

NATIONAL OUTPUT, EXPENDITURE, INCOME AND EMPLOYMENT

2.1 Overview

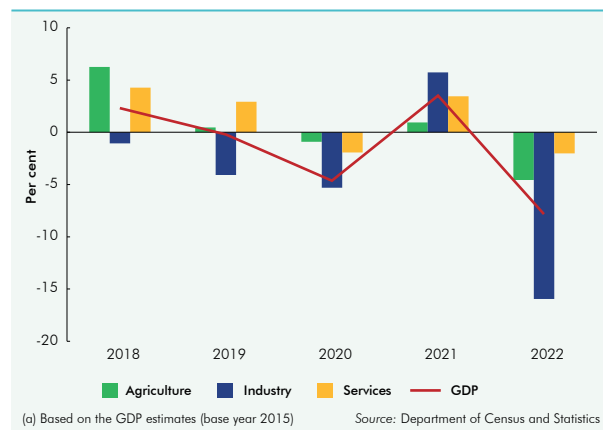
The Sri Lankan economy contracted by 7.8 per cent in 2022 on a year-on-year basis, recording its highest contraction in the backdrop of the worst ever economic crisis experienced by the post-independence economy, while prudent policy intervention averted possible deepening of the crisis. The economic crisis initially caused supply disruptions in the forms of severe shortages of consumer goods, energy sources including fuel and electricity, and inputs for various industries, mainly on account of the sharp depletion of foreign exchange liquidity in the market leading to a significant increase in prices. This situation compelled both the Central Bank and Government to introduce painful but essential policy measures, such as unprecedented adjustments to policy interest rates to curtail inflationary pressures and prioritisation of essential imports to minimise foreign exchange outflows, to prevent further worsening of the crisis. These measures contributed to contain demand pressures, minimise supply side disruptions, and improve availability of essential imports including fuel and material for industries, thereby gradually stabilising the economy. Reflecting the impact of economic stresses, all three major economic activities, namely, Industry, Services and Agriculture, contracted during the year 2022. The setback in manufacturing, construction, and mining and quarrying activities led the contraction in Industry activities, while contractions observed particularly in real estate activities including ownership of dwellings, insurance, and financial services, negatively affected Services activities, outpacing the positive spillovers of the recovery in tourist arrivals recorded on a year-on-year basis. Subdued performance in fishing activities caused by fuel shortages, in animal production owing to shortages of animal feed, and in growing of rice and vegetables driven by the lack of fertiliser, dampened the overall growth in Agriculture activities. This situation in turn resulted in a decline in labour productivity despite the favourable developments in key labour market indicators. On the expenditure front, both consumption and investment grew significantly at current prices induced by elevated price levels in 2022. However, at constant prices, both investment and consumption contracted, driven by the deterioration of purchasing power and holding up of investments under soaring inflation and high borrowing cost. On the other hand, net external demand at current prices improved due to substantial growth in the export of goods and services benefitting from the sharp depreciation of the Sri Lanka rupee, which surpassed the growth in the import of goods and services. The relatively slower growth in imports was largely a result of dried-up forex liquidity in the banking sector, restrictions on non-essential imports, sharp depreciation of the rupee, and the significant tightening of monetary policy.

2.2 Gross Domestic Product (GDP),¹ Gross National Income (GNI) and GDP Per Capita

The Gross Domestic Product (GDP) at constant (2015) market prices (hereinafter referred to as 'constant prices') contracted at a historically higher rate of 7.8 per cent in 2022, compared to the growth of 3.5 per cent recorded in 2021, while the crucial policy measures implemented by the Central Bank and Government helped to address the adverse economic headwinds confronted by the country. Meanwhile, GDP at current market prices (hereinafter referred to as 'current prices') was estimated at Rs. 24,147.7 billion

¹ The Department of Census and Statistics (DCS) estimates GDP in production, expenditure and income approaches.

Figure 2.1
Annual GDP Growth Rate (a)



(US dollars 77.1 billion) in 2022, which was an increase of 37.2 per cent in rupee terms, compared to Rs. 17,600.2 billion (US dollars 88.5 billion) in 2021. This higher growth in GDP at current prices

Table 2.1
Gross Domestic Product by Industrial Origin at Constant (2015) Prices (a)(b)

Economic Activity	Growth (%)		Contribution to Growth (%)		As a Percentage of GDP (%)	
	2021 (c)	2022	2021 (c)	2022	2021 (c)	2022
Agriculture, Forestry and Fishing	0.9	- 4.6	0.1	- 0.3	7.3	7.5
Growing of cereals (except rice)	2.8	- 21.6	0.00	- 0.04	0.2	0.1
Growing of rice	- 11.8	- 13.0	- 0.11	- 0.11	0.8	0.8
Growing of vegetables	- 1.7	- 8.4	- 0.02	- 0.07	0.8	0.8
Growing of sugar cane, tobacco and other non-perennial crops	- 7.3	1.8	- 0.00	0.00	0.0	0.0
Growing of fruits	- 10.8	0.5	- 0.07	0.00	0.6	0.6
Growing of oleaginous fruits (coconut, king coconut, oil palm)	11.2	8.6	0.08	0.07	0.8	0.9
Growing of tea (green leaves)	8.5	- 15.9	0.05	- 0.09	0.6	0.5
Growing of other beverage crops (coffee, cocoa etc.)	- 16.2	- 9.1	- 0.00	- 0.00	0.0	0.0
Growing of spices, aromatic, drug and pharmaceutical crops	4.5	3.3	0.03	0.02	0.8	0.8
Growing of rubber	6.2	- 6.7	0.01	- 0.01	0.2	0.2
Growing of other perennial crops	- 9.5	2.0	- 0.02	0.00	0.2	0.2
Animal production	8.2	- 12.9	0.06	- 0.09	0.7	0.7
Plant propagation	30.8	8.3	0.00	0.00	0.0	0.0
Agricultural supporting activities	14.2	14.7	0.03	0.03	0.2	0.3
Forestry and logging	4.4	16.1	0.01	0.05	0.3	0.4
Fishing	1.5	- 10.5	0.02	- 0.11	1.1	1.0
Industries	5.7	- 16.0	1.7	- 4.8	30.2	27.5
Mining and quarrying	1.4	- 31.0	0.03	- 0.68	2.2	1.7
Manufacturing	7.4	- 12.6	1.23	- 2.18	17.2	16.3
Electricity, gas, steam and air conditioning supply	4.9	- 5.9	0.07	- 0.09	1.4	1.5
Water collection, treatment and supply	- 17.8	0.6	- 0.02	0.00	0.1	0.1
Sewerage, waste treatment and disposal activities	- 3.3	3.9	- 0.01	0.01	0.2	0.2
Construction	4.4	- 20.9	0.39	- 1.88	9.0	7.7
Services	3.5	- 2.0	2.0	- 1.1	56.9	60.5
Wholesale and retail trade, transportation and storage, and accommodation and food service activities	1.3	2.6	0.31	0.62	24.2	26.9
Information and communication	18.0	- 1.4	0.51	- 0.05	3.2	3.5
Financial, insurance and real estate activities including ownership of dwellings	7.5	- 15.4	0.76	- 1.63	10.5	9.7
Professional services and other personal service activities	1.8	- 0.6	0.18	- 0.06	9.9	10.7
Public administration, defence, education, human health and social work activities	2.2	- 0.3	0.20	- 0.03	9.0	9.7
Equals Gross Value Added (GVA) at Basic Price	4.0	- 6.7	3.7	- 6.3	94.4	95.5
Taxes less subsidies on products	- 3.6	- 27.1	- 0.2	- 1.5	5.6	4.5
Equals Gross Domestic Product (GDP) at Market Price	3.5	- 7.8	3.5	- 7.8	100.0	100.0
Net primary income from rest of the world	12.6	- 3.5				
Gross National Income at Market Price	4.0	- 8.1				

(a) Based on the GDP estimates (base year 2015)

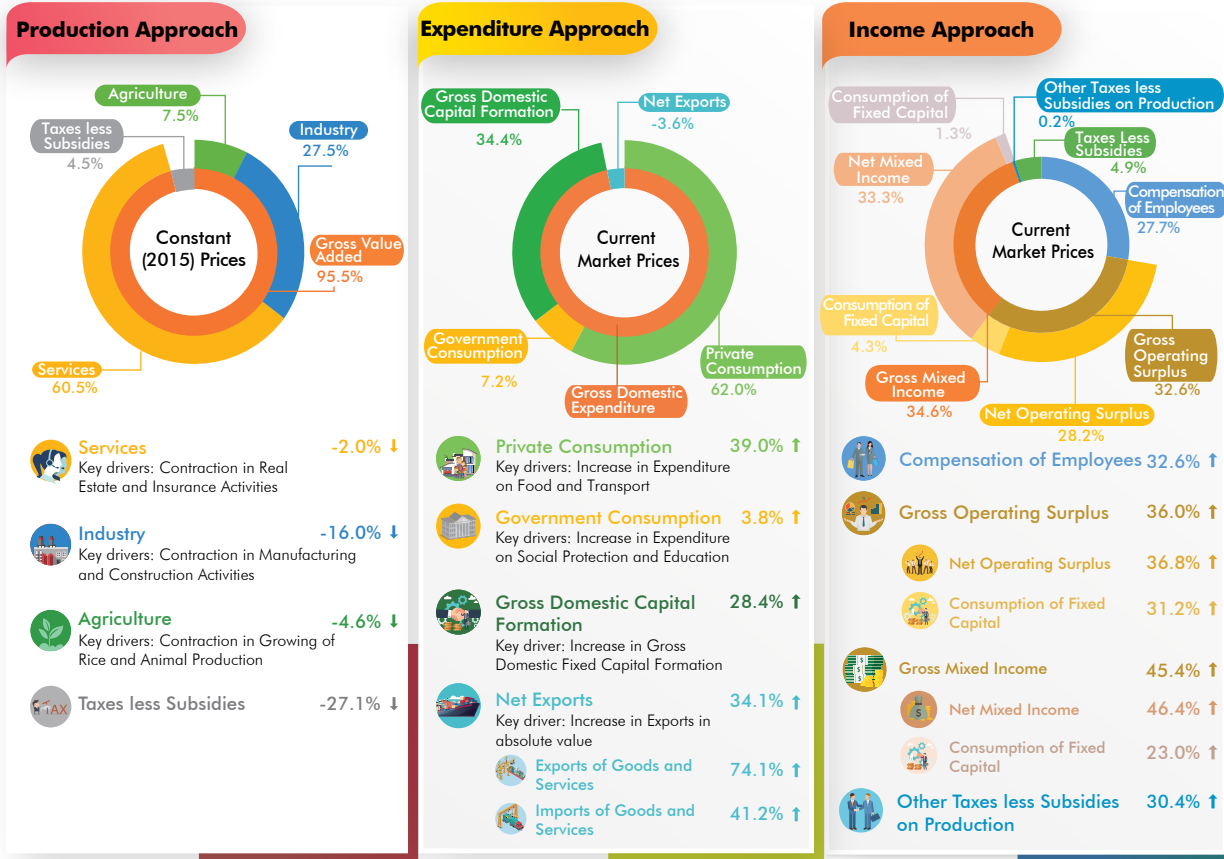
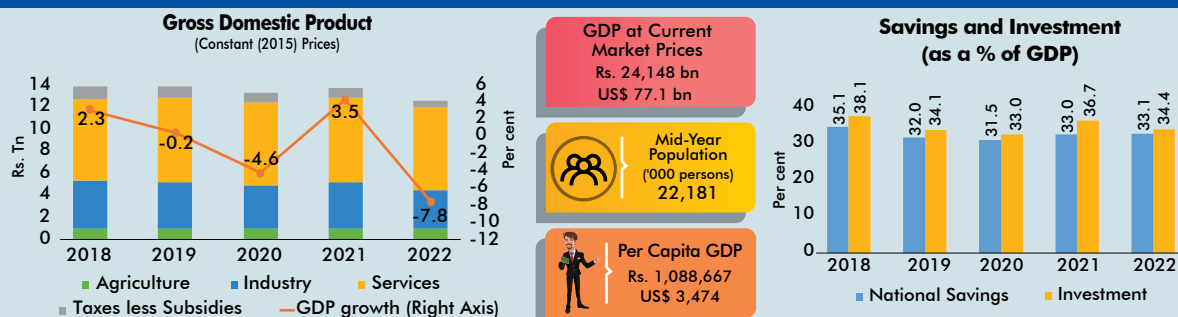
(b) Provisional

(c) Revised

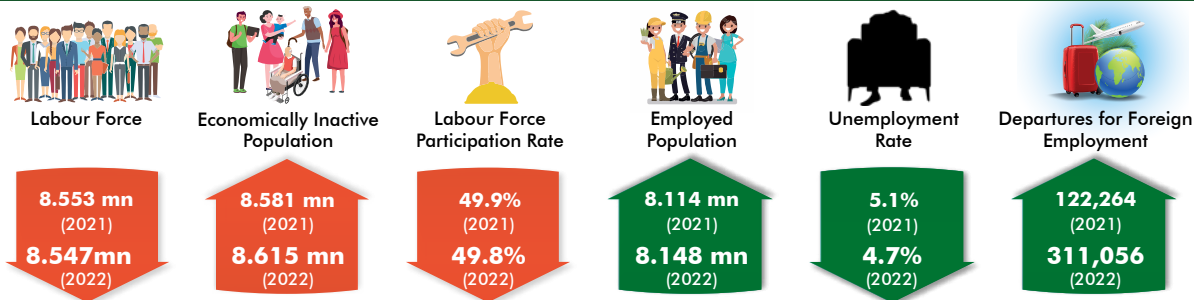
Source : Department of Census and Statistics

Figure 2.2
Snapshot of National Output, Expenditure, Income and Employment - 2022

The Sri Lankan economy recorded its deepest contraction in the backdrop of the worst-ever economic crisis...



Labour Market Indicators



mainly reflects the impact of increased price levels during the year as indicated by the surge in GDP implicit deflator to 48.8 per cent in 2022, from 8.5 per cent recorded in 2021.

The Gross National Income (GNI), estimated by adjusting GDP for the net primary income from the rest of the world, also grew by 36.7 per cent at current prices in 2022, compared to the growth of 12.8 per cent recorded in 2021. This growth in GNI during the year merely reflects the increase in GDP at current prices, as net primary income from the rest of the world deteriorated.

GDP per capita increased to Rs. 1,088,667 (US dollars 3,474) in 2022, compared to Rs. 794,376 (US dollars 3,997) in 2021. The increase in GDP per capita in rupee terms was driven by the significant increase in GDP at current prices, while GDP per capita in US dollar terms declined due to the substantial depreciation of the Sri Lanka rupee against the US dollar during the year. Meanwhile, GNI per capita was estimated at Rs. 1,060,654 (US dollars 3,388) in 2022, compared to Rs. 776,523 (US dollars 3,907) in 2021.

2.3 Contribution from Institutional Sectors

The Non-Financial Corporations (NFC) sector, representing 43.6 per cent share, was the largest contributor to the Gross Value

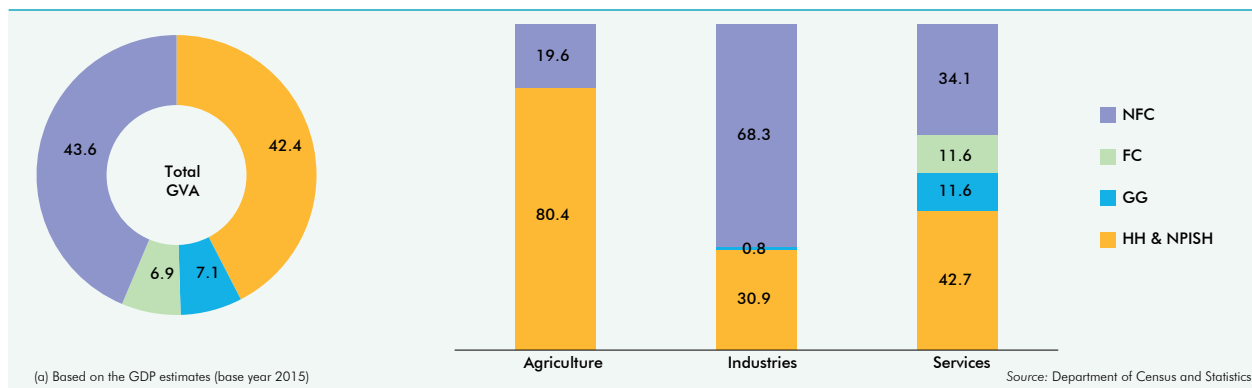
Added (GVA) estimated at current market prices in 2022. Accordingly, the NFC sector grew by 38.7 per cent in 2022, compared to the growth of 14.5 per cent in the previous year. Further, the NFC sector remained the largest contributor to Industry activities, while Agriculture and Services activities were mainly contributed by the Household and Non-Profit Institutions Serving Households (HH and NPISH) sector. Meanwhile, the HH and NPISH, General Government (GG) and Financial Corporations (FC) sectors grew by 42.5 per cent, 7.1 per cent and 52.1 per cent, respectively, in 2022.

