

GROSS NATIONAL PRODUCT, INCOME AND EXPENDITURE

Overall Trends

In 1984, the performance of the Sri Lanka economy, as measured by the increase in real Gross Domestic Product (GDP) improved slightly over the previous year. Real GDP is estimated to have increased by 5.1 per cent, compared with 5.0 per cent in 1983. A favourable development in 1984 was the smaller outflows, in real terms, of net factor income. This resulted in real Gross National Product (GNP) increasing by 5.3 per cent, as against the increase of 4.1 per cent in 1983.

Gross National Product at current factor cost prices is estimated at Rs. 135 billion in 1984, which is 24 per cent higher than in 1983. When account is taken of the real increase in GNP, the implicit price deflator is estimated to have increased by 17.8 per cent. This increase came about mainly due to higher prices of agricultural exports, particularly tea and rubber.

According to data provided by the Registrar General's Department, Sri Lanka's mid year population, in 1984 has been provisionally estimated at 15.6 million which is 1.2 per cent above 1983. Per capita GNP, therefore amounted to Rs. 8,643 (US \$ 340). In real terms, per capita income is estimated to have increased by 4 per cent compared with 2.5 per cent in 1983.

There was a further improvement of 14 per cent in Sri Lanka's terms of trade in 1984, which followed the improvement of 16 per cent in the previous year. As a result, real national income, which is real GNP adjusted for changes in the terms of trade, increased by 7.6 per cent compared with the increase of 5.9 per cent in 1983. The increase in real national income in 1984, reflected the gains from tea exports as well as the decline in prices of major imports, notably petroleum and sugar.

In 1984, the major contribution to economic growth came from manufacturing and wholesale and retail trade, while agriculture and transport were also significant sources of growth. This was in contrast to recent years, when the performance of the agriculture sector was a major influence on growth in real GNP. There was a slowing down in construction activity in 1984.

Sectoral Performance

The sectoral growth rates for the period 1982-1984 are given in Table 1.7. The agriculture, forestry and fishing sector grew by 2.2 per cent in 1984 over the previous year. Value added in the tea sub-sector grew by 16.1 per cent, while the rubber sub-sector expanded by 1.5 per cent. In the past, domestic agriculture, particularly the paddy sub-sector, has been most dynamic. However, in 1984 a substantial part of the paddy harvest was destroyed by floods. This resulted in a 2.4 per cent decline in paddy output. In plantation agriculture, tea output increased by 16.1 per cent in 1984 reversing the declining trend observed in the three previous years. There was a marginal increase in rubber output in 1984. The coconut sub-sector continued to experience a decline in 1984, recording a 14.3 per cent drop in value added. The fisheries sector recorded a marginal increase in production since coastal and deep-sea fishing was disrupted in the northern parts of the country in the latter half of the year.

TABLE 1.7

Sectoral Composition and Increase in Gross National Product at Constant (1982) Prices
1982—1984

