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# Press Release

**Issued By** Economic Research Department

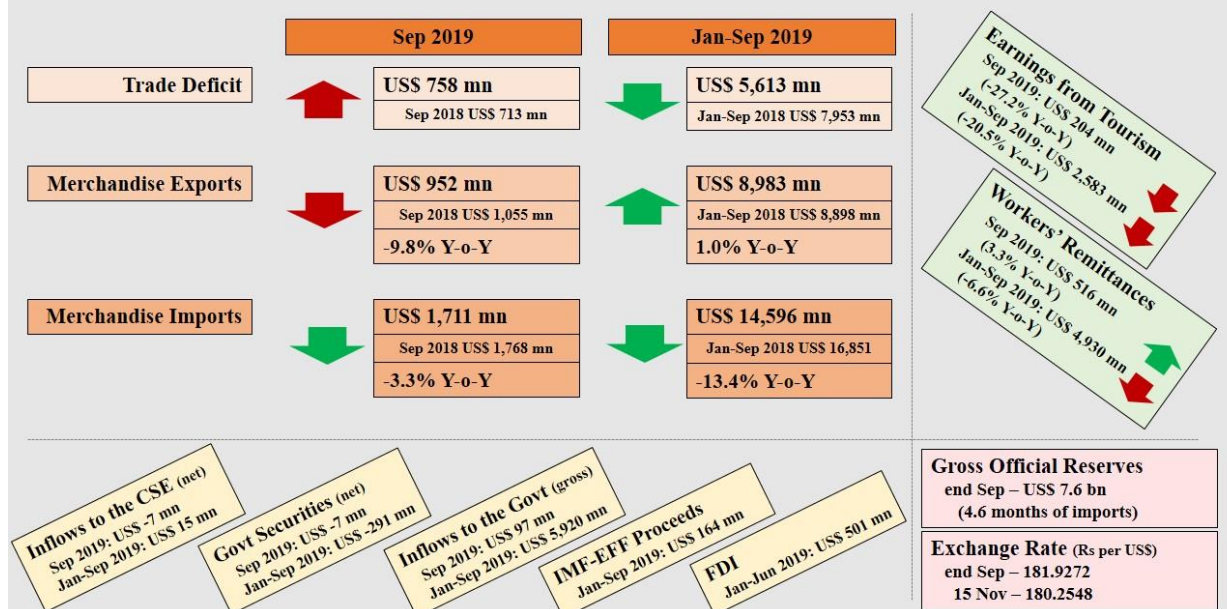
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## External Sector Performance – September 2019

### Highlights

The trade deficit widened in September 2019 (year-on-year), with the decline in earnings from exports exceeding the decline in expenditure on imports. Nevertheless, the trade deficit remained significantly low in the first nine months of 2019 over the same period of last year, as a result of increased cumulative earnings from exports and a sharp decline in cumulative expenditure on imports. Meanwhile, the drop in tourist arrivals was contained further in September 2019. Workers' remittances rose (year-on-year) in September 2019, although declining on a cumulative basis. In the financial account, foreign investment in the CSE and the government securities market recorded net outflows in September 2019. Despite some depreciation pressure in the month of September, the Sri Lankan rupee remained appreciated against most major currencies during the first nine months of the year.

### External Sector Performance – September 2019: Highlights



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

Category	September 2018 US\$ mn	September 2019 US\$ mn	Change (%)	Jan-Sep 2018 US\$ mn	Jan-Sep 2019 US\$ mn	Change (%)
Exports	1,055	952	-9.8	8,898	8,983	1.0
Imports	1,768	1,711	-3.3	16,851	14,596	-13.4
Trade balance (net)	-713	-758		-7,953	-5,613	
Earnings from tourism	280 (b)	204 (c)	-27.2	3,251(b)	2,583 (c)	-20.5
Workers' remittances	500	516	3.3	5,277	4,930	-6.6
Inflows to the CSE (net) (d)	-7	-7		37	15	
Inflows to the Government (gross)	160	97		4,313	5,920	
Treasury bills and bonds	25	22		681	454	
Long term loans	135	75		1,132	1,066	
International Sovereign Bonds	-	-		2,500	4,400	
IMF-EFF receipts	-	-		252	164	
Foreign Direct Investment (e)				1,422	501	
Overall Balance				-650	789	

