

II. ECONOMIC AND FINANCIAL TRENDS—1960

(a) National Product and Income

Gross National Product for 1960 at current factor cost prices has been provisionally estimated at Rs. 5,932 million. In money terms there has been an increase of 4.4 per cent over the previous year while in real terms the rise was 3.8 per cent. When allowance is made for the growth of population, which according to provisional estimates shows an increase of 2.6 per cent, the rise in per capita real product was 1.2 per cent.

The growth of real product in 1960 reflects largely a rise in the volume of exports and was helped by small increases in the other sectors of the economy.

The movements in the main components of Gross National Product at current factor cost prices are shown in the following table :—

TABLE II—1

*Gross National Product at Current Factor Cost Prices**

Rupees Million

| Item | 1958 | 1959 | 1960 | Percentage change in 1960 from 1959 |
|--|--------------|--------------|--------------|-------------------------------------|
| 1. Domestic exports | 1,613 | 1,644 | 1,732 | 5.35 |
| 2. Production of goods for domestic use .. | 1,975 | 2,108 | 2,188 | 3.80 |
| 3. Services | | | | |
| (a) Trade | 402 | 425 | 439 | 3.29 |
| (b) Transport | 267 | 294 | 317 | 7.82 |
| (c) Professional, domestic and personal services | 428 | 437 | 448 | 2.52 |
| (d) Government | 634 | 667 | 691 | 3.60 |
| (e) Rents | 124 | 130 | 139 | 6.92 |
| Gross Domestic Product | 5,443 | 5,705 | 5,954 | 4.36 |
| 4. Plus factor incomes from abroad | 50 | 48 | 50 | 4.17 |
| Gross Product | 5,493 | 5,753 | 6,004 | 4.36 |
| 5. Less factor incomes paid out | 77 | 69 | 72 | 4.35 |
| Gross National Product | 5,416 | 5,684 | 5,932 | 4.36 |

Source : Department of Census and Statistics and Central Bank of Ceylon.

*Gross National Product at factor cost represents the value of the product accruing to factors of production. It differs from Gross National Product at market prices in that it excludes indirect taxes net of subsidies.

Although the prices of export products and of imported goods stood at the same level as in the previous year, there were changes in the cost of living index which fell by 1.6 per cent mainly on account of the reduction in the price of subsidised rice. In fact the price level of domestically produced and consumed goods rose by 0.8 per cent, and the prices of imported items other than rice, flour and sugar showed an increase of 3.6 per cent. The estimates of Gross National Product as corrected for such variations, *i.e.* the movements of Gross National Product at constant (1956) prices, are presented in the following table :—

TABLE II—2

Gross National Product at Constant (1956) Prices**Rupees Million*

| Item | 1958 | 1959 | 1960 | Percentage change in 1960 from 1959 |
|---|--------------|--------------|--------------|-------------------------------------|
| 1. Domestic exports | 1,718 | 1,678 | 1,767 | 5.30 |
| 2. Production of goods for domestic use .. | 1,858 | 1,960 | 2,012 | 2.65 |
| 3. Services | | | | |
| (a) Trade | 340 | 381 | 396 | 3.94 |
| (b) Transport | 255 | 280 | 291 | 3.93 |
| (c) Professions, domestic and personal services | 379 | 402 | 407 | 1.24 |
| (d) Government | 605 | 635 | 669 | 5.35 |
| (e) Rents | 118 | 124 | 128 | 3.23 |
| Gross Domestic Product | 5,273 | 5,460 | 5,670 | 3.85 |
| 4. Plus factor income from abroad | 52 | 50 | 51 | 2.00 |
| Gross Product | 5,325 | 5,510 | 5,721 | 3.83 |
| 5. Less factor incomes paid abroad | 83 | 70 | 73 | 4.29 |
| Gross National Product | 5,242 | 5,440 | 5,648 | 3.82 |

Source : Department of Census and Statistics and Central Bank of Ceylon.