2.4 Output, Policies, Institutional Support and Issues

Agriculture

The supply side headwinds including severe shortages of agricultural inputs, particularly those of fertilisers and other agrochemicals, substantial increase in production cost, and disruptions in fuel supply hampered the overall performance of Agriculture activities during 2022. Accordingly, Agriculture activities contracted by 4.6 per cent in 2022 in value-added terms, compared to the growth of 0.9 per cent recorded in 2021, mainly with significant contractions in total fishing, growing of rice and animal production. In addition,

Figure 2.3
Percentage Share of Gross Value Added (GVA) by Institutional Sectors in 2022 (at Current Market Prices) (a)



BOX 4

Rebasing of National Accounts Estimates to Base Year 2015¹

Introduction

National Accounts estimates are among the critical inputs in economic analyses as well as in policymaking as they reflect the real sector developments of an economy. Therefore, it is essential to accommodate the changes in the economic and price structures of an economy over time to the National Accounts estimates through regular rebasing exercises. Fulfilling this requirement, the base year of Sri Lankan National Accounts estimates has been revised from time to time, to 1958, 1963, 1975, 1990, 2002, 2010 in history, and the latest to 2015. The Department of Census and Statistics (DCS), as the official compiler, updated the base year of National Accounts estimates to 2015, replacing the previous base year of 2010. Alongside the latest rebasing exercise, DCS expanded the production boundary and broadened the coverage of economic activities while some improvements were made to the compilation methodologies.

Expanding the Production Boundary and Coverage of Economic Activities

The coverage of many economic activities was broadened during the latest rebasing exercise. One of the major coverage expansions is the inclusion of reclamation work relating to the *Colombo International Financial City (CIFIC)* project into the Industry activities, which were carried out during the period from 2014 to 2018, taking into account the percentage of work done in each year. This led to considerable fluctuations in the Gross Domestic Product (GDP) estimates and the corresponding GDP growth rates during the period 2014-2019. The coverage of several Agriculture and Services activities was also broadened during this rebasing exercise. Along with these coverage improvements, the rebased GDP estimates related to the Production Approach were disseminated under 49 economic activities, instead of 48 economic activities under the 2010 series. This is attributable to the estimation of *plant propagation* and *agricultural supporting activities* separately under the new base year. In terms of Agriculture activities, coverage improvements were introduced to the growing

of fruits, oil palm, flower plant propagation, household log production, and agricultural supporting activities. In terms of Services activities, the coverage in the areas of *information technology*, *warehousing activities*, *broadcasting activities*, *courier services* and *financial services* were broadened during this rebasing exercise.

Methodological Improvements and Use of New Data Sources

During the rebasing exercise, several methodological improvements were adopted in estimating many economic activities, such as *agricultural supporting activities*, *forestry and logging*, *plant propagation of flower plants*, *manufacturing*, *construction*, *electricity generation*, *IT programming consultancy*, *accommodation services*, *food and beverage service activities*, and *wholesale and retail trade activities*. Further, new data sources including *Economic Census 2013/14*, *Information Technology and Information Technology Enabled Services Survey* and revenue information related to the registered companies of *Colombo Stock Exchange (CSE)* were incorporated in compiling the rebased estimates under the 2015 base year. Moreover, DCS adopted the “Double Deflation method” in place of the “Single Deflation method” in compiling the estimates for many economic activities at constant prices under the new base year².

Key Outcomes of Rebasing National Accounts Estimates to Base Year 2015

The base year revision affected many economic indicators, such as the size of the economy (value of GDP), GDP growth rate, and share of major economic activities to the GDP. Compared to the previous base year of 2010, the rebased GDP estimates at constant prices indicated a level shift attributable to the

Table B 4.1
Comparison of recent GDP Rebasing Exercises

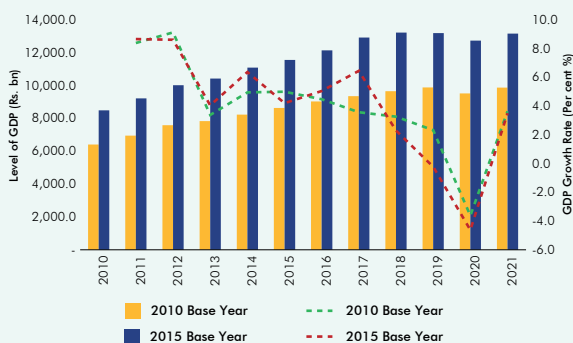
	2002	2010	2015
GDP at current prices (Rs. Million)	1,636,036.6	6,413,668.5	11,566,987.4
Level shift % (at current prices)		14.4%	5.6%

Source: Department of Census and Statistics

1. The Central Bank acknowledges the information and the constructive feedback provided by the DCS in preparing the extended version of this article published in the News Survey (Volume 42, Number 3) under the topic “Rebasing of National Accounts Estimates to Base Year 2015”.

2. Under the “Single Deflation method” both Output and Intermediate Consumption (IC) are deflated using the same price index, whereas in the “Double Deflation method”, Output and IC are deflated using two different price indices to compile constant price estimates accurately.

Figure B 4.1
Comparison of GDP estimates at constant prices and
GDP Growth rates – 2010 to 2021

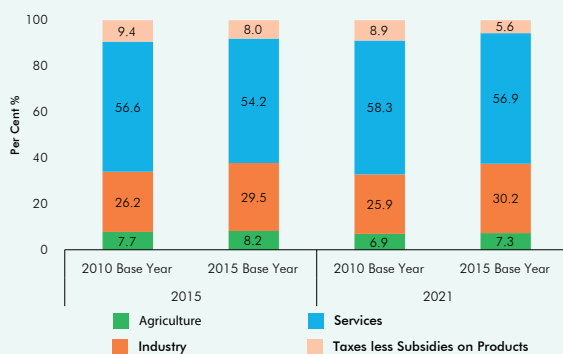


Source: Department of Census and Statistics

replacement of 2010 base year prices with 2015 prices to capture the evolution in prices, as well as the coverage and methodological improvements. Consequently, the corresponding GDP growth rates were affected by the base year revision. Particularly, the addition of reclamation work related to the CIFIC project led to a considerable shift in GDP level, as well as growth rates during the 2014-2019 period which is reflected in the data presented in Table B 4.1 and Figure B 4.1.

Further, along with the base year revision, the contribution to GDP from its major components namely, Agriculture, Industry, Services, and Taxes less Subsidies on Products were changed, especially with an increase in the share of Industry activities and a decline in the share of Services activities and Taxes less Subsidies on Products as shown in Figure B 4.2.

Figure B 4.2
Comparison of Share of GDP at constant
prices - 2015 and 2021



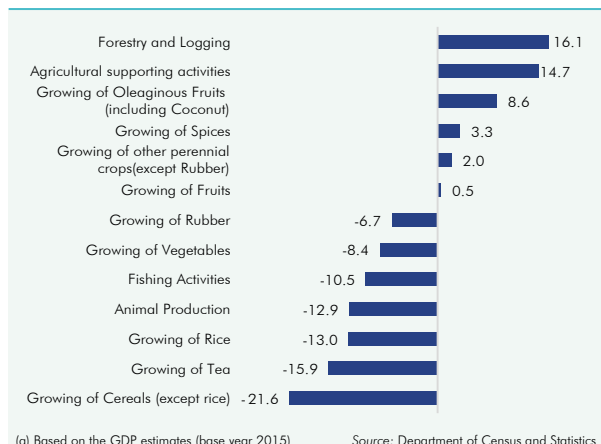
Source: Department of Census and Statistics

Following the increase in the GDP estimates at current prices, macroeconomic indicators which are expressed as a percentage of GDP such as *Budget Deficit* and *Debt to GDP* were also revised. Generally, a rebasing process provides policymakers and other stakeholders with a more representative set of economic statistics of the existing economic structure for better evidence based decision making. However, when referring to the rebased GDP estimates, it is imperative to understand the impact of one-off events separately from the impact of long lasting events and evaluate them appropriately.

References

1. Department of Census and Statistics. Key Findings of Rebased GDP Estimates (Base year 2015). Available at: http://www.statistics.gov.lk/NationalAccounts/StaticallInformation/2015/Reports/Key_findings
2. Thilangani, U.K.T. and Liyanage, D.N. (2022). 'Rebasing of National Accounts Estimates to Base Year 2015', News Survey, vol. 42, no. 03, pp. 2-8, Available at: https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/satahana/News_Survey_2022_03.pdf

Figure 2.4
Growth Rates of Agriculture Activities - 2022 (a)



(a) Based on the GDP estimates (base year 2015)

Source: Department of Census and Statistics

growing of tea, vegetables, other cereals, and rubber declined during the year. Nevertheless, forestry and logging, agriculture support activities, growing of oleaginous fruits (including coconut), spices, and fruits increased during the year. On a positive note, a recovery in Agriculture activities was observed during the last quarter of the year with improved availability of agricultural inputs and fuel, and favourable weather conditions. Meanwhile, reflecting the subdued performance in Agriculture activities, the Production and Demand sub-indices related to the Agriculture segment of

the Business Outlook Survey² (BOS) conducted by the Central Bank recorded a contraction on average during the year.

Index of Agricultural Production

The Volume Index of Agricultural Production (VIAP),³ which measures the output of the agriculture sector, recorded a significant contraction in 2022. The overall VIAP contracted by 19.4 per cent, year-on-year, during 2022, compared to a year-on-year growth of 2.1 per cent in 2021. Most of the sub-indices, including paddy, tea, rubber, and livestock and livestock products, contributed to the overall decline, whereas the fruits sub-index recorded a significant improvement, along with the coconut sub-index, compared to the previous year.

Paddy

Total paddy production of the country declined significantly in 2022, recording its lowest annual production since 2017, amidst severe supply side disruptions, including the shortage of fertilisers. Despite the lifting of the ban

on the importation of inorganic fertilisers and other agrochemicals in the latter part of 2021, the sequels of the ban, compounded with the lack of foreign exchange to import required fertilisers, resulted in acute fertiliser shortages in the country, having a significant bearing on the paddy sector, among others. Following the bumper harvest in 2021, annual paddy production recorded a decline of 34.1 per cent, year-on-year, to 3.4 million metric tons in 2022. This was a combined outcome of a 36.9 per cent decline in the 2021/2022 Maha season which accounted for 57.0 per cent of total production, and a 30.0 per cent drop in the paddy harvest in the 2022 Yala season. The net land extent harvested during the year marginally declined by 1.1 per cent to 1,114,246 hectares, while the average yield of paddy declined to 3,045 kilogrammes per hectare in 2022, compared to 4,571 kilogrammes per hectare, recorded in 2021, reflecting the impact of input shortages and productivity slowdown during these seasons. The total paddy production in 2022 was equivalent to 2.1 million metric tons of rice, and approximately 11 months of sufficiency of household rice demand.⁴ In order to arrest the price pressures stemming from rice shortages in the domestic market and meet the overall rice requirement of the country while ensuring food security, the Government initiated measures to import rice during the year. Accordingly, around 783,420 metric tons of rice were imported in 2022, compared to 147,091 metric tons of rice imported during the previous year. Nevertheless, as domestically available rice stocks gradually increased, along with imported stocks and the harvest from the Yala season, a ban was imposed on the importation of rice, except for a few varieties, with effect from 09 December 2022.

Elevated input costs, combined with the drop in production, resulted in higher paddy and rice prices during 2022. Continuing the trend

² The Business Outlook Survey summarises information revealed from the responses from leading corporates, which were selected in accordance with the composition of the GDP.

³ From 2022, the Volume Index of Agricultural Production, compiled by DCS, replaced the Agriculture Production Index (API) which was compiled by the Central Bank of Sri Lanka.

Table 2.2
Volume Index of Agricultural Production
(2002=100) (a)

Item	2021	2022 (b)	Growth Rate (%)	
			2020/21	2021/22 (b)
Overall Index	199.1	160.4	2.1	-19.4
Tea	96.6	81.1	7.5	-16.0
Rubber	84.9	78.3	-1.7	-7.8
Coconut	126.9	137.9	1.1	8.7
Paddy	180.1	118.6	0.6	-34.1
Coarse Grain	1,473.9	838.1	50.1	-43.1
Other Food Crops	179.7	162.1	17.2	-9.8
Vegetables	200.4	185.5	-7.2	-7.4
Fruits	180.0	322.4	-15.5	79.1
Livestock & Livestock Products	180.1	175.2	3.5	-2.7
Minor Export Crops	193.0	188.5	4.7	-2.3

Source: Department of Census and Statistics

(a) From 2022, the Volume Index of Agricultural Production, compiled by the Department of Census and Statistics, replaced the Agriculture Production Index (API) which was compiled by the Central Bank of Sri Lanka.

(b) Provisional

⁴ The level of sufficiency is based on the average household rice consumption estimate in the Household Income and Expenditure Survey (HIES) – 2019. However, the actual rice demand of the country may be significantly higher than the HIES average household rice consumption estimate, as it excludes the rice demand for other sources, such as restaurants and hotels, rice-based food industries, etc.

Table 2.3
Paddy Sector Statistics

Item	Unit	2021 (a)			2022 (b)		
		Maha	Yala	Total	Maha	Yala	Total
Gross Extent Sown	hectares '000	770	501	1,272	776	482	1,258
Gross Extent Harvested	hectares '000	762	497	1,259	766	480	1,246
Net Extent Harvested	hectares '000	682	445	1,127	685	429	1,114
Production	mt '000	3,061	2,088	5,150	1,931	1,462	3,393
	bushels '000	146,720	100,079	246,799	92,555	70,050	162,605
Yield per Hectare (c)	kg/ hectare	4,492	4,692	4,571	2,819	3,407	3,045
Credit Granted by the Banking Sector (d)	Rs. mn	8,603	4,449	13,052	-	-	12,454
Rice Imports (e)	mt '000	-	-	147	-	-	783
Paddy Equivalent of Imported Rice (e)	mt '000	-	-	216	-	-	1,152

(a) Revised

(b) Provisional

(c) Yield per hectare is calculated by dividing production by the net extent harvested

(d) Commencing from 2022, data on cultivation loans granted by lending banks is not available separately for the Maha and Yala seasons.

(e) Annual figure

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

observed since late 2021, paddy prices recorded a further increase during early 2022, largely driven by supply shortages stemming from the lower production in the 2021/2022 Maha season and increased demand resulting from market speculations about supply shortages in the market. The Government intermittently intervened in the paddy and rice markets to reduce price volatility and maintain a steady supply. Accordingly, the guaranteed purchasing prices for a kilogramme of Samba, Nadu, and Keeri Samba paddy were increased to Rs. 92.00, Rs. 90.00, and Rs. 95.00, respectively, during the 2021/2022 Maha season, pursuant to the paddy purchasing programme of the Paddy Marketing Board (PMB). PMB was able to purchase around 71,280 metric tons of paddy from the 2021/2022 Maha season. Further, considering the escalation of cost of production in the paddy sector, PMB increased the guaranteed purchase prices of a kilogramme of Samba, Nadu, and Keeri Samba paddy to Rs. 125.00, Rs. 120.00, and Rs. 130.00, respectively, in the 2022 Yala season. However, PMB was able to purchase only around 7,076 metric tons of paddy under the new guaranteed prices due to lack of funding available for PMB to purchase paddy, thereby compelling farmers to sell their paddy stocks at a low price to private millers, causing a moderation of paddy prices towards late 2022. However, the average

prices of all varieties of paddy remained above the price levels observed in 2021. The average price of Samba paddy recorded a notable increase of 66.4 per cent, year-on-year, to Rs. 108.69 per kilogramme, from Rs. 65.32 per kilogramme recorded in 2021, while the average price of Nadu paddy also increased substantially to Rs. 103.87 per kilogramme in 2022, from Rs. 57.61 per kilogramme recorded in 2021, registering a year-on-year increase of 80.3 per cent over the previous year. Following similar trends in paddy prices, the prices of rice varieties also showed an upward trend throughout 2022, despite some moderation in late 2022. Accordingly, the average retail prices of Samba and Nadu were at Rs. 209.19 per kilogramme and Rs. 213.36 per kilogramme, respectively, in 2022, compared to Rs. 136.52 per kilogramme and Rs. 116.56 per kilogramme, respectively, in 2021. Meanwhile, several measures were undertaken by the Government to stabilise retail rice prices in the market, including the imposition of a maximum retail price (MRP) for rice varieties and boosting supply through rice imports to address the excessive volatility in retail rice prices amidst shortfalls in the rice supply in the local market. Accordingly, MRPs for Nadu, Samba, and Keeri Samba were imposed at Rs. 220.00 per kilogramme, Rs. 230.00 per kilogramme, and Rs. 260.00 per kilogramme, respectively, effective

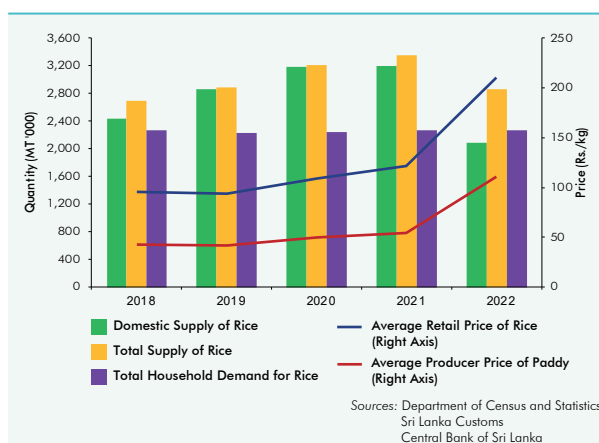
from 02 May 2022. To alleviate the impact of persistently high prices, the Government launched a programme to purchase Nadu paddy from farmers at Rs.100.00 per kilogramme during the 2022/2023 Maha season, with the intention of distributing 10 kilogrammes of rice per month to low income families in March and April 2023.

