

GROSS NATIONAL PRODUCT, INCOME AND EXPENDITURE**Overall Trends**

Sri Lanka's Gross National Product (GNP) at current factor cost prices is provisionally estimated at Rs. 89.7 billion in 1982. This is an increase of 15.5 per cent compared with the previous year. When allowance is made for price increases, the real increase in GNP is 4.9 per cent in 1982 compared with 4.1 per cent in the previous year. The implicit change in the GNP deflator for 1982 on which this observation is made is estimated at 10.2 per cent. This is substantially lower than the comparable rates in the previous two years.

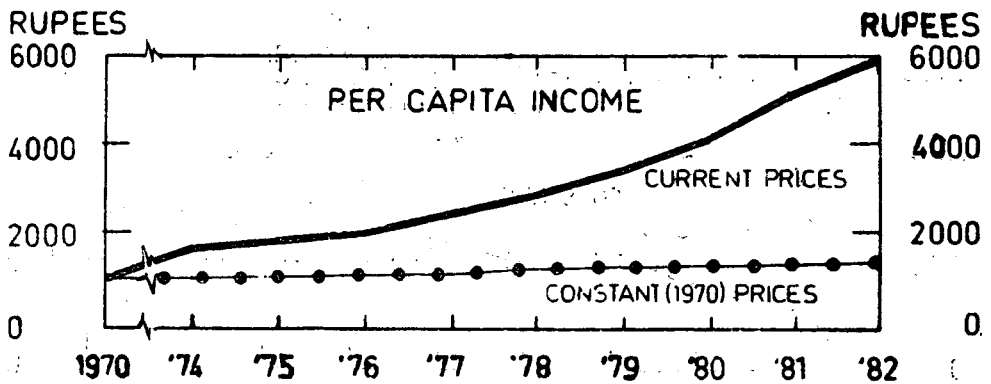
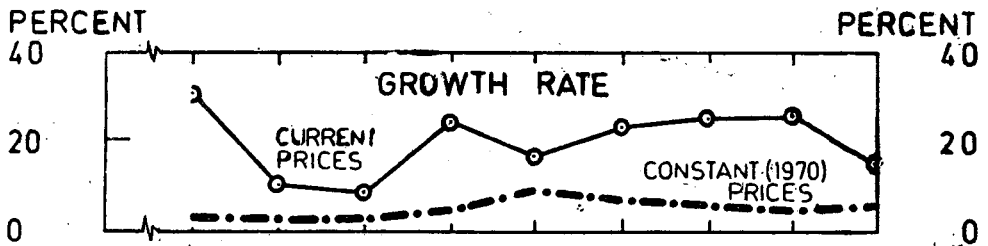
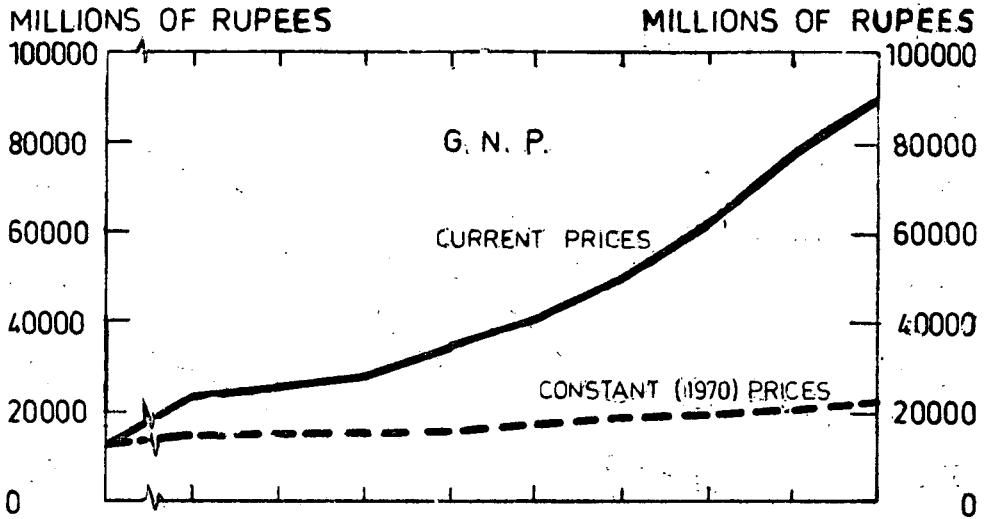
The Gross Domestic Product (GDP) measured at 1970 constant prices on the other hand increased from Rs. 20.7 billion in 1981 to Rs. 21.8 billion in 1982. This represents a growth rate of 5.1 per cent. The net outflow of factor income at constant prices increased at a lower rate (14 per cent) in 1982 compared with a nearly 300 per cent increase in 1981. Hence, the rate of growth of the real GNP at 4.9 per cent is only marginally less than that of the Gross Domestic Product. In the previous year while the GDP grew at 5.8 per cent, the GNP growth was held back on account of a higher rate of increase in net outflow of factor income to 4.1 per cent.

