NATIONAL ACCOUNTS OF SRI LANKA

2nd QUARTER OF 2015

By Production Approach

DEPARTMENT OF CENSUS AND STATISTICS
MINISTRY OF NATIONAL POLICY AND ECONOMIC AFFAIRS
SRI LANKA
1.1 Introduction

Department of Census and Statistics (DCS) released today, the preliminary estimates of the current and constant annual Gross Domestic Product (GDP) for the 2\textsuperscript{nd} Quarter 2015 based on production approach following rebasing exercise undertaken by the Department.

Rebasing the GDP is an exercise which brings the comparison of current GDP estimates to the closest picture of reality as possible. By measuring better, the level of economic activity, GDP rebasing provides a more accurate picture of the economy, which is crucial to informing policy makers on the current economic trends. Economies are dynamic in nature: they grow, they shrink, they add new sectors, new products and new technologies and consumer behavior and tasks change over time. Rebasing is used to account for these changes so as to give a more current snapshot of the economy.

In this base year revision, apart from the shift in the reference year from 2002 to 2010 for measuring real growth, following improvements and changes were carried out.

a. Base year changed from 2002 to 2010
b. Production boundary expanded
c. Compilation methodology improved by using the 2008 System of National Accounts (SNA)
d. New and recent data sources included
e. Latest version of the International Standard Industrial Classification (Revision 4) adopted
f. Agents performing economic activities were classified by sectors: Financial Cooperation (FC), Non Financial Cooperation (NFC), General Government (GG), Households (HH), Non Profit Institutions Serving Households (NPISH) and Rest of the World (RoW)
g. Presentation of estimates improved to ease of understanding for analysis and facilitate international comparability. With the rebasing activity presentation tables have been changed. GDP are presented in two formats. Firstly, it is presented through 48 economic activities by sectors. Second presentation is a reduced revision of the first presentation format and in this format GDP is presented through 10 economic activities by sector.
1.2 Second Quarter - 2015

The total economic output of Sri Lanka as measured by Gross Domestic Product (GDP) for the second quarter of 2015 (April, May, June) reportedly increased up to Rs. Million 2,064,644. GDP reported for the second quarter of 2014 was Rs. Million 1,934,814 resulting a positive growth rate of 6.7 percent for the second quarter of 2015.

In the second quarter of 2015, the highest contribution for the GDP as in previous quarters, gives mainly through Services activities. The share is 61.2 percent. Thereafter Industry and Agriculture, forestry and fishing activities has shared the GDP by 23.5 percent and 7.5 percent respectively. The share of economic activities by sector is shown in Figure 1 for the 2nd quarter 2015.

The Figure 2 shows the growth rates of the major economic activities in the second quarter of 2015. According to the Figure 2, the Services activities record the highest increase of 7.9 percent. The Agriculture, forestry and fishing activities shows 5.0 percent growth and the Industry activities record a slight growth rate of 2.0 percent in the second quarter of 2015, when compared to the respective quarter of 2014.

The value added of the 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 second quarter of 2015, the share of the ‘taxes less subsidies on products’ is 7.9 percent (Figure 1). When compared with the second quarter of 2014, in the second quarter of 2015, the ‘Taxes less subsidies on products’ has increased by 14.0 percent.

1.2.1 Agriculture

![Figure 3](image)

The sub activities in Agriculture, which reported higher growth rates compared to the second quarter of 2014 are ‘Growing of cereals (except rice)’ by 24.0 percent, ‘Growing of rice’ by 66.2 percent. In addition ‘Growing of vegetables’, ‘Growing of fruits’, ‘Growing of oleaginous fruits including coconut’, ‘Growing of spices, aromatic, drug and pharmaceutical products’ and ‘Marine fishing and marine aquaculture’ increased slightly by 3.9 percent, 3.8 percent, 4.3 percent, 2.0 percent and 7.5 percent respectively in the second quarter of 2015.
In the meantime the sub activities of, ‘Growing of tea’, ‘Growing of rubber’, and ‘Fresh water fishing and fresh water aquaculture’, showed a negative growth rates as 7.2 percent, 24.0 percent and 21.9 percent respectively. (Figure 3)

