



ශ්‍රී ලංකා මහ බැංකුව  
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, communications@cbsl.lk  
Web: [www.cbsl.gov.lk](http://www.cbsl.gov.lk)

# Press Release

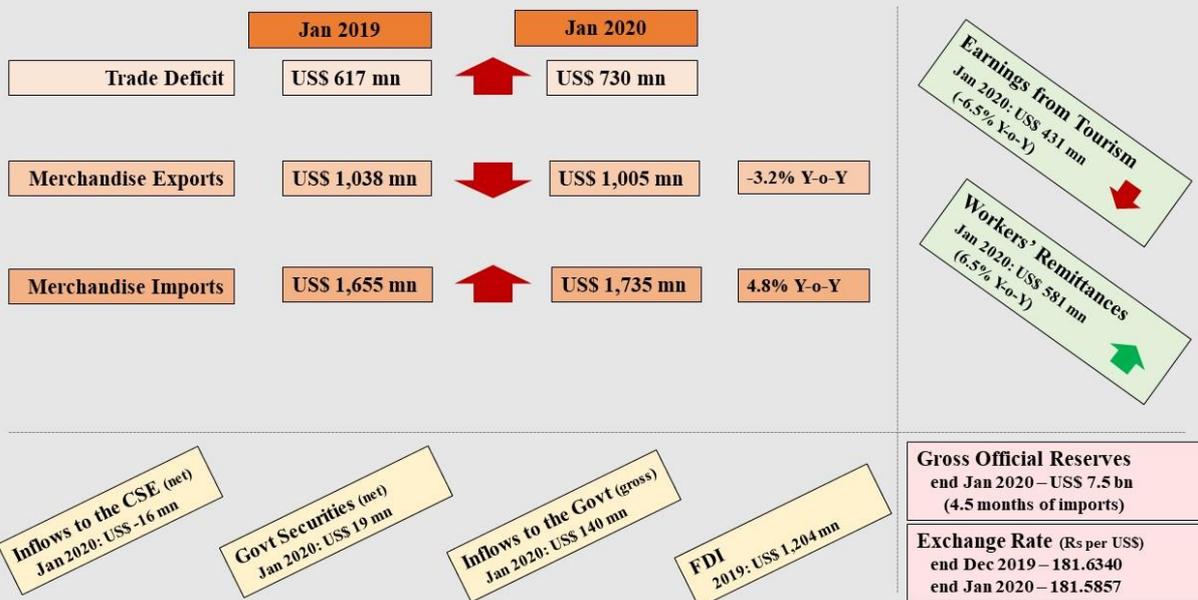
**Issued By** Economic Research Department  
**Date** 30.03.2020

## External Sector Performance – January 2020

### Highlights

The trade deficit widened in January 2020 compared to January 2019, as earnings from exports declined while expenditure on imports increased. Although the tourism industry rapidly recovered from the Easter Sunday attacks by end 2019, the COVID-19 outbreak reversed the recovering trend in January 2020. Workers' remittances recorded a year-on-year growth in January 2020. Meanwhile, foreign investment in the government securities market recorded a net inflow in January 2020 while a net outflow was observed from the CSE. The Sri Lankan rupee remained broadly stable and appreciated against the US dollar in January 2020, but depreciated sharply in March in the face of the COVID-19 pandemic following a similar trend of many emerging market currencies due to strengthening US dollar and yen.

### External Sector Performance – January 2020: 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	2019 US\$ mn	Change 19/18 (%)	January 2019 US\$ mn	January 2020 US\$ mn	Change (%)
Exports	11,940	0.4	1,038	1,005	-3.2
Imports	19,937	-10.3	1,655	1,735	4.8
Trade balance (net)	-7,997		-617	-730	
Earnings from tourism	3,607 (b)	-18.0	460 (b)	431 (c)	-6.5
Workers' remittances	6,717	-4.3	545	581	6.5
Inflows to the CSE (net) (d)	-35		-14	-16	
Inflows to the Government (gross)	6,561		286	140	
Treasury bills and bonds	596		72	59	
Long term loans	1,565		213	81	
International Sovereign Bonds	4,400		-	-	
IMF-EFF receipts	328		-	-	
Foreign Direct Investment (e)	1,204				
Overall Balance	377		-990	105	

