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# Press Release

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## External Sector Performance – August 2019

### Highlights

- The trade deficit contracted in August 2019 as the decline in imports continued while the dip in exports in the previous month has largely recovered. Import expenditure recorded a decline of 16.6 per cent (year-on-year) and export earnings declined fractionally by 0.4 per cent (year-on-year) in August 2019, mainly due to the lower prices of major export categories.
- The trade deficit fell to US dollars 540 million in August 2019 compared to the deficit of US dollars 717 million recorded in July 2019.
- Tourist arrivals recovered steadily by increasing 24.1 per cent in August 2019 over the preceding month, while also narrowing the gap on a year-on-year basis.
- Workers' remittances declined by 3.0 per cent (year-on-year) to US dollars 518 million in August 2019. On a cumulative basis, workers' remittances amounted to US dollars 4,414 million during the first eight months of 2019, recording a decline of 7.6 per cent over the corresponding period in the previous year.
- There were notable foreign project loan inflows to the government in August 2019, while foreign investments in the CSE and government securities market recorded net outflows in August 2019.
- The gross official reserves stood at US dollars 8.5 billion by end August 2019, which was equivalent to 5.1 months of imports.

The CBSL publishes a 'Monthly Trade Bulletin', with further information on merchandise trade performance, which can be viewed at Central Bank of Sri Lanka's website under Statistics > Economic Indicators > Monthly Trade Bulletin. <https://www.cbsl.gov.lk/en/monthly-trade-bulletin>

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

Category	August 2018 US\$ mn	August 2019 US\$ mn	Change (%)	Jan-Aug 2018 US\$ mn	Jan-Aug 2019 US\$ mn	Change (%)
Exports	1,037	1,033	-0.4	7,842	8,031	2.4
Imports	1,887	1,574	-16.6	15,083	12,886	-14.6
Trade balance (net)	-850	-540		-7,240	-4,854	
Earnings from tourism	376 (b)	270 (c)	-28.3	2,971 (b)	2,380 (c)	-19.9
Workers' remittances	534	518	-3.0	4,777	4,414	-7.6
Inflows to the CSE (net) (d)	-6	-12		44	22	
Inflows to the Government (gross)	207	168		4,153	5,819	
Treasury bills and bonds	75	16		657	432	
Long term loans	132	152		997	987	
International Sovereign Bonds	-	-		2,500	4,400	
IMF-EFF Receipts	-	-		252	164	
Foreign Direct Investment (e)				1,422	501	
Overall Balance				474	1,451	

**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

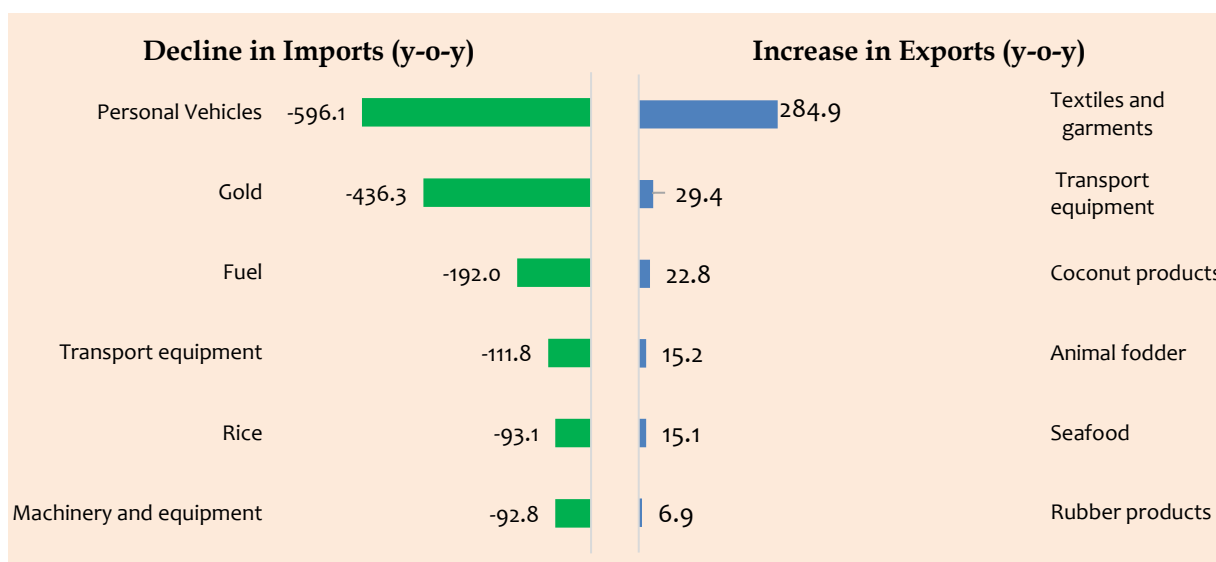
(d) Include secondary and primary market transactions

