

II ECONOMIC AND FINANCIAL TRENDS - 1969

(A) National Product and Expenditure

Summary and Evaluation

Gross National Product

In 1969, Gross National Product at constant (1959) prices rose according to provisional estimates, by 5.7 per cent. This rate of increase although lower than the unprecedented increase of 8.3 per cent in 1968, compares favourably with the average rate of growth of 4.7 per cent experienced during the decade 1960-1969.

Economic growth in 1969 arose out of a high level of activity in manufacturing, construction, trade, transport and other services.

Output in agriculture, forestry and fishing which had increased by 6.9 per cent in 1968 rose only by 2.2 per cent in 1969. This was because the production of tea, coconut and paddy was affected by unfavourable weather conditions; in 1969, tea production fell by 2.4 per cent, coconut production showed no increase according to provisional estimates, while paddy production increased moderately by 2.0 per cent, in contrast to the previous year when all these crops recorded substantial increases.

A slow rate of expansion in agriculture, on account of its relative importance in total output places a limit on the overall growth rate of the economy. As seen in the table below, the total contribution of agriculture to Gross National Product is of the order of 35 per cent. Although output in other sectors did expand in 1969, in some cases at rates nearly as high as in the previous year, the overall growth did not attain the magnitude achieved in the previous year.

TABLE II (A) 1
Sectoral Composition of Gross National Product
at Constant (1959) Factor Cost Prices

Sectors	1959		1968		1969	
	Amount (Rs. Mn.)	Percentage	Amount (Rs. Mn.)	Percentage	Amount (Rs. Mn.)	Percentage
1. Agriculture, forestry, hunting, and fishing ..	2,302	39.1	3,248	36.7	3,321	35.4
2. Mining & quarrying ..	31	0.5	37	0.4	50	0.5
3. Manufacturing ..	682	11.6	1,154	13.0	1,221	13.0
4. Construction ..	283	4.8	446	5.0	527	5.6
5. Electricity, gas, water & sanitary services ..	10	0.2	15	0.2	18	0.2
6. Transport, storage & communications ..	541	9.2	824	9.3	923	9.8
7. Wholesale and retail trade ..	801	13.6	1,253	14.1	1,380	14.7
8. Banking, insurance & real estate ..	51	0.9	110	1.2	118	1.3
9. Ownership of dwellings ..	201	3.4	275	3.1	281	3.0
10. Public administration & defence ..	301	5.1	432	4.9	445	4.8
11. Services ..	728	12.3	1,105	12.5	1,152	12.3
12. Gross Domestic Product ..	5,930	—	8,900	—	9,435	—
13. Net factor income from abroad ..	-37	-0.6	-39	-0.4	-65	-0.7
14. Gross National Product ..	5,893	100.0	8,862	100.0	9,370	100.0

Source: Central Bank of Ceylon.

Real output in manufacturing (other than tea, rubber and coconut) increased by 10.6 per cent in 1969 compared to an increase of 14.9 per cent in 1968. In 1969, there was a general increase in all the major categories of industrial production. This was due to two complementary factors which are of equal importance. The first was the availability of raw materials under the FEEC Scheme. The importance of this factor can be appreciated when the import liberalisation under this scheme is compared with the system of import quotas prior to May, 1968, under which industrialists experienced delays and difficulties in getting raw material requirements. The second was the high level of demand for industrial products due to growth of incomes in other sectors of the economy. The impact of the demand for industrial goods was felt on consumer goods industries as well as on capital goods industries which produce constructional materials.

Real output in construction rose by 18.1 per cent in 1969. In construction too, the greater availability of building materials on the one hand and the high level of demand for construction on the other, were responsible for increased activity in this sector. A greater quantity of raw material was available both from imports and from local production. As will be seen later in the Report, among the industrial products which recorded increases in output were cement and electrical fittings.

Real output in services, particularly trade and transport, increased by 7.5 per cent in 1969. The increase in trade and transport reflects a rise in the availability of goods imported and domestically produced in 1969. In addition, there was, in the case of transport, an expansion in passenger services provided by the C. T. B, Railway and Air Ceylon. Among other services which contributed to the expansion in the services sector were public administration, health, education, banking and insurance services.

