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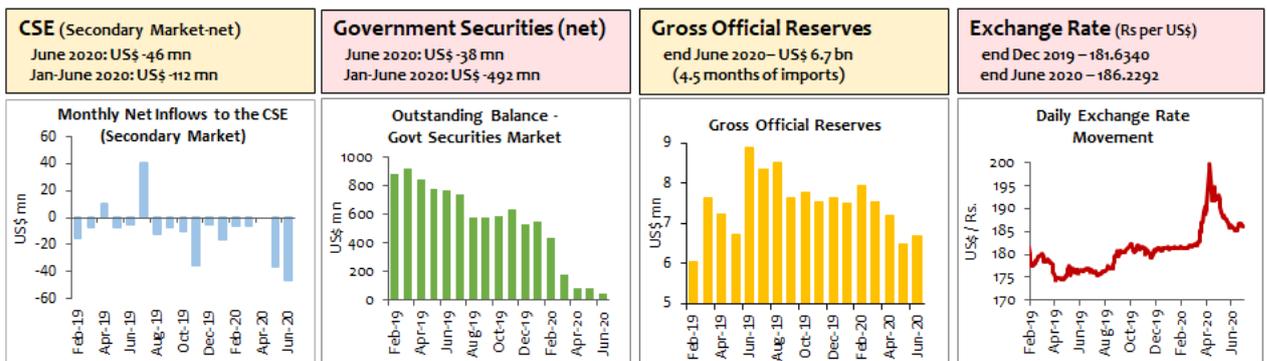
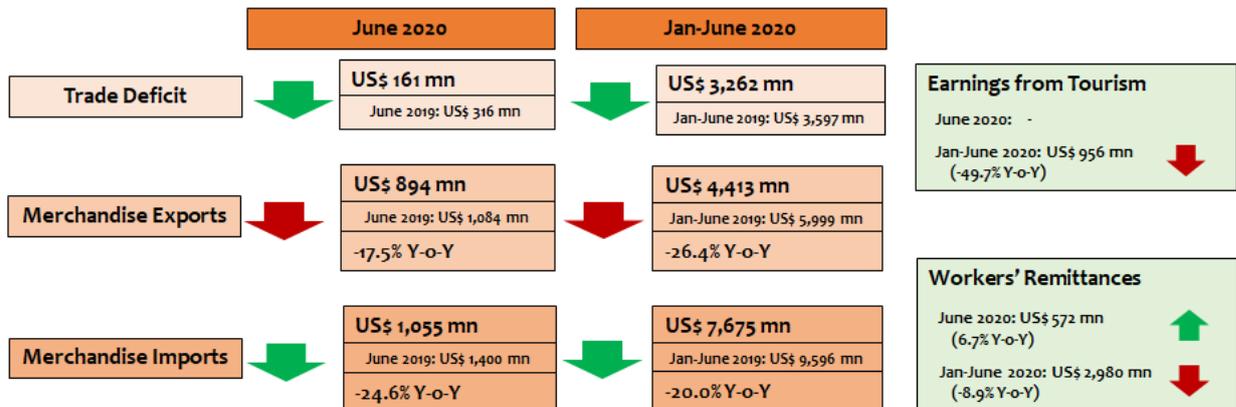
# Press Release

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## External Sector Performance - June 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>

## Overview

Sri Lanka's external sector stabilised further in June 2020, with the gradual normalisation of domestic economic activity. The trade deficit declined in June 2020 (year-on-year), with a more than expected rebound in merchandise exports and notable reduction in merchandise imports on account of restrictions on non essential imports. Workers' remittances recorded a growth in June, for the first time since the outbreak of the COVID-19 pandemic. During the month, both the government securities market and the Colombo Stock Exchange (CSE) recorded some outflows. Supported by the reduction in the trade deficit, the Sri Lankan rupee recorded a marginal appreciation during June 2020.

