



NATIONAL ACCOUNTS OF SRI LANKA

2nd Quarter of 2017

Gross Domestic Product: Production Approach

(Base Year 2010)

DEPARTMENT OF CENSUS AND STATISTICS

MINISTRY OF NATIONAL POLICIES AND ECONOMIC AFFAIRS

SRI LANKA

1.1 National Accounts Estimates – Second Quarter of 2017

The Gross Domestic Product for Sri Lanka for the second quarter of 2017 (April, May, June) at constant (2010) price reportedly reached up to Rs. Million 2,211,612. The reported economic growth rate for the second quarter of 2017 was 4.0 percent. The GDP value reported for the second quarter of 2016 was Rs. Million 2,125,848.

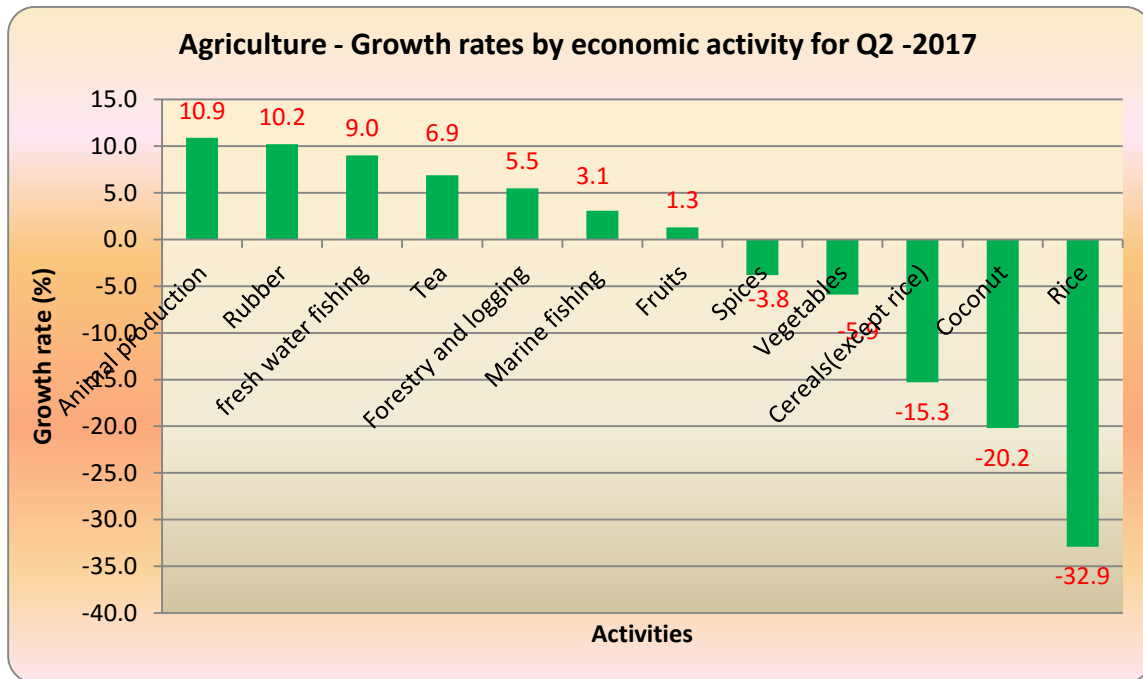
The four major components of the economy: Agriculture, Industry, Services and Taxes less subsidies on products has contributed their share to the GDP at Current price by 8.2 percent, 25.9 percent, 56.6 percent and 9.4 percent respectively in the second quarter of 2017.

During the second quarter of 2017, the Industrial and the Services activities have recorded higher growth rates of 5.2 percent and 4.5 percent respectively. Agriculture sector of the economy has been affected badly from the unfavorable weather conditions (severe drought as well as heavy rainfalls) prevailed during the last 18 months in many districts of the country and as a result, Agriculture sector has reported negative growth rates during last 6 quarters. Due to the unfavorable weather condition prevailed during the second quarter (April, May, June) of 2017 also, as a whole the entire agricultural activities declined by 2.9 percent.

In the second quarter of 2017, the ‘Taxes less subsidies on products’ has grown by 3.1 percent.

