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Press Release

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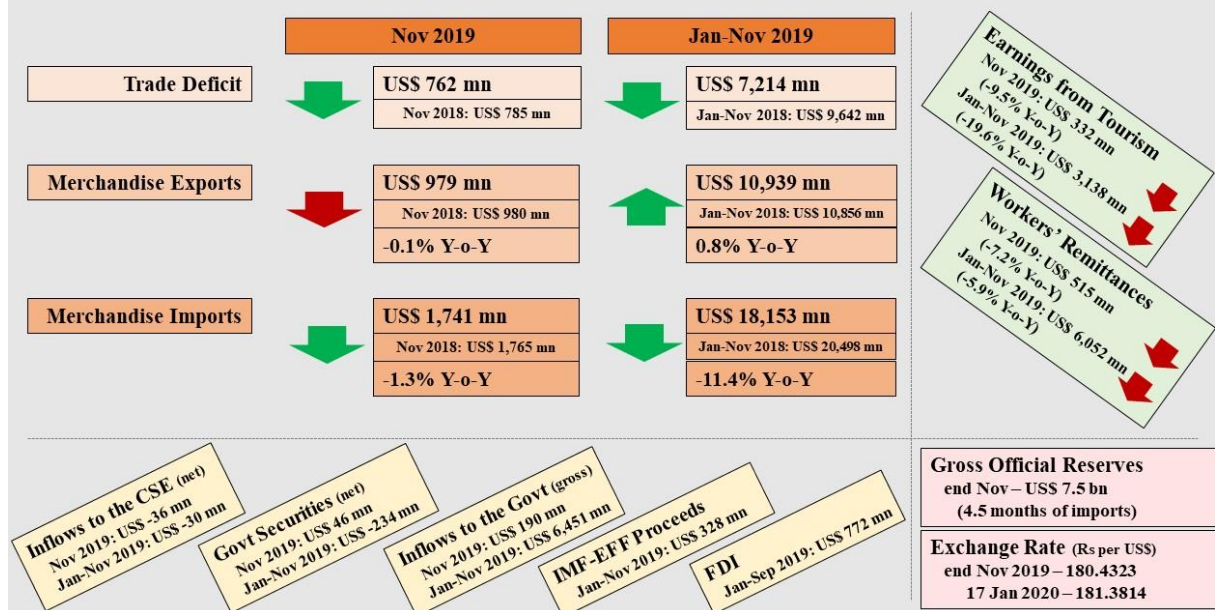
Date 17.01.2020

External Sector Performance – November 2019

Highlights

The trade deficit contracted marginally in November 2019 (year-on-year), with both imports and exports declining. During the first eleven months of 2019, the trade deficit contracted compared to the corresponding period in 2018, as a result of the significant decline in expenditure on imports along with a marginal increase in earnings from exports. Although tourist arrivals decreased on a year-on-year basis in November 2019, a continued recovery is seen in the tourism industry. Workers' remittances declined (year-on-year) in November 2019 and have recorded a cumulative decline during the first eleven months of 2019. Meanwhile, the financial account of the balance of payments was augmented with the proceeds of the seventh tranche of the International Monetary Fund's Extended Fund Facility (IMF EFF) programme and net foreign inflows to the Government securities market. However, the CSE recorded a net outflow during the month. The Sri Lankan rupee appreciated against the US dollar during 2019 and thus far during 2020 as well.

External Sector Performance – November 2019: Highlights



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	November 2018 US\$ mn	November 2019 US\$ mn	Change (%)	Jan-Nov 2018 US\$ mn	Jan-Nov 2019 US\$ mn	Change (%)
Exports	980	979	-0.1	10,856	10,939	0.8
Imports	1,765	1,741	-1.3	20,498	18,153	-11.4
Trade balance (net)	-785	-762		-9,642	-7,214	
Earnings from tourism	367 (b)	332 (c)	-9.5	3,905(b)	3,138 (c)	-19.6
Workers' remittances	555	515	-7.2	6,431	6,052	-5.9
Inflows to the CSE (net) (d)	-30	-36		-29	-30	
Inflows to the Government (gross)	86	190		5,490	6,451	
Treasury bills and bonds	-	69		698	580	
Long term loans	86	121		2,292	1,471	
International Sovereign Bonds	-	-		2,500	4,400	
IMF-EFF receipts	-	164		252	328	
Foreign Direct Investment (e)				1,652	772	
Overall Balance				-807	488	

