

**TABLE 1 · 28**  
**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.

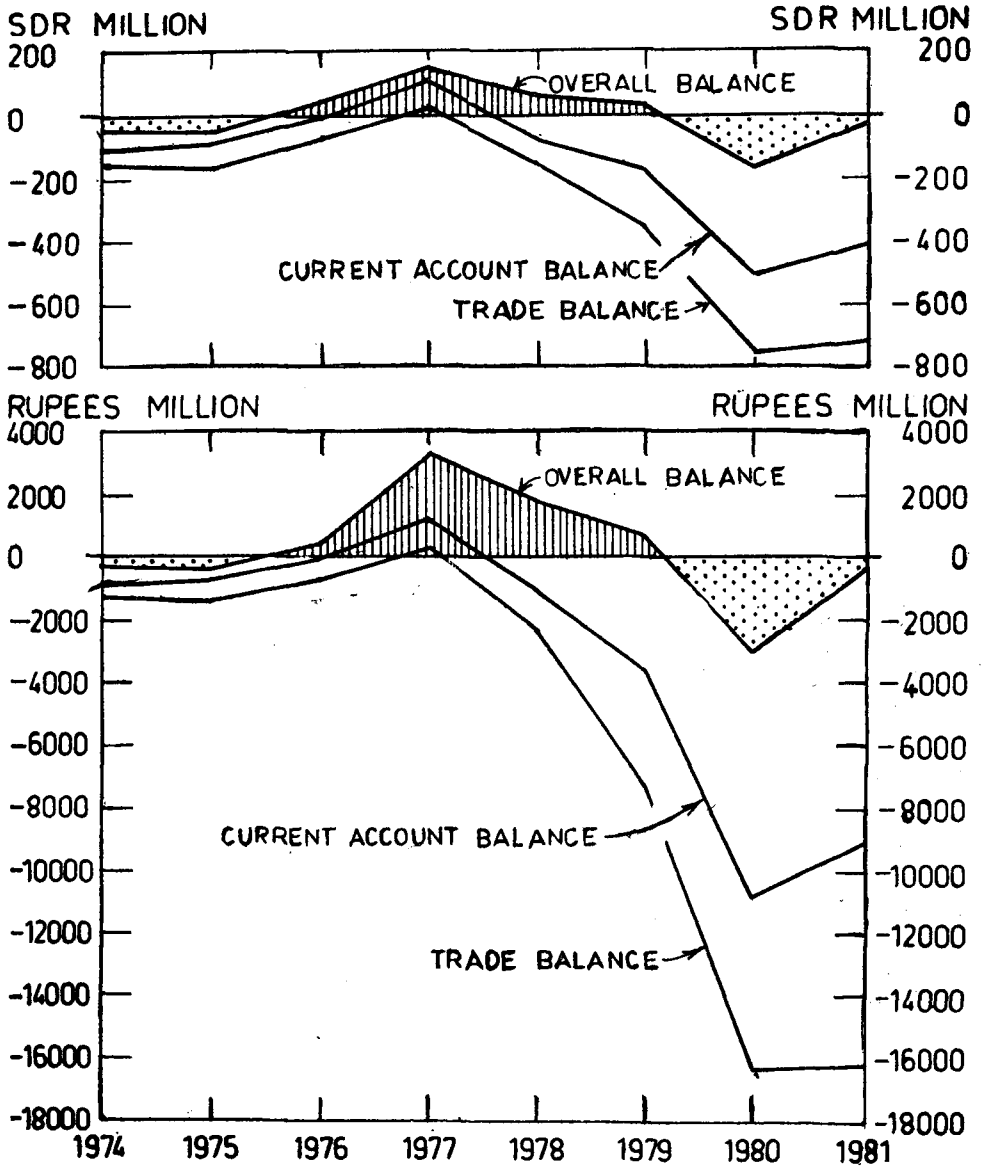
## BALANCE OF PAYMENTS

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

# BALANCE OF PAYMENTS

ANNUALLY



deficits emerging in the initial years were expected to be financed from resources mobilised by way of private capital, official capital and facilities from the International Monetary Fund (IMF).

In 1981, both trade and current account deficits remained high, though somewhat lower than the deficits in the previous year. The major contributory factor for the large trade deficit was the high level of imports of intermediate and investment goods during the year. Approximately three-fourths of the import outlay was on intermediate and investment goods, which were mainly earmarked for development projects in the public sector. A cut-back in the importation of these goods would have involved adverse implications for the country's development programme. Further, a good part of such imports, in any event, was financed by the flow of project aid. An additional factor that contributed to the trade deficit in 1981 was a substantial increase in import payments for crude oil, following the upward revisions in oil prices by the OPEC during 1979/80. Petroleum imports (gross) absorbed nearly one-half of the export earnings of the country in 1981. To cope with the large current account deficit, it was necessary to raise financial resources from abroad. In the context of a limited amount of resources available from conventional sources such as foreign aid loans and grants and drawings from the I.M.F., it was necessary to resort to other sources of financing. Accordingly, the pattern of financing the payments deficit changed significantly during the year, involving a considerable increase in commercial borrowings. This was one of the most unfavourable developments in the balance of payments front in 1981.