(e) Data available for the first six 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

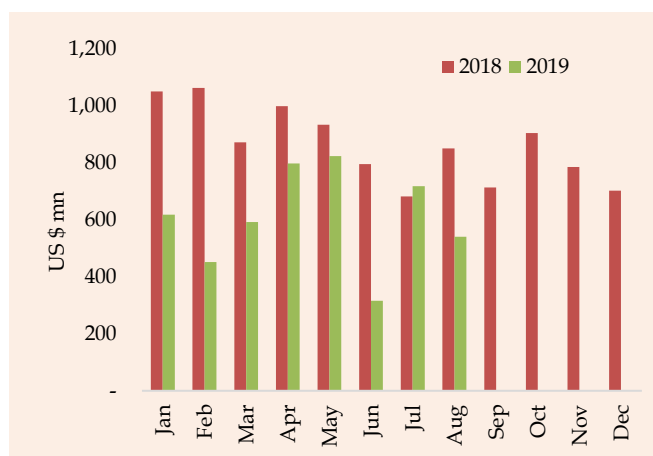
- The deficit in the trade account contracted by US dollars 2,386 million to US dollars 4,854 million during the first eight months of 2019 in comparison to US dollars 7,240 million in the corresponding period of 2018. The major contributory factors for this decline are depicted in Figure 1.
- Meanwhile, the terms of trade, which represents the relative price of imports in terms of exports, improved by 5.2 per cent (year-on-year) as import prices reduced at a faster pace than the reduction in export prices. However, on a cumulative basis, the terms of trade deteriorated marginally by 0.1 per cent during the first eight months of 2019 in comparison to the corresponding period of 2018.