1.2.2 Industry

Fluctuations in the growth rates of industrial activities are shown in Figure 4. The sub activities in Industry, which reported higher growth rates compared to the second quarter of 2014 are ‘Manufacture of rubber and plastic products’ by 12.5 percent, ‘Manufacture of basic metals and fabricated metal products’ by 22.8 percent, ‘Manufacture of machinery and equipment’ by 12.5 percent, ‘Manufacture of furniture’ by 13.6 percent, ‘Other manufacturing and repair and installation of machinery and equipment’ by 11.8 percent, ‘Sewerage, waste, treatment and disposal activities’ by 26.0 percent and ‘Construction’ by 6.4 percent. In addition a slight increase in the growth rates are recorded by the sub activities of ‘Manufacture of food, beverages and tobacco products’, ‘Manufacture of chemical products and basic pharmaceutical products’, ‘Electricity, gas, steam and air conditioning supply’ and ‘Water collection, treatment and supply’.

In the meantime the sub activities of ‘Mining & quarrying’, ‘Manufacture of textile & wearing apparel’, ‘Manufacture of wood and product of wood and cork, except furniture’ ‘Manufacture of coke and refined petroleum products’ and ‘Manufacture of other non-metallic mineral products’ reported negative growth rates in second quarter of 2015, with compared to the second quarter of 2014, as 5.1 percent, 5.9 percent, 17.0 percent, 32.0 percent and 10.0 percent respectively.
1.2.3 Services

As shown in the Figure 5, in the second quarter of 2015, most of the service activities have shown positive growth rates as in previous quarters. Out of that, ‘Postal and courier activities’ has recorded a striking growth rate of (26.7 percent) in the value added in this quarter when compared with the previous quarter in 2014. In addition, ‘Accommodation, food and beverage serving activities’, ‘Telecommunication’, ‘Financial service activities and auxiliary financial services’, ‘Insurance, reinsurance and pension funding’, ‘Real estate activities, including ownership of dwelling’ and ‘Other personal service activities’ have recorded higher growth rates in the second quarter of 2015, as 11.2 percent, 19.4 percent, 13.7 percent, 9.6 percent, 15.5 percent and 10.0 percent respectively.

While, the sub activities of ‘It programming and consultancy services’ and ‘Professional services’, showed a negative growth rates as 2.6 percent and 15.0 percent respectively in this quarter.
1.2.4 CCPI and GDP implicit price deflator

Movements of CCPI and GDP Implicit Price Deflator from first quarter of 2010 to second quarter of 2015 are shown in figure 6. GDP implicit price deflator which measures the price change in the economy with respect to a specific base year (2010=100), increased to 132.05 in the second quarter of 2015 from 127.96 in the second quarter of 2014 recording a 3.20 percent of inflation rate for the second quarter of 2015.
The Colombo Consumer Price Index (CCPI) (2006/2007 = 100) increased to 179.9 in the second quarter of 2015, from 179.8 recorded in the second quarter of 2014, indicating a 0.07 percent inflation rate.

1.3 Agriculture Activities

In the second quarter of 2015 the main activity of ‘Agriculture, forestry and fishing’ grew by 5.0 percent, when compared with the respective quarter in year 2014. In this quarter, the share of the Agriculture, forestry and fishing has reported as 7.5 percent to the total GDP. This indicates the overall contribution of Agriculture, Forestry and Fishing activities to the total GDP has further declined by 0.12 percentage points in second quarter 2015. Six sub activities namely ‘Growing of spices aromatic drugs and pharmaceuticals’, ‘Growing of vegetables’, ‘Growing of oleaginous fruits’, ‘Growing of rice’, ‘Growing of tea’ and ‘Marine fishing and marine aquaculture’ has contributed more than 0.6 percent to total GDP by each activity (Figure 7). The highest share of 1.2 percent was reported by Marine fishing and marine aquaculture activity.

