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Press Release

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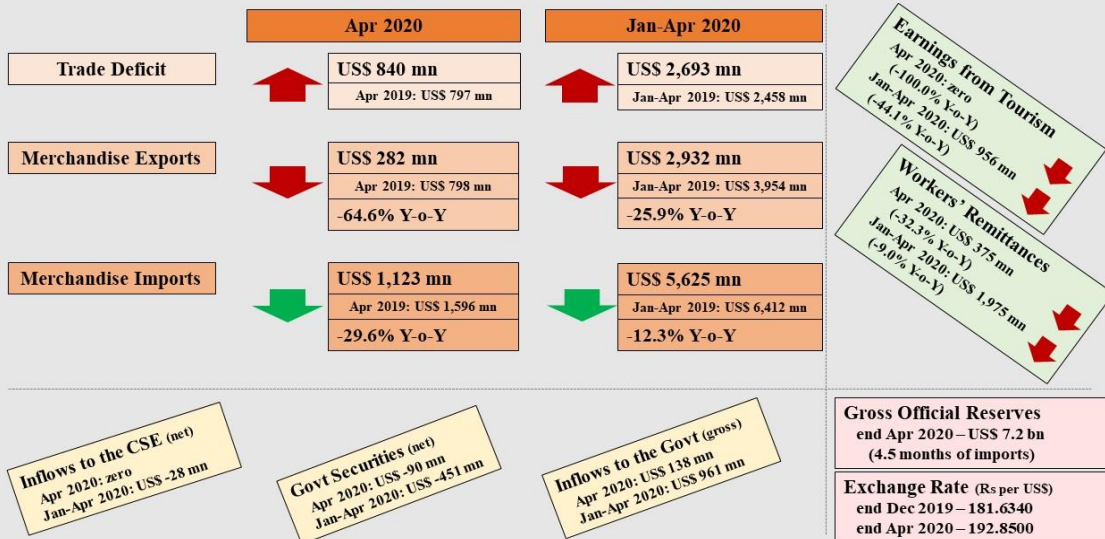
Date 22.06.2020

External Sector Performance – April 2020

Highlights

Sri Lanka's external sector performance in April 2020 was severely affected by the COVID-19 pandemic related economic interruptions. The imposition of a partial lockdown had a significant impact on Sri Lanka's merchandise exports sector while shutting down the tourism industry in April 2020. The expenditure on merchandise imports also declined, with disruption to import related supply chains and restrictions imposed on non essential imports by the government and the Central Bank. With some migrant workers returning to the country prior to the lockdown and reduced compensation and redundancies faced by some migrant workers abroad, a significant decline was recorded in workers' remittances during the month. In the financial account, a net foreign investment outflow was recorded in the government securities market, while the Colombo Stock Exchange (CSE) remained closed throughout April 2020. With increased uncertainties and lack of inflows to the domestic foreign exchange market, the Sri Lanka rupee depreciated significantly against the US dollar during the first half of April 2020. However, the rupee began to stabilise gradually since second half of the month with improving market sentiments. Subsequent appreciation of the exchange rate helped in limiting the depreciation to less than 3 per cent so far during the year.

External Sector Performance – April 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	April 2019 US\$ mn	April 2020 US\$ mn	Change (%)	Jan-Apr 2019 US\$ mn	Jan-Apr 2020 US\$ mn	Change (%)
Exports	798	282	-64.6	3,954	2,932	-25.9
Imports	1,596	1,123	-29.6	6,412	5,625	-12.3
Trade balance (net)	-797	-840		-2,458	-2,693	
Earnings from tourism	315 (b)	-	-100.0	1,711 (b)	956 (c)	-44.1
Workers' remittances	554	375	-32.3	2,171	1,975	-9.0
Inflows to the CSE (net) (d)	10	-		-24	-28	
Inflows to the Government (gross)	135	138		3,239	961	
Treasury bills and bonds	29	1		267	84	
Long term loans	106	137		572	877	
Overall Balance				285	-290	

