

## II. ECONOMIC AND FINANCIAL TRENDS — 1968

### (A) National Product and Expenditure<sup>(1)</sup>

#### Summary and Evaluation

##### *Real Output and Real Income*

Ceylon experienced in 1968, a high rate of growth of economic activity resulting in an increase in real output amounting to 8.3 per cent according to provisional estimate. In per capita terms, real output rose at an impressive rate of 6.1 per cent.

A high level of activity was seen in most of the economic sectors. Real output in agriculture rose by 6.9 per cent. Growth was more marked, however, in construction and manufacturing. The value of real output of these sectors rose by 27.1 per cent and 7.7 per cent respectively.

The high growth rate of real output was partly the outcome of the stimuli provided by the Government in recent years. The gains in agriculture were, in addition, due to favourable weather conditions. In domestic agriculture, paddy output increased by 9.5 million bushels or 17.2 per cent and the real value of output of other crops and fishing by 4.9 per cent, reflecting largely the success of the measures taken by the Government to increase food production—increased irrigation facilities, agricultural credit, subsidised fertilizers, land leases, agriculture propaganda, etc. The increase in the open market price of paddy from Rs. 13.61 in 1967 to Rs. 15.86 per bushel in 1968 was a further incentive to expand production. In export agriculture, the output of tea, rubber, coconut and other crops rose in 1968. While the increase in tea and coconut production is attributable to favourable weather and in some measure to the higher fertilizer intake, the increase in rubber production was the result of a larger replanted acreage coming into production.

The value added in minor export crops at constant prices also increased at a sharp rate of 12.6 per cent in 1968. This is in some measure attributable to the incentive provided by the Foreign Exchange Entitlement Certificate Scheme. Under this scheme, exporters of commodities other than tea, rubber, coconut, coconut oil, desiccated coconut and copra, were entitled to a premium of 44 per cent in rupee terms of the foreign exchange value of exports surrendered to the authorities.

In the manufacturing sector, one of the principal factors which had inhibited growth in the years prior to 1968 seems to have been the inadequacy of imported raw materials due to import restrictions. On account of these restrictions many establishments had been working below full capacity. The raw material situation was considerably eased in May, 1968, with the introduction of the FEEC Scheme under which a large amount of raw materials imports was placed under Open General Licence. The introduction of this scheme led almost immediately, to an activation of existing stocks of raw materials, in view of the removal of uncertainty regarding availability of raw materials.

(1) Certain estimates of National Product and Expenditure for the years prior to 1968 differ from those appearing in previous Annual Reports due to the incorporation in this Report of revised primary data supplied to the Bank.

Orders for substantial imports of raw materials were also placed by manufacturers. Under the stimulus provided by this scheme, the value added by industrial production (other than tea, rubber, and coconut) rose by 11.4 per cent at constant prices. Notable increases were seen in the value of production at current prices of electrical machinery (85.2 per cent), rubber goods (97.9 per cent), spinning and weaving of textiles (19.4 per cent), confectionery (25.1 per cent), other food preparations (114.7 per cent). The greater availability of raw materials combined with a high level of demand for industrial goods prompted the expansion of industrial production in 1968.

Economic activity in construction had been sluggish in the years prior to 1966 on account of the shortage of imported building materials. In 1966 and 1967, however, activity was at a high level due to increased availability of these materials. In 1968, constructional activity rose sharply due to the enhanced availability of building materials. With the introduction of the FEEC Scheme in May, 1968, which liberalised the importation of building materials, the supply of building materials available to builders increased to some extent immediately, on account of the reduction of stocks held by traders and after a few months, due to import arrivals. An increase in the production of cement by the Cement Corporation amounting to 16 per cent was an important factor contributing to the easing of the shortage of this commodity. Value added in construction is estimated to have increased by 27.1 per cent at constant prices.

Output of certain services increased on account of the demand created for them by the sharp expansion in the key sectors described above. Thus the value added in banking, trade and transport, which constitute, to some extent, important inputs in agriculture, manufacturing and construction, increased sharply. Value added in public administration recorded an increase of 17.7 per cent in current prices. This is partly due to an increase in allowances paid to certain classes of public servants. In real terms, the increase was less at 11.2 per cent. Value of output of passenger transport, health, education, recreation and other services also increased as a result of the high level of consumer demand for these services. The increase in the aggregate value added in the services sector amounted to 7.7 per cent at constant prices.

Measured at current prices, total Gross Domestic Product increased by 19.2 per cent in 1968. This is partly due to an expansion in real output and partly due to an increase in prices. Prices of export products were substantially higher than in the previous year. The export price index recorded an increase of 19.9 per cent in 1968. Prices of most domestically produced goods also increased partly due to an increase in the cost of imported inputs such as fertilizer and industrial raw materials. The rise in prices of imported inputs was principally the result of devaluation of the Rupee in November, 1967, and the introduction of the FEEC Scheme in May, 1968. There was in fact a general increase in the prices of inputs that affected not only agriculture and industry but services as well. Prices of services too recorded sharp increases in 1968. The increase in the allowances paid to certain employees in the private sector was also one of the cost factors leading to a rise in the prices of certain manufactured goods

and services. There were also certain price increases due to scarcity. Thus price of potatoes increased in 1968 on account of a shortage of this commodity following the ban on imports in 1967.

It should be stated however, that certain price increases had a beneficial effect on production. Thus, one of the factors which had encouraged farmers to increase potato production from 57,000 cwts. in Maha 1966/1967, to 140,000 cwts. in Maha 1967/1968, was the increase in the producer price of this commodity from Rs. 52.16 to Rs. 74.85 per cwt.

In evaluating the growth of real output in 1968, the change in the terms of trade has to be taken into account since this alters the import capacity of exports. In 1968, export prices increased by 19.9 per cent. Despite this increase however, terms of trade deteriorated by 7.9 per cent on account of a rise in import prices by 30.2 per cent. This meant that for a given quantity of exports, Ceylon was able to buy a smaller quantity of imports than was possible in the previous year. Estimates of real national income are obtained by adjusting estimates of real product at factor cost prices for the loss of income due to adverse terms of trade. Whereas real output increased by 8.3 per cent, real national income increased only by 7.0 per cent. The adverse movement of the terms of trade, therefore, somewhat reduced the benefits accruing to the economy from the sharp expansion of real output in 1968.

The mid-year population for 1968 is estimated at 11,964,000, recording an increase of 2.2 per cent over the previous year. Per capita product increased by 17.1 per cent at current prices. At constant prices the increase was 6.1 per cent. Per capita real income recorded an increase of 4.8 per cent.

#### *Resource Utilization*

An analysis of the availability and utilisation of resources shows that resources from imports rose by 17.5 per cent and those from domestic production by 13.9 per cent. In regard to utilisation, a considerable portion of the increase in resources has been devoted to capital formation. Capital formation showed a rise of 21.1 per cent. Resources used for consumption rose by 12.8 per cent and for exports by 17.1 per cent. On account of the price increases which occurred in 1968, the above figures measured at current prices do not provide a realistic picture of the true allocation of resources in 1968. The increase in real resources, as indicated by figures at constant prices, came entirely from domestic production, the volume of imports having fallen by 1.8 per cent. In regard to utilisation, the increase in resources devoted to capital formation and consumption in real terms was 5.0 per cent and 5.6 per cent respectively. The increase in real resources exported amounted to only 5.5 per cent.

The year 1968 saw a continuation of the tendency for resources available through domestic production to fall short of aggregate demand as measured by Gross Domestic Expenditure. Gross Domestic Expenditure in 1968 amounted to 103.6 per cent of Gross National Product at market prices. This shortfall was met, as in previous years, mainly by an increase in international indebtedness which amounted to Rs. 345.8 million.

