

TRADE AND TOURISM

The developments in Sri Lanka's external trade sector were unfavourable in 1988, as compared with the previous year. The value of exports increased only marginally, by less than 2 per cent in SDR terms, as compared with 4 per cent growth in 1987. Furthermore, the outlay on imports, which had dropped by 4 per cent in 1987, rose by 5 per cent in 1988. Consequently, the trade deficit rose by 12 per cent in 1988, in contrast to a contraction of 18 per cent in the previous year.

The slow growth of export earnings was primarily due to decreases in earnings from coconut products, textiles and garments and petroleum products. The increases in earnings from rubber, minor agricultural products, gems and other industrial exports were insufficient to register a significant overall growth in exports, in 1988.

According to provisional Customs data, the import outlay at Rs. 70,320 million (SDR 1,645 million) and export earnings at Rs. 47,092 million (SDR 1,101 million), resulted in a trade deficit of Rs. 23,228 million (SDR 543 million) in 1988. When Customs data are adjusted for lags and other factors pertaining to recording, total exports are valued at Rs. 46,928 million (SDR 1,097 million) and imports at Rs. 71,200 million (SDR 1,665 million). Accordingly, the adjusted data reflect a 12 per cent increase in the trade deficit, from Rs. 19,396 million (SDR 509 million) in 1987, to Rs. 24,272 million (SDR 568 million) in 1988.

TABLE 1. 29

Balance of Trade 1986 - 1988

Rs. Million (SDR Million in brackets)

Year	Imports(a)		Exports(b)		Balance of Trade	
	Customs	Adjusted	Customs	Adjusted	Customs	Adjusted
1986	51,282 (1,559)	54,559 (1,658)	34,092 (1,036)	34,072 (1,036)	- 17,189 (- 523)	- 20,487 (- 623)
1987	59,750 (1,568)	60,528 (1,589)	39,861 (1,046)	41,133 (1,080)	- 19,889 (- 522)	- 19,396 (- 509)
1988(c)	70,320 (1,645)	71,200 (1,665)	47,092 (1,101)	46,928 (1,097)	- 23,228 (- 543)	- 24,272 (- 568)

- (a) Excludes Bullion & Specie.
 (b) Includes re-exports.
 (c) Provisional.

Sources : Customs, Sri Lanka;
 Food Commissioner's Department;
 Ceylon Fertilizer Corporation and
 other major importers of fertilizer;
 Air Lanka Ltd;
 Ceylon Shipping Corporation;
 Ceylon Petroleum Corporation.

The average prices of exports, with the exception of tea, were favourable in 1988, as compared to those in the previous year. However, as the prices of major imports such as rice, sugar, wheat grain and fertilizer increased by much larger margins over 1987, the terms of trade deteriorated in 1988 by 7 per cent.

TABLE 1.30
Foreign Trade 1979 - 1988

Year	Rupees Million			Index Numbers 1981 = 100				Terms of Trade
	Exports* (f.o.b.)	Imports* (c.i.f.)	Balance of Trade	Volume		Price		
				All Exports	All Imports	All Export	All Imports	
1979 ..	15,286	22,560	- 7,275	89	94	82	68	121
1980 ..	17,595	33,942	-16,347	95	111	92	86	107
1981 ..	21,043	36,583	-15,540	100	100	100	100	100
1982 ..	21,454	41,946	-20,492	105	100	98	104	94
1983 ..	25,096	45,558	-20,461	99	110	125	109	115
1984 ..	37,347	47,541	-10,194	116	114	160	114	140
1985 ..	36,207	54,049	-17,843	120	109	142	123	115
1986 ..	34,072	54,559	-20,487	128	124	126	114	111
1987 ..	41,133	60,528	-19,396	130	127	146	129	114
1988(a) ..	46,928	71,200	-24,272	134	130	166	157	106

* Adjusted data from 1980 onwards.
(a) Provisional.

Sources : Customs, Sri Lanka;
Central Bank of Sri Lanka.

