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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

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External Sector Performance – November 2018

Highlights

- The deficit in the trade account narrowed significantly in November 2018 (year-on-year) following the noteworthy decline in the import expenditure.
- Exports grew by 4.1 per cent while imports contracted by 9.1 per cent in November 2018 (year-on-year).
- Earnings from tourism rebounded strongly with the start of the tourism season registering a growth of 18.2 per cent in November (year-on-year). Tourism sector is expected to continue its robust performance through 2019.
- Workers' remittances fell by 5.7 per cent, year-on-year, in November 2018 registering a decline of 0.9 per cent on a cumulative basis.
- Foreign investments in the government securities market and the Colombo Stock Exchange (CSE) recorded outflows during November 2018 exerting pressure on the domestic foreign exchange market, which necessitated intervention by the Central Bank to curb excessive volatility in the exchange rate.
- The country's gross official reserves stood at US dollars 7.0 billion which was equivalent to 3.7 months of imports at end November 2018.

Table 1: Summary of External Sector Performance (a)

Category	Nov 2017 US\$ mn	Nov 2018 US\$ mn	Change (%)	Jan-Nov 2017 US\$ mn	Jan-Nov 2018 US\$ mn	Change (%)
Exports	941	980	4.1	10,341	10,856	5.0
Imports	1,940	1,765	-9.1	18,931	20,498	8.3
Trade balance (net)	-999	-785		-8,590	-9,642	
Earnings from tourism (b)	311	367	18.2	3,471	3,905	12.5
Workers' remittances	588 (c)	555	-5.7	6,493 (c)	6,431	-0.9
Inflows to the CSE (net) (d)	-11	-30		267	-29	
Inflows to the Government (gross)	337	83		5,327	4,937	
Treasury bills and bonds	140	-		1,543	698	
Long term loans	197	83		1,284	739	
Syndicated loans	-	-		1,000	1,000	
International Sovereign Bonds	-	-		1,500	2,500	
IMF-EFF receipts	-	-		167	252	
Foreign Direct Investment (e)				693	1,801	
Overall Balance				2,005	-807	

Sources: Sri Lanka Customs (SLC), Central Bank of Sri Lanka (CBSL), Sri Lanka Tourism Development Authority (SLTDA), Colombo Stock Exchange (CSE), Board of Investment of Sri Lanka (BOI)

(a) Provisional

(b) Revised based on survey results of SLTDA on average stay period and average spending per day estimates for 2018

(c) Revised

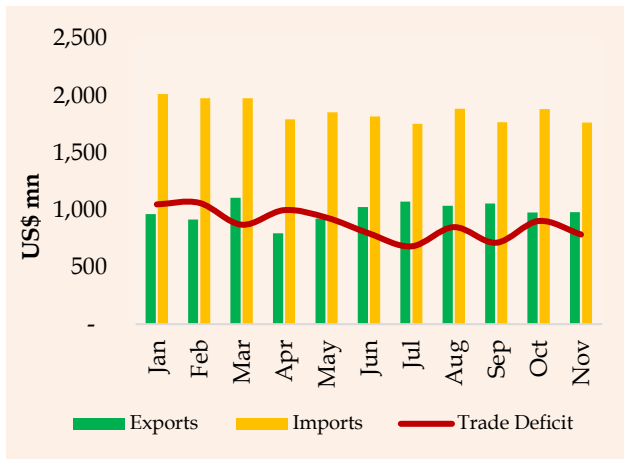
(d) Include secondary and primary market transactions

(e) Data available for the first nine months of each period and includes foreign loans to Direct Investment Enterprises as recorded by the BOI and net direct investments to the CSE