**TABLE II (A) 2**  
**Principal Agricultural Crops—Area under Cultivation**

				1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
<b>TEA</b>													
Total Acreage*	—	Acres	..	579,652	581,821	587,401	591,118	587,375	591,988	594,308	596,445	598,814	597,490
Replanted Acreage	—	Acres	..	—	1,129	2,427	4,198	6,491	9,691	14,315	16,393	21,662	26,980
<b>RUBBER</b>													
Total Acreage*	—	Acres	..	668,178	668,948	670,830	674,274	675,683	669,179	566,639	567,744	572,431	572,909
Replanted Acreage	—	Acres	..	133,148	151,043	169,730	187,686	203,291	216,834	229,336	240,919	250,995	262,135
<b>PADDY</b>													
Gross Acreage Harvested	—	Thousand Acres	..	1,202.7	1,392.9	1,406.8	1,492.3	1,525.3	1,534.7	1,242.6	1,512.3	1,566.9	1,634.2
Maha	—	Thousand Acres	..	744.7	857.0	887.5	936.3	981.8	979.8	795.7	1,007.1	1,006.4	1,077.9
Yala	—	Thousand Acres	..	458.0	535.9	519.3	556.0	543.5	554.9	446.9	505.2	560.5	556.3

\* Figures from 1959 to 1964 relate to registered acreage.  
Figures from 1965 relate to actual acreage cultivated.

Sources: Administration Reports of the Tea and Rubber Controller;  
Department of Census and Statistics.

Viewed from the demand side, economic expansion in 1968 was the result of a high level of consumption demand and of investment demand by the private sector, public corporations and the government. Private consumption expenditure increased by 12.5 per cent while capital formation rose by 21.1 per cent. Government consumption also increased by 14.6 per cent.

## Production Trends

### Agriculture

#### Tea

Tea production which had declined from 490 million pounds in 1966 to 487 million pounds in 1967, increased to 496 million pounds in 1968. This, however, is still lower than the peak level of 503 million pounds achieved in 1965. The increase in 1968 was shared by all the elevation categories (high, medium and low) and is attributable to favourable weather conditions.

The Tea Replanting Subsidy Scheme continued to operate in 1968. The acreage replanted under the scheme in 1968 was 5,264 acres compared to 5,270 acres in 1967. Total acreage under tea at the end of 1968 was 597,490 acres compared to 598,814 acres at the end of 1967.

Under the factory development scheme which was started in 1966 to encourage estates to modernise their factories, commercial bank loans amounting to an estimated figure of Rs. 12.0 million were given in 1968 compared to Rs. 8.4 million given in 1967. Under this scheme, the Government subsidises the interest payable on loans. The subsidy paid in 1968 amounted to Rs. 1.7 million compared to Rs. 1.1 million in the previous year.

Out of a total replanted acreage of 26,980 acres, it is estimated that 10,918 acres have come into full bearing. The impact of replanting on production will be felt in the next few years. It is estimated that in 1970, when more replanted acres have come into bearing, production will be in the region of 540 million pounds of tea.

Table II (A) 2 shows the acreages and Table II (A) 3, the quantities produced of the principal agricultural crops.

#### Rubber

Rubber production continued to expand, recording an increase of 12 million pounds over 1967. This is mainly attributable to the increased replanted acreage coming into bearing. The acreage replanted in 1968 was 11,859 compared to 10,075 acres in the previous year.

At the end of 1968, total acreage under rubber amounted to 572,909 acres of which 262,135 acres or 45.76 per cent comprised the replanted acreage. The average yield per acre in 1968 at 664 pounds was higher than the figure for 1967 by 17 pounds, reflecting mainly the higher yield from a larger replanted acreage in bearing.

TABLE II (A) 3

## Quantities Produced of the Principal Agricultural Crops

	1960	1961	1962	1963	1964	1965	1966	1967	1968	Percentage Change over previous year		
										1966	1967	1968
Tea (Million lbs.) ..	435	455	467	485	482	503	490	487	496	- 2.6	- 0.6	+ 1.8
Rubber (Million lbs)	218	215	229	231	246	261	289	316	328	+10.7	+ 9.3	+ 3.8
Coconut Products* (Nut equivalent in millions)	2,183	2,601	2,811	2,549	2,991	2,676	2,461	2,416	2,601	- 8.0	- 1.8	+ 7.7
Paddy (Million bushels) ..	43.1	43.2	48.1	49.2	50.5	36.3	45.7	55.1	64.6	+25.9	+20.6	+17.2

\*Coconut products covers copra, desiccated coconut, coconut oil and fresh nuts.

Sources: Administration Reports of the Tea and Rubber Controller; Dept. of Census and Statistics; Central Bank of Ceylon.

## Coconut

Output of coconut which had declined consecutively in 1965, 1966 and 1967, recorded an increase in 1968. The nut equivalent of exports and domestic consumption increased from 2,416 million in 1967 (revised figure) to 2,601 million in 1968, i.e. by 7.7 per cent. Coconut production in 1968 was unaffected by bad weather, which, in the three previous years was chiefly responsible for the fall in output. Increased use of fertilizer which is encouraged by the Coconut Fertilizer Subsidy Scheme also had an impact on output in 1968. The amount of fertilizer issued under the Subsidy Scheme is provisionally estimated at 61,000 tons compared to 51,193 tons in 1967.

The Scheme for the issue of subsidised planting material continued in 1968. Under the Scheme, 1,613,999 seedlings were issued in 1968 compared to 1,415,727 issued in 1967.

## Paddy

Total paddy production in 1968 was 64.6 million bushels compared to 55.1 million bushels in 1967. This is an increase of 9.5 million bushels or 17.2 per cent. While Maha production increased by 24.6 per cent, Yala production increased by 5.5 per cent, compared with the corresponding figures for the previous year. Favourable weather conditions, an increase in the acreage harvested, greater use of fertilizer and high yielding seed, the adoption of improved methods of cultivation which were encouraged by the subsidy schemes and vigorous propaganda measures taken by the Government were the more important factors which contributed to the increase in 1968. An additional factor was the increase in the average producers' price of paddy in the open market from Rs. 13.61 in 1967 to Rs. 15.86 per bushel in 1968.

With the availability of better irrigation facilities, the harvested area increased by 71 thousand acres in Maha 1967/68 compared with the previous Maha. This however, dropped by 4 thousand acres in Yala 1968, compared with the corresponding season of the previous year. Of the total acreage sown, 897,496 acres or 78.2 per cent was covered by high yielding varieties in Maha 1967/68 compared with 657,412 acres or 62.2 per cent in the previous Maha. The quantity of fertilizer used increased by 30,000 tons during 1968.

Total agricultural credit, the bulk of it (about 85 per cent) given to paddy farmers increased by Rs. 40.1 million in 1968 compared with an increase of Rs. 4.2 million in 1967.

On account of the increase in the paddy output, G.P.S. purchases rose from 13.1 million bushels in 1967 to 14.9 million bushels in 1968.

#### *Other Agriculture and Livestock*

Output of subsidiary food crops valued at producer prices is provisionally estimated to have increased by 25.7 per cent in 1968. Value of output in Maha increased by 14.0 per cent and in Yala by 36.5 per cent compared with the corresponding seasons in 1967. In Maha 1967/1968, the area under subsidiary crops rose, as compared with Maha 1966/1967, by 3.8 per cent. Output of milk increased by 6.9 per cent in 1968. Milk production in Government farms rose by 4.3 per cent. Purchases of milk by the Milk Board rose from 17 million bottles in 1967 to 23 million bottles in 1968. Egg production also increased in 1968 by 2.7 per cent.

#### *Fishing*

Fish production valued at producer prices recorded an increase of 29.5 per cent. This is partly due to the increase in the number of fishing vessels in operation. The number of 11 ton boats used increased from 25 at the end of 1967 to 39 at the end of 1968. In 1968, the output of wet fish by the Fisheries Corporation increased by 2 million pounds as compared with the previous year.

#### **Manufacturing**

The year 1968 is marked by a substantial increase in industrial production. The value added in manufacturing (other than tea, rubber and coconut) increased by 18.2 per cent at current prices and by 11.4 per cent at constant prices. Notable increases were seen in the output of electrical machinery, rubber goods, garments, fabricated metal products and confectionery in the private sector, and in cement, hardware, ceramics, tyres and tubes and animal and poultry food in the public corporations.

