

Annual Survey of Industries - 2005

1. Introduction

The Department of Census and Statistics (DCS) started to conduct its series of Annual Survey of Manufacturing Industries (ASMI) in 1979 with the reference year as the previous year 1978. The frame of this survey was restricted to manufacturing establishments registered with the Ministry of Industries and the State owned industrial establishments. (i.e. Public Corporations, Departmental undertakings, Govt. owned Business undertakings). The last survey of this series was carried out in 1982. After the Census of Industry conducted in 1983, the ASMI was replaced by the Annual Survey of Industries (ASI) covering Mining and Quarrying, Manufacturing and Generation and Distribution of Electricity, Gas and Water. The Industrial frame generated from the Census of Industry 1983 was used to conduct the series of Annual Survey of Industries from 1984 to 2003. The frame of the new series is the register of industrial establishments which is a by product of Census of Industry 2003/2004.

This survey is the 20th of the ASI series, conducted in 2005 and the reference period is 2004. The report contains the important industrial indicators relevant to all establishments with 15 and more persons engaged.

2. Objectives

The objectives of the survey are

- i. to provide indicators of the performance and the structure of the industrial sector.
- ii. to update the list of industrial establishments already available.

3. Scope and coverage

The scope of the ASI is all activities categorised under three industry divisions namely, Mining and Quarrying, Manufacturing and Generation and Distribution of Electricity, Gas and Water of the International Standard Industrial Classification Revision 3 (ISIC) of the United Nations introduced first time in this survey. All private sector establishments with 15 and more persons engaged, state owned industries and industries coming within the purview of Board of Investment have been covered in this survey.

4. Methodology

ASI is predominantly a postal survey. But Statistical Officers are sent to the non responding establishments to get the questionnaires completed.

4.1 *The Questionnaire*

There were 20 questions in the questionnaire. The first 14 questions were on identification information. Questions 15 to 18 were on Input and Output and question number 19 and 20 were about the investment and Labour of the establishment. The value of goods moved out, receipts of industrial services done for others and opening and closing stocks of output were collected to compile the gross output. Inputs were the addition of value of raw materials consumed for the year 2004, (i.e. Cost of raw materials adjusted for stocks) and the consumption of Electricity, Fuel and Water. Book value at the beginning of the year, Gross additions during the year, and Depreciation were canvassed under the four components of fixed assets namely, Land, Buildings and Other Constructions, Machinery and Other Equipment and Transport Equipment. The information on employment and earnings, was collected under two sub categories Nationals and Non nationals. The number of male and female national persons engaged were collected separately, but salaries were canvassed only for the total number of employees. In addition to the above, non national employees and their salaries also were canvassed.

4.2 *Data Collection*

The questionnaires and instruction manuals along with covering letters were posted to each establishment. However, the most of instances, the Statistical Officers (SO)/ Statistical Assistants (SA) of the department compel to visit the non responding establishments quite a number of times to get the questionnaire completed. The collection of accurate data from industrial establishments is very tedious and time consuming. Sometimes officers had to visit them several times in order to get a good response.

4.3 *Reference Period*

Reference period of the survey was the calendar year 2004 (i.e. 1st of January to 31st of December). But in some cases, establishments keep records not for the calendar year but for the financial year. (1st of April 2004 to 31st of March 2005) In those situations, financial year data were accepted when there was no significant differences between two 1st quarters of both years (2004 and 2005). Otherwise estimates for the calendar year were accepted.

4.4 *Sample Survey Design and Estimation*

In October-November 2003, DCS conducted a listing operation of Census of Industry prior to the canvass of detail information on establishments. The census registry was based mainly on notations made during door-to-door canvassing in mid 2000 for the Census of Population and Housing. List of Establishments by Grama Niladari Divisions were sent in mid 2003 to each Grama Niladari with a request to be updated for industrial establishments (mostly newer ones) that were lacking in 2001, the closures of older ones and for some changes on establishments.

During the Census of Industry 2004, extensive data collection took place for reference period 2003 for establishments in the Census list including some 20,965 establishments with less than 10 workers. The questionnaire which is used for data gathering included extensive questions about

phone numbers and an exact address of the establishments, contact person and contact phone number etc. During the months of May to September, 2005 DCS staff entered the additional variables such as establishment contact numbers, establishment type, name and address of head office, type of legal organization, type of registration, ownership, current ISIC, main product and contact person details into a new registry (called as Census 04) based on the census list and thus produced an enhanced census list as census 04. This updated list of all industrial establishments were employed as the sampling frame.

The whole frame was divided into two groups as establishments with less than 15 persons engaged (Small establishments) and establishments with 15 and more persons engaged (Medium and Large establishments).

