1.1 National Accounts Estimates – First 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 first quarter of 2018 (January, February, March).

The Gross Domestic Product at constant (2010) prices for the first quarter of 2018 recorded as Rs.2,223,856 million, and GDP value reported for first the quarter of 2017 was Rs.2,154,971 million. (Note: The GDP value for the 1st quarter of 2017 at constant (2010) prices, which is reported as Rs. 2,154,971 Million, is been revised into Rs. 2,155,247 Million). Economic growth rate for the first quarter of 2018 has been estimated as 3.2 percent.

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 prices by 7.0 percent, 30.4 percent, 53.6 percent and 8.9 percent respectively in the first quarter of 2018.

When compared economic growth rates of major economic activities with the first quarter of 2017, especially the Agricultural activities has recorded a significant growth rate of 4.8 percent during the first quarter of 2018. The Industrial activities also reported a positive growth rate of 1.0 percent during this quarter. Meanwhile the Service activities has also shown an increase in the growth rate, which is 4.4 percent.

The value added of 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 prices. 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 are deducted. Accordingly, in the new series of National Accounts, 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 first quarter of 2018, the share of the ‘taxes less subsidies on products’ at constant prices is 4.6 percent. In the first quarter of 2018, the ‘Taxes less subsidies on products’ has increased by 1.2 percent, when compared with the first quarter of 2017.
As shown in the Figure I, most of the agricultural activities have experienced positive growth rates during the first quarter of 2018. Those are ‘Growing of rice’ by 56.6 percent, ‘Growing of cereals (except rice)’ by 40.2 percent, ‘Fresh water fishing and Fresh water Aquaculture’ by 37.4 percent ‘Growing of vegetables’ by 22.3 percent, ‘Growing of fruits’ by 6.0 percent, ‘Animal production’ by 5.4 percent, ‘Growing of other beverages crops’ by 5.2 percent and ‘Forestry and logging’ by 3.2 percent. In the meantime the sub activities of, ‘Growing of Rubber and ‘Growing of Oleaginous fruits (Coconut, king coconut)’ declined by 13.9 percent and 13.5 percent respectively. ‘Marine fishing and marine aquaculture’ also reported a negative growth rate of 2.0 percent in the first quarter of 2018.

![Figure I](image)

As shown in figure II, most of the industrial activities have shown positive growth rates in the first quarter of 2018, when compared with the same quarter in 2017. Especially the sub activity of ‘Manufacture of wood, except furniture’ has increased considerably, by 11.9 percent during the first quarter of 2018, when compared it with the first quarter of 2017. In addition, the sub activities, which contribute a higher share to the industrial activities, have shown a considerable growth in their growth rate during the period of concerned. Mainly, the sub activities of ‘Electricity, gas, steam and air conditioning supply’, ‘Sewerage, Waste, treatment and disposal activities, ‘Manufacture of basic metals and fabricated metal products’ and ‘Manufacture of rubber and
plastic products’ have shown a considerable growth rates of 10.2 percent, 9.8 percent 9.1 percent and 7.9 percent respectively, during the first quarter of 2018. Meanwhile the ‘Manufacture of coke and refined petroleum products’ and ‘construction’ activities have suffered a fall in the industry by 38.8 percent and 4.9 percent respectively, over the period under consideration.

Figure II

Same as in the previous quarters, in this quarter also, the growth rate in the overall services activities has reported a significance increase by 4.4 percent. As shown in the Figure III, the, ‘Financial service activities and auxiliary financial services’, ‘Telecommunication’ and ‘Insurance, reinsurance and pension funding’ have recorded a striking growth rates of 12.2 percent, 11.1 percent and 9.3 percent respectively in the value added in this quarter when compared with the first quarter in 2017. In addition, ‘Accommodation, food and beverage serving activities’ ‘Postal and courier activities’, ‘Wholesale and retail trade activities’, ‘Other personal services’, and ‘IT programming and consultancy services’ have expanded in a considerable growth rate in the first quarter of 2018, when compared them with the first quarter of 2017.
GDP implicit price deflator which measures the price change in the economy with respect to a specific base year (2010=100), increased to 159.16 in the first quarter of 2018 from 151.36 recorded in the first quarter of 2017 recording a 5.15 percent of inflation rate for the first quarter of 2018.

