



NATIONAL ACCOUNTS OF SRI LANKA

1st Quarter of 2017

Compiled According to Production Approach

Base Year 2010

DEPARTMENT OF CENSUS AND STATISTICS

MINISTRY OF NATIONAL POLICIES AND ECONOMIC AFFAIRS

SRI LANKA

1.1 National Accounts Estimates – First Quarter of 2017

The Gross Domestic Product of Sri Lanka for the first quarter of 2017 (January, February, March) compiled according to the production approach at constant (2010) price reportedly reached up to Rs. 2,161,770 million. The GDP value reported for the first quarter of 2016 was Rs. 2,082,544 million indicating a positive growth rate of 3.8 percent for this quarter.

The severe drought reported for four provinces: Northern, Eastern, North-Central and North-Western which prevailed from 2016, adversely impacted on the national economy, primarily on agricultural activities of the country.

The four major components of the economy: Agriculture, Industry, Services and Taxes less subsidies on products have contributed their shares to the GDP at current price by 7.0 percent, 30.8 percent, 52.3 percent and 9.9 percent respectively for the first quarter of 2017. In this quarter, the highest growth rate of 6.3 percent was reported for Industrial activities. Service activities reported a growth rate of 3.5 percent. Due to unfavorable weather conditions prevailed in the most provinces of the country, performance of agricultural activities further contracted and reported a negative growth rate of 3.2 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 price. 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 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 Gross Value Added. In the first quarter of 2017, the current share of the 'taxes less subsidies on products' is 9.9 percent. This indicates an increase of 2.9 percent over the respective period.

Figure 1 shows the growth rates of sub activities of agriculture, with consideration of share to the GDP in the first quarter of 2017. High growth rates were reported for the activities of 'Forestry and logging', 'Animal production', 'Growing of spices', and 'Marine fishing' as 9.3 percent, 6.9 percent, 6.1 percent and 5.8 percent respectively. In the meantime, the substantial declines in growth rates were reported for 'Growing of rice', and 'Growing of Oleaginous fruits' by 53.1 percent, and 10.2 percent respectively in

this quarter, due to continuous drought prevailed through the respective growing areas of these crops. During this quarter, the activities of ‘Growing of vegetables’, ‘Growing of Tea’ and ‘Growing of Rubber’ reported negative growth rates of 3.2 percent, 5.7 percent, and 17.2 percent respectively.

