

## INDUSTRY

### Overall Performance

In real terms, the value of industrial output increased by 8 per cent in 1987 compared with 12 per cent growth in the previous year. The value of output of private sector industry rose by 15 per cent while that of public sector industry declined by 1 per cent.

The moderation in the rate of growth of industrial output in 1987 was mainly due to a decrease in public sector output. The decrease is the result of a fall in production in the National Textile Corporation and of the very near static petroleum output. Civil disturbances continued to affect adversely the production and distribution of a number of public sector industrial corporations.

In the private sector, large increases were recorded in the output of textiles and wearing apparel, fabricated metal products, chemicals and non-metallic mineral products. The increasing trend in the output of textiles and garments had been maintained with higher levels of quota utilisation and a production orientation towards high value added items. Textiles and garments exports accounted for 65 per cent of the total value of industrial exports, which recorded an increase of 9 per cent in SDR terms, in 1987.

In 1987, the Government announced a new industrial development strategy. Accordingly, an Industrial Development Council of Ministers was established to determine the future industrial policy of the country. For implementing a programme of privatization, a Presidential Commission was also set up in 1987, to, (a) formulate policies, (b) identify suitable enterprises, and (c) facilitate the process of transition. Tariff policy continued to be directed at making local industries internationally competitive.

### Investment

In 1987, the investment momentum continued in the industrial sector. Local Investment Advisory Committees (LIACs) approved 364 projects, compared with 321 projects in the previous year. The total envisaged investment in approved projects amounted to Rs. 530 million, with an employment potential of 14,594 persons.

Foreign Investment Advisory Committee (FIAC) approved 41 industrial projects in 1987, the same number of projects approved in the previous year. These projects envisaged a total investment of Rs. 672 million, with a foreign component of Rs. 190 million. Of these, ten projects were in the textiles and garments sector. The total employment potential was estimated at 5,037 persons.

The Greater Colombo Economic Commission (GCEC) approved 31 projects in 1987, compared with 10 projects in 1986. The total investment potential of these projects was estimated at Rs. 812 million, with a foreign component of Rs. 592 million. The

total employment generation was estimated at 8,970 persons. As at end of 1987, the GCEC had approved 252 projects; of which 138 had signed agreements with the GCEC to set up industries.

### **Production**

In real terms, the value of industrial output is estimated to have increased by 8 per cent in 1987, compared with a growth of 12 per cent in 1986. The output growth was concentrated exclusively in the private sector.

Among the sub-sectors that recorded increases in output in 1987, were textiles, wearing apparel and leather products (23 per cent), non-metallic mineral products (11 per cent), basic metal products (11 per cent), fabricated metal products (9 per cent), wood and wood products (4 per cent), chemical products and food, beverages and tobacco products (3 per cent each) and paper and paper products (1 per cent).

The appreciable increase in the output of export-oriented garments industry (both within and outside the Investment Promotion Zones) significantly contributed to the impressive overall performance of the textiles, wearing apparel and leather products category. In the food, beverages and tobacco category, private sector industries recorded an increase in output of a number of products such as tobacco, milk products, beverages, sugar, confectionery, biscuits and meat products, etc. The increase in output of wood and wood products came mainly from the private sector, while the public sector's output remained, by and large, static. The marginal increase in the output of paper and paper products was largely on account of the higher production in the National Paper Corporation. In the chemicals, petroleum and plastic products category, increased output levels were recorded mainly in the private sector industries engaged in the manufacture of paints, pharmaceuticals, polythene, soap, toothpaste, insecticides and weedicides, rubber products, glycerine and plastic products.

Among the important corporations, while the output level of the Ceylon Petroleum Corporation rose marginally, that of the Sri Lanka Tyre Corporation declined marginally. The State Mining and Mineral Development and Sri Lanka Cement Corporations were largely responsible for the higher output levels in the non-metallic mineral products category. The private sector industries also recorded higher output levels in the manufacture of wall tiles, asbestos and cement products. The increased output in the basic metal product category came exclusively from the higher level of output of the Ceylon Steel Corporation. In the fabricated metal products sector, the improvement was largely due to increased output of private sector industries manufacturing water pumps, bulbs, cookers, refrigerators, machinery and equipments.

