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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka

Tel: 2477424, 2477423, 2477418

Fax: 2346257, 2477739

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

Web: www.cbsl.gov.lk

Press Release

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External Sector Performance – November 2017

Overview

The external sector performance in November 2017 was supported by continued inflows to the financial account of the Balance of Payments (BOP) mainly with higher foreign inflows to the government securities market, and marginally improved earnings from tourism. Although a double-digit growth in exports has been recorded, partly driven by the low base recorded in November 2016, the trade deficit expanded considerably during the month with higher imports. Meanwhile, workers' remittances continued to decline, owing to adverse economic and geopolitical conditions prevailing in the Middle Eastern region. Accordingly, the BOP recorded an overall surplus of around US dollars 2.0 billion by end November 2017. Gross official reserves also increased to US dollars 7.3 billion (equivalent to 4.2 months of imports) by end November 2017 from US dollars 6.0 billion recorded at end 2016.

Table 1: Summary of External Sector Performance (a)

Category	November 2016 US\$ mn	November 2017 US\$ mn	Change (%)	Jan - Nov 2016 US\$ mn	Jan - Nov 2017 US\$ mn	Change (%)
Exports	809.7	940.9	16.2	9,450.7	10,340.6	9.4
Imports	1,732.1	1,940.4	12.0	17,366.7(b)	18,931.3	9.0
Trade balance (net)	-922.4	-999.5		-7,916.0(b)	-8,590.6	
Earnings from tourism	287	287 (c)	0.2	3,133	3,211 (c)	2.5
Workers' remittances	567	562	-0.9	6,557	6,080	-7.3
Inflows to the CSE (net) (d)	2	-11		-9	267	
Inflows to the Government	227 (b)	350		4,639 (b)	5,369	
Treasury bills and bonds	8	140		1,212	1,543	
International Sovereign Bonds	-	-		1,500	1,500	
Long term loans	220 (b)	210		1,226 (b)	1,297	
Foreign currency term financing facility	-	-		700	1,000	
IMF - EFF Receipts	163	-		332	167	
Foreign Direct Investment (e)	-	-		397	766	
Overall Balance	-	-		-653	2,005	

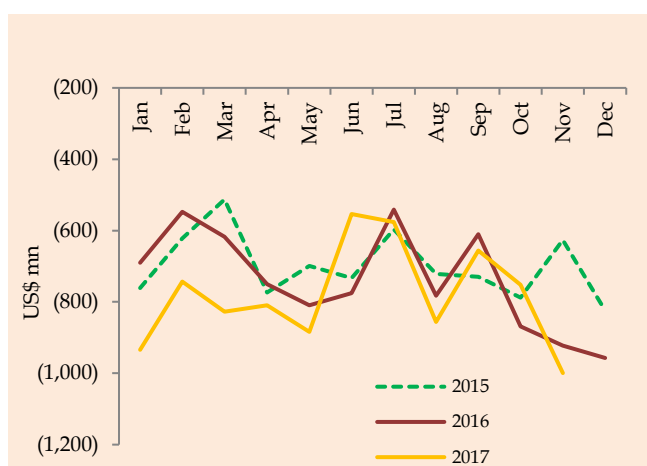
Sources: Sri Lanka Customs (SLC), Central Bank of Sri Lanka (CBSL), Sri Lanka Tourism Development Authority (SLTDA), Colombo Stock Exchange (CSE), Board of Investment of Sri Lanka (BOI)

- (a) Provisional
- (b) Revised
- (c) This provisional estimate may be revised once the SLTDA releases its survey results for 2017
- (d) Include secondary and primary market transactions
- (e) Data available for the first nine months of each period and includes foreign loans to Direct Investment Enterprises as recorded by the BOI and net direct investments to the CSE.

Trade Balance

The deficit in the trade balance expanded in November 2017, while the trade deficit on a cumulative basis also widened during the first eleven months of 2017 in comparison to the value recorded during the corresponding period of the previous year. This was due to higher import expenditure on account of increased expenses on fuel imports.