#### **Balance of Payments Outturn**

The current account deficit declined from Rs. 10,912 million (SDR 507 million) in 1980 to Rs. 9,090 million (SDR 404 million) in 1981. The current account deficit as a percentage of the Gross Domestic Product declined from 16 per cent in 1980 to 11 per cent in 1981. The improvement in the current account deficit was largely the outcome of a slow-down of imports and increased inflows of private and official transfers. The net inflow of non-monetary capital amounted to Rs. 7,663 million (SDR 340 million) in 1981, compared with a level of Rs. 6,585 million (SDR 306 million) in the previous year. In view of increased capital inflows, the overall deficit was contained at Rs. 406 million (SDR 26 million) in 1981, as compared with a deficit of Rs. 2,967 million (SDR 166 million) in 1980. The net international reserves declined to the extent of the overall deficit. However, the level of gross external assets showed an increase during the year and was almost entirely reflected in foreign liquid balances of the Central Bank. The level of gross external assets at the end of 1981 was sufficient to finance two months' imports projected for 1982.

The total export earnings increased by 10 per cent (in SDR terms) from Rs. 17,603 million (SDR 818 million) in 1980 to Rs. 20,440 million (SDR 900 million) in 1981. The growth of export earnings largely resulted from higher receipts from non-traditional exports, mainly garments, minor agricultural products and petroleum products. On the other hand, earnings from traditional exports showed a marginal improvement during the year.

TABLE 1.29

## Balance of Payments — Analytic Presentation, 1977 — 1981

Item	Rs. Million					SDR Million				
	1977	1978	1979	1980(a)	1981(b)	1977	1978	1979	1980(a)	1981(b)
<b>1. Merchandise</b>	.. + 350	- 2,393	- 7,288	- 16,312	- 16,192	+ 29	- 144	- 362	- 758	- 716
Exports (f.o.b.)	.. 6,640	13,207	15,282	17,603	20,440	+ 651	675	759	818	900
Imports (c.i.f.)	.. - 6,290	- 15,600	- 22,570	- 33,915	- 36,632	- 622	- 819	- 1,121	- 1,576	- 1,616
<b>2. Services</b>	.. + 304	+ 119	+ 739	+ 859	+ 136	+ 29	+ 6	+ 37	+ 40	+ 6
Receipts	.. 923	1,942	2,992	4,605	5,815	89	99	149	214	256
Payments	.. - 619	- 1,823	- 2,253	- 3,746	- 5,679	- 60	- 93	- 112	- 174	- 250
<b>3. Goods &amp; Services (1+2)</b>	.. + 654	- 2,274	- 6,549	- 15,453	- 16,056	+ 58	- 138	- 325	- 718	- 710
<b>4. Transfers (Net)</b>	.. + 612	+ 1,242	+ 2,993	+ 4,541	+ 6,966	+ 59	+ 63	+ 148	+ 211	+ 306
Private (Net)	.. 122	342	754	2,260	3,848	12	17	37	105	170
Official (Net)	.. 490	900	2,239	2,281	3,118	47	46	111	106	136
<b>5. Current Account Balance (3+4)</b>	.. + 1,266	- 1,032	- 3,556	- 10,912	- 9,090	+ 117	- 75	- 177	- 507	- 404
<b>6. Non-Monetary Capital</b>	.. + 326	+ 2,600	+ 3,306	+ 6,585	+ 7,663	+ 32	+ 133	+ 164	+ 306	+ 340
Private Sector	.. - 127	145	874	3,895	2,543	- 12	8	43	181	116
Public Sector	.. 453	2,455	2,432	2,690	5,120	44	125	121	125	224
Long-term (Net)	.. 602	2,609	2,432	2,690	5,120	58	133	121	125	224
Receipts	.. (1,319)	(3,680)	(3,351)	(4,326)	(6,087)	(127)	(188)	(167)	(201)	(268)
Amortization	.. (- 717)	(- 1,071)	(- 919)	(- 1,636)	(- 967)	(- 69)	(- 55)	(- 46)	(- 76)	(- 44)
Short-term (Net)	.. - 149	154	-	-	-	14	8	-	-	-
<b>7. Valuation Adjustments</b>	.. + 1,680	+ 344	- 18	+ 607	- 39	-	-	-	-	-
<b>8. Errors and Omissions</b>	.. + 41	- 50	+ 820	+ 495	+ 808	+ 4	+ 7	+ 36	+ 23	+ 26
<b>9. SDR Allocations</b>	.. -	-	241	258	252	-	-	12	12	12
<b>10. Overall Balance</b>	.. + 3,313	+ 1,861	+ 793	- 2,967	- 406	+ 153	+ 65	+ 35	- 166	- 26
<b>11. Monetary Movements (— Surplus)</b>	.. - 3,313	- 1,861	- 793	+ 2,967	+ 406	- 153	- 65	- 35	+ 166	+ 26
Rate of Conversion — SL Rs./SDR (Annual Average)						10.42	19.58	20.13	21.52	22.67

(a) Revised

(b) Provisional

Source: Central Bank of Ceylon.

