



Commodity prices starts rallying

Industrial & energy prices have rallied on the back of renewed demand

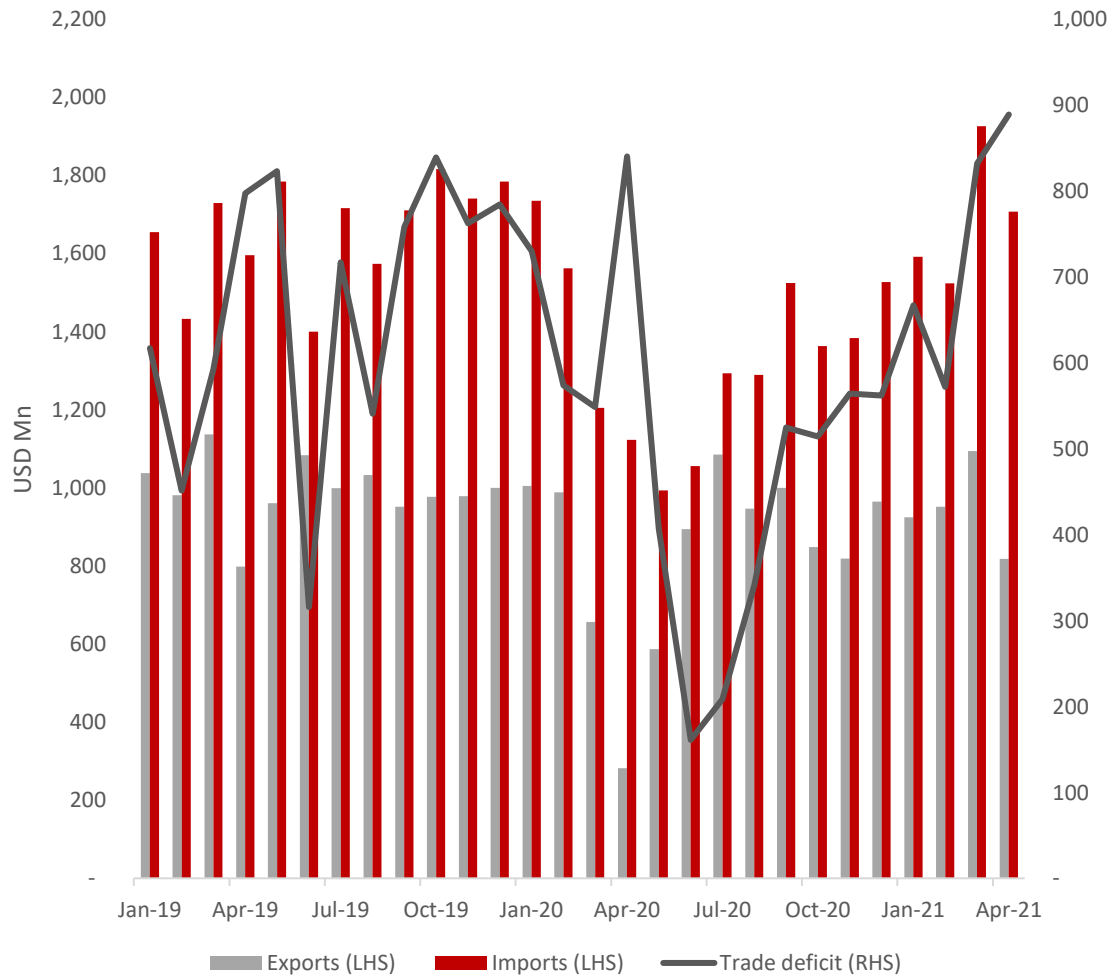
- Globally commodity markets have rallied since the last quarter of 2020. Prices of crude oil, petroleum products, industrial metals such as copper and iron, palm oil and maize have gained between 50%-100% from a year ago, where the spike was more noticeable in 1H'21.
- Sentiment is turning upbeat with large-scale vaccination and businesses gradually returning back to normal. There is a surge in demand, especially with China leading the way. Earlier-than-expected service sector re-opening in the US and Europe, and the impact of policy support lie behind the demand after the enormous demand destruction occurred in 2020 with pandemic stalled economic activities.
- Experts have different views on the rise of oil prices where some predicts oil prices to rise as much as USD5 per litre in the coming months after touching two-year high of USD 73 a barrel. However latest reports show that China is also planning to release copper, aluminum, zinc and other metals reserves in batches in the near future to keep supply and prices stable.
- Sri Lanka would also face the brunt of the global commodity price jump through wider trade deficit in our view . However the ambitious target set of USD 12Bn income from exports could mitigate this impact to a certain extent.