Several measures were undertaken by the Government in 2022 to address contemporary issues in the agriculture sector, while striving to improve the long term productivity of the sector.

With due consideration to the adverse effects of inadequate fertiliser availability emanating from the banning of importation of chemical fertilisers and agrochemicals as well as the limited liquidity in the domestic foreign exchange market to facilitate fertiliser imports, the Government expedited measures to provide chemical fertilisers since the third quarter of 2022. Accordingly, the Government procured 65,000 metric tons of urea under the Indian line of credit for the 2022 Yala cultivation, while the distribution of urea to paddy farmers was made at a subsidised price of Rs. 10,000.00 per a 50 kilogramme sack of urea during the 2022 Yala season. In addition, several arrangements were made with international organisations, including the World Bank (WB), the Asian Development Bank (ADB), and the Food and Agriculture Organisation

(FAO), through various assistance programmes and grants to ensure the timely supply of required urea, Triple Super Phosphate (TSP), and Muriate of Potash (MOP) fertilisers for the 2022/2023 Maha season and for upcoming seasons. Accordingly, the Government was able to disburse around 100,000 metric tons of urea for paddy cultivation in 2022/2023 Maha season, significantly contributing to the recovery of the paddy sector. Further, considering the need for allowing domestic use of glyphosate as a weedicide, the Cabinet of Ministers granted approval in September 2022 to import required quantities of glyphosate for agricultural purposes in the 2022/2023 Maha Season for a period of six months. In addition, urgent measures were taken to address the nutrient deficiencies which led to the yellowing of paddy plants in certain districts during the 2022/2023 Maha season, via provisioning of fertilisers and other organic supplements, while expediting extension services for pest and disease management. In addition, rice variety screening programmes to identify the best performing varieties continued throughout 2022, and four new varieties with special characteristics of short duration, high yield, and drought resistance were released in 2022. Of these four new varieties, one was released for industrial purposes, such as biscuit production. In an effort to improve precision agriculture through site-specific weed management, experiments were carried out in trial paddy fields to identify major weed types and the impact of those weed types on paddy fields using multispectral drone image technologies.

Figure 2.5
Rice : Supply and Demand



Tea

The production of tea registered a notable decline of 16.0 per cent, year-on-year, in 2022, largely due to the lagged effect of acute shortages of fertilisers and agrochemicals domestically. The preliminary diagnosis carried out by the Tea Research Institute (TRI) on the large decline of crop yields in several regions of the country pointed out that inaccessibility to

chemical fertilisers and agrochemicals, particularly urea based fertilisers and weedicides, significantly impacting the reported yield losses during the year. Accordingly, production of high, medium, and low grown tea, which contributed to around 22 per cent, 16 per cent, and 62 per cent of the total production, respectively, declined by 13.8 per cent, 21.2 per cent, and 15.4 per cent, respectively, in 2022. Meanwhile, the average yield in the smallholder sector decreased to 1,193 kilogrammes per hectare, compared to 1,414 kilogrammes per hectare reported in 2021, registering a year-on-year decline of 15.6 per cent in average yield. The tea sector experienced a rise in production costs in 2022 due to the elevated prices of chemical fertilisers and other agricultural inputs coupled with domestic shortages of those inputs, as well as the upward adjustments in utility prices, including fuel, electricity, and water, thereby hampering the country's competitiveness in global tea markets. Consequently, the estimated cost of production of tea increased by Rs. 20.00 to Rs. 639.00 per kilogramme in 2022, compared to 2021.

Tea prices at the Colombo Tea Auction (CTA) reached the historically highest level in 2022 and remained elevated throughout the year. The average price of tea increased notably by 105.2 per cent to Rs. 1,270.50 per kilogramme during the year, from Rs. 619.15 per kilogramme recorded in 2021. Accordingly, the average tea prices for high, medium, and low grown tea reported year-on-year increase of 94.6 per cent, 93.5 per cent, and 110.8 per cent, respectively, in 2022. Further, the average price received by smallholders for green leaves also increased significantly to Rs. 182.07 per kilogramme in 2022, compared to Rs. 93.67 per kilogramme in 2021. The average export price (FOB) of tea increased by 8.7 per cent to US dollars 5.03 per kilogramme during 2022, compared to US dollars 4.63 per kilogramme recorded in the preceding year. The increase in average tea prices during the year was partly attributed to the decline in the quantity

supplied to the CTA amidst the decline in local production, while the depreciation of the Sri Lanka rupee also contributed to the price hike in rupee terms.

In 2022, several measures were undertaken by the Government aimed at enhancing the productivity, value addition, and competitiveness of the Sri Lanka's tea Industry. The Sri Lanka Tea Board (SLTB) initiated a concessionary loan scheme at an interest rate of 8.0 per cent enabling tea factories to purchase fertiliser for their green tea leaves suppliers. During the year, SLTB disbursed Rs.16.9 million among 38 tea factories under the Factory Modernisation Subsidy Scheme, supporting modernisation activities of these factories aimed at improving the quality of the production process. In addition, SLTB granted Rs. 56.4 million through the Replantation Subsidy Programme to enhance the productivity of tea lands, while a subsidy of Rs. 24.5 million was provided for the installation of irrigation sprinkler systems in 204 acres of medium-scale tea lands. Several measures were undertaken by the Tea Small Holdings Development Authority (TSHDA) in relation to tea replanting and new planting programmes and crop rehabilitation subsidy programmes. During the year, 912 hectares of tea lands were replanted and 408 hectares of new lands were converted into tea lands, while the process of infilling in tea lands was continued. Throughout the year, efforts towards enhancing awareness among tea smallholders were carried out through advisory services. TRI continued its efforts in relation to research and development activities and service projects pursuant to its strategic plan. Accordingly, special projects, such as the development and introduction of a motorised selective tea harvester suitable for tea lands in the country, establishment of seed gardens to increase the production of improved seeds as a source of planting materials in drought prone areas, promotion of commercialisation of microbial bio pesticides in tea cultivation, and expansion of mother bush areas of new tea cultivars were underway during the year.

Rubber

Rubber production continued to decline in 2022 for the second consecutive year, largely driven by the combined effect of adverse weather conditions that prevailed in rubber growing areas, fertiliser shortages, and the spread of the Pestalotiopsis disease. The impact of fertiliser shortages on immature rubber plantations during 2022 was significant, causing stunted tree growth that causes delays in the tapping stage of plantations and reduces land productivity in the period ahead. Furthermore, the scarcity of agrochemicals resulted in severe propagation of the Pestalotiopsis disease in rubber plantations during the year, affecting around 40,000 hectares of rubber plantations, resulting in a decline in yield ranging from 0-10 per cent in affected rubber plantations. Accordingly, total rubber production decreased by 7.8 per cent to 70.9 million kilogrammes, year-on-year, in 2022. Among major categories of rubber production, sheet rubber production accounted for 49.0 per cent of the total rubber production with a contraction of 9.6 per cent, while production of other categories of rubber recorded a decline of 11.7 per cent during the year, compared to 2021. However, crepe rubber production recorded a growth of 3.9 per cent during 2022. Despite the notable increase in local rubber prices in 2022, productivity and tapping limitations in the rubber sector prevented plausible improvements in production. Meanwhile, the average yield of rubber reduced by 2.1 per cent, year-on-year, to 665 kilogrammes per hectare in 2022 due to the reduction in tapping days. The cost of production of rubber was on the rise and recorded at Rs. 288.00 per kilogramme by end of 2022, registering an increase of 30.3 per cent from the previous year. In 2022, the domestic consumption of raw rubber by the industrial sector contracted by 12.4 per cent to 117.3 million kilogrammes, which was partially attributed to the decline in demand for medical gloves in both domestic and global markets as the COVID-19 pandemic faded away.

The prices of most varieties of rubber at the Colombo Rubber Auction reached historically high levels, driven by the favourable demand in the global market during the first half of 2022. At the Colombo Rubber Auction, the annual average price of Ribbed Smoked Sheet No.1 (RSS1) increased to Rs. 595.00 per kilogramme in 2022 from Rs. 460.78 per kilogramme in 2021, registering a year-on-year increase of 29.1 per cent, while the average price of latex crepe also increased notably by 44.2 per cent, year-on-year, to Rs. 903.27 per kilogramme from Rs. 626.32 per kilogramme in 2021. Nevertheless, towards the latter part of the year, rubber prices were on a decelerating trend, mainly due to weaker demand for rubber based products in both domestic and global markets. Accordingly, at end 2022, the average auction prices of RSS1 and latex crepe rubber stood at Rs. 517.67 per kilogramme and Rs. 628.33 per kilogramme, respectively. The average FOB price of rubber also marginally increased to US dollars 2.73 per kilogramme in 2022 from US dollars 2.72 per kilogramme recorded in the previous year.

Strategies for improving the productivity and value additions in the rubber sector continued in 2022. The Rubber Research Institute (RRI) conducted multiple research studies during the year in its effort to increase the productivity of the rubber sector. During the year, research on the adaptation of low-intensity harvesting systems was carried out with the aim of reducing production costs and handling labour shortages, particularly in non-traditional areas. As a result, approximately 1,600 hectares of rubber lands owned by smallholders and plantation companies were converted to 'once in four days tapping system'. Screening of clones to identify resistant clones against leaf diseases was completed in 2022 in an effort to prevent significant yield losses caused by such diseases, while measures were also underway to identify climate resilient clones for sustainable rubber cultivation. During the

year, programmes aimed at raising awareness among rubber farmers on improved techniques for applying slow-release fertiliser and enhancing the nutritional intake of plants were carried out in several rubber growing regions, covering Monaragala, Middeniya, Matugama, Horana,

Bulathsinhala, Kalutara, Kegalle, and Ratnapura. Further, the Rubber Development Department (RDD) continued to engage in expanding the rubber cultivation extent through new planting and replanting activities during the year. Under the new planting programmes, latex harvesting was commenced in 2022 at the first established rubber field in Mullaitivu in the Northern Province. Measures were also taken to popularise different types of rubber-based intercropping systems and crop diversification in unutilised lands through field demonstrations in different trial fields. Meanwhile, in the light of the rising cost of cultivation, revisions were made to the subsidy schemes for replanting and new planting with effect from 01 January 2022, in order to reduce the number of installments for the provision of subsidy funds from eight to five without altering the amount of the subsidy. A series of awareness programmes on sustainable harvesting through proper management of rubber bark was conducted with the financial support of the National Science Foundation of Sri Lanka. Meanwhile, training programmes on rubber product manufacturing targeting small and medium-sized entrepreneurs as well as rubber smallholders were conducted during the year, aimed at promoting value addition in the rubber sector, thereby strengthening the integration of local rubber products in the global value chain.

Coconut

The coconut sector registered its highest ever annual production in 2022, due to the favourable weather conditions that prevailed during 2021 and 2022. Accordingly, total nut production increased to 3,391 million nuts in 2022, recording a year-on-year increase of 8.7 per cent, over the notable increase of 11.7 per cent recorded in 2021. The increase in production was largely supported by the well-distributed rainfall from 2021 coupled with the ideal air temperature in the

Table 2.4
Trends in Principal Agricultural Crops

Category	Unit	2021 (a)	2022 (b)	Change (%)	
				2020/21 (a)	2021/22 (b)
1. Tea					
1.1 Production (c)	kg mn	299.5	251.5	7.4	-16.0
- Low Grown	kg mn	183.2	155.0	7.8	-15.4
- Medium Grown	kg mn	51.0	40.2	9.1	-21.2
- High Grown	kg mn	65.3	56.3	5.0	-13.8
1.2 Total Extent	hectares '000	267	267	0.3	0.2
1.3 Extent Bearing	hectares '000	267	267	0.3	0.2
1.4 Cost of Production (d)	Rs./kg	618.49	638.99	13.2	3.3
1.5 Average Price					
- Colombo Auction	Rs./kg	619.15	1,270.50	-2.3	105.2
- Export (F.O.B.)	Rs./kg	920.76	1,643.11	6.2	78.5
1.6 Replanting	hectares	1,123	1,239	38.3	10.3
1.7 New Planting	hectares	696	476	61.9	-31.6
1.8 Value Added as % of GDP (e)	as % of GDP	0.6	0.5	4.8	-8.8
2. Rubber					
2.1 Production	kg mn	76.9	70.9	-1.7	-7.8
- Sheet Rubber	kg mn	38.4	34.8	-1.7	-9.6
- Crepe Rubber	kg mn	13.9	14.5	7.4	3.9
- Other	kg mn	24.5	21.7	-6.2	-11.7
2.2 Total Extent	hectares '000	139	139	0.6	-0.1
2.3 Area under Tapping (f)	hectares '000	113	107	-6.1	-5.9
2.4 Cost of Production	Rs./kg	221.00	288.00	3.5	30.3
2.5 Average Price					
- Colombo Auction (RSS 1)	Rs./kg	460.78	595.00	31.1	29.1
- Export (F.O.B.)	Rs./kg	540.77	841.72	52.8	55.7
2.6 Replanting (f)	hectares	1,522	1,264	55.9	-16.9
2.7 New Planting (f)	hectares	1,188	489	58.2	-58.9
2.8 Value Added as % of GDP (e)	as % of GDP	0.2	0.2	2.6	1.2
3. Coconut					
3.1 Production	nuts mn	3,120	3,391	11.7	8.7
- Desiccated Coconut	nuts mn	298	314	31.8	5.2
- Coconut Oil	nuts mn	211	445	340.6	110.7
- Other	nuts mn	2,607	2,628	3.6	0.8
3.2 Total Extent	hectares '000	505	505	0.2	0.0
3.3 Cost of Production	Rs./nut	26.96	27.21	23.6	0.9
3.4 Average Price					
- Producer Price	Rs./nut	71.88	74.86	17.7	4.1
- Export (F.O.B.) (g)	Rs./nut	65.36	84.54	24.2	29.3
3.5 Replanting / Under Planting (h)	hectares	4,709	5,481	-11.7	16.4
3.6 New Planting (i)	hectares	9,622	13,913	20.3	44.6
3.7 Value Added as % of GDP (e)	as % of GDP	0.8	0.9	7.4	17.8

(a) Revised	Sources:
(b) Provisional	Sri Lanka Tea Board
(c) Includes green tea	Tea Small Holdings Development Authority
(d) Includes green leaf suppliers' profit margin	Ministry of Plantation
(e) In growing and processing only	Department of Census and Statistics
(f) Extent covered by cultivation	Rubber Development Department
assistance schemes of the Rubber Development Department	Coconut Cultivation Board
(g) Three major coconut kernel products only	Coconut Development Authority
(h) Extent covered by cultivation	Colombo Tea Brokers' Association
assistance schemes of the Coconut Cultivation Board (CCB)	The Ceylon Chamber of Commerce
(i) The extent newly planted is calculated based on the amount of coconut seedlings distributed by CCB at a conversion rate of 158 seedlings for one hectare.	Sri Lanka Customs
	Central Bank of Sri Lanka

main coconut growing areas. These favourable effects outweighed the immediate negative impact of limited application of chemical fertilisers on coconut cultivation during 2022. Along with the increased nut production, coconut-based products also witnessed an improvement during the year. Accordingly, the production of desiccated coconut increased by 5.2 per cent, year-on-year, to 35,030 metric tons from 33,289 metric tons recorded in 2021. Coconut oil production increased notably by 59.4 per cent, year-on-year, to 68,590 metric tons in 2022, reflecting the restrictions imposed on the importation of both coconut oil and palm oil and the availability of adequate nuts for oil production. Production of coconut milk powder also increased during the year by 15.8 per cent, year-on-year, while coconut cream and coconut milk production recorded contractions of 12.5 per cent and 0.9 per cent, respectively. Despite improved performance of the coconut sector in 2022, the lag effect of delayed and insufficient application of chemical fertiliser in 2022 could affect the coconut yield in the near future. However, the lag effect of favourable precipitation received throughout 2022 is expected to outweigh the negative consequences of insufficient fertiliser application.

Despite the improved coconut production, prices of coconut and coconut based products remained at elevated levels throughout 2022.

The average retail price of coconut increased by 8.9 per cent, year-on-year, to Rs. 91.36 per nut in 2022, with nut prices exceeding Rs.100.00 towards late 2022, reaching historically high prices for coconuts. The average auction price of coconut at the Colombo Coconut Auction recorded at Rs. 60.14 per nut in 2022, registering an increase of 6.4 per cent from Rs. 56.51 per nut in 2021. The desiccated coconut price in local markets also increased marginally by 0.3 per cent, year-on-year, to Rs. 538.75 per kilogramme during the year. The average retail price of coconut oil per bottle of 750 ml

increased by 17.3 per cent to Rs. 520.19 in 2022 over an increase of 29.2 per cent recorded in 2021. Further, the total export volume of desiccated coconut, coconut oil, and copra registered a notable growth in 2022, reflecting the favourable support from the increased domestic production.

The Government's efforts towards improving the productivity of the coconut sector continued during 2022, with the implementation of several initiatives aimed at promoting the sector.

