

BALANCE OF PAYMENTS

Overall Trends

Performance of Sri Lanka's balance of payments in 1988 was disappointing. The deficit on the merchandise account widened by 9 per cent, from SDR 525 million (Rs. 20,005 million) in 1987 to SDR 574 million (Rs. 24,512 million) in 1988. At the same time, the current account deficit expanded by 22 per cent, from SDR 265 million (Rs. 10,093 million) in the previous year to SDR 324 million (Rs. 13,841 million) in 1988. The current account deficit to GDP ratio, which is a basic indicator of the degree of weakness of a country's balance of payments position, increased from 5.1 per cent in 1987 to 6.2 per cent in 1988. The current account deficit excluding official transfers also rose from SDR 404 million (Rs. 15,404 million) to SDR 466 million (Rs. 19,917 million) between the two years, and as a ratio of GDP, it rose from 7.8 per cent in 1987 to 8.9 per cent in 1988. Net non-monetary capital inflow, which is used to finance the current account deficit, fell by 11 per cent in 1988, thus leaving an enlarged overall deficit of SDR 101 million (Rs. 5,000 million) to be met by drawing down on the external assets of the country.

Sri Lanka's gross external assets, which stood at SDR 415 million (Rs. 18,134 million) at the end of 1987, dropped to SDR 393 million (Rs. 17,482 million) by the end of 1988. Despite a drawing of SDR 154 million from the International Monetary Fund (I.M.F.), consisting of SDR 45 million under the Structural Adjustment Facility (SAF) and SDR 109 million under the Compensatory Financing Facility (CFF) for export short-falls, external assets of the country declined as a result of unfavourable trends in the balance of payments.

The adverse developments in the balance of payments in 1988 were chiefly due to the continued civil unrest in the country. The escalation of civil disturbances after October, not only disrupted the export supplies but also hindered the recovery of the tourist sector. Furthermore, the implementation of appropriate macro-economic policies under the IMF supported adjustment programme, which sought to improve the balance of payments performance, was also interrupted by the continuous instability in the country.

Visible Trade

Export earnings which had recorded an annualized growth rate of 10 per cent upto October, 1988 declined sharply during the last two months of the year, largely owing to the escalation of civil disturbances. As a result, the rate of growth of exports in 1988 was restricted to 2 per cent. Industrial exports, which accounted for nearly one-half of the country's exports in recent years, in fact, stagnated, recording just 1 per cent growth, primarily due to the decline in the earnings from textiles and garments and petroleum products exports. The poor performance of these two sub-sectors could not be off-set by the spurt in new industrial export products, such as processed diamonds, fish products, activated carbon, leather products, rubber based products and ceramic products, which together recorded a growth rate of 21 per cent in 1988. Gem exports also grew by 27 per cent in 1988.

BALANCE OF PAYMENTS ANNUALLY

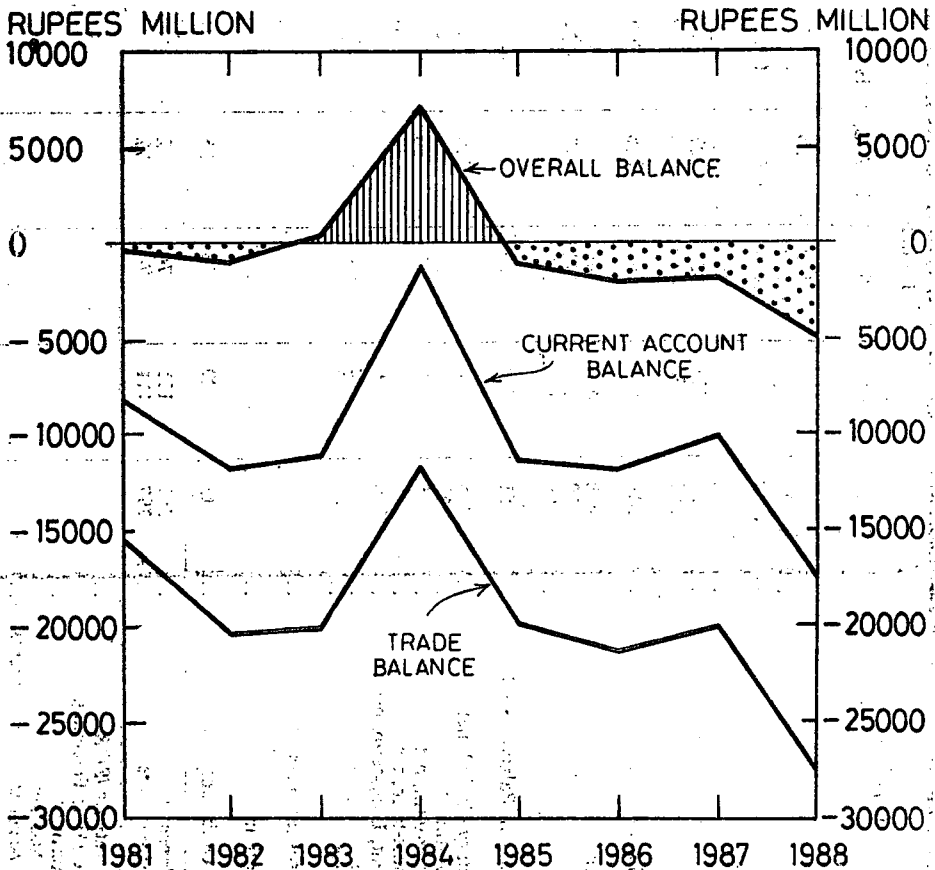
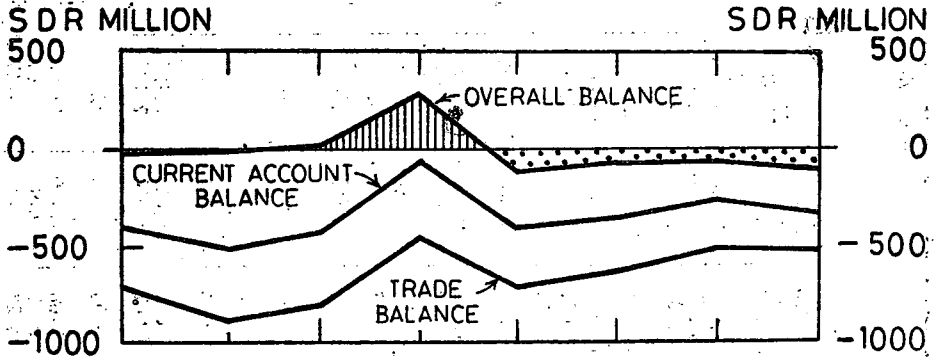


