

# PRESS RELEASE

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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

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## External Sector Performance – January 2021

### Overview

Sri Lanka's external sector continued to recover in many aspects during January 2021, mainly supported by an improved trade deficit and a notable increase in workers' remittances. The reduced deficit in the trade account in January 2021 compared to January 2020 was the result of a larger decline in merchandise imports over merchandise exports. Meanwhile, workers' remittances continued to record a notable growth in January 2021, strengthening the external current account. In the financial account, foreign investment in the government securities market recorded a marginal net inflow while the Colombo Stock Exchange (CSE) recorded net outflows in January 2021. The Sri Lankan rupee experienced depreciation pressure in January 2021, but measures taken by the Central Bank and the continuation of restrictions on non-essential imports by the Government helped contain this pressure.

Table 1: Summary of External Sector Performance (a)

Category	2020 US\$ mn	Change 2020/2019 (%)	Jan 2020 US\$ mn	Jan 2021 US\$ mn	Change (%)
Merchandise Exports	10,077	-15.6	1,005	924	-8.0
Merchandise Imports	16,055	-19.5	1,735	1,592	-8.3
Trade balance	-5,978		-730	-667	
Earnings from tourism	957 (b)	-73.5	431 (b)	3 (c)	-99.3
Workers' remittances	7,104	5.8	581	675	16.3
Inflows to the CSE (net) (d)	-225		-16	-44	
Inflows to the Government (gross)	2,002		143	55	
Treasury bills and bonds (gross)	120		59	3	
Long term loans (gross)	1,882		84	52	
International Sovereign Bonds (gross)	-		-	-	
Foreign Direct Investment (gross)(e)	548				
Overall Balance	-2,328		105	-690	

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) This provisional estimate may be revised once SLTDA releases its survey results for 2020.
- (c) This provisional estimate may be revised once SLTDA releases its survey results for 2021.
- (d) Include primary and secondary transactions.
- (e) Data available for the first nine months of 2020 and includes foreign loans to Direct Investment Enterprises as recorded by the BOI and net direct investment to the CSE.

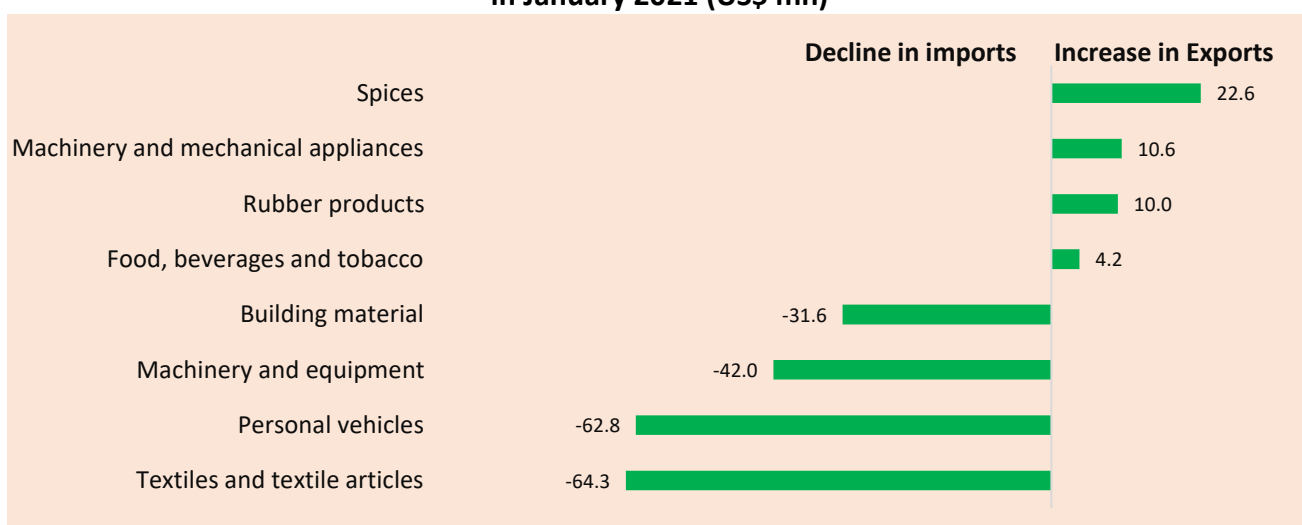
The CBSL publishes a 'Monthly Trade Bulletin', with further information on merchandise trade performance, which can be viewed at Central Bank of Sri Lanka's website under Statistics > Economic Indicators > Monthly Trade Bulletin. <https://www.cbsl.gov.lk/en/monthly-trade-bulletin>

## Trade Balance and Terms of Trade

**Trade Balance:** The deficit in the trade account narrowed in January 2021 by US dollars 63 million to US dollars 667 million, from US dollars 730 million recorded in January 2020, with a larger decline in imports compared to the decline in exports. In December 2020, the trade deficit was US dollars 562 million.

