

## I. ECONOMIC TRENDS IN 1959

### (a) Introduction

As in last year's Annual Report, a review of the main trends in the economy (Part I) precedes the exposition of monetary developments (Part II). This is followed by an analysis of the major monetary problems arising out of the economic and financial situation during 1959 and the policies and measures adopted by the Monetary Board in coping with them.

The main economic trends of 1959 may be briefly characterised by reference to certain key indicators. While exports did quite well—total export earnings were higher than in the previous year—Ceylon registered in 1959 the highest foreign trade deficit in her economic history. This record deficit of Rs. 251 million occurred in the face of an improvement in the terms of trade (i. e. the costs of imports in terms of exports) and is chiefly attributable to the steep rise in the import bill to an unprecedentedly high level, a rise which was particularly marked in the last quarter of the year.

The record deficit in foreign trade was the principal factor contributing to the deterioration in Ceylon's overall balance of payments position during 1959. As a result, the strain on external reserves was intensified, and during the year Ceylon's external assets fell from Rs. 883 million to Rs. 689 million.

Notwithstanding this loss of foreign exchange reserves and despite some rise in fixed and savings deposits, total money supply expanded during 1959. The main expansionary factor emanated from the Government sector. The sizeable budgetary deficit of 1958-59 necessitated recourse to substantial Central Bank borrowing. Cumulative deficit financing in Ceylon conditions made its impact felt not so much on domestic prices as in the demand for imports and its consequences for the country's external economic situation.

Mounting budget deficits caused particular concern since they assumed their present proportions before the planned development of the economy had made real progress. In real terms, Ceylon's Gross National Product did increase moderately in 1959 with the rise in export earnings as well as an increase in domestic production. When, however, the rise in population is taken into account, the rate of growth in Ceylon's economy may be considered to have been very low in 1959.

## (b) National Product and Income

National Income computations for Ceylon, as in other underdeveloped countries, are complicated by the inadequacy of statistical material in certain sectors; the structure of the economy presents many difficulties in the collection of such statistics. Accordingly the estimates given below are subject to fairly wide margins of error, but are useful inasmuch as they portray the principal trends in the economy of Ceylon. Provisional data for 1959 have been computed by the Central Bank while the data for the previous years are mainly those released by the Department of Census and Statistics. Differences as compared with previously published figures are due to subsequent revision as additional information has been made available.

Gross National Product for 1959 is provisionally estimated at Rs. 5677 million at current factor cost prices. In money terms the increase in the National Product over the previous year was 4.8 per cent while in real terms it rose 3.8 per cent. When allowance is made for the population increase of 2.5 per cent the growth of real product per capita was 1.3 per cent. Of the increase in real resources about 57 per cent was absorbed by consumption (both private and Government) while about 27 per cent went into gross capital formation.

The growth of Gross National Product in 1959 reflected largely an increase in the production of goods and services for domestic use and was helped by a rise in the rate of investment and a small increase in export proceeds. The movements of the main components of Gross National Product during the last three years are shown in the following table.

TABLE I—1  
*Gross National Product at Current Factor Cost Prices*

Rupees Million				
Item	1957	1958*	1959	Percentage change in 1959 from 1958
1. Domestic Exports ... ..	1538	1613	1648	2.17
2. Goods locally produced and consumed ... ..	1375	1463	1532	4.72
3. Trade ... ..	354	402	434	7.96
4. Transport ... ..	258	267	277	3.75
5. Professional, domestic and personal services ... ..	409	428	442	3.27
6. Government ... ..	602	634	662	4.42
7. Capital Development ... ..	479	512	572	11.72
8. Rents ... ..	125	124	131	5.65
<b>Gross Domestic Product</b> ... ..	<b>5,140</b>	<b>5,443</b>	<b>5,698</b>	<b>4.68</b>
9. Plus Factor incomes from abroad ... ..	60	50	48	-4.00
<b>Gross Product</b> ... ..	<b>5,200</b>	<b>5,493</b>	<b>5,746</b>	<b>4.61</b>
10. Less Factor incomes paid out ... ..	92	77	69	-10.39
<b>Gross National Product</b> ... ..	<b>5,108</b>	<b>5,416</b>	<b>5,677</b>	<b>4.82</b>

Source : Department of Census and Statistics and Central Bank of Ceylon.

In order to obtain the extent of real economic growth in the economy it is necessary to adjust these data for price changes by valuing them at constant prices. In the following table we show these real product calculations valued at 1956 prices.

\* The figures for 1958 are revised figures and take the place of provisional estimates published in the last year's Annual Report.

TABLE I—2

*Gross National Product in Constant  
(1956) Factor Cost Prices*

Rupees Million

Item	1956	1957	1958 (1)	1959	Percent- age change in 1959 from 1958
1. Domestic Exports ... ..	1,613	1,613	1,718	1,682	-2.10
2. Goods locally produced and consumed ... ..	1,292	1,337	1,369	1,446	5.62
3. Trade ... ..	334	337	340	367	7.94
4. Transport ... ..	237	246	255	264	3.53
5. Professional, domestic and Personal services ... ..	392	398	379	401	5.80
6. Government ... ..	566	587	605	634	4.79
7. Capital Development ... ..	497	431	489	542	10.84
8. Rents ... ..	108	122	118	125	5.93
<b>Gross Domestic Product</b> ... ..	<b>5,039</b>	<b>5,071</b>	<b>5,273</b>	<b>5,461</b>	<b>3.57</b>
9. Plus Factor incomes from abroad ... ..	57	58	52	50	-3.85
<b>Gross Product</b> ... ..	<b>5,096</b>	<b>5,129</b>	<b>5,325</b>	<b>5,511</b>	<b>3.49</b>
10. Less Factor incomes paid out ... ..	95	95	83	70	-15.66
<b>Gross National Product</b> ... ..	<b>5,001</b>	<b>5,034</b>	<b>5,242</b>	<b>5,441</b>	<b>3.80</b>

Source : Department of Census and Statistics and  
Central Bank of Ceylon

(1) See footnote to Table I—1

### Exports

Exports constitute a substantial proportion of Ceylon's Gross National Product and because of their importance in the balance of payments greater attention has been paid to the movements in exports receipts than to the movements of any other component in GNP. The exports given in the two preceding tables are goods produced in Ceylon and sold abroad. They do not include exports of services which will be given later in the table showing expenditure generating Gross National Product. The ratio of these exports to the Gross National Product in 1959 was 29.0 per cent compared to a ratio of 29.4 per cent in 1958 and 32 per cent in 1956. It is, however, too early to conclude that there is a declining trend in the relative importance of exports in Gross National Product.

In money terms exports were 2.2 per cent higher than in 1958. The physical volume of exports as a whole, measured by adjusting exports in money terms for price changes, fell 2.1 per cent from the previous year. The rise in export prices was 4.3 per cent.

### Tea

The total acreage under tea at the end of 1959, was 579.6 thousand acres compared to 572.7 thousand acres at the end of 1958. The production of tea would appear to have fallen very slightly by about 25,000 pounds from the 1958 crop of 413 million pounds. However, the production figure for 1958 is now considered to have been overestimated by almost 8 million pounds. When allowance is made for this overestimation, the production figure for 1959 indicates a rise of 1.9 per cent over 1958. This rate of growth, however, was below the average growth rate of 4 per cent that prevailed during the preceding ten years.

The yield per acre of tea was 714 pounds in 1959 as compared with 704 pounds in 1958 and 697 pounds in 1957. This gradual rise in the yield of tea has been mainly due to a liberal use of fertilisers and other improvements. The future points towards higher yields and production, as 30,000 acres of old tea are being replanted with high-yielding varieties of teas over the six year period 1959-65 under the Tea Replanting and Rehabilitation Subsidy Schemes.