Sector	Value added (Rs. Million)			Percent Share of G.N.P.			Increase over previous year (Rs. Million)		Percent share of increase in GNP	
	1982(a)	1983(a)	1984(a)	1982	1983	1984	1983	1984	1983	1984
1. Agriculture, Forestry and Fishing	24,964	26,294	26,866	27.4	27.7	26.9	1,330	572	35.7	11.5
1.1 Agriculture	20,771	21,867	22,351	22.8	23.1	22.4	1,096	484	29.5	9.7
1.1.1 Tea	2,418	2,309	2,681	2.7	2.4	2.7	- 109	372	- 2.9	7.5
1.1.2 Rubber	770	865	878	0.8	0.9	0.9	95	13	2.5	0.3
1.1.3 Coconut	3,263	2,992	2,564	3.6	3.2	2.6	- 271	- 428	- 7.2	- 8.6
1.1.4 Paddy	5,484	6,318	6,166	6.0	6.7	6.2	834	- 152	22.4	- 3.1
1.1.5 Other	8,836	9,383	10,062	9.7	9.9	10.0	547	679	14.7	13.6
1.2 Forestry	1,710	1,816	1,889	1.9	1.9	1.9	106	73	2.8	1.5
1.3 Fishing	2,483	2,611	2,626	2.7	2.7	2.6	128	15	3.4	0.3
2. Mining and Quarrying	2,238	2,413	2,449	2.5	2.5	2.5	175	36	4.7	0.7
3. Manufacturing	13,601	13,710	15,390	14.9	14.4	15.4	109	1,680	2.9	33.7
3.1 Export Processing	2,846	2,715	2,983	3.1	2.8	3.0	- 131	268	- 3.5	5.4
3.2 Factory Industry	8,777	8,953	10,296	9.6	9.4	10.3	176	1,343	4.7	26.9
3.3 Small and Other Industry	1,978	2,042	2,111	2.2	2.2	2.1	64	69	1.7	1.4
4. Construction	7,959	8,039	8,030	8.7	8.4	8.0	80	9	2.2	- 0.2
5. Electricity, Gas, Water & Sanitary Services	1,089	1,161	1,196	1.2	1.2	1.2	72	35	1.9	0.7
6. Transport, Storage & Communication	10,666	11,146	11,759	11.7	11.8	11.8	480	613	12.9	12.3
7. Wholesale & Retail Trade	19,694	20,738	22,029	21.5	21.9	22.0	1,044	1,291	28.0	25.9
7.1 Imports	8,812	8,981	9,161	9.6	9.5	9.2	169	180	4.5	3.6
7.2 Exports	2,018	1,964	2,194	2.2	2.1	2.2	- 54	230	- 1.4	4.6
7.3 Domestic	8,864	9,793	10,674	9.7	10.3	10.6	929	881	24.9	17.7
8. Banking, Insurance & Real Estate	2,230	2,707	3,005	2.4	2.9	3.0	477	298	12.8	6.0
9. Ownership of Dwellings	3,250	3,315	3,381	3.6	3.5	3.4	65	66	1.7	1.3
10. Public Administration & Defence	2,899	3,786	4,165	3.2	4.0	4.2	887	379	23.8	7.6
11. Services (n.e.s.)	4,604	4,590	4,636	5.0	4.8	4.6	- 14	46	- 0.4	0.9
12. Gross Domestic Product	93,194	97,899	102,906	102.1	103.1	103.0	4,705	5,007	126.2	100.4
13. Net Factor Income from Abroad	- 1,959	- 2,936	- 2,957	- 2.1	- 3.1	- 3.0	- 977	- 21	- 26.2	- 0.4
14. Gross National Product	91,235	94,963	99,949	100.0	100.0	100.0	3,728	4,986	100.0	100.0

(a) Provisional.

Source: Central Bank of Ceylon.

The manufacturing sector as a whole increased by 12.3 per cent in 1984 compared with the negligible 0.8 per cent growth in 1983. Value added in agro-processing increased by 9.9 per cent while value added in factory industry increased by 15 per cent in the current year compared with 2 per cent in the previous year. Public sector industries expanded by 7 per cent, while private sector industries expanded by 26 per cent. The small industries sub-sector registered a 4 per cent growth in 1984.

There was a marginal decline in the construction sector. Building construction activity of the private sector declined further in 1984. The number of building plans approved by the Colombo Municipal Council declined by 20 per cent in 1984. There was a deceleration of public sector construction activity, as work on only two major projects (Kotmale and Randenigala), under the Accelerated Mahaweli Programme continued at a high level. The construction of the Victoria Dam and the Minipe Right Bank Transbasin Canal was completed.

Value added in electricity, gas, water and sanitary services increased by 3.0 per cent in 1984. Electricity generation in 1984 increased by 6.9 per cent over the previous year.

The transport, storage and communication sector expanded by 5.5 per cent in 1984 compared with 4.5 per cent in the previous year. Income generated in public sector transport services declined in 1984, but the expansion in value added in private transport services more than compensated for the decline. The volume of goods handled by the Sri Lanka Ports Authority increased by 13 per cent in 1984.

Value added in the wholesale and retail trade sector increased by 6.2 per cent in 1984 as against 5.3 per cent in 1983. Value added in export trade increased by 11.7 per cent, while domestic trade increased by 9.0 per cent. Value added by the import trade increased marginally. Income originating in the banking, insurance and real estate sector grew by 11 per cent as against 21.4 per cent in the previous year.

Value added in the ownership of dwellings increased by 2.0 per cent. In public administration and defence, the large increases in value added observed in 1983 continued in 1984, recording a 10.0 per cent growth. The other services sector seems to have recovered slightly from the decline it suffered in the previous year.

Expenditure Pattern

There has been some slowing down in the rate of expansion of Gross Domestic Expenditure (GDE). In 1984, Gross Domestic Expenditure at current prices is estimated at Rs. 159.9 billion, which is an increase of Rs. 19.9 billion or 14.2 per cent over 1983 as compared with the increase of Rs. 21.5 billion or 18 per cent in 1983. Private consumption expenditure increased by 15.5 per cent to reach Rs. 110.3 billion.

