

PRESS RELEASE

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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External Sector Performance – April 2021

Overview

Sri Lanka's external sector exhibited a mixed performance in April 2021. The deficit in the trade account widened for the second consecutive month in April 2021 compared to a year earlier while earnings from the tourism sector remained subdued. Notably, both exports and imports were significantly higher in April 2021, compared to April 2020, although both were lower compared to March 2021. However, workers' remittances continued its momentum, recording a significant growth in April 2021. Meanwhile, the financial account of the balance of payments strengthened during the month with the receipt of the proceeds of the syndicated loan facility from the China Development Bank. The Sri Lankan rupee remained broadly stable throughout the month, amidst some volatility observed in mid April.

Table 1: Summary of External Sector Performance (a)

Category	Apr 2020 US\$ mn	Apr 2021 US\$ mn	Change (%)	Jan-Apr 2020 US\$ mn	Jan-Apr 2021 US\$ mn	Change (%)
Merchandise Exports	282	818	189.8	2,932	3,800	29.6
Merchandise Imports	1,123	1,707	52.1	5,625	6,748	20.0
Trade balance	-840	-889		-2,693	-2,948	
Earnings from tourism	-	6 (c)	-	682 (b)	19 (c)	-97.3
Workers' remittances	375	519	38.3	1,975	2,386	20.8
Inflows to the CSE (net) (d)	-	-16		-28	-107	
Inflows to the Government (gross)	142	500 (e)		972	799 (f)	
Treasury bills and bonds (gross)	1	0.1		84	8	
Long term loans (gross)	141	n.a.		388	291 (f)	
Syndicated loans (gross)	-	500		500	500	
Overall Balance				-290	-929	

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 2020
- (c) This provisional estimate may be revised once SLTDA releases its survey results for 2021
- (d) Include primary and secondary transactions
- (e) Data for gross inflows to the government excludes foreign loans in April 2021
- (f) Cumulative data for long term loans includes foreign loans only up to March 2021

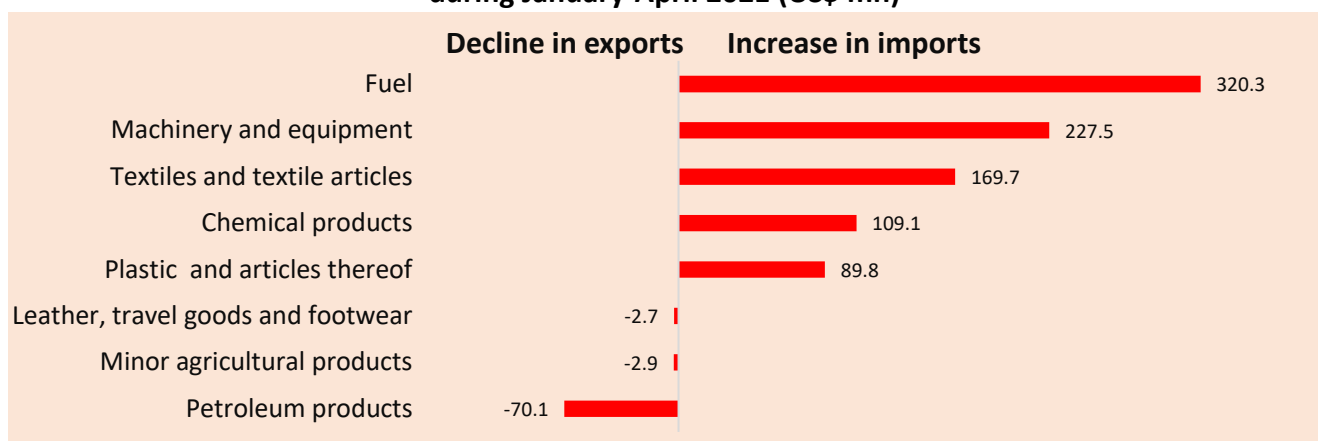
The CBSL publishes a 'Monthly Trade Bulletin', with further information on merchandise trade performance, which can be viewed at Central Bank of Sri Lanka's website under Statistics > Economic Indicators > Monthly Trade Bulletin. <https://www.cbsl.gov.lk/en/monthly-trade-bulletin>

Trade Balance and Terms of Trade

Trade Balance: The deficit in the trade account widened for the second consecutive month in April 2021 to US dollars 889 million compared to the deficit of US dollars 840 million recorded in April 2020 and US dollars 832 million in March 2021. Both exports and imports were significantly higher in April 2021, compared to the lockdown period in April 2020, although both were lower compared to March 2021. Meanwhile, the cumulative deficit in the trade account during January – April 2021 widened to US dollars 2,948 million from US dollars 2,693 million recorded over the same period in 2020. The major contributory factors for this outcome are shown in Figure 1.

