



NATIONAL ACCOUNTS OF SRI LANKA

3rd Quarter of 2016

By Production Approach

Base Year 2010

**DEPARTMENT OF CENSUS AND STATISTICS
MINISTRY OF NATIONAL POLICY AND ECONOMIC AFFAIRS**

SRI LANKA

1.1 National Accounts Estimates – Third Quarter of 2016

The Gross Domestic Product for Sri Lanka for the third quarter of 2016 (July, August, September) at constant (2010) price reached up to Rs. Million 2,270,171. The GDP value reported for the third quarter of 2015 was Rs. Million 2,181,275 resulting a positive growth rate of 4.1 percent for the third quarter of 2016.

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 7.6 percent, 30.5 percent, 56.0 percent and 5.9 percent respectively in the third quarter of 2016.

During the third quarter of 2016, especially the Industry activities have recorded a significant increase in their overall growth rates as 6.8 percent , meanwhile service activities have reported 4.7 percent increase in the growth rate, with compared to the growth rate recorded in the third quarter of 2015. The agricultural activities have reported 1.9 percent negative growth rate.

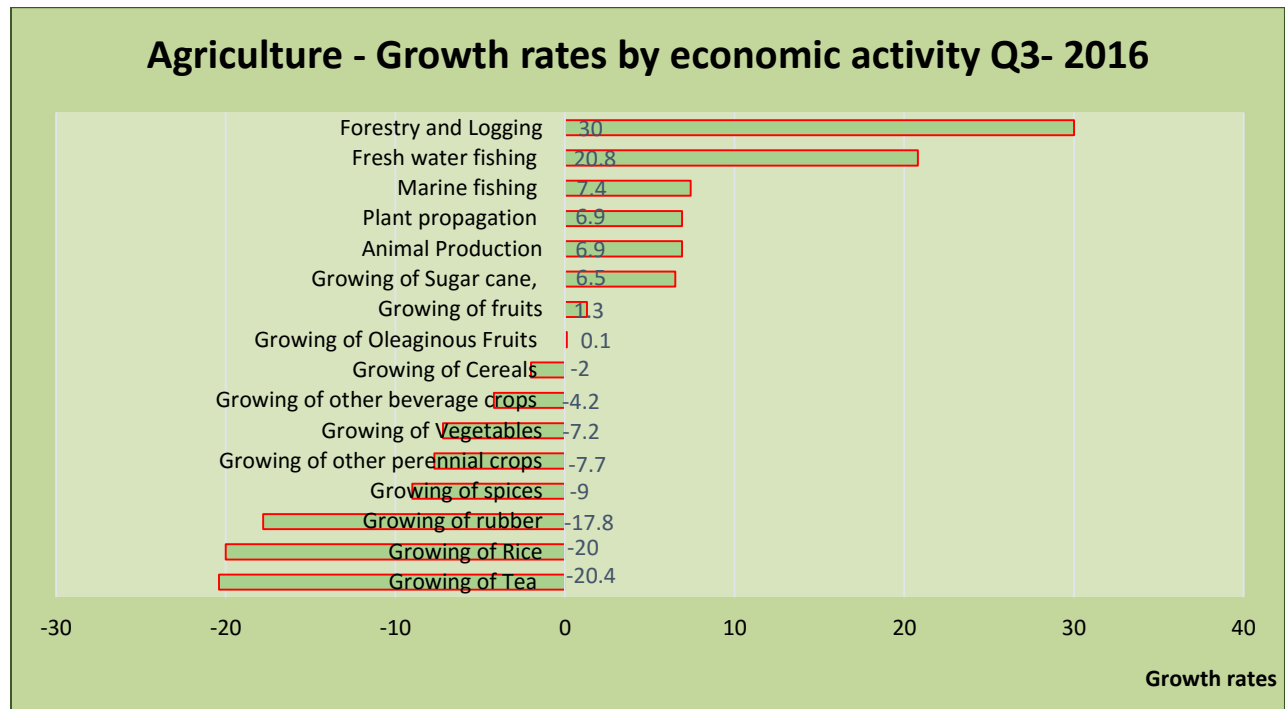
The value added for each of the economic activity is derived by deducting the intermediate consumption from the gross output value. Although, the Intermediate consumption is estimated at purchaser's price, the output of the economic activities is estimated at basic price. Hence, the value added is reported at Basic price. The Gross Domestic Product of an economy, in general, is valued only at market price. Therefore to calculate the Gross Domestic Product, the taxes should be added to the gross value added of the total economy and then the subsidies should be 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 value of Gross Value Added.

