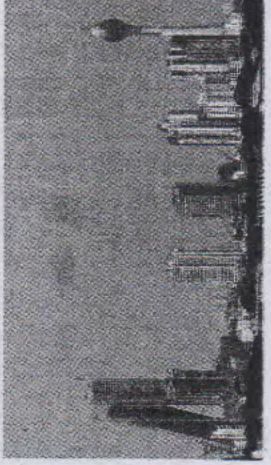


18.12.2024

Sri Lanka's economy expands 5.5% in 3Q

- Takes 9 month growth to 5.2%
- Lower rates which helped credit flows into real economy played pivotal role in lifting output



Sri Lanka's third quarter output expanded at a faster 5.5 percent in the third quarter ended in September 2024, compared to the same period last year.

It accelerated from 4.7 percent growth in the second quarter as rising credit flows into the real economy with the ease in the interest rates helped to further speed up economic activities.

Releasing its third quarter Gross Domestic Product output, the Census and Statistics Department further attributed the solid growth record in economic activities to the noteworthy increase in export and import activities, and especially the importation of intermediate goods and investment goods which in turn are used to produce finished goods and also to ramp up construction activities.

The strong rupee and cooler prices also helped the economy by way of helping the consumer to start spending again which in turn helps produce more goods and services.

The meaningful and more convincing decline in interest rates was the biggest catalyst for the back-to-back acceleration in the growth in the economic output in the foregoing three quarters this year as credit

quarter. By the end of September quarter in 2024, the agricultural, industrial and services sectors contributed 8.2 percent, 27.3 percent and 55.5 percent respectively while the taxes less subsidies on products had a 8.9 percent share.

Mostly favorable weather and availability of inputs such as fertilizer in adequate quantities helped the agricultural sector while the ease in power and energy prices and the stronger Rupee aided the manufacturing sector in bringing down their producer prices. This is while the ease in rates helped them to have the access to relatively cheap credit in enabling to finance their working capital and expanding capacity to cater to the growing demand from both locally and internationally.

Textiles and apparels in one such sector which performed well during 2024 due to strong demand, especially from their clients in the US and Europe.

The construction sector also did extremely well, reporting an expansion of a massive 23.8 percent in the quarter and 17.8 percent in the nine months.

Construction sector accounts for 7.0 percent of the economy.

Meanwhile, the services sector expansion was helped by the lower borrowing costs and also the increase in tourist arrivals which in turn helped accommodation and food and beverage activities, wholesale and retail trade and transportation of goods and passengers including warehousing.

flows along with the more benign prices helped to re-awaken the animal spirits in the economy.

The opposite took place in both 2022 and 2023 when the rates were raised to exponential levels, contracting the economy by 7.3 percent and 2.3 percent respectively. The third quarter growth in 2024 brought the first nine months growth to 5.2 percent from the same period in 2023.

With the higher growth, the Central Bank also expects the full year growth for 2024 to come in at between 4.5 to 5.0 percent, revising up from their roughly 3.0 percent growth expectation at the start of the year.

All three major economic sectors fared well with the industrial sector rising the most by 10.8 percent from the same period in 2023. The agricultural sector grew by 3.0 percent while the services sector followed with a 2.6 percent expansion.

The taxes less subsidies on products sector grew by 13.3 percent in the third