

Economy shrinks 3.6% in 2020 as virus bites

■ All three major economic activities record negative growth rates in 2020 for first time in history

■ Agricultural activities contract 2.4%, industry 6.9% and services 1.5%

■ 4Q GDP growth estimated at 1.3%; 1Q GDP estimate revised to negative 1.8% from 1.6%

Sri Lanka's Gross Domestic Product (GDP) contracted 3.6 percent in 2020 compared to 2.3 percent expansion in 2019, displaying the severity of the disruptions caused by the COVID-19 pandemic on the island nation's economy, despite the last two quarters of the year recording

positive growth rates.

Sri Lanka's economy contracted 1.8 percent in the first quarter of 2020, although the virus started to spread in the country in early March. But it was raging in China during the last quarter of 2019, from where Sri Lanka imported most of the inputs for manufacturing, including textiles.

During the second quarter, Sri Lanka experienced the full brunt of the virus, with complete lockdown orders implemented on the whole country for nearly one month, which resulted in the economy shrinking with an unprecedented 16.4 percent.

The third quarter marked a recovery, with the economy growing by 1.3 percent, as restrictions on mobility eased and activities returned to near normalcy.

However, the emergence of a second COVID-19 wave in early October stemmed the recovery being fully extended to the fourth quarter, although the government's decision to go for isolations instead of countrywide lockdowns helped the economy to grow at a pace of 1.3 percent in that quarter as well.

During the fourth quarter, both

agriculture and industry activities of the economy expanded 1.3 percent each, while the services sector grew 1.9 percent.

However, for the first time in history, all three major activities of the economy contracted in 2020, reflecting the severity of the health crisis the world is still grappling to deal with.

Accordingly, in 2020, the agricultural activities contracted 2.4 percent, industry 6.9 percent and services 1.5 percent.

"The COVID-19 outbreak has unexpectedly affected many sectors of the economy to record narrowing in many economic activities, specially, manufacturing, construction, mining & quarrying, transport, tourism, real estate and other personal activities and some activities of agriculture and marine fishing," the Department of Census and Statistics (DCS), which compiles GDP data said.

DCS also said they had to face colossal challenges in gathering and compiling data during most parts of 2020, and also had to rely on various surveys and other sources to capture the data on work that went online during the pandemic.