**Figure 1: Major Contributory Factors for the Contraction in the Trade Deficit: Jan - Aug 2019 (USD million)**



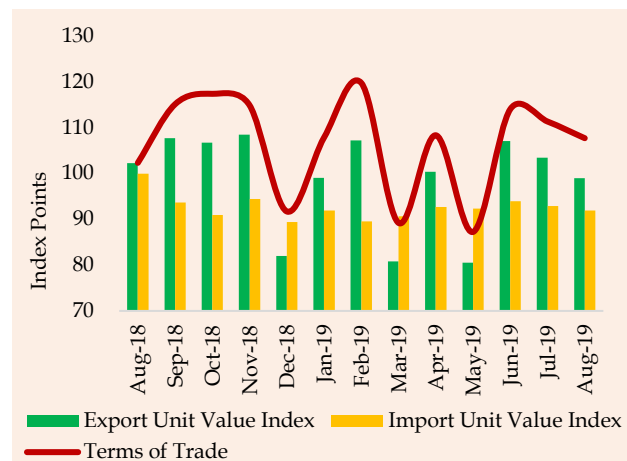
Sources: SLC, CBSL

**Figure 2: Monthly Trade Deficit (2018 - 2019)**



Sources: SLC, CBSL

**Figure 3: Terms of Trade (2018 - 2019)**



Source: CBSL

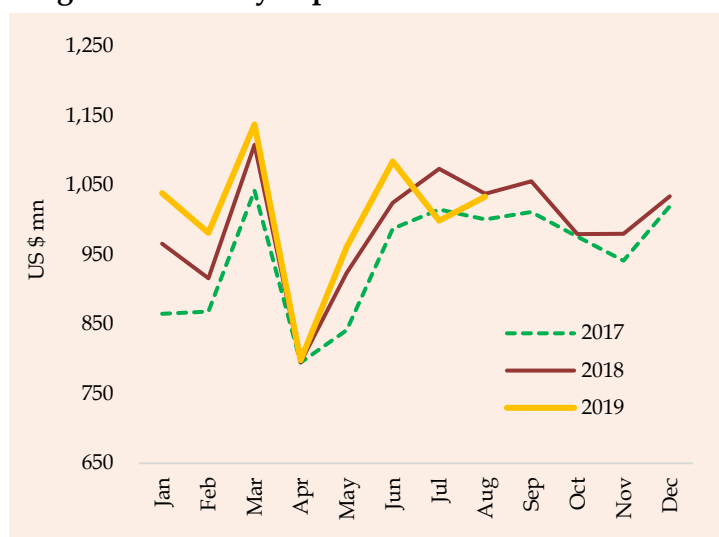
### Performance of Merchandise Exports

- Earnings from merchandise exports declined marginally by 0.4 per cent (year-on-year) to US dollars 1,033 million in August 2019 led by a decline in agricultural exports followed by mineral exports while industrial exports grew, supported by higher earnings from textiles and garments. Earnings from textiles and garments increased by 7.0 per cent reflecting the higher demand from all major markets especially from the EU, which recorded a growth of 12.9 per cent. Export earnings from chemical products, printing industry products, animal fodder and plastics and

articles thereof also increased. However, export earnings from rubber products declined due to lower earnings from tyres and surgical and other gloves exports while food, beverages and tobacco exports declined with lower exports of vegetable, fruit and nut preparations as well as manufactured tobacco. Export earnings from machinery and mechanical appliances, petroleum products, transport equipment, base metals and articles and leather, travel goods and footwear also declined during this period.

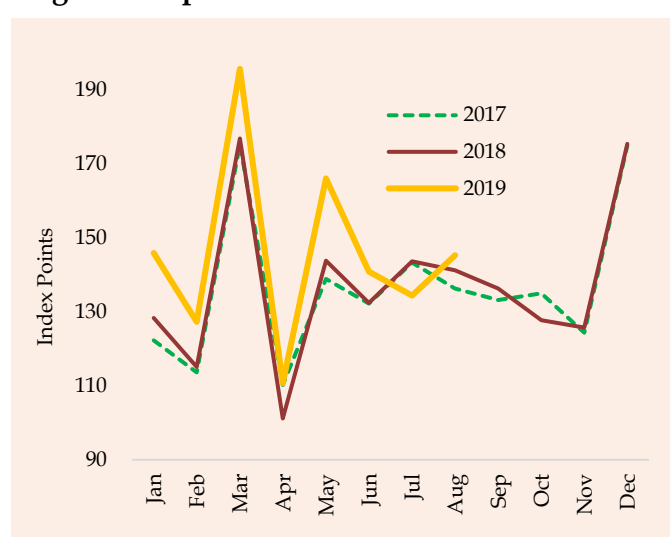
- Earnings from agricultural exports decreased in August 2019 due to lower earnings from all sub-categories except tea, seafood and vegetables. Earnings from tea exports increased in August 2019 due to higher export volumes despite the decline in average export prices. However, earnings from spices declined due to poor performance in cinnamon, clove and pepper. In addition, export earnings from coconut declined due to lower export prices in both kernel and non-kernel products.
- Export earnings from mineral exports also declined in August 2019 in comparison to August 2018 due to low performance in all sub-categories under mineral exports.
- The export volume index in August 2019 increased by 2.9 per cent (year-on-year) while the export unit value index declined by 3.2 per cent, indicating that the subdued performance of exports was entirely driven by the reduction in export prices.