In the second quarter of 2015, the sub activity of ‘Growing of cereals (except rice)’, which recorded a decline of 8.1 percent in second quarter of 2014, has grown by 24.0 percent. The major reason for that is the huge increase in the production recorded for Maize, Meneri and Gingerly by 19.0 percent, 25.0 percent and 10.0 percent respectively.
The value added of ‘Growing of rice’, which recorded a decline of 35.9 percent in second quarter of 2014, has reported a huge increase of 66.2 percent in this quarter. The harvested paddy production in 2015 Yala season is the ever recorded highest paddy production which is 90.9 million bushels. The favorable weather condition prevailed in the Yala season throughout the country, is the major reason for this huge increase in paddy production. The paddy production in Ampara district, which gives the highest contribution for the total paddy production in 2015 Yala season, increased by 56.2 percent and the paddy production of Pollonnaruwa district has increased by 78.4 percent in this Yala season.

The value added of ‘Growing of vegetables’ has increased by 3.9 percent in this quarter. The total vegetable production which collected through all the districts in the country, has reported a 2.2 percent increase in second quarter of 2015.

In this quarter, the value added of ‘Growing of Fruits’ has shown a slight growth rate of 3.8 percent. In the year 2014, in the respective quarter this activity grew by 17.8 percent.

The sub activity of ‘Growing of Oleaginous fruits’ including coconut, king coconut and oil palms has contributed Rs 16,000 million to the GDP at constant price in second quarter of 2015. This is a positive growth rate of 4.3 percent compared to the second quarter of 2014. The nut production has increased by 50 million nuts and producer price has increased by Rs. 5 between these corresponding quarters. The main reason reported for this increase in production of coconut was the favorable weather conditions prevailed in the coconut growing areas.

When compared to the second quarter of 2014, the sub activity of ‘Growing of tea’ has dropped by 7.2 percent in this quarter. In the second quarter of 2014, in month of May the production of tea has increased highly, and as a result of that, the total tea production of that quarter has grown. Compared to that, in the second quarter of 2015, there is no any significance change in the tea production. Sri Lanka tea exports for this quarter of 2015 amounted to 78,334.5 MT a decline of 3865 MT from the same period last year. It indicates 4.7 percent decrease in exports. Further, the average price per 1 Kg of tea in second quarter of 2015 was Rs.400.93 in comparison to Rs.469.06 for the same period of 2014. The low grown tea having the largest market share around 57.0 percent of total tea production recorded a 9.3 percent decline in this quarter.
In comparison with the second quarter of 2014, the sub activity of ‘Growing of other beverage crops, including coffee and cocoa’ has shown a 36.1 percent of huge increase in the second quarter of 2015. The value added of ‘Growing of rubber’, which recorded a decline of 3.8 percent in second quarter of 2014, has further decreased by 24.0 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 global market and the high labor cost, have been the major reasons for reduction of tapping activities of rubber industry. When compared to the second quarter of 2014, in second quarter of 2015, the average price for 1 Kg of rubber has reduced from Rs. 270.66 to Rs. 233.77 by 13.6 percent. The sub activity of ‘Animal production’ consists with several categories mainly the milk production, eggs production and value of slaughtered animals. The constant value added generated in the second quarter 2015 was almost same as the second quarter 2014. Therefore the sub activity of animal production has not reported a growth in the respective quarters of 2014 and 2015. The share to the total GDP was reported as 0.3 percent. Agricultural sub activity of ‘Forestry and logging’ has supplemented Rs. 11,569 million to the constant GDP at second quarter 2015.The two main components of this sub activity, logging and firewood showed 4.8 percent increase and 1.1 percent decrease exclusively in this quarter. According to the State Timber Corporation data, the round timber production has reported a decrease in this quarter compared to the second quarter 2014. Therefore, the overall value added in forestry and logging sub sector has increased by 1.6 percent in 2015 second quarter compare to the second quarter 2014. In comparison with the second of 2014, in second quarter of 2015 the sub activity of ‘Marine fishing and marine aquaculture’ has recorded a 7.5 percent growth rate and the sub activity of ‘Fresh water fishing and fresh water aquaculture’ has reported a sharp decline of 21.9 percent. According to the Ministry of Fisheries, The water level of water tanks in Hambanthota, Anuradhapura and Polonnaruwa districts were reduced due to the less rainfall prevailed in the last months in year 2014. Therefore releasing of fingerlings to the tanks has been substantially reduced in the last quarter of 2014. That was the major reason for the decrease in the inland fish production in this quarter.
1.4 Industry Activities

