

II ECONOMIC AND FINANCIAL TRENDS—1961

(a) National Product and Expenditure

Introduction

The Gross National Product for 1961 is provisionally estimated, at current factor cost prices, at Rs. 6,274 million. Revised estimates⁽¹⁾ for the two previous years are Rs. 6,127 million for 1960 and Rs. 5,844 million for 1959. Thus the increase in Gross National Product in 1961 over 1960 is 2·4 per cent whereas the increase in 1960 over 1959 was 4·8 per cent.

The relatively small magnitude of the increase in the gross national product during 1961 is largely explained by the decline in export prices. Despite a rise in the overall volume of exports—the volume of tea exports showing a fair rise, and that of coconut exports a very substantial rise—the fall in export prices resulted in a reduction in export values at current prices. But when the effects of changes in prices are eliminated by revaluing the gross national product at constant prices, the absolute increase in the gross national product in 1961 over 1960 becomes significantly larger than the increase shown at current prices. This is evident from Table II—1 where the gross national product at factor cost prices and a number of other summary indicators of product and expenditure are shown at current prices, at constant 1956 prices and at constant 1959 prices.⁽²⁾

At constant 1956 prices the annual increases in gross national product for 1960 and for 1961 are 5·3 per cent and 3·6 per cent respectively. At constant 1959 prices the annual increases for these years are 5·1 per cent and 4·2 per cent respectively.⁽³⁾ When account is taken of the growth of population—population is estimated to have increased by 2·8 per cent between mid-1960 and mid-1959, and by 2·7 per cent between mid-1961 and mid-1960—the gross national product per capita, in money terms, increased by 2·0 per cent in 1960, but fell fractionally by 0·4 per cent in 1961. The real product per capita, however, as estimated at constant 1956 prices, increased by 2·4 per cent and 0·9 per cent in 1960 and 1961 respectively. As estimated at constant 1959 prices, the increases in real product per capita during these years are 2·3 per cent and 1·3 per cent respectively.

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- (1) The present estimates for 1959 and 1960 differ from the previously published estimates of the Department of Census and Statistics, and of the Central Bank of Ceylon itself, for a number of reasons, the most important of which are indicated in the Technical Note on National Product and Expenditure.
 - (2) Constant price—valuations at the prices of different base-years do not normally yield identical results. This is because differences in the pattern of prices as between different base-years affect the weightage of constituent items in the computation of constant price aggregates. The valuations at constant 1959 prices are felt to be slightly more reliable than valuations at constant 1956 prices because rather more satisfactory data on prices are available for 1959 than for 1956. However, in this Report, valuations at constant 1956 prices are shown alongside valuations at constant 1959 prices because constant price estimates given in previous Annual Reports are on the basis of 1956 prices.
 - (3) As mentioned in the immediately preceding footnote, differences in the results obtained on valuation at constant 1956 prices and on valuation at constant 1959 prices are due to the differences in weightage involved in the use of different base-year prices.

TABLE II-1
Summary Indicators of Product and Expenditure

	At Current Prices			At Constant 1956 Prices			At Constant 1959 Prices		
	1959	1960	1961	1959	1960	1961	1959	1960	1961
A. Values									
1. Gross National Product at Factor Cost Prices (Rs. m.)	5844	6127	6274	5557	5850	6060	5844	6141	6396
2. Expenditure on Consumption and Gross Domestic Capital Formation at Market Prices .. (Rs. m.)	6549	6782	6735	6389	6625	6609	6549	6769	6776
3. Private Consumption at Market Prices (Rs. m.)	4448	4709	4625	4451	4710	4668	4448	4699	4666
4. Public Consumption at Market Prices (Rs. m.)	1050	1076	1067	1036	1063	1053	1050	1075	1063
5. Gross Domestic Fixed Capital Formation at Market Prices .. (Rs. m.)	1051	991	1062	903	848	904	1051	989	1066
6. Exports of Goods(1) and Non-Factor Services (Rs. m.)	2016	2011	1913	2074	2071	2154	2016	2013	2093
7. Imports of Goods(2) and Non-Factor Services .. (Rs. m.)	2176	2209	1969	2187	2204	1989	2176	2193	1979
8. Gross National Product per capita (3) at Factor Cost Prices .. (Rs.)	607	619	617	577	591	596	607	621	629
9. Expenditure per capita (3) on Consumption and Gross Domestic Capital Formation at Market Prices (Rs)	680	685	662	664	669	650	680	684	666
B. Index Numbers (Base 1959=100.0)									
1. Gross National Product at Factor Cost Prices ..	100.0	104.8	107.4	100.0	105.3	109.1	100.0	105.1	109.4
2. Expenditure on Consumption and Gross Domestic Capital Formation at Market Prices ..	100.0	103.6	102.8	100.0	103.7	103.4	100.0	103.4	103.5
3. Private Consumption at Market Prices ..	100.0	105.9	104.0	100.0	105.8	104.9	100.0	105.6	104.9
4. Public Consumption at Market Prices ..	100.0	102.5	101.6	100.0	102.6	101.6	100.0	102.4	101.2
5. Gross Domestic Fixed Capital Formation at Market Prices ..	100.0	94.3	101.0	100.0	93.9	100.1	100.0	94.1	101.4
6. Exports of Goods(1) and Non-Factor Services ..	100.0	99.8	94.9	100.0	99.9	103.9	100.0	99.9	103.8
7. Imports of Goods(2) and Non-Factor Services ..	100.0	101.5	90.5	100.0	100.8	90.9	100.0	100.8	90.9
8. Gross National Product per capita (3) at Factor Cost Prices ..	100.0	102.0	101.6	100.0	102.4	103.3	100.0	102.3	103.6
9. Expenditure per Capita(3) on Consumption and Gross Domestic Capital Formation at Market Prices ..	100.0	100.7	97.4	100.0	100.8	97.9	100.0	100.6	97.9

Source: Central Bank of Ceylon.

(1) Exported Merchandise valued f.o.b.

(2) Imported Merchandise valued c.i.f.

(3) The following estimates of population have been adopted:

		1959	1960	1961
Mid-year population	..	9,625,000	9,896,000	10,167,000
Index Number	..	100.0	102.8	105.6

Item A. 2 of Table II—1 shows the total expenditure on consumption and gross domestic capital formation at market prices. At current prices, this aggregate declined by 0·7 per cent in 1961 compared to 1960. At constant 1956 prices the decline is reduced to 0·2 per cent and, at constant 1959 prices, it is transformed into a slight rise of 0·1 per cent. When per capita values of expenditure on consumption and gross domestic capital formation are considered, a significant decline is seen to have occurred in 1961 compared to 1960 on the estimates at current prices as well as on each of the two estimates at constant prices.

The decline in 1961 in the total expenditure on consumption and gross domestic capital formation resulted from a fairly substantial decline in private consumption occurring together with a smaller decline in public consumption.⁽¹⁾ On the other hand, gross domestic fixed capital formation (item A. 5 of the table) rose substantially in 1961 compared to 1960, the increase being 7·2 per cent at current prices, 6·6 per cent at constant 1956 prices and 7·8 per cent at constant 1959 prices. The increase in gross domestic fixed capital formation, occurring at a time when total expenditure on consumption and gross domestic capital formation was levelling off or even declining, must be considered a satisfactory feature. Taking into account certain identifiable changes in stocks,⁽²⁾ total capital formation (vide item C of Table II—11 below) increased by 4·6 per cent in 1961 at current prices, and by 4·2 per cent and 5·3 per cent at constant 1956 and at constant 1959 prices respectively.

Items A. 6 and A. 7 of Table II—1 show the position as regards international trade in goods and services. While exports of goods and services rose in 1961 in real terms, export earnings declined fairly sharply (by nearly 5 per cent) in 1961 from the 1960 level, which was itself fractionally below the 1959 level. Imports of goods and services, which had reached an all-time peak level in 1960, fell in 1961 by nearly 11 per cent in money terms and nearly 10 per cent in real terms.

Product and Expenditure in Money Terms

Detailed estimates of the gross national product at current factor cost prices are shown in Table II—2.

The output of production for export,⁽³⁾ net of import content, fell in value by 2·6 per cent in 1961 as against a rise of 2·8 per cent in the previous year. The net output of production for domestic use increased

- (1) Following previous practice in Ceylon, and in conformity with United Nations conventions, the consumption and capital formation of public corporations and certain Government enterprises (i. e. Railway and Electrical Undertakings) are included in the categories of private consumption and private capital formation. A separation of the consumption and capital formation of these public corporations and Government enterprises from the consumption and capital formation of the rest of the private sector (as defined here) cannot be readily made in view of the indirect nature of the methods employed, particularly for the estimation of private capital formation.
- (2) Changes in stocks of tea, rubber and livestock have been taken into account in the estimates of gross capital formation in the private sector and changes in Guaranteed Price Scheme paddy stocks have been taken into account in the estimates of gross capital formation in the public sector.
- (3) The output of production for export equals the output of domestic exports adjusted for changes in stocks.