**Figure 4: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 5: Export Volume Index**



Source: CBSL

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

Category	August 2018 (US\$ mn)	August 2019 (US\$ mn)	Change (%)	Jan-Aug 2018 (US\$ mn)	Jan-Aug 2019 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>808.0</b>	<b>813.0</b>	<b>0.6</b>	<b>6,085.3</b>	<b>6,331.0</b>	<b>4.0</b>
Food, beverages and tobacco	40.1	33.7	(15.9)	311.1	303.7	(2.4)
Animal fodder	7.6	8.1	6.9	73.6	88.8	20.7
Textiles and garments	467.1	499.6	7.0	3,451.7	3,736.6	8.3
o/w Garments	436.2	464.4	6.5	3,222.2	3,478.5	8.0
Textiles	22.8	26.5	16.0	166.0	187.5	12.9
Other made up textile articles	8.1	8.8	8.9	63.5	70.5	11.1
Rubber products	80.5	72.8	(9.6)	584.4	591.2	1.2
Gems, diamonds and jewellery	24.5	24.3	(0.6)	195.3	199.9	2.4
Machinery and mechanical appliances	37.4	32.5	(13.1)	295.7	275.0	(7.0)
Transport equipment	8.7	6.0	(30.5)	91.1	120.5	32.3
Petroleum products	47.0	43.4	(7.8)	387.9	328.4	(15.4)
Chemical products	16.0	17.0	6.5	114.7	120.4	5.0
Wood and paper products	11.0	10.0	(9.7)	92.5	90.9	(1.8)
Printing industry products	4.9	7.4	52.0	19.3	31.4	63.0
Leather, travel goods and footwear	11.2	9.7	(13.7)	101.9	74.1	(27.3)
Plastics and articles thereof	6.5	6.7	2.5	50.7	49.2	(2.8)
Base metals and articles	16.2	13.9	(14.7)	108.0	120.9	12.0
Ceramic products	3.5	2.8	(18.9)	20.8	19.6	(5.8)
Other	25.8	25.1	(2.8)	186.6	180.3	(3.4)
<b>2. Agricultural exports</b>	<b>225.4</b>	<b>217.3</b>	<b>(3.6)</b>	<b>1,723.4</b>	<b>1,667.4</b>	<b>(3.2)</b>
Tea	116.1	118.7	2.3	970.2	915.0	(5.7)
Rubber	2.7	1.7	(35.8)	23.0	18.6	(19.0)
Coconut	31.1	28.1	(9.7)	209.4	232.1	10.9
Spices	41.6	33.3	(19.9)	225.6	203.4	(9.8)
Vegetables	2.2	2.7	23.8	18.3	21.2	16.1
Unmanufactured tobacco	3.8	3.3	(13.7)	23.6	22.7	(3.9)
Minor agricultural products	10.0	8.9	(10.8)	84.0	70.0	(16.7)
Seafood	17.9	20.5	14.1	169.4	184.5	8.9
<b>3. Mineral exports</b>	<b>2.8</b>	<b>1.9</b>	<b>(31.6)</b>	<b>22.2</b>	<b>21.3</b>	<b>(4.0)</b>
<b>4. Unclassified exports</b>	<b>1.2</b>	<b>1.2</b>	<b>5.4</b>	<b>11.5</b>	<b>11.3</b>	<b>(1.5)</b>
<b>Total exports</b>	<b>1,037.4</b>	<b>1,033.3</b>	<b>(0.4)</b>	<b>7,842.4</b>	<b>8,031.1</b>	<b>2.4</b>

