

II. ECONOMIC AND FINANCIAL TRENDS - 1973

(A) NATIONAL PRODUCT AND EXPENDITURE

1. Introduction

Gross National Product.

In 1973, the Gross National Product at constant (1959) prices, increased by 3.5 per cent, as compared to a growth rate of 2.6 per cent in 1972. The annual average rate of growth for the two years 1972 and 1973 is thus 3.1 per cent in contrast to the planned growth of 6 per cent per annum targeted in the Five Year Plan 1972-1976.

The mid-year population for 1973 is provisionally estimated at 13.25 million, which is an increase of 1.76 per cent over the previous year. In 1972, population increased by 1.97 per cent.

In 1973, the gross national real product in per capita terms increased by 1.7 per cent, as compared to an imperceptible growth of 0.6 per cent in 1972.

Table II (A) 1 shows the national product at (1959) factor cost prices by industrial origin and the contribution of each sector to the total national product.

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

Sectors	1959		1972		1973	
	Amount (Rs. Mn.)	Percentage	Amount (Rs. Mn.)	Percentage	Amount (Rs. Mn.)	Percentage
1. Agriculture, Forestry, Hunting and Fishing ..	2,302	39.1	3,478	34.7	3,388	32.6
2. Mining and Quarrying ..	31	0.5	68	0.7	266	2.6
3. Manufacturing ..	682	11.6	1,401	14.0	1,417	13.6
4. Construction ..	283	4.8	505	5.0	516	4.9
5. Electricity, Gas, Water and Sanitary Services ..	10	0.2	31	0.3	31	0.3
6. Transport, Storage and Communications ..	541	9.2	988	9.8	1,019	9.8
7. Wholesale and Retail Trade ..	801	13.6	1,327	13.2	1,383	13.3
8. Banking, Insurance and Real Estate ..	51	0.9	136	1.4	142	1.4
9. Ownership of Dwellings ..	201	3.4	313	3.1	318	3.1
10. Public Administration and Defence ..	301	5.1	522	5.2	567	5.5
11. Services ..	728	12.3	1,334	13.3	1,379	13.3
12. Gross Domestic Product ..	5,930	—	10,102	—	10,426	—
13. Net Factor Income from Abroad ..	- 37	- 0.6	- 72	- 0.7	- 44	- 0.4
14. Gross National Product ..	5,893	100.0	10,030	100.0	10,383	100.0

Source: Central Bank of Ceylon

In absolute terms, the change in real national product in 1973 was Rs. 353 million, as compared to an increase of Rs. 251 million in 1972. The highest contribution to gross national real product was from agriculture; in 1973, it was

32.6 per cent, as compared to 34.7 per cent in 1972. The decline in the contribution of agriculture in 1973 was mainly due to a sharp fall in coconut production by 34.7 per cent. Tea production fell by 1 per cent. Also, rising costs led to a general reduction in the use of essential inputs such as fertilizer. On the other hand, the output of subsidiary food crops and minor export crops showed significant increases, but these increases were not large enough to offset the fall in the output of coconut. The decline in the agricultural sector, in absolute terms, amounted to Rs. 90 million.

The share of the mining and quarrying sector increased from 0.7 per cent in 1972 to 2.6 per cent in 1973. The contribution of manufacturing fell from 14.0 per cent to 13.6 per cent in 1973.

In 1973, the terms of trade deteriorated further due to the sharp rise in import prices as compared to the export price level, thereby reducing the purchasing power of exports by Rs. 1,170 million at 1959 prices. Thus real national product, adjusted for the adverse movement in the terms of trade, increased by 1.7 per cent as compared to an increase of 2.7 per cent in 1972.

Gross National Product at current factor cost prices increased by 19.6 per cent as compared to an increase of 7.1 per cent in 1972. In per capita terms, gross national product at current prices increased by 17.8 per cent.

Resources and Uses

Table II (A) 2 shows the total resources available to the country through production and imports and also its utilisation in consumption, capital formation and exports. In 1973, in money terms, the total resources amounted to Rs. 19,592 million, which is an increase of 21.6 per cent over 1972. Gross Domestic Product at current market prices was Rs. 16,741 million as against Rs. 13,634 million in 1972, an increase of 22.8 per cent. The value of imports of goods and non-factor services increased by 15.0 per cent.

