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Press Release

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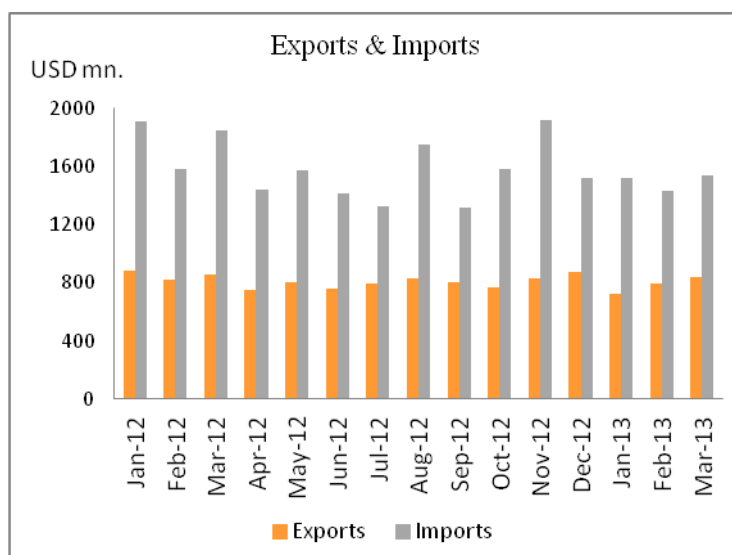
External Sector Performance – March 2013

Earnings from exports declined by 2.8 per cent, year-on-year, in March 2013, as earnings from industrial exports, which account for about three fourths of total export earnings, declined. However, earnings from textiles and garments, which account for more than a half of industrial exports in value terms, recorded a further increase of 5 per cent, year-on-year, in March 2013, following the increase recorded in the previous month. Exports of garments to the USA increased in March too, on a year-on-year basis, following the increase recorded in February, while exports of garments to the European Union declined in March, as in February. Earnings from agricultural exports meanwhile increased by 0.5 per cent, year-on-year, in March 2013, thus helping buoy export earnings. With respect to agricultural exports, earnings from tea exports increased as export prices of both black tea as well as green tea have increased in 2013, up to March, alongside the decline in export volumes of tea during this period. Amongst other agricultural exports, spices, vegetables, minor agricultural products and sea food have also fetched increased earnings in March 2013. Amongst those categories of products exported which led to the decline in export earnings in March 2013 were gems, diamonds and jewellery;

petroleum products; rubber and rubber products; coconuts; and food, beverages and tobacco.

Expenditure on imports declined by 16.8 per cent, year-on-year, in March 2013. While expenditure on all three major categories of goods imported, viz. consumer goods, intermediate goods and investments goods, declined in March 2013, a decline in expenditure on imports of crude oil and refined petroleum products led the decline in import expenditure. Amongst other items that contributed to the decline in expenditure on imports in March 2013 were transport equipment categorised under investment goods, textiles and textile articles categorised under intermediate goods and motor vehicles categorised under consumer goods.

As expenditure on imports declined by around US dollars 857 million during the first three months of 2013 while earnings from exports declined by around US dollars 207 million, in comparison to the corresponding period of 2012, the deficit in the trade balance for the first quarter of 2013 contracted on a year-on-year basis. Accordingly, the policy measures adopted last year to curb the trade deficit to a sustainable level have continued to be effective.



In the meantime, tourist arrivals in March 2013 increased by 7.7 per cent, year-on-year, to 98,155, thus raising total tourist arrivals during the first quarter of 2013 to 288,798. Accordingly, tourist arrivals in the first quarter of 2013 have recorded a

growth of 10.9 per cent, year-on-year. Earnings from tourism in March 2013 grew at a healthy rate of 16.2 per cent, year-on-year, to US dollars 108 million, while cumulative earnings from tourism recorded a growth of 19.1 per cent over the first quarter of 2012. However, workers' remittances amounted to US dollars 545 million in March 2013, compared to US dollars 565 million recorded in March 2012, thereby registering a decline of 3.4 per cent. Nevertheless, cumulative inflows on account of workers' remittances amounted to US dollars 1,560 million during the first quarter of 2013, thus recording an increase of 3.4 per cent over the corresponding period of 2012.