TABLE 1.35

Balance of Payments Analytic Presentation 1984 - 1988

Item	SDR Million					Rupees Million				
	1984	1985	1986	1987 (a)	1988 (b)	1984	1985	1986	1987 (a)	1988 (b)
1. Trade Balance	- 453	- 711	- 649	- 525	- 574	- 11,850	- 19,801	- 21,390	- 20,005	- 24,512
Exports	1,427	1,296	1,029	1,077	1,093	37,198	35,728	33,893	41,097	46,764
Imports	1,880	2,007	1,678	1,602	1,667	49,048	55,529	55,283	61,102	71,276
2. Services, net	- 66	- 133	- 109	- 121	- 126	- 1,735	- 3,647	- 3,616	- 4,625	- 5,403
Receipts	329	323	323	307	293	8,567	8,926	10,601	11,721	12,524
Payments	395	456	432	428	419	10,302	12,573	14,217	16,346	17,927
3. Goods and Services, net	- 519	- 844	- 758	- 646	- 700	- 13,585	- 23,448	- 25,006	- 24,630	- 29,915
4. Transfers, net	468	434	395	381	376	12,185	12,040	13,097	14,537	16,074
Private	270	262	242	242	234	7,031	7,212	7,983	9,226	9,998
Official	198	172	153	139	142	5,154	4,828	5,114	5,311	6,076
5. Current Account Balance (3+4)	- 51	- 410	- 363	- 265	- 324	- 1,400	- 11,408	- 11,909	- 10,093	- 13,841
6. Non-Monetary Capital, net	335	328	279	218	193	8,755	9,062	9,094	8,408	8,232
Direct Investment	32	24	24	45	41	829	679	784	1,727	1,732
Private Long-term, net	5	31	15	10	22	119	847	514	437	947
Private Short-term, net	25	3	11	30	10	648	120	377	1,217	438
Government, Long-term, net	333	270	251	153	164	8,693	7,416	8,173	5,901	7,009
Inflows	398	342	350	265	286	10,387	9,422	11,425	10,162	12,243
Outflows	65	72	99	112	122	1,694	2,006	3,252	4,261	5,234
7. Valuation Adjustments	-	-	-	-	-	39	1,491	1,371	1,841	7
8. SDR Allocations	-	-	-	-	-	-	-	-	-	-
9. Errors and Omissions	13	- 29	10	- 25	30	- 254	- 205	- 680	- 1,957	603
10. Overall Balance	297	- 111	- 74	- 72	- 101	7,062	- 1,060	- 2,124	- 1,801	- 5,000
11. Monetary Movements	- 297	111	74	72	101	- 7,062	1,060	2,124	1,801	5,000
Exchange Rate Rs./SDR						26.08	27.63	32.90	38.10	42.76
Ratios to GDP in Percentages										
Trade Account						7.68	12.10	11.90	10.17	11.01
Current Account						0.87	6.97	6.67	5.12	6.21
Current Account without grants						4.23	9.90	9.47	7.81	8.94

(a) Revised

(b) Provisional

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

Source: Central Bank of Sri Lanka.

The other major source of export growth in 1988 was the agricultural sector. Export earnings from tea grew by 3 per cent in SDR terms, reflecting a volume increase of 9 per cent, partly off-set by a 6 per cent fall in price. Meanwhile, earnings from rubber increased by 13 per cent, owing to a price escalation of 19 per cent, against a 6 per cent drop in export volume. Other agricultural exports recorded an impressive growth of 33 per cent, entirely due to an increase in volume. In contrast, earnings from coconut exports dropped by 44 per cent owing to a 58 per cent fall in the volume of exports.

Import payments increased by 4 per cent in 1988 in SDR terms, as against a 5 per cent decrease in the previous year. The import outlay on consumer goods and intermediate goods rose by 12 per cent and 4 per cent, respectively, while that on investment goods declined by 5 per cent during the year. The large increase in import payments on consumer goods was owing to higher food imports in 1988. The volumes of rice and wheat grain imports rose by 86 per cent and 6 per cent, respectively. Increased rice imports were mainly for the purpose of building-up of buffer stocks. The import prices of all three major food items rose sharply during the year; the import price of rice by 25 per cent, sugar by 29 per cent and wheat grain by 30 per cent. The value of other consumer goods, which include durable consumer goods, increased only by 1 per cent during the year. The growth of other consumer goods imports has moderated since 1985 owing to the slow growth of incomes and the rise in rupee costs of imports, mainly due to the depreciation of the Sri Lanka Rupee against the major currencies, especially the Japanese yen.

