



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](mailto:dcommunications@cbsl.lk), [communications@cbsl.lk](mailto:communications@cbsl.lk)

Web: [www.cbsl.gov.lk](http://www.cbsl.gov.lk)

# **Press Release**

**Issued By** Economic Research Department

**Date** 04.03.2016

## **External Sector Performance – December 2015**

### **Overview**

Sri Lanka's external sector showed a mixed performance in the month of December 2015 with a widened trade deficit, continued high growth in tourist earnings and moderate workers' remittances. On a cumulative basis, the trade deficit widened marginally during 2015, while earnings from tourism increased significantly. Meanwhile, workers' remittances recorded a marginal decline in 2015. The major source of inflows to the financial account of the BOP during 2015 were the issuance of two international sovereign bonds and swap arrangement of the Reserve Bank of India.

### **Export Performance**

Earnings from exports continued its downward trend for the tenth consecutive month in December 2015 recording an 18.7 per cent decline, year-on-year, to US dollars 817 million, led by textile and garments and tea exports. Export earnings from textile and garments, which contribute nearly 48 per cent to the total exports, declined for the third consecutive month by 12.8 per cent in December 2015, reflecting low exports to both EU and USA markets. However, garment exports to

non-traditional markets such as Canada, China and UAE increased slightly by 1.7 per cent, year-on-year, during the month. Lower demand for tea exports continued throughout the year 2015 due to economic and geo-political developments in the main tea export destinations. Accordingly, earnings from tea exports in December dropped by 24.7 per cent reflecting declines in both export volume and average price levels compared to the corresponding month in the previous year. Further, transport equipment, rubber products and gems, diamonds and jewellery exports also contributed significantly to the drop in December exports. The substantial drop shown in transport equipment was largely as a result of base effect due to the export of a cruise ship in December 2014. Earnings from rubber product exports continued to weaken and recorded a 19.8 per cent decline, year-on-year, in December 2015. However, petroleum product exports recorded a 24.5 per cent increase as a result of a substantial increase in bunkering quantity by 186.4 per cent, year-on-year, in December 2015. Adding to that, earnings from chemical products also showed a growth of 10.5 per cent while sub categories of cinnamon, woven fabrics and fruits showed a growth in the month of December 2015, over the corresponding month in 2014.

**Table 1: Earnings from Exports**

Category	December 2014 (US\$ mn)	December 2015 (US\$ mn)	Change (%)	Jan-Dec 2014 (US\$ mn)	Jan-Dec 2015 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>752.1</b>	<b>624.1</b>	<b>(17.0)</b>	<b>8,262.0</b>	<b>7,975.6</b>	<b>(3.5)</b>
Textiles and garments	451.1	393.4	(12.8)	4,929.9	4,820.2	(2.2)
of which Garments	432.1	369.2	(14.5)	4,682.3	4,555.6	(2.7)
Woven fabrics	6.5	9.6	47.2	90.3	101.5	12.4
Rubber products	72.9	58.5	(19.8)	889.8	761.2	(14.5)
Gems, Diamonds and Jewellery	29.5	18.1	(38.6)	393.6	331.7	(15.7)
Machinery and mechanical appliances	30.9	23.4	(24.2)	342.9	293.8	(14.3)
Transport equipment	36.6	5.5	(85.0)	151.8	243.7	60.5
Petroleum products	24.3	30.3	24.5	338.0	373.9	10.6
Chemical products	9.8	10.8	10.5	134.4	126.4	(5.9)
Other	97.0	84.1	(13.4)	1,081.5	1,024.7	(5.3)
<b>2. Agricultural exports</b>	<b>249.4</b>	<b>191.1</b>	<b>(23.4)</b>	<b>2,793.9</b>	<b>2,481.5</b>	<b>(11.2)</b>
Tea	139.8	105.2	(24.7)	1,628.3	1,340.5	(17.7)
Coconut	26.5	23.7	(10.6)	356.4	351.7	(1.3)
Spices	28.4	24.4	(14.0)	264.6	377.4	42.7
of which Cinnamon	13.7	14.2	3.8	139.8	139.6	(0.2)
Minor agricultural products	21.1	14.4	(31.8)	165.2	160.4	(2.9)
of which Fruits	3.5	4.1	17.7	44.2	38.0	(14.0)
Sea Food	21.8	15.0	(31.2)	252.7	163.1	(35.5)
Other	11.7	8.4	(28.4)	126.7	88.4	(30.2)
<b>3. Mineral and other</b>	<b>3.6</b>	<b>2.2</b>	<b>(37.9)</b>	<b>74.2</b>	<b>47.9</b>	<b>(35.4)</b>
<b>Total exports</b>	<b>1,005.1</b>	<b>817.5</b>	<b>(18.7)</b>	<b>11,130.1</b>	<b>10,504.9</b>	<b>(5.6)</b>

