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CENTRAL BANK OF SRI LANKA

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Press Release

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External Sector Performance-April 2016

Overview

Sri Lanka's external sector recorded a modest performance in April 2016. The trade deficit narrowed on account of the higher decline in import expenditure mainly due to the drop in the importation of vehicles and rice, compared to the decline in earnings from exports during April 2016. Although workers' remittances were marginally lower in April, earnings from tourism increased strengthening the current account of the Balance of Payments (BOP) while inflows to the financial account continued to moderate.

Export Performance

Earnings from exports in April 2016 stood at US dollars 707 million, indicating a marginal decline of 0.9 per cent, year-on-year, attributable to lower agricultural exports, despite higher earnings from industrial exports. Earnings from industrial exports, which account for 77 per cent of total exports, increased by 3.1 per cent compared to April 2015, mainly due to the improved performance of textiles and

garments exports. Earnings from textiles and garments exports increased by 3.1 per cent, year-on-year, to US dollars 340 million during the month, reflecting increases in garment exports to EU and USA markets by 3.7 per cent and 3.1 per cent, respectively. Further, export earnings from food, beverages and tobacco, base metals and articles, and leather, travel goods and footwear, categorised under industrial products, also increased significantly in April 2016. However, a 12.4 per cent year-on-year reduction recorded in agricultural exports, led by tea and spices, weighed down on the overall export performance in April 2016. The decline in tea exports is attributed to the lower export volumes and prices compared to April 2015 amidst subdued global demand and higher supply of black tea from other countries. Continuing the declining trend observed from the latter part of 2015, export earnings from spices decreased significantly by 30.0 per cent in April 2016, year-on-year, reflecting poor performance of cloves and pepper exports. Further, export earnings from minor agricultural products and seafood also declined by 32.8 per cent and 18.6 per cent, respectively, during the month.

Exports earnings during the first four months of 2016 contracted by 4.5 per cent, year-on-year, to US dollars 3,435 million largely due to a reduction in export earnings from transport equipment and petroleum products. The leading markets for merchandise exports of Sri Lanka during the first four months of 2016 were the USA, UK, India, Germany and Italy accounting for about 54 per cent of the total exports.

Table 1: Earnings from Exports

Category	April 2015 (US\$ mn)	April 2016 (US\$ mn)	Change (%)	Jan-Apr 2015 (US\$ mn)	Jan-Apr 2016 (US\$ mn)	Change (%)
1. Industrial exports	527.8	544.2	3.1	2,779.3	2,698.5	(2.9)
Textiles and garments	330.2	340.5	3.1	1,588.1	1,709.8	7.7
Gems, Diamonds and Jewellery	22.4	23.8	6.4	131.8	98.8	(25.1)
Food beverages and tobacco	17.2	20.9	21.9	84.0	102.4	21.9
Petroleum products	22.6	18.2	(19.8)	150.5	92.3	(38.7)
Leather, travel goods and footwear	8.3	10.7	28.4	48.9	49.8	1.9
Base metals and articles	5.0	8.3	65.9	20.2	23.8	17.8
Transport equipment	6.2	5.5	(10.9)	171.6	52.5	(69.4)
Printing industry products	2.6	0.6	(78.2)	11.7	6.6	(44.1)
Other	113.3	115.7	2.1	572.3	562.5	(1.7)
2. Agricultural exports	182.1	159.5	(12.4)	801.0	721.8	(9.9)
Tea	102.0	93.2	(8.7)	437.4	406.3	(7.1)
Coconut	27.3	27.0	(1.0)	109.4	114.8	4.9
Spices	18.6	13.0	(30.0)	109.5	73.9	(32.5)
Sea Food	14.1	11.4	(18.6)	57.5	57.9	0.8
Minor agricultural products	11.9	8.0	(32.8)	55.5	36.1	(34.9)
Rubber	2.4	2.7	14.8	9.7	12.6	29.5
Other	8.3	6.9	(16.6)	31.8	32.7	2.8
3. Mineral and other	3.4	2.9	(15.6)	17.4	14.3	(18.1)
Total exports	713.4	706.6	(0.9)	3,597.7	3,434.6	(4.5)

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

Import Performance

The expenditure on imports decreased by 2.0 per cent to US dollars 1,461 million, in April 2016 compared to the same month in 2015, due to the decline recorded in expenditure on consumer goods, particularly vehicles and rice imports. Reflecting

the impact of the policy measures adopted by the government to curtail vehicle imports, expenditure on personal motor vehicle imports decreased by 28.8 per cent, year-on-year, in April 2016. Expenditure on rice imports declined for the twelfth consecutive month to US dollars 1.2 million in April 2016 reflecting a 94.7 per cent decrease, year-on-year, due to the availability of rice in the local market from the bumper paddy harvest in 2015 and the impact of the increases in the import duty by the government on the import of rice. Further, the lower expenses incurred on transport equipment, base metals, fertilizer, vegetables and fuel imports contributed largely to the decline the import expenditure during the month. However, import expenditure on wheat and maize increased considerably in April 2016 due to importation of wheat by Prima Ceylon (Pvt.) Ltd, the main wheat importer in Sri Lanka, after a lapse of three months. Meanwhile, import expenditure on machinery and equipment and building materials increased by 12.2 per cent and 22.3 per cent, respectively on a year-on-year basis in April 2016. Further, import expenditure on textile and textile articles, and diamonds and precious stones and metals increased during the month.

