

# PRESS RELEASE

☒ Communications Department, 30, Janadhipathi Mawatha, Colombo 01, Sri Lanka  
 ☎ +94 11 2477424 / +94 11 2477423 ☒ +94 11 2346257  
 @ communications@cbsl.lk / dcommunications@cbsl.lk 🌐 www.cbsl.gov.lk



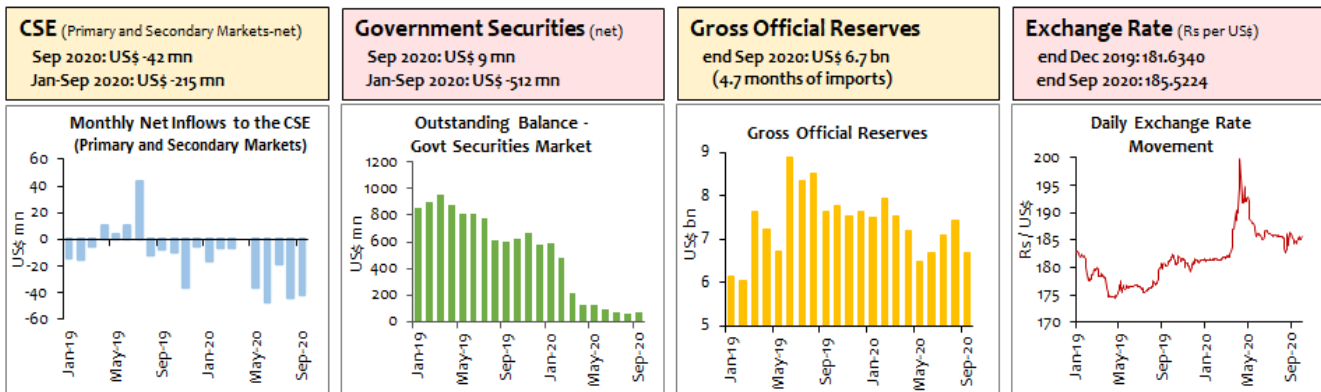
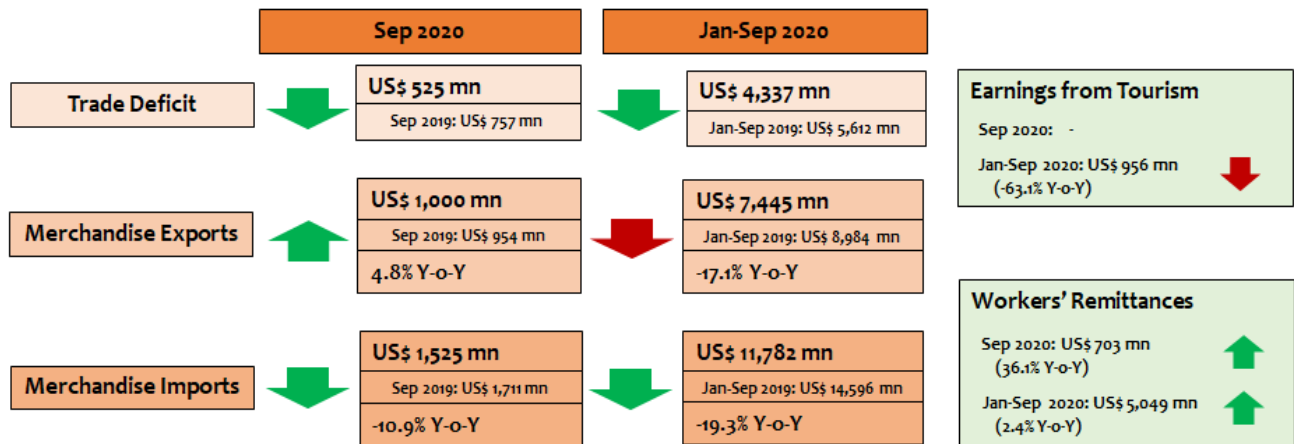
ශ්‍රී ලංකා මහ බැංකුව  
 இலங்கை மத்திய வங்கி  
**CENTRAL BANK OF SRI LANKA**

**Issued By** Economic Research Department

**Date** 09 November 2020

## External Sector Performance – September 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 recovered further in September 2020, supported by the continued improvement in the trade deficit, a notable increase in workers' remittances and the resultant stability in the domestic foreign exchange market. The trade deficit improved in September 2020, compared to a year earlier, with a more than expected rebound in merchandise exports and a reduction in merchandise imports during the month. In September 2020, workers' remittances, recorded the highest year-on-year growth since end 2011. In the financial account, the government securities market recorded a marginal foreign investment inflow during the month, while the Colombo Stock Exchange (CSE) recorded outflows. Net inflows to the domestic foreign exchange market eased the pressure on the exchange rate and enabled the Central Bank to absorb foreign exchange, on a net basis, to build up gross official reserves. Reflecting these developments, the Sri Lankan rupee appreciated during the month of September 2020.

