



National Output, Expenditure and Employment

The Sri Lankan economy registered a contraction of 4.8% during the first half of 2022 in the wake of daunting challenges that emanated from both domestic and external fronts. The contraction in the economy during the first half of the year was largely on account of supply-side impediments, such as a prolonged energy crisis, difficulties in importing key raw materials amid dwindling foreign exchange liquidity, and soaring global commodity prices. Accordingly, all three major economic activities, namely Agriculture, Industry and Services, contracted during the first half of the year. Meanwhile, both investment and consumption expenditure at constant prices contracted during the first half of the year, although both increased at current prices, driven by the high prices that prevailed during the period. Further, net external demand at current prices recorded an improvement during the first half of the year, mainly due to higher growth in exports compared to imports. However, fading away of the COVID-19 pandemic helped relieve hardships in the labour market during the first half of 2022, compared to the corresponding period of 2021; yet labour productivity declined, reflecting the setback in economic activities.

2.1 Output

The economy contracted in both the first and second quarters of the year, particularly at a steeper pace during the second quarter, resulting in an overall contraction of 4.8% in the first half of 2022, compared to 9.3% growth recorded in the comparative period of 2021. This was mainly driven by prolonged power outages, fuel shortages, scarcity of key raw materials and soaring cost of production. All three major economic activities contracted during the period, within which Industry activities declined by 7.1% making the highest contribution to the overall contraction of the economy while Agriculture and Services activities declined by 7.6% and 0.6%, respectively.

Industry activities led the contraction in the economy during the first half of the year, followed by the decline in Agriculture and Services activities...

Services

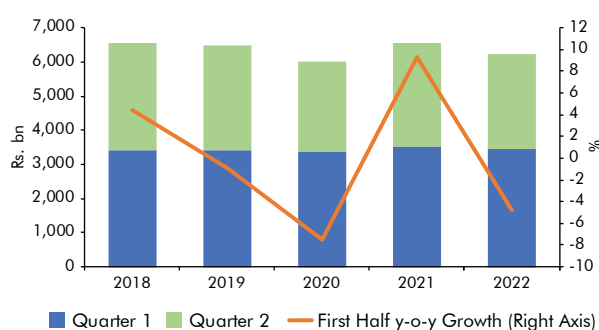
The setback in Services activities was driven by the considerable decline in financial services, professional services and other personal service activities. Further, insurance, transportation, human health and real estate activities also contracted during this period. However, accommodation services, wholesale and retail trade, public administration, IT programming and consultancy activities, telecommunication, and education services expanded in the first half of the year.

The overall growth of wholesale and retail trade, transportation and storage, accommodation, food and beverage services slowed down to 1.6% during the first half of 2022, driven by the setback in transportation activities, compared to the growth of 4.7% recorded in the corresponding period of 2021. Accordingly, transportation activities contracted by 0.9% during the first half of 2022 due to the shortage of fuel, particularly during the second quarter. However, wholesale and retail trade activities grew by 1.3% during this period. Moreover, accommodation, food and beverage services activities grew by 28.4%, supported by the improvements in tourist arrivals.

The notable slowdown in the IT programming consultancy and related activities resulted in a slower growth of 3.8% in Information and communication activities during the first half of 2022, compared to 18.6% growth recorded in the corresponding period of 2021. Within this category, IT programming consultancy and related activities grew at a slower pace of 3.7% during the first half of 2022 with a negative growth during the second quarter. Further, telecommunication activities also grew at a relatively slower pace of 8.3% during the first half of 2022. Meanwhile, programming and broadcasting activities and audio-video productions contracted by 8.6% during the first half of this year.

Reduced mobility following the short supply of fuel, and prolonged power outages which prevailed during the first half of the year crippled services activities ...

Figure 2.1
First Half GDP at Constant (2015) Prices (a)



(a) The data are based on the base year 2015 GDP estimates

Source: : Department of Census and Statistics

The significant decline in financial services led to the 6.6% contraction in the financial, insurance, and real estate activities (including ownership of dwellings) during the first half of 2022, which grew by 7.1% in the corresponding period of 2021. Financial services and auxiliary financial services activities recorded a notable decline of 12.0% during the first half of 2022, affected by the contractionary monetary policy stance adopted to curb the high inflation. Further, insurance and real estate activities (including ownership of dwellings) also contracted by 10.5% and 0.5%, respectively, during the first half of the year.

Considering the other services-related activities, other personal services, professional services and human health activities contracted, while public administration and education services grew during the first half of 2022, compared to the corresponding period of 2021. In this category, other personal service activities and professional services contracted by 2.0% and 7.5%, respectively, during the first half of 2022. Further, human health related activities contracted by 4.3% during this period. However, public administration and defence-related services, and education services each grew by 2.9% during the first half of the year.

Industry

Industry performance experienced a severe setback during the period thus far in 2022 due to challenges encountered owing to the economic crisis. Sectoral industry activities were severely hampered not only by the continuation of restrictions on importation of raw materials, but also due to disruptions in electricity and fuel provisioning, rising costs of production and the overall dampening of consumer demand with the deterioration in real income amidst rising inflation.

The prolonged energy crisis, short supply of raw materials and soaring input prices dragged down the performance of Industry activities during the first half of the year...

The dwindling performance in Industry activities, in value-added terms, during the first half of the year was mainly attributable to the contraction in manufacturing activities, the major contributor to Industry activities. Moreover, construction, and mining and quarrying activities also contracted substantially during this period. However, electricity, gas, steam and air conditioning supply, and water collection, treatment and supply activities positively contributed to the overall performance of Industry activities.