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

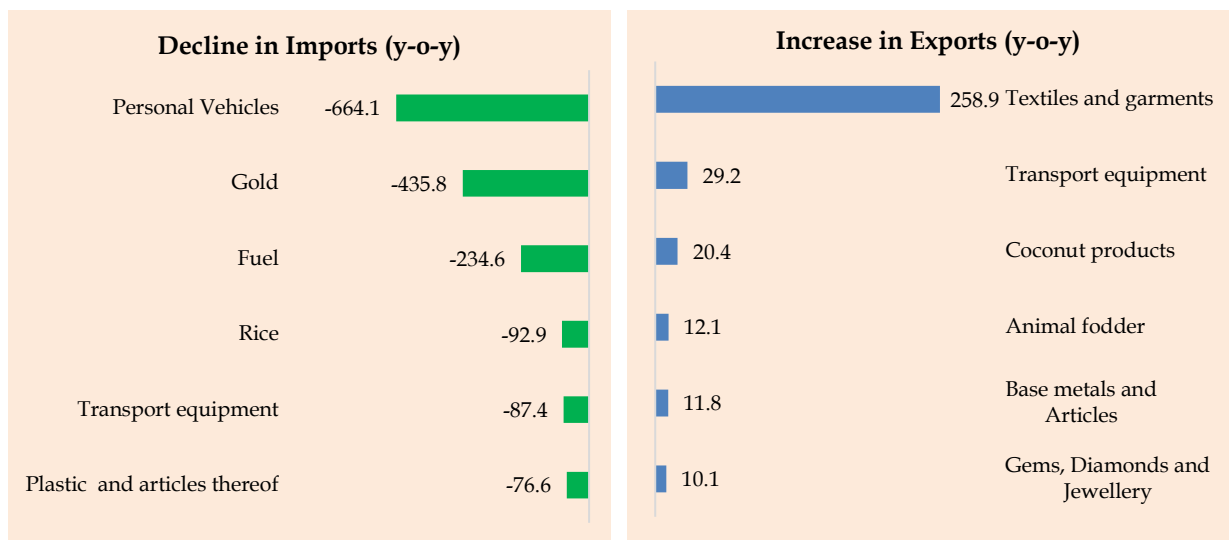
(d) Include secondary and primary market transactions

(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

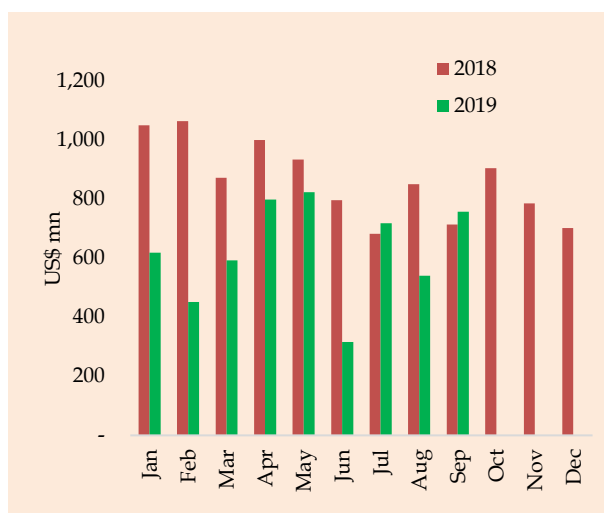
- The deficit in the trade account widened in September 2019 to US dollars 758 million, in comparison to US dollars 713 million in September 2018. However, on a cumulative basis, the trade deficit contracted by US dollars 2,341 million to US dollars 5,613 million during the first nine months of 2019, in comparison to US dollars 7,953 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 represent the relative price of imports in terms of exports, deteriorated by 2.5 per cent (year-on-year) as export prices reduced at a faster pace than the reduction in import prices. In cumulative terms, the terms of trade deteriorated by 0.4 per cent during the first nine months of 2019 in comparison to the corresponding period of 2018.

