



NATIONAL ACCOUNTS OF SRI LANKA

3rd QUARTER OF 2015

By Production Approach

**DEPARTMENT OF CENSUS AND STATISTICS
MINISTRY OF NATIONAL POLICY AND ECONOMIC AFFAIRS
SRI LANKA**

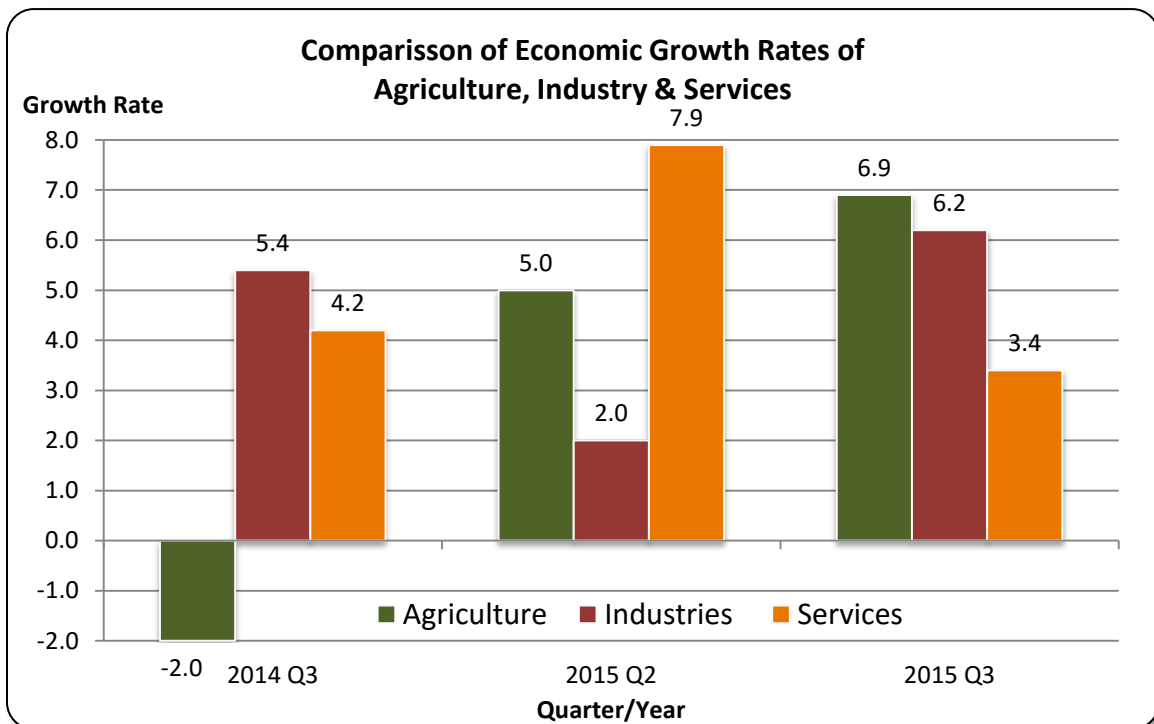
1.1 Third Quarter - 2015

The Gross Domestic Product for Sri Lanka for the third quarter of 2015 (July, August, September) reportedly reached up to Rs. Million 2,158,327. The GDP value reported for the third quarter of 2014 was Rs. Million 2,059,070 resulting a positive growth rate of 4.8 percent for the third quarter of 2015. As a whole, the nine months average economic growth rate has been recorded as 5.2 percent.

A Revision Policy for National Accounts was introduced with the implementation of Rebasing exercise. Accordingly, the second revision of the first quarter of 2015 estimates, the economic growth rate of the country has been revised as 4.9 percent. First revised economic growth rate for second quarter of 2015 was 6.0 percent.

The four major components of the economy: Agriculture, Industry, Services and Taxes less subsidies has contributed their share to the total GDP at Constant price (2010) by 7.2 percent, 26.7 percent, 57.1 percent and 9.0 percent respectively in the third quarter of 2015.