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

### Import Performance

Deviating from the normal seasonal trend of increased expenditure on imports towards the end of the year, expenditure on imports weakened for the sixth consecutive month in December 2015 by 8.5 per cent to US dollars 1,645 million, year-on-year. A large part of this decline in growth was attributable to the drop in imports of intermediate goods led by fuel imports, while the drop in imports of consumer goods and investment goods also contributed. In December 2015,

expenditure on fuel imports decreased by 15.5 per cent, year-on-year, to US dollars 216 million mainly due to the considerable decline in import prices. In line with the downward movement in international oil prices, average import price of crude oil dropped to US dollars 41.21 per barrel in December 2015, compared to US dollars 75.98 per barrel recorded in December 2014. Consumer goods imports decreased by 9.1 per cent to US dollars 384 million, in December 2015. Substantial decline recorded in imports of personal motor vehicles and rice imports contributed largely for the reduction of expenditure on consumer goods imports. Expenditure on rice imports declined for the eighth consecutive month in December 2015 to US dollars 1.7 million compared to US dollars 50.0 million in December 2014, owing to the increased local production of rice. Expenditure on importation of personal motor vehicles dropped significantly by 41.1 per cent to US dollars 66 million in December 2015, reflecting declines recorded in all sub categories including motor cars and motor cycles. Expenditure on transport equipment such as trishaws, buses and agricultural tractors, categorized under investment goods, declined significantly by 49.8 per cent, year-on-year. However, import expenditure on vegetables, textile and textile articles and machinery and equipment, which is categorised under consumer goods, intermediate goods and investment goods, respectively, increased significantly during the month.

### **Trade Performance for the year 2015**

Reflecting the subdued global demand and lower commodity prices, earnings from exports during 2015 decreased by 5.6 per cent to US dollars 10,505 million while expenditure on imports declined by 2.5 per cent to US dollars 18,935 million. Lower performance in tea, rubber products, textile and garments and seafood exports contributed mainly for the drop in exports. Significant decline recorded in fuel import bill due to lower oil prices and lower thermal power generation caused for the decline in import expenditure. The leading markets for merchandise exports of Sri Lanka during 2015 continued to be the USA, UK, India, Germany and Italy accounting for about 51 per cent of total exports, while the main import origins

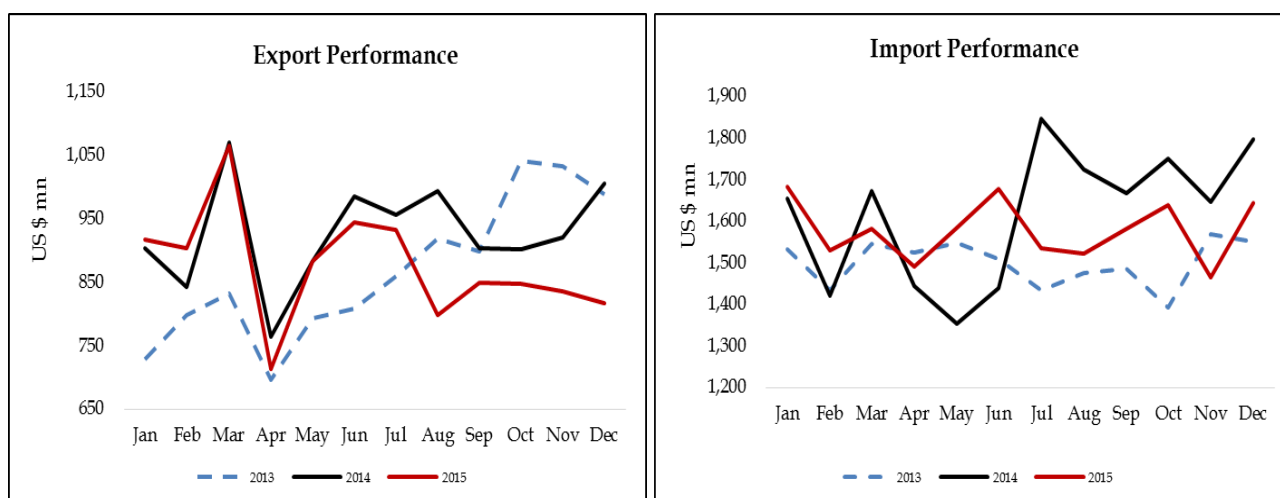
continued to be India, China, Japan, UAE and Singapore accounting for about 60 per cent of total imports.

