



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 09.01.2013

External Sector Performance - November 2013

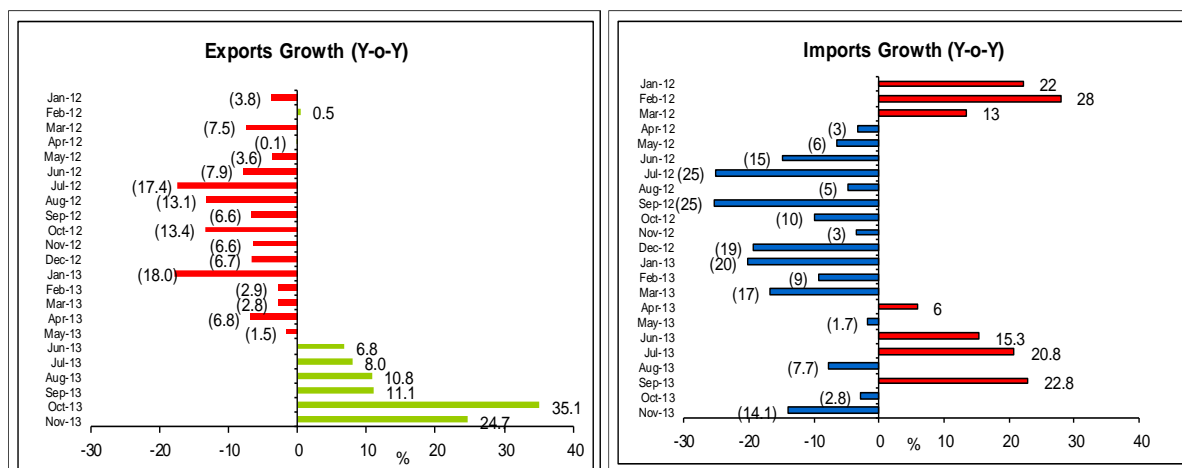
Overview

Favourable developments in the external sector continued in November 2013, with a sharp contraction of the trade deficit, leading to an improvement of the overall balance. Earnings from exports increased substantially, reflecting gradual recovery in export destination countries, while expenditure on imports declined. Accordingly, the current account deficit narrowed, and was strengthened further as a result of the increase in inflows from workers' remittances and tourism. Meanwhile, inflows to the financial account also increased during the period ending November 2013, leading to a surplus in the Balance of Payments (BOP), compared to the deficit recorded in the corresponding period of 2012.

Trade Account of the BOP

Continuing the increasing trend observed from June 2013, earnings from exports surpassed the US dollars 1 billion mark for the second consecutive month in November 2013. Accordingly, earnings from exports increased by 24.7 per cent in November 2013, while expenditure on imports declined by 14.1 per cent compared to the corresponding month in 2012. Consequently, the trade deficit contracted significantly by 43.5 per cent to US dollars 616 million during this period. On a

cumulative basis, earnings from exports during the first eleven months of 2013 grew by 5.6 per cent, while expenditure on imports contracted by 2.5 per cent from the corresponding period in 2012. Accordingly, the cumulative trade deficit contracted by 10.7 per cent to US dollars 7,831 million, during the first eleven months of 2013 compared to the corresponding period of 2012.



Earnings from exports in November 2013 reached US dollars 1,032 million. Industrial exports, which account for more than three fourths of total export earnings, increased by 22.6 per cent on a year-on year basis to US dollars 776 million in November 2013. The leading driver of growth in the industrial sector was textiles and garments. Earnings from export of textiles and garments grew by 35 per cent year-on-year to US dollars 491 million in November 2013, the highest monthly value of export of textiles and garments ever recorded. Export of garments to both the EU and USA, the major export destinations of garments, grew by 16.7 per cent and 58.7 per cent, respectively in November 2013, reflecting the recovery in those economies as well as seasonal demand. Meanwhile, export of machinery and mechanical appliances grew by 54 per cent, year-on-year. Earnings from rubber product exports increased by 10.6 per cent, year-on-year, to US dollars 83 million in November 2013, mainly due to an increase of exports of rubber tyres. Apart from these, leather, travel goods and footwear, wood and paper products, base metals and plastics and articles also recorded positive growth. Earnings from agricultural exports rose by 28.3 per cent, year-on-year, to US dollars 244 million in November 2013 due to an increase in export of tea followed by spices. Earnings from tea exports increased by 14.4 per cent to US dollars 144 million in November 2013, due to a 16.2 per cent increase in the

average price of tea, despite a marginal decline in export volumes. Earnings from the export of spices recorded a remarkable growth of 73 per cent to US dollars 35 million led by pepper and cinnamon exports. Continuing the strong performance recorded since June 2013, the volume of both pepper and cinnamon exports increased substantially by 186.6 per cent and 24.4 per cent, respectively in November 2013 compared to the corresponding month of the previous year. Export of coconut, seafood and minor agricultural products also recorded healthy growth. However, in November 2013 rubber export earnings contracted by 24.1 per cent compared to November 2012, due to the continuing decline in both export volumes and prices.