TABLE II (A) 2
Total Resources and their Uses

Items	1971	1972	1973	Percentage change over previous year	
	Amount (Rs. Million)			1972	1973
A. Resources					
Gross Domestic Product ..	12,744	13,634	16,741	+ 7.0	+ 22.8
Imports of goods and non-factor services ..	2,365	2,480	2,851	+ 4.9	+ 15.0
Total ..	15,108	16,114	19,592	+ 6.7	+ 21.6
B. Utilization					
Consumption ..	10,639	11,697	14,246	+ 9.9	+ 21.8
Gross Domestic Capital Formation ..	2,249	2,118	2,630	- 5.8	+ 24.2
Exports of goods and non-factor services ..	2,220	2,300	2,716	+ 3.6	+ 18.1
Total ..	15,108	16,114	19,592	+ 6.7	+ 21.6

Source: Central Bank of Ceylon

In 1973, consumption demand increased by 21.8 per cent; gross domestic capital formation increased by 24.2 per cent, as compared to a decline of 5.8 per cent in 1972.

The tendency for aggregate demand to be higher than resources available persisted strongly in 1973 as in the preceding years. Gross Domestic Expenditure exceeded Gross National Product by 1.5 per cent, as compared to 2.3 per cent in 1972. This shortfall was met by foreign borrowing and by drawing down reserves.

2. Production Trends

Agriculture

Tea

In 1973, the production of tea fell by 5 million pounds or by 1.1 per cent to 466 million pounds over 1972. Of the elevational categories, only the production of low grown teas showed an increase. The decline in the output of tea was mainly the result of unfavourable weather conditions and an increase in the cost of inputs.

The total area under tea cultivation at the end of 1973 was 598,740 acres, as compared to 597,645 acres in 1972. The total area replanted at the end of 1973 was 59,296 acres of which 5,953 acres were replanted in 1973 as compared to 6,418 acres in 1972. Under the Replanting Subsidy Scheme, Rs. 21.9 million was granted as subsidies in 1973, while Rs. 21.7 million was granted in 1972.

The Tea Factory Modernisation Scheme continued to operate in 1973 and the total loans utilised under this Scheme during the year was Rs. 11.3 million.

Rubber

Rubber production in 1973 is provisionally estimated at 340 million pounds, an increase of 10 per cent over 1972. The increase in production can be attributed mainly to incentives provided by appreciably higher prices during the year. The yield per acre in 1973 was 694 pounds as compared to 658 pounds in 1972.

The area under rubber cultivation at the end of 1973 was about 565,000 acres, as compared to 567,060 acres at the end of 1972, according to data provided by the Rubber Control Department. At the end of 1973, 4,964 acres had been replanted thus bringing the total replanted acreage to 308,502. This shows an almost 43 per cent decrease from the 8,742 acres replanted in 1972. New planting in 1973 was only 459 acres. Of the total area under rubber, only 86.7 per cent was in bearing indicating an increase of 3.2 per cent over the area under tapping in 1972.

Disbursements under the Rubber Replanting Subsidy Scheme was Rs. 15.8 million as against Rs. 18.2 million in 1972.

Coconut

The production of coconut is provisionally estimated at 1,935 million nuts in 1973, compared to 2,963 million nuts in 1972, which represents a sharp decline of 34.7 per cent in output. This decline is attributed mainly to the severe drought conditions experienced in the coconut growing areas in 1972 and 1973, and to the reduced application of fertilizer.

Coconut production, as estimated by the Central Bank, is the sum of the nut equivalent of exports of coconut products and local consumption. Production in 1973, however, could not be estimated on the usual basis as there was a ban on the export of copra and coconut oil which came into effect in March and April, 1973, respectively. Hence, production in 1973 has been estimated as the sum of the nut equivalent of copra and desiccated coconut produced, as reported by the Coconut Authority, and the local consumption of fresh nuts only. According to estimates of the Coconut Cultivation Board fertilizer issued in the year amounted to 30,539 tons while the quantity issued in 1972 was 45,723 tons. The drawings of fertilizer in 1973 fell by 33 per cent over 1972.

