



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

Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Tel : 2477424, 2477423, 2477311

Fax: 2346257, 2477739

E-mail: dcommunications@cbsl.lk, communications@cbsl.lk

Web: www.cbsl.gov.lk

Press Release

Issued By Economic Research Department

Date 23.01.2015

External Sector Performance – November 2014

Overview

Sri Lanka's external sector improved further with continued inflows being recorded in the Balance of Payments (BOP). Cumulative foreign exchange inflows to the country in the form of earnings from exports and tourism as well as workers' remittances strengthened the current account of the BOP during the first eleven months of 2014. This together with inflows to the financial account by way of foreign direct investments, inflows to the Colombo Stock Exchange (CSE) and private sector have supported the BOP to record a higher surplus.

Export Performance

Export earnings on a cumulative basis increased by 7.5 per cent (year-on-year) to US dollars 10.1 billion during the first eleven months of the year. However, earnings from exports declined by 10.7 per cent, year-on-year, to US dollars 921 million in November 2014. The decline in the growth of exports in November 2014 was mainly due to the base effect as a substantial growth in export earnings was recorded in November 2013. The decline in exports in November 2014 was largely due to decline in earnings from textiles and garments followed by rubber products and gems, diamonds and jewellery categorized under industrial exports. Earnings

from textiles and garments exports declined by 14.4 per cent in November 2014 with the decline in garment exports to the EU and to the USA by 16.6 per cent and 17.8 per cent, respectively. Export earnings from rubber products declined mainly due to the decline in rubber tyre exports. Export earnings from tea showed a moderate decline of 4.5 per cent mainly due to the lower prices despite higher volumes. Meanwhile, export earnings from spices also declined as the lower production weighed on the volumes in spite of favourable prices in certain categories including cinnamon, pepper and cloves. However, export of coconut products and minor agricultural products increased by 32.6 per cent and 69.1 per cent, respectively reflecting their potential for further expansion. The leading markets for merchandise exports of Sri Lanka during the first eleven months of 2014 continued to be the USA, UK, Italy, India and Germany accounting for about 50 per cent of total exports.

Table 1: Earnings from Exports

Category	November 2013 (USD mn)	November 2014 (USD mn)	Growth (%)	Jan-Nov 2013 (USD mn)	Jan-Nov 2014 (USD mn)	Growth (%)
1. Industrial exports	775.8	684.1	-11.8	7,006.6	7,492.8	6.9
Textiles and garments	491.4	420.7	-14.4	4,054.4	4,478.9	10.5
Rubber products	83.5	69.6	-16.7	793.9	816.9	2.9
Gems, diamonds and jewellery	40.3	27.7	-31.1	418.3	347.0	-17.1
Transport equipment	6.4	4.4	-31.7	141.7	115.2	-18.7
Machinery and mechanical appliances	34.4	29.1	-15.5	285.3	312.0	9.4
Petroleum products	28.6	29.9	4.3	396.6	313.6	-20.9
Food beverages & tobacco	21.7	25.0	15.2	214.1	264.5	23.5
Other	69.5	77.7	11.8	702.3	844.6	20.3
2. Agricultural exports	244.0	233.1	-4.4	2,338.9	2,544.5	8.8
Tea	144.1	137.6	-4.5	1,393.8	1,488.6	6.8
Coconut	20.8	27.6	32.6	184.5	329.8	78.8
Sea Food	23.0	20.1	-12.7	210.5	230.9	9.7
Spices	34.9	23.3	-33.3	329.4	236.2	-28.3
Other	21.1	24.6	16.5	220.7	259.0	17.4
3. Mineral and other	12.1	3.9	-67.7	61.0	70.6	15.6
Total exports	1,031.8	921.1	-10.7	9,406.6	10,107.8	7.5

Sources: Ceylon Petroleum Corporation and Other Exporters of Petroleum
National Gem and Jewellery Authority, Sri Lanka Customs,
Central Bank of Sri Lanka

Import Performance

Expenditure on imports increased moderately by 4.8 per cent year-on-year to US dollars 1,645 million in November 2014, while on a cumulative basis imports grew by 7.1 per cent to US dollars 17,618 million during the first eleven months of 2014.

The increase in import expenditure in November 2014 was mainly led by imports of consumer goods with significant increase in imports of personal motor vehicles such as motor cycles and motor cars as well as rice imports. Imports of intermediate good categories increased marginally in November 2014 despite the significant decline in imports of fuel, wheat and maize and food preparations. Imports of textiles and textiles articles, fertilizer, chemical products, rubber and rubber based articles and paper and paper boards increased considerably during the month. Import expenditure on fertilizer increased by 75.7 per cent in November 2014 due to the larger volumes imported for the Maha season. Meanwhile, import expenditure on fuel declined by 26.5 per cent due to the significant decline in crude oil imports owing to lower prices and volumes. Meanwhile, the import expenditure on investment goods declined by 10.4 per cent reflecting decreases in all sub categories. During the first eleven months of 2014, the main import origins continued to be India, China, UAE, Singapore and Japan accounting for about 59 per cent of total imports.