Figure 1: Monthly Trade Balance



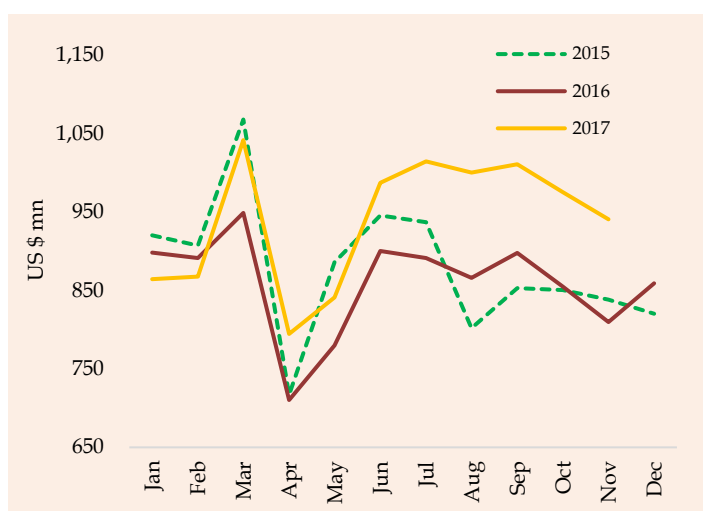
Sources: SLC, CBSL

Performance of Merchandise Exports

Exports continued to record a double-digit growth for the fifth consecutive month in November 2017. However, this growth was partly driven by the low base recorded in November 2016.

Earnings from textiles and garments exports contributed largely for this growth. Export earnings from garments increased for the fifth consecutive month in November 2017 with increased demand from the EU and the USA and non-traditional markets such as Australia, Hong Kong and UAE. Following the restoration of the GSP+ facility, earnings from garment exports to the EU continued to expand, and in November 2017, it grew by 13.8 per cent (year-on-year), while garment exports to the USA increased by 11.9 per cent. Further, earnings from the exports of petroleum products

Figure 2: Monthly Export Performance



Sources: SLC, CBSL

increased notably owing to higher export volumes and export prices of bunker and aviation fuel. Also, reflecting higher earnings from rubber tyres and surgical and other gloves, earnings from rubber products increased during the month. Meanwhile, earnings from agricultural exports increased further in November 2017 mainly due to the notable growth recorded in tea exports in view of increase in the average tea export prices and volumes. Earnings from spices increased with higher volumes of cinnamon, pepper and cloves despite the decline in average export prices. In addition, earnings from seafood exports increased significantly during the month mainly due to increased exports to the EU market reflecting the positive impact of the removal of the ban on exports of fisheries products to the EU market and the restoration of the GSP+ facility. In November 2017, the USA, the UK, India, Germany and Italy were the leading markets for merchandise exports of Sri Lanka accounting for about 50 per cent of total exports.

Table 2: Export Earnings (a)