The Colombo Consumer Price Index (CCPI) (2006/2007 = 100) increased to 204.8 in the first quarter of 2018, from 195.59 recorded in the first quarter of 2017, indicating a 4.72 percent of inflation rate.

### 1.1.1 Agriculture Activities

In the first quarter of 2018 the main activity of ‘Agriculture, forestry and fishing’ grew by 4.8 percent, when compared with the respective quarter in year 2017. In this quarter, the share of the Agriculture, forestry and fishing has reported as 7.0 percent to the GDP.
In the first quarter of 2018, the sub activity of ‘Growing of cereals (except rice)’ recorded a striking increase of 40.2 percent when compared to the negative growth of 20.3 percent, recorded in the first quarter of 2017. This is due to the increase of the production of Green Gram, Maize, Black gram, Cowpea, Kurakkan, and Meneri, by 35, 34, 31, 27,26 and 25 percent respectively, during the first quarter of 2018. The production of Soya beans, however, has drastically dropped by 80 percent. The reason is that the most of soya bean harvested lands in the first quarter 2017, have used for paddy production during the first quarter of 2018, due to favorable weather condition prevailed for paddy production in paddy growing areas in the Maha season.

The value added of ‘Growing of rice’, which recorded as 49.6 percent of decrease in the first quarter of 2017, has reported 56.6 percent increase in this quarter. Due to favorable weather conditions prevailed in paddy growing areas in the Maha season, in the first quarter of 2018, the paddy production has increased considerably and the reported paddy production was 2,305,592 Metric tons. The paddy production in Ampara district, which gives the highest contribution for the total paddy production in 2017/18 Maha season, has recorded as 282,404 Metric tons.

In this quarter, the value added of ‘Growing of Fruits’ has shown a increase growth rate by 6.0 percent.

The real Gross Value added of ‘Growing of Vegetables’ has reported 22.3 percent growth in this quarter, when compared to the first quarter of 2017. In the first quarter of 2017, vegetable production showed a downturn of 15.7 percent, which recovered by increasing vegetable production of the first quarter of 2018, due to healthy weather condition prevailed during the 2017/18 Maha season.

The sub activity of ‘Growing of Oleaginous fruits’ consists with coconut and king coconut production contributed Rs.13,012 million to the GDP at constant prices in the first quarter of 2018. The coconut production of the country reported a contraction by 13.5 percent within this period. The share to the GDP by this activity was recorded as 0.6 percent in this quarter. The Coconut Research Institute of Sri Lanka specified that the continuous dry climate prevailed from year 2016 in the area under coconut triangle in the North-Western province adversely affected on the coconut production of the country. The producer price of coconut production has increased by 50 percent.
within this period, compared to the first quarter of 2017, hence the reported change at current price showed an increase of 35.2 percent within the corresponding period.

The sub activity of ‘Growing of Tea’, which reported 5.5 percent of negative growth rate in the first quarter of 2017, has reported 10.6 percent increase in this first quarter of 2018 due to favorable weather condition prevailed in tea growing areas. When compared with the first quarter of 2017, in the first quarter of 2018 the average price per 1 Kg of tea in the Colombo auction has increased to Rs. 628.51 from Rs.608.01 by 3.4 percent. The low grown tea having the largest market share around 63.6 percent of total tea production, recorded a 11.9 percent increase in this quarter.

The growth rate for the ‘Growing of rubber’ activity reported negative growth rate since the first quarter of 2012 and it has further declined by 13.9 percent during the first quarter of 2018. The price paid for one kilogram of rubber in Colombo Auction has fallen by 14.16 percent in this quarter.

