

Economy accelerates in 1Q to 5.3% from 4.5% in 4Q last year

Lower inflation, interest rates, access to inputs and recovery in tourism helped lift output

Sri Lanka's economy grew at a faster pace of 5.3 percent in the first three months of 2024, picking up from 4.5 percent in the final three months of last year, as the economy cooled down from the red-hot inflation back then, while the availability in foreign currency helped improve the access to the inputs in manufacturing and rest of the sectors.

This week's gross domestic product (GDP) print gave less surprise to its close watchers, as the economy had reached near normalcy to the one prior to the economy that started sputtering from the second half of 2021.

The economy exited its six-quarter-long recession in the third quarter of last year, logging a 1.6 percent growth before gaining pace in the following quarter.

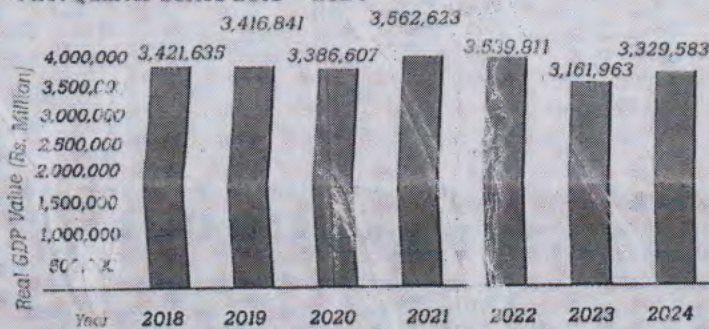
Helping the economy's growth, the agricultural sector grew by 1.1 percent, while the industry and services sectors advanced by 11.8 percent and 2.6 percent, respectively. While the agricultural sector showed a slowdown from the 1.6 percent expansion in the year earlier period, the other two recovered substantially from the contractions of 24.3 percent and 4.6 percent, respectively.

Releasing the latest GDP print, the Census and Statistics Department said that the economy experienced more favourable conditions compared to the first quarter in 2023.

"The high inflation had prevailed in the first quarter of the year 2023, gradually reduced to a lower level by the first quarter of 2024 and this low inflation incentivised the economy by providing inputs at much lower price," it said.

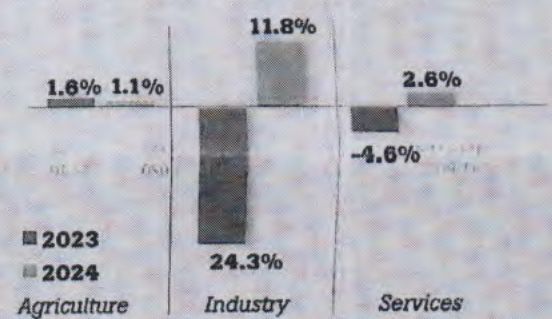


Real Gross Domestic Product - First Quarter Series 2018 - 2024



Source: Department of Census and Statistics, Sri Lanka

Growth rates of main economic activities (2023 - 2024)



"This effect was more notable in the construction industry, which had been severely affected in the first quarter of 2023 by high input prices. In parallel to the decrease in inflation, the interest rate also showed

decreasing behaviour towards the end of the first quarter of 2024."

"Moreover, with the help of the increased liquidity in the foreign currency market, lifting import restrictions further, had a more favourable impact to almost

all the manufacturing activities in the first quarter 2024. In addition, as a result of the increase in tourist arrivals, many related activities to the tourism industry have shown expansions during this quarter," it added.