



# **NATIONAL ACCOUNTS OF SRI LANKA**

**4<sup>th</sup> Quarter of 2016 and the Year 2016**

**By**

**Production Approach**

**Base Year 2010**

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

## Annual National Accounts Estimates -2016

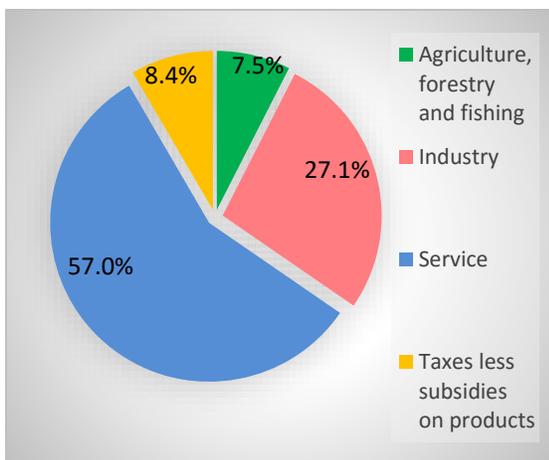
The Department of Census and Statistics (DCS) has released the estimated Gross Domestic Product (GDP) and other macroeconomic indicators for the fourth quarter of 2016 and for the year of 2016.

During the year 2016, Sri Lanka experienced an intemperate weather condition. Particularly, the severe drought experienced in first, third and fourth quarters and heavy rains with floods in second quarter may adversely affected many agricultural activities.

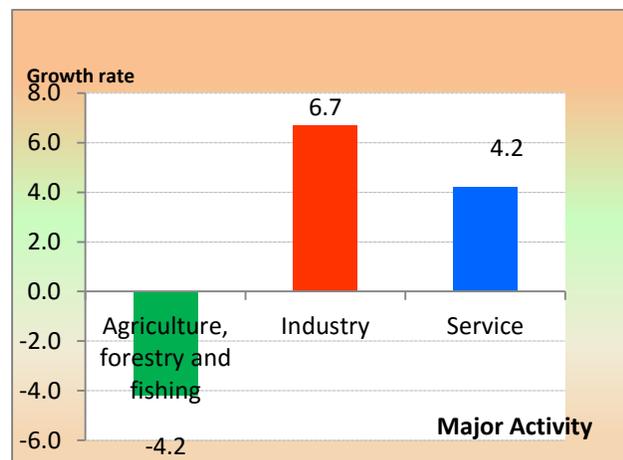
Estimated annual Gross Domestic Product (GDP) at constant price (2010) for Sri Lanka for the year 2016 reached up to Rs. 9,012,026 million. The annual GDP value at constant price (2010) reported for the year 2015, was Rs. 8,633,890 million resulting an expansion of the country's economy by 4.4 percent during the year 2016.

Figure1 shows the contribution of four major components of the economy, Agriculture, Industry, Services and Taxes less subsidies on products to the GDP at Constant price (2010), which were 7.5 percent, 27.1 percent, 57.0 percent and 8.4 percent respectively for the year of 2016.