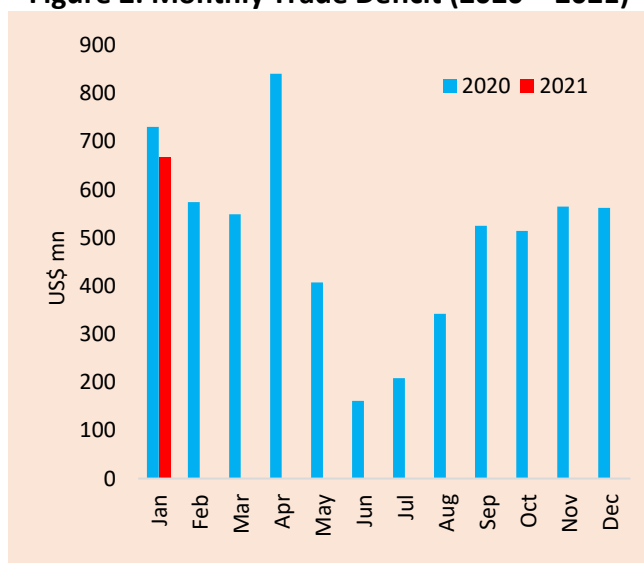
**Trades of Trade:** Terms of trade, i.e., the ratio of the price of exports to the price of imports, improved by 7.0 per cent in January 2021, compared to January 2020, with higher export prices and lower import prices compared to January 2020.

**Figure 1: Major Contributory Factors for the y-o-y decline in the Trade Deficit in January 2021 (US\$ mn)**



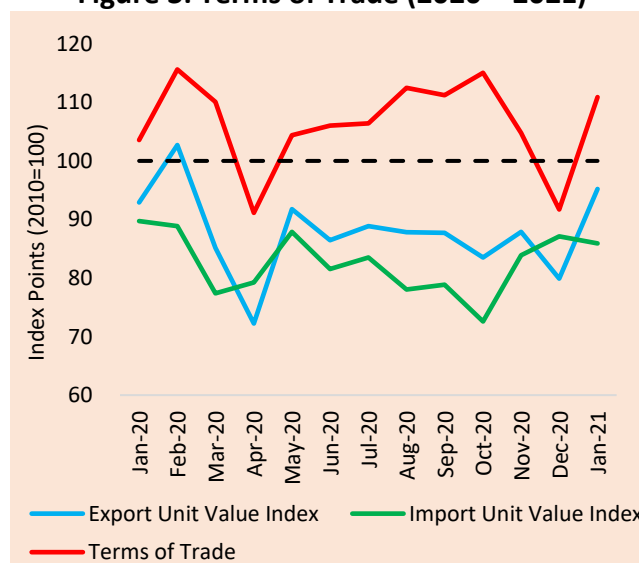
Sources: SLC, CBSL

**Figure 2: Monthly Trade Deficit (2020 – 2021)**



Sources: SLC, CBSL

**Figure 3: Terms of Trade (2020 – 2021)**



Source: CBSL

## Performance of Merchandise Exports

**Overall exports:** Earnings from merchandise exports in January 2021 were 8.0 per cent lower compared to January 2020. Earnings from exports in January 2021 were recorded at US dollars 924 million compared to US dollars 1,005 million in January 2020 and US dollars 964 million in December 2020.