Exports

According to adjusted Customs data, total earnings from exports amounted to SDR 1,097 million (Rs. 46,928 million) in 1988, as compared with SDR 1,080 million (Rs. 41,133 million) in 1987, showing an increase of 1.6 per cent in SDR terms. The comparable growth in 1987 was 4 per cent. However, individual commodity groups recorded mixed performances during 1988. The agricultural exports recovered to post a moderate growth of 3 per cent in 1988, following a 4 per cent decrease in 1987. Meanwhile, industrial exports recorded only a marginal increase of 1 per cent in contrast to 9 per cent growth in the previous year. The most impressive growth was in mineral exports, which showed a 29 per cent increase over 1987.

The composition of exports which underwent a sharp change during the last decade, following the economic reforms of 1977, showed only a marginal change in 1988. Industrial exports continued to remain the major category of exports, a position achieved in 1986. Textiles and garments, which became the largest single export item in 1986 continued to maintain a leading position in 1988 as well, although its share declined marginally from 31 per cent in 1987 to 30 per cent in 1988. Meanwhile, the

TABLE 1.31

Composition of Exports 1986 - 1988

Category	Value in Rs. Million			SDR Million			Percentage of Total Exports		
	1986	1987	1988 (d)	1986	1987	1988	1986	1987	1988
1. Agricultural Exports	15,764	17,437	20,104	479	458	470	46.3	42.4	42.8
1.1 Tea	9,253	10,654	12,299	281	280	288	27.2	25.9	26.2
1.2 Rubber	2,622	2,929	3,706	80	77	87	7.7	7.1	7.9
1.3 Coconut	2,389	2,140	1,538	73	56	36	7.0	5.2	3.3
1.3.1 Kernel Products	1,609	1,423	895	49	37	21	4.7	3.5	1.9
1.3.2 Other	780	717	643	24	19	15	2.3	1.7	1.4
1.4 Minor Agricultural Products (a)	1,500	1,714	2,561	46	45	60	4.4	4.2	5.4
2. Industrial Exports (a) (b)	15,878	20,004	22,674	483	525	530	46.6	48.6	48.3
2.1 Textile and Garments	9,629	12,897	14,260	293	339	333	28.3	31.3	30.4
2.2 Petroleum Products	2,358	2,592	2,265	72	68	53	6.9	6.3	4.8
2.3 Other	3,891	4,515	6,148	118	118	144	11.4	11.0	13.1
3. Mineral Exports	1,182	1,805	2,614	36	47	61	3.5	4.4	5.6
3.1 Gems	755	1,447	2,070	23	38	48	2.2	3.5	4.4
3.2 Other	427	358	543	13	9	13	1.3	0.9	1.2
4. Unclassified (c)	1,249	1,886 (e)	1,536	38	50	36	3.7	4.6	3.3
Total Exports (b)	34,072	41,133	46,928	1,036	1,080	1,097	100.0	100.0	100.0

(a) Selected Items.

(b) Adjusted.

(c) Includes re-exports.

(d) Provisional.

(e) Includes export of an aircraft.

Sources : Customs, Sri Lanka;
Ceylon Petroleum Corporation;
Air Lanka Ltd.Conversion Rates : 1986 1 SDR = Rs. 32.8993
1987 1 SDR = Rs. 38.1023
1988 1 SDR = Rs. 42.7577

share of plantation agricultural crops, which together accounted for three-fourths of total export earnings in 1977, dropped further, from 38 per cent in 1987 to 37 per cent in 1988. On the other hand, the share of mineral exports increased from 4 per cent to 6 per cent between 1987 and 1988.

Tea

Among agricultural exports, tea continued to be the major product accounting for 26 per cent of total exports in 1988. The value of tea exports recorded a 3 per cent increase from SDR 280 million (Rs. 10,654 million) in 1987 to SDR 288 million (Rs. 12,299 million) in 1988. The increase in value was wholly due to a rise in the export volume, by 9 per cent, from 201 million kgs. to 220 million kgs. In contrast, the average export price declined by 6 per cent, from SDR 1.39 per kg. to SDR 1.31 per kg. In rupee terms, however, the Colombo Auction price, as well as the f.o.b. price, increased owing to the depreciation of the rupee. The average price realised for Sri Lanka teas at the London Auctions also fell by 6 per cent, from 105.21 pence per kg. to 99.30 pence per kg.

