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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

## Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka

Tel: 2477424, 2477423, 2477418

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

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## External Sector Performance – April 2019

### Highlights

- The external sector remained relatively stable in April 2019 supported by a contracting trade deficit.
- In April 2019, the deficit in the trade account narrowed to US dollars 797 million from US dollars 999 million in April 2018.
- The considerable reduction in the trade deficit in April 2019 was due to the decline in import expenditure by 11 per cent (year-on-year) and a marginal increase of export earnings by 0.4 per cent (year-on-year).
- Earnings from tourism in April recorded a decline of 7.5 per cent (year-on-year), reflecting partly the impact of Easter Sunday attacks. With the decline in tourist arrivals in April, the growth in earnings from tourism moderated to 2.2 per cent in the first four months of 2019 over the corresponding period of 2018.
- Workers' remittances amounted to US dollars 554 million in April 2019, recording a growth of 2.3 per cent (year-on-year). On a cumulative basis, workers' remittances amounted to US dollars 2,171 million during the first four months of 2019.
- After a brief spell of volatility in the third week of April 2019, the exchange rate remained stable during the latter part of April 2019.
- The country's gross official reserves stood at US dollars 7.2 billion, which was equivalent to 4.1 months of imports at end April 2019.

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

Category	April 2018 US\$ mn	April 2019 US\$ mn	Change (%)	Jan-Apr 2018 US\$ mn	Jan-Apr 2019 US\$ mn	Change (%)
Exports	795	798	0.4	3,784	3,954	4.5
Imports	1,794	1,596	-11.0	7,765	6,412	-17.4
Trade balance (net)	-999	-797		-3,981	-2,458	
Earnings from tourism	339(b)	313(c)	-7.5	1,667(b)	1,704(c)	2.2
Workers' remittances	541	554	2.3	2,520	2,171	-13.8
Inflows to the CSE (net) (d)	28	10		47	-24	
Inflows to the Government (gross)	2,735	115		3,526	3,199	
Treasury bills and bonds	122	29		480	267	
Long term loans	113	86		546	532	
International Sovereign Bonds	2,500	-		2,500	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

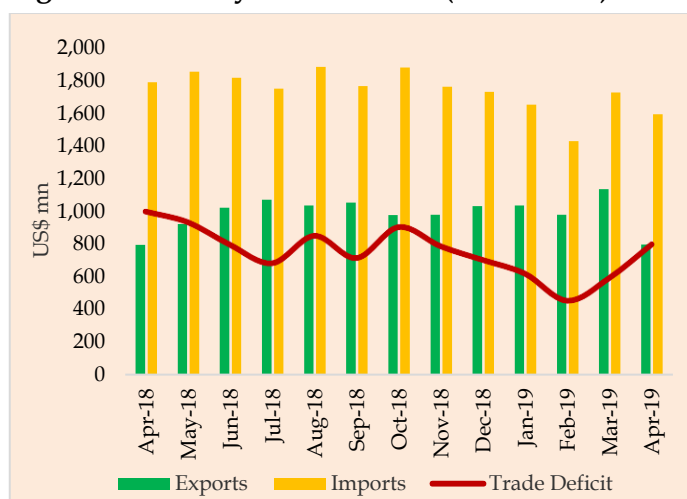
(c) This provisional estimate may be revised once the SLTDA releases its survey results for 2019

