

90. An agreement was concluded in 1952 between Ceylon and the United Kingdom, similar to the agreements made by the United Kingdom with Pakistan and India, providing for transfer from No. 2 Account to No. 1 Account of an amount equal to the hard core of the currency reserve. In accord with this agreement a sum of £9.4 million was to be transferred to No. 1 Account of the Central Bank. This account is not to be drawn upon without previous consultation with the United Kingdom Government.

## V. The International Bank Report

91. For the first time an attempt has been made to analyse Ceylon's entire economy for the purpose of maximising the rate of economic development. The analysis was carried out at the invitation of the Ceylon Government by a mission of the International Bank for Reconstruction and Development. The Mission was in Ceylon for about two and a half months at the end of 1951, worked on its report in Washington, and issued it in September, 1952. The Report is lengthy: in the edition published in Colombo, Part I, *A Program of Development* is 83 pages plus front material; Part II, *Selected Fields of Development*, is 448 pages.

92. The Government has made no formal statement of its acceptance of the recommendations in part or entirely; but any major economic or financial proposal is automatically checked by reference to the views of the Report. Its influence on policy is likely to be great for some years to come.

## VI. Operations and Accounts of the Central Bank

93. Financial accounts of the Central Bank for the year 1952 appear in Table 7; the monthly movements of the accounts are shown in Table 6. Both currency circulation and deposits declined during the year, the former much less than the latter. Currency fell by Rs. 28.2 million or 6.8 per cent and deposits by Rs. 101.2 million or 41.9 per cent. The Bank's total demand liabilities were Rs. 529.0 million, a fall of 19.7 per cent below last year's level. Commercial banks' deposits at the end of the year amounted to Rs. 131.9 million and were Rs. 42.7 million in excess of required reserves.

94. On the assets side, noteworthy features were a sharp decrease in the international reserve and a sharp increase in domestic assets. The former fell by Rs. 267.3 million to a low of Rs. 401.1 million and the latter rose by Rs. 143.6 million to a high of Rs. 160.7 million. The Bank's international reserve at Rs. 401.1 million represented 75.8 per cent of the total demand liabilities of the Bank as against 101.5 per cent at the end of the previous year.

95. The bank rate remained unchanged at 2½ per cent during 1952.

96. The Central Bank's exchange rates with respect to sterling and Indian rupees were altered in January, 1952. The rupee-dollar rate had to be changed from time to time during the year to keep it in line with changes in the sterling-dollar rate.

97. Foreign exchange transactions by the Central Bank in 1952 are shown in Table 9. Total spot purchases were Rs. 103.5 million and total spot sales Rs. 988.6 million. The total value of contracts entered into for forward purchases was Rs. 422.5 million and for forward sales Rs. 11.4 million. Deliveries under forward purchase and sale contracts were Rs. 618.4 million and Rs. 7.0 million respectively. Total purchases (spot and deliveries under forward contracts) were Rs. 721.9 million and total sales were Rs. 995.6 million.

98. During 1952 the Central Bank issued for the first time currency notes designed and printed under its authority. The new notes were in denominations of Rs. 10, Rs. 2, and Re. 1.

99. The Department of Bank Supervision continued its bank examinations prescribed by section 29 of the Monetary Law Act. In all fourteen commercial banks and one other banking institution were examined.

100. 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 million. In accordance with section 39 this profit was applied, after consultation with the Minister of Finance, towards reducing the provisional advances made by the Central Bank to Government under section 88 of the Monetary Law Act.

Central Bank of Ceylon,

Colombo, March 31, 1953.