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# Press Release

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## External Sector Performance – March 2019

### Highlights

- During the first quarter of 2019, the deficit in the trade account contracted to US dollars 1,661 million from US dollars 2,982 million recorded in the first quarter of 2018, as export earnings increased by 5.6 per cent (year-on-year) while import expenditure declined by 19.3 per cent.
- In March 2019, the deficit in the trade account narrowed to US dollars 592 million, compared to US dollars 871 million in March 2018.
- The considerable reduction in the trade deficit in March 2019 was due to a notable decline in import expenditure by 12.6 per cent (year-on-year) which was further supported by the increase of export earnings by 2.6 per cent (year-on-year).
- Earnings from tourism in March recorded a growth of 4.7 per cent (year-on-year), while during the first quarter of 2019 tourism earnings recorded a growth of 4.6 per cent over the corresponding period of 2018.
- Workers' remittances amounted to US dollars 571 million in March 2019. On a cumulative basis, workers' remittances amounted to US dollars 1,617 million during the first quarter of 2019.
- The financial account was further strengthened in March 2019 with the proceeds of the ISBs amounting to US dollars 2.4 billion, net inflows of foreign investments to the

government securities market during the month, although some net outflows were observed from the Colombo Stock Exchange (CSE).

- Along with the significant reduction in the trade deficit and significant inflows to the financial account, the Sri Lankan rupee appreciated against the US dollar by 3.8 per cent by end March 2019 compared to end 2018. Despite the marginal depreciation of the rupee in the aftermath of the Easter Sunday bomb attacks, it recorded an appreciation of 3.8 per cent during the year up to 28 May 2019.
- On 13 May 2019, the Executive Board of the International Monetary Fund (IMF) completed the Fifth Review under Sri Lanka's Extended Fund Facility (EFF) approving the disbursement of the sixth tranche amounting to SDR 118.5 million (approximately US dollars 164.1 million). The Executive Board also approved an extension of the arrangement by one year, until June 2020, and rephased the remaining disbursements.
- The country's gross official reserves stood at US dollars 7.6 billion, which was equivalent to 4.3 months of imports at end March 2019.

**Table 1: Summary of External Sector Performance (a)**

Category	March 2018 US\$ mn	March 2019 US\$ mn	Change (%)	Jan-Mar 2018 US\$ mn	Jan-Mar 2019 US\$ mn	Change (%)
Exports	1,108	1,137	2.6	2,989	3,156	5.6
Imports	1,979	1,729	-12.6	5,971	4,817	-19.3
Trade balance (net)	-871	-592		-2,982	-1,661	
Earnings from tourism (b)	438	459	4.7	1,329	1,390	4.6
Workers' remittances	678	571	-15.7	1,979	1,617	-18.3
Inflows to the CSE (net) (c)	-36	-5		19	-34	
Inflows to the Government (gross)	208	2,562		791	3,076	
Treasury bills and bonds	93	71		358	238	
Long term loans	116	91		433	438	
International Sovereign Bonds	-	2,400		-	2,400	

**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

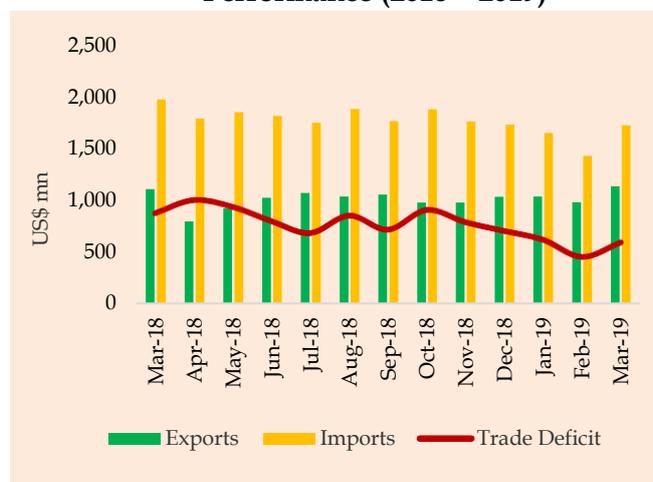
(b) Revised based on survey results of SLTDA on average stay period and average spending per day estimates for 2018

