

II. ECONOMIC AND FINANCIAL TRENDS—1962

(A) National Product and Expenditure

Introduction

The gross national product for 1962 is provisionally estimated at current factor cost prices at Rs. 6,313 million. Revised estimates for the three previous years are Rs. 5,835 million for 1959, Rs. 6,020 million for 1960 and Rs. 6,067 million for 1961. Thus the rate of increase in gross national product in 1962 is 4.1 per cent as compared with rates of increase of 3.2 per cent and 0.8 per cent in 1960 and 1961 respectively.

While the performance of the economy in 1962 appears to have been relatively satisfactory, certain points deserve to be noted. The high rate of increase in gross national product in 1962 is obtained by comparison with the relatively unsatisfactory figure for 1961. If gross national product in 1962 is compared with that in 1960, the average rate of increase over the two year period works out at only 2.4 per cent.

The unsatisfactory result for 1961 had been largely due to a substantial fall in export prices, which negated the effects of a significant overall rise in the actual production of export goods. In 1962, although the increase in the production of export goods was milder than in the previous year, it was nevertheless more than sufficient to offset the effects of a slightly lower level of export prices. Thus the relatively high rate of increase in gross national product in money terms in 1962 as compared with 1961 is partly attributable to the lower rate of decline in export prices.

Nevertheless, in real terms too 1962 was a somewhat better year than 1961. Real output in the domestic sector of the economy increased significantly in 1962. Paddy production increased by 4.9 million bushels or by over 11 per cent in 1962 as compared with only a marginal increase in 1961. Fish production, which had increased significantly in 1961, increased in 1962 by a substantially larger amount. In the remainder of the domestic sector too there was an overall rate of increase in real output which was significantly higher than the overall rate of increase in the previous year.

In money terms the net output of production for export rose in 1962 by 1.2 per cent in contrast to a decline of 3.8 per cent in 1961. The net output of the domestic sector increased in money terms in 1962 by 5.0 per cent as compared with an increase of 2.2 per cent the previous year. Besides paddy and fish production, already mentioned, significant increases in the money value of industrial production, transport and communication and capital development by public enterprises contributed to this high rate of increase in the domestic sector in 1962.

When account is taken of the rate of population increase in recent years, the increases in national product in money terms appear in a less favourable light. In 1962 there was an increase in gross national product per capita of 1.3 per cent. In 1960 the increase was only 0.3 per cent, while in 1961 there was in fact a decline of 1.9 per cent.

The actual figure for gross national product per capita in 1962 is Rs. 604. This compares with figures of Rs. 606, Rs. 608 and Rs. 597 for the years 1959, 1960 and 1961 respectively. Thus, while gross national product per capita in money terms has been higher in 1962 than in 1961, it has not attained the levels of 1959 or 1960.

Gross domestic expenditure at market prices, i.e., expenditure on consumption and on gross domestic capital formation* taken together, has been estimated independently of the assessment of gross national product at Rs. 6,799 million for 1962. This compares with figures of Rs. 6,551 million, Rs. 6,736 million and Rs. 6,609 million for 1959, 1960 and 1961 respectively. On a per capita basis the figure for 1962 is Rs. 651, which is almost the same as the figure for 1961 of Rs. 650. During each of the two previous years 1959 and 1960, gross domestic expenditure per capita had been at the high level of Rs. 681.

TABLE II A—1

Summary Indicators of Product and Expenditure at Current Prices

	1959	1960	1961	1962
<i>A. Values</i>				
1. Gross National Product at Factor Cost Prices (Rs. Mn.)	5,835	6,020	6,067	6,313
2. Gross Domestic Expenditure at Market Prices (Rs. Mn.)	6,551	6,736	6,609	6,799
3. Private Consumption at Market Prices (Rs. Mn.) ..	4,579	4,837	4,728	4,908
4. Public Consumption at Market Prices (Rs. Mn.) ..	897	963	968	985
5. Gross Domestic Fixed Capital Formation at Market Prices (Rs. Mn.) ..	1,033	967	904	985
6. Exports of Goods (a) and Non-Factor Services (Rs. Mn.)	2,016	2,011	1,907	1,976
7. Imports of Goods (b) and Non-Factor Services (Rs. Mn.)	—2,176	—2,209	—1,972	—2,068
8. Gross National Product per capita (c) at Factor Cost Prices (Rs.) ..	606	608	597	604
9. Gross Domestic Expenditure per capita (Rs.) ..	681	681	650	651
<i>B. Index Numbers (1959=100.0)</i>				
1. Gross National Product at Factor Cost Prices ..	100.0	103.2	104.0	108.2
2. Gross Domestic Expenditure at Market Prices ..	100.0	102.8	100.9	103.8
3. Private Consumption at Market Prices ..	100.0	105.6	103.3	107.2
4. Public Consumption at Market Prices ..	100.0	107.4	107.9	109.9
5. Gross Domestic Fixed Capital Formation at Market Prices ..	100.0	93.7	87.5	95.4
6. Exports of Goods (a) and Non-Factor Services ..	100.0	99.7	94.6	98.0
7. Imports of Goods (b) and Non-Factor Services ..	100.0	101.5	90.6	95.0
8. Gross National Product per capita (c) at Factor Cost Prices ..	100.0	100.3	98.4	99.7
9. Gross Domestic Expenditure per capita ..	100.0	100.0	95.5	95.6

Source: Central Bank of Ceylon.

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

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

(c) The following estimates of population have been adopted :—

	1959	1960	1961	1962
Mid-year population ..	9,625,000	9,896,000	10,167,000	10,446,000
Index Number ..	100.0	102.8	105.6	108.5

*Gross domestic capital formation = gross domestic fixed capital formation plus increase in stocks.

TABLE II A—2

Gross National Product at Current Factor Cost Prices

	Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
I. Production for Export							
(i) Domestic Exports: F.O.B. Value	1,692	1,775	1,681	1,766	+ 4.9	— 5.3	+ 5.1
Value of Change in Stocks	— 37	+ 16	— 38			
Less Imported Materials used (at market value) ..	—121	—117	—129	—133			
Less Distribution Cost of Exported Goods ..	—104	—109	—114	—123			
Net Output ..	1,467	1,512	1,455	1,472	+ 3.0	— 3.8	+ 1.2
(ii) Re-Exports: Value Added ..	3	2	2	2	—20.0	—	—
Total Production for Export:							
Net Output ..	1,470	1,514	1,457	1,474	+ 3.0	— 3.8	+ 1.2
II. Production for Domestic use (Net Output)							
(i) Agriculture, Forestry, Livestock and Fisheries ..	1,279	1,342	1,380	1,430	+ 5.0	+ 2.9	+ 3.6
(ii) Industry, n.i.e. ..	255	305	342	406	+ 19.3	+ 12.1	+ 18.9
(iii) Capital Development (Goods and Services):							
(a) Government ..	220	177	181	186	—19.6	+ 2.3	+ 2.6
(b) Public Enterprises ..	45	42	48	86	— 6.0	+ 13.6	+ 80.5
(c) Private Sector and Public Corporations ..	249	252	239	209	+ 1.2	— 5.2	—12.8
(iv) Transport and Communication (Non-Government) ..	429	454	450	485	+ 5.8	— 1.0	+ 7.8
(v) Trade (Non-Government) ..	617	631	601	627	+ 2.2	— 4.7	+ 4.3
(vi) Ownership of Dwellings ..	169	178	196	205	+ 5.9	+ 9.9	+ 4.5
(vii) Government, n.i.e. ..	701	724	757	776	+ 3.3	+ 4.5	+ 2.5
(viii) Services, n.i.e. ..	438	445	457	474	+ 1.5	+ 2.8	+ 3.5
Total ..	4,402	4,550	4,651	4,883	+ 3.4	+ 2.2	+ 5.0
III. Gross Domestic Product ..	5,872	6,064	6,107	6,356	+ 3.3	+ 0.7	+ 4.1
IV. Net Factor Income from Abroad	— 37	— 44	— 40	— 43			
V. Gross National Product ..	5,835	6,020	6,067	6,313	+ 3.2	+ 0.8	+ 4.1