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



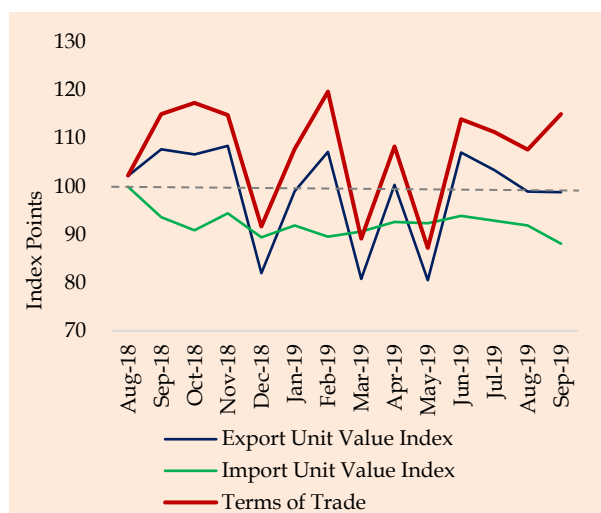
Sources: SLC, CBSL

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



Sources: SLC, CBSL

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



Source: CBSL

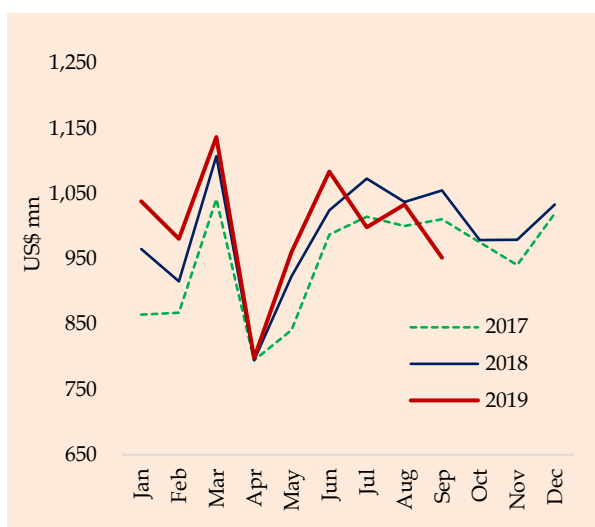
## Performance of Merchandise Exports

- Earnings from merchandise exports declined notably by 9.8 per cent (year-on-year) to US dollars 952 million in September 2019, as a result of the decline in exports in all three major sectors. Earnings from textiles and garments declined for the first time since July 2018, on a year-on-year basis, led by a notable decline of 13.9 per cent of garment exports to the USA owing to the base effect, despite a 3.2 per cent growth in exports to the EU market. Export earnings from petroleum products continued its declining trend observed in the recent past, mainly due to lower exports of aviation fuel owing to subdued airline activities in Sri Lanka after the Easter Sunday attacks. In addition, led by lower exports of footwear, export earnings from leather, travel

goods and footwear declined, while earnings from rubber products declined due to lower tyre exports. However, earnings from gems, diamonds and jewellery exports increased.

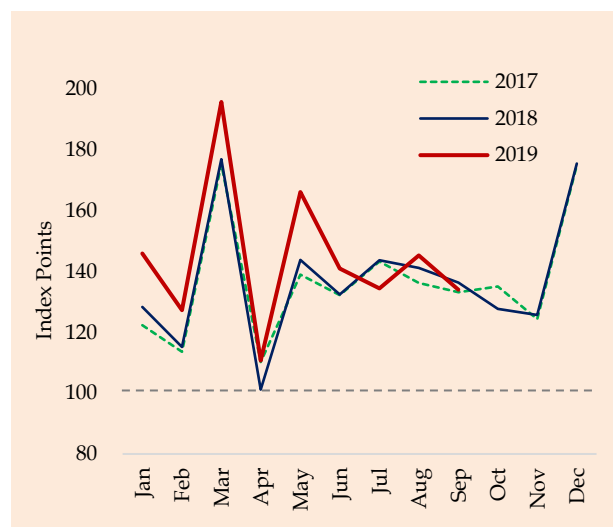
- Earnings from agricultural exports declined in September 2019, contributed by lower earnings from all sub-categories except vegetables and minor agricultural products. Earnings from tea exports declined in September 2019, due to the combined effect of lower export volumes and average export prices in line with the fall in prices in international markets. In addition, earnings from spices declined, mainly due to lower export volumes of cinnamon and pepper, while seafood exports declined with lower export volumes broadly in line with seasonality. However, earnings from vegetables and minor agricultural products increased, driven by fresh vegetables, fruits and edible nuts exports.
- Earnings from mineral exports also declined in September 2019, year-on-year, due to subdued performance in all sub-categories.
- The export volume index in September 2019 decreased by 1.7 per cent (year-on-year), while the export unit value index declined by 8.2 per cent. Accordingly, both volume and unit value contributed to subdued performance of exports during the month.