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

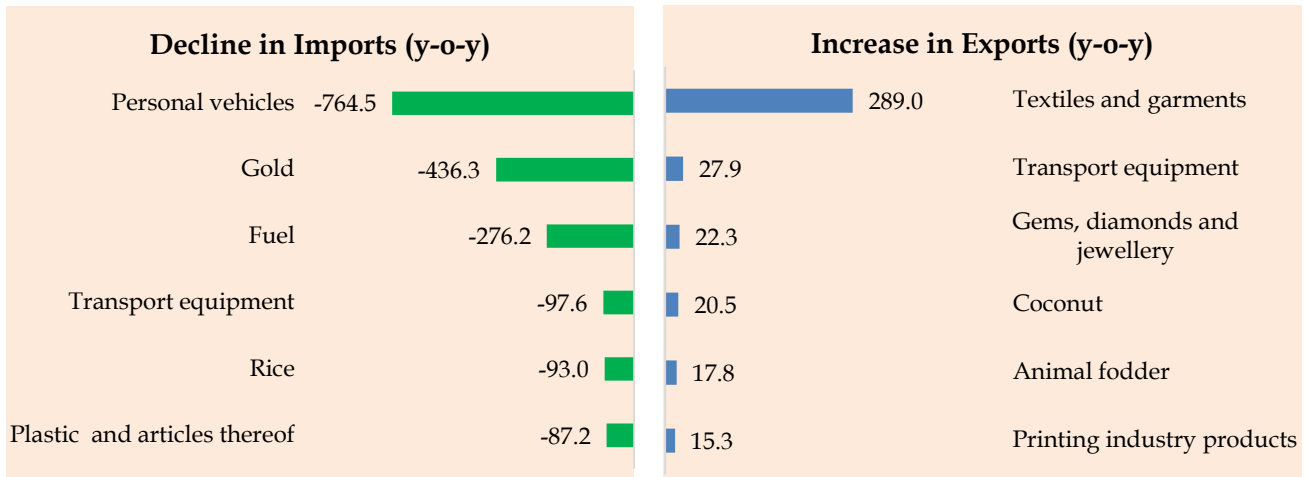
(d) Include secondary and primary market transactions

(e) Data available for the first 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

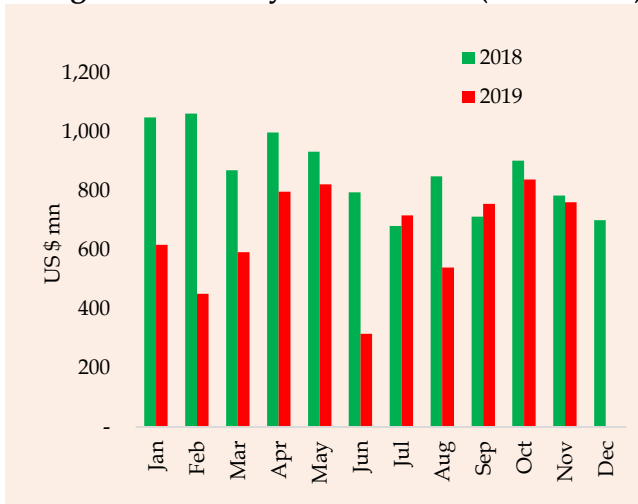
- The **deficit in the trade account** contracted marginally in November 2019 to US dollars 762 million, from US dollars 785 million in November 2018. On a cumulative basis, the trade deficit contracted by US dollars 2,428 million to US dollars 7,214 million during the first eleven months of 2019 from US dollars 9,642 million in the corresponding period of 2018. The major contributory factors for this decline are depicted in Figure 1.
- Meanwhile, the **terms of trade**, i.e., the ratio of price of exports to the price of imports, deteriorated substantially by 9.0 per cent (year-on-year) in November 2019, as export prices declined at a faster pace than the decline in import prices. Cumulatively, the terms of trade deteriorated by 1.6 per cent during the first eleven months of 2019 in comparison to the corresponding period of 2018.

