ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department
30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.
Tel : 2477424, 2477423, 2477311
Fax: 2346257, 2477739
E-mail: dcommunications@cbsl.lk, communications@cbsl.lk
Web: www.cbsl.gov.lk

Press Release

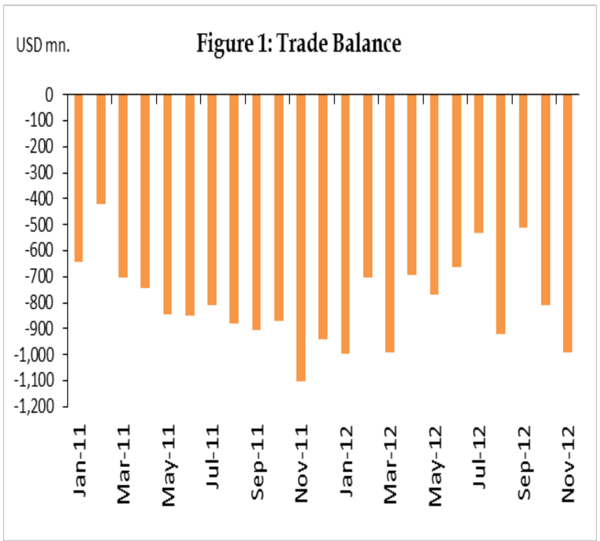
Issued By Economic Research Department
Date 28.12.2012

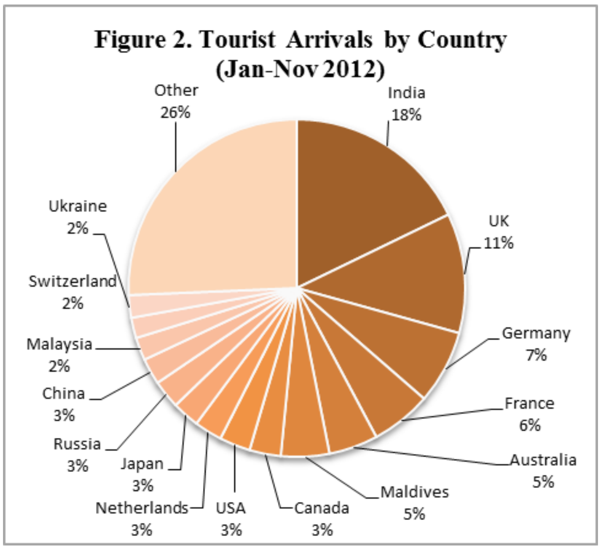
External Sector Performance – November 2012

The declining trend in imports continued into November 2012, given the continued reduction in expenditure on imports of items such as gold, vehicles, and transport equipment, which have largely driven the decrease in import expenditure in recent months. Export earnings also recorded a further drop in November 2012, with subdued global economic conditions persisting. However, reflecting seasonal demand, earnings from exports of items such as garments, tea, gems and jewellery as well as leather, travel goods and footwear recorded positive growth for November 2012. Following these developments, the cumulative deficit in the trade account of the balance of payments recorded a year-on-year decline for the first eleven months of 2012, having steadily declined since April this year.

Expenditure on imports declined across all major categories of imports. Expenditure on consumer goods declined in November 2012 as import expenditure in relation to both food and non-food items declined. Import expenditure on intermediate goods declined marginally by 0.3 per cent, year-on-year, in November 2012, despite an increase in expenditure on imports of fuel and textiles, which together usually account for more than a third of the total import bill. Lower import expenditure in relation to gold and fertilizer mainly drove the decline in import expenditure in respect of intermediate goods. Meanwhile, lower expenditure on imports of machinery and equipment as well as transport equipment resulted in the investment goods category recording a year-on-year decline in import expenditure in November 2012.

With respect to exports, tea exports fetched favourable prices this year and therefore helped buoy export earnings. With earnings from exports of other categories of agricultural exports declining however, earnings from agricultural exports recorded a drop in November 2012, on a year-on-year basis. Industrial exports continued to record a decline on a year-on-year basis since March this year. However, with imports of textiles recording a growth in November, exports of garments are likely to record favourable performance in the ensuing months too, thus helping moderate the decline in export earnings observed in recent months.





With respect to the services account and current transfers in the BOP, earnings from tourism and workers' remittances continued to grow at a healthy rate. Tourist arrivals in November 2012 increased by 20.1 per cent to 109,202, with arrivals during the first eleven months of 2012 totalling 883,353 reflecting a growth of 16.5 per cent. Earnings from tourism in November 2012 grew at a healthy rate of 30.1 per cent compared to the corresponding month of 2011, to US dollars 114.7 million. Earnings from tourism during the first eleven months of 2012 increased by 23 per cent year-on-year to US dollars 905.3 million. With the record high earnings from tourism in November 2012, and similar expectations for December 2012, earnings from tourism in 2012 are expected to be well above the level recorded for 2011, with tourist arrivals expected to be in the proximity of 1 million. Inflows on account of workers' remittances increased at a rate of more than 12.7 per cent, year-on-year, in November 2012. For the first eleven months of 2012, workers' remittances recorded a growth of 17.1 per cent, year-on-year, and amounted to US dollars 5,432 million. Higher inflows in terms of tourism earnings and workers' remittances are expected to increase foreign exchange liquidity in the market, thereby strengthening the external value of the rupee.

