

power to sell its investments at any time it considers appropriate and re-invest the proceeds in other undertakings, thus ensuring the maximum developmental use of its resources.

55. The Corporation will also initiate new projects where it is practicable and necessary to do so. In those projects with which the Corporation is connected it will take an active interest, and will be ready to assist in securing managerial, technical and administrative advice. In these matters the Corporation will have the assistance of the Institute of Scientific and Industrial Research established in 1954.

56. Though the Corporation has been established with the support of the Government, it has been designed as an autonomous private body without Government control over its management. It will be a private enterprise, making financial assistance and technical advice available to private industrial and agricultural enterprises. The broad national interests of the country are protected by the statutory proviso that a majority of the shareholder-directors shall at all times be citizens of Ceylon.

57. *Exchange Control.*—The Central Bank administers exchange control as the agent of the Government. The scope and pattern of control are determined broadly by the current and prospective balance of payments situation (due regard being also taken of the country's obligations as a member of the sterling area), and the need for accumulating adequate foreign exchange reserves for economic development. Changes in exchange control regulations were last made in 1953, and were designed so as to be stringent on capital transfers whilst allowing current transfers to be made with little hindrance. No change in this policy was made in 1955.

#### IV. Basic Economic Data

##### *Foreign Trade in Merchandise*

58. *Exports.*—Statistics of value, volume and price of exports from 1938 onwards are given in tables<sup>(1)</sup> 26, 28 and 29. The total value of exports increased 7·2 per cent from Rs. 1,809 million in 1954 to Rs. 1,940 million in 1955 exceeding the previous record of Rs. 1904 million reached in 1951. The average price rose 4·6 per cent and volume 5·9 per cent. The share of tea in the export trade remained unchanged at the very high proportion reached in 1954, while that of rubber improved.

##### *Composition of Exports*

Commodity	Value in Rs. million			Percentage of total exports		
	1953	1954	1955	1953	1954	1955
Tea .. .. .	825	1,123	1,194	52·6	62·0	61·6
Rubber .. .. .	338	285	350	21·5	15·8	18·0
Major coconut products .. .. .	244	212	225	15·6	11·7	11·6
Other domestic exports .. .. .	83	99	103	5·3	5·5	5·3
<b>Domeslic Exports</b> .. .. .	<b>1,490</b>	<b>1,719</b>	<b>1,872</b>	<b>95·0</b>	<b>95·0</b>	<b>96·5</b>
<b>Re-exports</b> .. .. .	<b>78</b>	<b>90</b>	<b>68</b>	<b>5·0</b>	<b>5·0</b>	<b>3·5</b>
<b>Total</b> ..	<b>1,568</b>	<b>1,809</b>	<b>1,940</b>	<b>100·0</b>	<b>100·0</b>	<b>100·0</b>

*Source : Ceylon Customs Returns.*

(1) All tables referred to numerically appear in Appendix II.

59. The price of tea improved in the first quarter of the year and fell rapidly in the next. The collapse in prices was followed by a slow recovery in the later months of the year. For the year as a whole the price of tea was 6.1 per cent more than in 1954; the quantity exported remained very nearly unchanged.

*Tea Export Quantities and Prices*

Year	Exports		Average market prices per lb.			
	Quantity (Mn. lbs.)	F.o.b. price per lb. Rs. cts.	High- grown Rs. cts.	Medium grown Rs. cts.	Low- grown Rs. cts.	All tea Rs. cts.
1953 .. ..	336	2.46	2.06	1.79	1.80	1.91
1954 .. ..	361	3.11	2.65	2.47	2.53	2.56
1955 .. ..	362	3.30	2.34	2.04	2.40	2.24
1st Quarter ..	83.9	4.27	2.83	2.64	2.86	2.77
2nd " ..	84.6	3.04	1.58	1.34	1.78	1.53
3rd " ..	97.7	2.85	2.42	2.07	2.51	2.31
4th " ..	96.1	3.12	2.37	1.94	2.33	2.20

60. The average price of rubber rose 14.7 per cent in 1955 and the quantity exported increased 6.4 per cent.

*Rubber Exports (excluding latex)—Quantities and Prices*

Year	Ceylon				Malaya
	Quantity Mn. lbs.	F.o.b. price per lb. (all destina- tions) Rs. cts.	F.o.b. price per lb. China* Rs. cts.	F.o.b. price per lb. (other desti- nations) Rs. cts.	Singapore f.o.b. price per lb. R.S.S. No. 1 Rs. cts.
1953 .. ..	213	1.54	1.74	1.22	1.05
1954 .. ..	203	1.36	1.55	1.00	1.04
1955 .. ..	216	1.56	1.52	1.58	1.76

\*Predominantly high grade sheet rubber.

61. Prices of the three major coconut products declined again. As measured by a combined index for all three products the average price fell 19.4 per cent. On the other hand there was a marked increase (27.9 per cent.) in the amount exported. The volume of coconut exports in 1955 reached a level not obtained in recent years.

*Major Coconut Products—Exports—Quantities and Prices*

Products	1953		1954		1955	
	Quantity in Th. cwt.	F.o.b. prices per cwt. Rs. cts.	Quantity in Th. cwt.	F.o.b. prices per cwt. Rs. cts.	Quantity in Th. cwt.	F.o.b. prices per cwt. Rs. cts.
Copra .. ..	428	53.43	921	49.37	1,367	41.90
Coconut oil ..	1,871	75.96	1,378	72.69	1,945	58.26
Desiccated coconut	1,146	68.82	1,104	60.00	1,157	47.36

Source : Ceylon Customs Returns.

62. *Imports.*—Tables 27 and 29 show movements in imports by value, volume and price from 1938 onwards. The value of imports rose 4.5 per cent ; the decrease in price was more than offset by an increase in volume.