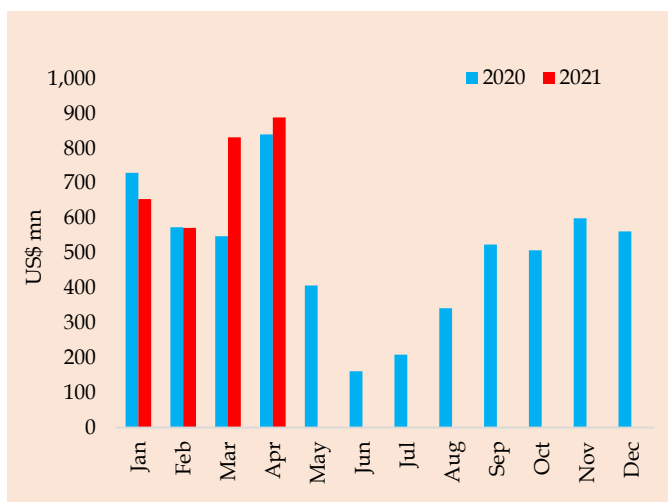
Terms of Trade: Terms of trade, i.e., the ratio of the price of exports to the price of imports, deteriorated by 5.5 per cent in April 2021 as the increase in import prices were higher than the increase of export prices, compared to April 2020.

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



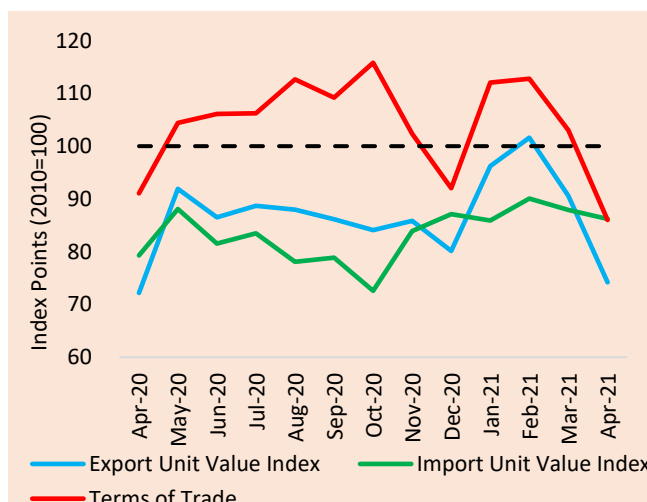
Sources: SLC, CBSL

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: Recording the highest ever value for a month of April, earnings from merchandise exports in April 2021 increased by 189.8 per cent to US dollars 818 million, from significantly low value of US dollars 282 million recorded in April 2020 amidst the island-wide lockdown measures due to the first wave of the COVID-19 pandemic. Earnings from exports in April 2021, however, were 25.2 per cent lower than the export earnings of US dollars 1,094 million recorded in March 2021, reflecting the impact of the beginning of the third wave of the pandemic and the festive holiday related developments in April.

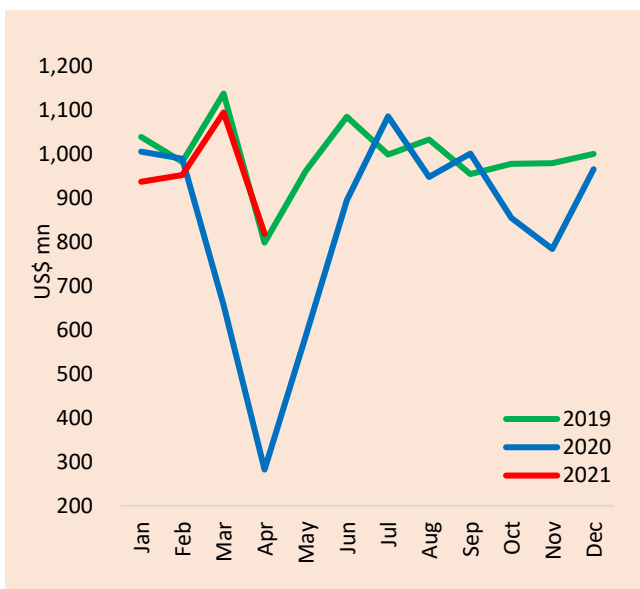
Industrial exports: Earnings from all subsectors of industrial goods exports improved substantially by 302.5 per cent in April 2021, year-on-year. On a month-on-month basis, earnings from industrial exports declined by 22.0 per cent, except for the subsector of petroleum products; leather, travel goods and footwear (mainly footwear); animal fodder (mainly dog/cat food); and printing industry products (mainly currency notes). Earnings from textiles and garments; rubber products; machinery and mechanical appliances; and gems, diamonds and jewellery mainly recorded declines compared to March 2021. Meanwhile, earnings from the export of petroleum products improved in April 2021 over the preceding month due to higher exports of naphtha, while earnings from bunker and aviation fuel declined with the significant reduction in volumes of aviation fuel and bunkering fuel supplied to aircraft and ship arrivals, despite the increase in the average prices of these export products.

