Press Release

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Sri Lanka Prosperity Index - 2016

Prosperity, measured by the Sri Lanka Prosperity Index (SLPI)[1], which is a composite indicator that measures and compares the level of prosperity of the country and across its provinces, improved to 0.746 in 2016 from 0.685 in the previous year. In analyzing the movements of the sub-indices of SLPI, for the period of 2015 to 2016, the Economy and Business Climate and Well-being of the People sub-indices have improved, while there is a moderation in Socio-Economic Infrastructure sub-index.
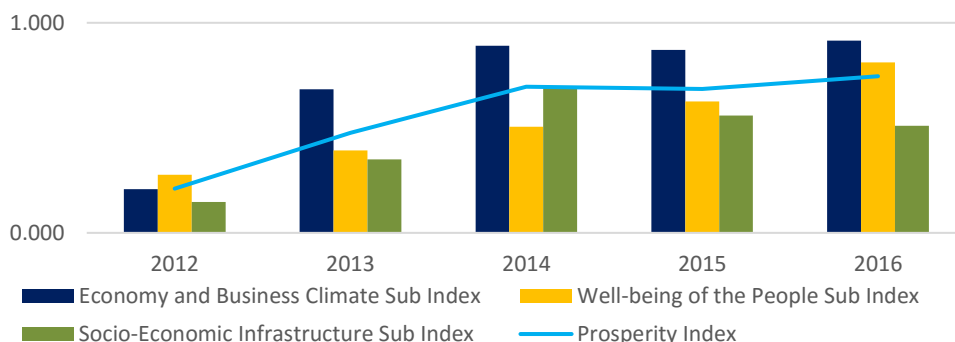
Table 1: SLPI and Sub-Indices 2015 - 2016

Year	Sri Lanka Prosperity Index	Economy and Business Climate Sub-Index	Wellbeing of the People Sub-Index	Socio-Economic Infrastructure Sub-Index
2015	0.685	0.871	0.625	0.558
2016	0.746	0.915	0.812	0.510

The improvements in employment rate, informal sector wages, industrial density and banking density have contributed towards the enhancement of the Economy and Business Climate sub-index. With regard to the sub index of the Well-being of the People, high performance in availability of healthcare facilities, availability & quality of education, wealth of people and availability & usage of entertainment facilities were the key drivers. The reduction observed in the Socio-Economic Infrastructure sub-index was led by reduced levels of pipe borne water quality, female participation in civic activities and available transport facilities. However, the

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[1] The Sri Lanka Prosperity Index (SLPI) comprises of three sub-indices, Economy and Business Climate, Wellbeing of the People and Socio-Economic Infrastructure, which are measured using 43 representative variables reflecting the economic and social progression of provinces.

aspects of road coverage, availability of electricity, crime free environment and availability of Information and Communication Technology (ICT) facilities in schools have shown improvements within the Socio-Economic Infrastructure sub-index.

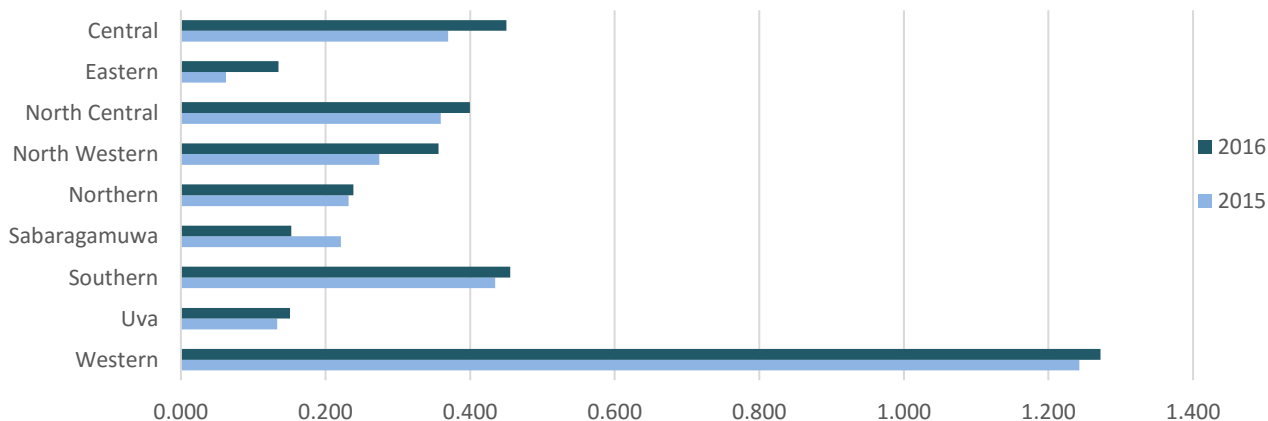**Figure 1: Sri Lanka Prosperity Index and Sub-Indices 2012 – 2016**

The SLPI and all its sub-indices demonstrate increasing trends over the last five years. The steep growth observed during 2012-2014 period has moderated thereafter due to low performance recorded in the Socio-Economic Infrastructure sub-index.

