

reduction of commercial banks' profit margins on foreign exchange transactions and the limitation of investment abroad of commercial bank funds. The banks co-operated, partly, by entering the Government securities market to a larger extent. This factor contributed much towards maintaining comparatively low interest rates on Government securities. The commercial banks adjusted themselves to the situation also by gradually increasing credit to the private sector.

83. *Price Control*.—The controls imposed in 1956 on currysuffs, milk foods, drugs and cement, in view of the disorganization in supplies that followed upon the closure of the Suez Canal, continued through the early months of 1957, and in May the last of these controls—that on cement—was revoked. However, on December 31, price control* of certain currysuffs and milk foods was re-introduced owing to the delays in the unloading and clearance of cargoes.

84. *Exchange Control*.—Largely in view of the balance of payments position, certain new restrictions were imposed with effect from August 15, 1957. They included an administrative tightening up of control on the movement out of Ceylon of capital of companies incorporated outside Ceylon and individuals resident outside Ceylon. The release of exchange for investment outside Ceylon by residents of Ceylon was also restricted. Among other measures was some restriction of holiday travel and of transfers of emigrants' capital; but a non-national resident of Ceylon returning to his home country continued to be free to transfer his entire holdings. Profits and dividends continued to be freely remittable as in the past.

IV. Basic Economic Data

Foreign Trade in Merchandise

85. The value of total exports in 1957 was Rs. 1,682 million, having decreased by Rs. 53 million from its level in 1956. In contrast, the value of total imports rose in the same period by Rs. 174 million to Rs. 1,804 million. As a result, the balance of trade showed a deficit of Rs. 122 million in 1957. The terms of trade as measured by the Central Bank trade indices declined by 9·3 per cent from 140 in 1956 to 127 in 1957, reflecting a fall of 3·4 per cent in the average export price and a rise of 5·7 per cent in the average import price.

86. *Exports*.—Statistics of value, volume and price of exports from 1938 onwards are given in tables 27 and 29.† Though in 1957 the quantity of tea exported was the largest so far, the value of tea exports was Rs. 22 million less than

* These controls, except that on red onions, were removed by March 1, 1958. Price control of mutton was introduced on February 21, 1958.

† All tables numerically referred to appear in Appendix II.

in 1956, because of the greater effect of the fall of 7·3 per cent in average f.o.b. price of tea. The share of tea in the aggregate value of all exports was nevertheless 60·8 per cent as compared with 60·2 per cent in the previous year. The contribution of rubber to the value of total exports also showed a slight increase from a little under 17 per cent in 1956 to almost 18 per cent in 1957. In contrast, the share of the 3 major coconut products—copra, coconut oil and desiccated coconut—decreased sharply, from 12·3 per cent in 1956 to 9·3 per cent in 1957.

Composition of Exports

Commodity	Value in Rupees Million			Percentage of total exports		
	1955	1956	1957	1955	1956	1957
Tea	1,194	1,044	1,022	61·6	60·2	60·8
Rubber	350	293	300	18·0	16·9	17·9
3 major coconut products ..	225	213	156	11·6	12·3	9·3
Other domestic exports ..	103	102	110	5·3	5·9	6·5
Domestic exports	1,872	1,652	1,588	96·5	95·3	94·5
Re-exports	68	82	93	3·5	4·7	5·5
Total	1,940	1,735	1,682	100·0	100·0	100·0

Source : Ceylon Customs Returns.

87. The quantity of tea exports in 1957 totalled 368 million pounds, or 20 million pounds higher than that in the previous year. The increase was due in large part to greater production, resulting from improved methods of cultivation, such as the increased use of fertilisers, the control of blister blight, and to the good growing weather experienced in most tea planting districts. The trend of prices was disappointing. The average f.o.b. price of all grades of tea dropped from Rs. 3·00 per lb. in 1956 to Rs. 2·78 per lb. in 1957, and the average Colombo market price from Rs. 2·16 to Rs. 1·86 per lb. The average Colombo market price of high and medium tea fell rapidly during the first half of the year. Thereafter, the prices of high grown recovered somewhat ; mediums remained depressed. Prices of low grown fell from Rs. 2·08 per pound in the first quarter to Rs. 1·79 per pound in the fourth quarter, but the annual average price of 1957 was, at Rs. 1·88, the same as that in 1956. All major buyers of Ceylon tea, except the U.K. and Canada, purchased more tea in 1957. However, because of poor prices, the value of exports to the United Kingdom, Canada, South Africa and Australia were lower by Rs. 44 million, Rs. 12 million, Rs. 8 million and Rs. 3·5 million, respectively.

Tea Export Quantities and Prices

Year	Exports		Average market prices per lb.			
	Quantity (Mn. 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.
1954	361	3.11	2.65	2.47	2.53	2.56
1955	362	3.30	2.34	2.04	2.40	2.24
1956	348	3.00	2.50	1.96	1.88	2.16
1957	368	2.78	2.05	1.61	1.88	1.86
1957 1st Quarter ..	102	3.10	2.37	1.98	2.08	2.16
2nd " ..	91	2.61	1.62	1.40	1.81	1.58
3rd " ..	106	2.57	2.12	1.52	1.84	1.83
4th " ..	69	2.82	2.16	1.56	1.79	1.86

88. Rubber exports in 1957 amounted to nearly 207 million pounds, being 19 million pounds higher than in the previous year. This increase reflected, largely, exports from stocks carried over from the preceding year, the volume of stocks at the beginning of 1957 being 71.1 million pounds as compared with 52.6 million pounds at the beginning of 1956. The increase in production itself was small, from 213.7 million pounds in 1956 to 219.9 million pounds in 1957. The average f.o.b. price per pound of all grades of rubber (excluding latex) declined by 7 cents per pound to Rs. 1.43 in 1957. This price was Rs. 1.53 per pound in January, but declined almost continuously to Rs. 1.30 per pound in December.

89. The average f.o.b. price of sheet rubber shipped to China was Rs. 1.64 per pound in 1957,* compared with Rs. 1.75 per pound in 1956. The price of all grades of rubber shipped to destinations other than China also declined, from Rs. 1.48 per pound in 1956 to Rs. 1.34 per pound in 1957. The prices locally paid to the producer for sheet rubber purchased for shipment to China were reduced twice, in March from 141 cents to 126 cents per pound, and again in June to 116 cents per pound. On August 27, 1957, exports of sheet rubber were freed for shipment to any destination. Exports, particularly of sheet rubber to the United Kingdom, the United States of America and Canada, increased in volume and value in the latter months of the year. Exports of all rubber to China declined by 9.1 million pounds, or by Rs. 14.8 million, in 1957.

Rubber Exports (excluding latex)—Quantities and Prices

Year	Quantity million lbs.	Ceylon			Malaya
		F.o.b. price per lb.			Singapore f.o.b. price per lb. R.S.S. No. 1 Rs. cts.
		All destinations Rs. cts.	China Rs. cts.	Other destinations Rs. cts.	
1954	203	1.36	1.55	1.00	1.05
1955	216	1.56	1.52	1.58	1.78
1956	188	1.50	1.51	1.48	1.51
1957	207	1.43	1.51	1.34	1.38

Source : Ceylon Customs Returns.