*Composition of Imports*

	Value in Rs. million			Percentage of total imports		
	1953	1954	1955	1953	1954	1955
<b>Food, Drink and Tobacco</b> ..	<b>796</b>	<b>664</b>	<b>625</b>	<b>49.5</b>	<b>47.5</b>	<b>42.8</b>
of which—						
Rice .. ..	324	273	222	20.1	19.5	15.2
Flour .. ..	164	91	86	10.2	6.5	5.9
Sugar .. ..	71	63	63	4.4	4.5	4.3
Fish products ..	58	57	68	3.6	4.1	4.6
Curry stuffs ..	29	43	37	1.8	3.1	2.6
<b>Raw Materials and Manu- factures</b> .. ..	<b>810</b>	<b>732</b>	<b>835</b>	<b>50.3</b>	<b>52.4</b>	<b>57.2</b>
of which—						
Petroleum products ..	120	103	127	7.5	7.4	8.7
Fertilisers .. ..	38	41	49	2.4	2.9	3.3
Cement .. ..	16	13	13	1.0	0.9	0.9
Iron and steel .. ..	55	46	64	3.4	3.3	4.4
Machinery .. ..	68	46	59	4.2	3.3	4.0
Textiles .. ..	137	124	130	8.5	8.9	8.9
Chemicals, drugs, dyes and colours .. ..	32	37	35	2.0	2.6	2.4
Paper and cardboard ..	26	28	28	1.6	2.0	1.9
Motor vehicles .. ..	45	27	35	2.8	1.9	2.4
Others .. ..	2	1	—	0.1	0.1	—
<b>Total</b> .. ..	<b>1,608</b>	<b>1,397</b>	<b>1,460</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Re-exports .. ..	78	90	68	—	—	—
<b>Net imports</b> .. ..	<b>1,530</b>	<b>1,307</b>	<b>1,392</b>	<b>—</b>	<b>—</b>	<b>—</b>

Source : Ceylon Customs Returns.

63. The volume of food imported as measured by an index showed no change compared with the previous year. The value of food imported in 1955, however, was the lowest in recent years, due to a decline of 10·7 per cent in the average price. The average c.i.f. price per ton of rice fell from Rs. 801 in 1953 to Rs. 690 in 1954 and again to Rs. 585 in 1955. The share of non-food items rose in 1955. The value of textiles imported increased 4·8 per cent ; the average price decreased 2·9 per cent but the volume increased 8·8 per cent. The volume of other consumer goods imported remained unchanged.

64. *Pattern of Trade.*—Table 30 shows the distribution of foreign trade by significant regions and monetary areas. The traditional pattern of trade, a deficit with the sterling area more than offset by a surplus with the non-sterling area, changed in 1954. In that year there were surpluses both with the sterling area and with the non-sterling area. The changed pattern persisted in 1955, but the surplus with the sterling area fell from Rs. 217·6 million to Rs. 188·0 million, but with other areas the surplus increased from Rs. 137·2 million to Rs. 233·1 million. The increase in the surplus with other areas was the result of an improvement in the trade balance with the dollar and the non-sterling E.P.U. areas.

*Trade by Monetary Areas*

Monetary areas	1953		1954		1955*	
	Exports %	Imports %	Exports %	Imports %	Exports %	Imports %
Sterling area .. ..	47·7	64·5	57·0	58·2	54·3	59·3
Dollar area .. ..	13·3	4·3	11·0	4·7	14·4	6·9
Non-sterling E.P.U. area ..	12·0	9·6	8·5	11·8	11·4	12·9
Others .. ..	27·0†	21·6	23·5†	25·3	19·9†	20·9
	100·0	100·0	100·0	100·0	100·0	100·0

\*Provisional.

†Includes ships' stores and bunkers.

65. Taken together the countries in the sterling area constitute the largest market for Ceylon's exports, and are in turn the most important source of supply. In 1955 the value of exports and imports remained very nearly at the levels reached in 1954.

66. Ceylon's trade surplus with the dollar area increased in 1955. In January a decision was taken to allow the export of sheet rubber to destinations other than China as exports to that country had proceeded ahead of scheduled deliveries. Consequently, in 1955 the value of sheet rubber exported to the dollar area increased by Rs. 17·5 million. Further, there was a marked increase in the value of crepe rubber (Rs. 28·1 million) exported to the dollar area and substantial increases in exports

of tea (Rs. 13 million) and coconut products (Rs. 11 million). The value of dollar imports also increased, but by a smaller amount. The increase in imports was accounted for almost entirely by greater imports of machinery and sugar.

*Trade with Dollar Area*

(In millions of rupees)

Year	Exports				Imports							Trade balance
	Total	of which			Total	of which						
		Tea	Rubber	Coconut products		Machinery	Vehicles	Rice, flour, sugar and tobacco	Textiles	Petroleum products	Paper and cardboard	
1951	288	119	142	5	101	10	9	19	23	5	5	+ 187
1952	237	131	79	7	189	15	15	86	16	8	6	+ 48
1953	209	131	29	28	69	12	8	18	2	5	3	+ 140
1954	199	147	18	13	67	8	5	24	2	4	4	+ 132
1955*	280	170	62	24	101	17	6	47	2	4	3	+ 179

\*Provisional

67. The turnover of trade with China contracted sharply in 1955 to a little more than half the level in 1954. This was due to declines in the volumes of both rubber and rice and a reduction in the price of rice. Under the five-year rice—rubber agreement concluded with that country Ceylon undertook to export 50,000 metric tons of sheet rubber during each of the 5 years commencing 1953. The price for the top grades of sheet rubber for the year 1955 was fixed initially at 27 pence (Rs. 1.50) per pound f.o.b. Colombo ; later, in October, this price was revised as follows :—

*Premium payable*

5 pence	..	..	..	..
4 pence	..	..	..	..
3 pence	..	..	..	..

*Price at Singapore for corresponding grade of rubber*

Between 22 pence and 35 pence and at 35 pence
Between 35 pence and 40 pence and at 40 pence
Over 40 pence

A price of 27 pence will be paid when the monthly average Singapore f.o.b. market price falls below 22 pence a pound.

