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# Press Release

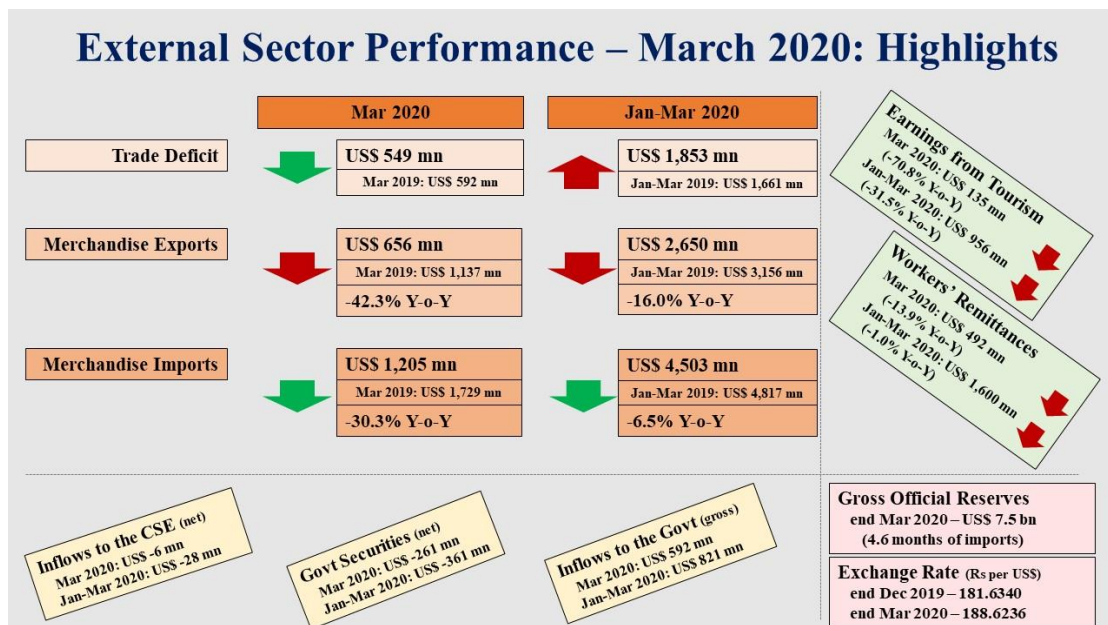
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## External Sector Performance – March 2020

### Highlights

The COVID-19 pandemic and the imposition of a partial lockdown in Sri Lanka in the second half of March 2020 affected external sector performance in March 2020. Breakdown in supply and demand chains along with the interruption of domestic production processes resulted in a notable decline in merchandise exports as well as merchandise imports. However, with a greater decline in the expenditure on imports compared to the decline in earnings from exports, the trade deficit narrowed over the same period in 2019. The tourism industry was severely affected with the imposition of travel restrictions globally and the closure of the Bandaranaike International Airport (BIA). Workers' remittances declined notably in March 2020, with the return of migrant workers from affected countries as well as the reported job terminations of some workers abroad. However, the financial account was also strengthened with the receipt of proceeds from the syndicated loan facility in March 2020. The Sri Lankan rupee, which remained relatively stable upto the second week of March 2020, depreciated significantly until mid-April 2020, but stabilised thereafter with a notable appreciation during May 2020.



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	March 2019 US\$ mn	March 2020 US\$ mn	Change (%)	Jan-Mar 2019 US\$ mn	Jan-Mar 2020 US\$ mn	Change (%)
Exports	1,137	656	-42.3	3,156	2,650	-16.0
Imports	1,729	1,205	-30.3	4,817	4,503	-6.5
Trade balance (net)	-592	-549		-1,661	-1,853	
Earnings from tourism	461 (b)	135 (c)	-70.8	1,396 (b)	956 (c)	-31.5
Workers' remittances	571	492	-13.9	1,617	1,600	-1.0
Inflows to the CSE (net) (d)	-5	-6		-34	-28	
Inflows to the Government (gross)	2,583	592		3,104	821	
Treasury bills and bonds	71	4		238	83	
Long term loans	111	88		465	238	
Syndicated loans	-	500		-	500	
International Sovereign Bonds	2,400	-		2,400	-	
Overall Balance				912	143	