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

Category	June 2019 US\$ mn	June 2020 US\$ mn	Change (%)	Jan-June 2019 US\$ mn	Jan-June 2020 US\$ mn	Change (%)
Exports	1,084	894	-17.5	5,999	4,413	-26.4
Imports	1,400	1,055	-24.6	9,596	7,675	-20.0
Trade balance (net)	-316	-161		-3,597	-3,262	
Earnings from tourism	119 (b)	-	-100.0	1,901 (b)	956 (c)	-49.7
Workers' remittances	537	572	6.7	3,270	2,980	-8.9
Inflows to the CSE (net) (d)	10	-46		-10	-111	
Inflows to the Government (gross)	2,176	116		5,555	1,196	
Treasury bills and bonds	49	3		376	90	
Long term loans	127	113		779	1,106	
International Sovereign Bonds	2,000	-		4,400	-	
Foreign Direct Investment (e)				255	192	
Overall Balance				1,827	-760	

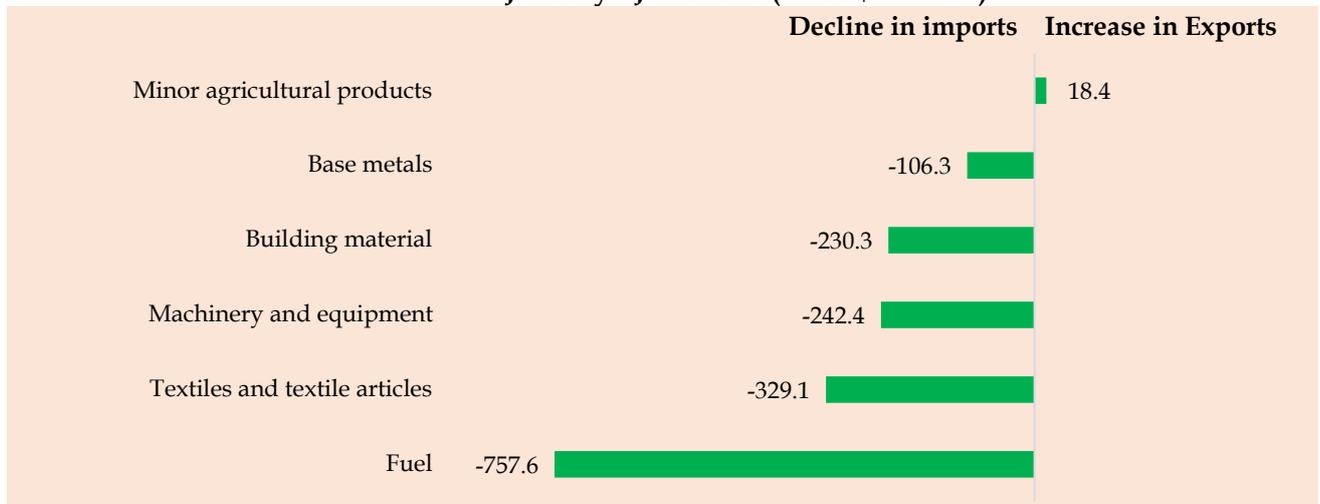
**Sources:** Sri Lanka Customs (SLC), Sri Lanka Tourism Development Authority (SLTDA), Colombo Stock Exchange (CSE), Board of Investment of Sri Lanka (BOI), Central Bank of Sri Lanka (CBSL)

- (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 SLTDA releases its survey results for 2020
- (d) Include secondary and primary transactions
- (e) Data available for the first three months of each period and 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

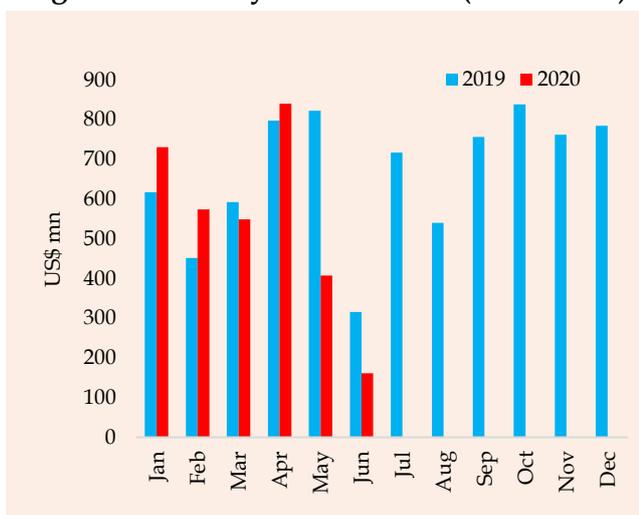
- The **deficit in the trade account** narrowed in June 2020 to US dollars 161 million, from US dollars 316 million in June 2019, recording the lowest monthly deficit since August 2009. Also, on a cumulative basis, the trade deficit narrowed by US dollars 335 million to US dollars 3,262 million during the first six months of 2020 from US dollars 3,597 million in the corresponding period of 2019. Major contributory factors for the decline in the trade deficit during first six 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, declined by 7.3 per cent (year-on-year) in June 2020 with prices of exports declining at a faster pace than those of imports.