Of the total production of tea only a small proportion enters domestic consumption. In 1959 it is estimated that only 26 million pounds were consumed locally. Consumption of tea in Ceylon is only 2.7 pounds per head per year which is about one fourth the per head consumption in the United Kingdom.\*

The total exports of tea (at 384 million pounds) were 7 per cent lower and the value realised was 8 per cent lower than in 1958.

### *Rubber*

In 1959, rubber production fell sharply to about 205 million pounds from 224 million pounds in 1958. This sharp fall of nearly 8 per cent was caused by the severe drought that prevailed during the first quarter of the year and the replanting of old trees with high yielding clones which have not come fully into bearing.

The acreage under rubber increased from 664.8 thousand acres at the end of 1958 to 668.2 thousand acres at the end of 1959. Of this acreage it is estimated that only 83 per cent was actually in bearing in 1959. Considering only the acreage under production — some of it not under full production — the average yield of rubber fell sharply from 412 pounds per acre in 1958 to 370 pounds in 1959.

206 million pounds of rubber were exported in 1959, slightly less than in the previous year. The value realised, however, was Rs. 298 million or 16 per cent above the previous year as a result of an almost equivalent rise in prices.

The domestic consumption of rubber is very small and is less than one million pounds a year.

### *Coconuts*

There are no direct estimates of coconut production for Ceylon, mainly because of the very large number of small producing units involved. Existing estimates are based on export statistics and population data. The variations of the estimated production figures are actually due to variations in exports.

The estimated production figure for 1959 is 2,300 million nuts which is 13 per cent more than the production for the previous year. This increase may be attributed to the increased use of fertilizers. Under the coconut Fertilizer Subsidy Scheme nearly 44,000 tons of fertilizers were distributed in 1959 as compared with 34,750 tons in 1958, and an average use of about 12,000 tons a year prior to the introduction of the Scheme.

Exports of the three major coconut products in terms of copra units showed a rise of 28 per cent over the previous year. The value realised (at Rs. 243 million), however, was 49 per cent higher than in 1958 as a result of the rise in prices.

\* The per head consumption of tea in India was 0.63 pound in 1957. (The Bulletin of Statistics International Tea Committee.)

*Exports and terms of trade*

The terms of trade state the unit cost of Ceylon's imports in terms of her exports. Since exports comprise a substantial proportion of Gross National Product, changes in the terms of trade are significant in determining the level of real National Income.

The terms of trade for 1959 were 5 per cent higher than in 1958 as a result of a rise of 4 per cent in export prices and a fall of 1 per cent in import prices.

The terms of trade contribution to the real National Income of Ceylon is given in table I—3 below.

TABLE I—3  
*Terms of Trade Contribution to Real Product  
of Ceylon (1956 prices)*

Year	Real Product Excluding terms of trade effect	Terms of Trade effect				Real Product including terms of trade effect
		Due to Tea	Due to Rubber	Due to other exports	Total	
1956	5,001	—	—	—	—	5,001
1957	5,186	—160	—105	+113	—152	5,034
1958	5,301	—60	—44	+45	—59	5,242
1959	5,417	—36	+46	+14	+24	5,441

*Rupees Million*

Source: Central Bank of Ceylon

The terms of trade contribution to the real product in 1959 was 0.5 per cent. It was Rs. 83 million or 1.52 per cent higher than in 1958.

*Industrial Origin of Gross Domestic Product*

The relative importance of the different sectors of the economy is brought out in computations of Gross Domestic Product by industrial origin. The table given below presents such data for the last four years. This table gives useful information about the general structure of the economy and indicates some shifts in that structure.

TABLE I-4

*Gross Domestic Product by Industrial Origin*  
*at factor cost 1956-59*

Rupees Million

Industry	1956		1957		1958		1959		Percentage change in '59 from '58
	Rs. Mn.	Per cent.	Rs. Mn.	Per cent.	Rs. Mn.	Per cent.	Rs. Mn.	Per cent.	
<b>Primary</b>									
1. Agriculture and Fishing*	2552	50.64	2535	49.32	2637	48.45	2709	47.54	2.73
<b>Secondary</b>									
2. Mining and Quarrying ...	17	0.34	17	0.33	10	0.18	15	0.26	50.00
3. Manufacturing and handicrafts ...	261	5.18	281	5.47	323	5.94	344	6.04	6.50
4. Construction ...	459	9.11	451	8.77	496	9.11	539	9.46	8.67
<b>Tertiary</b>									
5. Transport and communications ...	306	6.07	327	6.36	342	6.28	362	6.36	5.85
6. Wholesale and Retail Trade ...	414	8.22	431	8.39	482	8.86	516	9.05	7.05
7. Ownership of Dwellings	108	2.14	125	2.43	124	2.28	131	2.30	5.65
8 Govt. Administration & Defence	273	5.42	286	5.56	287	5.27	289	5.08	0.70
9. Services									
(a) Govt. Social Services ...	257	5.10	278	5.41	314	5.77	349	6.12	11.15
(b) Other ...	392	7.78	409	7.96	428	7.86	444	7.79	3.74
Gross Domestic Product	5039	100.00	5140	100.00	5443	100.00	5698	100.00	4.68

Source: Central Bank of Ceylon

\*Includes income accruing to industry as a result of tea and rubber manufacturing. The above classification of economic activities conforms to the U.N. Standard International Industrial Classification. But in the case of tea and rubber it is not possible to separate the values accruing to industry from those of agriculture due to the paucity of available data, and to that extent the income originating in agriculture is overestimated.

### *Agriculture*

One significant feature of the above table is the declining share of agriculture in the Gross Domestic Product of Ceylon. Between 1956 and 1959 the decline in its percentage share was nearly 3.1 per cent and its annual rate of decline was 0.95 per cent. The actual decline in the agricultural share might have been even more if income accruing to tea and rubber manufacturing had been separated from that accruing to agriculture.

In 1959 the value of agricultural output rose by 2.7 per cent from Rs.2,637 million in 1958 to Rs. 2,709 million in 1959. This improvement was chiefly occasioned by higher prices for goods mainly for export. The prices of the production material purchased by cultivators rose less fast. Available data are too meagre to permit of an "input-output" analysis or an appraisal of the "terms of trade" in the transactions between the cultivators of agricultural produce and other sectors of the economy.

### *Paddy*

Provisional estimates of paddy production for 1959 indicate a drop in the production by about 1 million bushels from the previous year's record figure of 36.6 million bushels. The Maha season output increased slightly from 21.2 million bushels to 21.6 million bushels but the Yala output fell from 15.4 million bushels to 14.2 million bushels. This drop in the paddy crop of Yala was mainly because the acreage harvested in 1959 was less by approximately 60,000 acres, due to less favourable weather conditions. That production was almost as high as the previous year despite the lower Yala crop may be attributed to increased use of fertilisers and improved techniques of cultivation.

In terms of rice, the domestic production of paddy was 508.6 thousand tons in 1959 as compared to 522.9 thousand tons in 1958. Rice imports, however, increased from 475 thousand tons in 1958 to 574 thousand tons in 1959. The stock position of rice under government indicated a rise in the carry over from 113.9 thousand tons in 1958 to 166.8 thousand tons in 1959.

### *Manufacturing and handicrafts*

The share of manufacturing and handicrafts in the Gross Domestic Product shows a rise of 0.86 per cent between 1956 and 1959. The average annual rate of growth over the four year period in absolute terms was 7.2 per cent.

In 1958, however, the volume of industrial production, as indicated by the index of industrial production of the Department of Industries, fell by 4 per cent over the previous year. It should be noted that this index of industrial production includes graphite, salt and mica which are grouped under 'mining and quarrying' in the Gross Domestic Product classification. The index of industrial production excluding these items shows a fall of 3 per cent. This was mainly due to the floods of December 1957, industrial unrest and the communal disturbances.