Paddy

The production of paddy in 1973 is provisionally estimated at 62.9 million bushels, which shows that production has not changed very much as compared to 1972. Production for Maha 1972/73 is estimated at 42.0 million bushels which is about the same as for the Maha 1971/72, while for Yala 1973, production is provisionally estimated at 20.9 million bushels, as compared to 20.6 million bushels for the corresponding season of 1972. The average yield per acre in Maha 1972/73 was 45.5 bushels as compared to 48.1 bushels in Maha 1971/72.

The performance of the paddy sub-sector is given in further detail in the section II (B) 1 (ii) (a).

The quantity of paddy purchased by the Paddy Marketing Board under the Guaranteed Price Scheme was 22.9 million bushels in 1973 as compared to 26.1 million bushels in 1972.

Subsidiary Food-crops and Livestock

In 1973, the value of output of subsidiary food crops is estimated to have increased by 34.9 per cent in real terms, as compared to an increase of 4.4 per cent in 1972. At current prices, production rose by 138.6 per cent as compared to 22.4 per cent in 1972. Substantial increases were recorded in the production of manioc, chillies, maize, kurakkan, and green gram.

The production of minor export crops also increased markedly; in real terms, output increased by 32 per cent while at current prices, the increase was 69 per cent. This favourable trend in the production of minor export crops can be attributed to the higher producer prices for them and the incentives provided by the government.

Livestock products declined by 3.3 per cent in real terms, while at current prices production rose by 7.5 per cent. The production of eggs declined by nearly 17 per cent over 1972. The production of milk showed a marginal increase from 300.4 million bottles in 1972 to 305.6 million bottles in 1973.

Fish

Fish production increased by 0.9 per cent. This marginal increase in output was mainly due to the lack of spare parts and fishing gear curtailing the operation of boats owned by the Fisheries Corporation and by the private sector

Mining and Quarrying

In 1973, the output in this sector showed a dramatic increase. The value added in real terms increased from 1.4 per cent in 1972 to 294.4 per cent in 1973. The contribution of this sector to Gross Domestic Product increased from a meagre 0.7 per cent in 1972 to 2.6 per cent in 1973 and was entirely due to gem production, as reflected by the exports of gems and the stocks held by the Gem Corporation. In 1972, the value of gems exported was Rs. 12.3 million while in 1973, the total production is estimated at Rs. 234.2 million. The incentives provided, in the form of tax benefits, convertible rupee account facilities, and the services provided by the Gem Corporation contributed to the expansion of this sector.

Manufacturing

The output of the manufacturing sector (excluding mining and quarrying, electricity and gas) increased by 1.2 per cent as compared to an increase of 1.6 per cent in 1972. Value added in factory industries increased by 0.5 per cent as compared to a 2.0 per cent increase in 1972. The output of cottage industries showed a marked increase of 29.5 per cent and was primarily due to the expansion in production of the textile industries managed by the Department of Small Industries. At current prices, value added in manufacturing increased by 16.7 per cent as compared to 14.9 per cent in 1972.

Construction

In 1973 the construction industries showed a growth of 2.2 per cent as compared to a decline of 8.1 per cent in 1972. This increase can be attributed to the increased expenditure on construction works undertaken by the government and public corporations.

Services

The value added in real terms of the services sectors, increased by 4.1 per cent as compared to an increase of 3.7 per cent in 1972. Significant increases were recorded in public administration and defence, and banking and insurance while the trade and transport sectors also indicated moderate increases. The increase in the output of domestic agriculture contributed to the expansion in the activity of the trade and transport sectors.

3. Gross National Product at Factor Cost Prices

Value of Product at Current Prices

Estimates of Gross National Product at current factor cost prices are summarised in Table II (A) 3.

