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CENTRAL BANK OF SRI LANKA

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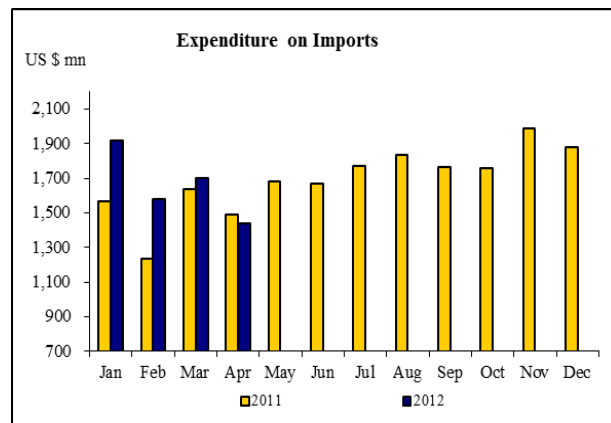
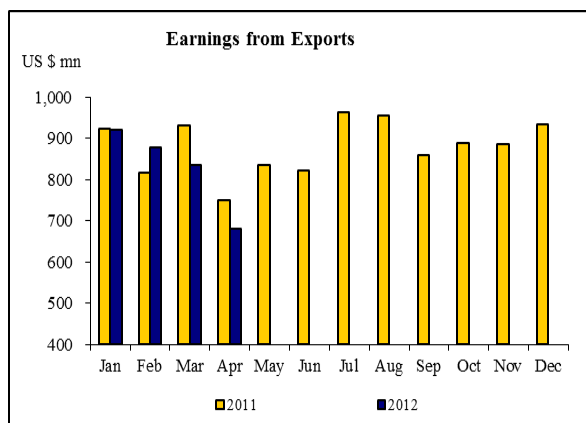
# Press Release

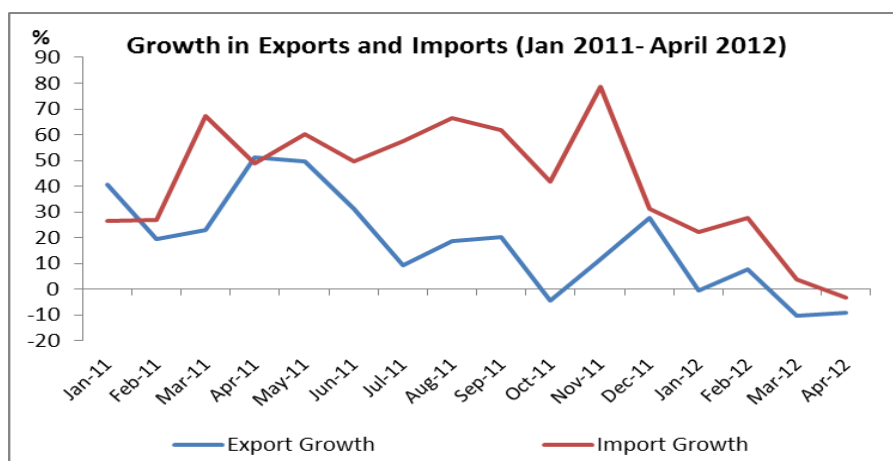
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## External Sector Performance – April 2012

Responding to the policy measures taken in the first quarter of 2012, expenditure on imports recorded its first full month decline in April 2012. Expenditure on imports recorded a year-on-year decline of 3.3 per cent to US dollars 1,441 million in April 2012, for the first time in 25 months. Earnings from exports recorded a year-on-year decline of 9.2 per cent to US dollars 680 million in April 2012 largely due to lower international market prices for several major export items. The trade deficit for the month of April 2012 grew moderately by 2.6 per cent, year-on-year, to US dollars 761 million, decelerating at a rapid pace for the third consecutive month, and recording the lowest increase in 17 months.





Expenditure on imports declined in April 2012 driven by reductions in both consumer goods and intermediate goods. Expenditure on consumer good imports declined by 12.9 per cent in April 2012, reflecting a decline in expenditure on most food and non-food consumer good categories. In the food category, import expenditure on vegetables and spices declined significantly. With respect to imports of non-food consumer goods, expenditure on personal motor vehicle imports declined by 20.8 per cent in April 2012 to US dollars 56 million. Expenditure on medical and pharmaceuticals, household and furniture items and home appliances also declined. Rubber products and clothing and accessories grew by 19.7 per cent and 15.2 per cent, respectively in April 2012. The decline in intermediate goods imports in April 2012 was driven by textiles and textile articles (6 per cent decline), on the back of lower cotton prices. Expenditure on chemical products, diamonds and precious stones, fertilizer and wheat and maize also contributed to this decline. Although import volumes of both crude oil and refined petroleum products declined in April 2012, expenditure on petroleum imports increased in April 2012 by 7.5 per cent, reflecting an increase in the average crude oil import price to US dollars 121.21 per barrel from US dollars 119.45 per barrel in April 2011 and higher prices of refined products. Imports of investment goods increased by 19.6 per cent, year-on-year, in April 2012. The higher expenditure was recorded for all three major categories of investment goods, namely, machinery and equipment, transport equipment and building materials.

Earnings from industrial exports declined by 8.7 per cent to US dollars 520 million in April 2012 led by lower earnings from exports of textiles and garments, mainly reflecting the lower international cotton prices. Exports of petroleum products and food and beverages also declined in April 2012. Industrial exports of animal fodder, rubber products and transport equipment recorded increase in April 2012. Agricultural exports declined by 15.2 per cent to US dollars 150 million, mainly due to lower earnings from tea, rubber and coconut resulting from lower prices in the international market. Earnings from rubber exports were also partly affected by the lower export volumes due to the higher utilization of rubber for manufacturing while the dip in coconut export

earnings was particularly due to lower prices despite the higher export volumes. However, earnings from exports of seafood and unmanufactured tobacco increased by 15 per cent and 1.3 per cent, respectively in April 2012. Among the minor agricultural exports, earnings from cocoa and cereals increased in April 2012.

