

Trade values in SDR terms show decline in both export earnings and import bill

The foreign trade values of Sri Lanka have recorded sharp increases in Rupee terms during January-May 1978. Export values have risen by 103 per cent and import values by 93 per cent, compared with the corresponding period in 1977. However, such comparisons in Rupee terms are not meaningful and do not give a realistic picture of the foreign trade situation in view of the devaluation of the Rupee effected on November 16, 1977. Hence, for a meaningful comparison between the post-devaluation trade picture of 1978 and the pre-devaluation picture of 1977, it is necessary to convert the trade values of the two periods to a comparable basis. The use of the international monetary unit Special Drawing Rights (SDR), also regarded as a relatively stable unit of monetary value, would make possible such a comparison. The value of the SDR is determined by the I.M.F. on the basis of a basket of major world currencies. The time-weighted average value of a unit of SDR for January-May 1978 was Rs. 19.015 as against Rs. 9.271 for January-May 1977.

EXPORTS

The value of exports for the period January-May 1978 was equal to SDR 274.4 million as against SDR 276.7 million for the

corresponding period in 1977. This represents a marginal decline of 0.8 per cent in the country's export values in comparison with that of the corresponding period in 1977. Thus the sharp increase in the ex-

port exchange earnings as measured by SDR units. In SDR terms, while the export values of coconut products and industrial exports showed increases of 6 per cent and 8.5 per cent respectively, other categories of exports declined by varying percentages—tea by 3.5 per cent, rubber by 6.3 per cent, gems by 10 per cent and minor agricultural exports by 5.7 per cent. It should be

TABLE—2
Changes in the Values of Selected Categories of Imports in the period January—May 1978 over the corresponding period in 1977 (in SDR terms).

	Absolute Change in Million SDR units	Percentage Change
Rice imports	- 44.3	- 76.5%
Vehicles and transport equipment	+ 19.7	+ 222.0%
Machinery, mechanical appliances and electrical equipment (BTN 84—85)	+ 10.7	+ 54.0%
Mineral products (BTN 25—27)	+ 5.4	+ 11.0%
Animal products (BTN 1—5)	+ 3.2	+ 76.8%
Foodstuffs, beverage and tobacco (BTN 16—24)	+ 3.2	+ 30.9%
Chemical and allied products (BTN 28—38)	+ 2.1	+ 13.5%
Stone, plaster, cement, asbestos and allied products (BTN 68—70)	+ 0.8	+ 47.8%
Optical, photographic and scientific instruments (BTN 90—92)	+ 0.74	+ 28.8%
Animal and vegetable oils and fats (BTN 15)	+ 0.47	+ 157.0%

port values recorded in Rupee terms (an increase of 103%) reflects almost entirely the devalued exchange rate of the Rupee rather than an upward trend in the for-

noted, however, that the export value for January-May, 1977 (with which we have compared the 1978 export value) was quite high relative to the corresponding periods in previous years since it reflected the high prices fetched by tea exports during that time last year. Hence, although the export value of 1978 was stagnant compared to 1977, its level remained substantially high when compared to the export values of the pre-1977 years.

IMPORTS

A similar picture is seen on the import side where in Rupee terms the import value has recorded an increase of 93 per cent whereas in SDR terms there is a decline of 6 per cent. As against an import value of SDR 296 million during January-May 1977, the corresponding figure for this year was 278 million. This decline appears some-

TABLE — I
Export and Import Values in SDR Terms

	1977 Jan.-May	1978 Jan.-May	Absolute Change	Percentage Change
1. Export Values:				
Million Rs.	2565.0	5217.3	+ 2652.3	+ 103.4%
Million SDR	276.7	274.4	- 2.3	- 0.8%
2. Import Values				
Million Rs.	2745.3	5291.2	+ 2545.9	+ 92.7%
Million SDR	296.1	278.3	- 17.8	- 6.0%
3. Balance of Trade				
Million Rs.	- 180.3	- 3.9		
Million SDR	- 19.5	- 73.9		

NOTE: Export values is Customs data adjusted for the Gem Corporation's data on gem exports and the Petroleum Corporation's data on naphtha exports. Import value is Customs data adjusted for Food Commissioner's data on rice, flour and sugar imports. Time-weighted average value of a SDR unit = Rs. 9.271 (January-May 1977) and Rs. 19.015 (January-May 1978).