Agricultural exports: Export earnings from all subsectors related to agricultural goods increased by 37.7 per cent in April 2021, compared to a year ago, though contracted by 35.6 per cent compared to March 2021. Despite higher export prices, export earnings from tea declined substantially compared to the previous month due to lower export volumes. In addition, export earnings from spices (mainly cinnamon, pepper and cloves), coconut (both kernel and non-kernel products), seafood and minor agricultural products declined notably in April 2021 over March 2021.

Mineral exports: Earnings from all subsectors under mineral exports were also higher in April 2021 (by 332.9 per cent) than export earnings in April 2020, but lower (by 10.3 per cent) than export earnings in March 2021. The decline in April 2021 over March 2021 reflected lower earnings from subsectors of earths and stone (mainly quartz), and ores, slag and ash (mainly titanium ores).

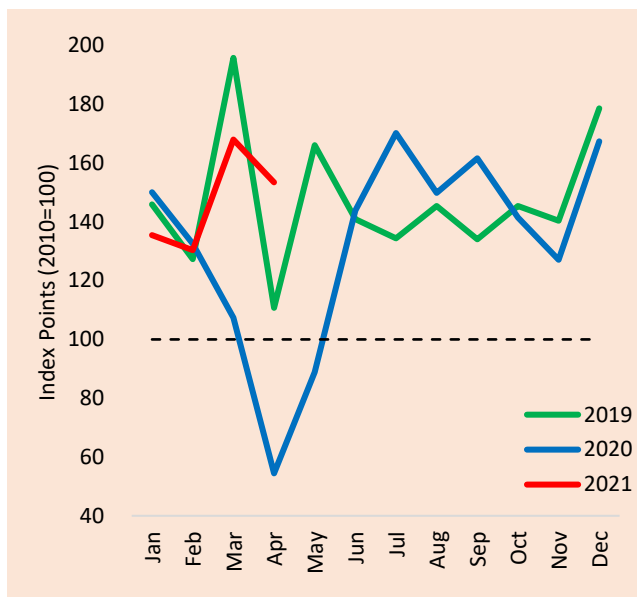
Export indices: The export volume index and the unit value index increased by 182.0 per cent and 2.8 per cent, respectively, on a year-on-year basis, in April 2021. This indicates that the increase in export earnings was due to the combined impact of higher export volumes and prices.

Figure 4: Monthly Export Performance



Sources: SLC, CBSL

Figure 5: Monthly Export Volume Index



Source: CBSL

Table 2: Earnings from Merchandise Exports (a)