The prolonged energy crisis and the short supply of key raw materials adversely affected the performance of manufacturing activities, leading to a contraction of 6.2%, in value-added terms, during the first half of the year. The noticeable contraction in the manufacture of

food, beverages and tobacco products by 9.9% during the first half of 2022 dragged down the growth in overall manufacturing activities. Further, the manufacture of other non-metallic mineral products, rubber and plastic products, chemical and chemical products, and coke and refined petroleum products also contracted during this period. However, the manufacture of textiles, wearing apparel, leather and other related products expanded by 9.1% during the first half of the year.

The shortages of building materials and energy, elevated prices of inputs, severe cash flow constraints and suspension of government-funded projects led to a substantial decline of 8.9% in construction activities during the first half of the year. Moreover, mining and quarrying activities which are highly correlated with construction activities, also contracted by 13.1% during this period, primarily affected by the setback in construction activities.

Index of Industrial Production (IIP)

During the eight months ending August 2022, the IIP consistently recorded y-o-y contractions, with the exception of February 2022. Accordingly, significant contractions were recorded in the key IIP sectors of manufacture of food products, manufacture of other non-metallic mineral products, manufacture of textiles, and manufacture of basic metal categories, while most of the other minor subsectors also recorded overall contractions during the period. Notably, the substantial

Figure 2.2
Index of Industrial Production (IIP)



Source: Department of Census and Statistics

negative performance of the subsector of manufacture of coke and refined petroleum products, except in February and March 2022, also kept the overall index performance suppressed due to prolonged refinery shutdowns that were undertaken during the period due to limited importation of crude oil. However, certain subsectors, such as manufacture of wearing apparel, manufacture of chemical and chemical products and beverages and tobacco products that account for around 30% of the index, recorded overall growths during the period, despite some occasional declines.

Industrial Policies and Institutional Support

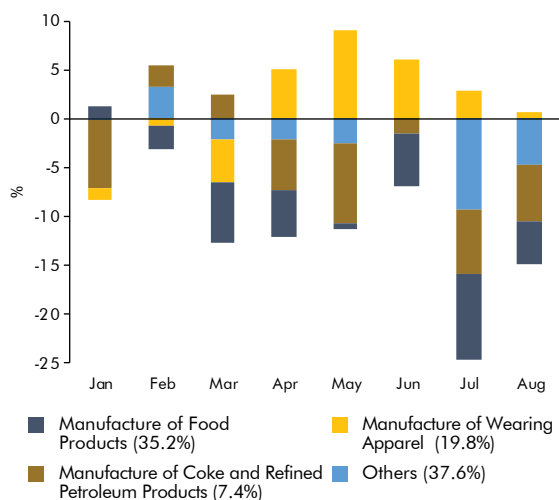
Policy initiatives of the Government focused on the sustenance and upliftment of the industry sector were continued at a modest pace during the year. In a bid to improve the policy focus and strategic direction of the Industry sector, the Government continued to pursue the development of the *National Policy for Industrial Development*. Initiatives were also underway by the National Innovation Agency during the year to encourage innovation-driven industrial development with a special focus on the identification of gaps pertaining to the commercialisation of intellectual property in Sri Lanka, while a project was founded on creating a unique brand for home-grown Sri Lankan products.

Amidst the ongoing economic crisis, government agencies have initiated several measures collaboratively with private and international agencies to overcome the issues stemming in the industry sector. Accordingly,

to address problems encountered with regulatory limitations, such as import restrictions and mandatory conversion of export proceeds, several discussions were held with the relevant stakeholders, in particular, a directive was obtained by the BOI from the Central Bank on the applicability of the new Foreign Exchange Act on foreign exchange transactions of BOI companies. Further initiatives have been taken by the Ministry of Industries and BOI to issue recommendation letters considering priority criteria for the importation of raw materials under open account payment basis and supplying the fuel needed for industrial factories through depots of the Sri Lanka Transport Board. Meanwhile, the Central Bank requested licensed banks to provide appropriate concessions on credit facilities for a period of six months from July 2022 onwards considering the adverse impact of macroeconomic challenges and the COVID-19 pandemic on a case-by-case basis including the affected borrowers in the Micro, Small and Medium Enterprises Sector.

Driven by worsening macroeconomic imbalances, foreign investments made under the BOI have declined notably by around 34% during the first half of 2022, reiterating the need for urgent policies targeted at ensuring a business conducive environment for sustainable growth in the industrial sector. Therefore, the BOI and the EDB continued their efforts to attract FDI into the Industry sector throughout the period. The EDB has developed a National Export Brand and a 5-year promotional plan to promote several earmarked export sectors in the economy including apparel, gem and jewellery, electronic and electronic products, rubber and rubber base products, and boat and boat building. Investor facilitation initiatives also progressed during the year with the establishment of a new business partnership database to serve as a platform to connect local and international enterprises to assist firms, research institutions, and start-ups in locating the best partners for their next business proposals or innovations. Further, a specialised unit was also established to expedite investment approval processes by providing a common platform for investors to obtain relevant agency approvals. Moreover, promotional events, including trade fairs, market linkage creating programmes, awareness sessions, and capacity building programs, were also conducted targeting export-oriented businesses, while several market

Figure 2.3
Contribution to y-o-y Change in IIP



Note: Figures in parenthesis are the weights of subsectors in IIP
Source: Department of Census and Statistics

studies related to the Commonwealth of Independent States, African, and Middle East countries were also conducted in an attempt to identify novel market opportunities.

