

## II. ECONOMIC AND FINANCIAL TRENDS - 1970

### (A) National Product and Expenditure

#### 1. Summary and Evaluation

##### *Gross National Product*

According to provisional estimates, Gross National Product at constant (1959) factor cost prices rose by 4.1 per cent in 1970. This increase is lower than the real growth rate of 5.1 per cent in 1969 but compares favourably with the average rate of growth of 4.5 per cent experienced by the economy in the decade 1960-1969.

An analysis of the sectoral composition of real economic growth shows that there were increases in agriculture and services while output in construction and manufacturing was at a higher level. Output in agriculture, forestry and fishing increased by 3.6 per cent in 1970, compared with 0.9 per cent in 1969. In this sector, the production of paddy and subsidiary food crops, recorded significant increases. Tea production dropped to its lowest level in eight years, while coconut production was at about the same level as in 1969. In the case of rubber, the increase in production was 5.5 per cent. Growth of output in the agricultural sector, on account of its relative share in Gross National Product, exerts a larger influence on overall economic growth. In 1970, the rate of increase of 3.6 per cent in agriculture was accompanied by a slowing down in the rate of expansion in the manufacturing sector. The smaller rate of growth in this sector was chiefly due to the lesser availability of raw materials. There was also a fall in the manufacturing of tea. The output of public sector industrial corporations, however, increased substantially. In the construction sector, there was an increase of 15.1 per cent in real terms. This increase was chiefly due to the greater availability of building materials. Construction activity was at a high level in the government and public corporations and the private sector.

The level of economic activity in agriculture and manufacturing exerted a downward influence on activity in the services sector, particularly in trade and transport. The value of output in services n.i.e., increased by 3.9 per cent in 1970. This increase was smaller than in 1969. The value of public administration and health and education services provided by the Government increased substantially, in 1970. A detailed analysis of performance in each sector is given later.

In evaluating the growth of real output in 1970, the change in the terms of trade has to be taken into account since this alters the import capacity of exports. In 1970, the import price index increased by 4.2 per cent while the export price index increased by 0.4 per cent. As a result, the terms of trade deteriorated by 3.6 per cent. In consequence, while real output increased by 4.1 per cent, real national income increased by only 3.4 per cent.

In 1970, Gross National Product at current factor cost prices increased by 8.1 per cent compared with the increase of 4.1 per cent in real terms.

TABLE II (A) 1

**Sectoral Composition of Gross National Product  
at Constant (1959) Factor Cost Prices.**

Sectors	1959		1969		1970	
	Amount (Rs. Mn.)	Percent- age	Amount (Rs. Mn.)	Percent- age	Amount (Rs. Mn.)	Percent- age
1. Agriculture, Forestry, Hunting and Fishing ..	2,302	39.1	3,276	35.2	3,395	35.0
2. Mining and Quarrying ..	31	0.5	55	0.6	65	0.7
3. Manufacturing ..	682	11.6	1,261	13.5	1,335	13.8
4. Construction ..	283	4.8	520	5.6	598	6.2
5. Electricity, Gas, Water and Sanitary Services ..	10	0.2	18	0.2	21	0.2
6. Transport, Storage and Communications ..	541	9.2	899	9.7	913	9.4
7. Wholesale and Retail Trade ..	801	13.6	1,367	14.7	1,391	14.3
8. Banking, Insurance and Real Estate ..	51	0.9	114	1.2	118	1.2
9. Ownership of Dwellings ..	201	3.4	291	3.1	302	3.1
10. Public Administration and Defence ..	301	5.1	445	4.8	459	4.7
11. Services ..	728	12.3	1,139	12.2	1,184	12.2
12. Gross Domestic Product ..	5,930	—	9,384	—	9,781	—
13. Net Factor Income from Abroad ..	— 37	— 0.6	— 66	— 0.7	— 85	— 0.8
14. Gross National Product ..	5,893	100.0	9,316	100.0	9,695	100.0

Source: Central Bank of Ceylon

Ceylon's mid-year population in 1970 is estimated at 12.5 million, an increase of 2.1 per cent compared with the increase of 2.2 per cent in 1969. Gross National Product in per capita terms increased by 5.8 per cent at current prices and 2.0 per cent in real terms.

