

INDUSTRY

OVERALL PERFORMANCE

The performance of the industrial sector in 1990 showed a significant improvement as reflected in higher levels of production, exports and value added. This was largely the result of a revival in industrial activities with the easing of civil disturbances in most parts of the country. In real terms, industrial output is estimated to have increased by 14 per cent in 1990, the highest rate of growth recorded since 1984. The impressive growth in industrial output originated both from the continued expansion of private sector industries and better performance of the public sector industries. The output of private sector industry and public sector industry increased by 14 per cent each.

In the private sector, production gains were recorded in all sub-categories. There were large increases in the output of textiles and wearing apparel, non-metallic mineral products, fabricated metal products, chemicals and food, beverages and tobacco categories. Increased production of the public sector industries was primarily centred in the improved output level of the petroleum refinery.

The value of industrial exports increased from Rs.28,470 million in 1989 to Rs.41,510 million in 1990. The relative share of industrial exports in total export earnings rose from 51 per cent in 1989 to 52 per cent in 1990. Readymade garments and petroleum products continued to dominate industrial exports accounting for about 70 per cent of the total value of such exports.

INDUSTRIAL POLICY

In 1990, initiatives were taken with regard to the implementation of the new industrial strategy introduced by the Ministry of Industries, Science and Technology at the end of 1989. The Greater Colombo Economic Commission (GCEC) and the Foreign Investment Advisory Committee (FIAC) were merged in January, 1990 to form a one stop centre in order to facilitate easy entry to foreign investors. Approval procedures were also simplified in respect of foreign investment. In June, 1990 foreigners were permitted to purchase upto 40 per cent of shares of existing companies without prior approval.

Approval was given by the Cabinet for the conversion of a number of public enterprises into limited liability companies during 1990. These include Thulhiriya Textile Mills, Pugoda Textile Mills, Ceylon Oxygen Ltd., Dankotuwa Porcelain, Veyangoda Textile Mills, Mattegama Textile Mills, Lanka Milk Foods, Oils and Fats, Sri Lanka Tyre, Ceylon Leather Products, Ceylon Plywoods and Ceylon State Hardware Corporations.

PRODUCTION

In real terms, the value of industrial output is estimated to have increased significantly by 14 per cent in 1990, compared with a growth of 6 per cent in 1989. The higher rate of growth was the combined result of a 14 per cent expansion in private sector industries and a similar growth in public sector industries. When the value of petroleum output is excluded, industrial production is estimated to have increased by 7 per cent.

Industrial sub-sectors that recorded increases in production in 1990 were: chemicals, petroleum and plastic products (37 per cent), basic metal products (24 per cent), fabricated

metal products (12 per cent), textile, wearing apparel and leather products (13 per cent), paper and paper products (9 per cent) and food, beverages and tobacco (7 per cent.)

The substantial increase in the output of chemicals, petroleum and plastic products category was primarily due to a sharp increase in the production of the Ceylon Petroleum Corporation. Private sector production in this category has also increased by 10 per cent which was largely reflected in the output of a number of products such as paints, varnishes, soap, cosmetics, plastic and rubber products. The continued expansion of the wearing apparel industry both within and outside the investment promotion zones, was the major contributory factor for the increased level of output in the textile, wearing apparel and leather products category. However, the public sector production in this category recorded a considerable decline of 44 per cent mainly due to the reduced output of the National Textile Corporation on account of the privatization of Thulhiriya and Pugoda Mills. In the food, beverages and tobacco category, increased output levels were recorded mainly in the private sector industries engaged in the manufacture of tobacco, sugar, tea packeting, soft drinks and carbonated waters, liquor products, confectionary and vegetable oils and fats. However, the production of public sector industries in this category recorded a decline due to a substantial drop in the output of the Ceylon Oils and Fats and National Salt Corporations.

The increased output level of the paper and paper products category was attributed to the National Paper Corporation as well as the private sector industries. In the non-metallic mineral products category, increased output levels were recorded largely in the private sector industries engaged in the manufacture of glass and ceramic products. Increased production in the Steel Corporation was responsible for the higher output level of the basic metal products category. In the fabricated metal products sector, improvement was largely due to the increased production in a number of private sector industries such as fabricated metal, machinery and equipment and structural metal products.