In the third quarter of 2016, the share of the 'taxes less subsidies on products' is 5.9 percent. Point to point percentage growth rate of 'Taxes less subsidies on products' is reported in the third quarter 2016 as negative 3.1percent.

Due to the dry weather condition prevailed throughout the third quarter of 2016, overall agricultural activities declined during the period under reviewed. Among the sub activities of Agriculture, 'Growing of rice', 'Growing of tea', 'Growing of rubber', 'growing of vegetable', and 'growing of other perennial crops' show negative growth rate of 20.0 percent, 20.4 percent,

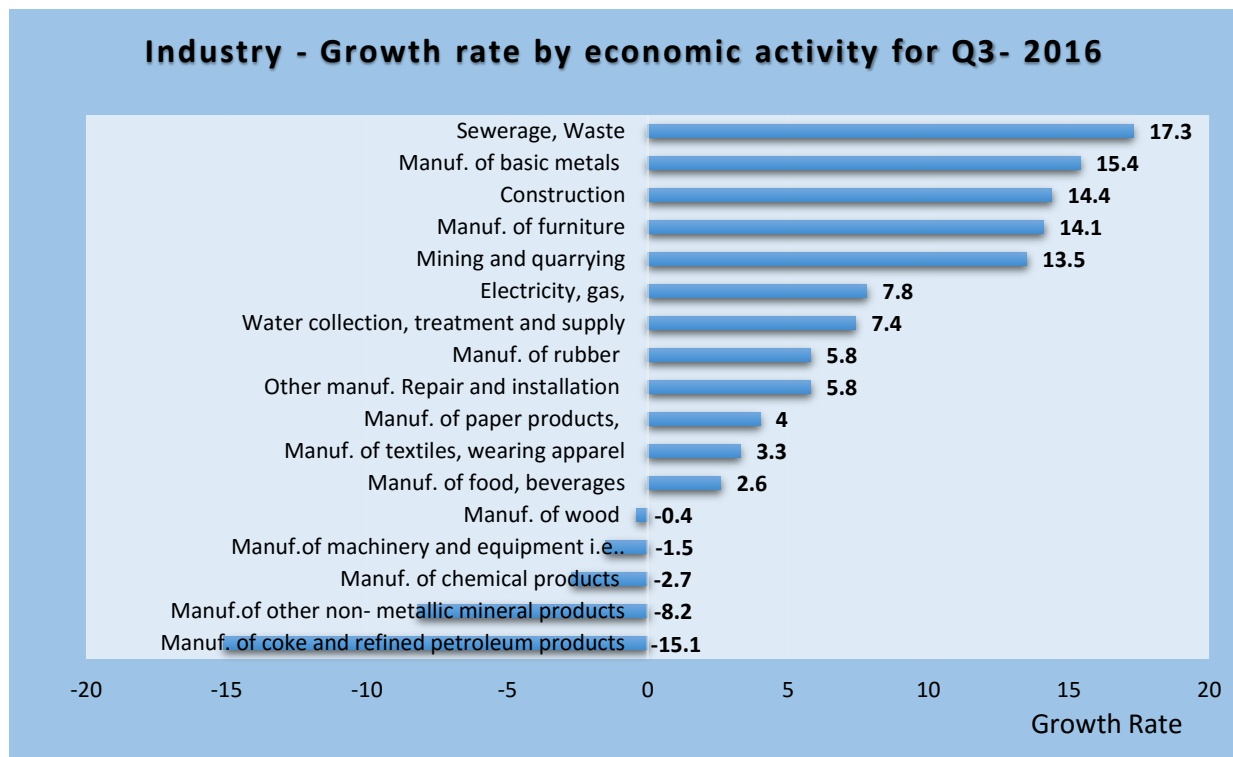
17.8 percent 7.2 percent and 7.7percent respectively during this quarter. Meanwhile the ‘forestry and logging’, and ‘Fresh water fishing and Fresh water Aquaculture’ have shown positive growth rates of 30.0 percent and 20.8 percent respectively, during the third quarter of 2016.

