



NATIONAL ACCOUNTS OF SRI LANKA

2ND QUARTER OF 2018

(Production Approach - Base Year 2010)

**DEPARTMENT OF CENSUS AND STATISTICS
MINISTRY OF NATIONAL POLICIES AND ECONOMIC AFFAIRS**

SRI LANKA

1. National Accounts Estimates – Second Quarter of 2018

The Department of Census and Statistics (DCS) Sri Lanka has released the estimated Gross Domestic Product (GDP) at current prices and at constant (2010) prices in Production Approach and other macroeconomic indicators for the second quarter of 2018 (April, May, June). Issuing a communique, on releasing National Accounts estimates for the second quarter of 2018, DCS states that the economic growth rate for the second quarter of 2018 has been estimated as 3.7 percent. The GDP at constant (2010) prices for the second quarter of 2018 recorded as Rs. 2,264,445 million, and the GDP reported for the same quarter of 2017 was Rs. 2,183,122 million.

The four major components of the economy: Agriculture, Industry, Services and Taxes less subsidies on products has contributed their share to the GDP at Current price by 8.4 percent, 25.6 percent, 57.1 percent and 8.9 percent respectively in the second quarter of 2018.

During the second quarter of 2018, the Agriculture and the Services activities have recorded considerable positive growth rates of 4.5 percent and 4.8 percent respectively. The industrial activities also showed positive growth rate of 2.3 percent for the second quarter of 2018, which led to settle down the overall economic growth rate of the country in the stage of 3.7 percent for the second quarter of 2018.

The value added of the each economic activity is derived by deducting intermediate consumption from the gross output value. Although the, Intermediate consumption is estimated at purchaser's price, the output of the economic activities is estimated at basic price. Hence the value added is reported at Basic price. The Gross Domestic Product of an economy is valued only at market price. Therefore to calculate the Gross Domestic Product, the taxes should be added up to the gross value added of the total economy and then the subsidies should be deducted. Accordingly, the Gross Domestic Product of the economy has been derived by adjusting the 'taxes less subsidies on products' to the total Gross Value Added.

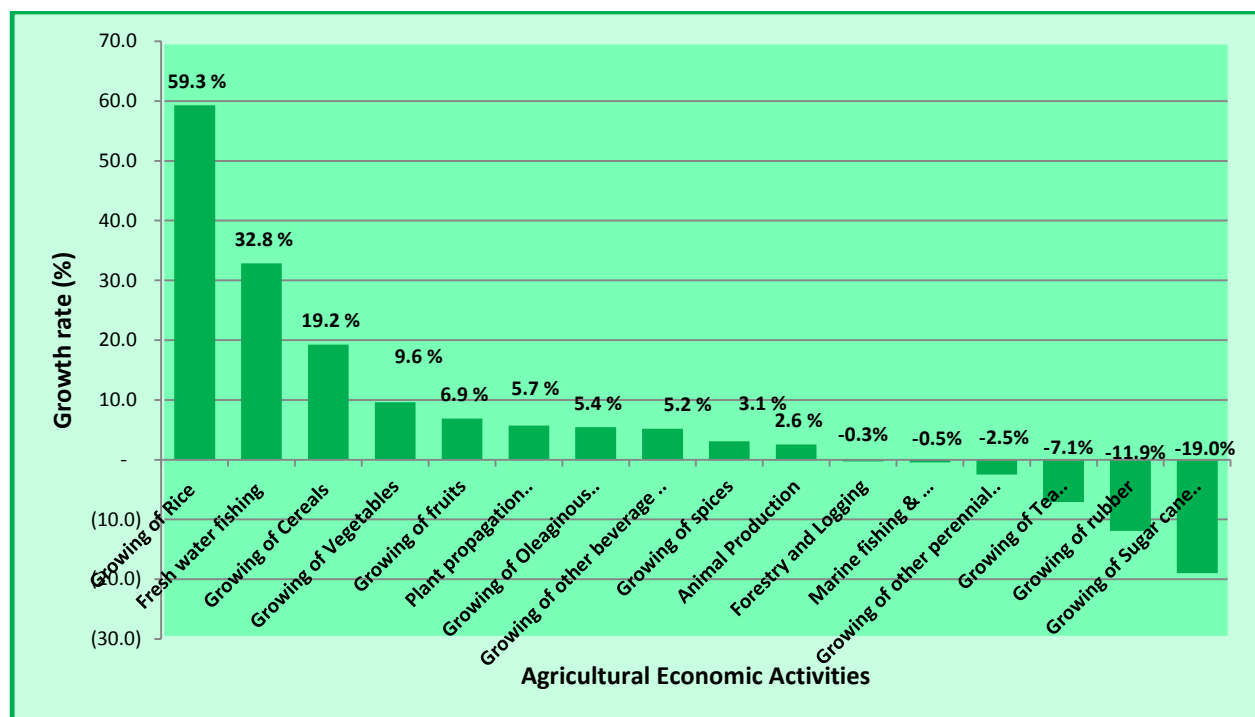
In the second quarter of 2018, the 'Taxes less subsidies on products' contributes 7.5 percent to the GDP at constant price, and has shown negative growth of 0.6 percent when compared with the second quarter 2017.