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



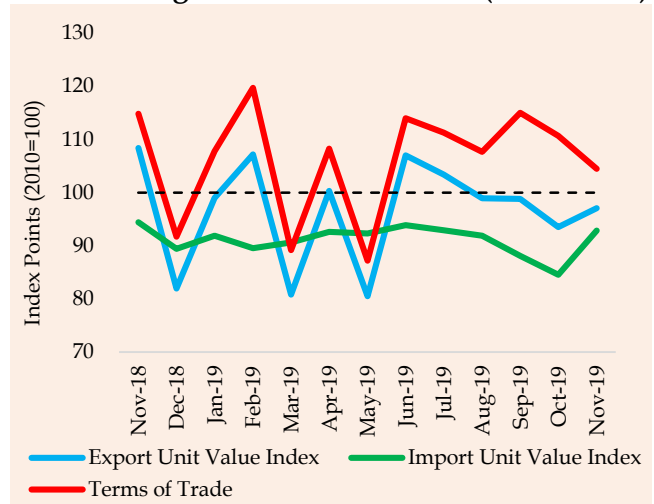
Sources: SLC, CBSL

Figure 2: Monthly Trade Deficit (2018 - 2019)



Sources: SLC, CBSL

Figure 3: Terms of Trade (2018 - 2019)



Source: CBSL

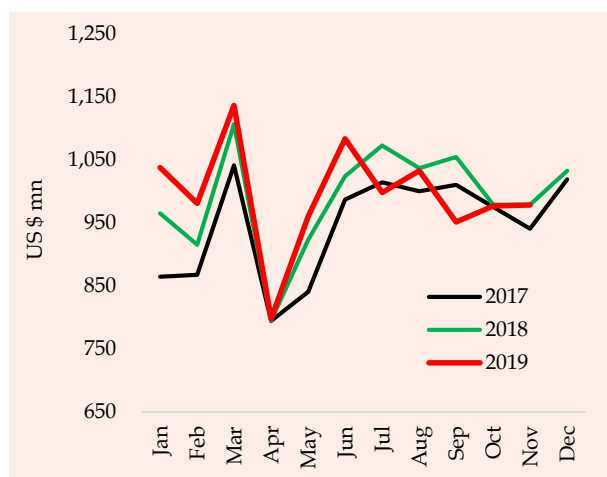
Performance of Merchandise Exports

- In comparison to November 2018, earnings from **merchandise exports** declined marginally by 0.1 per cent to US dollars 979 million in November 2019, with all major sub sectors broadly recording a similar trend.
- Earnings from **agricultural exports** declined in November 2019 showing a mixed performance in its subsectors. On a year-on-year basis, earnings from tea exports declined as a result of lower average export prices in line with the fall in international market prices of tea, although export volumes of tea continued to increase. In addition, earnings from spices declined in November 2019, mainly due to lower export prices of cinnamon and lower export volumes of cloves and pepper. Earnings from seafood exports also declined with lower demand from the US market. In

contrast, earnings from export of minor agricultural products, mainly fruits, arecanuts and betel leaves, increased during the month, while earnings from coconut exports increased, driven by higher export volumes.

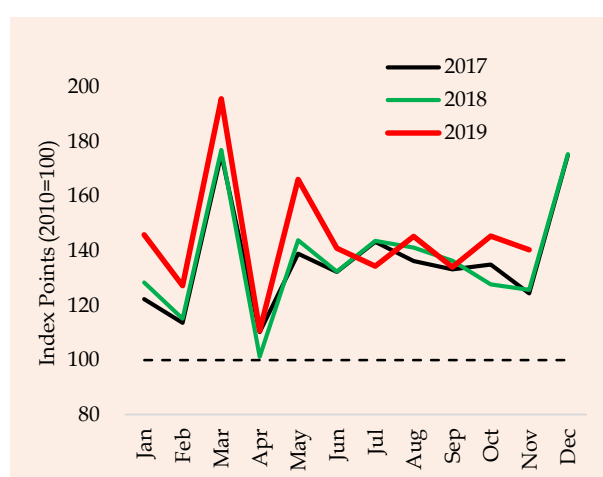
- Earnings from **industrial exports** remained broadly unchanged in November 2019 in comparison to November 2018. Earnings from rubber products declined as a result of lower tyre exports, while earnings from machinery and mechanical appliances declined with lower performance of all sub categories. Meanwhile, bunker and aviation fuel continued to decline mainly due to lower bunkering prices in line with lower crude oil prices in the international market, leading to lower earnings from petroleum product exports. However, the decline in petroleum product exports was mostly offset by higher exports of naphtha and fuel oil. Conversely, earnings from textiles and garments increased in November 2019 supported by higher demand for garment exports from the EU and non-traditional markets. Export earnings from gem, diamonds and jewellery also increased as volume exported under all categories increased.
- Earnings from **mineral exports**, which account for only 0.3 per cent of total exports, increased in November 2019, year-on-year, led by ores, slag and ash exports.
- The export volume index in November 2019 improved by 11.6 per cent (year-on-year), while the export unit value index declined by 10.5 per cent, indicating that the decline in exports was driven entirely by lower prices when compared to November 2018.