Trade Balance and Terms of Trade

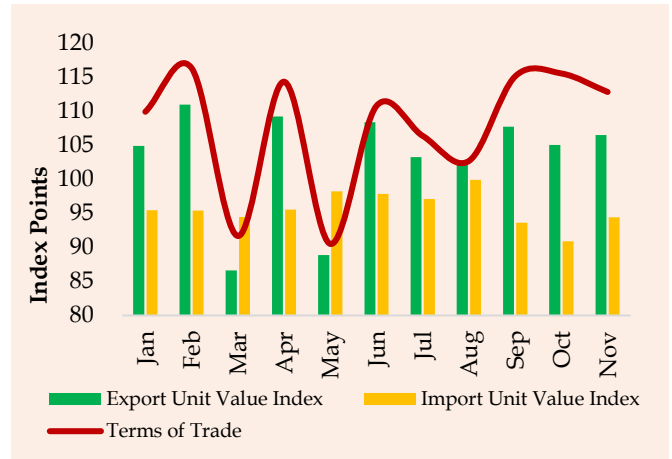
- The deficit in the trade account narrowed significantly in November 2018 in comparison to November 2017 due to a sharp decline in import expenditure and a modest increase in export earnings. However, on a cumulative basis, the deficit in the trade account expanded during the first eleven months of 2018 in comparison to the corresponding period of 2017.
- Meanwhile, terms of trade, which represents the relative price of imports in terms of exports, improved by 1.6 per cent (year-on-year) to 112.8 index points in November 2018 due to an increase of export prices supported by a marginal decline in import prices.

Figure 1: Monthly Merchandise Trade Performance - 2018



Sources: SLC, CBSL

Figure 2: Terms of Trade - 2018



Source: CBSL

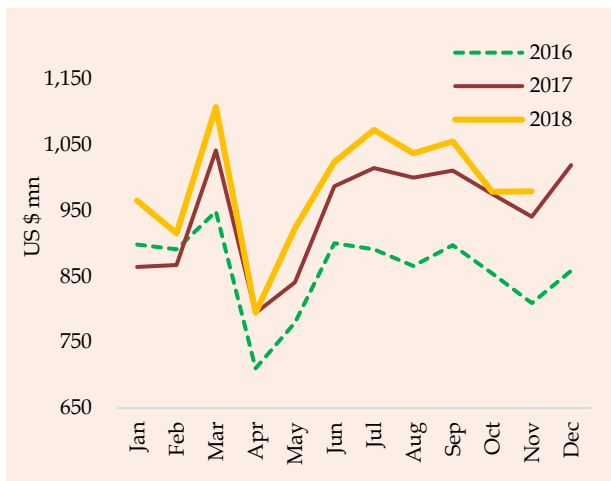
Performance of Merchandise Exports

- Earnings from merchandise exports increased moderately by 4.1 per cent (year-on-year) to US dollars 980 million in November 2018. The growth in exports was driven by industrial exports while agricultural exports continued to decline.
- Under industrial exports, export earnings from textiles and garments increased notably in November 2018 mainly driven by exports to the USA. In addition, garment exports to non-traditional markets such as India, Canada and Australia as well as the EU market increased along with textile and other made up textile articles. Earnings from petroleum products increased significantly in November 2018 reflecting higher bunker and aviation fuel prices despite a slight reduction in export volumes in comparison to that of November 2017. Export earnings from machinery and mechanical appliances also increased substantially during November 2018 due to improved performance in all sub categories therein. Further, export earnings from food, beverages and tobacco, rubber products and base metals and articles rose in November 2018 contributing towards the increase in industrial exports. However, export earnings from printing industry products, gems, diamonds and jewellery and leather, travel goods and footwear declined in November 2018.
- Earnings from agricultural exports recorded a decline during the month due to poor performance in almost all sub categories except the categories of unmanufactured tobacco and vegetables. Reflecting lower average export prices

and exported volumes, export earnings from tea declined in November 2018. Export earnings from spices also declined during the month due to the lower volumes in most categories of spices. Further, earnings from coconut exports declined due to the drop in both kernel and non-kernel products. Earnings from seafood exports also declined in November 2018 while in cumulative terms seafood exports rose with higher exports to the EU market.

