

INDUSTRY

Overall Performance

Industrial output in real terms is estimated to have increased by 6 per cent in 1988, compared with an 8 per cent growth in the previous year. The value of output of private sector industry rose by 11 per cent, while that of public sector industry declined by 1 per cent. Disruptions to electricity supplies, poor attendance at work places and interruptions to the distribution networks in certain areas were the factors primarily responsible for the lower growth in industrial output in 1988.

The poor performance of public sector industries was reflected in reduced output levels of several important public sector industrial enterprises, such as the National Textile, Ceylon Oils & Fats, State Timber, National Paper and State Distilleries Corporations, and Government Owned Business Undertaking of the British Ceylon Corporation. In the private sector, output growth came mainly from the textile, wearing apparel and leather, non-metallic mineral products, fabricated metal products and food and beverages categories.

Tariff policy continued to play a major role in maintaining the momentum of industrial growth by providing a high level of effective protection to local industries, encouraging industries engaged in export production and promoting industries whose domestic value added was high. Import controls on certain machinery were relaxed with a view to further expanding industries such as textile, leather products and rubber products. Credit lines from the World Bank and the Asian Development Bank were negotiated to assist medium and large scale enterprises. This included provision of equity capital, technical assistance to upgrade export administration, promotion of capital markets and improving the efficiency of development financing institutions. The third small and medium scale industrial loan scheme (SMI-III) became operational in April, 1988.

Investment

The new industry approvals by the Local Investment Advisory Committees, recorded a substantial improvement during 1988. The Local Investment Advisory Committees (LIACs), approved 608 projects during the year, compared with 364 projects in the previous year. The total envisaged investment in these projects amounted to Rs. 1,142 million with an employment potential of 18,633 persons.

The Foreign Investment Advisory Committee (FIAC) approved 45 industrial projects in 1988, compared with 41 projects in the previous year. These projects envisaged a total investment of Rs. 954 million with a foreign component of Rs. 225 million. Of these, 21 projects were in the basic metal and chemical products categories. The total employment potential was estimated at 3,542 persons.

The Greater Colombo Economic Commission (GCEC) approved 31 projects in 1988, the same number as in the previous year. The total investment potential of these projects was estimated at Rs. 1,727 million, with a foreign component of

Rs. 1,120 million. The total employment generation was estimated at 12,164 persons. As at the end of 1988, the GCEC had approved 283 projects, of which 164 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 6 per cent in 1988, compared with a growth of 8 per cent in 1987. When the value of petroleum output is excluded, industrial production is estimated to have increased by 5 per cent.

Industrial sub-sectors that recorded increases in production in 1988 were basic metal products (21 per cent), textile, wearing apparel and leather products (12 per cent), fabricated metal products (9 per cent), chemicals, petroleum and plastic products and non-metallic mineral products (5 per cent each). The output of the wood and wood products sector decreased by 17 per cent, primarily due to the lower level of production in the State Timber and Ceylon Plywoods Corporations on account of reduced felling operations during the year.

The continued expansion of the wearing apparel industry, both within and outside the investment promotion zones, was mainly responsible for the higher level of output in the textile, wearing apparel and leather products category. In the public sector, output in this category, however, declined by 5 per cent. In food, beverages and tobacco category, a substantial drop in public sector output was compensated by increases in the output of several products in the private sector, such as meat products, flour, confectionery and biscuits. The marginal decrease in the output of paper and paper products was largely due to the lower production level in the National Paper Corporation. Increased production in the petroleum refinery and a number of private sector industries such as chemical products, rubber products, plastic products and pharmaceuticals, resulted in an expansion in the output of the chemicals, petroleum and plastic products category. In the non-metallic mineral products sector, the improvement was largely due to increased output of private sector industries manufacturing asbestos, glass products and ceramics. The increased output in the basic metal products category came exclusively from a higher level of output in the Steel Corporation. In the fabricated metal products sector, improvement was largely due to the increased output of private sector industries engaged in the manufacture of products such as machinery and equipment, water pumps and bulbs.

In 1988, the value of industrial production in current terms is estimated to have increased by 11 per cent. The value of basic metal products rose by 59 per cent, fabricated metal products by 23 per cent, textile, wearing apparel and leather products by 18 per cent, food, beverages and tobacco by 13 per cent, paper products by 9 per cent, non-metallic mineral products by 5 per cent and chemical products by 2 per cent.

