

BALANCE OF PAYMENTS

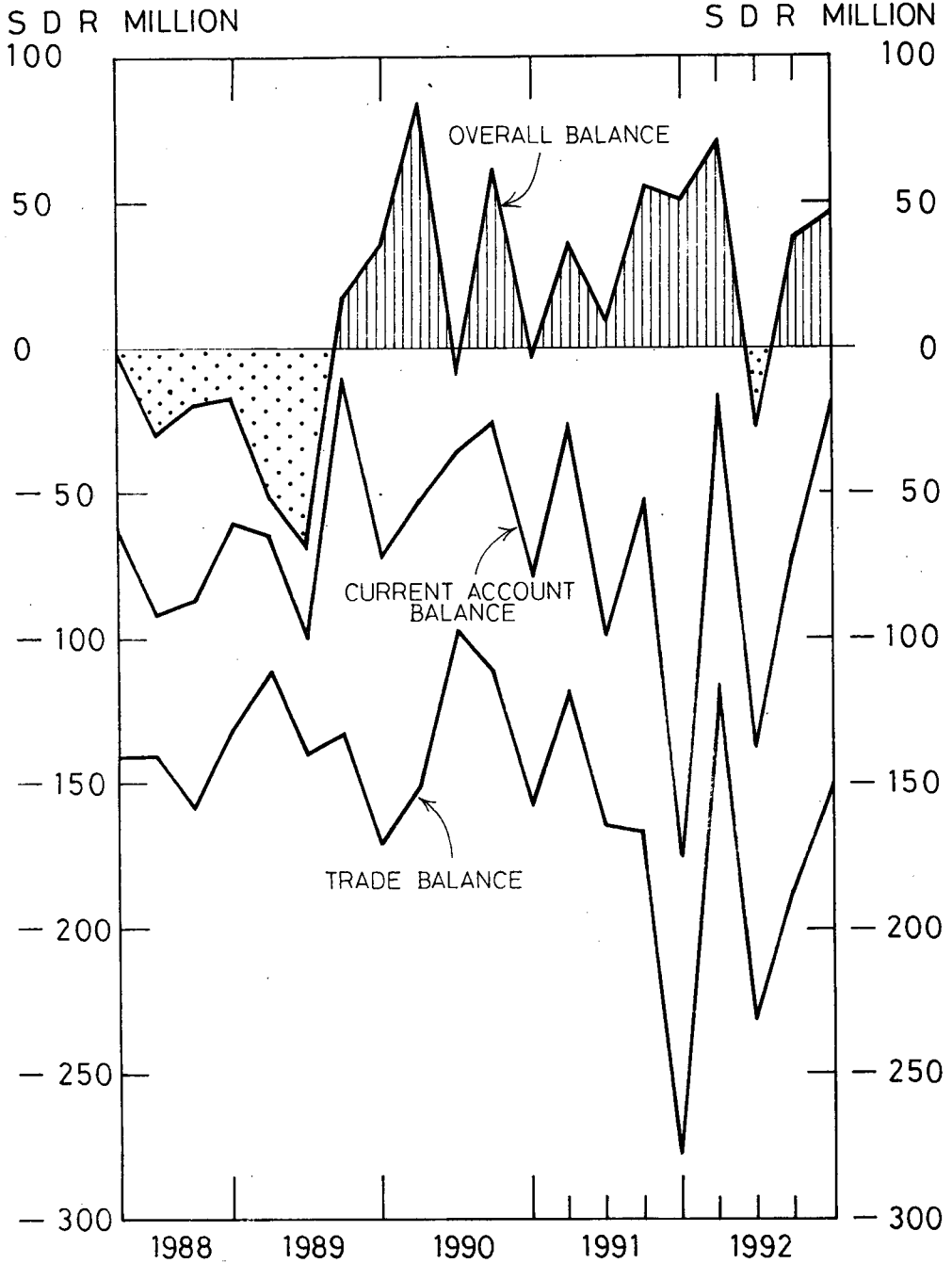
OVERALL TRENDS

The year 1992 saw a significant strengthening of Sri Lanka's balance of payments position. While the deficit in the current account declined by SDR 106 million, the overall balance registered a surplus of SDR 129 million in 1992, following an overall surplus of SDR 152 million in the previous year. This reflected the combined impact of favourable responses to a number of policy actions, as well as an improvement in the terms of trade, which neutralised the adverse impact of the severe drought experienced during the early part of the year. A 20 per cent increase in export earnings in comparison to an 11 per cent expansion in import expenditure resulted in the trade deficit declining from SDR 726 million in 1991 to SDR 685 million in 1992. On the basis of provisional data the services account too registered a significant improvement, the deficit declining from SDR 66 million (Rs. 3,773 million) to SDR 20 million (Rs. 1,197 million) between 1991 and 1992. Provisional estimates indicate that net receipts from private transfers also increased from SDR 293 million (Rs. 16,623 million) in 1991 to SDR 330 million (Rs. 20,369 million) in 1992, while official transfers decreased from SDR 148 million to SDR 130 million between the two years.