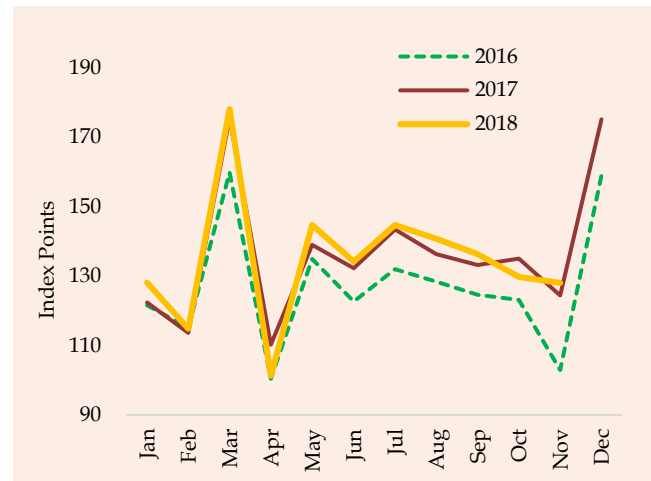
- The export volume index in November 2018 increased by 2.9 per cent while the export unit value index increased by 1.1 per cent, implying that the growth in exports was driven mainly by the increased volume, rather than the price, compared to the volume and unit value indices in November 2017.

Figure 3: Monthly Export Performance



Sources: SLC, CBSL

Figure 4: Export Volume Index



Source: CBSL

Table 2: Earnings from Merchandise Exports (a)

Category	Nov 2017 (US\$ mn)	Nov 2018 (US\$ mn)	Change (%)	Jan - Nov 2017 (US\$ mn)	Jan - Nov 2018 (US\$ mn)	Change (%)
1. Industrial exports	713.5	787.9	10.4	7,745.6	8,444.9	9.0
Food, beverages and tobacco	28.4	33.9	19.1	359.8	423.8	17.8
Animal fodder	8.0	8.5	5.8	70.2	99.6	41.9
Textiles and garments	424.3	469.8	10.7	4,562.0	4,824.3	5.7
o/w Garments	399.0	438.5	9.9	4,294.1	4,501.2	4.8
Textiles	17.7	22.5	26.9	188.0	235.9	25.5
Other made up textile articles	7.6	8.8	15.2	79.8	87.2	9.3
Rubber products	67.3	71.3	5.9	760.8	798.9	5.0
Gems, diamonds and jewellery	22.5	20.3	(9.7)	236.7	259.1	9.5
Machinery and mechanical appliances	28.3	37.4	32.3	340.8	401.6	17.8
Transport equipment	6.6	6.4	(2.3)	157.6	111.9	(29.0)
Petroleum products	44.2	56.9	28.8	371.9	569.2	53.0
Chemical products	11.8	12.0	1.6	134.0	153.6	14.6
Wood and paper products	11.6	11.9	3.3	126.2	128.8	2.1
Printing industry products	6.6	4.4	(33.2)	44.5	29.3	(34.3)
Leather, travel goods and footwear	12.9	10.8	(15.9)	144.2	139.0	(3.7)
Plastics and articles thereof	6.8	6.4	(6.8)	66.5	70.3	5.7
Base metals and articles	11.8	14.6	23.7	105.7	153.1	44.8
Ceramic products	2.7	2.6	(5.1)	30.8	29.3	(5.0)
Other	19.7	20.7	5.1	233.8	253.3	8.3
2. Agricultural exports	224.1	187.8	(16.2)	2,547.5	2,362.7	(7.3)
Tea	127.0	103.2	(18.8)	1,402.9	1,311.4	(6.5)
Rubber	2.3	2.2	(5.1)	35.7	29.7	(16.7)
Coconut	25.7	20.5	(20.5)	329.0	287.1	(12.7)
Spices	33.7	27.7	(17.7)	373.6	330.3	(11.6)
Vegetables	1.8	2.1	19.5	26.4	26.1	(1.4)
Unmanufactured tobacco	1.9	2.3	19.8	31.5	31.5	(0.1)
Minor agricultural products	8.9	7.6	(15.3)	129.3	110.0	(14.9)
Seafood	22.8	22.3	(2.3)	219.1	236.6	8.0
3. Mineral and other	3.3	3.9	17.2	47.8	48.6	1.6
Total exports	940.9	979.6	4.1	10,340.9	10,856.2	5.0

