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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

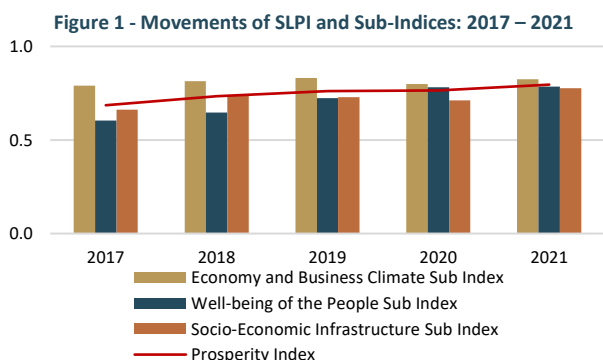| **Issued By** | Statistics Department |
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Sri Lanka Prosperity Index - 2021

National Prosperity

Sri Lanka Prosperity Index(SLPI)[1], recorded an index value of 0.796 in 2021 with a slight increase compared to 0.764 recorded in 2020 where the economy was severely affected by the COVID-19 pandemic. The marginal increases of 'Economy and Business Climate', 'Well-being of the People' and 'Socio-Economic Infrastructure' sub-indices have contributed to this slight increment in SLPI.

	2020	**2021**
Sri Lanka Prosperity Index	*0.764*	*0.796*
Sub-Indices		
Economy and Business Climate	*0.799*	*0.825*
Well-being of the People	*0.781*	*0.786*
Socio-Economic Infrastructure	*0.711*	*0.777*

Figure 2 – Aspects covered in SLPI

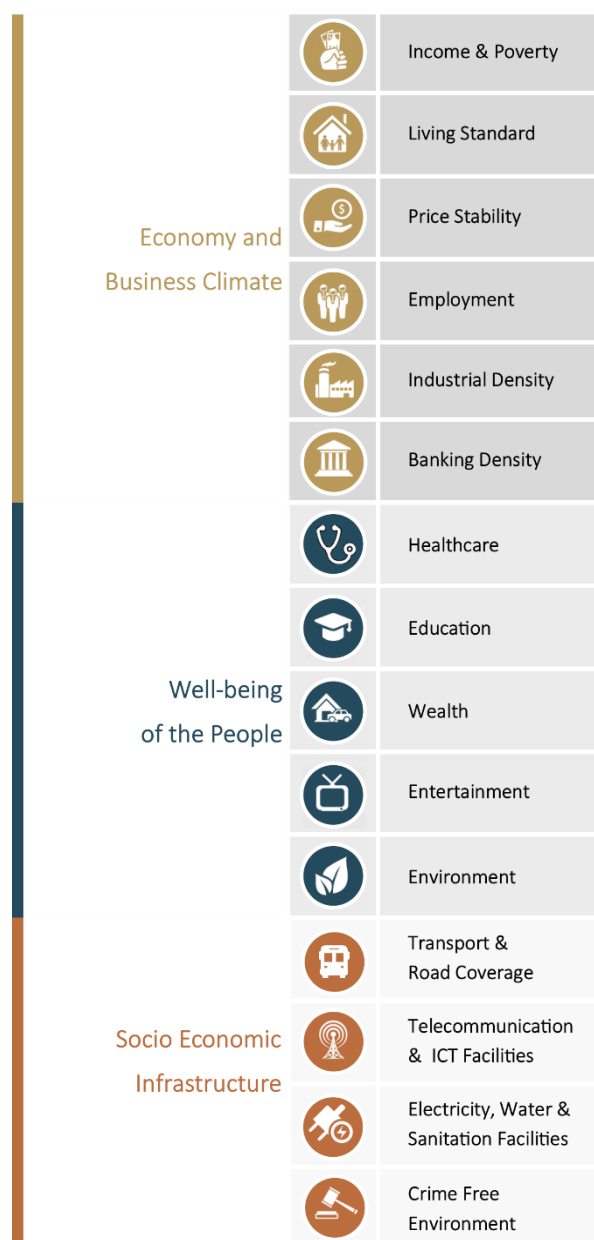Figure 1 - Movements of SLPI and Sub-Indices: 2017 – 2021