**Fig 1: Percentage share of main economic activities to the GDP – 2016**



**Fig 2: GDP growth rates of major three economic activities -2016**

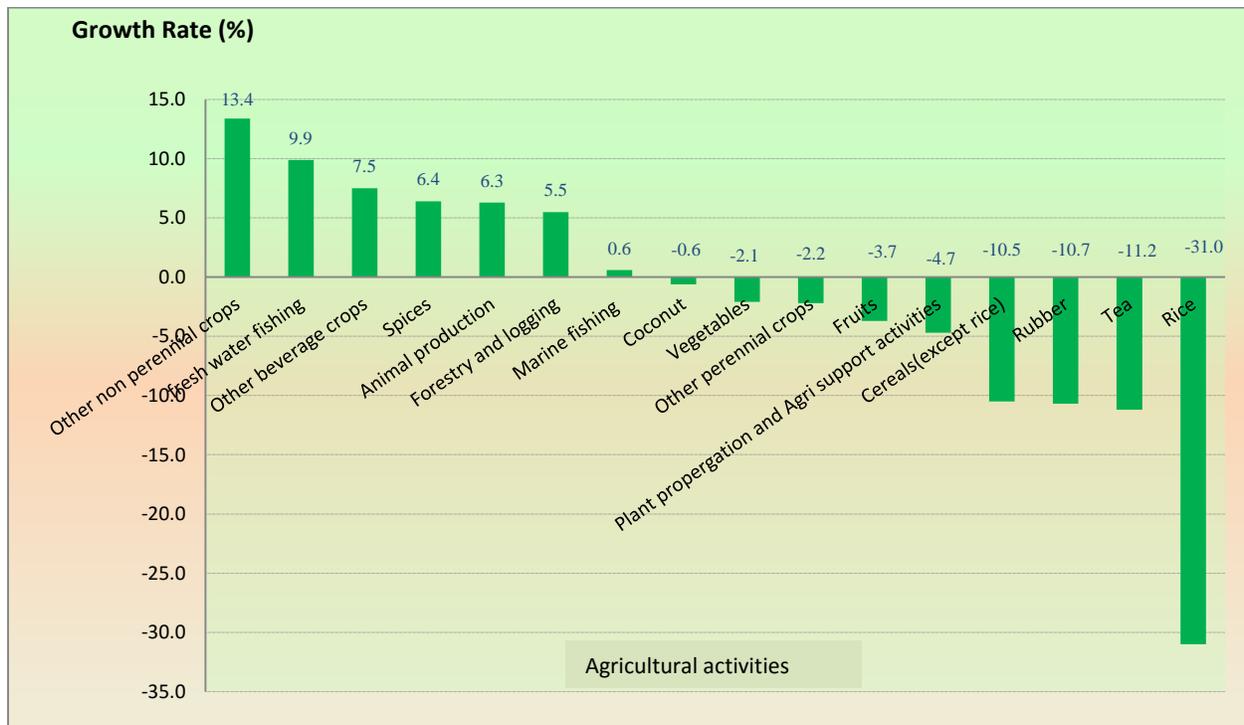


When considering the GDP growth rates in each activity group, “Agriculture” has reported a contraction of 4.2 percent while “Industry” and “Services” have reported an expansion of 6.7 percent and 4.2 percent respectively during the year of 2016 (Fig.2). The growth rate of

industrial activities has strikingly expanded over the year 2016 compared to the year 2015 where, growth rate was reported as 2.1 percent.

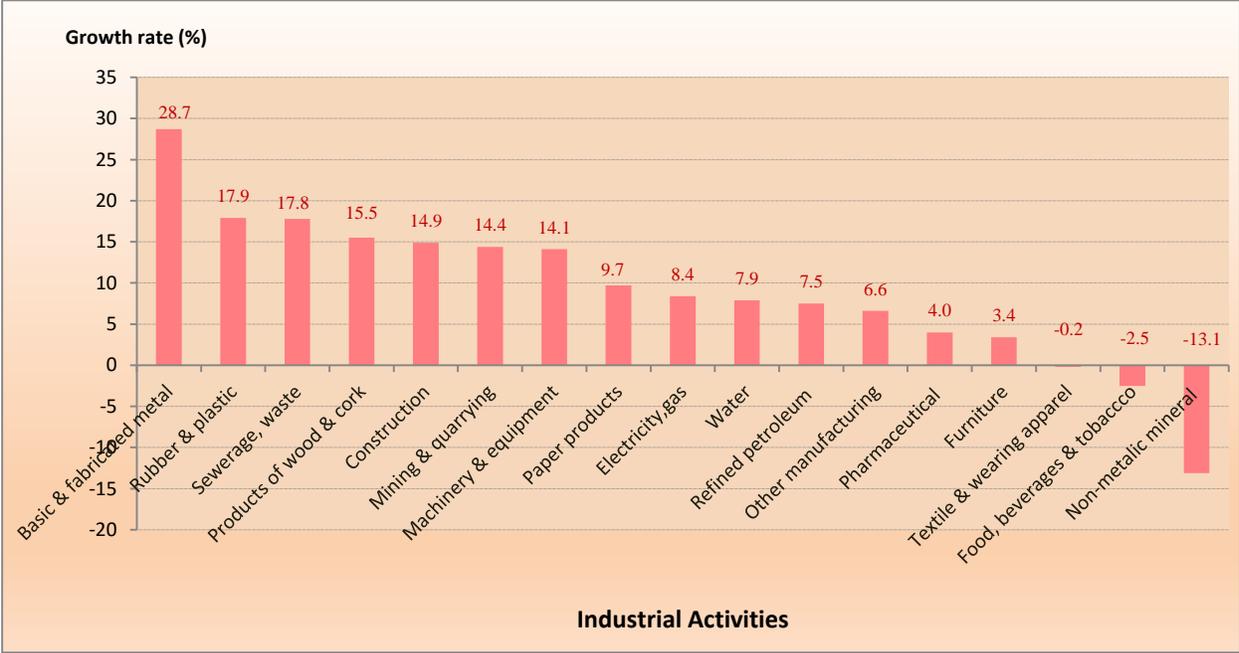
Annual growth rates reported for agricultural activities have shown in figure 3. It clearly shows that most of the agricultural activities have experienced negative growth rates during the year 2016. The growth rate of “Other non-perennial crops”, “Fresh water fishing” “Other beverage crops”, “Spices”, “Animal production” and “Forestry and logging” lead the agricultural activities achieving 13.4 percent, 9.9 percent and, 7.5 percent, 6.4 percent, 6.3 percent and 5.5 percent growth rates respectively in this year. The growth rates of main activities specially “growing of Rice”, “growing of Tea”, “growing of Rubber” and “growing of Cereals” reported considerable reductions during this year. Mainly the obstructive weather conditions prevailed throughout the year adversely affected on rice production of the country, resulting 31.0 percent of contraction in 2016, compared to 2015 which was reported as 25 percent growth.

