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CENTRAL BANK OF SRI LANKA

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# **Press Release**

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## **External Sector Performance – April 2015**

### **Overview**

The external sector showed mixed performance with a widened trade deficit and continued inflows to the services and secondary income accounts in April 2015. The widening of the trade deficit on cumulative basis as of end April 2015 was offset to some extent by continuous inflows on account of tourism, workers' remittances and moderate inflows to the financial account during the period. Meanwhile, the level of gross official reserves augmented to US dollars 7.5 billion by end April 2015 with the proceeds of the foreign currency swap arrangement of US dollars 400 million between the Central Bank of Sri Lanka and the Reserve Bank of India during the month.

### **Export Performance**

Earnings from exports declined by 7.4 per cent to US dollars 708 million in April 2015, recording the lowest monthly earnings after April 2013. The reductions recorded in exports earnings from tea, petroleum products, sea foods, rubber products and textiles and garments, respectively contributed for the drop in exports during the month. Tea exports, which were severely affected by the lower demand

from Russia and Middle East, declined for the seventh consecutive month in April 2015, recording a drop of 12.7 per cent over the corresponding month of 2014. Tea exports to Russia and Middle East declined by 39.0 per cent and 5.5 per cent, respectively, during the first four months of 2015 compared to the corresponding period in 2014. Earnings from petroleum product exports declined by 42.7 per cent, year-on-year, in April 2015 as a result of around 40 per cent price reduction and 6.6 per cent volume drop recorded in bunker fuel exports. Sea Food exports which dropped continuously from October 2014, declined further in April 2015, recording 41.2 per cent reduction compared to the corresponding month in 2014 mainly due to 68.3 per cent decline in sea food exports to the EU market, the main sea food market of Sri Lanka. The sea food exports from Sri Lanka to the EU market was banned with effect from 13 January 2015. In line with the significantly low raw rubber prices prevailed in the international market, exports of rubber products also declined significantly by 16.2 per cent in April 2015, reflecting a noteworthy decline in the export of rubber tyres. Export earnings from textiles and garments which account for 46.7 per cent of total exports declined by 2.0 per cent during the month reflecting a reduction in exports to the EU market. On a cumulative basis, export earnings during the first four months of 2015 declined marginally by 0.3 per cent, year-on-year, to US dollars 3,569 million. The leading markets for merchandise exports of Sri Lanka during the first four months of 2015 were the USA, UK, India, China and Germany accounting for about 51 per cent of the total exports.

**Table 1: Earnings from Exports**

Category	April 2014 (USD mn)	April 2015 (USD mn)	Growth (%)	Jan-Apr 2014 (USD mn)	Jan-Apr 2015 (USD mn)	Growth (%)
<b>1. Industrial exports</b>	<b>561.5</b>	<b>522.0</b>	<b>(7.0)</b>	<b>2,675.7</b>	<b>2,750.6</b>	<b>2.8</b>
Textiles and garments	336.8	330.2	(2.0)	1,601.6	1,588.1	(0.8)
Rubber products	57.9	48.5	(16.2)	282.3	256.2	(9.2)
Gems, diamonds and jewellery	25.6	20.7	(19.1)	128.6	122.9	(4.4)
Transport equipment	3.4	6.2	80.2	49.4	171.6	247.4
Machinery and mechanical appliances	24.1	19.3	(20.0)	99.6	101.0	1.3
Petroleum products	32.2	18.5	(42.7)	128.3	130.8	1.9
Food beverages & tobacco	18.6	17.2	(7.9)	98.8	84.0	(14.9)
Other	62.9	61.6	(2.1)	287.1	296.0	3.1
<b>2. Agricultural exports</b>	<b>199.7</b>	<b>182.1</b>	<b>(8.8)</b>	<b>860.8</b>	<b>801.0</b>	<b>(6.9)</b>
Tea	116.8	102.0	(12.7)	503.8	437.4	(13.2)
Coconut	24.4	27.3	11.6	101.9	109.4	7.4
Sea Food	23.9	14.1	(41.2)	91.3	57.5	(37.1)
Spices	10.9	18.6	70.8	63.2	109.5	73.2
Other	23.7	20.1	(15.0)	100.5	87.3	(13.1)
<b>3. Mineral and other</b>	<b>3.0</b>	<b>3.4</b>	<b>14.3</b>	<b>44.2</b>	<b>17.4</b>	<b>(60.5)</b>
<b>Total exports</b>	<b>764.3</b>	<b>707.5</b>	<b>(7.4)</b>	<b>3,580.6</b>	<b>3,569.1</b>	<b>(0.3)</b>