Figure I



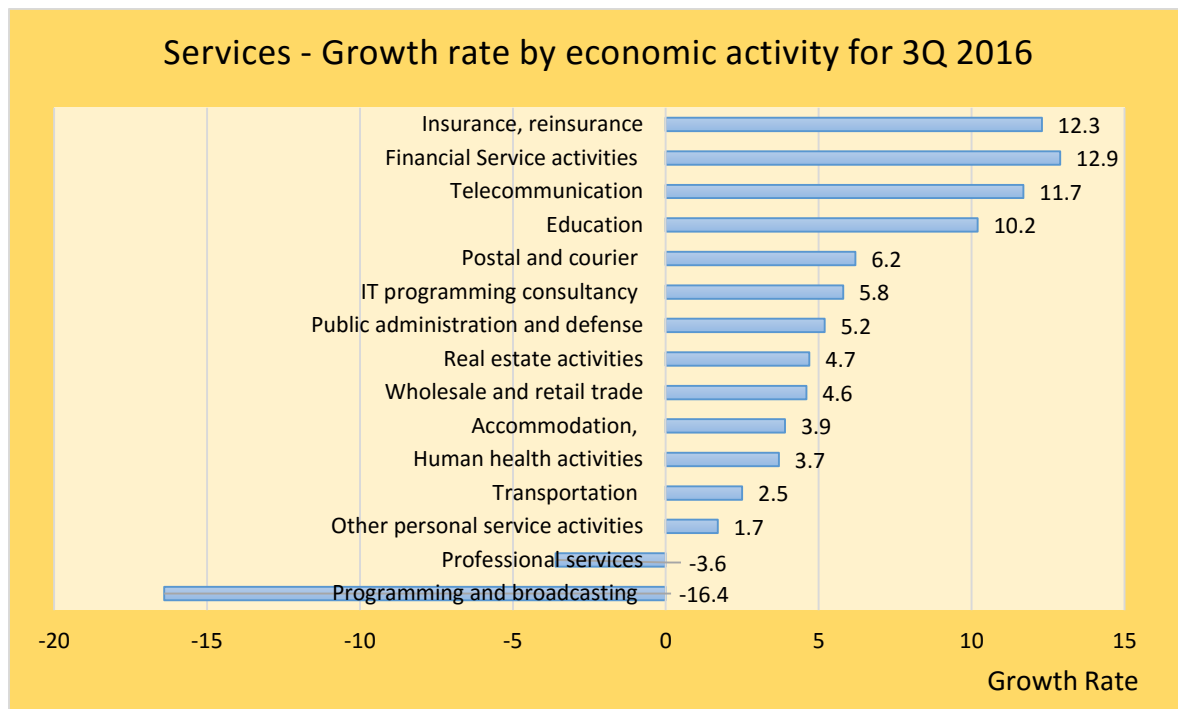
The overall industrial activities which shared the GDP by 30.5 percent at current price, has recorded a positive growth rate of 6.8 percent in this quarter. Among the industrial activities, ‘Manufacture of food, beverages & Tobacco products’ activity shows the highest share to the GDP in current prices and its share to the GDP recorded as 10.4 percent in this quarter. The ‘Construction’ activity, which corresponds to the second highest share to the GDP in current prices, recorded 8.2 percent during this quarter. These two activities have recorded a significant increase in the growth rates as 2.6 percent and 14.4 percent respectively. In addition, the sub activities of ‘Manufacturing of textiles, wearing apparels’ and ‘Mining and quarrying’ have shown a considerable growth rates of 3.3 percent and 13.5 percent respectively. Activities of ‘Manufacture of other non- metallic mineral products’, experienced high negative growth rate of 8.2 percent during the third quarter of 2016, when compared it with the same quarter of the previous year.