Category	November 2016 (US\$ mn)	November 2017 (US\$ mn)	Change (%)	Jan - Nov 2016 (US\$ mn)	Jan - Nov 2017 (US\$ mn)	Change (%)
1. Industrial exports	623.8	713.5	14.4	7,285.2	7,745.3	6.3
Food, beverages and tobacco	23.2	28.4	22.8	300.0	359.8	20.0
Animal fodder	6.1	8.0	31.4	60.6	70.2	15.9
Textiles and garments	383.1	424.3	10.8	4,490.5	4,562.0	1.6
o/w Garments	357.3	399.0	11.7	4,234.7	4,294.1	1.4
Textiles	18.6	17.7	(4.8)	180.9	188.0	3.9
Other made up textile articles	7.1	7.6	7.5	74.9	79.8	6.5
Rubber products	61.2	67.3	10.0	705.5	760.8	7.8
Gems, diamonds and jewellery	18.1	22.5	24.3	254.3	236.5	(7.0)
Machinery and mechanical appliances	27.0	28.3	4.9	292.7	340.8	16.4
Transport equipment	6.7	6.6	(1.0)	123.8	157.6	27.3
Petroleum products	24.5	44.2	80.6	256.1	371.9	45.2
Chemical products	8.8	11.8	33.1	115.1	134.0	16.4
Wood and paper products	9.8	11.6	18.1	104.7	126.2	20.4
Printing industry products	11.6	6.6	(42.8)	30.2	44.5	47.3
Leather, travel goods and footwear	13.8	12.9	(6.6)	154.4	144.2	(6.6)
Plastics and articles thereof	4.0	6.8	68.6	60.6	66.5	9.7
Base metals and articles	6.6	11.8	79.7	82.7	105.7	27.8
Ceramics products	2.1	2.7	30.4	31.5	30.8	(2.2)
Other	17.4	19.7	13.6	222.3	233.8	5.2
2. Agricultural exports	182.9	224.1	22.6	2,125.2	2,547.5	19.9
Tea	101.3	127.0	25.4	1,159.2	1,402.9	21.0
Rubber	3.3	2.3	(29.6)	29.4	35.7	21.1
Coconut	28.9	25.7	(11.0)	337.4	329.0	(2.5)
Spices	22.4	33.7	50.1	285.1	373.6	31.0
Vegetables	2.1	1.8	(13.8)	24.8	26.4	6.7
Unmanufactured tobacco	2.4	1.9	(21.1)	28.6	31.5	10.1
Minor agricultural products	6.6	8.9	35.0	108.4	129.3	19.2
Seafood	15.8	22.8	43.8	152.2	219.1	44.0
3. Mineral and other	3.0	3.3	9.1	40.3	47.8	18.6
Total exports	809.7	940.9	16.2	9,450.7	10,340.6	9.4

Sources: SLC, National Gem and Jewellery Authority (NGJA), Ceylon Petroleum Corporation (CPC) and Other Exporters of Petroleum, CBSL

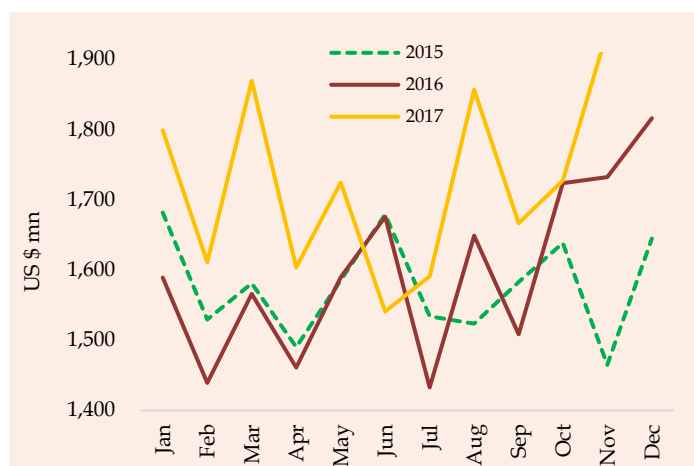
(a) Provisional

Performance of Merchandise Imports

Reporting the highest monthly value since November 2011, expenditure on imports increased significantly in November 2017. This was due to high expenditure incurred for fuel imports as a result of significant increase in crude oil and refined petroleum products on account of the combined effect of higher prices in the international market and increased

import volumes. Import expenditure on wheat and maize increased significantly mainly due to the base effect. Further, expenditure on gold imports increased considerably during the month, owing to higher volumes of gold imports. In view of the measures taken to fulfil the shortage of rice in the domestic market, volume of rice imports further increased in November 2017. Import expenditure on dairy products also increased significantly with the increased volumes and average prices of milk powder. Cement clinkers categorised under mineral products and cement categorised under building materials led to increase in construction industry related import expenditure. However, reflecting lower imports of iron and steel, import expenditure on base metals related to the construction industry, declined during the month. Expenditure on fertiliser imports declined in November 2017 mainly due to the lower imports of urea. Sugar imports also declined for the fifth consecutive month in November 2017 owing to the decline registered in average import prices and volumes. Further, import expenditure on investment goods declined mainly due to the decline in transport equipment imports reflecting lower imports of lorries, auto-trishaws, commercial cabs and agricultural tractors together with the base effect of other transport equipment such as chassis and railway track construction materials as higher imports recorded under those items in November 2016. India, China, UAE, Singapore and Japan were the main import origins accounting for about 58 per cent of total imports in November 2017.