Figure 1



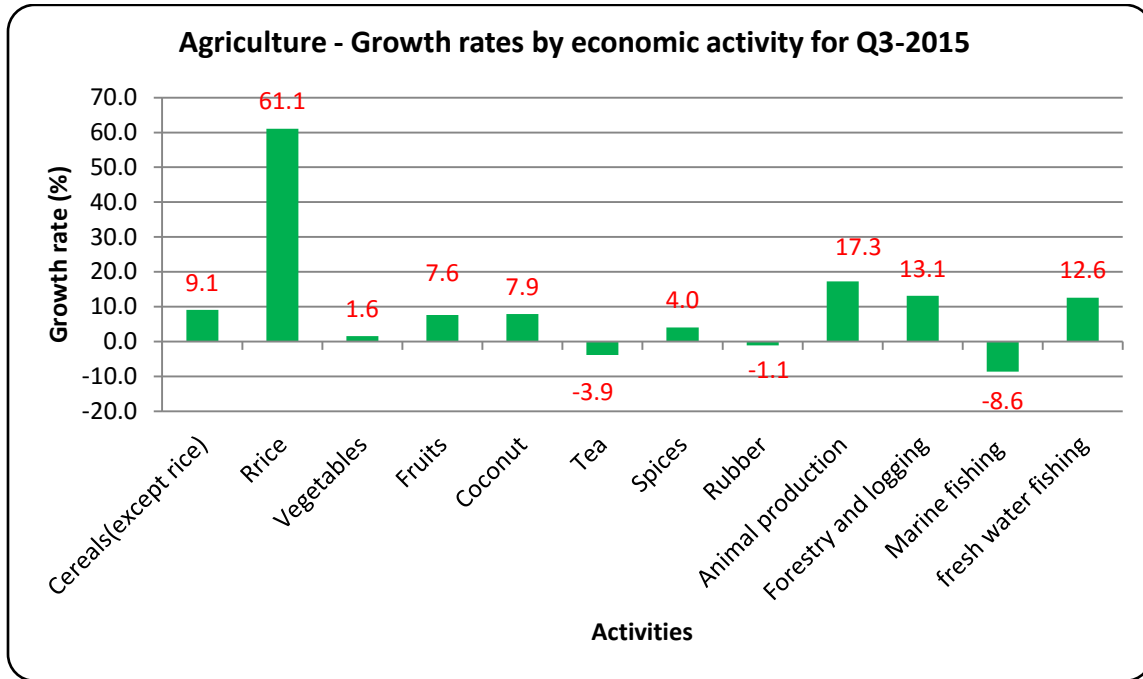
When compared economic growth rates of major economic activities with the third quarter of 2014, especially the agricultural activities has recorded a remarkable increase of negative growth rate to positive growth rate of 6.9 percent during the third quarter of 2015. (Figure I) The industrial activities also reported a high increase of 6.2 percent in the growth rate during this respective quarter. Meanwhile the services activities has shown a slight decline in the growth rate, when it compared with the third quarter of 2014. It is reported as 3.4 percent.

The value added of the each economic activity is derived by deducting intermediate consumption from the gross output value. Although the, Intermediate consumption is estimated at purchaser's price, the output of the economic activities is estimated at basic price. Hence the value added is reported at Basic price. The Gross Domestic Product of an economy is valued only at market price. Therefore to calculate the Gross Domestic Product, the taxes should be added up to the gross value added of the total economy and then the subsidies should be deducted. Accordingly, in the new series of National Accounts, the Gross Domestic Product of the economy has been derived by adjusting the 'taxes less subsidies on products' to the total Gross Value Added.

In the third quarter of 2015, the share of the 'taxes less subsidies on products' is 9.0 percent. When compared with the third quarter of 2014, in the third quarter of 2015, the 'Taxes less subsidies on products' has increased by 8.3 percent.

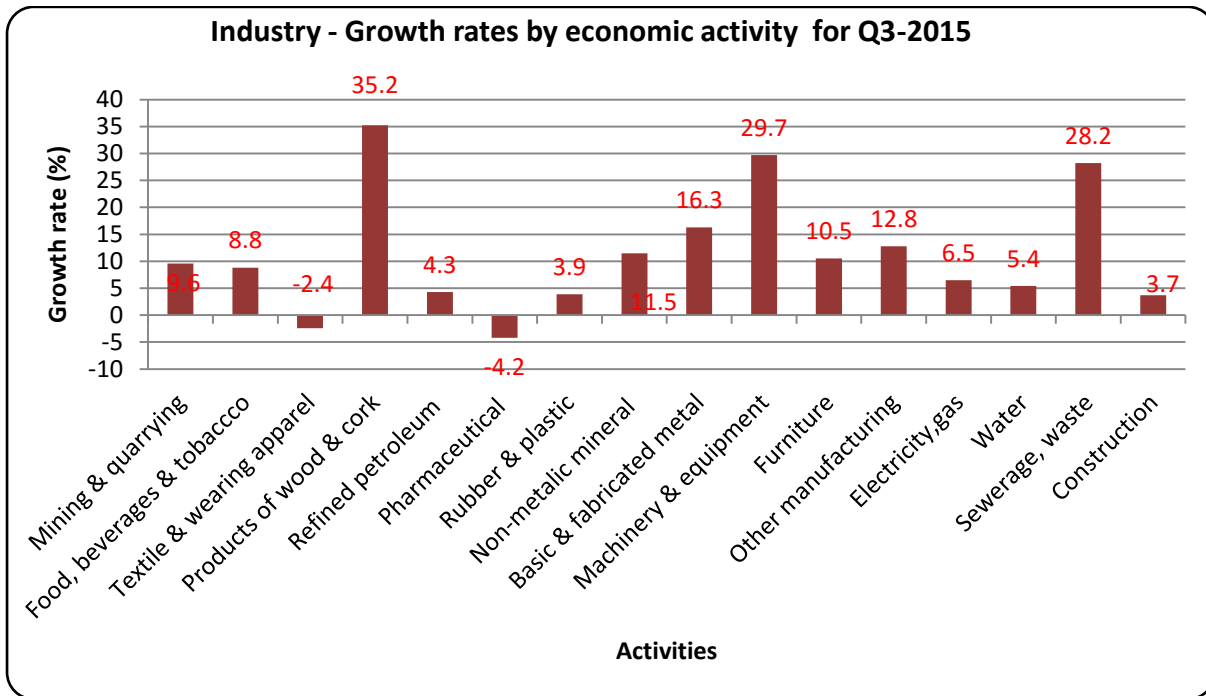
As shown in the Figure II, most of the agricultural activities have experienced positive growth in their growth rates during the third quarter of 2015. Those are 'Growing of cereals (except rice)' by 9.1 percent, 'Growing of rice' by 61.1 percent, 'Animal production' by 17.3 percent, 'Forestry and logging' by 13.1 percent and 'Fresh water fishing' by 12.6 percent. In the meantime the sub activities of, 'Growing of tea', 'Growing of rubber', and 'Marine fishing and marine aquaculture', showed a negative growth rates as 3.9 percent, 1.1 percent and 8.6 percent respectively.