Accordingly, the Coconut Cultivation Board (CCB) initiated several measures to provide high yielding coconut cultivars to improve productivity in the existing coconut lands. Development of a new coconut seed garden to produce high yielding 'Kapsuwaya' hybrid coconut cultivar was underway during the year, while the hand pollination programme to produce 'Kaprwana' hybrid variety, and infilling vacancies in the Kinyama seed garden were also carried out in collaboration with Chilaw Plantation Ltd. Several subsidy schemes, including supply of coconut seedlings at a subsidised rate, subsidies for rehabilitation of coconut lands, replanting, underplanting, and new planting, were also continued in 2022. In light of the increased intensity of white fly pest damage in 2022, a pilot project was conducted to control white fly affected coconut plantations in the areas, including Dankotuwa, Nattandiya and Wennappuwa, while recommendations for controlling white fly disease using chemicals and bio-chemicals were also issued during the year. Further, measures were taken to mitigate the impact of fuel shortages on coconut processing factories by supplying required fuel to ensure the uninterrupted operation of such industries. Meanwhile, efforts are being made to expand the global reach of the 'Ceylon Coconut' brand, which in turn will promote value additions in the coconut industry and create more opportunities in the global market for the country's coconut industry.

Minor Export Crops

The growth momentum of minor export crop production continued in 2022, despite the issues in domestic supply chains and fertiliser availability. According to the provisional estimates of the Department of Export Agriculture (DEA), the production of minor export crops recorded a notable increase of 30.6 per cent, year-on-year, to 186,962 metric tons from 143,165 metric tons recorded in 2021. The Government's decision to maintain restrictions on the importation of several minor export crops, as a measure to curb import expenditure amidst BoP pressures and combat the rise of prices domestically amidst increased global demand, spurred farmers to actively cultivate these crops, resulting in a notable improvement in the performance of the sector. In 2022, the production of cinnamon, clove, cardamom, coffee, cocoa, nutmeg, areca nut, and betel leaves witnessed a growth, while the production of pepper declined. The total export volume of the export agriculture crop sector registered a year-on-year contraction of 7.0 per cent, while export earnings, in rupee terms, increased notably by 44.8 per cent, year-on-year. In 2022, the earnings from exporting cinnamon recorded a significant growth of 50.1 per cent, year-on-year, largely contributing to the growth of export earnings from export agriculture crops.

Several measures were undertaken by the government authorities to strengthen the minor export agriculture sector during the year. Accordingly, in 2022, arrangements were made by the Export Development Board (EDB) with the support of several public and private sector stakeholders to obtain Geographical Indication (GI) certification for Ceylon cinnamon from the European Union (EU) Commission. This is expected to enhance the worldwide recognition of the excellence and distinctive features of the product, which can be attributed to Sri Lanka. Further, DEA carried out research

and development activities to expand export agriculture crop cultivation into non traditional areas, such as Anuradhapura, Polonnaruwa, Ampara, Vavuniya, and Jaffna. Meanwhile, DEA conducted various programmes aimed at introducing minor export crops, like pepper, areca nut, ginger, turmeric, and betel leaves in these identified areas with the intention of expanding the cultivation extent. In order to enhance the quality of the production, introduction and popularisation of organic cultivation, Good Agricultural Practices (GAP), and Good Manufacturing Practices (GMP) were also carried out during 2022.

Other Field Crops

Following a bumper harvest in 2021, the production of other field crops (OFCs) witnessed a notable decline largely driven by the domestic shortages of fertiliser and other agrochemicals and supply chain disruptions. The drop in domestic production of OFCs, amidst the lack of availability of fertiliser and other agrochemicals, was largely mitigated through imports, burdening the country's import expenditure during 2022. Accordingly, in 2022, the overall production of OFCs decreased by 37.5 per cent, year-on-year, to 526,803 metric tons, as a combined result of a 37.8 per cent decline in production during the 2021/2022 Maha season and a decline of 36.8 per cent in the 2022 Yala season. Maize production registered a significant decline of 45.2 per cent to 259,040 metric tons during the year, compared to 2021, owing to shortages and the high cost of agricultural inputs. With the decline in domestic maize production, importation of maize increased to 190,686 metric tons in 2022, from 22,724 metric tons in 2021, to fulfil the demand for the animal feed industry. Potato production registered a decline of 37.3 per cent, year-on-year, to 47,614 metric tons in 2022, while potato imports increased by 31.8 per cent over 2021. Further, big onion production decreased

significantly by 73.0 per cent, year-on-year, to 17,799 metric tons, compared to the previous year, and importation of big onions increased by 2.5 per cent, year-on-year, to 263,781 metric tons in 2022. Also, domestic production of OFCs, such as finger millet (kurakkan), cowpea, and soya bean recorded expansions during the year, while the production of red onion, green gram, black gram, ground nut, gingelly, and green chillies recorded a decline. Meanwhile, the Government continued its efforts to enhance the domestic production of OFCs, to pave the way for improved food security. Accordingly, the Field Crops Research and Development Institute (FCRDI), functioning under the Department of Agriculture (DoA), instituted several measures during the year. These measures include development of new varieties of other field crops, such as chilli, onion, maize, finger millet, cowpea, black gram, and green gram through breeding programmes, maintenance of all the recommended crop varieties, seed production of recommended varieties, providing technical recommendations for OFCs, soil testing services, and technology dissemination. However, further efforts are required to improve the supply of all OFCs by implementing a national level OFC production plan that encompasses measures to ensure an adequate supply of agricultural inputs, such as fertiliser and pesticides, promote high quality seed production, and best soil and crop management practices, while strengthening supply chain channels to minimise foreign exchange outflows for importation of OFCs that have the potential to be produced domestically.

Vegetables

The supply of vegetables declined in 2022 owing to the combined impact of domestic shortages of fertilisers and other agrochemicals, supply chain disruptions, and increased cost of production. The total production of vegetables decreased by 4.9 per cent to 1,588,256 metric

tons in 2022, compared to 1,669,515 metric tons recorded in 2021. During the 2021/2022 Maha season, the production of vegetables contracted by around 6.5 per cent to 815,482 metric tons over the previous Maha season, and the 2022 Yala production also declined by around 3.1 per cent to 772,773 metric tons, compared to the corresponding season of 2021. Meanwhile, prices of vegetables continued to remain elevated during 2022 on account of the low production and transitory supply chain disruptions caused by fuel shortages during the year. The months of May and June 2022 witnessed a significant surge in vegetable prices that can be attributed to off-season cultivation and intensified fuel scarcity. A slight moderation in vegetable prices in the local markets was observed starting from July 2022, due to the distribution of fuel for the transportation of agricultural produce and the arrival of seasonal harvests in the market during August and September 2022. However, vegetable prices remained broadly elevated towards the latter part of 2022 due to the impact of heavy rain and predicaments in storage and transportation facilities. Meanwhile, 15,835 metric tons of vegetables worth US dollars 26.7 million were exported during 2022. During the year, several measures were undertaken by the government authorities to enhance domestic vegetable production in a sustainable manner. Accordingly, the Horticultural Crop Research and Development Institute (HORDI) functioning under DoA undertook several measures during the year, including development of new vegetable varieties, introduction of pest and disease resistant vegetable varieties, management of soil fertility for vegetable cultivation, technology developments for management of pest and diseases in vegetable cultivation, and promotion of vegetable preservation and nutrient management programmes with the aim of increasing productivity and efficiency of the sector.

Fruits

According to the estimates of DCS, fruit production recorded a mix performance during 2022. In 2022, production of fruits declined by 26.9 per cent over the previous year, with significant contraction in the production of orange, lime, rambutan, avocado, and melon, while mango, papaya, plantain, and pineapple recorded increases in production. During the year under review, 41,526 metric tons of fruits, including banana and papaw, worth US dollars 37.6 million were exported, while 32,591 metric tons of fruits worth US dollars 42.2 million were imported. Despite the growing demand for locally grown fruits due to limitations imposed by the Government on the importation of several fruits to curb import expenditure, the limited capacity of local producers to meet domestic demand, coupled with supply chain issues, hindered the potential expansion of the domestic fruit sector. The importance of improving the capacity of local fruit producers, as well as the quality and safety of fruits supplied to domestic and export markets was reiterated due to the significant contribution of the fruit sector to national economy in terms of income and employment opportunities, as well as the nutritional wellbeing of the population. Promoting good agricultural practices, particularly regarding the usage of agricultural inputs and harvesting, establishing direct links between producers and exporters, further developing the contract farming system, minimising post-harvest losses in the sector, and enabling improved infrastructure for fruit preservation, storage, and value addition, remain essential to improve the productivity of the sector. Accordingly, several measures were undertaken by the Government to promote local fruit production sector. During the year, the Fruit Research and Development Institute (FRDI), functioning under DoA, was engaged in consultations regarding the planting and development of fruit plantation, providing advisory services on production technologies for fruit crop

cultivation, diagnosing pest and disease, supplying good quality planting materials of recommended fruit varieties, and conducting several research and development projects. Meanwhile, the Natural Resources Management Centre of DoA completed an assessment and mapping of potential areas of cultivation of six fruit crops, including mango, banana, pomegranate, pineapple, rambutan, and durian with the financial and technical support of FAO of the United Nations.

Sugar

The upward trend in sugar production witnessed from 2019 was hampered in 2022 as the sugar industry experienced several setbacks amidst domestic fertiliser shortages.

On a year-on-year basis, the total sugar production recorded a contraction of 2.1 per cent to 78,857 metric tons in 2022, compared to 80,555 metric tons recorded in 2021. Contributing to the annual decline in total sugar production, the production of Sevanagala and Pelwatte sugar factories, declined by 29.0 per cent and 20.6 per cent, respectively, during the period under review. However, sugar production of Gal Oya and Ethimale sugar factories recorded year-on-year expansions of 27.4 per cent and 36.2 per cent, respectively, during 2022. Meanwhile, the share of sugar production of the Gal Oya, Sewanagala, Pelwatte, and Ethimale accounted for 36.2 per cent, 16.0 per cent, 30.6 per cent, and 17.2 per cent of the total domestic production, respectively. The total extent of sugarcane cultivation (including ratoons) managed by the four factories experienced a marginal decline of 2.1 per cent during the year. Meanwhile, the average yield of the four sugar factories contracted by 11.1 per cent, reflecting acute shortages of nutrients for cane cultivation. Accordingly, the average yield stood at 59.7 metric tons per hectare in 2022, compared to 67.2 metric

tons per hectare recorded in 2021. According to the Sugarcane Research Institute (SRI), as of end 2022, only around 15.0 per cent of the total domestic sugar requirement was met by domestic production, with the remainder of the demand being fulfilled through imports.

The Government continued to undertake several initiatives aimed at strengthening the local sugar industry, while reducing over dependency on imports to meet domestic sugar requirements. Recognising the vast potential for local production and the need to promote local sugarcane cultivation to meet the domestic requirements, the SRI continued its efforts aimed at developing the domestic sugar industry. Taking into account the need to expand cultivation areas and improve the factory capacity as the top priorities for enhancing local sugar production, the Cabinet of Ministers approved the establishment of a new sugar factory, namely, Weli Oya Sugar Factory, as a subsidiary of Lanka Sugar Company (Pvt.) Ltd., in early 2022. Meanwhile, the progress in relation to the re-establishment of the Kantale sugar factory remained modest during the year due to legal issues. Establishing a seed cane multiplication nursery with a new variety, specially released for jaggery production, at Vannerikulam, Kilinochchi was also in progress during 2022. Efforts were also initiated to develop a seed cane policy for establishing a sustainable seed cane production and supply chain, while establishing a special task force to outline policy guidelines to ensure the implementation of the domestic sugar industry policy framework.

Livestock

The performance of the livestock sector was hindered by the challenges posed by the economic crisis in 2022. During the year, the entire dairy value chain was severely impacted

by the scarcity and high cost of animal feeds due to the limited importation of animal feeds, unavailability of required chemical fertilisers for pasture and fodder cultivation, and difficulties in storage and transportation facilities caused by the deepened foreign exchange liquidity crisis in the economy. According to the estimates of DCS, the total national milk production declined by 1.3 per cent, year-on-year, to 506 million litres in 2022, compared to 513 million litres recorded in 2021. Cow milk production declined by 1.5 per cent, year-on-year, to 419 million litres, whereas buffalo milk production recorded a marginal contraction of 0.8 per cent, year-on-year, to 87 million litres in 2022. Meanwhile, the average cost of production of cow milk increased notably to Rs. 80.50 per litre in 2022, from Rs. 69.30 per litre recorded in 2021. Nevertheless, due to increased demand for liquid milk, along with shortages in imported and domestic milk powder and a significant rise in milk powder prices, farmers received a relatively high price for locally produced liquid milk in both formal and informal milk markets during the year. Accordingly, the average farm gate price of a litre of cow milk increased by 17.3 per cent to Rs. 115.00 in 2022, from Rs. 98.00 in 2021. During 2022, the poultry sector continued to grapple with issues related to inadequate feed material for poultry rearing, following the reductions

Table 2.5
Livestock Sector Statistics

Subsector	2021 (a)	2022 (b)	Change (%)	
			2020/21 (a)	2021/22 (b)
1. National Herd (No.) (million)	1.5	1.5	2.6	-0.8
Neat Cattle	1.1	1.1	2.5	-0.3
Buffalo	0.3	0.3	3.2	-2.5
2. National Milk Production (million litres)	513.3	506.4	4.4	-1.3
Cow Milk	425.4	419.2	2.8	-1.5
Buffalo Milk	87.9	87.3	12.9	-0.8
3. Producer Price - Cow Milk (Rs./litre)	98.00	115.00	19.5	17.3
4. National Egg Production (No.) (million)	1,953.7	1,848.6	4.5	-5.4
5. National Poultry Meat Production (mt '000)	236.8	228.1	9.5	-3.7

(a) Revised

(b) Provisional

Sources: Department of Census and Statistics

Department of Animal Production and Health

in domestically produced feed ingredients, caused by a notable drop in production of paddy and maize, and restricted imports of feed material amidst foreign currency liquidity issues. As a result, egg production declined by 5.4 per cent, year-on-year, to 1,849 million eggs in 2022, compared to 1,954 million eggs produced in 2021. As per the Department of Animal Production and Health (DAPH), the cost of production for egg increased notably to Rs. 38.10 in 2022 from Rs. 18.07 in 2021. Meanwhile, chicken production recorded a decline of 3.7 per cent to 228,130 metric tons in 2022, over 236,790 metric tons in 2021, while the cost of production of chicken increased significantly from Rs. 434.19 per kilogramme in 2021 to Rs. 965.66 per kilogramme during 2022. In 2022, despite the Government's imposition of price controls on eggs and chicken, severe shortages in supplies, particularly the egg supply, and resultant hoarding of stocks, kept egg prices elevated throughout the year. Further, on a year-on-year basis, production of mutton increased by 9.2 per cent to 2,730 metric tons, while pork and beef production declined by 5.3 per cent and 21.4 per cent, respectively, to 9,300 metric tons and 21,890 metric tons, respectively, in 2022.

With due consideration to the contemporary challenges encountered by the livestock industry, efforts to enhance the productivity of the sector were sustained throughout 2022.

Over the recent years, as Sri Lanka was almost self-sufficient in egg and chicken production, the domestic consumption requirements were largely met through domestic production, while the industry was advancing as a promising venture for the export market. However, the unavailability and elevated cost of feed material intensified production constraints, leading to supply shortfalls of these animal proteins. This situation challenged the food security of the country. In this context,

the Government, in collaboration with DAPH, undertook several measures to import maize and other suitable grains for animal feed production and promoted the domestic animal feed production sector to reduce the strain on the country's external accounts. Further, DAPH carried out several projects, including the livestock (dairy) breeding project to increase milk production through the upgrading of genetic potential of the existing cattle population in Sri Lanka, the comprehensive mastitis control programme to prevent and control the clinical and subclinical mastitis, and vaccination programmes for farm animals against the Foot and Mouth Disease, Haemorrhagic Septicaemia, Black Quarter, and Brucella diseases. Further, with the financial assistance from the Department of Agriculture of the United States, a Market-Oriented Dairy (MOD) Project was underway, aimed at following the best practices to improve the productivity of dairy manufacturers and quality of their products.

Fisheries

The fisheries sector experienced a setback during 2022 amidst challenges posed by the economic fallout.

Total fish production declined by 8.9 per cent to 397,230 metric tons in 2022, compared to the previous year, mainly driven by the disruptions caused by domestic fuel shortages on fishing activities and supply chains, particularly in relation to marine fishing activities. Accordingly, marine fish production, which accounted for about 71 per cent of the total fish production in 2022, declined by 15.4 per cent, year-on-year, to 280,610 metric tons in 2022. However, the inland fishery sector recorded an improvement during the year due to the proper management of the water bodies and increased fingerling stocking in reservoirs, yielding a year-on-year increase of 11.9 per cent in production during the year, compared to production in 2021. Retail prices of fish varieties remained broadly elevated in 2022 as a result of increased

Table 2.6
Fish Production

Subsector	2021	2022 (a)	Change (%)	
			mt '000	
			2020/21	2021/22 (a)
Marine	332	281	1.5	-15.4
Coastal and Lagoon	178	149	-2.4	-16.2
Off-shore	153	131	6.3	-14.5
Inland Fisheries	104	117	2.4	11.9
Capture	81	95	-4.3	17.5
Aquaculture	9	8	-10.2	-15.7
Shrimp Farms	14	14	95.8	-2.3
Total	436	397	1.7	-8.9

(a) Provisional

Source: Ministry of Fisheries

logistics costs, while upward revisions in kerosene prices in August and November 2022 kept prices at higher levels in the latter part of the year, compared to the corresponding period of 2021. According to the Ministry of Fisheries, total fish exports contracted by 3.8 per cent, year-on-year, reflecting the subdued performance of the sector, whereas fish imports reported a year-on-year contraction of 25.7 per cent, in volume terms, during the period under review. Amidst the energy crisis, the fishery sector encountered several setbacks, prompting the Government to take several measures to ensure the continuity of fisheries activities during turbulent times, thereby safeguarding the sector from severe economic shocks and enhancing the performance of the fishing industries. Accordingly, provisioning of

fuel for fishery activities was ensured by enabling a manual system, while identifying filling stations in major fisheries regions on a priority basis to distribute limited fuel stocks.

