



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 12.12.2014

External Sector Performance - October 2014

Overview

Sri Lanka's external sector made satisfactory progress during the period from January to October 2014, with continued foreign currency inflows in the form of earnings from exports, workers' remittances and tourism as well as inflows to the financial account. The external sector is expected to improve further during the remaining period of 2014 with inflows to the current and financial accounts of the Balance of Payments (BOP). Tourist earnings are expected to increase with the commencement of the peak tourist season in November and workers' remittances are expected to rise during the festive season. This, together with the envisaged decline in the trade deficit is expected to reduce the current account deficit, while projected inflows by way of foreign direct investments, inflows to the Colombo Stock Exchange and private sector would help strengthen the financial account of the BOP. Consequently, the overall BOP position is expected to record a healthy surplus by the end of the year despite some volatility experienced in the government securities and equity markets recently.

Export Performance

Earnings from exports declined by 13.7 per cent, year-on-year, in October 2014 to US dollars 899 million, after recording continuous monthly increases since June 2013, while cumulative earnings increased by 9.7 per cent to US dollars 9,187 million during the first ten months of 2014. This decline was mainly due to the base effect as the highest level of export earnings in 2013 was recorded during the month of October. The largest contribution to the decline in exports in October 2014 was from textiles and garments followed by transport equipment and rubber products, all of which are categorized under industrial exports. Export earnings of textiles and garments declined by 8.7 per cent in October 2014 with the decline in garment exports to the EU and to the USA by 10.1 per cent and 8.4 per cent, respectively. Meanwhile, export earnings from spices declined continuously due to the lower production in comparison to the previous year. Export earnings from tea also declined due to the decline in both export prices and volumes. However, coconut exports increased by 51.5 per cent mainly led by the significant increase in kernel product exports.

Major export destinations during January to October 2014 were USA, UK, Italy, India and Germany accounting for about 50 per cent of total exports.

Table 1: Earnings from Exports

Category	October 2013 (USD mn)	October 2014 (USD mn)	Growth (%)	Jan-Oct 2013 (USD mn)	Jan-Oct 2014 (USD mn)	Growth (%)
1. Industrial exports	771.7	663.4	-14	6,230.8	6,808.7	9.3
Textiles and garments	436.4	398.4	-8.7	3,563.0	4,058.2	13.9
Rubber products	94.5	77.8	-17.7	710.4	747.3	5.2
Gems, diamonds and jewellery	38.1	31.6	-17.1	378.1	319.3	-15.6
Transport equipment	35.5	6.8	-80.7	135.2	110.8	-18.1
Machinery and mechanical appliances	32.8	29.1	-11.4	250.9	283.0	12.8
Petroleum products	30.2	26.6	-12.1	368.0	283.8	-22.9
Food beverages & tobacco	25.5	20.7	-18.8	192.4	239.5	24.5
Other	78.7	72.4	-8.0	632.8	767.0	21.2
2. Agricultural exports	257.7	231.1	-10.3	2,094.9	2,311.4	10.3
Tea	146.8	134.3	-8.5	1,249.7	1,351.0	8.1
Coconut	23.1	35.0	51.5	163.7	302.3	84.7
Sea Food	23.1	16.7	-27.7	187.5	210.8	12.4
Spices	41.0	24.5	-40.3	294.5	212.9	-27.7
Other	23.8	20.7	-13.1	199.6	234.4	17.4
3. Mineral and other	11.9	4.0	-66.2	49.0	66.7	36.1
Total exports	1,041.3	898.5	-13.7	8,374.7	9,186.7	9.7

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 by a higher rate of 25.6 per cent to US dollars 1,750 million in October 2014, while on a cumulative basis, imports grew by 7.3 per cent to US dollars 15,972 million during the first ten months of 2014. The increase in import expenditure in October 2014 was mainly due to the significant increase in imports of fuel followed by imports of personal vehicles such as motor cycles and motor cars for personal use. Despite the decline in refined petroleum imports, expenditure on fuel increased significantly due to increase in crude oil imports. Further, rice imports also increased significantly during the month as a result of a shortfall in domestic rice production during the year. Imports of textiles and textiles articles, wheat and maize, paper and paper boards, vegetables and dairy products also increased during the month under consideration. The import expenditure on investment goods increased by 12.9 per cent reflecting increases in all sub categories. However, the import expenditure on fertiliser declined during the