Among the sub activities of Agriculture, the value added of ‘Growing of rice’, ‘Growing of oleaginous fruits; including Coconut’, ‘Growing of Cereals (except rice), ‘Growing of vegetables’ and ‘Growing of Spices’ declined by 32.9 percent, 20.2 percent, 15.3 percent, 5.9 percent and 3.8 percent respectively during this quarter, when compared to the same quarter in the previous year. However, it is noteworthy that, ‘Growing of rubber’ and ‘Growing of tea’ recorded negative quarterly growth rates continuously for the last three years, have reported significant positive growth rates of 10.2 percent and 6.9 percent respectively, in the second quarter of 2017. In addition, ‘Animal production’ and ‘Fresh water fishing’ have reported considerably higher positive growth rates of 10.9 percent and 9.0 percent respectively. Agricultural activities; ‘Forestry and logging’ and ‘Marine fishing’ have also reported positive growth rates of 5.5 percent and 3.1 percent respectively, during the second quarter of 2017.

Figure I



The industrial activities which shared the GDP by 25.9 percent at current price, has recorded a considerable growth rate of 5.2 percent in this quarter. As shown in figure II, the ‘Construction’ activity, which corresponds to the highest share within the industry sector, grew by 9.3 percent during this quarter when compared to the second quarter of 2016. In parallel to the construction activity ‘Mining and quarrying’ also has reported significant growth rate of 18.4 percent. The overall manufacturing activities have grown by 0.9 percent during the second quarter of 2017. Major proportion of manufacturing activities is shared by ‘Manufacture of food, beverages and tobacco’ and ‘Manufacture of textile and wearing apparel’ activities which have reported 2.2 percent of negative growth rate and 2.5 percent of positive growth rate respectively during this quarter. In addition, ‘Manufacture of furniture’ and ‘Manufacture of rubber and plastic products’ activities have reported significant positive growth rates of 12.4 percent and 8.4 percent respectively.

Figure II

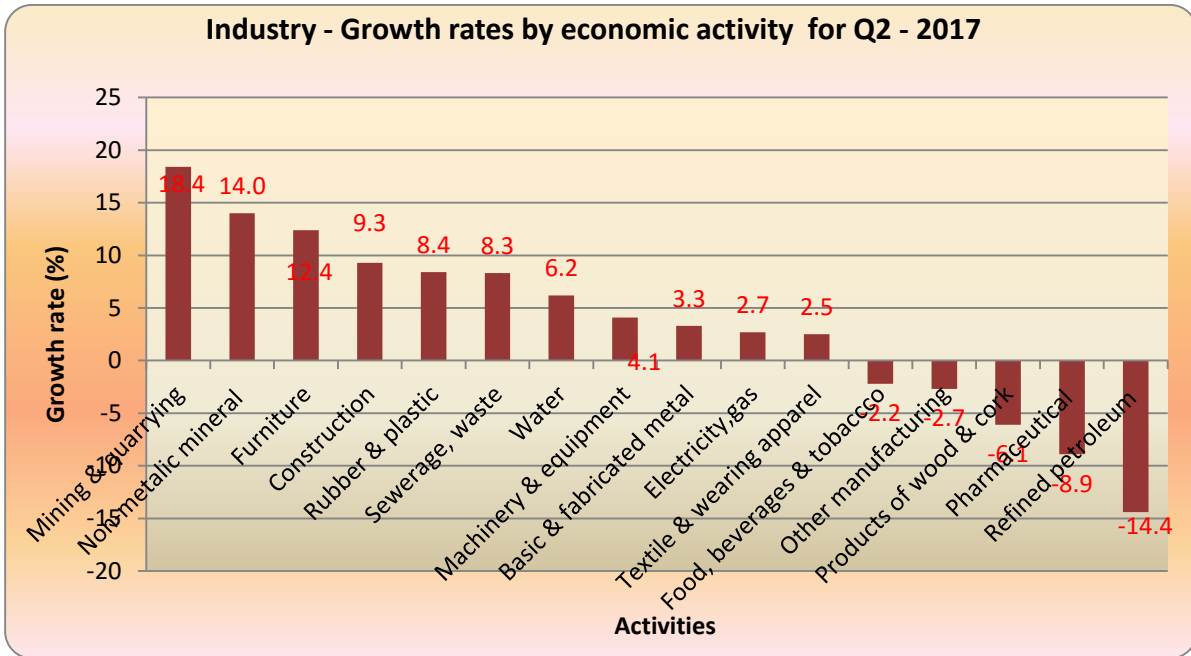
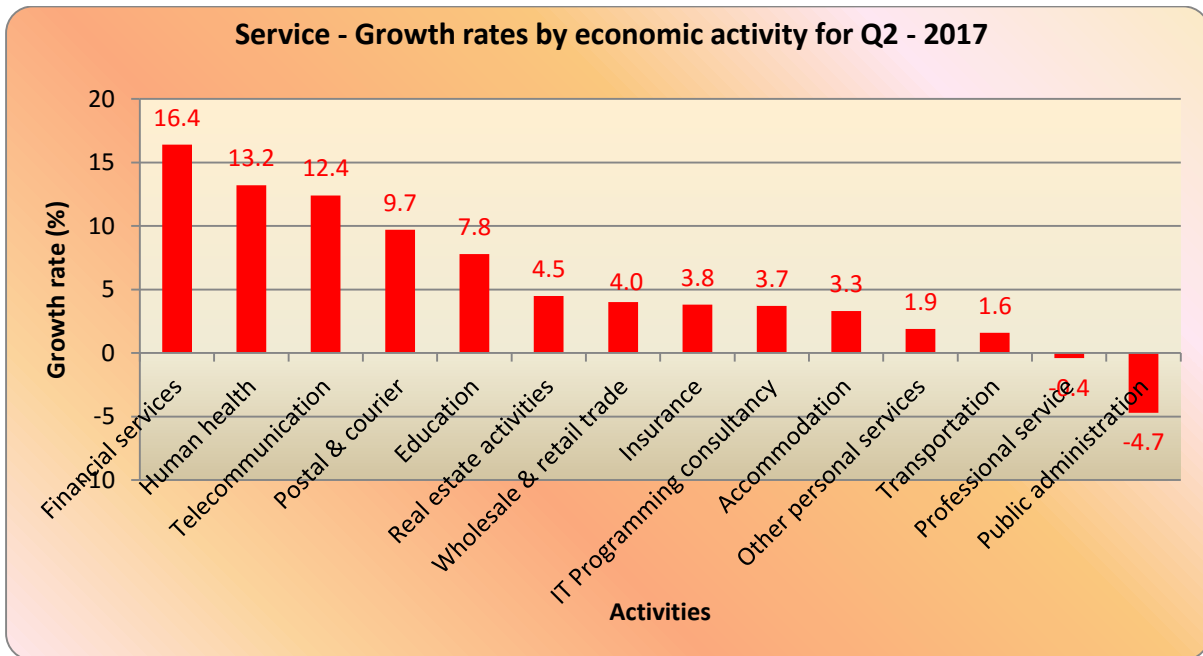


