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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

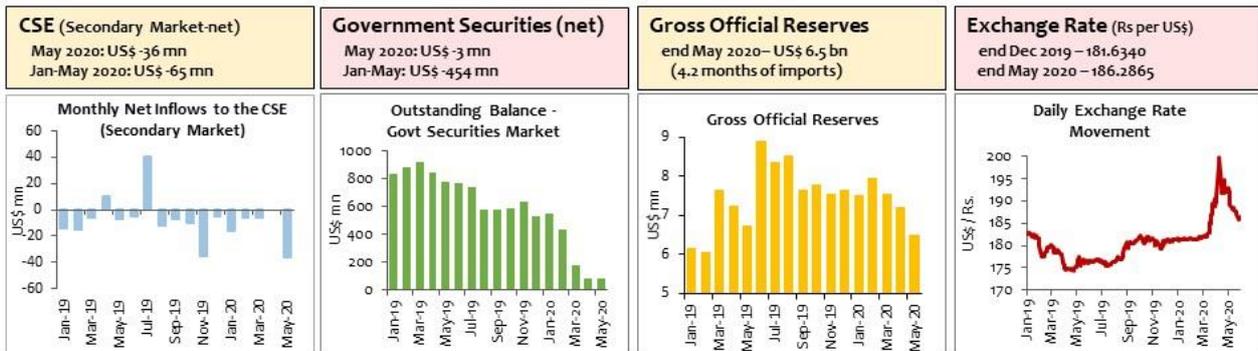
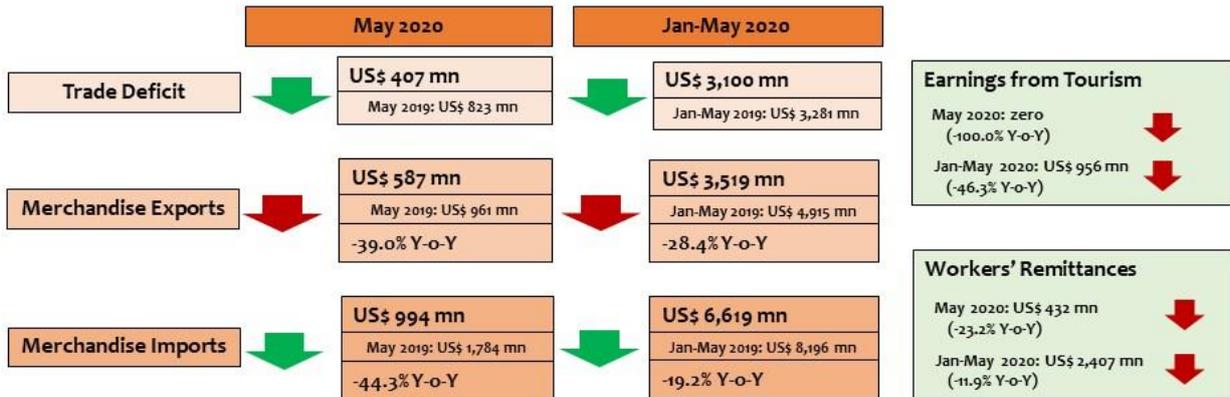
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Press Release

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External Sector Performance - May 2020

Highlights



The CBSL publishes a 'Monthly Trade Bulletin', with further information on merchandise trade performance, which can be viewed at Central Bank of Sri Lanka's website under Statistics > Economic Indicators > Monthly Trade Bulletin. <https://www.cbsl.gov.lk/en/monthly-trade-bulletin>

Overview

The external sector showed signs of stabilisation, with the removal of most lockdown measures in the second week of May 2020. The impact of restrictions on non essential imports was observed in May with a notable reduction in merchandise imports. Meanwhile, merchandise exports, which dropped significantly in April, rebounded more than expected during the month. Workers' remittances were significantly low in May 2020 compared to the same period in 2019, but recorded a notable increase compared to the extreme low levels recorded in April 2020. In relation to financial flows, the total exposure of foreign investment in the government securities market remained significantly low with a marginal outflow of government securities being recorded in May. With the resumption of trading in the Colombo Stock Exchange (CSE) in mid May 2020, there were some outflows of foreign investment. The Sri Lankan rupee stabilised, mainly aided by an improved trade deficit, recording an appreciation of 3.5 per cent during the month of May.