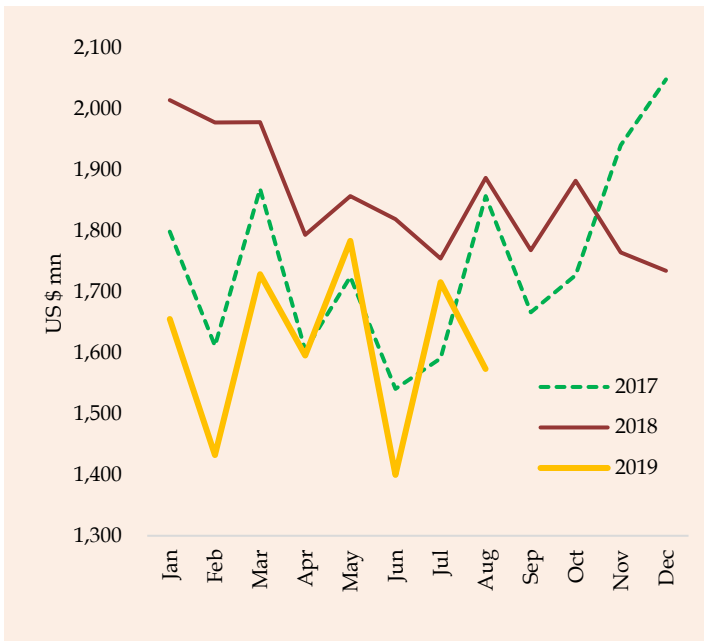
(a) Provisional

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

## Performance of Merchandise Imports

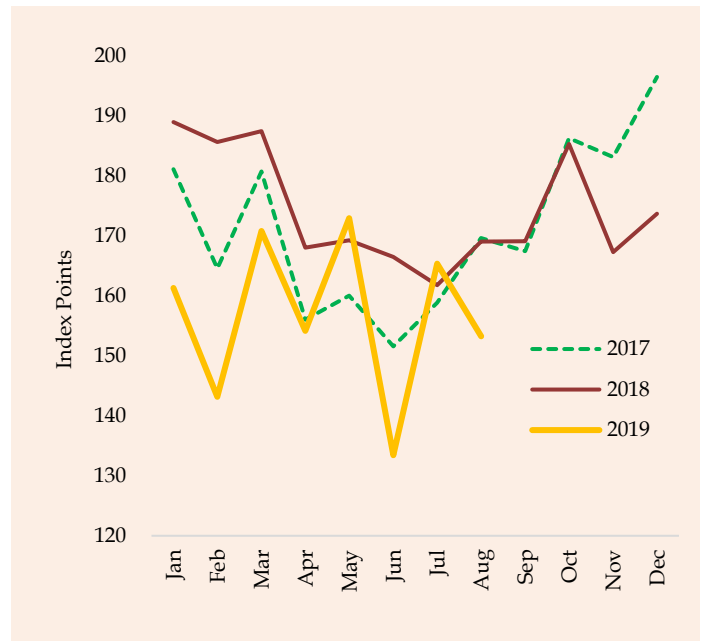
- Expenditure on merchandise imports contracted notably in August 2019 for the tenth consecutive month by 16.6 per cent (year-on-year) to US dollars 1,574 million registering a decline across all major categories of imports.
- Expenditure on consumer goods imports declined in August 2019 reflecting the reduction in both food and beverages and non-food consumer goods imports. Lower imports of spices, dairy products, vegetables and seafood mainly contributed to the decline in imports of food and beverages while lower imports of personal motor vehicles resulted in the contraction in non-food consumer goods imports. Import expenditure on personal motor vehicles declined by 46.2 per cent, year-on-year, continuing the trend observed since December 2018 despite an increase seen in July 2019 over the preceding months, reflecting the impact of a backlog of a concessionary permits being used for importing vehicles. However, expenditure on sugar and confectionary, medical and pharmaceuticals, cereals and milling industry products imports has increased during August 2019.
- Expenditure on imports of intermediate goods reduced in August 2019 mainly due to lower expenditure on petroleum products as a result of lower import volumes and prices. Expenditure on textiles and textile articles, chemical products, paper and paperboard and articles thereof and mineral products also declined. However, expenditure on fertiliser imports increased by more than two-fold on a year-on-year basis in August 2019 due to higher volumes imported targeting the coming Maha season while import of base metals and wheat and maize also increased.
- Imports of investment goods declined in August 2019 due to lower imports of machinery and equipment and building material. However, transport equipment increased significantly mainly driven by the importation of railway equipment.
- The import volume index dropped by 9.3 per cent while the unit value index dropped by 8.0 per cent indicating that the decline in imports was driven by the combined effect of lower volume and prices when compared to August 2018.

