

## BOX 4

 Rebasing of National Accounts Estimates to Base Year 2015<sup>1</sup>
**Introduction**

National Accounts estimates are among the critical inputs in economic analyses as well as in policymaking as they reflect the real sector developments of an economy. Therefore, it is essential to accommodate the changes in the economic and price structures of an economy over time to the National Accounts estimates through regular rebasing exercises. Fulfilling this requirement, the base year of Sri Lankan National Accounts estimates has been revised from time to time, to 1958, 1963, 1975, 1990, 2002, 2010 in history, and the latest to 2015. The Department of Census and Statistics (DCS), as the official compiler, updated the base year of National Accounts estimates to 2015, replacing the previous base year of 2010. Alongside the latest rebasing exercise, DCS expanded the production boundary and broadened the coverage of economic activities while some improvements were made to the compilation methodologies.

**Expanding the Production Boundary and Coverage of Economic Activities**

The coverage of many economic activities was broadened during the latest rebasing exercise. One of the major coverage expansions is the inclusion of reclamation work relating to the *Colombo International Financial City (CIFC)* project into the Industry activities, which were carried out during the period from 2014 to 2018, taking into account the percentage of work done in each year. This led to considerable fluctuations in the Gross Domestic Product (GDP) estimates and the corresponding GDP growth rates during the period 2014-2019. The coverage of several Agriculture and Services activities was also broadened during this rebasing exercise. Along with these coverage improvements, the rebased GDP estimates related to the Production Approach were disseminated under 49 economic activities, instead of 48 economic activities under the 2010 series. This is attributable to the estimation of *plant propagation* and *agricultural supporting activities* separately under the new base year. In terms of Agriculture activities, coverage improvements were introduced to the *growing*

*of fruits, oil palm, flower plant propagation, household log production, and agricultural supporting activities*. In terms of Services activities, the coverage in the areas of *information technology, warehousing activities, broadcasting activities, courier services and financial services* were broadened during this rebasing exercise.

**Methodological Improvements and Use of New Data Sources**

During the rebasing exercise, several methodological improvements were adopted in estimating many economic activities, such as *agricultural supporting activities, forestry and logging, plant propagation of flower plants, manufacturing, construction, electricity generation, IT programming consultancy, accommodation services, food and beverage service activities, and wholesale and retail trade activities*. Further, new data sources including *Economic Census 2013/14, Information Technology and Information Technology Enabled Services Survey* and revenue information related to the registered companies of *Colombo Stock Exchange (CSE)* were incorporated in compiling the rebased estimates under the 2015 base year. Moreover, DCS adopted the “Double Deflation method” in place of the “Single Deflation method” in compiling the estimates for many economic activities at constant prices under the new base year<sup>2</sup>.

**Key Outcomes of Rebasing National Accounts Estimates to Base Year 2015**

The base year revision affected many economic indicators, such as the size of the economy (value of GDP), GDP growth rate, and share of major economic activities to the GDP. Compared to the previous base year of 2010, the rebased GDP estimates at constant prices indicated a level shift attributable to the

Table B 4.1  
Comparison of recent GDP Rebasing Exercises

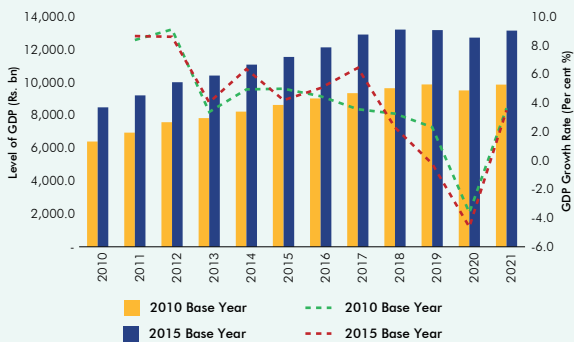
	2002	2010	2015
GDP at current prices (Rs. Million)	1,636,036.6	6,413,668.5	11,566,987.4
Level shift % (at current prices)		14.4%	5.6%

Source: Department of Census and Statistics

1. The Central Bank acknowledges the information and the constructive feedback provided by the DCS in preparing the extended version of this article published in the News Survey (Volume 42, Number 3) under the topic “Rebasing of National Accounts Estimates to Base Year 2015”.

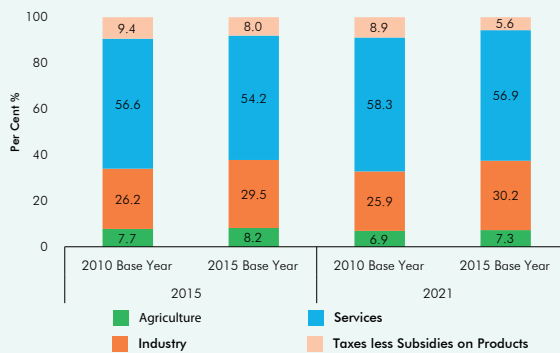
2. Under the “Single Deflation method” both Output and Intermediate Consumption (IC) are deflated using the same price index, whereas in the “Double Deflation method”, Output and IC are deflated using two different price indices to compile constant price estimates accurately.

**Figure B 4.1**  
Comparison of GDP estimates at constant prices and GDP Growth rates – 2010 to 2021



Source: Department of Census and Statistics

**Figure B 4.2**  
Comparison of Share of GDP at constant prices - 2015 and 2021



Source: Department of Census and Statistics

replacement of 2010 base year prices with 2015 prices to capture the evolution in prices, as well as the coverage and methodological improvements. Consequently, the corresponding GDP growth rates were affected by the base year revision. Particularly, the addition of reclamation work related to the CIFC project led to a considerable shift in GDP level, as well as growth rates during the 2014-2019 period which is reflected in the data presented in Table B 4.1 and Figure B 4.1.

Further, along with the base year revision, the contribution to GDP from its major components namely, Agriculture, Industry, Services, and Taxes less Subsidies on Products were changed, especially with an increase in the share of Industry activities and a decline in the share of Services activities and Taxes less Subsidies on Products as shown in Figure B 4.2.

Following the increase in the GDP estimates at current prices, macroeconomic indicators which are expressed as a percentage of GDP such as *Budget Deficit* and *Debt to GDP* were also revised. Generally, a rebasing process provides policymakers and other stakeholders with a more representative set of economic statistics of the existing economic structure for better evidence based decision making. However, when referring to the rebased GDP estimates, it is imperative to understand the impact of one-off events separately from the impact of long lasting events and evaluate them appropriately.

**References**

1. Department of Census and Statistics. Key Findings of Rebased GDP Estimates (Base year 2015). Available at: [http://www.statistics.gov.lk/NationalAccounts/StaticallInformation/2015/Reports/Key\\_findings](http://www.statistics.gov.lk/NationalAccounts/StaticallInformation/2015/Reports/Key_findings)
2. Thilangani, U.K.T. and Liyanage, D.N. (2022). 'Rebasing of National Accounts Estimates to Base Year 2015', News Survey, vol. 42, no. 03, pp. 2-8, Available at: [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/publications/satahana/News\\_Survey\\_2022\\_03.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/satahana/News_Survey_2022_03.pdf)