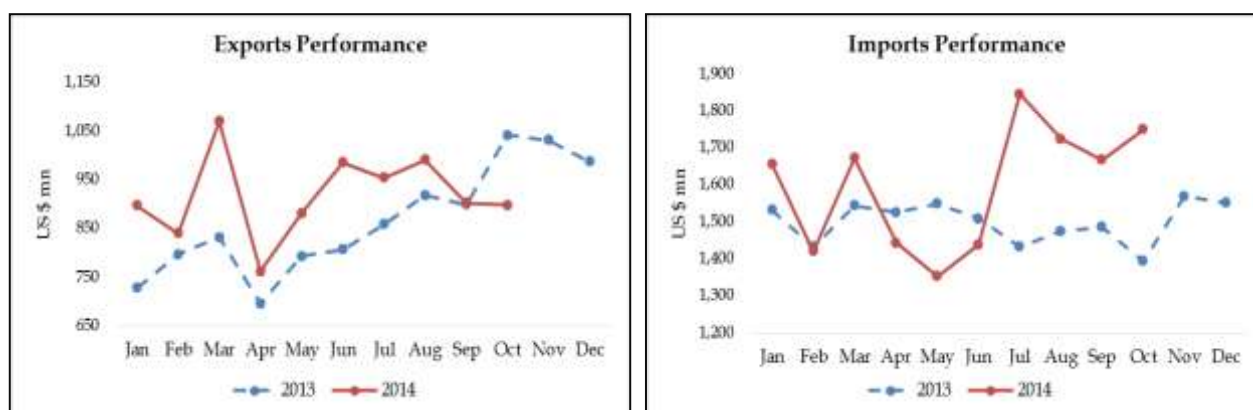
month, as a result of a substantial decline in volume of fertiliser imports. During the first ten months of 2014, the main import origins were India, China, UAE, Singapore and Japan accounting for about 58 per cent of total imports.

Table 2: Expenditure on Imports

Category	October 2013 (USD mn)	October 2014 (USD mn)	Growth (%)	Jan-Oct 2013 (USD mn)	Jan-Oct 2014 (USD mn)	Growth (%)
1. Consumer goods	286.2	411.5	43.8	2,619.10	3,065.30	17.0
Food and Beverages	101.7	169.4	66.5	1,128.1	1,316.7	16.7
Dairy products	25.7	28.2	10.0	238.0	292.6	22.9
Other food and beverages	76.1	141.2	85.6	890.0	1,024.1	15.1
Other consumer goods	184.5	242.1	31.2	1,491.0	1,748.6	17.3
Vehicles	59.6	117.7	97.4	479.5	691.1	44.1
Medical and pharmaceuticals	33.8	33.7	-0.4	316.9	313.9	-0.9
Other non- food consumables	91.1	90.7	-0.4	694.6	743.5	7.0
2. Intermediate goods	755.1	941.7	24.7	8,723.5	9,551.3	9.5
Fuel	225.9	329.1	45.7	3,491.4	4,072.9	16.7
Textiles and textile articles	186.2	217.3	16.7	1,688.9	1,886.1	11.7
Chemical products	58.5	68.3	16.8	604.8	649.1	7.3
Plastic and articles thereof	44.8	59.8	33.6	422.5	497.7	17.8
Base metals	41.1	35.1	-14.8	349.7	391.0	11.8
Paper and paperboard articles	36.2	52.0	43.4	306.5	392.4	28.0
Wheat and Maize	22.9	35.1	53.4	280.3	342.1	22.0
Other	139.4	145.0	4.0	1,579.4	1,320.1	-16.4
3. Investment goods	350.8	396.2	12.9	3,527.7	3,344.0	-5.2
Machinery and Equipment	172.8	197.6	14.4	1,868.5	1,743.9	-6.7
Building materials	124.2	135.2	8.8	1,134.8	1,083.7	-4.5
Transport equipment	53.2	62.9	18.3	519.7	513.7	-1.2
Other	0.6	0.5	-26.7	4.8	2.8	-41.9
Total imports	1,393.7	1,750.2	25.6	14,882.0	15,972.5	7.3

Sources: Ceylon Petroleum Corporation, Lanka IOC PLC
Sri Lanka Customs , Central Bank of Sri Lanka

Figure 1: Export and Import Performance



Trade Balance

The trade deficit in October 2014 widened significantly to US dollars 852 million in comparison to US dollars 352 million in October 2013. This was mainly due to the base effect as both the highest monthly export earnings and the lowest monthly import expenditure for 2013 were recorded during the month of October 2013. Meanwhile, the trade deficit during the first ten months of 2014 widened by 4.3 per cent over the corresponding period in 2013.