The value of intermediate goods imports rose primarily due to the increases in the import of fertilizer and unspecified intermediate goods. Import outlay on fertilizer increased by 70 per cent in 1988, owing to both price and volume increases. The decline in petroleum prices by 21 per cent during the year was helpful in containing the import outlay on petroleum to a significant extent in 1988. The import bill on crude oil declined by SDR 30 million or 16 per cent during the year. Reflecting the decline in garments exports, imports of intermediate textiles also decreased by about 3 per cent. Investment goods imports declined by 5 per cent during the year, owing to a lower level of real investment and a marginal drop in the import content of investment.

The overall price movements in the international markets were adverse for Sri Lanka during 1988. The export price index rose by 1 per cent in SDR terms, while import prices increased by nearly 9 per cent, resulting in a deterioration of the terms of trade of Sri Lanka by 7 per cent in 1988.

Services and Transfers

The net out payments on account of services increased from SDR 120 million (Rs. 4,625 million) in 1987 to SDR 125 million (Rs. 5,403 million) in 1988. This was largely due to an increased outflow on account of interest payments and the decline in the earnings from tourism.

TABLE 1.36
Services and Transfers 1986-1988

Item	SDR Million			Rs. Million		
	1986	1987 (a)	1988 (b)	1986	1987 (a)	1988 (b)
1. Port, Transportation and Insurance	- 3	2	6	- 84	65	219
Credits	84	89	92	2,760	3,406	3,898
Debits	87	87	86	2,844	3,341	3,679
2. Travel	25	7	- 3	808	258	- 144
Credits	71	55	46	2,326	2,107	1,964
Debits	46	48	49	1,518	1,849	2,108
3. Investment Income	- 118	- 123	- 129	- 3,871	- 4,699	- 5,499
Credits	58	53	51	1,893	2,055	2,180
Debits	175	177	180	5,764	6,754	7,679
3.1 Profits and Dividends	- 16	- 27	- 15	- 501	- 1,025	- 618
Credits				15	8	9
Debits	16	27	15	516	1,033	627
3.2 Interest	- 101	- 97	- 114	- 3,370	- 3,674	- 4,881
Credits	58	53	51	1,878	2,047	2,171
Debits	159	150	165	5,248	5,721	7,052
4. Government Services	- 3	1	1	- 125	45	48
Credits	12	16	17	383	609	715
Debits	15	15	16	508	564	667
5. Other Services	- 11	- 7	0	- 344	- 294	- 27
Credits	98	94	89	3,239	3,544	3,767
Debits	109	101	89	3,583	3,838	3,794
6. Total Services	- 110	- 120	- 125	- 3,616	- 4,625	- 5,403
Credits	323	307	295	10,601	11,721	12,524
Debits	432	427	420	14,217	16,346	17,927
7. Private Transfers	242	242	234	7,983	9,226	9,998
Credits	269	270	262	8,873	10,324	11,194
Debits	27	28	28	890	1,098	1,196
8. Official Transfers	153	139	142	5,114	5,311	6,077
Credits	153	139	142	5,114	5,311	6,077
Debits	-	-	-	-	-	-
9. Total Transfers	395	381	376	13,097	14,537	16,075
Credits	422	409	404	13,987	15,635	17,271
Debits	27	28	28	890	1,098	1,196

(a) Revised
(b) provisional

Source: Central Bank of Sri Lanka.

Interest payments accounted for 39 per cent of total service payments and continued to be the single largest payment item in the services account. Interest payments and other service charges on external debt, inclusive of the use of IMF credits, rose from SDR 150 million (Rs. 5,721 million) in 1987 to SDR 165 million (Rs. 7,052 million) in 1988. The increase in interest payments was owing to both a rise in the external debt and an increase in international interest rates. Interest receipts, which consist mainly of the return on the investment of foreign assets by the Central Bank, amounted to SDR 51 million (Rs. 2,171 million) compared with SDR 53 million (Rs. 2,047 million) earned in the previous year. Despite the rise in international interest rates, earnings declined in SDR terms due to the weakening of the external assets position in 1988. Meanwhile, investment income outflows due to the repatriation of profits and dividends by non-resident enterprises in Sri Lanka declined sharply from SDR 27 million (Rs. 1,033 million) in 1987 to SDR 15 million (Rs. 627 million) in 1988.

The downward trend in tourist receipts which started with the eruption of civil disturbances in 1983 continued unarrested during the year. Gross earnings from tourism declined from SDR 55 million (Rs. 2,107 million) in 1987 to SDR 46 million (Rs. 1,964 million) or by 16 per cent in 1988. On the other hand, expenditure on travel abroad increased marginally, in 1988.

As in the previous year, the port, transportation and insurance category in the services account showed a positive development in 1988. The surplus in this category rose from SDR 2 million (Rs. 65 million) in 1987 to SDR 6 million (Rs. 219 million) in 1988. This larger surplus was attributable to increased receipts from port services and Air Lanka passenger fares, and a reduction in foreign payments by Air Lanka. As miscellaneous services receipts equalled such payments, there was no net burden on the services account due to these transactions in 1988.