Note: All transactions in the current account and in non-monetary sector are converted at weighted average annual rates. Monetary Sector are converted at end of period rates.

Import payments increased at a slower rate of 3 per cent (in SDR terms) from Rs. 33,915 million (SDR 1,576 million) in 1980 to Rs. 36,632 million (SDR 1,616 million) in 1981. This contrasts with the rapid increase recorded in the preceding three years at an annual average rate of 36 per cent in SDR terms. The slow down of import growth in 1981 was partly a reflection of prudent demand management policies and appropriate movements in exchange rates. The withdrawal of certain tax incentives, particularly the Lump Sum Depreciation facility, also helped to restrain the increase in imports.

The services account of the balance of payments showed a smaller surplus of Rs. 136 million (SDR 6 million), in comparison with a surplus of Rs. 859 million (SDR 40 million) in 1980. With the exception of 1978, the services account showed a continuous improvement between 1973 and 1980 and helped to improve the current account position. This trend seems to have been reversed in 1981, and the major contributory factor has been the increase in interest payments on foreign debt. Tourist earnings, port services and interest earnings on the investment of external assets were the major sources of earnings in the services account.

Interest payments on foreign loans, IMF drawings and commercial credits increased from Rs. 968 million (SDR 45 million) in 1980 to Rs. 2,116 million (SDR 93 million) in 1981. As in many other non-oil developing countries, higher interest payments absorbed a considerable portion of earnings from the export of goods and services that could have been diverted to procure imports. Approximately, 8 per cent of earnings from the export of goods and services was absorbed by interest payments (including those paid to the IMF) in 1981, compared with 4 per cent in 1980. Interest earnings from the investment of external assets amounted to Rs. 555 million (SDR 25 million) in 1981. Net interest outpayments increased from Rs. 194 million (SDR 9 million) in 1980 to Rs. 1,561 million (SDR 68 million) in 1981.

Earnings from tourism increased by 32 per cent (in SDR terms) to Rs. 2,270 million (SDR 100 million) in 1981 on account of a 15 per cent increase in tourist arrivals and a 14 per cent rise in per capita tourist expenditure. Taking into account a sum of Rs. 749 million (SDR 33 million) of outpayments on account of Sri Lankans travelling abroad, the net earnings from travel rose to Rs. 1,521 million (SDR 67 million) in 1981, as compared with Rs. 1,081 million (SDR 50 million) in the previous year.

Receipts from private transfers, mainly consisting of remittances made by Sri Lankans employed abroad, increased by 66 per cent (in SDR terms) from Rs. 2,518 million (SDR 117 million) in 1980 to Rs. 4,402 million (SDR 194 million) in 1981. The bulk of these remittances were by Sri Lankans working in the Middle East, mainly Saudi Arabia, Kuwait, Oman, United Arab Emirates and Bahrain. A significant amount of remittances was also received from other countries including the United Kingdom, United States and West Germany.

TABLE 1.30

## Services and Transfers, 1980 - 1981

Rs. Million (SDR Million in brackets)

Item	Credit			Debit			Balance	
	1980	1981	Change 1980/81	1980	1981	Change 1980/81	1980	1981
Port, transportation and insurance	725 (34)	986 (43)	+ 261 (+ 9)	560 (26)	747 (33)	+ 187 (+7)	+ 165 (+8)	+ 239 (+10)
Travel	1,637 (76)	2,270 (100)	+ 633 (+24)	556 (26)	749 (33)	+ 193 (+7)	+ 1,081 (+50)	+ 1,521 (+67)
Investment income	774 (36)	555 (25)	- 219 (-11)	1,205 (56)	2,230 (98)	+ 1,025 (+42)	- 431 (-20)	- 1,675 (-73)
1. Profits and Dividends	—	—	—	237 (11)	114 (5)	- 123 (-6)	- 237 (-11)	- 114 (-5)
2. Interest	774 (36)	555 (25)	- 219 (-11)	968 (45)	2,116 (93)	+ 1,148 (+48)	- 194 (-9)	- 1,561 (-68)
Government Expenditure	128 (6)	191 (8)	+ 63 (+2)	123 (6)	137 (6)	+ 14 (-)	+ 5 (-)	+ 54 (+2)
Miscellaneous	1,341 (62)	1,813 (80)	+ 472 (+18)	1,302 (60)	1,816 (80)	+ 514 (+20)	+ 39 (+2)	- 3 (-)
Total Services	4,605 (214)	5,815 (256)	+ 1,210 (+42)	3,746 (174)	5,679 (250)	+ 1,933 (+76)	+ 859 (+40)	+ 136 (+6)
Private Transfers	2,518 (117)	4,402 (194)	+ 1,884 (+77)	258 (12)	554 (25)	+ 296 (+13)	+ 2,260 (+105)	+ 3,848 (+169)
Official Transfers	2,281 (106)	3,118 (136)	+ 837 (+30)	—	—	—	+ 2,281 (+106)	+ 3,118 (+136)
Total Transfers	4,799 (223)	7,520 (330)	+ 2,721 (+107)	258 (12)	554 (25)	+ 296 (+13)	+ 4,541 (+211)	+ 6,966 (+305)
Total Services and Transfers	9,404 (437)	13,335 (586)	+ 3,931 (+149)	4,004 (186)	6,233 (275)	+ 2,229 (+89)	+ 5,400 (+251)	+ 7,102 (+311)