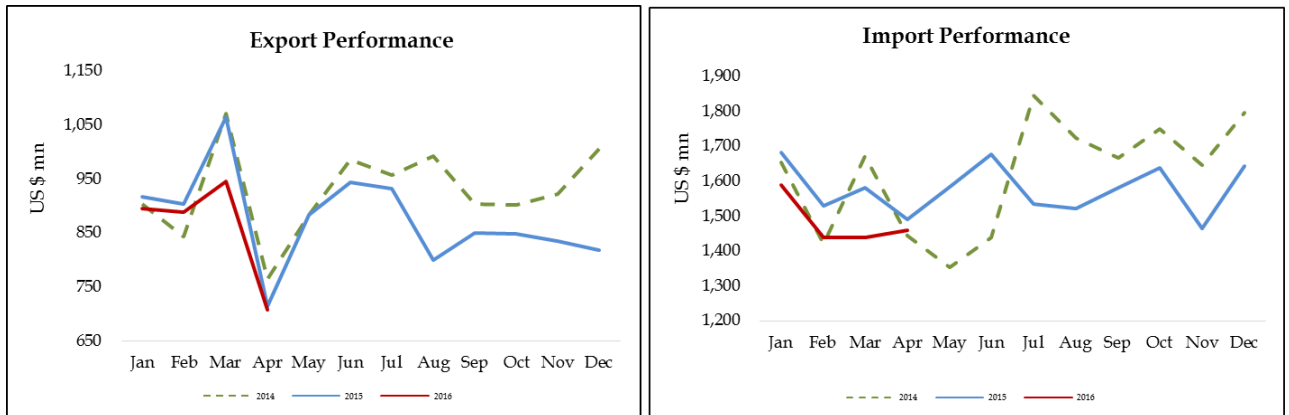
On a cumulative basis, expenditure on imports during the period from January to April 2016 decreased by 3.6 per cent to US dollars 6,055 million, mainly due to the declines recorded in in the importation of fuel, transport equipment and rice. During the first four months of 2016, China, India, Japan, Singapore and UAE accounted for about 57 per cent of the total imports.

Table 2: Expenditure on Imports

Category	April 2015 (US\$ mn)	April 2016 (US\$ mn)	Change (%)	Jan-Apr 2015 (US\$ mn)	Jan-Apr 2016 (US\$ mn)	Change (%)
1. Consumer goods	376.0	316.2	(15.9)	1,567.3	1,425.5	(9.1)
Food and beverages	149.0	117.4	(21.2)	611.8	516.9	(15.5)
Vegetables	34.1	18.4	(45.9)	142.2	140.1	(1.5)
Seafood	13.0	17.4	33.9	57.9	78.1	34.9
Spices	7.4	10.1	36.4	39.5	45.0	13.8
Cereals and milling industry products	23.4	1.9	(91.7)	108.2	6.9	(93.6)
Other food and beverages	71.1	69.5	(2.3)	264.0	246.8	(6.5)
Non-food consumer goods	227.0	198.9	(12.4)	955.5	908.6	(4.9)
Vehicles	94.4	67.2	(28.8)	385.0	298.9	(22.4)
Medical and pharmaceuticals	38.3	40.4	5.5	148.4	171.7	15.7
Other non- food consumables	94.2	91.3	(3.1)	422.1	438.1	3.8
2. Intermediate goods	756.1	778.9	3.0	3,153.0	3,019.2	(4.2)
Fuel	212.6	200.8	(5.5)	921.7	686.5	(25.5)
Textiles and textile articles	180.8	198.3	9.7	768.9	896.8	16.6
Wheat and maize	9.9	51.1	415.4	86.8	105.6	21.7
Base metals	46.4	26.5	(42.8)	160.9	105.4	(34.5)
Fertilisers	31.7	13.0	(59.0)	86.4	54.1	(37.5)
Other	274.7	289.1	5.2	1,128.3	1,170.9	3.8
3. Investment goods	353.2	364.3	3.1	1,554.9	1,607.8	3.4
Machinery and equipment	189.7	212.8	12.2	776.0	925.2	19.2
Building materials	93.0	113.8	22.3	409.0	485.3	18.7
Transport equipment	70.1	37.3	(46.7)	367.9	195.1	(47.0)
Other	0.3	0.3	3.3	2.0	2.2	11.6
4. Unclassified	5.2	1.5	(71.6)	7.3	2.8	(61.5)
Total imports	1,490.5	1,460.9	(2.0)	6,282.5	6,055.4	(3.6)

