

BALANCE OF PAYMENTS

OVERALL TRENDS

A noteworthy feature of Sri Lanka's Balance of Payments (BOP) in 1993 was the unprecedentedly high surplus of SDR 375 million in the overall balance which led to a sustained accumulation of external assets. This strengthening of the BOP was reflected in improvements in both the current and capital accounts. Despite a deterioration in the trade account, the deficit in the current account declined by SDR 29 million in 1993 following significant improvements in the services account and private transfers. Net inflows in the capital account increased by SDR 228 million mainly on account of capital flows to the private sector. These developments could be largely attributed to the further liberalisation of current account transactions and continuation of the country's stabilization program, which increased the confidence of the private sector in the country's commitment to private sector led growth.

The buoyant exports sector grew by over 17 per cent in 1993. Meanwhile, expenditure on imports expanded by nearly 16 per cent largely due to increased outlays on capital and intermediate goods imports. Consequently, the trade deficit widened to SDR 825 million in 1993 from SDR 740 million in 1992. In contrast, according to provisional estimates, the services account registered a surplus for the first time since 1981. This surplus of SDR 31 million (Rs.2,043 million) was a significant improvement over the deficit of SDR 23 million (Rs.1,430 million) recorded in 1992. At the same time, provisional estimates indicate that net receipts from private transfers had also grown from SDR 328 million (Rs.20,253 million) to SDR 402 million (Rs.27,090 million) between the two years. However, official transfers estimated at SDR 115 million continued to decline, in comparison to SDR 130 million in the previous year. Accordingly, the current account deficit declined from SDR 306 million (Rs.18,935 million) in 1992 to SDR 277 million (Rs.18,604 million) in 1993. The current account deficit as a ratio of GDP also declined from 4.5 per cent to 3.8 per cent between the two years.

Movements in the capital account demonstrated the continuing trend in recent years of a marked shift in capital flows from concessional assistance to the government to private foreign capital inflows, both portfolio investment as well as direct investment. As was seen in 1992, inflows to the government were well below expectations, mainly due to the underutilisation of project aid and a postponement of the second tranche of the Agriculture Program Loan from the Asian Development Bank (ADB). However, enhanced inflows of portfolio investment, together with foreign direct investment and the associated loan capital, more than compensated for the underutilisation of concessional assistance to the government, thereby leading to a significant strengthening of the capital account. The end-result was an overall surplus in the BOP to the tune of SDR 375 million in comparison to an overall surplus of SDR 133 million in the previous year. As a consequence, the country's gross external assets rose from SDR 1,047 million (Rs.66,236 million) at the end of 1992 to SDR 1,543 million (Rs.105,239 million) by end-1993, sufficient to finance 5.6 months of projected imports for 1994. The corresponding import cover at the end of 1992 was 4.4 months.

It should be reiterated that these BOP developments were mainly the outcome of responses to the continuation of the liberalisation of the trade and payments system. One of the major steps in the liberalisation process was implemented in March by the removal of the repatriation and surrender requirements on export proceeds, while further relaxing restrictions on service payments. With the removal of the remaining exchange control restrictions on current account transactions during the balance part of the year, in effect there were no exchange control restrictions on any trade or services payments such as for travel, educational and medical expenses by the end of 1993. Furthermore, import duties were lowered and the number of items under licence for imports was reduced, with certain items remaining under licence mainly for security, health or environmental