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



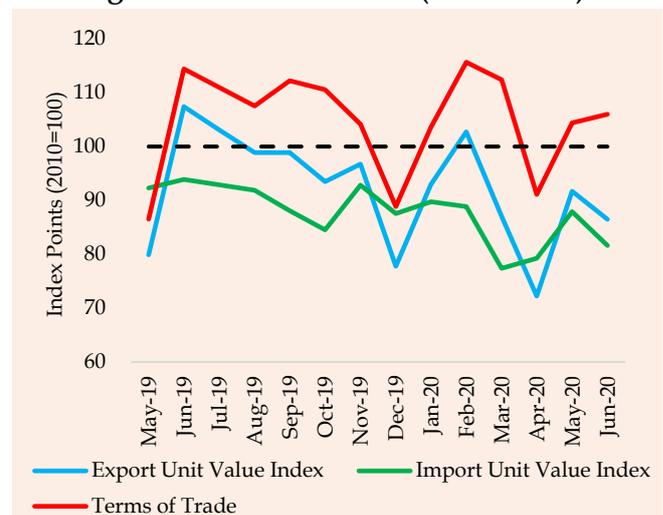
Sources: SLC, CBSL

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



Sources: SLC, CBSL

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



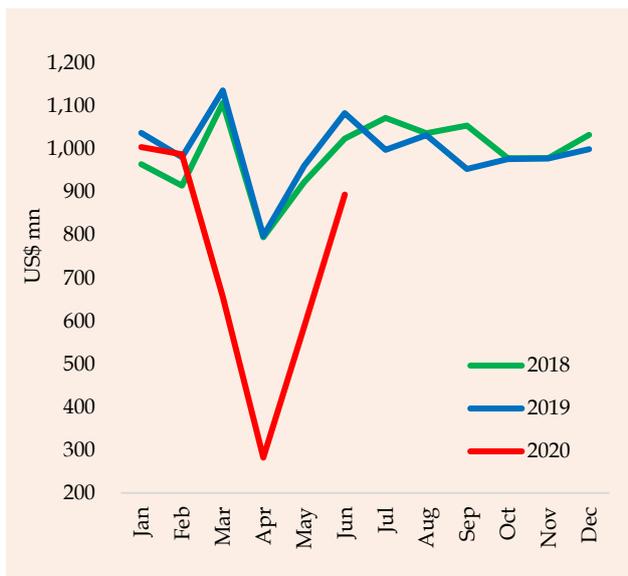
Source: CBSL

## Performance of Merchandise Exports

- Earnings from **merchandise exports** rebounded sharply, recording US dollars 894 million in June 2020 compared to US dollars 587 million recorded in May 2020. The gradual resumption of economic activities of the country as well as the recovery of both domestic and global supply and demand chains to some extent contributed to this improvement. The earnings from textiles and garments exports led the increase from May 2020 to June 2020, followed by rubber products, food beverages and tobacco, seafood and spices.
- However, compared to June 2019, earnings from merchandise exports declined significantly by 17.5 per cent in June 2020. The year-on-year decline in earnings from exports was led by industrial exports. Earnings from textiles and garments contributed the most to the decline in June 2020, on a year-on-year basis, despite the increase in earnings from personal protective equipment (PPE) such as face masks and protective suits, categorised under other made up articles. Earnings from most subcategories of industrial exports including transport equipment, petroleum products, gems, diamonds and jewellery and animal fodder declined, year-on-year, during the month. Despite the increase of surgical and other gloves exports, earnings from rubber products declined, mainly driven by lower exports of tyres. However, earnings from food, beverages and tobacco (led by liquid coconut milk, coconut cream and manufactured tobacco), plastics and articles thereof (led by plastic clothing articles) and chemical products (led by activated carbon) exports increased in June 2020 compared to June 2019.
- Earnings from agricultural exports grew considerably by 12.0 per cent on a year-on-year basis in June 2020, for the first time since May 2019. This increase was led by all subcategories of agriculture exports except for unmanufactured tobacco. Earnings from tea recorded a growth after 10 months in June 2020 driven by higher average export prices of tea although the volume exported recorded a minor decline. Higher earnings were recorded in minor agricultural products led by higher exports of arecanuts, fruits and betel leaves. Earnings from spices increased with higher export volumes of cinnamon and pepper, while earnings from coconut increased as a result of higher average export prices of kernel products and higher export volumes of non kernel products.

