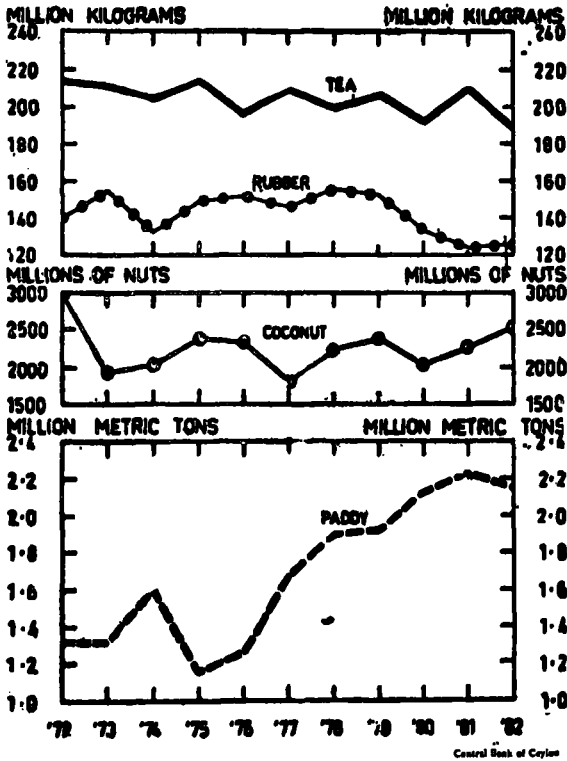


PRODUCTION OF PRINCIPAL AGRICULTURAL CROPS



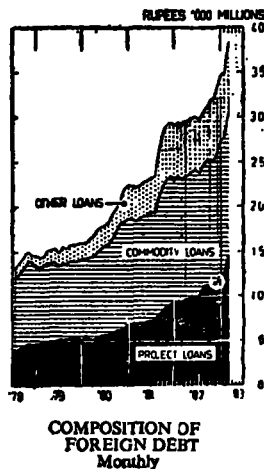
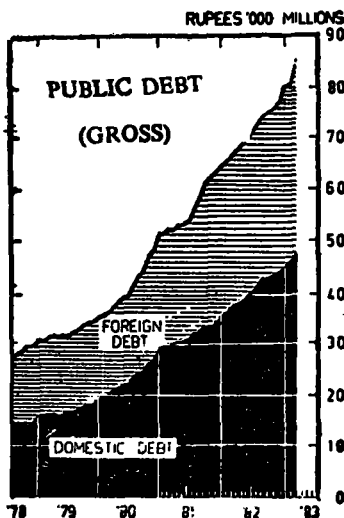
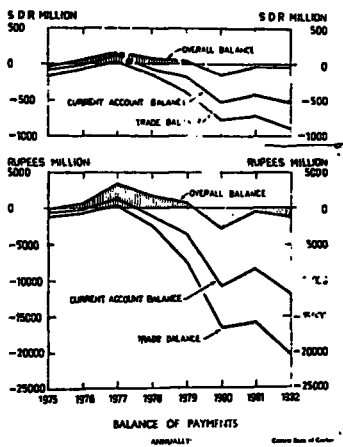
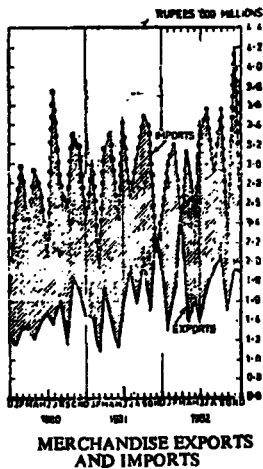
ECONOMIC INDICATORS

Successes have no doubt been recorded in the economic development strategy of the country in recent years but they have not come without accompanying problems. The problems are mainly of a structural nature and are closely interlinked with vital sectors of the economy, as evident from the indicators on this page.

Sri Lanka's balance of payments has continued to deteriorate and the major reason for this was the declining terms of trade brought about both by a greater demand for imports (with increasing development needs), and the comparatively poor export performance, particularly by the major commodity exports. The result is reflected in a less optimistic overall economic picture (than in some earlier years) that emerged at the end of 1982 and the Central Bank reporting that production (growth of real Gross Domestic Product) had declined last year. The reason, as illustrated here, was mainly the lower growth in agriculture, particularly such major crops like paddy, tea and rubber, which recorded negative growth rates in 1982.

A harsh international climate, in which terms of trade were unfair for Sri Lanka, only compounded these problems. For instance, although the volume of both rubber and coconut exports showed an increase in 1982, these gains were almost

fully wiped out by the drop in international prices. Meanwhile, the import bill continued to soar. Crude oil imports cost over Rs. 10 billion in 1982, reflecting an increase of over 25 per cent more than the previous year even though quantities imported did not go up proportionately. The resulting adverse terms of trade led to a widening of the country's trade gap and a further deterioration in the balance of payments situation. This also created a greater resources gap demanding even more foreign assistance, revealed in the diagrams below.



There are issues that confront the national budget, especially when the pace of development has to be maintained, and if the economy is to move ahead. How to limit expenditure while raising more revenue is today a basic task but closely linked to it are these wider issues of production, balance of payments and foreign resources.