BALANCE OF PAYMENTS
QUARTERLY

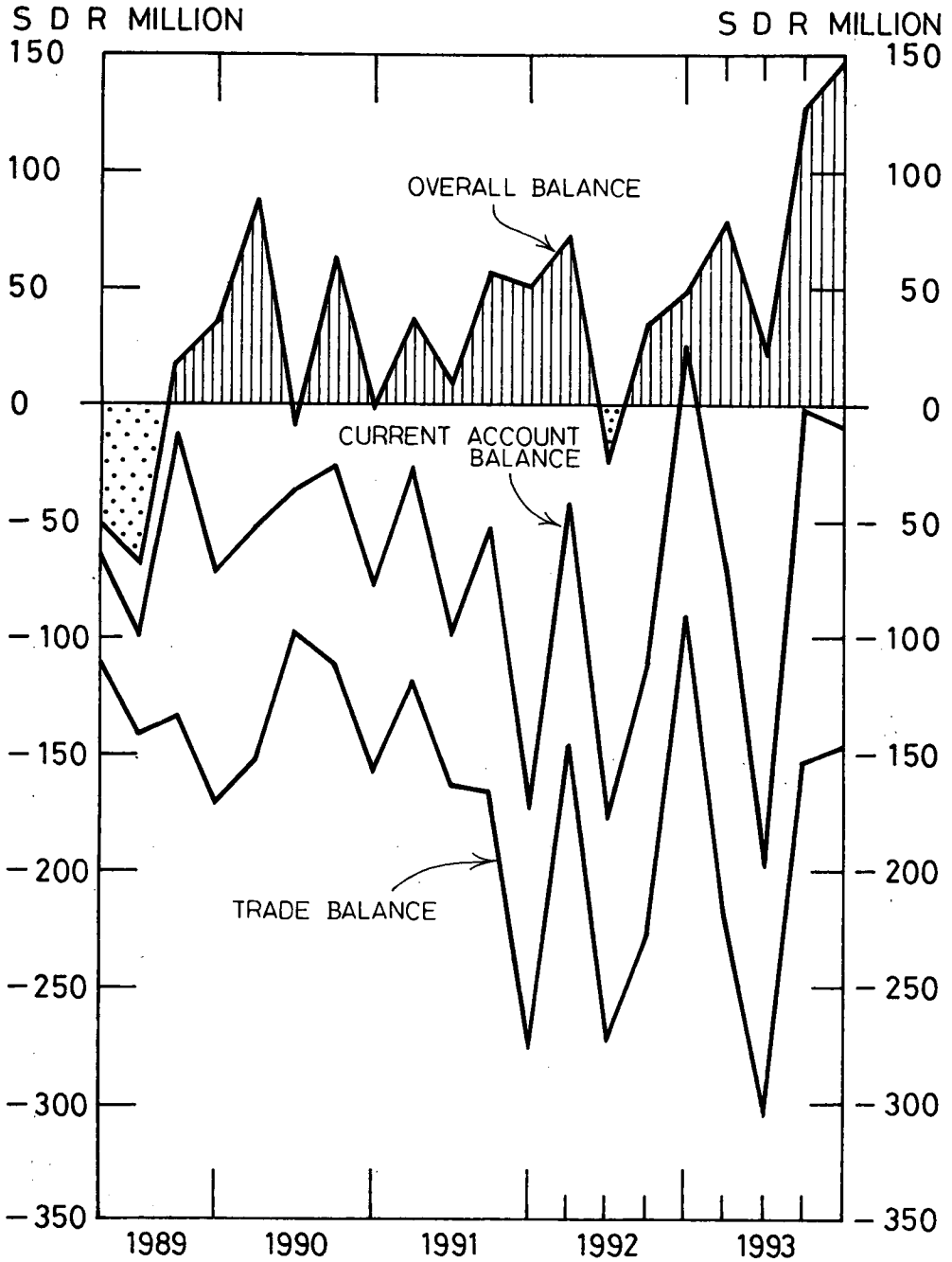


TABLE 1.49
Balance of Payments – Analytic Presentation 1989 – 1993

Item	SDR Million					Rupees Million				
	1989	1990	1991	1992(a)	1993(b)	1989	1990	1991	1992(a)	1993(b)
1. Merchandise	-530	-518	-726	-740	-825	-24,050	-28,145	-41,252	-45,785	-55,486
Exports	1,207	1,456	1,491	1,745	2,046	56,175	79,481	84,379	107,855	138,174
Imports	1,737	1,974	2,217	2,485	2,871	80,225	107,626	125,631	153,640	193,660
2. Services	-123	-72	-65	-23	31	-5,609	-3,905	-3,773	-1,430	2,043
Receipts	314	391	440	489	535	14,598	21,364	24,897	30,256	36,050
Payments	437	463	505	512	504	20,207	25,269	28,670	31,686	34,007
3. GOODS AND SERVICES (1+2)	-653	-590	-791	-763	-794	-29,659	-32,050	-45,025	-47,215	-53,443
4. Transfers (Net)	405	398	441	457	517	18,591	21,660	25,030	28,280	34,839
Private (Net)	258	268	293	328	402	11,840	14,518	16,623	20,253	27,090
Official (Net)	147	130	148	130	115	6,751	7,142	8,407	8,027	7,749
5. CURRENT ACCOUNT										
BALANCE (3+4)	-248	-192	-350	-306	-277	-11,068	-10,390	-19,995	-18,935	-18,604
6. Non-Monetary Capital (Net)	216	345	475	381	609	10,566	18,931	27,171	23,450	40,917
Direct Investment	14	24	46	86	134	633	1,294	2,633	5,315	9,107
Portfolio Investment	-	7	24	18	48	-	390	1,329	1,122	3,272
Private long-term (Net)	-39	-33	-18	18	132(c)	-1,803	-1,835	-1,005	1,162	8,849(c)
Private short-term (Net)	72	48	35	91	105	3,557	2,685	2,105	5,652	7,110
Government long-term (Net)	169	299	366	189	190	8,179	16,397	20,849	11,494	12,579
Inflows	291	392	463	313	334	13,811	21,497	26,378	19,193	22,316
Outflows	122	93	97	124	144	5,632	5,100	5,529	7,699	9,738
Government Short-term	-	-	23	-22	-	-	-	1,260	-1,295	-
7. Valuation Adjustments	-	-	-	-	-	-108	751	235	1,555	-1,420
8. SDR Allocations	-	-	-	-	-	-	-	-	-	-
9. Errors and Omissions	-34	-14	+28	+59	+43	-1,295	-1,812	+2,729	+3,399	+3,236
10. Overall Balance	-67	+138	+152	+133	+375	-1,905	+7,480	+10,140	+9,469	+24,130
11. Monetary Movements (-Surplus)	+67	-138	-152	-133	-375	+1,905	-7,480	-10,140	-9,469	-24,130
Exchange Rate Rs. / SDR						46.19	54.42	56.61	61.75	67.39
Ratios to GDP in Percentages										
Trade Account						-9.55	-8.75	-11.07	-10.82	-11.18
Current Account						-4.39	-3.23	-5.37	-4.47	-3.75
Current Account without Grants						-7.07	-5.45	-7.62	-6.37	-5.31

(a) Revised

(b) Provisional

(c) Includes adjustment to capital inflows on account of import of two aircrafts for which advance payments had been made in previous years.

