2. NATIONAL INCOME AND EXPENDITURE

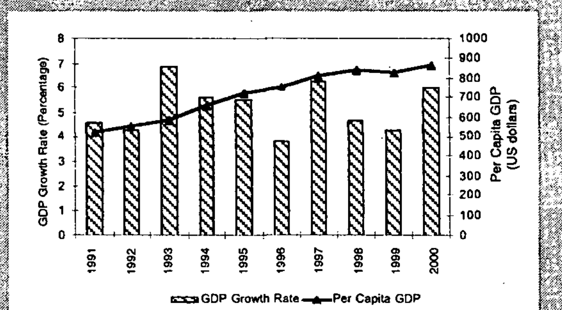
2.1 Overall Trends

In 2000, Gross Domestic Product (GDP), in real terms, grew by 6.0 per cent. This was well above the previous year's growth rate of 4.3 per cent as well as the average growth rate of 5 per cent experienced during the last decade. The economic recovery began during the second half of 1999 and continued in 2000 at an accelerated pace. The Manufacturing and Services sectors performed well during the year and were the major contributors to the faster economic growth. GDP at current market prices was estimated at Rs. 1,256 billion compared with Rs. 1,106 billion in 1999. With a mid year population growth rate of 1.7 per cent, per capita GDP rose to Rs. 64,855 (US dollars 856) in 2000 from Rs. 58,077 (US dollars 825) in 1999. According to the World Bank classification, Sri Lanka entered the lower middle income category of countries whose per capita income falls within the range of US dollars 795 – 3,125 in the late nineties, and has improved its position in that category since then. Gross National Product (GNP), defined as GDP adjusted for net factor income from abroad, grew by 5.8 per cent. Net factor income from abroad deteriorated during the year due to a reduction in receipts from investment income, higher interest payments on foreign debt and higher outflows of profits and dividends.

The growth performance observed in 2000 was attributed largely to the recovery of the global economy from its recessionary trend. World output expanded by 4.7 per cent in 2000 when compared with 3.4 per cent recorded in 1999. Consequently, world trade grew by 10 per cent, as against 5 per cent in 1999, while export growth in developing countries was 9 per cent. The Sri Lankan economy, particularly the private sector, responded to these developments positively. The Manufacturing sector achieved a high growth, with export oriented industries recording the highest output growth since 1993. Meanwhile, despite rising import prices, inflation was contained at a relatively low level, while enhanced flexibility in the foreign exchange market improved export competitiveness.

The growth rate is noteworthy since it was achieved under two hostile events, which affected economic activities adversely. One was the international oil price hike, which resulted in the expenditure on import of crude oil and petroleum products rising to US dollars 901 million from US dollars 500 million in the previous year. The other was higher defence expenditure due to the escalation of the war since the middle of 2000. Both created upward pressure on the cost of funds, due to their impact on public sector borrowing requirements from domestic sources. Further, the decision to increase the administered prices of several petroleum products on several occasions during the year, in the context of high import prices for oil, led to further increases in the cost of production.

Chart 2.1
GDP Growth Rates and Per Capita GDP 1991-2000



However, the intrinsic resilience of the economy, coupled with prudent macro economic policies pursued throughout, was able to arrest the negative impact of these adverse developments and contributed to the high growth rate achieved during the year. The expansion of the economy generated more economic opportunities, leading to a drop in the unemployment rate from 8.9 per cent in 1999 to 7.7 per cent in 2000. Meanwhile, the overall price inflation, as measured by the GDP deflator, although higher than in 1999, was relatively low at 6.7 per cent, mainly due to the increase in the supply of goods and services and prudent monetary management.

In 2000, the Manufacturing sector grew by 9 per cent. Industrial exports grew by 23 per cent, earned over US dollars 4,200 million, and mitigated, to some extent, the balance of payment difficulties resulting from rising import payments. Global economic growth, particularly boom conditions in the United States and sound economic expansion in Western Europe, benefited export manufacturing through higher demand. The appreciation of the East Asian currencies with the recovery of these economies and faster depreciation of the Sri Lanka rupee helped Sri Lankan exporters improve their international competitiveness. Domestically, steps were taken to improve flexibility in the foreign exchange market. This move led to a significant depreciation of the Sri Lanka rupee and thereby enhanced export competitiveness during the year. However, Sri Lankan industrial exports depend largely on garment exports, which contain a high component of imported inputs and potentially face highly competitive markets. This emphasises the need for a further diversification of export industries particularly to increase the share of higher domestic value added industries.

