#### GROSS NATIONAL PRODUCT, INCOME AND EXPENDITURE.

### Overall Trends

In 1985, real GDP is estimated to have increased by 5.0 per cent compared with 5.1 per cent in 1984. A favourable development in 1985 was the decreased net outflow of factor income in real terms which resulted in the real Gross National Product (GNP) increasing by 5.3 per cent, as against an increase of 5.1 per cent in 1984.

TABLE 1.1 National Income Statistics 1983—1985

Yaan	Amou	int (Rs. M	lillion)	Growth Rate		
Item (C.)	1983(a)	1984(a)	1985(a)	1984	1985	
		7				
1. G.D.P. at Current Factor Cost Prices 2. G.D.P. at Constant (1982) Factor Cost	. 113,878	140,039	149,415	23.0	6.7	
	. 99,375	104,395	109,570	5.1	5.0	
3. G.N.P. at Current Factor Cost Prices 4. G.N.P. at Constant (1982) Factor Cost	. 110,664	136,638	146,005	: `23.5	6.9	
Prices	96.439	101.399-	106,733_	5.1	5.3	
<ul><li>5. Mid-Year Population ('000)</li><li>6. G.N.P. per Capita (Rs.)</li></ul>	. 15,416	15,599	15,837	1.2	1.5	
(i) At Current Prices	7,179	8,759	9,219	22.0	5-3	
(ii) At Constant Prices	6,256	6,500	6,739	4.0	3.7	

Source: Central Bank of Sri Lanka.

#### (a) Provisional:

Gross National Product at current factor cost prices is estimated at Rs. 146 billion in 1985, 6.9 per cent higher than the estimated value for 1984. When account is taken of the real increase in GNP, the implicit price deflator is estimated to have increased by only 1.5 per cent, in contrast to the increase of 17.4 per cent in the previous year. This marked decline in the rate of increase of GNP deflator can be attributed mainly to the decrease in export prices of major agricultural products:

Sri Lanka's mid year population in 1985 has been provisionally estimated by the Registrar General's Department at 15.8 million; a 1.5 per cent growth over the 1984 estimate. Therefore, per capita GNP amounted to Rs. 9,219 (US\$ 339). In real terms, per capita income is estimated to have increased by 3.7 per cent, which is marginally less than the increase in 1984.

The deterioration of Sri Lanka's terms of trade by 22.5 per cent in 1985 resulted in the real GNP decreasing marginally by 9.4 per cent in 1985. This is in contrast to an increase in real GNP by 8.6 per cent in 1983 and 9.9 per cent in 1984 owing to an improvement in the terms of trade.

In 1985, the main contributions to economic growth came from agriculture, manufacturing and trade, while transport and banking also made significant contributions. Agriculture was the most prominent source of growth, recovering from its decline in the previous year.

#### Sectoral Performance

The sectoral growth rates for the period 1983-1985 are given in Table 1.3. The agriculture, forestry and fishing sector, which declined marginally in 1984, grew by as much as 8.6 per cent in 1985. This growth was sustained despite a slower growth of the tea sub-sector and a negative growth in the rubber sub-sector. The overall growth in agriculture was mainly the result of a phenomenal growth in the coconut sub-sector and a recovery in the paddy sub-sector. The growth of 52.3 per cent in the ecconut sub-sector is unparalleled in recent years. The 10 per cent growth in the paddy sector in 1985 is in contrast to the marginal decline in 1984. The growth in other agriculture has been slower than growth in the previous year. The fisheries sub-sector performed marginally better than in the previous year.