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

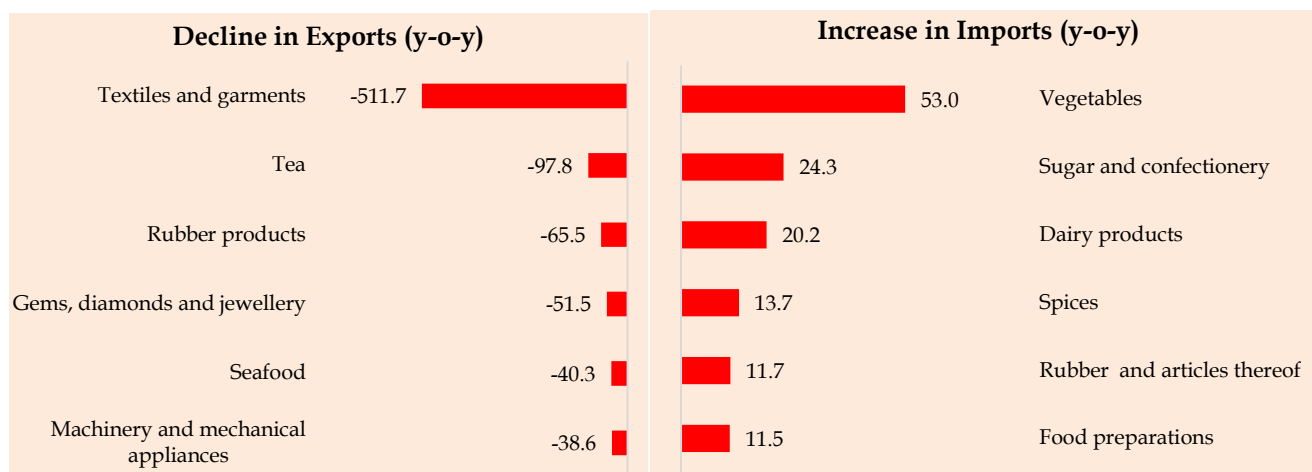
(c) This provisional estimate may be revised once the SLTDA releases its survey results for 2020

(d) Include secondary and primary transactions

Trade Balance and Terms of Trade

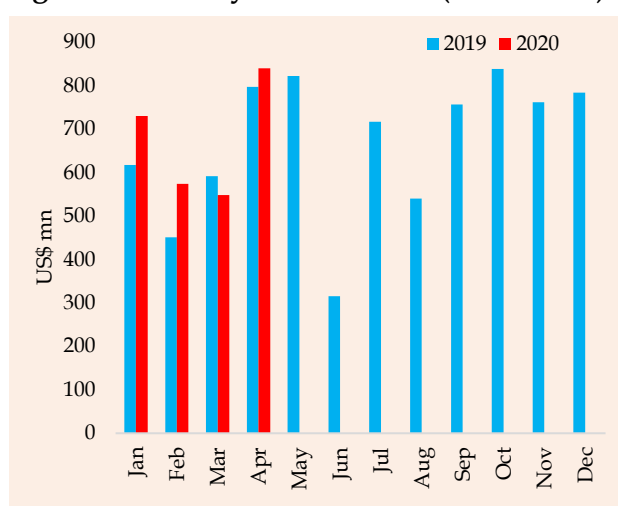
- The **deficit in the trade account** widened in April 2020 to US dollars 840 million, from US dollars 797 million in April 2019, as the decline in exports exceeded the decline in imports. On a cumulative basis, the trade deficit widened to US dollars 2,693 million during the first four months of 2020 from US dollars 2,458 million in the corresponding period of 2019. The major contributory factors for the increase in the trade deficit during first four 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, deteriorated by 16.4 per cent (year on year) in April 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 - April 2020 (in US\$ million)