In agriculture, the main focus of policy in recent years has been on the gradual removal of state intervention with a view to improving efficiency and competitiveness. This policy was effective in plantation agriculture, especially in the tea sector. With the privatisation of the state owned Regional Plantation Companies (RPCs), which commenced in 1995, and the expansion of the privately owned small holding sector, efficiency improved considerably in the tea sector. The average yield of tea per hectare, which was 1,302 kg in 1995, increased to 1,549 kg in 2000 and tea production reached a new record of 306 million kg. Productivity of the tea sector in Sri Lanka had been considerably lower than in competitor countries, and it is apparent that this sector will continue to improve under private management. However, farmers in some domestic agricultural sub-sectors faced greater competition from cheaper imports and some protectionist policies were therefore introduced to ensure a minimum market price for local producers. For example, in the paddy sector, farmers had difficulties in selling their crop due to accumulated stocks, which had been imported under low tariff rates in the previous year. The government intervened by purchasing paddy through the Cooperative Wholesale Establishment (CWE) and also by imposing a ban on the import of rice from July 2000. Government intervention was also observed in potato cultivation where a guaranteed price was offered and in addition to import duty, a 35 per cent surcharge was imposed from August 2000. These interventions unfortunately gave conflicting signals of the general policy direction. It was argued that domestic agriculture should be protected from low cost foreign production, which was aided by various subsidies.

The largest sectoral contribution to the growth in GDP came from the expansion in Services, which comprise energy, transport, communications, port services, trade and financial services. This sector contributed 61 per cent of the overall growth, in comparison to 51 per cent in 1999. External trade activities, which were boosted by the improvement in the world economy, were largely responsible for the growth performance of the Services sector in 2000. Investment in infrastructure development also had a positive impact on the growth in the Services sector. The strong growth momentum witnessed in telecommunications in the recent past continued during 2000. Sri Lanka Telecom (SLT) implemented a number of major telecommunication projects during the year, with the assistance of donors such as the Japan Bank for International Cooperation (JBIC), the Swedish International Development Agency (SIDA) and the Economic Development Cooperation Fund (EDCF) of Korea, with a view to further augmenting its capacity and improving infrastructure. In the energy sector, total installed capacity of electricity was further expanded during 2000 by the Ceylon Electricity Board (CEB) and the private sector. Of these investments, the 60 MW barge-mounted power plant acquired by the private sector and a 40 MW second diesel power plant installed by the CEB were notable. Meanwhile, the Sri Lanka Ports Authority (SLPA) implemented several infrastructure development projects with a view to capacity expansion and efficiency improvement. Of the major projects, Phase II of the new North Pier Development Project funded by the SLPA and JBIC and the Queen Elizabeth Quay project owned by South Asia Gateway Terminal (Pvt.) Limited, aimed at the expansion of port capacity. The World Bank funded a port efficiency improvement project. New investments also played a key role in improvements in the transport sector. The purchase of new power sets enhanced both services and revenue of Sri Lanka Railways (SLR), while purchases of new aircraft enabled the expansion of the services of Srilankan Airlines (SLA), despite the drop in tourist arrivals. Increased investments in these critical sectors enhanced productivity in the primary and secondary sectors.

In 2000, Gross Domestic Capital Formation (GDCF) is estimated to be Rs 351 billion, an increase of 16 per cent over 1999. The increase in GDCF was largely an outcome of the increased investment in infrastructure development projects. Accordingly, the ratio of investment to GDP is estimated to have increased to 28 per cent in 2000 from 27 per cent in 1999. This development came solely from the private sector where the investment ratio improved from 21 to 22 per cent. Public sector investment declined marginally from 6.7 to 6.6 per cent.

2.2 Sectoral Performance

In 2000, value added in real terms increased in Manufacturing (9 per cent), Services (7 per cent), Construction (5 per cent), Mining and Quarrying (5 per cent), and Agriculture (2 per cent). The overall Services sector contributed 61 per cent of the total growth in GDP. In the Services sector, the highest contribution was from the Wholesale and retail trade sector. The Manufacturing sector, which contributed 17 per cent to overall growth in 1999, increased its share substantially to 26 per cent of overall growth in 2000. The contributions of the other sectors to overall growth were Agriculture (6 per cent), Construction (6 per cent) and Mining and quarrying (1 per cent).