Fig I: Growth rates by Agriculture activities -2017 1st quarter

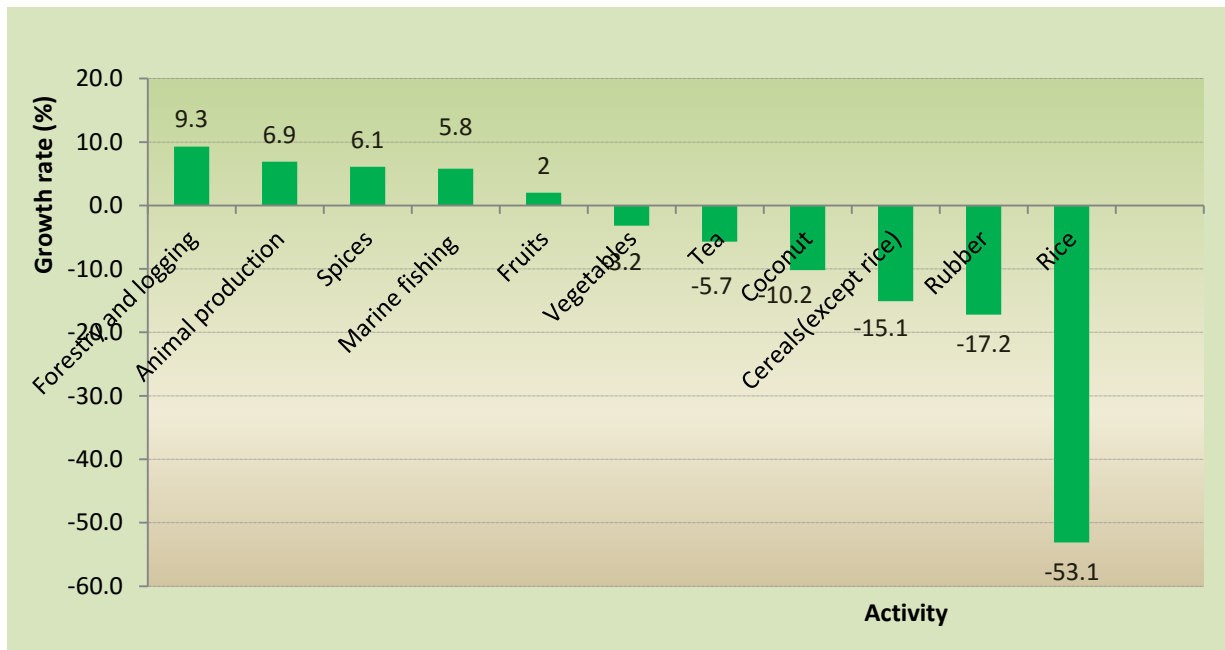


Figure II illustrates the growth rates of industrial sub activities with consideration of share of each activity to the GDP in the first quarter of 2017. The ‘Construction’ activity, which corresponds to the highest share of the GDP among the industrial activities, further increased remarkably by 16.1 percent during this quarter compared to the same quarter in 2016. In addition, significant growth rates reported for sub activities of ‘Water collection, treatment and supply’ ‘Manufacture of other non-metallic and mineral production’, ‘Manufacture of machinery and equipment’, and ‘Mining and Quarrying’, by 21.6 percent 19.5 percent, 18.2 percent and 17.9 percent respectively, reinforced the growth of industry sector in the first quarter of 2017. During this quarter the growth rate of ‘Manufacture of textile and wearing apparel’ recovered the contraction reported in the 1st quarter of 2016, and recorded a positive growth rate of 0.6 percent. In the meantime, ‘Manufacture of Chemical products and Basic pharmaceuticals’, ‘Manufacture of food, beverages and tobacco’ and ‘Electricity gas, steam and air conditioning supply’ recorded slight contractions of 0.1 percent 0.3 percent and 0.3 percent respectively and ‘Manufacture of coke and refined petroleum’ and ‘Other manufacturing, repair and installation of machinery and equipment’s’ reported considerable contractions by 15.5 percent and 10.2 percent within this quarter.

