

Provincial and sector household income growth in Sri Lanka

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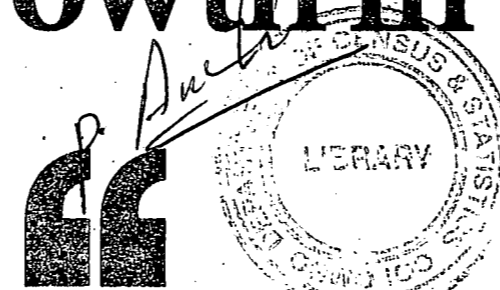
The Household Income and Expenditure Survey (HIES) 2012/2013 conducted by the Department of Census and Statistics covering a sample of 25,000 housing units across all 25 districts of the country provides interesting insights as to how income and expenditure at the household level have performed over time.

With the regime change there is an increased focus on consumption driven growth, as opposed to growth purely driven by investment. Within this framework the new government has stressed the importance of improving household income and of the key role it should play in the country's economic growth.

Policy Planning and Economic Affairs Deputy Minister Dr. Harsha de Silva has at many times highlighted how little the real incomes in the average Sri Lankan household have grown in the past six years and has reiterated that the new government will look to ensure benefits of broad economic growth would be felt at the household level.

In this context, it is interesting to explore how household income has performed at more micro levels, particularly among different provinces and sectors.

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and higher growth of 3.9 per cent in real median income. Having said that, it should also be kept in mind that benefits of more recent development projects may not be accounted for in the 2012/13 HIES given the survey period ends in June 2013. The North-Western province recorded the island's highest growth in real median income with a 5.4 per cent annual growth over the same period.

The North Central province experienced a 1.3 per cent annual contraction in real median income in the time period between 2009 and 2012. This is despite a strong 4.9 per cent annual growth recorded in the time period between 2006 and 2009.

Uva, one of the most poverty stricken areas of the country, is the only other province which saw a contraction in real income growth in the period between 2009 and 2012. In the period between 2006 and 2009, the province saw a 0.5 per cent annual growth in real median income. Much of the development in this area, including the large scale Uma Oya multipurpose project, is still under progress and yet to be commissioned.

Furthermore, a majority of the households in both Uva and North Central provinces are farmers and as such their income is severely affected by changes in weather conditions. Hence, the 2012 drought which affected most of these areas may also have played a role in constraining income growth.

Quite evident of the impact of post-war development, Eastern province, the worst performing province in the period between 2006 and 2009 with an

annual decrease of 4.9 per cent in real median income saw an annual income growth of 1.1 per cent over the period between 2009 and 2012 surveys.

The survey provides data at the sector level as well; Urban sector which is defined as an area governed by either Municipal Council (MC) or Urban Council (UC), estate sector which covers plantation areas and the rural sector. The estate sector, despite having a relatively high poverty ratio, has recorded the highest growth in real median income in both the 2006-2009 and 2009-2012 survey periods, with annual growth of 7.6 per cent and 5 per cent, respectively.

Both urban and rural sectors have experienced an acceleration in their real median income growth in the period between 2009 and 2012 surveys compared to the period between 2006 and 2009 surveys. The urban sector real median income grew 4.3 per cent annually during 2009-2012 (2006-2009 saw an annual contraction of 2 per cent while rural real median income recorded a 1.4 per cent annual growth (up from 0.9 per cent annual growth seen in 2006-2009).

Moving forward, trends of household income performance in the coming years will be interesting to note given the emphasis given to it by the incumbent government.

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