Figure 4: Monthly Export Performance



Sources: SLC, CBSL

Figure 5: Export Volume Index



Source: CBSL

Table 2: Earnings from Merchandise Exports (a)

Category	November 2018 (US\$ mn)	November 2019 (US\$ mn)	Change (%)	Jan-Nov 2018 (US\$ mn)	Jan-Nov 2019 (US\$ mn)	Change (%)
1. Industrial exports	787.9	787.6	...	8,444.9	8,626.6	2.2
Food, beverages and tobacco	33.9	34.9	3.0	423.8	410.9	(3.0)
Animal fodder	8.5	8.3	(2.6)	99.6	117.4	17.8
Textiles and garments	469.8	484.8	3.2	4,824.3	5,113.2	6.0
o/w Garments	438.5	448.1	2.2	4,501.2	4,753.7	5.6
Textiles	22.5	25.7	14.0	235.9	261.5	10.9
Other made up textile articles	8.8	11.1	26.3	87.2	98.1	12.5
Rubber products	71.3	60.6	(15.0)	798.9	793.1	(0.7)
Gems, diamonds and jewellery	20.3	26.9	32.1	259.1	281.4	8.6
Machinery and mechanical appliances	37.4	28.9	(22.8)	401.6	370.3	(7.8)
Transport equipment	6.4	4.5	(30.5)	111.9	139.7	24.9
Petroleum products	56.9	56.5	(0.7)	569.2	465.0	(18.3)
Chemical products	12.0	14.8	23.8	153.6	163.5	6.5
Wood and paper products	11.9	8.4	(29.5)	128.8	120.1	(6.7)
Printing industry products	4.4	6.0	35.5	29.3	44.5	52.1
Leather, travel goods and footwear	10.8	6.2	(42.4)	139.0	95.4	(31.4)
Plastics and articles thereof	6.4	6.4	0.9	70.3	67.7	(3.6)
Base metals and articles	14.6	14.5	(0.7)	153.1	163.1	6.6
Ceramic products	2.6	2.7	6.6	29.3	27.7	(5.4)
Other	20.7	23.2	11.7	253.3	253.5	0.1
2. Agricultural exports	187.8	187.3	(0.2)	2,362.7	2,266.5	(4.1)
Tea	103.2	101.5	(1.7)	1,311.4	1,240.6	(5.4)
Rubber	2.2	1.1	(48.2)	29.7	22.4	(24.6)
Coconut	20.5	22.9	11.9	287.1	307.7	7.2
Spices	27.7	24.1	(13.1)	330.3	291.5	(11.7)
Vegetables	2.1	2.3	6.2	26.1	29.2	12.1
Unmanufactured tobacco	2.3	3.1	37.8	31.5	31.1	(1.3)
Minor agricultural products	7.6	13.3	76.7	110.0	105.5	(4.2)
Seafood	22.3	19.0	(14.6)	236.6	238.6	0.8
3. Mineral exports	2.4	2.4	3.0	32.4	30.6	(5.6)
4. Unclassified exports	1.5	1.4	(7.1)	16.2	15.6	(3.9)
Total exports	979.6	978.8	(0.1)	10,856.3	10,939.2	0.8

(a) Provisional

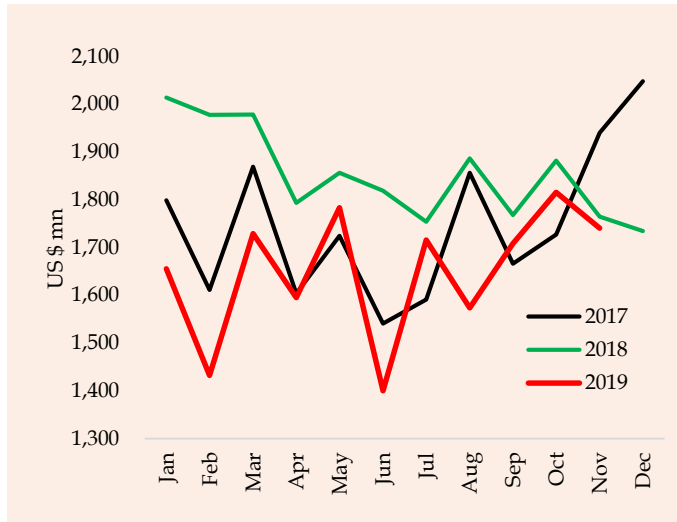
Sources: SLC, National Gem and Jewellery Authority (NGJA), Ceylon Petroleum Corporation (CPC) and Other Exporters of Petroleum, CBSL