*The deflators used in arriving at Gross National Product at constant prices include indices of export price, import price and various components of the import price, cost of living and its sub-groups and the wage rates.

Exports

The value of exports net of import content rose by 5.4 per cent in 1960. The rate of growth in exports in 1960 was almost twice that in 1959. The volume index of exports rose by 5.0 per cent and there was no change in export prices in 1960 as compared to 1959. The rise in exports has been the most important single cause of the rise in GNP both in money terms as well as in real terms. The export value of merchandise comprised 29.2 per cent of GNP in 1960.

Tea.—The acreage under tea at the end of 1960 was nearly 581,821 acres while it was 579,652 acres at the end of 1959. The total quantity of tea produced in 1960 is estimated at 435 million pounds as against 413 million pounds in 1959. The biggest increase was registered in the production of high grown teas which rose from 164 million pounds in 1959 to 176 million pounds in 1960. The average yield per acre has increased from 713 pounds in 1959 to 748 pounds in 1960.

It is expected that nearly 50,000 acres of tea will be replanted with high yielding varieties during the ten year period 1959 to 1968 under the Tea Replanting Subsidy Scheme recommended in the Ten Year Plan and introduced in 1959. The area replanted in 1959 was about 319 acres while in 1960 it was 882 acres.⁽¹⁾ It is estimated that with the extension of the use of fertilizers and the coming into bearing of the 50,000 acres replanted, the production of Ceylon tea is likely to rise by 75 million pounds. Whilst this Replanting Subsidy Scheme is intended to apply to large

(1) Estimates according to Tea Control Department.

estates (over 100 acres), the Tea Rehabilitation Subsidy Scheme which also came into operation in 1959 aims at helping the small-holders to improve the productive capacity of the holdings by the application of fertilizers, improvement of soil conservation measures, etc. During the period 1959 to 1968 nearly 60,000 acres are expected to be rehabilitated so as to raise production by a further 12 million pounds.

The total exports of tea showed an increase of 7·0 per cent in volume from 384 million pounds in 1959 to 410 million pounds in 1960. On account of a fall of nearly 2·2 per cent in price, however, the rise in value was only 4·8 per cent.

Rubber.—The acreage under rubber showed only a very slight increase of a few acres from 668,178 acres in 1959 to 668,213 acres in 1960. The Rubber Replanting Subsidy Scheme launched in 1953 aims at replanting nearly 200 thousand acres of uneconomic rubber land by the end of 1962. At the end of 1960, the area replanted amounted to 149,350 acres, of which 16,190 acres were replanted in 1960. It is estimated that when the entire area so replanted comes into bearing the total production of rubber would increase by almost 60 per cent.

There was a rise in the production of rubber from 205 million pounds in 1959 to 218 million pounds in 1960. The average yield per acre, after allowing for an acreage of nearly 20 per cent of the total still untapped, rose from 384 pounds in 1959 to nearly 408 pounds in 1960.

The volume of rubber exported in 1960 was 235 million pounds as compared to 206 million pounds in 1959. The value realised from these exports rose 27 per cent as a result of a rise in price of 12 per cent and a 14 per cent rise in volume.

Coconut.—The production of coconuts for 1960 is estimated at 2,220 million nuts as compared to 2,314 million nuts in 1959. This estimated production figure consists of the nut equivalent of total domestic consumption (estimated at 1,244 million nuts) and exports (976 million nuts). Data on the size and movement of stocks are not available. Variations in exports therefore largely determine the variations in production figures.

The use of fertilizers showed only a moderate increase in 1960 as compared to 1959. In 1960 nearly 44,000 tons of fertilizers compared to 40,000 tons in 1959 were distributed.

The total exports of the three major coconut products in terms of copra showed a decrease of 14 per cent in volume. The value realised (Rs. 184 million) was 25 per cent lower than in 1959 due to this factor as well as to a 13 per cent fall in prices (as indicated by the export price index of the three major coconut products.)