Figure III



Same as in the previous quarters, the services activities gave their highest contribution to achieve a positive GDP growth rate of 4.5 percent in the second quarter of 2017. As shown in the Figure III, the sub activities of ‘Financial service activities’, ‘Human health activities’ and ‘Telecommunication’ reported significantly higher growth rates of 16.4 percent, 13.2 percent and 12.4 percent respectively. In addition, ‘Wholesale and retail trade’ and ‘Transportation of goods and passengers’ which contribute in higher shares to the GDP, have expanded by 4.0 percent and 1.6 percent respectively.

GDP implicit price deflator which measures the price change in the economy with respect to a specific base year (2010=100), increased to 140.9 in the second quarter of 2017 from 134.8 recorded in the second quarter of 2016 recording a 4.5 percent of inflation rate for the second quarter of 2017.

The Colombo Consumer Price Index (CCPI) (2006/2007 = 100) increased to 118.5 in the second quarter of 2017, from 111.4 recorded in the second quarter of 2016, indicating a 6.4 percent of inflation rate.

1.1.1 Agriculture Activities

The value added of Agriculture Activities was further contracted by 2.9 percent in the second quarter of 2017, compared to the high contraction of 5.7 percent reported in second quarter of 2016. Adverse weather conditions particularly prolonged drought, continued in many districts especially in Northern, Eastern, North Central and North Western provinces from 2016 onwards, negatively affected the agricultural activities of the country in this quarter.

In the second quarter of 2017, the sub activity of ‘Growing of cereals (except rice)’, has recorded a further decline of 15.3 percent from 9.7 percent of negative growth rate recorded in the same quarter in 2016. This is due to the drought prevailed in the main cereal growing areas in the country.

