



# **NATIONAL ACCOUNTS OF SRI LANKA**

**3rd Quarter of 2018**

**(Production Approach - Base Year 2010)**

**DEPARTMENT OF CENSUS AND STATISTICS**

**Ministry of National Policies, Economic Affairs, Resettlement & Rehabilitation, Northern  
Province Development, Vocational Training & Skills Development and Youth Affairs**

**Sri Lanka**

## **1. National Accounts Estimates – Third 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 third quarter of 2018 (July, August, September). Issuing a communique, on releasing National Accounts estimates for the third quarter of 2018, DCS states that the economic growth rate for the third quarter of 2018 has been estimated as 2.9 percent. The GDP at constant (2010) prices for the third quarter of 2018 recorded as Rs. 2,431,627 million, and the GDP reported for the same quarter of 2017 was Rs. 2,362,698 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 7.5 percent, 27.4 percent, 56.8 percent and 8.3 percent respectively in the third quarter of 2018.

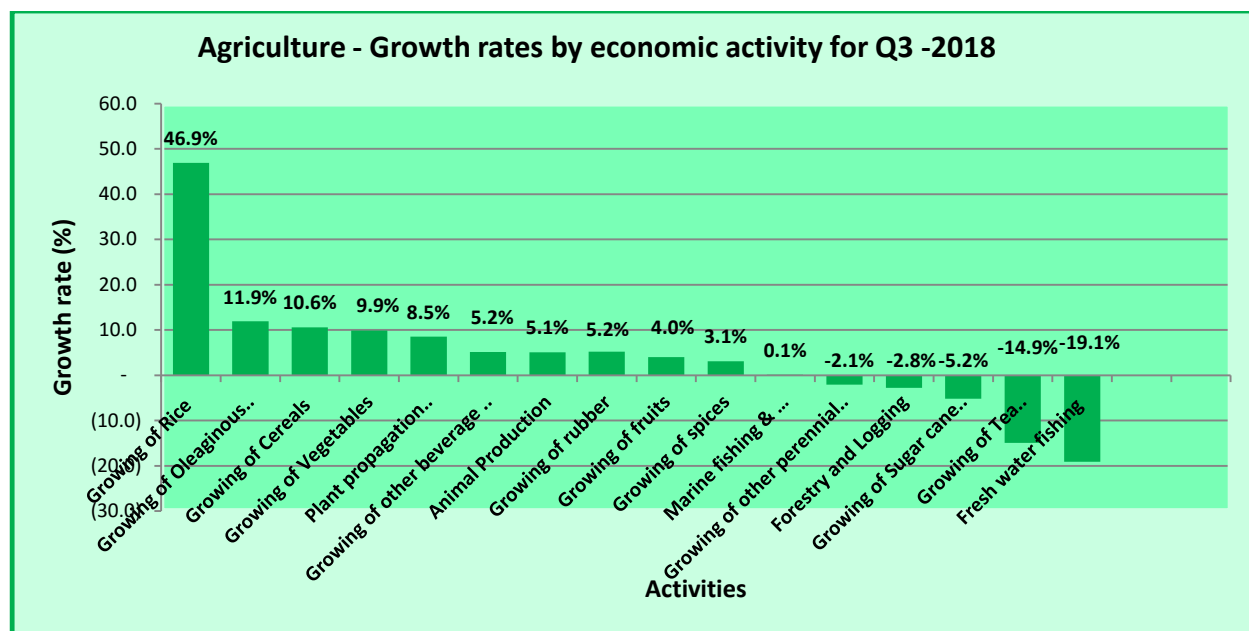
During the third quarter of 2018, the ‘Services activities’ continued to expand further by 3.9 percent, while ‘Industrial activities’ recording a marginal growth rate of 1.9 percent. However, overall ‘Agricultural activities’ have reported a positive growth rate of 3.3 percent in the third quarter of 2018. The favorable weather condition prevailed in most of the districts in the country caused to increase the agricultural products considerably, in the third quarter of 2018 when it compared with same quarter of previous year. In this, the ‘Taxes less subsidies on products’ shows negative growth rate of 1.0 percent.