Exports and Terms of Trade

The importance of changes in the terms of trade on the real National Income of Ceylon and their movements in relation to the major products are shown in the following table :—

TABLE II—3

Terms of Trade Contribution to Real Product of Ceylon
(1956 prices)

Rupces Million

| Year | Real Product excluding terms of trade effect | Terms of trade effect | | | | Real Product including terms of trade effect |
|------------|--|-----------------------|---------------|----------------------|-------|--|
| | | Due to tea | Due to rubber | Due to other exports | Total | |
| 1957 | 5,186 | —160 | —105 | +113 | —152 | 5,034 |
| 1958 | 5,301 | — 60 | — 44 | + 45 | — 59 | 5,242 |
| 1959 | 5,404 | — 34 | + 56 | + 14 | + 36 | 5,440 |
| 1960 | 5,610 | — 41 | + 88 | — 9 | + 38 | 5,648 |

Source : Central Bank of Ceylon.

It can be seen that the terms of trade contribution to National Product has been about 0.7 per cent in 1960 and was only slightly above the 1959 level. A rise in real income due to a favourable terms of trade is a potential source of capital formation. As it will be shown later the rise in real income in 1960 was utilized largely for consumption purposes.

Industrial Origin of Gross Domestic Product

The analysis of National Product components according to industrial origin gives an indication of the movements in the important sectors of the economy. The following table gives the distribution of Gross Domestic Product according to Industrial Origin :—

TABLE II-4

Gross Domestic Product by Industrial Origin at Factor Cost
1958-1960

Rupees Million

| Industry | 1958 | | 1959 | | 1960 | | Percent- age change in 1960 from 1959 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--|
| | Rs. Mn. | Per- cent | Rs. Mn. | Per- cent | Rs. Mn. | Per- cent | |
| Primary | | | | | | | |
| 1. Agriculture and fishing* .. | 2,637 | 48.45 | 2,733 | 47.91 | 2,828 | 47.50 | 3.48 |
| Secondary | | | | | | | |
| 2. Mining and quarrying .. | 10 | 0.18 | 14 | 0.24 | 10 | 0.17 | -28.57 |
| 3. Manufacturing and handi- crafts | 323 | 5.94 | 351 | 6.15 | 383 | 6.43 | 9.12 |
| 4. Construction | 496 | 9.11 | 536 | 9.40 | 574 | 9.64 | 7.09 |
| Tertiary | | | | | | | |
| 5. Transport and communica- tions | 342 | 6.28 | 377 | 6.61 | 405 | 6.80 | 7.43 |
| 6. Wholesale and retail trade .. | 482 | 8.86 | 508 | 8.90 | 527 | 8.85 | 3.74 |
| 7. Ownership of dwellings .. | 124 | 2.28 | 130 | 2.28 | 139 | 2.34 | 6.92 |
| 8. Government administration and defence | 287 | 5.27 | 291 | 5.10 | 298 | 5.01 | 2.41 |
| 9. Services (other) | | | | | | | |
| (a) Govt. social services .. | 314 | 5.77 | 328 | 5.75 | 342 | 5.74 | 4.27 |
| (b) Other | 428 | 7.86 | 437 | 7.66 | 448 | 7.52 | 2.52 |
| Gross Domestic Product | 5,443 | 100.0 | 5,705 | 100.0 | 5,954 | 100.0 | 4.36 |

Source : Central Bank of Ceylon.

*Includes income accruing to industry as a result of tea and rubber manufacturing.

Agriculture

Although the total value of agricultural production increased in 1960 its share in the Gross Domestic Product, which had been declining at an annual rate of nearly one per cent since 1956, fell further from 48 per cent of GDP in 1959 to 47.5 per cent. There was a marked increase in the growth of secondary industry mainly as a result of higher activity in manufacturing and in construction.

The rise in the value of agricultural output by 3.5 per cent in 1960 over the preceding year was due to a combination of many factors. Better methods of cultivation, expansion in cultivated area, increase in yields and a slight increase in domestic prices have contributed to this rise.

