

by the state sector in order to safeguard the interest of the producer. Imports of these items were made solely to cover shortfalls in local production. In order to ensure unrestricted availability of these essential commodities, while safeguarding the interests of the producer, the Ministry of Trade planned the imports of these commodities during periods of short supply. Weekly market surveys were conducted by the Department of Internal Trade and the Central Bank to ascertain the availability of essential consumer goods and the Ministry of Trade was kept informed of any scarcities of these commodities. Problems of distribution and pricing relating to trade in essential commodities were discussed at regular meetings of the Consumer Protection Committee in which the Ministry of Trade, the Central Bank and the major supply and consumer organisations are represented.

At a time when rigid controls are removed, some form of regulatory mechanism becomes necessary for trading activities to function in harmony. The Department of Internal Trade continued to administer and implement the Consumer Protection Act, the Control of Prices Act and the Weights and Measures Ordinance with a view to ensuring the fair trading practices in the field of internal trade.

In order to protect the consumer from indiscriminate price changes at the retail level, traders dealing in some 315 consumer articles coming under the purview of the Consumer Protection Act were compelled to exhibit their retail selling prices. A series of directives were also issued under the Act.

A Consumer Protection Fund was established in order to finance consumer education programmes and to assist in the development of consumer organisations. At the end of the year the total amount to the credit of the fund was Rs. 115,000. With a view to improving consumer awareness of the benefits of a free competitive market, the Department of Internal Trade organised and maintained consumer education stalls at each of the 'Mahapola Trade Fairs' and exhibitions held in 1980. The establishment of consumer societies was undertaken and 905 such societies were established by the end of the year.

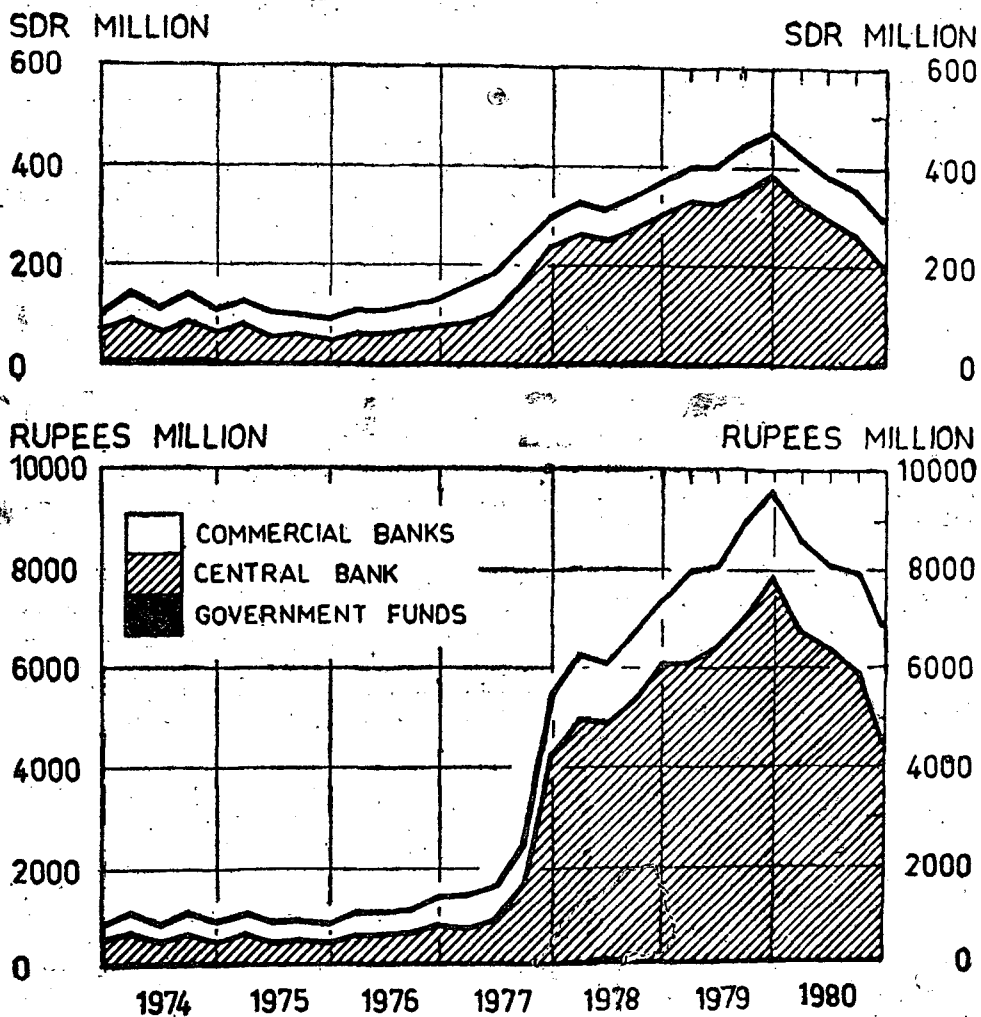
TOURISM

Tourism has emerged as an important source of foreign exchange earnings, employment creation, income generation and regional development over the past decade in Sri Lanka.