### **1.1 Growth rates of Agriculture Activities in the Third Quarter 2018**

Among the agricultural activities, ‘Growing of rice’, ‘Growing of oleaginous fruits including Coconut’ and ‘Growing of Cereals (except rice)’ showed the high growth rates of 46.9 percent, 11.9 percent and 10.6 percent respectively in this quarter compared to the third quarter of 2017. These three activities reported considerable contraction in the third quarter of 2017, started to expand showing high positive growth rates. The activities of ‘Fresh water fishing and Fresh water Aquaculture’ and ‘Growing of tea’ have reported negative growth rates of 19.1 percent and 14.9 percent respectively in the third quarter of 2018. The activity of ‘Fresh water fishing and Fresh water Aquaculture’ which reported continuous positive growth for the third quarters since 2015, started to shrink showing a negative growth rate in this quarter.

During the third quarter of 2018 ‘Growing of Vegetables’ and ‘Plant propagation and agricultural supporting activities’ grew by 9.9 percent and 8.5 percent respectively. The value added of ‘Growing of Sugar cane, tobacco and other products’ and ‘Forestry and Logging’ activities declined by 5.2 percent and 2.8 percent respectively during this quarter, when compared to the same quarter in the previous year (Fig I).

**Figure I**



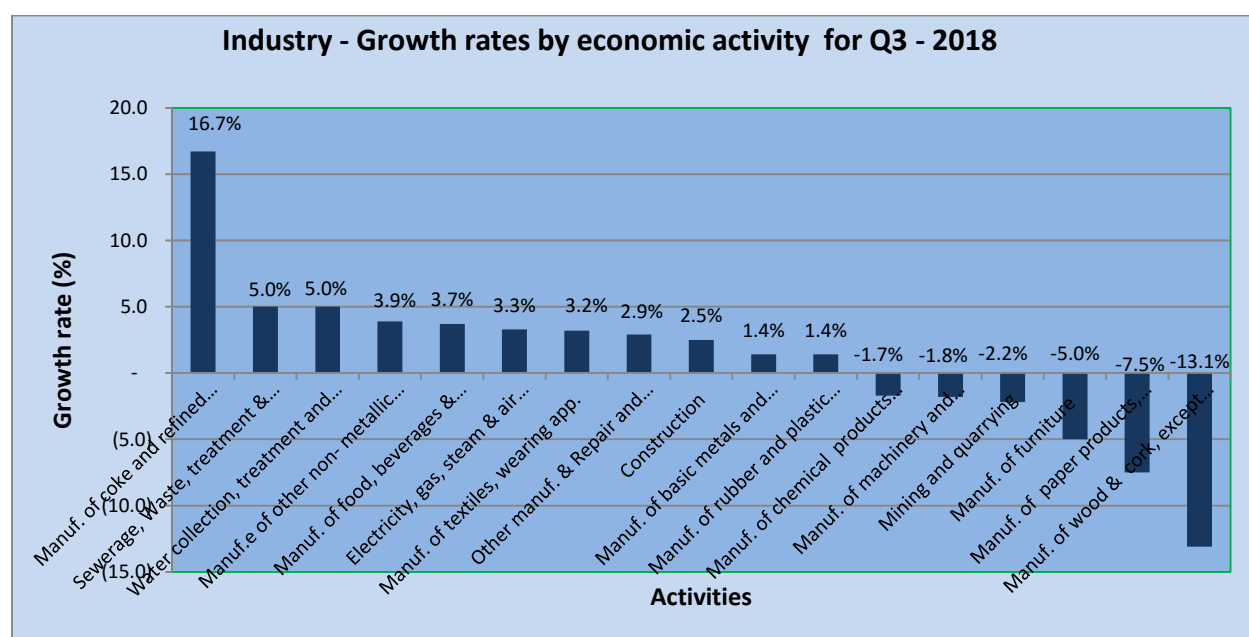
## 1.2 Growth rates of Industrial Activities in the Third Quarter 2018