The G.D.P. was estimated at Rs. 91.6 billion at current prices in 1982. This is a 15.5 per cent growth over the previous year. The net outflow of factor income abroad in 1982 has been Rs. 1,969 million at current prices compared with Rs. 1,712 million in the previous year. In real terms however, the net outflow of factor income abroad was Rs. 510 million in 1982, compared with Rs. 449 million in 1981.

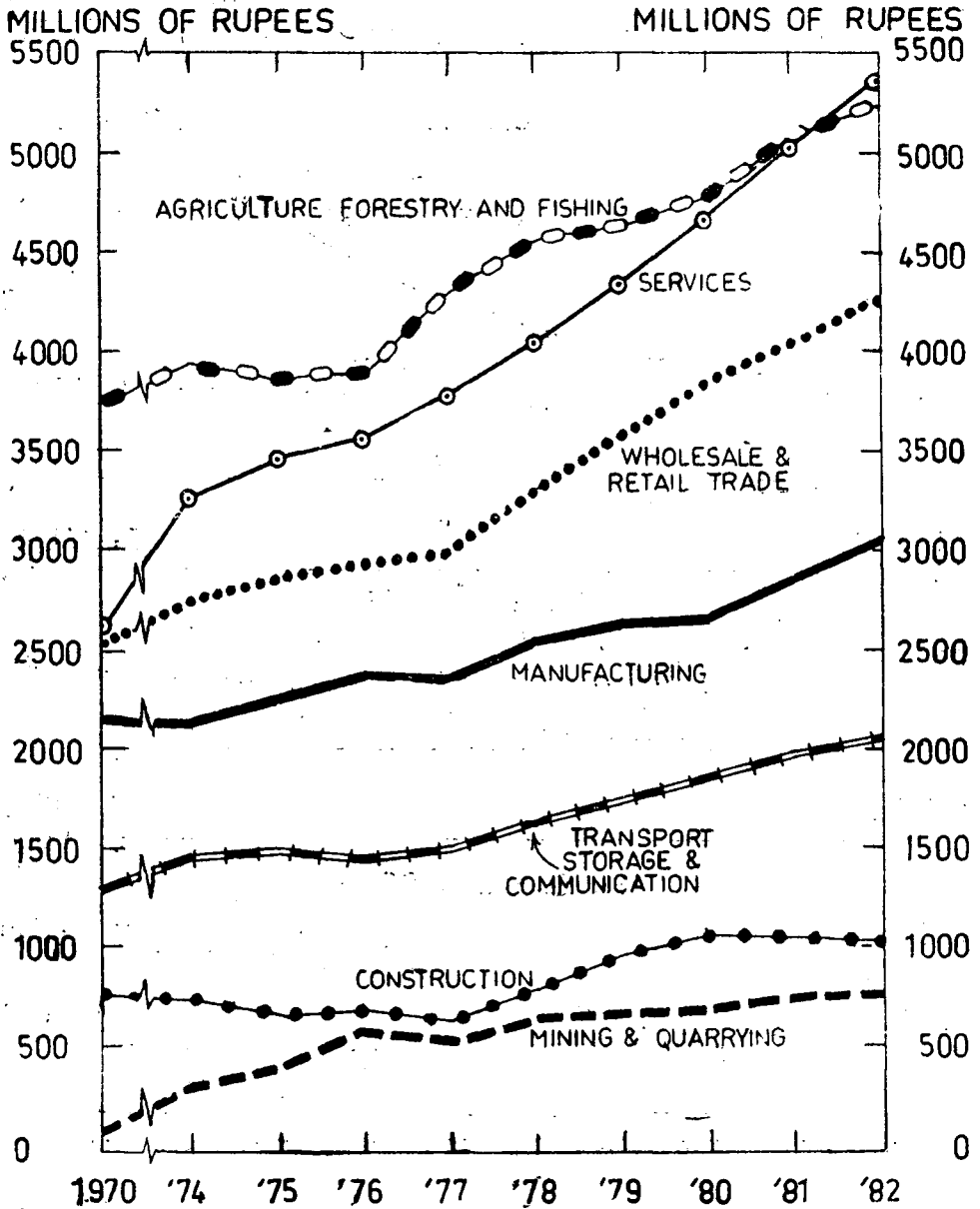
According to the data made available by the Registrar General's Department, Sri Lanka's population in 1982 increased by 1.7 per cent. The mid-year population in 1982 was 15.2 million compared with 15.0 million in 1981. Hence the per capita, GNP at current prices in 1982 has been estimated at Rs. 5,904 (US \$ 284) compared with Rs. 5,179 (US \$ 267) in 1981. In real terms this is an increase of 3.5 per cent in the current year compared with the 2.4 per cent increase in per capita income in the previous year.