Expenditure on imports declined by 14.1 per cent to US dollars 1,648 million in November 2013, due to the significant decline in both intermediate and investment goods imports. Expenditure on intermediate goods imports declined by 17.3 per cent, year-on-year, to US dollars 972 million in November 2013 mainly due to the decline in the importation of fuel. Expenditure on the importation of fuel declined by 24.1 per cent to US dollars 441 million in November 2013, reflecting declines in both crude oil and refined petroleum imports due to the availability of sufficient stocks. Despite the strong growth in export of textiles and garments, there has been a steady decline in the importation of textile and textile related articles, reflecting improved backward linkages and higher value addition in the garment industry. Decline in imports of base metals, chemical products, rubber and articles thereof, diamonds and precious stones also contributed to the decline in intermediate goods imports. However, the importation of fertilizer, wheat and maize and food preparation increased in November 2013. Import expenditure on investment goods declined by 18.3 per cent, year-on-year, to US dollars 414 million, mainly due to the decline in machinery and equipment imports by 42.5 per cent. However, import of transport equipment increased significantly by 98.1 per cent, led by a one off increase in the importation of ships and boats. Meanwhile, expenditure on consumer goods imports recorded a 10.9 per cent growth, year-on-year, to US dollars 261 million in November 2013 with increases recorded in both food and non-food consumer goods categories. Vehicle imports contributed significantly to the increase in consumer goods imports, recording a year-on-year increase of 148 per cent in November 2013.

Dairy products, oils and fats and spices also contributed to the increase in consumer goods imports.

Earnings from Tourism in the Services Account of the BOP

According to the revised tourism statistics provided by the Sri Lanka Tourism Development Authority, tourist arrivals amounted to 109,420 in November 2013 around the same level as in November 2012. However, tourist arrivals recorded a higher growth of 25.9 per cent, year-on-year to 153,918 in December 2013. Accordingly, the total tourist arrivals during the year grew by 26.7 per cent to 1,274,593, compared to the total tourist arrivals of 1,005,605 in 2012. Earnings from tourism increased by 4.9 per cent and 26.8 per cent, year-on-year to US dollars 120.4 million and US dollars 169.3 million in November and December, respectively. Accordingly, earnings from tourism during the year 2013 recorded a year-on-year growth of 35 per cent to US dollars 1,402.1 million, compared to the cumulative earnings of US dollars 1,038.7 million in 2012.

Current Transfers in the BOP

Workers' remittances increased by 22 per cent, year-on-year, to US dollars 599.3 million in November 2013 from US dollars 491.3 million in November 2012. Accordingly, cumulative inflows of workers' remittances during the first eleven months of 2013 amounted to US dollars 6,124.4 million, a rise of 12.7 per cent from the corresponding period of 2012.

Capital and Financial Account of the BOP

Portfolio investments recorded a cumulative net inflow of US dollars 269.9 million for the year 2013. This includes net inflows to the Colombo Stock Exchange (CSE) in the form of secondary market transactions amounting to US dollars 178.7 million, inflows from rights issues amounting to US dollars 83.4 million, foreign investment in Initial Public Offerings (IPOs) amounting to US dollars 1.9 million and net foreign purchases of corporate debt amounting to US dollars 5.9 million. For the year 2013, cumulative net foreign inflows to government securities market amounted to US

dollars 492.7 million. Further, Foreign Direct Investments (FDI), of which data is available on quarterly basis, increased by 42 per cent to US dollars 870.1 million in the first nine months of 2013 from US dollars 614.7 million in the corresponding period in 2012. In the meantime, the government has obtained long-term loans amounting to US dollars 1,624.5 million by November 2013, compared to US dollars 1,723.5 million obtained by way of long-term loans during the first eleven months of 2012. Furthermore, inflows to Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) amounted to US dollars 1,548.3 million by end November 2013.

Overall BOP Position

The overall BOP recorded a surplus of US dollars 581.7 million during the first eleven months of 2013, compared to a deficit of US dollars 233.6 million recorded during the corresponding period of 2012, despite the challenging global economic conditions. Meanwhile, the surplus of the overall BOP is estimated to have surpassed US dollars 990 million by end of 2013.

