

## 1. National Income and Economic Growth

Economic growth as measured by the expansion in real Gross Domestic Product accelerated from 4.3 per cent in 1999 to 6.0 per cent in 2000.

- ▲ This was the outcome of the beneficial response of the Sri Lankan economy to the improved external economic environment as achieved by a 4.7 per cent growth in the world economy and 12.5 per cent in world trade in 2000.
- ▲ Growth was recorded in all major sectors, markedly so in export agriculture, manufacturing and support services such as trade, transport and utilities.
- ▲ The services sector accounted for the largest share of GDP, followed by agriculture and manufacturing.
- ▲ In spite of the projected slowing down in the world economy, the adverse impact of the delayed monsoon and temporary high interest rates, the economy is expected to record a 4.5 per cent growth in 2001.

**GDP Growth**

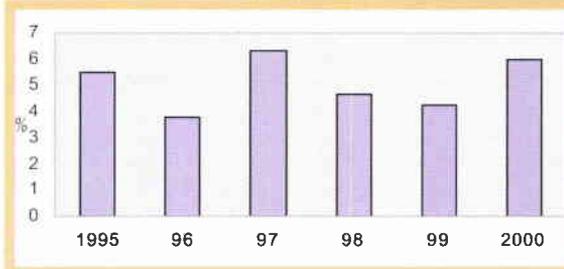


Chart 1.1

**Sectoral Contribution to GDP in 2000**

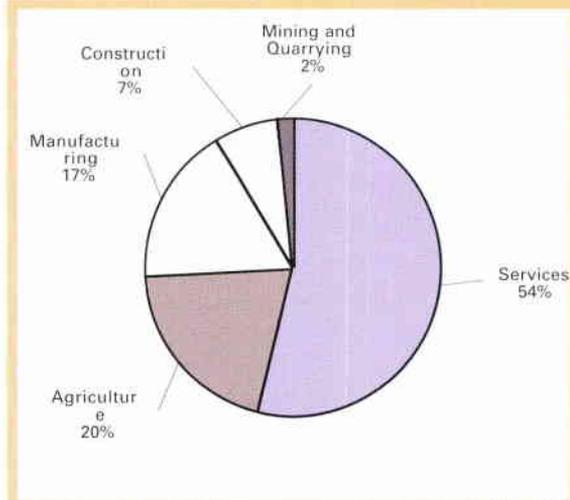
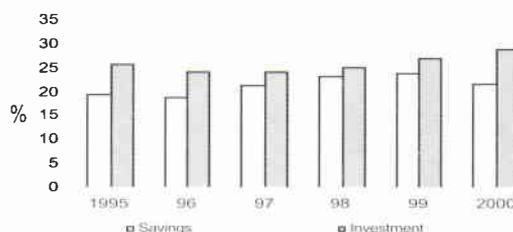


Chart 1.2

*A continuous expansion was observed in investments. In 2000, gross investment reached Rs.368 billion, a 22.1 per cent increase. Of this total, 78 per cent was private investment, while the balance was government sector investment.*

- ▲ Investment/GDP ratio in 2000 was 29.1 per cent, well above the 27.2 per cent in 1999.
- ▲ Private investment as a share of GDP rose to 22.8 per cent in 2000, from 20.7 per cent in 1999; government investment remained unchanged at 6.4 per cent of GDP.
- ▲ A large number of private sector and public sector investment projects in port services, telecommunication, aviation, energy, transport and road construction were implemented to improve infrastructure facilities.
- ▲ Domestic savings were Rs.224 billion in 2000. This was a marginal increase of 1.8 per cent over 1999.
- ▲ Private savings improved at a higher rate of 15.2 per cent, while government savings remained negative.
- ▲ Private savings/GDP ratio increased from 20.8 per cent in 1999 to 21 per cent in 2000. However, the domestic savings/GDP ratio dropped in 2000 to 17.7 per cent from 19.8 per cent due to an increase in dissavings by the government.
- ▲ Reflecting the drop in domestic savings/GDP ratio, national savings (the sum of domestic savings, net foreign transfers and net factor income) as a percentage of GDP dropped in 2000 to 21.7 per cent from 23.8 per cent in 1999.

**National Savings and Investment as a % of GDP**



**Chart 2.1**