Fig II: Growth rates by Industrial activities -2017 1st quarter

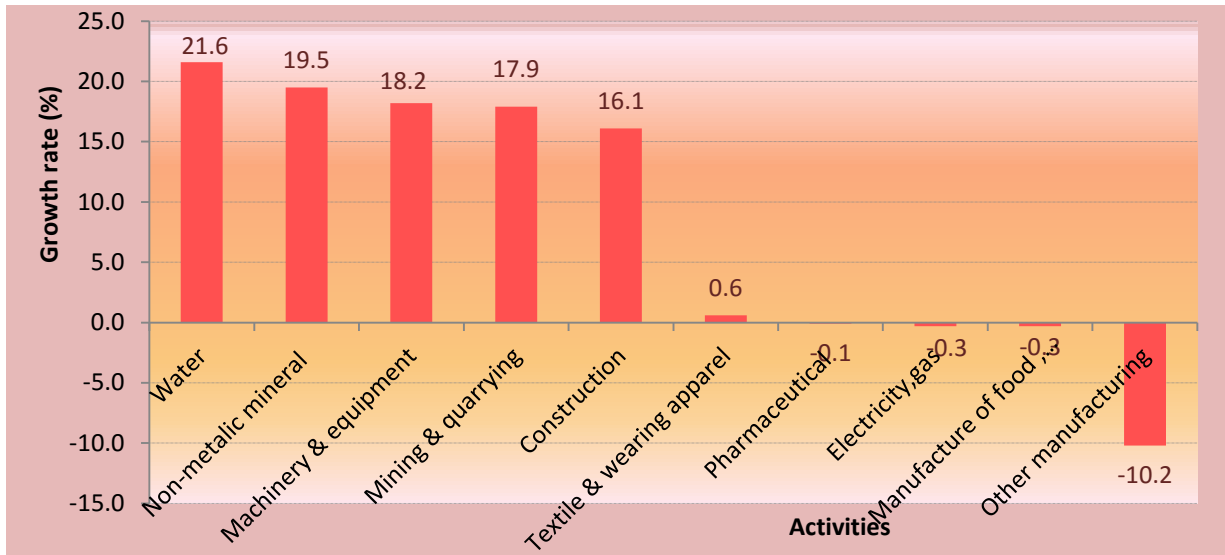


Fig III: Growth rates by Service activities -2017 1st quarter

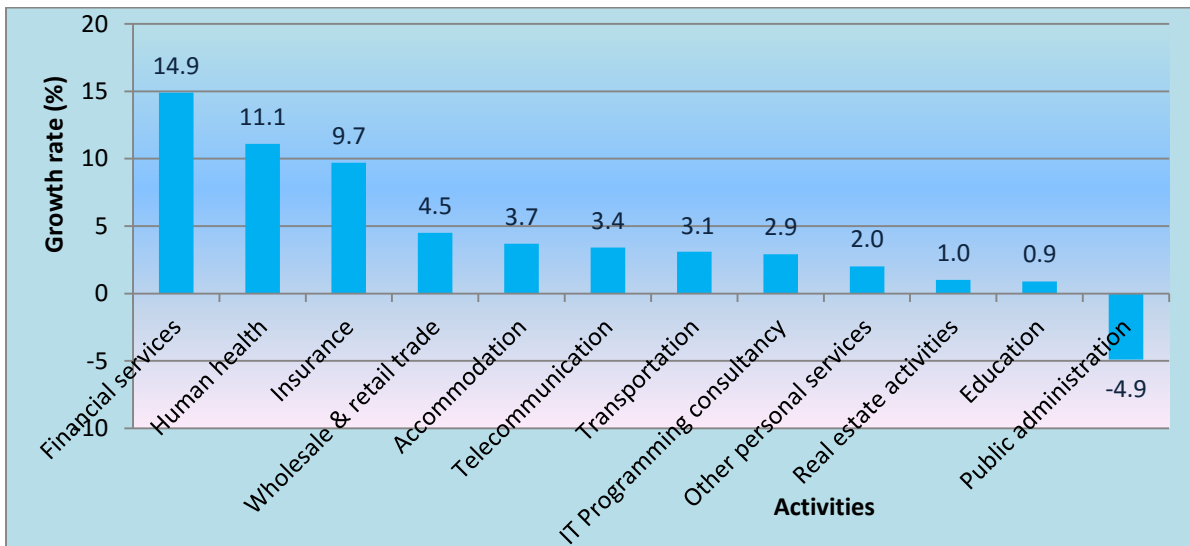


Fig III shows the growth rates of service activities with consideration of share of each activity to the GDP in the first quarter of 2017. The Service activities which contribute a highest share of 52.3 percent to the overall GDP grew by 3.5 percent during the first quarter of 2017, compared to the first quarter in the year 2016. Performance of the service activities was buoyed by the sub activities of ‘Wholesale and retail trade’, ‘Transportation of goods and passengers including warehousing’, ‘Financial service activities’ and ‘Human health, residential care and social work activities’ which reported significant growth rates of 4.5

percent, 3.1 percent, 14.9 percent and 11.1 percent respectively compared to the respective quarter in year 2016. 'Other personal service activities' reported a slight growth by 2.0 percent during 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 149.28 in the first quarter of 2017 from 139.06 recorded in the first quarter of 2016 recording a 7.35 percent of inflation rate for the first quarter of 2017.

The Colombo Consumer Price Index (CCPI) (2013 = 100) increased to 116.5 in the first quarter of 2017, from 109.30 recorded in the first quarter of 2016, indicating a 6.6 percent of inflation rate.

1.1.1 Agriculture Activities

In the first quarter of 2017 the main activity of 'Agriculture, forestry and fishing' contracted by 3.2 percent, when compared with the same quarter in year 2016. 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 2017, the sub activity of 'Growing of cereals (except rice)' recorded a substantial decline of 15.1 percent when compared to the 5.6 percent growth rate recorded in the first quarter of 2016. The production of maize, ground nuts, black gram and cowpea contracted by 21.2 percent, 10.6 percent, 8.5 percent, and 13.4 percent respectively during the first quarter of 2017. The prolonged drought prevailed in Eastern, North-Central and North-Western provinces from September 2016 was the main reason reported for this decline..