The provisional data available for certain industries for 1959 indicate an increase in output of cement, cigarettes, cotton fabrics and hides while there is a drop in output of plywood, tea chests, safety matches and aerated waters. The following table compares the 1959 production estimates with those of 1958 for certain industries.

TABLE I—5  
Production—Select Industries

Item	Unit	1958	1959*	% Change 1959/1958
Aerated Waters ... ..	Dozens	3,329,146	3,011,304	— 9.5
Toilet Soap ... ..	Thousand lbs.	4,029	3,259	—19.1
Washing Soap ... ..	Thousand lbs.	29,999	22,987	—23.4
Cigarettes ... ..	Thousands	1,588,218	1,842,249	+16.0
Cement ... ..	Tons	79,079	80,906	+ 2.3
Plywood ... ..	Sq. feet	6,877,675	6,736,783	— 2.0
Tea Chests ... ..	Number	160,475	119,247	—25.7
Safety Matches ... ..	Gross	1,236,205	1,093,246	—11.6
Cotton Fabrics ... ..	Thousand sq. Yards	7,072	7,129	+ 0.8
Footwear ... ..	Pairs	1,498,015	1,152,222	—23.1
Hides and Skins (Cow and Buffalo Hides) ...	Thousand lbs.	2,751	3,612	+31.3

\* Provisional.

Source : Department of Industries

### Services

Income originating from Government services and private services combined, forms nearly 13 per cent of Gross Domestic Product. Government expenditure on social services rose 11 per cent and income originating in services of the private sector rose 3.7 per cent in 1959 over the previous year. In the private sector there was increased economic activity in distribution services which was generally due to higher imports and exports.

There are unavoidable shortcomings in the estimation of income originating in services falling into the private sector, and there may be severe under-estimation in certain kinds of services such as trading services and personal services.

### Gross National Expenditure

The table given below indicates the movement of major expenditures generating Gross National Expenditure at current market prices and at current factor cost prices :—

TABLE I—6  
Gross National Expenditure at Current Market Prices and at factor cost.

Rupees Million.

	At Current Market Prices				At Factor Cost			
	1957	1958 *	1959	1959 Percentage change from 1958	1957	1958 *	1959	1959 Percentage change from 1958
1. Private Consumption ...	4093	4241	4451	4.95	3848	3995	4198	5.08
2. Government Consumption ...	719	830	883	6.39	719	830	883	6.39
3. Gross Private Capital Formation ... ..	320	312	389	24.68	305	295	345	16.95
4. Gross Public Capital Formation ... ..	377	412	487	18.20	362	395	467	18.23
5. Exports of goods and services ...	1954	1912	2066	8.05	1954	1912	2066	8.05
Expenditure on GDP and imports ...	7463	7707	8276	7.38	7188	7427	7959	7.16
6. Less imports of goods and services ...	2038	2001	2253	12.59	2038	2001	2253	12.59
(Statistical discrepancy) ...	—	—	—	—	—10	+17	—14	—
Gross Domestic Product ...	5425	5706	6023	5.56	5140	5443	5698	4.68
7. Net Factor Income from Abroad ... ..	—32	—27	—21	—22.22	—32	—27	—21	—22.22
8. Gross National Product ...	5393	5679	6002	5.69	5108	5416	5677	4.82

Sources: Department of Census and Statistics  
and Central Bank of Ceylon

\* See footnote to table I—1

Table I—7 gives a comparison of major components of expenditure at constant market prices and at constant factor cost prices.



TABLE I—7

*Gross National Expenditure at Constant (1956) Prices*

Rupees Million

	At Market Prices				At Factor Cost Prices			
	1957	1958 *	1959	1959 Percentage change from 1958	1957	1958 *	1959	1959 Percentage change from 1958
1. Private Consumption ...	3945	4117	4404	6.97	3659	3863	4062	5.15
2. Government Consumption ...	700	792	841	6.19	700	792	841	6.19
3. Gross Private Capital Formation ...	306	289	370	28.03	293	274	329	20.07
4. Gross Public Capital Formation ...	360	399	465	16.54	347	582	445	16.49
5. Exports of Goods and Services ...	2026	2036	2108	3.54	2026	2036	2108	3.54
Expenditure on GDP and Imports ...	7337	7633	8188	7.27	7025	7347	7785	5.96
6. Less Imports of Goods and Services ...	1945	2063	2347	13.77	1945	2063	2347	13.77
Statistical Discrepancy ...	—	—	—	—	—9	—11	+23	—
Gross Domestic Product ...	5392	5570	5841	4.87	5071	5273	5461	3.57
7. Net Factor Income from Abroad ...	—37	—31	—20	—35.48	—37	—31	—20	—35.48
8. Gross National Product ...	5355	5539	5821	5.09	5034	5242	5441	3.80

\* See footnote to table I—1

Source : Department of Census and Statistics,  
and Central Bank of Ceylon.*Consumption*

Private consumption expenditure at market prices was 5.0 per cent higher in 1959 than in 1958. At factor cost prices it was 5.1 per cent higher. The share of private consumption in Gross National Expenditure was 75 per cent in 1957, 73.8 per cent in 1958 and 73.9 per cent in 1959.

Government consumption in 1959 rose by 6.4 per cent in money terms while the rise in real terms was 6.2 per cent. There has been a steady upward movement in the Government share of Gross National Expenditure, which has increased from 13.8 per cent in 1957 to 15.3 per cent in 1958 and 15.5 per cent in 1959.

*Capital Formation*

The estimates of capital formation that are available are very rough and should be treated with caution. They refer to fixed investments only, as estimates of changes in inventories, particularly in the case of import goods are not available.

Provisional estimates of Gross Capital Formation at current factor cost prices for 1959 indicate a rise of 17.7 per cent over the previous year. The increase in real terms was 17.9 per cent. As a percentage of Gross National Product, gross investment has increased from 12.8 per cent to 14.3 per cent.

The contribution of the public sector to total Gross Capital Formation in 1959 was 58 per cent and that of the private sector was 42 per cent. Private construction accounted for 68 per cent of private investment in 1959 as compared with 64 per cent in 1958. 1959 experienced a new peak in building activity, which has been supported by Government loans and tax concessions. New investments in transportation were substantially higher than for the previous year. The Government pushed up its investments at a more rapid rate than previously. The biggest rise in Government Capital Formation was mainly due to increased expenditure on economic services, including construction activity.

To obtain an estimate of net investment it is necessary to allow for depreciation. The estimation of depreciation is beset with many practical difficulties. In the estimates given below, no provisions can be made in respect of depletion of natural resources. The amount of depreciation of Government Assets was assumed to be equivalent to capital outlay charged to revenue budget. Depreciation of urban dwellings was assumed to be equal to 20 per cent of their annual rental value but no depreciation allowances were made in respect of rural dwellings. With regard to transport and other equipment a sample survey of company balance sheets indicated the rate of depreciation of 9 per cent of these assets.

TABLE I—8  
*Gross Capital Formation at Current Market Prices*

	1957	1958	1959	Percentage change in 1959 from 1958
Gross Capital Formation ... ..	697	724	876	20.99
Depreciation ... ..	210	235	305	29.79
Net Capital Formation ... ..	487	489	571	16.77

Source : Central Bank of Ceylon

These depreciation estimates, as those of many other countries, are subject to wide margins of error. It is very likely that they are on the low side.

In considering capital formation, it may be useful to attempt a computation of total private savings, for which direct data are not available. In the following table estimates are at current prices.