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

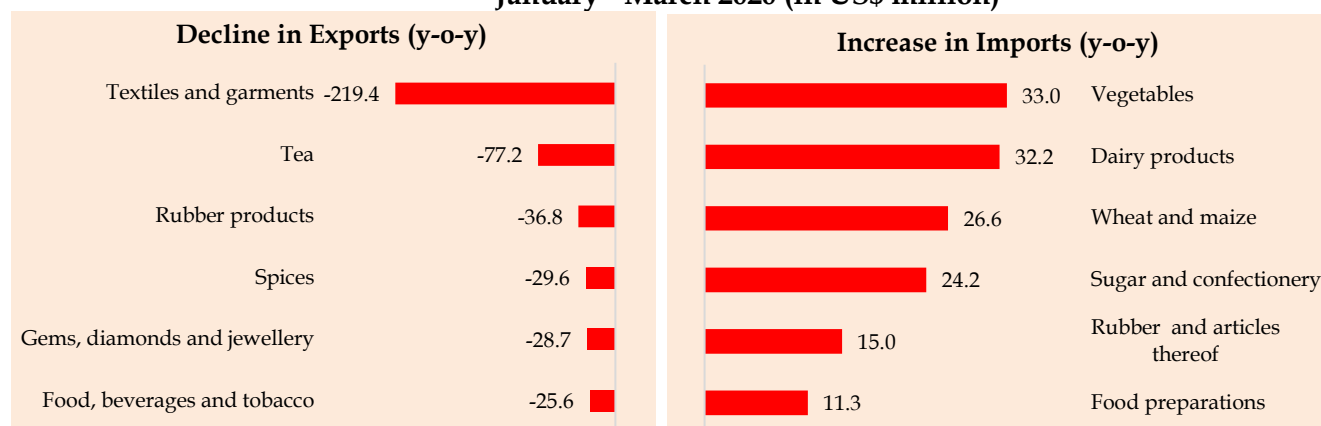
(c) This provisional estimate may be revised once the SLTDA releases its survey results for 2020

(d) Include secondary and primary transactions

## Trade Balance and Terms of Trade

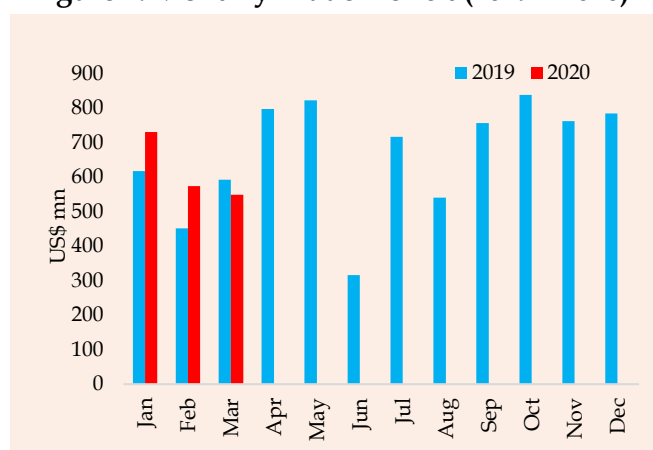
- The **deficit in the trade account** narrowed in March 2020 to US dollars 549 million, from US dollars 592 million in March 2019, as the decline in imports in value terms exceeded the decline in exports. However, on a cumulative basis, the trade deficit widened to US dollars 1,853 million during the first three months of 2020 from US dollars 1,661 million in the corresponding period of 2019. The major contributory factors for the increase in the trade deficit during first three months of 2020 are depicted in Figure 1.
- Meanwhile, **terms of trade**, i.e., the ratio of the price of exports to the price of imports, improved by 25.7 per cent (year on year) in March 2020, due to the increase in export prices and decline in import prices.