Table 1: Summary of External Sector Performance (a)

Category	May 2019 US\$ mn	May 2020 US\$ mn	Change (%)	Jan-May 2019 US\$ mn	Jan-May 2020 US\$ mn	Change (%)
Exports	961	587	-39.0	4,915	3,519	-28.4
Imports	1,784	994	-44.3	8,196	6,619	-19.2
Trade balance (net)	-823	-407		-3,281	-3,100	
Earnings from tourism	71 (b)	-	-100.0	1,782 (b)	956 (c)	-46.3
Workers' remittances	562	432	-23.2	2,733	2,407	-11.9
Inflows to the CSE (net) (d)	4	-36		-20	-64	
Inflows to the Government (gross)	141	111		3,380	1,072	
Treasury bills and bonds	60	2		327	86	
Long term loans	81	109		653	985	
International Sovereign Bonds	-	-		2,400	-	
Foreign Direct Investment (e)				255	192	
Overall Balance				-127	-797	

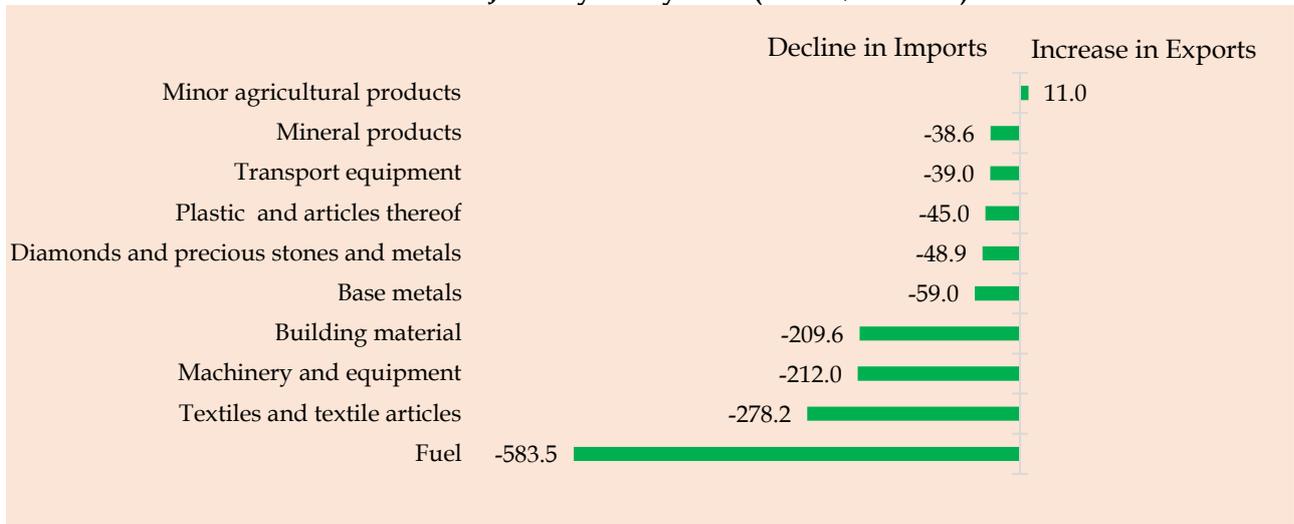
Sources: Sri Lanka Customs (SLC), Sri Lanka Tourism Development Authority (SLTDA), Colombo Stock Exchange (CSE), Board of Investment of Sri Lanka (BOI), Central Bank of Sri Lanka (CBSL)

- (a) Provisional
- (b) Revised, based on survey results of SLTDA on average stay period and average spending per day estimates for 2019
- (c) This provisional estimate may be revised once SLTDA releases its survey results for 2020
- (d) Include secondary and primary transactions
- (e) Data available for the first three months of each period and includes foreign loans to Direct Investment Enterprises as recorded by the BOI and net direct investment to the CSE