Amid the disproportionate impact that SMEs are likely to encounter in the current economic crisis, several concerns have been raised regarding the need for efforts to sustain SMEs with due consideration of the immense contribution of SMEs to the economy. Although efforts have been made to extend financial and non-financial support to SMEs through bilateral agencies, a detailed assessment of the contemporary needs and challenges faced by SMEs is imperative to ensure their survival and contribution to the recovery process, especially in the short-term. An essential aspect of the revitalisation agenda should be the reorientation of SMEs to move towards high value added and niche products that can not only cater to the export market but also fill the lacuna for the same within the domestic market. In this regard, concerted initiatives are required by government agencies to help fast track the modernisation of SMEs and embrace digital platforms to facilitate their access to global export markets and, in the medium-term, position themselves on global value chains pertaining to several products in which Sri Lanka already possess innate potential, such as apparel, textiles, agricultural products, and traditional crafts, among others. Moreover, drastic reforms in the existing Technical and Vocational Education and Training sector aligning their curriculums with the global value chains related industrial demand will also be needed to address the skill gaps in the SME sector. Further, urgent measures are needed to introduce performance-based incentive schemes for the SME sector, thereby facilitating the progress in overall productivity of the SMEs over the medium to long run.

Agriculture

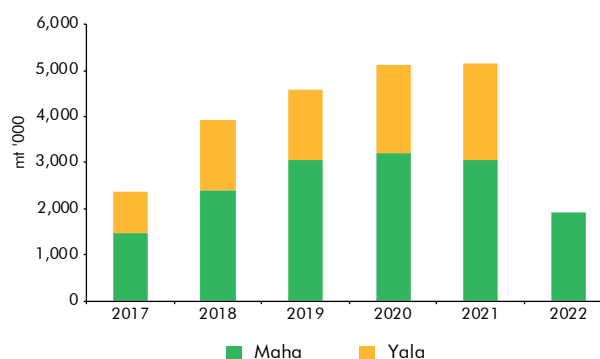
The significant decline in the growing of rice, tea and vegetables was driven by the short supply of fertiliser, which led to a setback in the value-added of Agriculture activities during the first half of 2022. Further, fishing activities, animal production, growing of other cereals, rubber, and forestry and logging activities also contracted during this period. However, growing of oleaginous fruits (coconut, king coconut, oil palm),

spices, plant propagation and other perennial crops contributed positively towards the overall performance of Agriculture activities.

The short supply of required fertilizer hampered major crops, leading to a notable contraction in Agriculture activities during the first half of the year...

Agriculture activities exhibited a subdued performance during the eight months ending August 2022, primarily due to the acute shortages in agricultural inputs, particularly fertilisers and other agrochemicals, and rising production costs as well as disruptions to the energy supply amidst the economic crisis. Recording the lowest Maha production since the 2016/2017 Maha season, the total paddy production registered a y-o-y decline of 36.9% to 1.9 mn mt in the 2021/2022 Maha season, compared to the bumper harvest of 3.1 mn mt recorded during the 2020/2021 Maha season. Further, vegetable production recorded a y-o-y decline of 6.5% in the first half of 2022, while other field crop production also reported a significant y-o-y decline of 37.8% in the first half of 2022. In the plantation sector, tea and rubber production recorded notable y-o-y contractions of 19.2% and 13.8%, respectively, during the eight months ending August 2022. Tea production in all three elevations of high grown, medium grown, and low grown recorded declines mainly due to the limited availability of fertilisers and agrochemicals and fuel shortages. The decline in rubber production was driven by the combined effect of adverse weather

Figure 2.4
Paddy Production



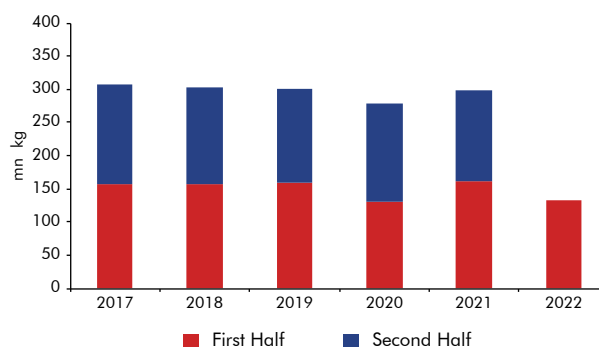
Source: Department of Census and Statistics

conditions that prevailed in rubber growing areas, the fast spreading of a fungal disease, and shortages of fertiliser and other inputs. Meanwhile, tea and rubber auction prices increased significantly thus far in 2022 and reached historically high levels during the third quarter of the year. During the eight months ending August 2022, coconut and coconut-based products registered a y-o-y growth of 12.3% in total nut production supported by the lagged effect of favourable weather conditions that prevailed throughout 2021, while the current low levels of fertiliser application in the coconut sector would result in low yields in coming years. Meanwhile, the fishing sector was adversely affected by disrupted fishing and supply chain activities owing to fuel shortages and power outages. Accordingly, the total fish production declined by 9.7% (y-o-y) during the eight months ending August 2022 following a notable y-o-y decline of 15.5% in marine fish production that accounted for around 72% of total fish production. However, inland fishing activities registered a y-o-y growth of 9.1% during the period under review. During the first half of the year, the livestock sector also observed a subdued performance as the progress in the sector was hampered by inadequate feed materials, both imported and domestically produced, together with cost of production escalation, thereby pressurising domestic retail prices to record highs.