TABLE II (A) 3

Gross National Product at Current Factor Cost Prices

Sectors	1971	1972	1973	Percentage change over previous year	
	Amount (Rs. Million)			1972	1973
1. Agriculture, Forestry, Hunting and Fishing ..	3,893	4,119	5,026	+ 5.8	+ 22.0
2. Manufacturing, Mining and Quarrying, Electricity and Gas ..	1,633	1,859	2,380	+ 13.8	+ 28.0
3. Construction ..	751	711	802	- 5.3	+ 12.8
4. Trade, Transport and other Services ..	5,689	6,118	7,057	+ 7.5	+ 15.3
5. Gross Domestic Product ..	11,966	12,807	15,265	+ 7.0	+ 19.2
6. Net Factor Income from Abroad ..	- 138	- 137	- 111	-	-
7. Gross National Product ..	11,828	12,671	15,154	+ 7.1	+ 19.6

Source: Central Bank of Ceylon

It is estimated that in 1973 Gross National Product at current factor cost prices increased by 19.6 per cent as compared to the increase of 7.1 per cent in 1972.

The value added in agriculture, forestry and fishing increased by 22.0 per cent as against an increase of 5.8 per cent in 1972. Significant increases were recorded in the value added of subsidiary food crops, rubber, minor export crops and paddy. This reflects largely the improved producer prices for these crops.

The higher prices for rubber in 1973 contributed to the increased production, which was about 10 per cent above the level in 1972.

In 1973, the value of production of subsidiary food crops increased by 138.6 per cent mainly reflecting the higher producer prices for these field crops.

Value added in minor export crops increased by 69.2 per cent as compared to 31.9 per cent in 1972.

In the case of paddy, although production was at the same level as in 1972, the amount of paddy that entered the open market is estimated to have increased from 36.7 million bushels in 1972 to 40.0 million bushels in 1973. Producer prices for open market paddy increased from Rs. 14.83 to Rs. 24.24 per bushel in 1973, which is an increase of nearly 63 per cent.

At current prices, the value added in domestic agriculture, increased by 28.8 per cent in 1973 and contributed 68.8 per cent of the total value added in the agricultural sector. In 1972, value added in domestic agriculture increased by 8.3 per cent and its share in total agriculture was 65.2 per cent.

Export agriculture in 1973 increased by 9.3 per cent which reflects the high prices received for rubber and minor export crops. In 1972 export agriculture increased by only 1.5 per cent.

In 1973, value added in manufacturing, mining and quarrying, electricity and gas, increased by 28.0 per cent as compared to an increase of 13.8 per cent in 1972. Value added in factory industries and small industries increased by 7.3 per cent as compared to 11.9 per cent in 1972. The value added in small industries was 42.1 per cent higher than in 1972, and was mainly due to the expansion of the activities, of the textiles industries, managed by the Small Industries Department, which was facilitated by the greater availability of yarn from the National Textiles Corporation. The output of yarn rose from 8,974,000 pounds in 1972 to 10,553,000 pounds in 1973.

The value added in factory industries increased by 4.1 per cent as compared to an increase of 11.6 per cent in 1972. Thus in 1973 the rate of increase of value added in factory industries at current prices fell sharply as compared to 1972. A significant feature of the manufacturing sector has been the increasing contribution, in money terms, to total output by the public sector industrial corporations. At current prices their share in the value of total output has risen from 35.6 per cent in 1972 to 42.8 per cent in 1973.

In the mining and quarrying sector, value added in absolute terms was Rs. 323.6 million in 1973 as compared to Rs. 95.1 million in 1972. This increase is due to the expansion in gem mining which alone amounted to Rs. 234.2 million in 1973, as compared to only Rs. 12.3 million in 1972.

The value added in construction increased by 12.8 per cent in 1973 as compared to a decline of 5.3 per cent in 1972. Construction activity actually recovered moderately from the setback experienced in 1971 and 1972, mainly on account of a slight increase in the availability of building materials.

Value added in the services sectors increased by 15.3 per cent as compared to an increase of 7.5 per cent in 1972. The high rate of increase in money terms reflected in this sector in the face of a small output in the primary sector, is mainly due to high wholesale and retail prices that prevailed in 1973. The value added in wholesale and retail trade and in transport, storage and communication increased by 23.7 per cent and 14.4 per cent respectively. Banking and insurance increased by 15.1 per cent. The number of new banking branches opened in 1973 was 198 and comprised 99 rural banks, 79 Bank of Ceylon sub-offices in Agricultural Service Centres and 20 other bank branches.