Definition of Items:

1. Government [items II (iii) (a) and II (vii)] is defined to cover Central and Local Government, but to exclude public corporations and Government enterprises (i.e. the Railway, Electrical Undertakings, Port Commission, Post & Telecommunication and Salt Departments).
2. Item II (vii) [Government n.i.e.] includes imputed rents of Government buildings.
3. The net output of capital development in Government Sector [Item II (iii) (a)] is inclusive of:—
 - (a) the net output of Government capital works done on contract, and
 - (b) ancillary services rendered in the process of capital development e.g., transport of capital goods imported by Government.
4. The net output of capital development in the private sector and public corporations [item II (iii) (c)] comprises of:—
 - (a) the net output of constructional industries,
 - (b) the net output of industries producing constructional materials and other capital goods for domestic use, and
 - (c) the net output of planting and replanting.
5. Item II (iv) [Transport and Communication (Non-Government)] and item II (v) [Trade (Non-Government)] include the net output of public enterprises operating in these fields. Unlike in previous years, these items also cover services rendered to the export sector.

General Notes:

1. 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) much of the primary data necessary for the preparation of this Table, as well as for the Table on the Gross National Expenditure, has been supplied by the Department of Census and Statistics.
2. On account of rounding of numbers in the Tables, component items may not add up exactly to the totals.
3. The percentage changes shown in the Tables have been computed on the basis of values in rupees million taken to one decimal place.
4. n.i.e. = not included elsewhere.
5. The estimates of product and expenditure for the years 1959 to 1961 published in the Central Bank's Annual Report for 1961 have been revised. The estimates for 1962 are provisional.

Private consumption at market prices at Rs. 4,908 million in 1962 was 3.8 per cent higher than the corresponding figure for 1961, while public consumption at market prices at Rs. 985 million was 1.8 per cent higher. Gross domestic fixed capital formation at Rs. 985 million in 1962 showed a fairly large increase of 9.0 per cent over the figure for 1961. The figure for 1962, however, is still far below that for 1959 of Rs. 1,033 million.

A summary of the overall position regarding international trade is provided by items A. 6 and A. 7 of Table II A—1. It will be seen that exports of goods and non-factor services rose from a level of Rs. 1,907 million in 1961 to Rs. 1,976 million in 1962. While the level for 1962 is above that for 1961, it is nevertheless 2 per cent below the high level attained in 1959. Imports of goods and non-factor services (as computed on the basis of Exchange Control data) stood in 1962 at Rs. 2,068 million, an increase of 4.9 per cent over the previous year's level. Compared with the peak level of 1960, however, imports in 1962 were lower by 6.0 per cent.

Product and Expenditure in Money Terms

The components of the gross national product at current factor cost prices are shown in some detail in Table II A—2.

The value of domestic exports in 1962 was as much as 5.1 per cent higher than in 1961 notwithstanding the slight overall decline in export prices. However, this increase in the value of exports was achieved partly at the expense of a substantial decline in stocks of tea. As regards the actual production of export crops, the rates of increase in 1962 were in fact below those attained in 1961 in the case both of tea and coconuts.

A detailed statement of locally produced goods for domestic consumption, valued at current producers' prices, is given in Table II A—5 below. The value added by domestic production in the sector 'agriculture, forestry, livestock and fisheries' was higher in 1962 by 3.6 per cent in comparison with 1961. This is a more favourable rate of increase than in the previous year, although not as good as in 1960. The value added by domestic production in the field of industrial consumer goods was higher by 19 per cent in 1962 in comparison with 1961. This is about the same rate of increase as in 1960 and is rather higher than the rate of increase in 1961. It will be seen from Table II A—2 that capital development in 1962 has been a little higher than in either of the two previous years, due mainly to a very large increase in capital development by public enterprises. Capital development by the private sector and public corporations taken together was, in fact, lower in 1962 than in 1961, while capital development by Government was only slightly higher. In the service sectors of the economy 'transport and communication', 'ownership of dwellings' and 'trade' registered rates of increase in 1962 that were above the average rate of increase for the year in gross domestic product.

TABLE II A-3
Gross National Expenditure at Current Market Prices

	Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
I. Private Consumption							
(A) Imports of Goods and Non-Factor Services ..							
(i) Imports of Food and other Personal Consumption Goods (a) ..	1,793	1,932	1,724	1,781	+ 7.8	-10.8	+ 3.3
(ii) Imports of Non-Factor Services ..	178	152	137	131	-14.5	-10.0	- 4.5
Total ..	1,971	2,084	1,860	1,912	+ 5.7	-10.8	+ 2.8
(B) Locally Produced Goods (a) and Services ..							
(i) Locally Produced Goods ..	2,015	2,106	2,190	2,309	+ 4.5	+ 4.0	+ 5.4
(ii) Rents of Dwellings ..	186	197	216	226	+ 5.9	+ 9.7	+ 4.3
(iii) Transport and Communication ..	241	256	272	286	+ 6.2	+ 6.4	+ 4.9
(iv) Services, n.i.e. ..	467	475	488	506	+ 1.6	+ 2.8	+ 3.6
Less Government Purchases ..	-107	-112	-139	-151			
Total ..	2,803	2,921	3,028	3,175	+ 4.2	+ 3.6	+ 4.9
(C) Less Goods and Services Purchased by Non-Residents ..	-195	-169	-160	-178			
Total Private Consumption	4,579	4,837	4,728	4,908	+ 5.6	- 2.3	+ 3.8
II. Public Consumption							
(i) Current Expenditure on Goods and Services—Central Government ..	787	855	873	886	+ 8.7	+ 2.0	+ 1.5
(ii) Current Expenditure on Goods and Services—Local Government ..	90	87	74	78	- 3.4	-15.0	+ 5.8
(iii) Imputed Rents of Government Buildings ..	20	21	21	22	+ 5.0	—	+ 2.4
Total ..	897	963	968	985	+ 7.4	+ 0.4	+ 1.8
III. Gross Domestic Fixed Capital Formation							
(i) Government ..	288	268	238	242	- 6.7	-11.2	+ 1.6
(ii) Public Enterprises ..	69	60	74	104	-13.3	+23.5	+40.3
(iii) Private Sector and Public Corporations ..	676	639	591	639	- 5.5	- 7.4	+ 8.0
Total ..	1,033	967	904	985	- 6.3	- 6.5	+ 9.0
IV. Changes in Stocks							
(i) Government ..	} (b)						
(ii) Public Enterprises ..		+ 28	- 4	- 1	- 42		
(iii) Private Sector and Public Corporations (c) ..		+ 16	- 27	+ 11	- 38		
Total ..		+ 44	- 31	+ 10	- 80		
V. Gross Domestic Expenditure (d)	6,551	6,736	6,609	6,799	+ 2.8	- 1.9	+ 2.9
VI. Net Investment Abroad (e)	-208	-221	- 94	-124			
VII. Less Net Receipts of International Gifts and Transfers	+ 12	- 22	- 11	- 11			
VIII. Gross National Expenditure	6,355	6,494	6,505	6,664	+ 2.2	+ 0.2	+ 2.4

Sources: See General Notes to Table II A - 2.