**Figure 3: Annual growth rate of Agricultural activities - 2016**



Annual growth rates of industrial activities are given in figure 4. Most of the industrial activities have achieved high growth rates in year 2016. The Construction activity along with Mining and quarrying grew by 14.9 percent and 14.4 percent respectively and altogether shared 10.6 percent of GDP.

**Figure 4 : Annual growth rates of Industrial activities - 2016**



Manufacturing of “basic metals and fabricated metal products” thrived by 28.7 percent in 2016, compared to 2015. Manufacture of “Rubber and plastics” , “Sewerage and water industry”, “Manufacture of products of wood and cork” and “Construction” showed high growth rates of 17.9 percent, 17.8 percent, 15.5 percent and 14.9 percent respectively. Manufacture of “Food, beverages and tobacco” and Manufacture of “Textile and wearing apparels” which were the highest shareholders in manufacture industries show slight contractions in 2016. Similar to the last year, the “manufacture of non-metallic mineral products” continued to shrink furthermore resulting a negative growth rate of 13.1 percent (figure 4).

**Figure 5: Annual growth rates of Service activities - 2016**

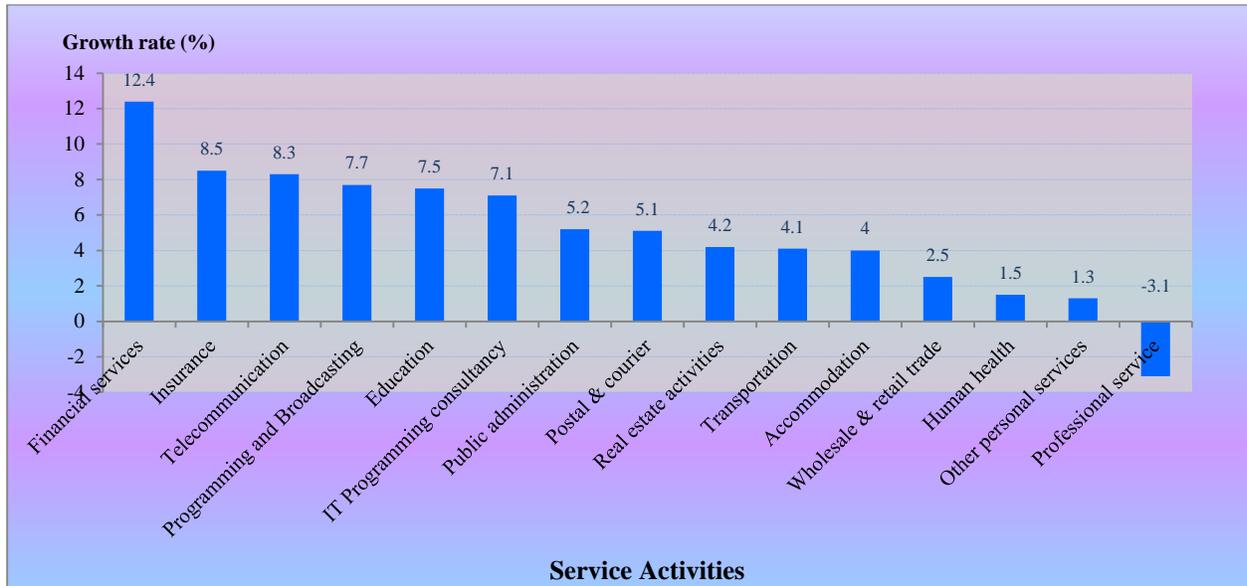


Figure 5 shows the growth rates of service activities of the economy in 2016. Overall, all service activities performed well and achieved positive growths in this year. Only “professional services” reported a negative growth rate of 3.1 percent in this year. Financial services strikingly grew by 12.4 percent. The “transportation of goods and passengers” service which acquired 12.1 percent share to the total GDP grew by 4.1 percent in 2016. “IT programming consultancy and related services” a prominently developing activity in the recent years, expanded further by 7.1 percent in year 2016 compared to year 2015. In addition, “Insurance, reinsurance and pension funding”, “Telecommunication”, “Programming and broadcasting” and “Education” services also have recorded higher growth rates of 8.5 percent, 8.3 percent, 7.7 percent and 7.5 percent, respectively during the year 2016.