* 11 months (January to November).

90. The volume of exports of the three major coconut products—copra, coconut oil and desiccated coconut—as measured by the Central Bank trade index fell 32·3 per cent, as compared with the previous year, to the lowest level recorded since 1949. The sharp contraction was the result of the droughts in 1956 and 1957. The decline in volume of exports was compensated to a small extent by increases in the average f.o.b. price, which, for all three products together, rose by 8·2 per cent. The total value of these exports fell by almost Rs. 57 million.

Major Coconut Products—Exports—Quantities and Prices

Products	1955		1956		1957	
	Quantity in Th. cwt.	F.o.b. prices per cwt. Rs. cts.	Quantity in Th. cwt.	F.o.b. prices per cwt. Rs. cts.	Quantity in Th. cwt.	F.o.b. prices per cwt. Rs. cts.
Copra	1,367	41·90	1,155	42·43	695	47·95
Coconut oil ..	1,945	58·26	1,698	58·42	1,081	62·80
Desiccated coconut	1,157	47·36	1,275	50·86	978	56·08

Source : Ceylon Customs Returns.

91. *Imports.*—Tables 28 and 30 show movements in imports by value, volume and price from 1938 onwards. The value of imports, as measured by the Central Bank trade indices, rose by 12·0 per cent consequent upon an increase of 5·6 per cent in volume and 5·7 per cent in price.

Composition of Imports

	Value in Rs. million			Percentage of total imports		
	1955	1956	1957	1955	1956	1957
Food, Drink and Tobacco..	625	703	736	42·8	43·2	40·8
of which—						
Rice	222	264	255	15·2	16·2	14·1
Flour	86	71	86	5·9	4·4	4·8
Sugar	63	96	82	4·3	5·9	4·5
Dairy products ..	45	44	63	3·1	2·7	3·5
Fish products ..	68	78	80	4·6	4·8	4·4
Curry stuffs ..	37	36	41	2·6	2·2	2·3
Raw Materials and Manufactures ..	835	926	1,068	57·2	56·8	59·2
of which—						
Petroleum products ..	127	111	202	8·7	6·8	11·2
Fertilizers	49	54	70	3·3	3·3	3·9
Cement	13	17	28	0·9	1·0	1·6
Iron and Steel ..	64	86	70	4·4	5·3	3·9
Machinery	59	65	81	4·0	4·0	4·5
Textiles	130	156	147	8·9	9·6	8·1
Chemicals, drugs, dyes and colours ..	35	37	42	2·4	2·3	2·3
Paper and cardboard	28	30	34	1·9	1·8	1·9
Motor vehicles ..	35	53	54	2·4	3·3	3·0
Other	—	—	—	—	—	—
Total	1,460	1,630	1,804	100·0	100·0	100·0
Re-exports	68	82	93	—	—	—
Net imports	1,392	1,548	1,711	—	—	—

Source : Ceylon Customs Returns.

92. The steep rise in the value of imports was largely in the " Raw Materials and Manufactures " group, which increased by Rs. 142 million ; and its share of the aggregate value of imports rose from 56·8 per cent in 1956 to 59·2 per cent in 1957. The increasing share of this group reflects larger imports of capital goods, which, as measured by a Central Bank Index, increased in volume from 144 in 1956 to 176 in 1957, or by 22·2 per cent. Some of the imports that increased in volume were petroleum products (mainly fuel oil), fertilisers, machinery and cement. The increase in the volume of consumer goods was quite small, 0·7 per cent ; the volume of textiles imported fell by 10·3 per cent, after successive increases in the previous two years. In the main consumer group viz. Food and Drink, the volume of imports declined by 0·8 per cent.

93. *Pattern of Trade.*—Table 31 shows the distribution of foreign trade by significant regions and monetary areas. Lower exports of tea and the three major coconut products to the Sterling Area, combined with an almost all round increase in imports, particularly of raw materials and manufactures resulted in a trade deficit of Rs. 122·4 million with the Sterling Area, in contrast with a surplus of Rs. 29·9 million in 1956.

Trade by Monetary Areas

Monetary areas	1955		1956		1957*	
	Exports %	Imports %	Exports %	Imports %	Exports %	Imports %
Sterling area	54·3	59·3	53·0	54·7	51·5	54·8
Dollar area	14·4	6·9	14·1	4·9	14·2	5·8
Non-Sterling E.P.U. area ..	11·4	12·9	10·2	13·3	8·0	11·9
Others	19·9	20·9	22·7	27·1	26·3	27·5
	100·0	100·0	100·0	100·0	100·0	100·0

Source : Ceylon Customs Returns.

*Provisional.

94. Exports to the Dollar Area declined by Rs. 6·8 million, but imports rose by Rs. 23·8 million, chiefly on account of increased imports of machinery, textiles and clothing, and chemicals. Consequently the trade surplus with the Dollar Area declined by Rs. 30·6 million, as compared with the previous year. The value of almost all major exports to the Non-Sterling E.P.U. Area fell in 1957, the most marked decline being that in coconut products, from Rs. 64·3 million in 1956 to Rs. 29·5 million in 1957. But imports declined slightly. Hence the trade deficit increased by Rs. 38·8 million.

Trade with the Dollar Area

Rupees Million

Year	Exports				Imports							Trade balances
	Total	of which			Total	of which						
		Tea	Rubber	Coconut products		Machinery	Vehicles	Rice, flour, sugar and tobacco	Textiles	Petroleum products	Paper and cardboard	
1954	199	147	18	13	67	8	5	24	2	4	4	+132
1955	280	170	62	24	101	17	6	47	2	4	3	+179
1956	245	169	28	22	80	10	9	34	2	4	3	+165
1957	238	158	36	18	104	14	9	40	3	3	4	+134

Source : Ceylon Customs Returns.

95. Ceylon's trade surplus with China increased by Rs. 35 million to Rs. 83 million in 1957, the largest in four years. However, the total trade with China contracted sharply, by Rs. 65 million as compared with the previous year, chiefly because of a decrease of Rs. 50 million in imports from that country. In December, 1956, the price payable for rubber in the final year of the agreement, 1957, was fixed as follows :—

Premium payable

4½ pence	Between 22½ pence and 28 pence and at 28 pence
3 pence	Between 28 pence and 35 pence and at 35 pence
2½ pence	Between 35 pence and 40 pence and at 40 pence
1 penny	Over 40 pence

Price at Singapore for corresponding grade of rubber

The floor price of 27 pence was continued.

Ceylon's Trade with China

Year	Exports		Imports		Trade balance (Rs. Mn.)
	Value (Rs. Mn.)	Percentage of total Domestic exports	Value (Rs. Mn.)	Percentage of total imports	
1954	222	12.2	158	11.3	+64
1955	121	6.5	80	5.3	+41
1956	182	11.0	134	8.2	+48
1957	167	10.5	84	4.6	+83

96. The Five-Year Rubber-Rice Agreement between Ceylon and the People's Republic of China expired in December, 1957. A fresh Trade and Payments Agreement, which came into force on January 1, 1958, was concluded in September, 1957. Under this Agreement, Ceylon undertakes to export during the currency of the Agreement an approximate quantity of 30,000 metric tons of rubber, and

China undertakes to export to Ceylon an approximate quantity of 200,000 metric tons of rice. The prices of commodities to be exported and imported under the Agreement will be world market prices. In addition to the clauses relating to these contracted quantities there is provision for additional sales or purchases of rice, rubber and other products.