Rubber

The value of rubber exports rose by 13 per cent, from SDR 77 million (Rs. 2,929 million) in 1987 to SDR 87 million (Rs. 3,706 million) in 1988 which was entirely due to a rise in the export price by 19 per cent, from SDR 0.73 per kg. (Rs. 27.63 per kg.) to SDR 0.87 per kg. (Rs. 37.33 per kg.). The volume of rubber exports, which had declined by 4 per cent in 1987, dropped further by 6 per cent to 99 million kgs. in 1988. Of the total earnings from rubber, sheet rubber accounted for 48 per cent, while latex crepe and block rubber accounted for 34 per cent and 13 per cent, respectively.

Coconut

The total earnings from coconut product exports dropped sharply by 36 per cent, from SDR 56 million (Rs. 2,140 million) in 1987 to SDR 36 million (Rs. 1,538 million) in 1988, owing to a sharp drop in the export volume, from 538 million nuts to 224 million nuts, or by 58 per cent, which was the result of a sharp drop in production due to the prolonged drought during 1986 and 1987 in the coconut growing areas. The improvement in the average export price by 29 per cent, from SDR 0.07 per nut (Rs. 2.64 per nut) to SDR 0.09 per nut (Rs. 4.00 per nut) between 1987 and 1988 was insufficient to offset the adverse effect of the short-fall in the volume of exports. The value of coconut by-products exports too fell by 20 per cent, due to reduced earnings from coconut shell charcoal, coir fibre mattress and coir yarn.

Minor Agricultural Products

There was a marked improvement in the minor agricultural exports in 1988. The value of these exports rose by as much as 33 per cent (49 per cent in Rupee terms), from SDR 45 million (Rs. 1,714 million) in 1987 to SDR 60 million (Rs. 2,561 million) in 1988. As a result, the share of minor agricultural products in total exports rose from 4 per cent to 5 per cent. Among these, substantial increases in earnings were recorded for cinnamon, cloves, coffee and essential oils.

Industrial Exports

The value of industrial exports in 1988 amounted to SDR 530 million, as compared with SDR 525 million in 1987, recording only a marginal increase of 1 per cent. This was in contrast to a 9 per cent growth in the previous year. The rate of growth of industrial exports decelerated in 1988, primarily due to a fall in the earnings from garments and petroleum exports. Textiles and garments exports declined by 2 per cent, from SDR 339 million to SDR 333 million, and petroleum exports by 22 per cent, from SDR 68 million to SDR 53 million, between the two years. While the decline in the volume of garment exports was mainly due to the escalation in civil disturbances which affected the normal working of factories, the decline in the value of petroleum export was a result of a sharp drop in prices, from SDR 106 per metric ton in 1987 to SDR 77 per metric ton in 1988. However, the value of other industrial products increased by 21 per cent, reflecting increased earnings from processed diamonds, leather and rubber products, marine products and chemical products. Diamond exports alone rose by 25 per cent from SDR 31 million (Rs. 1,166 million) in 1987 to SDR 38 million (Rs. 1,629 million) in 1988.

Mineral Exports

Mineral exports continued to expand in 1988 too, recording an impressive growth of 29 per cent, from SDR 47 million (Rs. 1,805 million) to SDR 61 million (Rs. 2,614 million). Large increases were recorded in gems, as well as in other mineral exports such as ilmenite, iron pyrites and natural graphite. Gem exports rose sharply, from SDR 38 million (Rs. 1,447 million) to SDR 48 million (Rs. 2,070 million), largely due to an increase in the quantity of exports, including geuda, from 5.4 million carat in 1987 to 15.6 million carat in 1988. Japan, Thailand, USA and Hongkong were the principal markets for gem exports. The other mineral exports rose by 44 per cent, from SDR 9 million (Rs. 358 million) to SDR 13 million (Rs. 543 million). Among these, the value of metallic ores and iron pyrites which accounted for 35 per cent of other mineral exports rose sharply from SDR 1 million (Rs. 47 million) to SDR 4 million (Rs. 189 million), while that of natural graphite increased from SDR 3 million (Rs. 136 million) to SDR 4 million (Rs. 166 million).