*Ceylon's Trade with China*

Year	Exports		Imports		Trade balance Rs. Mn.
	Value in Rs. Mn.	Percentage of total exports	Value in Rs. Mn.	Percentage of total imports	
1953 .. .. .	242	15.4	209	13.0	+33
1954 .. .. .	222	12.2	158	11.3	+64
1955* .. .. .	121	6.5	80	5.5	+41

\*Provisional.

68. The revised price was payable with retrospective effect for deliveries made from June, 1955. Of the amount contracted for delivery in 1955, 13,100 tons were shipped ahead of schedule in 1954, and 32,180 tons were shipped in 1955 leaving a balance of 4,720 tons to be shipped in the following year. The agreement provided for the delivery of 270,000 metric tons of rice annually. Of this amount Ceylon took delivery under the 1955 contract of 105,547 metric tons of rice shipped direct from China at a price of £39 (Rs. 520) f.o.b. China ports. A further 50,800 metric tons of rice were shipped from Burma on account of China.

69. Ceylon's rice agreement with Burma provided for annual purchases of 200,000 long tons of rice during the period 1953 to 1957. The contract price for 1955 was £42 per ton (£8 less than for 1954). 185,472 tons of rice (Rs. 71.6 million) were imported in 1955 from this source.

70. In December, 1955, a Trade and Payments Agreement was concluded with Poland. The Trade Agreement provides for most-favoured-nation treatment, Ceylonisation and the exchange of lists of commodities available for export from the two countries to each other. Ceylon has listed rubber, copra, tea, coir fibre and coir yarn, among other things, while Poland has listed sugar, cement, textiles and iron and steel products among others. The Payments Agreement provides for a reciprocal swing credit of £400,000 sterling.

#### *Money and Banking*

71. *Money Supply.*—The rising trend of the money supply, which persisted during the latter half of 1954, was broken in January, 1955, when it fell slightly. After some fluctuation in the first quarter of 1955, it fell steadily during the second quarter. From the beginning of the third quarter money supply steadily rose till November, there being a slight fall in the following month. At the end of 1955 money supply was 12.1 per cent higher than at the end of 1954.

#### *Money Supply*

(In millions of rupees)

End of	1953	1954	1955	Change (1954 over 1953) %	Change (1955 over 1954) %
January .. ..	890	806	952	— 9.4	+18.1
February .. ..	901	799	968	—11.3	+21.2
March .. ..	899	810	954	— 9.9	+17.9
April .. ..	881	803	933	— 8.9	+16.2
May .. ..	876	828	925	— 5.5	+11.8
June .. ..	880	856	919	— 2.7	+ 7.3
July .. ..	851	867	961	+ 1.9	+10.8
August .. ..	815	879	984	+ 7.9	+11.9
September .. ..	824	881	1,012	+ 6.9	+14.8
October .. ..	822	921	1,056	+12.0	+14.7
November .. ..	810	931	1,077	+14.9	+15.6
December .. ..	827	957	1,073	+15.7	+12.1

72. Of the increase in total money supply during 1955 demand deposits and currency in circulation rose almost in the same proportion, 11.9 per cent and 12.5 per cent respectively. This is in marked contrast to 1954, when demand deposits rose 25.2 per cent while the increase in currency circulation was only 1.9 per cent.

73. The table below measures broadly the expansionary and contractionary influences on the money supply annually from 1952.

*Changes in Money Supply*

(In millions of rupees)

Factors affecting money supply	End of December, 1951-52		End of December, 1952-53		End of December, 1953-54		End of December, 1954-55	
	Expansionary factors	Contractionary factors	Expansionary factors	Contractionary factors	Expansionary factors	Contractionary factors	Expansionary factors	Contractionary factors
External banking assets (net) . . . . .	—	363.1	—	132.6	341.0	—	217.0	—
Commercial bank credit :								
(a) To the Government sector . . . . .	67.3	—	—	18.8	26.2	—	—	26.4
(b) To the private sector . . . . .	—	20.5	18.0	—	37.6	—	14.9	—
Central Bank credit (net) to Government . . . . .	137.9	—	58.3	—	—	221.0	—	25.9
Shift from demand to time and other liabilities (net) of commercial banks . . . . .	—	7.3	—	5.5	—	36.2	—	15.9
Shift of Government rupee cash to public . . . . .	67.9	—	7.1	—	—	16.8	—	46.5
Adjustments . . . . .	7.4	—	4.5	—	—	0.5	—	1.4
Total expansionary/con- tractionary factors . . . . .	280.5	390.9	87.9	156.9	404.8	274.5	231.9	116.1
Changes in money supply	—110.4		—69.0		+130.3		+115.8	

Note : Differences as compared with previously published figures are due to subsequent revisions.

74. *Commercial Banks.*—The main changes in the commercial banks' assets and liabilities position in 1955 are summarised below :—

(a) Total deposit liabilities rose by Rs. 115.2 million (14.5 per cent) to Rs. 910.8 million. Government deposits rising from Rs. 53.0 million to Rs. 73.8 million, and private deposits from Rs. 737.0 million to Rs. 827.5 million. Total demand deposits increased by Rs. 96.4 million and time and savings by Rs. 18.8 million. Unlike in 1954, the proportionate increase for each was about the same, 14.9 per cent and 12.8 per cent respectively ; in 1954 the percentage increase in demand deposits was much less than that in time and savings deposits.

(b) Bank cash, comprising till money and balances with the Central Bank rose by Rs. 38.2 million (29.0 per cent). The ratio of cash to total deposits thus increased from 16.6 per cent to 18.8 per cent.

(c) Foreign balances, including unmatured export bills rose by Rs. 92.2 million.

(d) Credit to the private sector, that is, the sum of loans, overdrafts, import and export bills, increased by Rs. 17.8 million (5.8 per cent), almost the entire increase being shared about equally by export bills and loans.

(e) Credit to Government decreased by Rs. 26.4 million. This was the result of an increase of Rs. 27.1 million in commercial bank holdings of Government securities and a decrease of Rs. 53.4 million in treasury bill holdings.