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

Source : Central Bank of Sri Lanka

reasons. At the same time, with a view to simplifying and rationalising the tariff and tax system on imports and exports, the system was revised, while the incentive structure for foreign investment was also rationalised towards simplicity and transparency.

Against this background, Sri Lanka's external sector showed impressive performance during the year. In summary, a buoyant export sector, a significant positive turnaround in the services sector, a continuation of the rising trend in private transfers and accelerated inflows of private foreign capital led to a record overall surplus in the BOP and a significant increase in the import capacity of the country's foreign exchange reserves. In fact, these improvements in the BOP were so significant that it became a major destabilising factor in the monetary scene, requiring the Central Bank to adopt a more stringent monetary policy to neutralise its expansionary impact on money supply.

BALANCE OF PAYMENTS OUT-TURN

Merchandise Account

The performance of the external trade sector in 1993 was mixed. The momentum in export growth continued, reflecting a 17 per cent increase from SDR 1,745 million (Rs.107,855 million) in 1992 to SDR 2,046 million (Rs.138,174 million) in 1993. In the previous year, the comparable rise was also 17 per cent. A recovery of 9 per cent in agricultural exports from the drought affected previous year and a 20 per cent increase in industrial exports were noteworthy features of the country's export performance in 1993. Meanwhile, the outlay on imports increased by nearly 16 per cent to SDR 2,871 million (Rs.193,660 million). The import of 2 aircrafts by Air Lanka towards its reflecting program costing US\$ 87 million, as well as capital equipment imports towards improving public transportation, both railway and bus travel, were major contributors to this increase. At the same time, the removal of exchange controls and easing of import disincentives in the form of high duties, taxes and licences, as well as the expanding requirements of the growing manufactured exports sector, contributed to significant increases in the imports of intermediate goods as well as investment goods in the form of machinery and equipment during the year. Consequently, the trade deficit deteriorated from SDR 740 million (Rs.45,785 million) to SDR 825 million (Rs.55,486 million) between 1992 and 1993. However, considering a modest increase of only 6 per cent in consumer goods imports, in comparison to 15 per cent and 24 per cent, respectively, in intermediate and investment goods categories which would have contributed towards expanded economic activity, the widening of the trade deficit should not be a matter for serious concern. In fact, if the exceptional items such as aircrafts, assembly parts for buses and railway carriages were excluded, the trade deficit would have declined to SDR 705 million, reflecting a reduction as a ratio of GDP from 10.6 per cent in 1992 to 9.6 per cent in 1993.

Services Account

A noteworthy favourable development in the BOP in 1993 was the complete turnaround in the services account, from continuing deficits since 1982, to a surplus position when it recorded a surplus of SDR 31 million (Rs.2,043 million) in 1993 as against a deficit of SDR 23 million (Rs.1,430 million) in 1992. The major factors contributing¹ to the improvement in the services account were the increase in net inflows on account of port earnings and enhanced investment income arising from the growth in the country's external assets. Meanwhile, the performance of the travel category was commendable, despite a marginal decline in the number of tourist arrivals. Increases in the average duration of stay and average daily expenditure per tourist mitigated the impact of this decline and earnings in this category rose by over 5 percent between the two years from SDR 139 million to SDR 146 million. At the same time, the increase in outflows in the travel category as well as the "other" services category may have reflected the complete removal of exchange control restrictions during the year on account of these categories of services payments.

¹ See footnote (b) in Table 1.45

TABLE 1.50
Services and Transfers 1989 – 1993

Item	SDR Million					Rupees Million				
	1989	1990	1991	1992(a)	1993(b)	1989	1990	1991	1992(a)	1993(b)
1. Port Transportation & Insurance	-8	10	28	32	73	-322	522	1,588	1,965	4,944
Credits	102	125	150	157	171	4,710	6,815	8,497	9,696	11,509
Debits	109	115	122	125	98	5,032	6,293	6,909	7,731	6,565
2. Travel	6	40	45	60	60	278	2,190	2,545	3,711	3,984
Credits	59	94	116	139	146	2,759	5,143	6,571	8,573	9,815
Debits	54	54	71	79	86	2,481	2,953	4,026	4,862	5,831
3. Investment Income	-124	-123	-130	-127	-85	-5,738	-6,685	-7,367	-7,821	-5,757
Credits	46	68	40	48	79	2,106	3,728	2,259	2,997	5,366
Debits	170	191	170	175	164	7,844	10,413	9,626	10,818	11,123
3.1 Profits and Dividends	-13	-19	-12	-22	-19	-608	-1,006	-718	-1,391	-1,316
Credits	-	-	2	1	4	18	11	89	84	279
Debits	13	19	14	24	23	626	1,017	807	1,476	1,595
3.2 Interest	-110	-104	-117	-104	-66	-5,130	-5,679	-6,649	-6,430	-4,441
Credits	46	68	38	47	75	2,088	3,717	2,170	2,913	5,087
Debits	156	172	155	151	141	7,218	9,396	8,819	9,342	9,528
4. Government Services	2	-3	-3	-3	-11	77	-195	-170	-176	-714
Credits	17	11	17	13	11	785	586	953	825	736
Debits	15	14	20	16	22	708	781	1,123	1,001	1,450
5. Other Services	1	5	-5	15	-6	96	263	-369	891	-415
Credits	91	93	117	132	127	4,237	5,092	6,616	8,165	8,623
Debits	90	88	122	117	134	4,141	4,829	6,985	7,273	9,038
6. TOTAL SERVICES	-123	-72	-65	-23	31	-5,609	-3,905	-3,773	-1,430	2,043
Credits	314	391	440	489	535	14,598	21,364	24,897	30,256	36,050
Debits	437	463	505	512	504	20,207	25,269	28,670	31,686	34,007
7. Private Transfers	258	268	293	328	402	11,840	14,518	16,623	20,253	27,090
Credits	279	296	323	389	454	12,830	16,054	18,311	24,037	30,591
Debits	21	28	30	61	52	990	1,536	1,688	3,784	3,501
8. Official Transfers	147	130	148	130	115	6,751	7,142	8,407	8,027	7,749
Credits	147	130	148	130	115	6,751	7,142	8,407	8,027	7,749
Debits	-	-	-	-	-	-	-	-	-	-
9. TOTAL TRANSFERS	405	398	441	457	517	18,591	21,660	25,030	28,280	34,839
Credits	426	426	471	518	569	19,581	23,196	26,718	32,064	38,340
Debits	21	28	30	61	52	990	1,536	1,688	3,784	3,501