Paddy.—The production figures for 1960 are provisionally estimated at 36·5 million bushels. This is an increase over 1959 by nearly 1 million bushels. The output for the Maha season increased from 21·6 million bushels in 1959 to 22 million bushels in 1960 while the Yala output rose from 14·2 million bushels to 14·5 million bushels over the same period. The average Maha season yield was 35·0 bushels per acre in 1959/60 and was slightly higher than the yield in 1958/59 which was 34·8 bushels per acre. The average yield in the Yala season also rose from 37·1 bushels per acre to 38·2 bushels per acre according to provisional estimates. Some factors that have been responsible for the rise in yields were the increased use of fertilizers and the use of seed paddy with high response to fertilizers and disease resisting varieties.

The production of paddy in terms of rice⁽¹⁾ was 509·7 thousand tons in 1960 as compared to 497·1 thousand tons in 1959. The domestic consumption of rice is estimated at 1,008 thousand tons.⁽²⁾ It is clear that with the rapid increase in population a large proportion of domestic requirements of rice will have to be imported until such time as local paddy production meets domestic requirements and then rises faster than the rise in consumption. In 1960, rice imports amounted to 520 thousand tons.

Manufacturing and Handicrafts

Income originating in manufacturing and handicrafts was 6·4 per cent of Gross Domestic Product in 1960 as compared to 6·1 per cent in 1959. During the last three years the share of industrial production in Gross Domestic Product has expanded at an annual rate of nearly 0·4 per cent. The movements of the main components of industrial production entering into Gross Domestic Product are shown in the following table :—

TABLE II—5

*Industrial Production by Main Components**Rupees Million*

| | 1958 | 1959 | 1960* | Percentage increase in 1960 over 1959 |
|--|------|------|-------|---------------------------------------|
| 1. Cottage industries (handicrafts, etc.) .. | 88 | 90 | 93 | 3·33 |
| 2. Manufacturing industries | 235 | 261 | 290 | 11·11 |
| Total | 323 | 351 | 383 | 9·12 |

*Provisional.

*Sources : Department of Industries;
Department of Census and Statistics.*

Production in various branches of manufacturing industry has been expanding at widely different rates. The growth in industrial production will be discussed in detail in a later section of this report.

(1) Rice equivalent of paddy is computed by assuming that a ton of rice by weight is equal to 68 per cent of paddy. 46 pounds of paddy contributes approximately to a bushel of paddy.

(2) The average consumption of rice is estimated at 226 pounds per head per year (*vide* Six Year Programme of Investment p. 204).

Expenditure Generating Gross National Product

The estimates of expenditure generating Gross National Product at current factor cost prices as well as at current market prices are shown in the table given below :—

TABLE II—6

Expenditure Generating Gross National Product at Current Market Prices and at Current Factor Cost Prices

Rupees Million

| | At current market prices | | | | At current factor cost prices | | | |
|--|--------------------------|--------------|--------------|-------------------------------------|-------------------------------|--------------|--------------|-------------------------------------|
| | 1958 | 1959 | 1960 | Percentage change in 1960 from 1959 | 1958 | 1959 | 1960 | Percentage change in 1960 from 1959 |
| 1. Private consumption | 4,241 | 4,475 | 4,779 | 6.79 | 3,995 | 4,176 | 4,415 | 5.72 |
| 2. Government consumption | 830 | 853 | 887 | 3.99 | 830 | 853 | 887 | 3.99 |
| 3. *Gross private capital formation | 312 | 439 | 438 | -0.23 | 295 | 408 | 401 | -1.72 |
| 4. Gross public capital formation | 412 | 426 | 451 | 5.87 | 395 | 415 | 436 | 5.06 |
| 5. Exports of goods and services | 1,912 | 2,077 | 2,081 | 0.19 | 1,912 | 2,077 | 2,081 | 0.19 |
| Expenditure on G.D.P. and imports | 7,707 | 8,270 | 8,636 | 4.43 | 7,427 | 7,929 | 8,220 | 3.67 |
| 6. Less imports of goods and services | 2,001 | 2,237 | 2,274 | 1.65 | 2,001 | 2,237 | 2,274 | 1.65 |
| 7. Statistical discrepancy | — | — | — | — | +17 | +13 | +8 | — |
| Expenditure on Gross Domestic Product . . | 5,706 | 6,033 | 6,362 | 5.45 | 5,443 | 5,705 | 5,954 | 4.86 |
| 8. Net factor incomes from abroad | -27 | -21 | -22 | -4.76 | -27 | -21 | -22 | -4.76 |
| Expenditure generating Gross National Product | 5,679 | 6,012 | 6,340 | 5.46 | 5,416 | 5,684 | 5,932 | 4.86 |