(f) Total liquid assets rose by Rs. 75.8 million (20.2 per cent) to Rs. 451.3 million.

(g) Excess reserves rose by Rs. 22.5 million over the level in December, 1954, to Rs. 55.7 million in December, 1955. The figure of Rs. 72.9 million recorded in September was the highest for two years.

75. The composition of liquid assets and the changes in certain asset-liability relationships of the commercial banks are shown in the table below.

*Commercial Banks : Liquidity and Asset-Liability Relationships*

(In millions of rupees)

	Dec., 1950	Dec., 1951	Dec., 1952	Dec., 1953	Dec., 1954	1955			
						Mar.	June	Sept.	Dec.
Cash and deposits at Central Bank (inclusive of statutory reserve requirements)	199	226	155	91	132	127	129	176	170
Treasury bills .. .. .	54	14	62	53	88	72	53	34	35
Bills discounted .. .. .	53	73	64	60	83	99	91	96	91
Foreign balances .. .. .	180	137	50	51	73	113	106	110	156
<b>Total liquid assets .. .. .</b>	<b>487</b>	<b>450</b>	<b>332</b>	<b>255</b>	<b>375</b>	<b>412</b>	<b>379</b>	<b>416</b>	<b>451</b>
<b>Total investments <sup>(1)</sup> .. .. .</b>	<b>271</b>	<b>235</b>	<b>302</b>	<b>284</b>	<b>310</b>	<b>320</b>	<b>303</b>	<b>285</b>	<b>283</b>
<b>Total loans and advances <sup>(2)</sup> .. .. .</b>	<b>182</b>	<b>257</b>	<b>241</b>	<b>253</b>	<b>307</b>	<b>347</b>	<b>320</b>	<b>352</b>	<b>324</b>
Demand deposits <sup>(3)</sup> .. .. .	730	723	620	546	648	661	620	719	741
Time and savings deposits .. .. .	77	91	103	102	147	218	208	170	165
<b>Total deposits .. .. .</b>	<b>807</b>	<b>814</b>	<b>723</b>	<b>648</b>	<b>794</b>	<b>880</b>	<b>828</b>	<b>889</b>	<b>906</b>
Ratio of :—	%	%	%	%	%	%	%	%	%
Cash to demand deposits .. .. .	27.3	31.2	25.1	16.7	20.3	19.2	20.8	24.5	22.9
Cash to total deposits .. .. .	24.7	27.7	21.5	14.1	16.6	14.4	15.6	19.8	18.8
Liquid assets to demand deposits .. .. .	66.6	62.3	53.5	46.8	58.0	62.3	61.1	57.9	60.9
Investments to total deposits .. .. .	33.6	28.9	41.8	43.7	39.0	36.4	36.6	32.1	31.2
Loans and advances to total deposits .. .. .	22.6	31.5	33.3	39.0	38.6	39.4	38.6	39.6	35.8

(1) Treasury bills and Government securities.

(2) Bills discounted (local and foreign), overdrafts and loans.

(3) Exclusive of domestic inter-bank deposits.



*Government Net Cash Operating Surplus or Deficit (—) (In millions of rupees)*

	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55(a)
1. <i>Net Cash Operating Surplus or Deficit (—)</i> .. ..	<b>43.6</b>	<b>106.4</b>	<b>160.6</b>	<b>47.8</b>	<b>257.1</b>	<b>231.9</b>	<b>33.7</b>	<b>127.6</b>
(i) Revenue surplus or deficit (—)								
(a) Revenue .. .. .	540.6	576.1	623.3	910.2	954.0	952.5	1,026.2	1,158.6
(b) Expenditure chargeable to revenue excluding contributions to sinking fund and direct repayments of public debt from revenue ( <i>vide</i> 2 (iii) (a)) .. ..	511.1	532.7	545.6	787.5	1,004.6	904.4	772.0	828.9
( <i>Food subsidy</i> ) .. .. .	(77.8 <sup>(1)</sup> )	(55.1)	(35.8)	(131.6)	(247.2)	(127.0)	(12.0)	(—)
(ii) Loan and loan fund expenditure .. ..	29.5	43.4	77.7	122.7	50.6	48.1	254.2	329.7
(iii) Expenditure financed by National Development Reserve .. .. .	70.3	122.5	155.6	146.7	203.0	220.6	162.3	215.5
(iv) Advances to stores and materials account ..	0.6	5.6	6.6	5.4	7.7	6.4	3.2	2.1
(v) Other advances .. .. .	6.2	7.1	3.3	1.8	16.8	2.4	4.6	9.9
(vi) Miscellaneous .. .. .	5.9	14.6	73.4	16.2	19.0	41.9	61.1	2.0
(vi) Miscellaneous .. .. .	1.9	—	0.6	0.4	2.0	8.7	1.5	7.6
2. <i>Net Cash Receipts or Payments (—) resulting from Government Borrowing and Lending Operations</i> ..	<b>27.0</b>	<b>35.8</b>	<b>85.9</b>	<b>114.0</b>	<b>184.1</b>	<b>216.5</b>	<b>35.3</b>	<b>39.0</b>
(i) Administrative borrowing and repayment of borrowing :								
(a) Deposits (from suitors, contractors, etc., and includes the unexpended balance of Colombo Plan aid) .. .. .	0.5	7.7	14.0	46.7	16.2	21.4	2.1	34.5
(b) Miscellaneous funds (Widows' & Orphans' Pension Fund, Public Servants' Provident Fund, etc.) .. .. .	2.6	0.8	2.8	4.6	0.6	0.2	0.3	0.9
(ii) Sundry loans (to Agricultural and Industrial Credit Corporation, Local Loans and Development Fund, Local Bodies, etc.) .. ..	2.1	8.5	16.8	42.1	15.6	21.2	1.8	33.6
(iii) Government market borrowing and repayment of borrowing :								
(a) Medium and long-term .. .. .	4.7	5.8	9.3	8.3	18.6	9.3	2.8	4.5
<i>Less</i> Sinking fund contributions and direct public debt repayments from revenue .. .. .	24.0	56.1	19.5	146.0	102.4	80.0	133.3	87.1
<i>Less</i> Sinking fund contributions and direct public debt repayments from revenue .. .. .	14.2	15.2	17.6	17.4	18.4	23.1	22.6	44.5
(b) Treasury bills .. .. .	9.8	40.9	1.9	128.6	84.0	56.9	110.7	42.6
(c) Central Bank advances .. .. .	24.0	7.8	62.2	48.4	62.3	90.6	78.1	44.9
(d) Other .. .. .	—	—	14.3 <sup>(2)</sup>	—	72.0	1.5	4.7	65.8
(d) Other .. .. .	—	—	—	—	—	58.6 <sup>(3)</sup>	58.6 <sup>(4)</sup>	—
3. <i>Changes in Cash Balances (including readily realisable assets) (1)+(2)</i> .. .. .	33.8	33.1	78.4	80.2	218.3	204.6	30.7	68.1
.. .. .	<b>16.6</b>	<b>70.6</b>	<b>74.7</b>	<b>66.2</b>	<b>73.0</b>	<b>15.4</b>	<b>1.6</b>	<b>88.6</b>