Sources: Ceylon Petroleum Corporation and Other Exporters of Petroleum  
National Gem and Jewellery Authority, Sri Lanka Customs,  
Central Bank of Sri Lanka

## Import Performance

Despite the lower expenditure on imports of petroleum products, total import expenditure in April 2015 increased by 3.2 per cent to US dollars 1,490 million mainly due to lower imports recorded in April 2014. The growth in imports was led by personal motor vehicles, followed by machinery and equipment and transport equipment. Import expenditure on fuel declined by 32.8 per cent to US dollars 213 million in April 2015, due to non-importation of crude oil during the month and about 38.5 per cent decline recorded in the international prices of refined petroleum products. Further, import expenditure on wheat and maize also declined significantly due to 83.9 per cent decline in volume of wheat imports, compared to higher imports recorded in April 2014. Higher expenditure on personal vehicle imports, particularly motor cars which increased by more than 90 per cent,

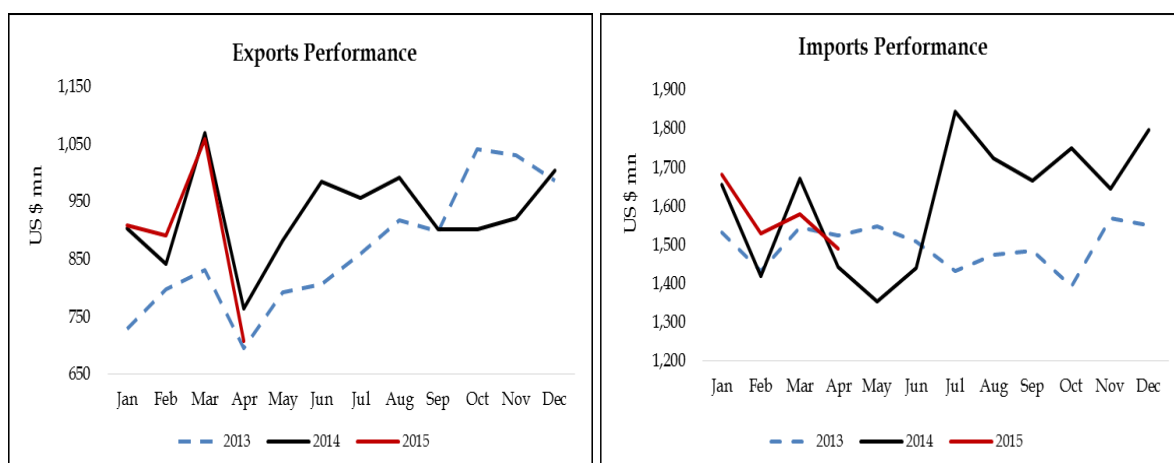
contributed mainly for the increase in imports. Machinery and equipment imports, the second largest contributor for the import growth, increased by 23.6 per cent during the month, mainly due to higher imports of engineering equipment. Imports of transport equipment increased by more than 100 per cent contributing significantly for the growth in imports. On a cumulative basis, expenditure on imports during the first four months of 2015 increased marginally by 1.5 per cent, year-on-year, to US dollars 6,283 million mainly led by consumer goods imports followed by investment goods imports. During the period from January to April 2015, the main import origins were India, China, Japan, UAE and Singapore accounting for about 61 per cent of the total imports.