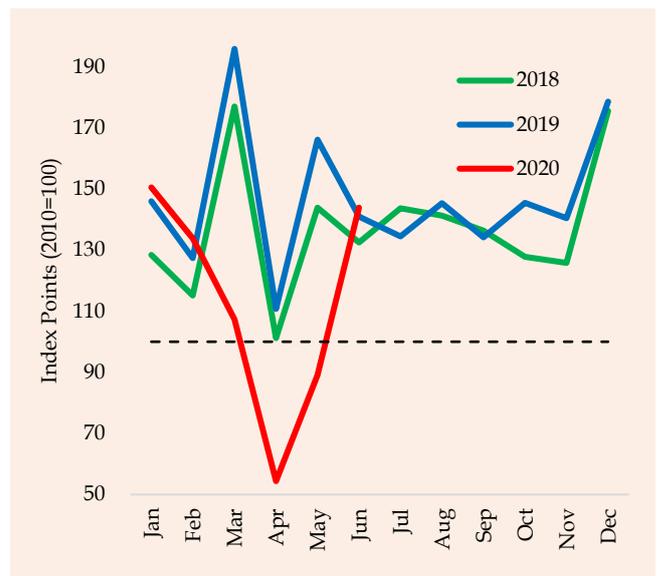
- Earnings from mineral exports recorded a decline in June 2020, year-on-year, led by lower earnings from ores, slag and ash exports.
- The export volume index improved by 2.5 per cent, on a year-on-year basis while the unit value index deteriorated by 19.5 per cent, on a year-on-year in June 2020, indicating that the decline in exports was on average driven by lower export prices compared to June 2019. However, on a month-on-month basis, the improvement of the export volume index was substantially high at 61.7 per cent while the deterioration of the unit value index was relatively low at 5.7 per cent, in June 2020 compared to May 2020.

**Figure 4: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 5: Monthly Export Volume Index**



Source: CBSL

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

Category	June 2019 (US\$ mn)	June 2020 (US\$ mn)	Change (%)	Jan-Jun 2019 (US\$ mn)	Jan-Jun 2020 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>875.4</b>	<b>661.3</b>	<b>-24.5</b>	<b>4,728.6</b>	<b>3,357.1</b>	<b>-29.0</b>
Food, beverages and tobacco	31.0	41.7	34.5	233.4	197.8	-15.2
Animal fodder	19.4	11.3	-41.8	70.7	49.2	-30.4
Textiles and garments	505.3	403.7	-20.1	2,761.4	1,943.9	-29.6
o/w Garments	472.3	323.0	-31.6	2,570.8	1,734.2	-32.5
Textiles	23.4	20.8	-10.8	138.0	105.9	-23.2
Other made up textile articles	9.7	59.8	516.8	52.6	103.8	97.2
Rubber products	79.1	66.0	-16.6	442.1	335.7	-24.1
Gems, diamonds and jewellery	19.9	11.2	-43.8	151.0	72.8	-51.8
Machinery and mechanical appliances	34.4	30.2	-12.1	206.5	146.5	-29.1
Transport equipment	67.6	7.7	-88.6	107.2	30.9	-71.2
Petroleum products	35.6	16.7	-53.0	241.9	219.5	-9.3
Chemical products	15.5	16.0	3.3	87.9	75.3	-14.3
Wood and paper products	10.8	8.0	-25.3	70.7	44.4	-37.2
Printing industry products	1.9	1.9	0.1	23.3	15.1	-35.4
Leather, travel goods and footwear	8.9	5.9	-34.4	58.1	26.1	-55.1
Plastics and articles thereof	6.0	6.9	14.9	36.3	26.7	-26.5
Base metals and articles	13.8	9.6	-30.3	90.7	55.5	-38.8
Ceramic products	2.8	1.4	-49.7	14.1	9.1	-35.7
Other industrial exports	23.5	23.2	-1.4	133.1	108.7	-18.3
<b>2. Agricultural exports</b>	<b>204.5</b>	<b>229.1</b>	<b>12.0</b>	<b>1,245.1</b>	<b>1,039.0</b>	<b>-16.6</b>
Tea	113.2	114.9	1.6	684.9	571.7	-16.5
Rubber	1.7	2.9	68.4	15.0	13.5	-10.1
Coconut	29.3	34.2	16.9	173.2	146.8	-15.2
Spices	24.5	31.5	28.6	143.6	113.8	-20.7
Vegetables	2.3	3.9	68.0	16.0	13.8	-13.4
Unmanufactured tobacco	3.5	1.3	-62.8	16.6	9.5	-42.5
Minor agricultural products	8.6	16.0	87.1	52.3	70.7	35.3
Seafood	21.4	24.3	13.7	143.6	99.1	-31.0
<b>3. Mineral exports</b>	<b>2.8</b>	<b>1.6</b>	<b>-42.7</b>	<b>16.7</b>	<b>9.7</b>	<b>-41.8</b>
<b>4. Unclassified exports</b>	<b>1.2</b>	<b>2.1</b>	<b>69.9</b>	<b>8.8</b>	<b>7.0</b>	<b>-20.7</b>
<b>Total exports</b>	<b>1,084.0</b>	<b>894.1</b>	<b>-17.5</b>	<b>5,999.2</b>	<b>4,412.8</b>	<b>-26.4</b>