Agriculture Policies and Institutional Support

Amidst growing food security challenges in the country, several measures were implemented by the Government to ensure the availability and affordability of agriculture supply, while supporting the livelihood of farmers. The Government intermittently intervened in the paddy and rice markets in its effort to reduce price volatility and ensure supply continuity. Accordingly, under the paddy purchasing programme of the PMB, a stock 71,280 mt of paddy was purchased for the 2021/2022 Maha season at a rate of Rs. 90.00/kg for Nadu, Rs. 92.00/kg for Samba, and Rs. 95.00/kg for Keeri Samba. Further, considering the escalation of cost of production in the paddy sector, the guaranteed purchase prices for a kilogramme of Samba, Nadu, and Keeri Samba increased to Rs. 125.00, Rs. 120.00, and Rs. 130.00, respectively, in the 2022 Yala season. Under the revised guaranteed prices, a stock of around 30,000 mt of paddy of 2022 Yala were expected to

Figure 2.5
Tea Production



Source: Sri Lanka Tea Board

be purchased by the PMB. Nevertheless, the absence of adequate funds with the PMB to purchase paddy had significantly curbed any progress in the paddy purchasing programme of the Government, with only 7,076 mt having been purchased in the 2022 Yala season, thereby compelling farmers to sell their harvest at low prices to large private millers. Meanwhile, to curtail the rapid acceleration in retail prices of rice, MRPs for Nadu, Samba, and Keeri Samba were imposed at Rs. 220.00/kg, Rs. 230.00/kg, and Rs. 260.00/kg, respectively, with effect from 02 May 2022. However, local market prices remained well above the MRPs with continued upward price pressure, despite the price ceilings. Further, an extraordinary gazette was issued in June 2022 banning selling, storing, transporting, distribution and purchasing of rice or paddy for manufacturing animal feed following the drop in local production. Meanwhile, 596,502 mt of rice were imported during the eight months ending August 2022 with the aim of ensuring rice availability with minimum price fluctuations in the domestic market.

Several measures have been taken by the Government to improve availability and affordability of agricultural supply ...

With due consideration to the adverse effects of inadequate fertiliser availability constrained by the lack of foreign currency liquidity for fertiliser importation and the sudden suspension of chemical fertiliser for agriculture activities, the Government expedited measures to provide chemical fertiliser since the third

quarter of 2022. Although the ban on the importation of inorganic fertilisers and other agrochemicals was revoked towards the latter part of 2021, the fertiliser importation continued to remain low with the dearth of domestic foreign exchange liquidity raising concerns about overall agricultural production. In this background, the Government procured around 65,000 mt of urea fertiliser under the Indian Credit Line during July-August 2022, of which, around 30,000 mt of urea has already been distributed for paddy cultivation in the 2022 Yala season, while the remainder is expected to be distributed for the 2022/2023 Maha season. During the Yala season of 2022, a 50 kg sack of urea fertiliser was given to paddy farmers at a subsidised price of Rs. 10,000. Further, measures have been taken to provide fertilisers for maize farmers in major growing districts, including Monaragala, Kurunegala, and Anuradapura, since the latter part of the third quarter of 2022. In addition, the Ministry of Agriculture has agreed to provide around 15,000 mt of urea obtained under the Indian Credit Line for tea cultivation, and these are being distributed to tea growers, while the Cabinet of ministers granted approval to ease restrictions on glyphosate importation for plantation crops. Yet, given the persistent macroeconomic challenges together with elevated levels of global fertiliser prices, the availability of chemical fertiliser remains far below the annual fertiliser requirement of the agriculture sector, heightening continuing concerns about poor harvest, livelihoods of farming communities, and food security of the country, thereby affecting the long run wellbeing of the population. Therefore, urgent measures are needed to restore the resilience and sustainability of the agriculture sector, with a view to safeguarding livelihoods of the farmers, while minimising possible risks to food security specially among vulnerable segments of the population. Accordingly, concerted efforts are needed to develop a sustainable agriculture system that can deliver economic profitability, preserve environmental health, and ensure social equity in the medium to long run.

Developments in Key Economic Activities as reflected by the Purchasing Managers' Index Surveys

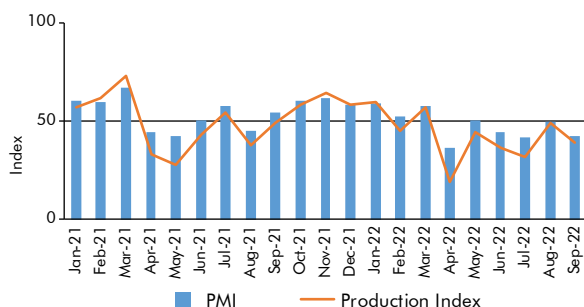
The PMI for manufacturing activities denoted subdued performance on average, particularly during the second and third quarters with a gloomy outlook

for the rest of the year due to both supply and demand side impediments. Nevertheless during the first three months of the year, Manufacturing PMI remained above the neutral threshold denoting m-o-m improvements in manufacturing activities. This was supported by the favourable developments reported in New Orders, Production, and Employment sub-indices. However, supply-side impediments, limited availability of foreign exchange in the banking system that affected the importation of raw materials, interruptions to the electricity supply, and shortage of fuel, adversely affected the manufacturing activities starting from April 2022, resulting in a contraction in PMI in all the months of second and third quarters. Accordingly, production declined continuously since April on a m-o-m basis, although supply-side impediments were eased off to a certain extent in the latter part of the period. Meanwhile, manufacturing subsectors primarily catering to the domestic market were highly affected by difficulties faced in sourcing imported material due to limited availability of foreign exchange in the banking system, compared to the export-oriented subsectors such as Textiles and wearing apparel as they possess foreign exchange earnings. Moreover, the scheduled power outages and fuel shortages adversely affected most of the manufacturing firms responding to the survey. Many manufacturing firms, particularly those involved in manufacturing discretionary consumer items, mentioned

The expansion in both Manufacturing and Services PMIs during the first quarter was hampered by the supply-side impediments since April. However, since August, Services PMI bounced back while Manufacturing PMI remained contracted...

that they experienced a weaker demand, mostly due to the deterioration of consumer purchasing power amidst a high inflationary environment. As per the September survey round, expectations for manufacturing activities for the fourth quarter of the year indicated a contraction, as manufacturers are concerned over the subdued demand conditions, particularly on the external front following the fear of recession in the export destinations, in addition to the weaknesses in the domestic front.