**Table 2: Expenditure on Imports**

Category	April 2014 (USD mn)	April 2015 (USD mn)	Growth (%)	Jan-Apr 2014 (USD mn)	Jan-Apr 2015 (USD mn)	Growth (%)
<b>1. Consumer goods</b>	<b>263.9</b>	<b>376.0</b>	<b>42.5</b>	<b>1,044.3</b>	<b>1,567.3</b>	<b>50.1</b>
Food and Beverages	108.8	149.0	37.0	446.7	611.8	37.0
Dairy products	25.8	20.9	(18.9)	126.2	80.6	(36.1)
Other food and beverages	83.0	128.1	54.4	320.5	531.2	65.8
Non-food consumer goods	155.1	227.0	46.3	597.6	955.5	59.9
Vehicles	48.1	94.4	96.1	196.8	385.0	95.7
Medical and pharmaceuticals	32.2	38.3	19.0	123.8	148.4	19.9
Other non- food consumables	74.8	94.2	26.1	277.1	422.1	52.3
<b>2. Intermediate goods</b>	<b>889.3</b>	<b>756.1</b>	<b>(15.0)</b>	<b>3,872.6</b>	<b>3,153.0</b>	<b>(18.6)</b>
Fuel	316.3	212.6	(32.8)	1,761.7	921.7	(47.7)
Textiles and textile articles	179.8	180.8	0.6	708.0	768.9	8.6
Chemical products	61.8	68.0	10.0	248.6	288.0	15.8
Plastic and articles thereof	46.8	46.4	(0.9)	187.5	186.9	(0.3)
Base metals	55.3	46.4	(16.1)	143.7	160.9	11.9
Paper and paperboard articles	34.8	36.2	4.0	136.9	144.2	5.3
Wheat and Maize	65.1	9.9	(84.8)	154.1	86.8	(43.7)
Fertilizer	23.5	31.7	34.6	95.4	86.4	(9.4)
Other	105.9	124.2	17.2	436.6	509.2	16.6
<b>3. Investment goods</b>	<b>289.2</b>	<b>353.2</b>	<b>22.1</b>	<b>1,271.1</b>	<b>1,554.9</b>	<b>22.3</b>
Machinery and Equipment	153.5	189.7	23.6	700.8	776.0	10.7
Building materials	100.5	93.0	(7.5)	405.7	409.0	0.8
Transport equipment	34.9	70.1	100.8	163.6	367.9	124.9
Other	0.3	0.3	9.4	1.0	2.0	94.5
<b>4. Unclassified</b>	<b>2.1</b>	<b>5.2</b>	<b>151.6</b>	<b>4.3</b>	<b>7.3</b>	<b>68.4</b>
<b>Total imports</b>	<b>1,444.5</b>	<b>1,490.5</b>	<b>3.2</b>	<b>6,192.4</b>	<b>6,282.5</b>	<b>1.5</b>

Sources: Ceylon Petroleum Corporation, Lanka IOC PLC,  
Sri Lanka Customs, Central Bank of Sri Lanka

**Figure 1: Export and Import Performance**



## Trade Balance

The deficit in the trade account in April 2015 widened by 15.1 per cent to US dollars 783 million in comparison to US dollars 680 million in April 2014. On a cumulative basis, trade deficit during the first four months of 2015 increased by 3.9 per cent to US dollars 2,713 million.

## Earnings from Tourism

Tourist arrivals during the first four months of the year amounted to 601,055 recording a year-on-year growth of 12.5 per cent. Consequently, earnings from tourism<sup>1</sup> are estimated to be around US dollars 956.8 million during the first four months of 2015, compared to the cumulative earning of US dollars 850.3 million during the corresponding period of 2014, resulting in a year-on year growth of 12.5 per cent.

Based on latest data, tourist arrivals for May 2015 amounted to 113,529 tourists, a 26.1 per cent increase in comparison to the corresponding month in 2014. Consequently, the cumulative tourist arrivals in the first five months of the year amounted to 714,584, an increase of 14.5 per cent compared to the corresponding

<sup>1</sup> Highly provisional and may be revised as Sri Lanka Tourism Development Authority releases their survey results on average stay period and average spending per day estimates for 2015.

period of 2014. As a result, cumulative earnings from tourism increased to US dollars 1,137.6 million during the first five months of 2015, an increase of 14.5 per cent during the period. The top five sources of tourist arrivals up to May 2015 are India, China, UK, Germany and France. The number of Chinese and Indian tourist arrivals grew significantly during the period January to May 2015 while a notable decrease was observed in tourist arrivals from Russia and Ukraine during the period.