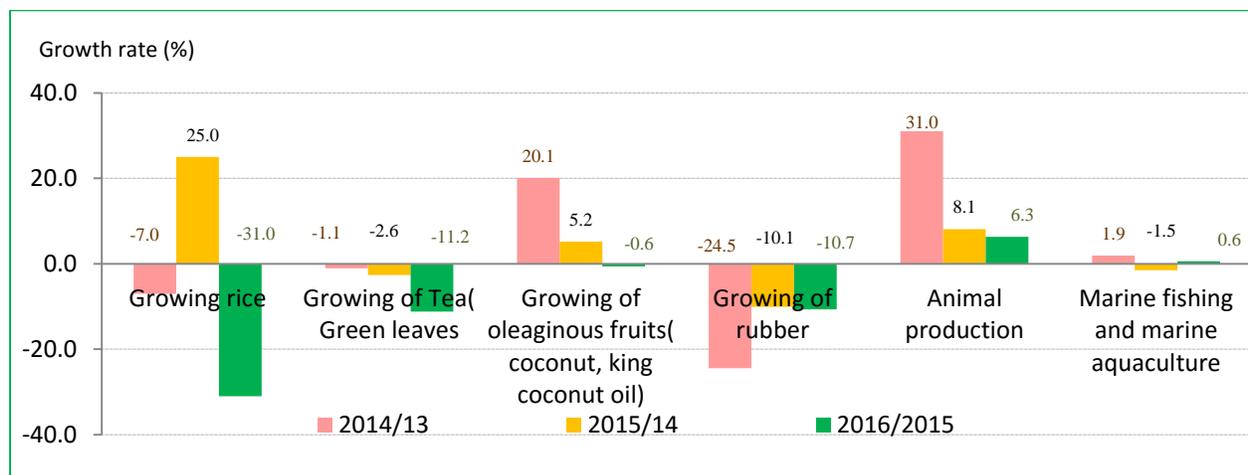
GDP implicit price deflator which measures the price change in the economy with respect to a specific base year (2010=100), increased to 131.4 in the year 2016 from 126.8 recorded in the year 2015, indicating 3.6 percent of inflation rate for the year 2016.

The Colombo Consumer Price Index (CCPI) (2006/2007 = 100) increased to 188.5 in year 2016, from 181.5 recorded in the year 2015, indicating a 3.9 percent of inflation rate.

### 1.1.1 Agricultural Activities

In the year of 2016 the main activity of ‘Agriculture, forestry and fishing’ shrank by 4.2 percent, when compared with the respective year 2015. In the year 2016, the share of the Agriculture, forestry and fishing sector has reported low as 7.5 percent to the total GDP compared to the share of 8.2 reported in 2015. The highest share of 1.3 percent was reported by “Marine fishing and marine aquaculture” activity. The other sub activities: “Growing of rice”, “Growing of vegetables”, “Growing of tea”, “Growing of oleaginous fruits including coconut”, “Growing of spices” and “Animal production” has contributed the share in a range of 0.6 to 0.8 percent to the total GDP. The changing pattern of growth rates in main agricultural activities in 2014 to 2016 is shown in figure 6.

**Figure 6: Changing Pattern of the growth rates of major agricultural activities (2014-2016)**



The growth rate of sub activity of “Growing of cereals (except rice)” has contracted by 10.5 percent in 2016 compared to the growth rate of 7.3 percent reported for 2015. Dry weather condition has unfavorably impacted on cereal crops in 2016. Therefore productions of maize, soya beans, and ground nuts were contracted by 10 percent, 28 percent and 22 percent respectively.

The value added of ‘Growing of rice’ has reported a considerable decrease of 31.0 percent in the year of 2016. The drought spreader across the country has severely affected both Yala and Maha rice productions of the country. According to the reports of Ministry of Agriculture most of the arable lands suitable for paddy cultivation has been abandoned by the farmers due to dry weather

conditions throughout the year. All these reasons caused for the decrease of rice production in 2016.

The value added of “Growing of vegetables” has slightly reduced by 2.1 percent during the year 2016. The activity of “Growing of fruits” has contracted by 3.7 percent in 2016 due to dry weather conditions prevailed throughout the country.

The sub activity of ‘Growing of Oleaginous fruits’ including coconut and king-coconut has contributed Rs. 67,074 million to the GDP at constant price in year 2016. This is a slight reduction of Rs. 430 million compared to the value added generated in 2015. Therefore a minor contraction of 0.6 percent was observed in the growth rates when compared to the growth rate of 5.2 percent in year 2015 (fig.6). The share of this activity to the total GDP has reported as 0.6 percent in 2016. The dry weather conditions prevailed throughout the year of 2016 in coconut growing areas has been the main cause for the less production reported. In addition, compared to 2015, king coconut production has also risen by one million nuts in 2016. Exports of king coconuts also reported high in 2016.