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



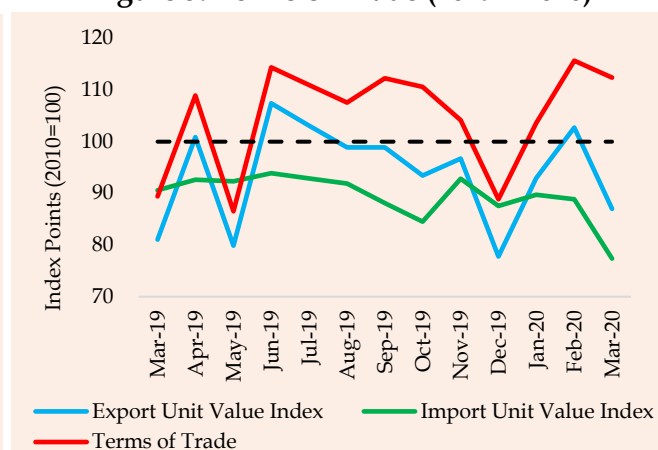
Sources: SLC, CBSL

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



Sources: SLC, CBSL

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



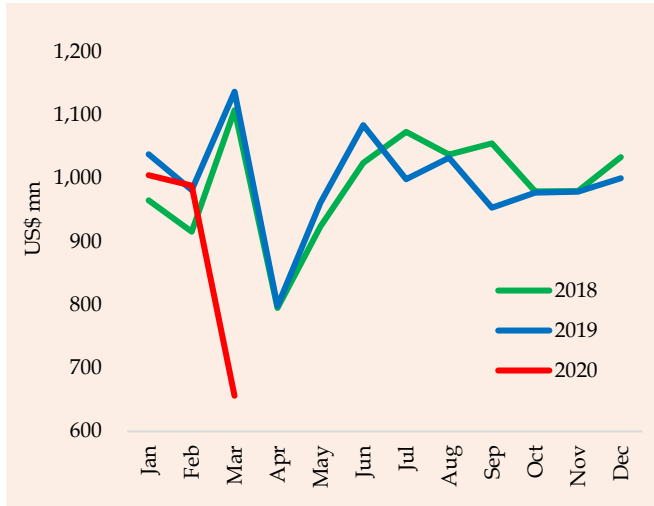
Source: CBSL

## Performance of Merchandise Exports

- Earnings from **merchandise exports** declined significantly, on a year on year basis, by 42.3 per cent to US dollars 656 million in March 2020, reversing the marginal growth recorded in February 2020. Disruptions to domestic production processes, disruptions to export related services due to the imposition of curfew and disruptions to both domestic and global supply and demand chains due to the outbreak of the COVID-19 pandemic were the main reasons for this sharp decline in the earnings from exports.
- Accordingly, all major exports sectors; agricultural, industrial and mineral exports, recorded significant contractions in March 2020. Major export products such as textiles and garments, tea, rubber products, gems, diamonds and jewellery, machinery and mechanical appliances, seafood and coconut mainly contributed to the decline in export earnings. However, earnings from minor agricultural products exports recorded a growth during the month.

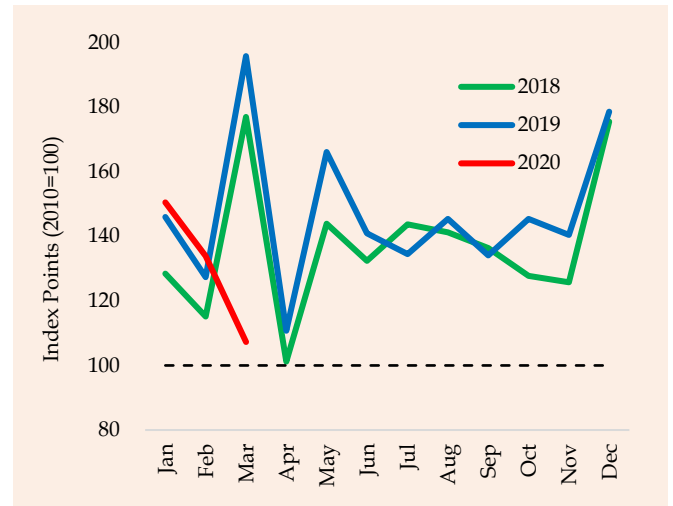
- The export volume index in March 2020 declined by 45.1 per cent, while the export unit value index improved by 7.3 per cent, indicating that the decline in exports was driven entirely by lower volumes when compared to March 2019.