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

Category	Sep 2019 US\$ mn	Sep 2020 US\$ mn	Change (%)	Jan-Sep 2019 US\$ mn	Jan-Sep 2020 US\$ mn	Change (%)
Merchandise Exports	954	1,000	4.8	8,984	7,445	-17.1
Merchandise Imports	1,711	1,525	-10.9	14,596	11,782	-19.3
Trade balance	-757	-525		-5,612	-4,337	
Earnings from tourism	205 (b)	-	-	2,594 (b)	956 (c)	-63.1
Workers' remittances	516	703	36.1	4,930	5,049	2.4
Inflows to the CSE (net) (d)	-7	-42		15	215	
Inflows to the Government (gross)	276	124		5,957	1,427	
Treasury bills and bonds	22	10		454	102	
Long term loans (e)	254	113		1,103	1,325	
International Sovereign Bonds	-	-		4,400	-	
Foreign Direct Investment (f)				535	345	
Overall Balance				789	-1,104	

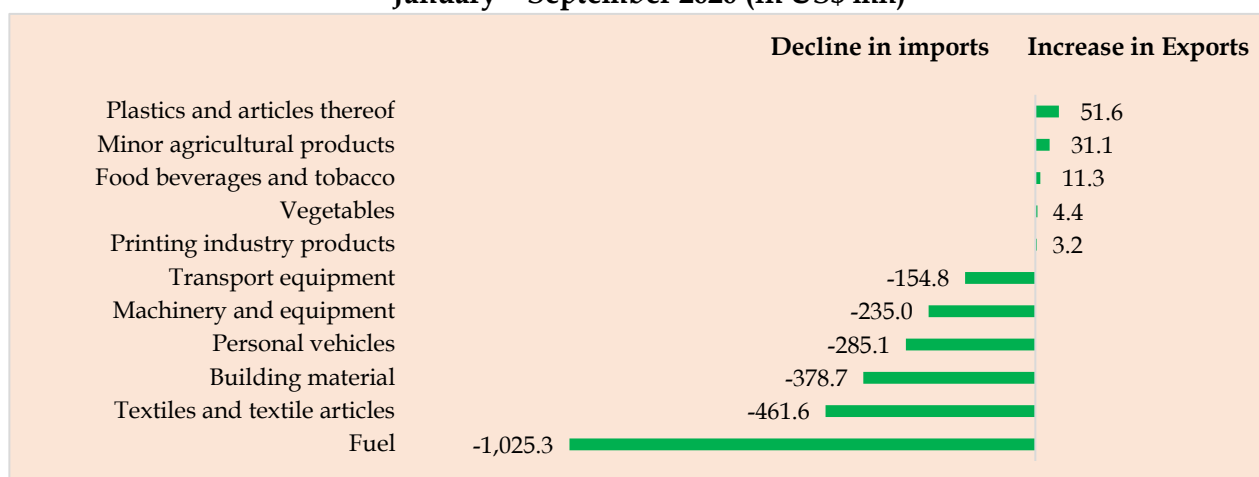
Sources: Sri Lanka Customs (SLC), Sri Lanka Tourism Development Authority (SLTDA), Colombo Stock Exchange (CSE), Board of Investment of Sri Lanka (BOI), Central Bank of Sri Lanka (CBSL)

- (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 primary and secondary transactions.
- (e) Data for foreign loans to the government only available for August for monthly data and for the first eight months for cumulative data.
- (f) Data available for the first six 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

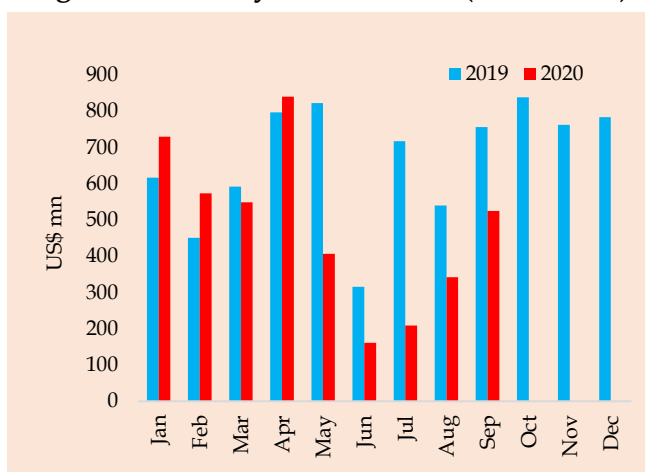
- A deficit of US dollars 525 million was recorded in the **trade account** in September 2020, which was significantly lower than the deficit of US dollars 757 million recorded in September 2019. The improvement in the trade deficit during the month was due to lower level of imports and higher level of exports in September 2020, compared to September 2019.
- The cumulative deficit in the trade account from January to September 2020 narrowed to US dollars 4,337 million from the deficit of US dollars 5,612 million recorded in the same period in 2019. The major contributory factors for this outcome 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 1.1 per cent in September 2020, compared to September 2019, due to export prices declining at a higher pace than the decline in import prices.

