

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



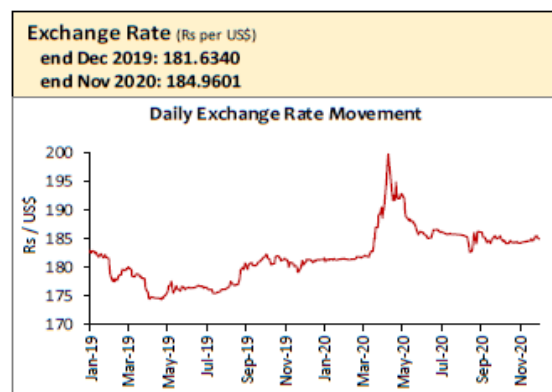
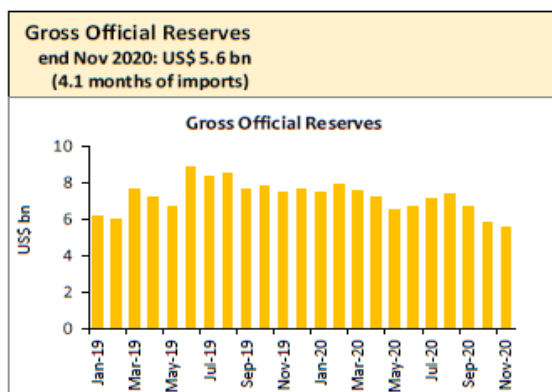
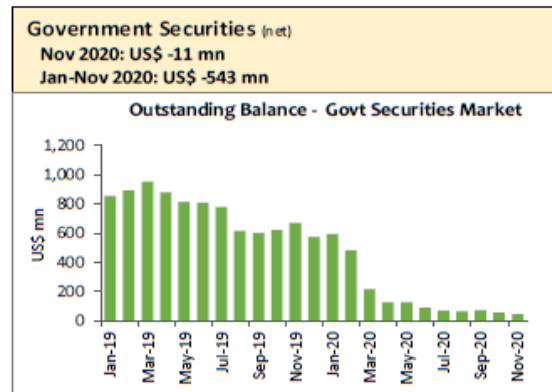
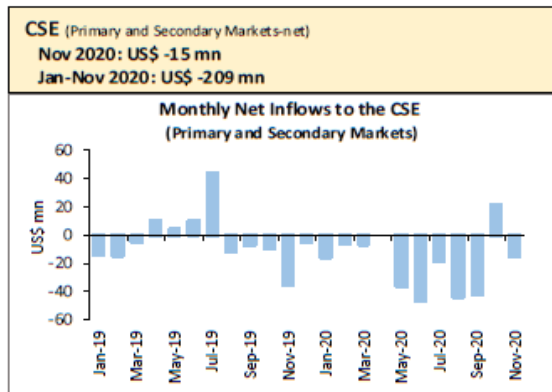
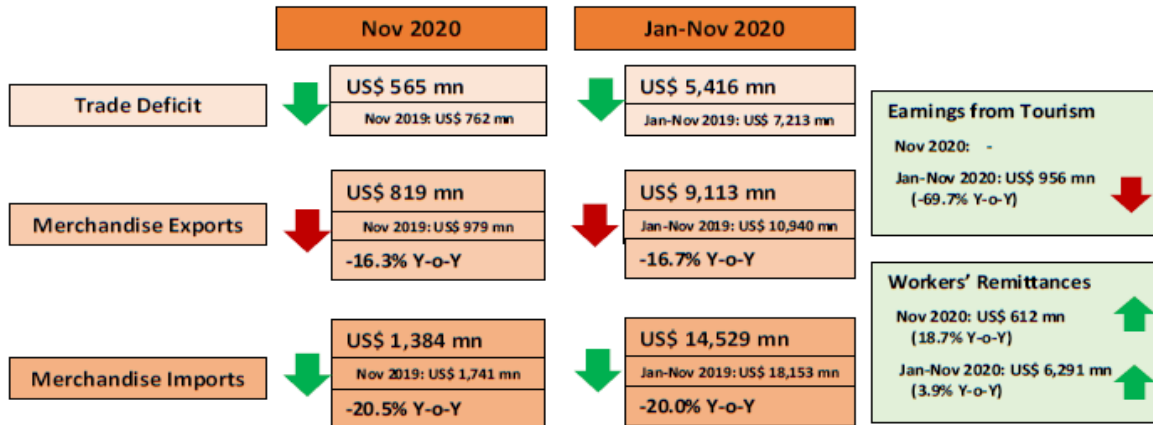
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 இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Issued By Economic Research Department

Date 15 January 2021

External Sector Performance – November 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

Amidst a decline in earnings from exports, a number of positive developments were observed in the external sector in November 2020, including a lower trade deficit, and a notable increase in workers' remittances. Merchandise imports continued to decline supported by the continuation of restrictions on non-essential imports and low global oil prices. There was a notable decline in merchandise exports in November compared to previous months due to disturbances to domestic production processes with the second wave of the COVID-19 pandemic. Workers' remittances continued to record a growth in November as well. In the financial account, both foreign investment in the government securities market and the Colombo Stock Exchange (CSE) recorded marginal net outflows in November 2020. The level of gross official reserves amounted to US dollars 5.6 billion at end November 2020, while the Sri Lankan rupee depreciated against the US dollar marginally during the month of November 2020.