Imports

According to adjusted Customs data, the total expenditure on imports amounted to SDR 1,665 million (Rs. 71,200 million) in 1988, compared with SDR 1,589 million (Rs. 60,528 million) in 1987, showing increases of 5 per cent in SDR terms and 18 per cent in Rupee terms. The increase was mainly reflected in the imports of consumer goods such as rice, sugar, milk and milk products, and intermediate goods such as wheat grain and fertilizer.

As in the previous year, the share of consumer goods in total imports continued to increase in 1988, rising from 23 per cent to 25 per cent. Conversely, the share of investment goods decreased from 19 per cent in 1987 to 17 per cent in 1988, while the share of intermediate goods remained roughly at the same level of 57 per cent as in the previous year.

TABLE 1.32

End-Use Classification of Imports 1986—1988

Category	Value in Rs. Million			SDR Million			Percentage of Total		
	1986	1987 (a)	1988 (b)	1986	1987	1988	1986	1987	1988
1. Consumer Goods	12,256	13,814	17,425	372.5	362.5	407.5	22.5	22.8	24.5
1.1 Food and Drink	6,746	7,462	10,201	205.0	195.8	238.6	12.4	12.3	14.3
1.1.1 Rice	1,052	687	1,795	32.0	18.0	42.0	1.9	1.1	2.5
1.1.2 Flour	90	96	303	2.7	2.5	7.1	0.2	0.2	0.4
1.1.3 Sugar	1,764	2,389	2,927	53.6	62.7	68.5	3.2	3.9	4.1
1.2 Other	5,510	6,353	7,225	167.5	166.7	169.0	10.1	10.5	10.1
2. Intermediate Goods (d)	28,618	34,619	40,508	869.9	908.6	947.4	52.4	57.2	56.9
2.1 Petroleum	6,293	8,716	7,839	191.3	228.7	183.3	11.5	14.4	11.0
2.2 Fertilizer	1,282	1,299	2,476	39.0	34.1	57.9	2.4	2.1	3.5
2.3 Chemicals	1,587	1,559	1,887	48.2	40.9	44.1	2.9	2.6	2.6
2.4 Wheat	2,371	1,923	2,983	72.1	50.5	69.8	4.4	3.2	4.2
2.5 Textile & Clothing (d)	6,353	8,086	8,796	193.1	212.2	205.7	11.5	13.4	12.3
3. Investment Goods	10,556	11,334	12,081	320.9	297.5	282.5	19.4	18.7	17.0
3.1 Machinery & Equipment	5,828	6,640	7,047	177.1	174.3	164.8	10.7	11.0	9.9
3.2 Transport Equipment	1,457	1,418	1,409	44.3	37.2	32.9	2.7	2.3	2.0
3.3 Building Materials	907	710	1,038	27.6	18.6	24.3	1.7	1.2	1.5
4. Unclassified	3,129	761	1,186	95.1	20.0	27.7	5.7	1.3	1.6
Total Imports (c)	54,559	60,528	71,200	1,658.4	1,588.6	1,665.2	100.0	100.0	100.0

(a) Revised.

(b) Provisional.

(c) Adjusted.

(d) Textile & clothing imports previously classified as consumer goods are now being classified as intermediate goods.

Sources : Customs, Sri Lanka;
 Food Commissioner's Department;
 Ceylon Fertilizer Corporation &
 other major importers of fertilizer;
 Ceylon Petroleum Corporation;
 Central Bank of Sri Lanka.