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 2019

(c) This provisional estimate may be revised once the SLTDA releases its survey results for 2020

(d) Include secondary and primary market transactions

(e) Includes foreign loans to Direct Investment Enterprises as recorded by the BOI and net direct investment to the CSE

## Trade Balance and Terms of Trade

- The **deficit in the trade account** widened in January 2020 to US dollars 730 million, from US dollars 617 million in January 2019, led by a decline in exports and an increase in imports on a year on year basis. The major contributory factors for the increase in the trade deficit are depicted in Figure 1.
- Meanwhile, **terms of trade**, i.e., ratio of the price of exports to the price of imports, deteriorated by 3.7 per cent (year-on-year) in January 2020, as export prices declined at a faster pace than the decline in import prices.

**Figure 1: Major Contributory Factors for the Increase in the Trade Deficit in January 2020 (in US\$ million)**



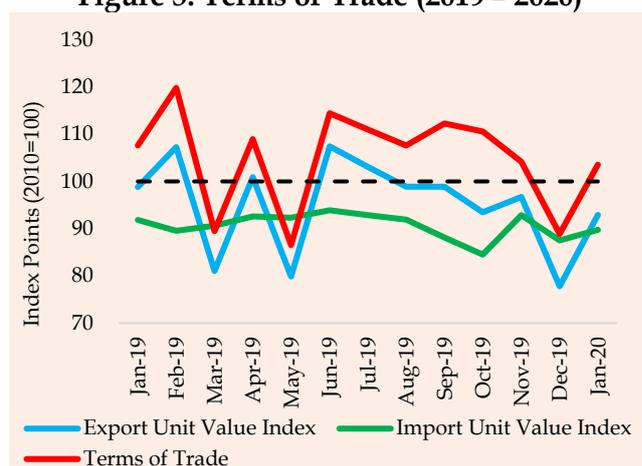
Sources: SLC, CBSL

**Figure 2: Monthly Trade Deficit (2019 - 2020)**



Sources: SLC, CBSL

**Figure 3: Terms of Trade (2019 - 2020)**



Source: CBSL

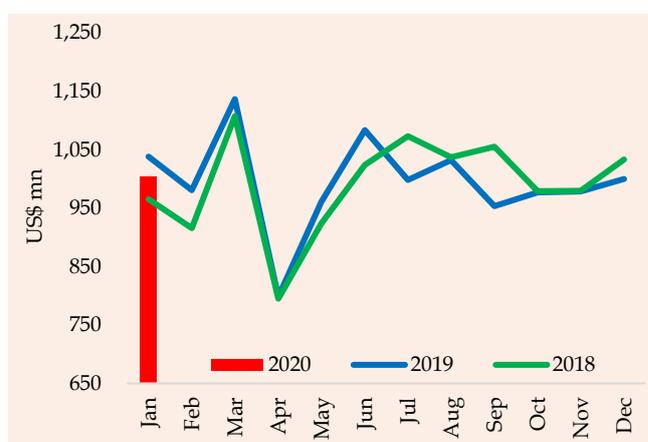
## Performance of Merchandise Exports

- Continuing the year-on-year declining trend observed since July 2019, earnings from **merchandise exports** declined by 3.2 per cent to US dollars 1,005 million in January 2020, with all major export sectors recording declines in comparison to January 2019.
- Earnings from **agricultural exports** declined in January 2020 (year-on-year) driven by all of its sub sectors except for minor agricultural products. Earnings from tea exports declined due to the combined effect of lower export volumes and average export prices. In addition, earnings from spices declined in January 2020, mainly due to lower export volumes of many sub categories, while export prices also declined except for nutmeg and mace. Earnings from seafood exports declined with lower demand from the USA. Meanwhile, earnings from coconut exports declined, mainly due to lower export earnings from desiccated coconut categorised under kernel products and fibre under non kernel products. In contrast, earnings from export of

minor agricultural products increased during the month, mainly led by exports of arecanuts and betel leaves.

