

Tourism offers a wide variety of employment opportunities directly in the tourist sector and indirectly in the several servicing sectors. The total number of persons directly employed in the tourist industry in 1982 amounted to 25,000 representing an increase of 8 per cent over 1981. Total number of indirect employment generated by tourism as at end 1982 has been estimated at 35,000. As a result at the end of 1982, total employment in the tourist sector amounted to 60,000 implying that one job was created by every 7 tourist arrival.

The number of units in the graded accommodation sector has expanded from 115 in 1981 to 123 in 1982 resulting in an increase in the total number of rooms from 6,891 to 7,539. Meanwhile, the annual room occupancy rate in the graded accommodation sector which reached a peak of 57 per cent in 1980 has since declined to 47.8 per cent in 1982. Although the number of tourists arriving in the country has been increasing annually, there has been a drop in the occupancy rate in the graded accommodation sector which implies that tourists are increasingly patronising accommodation outside the graded sector. Heavy reliance of the Sri Lankan tourist industry on the Western European market is a basic structural weakness of the industry and a concerted effort is required to diversify the sources of tourist traffic with a view to overcoming the problem of its vulnerability to significant changes in traffic from this region. Another important issue is the diversion of patronage from the graded accommodation to lower cost accommodation presumably due to high prices. This in turn may have something to do with taxes currently imposed on the hotel industry as well as increased costs of electricity & water.

BALANCE OF PAYMENTS

Balance of Payments Outturn

In 1982, the current account deficit of Sri Lanka's balance of payments at Rs. 11,793 million (SDR 515 million) was the highest on record. In comparison, the deficit in 1981 was Rs. 8,342 million (SDR 375 million). The current account deficit as a percentage of GDP increased from 11 per cent in 1981 to 13 per cent in 1982. These movements compare unfavourably with the developments in 1981, when the current account deficit declined by 26 per cent, and its share in GDP by 4 percentage points. The deterioration of the current account balance in the year under review is attributable to the sluggish growth in exports against a faster growth in imports and a considerable reduction in net service receipts, particularly due to high interest payments on foreign borrowings. The net inflow of non-monetary capital in 1982 was Rs. 9,885 million (SDR 431 million), reflecting a 26 per cent increase (in SDR terms) over the corresponding figure for 1981. As a result, despite the record current account deficit, the overall balance was contained below the 1981 level (SDR 24 million in 1982 as against SDR 26 million in the previous year). During the year, the country's net international reserves declined to the extent of the overall deficit. Gross external assets, however, increased by 20 per cent to reach Rs. 10,956 million (SDR 466 million) at the end of the year. The gross external assets at the end of 1982 were adequate to finance 3 months' imports projected for 1983.

BALANCE OF PAYMENTS

ANNUALLY

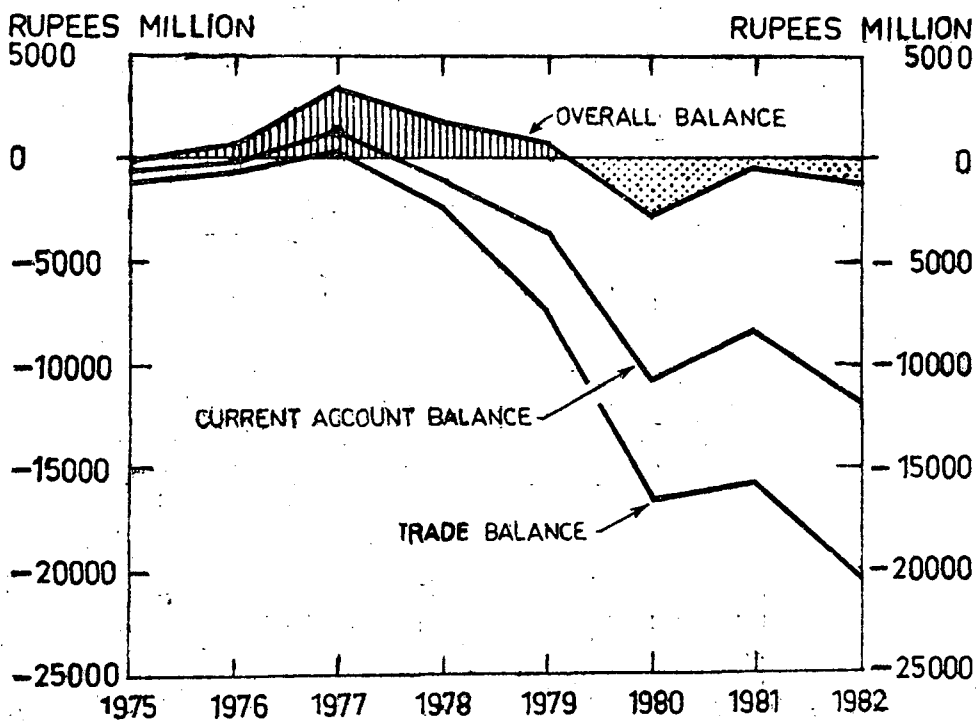
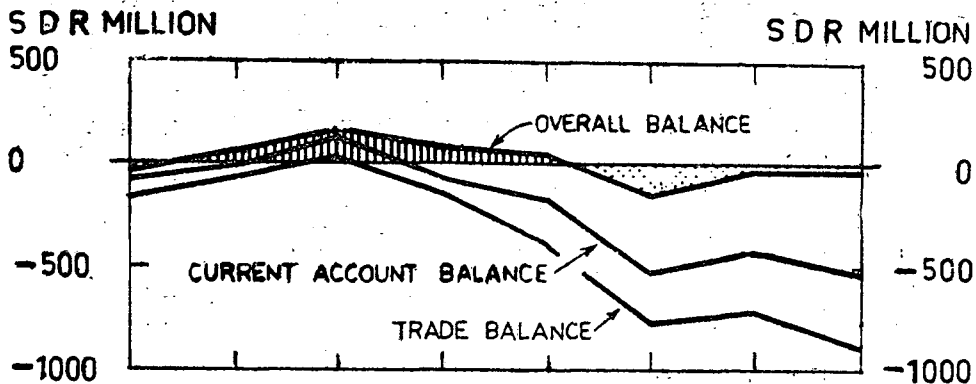