TABLE II-2

Gross National Product at Current Factor Cost Prices

Rupees Million

	1959	1960	1961	Percentage change	
				1960 over 1959	1961 over 1960
I. Production for Export					
(i) Domestic Exports: F.O.B. Value ..	1,692	1,775	1,681	+ 4.9	- 5.3
Value of Change in Stocks	-37	+19		
Less Imported Materials Used ..	-82	-82	-86		
Net Output ..	1,610	1,657	1,613	+ 2.9	- 2.6
(ii) Re-Exports: Value Added ..	3	2	2	-20.0	-
Total Production for Export: Net Output ..	1,613	1,659	1,615	+ 2.8	- 2.6
II. Production for Domestic Use (Net Output)					
(i) Agriculture, Forestry, Livestock and Fisheries	1,211	1,327	1,368	+ 9.6	+ 3.1
(ii) Industry, n.i.e. ..	321	354	375	+10.2	+ 5.8
(iii) Capital Development (Goods and Services)					
(a) Government Sector ..	342	314	418	- 8.3	+33.3
(b) Private Sector ..	246	249	249	+ 1.4	- 0.1
(iv) Ownership of Dwellings ..	144	154	167	+ 7.5	+ 8.4
(v) Professional, Personal and Domestic Services	437	443	450	+ 1.4	+ 1.6
(vi) Trade (Non-Government, Non-Export) ..	502	524	486	+ 4.4	- 7.2
(vii) Transport (Non-Government, Non-Export)..	307	331	330	+ 8.0	- 0.5
(viii) Government, n.i.e. ..	759	816	856	+ 7.6	+ 4.9
Total ..	4,268	4,513	4,699	+ 5.7	+ 4.1
III. Gross Domestic Product ..	5,881	6,171	6,314	+ 4.9	+ 2.3
IV. Net Factor Income from Abroad ..	-37	-44	-40		
V. Gross National Product ..	5,844	6,127	6,274	+ 4.8	+ 2.4

Definitions of Items:

- Government [(items II. (iii) (a) and II. (viii)] is defined to exclude public corporations and certain Government enterprises (i.e. Railway and Electrical Undertakings). The net output of these public corporations and Government enterprises is included under other items.
- Item II (viii) [Government n.i.e.] includes imputed rents of Government buildings.
- The net output of Capital Development in Government Sector [item II (iii) (a)] is inclusive of-
 - the net output of Government capital works done on contract, and
 - ancillary services rendered in the process of Capital Development e.g., transport of capital goods imported by Government.
- The net output of capital development in the Private Sector [item II (iii)(b)] comprises of-
 - the net output of constructional industries,
 - the net output of industries producing constructional materials and other capital goods for domestic use, and
 - the net output of planting and replanting.

General Notes:

- Apart from published sources (such as the Ceylon Customs Returns) and special sources on certain specific items (e.g. the Department of Industries on industrial output), most of the data necessary for the preparation of this Table (as well as for the Table on the Gross National Expenditure) have been kindly supplied by the Department of Census & Statistics.
- On account of rounding of numbers in the Tables, component items may not add up exactly to the totals.
- n.i.e. = not included elsewhere.
- The estimates of product and expenditure for 1961 are provisional.

by 4.1 per cent in value in 1961 compared to a 5.7 per cent increase in 1960. A noteworthy feature in regard to production for domestic use is the relative falling off of the rate of increase in the group agriculture, forestry, livestock and fisheries from 9.6 per cent in 1960 to 3.1 per cent in 1961. This is largely accounted for by the difference in the rates of increase in paddy production. The production of paddy (net of seed paddy) is estimated by the Department of Census and Statistics, on the basis of the crop cutting sample surveys, to have increased by 7.8 million bushels in 1960 over 1959, whereas the increase in 1961 over 1960 is provisionally estimated on the same basis at only 0.1 million bushels. A second noteworthy feature in regard to production for domestic use is the increase in the net output of goods and services used in capital development undertaken in the government sector, which increased by 33.3 per cent in 1961 compared to a decline of 8.2 per cent the previous year. Taking production for export and production for domestic use together, gross domestic product increased by 2.3 per cent in 1961 compared to 4.9 per cent the previous year. The percentage increases for gross national product, which is gross domestic product adjusted for net factor income from abroad, are 2.4 per cent and 4.8 per cent for 1961 and 1960 respectively.

In Table II—3, detailed direct estimates of the gross national expenditure at current market prices are presented in this Report for the first time. It appears from the analysis of gross national expenditure that private consumption, which increased by 5.9 per cent in 1960 over 1959, fell by 1.8 per cent in 1961. Public consumption, which increased by 2.5 per cent in 1960 over 1959, fell in 1961 by 0.8 per cent. Gross fixed capital formation in the private sector (defined to include public corporations), which had fallen by 7.9 per cent in 1960, fell by 1.1 per cent in 1961. In contrast to this pattern of change, gross fixed capital formation in the public sector (defined to exclude public corporations), which fell by 2.1 per cent in 1960, increased by as much as 20.3 per cent in 1961. When, however, account is taken of changes in stocks, total gross domestic capital formation in the private sector increased by 5.9 per cent in 1961 compared to a fall of 14.1 per cent in 1960; while total gross domestic capital formation in the public sector increased by 2.8 per cent in 1961 compared to a rise of 10.5 per cent in 1960.

TABLE II-3

Gross National Expenditure at Current Market Prices

	Rupees Million				
	1959	1960	1961	Percentage Change	
				1960 over 1959	1961 over 1960
I. Private Consumption					
(A) Imports of Goods and Non-Factor Services					
(i) Imports of Food and other Personal Consumption Goods (1)	1,774	1,831	1,615	+ 3.2	- 11.8
(ii) Imports of Non-Factor Services	178	152	140	-14.5	- 7.8
Total	1,952	1,982	1,755	+ 1.6	- 11.5
(B) Locally Produced Goods and Services					
(i) Locally Produced Goods	1,863	2,033	2,128	+ 9.1	+ 4.7
(ii) Rents of Dwellings	160	172	187	+ 7.5	+ 8.4
(iii) Internal Travel	187	198	207	+ 6.3	+ 4.1
(iv) Services, n.i.e.	482	492	503	+ 2.1	+ 2.2
Total	2,691	2,895	3,023	+ 7.6	+ 4.4
(C) Less Goods and Services Purchased by Non-Residents	-195	-169	-153	-13.5	- 9.1
Total Private Consumption	4,448	4,709	4,625	+ 5.9	- 1.8
II. Public Consumption					
(i) Current Expenditure on Goods and Services-Central Government	940	968	956	+ 3.0	- 1.2
(ii) Current Expenditure on Goods and Services-Local Government	90	87	90	- 3.4	+ 3.8
(iii) Imputed Rents of Government Buildings	20	21	21	+ 5.0	...
Total	1,050	1,076	1,067	+ 2.5	- 0.8
III. Private Domestic Capital Formation					
(i) Gross Fixed Capital Formation	657	605	598	- 7.9	- 1.1
(ii) Change in Stocks (2)	+ 15	- 27	+ 13		
Total	672	577	611	-14.1	+ 5.9
IV. Public Domestic Capital Formation					
(i) Gross Fixed Capital Formation	394	386	464	- 2.1	+ 20.3
(ii) Change in Stocks (3)	- 15	+ 33	- 33		
Total	380	420	431	+10.5	+ 2.8
V. Net Investment Abroad (4)	-208	-221	- 75	- 6.0	- 65.8
VI. Less Net Receipts of International Gifts and Transfers	+ 12	- 22	- 21		
VII. Gross National Expenditure	6,353	6,540	6,638	+ 2.9	+ 1.5

Sources: See General Notes to Table II-2.

(1) At retail values.

(2) Change in stocks of Tea, Rubber and Livestock only.

(3) Change in Guaranteed Price Scheme Paddy Stocks only.

(4) Net Investment Abroad \equiv Surplus of the Nation on Current Account.

The separately derived estimates of national product and national expenditure are reconciled in Table II—4.