Sources: SLC, National Gem and Jewellery Authority (NGJA), Ceylon Petroleum Corporation (CPC) and Other Exporters of Petroleum, CBSL

(a) Provisional

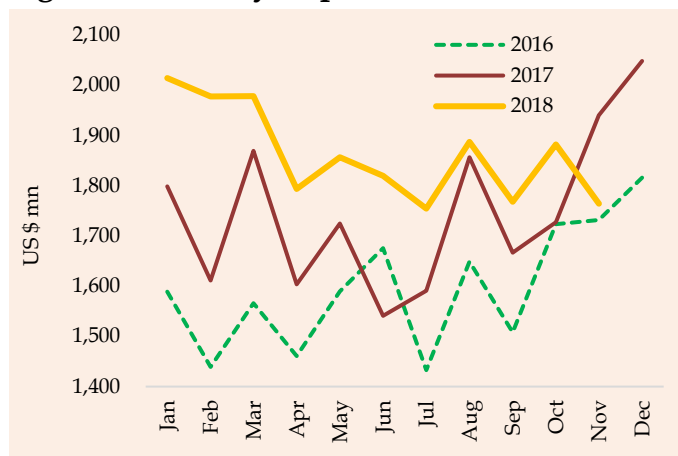
Performance of Merchandise Imports

- Expenditure on merchandise imports declined by 9.1 per cent (year-on-year) for the first time since June 2017 to US dollars 1,765 million in November 2018. The decline in consumer and investment goods contributed to the decline reflecting mainly the impact of restrictions on personal vehicles and non-essential consumer goods imports, while the relatively larger depreciation of the Sri Lankan rupee may also have contributed to curtailing imports.
- Import expenditure on consumer goods declined (year-on-year) notably in November 2018 due to lower expenditure on food and beverages driven by rice, vegetables, dairy products and sugar imports. Such reduction in imports on food and beverages can be attributed to the combined effect of lower import volumes due to higher domestic production and lower commodity prices in the international market. Expenditure on non-food consumer goods such as telecommunication devices and home appliances decreased in November 2018 on a year-on-year basis, partly due to measures taken by the Central Bank to restrict certain categories of non-essential consumer goods imports. Expenditure on personal vehicle imports showed a significant decline of 34.8 per cent in November 2018 from the previous month, reflecting the impact of policy measures put in place to curtail personal vehicle imports. It is expected that the importation of motor vehicles and non-essential consumer goods could decelerate further in the coming months.
- Expenditure on the importation of investment goods also decreased in November 2018 mainly due to lower imports under many sub categories. Specifically, a significant decline was seen in expenditure on the importation of cement and vehicles for commercial purposes compared to November 2017.
- In contrast, import expenditure on intermediate goods increased, albeit marginally, driven by fuel, base metals and fertiliser imports. Expenditure on fuel imports increased with the combined effect of higher import prices and volumes of both refined petroleum products and coal despite a reduction recorded in the import volume of crude oil. Meanwhile, expenditure on base metal imports increased driven by iron and steel. However, expenditure on gold imports continued to decline significantly in November 2018 reflecting the impact of

customs duty imposed on gold in April 2018. Expenditure on wheat and maize also dropped during the month mainly due to lower imported volumes. Import expenditure on mineral products and textiles and textile articles also declined during the month contributing to mitigate the pressure on import expenditure.