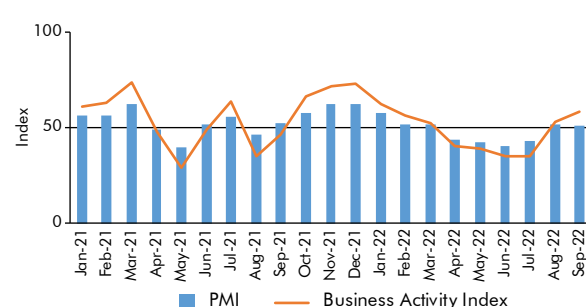
Figure 2.6
Purchasing Managers' Index (PMI) - Manufacturing (a)



(a) PMI is based on a perception survey which captures monthly developments compared to the previous month. This is a diffusion index ranging from 0-100 where an index value above the neutral level of 50 denotes an expansion, while a value below 50 denotes a contraction in the respective activity in general.

Source: Central Bank of Sri Lanka

Figure 2.7
Purchasing Managers' Index (PMI) - Services (a)



(a) PMI is based on a perception survey which captures monthly developments compared to the previous month. This is a diffusion index ranging from 0-100 where an index value above the neutral level of 50 denotes an expansion, while a value below 50 denotes a contraction in the respective activity in general.

Source: Central Bank of Sri Lanka

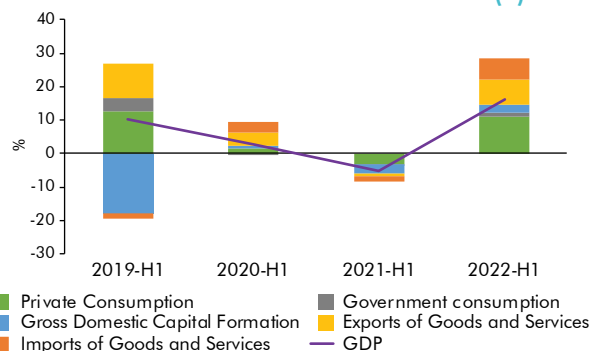
Meanwhile, PMI for Services activities indicated an expansion during the first quarter, while it decreased throughout the second quarter owing to the supply-side constraints and then bounced back during the latter part of the third quarter with a positive outlook for the fourth quarter of the year. The m-o-m expansion in the PMI for Services activities during the first quarter was driven by the increase in New Businesses and Business Activities. Within the sub-activities, improvements were reported in transportation, accommodation, food and beverage services, and other personal services activities on a m-o-m basis during this period. However, during the second quarter, business activities in the Services sector deteriorated as mirrored by the PMI. In this regard, Business Activities in most of the subsectors, especially that of accommodation, food and beverage services, were adversely affected by the prolonged power outages and difficulties in sourcing fuel and gas. Further, political uncertainty and social unrest coupled with severe fuel shortages dampened many subsectors, including transportation, accommodation, food and beverage services, other personal activities, education, and wholesale and retail trade. During the third quarter, PMI bounced back to the expansionary path in August on a m-o-m basis, following the gradual restoration of fuel supply. However, notably, wholesale and retail trade activities continued to contract on a m-o-m basis, mainly attributable to the deteriorating purchasing power of consumers. Meanwhile, as per the September survey round, Expectations for Business Activities for the fourth quarter of the year increased, indicating a relatively favourable outlook.

2.2 Expenditure

GDE, the aggregate of consumption and investment expenditure of the economy, recorded a growth of 21.0% at current market prices during the first half of 2022 owing to the high inflationary environment that prevailed throughout the period, compared to 18.4% growth recorded in the corresponding period of 2021. This growth was largely driven by a 25.7% increase observed in the consumption expenditure which recorded an increase of 14.5% in the corresponding period of 2021. Soaring prices of consumer goods, especially that of food items, have significantly contributed to this growth in consumption expenditure. Meanwhile, investment expenditure increased by 10.9% during the first half of 2022, compared to the 27.4% increase recorded in the same period of 2021. Significant increase in material cost, especially related to the construction field, mainly contributed to this nominal increase in investment expenditure. Moreover, net external demand improved by 24.7% during the first half of 2022, following the 76.7% increase in the export of goods and services, compared to 40.4% increase in the import of goods and services. Accordingly, GDP at current market prices increased by 24.8% during the first half of 2022, compared to the 16.1% increase recorded in the corresponding period of 2021.

The soaring prices of consumer goods and investment goods led the higher growth in domestic expenditure in nominal terms while the surge in exports strengthened net external demand...

Figure 2.8
Expenditure Category-wise Contribution to GDP Growth at Current Market Prices (a)



(a) The data are based on the base year 2015 GDP estimates

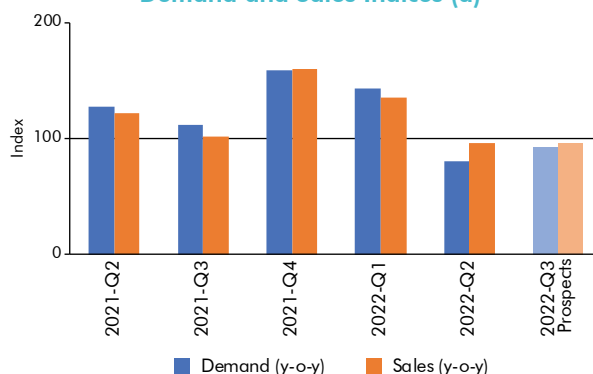
Sources: Department of Census and Statistics
Central Bank of Sri Lanka

However, considering the estimates at constant prices, consumption expenditure recorded a marginal contraction of 0.7% during the first half, affected by the decline in purchasing power in a high inflationary environment while investment expenditure recorded a considerable decline of 30.7%. However, net external demand recorded a substantial growth of 77.2% at constant prices, as a combined output of the significant contraction in the import of goods and services, as well as the higher increase in the export of goods and services. Subsequently, at constant prices, GDP recorded a contraction of 4.8% during the first half of 2022.

