



## **Press Release**

### **National Accounts Estimates of Sri Lanka; 1<sup>st</sup> Quarter of 2020**

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The Department of Census and Statistics (DCS) Sri Lanka, has released the estimated Gross Domestic Product (GDP) at current price and at constant (2010) price in Production approach and other macroeconomic indicators for the first quarter (January 1<sup>st</sup> to March 31<sup>st</sup>) of 2020.

Following the global trends of economic downturn, first quarter of year 2020 saw Sri Lanka's economy contracting, with the exception of the Service sector which continued to expand by 3.1 percent. The remaining three sectors, Agriculture, Industry and Taxes less subsidies on products contracted, contributing to an overall economic downturn. Impact of the pandemic was felt severely, in this quarter, as the economy, which operates at the maximum capacity before the dawn of the Sinhala and Tamil New Year, failed to function at peak level due to the lockdown conditions which commenced at the end of the first quarter. Nevertheless, the deep impacts of last year Easter attack in April 2019 on the economy continued to trouble several sectors which could not recover the economic growth prospects in those sectors, by further contributing to the economic downturn.

Generally, the DCS releases quarterly GDP estimates after completion of 75 days in each quarter. The GDP release dates are published in the Advance Data Release Calendar (ADRC) of the department website. Accordingly, the first quarter GDP estimates need to be released on 19<sup>th</sup> of June, 2020. However, this year, due to the Covid -19 impact, DCS faced many difficulties and challenges in gathering data and information during the months of May and June from the government, semi- government and private sector institutions in the country. In addition, the data availability of many institutions and the quality of data, were not at satisfactory level due to operational impediments at ground level due to the restrictions imposed by the government and the regulations provided by the Ministry of Health regarding the spreading of COVID-19 such as limiting number of staff for normal working. Therefore, DCS had to further verify the data

received from these institutions for accuracy. This requirement caused the postponement of the release of the first quarter GDP estimates by a few weeks.

National Accounts estimates of the first quarter 2020 reflect the continuing negative effects of the Easter attack in April 2019 getting compounded by the deep impacts of the onset of 'Covid - 19 pandemic' as it affected the peak output conditions usually experienced before the dawn of the Sinhala and Tamil New Year. The impacts of the Covid-19 will be felt much more in the second quarter of 2020 as it continued to spread throughout the country since early March of this year. However, the global impacts of the pandemic were felt since last quarter of the year 2019, as it impacted the important regions of the world much before it affected Sri Lanka. Therefore, Sri Lanka experienced a decline in global demand for country's exports and delay's in raw material acquisition, mainly from China and reduction in tourist arrivals due to unsafe travel and the travel bans imposed by the governments. As a result, many sectors of the country got severely affected especially, manufacturing, construction, transportation and tourism industries.

The experts have labeled this as the worst slowdown in economies since after the 2001 world economic recession. The whole world experienced contraction in many economies due to the Covid - 19 pandemic. Following that Sri Lanka too faced this difficult situation in the first quarter of 2020 recording a contraction in quarterly economic growth rate (1.6 percent of contraction). Accordingly, the Covid-19 outbreak has affected unexpectedly in many sectors of the economy specially, manufacturing, construction, passenger transport (land and air), mining and quarrying, tourism, retail trade and some activities of agriculture such as fishing.

Issuing a communiqué, on releasing National Accounts Estimates for the first quarter of 2020, the DCS states that the GDP growth rate for the first quarter of 2020 has been estimated as 1.6 percent of negative growth rate when compared to the 3.7 percent of positive growth recorded in the first quarter of 2019. The Gross Domestic Product for Sri Lanka for the first quarter of 2020 at constant (2010) price has declined up to Rs. 2,292,589 million from Rs. 2,330,053 million recorded in the first quarter of 2019. However, the Gross Domestic Product for Sri Lanka for the first quarter of 2020 at current price has increased marginally up to Rs. 3,845,900 million from Rs. 3,773,551 million recorded in the first quarter of 2019 registering 1.9 percent of change in the current price GDP estimate.

The first quarter 2019 is comparatively a normal quarter which recorded relatively high positive growth rate of 3.7 percent. The first quarter of 2019 GDP covers approximately 90 working days in calculating the GDP. However, due to the curfew imposed in all districts of the country, last two weeks of the first quarter (from 20<sup>th</sup> March to 31<sup>st</sup> March) in the year 2020, normal activities of the whole country stopped and did not perform in economic activities as same as in previous year except in few essential services.