(d) Include secondary and primary market transactions

## Trade Balance and Terms of Trade

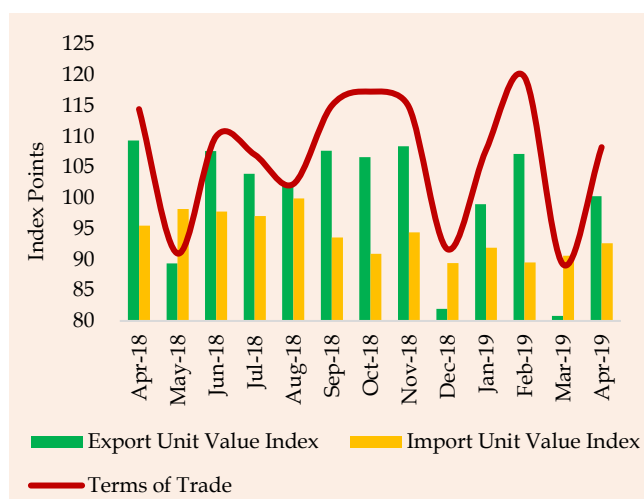
- The deficit in the trade account narrowed significantly in April 2019 in comparison to the corresponding month of the previous year due to a considerable reduction in imports. Meanwhile, on a cumulative basis, the deficit in the trade account contracted noticeably to US dollars 2,458 million during the first four months of 2019 in comparison to US dollars 3,981 million recorded in the corresponding period of 2018.
- Meanwhile, the terms of trade, which represents the relative price of imports in terms of exports, deteriorated by 5.4 per cent (year-on-year) to 108.3 index points in April 2019 due to the higher rate of decline in export prices in comparison to the decline in import prices. On a cumulative basis, the terms of trade deteriorated by 1.9 per cent (year-on-year) during the first four months of 2019 in comparison to the corresponding period of 2018.

**Figure 1: Monthly Trade Deficit (2018 - 2019)**



Sources: SLC, CBSL

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



Source: CBSL

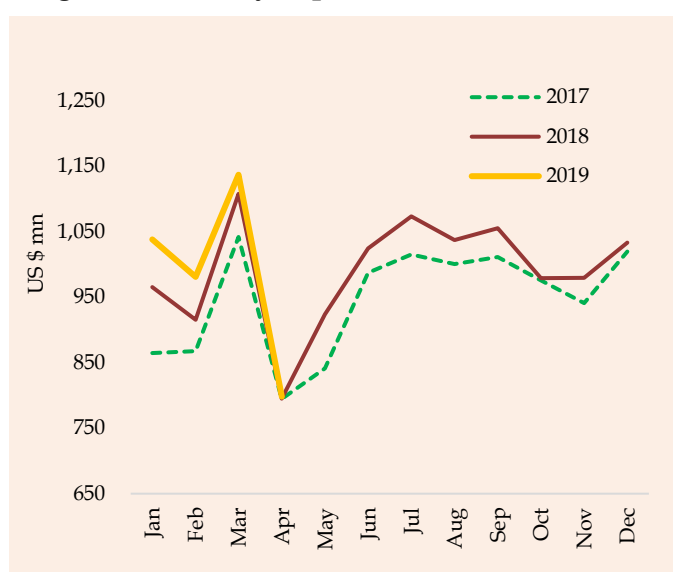
### Performance of Merchandise Exports

- Earnings from merchandise exports increased marginally by 0.4 per cent (year-on-year) to US dollars 798 million in April 2019 due to an increase in industrial and mineral exports despite a reduction in agricultural exports.
- Earnings from industrial exports increased in April 2019 mainly due to the improved performance in textiles and garments, petroleum products and gems, diamonds and jewellery exports. Earnings from textiles and garment exports increased in April 2019 benefiting from higher demand for garment exports from the USA and non-traditional markets such as Canada, China, Australia and Brazil. However, earnings from garments exports to the EU market declined in April 2019 due to lower demand from the UK, Italy, Germany and France. Further, export earnings from petroleum products increased during the month due to the combined impact of higher export volumes and prices of bunker and aviation fuel. Earnings from gems, diamonds and jewellery exports increased significantly due to the higher performance in gem exports. In addition, export earnings from chemical products, base metals and articles, transport equipment and printing industry products contributed towards the increase in industrial exports in April 2019. However, reflecting the moderate performance in all sub categories, export earnings from rubber products declined in April 2019. Further, export earnings from food, beverages and tobacco and machinery and mechanical appliances declined significantly during the month due to poor performance in most of the sub categories. In addition, leather, travel goods and footwear, animal fodder,

wood and paper products and plastics and articles dropped in April 2019.