The ‘Industrial activities’, which shared the GDP by 27.4 percent at current price, has continued to expand further at a rate of 1.9 percent. Among the ‘Industrial activities’, overall manufacturing activities have grown by 2.2 percent during the third quarter of 2018. ‘Manufacture of food, beverages & Tobacco products’ activity is the highest contributor (7.6 percent) to the overall manufacturing industry, has reported 3.7 percent positive growth rate during the third quarter of 2018. This activity reported continuous contraction for the same quarter of last two years. The highest growth rate among industry activities reported by the ‘Manufacture of coke and refined petroleum products’ activity shows 16.7 percent positive growth rate in the third quarter of 2018. In addition, ‘Manufacture of other non-metallic mineral products’, ‘Other manufacturing, and Repair and installation of machinery and equipment’ and ‘Manufacture of rubber and plastic products’ activities have reported positive growth rates of 3.9 percent, 2.9 percent and 1.4 percent

respectively. However, ‘Manufacture of wood and of products of wood and cork, except furniture’, ‘Manufacture of paper products, printing and reproduction of media products’ activity which contributes 0.1 percent and 0.2 percent respectively for the share to the GDP, reported negative growth rate of 13.1 percent and 7.5 percent respectively during this quarter

Among the other ‘Industrial activities’, ‘Electricity, gas steam and air conditioning supply’ and ‘Water collection, treatment and supply’ have recorded 3.3 percent and 5.0 percent of positive growth rates respectively, while ‘Mining and quarrying ‘ has declined by 2.2 percent. The ‘Construction’ activity, which corresponds to the second highest share (7.0 percent) within the industry sector, grew by rate of 2.5 percent during this quarter when compared to the third quarter of 2017(Fig II).