Foreign exchange inflow in the form of private remittances, the major part of which representing inward remittances by Sri Lankans working abroad, continued to decline for the fourth consecutive year, falling by 3 per cent in 1988. The gross receipts from private transfers amounted to SDR 262 million (Rs. 11,194 million) in 1988, compared with SDR 270 million (Rs. 10,324 million) in 1987. The official grants rose marginally from SDR 139 million (Rs. 5,311 million) in 1987 to SDR 142 million (Rs. 6,077 million) in 1988. While project grants amounting to SDR 94 million (Rs. 4,006 million) accounted for 66 per cent of the total official transfers, commodity grants accounted for the balance. Thus, the combined transfer receipts from private and official sources declined marginally in SDR terms in 1988. Usually, a significant part of the deficit on goods and services is met out of the net transfer receipts. However, in 1988, the net transfer receipts were sufficient to meet only 54 per cent of the deficit on goods and services, as compared with 59 per cent in 1987. As a result, a larger current account deficit amounting to SDR 324 million (Rs. 13,841 million) emerged, to be financed out of net non-monetary capital flows and the use of external assets.

Non-Monetary Capital

Usually, the current account deficit is expected to be financed by foreign capital inflows in the form of private foreign investment and official capital flows. Following the declining trend observed since 1983, net inflow of foreign capital fell by 11 per cent, from SDR 218 million (Rs. 8,408 million) in 1987 to SDR 193 million (Rs. 8,232 million) in 1988. The decrease was primarily due to a sharp reduction (55 per cent) in net capital flows to the private sector and increased amortization of official loans.

Net capital flows to the private sector, comprising investment capital and loans, amounted to SDR 29 million (Rs. 1,223 million) in 1988, compared with SDR 65 million (Rs. 2,507 million) in 1987. Capital inflows in the form of direct private investment declined by 9 per cent, from SDR 45 million in the previous year to SDR 41 million in 1988. Foreign borrowings by the private sector, representing mainly borrowings by public enterprises, dropped by 44 per cent, reflecting the judicious policy of the government in discouraging foreign commercial borrowings.

Disbursements of long-term foreign loans to the government, increased from SDR 265 million (Rs. 10,162 million) in 1987 to SDR 286 million (Rs. 12,243 million) in 1988. However, amortization payments by the government also rose by 9 per cent, from SDR 112 million (Rs. 4,261 million) to SDR 122 million (Rs. 5,234 million), thereby reducing the net resource availability in the form of official capital flows to SDR 164 million (Rs. 7,009 million) during the year.

Altogether, the net capital flows from different sources were sufficient to finance only 60 per cent of the widened current account deficit in 1988, leaving an overall deficit of SDR 101 million (Rs. 5,000 million) for financing by drawing on external reserves.

External Assets

The country's external assets position came under heavy pressure in 1988, resulting in a depletion of both gross and net external assets during the year. Gross external assets at the end of December, 1988, stood at SDR 393 million (Rs. 17,482 million), compared with SDR 415 million (Rs. 18,134 million) at the end of 1987.

The gross official reserves, consisting of gross foreign assets of the government and the Central Bank, had declined by 16 per cent to SDR 172 million (Rs. 7,622 million) at the end of the year. Official reserves held by the Central Bank, dropped from SDR 203 million (Rs. 8,840 million) in 1987 to SDR 171 million (Rs. 7,617 million) in 1988. Decreases were recorded in both liquid balances abroad, as well as in portfolio investments. Gross foreign assets of commercial banks, however, recorded an increase of 5 per cent, rising from SDR 212 million (Rs. 9,265 million) to SDR 222 million (Rs. 9,860 million) over the two years. The level of gross external assets at the end of 1988 was sufficient to finance approximately two and a half months of imports projected for 1989.