Significant improvements in the trade and services accounts coupled with increased transfer receipts resulted in the current account deficit declining from SDR 352 million (Rs. 19,995 million) in 1991 to SDR 246 million (Rs. 15,156 million) in 1992. Accordingly, the current account deficit as a ratio of GDP, declined from 5.4 per cent to 3.6 per cent between the two years, which could be considered as a commendable achievement in the external sector of the economy in 1992.

Meanwhile, the capital account reflected mixed fortunes in marked contrast to the previous year. While the rising trend observed in private foreign capital inflows during the last two years, particularly foreign private direct investment, continued into 1992, net inflows of non-monetary capital to the government fell below expectations, due to heavy under-utilization of project aid and a spillover of an expected disbursement of a major program loan, viz. the second tranche of the Public Manufacturing Enterprises Adjustment Credit from the International Development Association, into 1993. Total net private foreign capital inflows, consisting of direct investments, portfolio investments, long-term loans and net short-term trade financing, increased from SDR 87 million (Rs. 5,062 million) in 1991 to SDR 190 million (Rs. 11,779 million) in 1992. Direct foreign private investment alone, rose by 85 per cent from SDR 46 million in 1991 to SDR 85 million in 1992. This, coupled with the associated private long-term capital flows, witnessed a fundamental strengthening of the capital account of the balance of payments. However, the inflows of non-monetary capital to the government declined by 36 per cent, from SDR 463 million to SDR 297 million between the two years. Despite these shortfalls in net non-monetary capital inflows, the balance of payments in 1992 registered an overall surplus of SDR 129 million, following an overall surplus of SDR 152 million in the previous year. Consequently, the country's gross external assets increased from SDR 809 million at the end of 1991 to SDR 1,047 million at the end of 1992. This level of gross reserves was sufficient to finance 4.7 months of imports projected for 1993. The corresponding figure at end-1991 was 3.9 months of 1992 imports.

BALANCE OF PAYMENTS
QUARTERLY



Central Bank of Sri Lanka

TABLE 1.44
Balance of Payments – Analytic Presentation 1988 – 1992

Item	SDR Million					Rupees Million				
	1988	1989	1990	1991(a)	1992(b)	1988	1989	1990	1991(a)	1992(b)
1. Merchandise	-568	-530	-518	-726	-685	-24,268	-24,050	-28,145	-41,252	-42,355
Exports	1,098	1,207	1,456	1,491	1,782	46,985	56,175	79,481	84,379	110,052
Imports	1,666	1,737	1,974	2,217	2,468	71,253	80,225	107,626	125,631	152,407
2. Services	-114	-123	-72	-66	-20	-4,884	-5,609	-3,904	-3,773	-1,197
Receipts	306	315	391	439	487	13,097	14,597	21,363	24,897	30,100
Payments	420	438	463	505	506	17,981	20,207	25,268	28,669	31,297
3. GOODS AND SERVICES (1+2)	-682	-653	-590	-793	-705	-29,152	-29,660	-32,049	-45,024	-43,551
4. Transfers (Net)	392	405	398	441	459	16,775	18,591	21,659	25,030	28,396
Private (Net)	238	258	268	293	330	10,187	11,840	14,518	16,623	20,369
Official (Net)	154	147	130	148	130	6,588	6,751	7,142	8,407	8,027
5. CURRENT ACCOUNT										
BALANCE (3+4)	-290	-248	-192	-352	-246	-12,377	-11,069	-10,390	-19,995	-15,156
6. Non-Monetary Capital (Net)	194	216	344	475	341	8,308	10,566	18,932	27,172	20,954
Direct Investment	32	14	24	46	85	1,382	633	1,294	2,633	5,226
Portfolio Investment			7	24	18			390	1,329	1,121
Private long-term (Net)	-32	-39	-33	-18	18	-1,341	-1,803	-1,835	-1,005	1,144
Private short-term (Net)	12	72	48	35	69	474	3,557	2,685	2,105	4,288
Government long-term (Net)	182	169	298	366	173	7,793	8,179	16,398	20,850	10,470
Inflows	304	291	392	463	297	13,042	13,811	21,497	26,378	18,169
Outflows	122	122	93	97	124	5,249	5,632	5,100	5,529	7,699
Government Short-term	-	-	-	23	-22	-	-	-	1,260	-1,295
7. Valuation Adjustments	-	-	-	-	-	7	-108	751	235	1,554
8. SDR Allocations	-	-	-	-	-	-	-	-	-	-
9. Errors and Omissions	+32	-34	-14	+29	+34	+723	-1,294	-1,813	+2,728	+1,838
10. Overall Balance	-64	-67	+138	+152	+129	-3,339	-1,905	+7,480	+10,140	+9,191
11. Monetary Movements (-Surplus)	+64	+67	-138	-152	-129	+3,339	+1,905	-7,480	-10,140	-9,191
Exchange Rate Rs./SDR						42.76	46.19	54.42	56.61	61.75
Ratios to GDP in Percentages										
Trade Account						-10.93	-9.58	-8.77	-11.07	-10.00
Current Account						-5.58	-4.41	-3.24	-5.37	-3.58
Current Account without Grants						-8.54	-7.10	-5.46	-7.62	-5.47

(a) Revised

(b) Provisional

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

Source: Central Bank of Sri Lanka

As mentioned earlier, the above-mentioned developments in the balance of payments were a reflection of several policy changes and certain favourable exogenous developments. On the policy front, further liberalization of the trade and payments system saw a number of exchange control regulations and restrictions, on trade, service payments and transfer of assets, being relaxed during the course of the year. In addition, further incentives provided to encourage both foreign and local investment led to a significant increase in the number of enterprises in industrial production under the auspices of the Board of Investment (BOI), in particular, garment factories. Meanwhile, the terms of trade registered a marginal improvement of 3.7 per cent in 1992. The currency crisis in Europe brought about large volatility in the cross exchange rates among major European currencies towards the latter part of the year, making trade and exchange contracts riskier. However, the export sector appears to have faced this challenge effectively, by showing an impressive performance during the year.