Figure 1: Export and Import Performance

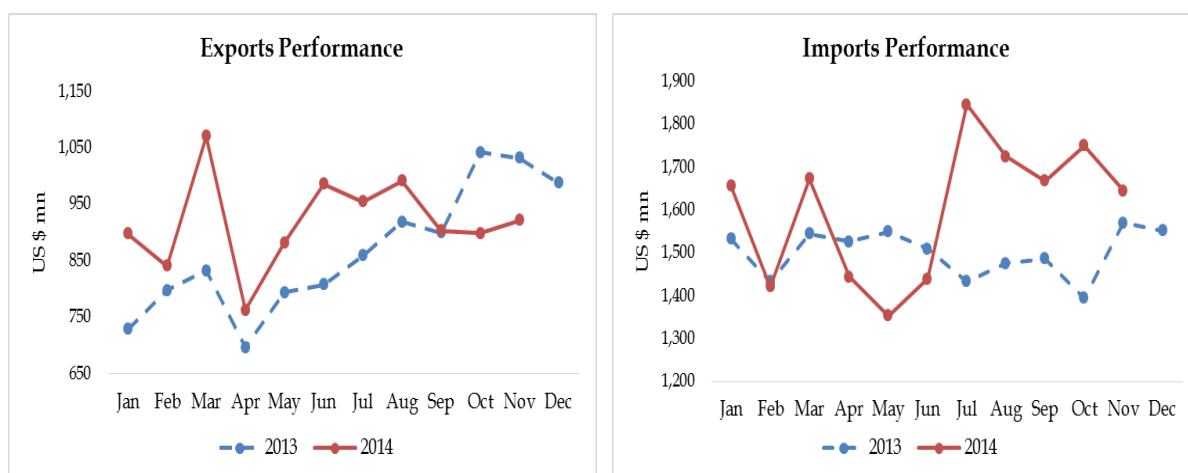


Table 2: Expenditure on Imports

Category	November 2013 (USD mn)	November 2014 (USD mn)	Growth (%)	Jan-Nov 2013 (USD mn)	Jan-Nov 2014 (USD mn)	Growth (%)
1. Consumer goods	261.2	365.1	39.8	2,880.3	3,430.4	19.1
Food and Beverages	102.6	147.8	44.0	1,230.7	1,464.5	19.0
Dairy products	18.3	25.4	39.0	256.3	318.0	24.1
Other food and beverages	84.4	122.3	45.0	974.4	1,146.4	17.7
Other consumer goods	158.5	217.3	37.1	1,649.5	1,965.9	19.2
Vehicles	53.4	94.1	76.1	532.9	785.2	47.3
Medical and pharmaceuticals	26.9	30.8	14.8	343.8	344.8	0.3
Other non- food consumables	78.2	92.4	18.2	772.8	836.0	8.2
2. Intermediate goods	893.9	907.8	1.6	9,617.4	10,459.1	8.8
Fuel	363.2	266.9	-26.5	3,854.6	4,339.7	12.6
Textiles and textile articles	182.8	215.7	18.0	1,871.7	2,101.8	12.3
Chemical products	54.9	74.5	35.7	659.7	723.6	9.7
Plastic and articles thereof	45.2	51.6	14.1	467.7	549.3	17.4
Base metals	37.6	49.5	31.5	387.3	440.5	13.7
Paper and paperboard articles	35.7	47.9	34.5	342.2	440.4	28.7
Wheat and Maize	34.0	14.9	-56.2	314.3	357.0	13.6
Fertilizer	30.8	54.1	75.7	222.7	248.2	11.5
Other	109.7	132.6	20.9	1,497.2	1,258.6	-15.9
3. Investment goods	414.1	371.1	-10.4	3,941.8	3,715.1	-5.8
Machinery and Equipment	188.3	180.0	-4.4	2,056.8	1,923.9	-6.5
Building materials	114.5	97.9	-14.6	1,249.3	1,181.5	-5.4
Transport equipment	110.6	92.2	-16.6	630.3	605.9	-3.9
Other	0.6	1.0	62.3	5.4	3.8	-30.0
Total imports	1,569.7	1,645.1	4.8	16,451.7	17,617.6	7.1

Sources: Ceylon Petroleum Corporation, Lanka IOC PLC

Sri Lanka Customs , Central Bank of Sri Lanka

Trade Balance

The trade deficit in November 2014 widened to US dollars 724 million in comparison to US dollars 538 million in November 2013. Accordingly, the trade deficit during the first eleven months of 2014 widened by 6.6 per cent over the corresponding period in 2013.

