

Editorial

Census Department explains growth numbers

AN article published in the Daily FT newspaper on 25/06/2019, under the heading 'Baffling growth numbers of Census Department' raises concerns regarding the National Accounts Estimates published for the first quarter of 2019 by the Department of Census and Statistics (DCS). The DCS issued the following statement to clarify:

Q1 growth rate accuracy

The economic growth rate is estimated not based on the previous quarter (quarter to quarter), it is computed based on the same quarter of the previous year (year on year). The reason behind this is the seasonal fluctuations of economic activities. Therefore it is not accurate to compute the growth rate compared to the previous quarter.

Accordingly, the growth rate of Q1 of 2019 was computed by comparing real GDP of Q1 of 2019 with the real GDP of Q1 of 2018 and not by comparing with real GDP of Q4 of 2018. According to the DCS estimates, in Q1 of 2019, the economy of Sri Lanka grew by 3.7% when compared to the first quarter of 2018. This estimate is based on a number of data sources, as recommended by international guidelines and methodologies. The DCS believes that the estimated growth rate for the first quarter of 2019 portrays an accurate picture of the economy.

The inflation rate confusion

To measure the inflation rate or the change in the total price levels of a country, it is common practice to use a Consumer Price Index (CPI). A CPI measures the rate of change in the price levels of consumer goods and services purchased by the consumers for their final consumption. The DCS uses the National Consumer Price Index (NCPI) as the official price index to measure the inflation of the coun-

Table 1 - Quarterly growth rates/ Nominal changes and the inflation rates for Q1 2017 - Q1 2019

	2017				2018				2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Real growth	3.2	3.6	3.2	3.7	4.0	3.9	3.5	1.8	3.7
Nominal change	10.3	10.6	15.5	11.0	9.6	9.1	7.5	4.8	3.8
Difference	7.1	7.0	12.3	7.3	5.6	5.2	4.0	3.0	0.1
Change of GDP Deflator (inflation)	6.9	6.8	12.0	7.0	5.4	5.1	3.9	2.9	0.1
Inflation (CCPI)	6.6	6.4	6.0	7.5	4.8	3.4	4.9	3.0	4.0
Official inflation (NCPI)	7.8	7.3	7.6	8.2	3.8	2.0	2.3	0.5	2.2

Figure 1 - Quarterly inflation rates for Q1 2017 - Q1 2019