Since the new economic policies were introduced five years ago, the dynamic sectors in the economy have been trade, services, transport and construction. After very high rates of activity, the construction sector has recorded a decline for the second successive year. However, other sectors have continued to expand, although at a reduced rate. The manufacturing sector has shown moderate growth in 1982. The agriculture, forestry and fishing sectors which had been primarily responsible for the growth in 1981 through their combined high growth rate of 6.9 per cent has expanded by 2.6 per cent in 1982. In the tree crop sub-sector, the output of coconut has increased by about 11 per cent. The rubber sub-sector has recorded a marginal growth while the tea sub-sector has experienced a 10.7 per cent drop in value added. In the food crop sector, the value added in paddy has declined by 3.4 per cent in 1982.

GROSS NATIONAL PRODUCT



GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT CONSTANT (1970) FACTOR COST PRICES



The manufacturing, mining and utility services have expanded by 5.0 per cent. The value added in processing of tea has declined while the manufacturing sector industries have recorded a growth in value added. The export of manufactured goods has increased substantially during 1982 while the index of production in major corporations has shown a 5 per cent growth.

The construction sector which started to decline in 1981 but has continued in the same direction by recording a negative growth of about 2 per cent in 1982. There was an increase in construction activities in the public sector; but for this the decline in the construction sector would have been larger. The growth in trade, transport and other services has been about 6.9 per cent.

Sectoral Performance in 1982

The growth trends in various sectors for the period 1978-1982 are given in Table 1.7. The agricultural sector which had been the main growth agent in 1981 has suffered a serious set-back in 1982. The marginal increase in value added in agriculture, forestry and fishing sector in 1982 was only about 40 per cent of what was realized in 1981. In 1981 this sector contributed 29 per cent to GDP growth as against a 13 per cent contribution in 1982. The value added in tea has declined by 10.7 per cent in 1982. The value added in paddy which had a continuous record of expansion since 1978 has declined by 3.4 per cent in 1982. In spite of the negative growth rates in tea and paddy sub-sectors, the agricultural sector including forestry and fishing has increased by 2.6 per cent in 1982. The fisheries sector has expanded by 2.9 per cent in 1982 compared with a 15 per cent growth in the previous year.

The mining and quarrying sector is estimated to have expanded by 4.1 per cent in 1982. Graphite production has increased by 18.1 per cent in 1982 while the value added from gemming sub-sector has declined reflecting the trend in gem exports. The demand emanating from construction activities in the public sector seems to have helped the quarrying sub-sector to some extent. However, the slowing down of private sector house construction has resulted in a reduced demand for building materials of the quarrying sector such as bricks and sand.