The value added of ‘Growing of rice’, which recorded a negative growth rate of 21.9 percent in the second quarter of 2016, has reported further a decline in the value added of this activity by 32.9 percent in this quarter. The reported paddy production was 49.03 million bushels for the Yala season in year 2017. The total paddy sown extent and the harvested extent has reported a

decline of 30.0 percent and 32.6 percent respectively, during this period. Ampara and Polonnaruwa, 2 districts are the districts which give the higher paddy contribution to the total paddy production in this season, have shown a decrease in the paddy production by 32.8 percent, 25.2 percent respectively.

The value added of ‘Growing of vegetables’ has decreased by 5.9 percent in this quarter. The total vegetable production declined due to the drought prevailed throughout 18 districts of the country from beginning of year 2017.

In this quarter, the value added of ‘Growing of Fruits’ has shown a 1.3 percent of positive growth rate. In the second quarter of 2016, this activity has reported 8.4 percent of negative growth rate.

The sub activity of ‘Growing of Oleaginous fruits’ mainly comprises with coconut production, further contracted by 20.2 percent in the second quarter of 2017. The contraction of this activity was reported as 8.4 percent in the second quarter of 2016. This is the lowest growth rate recorded in the series of second quarters from 2010 to 2017. Coconut Research Institute reports the reduction in rainfall and high temperature levels prevailed at Kurunagala, Puttlam and Gampaha districts at coconut bunch development period in 2016, has severely affected the national coconut yield as these three districts contribute more than 50 percent of coconut production of the country. The decline in nut production at national level was reported as 22 percent in the second quarter of 2017 against to 0.9 percent increase reported in the second quarter of 2016. The producer price of a coconut has increased by 57.0 percent during this period, from Rs. 29.64 to Rs. 46.42. The exports quantities of coconuts (nuts) also reported a decline by 1.4 percent in this quarter. According to the Coconut Development Authority the export quantities of other main coconut exports such as Desiccated coconut, Copra, Coconut oil, Coconut milk powder also reported drastic reduction in this quarter. The total value added of the activity of “Growing of Oleaginous fruits” reported as Rs.13, 401 million in real terms in this quarter sharing 0.8 percent to the total GDP.

It is noteworthy to mention here that, ‘Growing of tea’ which recorded negative quarterly growth rates continuously for the last two years, have reported significant positive growth rate of 6.9 percent in the second quarter of 2017. The total tea production has recorded an increase of 7.1 percent over the corresponding quarter of 2016. According to the Tea Board reports, due to the

favorable weather conditions that exist for tea cultivation areas was the main reason for the increase of tea production. Sri Lanka tea exports for this quarter of 2017 amounted to 70,281 MT and it's a decline of 2.4 percent against with the same period last year. The Colombo tea auction average price per 1 Kg of tea in second quarter of 2017 was Rs.621.46 in comparison to Rs.437.40 for the same period of 2016. The low grown tea having the largest market share around 60.7 percent of total tea production, recorded a 8.9 percent increase in this quarter.

The value added of 'Growing of rubber', which recorded a decline of 8.1 percent in second quarter of 2016, has reported significant positive growth rate of 10.2 percent in the second quarter of 2017. The Department of Rubber Development reported that, the average price levels for one kilogram of natural rubber at the global market have increased by 13.1 percent, from Rs. 248.19 to Rs. 280.68 during the second quarter of 2017. According to the reports, latex production has increased by 10.3 percent due to the expansion of the tapping activities in newly rubber cultivated districts, like Moneragala.

The sub activity of "Animal Production" which comprises of 'Growing of animals for meat', 'Production of milk' and 'Production of eggs' has contributed Rs. 14,265 million of value added to the GDP in real terms in the second quarter of 2017, indicating a high growth rate of 10.9 percent over the corresponding period. Poultry production, the main contributor of this activity has expanded by 16.2 percent, while Eggs and Milk production, the respective second and third contributors to Animal production reported 8.5 percent and 7.4 percent expansions respectively within this period. Producer prices of all sub activities in 'Animal Production' showed increases except 'Eggs' in this quarter compared to the second quarter of 2016. The producer price of an egg has reduced by Rs.2 from Rs15.00 to Rs.13.00 within the particular period. The share of this activity to the GDP was reported as 0.8 percent.

The activity of "Growing of Other Perennial Crops" which includes several sub activities also reported a contraction of 2.7 percent. Toddy production, the main donor of this activity comprises three types' viz. Coconut toddy, Kitul toddy and Palmyra toddy, altogether reported a contraction by 3.6 percent in this quarter.

Under 'Plant propagation activity' an expansion of production of coconut seedlings up to 1.6 million is reported in the second quarter of 2017. According to Coconut Cultivation Board, an upcoming development of coconut growing in Northern and Eastern areas is the main purpose.

