

Sri Lanka Industry Performance Index (SL-IPI) Proposal

1. Executive Summary

The Sri Lanka Industry Performance Index (SL-IPI) is designed by ISB to objectively evaluate and compare the performance, competitiveness, and sustainability of key industrial sectors that have identified across Sri Lanka. It serves as a decision-support tool for policymakers such as Government investors, and industry stakeholders such as media, employees public to identify growth opportunities, monitor sectoral health, and prioritize strategic investments.

2. Index Structure

The SL-IPI is built on seven dimensions that collectively measure industrial strength and resilience. This will based on secondary data of that censuses and what we have. The dimensions will be as follows

- Market Performance
- Productivity & Efficiency
- Investment & Innovation
- Employment & Skill Quality
- Export Competitiveness
- Environmental & Social Sustainability
- Resilience & Risk Factors

For each factor we have separate score system with sub catagories (Anexure will provided)

Dimension	Weight	Key Indicators	Description / Data Sources
A. Market Performance	25%	Revenue Growth, Export Share, Domestic Demand Growth	Tracks demand and market expansion using CBSL, EDB, and Customs data.
B. Productivity & Efficiency	20%	Output per Employee, Energy Cost per Output, Capacity Utilization	Measures operational efficiency using surveys and industrial data.
C. Investment & Innovation	15%	R&D Expenditure, Capital Investment Growth, Technology Adoption Level	Reflects modernization and innovation capacity.
D. Employment & Skill Quality	15%	Job Creation Rate, Wage Growth, Skilled Labor Availability	Captures labor market strength and stability.
E. Export Competitiveness	10%	Export Value, Market Diversification, Trade Balance	Assesses global competitiveness and resilience.
F. Environmental & Social Sustainability	10%	Energy Efficiency, Waste Recycling Ratio, ESG Compliance	Aligns with sustainable industrial goals.
G. Resilience & Risk Factors	5%	Supply Chain Stability, Raw Material Dependence, Policy Risk	Evaluates vulnerability and adaptability.

3. Scoring Methodology

Each indicator is normalized on a 0–100 scale using the following formula:

$$\text{Score} = (X - X_{min}) / (X_{max} - X_{min}) \times 100$$

Weighted scores are aggregated to produce the final SL-IPI score for each industry:

$$SL-IPI = \Sigma (W_i \times S_i)$$

4. Example SL-IPI Scores by Industry

Industry	SL-IPI Score	Category
Apparel & Textiles	78	Strong Performer
Rubber-Based Products	70	Moderate Growth
ICT & BPO	85	High-Growth & Resilient
Food Processing	68	Emerging
Construction	55	Vulnerable

5. Industry Interpretation

Apparel & Textiles: A mature sector maintaining export strength, but facing global competition and labor constraints.

Rubber-Based Products: Shows steady export growth with potential in value-added rubber goods and medical supplies.

ICT & BPO: Top performer driven by digital transformation, skilled workforce, and high export earnings.

Food Processing: Emerging industry leveraging agro-resources; modernization can raise its global competitiveness.

Construction: Slower due to raw material and import restrictions but poised for recovery with infrastructure projects.

6. Rating Bands

IPI Score	Rating	Interpretation
85–100	AAA	World-class & rapidly expanding
70–84	AA	Strong performer with stable growth
55–69	A	Emerging but needs modernization
40–54	BBB	Vulnerable to shocks

7. Conclusion

The SL-IPI offers a comprehensive framework to evaluate and monitor the performance of Sri Lankan industries. It enables policymakers and investors to identify resilient sectors, address structural gaps, and drive sustainable industrial growth across provinces.

8. ANNEXURES

Dimension	Weight	Sub-Indicators	Marks Allocation	Scoring Guidance (0–100)
A. Market Performance	25%	• Revenue Growth (%) — 10 marks	25 marks total	- 90–100: >10% revenue growth, high export share (>60%)
		• Export Share — 8 marks		- 70–89: Moderate growth, stable domestic market
		• Domestic Demand Growth — 7 marks		- <70: Stagnant or declining demand
B. Productivity & Efficiency	20%	• Output per Employee — 8 marks	20 marks total	- 90–100: >85% capacity, high labor productivity
		• Energy Cost per Output — 6 marks		- 70–89: Moderate efficiency
		• Capacity Utilization (%) — 6 marks		- <70: Low efficiency / high cost base
C. Investment & Innovation	15%	• R&D Expenditure (% of Revenue) — 5 marks	15 marks total	- 90–100: Active R&D (>3%), rapid modernization
		• Capital Investment Growth — 5 marks		- 70–89: Moderate investment
		• Technology Adoption Level — 5 marks		- <70: Low tech integration
D. Employment & Skill Quality	15%	• Job Creation Rate — 5 marks	15 marks total	- 90–100: Growing skilled employment
		• Average Wage Growth — 5 marks		- 70–89: Stable employment
		• Skilled Labor Availability — 5 marks		- <70: Labor shortages / low wages
E. Export Competitiveness	10%	• Export Value (USD) — 4 marks	10 marks total	- 90–100: Diverse markets, rising export value
		• Market Diversification Index — 3 marks		- 70–89: Moderate export growth
		• Trade Balance — 3 marks		- <70: Concentrated market risk
F. Environmental & Social Sustainability	10%	• Energy Efficiency (kWh/unit) — 4 marks	10 marks total	- 90–100: ISO14001/ESG certified
		• Waste Recycling Ratio — 3 marks		- 70–89: Partial compliance
		• ESG Compliance — 3 marks		- <70: Non-compliant
G. Resilience & Risk Factors	5%	• Supply Chain Stability — 2 marks	5 marks total	- 90–100: Diversified, low dependency
		• Raw Material Dependence — 2 marks		- 70–89: Moderate risk
		• Climate/Policy Risk — 1 mark		- <70: High exposure