1.1 Growth rates of Agriculture Activities in the second Quarter(Q2) 2018

The overall growth of Agriculture activities reported 4.5 percent positive growth during the second quarter of 2018.

Most of the agricultural activities have experienced positive growth rates during this quarter (figure I). Among the agricultural activities, the value added of ‘Growing of rice’, ‘Fresh water fishing’, ‘Growing of Cereals (except rice)’, ‘Growing of vegetables’, grew by 59.3 percent, 32.8 percent, 19.2 percent, 9.6 percent respectively. The ‘Growing of fruits’, ‘Plant Propagation and Agriculture supporting activities’, and ‘Growing of Oleaginous fruits’, ‘Growing of Other beverages crops’ also reported considerable positive growth of 6.9 percent, 5.7 percent 5.4, percent and 5.2 percent respectively, during this quarter, when compared to the same quarter in the previous year. In the second quarter of 2018, ‘Growing of Sugar Cane’, ‘Growing of Rubber’, ‘Growing of Tea’ and ‘Growing of Other Perennial Crops’ activities have reported negative growth rates of 19.0 percent and 11.9 percent 7.1 percent and 2.5 percent respectively.

Figure I: Agriculture - Growth Rates by Economic Activity for Q2 - 2018

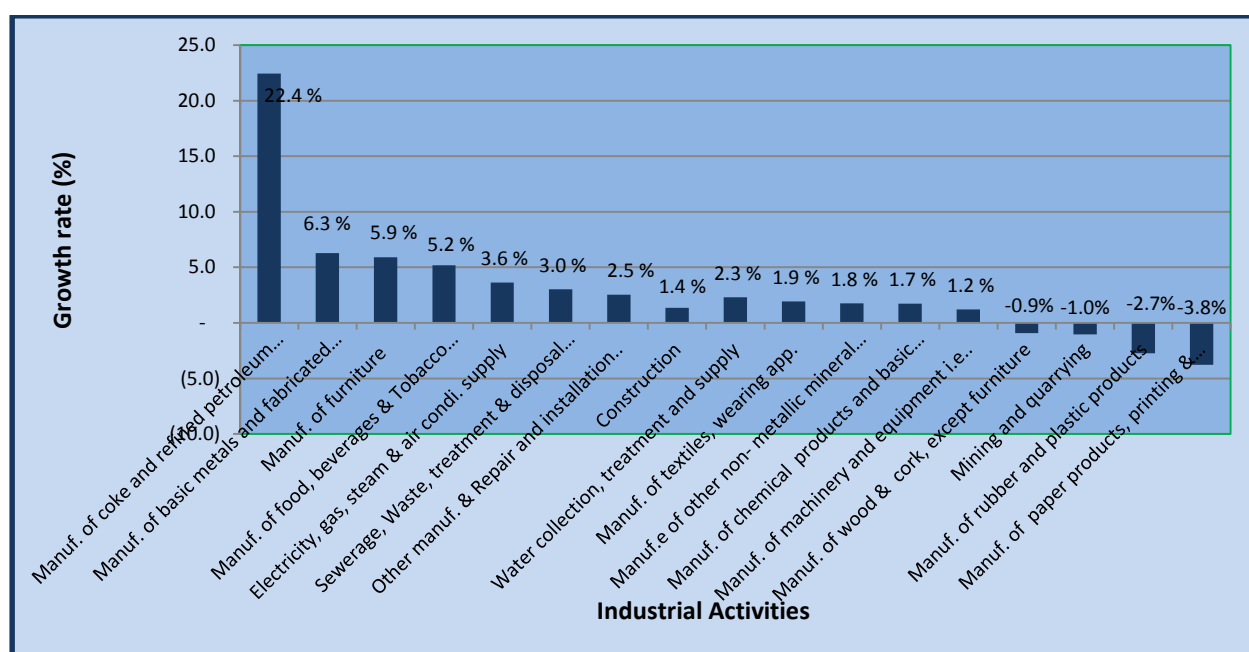


1.2 Growth rates of Industry Activities in the second Quarter(Q2) 2018

The overall growth of Industry activities reported 2.3 percent positive growth rate during the second quarter of 2018.