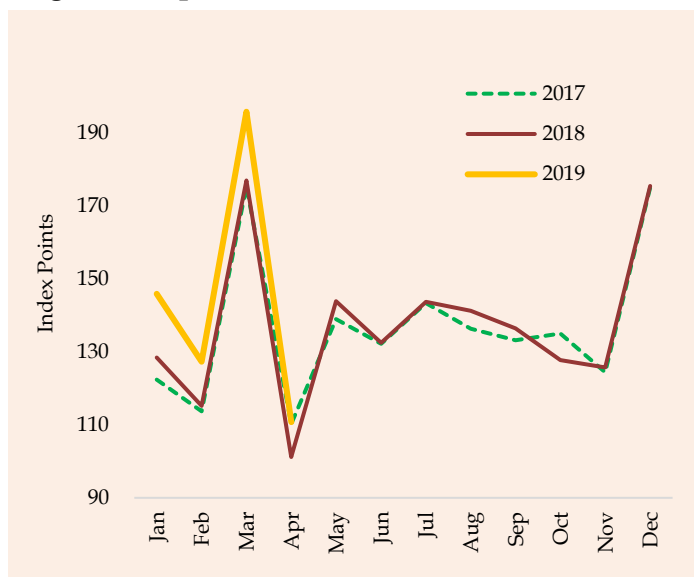
- Earnings from agricultural exports declined, on a year-on-year basis, in April 2019 due to poor performance in earnings from tea, spices and minor agricultural product exports. Export earnings from tea declined during the month due to the combined impact of lower average export prices and volumes of tea. Further, export earnings from spices decreased owing to the lower export earnings from all categories except cloves. In addition, earnings from minor agricultural products declined in April 2019 led by the reduction in export earnings from most of the sub categories particularly fruits, betel leaves and arecanuts. However, export earnings from coconut rose during the month due to high export volumes of coconut kernel products led by desiccated coconut and non-kernel coconut products led by fibre. Meanwhile, export earnings from vegetables, unmanufactured tobacco and rubber also increased in April 2019.
- Export earnings from mineral exports increased in April 2019 due to improved performance in all sub categories except precious metals.
- The export volume index in April 2019 increased by 9.5 per cent while the export unit value index decreased by 8.3 per cent, indicating that the growth in exports was entirely driven by the increased volume compared to April 2018.