Table 1: Summary of External Sector Performance (a)

Category	Nov 2019 US\$ mn	Nov 2020 US\$ mn	Change (%)	Jan-Nov 2019 US\$ mn	Jan-Nov 2020 US\$ mn	Change (%)
Merchandise Exports	979	819	-16.3	10,940	9,113	-16.7
Merchandise Imports	1,741	1,384	-20.5	18,153	14,529	-20.0
Trade balance	-762	-565		-7,213	-5,416	
Earnings from tourism	334 (b)	-	-	3,151 (b)	956 (c)	-69.7
Workers' remittances	515	612	18.7	6,052	6,291	3.9
Inflows to the CSE (net) (d)	-36	-15		-30	-209	
Inflows to the Government (gross)	191	87		6,457	1,899	
Treasury bills and bonds (gross)	69	1		580	103	
Long term loans (gross)	121	86		1,477	1,795	
International Sovereign Bonds (gross)	-	-		4,400	-	
Foreign Direct Investment (gross)(e)				793	548	
Overall Balance				488	-2,203	

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 available for the first nine months of each period and includes foreign loans to Direct Investment Enterprises as recorded by the BOI and net direct investment to the CSE.

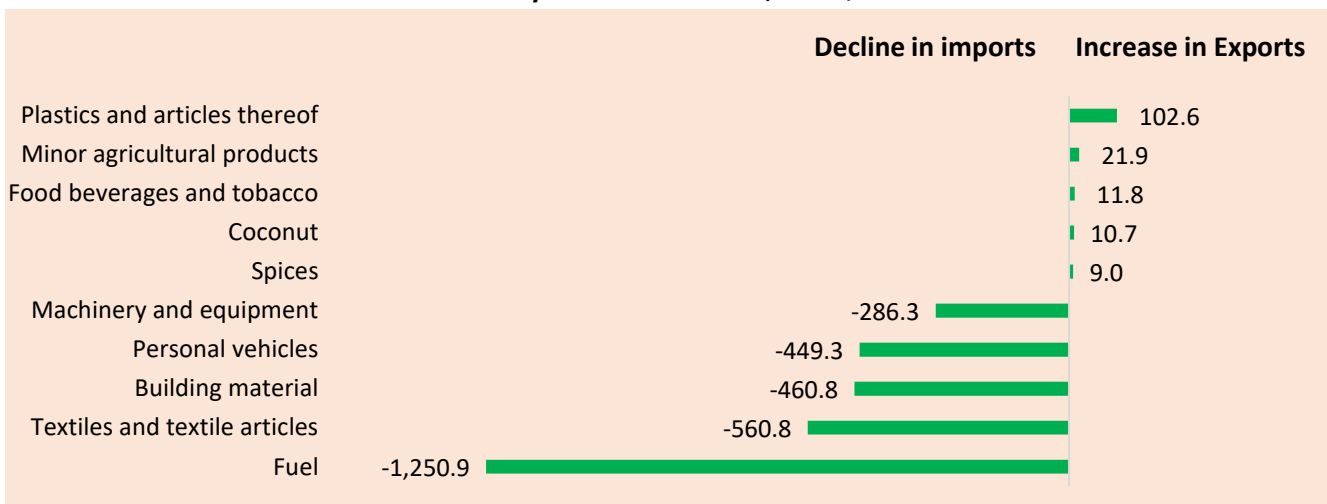
Trade Balance and Terms of Trade

The deficit in the trade account narrowed in November 2020 by US dollars 198 million to US dollars 565 million, from US dollars 762 million recorded in November 2019, due to a larger decline in imports compared to the decline in exports.

Further, the cumulative deficit in the trade account from January to November 2020 narrowed to US dollars 5,416 million from the deficit of US dollars 7,213 million recorded in the same period in 2019. The major contributory factors for this outcome are depicted in Figure 1.

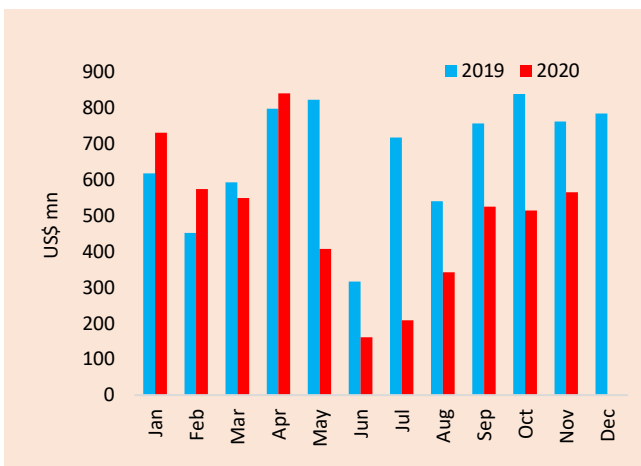
Terms of trade, i.e., the ratio of the price of exports to the price of imports, improved by 0.6 per cent in November 2020, compared to November 2019, with import prices declining more than export prices.