#### *Resources and Uses*

Total resources available to the economy consisting of domestic production and imports at market prices, rose from Rs. 14,288 million to Rs. 15,324 million in 1970, an increase of 7.2 per cent. This reflected the increase in consumption, capital formation and exports. Measured at current prices, consumption increased by 7.2 per cent, capital formation by 10.6 per cent, and exports by 4.0 per cent. In real terms, however, it is estimated that resources increased by 1.7 per cent while consumption and capital formation increased by 1.3 per cent and 1.2 per cent respectively.

In contrast to the position in 1969, the increase in resources in 1970 was solely due to the increase in domestic production, imports having fallen by 11.5 per cent. As a result, the share of Gross Domestic Product in total resources increased from 81.7 per cent to 83.1 per cent while the proportion of imports to Gross Domestic Product fell from 18.3 per cent to 16.9 per cent.

The smaller increase in fixed capital formation in 1970, reflects the change in the composition of imports. According to the Central Bank indices of import volumes (1967=100), the volume of consumer goods increased from 92.7 to 105.8 in 1970 while the volume of investment goods fell from 171.7 to 115.9, and the volume of intermediate goods fell from 103.7 to 86.1. Gross Domestic Capital Formation increased by 10.6 per cent in 1970 compared with the increase of 35.1 per cent in 1969. The increase in consumption was chiefly in food and drink and in textiles.

The persistent tendency for aggregate demand consisting of consumption and capital formation to be higher than resources available from domestic production, has been commented on in earlier Annual Reports. This tendency was also evident in 1970. Gross Domestic Expenditure exceeded Gross National Product by 3.6 per cent in 1970, compared with 7.4 per cent in 1969. As in previous years this shortfall was met by foreign borrowing and the drawing down of reserves.

## **2. Production Trends**

### **Agriculture**

#### **Tea**

Tea production in 1970 is estimated at 468 million pounds, which is 16 million pounds or 3.3 per cent lower than in 1969. This is the lowest level of production since 1962. Tea production has shown a downward trend since 1965 when production was 503 million pounds. This downward trend in production is chiefly due to producers adjusting production to improve prices. It is reported that most of the larger estates have resorted to finer plucking in order to improve the quality and the price of tea. In addition, bought leaf tea factories insist on quality leaf, thus depressing production in small holdings. The downward trend in tea production is also attributed to reduced fertilizer application in tea plantations in recent years. In 1970, production was also affected by unfavourable weather conditions during certain parts of the year. The average yield per acre of tea was 811 pounds in 1970 compared with 845 pounds in 1969. In 1970, the fall in the output of tea was confined to high and medium grown teas, while the output of low grown teas increased.

Total acreage under tea at the end of 1970 was 597,499 acres of which 576,800 acres were in bearing. A total of 6,858 acres were replanted in 1970, bringing the total replanted acreage to 40,286 acres. As the amounts paid under the Replanting Subsidy Scheme are insufficient, monies are made available to the State Mortgage Bank from the Tea Subsidy Fund, to be loaned to tea estates to meet the additional costs of replanting. Loans made by the State Mortgage Bank under this scheme amounted to Rs. 161,000 in 1970, compared with Rs. 13,000 in 1969.

In view of the slow progress made under the factory modernisation scheme, Government pays a grant of one-third the cost incurred in modernisation, in addition to, paying a subsidy equal to half the interest payable on bank loans taken for modernisation. These schemes seem to have had some effect in increasing

the pace of modernisation. Applications for loans under the factory modernisation scheme amounted to Rs. 29.3 million in 1970 compared with Rs. 13.9 million in 1969. Actual loans approved in 1970 amounted to Rs. 8.96 million compared with Rs. 13.90 million in 1969.

#### *Rubber*

Production of rubber in 1970 amounted to 351 million pounds, an increase of 18 million pounds or 5.4 per cent. The increase in rubber production was chiefly due to an increase in the replanted acreage coming into bearing. Total acreage under rubber was 568,900 acres of which 496,210 acres were in bearing.

The acreage replanted under rubber in 1970 was 10,210 acres, bringing the total replanted acreage to 286,340 or 50.3 per cent of the total acreage. The average yield per acre in 1970 is estimated at 707 pounds compared with 673 pounds in 1969.

The amount paid under the Rubber Replanting Subsidy Scheme amounted to Rs. 17.9 million in 1970, compared with Rs. 16.6 million in 1969.