**Figure II**

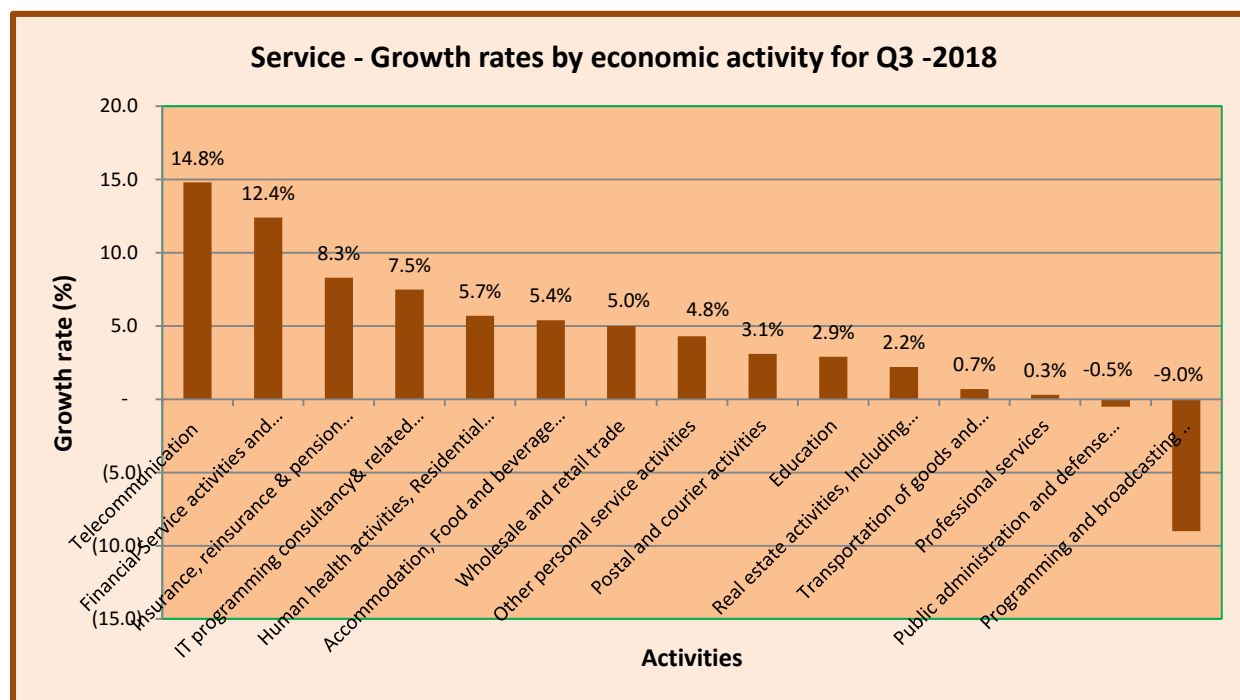


### 1.3 Growth rates of Services Activities in the Third Quarter 2018

Among the three major activities, the ‘Services activities’ which has the highest contribution to the GDP (56.8percent), grow by 3.9 percent during the third quarter of 2018, when compared to the same quarter in the year 2017. The performance of Services sector was underpinned specially by the sub activities of, ‘Telecommunication’, ‘Financial service activities’, ‘Insurance’, ‘IT programming consultancy and related activities’ and ‘Human health activities’, which reported significantly higher growth rates of 14.8 percent, 12.4 percent, 8.3 percent, 7.5 percent, and 5.7

percent respectively. In addition, ‘Other personal service activities’, ‘Postal and courier activities’, ‘and ‘Education’, activities have expanded marginally during this quarter. (Fig. III)

**Figure III**



GDP implicit price deflator which measures the price change in the economy with respect to a specific base year (2010=100), increased to 148.1 in the third quarter of 2018 from 141.4 recorded in the third quarter of 2017 recording 4.7 percent of inflation rate for the third quarter of 2018.

The Colombo Consumer Price Index (CCPI) (2006/2007 = 100) increased to 125.5 in the third quarter of 2018, from 119.3 recorded in the third quarter of 2017, indicating a 5.2 percent of inflation rate.

## 1.4 Agriculture Activities

The value added of Agriculture Activities has increased by 3.3 percent in the third quarter of 2018, compared to the negative growth rate of 3.0 percent reported in third quarter of 2017.

In the third quarter of 2018, the sub activity of ‘Growing of cereals (except rice)’, has recorded a high growth rate of 10.6 percent from 7.9 percent negative growth rate recorded in the same quarter in 2017.

In this quarter the value added of 'Growing of rice', recorded a positive growth rate of 46.9 percent, against the negative growth of 32.8 percent reported in the third quarter of 2017. The favorable weather conditions prevailed in paddy cultivation areas was the main reason for this increase and also the increase of paddy production.

The activity of 'Growing of vegetables' reported 9.9 percent positive growth rate in the third quarter of 2018, when compared the negative growth rate of 27.9 percent reported in the third quarter of 2017.

The "Growing of fruit" which showed a 15.9 percent growth in the third quarter of last year, has seen a further 4.0 percent growth for this third quarter of 2018.

The sub activity of 'Growing of Oleaginous fruits' comprised with two activities, 'Growing of Coconut', and 'Growing of King Coconut' where growing of coconut is the principle contributor, sharing 99.2 percent of the total value added of the activity. The coconut production that contracted continuously for five consecutive quarters started to grow positively in the second quarter of 2018, grew by 11.9 percent in the third quarter of 2018 when compared to the same value of third quarter 2017. The Coconut Research Institute confirmed the satisfactory climatic conditions prevailed in the coconut growing areas through out the period was favorable for nut-setting and coconut production. The total coconut production of this quarter was reported as 690,390 thousand nuts. The producer price of a coconut has decreased substantially from Rs. 45 to Rs. 39 within this period and the fresh nut exports also have started after three consecutive quarters, recording 130 thousand nuts have exported in this quarter. The total value added of "Growing of Oleaginous fruits" was reported as Rs.15, 261 million in real terms (2010) sharing 0.7 percent of the total GDP at nominal terms.

'Growing of tea' recorded significant negative growth rate of 14.9 percent in third quarter of 2018. The adverse weather conditions that exist for tea cultivation areas was the main reason for the decrease of tea production. In the third quarter of 2017, this activity has reported 17.6 percent positive growth rate. The average price in Colombo Auction for 1 Kg of tea was Rs.533.49 in third quarter of 2018, compared to the price (Rs.609.47) of the same quarter of 2017 has decreased by 12.5 percent. The low grown tea having the largest market share around 66.3 percent of total tea production, recorded a 16.3 percent decrease in this quarter.