The value of industrial production, in current terms, in 1987, is estimated to have increased by 17 per cent. The value of textiles and wearing apparel products increased by 28 per cent, chemicals and petroleum products by 22 per cent, fabricated metal products by 14 per cent, basic metal products by 9 per cent, food,

beverages and tobacco products and wood and wood products by 7 per cent each, paper and paper products by 6 per cent and non-metallic mineral products by 5 per cent.

**TABLE 1.15**  
**Value of Industrial Production 1983-1987**  
**(Current Prices)**

Rs. Mililon

Category	1983	1984	1985	1986	1987 (a)
1. Food, beverages and tobacco ..	6,998	8,623	10,497	12,129	12,962
2. Textiles, wearing apparel and leather products ...	5,136	7,565	9,505	12,088	15,428
3. Wood and wood products (Including furniture) ..	522	640	705	632	677
4. Paper and paper products ..	901	907	1,187	1,289	1,372
5. Chemicals, petroleum, coal, rubber and plastic products ..	11,888	14,328	13,104	11,088	13,477
6. Non-metallic mineral products (Except petroleum and coal) ..	1,468	1,829	1,854	2,053	2,156
7. Basic metal products ..	302	199	123	281	307
8. Fabricated metal products, machinery and transport equipment ..	1,129	1,456	1,592	1,757	2,006
9. Manufactured Products not elsewhere specified ...	90	106	125	136	155
<b>Total</b>	<b>28,434</b>	<b>35,653</b>	<b>38,692</b>	<b>41,453</b>	<b>48,540</b>

(a) Provisional.

Source: Central Bank of Sri Lanka.

### Public Sector Industry

In real terms, the public sector industrial output declined by 1 per cent in 1987 when compared with an 8 per cent expansion in the previous year. The Ceylon Petroleum Corporation (CPC) and the National Textile Corporation (NTC) accounted for 62 per cent of the total public sector industrial output. The production at the CPC remained more or less static and was mainly due to the closure of the refinery for maintenance purposes. In the case of the NTC, there was a decline in output due to loss of working hours caused by civil disturbances and the imposition of power cuts.

There has been a considerable degree of production variations in public corporations. Corporations that recorded decreases in output were, Sri Lanka Sugar (24 per cent), State Distilleries (21 per cent), British Ceylon Corporation (16 per cent), Ceylon Ceramics (7 per cent), Sri Lanka Tyre (4 per cent), National Textile (3 per cent), Ceylon Leather Products (3 per cent) and State Hardware (32 per cent).