Manufacturing Sector

The Manufacturing sector, which grew by 4.4 per cent in 1999, recorded a significant growth of 9.2 per cent in 2000. The textiles and apparel sector, the largest export oriented sub sector, recorded a 16 per cent growth. In 1999, the corresponding growth rate was 7 per cent. Other export oriented industries, which excelled in 2000, were manufactured rubber products, processed diamonds and plastic products. Improvements in information technology and the use of improved technology in the production processes also contributed to the higher value added in factory industries. Local manufacturers had greater access to information on new markets and new fashion trends through the Internet, which was speedy, informative and cost effective. Fiscal incentives offered under the Advanced Technology Programme stimulated manufacturers to invest in new production technology and to gain in terms of cost reduction and quality improvements. The progress in overall economic activities also created a market for industries catering to the domestic economy. Food, beverages and tobacco products, which grew by 2.2 per cent in 1999, expanded by 5 per cent during the year under review. Of this category, the food and beverages sub categories showed significant growth. However, the performance of the liquor and tobacco sub-categories was poor, following the increase in taxes on this sector during the year.

The processing industry of tea, rubber and coconut kernel products grew by 4.2 per cent during the year. This was basically due to improvements in tea and coconut production. Meanwhile, small industries also grew by 5.5 per cent. Expansion in the large-scale industries has always had a positive impact on small industries in the form of sub-contracting and outsourcing. In the small industry category, assembly of computers and communication

TABLE 2.1

Sectoral Composition and Increase in Gross National Product at Constant (1996) Prices

Sector	Rate of Increase		Contribution to Change in GDP (%)		Percentage Share of GDP (%)	
	1999(a)	2000(a)	1999(a)	2000(a)	1999(a)	2000(a)
1. Agriculture, forestry and fishing	4.5	1.8	22.2	6.3	21.3	20.5
Agriculture	4.4	1.7	16.7	4.6	16.6	15.9
Tea	1.3	7.8	0.4	1.8	1.4	1.4
Rubber	1.0	-8.0	0.1	-0.6	0.4	0.4
Coconut	9.1	8.0	3.5	2.3	1.7	1.8
Paddy	6.6	-0.3	5.1	-0.2	3.5	3.2
Other	3.4	0.8	7.6	1.3	9.6	9.1
Forestry	1.3	1.6	6.3	2.4	4.4	4.3
Fishing	7.6	2.5	0.6	0.5	2.0	1.9
2. Mining and quarrying	4.1	4.8	1.7	1.4	1.8	1.7
3. Manufacturing	4.4	9.2	17.3	25.9	16.9	17.4
Processing of tea, rubber & coconut kernel products	3.8	4.2	1.9	1.5	2.1	2.1
Factory industry	4.5	10.4	14.0	23.2	13.5	14.0
Small industry	4.8	5.5	1.4	1.2	1.3	1.3
4. Construction	4.8	4.8	7.8	5.6	7.1	7.0
5. Electricity, water and gas	9.5	4.5	3.1	1.1	1.5	1.5
6. Transport, storage and communication	8.1	7.8	20.9	14.9	11.6	11.8
7. Wholesale and retail trade	1.0	8.7	5.0	31.2	21.5	22.1
Imports	-1.4	12.9	-3.2	20.0	9.3	10.0
Exports	6.1	18.3	3.3	7.3	2.4	2.7
Domestic	2.1	2.4	4.9	3.9	9.8	9.5
8. Banking, insurance and real estate	4.6	6.4	8.0	8.0	7.5	7.6
9. Ownership of dwellings	1.2	1.6	0.5	0.5	1.8	1.8
10. Public administration and defence	4.2	4.2	4.8	3.4	4.9	4.8
11. Services (n.e.s.)	9.8	2.3	8.9	1.6	4.1	4.0
12. Gross domestic product	4.3	6.0	100.0	100.0	100.0	100.0

(a) Provisional

Source: Central Bank of Sri Lanka

equipment, light engineering, automobile maintenance and air conditioning grew at a fast rate. Nevertheless, in the latter part of the year, some of the small industries faced difficulties owing to escalating fuel prices and increases in interest rates.