When compared with 2015, the activity of ‘Growing of Tea’ has dropped by 11.2 percent. The total tea production has dropped by 11.0 percent in 2016 compared to the year 2015. The bad weather conditions prevailed throughout the tea growing areas has become the main factor contributed for this decrease. According to the reports of Sri Lanka Tea Board, only 288.8 million Kg have been exported which indicate a decline of 5.9 percent in 2016. Furthermore, the average price per kilogram of tea in Colombo auction has increased up to Rs.466.43 in 2016 when compared to the prices of Rs.400.84 in 2015.

The dry weather condition prevailed in 2016 has supported to increase the production of some agricultural crops. When compare with the year 2015, the sub activity of “Growing of other beverage crops, which include coffee and cocoa” has shown a 7.5 percent of increase in the value added in year 2016.

The spices production has reported 6.4 percent growth rate over the period of 2016 due to dry weather condition continued in spices growing areas which were favorable for this activity.

The value added of ‘Growing of Rubber’ which recorded a decline throughout the past years has further declined by 10.7 percent in year 2016. The high labor cost has been the major reason for

this reduction of tapping activities of rubber industry. In this period, the price reduction of global market, wedged the demand for Sri Lankan natural rubber. In 2016 the average prices for one Kilogram of natural rubber further decreased by 12.5 percent.

The activity of “Growing of other perennial crops” consist with many items; ”Growing of arecanut, odeal, betel, jak-fruit, bread-fruit and toddy tapping”. Compared to 2015, this activity showed a contraction of 2.2 percent in 2016. The dry weather condition persisted in the country has an unfavorable impact on betel production and coconut toddy production. It was reported that around 1500 hectares. were disrupted from betel growing activity in the island, mainly in Kaluthara, and Hambantota, Kandy districts.

‘Animal production’ consists with several sub categories mainly the milk production, eggs production and value of slaughtered animals. In this activity the constant value added generated in 2016 was Rs. 55,060 million and the share to the GDP was reported as 0.8 percent. The reported growth rate over the period was 6.3 percent. The poultry production was the main contributor to the activity of animal production along with eggs and milk production. In 2016 the milk production has reported a 9.5 percent increase over 2015 and the highest milk production was reported from Nuwara-eliya and Kurunagala districts. Poultry production of the country also showed a notable increase of 5.7 percent in 2016 compare to 2015. The eggs production of the country also showed an increase of 11.2 percent over the period and the highest productions were reported in Kurunagala, Puttlam districts respectively.

The activity of “plant propagation” mainly includes the production of saplings of coconut, tea, rubber and fruits used for propagation activities in the country. Compared to year 2015, the productions of saplings in all items were decreased in 2016. The dry weather conditions prevailed throughout the country in 2016, has adversely affected the production of plant saplings in all items in the country.

The sub activity of “Marine fishing and marine aquaculture” has increased slightly by 0.6 percent during the year 2016.

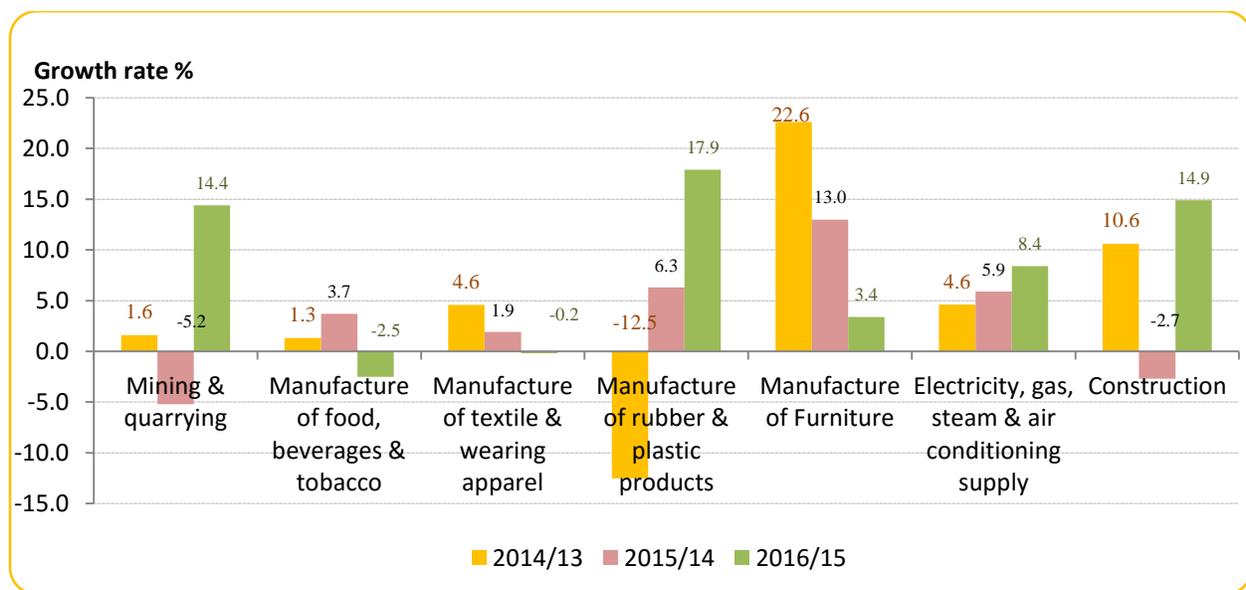
“Inland fishing and inland aquaculture” activity has increased by 9.9 percent in 2016. According to the reports of Ministry of Fisheries and Aquatic Resources Development, the dry weather

conditions prevailed throughout the year 2016, has supported to get the high catchment of inland fish from inland fishery ponds.

