

Further Explanation about GDP and the Economic Growth Rate in the Second Quarter of 2020

The Covid-19 epidemic has massively impacted on Sri Lankan economy during the second quarter of 2020. Due to the pandemic, the country was completely/partially shut down for two months and partially opened only in the last month of the quarter. It was obvious that during second quarter of 2020, most of the economic activities were totally crippled and some were differently operated than usual and some economic activities also highly encouraged by Covid-19. Therefore, it was a very unusual situation for the Department and needed to pay special attention to these matters in estimating the National Accounts properly for the second quarter and for the other quarters/years until the effect of Covid-19 pandemic is over.

Accordingly, the DCS immediately took necessary initiatives to address this issue, as mentioned below.

- The DCS planned a quick survey to assess the impact of covid-19 on the country's economy. This enterprise sector level survey conducted during the period of mid of June until the end of July, 2020 after the lockdown period and collected information on economic performance for the period of January to May in the years of 2019 and 2020 from the business firms. Nearly the sample consisted by 18,000 enterprises covering large, medium, small and micro level businesses in industry and Services sector of the country.

The survey results shows high contractions in all three sectors; Agriculture, Industry and Services especially in the two months; April and May. Similar changing patterns were seen not only in the large scale companies but also in the SME sector which included Micro, Small and Medium level establishments.

For large scale establishments, the total output of “Manufacturing (23%)”, “Electricity Generation and Supply (33%)”, “Construction (23%)”, “Wholesale and retail trade (29%)” and “Accommodation and food service activities (78%)” have been dropped drastically during the second quarter of 2020. Each of the manufacture activities of

‘Wearing apparel’, ‘Leather and related products’, ‘Paper and paper products’, ‘Coke and refined petroleum products’, ‘Rubber and plastic products’, ‘Basic metals’, ‘Fabricated metal products’, ‘Machinery and equipment’ and ‘Furniture’ were contracted more than 30 percent of their output value of the second quarter of 2020 when compared to the same quarter of 2019.

In the SME sector establishments, percentage change of revenue for the first 5 months in this year for “Mining & Quarrying (72%)”, “Manufacturing (51%)”, “Construction (73%)”, “Trade (52%)” and “overall services (71%)” activities have been dropped significantly during the covid-19 period and especially in the months of April and May. When compared the difference of percentage change of revenue among each of the above activities for those two months, some improvement can be seen only for the Manufacturing and Trade activities in the month of May compared to the same values for the month of April. The report of this special survey conducted to study the economic impact of Covid-19 will be released soon.

- In addition, the DCS had discussions with the higher officials at Ministry of Health, and following that the DCS obtained the information on expenses incurred by the Ministry specially for the public health services, in order to treat for these special transactions related covid-19 health services (quarantine centers services, data on extra hours of working, outstanding bills relevant for the second quarter) in the national accounts estimates. The DCS used these information in estimating GDP through related economic activities like “Private Health”, “Accommodation and Food Serving” and “Transport”.
- Further, the National Accounts Division (NAD) staff of DCS carried out a special study by using annual and quarterly financial statements of listed companies registered at Sri Lanka Colombo Stock Exchange, for selected sectors, like Hotels industry, Private hospitals, real estate companies and retail trade section, etc., They observed clearly the downturn of their businesses by referring specially the second quarter financial statements.

- The National Accounts division (NAD) staff of DCS carried out another special study of a telephone survey to assess the impact of covid-19 on services sectors businesses, like other personal services, professional services and real estate business in the country. The data collected through this study shows some significant drops in their growth rates in this quarter.
- The NAD staff of DCS collected information at district secretariat division level about mobile trade undertaken during the lockdown period in the country. That reflected how behaved the retail trade activity and also the goods transport activity during the lockdown period in the whole country.
- Staff of the National Accounts Division of DCS participated in several webinars and online discussions to understand the methodologies used for other countries to capture the effect of Covid-19 in different sectors/ components of National Accounts. We already used such methodologies in compiling GDP estimates for the second Quarter of 2020 and can be used in the future quarters/Annual too. Few of such programmes have already been arranged in the near future for all statistical communities in this region and hope to get more knowledge of the methods that can be used further for improving these estimates for the period of Covid-19.

The DCS used the results of all the above initiatives, specially the results of covid-19 economic impact survey and results of other special studies carried out by the staff of DCS, for the compilation of second quarter GDP estimates more accurately.

As the Department of Census and Statistics is responsible to release timely and more accurate National Accounts estimates including GDP and other macro-economic indicators for the country, it was decided to review further the estimates that have already been compiled while collecting more information on some of the economic activities which were differently occurred during this quarter from many other different sources. As it will take a considerable amount of time and as the department has already started in collecting the information needed to compile those estimates for the third quarter of 2020, it was decided to publish the GDP estimates for both the quarters together

in the date of releasing the GDP estimates for the third quarter of 2020, i.e. on 15.12.2020. Then, the estimates for the second and the third quarters of 2020 will be published separately as usual and in normal formats.

However, considering the limitations faced at the present period this date may be further changed. For instance, the third quarter of 2020 started with the effect of the second wave of Covid-19 and currently the effect of this pandemic has already spread out in more than 21 districts of the country. Some districts have been lockdown fully or partially at the moment. Travelling using public transport has been limited and the number of officers who come to office has also been limited according to the health related guidelines issued by the Ministry of Health in order to control the spread of Covid-19. Some of the officers have already started to work from home with limited resources. With all these constraints, the DCS tries it's best to release the National Accounts Estimates as planned.