Source: Central Bank of Ceylon.

Official transfers received from foreign governments and international organisations increased by 28 per cent (in SDR terms) from Rs. 2,281 million (SDR 106 million) in 1980 to Rs. 3,118 million (SDR 136 million) in 1981. Approximately 64 per cent of official grants was in the form of project aid. The major donors were the United Kingdom, Swedish International Development Authority, Japan, European Economic Community and the United States. The bulk of commodity aid grants was provided by the Netherlands, the U.S.A., Japan and Norway.

A larger part of the external resources gap in 1981 was financed by means of non-monetary capital. These capital flows consisted of foreign borrowings, as well as direct investments. The pattern of capital inflows has undergone considerable changes in the recent past. A significant development has been the growth of commercial credits since 1980. Number of government departments, public corporations and private sector enterprises resorted to commercial credits to meet their payments obligations arising from imports. More important of these were Air Lanka, the Cement Corporation and the Shipping Corporation. Certain enterprises mainly those in the Investment Promotion Zone obtained loan facilities from Foreign Currency Banking Units (FCBUs). The net capital inflow with respect to private and public sector enterprises, however, declined by 35 per cent from Rs. 3,895 million (SDR 181 million) in 1980 to Rs. 2,543 million (SDR 116 million) in 1981. This was entirely due to a considerable decline in short term trade credits obtained by the Petroleum Corporation.

Total disbursements of official loans increased from Rs. 4,326 million (SDR 201 million) in 1980 to Rs. 6,087 million (SDR 268 million) in 1981. The increase was mainly due to a rise in project loans and disbursement of an Euro-Currency loan and commercial credits. Gross official capital inflows consisted of project loans (Rs. 2,358 million or SDR 104 million), commodity loans (Rs. 1,542 million or SDR 68 million), Euro-Currency loan (Rs. 1,451 million or SDR 64 million) and commercial credits (Rs. 736 million or SDR 32 million).

The International Monetary Fund provided assistance to Sri Lanka to the tune of Rs. 4,528 million (SDR 194 million) during the year through various facilities. The final drawing under the Extended Fund Facility (EFF) amounting to Rs. 3,307 million (SDR 150 million) was received in four instalments in 1981. With these drawings, Sri Lanka obtained a total sum of SDR 260.3 million under this facility during the EFF arrangement period of 1979—1981. In addition, a Compensatory Financing Facility (CFF) drawing amounting to Rs. 556 million (SDR 25 million) was obtained from the Fund in June, 1981 on account of an export shortfall experienced in 1980. A special drawing of SDR 19 million (Rs. 412 million) was also made available by the IMF as a result of a Reserve Tranche position arising from an increase in Sri Lanka's quota at the IMF in December 1980. The final instalment under the fourth basic period of the SDR allocation amounted to Rs. 252 million (SDR 12 million) was also received from the Fund in 1981.