**Figure 1: Major Contributory Factors for the decline in the Trade Deficit January – September 2020 (in US\$ mn)**



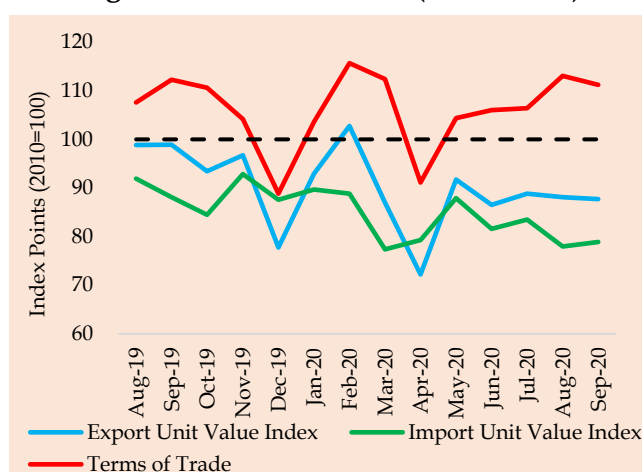
Sources: SLC, CBSL

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



Sources: SLC, CBSL

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



Source: CBSL

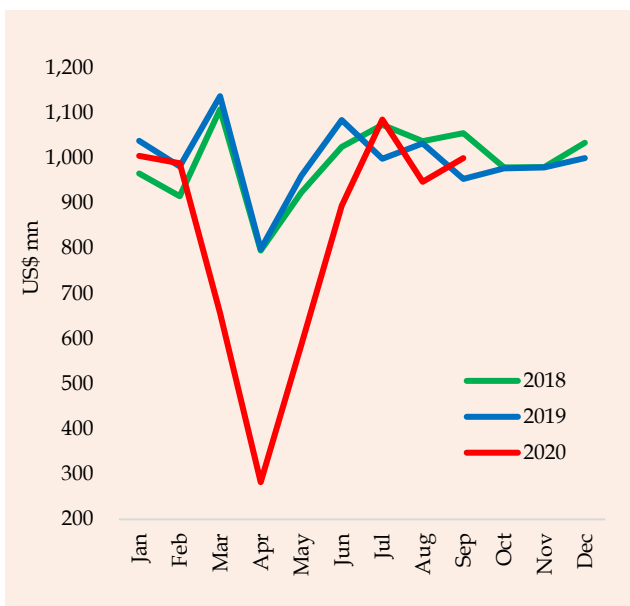
## Performance of Merchandise Exports

- Exhibiting the resilience of the export sector in the midst of the current global market conditions and its V-shaped recovery since the initial outbreak of the COVID-19 pandemic, earnings from **merchandise exports** in September 2020 increased, both on a year-on-year basis as well as on a month-on-month basis. Merchandise exports of US dollars 1,000 million in September 2020 were higher by 4.8 per cent than the exports of US dollars 954 million in September 2019. This was also 5.6 per cent higher than the exports of US dollars 947 million recorded in August 2020. The increase in exports of most agricultural goods and some industrial product categories, which surpassed the decline in other industrial exports and mineral exports, contributed to the overall increase in exports.
- Export earnings from agricultural goods increased by 10.4 per cent in September 2020 on a year-on-year basis, led by coconut exports (both kernel and non-kernel), spices (mainly cinnamon), tea, minor agricultural products (mainly betel leaves) and seafood. Increased earnings from tea exports (3.3 per cent) were supported by higher prices (6.3 per cent), as export volumes declined (2.8 per cent).
- As a combined effect of weaker performance in some export segments and higher performance in others, overall earnings from the export of industrial goods increased by 3.6 per cent in September 2020 on a year-on-year basis. The segments that marked a notable increase included personal protective equipment (PPE) products such as plastic clothing, masks and gloves, which are categorised under plastics and articles thereof, other made up textile articles under textiles and garments, and rubber products. The total increase in these three categories surpassed the decline in earnings from garment exports. Export earnings from food, beverages and tobacco also increased significantly, with exports of most of the value added food items under this category growing, led by value added coconut products. Export earnings from rubber products other than gloves, such as tyres, increased as well. Meanwhile, a notable increase in printing industry products was seen due to an increase in the export of currency notes of other countries printed in Sri Lanka. Industrial export segments that recorded a decline in earnings include garments; gems, diamonds and jewellery; petroleum products; and base metals and articles. Earnings from the export of textiles and garments declined by 3.7 per cent on a year-on-year basis, with exports to the USA reducing and exports to the EU increasing

marginally. Earnings from the export of petroleum products declined with a reduction in prices as well as the lower quantity of bunker fuel supplied. Meanwhile, earnings from mineral exports declined in September 2020, year-on-year.