Source: Central Bank of Sri Lanka

Overall increase in the Economy and Business Climate sub-index in 2021 was driven by increases in Gross Domestic Product (GDP) per capita in nominal terms, employment, wages and industrial density compared to 2020. However, relatively high inflation in 2021 compared to the previous year had detrimental effects on the sub-index.

The marginal increase observed in the Well-being of the People sub-index was predominately due to the facilitation for education and improvements in people's wealth in 2021 compared to 2020. However, subdued performance in education, drop in health facilities such as lower availability of medical officers, reduced cleanliness of environment and low engagement in entertainment activities negatively contributed to the performance of the sub-index.

Expansions in electricity supply and telephone facilities as well as the road developments during the year have moderated the negative impact on Socio-Economic Infrastructure sub-index caused by the decline in usage of public transportation facilities, reduced availability of clean and safe drinking water and the higher number of crimes reported during 2021.

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[1] SLPI is a composite indicator compiled by the Statistics Department of the Central Bank of Sri Lanka to measure the level of prosperity of the country. The index comprises three sub-indices, i.e. Economy and Business Climate, Well-being of the People and Socio-Economic Infrastructure, measured using 41 variables representing different aspects of prosperity. SLPI compilation methodology was revised for 2020 to closely follow the methodology employed in compiling the Legatum Prosperity Index, which is a global indicator to assess countries' economic and social wellbeing.

Provincial Prosperity

Among the nine provinces, Western province has secured the highest value for the prosperity index in 2021, while Southern and North Western provinces were ranked at the second and third positions, respectively. When considering the change in provincial prosperity index compared to the previous year, North Western province recorded the highest increase followed by Southern and Western provinces. Meanwhile, Uva, Sabaragamuwa and North Central provinces recorded declines in the provincial prosperity index.
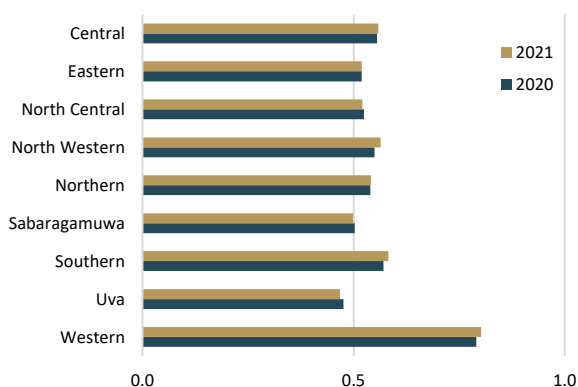
Figure 3 - Provincial Prosperity Indices[2]: 2020 – 2021

Table 1: Provincial Prosperity Indices and Provincial Ranks

	Prosperity Index		Provincial Rank	
	2020	**2021**	**2020**	**2021**
Central	0.556	0.559	3	4
Eastern	0.519	0.519	7	7
North Central	0.524	0.521	6	6
North Western	0.549	0.564	4	3
Northern	0.540	0.541	5	5
Sabaragamuwa	0.502	0.499	8	8
Southern	0.571	0.582	2	2
Uva	0.476	0.468	9	9
Western	0.791	0.802	1	1

Source: Central Bank of Sri Lanka

Performance of Provincial Prosperity Sub-Indices

Economy and Business Climate Sub-Index

North Western province recorded the highest improvement within the sub-index, mainly due to increments in per capita provincial GDP, employment and informal sector wages. Improvements in the sub index were recorded in Sabaragamuwa, Western and Southern provinces as well, amidst the relatively volatile and high inflation reported in 2021 compared to 2020 in all provinces. The declines of the sub-index in other provinces were mainly caused by deteriorations in employment aspects in 2021.