Most of the Industrial activities have experienced positive growth rates during this quarter (figure II). The value added of ‘Manufacturing of coke and refined petroleum products, which recorded of 14.4 percent negative growth in the first quarter of 2017, has reported 22.4 percent positive growth in this quarter. As shown in Figure II, ‘Manufacture of basic metal and fabricated metal products’ and ‘Manufacture of furniture’ ‘Manufacture of food ,beverages & tobacco’ activities have reported significant positive growth rates of 6.3 percent, 5.9 percent and 5.2 percent respectively.

Figure II: Industry – Growth Rates by Economic Activity for Q2 - 2018



Major proportion of manufacturing activities is shared by ‘Manufacture of food, beverages and tobacco’ reported 5.2 percent positive growth in the second quarter 2018. In addition, Electricity, gas, steam and air conditioning supply’, ‘Sewerage, Waste, treatment and disposal activities’, ‘Other manufacturing, and Repair and installation of machinery and equipment’ and ‘Water collection, treatment and supply’ activities grew by 3.6 percent, 3.0 percent, 2.5 percent and 2.3 percent respectively during the second quarter 2018 when compared with the second quarter of 2017. The ‘Construction’ activity, which corresponds to the highest share within the industry

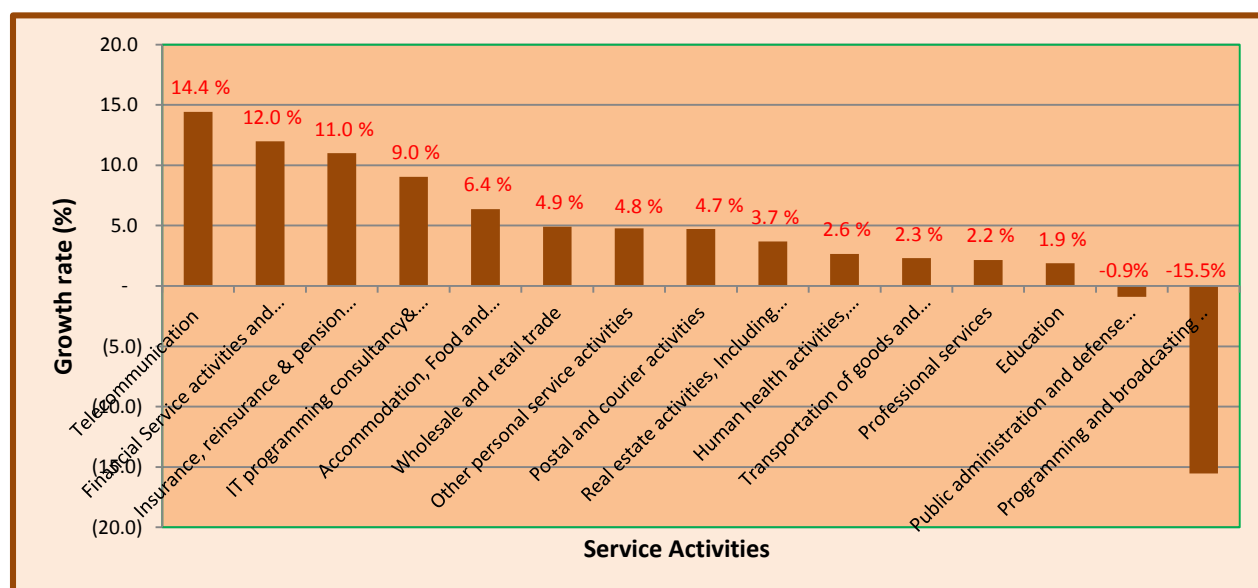
sector, grew by 1.4 percent during this quarter when compared to the second quarter of 2017. However, the ‘Manufacture of paper products, printing and reproduction of media product’, ‘Manufacture of rubber and plastic products’, ‘Mining and quarrying’ and ‘Manufacture of wood and of products of wood and cork’ grew by 3.8 percent, 2.7 percent, 1.0 percent and 0.9 percent respectively.

