

Economy hits nadir in 2Q; rebounds in 3Q to 1.5%

Records largest-ever economic contraction of 16.3% for 2Q

Agriculture contracts 5.9%; industry 23.1% and services 12.9% in 2Q

Agriculture recovers to 4.3%, industry to 0.6% and services to 2.1% in 3Q

Cumulatively economy contracted 5.3% in nine months of 2020

Hit by COVID-19, Sri Lanka's economic growth contracted by a whopping 16.3 percent in the second quarter (April-June) of this year, recording the largest ever drop recorded in the country's history but recovered to a growth of 1.5 percent in the third quarter (July-September), the Department of Census and Statistics (DCS) yesterday said.

Accordingly, on a cumulative basis, Sri Lanka's economy contracted 5.3 percent in the nine months of 2020.

"The second quarter GDP estimates have shown an unprecedented fall in real GDP by 16.3 percent, compared to the 1.1 percent of growth rate recorded in the second quarter of 2019 and it is the

largest drop ever recorded in the Sri Lanka history," a press communiqué by the DCS said on the second quarter GDP estimates.

Sri Lanka's economy contracted 1.6 percent in the first quarter, which surprised many, as the economy was only closed for about 10 days in March.

The second quarter GDP estimates were delayed due to the difficulties in gathering and computing data, as Sri Lanka underwent a COVID-19-related country-wide lockdown from late March to mid-May. According to the DCS, all major economic activities of agriculture, industrial and services sectors in the second quarter contracted by 5.9 percent, 23.1 percent and 12.9 percent, respectively.

Meanwhile, 'taxes less subsidies on

products' recorded a massive 30.1 percent decline, compared to the second quarter of 2019, due to the slump in tax revenue, as a result of the tax cuts introduced by the government in the latter part of 2019.

However, the lifting of lockdown orders in mid-May saw the normalisation of economic activities during the third quarter, helping the country to post a positive growth of 1.5 percent, compared to 2.4 percent in the third quarter of 2019.

For the first time in 2020, all three major economic activities—agriculture, industry and services, reported positive growth rates in the third quarter, indicating the strong recovery in economic activities.

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The agriculture sector reported a growth of 4.3 percent while industrial and services sectors reported growth rates of 0.6 percent and 2.1 percent, respectively.

Reflecting the government's import substitution policy, growing of cereals expanded 124.7 percent in the second quarter and 256.6 percent in the third quarter.

Meanwhile, the construction activities, which correspond to over 6 percent of the industrial sector, contracted 30.1 percent in the second quarter and 9.1 percent in the third quarter.

Mining and quarrying activities too recorded negative growth rates of 28.4 percent and 6.8 percent in both quarters.

According to the DCS, except for the accommodation, food, beverages and service activity—largely due to pausing of tourism—almost all other major activities expanded in the third quarter, underpinned by telecommunication, IT-related activities, financial services, health, insurance, wholesale and retail trade and transport services.