The expenditure on locally produced goods increased by 20.5 per cent, while the expenditure on foreign goods and non-factor services decreased by 1.6 per cent. Public sector consumption increased by 16 per cent over the previous year.

Gross Domestic Capital Formation (GDCF), which includes changes in stocks, increased by 10.5 per cent in the current year compared with the 19 per cent increase in the previous year. Capital formation in the private sector and public corporations together increased by 10 per cent compared with the 16 per cent increase in the previous year. In the government sector, gross capital formation which increased by 35.4 per cent in 1983 increased by 12.6 per cent in 1984.

TABLE 1.8

Import Content of Capital Expenditure

Item	Rs. Million		
	1982	1983	1984
1. Gross Domestic Fixed Capital Formation	30,028	36,273	39,700
2. Imports of Investment Goods (c. i. f. value)	11,034	10,900	11,443
3. Imports of Investment Goods excluding ships and aircraft (c. i. f. value)	7,597	9,298	10,343
4. Import content (2 as a percentage of 1)	36.7	30.0	28.8

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

Gross Domestic Fixed Capital Formation (GDFCF) increased by 9.4 per cent in the current year compared with 20.8 per cent in the previous year. The total value of imported investment goods increased by 5 per cent compared with the 1.2 per cent decline noted in 1983. Import of capital goods, excluding ships and aircraft increased by 11.2 per cent in 1984, compared with 22.4 per cent in the previous year. The import content of Gross Domestic Capital Formation was 28.8 per cent in 1984.

Of the Gross Domestic Fixed Capital Formation, 81 per cent took place in the private sector and public corporations. The largest share of capital formation took place in building and other construction followed by plant and machinery. Capital formation in construction activities at current prices increased by 14 per cent in 1984 compared with the 34 per cent increase in the previous year. The value of construction work in the Mahaweli Development Programme during 1984 has been provisionally estimated at Rs. 6.7 billion. Capital formation in plant, machinery and equipment increased by just 1 per cent. Capital formation due to land development and replanting increased by about 7.8 per cent at current prices.

TABLE 1.9
Total Resources and their Uses 1978 - 1984

Item	At Current Market Prices (Rs.Mn.)				At 1978 Prices								Percentage increase	
	1978	1982(a)	1983(a)	1984(a)	1978		1982(a)		1983(a)		1984(a)		1983 Over 1982	1984 Over 1983
					Amount Rs. Mn.	%	Amount Rs. Mn.	%	Amount Rs. Mn.	%	Amount Rs. Mn.	%		
1. Total Resources	59,537	145,674	172,045	204,532	59,537	100	78,328	100	81,472	100	84,508	100	4.0	3.7
1.1 GDP at Market Prices	42,665	99,769	121,664	151,575	42,665	72	53,355	68	56,049	69	58,907	70	5.0	5.1
1.2 Imports of Goods and Non-Factor Services	16,872	45,905	50,381	52,957	16,872	28	24,973	32	25,423	31	25,601	30	1.8	0.7
2. Utilization	59,537	145,674	172,045	204,532	59,537	100	78,328	100	81,472	100	84,508	100	4.0	3.7
2.1 Consumption	36,148	88,250	103,966	120,099	36,148	61	48,940	63	51,074	63	51,840	61	4.4	1.5
2.2 Gross Domestic Fixed Capital Formation	8,521	30,028	36,273	39,700	8,521	14	13,305	17	14,395	17	14,568	17	8.2	1.2
2.2.1 Government	(3,077)	(4,793)	(6,659)	(7,485)	(3,077)	(5)	(3,239)	(4)	(4,049)	(5)	(4,149)	(5)	25.0	2.5
2.2.2 Public Corporations	(2,056)	(10,881)	(29,614)	(32,215)	(2,056)	(3)	(4,710)	(6)	(10,346)	(12)	(10,449)	(12)	2.8	1.0
2.2.3 Private Sector	(3,388)	(14,354)			(3,388)	(6)	(5,356)	(7)						
2.3 Changes in Stocks	33	248	-210	150	33	—	73	—	-55	—	36	—	—	—
2.4 Exports of Goods & Non-Factor Services	14,835	27,148	32,016	44,583	14,835	25	16,010	20	16,058	20	18,064	22	0.3	12.5

(a) Provisional

Source: Central Bank of Ceylon.