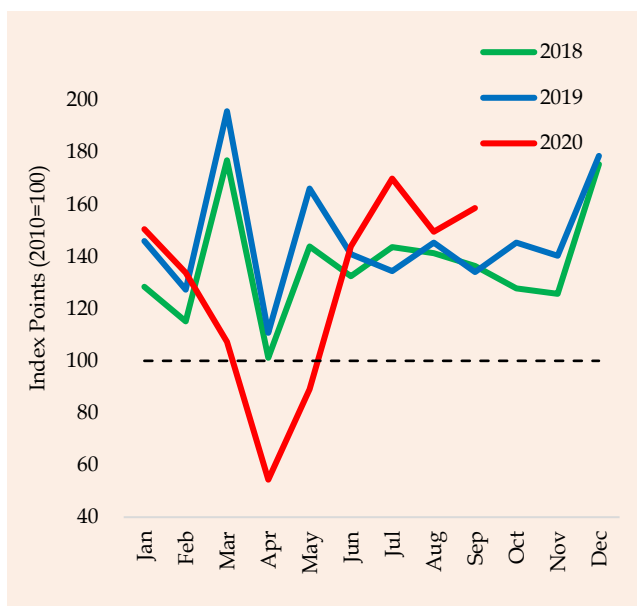
- The export volume index improved by 18.4 per cent, on a year-on-year basis, while the unit value index deteriorated by 11.5 per cent, on a year-on-year basis, in September 2020, indicating that the year-on-year increase in earnings from exports was, on average, driven by higher volumes.

**Figure 4: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 5: Monthly Export Volume Index**



Source: CBSL

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

Category	Sep 2019 (US\$ mn)	Sep 2020 (US\$ mn)	Change (%)	Jan-Sep 2019 (US\$ mn)	Jan-Sep 2020 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>747.6</b>	<b>774.5</b>	<b>3.6</b>	<b>7,077.8</b>	<b>5,680.0</b>	<b>-19.7</b>
Food, beverages and tobacco	33.6	45.6	36.0	337.3	348.6	3.3
Animal fodder	6.1	8.3	34.8	94.9	83.9	-11.7
Textiles and garments	450.2	433.7	-3.7	4,186.8	3,286.8	-21.5
o/w Garments	419.1	391.6	-6.6	3,897.6	2,919.7	-25.1
Textiles	23.0	26.6	15.9	210.5	181.6	-13.7
Other made up textile articles	8.2	15.5	89.3	78.7	185.5	135.7
Rubber products	70.9	78.0	9.9	662.2	566.9	-14.4
Gems, diamonds and jewellery	24.6	20.2	-17.9	224.5	122.9	-45.3
Machinery and mechanical appliances	33.0	35.8	8.5	308.0	245.3	-20.4
Transport equipment	7.0	8.2	17.4	127.5	54.4	-57.3
Petroleum products	40.3	28.6	-29.0	367.9	296.8	-19.3
Chemical products	13.7	16.0	16.5	134.1	123.7	-7.8
Wood and paper products	10.6	9.8	-7.5	101.4	74.4	-26.6
Printing industry products	1.7	10.4	512.5	33.1	36.3	9.6
Leather, travel goods and footwear	8.1	5.9	-27.4	82.2	44.0	-46.4
Plastics and articles thereof	5.8	34.1	483.7	55.1	106.7	93.7
Base metals and articles	14.3	8.6	-39.9	135.3	84.6	-37.5
Ceramic products	3.2	3.2	1.1	22.8	16.6	-27.5
Other industrial exports	24.4	28.1	15.2	204.7	188.3	-8.0
<b>2. Agricultural exports</b>	<b>201.5</b>	<b>222.5</b>	<b>10.4</b>	<b>1,868.9</b>	<b>1,738.5</b>	<b>-7.0</b>
Tea	110.4	114.0	3.3	1,025.3	919.6	-10.3
Rubber	1.5	2.1	41.0	20.1	19.9	-0.9
Coconut	26.3	35.8	35.8	258.5	257.3	-0.5
Spices	31.4	38.6	22.9	234.8	233.1	-0.7
Vegetables	2.9	2.3	-18.6	24.1	28.5	18.4
Unmanufactured tobacco	3.1	2.7	-12.2	25.8	19.7	-23.7
Minor agricultural products	10.0	10.8	7.8	80.0	111.1	38.8
Seafood	15.9	16.2	1.8	200.4	149.4	-25.5
<b>3. Mineral exports</b>	<b>3.3</b>	<b>1.7</b>	<b>-49.9</b>	<b>24.7</b>	<b>15.9</b>	<b>-35.4</b>
<b>4. Unclassified exports</b>	<b>1.4</b>	<b>1.3</b>	<b>-3.5</b>	<b>12.7</b>	<b>10.7</b>	<b>-15.8</b>
<b>Total exports</b>	<b>953.8</b>	<b>1,000.0</b>	<b>4.8</b>	<b>8,984.0</b>	<b>7,445.0</b>	<b>-17.1</b>

