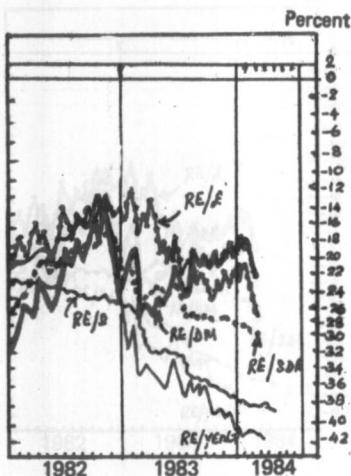


**ECONOMIC INDICATORS**

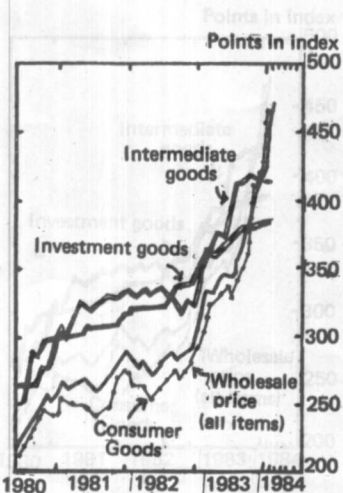
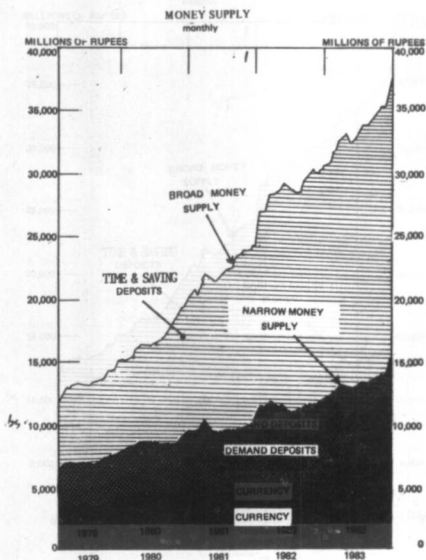
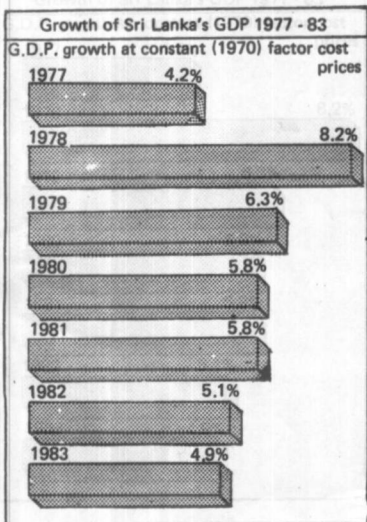
The Government's medium term projected GDP growth rate of 5.2 percent was well exceeded in the first four of the six years since the target was set in 1978. However, in 1983 the growth rate was the lowest on record for this period and there were many reasons for this situation as the economic indicators on this page illustrate. Monetary management became the major problem towards the latter part of 1983 and in early 1984 due to certain unforeseen and extraneous factors like adverse weather and the July disturbances which disturbed the normal flow of economic activity. Domestic prices continued to rise steeply during 1983 and a significant expansion in credit, together with an excess of liquidity due to a tea price boom at the end of '83, resulted in increased inflationary pressures on the economy. Speculative activity in foreign exchange markets complicated the situation, while pressures on the balance of payments led to a depreciation of the Sri Lanka rupee vis-a-vis the other major international currencies. The real growth rate of 4.9 percent in 1983 was achieved mainly as a result of increases in agricultural production, particularly the paddy sector; and latterly tea production and export earnings reached record levels and helped to reduce part of the balance of payments deficits, while foreign borrowings continued to play a vital role in filling the resource gap.

*"While we have made very substantial gains massive economic problems still remain. I have never tried to conceal the very serious nature of the financial and economic problems which we still face and the many difficult and painful decisions which the Government must take if we are to overcome them."*

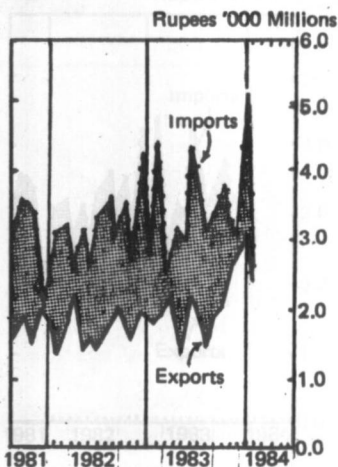
A candid comment on the economy in 1984, by the Hon. Minister of Finance and Planning, Mr. Ronnie de Mel in an address to a meeting of Government Agents early in 1984. Our review of the economy elaborates on this situation.



**EXCHANGE RATES**  
cumulative percentage change



**WHOLESALE PRICE INDEX**  
1974 = 100  
monthly



**MERCHANDISE EXPORTS AND IMPORTS**  
monthly