**Figure 3: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 4: Export Volume Index**



Source: CBSL

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

Category	April 2018 (US\$ mn)	April 2019 (US\$ mn)	Change (%)	Jan-Apr 2018 (US\$ mn)	Jan-Apr 2019 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>601.3</b>	<b>617.6</b>	<b>2.7</b>	<b>2,923.3</b>	<b>3,111.9</b>	<b>6.5</b>
Food, beverages and tobacco	33.5	29.3	(12.6)	155.0	165.2	6.5
Animal fodder	12.1	5.1	(57.7)	38.2	40.4	5.7
Textiles and garments	338.6	357.6	5.6	1,667.2	1,831.8	9.9
o/w Garments	316.9	333.7	5.3	1,563.5	1,707.0	9.2
Textiles	14.8	16.9	14.1	73.0	91.3	25.0
Other made up textile articles	6.8	7.0	2.6	30.7	33.5	9.4
Rubber products	55.3	52.9	(4.4)	280.5	285.8	1.9
Gems, diamonds and jewellery	17.4	23.0	32.0	106.7	106.3	(0.3)
Machinery and mechanical appliances	30.0	26.0	(13.1)	138.8	134.1	(3.4)
Transport equipment	6.0	6.6	11.4	34.6	32.7	(5.6)
Petroleum products	37.7	42.9	13.7	173.2	166.9	(3.6)
Chemical products	11.2	12.6	12.4	52.2	57.1	9.3
Wood and paper products	10.0	8.8	(12.3)	47.4	48.9	3.3
Printing industry products	0.4	8.4	2,266.2	5.2	19.5	273.6
Leather, travel goods and footwear	10.8	7.5	(30.0)	52.4	40.7	(22.3)
Plastics and articles thereof	5.6	5.5	(1.4)	26.1	24.6	(5.9)
Base metals and articles	11.0	12.2	11.1	47.4	59.4	25.2
Ceramic products	1.6	2.1	29.9	9.3	9.2	(1.3)
Other	20.3	17.1	(15.6)	89.0	89.4	0.5
<b>2. Agricultural exports</b>	<b>190.3</b>	<b>177.0</b>	<b>(7.0)</b>	<b>843.4</b>	<b>824.7</b>	<b>(2.2)</b>
Tea	109.6	99.0	(9.7)	478.1	446.2	(6.7)
Rubber	2.3	2.5	7.4	14.1	10.9	(23.0)
Coconut	22.6	23.9	5.3	100.9	111.7	10.7
Spices	17.8	15.8	(11.0)	96.0	96.4	0.4
Vegetables	2.3	2.7	17.9	8.7	10.8	24.2
Unmanufactured tobacco	2.3	3.0	29.1	11.3	10.4	(7.2)
Minor agricultural products	10.5	7.4	(29.1)	41.0	34.6	(15.5)
Seafood	22.8	22.7	(0.6)	93.2	103.6	11.1
<b>3. Mineral exports</b>	<b>1.9</b>	<b>2.3</b>	<b>18.3</b>	<b>10.3</b>	<b>11.3</b>	<b>9.6</b>
<b>4. Unclassified</b>	<b>1.5</b>	<b>1.3</b>	<b>(16.3)</b>	<b>6.7</b>	<b>6.3</b>	<b>(6.5)</b>
<b>Total exports</b>	<b>795.1</b>	<b>798.1</b>	<b>0.4</b>	<b>3,783.7</b>	<b>3,954.2</b>	<b>4.5</b>

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

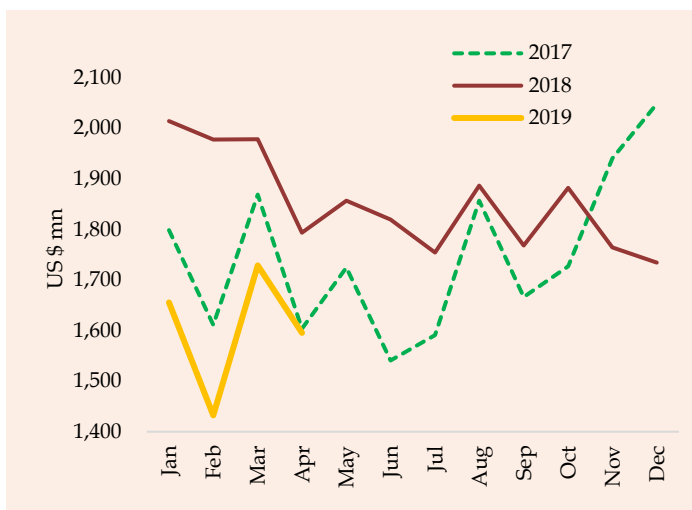
(a) Provisional

## Performance of Merchandise Imports

- Expenditure on merchandise imports declined by 11.0 per cent to US dollars 1,596 million, on a year-on-year basis, in April 2019, recording a decline for the sixth consecutive month. This decline was mainly due to lower imports of consumer goods and intermediate goods, particularly gold and fuel, despite an increase recorded in investment goods imports.
- Import expenditure on consumer goods declined significantly in April 2019, mainly due to lower imports of non-food consumer goods, particularly personal motor vehicles. Import expenditure on personal motor vehicles continued to decrease significantly since December 2018, owing to the reduction reported in importation of motor cars with less than 1000 cc engine capacity, hybrid and electric motor vehicles reflecting the lag effect of policy measures introduced on importation of vehicles during the second half of 2018. Further, import expenditure on rice fell during the month due to a considerable decline in imported volumes of rice with the increase in rice availability in the domestic market. In addition, import expenditure on seafood, sugar, beverages, rubber products and telecommunication devices declined in April 2019. However, import expenditure on dairy products, home appliances, medical and pharmaceuticals and fruits increased during the month.
- Imports of intermediate goods decreased in April 2019 from most of the sub categories, particularly gold and fuel. Expenditure on gold imports, which started to decline since May 2018 following the imposition of customs duty on gold in April 2018, stagnated at a negligible level in April 2019 as well. Further, despite an increase registered in crude oil imports led by higher imported volumes and prices, expenditure on fuel imports declined during the month owing to lower imported volumes of refined products and coal in spite of the higher average import prices of those categories. In addition, import expenditure on base metals, plastic and articles thereof, food preparation and chemical products decreased in April 2019. However, import expenditure on textiles and textile articles increased during the month led by fabrics imports while expenditure on mineral products imports increased led by cement clinker imports. Further, expenditure on wheat and maize, fertiliser and agricultural inputs increased in April 2019.