**Figure 6: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 7: Import Volume Index**



Source: CBSL

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

Category	August 2018 (US\$ mn)	August 2019 (US\$ mn)	Change (%)	Jan-Aug 2018 (US\$ mn)	Jan-Aug 2019 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>431.2</b>	<b>332.1</b>	<b>(23.0)</b>	<b>3,441.3</b>	<b>2,499.2</b>	<b>(27.4)</b>
Food and beverages	128.6	117.9	(8.3)	1,148.1	917.1	(20.1)
Cereals and milling industry products	1.7	2.9	71.6	113.2	22.2	(80.4)
Dairy products	40.9	38.0	(7.1)	231.2	216.1	(6.5)
Vegetables	25.3	22.5	(11.1)	220.4	187.6	(14.9)
Seafood	19.3	18.0	(6.5)	136.0	145.8	7.2
Sugar and confectionery	8.9	13.0	46.9	180.8	126.4	(30.1)
Spices	11.0	6.7	(39.4)	73.1	68.1	(6.9)
Beverages	7.3	5.9	(19.7)	57.5	52.1	(9.4)
Other food and beverages	14.2	11.0	(23.0)	136.0	98.9	(27.2)
Non-food consumer goods	302.6	214.2	(29.2)	2,293.2	1,582.0	(31.0)
Personal vehicles	142.7	76.7	(46.2)	1,092.4	496.4	(54.6)
Medical and pharmaceuticals	49.5	50.9	2.8	349.2	350.5	0.4
Clothing and accessories	25.1	18.4	(26.7)	214.6	174.5	(18.7)
Home appliances	20.6	17.6	(14.6)	158.7	131.3	(17.3)
Telecommunication devices	24.6	16.0	(35.0)	184.7	157.2	(14.9)
Household and furniture items	14.9	14.0	(5.7)	112.1	104.7	(6.6)
Other non-food consumables	25.1	20.4	(18.7)	181.4	167.6	(7.6)
<b>2. Intermediate goods</b>	<b>1,061.6</b>	<b>863.8</b>	<b>(18.6)</b>	<b>8,356.8</b>	<b>7,379.8</b>	<b>(11.7)</b>
Fuel	398.6	261.2	(34.5)	2,768.8	2,576.8	(6.9)
o/w Crude oil	108.9	45.3	(58.4)	595.3	630.8	6.0
Refined petroleum	289.6	215.8	(25.5)	2,026.2	1,820.7	(10.1)
Coal	0.1	0.1	(48.1)	147.3	125.3	(14.9)
Diamonds, precious stones and metals	9.9	8.9	(9.8)	518.4	118.4	(77.2)
o/w Gold	0.1	...	(98.2)	438.0	1.7	(99.6)
Textiles and textile articles	247.8	233.5	(5.8)	1,857.9	1,876.9	1.0
Chemical products	77.4	66.8	(13.6)	601.9	553.5	(8.0)
Plastic and articles thereof	59.9	50.0	(16.6)	471.7	394.9	(16.3)
Paper and paperboard and articles thereof	47.9	42.0	(12.4)	345.7	295.5	(14.5)
Base metals	34.6	41.5	19.9	415.6	366.2	(11.9)
Fertiliser	14.5	32.2	121.3	153.3	137.5	(10.3)
Wheat and maize	23.9	24.9	4.2	235.9	203.4	(13.8)
Food preparations	27.5	18.2	(33.9)	207.9	154.9	(25.5)
Agricultural inputs	19.3	13.3	(31.0)	136.1	127.1	(6.6)
Mineral products	31.6	11.3	(64.2)	129.7	137.0	5.7
Other intermediate goods	68.6	60.1	(12.4)	513.8	437.7	(14.8)
<b>3. Investment goods</b>	<b>393.5</b>	<b>376.3</b>	<b>(4.4)</b>	<b>3,212.2</b>	<b>3,001.8</b>	<b>(6.6)</b>
Machinery and equipment	222.7	184.4	(17.2)	1,703.0	1,610.2	(5.4)
Building material	134.2	132.6	(1.2)	1,013.0	1,006.9	(0.6)
Transport equipment	36.0	58.9	63.3	492.0	380.2	(22.7)
Other investment goods	0.5	0.4	(27.1)	4.3	4.5	6.1
<b>4. Unclassified imports</b>	<b>0.8</b>	<b>1.4</b>	<b>75.0</b>	<b>72.3</b>	<b>4.8</b>	<b>(93.3)</b>
<b>Total imports</b>	<b>1,887.1</b>	<b>1,573.6</b>	<b>(16.6)</b>	<b>15,082.7</b>	<b>12,885.5</b>	<b>(14.6)</b>