Developments reflected in the Business Outlook Survey

As per the results of the BOS conducted by the Central Bank on a quarterly basis, it is suggested a gradual deterioration in most of the indicators related to the expenditure side as the year progressed, hampered mainly by the supply-side constraints. The balance of opinion on both demand and sales indicated some improvement during the first quarter of 2022, yet contracted during the second quarter, compared to the corresponding periods of 2021. This decline in demand and sales during the second quarter was largely affected by the numerous supply-side constraints that prevailed during the quarter. The balance of opinion on capacity utilisation and investment also improved during the first quarter. However, those deteriorated during the second quarter, in line with the subdued performance seen in sales and demand, compared to the corresponding periods of 2021. The deterioration in the key indicators, including investment and capacity utilisation during the second quarter of the year was mainly attributable to

Figure 2.9
Demand and Sales Indices (a)



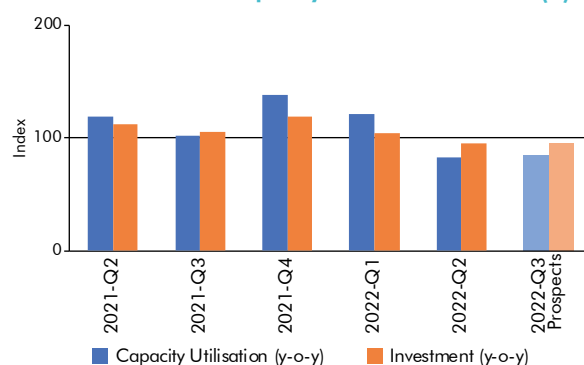
(a) These indices are derived from the Business Outlook Survey and ranges from 0-200 where an index value above the neutral level of 100 denotes an improvement, while a value below 100 denotes a deterioration in the business sentiment

Source: Central Bank of Sri Lanka

the supply-side constraints including power outages, shortages in raw materials and fuel, and the uncertainty that prevailed in the country. In the meantime, respondents expect demand, sales, investment and capacity utilisation to deteriorate further during the third quarter, compared to the relevant period in the previous year.

Social unrest and political instability, followed by several supply-side impediments have affected the performance of key indicators of BOS, particularly during the second quarter of the year, while prospects for the third quarter also remain subdued...

Figure 2.10
Investment and Capacity Utilisation Indices (a)



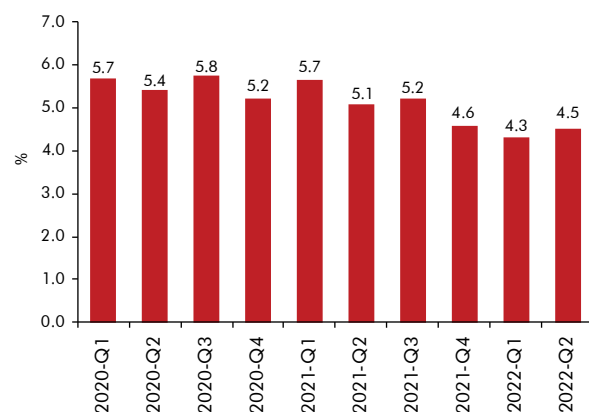
(a) These indices are derived from the Business Outlook Survey and ranges from 0-200 where an index value above the neutral level of 100 denotes an improvement, while a value below 100 denotes a deterioration in the business sentiment

Source: Central Bank of Sri Lanka

2.3 Employment

Most of the labour market indicators improved during the first half of 2022 with the easing off of pandemic-driven disturbances, which kept labour away from the market during the first half of 2021. Yet labour productivity declined during the first half of 2022, reflecting the contraction in economic activities. The labour force, which is the economically active population, increased by 0.9% to 8.669 mn in the first half of 2022 from 8.594 mn recorded in the first half of 2021. Accordingly, the economically inactive population decreased to 8.447 mn in the first half of 2022 from 8.465 mn recorded in the corresponding period of the previous year. Due to the higher growth of the labour force in comparison to the marginal growth in the household population on a y-o-y basis, the labour force participation rate, which is the ratio of the labour force to the household population, increased slightly to 50.6% in the first half of 2022 from 50.4% recorded in the first half of 2021. Moreover, the employed population increased by 1.9% to 8.283 mn in the first half of 2022 from 8.132 mn recorded in the corresponding period of 2021, reflecting an improvement in the creation of new employment opportunities, especially during the first quarter of 2022. Consequently, the unemployment rate declined to 4.5% in the first half of 2022 from 5.4% recorded in the first half of 2021 while the unemployed population also declined to 0.386 mn in the first half of 2022 from 0.462 mn recorded in the first half of 2021. When considering productivity, which is the ratio of GDP to number of hours worked, the highest decline was recorded in the Industry activities, followed by Services and Agriculture activities. The considerable contraction of productivity in Industry activities was evident with the highest increase in number of employees and the highest contraction of GDP reported in the Industry activities. The number of employees in the Services activities increased

Figure 2.11
Unemployment Rate



Source: Department of Census and Statistics

marginally with a contraction in Services growth leading to a productivity loss. Meanwhile, even though a decline in employment was reported in Agriculture activities, the higher contraction in agriculture production led to a decline in the productivity of Agriculture activities as well.

Departures for foreign employment increased significantly to 151,336 in the first half of 2022 from 30,599 in the corresponding period of the previous year, which could be attributable to the people leaving for foreign employment for better prospects owing to the economic crisis faced by the country and the gradual creation of job opportunities in the global market after the pandemic. The male and female departures for foreign employment consisted of 60.7% and 39.3%, respectively, of the total departures for foreign employment in the first half of 2022. Meanwhile, considering the number of departures by skill categories, skilled labour, unskilled labour and housemaid departures reported the highest change during the first half of 2022, compared to the corresponding period of 2021.