#### *Coconut*

Coconut production is estimated, in the absence of direct data, as the nut equivalent of exports and domestic consumption. Due to the multiplicity of small holdings, it is not practicable to obtain direct estimates of production on an annual basis. The Central Bank's estimate of coconut production has been obtained by converting exports into their nut equivalent and estimating domestic consumption from data obtained from the Consumer Finance Survey of 1963. In 1969, however, investigations made by the Bank, seemed to indicate that production was at about the same level as in 1968. The estimate of production adopted for 1969, was therefore the same as in 1968. However, as there is no firm evidence of an increase in the domestic consumption of coconut, and as the nut equivalent of exports has declined in 1969 and 1970, this estimate has been revised. The revised estimate of coconut production in 1969 is therefore 2,440 million nuts. Coconut production in 1970, as estimated on the same basis is 2,447 million nuts, an increase of 0.3 per cent.

The fertilizer subsidy scheme and the scheme for the issue of high yielding seedlings continued to operate in 1970. According to provisional estimates 52,839 tons of fertilizer were issued compared with 49,338 tons in 1969. The target for fertilizer issued under this scheme was 75,000 tons. A total of 1,534,313 high yielding seedlings were issued in 1970 compared with 1,472,159 seedlings in 1969.

#### *Paddy*

Paddy production in 1970 is estimated at 76.8 million bushels, an increase of 10.9 million bushels or 16.5 per cent over production in 1969. Paddy production in Maha 1969/70 was 49.5 million bushels, an increase of 2.5 million bushels or 5.3 per cent over production in Maha 1968/69. Production in Yala 1970 is provisionally estimated at 27.4 million bushels, compared with 18.9 million bushels in Yala 1969, an increase of 8.5 million bushels or 45.0 per cent.

The increase in paddy production was due to an increase in the area cultivated and the cumulative effect of the spread of improved cultural practices such as weeding and transplanting and the use of improved varieties of fertilizer and seed paddy.

The acreage sown in Maha 1969/70 was 1,191 thousand acres compared with 1,182 thousand acres in 1969, an increase of 0.8 per cent. Due largely to favourable weather conditions, the area under cultivation in Yala 1970, increased by 29.6 per cent from 527 thousand acres to 683 thousand acres. The average yield per acre in Maha 1969/70 was 52.2 bushels, compared with 51.2 bushels in Maha 1968/69 while the average yield per acre in Yala 1970 is estimated provisionally at 49.5 bushels compared with 48.2 bushels in Yala 1969. Fertilizer issued under the the subsidy scheme increased from 84,718 tons in 1969 to 88,085 tons in 1970.

#### *Subsidiary Food Crops*

The value of production of subsidiary food crops increased by 26.4 per cent in 1970. The increase in production was marked in the case of pepper, chillies, potatoes and red onions. Increases in the production of subsidiary food crops were chiefly due to the incentive provided by higher producer prices, and the increased availability of credit. The average producers' price per cwt. of chillies was Rs. 76.16 compared with Rs. 71.68 per cwt. in 1969. In the case of potatoes the average producers' price increased from Rs. 60.19 per cwt. to Rs. 72.98 per cwt. in 1970, while the price of pepper increased from Rs. 227.30 per cwt. in 1969 to Rs. 381.98 per cwt. in 1970.

Loans granted for the production of subsidiary food crops increased from Rs. 6.8 million in 1968/69 to Rs. 7.9 million in 1969/70. The bulk of the credit extended was for the production of chillies, red onions and potatoes.

#### **Manufacturing**

There was a slowing down in manufacturing activity in 1970. According to estimates made by the Central Bank, the value of industrial production in 1970 increased by 8.4 per cent compared with the increase of 16.2 per cent in 1969. The value of production in the public sector manufacturing corporations, however, increased substantially. A detailed analysis of performance in the manufacturing sector is given in a subsequent section of this Report.

According to provisional estimates total value added in manufacturing is estimated to have increased by 5.9 per cent in real terms, compared with 9.2 per cent in 1969. Value added in manufacturing (other than tea, rubber and coconut) increased by 9.6 per cent in 1970, compared with 16.9 per cent in 1969.

The smaller rate of increase in output in private sector manufacturing firms, was chiefly due to the lesser availability of raw materials. It is probable that manufacturers had built up large stocks of raw materials in the first half of the year, and that a part of the increase in production was sustained by a running down of stocks.