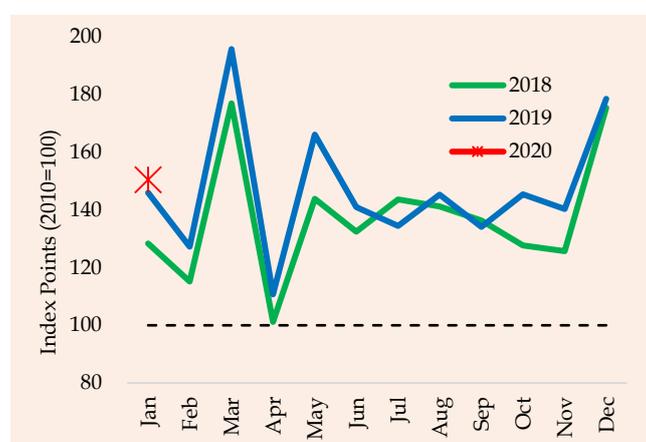
- Earnings from **industrial exports** declined in January 2020 in comparison with January 2019, with low earnings from almost all sub sectors, except petroleum products, chemical products and gems, diamond and jewellery. Earnings from food, beverages and tobacco exports declined, led by manufactured tobacco exports and miscellaneous food preparations. In addition, earnings from rubber products declined mainly driven by lower tyre exports. Earnings from textiles and garments declined marginally, as a result of lower earnings from the USA and non traditional markets such as India, South Korea and Mexico, despite an increase recorded in exports to the EU. Further, earnings from machinery and mechanical appliances declined with lower exports in all subcategories. Conversely, export earnings from petroleum products increased substantially, due to higher earnings from bunker and aviation fuel exports resulting from higher bunker quantities and prices as well as higher earnings from naphtha exports.
- Earnings from **mineral exports** recorded a decline in January 2020, year-on-year, with weaker performance in all subcategories.
- The export volume index in January 2020 improved by 2.9 per cent (year-on-year), while the export unit value index declined by 6.0 per cent, indicating that the decline in exports was driven entirely by lower prices when compared to January 2019.

**Figure 4: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 5: Export Volume Index**



Source: CBSL

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

Category	2019 (US\$ mn)	Change 2019/18 (%)	January 2019 (US\$ mn)	January 2020 (US\$ mn)	Change Jan 20/Jan 19 (%)
<b>1. Industrial exports</b>	<b>9,426.3</b>	<b>1.8</b>	<b>826.4</b>	<b>812.6</b>	<b>-1.7</b>
Food, beverages and tobacco	447.0	-3.3	53.1	35.5	-33.2
Animal fodder	129.0	19.7	16.8	8.7	-48.4
Textiles and garments	5,596.5	5.2	475.9	474.0	-0.4
o/w Garments	5,205.5	4.9	444.5	436.0	-1.9
Textiles	284.3	9.3	22.9	27.2	18.8
Other made up textile articles	106.7	10.2	8.4	10.8	27.7
Rubber products	866.1	-1.1	80.7	70.2	-13.0
Gems, diamonds and jewellery	305.7	10.0	24.1	24.7	2.3
Machinery and mechanical appliances	400.0	-8.0	36.8	30.5	-17.2
Transport equipment	145.9	21.3	8.8	7.2	-18.5
Petroleum products	521.1	-16.2	37.5	82.8	120.9
Chemical products	176.3	5.7	14.9	15.2	2.0
Wood and paper products	129.4	-7.9	12.1	10.0	-17.2
Printing industry products	48.3	52.4	6.1	4.8	-21.5
Leather, travel goods and footwear	102.9	-30.3	13.1	5.6	-57.6
Plastics and articles thereof	73.5	-5.4	6.8	5.5	-19.2
Base metals and articles	176.5	6.7	14.1	12.8	-9.6
Ceramic products	30.1	-3.9	2.4	2.1	-12.0
Other	278.1	-0.3	23.2	23.1	-0.4
<b>2. Agricultural exports</b>	<b>2,461.9</b>	<b>-4.6</b>	<b>207.6</b>	<b>188.7</b>	<b>-9.1</b>
Tea	1,346.4	-5.7	110.8	99.7	-10.0
Rubber	24.2	-23.4	2.8	2.7	-3.3
Coconut	329.5	6.0	25.7	24.6	-4.5
Spices	312.5	-13.2	27.8	19.5	-30.0
Vegetables	32.0	13.3	2.7	2.6	-0.4
Unmanufactured tobacco	34.7	-2.4	2.1	1.6	-23.0
Minor agricultural products	120.0	1.4	8.4	14.3	71.1
Seafood	262.5	-1.3	27.4	23.7	-13.5
<b>3. Mineral exports</b>	<b>33.9</b>	<b>-1.4</b>	<b>2.4</b>	<b>2.0</b>	<b>-15.4</b>
<b>4. Unclassified exports</b>	<b>17.9</b>	<b>0.6</b>	<b>1.7</b>	<b>1.5</b>	<b>-9.6</b>
<b>Total exports</b>	<b>11,940.0</b>	<b>0.4</b>	<b>1,038.1</b>	<b>1,004.9</b>	<b>-3.2</b>