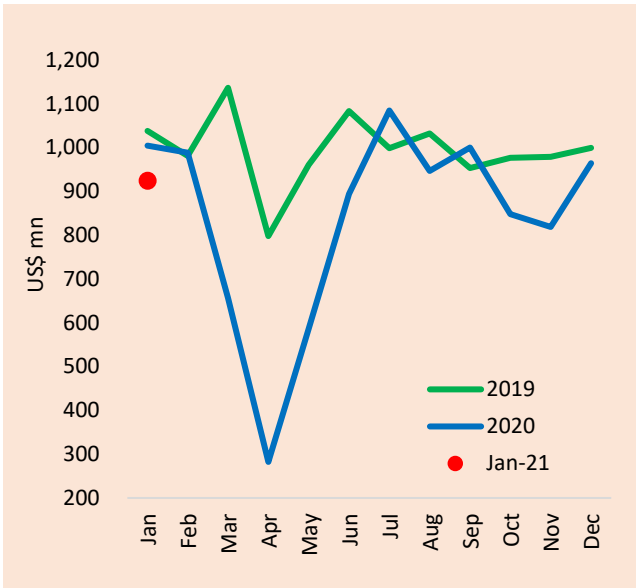
**Industrial exports:** Earnings from the export of industrial goods declined by 11.4 per cent in January 2021 compared to a year ago, mainly due to the decline in the export of textiles and garments by 10.8 per cent and the decline in the export of petroleum products by 58.5 per cent. The export of garments to all major destinations recorded a decline. Earnings from the export of petroleum products that comprises bunkering and aviation fuel and other petroleum products declined due to the decline in quantities supplied as well as the decline in prices. Further, exports under gems, diamonds and jewellery and many of the smaller export segments declined. However, sizable increases were recorded in relation to rubber products (mainly surgical and other gloves, and tyres); machinery and mechanical appliances (mainly electrical and electronic equipment); food, beverages and tobacco (mainly vegetables, fruits and nut preparations), among others.

**Agricultural exports:** Export earnings from agricultural goods increased by 5.9 per cent in January 2021 on a year-on-year basis, mainly due to the increase in the export of spices, such as cinnamon, pepper and cloves. Earnings from tea exports increased marginally due to the price increase, while volume exported had declined. The export of coconut fibres, natural rubber and unmanufactured tobacco also recorded marginal increases. Most of the other agricultural export categories recorded a decline in earnings.

**Mineral exports:** Mineral exports increased in January 2021 compared to January 2020, mainly due to the increase in export of titanium and zirconium ores, slag and other precious metals.

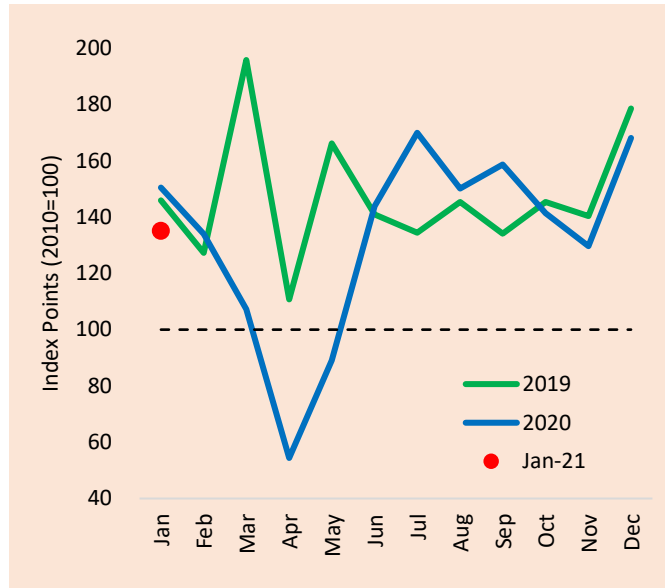
**Export indices:** The export volume index declined by 10.2 per cent while the unit value index increased by 2.5 per cent on a year-on-year basis in January 2021. This indicates that the decline in export earnings was due to lower export volumes.

