

extra costs of administration and may delay or interfere unduly with trade and other productive activities. Second, it inevitably gives rise to attempted evasion which may, if unchecked, lead to concealed losses of exchange, black market exchange rates and other undesirable features. Third, because some will always seek to exploit legal as well as illegal loopholes, there is a tendency for control to breed further controls. The simplification and relaxation of restrictions deserve attention as soon as circumstances permit.

54. Throughout the year the Central Bank continued to enjoy the active support and co-operation of the commercial banks in its task of enforcing exchange control.

IV. Basic Economic Data

Foreign Trade in Merchandise

55. *Exports.*—The movements of the export trade, its value, volume and price level, in 1953 as compared with previous years are described in table 24.* The table below, on the composition of exports, illustrates in particular the increasing importance of tea and the declining share of rubber in the export trade.

Composition of Exports

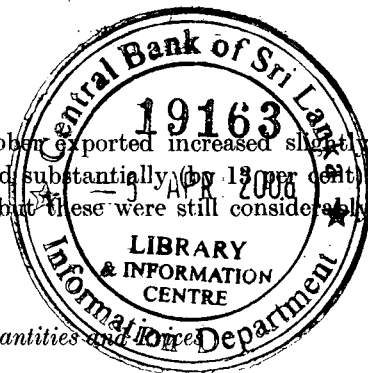
Commodity	Value in Rs. million			Percentage of total exports		
	1951	1952	1953	1951	1952	1953
Tea	800	723	825	42.0	48.2	52.6
Rubber	582	373	338	30.6	24.8	21.5
Major coconut products	320	232	244	16.8	15.4	15.6
Other domestic exports	124	84	83	6.5	5.6	5.3
Domestic exports	1,826	1,412	1,490	95.9	94.0	95.0
Re-exports	78	90	78	4.1	6.0	5.0
Total ..	1,904	1,502	1,568	100.0	100.0	100.0

56. The quantity of tea exported reached a record total of 335.6 million pounds and was sold at substantially higher prices, both the quantity and the price being nearly 7 per cent higher than in 1952.

Tea—Export Quantities and Prices

Year	Exports		Average market price per lb.			
	Quantity (Mil. lbs.)	f.o.b. price per lb. Rs. cts.	High-grown Rs. cts.	Medium-grown Rs. cts.	Low-grown Rs. cts.	All tea Rs. cts.
1951	305	2 62	2 12	1 80	1 95	1 90
1952	315	2 30	2 06	1 66	1 53	1 73
1953	336	2 46	2 06	1 79	1 80	1 91

* All tables referred to numerically in this part are those appearing in Appendix II.



57. Compared with 1952, the volume of rubber exported increased slightly (by 3 per cent), although the average price declined substantially (by 13 per cent). Shipments to China fetched lower average prices, but these were still considerably above world prices.

Rubber (Excluding latex)—Export Quantities and Prices

Year	Ceylon			Malaya	
	Quantity Mil. lbs.	f.o.b. price per lb. (all desti- nations) Rs. cts.	f.o.b.* price per lb. (China) Rs. cts.	f.o.b. price per lb. (other desti- nations) Rs. cts.	Singapore f.o.b. price per lb. RSS No. 1 Rs. cts.
1951	226	2 53	2 90	2 51	2 62
1952	206	1 76	1 86	1 71	1 49
1953	213	1 54	1 74	1 22	1 05

*Predominantly sheet rubber.

58. Prices of coconut products, as measured by their price index, averaged 20 per cent higher than in 1952. The increase in price more than offset the drop of 13 per cent in the quantities exported (reckoned in terms of nuts) with the result that the value of exports of coconut products improved by 6 per cent.

Major Coconut Products—Export Quantities and Prices

Product	1951		1952		1953	
	Quantity in 000 cwts.	f.o.b. price per cwt. Rs. cts.	Quantity in 000 cwts.	f.o.b. price per cwt. Rs. cts.	Quantity in 000 cwts.	f.o.b. prices per cwt. Rs. cts.
Copra	387	69 93	815	40 75	428	53 43
Coconut oil	2,196	103 41	2,134	62 36	1,871	75 96
Desiccated coconut	795	82 58	1,112	58 68	1,146	68 82

59. *Imports.*—Table 24 shows the course of the import trade, its value, volume and price level in 1953 in relation to earlier years. The table below describes the composition of imports under broad significant groups :—