1.3 Growth rates of Service Activities in the second Quarter(Q2) 2018

The overall growth of Service activities reported 4.8 percent growth during the second quarter of 2018.

Except two service activities, whole other service activities show growth rates in this quarter. As shown in the Figure III, the sub activities of ‘Telecommunication’, ‘Financial service activities’, ‘Insurance, reinsurance and pension funding’, ‘IT programming consultancy and related activities’, ‘Accommodation food and beverages’, ‘Wholesale and retail trade’, and ‘Other personal services’ activities reported positive growth rates of 14.4 percent, 12.0 percent and 11.0 percent, 9.0 percent, 6.4 percent, 4.9 percent and 4.8 percent respectively. In addition, ‘Transportation of goods and passengers’ which contribute in relatively high shares to the GDP, have expanded by 2.2 percent in the second quarter 2018. However, ‘Programming and broadcasting activities and audio video productions’ and ‘Public administration and defense; compulsory social security’ reported negative growth rate of 15.5 percent and 0.9 percent respectively.

Figure III: Services – Growth Rates by Economic Activity for Q2 - 2018



GDP implicit price deflator which measures the price change in the economy with respect to a specific base year (2010=100), increased to 149.24 in the second quarter of 2018 from 144.48 recorded in the second quarter of 2017 recording a 3.3 percent of inflation rate for the second quarter of 2018.

The Colombo Consumer Price Index (CCPI) (2013 = 100) increased to 208.5 in the second quarter of 2018, from 200.4 recorded in the second quarter of 2017, indicating a 4.0 percent of inflation rate.

1.4 Agriculture Activities

The ‘Agricultural activities’ contributed nearly 8.4 percent to the total GDP, reported 4.5 percent positive growth rate in the second quarter of 2018,

The activity of ‘Growing of Cereals’ which recorded negative growth rates continuously for the second quarter of previous two years, have grown by 19.2 in the second quarter of 2018. Major proportion of cereal activity is shared by ‘Maize production’, which has reported 31 percent positive growth rate during this quarter. This is mainly due to favorable weather condition for maize, prevailed in the main cereal growing areas in the country.

In this quarter the value added of ‘Growing of rice’, which recorded a positive growth rate of 59.3 percent, against the negative growth of 40.5 percent in the second quarter of 2017. The reported paddy production was 69.2 million bushels for the Yala season in year 2018. The total paddy sown extent and the harvested extent has reported an incline of 54.2 percent and 55.3 percent respectively, during this period.

The real gross value added of ‘Growing of vegetables’ has increased by 9.6 percent in this quarter. However, the current value added of this activity reported a negative change in this quarter, due to decrease of producer’s prices and increase of production volume.

In this quarter, due to the increment of fruit production the value added of ‘Growing of Fruits’ has shown a 6.9 percent of positive growth rate. In the second quarter of 2017, this activity has reported 5.4 percent of growth rate. The sub activity of ‘Growing of Oleaginous fruits’ comprised with two

activities, ‘Growing of Coconut’, which is the principle contributor of the activity and the ‘Growing of King Coconut’. The prolonged coconut production decline stated for five consecutive quarters from 2017, ended in this quarter due to favorable rainfall experienced in most districts from September 2017 up to May 2018 and the condition supported positively for nut-setting of coconut production. Accordingly, the total coconut production has increased by 32 million nuts which reported positive growth of 5.4 percent in the second quarter of 2018 when compared to the second quarter of 2017. The producer price of a coconut has increased from Rs. 46 to Rs. 55 within this period and the coconut in the form of nuts were not exported in this quarter. The total value added of “Growing of Oleaginous fruits” was reported as Rs.14,084 million in real terms sharing 1.0 percent to the total GDP at nominal terms.