The value added of activity of 'Growing of rice' contracted by 53.1 percent which was the lowest rate recorded in the period of first quarters from 2010-2017. The unfavorable weather conditions prevailed in paddy growing areas in Maha season (2016/17) was the main cause for this sharp decline reported in paddy production by 52.8 percent. In the first quarter of 2017, reported paddy production was 1,360,177 metric tons.

The value added of 'Growing of vegetables' reported a slight decrease by 3.2 percent over the period. The value added reported for first quarter of 2016 was 0.2 percent.

Meanwhile the value added of ‘Growing of Fruits’ in this quarter has shown an increase of 2.0 percent opposed to 2.8 decrease reported in the first quarter of 2016. The substantial growths reported for the fruits mainly: pineapple, papaw and banana contributed for this increase.

The sub activity of ‘Growing of Oleaginous fruits’ consists with coconut and king coconut production contributed Rs.16, 966 million to the GDP at constant prices in the first quarter of 2017. The coconuts production reported a contraction by 12.8 percent within this period. The share to the GDP from the activity of “growing of oleaginous fruits” was recorded as 0.7 percent in this quarter. The Coconut Research Institute of Sri Lanka stated that the continuous dry climate prevailed in the area under coconut triangle in North-Western province from 2016 onwards adversely impacted this recorded drop in coconut production. The producer price of coconut production also has increased by 18 percent, compared to the first quarter of 2016.

The sub activity of ‘Growing of tea’, which reported 11.5 percent of negative growth rate in the first quarter of 2016, has further declined by 5.7 percent in this first quarter of 2017. When compared with the first quarter of 2016, in this quarter the average price per 1 Kg of tea in the Colombo auction has increased up to Rs. 607.26 from Rs.409.21 by 48.4 percent. According to Sri Lanka Tea board reports, in the first three months of 2017, the production of tea leaves has declined due to unfavorable weather conditions prevailed in the tea growing areas. The low grown tea having the largest market share around 63.0 percent of total tea production, recorded a 3.6 percent decline in this quarter.

The growth rates for the ‘Growing of rubber’ activity reports negative growth rates since the first quarter of 2012 and it has further declined by 17.2 percent during this quarter. The main reasons reported were due to the reduction of the extent under tapping and tapping activities and the drop of the average price levels for one kilogram of natural rubber.

The sub activity of “Animal Production” which consists with three items, growing animals for meat, milk production and eggs production has contributed Rs. 13,498 million of value added to the GDP of the country in the first quarter of 2017. This denotes a 6.9 percent growth rate in this activity when compared to the first quarter of 2016. Milk productions continued to expand by 4.2 percent, mainly due to government efforts to achieve self-sufficiency in milk. The eggs production has expanded by 8.5 percent during this period. The poultry industry also continued

to grow by 8.6 percent and the main cause reported for the increase was the imports of broiler parents and layer parents in 2016. The share of this activity to the GDP was reported as 0.7 percent.

The agriculture sub activity of “Forestry and Logging” expanded by 9.3 percent during the first quarter of 2017 opposed to decline reported in the first quarter of 2016 by 8.5. The value added and share of this activity to the GDP was reported as Rs.11,679 million and 0.6 percent respectively.

Even though in year 2016, the sub activity of ‘Marine fishing and marine aquaculture’ reported a negative growth rate, in the first quarter of 2017 it reported a positive growth rate of 5.8 percent. Compared to the 1st quarter of 2016, Freshwater fishing and aquaculture activity reported 21.5 percent of positive growth rate in this quarter recovering the reported negative growth experienced in first quarter of 2016.

1.1.2 Industry Activities

In the first quarter of 2017, the share of the Industrial activities to the GDP was reported as 30.8 percent and recorded growth rate was 6.3 percent.

The ‘Mining and quarrying’ activity which recorded a 0.9 percent decline in the first quarter of 2016, has recovered and expanded up to 17.9 percent in the first quarter of 2017. Mainly, the gem industry has shown a positive growth in this quarter.

The main sub activity of ‘Manufacture of food, beverages and tobacco production’ recorded 0.3 percent decrease in the first quarter of 2017 opposed to the first quarter of 2016, which reported growth rate was 2.2 percent.

