

Soaring import costs widen Sri Lanka's trade gap

The country's adverse balance of trade reached an all time high of Rs. 1,107.1 million in 1974. The previous highest deficit in our terms of trade was recorded in 1967 when excess of import values over export earnings was Rs. 627 million.

According to Customs data, the value of our exports went up from Rs. 2,617.1 million in 1973 to Rs. 3,471.9 million in 1974, while the value of imports has risen from Rs. 2,714.7 million in 1973 to Rs. 4,554.3 million in 1974. A feature of interest here is that while the country had to pay Rs. 829.6 million more for its imports last year its export earnings went up by Rs. 854.8 million more than in the previous year. Comparing the increases in import values and export earnings of last year with that of the 1973 figures it could be observed that export earnings were Rs. 25.2 million more than the increased import values (Rs. 854.8m. versus Rs. 829.6m).

Import payments — Rice trebled, Flour doubled, Sugar halved

The main reason for the steep rise in the country's import bill was the very much higher price we had to pay for purchases of rice, flour, sugar, cotton, fertilizer, petroleum and base metal items. These items account for nearly 80 per cent of Sri Lanka's import bill. Imports of rice, flour and sugar alone cost the country almost Rs. 1,800 million in 1974.

The value of rice imports almost trebled, despite the fact that less rice was imported last year. In 1973 approximately 310 tons at a value of Rs. 260 million were imported, whereas in 1974 approximately 295 tons were imported at a value of nearly Rs. 740 million.

In the case of flour import values more than doubled, going up from approx. Rs. 420 million to Rs. 920 million. The value of sugar imports, however, was more than halved coming down from Rs. 300 million in 1973 to Rs. 125 million in 1974.

Two other major items responsible for the almost 80 per cent increase in the country's import bill were petroleum products and fertilizer and chemical products. The value of imports of petroleum products rose from Rs. 300 million in 1973 to Rs. 910 million in 1974; while imports of chemical and allied products, including fertilizer cost the country only Rs. 276 million in 1973 as compared with Rs. 532 million in 1974.

Much less machinery and mechanical appliances (in value terms) were imported last year. Imports of machinery and equipment which cost Rs. 226 million in 1973 were reduced to Rs. 177 million in 1974.

TOURISM

The tourist industry which had been growing at an average annual rate of 24% from 1969-1973 recorded a dramatic 30% drop from 39% in 1973 to 9% in 1974. And the present year promises to be no better with the industrialised countries, from where the majority of tourist arrivals originate, going into the worst year of the recession. This check on growth has come at a time when infra-structure investment in the industry has been rising with accommodation expanding rapidly from 770 rooms in 1967 to 2756 rooms in 1974 — a near 400% increase. The slowing down has been causing growing concern in the tourist trade and by the end of January 1975 the trade was urging the authorities to stay further development of the tourist programme.

However, the Chairman of the Ceylon Tourist Board stated that although the international economic crisis had its impact on Sri Lanka, our performance has been much better than the rest of the world or South Asia. He attributed this to the fact that Sri Lanka was better known in world travel trade because of improved and expanded facilities and because competitive prices still prevail in Sri Lanka with FEECs at 65%. The other reason for this modest success, he said, was the successful publicity drive abroad.

The decrease in tourist traffic, attributed to a worsening international economic crisis, was not confined to Sri Lanka. Established tourist resorts have had to take their share of losses too. Spain, for instance, found that not only had their hotel bookings dropped by 25% in 1974 compared to the previous year, but also that the occupancy rates of most of the hotels had decreased by 25%. For a country which crowded its picturesque coastline with hotels for holiday makers on package tours, the future outlook is definitely gloomy. O.E.C.D.'s Tourism Committee report which has been just published states that after the slower rate of expansion of international tourist traffic in 1973 there was a sharp decline in the first half of 1974 and this together with the uncertainty caused by the rising rate of inflation, the energy crisis, the slower rate of economic growth and the deterioration in countries' balance of payments are creating a new situation for tourism.

The Committee comments that in the present situation the governments (of O.E.C.D. countries) should review their tourism forecasts taking into account all factors making up domestic and international demand as well as increased competition that will develop on the international tourism market. Further development of accommodation and other tourist facilities may now need to be on a more selective basis to ensure maximum profitability.

The Ceylon Tourist Board has in the meantime announced an expansion programme aimed at a further increase of room capacity by 60%.

CRA — Only half utilised

A total of Rs. 80.7 million had been credited to Convertible Rupee Accounts up to the end of June last year, according to latest available Central Bank figures. Of the Rs. 80.7 million only Rs. 43.5 million had been utilized as at June 30, 1974.

Gem exporters had to their credit Rs. 60.3 million, just over three-fourths of the entire C.R.A. held. Of the Rs. 43.5 million debited for payment—Rs. 36 million was used for imports; Rs. 6.6 million for travel and Rs. 760,000 for local expenses.