In 1969, price increases occurred in many sectors of the economy. Gross National Product at current prices therefore rose at a higher rate than at constant prices. Measured at current prices the increase was 10.3 per cent compared to the rise of 5.7 per cent at constant prices.

Ceylon's mid-year population is estimated at 12.26 million in 1969, an increase of 2.25 per cent over the figure for 1968. Gross National Product in per capita terms showed an increase of 7.9 per cent at current prices and 3.4 per cent at constant prices.

Resources and Uses

Alongside the rise in domestic production, there was in 1969, a substantial rise in imports, mainly capital goods imports. Total resources available to the economy consisting of domestic production and imports at market prices increased from Rs. 12,791 million to Rs. 14,608 million in 1969, an increase of 14.2 per cent. The increase in resources led to a rise in both consumption and capital formation, the former by 14.1 per cent and the latter by 33.8 per cent. On account of the rise in prices in 1969, the above figures give a somewhat

exaggerated picture of the real increase in resources and their allocation. It is estimated that in real terms, resources increased by 9.1 per cent while consumption and capital formation in real terms rose by 11.0 per cent and 22.8 per cent respectively.

The substantial rise in capital formation which is analysed in detail in a later section was a significant development in 1969. This rise which was shared by the government, public corporations and the private sector, was largely due to the increased availability of imported capital goods. The year 1969 is perhaps unique in that over 80 per cent of the increase in the value of imports in the year consisted of capital goods imports. Although the growth rate in 1969 was somewhat lower than in 1968, the country's economic performance, giving due weight to the expansion of productive capacity in 1969, was no less impressive than the performance in the previous year.

An aspect which has been commented upon in recent Annual Reports is that aggregate demand consisting of consumption and capital formation has been consistently higher than resources available from domestic production. The situation in 1969 was no different from that in previous years. A measure of this excess is given by a comparison of Gross Domestic Expenditure with Gross Domestic Product at market prices. It is seen from this comparison that in 1969, Gross Domestic Expenditure was 6.8 per cent higher than Gross Domestic Product. This gap in resources was met mainly from foreign borrowing.

Production Trends

Agriculture

Tea

Total tea acreage at the end of 1969 amounted to 596,514 acres of which 569,500 acres were in bearing. During 1969, 6,501 acres were replanted under the Tea Replanting Subsidy Scheme bringing the replanted acreage to 33,429, i.e. 5.6 per cent of the total acreage.

Under the Replanting Scheme, estates are paid subsidies amounting to Rs. 3,250 or Rs. 3,750 per acre if the soil has to be reconditioned, for replanting. As a further incentive to increase replanting, monies were made available in 1969 to the State Mortgage Bank by the Tea Subsidy Fund to be loaned to tea estates, to meet additional costs of replanting not covered by the replanting subsidies.

Modernisation of tea factories under the factory development scheme has been proceeding at a very slow pace. Loans granted by commercial banks amounted to Rs. 13.9 million in 1969 compared to Rs. 10.3 million in 1968. In view of the slow progress made, the Government decided to pay a grant of one-third the cost incurred in modernisation, in addition to the subsidy amounting to one-half the interest payable on bank loans taken for modernisation, paid hitherto under the scheme.

Tea production in 1969 is estimated at 484 million pounds. This is 12 million pounds or 2.4 per cent lower than in 1968. The fall in output is partly due to drought conditions which prevailed in certain parts of the year. Some

estates were also reported to have deliberately cut down production by resorting to finer plucking in view of the decline in prices in 1969. The average yield per acre in 1969 is estimated at 845 pounds compared to 848 pounds in 1968.

Rubber

Total acreage under rubber at the end of 1969 was 569,518 of which 489,854 acres were in bearing. The replanted acreage was 276,126 or 48.5 per cent of the total acreage. This is in contrast to the position with respect to tea; the acreage replanted in tea at the end of 1969 was only 5.6 per cent of the total acreage.