Figure II



Fluctuations in the growth rates of industrial activities are shown in Figure III. Similar to Agricultural activities, the industrial activities also reported positive growth rates in the respective quarter of 2015, when compared with the same quarter in 2014. Specially the sub activities of ‘Mining and quarrying’, ‘Manufacture of food, beverages and tobacco’ ‘Manufacture of wood and products of wood’ and ‘Manufacture of machinery and equipment’ have shown a striking increase in their growth rates as 9.6 percent, 8.8 percent, 35.2 percent and 29.7 percent respectively during the third quarter of 2015. But during this quarter, the sub activity of ‘Manufacture of textile and wearing apparel’ suffered a fall in the industry by 2.4 percent.

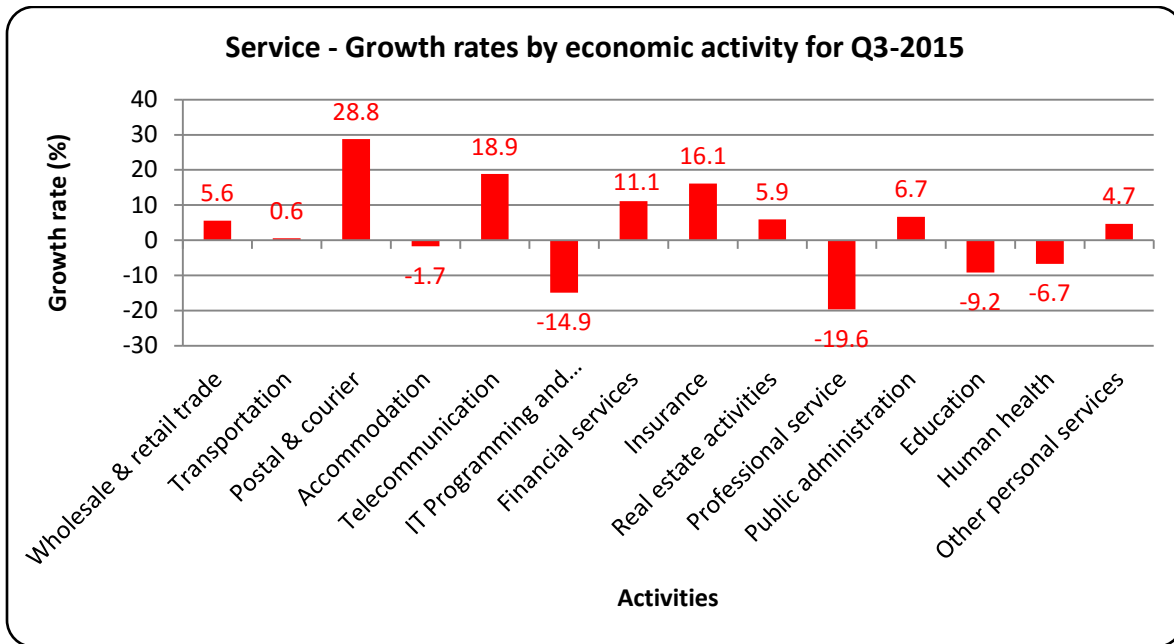
Figure III



Unlike third quarter of previous years, third quarter of this year, the growth rate in the overall services activities has slow down to 3.4 percent. As shown in the Figure IV, the ‘Postal and courier activities’ has recorded a striking growth rate of (28.8 percent) in the value added in this quarter when compared with the previous quarter in 2014. In addition, ‘Telecommunication’, ‘Financial service activities and auxiliary financial services’, ‘Insurance, reinsurance and pension funding’ and ‘Real estate activities, including ownership of dwelling’ have recorded higher growth rates in the third quarter of 2015, as 18.9 percent, 11.1 percent, 16.1 percent and 5.9 percent, respectively.

While, the sub activities of ‘Accommodation, food and beverage serving activities’, ‘IT programming and consultancy services’, ‘Professional services’, ‘Education’ and ‘Health’ showed a negative growth rates as 1.7 percent, 14.9 percent, 19.6 percent, 9.2 percent and 6.7 percent respectively in this quarter.