**Figure 4: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 5: Export Volume Index**



Source: CBSL

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

Category	September 2018 (US\$ mn)	September 2019 (US\$ mn)	Change (%)	Jan-Sep 2018 (US\$ mn)	Jan-Sep 2019 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>814.4</b>	<b>745.9</b>	<b>(8.4)</b>	<b>6,899.6</b>	<b>7,076.9</b>	<b>2.6</b>
Food, beverages and tobacco	36.0	33.6	(6.9)	347.2	337.3	(2.8)
Animal fodder	9.2	6.1	(33.5)	82.8	94.9	14.6
Textiles and garments	476.2	450.2	(5.5)	3,927.9	4,186.8	6.6
o/w Garments	444.7	419.1	(5.8)	3,666.9	3,897.6	6.3
Textiles	24.4	23.0	(5.7)	190.4	210.5	10.6
Other made up textile articles	7.2	8.2	13.8	70.7	78.7	11.4
Rubber products	71.8	70.9	(1.2)	656.2	662.2	0.9
Gems, diamonds and jewellery	19.2	24.6	28.4	214.5	224.5	4.7
Machinery and mechanical appliances	32.6	33.0	1.1	328.4	308.0	(6.2)
Transport equipment	7.2	7.0	(2.6)	98.3	127.5	29.7
Petroleum products	65.9	38.7	(41.3)	453.8	367.0	(19.1)
Chemical products	13.3	13.7	3.2	128.0	134.1	4.8
Wood and paper products	11.8	10.6	(10.6)	104.3	101.4	(2.8)
Printing industry products	4.1	1.7	(58.3)	23.3	33.1	41.9
Leather, travel goods and footwear	17.1	8.1	(53.0)	119.0	82.2	(31.0)
Plastics and articles thereof	6.6	5.8	(11.5)	57.3	55.1	(3.8)
Base metals and articles	15.5	14.3	(7.7)	123.5	135.3	9.5
Ceramic products	3.2	3.2	(0.3)	24.0	22.8	(5.0)
Other	24.5	24.4	(0.6)	211.1	204.7	(3.0)
<b>2. Agricultural exports</b>	<b>234.3</b>	<b>201.5</b>	<b>(14.0)</b>	<b>1,957.7</b>	<b>1,868.9</b>	<b>(4.5)</b>
Tea	122.5	110.4	(9.9)	1,092.8	1,025.3	(6.2)
Rubber	2.1	1.5	(31.3)	25.1	20.1	(20.1)
Coconut	28.7	26.3	(8.3)	238.1	258.5	8.6
Spices	43.7	31.4	(28.2)	269.3	234.8	(12.8)
Vegetables	2.6	2.9	8.5	20.9	24.1	15.1
Unmanufactured tobacco	3.1	3.1	(0.1)	26.7	25.8	(3.5)
Minor agricultural products	9.7	10.0	3.0	93.8	80.0	(14.7)
Seafood	21.7	15.9	(26.5)	191.0	200.4	4.9
<b>3. Mineral exports</b>	<b>4.9</b>	<b>3.3</b>	<b>(32.6)</b>	<b>27.2</b>	<b>24.7</b>	<b>(9.2)</b>
<b>4. Unclassified exports</b>	<b>1.6</b>	<b>1.4</b>	<b>(16.1)</b>	<b>13.1</b>	<b>12.7</b>	<b>(3.4)</b>
<b>Total exports</b>	<b>1,055.2</b>	<b>952.1</b>	<b>(9.8)</b>	<b>8,897.6</b>	<b>8,983.2</b>	<b>1.0</b>