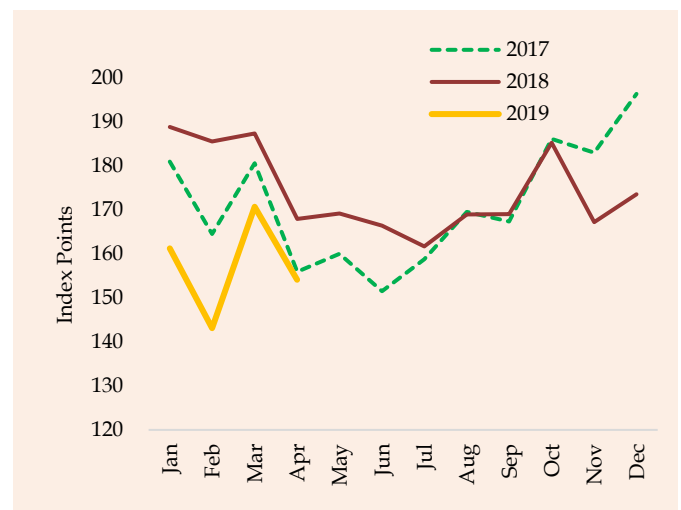
- Import expenditure on investment goods increased in April 2019, mainly due to higher imports of transport equipment which grew significantly in April 2019 owing to higher imports of railway related equipment, trishaws, lorries and commercial cabs. However, import expenditure on machinery and equipment decreased during the month driven by lower imports of most of the categories particularly, electronic equipment, machinery and equipment parts and office machines. Reflecting lower imports of iron and steel, and cement, import expenditure on building material declined in April 2019.
- Import volume and unit value indices decreased by 8.3 per cent and 3.0 per cent, respectively, in April 2019. This indicates that the decline in imports during the month was driven by the combined impact of both volumes and prices of imported goods.