The substantial increase in public sector manufacturing corporations was chiefly due to the increase in their productive capacity, the increase in the utilisation of capacity and better management. It is estimated that the share of the public sector corporations in total manufacturing output was 31 per cent in 1970.

The largest increases in manufacturing output were in chemicals, petroleum products, rubber and plastic products, and in the food group. A significant feature of trends in this sector was that while the share of investment and intermediate goods in total manufacturing output has increased, the share of consumption goods has declined.

### Construction

Construction activity was at a high level in 1970. Value added in construction increased by 15.1 per cent in real terms in 1970 compared with the increase of 16.5 per cent in 1969. The increase in construction activity was shared by the private sector and the government and public corporations. The high level of construction activity in 1970, was due to greater availability of building materials, and the increased demand for housing and other construction. Cement production in 1970, was 321,000 tons compared with 279,000 tons in 1969. The value of building and other construction in the public corporations increased by 11.0 per cent in 1970, while construction in the Government sector too was at a high level.

### Services

Economic activity in the services sector particularly in trade and transport, was at a lower level in 1970. This is chiefly because, the level of domestic production and imports resulted in a fall in the supply of goods available in 1970 as compared to 1969. The value of output in wholesale and retail trade increased by 1.8 per cent in 1970, and the value of output in transport increased by 1.5 per cent. While the overall increase in the transport sector was small there was a substantial increase in passenger transport run by the Ceylon Transport Board and in goods haulage by the Ceylon Government Railway. Passenger mileage by the Ceylon Transport Board increased by 7.5 per cent in 1970. There was also an expansion in health and education services provided by the Government.

### 3. Total Resources and their Uses

The following Table shows total resources available to the economy and the pattern of their utilisation in 1968, 1969 and 1970.

TABLE II (A) 2

## Total Resources and their Uses

Items	1968	1969	1970	Percentage change over previous year	
	Amount (Rs. Million)			1969	1970
<b>A. Resources</b>					
Gross Domestic Product ..	10,318	11,409	12,775	+ 10.6	+ 12.0
Imports of goods and non-factor services ..	2,474	2,879	2,549	+ 16.4	- 11.5
Total ..	12,791	14,288	15,324	+ 11.7	+ 7.2
<b>B. Utilisation</b>					
Consumption ..	8,958	9,884	10,595	+ 10.3	+ 7.2
Gross Domestic Capital Formation ..	1,668	2,253	2,492	+ 35.1	+ 10.6
Exports of goods and non-factor services ..	2,165	2,152	2,237	- 0.6	+ 4.0
Total ..	12,791	14,288	15,324	+ 11.7	+ 7.2

Source: Central Bank of Ceylon.

Total resources made up of domestic production and imports increased by 7.2 per cent in 1970. The increase in resources was solely due to the increase in domestic production, imports having fallen by 11.5 per cent. The increase in domestic production came chiefly from construction and manufacturing including mining and quarrying and electricity, and also from agriculture.

The value of imports fell by 11.5 per cent in 1970. In regard to the composition of imports, it is seen that in volume terms, the import of investment goods fell by 32.5 per cent and the import of intermediate goods fell by 17.0 per cent. The volume of consumer goods, particularly in the food and drink category, increased by 15.2 per cent.

In real terms, domestic production increased by 4.2 per cent while the value of imports fell by 14.1 per cent.

An analysis of the utilisation of resources shows that, resources devoted to exports increased from Rs. 2,152 million to Rs. 2,237 million, an increase of 4.0 per cent. Resources devoted to capital formation increased by 10.6 per cent, from Rs. 2,253 million in 1969 to Rs. 2,492 million in 1970, while resources devoted to consumption increased by 7.2 per cent from Rs. 9,884 million in 1969 to Rs. 10,595 million in 1970. In real terms, however, while consumption increased by 1.3 per cent, capital formation increased by 1.2 per cent.

