

The Changing Structure of Consumer Imports into Ceylon 1947-60

THE recurring balance of payments problems which Ceylon has faced during the last two or three years has brought into question the entire import policy of the government. The fact that even much needed capital investment is held up owing to so called foreign exchange difficulties has made it a matter of urgent importance for us to examine the existing import structure of the country.

Imports can broadly be classified into two categories viz. imports used for consumption purposes and those, like raw materials and investment goods, which are used in the production process. In this article we shall analyse the components which make up the total of goods imported under the first category, namely those used for purposes of consumption.

Consumer imports into this country during this period ranged from the ordinary tobacco leaf imported for the production of the beedy to the high powered Cadillac specially ordered for the wealthy customer. The affluence of the richer classes was reflected in the customs returns of this period which saw an unparalleled rise in the imports of motor cars and other consumer durables.

In view of the very large number of articles imported for consumption purposes, we have classified consumer imports into five broad categories.¹

- (1) Food and drink (essentials).
- (2) Food and drink (luxury).
- (3) Manufactured consumer goods (essentials).
- (4) Manufactured consumer goods (luxury).
- (5) Durable consumer goods.

The basis of the above classification has been to divide consumer imports into essentials and luxuries according to their pattern of consumption. Thus

1. The detailed composition of the different classes is given in the appendix.

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those articles consumed by all sections of the population have been classified as essential imports while those used mainly by the higher income groups have been labelled luxuries.

The first problem was to find the total value of imports of each of these categories for the years 1947—1960. The figures as added up from the customs returns were as follows :

Value in Rs. Million

Year	Food and Drink Essential	Food and Drink Luxury	Manufactured Consumer Goods Essential	Manufactured Consumer Goods Luxury	Consumer Durables
1947	452	45	160	62	20
1948	492	27	156	43	22
1949	496	21	168	54	21
1950	565	30	190	71	21
1951	646	50	250	107	49
1952	734	55	248	121	51
1953	741	55	202	118	45
1954	617	47	185	131	27
1955	574	50	210	118	42
1956	652	50	231	127	52
1957	671	62	244	150	57
1958	650	60	247	169	60
1959	729	83	257	214	83
1960	692	72	256	261	87

It will be seen from these figures that although the total value of essential goods imported is larger than the imports of luxury commodities, the latter yet comprise a significant fraction of total consumer imports.

Value in Rs. Million

Year	Essential Imports	Luxury Imports
1947	612	127
1948	648	92
1949	664	96
1950	755	122
1951	896	206
1952	982	227
1953	943	218
1954	802	205
1955	784	210
1956	883	229
1957	915	269
1958	897	289
1959	986	380
1960	948	420

In fact during the period surveyed, the share of luxury consumer imports as a percentage of total consumer imports has been increasing at the expense of essential imports.

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Luxury Imports as a Percentage of Total Consumer Imports

1947	17.1
1948	12.4
1949	12.6
1950	13.9
1951	18.7
1952	18.8
1953	18.8
1954	20.4
1955	21.1
1956	20.6
1957	22.7
1958	24.4
1959	27.8
1960	30.7

This would have been an encouraging sign in a country where the demand for essentials was fully satisfied for in such a situation a percentage increase in the expenditure on luxuries would have meant that the expenditure on commodities other than the basic necessities of life was on the increase and thus that the standard of living of the masses was on the rise—but unfortunately this is not the position with regard to Ceylon.

We have so far examined the statistics pertaining to import values, but these figures are not sound indicators of the volume of goods imported due to the fact that changes in price are also reflected in the series of values of imports. Thus the problem arose of constructing indices to measure the changes in the volume of imports. Unlike in the case of import value, we could not directly add up figures from the customs returns because each category included different commodities—thus motor cars and radios are included under consumer durables and there is no conceivable way of directly adding up the quantities imported of these two goods. We have approached this problem by the traditional method of first constructing an index to describe the changes in price of each of the five categories into which imports have been classified. Once we have this index we can estimate an index of quantity by dividing each value index by its respective price index.

Let us consider how we are to construct an index of the changes in price say of durable consumer goods. We have assumed that we can have an estimate of the movements in price of all durable consumer goods by constructing an index which includes only the major commodities in this category. By looking at the values of imports we found that motor cars,

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radios and sewing machines were the major consumer durables imported into the country during this period. The C.I.F. prices of those three commodities for the period 1947—1960 are as follows :

C. I. F. Prices (Rs.)

Year	Motor Cars	Radios	Sewing Machines
1947	4606	289	170
1948	4311	250	244
1949	4277	282	226
1950	4574	163	290
1951	5681	45	262
1952	6409	31	225
1953	5558	153	241
1954	5566	146	293
1955	5711	137	287
1956	5906	135	290
1957	6296	126	286
1958	6827	124	300
1959	6600	137	284
1960	6386	130	283

Now to construct a composite price index of these three commodities we must weight each of them according to their importance in the pattern of imports. Before we weight them in this manner the price series must be transformed into indices which are comparable with one another.