In the public sector industrial corporations, increased output was due partly to a higher rate of utilisation of available capacity and partly to an expansion of capital stock. Fixed capital formation in industrial corporations rose from Rs. 39.1 million in 1967 to Rs. 115.0 million in 1968.

In the private sector, however, output increased on account of a higher rate of utilisation of existing capacity. It was known that many establishments were working below capacity prior to 1968 mainly on account of shortage of raw materials brought about by import restrictions. In May, 1968, the FEEC Scheme liberalised the importation of raw materials. This measure prompted manufacturers firstly, to place large import orders for raw materials and secondly, to activate existing raw materials stocks. It should also be mentioned that the increase in incomes in export and domestic agriculture provided a very favourable climate for the industrial expansion in 1968.

### **Construction**

Constructional activity rose to a high level in 1968. Construction activity had suffered for several years prior to 1966 from a shortage of building materials, mostly imported items. In 1967, however, the value added in construction increased by 19.9 per cent on account of a rise in the availability of both imported and locally produced building materials. In 1968, the availability of building materials was enhanced, firstly, due to the liberalisation of imports under the FEEC Scheme and secondly, due to increased production of cement by the Cement Corporation. The volume index of imports of building materials rose from 65 in 1967 to 74 in 1968. Although imports of building materials increased only in the third and fourth quarters of 1968, the supply of materials available to builders increased in May/June 1968, due to a reduction of stocks held by traders in anticipation of imported supplies for which orders had been placed at the inception of the FEEC Scheme. Production of cement by the Cement Corporation, mainly by its Galle plant which came into operation in the previous year, increased by 16 per cent.

Value added in construction is estimated to have increased by 33.9 per cent at current prices and by 27.1 per cent at constant prices.

### **Services**

Output in the services sector also increased substantially in 1968. With increased activity in agriculture, manufacturing and construction, an expansion in certain services particularly trade, transport and banking which provide inputs for the key sectors is to be expected. The goods ton mileage of the railway for instance rose by 4.5 per cent while the shipping cargo handled by the Port Cargo Corporation rose by 5.0 per cent. Other services increased independently of the growth of output in primary and secondary industries. The increase in consumer demand for passenger transport led to an increase in the passenger mileage in the Ceylon Transport Board by 10.3 per cent and in the Railway by 7.7 per cent. Due to an increase in the demand for the health, education and public administration services provided by the Government, value added in these services also recorded a rise in 1968. Total value added in the services sector increased by 10.6 per cent at current prices and by 7.7 per cent at constant prices.



**TABLE II (A) 4**  
**Gross National Product at Current Factor Cost Prices**

	Rupees Million										Percentage change over previous year		
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1966	1967	1968
1. Agriculture, Forestry, Hunting and Fishing ..	2,302.4	2,389.7	2,456.1	2,392.3	2,600.2	2,663.5	2,522.5	2,608.1	2,879.3	3,655.9	+ 3.4	+10.4	+27.0
2. Mining and Quarrying ..	31.3	32.2	31.7	33.4	30.0	33.1	35.1	38.4	39.9	46.8	+ 9.4	+ 3.9	+17.3
3. Manufacturing ..	682.1	711.7	709.5	748.9	783.6	819.4	918.5	866.2	911.0	1,160.3	- 5.7	+ 5.2	+27.4
4. Construction ..	282.9	283.1	279.1	297.0	285.4	306.3	286.9	317.2	380.2	508.9	+10.6	+19.9	+33.9
5. Electricity, Gas, Water and Sanitary Services ..	9.5	9.8	10.4	11.1	11.4	12.9	13.5	14.3	15.1	16.4	+ 5.9	+ 5.6	+ 8.6
6. Transport, Storage and Communications ..	540.9	587.3	578.9	633.6	636.6	706.3	775.6	829.2	841.5	910.7	+ 6.9	+ 1.5	+ 8.2
7. Wholesale and Retail Trade ..	800.8	936.5	872.8	954.4	971.2	1,146.6	1,191.2	1,237.8	1,272.6	1,363.6	+ 3.9	+ 2.8	+ 7.2
8. Banking, Insurance and Real Estate ..	50.9	51.5	58.4	64.5	68.5	75.9	93.2	85.8	107.4	138.6	- 7.9	+25.2	+29.1
9. Ownership of dwellings ..	200.6	213.5	233.1	248.6	260.3	275.3	294.0	314.0	335.5	366.3	+ 6.8	+ 6.8	+ 9.2
10. Public Administration and Defence ..	301.0	314.4	323.5	343.7	365.1	363.3	371.9	396.5	402.9	474.3	+ 6.6	+ 1.6	+17.7
11. Services ..	727.6	801.3	799.7	821.5	836.9	923.6	996.5	1,028.3	1,091.8	1,227.4	+ 3.2	+ 6.2	+12.4
12. Gross Domestic Product ..	5,930.0	6,331.0	6,353.2	6,549.0	6,849.2	7,326.2	7,498.9	7,735.8	8,277.3	9,869.2	+ 3.2	+ 7.0	+19.2
13. Net Factor Income from Abroad ..	- 36.7	- 44.2	- 39.9	- 46.5	- 52.5	- 35.7	- 15.4	- 36.8	- 53.5	- 60.5			
14. Gross National Product ..	5,893.3	6,286.8	6,313.3	6,502.5	6,796.7	7,290.5	7,483.5	7,699.0	8,223.8	9,808.7	+ 2.9	+ 6.8	+19.3

See explanatory notes on page 54.

Source: Central Bank of Ceylon

**Gross National Product at Factor Cost Prices***Value of Product at Current Prices*

Table II (A) 4 shows estimates of Gross National Product at current factor cost prices. In 1968, Ceylon's Gross National Product recorded a sharp rise of 19.3 per cent. This was mainly the result of expansion in agriculture, manufacturing and construction.

The value of output of export agriculture which had a setback in 1967 improved in 1968. While the output of the three principal export crops increased, their prices also rose somewhat sharply. The increases in output were 1.8 per cent for tea, 3.8 per cent for rubber and 7.7 per cent for coconut. In the Colombo Market, net average price of tea rose by 16.7 per cent and the price of rubber R.S.S. No. 1 by 11.4 per cent. The all island average producers' price of coconut rose from 18 cents per nut in 1967 to 23 cents in 1968.

Value added in minor export products also rose due to increase in prices and in many cases, quantities produced. A larger increase in the value added was seen in domestic agriculture. Under favourable weather conditions and the stimulus given by the Government, paddy production rose by 17.2 per cent. The average producers' price of paddy in the open market also increased from Rs. 13.61 to Rs. 15.86 per bushel that is by 16.5 per cent. Value added in domestic agriculture increased by 28.8 per cent in 1968. Aggregate value added in total agriculture is estimated to have increased by 27.0 per cent.

Under the impetus given by the liberalisation of imports of raw materials under the FEEC Scheme, the value of domestic output of manufactured goods (other than tea, rubber and coconut) increased sharply in 1968. Increases in output were seen in electrical machinery, rubber goods, garments, fabricated metal products, cement and cement products, confectionery, hardware, ceramics, tyres and tubes and animal and poultry food. The increase in output in manufacturing was shared by the public corporations and private sector industries. Prices of many manufactured goods also rose as a result of the increased cost of imported inputs following the devaluation of the Rupee in November, 1967, the introduction of the FEEC Scheme in May, 1968, and of wage costs following the payment of the devaluation allowances to certain classes of employees.

Expansion in constructional activity made an important contribution to the increase in Gross National Product in 1968. The increased availability of both local and imported building materials was mainly responsible for the expansion in construction.