Subsidies given under the Rubber Replanting Subsidy Scheme in 1969 amounted to Rs. 16.6 million compared to Rs. 14.9 million in 1968. Rubber production continued to expand in 1969. Output estimated at 333 million pounds was 5 million pounds or 1.5 per cent higher than in the previous year. This increase, despite heavy rainfall which interrupted tapping in certain months, is attributable to an increase in the replanted acreage coming into bearing.

Coconut

Coconut production is usually estimated, in the absence of direct data, as the nut equivalent of exports and domestic consumption. Estimation of year-to-year production, using a direct method, e.g. on the basis of returns obtained from producers, is not practicable in view of the existence of a large number of small producers who are responsible for a substantial part of the total output.

In 1969, the nut equivalent of exports, according to Customs data, showed a sizeable fall as compared with the previous year. Data on licences issued by the Coconut Board, however, indicate that the quantity available for export in 1969 was somewhat higher than the quantity actually exported. In view of the inadequacy of these statistics in estimating the actual level of production in 1969, investigations were made in respect of production in the larger estates for which crop statistics are maintained. It was revealed on the basis of a sample of such estates, that output in 1969 was at about the same level as in 1968. Using this result as the basis of estimation in the absence of data relating to small holdings, it was assumed for the purpose of this Report that output of coconut in 1969 was of the same level as in 1968, i. e. 2,601 million nuts.

The Fertilizer Subsidy Scheme and the Scheme for the issue of high yielding seedlings continued to operate in 1969. It is provisionally estimated that 49,338 tons of fertilizer were issued under the Fertilizer Subsidy Scheme compared with 53,653 tons in 1968. The target for fertilizer issues under this scheme was 71,000 tons. The number of high yielding seedlings issued in 1969 was 1,472,159 compared with 1,613,999 in 1968.

Paddy

Paddy production in 1969 is estimated at 65.9 million bushels compared to 64.6 million bushels in 1968, an increase of 2.0 per cent. Output in Maha 1968/69 at 47.0 million bushels was 3.5 million bushels higher than in the previous Maha. This was due both to a rise in nett acreage harvested from 916 thousand acres to 979 thousand acres and the average yield per acre from 47.5 bushels to 51.2 bushels. Output in Yala 1969, however, was 2.2 million bushels lower than in the previous year. This fall was due to a decrease in the nett acreage harvested, the yield per acre having increased from 44.6 bushels to 48.2 bushels.

Subsidiary Food Crops

In 1969, the production of subsidiary food crops was substantially higher than in the previous year. Marked increases were seen in the output of red onions, chillies and potatoes. The rise in output in the case of certain food crops seems to have resulted in a fall in price. Between 1968 and 1969, the all-island average producers' price of dried chillies decreased from Rs. 287 to Rs. 229 per cwt. The average price of potatoes too has dropped from Rs. 75 to Rs. 60 per cwt.

As noted in a subsequent section of the Report, there has been in the recent years, a rising trend in loans given for subsidiary food crops under the new Agricultural Credit Scheme. Loans given during the financial year 1968/69 amounted to Rs. 6.8 million compared to Rs. 5.6 million in the previous financial year.

The increase in output of subsidiary food crops in 1969 reflected the high level of profitability in this area of farming, on account of the high prices obtained by farmers for their produce. Value added in subsidiary food crops according to provisional estimates, showed an increase of 48.4 per cent in 1969 over 1968.

Manufacturing

Manufacturing activity continued to expand in 1969. The ex-factory value of industrial production according to the survey of industrial production conducted by the Central Bank, rose by 16.3 per cent over the previous year. As discussed in a subsequent section of the Report, increases were recorded in all the principal categories of industrial production. Prominent increases in the ex-factory value of output were seen in food preparations, paper and paper products, textiles, chemicals, fabricated metal products, rubber and plastic products and machinery and equipment.

In 1969, total value added in manufacturing is estimated to have increased by 9.8 per cent compared to a rise of 27.4 per cent in the previous year.

The expansion in manufacturing was partly due to the increased availability of raw materials under the FEEC Scheme and also probably to increase in capacity resulting from a rise in capital formation in previous years. A high

level of demand for industrial products, especially consumer goods and building materials, due to increased incomes in other sectors, also provided an impetus to industrialists to expand production.