(c) Include secondary and primary market transactions

## Trade Balance and Terms of Trade

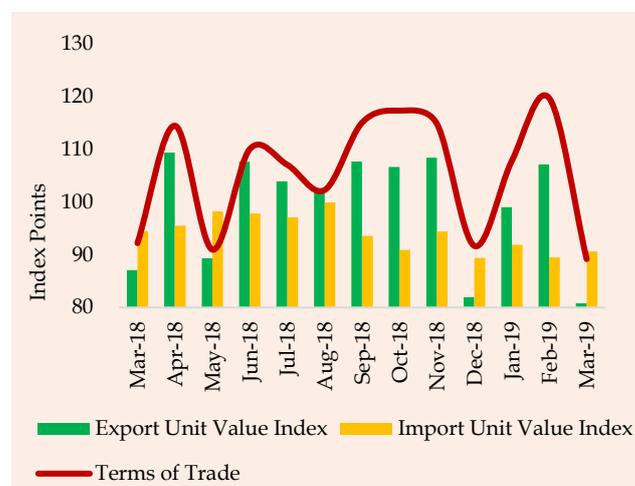
- The deficit in the trade account narrowed significantly in March 2019 in comparison to March 2018 due to record high export earnings and considerable reduction in imports. Expenditure on imports continued to decline due to the policy measures adopted by the Central Bank and the government. On a cumulative basis, the deficit in the trade account contracted significantly during the first three months of 2019 in comparison to the corresponding period of 2018.
- Terms of trade, which represent the relative price of imports in terms of exports, deteriorated by 3.3 per cent (year-on-year) in March 2019 due to the decline in export prices at a higher rate than the decline in import prices. Meanwhile, on a cumulative basis, terms of trade deteriorated marginally during the first three months of 2019 in comparison to the corresponding period of 2018.

**Figure 1: Monthly Merchandise Trade Performance (2018 - 2019)**



Sources: SLC, CBSL

**Figure 2: Terms of Trade (2018 - 2019)**



Source: CBSL

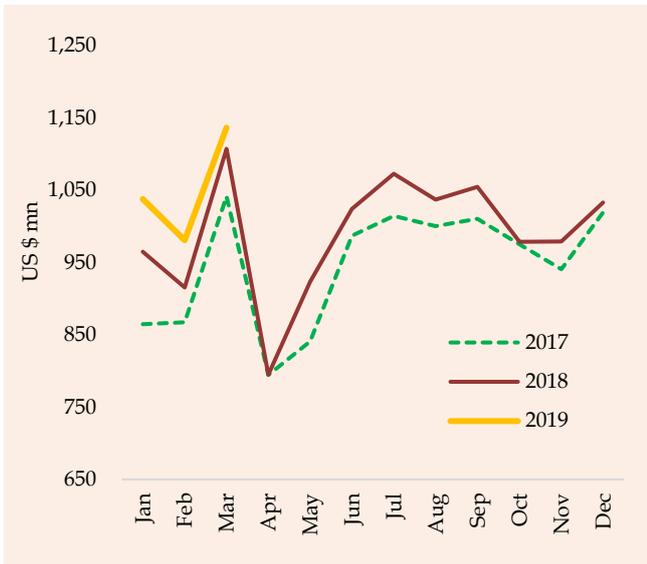
## Performance of Merchandise Exports

- Merchandise exports recorded the highest ever monthly earnings of US dollars 1,137 million in March 2019 registering a moderate growth of 2.6 per cent, due to the higher base in March 2018. The growth in exports was driven by the improved performance in industrial and mineral exports while agricultural exports declined.
- Under industrial exports, earnings from textiles and garment exports increased notably in March 2019, recording the highest ever monthly earnings which surpassed US dollars 500 million for the first time. This growth was mainly due to higher demand