**Table 2: Expenditure on Imports**

Category	December 2014 (US\$ mn)	December 2015 (US\$ mn)	Change (%)	Jan-Dec 2014 (US\$ mn)	Jan-Dec 2015 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>422.1</b>	<b>383.8</b>	<b>(9.1)</b>	<b>3,852.5</b>	<b>4,713.5</b>	<b>22.3</b>
Food and beverages	169.3	149.5	(11.7)	1,633.7	1,627.8	(0.4)
Vegetables	29.5	48.0	62.9	283.9	396.4	39.6
Cereals and milling industry products	51.5	3.1	(93.9)	297.5	151.6	(49.0)
Seafood	14.5	27.1	87.4	144.1	221.1	53.4
Beverages	7.2	6.3	(12.3)	61.4	77.4	26.1
Other food and beverages	66.7	64.9	(2.6)	846.8	781.3	(7.7)
Non-food consumer goods	252.9	234.4	(7.3)	2,218.8	3,085.7	39.1
Medical and pharmaceuticals	35.8	41.2	15.2	380.5	459.8	20.8
Vehicles	111.5	65.7	(41.1)	896.7	1,359.6	51.6
Other non- food consumables	105.6	127.5	20.7	941.6	1,266.2	34.5
<b>2. Intermediate goods</b>	<b>936.9</b>	<b>855.4</b>	<b>(8.7)</b>	<b>11,397.7</b>	<b>9,638.2</b>	<b>(15.4)</b>
Fuel	255.9	216.2	(15.5)	4,597.3	2,699.6	(41.3)
Textile and textile articles	225.8	241.4	6.9	2,327.6	2,296.2	(1.3)
Chemical products	84.7	72.4	(14.5)	808.2	870.3	7.7
Wheat and maize	47.7	35.0	(26.8)	404.7	357.2	(11.7)
Fertilisers	24.2	28.0	15.6	272.4	289.6	6.3
Rubber and articles thereof	23.0	26.1	13.3	190.7	278.6	46.1
Mineral products	31.3	9.3	(70.2)	222.2	230.8	3.9
Unmanufactured tobacco	4.2	6.2	45.9	70.4	83.0	17.9
Other	240.0	220.9	(8.0)	2,504.1	2,532.8	1.1
<b>3. Investment goods</b>	<b>437.1</b>	<b>404.3</b>	<b>(7.5)</b>	<b>4,152.2</b>	<b>4,567.0</b>	<b>10.0</b>
Machinery and equipment	207.1	223.8	8.1	2,131.0	2,278.1	6.9
Building materials	127.4	128.5	0.9	1,308.9	1,352.0	3.3
Transport equipment	101.4	50.9	(49.8)	707.3	930.9	31.6
Other	1.2	1.0	(10.5)	4.9	5.9	20.6
<b>4. Unclassified</b>	<b>1.4</b>	<b>1.1</b>	<b>(20.3)</b>	<b>14.4</b>	<b>15.9</b>	<b>10.3</b>
<b>Total imports</b>	<b>1,797.5</b>	<b>1,644.7</b>	<b>(8.5)</b>	<b>19,416.8</b>	<b>18,934.6</b>	<b>(2.5)</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 increased to US dollars 827 million in December 2015, compared to US dollars 792 million in December 2014. On a cumulative basis, the trade deficit during 2015 expanded marginally by 1.7 per cent to US dollars 8,430 million over 2014.