(a) Provisional

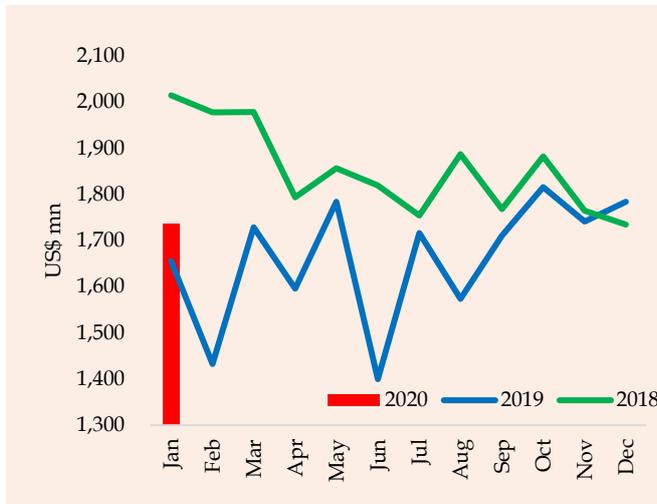
Sources: SLC, National Gem and Jewellery Authority (NGJA), Ceylon Petroleum Corporation (CPC) and Other Exporters of Petroleum, CBSL

## Performance of Merchandise Imports

- Expenditure on **Merchandise imports** increased, on a year-on-year basis, in January 2020 for the second consecutive month, by 4.8 per cent to US dollars 1,735 million, driven by higher consumer and investment goods imports.
- Expenditure on **consumer goods** imports increased in January 2020 with the increase in expenditure on both food and beverages and non food consumer goods imports. Accordingly, vegetables (mainly big onions), dairy products (mainly milk powder), sugar and spices (mainly chillies) imports, categorised under food and beverages, increased. Meanwhile, under non food consumer goods category, expenditure on personal motor vehicle imports recorded a growth, on a year-on-year basis, for the second consecutive month in January 2020. However, expenditure on personal vehicle imports declined significantly when compared with December 2019. In contrast, expenditure on beverages (mainly alcoholic beverages) and seafood (mainly canned fish) imports declined, in comparison to January 2019.
- Meanwhile, expenditure on **investment goods** imports increased in January 2020 due to higher imports of machinery and equipment and transport equipment. The increase in expenditure on machinery and equipment imports was mainly driven by turbines, telecommunication devices and electrical machinery and equipment. Meanwhile, expenditure on transport equipment increased with higher expenditure incurred on railway equipment such as locomotive engines and carriages, and lorries. However, expenditure on building material imports decreased mainly due to low expenditure on iron and steel and those articles imports such as iron bars and rods although higher outlays on the importation of the bridges and bridge sections continued to increase in January 2020.
- Expenditure on imports of **intermediate goods** declined in January 2020, mainly due to lower expenditure on fuel, owing to lower import volumes of all subcategories namely crude oil, refined petroleum and coal, although average import prices of crude oil and refined petroleum increased, when compared with January 2019. In addition, expenditure on base metals (mainly iron and steel), wheat and mineral products (mainly cement clinker) imports declined in January 2020. However, import expenditure on textiles and textile articles increased, led by higher expenditure on fabric and fibre imports.