The ‘Growing of tea’ which recorded significant negative growth rate of 7.1 percent in second quarter of 2018 and was reported 6.8 positive growth rate in the second quarter of 2017. The total tea production has recorded decrease of 6.8 percent over the corresponding quarter of 2017. Due to the adverse weather conditions that exist for tea cultivation areas was the main reason for the decrease of tea production. Sri Lanka tea exports for this quarter of 2018 amounted to 68,701 MT and it’s a decline of 2.2 percent against the same period last year. The average price in Colombo auction per 1 Kg of tea in second quarter of 2018 was Rs.576.24 in comparison to Rs.621.46 for the same quarter of 2017. The low grown tea having the largest market share around 60.2 percent of total tea production, recorded a 7.5 percent decrease in this quarter.

The value added of ‘Growing of rubber’, which recorded a decline of 11.9 percent in second quarter of 2018, has reported significant positive growth rate of 10.2 percent in the second quarter of 2017. The average price levels for one kilogram of natural rubber in the global market has decreased by 5.09 percent, from Rs. 354.46 to Rs. 336.43 during the second quarter of 2018.

The activity of “Growing of Other Perennial Crops” comprise several sub activities viz. ‘Toddy tapping’, ‘Growing of Betel’, ‘Growing of Areca-nut’, ‘Growing of Odeal’, and ‘Growing of Jak fruit and Bread fruit’. This activity altogether added Rs.4,257 million to the total GDP at real terms in this quarter showing a contraction of 2.5 percent when compared with the second quarter of 2017. Toddy production, the main contributor of this activity has contracted substantially during this period.

The sub activity of “Animal Production” which includes three main activities viz. ‘Growing of animals for meat’, ‘Production of milk’ and ‘Production of eggs’ has contributed Rs. 14,371 million to the total GDP in real terms in the second quarter of 2018, compared to the second quarter of 2017, reported a moderate expansion of 2.6 percent. The share of activity of “Animal Production” to the total GDP was reported as 0.8 percent. Poultry production is the main contributor which contributes nearly 50 percent to the activity of animal production, expanded by 2.5 percent within this quarter. The Milk production and Eggs production has expanded slightly by 0.6 percent and 0.5 percent respectively within this period. Producer prices of all sub activities in ‘Animal Production’ has increased in this quarter except ‘the production of Eggs’ that remains same between the respective quarters in 2017 and 2018.

Compared to the second quarter of 2017, the activity of “Forestry and Logging” reported 0.3 negative growth in this quarter. This activity added of Rs. 15,759 million to the total GDP at real terms with a share of 0.7 at nominal terms

In comparison with the second quarter of 2017 and the second quarter of 2018 the activity of ‘Marine fishing and marine aquaculture’ recorded a 0.5 percent decrease due to the heavy rains and bad weather conditions prevailed in the country during the months of April and May and rough sea conditions around the island prevented the fishermen from fishing activities.

The inland fishery activity reported 32.8 percent growth rate in this quarter compared to 9.0 percent reported in the same quarter of 2017. The weather conditions prevailed in Polonnaruwa, Ampara, Kaluthara, Hambantota, Gampaha, Puttalam and Matale districts which enable the fishermen to capture high volume of fish production in this period.

1.5 Industry Activities

The Industry activity, which is the second highest contributor (25.6 percent) to the GDP, has reported a 2.3 percent growth rate in the second quarter of 2018.

The ‘Mining and quarrying’ activity which contributes nearly 2.5 percent to the total GDP, reported 1.0 percent negative growth rate in the second quarter of 2018, when compared to the second quarter of 2017. The ‘Mining and quarrying’ activity consists mainly three sub activities, ‘Mining of construction materials’, ‘Gem mining’ and ‘Mining of other minerals’. Out of these

three sub activities value added of ‘Mining of construction materials’ gives the highest contribution to the overall ‘Mining & Quarrying’ activity. The mining of sea sand in the Colombo port city project has been covered under this activity. Although Gem export of Sri Lanka shows negative growth during this quarter which effects to decrease of overall growth of ‘Mining & quarrying’ activity.

Most of the manufacturing activities reported positive growth rates in the second quarter of 2018.

The activity of ‘Manufacture of food, beverages and tobacco production’ recorded 5.2 percent growth rate in the Second quarter of 2018 supported by increase in output of manufacturing of food by 7.5 percent, beverage production by 9.4 percent and tobacco production by 6.9 percent respectively.

