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Press Release

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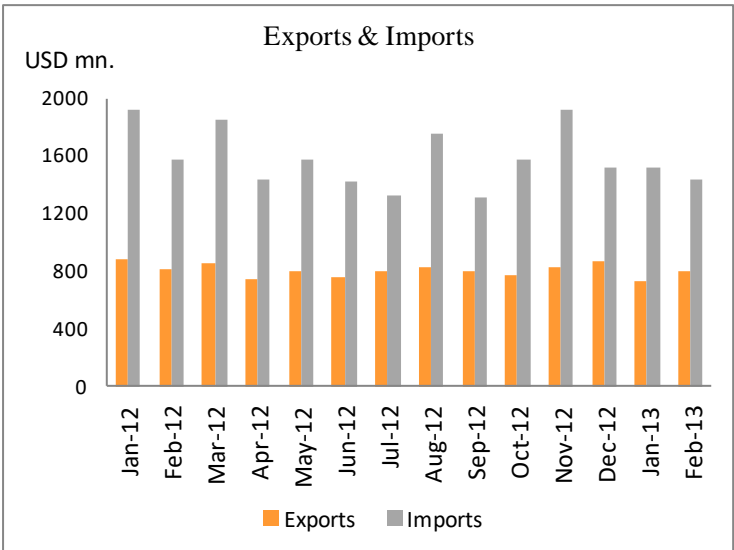
External Sector Performance – February 2013

Earnings from exports declined by 2.9 per cent, year-on-year, to US dollars 798 million in February 2013, as earnings from both agricultural exports and industrial exports declined. Earnings from exports of agricultural commodities declined mainly as a result of lower earnings from rubber and coconut exports. Lower export earnings from several items including diamonds, jewellery, petroleum products, rubber products and animal fodder resulted in earnings from industrial exports declining. Nevertheless, earnings from exports of garments and textiles, which have a significant share of around 40 per cent in total exports, increased on an year-on-year basis, by 8.8 per cent, in February 2013. Amongst agricultural exports, earnings from exports of spices, which have continued to exhibit an increasing trend since May last year, also recorded a further increase on a year-on-year basis, in February 2013.

Expenditure on imports declined by 9.3 per cent, year-on-year, to US dollars 1,433 million in February 2013. Lower expenditure on imports of refined petroleum products, transport equipment, wheat, vehicles as well as dairy products have made a significant contribution towards the decline in import expenditure in February

2013. However, expenditure on imports of intermediate goods such as textiles and textile articles, gold, mineral products, diamonds and precious and semi-precious stones increased on a year-on-year basis in February 2013. Imports of textiles and textile articles grew by 18.3 per cent, year-on-year, in value terms, indicating higher potential earnings from exports of apparel products in the coming months. Import expenditure on investment goods meanwhile declined on a year-on-year basis in February 2013, as imports of transport equipment declined. However, import expenditure on building materials and machinery and equipment categorised under investment goods, increased in February 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 41.4 per cent, year-on-year, made the largest contribution towards the decline in expenditure on consumer goods imports.

Following the above discussed developments in relation to exports and imports in February 2013, the trade deficit for the first two months of 2013 declined by 20.3 per cent, year-on-year to US dollars 1,424 million. The multi-pronged policy strategy implemented during the first half of 2012 to curb the widening trade deficit has therefore continued to help reduce the deficit in the current account.



Tourist arrivals in February 2013 increased by 11.6 per cent, year-on-year, to 93,232 while earnings from tourism grew at a healthy rate of 20.7 per cent, year-on-year, to

US dollars 103 million. Recording a year-on-year growth of 4.2 of per cent, workers' remittances amounted to US dollars 490 million in February 2013. In comparison, workers' remittances amounted to US dollars 470 million in February 2012.

In February 2013, net inflows to the Colombo Stock Exchange (CSE) amounted to US dollars 8.7 million compared to the net inflow of US dollars 16.3 million recorded in February 2012. Meanwhile, there have been substantial inflows of foreign investments to the Government securities market. Net inflows to Treasury bills and Treasury bonds amounted to US dollars 212 million during February 2013 compared to a net inflow of US dollars 229 million in February 2012. On a cumulative basis net inflows to Treasury bills and Treasury bonds amounted to US dollars 501 million by end February 2013, compared to US dollars 400 million in the corresponding period in 2012. Further, in February 2013, long-term loans obtained by the government amounted to US dollars 132 million, while long-term loan inflows to the government on a cumulative basis amounted to US dollars 278 million by end February 2013, compared to US dollars 240 million by end February 2012.

Gross official reserves amounted to US dollars 6,670 million by end February 2013, while total international reserves which include gross official reserves and foreign assets of commercial banks, amounted to US dollars 8,144 million by end February 2013. In terms of months of imports, gross official reserves were equivalent to 4.3 months of imports by end February 2013, while total reserves were equivalent to 5.3 months of imports.

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

Category	February 2012 US\$ mn	February 2013 US\$ mn	Growth February (%)	Jan-Feb 2012 US\$ mn	Jan-Feb 2013 US\$ mn	Growth Jan-Feb (%)
Exports	821.0	797.5	-2.9	1,709.2	1,526.2	-10.7
<i>Of which</i>						
Agricultural Products	185.3	174.5	-5.9	366.8	341.5	-6.9
of which,						
Tea	105.1	103.4	-1.6	209.0	204.5	-2.2
Industrial Products	630.5	620.8	-1.5	1,333.5	1,180.5	-11.5
of which,						
Textiles and garments	341.5	371.6	8.8	708.0	705.5	-0.4
Rubber products	75.2	66.1	-12.1	153.4	128.8	-16.0
Food, beverages and tobacco	22.8	16.1	-29.5	43.6	28.5	-34.6
Mineral Products	4.1	1.4	-67.1	6.7	2.4	-64.5
Imports	1,580.7	1,433.2	-9.3	3,495.7	2,950.5	-15.6
<i>Of which</i>						
Consumer Goods	251.0	208.7	-16.9	538.7	455.5	-15.4
of which,						
Food and beverages	111.4	93.7	-15.9	235.8	208.0	-11.8
Other consumer goods	139.6	115.0	-17.6	302.8	247.6	-18.3
Intermediate Goods	947.4	868.4	-8.3	2,043.9	1,698.1	-16.9
of which,						
Fuel	505.6	418.5	-17.2	1,020.7	698.3	-31.6
Textiles and textile articles	137.8	163.0	18.3	340.8	366.1	7.4
Investment Goods	379.7	355.6	-6.3	903.0	795.8	-11.9
of which,						
Machinery and equipment	161.6	166.5	3.1	411.9	416.7	1.2
Transport equipment	117.2	84.2	-28.2	261.9	136.9	-47.7
Building materials	100.6	104.6	4.0	228.3	241.5	5.8
Balance of Trade	-759.7	-635.7	-16.3	-1,786.5	-1,424.3	-20.3
Workers' Remittances	470.4	490.0	4.2	943.1	1,014.1	7.5
Portfolio Investments (Net)	16.3	8.7		20.4	-1.7	
Earnings from Tourism	84.9	102.6	20.7	173.8	209.7	20.6
Inflows to the Government (b)	532.6	699.4	31.3	858.3	1,522.5	77.4
of which,						
Treasury Bills and Bonds	385.0	567.6	47.5	614.6	1,243.9	102.4
Long term loans	143.8	131.8	-8.3	239.5	278.1	16.1

(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