Figure 1: Major Contributory Factors for the decline in the Trade Deficit January – November 2020, in US\$ mn



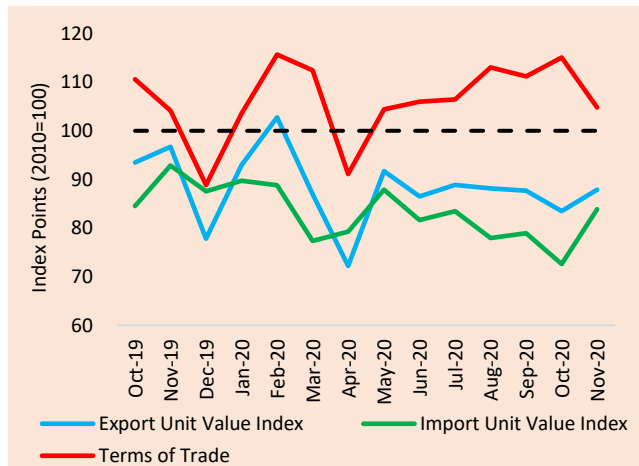
Sources: SLC, CBSL

Figure 2: Monthly Trade Deficit (2019 – 2020)



Sources: SLC, CBSL

Figure 3: Terms of Trade (2019 – 2020)



Source: CBSL

Performance of Merchandise Exports

Overall exports: Earnings from merchandise exports suffered in November 2020 due to the resurgence of COVID-19 cases in Sri Lanka and abroad. Earnings from exports declined by 16.3 per cent to US dollars 819 million in November 2020, compared to November 2019. This was a 3.4 per cent decline compared to October 2020. Measures imposed to combat the second wave of the pandemic locally affected production in key export sectors, garments in particular. Further, the second wave of the pandemic experienced in export markets affected demand for exports, while significant disruptions to global shipping and logistical chains also affected local businesses negatively.

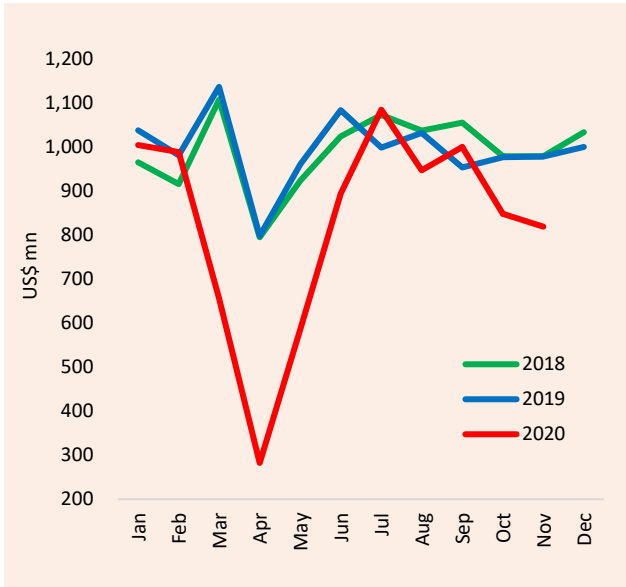
Industrial exports: Earnings from the export of industrial goods declined by 19.6 per cent in November 2020 compared to November 2019, mainly due to the 37.2 per cent decline in garment exports. Health related restrictions in factories contributed significantly to this outcome. Meanwhile, earnings from the export of petroleum products declined significantly due to the reduction in bunkering quantities as well as prices. While exports of a number of smaller factory-based export sectors also declined, export earnings from some industrial export categories increased. The latter included; gems, diamonds and jewellery; rubber products (with increased exports of tyres and gloves); and plastics and articles thereof (with increased exports of personal protective equipment such as plastic clothing articles).

Agricultural exports: Export earnings from agricultural goods declined by 2.3 per cent in November 2020 compared to November 2019, due to a reduction in the export of seafood, minor agricultural products (fruits, edible nuts, betel leaves, etc.) and tea. Earnings from tea exports declined by 5.2 per cent, with declines in volumes of black and green tea exported, while unit prices of both types marginally increased. Agricultural exports that displayed an increase in earnings were spices (led by cinnamon and pepper), coconut (mainly coconut oil and non-kernel products) and rubber.

Mineral exports: Mineral exports declined by 4.4 per cent in November 2020 compared to November 2019. Exports of earth and stone declined, while exports of ores, slag and ash increased.