97. An Economic Aid Agreement was simultaneously concluded between the two Governments, under the provisions of which the Government of the People's Republic of China agrees to grant to Ceylon economic aid in commodities priced at international market price levels for a period of five years from January, 1958, to the value of Rs. 15 million annually. The aid is for the purpose of financing part of the cost of the Rubber Re-planting Subsidy Programme.

98. The Trade and Payments Agreements with Poland and Czechoslovakia were extended, the former till March, 1958, and the latter till June of the same year. Trade Agreements concluded earlier with India, the Maldives Islands and Spain expired during the course of the year. A trade agreement was negotiated with Italy.

Money and Banking

99. *Money Supply.*—The money supply which had increased by Rs. 53·9 million in 1956, decreased by Rs. 86·7 million in 1957. The rising trend in the money supply which began in the early months of 1954 persisted up to the beginning of 1957. Having reached its peak level of Rs. 1,130·8 million in January, 1957, the money supply fell almost consistently up to the end of the first half of the year. In the second half, however, after some fluctuation, there was a moderate fall. At the end of the year the money supply stood at Rs. 1,040·1 million, having fallen by 7·7 per cent over the year.

Money Supply

Rupees Million

End of	1955	1956	1957	Change (1956 over 1955)%	Change (1957 over 1956)%
January	952	1,060	1,131	+11·3	+6·7
February	968	1,054	1,105	+ 8·9	+4·9
March	954	1,048	1,107	+ 9·9	+5·6
April	933	1,043	1,082	+11·7	+3·8
May	925	1,049	1,061	+13·4	+1·1
June	919	1,056	1,045	+14·9	—1·0
July	961	1,051	1,056	+ 9·3	+0·5
August	984	1,053	1,024	+ 7·0	—2·8
September	1,012	1,064	1,046	+ 5·2	—1·7
October	1,056	1,078	1,052	+ 2·0	—2·4
November	1,077	1,094	1,049	+ 1·6	—4·1
December	1,073	1,127	1,040	+ 5·0	—7·7

100. Currency in circulation rose by 8·4 per cent, but demand deposits fell by 16·6 per cent. In 1956, when the money supply increased by 5 per cent, both currency and demand deposits rose, by 4·3 per cent and 5·4 per cent, respectively.

101. The table below measures broadly the expansionary and contractionary influences on the money supply annually from 1954.

Changes in Money Supply

Rupees Million

Factors affecting money supply	End of December, 1953-54		End of December, 1954-55		End of December, 1955-56		End of December, 1956-57	
	Expansionary factors	Contractionary factors	Expansionary factors	Contractionary factors	Expansionary factors	Contractionary factors	Expansionary factors	Contractionary factors
External banking assets (net)	342·6	—	219·0	—	20·4	—	—	209·2
Commercial bank credit .								
(a) To the Government sector	26·2	—	—	26·4	62·8	—	—	7·4
(b) To the private sector	36·0	—	12·9	—	93·0	—	55·3	—
Central Bank credit (net) to Government ..	—	221·0	—	25·9	—	30·2	64·5	—
Shift from demand to time and other liabilities (net) of commercial banks ..	—	36·2	—	15·9	—	31·3	—	38·4
Shift of Government rupee cash to public	—	16·8	—	46·5	—	60·9	49·3	—
Adjustments	—	0·5	—	1·4	0·1	—	—	0·8
Total expansionary/contractionary factors ..	404·8	274·5	231·9	116·1	176·3	122·4	169·1	255·8
Changes in money supply	+130·3		+115·8		+53·9		—86·7	

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

102. *Commercial Banks.*—The main changes in the commercial banks' assets and liabilities position in 1957 are summarized below :—

- (a) Total deposit liabilities fell by Rs. 78·6 million, or 7·7 per cent, to Rs. 942·1 million. Time and savings deposits increased by Rs. 18·0 million, but demand deposits decreased by Rs. 96·6 million. The fall in total deposits in 1957 was the result of a decrease in private deposits. Whereas Government deposits increased by Rs. 6·6 million, and inter-bank deposits by Rs. 3·8 million, private deposits decreased by Rs. 89·0 million.
- (b) Cash assets, comprising till money and balances with the Central Bank, decreased by Rs. 63·1 million to Rs. 120·8 million. The ratio of cash to total deposits also fell from 18·1 per cent to 12·9 per cent.
- (c) Foreign balances, including unmatured export bills, fell by Rs. 54·1 million.
- (d) Loans and advances increased by Rs. 45·5 million. Although export and import bills decreased by Rs. 9·8 million and Rs. 1·4 million respectively,

overdrafts, loans and local bills increased by Rs. 37·7 million, Rs. 18·4 million and Rs. 0·6 million respectively. The ratio of loans and advances to total deposits rose from 40·0 per cent to 48·0 per cent.

(e) Investments decreased by Rs. 7·4 million. This is accounted for by a fall of Rs. 13·1 million in the holdings of treasury bills and a rise of Rs. 5·7 million, in the holdings of Government and Government guaranteed securities and Central Bank issues. The ratio of investments to total deposits, however, rose from 34·0 per cent to 36·2 per cent.

(f) Total liquid assets fell by Rs. 128·5 million or 29·4 per cent to Rs. 308·2 million.

(g) Excess reserves declined by Rs. 51·4 million to Rs. 8·0 million, in 1957. The average level of excess reserves was much lower than that of the previous year—Rs. 25·0 million in 1957 against Rs. 37·6 million in 1956.

103. The composition of liquid assets and the changes in certain asset-liability relationships of the commercial banks are shown in the following table.

Commercial Banks : Liquidity and Asset-Liability Relationships

Rupees Million

	Dec., 1950	Dec., 1951	Dec., 1952	Dec., 1953	Dec., 1954	Dec., 1955	Dec., 1956	1957			
								Mar.	June	Sept.	Dec.
Cash and deposits at Central Bank (inclusive of statutory reserve requirements) ..	199	226	155	91	132	170	184	127	121	194	121
Treasury Bills ..	54	14	62	53	88	35	52	51	14	20	39
Bills discounted ..	53	73	64	60	83	91	103	111	96	91	92
Foreign balances (includes overdrafts to banks abroad) ..	180	137	50	51	75	160	101	96	72	60	56
Total liquid assets ..	487	450	332	255	375	451	437	379	299	364	308
Total investments⁽¹⁾ ..	271	235	302	284	310	283	346	361	326	326	339
Total loans and advances⁽²⁾ ..	182	257	241	253	307	324	407	436	433	453	453
Demand deposits ⁽³⁾ ..	730	723	620	546	648	741	790	762	683	747	690
Time and savings deposits ..	77	91	103	102	147	165	228	225	241	249	246
Total deposits ..	807	814	723	648	794	906	1,018	987	924	996	936
Ratio of :—	%	%	%	%	%	%	%	%	%	%	%
Cash to demand deposits ..	27·3	31·2	25·1	16·7	20·3	22·9	23·3	16·7	17·7	26·0	17·5
Cash to total deposits ..	24·7	27·7	21·5	14·1	16·6	18·8	18·1	12·9	13·1	19·5	12·9
Liquid assets to demand deposits ..	66·6	62·3	53·5	46·8	58·0	60·9	55·3	49·8	43·7	48·7	44·7
Investments to total deposits ..	33·6	28·9	41·8	43·7	39·0	31·2	34·0	36·6	35·3	32·7	36·2
Loans and advances to total deposits ..	22·6	31·5	33·3	39·0	38·6	35·8	40·0	44·2	46·9	45·5	48·0

(1) Treasury bills, Government and Government guaranteed securities and Central Bank issues.