**Figure 4: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 5: Export Volume Index**



Source: CBSL

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

Category	March 2019 (US\$ mn)	March 2020 (US\$ mn)	Change (%)	Jan-Mar 2019 (US\$ mn)	Jan-Mar 2020 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>898.4</b>	<b>531.5</b>	<b>-40.8</b>	<b>2,494.3</b>	<b>2,134.1</b>	<b>-14.4</b>
Food, beverages and tobacco	47.3	38.1	-19.3	135.9	110.3	-18.9
Animal fodder	8.7	5.8	-33.6	35.3	25.4	-28.0
Textiles and garments	532.7	312.7	-41.3	1,474.2	1,254.9	-14.9
o/w Garments	494.8	294.1	-40.6	1,373.3	1,163.9	-15.2
Textiles	28.1	12.6	-55.3	74.4	64.9	-12.7
Other made up textile articles	9.8	6.0	-38.9	26.5	26.1	-1.8
Rubber products	82.6	54.5	-34.1	233.0	196.2	-15.8
Gems, diamonds and jewellery	32.1	8.6	-73.3	83.3	54.6	-34.5
Machinery and mechanical appliances	39.0	21.1	-45.8	108.0	86.4	-20.0
Transport equipment	10.0	3.6	-63.8	26.0	17.7	-31.8
Petroleum products	48.0	37.0	-22.9	124.0	177.7	43.2
Chemical products	16.4	9.6	-41.1	44.5	37.7	-15.1
Wood and paper products	12.6	5.3	-58.0	40.1	26.5	-33.9
Printing industry products	4.2	2.9	-30.4	11.1	10.7	-3.6
Leather, travel goods and footwear	9.6	3.7	-61.4	33.2	16.6	-50.1
Plastics and articles thereof	6.8	3.5	-49.1	19.0	15.0	-21.0
Base metals and articles	17.8	6.7	-62.5	47.2	31.5	-33.2
Ceramic products	2.4	1.3	-43.7	7.1	6.1	-14.6
Other	28.3	17.0	-39.7	72.3	66.8	-7.7
<b>2. Agricultural exports</b>	<b>232.3</b>	<b>122.7</b>	<b>-47.2</b>	<b>647.7</b>	<b>506.5</b>	<b>-21.8</b>
Tea	125.9	62.5	-50.3	347.2	270.1	-22.2
Rubber	3.2	1.4	-58.2	8.4	7.2	-14.0
Coconut	34.8	19.7	-43.4	87.8	70.4	-19.8
Spices	24.2	12.9	-46.6	80.6	51.0	-36.7
Vegetables	3.0	1.8	-38.7	8.1	6.8	-15.6
Unmanufactured tobacco	3.5	1.0	-70.0	7.5	4.4	-40.9
Minor agricultural products	9.5	10.5	10.5	27.2	39.6	45.5
Seafood	28.2	12.8	-54.8	80.9	57.0	-29.6
<b>3. Mineral exports</b>	<b>4.5</b>	<b>1.0</b>	<b>-77.2</b>	<b>9.1</b>	<b>4.9</b>	<b>-46.0</b>
<b>4. Unclassified exports</b>	<b>1.7</b>	<b>1.1</b>	<b>-31.2</b>	<b>5.0</b>	<b>4.2</b>	<b>-17.2</b>
<b>Total exports</b>	<b>1,136.9</b>	<b>656.4</b>	<b>-42.3</b>	<b>3,156.1</b>	<b>2,649.7</b>	<b>-16.0</b>