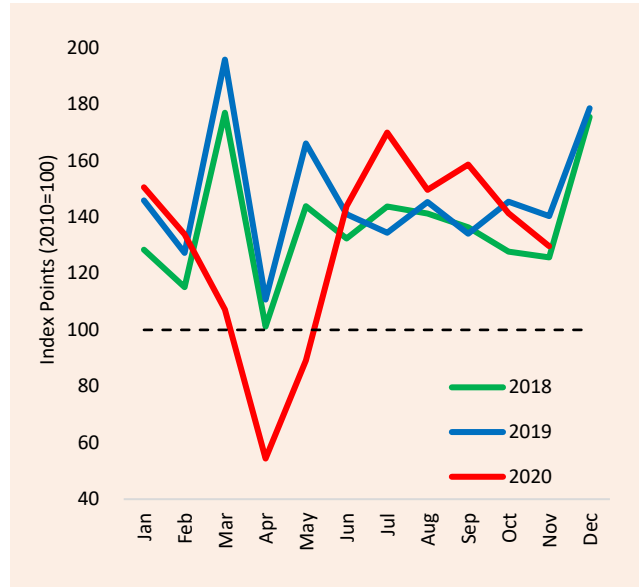
Export indices: The export volume index declined by 7.9 per cent while the unit value index declined by 9.1 per cent on a year-on-year basis in November 2020. This indicated that the decline in export earnings was caused by both lower volumes and lower prices.

Figure 4: Monthly Export Performance



Sources: SLC, CBSL

Figure 5: Monthly Export Volume Index



Source: CBSL

Table 2: Earnings from Merchandise Exports (a)

Category	November 2019 (US\$ mn)	November 2020 (US\$ mn)	Change (%)	Jan-Nov 2019 (US\$ mn)	Jan-Nov 2020 (US\$ mn)	Change (%)
1. Industrial exports	787.6	632.9	-19.6	8,627.4	6,946.1	-19.5
Food, beverages and tobacco	34.9	35.0	0.3	410.9	422.7	2.9
Animal fodder	8.3	6.5	-21.4	117.4	95.1	-19.0
Textiles and garments	484.8	326.2	-32.7	5,113.2	3,971.3	-22.3
o/w Garments	448.1	281.4	-37.2	4,753.7	3,526.7	-25.8
Textiles	25.7	26.1	1.8	261.5	234.0	-10.5
Other made up textile articles	11.1	18.8	69.2	98.1	210.5	114.6
Rubber products	60.6	66.4	9.5	793.1	711.2	-10.3
Gems, diamonds and jewellery	26.9	59.1	120.1	281.4	192.4	-31.6
Machinery and mechanical appliances	28.9	31.9	10.4	370.3	298.0	-19.5
Transport equipment	4.5	5.9	31.6	139.7	64.6	-53.8
Petroleum products	56.5	21.3	-62.4	465.8	342.4	-26.5
Chemical products	14.8	16.3	10.0	163.5	156.0	-4.6
Wood and paper products	8.4	7.1	-16.1	120.1	89.6	-25.4
Printing industry products	6.0	4.5	-24.6	44.5	43.4	-2.6
Leather, travel goods and footwear	6.2	2.5	-59.7	95.4	49.5	-48.1
Plastics and articles thereof	6.4	21.1	228.6	67.7	170.3	151.5
Base metals and articles	14.5	8.4	-41.8	163.1	98.8	-39.4
Ceramic products	2.7	2.6	-4.6	27.7	20.8	-24.8
Other industrial exports	23.2	18.1	-21.9	253.5	220.2	-13.1
2. Agricultural exports	187.3	183.1	-2.3	2,266.5	2,132.9	-5.9
Tea	101.5	96.2	-5.2	1,240.6	1,128.0	-9.1
Rubber	1.1	3.2	180.0	22.4	25.5	13.8
Coconut	22.9	28.6	24.9	307.7	318.4	3.5
Spices	24.1	33.8	40.1	291.5	300.4	3.1
Vegetables	2.3	2.0	-10.9	29.2	34.9	19.4
Unmanufactured tobacco	3.1	1.3	-59.7	31.1	23.0	-26.1
Minor agricultural products	13.3	7.6	-43.3	105.5	127.3	20.7
Seafood	19.0	10.5	-44.9	238.6	175.4	-26.5
3. Mineral exports	2.4	2.3	-4.4	30.6	20.5	-33.1
4. Unclassified exports	1.4	0.9	-37.0	15.6	13.1	-15.9
Total exports	978.8	819.2	-16.3	10,940.1	9,112.6	-16.7

(a) Provisional

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

Performance of Merchandise Imports

Overall imports: Merchandise imports declined in November 2020, continuing the year-on-year declining trend observed since March 2020, mainly due to relatively low crude oil prices and restrictions imposed by the Government on the importation of non-essential goods. Expenditure on merchandise imports declined by 20.5 per cent to US dollars 1,384 million in November 2020 compared to November 2019. Declines recorded in all three major categories of imports, namely, consumer goods, intermediate goods, and investment goods, contributed to this outcome.