TABLE 1.39

Balance of Payments — Analytic Presentation 1978 — 1982

Item	Rs. Million					SDR Million				
	1978	1979	1980 ^a	1981 ^a	1982 ^b	1978	1979	1980 ^a	1981 ^a	1982 ^b
1. Merchandise	- 2,393	- 7,288	- 16,312	- 15,616	- 20,468	- 144	- 362	- 758	- 693	- 892
Exports (f.o.b.)	13,207	15,282	17,603	20,507	21,434	675	759	818	903	934
Imports (c.i.f.)	- 15,600	- 22,570	- 33,915	- 36,123	- 41,902	- 819	- 1,121	- 1,576	- 1,596	- 1,826
2. Services	+ 119	+ 739	+ 859	+ 238	+ 126	+ 6	+ 37	+ 40	+ 10	+ 5
Receipts	1,942	2,992	4,605	5,937	7,648	99	149	214	261	333
Payments	- 1,823	- 2,253	- 3,746	- 5,699	- 7,522	- 93	- 112	- 174	- 251	- 328
3. Goods and Services (1 + 2)	- 2,274	- 6,549	- 15,453	- 15,378	- 20,342	- 138	- 325	- 718	- 683	- 887
4. Transfers (Net)	+ 1,242	+ 2,993	+ 4,541	+ 7,036	+ 8,549	+ 63	+ 148	+ 211	+ 308	+ 372
Private (Net)	342	754	2,260	3,918	5,170	17	37	105	172	225
Official (Net)	900	2,239	2,281	3,118	3,379	46	111	106	136	147
5. Current Account Balance (3 + 4)	- 1,032	- 3,556	- 10,912	- 8,342	- 11,793	- 75	- 177	- 507	- 375	- 515
6. Non-Monetary Capital	+ 2,600	+ 3,306	+ 6,585	+ 7,691	+ 9,885	+ 133	+ 164	+ 306	+ 341	+ 431
Private Sector	145	874	3,981	2,571	5,009	8	43	185	116	218
Public Sector	2,455	2,432	2,604	5,120	4,876	125	121	121	225	213
Long-term (Net)	2,609	2,432	2,604	5,120	4,876	133	121	121	225	213
Receipts	(3,680)	(3,351)	(4,326)	(6,087)	(6,393)	(188)	(167)	(201)	(267)	(280)
Amortization	(-1,071)	(-919)	(-1,722)	(-967)	(-1,517)	(-55)	(-46)	(-80)	(-42)	(-67)
Short-term (Net)	- 154	—	—	—	—	8	—	—	—	—
7. Valuation Adjustments	+ 344	- 18	+ 607	- 39	- 124	—	—	—	—	—
8. Errors and Omissions	- 50	+ 820	+ 495	+ 32	+ 883	+ 7	+ 36	+ 23	- 4	+ 60
9. SDR Allocations	—	241	258	252	—	—	12	12	12	—
10. Overall Balance	+ 1,862	+ 793	- 2,967	- 406	- 1,149	+ 65	+ 35	- 166	- 26	- 24
11. Monetary Movements (—Surplus)	- 1,862	- 793	+ 2,967	+ 406	+ 1,149	- 65	- 35	+ 166	+ 26	+ 24
Average Exchange Rate—S.L.Rs./S.D.R.						19.58	20.13	21.52	22.67	22.98

a. Revised.

b. Provisional.

Note: All transactions in the Monetary Sector are converted at end of period rates.

Source: Central Bank of Ceylon.

Earnings from merchandise exports increased from Rs. 20,507 million (SDR 903 million) in 1981 to Rs. 21,434 million (SDR 934 million) in 1982, a 3.4 per cent increase in SDR terms. The combined earnings from the three traditional exports, tea, rubber and coconut registered a 6.9 per cent decline (in SDR terms) during the year. Therefore, the increase in export earnings in 1982 was entirely the outcome of higher earnings from non-traditional exports such as textiles and garments, other industrial goods, and the minor agricultural products.