(a) At retail values.

(b) Changes in stocks of the following items only: imported rice, wheat flour and sugar; Guaranteed Price Scheme paddy; arrack.

(c) Changes in stocks of tea, rubber and livestock only.

(d) Equals expenditure on consumption, gross domestic fixed capital formation and changes in stocks.

(e) Net investment abroad = surplus of the nation on current account.

Detailed direct estimates of the gross national expenditure at current market prices are presented in Table II A—3. The retail value of imported goods and services for private consumption rose by 2.8 per cent in 1962 as against a decline of 10.8

TABLE II A—4
Expenditure on Gross National Product at Current Prices

Rupees Million

	1959	1960	1961	1962		1959	1960	1961	1962
1. Gross National Product at Factor Cost Prices	5,835	6,020	6,067	6,313	4. Consumption Expenditure: Private ..	4,579	4,837	4,728	4,908
2. Indirect Taxes(a) Less Subsidies	389	413	389	422	5. Consumption Expenditure: Government	897	963	968	985
					6. Gross Domestic Capital Formation: Private sector and Public Corporations ..	691	611	602	601
					7. Gross Domestic Capital Formation: Government and Public Enterprises ..	385	325	312	304
					8. Gross Domestic Expenditure (b) ..	6,551	6,736	6,609	6,799
					9. Exports of Goods and Non-Factor Services ..	2,016	2,011	1,907	1,976
					10. Less Imports of Goods and Non-Factor Services ..	-2,176	-2,209	-1,972	-2,068
					11. Expenditure on Gross Domestic Product at Market Prices ..	6,392	6,538	6,545	6,707
					12. Net Factor Income from Abroad ..	— 37	— 44	— 40	— 43
					13. Residual: Unidentified Changes in stocks and Statistical Discrepancy ..	—131	— 61	— 48	+ 72
3. Gross National Product at Market Prices ..	6,224	6,433	6,457	6,736	14. Expenditure on Gross National Product at Market Prices(c) ..	6,224	6,433	6,457	6,736

Source: Central Bank of Ceylon.

(a) Inclusive of local rates.

(b) Equals expenditure on consumption and gross domestic capital formation.

(c) The algebraic sum of items 11 and 12 of this table equals the gross national expenditure as shown at item VIII of Table II A—3. Item 14 of this table (expenditure on gross national product at market prices) differs from the algebraic sum of items 11 and 12, only by the amount shown as item 13 (unidentified changes in stocks and statistical discrepancy).

per cent the previous year. The retail value of locally produced goods and services for private consumption increased in 1962 by 4.9 per cent compared with an increase of 3.6 per cent in 1961. Total public consumption of goods and services, which was only marginally higher in 1961 than in 1960, increased in 1962 by 1.8 per cent. As regards gross domestic fixed capital formation, the increase in respect of public enterprises was 40.3 per cent in 1962, while that in respect of the private sector and public corporations taken together was 8.0 per cent.

The gross domestic expenditure, which is the sum of private and public consumption, gross domestic fixed capital formation and changes in stocks, is shown as Item V of Table II A—3. Gross domestic expenditure differs from gross national expenditure (Item VIII of the Table) to the extent of net investment abroad *less* net receipts of international gifts and transfers. In each of the years 1959 to 1962 there was net disinvestment abroad on a large scale and, in consequence, gross national expenditure was well below gross domestic expenditure.

From a conceptual point of view, the gross national expenditure at current market prices is equal to the gross national product at current factor cost prices as adjusted for indirect taxes *less* subsidies. Table II A—4, which reconciles the separately derived estimates of gross national product and gross national expenditure, shows, however, that there are overall discrepancies between the product and expenditure aggregates of the magnitudes indicated by Item 13 of the Table. The magnitude of the discrepancy for 1962 is Rs. 72 million. This is rather higher than that for the two previous years, though lower than that for 1959. As both Customs and Balance of Payments data have been used in the preparation of the product and expenditure tables, it is possible that the increase in magnitude of the discrepancy for 1962 is partly due to the wide divergence between Customs and Balance of Payments data on merchandise imports during the year.

TABLE II A—5

Locally Produced Goods for Domestic Consumption Valued at Current Producers' Prices

	Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
(i) Agriculture, Forestry, Livestock and Fisheries							
Rice	400	472	475	524	+ 18.2	+ 0.6	+ 10.4
Coconut and Coconut Products ..	208	168	147	135	-19.4	-12.2	- 8.1
Tea	53	55	56	58	+ 3.8	+ 2.4	+ 3.2
Other Food Crops	327	352	385	380	+ 7.7	+ 9.3	- 1.1
Tobacco	14	14	15	17	—	+ 8.6	+13.8
Betel and Arecanuts	34	37	38	34	+ 7.3	+ 1.6	- 8.3
Firewood	14	14	15	15	—	+ 4.3	—
Livestock	145	135	136	136	- 6.8	+ 0.5	—
Fish	60	69	86	101	+13.9	+25.3	+17.1
Miscellaneous Agricultural & Forest Products	49	52	53	55	+ 4.9	+ 2.9	+ 3.6
Less Imported materials used (a) ..	-25	-25	-25	-27	—	—	—
Value added by Domestic Production	1,279	1,342	1,380	1,430	+ 5.0	+ 2.9	+ 3.6
(ii) Industry (excluding Capital Development)							
Factory Industries	314	379	416	454	+20.8	+ 9.8	+ 9.0
Cottage Industries	110	113	116	119	+ 2.5	+ 2.9	+ 2.9
Less Imported materials used (a) ..	-168	-187	-191	-167	—	—	—
Value added by Domestic Production	255	305	342	406	+19.3	+12.1	+19.0

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

(a) At Market Values.

Table II A—6 presents a detailed classification of private consumption expenditure as between items of expenditure on imports and items of expenditure on locally produced goods and services. It will be seen from this Table that the value of consumption of imported rice, wheat flour and sugar has been rising since 1960. On the other hand, purchases of non-factor services from abroad have been showing