EXTERNAL ASSETS QUARTERLY

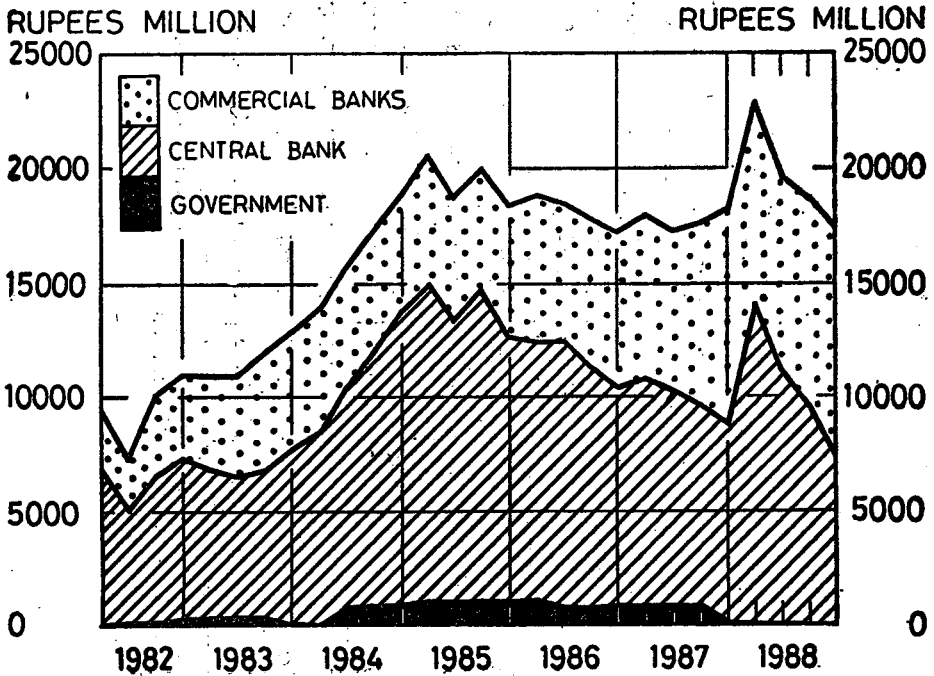
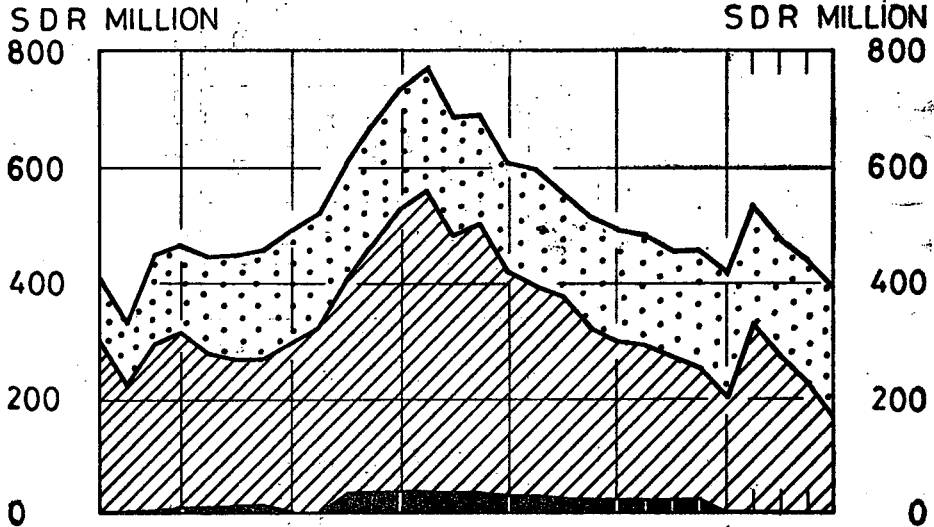