The value of industrial production in current terms, is estimated to have increased by 34 per cent in 1990. The value of chemicals, petroleum and plastic products rose by 76 per

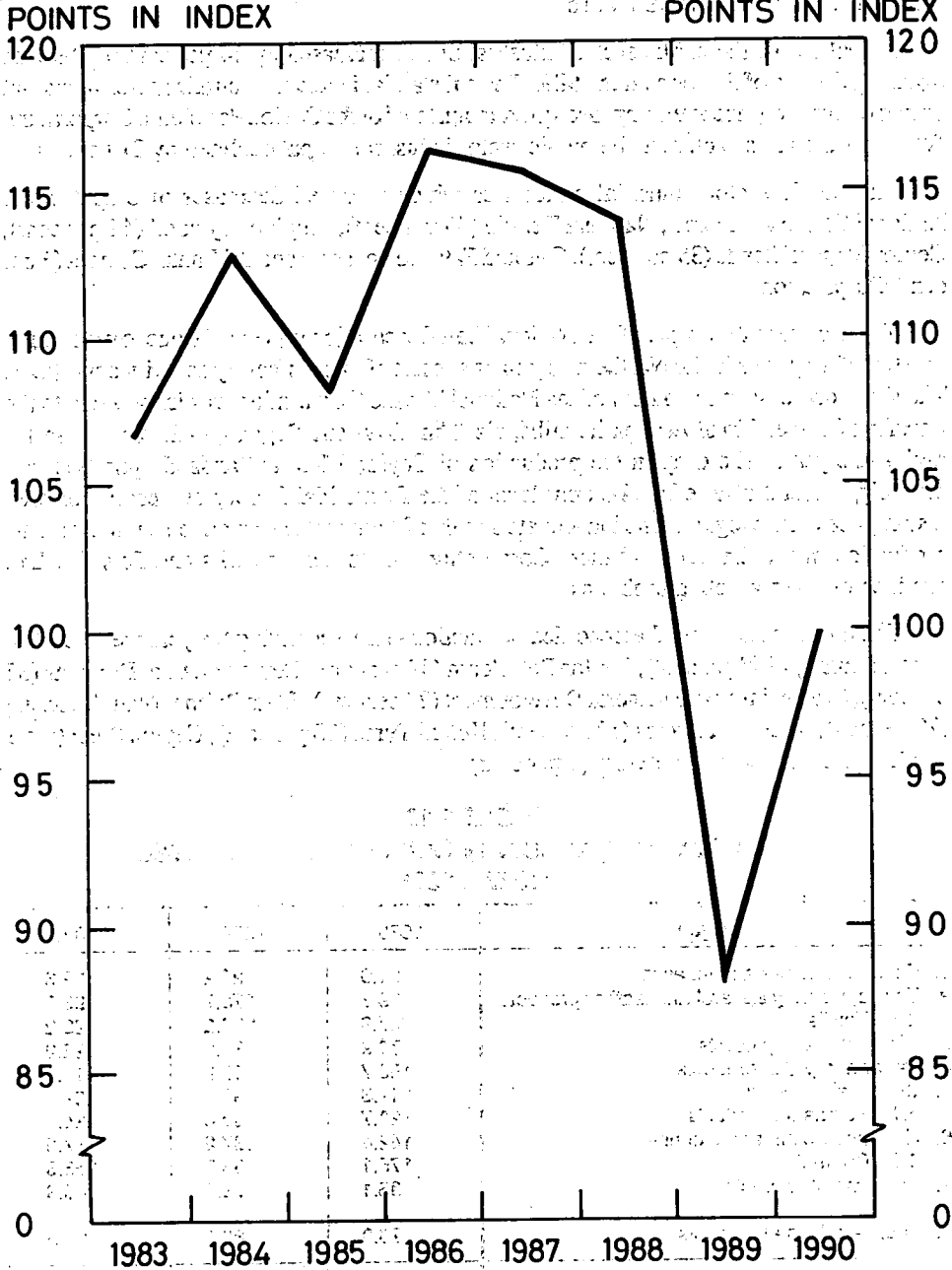
TABLE 1.18
Value of Industrial production 1986 - 1990
(Current Prices)

Category	Rs. Million				
	1986	1987	1988	1989*	1990(a)
1. Food, beverages and tobacco	12,129	12,962	14,675	18,458	21,955
2. Textile, wearing apparel and leather Products	12,088	15,428	18,166	22,073	27,930
3. Wood and wood products (including furniture)	632	677	640	667	721
4. Paper and paper products	1,289	1,372	1,492	1,456	1,880
5. Chemicals, petroleum, coal, rubber and plastic products	11,088	13,477	13,681	12,041	21,215
6. Non-metallic mineral products (except petroleum and coal)	2,053	2,156	2,267	6,007	7,554
7. Basic metal products	281	307	487	792	1,006
8. Fabricated metal products, machinery and transport equipment	1,757	2,006	2,477	3,182	4,199
9. Products not elsewhere specified	136	155	178	231	296
Total	41,453	48,540	54,063	64,907	86,756

(a) Provisional
* Revised

Source: Central Bank of Sri Lanka

INDEX OF INDUSTRIAL PRODUCTION OF THE PUBLIC SECTOR



Central Bank of Sri Lanka.

cent, fabricated metal products by 32 per cent, paper and paper products by 29 per cent, basic metal products by 27 per cent, non-metallic mineral products by 26 per cent, textile, wearing apparel and leather by 27 per cent, food beverages and tobacco by 19 per cent and wood and wood products by 8 per cent.