Category	April 2020 (US\$ mn)	April 2021 (US\$ mn)	Change (%)	Jan-Apr 2020 (US\$ mn)	Jan-Apr 2021 (US\$ mn)	Change (%)
1. Industrial exports	160.8	647.0	302.5	2,294.8	2,949.4	28.5
Food, beverages and tobacco	16.6	35.0	111.1	126.9	167.4	32.0
Animal fodder	4.3	9.3	114.8	29.7	38.9	30.6
Textiles and garments	65.2	366.0	461.2	1,320.1	1,699.5	28.7
o/w Garments	58.1	336.9	479.4	1,222.0	1,556.0	27.3
Textiles	5.1	20.6	300.2	70.1	98.9	41.2
Other made up textile articles	1.9	8.5	340.1	28.0	44.5	59.0
Rubber products	24.2	61.6	154.4	220.3	317.9	44.3
Gems, diamonds and jewellery	0.1	24.2	18,053.4	54.7	95.0	73.6
Machinery and mechanical appliances	9.0	31.0	244.5	95.4	156.0	63.5
Transport equipment	1.4	7.4	436.0	19.1	34.1	78.1
Petroleum products	14.5	36.3	149.9	192.2	122.1	-36.5
Chemical products	7.7	15.3	99.3	45.4	68.3	50.3
Wood and paper products	2.8	8.4	205.3	29.3	39.7	35.5
Printing industry products	1.0	12.3	1,094.2	11.7	22.1	88.2
Leather, travel goods and footwear	1.0	3.8	262.1	17.6	14.9	-15.3
Plastics and articles thereof	1.3	5.0	276.9	16.3	24.2	48.4
Base metals and articles	6.2	8.7	39.7	37.7	42.0	11.4
Ceramic products	0.3	2.0	499.0	6.4	11.3	75.5
Other industrial exports	5.0	20.8	316.0	71.8	96.2	34.0
2. Agricultural exports	120.3	165.6	37.7	626.8	829.4	32.3
Tea	78.4	79.3	1.1	348.4	417.4	19.8
Rubber	1.6	3.2	102.7	8.8	15.4	75.6
Coconut	14.3	27.3	91.3	84.7	123.6	45.9
Spices	12.0	22.4	85.8	63.1	136.2	115.8
Vegetables	1.2	1.9	50.7	8.1	8.4	3.9
Unmanufactured tobacco	1.6	2.7	69.8	6.0	11.3	88.8
Minor agricultural products	4.9	9.7	96.8	44.5	41.6	-6.6
Seafood	6.3	19.2	206.0	63.3	75.6	19.4
3. Mineral exports	1.0	4.2	332.9	5.9	16.0	172.6
4. Unclassified exports	0.3	1.3	412.3	4.4	5.6	25.6
Total exports	282.3	818.2	189.8	2,931.9	3,800.3	29.6

(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: Expenditure on merchandise imports in April 2021 increased by 52.1 per cent to US dollars 1,707 million from low import expenditure of US dollars 1,123 million recorded in April 2020, when the effects of the first wave of the pandemic and low global petroleum prices were present. The year-on-year increase in the import expenditure was driven by the increase in imports of intermediate and investment goods. However, import expenditure in April 2021 was considerably lower (by 11.4 per cent) compared to March 2021 (US dollars 1,926 million), although import values in both March 2021 and April 2021 were higher than pre-pandemic levels.

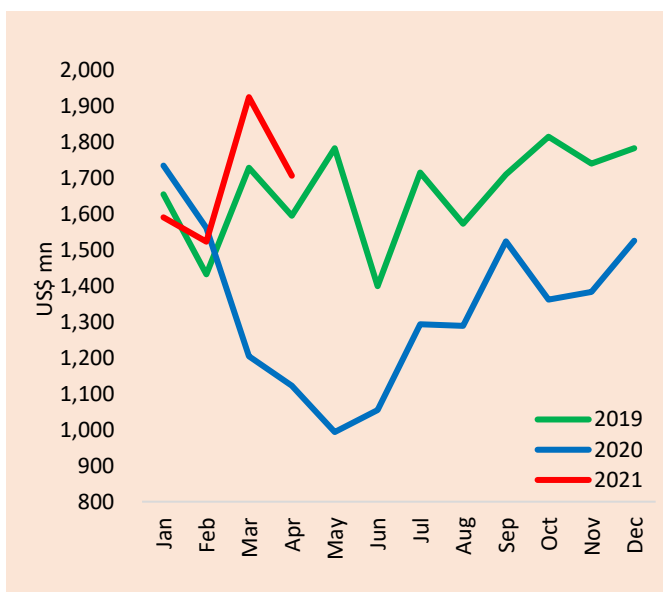
Consumer goods: With declines recorded in both food and beverages and non-food consumer good categories, expenditure on the importation of consumer goods in April 2021 declined by 7.9 per cent, compared to April 2020 and by 26.6 per cent compared to March 2021. Under food and beverages, import expenditure decreased on a month-on-month basis for the items such as sugar and confectionery; vegetables (mainly big onion, lentils and potatoes); dairy products (mainly milk powder); spices (mainly chillies); and oils and fats. Also, under non-food consumer goods, import expenditure declined on a month-on-month basis on telecommunication devices (mainly mobile phones); medical and pharmaceuticals; and home appliances (mainly refrigerators and fans). In contrast, import expenditure on seafood (mainly dry fish) and cereals and milling industry products (mainly rice) increased in April 2021 compared to March 2021.