In summary, the impressive export performance, significant reduction in the current account deficit, continued increase in foreign private capital inflows, the large overall surplus in the balance of payments for the third consecutive year and an increase in the import capacity of reserves, are all commendable achievements in the external front in 1992.

BALANCE OF PAYMENTS OUT-TURN

Merchandise Account

In sharp contrast to the deterioration in the previous year, there was an improvement in the merchandise account in 1992. Export earnings reflected a 20 per cent increase, from SDR 1,491 million (Rs. 84,379 million) in 1991 to SDR 1,782 million (Rs. 110,052 million) in 1992. Price increases in coconut and certain other agricultural export commodities, coupled with a 37 per cent rise in the value of industrial exports, totally overcame the impact of a marked decline in the volume of tea exports following a severe drought in the early part of the year. The 11 per cent increase in imports, from SDR 2,217 million (Rs. 125,631 million) to SDR 2,468 million (Rs. 152,407 million), was mainly due to an increase in outlays on intermediate, as well as investment goods in the form of heavy machinery and transportation equipment. This expansion in imports partly reflects the considerable liberalisation of exchange controls and easing of fiscal disincentives in the form of import duties and taxes, as well as the response to incentives provided to both foreign and local investors to encourage industrial production. The combined impact of all these factors resulted in significant improvements in the trade account between 1991 and 1992.

Services Account

Following the commendable improvement in the trade account, the services account too recorded a significant improvement over the previous year. There were considerable increases in both receipts and payments, particularly on account of port, transportation and insurance, travel, and "other" services in 1992. In the port, transportation and insurance category, increases in inflows from SDR 150 million to SDR 157 million mainly reflected a rise in port earnings. There was also considerable improvement in the

TABLE 1.45
Services and Transfers 1988 - 1992

Item	SDR Million					Rupees Million				
	1988	1989	1990	1991(a)	1992(b)	1988	1989	1990	1991(a)	1992(b)
1. Port, Transportation & Insurance	5	-8	10	28	34	205	-322	522	1,588	2,079
Credits	95	102	125	150	157	4,057	4,710	6,816	8,497	9,722
Debits	90	109	115	122	124	3,852	5,032	6,293	6,910	7,643
2. Travel	-2	6	40	45	58	-87	278	2,190	2,545	3,601
Credits	48	59	94	116	140	2,072	2,759	5,143	6,571	8,667
Debits	50	54	54	71	82	2,159	2,482	2,953	4,026	5,066
3. Investment Income	-122	-124	-123	-130	-125	-5,266	-5,738	-6,685	-7,367	-7,694
Credits	52	46	68	40	48	2,197	2,106	3,727	2,259	2,985
Debits	174	170	191	170	173	7,463	7,845	10,412	9,626	10,679
3.1 Profits and Dividends	-13	-13	-19	-13	-20	-581	-608	-1,006	-718	-1,264
Credits	1	2	1	20	18	11	89	74
Debits	14	14	19	14	22	601	626	1,017	807	1,338
3.2 Interest	-109	-111	-104	-117	-104	-4,685	-5,130	-5,679	-6,649	-6,430
Credits	51	46	68	38	47	2,177	2,088	3,717	2,170	2,912
Debits	160	156	172	156	151	6,862	7,219	9,396	8,820	9,342
4. Government Services	1	2	-3	-3	-1	68	77	-195	-170	-90
Credits	17	17	11	17	15	735	785	586	953	889
Debits	16	15	14	20	16	667	708	781	1,123	979
5. Other Services	4	2	5	-5	15	196	96	264	-369	908
Credits	94	91	93	117	127	4,036	4,237	5,092	6,616	7,837
Debits	90	90	88	122	112	3,840	4,141	4,829	6,985	6,929
6. TOTAL SERVICES	-114	-123	-72	-66	-20	-4,884	-5,609	-3,905	-3,773	-1,197
Credits	306	315	391	439	487	13,097	14,597	21,363	24,897	30,100
Debits	420	438	463	505	506	17,981	20,207	25,268	28,669	31,297
7. Private Transfers	238	258	268	293	330	10,186	11,840	14,518	16,623	20,369
Credits	266	279	296	323	385	11,386	12,830	16,054	18,311	23,811
Debits	28	21	28	30	56	1,200	990	1,536	1,688	3,442
8. Official Transfers	154	147	130	148	130	6,588	6,751	7,142	8,407	8,027
Credits	154	147	130	148	130	6,588	6,751	7,142	8,407	8,027
Debits	-	-	-	-	-	-	-	-	-	-
9. TOTAL TRANSFERS	392	405	398	441	459	16,774	18,591	21,659	25,030	28,396
Credits	420	426	426	471	515	17,974	19,581	23,195	26,718	31,838
Debits	28	21	28	30	56	1,200	990	1,536	1,688	3,442