(1) Food subsidy expenditures included in all cases in item "Expenditure Chargeable to Revenue." As a result the revenue surplus in 1947-48 is different from the published accounts, but has been made comparable with seven more recent years.

(2) Special loan under the Bretton Woods Agreements Act, No. 20 of 1950, Section 7.

(3) Loans from semi-Government institutions.

(4) Loans repaid to semi-Government institutions.

(a) Provisional.

*Public Finance*

76. *Government Accounts.*—Government's accounts for the financial year 1954-55 as summarised in the table on page 21 show the following important features :—

- (i) Government had a net cash operating surplus of Rs. 127.6 million. This is the biggest surplus ever recorded.
- (ii) The surplus was mainly due to higher revenue. Total revenue at Rs. 1,158.6 million, which was also a record, was largely the result of high export duty collections on tea. Revenue from income tax, estate duty and stamps and from excise and salt was lower than in the previous year.
- (iii) Current expenditure as indicated roughly by the expenditure chargeable to revenue too increased. The increase was due mainly to higher expenditure on wages and salaries as a result of the revision of salaries of public servants in April, 1955.
- (iv) Loan and loan fund expenditure has remained roughly around Rs. 200 million annually during the last four financial years, 1953-54 excepted.
- (v) As in the previous year Government's borrowing and lending operations resulted in a net payment of cash which was financed from the surplus. The balance of the surplus after meeting this net payment contributed to the increase in Government's cash balances which rose for the first time after 1950-51.

77. *Capital Expenditure.*—The following table shows how total budgetary and extra-budgetary capital expenditures were financed. In 1954-55 even though the level of capital expenditure was higher than in the previous year, as in the previous year the current account surplus (*i.e.* the excess of revenue over non-capital expenditure) exceeded total capital expenditure.

*Sources of Finance for Capital Expenditure\**

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	Original budget estimates 1955-56
	%	%	%	%	%	%	%
Current account surplus ..	62.7	84.6	23.2	45.9	120.5	121.1	78.1
Net domestic borrowing ..	36.8	47.2	51.7	62.3	35.2	14.7	7.3
Net foreign borrowing ..	—	—	—	—	21.6	3.4	6.6
External aid under the Colombo Plan ..	—	—	1.7	0.9	6.5	6.9	4.2
Reduction in cash balances (including reserves) ..	0.4	31.8	23.5	9.0	13.5	16.7	3.8
Total capital expenditure (Rs. mn.) ..	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Of which expenditure on capital maintenance (Rs. mn.) ..	258.5	259.3	379.9	358.3	293.0	359.3†	485.1
	(29.5)	(34.1)	(42.5)	(42.0)	(38.1)	(39.3)	(50.4)

\*Revised.

†Provisional.

78. *Public Debt*.—Changes in the public debt by fiscal years appear in table 22: changes by calendar years are given in the statements that follow :—

*Total Public Debt*  
(In millions of rupees)

End of December				Gross	Net
1952	..	..	..	1,025·8	842·4
1953	..	..	..	1,175·0	993·3
1954	..	..	..	1,084·0	885·0
1955	..	..	..	1,105·0	898·4

Total net debt rose by Rs. 13·4 million as compared with a decline of Rs. 108·3 million in 1954. The rise was due to an increase in funded debt, both domestic and foreign, which more than offset the decline in the floating debt. Total net debt at Rs. 898·4 million at the end of 1955 was 77·5 per cent of Government revenue during 1954-55.

79. *Funded Debt*.—Gross funded debt increased by Rs. 76·0 million and net funded debt by Rs. 68·4 million. The increase in the gross funded debt in 1955 was the result of (a) the withdrawal of Rs. 8·9 million from the I.B.R.D. under the Loan Agreement signed in June, 1954, and (b) the rupee loan transactions undertaken in March and December.

*Funded Debt*  
(In millions of rupees)

End of December		Foreign Debt						Domestic Debt			Total	
		Sterling loans			IBRD Loan	Total		Gross	Sink- ing Fund	Net	Gross	Net
		Gross	Sink- ing Fund	Net		Gross	Net					
1952	..	125.4	54.4	71.0	—	125.4	71.0	684.3	129.0	555.3	809.7	626.3
1953	..	125.4	60.4	65.0	—	125.4	65.0	730.5	121.2	609.2	855.9	674.2
1954	..	192.1	67.3	124.8	4.8	196.9	129.6	782.1	131.7	650.4	979.0	780.0
1955	..	192.1	65.8	126.3	13.7	205.8	140.0	849.2	140.8	708.4	1055.0	848.4

80. In March a loan for Rs. 75 million carrying  $2\frac{1}{2}$  per cent and maturing in 1960-62 was issued partly for cash and partly in conversion of the Rs. 40 million  $1\frac{3}{4}$  per cent Loan 1955 which matured later in December. Subscriptions in cash amounted to Rs. 47·2 million and the balance Rs. 27·8 million was paid for by surrender of the  $1\frac{3}{4}$  per cent stock. The unconverted part of the loan was repaid in December.