The real value added of ‘Growing of rubber’, which reported 22.7 percent growth rate in the third quarter of 2017, further grew by 5.2 percent in the third quarter of 2018. The average price for one kilogram of latex declined by 18.4 percent in the third 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, 156 million value added to the total GDP at real terms (2010) in this quarter showing a contraction of 2.1 percent when compared to the same value recorded in the third quarter of 2017. Toddy production, the main contributor of this activity has contracted substantially during this period. The Excise Department of Sri-Lanka stated that the increase in Beer consumption of general public impacted negatively on toddy production.

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. 16,461 million value added to the total GDP in real terms (2010) in the third quarter of 2018. This is a considerable expansion of 5.1 percent when compared to the third quarter of 2017. Poultry production is the main contributor of this activity sharing 48 percent of value added in the activity in nominal terms, expanded further by 3.1 percent within this quarter. The Milk and Eggs production, the next highest contributors of the activity, has expanded substantially by 8.4 percent and 10.8 percent respectively during this period. Producer prices of all sub activities in ‘Animal Production” have reported sizable increases showing 23.5 percent increase as a whole in current prices in the third quarter of 2018 compared to the same value reported for the third quarter of 2017. The share of activity of “Animal Production” has shared 0.9percent of the total GDP in this quarter.

The activities of ‘Plant propagation’ and ‘Support activities of agricultural crops’ together has reported a considerable growth rate of 8.5 percent at real terms in this quarter compared to the third quarter of 2017. The Support activities of agricultural crops that consider the labor costs engaged in numerous agricultural activities, alone reported 8.5 percent of growth at real terms and share of 96.5 percent of the total value added of the grouped activity at nominal terms. The main contributors of ‘Agriculture Support activities’ were reported as banana, maize, brinjals and

coconut plucking. Concurrently 'Plant propagation' activity reported a growth rate of 10.6 at real terms mainly due to plant propagation of rubber and minor export crop plants.

The activity of 'Forestry and Logging' added of Rs. 17,845 million value added to the total GDP at real terms (2010) with a share of 0.9 at nominal terms. Compared to the third quarter of 2017, contraction of 2.8 percent is reported for this activity in the third quarter of 2018. This contraction was mainly due to the comparison of the reported figure for 2018 with high output value reported in the third quarter 2017. The State Timber Corporation also reported a considerable drop in log volume for the third quarter 2018.

'Inland fisheries and aquaculture' activity grew by 19.1 percent in the third quarter in 2018 .Due to the dry weather conditions prevailed in the Eastern, North-Western, North-Central and Northern Provinces affected to drop the water levels of the reservoirs significantly and affected to decrease of fresh water fish production.

In the third quarter of 2017, 'Marine fishing and marine aquaculture' has been declined by 5.9 percent, while this economic activity showed a slight increase of 0.1 percent for the third quarter of 2018.

## **1.5 Industry Activities**

In the third quarter of 2018, Industrial activities shared the GDP by 27.4 percent and recorded a 1.9 percent positive growth rate.

The 'Mining and quarrying' activity which contributes 2.4 percent to the total GDP, reported 2.2 percent negative growth rate in the third quarter of 2018, when compared to the third 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. Although Gem export of Sri Lanka shows negative growth during this quarter which effect to decrease the overall growth of 'Mining & quarrying' activity.

The main sub activity of 'Manufacture of food, beverages and tobacco production' which contributed 7.6 percent to the overall GDP, shows a growth rate of 3.7 percent in the third quarter of 2018. It has recorded sharp decline in the same quarter of 2017. The export quantity of food has



recorded 11.6 percent growth in the third quarter of 2018. When compared year 2017 the sub activity of ‘Manufacture of textiles, wearing apparel and leather products’ further expanded by 3.2 percent in third quarter of 2018 . It has recorded 10.2 percent growth rate in same quarter of 2017. The sub activity of ‘Manufacture of coke and refined petroleum products’ executed a positive growth rate of 16.7 percent in the third quarter of 2018. The petroleum production quantity has increased by 18.1 percent during this quarter. ‘Manufacture of paper, paper products, printing and reproduction of media products’ activity, which recorded 7.5 percent a sharp decline in the third quarter of 2018. The export quantity of printing and reproduction of media products has recorded 11.5 percent negative growth in the third quarter of 2018. The sub activity of ‘Manufacture of basic metals and fabricated metal products (except machinery and equipment)’ reported very silent positive growth rate in third quarter of 2018. It has reported high growth rate of 10.5 percent in the respective quarter of 2017. ‘Manufacture of other non-metallic mineral products’ grew by 13.8 percent in the third quarter of 2017. This activity has further increased by 3.9 percent in the third quarter of 2018. The sub activity of ‘Manufacture of machinery and equipment’ reported 1.8 percent negative growth rate in the third quarter of 2018 which reported 3.0 percent growth rate in the same quarter of 2017.