Construction

Constructional activity was, for the second year in succession, at a high level in 1969 due to the increase in local production and imports of building materials coupled with the rising demand for housing and other construction. Cement production rose from 219,000 tons in 1968 to 278,000 tons in 1969. Value added in construction is estimated to have increased by 28.7 per cent at current prices in 1969.

Services

Economic activity in services too, was at a high level in 1969. This is seen in trade, transport, banking and government services. The rise in trade and transport services was partly due to the increase in the supply of goods from both domestic production and imports. The increased activity in transport was also due, to a rise in the imports of transport equipment. According to the import volume index, the volume of transport equipment has risen from 90 in 1968 (1967 = 100) to 213 in 1969. The value of passenger transport too increased in 1969. This is seen in a rise in the bus mileage of the C. T. B. by 3.8 per cent, passenger mileage of the Railway by 5.5 per cent and internal passenger mileage of Air Ceylon by 6.7 per cent. Expansion in government services, especially health and education services, also contributed to the expansion in the services sector. In addition, banking and insurance services rose in 1969; in 1969, 15 new branch banks were opened by the Ceylonese banks. Total value added in services is estimated to have increased by 14.4 per cent in 1969.

Total Resources and their Uses

The following table shows the total resources available to the economy and the pattern of utilisation of resources in 1967, 1968 and 1969, at market prices.

TABLE II (A) 2
Total Resources and their Uses

Items	1967	1968	1969	Percentage change over previous year	
	Amount (Rs. Million)			1968	1969
A. Resources					
Gross Domestic Product ..	9,060	10,318	11,763	+ 13.9	+ 14.0
Imports of goods & non-factor services ..	2,106	2,474	2,845	+ 17.5	+ 15.0
Total ..	11,166	12,791	14,608	+ 14.6	+ 14.2
B. Utilisation					
Consumption ..	7,940	8,958	10,222	+ 12.8	+ 14.1
Gross Domestic Capital Formation ..	1,377	1,668	2,232	+ 21.1	+ 33.8
Exports of goods and non-factor services ..	1,849	2,165	2,154	+ 17.1	- 0.5
Total ..	11,166	12,791	14,608	+ 14.6	+ 14.2

Source: Central Bank of Ceylon

Total resources consisting of domestic production and imports showed an increase in 1969. The value of domestic production at market prices increased due to expansion in economic activity mainly in manufacturing, construction and services sectors of the economy. Output in agriculture rose only moderately since the production of certain crops were adversely affected by bad weather conditions. The increased supply of goods and services from domestic production was augmented in 1969 by a sharp rise in the value of imports by 17.0 per cent; 85.7 per cent of this increase consisted of investment goods. Total resources increased by 14.2 per cent in 1969, the value of domestic production rising by 14.0 per cent and imports by 15.0 per cent. The increase in resources in 1969 was due partly to an increase in the supply of goods and partly to an increase in price. It is estimated that imports rose in real terms by 8.4 per cent and domestic production by 5.7 per cent in 1969.

In regard to utilisation of resources, it is seen from the above table that a substantial part of the increase was devoted to capital formation. Resources devoted to capital formation increased by 33.8 per cent and to consumption by 14.1 per cent. These increases were due partly to expansion of real consumption and real capital formation and partly to price increases. The increase in consumption and investment in real terms is estimated at 11.0 per cent and 22.8 per cent respectively.

Gross National Product at Current Factor Cost Prices

Value of Product at Current Prices

Estimates of Gross National Product at current factor cost prices are shown in detail in Appendix Table 4. Figures from 1967 to 1969 are summarised in the following table.