TABLE 1—9  
*Private Savings—1957-59*

Rupees Million

	1957	1958	1959	Percentage change in 1959 from 1958
National Income at Factor Cost (1) ... ..	4898	5181	5372	3.69
Plus Current Transfers from Government to Public ... ..	288	346	325	— 6.07
Less Current Transfers from Public to Government ... ..	51	55	60	9.09
Plus Net Transfers from Abroad ... ..	—66	—78	—56	—28.21
Statistical Discrepancy ... ..	+ 10	—17	+ 14	—
Equal Total Private Income (2) ... ..	5079	5377	5589	3.94
Less Direct Taxes ... ..	612	606	581	— 4.13
Disposable Private Income ... ..	4467	4771	5014	5.09
Less Personal Consumption ... ..	4093	4241	4451	4.95
Total Private Savings (Corporate and Personal) ... ..	374	530	563	6.23

Source : Central Bank of Ceylon

(1) National Income at factor cost equals Gross National Product at factor cost less depreciation.

(2) The estimates of private income are overestimated by the amount of undistributed profits of companies which are included here. Direct taxes include company profits taxes. Transfers from private enterprises to individuals have been ignored. The estimates of savings arrived in this manner include personal savings as well as undistributed profits of companies.

*The Import Component in Consumption, Investment and Exports*

In a country like Ceylon which is highly dependent on imports for essential consumption goods as well as capital goods for economic development the import component that enters into the use of resources is important. The import content of private and public consumption, gross capital formation and exports is given below :—

TABLE I—10

*Import Component in the use of Resources in Expenditure at Constant (1956) Prices*

	1957			1958			1959		
	Total	Import content		Total	Import content		Total	Import content	
		Total	Percent		Total	Percent		Total	Percent
Private and Government Consumption	4359	1625	37.28	4655	1683	36.15	4903	1857	37.87
Gross Capital Formation	640	206	32.19	656	218	33.23	774	312	40.31
Export of Goods and Services	2026	114	5.63	2036	162	7.96	2108	178	8.44
	7025	1945	27.69	7347	2063	28.08	7785	2347	30.15

Source: Central Bank of Ceylon.

The import component of consumption expenditure increased from 36.2 per cent in 1958 to 37.9 per cent in 1959, and in the case of gross capital formation it rose from 33.2 per cent to 40.3 per cent. The rise in the import component of consumption was chiefly due to a rise in food imports. The increase in the import component of investment goods has been caused mainly by intensified building activity and importation of transport equipment for nationalised transport services.

The distribution of Gross National Product between consumption, investment and exports may be obtained by deducting import components from their respective totals. Table I—11 shows the distribution of GNP as between these uses at 1956 prices.

TABLE I—11

*Distribution of Gross National Product between Uses of Resources (at 1956 Prices)*

Rupees Million

	1957		1958		1959	
	Total	per cent	Total	per cent	Total	per cent
Private and Government Consumption ... ..	2734	53.82	2972	56.25	3046	56.01
Capital Formation ... ..	434	8.54	438	8.29	462	8.50
Exports of Goods and Services ... ..	1912	37.64	1874	35.46	1930	35.49
	5080	100.00	5284	100.00	5438	100.00

Source: Central Bank of Ceylon

*Supplies and Expenditure*

Changes in the distribution of "expenditure" (or resources used) and in the composition of "supplies" (or available resources) are indicated in the following table.

TABLE I—12

*Percentage Changes in Expenditure & Supplies*

	At Current Factor Cost Prices		At Constant Factor Cost Prices	
	1958 over 1957	1959 Over 1958	1958 over 1957	1959 Over 1958
<b>Expenditure</b>				
Personal Consumption ... ..	+ 3.8	+ 5.1	+ 5.6	+ 5.2
Government Consumption ... ..	+15.4	+ 6.4	+13.1	+ 6.2
Gross Private Capital Formation ... ..	— 3.4	+16.9	— 6.5	+20.1
Gross Public Capital Formation ... ..	+ 9.1	+18.2	+10.1	+16.5
Exports of Goods & Services ... ..	— 2.1	+ 8.1	+ 0.5	+ 3.5
<b>Supplies</b>				
Gross Domestic Product ... ..	+ 5.9	+ 4.7	+ 4.0	+ 3.6
Imports of Goods & Services ... ..	— 1.8	+12.6	+ 6.1	+13.8

Source : Central Bank of Ceylon

In absolute real terms the increase in "supplies" or available resources in 1959 amounted to Rs. 438 million. In this rise, the growth of Gross Domestic Product was approximately 35 per cent while 65 per cent was due to increased volume of imports. On the expenditure side, approximately 45 per cent of the increase of resources went towards private consumption, 11 per cent towards public consumption, 27 per cent for gross investment and 16 per cent was utilised to expand exports of goods and services.

*Per Capita Changes*

The mid-year estimate of population in 1959 was 9.64 million which represented a rise of nearly 2.5 per cent over 1958. At current prices per capita output was Rs. 589 in 1959 and was 2.3 per cent higher than in 1958.

The following table brings out the real per capita changes in the major components of Gross National Product.

TABLE I—13

*Per capita Changes in Gross National Product*  
(at 1956 prices)  
1956=100

Indices	1958	1959
1. Population ... ..	105.1	107.7
2. Per Capita Personal Consumption ... ..	105.8	108.5
3. Per Capita Gross Capital Formation ... ..	90.1	103.7
4. Per Capita Exports of Goods & Services ... ..	95.2	96.2
5. Per Capita Imports of Goods & Services ... ..	106.2	118.0
6. Per Capita Output ... ..	99.8	101.1

Source : Central Bank of Ceylon

The rate of growth of real output per capita in 1959 was 1.3 per cent, compared to 1.4 per cent in 1958. There was a slight rise in the rate of expansion of exports. Per capita real personal consumption rose 2.6 per cent, but this of course does not measure the actual consumption pattern of particular income groups. Imports per capita increased by nearly 11.1 per cent and per capita gross capital formation showed a significant rise of 15 per cent over the previous year.

On the whole, the rate of growth of real output of 1.3 per cent is a very low rate of progress for an under-developed country like Ceylon which is planning economic development.

### (c) Foreign Trade

#### 1. *Overall trends*

1959 saw a further expansion in Ceylon's foreign trade turnover (exports plus imports), which rose to the peak level of Rs. 3,759 million. However, this increase in value was quite unequally distributed between exports and imports. While the value of exports increased to Rs. 1,754 million, which is 7 per cent above the annual average for the past ten years, the value of imports rose much more to Rs. 2,005 million or by 33 per cent above the annual average in the preceding decade. The result was an adverse trade balance of Rs. 251 million—the largest deficit ever recorded.

The steep rise in the import bill was due entirely to an increase in the aggregate volume of imports, which (as measured by the Central Bank Trade Index) rose by 12 per cent. The average price level of imports fell by 1 per cent. Some of these increases in imports e.g. in rice and flour, resulted from government policy of accumulating stocks of foodstuffs. Other increases e.g., of cement and fertilizers, were due to the need to replenish stocks which had dropped to abnormally low levels during the previous year owing to difficulties in the Port of Colombo. Again, there was an increase in the imports of certain types of transport and other equipment due to replacements and improvements in the road transport system. There were also marked increases in the imports of consumer goods arising in part from the expansion of incomes generated by the expenditure of government. This factor will be discussed below. The expansion by 35 per cent in the volume of imports of capital goods in 1959 follows upon a period of only moderate increases in the volume of these imports. Over the five year period ending in 1959, the average annual rate of increase was 8.8 per cent. Hence the sharp increase in the imports of capital goods in 1959 merely served to make up for smaller increases in the previous years.

In contrast to the value of imports, which increased in 1959 by Rs. 288 million over the figure for 1958, the value of exports rose by only Rs. 43 million.

While the export receipts of Ceylon in 1959 increased by 3 per cent, nearly all of the industrial countries recorded much greater improvements. The failure of Ceylon's export values to rise correspondingly in a year in which the volume of economic activity in the industrialised world reached record proportions needs comment.