The value added in the manufacturing sector has increased by 4.8 per cent in 1982. The decline in output of tea has reduced the value added in the agro-processing sub-sector by 5.3 per cent. However, factory and other industries have grown faster in 1982. The value of industrial exports has shown a steady increase in 1982. The export of manufactured goods, excluding petroleum products has increased by 17.6 per cent in 1982 over the previous year.

In the construction sector, building activities in private residential housing has continued to decline in 1982. However, because of the large volume of construction work undertaken in the public sector, particularly in the Mahaveli Development Programme, the overall decline in the construction sector was limited to about 2 per cent.

TABLE 1.7

Sectoral Composition and Increase in Gross National Product at Constant (1970) Prices
1980-1982

Sector	Value Added (Rs. Mn.)			Percent Share in GNP			Increase over Previous Year (Rs. Mn.)			Percent Share in increase GNP		
	1980*	1981*	1982*	1980	1981	1982	1980	1981	1982	1980	1981	1982
1. Agriculture, forestry and fishing	4,766	5,097	5,231	24.5	25.2	24.6	144	331	134	14.0	41.3	13.5
1.1 Agriculture	4,348	4,636	4,755	22.4	22.9	22.4	109	288	119	10.6	35.9	12.0
1.1.1 Tea	381	419	374	2.0	2.1	1.8	- 31	38	- 45	- 3.0	4.7	- 4.6
1.1.2 Rubber	194	181	182	1.0	0.9	0.9	- 29	- 13	- 1	- 2.8	- 1.6	0.1
1.1.3 Coconut	462	515	573	2.4	2.5	2.7	- 57	53	58	- 5.6	6.6	5.9
1.1.4 Paddy	1,267	1,313	1,269	6.5	6.5	6.0	135	46	- 44	13.1	5.7	- 4.4
1.1.5 Other	2,044	2,208	2,357	10.5	10.9	11.1	91	164	149	8.9	20.5	15.0
1.2 Forestry	181	188	195	0.9	1.0	0.9	15	7	7	1.5	0.9	0.7
1.3 Fishing	237	273	281	1.2	1.3	1.3	20	36	8	1.9	4.5	0.8
2. Mining & Quarrying	684	713	742	3.5	3.5	3.5	32	29	29	3.1	3.6	2.9
3. Manufacturing	2,681	2,820	2,955	13.8	13.9	13.9	22	139	135	2.1	17.4	13.6
3.1 Export Processing	791	851	806	4.1	4.2	3.8	- 86	60	- 45	- 8.4	7.5	- 4.6
3.2 Factory Industry	1,488	1,548	1,686	7.6	7.6	7.9	71	60	138	6.9	7.5	14.0
3.3 Small and Other Industry	402	421	463	2.1	2.1	2.2	37	19	42	3.6	2.4	4.2
4. Construction	1,066	1,034	1,013	5.5	5.1	4.8	106	- 32	- 21	10.3	- 4.0	- 2.1
5. Electricity, Gas, Water & Sanitary Services	209	234	257	1.1	1.1	1.2	19	25	23	1.9	3.1	2.3
6. Transport & Communication	1,838	1,957	2,079	9.4	9.6	9.8	122	119	122	11.9	14.9	12.3
7. Wholesale & Retail Trade	3,849	4,034	4,275	19.8	20.0	20.1	298	185	241	29.1	23.1	24.4
7.1 Imports	985	1,005	1,026	5.1	5.0	4.8	121	20	21	11.8	2.5	2.1
7.2 Exports	709	723	794	3.6	3.6	3.7	-	14	71	-	1.7	7.2
7.3 Domestic	2,155	2,306	2,455	11.1	11.4	11.6	177	151	149	17.3	18.9	15.1
8. Banking, Insurance and Real Estate	402	462	517	2.1	2.3	2.4	52	60	55	5.1	7.5	5.6
9. Ownership of Dwellings	549	579	611	2.8	2.9	2.9	31	30	32	3.0	3.7	3.2
10. Public Administration and Defence	959	997	1,102	4.9	4.9	5.2	54	38	105	5.3	4.7	10.6
11. Services not elsewhere stated (n. e. s.)	2,572	2,779	2,974	13.2	13.7	14.0	194	207	195	18.9	25.8	19.7
12. Gross Domestic Product	19,575	20,706	21,756	100.6	102.2	102.4	1,074	1,131	1,050	104.7	141.1	106.2
13. Net Factor Income from Abroad	- 119	- 449	- 510	- 0.6	- 2.2	- 2.4	- 48	- 330	- 61	- 4.7	- 41.1	- 6.2
14. Gross National Product	19,456	20,257	21,246	100.0	100.0	100.0	1,026	801	989	100.0	100.0	100.0

* Provisional.