(a) Provisional

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

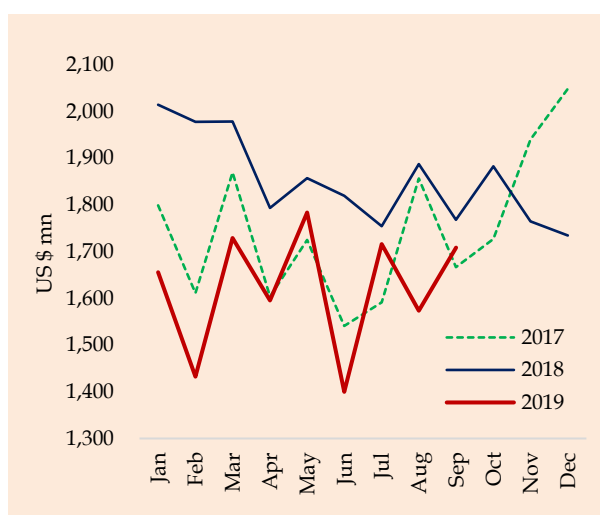
## Performance of Merchandise Imports

- Expenditure on merchandise imports contracted for the eleventh consecutive month with a 3.3 per cent decline (year-on-year) in September 2019 to US dollars 1,711 million, driven by lower consumer goods and intermediate goods imports.
- While food and beverages imports increased marginally, a decline in expenditure on consumer goods imports in September 2019 was observed as a result of the decline in non-food consumer goods imports. Import expenditure on personal motor vehicles declined

in September 2019, on a year-on-year basis. However, in absolute terms, motor vehicle imports remained at a relatively high level since July 2019 compared to values recorded during December 2018 through June 2019, reflecting mainly the impact of personal motor vehicle imports under concessionary permits. Meanwhile, expenditure on food and beverages imports increased, mainly driven by imports of potatoes categorised under vegetables, where higher volumes were imported as a result of lower domestic supply.

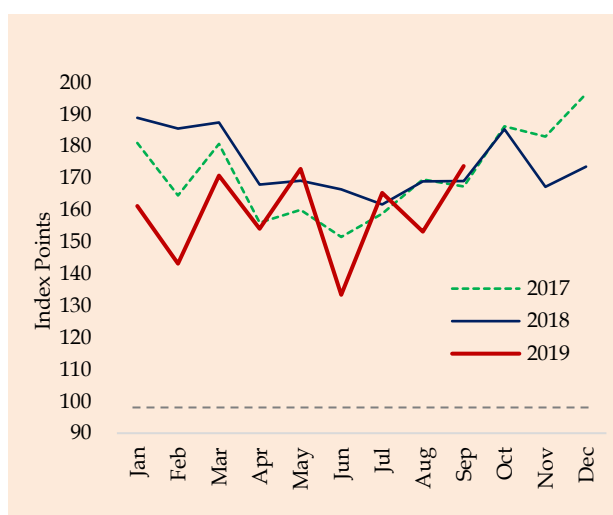
- Expenditure on imports of intermediate goods declined in September 2019, mainly due to lower expenditure on fuel, owing to lower prices as well as lower volumes of refined petroleum products. In addition, expenditure on base metals imports declined in September 2019, driven by lower iron and steel imports. However, import expenditure on textiles and textile articles and mineral products increased, with higher fabric imports and cement clinker imports, respectively.
- Meanwhile, expenditure on investment goods imports increased in September 2019 led by the increase in all sub categories. Accordingly, expenditure on machinery and equipment, mainly related to electric motors and generators, increased, while expenditure on transport equipment increased with higher imports of railway equipment and commercial vehicles such as tankers and bowsers, buses and commercial cabs. In addition, expenditure on building materials increased, driven by articles of iron and steel related to bridges and bridge sections.
- The import volume index increased by 2.8 per cent while the unit value index dropped by 5.9 per cent in September 2019, indicating that the decline in imports was driven entirely by lower prices when compared to September 2018.