**Figure 4: Monthly Export Performance**



Sources: SLC, CBSL

**Figure 5: Monthly Export Volume Index**



Source: CBSL

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

Category	Jan-Dec 2019 (US\$ mn)	Jan-Dec 2020 (US\$ mn)	Change (%)	January 2020 (US\$ mn)	January 2021 (US\$ mn)	Change (%)
<b>1. Industrial exports</b>	<b>9,426.3</b>	<b>7,701.7</b>	<b>-18.3</b>	<b>812.6</b>	<b>720.0</b>	<b>-11.4</b>
Food, beverages and tobacco	447.0	464.0	3.8	35.5	39.7	12.0
Animal fodder	129.0	102.9	-20.2	8.7	12.0	37.9
Textiles and garments	5,596.5	4,423.1	-21.0	474.0	423.0	-10.8
o/w Garments	5,205.5	3,939.2	-24.3	436.0	385.4	-11.6
Textiles	284.3	259.5	-8.7	27.2	24.6	-9.5
Other made up textile articles	106.7	224.4	110.3	10.8	12.9	19.8
Rubber products	866.1	786.1	-9.2	70.2	80.2	14.3
Gems, diamonds and jewellery	305.7	211.2	-30.9	24.7	11.1	-54.9
Machinery and mechanical appliances	400.0	337.5	-15.6	30.5	41.1	34.8
Transport equipment	145.9	71.4	-51.0	7.2	6.8	-5.4
Petroleum products	521.1	373.6	-28.3	82.8	34.4	-58.5
Chemical products	176.3	172.7	-2.0	15.2	17.1	12.8
Wood and paper products	129.4	99.3	-23.3	10.0	9.0	-10.1
Printing industry products	48.3	47.9	-0.8	4.8	0.9	-82.1
Leather, travel goods and footwear	102.9	53.9	-47.6	5.6	3.5	-37.2
Plastics and articles thereof	73.5	176.3	140.0	5.5	5.2	-5.0
Base metals and articles	176.5	110.9	-37.2	12.8	10.1	-20.5
Ceramic products	30.1	24.0	-20.2	2.1	2.7	29.2
Other industrial exports	278.1	247.0	-11.2	23.1	23.1	...
<b>2. Agricultural exports</b>	<b>2,461.9</b>	<b>2,336.2</b>	<b>-5.1</b>	<b>188.7</b>	<b>199.9</b>	<b>5.9</b>
Tea	1,346.4	1,240.9	-7.8	99.7	101.0	1.3
Rubber	24.2	30.1	24.4	2.7	3.9	45.4
Coconut	329.5	345.2	4.8	24.6	24.2	-1.6
Spices	312.5	333.5	6.7	19.5	42.0	115.8
Vegetables	32.0	36.6	14.3	2.6	1.7	-37.2
Unmanufactured tobacco	34.7	25.5	-26.6	1.6	2.2	34.9
Minor agricultural products	120.0	134.7	12.2	14.3	8.1	-43.8
Seafood	262.5	189.8	-27.7	23.7	16.9	-28.5
<b>3. Mineral exports</b>	<b>33.9</b>	<b>25.1</b>	<b>-25.9</b>	<b>2.0</b>	<b>3.5</b>	<b>70.9</b>
<b>4. Unclassified exports</b>	<b>17.9</b>	<b>14.1</b>	<b>-21.4</b>	<b>1.5</b>	<b>1.0</b>	<b>-37.9</b>
<b>Total exports</b>	<b>11,940.0</b>	<b>10,077.1</b>	<b>-15.6</b>	<b>1,004.9</b>	<b>924.4</b>	<b>-8.0</b>

(a) Provisional

... Negligible

**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 by 8.3 per cent in January 2021 compared to January 2020, continuing the year-on-year declining trend observed since March 2020. Expenditure on merchandise imports amounted to US dollars 1,592 million in January 2021 compared to US dollars 1,735 million in January 2020. The restrictions imposed by the Government on the importation of non-essential goods mainly contributed to this outcome.

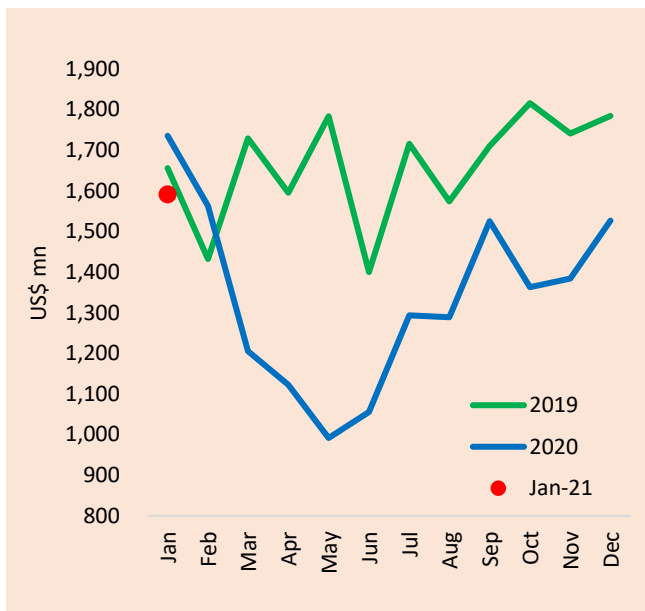
**Consumer goods:** Expenditure on the importation of consumer goods in January 2021 declined by 7.0 per cent compared to January 2020, due to the 27.9 per cent decline in the “non-food consumer goods” imports, driven by the reduction in the import of personal vehicles. However, a significant increase of expenditure was recorded on mobile phones, home appliances as well as some other goods in the “non-food consumer good category”. Meanwhile, the “food and beverages” category of consumer goods imports increased by 24.6 per cent, led by a significant increase in the expenditure on sugar and coconut oil imports. Imports of lentils and chillies also recorded a sizable increase, while the import cost on most other foods and beverages was lower than in January 2020.