The rapid change in the world supply-demand situation for primary products between 1958 and 1959 is collectively reflected in the prices realised for Ceylon's major export crops, which rose by 4 per cent in average price in 1959. Rubber prices were 16 per cent above the levels obtaining in 1958, while prices for coconut products rose by 18 per cent to the highest level in 8 years. But average f.o.b. tea prices in fact dropped slightly by one per cent.

The uneven performance of Ceylon's principal exports in regard to prices in 1959 was also seen in respect of volumes. While coconut product exports increased by about 24 per cent in volume, rubber exports were barely maintained at the level obtaining in 1958, declining fractionally in volume. The performance of tea exports in 1959 was disappointing in volume as well as price. The volume of tea exported fell by about 6 per cent and there was a decline of Rs. 86 million from this source.

The tea industry generally makes the predominant contribution to Ceylon's earnings of foreign exchange, accounting for about three-fifths of the overseas income from merchandise exports. But unlike most primary products entering international trade, tea has been relatively insensitive to cyclical changes in economic activity in the advanced industrial countries. The predominant role of tea in the export sector and the inelasticity of the demand for tea help to insulate Ceylon to some considerable degree from the adverse effects of a downward movement in the prices of other exports which follow a slowing down of activity in industrial countries. But they also limit seriously—as the experience of 1959 indicates—any marked increases in export receipts that could arise from a revival of industrial activity abroad.

The terms of trade reflected these diverse movements in import and export prices. With the import price level in 1959 falling by 1 per cent, the improvement in the overall export price level led to an improvement in the terms of trade, which (as measured by the Central Bank trade index) rose by 5 per cent. It was in the face of this favourable movement in the terms of trade—i.e., the purchasing power of Ceylon's exports vis-a-vis her imports—that the large adverse trade balance in 1959 was incurred.

## 2. Exports

Statistics of value, volume and price are given in Tables 27 to 31 in Appendix II.

*Tea*—Although tea production in 1959 totalled 413 million pounds, thus equalling the record crop of 1958, there was a decline in the amount exported by 27 million pounds. As domestic consumption has remained at 6 per cent of production in each of the two preceding years and is unlikely to have varied significantly in 1959, the lag in exports is likely to be made good early in 1960.

The data so far available appear to indicate that world production of tea declined slightly in 1959 and world exports declined even more. The annual average price of all teas at the London Auctions fell from Rs. 3.06 in 1958 to Rs. 3.03 in 1959. Ceylon tea, however, registered an increase of 9 cents to Rs. 3.38 per pound. At the same time, imports of tea into the United Kingdom, which accounts for about 49 per cent of the World's tea imports, fell by 70.0 million pounds in 1959. Of this decline, imports from Ceylon fell by 23.4 million pounds and those from India by 41.6 million pounds.<sup>1</sup> Fluctuations in the volume of tea imported into the United Kingdom, are not uncommon; there are yet no indications that the decline in imports in 1959 discloses a secular trend towards a reduction in consumption in that country.

The annual average price of all teas at the Colombo Tea Auctions showed an increase of 12 cents per pound in 1959. But this increase in price was due more or less to the revision of export duties on June 1, 1959;<sup>2</sup> which in effect reduced the export duty for a wide range of low priced teas by about 35 cents per pound, thus leading to a higher market price for these teas. As already stated earlier, the average f.o.b. price of tea fell slightly in 1959.

1 These data are from the Customs and Excise Returns of the U. K.

2 The revised basis of taxing tea is set forth in the Section on Government Finance below.

TABLE I—14

*Tea Export Quantities and Prices*

Year	Exports		Average Colombo Auction prices per lb.			
	Quantity (Mn. lbs.)	F.o.b. prices per. lb. Rs. cts.	High- grown Rs. cts.	Medium grown Rs. cts.	Low- grown Rs. cts.	All tea Rs. cts.
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
1958	.. .. 411	2.75	2.11	1.51	1.48	1.73
1959	.. .. 384	2.72	2.13	1.69	1.67	1.85

*Sources : Ceylon Customs Returns :  
Colombo Tea Brokers' Association.*

*Rubber*—1959 was a favourable year for rubber producers. Prices which had declined continuously since 1956, reversed the trend towards the middle of 1958 and except for a slight setback at the end of December of that year, have risen to very remunerative levels. The rise accelerated sharply with the expansion of industrial activity in the United States, the United Kingdom, Western Europe and Japan. The demand for rubber in 1959 was also supported actively by the East European countries and China.

Disposal of rubber from stockpiles in several consuming countries halted temporarily the continuous improvement in rubber prices during the course of the year. The announcement and subsequent disposal from the stockpiles in U. S. and U. K. in May and October resulted in reduction of price at that time. Towards the end of the year prices of rubber reacted again to the announcement of stockpile disposals by the U. S. S. R., but prices remained higher than at the beginning of the year.

Supply responded only slowly to the price increase. The greater proportion of natural rubber is grown on estates, which seldom resort to slaughter tapping in times of rising prices as such action is to the long-term detriment of the trees. It is estimated that world consumption of natural rubber increased by approximately 6 per cent in 1959 but production rose by only 5 per cent.

Despite the attraction of very favourable prices for rubber in 1959, the volume of production in Ceylon declined by 8 per cent to a level substantially below the average for the past five years. This is due in part to the extensive replanting operations inaugurated a few years ago and also to adverse weather conditions. The volume of Ceylon's rubber exports declined by 1 per cent in 1959 to about 206 million pounds.

The f.o.b. price of all rubber was at Rs. 1.25 per pound in 1958 which advanced to Rs. 1.51 per pound in August 1959. As a consequence of the increase in the average price, set off only slightly by the decline in the volume exported, the value of rubber exports increased by 16 per cent in 1959 (or by Rs. 40 million) to Rs. 298 million.

Increases in export duty followed price improvements. The export duty on rubber which was 20 cents per pound in 1958 was raised with effect from September 10, 1959 to 28 cents per pound. On November 6, 1959, the duty on crepe latex was alone raised to 38 cents per pound, but a week later the rates on all rubber were fixed at a uniform level of 38 cents per pound. The progressive rise in the export duty on rubber was intended to syphon off into revenue some of the increased incomes accruing to producers as a consequence of high prices.

*Coconut Products*—The year 1959 was characterized by a strong world demand for coconut products against the background of a general shortage of supply. In 1958 world production had fallen markedly due to adverse weather conditions; in 1959 world production declined again. Demand continued to increase, however, and this was reflected in the price of Ceylon coconut oil in London which was sustained at a high level, beginning at Rs. 1,763 per ton c.i.f. in January, 1959 and continuing to rise somewhat to Rs. 1,813 per ton c.i.f. in December of that year. Prices improved rapidly in the first half of 1959 but suffered a reversal in June, consequent upon the announcement that the United States Government was proposing to release part of its coconut oil stockpile. The continued shortage of world supply, however, accompanied by a steady demand, maintained prices at higher levels throughout the second half of 1959.

As measured by the Central Bank trade index, average export prices of Ceylon's three major coconut products, viz. copra, coconut oil and desiccated coconut advanced by 18 per cent as compared with 1958. The volume of exports of coconut products in 1959 was the oil equivalent of 140 thousand tons as against the comparable total of 110 thousand tons of oil in 1958. The improvement both in price and in volume resulted in the value of coconut products exported increasing by Rs. 80 million to Rs. 244 million in 1959. There are no direct figures for coconut production in Ceylon but estimates have been made in the chapter on "National Product and Income" above.