Well-being of the People Sub-Index

The sub-index improved in all provinces, predominantly due to increased health expenditure, enhanced facilitation for education, increased availability of supermarkets and the low number of reported respiratory diseases which may have resulted from precautions taken against COVID-19. The highest improvement within the sub-index was reported from Eastern province while Sabaragamuwa province reported the lowest increase.

Socio-Economic Infrastructure Sub-Index

Six provinces have recorded marginal increases in the sub-index where the largest increase was reported from Western province. The improvements made to the infrastructure such as electricity, telephone and road developments were the key reasons for the increases in the sub-index. Meanwhile, the declines of the sub-index were reported in Sabaragamuwa, Uva and North Central provinces due to reduced availability of safe drinking water and less usage of public transportation.

Table 2: Provincial Prosperity Sub-Indices[2]

	2020	2021
Economy and Business Climate Sub-Index		
Central	0.576	0.565
Eastern	0.579	0.548
North Central	0.573	0.552
North Western	0.571	0.586
Northern	0.593	0.582
Sabaragamuwa	0.516	0.520
Southern	0.542	0.545
Uva	0.515	0.499
Western	0.863	0.866
Well-being of the People Sub-Index		
Central	0.555	0.567
Eastern	0.511	0.536
North Central	0.545	0.558
North Western	0.571	0.580
Northern	0.586	0.587
Sabaragamuwa	0.526	0.527
Southern	0.604	0.619
Uva	0.494	0.498
Western	0.734	0.742
Socio-Economic Infrastructure Sub-Index		
Central	0.536	0.544
Eastern	0.467	0.473
North Central	0.455	0.452
North Western	0.506	0.525
Northern	0.439	0.455
Sabaragamuwa	0.464	0.449
Southern	0.567	0.583
Uva	0.420	0.407
Western	0.775	0.798

[2] The index values are compiled by normalising each and every variable with respect to its best and worst values recorded during the last 15 years. The highest and the lowest values that can be taken by a normalised variable are 1 and 0, respectively. Thereby, the index values are also ranged between 0 and 1. Thus, higher the index value, its performance overtime and across provinces are comparatively high and vice versa.

Source: Central Bank of Sri Lanka

Technical Note:

Prosperity Index

The index is compiled using 41 variables, which are categorised into three sub-indices. All sub-indices have equal weights in prosperity index.

The Economy and Business Climate sub-index is compiled using 9 variables categorised into the aspects of price stability, living standard, income, poverty, employment, industrial density, and banking density. In compiling the Well-being of the People sub-index, 22 variables pertaining to the aspects of availability of healthcare facilities, availability & quality of education facilities, wealth, availability & usage of entertainment facilities, air quality and purity of environment are used. Socio-Economic Infrastructure sub-index includes 10 variables and the relevant aspects are availability of transport facilities, availability of road coverage, availability of telecommunication facilities, availability of ICT facilities, availability of electricity, availability of safe and quality drinking water, availability of sanitation and crime-free environment.

Methodology

Variables used in compiling SLPI are in the form of many different units of measurement. Therefore, all variables are transformed into a common scale by normalising data over the past 15 years. Since the index values for the country and for the provinces are compiled separately, provincial indices cannot be compared with the national level indices. Thus, the provincial level indices can be compared across provinces as well as time, while the national level indices can only be compared across time.

SLPI compilation methodology was revised for SLPI-2020 to closely follow the methodology employed in compiling the Legatum Prosperity Index, which is a global indicator to assess countries' economic and social wellbeing. The revision was made by normalising each and every variable with respect to its best and worst values recorded during the last 15 years following the distance to frontier approach, instead of standardising the individual variables with respect to last 10 years. Thereby, the index becomes more interpretable since its range spreads between 0 and 1, and higher the index value, its performance is comparatively high and vice versa.