Consumer Goods

The import outlay on consumer goods rose by 12 per cent, from SDR 363 million (Rs. 13,814 million) in 1987 to SDR 408 million (Rs. 17,425 million) in 1988, owing to the increases in expenditure on all categories of consumer goods imports. The expenditure on rice imports more than doubled, from SDR 18 million (Rs. 687 million) to SDR 42 million (Rs. 1,795 million), due to increases in the volume by 86 per cent, from 113,000 metric tons to 210,000 metric tons, and the price by 25 per cent. Meanwhile, despite a decline in the volume of imports by 15 per cent, the value of sugar imports rose by 9 per cent to SDR 69 million (Rs. 2,927 million); owing to an increase in the price by 29 per cent. The value of milk and milk products imports also rose sharply by 35 per cent, from SDR 33 million in 1987 to SDR 45 million in 1988. However, the value of other consumer goods imports rose only marginally by 1 per cent, from SDR 167 million to SDR 169 million.

Intermediate Goods

The expenditure on the import of intermediate goods amounted to SDR 947 million (Rs. 40,508 million) in 1988, compared with SDR 909 million (Rs. 34,619 million) in 1987, recording an increase of 4 per cent in SDR terms. This was largely due to the increases in both the volume and price of fertilizer, wheat grain and chemicals. The outlay on fertilizer imports rose sharply by 70 per cent to SDR 58 million (Rs. 2,476 million), due to a substantial increase in quantity, from 373,000 metric tons to 556,000 metric tons, and a 14 per cent increase in price. The value of wheat grain imports rose by 38 per cent, from SDR 51 million (Rs. 1,923 million) to SDR 70 million (Rs. 2,983 million) owing to increases in the volume by 6 per cent and the price by 30 per cent. Import outlay on chemical products increased from SDR 41 million (Rs. 1,559 million) to SDR 44 million (Rs. 1,887 million) or by 8 per cent.

TABLE 1.33
Volume of Major Imports in 1988

Month	Metric tons				
	Rice	Wheat	Sugar	Petroleum (Crude Oil)	Fertilizer
January	20,101	55,000	47,636	159,882	19,524
February	30,527	55,336	25,970	137,180	62,716
March	34,710	63,004	28,382	124,608	57,348
April	22,861	101,743	14,800	191,153	48,103
May	20,014	11,034	11,521	129,216	53,477
June	30,188	52,265	28,653	151,934	58,371
July	16,008	48,699	17,955	165,001	68,358
August	16,524	62,732	32,105	293,876	39,604
September	10,030	6,355	21,404	157,188	37,138
October	4,119	52,289	15,995	127,447	50,570
November	77	47,967	19,051	127,315	37,111
December	5,265	55,657	55,487	129,335	23,446
Total(a)	210,424	612,081	318,959	1,894,135	555,766

(a) Adjusted.

Sources : Customs, Sri Lanka;
Food Commissioner's Department;
Ceylon Petroleum Corporation;
Ceylon Fertilizer Corporation
and other major importers of fertilizer.

agreement with Turkey for the first time in August, 1988, with a view to promoting trade and economic relations between the two countries. Meanwhile, the Special Trading Arrangement that Sri Lanka had entered into with Pakistan in November, 1987 was made to lapse in November, 1988. Sri Lanka continued to experience quota restraints in respect of garments exports to major developed countries such as Canada, EEC countries, Norway and Finland.

During the year under review, Sri Lanka participated in several important meetings on trade negotiations, such as the Bangkok Agreement, Global System of Trade Preferences (GSTP) and Uruguay Round of Negotiations.

With regard to international commodity agreements, most of the member countries gave ratification for a new International Natural Rubber Agreement (INRA 2) which was negotiated in 1987. However, Sri Lanka had not taken a decision regarding her membership in the agreement as at the end of 1988. The new agreement, similar to the earlier INRA I, is basically a price stabilization pact through the operation of a 'buffer stock.' With regard to the proposed International Tea Agreement, no substantial progress was made although two informal consultations among exporting and importing countries were held during the year. Under the International Coffee Organisation, Sri Lanka received a quota of 59,148 bags or 3,549 metric tons for the coffee year 1987/88, which ended in September, 1988; and a quota of 56,448 bags or 3,386 metric tons for the quota year 1988/89.

