

Contribution of construction-related commodities to the trade balance

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After the deficits in overall balance of payment widened to US \$ 516 million in 2000 and US \$ 263 million in 1999, which are the ever highest figures in Sri Lanka's history, the official external reserves dropped by 36% since 1999, sufficient to finance only about 1.7 months of imports. The severity of the crisis was reduced by the surplus in overall balance of payment of US \$ 220 & 338 million respectively in 2001 & 2002. But the present middle-east crisis, on-going economic recovery period & predicted worldwide inflationary transition are the forthcoming barriers for the reduction of deficits of Balance Of Payment & trade balance. Within this context, this research aims to analyse the contribution of construction-related commodities to the trade balance.

The study has been carried out on selected 310 commodities, excluding steel according to HS Codes. Further a survey had been done on 215 importers of steel to determine the percentage of imported construction-related steel on the total imported steel. All these commodities had been divided into 16 major categories and their trends analysed over the last decade, with the supported information from ICTAD price indices, general duties, tariff reforms, economic status of the country and past performance of the construction industry itself.

It is found that the contribution of imported steel, cement, electrical items and machineries is more than 80% on total imported construction-related commodities. Steel ranks first among the construction related commodities followed by cement, electrical items and machineries. With an annual average contribution of 24.34% to trade balance, the construction-related imports stand as one of the main areas to be reviewed & reconsidered for the related policy changes. Contribution of construction-related commodities to imports stands at a modest annual average of 5.93%. Further it is noticed that, the change in contribution did not come mainly from import of construction-related commodities, but from the change in trade balance itself. Even though this percentage of contribution doesn't seem to be dangerous to the economy, the collection of impacts may result in a problematic situation in long run.

Therefore concerning the long run and the upcoming unfavourable conditions for Balance of payment and trade balance the significant industries such as construction industry should be reviewed and government policies should be restructured to overcome possible crisis and to perform well in the long term.

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