Figure IV



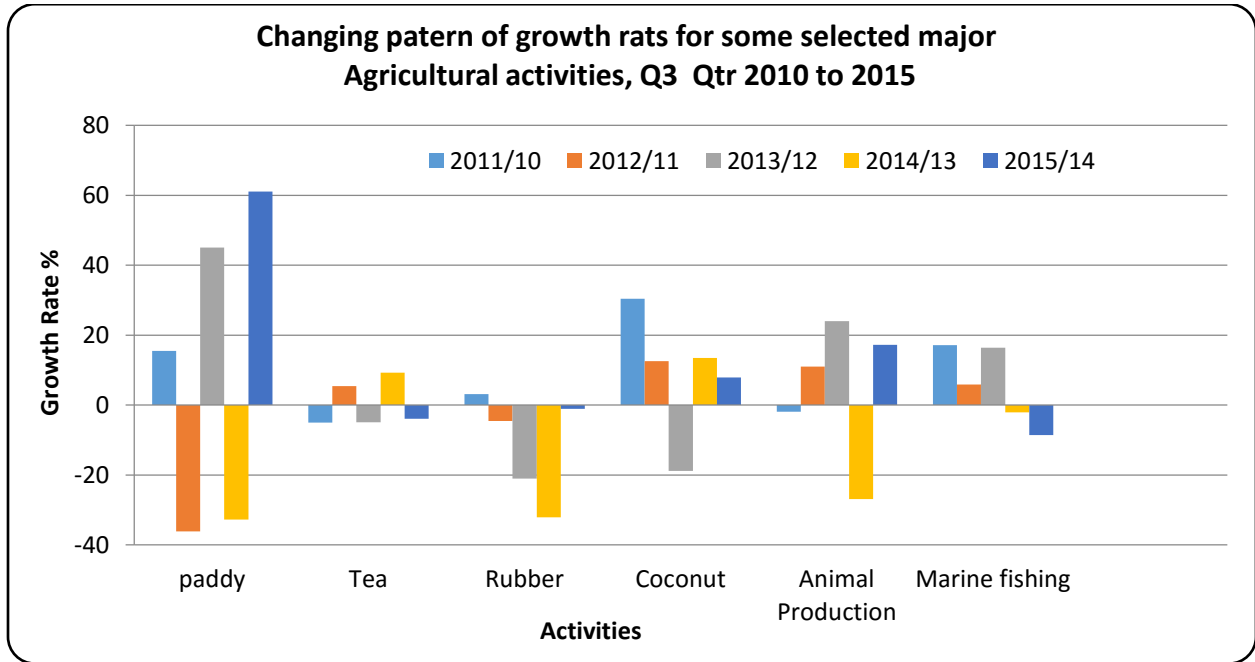
GDP implicit price deflator which measures the price change in the economy with respect to a specific base year (2010=100), increased to 133.06 in the third quarter of 2015 from 125.91 in the third quarter of 2014 recording a 5.68 percent of inflation rate for the third quarter of 2015.

The Colombo Consumer Price Index (CCPI) (2006/2007 = 100) decreased to 182.0 in the third quarter of 2015, from 182.5 recorded in the third quarter of 2014, indicating a 0.26 percent of deflation rate.

1.1.1 Agriculture Activities

In the third quarter of 2015 the main activity of 'Agriculture, forestry and fishing' grew by 6.9 percent, when compared with the respective quarter in year 2014. In this quarter, the share of the Agriculture, forestry and fishing has reported as 7.2 percent to the total GDP. The sub activities of 'Growing of rice', 'Growing of tea' and 'Growing of oleaginous fruits including coconut', has contributed in a range of 0.7 to 0.8 percent to the total GDP. The highest share of 1.1 percent was reported by Marine fishing and marine aquaculture activity.

Figure V



In the third quarter of 2015, the sub activity of ‘Growing of cereals (except rice)’ recorded an increase of 9.1percent. This is due to the increase of the production of Maize and Gingerly by 35.0 percent and 11.4 percent respectively during the third quarter of 2015.

The value added of ‘Growing of rice’, which recorded a decline of 32.8 percent in third quarter of 2014, has reported a huge increase of 61.1 percent in this quarter. The favorable weather condition prevailed in both the Yala season and Maha season through out the country, is the major reason for the huge increase in paddy production. The paddy production in Ampara district, which gives the highest contribution for the total paddy production in 2015 Yala season, increased by 56.2 percent.

The value added of ‘Growing of vegetables’ has increased by 1.6 percent in this quarter. The total vegetable production which collected through all the districts in the country, has reported a 3.2 percent increase in third quarter of 2015.

In this quarter, the value added of ‘Growing of Fruits’ has shown a high growth rate of 7.6 percent.

The sub activity of ‘Growing of Oleaginous fruits’ mainly consist with coconut production has contributed Rs.16, 626 million to the GDP at constant prices in third quarter of 2014. The nut

production has increased to 795 million which shows nearly 10.0 percent increase in the production over the period. The growth rate over the period for this activity was reported as 7.9 percent (Figure V) with the 0.8 percent of share to the total GDP. The continuous rainy climate prevailed throughout the period in the coconut growing areas has been the main factor contributed for the increase, Coconut Research Institute of Sri Lanka stated. Further with the good climatic conditions growers tend to apply fertilizers and other practices which will ultimately give good production.