...Negligible

Performance of Merchandise Imports

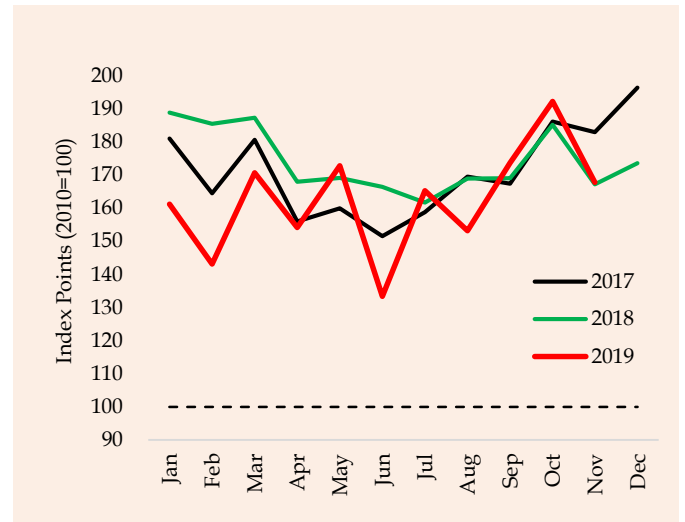
- Contraction of **merchandise imports** continued for the 13th consecutive month with a moderate decline of 1.3 per cent (year-on-year) in November 2019 to US dollars 1,741 million, driven by lower intermediate goods imports.
- Expenditure on **consumer goods** imports increased in November 2019, led by food and beverages imports such as vegetables (mainly onions), sugar and dairy products due to both higher import volumes and prices, although non-food consumer goods category driven by lower personal vehicle imports continued its declining trend on a year-on-year basis. However, reflecting the impact of the resumption of personal motor vehicle imports under concessionary permits, expenditure on personal motor vehicle imports remained at a relatively high level, on average, since July 2019, compared to values recorded during the first half of 2019.
- Expenditure on imports of **intermediate goods** declined in November 2019, mainly due to lower expenditure on fuel, owing to both lower import volumes and international prices related to all sub categories, namely crude oil, refined petroleum and coal. In addition, expenditure on base metal imports declined due to the base effect of higher imports of iron and steel in November 2018. However, import expenditure on wheat and maize increased mainly due to higher volumes, while textiles and textile articles increased, led by higher fabric and fibre imports. In addition, expenditure on cement clinkers, categorised under mineral products, increased substantially in November 2019.
- Meanwhile, expenditure on **investment goods** imports increased in November 2019 with higher outlays in all sub categories. Accordingly, expenditure on machinery and equipment increased driven by medical and laboratory equipment, while expenditure on transport equipment increased with higher expenditure incurred on railway engines and carriages. In addition, expenditure on building material increased due to higher imports of articles of iron and steel related to bridges and bridge sections.
- The import volume index increased by 0.3 per cent while the unit value index narrowed by 1.7 per cent in November 2019, indicating that the decline in imports was driven entirely by lower prices when compared to November 2018.

Figure 6: Monthly Import Performance



Sources: SLC, CBSL

Figure 7: Import Volume Index



Source: CBSL

Table 3: Expenditure on Merchandise Imports (a)