TABLE I—15

*Major Coconut Products—Exports—Quantities & Prices*

Commodity	1956		1957		1958		1959	
	Quantity Ths.cwts	F.o.b. price Rs. per cwts.	Quantity Ths.cwts	F.o.b. price Rs. per cwts.	Quantity Ths.cwts	F.o.b. price Rs. per cwts.	Quantity Ths.cwts	F.o.b. price Rs. per cwts.
Copra .. ..	1,155	42.43	695	47.95	554	52.97	852	60.52
Coconut Oil ..	1,698	58.42	1,081	62.80	887	69.80	1,389	84.41
Desiccated Coconut	1,275	50.86	978	56.08	1,135	63.72	1,050	71.45

Source : Ceylon Customs Returns.

(Note: Following the improvement in the f.o.b. prices of coconut products, the export duties per ton of copra, coconut oil and desiccated coconut which had remained unchanged for nearly four years, were increased on July 10, 1959 to Rs. 245, Rs. 185 and Rs. 135 respectively).

### 3. Imports

Attention was drawn earlier to the increase in both the volume and value of imports in 1959. The composition of imports is given in the table below.



TABLE 1—16  
*Composition of Imports*

	Value in Rs. Million			Percentage of total imports		
	1957	1958	1959	1957	1958	1959
<b>Food, Drink and Tobacco</b>	736	715	812	40.8	41.6	40.5
of which—						
Rice .. ..	255	238	283	14.1	13.9	14.1
Flour .. ..	86	67	106	4.8	3.9	5.3
Sugar .. ..	82	87	75	4.5	5.1	3.8
Dairy Products .. ..	63	58	83	3.5	3.4	4.1
Fish Products .. ..	80	92	89	4.4	5.4	4.4
Curry Stuffs .. ..	41	35	39	2.3	2.0	1.9
<b>Raw Materials and Manu- factures</b>	1068	1002	1193	59.2	58.4	59.5
Petroleum Products .. ..	202	125	134	11.2	7.3	6.7
Fertilizers .. ..	70	47	61	3.9	2.7	3.0
Cement .. ..	28	13	22	1.6	0.8	1.1
Iron and Steel .. ..	70	68	85	3.9	4.0	4.2
Machinery .. ..	81	89	107	4.5	5.2	5.3
Textiles .. ..	147	160	147	8.1	9.3	7.3
Chemicals, drugs, dyes and colours .. ..	42	42	56	2.3	2.4	2.8
Paper and Cardboard .. ..	34	29	34	1.9	1.7	1.7
Transport Equipment .. ..						
Motor Cars .. ..	34	36	50	1.9	2.1	2.5
Other Transport Equipment .. ..	54	71	127	3.0	4.1	6.3
<b>Total Imports</b> .. ..	1804	1717	2005	100.0	100.0	100.0

*Source : Ceylon Customs Returns*

Consumer goods, which in the Central Bank Trade Index account for approximately three-quarters of total imports, expanded moderately by 6 per cent, but capital goods which account for the remaining proportion of total imports or one quarter, increased in volume by 35 per cent to the highest level recorded.

The increase in consumer goods imports included a wide range of these items with textiles and sugar as the main exceptions. Some of the increases were rice (45 million), flour (Rs. 39 million), dairy products (Rs. 25 million) and other consumer goods\* (Rs. 27 million). The increase in the imports of rice and flour, as stated earlier, resulted from the government policy of accumulating larger stocks. The imports of textiles were reduced due to the operation of the Industrial Products Act. Under the provisions of this Act certain categories of textiles cannot be imported without purchasing a fixed proportion of domestically produced textiles.

In the group comprising capital goods the largest increase was in the import of transport equipment (excluding motor cars) which rose by Rs. 56 million in 1959. Some other increases were in railway equipment (Rs. 13 million), motor buses and spares (Rs. 19 million), boats and barges (Rs. 16 million). Imports of fertilizers, cement, iron and steel also rose partly to compensate for the low level of these imports in the previous year; imports of "machinery other than electric" rose by Rs. 20 million.

\* These include the following: petrol, kerosene, motor-cars, boots and shoes, cinematographic films, umbrellas, domestic refrigerators, watches and clocks.

#### 4. Pattern of Trade

Table 31 in Appendix II shows the pattern of trade by chief monetary areas and regions.

*The Sterling Area* generally accounts for over half of Ceylon's external trade. In 1959 the decline in exports to the Sterling Area was more marked as compared with earlier years. In value terms exports fell by Rs. 57 million (6 per cent). There was a fall of Rs. 85 million in exports to the United Kingdom, which purchased less tea, rubber and desiccated coconut in 1959. The value of imports from the Sterling Area, however, rose by about 23 per cent, since Ceylon purchased more food (particularly rice and flour), petroleum, chemicals, vehicles and iron and steel. As a consequence, the share of the Sterling Area in Ceylon's import trade rose by a little under 3 per cent in value. Ceylon incurred a deficit of Rs. 178 million in her trade with this area in 1959, thus reverting to a pattern that obtained prior to 1954.

In contrast with the deficit on trade with the Sterling Area, Ceylon's trade with *the Dollar Area* showed a surplus of a little over Rs. 104 million in 1959. This represents a small improvement as compared with 1958 but is about 27 per cent below the average surplus in the past five years. Exports rose in value by 16 per cent on account of increases in the volumes of rubber and coconut products; tea exports, however, remained unchanged in both volume and value. The favourable movement in the value of exports to the Dollar Area in 1959 was largely brought about by the United States purchasing greater quantities of rubber. However, Ceylon's imports from the Dollar Area rose by more than 25 per cent in 1959. The increase was concentrated upon food items, particularly of rice and flour and dairy products. A major proportion of rice and flour and also some dairy products were received from the United States of America under special assistance programmes.

The countries of the *European Economic Community* accounted for almost 9 per cent of Ceylon's external trade in the past few years. In the early years of the postwar period Ceylon enjoyed a consistent trade surplus with this Area. Since 1956, however, there has been a tendency for Ceylon to incur a small deficit each year due in part to a fall in the value of exports. In 1959, however, Ceylon achieved a small surplus of Rs. 17 million in her trade with the European Economic Community. Exports rose in value by about 41 per cent showing increases in rubber and coconut oil. The increase in earnings of the latter commodity constituted 64 per cent of the increase in the value of exports. E. E. C. countries that increased their purchases from Ceylon in 1959 were Italy, the Netherlands and Germany. Ceylon's imports from the Community rose by about Rs. 26 million (or 16 per cent) in 1959. The rise in value has been concentrated on items such as fertilizers, machinery and vehicles.

Ceylon's trade with *China* is carried on within the framework of bilateral Trade and Payments Agreements. The first Trade and Payments Agreement between Ceylon and China was concluded in 1952. It has since been renewed regularly. The protocol relating to the exchange of commodities in 1959, which came into force on January 1, 1959, envisaged the export from Ceylon to China of a minimum of 30,000 metric tons of rubber and the export from China to Ceylon of a minimum of 230,000 metric tons of rice. The values of each of the aggregates of exports and imports were fixed at Rs. 94.6 million. A separate Schedule to the Protocol provided

for the optional export from Ceylon to China of 35,000 metric tons of rubber and other commodities up to a value of Rs. 124.6 million and for the export from China to Ceylon of 270,000 metric tons of rice and other commodities up to an equivalent value.

The actual value of imports and exports in 1959 amounted to Rs. 228 million, exceeding the minimum target by about Rs. 39 million but falling short of the optional target by about Rs. 21 million. The value of Ceylon's exports to China was about the same in 1959 as in 1958 while imports declined by about 1 per cent. Rice and textiles have been the main components of imports in Ceylon's trade with China. As compared with 1958, about 12 per cent more rice was imported in 1959, but since unit import prices were cheaper, total expenditure on rice rose only by about Rs. 6 million. The value of textiles imported from China in 1959 doubled to Rs. 9 million as compared with 1958. Imports of iron and steel also increased fractionally in value. A variety of other imports from China comprised chiefly, cement, electrical goods and machinery.

