

II. ECONOMIC AND FINANCIAL TRENDS—1965

(A) National Product and Expenditure

Introduction

Ceylon's gross national product at current factor cost prices in 1965 is provisionally estimated at Rs. 7,388 million compared to a revised estimate of Rs. 7,104 million in 1964. The rate of increase in 1965 was 4.0 per cent compared to the rate of increase of 5.8 per cent in 1964. In 1965, the rates of expansion in the value of net output of the export sector and the domestic sector were not as large as in the previous year. Although the value of tea and rubber exports increased, the exports of coconut products declined on account of a fall in the output of coconuts. This, together with a fall in export stocks, resulted in the net contribution of the export sector to gross national product recording a rise of only 2.2 per cent as against a rise of 5.4 per cent in the previous year. In the domestic sector, adverse weather conditions caused a fall in the net output of paddy by 31.2 per cent. However, the value of net output of other goods and services, mainly fish, livestock and industrial production, trade, transport and Government services continued to increase, resulting in a rise in the value of net output of the domestic sector by 4.1 per cent compared to the rise of 5.5 per cent in 1964.

In real terms; that is, at constant* prices, gross national product increased from a revised figure of Rs. 6,888 million in 1964, to Rs. 7,024 million in 1965, which is an increase of 2.0 per cent, compared to a rise of 4.4 per cent in the previous year. The value of net output of the export sector which had increased by 6.4 per cent in 1964 fell by 0.8 per cent while that of the domestic sector rose by 2.5 per cent as against the rise of 3.3 per cent in the previous year.

The rate of population increase in 1965 according to provisional estimates was the same as in 1964, i. e., 2.4 per cent. Taking into account the increase in population, gross national product per capita shows an increase of 1.7 per cent at current prices and a decrease of 0.4 per cent at constant prices.

In contrast to 1964, when the terms of trade deteriorated by 2.6 per cent, in 1965 the terms of trade showed an improvement of 1.2 per cent. Consequently, real national income increased by 2.2 per cent, i. e., at a rate higher than the rate of increase of the real product, viz., 2.0 per cent.

In 1965, gross national expenditure at current market prices recorded only a moderate increase. While private consumption expenditure increased slightly in 1965, capital formation in the private sector and public corporations fell. In the Government sector however, while consumption continued to increase though at a slower rate, capital formation rose substantially as against a drop in the previous year. These changes resulted in a rise in the total gross national expenditure by 3.2 per cent compared to the rise of 7.2 per cent in 1964.

* 1959 prices.

TABLE II (A) 1
Summary Indicators of Product and Expenditure

	1959	1960	1961	1962	1963	1964	1965
A. Values							
(1) Gross National Product at Factor Cost Prices (Rs. mn.) ..	5,854	6,080	6,142	6,418	6,716	7,104	7,388
(2) Gross Domestic Expenditure at Market Prices (Rs. mn.) ..	6,613	6,817	6,813	7,009	7,179	7,702	7,732
(3) Private Consumption at Market Prices (Rs. mn.) ..	4,673	4,985	4,840	4,999	5,170	5,629	5,692
(4) Public Consumption at Market Prices (Rs. mn.) ..	881	911	926	979	1,011	1,090	1,116
(5) Gross Domestic Fixed Capital Formation at Market Prices (Rs. mn.) ..	1,069	966	978	1,031	991	1,023	969
(6) Exports of Goods (a) and Non-Factor Services (Rs. mn.) ..	2,016	2,011	1,907	1,971	1,903	1,937	2,081
(7) Imports of Goods (b) and Non-Factor Services (Rs. mn.) ..	2,176	2,209	1,972	2,070	2,031	2,102	2,058
(8) Gross National Product per capita (c) at Factor Cost Prices (Rs.) ..	608	614	604	615	627	647	658
(9) Gross Domestic Expenditure per capita (c) (Rs.) ..	687	689	670	671	670	702	688
(10) Gross National Product at 1959 Factor Cost Prices (Rs. mn.) ..	5,854	6,066	6,240	6,472	6,599	6,888	7,024
(11) Gross National Product per capita (c) at 1959 Factor Cost Prices (Rs.) ..	608	613	614	620	616	628	625
B. Index Numbers (1959=100.0)							
(1) Gross National Product at Factor Cost Prices ..	100.0	103.9	104.9	109.6	114.7	121.3	126.2
(2) Gross Domestic Expenditure at Market Prices ..	100.0	103.1	103.0	106.0	108.6	116.5	116.9
(3) Private Consumption at Market Prices ..	100.0	106.7	103.6	107.0	110.6	120.5	121.8
(4) Public Consumption at Market Prices ..	100.0	103.4	105.1	111.1	114.7	123.7	126.7
(5) Gross Domestic Fixed Capital Formation at Market Prices ..	100.0	90.4	91.5	96.5	92.7	95.7	90.7
(6) Exports of Goods (a) and Non-Factor Services ..	100.0	99.7	94.6	97.8	94.4	96.1	103.2
(7) Imports of Goods (b) and Non-Factor Services ..	100.0	101.5	90.6	95.1	93.3	96.6	94.6
(8) Gross National Product per capita (c) at Factor Cost Prices ..	100.0	101.0	99.3	101.0	103.1	106.4	108.2
(9) Gross Domestic Expenditure per capita (c) ..	100.0	100.3	97.5	97.7	97.6	102.2	100.2

Source: Central Bank of Ceylon.

(a) Exported Merchandise valued f.o.b.

(b) Imported Merchandise valued c.i.f.

(c) The following estimates of Population have been adopted:—

	1959	1960	1961	1962	1963	1964	1965
Mid-Year Population	9,625,000	9,896,000	10,168,000	10,443,000	10,712,000	10,971,000	11,232,000
Index Number	100.0	102.8	105.6	108.5	111.3	114.0	116.7

Production and Expenditure in Money Terms

Table II (A) - 2 shows gross national product and its components at current factor cost prices. In 1965, production for export which accounted for some 21 per cent of the gross national product recorded a smaller growth than in 1964. The value of tea and rubber exports rose by 6.0 per cent and 4.9 per cent respectively. The quantity of tea exported increased by 8.5 per cent, though its f. o. b. price as reflected by the export price index fell by 2.4 per cent. Similar trends were observed in the case of rubber. The quantity of exports rose by 5.4 per cent, while the average f. o. b. price fell slightly by 0.4 per cent. In the case of coconut, however, on account of a fall in the output, the volume of