4. Gross National Product at (1959) Factor Cost Prices and Real Income

Table II (A) 4 shows Gross National Product at (1959) factor cost prices for 1971 to 1973. Gross national product in real terms was 3.5 per cent higher than in 1972. In 1972, the increase was 2.6 per cent. The average increase of 3.1 per cent for the two years 1972 and 1973 is lower than the average increase of 4.3 per cent for the period 1962 to 1971.

TABLE II (A) 4

Gross National Product at (1959) Factor Cost Prices

Sectors	1971	1972	1973	Percentage change over previous year	
	Amount (Rs. Million)			1972	1973
1. Agriculture, Forestry, Hunting and Fishing ..	3,375	3,478	3,388	+ 3.1	- 2.6
2. Manufacturing, Mining, Quarrying, Electricity Gas, etc. ..	1,474	1,499	1,715	+ 1.7	+14.4
3. Construction ..	550	505	516	- 8.1	+ 2.2
4. Trade, Transport and other Services ..	4,457	4,619	4,808	+ 3.7	+ 4.1
5. Gross Domestic Product ..	9,856	10,102	10,426	+ 2.5	+ 3.2
6. Net Factor Income from Abroad ..	- 76	- 72	- 44	—	—
7. Gross National Product ..	9,779	10,030	10,383	+ 2.6	+ 3.5

Source: Central Bank of Ceylon.

The output of agriculture, forestry and fishing at constant prices fell by 2.6 per cent as compared to an increase of 3.1 per cent in 1972. In real terms, the output of export agriculture declined by 9.5 per cent while the output of domestic agriculture increased by 2.9 per cent. In 1972, both export agriculture and domestic agriculture increased by 2.8 per cent and 3.3 per cent respectively.

The share of export agriculture in the total output of agriculture sector declined mainly due to the sharp fall in coconut production in 1973. As mentioned earlier, the increases recorded in the output of subsidiary food crops, rubber and minor export crops were more than offset by the fall in coconut production and in livestock products.

Real output in manufacturing, including mining and quarrying, electricity etc. increased by 14.4 per cent as compared to 1.7 per cent in 1972.

The manufacturing sector, excluding the processing of tea, rubber and coconut, increased by 3.0 per cent as compared to 2.3 per cent in 1972. Factory industries showed an imperceptible increase of only 0.5 per cent. However, cottage industries increased by 29.5 per cent due to the expansion in the output of textiles manufactured by co-operatives, and other textile industries managed by the Department of Small Industries.

The value added at constant prices in mining and quarrying increased by 294.4 per cent as compared to an increase of only 1.4 per cent in 1972. The expansion in the output of gems was the main factor that contributed to the sharp increase in the sector. The output of electricity, gas, water and sanitary

services increased by 1.0 per cent, as compared to an increase of 8.4 per cent in 1972. This is attributed mainly to a lower rate of increase in the generation of electricity in 1973 as compared to 1972.

The performance of the construction sector was slightly better than in 1972. In real terms, this sector increased by 2.2 per cent, whereas in 1972, there was a decline of 8.1 per cent.

The services sectors as a whole increased by 4.1 per cent as compared to an increase of 3.7 per cent in 1972. As stated above the output of the trade and transport sectors increased mainly due to the improved performance of the construction sector and with the larger quantities of goods available from domestic agriculture, particularly subsidiary food crops and open market rice.

The increase in the number of branches of commercial banks and rural banks contributed to the expansion in the output of the banking sector by 4.6 per cent in 1973. In 1972, the increase was 5.5 per cent higher than in 1971.

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.

Real income which is derived by adjusting gross national product at constant (1959) prices for the terms of trade effect is shown in Appendix II - Table 6.