TABLE 1.37

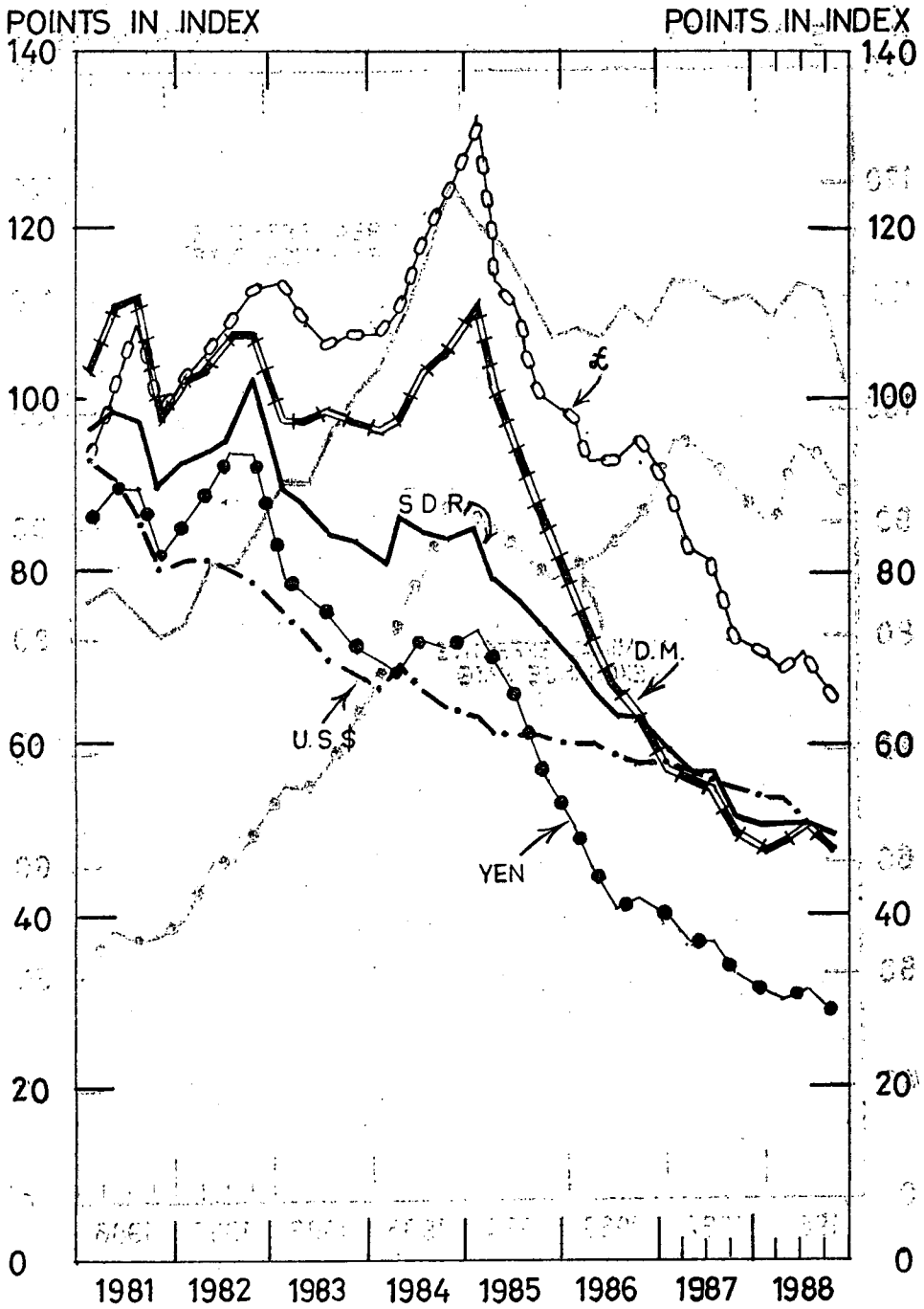
Exchange Rate Movements 1984 — 1988

Item	End of Year Rates in Rs. per unit of:					Percentage Change over Previous Year (a)				
	1984	1985	1986	1987	1988	1984	1985	1986	1987	1988
Deutsche Mark	8.3495	11.1074	14.6727	19.2826	18.4797	9.05	-24.83	-24.30	-23.91	4.34
French Franc	2.7276	3.6167	4.4337	5.6936	5.4121	9.05	-24.58	-18.43	-22.13	5.20
Indian Rupee	2.1192	2.2575	2.1645	2.4043	2.1848	11.04	-6.13	4.30	-9.97	10.05
Japanese Yen	0.1050	0.1360	0.1794	0.2491	0.2631	2.00	-22.79	-24.19	-27.98	-5.32
Pound Sterling	30.5111	39.5764	41.7961	57.1721	59.0786	17.94	-22.91	-5.31	-26.89	-3.23
U. S. Dollar	26.2800	27.4075	28.5200	30.7625	33.0325	-4.87	-4.11	-3.90	-7.29	-6.87
SDR	25.8065	30.0339	34.7998	43.2684	44.2820	1.24	-14.08	-13.70	-19.57	-2.29

(a) Changes computed on the basis of foreign currency equivalent of Sri Lanka Rupee.
Note: Minus sign indicates depreciation.

Source: Central Bank of Sri Lanka.

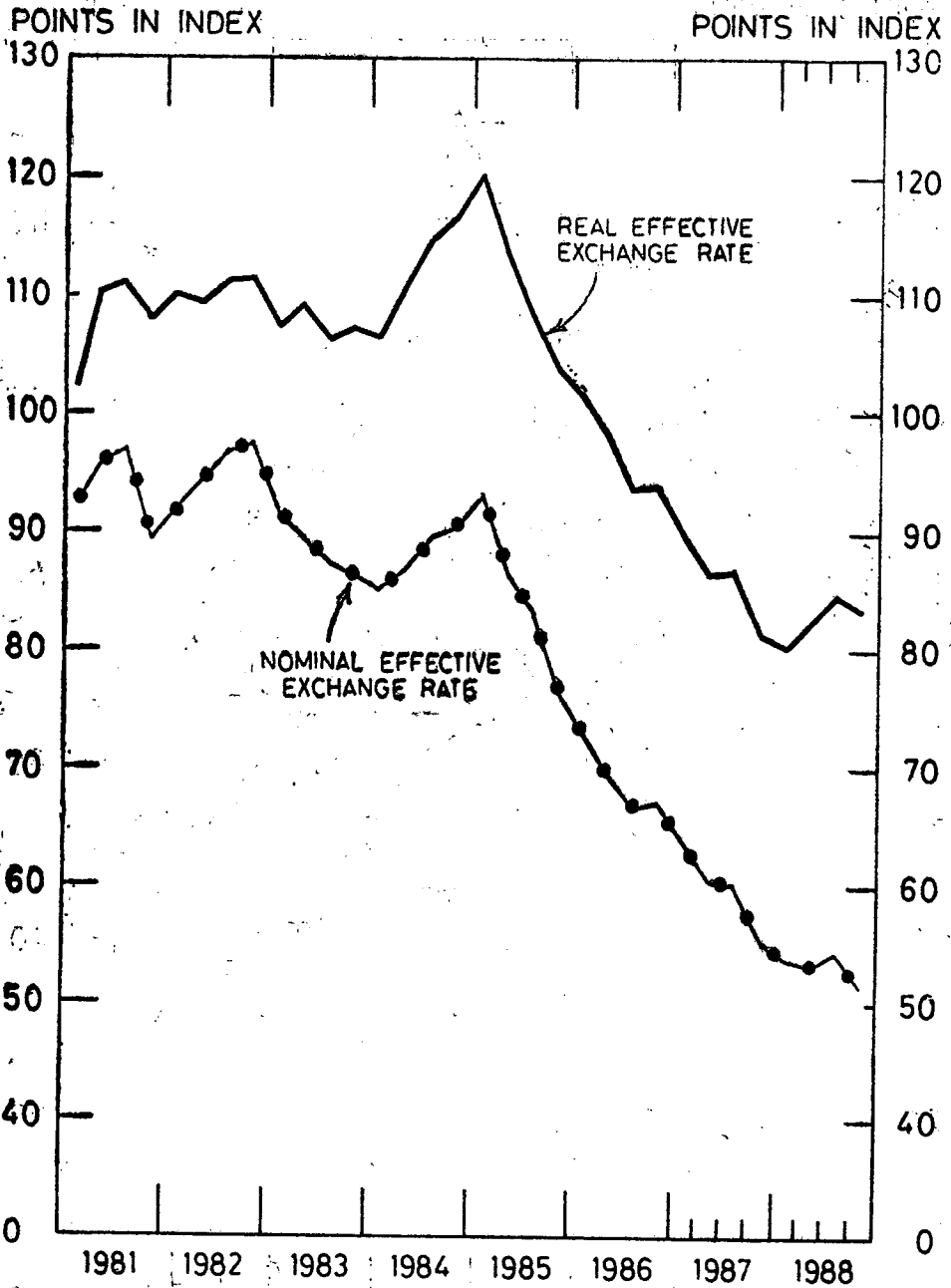
NOMINAL EXCHANGE RATES* 1980=100



* Decline indicates depreciation

EFFECTIVE EXCHANGE RATES*

1980 = 100



* Decline indicates depreciation.

