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**Divergence between per capita GDP and per capita median household income and the economic wellbeing of Sri Lanka during last ten years**

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Divergence between GDP per capita imputed by national accounts and the monthly income computed by household income surveys has been of concern in many countries in the recent past. Sri Lanka experienced a robust annual growth in the recent decades and was one of the fastest growing economies in Asia. However, it is widely perceived that this growth has not been capable of increasing the purchasing power or the real household income of a wider section of the population and the gap between the per capita GDP and the real household income is widening. This study addresses this widening gap and the meagreness of per capita GDP as a measure of economic wellbeing in Sri Lanka. The study compares the GDP per capita and per capita income/expenditure computed by Household Income and Expenditure Survey (HIES) in the last ten years. Published data from HIESs and GDP data are analysed by converting to real values using GDP deflator and the Colombo Consumer Price Index (CCPI). From 2002 to 2012, the real GDP per capita grew at a rate of 6.67 % while median per capita household real income grew only at 3.78 %. From 2009 – 2011 when the highest per capita GDP growth was recorded in the country, the median per capita household income shows a stagnating growth. Also 28% of the per capita GDP that had been received by an individual in a median income household in 2002 has come down to 24% in 2011. No significant shift in the per capita monthly real income distribution curve is observed from 2009 to 2012. Moreover the budget share on food of an average Sri Lankan during the period from 2006/07 to 2012/13 has not declined. The study highlights the limitations of per capita GDP as a measure of well-being in Sri Lanka. Household income/consumption measurements can better explain the real household purchasing capacity and it is needed to take into account the market and non-market incomes in estimating the household income.

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