81. In December two loans were issued at par; one for Rs. 25·4 million at  $2\frac{1}{4}$  per cent and maturing in 1958 and the other for Rs. 24·6 million at  $3\frac{1}{4}$  per cent and maturing between 1975 and 1980. Holders of the Rs. 25·4 million 3 per cent Loan maturing in February, 1956, were allowed to offer their holdings for conversion into an equal nominal amount of the new  $2\frac{1}{4}$  per cent Loan 1958. Both loans were over-subscribed. Conversions amounted to Rs. 17·9 million and cash to Rs. 32·1 million. The stock which was surrendered in conversion has been regarded as finally redeemed as from the time of the conversion.

82. The three loans issued during 1955 were allotted as shown on the following page.

*Rupees Million*

Class of subscriber	2½% Loan 1960-62				2½% Loan 1958				3½% Loan 1975-80		Grand total	%
	Cash	Conversion of stock	Total	%	Cash	Conversion of stock	Total	%	Cash	%		
Commercial banks .. .. .	27.19	17.81	45.00	60.00	2.65	17.55	20.20	79.46	3.65	14.85	68.85	55.08
Co-op. provincial banks .. ..	—	—	—	—	0.20	—	0.20	0.79	0.50	2.03	0.70	0.56
Savings banks .. .. .	1.09	—	1.09	1.45	—	—	—	—	10.00	40.68	11.09	8.87
Sinking funds .. .. .	12.46	8.01	20.47	27.29	—	—	—	—	3.56	14.48	24.03	19.22
Departmental and other official funds	2.00	0.61	2.61	3.48	—	—	—	—	0.97	3.95	3.58	2.86
Trusts, provident and pension funds	1.20	1.28	2.48	3.31	0.54	0.30	0.84	3.30	3.11	12.65	6.43	5.14
Insurance companies .. .. .	2.00	—	2.00	2.67	0.84	—	0.84	3.30	2.20	8.95	5.04	4.03
Other companies .. .. .	1.27	0.03	1.30	1.73	3.30	0.03	3.33	13.10	0.35	1.42	4.98	3.98
Individuals, clubs and institutions..	0.03	0.02	0.05	0.07	—	0.01	0.01	0.04	0.24	0.98	0.30	0.24
	47.24	27.76	75.00	100.00	7.53	17.89	25.42	100.00	24.58	100.00	125.00	100.00

83. *Sinking Funds*.—The value of sinking funds established for the redemption of public debt was Rs. 206·6 million at the end of 1955 as compared with Rs. 199·0 million at the end of 1954. The two rupee loans repaid during the year did not have sinking funds for their redemption (and, therefore, were repaid from revenue). The increase in the value of the sinking funds was due to the contributions to them from revenue and the accrual of interest on their investments, offset partly by the depreciation in value of their sterling investments.

84. *Floating Debt*.—Floating debt declined by Rs. 55·0 million, the entire decline being in treasury bills. Advances from the Central Bank and loans from semi-Government institutions, which had both been fully repaid in the previous year, remained nil throughout 1955. The proportion of floating debt to total debt decreased further during the year.

#### *Floating Debt*

(In millions of rupees)

End of December	Treasury bills	Advances from Central Bank	Loans from semi-Govt. institutions	Total	Total floating debt as per cent of	
					Total debt	Total rupee debt
1952 .. ..	100·0	85·1	31·1	216·1	21·1	24·0
1953 .. ..	190·0	72·1	57·0	319·1	27·2	30·4
1954 .. ..	105·0	—	—	105·0	9·7	11·8
1955 .. ..	50·0	—	—	50·0	0·4	5·6

85. *Prices and Yields of Government Securities*.—The variations in the treasury bill rate and in the prices and yields of selected Government securities are shown in tables 20 and 23 respectively.

86. In 1955 there was a general decline in the interest rates. The treasury bill rate fell from 0·87 per cent in December, 1954, to 0·75 per cent in December, 1955. The decline in the yields of medium and long-term securities was more marked. The yield on a 5-year stock fell 0·51 per cent to 2·42 per cent and the yield on a 19-year stock fell 0·35 per cent to 3·13 per cent.

87. *Public Debt Business*.—The following table shows the volume of public debt business done in the past five years :—

Financial year	Loans raised	Loans repaid	Interest warrants issued		Turnover of business in transfers, etc.	Amount of sinking fund moneys invested
			No.	Amount		
	Rs.	Rs.		Rs.	Rs.	Rs.
1950-51 ..	145,982,600	—	9,146	16,189,113	413,611,900	14,883,933
1951-52 ..	104,017,400	1,691,000	9,082	18,431,666	211,078,300	15,618,123
1952-53 ..	120,000,000	73,796,800	8,638	21,428,580	637,683,400	16,318,933
1953-54 ..	70,000,000	47,962,300	10,101	23,070,407	851,538,700	14,381,749
1954-55 ..	75,000,000	30,433,400	7,249	24,564,902	382,898,900	17,867,374

88. *Borrowing as Agent for Other Institutions.*—The Central Bank made two issues of State Mortgage Bank debentures and one of National Housing debentures during the year. The three issues totalled Rs. 22.0 million.