In 1968, the value added in the services sector, that is transport, trade, banking and insurance, dwellings, public administration and other services is estimated to have increased by 10.6 per cent. A good part of these services, e. g. goods transport, trade and banking constituted inputs used in agriculture, industry and construction. The expansion in these services mainly arose from the growth of agriculture, manufacturing and construction. There was also an

**TABLE II (A) 5**  
**Gross National Product at Constant (1959) Factor Cost Prices**

	Rupees Million										Percentage change over previous year		
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1966	1967	1968
1. Agriculture, Forestry, Hunting and Fishing ..	2,302.4	2,435.5	2,613.5	2,694.5	2,846.0	2,945.9	2,772.8	2,836.9	3,039.9	3,248.4	+ 2.3	+ 7.2	+ 6.9
2. Mining and Quarrying ..	31.3	32.4	31.8	33.2	29.5	32.1	34.0	37.1	37.0	37.3	+ 9.1	- 0.3	+ 0.8
3. Manufacturing ..	682.1	728.0	745.9	797.6	853.0	901.3	936.9	1,008.1	1,052.0	1,133.0	+ 7.6	+ 4.4	+ 7.7
4. Construction ..	282.9	280.9	268.6	281.5	271.8	283.3	266.2	293.2	350.8	446.0	+10.1	+ 19.6	+27.1
5. Electricity, Gas, Water and Sanitary Services ..	9.5	9.8	10.4	11.1	11.4	12.9	13.5	14.3	14.7	15.0	+ 5.9	+ 2.8	+ 2.0
6. Transport, Storage and Communication ..	540.9	584.8	565.7	608.1	591.8	640.7	740.3	791.8	781.6	823.9	+ 7.0	- 1.3	+ 5.4
7. Wholesale and Retail Trade ..	800.8	928.8	839.4	891.9	875.1	1,003.1	1,105.2	1,144.1	1,174.3	1,253.3	+ 3.5	+ 2.6	+ 6.7
8. Banking, Insurance and Real Estate ..	50.9	51.8	58.5	64.2	67.4	73.6	90.4	83.0	99.6	110.4	- 8.2	+ 20.0	+10.8
9. Ownership of Dwellings ..	200.6	211.8	224.2	235.8	227.2	254.8	272.8	272.8	265.4	274.7	...	- 2.7	+ 3.5
10. Public Administration and Defence ..	301.0	314.4	323.5	343.7	365.1	363.3	371.9	396.5	388.9	432.4	+ 6.6	- 1.9	+11.2
11. Services ..	727.6	754.2	783.3	798.1	812.3	886.0	960.9	992.3	1,021.4	1,125.8	+ 3.3	+ 2.9	+10.2
12. Gross Domestic Product ..	5,930.0	6,332.4	6,464.8	6,759.7	6,950.6	7,397.0	7,564.9	7,870.1	8,225.6	8,900.2	+ 4.5	+ 4.1	+ 8.2
13. Net Factor Income from Abroad ..	- 36.7	- 43.9	- 40.1	- 49.8	- 50.9	- 33.7	- 14.3	- 36.1	- 44.5	- 38.7			
14. Gross National Product ..	5,893.3	6,288.5	6,424.7	6,709.9	6,899.7	7,363.3	7,550.6	7,834.0	8,181.1	8,861.5	+ 4.2	+ 4.4	+ 8.3

Source: Central Bank of Ceylon.

**TABLE II (A) 6**  
**Real National Income**

	Rupees Million										Percentage change over previous year	
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1967	1968
<b>1. Gross National Product at Constant 1959 Factor Cost Prices</b> .. ..	5,893.3	6,288.5	6,424.7	6,709.9	6,899.7	7,363.3	7,550.6	7,834.0	8,181.1	8,861.5	+ 4.4	+ 8.3
<b>2. Terms of Trade effect due to Export of -</b> ..												
(i) Tea .. ..		- 31.9	- 36.9	+ 1.4	-133.7	-156.0	-211.8	-317.7	-419.2	- 513.2		
(ii) Rubber .. ..		+ 37.3	- 24.5	- 13.3	- 55.7	- 93.7	-103.5	-145.3	-190.1	- 261.8		
(iii) Three Major Coconut Products ..		- 26.0	- 90.3	- 79.6	- 63.1	- 84.4	- 12.0	- 44.6	- 54.7	- 26.8		
(iv) Other products .. ..		+ 10.0	+ 1.1	+ 9.6	+ 10.7	+ 18.3	+ 18.4	+ 2.3	- 3.1	- 19.6		
(v) All Products .. ..		- 10.6	-150.6	- 81.9	-241.8	-315.8	-308.9	-505.3	-667.1	- 821.3		
<b>3. Gross National Income at Constant 1959 Factor Cost Prices</b> .. ..	5,893.3	6,277.9	6,274.1	6,628.0	6,657.9	7,047.5	7,241.7	7,328.7	7,514.0	8,040.2	+ 2.5	+ 7.0

Source: Central Bank of Ceylon

expansion in other services, due to the increase in consumer demand. These consisted of mainly, passenger transport, public administration, education and health. The increase in the value added in public administration and other services provided by the Government was partly the result of increased allowances paid to certain employees in 1968.

Gross Domestic Product rose from Rs. 8,277.3 million to Rs. 9,869.2 million in 1968, a rise of 19.2 per cent. In 1968, the net outflow from Ceylon of factor incomes amounted to Rs. 60.5 million compared to a net outflow of Rs. 53.5 million in 1967. Gross National Product which is obtained by adjusting Gross Domestic Product for the net outflow of factor incomes, recorded an increase of 19.3 per cent in 1968.

#### *Real Product and Real Income.*

Estimates of Real Product and Real Income are shown in Tables II (A) 5 and II (A) 6. Gross National Product at constant (1959) factor cost prices increased at an impressive rate of 8.3 per cent in 1968. This is nearly twice as high as the rate of growth in 1967.

Output of agriculture which contributed 36.7 per cent to total output, increased by 6.9 per cent. This reflected the rise in the production of tea, rubber, coconut, paddy, subsidiary food crops, milk and eggs, discussed earlier.

The real value of manufacturing increased by 7.7 per cent. Notable increases occurred in the output of electrical machinery, rubber goods, garments, cement, and animal and poultry food. The real value of construction increased by 27.1 per cent. Building activity was significantly high in the Public Corporations. Investment in construction by all Corporations increased from Rs. 98.2 million in 1967 to Rs. 163.4 million in 1968.

In 1968, the growth of output in agriculture, manufacturing and construction was accompanied by a sharp rise in the real value of output in the services sector. This reflected mainly the increase in the goods handled by the trade and transport services, in banking and financial services provided by the financial institutions, and in health and education and public administration services provided by the government.

In view of the importance of the value of exports and of imports in relation to the level of national income, the expansion of real output in 1968 should be evaluated against the movements of the prices of exports and imports. Ceylon's terms of trade continued its declining trend in 1968 due to a rise in the prices of imports. Terms of trade fell by 7.9 per cent during the year, reducing the purchasing power of the country's exports in terms of imports. It is estimated that the loss of income resulting from the adverse movement of the terms of trade from the base year 1959 was Rs. 821.3 million in 1968 compared to a loss of Rs. 667.1 million in 1967. Real National Income which is obtained by adjusting estimates of real product for the loss of income due to the adverse terms of trade amounted to Rs. 8,040.2 million in 1968 compared to Rs. 7,514.0 million in 1967.