Some commodities have gained between 50%-100% from a year ago

	Unit	Price gain YTD	Price gain compared to a year ago	Price gain compared to avg prices of 2019
Energy				
Brent Crude oil	USD/Bbl	52%	88%	21%
WTI	USD/Bbl	50%	84%	24%
Coal	USD/MT	17%	75%	38%
LPG Gas (Propane)	USD/MT	18%	51%	22%
Base oil	USD/MT	31%	53%	27%
Diesel	USD/Gallon	40%	80%	4%
Petrol	USD/Gallon	56%	89%	20%
Food				
Sugar	USD/KG	12%	41%	36%
Rice	USD/MT	-10%	-5%	18%
Coconut oil	USD/MT	10%	76%	120%
Palm oil	USD/MT	14%	77%	93%
Wheat	USD/MT	28%	64%	71%
Maize	USD/MT	54%	106%	79%
Whole Milk powder	USD/MT	21%	44%	28%
Barley	INR/Quintal	0%	-3%	4%
Construction				
Iron Ore	USD/MT	42%	114%	136%
Copper	USD/LB	22%	65%	58%
Alluminium	USD/MT	21%	55%	36%
Portland Cement	USD/MT	-2%	18%	-11%
Others				
Cotton	USD/LB	10%	42%	29%
Gold	USD/Ounce	-5%	4%	30%

Sources: Daily metal price, trading economics, indexmundi, Saudi Aramco., global dairy trade, Bloomberg
Price are compared against prices as at June/ May 2021

Trade deficit continued to widen in Apr'21 to USD 889Mn.



- Sri Lanka's Export income soared by 190%YoY while import bill jumped by 52% YoY for April'21. Cumulative exports grew by 30%YoY while imports increased by 20%YoY, thus increasing the trade deficit by 9% to USD 2,948Mn for the first four months of 2021.
- Textiles and Garment exports increased by 461%YoY to USD 366Mn while rubber products jumped by 154%YoY to stand at USD 62 Mn for April'21 as disruptions to domestic production processes due to lockdowns hindered export income last year. Industrial exports however saw a decline of 22%MoM reflecting the impact of the third wave of the pandemic and the festive holiday related developments in April.
- Monthly fuel bill meanwhile increased by 239.2%YoY (19% MoM) to USD 413Mn for Apr'21, with average import prices of crude oil increasing . Cumulative cost of the fuel bill for the year meanwhile jumped by 30%YoY to USD 1,390Mn.
- Restrictions in importing vehicles meanwhile resulted with personal vehicle imports dipping by 98%YoY in Apr'21.

Source : CBSL



Export income increased more than Import expenses in Apr'21

Import bill on fuel increased by 239%YoY while vehicle imports dropped by 98%YoY . Export income from Textile and garments soared by 461%YoY in Apr'21

USD Mn	Apr'20	Apr'21	Variance	Jan-Apr 2020	Jan-Apr 2021	Variance	Contribution to Exports
Total Exports	282	818	190%	2,932	3,800	30%	
Industrial Exports	161	647	303%	2,295	2,949	29%	78%
Textiles and garments	65	366	461%	1,320	1,700	29%	45%
Rubber Products	24	62	155%	220	318	44%	8%
Agricultural Exports	120	166	38%	627	829	32%	22%
Tea	78	79	1%	348	417	20%	11%

USD Mn	Apr'20	Apr'21	Variance	Jan-Apr 2020	Jan-Apr 2021	Variance	Contribution to Imports
Total Imports	1123	1707	52%	5,625	6,748	20%	
Consumer Goods	303	279	-8%	1,269	1,277	1%	19%
Food and beverages	137	124	-10%	563	629	12%	9%
Non-food consumer goods	166	155	-6%	705	648	-8%	10%
Vehicles	60	1	-98%	217	4	-98%	0%
Intermediate goods	570	1075	89%	3,116	4,066	30%	60%
Fuel	122	413	239%	1,070	1,390	30%	21%
Textiles and textile articles	147	228	55%	769	939	22%	14%
Investment goods	250	353	41%	1,233	1,403	14%	21%
Machinery and equipment	113	228	102%	686	913	33%	14%

USD Mn	Apr'20	Apr'21	Variance	Jan-Apr 2020	Jan-Apr 2021	Variance
Trade balance	-840	-889	5.8%	-2,693	-2,948	9%
Earnings from tourism	-	6	-	682	19	-97%
Workers' remittances	375	519	38%	1,975	2,386	21%
Foreign Direct Investment	-	-	-	-	-	-
Overall Balance				-290	-929	220%

Source : CBSL

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