89. The State Mortgage Bank debentures were issued in August and October. The first issue was for Rs. 5.0 million at  $2\frac{3}{4}$  per cent with maturity dates of 1962-64 and the second was for Rs. 7.0 million at 3 per cent with maturity dates of 1965-68. Both issues were over-subscribed. They were allotted as follows :—

*Rs. million*

Class of subscriber	$2\frac{3}{4}$ % 1962-64	3% 1965-68	Total	
			Amount	%
Commercial banks .. .. .	2.15	0.83	2.98	24.8
Savings banks .. .. .	—	1.45	1.45	12.1
Sinking funds .. .. .	2.15	0.53	2.68	22.3
Departmental and other official funds ..	0.20	0.59	0.79	6.6
Trusts, provident and pension funds ..	0.29	3.05	3.34	27.8
Insurance companies .. .. .	—	0.43	0.43	3.6
Other companies .. .. .	0.20	—	0.20	1.7
Individuals, clubs and institutions ..	—	0.11	0.11	0.9
	5.00	7.00	12.00	100.0

90. The issue of National Housing debentures was in June for Rs. 10.0 million at  $3\frac{1}{4}$  per cent and with maturity dates of 1970-72. The issue which was over-subscribed was allotted as follows :—

*Rs. million*

Class of subscriber	Amount	Percentage
Commercial banks .. .. .	0.04	0.40
Savings banks .. .. .	0.20	2.00
Sinking funds .. .. .	0.92	9.20
Departmental and other official funds ..	0.14	1.4
Trusts, provident and pension funds ..	4.08	40.8
Insurance companies .. .. .	4.47	44.7
Other companies .. .. .	0.14	1.4
Individuals, clubs and institutions ..	0.01	0.1
	10.00	100.0

91. *The Rubber Replanting Subsidy Scheme.*—The Rubber Replanting Subsidy Scheme which was introduced by Government in September, 1953, made considerable progress in 1955. During the year 27,847 acres of rubber were approved for replanting under the Scheme bringing the total acreage approved for replanting since the inception of the Scheme to 54,094 acres. Of this, 26,247 acres have already been replanted. In 1955, Rs. 11.6 million was paid out in replanting subsidies bringing the total amount spent up to the end of 1955 to Rs. 20.5 million.

92. The Scheme, which is financed by a cess on the export of rubber, envisages the replanting of 150,000 acres of uneconomic rubber land with higher yielding varieties by 1960. When this area comes into bearing, Ceylon's annual rubber production is expected to increase by 46,000 tons or about 50 per cent of the current production.

93. *The Six-Year Programme of Investment*—The Six-Year Programme of Investment covers only the investment outlays of the public sector over the six-year period 1954-55 to 1959-60. It is not a comprehensive plan of economic development for the entire economy.

94. The functional distribution of the total expenditure of Rs. 2,528.8 million provided for in the Programme is shown below :—

	Estimated expenditure in six-year period (Rs. '000)	
		as a percentage of total
Total .. .. .	2,528,786	100.00
Defence .. .. .	94,623	3.74
Administration .. .. .	89,477	3.54
Civil administration .. .. .	41,228	1.63
Police and Prisons .. .. .	38,120	1.51
Law and Justice .. .. .	10,129	0.40
Social services .. .. .	402,738	15.93
Health .. .. .	118,369	4.68
Education .. .. .	146,101	5.78
General housing .. .. .	105,131	4.16
Unclassified .. .. .	33,137	1.31
Economic projects .. .. .	1,941,948	76.79
Public utilities .. .. .	837,621	33.12
Agriculture, irrigation and fisheries .. .. .	922,602	36.48
Industry .. .. .	111,799	4.42
Rural development and village works .. .. .	57,550	2.28
Tourism .. .. .	12,376	0.49

95. The main emphasis of the Programme is on projects of an economic nature pertaining to public utilities, agriculture, irrigation and fisheries.

#### *Prices, Wages and Employment*

96. *Cost of Living*.—Living costs as measured by the Colombo Consumers' Price Index declined 0.6 per cent in 1955 compared with the average for the previous year. This was largely due to the reduction in the price of rationed rice from 55 cents to 50 cents at the end of May, which brought down the index by about 1.6 points. The movements in the index and its three component groups are given in the following table :

Month	All items			Import group			Domestic group			Export group		
	1954	1955	Change* %	1954	1955	Change* %	1954	1955	Change* %	1954	1955	Change* %
Jan.	101.4	101.5	+0.1	104.2	105.4	+1.2	96.7	97.6	+0.9	127.2	108.2	-14.9
Feb.	100.7	100.5	-0.2	103.6	105.0	+1.4	95.9	96.4	+0.5	127.8	104.9	-17.9
Mar.	99.9	99.6	-0.3	103.2	104.1	+0.9	95.6	96.1	+0.5	117.3	96.9	-17.4
April	100.0	101.0	+1.0	103.6	105.2	+1.5	95.8	97.6	+1.9	113.8	97.8	-14.1
May	101.7	101.0	-0.7	103.5	104.5	+1.0	99.1	98.4	-0.7	113.6	96.7	-14.9
June	102.4	100.1	-2.2	104.5	101.6	-2.8	99.7	99.8	+0.1	112.7	90.1	-20.1
July	101.2	100.2	-1.0	104.0	101.5	-2.4	98.1	98.9	+0.8	108.3	102.2	-5.6
Aug.	100.1	99.9	-0.2	103.5	101.0	-2.4	96.9	98.8	+2.0	104.1	102.1	-1.9
Sept.	100.5	99.4	-1.1	104.0	101.1	-2.9	97.3	97.7	+0.4	103.0	103.4	+0.4
Oct.	101.3	100.3	-1.0	103.7	101.3	-2.3	98.9	98.9	—	104.0	106.8	+2.7
Nov.	101.6	100.8	-0.8	105.1	101.1	-3.8	98.3	100.1	+1.8	106.1	107.3	+1.1
Dec.	101.8	101.5	-0.3	105.3	101.9	-3.2	98.3	100.5	+2.2	107.9	109.6	+1.6
Aver.	101.1	100.5	-0.6	104.0	102.8	-1.3	97.5	98.4	+0.9	112.1	102.2	-8.8

\* From corresponding period of 1954.