**TABLE 1 · 31**  
**Financing of the External Resource Gap, 1979-1981**

Category	Rupees Million			SDR Million		
	1979	1980	1981	1979	1980	1981
<b>1. Foreign earnings</b>	<b>19,210</b>	<b>24,726</b>	<b>30,658</b>	<b>954</b>	<b>1,154</b>	<b>1,350</b>
1.1 Exports	15,232	17,603	20,440	759	823	900
1.2 Services	2,993	4,605	5,815	149	214	256
1.3 Private transfers	935	2,518	4,403	46	117	194
<b>2. Foreign payments</b>	<b>26,765</b>	<b>42,424</b>	<b>56,611</b>	<b>1,330</b>	<b>2,004</b>	<b>2,498</b>
2.1 Imports	22,570	33,915	36,632	1,121	1,573	1,616
2.2 Services	2,253	3,746	5,679	112	174	250
2.3 Private transfers	182	258	554	9	12	24
2.4 Capital repayments	1,760	4,505	13,746	88	245	608
<b>3. External resource gap</b>	<b>- 7,555</b>	<b>-17,698</b>	<b>-25,953</b>	<b>- 376</b>	<b>- 850</b>	<b>-1,148</b>
<b>4. Financing of the resource gap</b>	<b>+7,555</b>	<b>+17,698</b>	<b>+25,953</b>	<b>+ 376</b>	<b>+ 850</b>	<b>+1,148</b>
4.1 Financing through transactions that do not affect debt position	3,250	3,293	4,373	169	153	192
4.1.1 Official grants	2,239	2,281	3,118	111	106	136
4.1.2 Direct investments	769	754	1,003	46	35	44
4.1.3 SDR Allocation	242	258	252	12	12	12
4.2 Borrowing and use of reserves	3,503	8,015	20,811	172	327	930
4.2.1 Long-term loans	2,903	4,135 <sup>(a)</sup>	5,350	144	193	236
4.2.2 Short-term Credits	41	4,455	10,518	2	207	465
4.2.3 Suppliers Credits	609	1,173	1,184	30	55	53
4.2.4 Commercial borrowings (private sector)	—	—	1,546	—	—	68
4.2.5 Bank borrowings	—	361	—	—	16	—
4.2.6 Bilateral balances	413	—	—	20	—	—
4.2.7 IMF drawings	1,592	630	4,528	77	30	194
4.2.8 Other	120	147	141	6	5	5
4.2.9 Reserves	-2,175	-2,886	-2,456	-107	-179	-91
<b>5. Valuation adjustment (b)</b>	<b>- 18</b>	<b>607</b>	<b>- 39</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>6. Errors and Omissions</b>	<b>+ 820</b>	<b>+ 495</b>	<b>+ 808</b>	<b>+ 35</b>	<b>- 4</b>	<b>26</b>

Source: Central Bank of Ceylon.

(a) Consists of project and commodity aid, Trust Fund loans and drawings under Euro-dollar loan.

(b) Adjustments consequent to changes in the rate of exchange.

### Policy Issues

A concerted effort was made during the year to arrest the deterioration of the external payments situation by means of demand management policies, the main elements of which were a high degree of fiscal and monetary restraint and the flexible exchange rate policy. These measures in particular helped to curb the rate of increase in the flow of imports.

On the export front, export duties on tea, rubber and coconut products were reduced during the year, with a view to enhancing producer margins. The growth of imports was contained largely through demand management policies. The flow of imports was particularly restrained by high costs and limited availability of bank



credit during the year. The removal of the Lump Sum Depreciation allowance scheme also helped to slow down the flow of imports. The import growth was reduced further by way of restraints on public sector expenditure. The adoption of these restrictive measures was essential in the context of a higher rate of domestic absorption of imported goods in the early part of the year which exerted considerable pressure on the country's external assets position.

The exchange rates continued to be more flexible and were reflective of the supply-demand situation warranted by the state of the Balance of Payments. The value of the Sri Lanka Rupee continued to be determined in terms of a weighted index calculated on the basis of the value of a basket of currencies. The flexible exchange rate management policy helped to relieve pressure on the external payments position to a certain extent during the year.

Every effort was made to continue to maintain an attractive investment climate in the country for foreign investors. Consequently, private capital for direct investment continued to respond, particularly in the enterprises under the Greater Colombo Economic Commission.

### Exchange Rate Movements

An analysis of the movements of the Sri Lanka Rupee relative to major international currencies showed that during 1981 the Rupee had depreciated by 14 per cent against the US Dollar and 7 per cent against the Japanese Yen, making a cumulative depreciation of 28 per cent and 43 per cent, respectively, against these two currencies since November 16, 1977. However, the Sri Lanka Rupee had appreciated by 8 per cent against the Pound Sterling, by 2 per cent against the Deutsche Mark, by 10 per cent against the French Franc and by 4 per cent against the Indian Rupee in 1981. This was in contrast to the exchange rate movements observed in 1980, when the Rupee depreciated against all the above six major currencies. The movements in the exchange value of the Sri Lanka Rupee were basically consistent with the developments in international exchange markets which brought about an appreciation of the US Dollar in 1981 by 20 per cent against the Pound Sterling, by 8 per cent against the Japanese Yen, by 15 per cent against the Deutsche Mark, by 27 per cent against the French Franc and by 15 per cent against the Indian Rupee. As a result of the US Dollar becoming stronger in international exchange markets, it appreciated by approximately 9 per cent against the SDR, while the Sri Lanka Rupee depreciated against the SDR by about 4 per cent in 1981.