This can be done by transforming each price series to an index with a common base year 1947=100.

C. I. F. Price Index with Base Year 1947=100

Year	Motor Cars	Radios	Sewing Machines
1947	100	100	100
1948	86	87	144
1949	86	99	133
1950	91	57	171
1951	114	16	155
1952	128	11	133
1953	111	54	142
1954	111	51	173
1955	114	48	169
1956	118	47	171
1957	126	44	169
1958	136	43	177
1959	132	48	168
1960	128	45	167

The next problem is to weight these indices; we selected at random 3 sample years from each of the periods 1947—1951, 1952—1956, and 1957—1960 and found the values of the selected commodities imported during these years.

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Import Value (Rs. Million)			
Year	Motor Cars	Radios	Sewing Machines
1949	15.78	1.47	1.11
1953	30.23	3.63	5.45
1960	53.12	11.60	10.48
Average	33.0	5.6	5.7

From these figures we can obtain an estimate of the average annual import value of each of these commodities. We can now determine the weights to be given to each commodity in constructing the price index.

Commodity	Weight	
Motor Cars	$\frac{33.0}{33.0 + 5.6 + 5.7}$	= 0.745
Radios	$\frac{5.6}{44.3}$	= 0.126
Sewing Machines	$\frac{5.7}{44.3}$	= 0.129

The price index for consumer durable goods is then given by the price index of motor cars \times .745 + price index of radios \times .126 + price index of sewing machines \times .129.

Price Index of consumer durables with base year 1947=100

1947	100
1948	94
1949	94
1950	97
1951	107
1952	114
1953	108
1954	111
1955	113
1956	116
1957	121
1958	130
1959	126
1960	123

In a similar manner the price indices of the other categories of goods were calculated as follows :

Price Indices with base year 1947=100

Year	Food and Drink Essential	Food and Drink Luxury	Manufactured Consumer goods Essential	Manufactured Consumer goods Luxury
1947	100	100	100	100
1948	104	109	87	100
1949	108	132	70	97
1950	106	153	77	115
1951	121	161	94	125
1952	142	175	82	160
1953	134	175	72	121
1954	124	167	65	105
1955	111	166	67	126
1956	108	151	65	124
1957	115	151	73	130
1958	99	144	65	114
1959	101	143	66	178
1960	101	153	68	143

Once the price indices have been obtained in this manner, the problem of estimating the quantity indices is easily solved by dividing the value index of each category by its respective price index.

Quantity indices with base year 1947=100

Year	Food and Drink Essential	Food and Drink Luxury	Manufactured Consumer goods Essential	Manufactured Consumer goods Luxury	Consumer Durables
1947	100	100	100	100	100
1948	104	53	107	68	118
1949	101	35	144	89	113
1950	117	43	148	98	108
1951	117	68	160	137	234
1952	114	69	182	121	228
1953	122	69	168	155	211
1954	110	62	171	200	125
1955	114	66	188	149	190
1956	132	72	214	163	228
1957	129	91	200	185	238
1958	144	93	228	237	235
1959	158	127	233	193	334
1960	151	104	227	294	361

Analysing these figures it is clear that their most striking feature is the phenomenal increase in the imports of consumer durables. During the period under survey the index of imports of these commodities has increased from 100 in 1947 to 361 in 1960 an increase of over 250%. This increase is all the more remarkable since these by definition are goods which last for a considerable period of years. In the result consumer

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durables like the radio, sewing machine and even the motor car, purchased on easy credit terms and the instalment buying arrangements, came to occupy a more and more important place in the budget of many who could not really afford them. The fantastic levels to which these imports had risen can be seen in the figures relating to the imports of radios and sewing machines :

Imports of Radios and Sewing Machines (Numbers)

Year	Radios	Sewing Machines
1947	5,971	4,967
1948	4,006	4,033
1949	5,207	4,905
1950	13,423	4,815
1951	106,579	14,107
1952	141,088	22,921
1953	23,740	22,587
1954	21,358	13,847
1955	32,122	19,953
1956	47,623	26,055
1957	40,293	31,363
1958	50,522	32,696
1959	71,857	44,429
1960	90,784	37,385

We can proceed, similarly, to construct two quantity indices, one of the imports of all essential commodities and the other of all luxuries. Since we already have the total value of imports of each of these categories we need have only their respective price indices in order to estimate the quantity indices. The price index of essential commodities can be constructed by weighting the price indices of (1) Food and drink essential and (2) Consumer goods essential by the respective average annual import values of these two classes of goods. The price index of luxury commodities can be constructed from the price indices of (1) Food and drink luxury (2) Consumer goods luxury and (3) Consumer durable goods by weighting in a similar manner.