97. *Wages.*—There was little movement in the wage rates of plantation workers during the year. But compared with the average for the previous year, the money wages of tea and rubber estate workers were 3.8 per cent higher in 1955 reflecting the increase in basic rates which came into force in August, 1954. Their real wages were 4.3 per cent higher on account of lower living costs. In the other Wages Boards trades there was little change in wage rates. Wages of Government unskilled workers were 4.7 per cent higher owing to an increase in wage rates in April of the year under review resulting in a 5 per cent rise in real wages.

98. *Employment.*—Data on the number of registrants at the employment exchanges are given below :—

Period							Number	Index
1938	..	..	..	..	..	..	16,480	100
1951	..	..	..	..	..	..	52,707	320
1952	..	..	..	..	..	..	53,023	322
1953	..	..	..	..	..	..	51,546	313
1954	..	..	..	..	..	..	63,304	384
1955 1st quarter	..	..	..	..	..	..	67,357	409
2nd	..	..	..	..	..	..	65,756	399
3rd	..	..	..	..	..	..	69,174	420
4th	..	..	..	..	..	..	71,010	431

The figures of registrants include both unemployed and those seeking better employment. The significance of the data is further limited by the fact that, in general, workers in the estate and rural sectors make little use of the exchanges.



*Production and National Income*

99. The production of the principal crops for the years 1954 and 1955 are compared below :—

	1954	1955	+ increase % — decrease over 1954
Tea—lbs. million .. .. .	367	380	+ 3·5
Rubber—tons (000) .. .. .	94	94	—
Coconut—nuts* million .. .. .	2,203	2,420	+ 9·8
Paddy—bushels* million .. .. .	31	35	+ 13·0

\*Estimated.

100. The gross national product for 1955 is estimated to be Rs. 5,100 million, an increase of 6·8 per cent over the previous year. The main factors responsible for this increase were :—(a) higher average export prices ; (b) higher volumes of production of tea and coconuts ; and (c) an increase in the output of paddy.

*Balance of Payments and External Assets*

101. Ceylon's balance of payments, as estimated for 1955, indicated a surplus of Rs. 317·6 million as compared with the surplus of Rs. 305·4 million in 1954. The surplus on the merchandise account has been the largest so far recorded. As compared with the previous year, there has been an improvement in the current account surplus despite a larger deficit in the invisibles' sector.

102. The net outflow on account of private remittances and migrants' transfers amounted to Rs. 76·1 million in 1955, an increase of Rs. 9·3 million over the previous year. This was wholly due to a higher volume of migrants' transfers resulting from the voluntary and compulsory repatriation of Indian nationals from Ceylon. Correspondingly there has been a substantial decline in private remittances to India.

103. Larger profits accruing to foreign companies operating in Ceylon, as a result of favourable prices prevailing for the major export commodities, particularly tea, led to an increased outflow in respect of dividends during the year. The net payments on investment income amounted to Rs. 59·5 million as against Rs. 46·6 million in 1954.

104. There was a deficit of Rs. 55·1 million on the private capital account for 1955. Repatriation of foreign capital increased from Rs. 31 million in 1954 to Rs. 39 million in 1955, while the inflow of foreign capital for investment in Ceylon registered a marked decline. Substantial export earnings during the year enabled Sterling Companies to increase their holdings of foreign balances.

105. The external assets of official and banking institutions increased by Rs. 259·5 million in 1955. The overall increase, inclusive of the net increase in amounts due from the Government of China to the Government of Ceylon under the Trade

Agreement, was Rs. 281.7 million. The amount lying to the credit of the Government of Ceylon at the end of December, 1955, was Rs. 30.9 million representing an increase of Rs. 21.6 million over the year. Drawings on the I.B.R.D. loan amounted to Rs. 8.9 million during the period under review.

### V. Operations and Accounts of The Central Bank

106. Financial accounts of the Central Bank for the year 1955 are given in table 6. The main changes in comparison with 1954 were :—

	Change	
	Rs. Million	Per cent
Total demand liabilities .. .. .	+ 120.9	+ 23.9
Currency circulation .. .. .	+ 48.8	+ 13.0
Demand deposits .. .. .	+ 72.2	+ 55.6
(of which commercial banks) .. .. .	+ 33.1	+ 31.4
International Reserve .. .. .	+ 130.7	+ 24.9
Domestic Assets .. .. .	+ 2.2	+ 7.0
Government and Government Guaranteed Securities ..	— 8.6	— 31.9

Increase + ; decrease —.

107. The ratio of the International Reserve to total demand liabilities increased from 103.6 per cent at the end of 1954 to 104.5 per cent at the end of 1955.

108. The Central Bank's rate for advances to commercial banks against the pledge of Government securities which was reduced from 3 per cent to 2½ per cent on June 11, 1954, remained unchanged during the year. The Central Bank's discount rate for treasury bills continued to be fixed at 1/8 of one per cent over the last accepted average tender rate.

109. There were no changes in the reserve ratios to be maintained by commercial banks with the Central Bank. The ratios remained at 10 per cent of demand deposits and 5 per cent of time and savings deposits.

110. The Central Bank's rates for U.S. dollars were changed from time to time (as shown in Appendix I) in alignment with movements in the sterling dollar rate. There were no changes during the year in the Central Bank's rates for sterling and the Indian rupee which were—

		T.T. Buying	T.T. Selling
Sterling (per Ceylon rupee)	.. Spot	.. 1 s. 6 3/64 d.	.. 1 s. 6 1/32 d.
	.. Forward	.. 1/128 d. per month	.. 1/128 d. per month
	(up to six months)	.. discount against spot	.. premium against spot
Indian rupees (per 100)	.. Spot	.. Rs. 99 3/4	.. Rs. 99 13/16
	.. Forward	.. 1/32 of a rupee per month discount against spot	.. 1/32 of a rupee per month premium against spot

111. Consequent on the devaluation of the Pakistan rupee on July 31, 1955, the Monetary Board fixed as from August 1, 1955, the minimum buying and maximum selling rates of commercial banks for Pakistan rupees at Rs. 99 5/8 and Rs. 99 27/32 respectively per 100 Pakistan rupees. No changes were made in commercial bank buying and selling rates with respect to other currencies.