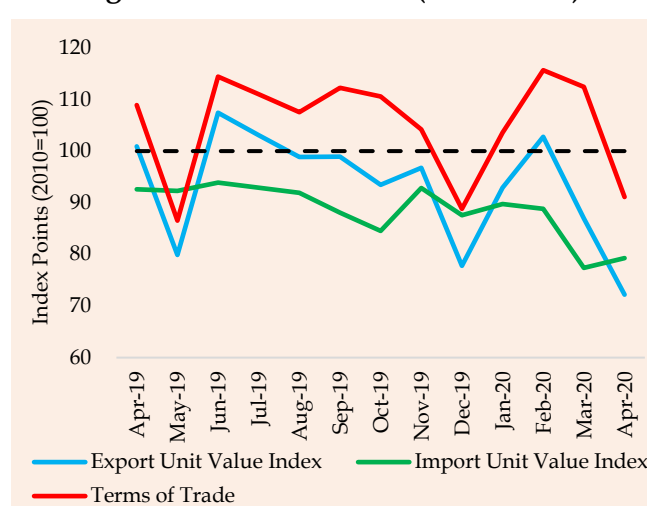
Sources: SLC, CBSL

Figure 2: Monthly Trade Deficit (2019 - 2020)



Sources: SLC, CBSL

Figure 3: Terms of Trade (2019 - 2020)



Source: CBSL

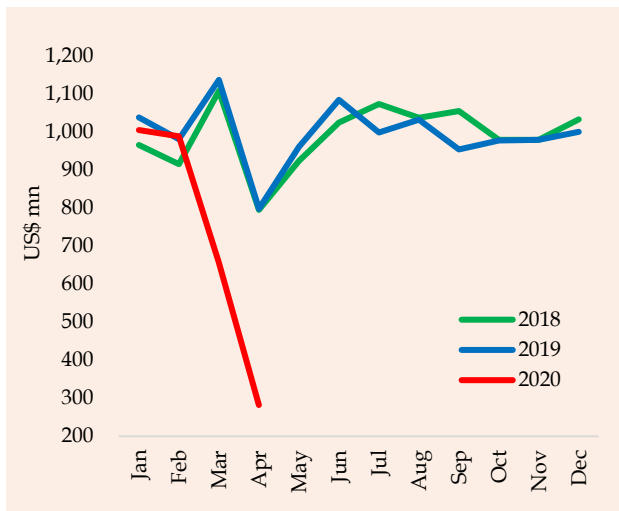
Performance of Merchandise Exports

- In comparison to April 2019, earnings from **merchandise exports** declined significantly by 64.6 per cent to US dollars 282 million in April 2020, continuing the year-on-year decline observed in March 2020, with all major export sectors recording significant declines. Disruptions to domestic production processes, disruptions to export related services due to the imposition of curfew and disturbances 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.
- Earnings from the three major exports sectors; agricultural, industrial and mineral exports, recorded significant contractions in April 2020. Major export products such as textiles and garments, rubber products, petroleum products, gems, diamonds and

jewellery, tea, seafood and machinery and mechanical appliances mainly contributed to the decline in export earnings.

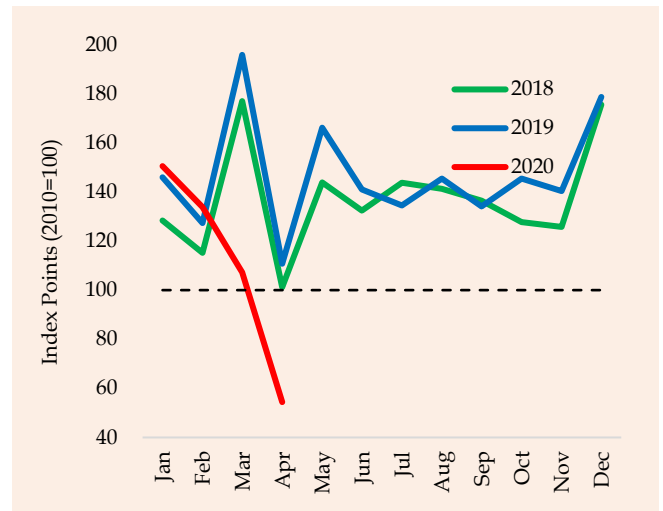
- Both the export volume index and the unit value index declined by 50.6 per cent and 28.4 per cent, respectively, in April 2020, indicating that the decline in exports was driven by lower volumes and lower prices, compared to April 2019.