The value of Ceylon's imports from China has progressively tended to expand, but it should be noted that the Customs Returns include economic aid which in 1959 amounted to Rs. 10.3 million in the form of rice. The value of exports, however has not expanded as fast as imports. As a consequence, Ceylon's trading position, with China in 1959 showed a deficit for the second year in succession, but it was Rs. 2 million smaller than the deficit incurred in 1958.

China has gradually come to occupy an important place as a supplier of Ceylon's rice requirements. Thus, over the past five years Ceylon has obtained about 43 per cent of her total rice imports from that country. In return, China has provided Ceylon with a major market for rubber, absorbing almost 40 per cent of total exports of this commodity in the past five years.

TABLE 1—17

*Ceylon's trade with China*

Year	Exports		Imports		Balance of Trade
	Value	Percentage of total domestic	Value	Percentage of total imports	
	(Rs. Million)	exports	(Rs. Million)		(Rs. Million)
1955 .. ..	121	6.5	80	5.3	+41
1956 .. ..	182	11.0	134	8.2	+48
1957 .. ..	167	10.5	84	4.6	+83
1958 .. ..	78	4.7	152	8.8	-74
1959 .. ..	78	4.6	150	7.5	-72

Source : Ceylon Customs Returns.

The trade and the payments agreements concluded with the U. S. S. R. and other *Eastern European countries*\* continued to operate during the year. A fresh trade and payments agreement valid for one year was concluded with Poland towards the end of the year. In 1959, there was no substantial change in the level of exports to these countries and, as in 1958, exports to these destinations accounted for a little over 1 per cent of total domestic exports. Exports of rubber to the U. S. S. R. accounted for the predominant share of exports to this group. The value of imports showed an increase chiefly because of imports of sugar making machinery from Czechoslovakia and Poland, which accounted for Rs. 12.3 million out of a total value of imports of Rs. 23.4 million from this trading area.

\* Bulgaria, Czechoslovakia, Hungary, Poland and Roumania.

TABLE 1—18

*Trade with U. S. S. R. and Eastern Europe*

Year	Exports		Imports		Balance of Trade (Rs. Million)
	Value (Rs. Million)	Percentage of total domestic exports	Value (Rs. Million)	Percentage of total imports	
1956 .. .. .	1.3	0.08	7.6	0.47	— 6.3
1957 .. .. .	6.5	0.41	9.9	0.55	— 3.4
1958 .. .. .	24.7	1.49	8.7	0.51	+ 16.0
1959 .. .. .	27.3	1.56	23.4	1.16	+ 3.9

*Source : Ceylon Customs Returns***(d) Prices, Wages and Employment**

The Government Committee set up to revise the cost of living index recommended, in its report published in July 1959, changing the weightage in the present cost of living index. The new index has not yet been computed.

*Prices and the Cost of Living*

The existing index of consumer prices constructed by the Department of Census and Statistics in relation to working class, family budgets in Colombo, has shown the following changes in the last three years.

TABLE 1—19

*Colombo Consumer Price Index  
(1952=100)*

Year	All Items	Food (61.9%)	Cloth- ing (9.4%)	Fuel and light (4.3%)	Rent (5.7%)	Misce- llaneous (18.7%)	Domes- tic Group (51%)	Import Group (44%)	Export Group (5%)
1957 ..	102.8	104.9	84.4	97.3	101.5	106.9	104.9	91.8	126.8
1958 ..	105.0	105.8	87.5	101.0	101.5	113.1	109.2	97.0	135.0
1959 ..	105.2	104.7	92.1	102.4	101.5	115.3	108.0	97.1	153.1

*Sources : Department of Census and Statistics  
and Central Bank of Ceylon.*

The changes over the months have been as follows :-

TABLE 1—20

*Changes in the Colombo Consumer Price Index*

Month	All Items			Import Group			Domestic Group			Export Group		
	1958	1959	change %	1958	1959	change %	1958	1959	change %	1958	1959	change %
Jan. ..	106.3	105.0	-1.2	99.3	96.1	-3.2	110.0	108.7	-1.2	133.6	150.8	+12.9
Feb. ..	105.8	103.5	-2.2	99.2	96.0	-3.2	109.0	106.0	-2.8	134.1	149.1	+11.2
March ..	104.8	104.4	-0.4	98.8	96.2	-2.6	107.6	107.3	-0.3	132.0	151.8	+15.0
April ..	104.6	105.8	+1.1	99.0	96.8	-2.2	107.0	109.5	+2.3	132.1	152.9	+15.7
May ..	105.2	105.4	+0.2	99.3	97.0	-2.3	107.6	108.5	+0.8	134.9	154.2	+14.3
June ..	104.5	106.2	+1.6	95.2	96.7	+1.6	110.4	110.0	-0.4	128.9	155.4	+20.6
July ..	103.2	105.6	+2.3	94.4	97.4	+3.2	108.7	108.6	-0.1	127.8	153.6	+20.2
Aug. ..	104.4	104.7	+0.3	95.4	97.1	+1.8	110.2	107.1	-2.8	127.9	152.3	+19.1
Sept. ..	104.5	104.4	-0.1	95.5	97.1	+1.7	109.9	106.5	-3.1	130.9	152.4	+16.4
Oct. ..	100.2	105.4	+5.2	96.0	98.0	+2.1	112.3	107.6	-4.2	136.4	153.3	+12.4
Nov. ..	105.7	106.3	+0.6	96.7	98.5	+1.9	109.9	108.5	-1.3	147.9	158.7	+ 7.3
Dec. ..	104.2	105.7	+1.4	95.1	98.6	+3.7	107.7	107.6	-0.1	153.9	152.8	+ 0.7
Average..	105.0	105.2	+0.2	97.0	97.1	+0.1	109.2	108.0	-1.1	135.0	153.1	+13.4

*Sources : Department of Census and Statistics  
Central Bank of Ceylon.*

The level of retail prices, as indicated by the existing Colombo Consumers' Price Index, was 0.2 per cent higher in 1959 than in 1958.

An examination of the composite commodity group indices show that there was a decline in the price of food items by 1.0 per cent in 1959. A classification of the food items according to their origin show the following changes in prices of the sub-groups :—

TABLE I—21  
*Price Indices of the Food Groups in the Consumers' Price Index*  
(1952=100)

Year	All Food	Domestic Food	Export Food	Import Food
1957 .. .. .	104.9	104.4	126.8	101.7
1958 .. .. .	105.8	108.9	135.0	98.3
1959 .. .. .	104.7	104.4	153.1	97.0

Source : Central Bank of Ceylon

There was a decline of 4.1 per cent in the prices of the domestically produced food items in 1959, mainly as a result of a fall in prices of vegetables and fruits and fresh fish, which items had been affected most by distribution difficulties consequent upon the communal disturbances in 1958. The export food group index rose by 13.4 per cent while the import food group declined by 1.3 per cent, during 1959. The rise in the export food group index was mainly the result of an increase in the prices of coconut products caused by higher export prices. The decline in the group index for imported food in 1959 was only a reflection of the reduction in the price of rationed rice by five cents in mid 1958. Whilst there was no change in the price of flour or sugar during the period, and the price index for "other imported food" rose, the index for "all imported food" fell. The following table indicates the trend:—

TABLE I—22  
*Changes in the Prices of the food items in the Import Group of the Consumers' Price Index*

Year	All imported food	Rice, flour and sugar	Other imported food
1957 .. .. .	101.7	101.7	101.7
1958 .. .. .	98.3	96.1	100.9
1959 .. .. .	97.0	92.2	102.7

Source : Central Bank of Ceylon

All other commodity groups in the Consumers' Price Index (with the exception of rent, for which only the controlled rent is taken into account) showed a continuous increase in price from 1957. The rise in the clothing index was largely due to the rise in import prices. It was also possibly due to the consequences of the Industrial Products Act embodying the government's policy of protection for the local textile industry. Almost a third of the miscellaneous group consists of liquor and tobacco and the prices of these items have risen as a result of increases in excise duties.