(a) Revised
(b) Provisional

Source: Central Bank of Sri Lanka

travel category following a 24 per cent increase in tourist arrivals, the earnings rising by SDR 24 million to SDR 140 million, while inflows on account of "other" services increased by SDR 10 million to SDR 127 million. The increase in outflows mainly reflected the removal of restrictions and regulations on all categories of travel, as well as payments with regard to education, medical and other services. Outflows in the travel account rose by 15 per cent to SDR 82 million, while outpayments on account of "other services" increased by SDR 26 million to SDR 112 million, when measured excluding the arbitration award payment of SDR 36 million (US dollars 50 million) in 1991.

Meanwhile, investment income inflows increased from SDR 40 million to SDR 48 million between the two years, reflecting the higher external assets base in the country. At the same time, with the rise in foreign direct investment, repatriation of profits and dividends increased by the same amount, from SDR 14 million to SDR 22 million. With an SDR 5 million decline in interest payments to SDR 151 million, total outflows on account of investment income, at SDR 173 million, remained at around the same level as in the previous year. The combined impact of these changes was a strengthening of the services account, indicating that increased outflows on account of removal of restrictions was more than compensated for by the increased inflows.

Transfers Account

As mentioned earlier, there was a further improvement in the transfers account in 1992 due to increased private remittances. Private transfer receipts rose from SDR 323 million in 1991 to SDR 385 million in 1992, reflecting a 19 per cent increase over the previous year's level. Meanwhile, relaxation of restrictions on the transfer of assets by non-resident Sri Lankans during the middle of the year led to a considerable increase in outflows from SDR 30 million to SDR 56 million between 1991 and 1992. However, the rise in inflows was more than sufficient to overcome the increased outflow and accordingly, the net inflow from private transfers expanded by 12 per cent, from SDR 293 million to SDR 330 million between the two years. This increase in inflows may be partly explained by the expansion in the stock of Sri Lankan labour abroad and the increased confidence of Sri Lankan workers overseas in the country's financial stability and attractive domestic interest rates. Official transfers are estimated to have declined from SDR 148 million to SDR 130 million between the two years. Despite this decrease, the transfers account showed an overall increase in net inflows, from SDR 441 million to SDR 459 million between 1991 and 1992.

Current Account

A satisfactory performance in the trade, services and transfers accounts, saw a narrowing of the current deficit from SDR 352 million in 1991 to SDR 246 million in 1992. As a ratio of GDP, the deficit declined from 5.4 per cent to 3.6 per cent between 1991 and 1992. This ratio excluding grants also declined by more than two percentage points from 7.6 per cent to 5.5 per cent between the two years. This decline in the current account deficit was one of the most welcome developments on the balance of payments scene in 1992.