In March 2013, net inflows to the Colombo Stock Exchange (CSE) amounted to US dollars 40.4 million compared to a net inflow of US dollars 143.8 million recorded in March 2012. However, there has been a noticeable increase in transaction volumes at the CSE during the first quarter of 2013. Meanwhile, there have been substantial inflows of foreign investments to Government securities, with net inflows to Treasury bills and Treasury bonds in March 2013 amounting to US dollars 33.5 million, compared to a net inflow of US dollars 6.8 million in March 2012. Cumulative net inflows to the government securities market in the first quarter of 2013 increased substantially by 31.6 per cent to US dollars 535 million, compared to a net inflow of US dollars 406 million in the first quarter in 2012. Further, long-term loans obtained by the Government amounted to US dollars 428 million during the first quarter of 2013, while more inflows are expected to materialise during the rest of the year.

In line with the above developments, by end March 2013, gross official reserves amounted to US dollars 6,689 million, while total international reserves, which include gross official reserves and foreign assets of commercial banks amounted to US dollars 8,121 million. In terms of months of imports, gross official reserves were equivalent to 4.4 months of imports by end March 2013, while total reserves were equivalent to 5.4 months of imports. By end April 2013, gross official reserves are estimated to have increased to US dollars 6.9 billion, which is equivalent to around 4.5 months of imports.

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

Category	March 2012 US\$ mn	March 2013 US\$ mn	Growth March (%)	Jan-Mar 2012 US\$ mn	Jan- Mar 2013 US\$ mn	Growth Jan- Mar (%)
Exports	861.0	837.0	-2.8	2,570.1	2,363.2	-8.1
<i>Of which</i>						
Agricultural Products	208.7	209.7	0.5	575.5	551.2	-4.2
of which,						
Tea	126.7	129.1	1.9	335.7	333.6	-0.6
Industrial Products	643.7	624.4	-3.0	1,977.2	1,804.9	-8.7
of which,						
Textiles and garments	328.1	344.5	5.0	1,036.1	1,050.0	1.3
Rubber products	80.6	73.1	-9.4	234.0	201.9	-13.7
Food, beverages and tobacco	27.2	24.3	-10.6	70.7	52.7	-25.4
Mineral Products	7.7	1.7	-78.6	14.4	4.0	-72.0
Imports	1,853.6	1,541.5	-16.8	5,349.2	4,492.0	-16.0
<i>Of which</i>						
Consumer Goods	343.4	255.7	-25.5	882.1	711.2	-19.4
of which,						
Food and beverages	134.7	122.1	-9.3	370.5	330.1	-10.9
Other consumer goods	208.7	133.6	-36.0	511.6	381.2	-25.5
Intermediate Goods	1,103.0	924.0	-16.2	3,146.9	2,622.1	-16.7
of which,						
Fuel	532.0	380.9	-28.4	1,552.7	1,079.2	-30.5
Textiles and textile articles	191.3	130.1	-32.0	532.1	496.2	-6.7
Investment Goods	406.0	360.8	-11.1	1,309.0	1,156.6	-11.6
of which,						
Machinery and equipment	163.4	175.5	7.4	575.3	592.2	2.9
Transport equipment	141.5	50.8	-64.1	403.4	187.7	-53.5
Building materials	100.8	134.0	32.9	329.1	375.5	14.1
Deficit in the Trade Account	-992.6	-704.5	-29.0	-2,779.1	-2,128.9	-23.4
Workers' Remittances	564.7	545.5	-3.4	1,507.8	1,559.6	3.4
Portfolio Investments (Net)	143.8	40.4		164.2	38.7	
Earnings from Tourism	92.9	108.0	16.2	266.7	317.7	19.1
Inflows to the Government (b)	396.2	330.6	-16.5	1,254.5	1,869.3	49.0
of which,						
Treasury Bills and Bonds	185.6	193.1	4.0	800.2	1,437.0	79.6
Long term loans	199.2	133.6	-32.9	438.7	428.0	-2.5

(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