Expenditure on imports increased from Rs. 36,123 million (SDR 1,596 million) in 1981 to Rs. 41,902 million (SDR 1,826 million) in 1982, an increase of 14 per cent in SDR terms. This rate of increase, though considerably lower than the average of 36 per cent growth recorded in the 1977-1980 period, is significantly higher than the 1 per cent growth recorded in 1981. A greater part of the increase in import outlay is attributable to the investment goods category, expenditure on this class of imports rising by 46 per cent between 1981 and 1982. This large increase was due partly to the import of ships and aircraft during the year. Outlays on consumer goods imports fell by 7 per cent in the same period, while those of intermediate goods rose by 12 per cent.

The services account of the balance of payments recorded a smaller surplus of Rs. 126 million (SDR 5 million) in 1982, as compared with a surplus of Rs. 238 million (SDR 10 million) in 1981. This is a further intensification of an adverse trend experienced since 1980 when the surplus on the services account began to decline after a period of steady increases since 1973.

Increased interest payments on external debt was the prime cause of this development. Interest payments on foreign loans, IMF drawings and commercial credits increased from Rs. 2,128 million (SDR 93 million) in 1981 to Rs. 2,497 million (SDR 109 million) in 1982, recording a 17 per cent increase in SDR terms. The growing interest payments on the external debt is a matter for concern particularly in the context of a sluggish growth in exports, because an increasing share of the country's foreign exchange earnings has to be set aside for servicing the external debt. The ratio of interest payments to export earnings which was 10.3 per cent in 1981 rose to 11.7 per cent in 1982. Although the interest earnings on investments abroad also increased during the year, rising from Rs. 552 million (SDR 24 million) in 1981 to Rs. 742 million (SDR 32 million) in 1982, the fact that interest payments rose at a faster rate and by a larger magnitude meant that the deficit on account of interest transactions expanded during the year, rising from Rs. 1,576 million (SDR 69 million) in 1981 to Rs. 1,755 million (SDR 77 million) in 1982. This, together with increased outlays on account of profits and dividend payments, increased the deficit on the 'Investment Income' category by 15 per cent to Rs. 1,968 million (SDR 86 million) during the year. The increased inflow of foreign aid and investments in the recent past makes it likely that this deficit would continue to increase in the future as well.

TABLE 1.40
Services and Transfers 1981—1982

Rs. Million (SDR Million in brackets)

Item	Credit			Debit			Balance	
	1981	1982 ^a	Change 1981/82	1981	1982 ^a	Change 1981/82	1981	1982
Port, Transportation and Insurance ..	964 (42)	1,212 (53)	+ 248 (+11)	737 (33)	948 (41)	+ 211 (+8)	+ 227 (+9)	+ 264 (+12)
Travel ..	2,244 (99)	2,573 (112)	+ 329 (+13)	703 (31)	894 (39)	+ 191 (+8)	+ 1,541 (+68)	+ 1,679 (+73)
Investment Income ..	552 (24)	744 (32)	+ 192 (+8)	2,264 (99)	2,712 (118)	+ 448 (+19)	- 1,712 (-75)	- 1,968 (-86)
1. Profits and Dividends ..	—	2	+ 2	136	215	+ 79	- 136	- 213
2. Interest ..	(—)	(—)	(—)	(6)	(9)	(+3)	(-6)	(-9)
Government Expenditure ..	552 (24)	742 (32)	+ 190 (+8)	2,128 (93)	2,497 (109)	+ 369 (+16)	- 1,576 (-69)	- 1,755 (-77)
Miscellaneous ..	201 (9)	234 (10)	+ 33 (+1)	151 (7)	171 (8)	+ 20 (+1)	+ 50 (+2)	+ 63 (+2)
	1,976 (87)	2,885 (126)	+ 909 (+39)	1,844 (81)	2,797 (122)	+ 953 (+41)	+ 132 (+6)	+ 88 (+4)
TOTAL SERVICES ..	5,937 (261)	7,648 (333)	+ 1,711 (+72)	5,699 (251)	7,522 (328)	+ 1,823 (+77)	+ 238 (+10)	+ 126 (+5)
Private Transfers ..	4,430 (195)	5,789 (252)	+ 1,359 (+57)	512 (23)	619 (27)	+ 107 (+4)	+ 3,918 (+172)	+ 5,170 (+225)
Official Transfers ..	3,118 (136)	3,379 (147)	+ 261 (+11)	— (—)	— (—)	— (—)	+ 3,118 (+136)	+ 3,379 (+147)
TOTAL TRANSFERS ..	7,548 (331)	9,168 (399)	+ 1,620 (+68)	512 (23)	619 (27)	+ 107 (+4)	+ 7,036 (+308)	+ 8,549 (+372)
TOTAL SERVICES AND TRANSFERS ..	13,485 (592)	16,816 (732)	+ 3,331 (+140)	6,211 (274)	8,141 (355)	+ 1,930 (+81)	+ 7,274 (+318)	+ 8,675 (+377)

a. Provisional

Source: Central Bank of Ceylon.