### **Workers' Remittances**

Workers' remittances increased to US dollars 585.9 million in April 2015 from US dollars 554.0 million recorded in April 2014, a growth of 5.8 per cent, year-on-year. Consequently, on a cumulative basis, inflows from workers' remittances increased by 2.2 per cent to US dollars 2,265.4 million during the first four months of 2015 in comparison to the corresponding period of 2014.

### **Financial Flows**

Foreign investments in the government securities market recorded a net inflow of US dollars 25.7 million during the first four months of 2015. However, foreign investments in both Treasury bills and Treasury bonds recorded a net outflow during May resulting in a total cumulative net outflow of US dollars 61.7 million by end May 2015. Further, foreign investments in the Colombo Stock Exchange (CSE) up to end April 2015 recorded a net inflow of US dollars 44.9 million comprising net inflows to the secondary market amounting to US dollars 28.2 million and net inflows to the primary market amounting to US dollars 16.7 million. Net inflows to the CSE by 24 June 2015 amounted to US dollars 43 million including primary market inflows. Further, during the first four months of 2015, long term loans obtained by the Government amounted to US dollars 286.7 million compared to US dollars 763.1 million received in the corresponding period of 2014. These low levels of inflows were offset by the successful issuance of the eighth international sovereign bond of US dollars 650 million and the foreign participation in Sri Lanka Development Bonds (SLDBs), both of which were issued in the last week of May 2015.

## **Overall BOP Position**

During the first four months of 2015, the overall BOP is estimated to have recorded a deficit of US dollars 1,024.7 million compared to a surplus of US dollars 1,544.6 million recorded during the corresponding period of 2014.

## **International Reserves**

As at end April 2015, Sri Lanka's gross official reserves stood at US dollars 7.5 billion, equivalent to 4.6 months of imports while total foreign assets amounted to US dollars 9.1 billion, equivalent to 5.6 months of imports. The gross official reserves are estimated to have increased to US dollars 7.6 billion by 22 June 2015, with the receipt of the proceeds of the latest international sovereign bond and Sri Lanka development bonds issuances, the currency swap arrangement between Central Bank of Sri Lanka and Reserve Bank of India and other currency inflows. Gross official reserves are expected to stabilise at comfortable levels in the coming months.

## **Exchange Rate Movement**

The rupee recorded a modest depreciation of 2.1 per cent against the US dollar from end 2014 up to 24 June 2015. Further, reflecting the cross currency movements, the rupee also depreciated against the pound sterling by 3.2 per cent and the Indian rupee by 1.7 per cent during this period while appreciating against the euro by 6.5 per cent, the Japanese Yen by 1.5 per cent, Canadian dollar by 4.1 per cent and the Australian dollar by 3.9 per cent.

**Table 3: Summary of External Sector Performance (a)**

Category	April 2014 US\$ mn	April 2015 US\$ mn	Change (%)	Jan- Apr 2014 US\$ mn	Jan-Apr 2015 US\$ mn	Change (%)
Exports	764.3	707.5	-7.4	3,580.6	3,569.1	-0.3
Imports	1,444.5	1,490.5	3.2	6,192.4	6,282.5	1.5
Trade Balance (surplus+)/ deficit(-))	-680.2	-782.9	15.1	-2,611.8	-2,713.5	3.9
Earnings from Tourism	179.3(b)	194.6	8.5	850.3(b)	956.8	12.5
Workers' Remittances	554.0	585.9(b)	5.8	2,217.4	2,265.4(b)	2.2
Inflows to the CSE (Net) (c)	-1.6	7.3	-556.3	-50.0	44.9	-189.8
Inflows to the Government (d)	799.0	235.0	-70.6	3,052.7	320.4	-89.5
of which,						
Treasury Bills and Bonds	212.3	167.2	-21.2	782.1	516.0	-34.0
International Sovereign Bonds	500.0	-		1,500.0	-	
Long term Loans	84.6	62.8	-25.8	763.1	286.7	-62.4

Sources: Sri Lanka Customs  
Central Bank of Sri Lanka  
Sri Lanka Tourism Development Authority  
Colombo Stock Exchange

(a) Provisional

(b) Revised

(c) Includes secondary and primary market transactions

(d) Inflows to the government include capital and current transfers to the government, inflows from the investments in Treasury bills and Treasury bonds by foreign investors, International Sovereign Bonds and long-term loans of the government.