(2) Bills discounted (local and foreign), loans and overdrafts, including overdrafts to banks abroad.

(3) Exclusive of domestic inter-bank deposits.

Survey of Bank Deposits and Advances

104. The results of the first two surveys as at September 30, 1956, and March 31, 1957, were published in detail in the December, 1957, issue of the *Central Bank Bulletin*; the detailed results of the survey as at September 30, 1957, will be published in the April, 1958, issue of the *Bulletin*.

105. *Ownership of Deposits.*—The surveys revealed that at the end of September, 1956, out of a total of Rs. 638·1 million of demand deposits, over a third belonged to individuals; plantations owned a little over a fourth, financial institutions nearly a tenth and other business some 15 per cent.

106. Plantations and financial institutions were the more important holders of time deposits. At the end of September, 1956, plantations held over a third, financial institutions a fourth and individuals only a little over a fifth of total time deposits. Individuals held almost 90 per cent of savings deposits.

107. The following table shows the ownership of deposits as at the end of September, 1956, and of March and September, 1957.

Ownership of Deposits
(Amounts in Rupees Million)

Owner	Demand		Time		Savings		Total	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
Financial Institutions.								
Sept., 1956 ..	53·7	8·4	24·3	25·0	2·6	3·3	80·7	9·9
Mar., 1957 ..	52·7	7·8	21·5	20·5	2·3	2·7	76·5	8·8
Sept., 1957 ..	50·3	8·4	24·4	18·9	4·9	5·4	79·7	9·8
Plantations								
Sept., 1956 ..	179·0	28·0	32·9	33·8	2·6	3·2	214·5	26·3
Mar., 1957 ..	223·5	33·0	22·7	21·5	2·0	2·5	248·3	28·7
Sept., 1957 ..	154·7	26·0	23·7	18·4	1·7	1·9	180·1	22·1
Other Business								
Sept., 1956 ..	99·8	15·6	7·5	7·7	1·0	1·3	108·3	13·3
Mar., 1957 ..	110·5	16·3	18·2	17·2	1·6	2·0	130·4	15·0
Sept., 1957 ..	100·9	17·0	23·8	18·5	1·1	1·2	125·7	15·4
Local Authorities								
Sept., 1956 ..	43·1	6·8	8·2	8·4	0·1	0·2	51·5	6·3
Mar., 1957 ..	29·9	4·4	20·7	19·5	0·2	0·2	50·8	5·9
Sept., 1957 ..	19·5	3·3	21·3	16·7	0·2	0·2	41·2	5·1
Non-Business Institutions								
Sept., 1956 ..	29·2	4·6	4·2	4·0	4·0	4·9	37·1	4·5
Mar., 1957 ..	23·0	3·4	3·2	3·1	2·1	2·5	28·3	3·3
Sept., 1957 ..	25·9	4·4	2·9	2·3	2·5	2·7	31·3	3·8
Individuals								
Sept., 1956 ..	233·3	36·6	20·6	21·1	70·4	87·1	324·3	39·7
Mar., 1957 ..	237·9	35·1	19·4	18·3	75·0	90·1	332·3	38·3
Sept., 1957 ..	243·5	40·9	32·5	25·2	80·9	88·7	356·8	43·8
Total								
Sept., 1956 ..	638·1	100·0	97·5	100·0	80·8	100·0	816·4	100·0
Mar., 1957 ..	677·5	100·0	105·7	100·0	83·2	100·0	866·6	100·0
Sept., 1957 ..	594·8	100·0	128·8	100·0	91·2	100·0	814·8	100·0

108. *Advances by Purpose.*—Commercial bank credit to the private sector consisted predominantly of advances given for commercial, particularly foreign trade, purposes. At the end of September, 1956, nearly 75 per cent of total bank credit consisted of advances to commerce, of which nearly three-fifths were for export trading. While financial advances amounted to a little over a tenth, agricultural and industrial advances were together less than a tenth of the total. Over two-fifths of total advances were short-term (repayable within six months), two-fifths medium-term (repayable 7-30 months), and some 17 per cent long-term (repayable after 30 months).

109. The table below summarises advances classified by maturity under major economic groups as at the end of September, 1956, March and September, 1957.

Loans and Advances Classified by Purpose and According to Maturity

Rupees Million

Purpose			Short-term		Medium-term		Long-term		Total	
			(1)	(1) as % of (7)	(3)	(3) as % of (7)	(5)	(5) as % of (7)	(7)	(7) as % of total (8)
				(2)		(4)		(6)		(8)
A. Commercial	Sept. 1956	..	131.6	48.2	99.2	36.3	42.2	15.5	273.0	73.9
	March 1957	..	147.4	50.7	110.9	38.2	32.3	11.1	290.6	68.4
	Sept. 1957	..	126.9	42.5	129.9	43.5	42.1	14.1	298.9	66.6
B. Financial	Sept. 1956	..	15.4	33.6	21.6	47.1	8.9	19.4	45.9	12.4
	March 1957	..	16.9	25.8	35.2	53.7	13.3	20.3	65.5	15.4
	Sept. 1957	..	18.6	25.8	41.3	57.3	12.0	16.6	72.1	16.1
C. Agricultural	Sept. 1956	..	2.0	21.5	6.1	65.6	1.2	12.9	9.3	2.5
	March 1957	..	3.4	37.8	4.1	45.6	1.5	16.7	9.0	2.1
	Sept. 1957	..	5.0	34.2	7.2	49.3	2.4	16.4	14.6	3.3
D. Industrial	Sept. 1956	..	2.3	11.5	12.4	62.0	5.3	26.5	20.0	5.4
	March 1957	..	3.1	9.9	26.2	83.3	2.2	7.0	31.4	7.4
	Sept. 1957	..	3.8	11.3	27.3	81.3	2.5	7.4	33.6	7.5
E. Consumption	Sept. 1956	..	0.6	7.4	5.4	66.7	2.0	24.7	8.1	2.2
	March 1957	..	4.9	24.0	13.9	68.1	1.6	7.8	20.5	4.8
	Sept. 1957	..	4.6	23.2	13.9	70.2	1.3	6.6	19.8	4.4
F. Other Loans	Sept. 1956	..	4.2	31.2	5.0	37.3	4.1	30.6	13.4	3.6
	March 1957	..	0.7	8.6	4.2	51.9	3.2	39.5	8.1	1.9
	Sept. 1957	..	0.7	7.1	5.5	55.6	3.7	37.4	9.9	2.2
Total	Sept. 1956	..	156.1	42.2	149.8	40.5	63.7	17.2	369.6	100.0
	March 1957	..	176.5	41.5	194.4	45.7	54.2	12.8	425.1	100.0
	Sept. 1957	..	159.5	35.5	225.1	50.1	64.1	14.3	448.9	100.0

110. *Advances by Type of Security.*—Among the types of collateral pledged for advances, documentary bills and stock-in-trade were the more important. The amount advanced against Government securities was relatively small.