**TABLE II (A) 7**  
**Gross National Expenditure at Current Market Prices**

	Rupees Million										Percentage change over previous year	
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1967	1968
<b>I. Private Consumption</b> .. ..	4,635.7	5,019.9	4,911.7	5,009.6	5,339.1	5,754.8	5,880.9	6,273.7	6,711.6	7,550.4	+ 7.0	+12.5
A. Imports of goods and non-factor services	1,989.7	2,058.9	1,845.3	1,868.0	1,675.6	1,861.4	1,719.2	1,876.5	1,518.0	1,537.1	- 19.1	+ 1.3
B. Locally produced goods and services ..	2,646.0	2,961.0	3,066.4	3,141.6	3,663.5	3,893.4	4,161.7	4,397.2	5,193.6	6,013.3	+18.1	+15.8
<b>II. Public Consumption</b> .. ..	881.3	911.0	926.2	979.4	1,010.6	1,090.1	1,156.7	1,158.3	1,228.3	1,407.8	+ 6.0	+14.6
i. Current expenditure on goods and services—Central Government ..	771.4	803.2	831.3	879.7	905.8	980.0	1,043.7	1,034.3	1,099.3	1,268.3	+ 6.3	+15.4
ii. Current expenditure on goods and services—Local Government ..	90.0	86.9	73.9	78.2	82.8	87.6	90.0	100.0	105.0	115.0	+ 5.0	+ 9.5
iii. Imputed rents on Government buildings .. ..	19.9	20.9	21.0	21.5	22.0	22.5	23.0	24.0	24.0	24.5	...	+ 2.1
<b>III. Gross Domestic Fixed Capital Formation</b> ..	1,118.1	1,022.1	1,037.4	1,100.8	1,095.3	1,119.6	1,043.0	1,187.2	1,366.3	1,567.7	+15.1	+14.7
i. Government .. ..	256.2	237.7	249.4	259.9	256.7	238.8	249.9	265.0	327.2	347.2	+23.5	+ 6.1
ii. Public Enterprises .. ..	79.6	79.4	91.7	103.7	127.3	101.8	129.8	123.8	114.8	119.2	- 7.3	+ 3.8
iii. Public Corporations .. ..	90.4	88.4	77.3	88.7	94.0	151.1	149.6	220.5	187.3	277.7	- 15.1	+48.3
iv. Private Sector .. ..	691.9	616.6	619.0	648.5	617.3	627.9	513.7	577.9	737.0	823.6	+27.5	+11.7
<b>IV. Changes in Stocks</b> .. ..	- 5.6	- 44.4	+ 64.1	- 20.4	+ 65.0	- 6.5	- 29.8	+ 7.9	+ 10.7	+100.1		
i. Government and Public Enterprises ..	- 21.9	- 14.4	+ 53.5	+ 39.8	+ 4.7	- 4.7	+ 23.8	- 35.5	+ 3.8	+ 64.5		
ii. Public Corporations and Private Sector	+ 16.3	- 30.0	+ 10.6	- 60.2	+ 60.3	- 1.8	- 53.6	+ 43.4	+ 6.9	+ 35.6		
<b>V. Gross Domestic Expenditure</b> .. ..	6,629.5	6,908.6	6,939.4	7,069.4	7,510.0	7,958.0	8,050.8	8,627.1	9,316.9	10,626.0	+ 8.0	+14.1
<b>VI. Net Investment Abroad</b> .. ..	- 208.0	- 220.5	- 93.8	- 139.7	- 167.6	- 160.4	+ 58.9	- 290.0	- 288.6	- 345.8		
<b>VII. Less Net Receipts of International Gifts and Transfers</b> ..	+ 11.6	- 21.6	- 10.9	- 7.1	- 13.2	- 40.1	- 40.7	- 36.6	- 21.8	- 23.0		
<b>VIII. Gross National Expenditure</b> .. ..	6,433.1	6,666.5	6,834.7	6,922.6	7,329.2	7,757.5	8,069.0	8,300.5	9,006.5	10,257.2	+ 8.5	+13.9

For explanatory notes see page 54

Source: Central Bank of Ceylon.

*Per Capita Product and Income.*

According to provisional estimates made by the Registrar General, Ceylon's mid-year population increased from 11,701,000 in 1967 to 11,964,000. This increase of 2.2 per cent compared with an increase of 2.4 per cent for 1966 and of 2.3 per cent for 1967 indicates a declining trend in population growth which is mainly due to a fall in the crude birth rate in recent years. This is mainly the outcome of a rise in the average level of education, postponement of marriage brought about by an increase in the number of women in employment or seeking employment, coupled with the dissemination of family planning methods by family planning clinics.

In 1968, per capita Gross National Product rose by 17.1 per cent at current prices and by 6.1 per cent at constant prices. Per capita real income increased by 4.8 per cent.

**Gross National Expenditure.***Consumer Demand.*

Estimates of Gross National Expenditure are shown in Tables II (A) 7 and II (A) 8. Details of private consumption expenditure are given in Tables II (A) 9 and II (A) 10. Private consumption expenditure increased at a rate nearly twice as high as in the previous year, 12.5 per cent for 1968 and 7.0 per cent for 1967. The most important increase was 10.1 per cent in respect of food. Other prominent increases were 23.3 per cent on clothing, 26.4 per cent on household operation and 26.5 per cent on personal care.

The distribution of consumer expenditure has remained roughly unchanged in the last two years. In 1968, expenditure on food, beverages and tobacco amounted to 58.1 per cent of total consumer expenditure, that on food alone amounting to 49.8 per cent. The proportion for clothing was 7.3 per cent, on furniture and household operation 9.4 per cent, personal care, health, transport and communications 12.8 per cent and on recreation and entertainment 3.7 per cent. This pattern of expenditure, particularly the high ratio for food, beverages and tobacco, is characteristic of a developing economy.

In 1968, expenditure on imports as seen in Table II (A) 10, increased by 1.3 per cent and on domestically produced goods, by 15.0 per cent. The sharp rise in total expenditure by 12.5 per cent reflects partly the growth of real expenditure and partly the rise in consumer prices. Consumer prices as measured by the Colombo Consumers' Price Index increased by 14.9 per cent for the export group, 5.2 per cent for the domestic group and 5.5 per cent for the import group.

Real expenditure on imported goods in fact fell in 1968 by 1.8 per cent. The increase in expenditure on imported goods is therefore wholly due to a rise in prices which is attributable partly to the devaluation of the Rupee in November, 1967, and partly due to the introduction of the FEEC Scheme in May, 1968.

Real expenditure on domestically produced goods rose by 5.6 per cent reflecting the increase in the production of food and manufactured goods discussed earlier. In 1968, per capita expenditure rose by 11.7 per cent in current prices compared to an increase of 6.2 per cent in 1967. Per capita real expenditure rose by 3.3 per cent in 1968.

## Expenditure on Gross National Product

	1960	1961	1962	1963	1964	1965	1966	1967	1968
1. Gross National Product at Factor Cost Prices ..	6,286.8	6,313.3	6,502.5	6,796.7	7,290.5	7,483.5	7,699.0	8,223.8	9,808.7
2. Indirect Taxes Less: Subsidies ..	407.5	384.3	490.7	485.2	484.5	529.3	629.4	828.6	787.4
3. Gross National Product at Market Prices	6,694.3	6,697.6	6,993.2	7,281.9	7,775.0	8,012.8	8,328.4	9,052.4	10,596.1

For explanatory notes see page 54.



TABLE II (A) 8

at Current Prices

Rupees Million

	1960	1961	1962	1963	1964	1965	1966	1967	1968
4. Consumption Expenditure: Private ..	5,019.9	4,911.7	5,009.6	5,339.1	5,754.8	5,880.9	6,273.7	6,711.6	7,550.4
5. Consumption Expenditure: Government ..	911.0	926.2	979.4	1,010.6	1,090.1	1,156.7	1,158.3	1,228.3	1,407.8
6. Gross Domestic Capital Formation: Private Sector and Public Corporations ..	675.0	706.9	677.0	771.6	777.2	609.7	841.8	931.2	1,136.9
7. Gross Domestic Capital Formation: Government and Public Enterprises ..	302.7	394.6	403.4	388.7	335.9	403.5	353.3	445.8	530.9
8. Gross Domestic Expenditure ..	6,908.6	6,939.4	7,069.4	7,510.0	7,958.0	8,050.8	8,627.1	9,316.9	10,626.0
9. Exports of Goods and Non-Factor Services ..	2,010.6	1,907.2	1,971.0	1,902.6	1,937.1	2,094.5	1,864.9	1,848.7	2,165.3
10. Less: Imports of Goods and Non-Factor Services ..	-2,208.5	-1,972.0	-2,070.3	-2,030.9	-2,101.9	-2,060.9	-2,154.7	-2,105.6	-2,473.6
11. Expenditure on Gross Domestic Product at Market Prices	6,710.7	6,874.6	6,970.1	7,381.7	7,793.2	8,084.4	8,337.3	9,060.0	10,317.7
12. Net Factor Income from Abroad ..	- 44.2	- 39.9	- 46.5	- 52.5	- 35.7	- 15.4	- 36.8	- 53.5	- 60.5
13. Residual: Unidentified changes in stocks and statistical discrepancy ..	+ 27.8	- 137.1	+ 69.6	- 47.3	+ 17.5	- 56.2	+ 27.9	+ 45.9	+338.9
14. Expenditure on Gross National Product at Market Prices ..	6,694.3	6,697.6	6,993.2	7,281.9	7,775.0	8,012.8	8,328.4	9,052.4	10,596.1

Source: Central Bank of Ceylon

## Gross Capital Formation

Domestic capital formation are given in Table II (A) 11. In 1968, investment activity rose to a high level in the three sectors for which data are available, namely, government, public corporations and private sector. Total gross fixed capital formation increased by 14.7 per cent. Capital formation in public corporations alone rose by 48.3 per cent. The increases in the government and private sectors were 5.5 per cent and 11.8 per cent respectively.