Internal Trade

The internal trade policy continued to place emphasis on allowing market forces to guide trade. Accordingly, the private sector participation was encouraged in wholesale, retail and other activities relating to trading in goods and services during 1988, keeping state intervention to a minimum in order to foster competition.

The Fair Trading Commission which was established in August 1987, carried out its functions relating to the control of monopolies, mergers and anti-competitive practices, in addition to being responsible for the formulation and implementation of a national pricing policy. During 1988, the Commission carried out 95 price reviews, as against 52 in 1987. These price reviews were mainly aimed at safeguarding the interests of both the consumer, as well as the producer.

As in the previous years, attention was paid to increasing consumer awareness by organising 'Mahapola Trade Fairs' and consumer societies. A total of 13 'Mahapola Trade Fairs' were held during 1988, while 4,535 new consumer societies were formed throughout the country.

The state trading organisations continued to compete with the private sector, diversifying their activities in conformity with the changing needs of the trading environment. In particular, the Co-operative Wholesale Establishment (CWE) played a vital role in maintaining buffer stocks of essential commodities to ensure an adequate supply in the market.

Despite these increases, the growth of intermediate goods imports was contained in 1988 by reductions in expenditure on petroleum products and on textiles and clothing imports. The expenditure on petroleum imports dropped by 20 per cent, due entirely to a sharp drop in price by 21 per cent, from SDR 14 per barrel to SDR 11 per barrel. The value of textiles and clothing imports declined by 3 per cent, from SDR 212 million to SDR 206 million, largely due to a drop in the volume of garments exports.

Investment Goods

The outlay on investment goods imports decreased by 5 per cent, from SDR 297 million (Rs. 11,334 million) in 1987 to SDR 283 million (Rs. 12,081 million) in 1988. This was largely due to a fall in the importation of transport equipment and machinery, reflecting a deceleration of investment activities. The value of transport equipment imports dropped from SDR 37 million to SDR 33 million or by 12 per cent, while that of machinery fell from SDR 174 million to SDR 165 million or by 5 per cent. However, the value of building materials imports rose sharply by 31 per cent, from SDR 19 million to SDR 24 million.

Foreign Trade Policy

In 1988, several modifications to the tariff structure and import regulations were introduced with a view to promoting exports. The broad policies of liberalization initiated in 1977, remained unchanged.

Tariff

The export duty on tea was revised twice during the year. At the first revision made in June, the duty on packeted tea was raised from Rs. 2 per kg. to Rs. 3 per kg., while a duty of Re. 1 per kg. was imposed on tea bags. Subsequently in November, the duty on bulk tea, packeted tea and instant tea was reduced by Rs. 2 per kg. in order to boost tea exports. At the same time, the duty of Re. 1 per kg. imposed earlier on the export of tea bags was brought down to Re. 0.50 per kg. The threshold price for the calculation of the ad valorem sales tax was also revised in March, 1988, raising the taxable price point from Rs. 40 per kg. to Rs. 44 per kg., while keeping the tax rate unchanged at 50 per cent above the taxable point. The cess on rubber exports too, was raised from 15 cts. per kg. to 25 cts. per kg. in November, 1988.

Import and Export Control

The import of 17 items, including diamonds, pearls, silver, platinum and imitation jewellery, was liberalized during the year for the purpose of promoting jewellery exports. The import of maize and bodies for motor vehicles was brought under licence control during the year.

Trading Arrangements

There were significant developments in the field of international trading arrangements in 1988. Under the Multifibre Arrangement, Sri Lanka concluded two bilateral textile agreements with Sweden and the USA, involving validity periods of 5 years and 4 years, respectively. Sri Lanka also concluded a bilateral trade

The importance of the co-operative societies, as an organised network of distribution of essential consumer requirements, was also evident during the period of internal disturbances. As in the previous years, they continued to handle the distribution of consumer goods under the Food Stamp Scheme.