111. The following table shows advances by type of security as at the end of September, 1956, March and September, 1957 :—

Advances by Type of Security

Type of Security	30th Sept., 1956		31st March, 1957		30th Sept., 1957	
	Amount Rs. Mn.	% of total	Amount Rs. Mn.	% of total	Amount Rs. Mn.	% of total
Documentary Bills	111.1	30.1	109.4	25.6	94.2	21.0
Government Securities	4.7	1.3	4.7	1.1	3.2	0.7
Shares of Joint-Stock Companies ..	31.5	8.5	47.9	11.2	49.3	11.0
Time and Savings Deposits and other cash deposits including cash value of life policies	5.8	1.6	6.8	1.6	14.2	3.2
Stock-in-trade	106.6	28.8	117.8	27.6	136.0	30.4
Immovable Property	40.0	10.8	50.8	11.9	57.9	12.9
Others	52.1	14.1	70.4	16.5	66.5	14.9
Unsecured	17.8	4.8	19.0	4.5	26.6	5.9
Total ..	369.6	100.0	426.8	100.0	447.8	100.0

The slight discrepancies between the totals in the above table and in table on page 27 are due to errors in reporting.

112. *Advances by Rate of Interest.*—At the end of September, 1956, the most usual rates charged on advances were 4 per cent and 6 per cent. Over 90 per cent of the advances were charged at rates ranging from 4 to 6 per cent.

113. The following table shows advances classified by rate of interest as at the end of September, 1956, March and September, 1957 :—

**Advances by Rate of Interest*

Rate of Interest (Per cent)	30th Sept., 1956		31st March, 1957		30th Sept., 1957	
	Amount Rs. Mn.	% of total	Amount Rs. Mn.	% of total	Amount Rs. Mn.	% of total
Below 2½	0.2	0.1	14.5	4.0	3.3	0.9
2½	2.8	0.9	—	—	0.7	0.2
3	1.8	0.6	4.2	1.2	10.5	2.8
3½	4.2	1.4	4.4	1.2	4.2	1.1
4	87.7	29.1	95.4	26.4	8.1	2.1
4½	31.5	10.5	37.1	10.3	144.1	37.7
5	52.3	17.4	87.9	24.3	53.7	14.1
5½	12.1	4.0	10.2	2.8	31.0	8.1
6	99.3	33.0	95.7	26.5	100.1	26.2
6½	4.4	1.5	8.1	2.2	16.9	4.4
7	2.9	1.0	1.0	0.3	3.0	0.8
7½	0.8	0.3	0.7	0.2	3.7	1.0
8 and above	1.2	0.4	2.1	0.6	2.8	0.7
Total ..	301.2	100.0	361.3	100.0	381.9	100.0

*Excluding export bills purchased at current rates of exchange.

Public Finance

114. *Government Accounts.*—Government's Accounts for the financial year 1956-57 are summarised in the table on page 30. The salient features of Government's operations in 1956-57 are as follows :—

- (a) Government had a net cash operating deficit of Rs. 196·4 million, as compared with a deficit of Rs. 1·2 million in 1955-56 and a surplus of Rs. 127·6 million in 1954-55.
- (b) Government revenue, at Rs. 1,260·5 million, was Rs. 3·3 million above the previous year's level. Lower receipts from profits tax, estate duty and export duties on rubber and coconut products were slightly more than offset by higher collections from income tax, stamp duty, excise and salt taxes, tea export duty and import duties.
Of the two main trading activities of the Government included in the Budget, the Railway showed a deficit of Rs. 24·9 million as compared with a deficit of Rs. 19·8 million in 1955-56, while the net profits of the Electrical Department increased from Rs. 3·5 million in 1955-56 to Rs. 4·2 million in 1956-57.
- (c) Expenditure chargeable to revenue showed an increase of Rs. 90·8 million. The increase was mainly the result of higher expenditure on food subsidies, education, health, social services and public utilities.
- (d) Loan and Loan Fund expenditure at Rs. 213·3 million was Rs. 2·3 million higher than in the previous year. Expenditure financed from the I.B. R.D. loan increased to Rs. 18·6 million from Rs. 5·2 million in 1955-56.
- (e) Net payments on advance accounts amounted to Rs. 133·3 million as against Rs. 29·0 million in 1955-56. These payments included an advance of Rs. 76·0 million to the Commissioner of Commodity Purchase for financing rubber shipments to China and Rs. 13·8 million for the maintenance of food stocks and other Government inventories.
- (f) Government's borrowing and lending operations resulted in a net receipt of Rs. 175·4 million which, together with the drawing down of cash balances by Rs. 21·0 million, was used to finance the deficit of Rs. 196·4 million.

Net receipts from borrowing and lending operations consisted of a withdrawal of Rs. 18·6 million from the I.B.R.D. loan and net borrowings of Rs. 156·8 million from domestic sources. The latter was made up of Rs. 63·8 million of funded debt (Rs. 94·9 million of loans less a contribution of Rs. 31·1 million to sinking funds), Rs. 102·4 million of floating debt, Rs. 6·7 million on account of administrative borrowing, less a payment of Rs. 16·1 million on account of loans to Government agencies. The floating debt comprised advances of Rs. 96·3 million from the Central Bank and Rs. 9·1 million from the sale of tax reserve certificates less a repayment of Rs. 3·0 million of treasury bills.