Source: Central Bank of Ceylon.

A growth rate of about 10 per cent has been recorded in the electricity, gas, water and sanitary services sector. The electricity output has shown an increase of 10.4 per cent in 1982.

The value added contribution in the transport, storage and communication sector increased by 6.2 per cent in 1982, despite a set-back in investment, in the first half of the year. However, after the re-introduction of the tax concession of Lump Sum Depreciation (LSD), transport sector activities expanded and value added increased significantly.

The wholesale and retail trade sector has expanded by 6.0 per cent in 1982, compared with 4.8 per cent in 1981. According to the customs data, merchandise imports have increased by 14.7 per cent in 1982.

The rate of growth in the banking, insurance and real estate sector has slowed down to 12.0 per cent in 1982, compared with 14.9 per cent in the previous two years. The value added in ownership of dwellings was at about the same rate as in 1981, but value added in public administration has increased from 4 per cent to 10.5 per cent.

Other services have grown by about 7 per cent in 1982 compared with an 8 per cent growth in 1981. The tourist sub-sector which is responsible for a large share in the other services sector, has expanded relatively slowly by about 10 per cent.

The growth of the Sri Lanka economy in 1982 has apparently slowed down as a result of poor performance in the agricultural sector. The decline in the paddy sub-sector was largely due to the adverse weather condition during the Maha season. This sub-sector has been growing continuously for the last four years. The tea sub-sector too has performed very poorly in 1982. The reduced tea output has had the effect of reducing the value added in the agro-processing sector too.

The effect of international terms of trade on the Sri Lanka economy continued to be adverse in 1982. In 1982, Sri Lanka lost about 8 per cent of its GNP due to adverse terms of trade, compared with the 7 per cent loss in 1981. The 1978 based terms of trade index declined to 38 in 1982 from 46 in 1981. After making allowances for the terms of trade effect, the real national income is estimated to have increased by 3.6 per cent in 1982 as against 3.2 per cent in 1981. The estimates of real national income are given in the Statistical Appendix.

Expenditure Pattern

The Gross Domestic Expenditure (GDE) at current prices is estimated at Rs. 118.7 billion in 1982, which is 20 per cent higher than in 1981. The total consumption expenditure in 1982 amounted to Rs. 88.2 billion; of this Rs. 80 billion was spent on private consumption while Rs. 8.2 billion was spent on government consumption. The Gross Domestic Capital Formation (GDCF) which includes stocks, amounted to Rs. 30.5 billion, a 29.0 per cent increase over the previous year.

The Gross Domestic Fixed Capital Formation (GDFC) amounted to Rs. 30.2 billion an increase of 29.9 per cent over the previous year at current market prices. The GDFC in the combined sector of public corporations and private sector recorded an increase of 32.0 per cent in 1982 to reach the level of Rs. 25.2 billion. The GDFC by the government sector increased by about 21.0 per cent to reach the value of Rs. 5.0 billion.

The value of capital goods imports increased by about 48 per cent in 1982 as against a 1.3 per cent decline in 1981. The import value of major capital goods in 1982 has increased by 156 per cent as against a 27 per cent decline in 1981. This increase was largely on account of the imports of ships and aircraft during the year.