Trade Balance and Terms of Trade

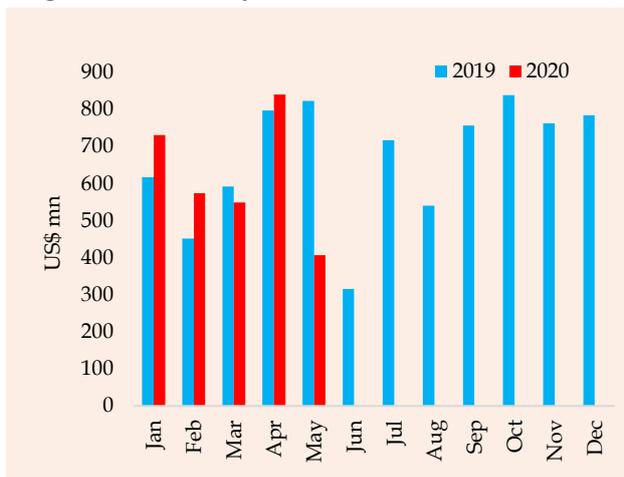
- The **deficit in the trade account** narrowed by US dollars 416 million in May 2020 to US dollars 407 million, from US dollars 823 million in May 2019, as the decline in imports exceeded the decline in exports. Also, on a cumulative basis, the trade deficit narrowed by US dollars 180 million to US dollars 3,100 million during the first five months of 2020 from US dollars 3,281 million in the corresponding period of 2019. Major contributory factors for the decline in the trade deficit during first five months of 2020 are depicted in Figure 1.
- Meanwhile, **terms of trade**, i.e., the ratio of the price of exports to the price of imports, improved by 20.6 per cent (year-on-year) in May 2020 with prices of exports having increased while prices of imports declining.

Figure 1: Major Contributory Factors for the Decline in the Trade Deficit in January - May 2020 (in US\$ million)



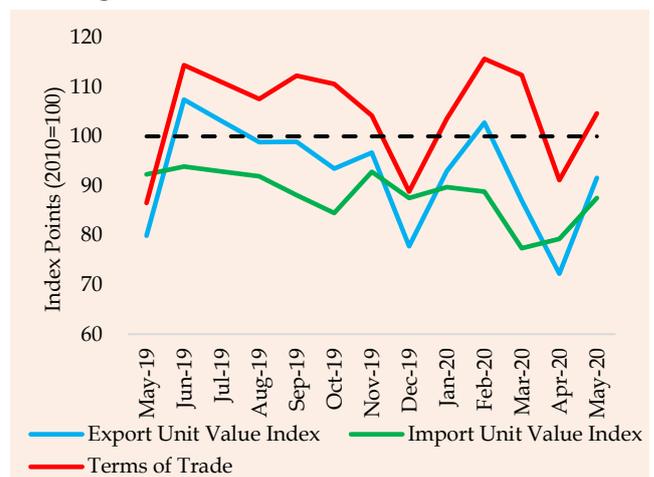
Sources: SLC, CBSL

Figure 2: Monthly Trade Deficit (2019 - 2020)



Sources: SLC, CBSL

Figure 3: Terms of Trade (2019 - 2020)



Source: CBSL

Performance of Merchandise Exports

- Earnings from **merchandise exports** rebounded in May 2020 to US dollars 587 million, with the export sector gradually resuming activities following the relaxation of lockdown measures and the recovery of both domestic and global supply and demand chains to some extent. Earnings in May 2020 were more than twice the value recorded in April 2020. However, in comparison to May 2019, earnings from merchandise exports declined significantly by 39.0 per cent.
- Earnings from the three major export sectors declined on a year-on-year basis, with industrial exports declining the most and agricultural and mineral exports declining at a slower pace. Major exports such as textiles and garments, rubber products, petroleum products, food, beverages and tobacco declined in May 2020, though earnings from these sectors recovered to about one half of the monthly average value reported in 2019. However, led by a higher demand for personal protective equipment (PPE) such as face masks, protective suits, surgical gloves, etc., earnings from exports of other made up articles (categorised under textiles and garments) and surgical and other gloves (categorised under rubber products) grew significantly. Meanwhile, earnings from agricultural exports declined, led by lower volumes of tea exports due to lower domestic production, despite higher average export prices for tea recorded in the international market. Earnings from coconut exports declined, led by lower volumes of coconut kernel products, though exports of non-kernel products increased. Exports of minor agricultural products improved in May 2020 mainly led by the export of arecanuts.
- The export volume index declined by 46.8 per cent while the unit value index improved by 14.8 per cent in May 2020, indicating that the decline in exports was driven entirely by lower volumes, compared to May 2019.