The sub activity of “Animal Production” which consists with three key items viz. growing animals for meat, milk production and eggs production has contributed Rs. 13,993 Million of value added to the GDP in the first quarter of 2018. This denotes a 5.4 percent growth rate in this activity when compared to the first quarter of 2017. The poultry industry contributed 55 percent to the Animal production activity, further grew by 11.8 percent in 2018. The share of this activity to the GDP was reported as 0.6 percent.

The agriculture sub activity of “Forestry and Logging” expanded by 3.2 percent during the first quarter of 2018. The value added and share of this activity to the GDP was reported as Rs.15,044 Million and 0.7 percent respectively.

The sub activity of ‘Marine fishing and marine aquaculture’ showed a negative growth rate of 2.0 percent. According to the Reports of the Ministry of Fisheries and Aquatic Resources Development, the marine fish production has decreased during the first quarter of 2018.

Compared to the first quarter of 2017, ‘Freshwater Fishing and Aquaculture activity’ reported growth of 37.4 percent in the first quarter of 2018. The fresh water fish production in the first quarter 2018 considerably increased due to deposits of fingerlings and fresh shrimp in the inland water bodies of the Puttalam district, under the special fisheries development project conducted by the Ministry of Fisheries and Aquatic Resources Development.
1.1.2 Industry Activities

In the first quarter of 2018, percentage share at current prices to the GDP by the Industrial activities has shown as 30.4 percent.

The ‘Mining and quarrying activity’ which contributes nearly 2.7 percent to the total GDP, reported 0.6 percent growth rate in the first quarter of 2018, when compared to the first 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 material’ gives the highest contribution to the overall ‘Mining and quarrying activity’. The sub activity of ‘mining of construction material’, covers the value added generate by mining of sea sand to the Colombo port city project which shows slight decrease in the first quarter of 2018 with compared to the same quarter of 2017. Although, gem exports of Sri Lanka shows considerable growth during this quarter which supports to increase the overall growth of ‘Mining and quarrying activity’ in the first quarter 2018.

The main sub activity of ‘Manufacture of food, beverages and tobacco production’ recorded 5.2 percent of growth rate in the first quarter of 2018. In the first quarter of 2017, this activity increased by 0.7 percent. When compared with the first quarter of 2017, the output value of this activity increased by 12.3 percent in the first quarter of 2018.

The sub activity of ‘Manufacture of textiles, wearing apparel and leather products’ recorded a growth rate of 4.7 percent in this quarter when compared with the respective quarter in 2017. The output value of this activity has increased by 12.1 percent in the first quarter of 2018.

Compared to the first quarter of 2017, the sub activity of ‘Manufacture of wood and products of wood and cork, except furniture’ has recorded a growth rate of 11.9 percent in the first quarter of 2018. The output value of this activity has increased by 17.85 percent during the respective quarter.
The sub activity of ‘Manufacture of paper, paper products, printing and reproduction of media products’, which recorded a growth rate of 17.0 percent in the first quarter of 2017, The first quarter 2018 decreased by 1.5 percent. The output value of this activity has decreased by 0.1 percent during the period.

The sub activity of ‘Manufacture of coke and refined petroleum products’ which reported negative growth rate of 13.5 percent in the first quarter of 2017, has shown a further decrease by 38.8 percent in this quarter. The petroleum production quantity has decreased by 35.2 percent in the first quarter of 2018.

The ‘Manufacture of basic metals and fabricated metal products (except machinery and equipment’s)’ reported a growth rate of 9.5 percent in the first quarter of 2017 and further expanded by 9.1 percent in the first quarter of 2018. The output value of the basic metals and the fabricated metal products has increased by 13.7 percent respectively in the first quarter of 2018, when compared it with the respective quarter of 2017.

Manufacture of other non-metallic mineral products grew by 19.9 percent in the first quarter of 2017 and it has further increased by 1.6 percent in first quarter of 2018.