#### 4. 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 1968 to 1970 are summarised in the Table below:

TABLE II (A) 3

## Gross National Product at Current Factor Cost Prices

Sectors	1968	1969	1970	Percentage change over previous year	
	Amount (Rs. Million)			1969	1970
1. Agriculture, Forestry, Hunting and Fishing ..	3,656	3,732	3,949	+ 2.1	+ 5.8
2. Manufacturing, Mining and Quarrying, Electricity and Gas ..	1,224	1,399	1,545	+ 14.3	+ 10.4
3. Construction ..	509	646	771	+ 26.9	+ 19.4
4. Trade, Transport and other Services ..	4,481	5,080	5,496	+ 13.4	+ 8.2
5. Gross Domestic Product ..	9,869	10,857	11,760	+ 10.0	+ 8.3
6. Net Factor Income from Abroad ..	- 61	- 109	- 142		
7. Gross National Product ..	9,809	10,748	11,618	+ 9.6	+ 8.1

Source: Central Bank of Ceylon

It is provisionally estimated that in 1970, Gross National Product at current factor cost prices increased by 8.1 per cent, compared with 9.6 per cent in 1969. Unlike in previous years the increase in Gross National Product cannot be attributed to a large increase in any one sector. As is seen from Appendix Table 4, there were moderate increases in agriculture and services, while in manufacturing and construction output was at a higher level. The increase in Gross National Product in 1970 was due partly to an increase in prices and partly to an increase in real product.

Value added in agriculture, forestry and fishing increased by 5.8 per cent in 1970 compared with 2.1 per cent in 1969. In domestic agriculture, paddy and subsidiary food crops showed a large increase. Paddy production in 1970 is estimated at 76.8 million bushels, compared with 65.9 million bushels, in 1969. This increase is chiefly due to the very good Yala harvest obtained in 1970. The value of production of subsidiary food crops increased by 26.4 per cent in 1970. The largest increases were in potatoes, chillies, red onions and pepper. Value added in subsidiary food crops is estimated to have increased also by 26.4 per cent in 1970.

Increases in agriculture in recent years are attributable to the incentive provided by higher prices, the cumulative effect of the spread of improved cultural practices and the availability of credit facilities. Value added in domestic agriculture is estimated to have increased by 9.1 per cent in 1970, compared with 5.6 per cent in 1969.

There was an increase of 0.4 per cent in export agriculture, in 1970, compared with the decline of 3.3 per cent in 1969. Although tea production fell by 3.3 per cent there was an increase in both the volume and the average price of tea exports. The increase of 5.5 per cent in the production of rubber, was sufficient to offset the fall in price in 1970. In the case of coconut, production in 1970 increased marginally over 1969 and the prices of all three coconut products recorded increases. The average level of export prices as measured by the export price index increased by 0.4 per cent in 1970.



Value added in manufacturing in 1970, was 10.4 per cent higher than in 1969. Value added in manufacturing (excluding tea, rubber and coconut) is estimated to have increased by 14.7 per cent in 1970, compared with the increase of 22.9 per cent in 1969. As discussed earlier, however, a significant feature of the performance of this sector, was the increasing importance of the public sector industries. The public sector industrial corporations recorded a substantial increase in production in 1970. There was a large increase in the production of cement, while production of petroleum products was also at a high level. In the private sector industries there was a slowing down in activity due to the lesser availability of raw materials.

Value added in construction increased by 19.4 per cent in 1970, compared with the increase of 26.9 per cent in 1969. There was a large increase in construction activity in the public corporations. Construction activity in the private sector was also at a high level, due to increased demand for residential and non-residential construction.

Value added in the services sector increased by 8.2 per cent in 1970. The smaller level of domestic production and the fall in imports in 1970, resulted in a fall in the supply of goods available. This factor was responsible for the lower level of activity in the services sector in 1970. There was, however, a large increase in health and education services provided by the Government.

In 1970, Gross Domestic Product is estimated at Rs. 11,760 million, an increase of 8.3 per cent over 1969. In 1970, the net outflow of factor income from Ceylon amounted to Rs. 142 million compared to a net outflow of Rs. 109 million in 1969. Gross National Product which is obtained by adjusting Domestic Product for the net outflow of factor incomes was Rs. 11,618 million in 1970, an increase of 8.1 per cent over 1969.

## 5. Real Product and Real Income

Estimates of real product from 1968 to 1970 are summarised in the following Table:

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

Sectors	1968	1969	1970	Percentage change over previous year	
	Amount (Rs. Million)			1969	1970
1. Agriculture, Forestry, Hunting and Fishing ..	3,248	3,276	3,395	+ 0.9	+ 3.6
2. Manufacturing, Mining, Quarrying, Electricity Gas, etc. ..	1,206	1,333	1,421	+10.5	+ 6.6
3. Construction ..	446	520	598	+16.5	+15.1
4. Trade, Transport and other Services ..	4,000	4,255	4,366	+ 6.4	+ 2.6
5. Gross Domestic Product ..	8,900	9,384	9,781	+ 5.4	+ 4.2
6. Net Factor Income from Abroad ..	- 39	- 68	- 85		
7. Gross National Product ..	8,862	9,316	9,695	+ 5.1	+ 4.1

Source: Central Bank of Ceylon.