Composition of Imports

	Value in Rs. million			Percentage of total imports		
	1951	1952	1953	1951	1952	1953
Food, Drink and Tobacco:—	696	789	796	44.6	46.3	49.5
of which						
Rice	236	329	324	15.2	19.3	20.1
Flour	115	122	164	7.4	7.1	10.2
Sugar	102	84	71	6.5	4.9	4.4
Fish products	53	55	58	3.4	3.2	3.6
Curry stuffs	43	35	29	2.8	2.1	1.8
Raw Materials:—	162	171	163	10.4	10.1	10.2
of which						
Petroleum (crude)	73	84	75	4.7	4.9	4.7
Fertilisers	49	31	38	3.1	1.8	2.4
Manufactures:—	698	740	647	44.8	43.5	40.2
of which						
Cement	14	24	16	0.9	1.4	1.0
Iron and steel	60	58	55	3.8	3.4	3.4
Machinery	52	72	68	3.4	4.2	4.3
Textiles	186	178	137	11.9	10.5	8.5
Chemicals, drugs, dyes and colours	33	34	32	2.1	2.0	2.0
Petroleum (refined)	41	48	45	2.6	2.8	2.8
Paper and cardboard	37	37	26	2.4	2.2	1.6
Motor vehicles	49	57	44	3.1	3.4	2.7
Others	3	2	2	0.2	0.1	0.1
Total	1,559	1,702	1,608	100.0	100.0	100.0
Re-exports	78	90	78			
Net imports	1,481	1,612	1,530			

Source : Ceylon Customs Returns.

60. Food imports accounted for nearly half of the total value of imports in 1953. The volume of food imports was 7 per cent larger, but average prices were 5 per cent lower, than in 1952. Between 1952 and 1953 average c.i.f. prices per ton of rice fell from Rs. 823 to Rs. 801; flour from Rs. 585 to Rs. 570; and sugar from Rs. 654 to Rs. 495. Raw materials were 26 per cent larger in volume but their average price fell nearly 6 per cent. Under the manufactures group, both quantities and average prices of textile imports and other kinds of manufactures, as a group, declined, textiles by 11 per cent and 14 per cent respectively, and other manufactures by 8 per cent and 11 per cent respectively.

61. *Pattern of Trade.*—Table 25 gives a breakdown of foreign trade by significant regions and monetary areas. This table illustrates, in particular, that Ceylon is usually in deficit on merchandise account with the sterling area, and is in surplus with other currency groups, especially with the dollar and non-sterling E.P.U. areas.

62. The table below gives the percentage distribution of Ceylon's exports and imports by monetary areas :—

Trade by Monetary Areas

Monetary Areas	1951		1952		1953	
	Exports %	Imports %	Exports %	Imports %	Exports %	Imports %
Sterling area	51.9	69.8	49.2	63.8	47.7	64.5
Dollar area	15.1	6.5	15.8	11.1	13.3	4.3
Non-Sterling E.P.U. area	19.2	8.9	12.9	7.6	12.0	9.6
Others	13.8*	14.8	22.1*	17.5	27.0*	21.6
	100.0	100.0	100.0	100.0	100.0	100.0

*Including ships' stores and bunkers.

Sterling area countries, as a group, remained the most important market for Ceylon's exports and imports. The trade deficit with this group declined to Rs. 290.4 million from Rs. 346.4 million in 1952, *i.e.*, by Rs. 56 million. The main reason for the decline was the reduction of rice purchases from Burma from 222,000 tons (Rs. 174.7 million) to 141,000 tons (Rs. 118.1 million).

63. Ceylon's trade surplus with the dollar area increased from Rs. 48.1 million in 1952 to Rs. 140.4 million in 1953. The improvement in net receipts in spite of a sharp decrease in exports of rubber, which used to be a major dollar earner, was entirely due to the fall in imports, especially, of food, textiles and vehicles.

Trade with the Dollar Area

(In millions of rupees)

Year	Exports				Imports							Trade balance
	Total	of which			Total	of which						
		Tea	Rubber	Coconut products		Machinery	Vehicles	Rice, flour, sugar and tobacco.	Textiles	Petroleum products	Paper and cardboard	
1951	288	119	142	5	101	10	9	19	23	5	5	+187
1952	237	131	79	7	189	15	15	86	16	8	6	+ 48
1953	209	132	29	28	69	12	8	18	2	5	3	+140

64. Among the other countries, trade with China continued to expand in 1953 as shown in the following table :—

Ceylon's Trade with China
(In millions of rupees)

Year	Exports		Imports		Trade Balance
	Value	Percentage of total exports	Value	Percentage of total imports	
1951	36	1.9	4	0.3	+32
1952	124	8.2	33	1.9	+91
1953	242	15.4	209	13.0	+33

Imports consisted almost exclusively of rice and exports predominantly of rubber. The value of rice imports in 1953 rose to Rs. 203 million from Rs. 28 million in the previous year. The 1953 contract provided for the supply of 270,000 metric tons of rice at an average f.o.b. price, ex China ports, of £54 per metric ton. Exports of rubber to China at 132 million pounds in 1953 (111 million pounds being against the 1953 contract) were twice as large as those in 1952, and represented 60.8 per cent of total rubber exports as against 31.7 per cent in 1952. In 1953, on the basis of an f.o.b. price of Rs. 1.77 per pound for the top grades of sheet rubber, these shipments fetched a price substantially higher than the world price. Consequently Ceylon earned an estimated Rs. 95 million more in foreign exchange than it would have received at the prevailing world price.