**Intermediate goods:** Expenditure on the importation of intermediate goods declined by 2.1 per cent in January 2021 compared to a year ago, driven by a 21.4 per cent decline in expenditure on textiles and textile articles. Expenditure on fuel increased in January 2021 on a year-on-year basis for the first time since February 2020, as volumes imported of both crude oil and refined petroleum increased, although their average unit prices declined. The average import price of crude oil was US dollars 57.65 per barrel in January 2021, compared to US dollars 70.44 per barrel in January 2020. Intermediate goods that recorded an increase include base metals (mainly iron and steel and copper and articles), vehicle and machinery parts, plastic and articles in primary forms, certain chemical products, wheat, agricultural inputs (seeds and plants and animal fodder) and rubber in primary forms. However, many types of intermediate goods, including paper and paperboard and articles thereof, fertiliser, maize, diamonds and precious metals, food preparations, mineral products, etc., showed a decline.

**Investment goods:** Imports of investment goods declined by 22.9 per cent in January 2021 compared to January 2020. Almost all types of goods listed under all three main investment good categories, i.e., machinery and equipment, building material and transport equipment, recorded a decline. Some increases in import expenditure were observed in relation to transmission apparatus, computers and tractors.

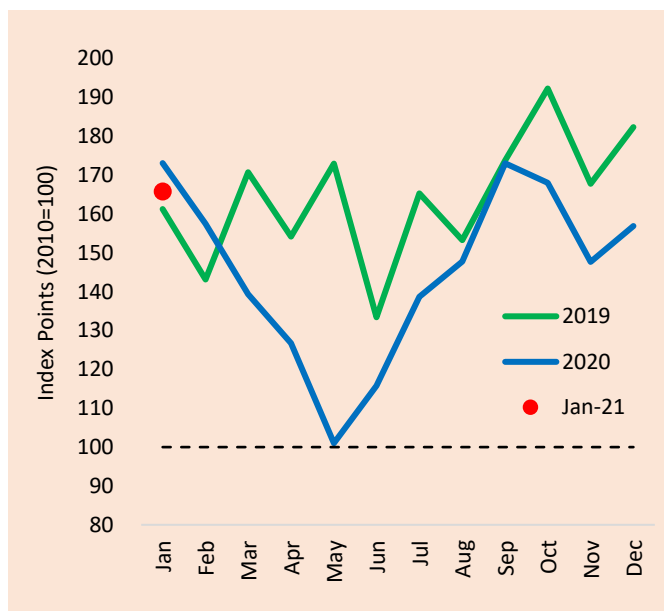
**Import indices:** The import volume index and the unit value index declined by 4.2 per cent and 4.3 per cent, respectively, on a year-on-year basis in January 2021. This indicates that the decline in import expenditure was caused by the combined impact of lower import volumes and prices.