The real value added of ‘Electricity, gas, steam and air conditioning supply’ has increased by 3.3 Percent in the third quarter of 2018. In the respective quarter of the previous year, this activity grew by 3.5 percent. The electricity power generation has increased from Gwh 3807 to Gwh 3948 indicating 3.7 percent growth rate within this period. The existed ratio of 35:65 hydro power and thermal power generation in the third quarter of 2017 has changed to 45:55 in this quarter. In the third quarter of 2018, the total revenue from sales of electricity has increased by 3.9 percent.

The sub activity of ‘Water collection, treatment and supply’ has increased by 5.0 percent in the third quarter of 2018. The volume of water supply for the third quarter of 2017, was cubic meter thousands 172,210, this value for third quarter of 2018 has increased to cubic meter thousands 180,534 registering 4.8 percent positive growth rate. The total revenue of this activity has increased by 6.6 percent.

When compared the value additions recorded for the third quarter of 2017, the ‘Construction’ activity grew by 2.5 percent in the third quarter of 2018. The total cement supply has increased by

0.1 percent. The total imports of cement has grown by 2.5 percent in this quarter and the domestic production has decreased by 4.2 percent.

## **1.6 Services Activities**

The overall Service activities, which is the highest contributor (56.8 percent) to the GDP, has reported a significant growth rate of 3.9 percent in the third quarter of 2018.

The ‘Wholesale and retail trade’ which contributes nearly 10.8 percent to the GDP, reported a 5.0 percent growth rate in the third quarter of 2018. The value added of wholesale and retail trade activity is affected by fluctuations in total imports and total domestic production. Therefore, the growth rate of this activity is depended on the variations in above three variables of Imports, domestic Agricultural production and domestic Industrial production.

According to the Balance of Payment Statistics of Central Bank of Sri Lanka the total import expenditure for the third quarter of this year has increased up to Rs. Million 872,912.4 from Rs. Million 783,793.8 recorded in the same quarter of the last year resulting a 11.4 percent of growth. Further the value of consumer goods import expenditure has increased by 19.5 percent during this quarter from Rs. Mn 162,013 to Rs. Mn.193, 548. According to the Trade Indices released by the Central Bank of Sri Lanka, the import volume Index value of consumer goods has grown by 9.6 percent, however the total import volume index (non oil) has increased only by 0.8 percent, during the third quarter of 2018 when it compared with the values of the same quarter in 2017. The total trade margin value of industrial activities has increased up to Rs. Million 297,602 from Rs. Million 276,013 in the third quarter of 2018 by 7.8 percent when compared with the third quarter of 2017.

The sub activity of ‘Transportation of goods and passengers (Land, Water and Air) & Warehousing activities’ is a combination of land transport, water transport, air transport and Warehousing and support activities for transportation. This activity has recorded a negative growth rate of 0.7 percent in this quarter, when compared it with the same value reported for the respective quarter of 2017. According to the Civil Aviation reports, the total revenue of this activity has increased by 42.1 percent during this quarter. In the third quarter of 2018, the revenue of water transport services has been increased by 14.5 percent and support activities including warehousing for transportation also reported positive growth rate of 12.3 percent. In addition, when compared with third quarter of 2017, the real value added of land transport service activities, have decreased by 1.2 percent.