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

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57 ^(a)
<i>Net Cash Operating Surplus or Deficit (—)</i>	—160.6	— 47.8	—257.1	—231.9	33.7	127.6	— 1.2	—196.4
(i) Revenue surplus or deficit (—)								
A. Revenue	623.3	910.2	954.0	952.5	1,026.2	1,158.6	1,257.2	1,260.5
B. Expenditure chargeable to revenue excluding contributions to sinking fund and direct repayments of public debt from revenue (<i>vide</i> 2 (iii) A)	—545.6 (35.8)	—787.5 (131.6)	—1,004.6 (247.2)	—904.4 (127.0)	—772.0 (12.0)	—828.9 (—)	—1,064.4 ⁽⁴⁾ (79.5)	—1,105.2 (105.5)
(<i>Food subsidy</i>)	77.7	122.7	— 50.6	48.1	254.2	329.7	192.8	155.3
(iii) Loan and loan fund expenditure	—155.6	—146.7	—203.0	—220.6	—162.3	—215.5	—211.0	—213.3
(iii) Expenditure financed by National Development Reserve	— 6.6	— 5.4	— 7.7	— 6.4	— 3.2	— 2.1	— 4.0	— 5.1
(iv) Advances to stores and materials account ..	— 3.3	— 1.8	—16.8	— 2.4	4.6	9.9	1.2	—14.5
(v) Other advances	—73.4	—16.2	19.0	—41.9	—61.1	— 2.0	19.7 ⁽⁵⁾	—115.8
(vi) Miscellaneous	0.6	— 0.4	2.0	— 8.7	1.5	7.6	0.1	— 3.0
2. <i>Net Cash Receipts or Payments (—) resulting from Government Borrowing and Lending Operations</i> ..	85.9	114.0	184.1	216.5	— 35.3	— 39.0	12.2	175.4
(i) Administrative borrowing and repayment of borrowing :								
A. Deposits (from suitors, contractors, etc., and includes the unexpended balance of Colombo Plan aid)	14.0	46.7	—16.2	21.4	— 2.1	34.5	—10.8	9.0
B. Miscellaneous funds (Widows' and Orphans' Pension Fund, Public Servants' Provident Fund, etc.) ..	2.8	— 4.6	0.6	— 0.2	0.3	— 0.9	— 4.8	— 2.3
	16.8	42.1	—15.6	21.2	— 1.8	33.6	—15.6	6.7
(ii) Sundry loans (to Agricultural and Industrial Credit Corporation, Local Loans and Develop- ment Fund, Local Bodies, etc.)	— 9.3	— 8.3	—18.6	— 9.3	— 2.8	— 4.5	—20.9	—16.1
(iii) Government market borrowing and repayment of borrowing :								
A. Medium and long-term	19.5	146.0	102.4	80.0	133.3	87.1	79.7	113.5
<i>Less</i> Sinking fund contributions and direct public debt repayments from revenue	17.6	17.4	18.4	23.1	22.6	44.5	39.0	31.1
	1.9	128.6	84.0	56.9	110.7	42.6	40.7	82.4
B. Treasury bills	62.2	—48.4	62.3	90.6	—78.1	—44.9	8.0	— 3.0
C. Central Bank advances	14.3 ⁽¹⁾	—	72.0	— 1.5	— 4.7	—65.8	—	96.3
D. Tax Reserve Certificates	—	—	—	—	—	—	—	9.1
E. Other	—	—	—	58.6 ⁽²⁾	—58.6 ⁽³⁾	—	—	—
	78.4	80.2	218.3	204.6	—30.7	—68.1	48.7	184.8
3. <i>Changes in Cash Balances (including readily realisable assets) (1) + (2)</i>	— 74.7	66.2	— 73.0	—15.4	— 1.6	88.6	11.0	— 21.0

(1) Special loan under the Bretton Woods Agreements Act, No. 20 of 1950, Section 7.

(2) Loans from semi-Government institutions.

(3) Loans repaid to semi-Government institutions.

(4) Includes a book debit of Rs. 50 million on account of the losses on Government advance account activities up to 1950/51.

(5) Includes a book credit of Rs. 50 million on account of the losses on Government advance account activities up to 1950/51.

(a) Provisional.

115. *Capital Expenditure.*—The following table shows how the total budgetary and extra-budgetary capital expenditure of the Government was financed :—

Sources of Finance for Capital Expenditure

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58 (Original budget esti- mates)
	%	%	%	%	%	%	%
Current account surplus ..	23·2	45·9	120·5	121·0	91·5	68·6	56·6
Colombo Plan aid—grants	1·7	0·9	6·5	7·3	5·4	3·4	2·5
American aid—grants ..	—	—	—	—	—	2·0	1·4
Net foreign borrowing ..	—	—	21·6	3·4	1·2	4·8	4·3
Net domestic borrowing ..	51·7	62·3	—35·2	—14·8	6·7	43·9	35·1
Reduction in cash balances (including reserves) ..	23·5	— 9·0	—13·5	—16·8	— 4·8	—22·7	
Total capital expenditure (Rs. million)	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Of which expenditure on capital maintenance (Rs. million)	379·9	358·3	293·0	357·3	430·9	391·2*	462·1
	(42·5)	(42·0)	(38·1)	(40·8)	(48·9)	(54·0)	(48·8)

* Provisional.

116. Government's capital expenditure decreased in 1956-57 as compared with the previous year, according to a provisional estimate made by the Central Bank.

117. *Public Debt.*—The figures of public debt as at the end of each of the last four calendar years are given in the statement that follows. The figures in respect of financial years are shown in Table 23. The total net debt rose by Rs. 144·1 million in the calendar year, as compared with an increase of Rs. 63·0 million in 1956. The rise in 1957 consisted of an increase of Rs. 74·7 million in funded debt, both domestic and foreign, and of Rs. 69·5 million in the floating debt. The total net debt of Rs. 1,105·5 million at the end of 1957 was 87·7 per cent of Government revenue in 1956-57.

Total Public Debt

Rupees Million

End of December	Gross	Net
1954	1,084·0	885·0
1955	1,105·0	898·4
1956	1,186·7	961·4
1957	1,354·3	1,105·5

118. *Funded Debt.*—In the calendar year 1957, gross funded debt increased by Rs. 98·2 million, and net funded debt by Rs. 74·7 million. The increase in the gross funded debt was the result of (a) the withdrawal of Rs. 23·3 million from the I.B.R.D. under the Loan Agreement of July, 1954, and (b) the rupee loan transactions undertaken in 1957.

*Funded Debt**Rupees Million*

End of December	Foreign Debt						Domestic Debt			Total	
	Sterling loans			IBRD Loan	Total		Gross	Sink- ing Fund	Net	Gross	Net
	Gross	Sink- ing Fund	Net		Gross	Net					
1954 ..	192.1	67.3	124.8	4.8	196.9	129.6	782.1	131.7	650.4	979.0	780.0
1955 ..	192.1	65.8	126.3	13.7	205.8	140.0	849.2	140.8	708.4	1055.0	848.4
1956 ..	192.1	68.9	123.2	22.6	214.7	145.8	911.9	156.4	755.5	1126.6	901.3
1957 ..	192.1	74.5	117.6	45.9	238.0	163.5	986.8	174.3	812.5	1224.8	976.0

119. In February a loan for Rs. 40.0 million, carrying 3 per cent interest and maturing in 13 to 16 years, was issued at par. In August another loan for Rs. 25.0 million carrying 3 per cent interest, maturing in 13 to 16 years was issued at par. In December, two loans were issued at par : one for Rs. 6.0 million carrying 2½ per cent interest maturing in 5 to 7 years and the other for Rs. 19.0 million carrying 3½ per cent interest and maturing in 16 to 20 years. In August, Government repaid the Rs. 15.1 million 3½ per cent National Loan, 1957.