for garment exports from traditional markets, namely the USA and the EU, as well as non-traditional markets such as Canada, Australia and China. Export earnings from textiles and other textile articles also increased in March 2019. Earnings from petroleum exports increased in March 2019, reversing the declining trend observed during the past three months, led by an increase in both volume and prices of bunker and aviation fuel. Export earnings from base metals and articles increased driven by iron and steel articles and aluminum articles. Export earnings from food, beverages and tobacco increased during the month owing to the improved performance in all sub categories except vegetables, fruit and nuts preparations. Printing industry products, and chemical products also contributed towards the increase in industrial exports in March 2019. However, earnings from machinery and mechanical appliances, gems, diamonds and jewellery, rubber products, leather, travel goods and footwear, and transport equipment exports declined in the period concerned.

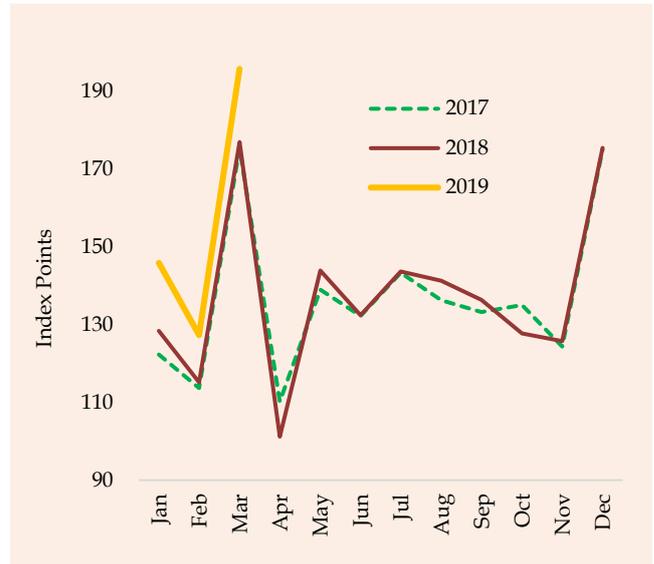
- Earnings from agricultural exports declined in March 2019, mainly driven by subdued performance in tea, minor agricultural products, natural rubber and unmanufactured tobacco exports. Although the volumes of tea export increased in March 2019, export earnings from tea declined due to lower average export prices. However, earnings from coconut exports increased due to the increase in export of both coconut kernel and non-kernel products. Earnings from spices, seafood and vegetable exports also rose marginally during the month.
- Export earnings from mineral exports, which account for about 0.4 per cent of total exports, rose mainly driven by export of titanium ores.
- The export volume index in March 2019 increased by 10.6 per cent while the export unit value index decreased by 7.2 per cent, implying that the growth in export earnings was solely driven by the increase in volumes.