TABLE II (A) 2

Gross National Product at Current Factor Cost Prices

	Rupees Million							Percentage Change					
	1959	1960	1961	1962	1963	1964	1965	1960/59	1961/60	1962/61	1963/62	1964/63	1965/64
I. Production for Export													
(i) Domestic Exports: F.O.B. Values	1,692	1,775	1,681	1,766	1,705	1,842	1,916	+ 4.9	- 5.3	+ 5.1	- 3.5	+ 8.1	+ 4.0
Value of Change in Stocks	- 2	- 39	+ 15	- 34	+ 3	- 36	- 75						
Less: Imported Materials used (at market value.)	-124	-120	-135	-151	-160	-173	-171						
Less: Distribution cost of Exported goods	-104	-109	-114	-123	-119	-128	-132						
Net Output	1,462	1,507	1,447	1,458	1,429	1,506	1,539	+ 3.0	- 4.0	+ 0.8	- 2.0	+ 5.4	+ 2.2
(ii) Re-exports: Value added	3	2	2	2	1	1	1						
Total Production for Export: Net Output	1,465	1,509	1,449	1,460	1,430	1,507	1,540	+ 3.0	- 3.9	+ 0.7	- 2.0	+ 5.4	+ 2.2
II. Production for Domestic use (Net Output)													
(i) Agriculture, Forestry, Livestock and Fisheries	1,276	1,341	1,385	1,426	1,531	1,586	1,506	+ 5.1	+ 3.3	+ 2.9	+ 7.3	+ 3.6	- 5.0
(ii) Industry, n.i.e.	255	305	342	406	484	533	590	+19.3	+12.1	+19.0	+19.1	+10.0	+10.8
(iii) Capital Development (Goods and Services):													
(a) Government	139	146	193	204	200	188	214	-22.4	+31.6	+ 5.7	- 1.6	- 6.0	+13.5
(b) Public Enterprises	55	61	65	86	107	86	109	+11.5	+ 6.4	+31.1	+25.5	-20.1	+27.0
(c) Private Sector and Public Corporations	265	259	252	270	253	284	280	- 2.2	- 2.9	+ 7.2	- 6.3	+12.5	- 1.5
(iv) Transport and Communications (Non-Government)	450	493	476	500	522	587	647	+ 9.7	- 3.4	+ 5.0	+ 4.4	+12.4	+10.2
(v) Trade (Non-Government)	628	633	608	643	707	754	837	+ 0.7	- 4.0	+ 5.9	+ 9.9	+ 6.6	+11.0
(vi) Ownership of dwellings	169	178	196	205	223	238	254	+ 5.9	+ 9.9	+ 4.5	+ 8.9	+ 6.6	+ 6.6
(vii) Government, n.i.e.	702	755	759	792	821	869	902	+ 7.6	+ 0.6	+ 4.3	+ 3.7	+ 5.9	+ 3.7
(viii) Services, n.i.e.	438	445	457	474	491	508	526	+ 1.5	+ 2.8	+ 3.5	+ 3.7	+ 3.4	+ 3.5
Total	4,426	4,616	4,733	5,005	5,339	5,633	5,864	+ 4.3	+ 2.5	+ 5.7	+ 6.7	+ 5.5	+ 4.1
III. Gross Domestic Product	5,891	6,124	6,182	6,464	6,769	7,140	7,404	+ 4.0	+ 0.9	+ 4.6	+ 4.7	+ 5.5	+ 3.7
IV. Net Factor Income from Abroad	- 37	- 44	- 40	- 47	- 53	- 36	- 15						
V. Gross National Product	5,854	6,080	6,142	6,418	6,716	7,104	7,388	+ 3.9	+ 1.0	+ 4.5	+ 4.7	+ 5.8	+ 4.0

Definition of Items:

- Government [Items II (iii) (a) and II (vii)] is defined to cover Central and Local Government, but to exclude public corporations and Government enterprises (i.e. the Railway, Electrical Undertakings, Port Commission, Post & Telecommunication and Salt Departments.)
- Item II (vii) (Government, n.i.e.) includes imputed rents of Government buildings.
- The net output of capital development in the Government sector [Item II (iii) (a)] is inclusive of:
 - the net output of Government capital works done on contract, and
 - ancillary services rendered in the process of capital development e.g., transport of capital goods imported by Government.
- The net output of capital development in the private sector and public corporations [Item II (iii) (c)] comprises of:
 - the net output of constructional industries,
 - the net output of industries producing constructional materials and other capital goods for domestic use, and
 - the net output of planting and replanting.
- Item II (iv) [Transport and Communications (Non-Government)] and Item II (v) [Trade (Non-Government)] include the net output of public enterprises operating in these fields. These items also cover services rendered to the export sector. The estimates of Trade and Transport have been revised to take account of the increase in transport charges and trade margins as determined on the basis of a random inquiry.

Source: Central Bank of Ceylon

- Item II (i) (Agriculture, Forestry, Livestock and Fisheries) Estimates of tea and coconut included in this item have been computed on the basis of data on per capita consumption; while the data used in computing the estimates for the years 1959 to 1962 have been obtained from the Consumer Finance Survey 1963, the data used from 1963 onwards have been obtained from the Consumer Finance Survey 1963. Thus the estimates for 1963 onwards are strictly not comparable with those for earlier years.

General Notes:

- Apart from published sources (such as the Ceylon Customs Returns) and special sources on certain specific items (e.g. the Department of Industries on industrial output) much of the primary data necessary for the preparation of this Table, as well as for the Table on the Gross National Expenditure, have been supplied by the Department of Census and Statistics.
- On account of rounding of numbers in the Tables, component items may not add up exactly to the totals.
- The percentage changes shown in the Tables have been computed on the basis of values in rupees million taken to one decimal place.
- n.i.e. = not included elsewhere.
- The estimates for 1955 are provisional.

TABLE II (A) 3

Locally Produced Goods for Domestic Consumption Valued at Current Producers' Prices

	Rupees Million							Percentage Change					
	1959	1960	1961	1962	1963	1964	1965	1960 over 1959	1961 over 1960	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
I. Agriculture, Forestry, Livestock and Fisheries													
Rice ..	400	472	475	524	534	544	382	+ 18.2	+ 0.6	+ 10.4	+ 1.8	+ 1.8	- 29.8
Coconut and Coconut Products*	208	168	147	135	179	187	209	- 19.4	- 12.2	- 8.2	+ 32.1	+ 4.8	+ 11.8
Tea*	54	56	56	55	60	62	66	+ 4.3	...	- 1.8	+ 10.0	+ 2.3	+ 6.8
Other Food Crops ..	327	350	382	382	390	411	423	+ 7.1	+ 9.3	...	+ 2.1	+ 5.4	+ 2.9
Tobacco ..	14	15	19	21	22	23	23	+ 10.9	+ 23.7	+ 13.8	+ 3.3	+ 2.3	+ 2.2
Betel and Arecanuts ..	34	37	38	34	36	33	30	+ 7.3	+ 1.6	- 8.3	+ 4.7	- 7.2	- 9.9
Firewood ..	14	14	15	15	15	16	15	+ 3.7	+ 3.5	+ 2.7	+ 2.7	+ 2.6	- 7.6
Livestock ..	142	134	139	136	150	156	187	- 5.6	+ 4.3	- 2.7	+ 10.4	+ 3.9	+ 20.1
Fish ..	60	69	86	101	125	137	153	+ 13.9	+ 25.3	+ 17.1	+ 24.4	+ 9.6	+ 11.1
Miscellaneous Agricultural and Forest Products ..	49	52	53	55	59	62	66	+ 5.1	+ 2.9	+ 2.6	+ 7.5	+ 5.8	+ 5.8
Less: Imported materials used (a)	-25	-25	-25	-33	-40	-44	-47						
Value added by Domestic Production	1,276	1,341	1,385	1,426	1,531	1,586	1,506	+ 5.1	+ 3.3	+ 2.9	+ 7.3	+ 3.6	- 5.0
2. Industry (excluding Capital Development)													
Factory Industries ..	314	379	416	454	595	647	719	+ 20.8	+ 9.8	+ 9.0	+ 31.1	+ 8.7	+ 11.2
Cottage Industries ..	110	113	116	119	127	131	135	+ 2.5	+ 2.9	+ 2.9	+ 6.6	+ 3.0	+ 3.1
Less: Imported materials used (a)	-168	-187	-191	-167	-238	-245	-264						
Value added by Domestic Production	255	305	342	406	484	533	590	+ 19.3	+ 12.1	+ 19.0	+ 19.1	+ 10.0	+ 10.8

(a) At market values.