Tourism, port, transportation and insurance were the major sources of earnings in the services account. Net earnings from port, transportation and insurance increased by 16.3 per cent, from Rs. 227 million (SDR 9 million) in 1981 to Rs. 264 million (SDR 12 million) in 1982. Earnings from tourism increased from Rs. 2,244 million (SDR 99 million) in 1981 to Rs. 2,573 million (SDR 112 million) in 1982, largely due to a 10 per cent rise in tourist arrivals during the year. On the other hand, payments on account of Sri Lankans travelling abroad increased by a larger margin of 27.2 per cent, reducing the net earnings from tourism to Rs. 1,679 million (SDR 73 million) in 1982.

In keeping with the trend observed in recent years, receipts from private transfers consisting largely of remittances made by Sri Lankans employed abroad increased significantly during the year. Such receipts increased by 29.2 per cent to reach Rs. 5,789 million (SDR 252 million) in 1982, from a level of Rs. 4,430 million (SDR 195 million) in 1981. This was the most positive single item in Sri Lanka's balance of payments in recent years. The net surplus on this account which has been rising steadily since 1977, has played a significant role in off-setting to some extent, the poor outturn on the merchandise account.

Official transfers, consisting largely of grants, both project and commodity aid from foreign governments and international agencies, increased by 8 per cent from Rs. 3,118 million (SDR 136 million) in 1981 to Rs. 3,379 million (SDR 147 million) in 1982. The major contributors during the year were Australia, Finland, Japan, Netherlands, the Norwegian Agency for International Development (NORAD), the Swedish International Development Authority (SIDA), the United Kingdom, the United Nations Agencies' and the United States of America. The overall surplus on transfers increased from Rs. 7,036 million (SDR 308 million) in 1981 to Rs. 8,549 million (SDR 372 million) in 1982, reflecting increased inflows on account of both private and official transfers.

The marginal surplus on services account and the considerable increase in receipts on account of transfers helped somewhat to off-set the deficit on merchandise account. Accordingly, the current account deficit for the year was Rs. 11,793 million (SDR 515 million), as compared with a merchandise trade deficit of Rs. 20,468 million (SDR 892 million). The current account deficit in 1981 was Rs. 8,342 million (SDR 375 million). The deficit was largely financed by means of non-monetary capital, consisting of long-term aid loans, commercial borrowings as well as direct investments.

Total net non-monetary sector capital movements or the total extent of financing available from the private and official sources amounted to Rs. 9,885 million (SDR 431 million) in 1982 as compared with Rs. 7,691 million (SDR 341 million) in 1981. This was about 26 per cent higher (in SDR terms) than the extent of such financing available in 1981. With the availability of capital flows of such magnitude, it was possible to mitigate the adverse impact of the large deficit that emerged on current transactions and to contain the overall deficit to Rs. 1,149 million (SDR 24 million) in 1982.

TABLE 1.41

Financing of the External Resource Gap 1980 — 1982

Category	Rupees Million			SDR Million		
	1980(a)	1981(a)	1982(b)	1980(a)	1981(a)	1982(b)
1. Foreign earnings	24,726	30,874	34,871	1,149	1,359	1,519
1.1 Exports	17,603	20,507	21,434	818	903	934
1.2 Services	4,605	5,937	7,648	214	261	333
1.3 Private transfers	2,518	4,430	5,789	117	195	252
2. Foreign payments	43,112	56,101	64,069	2,013	2,478	2,794
2.1 Imports	33,915	36,123	41,902	1,576	1,596	1,826
2.2 Services	3,746	5,699	7,522	174	251	328
2.3 Private transfers	258	512	619	12	23	27
2.4 Capital repayments	5,193	13,767	14,026	251	608	613
3. External resource gap	-18,386	-25,227	-29,198	-864	-1,119	-1,275
4. Financing of the resource gap	+18,386	+25,227	+29,198	+864	+1,119	+1,275
4.1 Financing through transactions that do not affect debt position	3,292	4,373	4,459	153	192	194
4.1.1 Official grants	2,281	3,118	3,379	106	136	147
4.1.2 Direct investments	753	1,003	1,080	35	44	47
4.1.3 SDR allocation	258	252	—	12	12	—
4.2 Borrowings and use of reserves	13,992	20,861	23,980	688	931	1,021
4.2.1 Long-term loans	4,143	5,350	5,663	193	234	248
4.2.2 Short-term credits	4,454	10,518	9,940	207	466	434
4.2.3 Suppliers' credits	441	1,233	1,160	21	55	51
4.2.4 Commercial borrowings (Private sector)	732	1,546	4,916	34	68	214
4.2.5 Bank borrowings	361	—	1,595	16	—	68
4.2.6 Bilateral balances	—	—	—	—	—	—
4.2.7 I.M.F. drawings	828	4,528	1,369	30	194	39
4.2.8 Other	147	142	1,071	8	5	46
4.2.9 Reserves	2,886	-2,456	-1,734	179	-91	-79
5. Valuation adjustments	+607	-39	-124	—	—	—
6. Errors and Omissions	+495	+32	+883	+23	-4	+60

(a) Revised

Source: Central Bank of Ceylon.