**Figure 3: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 4: Export Volume Index**



Source: CBSL

**Table 2: Earnings from Merchandise Exports (a)**

Category	March 2018 (US\$ mn)	March 2019 (US\$ mn)	Change (%)	Jan-Mar 2018 (US\$ mn)	Jan-Mar 2019 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>861.1</b>	<b>898.4</b>	<b>4.3</b>	<b>2,322.0</b>	<b>2,494.3</b>	<b>7.4</b>
Food, beverages and tobacco	43.7	47.3	8.1	121.5	135.9	11.8
Animal fodder	11.2	8.7	(22.5)	26.1	35.3	35.0
Textiles and garments	486.8	532.7	9.4	1,328.7	1,474.2	11.0
o/w Garments	455.8	494.8	8.5	1,246.6	1,373.3	10.2
Textiles	21.6	28.1	30.4	58.2	74.4	27.8
Other made up textile articles	9.5	9.8	3.9	23.9	26.5	11.3
Rubber products	85.8	82.6	(3.7)	225.2	233.0	3.5
Gems, diamonds and jewellery	38.7	32.1	(17.0)	89.3	83.3	(6.6)
Machinery and mechanical appliances	47.7	39.0	(18.3)	108.8	108.0	(0.7)
Transport equipment	13.4	10.0	(25.5)	28.6	26.0	(9.1)
Petroleum products	37.3	48.0	28.7	135.5	124.0	(8.5)
Chemical products	15.9	16.4	3.2	41.0	44.5	8.4
Wood and paper products	13.9	12.6	(8.9)	37.3	40.1	7.5
Printing industry products	2.2	4.2	92.0	4.9	11.1	128.2
Leather, travel goods and footwear	13.9	9.6	(31.3)	41.7	33.2	(20.3)
Plastics and articles thereof	7.4	6.8	(8.0)	20.5	19.0	(7.2)
Base metals and articles	13.2	17.8	35.6	36.4	47.2	29.5
Ceramic products	3.6	2.4	(34.2)	7.7	7.1	(7.7)
Other	26.5	28.3	6.9	68.7	72.3	5.3
<b>2. Agricultural exports</b>	<b>242.8</b>	<b>232.3</b>	<b>(4.4)</b>	<b>653.1</b>	<b>647.7</b>	<b>(0.8)</b>
Tea	138.5	125.9	(9.1)	368.5	347.2	(5.8)
Rubber	3.7	3.2	(11.3)	11.8	8.4	(29.1)
Coconut	30.8	34.8	12.9	78.3	87.8	12.2
Spices	23.6	24.2	2.6	78.2	80.6	3.0
Vegetables	2.9	3.0	1.5	6.4	8.1	26.5
Unmanufactured tobacco	3.6	3.5	(2.6)	8.9	7.5	(16.6)
Minor agricultural products	11.8	9.5	(19.3)	30.5	27.2	(10.8)
Seafood	28.0	28.2	0.8	70.4	80.9	14.9
<b>3. Mineral exports</b>	<b>2.2</b>	<b>4.5</b>	<b>106.8</b>	<b>8.4</b>	<b>9.1</b>	<b>7.6</b>
<b>4. Unclassified exports</b>	<b>1.5</b>	<b>1.7</b>	<b>7.9</b>	<b>5.2</b>	<b>5.0</b>	<b>(3.7)</b>
<b>Total exports</b>	<b>1,107.7</b>	<b>1,136.9</b>	<b>2.6</b>	<b>2,988.7</b>	<b>3,156.1</b>	<b>5.6</b>

