

GROSS NATIONAL PRODUCT, INCOME AND EXPENDITURE

Overall Trends

In 1983 Sri Lanka's economy grew by 4.9 per cent in real terms. This growth rate, estimated on the basis of a New Series of National Accounts* (1982 based), is the same as the growth rate obtained on the basis of the old series (1970 based). The marginal reduction in the growth rate in 1983, compared with the 5.1 per cent growth rate in 1982, is largely due to lower production in the plantation agricultural sector (tea and coconuts) and due to a set back in industrial production, trade and services due to the July disturbances. The decline in tea and coconut production, owing to adverse climatic conditions, among other factors, was more than offset by increased paddy production. The effect of the disturbances has neither been long lasting nor significant, except in the service sectors, which are dependent on tourism.

Sri Lanka's Gross National Product (GNP) at current factor cost prices is estimated at Rs. 109 billion in 1983. This is an increase of 20.6 per cent over the previous year. When adjusted for the real increase in GNP, the implicit GNP deflator for 1983 has increased by 16 per cent. The improvement of prices of agricultural exports, particularly of tea, largely influenced the high rate of increase of the deflator.

In 1983, the international terms of trade turned favourable to the Sri Lanka economy. The real national income, which is estimated after adjusting for the terms of trade effect, has increased by 5.7 per cent in 1983 over the previous year. The gains from tea exports have been very significant. It was unfortunate that Sri Lanka could not derive the full benefit of rising tea prices because tea production failed to expand due both to poor weather conditions and structural problems faced by the tea industry.

According to data made available by the Registrar General's Department, Sri Lanka's population has increased by 1.5 per cent in 1983. The mid-year population in 1983 is 15.416 million compared with 15.189 in 1982. The per capita GNP at current prices in 1983 has been estimated at Rs. 7,071 (US \$ 301). In real terms, the per capita income of 1983 shows an increase of 2.5 per cent over the previous year.

In 1983, a 4.9 per cent real growth rate in GDP was realized largely due to the improved performance of the domestic agricultural sector, whose value added contribution in real terms increased by 9.4 per cent. On the other hand, the plantation agricultural sector as a whole declined by 4.9 per cent in 1983. The increase in rubber production was insufficient to compensate for the major losses in output in the tea and coconut sub-sectors. The poor performance of plantation agriculture had a depressing effect on agro-processing, whose value added declined by 4.6 per cent.

* For a technical note to the new series see Pages ~~29-30~~ 8-9

Sectoral Performance

The growth rates in various sectors for the period 1982-1983 are given in Table 1.7. The agriculture, forestry and fishing sector has grown by 5.1 per cent in 1983 over the previous year. This appreciably high growth rate in the agricultural sector in 1983 is largely a result of the 14.7 per cent increase in the volume of paddy production. The large scale increases in paddy output in some districts have more than compensated for the decline in production in the drought affected districts. The increase in rubber production by 8.2 per cent in 1983 was in contrast to the stagnation observed for the previous three years. Production of tea and coconut continued to decline in 1983. In the case of tea, there has been a 4.5 per cent decline in production, while in coconut a larger decline of 8.2 per cent has been reported. A growth rate of 5.7 per cent has been observed in the fishing sector in 1983 compared with 2.9 per cent in 1982.

Value added in agro-processing industries of tea, rubber and coconut declined by 4.6 per cent in 1983, as against the 5.3 per cent decline in the previous year. Value added in factory industries increased only by 2 per cent in 1983 compared with 8.9 per cent in the previous year. This is the net result of a 15 per cent decline in production in the state owned industries and a 26 per cent increase in the private sector industries. In the small industries subsector, a 4.1 per cent growth rate has been observed in 1983, compared with the 10.1 per cent growth rate in 1982. The manufacturing sector as a whole increased marginally, by 0.8 per cent in 1983, compared with the 4.8 per cent expansion in 1982.

In the construction sector, there has been only a marginal growth of 1 per cent in 1983. The building construction activities of the private sector seem to have declined in 1983 for the third year running. The number of building plans approved by the Colombo Municipal Council has declined by about 21 per cent. However, the construction activities of the Mahaveli Development Programme continued at a high level compensating for the decline in construction activities in the private sector. The decline in construction activities in the Maduru Oya Project has been offset by new construction activities in the Randenigala Project.