The sub activity of ‘Manufacture of textiles, wearing apparels and leather products’ recorded a growth rate of 0.6 percent in this quarter compared to the respective quarter in 2016. The output value of this activity has increased by 7.1 percent in the first quarter of 2017.

Compared to the first quarter of 2016, the growth rate of sub activity of ‘Manufacture of wood and products of wood and cork, except furniture’ has recorded a negative growth rate of 2.1 percent in the first quarter of 2017. The output value of this activity has decreased by 1.2 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 22.2 percent in the first quarter of 2016, has further increased by 7.4 percent in this quarter. The output of this activity has expanded by 4.0 percent during the period.

The sub activity of ‘Manufacture of coke and refined petroleum products’ which reported a high growth rate of 60.1 percent in the first quarter of 2016 has contracted by 15.5 percent in this quarter. The petroleum production quantity has decreased by 16.4 percent during the first quarter of 2017.

‘Manufacture of ‘Basic metals and fabricated metal products (except machinery and equipment’s)’ reported a growth rate of 55.7 percent in the first quarter of 2016 and further expanded by 5.5 percent in the first quarter of 2017. The output value of this activity has increased by 11.3 percent respectively in the first quarter of 2017, when compared it with the respective quarter of 2016.

The ‘Manufacture of other non-metallic mineral products’ grew by 19.5 percent in the first quarter of 2017 recovering the 15.4 percent decline reported in the first quarter of 2016.

The sub activity of ‘Manufacture of machinery and equipment’ which reported 30.7 percent of growth rate in the first quarter of 2016 has further increased by 18.2 percent in this quarter. This expansion may be due to the increase of outputs of the sub groups of ‘Manufacture of computers electronics and optical products, manufacture of electrical equipment’, ‘Manufacture of machinery and equipment’s’, ‘Manufacture of motor vehicles and semi-trailers’ and ‘Manufacture of other transport equipment’ by 12.7 percent, 19.8 percent 6.6 percent 6.4 percent and 8.7 percent respectively.

The real value added of ‘Electricity, gas, steam and air conditioning supply’ has decreased by 0.3 percent in the first quarter of 2017. In the respective quarter of the previous year, it grew by 10.5

percent. The electricity power generation has decreased from Gwh 3,467 to Gwh 3,463 indicating a contraction of 1.2 percent within this period. The existed ratio of 36:64 for hydro power and thermal power generation in the first quarter of 2016 has changed to 15:85 in this quarter. In the first quarter 2017, the total revenue from sales of electricity has increased by 3.61 percent.

The sub activity of ‘Water collection, treatment and supply’ has increased by 21.6 percent in the first quarter of 2017. The volume of water supply for the first quarter of 2016 was 138,107 cubic meter thousands. In the first quarter of 2017 it has increased up to 166,329 cubic meter thousands indicating 20.4 percent growth rate. The total revenue reported an increase of 4.4 percent.

In comparison with the first quarter of 2016, the ‘Construction’ activity grew by 16.1 percent in the first quarter of 2017. The share of construction activity to the GDP reported as 8.8 percent in this quarter. The total cement supply has increased by 6.4 percent during the first quarter of 2017. The total imports of cement and the domestic supply of cement has grown by 2.4 percent and 14.1 percent respectively in the first quarter of 2017.

1.1.3 Services Activities

Service activities, the highest contributor to the GDP, contributed 52.3 percent to the GDP in the first quarter of 2017, and grew by 3.5 percent, when compared with the same quarter in 2016. However, the percentage change in gross value added of services activities at current price recorded a substantial increase of 8.0 percent. Due to the increase in the price levels, the Colombo Consumer Price index increased by 6.6 percent in this quarter compared to the first quarter in 2016. As a result, gross value added at constant price declined sharply. This was the major reason for the subdued growth rates recorded by many services activities.

The ‘Wholesale and retail trade’ which contributes nearly 10.4 percent to the total GDP, reported a 4.5 percent growth rate in the first quarter of 2017, when compared to the growth rate of 3.2 percent recorded in the first quarter of 2016. The value added of wholesale and retail trade activity is affected by fluctuations in total imports and total domestic production. Therefore the

growth rate of this activity is subjected to variations in above three variables of Imports, Agricultural production and Industrial production.