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

(a) Provisional

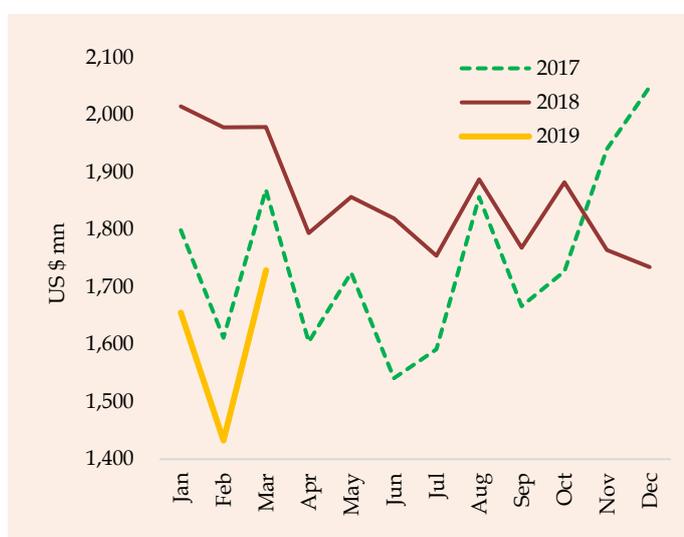
## Performance of Merchandise Imports

- Expenditure on merchandise imports declined considerably in March 2019 by 12.6 per cent, on a year-on-year basis, to US dollars 1,729 million, recording a decline for the fifth consecutive month. This reduction was mainly due to the effect of the policy measures implemented by the Central Bank and the government to discourage certain non-essential imports and the significant depreciation of the currency. However, considering the favourable developments in the external sector and measures introduced in Budget 2019, such policy measures were withdrawn in March 2019. Low expenditure on intermediate and consumer goods contributed to the decline in imports during March 2019, while expenditure on investment goods increased. Total imports, excluding fuel, also declined significantly.
- Import expenditure on intermediate goods declined in March 2019 mainly driven by gold imports which continued to be stagnant following the imposition of customs duty on gold in April 2018. Expenditure on wheat and maize declined owing to the lower import volume of wheat. Plastic and articles, food preparations and vehicle and machinery parts imports also contributed to the decline in intermediate goods. In contrast, expenditure on fuel imports increased in March 2019 owing to higher import volume and prices of crude oil despite a reduction recorded in refined petroleum and coal imports. In addition, expenditure on fertiliser imports increased in March 2019 mainly driven by higher import volumes when compared with March 2018. Further, import expenditure on textiles and textile articles led by fabrics, base metals led by iron and steel and mineral products led by cement clinkers increased during the period concerned.
- Reflecting lower imports of most items in both food and beverages and non-food consumer goods, import expenditure on consumer goods declined significantly in March 2019. Expenditure on personal motor vehicle imports declined significantly in March 2019, continuing its year-on-year declining trend observed since December 2018. However, imports of personal motor vehicles recorded an increase in comparison to the previous month. Policy measures on motor vehicle imports were changed with the withdrawal of margin requirements against letter of credits (LCs) and upward revision of excise duties on motor vehicles. In addition, import of rice declined with lower import volumes as there was sufficient domestic production of rice in the market

while sugar and confectionery imports reduced due to lower import volumes and prices. In addition, expenditure on most non-food consumer goods such as clothing and accessories, telecommunication devices, home appliances and household and furniture items declined during the month. However, expenditure on dairy products, cosmetics and toiletries, printed materials and stationery imports increased in March 2019.

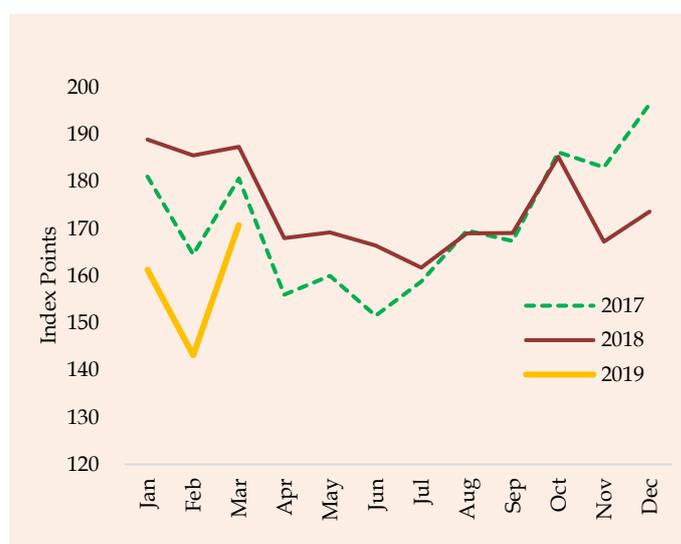
- Import expenditure on investment goods increased in March 2019, driven by higher imports of building material and machinery and equipment. Reflecting higher imports of cement and articles of iron and steel, import expenditure on building material increased. Import expenditure on machinery and equipment increased during the month, mainly due to imports of cranes. In contrast, expenditure on transport equipment declined in March 2019 due to lower expenditure incurred on the importation of tankers and bowsers and buses compared with the corresponding period of 2018.
- Import volume and unit value indices decreased by 8.9 per cent and 4.1 per cent, respectively, in March 2019 indicating the decline in import expenditure during the month was driven by the reduction in both volumes imported and price, in comparison to the corresponding period of 2018.