TABLE 1.8
Some Selected Items of Imported Investment Goods

(c. i. f. value Rs. '000)

Item	1979	1980	1981	1982
1. Buses and Coaches ..	412,054	421,207	338,430	309,749
2. Lorries and Vans ..	317,824	765,460	771,071	658,875
3. Chassis fitted with Engines ..	282,538	235,296	59,317	222,518
4. Tractors ..	366,214	370,246	116,148	86,092
5. Bulldozers ..	196,168	512,351	350,451	362,904
6. Railway Locomotives and Accessories ..	471,686	300,043	123,124	169,589
7. Air Crafts and Helicopters ..	33,221	3,725	760	2,437,599
8. Marine Propulsion Engines and Outboard Engines ..	78,208	107,334	73,952	47,987
9. Ships, Tankers, Trawlers ..	5,218	6,721	421	999,327
10. Generators ..	15,030	117,457	264,984	145,220
11. Lathes, Milling Machines, Boring Machines etc. ..	39,079	91,659	38,591	35,013

Source: Customs, Sri Lanka.

The value of imported buses and coaches has declined by about 8.5 per cent, while the import of lorries and vans has declined by 15 per cent. The import of electricity generators, which more than doubled in 1981 has declined by about 45 per cent in 1982. On the other hand, the import of chassis fitted with engines has increased from Rs. 59.3 million in 1981 to Rs. 222.5 million in 1982. The import of bulldozers has increased by 3.6 per cent.

Capital formation due to construction has increased by 13.4 per cent in value as against a decline of 2 per cent in real terms. The value of construction work in the Mahaveli Development Programme has amounted to Rs. 6.5 billion.

Capital formation due to replanting and land development increased by 16 per cent in 1982. The replanting scheme in rubber exceeded the annual target to reach about 16,800 acres in 1982. In addition, about 4,100 acres have been newly planted with rubber.

TABLE 1.9
Import Content of Capital Expenditure

Item	Rs. Million.			
	1979	1980*	1981*	1982*
1. Gross Domestic Fixed Capital Formation	13,246	20,845	23,279	30,228
2. Imports of Investment Goods (c.i.f. value)	5,091	7,531	7,431	11,034
3. Import Content	38.4	36.1	31.9	36.5

* Provisional.

Sources: Central Bank of Ceylon.
Customs, Sri Lanka.

The import content in Gross Domestic Fixed Capital Formation which had been relatively high, in the range of 37 per cent during 1978-1980 had declined substantially in 1981. In 1982, however, it has once again increased to 36.5 per cent.

Availability and Utilization of Resources

The total resource availability in 1982, valued at current prices has been Rs. 147.0 billion, an increase of 18.0 per cent over the previous year. The economy received Rs. 100.3 billion worth of resources from domestic production and Rs. 46.7 billion worth of resources from the external sector. The share of the external sector in resource availability at 31.8 per cent was the same as in 1981. In the utilization of resources, consumption has absorbed 60.0 per cent in 1982 as against 60.2 per cent in 1981. Gross Domestic Fixed Capital Formation has increased by 20.6 per cent in 1982 as against 18.7 per cent in 1981. The share of exports in the total resource use is estimated at 19.3 per cent in 1982.

The total resource availability, valued at constant prices has increased by 4.1 per cent in 1982. Imports have increased by 2.1 per cent in 1982. The resource availability from the domestic economy has increased by 5.1 per cent as against 5.8 per cent in 1981. Consumption expenditure, valued at constant prices has increased by 1.9 per cent in 1982, while capital formation has increased by 5.8 per cent in 1982 as against 2.6 per cent in 1981. The exports of the economy have increased by 9.8 per cent in 1982 over the previous year.

Domestic Savings in 1982, excluding net factor income from abroad and private remittances are estimated at Rs. 12.1 billion. The domestic savings ratio has improved to 12.1 per cent in 1982 from 11.7 per cent in 1981. The total national savings which included net outflow of factor income and private transfers from abroad, have amounted to Rs. 15.3 billion. The national savings ratio in 1982 has been 15.3 per cent compared with the 14.3 per cent in 1981.