#### *Wages.*

The Department of Labour computes index numbers on wage rates. Data on the movement of wages are available only in regard to the wage rates of workers in industries for which Wages Boards have been set up and for Government unskilled workers. Workers in agriculture constitute 89.4 per cent of workers in all Wages Boards Trades.

The following table gives the movements in the wage rates of workers in Wages Boards Trades and Government unskilled workers in recent years.

TABLE I—23

*Minimum Wage Rate Index Numbers*  
(1952=100)

Period	Workers in Agriculture		Workers in trades other than Agriculture		Workers in Agriculture and trades other than Agriculture		Government unskilled Workers	
	Minimum wage rate index	Index of real wage rates	Minimum wage rate index	Index of real wage rates	Minimum wage rate index	Index of real wage rates	Minimum wage rate index	Index of real wage rates
1953 ..	101.5	99.9	101.0	99.4	101.5	99.9	101.3	99.7
1954 ..	103.1	102.0	100.7	99.6	102.5	101.4	101.4	100.3
1955 ..	106.6	106.1	101.4	101.0	105.9	105.4	105.8	105.2
1956 ..	107.1	106.9	102.9	102.7	106.4	106.2	107.2	107.0
1957 ..	108.7	105.6	104.5	101.5	107.8	104.7	110.4	107.3
1958 ..	110.2	105.2	116.2	110.9	110.8	105.6	126.7	120.7
1959 ..	110.2	104.8	128.8	122.4	112.3	106.7	126.7	120.4

*Source: Department of Census and statistics Central Bank of Ceylon*

Up to 1957 wage rates of workers in trades other than agriculture rose at a rate lower than the rate at which the wage rates of workers in agriculture rose. During 1958 wage rates of workers in trades other than agriculture were increased. These increases were effective throughout 1959, so that the wage rate index for workers in trades other than agriculture was 10.8 per cent higher than in the previous year.

In 1959, there were no significant changes in the wage rates of most workers whose minimum wage rates are fixed by Wages Boards. The only exceptions were the coconut growing trade and the match manufacturing trade. In the coconut growing trade basic wages payable to these workers were increased, with effect from December 1, 1959; resulting in an increase of 11.0 per cent in their wage rates. Wage rates of workers in the match manufacturing trade were 9.1 per cent higher from June 1, 1959, as their special living allowances were increased.

Wage rates of Government unskilled workers rose steadily up to 1958 and were 26.7 per cent higher than in 1952. In 1959, their wage rates remained unchanged. Wage rate indices for Government skilled workers are not available.

The real wage rates of workers in agriculture as a whole and Government unskilled workers fell by 0.4 per cent and by 0.3 per cent respectively owing to the higher level of living costs. Among workers in industry and commerce, however, the rise in living costs was more than offset by the rise in wage rates so that real wages were 10.4 per cent higher than in 1958.

#### *Employees Provident Fund*

Under the Employees Provident Fund Act of 1958, from time to time employments have been declared 'covered' employments. Since December 1, 1958, all Government and semi-Government corporations, commercial establishments, banks, theatres, nursing homes, audit, accountancy and insurance companies, hotels, co-operative societies, estates over 10 acres in extent and all other Wages Boards trades have been brought under the Act. Employments so covered number over 8,000 and by December 31, 1959, approximately 6,700 of these employments had been registered with the Commissioner of Labour. In employments so registered about 600,000 employees have come within the purview of the Fund.

#### *Employment*

A survey of employment, unemployment and under-employment was carried out for 1959 by the Department of Labour, but the results are not yet available.

No data are available on the level of unemployment in Ceylon. The following data relating to registrants for employment or better employment at the Employment Exchanges in Colombo and 19 major provincial towns serve as an indicator of the movements in the level of unemployment.

TABLE I—24  
*Number of Registrants at Employment Exchanges*

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	...	...	...	...	...	...	...	110,856	673
1958	...	...	...	...	...	...	...	117,796	715
1959	First Quarter	...	...	...	...	...	...	119,614	726
	Second Quarter	...	...	...	...	...	...	122,941	746
	Third Quarter	...	...	...	...	...	...	126,759	769
	Fourth Quarter	...	...	...	...	...	...	128,018	777

Source : Department of Labour

The rising trend in the number of registrants which began after 1953 was continued in 1959. At the end of the year the total number of registrants was 8.7 per cent higher than the level at the end of 1958. The most significant rise was in the registrations among semi-skilled and unskilled workers whose numbers increased by 2.3 per cent and 16.0 per cent respectively. (See Table 33—in Appendix II).

*Labour Relations.*—There was an increase in the number of strikes in 1959 compared with 1958. The total number of strikes was, however, somewhat lower than the number of strikes which took place in 1957. The table below indicates the movements in recent years.

TABLE I—25  
*Strikes and Man-days work lost*

Year				Plantations		Other employments	
				No. of strikes	Man-days work lost	No. of strikes	Man-days work lost
1957	...	...	...	177	618,050	127	190,443
1958	...	...	...	123	340,632	79	292,577
1959*	...	...	...	177	352,095	71	460,141

\*Provisional

Source : Department of Labour

The largest number of strikes took place on the plantations, where the major part of the working population organised in unions are employed. In 1958/59 these workers were organised into 30 unions with a total membership of 592,270. The rest of the working population organised in unions totalled 229,726 persons and belonged to 397 unions. The following table shows the membership and number of workers unions classified under broad categories.

TABLE I—26

*Statistics of Employees' Unions that have sent their returns to the Commissioner of Labour(a)*

Workers' Unions	No. of Unions		Membership	
	1957-58	1958-59*	1957-58	1958-59*
1. Plantation and Agricultural...	27	30	552,498	592,270
2. Industrial ...	65	69	65,669	58,851
3. Transportation and communications ...	60	57	39,408	56,172
4. Clerical ...	20	34	12,387	18,914
5. Professional ...	30	39	9,215	15,056
6. General ...	96	172	35,669	54,746
7. Commercial ...	11	14	14,916	25,298
8. Administrative and Executive ...	8	12	416	689
	317	427	730,178	821,996

Source : Department of Labour

(a) Registration Year April 1 to March 31.

According to the classification of the causes of strikes made by the Department of Labour, the downward trend in the relative importance of the demand for wage increase as a cause of strikes, which began in 1954, continued in 1959. The percent age of strikes resulting from such demands accounted for 3.2\* per cent in 1959 compared with 4.4 per cent in 1958. Disputes about working conditions accounted for 30.2\* per cent of strikes while dismissal or loss of work and wage disputes, other than for increases accounted for 18.2\* per cent and 16.1\* per cent of strikes respectively. As in 1958, these factors continued to be the three chief causes of strikes.

## II. MONETARY DEVELOPMENTS

### (a) The Money Supply

In 1959 the money supply increased by Rs. 101.0 million or 9.4 per cent, compared with a rise of Rs. 36.6 million or 3.6 per cent in 1958. The money supply rose more persistently than in the previous year. In 1958, it fell in the first half and increased only in the second half; in 1959, although the increase in the money supply occurred very largely in the second half, there was a moderate increase in the first half as well. It fluctuated somewhat in the second quarter, but rose by Rs. 17.4 million up to the end of June. Thereafter, however, it increased almost consistently by Rs. 83.5 million till it reached a new peak of Rs. 1,177.7 million in December, as shown in the table below. The monthly average money supply for 1959 was Rs. 1,107 million compared to Rs. 1,037 million in 1958—an increase of 6.7 per cent.

\* Provisional