**Figure 5: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 6: Import Volume Index**



Source: CBSL

**Table 3: Expenditure on Merchandise Imports (a)**

Category	March 2018 (US\$ mn)	March 2019 (US\$ mn)	Change (%)	Jan-Mar 2018 (US\$ mn)	Jan-Mar 2019 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>477.1</b>	<b>351.9</b>	<b>(26.3)</b>	<b>1,360.4</b>	<b>912.3</b>	<b>(32.9)</b>
Food and beverages	177.3	138.0	(22.1)	526.3	334.9	(36.4)
Cereals and milling industry products	31.2	2.5	(92.0)	89.6	9.7	(89.2)
o/w Rice	29.7	1.0	(96.8)	84.5	4.3	(94.9)
Dairy products	34.4	40.6	17.9	93.2	64.6	(30.7)
Vegetables	28.0	27.2	(2.8)	98.5	71.7	(27.2)
Seafood	17.4	17.0	(1.8)	58.6	50.3	(14.1)
Sugar and confectionery	29.4	20.0	(32.0)	88.1	48.9	(44.5)
Spices	10.8	10.4	(4.2)	25.4	29.1	14.8
Other food and beverages	26.0	20.3	(21.9)	72.9	60.7	(16.8)
Non-food consumer goods	299.9	213.8	(28.7)	834.2	577.4	(30.8)
Personal vehicles	150.0	72.2	(51.9)	358.8	169.8	(52.7)
Medical and pharmaceuticals	47.4	44.1	(6.9)	130.0	121.8	(6.3)
Home appliances	21.0	20.5	(2.5)	68.3	50.2	(26.5)
Clothing and accessories	27.0	22.5	(16.8)	96.8	75.1	(22.5)
Telecommunication devices	24.4	22.8	(6.5)	73.0	61.6	(15.6)
Printed materials and stationary	2.0	2.1	5.9	7.3	6.5	(10.3)
Other non-food consumables	28.0	29.7	5.9	100.0	92.4	(7.6)
<b>2. Intermediate goods</b>	<b>1,121.7</b>	<b>987.1</b>	<b>(12.0)</b>	<b>3,351.4</b>	<b>2,774.2</b>	<b>(17.2)</b>
Fuel	398.0	407.9	2.5	1,075.2	1,018.6	(5.3)
o/w Crude oil	49.9	101.9	104.0	153.4	237.7	55.0
Refined petroleum	304.2	271.5	(10.8)	797.0	659.0	(17.3)
Coal	43.8	34.5	(21.3)	124.8	122.0	(2.2)
Diamonds, precious stones and metals	150.3	14.7	(90.2)	375.1	47.7	(87.3)
o/w Gold	139.7	0.0	(100.0)	345.3	0.8	(99.8)
Textiles and textile articles	198.6	213.9	7.7	691.1	688.6	(0.4)
Paper and paperboard and articles thereof	38.8	34.1	(12.1)	122.7	103.7	(15.4)
Vehicle and machinery parts	26.2	20.2	(23.0)	81.2	71.4	(12.0)
Wheat and maize	32.5	12.0	(62.9)	107.2	53.2	(50.3)
Base metals	27.9	34.6	23.9	135.4	140.8	3.9
Plastic and articles thereof	66.1	47.4	(28.3)	177.8	143.7	(19.1)
Unmanufactured tobacco	7.2	3.8	(46.8)	16.2	12.2	(25.1)
Fertiliser	11.9	39.3	229.3	74.7	48.4	(35.2)
Food preparations	34.7	25.6	(26.1)	85.4	68.4	(19.9)
Other intermediate goods	129.5	133.5	3.1	409.5	377.6	(7.8)
<b>3. Investment goods</b>	<b>378.6</b>	<b>389.3</b>	<b>2.8</b>	<b>1,196.0</b>	<b>1,128.8</b>	<b>(5.6)</b>
Machinery and equipment	210.6	213.9	1.6	651.3	639.0	(1.9)
Building material	112.3	135.0	20.2	378.4	375.7	(0.7)
Transport equipment	54.9	39.5	(28.1)	163.9	112.3	(31.5)
Other investment goods	0.8	1.0	25.6	2.4	1.8	(25.8)
<b>4. Unclassified imports</b>	<b>1.1</b>	<b>0.7</b>	<b>(30.4)</b>	<b>63.2</b>	<b>1.6</b>	<b>(97.5)</b>
<b>Total imports</b>	<b>1,978.5</b>	<b>1,729.0</b>	<b>(12.6)</b>	<b>5,971.0</b>	<b>4,816.9</b>	<b>(19.3)</b>