(a) Provisional

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

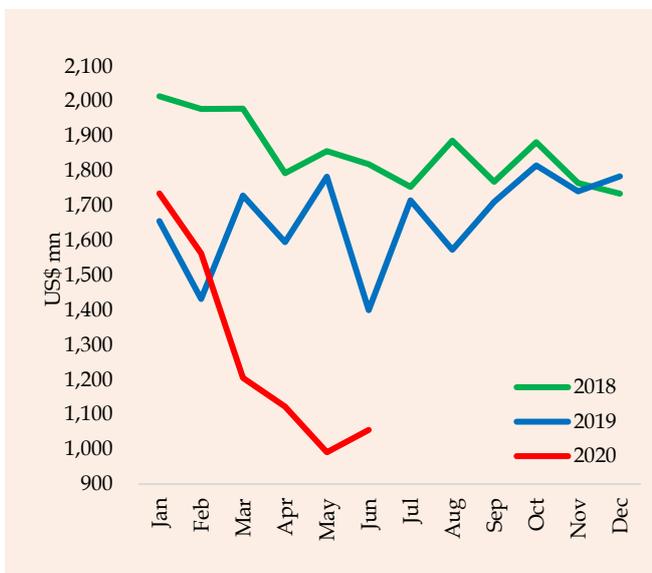
## Performance of Merchandise Imports

- The declining trend observed in expenditure on **merchandise imports** from December 2019 to May 2020, reversed in June 2020, although a decline of 24.6 per cent was recorded on a year-on-year basis. In June 2020, expenditure on merchandise imports stood at US dollars 1,055 million. Expenditure on all major import sectors declined on a year-on-year basis in June 2020, with intermediate and investment goods imports declining the most. This broadbased decline is attributable to the measures taken by the government and the Central Bank since March 2020 to restrict the importation of selected goods to mitigate the adverse effects created by the COVID-19 pandemic and also to the steep decline in expenditure on fuel imports.
- Expenditure on intermediate goods contributed the most to the decline in import expenditure. Import of fuel in June 2020 declined significantly compared to June 2019 as a result of the decline in expenditure on refined and crude oil. This decline in expenditure stemmed from both the reduction in volumes imported and the lower prices of fuel in the international market. The average import price of crude oil declined to US dollars 38.35 per barrel in June 2020, compared to US dollars 67.29 a year ago. Expenditure on imports of textile and textile articles declined significantly in June 2020 led by lower imports of fabric and yarn. However, import expenditure on fertiliser (mainly urea), mineral products (mainly cement clinker), unmanufactured tobacco and agricultural inputs (mainly animal fodder) increased during the month compared to June 2019.
- Expenditure on investment goods declined notably with the decline of all sub categories of investment goods in June 2020. Accordingly, expenditure on machinery and equipment (mainly medical and laboratory equipment), building material (mainly articles of iron and steel) and transport equipment (mainly commercial vehicles such as tankers and bowsers) declined in June 2020, compared with June 2019. However, expenditure on machinery and equipment parts and cement increased during the period under review.
- Although expenditure on food and beverages increased, expenditure on consumer goods declined, due to the decline in expenditure on non-food consumer goods imports. Expenditure on motor vehicle imports declined considerably by 80.9 per cent while import of home appliances declined led by refrigerators and televisions during

the month mainly due to the import restriction measures taken by the government and the Central Bank since March 2020. However, expenditure on medical and pharmaceuticals and telecommunication devices (mainly mobile phones) imports increased in June 2020. Meanwhile, import expenditure on food and beverages increased, led by import of seafood (mainly dry fish), dairy products (mainly milk powder), vegetables (mainly lentils), fats and oils (mainly coconut oil) and spices (mainly chillies and coriander seeds).