TABLE II — 4

Expenditure on Gross National Product at Current Prices

Rupees Million

	1959	1960	1961		1959	1960	1961
1. Gross National Product at Factor Cost ..	5844	6127	6274	4. Consumption Expenditure: Private ..	4448	4709	4625
2. Indirect Taxes less Subsidies ..	397	407	384	5. Consumption Expenditure: Public ..	1050	1076	1067
				6. Gross Domestic Capital Formation: Private ..	672	577	611
				7. Gross Domestic Capital Formation: Public ..	380	420	431
				8. Expenditure on Consumption and Gross Domestic Capital Formation ..	6549	6782	6735
				9. Exports of Goods and Non-Factor Services ..	2016	2011	1913
				10. Less Imports of Goods and Non-Factor Services ..	-2176	-2209	-1969
				11. Expenditure on Gross Domestic Product at Market Prices ..	6389	6584	6679
				12. Net Factor Income from Abroad ..	- 37	- 44	- 40
				13. Residual (Unidentified changes in stocks and Statistical Discrepancy) ..	-112	- 6	+ 20
3. Gross National Product at Market Prices ..	6241	6534	6658	14. Expenditure on Gross National Product at Market Prices ..	6241	6534	6658

Source: Central Bank of Ceylon.

Note: The algebraic sum of items 11 and 12 of this table equals the Gross National Expenditure (item VII of Table II—3). This differs from item 14 of this table (Expenditure on Gross National Product at Market Prices) only by the amount shown as item 13 (Unidentified changes in Stocks and Statistical Discrepancy).

The sum of items 11 and 12 of this table (expenditure on gross domestic product at market prices plus net factor income from abroad) is identical with item VII (gross national expenditure) of Table II—3. While this item would also have been equal to the expenditure on the gross national product at market prices (item 14 of Table II—4) derived on the 'expenditure approach', if all

changes in stocks had been fully taken into account and if there had been no statistical discrepancies, in fact it differs from item 14 by the amount shown as a 'residual' (item 13).

Real Product, Real Income and Real Expenditure

The detailed estimation of real national product in terms of constant 1956 and constant 1959 prices is shown in table II-5.

TABLE II-5
Gross National Product at Constant Factor Cost Prices

	At Constant 1956 Prices					At Constant 1959 Prices				
	1959	1960	1961	Percentage Change		1959	1960	1961	Percentage Change	
				1960 over 1959	1961 over 1960				1960 over 1959	1961 over 1960
I. Production for Export										
(i) Domestic Exports:										
F.O.B. Value..	1,729	1,830	1,890	+ 5.8	+ 3.3	1,692	1,778	1,862	+ 5.1	+ 4.7
Value of Change in Stocks ..	+ 1	- 36	+ 21			...	- 34	+ 21		
Less Imported Materials used ..	- 89	- 89	- 98	-	+ 9.9	- 82	- 83	- 92	+ 1.3	+ 10.3
Net Output ..	1,640	1,704	1,814	+ 3.9	+ 6.4	1,610	1,660	1,791	+ 3.1	+ 7.8
(ii) Re-exports: Value added	3	2	2	-19.2	...	3	2	2	-16.0	...
Total Production for Export: Net Output ..	1,643	1,707	1,816	+ 3.9	+ 6.4	1,613	1,663	1,793	+ 3.1	+ 7.8
II. Production for Domestic Use (Net Output)										
(i) Agriculture, forestry, livestock and fisheries	1,108	1,237	1,270	+ 11.6	+ 2.7	1,211	1,351	1,388	+ 11.6	+ 2.7
(ii) Industry, n.i.e. ..	255	233	225	- 8.5	- 3.6	321	305	299	- 5.2	- 2.0
(iii) Capital Development (Goods and Services):										
Government Sector ..	281	259	344	- 8.0	+ 33.1	342	314	418	- 8.3	+ 33.2
Private Sector ..	206	228	207	+ 1.0	- 9.4	246	274	254	+ 1.4	- 7.3
(iv) Ownership of Dwellings.	137	149	160	+ 9.0	+ 7.2	144	157	167	+ 9.1	+ 6.5
(v) Professional, Personal and Domestic Services.	420	431	434	+ 2.5	+ 0.7	437	448	451	+ 2.6	+ 0.7
(vi) Trade (Non-Government, Non-Export)	478	506	465	+ 5.9	- 8.2	502	532	488	+ 5.9	- 8.2
(vii) Transport(Non-Government, Non-Export)..	308	328	324	+ 6.5	- 1.0	307	327	323	+ 6.5	- 1.0
(viii) Government, n.i.e. ..	759	816	856	+ 7.6	+ 4.9	759	816	856	+ 7.6	+ 4.9
Total	3,951	4,188	4,285	+ 5.9	+ 2.3	4,268	4,523	4,644	+ 6.0	+ 2.7
III. Gross Domestic Product ..	5,594	5,894	6,101	+ 5.4	+ 3.5	5,881	6,185	6,437	+ 5.2	+ 4.1
IV. Net Factor Income from Abroad ..	- 37	- 44	- 41			- 37	- 44	- 41		
V. Gross National Product ..	5,557	5,850	6,060	+ 5.3	+ 3.6	5,844	6,141	6,396	+ 5.1	+ 4.2

Source: Central Bank of Ceylon.

From this table it is clear that although the money value of the net output of production for export declined in 1961 compared with the previous year, in real terms production in the export sector increased considerably in 1961. The

net output of production for export was 6.4 per cent higher in 1961 than it was in 1960 at constant 1956 prices, and 7.8 per cent higher in 1961 than it was in 1960 at constant 1959 prices. The corresponding increases in 1960 over 1959 were 3.9 per cent and 3.1 per cent respectively. However, despite this impressive increase in the real product of the export sector in 1961, due largely to the unusually high production of coconuts, the value of actual exports in terms of constant prices showed a smaller rise in 1961 over 1960 than in 1960 over 1959. At constant 1956 prices the value of domestic exports was 3.3 per cent higher in 1961 than it was in 1960 and at constant 1959 prices it was 4.7 per cent higher. The corresponding increases in 1960 over 1959 were 5.8 per cent and 5.1 per cent. The asymmetry in the movements of real production and real exports is explained by changes in stocks. In 1960, exports were in excess of production in the case of tea and still more so in the case of rubber. In 1961, on the other hand, production was in excess of exports in the case of rubber while stocks of tea remained virtually unchanged.

As regards production for domestic use, the relative smallness of the increase at current prices in the group comprising agriculture, forestry, livestock and fisheries in 1961, compared to the increase in 1960, has already been mentioned. Revaluation at constant prices merely confirms the picture drawn by the comparisons at current prices. Another feature deserving mention is the apparent decline, ⁽¹⁾ in 1961 as well as in 1960, in the real net output of industry (exclusive of constructional industries and industries engaged in the processing of export products) [item II (ii) of Table II-5].

Table II-6 analyses the effects of changes in the terms of trade on real national income. Despite the substantial increase of around 4 per cent in 1961

TABLE II-6
Terms of Trade Contribution to Real National Income

Rupees Million

Year	Real National Product*	Terms of Trade Effect due to Exports of					Real National Income*
		Tea	Rubber	Coconut Products	Other Products	All Products	
At 1956 Factor Cost Prices							
1959	5,557	- 101	- 11	+ 85	- 3	- 29	5,528
1960	5,850	- 136	+ 27	+ 48	+ 3	- 58	5,792
1961	6,060	- 152	- 35	- 4	- 2	- 193	5,867
At 1959 Factor Cost Prices							
1959	5,844	-	-	-	-	-	5,844
1960	6,141	- 26	+ 39	- 33	+ 6	- 14	6,127
1961	6,396	- 38	- 25	- 111	+ 1	- 173	6,224

Source: Central Bank of Ceylon

* The figures for real national product and real national income are gross of depreciation.

(1) Whether this apparent decline represents an actual feature of the industries referred to, or whether it merely indicates the limitations of the available statistical data on industrial output, cannot be ascertained.

over 1960 revealed by the constant price estimates of gross national product, the increase in real national income in 1961 was significantly smaller. This is because there was an unfavourable movement in the terms of trade, which meant that the real cost in terms of exports of a given volume of imports increased in 1961 compared to the previous year. When allowance is made for this deterioration in the terms of trade, the value of the real national product of Ceylon in terms of its command over actual resources, in other words, the real national income of Ceylon, increased by only 1.3 per cent in 1961 as estimated at constant 1956 prices and by 1.6 per cent as estimated at constant 1959 prices. Between 1959 and 1960 too the terms of trade had deteriorated slightly; however, the increase in real income in 1960 was quite substantial, being 4.8 per cent in terms of both constant 1956 and constant 1959 prices.

Table II—6 also contains a breakdown of the total terms of trade effect into components⁽¹⁾ relating to each of the main categories of exports (tea, rubber, coconut products and other products).