TABLE 1 · 32  
Exchange Rate Movements, \* 1979 - 1981

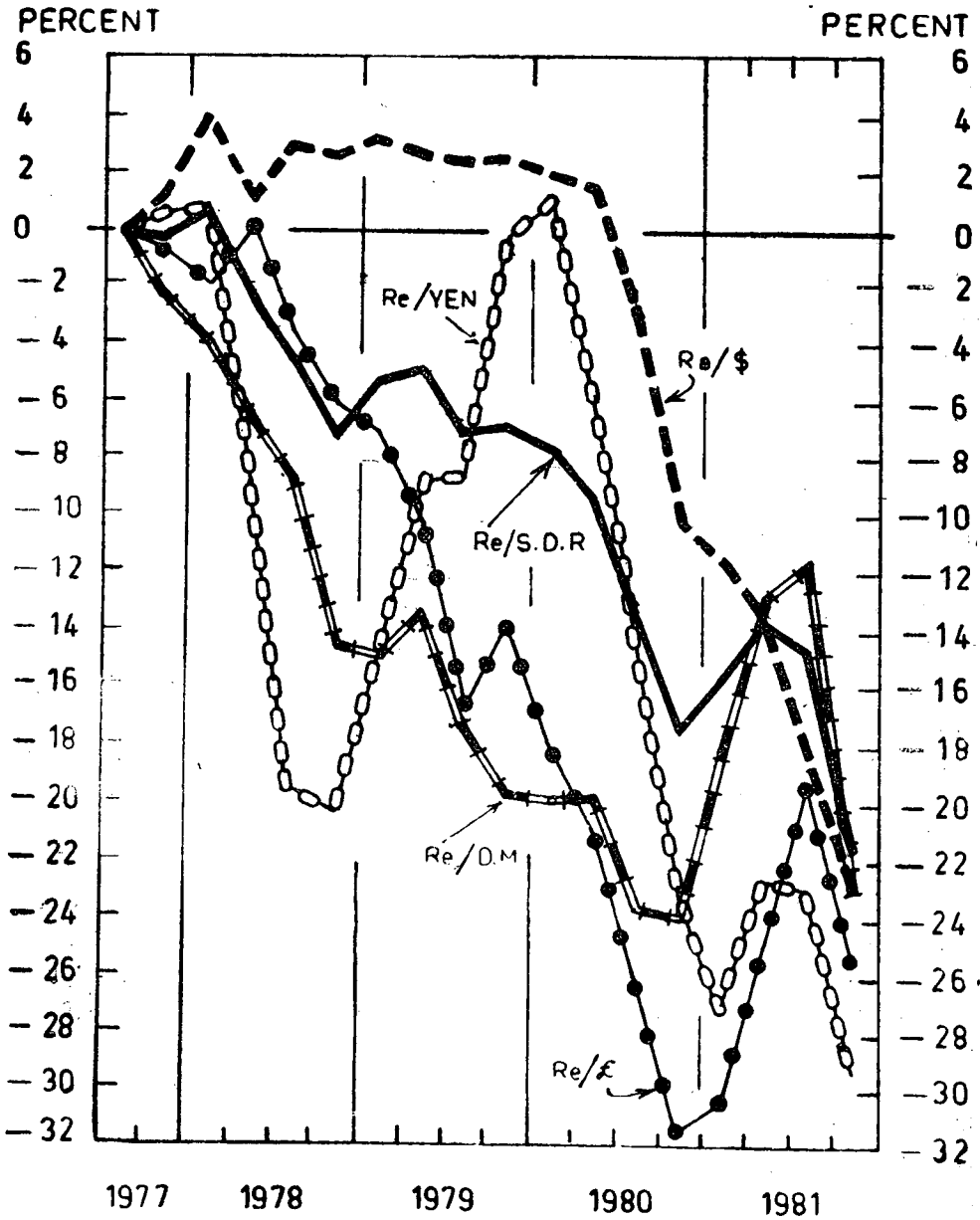
Currency	End of year Exchange Rates (Rs. per unit of)			% change over the previous year		
	1979	1980	1981	1979	1980	1981
Special Drawing Rights	20.3611	22.8977	23.8738	0.68	12.45	4.26
U.S. Dollar	15.4450	18.0000	20.5500	(0.39)	16.54	14.17
Pound Sterling	34.5650	42.6955	39.0965	9.14	23.52	(8.43)
Deutsche Mark	9.0000	9.2125	9.0665	5.22	2.36	(1.58)
Japanese Yen	0.06454	0.08755	0.09330	(22.85)	35.66	6.57
French Franc	3.8600	3.9750	3.5800	3.04	2.98	(9.93)
Indian Rupee	1.9400	2.2875	2.2063	1.76	17.91	(3.55)

Source: Central Bank of Ceylon.

\* Figures in paranthesis indicate appreciation of the Sri Lanka Rupee.

# EXCHANGE RATES

CUMULATIVE PERCENTAGE CHANGES  
FROM NOVEMBER 16, 1977



Central Bank of Ceylon

Note: For 1977, the changes in exchange rates for November and December are shown. The change in other years are depicted on a quarterly basis.