When compared to the third quarter of 2014, the sub activity of 'Growing of tea' has dropped by 3.9 percent in this quarter when compared to the total tea production in third quarter of 2014. Sri Lanka tea exports for this quarter of 2015 amounted to 74.65 Mn. kgs a decline of 83.95 Mn. kgs from the same period of last year. It indicates 11.2 percent decrease in exports. Out of the total production of Sri Lankan tea, more than 60 percent of the quantity is directly purchased by Russia and Middle East countries at a higher price. Wherever there is a crisis in these countries will have a direct impact on Sri Lankan tea exports. Further, the average price per 1 Kg of tea in third quarter of 2015 was Rs.383.53 in comparison to Rs.450.83 for the same period of 2014. The low grown tea having the largest market share around 66.0 percent of total tea production recorded a 6.5 percent decline in this quarter.

In comparison with the third quarter of 2014, the sub activity of 'Growing of other beverage crops, including coffee and cocoa' has shown a 16.9 percent of increase in the third quarter of 2015.

The value added of 'Growing of rubber', which recorded a decline of 32.1 percent in third quarter of 2014. In this quarter it has reported a negative growth rate as 1.1 percent. The Department of Rubber Development reported that, the drop of the average price levels for one kilogram of natural rubber at the global market and the high labor cost, have been the major reasons for reduction of tapping activities of rubber industry. When compared to the third quarter of 2014, in third quarter of 2015, the average price for 1 Kg of rubber has reduced from Rs. 271.67 to Rs. 198.33 by 27.0 percent.

The sub activity of Animal Production has contributed Rs.7,887 million and achieved 0.4 percent of share to the total GDP in the third quarter of 2015. With reducing the adverse effects caused on cattle in the latter part of 2014, the milk production has increased throughout the country in

2015 including North Eastern provinces. Milk production showed 15.0 percent increase in the third quarter of 2015 compared to the third quarter in 2014. Egg production also has increased by 9.0 percent in the period concerned. Slaughtered numbers of cattle and poultry showed 13.0 percent of reduction and 8.0 percent of increase respectively in this quarter with respect of third quarter of 2014. The sub sector of Animal Production has achieved 17.3 percent of positive growth rate in the third quarter of 2015 compared to negative growth rate of 26.9 percent reported in the third quarter of 2014.

The agriculture sub activity of Forestry and Logging showed 13.1 percent further growth during the third quarter of 2015. This is similar to the reported growth rate in the third quarter of 2014. The contribution and share of this activity to the total GDP was Rs.13,665 million and 0.6 percent. According to the State Timber Corporation, the round timber production has improved by 0.4 percent. The firewood component also showed a high consumption in this quarter compare to the same quarter in 2014.

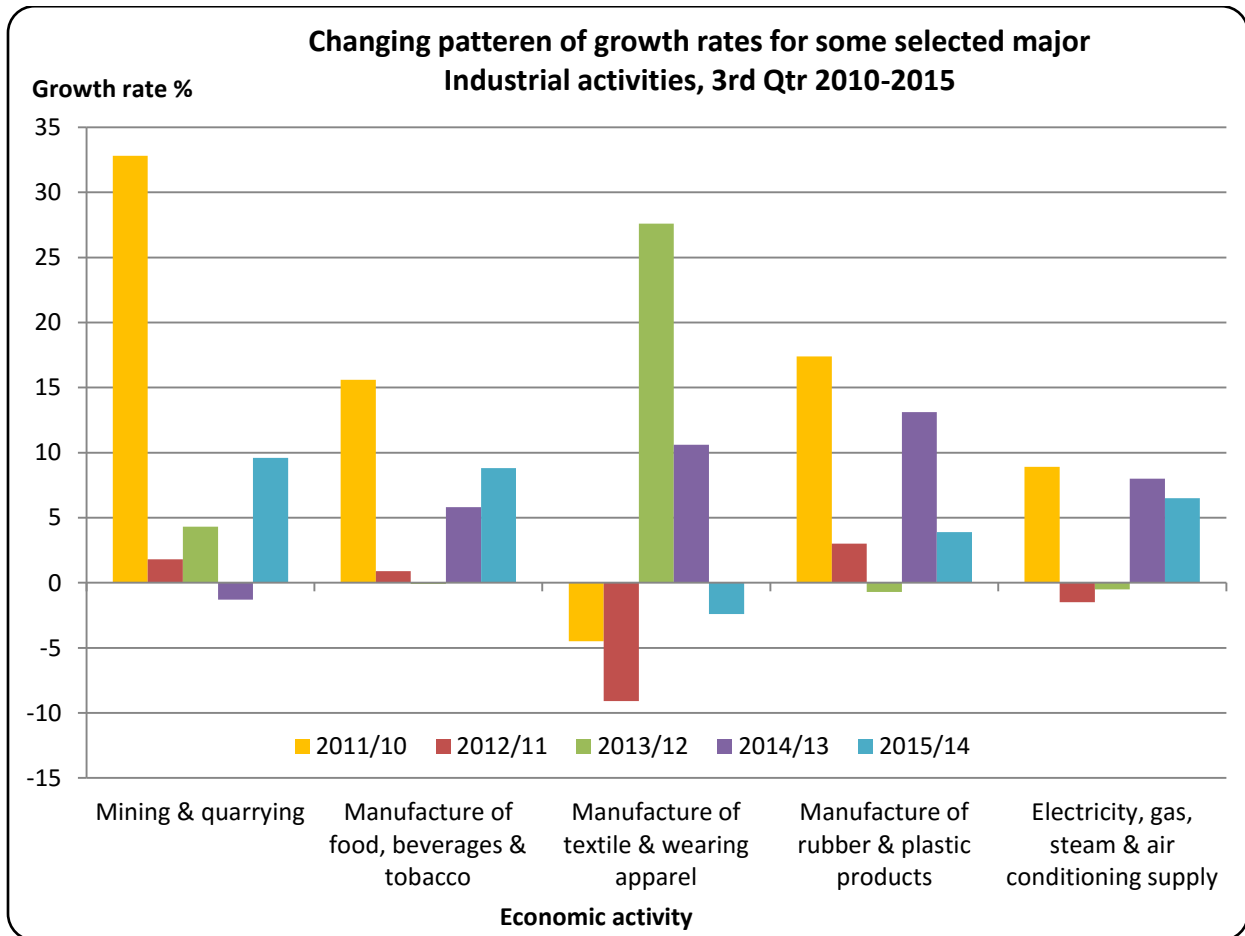
In comparison with the third quarter of 2014, in third quarter of 2015 the sub activity of 'Marine fishing and marine aquaculture' has recorded a sharp decline of 8.6 percent and the sub activity of 'Fresh water fishing and fresh water aquaculture' has reported a 12.6 percent positive growth rate. According to the Ministry of Fisheries, the marine fish production has decreased by 10.2 percent due to the storm occurred in the month of July and August in 2015.