Sources: Central Bank of Ceylon;
Department of Census and Statistics;
Department of Industries;
Department of Fisheries, etc.

* Estimates of tea and coconut have been computed on the basis of data on per capita consumption; while the data used in computing the estimates for the years 1959 to 1962 have been obtained from the Consumer Finance Survey 1953, the data used from 1963 onwards have been obtained from the Consumer Finance Survey 1963. Thus the estimates from 1963 onwards are strictly not comparable with those for earlier years.

coconut exports in terms of nut equivalent fell by 21.6 per cent in 1965 compared to the rise of 33.7 per cent in 1964. Since the export prices of coconut products increased sharply, the prices of copra and coconut oil rising by 24.9 per cent and 27.0 per cent respectively, the value of coconut exports declined by only 1.8 per cent. The fall in the output of coconut in 1965 was due to adverse weather conditions.

The value of total exports thus increased by 4.0 per cent compared to an increase of 8.1 per cent in the previous year. However, estimates of export stocks indicate a fall of Rs. 75 million. The value of net output of the export sector which takes into account the change in the value of stocks therefore recorded a rise of only 2.2 per cent. This is in contrast to the rise of 5.4 per cent in the value of net output of the export sector in 1964.

The value of net output of the domestic sector too, increased at a lower rate in 1965. Owing to adverse weather conditions, the quantity of paddy produced fell from 50.5 million bushels to 35.6 million bushels, a fall of 29.5 per cent. The increase in the value of net output of the domestic sector arose principally from the expansion in the output of industry, livestock and fish, Government and other services. The value of net output of industrial production is provisionally estimated to have increased by 10.8 per cent. Notable increases occurred in the production of plastics, cement and cement products. The net output of fish production is estimated to have risen by 11.0 per cent. In the case of Government, an increase in expenditure on capital formation principally in agriculture and a rise in current expenditure on health and education were responsible for the rise in the value of net output.

Total gross domestic product, that is the sum of net output in the export and domestic sectors, rose from a revised figure of Rs. 7,140 million in 1964 to Rs. 7,404 million, that is by 3.7 per cent. The outflow of investment income fell from Rs. 36 million in 1964 to Rs 15 million in 1965 as a result of the continuation of the moratorium on the transfer of dividends and profits introduced in the 1964/65 Budget. Consequently, the rise in the gross national product at 4.0 per cent was higher than the rise in the gross domestic product.

Details of locally produced goods for domestic consumption valued at producers' prices are shown in Table II (A)-3. The principal changes in the producers' value of these goods are in respect of paddy, livestock and industrial production. The producers' value of paddy fell by 29.8 per cent due to crop failure in both Maha 1964/65 and Yala 1965. According to provisional data, livestock production rose by 20.1 per cent on account of increases in meat and milk production. The rise in producers' value of industrial production at 9.9 per cent is the result of increases in both ex-factory price and output.

Figures of gross national expenditure at current market prices, estimated as the sum of consumption and capital formation are shown in Table II (A)-4. Table II (A)-5 shows estimates of gross national expenditure computed as the sum of gross national product and net indirect taxes. In contrast to the rise of 7.2 per cent in 1964, gross national expenditure rose by only 3.2 per cent in 1965. The relatively small increase in 1965 reflects a reduction in the imports of personal consumption goods as well as capital goods in this year.

TABLE II (A) 4
Gross National Expenditure at Current Market Prices

	Rupees Million							Percentage Change			
	1959	1960	1961	1962	1963	1964	1965	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
I. Private Consumption											
(A) Imports of Goods and Non-Factor Services											
(i) Imports of Food and other Personal Consumption Goods (a)	1,812	1,907	1,709	1,740	1,547	1,753	1,609	+ 1.8	-11.1	+13.3	- 8.2
(ii) Imports of Non-Factor Services	178	152	137	128	129	109	111	- 6.4	+ 0.9	-15.7	- 1.6
Total	1,990	2,059	1,845	1,868	1,676	1,861	1,720	+ 1.2	-10.3	+11.1	- 7.6
(B) Locally produced Goods (a) and Services											
(i) Locally Produced goods*	2,093	2,208	2,282	2,416	2,650	2,806	2,952	+ 5.9	+ 9.7	+ 5.9	+ 5.2
(ii) Rents of dwellings	186	197	216	226	247	264	283	+ 4.3	+ 9.6	+ 6.9	+ 6.9
(iii) Transport and Communication	241	256	272	286	294	334	361	+ 4.9	+ 2.8	+13.8	+ 8.0
(iv) Services, n.i.e.	467	475	488	506	524	544	564	+ 3.6	+ 3.7	+ 3.7	+ 3.7
Less: Government purchases	-110	- 41	-102	-133	- 50	- 50	- 55				
Total	2,878	3,095	3,157	3,301	3,665	3,898	4,104	+ 4.6	+11.0	+ 6.4	+ 5.3
(C) Less: Goods and Services purchased by non-residents	-195	-169	-162	-170	-171	-130	-132				
Total Private Consumption	4,673	4,985	4,840	4,999	5,170	5,629	5,692	+ 3.3	+ 3.4	+ 8.9	+ 1.1
II. Public Consumption											
(i) Current Expenditure on Goods and Services											
—Central Government	771	803	831	880	906	980	1,006	+ 5.8	+ 3.0	+ 8.2	+ 2.7
(ii) Current Expenditure on Goods and Services											
—Local Government	90	87	74	78	83	88	87	+ 5.8	+ 5.9	+ 5.8	- 0.7
(iii) Imputed Rents of Government buildings	20	21	21	22	22	23	23	+ 2.4	+ 2.3	+ 2.3	+ 2.2
Total	881	911	926	979	1,011	1,090	1,116	+ 5.7	+ 3.2	+ 7.9	+ 2.4
III. Gross Domestic Fixed Capital Formation											
(i) Government	256	238	249	260	257	239	262	+ 4.2	- 1.2	- 7.0	+ 9.7
(ii) Public Enterprises	80	79	92	104	127	102	125	+13.1	+22.8	-20.0	+22.7
(iii) Private Sector and Public Corporations	733	649	637	668	607	682	582	+ 4.9	- 9.2	+12.4	-14.6
Total	1,069	966	978	1,031	991	1,023	969	+ 5.5	- 4.0	+ 3.2	- 5.3
IV. Changes in Stocks											
(i) Government											
(ii) Public Enterprises (b)	- 22	- 14	+ 54	+ 40	+ 5	- 5	+ 22				
(iii) Private Sector and Public Corporations (c)	+ 12	- 31	+ 16	- 41	+ 3	- 36	- 67				
Total	- 10	- 45	+ 69	- 1	+ 8	- 40	- 45				
V. Gross Domestic Expenditure (d)	6,613	6,817	6,813	7,009	7,179	7,702	7,732	+ 2.9	+ 2.4	+ 7.3	+ 0.4
VI. Net Investment Abroad (e)	-208	-221	- 94	-140	-168	-160	+ 44				
VII. Less: Net Receipts of International Gifts and Transfers	+ 12	- 22	- 11	- 7	- 13	- 40	- 36				
VIII. Gross National Expenditure	6,416	6,575	6,708	6,862	6,999	7,501	7,740	+ 2.3	+ 2.0	+ 7.2	+ 3.2

Source: See General Notes to Table II (A) 2.