**External Assets**

The gross external assets of the country increased by Rs. 2,456 million (SDR 91.4 million) while the net external assets showed a decline of Rs. 406 million (SDR 26 million) during the year. At the end of 1981, the net external assets were at its lowest level since 1977. The major contributory factor for the sharp decline in net external assets was the increase in the liabilities of the Central Bank and of commercial banks. For instance, the use of Fund (IMF) credits by the Central Bank increased by 64 per cent and foreign borrowings of commercial banks by 23 per cent in 1981.

Gross external assets of the Central Bank, commercial banks, government and government agencies and institutions stood at Rs. 6,743.2 million (SDR 283.5 million), Rs. 2,343.3 million (SDR 98 million) and Rs. 135.7 million, (SDR 5.7 million), respectively at the end of 1981. The level of gross external assets at the end of 1981 was adequate to finance a little over 2 months' imports projected for 1982.

**External Debt and Debt Service Payments**

The total outstanding external debt which includes long term debt, public sector suppliers' credits (including those of public corporations), IMF drawings and borrowings from abroad increased by 23 per cent (in SDR terms) from Rs. 25,828 million (SDR 1,203 million) in 1980 to Rs. 34,824 million (SDR 1,476 million) in 1981. Outstanding long term debt rose by 31 per cent in 1981, while suppliers' credits and the drawings from the IMF increased by 41 per cent and 83 per cent, respectively. The growth in the long term debt was largely due to increases in both project loans and commodity loans which accounted for the largest share (32 per cent and 60 per cent, respectively) in the long term debt category. The outstanding amount of short-term bank borrowings decreased by 38 per cent in 1981 when compared with the previous year.

Debt service payments which include amortization and interest payments in respect of long term foreign loans, public sector suppliers' credits, IMF drawings and borrowings from banks and other institutions abroad increased from Rs. 2,763 million (SDR 137 million) in 1980 to Rs. 3,529 million (SDR 150 million) in 1981. In SDR terms the increase is 9 per cent as compared with an increase of 16 per cent in 1980. Repurchases (repayments), interest payments and service payments to the IMF increased by 28 per cent, while debt service payments in respect of all other loans decreased by about 4 per cent in SDR terms. As a result, the overall debt service ratio increased from 12.4 per cent in 1980 to 13.4 per cent, while the debt service ratio excluding IMF transactions declined from 7.5 per cent in 1980 to 6.8 per cent in 1981.

### EXTERNAL ASSETS QUARTERLY

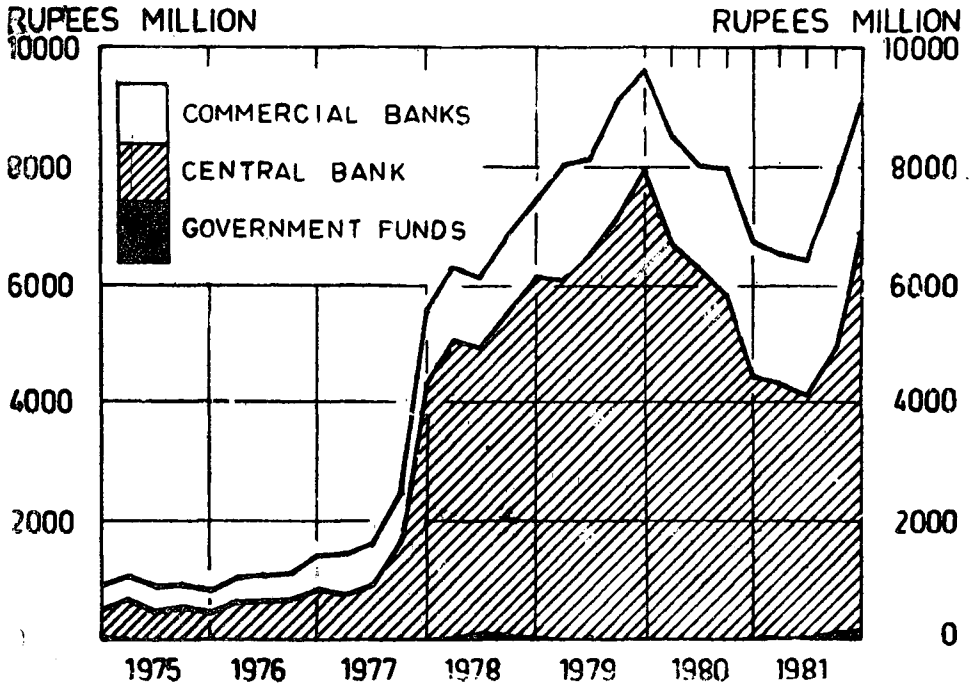
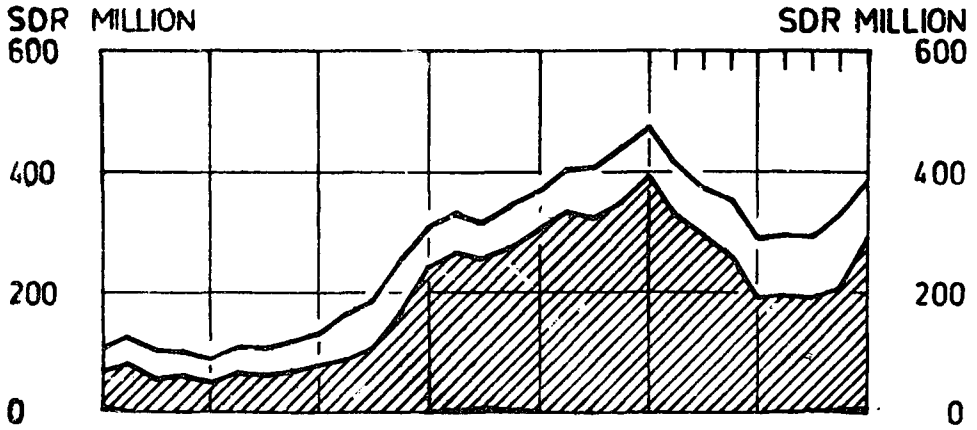