Development activities pertaining to the fisheries infrastructure base continued during 2022. Accordingly, the Ministry of Fisheries continued to engage in several fisheries sector development projects, while preventing illegal, unreported, and unregulated fishing activities to ensure sustainable fishing practices. Construction of the Wellamankara fishery harbour was completed in March 2022, and several other harbour development projects, including the Gandara fishery harbour, Balapitiya fishery harbour, and Rekawa fishery harbour were underway during 2022. A lagoon conservation and development project, aimed at cleaning and deepening several lagoons to increase the natural fish population in coastal areas, was in progress during the year, while measures were taken to develop related infrastructure facilities to reduce post-harvest losses. Meanwhile, the National Aquaculture Development Authority (NAQDA) continued its efforts to increase inland fish and aquaculture production, which contributes significantly to boost fish exports.

Table 2.7
Availability of Major Food Commodities

Item	Unit	2010			2021 (a)			2022 (b)		
		Production	Imports	Per Capita Availability (kg per Year)	Production	Imports	Per Capita Availability (kg per Year)	Production	Imports	Per Capita Availability (kg per Year)
Rice (c)	mt '000	3,011	126	152	3,203	147	151	2,081	783	129
Maize	mt '000	162	16	9	472	23	22	259	191	20
Wheat	mt '000	-	1,051	51	-	1,319	60	-	817	37
Big Onion	mt '000	59	158	10	66	257	15	18	264	13
Sugar	mt '000	31	548	28	81	582	30	79	460	24
Potatoes	mt '000	52	130	9	76	117	9	48	154	9
Fresh Fish	mt '000	385	14	19	436	10	20	397	4	18
Cow Milk	mn litres	192	-	9(d)	425	-	19 (d)	419	-	19 (d)
Coconut Oil	mt '000	65	3	3	43	99	6	69	14	4

(a) Revised

(b) Provisional

(c) 1 mt of paddy = 0.68 mt of rice

(d) Litres per year

Sources: Department of Census and Statistics

Sri Lanka Customs

Lanka Sugar Company (Pvt) Ltd. - Sevanagala Unit

Lanka Sugar Company (Pvt) Ltd. - Pelwatte Unit

Gal Oya (Hingurana) Sugar Industries Ltd.

Ethimale Plantation (Pvt) Ltd.

Ministry of Fisheries

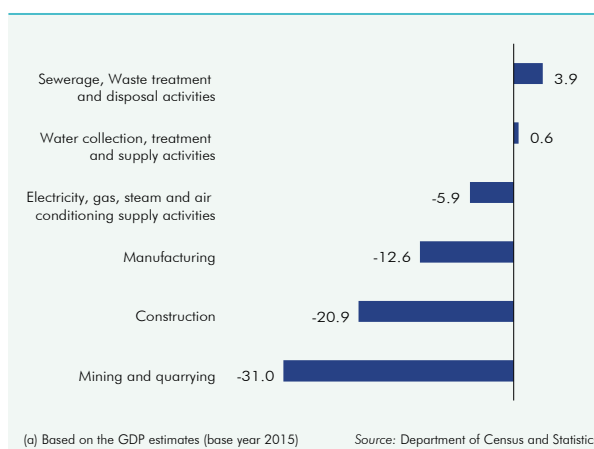
Coconut Development Authority

Three community based fish breeding units were established in Ampara, Trincomalee, and Kilinochchi to increase the supply of fish seed required for reservoir stocking, and these units are expected to provide a continuous supply of carp fingerlings to the inland culture. During the year, notable progress was made in upgrading small scale fish seed production units for post larvae rearing as well as the rehabilitation and improvement of aquaculture development centres to increase fish fingerling production. As shrimp farming became one of the most lucrative commercial aquaculture activities in the country, initiatives were taken to expand shrimp farming in all potential areas. Accordingly, measures were implemented to promote shrimp culture activities by introducing an efficient water recirculation system and improving the biosecurity of farming areas, while continuing the dredging of the Dutch canal and establishment of an advanced electricity supply for shrimp farms in the Puttalam area. In addition to shrimp farming, sea weed, sea bass, sea cucumber, and milk fish farming were developed to promote commercial aquaculture production. NAQDA facilitated community based sea weed farming in the sea areas of Jaffna, Kilinochchi, Mannar, and Puttalam. Measures were taken to develop cluster based sea cucumber farms in sea cucumber export villages in Kilinochchi and Jaffna Districts, while plans were underway to establish an aquaculture zone in Mannar. NAQDA was involved in the development of the ornamental fish industry, including the development of new ornamental fish strains, provision of brood stocks for breeding, disease diagnosis facilities, training, and technical assistance, aiming at increasing high value ornamental fish production, thereby boosting foreign exchange earnings. Further, steps were taken by NAQDA to establish a marine ornamental fish breeding centre in Bangadeniya.

Industry

The prolonged energy crisis and shortage of key raw materials owing to the lack of foreign exchange liquidity in the banking system, together with the subdued demand conditions prevailed due to the deterioration in purchasing power, hindered Industry activities during most parts of 2022. Even though policy intervention helped control supply shortages towards the latter part of the year, Industry activities contracted by 16.0 per cent in 2022, compared to the 5.7 per cent growth recorded in 2021 owing to multiple challenges emanated from both domestic and external fronts. The subdued performance in manufacturing and construction activities led the contraction of Industry activities, while mining and quarrying activities, and electricity, gas, steam, and air conditioning supply activities also significantly contracted, aggravating the overall setback in Industry activities further. However, water collection, treatment and supply activities, and sewerage, waste treatment and disposal activities expanded during the year, positively contributing to overall Industry activities. Reflecting these developments in Industry activities, the Production and Demand sub-indices of the BOS pertaining to the Industry indicated a contraction on average during the year.

Figure 2.6
Growth Rates of Industry Activities - 2022 (a)

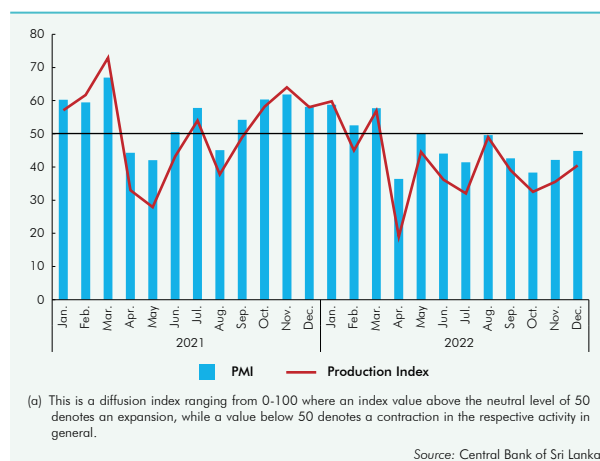


Manufacturing

All the manufacturing activities, except the manufacture of textiles, wearing apparel and leather-related products, which is largely resilient to domestic shocks, contracted during the year due to the adverse impact of extended power cuts, shortages in fuel and key raw materials, logistic issues, and subdued demand conditions. Accordingly, value-added of the overall manufacturing activities contracted by 12.6 per cent in 2022, compared to the 7.4 per cent growth recorded in 2021. The manufacture of food, beverages and tobacco products, the largest contributor to overall manufacturing activities, contracted substantially by 14.2 per cent in 2022, leading to this substantial contraction. Further, manufacture of other non-metallic mineral products, rubber and plastic products, and basic metals and fabricated metal products were among the major contributors to the decline in overall manufacturing activities in value-added terms. Reflecting these developments, the Index of Industrial Production (IIP), compiled by DCS, and the Purchasing Managers' Index⁵ (PMI) for manufacturing activities, compiled by the Central Bank, decreased on average during the year.

⁵ PMI is a diffusion index compiled based on a perception survey which covers leading companies to capture monthly developments compared to the previous month.

Figure 2.7
Purchasing Managers' Index - Manufacturing (a)



Index of Industrial Production

The value addition from manufacturing activities registered a negative growth in 2022, which can be attributed to a host of adversities stemming from the unprecedented economic crisis experienced by the Sri Lankan economy. During the country's worst economic crisis on record, the manufacturing sector faced multifaceted challenges, including shortages in raw material, disrupted transport networks, interrupted power supply, and soaring input prices, all of which had an adverse impact on the performances of the sector during the year. The overall market demand was dampened during the year, amidst the surge in inflation and the decreasing real value of disposable income, further hindering the performance of the manufacturing sector. As reflected in the Index of Industrial Production (IIP), the overall manufacturing sector, which accounted for around 59 per cent of the total industry sector, contracted by 12.1 per cent, year-on-year, in 2022, compared to the year-on-year growth of 7.3 per cent, in the previous year. Largely contributing to the overall contraction in IIP, the subsectors of manufacture of food products, textiles, coke and refined petroleum products, other non-metallic mineral products, rubber and plastic products, and basic metal products reported notable contractions during 2022. Nevertheless, the subsectors of wearing apparel, chemical and chemical products, beverages, tobacco products, leather and related products, and machinery and equipment, which contributed to around 30 per cent of the index, recorded an overall growth during the year, despite some transitory lapses observed occasionally.

Food manufacturing activities reported a significant contraction in 2022, while beverage manufacturing activities registered a robust growth for the second consecutive year. Accordingly, the food products subsector, which accounts for over one third of the IIP, registered a year-on-year contraction of 14.8 per cent in

Figure 2.8
Index of Industrial Production (IIP)



2022, following the modest growth of 0.2 per cent in 2021. The subdued performance of the food products subsector was driven by the decline in production of rice, canned fish, milk powder, wheat flour, bread, and tea mainly with the crisis induced disruptions in the supply chain and distribution channels, increased cost of raw materials and packaging materials, as well as the limited supply of several food ingredients caused by import restrictions. In contrast, the performance of the manufacture of beverages subsector recorded a notable expansion among all the other subsectors of the IIP during the year, on account of the growth in the production of arrack, beer, and soft drinks. Accordingly, the beverage manufacturing activities recorded a year-on-year growth of 20.3 per cent in 2022, over the year-on-year growth of 9.8 per cent in 2021. Despite the overall positive performance of the beverage manufacturing activities in 2022, a slight moderation in the performance of the sector was observed during the fourth quarter of 2022.

The manufacturing of wearing apparel, which is the second largest subsector in the IIP, recorded a favourable recovery in 2022, largely supported by the recovery in global supply chains, whereas the textiles subsector witnessed a contraction. Accordingly, the manufacturing of wearing apparel subsector registered a year-on-year growth of 5.3 per cent in 2022, compared to the notable growth of

17.5 per cent registered in 2021. The adverse implications of import restrictions, logistics issues, and power outages on the wearing apparel sector were largely offset by several policy decisions initiated by the Government. These included allowing exporters to buy fuel directly from the Ceylon Petroleum Corporation (CPC) using US dollars and providing tariff concessions for several raw material imports during the period under review. Additionally, the depreciation of exchange rate and the global recovery from the COVID-19 pandemic, especially in key export destinations of Sri Lanka, positively impacted the exports of the wearing apparel subsector. However, the manufacturing of textile products, which recorded a robust recovery

Table 2.8
Index of Industrial Production (IIP)
(2015=100)

Division	Weight in IIP (%)	2021 (a)	2022 (b)	Change (%)	
				2020/21 (a)	2021/22 (b)
1. Manufacture of Food Products	35.2	109.3	93.1	0.2	-14.8
2. Manufacture of Beverages	3.8	106.0	127.5	9.8	20.3
3. Manufacture of Tobacco Products	1.7	77.9	83.2	8.0	6.8
4. Manufacture of Textiles	3.3	128.7	101.5	25.9	-21.1
5. Manufacture of Wearing Apparel	19.8	95.4	100.5	17.5	5.3
6. Manufacture of Leather and Related Products	0.3	78.6	87.4	1.3	11.2
7. Manufacture of Wood and Products of Wood and Cork, Except Furniture; Manufacture of Articles of Straw and Plaiting Material	0.2	82.5	81.0	15.0	-1.8
8. Manufacture of Paper and Paper Products	1.7	86.5	49.0	5.8	-43.4
9. Printing and Reproduction of Recorded Media	1.4	117.9	112.1	4.8	-4.9
10. Manufacture of Coke and Refined Petroleum Products	7.4	71.1	30.0	-26.8	-57.8
11. Manufacture of Chemicals and Chemical Products	4.1	89.8	98.6	-4.7	9.8
12. Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparations	0.1	117.9	102.5	12.6	-13.1
13. Manufacture of Rubber and Plastic Products	5.7	102.9	92.7	35.7	-9.9
14. Manufacture of Other Non-metallic Mineral Products	7.8	137.4	113.5	23.0	-17.4
15. Manufacture of Basic Metals	2.4	133.6	88.1	20.7	-34.1
16. Manufacture of Fabricated Metal Products (Except Machinery and Equipment)	1.3	124.6	72.0	23.5	-42.2
17. Manufacture of Electrical Equipment	2.0	81.4	65.1	20.6	-20.0
18. Manufacture of Machinery and Equipment n.e.c.	0.7	122.0	139.1	18.6	14.0
19. Manufacture of Furniture	0.8	77.5	63.3	0.7	-18.3
20. Other Manufacturing	0.3	69.6	69.6	6.0	-
Index of Industrial Production		104.2	91.6	7.3	-12.1

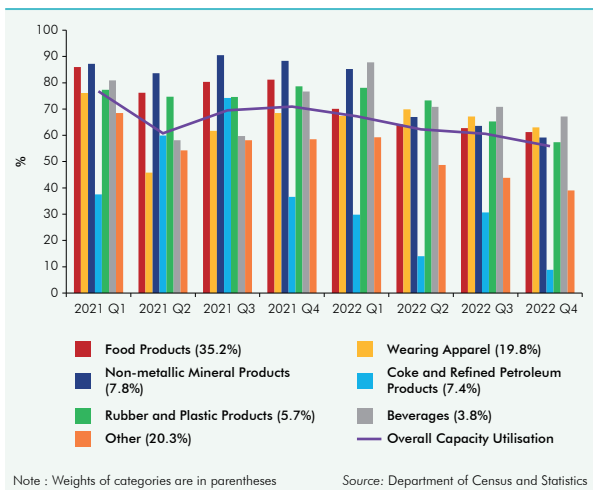
n.e.c. - not elsewhere classified

(a) Revised

(b) Provisional

Source: Department of Census and Statistics

Figure 2.9
Capacity Utilisation



in 2021 after the pandemic with a year-on-year growth of 25.9 per cent, contracted significantly by around 21.1 per cent in 2022 largely driven by the decline in production of finished fabric, printing fabric, and coir fiber.

The manufacture of other non-metallic mineral products, the manufacture of basic metals, and the manufacture of fabricated metal products subsectors registered substantial overall declines in 2022. Accordingly, the subsector of manufacture of other non-metallic mineral products, manufacture of basic metals, and manufacture of fabricated metal products which recorded over 20 per cent year-on-year growths in 2021, contracted by 17.4 per cent, 34.1 per cent, and 42.2 per cent, respectively, during the year. The contraction in demand for products of these subsectors was mainly due to the subdued demand from the domestic construction sector, which faced multiple setbacks following the suspension of government funded projects, soaring raw material costs, and import restrictions. The production of cement, roofing sheets, floor tiles, and roofing tiles recorded notable contractions during 2022, reflecting the subdued demand from the construction sector, adversely

affecting the performance in the manufacturing of other non-metallic mineral products. Meanwhile, the declines in the production of basic iron and steel, lead and steel furniture largely contributed to the overall contraction in the subsector of manufacturing of basic metals and manufacture of fabricated metal products subsectors during the period under review.

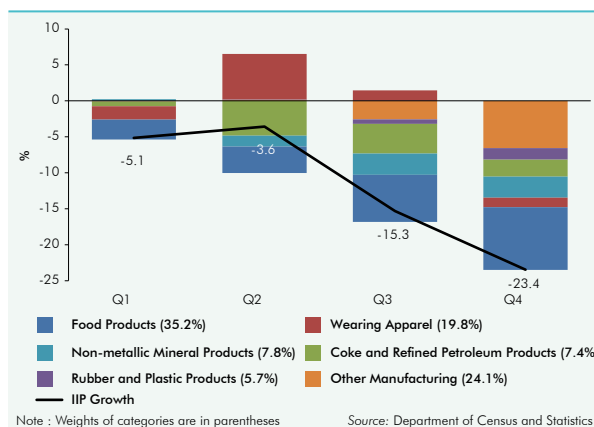
The manufacture of coke and refined petroleum products subsector, which accounted for over 7 per cent of the IIP, witnessed a contraction in 2022 for the third consecutive year. Accordingly, the manufacture of coke and refined petroleum products declined notably by 57.8 per cent, year-on-year, registering the historically largest annual contraction since 2016. This decline was mainly driven by the prolonged refinery shutdowns during the year due to limited importation of crude oil amidst the dearth of foreign exchange liquidity in the domestic market. Accordingly, refined petroleum products, including auto diesel, petrol and furnace oil declined in 2022. However, the manufacture of coke and refined petroleum product subsector recorded occasional month-on-month increases in February, June, August, September and December during the year.