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#### Composition and Growth of GNP 1983-1985 at Constant (1982) Factor Cost Prices

8.4	Amo	ount (Rs. Mi	Growth Rate			
Sector	1983(a)	1984(a)	1985(a)	1984	1985	
Agriculture, Forestry and Fishing Of which:	26,212	26,113	28,366	- 0.4	8-6	
I.I Tea	2,309	2,681	2,759	16-1	2.9	
1.2 Rubber	865	878	851	1.5	- 3.1	
1.3 Coconut	2,992	2,513	3,828	- 16.0	52.3	
1.4 Paddy	6,318	6,166	6,783	- 2.4.	10.0	
1.5 Other (including subsidiary	13,728	13,875	14,145	1.1	1.9	
food crops, forestry & fishing)			, , ,		>	
Mining and Quarrying	2,413	2,449	2,486	1.5	. 1.5	
Manufacturing:	13,710	15,390	16,193	12.3	5 2	
3.1 Tree Crop Processing	2,715	2,983	- 3,222 -	9.9	8.0	
3.2 Other	10,995	12,407	12,971	12.8	4.5	
Construction	8,039	8,030	8,070	- 0.1	0.5	
Services	49,001	52,413	54,455	7.0	- 3.9	
G. D. P.	99,375	104,395	109,570	5.1	5.0	
Net Factor Income from Abroad	- 2,936	- 2,996	- 2,837	_	<u> </u>	
G. N. P.	96,439	101,399	106,733	5-1	5.3	

(a) Provisional Source: Central Bank of Sri Lanka.

The overall growth in the manufacturing sector decreased from 12.3 per cent in 1984 to 5.2 per cent in 1985, mainly as a result of the sharp drop in factory industry growth from 15.0 per cent to 5.0 per cent.

The mining and quarrying sector maintained a 1.5 per cent growth rate in 1985. Slow growth in construction and a decline in gem exports mainly account for this low rate of growth.

The construction sector grew by 0.5 per cent in 1985, as against a marginal decline of 0.1 per cent in the previous year. Value added in electricity, gas, water and sanitary services, increased at a similar rate as that in the preceding year. Electricity generation grew by about 9 per cent this year.



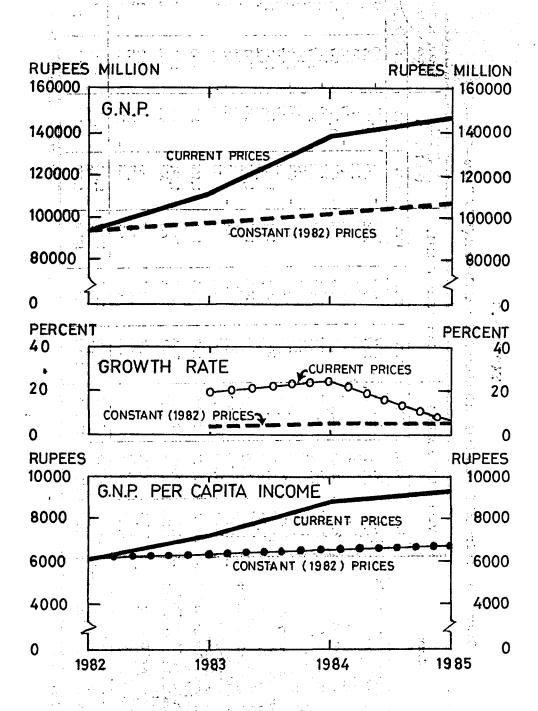
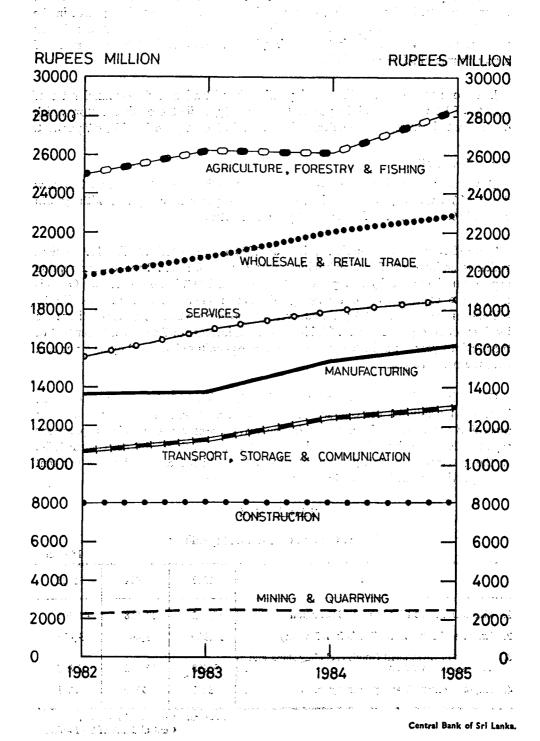


