

X. Operations and Accounts of the Central Bank

76. The financial accounts of the Central Bank for the year ended 31st December, 1951, appear in Table 7. The monthly movements of the accounts of the Bank are shown in Table 6.

77. There was a significant increase in the currency issue and deposit liabilities of the Central Bank during 1951. Gross note circulation rose to Rs. 417.0 million at the end of December, 1951, an increase of Rs. 50 million over December, 1950. Deposits reached Rs. 241.4 million, also an increase of Rs. 50 million. The International Reserve at the end of December, 1951, totalled Rs. 668.4 million, or Rs. 103 million above the previous year's level. As before, the International Reserve more than covered the demand liabilities of the Bank, the ratio at the end of the year being 101.5 per cent.

78. Of the deposits with the Central Bank, the commercial banks had Rs. 193.4 million. Their required reserves at the end of the year amounted to Rs. 107.7 million, so that their excess reserves were Rs. 85.7 million.

79. Government deposits totalled Rs. 30.9 million. The distribution of Government deposits between the Central Bank and the commercial banks was discussed with the Treasury. The policy agreed on was that the Treasury should concentrate Government balances in the Central Bank and maintain only working balances with commercial banks.

80. With the settlement of the outstanding liabilities of the Board of Commissioners of Currency, their account with the Central Bank was wound up and the balance of Rs. 531,254.29 lying to their credit was applied, with the concurrence of the Minister of Finance, toward the Public Debt Sinking Funds established under the Registered Stock and Securities Ordinance.

81. The Co-operative Federal Bank of Ceylon, and the Colombo Branch of the Habib Bank, whose head office is in Karachi, were admitted as members of the Clearing House in the course of the year. Statistics of bank clearings appear in Table 11.

82. The Bank rate, fixed at $2\frac{1}{2}$ per cent when the Bank commenced business in August, 1950, was maintained during 1951.

83. The Central Bank's exchange rates with respect to sterling and Indian rupees, fixed on 30 December, 1950, remained unchanged during the year.

84. With the re-opening of the London foreign exchange market on 17 December, 1951, the Bank of England widened the spread in its spot rates for the U.S. dollar, and also ceased to quote an official forward rate. Accordingly, the Central Bank's spot and forward rates for the U.S. dollar had to be changed frequently after that date according to prevailing market rates in London.

85. As a result of the widening of the spot rates for the U.S. dollar in terms of sterling, the minimum buying and maximum selling rates of commercial banks for the U.S. dollar were changed as from 17 December, 1951, from Rs. 4.75 and Rs. 4.77½ per dollar to Rs. 4.73 and Rs. 4.80, respectively. Commercial bank buying and selling rates with respect to other currencies remained unchanged.

86. Table 8 shows the sales and purchases of foreign exchange by the Central Bank in 1951. Total spot purchases were Rs. 14.0 million and total spot sales Rs. 789.3 million. The total value of contracts entered into for forward purchases was Rs. 872.2 million and for forward sales Rs. 12.5 million. Deliveries under forward purchase and sale contracts were Rs. 879.5 million and Rs. 8.9 million respectively. Total purchases (spot and deliveries under forward contracts) were Rs. 893.5 million; and total sales were Rs. 798.2 million.

87. The Department of Bank Supervision carried out in the course of 1951 the first of the bank examinations prescribed by Section 29 of the Monetary Law Act. In all, 12 banks were examined.

88. The first number of the Bulletin of the Central Bank was published in November, 1951. It is a monthly publication containing facts, statistics and comments on a wide range of economic and financial subjects of interest to the people of Ceylon. The Bulletin is primarily the responsibility of the Department of Economic Research and is issued under the direction of a staff editorial committee.

89. The net profit of the Central Bank for the year, after making provision in accordance with Section 38 of the Monetary Law Act, amounted to Rs. 2,008,392.56. In terms of Section 39, this profit was applied, after consultation with the Minister of Finance, toward reducing the special loan granted to Government by the Bank under the Bretton Woods Agreements Act.

Central Bank of Ceylon,
Colombo, March 31, 1952.