Earnings from Tourism

Tourist arrivals grew at a healthy rate of 9.4 per cent, year-on-year, to 119,727 in November 2014 from 109,420 in November 2013. India, China, UK, Germany and Maldives were the top five sources of tourist arrivals accounting for 49.1 per cent of total arrivals in November 2014. Earnings from tourism are estimated to have increased by 17.5 per cent to US dollars 173 million in November 2014 compared to US dollars 147.3 million in November 2013. Meanwhile, in cumulative terms, tourist arrivals recorded a growth of 20.3 per cent during the year to November while earnings from tourism increased by 29.2 per cent to US dollars 1,948.3 million during the period.

Workers' Remittances

Workers' remittances increased by 9.1 per cent, year-on-year, to US dollars 619.3 million in November 2014 from US dollars 567.8 million in November 2013. Meanwhile, cumulative inflows of workers' remittances rose to US dollars 6,309 million during the first eleven months of 2014 from a corresponding figure of US dollars 5,804.1 million during the same period of 2013, resulting in a growth of 8.7 per cent.

Financial Flows

The financial account of the BOP strengthened during the year upto November with continued inflows to the Colombo Stock Exchange (CSE), banking sector and the government. For the first eleven months of the year, the government has received long term loan disbursements amounting to US dollars 1,438.7 million compared to US dollars 1,547.8 million during the same period of 2013. Net inflows to the CSE during this period stood at US dollars 150.2 million, with a net inflows of

US dollars 43.3 million being recorded in November 2014. Further, inflows to Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) during the first eleven months in 2014 amounted to US dollars 450 million. Meanwhile, the government securities market recorded a net outflow of US dollars 104.3 million by end November 2014.

Overall BOP Position

During the period from January to November 2014, the BOP is estimated to have recorded a surplus of US dollars 1,628.3 million compared to the surplus of US dollars 581.7 million in the corresponding period of 2013.

International Reserves

Notwithstanding outflows on account of foreign debt service payments amounting to US dollars 2,054.2 million and IMF-SBA payments amounting to US dollars 704.4 million, Sri Lanka's gross official reserves continued to remain high at US dollars 8.3 billion as of end November 2014. Meanwhile, total foreign assets, which include foreign assets of the banking sector, amounted to US dollars 9.6 billion. In terms of months of imports, gross official reserves were equivalent to 5.2 months of imports as at end November 2014, while total foreign assets were equivalent to 6.0 months of imports.

Exchange Rate Behaviour

Sri Lanka rupee remained stable against the US dollar with a marginal depreciation of 0.3 per cent by end 2014. Based on cross currency exchange rate movements, the Sri Lankan rupee appreciated against the Japanese yen by 13.5 per cent, the euro by 13.2 per cent, the Canadian dollar by 8.5 per cent, the Australian dollar by 8.4 per cent, the pound sterling by 5.7 per cent and the Indian rupee by 2.1 per cent by end 2014.

Table 3: A Summary of External Sector Performance (a)

Category	November 2013 US\$ mn	November 2014 US\$ mn	Growth November (%)	Jan-Nov 2013 US\$ mn	Jan- Nov 2014 US\$ mn	Growth Jan- Nov (%)
Exports	1,031.8	921.1	-10.7	9,406.6	10,107.8	7.5
Imports	1,569.7	1,645.1	4.8	16,451.7	17,617.6	7.1
Trade Balance	-537.8	-724.1	34.6	-7,045.1	-7,509.8	6.6
Earnings from Tourism	147.3	173.0	17.5	1,508.3 (b)	1,948.3	29.2
Inflows to Other Trade in Services (c)				2,230.5 (b)	2,447.9	9.7
Workers' Remittances	567.8(b)	619.3	9.1	5,804.1 (b)	6,309.0	8.7
Inflows to the CSE (Net)	-3.9	43.3		267.2	150.2	
Inflows to the Government (d)	185.4	95.9	-48.2	3,992.7	4,726.6	18.4
of which,						
Treasury Bills and Bonds	76.1	74.1	-2.6	2,405.0	1,711.2	-28.8
International Sovereign Bonds					1,500.0	
Long term Loans	95.2	21.8	-77.1	1,547.8	1,438.7	-7.0
Foreign Direct Investment (c)				874.3	1,188.0	35.9

Sources: Sri Lanka Customs
Central Bank of Sri Lanka

(a) Provisional

(b) Revised

(c) Data available for the first nine months of each period

(d) Inflows to the government include capital and current transfers to the government, inflows from the sale of Treasury bills and Treasury bonds, International Sovereign Bonds and long-term loans of the government..