1.1.2 Industry Activities

The Industry activities, which contribute nearly 26.7 percent to the total GDP, recorded a growth rate of 6.2 percent in the third quarter of 2015.

The figure VI shows clearly, the changing pattern of some selected major industrial activities during the period of third quarter, 2010 to 2015.

Figure VI



The ‘Mining and quarrying’ which recorded a 1.3 percent decline in the third quarter of 2014, has increased sharply by 9.6 percent in this quarter of 2015. Stone, sand and lime which are used in the construction industry as materials, showed a high increase in the production, in this quarter.

The main sub activity of ‘Manufacture of food, beverages and tobacco production’ recorded 8.8 percent of growth rate in the third quarter of 2015. In the third quarter of 2014, this activity increased by 5.8 percent. When compared with the third quarter of 2014, the output value of this activity increased by 8.9 percent in third quarter of 2015.

The sub activity of ‘Manufacture of textiles, wearing apparel and leather products’ recorded a negative growth rate of 2.4 percent in this quarter when compared with the respective quarter in 2014. The output value of this activity is declined by 2.1 percent in the third quarter of 2015.

When compared with third quarter of 2014, the sub activity of ‘Manufacture of wood and products of wood and cork, except furniture’ has shown 35.2 percent of striking increase in the growth rate in third quarter of 2015. The output value of this activity has increased by 32.9 percent during the respective quarter.

The sub activity of ‘Manufacture of paper, paper products, printing and reproduction of media products’, which recorded a negative growth rate of 3.1 percent in the third quarter of 2014, has increased again from that level by 20.0 percent in this quarter. The output value of this activity has increased by 16.6 percent.

The sub activity of ‘Manufacture of coke and refined petroleum products’ which reported 13.0 percent growth rate in the third quarter of 2014, has shown a further increase by 4.3 percent in this quarter.

The ‘Manufacture of basic metals and fabricated metal products (except machinery and equipments) grew by 16.3 percent in third quarter of 2015. It reported 19.5 percent of negative growth rate in the respective quarter of 2014. The output value of the basic metals and the fabricated metal products has increased by 7.4 percent and 11.6 percent respectively in the third quarter of 2015, when compared it with the respective quarter of 2014.

The sub activity of ‘Manufacture of machinery and equipments’ which reported 3.3 percent of growth rate in the third quarter of 2014, has increased sharply by 29.7 percent in this quarter. The output values of ‘Manufacture of electrical equipments’, ‘Manufacture of machinery and equipments’ and ‘Manufacture of motor vehicles and semi trailers’ have increased by 32.4 percent, 17.2 percent and 12.1 percent respectively in this quarter.

The real value added of ‘Electricity, gas, steam and air conditioning supply’ has increased by 6.5 percent in the third quarter of 2015. In the respective quarter of previous year, it grew by 8.0 percent. The electricity power generation has increased from Gwh 3201 to Gwh 3402 indicating 6.3 percent growth rate within this period. The existed ratio of 43:57 hydro power and thermal power generation in the third quarter of 2014 has changed to 37:63 in this quarter. In the third quarter of 2015, the total revenue from sales of electricity has reduced by 39.4 percent.