In 1973, Sri Lanka's terms of trade declined further by 13.3 per cent. While the price of exports increased by only 16.1 per cent, import prices rose appreciably by 32.3 per cent. Thus the adverse effect on the terms of trade (calculated from the base year 1959) is estimated at Rs. 1,170 million in 1973 as compared to an adverse effect of Rs. 970 million in 1972. When adjusted for the terms of trade, real national income is estimated at Rs. 9,212 million for 1973 and Rs. 9,060 million for 1972; a rise of 1.7 per cent as compared to a rise of 2.7 per cent in 1972. On the same basis real national income in per capita terms is estimated to have fallen by 0.1 per cent in 1973 as compared to an increase of 0.7 per cent in 1972.

5. Gross National Expenditure

Table II (A) 5 summarises the main components of Gross National Expenditure.

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

Items	1971	1972	1973	Percentage change over previous year	
	Amount (Rs. Million)			1972	1973
1. Private consumption	8,849	9,773	12,203	+ 10.4	+ 24.9
2. Public consumption	1,790	1,924	2,043	+ 7.5	+ 6.2
3. Gross domestic capital formation	2,249	2,118	2,630	- 5.9	+ 24.2
4. Gross domestic expenditure	12,888	13,814	16,876	+ 7.2	+ 22.2
5. Net investment abroad	- 209	- 269	- 161	-	-
6. Less: Net receipts of international gifts and transfers	- 74	- 48	- 84	-	-
7. Gross National Expenditure	12,606	13,497	16,630	+ 7.1	+ 23.2

Source: Central Bank of Ceylon.

Gross National Expenditure for 1973 is estimated to have increased by 23.2 per cent in contrast to an increase of 7.1 per cent 1972. In absolute terms, the increase is Rs. 3,133 million and Rs. 892 million in 1972.

The sharp increase in Gross National Expenditure in 1973 is largely due to the very high prices that prevailed in the country during the year. The implicit Gross National Product deflator reflects an average increase of about 16 per cent in prices in 1973. Thus by adjusting the rate of increase of 23.2 per cent in Gross National Expenditure for the increase in prices of 16 per cent, the derived increase in real expenditure in 1973 is estimated at about 7 per cent.

The increase in Gross National Expenditure at current market prices, reflects both the increase in consumption expenditure by 21.8 per cent and in domestic capital formation by 24.2 per cent.

Consumer Demand

In 1973, private consumption increased by Rs. 2,430 million or 24.9 per cent. A breakdown of consumption expenditure shows that the expenditure on locally produced goods increased by 34.9 per cent, while expenditure on imports fell sharply by 14.6 per cent in 1973. On the other hand in 1972, the expenditure on imported goods had increased by 14.6 per cent and that on locally produced goods increased by 13.6 per cent.

Table II (A) 6 shows private consumption expenditure at current market prices.

TABLE II (A) 6

Private Consumption Expenditure at Current Market Prices*

Items	1972		1973	
	Amount (Rs. Mn.)	Percent of row 16	Amount (Rs. Mn.)	Percent of row 16
1. Food ..	5,116	52.3	7,054	57.8
2. Beverages ..	329	3.4	351	2.9
3. Tobacco ..	576	5.9	638	5.2
4. Clothing and other personal effects ..	958	9.8	1,032	8.5
5. Rent, rates and water charges ..	412	4.2	420	3.4
6. Fuel and light ..	303	3.1	316	2.6
7. Furniture, furnishings and household equipment ..	257	2.6	289	2.4
8. Household operation ..	674	6.9	719	5.9
9. Personal care and health expenses ..	253	2.6	247	2.0
10. Transport and communication ..	968	9.9	1,033	8.5
11. Recreation and entertainment ..	476	4.9	514	4.2
12. Miscellaneous services ..	342	3.5	344	2.8
13. Expenditure of residents abroad ..	20	0.2	—	—
14. Less: Expenditure of non-residents in the country ..	— 486	— 5.0	— 557	— 4.6
15. Less: Govt. local purchases ..	— 425	— 4.3	— 197	— 1.6
16. Consumption expenditure of households and private non-profit institutions ..	9,773	100.0	12,203	100.0

Source: Central Bank of Ceylon

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

The pattern of consumption as revealed in the table above shows that the expenditure on food, beverages and tobacco comprised 65.9 per cent of private consumption in 1973 as compared to 61.6 per cent in 1972. While the share of expenditure on food increased to 57.8 per cent as compared to 1972, the share of beverages and tobacco showed a decline. The share of expenditure on all other items was also lower than in 1972.