The four major components of the economy; 'Agriculture', 'Industry', 'Services' and 'Taxes less subsidies on products' have contributed their share to the GDP at current prices by 7.3 percent, 28.4 percent, 58.3 percent and 6.0 percent respectively in the first quarter of 2020. As a result of the Covid-19 outbreak, many sectors in the economy suffered a lot and it led to slow down country's economic performance. Accordingly, GDP estimates of the first quarter of 2020, have reported contraction in Agriculture and Industrial activities by 5.6 percent and 7.8 percent respectively. However, during the first quarter of 2020 services sector activities continued to expand further by 3.1 percent.

## **Agriculture Sector**

The contraction in the Agricultural activities were mainly driven by 'Marine fishing' (8.1 percent), 'Growing of Oleaginous fruits; including Coconut' (12.8 percent), 'Growing of tea' (27.5 percent), 'Growing of rubber' (8.7 percent) and 'Forestry and logging' (13.3 percent) in the first quarter of 2020 when compared to the same quarter in the previous year. Nevertheless, the activities of 'Growing of cereals' (12.9 percent), 'Growing of rice' (4.1 percent), 'Growing of vegetables' (5.0 percent), 'Growing of fruits' (7.4 percent), 'Growing of spices' (1.5 percent) and 'Animal production' (0.4 percent) were expanded further and recorded positive growth rates during this quarter of 2020.

## **Industry Sector**

In the first quarter of 2020, due to the Covid – 19 outbreak the overall industrial activities contracted by 7.8 percent. Sri Lanka's overall manufacturing industry experienced a contraction of 4.1 percent in the first quarter of 2020. This is due to the reduced export demand from the US and Europe for apparel, tea and rubber products and halt of production as a result of imposed curfew in all districts of the country from last two weeks of March and the delays in acquisition of raw materials from China. The contraction in manufacturing activities was mainly driven by the 'Manufacture of textiles, wearing apparel and leather related products' activity which recorded negative growth of 13.6 percent during this quarter. In addition, 'Manufacture of coke and refined petroleum products' (19.2 percent), 'Manufacture of rubber and plastic products' (11.6 percent) and 'Manufacture of chemical products and basic pharmaceutical items' (10.1 percent) have reported negative growth rates. Meanwhile the 'Manufacture of food, beverage and tobacco products' activity which is the highest share to the country's industrial sector, has recorded positive growth of 2.8 percent in the first quarter of 2020.

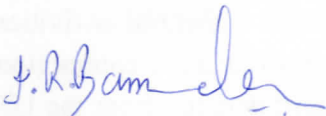
Among the 'Industrial activities', the 'Construction' sub activity, which corresponds to 6.4 percent of share within the industry sector, recorded substantial contraction by 16.0 percent in this quarter showing huge negative impact of the Covid – 19 pandemic on that industry. Following that decline in the construction activity, the 'Mining and quarrying' activity too recorded negative growth rate

of 18.3 percent during the first quarter of 2020. Meanwhile 'Electricity, gas, steam and air conditioning supply' (2.3 percent) and 'Water collection, treatment and supply' (5.0 percent) activities have recorded positive growth rates in this quarter.

## Service Sector

During the first quarter of 2020, the performance of Services sector was quite admirable. It recorded 3.1 percent of expansion in this sector amidst the pandemic. This sector grew mainly assisted by the sub activities of 'Wholesale and retail trade' (4.1 percent), 'Telecommunication' (15.2 percent), 'IT programming consultancy and related activities' (9.6 percent), 'Financial service activities' (9.0 percent) and 'Other personal services' (3.4 percent) while recording positive growth rates. Due to the adverse effect of Covid – 19 pandemic, a significant contraction of 6.2 percent was recorded in 'Accommodation, food and beverages service activity. 'Transportation of goods and passengers including ware housing' also reported a contraction of 0.1 percent in this quarter.

More detailed information on GDP estimates for the first quarter of 2020 is available in the DCS website: [www.statistics.gov.lk](http://www.statistics.gov.lk) (<http://203.94.94.89/mainsite/NationalAccounts/StaticallInformation>).



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