Earnings from Tourism

Tourist arrivals recorded an impressive growth of 13.6 per cent, year-on year in October 2014, with 121,576 tourists arriving during the month. Consequently, the cumulative tourist arrivals in the first ten months grew by 21.5 per cent to 1,228,754 compared to the corresponding period of 2013. Earnings from tourism are estimated at US dollars 176 million in October 2014 in comparison to US dollars 144 million recorded in October 2013. The substantial increase in tourist arrivals as well as the increase in estimated average spending per night resulted in the cumulative earnings from tourism recording a growth of 30.4 per cent to US dollars 1.8 billion during the first ten months of 2014 compared to US dollars 1.4 billion during the same period in 2013.

Workers' Remittances

Workers' remittances grew by 4.7 per cent to US dollars 600 million in October 2014 compared to US dollars 573 million in the corresponding period of 2013. Meanwhile, cumulative inflows of workers' remittances rose to US dollars 5,690 million during the first ten months of 2014 from US dollars 5,236 million during the same period of 2013, resulting in a growth of 8.7 per cent.

Financial Flows

For the first ten months of 2014, long term loans obtained by the Government amounted to US dollars 1,411 million. Foreign investments in the government securities market from January to end October 2014 recorded a net outflow of US dollars 109 million, while foreign investments in the Colombo Stock Exchange (CSE)

up to the end November 2014 recorded a net inflow of US dollars 150 million. Further, inflows to Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) during the first ten months in 2014 amounted to US dollars 450 million with a major inflow of US dollars 250 million received from the international bond issuance by the National Saving Bank during September 2014.

Overall BOP Position

With continuous foreign financial inflows and inflows to the current account, the overall balance of the BOP is estimated to have recorded a surplus of US dollars 1,761 million during the first ten months of 2014 compared to a surplus of US dollars 745 million in the corresponding period of 2013.

International Reserves

By end October 2014, Sri Lanka's gross official reserves amounted to US dollars 8.8 billion, while total foreign assets, which include foreign assets of the banking sector amounted to US dollars 10.3 billion. In terms of months of imports, gross official reserves were equivalent to 5.5 months of imports at end October 2014, while total foreign assets were equivalent to 6.4 months of imports. It is noteworthy that a healthy level of reserves was maintained, despite outflows on account of foreign currency debt service payments of US dollars 1,980 million and IMF-SBA payments of US dollars 624 million.

Exchange Rate Behaviour

The rupee remained stable against the US dollar with only a marginal depreciation of 0.2 per cent as at 09 December 2014. However, based on cross currency exchange rate movements, the Sri Lankan rupee appreciated significantly against the euro by 11.9 per cent, the Japanese yen by 14.8 per cent, the pound sterling by 5.2 per cent, the Canadian dollar by 7.7 per cent, Australian Dollar by 7.9 and the Chinese renminbi by 1.8 per cent as at 09 December 2014. Meanwhile, the Sri Lankan rupee depreciated against the Indian rupee by 0.3 per cent as at 09 December 2014.

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

Category	October 2013 US\$ mn	October 2014 US\$ mn	Growth October (%)	Jan-Oct 2013 US\$ mn	Jan- Oct 2014 US\$ mn	Growth Jan- Oct (%)
Exports	1,041.3	898.5	-13.7	8,374.7	9,186.7	9.7
Imports	1,393.7	1,750.2	25.6	14,882.0	15,972.5	7.3
Trade Balance	-352.3	-851.7	141.7	-6,507.3	-6,785.8	4.3
Earnings from Tourism	144.1	175.7	21.9	1,361.0(b)	1,775.3	30.4
Inflows to Other Trade in Services (c)				1,469.6 (b)	1,670.5	13.7
Workers' Remittances	573.0(b)	600.1	4.7	5,236.3(b)	5,689.7	8.7
Inflows to the CSE (Net)	10.2	59.7		187.4	106.9	
Inflows to the Government (d)	188.2	165.3	-12.2	3,807.3	4,590.6	20.6
of which,						
Treasury Bills and Bonds	41.5	26.7	-35.7	2,328.9	1,637.1	-29.7
International Sovereign Bonds					1,500.0	
Long term Loans	145.5	163.7	12.5	1,452.6	1,410.8	-2.9
Foreign Direct Investment (c)				549.1	850.0	54.8

Sources: Sri Lanka Customs
Central Bank of Sri Lanka

(a) Provisional

(b) Revised

(c) Data available for the first half 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.