

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

rate. There were no changes during the year in the Central Bank's rates for sterling and the Indian rupee, which were :—

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

144. Total foreign exchange transactions of the Central Bank are shown in table 10. Spot purchases were Rs. 160·8 million and spot sales Rs. 776·3 million as compared with Rs. 151·2 million and Rs. 535·3 million respectively in 1956. The value of contracts entered into for forward purchases was Rs. 380·6 million (Rs. 451·7 million in 1956) and for forward sales Rs. 0·8 million (there were no contracts for forward sales in 1956). Deliveries under forward purchase contracts including those outstanding from the previous year amounted to Rs. 448·7 million and those under forward sale contracts amounted to Rs. 0·8 million. Total purchases (spot and deliveries under forward contracts) amounted therefore to Rs. 609·5 million and total sales to Rs. 777·1 million.

145. *Currency Issue.*—In the year under review the Central Bank issued currency notes of the denominations of Rs. 50 ; Rs. 5 ; Rs. 2 and Re. 1 in predominantly Sinhalese text, with the portrait of Her Majesty Queen Elizabeth II replaced by the armorial ensigns of Ceylon.

146. The Central Bank also issued during 1957, 2 special coins in the denominations of Rs. 5 and Re. 1 to commemorate the 2500th Anniversary of Buddhism and the birth of the Nation. The Rs. 5 coin is of silver of 925 fineness and the Re. 1 coin of cupro-nickel. Both coins are legal tender in Ceylon for the payment of any amount and are a liability of the Central Bank while in circulation.

147. *Bank Supervision.*—In the year 1957, the Department of Bank Supervision examined 9 commercial banks in terms of Section 29 (1) of the Monetary Law Act.

148. This Department also performed certain functions connected with the implementation of the Bank Debits Tax Act, No. 42 of 1957.

149. *Income and Expenditure.*—The income of the Central Bank for the year amounted to Rs. 24,527,436·24 and expenditure including allocations to reserves in terms of Section 38 of the Monetary Law Act amounted to Rs. 9,527,436·24. In accordance with Section 39, the net profit of Rs. 15 million was applied after consultation with the Minister of Finance, in reduction of the provisional advances made by the Central Bank to Government under Section 88 of the Act.

150. *Bank Building Site.*—A site of about one acre in Queen Street has been allocated by the Government for the new building of the Central Bank, and the Bank has been placed in possession. The formal grant of the land under the Crown Lands Ordinance on a gratuitous basis is awaited.