Services Sector

The highest contributor to GDP growth in 2000 was the Wholesale and retail trade sector, the largest sub sector in the economy in terms of value addition. External trade was almost entirely responsible for this. The export trade sub sector, which grew by 6 per cent in the previous year, rose by 18 per cent in 2000. In this sub-sector, the highest increase of 23 per cent was accounted for by industrial exports. Import trade, which suffered a setback in the previous year, registered a growth of 13 per cent. In this category, import of consumer goods increased by 20 per cent in volume terms, while intermediate and investment goods expanded by 11 per cent and 12 per cent, respectively. The growth in the domestic trade sub-sector, which captures the trade of domestically produced goods, was 2.4 per cent.

Value added in the Transport, storage and communication sector increased by 7.8 per cent, maintaining the growth momentum seen in recent years. The telecommunications sub-sector, which has grown vigorously and continuously since 1996, provided further impetus to growth, expanding by 31 per cent over the previous year.

The Telecommunication industry, which gained from deregulation and privatisation in recent years, continued to grow in 2000. This industry, which was a state monopoly prior to 1996, saw a revolutionary change in its structure with the entry of new global market players, such as NNT, Telia, Telstra, GTE Nortel, Huchinson and Malaysia Telecom. The number of subscribers under both Sri Lanka Telecom (SLT) and private operators increased significantly during the year. Intense competition improved the services of the SLT such that, during the year, it achieved the target of 'zero fault' in the Colombo Metropolitan area, which covers half the SLT customer base. Although the waiting list for telephones provided by SLT declined in the Metropolitan area, it rose by 5 per cent in the rural sector due to the growing demand for new connections from this sector. SLT is currently implementing a number of major telecommunication projects in order to meet this growing demand. The number of fixed telephone lines provided by the private sector increased by 25 per cent in 2000, while the provision of cellular phones registered a growth of 75 per cent during the year, reflecting a new culture in telecommunication. Heavy investment, aggressive advertising campaigns, introduction of new facilities and competitive prices have contributed to this growth. The number of Internet and e-mail users also recorded a growth of 59 per cent. It is expected that the growth momentum in the telecommunication sector will continue, at least in the near future.

Port services grew marginally, by 0.4 per cent, continuing the decelerating trend seen since 1998. The deceleration in 2000 was particularly noticeable against a backdrop of the expansion in world trade. In 2000, transshipments handled dropped by 2 per cent because of comparatively lower productivity and stiff competition from new rival ports in the region. However, the volume of domestic cargo handled increased by 8 per cent reflecting the expansion in external trade activities. Currently, the SLPA is implementing several projects to enhance productivity and expand port facilities to meet the emerging competition from multi port operators such as PSA Corp. (Singapore) and the Dubai Port Authority and emerging hubs in India and the Middle East. The entry of a multi-operator such as P&O enhances the confidence of shipping lines and provides an opportunity for the SLPA to consolidate the Colombo Port's position against growing competition in the region.

The transport sub sector, which includes passenger and freight transport, has three different segments, namely, roads, rail and air. The combined growth rate of these sectors was 4 per cent in 2000 when compared with 3 per cent in 1999. The improvements in road haulage were associated with the growth in domestic production as well as external trade. The introduction of luxury and semi-luxury buses for public transport enhanced the value addition of the passenger transport sector. SLR added 15 new power sets to its rolling stock in 2000. This increased total revenue from passenger transport of the SLR and in turn enhanced the value addition in the transport sector. Following the purchase of new aircraft the number of passenger kilometers flown by Srilankan Airlines increased to 6,859 million in 2000 from 5,185 million in 1999.

The Banking, insurance and real estate sector grew by 6.4 per cent in 2000 compared with 4.6 per cent in 1999. The increase in external trade activities improved the profitability of the commercial banking sector, while the withdrawal of the statutory reserve requirement on foreign currency deposits in August 2000 reduced the effective cost of funds of the banks. The insurance sub sector performed well during the year, but leasing activities were adversely affected in the latter half owing to the rise in interest rates.