(a) At retail values.

(b) Changes in stocks of the following items only: imported rice, wheat flour and sugar, Guaranteed Price Scheme paddy, arrack,

(c) Changes in stocks of tea, rubber and livestock only.

(d) Equals expenditure on consumption, gross domestic fixed capital formation and changes in stocks.

(e) Net investment abroad \equiv surplus of the nation on current account.

* Estimates of tea and coconut included in this item have been computed on the basis of data on per capita consumption; while the data used in computing the estimates for the years 1959 to 1962 have been obtained from the Consumer Finance Survey 1953, the data used from 1963 onwards have been obtained from the Consumer Finance Survey 1963. Thus the estimates from 1963 onwards are strictly not comparable with those for earlier years.

TABLE II (A) 5.
Expenditure on Gross National Product at Current Prices

Rupees Million

	1959	1960	1961	1962	1963	1964	1965		1959	1960	1961	1962	1963	1964	1965
1. Gross National Product at Factor Cost Prices ..	5,854	6,080	6,142	6,418	6,716	7,104	7,388	4. Consumption Expenditure: Private ..	4,673	4,985	4,840	4,999	5,170	5,629	5,692
2. Indirect Taxes (a) Less subsidies ..	389	413	390	472	458	420	493	5. Consumption Expenditure: Government ..	881	911	926	979	1,011	1,090	1,116
								6. Gross Domestic Capital Formation: Private sector and Public Corporations ..	745	618	652	627	610	646	515
								7. Gross Domestic Capital Formation: Government and Public Enterprises ..	314	303	395	403	389	336	409
								8. Gross Domestic Expenditure (b) ..	6,613	6,817	6,813	7,009	7,179	7,702	7,732
								9. Exports of Goods and Non-Factor Services ..	2,016	2,011	1,907	1,971	1,903	1,937	2,081
								10. Less: Imports of Goods and Non-Factor Services ..	-2,176	-2,209	-1,972	-2,070	-2,031	-2,102	-2,058
								11. Expenditure on Gross Domestic Product at Market Prices ..	6,453	6,619	6,748	6,910	7,051	7,537	7,755
								12. Net Factor Income from abroad ..	- 37	- 44	- 40	- 47	- 53	- 36	- 15
								13. Residual: Unidentified changes in stocks and statistical discrepancy ..	-173	- 82	-176	+ 27	+177	+23	+ 141
3. Gross National Product at Market Prices ..	6,243	6,493	6,532	6,890	7,175	7,524	7,882	14. Expenditure on Gross National Product at Market Prices (c) ..	6,243	6,493	6,532	6,890	7,175	7,524	7,882

Source: Central Bank of Ceylon.

(a) Inclusive of local rates.

(b) Equals expenditure on consumption and gross domestic capital formation.

(c) The algebraic sum of Item 11 and 12 of this table equals the gross national expenditure as shown at Item VIII of Table II (A) 4. Item 14 of this table (expenditure on gross national product at market prices) differs from the algebraic sum of items 11 and 12 only by the amount shown as item 13 (unidentified changes in stocks and statistical discrepancy).

Private consumption expenditure increased only slightly by 1.1 per cent in 1965; an increase in private consumption expenditure on locally produced goods and services was largely offset by a reduction in expenditure on imports. Government consumption expenditure expanded by 2.4 per cent which was lower than the rate of increase of 7.9 per cent in the previous year. Fixed capital formation in the private sector and public corporations fell by 14.6 per cent reflecting a reduction in the imports of capital goods, but fixed capital formation in the Government and public enterprise sectors rose by 13.6 per cent.

Total fixed capital formation in both private and Government sectors thus fell by 5.3 per cent, whereas in 1964 it had recorded a rise of 3.2 per cent.

Details of private consumption expenditure at current market prices are shown in Table II(A)-6. It will be seen from this table that the fall in consumer expenditure on imports relates to items other than rice, flour and sugar. Data on expenditure* on imported rice, flour and sugar show an increase of 15.7 per cent in 1965. Consumer expenditure on other imports, however, shows a sharp reduction of 18.2 per cent in contrast to the rise of 20.0 per cent in the previous year.

Consumer outlay on locally produced goods continued to expand in 1965. Expenditure on coconut products showed an increase of 18.4 per cent owing to a rise in the retail price of coconut in 1965. According to provisional data, expenditure on livestock products increased by 18.6 per cent as a result of increased meat and milk consumption. Expenditure on local rice, however, recorded a sharp decline of 25.8 per cent reflecting the reduction in the output of paddy due to the crop failure mentioned earlier.

Details of capital formation are shown in Table II (A)-7. Figures of capital formation in the private sector and public corporations are estimated largely on the basis of imports of capital goods. In 1965, fixed capital formation in this sector fell by 14.6 per cent, reflecting a decrease in the imports of capital goods. Thus building and certain other construction which accounts for more than one half of total capital formation in the private sector fell by 7.3 per cent. Investment in plant and machinery and 'other' capital goods also fell by 32.5 per cent and 46.5 per cent respectively, while investment in transport rose by 25.1 per cent.

The fall in fixed capital formation in the private sector was somewhat offset by an increase in fixed capital formation in the Government sector. While fixed capital formation by the enterprise departments, mainly Railway and Electrical Departments, rose by 22.7 per cent, investment by other Government Departments, particularly of agriculture and irrigation, rose by 9.7 per cent. Total gross domestic fixed capital formation thus fell by only 5.3 per cent.

* These figures relate to actual issues by the Food Department of rice, flour, and sugar for consumption through co-operative stores and registered dealers. The sharp rise in the above figures in 1965, which is in respect of rice and flour, probably means an increase in the stocks of these commodities held by the co-operatives and dealers. It is therefore, likely, that the actual increase in consumption of total rice, flour and sugar was less.