(a) Revised

(b) Provisional – Services sector breakdown, particularly with respect to categories 1, 4 and 5 may not be directly comparable with previous years as the data collection system has been revised since 1993.

Source : Central Bank of Sri Lanka

Investment income inflows increased by over 64 per cent from SDR 48 million to SDR 79 million between 1992 and 1993. The bulk of this increase was on account of investment income of the Central Bank, whose gross foreign assets rose from SDR 658 million to SDR 1,145 million between the two years. Meanwhile, repatriation of profits and dividends remained at around the same level as in the previous year, despite the rise in foreign direct investment. This may be a response, in the form of reinvestment of such earnings by foreign investors rather than repatriation, to the high rates of return on investment in Sri Lanka as well as the continued liberalisation initiatives of the country. With interest payments declining by SDR 10 million to SDR 141 million, net outflows on account of investment income were SDR 85 million, in comparison to SDR 127 million in the previous year. The overall strengthening of the services account, as evident in a surplus following the progressive reduction of deficits during the preceding three years, was consistent with the view that the removal of restrictions on service payments would not necessarily lead to a deterioration in the services account of the BOP.

Transfers Account

The transfers account continued to record an increased net inflow, particularly in respect of private transfers. Gross receipts from private transfers rose by 17 per cent, from SDR 389 million (Rs.24,037 million) in 1992 to SDR 454 million (Rs.30,591 million) in 1993. While the continued outflow of Sri Lankan migrant workers, particularly to the Middle East, was responsible for a major part of this increase, it also reflected a response by Sri Lankans overseas to attractive domestic interest rates and enhanced confidence in Sri Lanka's financial stability. Meanwhile, outflows on account of private transfers in 1993 at SDR 52 million were somewhat lower than the outflows of SDR 61 million recorded in 1992 subsequent to two decisions to release the blocked assets of Sri Lankan emigrants during that year. Official transfers in the form of commodity and projects grants to the government declined from SDR 130 million to SDR 115 million between the two years. Despite this decrease, there was an overall increase in net inflows in the transfers account, from SDR 457 million (Rs.28,280 million) to SDR 517 million (Rs.34,839 million) between 1992 and 1993.

Current Account

An improved performance in the services and transfers accounts resulted in a marginal narrowing of the current account deficit, from SDR 306 million in 1992 to SDR 277 million in 1993, despite the widened deficit in the trade account. The deficit as a ratio of GDP declined from 4.5 per cent to 3.8 per cent between the two periods. This ratio excluding grants also decreased from 6.4 per cent to 5.3 per cent. The continued decline in the current account deficit for the second year in succession, albeit small, was a welcome development on the external front.

Capital Account

The capital account in 1993 experienced a surge in net inflows to the private sector. Non-monetary capital inflows registered a substantial increase of 60 per cent, from SDR 381 million (Rs.23,450 million) in 1992 to SDR 609 million (Rs.40,917 million) in 1993. This increase was entirely due to private foreign capital flows in different categories.

There was a considerable expansion in enterprises under the Board of Investments (BOI) during 1993 as indicated by the increase in the number of new enterprises in commercial operation from 58 in 1992 to 94 in 1993, bringing the total number of such enterprises to 305 as at end-1993. Commensurate with this growth, foreign direct investment to enterprises under the BOI, as well as in the form of investment in public enterprises that were privatised during the year totalled SDR 134 million in 1993, in comparison to a total of SDR 86 million in the previous year - an increase of 56 per cent. At the same time, the bullish trend in the Colombo Stock Exchange was sustained throughout the year, and saw inflows on account of portfolio investment rising to SDR 48 million in 1993 from SDR 18 million in the previous year. Meanwhile, private long-term capital inflows

also rose substantially. There were major inflows providing foreign financing towards Air Lanka's reflecting program and the government-sponsored bus assembly projects through 3 major local financial institutions; and foreign loan capital towards on-lending by the development finance institutions and to BOI enterprises associated with the increase in foreign direct investment. The main outflows were on account of further payments by Air Lanka towards purchase of aircrafts and repayment of previous loans to enterprises under the BOI. The final outcome of these private long-term capital flows was a net inflow of SDR 132 million, compared with a net inflow of SDR 18 million in the previous year.