The activity of ‘Manufacture of textiles, wearing apparel and leather products’ recorded a growth rate of 1.9 percent in this quarter when compared with the respective quarter in 2017. The output value of this activity has increased by 9.5 percent in the Second quarter of 2018.

When compared with the Second quarter of 2017, the activity of ‘Manufacture of wood and products of wood and cork, except furniture’ has shown 0.9 percent decrease in the Second quarter of 2018.

The sub activity of ‘Manufacture of coke and refined petroleum products’ reported 22.4 percent significant growth rate in the Second quarter of 2018. The petroleum production quantity also increased by 31.4 percent in the Second quarter of 2018.

The ‘Manufacture of basic metals and fabricated metal products’ has increased by 6.3 percent in the Second quarter of 2018. It reported 6.9 percent growth rate in the respective quarter of 2017. The output value of the basic metals and the fabricated metal products has increased by 12.0 percent respectively in the Second quarter of 2018, when compared it with the respective quarter of 2017.

The sub activity of ‘Manufacture of machinery and equipment’ grew by 1.2 percent in this quarter. The output values of ‘Manufacture of electrical equipment’ has increased by 7.1 percent and both ‘Manufacture of motor vehicles and semi-trailers’ and ‘Manufacture of other transport equipment’ have increased by 8.8 percent in this quarter.

The sub activity of ‘Manufacture of Furniture’ reported 5.9 percent growth rate in the Second quarter of 2018. The output value of the Furniture has increased by 6.3 percent respectively in the Second quarter of 2018, when compared it with the respective quarter of 2017.

The real value added of ‘Electricity, gas, steam and air conditioning supply’ has increased by 3.6 positive growth rate in the second quarter of 2018. In the respective quarter of the previous year, it grew by 3.3 percent. The electricity power generation has increased from Gwh 3,620 to Gwh 3,765 indicating 4 percent positive growth rate in this period. The existed ratio of 27:73 hydro power and thermal power generation in the year 2017 has changed to 45:55 in this year. In the year 2018, the total revenue from sales of electricity has increased by 5.2 percent.

The sub activity of ‘Water collection, treatment and supply’ increased by 2.3 percent in the year of 2018. The volume of water supply for the year 2018, was cubic meter 176 million. In the respective quarter of previous year, it was reported as cubic meter 171 million, which shows 3.0 percent production growth when compared with the second quarter 2017. The total revenue also increased by 4.5 percent in the second quarter 2018.

In comparison with the second quarter of 2017, the ‘Construction’ activity increased by 1.4 percent in the second quarter of 2018. The share of construction activity to the GDP reported as 7.7 percent in this quarter. The total cement availability has increased by 2.15 percent during the second quarter of 2018. The total imports of cement has increased by 3.59 percent and the domestic supply of cement decreased by 0.91 percent respectively in the second quarter of 2017.

1.6 Services Activities

The Service activity, which is the highest contributor (57.1 percent) to the GDP, has reported a 4.8 percent growth rate in the second quarter of 2018.

The ‘Wholesale and retail trade’ which contributes nearly 12.7 percent to the total GDP, reported a 4.9 percent growth rate in the second quarter of 2018. The value added of wholesale and retail trade activity is affected by fluctuations in total imports and total domestic production.

According to the Balance of Payment Statistics of Central Bank of Sri Lanka the total import expenditure for the second quarter of this year has increased up to Rs. Million 862,688 from Rs. Million 741,644 in the same quarter of the last year resulting a 16.3 percent of growth. According

to the Trade Indices released by the Central Bank of Sri Lanka, the import volume index value of consumer goods has increased by 19.6 percent during the second quarter of 2018, when compared with the same quarter of 2017. The total trade margin value of industrial activities has increased up to Rs. Million 235,604 from Rs. Million 215,457 in the second quarter of 2017 by 9.4 percent when compared with the second quarter of 2017.

The sub activity of ‘Transportation of goods and passengers and Warehousing activities’ is a combination of land transport, water transport, air transport and Warehousing and support activities for transportation. This activity has recorded a growth rate of 2.3 percent in this quarter, when compared with the respective quarter of 2017. According to the Civil Aviation reports, the total revenue of this quarter has increased by 21.7 percent. In the second quarter of 2018, the revenue of water transport services increased by 75.9 percent. In addition, when compared with second quarter of 2017, the real value added of land transport service activities, increased by 1.04 percent.