TABLE II (A) 6

Composition of Private Consumption Expenditure at Current Market Prices

	Rupees Million							Percentage Change			
	1959	1960	1961	1962	1963	1964	1965	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
A. Imports of Goods and Non-Factor Services											
(i) Rice, Wheat Flour and Sugar ..	485	482	513	534	517	517	598	+ 4.1	- 3.2	- 0.1	+15.7
(ii) Other Personal Consumption Goods ..	1,328	1,425	1,196	1,206	1,030	1,236	1,011	+ 0.9	-14.6	+20.0	-18.2
(iii) Non-Factor Services ..	178	152	137	128	129	109	111	- 6.4	+ 0.9	-15.7	+ 1.6
Total	1,990	2,059	1,845	1,868	1,676	1,861	1,720	+ 1.2	-10.3	+11.1	- 7.6
B. Locally Produced Goods and Services											
(i) Locally Produced Goods:											
Rice ..	312	308	275	306	319	312	232	+11.2	+ 4.4	- 2.1	-25.8
Coconut Products * ..	232	187	162	154	210	232	274	- 4.8	+35.8	+10.5	+18.4
Tea * ..	63	67	69	70	78	79	75	+ 1.7	+11.6	+ 0.5	- 1.4
Other Food Crops ..	398	433	473	473	483	509	523	...	+ 2.1	+ 5.3	+ 2.9
Tobacco ..	20	22	27	31	32	32	33	+13.8	+ 2.9	+ 2.5	+ 2.2
Betel and Arecanuts ..	46	50	50	46	48	45	40	- 8.3	+ 4.5	- 7.3	- 9.8
Firewood ..	15	16	17	17	17	18	17	+ 3.0	- 1.2	+ 6.0	- 7.3
Livestock ..	174	168	184	181	190	196	232	- 1.8	+ 5.0	+ 3.1	+18.6
Fish ..	80	92	115	134	167	179	205	+17.0	+24.5	+ 7.2	+14.2
Miscellaneous Agricultural and Forest Products ..	57	59	61	61	67	81	75	-0.7	+ 9.9	+20.8	- 6.5
Industrial Products ..	696	808	849	942	1,040	1,125	1,243	+10.9	+10.4	+ 8.1	+10.5
Total ..	2,093	2,208	2,282	2,416	2,650	2,806	2,952	+ 5.9	+ 9.7	+ 5.9	+ 5.2
(ii) Rents of Dwellings ..	186	197	216	226	247	264	283	+ 4.3	+ 9.6	+ 6.9	+ 6.9
(iii) Transport and Communication ..	241	256	272	286	294	334	361	+ 4.9	+ 2.8	+13.8	+ 8.0
(iv) Services, n.i.e.											
Financial Services to persons (a) ..	13	14	15	16	18	19	21	+ 8.0	+10.5	+ 7.8	+ 6.2
Recreation and Entertainment ..	24	25	26	27	28	29	30	+ 2.7	+ 3.7	+ 4.0	+ 3.8
Domestic services ..	200	203	209	218	227	236	245	+ 4.0	+ 4.0	+ 4.1	+ 3.9
Hotels and Restaurants ..	119	121	125	130	135	140	147	+ 4.0	+ 3.7	+ 4.3	+ 4.4
Professional and Institutional services, n.i.e. (b) ..	61	61	61	61	61	61	61	...	...	...	...
Personal services, n.i.e. (c) ..	50	51	52	54	57	59	61	+ 4.0	+ 4.1	+ 4.1	+ 3.7
Total ..	467	475	488	506	524	544	564	+ 3.6	+ 3.7	+ 3.7	+ 3.7
Less: Government local purchases ..	- 110	-41	-102	-133	- 50	- 50	- 55				
Grand Total	2,878	3,095	3,157	3,301	3,665	3,898	4,104	+ 4.6	+11.0	+ 6.4	+ 5.3
C. Less: Goods and Services purchased by non-residents ..	- 195	-169	-162	-170	-171	-130	-132				
TOTAL PRIVATE CONSUMPTION	4,673	4,985	4,840	4,999	5,170	5,629	5,692	+ 3.3	+ 3.4	+ 8.9	+ 1.1

Source: Central Bank of Ceylon.

- (a) The value of services rendered by banks, insurance companies and other financial institutions to households as distinct from enterprises.
- (b) Private medical, legal and educational services and services rendered by non-profit making bodies (religious and welfare organizations, trade unions, etc.)
- (c) Services of dhobies, barbers, astrologers, undertakers, etc.

* Estimates of tea and coconut have been computed on the basis of data on per capita consumption; while the data used in computing the estimates for the years 1959 to 1962 have been obtained from the Consumer Finance Survey 1953, the data used from 1963 onwards have been obtained from the Consumer Finance Survey 1963. Thus the estimates from 1963 onwards are strictly not comparable with those for earlier years.

TABLE II (A) 7

Gross Domestic Capital Formation at Current Market Prices

	Rupees Million							Percentage Change			
	1959	1960	1961	1962	1963	1964	1965	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
A. Private sector and Public Corporations											
(i) Gross Domestic Fixed Capital Formation											
Planting and replanting ..	62	63	63	64	70	70	65	+ 1.3	+ 8.6	+ 0.7	- 7.9
Building and certain other construction ..	336	341	320	342	262	331	306	+ 6.8	-23.5	+26.3	- 7.3
Plant and Machinery ..	119	77	113	113	154	177	119	- 0.2	+36.0	+14.7	-32.5
Transport ..	153	109	85	92	63	50	63	+ 8.4	-31.7	-20.2	+25.1
Imported capital goods, n.i.e. ..	64	59	55	57	59	55	29	+ 3.1	+ 3.5	-6.8	-46.5
Total ..	733	649	637	668	607	682	582	+ 4.9	- 9.2	+12.4	-14.6
(ii) Change in Stocks											
Tea ..	+ 1	- 13	- 3	- 37	- 17	- 24	- 64				
Rubber ..	- 3	- 27	+ 19	+ 3	+ 20	- 12	- 11				
Livestock ..	+ 13	+ 9	...	- 7	...	...	+ 8				
Total ..	+ 12	- 31	+ 16	- 41	+ 3	- 36	- 67				
Gross Domestic Capital Formation ..	745	618	652	627	610	646	515	- 3.9	- 2.6	+ 5.9	-20.3
B. Government and Public Enterprises											
(i) Gross Domestic Fixed Capital Formation ..	336	317	341	364	384	341	387	+ 6.6	+ 5.6	-11.3	+13.6
(ii) Change in Stocks											
Imported rice, wheat flour and sugar ..	+ 13	- 26	- 12	- 2	...	...	- 5				
G. P. S. Paddy ..	- 35	+ 10	+ 65	+ 45	+ 10	...	...		
Arrack ..	...	+ 2	...	- 3	- 5	...	...		
Total ..	- 22	- 14	+ 54	+ 40	+ 5	- 5	+ 22				
Gross Domestic Capital Formation ..	314	303	395	403	389	336	409	+ 2.2	- 3.6	-13.6	+21.6
C. All Sectors											
(i) Gross Domestic Fixed Capital Formation ..	1,069	966	978	1,031	991	1,023	969	+ 5.5	- 4.0	+ 3.2	- 5.3
(ii) Change in Stocks	- 10	- 45	+ 69	- 1	+ 8	- 40	- 45				
Gross Domestic Capital Formation ..	1,059	921	1,047	1,030	999	982	924	- 1.6	- 3.0	- 1.7	- 5.9

Source: Central Bank of Ceylon.

TABLE II (A) 8
Resources and their Utilisation at Current Market Prices

	Rupees Million							Percentage Change					
	1959	1960	1961	1962	1963	1964	1965	1960 over 1959	1961 over 1960	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
A. Resources													
Gross Domestic Product (a) ..	6,453	6,619	6,748	6,909	7,050	7,537	7,756	+ 2.6	+ 1.9	+ 2.4	+ 2.0	+ 6.9	+2.9
Imports of Goods and Non-Factor services	2,176	2,209	1,972	2,070	2,031	2,102	2,058	+ 1.5	-10.7	+ 5.0	-1.9	+ 3.5	-2.1
Total	8,629	8,828	8,720	8,979	9,081	9,639	9,814	+ 2.3	- 1.2	+ 3.0	+ 1.1	+ 6.1	+1.8
B. Utilisation													
Consumption ..	5,554	5,896	5,766	5,978	6,181	6,719	6,809	+ 6.2	- 2.2	+ 3.7	+ 3.4	+ 8.7	+1.3
Gross Domestic Capital Formation	1,059	921	1,047	1,030	999	982	924	-13.0	+ 13.7	- 1.6	-3.0	-1.7	-5.9
Exports of Goods and Non-Factor Services	2,016	2,011	1,907	1,971	1,903	1,937	2,081	-0.3	- 5.2	+ 3.4	-3.5	+ 1.8	+7.4
Total	8,629	8,828	8,720	8,979	9,081	9,639	9,814	+ 2.3	- 1.2	+ 3.0	+ 1.1	+ 6.1	+1.8

Source: Central Bank of Ceylon

(a) This is Item III of Table II (A) 2 adjusted for indirect taxes net of subsidies [Item 2 of Table II (A) 5] and for unidentified changes in stocks plus statistical discrepancy [Item 13 of Table II (A) 5] to conform to the estimates of consumption and capital formation on the expenditure approach.