Capital Account

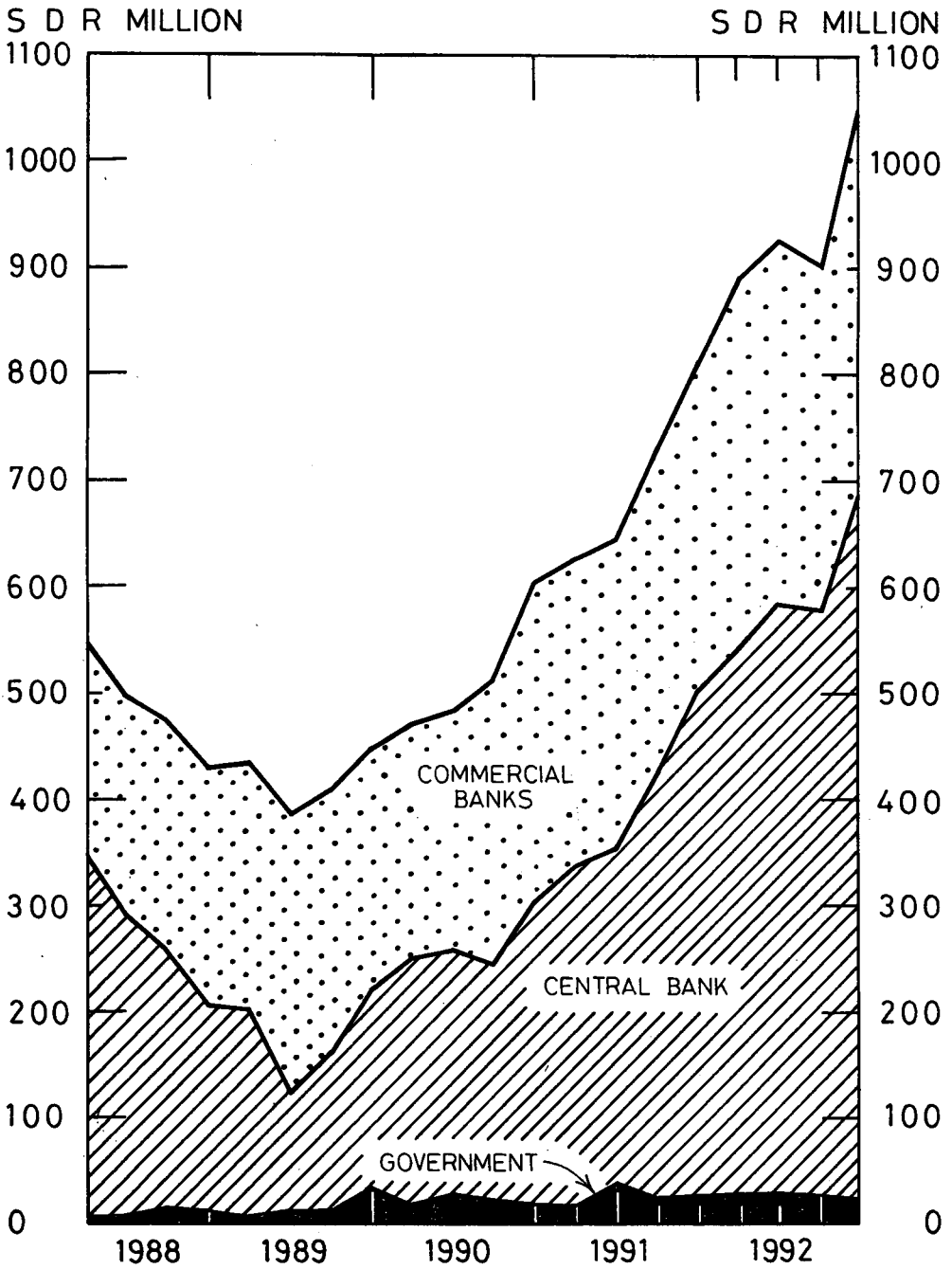
The capital account in 1992 reflected both favourable and unfavourable developments, in sharp contrast to 1991. Non-monetary capital inflows recorded a decline of 28 per cent, from SDR 475 million to SDR 341 million between the two years. This decline was entirely due to a decrease in inflows in the form of both concessional and non-concessional assistance to the Government. Major inflows in this category continued to be from the Asian Development Bank (ADB) (SDR 93 million), the International Development Association (IDA) (SDR 54 million) and Japan (SDR 41 million), a greater share of which were in the form of project loans. Meanwhile, amortization payments increased from SDR 97 million to SDR 124 million between the two years. In addition, the short-term interim loan of US dollars 30 million (SDR 22 million) towards part settlement of an Arbitration Award of US dollars 50 million in 1991 was repaid and replaced by a long-term loan guaranteed by the Overseas Private Investment Corporation of the U.S.A.

In sharp contrast to the decline in the disbursement of foreign loans to the government, there was a substantial increase in net private foreign capital inflows, both direct investment and long term loans. While portfolio investment decreased from SDR 24 million to SDR 18 million between 1991 and 1992, foreign direct investment in enterprises under the BOI, as well as towards purchase of shares in the recently privatised public enterprises under the ongoing peoplisation program, increased from SDR 46 million to SDR 85 million between the two years. Meanwhile, there were inflows in the form of loans towards financing, and outflows in the form of progress payments, for Air Lanka's reflecting program in 1992. In addition, loan capital to enterprises under the BOI as well as foreign financing of infrastructural development in the Sri Lanka Telecom and the Urban Development Authority led to a significant increase in private long-term capital inflows from SDR 63 million in 1991 to SDR 110 million in 1992. Accordingly, there was a net inflow of private long-term capital of SDR 18 million in 1992, in contrast to a net outflow of SDR 18 million in 1991. The net utilisation of private short-term capital increased from SDR 35 million to SDR 69 million between 1991 and 1992. This increase in inflows was mainly due to the increase in short-term trade credits other than those of the Ceylon Petroleum Corporation.

EXTERNAL ASSETS

Sri Lanka's gross external assets recorded a 29 per cent increase to SDR 1,047 million at the end of 1992, from SDR 809 million at the end of 1991. This reflects the additional reserves related to the improvements in the balance of payments in 1992 and the net inflow of SDR 58 million related to transactions with the IMF. The increase was reflected in the external assets of the Central Bank which rose by 38 per cent and those of the commercial banks which expanded by 19 per cent. In contrast, assets held by the Government declined from SDR 27 million to SDR 23 million between end-1991 and end-1992. Meanwhile, gross official reserves comprising foreign assets held by the Central Bank and the government increased from SDR 503 million to SDR 681 million between the two years. Gross external assets at the end of 1992 were sufficient to finance 4.7 months of imports projected for 1993, while gross official reserves were sufficient to finance 3.1 months of imports.

EXTERNAL ASSETS
 QUARTERLY



Central Bank of Sri Lanka.