**Figure 6: Monthly Import Performance**



Sources: SLC, CBSL

**Figure 7: Monthly Import Volume Index**



Source: CBSL

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

Category	Jan-Dec 2019 (US\$ mn)	Jan-Dec 2020 (US\$ mn)	Change (%)	January 2020 (US\$ mn)	January 2021 (US\$ mn)	Change (%)
<b>1. Consumer goods</b>	<b>3,956.5</b>	<b>3,401.7</b>	<b>-14.0</b>	<b>371.8</b>	<b>345.6</b>	<b>-7.0</b>
Food and beverages	1,426.9	1,554.4	8.9	147.5	183.8	24.6
Cereals and milling industry products	36.1	33.6	-7.1	5.4	3.8	-30.1
Dairy products	311.9	333.8	7.0	36.3	23.1	-36.2
Vegetables (b)	310.0	352.9	13.8	35.9	40.5	12.7
Seafood	214.6	188.6	-12.1	17.2	12.1	-29.4
Sugar and confectionery	201.2	277.1	37.7	20.0	57.5	186.9
Spices	115.4	126.9	9.9	10.3	12.6	21.4
Other food and beverages	237.7	241.6	1.6	22.4	34.3	53.0
Non-food consumer goods	2,529.6	1,847.3	-27.0	224.2	161.8	-27.9
Personal vehicles	815.7	282.9	-65.3	63.3	0.5	-99.2
Medical and pharmaceuticals	552.6	595.5	7.8	48.8	44.8	-8.2
Home appliances	206.6	174.2	-15.7	20.0	21.9	9.6
Clothing and accessories	275.1	200.7	-27.1	30.2	18.5	-38.7
Telecommunication devices	247.2	268.4	8.6	23.3	38.4	64.5
Household and furniture items	171.9	146.9	-14.5	17.8	15.6	-12.1
Other non-food consumables	260.5	178.7	-31.4	20.7	22.0	5.9
<b>2. Intermediate goods</b>	<b>11,369.6</b>	<b>9,076.5</b>	<b>-20.2</b>	<b>934.5</b>	<b>915.0</b>	<b>-2.1</b>
Fuel	3,891.6	2,542.6	-34.7	291.9	309.8	6.2
o/w Crude oil	970.7	583.0	-39.9	46.9	82.2	75.3
Refined petroleum	2,706.4	1,742.2	-35.6	207.2	196.5	-5.1
Coal	214.6	217.3	1.3	37.8	31.1	-17.6
Diamonds, precious stones and metals	201.4	117.2	-41.8	13.9	11.0	-20.8
Textiles and textile articles	2,909.4	2,335.1	-19.7	300.8	236.5	-21.4
Paper and paperboard and articles thereof	457.3	383.1	-16.2	38.1	31.3	-18.0
Agricultural inputs	187.9	200.8	6.9	20.7	23.2	12.1
Wheat and maize	346.4	384.4	11.0	8.9	6.9	-22.9
Base metals	562.8	460.3	-18.2	25.2	38.7	53.7
Plastic and articles thereof	612.9	540.2	-11.9	49.7	59.3	19.4
Chemical products	831.5	831.5	0.0	74.1	88.1	18.9
Fertiliser	221.4	258.9	16.9	6.0	4.7	-20.9
Rubber and articles thereof	238.9	218.7	-8.5	22.6	26.1	15.3
Mineral products	243.3	168.9	-30.6	12.8	12.3	-3.9
Other intermediate goods	664.8	634.9	-4.5	69.9	67.1	-4.0
<b>3. Investment goods</b>	<b>4,602.6</b>	<b>3,563.2</b>	<b>-22.6</b>	<b>428.2</b>	<b>330.1</b>	<b>-22.9</b>
Machinery and equipment	2,489.7	2,176.1	-12.6	258.7	216.6	-16.2
Building material	1,508.7	1,035.6	-31.4	119.3	87.7	-26.5
Transport equipment	596.6	348.3	-41.6	49.9	25.5	-48.8
Other investment goods	7.6	3.2	-57.8	0.4	0.2	-52.9
<b>4. Unclassified imports</b>	<b>8.3</b>	<b>14.0</b>	<b>68.8</b>	<b>0.9</b>	<b>1.0</b>	<b>13.2</b>
<b>Total imports</b>	<b>19,937.1</b>	<b>16,055.4</b>	<b>-19.5</b>	<b>1,735.3</b>	<b>1,591.6</b>	<b>-8.3</b>
o/w Non-fuel imports	<b>16,045.4</b>	<b>13,512.8</b>	<b>-15.8</b>	<b>1,443.5</b>	<b>1,281.7</b>	<b>-11.2</b>

(a) Provisional

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

Sources: SLC, CPC, Lanka IOC PLC, CBSL

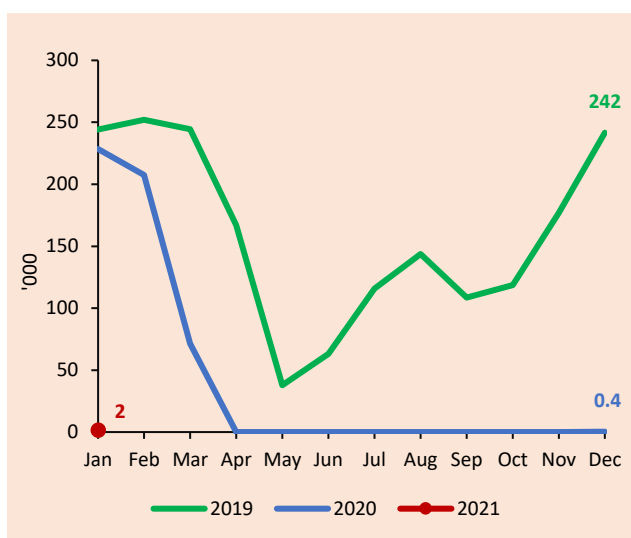


## Other Major Inflows to the Current Account

With the reopening of the country's borders to international tourists, tourist arrivals gradually picked up in January 2021. Accordingly, 1,682 arrivals were recorded in January 2021 compared to 393 arrivals in December 2020. However, arrivals in January 2021 were 99.3 per cent lower than the arrivals of 228,434 recorded in January 2020. The largest source countries from which arrivals recorded were Ukraine, Belarus and China. Accordingly, earnings from tourism, which are estimated based on tourist arrivals, amounted to US dollars 3 million in January 2021 compared to US dollars 431 million in the same month of 2020.