(b) Provisional

The extent to which short-term credits were utilized to finance the balance of payments deficit in 1982 was lower than in 1981. This fall may largely be attributed to a decline in short-term credits obtained mainly by the Petroleum Corporation, which declined from a net increase of Rs. 386 million (SDR 20 million) in 1981 to a net decrease of Rs. 64 million (SDR 2.5 million) in 1982. On the other hand, net inflows of private long-term capital increased substantially from Rs. 2,184 million (SDR 96 million) in 1981 to Rs. 5,072 million (SDR 220 million) in 1982. Of this amount, net investments of GCEC and FIAC enterprises amounted to Rs. 1,030 million (SDR 45 million). The share of GCEC investments in this total was, however,

lower and represented only 43 per cent. The rest of private sector net long-term capital receipts consisting of private sector suppliers' credits and commercial borrowings amounted to Rs. 4,042 million (SDR 175 million) in 1982, as compared with Rs. 1,238 million (SDR 54 million) in 1981.

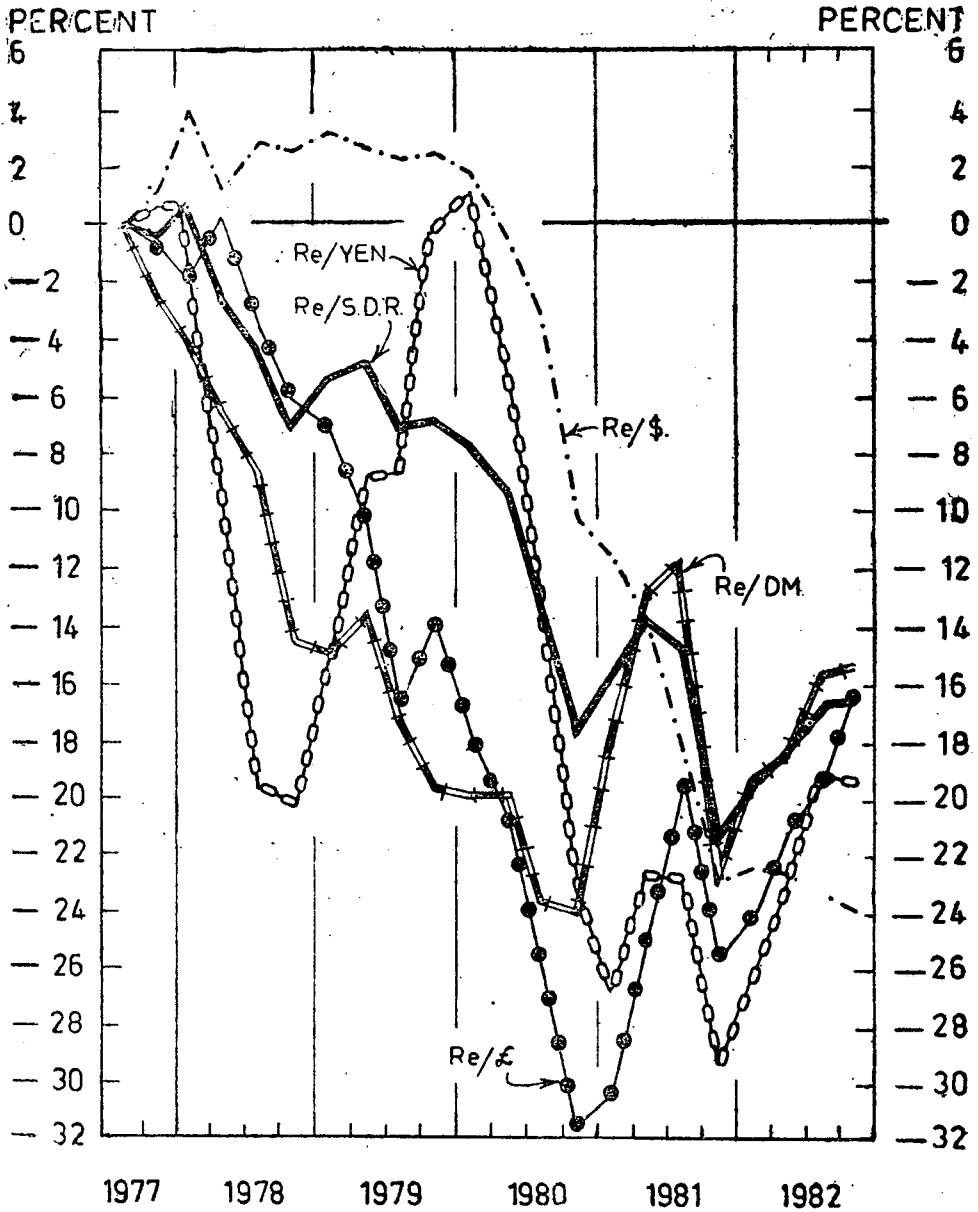
Official loans received during the year amounted to Rs. 6,393 million (SDR 280 million), an increase of 5 per cent over the corresponding figure for 1981. This was largely the outcome of increased disbursements of project loans, the total rising from Rs. 1,931 million (SDR 84 million) in 1981 to Rs. 3,225 million (SDR 141 million) in 1982. The disbursement of commodity loans, however, fell by 21.5 per cent over the same period. The use of commercial borrowings by the Government, consisting of a Euro-currency loan and a Yen denominated bond issue, amounted to Rs. 1,090 million (SDR 48 million) in the year under review. This was of a lower magnitude than what was utilized in 1981. Since 1980, commercial credits raised by the Government have been resorted to as a means of financing both the budget as well as the balance of payments deficits. Amortization of loans and advance payments on the on-going development projects amounted to Rs. 1,517 million (SDR 67 million) in 1982. Allowing for these, the extent of net financing available from public sector capital flows was Rs. 4,876 million (SDR 213 million) in 1982, as compared with net official capital receipts of Rs. 5,120 million (SDR 225 million) in the previous year.