120. The four new loans issued during the year for cash were fully subscribed and allotted as follows :—

Rupees Million

Class of subscriber	3% 1970-73	3% 1970-73	2½% 1962-64	3½% 1973-77	Total	
					Amount	%
Commercial banks	13.18	5.10	4.61	4.51	27.40	30.44
Co-operative provincial banks	—	0.30	—	0.50	0.80	0.88
Savings institutions	6.40	7.95	—	1.50	15.85	17.61
Sinking funds	8.18	3.90	0.58	1.40	14.06	15.62
Departmental and other official funds	6.35	3.38	—	2.09	11.82	13.13
Trusts, provident and pension funds	1.98	1.59	0.24	6.72	10.53	11.70
Insurance companies	3.62	2.72	0.01	1.45	7.80	8.66
Other companies	0.30	—	0.42	0.34	1.06	1.17
Individuals, clubs and institutions	—	0.06	0.15	0.50	0.71	0.78
	40.00	25.00	6.00	19.00	90.00	100.00

121. *Sinking Funds.*—The value of sinking funds established for the redemption of public debt was Rs. 248.8 million at the end of 1957, as compared with Rs. 225.3 million at the end of 1956. In the course of the year a sum of Rs. 5.4 million was appropriated out of the sinking fund to meet part of the repayment of the 3½ per cent National Loan, 1957. The increase in the sinking fund, despite this withdrawal and a depreciation in the value of sinking fund investments, was due to contributions from revenue and the accrual of interest on the investments.

122. *Floating Debt.*—The proportion of floating debt to total debt rose from 5·1 per cent in 1956 to 9·6 per cent in 1957. There was an increase of Rs. 69·5 million in the floating debt, as compared with the increase of Rs. 10·0 million in 1956. Central Bank advances amounted to Rs. 32·6 million at the end of 1957. The volume of treasury bills outstanding increased by Rs. 20 million over the year. The total amount of tax reserve certificates outstanding at the end of 1957 was Rs. 16·9 million. The Central Bank commenced, on July 2, 1957, the issue of Tax Reserve Certificates, in accordance with the provisions of the Tax Reserve Certificates Act, No. 22 of 1957. They are issued in denominations of Rs. 100 or multiples of Rs. 100, and can be surrendered to the Commissioner of Income Tax for payment of income tax or profits tax and, if not presented for payment of tax, can be tendered for cancellation. The surrender value of these certificates is the aggregate of the denominational value and interest calculated at 1 per cent per annum in respect of each completed period of one month from the date of the Certificates to the date on which tax is due. No interest is payable on Certificates tendered for cancellation. The maximum amount fixed for the first issue of Tax Reserve Certificates by the Minister of Finance is Rs. 50 million.

Floating Debt

Rupees Million

End of December	Treasury bills	Tax Reserve Certificates	Advances from Central Bank	Loans from semi-Govt. institutions	Total	Total floating debt as per cent of	
						Total Debt	Total Rupee Debt
1954 ..	105·0	—	—	—	105·0	9·7	11·8
1955 ..	50·0	—	—	—	50·0	4·5	5·6
1956 ..	60·0	—	—	—	60·0	5·1	6·2
1957 ..	80·0	16·9	32·6	—	129·5	9·6	11·6

123. *Prices and Yields of Government Securities.*—The variations in the treasury bill rate and in the prices and yields of selected Government securities are shown in tables 21 and 24, respectively. The treasury bill rate increased from an average of 0·64 per cent in December, 1956, to 1·22 per cent in December, 1957. The yields on medium and long-term securities remained practically unchanged.

124. *Public Debt Business.*—The following table shows the volume of public debt business done in the past 5 years :—

Financial year	Loans raised	Loans repaid	Interest warrants issued		Turnover of business in transfers, etc.	Amount of sinking fund moneys invested
			No.	Amount		
	Rs.	Rs.		Rs.	Rs.	Rs.
1952-53 ..	120,000,000	73,796,800	8,638	21,428,580	637,683,400	16,318,933
1953-54 ..	70,000,000	47,962,300	10,101	23,070,407	851,538,700	14,381,749
1954-55 ..	75,000,000	30,433,400	7,249	24,564,902	382,898,900	17,867,374
1955-56 ..	100,000,000	47,363,400	6,902	26,408,664	179,397,000	21,330,022
1956-57 ..	95,000,000	15,093,200	7,108	30,178,417	173,844,200	24,084,362

125. *Borrowing as Agent for Other Institutions.*—The Central Bank made two issues of State Mortgage Bank Debentures and two of National Housing Debentures during the year. The four issues totalled Rs. 32·5 million.

126. The State Mortgage Bank Debentures were issued in April and August, 1957; the first issue was for Rs. 7·5 million at 3 per cent interest and maturing in 13–16 years; the second was for Rs. 5 million at 2½ per cent interest and maturing in 5–7 years. They were allotted as follows :—

State Mortgage Bank Debentures

Rupees Million

Class of subscriber	3% 1970-73	2½% 1962-64	Total	
			Amount	%
Commercial banks	1·00	4·28	5·28	42·24
Co-operative banks	—	0·10	0·10	0·80
Sinking funds	4·05	—	4·05	32·40
Departmental and other official funds ..	0·61	0·02	0·63	5·04
Trusts, provident and pension funds..	1·52	0·54	2·06	16·48
Insurance companies	0·10	0·01	0·11	0·88
Other companies	0·11	..	0·11	0·88
Individuals, clubs and institutions ..	0·11	0·06	0·17	1·36
	7·50	5·00	12·50	100·00

127. The two issues of National Housing Debentures were made in June and November, 1957, bringing total issues, made so far, to Rs. 55 million. The first issue of 1957 was for Rs. 10 million at 3 per cent, and the second also was for Rs. 10 million at 3 per cent interest, both maturing in 13–16 years.

National Housing Debentures

Rupees Million

Class of subscriber	3% 1970-73	3% 1970-73 (B Series)	Total	
			Amount	%
Co-operative banks	0·03	0·10	0·13	0·65
Savings institutions	3·00	5·50	8·50	42·50
Sinking funds	0·54	0·01	0·55	2·75
Departmental and other official funds ..	4·77	2·23	7·00	35·00
Trusts, provident and pension funds..	0·53	1·96	2·49	12·45
Insurance companies	1·13	0·16	1·29	6·45
Individuals, clubs and institutions ..	0·01	0·05	0·06	0·30
	10·00	10·00	20·00	100·00

Prices, Wages and Employment

128. *Prices.*—Retail prices, as measured by the Colombo Consumers' Price Index, were on the average 2·6 per cent higher in 1957 than in 1956. The index rose slightly in the first quarter and more sharply in the second quarter of the year largely owing to a rise in the prices of domestically produced goods. There was a downward trend in August and September but the index again rose steadily in

the last quarter. During most of the year the drought affected supplies of certain domestic products. The floods which occurred towards the close of the year, worsened the position, necessitating the introduction of price control in respect of subsidiary foodstuffs. The movements in the Colombo Consumers' Price Index and its three component groups are given in the table below :—