**Figure 6: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 7: Import Volume Index**



Source: CBSL

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

Category	Sep 2018 (US\$ mn)	Sep 2019 (US\$ mn)	Change (%)	Jan-Sep 2018 (US\$ mn)	Jan-Sep 2019 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>379.3</b>	<b>312.8</b>	<b>(17.5)</b>	<b>3,820.6</b>	<b>2,812.0</b>	<b>(26.4)</b>
Food and beverages	91.0	92.2	1.3	1,239.2	1,009.3	(18.5)
Cereals and milling industry products	2.3	2.6	15.8	115.5	24.8	(78.5)
Dairy products	12.9	8.9	(31.4)	244.1	225.0	(7.8)
Vegetables	15.2	20.0	32.2	235.5	207.6	(11.9)
Seafood	14.0	14.3	1.9	150.0	160.0	6.7
Sugar and confectionery	15.9	16.2	2.4	196.7	142.6	(27.5)
Spices	11.2	11.4	1.9	84.3	79.5	(5.7)
Beverages	6.8	6.2	(8.7)	64.2	58.3	(9.3)
Other food and beverages	12.8	12.5	(2.4)	148.8	111.5	(25.1)
Non-food consumer goods	288.2	220.6	(23.5)	2,581.4	1,802.7	(30.2)
Personal vehicles	138.2	70.1	(49.2)	1,230.6	566.5	(54.0)
Medical and pharmaceuticals	44.3	48.9	10.4	393.5	399.4	1.5
Clothing and accessories	22.7	29.2	28.4	237.4	203.6	(14.2)
Home appliances	17.5	15.3	(12.9)	176.2	146.6	(16.8)
Telecommunication devices	22.4	16.3	(27.3)	207.1	173.4	(16.2)
Household and furniture items	16.9	18.0	6.4	129.0	122.7	(4.9)
Other non-food consumables	26.2	22.9	(12.7)	207.7	190.5	(8.3)
<b>2. Intermediate goods</b>	<b>1,056.0</b>	<b>1,000.7</b>	<b>(5.2)</b>	<b>9,412.8</b>	<b>8,380.5</b>	<b>(11.0)</b>
Fuel	396.3	353.7	(10.7)	3,165.1	2,930.5	(7.4)
o/w Crude oil	118.7	98.6	(17.0)	714.0	729.3	2.1
Refined petroleum	277.5	232.1	(16.4)	2,303.7	2,052.9	(10.9)
Coal	0.03	23.0	84,251.3	147.3	148.3	0.7
Diamonds, precious stones and metals	11.3	20.7	83.4	529.6	139.1	(73.7)
o/w Gold	0.1	0.6	608.9	438.1	2.3	(99.5)
Textiles and textile articles	233.7	250.3	7.1	2,091.6	2,127.1	1.7
Chemical products	69.1	67.8	(1.9)	671.0	621.3	(7.4)
Plastic and articles thereof	50.0	50.2	0.4	521.8	445.1	(14.7)
Paper and paperboard and articles thereof	49.0	40.6	(17.1)	394.8	336.1	(14.9)
Base metals	57.5	42.5	(26.1)	473.1	408.7	(13.6)
Fertiliser	34.5	30.0	(13.1)	187.8	167.5	(10.8)
Wheat and maize	36.7	30.5	(17.0)	272.6	233.9	(14.2)
Food preparations	26.1	14.4	(44.8)	234.0	169.3	(27.7)
Agricultural inputs	17.3	13.6	(21.4)	153.4	140.7	(8.3)
Mineral products	7.6	22.0	187.8	137.3	159.0	15.8
Other intermediate goods	66.8	64.4	(3.5)	580.6	502.1	(13.5)
<b>3. Investment goods</b>	<b>332.4</b>	<b>396.6</b>	<b>19.3</b>	<b>3,544.6</b>	<b>3,398.4</b>	<b>(4.1)</b>
Machinery and equipment	175.7	206.5	17.5	1,878.7	1,816.7	(3.3)
Building material	127.6	136.5	7.0	1,140.7	1,143.4	0.2
Transport equipment	28.8	53.2	84.7	520.8	433.4	(16.8)
Other investment goods	0.3	0.4	20.2	4.6	4.9	7.0
<b>4. Unclassified imports</b>	<b>0.7</b>	<b>0.4</b>	<b>(41.9)</b>	<b>73.0</b>	<b>5.2</b>	<b>(92.9)</b>
<b>Total imports</b>	<b>1,768.4</b>	<b>1,710.5</b>	<b>(3.3)</b>	<b>16,851.1</b>	<b>14,596.1</b>	<b>(13.4)</b>

