



## **Press Release**

### **Rebasing and Improving Compilation Procedure of National Accounts Estimates for Sri Lanka**

#### **1. Background**

National Accounts were calculated by the Central Bank of Sri Lanka (CBSL) as well as Department of Census and Statistics (DCS) until the year 2007. But thereafter, only DCS has been responsible for calculating National Accounts. Specially the indices; Gross Domestic Product (GDP) and Economic growth rate are two of the key indicators of National Accounts. These indices are used for socio-economic analysis to make policy decisions on finance and state revenue.

GDP is calculated by subtracting intermediate consumption from output, which is the value added plus taxes and less subsidies. GDP has been publishing since the year 2002 annually as well as quarterly. Until now, economic growth rate has been calculated using the year 2002 as the base year. Usually base year should be revised once in five years with the view of reflecting the changes in the economy. Accordingly DCS has decided to move the base year from 2002 to 2010. While keeping the Central Bank of Sri Lanka and other relevant institutions informed, DCS has arranged to compute annually and quarterly National Accounts from 2010 to 2014 using production approach. Further, national accounts estimates will be published by DCS from the second quarter of 2015 with new base year 2010.

#### **2. Description**

When revising the base year on calculating National Accounts, in addition to moving old base year to a more recent new year other improvements are also made. Following are characteristics of national accounts calculated under new base year.

##### **2.1 Base year**

Due to not having adequate data sources etc., after several years, base year has been revised from 2002 to 2010. Some countries have revised base year at similar intervals. Changes in the economy

during the period 2002 – 2010 reflected in the National Accounts under the new base year.

Considering 2010 as the base year, GDP for 2010 is Rs 6,413,668 million while, it was Rs. 5,604,104 million taking 2002 as the base year. This is a 14.4% level change. But by 2014 this percentage declined to 5.6%.

Due to the reasons explained from 2.2 to 2.5 below, it is possible that national account statistics compiled under new and old base years are not equal.

## **2.2 Adoption of System of National Accounts (SNA)**

United Nations (UN) organization has introduced a manual called “System of National Accounts” giving recommendations to calculate the National Accounts. It was first published in 1953 and revised in 1968, 1993 and 2008. Here, SNA 2008 was used to the maximum extent possible.

## **2.3 Use of International classifications**

International Standard Industrial Classification (ISIC) revision 4 has been introduced to classify economic activities. Therefore, it is able to calculate economic activities by lowest level and it facilitates for international comparisons. Hence locally adopted version of ISIC version 4; Sri Lanka Standard Industrial Classification (SLSIC) was used in compiling National Accounts.

## **2.4 Use of new data sources and application of new methodologies**

The main constrain that Sri Lanka is facing as in many other countries on calculating National Accounts is unavailability of proper data sources. So far National Accounts were calculated under this constrain. But, now several new data sources were identified for economic activities for which there had not been adequate data sources. The methodologies identified through consultancies, training programs, workshops and experiences of other countries were applied in the calculation procedures.

## **2.5 Enhancing the production boundaries**

Up to now it has not been possible to cover certain new activities of the economy due to practical difficulties such as lack of data. Uncovering some household economic activities is an example for that. But, application of new methodologies and use of new data

sources, the economic activities of Sri Lanka has been covered as much as possible.

## **2.6 Plan on publishing National Accounts under the new base year**

- National Accounts will be published until fourth quarter of 2015 with year 2002 as the base year.
- Under the new base year; 2010, national accounts will be published from the first quarter of 2010 onward annually and quarterly.
- Estimates of a quarter will be published within 75 days after that quarter and these dates will be published through the data release calendar of DCS website.

## **2.7 Frequency of revising the base year**

Base year should be updated regularly to calculate national accounts. Accordingly base year will be revised at least once in five years' with the view of depicting the changes in the economy.

## **2.8 National Accounts Revision Policy**

There are some situations where some of the relevant data sources are not ready before finalizing the national account statistics. Hence, as in many other countries, a policy on national accounts amendments is introduced for Sri Lanka. Accordingly national accounts estimates issued for a particular quarter / year can be amended after obtaining the final relevant data sources. The time frame for amendments will also be published on DCS website.

## **3. International Monetary Fund (IMF) Programme for Improving National Accounts and Price Statistics ( Project on the Implementation of the System of National Accounts and the International Comparison Programme).**

IMF launched a programme to improve National Accounts Estimates of some selected countries and Sri Lanka is among those countries. This project was implemented during the period of 2011-2015 and assistances provided by the programme includes training programmes and consultancies. The DCS staff was trained through the project in compiling National Accounts, Rebasing etc.

#### 4. Comparability of old and new GDP levels

GDP rebasing gives more accurate data on the economy to enable policy makers to make informed decisions.

GDP at current prices of old (2002 base year) and new series (2010 base year) cannot be compared due to differences of coverage, estimation method and classifications used in the compilation process. Change of the size or level change of Sri Lankan economy can be measured by comparing GDP at current prices. It should be noted that GDP at constant prices for two series cannot be compared as the base years are different.

#### 5. New GDP Series

- A. From second quarter of 2015, the year 2010 will be used as the base year for compiling National Accounts. Therefore, GDP, its growth rate and other macroeconomic accounts compiled using new base year 2010 will be considered as official national accounts statistics.
- B. GDP values for the period from 2010 to 2014 compiled using 2002 and 2010 as base years are compared in Table 1.
- C. The compilation of National Accounts for base year 2002 will be terminated after the fourth quarter of 2015.

**Table 1: GDP and economic growth rates for base years 2002 and 2010 : 2010-2014**

Year	Base Year 2002			Base Year 2010		
	GDP Current Price (Rs. Million)	GDP Constant Price (Rs. Million)	Growth Rate (%)	GDP Current Price (Rs. Million)	GDP Constant Price (Rs. Million)	Growth Rate (%)
2010	5,604,104	2,645,542		6,413,668	6,413,668	
2011	6,543,258	2,863,691	8.2	7,219,106	6,952,720	8.4
2012	7,578,555	3,045,288	6.3	8,732,463	7,588,517	9.1
2013	8,674,228	3,265,809	7.2	9,592,125	7,846,202	3.4
2014	9,784,672	3,506,664	7.4	10,291,581	8,195,979	4.5