Exchange Rate Movements

The Sri Lanka Rupee, which had been depreciating in nominal terms against all major currencies since 1985, appreciated by 10 per cent against the Indian Rupee, 4.3 per cent against the Deutsche Mark and 5.2 per cent against the French Franc in 1988. However, it continued to depreciate against the U. S. Dollar—the intervention currency—by 6.9 per cent, the Pound Sterling by 3.2 per cent and the Japanese Yen by 5.3 per cent, in nominal terms. Against the SDR, the Rupee depreciated only by 2.3 per cent, reflecting the strength of the U. S. Dollar against the SDR in 1988.

Sri Lanka's nominal effective exchange rate (NEER), defined as the trade weighted nominal exchange rate with respect to major trading partners, depreciated by 5.1 per cent in 1988. The real effective exchange rate (REER), *i. e.*, the nominal exchange rate adjusted for inflation differentials between Sri Lanka and her major trading partners, however, appreciated by 5.3 per cent, on a point to point basis. On the other hand, the annual average REER depreciated by 3.6 per cent, while the annual average NEER depreciated by 11.5 per cent, in 1988.

External Debt

Sri Lanka's total outstanding external debt rose from SDR 3,372 million (Rs. 144,889 million) at the end of 1987 to SDR 3,679 million (Rs. 162,548 million) at the end of 1988, or by 9 per cent in SDR terms and 12 per cent in Rupee terms. The ratio of total external debt to GDP increased from 65 per cent in 1987 to 70 per cent in 1988.

Medium and long-term loans, including IMF drawings, accounted for 95 per cent of total debt outstanding at the end of 1988, while short-term loans accounted for 5 per cent. The outstanding level of medium and long-term debt increased from SDR 3,179 million (Rs. 136,541 million) in 1987 to SDR 3,509 million (Rs. 154,992 million) in 1988. However, short-term debt decreased by 11 per cent, from SDR 192 million (Rs. 8,348 million) to SDR 170 million (Rs. 7,556 million) between the two years, mainly due to a decline in the Central Bank's outstanding borrowings from SDR 41 million to SDR 5 million.

There was a significant increase in the outstanding debt of the government, from SDR 2,598 million (Rs. 112,424 million) in 1987, to SDR 2,826 million (Rs. 125,146 million) in 1988. The outstanding level of project loans rose from SDR 1,681 million (Rs. 72,751 million) in 1987 to SDR 1,924 million (Rs. 85,176 million) in 1988. The outstanding non-project loans also increased marginally in SDR terms and stood at SDR 876 million (Rs. 38,316 million) at the end of 1988. However, the government guaranteed debt of public sector corporations decreased from SDR 206 million in 1987 to SDR 193 million in 1988, while non-guaranteed debt remained at the previous year's level.

TABLE 1.38
Outstanding Disbursed External Debt 1986 - 1988

Item	SDR Million			Rupees Million		
	1986	1987(a)	1988(b)	1986	1987(a)	1988(b)
1. Medium and Long-term Debt	3,227	3,179	3,509	111,816	136,541	154,992
1.1 Government	2,551	2,598	2,826	88,760	112,424	125,146
1.2 Public Corporations with Govt. Guarantee	244	206	193	8,497	8,811	8,552
1.3 Private Sector with Govt. Guarantee	64	96	98	2,246	4,142	4,359
1.4 Public Corporations without Govt. Guarantee	22	7	7	749	307	288
1.5 Private Sector without Govt. Guarantee	112	107	131	3,893	4,631	5,786
1.6 IMF Drawings	234	165	254	7,671	6,226	10,861
2. Short-term Debt	151	192	170	5,277	8,348	7,556
2.1 Central Bank Borrowings	—	41	5	—	1,801	231
2.2 Other(c)	151	151	165	5,277	6,547	7,325
3. Total Debt	3,378	3,372	3,679	117,093	144,889	162,548
4. Debt to GDP Ratio(%)	61.9	65.3	70.5			

Source : Central Bank of Sri Lanka;
External Resources Dept.

(a) Revised

(b) Provisional

(c) Includes acceptance credits of the Ceylon Petroleum Corporation, trade credits and borrowings of GCEC enterprises and other approved enterprises from FCBUS.

The outstanding level of private sector medium and long-term debt increased during 1988. Private sector debt with government guarantee, increased by 2 per cent to SDR 98 million (Rs. 4,359 million) and the level of non-guaranteed debt rose from SDR 107 million (Rs. 4,631 million) in 1987 to SDR 131 million (Rs. 5,786 million) in 1988. Sri Lanka's debt obligations to the IMF increased from SDR 165 million in 1987 to SDR 254 million in 1988 owing to the balance of payments support received from the IMF in March, 1988.

These changes in foreign borrowings in 1988 resulted in an improvement to Sri Lanka's external debt profile. Owing to the conscious government policy of discouraging commercial borrowings, the share of commercial borrowings declined from 21 per cent to 19 per cent between 1987 and 1988. The maturity profile of the debt outstanding also marginally improved with an increase in the share of medium and long-term loans, including IMF drawings, from 94 per cent in 1987 to 95 per cent in 1988. The share of private debt on the other hand, decreased from 13 per cent in 1987 to 12 per cent in 1988.