(a) Provisional

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

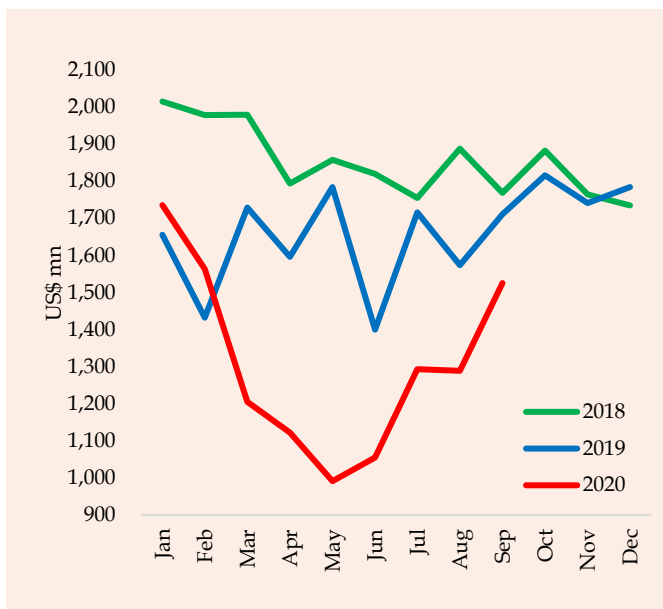
## Performance of Merchandise Imports

- Expenditure on **merchandise imports** declined by 10.9 per cent to US dollars 1,525 million in September 2020, compared to September 2019, thus continuing the year-on-year declining trend observed since March 2020. Measures taken by the Government to restrict the importation of selected non-essential goods since March 2020 and lower fuel prices in the international market primarily caused this decline.
- However, import expenditure in September 2020 was higher than import expenditure recorded in each month since March 2020, and the increase over August 2020 was 18.3 per cent. This was mainly due to the increase in the importation of machinery and equipment in September 2020.
- Expenditure on the importation of consumer goods in September 2020 was lower by 14.8 per cent compared to September 2019 mainly owing to the decline in import of vehicles for personal use, clothing and accessories and other items restricted by the Government. However, expenditure on food and beverages was substantially higher mainly due to greater imports of sugar, milk powder and coconut oil. Import volumes of sugar and milk powder significantly increased. Whereas import prices of sugar were somewhat higher in September 2020 than in September 2019, import prices of whole milk powder were lower in line with prices in the global market. Imports of non-food consumer goods that are not under import restrictions or are under less stringent restrictions, such as pharmaceuticals (mainly medicaments), telecommunication devices (mainly mobile phones), home appliances, such as refrigerators and rice cookers, and toiletries, increased. On the other hand, import expenditure on other food items, such as vegetables, fruits, spices and beverages, declined in September 2020, compared to September 2019.
- Expenditure on the importation of intermediate goods declined by 11.7 per cent in September 2020, compared to September 2019, mainly owing to the 39.5 per cent decline in expenditure on fuel imports, which in turn was an outcome of low petroleum prices prevailing in the global market as well as lower volumes imported. The average import price of crude oil in September 2020 was US dollars 44.05 per barrel in comparison to US dollars 67.73 per barrel in September 2019. Other intermediate goods that contributed to reduce the overall import expenditure were textiles and textile articles, fertiliser, diamonds and unmanufactured tobacco. However, import expenditure on base metals (mainly iron

and steel), wheat, plastic and articles in primary form and chemical products increased.

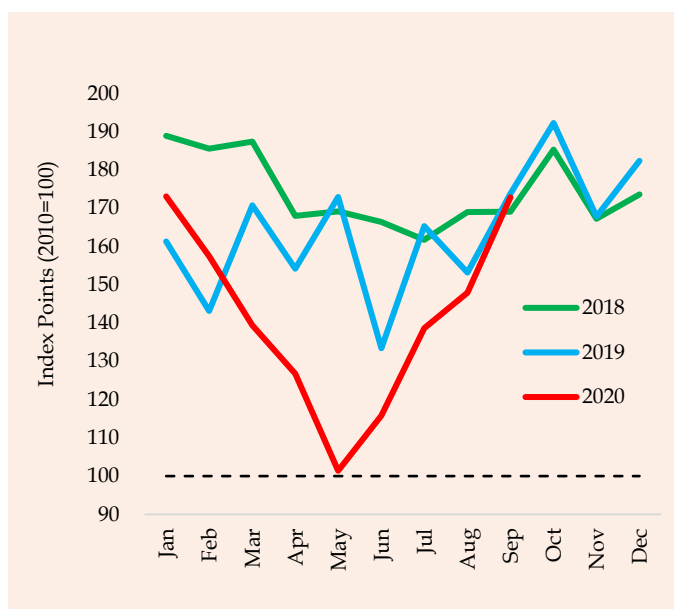
- Two of the subcategories of investment goods, i.e., building material and transport equipment, saw year-on-year declines in import expenditure of 31.6 per cent and 56.3 per cent, respectively, with items under building material such as iron and steel and articles thereof; cement; ceramic products; aluminium articles; insulated wires and cables, and items under transport equipment such as buses, auto-trishaws, other commercial vehicles and railway equipment, showing a marked decline, mainly owing to import restrictions. The import of tractors, which is not restricted, increased. The other subcategory of investment goods, namely, machinery and equipment, increased in September 2020 significantly, compared to September 2019 as well as monthly imports from February to August 2020, mainly due to the increase in import of cranes and parts for machinery and equipment. In addition, most other items with small import shares, such as electronic and electric machinery and equipment, medical laboratory equipment, office machines and air conditioning machines also increased.
- The import volume index and the unit value index declined by 0.4 per cent and 10.5 per cent, respectively, on a year-on-year basis in September 2020, indicating that the decrease in import expenditure was caused both by lower volumes and lower prices.