Intermediate goods: Import expenditure on intermediate goods increased by 88.6 per cent in April 2021, compared to a year ago, but declined by 4.9 per cent over the previous month. Import expenditure on many intermediate goods declined in April 2021 compared to March 2021, particularly base metals (mainly iron and steel); plastics and articles thereof; textiles and textile articles; food preparations; and rubber and articles thereof. In contrast, expenditure on fuel, fertiliser and mineral products increased on a month-on-month basis. The average import price of crude oil increased to US dollars 66.44 per barrel in April 2021 compared to US dollars 64.07 per barrel in February 2021, while there were no crude oil imports in March 2021 due to the closure of the refinery for maintenance. However, expenditure on refined petroleum and coal declined due to reductions in both imported volumes and average import prices compared to March 2021. In addition, import expenditure on fertiliser increased noticeably in April 2021 due to higher import prices and volumes over March 2021 while the increase in import expenditure on mineral products led by cement clinker imports.

Investment goods: Import expenditure on investment goods increased by 41.4 per cent in April 2021 compared to April 2020, but declined by 15.2 per cent compared to March 2021. Import expenditure on all subsectors under investment goods, i.e., machinery and equipment, building material, transport equipment and other investment goods, declined in April 2021 compared to March 2021. Expenditure on machinery and equipment imports declined on a month-on-month basis in April 2021, led by low import expenditure on electric motors and generator sets; office machines; medical and laboratory equipment; and turbines. In addition, lower expenditure on wood products, cement and agricultural tractor imports led to the decline of import expenditure in other subcategories. In contrast, import expenditure on lorries, pumps, mineral products (such as asbestos and lime), agricultural machinery, insulated wires and cables, and ceramic products increased in April 2021 compared to March 2021.

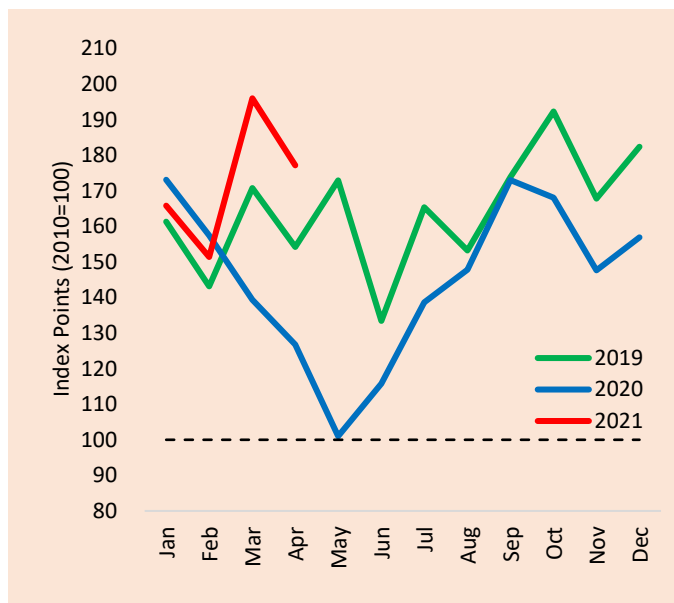
Import indices: The import volume index and unit value index increased by 39.8 per cent and 8.8 per cent, respectively, on a year-on-year basis, in April 2021. This indicates that the increase in import expenditure was attributable to the combined impact of both higher import volumes and prices.

Figure 6: Monthly Import Performance



Sources: SLC, CBSL

Figure 7: Monthly Import Volume Index



Source: CBSL

Table 3: Expenditure on Merchandise Imports (a)