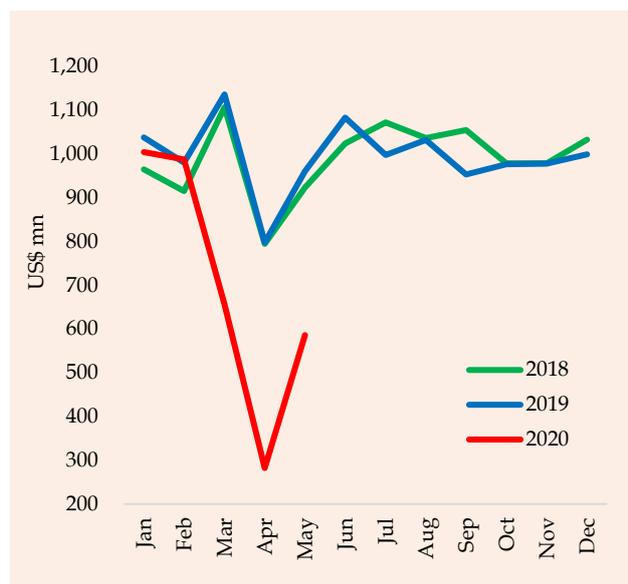
Table 2: Earnings from Merchandise Exports (a)

Category	May 2019 (US\$ mn)	May 2020 (US\$ mn)	Change (%)	Jan- May 2019 (US\$ mn)	Jan- May 2020 (US\$ mn)	Change (%)
1. Industrial exports	741.3	401.0	-45.9	3,853.2	2,695.8	-30.0
Food, beverages and tobacco	37.2	29.3	-21.3	202.3	156.1	-22.8
Animal fodder	11.0	8.2	-25.3	51.4	37.9	-26.1
Textiles and garments	424.2	220.1	-48.1	2,256.0	1,540.2	-31.7
o/w Garments	391.6	189.1	-51.7	2,098.5	1,411.2	-32.8
Textiles	23.3	15.0	-35.5	114.6	85.1	-25.8
Other made up textile articles	9.4	16.0	69.9	42.9	44.0	2.5
Rubber products	77.2	49.4	-36.1	363.1	269.7	-25.7
Gems, diamonds and jewellery	24.8	6.8	-72.4	131.1	61.6	-53.0
Machinery and mechanical appliances	38.1	20.8	-45.3	172.2	116.3	-32.5
Transport equipment	7.0	4.1	-41.9	39.7	23.2	-41.5
Petroleum products	39.5	10.6	-73.1	206.4	202.8	-1.8
Chemical products	15.3	13.9	-9.4	72.4	59.3	-18.1
Wood and paper products	11.0	7.1	-35.5	59.9	36.4	-39.3
Printing industry products	1.9	1.4	-26.2	21.4	13.1	-38.6
Leather, travel goods and footwear	8.4	2.6	-68.8	49.2	20.2	-58.8
Plastics and articles thereof	5.8	3.5	-39.8	30.3	19.8	-34.7
Base metals and articles	17.5	8.1	-53.8	76.9	45.8	-40.4
Ceramic products	2.1	1.2	-41.7	11.3	7.6	-32.1
Other industrial exports	20.2	13.8	-31.7	109.7	85.6	-21.9
2. Agricultural exports	215.9	183.0	-15.2	1,040.6	809.8	-22.2
Tea	125.6	108.3	-13.8	571.8	456.7	-20.1
Rubber	2.4	1.8	-24.0	13.3	10.6	-20.3
Coconut	32.2	27.9	-13.6	143.9	112.6	-21.8
Spices	22.6	19.3	-14.9	119.1	82.4	-30.8
Vegetables	2.8	1.9	-33.7	13.6	9.9	-27.2
Unmanufactured tobacco	2.6	2.2	-15.1	13.0	8.2	-37.0
Minor agricultural products	9.1	10.2	11.9	43.7	54.7	25.1
Seafood	18.6	11.5	-38.0	122.2	74.8	-38.8
3. Mineral exports	2.6	2.2	-12.2	13.9	8.1	-41.7
4. Unclassified exports	1.3	0.5	-63.7	7.6	4.9	-35.4
Total exports	961.0	586.7	-39.0	4,915.3	3,518.7	-28.4