Figure II



As in the previous quarters, the overall services activities show their highest contribution to the GDP to achieve a positive GDP growth rate in this quarter. Accordingly, the services activities have reported a significance growth rate of 4.7 percent. As shown in the Figure III, the sub activities ‘Financial service activities and auxiliary financial services’ and ‘Insurance, reinsurance and pension funding’, ‘Telecommunication’ and ‘education’ have recorded a significant growth rates of 12.9 percent, 12.3 percent and 11.7 percent and 10.2 percent respectively when compared it with the same quarter of 2015. In addition, ‘postal and courier activities’, ‘IT programming and consultancy services’, ‘Public administration and defense; compulsory social security’, ‘Real estate activities, Including Ownership of dwelling’ and ‘Wholesale and retail trade’ have expanded in this quarter and recorded a considerable growth rate of 6.2 percent, 5.8 percent, 5.2 percent, 4.7 percent and 4.6 percent respectively, in the third quarter of 2016.

Figure III



GDP implicit price deflator which measures the price change in the economy with respect to the base year (2010=100), increased up to 136.38 in the third quarter of 2016 from 132.22 recorded in the third quarter of 2015 recording a 3.1 percent of inflation rate for this quarter.

The Colombo Consumer Price Index (CCPI) (2006/2007 = 100) for the third quarter of 2016 has increased to 190.2, from 182.0 recorded in the third quarter of 2015, indicating a 4.5 percent of inflation rate.

1.1.1 Agriculture Activities

In the third quarter of 2016 the sub activity of ‘Agriculture, forestry and fishing’ decreased by 1.9 percent, when compared with the respective quarter in year 2015. In this quarter, the share of the ‘Agriculture, forestry and fishing’ activity has reported as 7.6 percent to the GDP. The highest share of the agricultural activities to the GDP reported as 1.3 percent by Marine fishing and marine aquaculture sub activity. The sub activities of ‘Animal Production’, ‘Growing of Vegetables’ and ‘Forestry and Logging’, has contributed a similar shares to the GDP which is 0.8 percent, in this quarter.

The sub activity of ‘Growing of cereals (except rice)’ shows a negative growth rate of 2.0 percent in the third quarter of 2016.

The value added of ‘Growing of rice’, which recorded a higher growth rate of 58.6 percent in the third quarter of 2015, has reported a negative growth rate of 20.0 percent in this quarter. Ampara, Polonnaruwa, Anuradhapura, Batticaloa, Kurunegala and Hambantota districts, which are provided higher contribution for the total paddy production in the Yala season of 2016, have been decreased by 5.9 percent, 14.9 percent, 25.9 percent, 9.2 percent, 19.2 percent and 14.1 percent respectively, in the third quarter of 2016 due to the prevailed dry weather condition, specially, in those districts.

The sub activity of ‘Growing of vegetables’ has shown a negative growth rate of 7.2 percent in this quarter. The Big onion production which contributes high share of this activity has decreased by 30.1 percent due to the prevailed weather condition in the third quarter of 2016.

In this quarter, ‘Growing of Fruits’ has shown a minor increase of 1.3 percent. The production increase of Lime and Orange have contributed for this positive growth.

The growth rate of the sub activity of “Growing of Oleaginous fruits (Coconut)” is 0.1 percent in the third quarter of 2016, contributed a value added of Rs 16, 408. million to the total GDP at constant (2010) prices which shared a 0.6 percent to the GDP. The dry weather conditions prevailed throughout the coconut growing areas has been the main factor to this slight growth. The coconut production of this quarter minor increase of 0.05 percent, although purchaser price has decreased by 19.0 percent from Rs.32.96 in third quarter of 2015 to Rs.26.64 in third quarter of 2016.

The sub activity of ‘Growing of Tea’ has dropped by 2.4 percent in third quarter of 2015 and it has further dropped during this quarter and it shows negative growth rate of 20.4 percent. According to reports issued by the Tea Board, the tea production has dropped due to dry weather conditions in the tea growing areas.

However, the third quarter of 2016 compared with the third quarter of 2015, average selling price for 1 kg of tea in Colombo tea auction has increased from Rs 383.78 to Rs 478.78 and recorded an price increase of 24.75 percent. The price has increased due to the high demand for Sri Lankan tea in the world market.