Figure 3: Monthly Import Performance



Sources: SLC, CBSL

Table 3: Import Expenditure (a)

Category	November 2016 (US\$ mn)	November 2017 (US\$ mn)	Change (%)	Jan - Nov 2016 (b) (US\$ mn)	Jan - Nov 2017 (US\$ mn)	Change (%)
1. Consumer goods	387.9	407.7	5.1	3,964.8	4,069.0	2.6
Food and beverages	141.1	174.9	23.9	1,484.9	1,659.5	11.8
Cereals and milling industry products	1.7	26.2	1,408.6	19.6	272.1	1,289.9
o/w Rice	1.0	25.3	2,503.5	11.2	260.2	2,228.3
Dairy products	23.2	40.6	75.3	219.7	291.0	32.4
Vegetables	30.5	39.4	29.1	333.1	327.4	(1.7)
Sugar and confectionery	30.2	20.0	(33.7)	322.2	233.8	(27.4)
Seafood	19.2	15.5	(19.4)	218.2	199.2	(8.7)
Spices	9.9	6.4	(34.6)	124.0	84.4	(31.9)
Oils and fats	3.3	4.5	38.3	33.8	42.0	24.5
Other food and beverages	23.1	22.1	(4.1)	214.4	209.7	(2.2)
Non-food consumer goods	246.8	232.8	(5.7)	2,479.9	2,409.4	(2.8)
Medical and pharmaceuticals	49.7	51.1	3.0	486.7	474.4	(2.5)
Vehicles	64.0	62.2	(2.8)	736.4	677.4	(8.0)
Telecommunication devices	32.4	31.3	(3.5)	227.1	254.0	11.9
Clothing and accessories	29.6	25.7	(13.0)	339.7	344.9	1.5
Rubber products	8.7	8.2	(6.8)	102.7	85.1	(17.1)
Cosmetics and toiletries	6.4	5.2	(17.8)	79.8	70.7	(11.4)
Printed materials and stationary	3.9	4.0	1.0	37.5	37.0	(1.2)
Other non-food consumables	52.1	45.1	(13.4)	470.1	465.9	(0.9)
2. Intermediate goods	882.9	1,072.5	21.5	8,866.5	10,242.0	15.5
Fuel	221.9	306.4	38.1	2,152.8	2,994.6	39.1
o/w Crude oil	34.9	95.7	173.9	514.3	608.3	18.3
Refined petroleum	142.1	185.2	30.4	1,469.3	2,167.4	47.5
Coal	44.9	25.5	(43.2)	169.2	218.9	29.4
Diamonds, precious stones and metals	28.2	82.7	193.0	440.6	677.0	53.6
o/w Gold	17.9	72.7	306.5	318.7	570.7	79.0
Textiles and textile articles	258.3	251.1	(2.8)	2,477.0	2,491.7	0.6
Wheat and maize	1.8	58.2	3,051.8	223.5	353.9	58.3
Mineral products	16.8	35.5	110.8	201.0	201.5	0.3
Food preparations	15.5	31.3	102.4	206.4	277.1	34.3
Rubber and articles thereof	18.9	23.5	24.1	260.5	264.1	1.4
Unmanufactured tobacco	5.5	8.9	62.0	62.7	61.3	(2.2)
Fertiliser	17.8	4.9	(72.6)	129.6	86.7	(33.1)
Base metals	69.4	40.9	(41.0)	396.2	503.5	27.1
Other	228.6	229.0	0.2	2,316.1	2,330.6	0.6
3. Investment goods	460.5	459.7	(0.2)	4,523.6	4,475.9	(1.1)
Machinery and equipment	243.9	243.6	(0.1)	2,489.6	2,391.0	(4.0)
Building material	149.5	157.6	5.5	1,420.6	1,460.5	2.8
Transport equipment	66.2	57.9	(12.5)	607.5	617.0	1.6
Other investment Goods	0.9	0.5	(37.8)	5.9	7.4	25.8
4. Unclassified imports	0.8	0.5	(39.7)	11.9	144.4	1,110.3
Total imports	1,732.1	1,940.4	12.0	17,366.7	18,931.3	9.0