Average Annual Value of Imports (Rs. Million) 1947—1960

Food and drink Essential	Food and drink Luxury	Manufactured Consumer goods Essential	Manufactured Consumer goods Luxury	Consumer Durables
622.2	50.5	214.6	124.7	45.5

Price Indices

Year	Essential Goods	Luxury Goods
1947	100	100
1948	100	101
1949	98	104

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1950	99	120
1951	114	130
1952	127	154
1953	118	131
1954	109	120
1955	100	132
1956	97	129
1957	104	133
1958	90	124
1959	92	159
1960	93	141

The quantity indices then obtained by dividing the value of imports by their respective price indices, are as follows:

Quantity Indices with base year 1947=100

Year	Essential Commodities	Luxury Commodities
1947	100	100
1948	106	72
1949	110	73
1950	124	80
1951	128	125
1952	126	116
1953	130	131
1954	120	135
1955	128	126
1956	148	140
1957	143	160
1958	162	184
1959	175	189
1960	166	235

As we can see from the above figures the rate of increase of the imports of luxury commodities has been much greater than that of essential imports. If we compare the average imported in the years 1947—1949 with the average imports of the years 1958—1960, we see that the index of imports of essential goods has risen from 105.3 to 167.7 while luxury imports have increased from 81.7 to 202.7.

Volume of Imports

	Essential	Luxury
Average of 1947—1949	105.3	81.7
Average of 1958—1960	167.7	202.7
Percentage increase	59.3	148.1

Thus in the period 1947—'49 to 1958—'60 imports of essential commodities have increased by 59% while luxury imports have increased by nearly 148%. As was pointed out earlier the fact that the imports of essentials have been increasing rather slowly does not mean that the demand

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for them has reached an upper limit, nor does it mean that substitutes for these commodities were produced in this country. The Central Bank survey of Ceylon's consumer finances of 1953 and the Report of the Committee to revise the cost of living index in 1958 indicate that there are wide differences in the per capita consumption of essential commodities among the different income groups.

1953 Consumer Finance Survey Monthly Expenditure Rs. per Head

Income group of family	Rice	Sugar	Milk Products	Clothing	Estimated Percentage of population in each income group
0 — 50	3.82	1.02	.06	1.15	6.9
50 — 100	4.53	1.09	.05	1.65	28.0
100 — 200	6.38	1.48	.05	2.29	39.3
200 — 400	7.47	1.73	.10	3.42	19.2
400 — 800	9.30	2.56	.73	5.66	4.4
Over 800	9.12	2.72	2.28	9.18	2.2

The existence of these wide differences in the per capita consumption of essential commodities is adequate proof that the demand for these commodities would increase if there was a general increase in the incomes of the lower income groups. The increase by 59% of the quantity of imports of these essential commodities during the period 1947—'49 and 1958—'60 reflects mainly the increase in demand due to the growth of population from 6.657 million in 1946 to an estimated 9.651 in 1959, a percentage increase of nearly 45%. Therefore the increase in the quantity of these imports was not due to a significant increase in their per capita consumption. Thus although the living standard of the majority of the population was extremely low, the country has during this period made practically no attempt to curb the growing outflow of money on account of the import of luxuries, and money which could have been better spent on the development of industries to satisfy the basic requirements of the people have been frittered away aimlessly. The waste of national resources in the form of a foreign exchange outflow can be gauged by a comparison between the value of imports of consumer durables and the value of machinery imported during this period.