**Figure 5: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 6: Import Volume Index**



Source: CBSL

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

Category	April 2018 (US\$ mn)	April 2019 (US\$ mn)	Change (%)	Jan-Apr 2018 (US\$ mn)	Jan-Apr 2019 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>419.6</b>	<b>308.1</b>	<b>(26.6)</b>	<b>1,780.0</b>	<b>1,220.4</b>	<b>(31.4)</b>
Food and beverages	126.4	122.5	(3.1)	652.7	457.4	(29.9)
Cereals and milling industry products	15.9	2.2	(86.2)	105.5	11.9	(88.8)
o/w Rice	14.2	0.7	(95.3)	98.8	5.0	(95.0)
Dairy products	22.1	39.3	77.8	115.3	103.9	(9.9)
Fruits	7.3	8.3	14.2	32.3	28.7	(11.3)
Beverages	7.8	6.1	(21.1)	24.1	26.9	11.5
Vegetables	20.6	20.9	1.3	119.1	92.6	(22.3)
Seafood	18.2	16.0	(12.2)	76.8	66.3	(13.6)
Sugar and confectionery	17.0	15.2	(10.5)	105.1	64.1	(39.0)
Other food and beverages	17.5	14.5	(17.1)	74.4	63.2	(15.1)
Non-food consumer goods	293.2	185.6	(36.7)	1,127.4	762.9	(32.3)
Personal vehicles	157.8	47.6	(69.9)	516.6	217.4	(57.9)
Medical and pharmaceuticals	38.7	39.8	2.8	168.7	161.6	(4.2)
Telecommunication devices	24.0	22.5	(6.0)	97.0	84.2	(13.2)
Home appliances	19.1	21.5	13.0	87.3	71.7	(17.9)
Clothing and accessories	19.3	19.9	3.1	116.1	95.0	(18.2)
Rubber products	6.9	5.6	(17.9)	29.8	23.0	(22.9)
Other non-food consumables	27.5	28.6	4.0	111.8	110.2	(1.5)
<b>2. Intermediate goods</b>	<b>978.4</b>	<b>882.5</b>	<b>(9.8)</b>	<b>4,329.8</b>	<b>3,656.8</b>	<b>(15.5)</b>
Fuel	326.8	295.0	(9.7)	1,402.0	1,313.6	(6.3)
o/w Crude oil	50.4	55.5	10.1	203.8	293.1	43.9
Refined petroleum	257.0	239.5	(6.8)	1,054.0	898.4	(14.8)
Coal	19.4	0.1	(99.7)	144.2	122.1	(15.4)
Diamonds, precious stones and metals	98.9	16.9	(82.9)	474.0	64.6	(86.4)
o/w Gold	92.0	0.1	(99.9)	437.3	0.9	(99.8)
Textiles and textile articles	191.6	219.0	14.3	882.7	907.6	2.8
Chemical products	71.1	66.5	(6.5)	291.4	273.8	(6.0)
Plastic and articles thereof	60.2	47.0	(21.9)	238.0	190.7	(19.8)
Mineral products	7.7	36.8	375.6	59.7	85.5	43.2
Paper and paperboard and articles	36.9	32.8	(11.1)	159.6	136.5	(14.4)
Base metals	53.5	32.0	(40.3)	188.9	172.7	(8.6)
Wheat and maize	23.0	33.5	45.8	130.2	86.8	(33.4)
Fertiliser	13.8	26.2	89.7	88.5	74.6	(15.7)
Rubber and articles thereof	19.8	16.4	(16.9)	82.8	68.9	(16.8)
Food preparations	22.6	13.4	(40.8)	107.9	81.7	(24.3)
Other intermediate goods	52.5	47.1	(10.4)	224.2	199.8	(10.9)
<b>3. Investment goods</b>	<b>394.7</b>	<b>404.1</b>	<b>2.4</b>	<b>1,590.7</b>	<b>1,532.9</b>	<b>(3.6)</b>
Machinery and equipment	215.6	209.8	(2.7)	866.9	848.8	(2.1)
Building material	121.3	101.3	(16.5)	499.7	477.0	(4.5)
Transport equipment	57.5	92.6	61.1	221.4	204.9	(7.4)
Other investment goods	0.3	0.4	31.8	2.7	2.2	(19.2)
<b>4. Unclassified imports</b>	<b>0.9</b>	<b>0.9</b>	<b>(2.7)</b>	<b>64.1</b>	<b>2.4</b>	<b>(96.2)</b>
<b>Total imports</b>	<b>1,793.6</b>	<b>1,595.6</b>	<b>(11.0)</b>	<b>7,764.6</b>	<b>6,412.5</b>	<b>(17.4)</b>