### Earnings from Tourism

Tourist arrivals continued its growth momentum in January 2016 with 194,280 arrivals, registering a year-on-year growth of 24.3 per cent. India and China continued to lead the top ten source countries for tourist arrivals with Indian and Chinese tourists recording the highest growth of 25.9 per cent and 122.3 per cent, respectively, during the month. Earnings from tourism grew by 24.3 per cent, year-on-year, to US dollars 322 million in January 2016.<sup>1</sup>

### Workers' Remittances

Workers' remittances declined by 12.7 per cent, year-on-year, to US dollars 618.5 million in December 2015 from US dollars 708.8 million in December 2014. This substantial decline in the growth rate may be partly attributable to the base effect as

<sup>1</sup> This provisional estimate may be revised once the Sri Lanka Tourism Development Authority releases its survey results on average stay period and average spending per day estimates for 2016.

workers' remittances increased at a record high rate in December 2014. On a cumulative basis, workers' remittances decreased marginally by 0.5 per cent to US dollars 6,980.3 million in 2015 compared to US dollars 7,017.8 million in 2014. This marginal decline of workers' remittances during this period could be partly attributable to the continued decline in international oil prices and the stagnating growth in the Middle Eastern countries.

### **Financial Flows**

Foreign investments in the government securities market recorded a net outflow of US dollars 118.3 million in January 2016 compared to a net outflow of US dollars 29.5 million during the corresponding month of 2015. The Colombo Stock Exchange (CSE) recorded a net outflow of US dollars 18.8 million up to end January 2016, which comprised net outflows of US dollars 19.0 million of foreign investment from the secondary market and inflows to the primary market amounting to US dollars 0.2 million. The long term loans to the Government registered a net inflow of US dollars 463.1 million in 2015, compared to the net inflow of US dollars 645.7 million recorded in 2014.

### **Overall Balance of Payments (BOP) Position**

For the year 2015, the overall BOP is estimated to have recorded a deficit of US dollars 1,489 million compared to a surplus of US dollars 1,369 million recorded in 2014.

### **International Reserves and Exchange Rate Movements**

Sri Lanka's gross official reserves as at end December 2015 amounted to US dollars 7.3 billion, equivalent to 4.6 months of imports while total foreign assets amounted to US dollars 9.3 billion, equivalent to 5.9 months of imports.

During 2016 up to end February, the rupee depreciated by 0.2 per cent against the US dollar. Based on cross currency exchange rate movements, the Sri Lankan rupee appreciated against the pound sterling by 6.8 per cent, the Australian dollar by 2.3

per cent and the Indian rupee by 3.3 per cent, while depreciating against the Japanese yen by 6.1 per cent and the euro by 0.3 per cent during this period.

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

Category	Dec 2014 US\$ mn	Dec 2015 US\$ mn	Change (%)	Jan-Dec 2014 US\$ mn	Jan-Dec 2015 US\$ mn	Change (%)
Exports	1,005.1	817.5	-18.7	11,130.1	10,504.9	-5.6
Imports	1,797.5	1,644.7	-8.5	19,416.8	18,934.6	-2.5
Trade balance (surplus+)/deficit(-)	-792.3	-827.3	4.4	-8,286.7	-8,429.7	1.7
Earnings from tourism	284.4(b)	341.6(b)	20.1	2,431.1	2,980.7	22.6
Workers' remittances	708.8	618.5	-12.7	7,017.8	6,980.3	-0.5
Inflows to the CSE (Net) (c)	12.4	-3.4	-127.8	162.6	4.0	-97.5
Inflows to the government (d)	66.4	339.8	411.4	4,794.1	4,705.0	-1.9
of which,						
Treasury bills and bonds	64.2	5.8	-90.9	1,775.5	1,210.9	-31.8
International Sovereign Bonds	-	-	-	1,500.0	2,150.0	43.3
Long term loans	-	320.5	-	1,438.7	1,267.8	-11.9
Foreign Direct Investment (e)	-	-	-	1,069.4(b)	713.3	-33.3

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

(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 on account of investments in Treasury bills and Treasury bonds by foreign investors, proceeds from International Sovereign Bond issuances and long term loans.

(e) Data available for the first nine months of each period and includes foreign loans to Direct Investment Enterprises as recorded by the Board of Investment of Sri Lanka.