TABLE II A—6

Composition of Private Consumption Expenditure at Current Market Prices

	Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
A. Imports of Goods and Non-Factor Services							
(i) Rice, Wheat Flour and Sugar ..	490	488	522	545	— 0.3	+ 7.0	+ 4.4
(ii) Other Personal Consumption Goods ..	1,304	1,444	1,201	1,236	+ 10.8	—16.8	+ 2.9
(iii) Non-Factor Services ..	178	152	137	131	—14.5	—10.0	— 4.5
Total ..	1,971	2,084	1,860	1,912	+ 5.7	—10.8	+ 2.8
B. Locally Produced Goods and Services							
(i) Locally produced Goods ..							
Rice ..	312	308	275	306	— 1.5	—10.6	+ 11.2
Coconut Products ..	232	187	162	154	—19.4	—13.4	— 4.8
Tea ..	62	66	69	74	+ 6.8	+ 4.7	+ 7.0
Other Food Crops ..	398	435	476	474	+ 9.3	+ 9.4	— 0.5
Tobacco ..	20	20	22	25	—	+ 8.5	+13.8
Betel and Arecanuts ..	46	50	50	46	+ 7.1	—	— 8.3
Firewood ..	15	16	17	17	+ 3.3	+ 4.4	—
Livestock ..	174	168	185	181	— 3.5	+10.1	— 2.4
Fish ..	80	92	115	134	+13.9	+25.5	+17.0
Miscellaneous Agricultural and Forest Products ..	57	59	61	63	+ 4.9	+ 2.9	+ 3.6
Industrial Products ..	619	706	759	836	+14.1	+ 7.5	+10.2
Total ..	2,015	2,106	2,190	2,309	+ 4.5	+ 4.0	+ 5.4
(ii) Rents of Dwellings ..	186	197	216	226	+ 5.9	+ 9.7	+ 4.3
(iii) Transport and Communication ..	241	256	272	286	+ 6.2	+ 6.4	+ 4.9
(iv) Services, n.i.e. ..							
Financial Services to Persons(a) ..	13	14	15	16	+ 8.5	+ 7.1	+ 8.0
Recreation and Entertainment ..	24	25	26	27	+ 3.3	+ 3.2	+ 2.7
Domestic Services ..	200	203	209	218	+ 1.5	+ 3.1	+ 4.0
Hotels and Restaurants ..	119	121	125	130	+ 1.5	+ 3.1	+ 4.0
Professional and Institutional Services, n.i.e. (b) ..	61	61	61	61	—	—	—
Personal Services, n.i.e. (c) ..	50	51	52	54	+ 1.4	+ 3.2	+ 4.0
Total ..	467	475	488	506	+ 1.6	+ 2.8	+ 3.6
Less Government Local Purchases ..	—107	—112	—139	—151			
Grand Total ..	2,803	2,921	3,028	3,175	+ 4.2	+ 3.6	+ 4.9
C. Less Goods and Services Purchased by Non-Residents ..	—195	—169	—160	—178			
TOTAL PRIVATE CONSUMPTION	4,579	4,837	4,728	4,908	+ 5.6	— 2.2	+ 3.8

Source: Central Bank of Ceylon.

- (a) The value of services rendered by banks, insurance companies and other financial institutions to households as distinct from enterprises.
- (b) Private medical, legal and educational services and services rendered by non-profit-making bodies (religious and welfare organisations, trade unions, etc.).
- (c) Services of dhobies, barbers, astrologers, undertakers, etc.

a steadily declining trend. Consumption of other imported goods in 1962, while somewhat higher than in 1961, has been much lower than in 1960. As regards the consumption of locally produced goods and services, there has been an increase of 11.2 per cent in expenditure on locally produced rice, an increase of 17.0 per cent in expenditure on fish and an increase of 10.2 per cent in expenditure on industrial products.

Table II A-7 presents a detailed classification of gross domestic capital formation. In the case of the private sector and public corporations, gross domestic fixed capital

TABLE II A-7
Gross Domestic Capital Formation at Current Market Prices

	Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
A. Private Sector and Public Corporations							
(i) Gross Domestic Fixed Capital Formation							
Planting and re-planting ..	63	62	61	56	- 1.3	- 0.6	- 8.8
Building and certain other construction ..	336	341	336	346	+ 1.7	- 1.6	+ 3.2
Plant and Machinery ..	99	76	100	124	-23.3	+30.9	+24.2
Transport ..	121	103	40	64	-15.3	-60.8	+59.3
Imported Capital Goods n.i.e. ..	57	57	54	49	—	- 4.4	-10.5
Total ..	676	639	591	639	- 5.5	- 7.4	+ 8.0
(ii) Change in Stocks							
Tea ..	+ 3	-10	- 2	-41			
Rubber ..	- 3	-27	+19	+ 3			
Livestock ..	+15	+ 9	- 5	...			
Total ..	+16	-27	+11	-38			
Gross Domestic Capital Formation	691	611	602	601	-11.6	- 1.5	- 0.2
B. Government and Public Enterprises							
(i) Gross Domestic Fixed Capital Formation ..	357	329	313	346	- 8.0	- 4.9	+10.8
(ii) Change in Stocks							
Imported rice, wheat flour and sugar ..	+ 64	-13	-65	-87			
G.P.S. Paddy ..	-35	+10	+65	+45			
Arrack ..	- 1	...	- 2	...			
Total ..	+28	- 4	- 1	-42			
Gross Domestic Capital Formation	385	325	312	304	-15.7	- 3.9	- 2.4
C. All Sectors							
(i) Gross Domestic Fixed Capital Formation	1,033	967	904	985	- 6.3	- 6.5	+ 9.0
(ii) Change in Stocks	+44	-31	+10	-80			
Gross Domestic Capital Formation	1,076	936	914	905	-13.0	- 2.3	- 1.0

Source: Central Bank of Ceylon.

formation is shown classified by type of asset. It appears from this classification that the increase in capital formation in 1962 was concentrated largely in the fields of plant and machinery and of transport equipment. In the case of Government and public enterprises, taken together, there was a rise in capital formation in fixed assets of 10.8 per cent in 1962 as against a decline of 4.9 per cent the previous year. The Table also shows that (identifiable) stocks in the private sector* fell by Rs. 38 million in 1962. In the public sector, stocks of imported rice, wheat flour and sugar fell by as much as Rs. 87 million. This was partially compensated for, however, by an increase in stocks of Guaranteed Price Scheme paddy to the value of Rs. 45 million.

Availability and Use of Resources

Table II A—8 shows the resources available to the economy through domestic production as well as international trade and also the form of their utilization, viz., whether for consumption, for capital formation, or for export. In regard to resources, gross domestic product increased in 1962 by 2.5 per cent, while imports of goods and non-factor services increased by 4.9 per cent. There was thus an overall increase in the value of resources available to the economy of 3.0 per cent. Their utilization

TABLE II A-8
Resources and their Utilisation at Current Market Prices

	Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
A. Resources							
Gross Domestic Product(a) ..	6,392	6,538	6,545	6,707	+ 2.3	+ 0.1	+ 2.5
Imports of Goods and Non-Factor Services ..	2,176	2,209	1,972	2,068	+ 1.5	-10.7	+ 4.9
Total	8,567	8,746	8,517	8,775	+ 2.1	-2.6	+ 3.0
B. Utilisation							
Consumption	5,475	5,800	5,695	5,894	+ 5.9	- 1.8	+ 3.5
Gross Domestic Capital Formation	1,076	936	914	905	-13.0	- 2.3	- 1.0
Exports of Goods and Non-Factor Services ..	2,016	2,011	1,907	1,976	- 0.3	- 5.1	+ 3.6
Total	8,567	8,746	8,517	8,775	+ 2.1	-2.6	+ 3.0

Source : Central Bank of Ceylon.

(a) This is Item III of Table II A-2 adjusted for indirect taxes net of subsidies (Item 2 of Table II A-4) and for unidentified changes in stocks plus statistical discrepancy (Item 13 of Table II A-4) to conform to the estimates of consumption and capital formation on the expenditure approach.

* The stock changes identified were those in respect of tea, rubber and livestock only. Reliable data were not available on changes in import stocks in the private sector.

led to a 3.5 per cent increase in total consumption and a 3.6 per cent increase in exports; but these increases were possible because overall capital formation (taking account of changes in stocks) declined by 1.0 per cent.