TABLE 1.15

Value of Industrial Production 1984 - 1988
(Current Price)

Rs. Million					
Category	1984	1985	1986	1987	1988(a)
1. Food, beverages and tobacco ..	8,623	10,497	12,129	12,962	14,675
2. Textile, wearing apparel and leather products ..	7,565	9,505	12,088	15,428	18,166
3. Wood and wood products ..	640	705	632	677	640
4. Paper and paper products ..	907	1,187	1,289	1,372	1,492
5. Chemicals, petroleum, coal, rubber and plastic products ..	14,328	13,104	11,088	13,477	13,681
6. Non-metallic mineral products (except petroleum and coal) ..	1,829	1,854	2,053	2,156	2,267
7. Basic metal products ..	199	123	281	307	487
8. Fabricated metal products, machinery and transport equipment ..	1,456	1,592	1,757	2,006	2,477
9. Products not elsewhere specified ..	106	125	136	155	178
Total ..	35,653	38,692	41,453	48,540	54,063

(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 1988 the second successive year to record such a decline. This was the outcome of production shortfalls in a number of important public sector industrial enterprises, namely, the National Textile, Ceylon Oils & Fats, National Paper, State Timber, State Distilleries Corporation and Government Owned Business Undertaking of the British Ceylon Corporation. Such decreases more than off-set the production gains recorded in the Ceylon Petroleum, Ceylon Steel and the Sri Lanka Sugar Corporation during the year.

The public sector industrial enterprises which recorded decreases in output included the Ceylon Mineral Sands (46 per cent), State Timber (43 per cent), Ceylon Oils and Fats (36 per cent), State Hardware (25 per cent), State Distilleries (23 per cent), National Paper (8 per cent), Sri Lanka Tyre (6 per cent), National Textile (5 per cent), British Ceylon Corporation (60 per cent) and the State Rubber Manufacturing Co. Ltd. (15 per cent).

The disruption caused to electricity supplies, absenteeism and the interruption to distribution during the latter part of the year had adverse effects on the public sector industrial production. Output of the Ceylon Mineral Sands Corporation declined mainly due to interruption to the system of fresh water supply from Yan Oya to the Pulmoddair factory. The Oils and Fats Corporation curtailed its production owing to financial losses. The decline in the output of the National Salt Corporation and the State Rubber Manufacturing Co. Ltd., was primarily due to adverse weather conditions that prevailed during the year. Inadequate supply of 'clinker' had an adverse impact on the production of the Sri Lanka Cement Corporation. The output of the Ceylon Plywood and State Timber Corporations declined due to insufficient supply of timber on account of reduced felling operations.