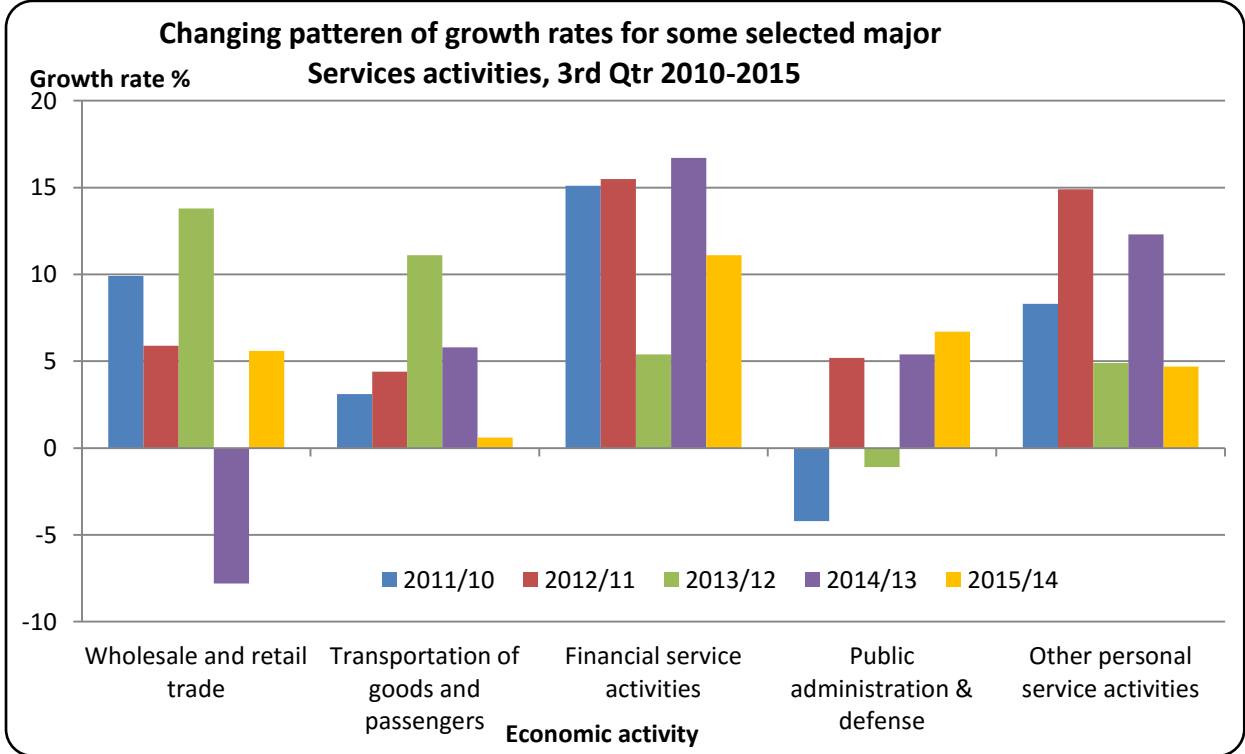
The sub activity of ‘Water collection, treatment and supply’ has grown by 5.4 percent in the third quarter of 2015. The volume of water supply for the third quarter of 2014, was cubic meter thousands 146,608. In the third quarter of 2015 it has increased up to cubic meter thousands 154,337 registering 5.3 percent growth rate. The total revenue has increased by 5.4 percent.

In comparison with the third quarter of 2014, in the third quarter of 2015, the ‘Construction’ activity grew by 3.7 percent. The total cement supply has increased by 9.0 percent during this quarter. The total imports of cement and the domestic supply of cement has grown by 2.7 percent and 20.8 percent respectively in the third quarter of 2015.

1.1.3 Services Activities

The Service activity, which is the highest contributor (57.1 percent) to the total GDP, has reported a slight growth rate of 3.4 percent in the third quarter of 2015.

Figure VII



The behavior of growth rates of some selected services activities during the period of third quarter, 2010 to 2015, can be observed in the figure vii.

The 'Wholesale and retail trade' which contributes nearly 10.9 percent to the total GDP, reported a 5.6 percent growth rate in the third quarter of 2015, when compared to the negative growth of 7.7 percent recorded in the third quarter of 2014. The value added of wholesale and retail trade activity is affected by fluctuations in total imports and total domestic production. Therefore the growth rate of this activity is depended on the variations in above three variables of Imports, Agricultural production and Industrial production.

According to the Balance of Payment Statistics of Central Bank of Sri Lanka the total import expenditure in the third quarter of this year has decreased up to Rs. Million 628,816 from Rs. Million 682,049 in the same quarter of the last year. In addition, the total Output value of Agriculture, forestry and fishing activity has increased by 10.1 percent in the third quarter of 2015 when compared with the respective quarter of 2014. The total output value of industrial activities has increased up to Rs. Mn. 1,278,830 from Rs. Mn. 1,231,795 in the third quarter of 2015 by 3.8 percent.

The sub activity of 'Transportation' is a combination of land transport, water transport and air transport. This activity has recorded a slight growth rate of 0.6 percent in this quarter, when compared it with the respective quarter of 2014. According to the Civil Aviation reports, the total revenue of this quarter has decreased by 38.2 percent. In the third quarter of 2015, the revenue of water transport services has been increased by 40.8 percent. In addition, the real value added value of warehousing and supporting service activities and land transport service activities, have grown by 3.3 percent and 3.6 percent respectively.