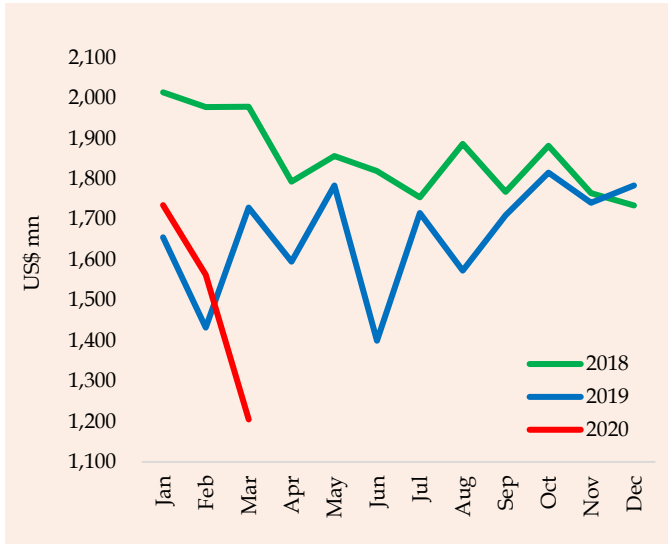
(a) Provisional

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

## Performance of Merchandise Imports

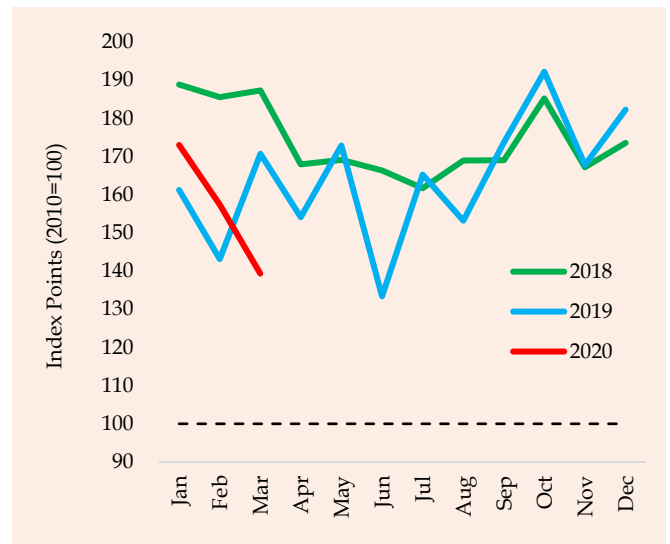
- Expenditure on **merchandise imports** declined notably, on a year on year basis, in March 2020 by 30.3 per cent to US dollars 1,205 million, reversing the increasing trend observed since December 2019. The selective import clearing process followed by the Sri Lanka Customs (SLC), prioritising essential consumer items and the disruption to other import related services due to the imposition of curfew, disruptions to global supply and logistic chains, lower commodity prices following the COVID-19 outbreak were the main reasons for this unprecedented decline in the expenditure on imports. In addition, urgent measures taken by the government and the Central Bank in March 2020 to ease the pressure on the exchange rate and to prevent financial market panic due to the COVID-19 pandemic, including the suspension on facilitating the importation of motor vehicles and non essential consumer goods, also contributed to this decline in import expenditure.
- Accordingly, all major import sectors; consumer, intermediate and investment goods, declined in March 2020. The expenditure on fuel declined, led by lower average import prices of crude oil (US dollars 37.7 per barrel, on average, in March 2020), refined petroleum and coal. Volumes of fuel imported also declined, except crude oil. The expenditure on machinery and equipment, textiles and textile articles, building material, fertiliser, chemical products also recorded significant declines. In addition, expenditure on non food consumer goods such as personal vehicles, telecommunication devices and home appliances imports, which were subject to import restrictions also recorded reductions in March 2020. However, expenditure on the importation of essential consumer goods such as wheat, vegetables (mainly big onions and potatoes), sugar, spices (mainly chillies) and seafood (mainly canned and dried fish) increased in March 2020. In addition, import expenditure on base metals (mainly iron and steel) and rubber and articles thereof categorised under intermediate goods also increased in March 2020 compared to March 2019.
- Both the import volume index and the unit value index declined by 18.4 per cent and 14.6 per cent, respectively, in March 2020, indicating that the decrease in imports was driven by both lower volumes and lower prices when compared to March 2019.

