

# Sri Lanka Prosperity Index - 2020

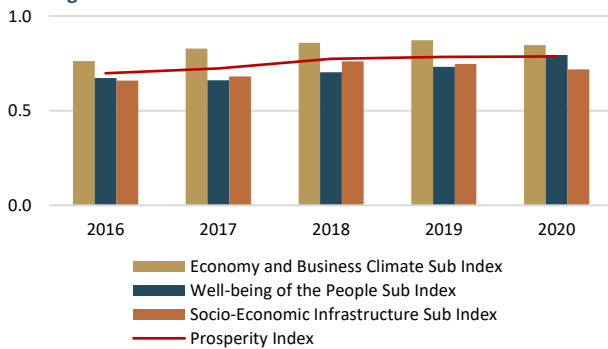


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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

## National Prosperity

Sri Lanka Prosperity Index<sup>1</sup> (SLPI), marginally increased to 0.786 in 2020 compared to 0.783 recorded in 2019. The ‘Well-being of the People’ sub-index improved amidst the COVID-19 pandemic, while decreases were observed in ‘Economy and Business Climate’ and ‘Socio-Economic Infrastructure’ sub-indices, during the year.

Figure 1 - Movements of SLPI and Sub-Indices: 2016 – 2020



Source: Central Bank of Sri Lanka

Improvements to healthcare facilities and more opportunities created for higher education indicated by an increase in the quota of students enrolled for the state universities, have contributed to the increase in Well-being of the People sub-index. In addition, enhanced quality of air and cleanliness of environment derived as side effects of declined industrial activities, reduced vehicle emission and limited mobility of people during the pandemic were also identified as key determinants for the increase recorded within the sub-index.

With the adverse effects of COVID-19 pandemic, increase in unemployment in both formal and informal employment categories, and decrease in gross domestic product caused by the subdued performance in economic activities were the key reasons for the decline in Economy and Business Climate sub-index in 2020.

Deceleration in transportation with the pandemic driven lockdowns and travel restrictions imposed during the year, along with the significant reduction in the usage of public transportation due to health risks were the main factors for the decline in Socio-Economic Infrastructure sub-index.

	2019	2020
<b>Sri Lanka Prosperity Index</b>	<b>0.783</b>	<b>0.786</b>

### Sub-Indices

Economy and Business Climate	0.871	0.846
Well-being of the People	0.731	0.795
Socio-Economic Infrastructure	0.748	0.718

Figure 2 – Aspects covered in SLPI

Economy and Business Climate		Income & Poverty
		Living Standard
		Price Stability
		Employment
		Industrial Density
		Banking Density
Well-being of the People		Healthcare
		Education
		Wealth
		Entertainment
Socio Economic Infrastructure		Environment
		Transport & Road Coverage
		Telecommunication & ICT Facilities
		Electricity, Water & Sanitation Facilities
		Crime Free Environment

<sup>1</sup> SLPI is a composite indicator compiled by the Statistics Department of the Central Bank of Sri Lanka to measure the level of prosperity of the country. The index comprises three sub-indices, i.e. Economy and Business Climate, Well-being of the People and Socio-Economic Infrastructure, measured using 41 variables representing different aspects of prosperity. SLPI compilation methodology was revised for 2020 to closely follow the methodology employed in compiling the Legatum Prosperity Index, which is a global indicator to assess countries' economic and social wellbeing.

## Provincial Prosperity

The highest value of provincial prosperity index was scored by the Western province, while Southern and Central provinces were ranked at the second and third positions, respectively. Eastern province recorded the highest increase in provincial prosperity index compared to the previous year, followed by Southern, North Central, North Western, Uva, Western and Northern provinces. Concurrently, the highest decrease in provincial prosperity index was recorded in Sabaragamuwa province followed by Central province.

Figure 3 - Provincial Prosperity Indices<sup>2</sup>: 2019 – 2020

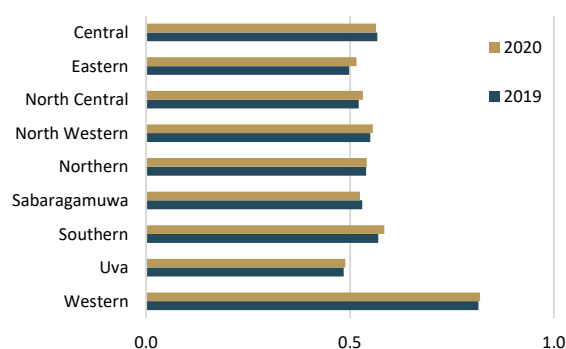


Table 1: Provincial Prosperity Indices and Provincial Ranks

	Prosperity Index		Provincial Rank	
	2019	2020	2019	2020
Central	0.567	0.564	3	3
Eastern	0.498	0.516	8	8
North Central	0.522	0.531	7	6
North Western	0.549	0.556	4	4
Northern	0.540	0.541	5	5
Sabaragamuwa	0.530	0.525	6	7
Southern	0.569	0.584	2	2
Uva	0.484	0.489	9	9
Western	0.815	0.819	1	1