INDEX OF INDUSTRIAL PRODUCTION OF THE PUBLIC SECTOR

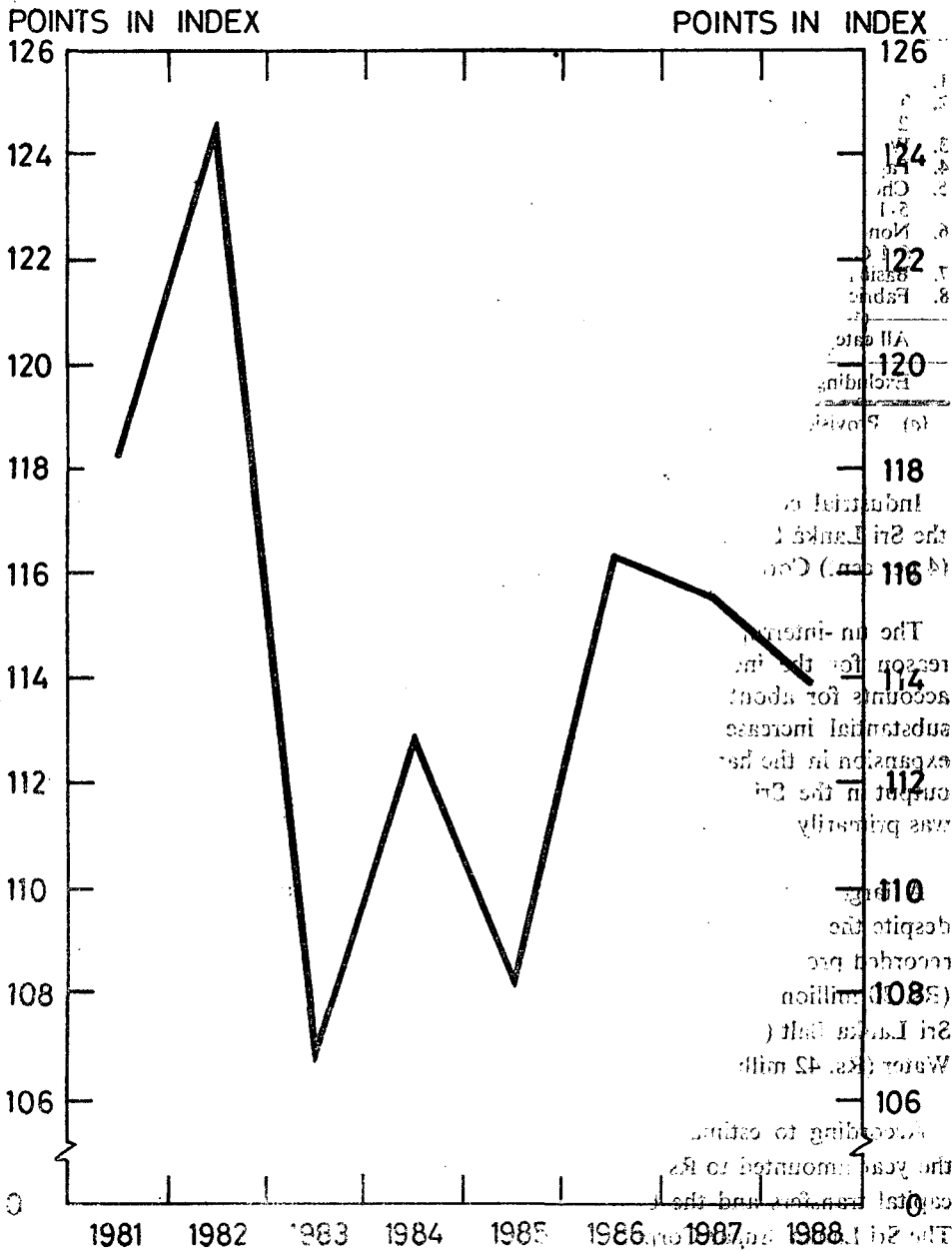


TABLE 1. 16

Public Sector Major Industry Output Index (1977 = 100)

Category	1986	1987	1988 (a)
1. Food, beverages & tobacco	46.6	40.7	31.0
2. Textile, wearing apparel & leather	208.0	200.0	189.7
2.1 Textile	278.9	271.3	257.6
3. Wood and wood products	103.4	103.8	71.4
4. Paper and paper products	160.6	167.9	153.7
5. Chemical products	114.9	115.3	119.3
5.1 Petroleum products	115.3	115.9	120.7
6. Non-metallic mineral products	132.7	147.3	142.4
6.1 Cement	154.4	177.3	175.1
7. Basic metal products	64.1	71.1	86.1
8. Fabricated metal products	141.9	102.5	65.6
All categories	116.2	115.7	114.0
Excluding petroleum products	117.2	115.4	106.4

(a) Provisional.

Source : Central Bank of Sri Lanka.

Industrial corporations which recorded increased output during the year were : the Sri Lanka Sugar (47 per cent), Ceylon Steel (21 per cent) and Ceylon Petroleum (4 per cent) Corporations.

The un-interrupted operation of the refinery throughout the year was the major reason for the increased output of the Ceylon Petroleum Corporation, which accounts for about half of the total value of public sector industrial output. A substantial increase in the output of the Sevanagala factory on account of an expansion in the harvesting area was the factor contributing to a higher level of output in the Sri Lanka Sugar Corporation. Adequate supply of raw materials was primarily responsible for the improved performance of the Steel Corporation.

A large number of public industrial corporations were able to generate profits despite the continuing unrest in the country during the year. The enterprises which recorded profits in 1988 included State Distilleries (Rs. 36 million), National Textile (Rs. 30 million), Ceylon Ceramics (Rs. 15 million), Sri Lanka Tyre (Rs. 13 million), Sri Lanka Salt (Rs. 11 million), Ceylon Oxygen (Rs. 14 million), Colombo Gas and Water (Rs. 42 million) and State Rubber Manufacturing Co. Ltd. (Rs. 5 million).

According to estimates, budgetary transfers to public sector enterprises during the year amounted to Rs. 435 million, of which Rs. 243 million (56 per cent) were capital transfers and the balance Rs. 192 million (44 per cent) current transfers. The Sri Lanka Sugar Corporation received Rs. 205 million or 47 per cent of the total budgetary transfers to public corporations during 1988. Other industrial enterprises that received budgetary transfers in 1988 were the National Paper, Ceylon Steel, Sri Lanka Rubber Research, Ceylon Fertilizer, National Milk Board (privatised as Milco Ltd.), State Fertilizer Manufacturing and National Textile Corporations.