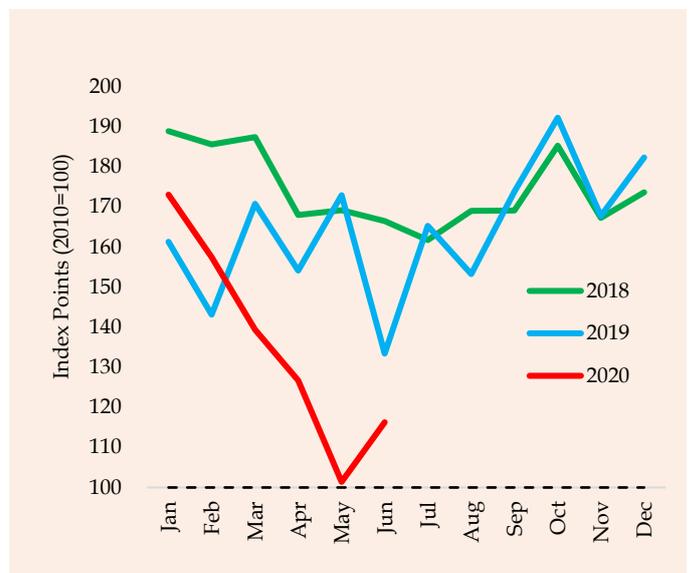
- Both the import volume index and the unit value index declined by 13.2 per cent and 13.1 per cent, respectively, in June 2020, indicating that the decrease in imports was driven both by lower volumes and lower prices when compared to June 2019.