TABLE 1.46
External Assets of Sri Lanka 1988 -1992

Ownership as at end of	SDR Million (a)					Rupees Million				
	1988	1989	1990	1991	1992	1988	1989	1990	1991	1992
1. Government (b)	13.3	32.3	19.3	26.7	23.4	589.8	1,696.1	1,104.5	1,631.6	1,482.1
2. Government Agencies	-	-	-	-	-	0.9	1.0	1.1	1.1	1.0
3. Central Bank	193.0	191.3	286.3	475.9	657.9	8,575.0	9,962.5	16,399.2	28,956.9	41,591.7
4. Commercial Banks	221.8	223.2	296.4	306.2	365.7	9,859.7	11,729.9	16,966.8	18,633.4	23,160.7
5. Total	428.1	446.8	602.0	808.8	1,047.0	19,025.4	23,389.5	34,471.6	49,223.0	66,235.5
6. Gross External Assets in months of										
6.1 Merchandise Imports	3.1	3.1	3.7	4.4	5.1					
6.2 Imports of Goods and Services	2.5	2.5	3.0	3.6	4.2					

(a) Converted at the following end year rates except for certain items in the International Reserve of the Central Bank which were converted at the representative rate agreed with the IMF

Year	1988	1989	1990	1991	1992
Rs. per SDR	44.45	52.57	57.25	60.85	63.33

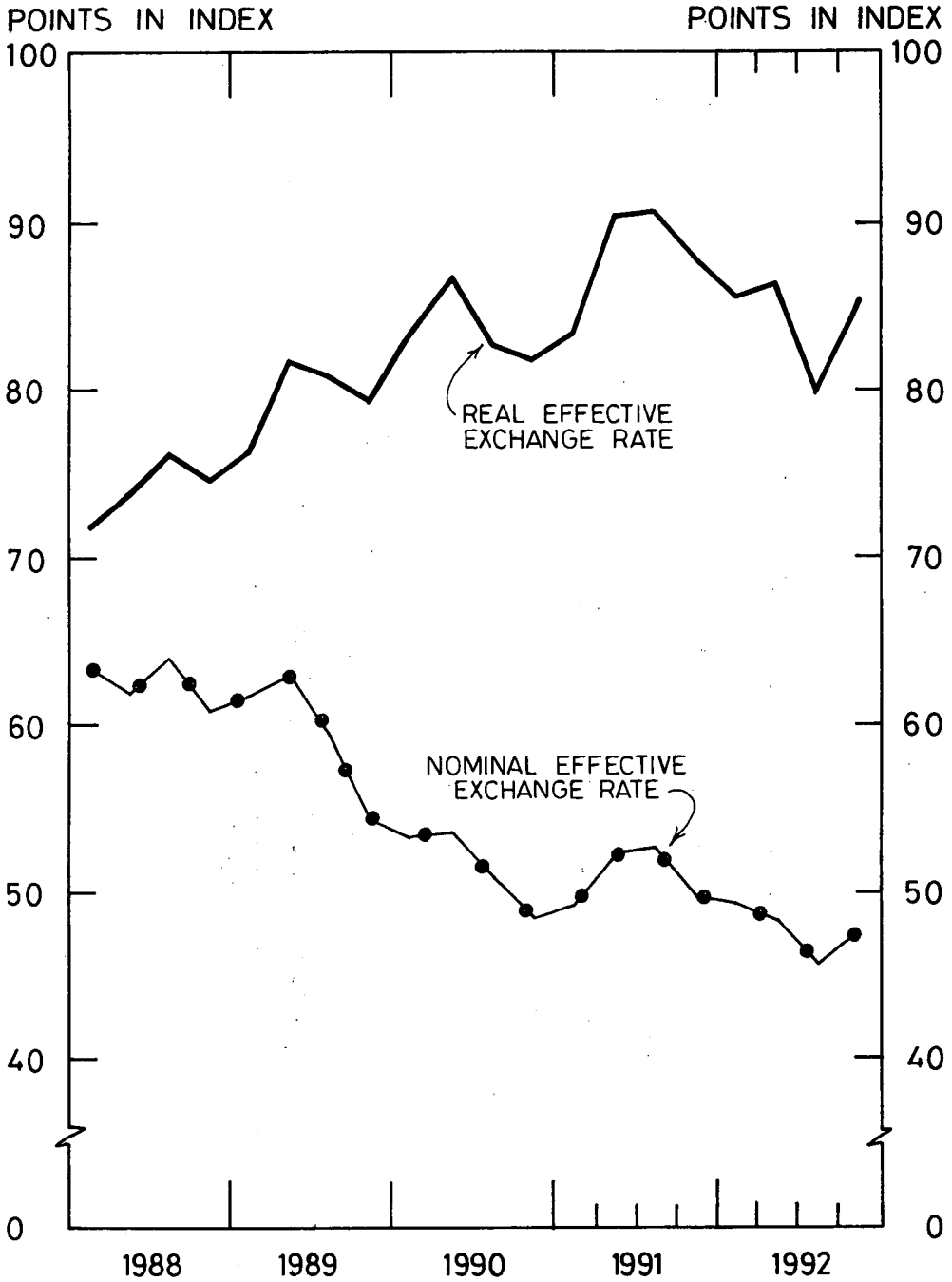
Source: Central Bank of Sri Lanka

(b) Figures since 1985 have been revised to include DST's Special Revolving Credit Balance.

EFFECTIVE EXCHANGE RATES*

QUARTERLY AVERAGES

1985 = 100



* Decline indicates depreciation.

Central Bank of Sri Lanka.