Money and Banking

65. *Money Supply.*—The composition of the money supply appears in table.1 The money supply which began to contract in 1952 fell further in 1953, especially in the second half of the year. It declined to Rs. 826.8 million, or by 7.7 per cent over the year as against 11.0 per cent in 1952.

Money Supply
(In millions of rupees)

End of	1951	1952	1953	Change (1952 over 1951)	Change (1953 over 1952)
				%	%
January	965	1,006	890	+ 4.2	—11.5
February	1,030	1,002	901	— 2.7	—10.1
March	1,028	985	899	— 4.2	— 8.7
April	1,034	978	881	— 5.4	— 9.9
May	1,033	946	876	— 8.5	— 7.4
June	1,025	923	880	—10.0	— 4.6
July	1,015	916	851	— 9.7	— 7.1
August	998	916	815	— 8.2	—11.1
September	1,000	911	824	— 8.9	— 9.5
October	1,001	910	822	— 9.1	— 9.6
November	1,008	909	810	— 9.8	—10.9
December	1,006	896	827	—11.0	— 7.7

Note : Differences as compared with previously published figures are due to subsequent revisions.

Of the two constituents of the money supply, privately held demand deposits contracted more than currency in circulation, the former by 8.9 per cent and the latter by 6.0 per cent. The corresponding decreases in 1952 were 14.3 per cent and 5.5 per cent respectively. Thus, demand deposits declined proportionately much less, and currency in circulation slightly more, than in 1952.

66. The following table summarises the expansionary and contractionary factors contributing to the changes in the money supply in the past three calendar years :

Changes in Money Supply
(In millions of rupees)

Factors affecting money supply	December, 1950-1951		December, 1951-1952		December, 1952-1953	
	Expansionary factors	Contractionary factors	Expansionary factors	Contractionary factors	Expansionary factors	Contractionary factors
External banking assets (net) ..	63.1	—	—	363.1	—	132.6
Commercial bank credit :						
(a) To the Government sector ..	—	35.9	67.3	—	—	18.8
(b) To the private sector	76.0	—	—	20.5	18.0	—
Central Bank credit (net) to Government	—	7.1	137.9	—	58.3	—
Shift from demand to time and other liabilities (net) of commercial banks	—	21.6	—	7.3	—	5.5
Shift of Government rupee cash to public	27.8	—	67.9	—	7.1	—
Adjustments	—	6.8	7.4	—	4.5	—
Total expansionary/contractionary factors	166.9	71.4	280.5	390.9	87.9	156.9
Changes in money supply	+95.5		-110.4		-69.0	

Note : Differences as compared with previously published figures are due to subsequent revisions.

67. *Commercial Banks.*—The main changes in the condition of the banking system during 1953 (table 4) are summarised below:

- (a) Total demand deposits including inter-bank and Government deposits contracted by Rs. 74.4 million (12.0 per cent) to Rs. 547.5 million while fixed and savings deposits showed little change.
- (b) Demand deposits held in Ceylon by banks abroad dropped from Rs. 35.6 million to Rs. 11.7 million primarily because certain balances previously built up were drawn upon to finance exports, especially to China.
- (c) Bank cash (till money and balances with the Central Bank) fell by Rs. 64.2 million or 41.3 per cent. The ratio of cash to total deposits thus dropped during the year from 21.5 per cent to 14.1 per cent and that to demand deposits from 25.1 per cent to 16.7 per cent.

(d) The total volume of bank credit at Rs. 550.6 million showed hardly any change over the previous year. But within the total, an expansion of loans and advances to the private sector of Rs. 18.0 million* (8.8 per cent) was approximately matched by a decrease of Rs. 18.8 million (6.2 per cent) in the holding of Government securities including treasury bills.

(e) Total liquid assets declined by Rs. 76.4 million (23.0 per cent) to Rs. 255.5 million at the end of 1953.

68. The following table sets out the composition of liquid assets and certain significant asset-liability relationships of the commercial banking system :

Commercial Banks: Liquidity and Asset-Liability Relationships.

(In millions of rupees)

	Dec., 1950	Dec., 1951	Dec., 1952	1953			
				March	June	Sept.	Dec.
Cash and deposits at Central Bank (inclusive of statutory reserve requirements) ..	199	226	155	155	130	128	91
Treasury bills	54	14	62	53	46	51	53
Bills discounted	53	73	64	65	64	70	60
Foreign balances	180	137	50	57	48	28	51
Total liquid Assets	487	450	332	330	287	277	255
Total investments (1)	271	235	302	291	283	283	284
Total loans and advances (2)	182	257	241	231	244	261	253
Demand deposits (3)	730	723	620	606	569	562	546
Time and savings deposits	77	91	103	98	103	103	102
Total deposits	807	814	723	704	672	664	648
Ratio of—	%	%	%	%	%	%	%
Cash to demand deposits	27.3	31.2	25.1	25.6	22.8	22.8	16.7
Cash to total deposits	24.7	27.7	21.5	22.1	19.3	19.2	14.1
Liquid assets to demand deposits	66.6	62.3	53.5	54.5	50.5	49.3	46.8
Investments to total deposits	33.6	28.9	41.8	41.3	42.2	42.6	43.7
Loans and advances to total deposits	22.6	31.5	33.3	32.8	36.3	39.3	39.0

(1) Treasury bills and Government securities.