The sub activity of ‘Growing of other beverage crops, including coffee and cocoa’ has shown a negative growth of 4.2 percent in the third quarter, 2016. According to the Department of Exports Agriculture reports, the coffee and cocoa harvest have decreased due to dry weather prevailed during the first quarter of 2016 which continued from late 2015.

The value added of ‘Growing of rubber’, which recorded a decline pattern from 2012 third quarter to 2015 third quarter, has further declined and shows negative growth of 17.8 percent in this quarter. The Department of Rubber Development reported that, the drop of the average price levels for one kilogram of natural rubber at the local and the global market and the high labor cost, have been the major reasons for reduction of tapping activities of rubber industry. When compared to the third quarter of 2015, in third quarter of 2016, the average price for 1 Kg of rubber has reduced from Rs. 285.08 to Rs. 221.07 by 22.45 percent.

The activity of “Growing of perennial crops” shrunk by 7.7 percent in third quarter 2016 compared to third quarter 2015. The bad weather conditions prevailed during this period seriously affected on betel, arecanut, and toddy productions of the country. The Coconut toddy and Palmyra toddy productions also has reduced by 19 percent and 12 percent respectively in this quarter. The price of betel leaves has increased by 100 percent within the respective period.

The sub activity of “Animal Production” grew by 6.9 percent and contributed Rs.14, 866 million to the total GDP in the third quarter of 2016 compared to third quarter 2015. The share of this activity was reported as 0.8 percent. The continuous assistance from the government on milk industry fortified the milk production that showed an increase of 9.5 percent in the third quarter of 2016 compared to the third quarter in 2015. The egg production also has grown by 11.3 percent in this quarter. The poultry farming has expanded by 4.9 percent and the producer price also has increased significantly by Rs.98 per animal from Rs.356 to Rs.454 during the third quarter of 2016.

“Plant propagation and Supporting activities to Agriculture” grew by 6.9 percent in third quarter 2016 compared to third quarter of 2015. Regarding plant propagation, the expansion of production of coconut seedlings showed a strikingly high value. According to Coconut Development Board, 1.2 million of coconut seedlings have produced in this quarter and these seedlings will be used for the replanting and new planting programs as well as home gardening purposes in the future. The production of rubber seedlings has markedly decreased during the reference period. Rubber Development Board specified that outstanding increase in artificial rubber production due to

decrease in oil prices, affected badly on prices of natural rubber in international and local markets was the main reason that discouraged the rubber growers' from growing rubber. According to Tea Research Institute statistics, a contraction of tea seedlings production was reported in this quarter compared to the third quarter of 2015. The main causes reported by them were the bad weather conditions prevailed throughout the tea growing areas and discouragement of tea growers due to lowered demand or tea experienced in past quarters.

The timber volume output reported from State Timber Corporation in third quarter 2016, strikingly increased by 32.7 percent along with the value increase of 37 percent compared to 2015 third quarter. Accordingly total timber output of the country showed a positive growth. The output of forestry and firewood did not show any significant change over the period and therefore the activity of "Forestry and Logging" reported a 30 percent increase during the reference period.

In comparison with the third quarter of 2015, in third quarter of 2016 the sub activity of 'Marine fishing and marine aquaculture' has recorded a sharp positive growth of 7.4 percent and the sub activity of 'Fresh water fishing and fresh water aquaculture' has reported a 20.8 percent positive growth rate. According to the Ministry of Fisheries, Marine Fish production has increased due to the favorable weather conditions for fish industry in the country, and the higher fish yield in the Eastern Province in through seine nets industry, in the third quarter 2016. The declining water levels in reservoirs due to dry weather in the third quarter of 2016 caused to obtain high yields of inland fish.

1.1.2 Industry Activities

In the Third quarter of 2016, Industrial activities shared the GDP by 30.5 percent and recorded a 6.8 percent of positive growth rate.

The 'Mining and quarrying' activity has increased by 13.5 percent in the third quarter of 2016. When compared with the third quarter of 2015, the construction industry expanded by 14.4 percent in this quarter which has a direct impact on Mining and quarrying industry.