Gross National Product at constant (1959) factor cost prices increased by 4.1 per cent in 1970. This increase is 0.4 per cent lower than the average rate of increase of 4.5 per cent for the decade 1960-69.

Output of agriculture, forestry and fishing at constant prices, increased by 3.6 per cent in 1970 compared with 0.9 per cent in 1969. This increase reflects the smaller level of production in export agriculture, and the higher level of production of domestic agriculture, particularly paddy, in 1970, as compared to 1969.

Real output in manufacturing including mining and quarrying, electricity, gas, etc., increased by 6.6 per cent. Real output increased in both public sector manufacturing corporations and in private manufacturing firms. There was an increase of 25.9 per cent in the output of electricity.

Output in construction increased by 15.1 per cent in 1970. Construction activity was high in government, public corporations and the private sector. Construction activity by the government was mainly in agriculture and activity in public corporations in manufacturing.

The smaller rate of increase in manufacturing and construction and the fall in the volume of imports, resulted in real output in the services sector increasing by only 2.6 per cent in 1970 compared with 6.4 per cent in 1969. Real output in health and education, however, increased substantially due to an expansion of these services.

Gross Domestic Product at constant prices increased by 4.2 per cent in 1970 compared with 5.4 per cent in 1969. Gross National Product at constant prices, which is obtained by adjusting for the net outflow of factor income from Ceylon to other countries, increased by 4.1 per cent in 1970 compared with 5.1 per cent in 1969.

Because of the importance of the value of exports and imports in relation to the level of National Income, estimates of Gross National Product at constant prices must be evaluated against the movements of the prices of exports and imports. Ceylon's terms of trade declined by 3.6 per cent in 1970. In 1970, while import prices rose by 4.2 per cent, the prices realised by Ceylon's exports rose by only 0.4 per cent. According to the Central Bank indices of prices (1967=100), the all imports price index increased from 133.9 in 1969 to 139.6 in 1970, while the all exports price index increased from 117.3 in 1969 to 117.8 in 1970. It is estimated that the loss of income (calculated from the base year 1959) as a result of the adverse movement of Ceylon's terms of trade was Rs. 903 million in 1970 compared with Rs. 814 million in 1969. Real National Income which is obtained by adjusting estimates of real product for the loss of income due to the adverse movement of the terms of trade is estimated at Rs. 8,793 million in 1970 compared with Rs. 8,503 million in 1969.

## 6. Gross National Expenditure

Detailed estimates of Gross National Expenditure in Ceylon are shown in Appendix Table 8. The following Table summarises the main components of Gross National Expenditure and their changes from 1968 to 1970.

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

Items	1968	1969	1970	Percentage change over previous year	
	Amount (Rs. Million)			1969	1970
1. Private consumption ..	7,550	8,412	8,946	+11.4	+ 6.3
2. Public consumption ..	1,408	1,471	1,649	+ 4.5	+12.1
3. Gross domestic capital formation ..	1,668	2,253	2,492	+35.1	+10.6
4. Gross domestic expenditure ..	10,626	12,137	13,086	+14.2	+ 7.8
5. Net investment abroad ..	- 346	- 797	- 393		
6. Less: Net receipts of international gifts and transfers ..	- 23	- 39	- 60		
7. Gross National Expenditure ..	10,257	11,300	12,633	+10.2	+11.8

Source: Central Bank of Ceylon.

According to revised estimates, Gross National Expenditure in 1969 is estimated at Rs. 11,300 million, an increase of 10.2 per cent. In 1970, Gross National Expenditure is estimated at Rs. 12,633 million an increase of 11.8 per cent over 1969. The increase in Gross National Expenditure in 1970, reflects both the increase in consumption and in capital formation. The former increased by 7.2 per cent while the latter by 10.6 per cent.

