*Due to the pandemic situation, most of the establishments in the manufacturing sector were not operated during the month of April 2020. Further, non-operation of shipments caused for missing of producer prices, affecting the compilation process of PPI. In this case, producer prices were imputed; if all producer prices of an economic activity were missing, in such occasions indexes of economic activities were imputed. Moreover, when compiling PPI, internationally recognized best practices were adopted without introducing any bias to the index. In this non-normal situation, DCS is much grateful to International Monetary Fund, for giving guidance to overcome the issues when compiling price indexes.*