(a) Provisional

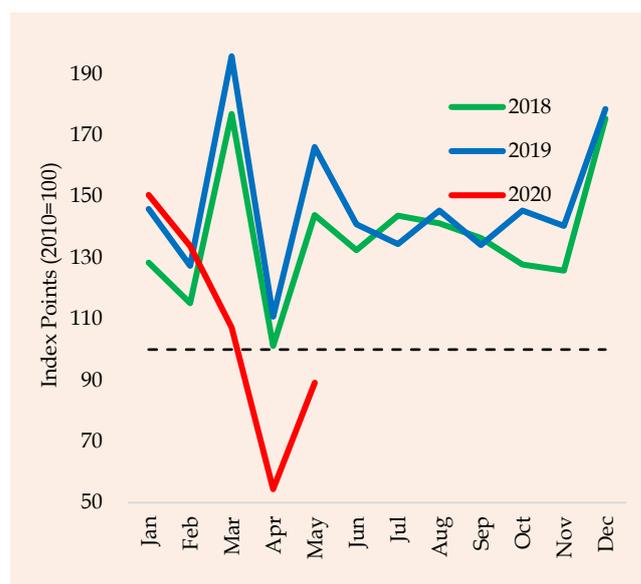
Sources: SLC, National Gem and Jewellery Authority (NGJA), Ceylon Petroleum Corporation (CPC) and Other Exporters of Petroleum, CBSL

Figure 4: Monthly Export Performance



Sources: SLC, CBSL

Figure 5: Export Volume Index



Source: CBSL

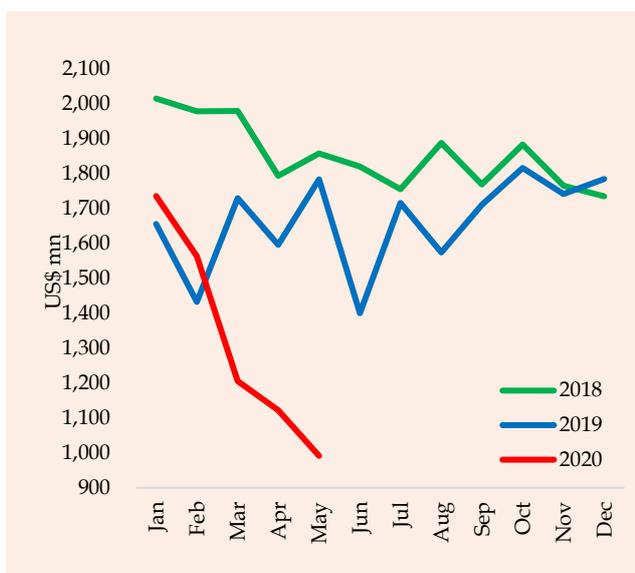
Performance of Merchandise Imports

- Expenditure on **merchandise imports** declined notably by 44.3 per cent, on a year-on-year basis, to US dollars 994 million in May 2020, recording a monthly expenditure of less than US dollars 1 billion for the first time since March 2010. Expenditure on all major import sectors; consumer, intermediate and investment goods, declined in May 2020. This reduction was mainly attributable to the measures taken by the government and the Central Bank since March 2020 to restrict the importation of selected goods aiming at easing the pressure on the exchange rate and international reserves from the adverse effects created by the pandemic.
- Driven by lower expenditure on fuel imports, the expenditure on intermediate goods declined the most, followed by investment and consumer goods. The factors that accounted for the decline in expenditure on fuel include the decline in import prices of crude oil and refined petroleum in the international market, and the reduction in import volumes due to the decline in domestic demand for fuel. The average import price of crude oil was US dollars 25.44 per barrel in May 2020, compared to US dollars 74.76 per barrel a year ago. Expenditure on imports of textile and textile articles declined significantly in May 2020, amid global supply chain disruptions as well as low demand prospects for garment exports in the period ahead. Import expenditure on other intermediate goods such as base metals, plastic and articles thereof, all sub categories

of investment goods and non-food consumer goods imports declined mainly due to the measures taken by the government and the Central Bank since March 2020 to restrict imports, and the disruptions to global supply chains from the COVID-19 pandemic. Import expenditure on food and beverages also declined, although at a slower pace, led by the decline in seafood, sugar, beverages and fruits that offset the higher imports of essential goods such as vegetables (mainly lentils and red onion), spices (mainly chillies) and dairy products (mainly milk powder).