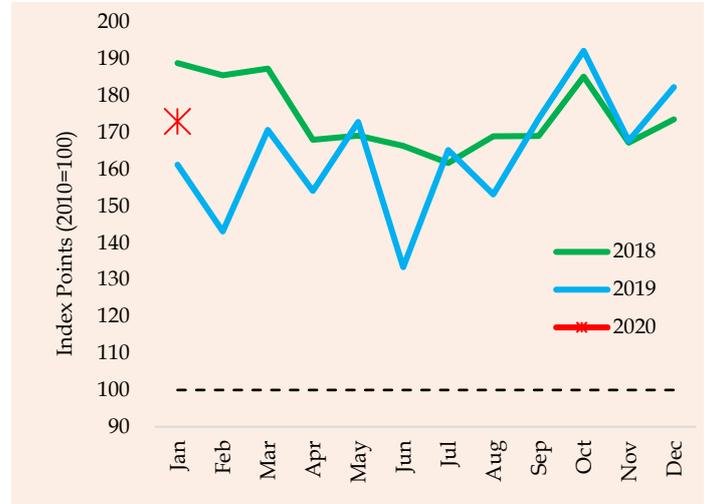
- The import volume index increased by 7.3 per cent, while the unit value index declined by 2.3 per cent in January 2020, indicating that the increase in imports was driven entirely by higher volumes when compared to January 2019.

**Figure 6: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 7: Import Volume Index**



Source: CBSL

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

Category	2019 (US\$ mn)	Change 2019/18 (%)	January 2019 (US\$ mn)	January 2020 (US\$ mn)	Change Jan 20/Jan 19 (%)
<b>1. Consumer goods</b>	<b>3,956.5</b>	<b>-20.5</b>	<b>300.5</b>	<b>371.8</b>	<b>23.7</b>
Food and beverages	1,426.9	-11.2	111.2	147.5	32.7
Cereals and milling industry products	36.1	-71.4	4.0	5.4	37.0
o/w Rice	12.8	-88.0	2.3	2.2	-7.5
Dairy products	311.9	-6.1	17.9	36.3	103.0
Vegetables	310.0	2.0	24.6	35.9	46.0
Seafood	214.6	8.8	18.4	17.2	-7.0
Sugar and confectionery	201.2	-19.4	14.9	20.0	34.1
Spices	115.4	1.3	8.8	10.3	18.1
Beverages	83.3	-4.5	9.3	7.8	-16.3
Other food and beverages	154.4	-21.0	13.3	14.6	9.9
Non-food consumer goods	2,529.6	-25.0	189.3	224.2	18.4
Personal vehicles	815.7	-48.2	49.5	63.3	27.8
Medical and pharmaceuticals	552.6	3.9	41.3	48.8	18.2
Clothing and accessories	275.1	-11.3	28.4	30.2	6.5
Home appliances	206.6	-11.0	14.3	20.0	39.7
Telecommunication devices	247.2	-9.3	20.4	23.3	14.4
Household and furniture items	171.9	1.5	13.4	17.8	33.2
Other non-food consumables	260.5	-8.2	22.1	20.7	-6.1
<b>2. Intermediate goods</b>	<b>11,369.6</b>	<b>-9.0</b>	<b>956.1</b>	<b>934.5</b>	<b>-2.3</b>
Fuel	3,891.6	-6.3	329.0	291.9	-11.3
o/w Crude oil	970.7	-0.8	87.8	46.9	-46.6
Refined petroleum	2,706.4	-7.9	186.0	207.2	11.4
Coal	214.6	-9.3	55.2	37.8	-31.5
Diamonds, precious stones and metals	201.4	-64.8	16.6	13.9	-16.0
o/w Gold	2.6	-99.4	0.1	0.2	83.3
Textiles and textile articles	2,909.4	1.8	262.5	300.8	14.6
Chemical products	831.5	-8.0	76.1	74.1	-2.7
Plastic and articles thereof	612.9	-12.1	53.0	49.7	-6.1
Paper and paperboard and articles thereof	457.3	-13.6	38.6	38.1	-1.2
Base metals	562.8	-17.6	46.7	25.2	-46.1
Fertiliser	221.4	-15.4	3.7	6.0	59.5
Wheat and maize	346.4	-7.3	14.5	8.9	-38.5
Food preparations	227.7	-23.3	23.3	26.0	11.9
Agricultural inputs	187.9	-9.5	15.3	20.7	35.6
Mineral products	243.3	34.1	17.5	12.8	-27.2
Other intermediate goods	676.1	-12.2	59.5	66.5	11.8
<b>3. Investment goods</b>	<b>4,602.6</b>	<b>-1.9</b>	<b>398.5</b>	<b>428.2</b>	<b>7.5</b>
Machinery and equipment	2,489.7	-0.1	231.2	258.7	11.9
Building material	1,508.7	-1.0	132.0	119.3	-9.6
Transport equipment	596.6	-10.7	34.8	49.9	43.4
Other investment goods	7.6	25.5	0.5	0.4	-30.9
<b>4. Unclassified imports</b>	<b>8.3</b>	<b>-88.9</b>	<b>0.3</b>	<b>0.9</b>	<b>164.1</b>
<b>Total imports</b>	<b>19,937.1</b>	<b>-10.3</b>	<b>1,655.5</b>	<b>1,735.3</b>	<b>4.8</b>