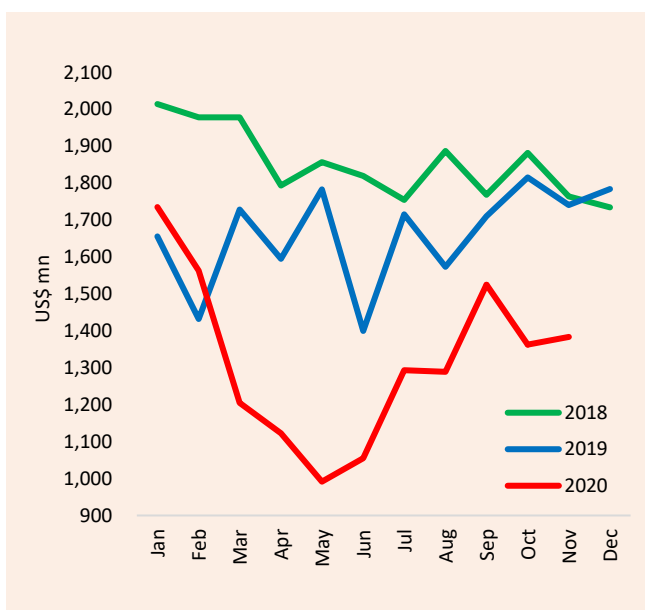
Consumer goods: Expenditure on the importation of consumer goods in November 2020 declined by 31.0 per cent compared to November 2019, mainly due to the restriction on the importation of motor vehicles for personal use. Other than the categories of medical and pharmaceuticals and toiletries, all broad segments of non-food consumer goods showed a decline compared to November 2019. However, the import of random miscellaneous items within these non-food consumer good categories, some of which are not under restrictions, displayed an increase even on a year-on-year basis, although they did not exert a substantial pressure on the trade balance. Such items included cigarettes, certain clothing items, tissues, carpets, mattresses, refrigerators, fans, clocks, lamps, TV antennas, certain footwear types, razors, umbrellas and certain cosmetic preparations. Import expenditure on food and beverages recorded a decline of 11.4 per cent in November 2020 compared to November 2019, with imports of most types of food and beverages declining. However, the importation of lentils, oils and fats (mainly coconut oil) and coriander seeds increased.

Intermediate goods: Expenditure on the importation of intermediate goods declined by 17.6 per cent in November 2020 compared to November 2019, driven by a 44.0 per cent decline in expenditure on fuel imports, which in turn was due to the reduction in oil prices in the world market. The average import price of crude oil in November 2020 was US dollars 45.88 per barrel, in comparison to US dollars 69.11 per barrel in November 2019. Volumes imported of crude oil slightly increased in November 2020 compared to November 2019, while volumes of refined petroleum and coal imports declined. Other intermediate good categories that showed a marked decline were textiles and textile articles used in garment production, cement clinkers and wheat. Intermediate goods imports that recorded notable increases included fertiliser, chemical products, iron and steel, and diamonds.

Investment goods: Imports of investment goods declined by 18.1 per cent in November 2020 compared to November 2019, with reductions in all three of its main categories, namely, machinery and equipment, building material and transport equipment, with many subcategories within them recording declines, which was partly due to import restrictions. Large value reductions were apparent in articles of iron and steel, medical and laboratory equipment, commercial purpose vehicles, cement, ceramic products, machinery and equipment parts, and uncategorised industrial machinery and transport equipment. However, notable increases in import expenditure were observed with iron and steel, computers, transmission apparatus, agricultural machinery and tractors.

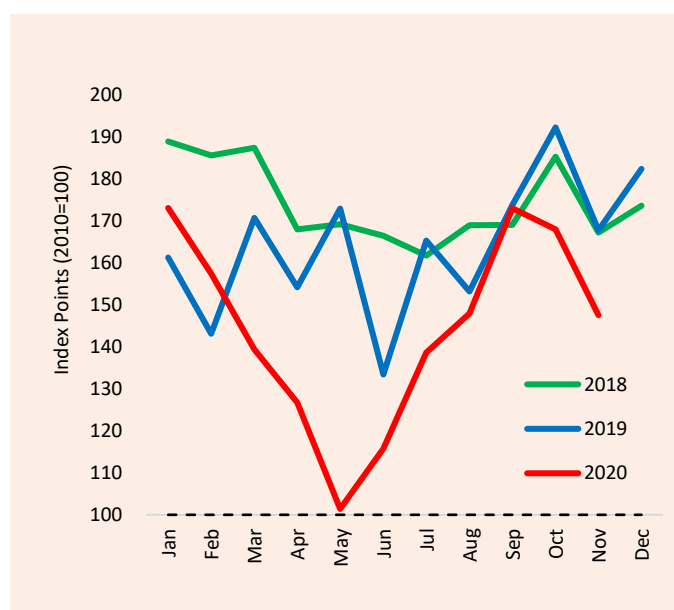
Import indices: The import volume index and the unit value index declined by 12.0 per cent and 9.7 per cent, respectively, on a year-on-year basis in November 2020, indicating that the reduction in import expenditure was caused by lower import prices.

