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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

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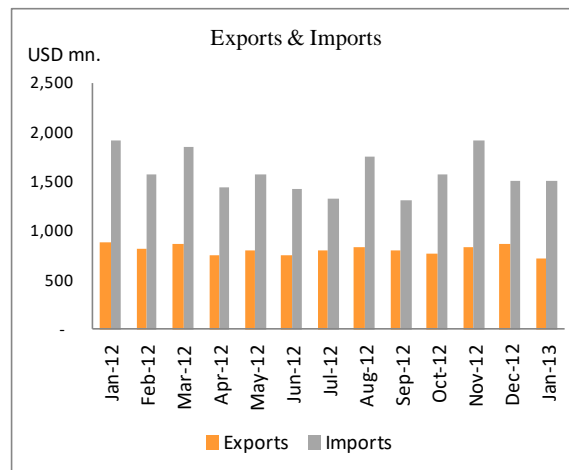
External Sector Performance - January 2013

The trade deficit continued to narrow and recorded a 24 per cent year-on-year decline in January 2013. The policy measures implemented early in 2012 to discourage non-essential imports have continued to ease pressure on the trade deficit and therefore on the current account balance. The policy measures adopted have therefore helped withstand the adverse impact of the slowing down of global demand on exports. Inflows on account of exports of services remained favourable in January 2013, further supporting the current account, thereby helping maintain the balance of payments position and international reserves at healthy levels.

Expenditure on imports declined by 21.3 per cent, year-on-year, to US dollars 1,507 million in January 2013, reflecting the effectiveness of the policies introduced early in 2012 to curb import expenditure. Imports of refined petroleum declined by 58.4 per cent, year-on-year, in January 2013, partly due to increased hydro power generation. Lower expenditure on imports of transport equipment, gold and vehicles also made a significant contribution toward the decline in import expenditure in January 2013. However, expenditure on imports of certain intermediate goods such as chemical products, agricultural inputs, plastic and articles thereof and wheat and maize which

accounted for about 11 per cent of imports, increased on a year-on-year basis in January 2013. Import expenditure on investment goods also declined on a year-on-year basis in January 2013, as imports of transport equipment and machinery and equipment declined. Nevertheless, import expenditure on building materials, categorised under investment goods, increased in January 2013. With respect to consumer goods imports, expenditure on imports of food and beverages as well as non-food consumer goods declined. Vehicle imports, which declined by 51.7 per cent, year-on-year, made the largest contribution towards the decline in expenditure on consumer goods imports.

As demand for exports remained fettered by the slow recovery of major export destinations, namely, the EU and the USA, the decline in export earnings continued into 2013. Earnings from exports declined by 18.2 per cent to US dollars 727 million in January, as earnings from all major categories of exports declined, on a year-on-year basis. The decline was mainly driven by industrial exports which declined by 20.7 per cent. Earnings from exports of textiles and garments declined by 8.9 per cent. Exports of transport equipment, gems, diamonds and jewellery and rubber products were the other categories of export that contributed significantly to the decline in export earnings. Earnings from agricultural exports declined in January 2013, as a result of earnings from both traditional and non-traditional agricultural exports declining. Despite exports of tea continuing to fetch favourable prices, the drop in demand from main markets led to a decline in earnings from tea exports in January. However, export earnings from green tea, although its share remains low, recorded an year-on-year increase. While the price of natural rubber has decreased globally, the decline in volumes of rubber exports could be attributed partly to the demand from local manufacturers of rubber based products. Of non-traditional agricultural exports, earnings from the export of spices increased in January 2013, led mainly by the commendable performance of pepper and cloves exports. Further, earnings from the export of unmanufactured tobacco increased marginally in January 2013.



Tourist arrivals in January 2013 increased by 13.4 per cent, year-on-year, to 97,411 while earnings from tourism grew at a healthy rate of 20.5 per cent when compared with the corresponding month of 2012, to US dollars 107 million. Workers' remittances amounted to US dollars 524 million in January 2013, compared to US dollars 473 million in January 2012, thus recording a year-on-year growth 10.8 of per cent.

In January 2013, net sales by foreign investors at the Colombo Stock Exchange (CSE) amounted to US dollars 10.4 million whereas net foreign purchases amounting to US dollars 4 million were recorded in January 2012. However, there has been a noticeable increase in transaction volumes at the CSE in January 2013, when compared with the corresponding month of January 2012. Meanwhile, there have been significant inflows of foreign investments to the Government securities market, with net inflows to Treasury bills and Treasury bonds amounting to US dollars 289 million during January 2013 compared to a net inflow of US dollars 170 million in January 2012. Further, in January 2013, long-term loans obtained by the government amounted to US dollars 125 million.

Gross official reserves amounted to US dollars 6,855 million by end January 2013, while total international reserves which include gross official reserves and foreign assets of commercial banks, amounted to US dollars 8,538 million by end January 2013. In terms of months of imports, gross official reserves were equivalent to 4.4

months of imports by end January 2013, while total reserves were equivalent to 5.5 months of imports.

Table 1. A Summary of External Sector Performance – January 2013 (a)

Category	January 2012 US\$ mn	January 2013 US\$ mn	Growth January (%)
Exports	888.2	726.7	-18.2
<i>Of which</i>			
Agricultural Products	181.5	167.0	-7.9
of which,			
Tea	103.9	101.0	-2.8
Industrial Products	703.0	557.7	-20.7
of which,			
Textiles and garments	366.6	333.9	-8.9
Rubber products	78.2	62.8	-19.8
Food, beverages and tobacco	20.8	12.4	-40.3
Mineral Products	2.6	1.0	-60.4
Imports	1,915.0	1,507.2	-21.3
<i>Of which</i>			
Consumer Goods	287.7	246.8	-14.2
of which,			
Food and beverages	124.5	114.2	-8.2
Other consumer goods	163.2	132.6	-18.8
Intermediate Goods	1,096.5	819.6	-25.3
of which,			
Fuel	515.1	269.7	-47.6
Textiles and textile articles	203.0	203.2	0.1
Investment Goods	523.3	440.2	-15.9
of which,			
Machinery and equipment	250.3	250.1	-0.1
Transport equipment	144.7	52.7	-63.6
Building materials	127.7	137.0	7.2
Balance of Trade	-1,026.8	-780.4	-24.0
Workers' Remittances	472.8	524.0	10.8
Portfolio Investments (Net)	4.1	-10.4	
Earnings from Tourism	88.9	107.2	20.5
Inflows to the Government (b)	325.7	801.8	146.2
of which,			
Treasury Bills and Bonds	229.6	676.2	194.5
Long term loans	95.7	125.1	30.6

(a) Provisional

(b) Inflows to the Government include capital and current transfers to the government, inflows from the sale of Treasury Bills and Treasury Bonds and long term loans of the Government