TABLE 1.3 Sectoral Composition and Increase in Gross National Product at Constant (1982) Prices—1983—1985

Sector	Value Added (Rs. Million)			Percent Share of G.N.P.			Increase over Previous year (Rs. Million)		Percent share of Increase in GNP	
	1983(a)	1984(a)	1985(a)	1983	1984	1985	1984	1985	1984	1985
Agriculture, Forestry and Fishing 1.1 Agriculture 1.1.1 Tea 1.1.2 Rubber 1.1.3 Coconut 1.1.4 Paddy 1.1.5 Other 1.2 Forestry 1.3 Fishing	26,212 21,868 2,309 865 2,992 6,318 9,384 1,816 2,528	26,113 22,300 2,681 878 2,513 6,166 10,062 1,889 1,924	28,366 24,504 2,759 851 3,828 6,783 10,283 1,923 1,923	27.2 22.7 2.4 0.9 3.1 6.6 9.7 1.9 2.6	25.8 22.0 2.6 0.9 2.5 6.1 9.9 1.9	26.6 23.0 2.6 0.8 3.6 6.4 9.6 1.8	- 99 432 372 13 - 479 - 152 678 73 - 604	2,253 2,204 78 - 27 1,315 617 221 34	- 2.0 8.7 7.5 0.3 - 9.7 - 3.1 13.7 1.5 - 12.2	42·2 41·3 1·5 - 0·5 24·6 11·6 4·1 0·6
Mining and Quarrying Manufacturing 3.1 Export Processing 3.2 Factory Industry 3.3 Small and Other Industry	2,413 13,710 2,715 8,953 2,042	2,449 15,390 2,983 10,296 2,111	2,486 16,193 3,222 10,811 2,160	2·5 14·2 2·8 9·3 2·1	2.4 15.2 2.9 10.2 2.1	2·3 15·1 3·0 10·1 2·0	36 1,680 268 1,343 69	37 803 239 515 49	0·7 33·9 5·4 27·1 1·4	0.7 15.1 4.5 9.7 0.9
Construction Electricity, Gas, Water and Sanitary Services	8,039 1,161	8,030 1,239	8,070 1,313	8·3 1·2	7·9 1·2	7.6 1.2	- 9 78	40 74	- 0·2 1·6	0.7 1.4
. Transport, Storage and Com- munication	11,281	12,437	12,959	11.7	12.3	12.1	/ 1,156	522	23-3	9.8
. Wholesale and Retail Trade Banking, Insurance and Real Estate	20,738 4,130	22,029 4,526	22,925 4,975	21·5 4·3	21·7 4·5	21 · 5 4 · 7	1,291 396	896 449	26·0 8·0	16·8 8·4
Ownership of Dwellings     Public Administration & Defence     Services (n.e.s.)	3,315 3,786 4,590	3,381 4,165 4,636	3,432 4,432 4,419	3·4 3·9 4·8	3·3 4·1 4·6	3·2 4·2 4·2	66 379 46	51 267 - 217	1·3 7·7 0·9	1.0 5.0 - 4.1
. Gross Domestic Product . Net Factor Income from Abroad . Gross National Product	99,375 - 2,936 96,439	104,395 - 2,996 101,399	109,570 -2,837 106,733	- 3.0 100.0	- 3.0 100.0	- 102·7 - 2·7 100·0	5,020 - 60 4,960	5,175 159 5,334	101·2 - 1·2 100·0	97·0 3·0 100·0

# GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT CONSTANT (1982) FACTOR COST PRICES



The transport, storage and communication sector recorded a reduced growth rate of 4.2 per cent in 1985. Value added in wholesale and retail trade grew at a lower rate than in the preceding year, mainly as a result of negative growth in the exports sub-sector. The growth of the imports sub-sector was higher than in the previous year. Value added in the banking, insurance and real estate sector recorded a growth rate of 9.9 per cent in 1985.