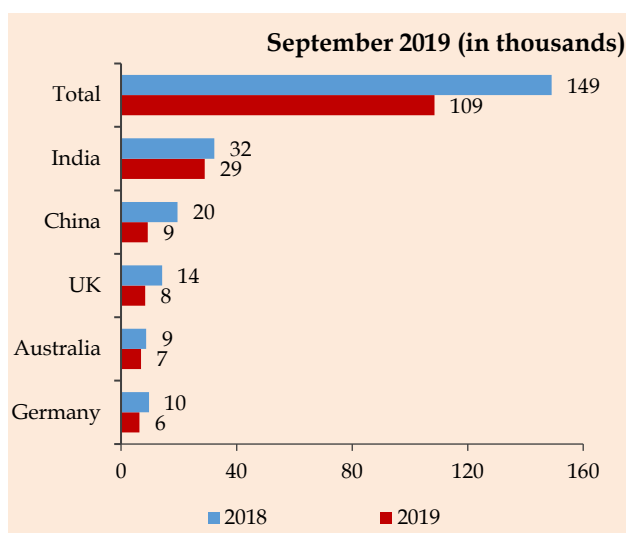
(a) Provisional

Sources: SLC, CPC, Lanka IOC PLC, CBSL

## Other Major Inflows to the Current Account

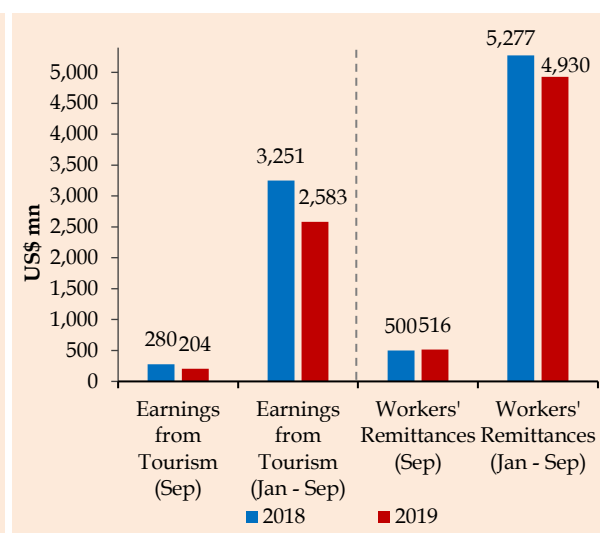
- A steady recovery in monthly tourist arrivals after the Easter Sunday attacks was observed in recent months. Tourist arrivals amounted to 108,575 in September 2019, with a year-on-year decline of arrivals of 27.2 per cent in September 2019, compared to the drop of 28.3 per cent in August and 46.9 per cent in July 2019. The decline in the number of tourists from key sources such as China and the United Kingdom mainly contributed to the drop in tourist arrivals on a year-on-year basis.
- Earnings from tourism were estimated at US dollars 204 million in September 2019, in comparison to US dollars 280 million in September 2018. In cumulative terms, earnings from tourism were estimated at US dollars 2,583 million during the first nine months of 2019, compared to US dollars 3,251 million during the corresponding period of 2018.
- Meanwhile, workers' remittances grew by 3.3 per cent, year-on-year, to US dollars 516 million in September 2019. On a cumulative basis, workers' remittances declined by 6.6 per cent to US dollars 4,930 million during the first nine months of 2019 in comparison to the corresponding period of 2018.