Table II—7 presents detailed estimates of private and public consumption and private and public domestic capital formation at constant market prices. The decline in the import component of private consumption is clear from item I.A, where it is shown that the retail value of imports of food and non-factor services declined by roughly 10 per cent in 1961, whereas it had risen by rather over 1 per cent in 1960. In real terms total private consumption fell by a little less than 1 per cent in 1961 in contrast to the previous year when real private consumption rose by rather more than 5½ per cent. The real value of public consumption also declined by around 1 per cent in 1961 compared to a rise of about 2½ per cent the previous year. On the other hand, gross domestic capital formation in the private sector (inclusive of public corporations) rose in 1961 by 6.8 per cent at constant 1956 prices and by 5.9 per cent at constant 1959 prices in contrast to declines of 15.0 per cent and 13.4 per cent respectively in 1960. But this very favourable contrast between the two years is attributable largely to changes in stocks; for in 1961 the value of identifiable stocks rose whereas in 1960 it had fallen. When stock changes are left out, gross domestic fixed capital formation in the private sector in fact declined in 1961 by 2.3 per cent at constant 1956 prices and 1.4 per cent at constant 1959 prices, while in 1960 the respective declines were 7.6 and 7.3 per cent. Gross domestic capital formation in the public sector rose in real terms both in 1960 and in 1961, the increase in 1961 being smaller than the increase in the previous year. These comparisons of public domestic capital formation take into account, however, the changes in Guaranteed Price Scheme paddy stocks, which increased in 1960 but fell in 1961. Excluding these stock changes, gross domestic fixed capital formation in the public sector recorded a notable increase in 1961, amounting to 21.5 per cent at constant 1956 prices and 22.3

(1) This has been done on the basis of a comparison of the constant price value of the particular category of exports with the constant price value of an amount of imports of current value equal to the current value of the exports.

TABLE II—7
Expenditure on Consumption and Gross Domestic Capital Formation at Constant Market Prices

Rupees Million

	Constant 1956 Prices			Percentage Change		Constant 1959 Prices			Percentage Change	
	1959	1960	1961	1960 over 1959	1961 over 1960	1959	1960	1961	1960 over 1959	1961 over 1960
I. Private Consumption										
A. Imports of Food and Non-Factor Services										
(i) Imports of Food and other Personal Consumption Goods*	1,817	1,871	1,671	+ 3.0	- 8.1	1,774	1,825	1,649	+ 2.9	- 9.7
(ii) Imports of Non-Factor Services	178	152	141	-15.0	- 6.8	178	151	141	-15.0	- 6.8
Total	1,995	2,022	1,812	+ 1.4	-10.4	1,952	1,976	1,790	+ 1.3	- 9.4
B. Locally Produced Goods and Services										
(i) Locally Produced Goods	1,840	2,010	2,138	+ 9.3	+ 6.4	1,863	2,024	2,135	+ 8.7	+ 5.5
(ii) Rents of Dwellings	153	167	179	+ 9.2	+ 7.0	160	175	187	+ 9.3	+ 7.0
(iii) Internal Travel	187	196	203	+ 4.8	+ 3.5	187	196	203	+ 4.8	+ 3.5
(iv) Services, n.i.e.	461	478	483	+ 3.6	+ 1.1	482	499	504	+ 3.6	+ 1.1
Total	2,641	2,851	3,003	+ 7.9	+ 5.3	2,691	2,894	3,030	+ 7.5	+ 4.7
C. Less Goods and Services Purchased by Non-Residents	- 186	- 163	- 147	-12.1	-10.2	- 195	- 171	- 154	-12.1	-10.3
Total Private Consumption	4,451	4,710	4,668	+ 5.8	- 0.9	4,448	4,699	4,666	+ 5.6	- 0.7
II. Public Consumption										
(i) Current Expenditure on Goods and Services— Central Government	1,016	1,043	1,032	+ 2.7	- 1.0	1,030	1,054	1,042	+ 2.4	- 1.1
(ii) Current Expenditure on Goods and Services— Local Government	20	21	21	+ 5.0	+ 0.5	20	21	21	+ 5.0	+ 0.5
(iii) Imputed Rents of Government Buildings	1,036	1,063	1,053	+ 2.7	- 1.0	1,050	1,075	1,063	+ 2.4	- 1.1
Total										
III. Private Domestic Capital Formation										
(i) Gross Fixed Capital Formation	576	532	520	- 7.6	- 2.3	657	609	601	- 7.3	- 1.4
(ii) Change in Stocks	+ 15	- 30	+ 17			+ 15	- 27	+ 15		
Total	591	502	537	-15.0	+ 6.8	672	582	616	-13.4	+ 5.9
IV. Public Domestic Capital Formation										
(i) Gross Fixed Capital Formation	326	316	384	- 3.2	+21.5	394	380	465	- 3.6	+22.3
(ii) Change in G.P.S. Paddy Stocks	- 15	+ 33	- 33			- 15	+ 33	- 33		
Total	312	349	351	+12.1	+ 0.4	380	413	432	+ 8.9	+ 4.4
Expenditure on Consumption and Gross Domestic Capital Formation	6,389	6,625	6,609	+ 3.7	- 0.3	6,549	6,769	6,776	+ 3.4	+ 0.1

*At retail values,

Source: Central Bank of Ceylon.

per cent at constant 1959 prices. These increases contrasted with declines in 1960 of 3.2 per cent at constant 1956 prices and 3.6 per cent at constant 1959 prices.

Availability and Use of Resources

In Table II - 8 the percentage changes each year in the resources available to the economy through domestic production and through international trade are examined at current market prices, and also the percentage changes in the uses to which they were put, i.e., consumption, capital formation and exports. It will be noted that the availability of imported resources fell substantially in 1961 compared to 1960, while, on the side of utilisation, gross domestic capital formation increased whereas consumption and exports both declined,

TABLE II - 8

Resources and their Utilisation at Current Market Prices

	Rupees Million				
	1959	1960	1961	Percentage Change	
				1960 over 1959	1961 over 1960
A. Resources					
Gross Domestic Product(1)	6,389	6,584	6,679	+ 3.0	+ 1.4
Imports of Goods and Non-Factor Services	2,176	2,209	1,969	+ 1.5	-10.8
Total	8,565	8,792	8,647	+ 2.7	- 1.6
B. Utilisation					
Consumption	5,497	5,785	5,692	+ 5.2	- 1.6
Gross Domestic Capital Formation ..	1,052	997	1,043	- 5.2	+ 4.6
Exports of Goods and Non-Factor Services	2,016	2,011	1,913	- 0.3	- 4.9
Total	8,565	8,792	8,647	+ 2.7	- 1.6

Source: Central Bank of Ceylon.

(1) This is item III of Table II-2 adjusted for indirect taxes net of subsidies (Item 2 of Table II-4) and for Unidentified Changes in Stocks plus Statistical Discrepancy (item 13 of Table II-4) to conform to the estimates of consumption and capital formation on the expenditure approach.

Table II - 9 is designed to examine whether the resources available to the nation through current production were adequate to meet the total of expenditures on consumption and capital formation, both private and public.

TABLE II-9

Expenditure on Consumption and Gross Domestic Capital Formation and Availability of Resources at Current Market Prices

Rupees Million

	1959		1960		1961	
	Rs. Mn.	Percentage of Row (6)	Rs. Mn.	Percentage of Row (6)	Rs. Mn.	Percentage of Row (6)
1. Consumption Expenditure: Private ..	4,448	70.0	4,709	72.0	4,625	69.7
2. Consumption Expenditure: Public ..	1,050	16.5	1,076	16.5	1,067	16.1
3. Gross Domestic Capital Formation: Private	672	10.6	577	8.8	611	9.2
4. Gross Domestic Capital Formation: Public	380	6.0	420	6.4	431	6.5
5. Expenditure on Consumption and Gross Domestic Capital Formation ..	6,549	103.1	6,782	103.7	6,735	101.5
6. Gross National Product (Adjusted) (1) ..	6,353	100.0	6,540	100.0	6,638	100.0
7. Excess of (5) over (6) met by ..						
(a) Net Disinvestment Abroad ..	208	3.3	221	3.4	75	1.1
(b) Net Receipts of International Gifts and Transfers ..	-12	-0.2	22	0.3	21	0.3
(a) + (b) ..	196	3.1	242	3.7	96	1.5

Source: Central Bank of Ceylon.

(1) For the sake of consistency with other items of this Table, which are taken from the Table on the Gross National Expenditure (Table II-3), the figures for Gross National Product at Current Market prices shown as item 3 of Table II-4 have been adjusted by item 13 of that Table.

To the extent that the total of consumption and capital formation exceeded gross national product the difference would have to be met either by net receipts of international gifts and transfers, or by dis-investment abroad (by running down external assets or running up external liabilities). In each of the three years 1959 to 1961 the total of consumption and capital formation exceeded gross national product; but less so in 1961 than in the two previous years. In 1961 the financing of consumption and gross domestic capital formation by net dis-investment abroad amounted to 1.1 per cent of gross national product as compared to 3.4 per cent in 1960 and 3.3 per cent in 1959. Total expenditures on consumption and gross domestic capital formation in excess of gross national product were slightly helped both in 1961 and 1960 by net receipts of international gifts and transfers (to the extent of 0.3 per cent of gross national product in each year); in contrast, in 1959 there had been a small net outflow in respect of these items, net payments of international gifts and transfers amounting to 0.2 per cent of gross national product in that year. The reduction of net dis-investment abroad in 1961 is doubtless attributable in the main to the effects of the import restrictions introduced in early 1961.