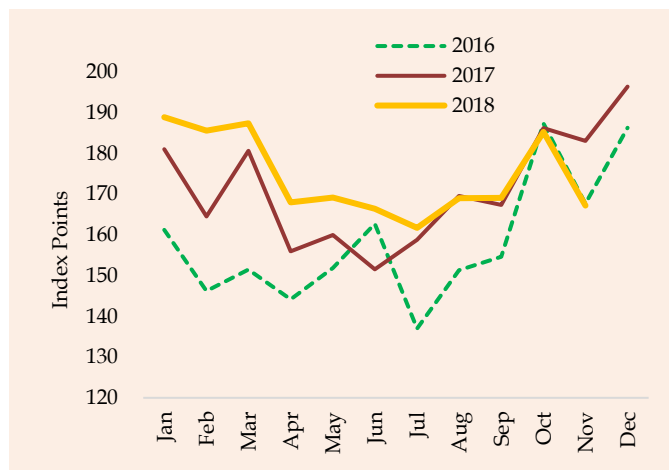
- Both import volume and unit value indices decreased by 8.6 per cent and 0.5 per cent, respectively, in November 2018. This indicates that the decline in imports during the month was driven by the reduction in volumes imported despite lower prices of imported goods in comparison to the corresponding period of 2017.

Figure 5: Monthly Import Performance



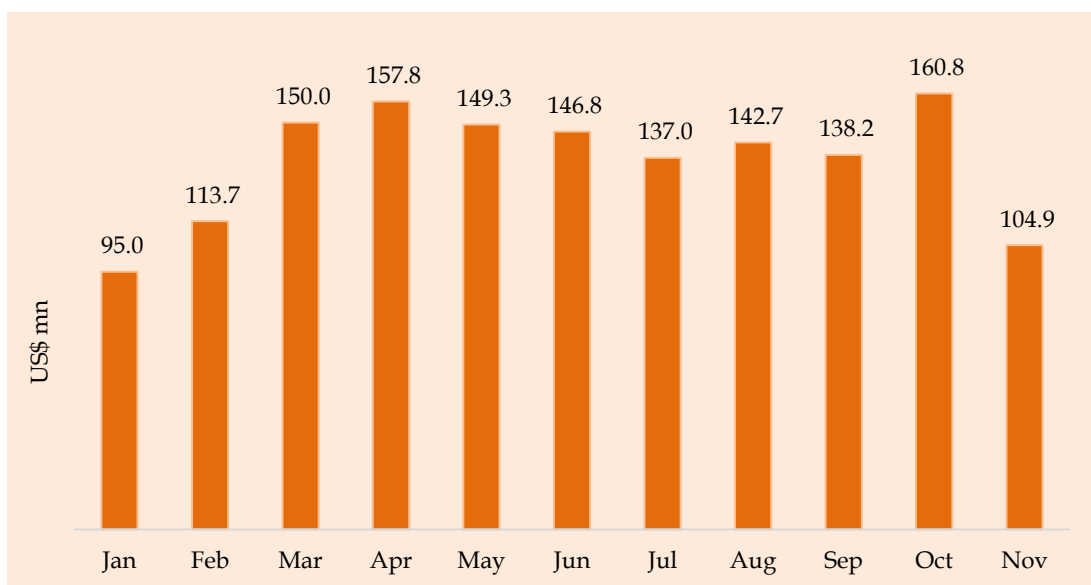
Sources: SLC, CBSL

Figure 6: Import Volume Index



Source: CBSL

Figure 7: Import Expenditure on Personal Motor Vehicles - 2018



Sources: SLC, CBSL

Table 3: Expenditure on Merchandise Imports (a)