### INDEX OF INDUSTRIAL PRODUCTION OF THE PUBLIC SECTOR

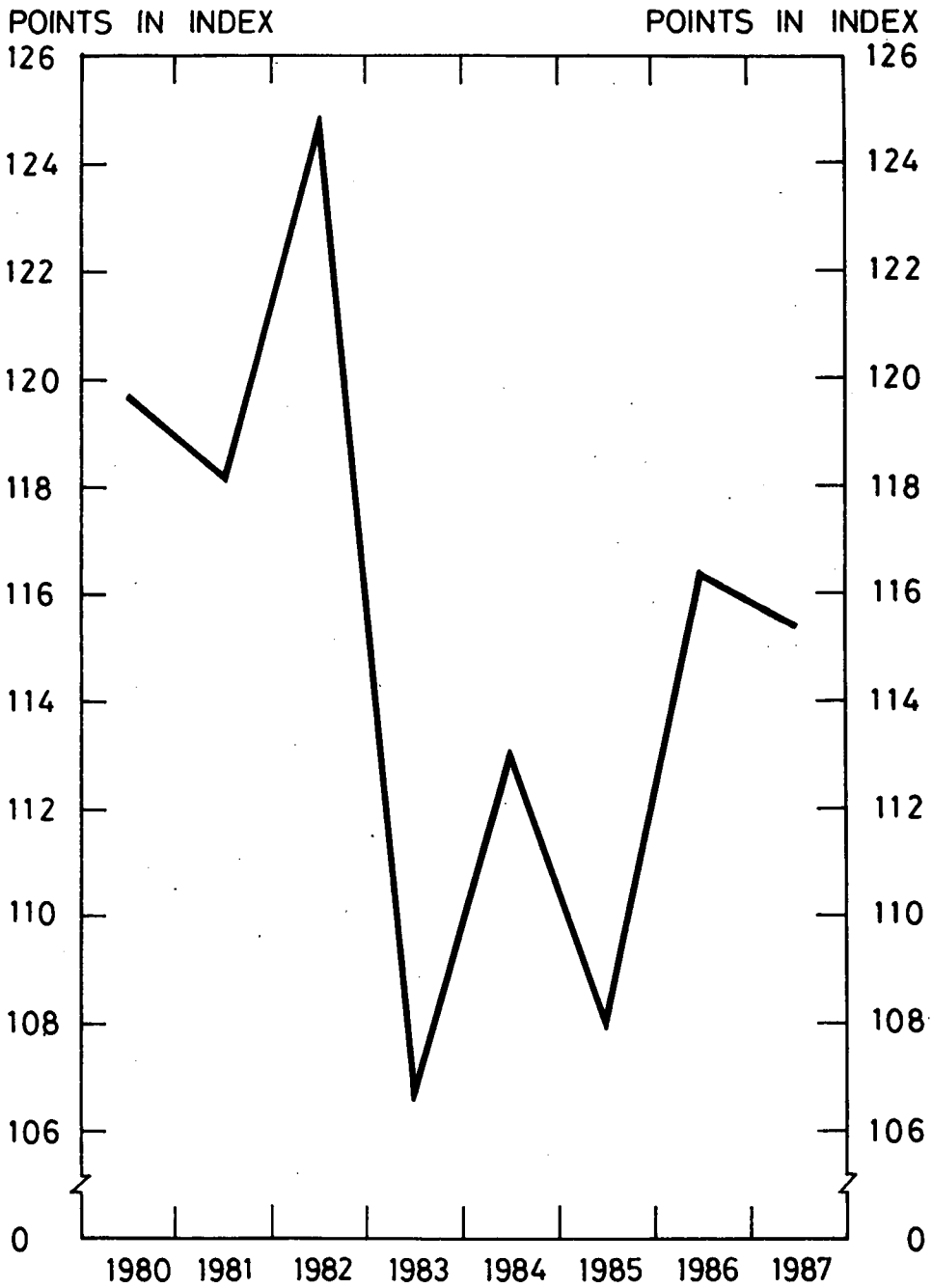


TABLE 1.16

## Public Sector Major Industry Output Index

(1977=100)

Category	1985	1986	1987 (a)
1. Food, beverages and tobacco	48.6	46.6	40.8
2. Textiles, wearing apparel and leather products	185.9	208.0	200.0
2.1 Textiles	249.9	279.0	271.4
3. Wood and wood products	159.3	103.4	103.8
4. Paper and paper products	142.8	160.6	167.8
5. Chemical products	109.5	114.9	115.3
5.1 Petroleum products	109.1	115.3	115.9
5.2 Tyre	130.2	136.4	130.3
6. Non-metallic mineral products	103.9	132.7	142.3
6.1 Cement	105.2	154.4	171.3
7. Basic metal products	40.5	64.1	71.1
8. Fabricated metal products	101.8	136.8	98.8
All categories	108.1	116.2	115.4
Excluding petroleum products	106.9	117.0	114.8

(a) Provisional.

Source: Central Bank of Sri Lanka.