TABLE 1.47
Exchange Rate Movements 1988 - 1992

Currency	End of Year Rates in Rs. per unit of					Percentage Change over Previous Year (a)				
	1988	1989	1990	1991	1992	1988	1989	1990	1991	1992
Deutsche Mark	18.4794	23.7002	26.1554	28.0178	28.5714	4.35	-22.03	-9.39	-6.65	-1.94
French Franc	5.4121	6.9354	7.7125	8.1924	8.3857	5.20	-21.96	-10.08	-5.86	-2.31
Indian Rupee	2.1848	2.3603	2.2332	1.6352	1.7520	10.05	-7.44	5.69	36.57	-6.67
Japanese Yen	0.2631	0.2816	0.2943	0.3390	0.3699	-5.32	-6.58	-4.29	-13.19	-8.37
Pound Sterling	59.0786	65.0400	75.5908	79.5820	69.4278	-3.23	-9.17	-13.96	-5.02	14.63
U.S. Dollar	33.0325	40.0000	40.2400	42.5800	46.0000	-6.87	-17.42	-0.60	-5.50	-7.43
SDR	44.2820	52.9300	57.2479	60.8464	63.3337	-2.29	-16.34	-7.54	-5.91	-3.93

(a) Changes computed on the basis of foreign currency equivalent of Sri Lanka Rupees..

Source: Central Bank of Sri Lanka

Note: Minus sign indicates depreciation.

TABLE 1.48
Disbursed and Outstanding External Debt 1988 - 1992

Item	SDR Million					Rupees Million				
	1988	1989	1990	1991(a)	1992(b)	1988	1989	1990	1991(a)	1992(b)
1. Medium and Long-term Debt	3,531	3,642	3,828	4,252	4,630	155,353	190,802	217,151	256,120	290,064
1.1 Government (a)	2,848	2,976	3,190	3,594	3,844	126,230	157,520	182,606	218,722	243,449
1.2 Public Corporations with Government Guarantee	182	154	136	141	176	8,137	8,136	7,781	8,578	11,121
1.3 Private Sector with Government Guarantee	112	108	108	120	129	4,359	6,035	6,185	7,319	8,173
1.4 Public Corporations without Government Guarantee	7	6	5	3	2	284	341	290	197	151
1.5 Private Sector without Government Guarantee	128	123	101	113	142	5,482	6,516	5,802	6,867	8,971
1.6 IMF Drawings	254	275	288	280	338	10,861	12,255	14,488	14,437	18,199
2. Short-term Debt	179	297	294	350	399	7,252	13,210	16,820	20,201	23,215
2.1 Government	-	-	-	21	-	-	-	-	1,275	-
2.2 Central Bank Borrowings	5	50	-	-	-	231	2,632	-	-	-
2.3 Other (c) (a)	174	246	294	329	399	7,021	10,578	16,820	18,925	23,215
3. Total Debt (1+2)	3,710	3,939	4,122	4,602	5,029	162,605	204,012	233,971	276,320	313,279
MEMORANDUM ITEMS										
Medium and Long-term Debt										
(1) Project Loans	1,907	2,050	2,179	2,393	2,556	84,427	108,521	124,775	145,631	161,873
(2) Non-Project Loans	942	926	1,010	1,177	1,251	41,703	48,998	57,832	71,600	79,234
(3) Suppliers' Credits	25	20	33	30	48	1,109	1,046	1,892	1,805	3,049
(4) IMF Trust Fund Loans	18	9	6	5	6	813	479	325	322	348
(5) IMF Other Loans	254	275	288	280	338	10,861	12,255	14,488	14,437	18,199
(6) Other Loans (d)	386	362	312	367	432	16,440	19,502	17,840	22,324	27,361

(a) Revised

(b) Provisional

(c) Includes Acceptance Credits of the Ceylon Petroleum Corporation, trade credits and short term borrowings from FCBUs.

(d) Includes Long-term loans of Public Corporations and private sector companies.

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

TABLE 1.49
External Debt Service Payments 1988 - 1992

Item	SDR Million					Rupees Million				
	1988	1989	1990	1991(a)	1992(b)	1988	1989	1990	1991(a)	1992(b)
1. Debt Service Payments	402.8	374.7	328.5	356.3	379.3	17,207	17,138	17,971	20,173	23,478
1.1 Amortization	258.8	217.3	182.0	200.5	228.0	11,033	9,920	9,975	11,354	14,137
(i) To IMF	64.1	46.0	31.8	63.6	54.4	2,682	2,018	1,731	3,600	3,359
(ii) To Others	194.7	171.3	150.2	136.9	173.6	8,351	7,902	8,244	7,753	10,777
1.2 Interest Payments	144.0	157.4	146.6	155.8	151.3	6,174	7,218	7,997	8,820	9,342
(i) To IMF	18.5	22.7	20.6	14.7	7.8	772	997	1,121	830	481
(ii) To Others	125.5	134.7	126.0	141.1	143.5	5,402	6,221	6,876	7,990	8,861
2. Earnings from Merchandise Exports and Services	1,404.0	1,522.4	1,847.3	1,925.5	2,268.9	60,082	70,772	100,844	109,275	140,152.1
3. Receipts from Merchandise Exports, Services & Private Transfers	1,670.6	1,801.6	2,143.7	2,252.6	2,654.2	71,468	83,602	116,898	127,586	163,962.6
4. Debt Service Ratios (c)										
4.1 As a percentage of 2 above										
(i) Overall ratio	28.7	24.6	17.8	18.5	16.7	28.6	24.2	17.8	18.5	16.7
(ii) Excluding IMF Transactions	22.8	20.1	14.9	14.4	14.0	22.9	20.0	15.0	14.4	14.0
4.2 As a percentage of 3 above										
(i) Overall ratio	24.1	20.8	15.3	15.8	14.3	24.1	20.5	15.4	15.8	14.3
(ii) Excluding IMF Transactions	19.2	17.0	12.9	12.3	12.0	19.2	16.9	12.9	12.3	12.0
5. Government's share of 1 above (d)	191.4	196.3	168.0	178.0	226.8	8,214	9,066	9,141	10,075	14,008
5.1 As a percentage of 1 above	47.5	52.4	51.1	49.9	59.8	47.7	52.9	50.9	49.9	59.7