**Figure 6: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 7: Import Volume Index**



Source: CBSL

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

Category	March 2019 (US\$ mn)	March 2020 (US\$ mn)	Change (%)	Jan-Mar 2019 (US\$ mn)	Jan-Mar 2020 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>351.9</b>	<b>267.1</b>	<b>-24.1</b>	<b>912.3</b>	<b>966.1</b>	<b>5.9</b>
Food and beverages	138.0	143.0	3.6	334.9	426.4	27.3
Cereals and milling industry products	2.5	2.0	-20.3	9.7	11.9	23.7
Dairy products	40.6	32.5	-20.0	64.6	96.8	49.9
Vegetables	27.2	38.8	42.4	71.7	104.7	46.0
Seafood	17.0	17.8	4.3	50.3	46.7	-7.3
Sugar and confectionery	20.0	27.2	36.0	48.9	73.1	49.5
Spices	10.4	11.2	8.0	29.1	34.9	19.7
Other food and beverages	20.3	13.6	-32.9	60.7	58.4	-3.8
Non-food consumer goods	213.8	124.0	-42.0	577.4	539.7	-6.5
Personal vehicles	72.2	39.5	-45.3	169.8	156.4	-7.9
Medical and pharmaceuticals	44.1	34.4	-22.1	121.8	125.4	3.0
Home appliances	20.5	10.9	-46.7	50.2	50.6	0.8
Clothing and accessories	22.5	15.2	-32.4	75.1	73.2	-2.5
Telecommunication devices	22.8	7.4	-67.5	61.6	48.7	-21.0
Household and furniture items	11.2	6.9	-38.5	35.9	37.8	5.3
Other non-food consumables	20.6	9.8	-52.4	63.0	47.6	-24.3
<b>2. Intermediate goods</b>	<b>987.1</b>	<b>699.7</b>	<b>-29.1</b>	<b>2,774.2</b>	<b>2,545.7</b>	<b>-8.2</b>
Fuel	407.9	237.7	-41.7	1,018.6	948.2	-6.9
o/w Crude oil	101.9	54.6	-46.4	237.7	194.9	-18.0
Refined petroleum	271.5	153.1	-43.6	659.0	649.7	-1.4
Coal	34.5	29.9	-13.1	122.0	103.6	-15.1
Diamonds, precious stones and metals	14.7	5.4	-63.1	47.7	25.7	-46.1
Textiles and textile articles	213.9	139.3	-34.9	688.6	622.0	-9.7
Paper and paperboard and articles thereof	34.1	20.4	-40.2	103.7	90.9	-12.4
Agricultural inputs	17.6	14.5	-17.4	45.4	50.8	12.1
Wheat and maize	12.0	62.5	419.3	53.2	79.8	49.9
Base metals	34.6	52.6	52.0	140.8	98.2	-30.2
Plastic and articles thereof	47.4	32.0	-32.5	143.7	126.9	-11.7
Chemical products	70.9	52.0	-26.7	207.4	190.5	-8.1
Fertiliser	39.3	6.7	-83.1	48.4	25.9	-46.5
Rubber and articles thereof	16.8	20.5	22.3	52.4	67.5	28.7
Other intermediate goods	77.8	56.1	-27.9	224.4	219.2	-2.3
<b>3. Investment goods</b>	<b>389.3</b>	<b>236.8</b>	<b>-39.2</b>	<b>1,128.8</b>	<b>983.8</b>	<b>-12.8</b>
Machinery and equipment	213.9	130.2	-39.1	639.0	572.4	-10.4
Building material	135.0	72.7	-46.2	375.7	294.4	-21.6
Transport equipment	39.5	33.7	-14.8	112.3	116.1	3.4
Other investment goods	1.0	0.2	-77.1	1.8	0.9	-51.0
<b>4. Unclassified imports</b>	<b>0.7</b>	<b>1.5</b>	<b>99.8</b>	<b>1.6</b>	<b>7.1</b>	<b>355.1</b>
<b>Total imports</b>	<b>1,729.0</b>	<b>1,205.0</b>	<b>-30.3</b>	<b>4,816.9</b>	<b>4,502.7</b>	<b>-6.5</b>
<b>Non-fuel imports</b>	<b>1,321.2</b>	<b>967.4</b>	<b>-26.8</b>	<b>3,798.3</b>	<b>3,554.5</b>	<b>-6.4</b>