**Figure 6: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 7: Monthly Import Volume Index**



Source: CBSL

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

Category	June 2019 (US\$ mn)	June 2020 (US\$ mn)	Change (%)	Jan-Jun 2019 (US\$ mn)	Jan-Jun 2020 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>258.1</b>	<b>249.1</b>	<b>-3.5</b>	<b>1,811.0</b>	<b>1,782.1</b>	<b>-1.6</b>
Food and beverages	97.7	101.9	4.4	689.9	787.3	14.1
Cereals and milling industry products	2.1	1.0	-51.9	16.3	16.8	2.5
Dairy products	17.5	21.0	20.3	151.6	181.1	19.4
Vegetables	23.3	26.5	13.7	141.3	202.3	43.2
Seafood	15.1	22.6	50.0	107.3	107.5	0.2
Sugar and confectionery	19.3	12.9	-33.0	104.3	116.4	11.5
Spices	5.9	7.9	33.4	50.1	67.7	35.2
Other food and beverages	14.5	10.0	-31.1	118.9	95.6	-19.6
Non-food consumer goods	160.5	147.1	-8.3	1,121.1	994.8	-11.3
Personal vehicles	48.1	9.2	-80.9	324.2	273.4	-15.7
Medical and pharmaceuticals	38.4	60.8	58.5	249.2	274.7	10.2
Home appliances	12.2	6.3	-48.8	97.6	83.0	-14.9
Clothing and accessories	18.3	17.5	-4.7	134.2	111.0	-17.3
Telecommunication devices	14.3	29.4	105.7	115.1	101.4	-12.0
Household and furniture items	12.2	13.3	8.7	75.3	70.5	-6.4
Other non-food consumables	16.9	10.7	-36.4	125.6	80.9	-35.6
<b>2. Intermediate goods</b>	<b>842.6</b>	<b>564.8</b>	<b>-33.0</b>	<b>5,546.4</b>	<b>4,166.8</b>	<b>-24.9</b>
Fuel	284.5	110.4	-61.2	2,001.0	1,243.4	-37.9
o/w Crude oil	92.5	26.8	-71.0	491.3	251.4	-48.8
Refined petroleum	192.0	83.6	-56.4	1,384.5	865.6	-37.5
Coal	0.0	0.0	55.7	125.2	126.4	1.0
Diamonds, precious stones and metals	6.9	6.9	0.7	88.1	39.2	-55.5
Textiles and textile articles	226.6	175.7	-22.5	1,394.8	1,065.6	-23.6
Paper and paperboard and articles thereof	31.6	26.0	-17.8	211.3	175.2	-17.1
Agricultural inputs	13.8	15.8	14.7	94.4	101.8	7.8
Wheat and maize	32.7	27.8	-15.0	143.4	156.5	9.1
Base metals	60.8	13.6	-77.7	277.5	171.2	-38.3
Plastic and articles thereof	45.5	28.9	-36.4	289.9	228.3	-21.2
Chemical products	61.4	62.9	2.5	411.5	378.9	-7.9
Fertiliser	8.2	22.2	171.8	93.4	107.0	14.6
Rubber and articles thereof	16.3	13.7	-16.0	108.8	110.2	1.3
Mineral products	9.7	18.4	88.6	108.4	78.5	(27.6)
Other intermediate goods	44.5	42.4	-4.8	323.9	310.9	-4.0
<b>3. Investment goods</b>	<b>299.0</b>	<b>240.9</b>	<b>-19.4</b>	<b>2,235.6</b>	<b>1,715.2</b>	<b>-23.3</b>
Machinery and equipment	176.8	146.4	-17.2	1,232.4	990.0	-19.7
Building material	98.6	77.9	-21.0	725.5	495.2	-31.7
Transport equipment	23.3	16.2	-30.3	274.5	228.5	-16.8
Other investment goods	0.3	0.3	-2.9	3.2	1.5	-53.9
<b>4. Unclassified imports</b>	<b>0.1</b>	<b>0.7</b>	<b>347.6</b>	<b>3.0</b>	<b>10.5</b>	<b>252.3</b>
<b>Total imports</b>	<b>1,399.8</b>	<b>1,055.5</b>	<b>-24.6</b>	<b>9,596.0</b>	<b>7,674.6</b>	<b>-20.0</b>
<b>Non-fuel imports</b>	<b>1,115.3</b>	<b>945.0</b>	<b>-15.3</b>	<b>7,595.1</b>	<b>6,431.2</b>	<b>-15.3</b>

(a) Provisional

Sources: SLC, CPC, Lanka IOC PLC, CBSL

## Other Major Inflows to the Current Account

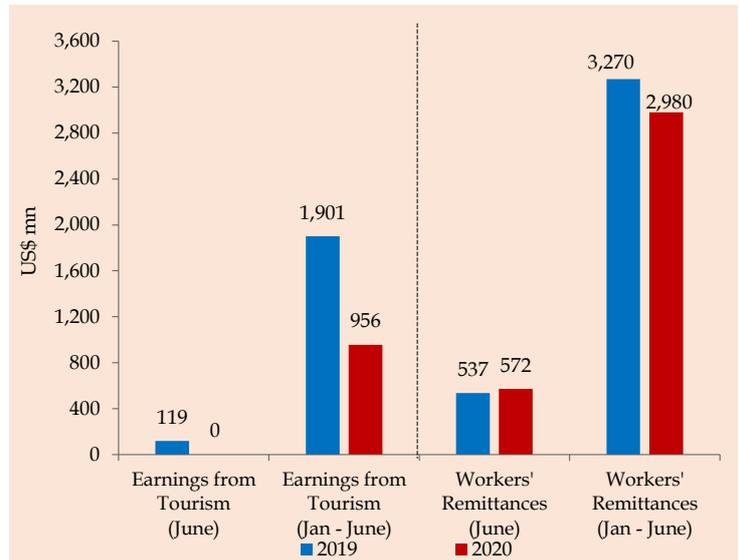
- As no **tourist arrival** was recorded for the 3<sup>rd</sup> consecutive month in June 2020 due to the COVID-19 pandemic, cumulative tourist arrivals remained at 507,311 during the first six months of 2020, compared to 1,008,449 arrivals recorded during the corresponding period in 2019.
- Accordingly, cumulative **earnings from tourism**, which are estimated based on tourist arrivals, remained at US dollars 956 million during the first six months of 2020, recording a drop of 49.7 per cent from the corresponding period of 2019.
- Meanwhile, **workers' remittances** recorded a growth of 6.7 per cent in June 2020, year-on-year, to US dollars 572 million, mainly due to festival allowances received by the migrant workers in the Middle East. On a cumulative basis, however, workers' remittances recorded a decline of 8.9 per cent to US dollars 2,980 million during the first six months of 2020, in comparison to the corresponding period of 2019.