Value of Imports Rs. (Million)

Years	Machinery	Consumer durables
1947	11	20
1948	15	22
1949	21	21
1950	20	21
1951	30	49
1952	34	51

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1953	26	45
1954	22	27
1955	16	42
1956	29	52
1957	25	57
1958	46	60
1959	52	83
1960	38	87

It will be seen from the above figures that the value of imports of machinery during these years was consistently less than the value of consumer durable imports which itself was only a small fraction of the total value of luxury imports. Now any industrial development in this country in the present context, will depend principally on the imports of machinery. The insignificant place which these imports have so far occupied in the import structure of the country is a fair indication of the chief cause for the lack of growth of the economy. As we have shown above this is because a small proportion of the population has been living at levels which this country can ill afford. Thus planned economic development will automatically mean a tightening of belts and a curb on many types of imports. From this point of view the decision of the government to clamp down on the imports of luxury commodities, is an essential, if somewhat belated, step in the direction of economic development in a situation where low standards of living for the population as a whole are combined with an abnormally high rate of population growth.

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APPENDIX I

Detailed classification of commodities by classes.

Food and Drink (Luxury)

Live Animals, Chiefly for Food
Meat: Fresh, chilled, Canned or Frozen.
Milk Cream.
Butter.
Cheese and Curd.
Natural Honey.
Dairy Products.
Fish Live.
Fish Fresh.
Fish Frozen or Refrigerated.
Fish and Fish preparations, canned.
Barley.
Maize.
Cereals, other than Wheat and Rice.
Cereal preparations.
Fruits and Nuts.
Raisins, Currants etc.
Fresh Fruits.
Tinned and preserved fruits.
Candy.
Syrups.
Sugar Confectionery and other Sugar preparations.
Coffee.
Cocoa.
Chocolate and Chocolate Preparations.
Tea.
Margarine and Shortenings.
Food preparations N.E.S.
Non-Alcoholic Beverages.
Alcoholic Beverages.
Cigars.
Cigarettes.
Smoking Tobacco.
Snuff.
Vegetables preserved and vegetable preparations.

Food and Drink (Essentials)

Full Cream Condensed Milk.
Milk Foods.
Milk Powder—Full Cream.
Malted Milk.
Dried and Smoked Fish.
Wheat.
Rice.
Meal and Flour of Wheat.
Arecanuts.
Dates.
Tamarind.
Potatoes.
Beans, Peas, Lentils and other Legumes.
Betel leaves.
Becky leaves.
Onions.
Garlic.
Beet Sugar (refined or not)
Beet Sugar (other sorts)
Palm Sugar
Spices (all)
Beedy Tobacco.
Tobacco, unmanufactured (Other).
Beedies.

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Manufactured Consumer Goods (Luxury).

Cutlery.
 Photographic Films.
 Clocks.
 Watches.
 Clock-parts.
 Batteries (Wireless).
 Electric Cooking and heating apparatus.
 Electrical goods and apparatus N.E.S.
 Woollen and Worsted.
 Manufactures of Mixed Materials.
 Silk and Satin Manufactures.
 Manufactures of other Textile materials.
 Textile manufactures N.E.S.
 Apparel.
 Soaps.
 Varnish.
 Writing Paper.
 Boot Polish.
 Other Wax Polish.
 Stationery.
 Playing Cards.
 Spare Parts for Cars, Cycles and Scooters.
 Tyres, and Tubes (Motor Cars and Motor Cycles).
 Golf and Tennis Balls.
 Works of Art.
 Baskets, etc.
 Brooms and Brushes.
 Artificial dentures.
 Coins.
 Jewellery.
 Images.
 Imitation stones.
 Parts of musical instruments.
 Gramophone Parts.
 Painters' materials.
 Perfume.
 Pictures and Prints.
 Spirits Perfumed.
 Plastic goods.
 Sports and Athletic materials.
 Miscellaneous articles.
 Toys.
 Petroleum—motor cars and taxis.
 Drugs, patent medicines.
 Holloware (Household).
 Torch Bulbs.
 Batteries.
 Cotton Yarn and Manufactures.

Manufactured Consumer Goods (Essentials).

Kerosene Oil.
 Exercise Books.
 Cycles.
 Cycle tyres and tubes.
 Books.
 Cinematograph Films.
 Glass Beads and Bangles.
 Haberdashery.
 Lamps and Lanterns.
 Matches.
 Umbrellas.
 Duty Free Goods.
 Stationery.
 Artificial Silk.
 Petrol for omnibuses and motor wagons.

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Durable Consumer Goods.

Sewing Machines, Household.

Air Conditioning and Refrigerating Equipment.
Refrigerators, Electric, Gas or Mechanical.

Radio Receivers, Complete.

Radiograms, Complete.

Electric Fans, Complete.

Motors Cars.

Motor Cycles.

Gramophones and Phonographs Excluding
Radiograms.

Pianos, Automatic and non automatic.

Organs, Automatic and non Automatic.

Musical Instruments Complete—Other.