Value added in electricity, gas, water and sanitary services increased by 6.6 per cent in 1983. Electricity generation in 1983 increased by only about 2.3 per cent over the previous year. However, the production of gas products increased by about 20 per cent.

In the transport, storage and communication sector, there has been a 4.5 per cent expansion in 1983, compared with the 6.2 per cent expansion in the previous year. The slower growth in imports has been primarily responsible for this slow growth rate.

TABLE 1.7

**Sectoral Composition and Increase in Gross National Product at Constant (1982) Prices
1982—1983**

Sector	Value Added (Rs. Million)		Per cent Share of G.N.P.		Increase over previous year (Rs. Million)	Percent Share of increase in G.N.P.
	1982*	1983*	1982	1983	1983	1983
1. Agriculture, Forestry and Fishing	24,964	26,237	27.7	27.9	1,273	34.7
1.1 Agriculture	20,771	21,810	23.0	23.2	1,039	28.3
1.1.1 Tea	2,418	2,309	2.7	2.5	— 109	— 3.0
1.1.2 Rubber	770	833	0.9	0.9	63	1.7
1.1.3 Coconut	3,263	2,995	3.6	3.2	— 268	— 7.3
1.1.4 Paddy	5,484	6,252	6.1	6.6	768	20.9
1.1.5 Other	8,836	9,421	9.8	10.0	585	15.9
1.2 Forestry	1,710	1,816	1.9	1.9	106	2.9
1.3 Fishing	2,483	2,611	2.7	2.8	128	3.5
2. Mining & Quarrying	2,238	2,413	2.5	2.6	175	4.8
3. Manufacturing	13,601	13,710	15.1	14.6	109	3.0
3.1 Export Processing	2,846	2,715	3.1	2.9	— 131	— 3.6
3.2 Factory Industry	8,777	8,953	9.7	9.5	176	4.8
3.3 Small and Other Industry	1,978	2,042	2.2	2.2	64	1.8
4. Construction	7,959	8,039	8.8	8.6	80	2.2
5. Electricity, Gas, Water & Sanitary Services	1,089	1,161	1.2	1.2	72	2.0
6. Transport & Communication	8,536	8,920	9.4	9.5	384	10.4
7. Wholesale & Retail Trade	16,059	16,910	17.8	18.0	851	23.1
7.1 Imports	4,167	4,242	4.6	4.5	75	2.0
7.2 Exports	2,861	2,870	3.2	3.1	9	0.2
7.3 Domestic	9,031	9,798	10.0	10.4	767	20.8
8. Banking, Insurance & Real Estate	3,192	3,876	3.5	4.1	684	18.6
9. Ownership of Dwellings	3,250	3,315	3.6	3.5	65	1.8
10. Public Administration & Defence	2,812	3,673	3.1	3.9	861	23.4
11. Services (not elsewhere stated)	8,698	8,672	9.6	9.2	— 26	— 0.7
12. Gross Domestic Product	92,398	96,926	102.3	103.1	4,528	123.3
13. Net Factor Income from Abroad	— 2,034	— 2,889	— 2.3	— 3.1	— 855	— 23.3
14. Gross National Product	90,364	94,037	100.0	100.0	3,673	100.0

* Provisional.

Source : Central Bank of Ceylon.

Value added in the wholesale and retail trade sector increased by 5.3 per cent in 1983, against the 6 per cent growth in 1982. Here too, the value added contribution from import based trade increased much less than in the previous year.

The banking, insurance and real estate sector grew by 21.4 per cent as against the 11.9 per cent increase in 1982. Value added in ownership of dwellings increased by 2.3 per cent compared with the 5.5 per cent increase in 1982.

In public administration and defence, a large increase in value added has taken place in 1983. The other services sector suffered a marginal decline in 1983 compared with the 7 per cent growth rate in 1982, largely because of the decline in the tourist sub-sector. The total number of tourist arrivals declined by 17.2 per cent in 1983 over the previous year.

An analysis of the sectoral performance clearly indicates that Sri Lanka's economy's real output levels are below its potential. This is so in state owned plantation agriculture particularly in tea, and in public corporations where overall production declined by about 15 per cent. Corrective measures in these sectors could greatly enhance the production potential of the economy to achieve a higher real growth rate.