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

Figure 1: Export and Import Performance



Source: Central Bank of Sri Lanka
Sri Lanka Customs

Trade Balance

The trade deficit of US dollars 754 million in April 2016 reflected a contraction by 2.9 per cent, on a year-on-year basis from the deficit of US dollars 777 million in April 2015 due to the steeper reduction in imports in comparison to the decline in exports. Further, on a cumulative basis, the trade deficit during the first four months of 2016 contracted by 2.4 per cent to US dollars 2,621 million from US dollars 2,685 million recorded during the same period of 2015.

Earnings from Tourism

Tourist arrivals increased to 125,044 during May 2016 recording a growth of 10.1 per cent over May 2015. Accordingly, tourist arrivals during the first five months of 2016 increased by 18.4 per cent to 846,229 over the corresponding period of 2015. The top five sources of tourist arrivals up to May 2016 were India, China, UK, Germany and France, accounting for 52.2 per cent of the total tourist arrivals during the period. Earnings from tourism¹ increased to US dollars 1,402.5 million during the first five months of 2016 in comparison to US dollars 1,184.4 million recorded during the same period of 2015.

¹ 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

Receipts from workers' remittances declined by 1.4 per cent to US dollars 578.0 million in April 2016 in comparison to US dollars 585.9 million in April 2015. Meanwhile, inflows from workers' remittances at US dollars 2,371.4 million during the first four months of 2016 recorded an increase of 4.7 per cent over the corresponding period of 2015.

Financial Flows

FDI inflow, inclusive of foreign loans to BOI companies, amounted to US dollars 164.5 million during the first quarter of 2016 in comparison to US dollars 346.4 million recorded in the corresponding period of 2015. Meanwhile, the Colombo Stock Exchange (CSE) recorded a net outflow of US dollars 19.5 million up to end April 2016, which consisted of net outflows of US dollars 20.8 million from the secondary market and inflows of US dollars 1.3 million to the primary market. The government securities market recorded a net outflow of US dollars 565.2 million during the first four months of 2016 compared to a net inflow of US dollars 25.7 million during the corresponding period of 2015. Long term loans to the Government recorded a net outflow of US dollars 67.5 million during the first four months of 2016, compared to a net inflow of US dollars 57.0 million during the corresponding period of 2015.

Overall Balance of Payments (BOP) Position

During the first four months of 2016, the overall BOP is estimated to have recorded a deficit of US dollars 958.0 million in comparison to a deficit of US dollars 1,025.2 million recorded during the corresponding period of 2015.

International Reserves and Exchange Rate Movements

Sri Lanka's gross official reserves as at end April 2016 amounted to US dollars 6.1 billion, equivalent to 3.9 months of imports, while total foreign assets amounted to US dollars 8.3 billion, equivalent to 5.3 months of imports.

The rupee recorded a modest depreciation of 1.2 per cent against the US dollar during the period from end 2015 to 29 July 2016. Furthermore, reflecting the cross currency movements, the rupee also depreciated against the euro by 2.6 per cent, the Japanese yen by 14.6 per cent, the Canadian dollar by 6.3 per cent, the Australian dollar by 4.3 per cent and the Indian rupee by 0.2 per cent during this period while appreciating against the pound sterling by 11.1 per cent.

Table 3: Summary of External Sector Performance (a)

Category	April 2015 US\$ mn	April 2016 US\$ mn	Change (%)	Jan- Apr 2015 US\$ mn	Jan-Apr 2016 US\$ mn	Change (%)
Exports	713.4	706.6	-0.9	3,597.7	3,434.6	-4.5
Imports	1,490.5	1,460.9	-2.0	6,282.5	6,055.4	-3.6
Trade Balance (surplus+)/ deficit(-))	-777.1	-754.3	-2.9	-2,684.8	-2,620.8	-2.4
Earnings from Tourism	202.6(b)	226.0	11.6	996.2(b)	1,195.3	20.0
Workers' Remittances	585.9	578.0	-1.4	2,265.4	2,371.4(b)	4.7
Inflows to the CSE (Net) (c)	6.3	-7.0	-211.4	44.9	-19.5	-143.4
Inflows to the Government (d)	268.2	269.6	0.6	880.3	523.7	-40.5
of which,						
Treasury Bills and Bonds	167.2	174.4	4.3	516.0	217.7	-57.8
International Sovereign Bonds	-	-	-	-	-	-
Long term Loans	88.8	90.4	1.9	327.0	295.9	-9.5
Foreign Direct Investment (e)	-	-	-	346.4	164.5	-52.5

Sources: Board of Investment of Sri Lanka
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.

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