The reader must thank Prof. W. D. Lakshman for his article in The Island of 26.07.2015 in which he has highlighted the recent changes made by the Department of Census and Statistics (DCS) in presenting national accounts. With a new system adopted, the key economic indicators such as gross domestic product (GDP) and its growth rate now take as new set of values compared to those worked out previously.

Economic indicators

The GDP and its growth rate are widely used by policymakers and economists to describe the state of a country's economy. The GDP for a particular year is the monetary value of all the finished goods and services produced within a country's borders during the year. After making adjustments for any income received from abroad, the gross national product (GNP) is determined. The GDP, GNP and their growth rates are published annually by the DCS in its National Accounts Report as well as in its Statistical Abstracts.

The Central Bank of Sri Lanka (CBSL) also publishes these data in its Financial Reports (AR) and uses them to assess the economy of the country. The GDP is computed in two ways, one based on current prices of goods and the other based on prices adjusted to a reference year after removing the inflation, referred to as constant price or real GDP. If the GDP increases from year to year, it signifies that the country's economy is considered to be growing. For example, the CBSL Annual Report (AR) for 2011 says on p. 7 that "The Sri Lanka economy grew by an impressive 8.3% in real terms in 2011." The 2013 AR in its opening statement says that "The Sri Lankan economy rebounded strongly in 2013 with an annual real GDP growth of 7.2% per cent." In this context, Prof. Lakshman's article is very relevant. In Table 2 of the article, the growth rate for 2013 has been scaled down to 3.4% from its original value of 7.2% based on the new system. Does this mean that SL economy rebounded only 'slightly' and not 'strongly' as claimed in the 2013 AR of CBSL? In the new system, the reference year for determining the real GDP has been shifted to 2010 from 2002, the reference year hitherto used. When this was done, both the real GDP and its growth rates take new values. Therefore, the only need to be cautious in accepting pronouncements made on the state of the economy based on these economic indicators, because they are not absolute values. The GDP is computed by economists using various assumptions and formulae which the general public are not aware of. They are also not concerned whether the GDP grew by 7.2% or 3.4% during a year.

External trade

While the GDP describes how good or bad a country performs economically internally, what affects the general public is the manner in which it performs in its external trade. In this respect, Sri Lanka has been performing very poorly over the past several years. Take for example the behavior of the foreign exchange rate. It shows how strong the country's currency is relative to international currencies. The exchange rate for converting one US Dollar has been around LKR 7.5 in fifites and sixties, and increased to LKR 15.9 in 1973. Today, it has grown to LKR 105.3, a 19 fold increase relative to 1973 value. Figure 1 shows these exchange rates from 1950 to 1985.

Balance of payment

Today any civilized country cannot survive with its own resources only, even though it would be a dream of every citizen. Therefore, Sri Lanka is no exception. The first step taken by the former government also to privatize the water resources was undertaken in the late 1980s with the privatization of Rs. 2.4 billion by a private sector company. This has been followed by the privatization of Rs. 2.6 billion by another private sector company. The former government also tried to stand its ground, fight! from the media and environmentalists and a price being offered to them.

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