Of the increase of Rs. 2,430 million in private consumption, the increase in the expenditure on food, beverages and tobacco alone amounted to Rs. 2,022 million, which is about 83 per cent.

6. Gross Fixed Capital Formation

The details of gross fixed capital formation are given in appendix II, table 7.

In 1973, total gross fixed capital formation increased by Rs. 287 million or 13.0 per cent. Capital formation in the government sector increased by Rs. 73 million while capital formation in the private sector (including public sector corporations) increased by Rs. 214 million. As stated earlier, these increases should be also viewed in the light of the large increases in the prices of imported and locally produced goods. The Central Bank indices of import prices of investment goods stood at 139.9 (1967=100.0) in 1973 as compared to 120.3 in 1972, an increase of 16.2 per cent. Thus in real terms it is estimated that, fixed capital formation increased by a much smaller rate of about 2 per cent in 1973.

Government Sector

Fixed capital formation in the government sector increased by 14.2 per cent as compared to an increase of 4.8 per cent in 1972. The following table shows government's capital formation classified by industrial categories.

TABLE II (A) 7
Industrial Classification of Government Fixed Capital Formation^(a)

Sectors	1972		1973	
	Amount (Rs. Mn.)	Percentage of Total	Amount (Rs. Mn.)	Percentage of Total
1. Agriculture, Forestry and Fishing ..	196	37.9	198	33.6
2. Manufacturing ..	15	2.9	9	1.5
3. Electricity, Gas, Water and Sanitary Services ..	14	2.7	17	2.9
4. Transport, Storage and Communication ..	121	23.4	165	28.0
5. Ownership of Dwellings ..	16	3.1	11	1.9
6. Public Administration ..	80	15.5	101	17.1
7. Services ..	75	14.5	89	15.1
Total ..	517	100.0	590	100.0

Source: Central Bank of Ceylon.

(a) Based on the estimates of expenditure of the Government of Sri Lanka for the years 1971/72 (Pro Rata for 12 months) and 1973.

Investment in agriculture, forestry and fishing was 33.6 per cent and on transport, storage and communication it was 28.0 per cent of the total. Of the balance, 17.1 per cent was in public administration and 15.1 per cent in services.

Private Sector and Public Corporations

The distribution of gross fixed capital formation of the private sector and public sector corporations classified according to types of assets are shown in the following Table II (A) 8.

TABLE II (A) 8

Fixed Capital Formation in Private Sector (including Public Corporations) according to Type of Asset.

Type of Asset	1971		1972		1973	
	Amount (Rs. Mn.)	Percent of Total	Amount (Rs. Mn.)	Percent of Total	Amount (Rs. Mn.)	Percent of Total
1. Planting, replanting and land development ..	111	6.7	112	6.6	111	5.8
2. Building and other construction ..	993	60.3	927	54.9	1,029	54.1
3. Plant and machinery ..	287	17.4	237	14.0	379	19.9
4. Transport equipment ..	171	10.4	278	16.5	245	12.9
5. Other capital goods ..	85	5.1	135	8.0	139	7.3
Total ..	1,647	100.0	1,689	100.0	1,903	100.0

Source: Central Bank of Ceylon

Note: Since some public corporations did not furnish data in time, it was not possible to estimate separately fixed capital formation in the public corporation sector. Our method of estimation is such that from total private sector capital formation estimated by using the flow of goods method, the data supplied by the corporations are deducted to give a residual estimate of capital formation in the household and corporate sectors. Therefore the aggregate data for the private sector shown in this table are comparable with sum total of data on public corporations and the private sector for the previous years.

In 1973, fixed capital formation in the private sector and public corporations increased by 12.7 per cent, as compared to an increase of 2.6 per cent in 1972.

The increased expenditure on plant and machinery in 1973 of Rs. 379 million and on buildings and other construction of Rs. 1,029 million largely accounted for the increase in fixed capital formation in 1973. Investment in transport equipment fell by Rs. 33 million.