### *Public Corporations*

Investment in fixed capital in Public Corporations increased from Rs. 187.3 million in 1967 to Rs. 277.7 million in 1968. This is an increase of 48.3 per cent. The greater part of this increase was in respect of construction which rose from Rs. 98.2 million to Rs. 163.4 million in 1968. Investment in machinery and equipment more than doubled from Rs. 34.5 million to Rs. 69.6 million.

### *Government and Public Enterprises*

Fixed capital formation in government and public enterprises rose by 5.5 per cent. Investment activity in this sector consisted mainly of expenditure on irrigation, land development and communications.

### *Private Sector*

The percentage increase in fixed capital formation in the private sector amounted to 11.8 per cent. This was largely in respect of building construction in which capital formation rose by 27.7 per cent.

The increase in capital formation in building construction reflected to a large extent the greater availability of imported building materials. The volume index of imports of building materials rose from 64.7 in 1967 (1958=100) to 74.1 in 1968. This increase which occurred in the third and fourth quarters of 1968 was the outcome of liberalization of imports under the FEEC Scheme. There were also indications that the supply of building materials available to builders increased in the second quarter on account of a reduction of stocks held by traders.

## Total Resources and their Uses.

As indicated in Table II (A) 12, total resources available to the economy consisting of domestic production and imports increased by Rs. 1,625.6 million or 14.6 per cent at current prices. In real terms, resources increased by 8.3 per cent entirely due to an expansion of domestic output, imports having fallen by 1.8 per cent.

An analysis of the utilisation of resources indicates an increase in exports by 17.1 per cent, consumption by 12.8 per cent and investment by 21.1 per cent. Measured in real terms, the picture is significantly different. The real resources devoted to consumption increased by 5.6 per cent and to investment by 5.0 per cent.

TABLE II (A) 9

**Composition of Private Consumption Expenditure<sup>(1)</sup>  
at Current Market Prices—I**

	1967		1968	
	Amount Rs. Million	Percent of Total	Amount Rs. Million	Percent of Total
1. Food .. .. .	3,415.7	50.9	3,760.1	49.8
2. Beverages .. .. .	214.5	3.2	206.7	2.7
3. Tobacco .. .. .	422.5	6.3	424.9	5.6
4. Clothing and other Personal effects ..	449.2	6.7	553.9	7.3
5. Rent and Water charges .. .. .	358.0	5.3	368.7	4.9
6. Fuel and Light .. .. .	130.4	1.9	171.5	2.3
7. Furniture, Furnishings and Household Equipment .. .. .	105.0	1.6	142.0	1.9
8. Household operation .. .. .	448.2	6.7	566.5	7.5
9. Personal care and Health expenses ..	306.5	4.6	387.8	5.1
10. Transport and Communication .. .. .	569.2	8.5	578.9	7.7
11. Recreation and Entertainment .. .. .	233.5	3.5	282.9	3.7
12. Miscellaneous Services .. .. .	92.3	1.4	107.1	1.4
13. Expenditure of Residents Abroad .. .. .	112.8	1.7	126.1	1.7
14. Less: Expenditure of non-residents in the country .. .. .	-146.2	-2.2	-126.7	-1.7
15. Consumption Expenditure of Households and Private Non-Profit Institutions .. .. .	6,711.6	100.0	7,550.4	100.0

(1) This classification is based on 'A System of National Accounts and Supporting Tables, U. N., New York, 1964.

Source: Central Bank of Ceylon.

**TABLE II (A) 10**  
**Composition of Private Consumption Expenditure at Current Market Prices—II**

	Rupees Million										Percentage change over previous year		
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1966	1967	1968
<b>A. Imports of Goods and Non-Factor Services</b> ..	1,989.7	2,058.9	1,845.3	1,868.0	1,675.6	1,861.4	1,719.2	1,876.5	1,518.0	1,537.1	+ 9.1	- 19.1	+ 1.3
(i) Rice, wheat flour and sugar ..	484.5	482.2	513.2	534.0	516.9	516.7	598.0	600.8	586.1	607.6	+ 0.5	- 2.5	+ 3.7
(ii) Other personal consumption goods ..	1,327.7	1,424.9	1,195.5	1,206.2	1,029.7	1,235.9	1,011.1	1,161.8	819.1	803.4	+14.9	- 29.5	-19.2
(iii) Non-factor Services ..	177.5	151.8	136.6	127.8	129.0	108.8	110.1	113.9	112.8	126.1	+ 3.5	- 1.0	+11.8
<b>B. Locally Produced Goods and Services</b> ..	2,950.7	3,170.8	3,330.7	3,443.8	3,884.1	4,073.8	4,369.5	4,648.7	5,429.8	6,243.1	+ 6.4	+ 16.8	+15.0
(i) Locally produced goods ..	2,080.3	2,243.6	2,365.5	2,442.0	2,842.6	2,928.2	3,049.0	3,275.9	3,996.9	4,673.0	+ 7.4	+ 22.0	+16.9
Rice ..	312.2	307.5	274.9	305.6	319.1	318.3	235.9	278.6	629.2	791.2	+18.1	+125.8	+25.7
Coconut products ..	231.9	187.0	162.0	154.3	209.5	217.3	272.7	277.6	291.8	323.7	+ 1.8	+ 5.1	+10.9
Tea ..	62.7	67.4	68.9	70.1	78.2	78.6	77.1	78.2	75.7	81.0	+ 1.4	- 3.2	+ 7.0
Other Food crops ..	410.8	473.8	541.6	500.3	556.1	563.4	549.6	563.9	643.7	749.0	+ 2.6	+ 14.2	+16.4
Tobacco ..	19.5	21.7	26.9	30.6	31.5	32.3	33.0	33.8	35.2	38.2	+ 2.4	+ 4.1	+ 8.5
Betel and arecanuts ..	81.0	86.9	88.3	80.9	84.6	78.5	70.8	68.1	71.2	71.8	- 3.8	- 4.6	+ 0.8
Firewood ..	70.6	73.0	76.0	77.9	79.7	81.8	82.7	84.0	86.3	95.7	+ 1.6	+ 2.7	+10.9
Livestock products ..	124.2	122.7	137.2	133.2	172.4	182.8	189.8	198.0	270.1	279.0	+ 4.3	+ 36.4	+ 3.3
Fish ..	78.3	102.6	144.9	176.8	181.4	191.0	191.8	210.3	280.0	364.3	+ 9.6	+ 33.1	+30.1
Industrial products ..	689.1	801.0	844.8	912.3	1,130.1	1,134.2	1,345.6	1,483.4	1,613.7	1,879.1	+10.3	+ 8.8	+16.4
(ii) Rents of dwellings ..	136.3	197.3	216.4	225.7	247.3	263.7	339.9	348.9	358.0	368.7	+ 2.6	+ 2.6	+ 3.0
(iii) Transport and communication ..	240.0	255.1	271.5	287.5	293.2	337.1	373.2	400.3	391.8	425.6	+ 7.3	- 2.1	+ 8.6
(iv) Services n. i. e. ..	444.1	474.8	477.3	488.6	501.0	544.8	607.4	623.6	683.1	775.8	+ 2.7	+ 9.5	+13.6
Financial services to persons ..	12.9	14.0	15.0	16.2	17.9	19.3	26.9	25.2	30.7	39.3	- 6.3	+ 21.8	+28.0
Recreation & Entertainment ..	24.4	25.2	26.0	26.7	27.5	28.6	39.5	40.7	43.9	53.8	+ 3.0	+ 7.9	+22.6
Domestic services ..	200.1	203.1	209.4	217.8	226.6	237.3	254.9	268.0	292.9	307.0	+ 5.1	+ 9.3	+ 4.8
Hotels and Restaurants ..	119.2	121.0	124.7	129.7	134.5	141.2	145.1	148.3	160.1	192.7	+ 2.2	+ 8.0	+20.4
Professional and Institutional Services, n. i. e. ..	37.6	60.9	50.0	43.9	37.8	59.6	60.3	56.1	61.6	67.8	- 7.0	+ 9.8	+10.1
Personal Services, n. i. e. ..	49.9	50.6	52.2	54.3	56.5	58.8	80.7	85.3	93.9	115.2	+ 5.7	+ 10.1	+22.7
Less: Government local purchases ..	- 109.8	- 41.2	- 102.0	- 132.7	- 50.0	- 50.0	- 55.3	- 85.0	- 90.0	- 103.1			
Less: Goods and services purchased by non-residents ..	- 194.9	- 168.6	- 162.3	- 169.5	- 170.6	- 130.4	- 152.5	- 166.5	- 146.2	- 126.7			
<b>Total Private Consumption</b> ..	<b>4,635.7</b>	<b>5,019.9</b>	<b>4,911.7</b>	<b>5,009.6</b>	<b>5,339.1</b>	<b>5,754.8</b>	<b>5,880.9</b>	<b>6,273.7</b>	<b>6,711.6</b>	<b>7,550.4</b>	<b>+ 6.7</b>	<b>+ 7.0</b>	<b>+12.5</b>