(2) Bills discounted (local and foreign), overdrafts and loans.

(3) Exclusive of domestic inter-bank deposits.

The contraction of deposits in 1953 was mainly met by commercial banks reducing the volume of bank cash. Treasury bill investments which reached a low point in May and increased thereafter were Rs. 8.5 million lower at the end of the year. Other Government securities were not mobilised in any important degree to meet the decline in deposits, except for a liquidation of Rs. 6.3 million (net) in August when the 3 per cent National Loan matured.

69. A noteworthy feature was the ability of the commercial banks to meet the substantial contraction of their resources without restricting credit. They were, however, at times subject to increasing pressure for funds. Excess reserves (which were, of course, not evenly distributed) declined from Rs. 39.6 million at the end of 1952 to Rs. 11.0 million in August, 1953, but rose sharply to Rs. 40.5 million in the following month when reserve requirements were lowered to the statutory minimum.

*Excludes foreign bills outward but includes cash items in process of collection.

Thereafter excess reserves fell again, reaching a low point of Rs. 5.9 million at the end of the year under the impact of the transfer of cash from the public to the Central Bank for the account of Government. At certain periods of the year, the banks also reduced their foreign balances to ease the tightness of money and even increased their temporary borrowings from banks abroad, which reached a peak of Rs. 17.0 million in November, 1953, as against Rs. 5.7 million at the end of 1952. The banks, moreover, had recourse to borrowing from the Central Bank, whose advances to them amounted to Rs. 4.7 million in October, 1953 (there being none outstanding at the beginning of the year), and Rs. 3.3 million at the end of the year.

Public Finance

70. *Budget.*—The Government accounts for the financial year 1952-53 which are summarised in table on page 22 disclose the following salient features :—

- (a) Revenues were in excess of current expenditures ; and the surplus amounted to Rs. 48.1 million in contrast with the deficit of Rs. 50.6 million in 1951-52.
- (b) Total revenues were almost fully maintained at the 1951-52 level but there were important changes within the total : a decrease of Rs. 43.4 million in customs duties was largely offset by increases of Rs. 11.4 million in excise duties and Rs. 27.5 million in income tax, estate duty, etc.
- (c) Current expenditures showed a marked decrease mainly because food subsidies met from revenues declined from Rs. 247.2 million in 1951-52 to Rs. 127.0 million in 1952-53.
- (d) Loan and loan fund expenditures which had been growing almost steadily for several years past increased further to Rs. 220.6 million in 1952-53 as follows :—

(In millions of rupees)

1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
70.3	122.5	155.6	146.7	203.0	220.6

- (e) Net receipts from borrowing operations reached the record total of Rs. 216.5 million which, together with Rs. 15.4 million withdrawn from cash balances, were used to finance the net cash operating deficit of Rs. 231.9 million.

71. A new analysis of Government accounts, reclassifying receipts and payments, for the period from the financial year 1947-48 to 1953-54 is given in table 17. This table illustrates in particular :—

- (a) The important contribution of direct taxes to Government revenues.
- (b) The major role of indirect taxes in the revenue structure ; and the relative stability of import duties in contrast with the fluctuating yields of export duties.
- (c) The significance of “transfer payments.” The decline in 1952-53 was chiefly due to the reduction in food subsidy expenditure.
- (d) The growth of capital expenditure particularly under “economic services.”

Government Net Cash Operating Surplus or Deficit (In millions of rupees)