Category	November 2018 (US\$ mn)	November 2019 (US\$ mn)	Change (%)	Jan-Nov 2018 (US\$ mn)	Jan-Nov 2019 (US\$ mn)	Change (%)
1. Consumer goods	363.5	370.4	1.9	4,622.7	3,565.7	(22.9)
Food and beverages	111.0	140.7	26.7	1,471.4	1,278.9	(13.1)
Cereals and milling industry products	3.2	3.3	2.1	121.2	32.1	(73.5)
o/w Rice	1.4	0.8	(-39.7)	103.9	10.9	(89.5)
Dairy products	25.4	31.6	24.2	299.0	282.0	(5.7)
Vegetables	21.8	32.2	48.1	277.9	269.5	(3.0)
Seafood	15.9	20.3	27.7	182.4	199.3	9.2
Sugar and confectionery	13.4	19.8	47.9	223.4	179.9	(19.5)
Spices	8.6	12.1	41.3	104.1	102.2	(1.9)
Beverages	7.3	7.5	2.5	81.1	75.0	(7.5)
Other food and beverages	15.6	14.0	(10.0)	182.2	138.9	(23.8)
Non-food consumer goods	252.5	229.7	(9.0)	3,151.2	2,286.8	(27.4)
Personal vehicles	104.9	80.7	(23.1)	1,496.2	731.7	(51.1)
Medical and pharmaceuticals	46.5	44.4	(4.5)	488.6	498.0	1.9
Clothing and accessories	23.2	20.5	(11.6)	283.4	251.1	(11.4)
Home appliances	16.8	21.7	29.2	216.0	187.4	(13.2)
Telecommunication devices	24.1	26.2	8.6	250.9	225.6	(10.1)
Household and furniture items	12.8	14.8	15.8	156.4	155.2	(0.8)
Other non-food consumables	24.2	21.4	(11.7)	259.7	237.8	(8.4)
2. Intermediate goods	1,074.6	992.5	(7.6)	11,504.9	10,413.2	(9.5)
Fuel	403.6	319.6	(20.8)	3,834.6	3,558.4	(7.2)
o/w Crude oil	110.7	96.1	(13.2)	886.7	920.4	3.8
Refined petroleum	245.6	202.2	(17.7)	2,750.2	2,447.5	(11.0)
Coal	47.2	21.3	(54.8)	197.6	190.5	(3.6)
Diamonds, precious stones and metals	9.9	19.4	97.1	552.7	177.5	(67.9)
o/w Gold	0.1	0.1	...	438.7	2.4	(99.4)
Textiles and textile articles	245.7	256.9	4.5	2,617.0	2,661.1	1.7
Chemical products	73.2	66.2	(9.6)	834.3	764.4	(8.4)
Plastic and articles thereof	60.2	52.6	(12.6)	645.9	558.7	(13.5)
Paper and paperboard and articles thereof	45.4	37.0	(18.5)	486.8	419.7	(13.8)
Base metals	77.0	34.3	(55.4)	596.8	512.1	(14.2)
Fertiliser	24.6	9.1	(63.0)	235.6	204.0	(13.4)
Wheat and maize	22.0	59.5	169.7	348.6	326.3	(6.4)
Food preparations	21.0	20.7	(1.1)	275.1	210.9	(23.3)
Agricultural inputs	18.8	12.9	(31.1)	189.7	168.5	(11.1)
Mineral products	12.8	45.7	256.0	171.0	231.1	35.1
Other intermediate goods	60.4	58.5	(3.1)	716.8	620.3	(13.5)
3. Investment goods	326.0	377.8	15.9	4,296.4	4,167.1	(3.0)
Machinery and equipment	179.5	216.2	20.5	2,291.6	2,251.1	(1.8)
Building material	103.9	114.5	10.3	1,383.2	1,391.7	0.6
Transport equipment	42.1	46.5	10.3	615.9	518.4	(15.8)
Other investment goods	0.5	0.6	7.5	5.6	5.9	4.1
4. Unclassified imports	0.5	0.4	(17.7)	74.2	6.8	(90.8)
Total imports	1,764.6	1,741.1	(1.3)	20,498.1	18,152.9	(11.4)

(a) Provisional

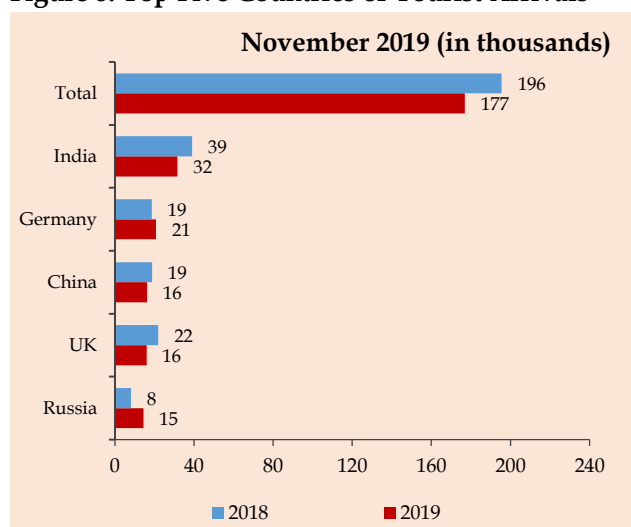
Sources: SLC, CPC, Lanka IOC PLC, CBSL

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Other Major Inflows to the Current Account