TABLE II (A) 3

Gross National Product at Current Factor Cost Prices

Sectors	1967	1968	1969	Percentage change over previous year	
	Amount (Rs. million)			1968	1969
1. Agriculture, forestry and fishing ..	2,879	3,656	3,801	+ 27.0	+ 4.0
2. Manufacturing, mining and quarrying, electricity and gas ..	966	1,224	1,344	+ 26.7	+ 9.9
3. Construction ..	380	509	655	+ 33.9	+ 28.7
4. Trade, transport and other services ..	4,052	4,481	5,125	+ 10.6	+ 14.4
5. Gross Domestic Product ..	8,277	9,869	10,925	+ 19.2	+ 10.7
6. Net factor income from abroad ..	- 54	- 61	- 104		
7. Gross National Product ..	8,224	9,809	10,821	+ 19.3	+ 10.3

Source: Central Bank of Ceylon

In 1969, Gross National Product at current factor cost prices, according to provisional estimates, showed an increase of 10.3 per cent over the estimate for 1968. This increase arose out of greater economic activity mainly in manufacturing, construction, trade and transport and other services. The rise in Gross National Product in 1969 was due partly to an increase in real output and partly to an increase in prices.

In 1969, value added in agriculture, forestry and fishing, rose by 4.0 per cent compared to a rise of 27.0 per cent in 1968. The performance of export agriculture in 1969 was less favourable than in the previous year both in terms of output and price. Tea production which had increased by 1.8 per cent in 1968 fell by 2.4 per cent. Coconut production is estimated to have been at the same level in both years under reference. Rubber production, however, showed an increase of 1.5 per cent compared to the rise of 3.8 per cent in 1968. In 1968, prices of all export products had increased sharply as a result of the devaluation of the Ceylon Rupee in November, 1967. In 1969, however, while prices of coconut and rubber rose, the price of tea showed a decline. The average level of export prices, as measured by the export price index in 1969, stood at the same level as in 1968. Value added in export agriculture fell marginally compared to a rise of 25.5 per cent in the previous year.

In domestic agriculture, although paddy production showed only a modest increase of 2.0 per cent due to the poor Yala crop, output of subsidiary food crops rose sharply. Large increases in output were recorded in chillies, red onions and potatoes. Due to a rise in both output and price, value added in subsidiary crops is estimated to have increased by 48.4 per cent in 1969. The expansion in the output of subsidiary food crops is partly attributable to the incentives provided by the government in the form of guaranteed prices, fertilizer subsidies, credit facilities etc. The maintenance of high open market prices by the restrictions of imports of certain food items was an additional incentive which had encouraged farmers to expand production. Total value added in domestic agriculture is estimated to have increased by 6.7 per cent in 1969.

Output in manufacturing continued to expand in 1969. Value added in manufacturing (other than tea, rubber and coconut) is estimated to have increased by 15.1 per cent compared to a rise of 18.2 per cent in the previous year. As discussed in detail in a subsequent section of the report, output increases were seen in all the broad categories of industrial production. Public corporations also contributed to the expansion in manufacturing. This is seen mainly in the increase in output by the Cement and Textile Corporations. The substantial expansion in the manufacturing sector for the second year in succession was partly due to the availability of raw materials under the liberalisation of imports under the FEEC Scheme. No less an important factor was the high level of demand for manufactured goods arising from increased incomes generated in other sectors of the economy.

Value added in construction rose by 28.7 per cent compared to a rise of 33.9 per cent in 1968. As in manufacturing, the increased availability of building materials coupled with the increased demand for construction was

responsible for the expansion in this sector. A noteworthy feature in construction was the greater use of domestically produced raw materials, reflecting the import substitution in cement, steel, electrical fittings etc.

Value added in the services sector rose by 14.4 per cent in 1969. Increased activity in trade and transport made a significant contribution to expansion in the services sector. This is because of the increase in the supply of goods from both domestic production and imports. Expansion in transport occurred both in respect of goods haulage and passenger transport. A rise in banking and insurance services and health and education services provided by the government also contributed to the expansion in the services sector in 1969.

In 1969, Gross Domestic Product is estimated at Rs. 10,925 million which was 10.7 per cent higher than in 1968.

In 1969, there was a net outflow of factor income amounting to Rs. 104 million. Gross National Product, i.e. Gross Domestic Product less net outflow of factor income, amounted to Rs. 10,821 million compared to Rs. 9,809 million in 1968.