A total of 6,050 Medium and Large establishments that have 15 and more persons engaged were selected with certainty.

Determination of weights

The final weight for respondent k in stratum h , w_{hk} , is a composite of the base weight, w_{1hk} , the non-response adjustment w_{2hk} and the factor to compensate for coverage errors w_{3hk} such that

$$w_{hk} = w_{1hk} \times w_{2hk} \times w_{3hk} \quad (1)$$

Base weight (w_{1hk})

The base weight is the inverse of the probability of selection. In this case, since all Medium and Large establishments (those with 15 and more employees) were selected. Their base weight will be 1.

4.5 Non-response and Sampling Frame Errors

The non-response weight is the ratio the sample size to the total respondents. The establishments that were considered as non-respondents are those who refused to participate in the survey.

The following are considered with frame problems: Those establishments that cannot be located, those that were closed (they should not be included in the sampling frame), those that are out-of-scope (the ISIC classification was not specified correctly) and those that were duplicates and mergers.

Of the Medium and Large establishments with 15 and more in the frame, 15.2% should not have been included. This is rather a big percentage of the such Medium and Large establishments and therefore, requires an adjustment factor to be incorporated in the weight. To illustrate, if N_h is the population size for stratum h and n_h is the corresponding sample size, then the corresponding selection probability p_h is

$$P_h = \frac{n_h}{N_h} \quad (2)$$

If given the stratum h , q_{1h} is the proportion of establishments with frame problems (proportion of those that should not be included in the frame) and q_{2h} is the proportion of establishments that were missed in the frame (those that should be listed but were not included), then the true population size of stratum h should be

$$N_h^1 = N_h \times (1 - q_{1h} + q_{2h}) \quad (3)$$

and the frame adjustment rate, w_{3hk}

$$W_{3hk} = (1 - q_{1h} + q_{2h}) \quad (4)$$

In the case of this survey, we do not have a measure for q_{2h} . Please note that we could only assume that q_{2h} is almost 0 because list was updated recently. The final weight as defined by equation (1).

Estimation

Estimates for each of the strata described above could be derived separately. For example, the estimator for a total in stratum h is

$$\hat{Y}_h = \sum_k w_{hk} y_{hk} \quad (5)$$

where y_{hk} is the observed value from the k^{th} sample in stratum h

5. Concepts and Definitions

The concepts and definitions used in ASI-2005 were broadly in accordance with the United Nations recommendations.

5.1 Statistical Unit

Statistical unit of ASI is the establishment which is defined as an unit engaged in the single or related activities of Mining and Quarrying, Manufacturing and Generation and Distribution of Electricity, Gas and Water in one location under a single ownership or control. However, industrial enterprises, which are engaged in production of more than one related activity in one location or one activity in several locations, were treated as one unit of enumeration whenever no separate records are available.

Any way in the analysis, the ideal definition of the establishment was followed. The information collected at enterprise level was disaggregated into establishment level using the proportion of output. Ancillary units such as warehouses, garages, etc. were treated as part of the main establishments.

5.2 Output

Information on output has been collected on shipment basis. The variables canvassed were the value of products moved out from the establishment, value of stocks of finished goods and receipts from industrial services rendered to others.

a. Value of products moved out

- i. Value of products made by the establishment using its own raw materials
- ii. Products made by another establishment using material inputs owned by the establishment

have been considered, as the products made by the establishment and the following three situations have been considered as the moving out.

- i. sending to another establishment or a person
- ii. sending to another branch of the same enterprise
- iii. sending abroad

These products were valued at the price at which the producer disposes of his goods to the customer (i.e. producer's price). All duties and taxes which fell on the products when they leave the establishment are included and subsidies recovered are excluded. Price rebates, discounts and allowances on returned goods allowed to the customer have been deducted and any transport charges which may be invoiced to the purchaser or user have been excluded. Products released to other establishments of the same enterprise have been treated as though sold and valued at producer's prices.

b. Stocks of finished goods

The values of stocks of finished goods at the beginning and at the end of the year 2004 have been collected.