With the easing of pandemic related disturbances, the labour market indicators have improved...

The economic crisis has led the people to move to foreign countries for all type of job categories...

Table 2.1
Trends in Paddy Production and Prices

Category	Unit	2021 First Half (a)	2022 First Half (b)	Change %
1. Paddy Production	mt '000	3,061	1,931	-36.9
2. Net Extent Harvested	hectares '000	682	685	0.5
3. Yield Per Hectare (c)	kg/hectare	4,492	2,819	-37.3
		2021 Jan-Aug (a)	2022 Jan-Aug (b)	Change %
4. Paddy Price				
Samba	Rs./kg	60.58	109.68	81.0
Nadu	Rs./kg	52.75	109.20	107.0
5. Rice - Retail Price				
Samba	Rs./kg	132.20	202.19	52.9
Nadu	Rs./kg	112.72	201.16	78.5
6. Rice Imports	mt '000	10	597	6,176.6

(a) Revised
(b) Provisional
(c) Yield per hectare is calculated by dividing total production by the net extent harvested.

Sources: Department of Census and Statistics
Hector Kobbekaduwa Agrarian Research
and Training Institute
Sri Lanka Customs
Central Bank of Sri Lanka

Table 2.2
Trends in Vegetables, Other Field Crops and Sugar Production

Category	Unit	2021 First Half (a)	2022 First Half (b)	Change %
1. Vegetables				
1.1 Production	mt '000	872	815	-6.5
1.2 Extent Cultivated	hectares '000	67	65	-3.0
2. Other Field Crops				
2.1 Production	mt '000	597	371	-37.8
2.2 Extent Cultivated	hectares '000	149	132	-11.1
3. Sugar				
3.1 Production	mt '000	38	43	13.0
3.2 Extent Cultivated (with Ratoons) (c)	hectares '000	14	15	2.0

(a) Revised
(b) Provisional
(c) Includes Nucleus Estates and Allottees

Sources: Department of Census and Statistics
Lanka Sugar Company (Pvt) Ltd. – Pelwatte Unit
Lanka Sugar Company (Pvt) Ltd. – Sevanagala Unit
Galoya (Hingurana) Sugar Industries Ltd.
Ethimale Plantation (Pvt) Ltd.

Table 2.3
Trends in Livestock Sector Production

Sub sector	Unit	2021 First Half (a)	2022 First Half (b)	Change %
1. National Milk Production	mn litres	203	185	-9.1
Cow Milk	mn litres	177	159	-9.9
Buffalo Milk	mn litres	27	26	-3.9
2. Egg Production	mn	1,345	1,248	-7.2
3. Poultry Meat Production	mt '000	115	123	6.7

(a) Revised
(b) Provisional

Source: Department of Animal Production and Health

Table 2.4
Trends in Fish Production

Category	Unit	2021 Jan-Aug (a)	2022 Jan-Aug (b)	Change %
Production	kg mn	284	257	-9.7
Marine	kg mn	217	184	-15.5
Coastal and Lagoon	kg mn	114	98	-14.0
Off-shore	kg mn	103	85	-17.0
Inland Fisheries	kg mn	67	73	9.1
Capture	kg mn	53	57	7.0
Aquaculture	kg mn	4	5	31.1
Shrimp Farms	kg mn	10	11	12.1

(a) Revised
(b) Provisional

Source: Ministry of Fisheries

Table 2.5
Trends in Tea, Rubber and Coconut Production and Prices

Item	Unit	2021 Jan-Aug (a)	2022 Jan-Aug (b)	Change %
1. Tea				
1.1 Production (c)	kg mn	212	171	-19.2
High Grown	kg mn	48	39	-18.1
Medium Grown	kg mn	37	28	-25.1
Low Grown	kg mn	128	105	-17.8
1.2 Average Price				
Colombo Auction	Rs./kg	620.20	1,156.68	86.5
Export (FOB)	Rs./kg	925.90	1,470.54	58.8
2. Rubber				
2.1 Production	kg mn	56	48	-13.8
Sheet	kg mn	28	24	-14.6
Crepe	kg mn	9	10	4.2
Other	kg mn	19	15	-21.3
2.2 Average Price				
Colombo Auction (RSS 1)	Rs./kg	448.60	618.65	37.9
Export (FOB)	Rs./kg	511.46	813.85	59.1
3. Coconut				
3.1 Production (d)	nuts mn	2,035	2,285	12.3
Desiccated Coconut (e)	nuts mn	182	220	20.7
Coconut Oil (e)	nuts mn	148	300	102.4
Virgin Coconut Oil (e)	nuts mn	130	148	13.9
Copra Exports (e)	nuts mn	2	5	151.7
Fresh Nut (e)	nuts mn	9	8	-16.1
Coconut Cream, Milk Powder and Milk (e)	nuts mn	341	372	9.1
Domestic Nut Consumption (f)	nuts mn	1,223	1,232	0.8
3.2 Average Price				
Retail	Rs./nut	84.74	88.59	4.5
Colombo Auction	Rs./nut	57.26	57.43	0.3
Export (FOB) (g)	Rs./nut	66.45	88.09	32.6