The main sub activity of 'Manufacture of food, beverages and tobacco production' recorded 2.6 percent of growth rate in the third quarter of 2016. In the third quarter of 2015, this activity increased by 8.7 percent. When compared with the third quarter of 2015, the output value of this activity increased by 6.2 percent in the third quarter of 2016.

The sub activity of ‘Manufacture of textiles, wearing apparel and leather products’ recorded a growth rate of 3.3 percent in this quarter when compared with the respective quarter in 2015. The output value of this activity has increased by 6.8 percent in the third quarter of 2016.

The sub activity of ‘Manufacture of Coke and refined petroleum products’ which reported 8.9 percent positive growth rate in the third quarter of 2015, has dropped by 15.1 percent in this quarter. The quarterly petroleum production decreased by 16.0 percent in the third quarter of 2016.

When compared with the third quarter of 2015, the sub activity of ‘Manufacture of Rubber and Plastic products’ has recorded 5.8 percent increase in the third quarter of 2016. The output value of this activity increased by 6.1 percent during the respective quarter.

The ‘Manufacture of basic metals and fabricated metal products (except machinery and equipment’s)’ has increased by 15.4 percent in the third quarter of 2016. It reported 16.8 percent growth rate in the respective quarter of 2015. The output value of the basic metals and the fabricated metal products has also increased by 14.6 percent respectively, in the third quarter of 2016, when compared with the respective quarter of 2015.

The sub activity of ‘Manufacture of furniture’ which reported 10.8 percent of growth rate in the third quarter of 2015 has further increased by 14.1 percent in this quarter. The output value of Manufacture of furniture has increased by 28.3 percent, the quarter under review.

The real value added of ‘Electricity, gas, steam and air conditioning supply’ has increased by 7.8 percent in the third quarter of 2016. In the respective quarter of the previous year, it grew by 8.6 percent. The amount of electricity power generation has increased from Gwh 3402 to Gwh 3672 indicating 7.95 percent growth rate during this period.

The sub activity of ‘Water collection, treatment and supply’ has increased by 7.4 percent in the third quarter of 2016. The volume of water supply for the second quarter of 2015, was cubic meter thousands 154,33. In the third quarter of 2016, it has increased to cubic meter thousands 166,277 resulting 7.14 percent of positive growth rate. The total revenue has increased by 14.4 percent.

In comparison with the third quarter of 2015, the ‘Construction’ activity grew by 14.4 percent in this quarter. The total cement supply has increased by 30.45 percent during this quarter while the total imports of cement and the domestic supply of cement grew by 40.29 percent and 15.20

percent respectively in the third quarter of 2016. The Government payment for the construction activity grew by 16.65 percent and it was the highest recorded growth for last few years. The Government expenditure for construction field was less in the third quarter of 2015 compared to same quarters of past recent years. In the third quarter of 2016, the government payment for construction became normal showing increasing trend propped for high positive growth of construction activity.

1.1.3 Services Activities

The Service activity, which is the highest contributor (56.0 percent) to the GDP, has reported a significant growth rate of 4.7 percent in the third quarter of 2016.

The ‘Wholesale and retail trade’ which shares 11.1 percent to the total GDP, reported a 4.6 percent growth rate in the third quarter of 2016. The value added of wholesale and retail trade activity is affected by fluctuations in total imports and total domestic 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 673,373 from Rs. Million 628,816 in the same quarter of the last year resulting a 7.1 percent of growth. In addition, the total Output value of Agriculture activity has increased by 3.6 percent in the third quarter of 2016 when compared with the respective quarter of 2015. The total output value of industrial activities has increased up to Rs. Million 1,822,163 from Rs. Million 1,597,333 in the third quarter of 2016 by 14.1percent when compared to the third quarter of 2015.

The sub activity of ‘Transportation’ is a combination of land transport, water transport and air transport. This activity has recorded a slight growth rate of 2.5 percent in this quarter, when compared with the respective quarter of 2015. According to the Civil Aviation reports, the total revenue of Air Lines has increased by 7.45 percent in this quarter. In addition, when compared with third quarter of 2015, the real value added of land transport service activities, have grown by 2.1 percent. When compared to the third quarter of 2015, in this quarter the total amount of registered vehicles increased by 100.11 percent. The registration of motor vehicles, dual purpose vehicles and Lorries, dropped by 5.88 percent, 22.88 percent and 52.59 percent respectively, in the third quarter of 2016. And also registration of buses, three wheelers and land vehicles have increased by 99.5 percent, 14.84 percent, 254.59 percent respectively, in the third quarter of 2016.