Category	April 2020 (US\$ mn)	April 2021 (US\$ mn)	Change (%)	Jan-Apr 2020 (US\$ mn)	Jan-Apr 2021 (US\$ mn)	Change (%)
1. Consumer goods	302.5	278.6	-7.9	1,268.6	1,276.5	0.6
Food and beverages	136.8	123.5	-9.7	563.2	628.8	11.6
Cereals and milling industry products	2.0	3.4	70.1	13.9	12.8	-8.0
Dairy products	27.3	24.8	-9.3	124.1	114.9	-7.4
Vegetables	40.9	26.9	-34.1	145.6	138.0	-5.2
Seafood	18.7	8.4	-55.0	65.3	33.1	-49.3
Sugar and confectionery	15.3	30.0	96.5	88.3	167.4	89.5
Spices	15.3	9.8	-36.0	50.2	47.5	-5.5
Other food and beverages	17.4	20.3	16.4	75.8	115.2	51.9
Non-food consumer goods	165.7	155.1	-6.4	705.4	647.7	-8.2
Personal vehicles	60.4	1.1	-98.2	216.8	3.5	-98.4
Medical and pharmaceuticals	39.4	48.6	23.1	164.8	192.3	16.7
Home appliances	16.0	26.4	65.7	66.5	97.6	46.8
Clothing and accessories	12.2	19.2	57.8	85.3	74.9	-12.2
Telecommunication devices	14.3	27.2	89.9	63.0	137.0	117.4
Household and furniture items	10.4	10.7	2.4	48.3	53.5	10.8
Other non-food consumables	13.0	21.9	68.5	60.6	88.7	46.3
2. Intermediate goods	570.0	1,075.0	88.6	3,115.7	4,065.7	30.5
Fuel	121.8	413.2	239.2	1,070.1	1,390.3	29.9
o/w Crude oil	14.2	97.1	582.9	209.2	224.2	7.2
Refined petroleum	84.8	286.1	237.3	734.6	1,039.6	41.5
Coal	22.8	29.9	31.5	126.3	126.5	0.2
Diamonds, precious stones and metals	1.5	7.0	370.8	27.2	43.5	60.0
Textiles and textile articles	146.9	228.4	55.5	768.9	938.6	22.1
Paper and paperboard and articles thereof	29.1	41.0	40.7	120.0	146.8	22.3
Agricultural inputs	18.5	19.1	3.1	69.3	86.6	24.9
Wheat and maize	9.0	26.7	197.1	88.8	120.2	35.3
Base metals	38.6	40.7	5.6	136.8	194.2	42.0
Plastic and articles thereof	41.1	57.1	38.9	168.0	257.8	53.5
Chemical products	64.9	90.0	38.7	255.5	364.6	42.7
Fertiliser	29.2	47.3	62.0	55.0	82.2	49.4
Rubber and articles thereof	13.1	32.4	146.8	80.6	133.4	65.6
Mineral products	12.4	16.8	34.9	52.4	44.5	-15.1
Other intermediate goods	43.9	55.4	26.2	223.1	263.0	17.9
3. Investment goods	249.6	353.0	41.4	1,233.4	1,403.1	13.8
Machinery and equipment	113.1	227.9	101.5	685.5	913.0	33.2
Building material	65.0	98.1	51.0	359.4	381.8	6.2
Transport equipment	71.3	26.8	-62.4	187.4	107.7	-42.5
Other investment goods	0.2	0.1	-24.8	1.0	0.6	-41.1
4. Unclassified imports	0.5	0.3	-35.9	7.7	2.8	-63.6
Total imports	1,122.6	1,707.0	52.1	5,625.3	6,748.1	20.0
o/w Non-fuel imports	1,000.8	1,293.8	29.3	4,555.3	5,357.8	17.6

(a) Provisional

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

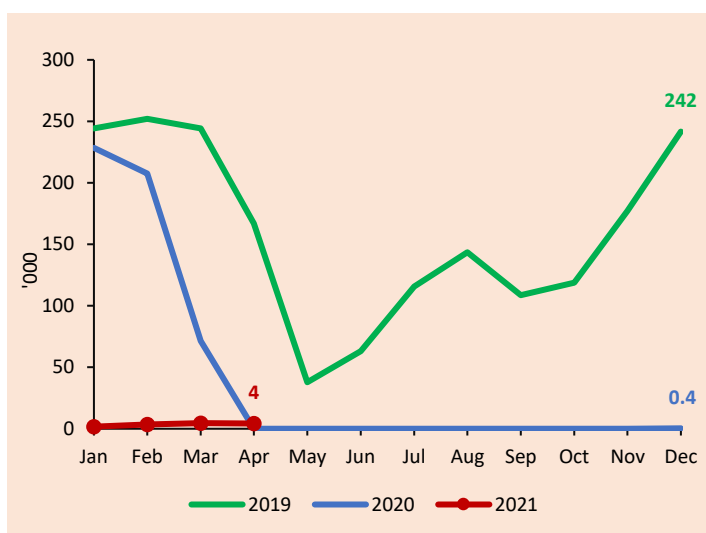
Sources: SLC, CPC, Lanka IOC PLC, CBSL

Other Major Inflows to the Current Account

The tourism sector experienced a limited number of arrivals in April 2021. Tourist arrivals in April 2021 were recorded at 4,168, compared to 4,581 arrivals in March 2021. Total tourist arrivals of 13,797 were recorded during the first four months of 2021, compared to 507,311 arrivals in the corresponding period of 2020. The main source countries of tourist arrivals in April 2021 were India, China and Kazakhstan. Earnings from tourism, which are estimated based on tourist arrivals, amounted to US dollars 6 million in April 2021. Cumulative earnings from tourism are estimated at around US dollars 19 million during the first four months of 2021 as opposed to US dollars 682 million recorded during the same period in 2020.