International Reserve Position

By end November 2013, Sri Lanka's gross official reserves amounted to US dollars 6.9 billion, while total international reserves, which include foreign assets of commercial banks, amounted to US dollars 8.3 billion. In terms of months of imports, gross official reserves were equivalent to 4.5 months of imports at end November 2013, while total reserves were equivalent to 5.4 months of imports. It should be noted that an adequate level of reserves were maintained during the first eleven months of 2013, despite the outflows on account of foreign debt service payments of US dollars 1,201 million and IMF-SBA payments of US dollars 421 million. Gross official reserves are estimated to have recorded US dollars 7.2 billion at the end of 2013.

Exchange Rate Behaviour

The Sri Lanka rupee appreciated against several major international currencies during the year. Accordingly, by end 2013, the rupee appreciated against the Japanese yen by 18.8 per cent, the Indian rupee by 10.2 per cent and the Australian

dollar by 13.3 per cent. The rupee also appreciated against the US dollar from early September due to increased inflows to the banking sector, including the receipt of proceeds from the NSB and DFCC bond issuances in September and October respectively, which strengthened market expectations, although it depreciated against the US dollar since mid-June through end August. Overall, during the year, the rupee depreciated modestly by 2.7 per cent against the US dollar and by 6.8 per cent against the Euro and 4.7 per cent against the Pound sterling.

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

Category	November 2012 US\$ mn	November 2013 US\$ mn	Growth November (%)	Jan-Nov 2012 US\$ mn	Jan- Nov 2013 US\$ mn	Growth Jan- Nov (%)
Exports	827.6	1,031.8	24.7	8,902.6	9,400.1	5.6
Of which						
Agricultural Products	190.2	244.0	28.3	2,114.1	2,338.9	10.6
of which,						
Tea	126.0	144.1	14.4	1,273.6	1,393.8	9.4
Industrial Products	632.8	775.8	22.6	6,727.5	7,000.2	4.1
of which,						
Textiles and Garments	363.9	491.4	35.0	3,633.3	4,054.4	11.6
Rubber Products	75.5	83.5	10.6	782.7	793.9	1.4
Food, Beverages and Tobacco	30.9	21.7	-29.8	263.2	214.1	-18.7
Mineral Products	3.7	11.0	196.0	52.0	49.8	-4.2
Imports	1,918.1	1,647.5	-14.1	17,670.4	17,231.4	-2.5
Of which						
Consumer Goods	235.5	261.2	10.9	2,755.0	2,880.3	4.5
of which,						
Food and Beverages	98.2	102.6	4.5	1,192.3	1,230.7	3.2
Other Consumer Goods	137.3	158.5	15.5	1,562.7	1,649.5	5.6
Intermediate Goods	1,175.3	971.7	-17.3	10,700.0	10,397.2	-2.8
of which,						
Fuel	581.3	441.0	-24.1	4,670.9	4,637.9	-0.7
Textiles and Textile Articles	204.0	182.8	-10.4	2,072.6	1,871.7	-9.7
Investment Goods	506.7	414.1	-18.3	4,188.5	3,941.8	-5.9
of which,						
Machinery and Equipment	327.7	188.3	-42.5	2,134.9	2,056.8	-3.7
Transport Equipment	55.8	110.6	98.1	933.9	630.3	-32.5
Building Materials	122.9	114.5	-6.8	1,115.7	1,249.3	12.0
Deficit in the Trade Account	-1,090.5	-615.7	-43.5	-8,767.8	-7,831.3	-10.7
Workers' Remittances	491.3	599.3	22.0	5,432.1	6,124.4	12.7
Foreign Direct Investments (b)				614.7	870.1	42.0
Portfolio Investments (Net)	9.1	79.8		250.2	267.2	
Earnings from Tourism	114.7	120.4	4.9	905.3	1,232.7	36.2
Inflows to LCBs and LSBs					1,548.3	
Inflows to the Government	178.2	190.0	6.6	5,009.6	4,065.8	-18.8
of which,						
Treasury Bills and Bonds	62.5	76.1	21.8	2,160.1	2,405.0	11.3
International Sovereign Bonds	-	-	-	1000.0	-	-
Long term Loans	110.8	102.2	-7.7	1,723.5	1,624.5	-5.7

(a) Provisional

(b) For the first nine months of the respective year

(c) Inflows to the Government include capital and current transfers to the Government, inflows from the sale of Treasury Bills and Treasury Bonds, International Sovereign Bonds and long-term loans of the Government.