Category	Nov 2017 (US\$ mn)	Nov 2018 (US\$ mn)	Change (%)	Jan - Nov 2017 (US\$ mn)	Jan - Nov 2018 (US\$ mn)	Change (%)
1. Consumer goods	407.7	363.5	(10.8)	4,069.0	4,622.7	13.6
Food and beverages	174.9	111.0	(36.5)	1,659.5	1,471.4	(11.3)
Cereals and milling industry products	26.2	3.2	(87.7)	272.1	121.2	(55.4)
o/w Rice	25.3	1.4	(94.5)	260.2	103.9	(60.1)
Dairy products	40.6	25.4	(37.5)	291.0	299.0	2.8
Vegetables	39.4	21.8	(44.8)	327.4	277.9	(15.1)
Seafood	15.5	15.9	2.5	199.2	182.4	(8.4)
Sugar and confectionery	20.0	13.4	(33.3)	233.8	223.4	(4.4)
Spices	6.4	8.6	33.0	84.4	104.1	23.4
Other food and beverages	26.7	22.8	(14.4)	251.7	263.3	4.6
Non-food consumer goods	232.8	252.5	8.5	2,409.4	3,151.2	30.8
Personal vehicles	62.2	104.9	68.7	677.4	1,496.2	120.9
Medical and pharmaceuticals	51.1	46.5	(9.0)	474.4	488.6	3.0
Home appliances	23.4	16.8	(28.3)	239.6	216.0	(9.8)
Clothing and accessories	25.7	23.2	(9.7)	344.9	283.4	(17.8)
Telecommunication devices	31.3	24.1	(22.8)	254.0	250.9	(1.2)
Household and furniture items	16.9	12.8	(24.5)	169.5	156.4	(7.7)
Other non-food consumables	22.2	24.2	9.2	249.7	259.7	4.0
2. Intermediate goods	1,072.5	1,074.6	0.2	10,242.0	11,504.9	12.3
Fuel	306.4	403.6	31.7	2,994.6	3,834.6	28.0
o/w Crude oil	95.7	110.7	15.7	608.3	886.7	45.8
Refined petroleum	185.2	245.6	32.6	2,167.4	2,750.2	26.9
Diamonds, precious stones and metals	82.7	9.9	(88.1)	677.0	552.7	(18.4)
o/w Gold	72.7	0.1	(99.9)	570.7	438.7	(23.1)
Textiles and textile articles	251.1	245.7	(2.1)	2,491.7	2,617.0	5.0
Paper and paperboard and articles thereof	44.9	45.4	1.2	444.5	486.8	9.5
Mineral products	35.5	12.8	(63.8)	201.5	171.0	(15.1)
Wheat and maize	58.2	22.0	(62.1)	353.9	348.6	(1.5)
Base metals	40.9	77.0	88.1	503.5	596.8	18.5
Vehicle and machinery parts	24.5	25.7	4.9	269.3	273.9	1.7
Chemical products	72.1	73.2	1.5	762.1	834.3	9.5
Fertiliser	4.9	24.6	403.6	86.7	235.6	171.8
Food preparations	31.3	21.0	(33.0)	277.1	275.1	(0.7)
Other intermediate goods	119.9	113.6	(5.2)	1,180.1	1,278.5	8.3
3. Investment goods	459.7	326.0	(29.1)	4,475.9	4,296.4	(4.0)
Machinery and equipment	243.6	179.5	(26.3)	2,391.0	2,291.6	(4.2)
Building material	157.6	103.9	(34.1)	1,460.5	1,383.2	(5.3)
Transport equipment	57.9	42.1	(27.3)	617.0	615.9	(0.2)
Other investment goods	0.5	0.5	0.1	7.4	5.6	(23.7)
4. Unclassified imports	0.5	0.5	0.7	144.4	74.2	(48.6)
Total imports	1,940.4	1,764.6	(9.1)	18,931.3	20,498.1	8.3