Figure 6: Monthly Import Performance



Sources: SLC, CBSL

Figure 7: Monthly Import Volume Index



Source: CBSL

Table 3: Expenditure on Merchandise Imports (a)

Category	Nov 2019 (US\$ mn)	Nov 2020 (US\$ mn)	Change (%)	Jan-Nov 2019 (US\$ mn)	Jan-Nov 2020 (US\$ mn)	Change (%)
1. Consumer goods	370.4	255.5	-31.0	3,565.7	3,073.9	-13.8
Food and beverages	140.7	124.6	-11.4	1,278.9	1,396.3	9.2
Cereals and milling industry products	3.3	2.7	-17.3	32.1	30.1	-6.2
Dairy products	31.6	29.4	-6.9	282.0	302.7	7.3
Vegetables (b)	32.2	33.2	3.0	269.5	313.3	16.3
Seafood	20.3	10.7	-47.3	199.3	175.6	-11.9
Sugar and confectionery	19.8	14.0	-29.1	179.9	247.4	37.5
Spices	12.1	9.3	-22.9	102.2	115.3	12.9
Other food and beverages	21.5	25.2	17.5	213.9	211.9	-1.0
Non-food consumer goods	229.7	130.9	-43.0	2,286.8	1,677.6	-26.6
Personal vehicles	80.7	0.5	-99.4	731.7	282.4	-61.4
Medical and pharmaceuticals	44.4	46.9	5.7	498.0	540.5	8.5
Home appliances	21.7	17.5	-19.2	187.4	151.7	-19.0
Clothing and accessories	20.5	16.5	-19.8	251.1	182.3	-27.4
Telecommunication devices	26.2	20.4	-22.2	225.6	231.1	2.5
Household and furniture items	14.8	11.2	-24.1	155.2	129.2	-16.8
Other non-food consumables	21.4	17.9	-16.3	237.8	160.3	-32.6
2. Intermediate goods	992.5	818.3	-17.6	10,413.2	8,211.6	-21.1
Fuel	319.6	178.9	-44.0	3,558.4	2,307.5	-35.2
o/w Crude oil	96.1	65.7	-31.6	920.4	544.9	-40.8
Refined petroleum	202.2	98.1	-51.5	2,447.5	1,579.3	-35.5
Coal	21.3	15.1	-29.0	190.5	183.3	-3.8
Diamonds, precious stones and metals	19.4	25.4	30.6	177.5	106.1	-40.2
Textiles and textile articles	256.9	216.6	-15.7	2,661.1	2,100.2	-21.1
Paper and paperboard and articles thereof	37.0	34.4	-7.2	419.7	346.5	-17.5
Agricultural inputs	12.9	16.4	27.1	168.5	178.3	5.8
Wheat and maize	59.5	28.4	-52.2	326.3	342.5	5.0
Base metals	34.3	41.3	20.4	512.1	426.6	-16.7
Plastic and articles thereof	52.6	47.2	-10.2	558.7	487.5	-12.7
Chemical products	66.2	79.5	20.1	764.4	749.4	-2.0
Fertiliser	9.1	67.0	635.1	204.0	228.5	12.0
Rubber and articles thereof	21.3	15.7	-26.3	220.7	198.4	-10.1
Mineral products	45.7	12.1	-73.6	231.1	155.6	-32.7
Other intermediate goods	58.0	55.4	-4.4	610.5	584.4	-4.3
3. Investment goods	377.8	309.4	-18.1	4,167.1	3,230.3	-22.5
Machinery and equipment	216.2	200.1	-7.4	2,251.1	1,964.9	-12.7
Building material	114.5	78.7	-31.3	1,391.7	930.9	-33.1
Transport equipment	46.5	30.3	-34.7	518.4	331.7	-36.0
Other investment goods	0.6	0.3	-47.4	5.9	2.9	-50.2
4. Unclassified imports	0.4	0.4	10.9	6.8	12.9	88.1
Total imports	1,741.1	1,383.7	-20.5	18,152.9	14,528.7	-20.0
o/w Non-fuel imports	1,421.5	1,204.8	-15.2	14,594.5	12,221.2	-16.3