Sources : Department of Census and Statistics ; Central Bank of Ceylon.

*In accordance with standard U.N. practice the capital expenditure of public corporations has been included under private capital formation.

The above data corrected for price changes indicate the changes in physical volume. Expenditure generating Gross National Product at constant prices is set out in the table given below :—

TABLE II—7

*Expenditure Generating Gross National Product at Constant
(1956) Prices*

Rupees Million

| | At market prices | | | | At factor cost prices | | | |
|--|------------------|--------------|--------------|--|-----------------------|--------------|--------------|--|
| | 1958 | 1959 | 1960 | Percent- age change in 1960 from 1959 | 1958 | 1959 | 1960 | Percent- age change in 1960 from 1959 |
| 1. Private consumption | 4,117 | 4,266 | 4,438 | 4.03 | 3,863 | 4,092 | 4,277 | 4.52 |
| 2. Government consumption | 792 | 812 | 859 | 5.79 | 792 | 812 | 859 | 5.79 |
| 3. Gross private capital formation | 289 | 401 | 413 | 2.99 | 274 | 373 | 378 | 1.34 |
| 4. Gross public capital formation | 399 | 365 | 426 | 16.71 | 382 | 389 | 412 | 5.91 |
| 5. Exports of goods and services | 2,036 | 2,119 | 2,123 | 0.19 | 2,036 | 2,119 | 2,123 | 0.19 |
| Expenditure on G.D.P. and imports | 7,633 | 7,963 | 8,259 | 3.72 | 7,347 | 7,785 | 8,049 | 3.89 |
| 6. Less imports of goods and services | 2,063 | 2,325 | 2,364 | 1.68 | 2,063 | 2,325 | 2,364 | 1.68 |
| 7. Statistical discrepancy | — | — | — | — | —11 | — | —15 | — |
| Expenditure on Gross Domestic Product .. | 5,570 | 5,638 | 5,895 | 4.56 | 5,273 | 5,460 | 5,870 | 3.85 |
| 8. Net factor income from abroad | —31 | —20 | —22 | —10.00 | —31 | —20 | —22 | —10.00 |
| Expenditure generating Gross National Product | 5,539 | 5,618 | 5,873 | 4.54 | 5,242 | 5,440 | 5,848 | 3.82 |

Sources : Department of Census and Statistics ;
Central Bank of Ceylon.

Consumption Expenditure.—Total consumption expenditure in 1960 showed an increase of 6.3 per cent at current market prices and 5.4 per cent at current factor cost prices. In real terms the increase over the same period was 4.3 per cent at market prices and nearly 4.7 per cent at factor cost prices.

Government consumption expenditure which has been steadily increasing rose nearly 4 per cent in 1960 over the preceding year. Its relative importance as a proportion of GNP was nearly 15 per cent in 1960. In real terms, however, government consumption expenditure has risen 5.8 per cent over the same period.