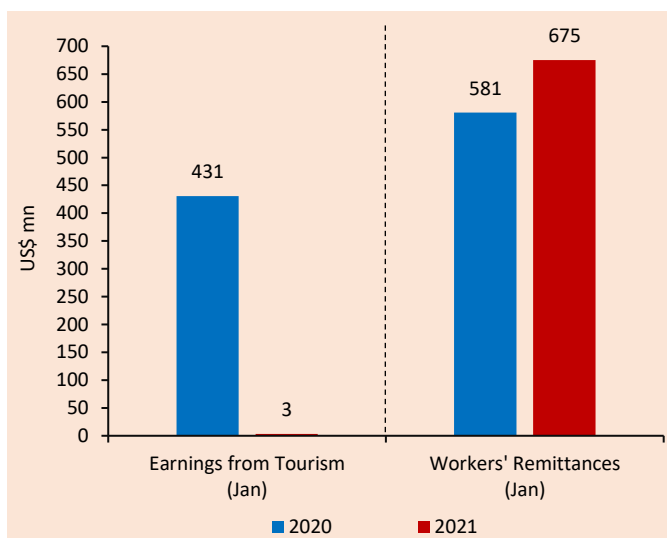
Workers' remittances recorded a healthy growth in January 2021. Remittances increased by 16.3 per cent in January 2021, year-on-year, to US dollars 675 million from US dollars 581 million recorded in January 2020.

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 inflow in January 2021. The net inflow during the month amounted to US dollars 3 million. The total outstanding exposure of foreign investment in the rupee denominated government securities market remained low at US dollars 38 million by end January 2021.

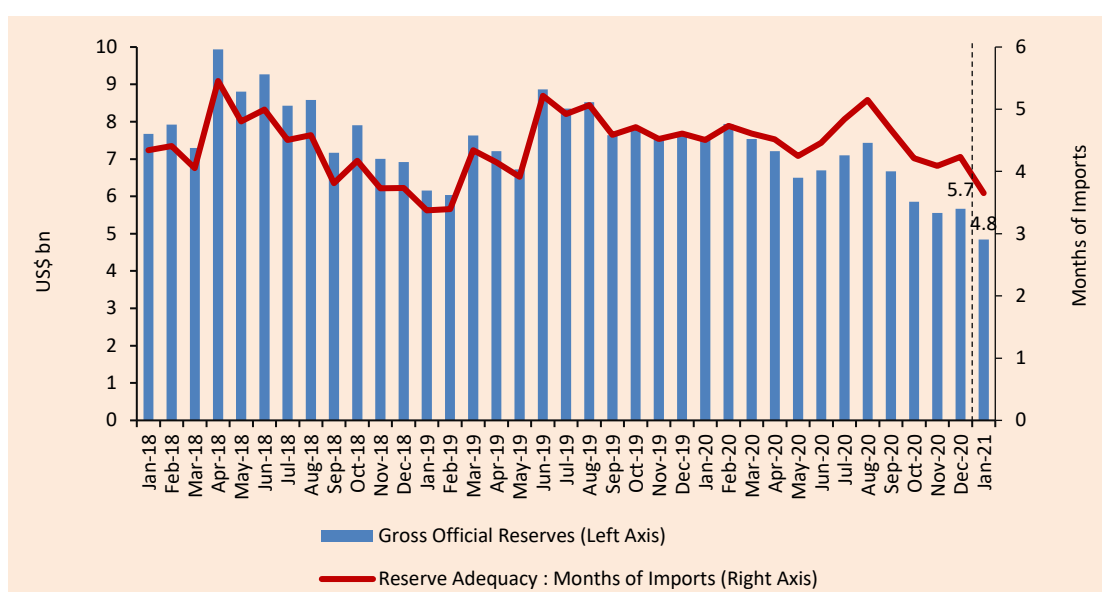
Net outflows of US dollars 44 million were recorded from the secondary market of the CSE during the month of January 2021.