Meanwhile, substantial foreign currency inflows have been recorded in the capital and financial account of the BOP during the first eleven months of 2012. Foreign investments at the Colombo Stock Exchange (CSE) increased to US dollars 280 million, on a net basis, by end November 2012, while there has been a significant increase in foreign investments in Government securities, with net inflows to Treasury bills and Treasury bonds during the first eleven months of 2012 amounting to US dollars 833 million. Meanwhile, long-term loans obtained by the government during the first ten months of 2012 amounted to US dollars 2,614 million. In addition, long-term borrowings by commercial banks during January-November 2012 amounted to US dollars 973 million. Foreign Direct Investment (FDI), including foreign loans obtained by BOI companies, amounted to US dollars 615 million for the first nine months of 2012, and more inflows are expected to have materialised during the remainder of the year.

Gross official reserves amounted to US dollars 6,490 million by end November 2012, while total international reserves, which include gross official reserves and foreign assets of commercial banks, amounted to US dollars 8,059 million. In terms of months of imports, gross official reserves were equivalent to 4.1 months of imports by end November 2012, while total reserves were equivalent to 5 months of imports.

Table 1. A Summary of External Sector Performance – November 2012 (a)

Category	November 2011 US$ mn	November 2012 US$ mn	Growth November (%)	Jan. – Nov. 2011 US$ mn	Jan. – Nov. 2012 US$ mn	Growth Jan. – Nov. (%)
Exports	**885.8**	**827.6**	**-6.6**	**9,625.4**	**8,991.4**	**-6.6**
Of which						
Agricultural Products	206.7	190.2	-8.0	2,316.6	2,114.1	-8.7
of which,						
Tea	125.2	126.0	0.6	1,357.9	1,273.6	-6.2
Industrial Products	676.1	632.8	-6.4	7,271.8	6,727.5	-7.5
of which,						
Textiles and garments	347.7	363.9	4.6	3,809.1	3,633.3	-4.6
Rubber products	75.8	75.5	-0.4	804.3	782.7	-2.7
Food, beverages and tobacco	27.6	31.0	12.0	316.5	263.2	-16.8
Mineral Products	2.4	3.7	58.3	31.0	52.0	68.1
Imports	**1,986.4**	**1,820.5**	**-8.4**	**18,393.0**	**17,574.3**	**-4.5**
Of which						
Consumer Goods	330.9	235.5	-28.8	3,328.3	2,755.0	-17.2
of which,						
Food and beverages	137.5	98.2	-28.6	1,434.5	1,192.3	-16.9
Other consumer goods	193.5	137.3	-29.0	1,893.9	1,562.7	-17.5
Intermediate Goods	1,179.0	1,175.3	-0.3	11,114.9	10,701.6	-3.7
of which,						
Petroleum	489.6	581.3	18.7	4,306.1	4,672.5	8.5
Textile and textile articles	193.2	204.0	5.6	2,118.8	2,072.6	-2.2
Investment Goods	470.2	409.1	-13.0	3,904.4	4,090.9	4.8
of which,						
Machinery and equipment	255.4	230.1	-10.0	1,943.9	2,037.3	4.8
Transport equipment	124.2	55.8	-55.0	969.6	933.9	-3.7
Building materials	90.2	122.9	36.2	987.4	1,115.7	13.0
Balance of Trade	**-1,100.7**	**-992.9**	**-9.8**	**-8,767.6**	**-8,582.9**	**-2.1**
Workers' Remittances	**436.0**	**491.2**	**12.7**	**4,638.7**	**5,432.0**	**17.1**
FDI (b)				**679.3**	**614.7**	**-9.4**
Portfolio Investments (Net)	**-3.4**	**11.8**		**-157.0**	**280.3**	
Commercial Banks' Long-term Foreign Currency Borrowings					**973.0**	
Earnings from Tourism	**88.2**	**114.7**	**30.1**	**735.7**	**905.3**	**23.0**
Inflows to the Government (c)	**369.8**	**310.1**	**-16.1**	**3,761.7**	**4,834.9**	**28.5**
of which,						
Treasury Bills and Bonds	48.2	143.2	197.4	914.7	2,097.6	129.3
Long term loans	281.4	153.5	-45.5	2,701.2	2,613.7	-3.2

(a) Provisional
(b) FDI inflows, including foreign loans to BOI companies, recorded for the first nine months of each year
(c) Inflows to the Government are recorded for October each year and include capital and current transfers to the government, inflows from sale of Treasury Bills and Treasury Bonds and long term loans of the Government