The Industry activities, which contribute nearly 23.5 percent to the total GDP, recorded a growth rate of 2.0 percent in the second quarter of 2015.

The ‘Mining and quarrying’ which recorded a 0.8 percent decline in the second quarter of 2014, further dropped by 5.1 percent in this quarter. Stone, sand and lime which are used in the construction industry as materials, showed a slight increase in the production, in this quarter. But the volume and the value of export of precious stone has decreased by 5.0 percent and 26.4 percent in the second quarter of 2015.

The main sub activity of ‘Manufacture of food, beverages and tobacco production’ recorded 1.5 percent of growth rate in the second quarter of 2015. In the second quarter of 2014, this activity declined by 0.7 percent. When compared with the second quarter of 2014, the output value of this activity increased by 7.0 percent. According to the Trade Indices of Central Bank of Sri Lanka, the value of export of this activity is increased by 7.7 percent in this quarter.

The sub activity of ‘Manufacture of textiles, wearing apparel and leather products’ recorded a negative growth rate of 5.9 percent in this quarter when compared with the respective quarter in 2014. The output value of this activity is declined by 3.4 percent in the second quarter of 2015. Although, the export volume of apparel has increased by 1.9 percent, the export volume of textile
and export volume of leather products has decreased by 10.3 percent and 8.8 percent in the second quarter of 2015 respectively.

When compared with second quarter of 2014, the sub activity of ‘Manufacture of wood and products of wood and cork, except furniture’ has shown 17.0 percent of decrease in second quarter of 2015. The output value of this activity has decreased by 16.1 percent.

The sub activity of ‘Manufacture of paper, paper products, printing and reproduction of media products’, which recorded a negative growth rate of 8.4 percent in the second quarter of 2014, has increased again from that level by 5.8 percent in this quarter. The output value of this activity has increased by 6.3 percent.

The sub activity of ‘Manufacture of coke and refined petroleum products’ which reported 8.8 percent growth rate in the second quarter of 2014, has shown a further decline by 32.0 percent in this quarter.

The ‘Manufacture of basic metals and fabricated metal products (except machinery and equipments) grew by 22.8 percent in second quarter of 2015. It has achieved 2.5 percent growth rate in the respective quarter of 2014. The output value of the basic metals and the fabricated metal products has increased by 12.3 percent and 22.2 percent respectively in the second quarter of 2015, when compared it with the respective quarter of 2014.

The sub activity of ‘Manufacture of machinery and equipments’ which reported 7.9 percent of negative growth rate in the second quarter of 2014, has increased by 12.5 percent in this quarter. The output values of ‘Manufacture of electrical equipments’, ‘Manufacture of machinery and equipments’ and ‘Manufacture of motor vehicles and semi trailers’ have increased by 19.2 percent, 34.6 percent and 21.3 percent respectively in this quarter.