Expenditure Pattern

Gross Domestic Expenditure (GDE) at current prices is estimated at Rs. 140.8 billion, an increase of Rs. 22 billion over the previous year. Total consumption expenditure amounted to Rs. 105.7 billion, an increase of about 20 per cent over the previous year. Private consumption amounted to Rs. 95.5 billion, which represents about a 19 per cent increase over the previous year. Government consumption has increased by about 23 per cent over the previous year.

Expenditure on gross domestic capital formation has been Rs. 35 billion, an increase of Rs. 4.4 billion, or 15 per cent over the previous year. Capital formation in the private sector and public corporations increased by 16 per cent while government sector capital formation increased by 7 per cent.

The total value of capital goods imported decreased by 1.2 per cent in 1983 compared with the 48 per cent increase in 1982. Further, the import value of major capital goods in 1983 decreased by 27.5 per cent as against the 156 per cent increase in 1982. The import of major capital goods such as ships, aircrafts and railway locomotives declined in 1983. However, imports of buses and coaches, lorries and vans, tractors and generators increased.

TABLE 1.8
Selected Items of Imported Investment Goods

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

Item	1980	1981	1982	1983
1. Buses and coaches ..	421,207	338,430	309,749	515,751
2. Lorries & Vans ..	765,460	771,071	658,875	824,041
3. Chassis fitted with Engines ..	235,296	59,317	222,518	107,319
4. Tractors ..	370,246	116,148	86,092	212,812
5. Bulldozers ..	512,351	350,451	362,904	394,854
6. Railway Locomotives and Accessories ..	300,043	123,124	169,589	3,925
7. Air Crafts & Helicopters ..	3,725	760	2,437,599	775,318
8. Marine Propulsion Engines and Out-board Engines ..	107,334	73,952	47,987	65,286
9. Ships, Tankers and Trawlers ..	6,721	421	999,327	826,916
10. Generators ..	117,457	264,984	145,220	209,589
11. Lathes, Milling Machines, Boring Machines etc. ..	91,659	38,591	35,013	34,355

Source: Customs, Sri Lanka.

The largest share of capital formation took place in the form of construction, followed by purchase of plant and machinery. Capital formation in building and construction at current prices, increased by 34 per cent in 1983. The value of construction work in the Mahaweli Development Programme has been estimated at Rs. 7.1 billion. Capital formation in plant, machinery and equipment increased by 21 per cent in 1983 over the previous year.

Capital formation due to land development and replanting increased by about 10 per cent in value terms. This increase is due to cost escalations in land development and replanting. The areas replanted in tea, rubber as well as of coconut declined. In tea, only 1,367 hectares were replanted in 1983 as against 2,004 in 1982. In rubber, 5,119 hectares were replanted in 1983. This is 13 per cent less than the replanted areas in the previous year. The coconut land area developed during 1983 is 6,363 hectares, a reduction of 32 per cent compared with the land area developed in the previous year.

The import content in Gross Domestic Capital Formation declined appreciably from 36.3 per cent in 1982 to 30.9 per cent in 1983. The c.i.f. value of imported capital goods, which was Rs. 11 billion in 1982, declined by one per cent to reach Rs. 10.9 billion in 1983. However, net of aircrafts, helicopters, ships and trawlers,

the imports of capital goods increased by 22 per cent from Rs. 7.6 billion in 1982 to Rs. 9.3 billion in 1983. As noted earlier, the import of high value capital goods declined in 1983.

TABLE 1.9
Import Content of Capital Expenditure

Item	(Rs. Mn.)			
	1980	1981	1982	1983
1. Gross Domestic Fixed Capital Formation	20,845	23,279	30,360	35,246
2. Imports of Investment Goods (c. i. f. value)	7,531	7,431	11,034	10,900
3. Imports of Investment Goods excluding Ships & Aircrafts (c. i. f. value)	7,521	7,430	7,597	9,298
4. Import Content 2 as per cent of 1	36.1	31.9	36.3	30.9

*Source : Central Bank of Ceylon,
Customs, Sri Lanka.*

Availability and Utilization of Resources

In 1983, the Sri Lanka economy had a total of Rs. 172.6 billion worth of resources at current market prices. While Rs. 122.3 billion of these came from domestic production, the remaining Rs. 50.3 billion came through imports. In the utilization of resources Rs. 105.7 billion was spent on consumption compared with the Rs. 88.3 billion in the previous year. Resources worth Rs. 35.2 billion was spent on gross domestic fixed capital formation compared with the Rs. 30.4 billion in 1982. This represents an increase of 16.0 per cent in gross domestic fixed capital formation over the previous year.