(a) Provisional

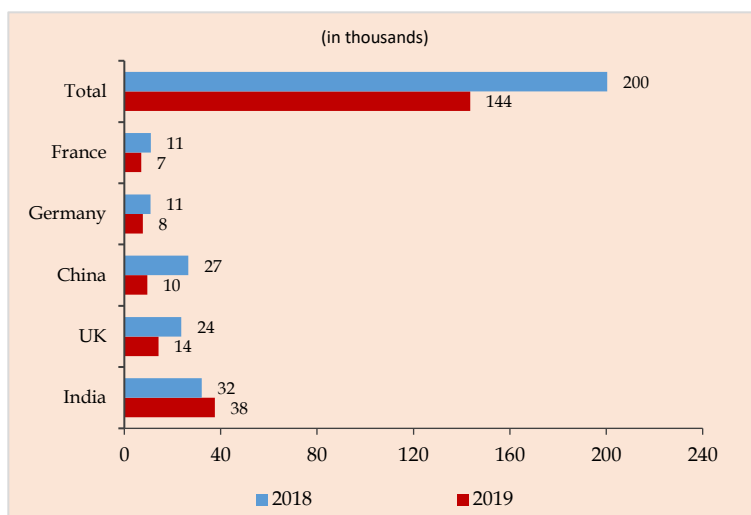
Sources: SLC, CPC, Lanka IOC PLC, CBSL



## Other Major Inflows to the Current Account

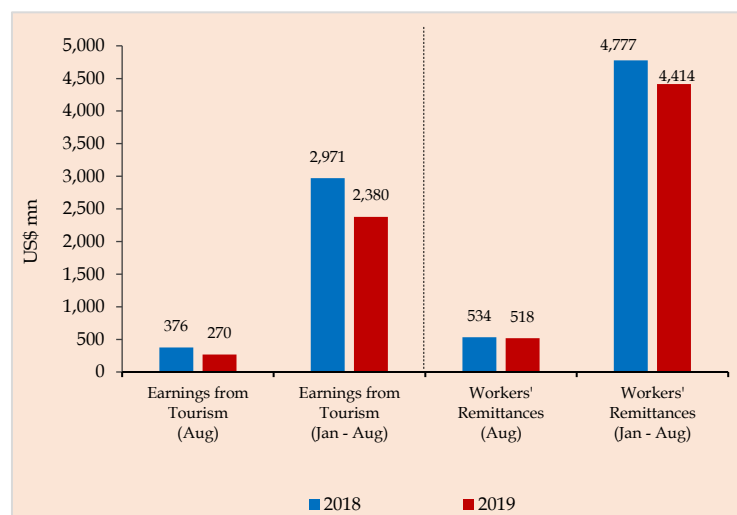
- Tourist arrivals rose steadily recovering from the impact of the Easter Sunday attacks. Accordingly, arrivals increased by 24.1 per cent to 143,587 in August 2019 from 115,701 in July 2019. Meanwhile, the year-on-year decline of arrivals narrowed to 28.3 per cent in August 2019 compared to the drop of 46.9 per cent in July and 57.0 per cent in June 2019. The decline in the number of tourists from key destinations such as China, the United Kingdom, France and Germany mainly contributed to the drop in tourist arrivals on year-on-year basis.
- Earnings from tourism were estimated at US dollars 270 million in August 2019, in comparison to US dollars 376 million in August 2018. In cumulative terms, earnings from tourism were estimated at US dollars 2,380 million during the first eight months of 2019 compared to US dollars 2,971 million during the corresponding period of 2018.
- Meanwhile, workers' remittances declined by 3.0 per cent, year-on-year, to US dollars 518 million in August 2019. On a cumulative basis, workers' remittances declined by 7.6 per cent to US dollars 4,414 million during the first eight months of 2019 in comparison to the corresponding period of 2018.