The net inflow of private short-term capital increased from SDR 91 million in 1992 to SDR 105 million in 1993. The Ceylon Petroleum Corporation reduced its outstanding stock of short-term debt significantly. Furthermore, the transfer of the foreign loan facility granted to non-BOI exporters from Foreign Currency Banking Units (FCBUs) to domestic banking units at the beginning of the year resulted in a net repayment of short-term credit to FCBUs by exporters in this category. At the same time, with the expansion in manufacturing under the BOI, short-term credits to these enterprises towards financing their raw materials imports expanded considerably. Thus, despite net repayments by non-BOI institutions, there was a net inflow of private short-term capital to the tune of SDR 105 million.

Sharply contrasting with the surge in private capital inflows, net inflows to the government, at SDR 190 million, remained at about the same level as in the previous year. Disbursements on account of concessional loans had increased somewhat, leading to an increase of SDR 21 million in total disbursements. However, a corresponding increase in amortization payments over the previous year resulted in net inflows remaining at the same level. The main sources of concessional assistance to the government continued to be the Asian Development Bank (ADB) (SDR 88 Million), the International Development Association (IDA) (SDR 87 Million) and Japan (SDR 66 Million).

EXTERNAL ASSETS

A sustained inflow of private foreign capital throughout the year was a notable feature on the external front in 1993. In this climate, Sri Lanka's gross external assets recorded a 47 per cent increase to SDR 1,543 million at the end of 1993 from SDR 1,047 million at the end of 1992. In addition to the improvement in the balance of payments items discussed thus far, a net inflow of SDR 38 million from transactions with the IMF contributed to this build up of reserves. The overall growth in external assets mainly reflected the growth in external assets of the Central Bank, which rose by 74 per cent to SDR 1,145 million. Meanwhile, the external assets of the commercial banks also expanded by 3 per cent to SDR 375 million, while those of the government remained at the same level of SDR 23 million between end-1992 and end-1993. Gross official reserves comprising external assets held by the Central Bank and the government increased from SDR 681 million to SDR 1,168 million between the two years. Gross external assets at the end of 1993 were sufficient to finance 5.6 months of projected imports for 1994, while gross official reserves provided 4.2 months of projected import cover.

EXCHANGE RATE MOVEMENTS

The movements of the Sri Lanka rupee (SLR) against all major international currencies during 1993 were somewhat mixed. This mainly reflected the fluctuations in cross rates of the major currencies during the year caused by uncertainties in international foreign exchange and financial markets. In this climate, while the SLR depreciated continuously against the US Dollar, the intervention currency, movements against the Japanese Yen, Pound Sterling, Deutsche Mark and French Franc reflected fluctuations of the US Dollar against these currencies during the year. The overall impact of these changes was the depreciation of the SLR from end-1992 to end-1993 against the Japanese Yen by 16.6 per cent, US Dollar by 7.2 per cent, Pound Sterling by 5.5 per cent, French