Table II-9 also makes clear the pattern of resource utilisation, in that private and public consumption and private and public domestic capital formation are shown as percentages of gross national product. There is some slight evidence that 1960 had been a year of relatively high consumption—88.5 per cent of gross national product being devoted to consumption in that year as against 86.5 per cent in 1959 and 85.8 per cent in 1961.

In Table II - 10 a detailed classification is given of private consumption expenditure in terms of expenditure on imports of goods and services, on the one hand, and expenditure on locally produced goods and services on the other, the estimates being all shown at current retail prices.

TABLE II-10

Composition of Private Consumption Expenditure at Current Market Prices

Rupees Million

	1959	1960	1961	Percentage Change	
				1960 over 1959	1961 over 1960
A. Imports of Goods and Non-Factor Services	1,952	1,982	1,755	+ 1.6	-11.5
B. Locally produced Goods and Services					
(i) Locally produced Goods					
Rice	285	300	311	+ 5.5	+ 3.8
Coconut Products	198	172	146	-13.2	-15.3
Tea	59	64	65	+ 7.4	+ 2.2
Other Food Crops	398	438	475	+ 9.9	+ 8.6
Tobacco	20	20	21	...	+ 5.0
Betel and Arecanuts	46	50	50	+ 7.4	...
Firewood	14	16	17	+ 9.7	+ 4.4
Livestock	159	160	172	+ 0.3	+ 7.6
Fish	83	94	106	+14.0	+12.2
Miscellaneous Agricultural and Forest Products	54	59	61	+ 9.5	+ 3.1
Industrial Products	589	706	748	+19.9	+ 5.9
Less Government Local Purchases	- 42	- 45	- 44		
Total	1,863	2,033	2,128	+ 9.1	+ 4.7
(ii) Rents of Dwellings	160	172	187	+ 7.5	+ 8.4
(iii) Internal Travel	187	198	207	+ 6.3	+ 4.1
(iv) Services, n.i.e.					
Domestic	200	203	209	+ 1.5	+ 3.1
Hotel, Restaurant etc.	119	121	125	+ 1.5	+ 3.1
Medical, Legal, Educational, Financial etc.	55	55	52	...	- 5.8
Newspapers and other Reading	23	26	28	+14.1	+ 6.2
Entertainment	35	36	37	+ 2.9	+ 2.8
Other Personal	50	51	52	+ 1.4	+ 3.2
Total	482	492	503	+ 2.1	+ 2.2
Grand Total	2,691	2,895	3,023	+ 7.6	+ 4.4
C. Less Goods and Services purchased by Non-Residents	- 195	- 169	- 153		
Total Private Consumption	4,448	4,709	4,625	+ 5.9	- 1.8

Source: Central Bank of Ceylon.

TABLE II-11

Gross Domestic Capital Formation

Rupees Million.

	Current Prices					Constant 1956 Prices					Constant 1959 Prices				
	1959	1960	1961	Percentage Change		1959	1960	1961	Percentage Change		1959	1960	1961	Percentage Change	
				1960	1961				1960	1961				1960	1961
				over 1959	over 1960				over 1959	over 1960				over 1959	over 1960
A. Private Capital Formation															
I. Gross Fixed Capital Formation															
Planting and re-planting ..	54	52	56	- 2.8	+ 6.9	50	47	50	- 6.2	+ 6.9	54	50	54	- 6.5	+ 7.0
Building and certain other construction ..	324	335	329	+ 3.4	- 1.8	272	284	314	+ 4.4	+ 10.5	324	338	373	+ 4.4	+ 10.5
Plant and machinery ..	106	81	109	-23.8	+35.1	92	61	70	-33.6	+14.1	106	70	80	-33.6	+14.2
Transport ..	119	82	56	-30.6	-32.0	113	92	44	-18.6	-52.1	119	97	46	-18.5	-48.9
Imported capital goods, n.i.e. ..	55	55	49	..	-11.8	50	49	43	- 1.4	-12.5	55	54	47	- 1.6	-12.5
Total ..	657	605	598	- 7.9	- 1.1	576	532	520	- 7.6	- 2.3	657	609	601	- 7.3	- 1.3
II. Change in Stocks															
Tea ..	+ 3	-10	..			+ 3	-11	..			+ 3	-10	..		
Rubber ..	- 2	-27	+19			- 3	-25	+21			- 2	-24	+21		
Livestock ..	+15	+ 9	- 5			+14	+ 6	- 5			+15	+ 7	- 5		
Total ..	+15	-27	+13			+15	-30	+17			+15	-27	+15		
Grand Total ..	672	577	611	-14.1	+ 5.9	591	502	537	-15.0	+ 6.8	672	582	616	-13.4	+ 5.9
B. Public Capital Formation															
I. Gross Fixed Capital Formation ..	394	386	464	- 2.1	+20.2	326	316	384	- 3.2	+21.5	394	380	465	- 3.6	+22.3
II. Change in G. P. S. Paddy Stocks ..	-15	+33	-33			-15	+33	-33			-15	+33	-33		
Total ..	380	420	431	+10.5	+ 2.8	312	349	351	+12.1	+ 0.4	380	413	432	+ 8.9	+ 4.4
C. Gross Domestic Capital Formation ..	1,052	997	1,043	- 5.2	+ 4.6	903	852	887	- 5.5	+ 4.2	1,052	995	1,048	- 5.4	+ 5.3

Source: Central Bank of Ceylon.

Besides the decline in the consumption of imported goods and services, it is seen that declines also occurred in the retail value of the consumption of coconut products, in consequence of lower prices, and in (estimated) expenditure on medical, legal and other professional services. In view of the decline, noted earlier, in the real net output of industrial consumption goods both in 1960 and in 1961, the increases seen in the retail values of industrial products in this table must be attributed largely to price factors.

Table II - 11 presents an analysis of gross domestic capital formation in terms of current as well as constant 1956 and constant 1959 prices. From the detailed estimates shown in this table it is clear that the declines, already referred to, in the gross fixed capital formation of the private sector (inclusive of public corporations) in both 1961 and 1960, were due principally to declines in the categories 'transport' and 'imported capital goods n. i. e.', the declines being particularly sharp in the case of transport. As regards movements in private sector inventories, (taking into account only tea, rubber and livestock), it is seen that 1960 was a year in which stocks were run down whereas stocks increased in both 1959 and 1961.

Gross Domestic Product by Industrial Origin

Table II - 12 presents revised estimates for 1959 and 1960, and provisional estimates for 1961, of the gross domestic product by industrial origin at current factor cost prices.

TABLE II - 12
Gross Domestic Product by Industrial Origin at Current Factor Cost Prices

Industry	1959		1960		1961		Percentage Change	
	Rs. Mn.	Per cent	Rs. Mn.	Per cent	Rs. Mn.	Per cent	1960 over 1959	1961 over 1960
I. Agriculture, Forestry, Livestock, and Fisheries (1)	2,475	42.1	2,628	42.6	2,616	41.4	+ 6.2	- 0.5
II. Mining and Quarrying	12	0.2	13	0.2	13	0.2	+ 9.0	- 3.8
III. Manufacturing (excl. Constructional Materials)	325	5.5	356	5.8	376	6.0	+ 9.8	+ 5.6
IV. Construction (incl. Constructional Materials)	532	9.0	508	8.2	609	9.6	- 4.4	+ 19.8
V. Transportation, Storage and Communication	548	9.3	576	9.3	587	9.3	+ 5.2	+ 1.9
VI. Wholesale and Retail Trade ..	702	11.9	730	11.8	698	11.1	+ 4.1	- 4.5
VII. Ownership of Dwellings ..	144	2.4	154	2.5	167	2.6	+ 7.5	+ 8.4
VIII. Public Administration and Defence	368	6.3	384	6.2	418	6.6	+ 4.3	+ 8.9
IX. Services, n.i.e.								
(a) Government Medical, Health, Educational, Broadcasting and Meteorological Services ..	340	5.8	378	6.1	380	6.0	+ 11.1	+ 0.6
(b) All other services ..	437	7.4	443	7.2	450	7.1	+ 1.4	+ 1.6
Total:	777	13.2	821	13.3	830	13.1	+ 5.6	+ 1.2
Gross Domestic Product ..	5,881	100.0	6,171	100.0	6,314	100.0	+ 4.9	+ 2.3

Source: Central Bank of Ceylon.

(1) Inclusive of processing of agricultural exports.

TABLE II-13

F. O. B. Export Values

Rupees Million.