Month	All items			Import group			Domestic group			Export group		
	1956	1957	Change* %	1956	1957	Change* %	1956	1957	Change* %	1956	1957	Change* %
Jan.	101.5	100.6	—0.9	102.8	96.9	—5.7	99.7	101.4	+1.7	109.6	128.9	+17.6
Feb.	99.8	100.8	+1.0	102.1	96.9	—5.1	96.9	101.5	+4.7	110.2	131.4	+19.2
Mar.	99.6	100.9	+1.3	102.4	96.6	—5.7	96.3	102.0	+5.9	109.0	131.0	+20.2
April	101.2	102.2	+1.0	103.0	97.3	—5.5	98.9	104.0	+5.2	110.0	129.8	+18.0
May	100.4	103.3	+2.9	98.3	98.1	—0.2	101.0	105.4	+4.4	114.0	129.2	+13.3
June	100.0	103.1	+3.1	97.5	98.6	+1.1	101.3	104.9	+3.6	112.8	126.2	+11.9
July	99.2	103.6	+4.4	96.3	99.3	+3.1	100.7	105.7	+5.0	111.0	122.3	+10.2
Aug.	98.9	102.4	+3.5	95.8	98.5	+2.8	100.5	104.5	+4.0	110.8	117.0	+5.6
Sept.	99.4	102.3	+2.9	97.0	98.1	+1.1	100.1	104.4	+4.3	115.4	120.0	+4.0
Oct.	101.3	104.1	+2.8	97.6	98.6	+1.0	102.5	106.9	+4.3	124.0	126.0	+1.6
Nov.	101.0	105.2	+4.2	98.2	98.5	+0.3	101.3	108.7	+7.3	126.8	130.7	+3.1
Dec.	100.3	105.6	+5.3	96.6	99.3	+2.8	101.1	109.1	+7.9	128.1	128.7	+0.5
Aver.	100.2	102.8	+2.6	99.0	98.1	—0.9	100.0	104.9	+4.9	115.1	126.8	+10.2

*From corresponding period of 1956.

129. *Wages.*—In 1957, the wage rates of tea and rubber estate workers were 1.0 per cent higher than in 1956, but their real wages were lower by 1.6 per cent. The wage rates of Government unskilled workers rose by 3.0 per cent owing to an increase in the cost of living allowance with effect from November, 1957, resulting in a rise in their real wages by 0.3 per cent. The wage rate index of workers in the agricultural trades was higher by 1.4 per cent, largely as a result of an increase in the daily basic wage rates of workers in the coconut-growing trade in January, 1957. The wage rates of workers in trades other than agriculture also rose by 1.7 per cent, partly as a result of increases in the basic wage rates of apprentices in the printing trade and of workers in the coconut manufacturing trade in December. Real wages in these Wages Boards trades declined by about 1 per cent as compared with 1956.

130. *Employment.*—Data on the number of registrants at the employment exchanges are given below :—

Period						Number	Index
1938	..	..	..	..	..	16,480	100
1952..	..	..	..	..	..	53,023	322
1953..	..	..	..	..	..	51,546	313
1954..	..	..	..	..	..	63,304	384
1955..	..	..	..	..	..	71,010	431
1956..	..	..	..	..	..	85,952	522
1957 1st quarter	..	..	..	..	..	88,896	539
2nd	..	..	..	..	..	88,419	537
3rd	..	..	..	..	..	97,550	592
4th	..	..	..	..	..	110,355	670

131. The figures of registrants include both unemployed and those seeking better employment. The significance of the data is further limited by the fact that, in general, workers in the estate and rural sectors make little use of the exchanges.

Production and National Income

132. The production of the principal crops in the years 1956 and 1957 is shown in the table below :—

	1956*	1957	Percentage change over 1956
Tea—lbs. million	376	398	+ 5.9
Rubber—tons (000)	95.4	98.2	+ 2.9
†Coconuts—nuts million	2,520	2,090	—17.1
†Paddy—bushels million	26.9	30.6	+13.8

*Revised figures.

†Estimated.

133. Though the production of tea and rubber increased in 1957, their export prices were lower. On the other hand, the export prices of coconut products rose, but the fall in coconut output was much greater. Paddy output, in spite of the drought of 1957, was higher in that year than in 1956, but was still below the level of 1955. The value of Gross National Product for 1957 at current prices is estimated by the Central Bank to be in the region of Rs. 5,150 million.

Balance of Payments

134. According to provisional estimates, Ceylon had a current account deficit of Rs. 199 million in the balance of payments for 1957, in contrast with a surplus of Rs. 82 million (as revised) for the previous year. The deterioration was almost wholly due to a decline of nearly Rs. 266 million in the merchandise surplus, from Rs. 314 million in 1956 to Rs. 48 million in 1957.

135. Net payments for foreign travel remained almost unchanged. The net outflow on account of transportation increased from Rs. 62.2 million in 1956 to Rs. 69.1 million in 1957, due mainly to higher freight payments. Although the gross outflow on investment income was smaller by Rs. 2.9 million in 1957 than in 1956, the net outward payment increased slightly, because of lower earnings by Ceylon from its investments abroad. Net receipts on account of Government expenditure showed a decline of Rs. 4.0 million, due both to a slight increase in outward remittances for diplomatic expenses, and a fall in receipts for foreign military expenditure in Ceylon, resulting from the transfer of British bases to the Ceylon Government.

136. On private remittances and migrants' transfers, the net outflow was Rs. 66.0 million, or Rs. 17.3 million less than in 1956. While remittances for maintenance of dependants in India decreased by only Rs. 2.8 million, migrants' transfers in respect of compulsory repatriates fell by Rs. 9.8 million.

137. On private ^{capital} account, there was a net outflow of Rs. 46.7 million in 1957, compared with Rs. 19.8 million in 1956. This was due ^{mainly to a decrease in} to the movement of short term capital to Ceylon in 1957. Repatriation of foreign capital, at Rs. 43.2 million, in 1957, was Rs. 9.5 million lower than in the previous year. The inflow of foreign private capital for investment in Ceylon was Rs. 3.3 million, in 1957, as compared with Rs. 5.4 million, in 1956. Sterling companies operating in Ceylon reduced their balances held in London by Rs. 6.3 million, in 1957.

138. The sharp deterioration in the balance of payments had its impact on external assets, which registered a decline of Rs. 236.2 million during 1957. External assets continued to fall throughout the year, except for a brief interruption in the third quarter, due wholly to a repayment by China of the balance outstanding as at the end of 1956 in the account maintained under the bilateral agreement. The liability on account of I.B.R.D. drawings increased by Rs. 23.3 million in 1957, compared with Rs. 8.9 million in 1956.

V. Operations and Accounts of the Central Bank

139. Financial accounts of the Central Bank for the year 1957 are given in table 6. The main changes in comparison with 1956 were :—

	Change	
	Rs. Million	Per cent
Total demand liabilities	— 78.0	— 11.8
Currency circulation	+ 31.7	+ 7.1
Demand deposits	—109.7	— 50.0
(of which commercial banks)	— 60.2	— 40.1
International Reserve	—146.2	— 19.8
Domestic assets	+ 78.4	+445.5
Government and Government guaranteed securities ..	+ 42.2	+398.1

Increase + ; Decrease —.

140. The ratio of the International Reserve to total demand liabilities decreased from 111.2 per cent at the end of 1956 to 101.0 per cent at the end of 1957.

141. The Central Bank's rates for advances to commercial banks against the pledge of Government securities and for discounts of Ceylon Government treasury bills remained unchanged at $2\frac{1}{2}$ per cent and $1\frac{1}{8}$ of one per cent over the last accepted average tender rate, respectively.

142. The reserve ratios to be maintained by commercial banks with the Central Bank also remained unchanged at 10 per cent for demand deposits and 5 per cent for time and savings deposits.

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