

### **Internal Trade**

In keeping with internal trade policy followed in the previous years, market interventions were kept at a minimum so as to avoid distortions in the working of the price mechanism. Internal trade policy was aimed at making essential requirements available at reasonable prices. However, some form of institutional regulatory framework continues, in order to maintain fair competition and acceptable trade practices. To this end, the Department of Internal Trade exercised its regulatory activities through the Consumer Protection Act, the Price Control Act and the Weights and Measures Ordinance.

Attention was paid to increasing consumer awareness by organising 'Mahapola Trade Fairs' and consumer societies. During the year under review, 600 new consumer societies were formed, while 18 'Mahapola Trade Fairs' were held in various parts of the country.

Wheat flour, bread and mashoor dhal (red lentils) remained under price control in 1984. The National Prices Commission carried out 76 price reviews in 1984 compared to 109 in 1983. During the year 1984, draft legislation was also prepared to enlarge the scope of the Commission with responsibility for the control of monopolies, mergers and anti-competitive practices.

The State Sector Trading Organisations (STOs) continued to compete with the private sector in order to be commercially viable in the new trading environment. Despite breaking into new lines of activity STOs found that competition from the private sector reduced their levels of activity. The Co-operative Wholesale Establishment (CWE) and the Marketing Department (MD) were important organisations in maintaining stability of consumer prices and ensuring availability and fair distribution of essential commodities. In particular, the reorganisation of the MD had an important influence on reducing prices of consumer items, including vegetables. In 1984, the MD played a more dynamic role in helping to keep down consumer prices. The operation of a buffer stock by the CWE was also a factor that helped to maintain availability of important consumer items and keep prices of essential commodities stable.

The role of the co-operative societies in internal trade has now become one of mainly ensuring distribution of basic food items such as rice, flour, sugar and other consumer items under the Food Stamp Schemes. Accordingly, their profits continued to be low. However, the vital importance of the co-operative societies has been evident during periods of crises or internal disturbance, when the efficient distribution of essential commodities throughout the country became an urgent necessity. Internal trade policy should therefore aim at making co-operative societies viable by provision of finance or other facilities to them.

### **TOURISM**

Activity in the tourist industry in 1984, indicated a partial recovery from the setback experienced in 1983. The main performance indicators such as tourist arrivals, number of tourist nights, room occupancy and earnings, showed that a

revival of the industry was in progress, although activity in the industry was well below levels in 1982 and 1983. The favourable trend in 1984 was helped by the economic recovery in Western countries, which resulted in an upturn in tourist arrivals in late 1984. However, tourists arriving from the Indian sub-continent, who are mainly duty free shoppers declined drastically following restrictions imposed by the Government of India on the duty free baggage allowance permitted to them.

Total tourist arrivals in 1984 numbered 317,734 which was 22 per cent below 1982 and 6 per cent below 1983. Tourist arrivals from Western Europe, North America and Australasia showed increases over the levels in 1983. Tourist arrivals from Western Europe, which is the prime market for Sri Lanka increased by 8 per cent to 191,070 tourists in 1984. Similarly, arrivals from other main markets, namely, North America and Australasia at 15,020 and 11,970 were 2 per cent and 13 per cent more than in the previous year. By contrast, arrivals from the Asian region declined by 28 per cent due mainly to the large fall in tourist arrivals from India. Arrivals of excursionists—i.e. temporary visitors staying in the country for less than 24 hours (excluding travellers in transit) totalled 8,638 in 1984 compared with 7,208 in 1983, which is a substantial increase of 20 per cent.

The total number of nights spent by tourists, which is considered as a better indicator of activity in the tourist sector than tourist arrivals, at 2,818,694 in 1984, was 11 per cent below its level in 1983. When compared with 1982, it indicated a substantial decrease of 22 per cent. The average length of stay of a tourist declined from 10 nights in 1983 to 9 nights in 1984.

TABLE 1.34  
Tourism Statistics 1983 - 1984

Item	1983	% change over 1982	1984(a)	% change over 1983
1. Tourist arrivals	337,530	- 17.1	317,734	- 5.9
2. Excursionist arrivals	7,208	8.7	8,638	19.8
3. Tourist nights ('000)	3,179	- 21.5	2,819	- 11.3
4. Gross tourist receipts				
4.1 Rs. Million	2,896.1	- 5.1	2,737.8	- 5.5
4.2 US Dollars Million	126.9	- 13.4	105.3	- 17.0
4.3 SDR Million	115.1	- 13.3	105.0	- 8.7
5. Number of arrivals by purpose of visit				
5.1 Pleasure	306,626	- 15.1	300,336	- 2.1
5.2 Business	19,378	- 9.5	10,934	- 43.6
6. Number of arrivals by region				
6.1 Western Europe	176,310	- 23.4	191,070	8.4
6.2 Asia	124,620	- 7.8	89,736	- 28.0
6.3 North America	14,686	- 5.4	15,020	2.3
7. Total employment	53,608	- 16.6	59,462	10.9
7.1 Direct	22,374	- 16.4	24,595	9.9
7.2 Indirect	31,234	- 16.7	34,868	11.6

(a) Provisional.

Source: Ceylon Tourist Board.

As in the past, Western Europe was the prime tourist market accounting for 60 per cent of total arrivals in 1984 as compared with 52 per cent in 1983. The share of the Asian market, the second largest, came down from 37 per cent in 1983 to 28 per cent in 1984, due mainly to the 53 per cent decrease in arrivals from India. The market shares of Australasia and North America remained unchanged.