This consists of all finished goods made by the establishment using their own raw materials and manufactured by another establishment using raw materials owned by this establishment and ready for release. Finished goods held by the establishment which were made from materials owned by others have been excluded. Valuation is in producer's prices.

c. Receipts from Industrial Services

The total value of receipts from

- i. Contract and Commission work done for others on materials owned by them,
 - ii. Repairs and installation work done for others,
 - iii. Sales of scraps and refuses,
 - iv. Own account investment work,
- have been included here.

d. Value of output

The value of output was obtained from the value of shipments and other receipts of Industrial Services adjusted for changes in the values of stocks of finished goods during the reference period.

$$\text{Value of Output} = (\text{Value of products moved out}) + (\text{Closing stocks of finished goods}) - (\text{Opening stocks of finished goods}) + (\text{Receipts from Industrial Services})$$

5.3 *Inputs*

Information on inputs has been collected covering the costs of

- a. Raw materials, parts and components and packing materials (Imported and Indigenous) consumed,
- b. Industrial services done by others for the establishment,
- c. Fuel, Electricity & Water consumed.

a. Cost of raw materials, parts and components and packing materials

i. Cost of raw materials, packing materials purchased

All material inputs (Raw materials, parts, components containers and supplies) purchased by the establishment for the production process either in this establishment or in another establishment have been included. All materials have been valued at purchaser's prices.

i.e. The delivered value at the establishment, including the purchase price transport charges, cost of insurance, all taxes and duties on the goods. Discounts or rebates allowed to the purchaser and the value of packing materials returned to the supplier have been deducted.

The value of materials owned by others and received by the establishment for production process have been excluded and material inputs received by the establishment from other establishments of the same enterprise (not purchased) for processing have been valued as if purchased.

ii. Values of stocks of raw materials and packing materials etc.

The opening and closing stocks of all input materials (imported and indigenous) including packing materials which are purchased (or treated as purchased) have been included.

The valuation was at purchaser's prices. The stocks of raw material used for own account work for producing own fixed assets have been excluded.

b. Cost of industrial services done by others

The total cost of

- i. Contract and commission work done by others on materials supplied by the establishments and
- ii. Repairs and maintenance services provided by others are included.

c. Fuel, electricity and water consumed

The total of the values of Fuel (LP Gas, Coal and Charcoal, Petrol, Diesel Oil, Furnace Oil, Kerosene Oil, Firewood and others) Electricity and Water consumed has been included.

5.3.1 Raw Materials Consumed

Raw materials consumed (i.e. actually used) has been computed by adjusting stocks of raw materials to the total value of raw materials (imported and indigenous) and packing materials purchased.

Raw materials and packing materials consumed
= (Raw materials and packing materials purchased) (Imported + Indigenous) +
(Opening stocks of materials) -
(Closing stocks of materials)

5.3.2 Value of Inputs

The total value of raw materials consumed, cost of industrial services done by others and Fuel, Electricity and Water consumed have been defined as the value of Inputs.

5.4 Value Added

Value added has been defined as the difference of the value of output and value of inputs i.e. value of Output - value of Inputs.

5.5 Fixed Capital Assets

The book value at the beginning of the year, value of gross additions during the year and depreciation of all assets with productive life of one year or more, owned by the establishment (i.e. Land, Buildings, Other constructions and Land improvements, Machinery and Other equipment, Transport equipment) have been collected. Leased or rented assets have not been included.

a. Book value at the beginning of the year

This refers to the original cost price of the item less its depreciation, less assets retired and sold upto the beginning of the year.

b. Gross additions to fixed assets during the year

This is defined as the total of the costs of new and second hand fixed assets acquired during the year and alterations, renovations and improvements purchased, cost of own account work less the value of sales of used fixed assets.

Valuation of fixed assets acquired from others was to be at the delivered price plus cost of installation and any necessary fees and taxes. Valuation of fixed assets produced own account had to be valued with imputation for own labour and materials used and an allocation for over head costs. Value of sales of used assets were to be at actual amounts realised.

5.6 *Employment and Earnings*

The information obtained on employment related to the number of persons engaged in the establishment.

a. Number of persons engaged

This is defined as the total number of persons who work in or for the establishment, including working proprietors, active partners, unpaid family workers, operatives and all other employees.

b. Working proprietors and active partners

All individual proprietors and partners who are actively engaged in the work of the establishment have been included here.

c. Unpaid family workers

All persons living in the household of the owners and working in the establishment, without a regular pay, for at least one third of the normal working time of the establishment and non household members who do work without pay were included.

d. Operatives

All paid employees who were directly engaged in the production or related activities of the establishment including any clerical or working supervisory personnel whose function was to record or expedite any step in the production process have been considered as operatives.

e. Other Employees

All paid employees excluding those covered as operatives are reported here, eg. Managers, Directors, Laboratory and Research workers, Clerks, Typists etc.

f. Wages and Salaries

All payments whether in cash or in kind made by the employers during the year 2004 in connection with the work done to all “ employees “ had been included here.

i.e.

- i. All regular and overtime cash payments houses and cost of living allowances.
- ii. Wages and salaries paid during vacation sick leaves
- iii. Taxes and social insurance contribution
- iv. Payments in land.