TABLE 1.17

Transfers of Government Funds to Industrial Enterprises 1986 - 1988

Corporations/Enterprises	Capital			Current			Total		
	1986	1987	1988 (a)	1986	1987	1988 (a)	1986	1987	1988 (a)
1. National Paper Corporation ..	—	—	—	7.7	8.0	7.8	7.7	8.0	7.8
2. Sri Lanka Sugar Corporation ..	131.0	195.0	155.5	127.1	42.0	50.0	258.1	237.0	205.5
3. Ceylon Steel Corporation ..	—	—	—	4.8	—	96.9	4.8	—	96.9
4. National Milk Board ..	3.2	2.5	2.5	95.9	—	29.0	99.1	2.5	31.5
5. Sri Lanka Rubber Research Board ..	—	—	—	—	—	8.4	—	—	8.4
6. State Fertilizer Manufacturing Corporation ..	—	—	21.0	26.3	—	—	26.3	—	21.0
7. Ceylon Fertilizer Corporation ..	3.0	27.2	21.8	19.0	—	—	22.0	27.2	21.8
8. National Textile Corporation ..	42.0	42.0	42.0	29.1	—	—	71.1	42.0	42.0
Total	179.2	266.7	242.8	309.9	50.0	192.1	489.1	316.7	434.9

(a) Approved Estimates.

Source : General Treasury.

Power and Fuel

The sales of industrial fuel, excluding those to the Ceylon Electricity Board, increased by 2 per cent in 1988. Sales of furnace oil increased by 2 per cent, while those of heavy diesel decreased by 3 per cent during the year.

TABLE 1.18

Power and Fuel Use in Industry 1986 - 1988

Item	1986	1987	1988 (a)
1. Electricity (Gwh) (b)	925.3	865.9	925.0
1.1 Small Industry ..	35.6	38.9	43.0
1.2 Medium Industry ..	444.8	449.5	478.4
1.3 Large Industry ..	444.9	377.5	403.6
2. Domestic Sales of Industrial Fuel (c) ('000 metric tons)	149.5	180.3	183.6
2.1 Heavy Diesel ..	19.8	18.6	18.1
2.2 Furnace Oil ..	129.7	161.7	165.5

Source : Ceylon Electricity Board,
Ceylon Petroleum Corporation.

(a) Provisional.

(b) 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.

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

The use of electricity in industry increased by 7 per cent during 1988. This was made up of increases of 11 per cent in small scale industries, 6 per cent in medium scale industries and 7 per cent in large scale industries.

Investment Promotion Zones

The Greater Colombo Economic Commission (GCEC) approved 31 projects in 1988, bringing the total number of projects approved to 283 by the end of 1988. Of these, 164 projects had signed agreements with the GCEC to set up industries. A total of 69 enterprises were in commercial production within the Katunayake Investment Promotion Zone (KIPZ) and 11 enterprises in the Biyagama Investment Promotion Zone (BIPZ) while 21 enterprises were in production outside the IPZs. Of the projects in operation, 44 were engaged in the production and export of readymade garments and related items.

The projects approved by the GCEC in 1988, included the production of leather gloves, surgical gloves, towels, bathrobes, ladies summer suits, rubberwood furniture, activated carbon, rubber based products, porcelain figurines, marble and granite, steel moulds and dyes, marine sports gear, ice skating boots, horticulture, electronic and electrical goods, vegetables and gherkins, foliage plants, manufacture of machinery, commercial and residential diffusers, computer software development and the provision of container services.

TABLE 1.19

Investment Promotion Zones - Employment and Export Earnings 1987 - 1988

Category	1987		1988 (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 ..	641	147.0	796	199.3
2. Textile, wearing apparel and leather products ..	38,342	5,989.2	39,848	6,978.6
3. Wood and wood products (Including furniture) ..	56	4.0	77	6.2
4. Chemicals, petroleum, coal, rubber and plastic products ..	1,999	273.0	2,285	378.7
5. Non-metallic mineral products (Except petroleum and coal) ..	2,132	309.5	2,817	667.3
6. Fabricated metal products machinery and transport equipment ..	435	177.0	1,202	413.9
7. Products not elsewhere specified ..	3,333	424.7	3,680	497.1
8. Services (b) ..	3,805	209.8	3,921	405.2
Total ..	50,743	7,534.1	54,626	9,546.3

(a) Provisional.

(b) Excluding "Air Lanka Ltd".

Source : Greater Colombo Economic Commission.

Gross export earnings of GCEC enterprises in 1988 amounted to Rs. 9,546 million (SDR 223 million), which was 27 per cent higher than in 1987, in rupee terms. In SDR terms, the increase was 10 per cent. Textile and the readymade garments sector accounted for 73 per cent of the export earnings.