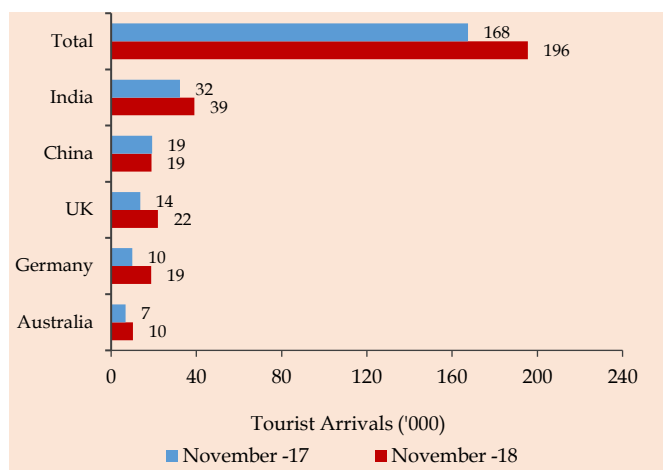
Sources: SLC, CPC, Lanka IOC PLC, CBSL

(a) Provisional

Other Major Inflows to the Current Account

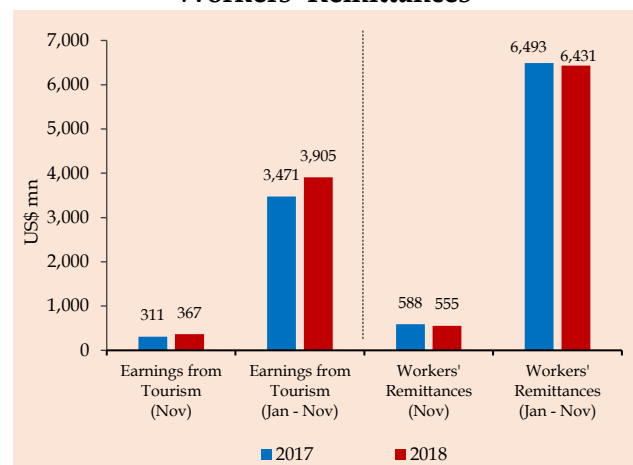
- Tourist arrivals picked up strongly in November 2018 registering a growth of 16.8 per cent as a result of higher number of tourists arriving mainly from Germany, UK and India in comparison to November 2017. Tourist arrivals during the first eleven months of 2018 amounted to 2,080,627, a growth of 11.2 per cent over the corresponding period of 2017. Earnings from tourism in November 2018 are estimated at US dollars 367 million, with cumulative earnings amounting to US dollars 3,905 million during the first eleven months of 2018.
- Workers' remittances declined by 5.7 per cent, year-on-year, to US dollars 555 million in November 2018. On a cumulative basis, workers' remittances declined by 0.9 per cent to US dollars 6,431 million during the first eleven months of 2018 in comparison to the corresponding period of 2017.