Figure 4: Monthly Export Performance



Sources: SLC, CBSL

Figure 5: Export Volume Index



Source: CBSL

Table 2: Earnings from Merchandise Exports (a)

Category	April 2019 (US\$ mn)	April 2020 (US\$ mn)	Change (%)	Jan-Apr 2019 (US\$ mn)	Jan-Apr 2020 (US\$ mn)	Change (%)
1. Industrial exports	617.6	160.8	-74.0	3,111.9	2,294.9	-26.3
Food, beverages and tobacco	29.3	16.6	-43.3	165.2	126.9	-23.2
Animal fodder	5.1	4.3	-15.2	40.4	29.7	-26.3
Textiles and garments	357.6	65.2	-81.8	1,831.8	1,320.1	-27.9
o/w Garments	333.7	58.1	-82.6	1,707.0	1,222.0	-28.4
Textiles	16.9	5.1	-69.6	91.3	70.1	-23.3
Other made up textile articles	7.0	1.9	-72.3	33.5	28.0	-16.4
Rubber products	52.9	24.2	-54.2	285.8	220.3	-22.9
Gems, diamonds and jewellery	23.0	0.1	-99.4	106.3	54.8	-48.5
Machinery and mechanical appliances	26.0	9.0	-65.4	134.1	95.4	-28.8
Transport equipment	6.6	1.4	-79.3	32.7	19.1	-41.5
Petroleum products	42.9	14.5	-66.1	166.9	192.2	15.1
Chemical products	12.6	7.7	-39.2	57.1	45.4	-20.4
Wood and paper products	8.8	2.8	-68.6	48.9	29.3	-40.2
Printing industry products	8.4	1.0	-87.7	19.5	11.7	-39.8
Leather, travel goods and footwear	7.5	1.0	-86.2	40.7	17.6	-56.7
Plastics and articles thereof	5.5	1.3	-76.0	24.6	16.3	-33.4
Base metals and articles	12.2	6.2	-49.0	59.4	37.7	-36.4
Ceramic products	2.1	0.3	-83.4	9.2	6.4	-30.0
Other	17.1	5.0	-70.8	89.4	71.8	-19.7
2. Agricultural exports	177.0	120.3	-32.0	824.7	626.8	-24.0
Tea	99.0	78.4	-20.8	446.2	348.4	-21.9
Rubber	2.5	1.6	-37.4	10.9	8.8	-19.4
Coconut	23.9	14.3	-40.1	111.7	84.7	-24.2
Spices	15.8	12.0	-23.9	96.4	63.1	-34.6
Vegetables	2.7	1.2	-54.8	10.8	8.1	-25.5
Unmanufactured tobacco	3.0	1.6	-46.4	10.4	6.0	-42.5
Minor agricultural products	7.4	4.9	-33.4	34.6	44.5	28.6
Seafood	22.7	6.3	-72.3	103.6	63.3	-38.9
3. Mineral exports	2.3	1.0	-57.5	11.3	5.9	-48.3
4. Unclassified exports	1.3	0.3	-79.9	6.3	4.4	-29.8
Total exports	798.1	282.3	-64.6	3,954.2	2,932.0	-25.9

(a) Provisional

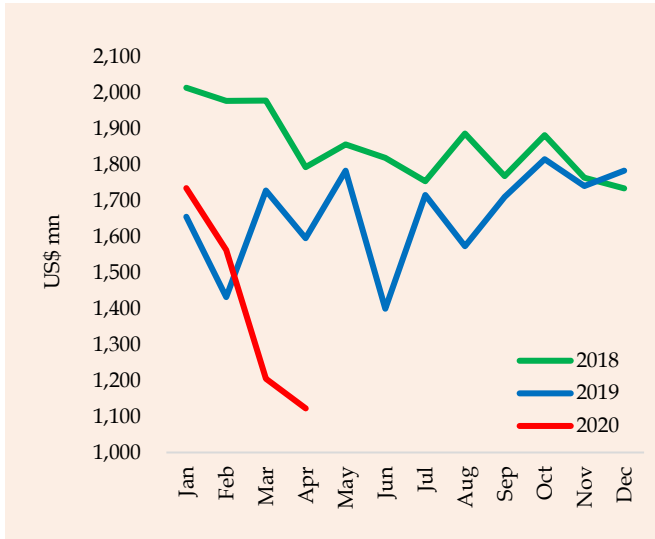
Sources: SLC, National Gem and Jewellery Authority (NGJA), Ceylon Petroleum Corporation (CPC) and Other Exporters of Petroleum, CBSL