Sources: SLC, CPC, Lanka IOC PLC, CBSL

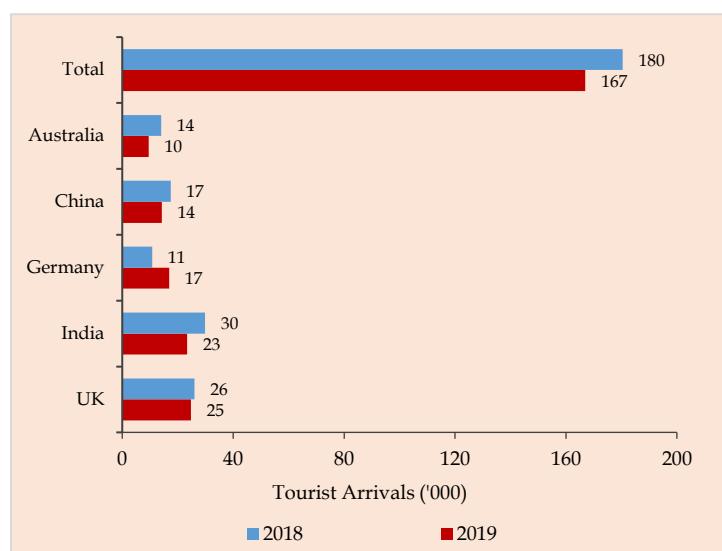
(a) Provisional



## Other Major Inflows to the Current Account

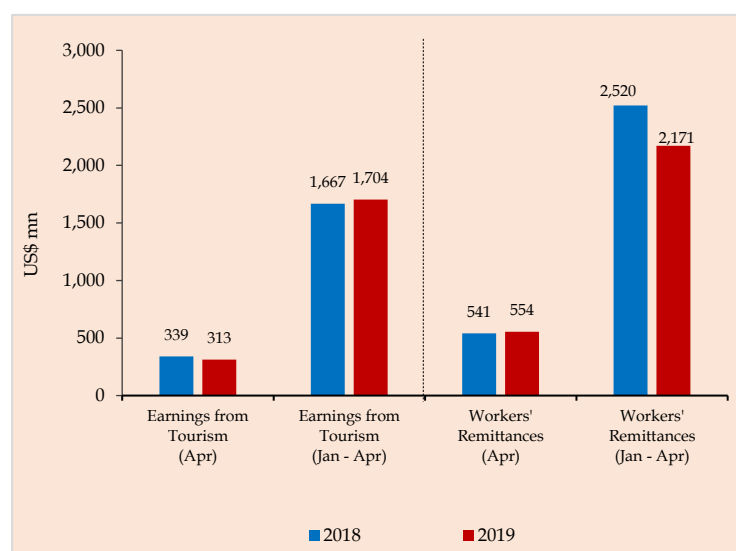
- Earnings from tourism recorded a decline in April 2019 in comparison to the corresponding period of 2018 owing to the drop in the number of tourist arrivals during the month. Tourist arrivals in April 2019 was 166,975, registering a year-on-year decline of 7.5 per cent. This moderation in tourist arrivals was mainly due to the decline in the number of tourists from key destinations such as India, Australia, the USA, China and the UK, in the aftermath of the Easter Sunday attacks.
- Earnings from tourism were estimated at US dollars 313 million in April 2019, with cumulative earnings amounting to US dollars 1,704 million during the first four months of 2019.
- In April 2019, workers' remittances amounted to US dollars 554 million, recording a year-on-year growth of 2.3 per cent. On a cumulative basis, workers' remittances amounted to US dollars 2,171 million during the first four months of 2019.