The real value added of ‘Electricity, gas, steam and air conditioning supply’ has increased by 3.3 percent in the second quarter of 2015. In the respective quarter of previous year, it grew by 1.4 percent. The electricity power generation has increased from Gwh 3104 to Gwh 3258 indicating 5.0 percent growth rate within this period. The existed ratio of 24:76 hydro power and thermal power generation in the second quarter of 2014 has changed to 48:52 in this quarter. In the second quarter of 2015, the total revenue from sales of electricity has reduced by 1.9 percent.
The sub activity of ‘Water collection, treatment and supply’ has grown by 3.2 percent in the second quarter of 2015. The volume of water supply for the second quarter of 2014, was cubic meter thousands 145,132. In the second of 2015 it has increased up to cubic meter thousands 150,314 registering 1.5 percent growth rate. The total revenue has increased by 0.4 percent only.

In comparison with the second quarter of 2014, in the second quarter of 2015, the ‘Construction’ activity grew by 6.4 percent. The major materials used in the construction industry, has increased by 4.5 percent and out of that the cement supply has increased by 13.2 percent. The total imports of cement and the domestic supply of cement has grown by 4.7 percent and 31.1 percent respectively in the second quarter of 2015. If growth in the materials used in construction industry is considered, the growth rate of construction activity in this quarter has reported as 6.4 percent of growth rate.

1.5 Services Activities

The Service activity, which is the highest contributor (61.2 percent) to the total GDP, has reported a high growth rate of 7.9 percent in the second quarter of 2015.

![Figure 9](image)

The ‘Wholesale and retail trade’ which contributes nearly 13.5 percent to the total GDP, reported a 5.9 percent growth rate in the second quarter of 2015, when compared to the high growth of 19.3 percent recorded in the second quarter of 2014. 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 in the second quarter of this year has increased to Rs. Million 628,424 from Rs.
Million 552,744 in the same quarter of the last year, indicating a high growth rate of 13.7
percent. In addition, the total Output value of Agriculture, forestry and fishing activity has
increased by 6.3 percent in the second quarter of 2015 when compared with the respective
quarter of 2014. The total output value of industrial activities has increased up to Rs. Mn.
1,106,238 from Rs. Mn. 1,098,503 in the second quarter of 2015 by 0.7 percent. The total value
added tax payable for wholesale and retail trade activity has grown by 3.2 percent in this quarter.

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 4.0 percent in this quarter, when
compared it with the respective quarter of 2014. According to the Civil Aviation reports, the total
revenue of this quarter has increased by 12.4 percent. In the second quarter of 2015, the water
transport service, land transport service and warehousing and supporting service activities have
grown by 103.4 percent, 6.3 percent and 10.8 percent respectively.

When compared to the second quarter of 2014, in this quarter the total amount of registered
vehicles has increased by 17.0 percent. The registration of motor vehicles, dual purpose vehicles,
lorries, three wheelers, buses and land vehicles have increased by 184.0 percent, 368.8 percent,
99.0 percent, 78.0 percent, 42.0 percent and 75.0 percent respectively in the second quarter of
2015. The total revenue of the Department of Railway has increased by 21.0 percent and the total
cost incurred in this quarter has reduced by 44.6 percent. In the second quarter of 2015, the
revenue of the Sri Lanka Transport Board has grown by 13.5 percent and the passenger
kilometers have increased by 22.7 percent.

The sub activity of ‘Postal and courier activities’ has recorded a huge growth rate of 26.7 percent
in the second quarter of 2015 with compared to the respective quarter of last year. According to
the reports of the Department of Postal, in the second quarter of 2015, the total revenue has
increased up to Rs. Mn. 1633.7 and it is a 77.0 percent growth rate when compared it with the
second quarter of 2014. The total number of employees including the casual employees at the Department of Postal in the second quarter of 2015, have reported as 24,704. It is 24.9 percent increase compared to the same quarter in the previous year.