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. 795,987 million from Rs. 661,342 million in the same quarter of the last year resulting a 20.4 percent of growth rate. In addition, the total output value of agriculture activities has increased by 4.6 percent in the first quarter of 2017, when compared with the respective quarter of 2016. The total output value of industrial activities has increased up to Rs. 1,380,397 million from Rs. 1,221,589 million in the first quarter of 2017 by 13.0 percent compared to the first quarter of 2016.

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 3.1 percent in this quarter, when compared it with the respective quarter of 2016. According to the Civil Aviation reports, the total revenue of this quarter has decreased by 13.0 percent. In the first quarter of 2017, the revenue of water transport services has been increased by 256.1 percent. In addition, when compared with first quarter of 2016, the real value added of land transport service activities, grew by 3.2 percent in this quarter.

Compared to the first quarter of 2016, in this quarter the total amount of registered vehicles has increased by 6.4 percent. The registration of dual purpose vehicles, lorries, land vehicles and buses have increased by 69.5 percent, 97.2 percent, 10.7 percent and 15.3 percent respectively in the first quarter of 2017 while the registration of three wheelers and motor vehicles have decreased by 42.3 percent and 11.2 percent respectively. In the first quarter of 2017, the revenue of the Sri Lanka Transport Board has grown by 3.2 percent and the passenger kilometers have dropped by 1.0 percent.

The sub activity of 'Postal and courier activities' has recorded a positive growth rate of 2.7 percent in the first quarter of 2017 with compared to the respective quarter of last year. According to the reports of the Department of Postal, in the first quarter of 2017, the total expenditure has increased up to Rs. 3,116 million and it is a 6.1 percent growth when compared it with the first quarter of 2016.

The sub activity of ‘Accommodation, food and beverage serving’ activity has reported a positive growth rate of 3.7 percent in this quarter. The number of tourist arrivals has increased at slower phase by 3.4 percent in this quarter when compared to the first quarter of 2016 and according to the reports of Sri Lanka Tourism Development Authority; the room occupancy rate has first quarter of 2017, the total number of rooms available for guests in tourists hotels have increased by 17.0 percent. The low growth in tourist arrivals and the increase of the number of rooms in hotels have been major reasons for the decline in the room occupancy rate.

The sub activity of ‘Programming and broadcasting activities and audio and video productions’ has reported a negative growth rate of 9.4 percent in the first quarter of 2017. Most of the television broadcasting companies has experienced reduction of revenue during this period.

The real value added of the ‘Telecommunication’ has reported a slight increase by 3.4 percent in the first quarter of 2017. The total revenue of the industry was reported a decrease by 4.6 percent.

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 tax data provided by the Department of Inland Revenue, related to IT/BPM industry in Sri Lanka, the national level total output is estimated. When compared to the first quarter of 2016, in this quarter this industry has expanded by 2.9 percent.

The sub activity of ‘Financial service activities and auxiliary financial services’ has further grown by 14.9 percent in this quarter. In the same quarter of last year, this activity grew by 15.1 percent. The total value of staff cost has increased by 5.9 percent and the profit before tax of Licensed Commercial Banks and Licensed Specialized Banks has increased together by 23.1 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 18.6 percent and 18.1 percent respectively in the first quarter of 2017. In the first quarter of 2017, the Average Weighted Lending Rate (AWLR) and the Average Weighted Deposits Rate (AWDR) have

reported as 13.4 percent and 8.8 percent respectively. In the first quarter of 2016, these were 11.5 percent and 6.4 percent respectively.

The real value added of ‘Insurance, reinsurance and pension funding’ which reported an increase of 6.9 percent in the first quarter of 2016, grew by 9.7 percent in this quarter. 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 12.1 percent in this quarter.

The sub activity of ‘Professional service’ is a combination of eight compilation categories. 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 reported a negative growth rate of 1.2 percent in this quarter.

The sub activity of ‘Other personal service activities’ which is also a combination of two compilation categories’ and is comprised by ‘Arts entertainment and other recreation activities’ and ‘other personal service activities’ mainly. The output value of this activity is also estimated by using value added tax data released by the Department of Inland Revenue. When compared with the first quarter of 2016, in first quarter of 2017, the real value added of this activity increased by 2.0 percent.

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