(a) Revised

(b) Provisional

(c) Debt Service Ratios calculated on Rupee values and SDR values differ due to variations in exchange rates during the year.

(d) Excludes IMF transactions.

Source : Central Bank of Sri Lanka

EXCHANGE RATE MOVEMENTS

The value of the Sri Lanka Rupee (SLR) fluctuated against all major currencies during 1992, with the exception of the US Dollar and the Japanese Yen. This was partly a reflection of the currency crisis in Europe towards the latter part of the year, where certain European currencies, particularly the Pound Sterling, depreciated sharply against the US Dollar. In this climate, while the SLR had depreciated throughout the year against the US dollar, the intervention currency, and the Japanese Yen, movements against the Pound Sterling, Deutsche Mark and French Franc first reflected a considerable depreciation upto August, followed by an appreciation through November, then recording a turnaround in these movements thereafter. The overall impact of these changes was a depreciation of the SLR from end-1991 to end-1992 against the Japanese Yen (8.4 per cent), US Dollar (7.4 per cent), French Franc (2.3 per cent) and Deutsche Mark (1.9 per cent). Meanwhile, the SLR appreciated against the Pound Sterling by 14.6 per cent between end-1991 and end-1992. Accordingly, the SLR had depreciated against the SDR by 3.9 per cent between the two years. The SLR also reflected a depreciation of 6.7 per cent against the Indian Rupee during the period under review.

Reflecting the combined impact of these exchange rate movements, Sri Lanka's Nominal Effective Exchange Rate (NEER) defined as the trade weighted exchange rate with respect to major trading partners, depreciated by 2.2 per cent, on a point to point basis from December 1991 to December 1992. The Real Effective Exchange Rate (REER), which is the nominal exchange rate adjusted for inflation differentials between Sri Lanka and her major trading partners, appreciated by 0.7 per cent on the same basis during the year. The annual average NEER depreciated by 6.6 per cent while the annual average REER depreciated by 4.4 per cent in 1992, despite the above appreciation on a point-to-point basis.

EXTERNAL DEBT

Sri Lanka's total outstanding external debt at the end of 1992 was estimated at SDR 5,029 million, showing an increase of SDR 427 million between end 1991 and end 1992. In contrast to the previous year, a large portion of this increase was reflected in the medium and long-term debt of the private sector, in particular, the enterprises coming under the BOI, including Air Lanka. Meanwhile, the medium and long-term debt of the government increased from SDR 3,594 million to SDR 3,844 million, mainly due to disbursements of concessional assistance from the ADB and IDA. With the release of two tranches under the Enhanced Structural Adjustment Facility (ESAF) arrangement from the IMF, amounting to SDR 112 million, and the repayment of SDR 54 million of a loan taken earlier under the Compensatory Financing Facility for an export shortfall, outstanding debt to the IMF increased from SDR 280 million to SDR 338 million between end-1991 and end-1992. As mentioned earlier, the government's outstanding short-term loan of SDR 22 million was repaid and replaced by a medium-term loan of the same amount in March this year. Meanwhile, the outstanding level of all other short-term debt rose from SDR 329 million to SDR 399 million between end-1991 and end-1992. While outstanding short-term borrowings of the Ceylon Petroleum Corporation had remained at the same level as at end-1991, the higher borrowings were mainly due to an increase in import credits to BOI enterprises, and the short-term loans from FCBUs to exporters following the extension of the FCBU borrowing facility to non-BOI enterprises in 1991.

DEBT SERVICE PAYMENTS

Sri Lanka's debt service payments which include amortization of medium and long-term loans and interest payments on all foreign loans, increased by SDR 23 million to SDR 379 million in 1992. This increase was entirely reflected in amortization payments. The entire rise in amortization payments was on account of repayments of non-IMF loans. While amortization payments had increased by SDR 28 million or 14 per cent to SDR 228 million, interest payments had declined by SDR 5 million or 3 per cent to SDR 151 million. Amortization payments of both the government and the private sector had increased over such payments in the previous year. The decline in interest payments entirely reflected a decrease in payments to the IMF. However, with the increase in earnings from the export of goods and services, the debt service ratio decreased from 18.5 per cent to 16.7 per cent between the two years. Debt service payments as a ratio of receipts from the export of goods, services and private transfers also decreased by well over 1 percentage point from 15.8 per cent to 14.3 per cent between the two years.