Figure 8: Monthly Tourist Arrivals



Source: SLTDA

Figure 9: Tourism and Workers' Remittances



Sources: SLTDA, Licensed Banks, CBSL

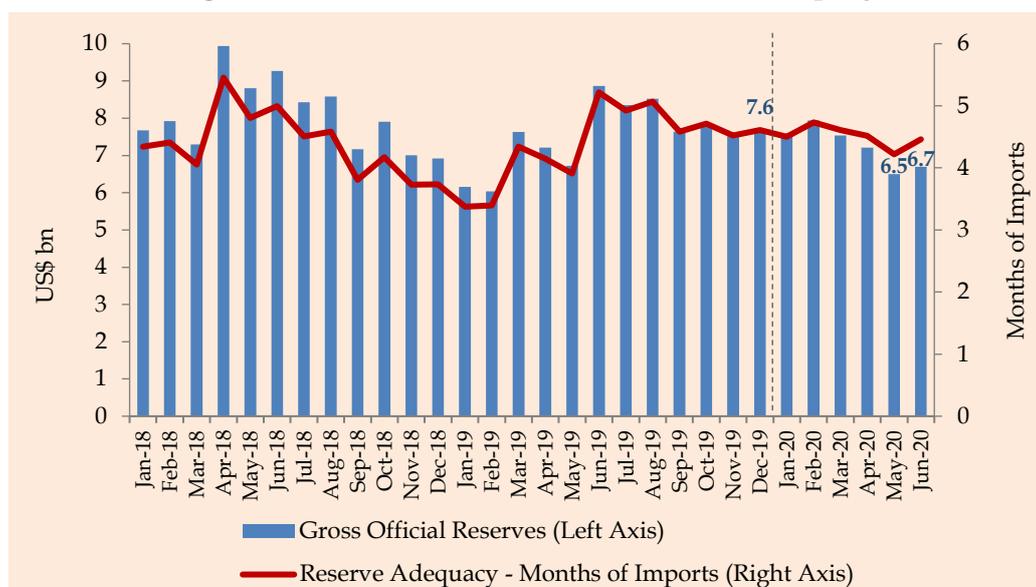
## Financial Flows

- A net outflow of foreign investment amounting to US dollars 38 million was recorded from the rupee denominated **government securities** market in June 2020, resulting in a cumulative net outflow of US dollars 492 million during the first half of 2020. The total outstanding exposure of foreign investment in the government securities market remained insignificant at US dollars 88 million by end June 2020.
- There were net outflows of US dollars 46 million from the secondary market of the CSE in June 2020 (no primary market inflows were recorded in June 2020). On a cumulative basis, the CSE recorded a net outflow of US dollars 111 million in the first half of 2020.
- Further, net inflows on account of **long term loans** to the government amounted to US dollars 34 million in June 2020.

## International Reserves

- **Gross official reserves** stood at US dollars 6.7 billion at end June 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 9.5 billion at end June 2020, equivalent to 6.3 months of imports.

Figure 10: Gross Official Reserves and Reserve Adequacy



Source: CBSL

## Exchange Rate Movements

- The Sri Lankan rupee, which continued to appreciate since mid-April 2020, maintained the momentum during June 2020 and recorded a marginal appreciation of 0.03 per cent during the month. With a sharp appreciation since beginning of May 2020, the overall depreciation of the rupee against the US dollar thus far during the year up to 14 August 2020 is limited to 0.6 per cent. The Central Bank continued to intervene in the domestic foreign exchange market with a view to building up reserves. Meanwhile, reflecting cross-currency movements, the rupee depreciated against the euro, the pound sterling, the Japanese yen and the Australian dollar, while appreciating against the Indian rupee during the year up to 14 August 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 14 Aug) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+0.6%	-0.6%
Euro	-12.7%	+2.6%	-5.6%
Pound sterling	-11.4%	-2.8%	-0.02%
Japanese yen	-18.1%	-1.0%	-2.1%
Australian dollar	-7.6%	+1.3%	-2.4%
Indian rupee	-8.7%	+2.6%	+4.3%

Source: CBSL