Figure 8: Top Five Sources of Tourist Arrivals



Source: SLTDA

Figure 9: Earnings from Tourism and Workers' Remittances



Sources: SLTDA, Licensed Commercial Banks, CBSL

Financial Flows

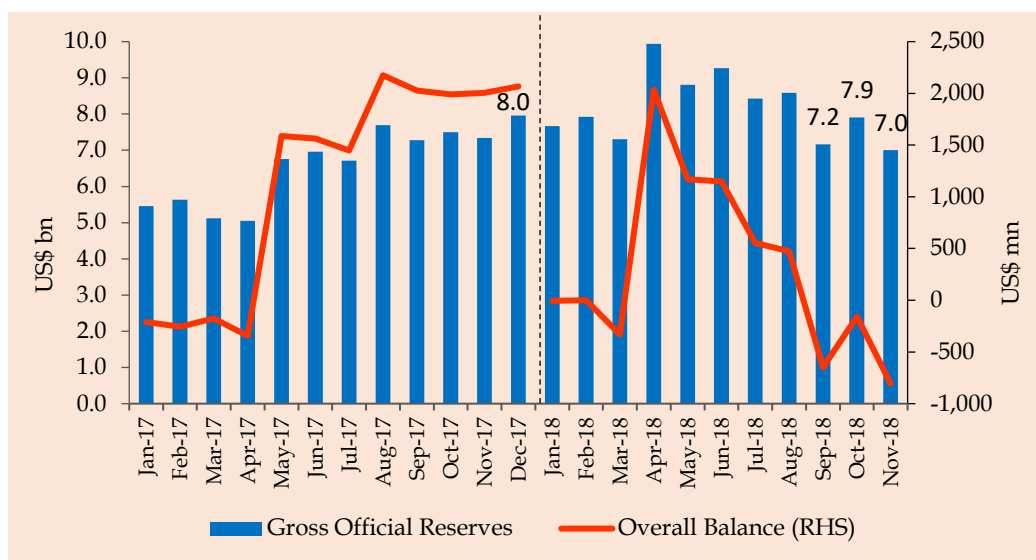
- The government securities market and the CSE witnessed foreign investment outflows in November 2018. The government securities market continued to experience a withdrawal of foreign investments recording a net outflow of US dollars 162 million in November, resulting in a cumulative net outflow of US dollars 802 million for the first eleven months of 2018.

- Foreign investments in the CSE, including both secondary and primary market foreign exchange flows, recorded a net outflow of US dollars 30 million during the month of November 2018. On a cumulative basis, the CSE recorded a net outflow of US dollars 29 million in the first eleven months of 2018 which comprised an inflow of US dollars 77 million to the primary market and a net outflow of US dollars 106 million from the secondary market. Long term loans to the government recorded a net inflow of US dollars 3.3 million during November 2018.

International Reserves

- As at end November 2018, gross official reserves were estimated at US dollars 7.0 billion, equivalent to 3.7 months of imports. Total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 9.7 billion as at end November 2018, equivalent to 5.2 months of imports.

Figure 10: Gross Official Reserves and Overall Balance

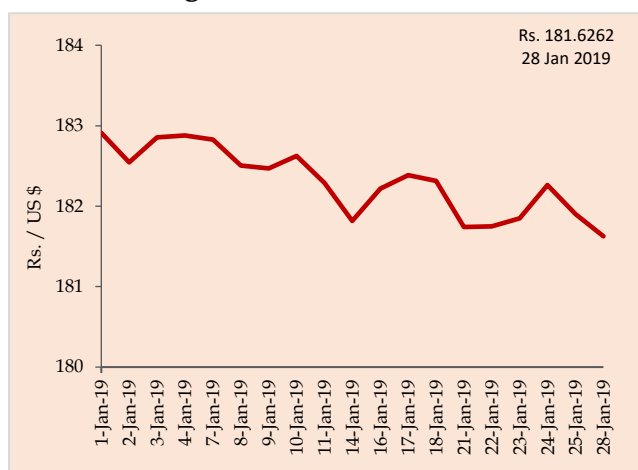


Source: CBSL

Exchange Rate Movements

- The Sri Lankan rupee appreciated by 0.6 per cent against the US dollar during the year up to 28 January 2019. Reflecting cross currency movements, the rupee depreciated against other major currencies except for the euro and the Indian rupee during this period.
- During the year 2018, the Sri Lankan rupee depreciated by 16.4 per cent against the US dollar while also depreciating against other major currencies.

Figure 11: Movement of Sri Lankan Rupee Against US\$



Source: CBSL

Table 4: Movement of Sri Lankan Rupee Against Selected Currencies

Currency	2018	2019 (up to 28 January) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+0.6%
Euro	-12.7%	+0.8%
Pound sterling	-11.4%	-3.2%
Japanese yen	-18.1%	-0.3%
Canadian dollar	-9.3%	-2.4%
Australian dollar	-7.6%	-1.4%
Indian rupee	-8.7%	+2.1%

Source: CBSL