In 1960 private consumption expenditure at current factor cost prices showed an increase of 5.7 per cent in money terms and 4.5 per cent in real terms over the last year. At market prices the rise in private consumption was 6.8 per cent in

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money terms while in real terms it rose 4.0 per cent over the same period. The rise in private consumption was more than the rise in Gross National Product thus indicating a rise in the share of consumption in Gross National Product. Consumer expenditure is influenced not only by current incomes, but also by incomes of the immediate past, on asset and debt position of households, as well as by demographic and other factors. The rise in private consumption expenditure has been the main cause for internal demand exceeding GNP as indicated by the following table :—

TABLE II—8

Use of Resources at Current Market Prices

(as percentage of Gross National Product)

| | 1958 | 1959 | 1960 |
|--|-------|-------|-------|
| 1. Private consumption | 74.7 | 74.4 | 75.4 |
| 2. Public consumption | 14.6 | 14.2 | 14.0 |
| 3. Private capital formation | 5.5 | 7.3 | 6.9 |
| 4. Public capital formation | 7.3 | 7.1 | 7.1 |
| 5. Total | 102.1 | 103.0 | 103.4 |
| 6. Excess of internal demand met by the current account deficit in the balance of payments | 2.1 | 3.0 | 3.4 |

Source : Central Bank of Ceylon.

The above table shows that total demand exceeded Gross National Product by 3.0 per cent in 1959 and 3.4 per cent in 1960. This indicates that Ceylon has continued to live beyond its income. Such a continuous feature should be viewed with some concern at the present stage of Ceylon's economic development.

Gross Capital Formation.—The provisional estimates of gross capital formation at current market prices show an increase of 2.8 per cent from Rs. 865 million in 1959 to Rs. 889 million in 1960. Gross private capital formation in 1960 stood almost at the same level as in 1959 while the entire increase in gross capital formation was borne by the public sector. It should be mentioned here that investments by government sponsored corporations have been treated as capital formation falling within the private sector, as mentioned previously.

As a percentage of GNP, gross capital formation at current market prices fell from 14.4 per cent in 1959 to 14.0 per cent in 1960. The proportion of private construction in gross private capital formation was 50 per cent. Private investments on buildings, imported machinery and transport equipment indicated a slight drop in 1960.

When allowance is made for depreciation net capital formation forms nearly 9 per cent of GNP. The method of arriving at depreciation estimates was explained in the Annual Report for 1959. The depreciation estimate for 1960 was Rs. 323 million as compared to Rs. 312 million for 1959.

The method of financing of gross capital formation is indicated in the table given below :—

TABLE II—9
Domestic Gross Capital Formation Account

Rupees Million

| | 1958 | 1959 | 1960 |
|--|------|------|------|
| 1. Depreciation | 235 | 312 | 323 |
| 2. Government savings | 34 | 29 | 18 |
| 3. Corporate savings | 61 | 68 | 377 |
| 4. Household savings | 303 | 359 | |
| 5. Less surplus of the nation on current account | 153 | 208 | 210 |
| Total | 786 | 976 | 928 |
| 6. Gross domestic fixed capital formation | 724 | 865 | 889 |
| 7. Increase in stocks | 62 | 111 | 39 |
| Total | 786 | 976 | 928 |

Source : Central Bank of Ceylon.

The estimates of personal savings are residual estimates derived from national income accounts. Government savings have been adjusted on a calendar year basis. Data on stocks are also residual estimates derived from the gross capital formation account. The estimates of personal and corporate savings indicate a fall of nearly 11 per cent in 1960 over the previous year.