The sub activity of ‘Manufacture of machinery and equipment’ which reported 24.7 percent of growth rate in the first quarter of 2017 has decreased by 5.5 percent in this quarter. The ‘Manufacture of machinery and equipment activity’ consists of five sub activities. Out of them, output values of ‘Manufacture of computers electronic and optical product, Manufacture of machinery and equipment’s and Manufacture of other transport equipment’ Manufacture of motor vehicles and semi-trailers sub activities grew by 12.7 percent, 12.6 percent, 16.7 percent, 1.6 percent respectively, during this quarter. However, the output value of ‘manufacture of electrical equipment activity’, which contributes the highest share to the GDP among sub group of ‘Manufacture of machinery and equipment activity’ has decreased by 8.9 percent, that may cause to the contraction of ‘Manufacture of machinery and equipment activity’ by 5.5 percent in the first quarter of 2018.

The real value added of ‘Electricity generation, Transmission and distribution has increased by 10.2 percent in the first quarter of 2018. In the respective quarter of the previous year, it grew by only 0.9 percent. The electricity power generation has increased from Gigawatt hours (Gwh) 3,462
to Gwh 3,839 indicating 10.9 percent increase during the respective quarter. The existed ratio of 15:85 hydropower and thermal power generation in the first quarter of 2017 has changed to 23.77 in this quarter representing the expansion of hydropower generation. In the first quarter of 2018, the total revenue from sales of electricity has increased by 7.8 percent. The sub activity of ‘Water collection, treatment and supply’ has increased by 1.4 percent in the first quarter of 2018. The volume of water supply for the first quarter of 2017, was cubic meter thousands 166,329. In the first quarter of 2018 it has increased to cubic meter thousands 172,395 registering 3.6 percent of positive growth rate. The total revenue has increased by 6.4 percent.

The Gross Value Added of ‘Water collection, treatment and supply’ has reported 1.4 percent growth in the first quarter of 2018. The volume of water supply has increased by 3.6 percent and the revenue has also increased by 6.4 percent in the first quarter of 2018 when compared to the first quarter of 2017.

In comparison with the first quarter of 2017, the ‘Construction’ activity dropped by 4.9 percent in the first quarter of 2018. The share of construction activity to the GDP reported as 7.4 percent in this quarter. The total cement supply has decreased by 3.55 percent during the first quarter of 2018. The total imports of cement and the domestic supply of cement has dropped by 3.16 percent and 4.22 percent respectively in the first quarter of 2017.

1.1.3 Services Activities

The Service activity, which is the highest contributor (57.1 percent) to the GDP, has reported a 4.4 percent growth rate in the first quarter of 2018.

The ‘Wholesale and retail trade’ which contributes nearly 11.6 percent to the total GDP, reported a 5.4 percent growth rate in the first quarter of 2018, when compared to the growth rate of 4.3 percent recorded in the first quarter of 2017. The generated gross value added of wholesale and retail trade activity is determined by the total supply of goods in the respective quarter. The total supply is comprised by the imports and total domestic production. The agriculture production and the output of manufacturing industry are the major factors in deciding total domestic production. Therefore, the growth rate of this activity is depends on the variations in the three variables of Imports, Agricultural production and Industrial production.
The sub activity of ‘Transportation’ is a combination of land, water and air transport. This activity has recorded a slightly positive growth rate of 1.2 percent during the quarter, when compared with the respective quarter of 2017. According to the Civil Aviation reports, the total revenue has increased by 22.9 percent. In the first quarter of 2018, the revenue of water transport services has been increased by 3.7 percent. On the other hand, overall land transport activity has dropped by 0.93 percent. When compared to the first quarter of 2017, total vehicle registration has increased by 24.3 percent. Registration of motor cars and buses increased by 90.8 percent, 16.0 percent respectively. Land vehicles, three wheelers, dual purpose vehicles and Lorries, have decreased by 22.0 percent, 18.8 percent, 4.8 percent and 3.5 percent respectively in the first quarter of 2018. The total revenue of the Department of Railway has decreased by 7.0 percent. Earned income of the Sri Lanka Transport Board has dropped by 0.4 percent and the passenger kilometers have decreased by 3.5 percent.