For explanatory notes see page 55.

Source: Central Bank of Ceylon

TABLE II (A) 11

## Gross Domestic Capital Formation at Current Market Prices

	Rupees Million										Percentage change over previous year	
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1967	1968
	<b>A. Private Sector and Public Corporations</b>	798.6	675.0	706.9	677.0	771.6	777.2	609.7	841.8	931.2	1,136.9	+10.6
(i) Gross Domestic Fixed Capital Formation	782.3	705.0	696.3	737.2	711.3	779.0	663.3	798.4	924.3	1,101.3	+15.8	+19.1
Planting, Replanting & Land Development	62.1	63.2	63.2	64.0	69.5	87.2	69.1	73.1	78.5	79.4	+7.4	+1.1
Building & certain other Construction	384.2	396.1	377.8	405.0	362.2	409.1	387.8	428.9	519.6	701.7	+21.1	+35.0
Plant & Machinery	116.8	74.8	112.5	114.3	155.7	174.5	112.1	137.4	154.1	165.4	+12.2	+7.3
Transport Equipment	152.5	108.7	84.8	91.9	62.8	50.1	62.7	98.0	79.7	62.9	-18.7	-21.1
Capital Goods, n.i.e.	66.7	62.2	58.0	62.0	61.1	58.1	31.6	61.0	92.4	91.9	+51.5	-0.5
Private Sector: Total	691.9	616.6	619.0	648.5	617.3	627.9	513.7	577.9	737.0	823.6	+27.5	+11.8
Public Corporations: Total	90.4	88.4	77.3	88.7	94.0	151.1	149.6	220.5	187.3	277.7	-15.1	+48.3
(ii) Changes in Stocks	+16.3	-30.0	+10.6	-60.2	+60.3	-1.8	-53.6	+43.4	+6.9	+35.6		
Tea	+1.0	-12.5	-3.1	-37.1	-16.9	-23.5	-64.1	+21.6	-24.4	-10.7		
Rubber	-2.5	-26.8	+18.6	+2.9	+20.3	-12.2	-10.7	-14.7	+10.3	-4.9		
Coconut oil	...	...	...	...	...	-4.2	+10.3	+2.0	...	...		
Livestock	+17.8	+9.3	-4.9	-26.0	+56.9	+38.1	+10.9	-35.3	-24.2	+6.6		
Miscellaneous (stocks with Corporations)	-	-	-	-	-	-	-	+69.8	+45.2	+44.6		
<b>B. Government and Public Enterprises</b>	313.9	302.7	394.6	403.4	388.7	335.9	403.5	353.3	445.8	530.9	+26.2	+19.1
(i) Gross Domestic Fixed Capital Formation	335.8	317.1	341.1	363.6	384.0	340.6	379.7	388.8	442.0	466.4	+13.7	+5.5
(ii) Changes in stocks	-21.9	-14.4	+53.5	+39.8	+4.7	-4.7	+23.8	-35.5	+3.8	+64.5		
Imported Rice, Wheat Flour and Sugar	+13.0	-26.3	-12.1	-2.0	+0.1	-4.7	+22.0	-37.6	-6.8	+68.5		
G.P.S. Paddy	-34.8	+9.7	+65.3	+45.1	+9.6	...	...	...	+10.6	-4.0		
Arrack	-0.1	+2.2	+0.3	-3.3	-5.0	...	+1.8	+2.1	-	-		
<b>C. All Sectors - Gross Domestic Capital Formation</b>	1,112.5	977.7	1,101.5	1,080.4	1,160.3	1,113.1	1,013.2	1,195.1	1,377.0	1,667.8	+15.2	+21.1
(i) Gross Domestic Fixed Capital Formation	1,118.1	1,022.1	1,037.4	1,100.8	1,095.3	1,119.6	1,043.0	1,187.2	1,366.3	1,567.7	+15.1	+14.7
(ii) Changes in Stocks	-5.6	-44.4	+64.1	-20.4	+65.0	-6.5	-29.8	+7.9	+10.7	+100.1		

Source: Central Bank of Ceylon

**TABLE II (A) 12**  
**Resources and their Utilisation at Current Market Prices**

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	Percentage increase over previous year		
											1966	1967	1968
<b>A. Resources</b>													
Gross Domestic Product ..	6,469.8	6,710.7	6,874.6	6,970.1	7,261.1	7,793.2	8,084.4	8,337.3	9,060.0	10,317.6	+ 3.1	+ 8.7	+13.9
Imports of goods and non-factor services ..	2,175.7	2,208.5	1,972.0	2,070.3	2,030.9	2,101.9	2,060.9	2,154.7	2,105.6	2,473.6	+ 4.6	- 2.3	+17.5
<b>Total</b> ..	<b>8,645.5</b>	<b>8,919.2</b>	<b>8,846.6</b>	<b>9,040.4</b>	<b>9,292.0</b>	<b>9,895.1</b>	<b>10,145.3</b>	<b>10,492.0</b>	<b>11,165.6</b>	<b>12,791.2</b>	<b>+ 3.4</b>	<b>+ 6.4</b>	<b>+14.6</b>
<b>B. Utilisation</b>													
Consumption ..	5,517.0	5,930.9	5,837.9	5,989.0	6,349.7	6,844.9	7,037.6	7,432.0	7,939.9	8,958.2	+ 5.6	+ 6.8	+12.8
Gross Domestic Capital Formation ..	1,112.5	977.7	1,101.5	1,080.4	1,039.7	1,113.1	1,013.2	1,195.1	1,377.0	1,667.8	+18.0	+15.2	+21.1
Exports of goods and non-factor service ..	2,016.0	2,010.6	1,907.2	1,971.0	1,902.6	1,937.1	2,094.5	1,864.9	1,848.7	2,165.3	-11.0	- 0.8	+17.1
<b>Total</b> ..	<b>8,645.5</b>	<b>8,919.2</b>	<b>8,846.6</b>	<b>9,040.4</b>	<b>9,292.0</b>	<b>9,895.1</b>	<b>10,145.3</b>	<b>10,492.0</b>	<b>11,165.6</b>	<b>12,791.2</b>	<b>+ 3.4</b>	<b>+ 6.4</b>	<b>+14.6</b>

*Source:* Central Bank of Ceylon.