The Electricity, gas and water sector grew by 4.5 percent in 2000 when compared with the 9.5 per cent growth in the previous year. The demand for electricity grew by 9 per cent during the year, mainly due to high growth in manufacturing and services and rural electrification schemes. To meet this demand, electricity generation grew by 10 per cent. Due to the failure of monsoon rains in the catchment areas, the Ceylon

Electricity Board (CEB) had to utilise its own and private sector thermal power plants, as well as hired generators extensively, in order to maintain an uninterrupted power supply. Accordingly, 52 per cent of the electricity requirement was generated thermally, in contrast to 31 per cent in the previous year. Intermediate input costs in electricity generation thus increased substantially due to high costs of thermal generation as world petroleum prices rose. Accordingly, value added in the electricity sub-sector, which grew by 8.9 per cent in 1999, decelerated during the year, with the sector growing at 4.5 per cent. Meanwhile, the water sub sector, which includes collection, purification and distribution of pipeborne water, grew by 4.5 per cent during the year. In 1999, the corresponding growth rate was 13.7 per cent. The bulk distribution of water fell by 8 per cent between the two periods due to short supply following the failure of monsoon rains.

The public administration and defence sector grew by 4.2 per cent. Employment in the public sector expanded at the same rate, notably in provincial administration, defence personnel, teachers and Samurdhi workers. Meanwhile, the growth of the Ownership of dwellings sector, which captures the value added of the service generated by owner occupied houses, was 1.7 per cent, contributing 1.8 per cent of total GDP. The 'Other' services sector, which captures service activities not classified under major service, grew by 2.3 per cent in 2000 when compared to 9.8 per cent in 1999. The deceleration in this sector is mainly attributed to the negative growth in the hotel and related services sub sector due to the decline in tourist arrivals.

Hotel services, which mainly depend on foreign tourists, registered a decline of 6.1 per cent in 2000. Tourist arrivals declined by 8 per cent compared with the previous year to 400,414, but foreign guest nights in graded hotels rose by 2.2 per cent, indicating that tourists had stayed longer. Meanwhile, the local tourism industry performed well as indicated by the local guest nights in graded hotels, which increased by 15 per cent during the year. The private health services sub-sector, which is facing increased demand due to limited medical facilities in government hospitals, rising incomes of people and a growing urban population, grew by 10 per cent in 2000.

The rising trend to outsource activities such as security and janitorial services, created a higher demand and this sector recorded a growth rate of 10 per cent during 2000. Computer software development and data related services, which face growing demand and scope for further expansion, recorded a healthy growth of 16 per cent.

Construction Sector

The construction of residential and commercial buildings and infrastructure grew by 4.8 per cent in 2000, as in the previous year. This growth was mainly attributed to the increase in investment on infrastructure development in the energy, telecommunication and transport sectors. However, the growth in construction of buildings decelerated over the previous year. The state sector housing programme, which is implemented by the National Housing Development Authority (NHDA) showed a notable decline in terms of the number of houses commenced and completed, as well as loans granted for housing construction. Private sector construction activities appear to have decelerated during the year, as indicated by the drop in credit facilities provided by commercial banks to housing and property development projects.

Mining and Quarrying Sector

The Mining and quarrying sector, which grew of 4.1 per cent in the previous year, grew by 4.8 per cent in 2000. Though gem mining declined by 10 per cent, export earnings from gems recorded an increase of 64 per cent due to a sharp increase in export prices. The production of phosphate and graphite increased, while that of mineral sands such as ilmenite, rutile and crude zircon remained low. The quarrying sub sector grew by 5 per cent with continuous expansion in construction activities which stimulated the demand for major quarrying products such as sand, metal stones, lime and clay for bricks and roofing tiles.

Agriculture Sector

The overall Agriculture sector grew at a slower rate of 1.8 per cent, when compared with the 4.5 per cent growth in 1999. This deceleration was basically attributed to the dismal performance of certain sub-sectors. However, the plantation sector performed well, with increased production of two major crops, tea and coconut. Tea production continued its high growth for the sixth consecutive year, reaching a new record level, 305.7 million kgs. This is an increase of 7.8 per cent over 1999. This is largely a result

TABLE 2.2

Composition of the Other Agriculture Sub Sector

Sector	Value Added (1996) Constant Prices (Rs.mn)		
	1998	1999(a)	2000 (a)
Vegetables	33,126	35,235	36,426
Subsidiary food crops (b)	15,577	15,781	16,032
Minor export crops (c)	7,825	7,666	6,960
Sugar cane	1,202	1,281	1,345
Tobacco	1,569	1,484	1,325
Animal husbandry (d)	6,560	6,597	6,630
Other	8,837	9,192	9,136

Source : Central Bank of Sri Lanka

(a) Provisional
(b) Subsidiary food crops mainly include potatoes, chillies, red onions, big onions, green gram, cowpea and kurakkan.
(c) Minor export food crops mainly include coffee, pepper, cinnamon, cloves, cashew nuts and betel leaves
(d) Animal husbandry comprises milk, eggs, poultry and other meats.