TABLE II A — 9

Gross Domestic Expenditure and Availability of Resources at Current Market Prices

	1959		1960		1961		1962	
	Rs. Mn.	Percentage of Row(7)	Rs. Mn.	Percentage of Row(7)	Rs. Mn.	Percentage of Row(7)	Rs. Mn.	Percentage of Row(7)
1. Consumption Expenditure: Private ..	4,579	72.0	4,837	74.5	4,728	72.7	4,908	73.7
2. Consumption Expenditure: Government ..	897	14.1	963	14.8	968	14.9	985	14.8
3. Gross Domestic Capital Formation: Private Sector and Public Corporations	691	10.9	611	9.4	602	9.3	601	9.0
4. Gross Domestic Capital Formation: Public Enterprises	385	6.1	325	5.0	312	4.8	304	4.6
5. Gross Domestic Capital Formation: Government								
6. Gross Domestic Expenditure ..	6,551	103.1	6,736	103.7	6,609	101.6	6,799	102.0
7. Gross National Product (Adjusted)* ..	6,355	100.0	6,494	100.0	6,505	100.0	6,664	100.0
8. Excess of (6) over (7) met by:—								
(a) Net Disinvestment Abroad ..	208	3.3	221	3.4	94	1.4	124	1.9
(b) Net Receipts of International Gifts and Transfers ..	— 12	—0.2	22	0.3	11	0.2	11	0.2
(a) + (b) ..	196	3.1	242	3.7	105	1.6	135	2.0

Source: Central Bank of Ceylon.

*For the sake of consistency with other items of this Table, which are taken from the Table on the gross national expenditure (Table II A—3), the figures for gross national product at current market prices shown as item 3 of Table II A—4 have been adjusted by item 13 of that Table.

Table II A—9 attempts to provide an answer to the question of whether the country was “living beyond her means” in respect of her international dealings. Items 1 to 5 of this Table list the components of gross domestic expenditure. Item

TABLE II A-10

Import Content of Components of Gross Domestic Expenditure

Rupees Million

	1959				1960				1961				1962			
	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks
1. Expenditure (at market prices) ..	4,579	897	1,033	+43.5	4,837	963	967	-31.4	4,728	968	904	+10.2	4,908	985	985	-80.1
2. Import Component at c.i.f. prices																
(a) Amount ..	1,449	87	372	+63.8	1,410	125	365	-13.4	1,199	70	309	-64.5	1,149	56	358	-87.1
(b) Per cent ..	31.6	9.7	36.0		29.2	12.9	37.8		25.4	7.2	34.2		23.4	5.7	36.3	
3. Import Component at market value*																
(a) Amount ..	1,971	89	518	+63.8	2,084	127	496	-13.4	1,860	72	436	-64.5	1,912	58	504	-87.1
(b) Per cent ..	43.0	9.9	50.2		43.1	13.2	51.3		39.3	7.5	48.2		38.9	5.8	51.2	

Source : Central Bank of Ceylon.

*Government (Civil and Defence) imports and changes in stocks of imported goods are valued at c.i.f. prices. All other merchandise imports are valued at retail prices.

7 of the Table shows the gross national product at market prices, i.e., the resources accruing to the nation through current productive efforts. To the extent that gross domestic expenditure exceeds the gross national product, the difference would have to be met either by dis-investment abroad (drawing down external assets or running up external liabilities) or by net receipts of international gifts and transfers. As may be seen from the Table, gross domestic expenditure was in excess of gross national product by an amount equal to 3.1 per cent of gross national product in 1959, 3.7 per cent in 1960, 1.6 per cent in 1961 and 2.0 per cent in 1962. The excess each year was almost wholly met by net dis-investment abroad. To a very small extent only it has also been met, except in 1959, by net receipts of international gifts and transfers.

Table II A—9 also shows the pattern of resource utilization in that different components of gross domestic expenditure are shown as percentages of gross national product. Total consumption rose in 1962 to 88.5 per cent of gross national product from a figure of 87.6 per cent the previous year. In contrast, gross domestic capital formation fell in 1962 to 13.6 per cent from a figure of 14.1 per cent the previous year. On these figures, therefore, there has been a slight relative shift towards consumption and away from capital formation in 1962, as compared with 1961.

Table II A—10 analyses the import content of the different components of gross domestic expenditure. Expenditures on private consumption, public consumption and gross domestic fixed capital formation and changes in stocks are shown separately, and against each of these components of the gross domestic expenditure is shown the import content of that expenditure, both at c.i.f. prices and at market value.

An interesting point that emerges from the analysis is that the import content at c.i.f. prices of private consumption declined fairly steadily from 31.6 per cent in 1959 to 23.4 per cent in 1962. At market value the decline was smaller, from 43.0 per cent in 1959 to 38.9 per cent in 1962. The smaller rate of decline in the import content of private consumption at market value, as opposed to c.i.f. prices, is, of course, not surprising in view of the steady increases in the rates of import duty on imported consumption goods. As regards the import content of public consumption, this has shown a declining trend since 1960, though in the latter year it was higher than in 1959. Turning to examine the import content of gross domestic capital formation, a fair measure of stability is indicated by the figures. However, this stability may be more apparent than real, reflecting merely the assumptions on which the estimates of gross fixed capital formation have been based. For, large components of the estimates of total capital formation have been derived by the application of indirect methods which relate the values of capital formation to c.i.f. import values.

Gross Domestic Product by Industrial Origin

Table II A—11 presents the gross domestic product at current factor cost prices classified according to industrial origin.

It will be seen from the Table that the highest rate of increase in the value of output in 1962 has been in the field of manufacturing (excluding constructional materials). Other high rates of increase have been recorded by 'mining and quarrying', 'transportation, storage and communication', 'public administration and defence', and 'banking, insurance and other finance'. The sector 'agriculture, forestry, livestock

TABLE II A-11

Gross Domestic Product by Industrial Origin at Current Factor Cost Prices

Industry	1959		1960		1961		1962		Percentage Change		
	Rs. Mn.	Percent	Rs. Mn.	Percent	Rs. Mn.	Percent	Rs. Mn.	Percent	1960 over 1959	1961 over 1960	1962 over 1961
I. Agriculture, Forestry, Livestock and Fisheries*	2,771	47.2	2,877	47.4	2,858	46.8	2,916	45.9	+ 3.8	- 0.7	+ 2.1
II. Mining and Quarrying	11	0.2	11	0.2	11	0.2	12	0.2	—	—	+ 10.3
III. Manufacturing (excluding constructional materials)	267	4.5	315	5.2	351	5.7	417	6.6	+ 18.0	+ 11.4	+ 18.7
IV. Construction (including constructional materials)	392	6.7	354	5.8	352	5.7	367	5.8	- 9.5	- 0.8	+ 4.4
V. Transportation, Storage and Communication	451	7.7	474	7.8	469	7.7	505	7.9	+ 5.1	- 1.0	+ 7.6
VI. Wholesale and Retail Trade	637	10.8	646	10.7	615	10.1	641	10.1	+ 1.5	- 4.8	+ 4.2
VII. Banking, Insurance and other Finance	48	0.8	52	0.9	56	0.9	59	0.9	+ 8.6	+ 7.7	+ 5.7
VIII. Ownership of Dwellings	169	2.9	178	2.9	196	3.2	205	3.2	+ 5.9	+ 9.9	+ 4.5
IX. Public Administration and Defence	386	6.6	372	6.1	400	6.6	428	6.7	- 3.8	+ 7.8	+ 6.8
X. Services, n.i.e.											
(a) Government Medical, Health, Educational, Broadcasting and Meteorological Services	315	5.4	353	5.8	356	5.8	348	5.5	+ 12.0	+ 1.0	- 2.3
(b) All other Services	426	7.3	432	7.1	443	7.3	458	7.2	+ 1.3	+ 2.7	+ 3.4
Total	741	12.6	784	12.9	799	13.1	806	12.7	+ 5.9	+ 1.9	+ 0.9
Gross Domestic Product	5,872	100.0	6,064	100.0	6,107	100.0	6,356	100.0	+ 3.3	+ 0.7	+ 4.1

* Inclusive of processing of agricultural exports.