Meanwhile, long term loans to the Government recorded a net outflow of US dollars 156 million in January 2021. Gross inflows to the Government amounted to US dollars 55 million in January 2021 compared to US dollars 143 million in January 2020.

### International Reserves

**Gross official reserves at end January 2021 amounted to US dollars 4.8 billion.** This was equivalent to 3.7 months of imports. Total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 7.6 billion at end January 2021, providing an import cover of 5.7 months.

**Figure 10: Gross Official Reserves and Reserve Adequacy**

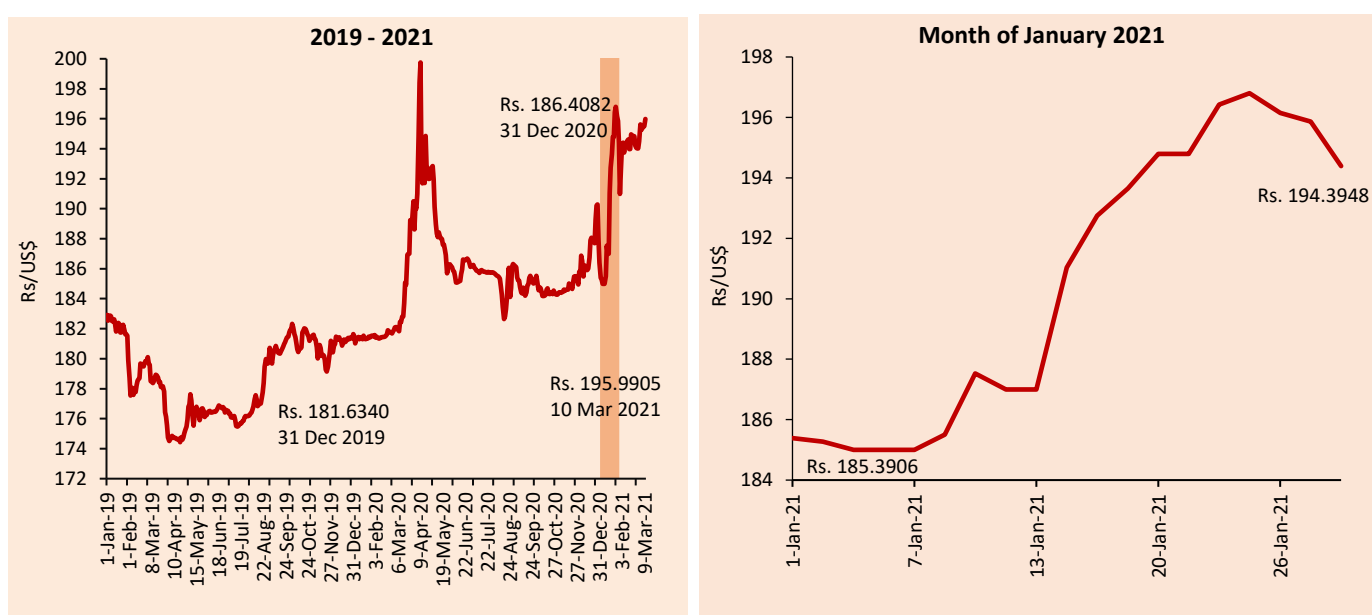


Source: CBSL

## Exchange Rate Movements

A notable depreciation pressure on the Sri Lankan rupee was observed during January 2021. However, with the imposition of the temporary suspension of customer forward contracts of foreign exchange, the overall depreciation of the rupee was limited to 4.1 per cent against the US dollar in January 2021. Moreover, the Central Bank's active intervention in the domestic foreign exchange market through supply of foreign exchange and sell/buy swap with local commercial banks contributed to enhancing the foreign exchange liquidity in the market. The Central Bank supplied US dollars 72 million, on a net basis, to the domestic foreign exchange market in January 2021. Overall, the rupee has recorded a depreciation of 4.9 per cent against the US dollar in 2021 up to 10 March. Meanwhile, reflecting cross-currency movements, the Sri Lankan rupee depreciated against the euro, the pound sterling, the Australian dollar and the Indian rupee while appreciating against the Japanese yen during the same period.

**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 10 Mar) Depreciation (-)/ Appreciation (+)
US dollar	+0.6%	-2.6%	-4.9%
Euro	+2.6%	-11.2%	-1.5%
Pound sterling	-2.8%	-6.2%	-6.4%
Japanese yen	-1.0%	-7.5%	+0.3%
Australian dollar	+1.3%	-11.4%	-4.6%
Indian rupee	+2.6%	0.0%	-5.3%

Source: CBSL