of increased production of low grown tea, by 11.5 per cent, which is dominated by small holders. Tea production at the high and medium elevations mainly under private plantation companies, recorded an increase of 3.6 per cent. The increase in overall production was solely due to higher yields, as total land area remained unchanged during this period. Improved management practices under the private sector, increased fertiliser application and favourable weather conditions contributed to the higher productivity. Improvement in tea prices during the year made tea cultivation more lucrative. The average price of tea at the Colombo auction rose by 17.3 per cent during 2000, to Rs. 136.47 per kg, the highest price ever recorded. Enhanced demand from Russia and other CIS countries due to economic recovery in the region, extended demand from the Middle East following the oil price hike, a crop shortfall in Kenya and depreciation of the domestic currency contributed to raise tea prices.

Coconut production is estimated to have increased by 8.8 per cent to 3,055 million nuts in 2000. Favourable weather conditions that prevailed in 2000, as well as the lagged effect of the well distributed rainfall which prevailed during the previous year contributed to this improvement. Despite the improvements in prices, rubber production declined by 9.7 per cent from 96.6 million kg in 1999 to 87.2 million kg in 2000. The depressed prices that prevailed over a considerable period of time have had a negative impact on replanting and fertiliser application, resulting in low production.

In domestic agriculture, paddy production in the 1999/2000 Maha season and 2000 Yala season was estimated at 2,859 thousand metric tons, a marginal decline of 0.3 per cent over the previous year. In spite of the drop in production, the producer price of paddy declined by 12 per cent during the year, because of high stocks accumulated after a tariff reduction at end 1999, thereby reducing the profitability of this sector. In the subsidiary food crops category, the production of potatoes, which has been badly affected since 1996 due to severe competition from cheap imports, recorded a growth of 79 per cent. Evidently, the guaranteed price offered by the CWE, the increase in the effective import duty rate to 80 per cent, as well as the government decision to write off 75 per cent of their outstanding loans, encouraged potato farmers. However, sharp declines in the production of big onions, green gram and chillies mitigated the positive impact of the growth in potatoes and hence, the subsidiary food crops category grew by only 1 per cent. The decline in the production of big onions and chillies was due to the depressed prices that prevailed in the market with cheaper imports. Meanwhile, production of vegetables improved by 3.4 per cent in 2000. There was a decline in the production of cloves, arecanuts, cocoa, coffee and cashew nuts and export earnings from minor export crops declined by 6 per cent in terms of US dollars.

The increase in animal husbandry output was marginal in 2000. In this sub-sector, chicken production grew by 18 per cent owing to increase in demand, growth in the fast food industry and improved marketing networks. However, the production of other meats, such as beef and pork, declined, while that of eggs dropped by 1.5 per cent.

2.3 Expenditure

The aggregate demand generated by domestic economic activities is measured by Gross Domestic Expenditure (GDE), which is the sum of consumption and investment expenditure (Gross Domestic Capital Formation) of the private and public sectors of the economy.

Consumption expenditure, at current market prices, is estimated at Rs. 1,038 billion, an increase of 16.6 per cent over Rs. 890 billion in the previous year. Private consumption expenditure, which represents almost 90 per cent of overall consumption expenditure, recorded a growth of 14.7 per cent from Rs. 790 billion in 1999 to Rs 906 billion in 2000. In 1999, the corresponding growth rate was 9.2 per cent. The higher growth was attributed to the higher real economic growth in 2000, which in turn increased disposable income, and comparatively higher growth in prices in 2000.

Private consumption expenditure on imported goods and non-factor services registered an increase of 21 per cent in 2000, against 10 per cent in 1999. Of the imported items, expenditure on major food items rose by 11 per cent, while that on other food items, and consumer durable goods grew by 23 per cent over the previous year. Of the imported food items, the expenditure on wheat grain, sugar, milk products, dried fish and canned fish increased significantly due to both higher prices and quantity consumed, while expenditure on rice declined considerably (by 90 per cent) due to the ban on importation of rice. The expenditure on motor vehicles and medical and pharmaceutical products rose considerably. The increase on vehicle imports was partly due to continued import tax concessions offered to certain public sector employees. Meanwhile, expenditure on imported non-factor services, which grew marginally in the previous year, increased by 20 per cent.