The resources available from the International Monetary Fund for financing the balance of payments deficit in 1982 amounted to Rs. 916 million (SDR 39 million), representing a drawing under the Compensatory Financing Facility. The repurchases in respect of earlier drawings amounted to Rs. 1,146 million (SDR 50 million) resulting in a net outflow of SDR 11 million.

Exchange Rate Movements

An analysis of the movements of the Sri Lanka Rupee relative to the world's major currencies indicated that the Rupee had depreciated during 1982 by 3.6 per cent against the U.S. Dollar making a cumulative depreciation of 25.0 per cent since November 16, 1977. The Sri Lanka Rupee did, however, during 1982 appreciate by 12.9 per cent against the Pound Sterling, 2.3 per cent against the Japanese Yen, 1.0 per cent against the Deutsche Mark, 12.8 per cent against the French Franc and 2.2 per cent against the Indian Rupee. Consequently, the cumulative depreciation of the Rupee since November 16, 1977 against the Pound Sterling, Japanese Yen, Deutsche Mark and the Indian Rupee was somewhat moderated and stood at 16.1 per cent, 28.5 per cent, 20.9 per cent and 14.3 per cent respectively, while the cumulative appreciation of the Rupee was 3.6 per cent against the French Franc. Against the SDR, the Rupee appreciated by 1.3 per cent during the year, bringing down the overall depreciation since November 16, 1977 to 19.8 per cent.

EXCHANGE RATES
CUMULATIVE PERCENTAGE CHANGES
FROM NOVEMBER 16, 1977



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.

TABLE 1.42
Exchange Rate Movements^(a) 1980—1982

Currency	End of Year Exchange Rates (Rs. per unit of)			% change over the previous year ^(b)	
	1980	1981	1982	1981	1982
Special Drawing Rights ..	22.8977	23.8738	23.5569	4.08	(1.34)
U.S. Dollar ...	18.0000	20.5500	21.3200	12.42	3.61
Pound Sterling ..	42.6955	39.0965	34.6130	(9.21)	(12.94)
Deutsche Mark ..	9.2125	9.0665	8.9806	(1.61)	(0.95)
Japanese Yen ..	0.08755	0.09330	0.09123	6.16	(2.27)
French Franc ..	3.9750	3.5800	3.1726	(11.03)	(12.84)
Indian Rupee ..	2.2875	2.2063	2.1597	(3.68)	(2.16)

Source: Central Bank of Ceylon.

(a) Figures in paranthesis indicate appreciation of the Sri Lanka Rupee.

(b) Changes computed on the basis of the foreign currency equivalent of the Sri Lanka Rupee.