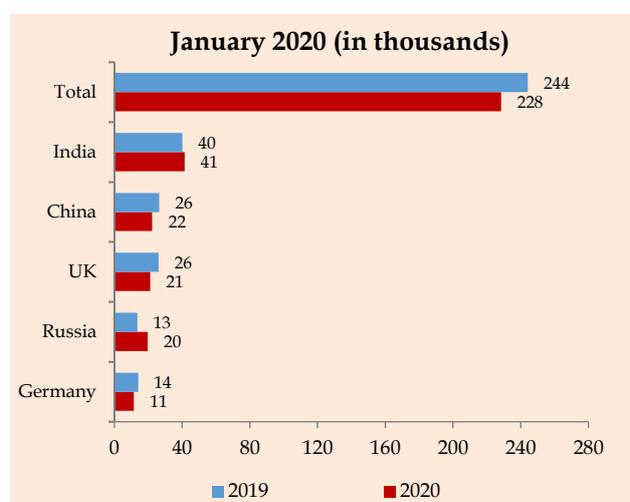
(a) Provisional

Sources: SLC, CPC, Lanka IOC PLC, CBSL

## Other Major Inflows to the Current Account

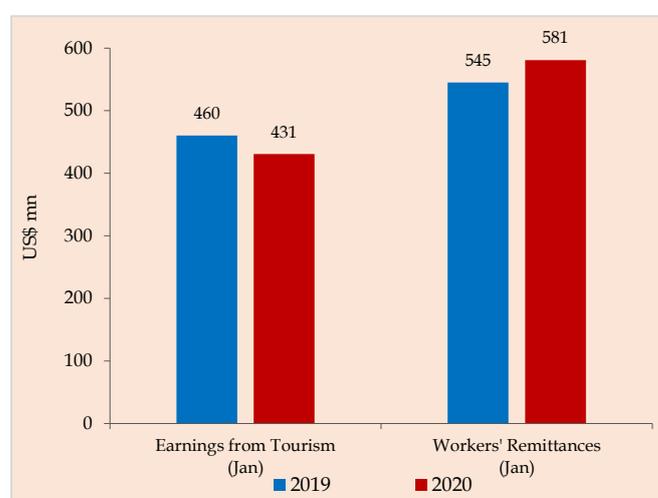
- The tourism sector suffered a setback in January 2020 following the outbreak of COVID-19 reversing the recovering trend of the tourist arrivals since the Easter Sunday attacks. **Tourist arrivals** in January 2020 declined by 6.5 per cent to 228,434 compared to 244,239 in January 2019. Tourist arrivals from Russia, Poland and Ukraine increased in January 2020 (year-on-year), while arrivals from key destinations, such as Australia, France, the United Kingdom, Germany and China, declined.
- **Earnings from tourism** were provisionally estimated at US dollars 431 million in January 2020, in comparison to US dollars 460 million in January 2019.
- Meanwhile, **workers' remittances** recorded a growth of 6.5 per cent in January 2020, year-on-year, amounting to US dollars 581 million.