Sources: SLC, CPC, Lanka IOC PLC, CBSL

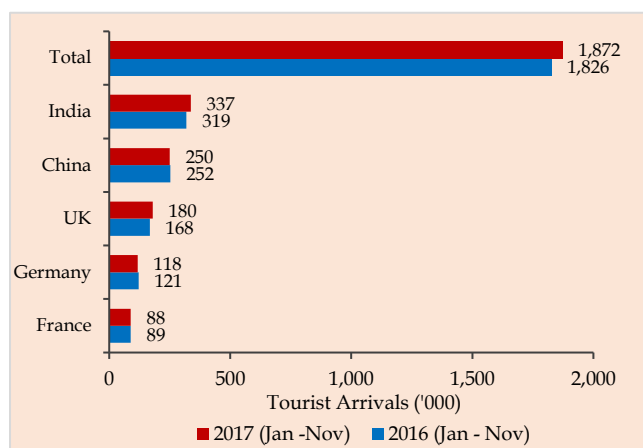
(a) Provisional

(b) Revised

Other Major Inflows to the Current Account

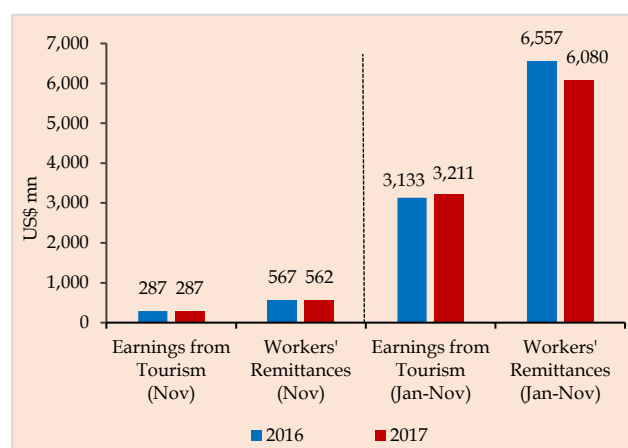
In November 2017, tourist arrivals increased marginally in comparison to November 2016, while earnings from tourism also recorded a marginal increase during the month. The top five sources of tourist arrivals, namely, India, China, the UK, Germany and France accounted for 52.0 per cent of total tourist arrivals up to end November 2017. On a cumulative basis, tourist arrivals and earnings from tourism increased during the first eleven months of 2017 compared to the corresponding period of 2016. Meanwhile, workers' remittances declined by 0.9 per cent during November 2017. Overall, workers' remittances recorded a year-on-year decline of 7.3 per cent during the year up to end November 2017.

