

10. Foreign Trade and Tourism

Sri Lanka's exports grew significantly throughout 2000. However, the trade deficit widened due to extremely high imports, resulting from high petroleum prices and increased costs of defence imports.

Export Performance

- ▲ In 2000 Sri Lanka's export earnings were US dollars 5,522 million recording an increase of 20 per cent over 1999. Textiles and garments, tea, machinery, mechanical and electrical equipment, rubber based products, fish products, gems, diamond and jewellery exports were major contributors to that growth.
- ▲ Textile and garment products accounted for 54 per cent of the total export earnings. Due to higher demand from the USA and European countries, textile and garment exports grew by 23 per cent.
- ▲ Earnings from tea, the second largest export item grew by 13 per cent to US dollars 700 million due to increased demand from Russia and Middle East countries. The price of tea increased from US dollars 2.30 per kg in 1999 to US dollars 2.43 per kg in 2000.
- ▲ USA continued to be the largest single destination for Sri Lankan exports (40 per cent) in 2000. Sri Lanka's exports to the USA are mostly garments (77 per cent) UK was the second largest destination (13.5 per cent) and Germany (4 per cent) the third.

Import Expenditure

- ▲ Import expenditure in 2000 was US dollars 7,320 million, a 22 per cent increase over 1999. This includes aircraft imports by SriLankan Airlines in 1999 and 2000. If aircraft imports in both years were excluded, the growth in imports would be 24 per cent. Import value excluding the aircraft was US dollars 7,022 million in 2000 compared with US dollars 5,682 million in 1999.

Exports, Imports & Trade Balance

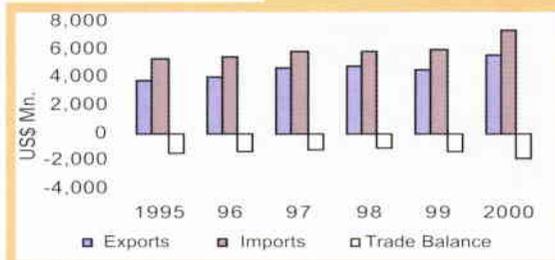


Chart 10.1

Composition of Exports 2000

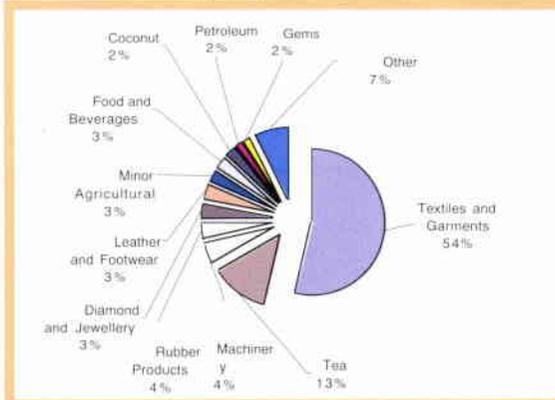


Chart 10.2

▲ Imports are categorised as consumer, intermediate and investment goods. Consumer goods imports increased by 12 per cent in 2000. Within this category, food imports increased by 5 per cent marked by higher imports of sugar, wheat grain, milk products and other food items which offset the impact of a lower import bill on rice. Owing to higher expenditure on several items such as medical and pharmaceutical products, motor cars and cycles, radio receivers, television sets, plastics and printed books, import payments on consumer durables increased by 20 per cent.

▲ Expenditure on intermediate goods imports increased by 24 per cent, largely due to higher imports of petroleum products, textiles, fertiliser, diamond and other intermediate goods. Intermediate goods, excluding petroleum product imports, increased by 13 per cent in 2000.

▲ Investment goods increased by 11 per cent in 2000. However, investment goods excluding aircraft imported during 2000, increased by 14 per cent reflecting higher growth in machinery and equipment (16 per cent) and building materials (17 per cent).

▲ Japan continued to be the largest single exporter to Sri Lanka (10 per cent), followed by India (9.5 per cent) and Hong Kong (8 per cent).

Trade Balance

▲ The trade deficit in 2000 widened to US dollars 1,798 million compared to the deficit of US dollars 1,369 million in 1999. Excluding the import of aircraft in both years, the trade deficit amounted to US dollars 1,500 million in 2000 as against the deficit of US dollars 1,072 million in 1999.

Tourism

▲ Tourist arrivals declined in 2000. Tourist arrivals at 400,414 in 2000 was 8 per cent lower than in the previous year. This is attributed to the uncertain security situation in the country.

▲ Gross earnings from tourism declined from US dollars 274 million in 1999 to US dollars 252 million in 2000.

Import Expenditure

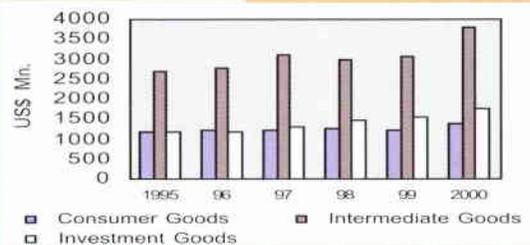


Chart 10.3

Tourist Arrivals

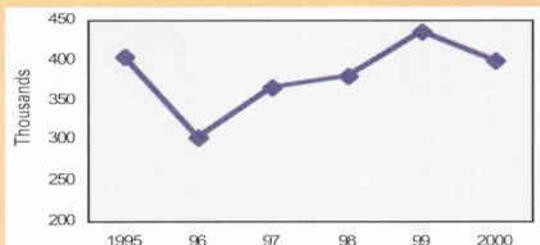


Chart 10.4