TABLE 1.39

Outstanding Disbursed External Debt 1984-1988

Item	SDR Million					Rupees Million				
	1984	1985	1986	1987	1988 (a)	1984	1985	1986	1987	1988 (a)
1. Medium and Long-term Debt	2,928	3,086	3,227	3,179	3,509	75,719	91,804	111,816	136,541	154,992
1.1 Project Loans	1,069	1,315	1,549	1,681	1,924	27,597	39,498	53,890	72,751	85,176
1.2 Non-project Loans	922	913	928	871	876	23,781	27,412	32,287	37,661	38,316
1.3 Suppliers' Credits	24	24	25	28	27	610	687	870	1,195	1,180
1.4 IMF Trust Fund Loans	113	86	59	34	18	2,906	2,592	2,055	1,470	813
1.5 IMF - Other Loans	328	293	234	165	254	8,644	7,914	7,671	6,226	10,861
1.6 Other (b)	472	455	432	401	410	12,181	13,701	15,043	17,238	18,646
2. Short-term Debt	199	187	151	192	170	5,120	5,645	5,277	8,348	7,556
2.1 Central Bank Borrowings				41	5	3	6		1,801	231
2.2 Other	199	187	151	151	165	5,117	5,639	5,277	6,547	7,325
3. Total Debt	3,126	3,273	3,378	3,372	3,679	80,839	97,449	117,093	144,889	162,548

(a) Provisional

(b) Includes long-term loans by public corporations and private sector and borrowings of GCEC enterprises and other approved enterprises from FCBUs.

Source: Central Bank of Sri Lanka,
External Resources Dept.

TABLE 1.40

Debt Service Payments 1984 - 1988

Item	SDR Million					Rupees Million				
	1984	1985	1986	1987 (a)	1988 (b)	1984	1985	1986	1987 (a)	1988 (b)
1. Debt Service Payments ..	308.0	340.6	356.8	383.3	399.2	8,026	9,362	11,658	14,538	17,018
1.1 Amortization ..	132.3	165.5	213.5	253.5	250.7	3,438	4,533	6,940	9,622	10,655
To IMF ..	22.7	35.8	58.6	69.3	64.1	593	967	1,856	2,566	2,682
To Others ..	109.6	129.7	154.9	184.2	186.6	2,844	3,566	5,084	7,057	7,973
1.2 Interest Payments ..	175.7	175.1	143.3	129.8	148.5	4,588	4,829	4,718	4,916	6,363
To IMF ..	31.4	27.1	21.3	18.3	23.4	819	746	701	663	980
To Others ..	144.3	148.0	122.0	111.5	125.1	3,769	4,083	4,017	4,253	5,384
2. Exports of Goods & Services ..	1,756.1	1,619.0	1,352.6	1,384.4	1,386.9	45,765	44,655	44,495	52,819	59,288
3. Receipts from Goods, Services and Private Transfers ..	2,049.6	1,906.6	1,622.4	1,654.7	1,648.5	53,418	52,574	53,367	63,143	70,483
4. Debt Service Ratio : (1 as a % of 2)										
Overall ..	17.5	21.0	26.4	27.7	28.8	17.5	21.0	26.2	27.5	28.7
Excluding IMF ..	14.5	17.2	20.5	21.4	22.5	14.5	17.1	20.5	21.4	22.5
5. Debt Service Ratio : (1 as a % of 3)										
Overall ..	15.0	17.9	22.0	23.2	24.2	15.0	17.8	21.8	23.0	24.1
Excluding IMF ..	12.4	14.6	17.1	17.9	18.9	12.4	14.5	17.1	17.9	18.9

(a) Revised.

(b) Provisional.

Note : Debt service ratios calculated on Rupee values and SDR values differ due to variations in exchange rates.

Source : Central Bank of Sri Lanka.

Debt Service Payments

The total debt service payments, which include amortization payments of medium and long-term loans and interest payments on all foreign loans, increased from SDR 383 million (Rs. 14,538 million) in the previous year to SDR 399 million (Rs. 17,018 million) in 1988. This reflects an increase of 4 per cent in total debt service payments in 1988, which was wholly due to a sharp rise in interest payments. Interest payments accounted for 37 per cent of the total debt service payments in 1988. Interest payments increased from SDR 130 million (Rs. 4,916 million) to SDR 149 million (Rs. 6,363 million), or by 14 per cent between the two years, largely reflecting the sharp rise in the interest rates in overseas markets. In contrast, amortization payments dropped marginally from SDR 254 million to SDR 251 million between the two years. Repurchases on account of IMF loans also declined, from SDR 69 million in 1987 to SDR 64 million in 1988. Service payments in respect of IMF loans however, rose from SDR 18 million to SDR 23 million, owing to fresh drawings made during the year.

The total debt service payments as a ratio of exports of goods and services increased from 27.7 per cent in 1987 to 28.8 per cent in 1988. The rise in the debt service ratio was attributable to both higher debt service payments and the sluggish growth in exports. The debt service ratio excluding IMF transactions was 22.5 per cent in 1988, as compared with 21.4 per cent in the previous year. The overall debt service payments as a ratio of total current receipts, excluding official transfers, also rose from 23.2 per cent in 1987 to 24.2 per cent in 1988.