The activity of “Forestry and Logging” reported a growth rate of 5.5 percent within the corresponding quarters. The log production has increased by 5.4 percent in this quarter. The contribution at real terms and share of this activity to the GDP is Rs.13,627 million and 0.6 percent respectively.

In comparison with the second quarter of 2016, in second quarter of 2017 the sub activity of ‘Marine fishing and marine aquaculture’ has recorded a 3.1 percent increase. The inland fishery activity reported 9.0 percent growth rate in this quarter compared to the contraction of 21.1 percent reported in the second quarter of 2016. According to the Ministry of Fisheries, the continuation of drought conditions prevailed in 18 districts including Kurunagala, Puttlam, Anuradhapura and Polonnaruwa during this period resulted low water levels in inland fishery tanks which enable the fishermen to capture a high volume of fish in this period.

1.1.2 Industry Activities

In the second quarter of 2017, Industrial activities shared the GDP by 25.9 percent and recorded a 5.2 percent of positive significant growth rate.

The ‘Mining and quarrying’ which recorded a 12.1 percent of increase in the second quarter of 2016, has further increased by 18.4 percent in this quarter of 2017. When compared with the second quarter of 2016, the gem industry has shown positive growth in this quarter. Further, the expansion in the construction industry has directly affected on Mining and quarrying to report a significant growth rate.

The main sub activity of ‘Manufacture of food, beverages and tobacco production’ recorded 2.2 percent of negative growth rate in the Second quarter of 2017. In the Second quarter of 2016 also, this activity decreased by 7.2 percent.

The sub activity of ‘Manufacture of textiles, wearing apparel and leather products’ recorded a growth rate of 2.5 percent in this quarter when compared with the respective quarter in 2016. The output value of this activity has increased by 10.6 percent in the Second quarter of 2017.

When compared with the Second quarter of 2016, the sub activity of ‘Manufacture of wood and products of wood and cork, except furniture’ has shown 6.1 percent decrease in the Second

quarter of 2017. The output value of this activity has decreased by 3.8 percent during the respective quarter.

The sub activity of 'Manufacture of coke and refined petroleum products' which reported 14.4 percent negative growth rate in the Second quarter of 2017. The petroleum production quantity has decreased by 18.0 percent in the Second quarter of 2017.

The 'Manufacture of basic metals and fabricated metal products (except machinery and equipment's)' has increased by 3.3 percent in the Second quarter of 2017. It reported 7.0 percent growth rate in the respective quarter of 2016. The output value of the basic metals and the fabricated metal products has increased by 10.3 percent respectively in the Second quarter of 2017, when compared it with the respective quarter of 2016.

The sub activity of 'Manufacture of machinery and equipment' which reported 13.7 percent of growth rate in the Second quarter of 2016 has further increased by 4.1 percent in this quarter. The output values of 'Manufacture of computers electronic and optical product, manufacture of electrical equipment, 'Manufacture of machinery and equipment, 'Manufacture of motor vehicles and semi-trailers 'and Manufacture of other transport equipment' have increased by 5.7 percent, 2.7 percent, 4.4 percent, 11.0 percent and 5.2 percent respectively in this quarter.

The real value added of 'Electricity, gas, steam and air conditioning supply' has increased by 2.7 percent in the second quarter of 2017. In the respective quarter of the previous year, it grew by 7.4 percent. The electricity power generation has increased from Gwh 3,516 to Gwh 3,620 indicating 2.9 percent growth rate within this period. The existed ratio of 41:59 hydro power and thermal power generation in the second quarter of 2016 has changed to 27:73 in this quarter. In the second quarter of 2017, the total revenue from sales of electricity has increased by 7.2 percent.

The sub activity of 'Water collection, treatment and supply' has increased by 6.2 percent in the second quarter of 2017. The volume of water supply for the second quarter of 2016, was cubic meter thousands 160,317. In the second quarter of 2017 it has increased to cubic meter thousands 171,339 registering 6.9 percent of positive growth rate. The total revenue has increased by 0.9 percent.

In comparison with the second quarter of 2016, in the second quarter of 2017, the ‘Construction’ activity grew by 9.3 percent. The total cement supply has increased by 17.9 percent during this quarter. The total imports of cement and the domestic supply of cement has grown by 24.1 percent and 6.7 percent respectively in the second quarter of 2017.