#### Consumer Demand

In 1970, private consumption expenditure increased by Rs. 533 million or 6.3 per cent. A breakdown of consumption expenditure, shows that expenditure on locally produced goods increased by 11.6 per cent, while expenditure on imports fell by 6.3 per cent, compared with the increases of 10.4 per cent and 32.5 per cent respectively in 1969. This is shown in detail in Appendix Table 10.

**TABLE II (A) 6**  
**Composition of Private Consumption Expenditure<sup>1</sup> at Current Market Prices**

Items	1969		1970	
	Amount (Rs. Mn.)	Percent of Total	Amount (Rs. Mn.)	Percent of Total
1. Food ..	4,373	52.0	4,658	52.1
2. Beverages ..	330	3.9	357	4.0
3. Tobacco ..	400	4.8	412	4.6
4. Clothing and other personal effects ..	736	8.8	818	9.1
5. Rent, rates and water charges ..	387	4.6	398	4.4
6. Fuel and light ..	201	2.4	212	2.4
7. Furniture, furnishings and household equipment ..	198	2.3	230	2.6
8. Household operation ..	507	6.0	554	6.2
9. Personal care and health expenses ..	223	2.6	215	2.4
10. Transport and communication ..	779	9.3	813	9.1
11. Recreation and entertainment ..	387	4.6	439	4.9
12. Miscellaneous services ..	333	4.0	323	3.6
13. Expenditure of residents abroad ..	35	0.4	31	0.3
14. Less: Expenditure of non-residents in the country ..	- 299	- 3.6	- 280	- 3.1
15. Less: Govt. local purchases ..	- 177	- 2.1	- 234	- 2.6
16. Consumption expenditure of households and private non-profit institutions ..	8,412	100.0	8,946	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.

The above Table shows the composition of private consumption expenditure in the years 1969 and 1970. As is seen, the pattern of consumer expenditure has not changed significantly in the past two years. In 1970, 60.7 per cent of consumer expenditure consisted of food, beverages and tobacco; 11.7 per cent clothing, furniture and other personal effects; 9.1 per cent transport and communications; 4.4 per cent rent and rates; 2.4 per cent fuel and light and 11.7 per cent recreation, entertainment and other personal services.

The increase of Rs. 533 million in private consumption expenditure in 1970, was distributed as follows; food, beverages and tobacco 56.8 per cent; clothing 14.4 per cent, transport and communication 5.9 per cent and recreation, entertainment and other services 7.3 per cent.

### Gross Fixed Capital Formation

Estimates of Gross Fixed Capital Formation are given in Appendix Table 7. In 1970, gross fixed capital formation rose by Rs. 79 million or 3.5 per cent. There was an increase of 1.1 per cent in fixed capital formation in the government sector. The small increase in Government's fixed capital formation reflected chiefly the transfer of capital expenditure of the Ceylon Electricity Board, to the public corporations sector in the present estimates. The estimate of government fixed capital formation in 1970 is therefore not strictly comparable with that of 1969. In the public sector corporations, fixed capital formation fell by Rs. 125 million. Fixed capital formation in the private sector increased by Rs. 198 million or 17.2 per cent in 1970.

#### Government Sector

Total fixed capital formation in the government sector increased by 1.1 percent between 1969 and 1970. The Table below gives government capital formation classified according to principal industrial categories.

**TABLE II (A) 7**  
**Industrial Classification of Government<sup>1</sup> Fixed Capital Formation**

Sectors	1969		1970	
	Amount (Rs. Mn.)	Percentage of Total	Amount (Rs. Mn.)	Percentage of Total
1. Agriculture, Forestry and Fishing ..	193	34.2	181	31.8
2. Manufacturing ..	5	0.8	9	1.5
3. Electricity, Gas, Water and Sanitary Services ..	114	20.1	40	7.1
4. Transport, Storage and Communication ..	159	28.2	168	29.9
5. Ownership of Dwellings ..	1	0.2	5	0.9
6. Public Administration ..	30	5.3	62	10.8
7. Services ..	63	11.2	105	18.4
Total ..	564	100.0	570	100.0

1. Includes local government bodies.

Source: Central Bank of Ceylon.

In 1970, 31.8 per cent of total investment was in agriculture, forestry and fishing, and 29.9 per cent in transport, storage and communication. This makes a total of 61.7 per cent of government investment compared with 62.4 per cent in 1969. Of the balance, 7.1 per cent was in electricity, water and sanitary services, 10.8 per cent was in public administration and 18.4 per cent in services.