Subsectors of manufacture of leather and related products, and chemicals and chemical products registered positive growths during 2022. The manufacture of leather and related products subsector grew by 11.2 per cent, year-on-year, in 2022, compared to the marginal growth of 1.3 per cent in 2021, buoyed by the expansion in finished leather, natural leather jackets and shoes. Meanwhile, the manufacture of chemicals and chemical products subsector also registered an overall growth of 9.8 per cent, year-on-year. Contributing to this growth, production of poly bags and detergent powder expanded notably during the year.

The manufacture of rubber and plastic products subsector and the manufacture of basic pharmaceutical products and pharmaceutical preparations subsector recorded contractions during the year. The manufacture of rubber and plastic products, which recorded a significant year-on-year expansion of 35.7 per cent in 2021 contracted by 9.9 per cent in 2022. The contraction in the rubber and plastic products subsector was primarily caused by the decline in demand for medical rubber gloves following the decline of COVID-19 cases both locally and globally. Additionally, the reduction in domestic manufacturing of tyres, zippers, rubber sheets and block rubber also contributed to this contraction. Meanwhile, the manufacture of basic pharmaceutical products and pharmaceutical preparations sub-sector, which displayed a gradual expansion since the onset of the pandemic with the induced demand for medicines and other health related products, recorded a year-on-year contraction of 13.1 per cent during 2022.

Other subsectors of IIP, including the manufacture of wood products (except furniture), electrical equipment, furniture, paper and paper products, and printing and reproduction of recorded media registered contractions, whereas the manufacture of tobacco products and machinery and equipment subsectors recorded an expansion, in 2022. On account of the decrease in the production of corrugated paper, paper bags, and exercise books, the manufacture of paper and paper products subsector showed a tepid performance in 2022. Accordingly, the paper and paper products subsector reported a substantial year-on-year drop of 43.4 per cent in 2022. Printing and reproduction of the recorded media subsector also witnessed a contraction of 4.9 per cent, year-on-year, mainly due to the supply shortages during the period under review, along with the decline in printing of currency notes,

Figure 2.10
Contribution to Year-on-Year Change in
IIP in 2022



and news papers compared to the previous year. Overall performance in manufacturing of electrical equipment was affected in 2022 due to subdued demand for electric panel boards, and coil devices. Nevertheless, the manufacture of machinery and equipment sub-sector recorded a year-on-year growth of 14.0 per cent during 2022, compared to 18.6 per cent growth observed in the previous year. Meanwhile, the manufacture of tobacco products also grew by 6.8 per cent, year-on-year, in 2022, recording an expansion for the second consecutive year, supported mainly by the increase in manufacturing of cigarettes.

Industrial Policies and Institutional Support

During the year, the Government continued to support the growth and development of the industrial sector through the implementation of numerous policy initiatives, while assisting the industrial sector to recover from the impact of the pandemic followed by the economic crisis. The Ministry of Industries finalised the National Policy for Industrial Development (NaPID) for 2023-2048 period, with a view to instituting a comprehensive and holistic policy framework for industrial sector development in Sri Lanka. Further, NaPID aimed at establishing a national industry base that is globally competitive and

promotes inclusive growth. In order to carry out the activities in NaPID, strategic implementation plans are expected to be prepared for the 5-year periods, including an implementation framework, mechanisms for monitoring and evaluation and methodology for conducting periodical reviews. In February 2023, the finalised NaPID, along with the strategic implementation plan for the 2023-2027 period, was submitted to the Cabinet of Ministers for approval. Meanwhile, the Cabinet of Ministers approved in February 2022 the resumption of production at Embilipitiya Paper Mills under a Public Private Partnership (PPP) scheme, which was discontinued in 2012. The project included an investment of US dollars 16 million in its first phase of development and is aimed at manufacturing industrial grade papers for the direct and indirect export markets by upgrading machinery and infrastructure. The factory is expected to generate an annual production of around 74,000 metric tons of paper upon its expected completion in 2024. Activities pertaining to recommencing the operations at the Kurunchathivu Saltern, under a PPP model, were also underway during the year. With the completion of this project, the saltern is expected to produce an annual salt production of around 30,000 metric tons. Furthermore, local assembly of automobiles continued to expand under the Standard Operating Procedures (SOP) guidelines for automobile manufacturing, assembling, and component manufacturing of spare parts. At end of the period under review, 20 manufacturing companies were registered under SOP, while 10,490 vehicles were assembled during the year. In the meantime, the Sri Lanka Institute of Biotechnology (SLIBTEC), in collaboration with an international partner, undertook several initiatives for the establishment of the Sri Lanka's first Biotechnology Innovation Park in 2022. The park is envisaged to become the epicenter of biotechnology innovation in the country and attract both local and international investment to Sri Lanka, thereby boosting Sri Lanka's potential

for hi-tech exports. Meanwhile, the 'SME connect platform', which was developed with the assistance of the Asian Development Bank, was launched under the purview of National Enterprise Development Authority (NEDA) in October 2022. This platform is expected to provide access to knowledge, skills, and networking among SMEs, with a particular focus on women-led SMEs to improve women's financial literacy and business management capabilities. Moreover, the 'Nipunatha Udana Programme' was commenced and progressed in the North Western province in order to cater to vocational training requirements of the region. Meanwhile, initiatives related to the establishment of a German Technical College in the Matara district were also in progress. However, according to the National Budget Circular No. 03/2022, implementation of the promotional and development activities related to the industrial sector was curbed since April 2022, due to the tight budgetary constraints of the Government.

The Export Development Board (EDB) and the Board of Investment (BOI) initiated several measures to attract foreign investment, while actively promoting export oriented domestic manufacturing industries. As proposed in the Interim Budget for 2022, EDB implemented measures to reactivate the 'National Packaging Center', which aims at promoting and developing indigenous packaging materials and designs to cater to international markets. Further, EDB developed a National Export Brand and a promotional plan for the period 2022-2026 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. Further, a series of meetings was conducted during the year by the export advisory committees, which were appointed in 2021 under EDB, covering 24 key export sectors, to identify thematic priorities to improve the performance of export sectors. Moreover, promotional events, including trade fairs,

market linkage creating programmes, awareness sessions, and capacity building programmes were also conducted targeting promotion of export oriented businesses during the year. Meanwhile, BOI established a new business partnership database to serve as a platform connecting local and international enterprises, assisting firms, research institutions, and start-ups in seeking suitable partners for their upcoming business proposals or innovations. Further, an 'Investor Facilitation Center' was implemented to streamline and expedite the investment approval process via strengthening the interagency coordination that enhances the ease of doing business for investors.

Other Government agencies continued to implement numerous initiatives to facilitate the domestic industrial sector. NEDA continued its efforts to promote the 'Made in Sri Lanka' brand that provides recognition to businesses using local resources. To this end, NEDA conducted district level and micro level trade fairs and opened the first 'Made in Sri Lanka' franchise shop in the Matale district. In 2022, NEDA conducted 1,292 entrepreneur training programmes and assisted in creating 957 businesses and 1,573 business expansions through its 'Regional Entrepreneurship Development Programme', while implementing cluster development programmes for several industrial clusters in the fields of food dehydration, bee honey, wood-apple and other seasonal products, jack fruit and rush reed, and palmyra. Meanwhile, the 'Industry 2022' national industrial exhibition was conducted by the Industrial Development Board (IDB) in February 2022, with the participation of 20 industries, that helped create new market and investment opportunities for local industrialists. Moreover, the 'Getup Startup for a Wealthy Nation' initiative was also commenced under IDB with the intention of spurring the country's industrial and entrepreneurial growth. This programme covered various aspects that promote entrepreneurship, including the 'Entrepreneurial Club' initiative for school students, 'Business Clinics' to address the problems faced by entrepreneurs, and a web-based

'Investor Pool' programme to direct investment towards SME industrialists. Moreover, the IDB mobile app and an emergency response number were introduced under this programme, creating a platform to facilitate close interaction between industrialists and IDB. Meanwhile, the National Productivity Secretariat (NPS) continued to conduct productivity improvement programmes aimed at empowering small-scale entrepreneurs across the country.

Industrial chambers continued to assist domestic SME industries in the country through training and engaging in promotional efforts. The Ceylon Chamber of Commerce (CCC) continued to facilitate numerous trade delegations, networking events, international webinars, and discussion forums to promote trade and investment during the year. Further, under the theme of 'Business Tips for Trading Across Borders', CCC partnered with United States Agency for International Development (USAID) to bolster the trade knowledge of export oriented SMEs. The National Chamber of Commerce of Sri Lanka (NCCSL) remained committed to educating and empowering the SME sector, organising a range of training programmes island wide. NCCSL also entered into several Memoranda of Understanding with government authorities, regional chambers, and international organisations during 2022, aimed at networking for enhanced trade opportunities through promoting women's entrepreneurship.

The Government's initiatives towards promoting technological advancements persisted throughout the year. Complementing the overall efforts of the Government, the National Institute of Fundamental Studies (NIFS) formulated a technology transfer policy to facilitate the application of technology and research in the domestic manufacturing industries. Further, NIFS was in the process of promoting biodiesel production using algae for industrial purposes with the collaboration of a private sector company and introduced 'Biofilm' bio fertiliser to 280,000 acres of paddy fields in line with its agriculture

developments initiatives. Meanwhile, the Sri Lanka Institute of Nanotechnology (SLINTEC) carried out research in key sectors, including energy, advanced materials, minerals, textile materials, and processes. Further, the National Innovation Agency actively participated in various activities throughout the year to encourage innovation-driven industrial development, with a special focus on the identifying gaps pertaining to the commercialisation of intellectual property in Sri Lanka. The National Science Foundation (NSF) continued to provide research grants to research scholars, facilitating new product development initiatives during 2022.

The Government continued to facilitate industries to address economic crisis related issues, while ensuring the continuity of the industrial sector. To facilitate the continuation of industrial activities during the periods with acute fuel shortages, the Ministry of Industries initiated measures to issue recommendation letters for the supply of fuel required by industrial factories through the Sri Lanka Transport Board managed depots. Further, to support local manufacturers and ensure their ability to sustain operations, foreign exchange liquidity facilities were provided under the Indian line of credit, which enabled them to import necessary raw material. Meanwhile, the Central Bank of Sri Lanka requested licensed banks and non-bank financial institutions to provide appropriate credit concessions, on a case-by-case basis, for affected borrowers in all economic sectors, including the Micro, Small and Medium Enterprises (MSME) sector for a period of six months from July 2022, taking into account the adverse consequences of unprecedented macroeconomic stresses and the COVID-19 pandemic. Moreover, in fulfilling the liquidity requirement of SMEs, around US dollars 13.5 million of the undisbursed amount of the 'small and medium-sized enterprise line of credit' loan scheme was reallocated to the emergency response initiative by the Ministry of Finance, Economic Stabilisation and National Policies. The primary objective of this reallocation was to provide affordable working

capital loans, at a rate determined on Average Weighted Deposit Rate (AWDR) plus a reasonable margin, to SMEs engaged in agriculture, tourism, and other export-oriented sectors. Moreover, considering the challenges faced by apparel manufacturers due to the surge in raw material prices, the Cabinet of Minister granted approval in August 2022 to provide tariff concessions on the importation of necessary accessories and items which are not manufactured locally.

Construction, and Mining and Quarrying

Construction activities suffered a severe setback in the wake of both supply and demand side impediments, resulting in a contraction of 20.9 per cent in 2022 in value-added terms, compared to the growth of 4.4 per cent reported in 2021. Shortages of raw materials and fuel, coupled with soaring input cost, lack of supplier credit and overdue payments on completed government-funded projects, led the supply side issues in the construction activities. This was exacerbated by demand side hindrances stemming from the suspension of government-funded projects and the high interest rate environment that curtailed private investments. The lacklustre performance in the construction industry was reflected in construction-related indicators as well. Accordingly, the total cement availability of the country recorded a substantial decline of 35.9 per cent in 2022, compared to the marginal decline of 0.8 per cent recorded in 2021 and building material imports also declined substantially by 35.8 per cent in 2022, compared to 4.7 per cent growth in 2021. Further, credit to the private sector granted by Licensed Commercial Banks for personal housing construction also recorded a contraction as of end-December 2022. Meanwhile, mining and quarrying activities comprised mainly the mining activities that provide inputs to construction activities, such as sand mining, also contracted by 31.0 per cent in 2022, compared to the growth of 1.4 per cent recorded in 2021. Further, reflecting the setback in gem mining, gem export volumes recorded a decline of 8.9 per cent in 2022.

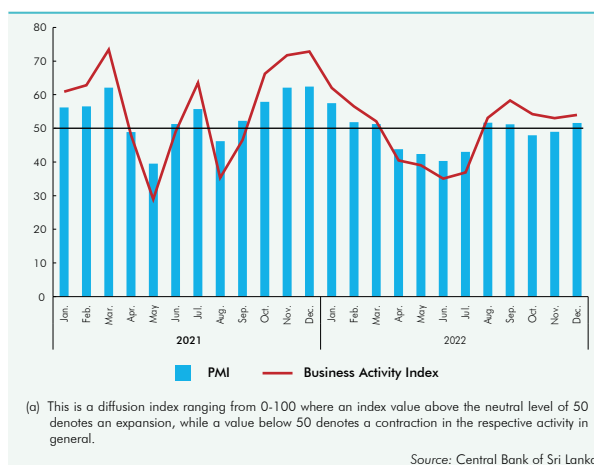
Electricity, Water and Waste Treatment

The value-added of electricity, water and waste treatment activities contracted by 4.3 per cent in 2022, compared to the 2.2 per cent growth recorded in 2021, driven by the decline in electricity and gas supply-related activities. Accordingly, electricity, gas, steam and air conditioning supply activities, which were significantly disturbed by supply impediments and upward price revisions during the year, contracted by 5.9 per cent in 2022, compared to the growth of 4.9 per cent recorded in 2021. Meanwhile, during the year, water treatment and supply activities, and sewerage treatment and disposal activities grew by 0.6 per cent and 3.9 per cent, respectively, recovering from 17.8 per cent and 3.3 per cent contractions recorded in 2021.

Services

Services activities, largely affected by the prolonged energy crisis, limited availability of goods and high inflation, contracted by 2.0 per cent in 2022 in value-added terms, compared to the growth of 3.5 per cent recorded in 2021. The overall contraction was driven by the declines in real estate, insurance, financial, human health and professional services. Further, IT programming,

Figure 2.12
Purchasing Managers' Index - Services (a)

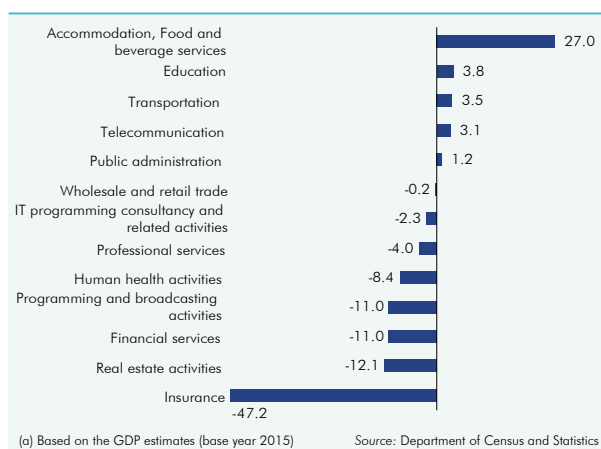


programming and broadcasting, and wholesale and retail trade activities also contracted during the year. However, accommodation, food and beverage services grew significantly mainly due to the post-pandemic recovery in tourist activities, while transportation, telecommunication, education, public administration, other personal services, and postal and courier services also recorded positive contributions. The PMI for Services activities, compiled monthly by the Central Bank, mirrored the developments in Services activities. Moreover, the Demand and Sales sub-indices of BOS related to the Services also indicated a contraction on average during the year.

Wholesale and Retail Trade

Supply side impediments and subdued demand conditions dampened wholesale and retail trade activities resulting in a marginal contraction of 0.2 per cent in 2022 in value-added terms, compared to the 1.5 per cent growth recorded in 2021. Supply setbacks stemming from the lower harvest of the Maha 2021/22 season, import restrictions that resulted in a considerable contraction in import volumes, including consumer goods imports, and disruptions to fuel supply adversely affected trade activities during most periods of the year. Further, subdued

Figure 2.11
Growth Rates of Services Activities - 2022 (a)



demand conditions caused by the deterioration in purchasing power under the high inflationary environment, increase in taxes and utility tariffs, and demoralised consumer credit with high interest rates aggravated the situation, especially during the second part of the year.

Transportation and Storage

The value-added of transportation and storage activities grew by 3.5 per cent in 2022, compared to the marginal growth of 0.9 per cent recorded in 2021, mainly due to the post-pandemic recovery. Considering the transportation-related indicators, the passenger kilometres operated by the Sri Lanka Transport Board, private bus operators and Sri Lanka Railways increased considerably in 2022, reflecting the increased demand for public transportation modes amidst significantly higher fuel costs, and preferential supply of fuel for public transportation. Moreover, air transportation services gradually recovered with the revival of tourism activities, as evidenced by the increase in passenger kilometres flown by the SriLankan Airlines during the year. However, in relation to port-related activities, container handling (in terms of Twenty-Foot Equivalent Units) and cargo handling contracted during the year, mainly due to the slowdown in global trade volumes.