EXTERNAL ASSETS

QUARTERLY

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S D R MILLION

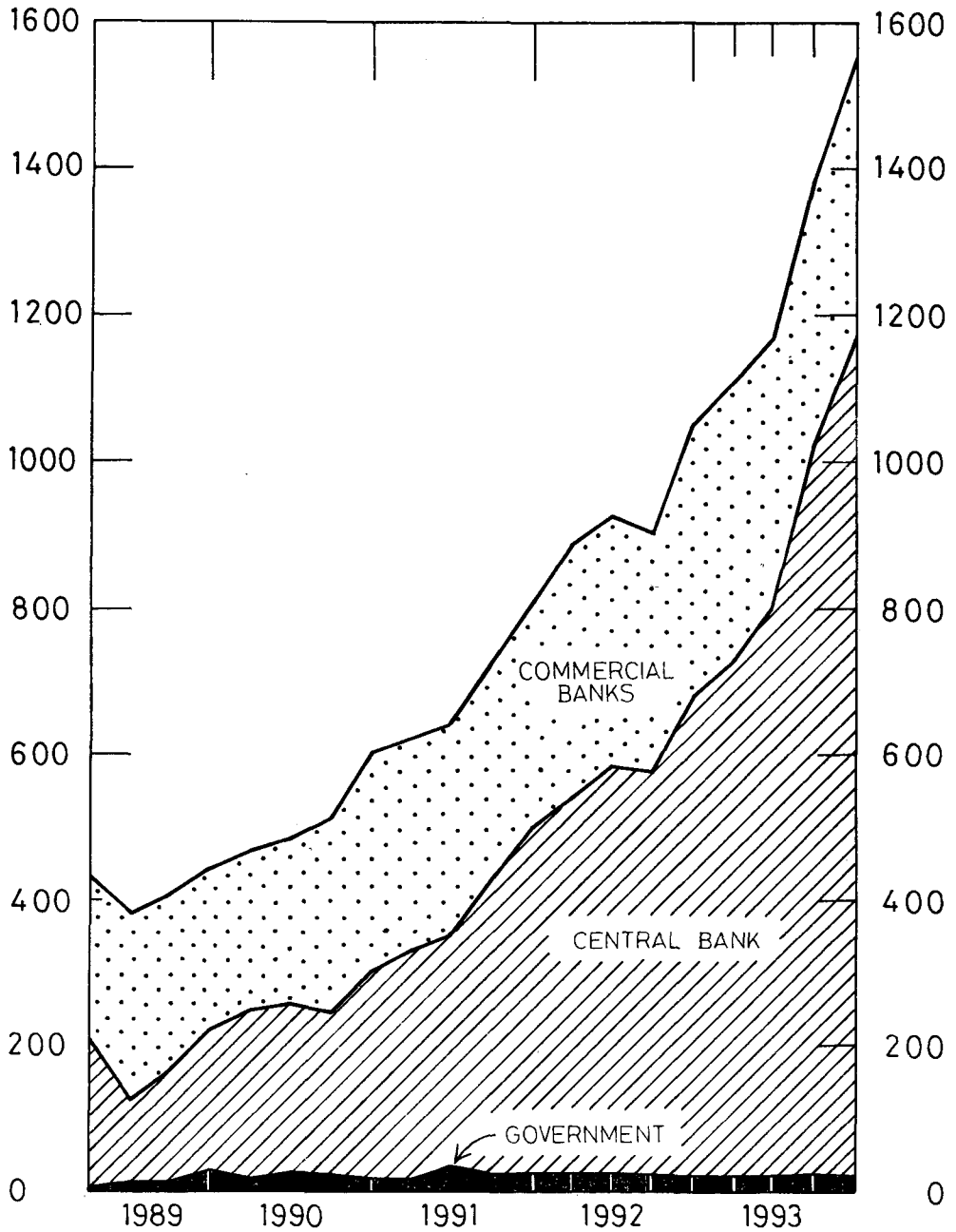


TABLE 1.51
External Assets of Sri Lanka 1989 - 1993

Ownership as at end of	SDR Million (a)					Rupees Million				
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
1. Government (b)	32.3	19.3	26.7	23.4	23.4	1,696.1	1,104.5	1,631.6	1,482.1	1,597.2
2. Government Agencies	-	-	-	-	-	1.0	1.1	1.1	1.0	1.1
3. Central Bank	191.3	286.3	475.9	657.9	1,144.9	9,962.5	16,399.2	28,956.9	41,591.7	78,073.6
4. Commercial Banks	223.2	296.4	306.2	365.7	374.9	11,729.9	16,966.8	18,633.4	23,160.7	25,567.2
5. Total	446.8	602.0	808.8	1,047.0	1,543.2	23,389.5	34,471.6	49,223.0	66,235.5	105,239.1
6. Gross External Assets in months of										
6.1 Merchandise Imports	3.1	3.7	4.4	5.1	6.5					
6.2 Imports of Goods and Services	5.2	3.0	3.6	4.2	5.5					

(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	1989	1990	1991	1992	1993
Rs. per SDR	52.57	57.25	60.85	63.33	68.19