**Import content of Gross National Expenditure.**

An important structural change observed in recent years in the Ceylon economy is the fall in the import content of expenditure. This reflected the increased local production of certain goods which were previously imported. In the year 1968, mainly on account of a steep rise in import prices, as seen in Table II (A) 14, the direct import content at c.i.f. prices of consumption expenditure rose from 15.2 per cent to 16.5 per cent between 1967 and 1968. The import content of capital formation, measured at c.i.f. prices, rose from 23.1 per cent in 1967 to 23.8 per cent in 1968.

**TABLE II (A) 13**  
**Gross Domestic Expenditure and Availability of Resources**

	1960		1961		1962		1963		1964		1965		1966		1967		1968	
	Rupees Million	Percentage of row (6)	Rupees Million	Percentage of row (6)	Rupees Million	Percentage of row (6)	Rupees Million	Percentage of row (6)	Rupees Million	Percentage of row (6)	Rupees Million	Percentage of row (6)	Rupees Million	Percentage of row (6)	Rupees Million	Percentage of row (6)	Rupees Million	Percentage of row (6)
1. Consumption Expenditure: Private ..	5,019.9	75.3	4,911.7	71.9	5,009.6	72.4	5,339.1	72.8	5,754.8	74.2	5,880.9	72.9	6,273.7	75.6	6,711.6	74.5	7,550.4	73.6
2. Consumption Expenditure: Government ..	911.0	13.7	926.2	13.6	979.4	14.1	1,010.6	13.8	1,090.1	14.1	1,156.7	14.3	1,158.3	14.0	1,228.3	13.6	1,407.8	13.7
3. Gross Domestic Capital Formation: Private Sector and Public Corporations ..	675.0	10.1	706.9	10.3	677.0	9.8	771.6	10.5	777.2	10.0	609.7	7.6	841.8	10.1	931.2	10.3	1,136.9	11.1
4. Gross Domestic Capital Formation: Government and Public Enterprises ..	302.7	4.5	394.6	5.8	403.4	5.8	388.7	5.3	335.9	4.3	403.5	5.0	353.3	4.3	445.8	4.9	530.9	5.2
5. Gross Domestic Expenditure ..	6,908.6	103.6	6,939.4	101.5	7,069.4	102.1	7,510.0	102.5	7,958.0	102.6	8,050.8	99.8	8,627.1	103.9	9,316.9	103.4	10,626.0	103.6
6. Gross National Product (adjusted) ..	6,666.5	100.0	6,834.7	100.0	6,923.6	100.0	7,329.2	100.0	7,757.5	100.0	8,069.0	100.0	8,300.5	100.0	9,006.5	100.0	10,257.2	100.0
7. Excess of (5) over (6) met by—																		
(a) Net disinvestment abroad ..	+ 220.5		+ 93.8		+ 139.7		+ 167.6		+ 160.4		- 58.9		+ 290.0		+ 288.6		+ 345.8	
(b) Net receipts of international gifts and transfers ..	+ 21.6		+ 10.9		+ 7.1		+ 13.2		+ 40.1		+ 40.7		+ 36.6		+ 21.8		+ 23.0	
(a) + (b)	+ 242.1		+ 104.7		+ 145.8		+ 180.8		+ 200.5		- 18.2		+ 326.6		+ 310.4		+ 368.8	

For explanatory notes see page 55.

Source: Central Bank of Ceylon.



TABLE II (A) 14

Direct Import Content of Gross Domestic Expenditure

	1963			1964			1965			1966			1967			1968		
	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation
Expenditure at Market Prices (Rs. Million) ..	5,339.1	1,010.6	1,095.3	5,754.8	1,090.1	1,119.6	5,880.9	1,156.7	1,043.0	6,273.7	1,158.3	1,187.2	6,711.6	1,228.3	1,366.3	7,550.4	1,407.8	1,567.7
Import component at c.i.f. prices—																		
(a) Amount (Rs. Million) .. ..	983.8	51.8	292.5	1,431.3	47.2	294.5	945.3	59.3	218.7	1,305.8	80.8	304.4	1,021.4	78.9	315.0	1,242.7	53.6	372.4
(b) Per cent .. ..	18.4	5.1	26.7	24.9	4.3	26.3	16.1	5.1	21.0	20.8	7.0	25.6	15.2	6.4	23.1	16.5	3.8	23.8

Source: Central Bank of Ceylon

**EXPLANATORY NOTES TO TABLES ON NATIONAL PRODUCT  
AND EXPENDITURE**

**General**

1. Apart from published sources (such as the Ceylon Customs Return) and special sources on certain specific items (e.g. the Department of Industries on industrial output), much of the primary data used in the preparation of these tables 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 value in Rs. million taken to one decimal place.
4. n.i.e. = not included elsewhere.
5. Estimates for 1966 to 1968 are provisional.

**Table II A—1**

Item (A) 6 — Merchandise exports are valued f.o.b.

Item (A) 7 — Merchandise imports are valued c.i.f.

Item (A) 8, 9 and 11 — the following estimates of population have been used to compute per capita figures:

Year	1959	1960	1961	1962	1963
Mid-year population	9,625,000	9,896,000	10,168,000	10,443,000	10,646,000
Year	1964	1965	1966	1967	1968
Mid-year population	10,903,000	11,164,000	11,440,000	11,701,000	11,964,000

**Table II (A)—7**

Item I (A) Goods at retail values

Item I (B) Locally produced goods. Estimates of tea and coconut included in this item have been computed on the basis of data on per capita consumption; while the data used in computing the estimates for the years 1959 to 1962 have been obtained from the Consumer Finance Survey 1953, the data used from 1963 onwards have been obtained from the Consumer Finance Survey 1963. Thus, the estimates for 1963 onwards are strictly not comparable with those for earlier years.

Item IV (i) — Changes in stocks in the following items only — imported rice, wheat flour and sugar, GPS paddy, arrack.

Item IV (ii) — Changes in stocks of tea, rubber, coconut oil and livestock only.

Item V — Equals expenditure on consumption, gross domestic fixed capital formation and changes in stocks.

Item VI — Net investment abroad  $\equiv$  the surplus to the nation on current account.

**Table II (A) — 8**

Item 2 — Inclusive of local rates.

Item 8 — Equals expenditure on consumption and gross domestic capital formation.

Item 14 — 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) 7: 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).

**Table II (A)-10**

- Item B (i) - For estimates of tea and coconut see note to Table II (A)-7
- Item B (iv) - Financial services to persons - the value of services rendered by banks, insurance companies and other financial institutions to households as distinct from enterprises.
- Item B (iv) - Professional and Institutional services, n.i.e. - Private medical, legal and educational services and services rendered by non-profit making bodies (religious and welfare organizations, trade unions etc.)
- Item B (iv) - Personal services, n.i.e - Services of dhobies, barbers, astrologers, undertakers etc.

**Table II(A)-13**

- Item 6 - For the sake of consistency with other items of this table, which are taken from the table on gross national expenditure, i.e. Table II (A)-7, the figures of gross national product at current market prices shown as item 3 of Table II (A)-8 have been adjusted by item 13 of that table.

**Revisions**

Estimates of mid-year population have been revised from 1963 to 1967 by the Registrar General. Consequently, estimates of production and consumption of certain goods which are calculated by multiplying the per capita consumption figures by the mid-year population have been revised. Revisions have been made in respect of coconut and coconut products, fruits and vegetables, tea (domestic consumption), betel and arecanut, firewood and chewing tobacco.

**Table II(A)-4**

Estimates in respect of certain services for which data are not directly available were computed prior to 1968 by:

- (i) extrapolating figures of income based on the 1953 Census by the population increase, and
- (ii) adjusting for changes in wage rate since 1953.

In the 1968 Annual Report, estimates beginning from 1965 were revised as follows: Instead of extrapolating income by the population increase, it was extrapolated by the compound growth rate between 1953 and 1963 of numbers employed in the respective services obtained from the census reports for these years.

**Table II (A) 10**

Estimates of 'Other Food Crops' were in previous years, estimated by multiplying figures of per capita consumption, by the population. In 1968, they were calculated by using actual production data obtained from the Department of Census and Statistics. Figures prior to 1968 too have been revised on this basis.