

Economic growth hits 4.7% in 2Q24

- SL records fourth consecutive quarter of growth
- 1H24 growth stands at 5%
- Change led by industry, returning to a solid 11% growth on soft inflation, rates and FX

Sri Lanka's economy is experiencing a 'Goldilocks' moment, with growth accelerating while inflation remaining subdued and the external sector strengthening. Robust inflows from exports, tourism, and remittances have bolstered the country's economic recovery.

The economy expanded by 4.7 percent in the second quarter of 2024, marking the fourth consecutive quarter of growth. This sustained recovery follows a year of contraction, signalling a turnaround in economic activity.

The second quarter growth brought the first half expansion in the economy to 5.0 percent as the economy registered a first quarter growth of 5.3 percent from a year ago.

This was a broad based growth as the three major economic activities contributed well enough to put the growth close to 5.0 percent.

The industry sector led the second quarter expansion registering a robust 10.9 percent growth, turning around from 11.7 percent contraction recorded in the same quarter last

year as manufacturing had a prolonged struggle from red-hot inflation, higher inflation, taxes and import restriction which came off meaningfully, only recently.

In fact, the Census and Statistics Department too attributed the second quarter growth to the more benign macro-economic readings for the solid Gross Domestic Product (GDP) print last week. In addition, they also pointed to the rising tourist arrivals for the strength in growth.

While the heavy rainfall had some dampening effects on agriculture such as paddy, tea and rubber, it had at the same time bode positively for the energy sector in the country, enabling more hydro-power generation at a low cost and thereby making possible to lessen the tariffs on power.

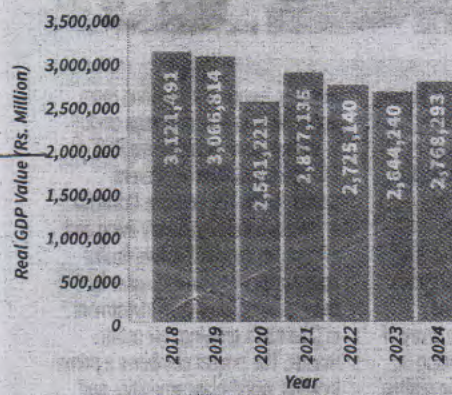
The agricultural sector as a result grew by only 1.7 percent in the second quarter compared to 4.2 percent growth in the same period last year.

As said, tea and rice production contracted by 8.8 percent and 1.2 percent respectively from a year ago.

Meanwhile, the services sector which accounted for the lion's share of the economy or 55.4 percent grew by 2.5 percent, turning from a contraction of 0.5 percent in the same quarter last year.

All key sub-sectors registered growth led by accommodation, food

Real Gross Domestic Product - Second Quarter Series 2018-2024



Source: Department of Census and Statistics, Sri Lanka

and beverage which was possible from the recovery in tourism trade.

Meanwhile, a small yet another sector of the economy identified as taxes less subsidies on products grew by 2.8 percent in the quarter from a year ago.

The second quarter GDP is a reflection of a synchronised growth in all key economic activities, enabling a humming economy after a long time as opposed to a wobbling economy when key components such as tourism were in jeopardy and remittances slowed.

Tourism, it should now be clear enough to understand that, its significance is not just bringing in dollar incomes but also in generating business and incomes for many other sectors including for micro and small businesses to sell their produce.