	Current Prices					Constant 1956 Prices					Constant 1959 Prices				
	1959	1960	1961	Percentage Change		1959	1960	1961	Percentage Change		1959	1960	1961	Percentage Change	
				1960 over 1959	1961 over 1960				1960 over 1959	1961 over 1960				1960 over 1959	1961 over 1960
Domestic Exports — Tea	1,045	1,096	1,114	+ 4.9	+ 1.7	1,151	1,229	1,277	+ 6.9	+ 3.9	1,045	1,115	1,158	+ 6.7	+ 3.9
— Rubber	298	378	260	+27.1	-31.3	310	351	298	+13.2	-15.2	298	337	286	+13.2	-15.2
— Coconuts and coconut products	285	238	247	-16.5	+ 2.7	202	190	254	- 5.6	+33.3	285	270	359	- 5.6	+33.2
— Other	64	62	59	-33.5	- 5.1	67	59	62	-11.8	+ 4.4	64	56	59	-11.7	+ 4.4
— Total	1,692	1,775	1,681	+ 4.9	- 5.3	1,729	1,830	1,890	+ 5.8	+ 3.3	1,692	1,778	1,862	+ 5.1	+ 4.7
Re-Exports — Total	62	57	52	- 7.9	- 7.9	63	60	61	- 4.8	+ 1.5	62	59	60	- 4.7	+ 1.4

Sources: Ceylon Customs Returns; Central Bank of Ceylon.

Examination of the pattern of production over the three-year period 1959 to 1961, as shown in this table, does not provide evidence of any significant shifts in economic structure. In so far as some slight relative movements are discernible, the tendency in 1961 seems, as often as not, to have been in the direction of reversing such shifts as occurred between 1959 and 1960. A comparison of the percentage changes in 1961 over 1960 with the percentage changes in 1960 over 1959 reveals that the output of constructional industries (inclusive of the output of industries producing constructional materials) recorded a large rise in 1961. The only industries whose output at current factor cost prices showed declines in 1961 compared to 1960 were wholesale and retail trade, mining and quarrying, and the group comprising agriculture, forestry, livestock and fisheries.

Production and Exports

The movements of export values, both at current and at constant 1956 and constant 1959 prices, are shown in Table II - 13. In the case of tea the value of exports showed a rise in 1961 despite the slightly lower prices realised. The increase, of course, is higher at constant (1956 and 1959) prices than at current prices, being less than 4 per cent in 1961 over 1960 compared with a little below 7 per cent in 1960 over 1959. In the case of rubber there was a 31 per cent decline in the value of exports at current prices while the decline in value at constant prices was around 15 per cent. In the case of coconut products an impressive rise in production helped to offset the effects of a major decline in export prices.

Estimates of rice production and of other goods produced for local consumption are shown valued at current producers' prices in Table II - 14.

TABLE II-14
Locally Produced Goods for Domestic Consumption
Valued at Current Producers' Prices

	Rupees Million				
	1959	1960	1961	Percentage Change	
				1960 over 1959	1961 over 1960
(i) Agriculture, Forestry, Livestock and Fisheries					
Rice	379	469	483	+ 23.8	+ 3.0
Coconut and Coconut Products	169	151	132	- 10.8	- 12.2
Tea	51	53	53	+ 4.3	...
Other food crops	327	354	386	+ 8.4	+ 9.0
Tobacco	15	14	15	- 6.7	+ 7.1
Betel and Arecanuts	34	37	38	+ 7.6	+ 1.4
Firewood	12	14	15	+ 13.8	+ 4.3
Livestock	137	135	136	- 1.0	+ 0.6
Fish	60	69	77	+ 13.9	+ 11.9
Miscellaneous	47	51	53	+ 9.4	+ 3.1
Less Imported materials used	- 19	- 20	- 19	+ 2.6	- 3.0
Value added by Domestic Production	1,211	1,327	1,368	+ 9.6	+ 3.1
(ii) Industry (Excluding Capital Development)					
Factory Industries	315	383	409	+ 21.5	+ 6.7
Cottage Industries	99	101	104	+ 1.5	+ 3.1
Less Imported materials used	- 93	- 129	- 138	+ 39.1	+ 6.4
Value added by Domestic Production	321	354	375	+ 10.2	+ 5.8

Sources: Central Bank of Ceylon, Department of Census and Statistics, Department of Industries, Department of Fisheries, etc.

The point mentioned earlier, of the smaller percentage increase in 1961 compared to 1960 in the agricultural group being largely explained by the smaller percentage increase in 1961 in rice production, becomes clear from the detailed estimates shown in this table. In the field of industrial production (exclusive of constructional industries and industries engaged in the production of constructional materials), the increase in production in 1961 is provisionally estimated at 5.8 per cent as compared to 10.2 per cent in 1960. The fall in the rate of increase in 1961 compared to the previous year is due to the lower rate of increase indicated for 1961 by the data available on the output of factory industries. The reliability of this data is, however, open to some doubt. The figures shown in the table for the output of cottage industries are also of uncertain reliability, being indirect estimates based on assumptions of doubtful validity.

Detailed comments follow on the principal export commodities and on paddy production:

Tea.— The area under tea at the end of 1961 was nearly 584,551 acres compared to 581,821 acres at the end of 1960. The total quantity of tea produced in 1961 is estimated at 455 million pounds as against 435 million pounds in 1960. This increase in production of 20 million pounds in 1961 is only slightly less than the increase of 22 million pounds the previous year. The rate of increase in 1961, amounting to 4.6 per cent, compares very favourably with the rate of increase during the last 10 years, estimated at 3.8 per cent. Medium-growns contributed the largest share to the increase of tea production in 1961, the total production of medium-grown teas increasing from 153 million pounds in 1960 to 163 million pounds in 1961.

The yield per acre of tea was 778 pounds in 1961 as compared to 748 pounds in 1960 and 714 pounds in 1959. The increase of yield in 1961 occurred despite the slow progress of the tea replanting scheme. Replanting with high yielding varieties was one of the major recommendations in the Ten Year Plan. There it was envisaged that about 50,000 acres would be replanted by the end of 1968. But the area replanted in 1961 was only 1,298 acres.

The total quantity of tea exported, at 426 million pounds, showed an increase of 4 per cent over the 1960 figure of 410 million pounds. But the total value of tea exports showed only a 2 per cent increase because the average price was below the 1960 level by 2 per cent.

Rubber.— The acreage under rubber showed an increase from 668,123 acres in 1960 to 669,013 acres in 1961. At the end of 1961 the area replanted amounted to 169,727 acres of which 9,742 acres were replanted in 1961. The Rubber Replanting Subsidy Scheme launched in 1953 aimed at replanting by the end of 1962 nearly 200,000 acres of rubber land then thought to be uneconomic; this would mean that during the course of 1962 replanting must cover approximately 30,000 acres in order that the target may be achieved.

The production of rubber declined slightly from 218 million pounds in 1960 to 215 million pounds in 1961. A rubber tree takes nearly seven years to come into production and it will be interesting to note therefore the amount of replanting and new planting undertaken 7 years ago, i. e. in 1954. In 1954, 18,301 acres were replanted mainly with high yielding varieties of rubber, and in addition 1,879 acres of new land were brought under cultivation. These 20,180 acres would have started to yield rubber in 1961. In spite of this additional high yielding rubber, production has, in fact, recorded a decline of about 3 million pounds. This is perhaps partly explained by the acreage that has gone temporarily out of production on account of replanting operations, and partly by the newly replanted areas not yet having reached full maturity. It is likely, however, that the heavy rains experienced during the latter half of 1961 also hampered tapping operations. Further the decline in rubber prices may have contributed to the decline in output.

The average yield per acre, after allowing for an untapped acreage of approximately 20 per cent of the total area under rubber, declined from 408 pounds in 1960 to around 400 pounds in 1961.

The volume of rubber exports in 1961 was 197 million pounds as compared to 235 million pounds in 1960. The value realised from these exports declined by nearly 31 per cent, as a result of a decline in volume by nearly 16 per cent and in price by 18 per cent.

Coconuts.— The production of coconuts in 1961 is estimated at 2,596 million nuts as compared to 2,220 million nuts in 1960. The estimated production figure consists of the nut equivalent of total domestic consumption (estimated at 1,241 million nuts) and exports (1,355 million nuts). Since data on changes in stocks are not available, variations in exports largely determine the variations in production figures.

The increase in production of 376 million nuts over 1960 is mainly due to favourable weather conditions in 1961, and to the increased use of fertilizer in recent years.

Taking only the three major coconut products — namely coconut oil, desiccated coconut and copra—total exports in terms of nuts showed an increase of 39 per cent.⁽¹⁾ The value realised (Rs. 202 million), however, was only 10 per cent higher than in 1960 due to a 22 per cent fall in price (as indicated by the export price index of the three major coconut products).