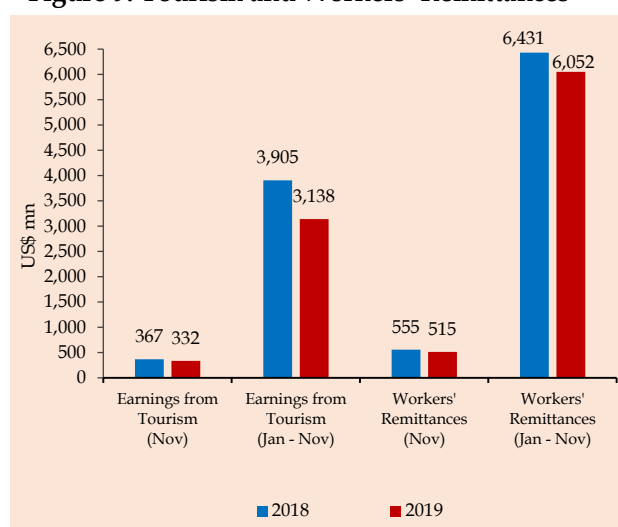
- Monthly **tourist arrivals** after the Easter Sunday attacks have gradually recovered. Tourist arrivals amounted to 176,984 in November 2019, with a decline of arrivals of 9.5 per cent in November 2019, compared to the drop of 22.5 per cent in October and 27.2 per cent in September 2019. The decline in the number of tourists from key destinations such as Australia, France, India and the United Kingdom mainly contributed to the drop in tourist arrivals, on a year-on-year basis. Meanwhile, tourist arrivals from Russia and Ukraine improved in November 2019 (year-on-year). On a cumulative basis, the tourist arrivals amounted to 1,672,039 during the first eleven months of 2019, a decline of 19.6 per cent over the corresponding period of 2018.
- Earnings from tourism** were provisionally estimated at US dollars 332 million in November 2019, in comparison to US dollars 367 million in November 2018. In cumulative terms, earnings from tourism were provisionally estimated at US dollars 3,138 million during the first eleven months of 2019, compared to US dollars 3,905 million during the corresponding period of 2018.
- Meanwhile, **workers' remittances** declined by 7.2 per cent, year-on-year, to US dollars 515 million in November 2019. On a cumulative basis, workers' remittances declined by 5.9 per cent to US dollars 6,052 million during the first eleven months of 2019, compared 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