Provincial Prosperity

The Western province remained at the leading position recording the highest value of 1.272, for the overall prosperity index, with an increase of 0.029 index points compared to 2015. In comparison to the other provinces, the high performance of the Western province was driven by maintenance of higher standards in all three sub-indices. Except for the Sabaragamuwa province, all other provinces recorded higher overall prosperity index values during 2016 compared to the previous year. The overall prosperity index of the Sabaragamuwa province has declined due to the moderation in the Socio-Economic Infrastructure sub-index, partly driven by the impact of the 2016 floods on water quality and other socio-economic variables. The Eastern province, although remained at the same level in the provincial ranking in 2016, recorded an increase of 0.072 index points in the overall prosperity index with enhancements in all three sub-indices. The highest increase of 0.082 index points in the overall prosperity index was recorded from the North Western province. The provincial rankings of the nine provinces in terms of the overall prosperity, remained unchanged from 2015 to 2016. The provincial performance of the overall prosperity index is detailed in Figure 2 and Table 2.
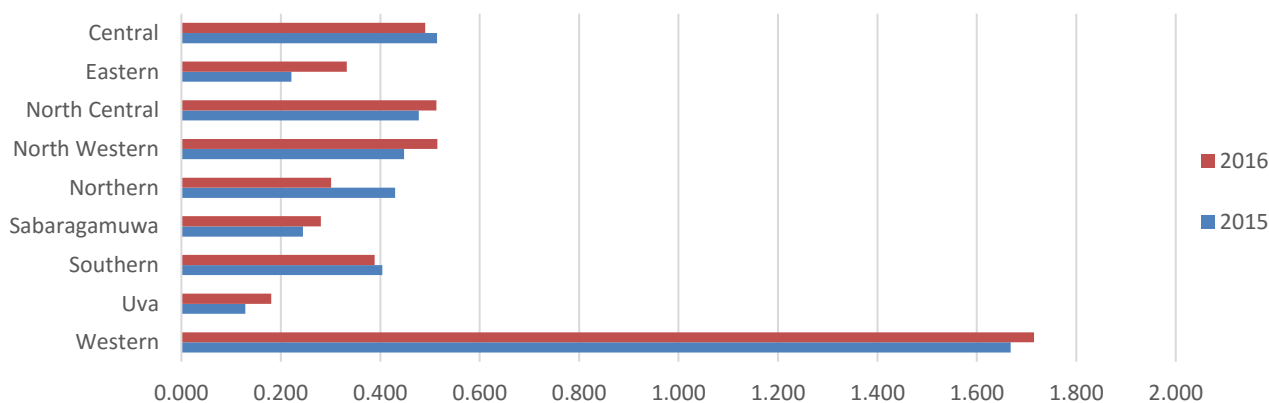
Figure 2: Prosperity Index 2015 – 2016