(a) Provisional

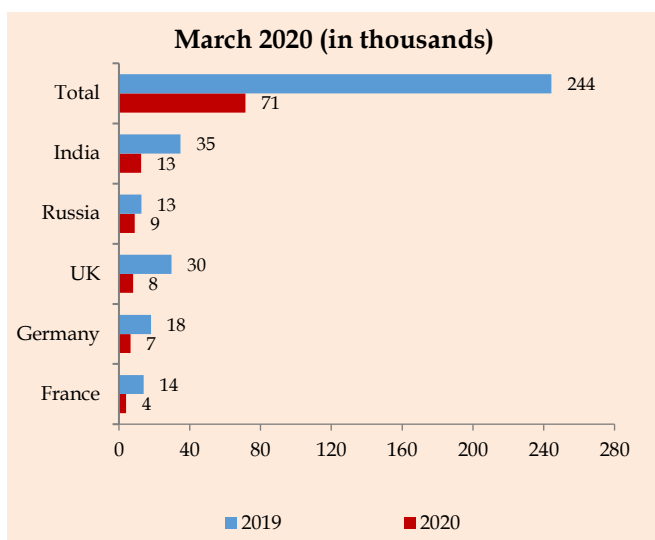
Sources: SLC, CPC, Lanka IOC PLC, CBSL



## Other Major Inflows to the Current Account

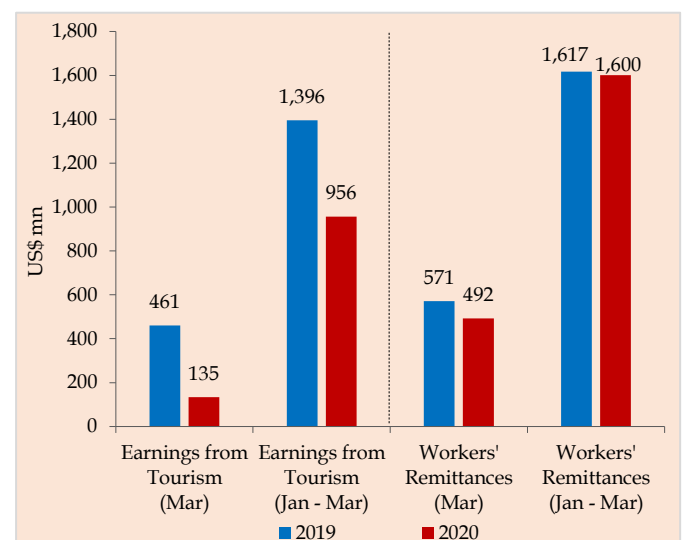
- Sri Lanka's tourism industry was severely affected from March 2020 by the COVID-19 pandemic. With the termination of all passenger flights and ships to Sri Lanka, there was a cessation of **tourist arrivals** from the third week of March 2020, resulting in a substantial decline in tourist arrivals by 70.8 per cent to 71,370 from 244,328 in March 2019.
- With these developments, **earnings from tourism** were provisionally estimated to have declined to US dollars 135 million in March 2020, in comparison to US dollars 461 million in March 2019, with cumulative earnings amounting to US dollars 956 million during the first three months of 2020, a drop of 31.5 per cent from the corresponding period of 2019.
- Meanwhile, **workers' remittances** declined by 13.9 per cent in March 2020, year on year, amounting to US dollars 492 million. There was a notable number of returnees from countries such as South Korea and Italy, prior to the closure of the airports in March 2020. This was further exacerbated by lower crude oil prices impacting Middle Eastern economies, where a majority of Sri Lankan migrant workers are employed. On a cumulative basis, workers' remittances recorded a decline of 1.0 per cent to US dollars 1,600 million during the first three months of 2020, in comparison to the corresponding period of 2019.