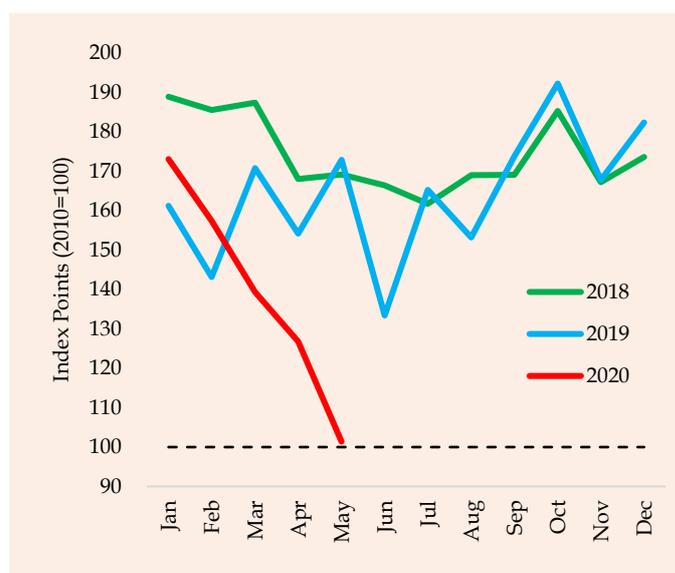
- Both the import volume index and the unit value index declined by 41.6 per cent and 4.8 per cent, respectively, in May 2020, indicating that the decrease in imports was a result of both lower volumes and lower prices relative to May 2019.

Figure 6: Monthly Import Performance



Sources: SLC, CBSL

Figure 7: Import Volume Index



Source: CBSL

Table 3: Expenditure on Merchandise Imports (a)

Category	May 2019 (US\$ mn)	May 2020 (US\$ mn)	Change (%)	Jan-May 2019 (US\$ mn)	Jan-May 2020 (US\$ mn)	Change (%)
1. Consumer goods	332.5	264.4	-20.5	1,552.9	1,533.0	-1.3
Food and beverages	134.8	122.1	-9.4	592.3	685.4	15.7
Cereals and milling industry products	2.4	1.8	-22.6	14.2	15.7	10.7
Dairy products	30.3	36.0	18.7	134.2	160.1	19.3
Vegetables	25.5	30.3	18.8	118.1	175.9	49.0
Seafood	25.9	19.5	-24.5	92.2	84.9	-7.9
Sugar and confectionery	21.0	15.1	-27.9	85.1	103.5	21.6
Spices	7.6	9.6	25.7	44.1	59.8	35.5
Other food and beverages	22.2	9.8	-55.9	104.4	85.6	-18.1
Non-food consumer goods	197.7	142.3	-28.0	960.7	847.6	-11.8
Personal vehicles	58.7	47.5	-19.1	276.0	264.2	-4.3
Medical and pharmaceuticals	49.2	49.0	-0.4	210.8	213.8	1.4
Home appliances	13.6	10.2	-25.2	85.3	76.7	-10.1
Clothing and accessories	20.9	8.1	-60.9	115.8	93.5	-19.3
Telecommunication devices	16.7	9.0	-46.2	100.9	72.0	-28.6
Household and furniture items	14.4	8.9	-38.1	63.1	57.2	-9.3
Other non-food consumables	24.2	9.6	-60.5	108.7	70.2	-35.4
2. Intermediate goods	1,047.0	486.3	-53.6	4,703.8	3,602.0	-23.4
Fuel	402.8	62.9	-84.4	1,716.4	1,133.0	-34.0
o/w Crude oil	105.6	15.4	-85.4	398.8	224.6	-43.7
Refined petroleum	294.1	47.5	-83.9	1,192.5	782.0	-34.4
Coal	3.1	0.0	-99.9	125.2	126.3	0.9
Diamonds, precious stones and metals	16.6	5.1	-69.3	81.2	32.3	-60.3
Textiles and textile articles	260.6	121.0	-53.6	1,168.2	889.9	-23.8
Paper and paperboard and articles thereof	43.1	29.2	-32.4	179.7	149.2	-17.0
Agricultural inputs	18.8	16.7	-11.3	80.6	86.0	6.7
Wheat and maize	23.9	39.8	66.8	110.7	128.7	16.3
Base metals	44.0	20.8	-52.6	216.7	157.7	-27.2
Plastic and articles thereof	53.7	31.5	-41.4	244.4	199.4	-18.4
Chemical products	76.3	60.5	-20.7	350.1	316.0	-9.8
Fertiliser	10.6	29.8	180.3	85.2	84.8	-0.5
Rubber and articles thereof	23.6	15.9	-32.6	92.5	96.5	4.3
Mineral products	13.2	7.7	-41.8	98.7	60.1	-39.1
Other intermediate goods	59.7	45.4	-24.0	279.4	268.5	-3.9
3. Investment goods	403.7	240.9	-40.3	1,936.6	1,474.3	-23.9
Machinery and equipment	206.8	158.1	-23.6	1,055.6	843.6	-20.1
Building material	149.8	57.8	-61.4	626.8	417.2	-33.4
Transport equipment	46.4	24.8	-46.5	251.3	212.3	-15.5
Other investment goods	0.7	0.1	-80.0	2.9	1.2	-59.3
4. Unclassified imports	0.4	2.2	443.4	2.8	9.9	247.4
Total imports	1,783.7	993.8	-44.3	8,196.2	6,619.1	-19.2
Non-fuel imports	1,380.9	930.9	-32.6	6,479.7	5,486.2	-15.3