Figure 8: Top Five Countries of Tourist Arrivals



Source: SLTDA

Figure 9: Tourism and Workers' Remittances



Sources: SLTDA, Licensed Banks, CBSL



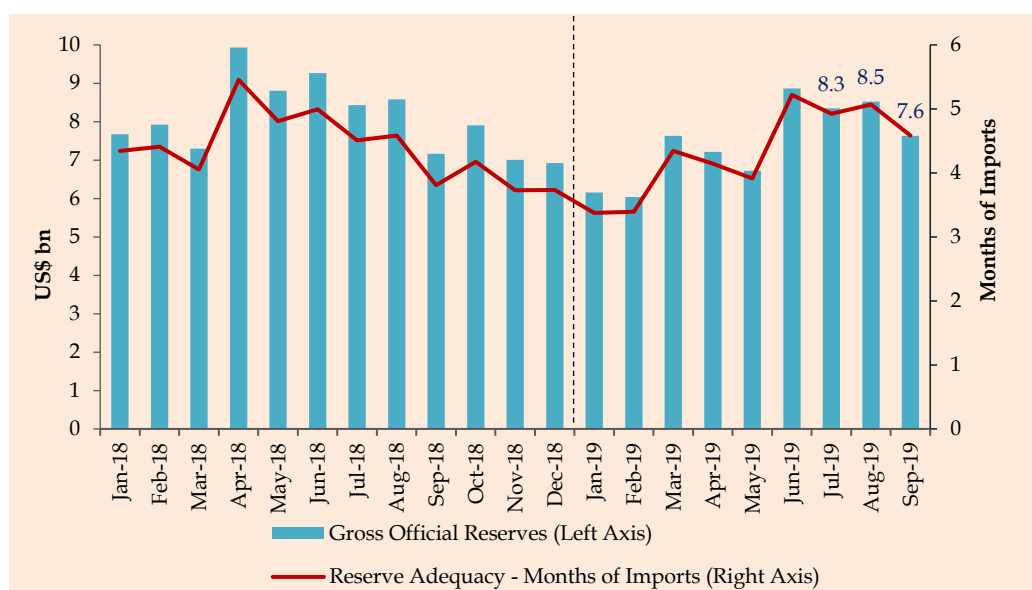
## Financial Flows

- Foreign investment in rupee denominated government securities recorded a net outflow of US dollars 7 million in September 2019. On a cumulative basis, net outflows from the government securities market amounted to US dollars 291 million during the first nine months of the year.
- Foreign investment in the CSE, including primary and secondary market transactions, recorded a net outflow of US dollars 7 million during the month of September 2019. Nevertheless, financial flows to the CSE recorded a net inflow of US dollars 15 million during the first nine months of 2019.
- Further, long term loans to the government recorded a net outflow of US dollars 137 million during September 2019.

## International Reserves

- Gross official reserves stood at US dollars 7.6 billion at end September 2019, equivalent to 4.6 months of imports. Meanwhile, total foreign assets consisting of gross official reserves and foreign assets of the banking sector amounted to US dollars 10.4 billion at end September 2019, equivalent to 6.2 months of imports.

Figure 10: Gross Official Reserves and Reserve Adequacy

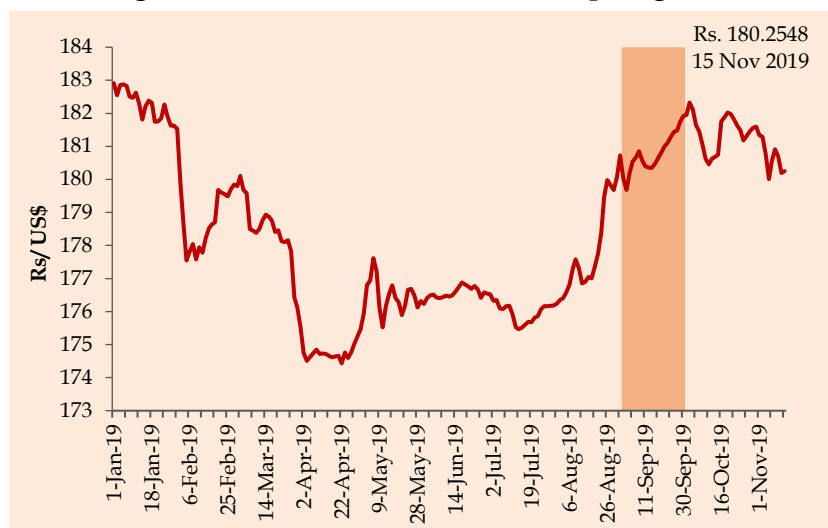


Source: CBSL

## Exchange Rate Movements

- The Sri Lankan rupee remained appreciated during the year up to end September 2019, despite some depreciation pressure observed in September 2019. Further, the Sri Lankan rupee appreciated by 1.4 per cent against the US dollar during the year up to 15 November 2019. Reflecting cross-currency movements, the rupee appreciated against other major currencies except the Pound sterling, 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 15 Nov) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+1.4%
Euro	-12.7%	+5.1%
Pound sterling	-11.4%	-0.2%
Japanese yen	-18.1%	-0.3%
Canadian dollar	-9.3%	-1.5%
Australian dollar	-7.6%	+5.2%
Indian rupee	-8.7%	+4.3%

Source: CBSL