

Sri Lankan government institutes huge fuel price increases

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The Sri Lankan government has sharply increased fuel prices by 26–30 percent since the start of the US-Israeli war on Iran placing even greater burdens on working people. The fuel price hike has triggered a series of increases such as transport fares, food prices and other essential goods.

After claiming his government could manage the crisis emerging in Sri Lanka, President Anura Kumara Disanayake made an about-turn, warning of shortages, rising costs and electricity disruptions.

In a televised media discussion on March 17 and again in a parliamentary speech on March 20, Disanayake stressed that Sri Lanka faced an “external shock” due to the war. He pointed to threats to global energy supplies, then declared that the government had little choice but to increase prices.

Neither Disanayake nor his government has condemned the criminal war by Israel and US imperialism on Iran, but has maintained a false posture of “neutrality.” In fact, in a previous statement on the war, Disanayake has singled out the closure of the Strait of Hormuz—a retaliatory action by Iran against naked US-Israeli aggression—as the chief disrupting factor in oil supplies and the global economy.

The risk of escalation is high. For a country like Sri Lanka, which imports 60 percent of its energy needs, much of it through the Strait of Hormuz, the war is having a serious impact. The island relies on energy imports for electricity generation, transport and much of its economic activity, under conditions where it is already forced to implement a severe International Monetary Fund (IMF) austerity program.

Disanayake barely mentioned the IMF in his speeches, but the government’s response to the Middle East crisis is closely tied to IMF demands. Under the terms of the \$US3 billion bailout loan agreement, Sri

Lanka is required to maintain strict fiscal discipline, by showing a 2.3 percent primary account surplus, eliminating price subsidies for fuel and electricity and slashing other public sector spending including by privatization. The top IMF priority is to repay foreign debts.

The IMF officials have acknowledged the vulnerability of country’s economy. IMF spokesperson Julie Kozack recently stated that Sri Lanka is “significantly exposed” to the Middle East conflict. An IMF delegation is scheduled to visit Colombo from March 26 to April 6 to review the next tranche of the bailout.

The impact on living conditions is already severe. Fuel price increases have quickly spread through the entire economy. Public and private bus fares have increased by average 12.19 percent, while other transport services have increased charges leading to higher prices for food and other essentials. Prices for cooking gas and kerosene have increased by 8 percent and 30 percent respectively. The Ceylon Electricity Board requested that an increase in tariffs of at least 13 percent.

Farmers are facing serious problems given that that 36 percent of fertilizer imports are from Qatar and the UAE that have to pass through the Strait of Hormuz. Prices for nitrogen-based products like urea, the most critical fertilizer product, have risen between 30 to 40 percent on the world market since conflict began.

The government has restricted the distribution of fertiliser for paddy (rice) production which means that yields for the Yala season from May to August are likely to be severely affected. The prices paid to farmers for vegetables have plummeted because most trucks involved in transporting the goods to market lack fuel.

Echoing the desperate measures imposed after the country defaulted on foreign debts in 2022, the government has reintroduced a QR code-based fuel rationing system to curb consumption, intensifying the difficulties for three-wheeler and other taxi drivers in particular. Fearing a public outcry, it has deployed the military and police to fuel stations.

Sri Lanka lacks sufficient storage capacity for fuel and is thus dependent on regular shipments. Even minor delays risk shortages and long queues, as seen during the 2022 crisis.

At the same time, the government has permitted large corporations with access to foreign currency to import fuel privately, shielding big business while ordinary people face higher prices and rationing.

The ruling Janatha Vimukthi Peramuna/National People's Power (JVP/NPP) is also using the fuel crisis to advance the IMF's austerity measures. Under the pretext of reducing fuel consumption, a four-day work week has been introduced in parts of the state sector, with further cuts under consideration, presented as temporary but aimed at cost reductions.

The Dissanayake government fears rising anti-war sentiment and a renewed mass uprising potentially surpassing the 2022 revolt that forced President Gotabaya Rajapaksa to flee the country. Asked on March 17, Dissanayake dismissed such concerns, claiming the 2022 uprising stemmed from corruption and authoritarianism, not an economic breakdown.

Opposition parties, including the Samagi Jana Balawegaya, have mildly criticized the government in order to exploit anti-war sentiment. SJB leader Sajith Premadasa has called for the government and parliament to condemn both sides in the war—equating US and Israeli aggression with retaliatory strikes by Iran on Gulf States hosting US bases.

Trade unions, which are mostly aligned with the main bourgeois parties, have kept silent on escalating attacks on workers amid the war crisis. Prior to the war, union leaders in the health, electricity and education sectors worked to contain struggles, limit industrial action and block the emergence of a unified working-class movement.

Workers' struggles to defend jobs and working conditions cannot be separated from the fight against war and the capitalist system that produces it. To advance this struggle, the working class must break

from the trade unions and form independent rank-and-file committees as part of the International Workers Alliance of Rank-and-File Committees.

Working people and the oppressed in Sri Lanka face the same fundamental issues confronting workers internationally. Only a unified working-class movement based on socialist policies is capable of ending the cycle of crisis and austerity and the plunge towards a far wider world war.



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