**Figure 6: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 7: Monthly Import Volume Index**



Source: CBSL



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

Category	Sep 2019 (US\$ mn)	Sep 2020 (US\$ mn)	Change (%)	Jan-Sep 2019 (US\$ mn)	Jan-Sep 2020 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>312.8</b>	<b>266.5</b>	<b>-14.8</b>	<b>2,812.0</b>	<b>2,566.9</b>	<b>-8.7</b>
Food and beverages	92.2	125.2	35.9	1,009.3	1,148.9	13.8
Cereals and milling industry products	2.6	3.1	18.1	24.8	24.1	-2.9
Dairy products	8.9	24.1	171.3	225.0	253.0	12.5
Vegetables (b)	20.0	16.2	-19.3	207.6	262.5	26.4
Seafood	14.3	14.0	-1.6	160.0	153.5	-4.1
Sugar and confectionery	16.2	38.0	134.2	142.6	200.6	40.6
Spices	11.4	10.2	-11.1	79.5	94.3	18.6
Other food and beverages	18.7	19.7	5.1	169.7	160.9	-5.2
Non-food consumer goods	220.6	141.3	-36.0	1,802.7	1,418.0	-21.3
Personal vehicles	70.1	0.6	-99.1	566.5	281.4	-50.3
Medical and pharmaceuticals	48.9	56.4	15.5	399.4	441.7	10.6
Home appliances	15.3	17.0	11.6	146.6	117.4	-19.9
Clothing and accessories	29.2	15.4	-47.1	203.6	153.1	-24.8
Telecommunication devices	16.3	21.0	29.1	173.4	195.6	12.8
Household and furniture items	18.0	12.9	-28.5	122.7	104.4	-14.9
Other non-food consumables	22.9	17.9	-22.0	190.5	124.3	-34.7
<b>2. Intermediate goods</b>	<b>1,000.7</b>	<b>883.3</b>	<b>-11.7</b>	<b>8,380.5</b>	<b>6,575.8</b>	<b>-21.5</b>
Fuel	353.7	214.0	-39.5	2,930.5	1,905.2	-35.0
o/w Crude oil	98.6	63.6	-35.5	729.3	451.2	-38.1
Refined petroleum	232.1	134.9	-41.9	2,052.9	1,309.3	-36.2
Coal	23.0	15.5	-32.6	148.3	144.7	-2.4
Diamonds, precious stones and metals	20.7	9.8	-52.7	139.1	67.2	-51.7
Textiles and textile articles	250.3	208.3	-16.8	2,127.1	1,665.5	-21.7
Paper and paperboard and articles thereof	40.6	37.7	-7.3	336.1	277.1	-17.6
Agricultural inputs	13.6	15.1	10.6	140.7	147.6	4.9
Wheat and maize	30.5	60.7	99.3	233.9	290.0	24.0
Base metals	42.5	75.4	77.3	408.7	321.9	-21.2
Plastics and articles thereof	50.2	64.6	28.7	445.1	388.5	-12.7
Chemical products	67.8	79.8	17.6	621.3	598.1	-3.7
Fertiliser	30.0	14.7	-50.9	167.5	139.0	-17.0
Rubber and articles thereof	22.5	19.5	-13.4	174.9	165.4	-5.5
Mineral products	22.0	24.5	11.4	159.0	132.1	-16.9
Other intermediate goods	56.3	59.4	5.5	496.5	478.1	-3.7
<b>3. Investment goods</b>	<b>396.6</b>	<b>374.2</b>	<b>-5.7</b>	<b>3,398.4</b>	<b>2,627.4</b>	<b>-22.7</b>
Machinery and equipment	206.5	257.1	24.5	1,816.7	1,581.7	-12.9
Building material	136.5	93.4	-31.6	1,143.4	764.7	-33.1
Transport equipment	53.2	23.2	-56.3	433.4	278.6	-35.7
Other investment goods	0.4	0.4	18.4	4.9	2.4	-51.0
<b>4. Unclassified imports</b>	<b>0.4</b>	<b>0.8</b>	<b>107.7</b>	<b>5.2</b>	<b>12.2</b>	<b>134.7</b>
<b>Total imports</b>	<b>1,710.5</b>	<b>1,524.9</b>	<b>-10.9</b>	<b>14,596.1</b>	<b>11,782.2</b>	<b>-19.3</b>
<b>Non-fuel imports</b>	<b>1,356.8</b>	<b>1,310.9</b>	<b>-3.4</b>	<b>11,665.6</b>	<b>9,877.1</b>	<b>-15.3</b>