Total resources valued at 1978 constant prices, increased by 3.9 per cent in 1983. The inflow of imports increased by 1.8 per cent in 1983 compared with an increase of 2.1 per cent in 1982. Total consumption in real terms increased by 6 per cent in 1983 while gross domestic fixed capital formation increased by 1.5 per cent. The government sector capital formation in real terms declined by 2.5 per cent, while the capital formation in the private sector and public corporations has increased by 2.8 per cent.

Domestic savings, excluding net foreign factor income and private remittances are estimated at Rs. 16.6 billion. This represents a 40 per cent increase in domestic savings. The domestic savings ratio to GDP at market prices, improved from 11.8 per cent in 1982 to 13.6 per cent in 1983. Total national savings, which included net foreign factor income and private transfers, amounted to Rs. 19.8 billion, an increase of about 29 per cent, over the previous year. The national savings ratio in 1983, improved to 16.2 per cent compared with the 15.3 per cent in 1982.

TABLE 1. 10

Total Resources and their Uses 1978 - 1983

Item	At Current Market Prices (Rs.Mn.)				At 1978 Prices								Percentage Increase		
	1978	1981*	1982*	1983*	1978		1981*		1982*		1983*		1981 over 1980	1982 over 1981	1983 over 1982
					Amount Rs. Mn.	%	Amount Rs. Mn.	%	Amount Rs. Mn.	%	Amount Rs. Mn.	%			
1. Total Resources	59,537	124,563	146,045	172,590	59,537	100	75,233	100	78,328	100	81,392	100	5.1	4.1	3.9
1.1 GDP at Market Prices	42,665	85,005	100,140	122,322	42,665	72	50,766	67	53,355	68	55,969	69	5.8	5.1	4.9
1.2 Imports of Goods & Non Factor Services	16,872	39,558	45,905	50,268	16,872	28	24,467	33	24,973	32	25,423	31	3.6	2.1	1.8
2. Utilization	59,537	124,563	146,045	172,590	59,537	100	75,233	100	78,328	100	81,392	100	5.1	4.1	3.9
2.1 Consumption	36,148	75,061	88,289	105,724	36,148	61	46,967	63	48,940	63	51,885	63	7.7	4.2	6.0
2.2 Gross Domestic Fixed Capital Formation	8,521	23,279	30,360	35,246	8,521	14	13,045	17	13,305	17	13,504	17	2.6	2.0	1.5
2.2.1 Government	(3,077)	(4,126)	(5,125)	(5,632)	(3,077)	(5)	(3,328)	(4)	(3,239)	(4)	(3,158)	(4)	-12.5	-2.7	-2.5
2.2.2 Public Corporations	(2,056)	(8,360)	(25,235)	(29,614)	(2,056)	(3)	(4,551)	(6)	(10,066)	(13)	(10,346)	(13)	9.0	3.6	2.8
2.2.3 Private Sector	(3,388)	(10,793)	(248)	(-210)	(3,388)	(6)	(5,166)	(7)	—	—	—55	—	—	—	—
2.3 Changes in stocks	33	331	248	-210	33	—	103	—	73	—	—55	—	—	—	—
2.4 Exports of Goods & Non Factor Services	14,835	25,892	27,148	31,830	14,835	25	15,118	20	16,010	20	16,058	20	3.0	5.9	0.3

*Provisional

Source: Central Bank of Ceylon

TABLE 1.11
National Savings 1979 - 1983 (At Current Market Prices)

(Rs. Million)

Category	1979	1980*	1981*	1982*	1983*
1. G.D.P at Market Prices ..	52,387	66,527	85,005	100,140	122,322
2. Domestic Savings ..	7,218	7,443	9,944	11,851	16,598
3. Net Factor Income from Abroad ..	- 240	- 432	- 1,712	- 2,034	- 3,164
4. Net Private Transfers from Abroad ..	754	2,260	3,918	5,494	6,401
5. National Savings ..	7,732	9,271	12,150	15,311	19,835
6. Domestic Savings Ratio (2 as a percentage of 1) ..	13.8	11.2	11.7	11.8	13.6
7. National Savings Ratio (5 as a percentage of 1) ..	14.8	14.0	14.3	15.3	16.2

* Provisional

Source : Central Bank of Ceylon

TECHNICAL NOTE**New Series of National Accounts**

The Central Bank of Ceylon launched a comprehensive revision of national accounts computations in 1983 to accommodate the structural changes in the Sri Lanka economy effected by domestic and international economic changes. The results of the first stage of this exercise which relat to : (i) Agriculture, (ii) Agro-Processing, (iii) Fishing, (iv) Mining and Quarrying, (v) Electricity, Gas, Water and Sanitary Services, (vi) Ownership of Dwellings, and (vii) Public Administration are presented with this Annual Report.