Accommodation and Food Service Activities

Accommodation, food and beverage service activities, which were severely affected by the Easter Sunday attacks and subsequently due to the COVID-19 pandemic, recorded a substantial growth of 27.0 per cent in 2022, compared to the 1.7 per cent growth recorded in 2021. The significant increase in tourist arrivals on a year-on-year basis bolstered these activities despite the disruptions caused by energy shortages and social unrest. In order to facilitate tourists in

the turbulent environment, many hotels offered exclusive packages, including complimentary transport facilities, especially during the period in which the fuel shortage prevailed. Further, the depreciation of the local currency made Sri Lanka more attractive as a holiday destination for foreign tourists. However, the exaggerated negative portrayal of the Sri Lankan economic crisis circulated by certain international media and cautious travel advisories issued by several foreign governments hindered the growth potential of the tourism industry during the year. Further, limited fuel availability under the QR code system prevented local tourists from travelling long distances.

Financial, Insurance and Real Estate Activities including Ownership of Dwellings

The value-added of financial, insurance, and real estate activities, including ownership of dwellings, contracted by 15.4 per cent in 2022, compared to 7.5 per cent growth in 2021, on account of significant contractions reported in the value added of all three activities. The high interest rate environment lowered overall demand for credit, while higher price levels prevailed during the period hampered the value added of these services when considered at constant prices. Further, as revealed by the Credit Supply Survey conducted by the Central Bank on a quarterly basis, the willingness to lend declined mainly due to the deterioration of the repayment capacity of the borrowers under high inflationary environment and weaker economic conditions. Accordingly, financial services activities and auxiliary financial services contracted by 11.0 per cent in 2022, compared to 7.0 per cent growth in 2021, while real estate activities including ownership of dwellings contracted by 12.1 per cent during the year, compared to 4.4 per cent growth in the previous year. Meanwhile, insurance,

reinsurance, and pension funding activities also contracted significantly by 47.2 per cent in 2022, compared to the growth of 26.4 per cent recorded in 2021, mainly due to the subdued performance in pension funding activities.

2

Information and Communication

Telecommunication, and IT programming and consultancy services activities which outperformed many other economic activities during the pandemic, contracted marginally by 0.3 per cent in 2022 in value-added terms, compared to the substantial growth of 21.0 per cent recorded in 2021 with the normalisation of the pandemic-induced demand prevailed in previous years, and slowdown in domestic and foreign economies. Interruptions to electricity and fuel supply, and shortage of technological products also hampered these activities. Accordingly, IT programming consultancy and related activities, the main contributor in the segment, contracted by 2.3 per cent in 2022, compared to 25.2 per cent growth recorded in 2021, affected by the slowdown in global demand and domestic supply side issues such as prolonged power cuts that prevailed during the period. Meanwhile, Telecommunication activities grew at a slower rate of 3.1 per cent in 2022, compared to the 14.2 per cent growth recorded in 2021, attributable to the subdued demand resulted from the deterioration in purchasing power amid higher inflationary conditions and the upward revision of taxes imposed on telecommunication services.

Other Services Activities

The value-added of most of the other services activities also contracted in 2022, affected by the adverse economic conditions that prevailed in the country. Most of these activities were dampened due to the supply shortages during the first half; however, the same were affected in the latter part

of the year by the subdued demand conditions. Accordingly, professional services, and programming and broadcasting activities contracted by 4.0 per cent and 11.0 per cent, respectively, in 2022, due to the comparatively unfavourable business environment. Further, human health activities, which grew at a higher rate during the COVID-19-affected years, contracted by 8.4 per cent in 2022. Meanwhile, education, public administration and defense, other personal services, and postal and courier services contributed positively to the overall economic growth in 2022.

2.5 Expenditure

Gross Domestic Expenditure (GDE), the combination of consumption and investment expenditure of the economy, grew at a higher rate of 32.3 per cent at current prices in 2022, largely on account of elevated price levels that prevailed during the year, compared to the 13.6 per cent growth recorded in 2021. Within GDE, consumption expenditure grew by 34.3 per cent during the year, compared to 8.4 per cent growth in 2021, while investment expenditure also grew by 28.4 per cent during the year, compared to the 25.1 per cent growth recorded in the previous year. On the external front, net external demand at current prices improved by 34.1 per cent in 2022, in contrast to the 34.7 per cent deterioration recorded in the previous year. This was due to the substantial growth of 74.1 per cent in the export of goods and services during the year, which surpassed the 41.2 per cent growth in the import of goods and services. The comparatively slower growth in imports was largely attributable to the decline in import volumes due to import restrictions and foreign exchange liquidity shortage, while exports benefited from the sharp depreciation of the Sri Lanka rupee against currencies of major export destinations. Accordingly, GDP at current prices, the aggregate of GDE, and net external demand recorded a growth of 37.2 per cent in 2022, compared to 12.3 per cent growth in 2021.

Table 2.9
Aggregate Demand (a)

Item	Current Market Prices (Rs.mn)			Constant (2015) Prices (Rs.mn)		
	2020 (b)	2021 (b)(c)	2022 (c)	2020 (b)	2021 (b)(c)	2022 (c)
A. Domestic Demand						
Consumption	11,469,129	12,434,283	16,700,557	9,127,604	9,293,726	8,596,156
(% Change)	0.6	8.4	34.3	-4.9	1.8	-7.5
Gross Domestic Capital Formation	5,168,381	6,466,957	8,304,627	4,349,587	4,544,089	3,412,566
(% Change)	-4.8	25.1	28.4	-0.6	4.5	-24.9
Total Domestic Demand	16,637,510	18,901,240	25,005,184	13,477,191	13,837,815	12,008,722
(% Change)	-1.1	13.6	32.3	-3.6	2.7	-13.2
B. External Demand						
Export of Goods and Services	2,418,542	2,980,263	5,187,941	1,961,341	2,159,760	2,380,539
(% Change)	-30.3	23.2	74.1	-29.6	10.1	10.2
Import of Goods and Services	3,384,516	4,281,313	6,045,399	2,842,981	2,959,641	2,371,412
(% Change)	-22.9	26.5	41.2	-20.1	4.1	-19.9
Net External Demand	-965,975	-1,301,049	-857,458	-881,640	-799,881	9,127
(% Change)	-5.1	-34.7	34.1	-14.1	9.3	101.1
C. Total Demand	15,671,535	17,600,191	24,147,726	12,595,550	13,037,934	12,017,849
(% Change)	-1.5	12.3	37.2	-4.6	3.5	-7.8

(a) Based on the GDP estimates (base year 2015)

(b) Revised

(c) Provisional

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

GDE, at constant prices, contracted substantially, largely attributable to the deterioration in purchasing power, the high interest rate environment that discouraged both consumption and investment, and the scarcity of goods. Accordingly, both consumption and investment declined by 7.5 per cent and 24.9 per cent, respectively, in 2022, resulting in a 13.2 per cent contraction in GDE during the year, compared to the 2.7 per cent growth recorded in 2021. Meanwhile, net external demand at constant prices turned positive with a substantial growth of 101.1 per cent in 2022 due to the combined outcome of the increase in exports and decline in imports in volume terms. Consequently, GDP at constant prices contracted by 7.8 per cent in 2022, compared to 3.5 per cent growth in 2021.

Consumption

Consumption expenditure, the largest expenditure component of the economy, grew by a higher rate of 34.3 per cent at current prices in 2022, compared to the 8.4 per cent growth recorded in 2021, mainly due to the surge in consumer prices. Private Consumption Expenditure (PCE), the major component of consumption

expenditure, substantially grew during the year accounting for 89.7 per cent of the total consumption in 2022. Meanwhile, the Government Consumption Expenditure (GCE) also grew at a higher pace compared to the previous year, contributing to the total consumption growth.

Outpacing the contraction in household consumption in real terms with the deterioration in purchasing power of the consumers and the supply shortages, PCE at current prices grew by 39.0 per cent in 2022, compared to 9.4 per cent growth in 2021, driven by inflated prices. In this regard, notable contributions could be observed from the major PCE categories of food and non-alcoholic beverages, and transport, which grew by 25.9 per cent and 69.8 per cent, respectively, during the year. The price levels of imported consumer items increased significantly in 2022, led by the increase in global commodity prices and depreciation of the local currency, contributing to the substantial increase in PCE at current prices. Moreover, the upward revisions of energy prices increased the household expenditure, particularly on transport, water, electricity, gas and other fuels, which spilled over to most of the PCE categories.

Table 2.10
Composition of Private Consumption Expenditure at Current Market Prices (a)

Category	As a Percentage of Total PCE (%)			Growth (%)	
	2020 (b)	2021 (b)(c)	2022 (c)	21/20 (b)(c)	22/21 (c)
1. Food and Non-alcoholic Beverages	31.4	33.4	30.2	16.2	25.9
2. Alcoholic Beverages, Tobacco and Narcotics	1.9	1.7	1.4	0.5	10.8
3. Clothing and Footwear	7.4	4.2	5.1	-38.0	70.7
4. Housing, Water, Electricity, Gas and Other Fuels	10.3	10.2	8.1	8.6	10.8
5. Furnishings, Household Equipment and Routine Household Maintenance	1.6	1.8	1.5	26.4	18.3
6. Health	2.7	3.7	3.1	48.4	16.9
7. Transport	21.3	21.2	25.9	9.0	69.8
8. Communication	1.0	1.1	0.8	15.5	-0.3
9. Recreation and Culture	3.2	3.2	3.0	9.1	31.1
10. Education	1.7	1.6	1.5	5.6	26.6
11. Restaurants and Hotels	2.8	3.4	5.1	30.6	109.0
12. Miscellaneous Goods and Services	15.1	15.0	15.9	8.7	47.4
13. Direct Purchases Abroad by Residents	1.0	0.5	0.7	-38.6	68.8
14. Less: Direct Purchases in Domestic Market by Non-residents	1.3	1.0	2.3	-18.2	225.7
Total Private Consumption Expenditure	100.0	100.0	100.0	9.4	39.0

(a) Based on the GDP estimates (base year 2015)

(b) Revised

(c) Provisional

Source: Department of Census and Statistics

GCE, which comprises individual and collective final consumption expenditure of the Government, grew by 3.8 per cent in 2022 at current prices, compared to the 2.3 per cent growth recorded in 2021. Accordingly, the Government's individual final consumption expenditure, the main GCE category comprising expenditure on health, education, social protection, and recreation and culture, grew by 5.6 per cent during the year, compared to 1.0 per cent growth in 2021. Moreover, the Government's collective final consumption expenditure, which comprises expenditure that collectively benefit the community as a whole, such as general public services, defence, and public order and safety, grew by 1.7 per cent in 2022, a slower rate compared to 3.9 per cent growth in 2021.

Investment

Investment expenditure at current prices grew by 28.4 per cent in 2022, compared to 25.1 per cent growth in 2021, due to the significant elevation in prices of investment goods, even though investment in real terms recorded a notable contraction. The investment

climate faced strong headwinds during the year attributable to the scarcity and increased cost of investment goods due to the shortage in foreign exchange and the sharp depreciation in the local currency, holdback of government-funded construction projects, and high interest rates environment. However, at current prices, gross fixed capital formation, the major contributor to investment expenditure, grew by 21.9 per cent, compared to the 15.8 per cent growth recorded in the previous year, reflecting the impact of increased prices of construction material, and machinery and equipment. In the meantime, changes in inventories and acquisition less disposals of valuables also increased during the year.

Foreign Direct Investment (FDI) inflows, including loans received by companies registered under BOI, increased notably by 37.9 per cent, year-on-year, to US dollars 1,075.6⁶ million in 2022, compared to US dollars 780.2 million recorded in 2021. FDI

⁶ This includes receipts, including loans, to companies registered with the BOI and differs from the estimates presented in Chapter 5, mainly due to the inclusion of FDIs to non-BOI companies in the latter. Accordingly, total FDIs amounted to US dollars 1,181 million in 2022.

Table 2.11
Investments and Employment in Enterprises Registered under Board of Investment of Sri Lanka (BOI)
and Ministry of Industries

Category	No. of Projects		Estimated Investment (Rs. million)						Est. Employment (No.)	
	2021	2022	2021 (a)			2022 (b)			2021 (a)	2022 (b)
	(a)	(b)	Foreign	Local	Total	Foreign	Local	Total	2021 (a)	2022 (b)
BOI (Under Act No. 4 of 1978)										
Projects Approved	135	160	347,871	166,184	514,056	282,842	263,529	546,371	25,632	26,177
Under Section 17 (c)	130	158	346,878	165,735	512,613	281,789	262,707	544,496	25,459	26,013
Under Section 16	5	2	993	449	1,442	1,054	821	1,875	173	164
Projects Contracted Under Section 17 (c)	93	142	41,305	74,130	115,436	327,810	188,864	516,674	21,685	21,685
Realised Investment Under Section 17 (d)(e)	1,875	1,922	2,258,989	2,021,406	4,280,395	2,420,110	2,055,046	4,475,156	486,362	n.a.
Projects in Commercial Operations (d)	2,735	2,718	651,662	1,057,348	1,709,010	662,641	1,059,813	1,722,454	459,828	461,371
Under Section 17 (c)	2,100	2,116	625,665	1,020,523	1,646,188	637,450	1,029,961	1,667,412	375,007	380,939
Under 200 Garment Factory Programme	116	107	505	25,639	26,143	503	18,714	19,217	56,543	52,513
Under Section 16	519	495	25,492	11,187	36,679	24,688	11,137	35,825	28,278	27,919
Ministry of Industries										
Companies Registered (d)	3,259	3,451	-	-	209,366	-	-	204,600	n.a.	n.a.

(a) Revised

(b) Provisional

(c) Includes expanded projects

(d) Cumulative as at end of year

(e) Cumulative actual investment values are given

Note: Projects approved and contracted under Sec.17 of the BOI Act are exempted from customs and exchange control regulations subject to the fulfilment of the investment threshold or any other specified requirements.

Sources: Board of Investment of Sri Lanka
Ministry of Industries

inflows to infrastructure projects, which accounts for around 54.0 per cent of the total FDI inflows to BOI companies, showed a notable increase in 2022, largely contributing to the overall expansion in FDIs in 2022. Further, FDIs to the manufacturing sector and services sector, which account for about 34.0 per cent and 13.0 per cent of FDI inflows, respectively, also recorded expansions. However, FDI inflows to the agriculture sector continued to remain modest in 2022. The total value of projects approved during the year by the BOI, under Sections 16 and 17 of the BOI Act. No. 4 of 1978, was estimated at Rs. 546.4 billion,

depicting an expansion of 6.3 per cent, year-on-year, from Rs. 514.1 billion in the preceding year. The estimated investment value of projects that commenced commercial operations under Sections 16 and 17 of the BOI Act, amounted to Rs. 35.8 billion and Rs. 1,667.4 billion, respectively, during 2022.

Availability and Utilisation of Resources

The available resources of the economy, which include domestic resources represented by the GDP and external resources represented by the imports, grew at a higher rate of 38.0 per cent at current prices in 2022, compared to the 14.8 per cent growth recorded in 2021. In this regard, GDP grew by 37.2 per cent in 2022, while imports grew by 41.2 per cent during the year, both at higher rates compared to 2021. However, considering the constant price estimates, GDP and imports recorded contractions during 2022. Meanwhile, most of the available resources were utilised for consumption purposes, which accounted for

Figure 2.13
Foreign Direct Investment of BOI Enterprises (a)
(US\$ million)

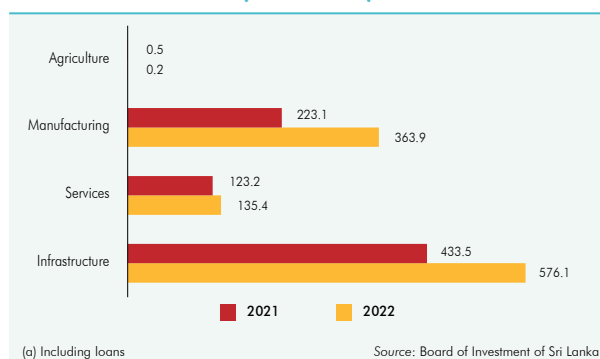


Table 2.12
Total Resources and Their Uses at Current
Market Prices (a) (b)

Item	Percentage Share %		Growth %	
	2021 (c)	2022	2021 (c)	2022
A. Resources				
Gross Domestic Product	80.4	80.0	12.3	37.2
Import of Goods and Services	19.6	20.0	26.5	41.2
Total	100.0	100.0	14.8	38.0
B. Utilisation				
Consumption	56.8	55.3	8.4	34.3
Gross Fixed Capital Formation	21.2	18.7	15.8	21.9
Changes in Inventories and Acquisition less Disposals of Valuables	8.4	8.8	57.2	44.9
Export of Goods and Services	13.6	17.2	23.2	74.1
Total	100.0	100.0	14.8	38.0

(a) Based on the GDP estimates (base year 2015)
(b) Provisional
(c) Revised

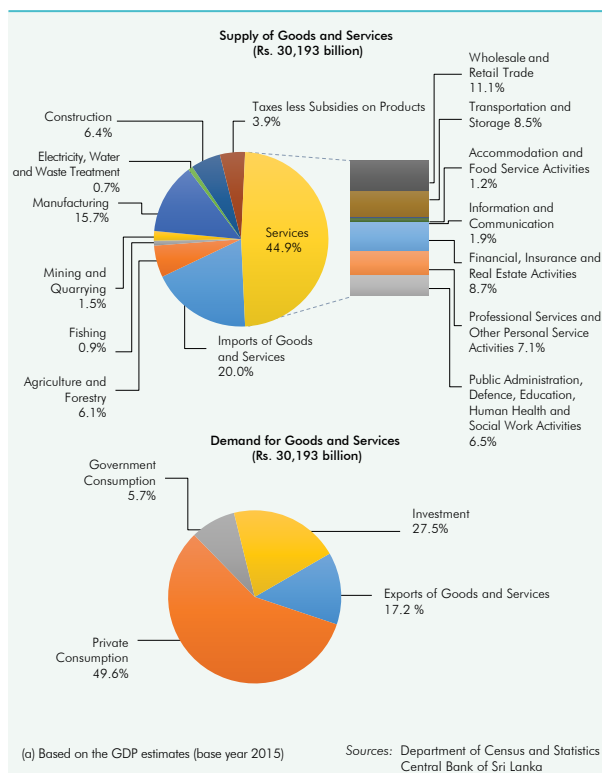
Sources: Department of Census and Statistics
Central Bank of Sri Lanka

55.3 per cent of the total resource utilisation at current prices in 2022, while the shares of investment and exports stood at 27.5 per cent and 17.2 per cent, respectively.