Figure 8: Top Five Countries of Tourist Arrivals



Source: SLTDA

Figure 9: Tourism and Workers' Remittances



Sources: SLTDA, Licensed Banks, CBSL

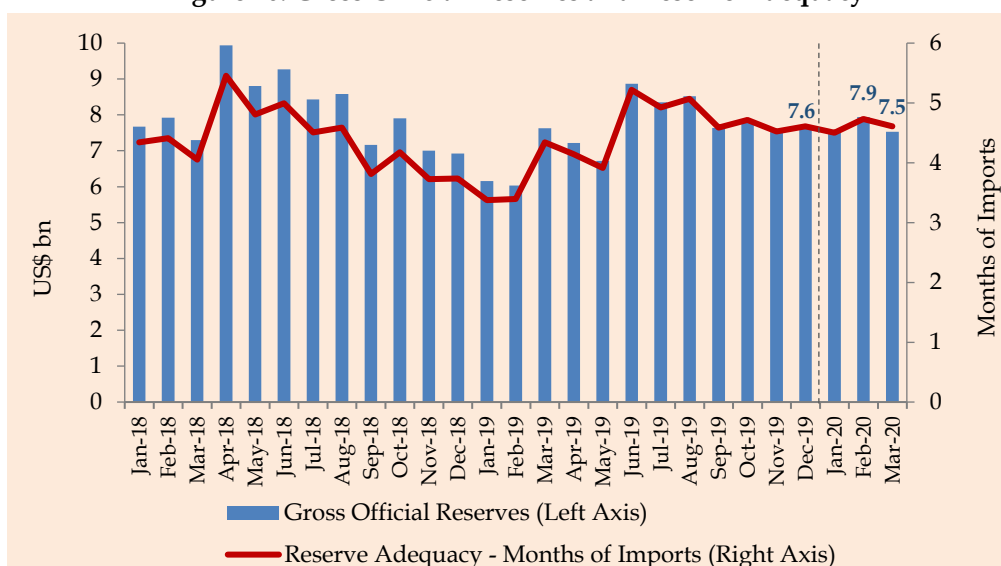
## Financial Flows

- A net outflow of the foreign investment amounting to US dollars 261 million was recorded from the rupee denominated **government securities** market in March 2020, resulting in a cumulative net outflow of US dollars 361 million during the first three months of 2020. Outflows of foreign investments from bond markets of most emerging and frontier economies were observed in the aftermath of the COVID-19 pandemic. However, Sri Lanka's exposure to such outflows remains negligible, with only an insignificant share of outstanding government securities being held by non-residents.
- Foreign investment in the **CSE**, of which only secondary market transactions were available for March 2020, recorded a net outflow of US dollars 6 million. The CSE remained closed for trading from mid-March 2020 until mid-May 2020. On a cumulative basis, the CSE recorded a net outflow of US dollars 28 million in the first three months of 2020.
- Gross inflows on account of **long term loans** to the government amounted to US dollars 588 million in March 2020, which included the receipt of the syndicated loan facility from the China Development Bank amounting to US dollars 500 million.

## International Reserves

- Gross official **reserves** stood at US dollars 7.5 billion at end March 2020, equivalent to 4.6 months of imports. Total foreign assets, which consist of gross official reserves and foreign assets of the banking sector amounted to US dollars 10.7 billion at end March 2020, equivalent to 6.5 months of imports.

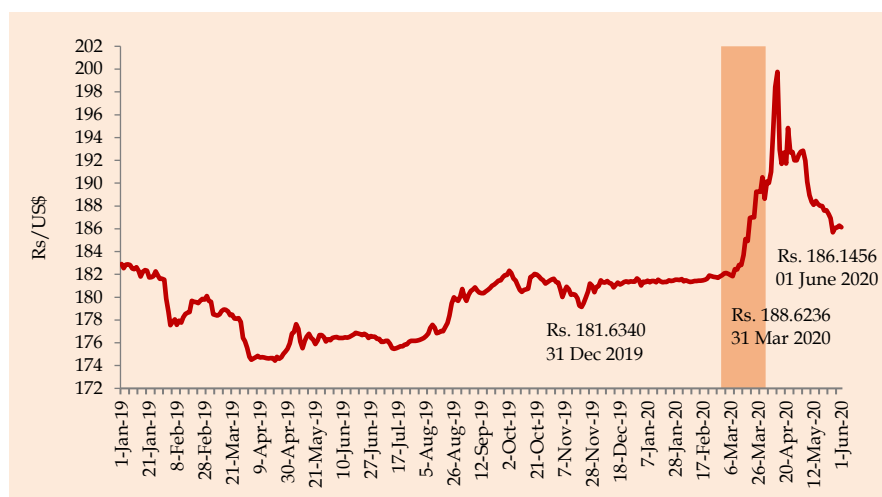
Figure 10: Gross Official Reserves and Reserve Adequacy



## Exchange Rate Movements

- The Sri Lankan rupee, which remained broadly stable up to the second week of March 2020, depreciated significantly with the outbreak of the COVID-19 pandemic during the latter part of March up to mid-April 2020, reaching a peak of Rs. 199.75 per US dollar on 09 April 2020. However, the rupee stabilised thereafter, and recorded a significant appreciation during May 2020. As a result, the rupee which depreciated by 9.1 per cent against the US dollar up to 09 April 2020, reversed this trend and appreciated significantly, recording a depreciation of 2.4 per cent by 01 June 2020. Reflecting cross-currency movements, the rupee depreciated against 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 01 June 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 01 June) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+0.6%	-2.4%
Euro	-12.7%	+2.6%	-1.7%
Pound sterling	-11.4%	-2.8%	+3.2%
Japanese yen	-18.1%	-1.0%	-3.3%
Canadian dollar	-9.3%	-3.7%	+2.5%
Australian dollar	-7.6%	+1.3%	+1.6%
Indian rupee	-8.7%	+2.6%	+3.1%

Source: CBSL