(a) Provisional

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

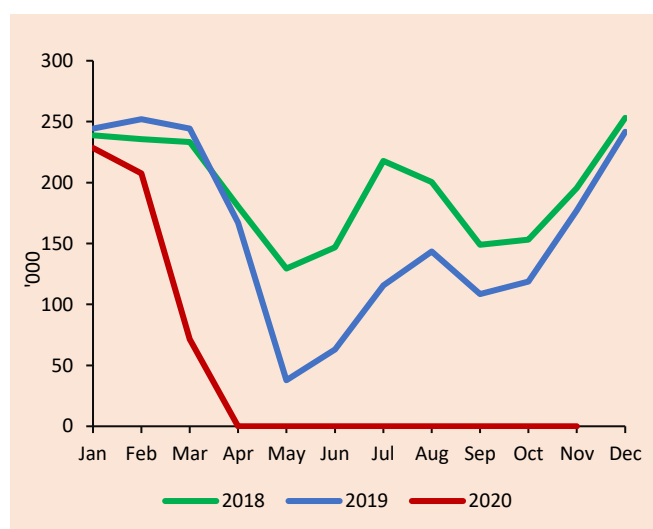
Sources: SLC, CPC, Lanka IOC PLC, CBSL

Other Major Inflows to the Current Account

No tourist arrival was recorded in November 2020 for the eighth consecutive month. Consequently, total tourist arrivals remained at 507,311 during the eleven months ending November 2020, compared to 1,672,039 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 November 2020, thus recording a drop of 69.7 per cent from the corresponding period of 2019.

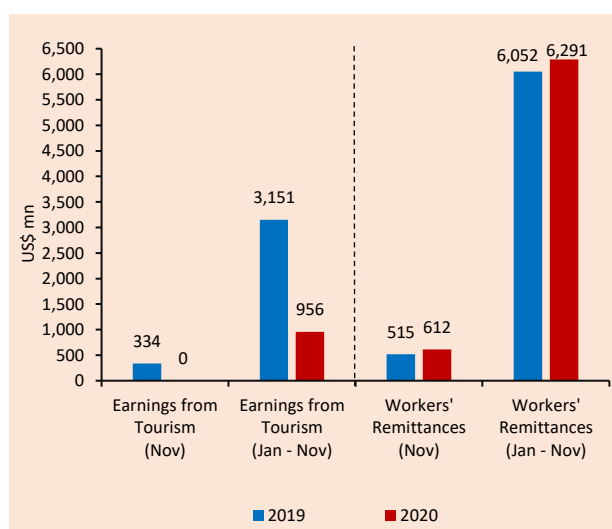
Workers' remittances recorded a notable increase in November 2020. Workers' remittances grew by 18.7 per cent in November 2020, year-on-year, to US dollars 612 million. This increase led cumulative workers' remittances to record a growth of 3.9 per cent, year-on-year, increasing to US dollars 6,291 million during the period from January to November 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

Foreign investment in the government securities market recorded a marginal net outflow during the month. A net outflow of foreign investment amounting to US dollars 11 million was recorded in the rupee denominated government securities market in November 2020, increasing the cumulative net outflow to US dollars 543 million during the period from January to November 2020. The total outstanding exposure of foreign investment in the rupee denominated government securities market remained low at US dollars 46 million by end November 2020.

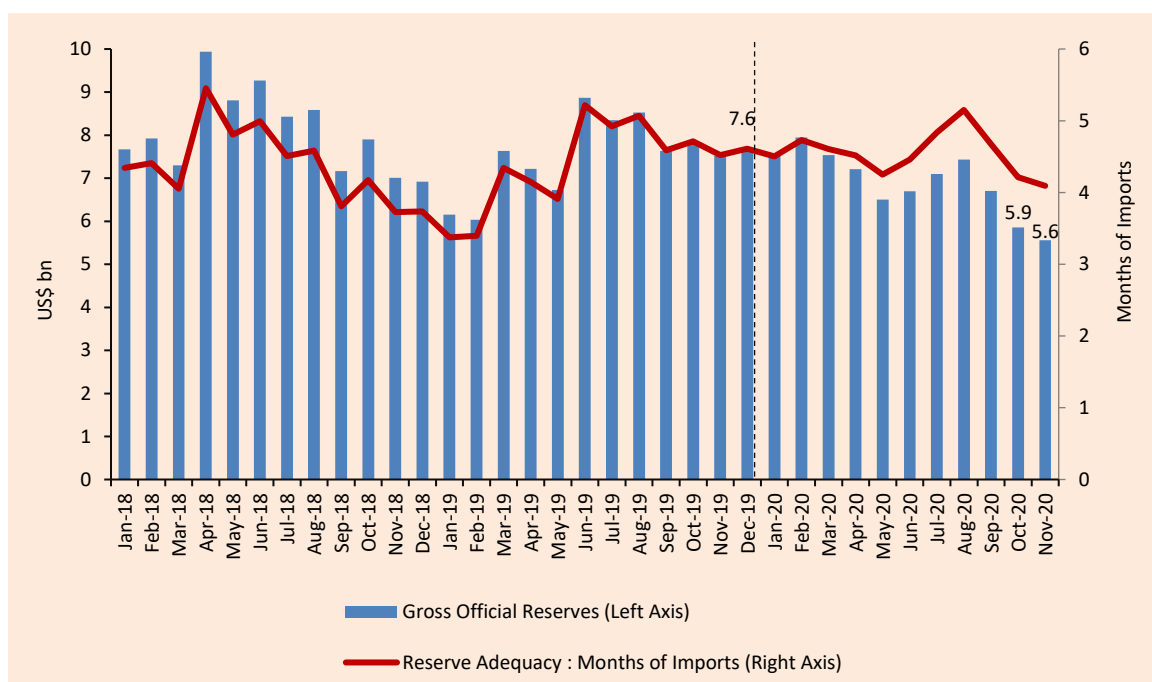
There were net outflows of US dollars 15 million from the secondary market of the CSE in November 2020. On a cumulative basis, the CSE recorded a net outflow of US dollars 209 million during the eleven months ending November 2020.