Paddy.— The production of paddy in 1961 is provisionally estimated at 43.2 million bushels. This is a fractional increase over the revised figure of production in 1960 which is 43.1 million bushels. The output for the Maha season registered an increase from 26.3 million bushels in 1959/1960 to

(1) The increase appears to be slightly higher (41 per cent) according to the Central Bank volume index for exports of the three major coconut products.

27.1 million bushels in 1960/1961, while the Yala output declined from 16.8 million bushels in 1960 to 16.1 million bushels in 1961. The average Maha season yield was 35.9 bushels per net acre harvested in 1960/1961 and was slightly lower than the yield in 1959/1960 which was 36.1 bushels per net acre harvested. The average in the Yala season also registered a slight fall from 36.8 bushels in 1960 to 36.5 bushels in 1961, according to provisional estimates of yield per net acre harvested.

The total quantity of paddy purchased under the Guaranteed Price Scheme was 22.6 million bushels in 1961 as compared to 21.8 million bushels in 1960.

The production of paddy in terms of rice was 562.8 thousand tons in 1961 as compared to 561.4 thousand tons in 1960. The domestic consumption of rice is estimated at 1,056.4 thousand tons. Imports of rice in 1961 amounted to 461.6 thousand tons.

TECHNICAL NOTE ON NATIONAL PRODUCT AND EXPENDITURE

As mentioned in the footnote on page 28, the estimates of national product and expenditure for 1959 and 1960 published in the present Report differ from the estimates previously published by the Department of Census and Statistics (and by the Central Bank of Ceylon in previous Annual Reports). This is because the present estimates are derived on methods which represent a modification of those hitherto used in Ceylon.

The methods hitherto in use have been based essentially on the scheme outlined by Mr. K. Williams in his Report on the National Income of Ceylon published in 1952, although the primary statistical data have been considerably improved by the Dept. of Census and Statistics in recent years. While Mr. Williams' scheme constitutes an advance on the methods previously in use in Ceylon, it suffers from a number of limitations. The modifications introduced in the present estimates aim at removing some of these limitations, partly by improving the conceptual basis of the estimates, partly by providing a better coverage of economic activity, and partly by securing consistency of treatment in the detailed estimation of items on the respective product and expenditure approaches. While the estimates are still not without their shortcomings, these are associated rather closely with inadequacies in the statistical data available on economic activity in Ceylon. It is expected, however, that the scope and quality of statistical data will improve in the future, when it will be possible to make further improvements in the national product and expenditure estimates prepared by the Central Bank of Ceylon.

PRINCIPAL CHANGES IN METHODS OF ESTIMATION

The most important of the modifications introduced in the present estimates are described below:

Production for Export — Item I of Table II — 2:

Hitherto the net output of production for export has been estimated as the f.o.b. value of domestic exports less imported materials used. The improvements made in the present estimates are threefold:

Firstly, there is incorporated an adjustment for the value of changes in stocks, in so far as these changes can be identified. Changes in tea and rubber stocks can be estimated on the basis of production and export figures, and have been taken into account; this is not possible, however, in the case of coconut products. In view of the magnitude of the value of changes in tea and rubber stocks in recent years, failure to take account of them could be a significant omission.

Secondly, the coverage of imported materials used in production for export has been widened in the present estimates to take account of imported fuels, for imported fuels are used both in the operation of estate factories and in the transport of export goods. The absence of a deduction on account of imported fuels used by the export sector would have led to a certain measure of over-estimation of the net output of production for export.

Thirdly, account is taken in the present estimates of 'values added' through the re-export trade. While this is a fairly small item, its inclusion is desirable on conceptual grounds.

Ownership of Dwellings — Item II (iv) of Table II—2:

The coverage of rents of dwellings has been improved by the incorporation of an estimate for rural rents, which had previously been ignored. Total rents of dwellings are assumed to constitute 75 per cent of total estimated rents of all buildings.

Locally Produced Goods and Services for Domestic Use at Market Prices — Item B (i) of Table II — 10:

In the present estimates, locally produced goods for domestic private consumption are valued at retail prices only to the extent that the goods are assumed to have been marketed. In previous estimates a global assumption was made that only 50 per cent of these locally produced goods were marketed and that the remaining 50 per cent consisted of subsistence production. In the present estimates this global assumption of 50 per cent has been abandoned, and instead a step-by-step calculation has been made of the market

value of locally produced goods for domestic consumption on the basis of detailed assumptions in regard to the percentage of each variety of goods marketed. (It has been assumed that the proportions marketed are 40 per cent of local rice consumed outside the ration, 60 per cent of coconut products, 50 per cent of other food crops, 80 per cent of betel and arecanuts, 30 per cent of firewood, 80 per cent of livestock products, 95 per cent of fish; 50 per cent of miscellaneous agricultural and forest products and 100 per cent of tea, tobacco and industrial products). Non-marketed or subsistence production has been valued at producers' prices (inclusive of costs of storage, if any, as well as of producers' profit margins) in accordance with the recommendations of the U.N. Statistical Office, although the question whether this is the most appropriate procedure is open to debate.

The alternate view, that even subsistence production should be valued at retail prices, may be defended on the grounds that the valuations should reflect the prices at which producers would have purchased their requirements in the market in the event that they had not produced these requirements themselves. Whatever the merits of this view, it is important to note that if valuation at retail prices is decided upon, then the retail prices used should be those which prevail in the village markets nearest the producers. In the present estimates, valuation at producers' prices has been adopted, if only because it was considered that the data on the retail prices of locally produced goods available at present are based largely on the retail prices ruling in urban, and not in village, markets.

Internal Travel—Item B (iii) of Table II—10:

In the past only passenger transport by railway, motor bus, trolley and tram was taken into account. For the sake of completeness of coverage other forms of passenger transport are also included in the present estimates, for example, passenger transport by taxi, private motor car, motor cycle etc.

Trade (Non-Government, Non-Export)—Item II(vi) of Table II—2: }

Transport (Non-Government, Non-Export)—Item II(vii) of Table II—2: }

The most far-reaching revisions made in the present estimates have been in respect of these trade and transport (non-government and non-export) items. A major component of trade and transport, considered together, is the distribution cost of locally produced goods for domestic use. In the present estimates this component is estimated by taking the total difference between the market value of these goods, excluding rationed rice,¹ (as estimated on the expenditure approach), and the producers' value of the identical goods (as estimated on the production approach), and adjusting this total difference for indirect taxes net of consumer subsidies.

While the procedure adopted in previous estimates was on similar lines, it differed, however, from the present procedure in certain crucial respects. In previous estimates, the same comparison was made between the market value (on the expenditure approach) and the producers' value (on the production approach) of all locally produced goods for domestic use (including rationed rice); this total difference was then adjusted for indirect taxes net of all subsidies. Thereafter, 50 per cent only of the adjusted difference was attributed to trade and transport on the grounds that only 50 per cent of these locally produced goods were marketed, the remaining 50 per cent of that difference being just ignored.

There are certain unsatisfactory features relating to this procedure. Firstly, as the producers' values of these goods also incorporate producers' subsidies, the adjustment of the total difference between retail values and producers values should be, not by deduction of indirect taxes net of all subsidies, but only by deduction of indirect taxes net of consumer subsidies. Secondly, the valuation of all locally produced goods at retail values on the expenditure approach, whereas trade and transport charges are assumed to have been incurred only in connection with a marketed 50 per cent of these goods, would lead to a serious inconsistency between the production and the expenditure approaches unless imputed trade and transport charges pertaining to the non-marketed 50 per cent of the goods are added to the actual trade and transport items on the production approach.

Provided the estimates on the production approach are regarded as completely independent of the estimates on the expenditure approach and no attempt is made to reconcile the estimates obtained on the two approaches, the presence of this major inconsistency could perhaps be glossed over. But since the attempt has, in fact, been made to reconcile the expenditure estimates with the production estimates, an imputed amount should have been included on the production side equal to the difference between

¹ Rationed rice was excluded from the calculation because the trade and transport costs of rationed rice are included elsewhere (under government output).

the retail values and the producers' values of non-marketed production, or else this amount would be reflected in the Statistical Discrepancy. The fact that, in reconciling the product and expenditure estimates in the past, the apparent Statistical Discrepancy has been quite small, despite the absence of the imputation referred to, does not disturb the argument. It merely indicates that there has been an actual Statistical Discrepancy between the expenditure and product estimates of a very much larger magnitude than the apparent Statistical Discrepancy, off-setting the discrepancy (of over Rs. 150 million in recent years) introduced by the failure to take account on the production side of an imputed trade and transport item pertaining to subsistence production.