(a) Provisional

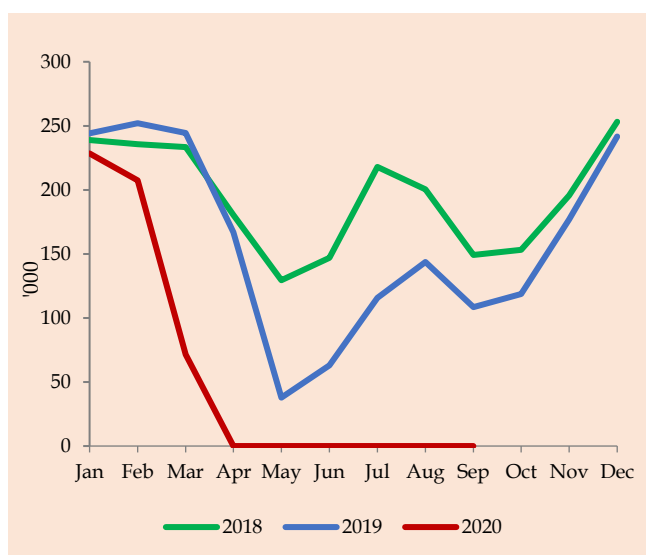
(b) Includes lentils, onions, potatoes, leguminous and other vegetables

Sources: SLC, CPC, Lanka IOC PLC, CBSL

## Other Major Inflows to the Current Account

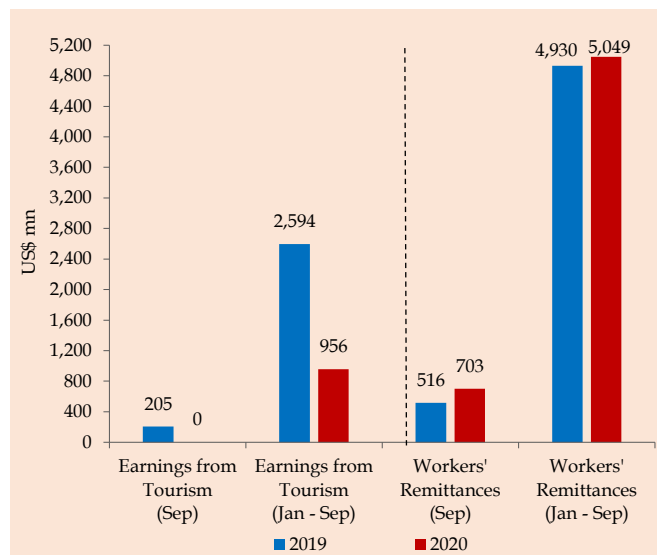
- No **tourist arrivals** were recorded for the sixth consecutive month in September 2020 as all airports and sea ports remained closed for tourist arrivals in view of the COVID-19 pandemic. Hence, total tourist arrivals remained at 507,311 during the nine months ending September 2020, compared to 1,376,312 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 year up to September 2020, thus recording a drop of 63.1 per cent from the corresponding period of 2019.
- Meanwhile, **workers' remittances** continued to increase notably for the fourth consecutive month, recording a healthy growth of 36.1 per cent in September 2020, year-on-year, to US dollars 703 million. This increase led the cumulative earnings in workers' remittances to record a growth for the first time after experiencing cumulative declines for six months since March 2020. Accordingly, workers' remittances grew by 2.4 per cent to US dollars 5,049 million during the period from January to September 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