Performance of Merchandise Imports

- Expenditure on **merchandise imports** declined notably, on a year on year basis, by 29.6 per cent to US dollars 1,123 million in April 2020 mainly led by the significant declines in intermediate and investment goods. Measures taken by the government and the Central Bank during March and April 2020 due to the COVID-19 pandemic, including the suspension of facilitating the importation of selected goods contributed to the decline in import expenditure. Despite an increase in the import of food and beverages, the expenditure on consumer goods declined, although at a slower pace, led by lower imports of non-food consumer goods. 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 significant decline in the expenditure on imports.
- Accordingly, expenditure on all major import sectors; consumer, intermediate and investment goods, declined in April 2020. Lower average import prices of crude oil (in April, average import price was US dollars 19.56 per barrel), refined petroleum and coal as well as the lower import volumes of refined petroleum and crude oil mainly accounted for the decline in expenditure on fuel. Expenditure on machinery and equipment, textiles and textile articles, building material, wheat and maize, mineral products and transport equipment imports recorded notable declines. Expenditure on non food consumer goods such as telecommunication devices, clothing and accessories and home appliances, which were mainly subjected to import restrictions imposed during March/April 2020 also decreased in April 2020. However, a considerable increase on import expenditure on personal vehicles was observed in April 2020 compared to the previous month, mainly due to the clearing of the backlog accumulated due to service disruptions with the spread of COVID-19 in the country. In addition, expenditure on food and beverages, categorised under consumer goods imports increased, led by essential goods such as vegetables, seafood and spices while expenditure on base metals, fertiliser, agricultural inputs and food preparations imports categorised under intermediate goods also increased.

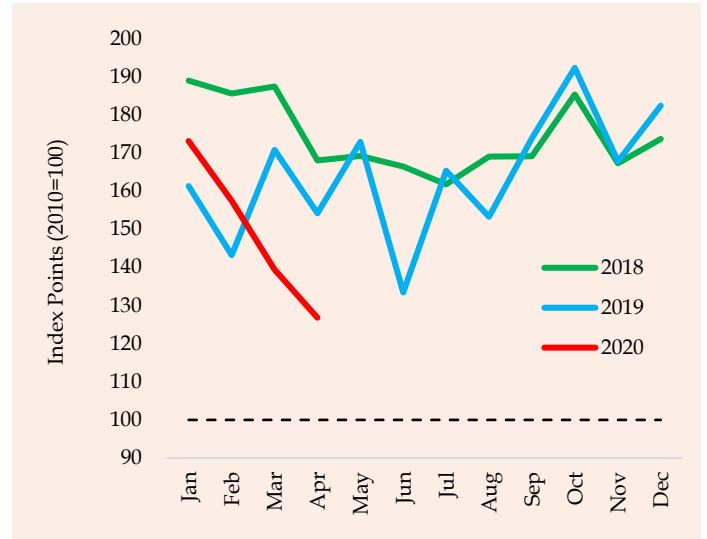
- Both the import volume index and the unit value index declined by 17.8 per cent and 14.4 per cent, respectively, in April 2020, indicating that the decrease in imports was driven both by lower volumes and lower prices when compared to April 2019.