Source: Central Bank of Sri Lanka

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

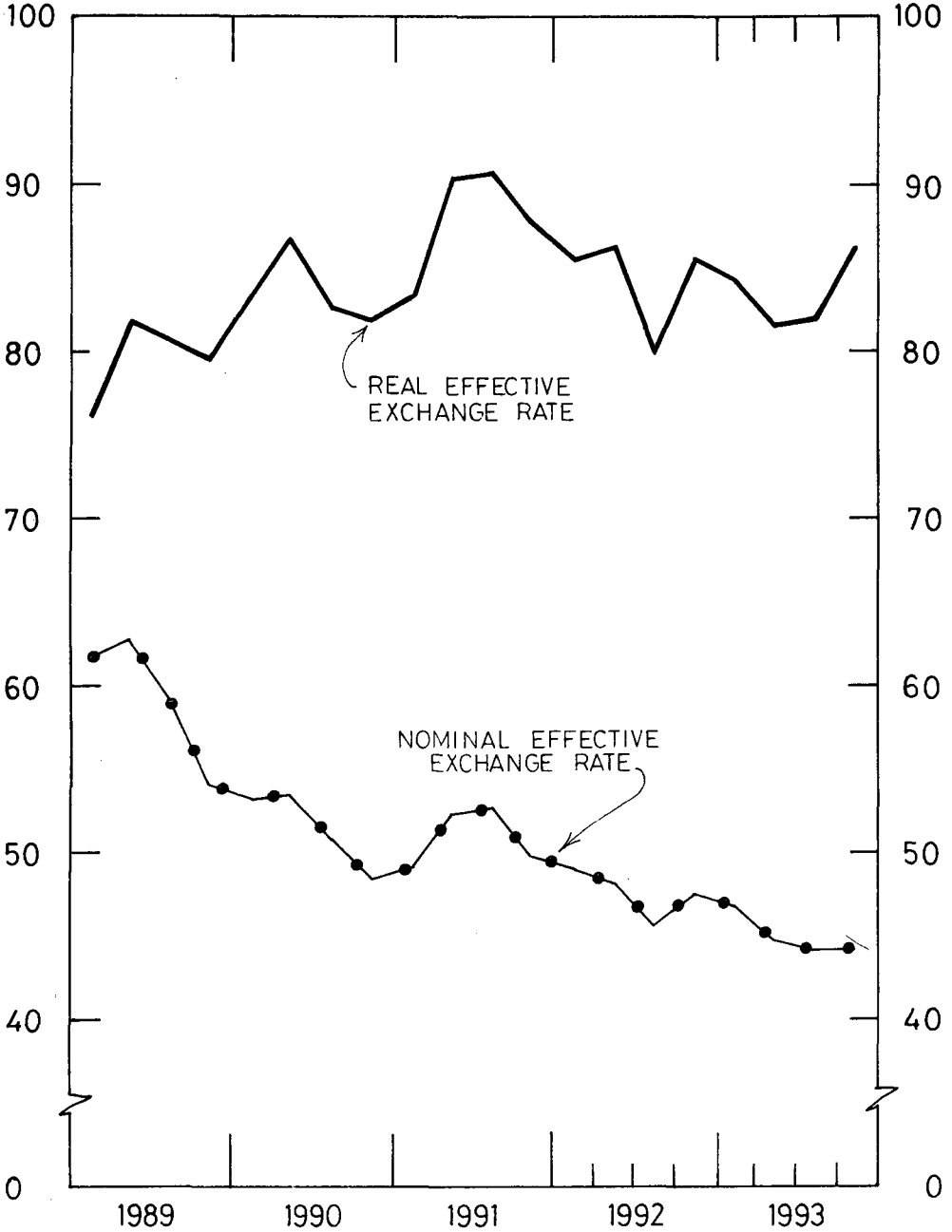
EFFECTIVE EXCHANGE RATES*

QUARTERLY AVERAGES

1985 = 100

POINTS IN INDEX

POINTS IN INDEX



Central Bank of Sri Lanka.

* Decline indicates depreciation.

TABLE 1.52
Exchange Rate Movements 1989 – 1993

Currency	End of Year Rates in Rs. per unit of					Percentage Change over Previous Year (a)				
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
Deutsche Mark	23.7002	26.1554	28.0178	28.5714	28.7371	-22.03	-9.39	-6.65	-1.94	-0.58
French Franc	6.9354	7.7125	8.1924	8.3857	8.4655	-21.96	-10.08	-5.86	-2.31	-0.94
Indian Rupee	2.3603	2.2332	1.6352	1.7520	1.5774	-7.44	5.69	36.57	-6.67	11.07
Japanese Yen	0.2816	0.2943	0.3390	0.3699	0.4433	-6.58	-4.32	-13.19	-8.35	-16.56
Pound Sterling	65.0400	75.5908	79.5820	69.4278	73.4972	-9.17	-13.96	-5.02	14.63	-5.54
U.S. Dollar	40.0000	40.2400	42.5800	46.0000	49.5615	-17.42	-0.60	-5.50	-7.43	-7.19
SDR	52.9300	57.2479	60.8464	63.3337	68.1932	-16.34	-7.54	-5.91	-3.93	-7.13

(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 1.53

Disbursed and Outstanding External Debt 1989 – 1993

Item	SDR Million					Rupees Million				
	1989	1990	1991	1992(a)	1993(b)	1989	1990	1991	1992(a)	1993(b)
1. Medium and Long-term Debt	3,636.3	3,822.4	4,246.0	4,624.3	5,022.2	190,471.7	216,846.3	255,798.0	289,678.6	342,516.9
1.1 Government	2,970.3	3,184.4	3,589.0	3,840.8	4,080.7	157,188.7	182,300.3	218,400.0	243,250.6	278,275.0
1.2 Public Corporations with Government Guarantee	154.0	136.0	141.0	175.6	250.8	8,136.0	7,781.0	8,578.0	11,120.7	17,105.1
1.3 Private Sector with Government Guarantee	108.0	108.0	120.0	129.0	144.0	6,035.0	6,185.0	7,319.0	8,172.8	9,821.6
1.4 Public Corporations without Government Guarantee	6.0	5.0	3.0	2.4	1.4	341.0	290.0	197.0	151.0	96.4
1.5 Private Sector without Government Guarantee	123.0	101.0	113.0	138.7	169.6	6,516.0	5,802.0	6,867.0	8,784.4	11,565.5
1.6 IMF Drawings	275.0	288.0	280.0	337.8	375.7	12,255.0	14,488.0	14,437.0	18,199.1	25,653.3
2. Short-term Debt	296.8	294.0	350.0	420.6	525.7	13,210.0	16,820.0	20,200.0	24,578.6	31,689.0
2.1 Government	—	—	21.0	—	—	—	—	1,275.0	—	—
2.2 Central Bank Borrowings	50.4	—	—	—	—	2,632.0	—	—	—	—
2.3 Other (c)	246.4	294.0	329.0	420.6	525.7	10,578.0	16,820.0	18,925.0	24,578.6	31,689.0
3. Total Debt (1+2)	3,933.1	4,116.4	4,596.0	5,044.9	5,547.9	203,681.7	233,666.3	275,998.0	314,257.2	374,205.9
MEMORANDUM ITEMS										
Medium and Long-term Debt										
(1) Project Loans	2,050.0	2,179.0	2,393.0	2,555.9	2,697.5	108,521.0	124,775.0	145,631.0	161,873.4	183,954.5
(2) Non-Project Loans	926.0	1,010.0	1,177.0	1,251.1	1,294.9	48,998.0	57,832.0	71,600.0	79,233.7	88,303.2
(3) Suppliers' Credits	20.0	33.0	30.0	61.2	127.8	1,046.0	1,892.0	1,805.0	3,873.4	8,717.1
(4) IMF Trust Fund Loans	3.3	0.4	—	—	—	147.7	19.3	—	—	—
(5) IMF Other Loans	275.0	288.0	280.0	337.8	375.7	12,255.0	14,488.0	14,437.0	18,199.1	25,653.3
(6) Other Loans (d)	362.0	312.0	366.0	418.3	526.3	19,504.0	17,840.0	22,325.0	26,499.0	35,888.8