PUBLIC SECTOR INDUSTRIES

In real terms, the public sector industrial output increased by 14 per cent in 1990, as against a decline of 21 per cent in 1989. The substantial increase in public sector industrial output was entirely due to the improved production level of the Ceylon Petroleum Corporation. When petroleum is excluded, the public sector industrial output declined by 21 per cent.

The public sector industrial enterprises which recorded decreases in output were: National Salt (64 per cent), National Textile (45 per cent), Ceylon Plywood (42 per cent), Ceylon Mineral Sands (35 per cent), Oils and Fats (16 per cent) and Sri Lanka Cement (5 per cent) Corporations.

The decline in the output of the National Salt Corporation was mainly due to production shortfalls in salterns in the Northern region as a result of unsatisfactory security conditions. The sharp decrease in the output of the National Textile Corporation was largely due to the transfer of ownership of two textile mills, viz. Thulhiriya and Pugoda, to the private sector during the year. The drop in the production of Ceylon Mineral Sands Corporation was primarily a result of a reduced output level of the Pulmuddai factory on account of civil disturbances in the region. The inadequate supply of "clinker" had an adverse impact on the production of the Sri Lanka Cement Corporation. Output of the Oils and Fats Co. Ltd. declined due to marketing problems.

The public enterprises that recorded production increases during the year were: Distilleries Company (158 per cent), Ceylon Petroleum (49 per cent), Ceylon Leather Products (35 per cent), State Mining and Mineral Development (29 per cent), State Rubber Manufacturing (22 per cent), Lanka Ceramics (17 per cent), Kelani Tyres (10 per cent), Ceylon Steel (5 per cent), and Lanka Loha Hardware (4 per cent).

TABLE 1.19
Public Sector Major Industry Output Index 1988 - 1990
(1977 = 100)

Category	1988	1989	1990(a)
1. Food, beverages and tobacco	31.0	26.2	22.6
2. Textile, wearing apparel and leather products	189.7	173.7	96.6
2.1 Textile	257.6	236.2	128.2
3. Wood and wood products	70.9	31.2	22.2
4. Paper and paper products	153.7	107.9	118.1
5. Chemical products	119.3	83.6	122.4
5.1 Petroleum products	120.7	83.6	124.3
6. Non-metallic mineral products	142.4	137.2	137.5
6.1 Cement	175.1	164.8	156.6
7. Basic metal products	86.1	76.4	80.3
8. Fabricated metal products	70.3	32.5	33.6
All categories	114.0	88.0	100.0
Excluding petroleum products	106.5	93.0	73.0

(a) Provisional

Source: Central Bank of Sri Lanka

The uninterrupted 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. The increase in production of the State Distilleries Corporation was largely due to a sharp increase in the supply of toddy on account of favourable weather conditions that prevailed in the toddy collecting areas during the year. An adequate supply of raw materials was mainly responsible for the improved performance of the Ceylon Leather Products Corporation. The improved output level of the State Mining and Mineral Development Corporation was reflected in higher capacity utilisation. The increased production of the State Rubber Manufacturing Co. Ltd. was mainly due to higher prices fetched by crepe rubber and favourable weather conditions that prevailed during the year.

In terms of sectoral classification of public enterprises, the chemicals and petroleum products sector recorded the highest growth (46 per cent) in 1990. The other sectors that recorded increased levels of output were paper and paper products (9 per cent), basic metal products (5 per cent) and fabricated metal products (4 per cent). The sectors that recorded decreases in output were textile, wearing apparel and leather (44 per cent), food, beverages and tobacco (14 per cent) and wood and wood products (12 per cent).

A number of public industrial enterprises were able to generate profits during the year. The enterprises which showed profits in 1990 included Sri Lanka Cement Corporation (Rs. 345 million), Lanka Ceramics Ltd. (Rs. 125 million), Kelani Tyres Ltd. (Rs. 116 million), Ceylon Oxygen Ltd. (Rs. 51 million), Veyangoda Textile Mills (Rs. 49 million), State Mining and Mineral Development Corporation (Rs. 43 million), Ceylon Steel Corporation (Rs. 11 million), National Salt Corporation (Rs. 8 million), State Rubber Manufacturing Co. Ltd. (Rs. 5 million) and Ceylon Oils and Fats Ltd. (Rs. 2 million).

Budgetary transfers to public sector industrial enterprises during the year amounted to Rs.111 million which was a decrease of 71 per cent compared with the previous year. The Sri Lanka Sugar Corporation and the National Textile Corporation received Rs.69 million and Rs.42 million, respectively as capital transfers during the year.

