



News Release

National Accounts Estimates of Sri Lanka; 2nd Quarter of 2020

Department of Census and Statistics
Ministry of Finance

Tel: 94-11-2147071 Fax: 94-11-2877938 e-mail: national.accounts@statistics.gov.lk

.....

The Department of Census and Statistics (DCS) Sri Lanka, has released the estimated Gross Domestic Product (GDP) at current price and at constant (2010) price in Production approach and other macroeconomic indicators for the second quarter (April 1st to June 30th) of 2020.

In this quarter, the Sri Lanka economy, except very few economic sectors, severely affected due to the covid-19 pandemic. Therefore, the DCS required to observe carefully the behavior of each and every economic sector of the economy during this pandemic before quantifying this impact in the GDP compilation process. Accordingly, the DCS suddenly took necessary initiatives to address this issue.

- The DCS planned a very quick survey to assess the impact of covid-19 on the country's economy. This enterprise sector level survey conducted during the period of mid of June until the end of July, 2020 and collected information on economic performance for the period of January to May in the years of 2019 and 2020 from the business firms. Nearly the sample consisted by 18,000 enterprises covering large, medium, small and micro level businesses in industry and Services sector of the country.
- In addition, the DCS had discussions with the higher officials at Ministry of Health, and following that the DCS obtained the information on expenses incurred by the Ministry specially for the public health services, in order to treat for these special transactions related covid-19 health services (quarantine centers services, data on extra hours of working, outstanding bills relevant for the second quarter) in the national accounts estimates.
- Further, the National Accounts Division (NAD) staff of DCS carried out a special study by using annual and quarterly financial statements of listed companies registered at Sri

Lanka Colombo Stock Exchange, for selected several sectors, like Hotels industry, Private hospitals, Real estate companies and Retail trade section, etc., They observed clearly the downturn of those businesses by referring specially the second quarter financial statements.

- The National Accounts Division (NAD) staff of DCS carried out another special study of a telephone survey to assess the impact of covid-19 on services sector businesses, like other personal services, professional services and real estate business in the country.
- The NAD staff of DCS collected information at district level about mobile trade undertaken during the lockdown period in the country. That reflected how behaved the retail trade activity and also the goods transport activity during the lockdown period in the whole country.

Accordingly, the DCS was able to use the results of the above initiatives, specially the results of covid-19 economic impact survey and results of other special studies carried out by the staff of DCS, for the compilation of second quarter GDP estimates more accurately.

The second quarter GDP estimates, has shown unprecedented fall in real GDP by 16.3 percent, with compared to the 1.1 percent of growth rate recorded in the second quarter of 2019, and it is the largest drop ever recorded in the Sri Lanka history. In this quarter, majority of the economies in the whole world (eg: India, Maldives, Thailand, Singapore, Malaysia etc.), except very few (eg: China, Vietnam), have recorded severe contraction in their economies. When consider the second quarter of 2020, during the period of March 19th to 20th of April, the whole country was being locked. Then gradually the districts were being released from the imposed curfew. However, until 26th of May, the two main districts (Colombo & Gampaha), where the major industrial zones and business places are situated, were under the imposed curfew. The government imposed this curfew in order to control the spread of covid-19 disease among the community and the government achieved successful results by controlling it.

However, the lockdown period, has affected adversely in every economic sectors of the country and recorded negative growth rates in their economic activities, specially, manufacturing, construction, passenger transport (land and air), mining and quarrying, tourism, other personal services, professional services, retail trade and some activities of agriculture like marine fishing.

Issuing a communiqué, on releasing National Accounts Estimates for the second quarter of 2020, the DCS states that the GDP growth rate for the second quarter of 2020 has been estimated as 16.3 percent of negative growth rate when compared to the 1.1 percent of positive growth recorded in the second quarter of 2019. The Gross Domestic Product for Sri Lanka for the second

quarter of 2020 at constant price has declined up to Rs. 1,936,273 million from Rs. 2,312,078 million which recorded in the second quarter of 2019. In addition, the Gross Domestic Product for Sri Lanka for the second quarter of 2020 at current price has decreased up to Rs. 3,012,013 million from Rs. 3,589,246 million which recorded in the second quarter of 2019 registering 16.1 percent of negative change in the current price GDP value.