	1945-46	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53 ^(f)
(1) <i>Net Cash Operating Surplus or Deficit</i> (—)	5.1*	—130.6	—43.6	—160.6	—106.6*	—47.8	—257.1*	—231.9
(i) Revenue surplus or deficit (—)								
(a) Revenue	383.3	461.2	540.6	576.1	623.3	910.2	954.0	952.5
(b) Expenditure chargeable to revenue excluding sinking funds contributions (<i>vide</i> 2 (iii)(a))	—312.1	—481.9	—511.1	—532.7	—545.6	—787.5	—1,004.6	—904.4
(<i>Food subsidy</i>)	(7.0)(a)	(89.6)(a)	(77.8)	(55.1)	(35.8)	(131.6)	(247.2)	(127.0)
(ii) Loan and loan fund expenditure	71.2	—20.7	29.5	43.4	77.7	122.7	—50.6	48.1
(iii) Expenditure financed by National Development Reserve	—35.9	—32.1	—70.3	—122.5	—155.6	—146.7	—203.0	—220.6
(iv) Advances to stores and materials account	—6.0	—	—0.6	—5.6	—6.6	—5.4	—7.7	—6.4
(v) Other advances	2.0	—0.4	6.2	7.1	3.3	1.8	16.8	2.4
(vi) Miscellaneous	—28.8(b)	—81.5(b)	5.9	—14.6	—73.4	—16.2	19.0	—41.9
(vi) Miscellaneous	2.6	4.1	—1.9	—	0.6	—0.4	2.0	—8.7
(2) <i>Net Cash Receipts or Payments</i> (—) <i>Resulting from Government Borrowing and Lending Operations</i>	73.4*	—44.8	27.0	35.8	85.9*	114.0	184.1*	216.5
(i) Administrative borrowing and repayment of borrowings:								
(a) Deposits (from suitors, contractors, etc.)	—1.4	—18.0	0.5	7.7	14.0	46.7	—16.2	21.4
(b) Miscellaneous funds (Widows' & Orphans' Pension Fund, Public Servants' Provident Fund, etc.)	—12.9	—3.2	—2.6	0.8	2.8	—4.6	0.6	—0.2
(ii) Sundry loans (to Agricultural and Industrial Credit Corporation, Local Loans and Development Fund, Local Bodies, etc.)	—14.3	—21.2	—2.1	8.5	16.8	42.1	—15.6	21.2
(iii) Government market borrowing and repayment of borrowing:								
(a) Medium and long-term	68.5	31.4	24.0	56.1	19.5	146.0	102.4	80.0
<i>Less</i> Sinking funds contributions	7.8	13.1	14.2	15.2	17.6	17.4	18.4	23.1
(b) Treasury bills	60.7	18.3	9.8	40.9	1.9	128.6	84.0	56.9
(c) Central Bank advances	1.0	—10.0	24.0	—7.8	62.2	—48.4	62.3	90.6
(d) Other	—	—	—	—	—	—	—	—
(d) Other	26.3(c)	—26.3(d)	—	—	—	—	—	58.6(g)
(3) <i>Changes in Cash Balances</i> (including readily realisable assets) (1)+(2)	88.0	—18.0	33.8	33.1	78.4	80.2	218.3	204.6
	78.5	—175.4	—16.6	—70.6	—74.7	66.2	—73.0	—15.4

*Revised figures.

(a) Food subsidy expenditures have been included in all cases in item "Expenditure Chargeable to Revenue." As a result, the revenue surpluses in years 1945-46, 1946-47 and 1947-48 are different from the published accounts, but have been made comparable with five more recent years.

(b) Estimated.

(c) Overdraft from the Joint Colonial Fund.

(d) Repayment of overdraft from the Joint Colonial Fund.

(e) Special loan under the Bretton Wood Act No. 20 of 1950, Section 7.

(f) Provisional figures.

(g) Loans from semi-Government Agencies.

72. The table below shows how capital expenditures were financed. The contribution of current account surpluses, *i.e.* the excess of Government revenues over current (or non-capital) outlays, to the financing of capital expenditures was noteworthy.

Sources of Finance for Capital Expenditures

	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54 (Estimates)
Current account surplus ..	70·2	58·8	65·1	87·5	23·8	46·0	70·2
Net domestic borrowing ..	17·7	16·8	34·5	45·4	51·5	59·3	19·7
External aid under the Colombo Plan	—	—	—	—	0·1	2·9	4·6
Reduction in cash balances (including reserves) ..	12·1	24·4	0·4	—32·9	24·6	—8·2	5·5
Total capital expenditures (Rs. million)	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Of which expenditures on capital maintenance (Rs. million)	152·6	212·4	249·2	250·9	361·5	365·0*	411·8
	(34·5)	(29·2)	(29·5)	(34·1)	(42·5)	(44·3)	(30·0)

*Partly estimated.

73. *Public Debt.*—Changes in the public debt by financial years appear in table 20. The movements of the debt in the calendar years 1951 to 1953 are set out in the tables that follow.

Total Public Debt

(In millions of rupees)

Period	Gross	Net
End of December		
1951	726·4	558·8
1952	994·7	811·3
1953	1,175·0	993·3

The total net debt rose to Rs. 993 million by the end of 1953 mainly owing to a marked expansion of the floating debt. The net debt was still small in relation to the annual Government revenue, but the rate of increase of 22·4 per cent during the year, though less than that of 45·3 per cent in 1952, was excessive, having regard to the limited supply of domestic savings forthcoming for investment in Government loans, and to the heavy loss of external assets through creation of bank credit which the expansion of the public debt involved.

74. *Funded Debt.*—The increase in the funded debt in the calendar year 1953 was primarily the combined result of (a) the repayment of two maturing loans, 3½ per cent Home Defence Loan on June 1, 1953, for Rs. 0·8 million and 3 per cent National Loan on August 1, 1953, for Rs. 33 million, and (b) the issue of 3 per cent Loan 1956 and 3½ per cent Loan 1959-61, both on August 1, 1953, for a total sum of Rs. 80 million.