When compared to the third quarter of 2014, in this quarter the total amount of registered vehicles has increased by 67.0 percent. The registration of motor vehicles, dual purpose vehicles, lorries, three wheelers, buses and land vehicles have increased by 214.6 percent, 406.0 percent, 29.1 percent, 66.1 percent, 1.9 percent and 35.5 percent respectively in the third quarter of 2015. The total revenue of the Department of Railway has increased by 6.7 percent and the total cost incurred in this quarter has increased by 101.5 percent. In the third quarter of 2015, the revenue of the Sri Lanka Transport Board has grown by 2.4 percent and the passenger kilometers have increased by 21.6 percent.

The sub activity of 'Postal and courier activities' has recorded a huge growth rate of 28.8 percent in the third quarter of 2015 with compared to the respective quarter of last year. According to the reports of the Department of Postal, in the third quarter of 2015, the total revenue has increased up to Rs. Mn. 1526.9 and it is a 62.6 percent growth rate when compared it with the third quarter of 2014.

When compared with second quarter in last year, in this quarter the sub activity of 'Accommodation, food and beverage serving' activity has reported a negative growth rate of 1.7 percent. In third quarter of 2014, this reported as 10.2 percent growth rate. According to the Department of Inland Revenue reports, the Value added Tax revenue for the third quarter of 2015, has decreased by 24.5 percent for Hotels and restaurants. In addition, when compared to the third quarter of 2014, although the number of tourist arrivals has been increased in high rate, the room occupancy rate has been dropped to 75.1 from 78.6, during the third quarter of 2015.

The sub activity of 'Programming and broadcasting activities and audio video productions' has reported a negative growth rate of 1.4 percent in the third quarter of 2015. Most of the television broadcasting companies has experienced fluctuations in the revenue during this period.

The real value added value of the 'Telecommunication' has reported a striking increase by 18.9 percent in the third quarter of 2015. Sri Lanka Telecom, Dialog and the Mobitel companies are the highest share contributors to the total output value of this industry. According to the revenue reports, the Total revenue of these companies has increased by significant rate.

The sub activity of 'IT programming consultancy and related activities' which reported a positive growth rate of 9.7 percent in the third quarter of 2014, has shown a negative growth rate of 14.9 percent in the third quarter of 2015.

The sub activity of 'Financial service activities and auxiliary financial services' have reported a 11.1 percent of growth rate for this quarter. In the respective quarter in last year, this activity grew by 16.7 percent. The total value of Staff cost has increased by 27.5 percent and the profit before tax of Licensed Commercial Banks and Licensed Specialized Banks has decreased by 1.1 percent during this period. The usage of financial services during the period of concerned is denoted by 'the value of loan and advances' and the 'value of total deposits'. Accordingly, 'the value of loan and advances' and the 'value of total deposits' increased by 24.9 percent and 13.6

percent respectively in the third quarter of 2015. In the third quarter of 2015, the Average Weighted Lending Rate (AWLR) and the Average Weighted Deposits Rate (AWDR) have reported as 11.2 percent and 6.0 percent respectively. In the third quarter of 2014, these were 13.0 percent and 6.8 percent respectively.

The real value added of 'Insurance, reinsurance and pension funding' which reported a decline of 2.2 percent in the third quarter of 2014, has reported a high growth rate of 16.1 percent in this quarter. During this period, the staff cost and the profit before tax of insurance companies have increased slightly. The usage of this activity is represented by the total of the values of premiums and the claims realized, has increased by 20.9 percent in this quarter.

'Ownership of dwelling and real estate' activity is sharing 5.4 of the total GDP in third quarter of 2015. The overall growth rate of the activity 'Ownership of dwelling and real estate' increased by 5.9 percent in the third quarter of 2015 with respect of 7.1 percent growth rate recorded in third quarter 2014.

The sub activity of 'Professional service' is a combination of eight compilation categories. It is mainly comprised by 'Legal and accounting activities', 'Architectural and engineering activities', 'Scientific research and development', 'advertising and market research, other professional, scientific and technical activities and publishing activities', 'Veterinary activities', 'Rental and leasing activities', 'Employment, travel agency, security and investigation activities' and 'Services to building and landscape activities'. The output value of all these activities are estimated by using value added tax data released by the Department of Inland Revenue. Accordingly the Value added tax payable for all these activities have decreased by 14.5 percent in this quarter when compared it with the respective quarter of 2014. As a result, the real value added of professional service activity has reported a negative growth rate of 19.6 percent in this quarter.

The sub activity of 'Other personal service activities' which is also a combination of two compilation categories' and is comprised by 'Arts entertainment and other recreation activities' and 'other personal service activities' mainly. The output value of this activity is also estimated by using value added tax data released by the Department of Inland Revenue. When compared with the third quarter of 2014, in third quarter of 2015, the real value added value of this activity

increased by 4.7 percent. The Value added tax payable for this activity has increased by 9.8 percent in this quarter when compared it with the respective quarter of 2014.

National Accounts Division - Department of Census & Statistics

Tel: 94-011-2147071 Fax: 94-011-2147072

E-mail: national.accounts@statistics.gov.lk

Web: www.statistics.gov.lk