The estimated gross foreign exchange earnings from the tourist industry in 1984 at Rs. 2,738 million (SDR 105 million) showed a decline of 5 per cent (9 per cent, in SDR terms) from that of the previous year. An examination of tourist travel by purpose indicated that 'pleasure' was the most dominant accounting for 95 per cent of total arrivals in 1984 as compared with 91 per cent in 1983. Travel for business purposes accounted for only 3 per cent in 1984 as compared with 5 per cent in 1983.

As in previous years, the main mode of transport to Sri Lanka in 1984 was air travel. Of the total air-borne tourists, arrivals by scheduled inter and intra-regional flights together accounted for 79 per cent while charter flights brought in 17 per cent of tourists. Tourist arrivals by sea declined from 12 per cent in 1983 to 4 per cent in 1984.

Tourism offers a wide range of direct and indirect employment opportunities in the services sector. The total number of employment opportunities provided by the tourist industry in 1984 was estimated at 59,500 which is an increase of 11 per cent over 1983. Direct employment is estimated to have increased from 22,400 in 1983 to 24,600 in 1984 or by 10 per cent. Indirect employment generated by tourism in various ancilliary services was estimated at 34,900 in 1984, which is an increase of 12 per cent over 1983.

Capacity of the graded accommodation category increased from 138 units in 1983 to 146 units in 1984 or by 6 per cent. This can be compared with the average annual growth of 10 per cent of the number of units in graded accommodation during the period 1974 to 1983. The total number of rooms in the graded accommodation category increased from 8,852 in 1983 to 9,627 in 1984. Average room occupancy rate in graded hotels at 36 per cent was the same as in 1983. Total number of rooms available in the supplementary accommodation category showed only a marginal increase from 1,251 in 1983 to 1,270 in 1984. As in the graded accommodation category, the average room occupancy rate in the supplementary category too remained unchanged in the year under review. The stability in the occupancy rate reflects the shorter length of stay of tourists, which was referred to earlier.

Conforming to the trend observed in the past, a region-wise breakdown of the graded accommodation category in 1984 showed that occupancy rates in the Colombo City and the Greater Colombo area were at 45 per cent and 38 per cent respectively. However, these figures indicated a decline of 7 percentage points in the former and 2 percentage points in the latter in comparison with 1983. The South coast which has the largest capacity of graded accommodation experienced an occupancy rate of 34 per cent in 1984 registering a marginal increase of 2 percentage points compared with

the previous year. The Hill Country and Ancient Cities regions had occupancy rates of 32 per cent and 31 per cent, respectively in 1984. The lowest occupancy rate of 6 per cent was observed in the Northern Region as compared with 11 per cent in the previous year.

In order to resuscitate the tourist industry, the Tourist Board continued to operate its crash marketing programme spending nearly Rs. 49 million on market promotion work abroad in the year under review. The Government also provided several concessions to this industry including a scheme for rescheduling of loan facilities given to hotel projects by commercial banks and other long-term credit institutions and a reduction of the Turnover Tax from 10 per cent to 5 per cent in order to provide relief to the hoteliers facing financial difficulties due to the slump in tourist activity.

### BALANCE OF PAYMENTS

A substantial narrowing of the current account deficit resulted in a considerable improvement in the balance of payments in 1984. The reduction in the current account deficit was the result of the marked improvement in the terms of trade and a further increase in foreign private remittances. The current account deficit narrowed down to Rs. 789 million (SDR 26 million) from Rs. 11,122 million (SDR 441 million) in 1983. There was an equivalent improvement in the merchandise trade balance during 1984. In SDR terms, exports recorded a 45 per cent increase while imports increased marginally by 1.7 per cent. The current account deficit as a ratio of GDP decreased from 9.1 per cent in 1983 to 0.5 per cent in 1984. The current account deficit excluding official transfers was Rs. 4,692 million (SDR 176 million) as compared with Rs. 15,138 million (SDR 601 million) in 1983 and its ratio to GDP fell from 12.4 per cent to 3.1 per cent between these two years.

Due to improvements in both volumes and prices, receipts from merchandise exports increased from Rs. 25,038 million (SDR 993 million) in 1983 to Rs. 37,453 million (SDR 1,439 million) in 1984. Export receipts from tea alone increased by Rs. 7,469 million (SDR 275 million). Combined export earnings from the three major traditional export products increased by Rs. 8,062 million (SDR 291 million) in 1984. A noteworthy feature on the export front was the marked increase in non-traditional exports mainly, textiles and ready-made garments, and other industrial exports. Export earnings from non-traditional products increased by 28 per cent in 1984.

The outlay on merchandise imports in 1984 stood at Rs. 47,626 million (SDR 1,825 million) as compared with Rs. 45,206 million (SDR 1,794 million) in 1983. Import outlay on consumer goods notably on rice, sugar and durable consumer goods and investment goods indicated a decline in 1984. Hence, the increase in imports was mainly in the intermediate goods category, excluding petroleum products.

The deficit in the services account further widened in 1984 to Rs. 1,558 million (SDR 60 million) from Rs. 1,411 million (SDR 56 million) in 1983. This increased deficit was mainly due to a higher outflow on account of travel. Gross earnings from tourism, however, showed a marginal increase from Rs. 2,404 million (SDR 96 million) to Rs. 2,592 million (SDR 99 million) in 1984.