In cumulative terms, expenditure on imports grew moderately by 11.9 per cent to US dollars 6,634 million in the first four months of 2012. This reflected 34.3 per cent increase in expenditure on petroleum imports (US dollars 1,792 million) and 40.5 per cent increase in investment good imports (US dollars 1,657 million). Meanwhile earnings from exports declined by 3.1 per cent (US dollars 3,314 million) mainly due to 2.8 per cent decline in earnings from textiles and garments exports (US dollars 1,323 million) and 11.7 per cent decline in earnings from tea exports (US dollars 421 million).

In the meantime, tourist arrivals in April 2012 increased by 9 per cent to 69,591, with arrivals during the first four months of 2012 amounting to 330,116, reflecting a growth of 18.3 per cent. Earnings from tourism in April 2012 grew at a healthy rate of 15.8 per cent to US dollars 72 million compared to the corresponding month of 2011 and by 25.7 per cent during the first four months of 2012 to US dollars 340 million. Workers' remittances amounted to US dollars 475 million in April 2012, recording a year-on-year growth of 14.5 per cent compared to US dollars 415 million in April 2011. Cumulative inflows on account of workers' remittances amounted to US dollars 1,968 million during the first four months of 2012, recording an increase of 16.6 per cent.

In relation to the Capital and Financial Account of the Balance of Payments (BOP), as per information available so far, inflows of FDI amounted to US dollars 313 million by end May 2012. Portfolio investments to the Colombo Stock Exchange (CSE) also increased significantly to US dollars 182 million, on a net basis, by end May 2012. In addition, foreign inflows to commercial banks, both long-term and short-term, increased to US dollars 1,267 million by end May 2012. A significant increase has also been shown in foreign investments in Government securities, with net inflows to treasury bills and bonds recording US dollars 496 million by end May 2012. Further, net long-term inflows to the Government amounted to US dollars 176 million during the first quarter of 2012 while more inflows are expected to materialize during the latter part of the year.

In keeping with the above developments, by end April 2012, gross official reserves amounted to US dollars 5,835 million, whereas total international reserves, which include gross official reserves and foreign assets of commercial banks amounted to US dollars 7,258 million. In terms of months of imports, gross official reserves and total international reserves by end April 2012 were equivalent to 3.3 months and 4.2 months, respectively.

The performance of the external sector for the period under consideration is further illustrated in the table,

Category	April 2011 US\$ mn (a)	April. 2012 US\$ mn (b)	Growth April (per cent)	Jan. - Apr. 2011 US\$ mn (a)	Jan. - Apr. 2012 US\$ mn (b)	Growth - Jan. - Apr. (per cent)
<b>Exports</b>	<b>748.6</b>	<b>680.1</b>	<b>-9.2</b>	<b>3,419.4</b>	<b>3,313.8</b>	<b>-3.1</b>
Agricultural	176.4	149.6	-15.2	815.9	719.6	-11.8
of which, tea	97.7	88.7	-9.3	476.8	421.1	-11.7
Industrial	569.2	520.0	-8.7	2,588.7	2,477.6	-4.3
of which, Textiles and garments	302.2	295.5	-2.2	1,361.6	1,323.0	-2.8
Rubber products	54.9	57.9	5.5	258.1	289.8	12.3
Food, beverages and tobacco	21.1	19.5	-7.4	105.1	89.6	-14.8
Mineral	2.2	9.9	348.0	11.9	24.1	102.9
<b>Imports</b>	<b>1,490.3</b>	<b>1,441.0</b>	<b>-3.3</b>	<b>5,928.2</b>	<b>6,633.6</b>	<b>11.9</b>
Consumer Goods	278.0	242.0	-12.9	1,179.6	1,115.1	-5.5
of which, Food and beverages	117.7	96.0	-18.4	548.7	463.0	-15.6
Other consumer goods	160.3	145.9	-9.0	630.9	652.0	3.3
Intermediate Goods	908.2	839.1	-7.6	3,552.1	3,849.1	8.4
of which, Petroleum	336.9	362.2	7.5	1,333.6	1,791.5	34.3
Textile and textile articles	194.0	182.3	-6.0	754.1	709.3	-5.9
Investment Goods	300.3	359.0	19.6	1,179.6	1,657.3	40.5
of which, Machinery and equipment	158.7	184.5	16.2	601.3	755.5	25.6
Transport equipment	64.8	82.5	27.5	275.8	482.2	74.9
Building material	76.4	91.8	20.2	301.3	418.2	38.8
<b>Balance of Trade</b>	<b>-741.7</b>	<b>-761.0</b>	<b>2.6</b>	<b>-2,508.9</b>	<b>-3,319.9</b>	<b>32.3</b>
Workers' Remittances	414.8	475.2	14.5	1,688.5	1,968.1	16.6
FDI (c)	-	-	-	226.0	238.0	5.3
Portfolio Investments (Net) (d)	4.5	10.4	133.3	-59.7	182.0	404.7
Commercial Bank Foreign inflows	165.0	299.0	81.2	549.0	1,078.0	96.4
Earnings from Tourism	61.9	71.7	15.8	270.6	340.0	25.7
Inflows to the Government	368.5	343.4	-6.8	727.3	1,162.5	59.8

(a) Revised.

(b) Provisional.

(c) FDI inflows (including loans) are recorded on a quarterly basis.

(d) Net Portfolio investments are recorded for May and cumulative figures are for January to May of respective years.

Sources: Central Bank of Sri Lanka and Sri Lanka Customs