According to the Balance of Payment Statistics of Central Bank of Sri Lanka the total import expenditure in the first quarter of this year has increased up to Rs. 924,253 Million from Rs. 796,069 Million in the same quarter of the last year resulting a 16.1 percent of growth. The value of imports of consumer goods and the volume of imports of consumer goods have increased sharply by 19.3 percent and 15.3 percent respectively, during this quarter when compared to the first quarter of 2017. In addition, the total Output value of Agriculture sector has increased by nearly 5.0 percent in the first quarter of 2018 when compared with the respective quarter of 2017. The total trade margin value of manufacturing activities has increased up to Rs. 330,066 Million from Rs. 302,813 Million in the first quarter of 2018 by 9.0 percent when compared it with the first quarter of 2017.

The gross value added of ‘Postal and courier activities’ has reported 6.5 percent growth in the first quarter of 2018 when compared to the respective quarter of last year. According to the Department of Postal, the total expenditure has crossed the three thousand million mark ever in the first quarter and staff cost has increased by 2 percent. Meanwhile the distribution cost has almost doubled in this quarter.

‘Accommodation, food and beverage serving’ activity which contributes nearly 1.7 percent of share to the GDP, has reported significant growth rate of 7.6 percent in this quarter, when compared to the first quarter of 2017. According to the records of Sri Lanka Tourism Development
Authority, the tourist arrivals have increased remarkably by 17.0 percent during this quarter when compared to the same quarter in year 2017. In addition, the room occupancy rate has increased from 77.2 percent to 78.5 percent during this period.

The sub activity of ‘Programming and broadcasting activities and audio and video productions’ has reported a negative growth rate of 18.3 percent in the first quarter of 2018. Even though the local government election was held during this period, most of the television broadcasting companies has experienced reduction of revenue during this period.

The real gross value added of the ‘Telecommunication activity’ has reported 11.1 percent growth in the first quarter of 2018, when compared to the same quarter of 2017. According to the Telecommunication Regulatory Commission reports, there were no significant increase recorded in connections of fixed and mobile phones, but a 29 percent increase in internet connections.

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. Based on VAT data provided by the Department of Inland Revenue, related to Information Technology/Business Processing Outsource (IT/BPO) industry in Sri Lanka, the national level total output is estimated. When compared to the first quarter of 2017, in this quarter this industry has expanded by 4.2 percent.

The sub activity of ‘Financial service activities and auxiliary financial services’ has further grown by 12.2 percent in this quarter. In the same quarter of last year, this activity grew by 9.1 percent. The total value of staff cost has increased by 9.6 percent and the profit before tax of Licensed Commercial Banks and Licensed Specialized Banks has increased together by 4.84 percent during this period. The usage of financial services during the period of concerned was 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 15.1 percent and 17.1 percent respectively in the first quarter of 2018. In the first quarter of 2018, the Average Weighted Lending Rate (AWLR) and the Average Weighted Deposits Rate (AWDR) have reported as 14.04 percent and 9.0 percent respectively, in the first quarter of 2018. These activities were reported their growth rates as 13.40 percent and 8.81 percent respectively, in the same quarter of previous year.
The real value added of ‘Insurance, reinsurance and pension funding’ which reported an increase of 9.3 percent in the first quarter of 2017, further grew by 9.3 percent in the first quarter of 2018. During this period, the employment payments and the profit before taxes of insurance companies have increased. The usage of this activity was represented by the total of the values of premiums and the claims earned, has increased by 12.9 percent in 2018.

The sub activity of ‘Professional service’ is a combination of eight compilation categories and 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 output value of all these activities are estimated by using value added tax data released by the Department of Inland Revenue. The real value added of professional service activity has grown by 3.9 percent in this quarter.

The sub activity of ‘Other personal service activities’ which is also a combination of two compilation categories’ and is mainly comprised by ‘Arts entertainment and other recreation activities’ and ‘other personal service activities’. The output value of this activity is also estimated by using value added tax data released by the Department of Inland Revenue (DIR). When compared with the first quarter of 2017, in first quarter of 2018, the real value added of this activity increased by 5.0 percent.