TABLE 1.20
Transfers of Government Funds to Industrial Enterprises 1988 - 1990

Corporation / Enterprise	Rs. Million								
	Capital			Current			Total		
	1988	1989	1990(a)	1988	1989	1990(a)	1988	1989	1990(a)
1. National paper corporation	-	-	-	7.6	-	-	7.6	-	-
2. Sri Lanka Sugar Corporation	131.4	107.0	68.6	-	225.0	-	131.4	332.0	68.6
3. Ceylon Steel Corporation	-	-	-	48.3	-	-	48.3	-	-
4. National Milk Board	2.5	-	-	28.9	-	-	31.4	-	-
5. State Fertilizer Manufacturing Corporation	-	-	-	1.2	-	-	1.2	-	-
6. Ceylon Fertilizer Corporation	21.8	3.0	-	227.3	-	-	249.1	3.0	-
7. Ceylon Plywood Corporation	-	-	-	7.1	-	-	7.1	-	-
8. National Textile Corporation	42.0	42.0	42.0	-	-	-	42.0	42.0	42.0
9. Ceylon Oils & Fats Corporation	-	-	-	8.5	5.6	-	8.5	5.6	-
10. State Hardware corporation	-	-	-	3.5	-	-	3.5	-	-
Total	197.7	152.0	110.6	332.4	230.6	-	530.1	382.6	110.6

(a) Estimated

Source: General Treasury

POWER AND FUEL

The sale of industrial fuel, excluding that to the Ceylon Electricity Board increased by 4 per cent in 1990. Sales of furnace oil increased by 6 per cent while those of heavy diesel decreased by 11 per cent during the year.

TABLE 1.21
Power and Fuel used In Industry 1989 - 1990

Item	1989	1990(a)
1. Electricity (Gwh) (b)	848.7	887.3
1.1 Small Industry	43.3	53.5
1.2 Medium Industry	459.2	467.5
1.3 Large Industry	346.2	366.3
2. Domestic sales of industrial fuel ('000 metric tons) (c)	173.7	180.5
2.1 Heavy diesel	22.7	20.1
2.2 Furnance oil	151.0	160.4

Sources: Ceylon Electricity Board,
Ceylon Petroleum Corporation.

(a) Provisional

(b) Includes manufacturing and export processing industries.

Small industries 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 5 per cent during 1990. This was made up of increases of 23 per cent in small scale industries, 2 per cent in medium scale industries and 6 per cent in large scale industries.

PRIVATE FOREIGN INVESTMENT

Investment Promotion Zones

The Greater Colombo Economic Commission (GCEC) which became the "one stop centre" to service foreign investors after merging with the Foreign Investment Advisory Committee (FIAC) in January, 1990 approved 30 projects with "GCEC status" in 1990, bringing the total number of projects approved to 337 by the end of 1990. Of these, agreements had been signed in respect of 194 projects with the GCEC to set up industries. A total of 120 enterprises were in commercial operation as at end of 1990. Of those projects in production, 65 were in the Katunayake Investment Promotion Zone (KIPZ), 23 in the Biyagama Investment Promotion Zone (BIPZ) and 32 in various other parts of the country.

The Projects approved by the GCEC in 1990 included the production of cosmetic and other brushes, soil improvers, energy saving bulbs, yarn on cones, surgical and rubber gloves, moulds, motor parts, granite slabs, solid super elastic tyres, garments, bags, stuffed toys and coir dust products.

Gross export earnings of GCEC enterprises were Rs.17,525 million (SDR 322 million) in 1990 showing an increase of 47.9 per cent over the previous year. In SDR terms, the

increase was 26.3 per cent. The textile and ready-made garments sector accounted for 66.5 per cent of the export earnings.

TABLE 1.22
Investment Promotion Zones
Employment and Export Earnings 1989 - 1990

Category	1989		1990(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	1,135	379	1,633	849
2. Textile, wearing apparel and leather Products	42,925	8,825	49,554	11,669
3. Wood and wood products (including furniture)	69	9	44	6
4. Chemicals, petroleum, coal, rubber and plastic products	2,049	405	2,765	503
5. Non-metallic mineral products (except petroleum and coal)	4,431	666	5,502	1,811
6. Fabricated metal products, machinery and transport equipment	1,287	621	1,436	750
7. Products not elsewhere specified	5,312	703	6,024	1,213
8. Services (b)	4,221	244	4,400	724
Total	61,429	11,852	71,358	17,525

(a) Provisional

(b) Excluding Air Lanka Ltd.

Source: Greater Colombo Economic Commission

Subsequent to the establishment of the "one stop centre", the GCEC has approved 47 projects with "FIAC Status" which do not enjoy GCEC concessions. The total envisaged investment in these projects amounted to Rs. 1,089 million, of which the foreign investment component was Rs. 280 million and the local investment component was Rs. 809 million. The employment potential of these enterprises was 4,858 persons.