Meanwhile, long term loans to the Government recorded a net outflow of US dollars 12 million in November 2020.

International Reserves

Gross official reserves at end November 2020 amounted to US dollars 5.6 billion. This level was equivalent to 4.1 months of imports. Total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 8.4 billion at end November 2020, providing an import cover of 6.2 months.

Figure 10: Gross Official Reserves and Reserve Adequacy

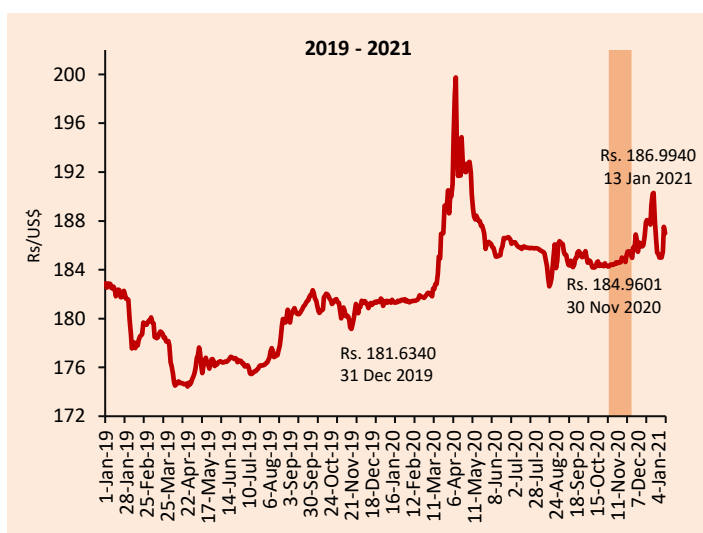


Source: CBSL

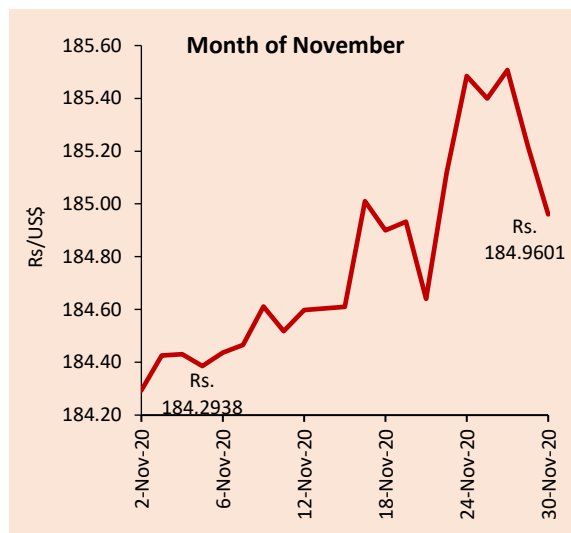
Exchange Rate Movements

The Sri Lankan rupee recorded a marginal depreciation against the US dollar during November 2020, with increased volatility from the middle of the month. A notable depreciation pressure was observed in December mainly driven by speculative market behaviour. Timely action by the Central Bank through appropriate intervention and moral suasion curbed the depreciation pressure, and the overall depreciation of the rupee was limited to 2.6 per cent against the US dollar in 2020. Meanwhile, reflecting cross-currency movements, the Sri Lankan rupee depreciated against the euro, the pound sterling, the Japanese yen and the Australian dollar, while remaining stable against the Indian rupee in 2020. The Central Bank continued its net purchases of foreign exchange from the domestic foreign exchange market in November 2020, which resulted in the Central Bank absorbing US dollars 305 million on a net basis up to end November 2020.

Figure 11: Movement of the Sri Lankan rupee against the US dollar



Source: CBSL



Source: CBSL

Table 4: Movement of the Sri Lankan rupee against Selected Currencies

Currency	2019	2020	2021 (up to 13 Jan) Depreciation (-)/ Appreciation (+)
US dollar	+0.6%	-2.6%	-0.3%
Euro	+2.6%	-11.2%	+0.4%
Pound sterling	-2.8%	-6.2%	-0.6%
Japanese yen	-1.0%	-7.5%	+0.1%
Australian dollar	+1.3%	-11.4%	-1.2%
Indian rupee	+2.6%	0.0%	-0.3%

Source: CBSL