External Assets

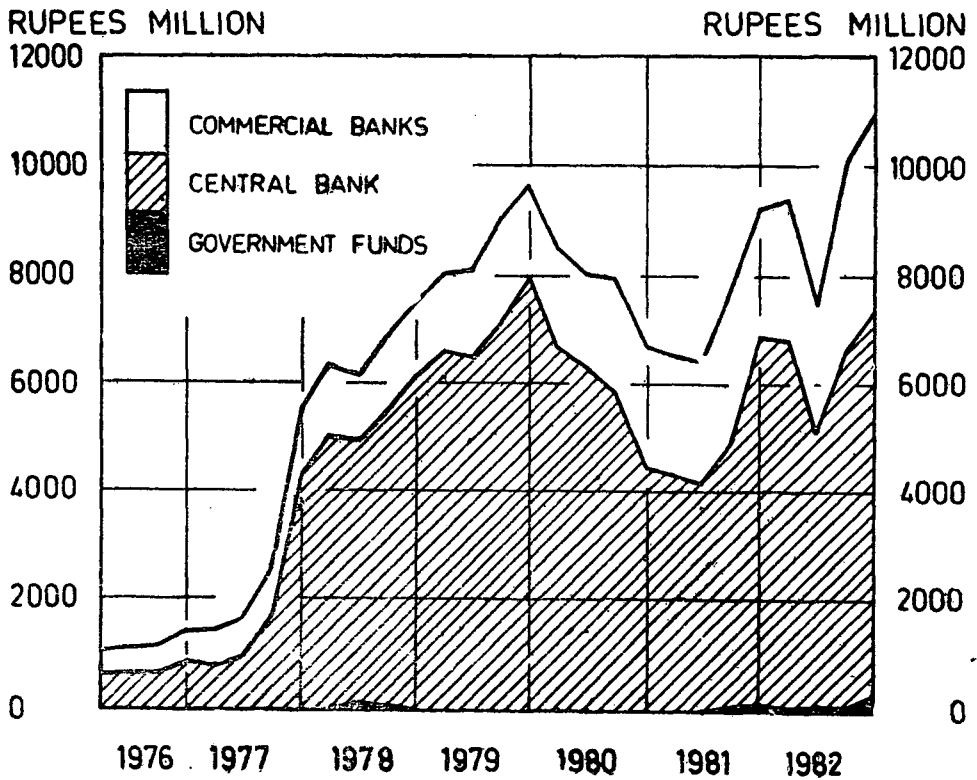
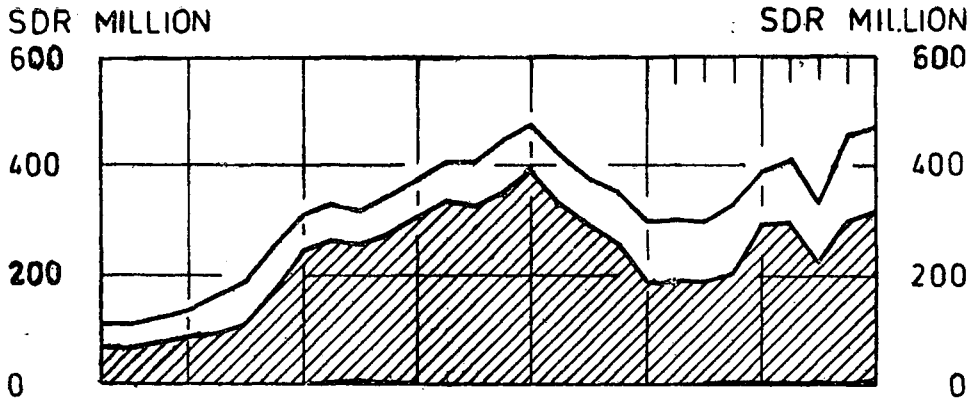
During the year, Sri Lanka's gross external assets increased by Rs. 1,734 million (SDR 79 million) despite the incurring of an overall deficit in the balance of payments. On the other hand, the net external assets registered a decline of Rs. 1,149 million (SDR 24 million). The latter was largely the consequence of increased accumulation of liabilities on the part of commercial banks and the Central Bank. Borrowings from abroad by the Central Bank increased sharply during the year while deposit liabilities of commercial banks also increased four-fold over the same period. The Central Bank's foreign borrowings were of a short-term nature and were meant for meeting maturing acceptance credits of the Petroleum Corporation, while the increase in commercial banks' liabilities was mainly on account of an increase in deposits in Non-Resident Foreign Currency (NRFC) accounts.

As at the end of 1982, the gross external assets of the Central Bank, the commercial banks and Government, government agencies and institutions stood at Rs. 7,096 million (SDR 302 million), Rs. 3,585 million (SDR 152 million) and Rs. 275 million (SDR 12 million), respectively. The level of gross external assets at the end of 1982 at Rs. 10,956 million (SDR 466 million) was adequate to finance approximately 3 months' imports projected for 1983.

External Debt and Service Payments

Sri Lanka's total outstanding external debt consisting of long-term debt, public sector suppliers' credits (including those of public corporations), IMF drawings and borrowings from abroad stood at Rs. 42,534 million (SDR 1,810 million) as at the end of 1982. This represents a 22.1 per cent increase over the corresponding figure for

EXTERNAL ASSETS QUARTERLY



1981. During the year, long-term debt outstanding increased by 18.6 per cent due to a 34.8 per cent increase in disbursements under project loans and a 12.1 per cent increase under non-project loans, which together accounted for 92.5 per cent of the long-term debt. Outstanding indebtedness to the IMF also increased by 19.0 per cent while the outstandings on suppliers' credits decreased by 10.2 per cent during the year. The outstanding bank borrowings which stood at Rs. 267 million (SDR 11 million) at the end of 1981 rose to Rs. 1,851 million (SDR 79 million) at the end of 1982.

TABLE 1.43

External Debt(a) Outstanding and Debt Service Payments 1978-1982

Rs. Million (SDR Million in brackets)