*Funded Debt**(In millions of rupees)*

Period	Sterling			Ceylon Rupees			Total	
	Gross	Sinking Fund	Net	Gross	Sinking Fund	Net	Gross	Net
End of December								
1951	125.4	52.9	72.5	586.0	114.7	471.3	711.4	543.8
1952	125.4	54.4	71.0	684.3	129.0	555.3	809.7	626.3
1953	125.4	60.4	65.0	730.5	121.2	609.2	855.9	674.2

75. The two new loans were issued partly to convert the 3 per cent National Loan maturing on August 1, 1953. They were fully subscribed in approximately four weeks as follows :—

Class of Subscriber	3% Loan 1956	3½% Loan 1959-61	Total	
	Rs. 000's	Rs. 000's	Rs. 000's	%
Commercial banks	18,335	2,331	20,666	25.8
Insurance companies	300	5,843	6,143	7.7
Commercial companies	72	390	462	0.6
Trusts	5,487	9,637	15,124	18.9
Provident and savings institutions..	822	35,335	36,157	45.2
Clubs and institutions	101	821	922	1.1
Individuals	300	226	526	0.7
	25,417	54,583	80,000	100.0

The 3 per cent Loan 1956, being short dated, was largely supported by commercial banks, while the 3½ per cent Loan 1959-61, with a medium term maturity, was especially favoured by institutional investors.

76. *Floating Debt*.—A further sharp increase in the floating debt was recorded in 1953. The expansion of the treasury bill issue during the year is described in table 18. Central Bank advances to Government, month by month, appear in table 5. A special feature was the temporary accommodation which Government secured from semi-Government agencies, pending raising of loans in the market. The increased importance of the floating debt was particularly striking in relation to the total rupee debt, the ratio rising as high as 30.4 per cent in 1953.

*Floating Debt***(In millions of rupees)*

Period	Treasury bills	Advances from Central Bank	Loans from semi-Govt. Agencies	Total	Total floating debt as per cent of	
					Total debt	Total rupee debt
End of December						
1951	15.0	—	—	15.0	2.1	2.5
1952	100.0	85.0	—	185.0	18.6	21.3
1953	190.0	72.1	57.0	319.1	27.2	30.4

*All in Ceylon rupees.

77. *Prices and Yields of Government Securities.*—As mentioned earlier, the rise in the treasury bill rate in effect set the pace for the advance in interest rates during 1953. Market quotations for Government securities began to weaken in March and April and declined markedly thereafter. By the beginning of June when the treasury bill rate had risen by a margin of 1.13 per cent above the January level, the yield to redemption of long term securities maturing in 20 years rose by a margin of 0.5 per cent. By September, when treasury bills had recorded a further rise of 0.43 per cent, the yield on the same long term securities had increased by 0.57 per cent. Thereafter, with the treasury bill rate remaining at 2.48 per cent, medium and long term securities tended to strengthen. Market transactions were recorded at prices somewhat above the lowest levels reached during July to September, thus showing a small decline in yields.

78. A revised statement on prices and yields of four representative Government securities is given in table 21. It must be emphasized that the Colombo market for Government securities is narrow and is still in process of development. Dealing prices do not necessarily reflect that close correspondence of yields of related securities which an active market normally provides. However, the general pattern of prices and yields in the table reflects the market trends which prevailed during the year.

79. *Public Debt Business.*—The following table shows the volume of public debt business in the financial year 1952-53 as compared with earlier years :—

Financial Year	Loans raised	Loans repaid	Interest warrants issued		Turnover of business in transfers, exchanges, etc.	Amount of Sinking Fund monies invested
			No.	Amount		
	Rs. Million	Rs. Million	000's	Rs. Million	Rs. Million	Rs. Million
1948-49	57.8	1.7	8.9	13.9	109.3	12.8
1949-50	29.7	17.5	9.0	15.1	152.8	15.1
1950-51	146.0	—	9.1	16.2	413.6	14.9
1951-52	104.0	1.7	9.1	18.4	211.1	15.6
1952-53	120.0	73.8	8.6	21.4	637.7	16.3

Prices, Wages and Employment

80. *Cost of Living.*—The Colombo Consumers' Price Index, described in the 1952 Annual Report, replaced with effect from January, 1953, the two previous indexes, the Colombo working class cost of living index and the estate labour cost of living index. As measured by the new index, the cost of living in 1953 was, on the average, 1.6 per cent higher than in 1952. Major factors contributing to the behaviour of the index were : (i) changes in Government policy with regard to the rice subsidy, first, in July when the price of rationed rice and the amount of the ration were increased and, later, in October when the price was reduced ; (ii) tax increases in the budget which raised the cost of some items in the import and domestic groups ; (iii) improvement in the terms of trade which was reflected in lower prices of the import group and in higher prices of the export group ; and (iv) the contractionary influence of a declining money supply on the domestic group, referred to earlier.