Figure 6: Monthly Import Performance



Sources: SLC, CBSL

Figure 7: Import Volume Index



Source: CBSL

Table 3: Expenditure on Merchandise Imports (a)

Category	April 2019 (US\$ mn)	April 2020 (US\$ mn)	Change (%)	Jan-Apr 2019 (US\$ mn)	Jan-Apr 2020 (US\$ mn)	Change (%)
1. Consumer goods	308.1	302.5	-1.8	1,220.4	1,268.6	4.0
Food and beverages	122.5	136.8	11.7	457.4	563.2	23.1
Cereals and milling industry products	2.2	2.0	-10.6	11.9	13.9	17.3
Dairy products	39.3	27.3	-30.6	103.9	124.1	19.5
Vegetables	20.9	40.9	95.9	92.6	145.6	57.3
Seafood	16.0	18.7	16.7	66.3	65.3	-1.5
Sugar and confectionery	15.2	15.3	0.4	64.1	88.3	37.9
Spices	7.4	15.3	108.0	36.5	50.2	37.5
Other food and beverages	21.6	17.4	-19.3	82.3	75.8	-7.9
Non-food consumer goods	185.6	165.7	-10.7	762.9	705.4	-7.5
Personal vehicles	47.6	60.4	26.9	217.4	216.8	-0.3
Medical and pharmaceuticals	39.8	39.4	-0.9	161.6	164.8	2.0
Home appliances	21.5	16.0	-25.9	71.7	66.5	-7.2
Clothing and accessories	19.9	12.2	-39.0	95.0	85.3	-10.2
Telecommunication devices	22.5	14.3	-36.5	84.2	63.0	-25.2
Household and furniture items	12.7	10.4	-18.0	48.7	48.3	-0.8
Other non-food consumables	21.5	13.0	-39.6	84.5	60.6	-28.2
2. Intermediate goods	882.5	570.0	-35.4	3,656.8	3,115.7	-14.8
Fuel	295.0	121.8	-58.7	1,313.6	1,070.1	-18.5
o/w Crude oil	55.5	14.2	-74.4	293.1	209.2	-28.6
Refined petroleum	239.5	84.8	-64.6	898.4	734.6	-18.2
Coal	0.1	22.8	36380.5	122.1	126.3	3.5
Diamonds, precious stones and metals	16.9	1.5	-91.2	64.6	27.2	-57.9
Textiles and textile articles	219.0	146.9	-32.9	907.6	768.9	-15.3
Paper and paperboard and articles thereof	32.8	29.1	-11.2	136.5	120.0	-12.1
Agricultural inputs	16.5	18.5	12.2	61.8	69.3	12.1
Wheat and maize	33.5	9.0	-73.2	86.8	88.8	2.3
Base metals	32.0	38.6	20.7	172.7	136.8	-20.8
Plastic and articles thereof	47.0	41.1	-12.5	190.7	168.0	-11.9
Chemical products	66.5	64.9	-2.3	273.8	255.5	-6.7
Fertiliser	26.2	29.2	11.2	74.6	55.0	-26.2
Rubber and articles thereof	16.4	13.1	-20.2	68.9	80.6	17.0
Mineral products	36.8	12.4	(66.2)	85.5	52.4	(38.7)
Other intermediate goods	43.9	43.9	-0.2	219.6	223.1	1.6
3. Investment goods	404.1	249.6	-38.2	1,532.9	1,233.4	-19.5
Machinery and equipment	209.8	113.1	-46.1	848.8	685.5	-19.2
Building material	101.3	65.0	-35.8	477.0	359.4	-24.7
Transport equipment	92.6	71.3	-23.0	204.9	187.4	-8.5
Other investment goods	0.4	0.2	-59.3	2.2	1.0	-52.5
4. Unclassified imports	0.9	0.5	-38.5	2.4	7.7	214.7
Total imports	1,595.6	1,122.6	-29.6	6,412.5	5,625.3	-12.3