(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 1.54

External Debt Service Payments 1989 - 1993

Item	SDR Million					Rupees Million				
	1989	1990	1991	1992(a)	1993(b)	1989	1990	1991	1992(a)	1993(b)
1. Debt Service Payments	375.0	328.6	356.3	382.3	354.0	17,138.0	17,972.0	20,173.0	23,671.0	23,945.0
1.1 Amortization	217.6	182.0	200.5	231.0	212.6	9,920.0	9,975.0	11,353.0	14,328.8	14,417.7
(i) To IMF	46.3	31.8	63.6	54.4	18.1	2,018.0	1,731.0	3,600.0	3,359.4	1,219.7
(ii) To Others	171.3	150.2	136.9	176.6	194.5	7,902.0	8,244.0	7,753.0	10,969.4	13,198.0
1.2 Interest Payments	157.4	146.6	155.8	151.3	141.4	7,218.0	7,997.0	8,820.0	9,342.2	9,528.1
(i) To IMF	22.7	20.6	14.7	7.8	2.1	997.0	1,121.0	830.0	480.5	141.3
(ii) To Others	134.7	126.0	141.1	143.5	139.3	6,221.0	6,876.0	7,990.0	8,861.7	9,386.8
2. Earnings from Merchandise Exports and Services	1,521.5	1,847.0	1,930.7	2,233.7	2,581.4	70,772.8	100,845.5	109,275.0	138,111.0	174,223.8
3. Receipts from Merchandise Exports, Services & Private Transfers	1,800.5	2,143.0	2,253.7	2,622.6	3,035.0	83,602.8	116,899.5	127,586.0	162,147.7	204,815.3
4. Debt Service Ratios (c)										
4.1 As a percentage of 2 above										
(i) Overall ratio	24.6	17.8	18.5	17.1	13.7	24.2	17.8	18.5	17.1	13.7
(ii) Excluding IMF Transactions	20.1	15.0	14.4	14.3	12.9	20.0	15.0	14.4	14.4	13.0
4.2 As a percentage of 3 above										
(i) Overall ratio	20.8	15.3	15.8	14.6	11.7	20.5	15.4	15.8	14.6	11.7
(ii) Excluding IMF Transactions	17.0	12.9	12.3	12.2	11.0	16.9	12.9	12.3	12.2	11.0
5. Government Debt Service Payments										
5.1 As a share of 1 above (d)	196.3	168.0	178.0	206.0	221.6	9,066.0	9,141.0	10,075.0	12,713.0	14,934.0
5.2 As a percentage of 1 above	52.4	51.1	49.9	51.1	62.6	52.9	50.9	49.9	51.0	62.4

(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

Franc by 0.9 per cent and the Deutsche Mark by 0.6 per cent. Consequently, the SLR had depreciated by 7.1 per cent against the SDR between the two years. Meanwhile, the SLR appreciated by 11.1 per cent against the Indian Rupee during the period under review, essentially due to the major devaluation of the currency by the Indian authorities in March, 1993.

As the combined outcome of these exchange rate movements, Sri Lanka's Nominal Effective Exchange Rate (NEER), defined as the trade weighted exchange rate index with respect to major trading partners, indicated a nominal depreciation of the rupee by 7.2 per cent, on a point to point basis, from December, 1992 to December, 1993. The Real Effective Exchange Rate (REER), which is the nominal exchange rate adjusted for inflation differentials between Sri Lanka and her major trading partners, reflected a 0.3 per cent real appreciation of the rupee during the year. Meanwhile, the annual average nominal and real depreciations of the rupee in 1993 were 5.4 percent and 1.4 per cent, respectively.

EXTERNAL DEBT

The external debt of Sri Lanka at end-1993 was estimated at SDR 5,548 million, registering an increase of SDR 503 million from end-1992 to end-1993. This increase in outstanding debt was almost equally shared between the government and the private sector. Loan disbursements that increased private sector debt were discussed under the capital account of this note. Medium and long-term debt of the government increased mainly on account of concessional assistance from the ADB, IDA and Japan. The release of the second tranche under the second-year program of the Enhanced Structural Adjustment Facility (ESAF) arrangement with the IMF amounted to SDR 56 million. With the final repayment of SDR 14 million of a loan taken earlier from the IMF under the Compensatory Financing Facility, and an initial repayment to the IMF of SDR 4 million of the loan taken under the Structural Adjustment Facility (SAF) in 1988, outstanding debt to the IMF increased by SDR 38 million to SDR 376 million. Outstanding short-term debt rose to SDR 526 million entirely due to the increased stock of short-term credits to enterprises under the auspices of the BOI.

DEBT SERVICE PAYMENTS

Debt service payments on account of amortization of medium and long-term loans and interest payments on all foreign loans, fell by SDR 28 million to SDR 354 million between 1992 and 1993. The decline was reflected in both amortization as well as interest payments. Although amortization payments on account of non-IMF loans had increased by SDR 18 million, amortization payments to the IMF declined to SDR 18 million in 1993 from SDR 54 million in 1992. At the same time, remaining outstanding debt to the IMF since March, consisted entirely of highly concessional assistance under the SAF and ESAF. Consequently, interest payments to the IMF also fell significantly. The decline in both interest and amortization payments, combined with the increase in earnings from the export of goods and services led to a reduction in the debt service ratio from 17.1 per cent in 1992 to 13.7 per cent in 1993. Debt service payments as a ratio of receipts from the export of goods, services and private transfers also declined by nearly 3 percentage points from 14.6 per cent to 11.7 per cent between these two periods.