Availability and the Use of Resources

Table II (A) - 8 sets out on the one hand resources made available to the country through production and imports and on the other hand, how the available resources were distributed between consumption, gross domestic capital formation and exports.

In 1965, total resources available increased by only 1.8 per cent compared to an increase of 6.1 per cent in 1964. This increase was due to an expansion in domestic production, imports having fallen by 2.1 per cent. In regard to utilisation, while resources used for consumption rose by 1.3 per cent those for capital formation fell by 5.9 per cent. Resources used for exports increased by 7.4 per cent.

In the recent past, resources available through current production had been insufficient to meet gross domestic expenditure and consequently it had been necessary to draw on the country's external reserves or increase external liabilities. In 1965, however, resources available from current production were in excess of gross domestic expenditure. These changes are set forth in Table II (A)-9. This table shows that whereas from 1959 to 1964, gross domestic expenditure had varied between 101.5 per cent and 103.7 per cent of gross national product, in 1965, gross domestic expenditure was only 99.9 per cent.

Table II (A)-10 shows the import content of public consumption, private consumption and capital formation. The substantial fall in imports of consumer goods in 1965 reduced the import content of private consumption from 25.4 per cent to 16.6 per cent at c. i. f. prices and from 33.1 per cent to 30.2 per cent at market prices. Again, reflecting the fall in imports of capital goods, the import content of capital formation fell from 28.8 per cent to 23.7 per cent at

TABLE II (A) 9

**Gross Domestic Expenditure and Availability of Resources at Current
Market Prices**

	1959		1960		1961		1962		1963		1964		1965	
	Rs. Mn.	Percentage of Row (%)	Rs. Mn.	Percentage of Row (%)	Rs. Mn.	Percentage of Row (%)	Rs. Mn.	Percentage of Row (%)	Rs. Mn.	Percentage of Row (%)	Rs. Mn.	Percentage of Row (%)	Rs. Mn.	Percentage of Row (%)
1. Consumption Expenditure: Private ..	4,673	72.8	4,985	75.8	4,840	72.2	4,999	72.8	5,170	73.9	5,629	75.0	5,692	73.5
2. Consumption Expenditure: Government ..	881	13.7	911	13.8	926	13.8	979	14.3	1,011	14.4	1,090	14.5	1,116	14.4
3. Gross Domestic Capital Formation: Private Sector and Public Corporations	745	11.6	618	9.4	652	9.7	627	9.1	610	8.7	646	8.6	515	6.7
4. Gross Domestic Capital Formation: Public Enterprises	314	4.9	303	4.6	395	5.9	403	5.9	389	5.5	336	4.5	409	5.3
5. Gross Domestic Capital Formation: Government														
6. Gross Domestic Expenditure ..	6,613	103.1	6,817	103.7	6,813	101.5	7,009	102.1	7,179	102.6	7,702	102.6	7,732	99.9
7. Gross National Product (Adjusted)†	6,416	100.0	6,575	100.0	6,708	100.0	6,863	100.0	6,998	100.0	7,501	100.0	7,740	100.0
8. Excess of (6) over (7) met by—														
(a) Net disinvestment abroad ..	+208		+221		+94		+140		+168		+160		— 44	
(b) Net receipts of international gifts and transfers ..	— 12		+ 22		+ 11		+ 7		+ 13		+40		+ 36	
(a) + (b) ..	+196		+243		+105		+147		+181		+200		— 8	

Source: Central Bank of Ceylon

† For the sake of consistency with other items of this Table, which are taken from the Table on the gross national expenditure, i.e., Table II (A) 4, the figures for gross national product at current market prices shown as item 3 of Table II (A) 5 have been adjusted by item 13 of that Table,

TABLE II (A) 10
Import Content of Components of Gross Domestic Expenditure

	1959				1960				1961				1962				1963				1964				1965			
	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks	Private Consumption	Public Consumption	Gross Domestic Fixed Capital Formation	Change in Stocks
1. Expenditure at Market Prices (Rs. Mn.)	4,673	881	1,069	-10	4,985	911	966	-45	4,840	926	978	+69	4,999	979	1,031	-1	5,170	1,011	991	+8	5,629	1,090	1,023	-40	5,692	1,116	969	-45
2. Import Component at c.i.f. prices																												
(a) Amount (Rs. Mn.)	1,426	82	365	+13	1,365	120	336	-26	1,166	65	306	-12	1,104	52	310	-2	984	47	293	...	1,432	43	295	n.a.	945	40	230	n.a.
(b) Per cent	30.5	9.3	34.1		27.4	13.2	34.8		24.1	7.0	31.3		22.1	5.3	30.1		19.0	4.6	29.6		25.4	3.9	28.8		16.6	3.6	23.7	
3. Import Component at market values*																												
(a) Amount (Rs. Mn.)	1,990	84	565	+15	2,059	122	519	-28	1,845	67	473	-14	1,868	54	479	-4	1,676	49	466	+2	1,861	45	486	n.a.	1,720	42	403	n.a.
(b) Per cent	42.6	9.5	52.9		41.3	13.4	53.7		38.1	7.2	48.4		37.4	5.5	46.5		32.4	4.8	47.0		33.1	4.1	47.5		30.2	3.8	41.6	

Source: Central Bank of Ceylon

* Government (Civil and Defence) imports and changes in stocks of imported goods are valued at c.i.f. prices.
All other merchandise imports are valued at retail prices