The long spells of drought and the civil disturbances in the Eastern Province had adverse effects on sugar production. The decline in the output of Ceramics Corporation was mainly due to high absenteeism of workers and the closure of its factory at Negombo for nearly 2½ months for repairs and maintenance. The output of the State Hardware Corporation fell due to shortfalls in the availability of raw materials in the latter part of 1987, resulting from delayed shipments. The Distilleries Corporation recorded a drop in output because of a sharp reduction in the supply of toddy on account of drought conditions in collecting areas. The Distilleries Corporation was also compelled to cut back production due to disruption of sales in the Northern and Eastern Provinces. The output of the Sri Lanka Tyre Corporation declined owing to marketing problems.

Industrial corporations which recorded increased output during the year were; Oils and Fats (89 per cent), State Mining and Mineral Development (34 per cent), State Timber (19 per cent), Sri Lanka Cement (11 per cent), National Salt (10 per cent), National Paper (5 per cent) and Ceylon Steel (11 per cent) Corporations and Sri Lanka Rubber Manufacturing Co. Ltd. (18 per cent).

The large increase in the output of Ceylon Oils and Fats Corporation reflected an increased demand, particularly for provender due to an increase in the prices of substitutes manufactured by the private sector firms. The output of the Timber Corporation increased in 1987, in response to the release of more felling areas to the Corporation by the Forest Department. The increase in the import of clinker facilitated a higher level of output in the Cement Corporation. The high prices

obtained for crepe rubber and favourable weather conditions for latex collection were mainly responsible for the increased output of the State Rubber Manufacturing Co. Ltd.

Most of the corporations were able to generate profits during the year. The corporations which showed profits in 1987 were State Distilleries (Rs. 78 million), State Timber (Rs. 55 million), National Paper (Rs. 43 million), Sri Lanka Tyre (Rs. 53 million), Ceylon Oxygen (Rs. 14 million), Colombo Gas & Water Co. (Rs. 43 million), Sri Lanka Cement (Rs. 138 million), Ceylon Minereal Sands (Rs. 68 million), State Mining and Mineral Development (Rs. 21 million) and Ceylon Steel (Rs. 6 million).

TABLE 1.17

## Transfers of Government Funds to Industrial Enterprises. 1985-1987

Corporation/Enterprise	Rs. Million								
	Capital			Current			Total		
	1985	1986	1987 (a)	1985	1986	1987 (a)	1985	1986	1987 (a)
1. National Milk Board	10.3	3.2	2.5	50.0	95.9	—	60.3	99.1	2.5
2. Ceylon Oils and Fats	6.0	—	—	—	7.1	—	6.0	7.1	—
3. Sri Lanka Sugar	508.3	131.0	195.0	—	127.1	42.0	508.3	258.1	237.0
4. National Textiles	—	42.0	42.0	30.4	29.1	—	30.4	71.1	42.0
5. National Paper	—	—	—	27.1	7.7	8.0	27.1	7.7	8.0
6. State Fertilizer Manufacturing	—	—	—	43.0	26.3	—	43.0	26.3	—
7. State Printing	3.7	—	—	—	—	—	3.7	—	—
8. Ceylon Oxygen Ltd.	—	—	—	7.6	—	—	7.6	—	—
9. National Packaging Materials	—	—	—	—	4.0	—	—	4.0	—
<b>Total</b>	<b>528.3</b>	<b>176.2</b>	<b>239.5</b>	<b>158.1</b>	<b>297.2</b>	<b>50.0</b>	<b>686.4</b>	<b>473.4</b>	<b>289.5</b>

(a) Approved Estimates.

Source: General Treasury.

According to estimates, budgetary transfers to public sector enterprises during the year amounted to Rs. 290 million, of which Rs. 240 million (83 per cent) were capital transfers and the balance Rs. 50 million (17 per cent) current transfers. The Sri Lanka Sugar Corporation received Rs. 237 million or 82 per cent of the total budgetary transfers to public corporations during 1987. Other corporations that received budgetary transfers in 1987 were National Textiles, National Paper and National Milk Board (privatised as Milco Ltd.). Data suggest that there had been drastic reductions in the level of government transfers to public corporations in recent years reducing public corporations' dependence on the government budget.