Source: Central Bank of Ceylon.

and fisheries' shows a rate of increase in 1962 of only 2.1 per cent, notwithstanding the record production of paddy and fish during the year. The reason clearly is that the low rate of increase in the value of production for export has brought down the overall rate of increase in this sector.

As regards the sectoral pattern of production, it is, perhaps, noteworthy that there has been a slight decline since 1960 in the share of the agricultural sector. In 1960 this sector was responsible for 47.4 per cent of the gross domestic product. By 1962 this percentage had declined to 45.9 per cent. The obverse of this decline is, perhaps, reflected in the slight increase recorded in the share of the manufacturing sector from 5.2 per cent in 1960 to 6.6 per cent in 1962. Apart from this slight evidence of trends in the agricultural and manufacturing sectors, the sectoral pattern of production appears to have remained fairly stable throughout the period 1959 to 1962.

Real Product, Real Income and Real Expenditure

Tentative estimates of gross national product at constant 1959 factor cost prices are shown in Table II A-12. The deflation of component items in this Table for the purpose of deriving estimates in real terms has been done on a detailed basis only in respect of production for export, Government, and paddy, tea and coconut production for domestic use. In the absence of more satisfactory price indices, all other goods and services produced for domestic use have been deflated jointly by the domestic group sub-index of the Colombo Consumers' Price Index.

TABLE II A-12
Gross National Product at Constant 1959 Factor Cost Prices

	Constant 1959 Values in Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
I. Production for Export							
(i) Domestic Exports: F.O.B. Value	1,692	1,778	1,862	1,995	+ 5.1	+ 4.7	+ 7.2
Value of change in stocks ...	— 34	+ 18	— 41				
Less Imported Materials used (at market value) ..	—121	—119	—130	—145			
Less Distribution Cost of Exported Goods ..	—104	—108	—110	—118			
Net Output	1,467	1,517	1,639	1,692	+ 3.4	+ 8.1	+ 3.2
(ii) Re-Exports: Value added ..	3	2	2	2	—20.0	—	—
Total Production for Export: Net Output	1,470	1,519	1,642	1,694	+ 3.3	+ 8.1	+ 3.2
II. Production for Domestic Use (Net Output)							
(i) Paddy, Tea and Coconut Products	641	722	731	795	+ 12.6	+ 1.2	+ 8.8
(ii) Government, n.i.e.	701	724	757	776	+ 3.3	+ 4.5	+ 2.5
(iii) Other Goods and Services ..	3,060	3,124	3,114	3,234	+ 2.1	— 0.3	+ 3.9
Total	4,402	4,571	4,601	4,805	+ 3.8	+ 0.7	+ 4.4
III. Gross Domestic Product ..	5,872	6,089	6,242	6,498	+ 3.7	+ 2.5	+ 4.1
IV. Net Factor Income from Abroad ..	— 37	— 44	— 40	— 46			
V. Gross National Product ..	5,835	6,045	6,202	6,452	+ 3.6	+ 2.6	+ 4.0

Source: Central Bank of Ceylon.

It appears from the Table that the real value of domestic exports increased in 1962 by 7.2 per cent, a higher rate of increase than in either of the two previous years. However, as this high rate of increase in exports was achieved partly at the expense of a decline in stocks, the real value of actual production for export was up in 1962 by only 3.2 per cent. This is in contrast to a rate of increase in actual production for export in 1961 of 8.1 per cent. As regards production for domestic use, paddy, tea and coconut products had a very favourable year. Whereas in money terms their overall rate of increase in 1962 was 5.8 per cent, in real terms their rate of increase was 8.8 per cent.* This real rate of increase of 8.8 per cent in 1962 compares with a rate of increase of only 1.2 per cent the previous year. As regards 'other goods and services for domestic use' [item II (iii) of the Table], upon deflation on the basis already indicated, output in real terms shows an increase in 1962 of 3.9 per cent as against a decline in 1961 of 0.3 per cent.

As may be seen from the Table, the rate of increase in gross national product in real terms in 1962 was 4.0 per cent. This is an improvement on the rates of increase of 3.6 per cent and 2.6 per cent recorded for 1960 and 1961 respectively. On a per capita basis, the rate of increase in real product in 1962 was 1.3 per cent as against a rate of increase of 0.8 per cent in 1960, and a rate of decline of 0.2 per cent in 1961.

Table II A—13 shows the gross national income and gross national expenditure

TABLE II A—13
Real National Income and Expenditure

	Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
1. Gross National Product at Constant 1959 Factor Cost Prices	5,835	6,045	6,202	6,452	+3.6	+2.6	+4.0
2. Terms of Trade Effect due to exports of —							
(i) Tea	—	— 26	— 38	+ 2			
(ii) Rubber	—	+ 39	— 25	— 13			
(iii) Coconut Products	—	— 33	—111	— 96			
(iv) Other Products	—	+ 6	+ 1	+ 5			
(v) All Products	—	— 14	—173	—102			
3. Gross National Income at Constant 1959 Factor Cost Prices	5,835	6,031	6,030	6,351	+3.4	...	+5.3
4. Indirect Taxes less Subsidies (adjusted)	389	402	402	423			
5. Gross National Expenditure at Constant 1959 Market Prices	6,224	6,433	6,432	6,774	+3.4	...	+5.3

Source: Central Bank of Ceylon.

* The higher rate of increase in real terms is attributable to lower producers' prices for these goods in 1962 compared with 1961. For instance, the all-island average producers' price for paddy in 1962 was Rs. 10.59 per bushel compared with Rs. 11.53 per bushel in 1961; and the all-island average producers' price for a coconut was 12.85 cents in 1962 compared with 14.86 cents in 1961. (Data supplied by the Department of Census and Statistics).

at 1959 prices as derived from the estimates obtained in Table II A—12 for the gross national product at constant 1959 prices. The gross national income at 1959 prices is seen to have been lower than the gross national product at 1959 prices in each of the years 1960 to 1962 on account of the unfavourable terms of trade in these years as compared with 1959. However, the terms of trade improved in 1962 relatively to the position in 1961. As a result the real national income turned out to be 5.3 per cent higher in 1962 than in 1961 although the real national product was only 4.0 per cent higher. The measure of the increase in real national expenditure in 1962 is also 5.3 per cent, considering that national expenditure in real terms is conceptually indistinguishable from national income in real terms except for the change in the basis of valuation from factor cost to market prices.

Production and Exports

Table II A—14 sets out the movements of f.o.b. export values at current and at constant 1959 prices. It will be seen that 1962 has been a relatively favourable year for domestic exports. Despite lower prices for tea, the value of tea exports rose by 3.1 per cent. At constant 1959 prices the rise was 6.0 per cent. In the case of rubber, which had declined substantially in export value in 1961, the year 1962 showed a fair recovery, though not quite up to the high level of 1960. The recovery in 1962 over the previous year amounted to 11 per cent at current prices and over 13 per cent at constant 1959 prices. In the case of coconut products, a continued rise in production enabled Rs. 27 million more of foreign exchange to be realised from this source in 1962 than in 1961.