TABLE 1.33

External Debt <sup>(a)</sup> Outstanding and Debt Service Payments, 1977—1981

Rs. Million (SDR Million in brackets)

Category	1977	1978	1979	1980 (b)	1981 (c)
1. Long term Debt. ..	10,593.5	14,582.3	15,840.6	22,276.8	29,172.2
of which —	(560.5)	(720.7)	(778.0)	(1,035.2)	(1,224.2)
1.1 Project Loans ..	3,072.1	4,833.1	5,569.5	6,784.3	9,232.8
	(162.5)	(238.9)	(273.5)	(315.3)	(387.4)
1.2 Non-Project Loans ..	7,521.4	8,969.9	8,900.9	13,305.5	17,433.3
	(398.0)	(443.3)	(437.2)	(618.3)	(731.6)
1.3 IMF Trust Fund Loans ..	—	779.3	1,370.2	2,187.0	2,506.1
	(—)	(38.5)	(67.3)	(101.6)	(105.2)
2. Suppliers' Credits ..	963.2	991.4	828.6	787.6	1,110.4
	(51.0)	(49.0)	(40.7)	(36.6)	(46.6)
3. IMF Drawings ..	1,212.3	1,548.0	2,501.3	2,335.1	4,274.6
	(64.1)	(76.5)	(126.3)	(112.6)	(194.3)
4. Bank Borrowings ..	552.3	155.1	69.1	428.6	266.9
	(29.2)	(7.7)	(3.4)	(18.1)	(11.2)
5. Total Outstanding Debt. ..	13,321.3	17,276.8	19,239.6	25,828.1	34,824.1
	(704.8)	(853.9)	(948.3)	(1,203.0)	(1,476.3)
6. Debt Service Payments ..	1,211.9	2,347.2	2,383.1	2,762.8	3,528.8
	(116.3)	(119.8)	(118.0)	(137.0)	(149.5)
6.1 Amortization ..	966.9	1,862.4	1,627.4	1,781.5	2,121.3
	(92.8)	(95.1)	(80.8)	(91.4)	(88.3)
(a) To IMF ..	219.2	440.4	622.6	748.5	1,289.2
	(21.0)	(22.5)	(30.9)	(43.4)	(51.9)
(b) To Others ..	747.7	1,422.0	1,004.8	1,033.0	832.1
	(71.8)	(72.6)	(49.9)	(48.0)	(36.4)
6.2 Interest Payments ..	245.0	484.8	755.7	981.3	1,407.5
	(23.5)	(24.7)	(37.2)	(45.6)	(61.2)
(a) To IMF ..	43.2	154.4	170.0	345.6	446.6
	(7.0)	(7.9)	(8.4)	(12.4)	(19.7)
(b) To Others ..	171.8	330.4	585.7	635.7	960.9
	(16.5)	(16.8)	(28.8)	(33.2)	(41.5)
7. Earnings from Merchandise Exports and Services ..	7,563.2	15,148.8	18,274.7	22,208.0	26,255.0
	(725.8)	(773.7)	(907.7)	(1,032.0)	(1,156.0)
8. Debt Service Ratio(d) (6 as a percentage of 7) ..	16.0	15.5	13.0	12.4	13.4
9. Debt Service Ratio(d) excluding IMF Transactions ..	12.2	11.6	8.7	7.5	6.8

Source: Central Bank of Ceylon.

(a) Excludes short-term trade credits.

(b) Revised.

(c) Provisional.

(d) Calculated using rupee values. Debt service ratio if calculated using SDR values may differ from these rates due to the variations in the exchange rates during the year.