Economy and Business Climate Sub-Index

The performance of the Economy and Business Climate sub-index improved across six provinces except for the Central, Northern and Southern provinces. The improvement was mainly due to low unemployment, increase in formal sector employment, high standards recorded in informal sector wages, industrial density and banking density. In terms of provincial ranking, the Western province retained its foremost position followed by the North Central and North Western provinces. Higher standards observed in the aspects of per capita income, informal sector wages, low unemployment, formal sector employment, banking density and industrial density are among the main drivers of the high performance of the Western province. The provincial rankings of Eastern, North Western and Southern provinces have improved while those of North Central and Uva provinces remained unchanged. The performance of provinces within the Economy and Business Climate sub-index is detailed in Figure 3 and Table 2.
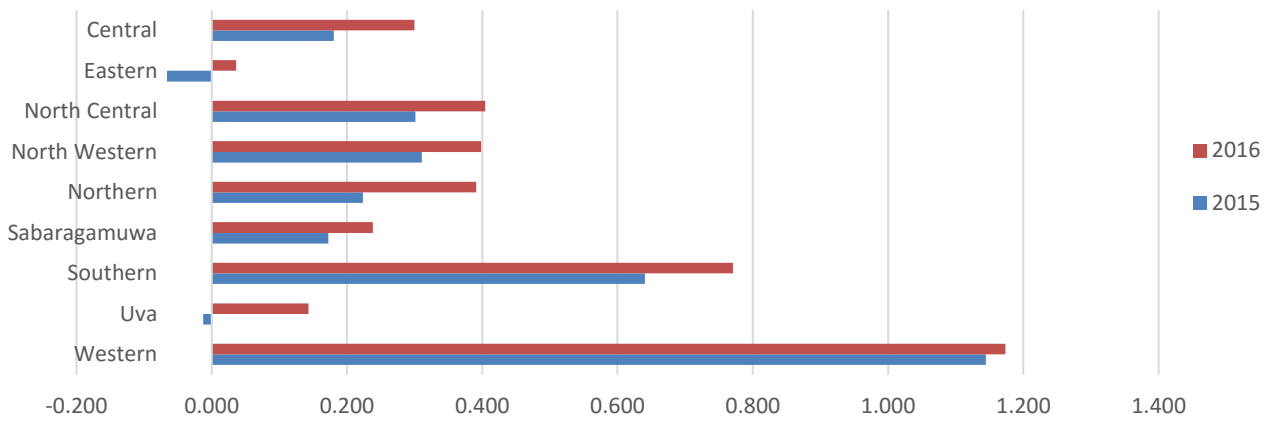
Figure 3: Economy and Business Climate Sub-Index 2015 - 2016

Well-being of the People Sub-Index

The Well-being of the People sub index values have increased in all nine provinces in 2016 with significant improvements in the Central, Northern, Southern and Uva provinces, predominantly due to higher performance recorded in the aspects of availability of health care facilities, quality & availability of education facilities, wealth of people and air quality compared to 2015. The Western province, retained the leading position in the Well-being of the People sub-index, primarily because of the positive impact from areas of quality of available education facilities, wealth of people and availability & usage of entertainment facilities. Except for the North Central and North Western provinces, the provincial rankings of all the other provinces remained unchanged with respect to the previous year. The performance of provinces within the Well-being of the People sub-index is detailed in Figure 4 and Table 2.
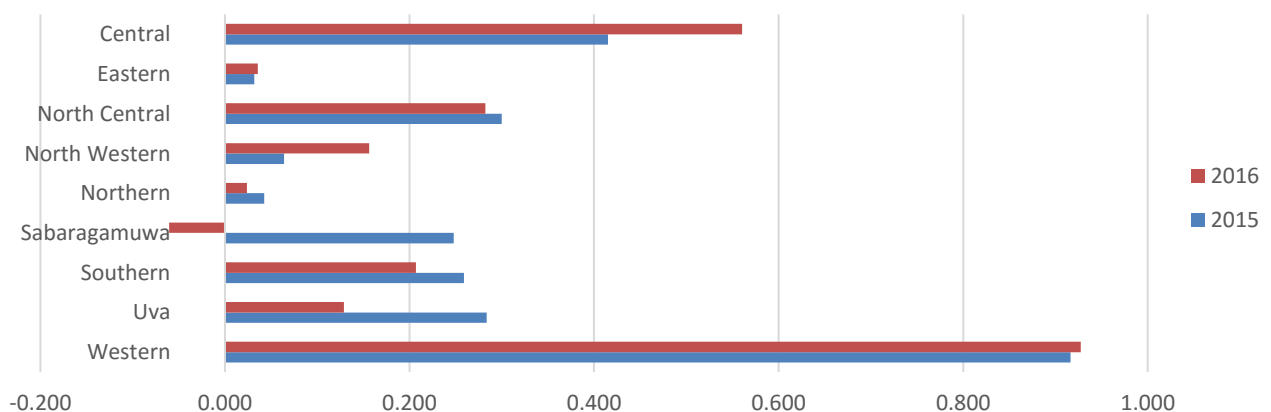
Figure 4: Well-being of the People Sub-Index[2] 2015 – 2016