### 1.1.2 Industry Activities

The Industry activities, which contribute 27.1 percent to the total GDP, recorded considerably high growth rate of 6.7 percent in the year of 2016. The figure 7 clearly shows the changing pattern of some selected major industrial activities during the period 2014 to 2016.

**Figure 7: Changing pattern of growth rates of major Industrial Activities (2014-2016)**



The ‘Mining and quarrying’ recorded 14.4 percent strikingly increased growth rate in 2016 compared to year 2015 which was recorded as negative 5.2 percent (fig.7). When considering the quarters, mainly the third and fourth quarters of 2016 shoulder the high annual growth in this activity. The growth rates of third and fourth quarter of 2016 “Mining and quarrying” were reported as 21.0 percent and 25.9 percent respectively. This expansion is mainly related with growth of construction industry.

The main sub activity of “Manufacture of food, beverages and tobacco production” contracted by 2.5 percent in year 2016 compared to 2015. The factory industry production index (FIPI) of Central Bank of Sri Lanka, has indicated a considerable decrease in this activity during the year 2016.

In year 2016, the sub activity of “Manufacture of textiles, wearing apparel and leather products” slightly shrank by 0.2 percent, compared to 2015. According to the factory industry production index of Central Bank of Sri Lanka, wearing apparel has decreased by 2.1 percent and textile has increased by 2.3 percent during the year 2016.

When compared with year 2015, the sub activity of “Manufacture of wood and products of wood and cork, except furniture” further expanded by 15.5 percent in year 2016. In year 2015, the growth rate of this activity reported as 13.4 percent

The sub activity of “Manufacture of paper, paper products, printing and reproduction of media products”, which recorded a 8.5 percent growth in year 2015, has expanded further by 9.7 percent in 2016. The export quantity of printing industry has recorded 11.3 percent growth in year 2016.

The sub activity of “Manufacture of coke and refined petroleum products” has further increased by 7.5 percent in year 2016, compared to 1.2 percent increase reported in 2015.

The “Manufacture of basic metals and fabricated metal products (except machinery and equipment)” strikingly grew by 28.7 percent in year 2016. It was reported a 14.6 percent growth in year 2015. The export quantity of basic metal articles has recorded 67.6 percent growth in 2016.

The sub activity of ‘Manufacture of machinery and equipment’ which reported 21.1 percent of growth rate in the year 2015, has recorded a remarkable growth rate of 14.1 percent for the year 2016. During the year 2016, the production of motor vehicles and semi-trailers, electrical goods and computers has been increased.

The real value added of ‘Electricity, gas, steam and air conditioning supply’ has increased by 8.4 percent in the year 2016. In 2015 it grew by 5.9 percent. The electricity power generation has increased from 13,101 Giga Watt Hours to 14,250 Giga Watt Hours indicating 8.8 percent growth rate in 2016. The existed ratio of 45:54 hydro: thermal power generation in year 2015 has changed to 33: 67 hydro: thermal ratio in this year. In year 2016, the total revenue from sales of electricity has reduced by 19.4 percent.