Savings

The country's domestic and national savings improved at current prices during the year. Accordingly, domestic savings grew by 44.2 per cent in 2022, compared to the 22.9 per cent growth

Figure 2.14
The Economy in 2022 (at Current Market Prices) (a)



recorded in 2021, driven by the increase in private savings despite the broadening of government dis-savings during the year. As a result, domestic savings as a percentage of GDP increased to 30.8 per cent in 2022. Meanwhile, in rupee terms,

Table 2.13
Consumption, Investment and Savings at Current Market Prices (a)(b)

Item	Rs. million		Growth (%)		As a per cent of GDP (%)	
	2021 (c)	2022	2021 (c)	2022	2021 (c)	2022
1. Gross Domestic Product at Market Price	17,600,191	24,147,726	12.3	37.2	100.0	100.0
2. Consumption Expenditure	12,434,283	16,700,557	8.4	34.3	70.6	69.2
Private	10,769,655	14,973,295	9.4	39.0	61.2	62.0
Government	1,664,627	1,727,261	2.3	3.8	9.5	7.2
3. Investment	6,466,957	8,304,627	25.1	28.4	36.7	34.4
4. Domestic Savings	5,165,908	7,447,170	22.9	44.2	29.4	30.8
Private	6,456,349	8,987,618	19.9	39.2	36.7	37.2
Government	-1,290,441	-1,540,448	-9.3	-19.4	-7.3	-6.4
5. Domestic Savings - Investment Gap	-1,301,049	-857,458	-34.7	34.1	-7.4	-3.6
6. Net Primary Income from Rest of the World (d)	-395,539	-621,353	6.5	-57.1	-2.2	-2.6
7. Net Current Transfers from Rest of the World (d)	1,034,694	1,159,474	-10.1	12.1	5.9	4.8
8. National Savings	5,805,063	7,985,291	17.7	37.6	33.0	33.1

(a) Based on the GDP estimates (base year 2015)

(b) Provisional

(c) Revised

(d) Any difference with the BOP estimates is due to the time lag in compilation.

Sources: Department of Census and Statistics
Central Bank of Sri Lanka
Ministry of Finance, Economic
Stabilization and National Policies

net primary income from the rest of the world deteriorated during the year, while net current transfers from the rest of the world recorded an improvement. As a combined outcome of these developments, national savings grew by 37.6 per cent in 2022, compared to 17.7 per cent growth in 2021. Due to the higher growth in savings compared to the investment, the national savings-investment gap narrowed in 2022.

2.6 Income

Gross Mixed Income, the largest income component of the economy in 2022, grew by 45.4 per cent at current prices during the year, compared to the growth of 11.2 per cent recorded in 2021, accounting for 34.6 per cent of GVA. Meanwhile, Gross Operating Surplus, the second largest income component, grew by 36.0 per cent in 2022, compared to the growth of 17.3 per cent in 2021. In terms of other major sources of income, Compensation of Employees and Other Taxes less Subsidies on Production continued to expand during the year. Meanwhile, considering the institutional sector classification of GVA, NFC was the largest income generator, followed by HH and NPISH, GG, and FC, respectively.

2.7 Population, Labour Force and Employment

Population

The population continued to increase in 2022, yet at a slower rate compared to the previous year. Accordingly, the mid-year population in Sri Lanka was estimated at 22.181 million in 2022 as per the mid-year population estimates compiled by the Registrar General's Department, recording a marginal growth of 0.1 per cent, compared to the growth of 1.1 per cent in 2021. Meanwhile, the Western Province continued to account for the highest share of 28.0 per cent of the mid-year population in 2022, yet recording a year-on-year decline in population, followed by the Central and Southern Provinces, which represented 12.7 per cent and 12.2 per cent, of the population, respectively, in 2022. Further, the Northern Province continued to account for 5.3 per cent, the lowest share of mid-year population, in 2022. In line with the population growth, the population density also increased marginally to 354 people per square kilometre in 2022, from 353 people per square kilometre recorded in 2021. Following the trend observed in recent years, the female population remained higher than the male population.

Table 2.14
Income Components by Institutional Sector at Current Market Prices (a) (b)

Item	Percentage Share (%)									
	2021 (c)					2022				
	Non-Financial Corporations (NFC)	Financial Corporations (FC)	General Government (GG)	Households and Non-Profit Institutions Serving Households (HH and NPISH)	Total Economy	Non-Financial Corporations (NFC)	Financial Corporations (FC)	General Government (GG)	Households and Non-Profit Institutions Serving Households (HH and NPISH)	Total Economy
Compensation of Employees	45.6	6.5	26.5	21.4	100.0	47.7	10.2	21.7	20.5	100.0
Gross Operating Surplus	84.6	12.1	3.3	0.0	100.0	86.4	11.3	2.4	0.0	100.0
Gross Mixed Income	-	-	-	100.0	100.0	-	-	-	100.0	100.0
Other Taxes less Subsidies on Production	74.5	10.4	-	15.2	100.0	73.2	10.7	-	16.1	100.0
Gross Value Added at Basic Price	43.5	6.2	9.2	41.1	100.0	43.6	6.8	7.1	42.4	100.0

(a) Based on the GDP estimates (base year 2015)

(b) Provisional

(c) Revised

Source: Department of Census and Statistics

Table 2.15
Province-wise Population and Density (a)(b)

Province	2021		2022	
	Population '000 Persons	Density	Population '000 Persons	Density
Western	6,219	1,731	6,209	1,728
Central	2,811	504	2,812	504
Southern	2,696	501	2,702	502
Northern	1,165	141	1,173	141
Eastern	1,783	190	1,788	191
North Western	2,592	345	2,592	345
North Central	1,402	144	1,406	144
Uva	1,400	168	1,408	169
Sabaragamuwa	2,088	424	2,091	425
Total	22,156	353	22,181	354

(a) Provisional

Source: Registrar General's Department

(b) The mid-year population data are based on the Census of Population and Housing - 2012.

Labour Force

In 2022, the economically inactive population increased compared to 2021 resulting in a decrease in the labour force as per the Sri Lanka Labour Force Survey conducted by DCS.

In line with the increase in household population, the economically inactive population increased to 8.615 million in 2022 from 8.581 million in the previous year whereas the labour force, which represents the economically active population,⁷ decreased marginally to 8.547 million in 2022 from 8.553 million recorded in 2021. With these developments, the labour force participation rate (LFPR), which is the ratio of the labour

⁷ This is the current economically active population, i.e. the number of persons (aged 15 years and above), who are employed or unemployed during the reference one-week period.

force to the household population, decreased marginally to 49.8 per cent in 2022, compared to 49.9 per cent in 2021. The male LFPR recorded a decline to 70.5 per cent in 2022 from 71.0 per cent in the previous year, while on a positive note the female LFPR increased to 32.1 per cent in 2022 from 31.8 per cent in the previous year. Further, the gender gap in LFPR narrowed to 38.4 per cent in 2022, compared to the 39.2 per cent recorded in the previous year.

Employment

The employed population⁸ increased to 8.148 million in 2022, compared to 8.114 million in the previous year. In terms of employment by major economic activities, employment in Industry activities increased to 2.158 million in 2022 from 2.109 million in the previous year, while that of Services increased to 3.831 million in 2022 from 3.791 million in the previous year. However, employment in Agriculture declined to 2.159 million in 2022 from 2.213 million in the previous year. Accordingly, the shares of employment in Industry and Services activities increased to 26.5 per cent and 47.0 per cent, respectively, in 2022 from 26.0 per cent and 46.7 per cent in the previous year, whereas the share of employment in Agriculture declined to 26.5 per cent in 2022 from 27.3 per cent in the previous

⁸ Persons who worked at least one hour during the reference period, as paid employees, employers, own account workers or contributing family workers are said to be employed. This also includes persons with a job but not at work during the reference period.

Table 2.16
Household Population, Labour Force and Labour Force Participation (a)

Item	2021	2022 (b)				
		Q1	Q2	Q3	Q4	Annual
Household Population '000 Persons	17,134	17,105	17,126	17,186	17,230	17,162
Labour Force '000 Persons	8,553	8,762	8,576	8,430	8,421	8,547
Employed	8,114	8,389	8,177	8,010	8,015	8,148
Unemployed	440	373	399	419	406	399
Labour Force Participation Rate (c)	49.9	51.2	50.1	49.0	48.9	49.8
Male	71.0	71.8	70.9	70.4	69.0	70.5
Female	31.8	33.6	32.1	31.0	31.6	32.1

(a) Household population aged 15 years and above

(b) Provisional

(c) Labour force as a percentage of household population

Source: Department of Census and Statistics

Table 2.17
Public Sector Employment

Sector	2021 (a)	2022 (b)	Percentage Change 2022/ 2021 (b)
Government	1,181,422	1,181,766	0.0
State Owned Enterprises	219,838	212,117	-3.5
Total Public Sector	1,401,260	1,393,883	-0.5
(a) Revised		Source: Department of Management Services, Ministry of Finance, Economic Stabilization and National Policies	
(b) Provisional			

year. In terms of the status of employment, public sector employees, own account workers and contributing family workers decreased in 2022 compared to 2021, whereas the private sector employees and employers increased. Meanwhile, the private sector continued to remain the main employment generator in Sri Lanka, representing the largest share of 42.9 per cent, followed by own account workers, which accounted for 33.1 per cent of the total employment during 2022.

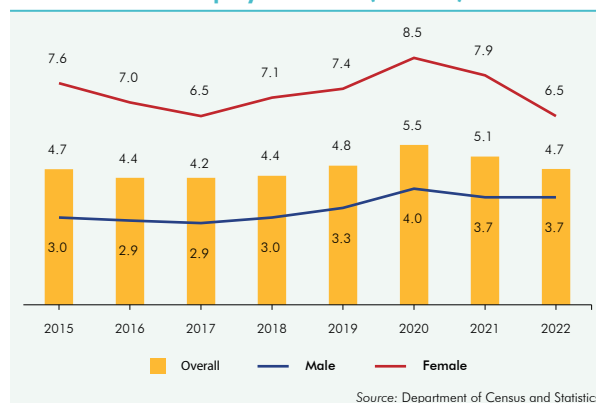
As per the data of the Department of Management Services of the Ministry of Finance, total public sector employment stood at 1.394 million in 2022. This includes employees in ministries, departments, district secretariats, divisional secretariats, provincial councils and State Owned Enterprises (SOEs). Accordingly, the public sector employment recorded a decline in 2022 compared to 1.401 million reported in 2021 due to the reduction of employment in SOEs.

Unemployment

The unemployment rate declined to 4.7 per cent in 2022 from 5.1 per cent recorded in the previous year. The unemployed population⁹ also declined to 0.399 million in 2022 from 0.440 million recorded in the previous year. Consequently, the male unemployment rate remained unchanged at 3.7 per cent, while the female unemployment rate declined to 6.5 per cent in 2022 from 7.9 per cent in the previous year. Further, unemployment rate

⁹ Persons available and/or looking for work, and who did not work and took steps to find a job during the last four weeks and are ready to accept a job given a work opportunity within next two weeks are said to be unemployed.

Figure 2.15
Unemployment Rate (Per cent)



of the GCE A/L and above category, declined considerably to 7.8 per cent in 2022, compared to 9.1 per cent recorded in the previous year. Moreover, the youth (15-24 years) unemployment rate also declined to 22.8 per cent in 2022, compared to 26.5 per cent in the previous year.

Foreign Employment

Departures for foreign employment recorded a significant growth of 154.4 per cent to 311,056 in 2022 from 122,264 in 2021. The significant increase in departures for foreign employment was partly on account of economic hardships that prevailed in the country during 2022. Accordingly, male and female departures for foreign employment accounted for 60.1 per cent and 39.9 per cent, respectively, of the total

Figure 2.16
Departures for Foreign Employment by Skills

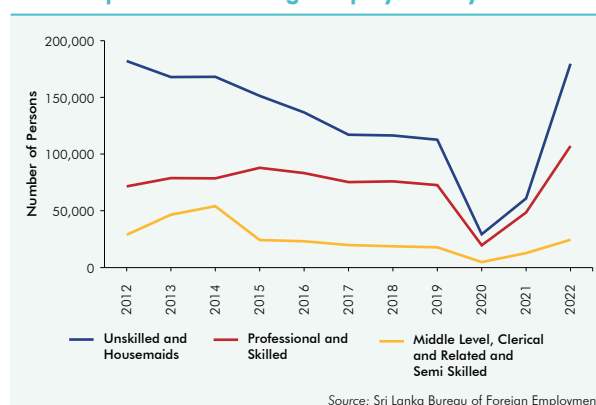


Table 2.18
Departures for Foreign Employment

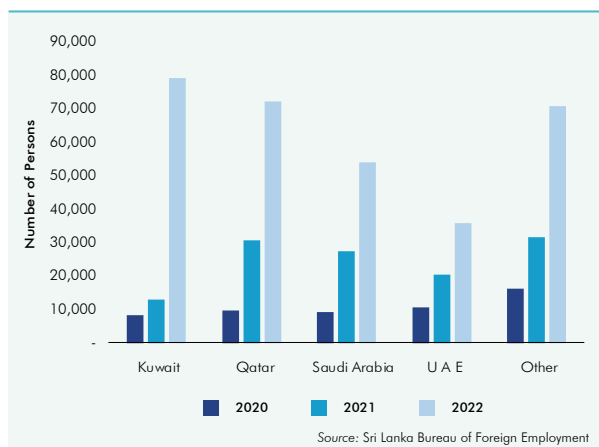
Foreign Employment	2020		2021 (a)		2022 (b)	
	Number	Per cent	Number	Per cent	Number	Per cent
Total Placement	53,711	100.0	122,264	100.0	311,056	100.0
By Source						
Licensed Agents	18,065	33.6	41,805	34.2	123,420	39.7
Other	35,646	66.4	80,459	65.8	187,636	60.3
By Gender						
Male	32,500	60.5	81,110	66.3	186,965	60.1
Female	21,211	39.5	41,154	33.7	124,091	39.9
By Manpower Category						
Professional	2,957	5.5	8,373	6.8	14,307	4.6
Middle Level	1,496	2.8	4,256	3.5	8,130	2.6
Clerical & Related	2,496	4.6	6,540	5.3	12,134	3.9
Skilled	16,664	31.0	40,174	32.9	92,836	29.8
Semi Skilled	789	1.5	1,930	1.6	4,133	1.3
Unskilled	13,987	26.0	31,676	25.9	105,509	33.9
Housemaid	15,322	28.5	29,315	24.0	74,007	23.8

(a) Revised
(b) Provisional

Source: Sri Lanka Bureau of Foreign Employment

departures of foreign employment. Departures under all skill categories, namely professional, middle level, clerical and related, skilled, semi-skilled, unskilled and housemaid, increased with major contributions from unskilled, skilled and housemaid categories. The Middle East region continued to be the main foreign employment destination in 2022 as well, accounting for 84.7 per cent of the total departures for foreign employment, with 91.3 per cent of those departing to Qatar, Saudi Arabia, United Arab Emirates and Kuwait.

Figure 2.17
Departures for Foreign Employment by Major Destinations



Labour Productivity

Labour productivity, measured in terms of GVA (in 2015 prices) per hour worked, declined by 10.6 per cent to Rs. 686.57 per hour worked in 2022 from Rs. 768.08 per hour worked in 2021. The decline in the labour productivity in Industry and Services activities was mainly due to the decreases in their respective GVA in 2022. Accordingly, labour productivity in Industry and Services activities declined to Rs. 759.80 per hour worked and Rs. 839.85 per hour worked, respectively, in 2022 from Rs. 922.15 per hour worked and Rs. 945.97 per hour worked, respectively, in 2021. On the contrary, the labour productivity in Agriculture activities broadly remained unchanged amid the decline in both Agriculture GVA and the hours worked. Accordingly, the labour productivity in Agriculture activities recorded as Rs.243.94 per hour worked in 2022, compared to 243.04 in 2021. In terms of the level of productivity, Services activities continued to exhibit the most efficient use of labour resources, recording the highest labour productivity level, followed by Industry and Agriculture activities.