TABLE II—10
Personal Savings

Rupees Million

| | 1958* | 1959* | 1960 | Percentage change in 1960 from 1959 |
|---|-------|-------|-------|-------------------------------------|
| 1. Net National Product at factor cost | 5,181 | 5,372 | 5,609 | 4.41 |
| 2. Plus net current transfers from Government to public | 116 | 122 | 119 | — 2.46 |
| 3. Plus net transfers from abroad | — 78 | — 56 | — 39 | —30.36 |
| 4. Plus statistical discrepancy | — 17 | 14 | — 8 | — |
| 5. Equal private income | 5,202 | 5,452 | 5,681 | 4.20 |
| 6. Less direct taxes | 606 | 550 | 509 | — 7.45 |
| 7. Equal disposable private income | 4,596 | 4,902 | 5,172 | 5.51 |
| 8. Less personal consumption | 4,241 | 4,475 | 4,791 | 7.06 |
| 9. Less undistributed corporate profits | 52 | 68 | 381 | —10.77 |
| 10. Equal personal savings | 303 | 359 | | |

*Revised figures.

Source : Central Bank of Ceylon.

The disposable private income was 92 per cent of national income in 1960. This figure, however, includes undistributed corporate profits which in 1959 was less than 2 per cent of national income. Personal consumption in 1960 was nearly 90 per cent of disposable private income (after making a rough allowance for undistributed corporate profits).

Import Component in Consumption Investment and Exports

Changes in import component are useful in assessing the variations in the degree of dependence on imports. Changes in the consumption pattern or the growth of import competing substitutes will be reflected in their movements.

TABLE II—11

*Import Component in the Use of Resources in Expenditure
at Constant (1956) Prices*

Rupees Million

| | 1958 | | | 1959 | | | 1960 | | |
|---|-------|--------------|-------|-------|--------------|-------|-------|--------------|-------|
| | Total | Import Cont. | | Total | Import Cont. | | Total | Import Cont. | |
| | | Total | % | | Total | % | | Total | % |
| 1. Private and government consumption | 4,655 | 1,683 | 36·15 | 4,904 | 1,814 | 36·99 | 5,136 | 1,934 | 37·65 |
| 2. Gross capital formation | 656 | 218 | 33·23 | 762 | 230 | 30·18 | 790 | 250 | 31·65 |
| 3. Exports of goods and services | 2,036 | 162 | 7·96 | 2,119 | 281 | 13·26 | 2,123 | 180 | 8·48 |
| | 7,347 | 2,063 | 28·08 | 7,785 | 2,325 | 29·87 | 8,049 | 2,364 | 29·37 |

Source : Central Bank of Ceylon.

The above table indicates that there has been actually a deepening of dependence on imported consumption goods and investment goods. Though there has been a growth in domestic production that enters into consumption there has not been a deepening of production sufficient to meet the internal demand. In the context of the liberal import policy that prevailed until the second half of the year there was a great increase in consumption which was met through imports of consumer goods. The high import content of consumption expenditure is partly a reflection of Ceylon's dependence on imported consumption goods. The growth of import competing substitutes has been at a lower rate than the growth in consumption expenditure.

The import component of consumption expenditure shows a rise from 37·0 per cent in 1959 to 37·7 per cent in 1960. The import component of investment expenditure was 31·6 per cent in 1960 as compared to 30·2 per cent in 1959. The rise in the import component of investment goods was due to an expansion in imports of transport equipment and machinery.

TABLE II—12

*Distribution of Gross Domestic Product Between Uses
of Resources (at 1956 Prices)*

Rupees Million

| | 1958 | | 1959 | | 1960 | |
|---|-------|--------|-------|--------|-------|--------|
| | Total | % | Total | % | Total | % |
| Production for :— | | | | | | |
| 1. Private and government consumption | 2,972 | 56.25 | 3,035 | 55.59 | 3,202 | 56.32 |
| 2. Capital formation | 438 | 8.29 | 532 | 9.74 | 540 | 9.50 |
| 3. Exports of goods and services | 1,874 | 35.46 | 1,893 | 34.67 | 1,943 | 34.18 |
| | 5,284 | 100.00 | 5,460 | 100.00 | 5,685 | 100.00 |

Source : Central Bank of Ceylon.

Table II—12 shows the distribution of GDP as between the main uses. Of the total domestic resources used in 1960, 56.3 per cent was applied to the production for consumption (private and public), 9.5 per cent to the production for investment and 34.2 per cent to the production for exports.