The present estimates follow previous practice in allocating the total distribution cost (of locally produced as well as imported goods) between the categories trade and transport on the assumption of 70 per cent to trade and 30 per cent to transport. The estimation of the net output of trade differs, however, from previous practice, in that no deduction is made for rents of commercial buildings. In view of the fact that rents of commercial buildings are not included under ownership of dwellings, to make such a deduction here would be conceptually incorrect. (Such a deduction would have been justified only if there would, otherwise, have been double-counting).

The present estimates of transport take account of the value of passenger transport by railway, motor bus, trolley, tram, taxi, private motor car, motor cycle, etc., in addition to the value of goods transport. The net output of transport is obtained by a careful deduction of imported materials.

The Net Output of Government n. i. e. - Item II (viii) of Table II-2:

Following standard practice, the net output of Government is measured by the total compensation of public employees.¹ The present estimates differ from previous ones, in that, (i) rent allowances are included as a form of personal compensation, while travelling allowances are not included; (ii) there is inclusion of an imputed amount representing rents of government buildings; and (iii) pensions actually paid by Government have been included as a substitute for contributions made by Government to pension funds (the Statistical Office of the United Nations having recently approved "the permissive substitution of pensions actually paid for contributions to pension funds as a part of wages and salaries of Government employees").

Net Factor Income from Abroad - Item IV of Table II - 2:

For all practical purposes, this item equals investment income from abroad less investment income paid abroad. In the Williams' Report, income from abroad was taken gross, without the deduction of income paid abroad; it also improperly included receipts on account of foreign travel and private donations and migrants' transfers.

Private Consumption of Imports of Non-Factor Services - Item I. A (ii) of Table II - 3:

A comprehensive coverage is attempted in this item of all private purchases of non-factor final services under the Balance of Payments headings "foreign travel", "transportation and insurance" and "miscellaneous", care being taken to avoid double-counting of services already included in the retail values of imported food and other personal consumption goods. In previous estimates the coverage of non-factor services has been far from complete, only foreign travel being taken into account.

Goods and Services Purchased by Non-Residents - Item I. C of Table II - 3:

In previous estimates account has been taken only of tourist expenditure incurred by non-residents in Ceylon. In the present estimates, in addition to tourist expenditure, expenditures by non-residents on transportation and insurance (exclusive of the item re-exports), embassy and other expenditures by foreign governments, and miscellaneous items, have been taken into account.

¹ Teachers in Assisted Schools and at the Universities have been classed with Public Employees as a matter of statistical convenience.

Public Consumption — Item II of Table II — 3:

In previous estimates, apart from transfer items, "government imports of materials other than capital goods" have been excluded from government current expenditures in arriving at estimates of public consumption. Such an exclusion of government imported materials in estimating public consumption is conceptually incorrect.

The present estimate of public consumption includes an imputed amount representing rents of government buildings. This refinement has been introduced in recent years by the Department of Census and Statistics into the estimates of national expenditure prepared for transmittal to the United Nations.

Gross Fixed Capital Formation in the Private Sector—Item A. I of Table II — 11:

The estimates for this item are inclusive of capital formation by public corporations and by certain Government enterprises (i. e. Railway and Electrical Undertakings).

The coverage of this item has been considerably improved in the present estimates. Firstly, replanting is taken account of in addition to new planting. Secondly, the estimates of most of the other types of capital formation, which are based on indirect methods relating to imports of capital goods, have been improved on the basis of a rigorous and exhaustive classification of all imports of capital goods. Thus, for instance, in the estimation of building and certain other construction, total imports of building and other constructional materials are adjusted by the deduction of government imports of capital goods (other than government imports for the use of public corporations) and of re-exports of capital goods. The estimate of capital formation in building and certain other construction is then obtained by applying the usual multiplier 10/3 to the adjusted value of private capital imports. The estimate of capital formation in plant and machinery is derived by adding capital formation in locally manufactured machinery to capital formation in imported heavy machinery (inclusive of erection costs) and other imported machinery. Estimates have also been made of capital formation in the form of imported transport equipment and other imported capital goods.

Private Domestic Capital Formation—Item III of Table II—3:
Public Domestic Capital Formation —Item IV of Table II—3:

In addition to fixed capital formation, changes in stocks are taken into account under these headings. This is necessary to provide consistency of treatment on the product and expenditure approaches, since the value of consumption plus capital formation will differ from the value of production unless changes in stocks are taken into account.

Net Output of Capital Development (Goods & Services) in the Private Sector — Item II (iii) (b) of Table II—2:

Under this head is included the net output, not merely of actual constructional industries, but also of the industries engaged in the production and transport of constructional materials produced locally. The present estimates of net output are therefore obtained merely by deducting from the corresponding estimates of capital formation the value of imported capital goods used, the import duties levied on them, and their distribution costs. In previous estimates the deduction of distribution costs has not been made. In consequence there would have been double-counting under this head as the distribution costs of imported capital goods were already taken into account under trade and transport.

Locally Produced Goods & Services n. i. e. — Item B. (iv) of Table II—10:

The coverage of items under this head has been improved.

ADDITIONAL NOTES ON TABLES

Table II—4: Expenditure on the Gross National Product at Current Prices

The left hand side of this table presents an estimate of the gross national product at market prices on the production approach. This is derived by adding indirect taxes (inclusive of local rates) less subsidies to gross national product at factor cost. Items 4 to 11 on the right hand side of the table are estimates based on the expenditure approach. Item 11 (expenditure on the gross domestic product at market prices) plus item 12 (net factor income from abroad) is identically equal to the gross national expenditure (item VII of Table II - 3).

Item 11 plus item 12 would also have been equal to item 14 (expenditure on the gross national product at market prices) provided certain conditions had been satisfied. These conditions are, firstly, that the valuations of items on the product and expenditure approaches had been done on a mutually consistent basis; secondly, that all changes in stocks had been identified; and, thirdly, that there were no statistical discrepancies as between the different sets of data used in the detailed estimation of items on the respective production and expenditure approaches. In preparing the present estimates every attempt has been made to see that valuations on the two distinct approaches have been on a mutually consistent basis. As far as possible, stock changes have been taken into account. However, the fact that there are changes in stocks which have not been identified, and that there are shortcomings in the available statistical data, has resulted in item 11 plus item 12 differing from item 14 by the amount shown as item 13. Item 13 thus represents the algebraic sum of unidentified changes in stocks and statistical discrepancies.

*Table II — 5: Gross National Product at Constant Factor Cost Prices**Table II — 7: Expenditure on Consumption and Gross Domestic Capital Formation at Constant Market Prices*

The estimates of production and expenditure at constant prices have been prepared on the basis of the separate deflation of component items at the most detailed level practicable. In cases where price indices suitable for use as deflators were not available at hand, special indices have been constructed. Thus, for example, in the case of the estimation of production for export, not only were separate constant price estimates made for the principal export commodities, but also the main components of imported materials were individually deflated, new price indices being prepared for certain components. In the case of an item such as livestock products, included under private consumption of locally produced goods, the constant price estimates were derived on the basis of the separate deflation of beef, mutton, other meat, milk and eggs. In the case of the constant price estimates of gross fixed capital formation in the private sector, separate constant-price estimates were prepared for the following components: planting and re-planting, building and certain other construction, plant and machinery, transport, and imported capital goods n.i.e.

A point deserving special mention is that the constant price estimates of the net output of Government are identical with the current price estimates. It is thus assumed that the changes in the total personal compensation of public employees entirely reflect changes in their real product. Though this is not strictly correct, there is no practicable alternative as there is great difficulty in obtaining a deflator which is a measure purely of price changes. (An index of the wage-rates of government employees may reflect not only price changes but also changes in real productivity.)

Table II -6: The Terms of Trade Contribution to Real National Income

The corresponding table published in previous Annual Reports has been completely revised. In the tables published previously, the gross national product at constant factor cost prices was assumed to be identical with the gross real national product including the terms of trade effect. This is conceptually incorrect: the gross national product at constant prices represents the gross real national product *exclusive* of the terms of trade effect. In the present estimates the figures of gross national product at constant prices are correctly termed the real national product (gross of depreciation), and the figures that result after adjustment for the terms of trade effect are termed the real national income. Thus, in 1961, due to the deterioration in the terms of trade, the real national income is substantially below the real national product (i.e. the national product at constant prices).

Table II—12: The Gross Domestic Product by Industrial Origin at Current Factor Cost Prices:

The principal changes, compared to the procedures adopted in the estimates published in previous Annual Reports, are as follows:

Firstly, the group Agriculture, Forestry, Livestock and Fisheries is inclusive of the processing of all agricultural exports (whereas previous estimates were inclusive of the processing of tea and rubber exports only). Secondly, government postal and telecommunication services are included under transportation, storage and communication, and not under government social services as previously. Thirdly, public administration and defence includes the imputed rents of government buildings. It must also be added that the coverage of practically all the items has been affected by the modifications, already described, in the methods of estimation of the detailed items constituting the gross domestic product.