Both, ownership of dwellings and public administration had decreased rates of growth of 1.5 per cent and 6.4 per cent respectively, while the services sector, which continued to be affected by the decline in the tourist industry, declined by 4.7 per cent.

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Expenditure Pattern The rate of expansion of Gross Domestic Expenditure (GDE) continued to slow down. The GDE growth rate in 1985 was 10.0 per cent compared with growth rates of 16.4 per cent in 1984 and 18.6 per cent in 1983.

The GDE at current market prices in 1985 is estimated at Rs. 179 billion, which is an increase of Rs. 16.3 billion over the previous year. Private consumption expenditure increased by 10.7 per cent to reach Rs. 123.2 billion in 1985. Of this figure, the expenditure on foreign goods and non-factor services was Rs. 27 billion—an increase of 24.3 per cent over the previous year. The expenditure on locally produced goods at Rs. 96.2 billion was an increase of 7.4 per cent over that of the previous year. Public sector consumption expenditure increased by 23.4 per cent over the previous year.

Gross Domestic Capital Formation (GDCF), which includes changes in stocks, increased by only 4.1 per cent as compared with a growth of 13.0 per cent in the preceding year. Capital formation in the private sector and public corporations together decreased by 7.3 per cent, in contrast to a growth of 11.8 per cent in 1984. In the government sector, gross capital formation which increased by 18.9 per cent in the previous year, increased by 57.3 per cent in 1985.

ABLE: 1.c	<b>4</b> )		
Import Content of Capita	Rs. Million		
(000) - Item	1983	1984	1985
1. Gross Domestic Fixed Capital Formation .	35,342	39,558	41,106
<ol> <li>Imports of Investment Goods (c. i. f. value)</li> <li>Imports of Investment Goods excluding ships and</li> </ol>	. 10,900	11,443	9,488
aircrafts (c. i. f value)	9,298	10,512	7,877
4. Import Content (2 as a percentage of 1) .	. 30-8	28.9	23.1

Sources: Customs Sri Lanka. Central Bank of Sri Lanka.

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Gross Domestic Fixed Capital Formation (GDFCF) increased by 3.9 per cent compared to an increase of 11.9 per cent in the previous year. The total value of imported investment goods decreased by 17.1 per cent in 1985 as compared with an increase of 5.0 per cent in 1984. The imports of capital goods, excluding ships and aircraft decreased by 25.1 per cent in the current year. The import content of Gross Domestic Fixed Capital Formation was 23.1 per cent in 1985 and 28.9 per cent in 1984.

This sharp decrease in imported investment goods is in contrast to an increase of 5 per cent in 1984. The lower import content of capital expenditure was particularly due to the completion of headworks of the Mahaweli scheme which resulted in a large reduction in capital goods imports.

Of the Gross Domestic Fixed Capital Formation, 73.2 per cent was within the private sector and public corporations. This is somewhat lower than its component in 1984. As in 1984 the largest share of capital formation occurred in building and other construction. The capital formation at current prices in this sub-sector increased by 4.1 per cent in 1985, compared with an increase of 14 per cent in 1984. Capital formation in plant and machinery, transport equipment and other capital goods declined in 1985. The only other increase in capital formation was an increase of 32.1 per cent in land development and replanting.

### Availability and Utilization of Resources

Of the total resources of Rs. 221.3 billion available to the Sri Lankan economy in 1985, Rs. 159.8 billion (72.2 per cent) was from domestic sources and Rs. 61.5 billion (27.8 per cent) was from imports.

While 18.7 per cent of resources was expended on capital formation, 62.3 per cent was spent on consumption and 19.0 per cent on the exports of goods and non factor services. The comparable figures for 1984 were 19 per cent on capital formation, 59.5 per cent on consumption and 21.4 per cent on exports of goods and non-factor services.

Total resources valued at 1978 prices are estimated to have increased by 4.7 per cent in 1985 in comparison to an increase of 3.7 per cent in the previous year. Import of goods and non-factor services, which increased marginally by 0.7 per cent in 1984, increased by 4.1 per cent in 1985. Total consumption, which increased by 1.5 per cent in 1984, increased by 2.2 per cent in 1985. Gross domestic fixed capital formation which increased by 1.2 per cent in 1984, increased by 2.0 per cent. Capital formation in the government sector increased by 33.8 per cent in 1985 compared to 7.2 per cent in 1984. Capital formation in the private sector and public corporations declined by 9.7 per cent, in 1985 compared to 0.9 per cent in 1984.