Real Product

Estimates of real product from 1967 to 1969 are summarised in the following table:-

TABLE II (A) 4
Gross National Product at (1959) Factor Cost Prices

Sectors	1967	1968	1969	Percentage change over previous year	
	Amount (Rs. Million)			1968	1969
1. Agriculture, forestry and fishing ..	3,040	3,248	3,321	+ 6.9	+ 2.2
2. Manufacturing, mining quarrying, electricity etc.,	1,104	1,206	1,288	+ 9.3	+ 6.8
3. Construction ..	351	446	527	+27.1	+18.1
4. Trade, transport and other services ..	3,731	3,999	4,299	+ 7.2	+ 7.5
5. Gross Domestic Product ..	8,226	8,900	9,435	+ 8.2	+ 6.0
6. Net factor income from abroad ..	- 44	- 39	- 65		
7. Gross National Product ..	8,181	8,861	9,370	+ 8.3	+ 5.7

Source: Central Bank of Ceylon.

At constant prices, value added in agriculture, forestry and fishing rose by 2.2 per cent in 1969 compared to a rise of 6.9 per cent in 1968. The fall in the rate of increase in 1969 reflects, the decline in the output of tea and the relatively small increases in rubber and paddy production compared to the substantial increase in the previous year.

Value added in manufacturing, mining and quarrying, electricity and gas at constant prices increased by 6.8 per cent compared to a revised figure of 9.3 per cent in 1968. In industries (other than tea, rubber and coconut) the increase was 10.6 per cent compared to a rise of 14.9 per cent in 1968. The rise in 1969 was due to the expansion of the output of food preparations, paper and paper products, textiles, chemicals, fabricated metal products, rubber and plastic products and machinery and equipment.

Real output in construction is estimated to have increased by 18.1 per cent and was shared by the government, public corporations and the private sector. Constructional activity in government was mainly connected with agriculture and activity in public corporations, mainly with manufacturing.

Value added in services rose by 7.5 per cent in 1969 at constant prices. This was the result of greater activity in trade and transport, arising from an increase in the volume of goods produced and imported and increase in the passenger mileage of the CTB, Railway and Air Ceylon. There was also a rise in banking services as reflected by the opening of a number of branch banks in 1969. An increase in the real value of public administration, education and health services, as reflected in an increase in the number employed (see section on Employment), also contributed to the rise in the real value of services in 1969.

Gross Domestic Product at constant prices increased by 6.0 per cent. compared to a rise of 8.2 per cent. in the previous year. Gross National Product at constant prices which takes account of the net outflow of factor income from Ceylon to other countries is estimated to have increased by 5.7 per cent, compared to a rise of 8.3 per cent in the previous year.

Gross National Expenditure

Appendix Table 8 shows in detail estimates of Gross National Expenditure in Ceylon. The following table summarises the main components of Gross National Expenditure and their changes from 1967 to 1969.

TABLE II (A) 5
Gross National Expenditure at Current Market Prices

Items	1967	1968	1969	Percentage change over previous year	
	Amount (Rs. Million)			1968	1969
1. Private consumption	6,712	7,550	8,749	+12.5	+15.9
2. Public consumption	1,228	1,408	1,472	+14.6	+ 4.6
3. Gross domestic capital formation	1,377	1,668	2,232	+21.1	+33.8
4. Gross domestic expenditure	9,317	10,626	12,453	+14.1	+17.2
5. Net investment abroad	- 289	- 346	- 762		
6. Less: Net receipts of international gifts and transfers	- 22	- 23	- 32		
7. Gross National Expenditure	9,006	10,257	11,659	+13.9	+13.7

Source: Central Bank of Ceylon.

Total Gross National Expenditure in 1969 is estimated at Rs. 11,659 million, 13.7 per cent higher than in 1968. This increase reflects partly a greater availability of goods due to increased domestic production and imports and partly an increase in prices. The rise in Gross National Expenditure in 1969 was the result of an increase in both consumption and capital formation, the former rising by 14.1 per cent and the latter by 33.8 per cent. The rise in domestic production was due, as discussed in previous pages, to greater economic activity during the year while the rise in imports was the result of liberalisation of imports under the FEEC Scheme.

Consumer Demand

In 1969, private consumption expenditure rose by 15.9 per cent. As shown in detail in Appendix Table 10, expenditure on imported goods rose by 23.4 per cent and on locally produced goods by 13.9 per cent. In real terms, the increases in expenditure on these categories were 16.3 per cent and 9.5 per cent respectively.