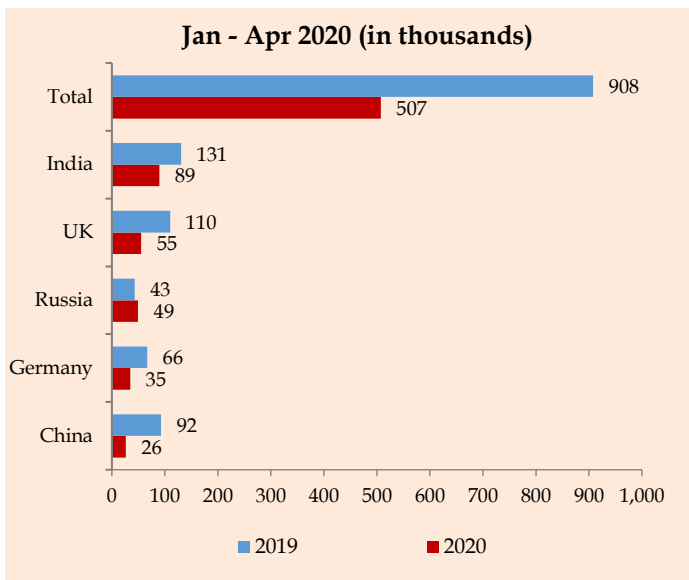
(a) Provisional

Sources: SLC, CPC, Lanka IOC PLC, CBSL

Other Major Inflows to the Current Account

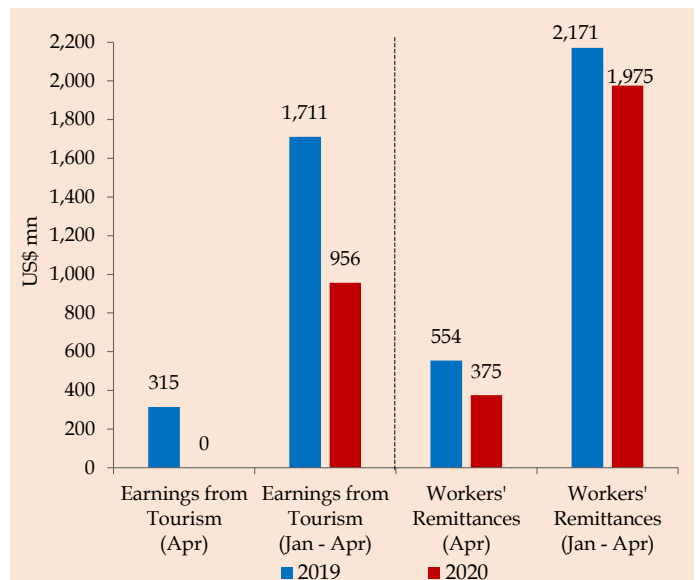
- With the suspension of all passenger flight and ship movements to Sri Lanka from mid-March 2020 due to the outbreak of COVID-19, no **tourist arrivals** were recorded in April 2020, with cumulative tourist arrivals remaining at 507,311 during the first four months of 2020 compared to 907,575 during the corresponding period in 2019.
- With these developments, cumulative **earnings from tourism** were provisionally estimated at US dollars 956 million during the first four months of 2020, recording a drop of 44.1 per cent from the corresponding period of 2019.
- Meanwhile, **workers' remittances** declined by 32.3 per cent in April 2020, year on year, amounting to US dollars 375 million. On a cumulative basis, workers' remittances recorded a decline of 9.0 per cent to US dollars 1,975 million during the first four 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