TABLE 1.5

Total Resources and their Uses 1978—1985

:		At Curr	ent Market	Prices(Rs.	Million)	At 1978 Prices						: <u></u>	Percentage chang		
	. Item		,			19	78	1983(	a)	1984	2)	1985	(a)	1984	1985
, <sup>2</sup> ;		1978	1983(a)	1984(a)	1985(a)	Amount Rs. Mn.	%	Amount Rs. Mn.		Amount Rs. Mn,	%	Amount Rs. Mn.	%	Over 1983	Over 1984
Tot	al Resources	59,537	171,982	207,163	221,281	59,537	100	81,472	100	84,508	100	88,503	100	3:7	4.7
1.1	GDP at Market Prices	42,665	121,601	153,746	159,787	42,665	72	56,049	69	58,907	70	61,852	70	5.1	5.0
1.2	Import of Goods and Non Factor Services	16,872	50,381	53,417	61,494	16,872	28	25,423	31	25,601	30	26,651	30	0.7	4.1
Uti	lizátion	59,537.	171,982	207,163	221,281	59,537	100	81,472	100	84,508	100	88,503	100	3.7	4.7
2.1	Consumption	36,148	104,834	123,170	137,872	36,148	- 61	51,191	63	51,959	62	53,100	60	1.5	2.2
2.2	Gross Domestic Fixed Capital Formation	8,521	<b>35</b> ,342	39,558	41,106	8,521	14	14,278	.17	14,449	17	14,745	17	1.2	2.0
,	2.2.1 Government	(3,077)	(\$,963)	(7,0 <del>75</del> )	(11,009)	(3,077)	(5)	(3,628)	(4)	(3,890)	( <del>Š</del> )	(5,205)	· (6)	7.2	33.8
•	2.2.2 Public Corporations 2.2.3 Private Sector	(2,056) (3,388)	}(2 <b>9</b> ,379)	(32,483)	(30,097)	, ,	1	(10,650)	(1 <b>3</b> )	(10,559)	(12)	(9,540)	(11)	- 0.9	- 9.7
2.3	Changes in Stocks	33	- 210	150		(3,388)	(6)								
2.4	Exports of Goods and Non Factor Services	14,835	32,016	44,285	225 42 <sub>2</sub> 078	33 14,835	25	— 55 16,058	20	36 18,064	<u></u> 21	20,595	23	12-5	14.0

a) Provisiona

Source: Central Bank of Sri Lanka

Domestic savings declined by 28.3 per cent in the current year from Rs. 30.6 billion in 1984 to Rs. 21.9 billion in 1985. This is in contrast to both 1983 and 1984, wherein significant increases were observed in domestic savings. As a ratio of GDP at market prices, domestic savings were 13.7 per cent in 1985 in contrast to the 1984 ratio of 19.9 per cent. Total national savings, which include net foreign factor income and private transfers decreased by 24.6 per cent to reach an estimated value of Rs. 25.8 billion in 1985. The national savings to GDP ratio fell from 22.2 per cent in 1984 to 16:1 per cent in 1985.

TABLE 1.6 to the process of the work of I the last of the second National Savings 1983—1985 (At Current Market Prices)

Category	1983(à)	1984(a)	1985(a)
1. G. D. P. at Market Prices	121,601	153,746	159.787
<ul><li>2. Domestic Savings</li><li>3. Net Factor Income from Abroad</li></ul>	16,767 - 3,214	30,576 - 3,401	21,915 - 3,410
4. Net Private Transfers	6;441		7,298
5. National Savings	19,994	34,206	25,803
6. Domestic Savings Ratio (2 as a percentage of 1)	13.8	19.9	13.7.,
7. National Savings Ratio (5 as a percentage of 1)	. 16:4	22.2	16-1

(a) Provisional Source,: Central Bank of Sri Lanka.

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