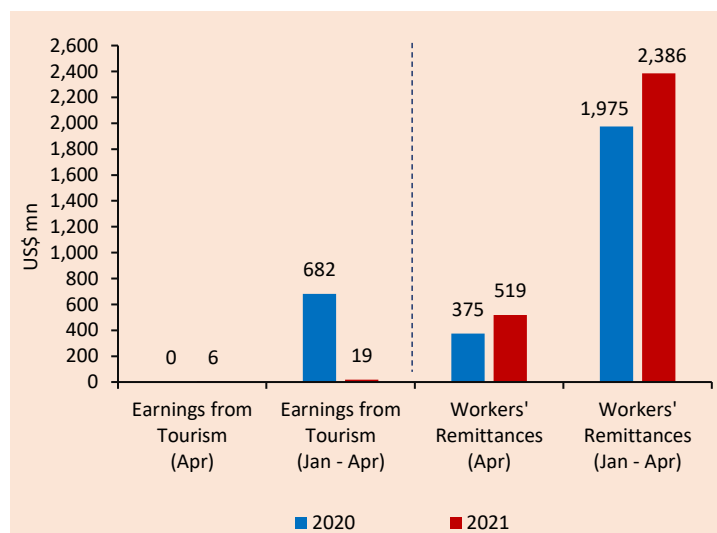
Workers' remittances continued its significant growth in April 2021. Accordingly, workers' remittances increased by 38.3 per cent in April 2021, year-on-year, to US dollars 519 million. The high growth rate was attributed to the base effect of the corresponding month in the previous year when the first wave of the COVID-19 pandemic was set in as well as the seasonal impact due to the Sinhala and Tamil New Year. Workers' remittances during the first four months of the year recorded a growth of 20.8 per cent, year-on-year, to US dollars 2,386 million.

Figure 8: Monthly Tourist Arrivals



Source: SLTDA

Figure 9: Tourism and Workers' Remittances



Sources: SLTDA, Licensed Banks, CBSL

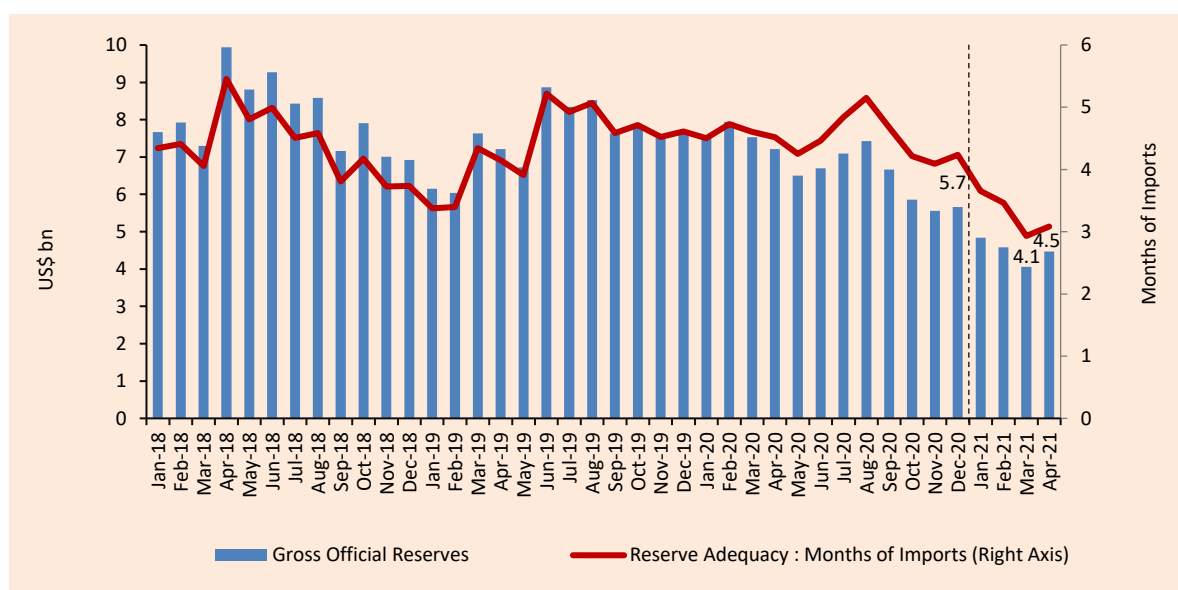
Financial Flows

A marginal net foreign investment inflow was recorded in the government securities market in April 2021. Cumulative net outflow from the government securities market during the first four months of 2021 amounted to US dollars 5 million. The total outstanding exposure of foreign investment in the rupee denominated government securities market remained low at US dollars 31 million by end April 2021. Meanwhile, a net outflow of US dollars 16 million was recorded from the CSE in April 2021. On a cumulative basis, the CSE recorded a net outflow of US dollars 107 million during the first four months of 2021. Gross inflows on account of long term loans to the Government in April 2021 included the receipt of the syndicated loan facility from the China Development Bank amounting to US dollars 500 million.