Source: Central Bank of Sri Lanka

## Performance of Provincial Prosperity Sub-Indices

### Economy and Business Climate Sub-Index

The highest improvement within the sub-index was recorded from the Eastern province, mainly with increases in employment and informal sector wages. In addition, Northern and Central provinces were also improved within the sub index, primarily due to increased informal sector wages and comparatively stable price levels. The deteriorations of the sub-index in other provinces were mainly caused by increased unemployment. In addition, the comparatively volatile and high price levels prevailed during the year have also contributed to the subdued performance in Uva, North Western and North Central provinces within the sub-index.

### Well-being of the People Sub-Index

The sub-index improved in all provinces, predominantly due to enhanced facilitation for health, improved air quality and enhanced purity of environment resulted by the pandemic driven precautions and actions, and increased opportunities for higher education with a significant increase in university intake during 2020. The highest improvement within the sub-index was reported from Northern province while Central province reported the lowest increase.

### Socio-Economic Infrastructure Sub-Index

All provinces have recorded decreases in the sub-index and significant reduction in the use of public transport facilities during the pandemic environment was the main reason for this. The highest decline of the sub-index was reported from Northern province and reduced availability of safe drinking water was also a key reason for this subdued performance. Meanwhile, the lowest decline within the sub-index was observed in North Western province.

Table 2: Provincial Prosperity Sub-Indices<sup>2</sup>

	2019	2020
<b>Economy and Business Climate Sub-Index</b>		
Central	0.598	0.603
Eastern	0.554	0.586
North Central	0.608	0.605
North Western	0.605	0.595
Northern	0.614	0.623
Sabaragamuwa	0.553	0.547
Southern	0.573	0.572
Uva	0.554	0.540
Western	0.900	0.889
<b>Well-being of the People Sub-Index</b>		
Central	0.502	0.532
Eastern	0.454	0.493
North Central	0.506	0.562
North Western	0.530	0.567
Northern	0.499	0.570
Sabaragamuwa	0.520	0.555
Southern	0.553	0.612
Uva	0.437	0.489
Western	0.710	0.749
<b>Socio-Economic Infrastructure Sub-Index</b>		
Central	0.600	0.557
Eastern	0.486	0.468
North Central	0.450	0.426
North Western	0.513	0.507
Northern	0.506	0.431
Sabaragamuwa	0.516	0.472
Southern	0.581	0.568
Uva	0.463	0.437
Western	0.835	0.820

<sup>2</sup> The index values are compiled by normalising each and every variable with respect to its best and worst values recorded during the last 14 years. The highest and the lowest values that can be taken by a normalised variable are 1 and 0, respectively. Thereby, the index values are also ranged between 0 and 1. Thus, higher the index value, its performance overtime and across provinces are comparatively high and vice versa.

Source: Central Bank of Sri Lanka

## **Technical Note:**

### **Prosperity Index**

The index is compiled using 41 variables, which are categorised into three sub-indices. All sub-indices have equal weights in prosperity index.

The Economy and Business Climate sub-index is compiled using 9 variables categorised into the aspects of price stability, living standard, income, poverty, employment, industrial density, and banking density. In compiling the Well-being of the People sub-index, 22 variables pertaining to the aspects availability of healthcare facilities, availability & quality of education facilities, wealth, availability & usage of entertainment facilities, air quality and purity of environment are used. Socio-Economic Infrastructure sub-index includes 10 variables and the relevant aspects are availability of transport facilities, availability of road coverage, availability of telecommunication facilities, availability of ICT facilities, availability of electricity, availability of safe and quality drinking water, availability of sanitation and crime-free environment.

### **Methodology**

Variables used in compiling SLPI are in the form of many different units of measurement. Therefore, all variables are transformed into a common scale by normalising data over the past 14 years. Since the index values for the country and for the provinces are compiled separately, provincial indices cannot be compared with the national level indices. Thus, indices at provincial level can be compared across provinces as well as time, while the national level indices can only be compared across time.

SLPI compilation methodology was revised for 2020 to closely follow the methodology employed in compiling the Legatum Prosperity Index, which is a global indicator to assess counties' economic and social wellbeing. The revision was made by normalising each and every variable with respect to its best and worst values recorded during the last 14 years following the distance to frontier approach, instead of standardising the individual variables with respect to last 10 years. Thereby, the index becomes more interpretable since its range spreads between 0 and 1, and higher the index value, its performance is comparatively high and vice versa.