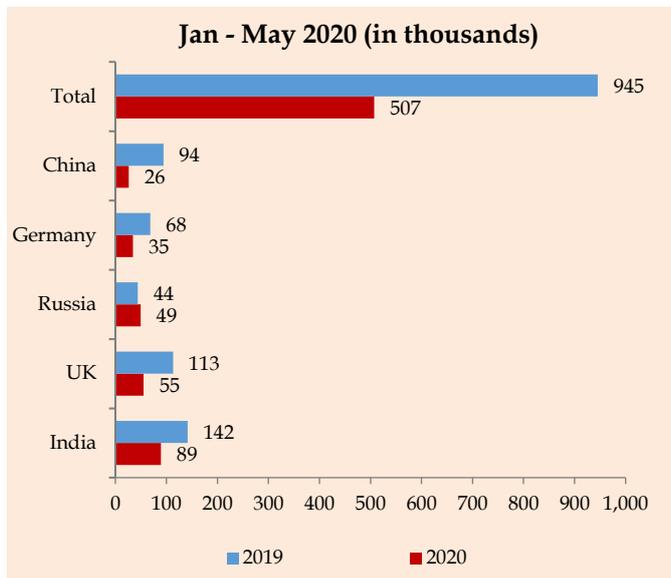
(a) Provisional

Sources: SLC, CPC, Lanka IOC PLC, CBSL

Other Major Inflows to the Current Account

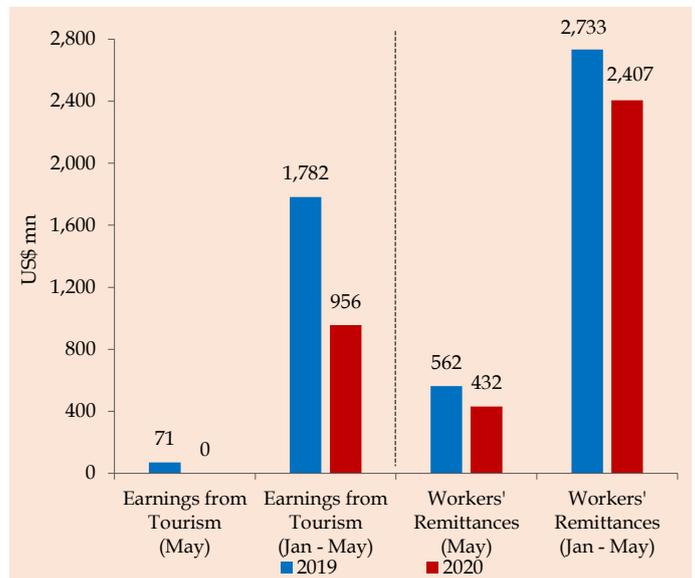
- No **tourist arrival** was recorded in May 2020 with the suspension of all passenger flights and ship movements to Sri Lanka from mid-March 2020 due to the outbreak of COVID-19, and cumulative tourist arrivals remained at 507,311 during the first five months of 2020, compared to 945,377 arrivals recorded during the corresponding period in 2019.
- Accordingly, cumulative **earnings from tourism**, which are estimated based on tourist arrivals, remained at US dollars 956 million during the first five months of 2020, recording a drop of 46.3 per cent from the corresponding period of 2019.
- Meanwhile, **workers' remittances** declined by 23.2 per cent in May 2020, year-on-year, to US dollars 432 million. On a cumulative basis, workers' remittances recorded a decline of 11.9 per cent to US dollars 2,407 million during the first five months of 2020, in comparison to the corresponding period of 2019.