Expenditure and Supplies

The following table summarises the changes in the expenditure and supplies :—

TABLE II—13

Percentage Changes in Expenditure and Supplies

| | At current factor cost prices | | At constant factor cost prices | |
|--|-------------------------------|----------------|--------------------------------|----------------|
| | 1959 over 1958 | 1960 over 1959 | 1959 over 1958 | 1960 over 1959 |
| Expenditure | | | | |
| 1. Personal consumption | 4.53 | 5.72 | 5.93 | 4.52 |
| 2. Government consumption | 2.77 | 3.99 | 2.53 | 5.79 |
| 3. Gross private capital formation | 38.31 | —1.72 | 36.13 | 1.34 |
| 4. Gross public capital formation | 5.06 | 5.06 | 1.83 | 5.91 |
| 5. Exports of goods and services | 8.63 | 0.19 | 4.08 | 0.19 |
| Supplies | | | | |
| 6. Gross Domestic Product | 4.81 | 4.36 | 3.55 | 3.85 |
| 7. Imports of goods and services | 11.79 | 1.65 | 12.70 | 1.68 |

Source : Central Bank of Ceylon.

The composition of additional resources and their uses can be seen from the Table II—14.

In absolute real terms the increase in available supplies was Rs. 264 million. Of the additional supplies available in 1960 nearly 70.1 per cent was utilized for private consumption, 17.8 per cent for government consumption, 10.6 per cent

for gross capital formation and 1·5 per cent for exports of goods and services. This reflects again Ceylon's high marginal propensity to consume.

TABLE II—14
*Changes in Expenditure and Supplies at Constant
Factor Cost Prices*

| | From 1958 to 1959 | | From 1959 to 1960 | |
|--|-------------------|--------|-------------------|--------|
| | Total Rs. Mn. | % | Total Rs. Mn. | % |
| Expenditure | | | | |
| 1. Private consumption | 229 | 52·28 | 185 | 70·08 |
| 2. Government consumption | 20 | 4·57 | 47 | 17·80 |
| 3. Gross private capital formation | 99 | 22·60 | 5 | 1·89 |
| 4. Gross public capital formation | 7 | 1·60 | 23 | 8·71 |
| 5. Exports of goods and services | 83 | 18·95 | 4 | 1·52 |
| Total | 438 | 100·00 | 264 | 100·00 |
| Supplies | | | | |
| 6. Gross Domestic Product | 176 | 40·18 | 225 | 85·23 |
| 7. Imports of goods and services | 262 | 59·82 | 39 | 14·77 |
| Total | 438 | 100·00 | 264 | 100·00 |

Source : Central Bank of Ceylon.

In view of the rapid rate of growth in population it is necessary to translate these data on expenditure and supplies into per capita terms and observe their movements.

Per Capita Movements

The per capita movements in the main components of expenditure and supplies are shown in the table given below :—

TABLE II—15
*Real Per Capita Movements in Main Components of Expenditure and
Supplies at Factor Cost (1956 = 100)*

| Indices | 1958 | 1959 | 1960 |
|--|-------|-------|-------|
| 1. Personal consumption | 105·8 | 109·2 | 111·5 |
| 2. Gross capital formation | 90·1 | 101·9 | 103·3 |
| 3. Exports of goods and services | 95·2 | 96·6 | 94·3 |
| 4. Imports of goods and services | 106·2 | 116·7 | 115·6 |
| 5. Per capita output (GNP) | 99·8 | 100·9 | 102·1 |

Source : Central Bank of Ceylon.

In 1960 the per capita income at current prices was Rs. 600 as compared to Rs. 584 in 1959.

The growth of real product per head has been 1·2 per cent over the preceding year. During the last five years the rate of growth has averaged about one per cent. The growth rate in 1960 is even slightly lower than that experienced during the previous year and falls short of a desired level of growth for an underdeveloped country like Ceylon.