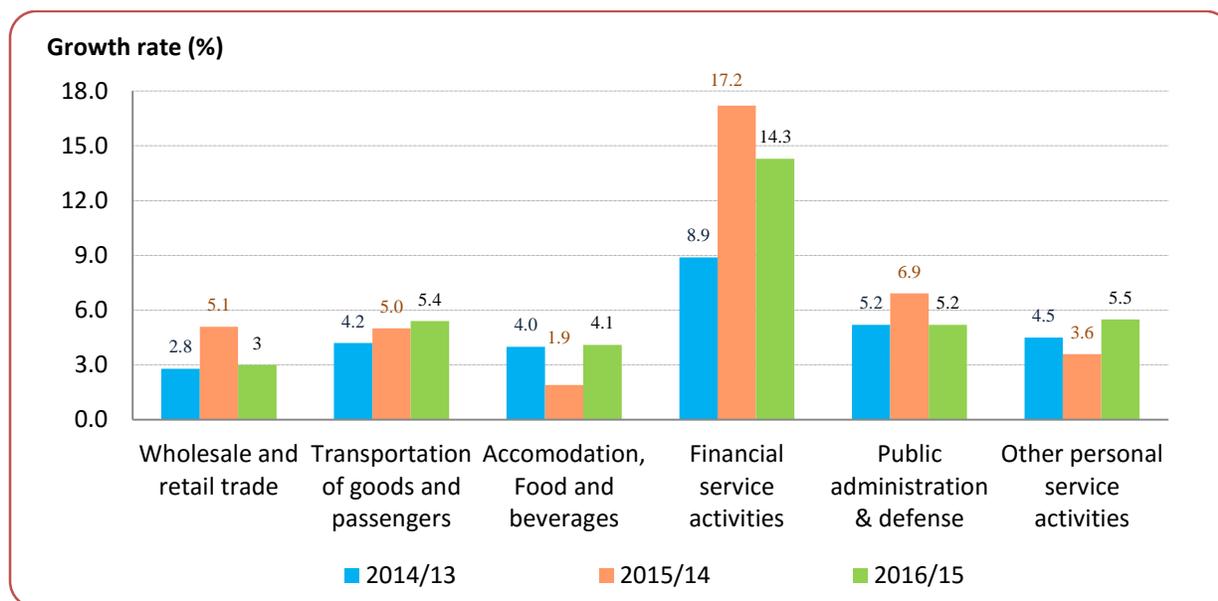
The sub activity of ‘Water collection, treatment and supply’ grew by 7.9 percent in year 2016. The volume of water supply has increased from 600,145 cubic meter thousands in 2015 up to 649,005 cubic meter thousands in 2016 registering 8.14 percent growth rate. The total revenue has increased by 17.3 percent.

The “Construction” activity has reported 14.9 percent of progressive growth rate compared to 2015. The total cement supply has increased by 25.4 percent during the year 2016. The total imports of cement have increased by 29.5 percent and the domestic supply of cement has increased by 18.1 percent in the year 2016.

### 1.1.3 Service Activities

The Service activity, which gives the highest contribution of 57.0 percent to the GDP, has further grown by 4.2 percent during the year 2016, when compared with the previous year 2015.

**Fig 8: Changing pattern of growth rates of major service activities (2014-2016)**



The “Wholesale and retail trade” which contributes nearly 10.7 percent to the GDP, reported a 2.5 percent minor growth rate in the year 2016. 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 for the year of 2016 has increased up to Rs. 2,826,260.4 million from Rs. 2,572,466.5 million reported for the 2015, resulting a 9.9 percent of growth. In addition, the total output value of Agriculture activity has increased by 2.5 percent and the total output value of industrial activities has increased up to Rs.785,822 million from Rs.754,822 million by 4.1 percent when compared it with the previous year 2015.

The sub activity of ‘Transportation’ is a combination of land transport, water transport and air transport. This activity has recorded a considerable growth rate of 4.1 percent for the year 2016, when compared to 2015. According to the civil aviation reports, the total revenue for the year 2016, has increased by 10.2 percent. In the year of 2016, the revenue of water transport services has been increased by 179.8 percent. In addition, the real value added value of land transport service activities, have grown by 4.5 percent respectively. When compared to the year 2015, in year 2016, the total amount of registered vehicles has decreased by 30.1 percent. The registration of motor vehicles, dual purpose vehicles, lorries, three wheelers and buses have decreased by 35.1 percent, 51.4 percent, 15.3 percent, 34.7 percent and 2.8 percent respectively while the registration of land vehicles have increased by 68.2 percent in 2016. The total revenue of Department of Railway has increased by 4.6 percent and the total cost incurred in this year has decreased by 33.9 percent. In the year of 2016, the revenue of Sri Lanka Transport Board has grown by 14.2 percent and the passenger kilometers have increased by 6.1 percent.

The sub activity of “Postal and courier activities” has recorded a positive growth rate of 5.1 percent for the year 2016. According to the reports of the Department of Postal, in year 2016, the total revenue has decreased to Rs. 6,578million and it is a 2.0 percent decrease when compared it with the year 2015.

The sub activity of “Accommodation, food and beverage serving” activity has reported a positive growth rate of 4.0 percent for the year 2016. When compared with 2015, the number of tourist arrivals has increased by 14.0 percent and the room occupancy rate calculated related to graded hotels, motels and guest houses which are registered under Sri Lanka Tourism Development Authority has been increased slightly to 74.8 from 74.5, in the year 2016. The Department of Census and Statistics, estimated the output value of this industry based on value added tax at national level, provided by the Department of Inland Revenue. According to the

estimated output, this activity has been increased by 4.0 percent during the year 2016, when compared it with year 2015.

The sub activity of “Programming and broadcasting activities and audio video productions” has further increased by 7.7 percent in year 2016. Most of the television broadcasting companies has experienced fluctuations in the revenue during this period.