*Public Corporations*

The distribution of fixed capital formation in public corporations according to industrial category is given in Table II (A) 8. It is seen that investment in public corporations fell from Rs. 563 million in 1969 to Rs. 438 million in 1970, a decline of 22.2 per cent.

**TABLE II (A) 8**  
**Fixed Capital Formation in Public Corporations according to Industrial Category**

Sectors	1968		1969		1970	
	Amount (Rs. Mn.)	Percent of Total	Amount (Rs. Mn.)	Percent of Total	Amount (Rs. Mn.)	Percent of Total
1. Agriculture ..	64	23.0	75	12.5	89	20.2
2. Manufacturing ..	117	42.0	223	39.6	267	61.1
3. Transport ..	19	7.0	73	12.9	56	12.7
4. Trade ..	64	23.0	179	31.8	18	4.0
5. Services ..	14	5.0	18	3.2	9	1.9
Total ..	278	100.0	563	100.0	438	100.0

Source: Central Bank of Ceylon

Note: 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.

According to revised estimates, capital formation in public corporations increased by 102.5 per cent in 1969. The large increase in the revised estimate of capital formation in 1969, is due chiefly to the increase of Rs. 173 million in capital expenditure by the Ceylon Petroleum Corporation, and the increase of Rs. 56 million by the National Textile Corporation. These figures were not available for inclusion in the estimate for 1969. The pattern of investment according to industrial categories in public sector corporations is markedly different from that of the government. As is seen above, in the government sector, 31.8 per cent of investment was in agriculture and 29.9 per cent in transport and communications. In the public sector corporations, 61.1 per cent of investment was in manufacturing, 20.2 per cent in agriculture and 12.7 per cent in transport.

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

In 1970, 35.2 per cent of investment by public corporations was accounted for by construction. Investment in plant and machinery was 40.3 per cent and investment in transport equipment 13.1 per cent of total investment. Capital formation in public corporations in 1970, fell by Rs. 125 million. The fall in investment was chiefly in trade, transport, plant and machinery and services. This was largely due to the fall in the volume of imports. There were increases in investment in construction, agriculture, industry and other capital goods.

TABLE II (A) 9

Fixed Capital Formation in Private Sector and Public Corporations according to Type of Asset.

Type of Asset	1969				1970			
	Public Corporations		Private Sector		Public Corporations		Private Sector	
	Amount (Rs. Mn.)	Percent of total	Amount (Rs. Mn.)	Percent of total	Amount (Rs. Mn.)	Percent of total	Amount (Rs. Mn.)	Percent of total
Planting and land development ..	17	3.0	78	6.8	32	7.3	82	6.1
Building and other construction ..	139	24.7	674	58.7	154	35.2	814	60.4
Plant and machinery ..	318	56.5	62	5.4	176	40.3	146	10.8
Transport equipment ..	75	13.3	250	21.7	57	13.1	187	13.9
Other capital goods ..	14	2.6	86	7.5	18	4.1	118	8.8
Total ..	563	100.0	1,149	100.0	438	100.0	1,347	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.

*Private Sector*

The distribution of private sector capital formation according to type of asset is shown in Table II (A) 9. In 1970, building and other construction amounted to 60.4 per cent of total capital formation in the private sector. Investment in plant and machinery amounted to 10.8 per cent and transport equipment 13.9 per cent. In 1970, total investment in the private sector increased by Rs. 198 million. Investment in building and construction increased by Rs. 140 million, investment in plant and machinery increased by Rs. 84 million while investment in transport equipment fell by Rs. 63 million. The fall in investment in transport equipment is due to the fall in imports in this category. In 1970, 41.3 per cent of the increase in private sector investment was in building construction, reflecting the increased demand for construction and the greater availability of building materials.

**Import Content of Gross Domestic Expenditure**

A significant structural change observed in recent years, is the fall in the import content of Gross Domestic Expenditure. This trend is mainly due to the increase in the domestic production of goods previously imported. Appendix table 13, shows the import content of Gross Domestic Expenditure. The direct import content of private consumption which was 16.5 per cent in 1968 and 16.8 per cent in 1969, fell to 15.5 per cent in 1970. The import content of capital formation measured at c.i.f. prices, fell from 27.1 per cent in 1969 to 21.2 per cent in 1970.