Tourist arrivals during 1980 exceeded the target of 298,000 by 8 per cent and a total of ~~321,780~~ tourists visited the country in 1980, representing an increase of almost 29 per cent over the previous year's figure. The growth rate achieved this year was higher than the average annual growth rate of 22.5 per cent achieved during the past decade. However, it should be pointed out that the rate of growth of tourist traffic recorded in 1980 was less than that registered in 1979. Meanwhile, the total arrivals of "excursionists" (i.e. the temporary visitors staying in the country for less than 24 hours including travellers on cruises but excluding travellers in-transit) amounted to 8,636 in 1980, reversing a falling trend.

EXTERNAL ASSETS

QUARTERLY



The current account deficit in 1980 was Rs. 10,739 million (SDR 499 million) which again was the highest ever recorded. In comparison, the current account deficit in 1979 was Rs. 3,556 million (SDR 177 million). Although the net receipts of non-monetary capital in 1980 at Rs. 7,446 million (SDR 346 million) was the largest ever for any single year, these were insufficient to finance the deficit. In the event, the year ended with a deficit of Rs. 2,967 million (SDR 166 million) in the overall balance and a resultant loss of reserves. Altogether gross external reserves declined by Rs. 2,886 million (SDR 179 million) and the net international reserves by Rs. 2,967 million (SDR 166 million). Underscoring the deteriorating balance of payments situation, the exchange rate of the Sri Lanka Rupee vis-a-vis most major foreign currencies depreciated, particularly during the second half of the year.

It is not uncommon for a country embarked on a development programme to incur current account deficits in its balance of payments. Indeed, it is through such deficits that foreign resources are absorbed into the economy. In this sense, the deficits recorded in 1978 and 1979 could not be considered as adverse. In fact, during these years the country was able to mobilise external resources which were more than sufficient to finance the current account deficit, the balance contributing to swell the external assets. On the other hand, the balance of payments developments in 1980 were such that the resources mobilised from external sources were sufficient to finance only a portion of the current account deficit, leaving a substantial balance to be financed by running down accumulated reserves and subjecting the country to a weakened foreign exchange situation.

In 1980, total export earnings amounted to Rs. 17,711 million (SDR 823 million) reflecting only a modest increase of 12 per cent over 1979. The modest improvement in export earnings in 1980 was the outcome of higher prices. In fact the Export Volume Index remained unchanged as compared with the preceding year, while the Export Price Index showed a modest increase of 15 per cent.

Total imports at Rs. 33,851 million (SDR 1,573 million) represents an increase of 40 per cent in value over 1979. The major part of this increase as observed earlier in the section devoted to trade was due to a sharp increase in import prices. The Import Price Index increased by 43 per cent in 1980. There was also a moderate increase in the volume of imports and the Import Volume Index in 1980 rose by 13 per cent. The import volume increases were largely confined to investment or capital goods and intermediate goods.

The services sector of the balance of payments continued to show expansion, the total receipts rising from Rs. 2,993 million (SDR 148 million) in 1979 to Rs. 4,605 million (SDR 214 million) in 1980. But owing to higher payments mainly on account of interest and service charges on loans, IMF drawings and other short term borrowings, the net surplus increased marginally from Rs. 740 million (SDR 36 million) in 1979 to Rs. 861 million (SDR 40 million) in 1980. Net receipts from transfers, especially from private transfers, consisting mainly of remittances from Sri Lankan residents employed abroad, continued to increase, a phenomenon observed since 1976, and helped to increase the surplus on private and official transfers to Rs. 4,540 million (SDR 211 million) in 1980. The quantum of net receipts from private transfers in this total rose substantially from Rs. 754 million (SDR 37 million) in 1979 to Rs. 2,260 million (SDR 105 million) in 1980, recording an increase of 184 per cent. The net surplus recorded in the services sector and on private and official transfers helped to reduce the current account balance to Rs. 10,739 million (SDR 499 million).