TABLE II (A) 11

Gross Domestic Product by Industrial Origin at Current Factor Cost Prices

Industry	1959		1960		1961		1962		1963		1964		1965		Percentage Change				
	Rs. Mn.	Per-cent	Rs. Mn.	Per-cent	Rs. Mn.	Per-cent	Rs. Mn.	Per-cent	Rs. Mn.	Per-cent	Rs. Mn.	Per-cent	Rs. Mn.	Per-cent	1961 over 1960	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
I. Agriculture, Forestry, Livestock and Fisheries *	2,763	47	2,872	47	2,857	46	2,907	45	2,983	44	3,112	44	3,062	41	- 0.5	+ 1.7	+ 2.6	+ 4.3	- 1.6
II. Mining and Quarrying ..	11	...	11	...	11	...	12	...	11	...	10	...	12	...	- 4.5	+10.3	- 6.8	- 6.4	+18.4
III. Manufacturing (excluding constructional materials) ..	271	5	317	5	353	6	417	7	499	7	553	8	611	8	+11.1	+18.3	+19.6	+10.8	+10.6
IV. Construction (including constructional materials) ..	384	7	349	6	385	6	429	7	424	6	419	6	464	6	+10.6	+11.2	- 1.2	- 1.1	+10.7
V. Transportation, Storage and Communication	471	8	512	8	498	8	523	8	545	8	610	9	669	9	- 2.9	+ 5.1	+ 4.1	+11.9	+ 9.8
VI. Wholesale and Retail Trade ..	647	11	647	11	624	10	662	10	719	11	768	11	851	12	- 3.6	+ 6.1	+ 8.5	+ 6.9	+10.7
VII. Banking, Insurance and other Finance	48	1	52	1	56	1	59	1	68	1	71	1	74	1	+ 7.7	+ 5.7	+ 5.6	+ 4.0	+ 3.9
VIII. Ownership of dwellings ..	169	3	178	3	196	3	205	3	223	3	238	3	254	3	+ 9.9	+ 4.5	+ 8.9	+ 6.6	+ 6.6
IX. Public Administration and Defence	397	7	402	7	403	7	444	7	469	7	493	7	501	7	+ 0.2	+10.2	+ 5.5	+ 5.3	+ 1.5
X. Services, n.i.e.																			
(a) Government Medical, Health, Educational, Broadcasting and Meteorological services ..	296	5	343	6	347	6	338	5	342	5	366	5	391	5	+ 1.1	- 2.3	+ 1.2	+ 6.8	+ 6.8
(b) All other services ..	435	7	441	7	453	7	468	7	484	7	500	7	516	7	+ 2.6	+ 3.3	+ 3.5	+ 3.2	+ 3.3
Total ..	731	13	784	13	799	13	806	13	826	12	865	12	907	12	+ 1.9	+ 0.9	+ 2.5	+ 4.7	+ 4.8
Gross Domestic Product ..	5,891	100	6,124	100	6,182	100	6,464	100	6,769	100	7,140	100	7,404	100	+ 0.9	+ 4.6	+ 4.7	+ 5.5	+ 3.7

* Inclusive of processing of agricultural exports.

Source: Central Bank of Ceylon

c. i. f. prices and from 47.5 per cent to 41.6 per cent at market prices. In addition, the expansion of domestic production of capital goods, particularly cement products and certain metal products is responsible for the fall in the import content of capital formation.

Gross Domestic Product by Industrial Origin

Table II (A)-11 shows gross domestic product by industrial origin. With the fall in the production of coconut and paddy, the contribution to gross domestic product by the group 'Agriculture, Forestry and Fisheries' declined from 44 per cent in 1964 to 41 per cent in 1965. The relative importance of 'Manufacturing' which had been steadily rising from 5 per cent in 1959 to 8 per cent in 1964 remained unchanged in 1965. The share of all other goods and services, however, rose from 48 per cent in 1964 to 51 per cent in 1965.

TABLE II (A) 12

Gross National Product at Constant 1959 Factor Cost Prices

	Constant 1959 Values in Rs. Million							Percentage Change			
	1959	1960	1961	1962	1963	1964	1965	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
I. Production for Export											
(i) Domestic Exports:											
F.O.B. Values ..	1,692	1,766	1,841	1,974	1,896	2,062	2,105	+ 7.2	- 4.0	+ 8.7	+ 2.1
Value of change in stocks ..	- 2	- 37	+ 17	- 37	+ 6	- 41	- 85				
Less: Imported materials used (at market value)	-124	-120	-133	-157	-169	-178	-186				
Less: Distribution cost of Exported Goods ..	-104	-108	-110	-118	-115	-121	-127				
Net Output ..	1,462	1,501	1,615	1,663	1,618	1,722	1,708	+ 3.0	- 2.7	+ 6.4	- 0.8
(ii) Re-Exports:											
Value added ..	3	2	2	2	1	1	1				
Total Production for Export: Net Output	1,465	1,503	1,617	1,665	1,619	1,723	1,709	+ 3.0	- 2.8	+ 6.4	- 0.8
II. Production for Domes- tic use (Net Output)											
(i) Paddy, Tea and Coconut products	642	723	731	788	844	866	700	+ 7.9	+ 7.0	+ 2.6	-19.2
(ii) Government, n.i.e.	702	755	759	792	821	869	902	+ 4.3	+ 3.7	+ 5.9	+ 3.7
(iii) Other Goods and Services ..	3,082	3,129	3,173	3,277	3,367	3,464	3,728	+ 3.3	+ 2.7	+ 2.9	+ 7.6
Total ..	4,426	4,607	4,663	4,857	5,031	5,199	5,330	+ 4.2	+ 3.6	+ 3.3	+ 2.5
III. Gross Domestic Product ..	5,891	6,110	6,280	6,522	6,650	6,922	7,038	+ 3.9	+ 2.0	+ 4.1	+ 1.7
IV. Net Factor Income from Abroad ..	- 37	- 44	- 40	- 50	- 51	- 34	- 14				
V. Gross National Product ..	5,854	6,066	6,240	6,472	6,599	6,888	7,024	+ 3.7	+ 2.0	+ 4.4	+ 2.0

Source: Central Bank of Ceylon.

Real Product, Real Income and Real Expenditure

Estimates of gross national product at constant prices are shown in Table II (A)-12. In contrast to the rise of 4.4 per cent in 1964, gross national product at constant prices increased by only 2.0 per cent in 1965. The real value of exports which had increased by 8.7 per cent in the previous year, rose by only 2.1 per cent in 1965. Although the quantity of tea and rubber exports as reflected by estimates at constant prices, increased by 8.7 per cent and 5.4 per cent respectively, the volume of exports of the three major coconut products decreased sharply by 21.6 per cent. When account is taken of the change in export stocks which are estimated to have fallen, real value of the net output of export sector recorded a fall of 0.8 per cent.

In the domestic sector, the real output of the group 'Paddy, Tea and Coconut' fell by 19.2 per cent due to the crop failure in paddy. While net output of the Government rose by 3.7 per cent, that of other goods and services rose by 7.6 per cent. Gross domestic product increased by 1.7 per cent in 1965. The outflow of investment income in 1965 was smaller than in the previous year. Total gross national product which includes investment income increased by 2.0 per cent. In 1965, Ceylon's population is estimated to have increased by 2.4 per cent. Since real product increased by only 2.0 per cent, per capita real product fell by 0.4 per cent.

TABLE II (A) 13
Real National Income and Expenditure

	Rupees Million							Percentage Change			
	1959	1960	1961	1962	1963	1964	1965	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
1. Gross National Product at Constant 1959 Factor Cost Prices ..	5,854	6,066	6,240	6,472	6,599	6,888	7,024	+ 3.7	+ 2.0	+ 4.4	+ 2.0
2. Terms of Trade Effect due to export of:—											
(i) Tea		- 32	- 37	+ 1	-134	-156	-212				
(ii) Rubber		+ 37	- 25	- 13	- 56	- 94	-104				
(iii) Three Major Coconut Products ..		- 26	- 90	- 80	- 63	- 84	- 12				
(iv) Other Products ..		+ 10	+ 1	+ 10	+ 11	+ 18	+ 18				
(v) All Products ..		- 11	-151	- 82	-242	-316	-309				
3. Gross National Income at Constant 1959 Factor Cost Prices	5,854	6,055	6,089	6,390	6,357	6,572	6,715	+ 4.9	- 0.5	+ 3.4	+ 2.2
4. Indirect Taxes less Subsidies (adjusted) ..	389	403	405	425	356	437	446				
5. Gross National Expenditure at Constant 1959 Market Prices ..	6,244	6,458	6,494	6,815	6,714	7,009	7,161	+ 5.0	- 1.5	+ 4.4	+ 2.2

Source: Central Bank of Ceylon.