The total revenue of the Department of Railway has increased by 8.09 percent and the total cost incurred in this quarter has decreased by 18.16 percent. Revenue of Sri Lanka Transport Board (SLTB) increased 18.89 percent and total cost of SLTB has also increased 3.75 percent.

The sub activity of ‘Postal and courier activities’ has recorded a positive growth rate of 6.2 percent in the third quarter of 2016 with compared to the respective quarter of last year. According to the reports of the Department of Postal, in the second quarter of 2016, the total expenditure has increased up to Rs. Mn. 3182 and it is a 7.3 percent increase when compared it with the value of third quarter of 2015.

When compared with the third quarter of 2015 the sub activity of ‘Accommodation, food and beverage serving’ activity has reported a positive growth rate of 3.9 percent in this quarter. When compared to the third quarter of 2015, the number of tourist arrivals has increased by 12.0 percent and the room occupancy rate calculated related to graded hotels, motels and guest houses which are registered under the Sri Lanka Tourism Development Authority increased slightly to 75.3 from 75.1, during the third quarter of 2016. The estimated output of this activity has been increased by 4.0 percent in the third quarter of 2016, when compared with the same quarter of 2015.

The sub activity of ‘Programming and broadcasting activities and audio video productions’ has reported a negative growth rate of 14.6 percent in the third quarter of 2016. Most of the television broadcasting companies in the country, has experienced high revenue for whole four quarters of 2015 and that itself pushed the growth rate down at the rate of negative 14.6 percent even the usual revenue is received by the industry in third quarter of 2016.

The real value added of the ‘Telecommunication’ has reported a further increase by 11.7 percent in the third quarter of 2016. According to the revenue reports, the profit of leading companies in the industry have shown significant increase in the third quarter of 2016.

The most emerging industry in Sri Lanka, the ‘IT programming consultancy and related activities’ which reported a striking growth rate for the third quarter of 2015, has shown a further expansion in the industry indicating 5.8 percent growth during the third quarter of 2016.

The sub activity of ‘Financial service activities and auxiliary financial services’ has reported a 12.9 percent growth for this quarter, though it grew by 13.8 percent during the same quarter of previous

year. The total value of Staff cost has increased by 17.5 percent and the profit before tax of Licensed Commercial Banks and Licensed Specialized Banks has increased together by 18.4 percent during the quarter. The usage of financial services during the period of concerned 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 15.7 percent and 16.6 percent respectively in the third quarter of 2016. In the third quarter of 2016, the Average Weighted Lending Rate (AWLR) and the Average Weighted Deposits Rate (AWDR) have reported as 12.9 percent and 7.6 percent growth respectively. In the third quarter of 2015, these growth were 11.0 percent and 6.0 percent respectively.

The real value added of ‘Insurance, reinsurance and pension funding’ which reported an increase of 12.8 percent in the third quarter of 2015, has reported a growth rate of 12.3 percent in this quarter. During this period, the staff cost and the profit before tax of insurance companies have increased. The usage of this activity is represented by the total of the values of premiums and the claims earned, has increased by 16.2 percent in this quarter.

The activity of “Real estate including ownership of dwellings” has expanded by 4.7 percent growth in third quarter of 2016 compared to the respective quarter in 2015 and attained a share of 5.2 percent to the total GDP.

The sub activity of ‘Professional service’ is a combination of eight compilation categories comprised of ‘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’ and the output value of all these activities are estimated by using value added tax data. The real value added of professional service activity has reported a negative growth rate of 3.6 percent mainly due to the output fall for the Architectural and engineering activities, during the quarter under study, 2016.

The sub activity of ‘Other personal service activities’ which is also a combination of two compilation categories’ such as ‘Arts entertainment and other recreation activities’ and ‘other

personal service activities reported as 1.7 percent growth during this quarter compared to the same quarter of previous year.

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