TABLE 1. 26
Tourism Statistics 1979 -1980

Item	1979	% change	1980	% change
		1979 over 1978		1980 over 1979
1. Tourist arrivals	250,164	29.9	321,780	28.6
2. Excursionist arrivals	5,563	34.5	8,636	55.2
3. Tourist nights (thousands)	2,777	34.7	3,529	27.0
4. Gross tourist receipts				
4.1 Rs. Million	1,188.5	36.6	1,600.0(a)	34.6
4.2 SDR Million	59.0	44.4	74.4	26.0
4.3 US \$ Million	76.3	36.7	97.0	27.1
5. Number of arrivals by purpose of visit				
5.1 Pleasure	227,218	27.8	292,062	28.5
5.2 Business	13,460	16.5	24,641	83.1
6. Number of arrivals by region				
6.1 Western Europe	163,206	27.3	215,650	32.1
6.2 Asia	56,187	56.1	72,022	28.2
6.3 North America	13,941	12.2	15,408	10.5
7. Total employment	43,409	19.9	53,018	22.1
7.1 Direct	18,472	19.9	22,561	22.1
7.2 Indirect	24,937	19.9	30,457	22.1

Source: Ceylon Tourist Board.

(a) Provisional.

Total tourist arrivals taken alone, however, is not a complete indicator of the real volume of tourist traffic to the country. A more meaningful yardstick to assess the volume would be the number of visitor nights. The number of nights spent by the tourists during the year 1980 amounted to 3.5 million reflecting an annual growth of almost 27 per cent. It appears that the tourist nights have increased at a lower rate than the arrivals of the tourists. The average duration of stay of a tourist which had improved from 9.8 nights in 1975 to 11.1 nights in 1979 appears to have declined marginally to 11 nights in 1980.

Western Europe which has been the main market in the past, improved on its relative market share by 2 per cent in 1980, in comparison with last year, accounting for 67 per cent of total tourist arrivals. The Asian market being the second largest, maintained its share at 22 per cent of the total arrivals in 1980, as in 1979. The market share of North America at 5 per cent showed a marginal decrease compared with the previous year's figure.

Earnings from tourism consists of tourist expenditure within the country on accommodation, food, transport, purchase of various items and recreational activities. Total gross earnings from the industry in 1980 were estimated at Rs. 1,600 million; which indicated an increase of 33 per cent over the earnings in 1979. In SDR terms, gross earnings amounted to 74.4 million, reflecting an increase of 26 per cent, while in US Dollars, the value approximated 97 million, registering an increase of 27 per cent over 1979.

Tourism which was ranked as the sixth largest foreign exchange earner in 1976 and the fifth largest in 1977, remained in the fifth place in 1978 and 1979. Tourist earnings in 1980 exceeded the earnings from coconut products and became the fourth largest foreign exchange earner for Sri Lanka. The growing importance of earnings from tourism is also visible from the balance of payments data. The share of tourist earnings which was 22 per cent of receipts from services in 1975 increased to 35 per cent in 1979 and remained unchanged in 1980.

As a labour intensive industry, tourism generates employment opportunities directly in the same sector and indirectly in the various affiliated sectors. During the last decade tourism has favourably contributed to the Government's effort of providing employment. Total direct employment created by tourism rose from 18,472 in 1979, to 22,561 in 1980 reflecting an annual increase of 22 per cent. Total indirect employment generated in 1980 has been estimated at 30,457, recording a growth rate of 22 per cent over 1979. As a result, total employment amounted to 53,018 implying that one job was created by every 6.1 tourist arrivals.

Tourism as a sector has received a range of generous tax incentives. Total capital investment upto 1980 amounted to Rs. 888 million, of which 77 per cent represented local costs while the balance 23 per cent was the foreign component.

BALANCE OF PAYMENTS

The large growth in imports, further deterioration of the commodity terms of trade, sharply widened deficits on merchandise and current accounts, a substantial loss of external reserves and a depreciation of the Sri Lanka Rupee against most major currencies were the main features of balance of payments developments in 1980.

After many years of rather disappointing performance, Sri Lanka's balance of payments turned positive in 1977 when both merchandise and current accounts recorded modest but welcome surpluses. Since then, the balance of payments again turned adverse when both merchandise and current accounts continued to register progressively rising deficits. The merchandise deficit in 1980 at Rs. 16,140 million (SDR 750 million) was however, the highest on record and represents a deterioration from the deficit of Rs. 7,288 million (SDR 362 million) recorded in the previous year. Although both services and transfers accounts showed larger surpluses than in the previous year, the widened merchandise deficit was reflected in an equally large current account deficit.