(a) Revised
(b) Provisional
(c) Elevational categories - Low grown - 0 to 610 metres above Mean Sea Level (MSL)
Medium grown - 610 to 1,220 metres above MSL
High grown - over 1,220 metres above MSL
(d) Estimate (breakdown does not add up to total production due to adjustment for changes in stocks)
(e) In nut equivalent, converted at
1 mt Desiccated Coconut 8,960 nuts
1 mt Coconut Oil 9,250 nuts
1 mt Virgin Coconut Oil 13,700 nuts
1 mt Copra 5,500 nuts
1 mt Coconut Milk Powder 16,000 nuts
1 mt Coconut Cream 8,960 nuts
1 mt Coconut Milk 4,000 nuts
(f) As per the Household Income and Expenditure Survey - 2019, per capita consumption is estimated at 85.44 nuts per annum (excludes industrial usage)
(g) Three major coconut kernel products only

Sources: Sri Lanka Tea Board
Rubber Development Department
Coconut Development Authority
Department of Census and Statistics
Colombo Tea Brokers' Association
Ceylon Chamber of Commerce
Sri Lanka Customs
Central Bank of Sri Lanka

Table 2.6
Index of Industrial Production (IIP) (2015=100)

ISIC 2digit	Item (a)	First Quarter 2022 (b)	Second Quarter 2022 (b)	Change %	
				First Quarter 2021/22 (b)	Second Quarter 2021/22 (b)
10	Manufacture of Food Products (35.2%)	101.0	93.7	-7.4	-8.8
11	Manufacture of Beverages (3.8%)	141.8	123.0	16.5	36.7
12	Manufacture of Tobacco Products (1.7%)	83.5	87.9	3.7	45.9
13	Manufacture of Textiles (3.3%)	120.6	101.3	-7.8	-19.7
14	Manufacture of Wearing Apparel (19.8%)	101.7	102.7	-10.9	41.8
15	Manufacture of Leather and Related Products (0.3%)	96.1	77.9	0.1	23.7
16	Manufacture of Wood and of Products of Wood and Cork, Except Furniture; Manufacture of Articles of Straw and Plaiting Material (0.2%)	115.9	42.8	11.1	-40.7
17	Manufacture of Paper and Paper Products (1.7%)	76.7	40.6	-31.3	-42.3
18	Printing and Reproduction of Recorded Media (1.4%)	145.3	93.8	-6.9	4.4
19	Manufacture of Coke and Refined Petroleum Products (7.4%)	41.5	19.9	-19.1	-75.6
20	Manufacture of Chemicals and Chemical Products (4.1%)	107.0	112.8	16.9	30.4
21	Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparations (0.1%)	110.3	83.9	-3.0	-29.2
22	Manufacture of Rubber and Plastic Products (5.7%)	104.6	100.7	0.4	0.9
23	Manufacture of Other Non-metallic Mineral Products (7.8%)	138.0	110.6	2.3	-14.3
24	Manufacture of Basic Metals (2.4%)	129.5	88.9	-10.3	-28.0
25	Manufacture of Fabricated Metal Products (Except Machinery and Equipment)(1.3%)	125.7	72.2	-6.4	-41.0
26-27	Manufacture of Electrical Equipment (2.0%)	91.0	61.1	-7.9	-10.9
28	Manufacture of Machinery and Equipment n.e.c. (0.7%)	151.4	138.5	27.0	13.3
31	Manufacture of Furniture (0.8%)	79.9	69.0	-13.5	3.0
29-30 32-33	Other Manufacturing (0.3%)	64.9	58.3	-12.3	-10.2
Index of Industrial Production		103.1	91.7	-5.4	-3.4

(a) Weights applicable for each division are in parenthesis

Source: Department of Census and Statistics

(b) Provisional

Note: IIP is compiled by the Department of Census and Statistics with the base year 2015 and classified in accordance with the International Standard Industrial Classification (ISIC) Revision 4

n.e.c.- Not Elsewhere Classified

Table 2.7
Expenditure on Gross Domestic Product at Current Market Prices (a)(b)

Rs. mn

Item	2020	2021		2022	Change %	
		First Half	Annual		First Half 2020/21	First Half 2021/22
1. Private Consumption Expenditure	9,840,226	5,504,708	11,089,403	6,982,118	16.1	26.8
2. General Government Consumption Expenditure	1,626,883	830,318	1,660,737	982,433	5.2	18.3
3. Gross Domestic Capital Formation	5,339,030	3,001,347	6,236,763	3,328,925	27.4	10.9
4. Exports of Goods and Services	2,418,542	1,312,659	2,980,263	2,318,909	10.4	76.7
5. Less: Imports of Goods and Services	3,384,516	2,043,782	4,281,313	2,869,204	23.0	40.4
Gross Domestic Product	15,840,164	8,605,251	17,685,854	10,743,181	16.1	24.8

(a) The data are based on the base year 2015 GDP estimates

Sources: Department of Census and Statistics
Central Bank of Sri Lanka

(b) Provisional

Table 2.8
Labour Force, Employment and Unemployment

Item	2020	2021		2022 (a)
		First Half	Annual	First Half
Household Population, '000 (Aged 15 years and above)	16,739	17,059	17,134	17,116
Labour Force, '000	8,467	8,594	8,553	8,669
Employed, '000	7,999	8,132	8,114	8,283
Unemployed, '000	468	462	440	386
Labour Force Participation Rate (% of Household Population)	50.6	50.4	49.9	50.6
Unemployment Rate (% of Labour Force)	5.5	5.4	5.1	4.5

(a) Provisional

Sources: Department of Census and Statistics
Central Bank of Sri Lanka

Abbreviations and Acronyms

BOI : Board of Investment
BOS : Business Outlook Survey
EDB : Export Development Board
FDI : Foreign Direct Investment
GDE : Gross Domestic Expenditure
GDP : Gross Domestic Product
IIP : Index of Industrial Production
mn : million

m-o-m : Month-on-Month
MRPs : Maximum Retail Prices
mt : Metric Tonnes
PMB : Paddy Marketing Board
PMI : Purchasing Managers' Index
SME : Small and Medium Enterprises
y-o-y : Year-on-Year