Category	1978	1979	1980	1981(b)	1982(c)
1. Long-term Debt	14,582.3	15,840.6	22,276.8	29,172.2	34,597.4
of which	(720.7)	(778.0)	(1,035.2)	(1,224.2)	(1,471.1)
1.1 Project Loans	4,833.1	5,569.5	6,784.3	9,232.8	12,451.8
	(238.9)	(273.5)	(315.3)	(387.4)	(529.5)
1.2 Non-Project Loans	8,969.9	8,900.9	13,305.5	17,433.3	19,545.7
	(443.3)	(437.2)	(618.3)	(731.6)	(831.1)
1.3 I.M.F. Trust Fund Loans	779.3	1,370.2	2,187.0	2,506.1	2,599.9
	(38.5)	(67.3)	(101.6)	(105.2)	(110.5)
2. Suppliers' Credits	991.4	828.6	787.6	1,110.4	996.6
	(49.0)	(40.7)	(36.6)	(46.6)	(42.4)
3. I.M.F. Drawings	1,548.0	2,501.3	2,335.1	4,274.6	5,088.7
	(76.5)	(126.3)	(112.6)	(194.3)	(217.8)
4. Bank Borrowings	155.1	69.1	428.6	266.9	1,851.2
	(7.7)	(3.4)	(18.7)	(11.2)	(78.7)
5. Total Outstanding Debt	17,276.8	19,239.6	25,828.1	34,824.1	42,533.9
	(853.9)	(948.4)	(1,203.1)	(1,476.3)	(1,810.0)
6. Debt Service Payments	2,347.2	2,383.1	2,762.8	3,528.8	4,424.4
	(119.8)	(118.0)	(137.0)	(156.7)	(193.1)
6.1 Amortization	1,862.4	1,627.4	1,781.5	2,121.3	2,571.3
	(95.1)	(80.8)	(91.4)	(95.5)	(112.3)
(i) To I.M.F.	440.4	622.6	748.5	1,289.2	1,146.3
	(22.5)	(30.9)	(43.4)	(59.1)	(49.9)
(ii) To Others	1,422.0	1,004.8	1,033.0	832.1	1,425.0
	(72.6)	(49.9)	(48.0)	(36.4)	(62.4)
6.2 Interest Payments	484.8	755.7	981.3	1,407.5	1,853.1
	(24.7)	(37.2)	(45.6)	(61.2)	(80.8)
(i) To I.M.F.	154.4	170.0	345.6	446.6	518.6
	(7.9)	(8.4)	(12.4)	(19.7)	(22.5)
(ii) To Others	330.4	585.7	635.7	960.9	1,334.5
	(16.8)	(28.8)	(33.2)	(41.5)	(58.3)
7. Earnings from Merchandise Exports and Services	15,148.8	18,274.7	22,208.0	26,443.8	29,082.9
	(773.7)	(907.7)	(1,032.0)	(1,164.4)	(1,267.0)
8. Debt Service Ratio (d) (6 as a percentage of 7)	15.5	13.0	12.4	13.3	15.2
9. Debt Service Ratio (d) excluding I.M.F. transactions.	11.6	8.7	7.5	6.8	9.5

Source: Central Bank of Ceylon.

(a) Excludes Short-term trade credits.

(b) Revised.

(c) Provisional.

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

Debt service payments, consisting of amortization and interest payments in respect of long-term debt, suppliers' credits, IMF drawings and borrowings from banks and other institutions abroad increased by 25.4 per cent in rupee terms rising from Rs. 3,529 million (SDR 157 million) in 1981 to Rs. 4,424 million (SDR 193 million) in 1982. The corresponding increase in SDR terms was 22.9 per cent, as compared with 14.4 per cent increase in 1981. Amortization and interest payments to the IMF decreased by 4.1 per cent in 1982 as compared with 1981, while debt service payments in respect of other loans increased by 53.9 per cent over the same period. The net outcome of these developments was that the overall debt service ratio increased from 13.3 per cent in 1981 to 15.2 per cent in 1982. The debt service ratio exclusive of IMF transactions increased from 6.8 per cent to 9.5 per cent over the same period.

GOVERNMENT FISCAL OPERATIONS

The Government fiscal operations showed a slight deterioration from the level of improvement in budgetary operations achieved in 1981. Fiscal disequilibrium which was quite severe in 1980 was partly corrected in 1981, but the performance in 1982 did not match up to the favourable responses emanating from the budget of 1981.

Fiscal Outturn

Total government expenditure for the year 1982 was Rs. 38,097 million and was 23 per cent higher than in 1981. As a percentage of GDP at current prices it increased from 36.6 per cent to 38.0 per cent in 1982. Recurrent expenditure increased by 8.5 per cent over the previous year and amounted to Rs. 19,230 million during the year under review. Total revenue at Rs. 17,809 million showed an increase of 10 per cent. Consequently, the current account of the budget was in deficit by Rs. 1,421 million. This was despite a favourable development in the Advance Account operations where a net in-payment of Rs. 883 million was recorded after 13 successive years of out-payment. The deficit in current account was in contrast to the last few years experience when the current account exclusive of the adverse advance account operations was in surplus. Capital expenditure during the year amounted to Rs. 18,867 million and showed an increase of 41 per cent over 1981. The overall budget deficit registered in 1982 amounted to Rs. 20,289 million and was equivalent to about 20 per cent of the GDP in comparison to 17 per cent in 1981.

The deficit was financed from resources obtained from both domestic and foreign sources. Domestic sources were used to finance 54 per cent while the balance was financed from foreign resources. Total foreign finance amounted to Rs. 9,270 million as against a targetted sum of Rs. 14,198 million. While project, commodity and other loans including cash loans amounted to Rs. 3,256 million, Rs. 1,355 million and Rs. 1,090 million respectively, grants amounted to Rs. 3,569 million.