81. The movements in the Colombo Consumers' Price Index and its three component groups are shown below :—

Changes in Cost of Living by Commodity Groups
(1952=100)

Month	All Items			Import Group			Domestic Group			Export Group		
	1952	1953	Change* %	1952	1953	Change* %	1952	1953	Change* %	1952	1953	Change* %
Jan. . .	103.1	100.1	-2.9	103.0	97.6	-5.2	102.4	100.6	-1.8	118.1	115.2	-2.5
Feb. . .	101.3	99.5	-1.8	102.9	97.1	-5.6	99.5	100.0	+0.5	114.7	114.1	-0.5
Mar. . .	98.9	98.7	-0.2	101.9	96.9	-4.9	96.5	98.7	+2.3	108.4	114.8	+5.9
April. . .	99.2	99.6	+0.4	101.8	97.5	-4.2	97.7	99.7	+2.0	100.1	118.3	+18.2
May . . .	98.4	100.7	+2.3	99.8	97.1	-2.7	98.7	101.9	+3.2	88.0	118.2	+34.3
June . . .	100.3	102.3	+2.0	99.7	97.8	-1.9	102.2	104.3	+2.1	87.0	116.8	+34.3
July . . .	98.9	103.1	+4.3	98.5	104.5	+6.1	100.7	101.1	+0.4	85.7	113.8	+32.8
Aug. . .	97.3	105.5	+8.4	97.7	112.3	+14.9	98.4	98.9	+0.5	86.0	113.9	+32.4
Sept. . .	98.7	105.1	+6.5	99.4	111.8	+12.5	99.2	98.4	-0.9	85.1	117.4	+38.0
Oct. . .	100.9	103.0	+2.1	99.2	109.1	+10.0	101.6	96.4	-5.1	95.7	120.8	+26.2
Nov. . .	101.6	100.9	-0.7	99.2	104.1	+4.9	101.2	96.4	-4.7	116.2	120.6	+3.7
Dec. . .	100.9	101.0	+0.1	97.1	104.1	+7.2	101.4	96.7	-4.6	114.8	120.7	+5.1
Avg. . .	100.0	101.6	+1.6	100.0	102.5	+2.5	100.0	99.4	-0.6	100.0	171.1	+17.1

*From corresponding months of 1952.

82. *Wages.*—The movements in money wages and real wages of tea and rubber workers, which together constitute the most important single group of the occupied population, are shown in the table that follows. Money wages include basic wages and special allowances tied to changes in the cost of living. The average level of money wages of tea and rubber estate workers was higher in 1953, the minimum wage index rising by 1.7 per cent; but real wages were virtually unchanged.

Indexes of Money Wages, Cost of Living and Real Wages of Tea and Rubber Estate Workers

(1939=100)

Period		Minimum wage rates index (A)	Cost of living index (B)	Real wages index (C) = $\frac{(A)}{(B)}$
1946	280	228	123
1947	293	239	123
1948	315	259	122
1949	320	264	121
1950	373	274	136
1951	463	288	161
1952	468	287	163
1953	476	292	163
1951	December	473	296	160
1952	March	480	296	162
	June	463	276	168
	September	456	284	161
	December	468	291	161
1953	March	476	283	168
	June	463	294	157
	September	485	302	161
	December	468	290	161

Note : (1) Cost of living figures for 1953 have been computed by linking the former index to the Colombo Consumers' Price Index.

(2) 1951 and 1952 figures in column (A) as revised by Labour Department.

83. Available information on workers in other Wages Board industries, such as tea export, rubber export, engineering, coconut manufacturing and printing showed similar trends. For Government unskilled workers, however, the money wage index (1939=100) moved from an average of 540 in 1952 to 547 in January, 1953, and to 542 in the following month. From March onwards, the index remained at 547 because the special allowances were pegged at their January level.

84. *Employment.*—The only data available on unemployment are numbers registered for employment at the employment exchanges. They are given in the following table :—

Registrants at Employment Exchanges

Period		Number
1938	16,480
1949	69,732
1950	65,122
1951	52,707
1952	53,023
1953	1st Quarter	54,483
	2nd Quarter	51,925
	3rd Quarter	51,690
	4th Quarter	51,546

The data cannot, however, be taken as an accurate measure of unemployment. First, many who already have some employment often register to improve their employment. Second, in general, workers in the estate and rural sectors make little use of the exchanges and many of them transform their unemployment into under-employment by occupying themselves partially in some independent work. The result is that unemployment and also under-employment among Ceylonese workers in estates and villages escape measurement.

National Income

85. The Department of Census and Statistics estimated the gross national product at Rs. 4,619 million for 1951 and Rs. 4,476 million for 1952. Provisional figures indicate an estimate for 1953 slightly below that for 1952. The value of production exported rose but the value of production domestically consumed fell. The physical output of coconut and paddy, the two most important commodities produced for the domestic market, declined largely because of adverse weather conditions, the former by some 5 per cent and the latter by some 8 per cent. In general, the prices of goods produced for home consumption fell.