Reflecting the positive impact of higher economic growth on disposable income, the expenditure on domestically produced goods rose by 12 per cent. The expenditure on food increased by 3 per cent due to the growth in domestic production for some foods as well as higher market prices for others. Expenditure on industrial goods rose by 17 per cent over the previous year. Of this category, consumption of processed foods, beverages, clothing and plastic goods recorded a significant increase. In addition, the expenditure on the consumption of services

TABLE 2.3
Total Resources and Their Uses at Constant (1996) Prices

Item	Percentage Share			Percentage Growth	
	1998	1999(a)	2000(a)	1999	2000
1. Total resources	100	100	100	5.2	9.0
GDP at market prices	67	67	65	4.3	6.0
Imports of goods & non-factor services	33	33	35	7.0	14.9
2. Utilisation	100	100	100	5.2	9.0
Consumption	59	59	57	5.3	5.2
Gross domestic fixed capital formation	17	18	18	6.4	9.5
Government	2	2	2	-2.0	5.5
Private sector and public corporations	15	16	16	7.7	10.0
Change in stocks	0	0	0	-45.9	-58.2
Exports of goods & non-factor services	24	24	26	4.0	18.0

(a) Provisional

Source : Central Bank of Sri Lanka

such as telecommunication, transport, utilities and financial services grew by 12 per cent.

Gross Domestic Capital Formation (GDCF), which grew by 18 per cent in 1999, is estimated to have increased by 16 per cent to Rs 351 billion in 2000. Private sector investment, which comprises 77 per cent of the total investment, grew at 18 per cent, while the increase in government investment was 13 per cent. Both private sector and public sector investment projects focussed on the expansion of infrastructure facilities such as port services, telecommunications, aviation, energy, transport and road construction.

2.4 Availability and Utilisation of Resources

The total resources available to the economy, consisting of GDP and import of goods and non-factor services (foreign resources), at current market prices, increased to Rs. 1,880 billion in 2000 from Rs. 1,584 billion in 1999. This increase of Rs 296 billion was generated by an increase of Rs 150 billion in GDP at current market prices and Rs. 146 billion increase in foreign resources.

The availability of resources valued at constant (1996) prices rose by 9 per cent in 2000, as against 5.2 per cent in the previous year, reflecting a higher real growth and the higher volume of imports. In 2000, consumption expenditure grew by 5.2 per cent, while Gross Domestic Fixed Capital Formation (GDFCF) increased by 9.5 per cent to Rs. 259 billion. The share of foreign resources had risen from 33 per cent to 35 per cent. Of the total resources, 57 per cent was utilised on consumption and 18 per cent on capital formation, while 25 per cent was used as export of goods and non-factor services.

2.5 Domestic and National Savings

Domestic savings are estimated as a residual, the difference between investment and external resources (net imports of goods and non-factor services). Domestic savings in 2000, at current market prices, were estimated at Rs. 218 billion, 17.3 per cent of GDP, compared to 19.5 per cent in 1999. The drop in the domestic savings ratio reflected an increase in government dis-savings from 1 per cent to 3.4 per cent of GDP, since the private sector savings ratio had grown marginally from 20.5 per cent in 1999 to 20.7 per cent in 2000.

National savings, the sum of domestic savings, net foreign private transfers and net factor income from abroad, rose to Rs. 269 billion mainly due to foreign private transfers. However, with the decline in the domestic savings ratio, the national savings ratio (national savings as a percentage of GDP) dropped to 21.4 per cent in 2000 from the 23.5 per cent registered in 1999. Net foreign private transfers, which consists mainly of workers' remittances from the Middle East, accounted for around 27 per cent of national savings in 2000.

TABLE 2.4
National Savings at Current Market Prices

Rs. mn

Category	1997	1998	1999(a)	2000(a)
1. Gross domestic product at market prices	890,272	1,017,986	1,105,964	1,255,536
2. Domestic savings	154,237	194,735	215,734	217,767
3. Net factor income from abroad	-9,409	-11,556	-17,831	-22,967
4. Net private transfers from abroad	46,472	54,785	62,438	73,810
5. National savings	191,301	237,965	260,341	268,610
6. Domestic savings ratio (2 as a % of 1)	17.3	19.1	19.5	17.3
7. National savings ratio (5 as a % of 1)	21.5	23.4	23.5	21.4

(a) Provisional

Source : Central Bank of Sri Lanka