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



Source: SLTDA

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



Sources: SLTDA, Licensed Commercial Banks, CBSL

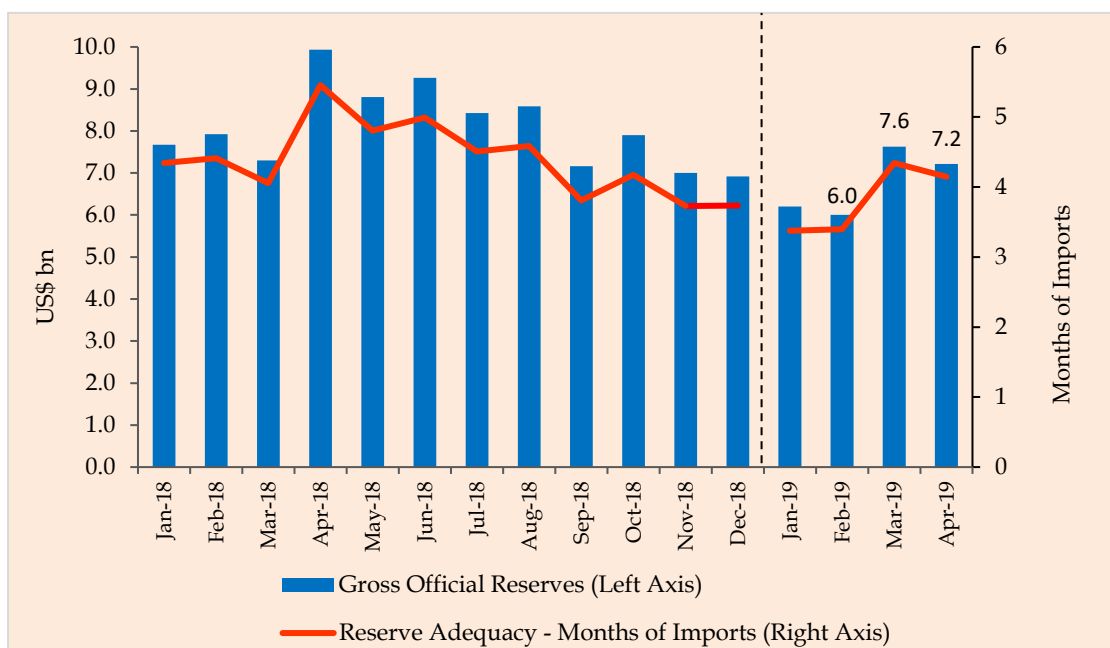
## Financial Flows

- Foreign investments to the government securities market recorded a net outflow of US dollars 79 million in April 2019. On a cumulative basis, net outflows to the government securities market amounted to US dollars 27 million during the first four months of the year.
- Foreign investments in the CSE, including primary and secondary market transactions, recorded a net inflow of US dollars 10 million during the month of April 2019. On a cumulative basis, the CSE recorded a net outflow of US dollars 24 million in the first four months of 2019.
- Long term loans to the government recorded a net inflow of US dollars 35 million during April 2019.

## International Reserves

- As at end April 2019, Sri Lanka's gross official reserves were estimated at US dollars 7.2 billion, equivalent to 4.1 months of imports. Meanwhile, total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 10.1 billion as at end April 2019, equivalent to 5.8 months of imports.

**Figure 9: Gross Official Reserves and Reserve Adequacy**

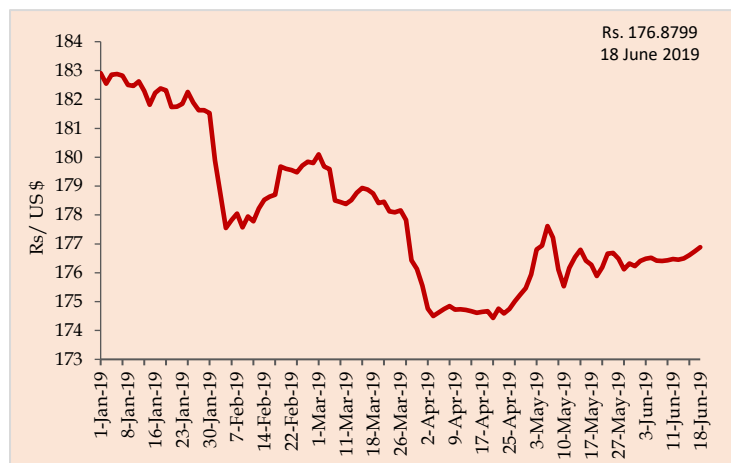


Source: CBSL

## Exchange Rate Movements

- The Sri Lankan rupee appreciated by 3.3 per cent against the US dollar during the year up to 18 June 2019. Reflecting cross-currency movements, the rupee also 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 18 June) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+3.3%
Euro	-12.7%	+5.2%
Pound sterling	-11.4%	+4.6%
Japanese yen	-18.1%	+1.3%
Canadian dollar	-9.3%	+1.6%
Australian dollar	-7.6%	+6.5%
Indian rupee	-8.7%	+3.1%

Source: CBSL