TABLE 1.10

Total Resources and their Uses 1978 — 1982

Item	At Current Market Prices (Rs. Mn.)				At 1978 Prices								Percentage Increase		
	1978	1980*	1981*	1982*	1978		1980		1981		1982		1979 Over 1978	1981 Over 1980	1982 Over 1981
					Amount Rs. Mn.	%	Amount Rs. Mn.	%	Amount Rs. Mn.	%	Amount Rs. Mn.	%			
1. Total Resources	59,537	102,983	124,563	147,027	59,537	100	71,600	100	75,233	100	78,328	100	11.0	5.1	4.1
1.1 GDP at Market Prices	42,665	66,527	85,005	100,314	42,665	72	47,983	67	50,766	67	53,355	68	6.3	5.8	5.1
1.2 Imports of Goods & Non Factor Services	16,872	36,456	39,558	46,713	16,872	28	23,617	33	24,467	33	24,973	32	23.0	3.6	2.1
2. Utilization	59,537	102,983	124,563	147,027	59,537	100	71,600	100	75,233	100	78,328	100	11.0	5.1	4.1
2.1 Consumption	36,148	59,084	75,061	88,212	36,148	61	43,616	61	46,967	63	47,859	61	11.8	7.7	1.9
2.2 Gross Domestic Fixed Capital Formation	8,521	20,845	23,279	30,228	8,521	14	12,719	18	13,045	17	13,796	18	24.0	2.6	5.8
2.2.1 Government	(3,077)	(4,709)	(4,126)	(4,993)	(3,077)	(5)	(3,804)	(5)	(3,328)	(4)	(3,346)	(4.3)	18.0	-12.5	0.5
2.2.2 Public Corporations	(2,056)	7,553	(19,153)	(25,235)	(2,056)	(3)	(4,433)	(6)	(9,717)	(13)	(10,450)	(13.3)	27.4	9.0	7.5
2.2.3 Private Sector	(3,388)	(8,583)			(3,388)	(6)	(4,482)	(7)							
2.3 Stocks	33	1,620	331	248	33	—	587	1	103	—	73	—	—	—	—
2.4 Exports of Goods and Non Factor Services	14,835	21,434	25,892	28,339	14,835	25	14,678	20	15,118	20	16,600	21	1.0	3.0	9.8

* Provisional

Source: Central Bank of Ceylon.

TABLE 1 - 11
National Savings 1978—1982
(At Current Market Prices)

(Rs. Million)

Category	1978	1979	1980*	1981*	1982*
1. G.D.P. at Market Prices ..	42,665	52,387	66,527	85,005	100,314
2. Domestic Savings ..	6,517	7,218	7,443	9,944	12,102
3. Net Factor Income from abroad ..	- 237	- 240	- 432	- 1,712	- 1,969
4. Net Private Transfers from abroad ..	342	754	2,260	3,918	5,170
5. National Savings ..	6,622	7,732	9,271	12,150	15,303
6. Domestic Savings ratio (2-as a % of 1) ..	15.2	13.8	11.2	11.7	12.1
7. National Savings ratio (5 as a % of 1) ..	15.5	14.8	14.0	14.3	15.3

Source: Central Bank of Ceylon.

* Provisional.

AGRICULTURE

In 1982 the agricultural sector was unable to maintain the impressive growth record achieved in the previous year. The sector as a whole, including forestry and fishing sub-sectors, grew by only 2.6 per cent in the year, as against 6.9 per cent growth achieved in the preceding year.

Tea

Tea production in 1982 has been estimated at 187.8 million kgs. which indicates a decline of 22.3 million kgs. or 10.6 per cent when compared with the production in 1981. This drop in production was evident in all three elevational categories, with low-grown areas reporting the lowest decline of 5.8 million kgs. or 8.3 per cent. High and mid-grown areas reported a decline of 8.8 million kgs. (10.9 per cent) and 7.7 million kgs. (13.0 per cent), respectively. According to information furnished by the Tea Board, production by Janatha Estates Development Boards (JEDBs) declined by 10.4 million kgs. or 13.2 per cent while that of Sri Lanka State Plantations Corporations (SLSPCs) dropped by 6.6 million kgs. or 10.3 per cent from the levels recorded in 1981. These figures relate only to production from leaf obtained from the estates belonging to these institutions. Production from 'bought leaf' decreased by 7.5 per cent (0.5 million kgs.) in the case of the JEDBs and by 12.2 per cent (1.8 million kgs.), in the case of the SLSPCs. The distribution of the decline in total tea production in 1982 by quarters was highly uneven, with the first quarter of the year accounting for 10.8 million kgs. or 48 per cent of the decline. This distributional pattern indicates that the severe drought that prevailed in the first quarter of 1982 adversely affected tea production during the year.