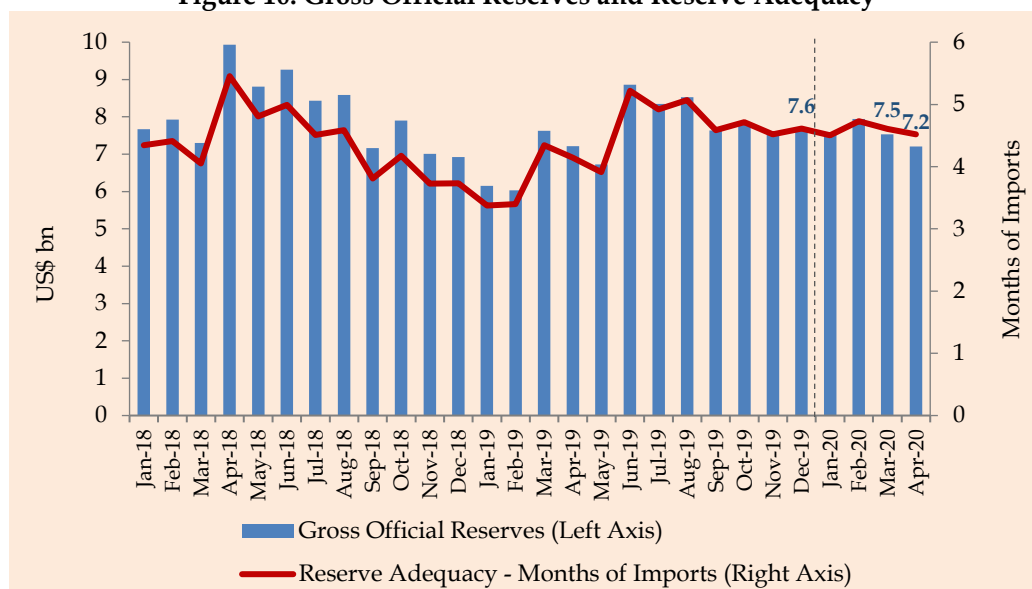
Financial Flows

- A net outflow of foreign investment amounting to US dollars 90 million was recorded from the rupee denominated **government securities** market in April 2020, resulting in a cumulative net outflow of US dollars 451 million during the first four months of 2020.
- There were no foreign investment flows in the **Colombo Stock Exchange (CSE)** in April 2020 due to the suspension of trading from mid-March 2020 until mid-May 2020. Therefore, net outflows from the CSE stood at US dollars 28 million in the first four months of 2020.
- Gross inflows on account of **long term loans** to the government amounted to US dollars 137 million in April 2020.

International Reserves

- Gross official **reserves** stood at US dollars 7.2 billion at end April 2020, equivalent to 4.5 months of imports. Total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 10.3 billion at end April 2020, equivalent to 6.5 months of imports.

Figure 10: Gross Official Reserves and Reserve Adequacy

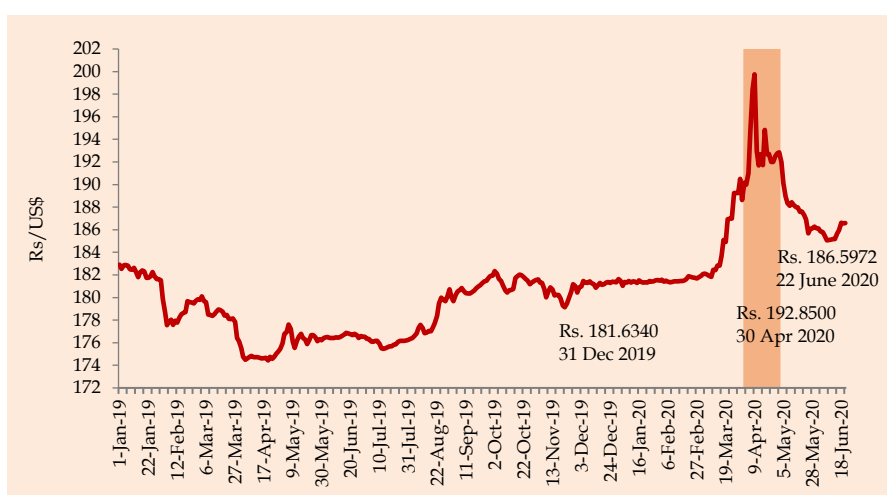


Source: CBSL

Exchange Rate Movements

- The Sri Lankan rupee, which experienced sharp depreciation pressure during the period from late March to mid-April 2020 with the outbreak of the COVID-19 pandemic, stabilised thereafter, and recorded a significant appreciation in May 2020. In this context, the rupee which depreciated by 9.1 per cent against the US dollar up to 09 April 2020, appreciated thereafter to record an overall depreciation of 2.7 per cent thus far during the year up to 22 June 2020. Reflecting cross-currency movements, the rupee depreciated against the euro, the Japanese yen and the Australian dollar, while appreciating against the pound sterling, the Canadian dollar and the Indian rupee during the year up to 22 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 22 June) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+0.6%	-2.7%
Euro	-12.7%	+2.6%	-2.5%
Pound sterling	-11.4%	-2.8%	+3.3%
Japanese yen	-18.1%	-1.0%	-4.2%
Canadian dollar	-9.3%	-3.7%	+1.4%
Australian dollar	-7.6%	+1.3%	-0.4%
Indian rupee	-8.7%	+2.6%	+4.0%

Source: CBSL