## Power and Fuel

The sales of industrial fuel excluding those to the Ceylon Electricity Board increased by 21 per cent in 1987. Sales of furnace oil increased by 25 per cent while those of heavy diesel decreased by 6 per cent during the year.

**TABLE 1.18**  
Power and Fuel Use in Industry 1985-1987

Item	1985	1986	1987 (a)
1. Electricity (Gwh) ...	850.4	925.3	879.0
1.1 Small Industry*	34.7	35.6	38.7
1.2 Medium Industry*	411.4	444.8	451.8
1.3 Large Industry*	404.3	444.9	388.5
2. Domestic Sales of Industrial Fuel(b) (000 metric tons)	163.2	149.5	180.3
2.1 Heavy Diesel	2.3	19.8	18.6
2.2 Furnace Oil	142.9	129.7	161.7

Sources: Ceylon Electricity Board,  
Ceylon Petroleum Corporation.

(a) Provisional.

(b) Sales other than to the Ceylon Electricity Board.

\* Includes manufacturing and export processing industries. Small industry is defined as those units having rated capacity below 50 Kva, medium industry as 50-500 Kva and large industry as above 500 Kva.

In 1987, the use of electricity in industry decreased by 5 per cent due to power cuts during August — September, 1987. The use of electricity in the medium and small industry categories increased by 9 per cent and 2 per cent respectively in 1987. However, the use of electricity by large industry declined by 13 per cent during the year.

## Investment Promotion Zone

The Greater Colombo Economic Commission (GCEC) approved 31 projects in 1987, bringing the total number of projects approved to 252 by the end of 1987. Of these, 138 projects had signed agreements with the GCEC to set up industries. A total of 70 enterprises were in commercial production within the Katunayake Investment Promotion Zone (KIPZ), while 21 enterprises were in production outside the KIPZ. By the end of the year, 5 enterprises were in commercial production in the Biyagama Investment Promotion Zone. Of the projects in operation 41 were engaged in the production and export of ready made garments and related items.

The projects approved by the GCEC in 1987, covered the processing of cashew, tobacco, fruits and vegetables; cutting and processing of diamonds and gems; production of caps and hats, garments, canvas bags, wood carving, activated carbon, technically specified rubber, precision moulds, components for bicycle frames, fishing gear and accessories, brooms and brushes, radio beacons, optical lenses, stuffed soft toys, cosmetics and artist brushes, foliage flowers and cut-

flowers, data processing packages, assembling of radio and television sets and corded and cordless telephones.

Export earnings from GCEC exports in 1987, amounted to Rs. 7,731 million (SDR 203 million) which was 43 per cent higher than in 1986 in Rupee terms. In SDR terms, it reflected a 22 per cent increase. As in the previous year, nearly 80 per cent of the export earnings came from textiles and ready made garments.

TABLE 1.19

## Investment Promotion Zone—Employment and Export Earnings 1986-1987

Category	1986		1987(a)	
	Employment: (End Dec.)	Gross Export Earnings (f.o.b.) Rs. Mn.	Employment (End. Dec.)	Gross Export Earnings (f.o.b.) Rs. Mn.
1. Food beverages and tobacco	471	38.8	641	144.7
2. Textiles wearing apparel and leather products	33,937	4,369.8	38,343	6,100.1
3. Wood and wood products (Including furniture)	24	1.3	56	4.0
4. Chemicals, petroleum, coal, rubber and plastic products	1,655	287.1	1,649	262.0
5. Non-metallic mineral products (Except petroleum and coal)	1,648	210.8	2,132	317.4
6. Fabricated metal products machinery and transport equipment	149	79.7	435	176.7
7. Products not elsewhere specified	3,237	199.7	3,683	444.8
8. Services(b)	493	208.5	534	281.8
<b>Total</b>	<b>41,614</b>	<b>5,395.7</b>	<b>47,473</b>	<b>7,731.5</b>

(a) Provisional.

Source: Greater Colombo Economic Commission.

(b) Excluding "Air Lanka Ltd".