86. An all-island survey of consumer incomes and expenditures was conducted by the Central Bank from April to June 1953. Out of a sample designed to be as representative as possible and covering 5,179 persons, 1,708 persons were found to be recipients of income (including transfer income). The distribution of their income was as follows :—

Distribution of Income

Monthly income including transfers (Rupees)	No. of income receivers	% of income receivers	Total income (Rupees)	% of total income
0— 25	165	9.66	2,544	1.39
26— 50	454	26.58	17,344	9.46
51— 75	360	21.07	22,089	12.04
76— 100	221	12.94	18,845	10.27
101— 125	165	9.66	18,482	10.08
126— 150	86	5.03	11,661	6.36
151— 175	58	3.40	9,268	5.05
176— 200	47	2.75	8,675	4.73
201— 250	57	3.33	12,357	6.74
251— 300	20	1.17	5,457	2.97
301— 350	23	1.35	7,431	4.05
351— 400	16	0.94	6,015	3.28
401— 450	4	0.23	1,701	0.93
451— 500	7	0.41	3,232	1.76
501— 600	2	0.12	1,186	0.65
601— 700	6	0.36	3,733	2.03
701— 800	5	0.29	3,708	2.02
801—1,000	3	0.18	2,555	1.39
1,001—1,500	4	0.24	4,625	2.52
1,500—over	5	0.29	22,505	12.28
	1,708	100.00	183,413	100.00

Excluding transfer income, total personal income was reckoned at Rs. 173,430 for the sample. On this basis, assuming the population at the time of the survey at 8.13 million and excluding the income of persons living in institutions such as hospitals and hotels, who were left out of the sample, aggregate personal income (the major component of national income) could be assessed at an annual rate of Rs. 3,267 million. This figure can be treated as a minimum estimate, since in surveys of this type understatement of income is not uncommon.

Balance of Payments and External Assets

87. Ceylon's balance of payments annually from 1951 to 1953 is summarised in table 22A. A classification for 1953 by quarters appears in table 22B, and by regions and monetary areas in table 22C.

88. The balance of payments for 1953, as estimated, disclosed a deficit of Rs. 221.5 million on current account or approximately half of the corresponding deficit of Rs. 445.6 million (revised) for 1952.

89. The net outflow of private remittances and migrants' transfers decreased substantially to Rs. 58.8 million in 1953 from Rs. 103.6 million in 1952 under the influence of tighter exchange control restrictions. Net expenditure on foreign travel was also lower at Rs. 36.7 million as against Rs. 47.7 million in 1952.

90. In contrast with the net capital inflow of Rs. 25.1 million in 1952 there was a net outflow of Rs. 37.4 million in 1953. This was mainly due to the repatriation of capital on a larger scale in 1953 and, in a lesser degree, to an increase in the overseas balances of businesses operating in Ceylon.

91. The overall deficit in the balance of payments, as measured by the change in the net external assets of official and banking institutions, was Rs. 198.3 million. External assets fell altogether by Rs. 229.7 million, of which Rs. 31.4 million were applied towards reducing rupee liabilities to non-residents.

V. Operations and Accounts of the Central Bank

92. Financial accounts of the Central Bank for the year 1953 are set out in table 6. The main changes in comparison with 1952 were :—

	Rs. million	Per cent
Total demand liabilities	— 94.1	—17.8
Currency in circulation	— 21.7	— 5.6
Demand deposits	— 72.4	—51.6
(of which commercial banks')	(— 66.1)	(—50.1)
International reserve	—156.0	—38.9
Domestic assets	+ 66.7	+40.5
(of which advances to Government).. .. .	(— 12.9)	(—15.2)

increase + ; decrease —

The ratio of the International Reserve to total demand liabilities declined further from 75.8 per cent at the end of 1952 to 56.4 per cent at the end of 1953.

93. The Central Bank's discount rate for treasury bills continued to be fixed in 1953 at 1/8 of one per cent over the last average tender rate. As the average tender rate advanced, the discount rate moved up from 1.045 per cent in January to 2.605 per cent in August, and remained approximately at this level up to December.

94. The Central Bank rate for advances to commercial banks (against the pledge of Government securities) was raised from 2½ per cent to 3 per cent on July 23, 1953, at which level it remained unaltered for the rest of the year. The reserve ratio applicable to demand deposits of commercial banks was reduced from 14 per cent to 10 per cent with effect from September 11, 1953.

95. There was no change during 1953 in the Central Bank's spot and forward rates for sterling and the Indian rupee, which were :—

		T.T. Buying	T.T. Selling
Sterling (per Ceylon rupee) ..	Spot ..	1 sh. 6 3/64d.	1 sh. 6 1/32 d.
	Forward ..	1/128 d. per month	1/128 d. per month
	(up to six months) ..	discount against spot	premium against spot
Indian rupees (per 100) ..	Spot ..	Rs. 99 3/4	Rs. 99 13/16
	Forward ..	1/32 of a rupee per month discount against spot	1/32 of a rupee per month premium against spot

96. The Central Bank's rates for the U.S. dollar were changed from time to time (as shown in Appendix 1 B) in alignment with the movements in the sterling-dollar rate.