When compared to the third quarter of 2017, in this quarter the total amount of registered vehicles has increased by 29.5 percent. The registration of motor vehicles, increased by 117.3 percent, and registration of buses, lorries, dual purpose vehicles, three wheelers, land vehicles, have decreased by 9.0 percent, 35.5 percent, 19.0 percent 22.9 percent and 57.9 percent respectively in the third quarter of 2018. The total revenue of the Department of Railway has been increased by 6.1 percent and traveling distance increased by 1.8 percent. In the third quarter of 2018, the revenue of the Sri Lanka Transport Board has increased by 6.5 percent and the passenger kilometers have decreased by 0.1 percent. Revenue of Sri Lankan Airlines Limited has increased by 13.2 percent and the passenger kilometers have increased by 5.5 percent.

The sub activity of ‘Postal and courier activities’ has recorded a positive growth rate of 3.1 percent in the third quarter of 2018 with compared to the same quarter of last year. According to the reports, the total expenditure of the Department of Postal has recorded slight decrease and hence gross value added at current prices recorded a 4.2 percent decrease in the third quarter of 2018.

When compared with the third quarter in 2017, in this quarter the sub activity of ‘Accommodation, food and beverage serving’ activity has reported a positive growth rate of 5.4 percent. According to the reports of Sri Lanka Tourism Development Authority, during the third quarter of 2018, total number of 567,275 of international tourists has visited Sri Lanka and it is 4.8 percent of growth when compared the same period in the year 2017. In addition, the room occupancy rate of SLTDA registered accommodation establishments has been increased to 72.6 from 67.9 during the third quarter of 2018.

The sub activity of ‘Programming and broadcasting activities and audio video productions’ has reported a negative growth rate of 9.0 percent in the third quarter of 2018.

The real gross value added of the ‘Telecommunication’ has reported a significant 14.8 percent growth in the third quarter of 2018. According to the Telecommunication Regulatory Commission (TRC) reports (provisional), the mobile penetration in the country crossed thirty million milestone with recorded 13.5 per cent increase compared to the same quarter in the previous year.

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. At present this is one of major emerging economic activity and major export revenue generator in

services sector of the country. Accordingly, this activity reported a striking growth rate of 7.5 percent in the third quarter of 2018 when compared to the same quarter in previous year. According to the CBSL Balance of Payment Statistics, net value of export revenue from Computer services has increased by 19.5 percent from Rs. Mn 17,927 to Rs. Mn. 21,410 during this period.

The sub activity of ‘Financial service activities and auxiliary financial services’ reported 12.4 percent growth rate for this quarter which grew by 9.8 percent in the respective quarter of the previous year. The total value of staff cost has increased by 29.40 percent and the profit before tax of Licensed Commercial Banks and Licensed Specialized Banks together increased by 8.5 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 17.2 percent and 14.5 percent respectively in the third quarter of 2018. In this quarter, the Average Weighted Lending Rate (AWLR) and the Average Weighted Deposits Rate (AWDR) reported as 14.3 percent and 8.7 percent respectively. In the third quarter of 2017, these were 13.8 percent and 9.3 percent respectively.

The real value added of ‘Insurance, reinsurance and pension funding’ activity which reported an increase of 10.7 percent in the third quarter of 2017, further grew by 8.3 percent in the third quarter of 2018. During this period, the staff cost and the profit before tax of insurance companies have decreased. The usage of this activity is represented by the total of the values of premiums and the claims earned, has increased by 11.6 percent in this quarter.

The ‘Real Estate Activities including Ownership of dwellings’ expanded further by 2.2 percent in the third quarter of 2018, compared to the third quarter of 2017. This activity reported a value addition of Rs. 139,037 million in real terms (2010) to the total GDP, sharing 5.8 percent at nominal terms.

The sub activity of ‘Professional service’ is a combination of eight compilation categories. It is mainly comprised by ‘Legal and accounting activities’, ‘Architectural and engineering 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, security and investigation activities’ and ‘Services

to building and landscape activities’. The real value added of ‘professional service’ activity has reported a minor positive growth rate of 0.3 percent in this quarter.

The sub activity of ‘Other personal service activities’ which is also a combination of two compilation categories’ and is comprised by ‘Arts entertainment and other recreation activities’ and ‘other personal service activities’ mainly. When compared with the third quarter of 2017, in third quarter of 2018, the real value added value of this activity increased by 4.8 percent.

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