The total amount of registered vehicles increased by 46.3 percent in the second quarter of 2018 when compared to the respective quarter of 2017. In this quarter, the registration of motor vehicles, increased by 136.5 percent. However, registration of buses, lorries, dual purpose vehicles, three wheelers, land vehicles, decreased by 3.7 percent, 14.0 percent, 12.2 percent 11.3 percent and 38.7 percent respectively in the second quarter of 2018. The total revenue of the Department of Railway increased by 15.8 percent and traveling distance dropped by 2.1 percent. In the second quarter of 2018, the revenue of the Sri Lanka Transport Board increased by 6.5 percent while the passenger kilometers dropped by 0.4 percent. Revenue and the passenger kilometers of Sri Lankan Airlines Limited increased by 21.7 percent and by 22.2 percent respectively.

The sub activity of ‘Postal and courier activities’ recorded a positive growth rate of 4.7 percent in the second quarter of 2017 with compared to the respective quarter of the last year. In the second quarter of 2018, salaries and wages paid by the Department of Postal, also increased contrary to the decrease in overtime payments against to the second quarter of the previous year.

In this quarter the sub activity of ‘Accommodation, food and beverage serving’ activity which contributes 1.6 percent to the total GDP, has reported a positive growth rate of 6.4 percent when

compared with the second quarter in 2017. The number of tourist arrivals also increased by 12.6 percent during this quarter when compared with the same period in 2017.

The sub activity of 'Programming and broadcasting activities and audio video productions' has reported a negative growth rate of 15.5 percent in the second quarter of 2018.

The real value added of the 'Telecommunication' activity reported a positive growth of 14.4 percent in the second quarter of 2018. The total number of mobile broadband connections also significantly increased by 18.0 percent in this quarter.

The sub activity of 'IT programming consultancy and related activities' mainly constitutes by the activities related to Computer programming and consultancy and Information service activities. This activity shows positive growth rate of 9.0 percent for the second quarter of 2018 when compare with the respective quarter of previous year.

The sub activity of 'Financial service activities and auxiliary financial services' has reported a 12.0 percent of growth rate for this quarter which grew by 10.6 percent in the respective quarter of previous year.. The total value of Staff cost has increased by 16.37 percent and the profit before tax of Licensed Commercial Banks and Licensed Specialized Banks decreased together by 0.31 percent during this period. The usage of financial services during the reference period is denoted by 'the value of loan and advances' and the 'value of total deposits'. Accordingly, 'the value of loan and advances' and the 'value of total deposits' increased by 14.70 percent and 15.48 percent respectively in the second quarter of 2018. In the second quarter of 2018, the Average Weighted Lending Rate (AWLR) and the Average Weighted Deposits Rate (AWDR) have reported as 14.05 percent and 8.92 percent respectively. In the second quarter of 2017, these were 13.73 percent and 9.13 percent respectively.

The real value added of 'Insurance, reinsurance and pension funding' which reported an increase of 11.0 percent in the second quarter of 2018, has reported a growth rate of 3.6 percent in the second quarter of 2017. During this period, the staff cost and the profit before tax of insurance companies have increased. The usage of this activity is represented by the total of the values of premiums and the claims earned, and it has increased by 15.0 percent in this quarter.

The ‘Real Estate Activities including Ownership of dwellings’ expanded further by 3.7 percent in the second quarter of 2018, compared to the second quarter of 2017. This activity reported a value addition of Rs. 139,624 million in real terms to the total GDP, sharing 6.1 percent at nominal terms.

The sub activity of ‘Professional Services’ is a combination of 8 sub activities namely; ‘Legal and accounting activities and activities of head offices, management consultancy activities’, ‘Scientific research and development’, ‘Advertising and market research, other professional, scientific and technical activities and publishing activities’, ‘Veterinary activities’, ‘Rental and leasing activities’, ‘Employment, Travel Agency services, Security and investigation activities’ and ‘Services to building and landscape activities, Office administrative, office support and other business support activities’. This activity has recorded a positive growth rate of 2.2 percent in this quarter, when compared it with the respective quarter of 2017.

The sub activity of ‘Other personal service activities’ grew by 4.8 percent in the second quarter of 2018 when compared with the same quarter of previous years. The ‘Other personal service activities’ comprises of two sub activities namely; ‘Arts entertainment and other recreation activities’ and ‘other personal service activities’.

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