The four major components of the economy; ‘Agriculture’, ‘Industry’, ‘Services’ and ‘Taxes less subsidies on products’ have contributed their share to the GDP at current prices by 9.7 percent, 24.8 percent, 61.2 percent and 4.3 percent respectively in the second quarter of 2020. As a result of the Covid – 19 outbreaks, many sectors in the economy severely affected and it led to slow down country’s economic performance. Accordingly, the GDP estimates of the second quarter of 2020, have reported contraction in all three major economic activities of Agriculture, Industrial and services by 5.9 percent, 23.1 percent and 12.9 percent respectively. In addition, in the second quarter of 2020, the ‘Taxes less subsidies on products’ has recorded 30.1 percent of decrease with compared to the second quarter in the year 2019. This is due to the major fall in tax revenues due to the amendments made in the Tax rates and the thresholds. This has affected to slowdown the overall GDP growth rate of the country.

Agriculture Sector

The contraction in the Agricultural activities were mainly driven by ‘Marine fishing’ (39.1 percent), ‘Growing of Oleaginous fruits; including Coconut’ (14.2 percent), ‘Growing of tea’ (10.5 percent), ‘Growing of rubber’ (11.5 percent), ‘Forestry and logging’ (27.3 percent) and ‘Animal production’ (1.6 percent) in the second quarter of 2020 when compared to the same quarter in the previous year. Nevertheless, the activities of ‘Growing of cereals’ (124.7 percent), ‘Growing of rice’ (17.2 percent), ‘Growing of vegetables’ (12.9 percent), ‘Growing of fruits’ (6.3 percent), ‘Growing of spices’ (4.7 percent) and ‘Fresh water fishing’ (11.0 percent) were expanded further during this quarter of 2020.

Industry Sector

In the second quarter of 2020, due to the Covid – 19 pandemic the overall industrial activities declined drastically by 23.1 percent, showing impressive adverse impact of the pandemic. Sri Lanka’s overall manufacturing industry experienced a negative growth of 20.6 percent in the second quarter of 2020, following the downfall in the Industrial Production Index in the second quarter 2020. This is due to the halt of production as a result of imposed curfew in many districts of the country from April to mid of May. The contraction in manufacturing activities was mainly driven by the ‘Manufacture of textiles, wearing apparel and leather related products’ activity which recorded negative growth rate of 44.2 percent during this quarter. In addition, ‘Manufacture of rubber and plastic products’ (42.0 percent), ‘Manufacture of furniture’ (35.2 percent),

‘Manufacture of coke and refined petroleum products’ (25.4 percent), ‘Manufacture of other non-metallic metal products’ (20.9 percent), ‘Other manufacturing’ (20.6 percent) and ‘Manufacture of chemical products and basic pharmaceutical items’ (12.7 percent) have reported negative growth rates. Meanwhile the ‘Manufacture of food, beverage and tobacco products’ activity which is the highest share to the country’s industrial sector, has recorded a minor negative growth of 0.2 percent in the second quarter of 2020.

Among the ‘Industrial activities’, the ‘Construction’ activity, which corresponds to 6.8 percent of share within the industry sector, recorded substantial contraction by 30.1 percent in this quarter showing huge negative impact of the Covid – 19 pandemic on that industry. Following that decline in the construction activity, the ‘Mining and quarrying’ activity too recorded negative growth rate of 28.4 percent during the second quarter of 2020. In addition, ‘Electricity, gas, steam and air conditioning supply’ has recorded 10.3 percent of contraction within the industry and that is due to the low demand made from the industrial sector for the electricity. Meanwhile, the ‘Water collection, treatment and supply’ (3.7 percent) and ‘Sewerage, waste, treatment and supply’ (3.3 percent) activities have recorded positive growth rates in this quarter.

Service Sector

During the second quarter of 2020, the performance of Services has recorded substantial drawback in many services sector activities by 12.9 percent. Specially the ‘Accommodation, food and beverages service activity’ (63.5 percent), ‘Transportation of goods and passengers including ware housing’ (36.1 percent), ‘Other personal services’ (31.5 percent), ‘Real estate activities’ (16.9 percent), ‘Professional services’ (14.5 percent) and ‘Wholesale and retail trade’ (1.5 percent) have shown the collapse in their activities. However, amidst this pandemic, some sectors have reported positive growth rates; such as ‘Telecommunication’ (19.6 percent), ‘IT programming consultancy and related activities’ (15.1 percent), ‘Financial service activities’ (9.9 percent).

According to the DCS, detail information of GDP estimates for the second quarter of 2020 has been published in the DCS website: www.statistics.gov.lk/NationalAccounts/StaticInformation/GDP



P.M.P. Anura Kumara,
Director General (Acting)