The constant value series of the new national accounts is 1982 based. The 1982 base year was selected for two main reasons. First, the major structural adjustments in the economy which had been activated by new economic policies of the post 1977 period had stabilized by 1982.

Second, a number of comprehensive data collection programmes have been implemented in or around 1982. In 1981/82, the Consumer Finances and Socio Economic Survey of the Central Bank of Ceylon was conducted. Moreover, in 1981 a national census of population and housing was undertaken. The main areas revised in the new series are as follows.

(1) Agriculture

The latest consumption and cost data have been used in respect of tea, coconut, other agricultural commodities, fruits and vegetables in the computation of value added.

(2) Agro-Processing

Latest cost data have been used in value added computations.

(3) Fishing

Value added in fish production was updated to include the latest cost data on fish production.

(4) Mining and Quarrying

The basis of value added computations was updated to reflect the structural changes in this sector, particularly to include the changes in the use of building materials and the expansion in quarrying due to large construction programmes such as Mahaweli.

(5) *Electricity, Gas, Water and Sanitary Services*

The basis of value added computations in this sector was updated using more recent cost and production data.

(6) *Ownership of Dwellings*

The data of the national census of population and housing were used along with the Consumer Finances data to update the value added in ownership of dwellings.

(7) *Public Administration and Defence*

Changes that had taken place in public administration were incorporated into the value added computations.

Table A.1 gives a comparison of value added in the new series and old series.

TABLE A.1
A Comparison of Value Added in New (1982) Series and the Old (1970) Series

				(Rs. Million)
Sector				
	Old Series	New Series	Change	
1. Agriculture ..	20,544	20,771	+ 227	
2. Fishing ..	2,903	2,483	— 420	
3. Agro - processing (Exports) ..	3,379	2,846	— 533	
4. Mining and Quarrying ..	1,734	2,238	+ 504	
5. Electricity, Gas and Sanitary Services ..	1,244	1,089	— 155	
6. Ownership of Dwellings ..	2,052	3,250	+1,198	
7. Public Administration and Defence ..	2,878	2,812	— 66	
Total ..	34,734	35,489	+ 755	

Source: Central Bank of Ceylon.

AGRICULTURE

Tea

Tea production in 1983, provisionally estimated at 179.3 million kgs., was the lowest recorded since 1956 and indicated a decline of 8.5 million kgs. or 4.5 per cent when compared with 1982. The fall in production was evident in all three elevational categories with low grown areas showing the lowest decline of 1.4 million kgs. (2.2 per cent). Production in high grown and medium grown areas fell by 3.9 million kgs. (5.4 per cent) and 3.2 million kgs. (6.2 per cent), respectively. According to the Tea Board, production (excluding production from bought leaf) on the estates owned by the Janatha Estates Development Boards (JEDBs), fell by 5.6 million kgs. (8.2 per cent) while that of the Sri Lanka State Plantations Corporations (SLSPCs) fell by 4.3 million kgs. (7.5 per cent) when compared with the production in 1982. Tea production from bought leaf by the JEDBs and the SLSPCs fell by 0.6 million kgs. (9.7 per cent) and 1.6 million kgs. (12.4 per cent), respectively. However, tea production from bought leaf and own leaf on private sector estates increased by 2.8 million kgs. and 0.3 million kgs, respectively. Thus, a noteworthy feature of the production decline was that it was confined to the major state sector corporations, the JEDBs and the SLSPCs. A salient feature of the production decline was that it occurred almost entirely in the second quarter of the year. The fall in total production was mainly due to the combined effect of the severe drought conditions which prevailed throughout the first half of the year and the resultant decrease in fertilizer application during this period. Perhaps, private sector producers have resorted to coarse plucking to take advantage of more attractive prices during the year. This may be particularly true of smallholders.