Figure 8: Top Five Countries of Tourist Arrivals



Source: SLTDA

Figure 9: Tourism and Workers' Remittances



Sources: SLTDA, Licensed Banks, CBSL

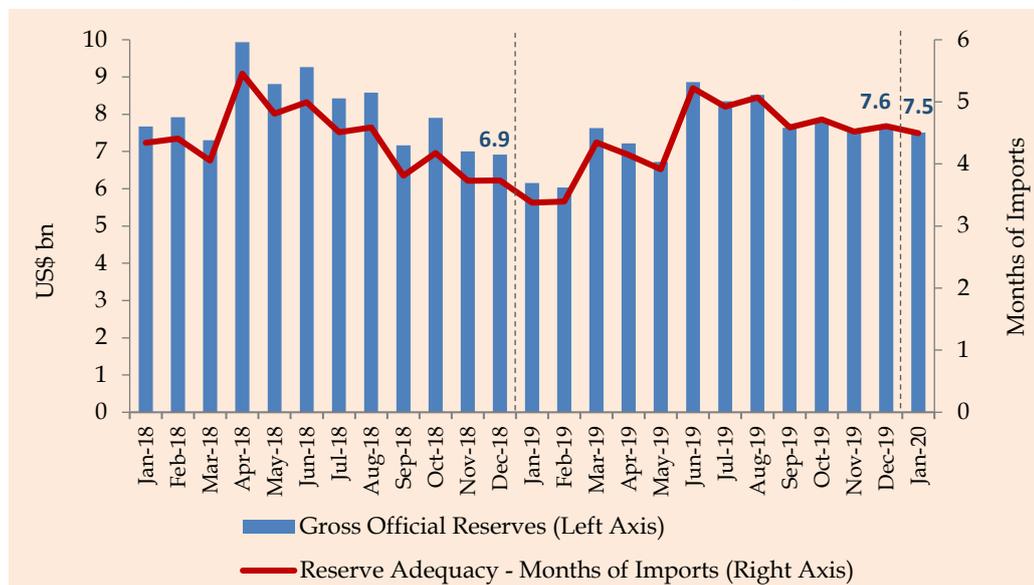
## Financial Flows

- A net inflow of foreign investment amounting to US dollars 19 million was recorded in the rupee denominated government securities market in January 2020.
- Foreign investment in the CSE, including primary and secondary market transactions, recorded a net outflow of US dollars 16 million during the month of January 2020.
- Further, net outflows on account of long term loans to the government amounted to US dollars 85 million during January 2020.

## International Reserves

- Gross official reserves stood at US dollars 7.5 billion at end January 2020, 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 10.3 billion at end January 2020, equivalent to 6.2 months of imports.

Figure 10: Gross Official Reserves and Reserve Adequacy



Source: CBSL

## Exchange Rate Movements

- The Sri Lankan rupee, which remained broadly stable in the month of January as well as until the first week of March, depreciated sharply with the speculative behaviour in the market with the spread of COVID-19 outbreak. Accordingly, the rupee recorded a depreciation of 4.7 per cent against the US dollar by 30 March 2020. Reflecting cross-currency movements, the rupee depreciated against the US dollar, the euro and the Japanese yen while appreciating against the pound sterling, the Canadian dollar, the Australian dollar and the Indian rupee during the year up to 30 March 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 30 Mar) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+0.6%	-4.7%
Euro	-12.7%	+2.6%	-3.6%
Pound sterling	-11.4%	-2.8%	+0.9%
Japanese yen	-18.1%	-1.0%	-5.8%
Canadian dollar	-9.3%	-3.7%	+2.6%
Australian dollar	-7.6%	+1.3%	+8.7%
Indian rupee	-8.7%	+2.6%	+0.9%

Source: CBSL

## **External Sector Developments amidst the COVID-19 Outbreak**

The initial pressure created by both global and domestic market uncertainties was felt in the domestic foreign exchange market, particularly in the second half of the month of March 2020. A notable depreciation of the Sri Lanka rupee was observed, primarily due to speculative market behaviour and foreign investment outflows from the government securities market. The Central Bank undertook a number of emergency operational and policy measures, including some intervention in the domestic foreign exchange market, suspension of all personal motor vehicle and non-essential consumer goods imports, limiting issuance of foreign currency notes as travel allowance up to a maximum of US dollars 5,000 and suspension of purchase of Sri Lanka International Sovereign Bonds by licensed banks in Sri Lanka.

The government established a fuel price stabilisation fund to maintain stable energy prices domestically, while enabling the utilisation of benefits accruing on account of the sharp decline in international crude oil prices more productively.