**Figure 8: Top Five Countries of Tourist Arrivals (August)**



Source: SLTDA

**Figure 9: Earnings from Tourism and Workers' Remittances**



Sources: SLTDA, Licensed Commercial Banks, CBSL

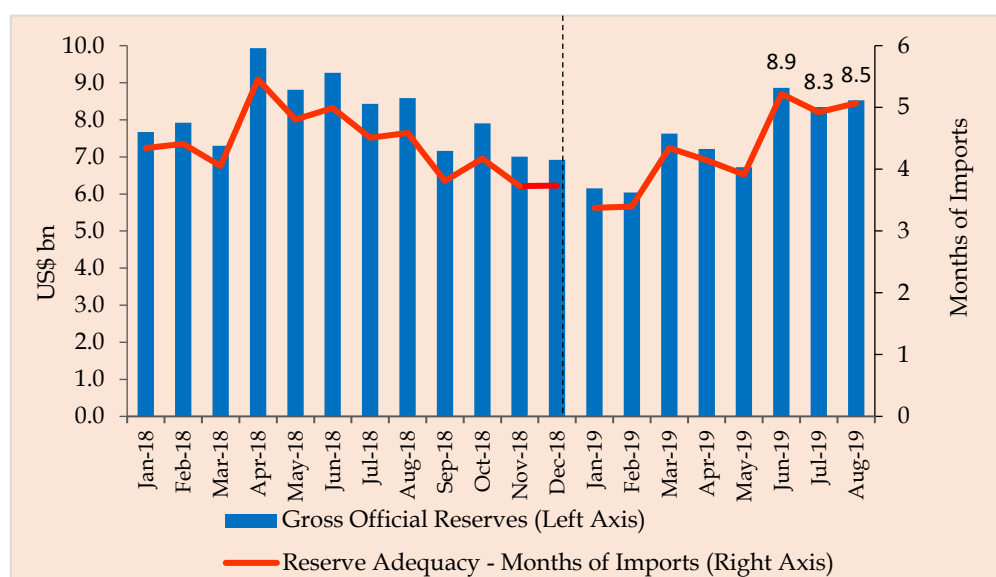
## Financial Flows

- Foreign investments in government securities recorded a net outflow of US dollars 156 million in August 2019. On a cumulative basis, net outflows from the government securities market amounted to US dollars 285 million during the first eight months of the year.
- Foreign investments in the CSE, including primary and secondary market transactions, recorded a net outflow of US dollars 12 million during the month of August 2019. Nevertheless, financial flows to the CSE recorded a net inflow of US dollars 22 million during the first eight months of 2019.
- Further, long term loans to the government recorded a net inflow of US dollars 83 million during August 2019. There were significant project loan inflows to the government in August 2019, with a number of social development and infrastructure projects receiving disbursements.

## International Reserves

- Gross official reserves stood at US dollars 8.5 billion by end August 2019, equivalent to 5.1 months of imports. Meanwhile, total foreign assets, which consist of gross official reserves and foreign assets of the banking sector amounted to US dollars 11.3 billion as at end August 2019, which was equivalent to 6.8 months of imports.

**Figure 10: Gross Official Reserves and Reserve Adequacy**



Source: CBSL

## Exchange Rate Movements

- The Sri Lankan rupee appreciated by 1.1 per cent against the US dollar during the year up to 14 October 2019. Reflecting the cross-currency movements, the rupee appreciated against other major currencies except for the Japanese yen and the Canadian dollar during this period.

**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 14 Oct) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+1.1%
Euro	-12.7%	+4.9%
Pound sterling	-11.4%	+1.9%
Japanese yen	-18.1%	-0.8%
Canadian dollar	-9.3%	-2.0%
Australian dollar	-7.6%	+5.2%
Indian rupee	-8.7%	+2.6%

Source: CBSL