The following table shows the distribution of consumption expenditure under selected categories from 1967 to 1969.

TABLE II (A) 6
Composition of Private Consumption Expenditure¹
at Current Market Prices

	1967		1968		1969	
	Amount (Rs. million)	Percent of Total	Amount (Rs. million)	Percent of Total	Amount (Rs. million)	Percent of Total
1. Food ..	3,416	50.9	3,810	50.5	4,385	50.1
2. Beverages ..	215	3.2	207	2.7	268	3.1
3. Tobacco ..	423	6.3	425	5.6	448	5.1
4. Clothing and other personal effects ..	449	6.7	554	7.3	788	9.0
5. Rent and water charges ..	358	5.3	369	4.9	377	4.3
6. Fuel and light ..	130	1.9	172	2.3	185	2.1
7. Furniture, furnishings and household equipment ..	105	1.6	142	1.9	211	2.4
8. Household operations ² ..	448	6.7	516	6.8	509	5.8
9. Personal care and health expenses ..	307	4.6	388	5.1	402	4.6
10. Transport and communication ..	569	8.5	579	7.7	678	7.8
11. Recreation and entertainment ..	234	3.5	283	3.7	335	3.8
12. Miscellaneous services ..	92	1.4	107	1.4	116	1.3
13. Expenditure of residents abroad ..	113	1.7	126	1.7	246	2.8
14. Less: Expenditure of non-residents in the country ..	- 146	- 2.2	- 127	- 1.7	- 200	- 2.3
15. Consumption expenditure of households and private non-profit institutions ..	6,712	100.0	7,550	100.0	8,749	100.0

Source: Central Bank of Ceylon.

1. This classification is based on 'A System of National Accounts and Supporting Tables,' U.N., New York, 1964.
2. Expenditure on domestic services, non-durable household goods, e. g. soap, polishes and on household services, e. g. laundering, repairs to footwear etc.

The above table shows that between 1968 and 1969 there have been no significant changes in the pattern of consumer expenditure. In 1969, 58.3 per cent of consumer purchases consisted of food, beverages and tobacco, 11.4 per cent clothing, furniture and other personal effects, 7.8 per cent transport and communication, 4.3 per cent rent, 2.1 per cent fuel and light and 19.8 per cent recreation, entertainment, health and other personal services.

Between 1968 and 1969 as noted earlier, private consumption expenditure rose by Rs 1,199 million or 15.9 per cent. Of this increase, 55.0 per cent consisted of expenditure on food, beverages and tobacco, 19.5 per cent on clothing, 8.3 per cent on transport and communication and 4.3 per cent on recreation and entertainment.

Gross Fixed Capital Formation

In 1969, as indicated in Appendix Table 7, gross fixed capital formation rose by Rs. 674 million or 43.0 per cent. Of the increase in fixed capital formation, Rs. 98 million was in the government sector, Rs. 57 million in public corporations and Rs. 519 million in the private sector.

Government Sector

Total fixed capital formation in the government sector rose by 20.9 per cent between 1968 and 1969. The table below gives government capital formation classified according to principal industrial categories.

TABLE II (A) 7

Industrial Classification of Government¹ Fixed Capital Formation

Sectors	1968		1969	
	Amount (Rs. Mn.)	Percent of Total	Amount (Rs. Mn.)	Percent of Total
1. Agriculture, forestry and fishing ..	140	30.0	193	34.2
2. Manufacturing ..	4	0.9	5	0.8
3. Electricity, gas, water and sanitary services ..	111	23.7	114	20.1
4. Transport, storage & communications ..	133	28.6	159	28.2
5. Ownership of dwellings ..	1	0.3	1	0.2
6. Public administration ..	29	6.1	30	5.3
7. Services ..	48	10.4	63	11.2
Total ..	466	100.0	564	100.0

Source: Central Bank of Ceylon

1. Includes local government bodies

In 1969, 34.2 per cent of the total investment was in agriculture, forestry and fishing, 28.2 per cent in transport, storage and communications, i.e. a total of 62.4 per cent of government investment. In regard to the balance, 11.2 per cent was in services, 20.1 per cent electricity, water and sanitary services and 5.3 per cent public administration.