Socio-Economic Infrastructure Sub-Index

Provincial values of the Socio-Economic Infrastructure sub-index have increased in the Central, Eastern, North Western and Western provinces mainly due to the improvements in the availability of electricity, transport and ICT facilities. The Socio-Economic Infrastructure sub-index of the Sabaragamuwa province has declined substantially in 2016, predominantly due to moderate levels of performance in pipe borne water quality and female participation in civic activities compared to 2015. The Western province retained its highest contribution to the Socio-Economic Infrastructure sub-index among all the provinces. The higher levels in availability of electricity, telecommunication facilities, road coverage, transport facilities, ICT facilities and female participation in civic activities contributed to the leading performance in the Western province. The Eastern, North Western and Southern provinces have improved their positions in provincial rankings in the Socio-Economic Infrastructure sub-index while those of Sabaragamuwa and Uva provinces have declined. The performance of provinces within the Socio-Economic Infrastructure sub-index is detailed in Figure 5 and Table 2.

Figure 5: Socio-Economic Infrastructure Sub-Index 2015 – 2016

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[2] The index values are compiled by standardizing each and every variable, closely following the Legatum Prosperity Index methodology. Therefore, sign of an index value implies its positive or negative deviation compared to the respective mean. Thus, the negative values in the index do not imply that the prosperity levels are negative.

Table 2: Index values of overall prosperity index and sub-indices with their provincial ranks

Index and Province	Index Value		Provincial Rank	
	2015	2016	2015	2016
Overall Prosperity Index				
Central	0.370	0.450	3	3
Eastern	0.062	0.135	9	9
North Central	0.360	0.400	4	4
North Western	0.274	0.356	5	5
Northern	0.232	0.239	6	6
Sabaragamuwa	0.222	0.153	7	7
Southern	0.435	0.455	2	2
Uva	0.133	0.151	8	8
Western	1.243	1.272	1	1
Economy and Business Climate Sub-Index				
Central	0.514	0.490	2	4
Eastern	0.221	0.333	8	6
North Central	0.478	0.513	3	3
North Western	0.448	0.515	4	2
Northern	0.430	0.301	5	7
Sabaragamuwa	0.244	0.281	7	8
Southern	0.404	0.388	6	5
Uva	0.129	0.181	9	9
Western	1.668	1.715	1	1
Well-being of the People Sub-Index				
Central	0.181	0.300	6	6
Eastern	-0.066	0.036	9	9
North Central	0.301	0.404	4	3
North Western	0.311	0.398	3	4
Northern	0.224	0.391	5	5
Sabaragamuwa	0.172	0.238	7	7
Southern	0.640	0.771	2	2
Uva	-0.013	0.143	8	8
Western	1.144	1.173	1	1
Socio-Economic Infrastructure Sub-Index				
Central	0.415	0.561	2	2
Eastern	0.032	0.036	9	7
North Central	0.300	0.282	3	3
North Western	0.064	0.156	7	5
Northern	0.043	0.024	8	8
Sabaragamuwa	0.248	-0.061	6	9
Southern	0.259	0.207	5	4
Uva	0.284	0.129	4	6
Western	0.917	0.928	1	1

Technical Note:

The Index

The Sri Lanka Prosperity Index (SLPI) is a multi-dimensional indicator which is compiled by the Central Bank of Sri Lanka. The SLPI is categorized into three sub-indices which consist of 43 variables. The sub-indices are Economy and Business Climate sub-index, Well-being of the People sub-index and Socio-Economic Infrastructure sub-index. All the sub-indices have equal weights in the SLPI and each variable bears an equal weight within the sub-index it belongs to.

The Economy and Business Climate sub-index is compiled using 9 variables categorized into the aspects of living standard, employment, income, poverty, price stability, sector wise employment, industrial density and banking density. In compiling the Well-being of the People sub-index, 22 variables pertaining to the aspects availability of healthcare facilities, availability of education facilities, quality of available education facilities, wealth, availability & usage of entertainment facilities, air quality and purity of environment are used. In Socio-Economic Infrastructure sub-index includes 12 variables and the relevant aspects are availability of electricity, availability of telecommunication facilities, availability of road coverage, crime free environment, availability of transport facilities, availability of safe drinking water, quality of pipe borne water, availability of ICT facilities, availability of sanitation and female participation in civic activities.

Methodology

A new methodology which closely follows the Legatum Prosperity Index's methodology, i.e., standardizing the data to bring all the variables into proportion with one another, instead of normalizing the data, has been adopted in compilation of SLPI from 2014.