Availability and Utilization of Resources

In recent years, Sri Lanka has placed greater reliance on domestic resources. In 1984, a further strengthening of this trend was observed when domestic production represented 74 per cent of the total available resources in the economy. The comparable data for 1983 and 1982 are 71 and 68 per cent, respectively. In 1984, total resources available to the Sri Lanka economy amounted to Rs. 204.5 billion at current market prices. Of this total, Rs. 151.6 billion came from domestic production while Rs. 53 billion came from imports.

Of total resources, Rs. 120.1 billion or 58.7 per cent was spent on consumption, while Rs. 39.8 billion or 19.5 per cent was spent on capital formation. The export of goods and non-factor services at Rs. 44.6 billion, amounted to 29 per cent of GDP. This compares favourably with past performance, the comparable figures for 1982 and 1983 were 27 and 26 per cent, respectively.

When valued at 1978 constant prices, total resources are estimated to have increased by 3.7 per cent in 1984. Imports increased by 0.7 per cent. Total consumption, increased by 1.5 per cent in 1984, while gross domestic fixed capital formation increased by 1.2 per cent. The government sector capital formation increased by 2.5 per cent while the capital formation in the private sector and public corporations increased by 1 per cent.

TABLE 1.10
National Savings 1982—1984 (At Current Market Prices)

Category	Rs. Million		
	1982 (a)	1983 (a)	1984 (a)
1. GDP at Market Prices	99,769	121,664	151,575
2. Domestic Savings	11,519	17,698	31,476
3. Net Factor Income from Abroad	- 1,959	- 3,214	- 3,356
4. Net Private Transfers	5,494	6,441	7,039
5. National Savings	15,054	20,925	35,159
6. Domestic Savings Ratio (2 as a percentage of 1)	11.5	14.5	20.8
7. National Savings Ratio (5 as a percentage of 1)	15.1	17.2	23.2

(a) Provisional

Source: Central Bank of Ceylon.

Domestic savings which were Rs. 17.7 billion in 1983 increased by 78 per cent to reach Rs. 31.5 billion in 1984. This is the highest rate of increase in savings observed in recent years. In 1983, domestic savings increased by 53.6 per cent. Domestic savings as a ratio of GDP (at market prices) improved to 20.8 per cent in 1984, from 14.5 per cent in 1983 and 11.5 per cent in 1982. Total national savings, which included net foreign factor income and private transfers, amounted to Rs. 35.2 billion, an increase of 68 per cent over the previous year. The national savings/GDP ratio improved to 23.2 per cent in 1984 from 17.2 per cent in 1983 and 15.1 per cent in 1982.

TECHNICAL NOTE — PART II**New Series of National Accounts**

The Central Bank of Ceylon launched a comprehensive revision of national accounts computation in 1983 to accommodate the structural changes in the Sri Lanka economy affected by domestic and international economic changes. The results of the first stage of this exercise which were published in the 1983 Annual Report related 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. The second stage of the revision relates to :

- (viii) Transport, Storage and Communication,
- (ix) Wholesale and Retail Trade and
- (x) Other Services

Table 1.A gives a comparison of value added in the new series and old series in relation to the sectors involved in the second stage of the revision.

TABLE 1 . A.

Comparison of Value Added in the New (1982) Series and the Old (1970) Series
Rs. Million.

Sector	Old Series	New Series	Change
8. Transport, Storage & Communication	8,536	10,666	+ 2,130
9. Wholesale & Retail Trade	16,059	19,694	+ 3,635
9.1 Imports	4,167	8,812	+ 4,645
9.2 Exports	2,861	2,018	- 843
9.3 Domestic	9,031	8,864	- 167
10. Services (n.e.s.)	8,698	4,604	- 4,094
Total	33,293	34,964	+ 1,671

Part I of this note appeared in the Central Bank of Ceylon Annual Report, 1983.

AGRICULTURE**Tea**

Tea production in 1984, estimated at 208 million kgs. showed a significant improvement of 28.7 million kgs. or 16 per cent when compared with the previous year due mainly to favourable weather conditions. This improvement in production was shared by all elevational categories. In absolute terms, the highest increase (11.5 million kgs.) was reported by the high-grown areas.

The low-grown and mid-grown areas reported increases of 11.0 million and 6.2 million kgs. respectively. According to provisional data, production (excluding production from bought leaf) on the estates managed by the Janatha Estates Development Boards (JEDBs) rose by 9.9 million kgs. (15.8 per cent), while that on the estates