Public Corporations

The distribution of capital formation in public corporations according to industrial category is given in Table II (A) 8. It is seen from the table that investment in public corporations rose from Rs. 278 million to Rs. 335 million in 1969. This is an increase of 20.6 per cent. The pattern of investment according to industrial categories in public corporations is, in comparison with that in government, markedly different. Of total fixed capital formation amounting to Rs. 335 million in public corporations, 43.3 per cent was in manufacturing, 30.7 per cent in agriculture and 20.1 per cent in transport. In the government sector, 34.2 per cent was absorbed in agriculture and 28.2 per cent in transport and communications.

TABLE II (A) 8

**Fixed Capital Formation in Public Corporations According
To Industrial Category.**

Sector	1968		1969	
	Amount (Rs. Mn.)	Percent of total	Amount (Rs. Mn.)	Percent of total
1. Agriculture	64	23.0	103	30.7
2. Manufacturing	117	42.0	145	43.3
3. Transport	19	7.0	67	20.1
4. Trade	64	23.0	6	1.8
5. Services	14	5.0	14	4.2
Total	278	100.0	335	100.0

Source: Central Bank of Ceylon.

- Notes: (1) Capital Formation in public corporations has been estimated from data supplied by the Corporations in response to a questionnaire and also from information given in their Annual Reports and Accounts.
- (2) The accounting year of several corporations does not coincide with the calendar year. When more than six months of a Corporation's accounting year fell within a calendar year, the accounting year's estimates have been allocated to that calendar year in toto.

The following table shows the distribution of investment in the private sector and public corporations by type of asset.

TABLE II (A) 9

**Fixed Capital Formation in the Private Sector and Public Corporations
According to Type of Asset.**

Type of asset	1968				1969			
	Public Corporations		Private Sector		Public Corporations		Private Sector	
	Amount (Rs. Million)	Per- cent of total	Amount (Rs. Million)	Per- cent of total	Amount (Rs. Million)	Per- cent of total	Amount (Rs. Million)	Per- cent of total
Planting and land development	13	4.6	67	8.1	19	5.7	78	5.8
Building and other construction ..	163	58.8	538	65.4	167	49.9	666	49.6
Plant and machinery ..	70	25.1	96	11.6	66	19.7	296	22.0
Transport equipment ..	22	8.0	41	4.9	70	20.9	227	16.9
Other capital goods ..	10	3.5	82	10.0	13	3.8	76	5.6
Total ..	278	100.0	824	100.0	335	100.0	1,343	100.0

Source: Central Bank of Ceylon

- Notes: 1. Capital Formation in public corporations has been estimated from data supplied by the Corporations in response to a questionnaire and also from information given in their Annual Reports and Accounts.
2. The Accounting year of several corporations does not coincide with the calendar year. When more than six months of a corporation's accounting year fell within a calendar year, the accounting year's estimates have been allocated to that calendar year in toto.

In 1969, constructional activity accounted for 49.9 per cent of total investment by public corporations. Plant and machinery and transport equipment absorbed 19.7 per cent and 20.9 per cent, respectively and other capital goods 3.8 per cent. Of the increase in fixed investment between 1968 and 1969, amounting to Rs. 57 million, 6.3 per cent was in construction, 83.4 per cent in transport equipment and 5.6 per cent in other capital goods.

Private Sector

The distribution of private sector capital formation according to type of asset is also shown in the Table 9. Building and other construction in 1969, amounted to 49.6 per cent of total capital formation in the private sector. Investment in plant and machinery amounted to 22.0 per cent and in transport equipment 16.9 per cent. In 1969, total capital formation in the private sector rose by Rs. 519 million. Investment in plant and machinery increased by Rs. 200 million, in transport equipment by Rs. 186 million and in building and other construction by Rs. 128 million. The marked increases in 1969 were due mainly to the liberalisation of imports under the FEEC Scheme. The value of imports of investment goods rose in 1969 from Rs. 383 million to Rs. 700 million, a rise of 82.8 per cent.