Figure 8: Top Five Countries of Tourist Arrivals



Source: SLTDA

Figure 9: Tourism and Workers' Remittances



Sources: SLTDA, Licensed Banks, CBSL

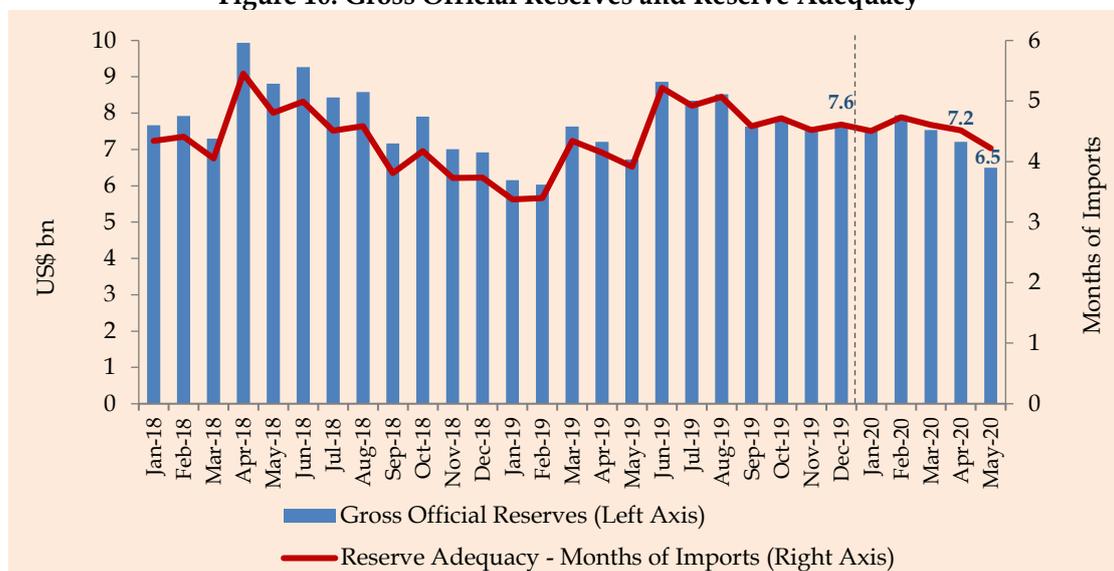
Financial Flows

- A net outflow of foreign investment amounting to US dollars 3 million was recorded from the rupee denominated **government securities** market in May 2020, resulting in a cumulative net outflow of US dollars 454 million during the first five months of 2020. The total outstanding exposure of foreign investment in the government securities market remains significantly low at US dollars 126 million as at end May 2020.
- There were net outflows of US dollars 36 million from the secondary market of the CSE in May 2020 (no primary market inflows were recorded in May 2020), subsequent to the resumption of trading at CSE from 11 May 2020. On a cumulative basis, the CSE recorded a net outflow of US dollars 64 million in the first five months of 2020.
- Further, net outflows on account of **long term loans** to the government amounted to US dollars 313 million in May 2020, mainly due to the repayment of a syndicated loan of US dollars 333 million.

International Reserves

- **Gross official reserves** stood at US dollars 6.5 billion at end May 2020, equivalent to 4.2 months of imports. Total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 9.2 billion at end May 2020, equivalent to 6.0 months of imports.

Figure 10: Gross Official Reserves and Reserve Adequacy



Source: CBSL

Exchange Rate Movements

- The Sri Lankan rupee recorded a significant appreciation during the month of May 2020. In this context, the rupee which depreciated by 9.1 per cent against the US dollar by 09 April 2020, appreciated thereafter to record an overall depreciation of 2.3 per cent thus far during the year up to 13 July 2020. Reflecting cross-currency movements, the rupee depreciated against the euro, the Japanese yen and the Australian dollar, while appreciating against the pound sterling and the Indian rupee during the year up to 13 July 2020.

Figure 11: Movement of the Sri Lankan rupee against the US dollar



Source: CBSL

Table 4: Movement of the Sri Lankan rupee against Selected Currencies

Currency	2018	2019	2020 (up to 13 July) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+0.6%	-2.3%
Euro	-12.7%	+2.6%	-3.2%
Pound sterling	-11.4%	-2.8%	+1.4%
Japanese yen	-18.1%	-1.0%	-3.9%
Australian dollar	-7.6%	+1.3%	-1.8%
Indian rupee	-8.7%	+2.6%	+3.0%

Source: CBSL