The real value added of “Telecommunication services” has reported a striking increase by 8.8 percent for the year of 2016. Sri Lanka Telecom, Dialog and Mobitel companies were the highest share contributors to the total output value of this industry in 2016. According to the revenue reports, profits of major companies have increased significantly.

Same as in previous years, the most emerging industry in Sri Lanka, the “IT programming consultancy and related activities” which reported a striking growth rate for the year 2015, has shown a further expansion in the industry by 7.1 percent.

Financial intermediation is the main service, provided by financial institutions supplied by licensed commercial banks (LCB’s), licensed specialized banks (LSBs), other registered financial companies, Central Bank of Sri Lanka, Colombo stock exchange (CSE) and persons representing household in Sri Lankan economy. This activity recorded 12.4 percent real growth rate for the year 2016, recording Rs 563,044 million value added at constant prices in 2016 over the value of Rs 547,493 million recorded in 2015. The value of loans, advances and deposits of financial institutions has recorded an increase by 17.5 percent and 16.5 percent respectively in 2016. ‘Average Weighted Lending Rate’ (AWLR) and average ‘Average Weighted Deposit Rate’ (AWDR) compiled by Central Bank of Sri Lanka recorded 13.2 percent and 11.52 percent respectively in 2016.

The real value added of “Insurance, reinsurance and pension funding” which reported 9.3 percent growth rate for the year 2015 has further expanded by 8.5 percent in 2016. The usage of the activity is represented by the total values of premium earned and claims earned, and these items have increased by 18.7 percent and 17.3 percent respectively.

“Ownership of dwelling and real estate” activity shared 5.7 percent of the total GDP in year 2016. The overall growth rate of the activity has further expanded by 4.2 percent in year 2016, with respect to the 10.2 percent growth rate recorded in year 2014.

The sub activity of “Professional services” 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’. Professional services take into account the value addition generated through all these economic activities. The output value of all these activities are estimated by using value added tax data released by the Department of Inland Revenue. The real value added of professional service activity has reported a negative growth rate of 3.1 percent for the year 2016.

The sub activity of ‘Other personal service activities’ are mainly constitute by creative, arts and entertainment activities, gambling, betting, sports activities and recreation activities, repair of computers and personal household goods, washing, dry cleaning, hair dressing, other beauty treatment, funeral related activities and other personal service activities. 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 year 2015, in 2016, the real value added of this activity has increased by 1.3 percent.

According to the revision policy the GDP and other economic indicators were revised for 2014 and 2015. These revisions were compelled to carry out due to the time lag of getting the final data from data providing institutions. It was observed that annual revisions are trivial. The annual economic growth rates of 2015 and 2014 were revised to 4.8 percent and 5.0 percent respectively. The changes in the revised and published values were 0.0 percent and 0.1 for 2015 and 2014 respectively.

## 1.2 National Accounts Estimates – 4<sup>th</sup> Quarter

The estimated Gross Domestic Product at constant (2010) prices for the fourth quarter of 2016 (October, November, December) was Rs. 2,526,738 million compared to the fourth quarter of 2015 which was estimated as Rs. 2,400,173 million recording a positive growth rate of 5.3 percent.

Similar to the previous quarter, the three major activities of the economy, Agriculture, Industries and Services have shared the GDP at constant price (2010) by 6.4 percent, 24.8 percent and 52.9 percent respectively in the fourth quarter of 2016.

When compared economic growth rates of major economic activities in the 4<sup>th</sup> quarter of 2016, the agricultural activities has reduced by 8.4 percent during the 4<sup>th</sup> quarter of 2015. The industrial activities and services activities have reported a progressive increase by 9.2 percent and 4.6 percent respectively during the 4<sup>th</sup> quarter of 2016.

During the 4<sup>th</sup> quarter of 2016, among the sub activities of the economy, specially “Animal production”, “ Marine fishing and marine aquaculture”, “Mining and quarrying”, “Rubber and plastic products”, “Basic metals and fabricated metal products”, “ Construction” “IT Programming and consultancy related activities”, “Financial services activities” “Insurance , reinsurance, pension funding”, “Education” and “Health” have recorded a remarkable increases in the estimates by 13.6 percent, 5.5 percent, 25.9 percent, 20.8 percent, 22.5 percent, 15.5 percent, 9.3 percent, 8.0 percent, and 9.3 percent, 11.7 percent and 15.0 percent respectively, when compared with 4<sup>th</sup> quarter of 2015.

The drought continued in the fourth quarter most adversely impacted on rice, vegetables and serial production of the country. The sub activities of “Growing of rice”, “Growing of tea”, “Manufacture of food beverages and tobacco products”, “Professional services” and “Other personal services activities” have recorded negative growth rates by 48.5 percent, 3.1 percent, 0.7 percent, 4.2 percent, and 0.8 percent respectively for the 4<sup>th</sup> quarter of 2016.

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