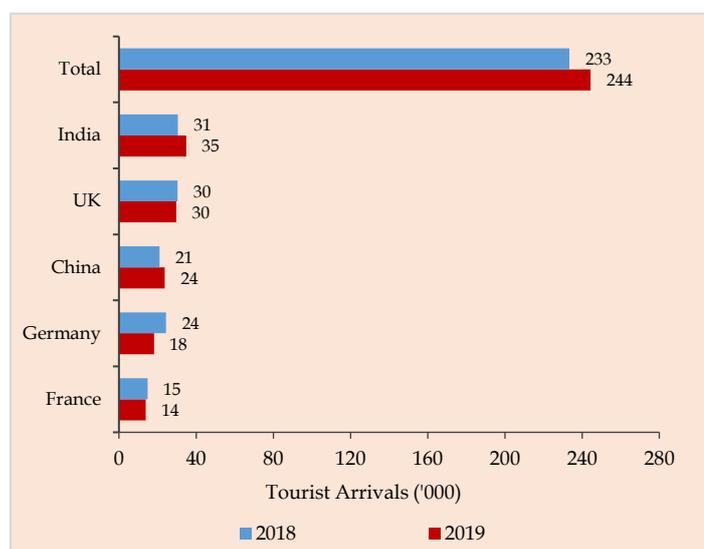
Sources: SLC, CPC, Lanka IOC PLC, CBSL

(a) Provisional

## Other Major Inflows to the Current Account

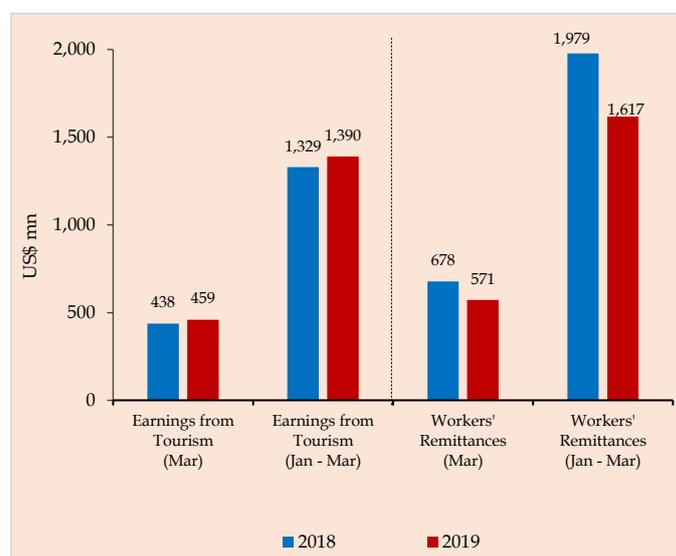
- Tourist arrivals in March 2019 was 244,328, registering a year-on-year growth of 4.7 per cent. This growth was mainly driven by tourists arriving from India, the UK, China, Germany and France.
- Tourist arrivals during the first quarter of 2019 amounted to 740,600, a growth of 4.6 per cent over the corresponding period of 2018.
- In March 2019, earnings from tourism were estimated at US dollars 459 million, with cumulative earnings amounting to US dollars 1,390 million during the first quarter of 2019.
- In March 2019, workers' remittances amounted to US dollars 571 million. On a cumulative basis, workers' remittances amounted to US dollars 1,617 million during the first three months of 2019.