Figure 4: Top Five Sources of Tourist Arrivals



Source: SLTDA

Figure 5: Earnings from Tourism and Workers' Remittances



Sources: SLTDA, Licensed Commercial Banks, CBSL

Financial Flows

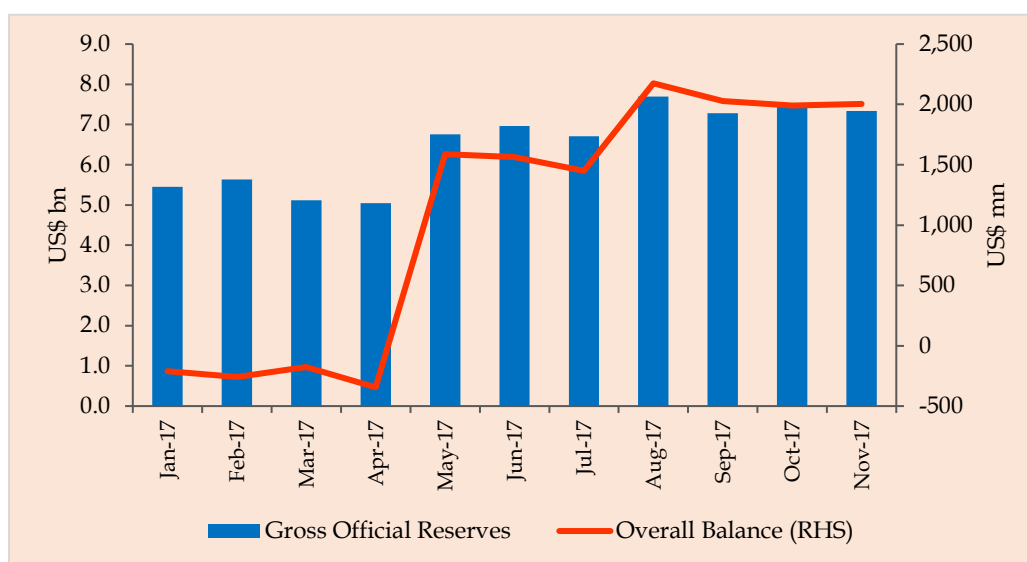
Despite the slower than expected improvement in the current account, the financial account of the BOP continued to strengthen during the month of November 2017. Continuing the positive trend recorded since March 2017, foreign investments to the government securities market witnessed net inflows for the ninth consecutive month. In addition, long term loans to the government increased on a net basis during the first eleven months of the year. Meanwhile, foreign investments in the Colombo Stock Exchange (CSE) recorded a net outflow during the month of November mainly due to a one-off transaction of a local company acquiring the foreign stake of a company operating in Sri Lanka. However, on a cumulative basis, foreign investments in the

CSE recorded a significant net inflow during the first eleven months of 2017 in comparison to the net outflow recorded during the corresponding period of 2016.

International Reserves

Sri Lanka’s gross official reserves increased from US dollars 6.0 billion recorded as at end 2016 to US dollars 7.3 billion by end November 2017, which are sufficient to finance 4.2 months of imports. Total foreign assets, which include foreign assets of the banking sector, also increased to US dollars 9.7 billion (equivalent to 5.6 months of imports) from US dollars 8.4 billion recorded as at end 2016.

Figure 6: Gross Official Reserves and Overall Balance

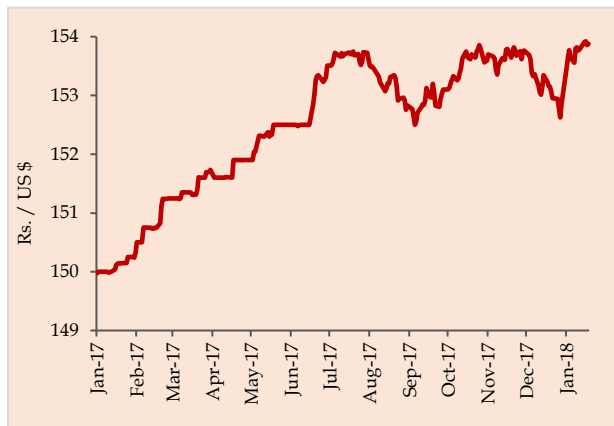


Source: CBSL

Exchange Rate Movements

The Sri Lankan rupee recorded a depreciation of 0.6 per cent against the US dollar in 2018, up to 29 January, in comparison to the depreciation of 2.0 per cent recorded during 2017. Furthermore, reflecting cross currency movements, the rupee also depreciated against other major currencies during this period.

Figure 7: Exchange Rate Movement Rupees per US\$



Source: CBSL

Table 4: Movement of Sri Lankan Rupee Against Other Currencies

Currency	Up to 29 January 2018 Appreciation (+) / Depreciation (-)
US dollar	-0.6%
Euro	-4.2%
Pound sterling	-5.3%
Japanese yen	-3.9%
Canadian dollar	-2.3%
Australian dollar	-4.2%
Indian rupee	-1.3%

Source: CBSL