

The important role of the co-operative societies in the internal trade mechanism of Sri Lanka was a prominent feature since the Second World War. Although the activities and the functions of these societies have changed during the recent past, still the majority of the consumers in the low and middle income groups use them as a major source of supply for their day-to-day needs. It was estimated that the turnover of the co-operative societies in trading activities alone in 1981 increased to Rs. 9,870 million, as compared with Rs. 2,808 million in 1978. This was in spite of a marked increase in the private sector participation in the distribution of essential food items. At the same time, the co-operative sector handled the bulk of the items distributed under the Food Stamp Scheme which amounted to Rs. 1,510 million in 1981. However, during this period the number of employees in the co-operative sector showed a marginal decline and stood at around 41,000. There were nearly 700 wholesale outlets and over 9,000 retail outlets of co-operative societies spread over the country. According to estimates based on a Central Bank Survey, the co-operative sector as a whole has made a 4 per cent margin over the costs of its purchases in 1981.

In recent years, attempts were made to induce greater participation by the private sector in the distribution of essential food items including rice, flour and sugar. By the end of 1981, the private sector was able to handle most of the locally produced rice and entered the rice import trade as well. However, the distribution of flour remained a monopoly of the Food Commissioner's Department (FCD). With the commissioning of the Prima Mills, the FCD imported wheat grain instead of flour to be milled locally for distribution. Meanwhile, the sugar trade underwent a significant change. After several decades of monopoly by the FCD, in 1981 the private sector was permitted to participate in a big way in the import and distribution of sugar, creating in the process certain problems to the FCD. The Colombo North Co-operative Society played an important role in this and was able to increase its turnover to Rs. 426 million in 1981.

During the year under review, the necessity for a Market Information Service was felt in all the sectors of internal trade. Such a service to guide the policy makers of the institutions in respect of imports, stock management, international prices and their trends, the size of the market etc. could be useful in improving the efficiency of operations of trading corporations, co-operative societies, the Food Commissioner's Department as well as the private sector.

TOURISM

Following the trend observed during the past decade, tourism continued to be an important source of foreign exchange earnings and employment creation, during the year 1981.

International tourist arrivals during 1981, totalled 370,742 representing an increase of 15 per cent over the figure recorded in 1980. However, there was a noticeable reduction in the rate of growth of tourist traffic observed in 1981, when compared with the performance during the past five years. 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) in 1981, amounted to 7,737, indicating a decrease of 10 per cent over the previous year's level.

Total number of nights spent by tourists which provides a better yardstick in assessing the volume of tourist traffic, amounted to 4 million in 1981 reflecting an annual growth rate of 13 per cent. It appears that the rate of growth of tourist nights during the year under review fell below the corresponding rates achieved annually during the past five years. Accordingly, the average duration of stay of a tourist also dropped from 11.0 in 1980 to 10.8 in 1981.

Gross earnings from tourism which consist of tourist expenditure within the country on accommodation, food, transport, purchase of miscellaneous items and recreational activities etc., were estimated at Rs. 2,500 million in the year under review.¹ This revealed an increase of 36 per cent over the level of earnings of the previous year. Gross receipts from tourism in US Dollars amounted to 130 million indicating an increase of 17 per cent. In terms of SDRs, the increase in tourist earnings represented 30 per cent rising from 85 million in 1980 to 110 million in 1981.

As in the past, Western Europe continued to be the main market accounting for 66 per cent of the total tourist arrivals in 1981. The Asian market being the second largest had a share of 24 per cent in the total arrivals indicating a 2 per cent increase in comparison with its share in the previous year. The contribution of the North American market remained at 4 per cent in 1981.

The prime motivation of travel to the country during the year 1981 continued to be "pleasure". An estimated 331,638 tourists mentioned the same as their purpose of visit. The relative share of tourist arrivals for "pleasure" remained at 90 per cent in 1981, while the ratio of business visits amounted to 4 per cent of the total arrivals. It can be observed that the rate of growth of pleasure seeking arrivals at 14 per cent in 1981 has conformed to the rate of growth of total tourist nights recorded in the year, while there has been a 22 per cent increase in the arrivals for business purposes.

The growing importance of tourism as a source of foreign exchange earnings can be ascertained by looking at the balance of payments data. The relative share of tourist earnings which was 22 per cent of the receipts from services in 1975 had risen to 35 per cent in 1980 and further to 39 per cent in 1981. However, tourism, which in the previous year secured the position of the fourth largest foreign exchange earner in Sri Lanka turned out to be the fifth largest in 1981.

Tourism during the year 1981 has generated a total of 52,800 employment opportunities thereby contributing to the government's effort at providing more employment. This reflected an increase of 10 per cent over the figure recorded in the previous year. Of the total employment created in the tourist sector, direct employment amounted to 22,000, while indirect employment was estimated at 30,800. The direct employment opportunities in 1981 appeared to have grown at a faster rate in comparison with last year.

1. As estimated by the Tourist Board.

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Tourism Statistics 1980 — 1981

Item	1980	% change over 1979	1981	% change over 1980
1. Tourist arrivals ..	321,780	28.6	370,742	15.2
2. Excursionist arrivals ..	8,636	55.2	7,737	-10.4
3. Tourist nights ('000) ..	3,548	27.7	4,000*	12.7
4. Gross tourist receipts				
4.1 Rs. Million ..	1,830.3	51.3	2,500.0*	36.6
4.2 U. S. Dollar Million ..	110.7	42.5	129.9	17.3
4.3 SDR Million ..	85.1	41.6	110.3	29.6
5. Number of arrivals by purpose of visit				
5.1 Pleasure ..	291,996	28.5	331,638	13.6
5.2 Business ..	19,332	43.6	23,540	21.8
6. Number of Arrivals by Region				
6.1 Western Europe ..	215,650	32.1	245,190	13.7
6.2 Asia ..	72,022	28.2	87,894	22.0
6.3 North America ..	15,408	10.5	16,554	7.4
7. Total Employment ..	47,900	10.3	52,800*	10.2
7.1 Direct ..	19,878	7.6	22,000*	10.7
7.2 Indirect ..	28,022	12.4	30,800*	9.9

* Estimates

Source ; Ceylon Tourist Board.

BALANCE OF PAYMENTS

The Balance of Payments situation showed a considerable improvement in 1981. This development was partly a result of the adoption of appropriate demand management and flexible exchange rate policies. Movements in exchange rates, curtailment of the expansion in public sector expenditure and restrictive monetary policies all helped to slow down the rate of increase in the flow of imports during the year. This, together with a noticeable increase in export earnings, contributed to contain the trade deficit within manageable levels. Larger inflows on account of transfers in the context of a narrowed trade deficit caused the current account deficit to register a considerable decline compared with 1980. On the other hand, there were larger capital inflows in the form of foreign loans, direct investment and short-term borrowings during the year thereby helping to reduce the overall payments deficit in 1981 to a mere fraction of the substantial deficit experienced in the previous year. Therefore, the use of net external reserves to finance the overall payments deficit was of very modest proportions in 1981.

Even though the overall balance of payments scenario in 1981 was somewhat satisfactory, there were certain unfavourable developments too. The economic policy package implemented since November, 1977 anticipated continuing high current account deficits in the short-run. The liberalised trade policies, together with the accelerated investment programme, were expected to maintain the flow of imports at a fairly high level during the initial years. On the other hand, the export sector was envisaged to grow displaying a high degree of diversification. The payments