Tourism

The tourist industry which has been declining since 1983, following the eruption of civil disturbances, continued to remain at a low level during the year under review. Although there were some signs of a recovery of the industry in mid 1988, when the hotel bookings for the rest of the year increased rapidly over 1987, the renewed escalation of disturbances in the last quarter of the year, brought this anticipated growth to a halt. The total tourist arrivals in 1988 at 182,662, remained roughly at the same level as in the previous year. This was 21 per cent lower than the arrivals in 1986 and 55 per cent lower when compared with the peak level of tourist arrivals of 407,230 recorded in 1982.

TABLE 1.34

Tourism Statistics 1987-1988

Item	1987	%Change over 1986	1988	%Change over 1987
1. Tourist Arrivals ..	182,620	- 20.6	182,662	...
2. Excursionist Arrivals ..	2,417	- 61.4	6,108	+ 152.7
3. Tourist Night ('000) ..	2,414	- 3.9	2,305	- 4.5
4. Gross Tourist Receipts				
4.1 Rs. Million ..	2,415.2	+ 5.0	2,500.0(a)	+ 3.5
4.2 Us Dollar Million ..	82.0	- 0.1	78.6	- 4.1
4.3 SDR Million ..	63.4	- 9.3	58.5	- 7.7
5. Number of Arrivals by Purpose of Visit				
5.1 Pleasure ..	162,782	- 24.7	165,074	+ 1.4
5.2 Business ..	14,356	+ 42.4	13,670	- 4.8
6. Number of Arrivals by Region				
6.1 Western Europe ..	121,112	- 15.3	111,426	- 8.0
6.2 Asia ..	43,462	- 34.3	53,712	+ 23.6
6.3 North America ..	7,166	- 22.4	6,534	- 8.8
7. Total Employment				
7.1 Direct ..	48,811	- 8.7	47,232	- 3.2
7.2 Indirect ..	20,338	- 8.7	19,680	- 3.2
7.2 Indirect ..	28,473	- 8.7	27,552	- 3.2

(a) Provisional.

Source : Ceylon Tourist Board.

However, the tourist arrivals from Asia and Eastern Europe showed increases in 1988, while arrivals from Western Europe, North America and Australasia continued to decrease. The arrivals from Western Europe which continued to be the prime market, accounting for 61 per cent of total arrivals, recorded a decline of 8 per cent, from 121,112 in 1987 to 111,426 in 1988. Meanwhile, the arrivals from Asia, which is the second largest market, increased by 24 per cent, mainly due to increased arrivals from Japan and India of 28 per cent and 20 per cent, respectively. Arrivals from other major markets such as North America and Australasia, declined by 9 per cent and 10 per cent, respectively, while those from Eastern Europe increased by 7 per cent.

According to the Ceylon Tourist Board, estimated gross foreign exchange earnings from tourism in 1988 were Rs. 2,500 million (SDR 59 million), registering an 8 per cent drop in SDR terms. When compared with the peak level of earnings of SDR 133 million in 1982, the earnings during the year under review showed a decline of 56 per cent in SDR terms.

The employment opportunities in the tourist industry continued to decline further in 1988. The total number employed in this sector was estimated to have declined from 48,811 in 1987 to 47,232 in 1988. Out of this total, about 19,680 were directly employed in the industry, while about 27,552 were employed in ancillary sectors.

The number of hotel units operated in the graded accommodation category remained at 128 in 1988 as in the previous year. However, the total room capacity increased marginally from 9,921 rooms in 1987 to 9,977 rooms in 1988. Meanwhile, the average room occupancy rate in graded hotels rose marginally from 31.5 per cent in 1987 to 32.1 per cent in 1988, owing to increased utilization in the Colombo city, the Greater Colombo and ancient cities regions. The number of units in the supplementary accommodation sector decreased by 18 per cent, from 104 in 1987 to 85 in 1988, reducing the total room strength from 1,172 to 936.

The relief measures granted by the Government to the hotel sector since late 1983 continued to be in operation throughout 1988. These measures included the extension of the moratorium on debt repayment until March, 1989, with 100 per cent re-scheduling of loans and interest free loan facilities to meet the working capital needs of the affected hotels.