When compared with second quarter in last year, in this quarter the sub activity of ‘Accommodation, food and beverage serving’ activity has reported a high growth rate of 11.2 percent. In second quarter of 2014, this reported as 3.2 percent growth rate. The total value added tax payable for accommodation, food and beverage serving activity has increased sharply by 40.3 percent in second quarter of 2015. In addition, when compared to the second quarter of 2014, room occupancy rate and tourists arrivals have increased by 3.2 percent and 14.8 percent respectively in this quarter.

The sub activity of ‘Programming and broadcasting activities and audio video productions’ has reported a slight growth rate of 3.0 percent in the second quarter of 2015. Most of the television broadcasting companies recorded positive increase in the revenue reports during this period.

The real value added value of the ‘Telecommunication’ has increased by 19.4 percent in the second quarter of 2015. Sri Lanka Telecom, Dialog and the Mobitel companies are the highest share contributors to the total output value of this industry. According to the revenue reports, the Total revenue of these companies has increased by significant rate.

The sub activity of ‘IT programming consultancy and related activities’ which reported a positive growth rate of 10.8 percent in the second quarter of 2014, has shown a negative growth rate of 2.6 percent in the second quarter of 2015.

The sub activity of ‘Financial service activities and auxiliary financial services’ have reported a 13.7 percent of growth rate for this quarter. In the respective quarter in last year, this activity grew by 15.9 percent. The total value of Staff cost and the profit before tax of Licensed Commercial Banks and Licensed Specialized Banks, have increased by 17.4 percent and 21.3 percent respectively, 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 deposit’. Accordingly, ‘the value of loan and advances’ and the ‘value of total deposits’ increased by 29.9 percent and 13.1 percent respectively in the second quarter of 2015. In the second quarter of 2015, the Average Weighted Lending Rate (AWLR) and the Average Weighted Deposits Rate
(AWDR) have reported as 11.3 percent and 6.0 percent respectively. In the second quarter of 2014, these were 13.0 percent and 7.4 percent respectively.

The real value added of ‘Insurance, reinsurance and pension funding’ which reported a decline of 0.6 percent in the second quarter of 2014, has reported a high growth rate of 9.6 percent in this quarter. During this period, the staff cost and the profit before tax of insurance companies have declined. The usage of this activity is represented by the total of the values of premiums and the claims realized, has increased by 12.8 percent in this quarter.

‘Ownership of dwelling and real estate’ activity is sharing 6.12 of the total GDP in second quarter of 2015. “Benchmark Methodology”, introduced by IMF was used for preparing quarterly estimates. Accordingly the two components, real estate and ownership of dwellings grew by 11.5 percent and 19.8 percent respectively in this quarter. Hence, the overall growth rate of the activity ‘Ownership of dwelling and real estate’ increased by 15.5 percent in second quarter 2015 with respect of second quarter 2014 with a value addition of Rs.126, 411 million to the constant GDP.

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. Accordingly the total VAT output value and the Value added tax payable for all these activities have decreased by 4.7 percent and 15.4 percent respectively in this quarter when compared it with the respective quarter of 2014. As a result, the real value added of professional service activity has reported a negative growth rate of 15.0 percent in this quarter.

The sub activities of ‘public administration and defense’, ‘Education’ and ‘Human health activities, residential care and social work activities’ have recorded the growth rates as 7.6 percent, 9.3 percent and 6.9 percent respectively in the second quarter of 2015. The number of government employees have increased by 6.9 percent during the second quarter of 2015, when
compared to the second quarter of 2014. Compensation of employees including salaries and wages paid by the government has increased by 13.3 percent in this quarter, when compared to the second quarter of last year. The receipts from sales were also increased by 194.3 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 second quarter of 2014, in second quarter of 2015, the real value added value of this activity increased by 10.0 percent. The total VAT output value and the Value added tax payable for this activity has increased by 4.7 percent and 8.3 percent respectively in this quarter when compared it with the respective quarter of 2014.