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

Tea

The area under tea at the end of 1962 was nearly 592,118 acres as compared with a revised estimate of 587,401 acres at the end of 1961. Estimated total production of tea in 1962 (vide Table II A—15) was 467 million pounds as compared with 455 million pounds in 1961. The relatively small increase during the year in tea production (12 million pounds) contrasts with an increase of 26 million pounds in the quantity of tea exports. The higher rate of increase in exports as compared with production is attributable to a decline in stocks.

It may be noted that the increase in tea production during 1962 of 12 million pounds is significantly lower than the increases of 20 million and 22 million pounds registered in the two previous years. The rate of increase in 1962 works out at 2.6 per cent as against an average rate of increase over the last decade of 3.8 per cent.

The average yield per acre of tea in 1962 was 789 pounds. This compares with averages of 775 pounds for 1961 and 748 pounds for 1960. The continued increase in yields has taken place in spite of the slackness in the implementation of the replanting programme, and is attributable to the greater intake of fertilizers.

TABLE II A - 14

F.O.B. Export Values

	Current Prices							Constant 1959 Prices						
	Rupees Million				Percentage Change			Rupees Million				Percentage Change		
	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961	1959	1960	1961	1962	1960 over 1959	1961 over 1960	1962 over 1961
Domestic Exports														
Tea ..	1,045	1,096	1,114	1,148	+ 4.9	+ 1.7	+ 3.1	1,045	1,115	1,158	1,228	+ 6.7	+ 3.9	+ 6.0
Rubber ..	298	378	260	290	+27.1	-31.3	+11.5	298	337	286	324	+13.3	-15.2	+13.3
Coconut and Coconut Products ..	285	238	247	274	-16.5	+ 2.7	+10.9	285	270	359	389	- 5.6	+33.2	+ 8.4
Other ..	64	62	59	54	- 3.5	- 5.1	- 8.5	64	56	59	53	-11.7	+ 4.4	-10.2
Total ..	1,692	1,775	1,681	1,766	+ 4.9	- 5.3	+ 5.1	1,692	1,778	1,862	1,995	+ 5.1	+ 4.7	+ 7.1
Re-Exports — Total ..	62	57	52	42	- 7.9	- 7.9	-19.2	62	63	57	49	+ 1.6	- 9.5	-14.0

Sources: Ceylon Customs Returns;
Central Bank of Ceylon.

The area replanted in 1962 was 1,769 acres which was only slightly more than the 1,298 acres replanted in 1961. New planting and replanting of tea together increased from 4,028 acres in 1961 to 4,211 acres in 1962.

Rubber

At the end of 1962, according to provisional estimates, 669,129 acres were under rubber as compared with 669,013 acres at the end of 1961. The acreage replanted under the subsidy scheme during 1962 was 17,959 acres in comparison with a revised figure of 18,698 acres for the previous year. This brings the total acreage replanted since 1953, the year of inception of the subsidy scheme, to 193,266 acres. As the target envisaged at the commencement of the re-planting programme was 200,000 acres, actual performance has fallen short of the target by some 6,700 acres.

The production of rubber in 1962, at 229 million pounds— the highest recorded since 1958—represented an increase over the previous year of 14 million pounds or nearly 7 per cent. The increase is partly a reflection of the higher yields obtained from replanted and newly planted rubber coming into maturity. It was obtained in spite of the heavy and continuous rain experienced during September and October which hampered tapping operations.

The volume of rubber exported in 1962 was 224 million pounds compared with 197 million pounds in 1961 and 235 million pounds in 1960. Although average price in 1962 was slightly lower than in 1961, the value realised was higher by Rs. 30 million in consequence of the increased volume of exports.

TABLE II A—15

Quantities Produced of the Principal Agricultural Crops

Commodity	1959	1960	1961	1962	Percentage Change		
					1960 over 1959	1961 over 1960	1962 over 1961
Tea (Million lbs.)	413	435	455	467	+ 5.3	+ 4.6	+ 2.6
Rubber (Million lbs.)	205	218	215	229	+ 6.3	— 1.4	+ 6.5
Coconut Products* (Nut equivalent in millions)	2,313	2,183	2,601	2,811	— 5.6	+19.1	+ 8.1
Paddy (Million bushels)	36.5	43.1	43.2	48.1	+17.8	+ 0.5	+11.1

*Sources: Administration Report of the Tea Controller;
Administration Report of the Rubber Controller;
Department of Census and Statistics;
Central Bank of Ceylon.*

*Copro, desiccated coconut, coconut oil and fresh nuts.

Coconuts

The production of coconuts in 1962 is estimated at 2,811 million nuts as compared with 2,601 million nuts in 1961. This estimate of production is the nut equivalent of total internal consumption (estimated at 1,280 million nuts) and exports (estimated at 1,531 million nuts).

The estimated increase in production during 1962 is 210 million nuts as compared with an estimated increase of 418 million nuts the previous year. As in the previous year, the increase in production is attributable to the increased use of fertilizers and to favourable weather conditions.

Total exports (in terms of nuts) of the three major coconut products—coconut oil, desiccated coconut and copra—increased from 1,355 million nuts in 1961 to 1,530 million nuts in 1962. Value realised, at Rs. 227 million, was 12 per cent higher than in 1961.

Paddy

The gross output of paddy in 1962, according to provisional estimates, was 48.1 million bushels—an increase of 4.9 million bushels over the previous year. Output during the Maha season was 30.3 million bushels in 1961-62 compared with 27.1 million bushels in 1960-61. Output in the Yala season was 17.8 million bushels in 1962 compared with 16.1 million bushels in 1961. The average Maha season yield at 38.0 bushels per net acre harvested in 1961-62 was a fair improvement over the yield of 35.9 bushels in 1960-61. The average Yala season yield at 37.7 bushels in 1962 was also somewhat higher than the yield of 36.5 bushels in 1961.

The total quantity of paddy purchased under the Guaranteed Price Scheme was 25.3 million bushels in 1962 as compared with 22.8 million bushels in 1961.

The production of paddy in terms of rice was 624,900 tons in 1962 as against a revised figure of 561,600 tons for 1961. Domestic consumption of rice in 1962 is estimated at 1,103,300 tons while imports during the year were 404,173 tons.

TECHNICAL NOTE ON NATIONAL PRODUCT AND EXPENDITURE⁽¹⁾

In pursuance of a policy of continuous improvement of the statistics published in Central Bank Annual Reports, the estimates of national product and expenditure have been further revised this year. However, the coverage and accuracy of the primary data on which the estimates are based are still subject to considerable limitations and, as such, the present estimates are not without their shortcomings. If, as it is hoped, steps are taken in due course to rectify the weaknesses in the primary statistical data, a major improvement in the estimates of national product and expenditure will in time be possible.

Estimates of National Product and Expenditure at Current Prices

The revisions in the national product and expenditure estimates at current prices are partly due to changes in design and method, and partly due to improvements in the estimation of detailed items in respect of coverage and accuracy.