Note: Figures for the years 1960 to 1964 have been revised.

Table II (A)-13 shows estimates of real national income obtained by adjusting the real product for the terms of trade effect. In contrast to the previous year when terms of trade deteriorated by 2.6 per cent, 1965 recorded an improvement of 1.2 per cent. Hence the terms of trade effect which was -316 in 1964 improved to -309 in 1965. In 1965, whereas real product increased by 2.0 per cent, real national income rose by 2.2 per cent.

TABLE II (A) 14
Quantities Produced of the Principal Agricultural Crops

	1959	1960	1961	1962	1963	1964	1965	Percentage Change				
								1961 over 1960	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964
Tea (Million lbs.)	413	435	455	467	485	482	503	+ 4.6	+ 2.6	+ 3.9	- 0.6	+ 4.4
Rubber (Million lbs.) ..	205	218	215	229	231	246	261	- 1.4	+ 6.5	+ 0.9	+ 6.5	+ 6.1
Coconut Products* (nut equivalent in millions) ..	2,313	2,183	2,601	2,811	2,557	3,000†	2,681	+ 19.1	+ 8.1	- 9.0	+ 17.3	- 10.6
Paddy (Million bushels) ..	36.5	43.1	43.2	48.1	49.2	50.5	35.6	+ 0.2	+ 11.3	+ 2.3	+ 2.6	- 29.5

* Copra, desiccated coconut, coconut oil and fresh nuts.

† Revised

Sources: Administration Reports of the Tea Controller;
Administration Reports of the Rubber Controller;
Department of Census and Statistics;
Central Bank of Ceylon.

Production and Exports

Table II (A)-14 shows the production of the principal agricultural crops. Tea production which had a setback in 1964 when it declined slightly, showed an increase in 1965. Rubber production too showed an increase, though the rate of increase was slightly smaller than in the previous year. In each of the crops tea and rubber, an increase in the replanted acreage coming into bearing contributed to the increase in output. Coconut and paddy production on the other hand both recorded substantial decreases as a result of adverse weather conditions.

Tea

The area under tea at the end of 1965 was 594,298 acres compared to 591,989 acres at the end of 1964. Tea production in 1965 showed an increase of 21 million pounds or 4.4 per cent from 482 million pounds in 1964 to a record level of 503 million pounds. This increase is attributed to the scientific application of fertilizer, favourable weather conditions and more replanted areas coming into maturity. The average yield per acre increased from 814 pounds in 1964 to 848 pounds in 1965.

The quantity of tea exported in 1965 amounted to 495 million pounds as compared with 456 million pounds in 1964. The value of exports rose from Rs. 1,142 million to Rs. 1,210 million.

TABLE II (A) 15
F. O. B. EXPORT VALUES

	CURRENT PRICES												CONSTANT PRICES											
	Rupees Million								Percentage Change				Rupees Million								Percentage Change			
	1959	1960	1961	1962	1963	1964	1965	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964	1959	1960	1961	1962	1963	1964	1965	1962 over 1961	1963 over 1962	1964 over 1963	1965 over 1964		
Domestic Exports																								
Tea	1,046	1,097	1,115	1,149	1,141	1,142	1,210	+ 3.1	- 0.7	+ 0.1	+ 6.0	1,046	1,116	1,159	1,230	1,241	1,240	1,348	+ 6.1	+ 0.9	- 0.1	+ 8.7		
Rubber	298	378	260	290	257	290	304	+11.6	-11.5	+12.9	+ 4.9	298	337	286	324	305	368	388	+13.5	- 5.9	+20.7	+ 5.4		
Three Major Coconut Products† ..	244	184	202	228	198	274	275	+12.6	-12.9	+37.9	+ 0.6	244	208	294	324	256	343	269	+10.2	-21.0	+34.4	-21.6		
Other	105	116	104	99	109	137	127	- 4.1	+ 9.6	+25.5	- 7.2	105	105	103	97	95	111	100	- 5.8	- 2.1	+17.0	- 9.8		
Total	1,692	1,775	1,681	1,766	1,705	1,842	1,916	+ 5.1	- 3.5	+ 8.1	+ 4.0	1,692	1,766	1,841	1,974	1,896	2,062	2,105	+ 7.2	- 4.0	+ 8.7	+ 2.1		
Re-Exports—Total ..	62	57	52	42	26	34	33	-18.9	-38.2	+30.8	- 4.6	62	58	57	49	29	38	40	-15.0	-39.9	+31.0	+ 0.5		

† Copra, Coconut Oil and Desiccated Coconut.

Sources: Ceylon Customs Returns;
Central Bank of Ceylon.

Rubber

The area under rubber at the end of 1965 amounted to 671,487 acres, of which 229,335 acres or 34 per cent represented the area replanted under the Replanting Subsidy Scheme. The acreage replanted under this scheme during 1965 was 12,501 acres compared to 13,553 acres during the previous year.

Rubber production rose from 246 million pounds in 1964 to 261 million pounds in 1965, that is, an increase of 15 million pounds or 6.1 per cent. The increase in rubber production in 1965 is the result of more replanted acres coming into bearing. The average yield per acre is estimated to have increased from 450 pounds in 1964 to 468 pounds (provisional) in 1965.

The volume of rubber exported increased from 253 million pounds in 1964 to 267 million pounds in 1965 showing an increase of 5.4 per cent as against a rise of 20.9 per cent in 1964. However, since average f.o.b. price declined slightly from Rs. 1.15 in 1964 to Rs. 1.14 in 1965, the value of rubber exported rose by only 4.9 per cent.

Coconut

Coconut production estimated as the nut equivalent of internal consumption and exports showed a decline of 10.6 per cent from 3,000 million nuts in 1964 to 2,681 million nuts in 1965. The nut equivalent of coconut exports decreased from 1,626 million nuts in 1964 to 1,274 million nuts in 1965 i.e., by 21.6 per cent. The decrease in coconut production is a result of unfavourable weather conditions.

Paddy

In 1965, adverse weather conditions affected both the Maha and Yala crops severely, resulting in a sharp decline in paddy production. While output during the Maha season was 23.1 million bushels as compared with 32.1 million bushels in the previous Maha, the Yala crop is tentatively estimated by the Department of Census and Statistics at 12.5 million bushels only, as against 18.4 million bushels in the previous Yala. Total production in both seasons therefore, decreased from 50.5 million bushels in 1964 to 35.6 million bushels registering a decrease of 29.5 per cent as compared to the rise of 2.6 per cent in 1964. The average yield per acre harvested fell from 38.8 bushels in 1964 to 33.0 bushels in 1965.

The rice equivalent of paddy production is provisionally estimated at 497,100 tons as against a revised figure of 705,200 tons in 1964. Rice imports increased from 547,000 tons in 1964 to 642,000 tons in 1965. The fall in rice production is reflected in a decrease in the quantity of paddy purchased under the Guaranteed Price Scheme from 29.8 million bushels in 1964 to 21.3 million bushels in 1965. Total consumption of rice in 1965 is provisionally estimated at 1,120,400* tons compared to a revised figure of 1,145,400* tons in 1964.

* This estimate is based on issues of rice by the Food Department for consumption through Co-operatives and registered dealers, which as explained in the footnote on page 23 is likely to be overstated. Hence, the figure of actual consumption of rice is likely to be less than this amount.