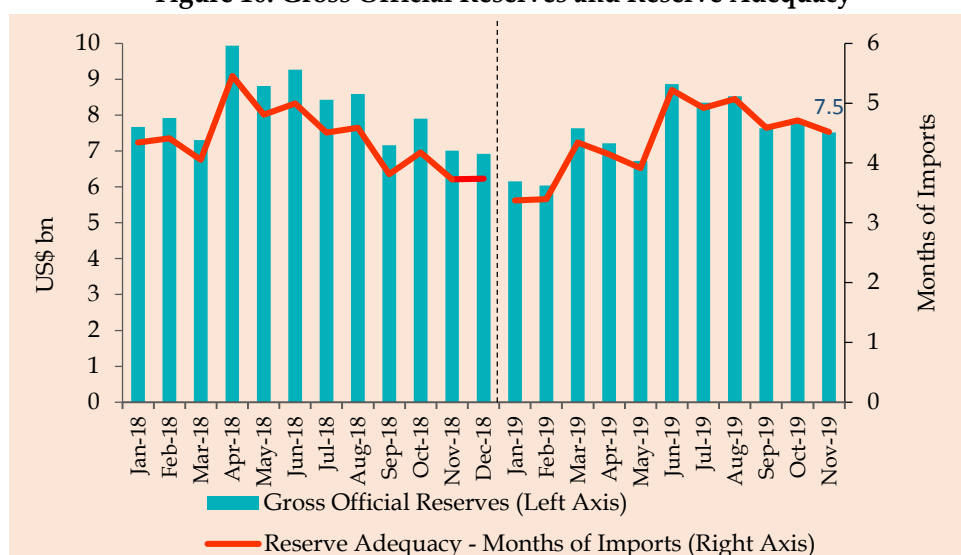
Financial Flows

- Sri Lanka received the seventh tranche of the IMF EFF of US dollars 164 million in November 2019. With the receipt of this latest tranche, the total receipts under the IMF EFF amount to US dollars 1.31 billion.
- Foreign investment in rupee denominated government securities recorded a net inflow of US dollars 46 million in November 2019. On a cumulative basis, the government securities market recorded a net outflow of US dollars 234 million during the first eleven months of the year.
- Foreign investment in the CSE, including primary and secondary market transactions, recorded a net outflow of US dollars 36 million during the month of November 2019. On a cumulative basis, financial flows to the CSE recorded a net outflow of US dollars 30 million during the first eleven months of 2019.
- Further, long term loans to the government recorded a net inflow of US dollars 30 million during November 2019.

International Reserves

- Gross official reserves stood at US dollars 7.5 billion at end November 2019, equivalent to 4.5 months of imports. Meanwhile, total foreign assets consisting of gross official reserves and foreign assets of the banking sector amounted to US dollars 10.2 billion at end November 2019, equivalent to 6.2 months of imports.

Figure 10: Gross Official Reserves and Reserve Adequacy

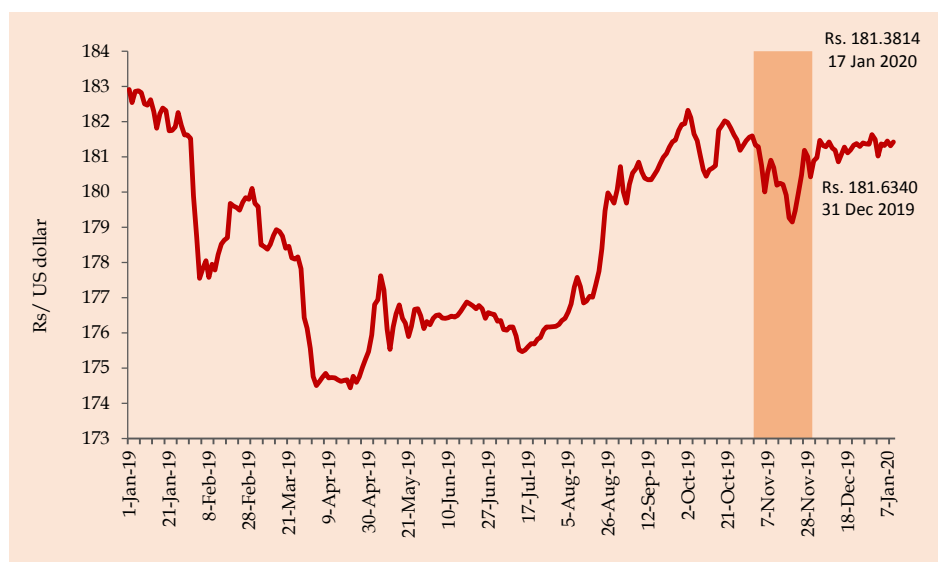


Source: CBSL

Exchange Rate Movements

- The Sri Lankan rupee appreciated during the year up to end November 2019. With the exchange rate remaining stable in December 2019 as well, the rupee appreciated by 0.6 per cent during the year 2019. Further, the Sri Lankan rupee appreciated by 0.1 per cent against the US dollar during the year up to 17 January 2020. Reflecting cross-currency movements, the rupee appreciated against most major currencies during the year up to 17 January 2020.

Figure 11: Movement of the Sri Lankan rupee against the US dollar



Source: CBSL

Table 4: Movement of the Sri Lankan rupee against Selected Currencies

Currency	2018	2019	2020 (up to 17 Jan) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+0.6%	+0.1%
Euro	-12.7%	+2.6%	+0.8%
Pound sterling	-11.4%	-2.8%	+0.5%
Japanese yen	-18.1%	-1.0%	+1.6%
Canadian dollar	-9.3%	-3.7%	+0.1%
Australian dollar	-7.6%	+1.3%	+1.7%
Indian rupee	-8.7%	+2.6%	-0.3%

Source: CBSL