A. The changes in design and method are as follows:—

1. In the basic table on gross national product (Table II A—2) the distribution costs of exported goods are now deducted from the value of production for export and allocated between “trade” and “transport and communication”. In previous years these distribution costs formed part of the net output of production for export.
2. In the calculation of the net output of the different sectors of the economy, the deduction of imported materials from producers’ values is now made consistently at market values, whereas previously this deduction in some cases was made at c.i.f. import values. The market value of imported materials includes import duties levied upon them as well as their estimated costs of distribution. These distribution costs are now aggregated and allocated to “trade” and “transport and communication”. The import duties on imported materials, on the other hand, are excluded from the assessment of aggregated net output. The estimates of gross national product thus arrived at are conceptually true measures of the total rewards to factors of production. (Following conventional practice, the aggregates presented here, though constructed on a factor rewards basis, are referred to as aggregates at “factor cost prices”).
3. The definition of “Government” has been narrowed to exclude the strictly enterprise activities undertaken by the State. Thus the Railway, Electricity, Port Commission, Post and Telecommunication and Salt departments are now excluded from Government and categorized as “public enterprises”. Public corporations as distinct from departmental enterprises, are treated together with the private sector under the combined head “private sector and public corporations”⁽²⁾.
4. A direct estimate of the net output of banks, insurance companies and other financial institutions has been made this year for the first time. In the basic Table II A—2, a part of the net output of these institutions is included under “services n.i.e.” as reflecting financial services to individuals. Financial services to enterprises form part of the net output of the different sectors of the economy and are, therefore, not added on separately. In Table II A—11 on the gross domestic product by industrial origin, however, the total net output of banks, insurance companies and other financial institutions is shown under a distinct head, while appropriate deductions are made from the other heads of the Table. It may be mentioned that in the calculation of the net output of financial institutions the Central Bank has received excellent data from commercial banks and fairly satisfactory data from other credit institutions; but the data received from insurance companies were inadequate. However, the overall estimates are felt to be of a reasonable order of reliability.

(1) This note supplements *The Technical Note on National Product and Expenditure* published in *The Central Bank Annual Report* for 1961.

(2) While this joint treatment of the private sector and public corporations is in keeping with U.N. practice, it would have been preferable in the case of Ceylon to have distinguished between the two. An attempt in fact was made this year to collect data on public corporations with the object of separating the contributions of public corporations to net output and capital formation from the estimates derived (on an indirect basis) jointly for the private sector and public corporations. However, due to the poor response of some of the public corporations to the requests for data, the attempt to isolate their contributions proved to be unsuccessful.

5. The head "transport" in last year's table on the gross national product, and also the head "internal travel" in last year's table on the gross national expenditure, have in each case now been replaced by the head "transport and communication". The coverage of this new head "transport and communication" includes postal and telecommunication services and the services of the Port Commission not elsewhere included in the distribution costs of exported or imported goods.

B. As regards improvements in the coverage and accuracy of detailed items, the principal revisions have been as follows:—

1. In the estimate of capital formation by the "private sector and public corporations" in Tables II A—3 and II A—7, there has been one major change. The estimation of the important item "building and certain other construction" (Table II A—7) has been based since 1952 on the application of a factor (equal to 10/3) to the current c.i.f. value of imports of constructional materials. It has thus been assumed that the value of capital formation in "building and certain other construction" has a constant relationship to c.i.f. import values of constructional materials. While this assumption may have had some validity in the early nineteen-fifties, it is likely that developments in recent years have rendered this assumption increasingly unrealistic. There is reason to believe that imported constructional materials at c.i.f. values now form a somewhat smaller proportion of the value of capital formation than they used to around the year 1952. One factor that has changed the situation has been the increased local production of cement. In the present estimates, allowance has been made for this development by adding on the ex-factory value of cement to the c.i.f. value of imports of constructional materials before application of the 10/3 factor to derive the estimate of capital formation in "building and certain other construction". Even with this modification, the estimates of capital formation continue to be of very doubtful reliability. While radical changes in the methods of estimation of capital formation are an urgent necessity, they will, however, have to await the conduct of a properly designed survey of private investment in Ceylon.
2. A number of loose-ends in the tables on gross national product and gross national expenditure have been tied together, consequent to an exhaustive classification of imports and import duties. All retained imports have been allocated either as final goods for (a) private consumption, (b) public consumption and (c) domestic capital formation, or as intermediate goods for use in the different sectors of the economy. The total of import duties has been likewise allocated. One particular consequence of this exhaustive classification of imports and import duties has been the improved estimation of purchases of local goods and services by Government (which is a negative item in the assessment of private consumption in Table II A—3). Purchases of local goods and services by Government are now estimated as a residual by comparing total public consumption, on the one hand, with the total net output of Government, on the other, and deducting Government purchases of imported goods and services from the resulting difference. It is believed that the introduction of this method of estimating Government local purchases has had the effect of eliminating a certain measure of double counting hitherto present between public and private consumption.
3. The accuracy of the estimates of capital development has been improved by eliminating some elements of double counting between the net output of Government and that of "private sector and public corporations". Further, the estimates of public consumption have been rendered more accurate by identifying and excluding certain transfer items which had earlier been inadvertently included under expenditure on goods and services.

Estimates of Real Product, Income and Expenditure

This year the attempt has not been made to provide a detailed deflation of component items on the separate product and expenditure approaches. This is because it is considered that the price indices used for purposes of deflation have become increasingly unrealistic in recent years. In regard to the production of goods and services for domestic use, some of the detailed items of the Colombo Consumers' Price Index hitherto used as deflators appear to present a biased picture of true movements in prices. For example, the transport item of this index (which reflects largely the prices of various subsidized forms of public passenger transport) is no longer

suitable for use as a deflator of the transport costs of goods. On the expenditure approach, some of the import price indices hitherto in use—for the detailed deflation of imported goods in private consumption and for the deflation of those components of private capital formation which are based indirectly on the c.i.f. values of imported investment goods—also appear to have lost some of their relevance due to the radical changes that have been taking place in the pattern of imports in recent years.

The whole question of the construction of realistic deflators is at present under consideration and, pending a final settlement on this matter, a very approximate method has been used in this Annual Report to derive estimates of real product, income and expenditure. In the case of the estimates of real national product presented here, production for export, and also the production for domestic use of paddy, tea and coconut products, have been precisely revalued at constant 1959 prices on the basis of data on actual quantities produced. The net output of Government has been deflated by the minimum wage rate index for Central Government employees (this index, incidentally, has shown no change during the period 1959 to 1962). The remainder of net output has been deflated by the domestic group sub-index of the Colombo Consumers' Price Index as a rough, and admittedly rather crude, substitute for the aggregation of the constant price values of the several different items involved. While this procedure has the defects, first, that the sub-index used reflects the movements of retail prices rather than of producers' prices and, second, that the weightage of the items in the sub-index differs from that of the items in the National Product Table, still perhaps it presents a more realistic picture of price movements than may be obtained by a detailed application of the other price indices available.

The estimates of real national income in Table II A-13 have been derived from the estimates of real national product (obtained as described above) by correcting for the effect on real incomes of changes in the terms of international trade. Estimates of real expenditure have in turn been derived from the estimates of real income by adding on indirect taxes net of subsidies. (The latter have been so adjusted as to maintain the same proportion to real expenditure in the years 1960 to 1962 as they did in the base year 1959).

It has to be mentioned that the estimates of real product, income and expenditure presented in this report are approximate and tentative, and that they probably over-state the true increases in real terms. The probability of over-statement derives from the fact that a large part of domestic production has been deflated by the domestic group sub-index of the Colombo Consumers' Price Index, which in all likelihood understates the actual increases that have taken place in the producers' prices of locally produced goods and services.