International Reserves

Gross official reserves stood at US dollars 4.5 billion at end April 2021, which provided an import cover of 3.1 months. Meanwhile, total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to US dollars 7.1 billion at end April 2021, providing an import cover of 4.9 months. The level of reserves reported above does not include the 3-year bilateral currency swap facility amounting to CNY 10 billion (approximately US dollars 1.5 billion) between the People's Bank of China (PBoC) and the CBSL.

Figure 10: Gross Official Reserves and Reserve Adequacy

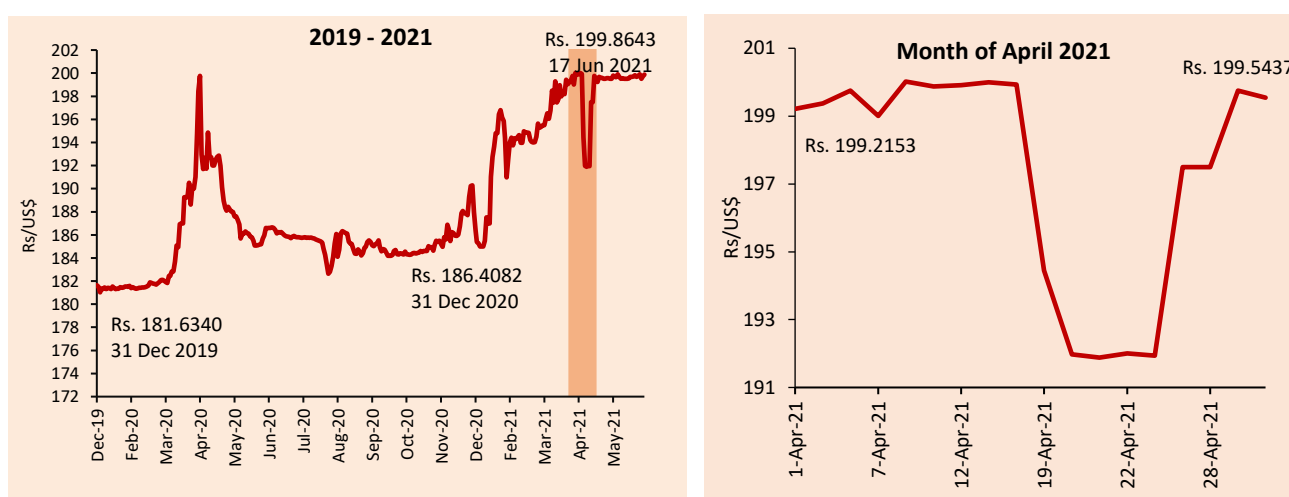


Source: CBSL

Exchange Rate Movements

A temporary large appreciation of the exchange rate was observed in April 2021. The exchange rate, which remained around the same level as recorded at end March 2021 until mid April 2021, appreciated heavily in the immediate aftermath of the receipt of the syndicated loan facility from the China Development Bank. However, the exchange rate reverted to the previous levels by the end of the month. Overall, the depreciation of the Sri Lankan rupee was limited to 0.3 per cent against the US dollar during the month of April. The rupee recorded a depreciation of 6.7 per cent against the US dollar during the year up to 17 June 2021. 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, in 2021 up to 17 June 2021. The Central Bank continued to absorb foreign exchange from the market on a net basis to build up gross official reserves through non-borrowed sources during April 2021, as well as on a net basis thus far during the year.

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	2019	2020	2021 (up to 17 Jun) Depreciation (-)/ Appreciation (+)
US dollar	+0.6%	-2.6%	-6.7%
Euro	+2.6%	-11.2%	-4.4%
Pound sterling	-2.8%	-6.2%	-9.1%
Japanese yen	-1.0%	-7.5%	+0.1%
Australian dollar	+1.3%	-11.4%	-5.8%
Indian rupee	+2.6%	0.0%	-6.6%

Source: CBSL