1.1.3 Services Activities

The Service activity, which is the highest contributor (56.6 percent) to the GDP, has reported a significant growth rate of 4.5 percent in the second quarter of 2017.

The ‘Wholesale and retail trade’ which contributes nearly 12.8 percent to the total GDP, reported a 4.0 percent growth rate in the second quarter of 2017. 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 depended on the 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 for the second quarter of this year has increased up to Rs. Million 741,957.8 from Rs. Million 685,248.9 in the same quarter of the last year resulting a 8.3 percent of growth. According to the Trade Indices released by the Central Bank of Sri Lanka, the import volume index value of consumer goods has increased by 7.5 percent during the second quarter of 2017, when it compared with the same quarter in 2016. The total trade margin value of industrial activities has increased up to Rs. Million 174,230 from Rs. Million 155,882 in the second quarter of 2017 by 11.8 percent when compared it with the second 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 1.6 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 increased by 9.8 percent. In the second quarter of 2017, the revenue of water transport services has been decreased by 34.3 percent. In addition, when compared with second quarter of 2016, the real value added of land transport service activities, have grown by 1.8 percent. When compared to the second quarter of 2016, in this quarter the total amount of registered vehicles has increased by 7.4 percent. The registration of motor vehicles, three wheelers and land vehicles have decreased by 23.2 percent, 69.0 percent and 8.7 percent

respectively in the second quarter of 2017. The total revenue of Sri Lanka transport board has increased by 2.8 percent with respect to the second quarter of 2016.

The sub activity of 'Postal and courier activities' has recorded a positive growth rate of 9.7 percent in the second quarter of 2017 with compared to the respective quarter of last year. According to the reports of the Department of Postal, in the second quarter of 2017, the total staff cost has increased up to Rs. Mn. 2,901 and it is a 6.3 percent increase when compared it with the second quarter of 2016.

When compared with the second quarter in 2016, in this quarter the sub activity of 'Accommodation, food and beverage serving' activity has reported a positive growth rate of 3.3 percent. According to the reports of Sri Lanka Tourism Development Authority, the number of tourist arrivals has increased by 6.9 percent and the room occupancy rate has been decreased slightly to 66.7 from 69.2. This is due to the expansion of the room availability by 17.0 percent in the year of 2017.

The sub activity of 'Programming and broadcasting activities and audio video productions' has reported a positive growth rate of 9.0 percent in the second quarter of 2017. Most of the television broadcasting companies has experienced increase of revenue during this period.

The real value added of the 'Telecommunication' has reported a further increase by 12.4 percent in the second quarter of 2017. According to the Telecommunication Regulatory Commission (TRC) reports, the total number of mobile connections has increased by 13.0 percent in this quarter.

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. Accordingly, this activity reported a striking growth rate for the second quarter of 2016, has shown a further expansion in the industry by 3.7 percent during the second quarter of 2017.

The sub activity of 'Financial service activities and auxiliary financial services' has reported a 16.4 percent of growth rate for this quarter. In the respective quarter in last year, this activity grew by 14.0 percent. The total value of Staff cost has increased by 5.4 percent and the profit before tax of Licensed Commercial Banks, Licensed Specialized Banks and Licensed Finance

Companies has increased together by 14.6 percent during this period. 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 20.1 percent and 20.6 percent respectively in the second quarter of 2017. In the second quarter of 2017, the Average Weighted Lending Rate (AWLR) and the Average Weighted Deposits Rate (AWDR) have reported as 13.7 percent and 9.1 percent respectively. In the second quarter of 2016, these were 12.1 percent and 6.9 percent respectively.

The real value added of ‘Insurance, reinsurance and pension funding’ which reported an increase of 10.4 percent in the second quarter of 2016, has reported a growth rate of 3.8 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 4.5 percent in this quarter.

‘Ownership of dwelling and real estate’ activity is sharing 5.8 of the GDP, in the second quarter of 2017. The overall growth rate of the activity ‘Ownership of dwelling and real estate’ grew by 4.5 percent in this quarter with respect of 4.9 percent growth rate recorded in the second quarter 2016.

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 real value added of professional service activity has reported a minor negative growth rate of 0.4 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. When compared with the second quarter of 2016, in second quarter of 2017, the real value added value of this activity increased by 1.9 percent.

National Accounts Division - Department of Census & Statistics

Tel: 94-011-2147071 Fax: 94-011-2877938

E-mail: national.accounts@statistics.gov.lk

Web: www.statistics.gov.lk