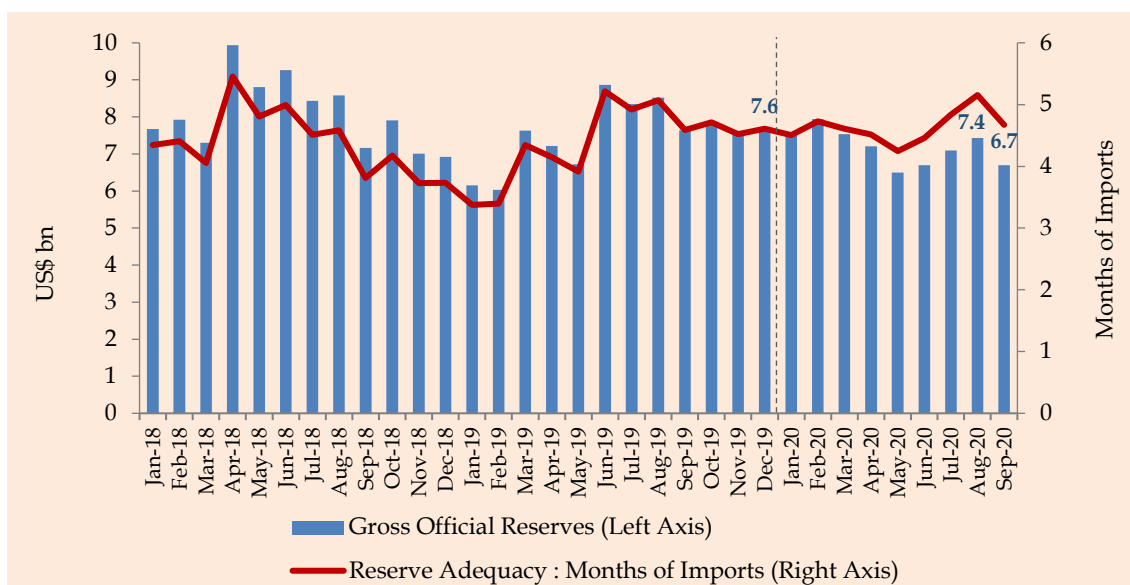
## Financial Flows

- A net inflow of foreign investment amounting to US dollars 9 million was recorded from the rupee denominated **government securities** market in September 2020, reducing the cumulative net outflow to US dollars 512 million during the period from January to September 2020. The total outstanding exposure of foreign investment in the rupee denominated government securities market remained relatively negligible at US dollars 72 million by end September 2020.
- There was a net outflow of US dollars 42 million from the primary and secondary markets of the **CSE** in September 2020. On a cumulative basis, the CSE recorded a net outflow of US dollars 215 million during the nine months ending September 2020.
- Meanwhile, **long term loans** to the Government recorded a net inflow of US dollars 50 million in August 2020 (data available only up to end August 2020).

## International Reserves

- The level of **gross official reserves** amounted to US dollars 6.7 billion at end September 2020, which was equivalent to 4.7 months of imports. Total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 9.2 billion at end September 2020, providing an import cover of 6.5 months.

Figure 10: Gross Official Reserves and Reserve Adequacy

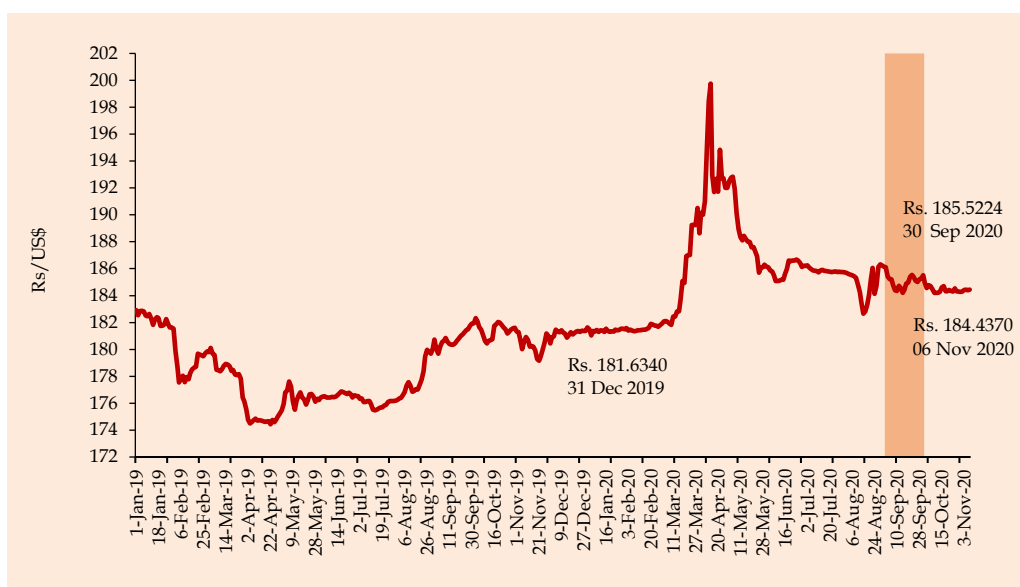


Source: CBSL

## Exchange Rate Movements

- The Sri Lankan rupee recorded a marginal appreciation of 0.3 per cent during September 2020, after demonstrating some volatility in the middle of the month. Overall, the rupee has recorded only a marginal depreciation of 1.5 per cent against the US dollar thus far during the year up to 06 November. With a view to building up gross official reserves, the Central Bank continued to intervene in the domestic foreign exchange market by purchasing foreign exchange in September 2020 as well. During the year up to end October 2020, the Central Bank has absorbed US dollars 302.6 million, on a net basis. Meanwhile, reflecting cross-currency movements, the Sri Lankan rupee depreciated against the euro, the pound sterling, the Japanese yen and the Australian dollar, while appreciating against the Indian rupee in 2020 up to 06 November.

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 06 Nov) Depreciation (-)/ Appreciation (+)
US dollar	-16.4%	+0.6%	-1.5%
Euro	-12.7%	+2.6%	-6.6%
Pound sterling	-11.4%	-2.8%	-1.5%
Japanese yen	-18.1%	-1.0%	-6.1%
Australian dollar	-7.6%	+1.3%	-5.0%
Indian rupee	-8.7%	+2.6%	+2.2%

Source: CBSL