**Figure 7: Top Five Countries of Tourist Arrivals (March)**



Source: SLTDA

**Figure 8: Earnings from Tourism and Workers' Remittances**



Sources: SLTDA, Licensed Commercial Banks, CBSL

## Financial Flows

- Foreign investments to the government securities market recorded a net inflow of US dollars 41 million in March 2019. On a cumulative basis, net inflows to the government securities market amounted to US dollars 53 million during the first quarter of the year.
- Foreign investments in the CSE, including primary and secondary market transactions, recorded a net outflow of US dollars 5 million during the month of March 2019. On a

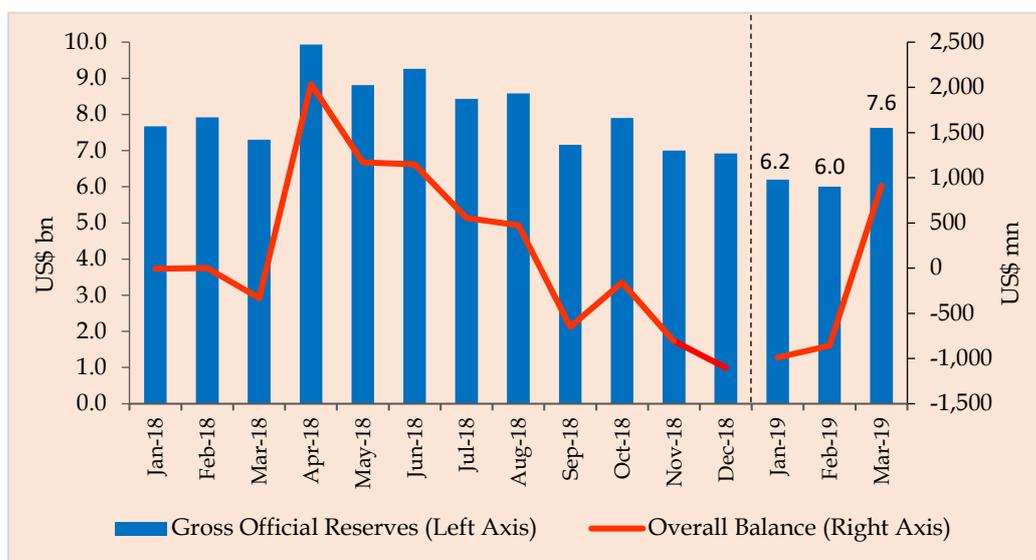
cumulative basis, the CSE recorded a net outflow of US dollars 34 million in the first quarter of 2019.

- Long term loans to the government recorded a net outflow of US dollars 96 million during March 2019.

### International Reserves

- Along with the proceeds of the ISBs, as at end March 2019, gross official reserves were estimated at US dollars 7.6 billion, equivalent to 4.3 months of imports. Total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 10.5 billion as at end March 2019, equivalent to 6.0 months of imports.

**Figure 9: Gross Official Reserves and Overall Balance**



Source: CBSL

## Exchange Rate Movements

- The Sri Lankan rupee appreciated by 3.8 per cent against the US dollar during the year up to 28 May 2019. Reflecting the cross currency movements, the rupee appreciated against all other major currencies.

**Figure 10: 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 May) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+3.8%
Euro	-12.7%	+6.1%
Pound sterling	-11.4%	+3.9%
Japanese yen	-18.1%	+2.9%
Canadian dollar	-9.3%	+2.3%
Australian dollar	-7.6%	+5.7%
Indian rupee	-8.7%	+3.1%

Source: CBSL