

Economic growth plunges to 1.8% in 4Q

- Lowest since first quarter of 2014; industry activities contract 3.6%
- 51-day political crisis pointed as key reason for sluggish growth
- Annual growth rate decelerates to 3.2%, from 3.4% in 2017
- DCS revises GDP growth rate estimates for first three quarters
- Govt. expects 3.5% economic growth this year

In the final quarter of 2018, Sri Lanka's economic growth plunged to the lowest since 2014, reflecting the disastrous impact the 51-day political crisis had on the country's economy, the data released by the Department of Census and Statistics (DCS) showed.

During the fourth quarter of 2018 (4Q18), the economy is estimated to have grown 1.8 percent, slowing from 3.5 percent three months ago and 3.7 percent 12 months ago.

The agriculture sector activities expanded 4.5 percent during 4Q18, from 4 percent three months ago, while the services activities showed a positive growth of 4.3 percent.

However, the industrial sector activities contracted 3.6 percent, compared to an expansion of 3.1 percent three months ago.

The poor 4Q18 performance dragged down Sri Lanka's 2018 annual growth rate to 3.2 percent, from 3.4 percent a year ago.

The agriculture sector activities, which accounted for 7.9 percent of GDP in 2018, expanded 4.8 percent in 2018, from a negative growth of 0.4 percent, helped by better weather.

The industry sector activities, which accounted for 27 percent of GDP, slowed down to 0.9 percent in 2018, from 4.13 percent a year ago, largely due to the slowdown in the construction sector activities.

The construction activities, which correspond to the highest share within the industry sector, contracted 2.1 percent during 2018, compared to the previous year.

The services sector activities expanded 4.7 percent in 2018, from 3.6 percent in 2017, backed by higher contributions from financial services, IT and telecommunication sub-sectors. The services activities accounted for 56.8 percent of GDP.

Meanwhile, in an interesting move, the DCS revised upwards the GDP growth data for the first three quarters of 2018—from 3.4 percent to 4 percent in 1Q18, from 3.6 percent to 3.9 percent in 2Q18 and from 2.9 percent to 3.5 percent in 3Q18—which gives an indication that the 4Q18 figure will also be revised.

The final quarter of 2018 was marred by significant political instability as on October 26 President Maithripala Sirisena sacked Prime Minister Ranil Wickremesinghe, effectively ending the coalition government that operated since January 2015.

The appointment of former president Mahinda Rajapaksa in place of Wickremesinghe and the resultant political turmoil saw the three main rating agencies downgrading Sri Lanka's sovereign rating on heightened debt repayment risks.