

KEY POINTS:

Purchasing Managers' Indices for both Manufacturing and Services activities expanded in February

Manufacturing PMI sustained its expansion in February 2021 recording an index value of 59.4, owing to the expansion in Production and New Orders. Further, Stock of Purchases and Employment as well as Suppliers' Delivery Time remained expanded supporting to sustain the overall Manufacturing sector PMI at an elevated level.

Production sub-index increased during the month, especially in the manufacture of food & beverages sector, anticipating the upcoming festival demand while New Orders recorded a high index value. Further, the manufacture of textile and wearing apparel sector also recorded healthy index values with regard to New Orders and Production.

The Employment expanded at a higher rate in February compared to January, particularly in the manufacture of food & beverages sector, in-line with increase in Production. However, employment in the manufacture of textile and wearing apparel sector remained in the neutral threshold during the month.

Variable	Jan	Feb	+/-	Summary
PMI	60.2	59.4	-	Rising, Slower Rate
Sub-Indices of PMI				
New Orders	60.9	60.6	-	Rising, Slower Rate
Production	57.1	61.7	+	Rising, Higher Rate
Employment	51.6	52.2	+	Rising, Higher Rate
Stock of Purchases	59.8	58.3	-	Rising, Slower Rate
Suppliers' Delivery Time	76.1	63.9	-	Lengthening, Slower Rate

Source: Central Bank of Sri Lanka

Although Production expanded at a higher pace, the Stock of Purchases expanded at a slower rate mainly due to the piled-up stocks during the previous month, owing to anticipated supply disruptions due to Chinese New Year holidays. Further, the Suppliers' Delivery Time sub-index lengthened at a slower pace during the month.

Expectations for manufacturing activities in the next three months remained at improved levels with the expectation for the normalisation of economic activities within the country as well as in major export markets.

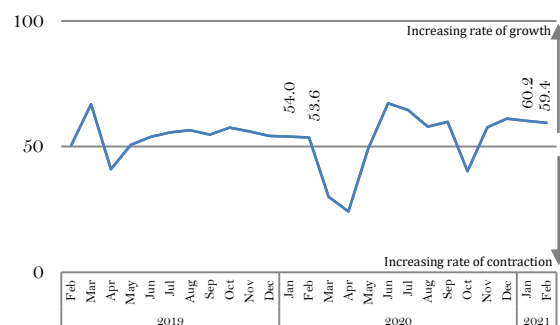
Manufacturing

PMI
Index Value

59.4

Decrease of
0.8 index points
compared to
January 2021

PMI - Manufacturing



Source: Central Bank of Sri Lanka

The World Outlook:
Manufacturing PMI

The global manufacturing PMI recorded a value of 53.9 in February 2021 with an increase of 0.3 index points from January 2021.

Manufacturing PMIs of Eurozone, UK and Russia increased at higher rates while those of India, China and USA increased at slower rates in January 2021.

Source: Markit¹ as at 14th March 2021

¹ Markit is a leading global diversified provider of financial information services. It is identified as the global PMI compiler and compiles PMIs for over 30 countries and for key regions including the Eurozone.

Services PMI increased to 56.5 in February 2021 indicating a further improvement in the services sector. This increase was underpinned by the expansions observed in new businesses, business activities and expectations for activity.

New businesses increased in February 2021, particularly with the improvements observed in financial services, other personal services and real estate activities sub-sectors.

Business activities in the services sector increased in February 2021 for the third consecutive month. Transportation and financial services sub-sectors recorded an improvement during the month with the normalisation of economic activities. Further, the business activities in education sub-sector expanded in February 2021 due to new intakes of students to higher education institutes after G.C.E. Advanced Level examination. Moreover, other personal services and real estate activities sub-sectors also experienced an increase in business activities in February 2021.

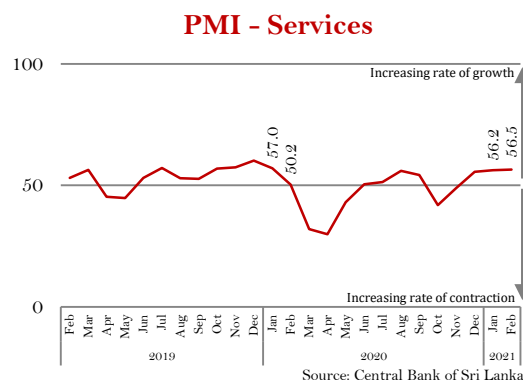
Employment sub-index reached the neutral threshold level of 50 reflecting a moderation of decline in employment in February 2021, since some firms have started hiring new employees in line with the rise in their business activities.

Backlogs of work decreased in February 2021 with the normalisation of business processes, which were disrupted by the COVID-19 pandemic related health concerns.

**Services
PMI
Index Value**

56.5

Increase of
0.3 index points
compared to
January 2021



Variable	Jan	Feb	+/-	Summary
PMI	56.2	56.5	+	Rising, Higher Rate
<u>Sub-Indices of PMI</u>				
New Businesses	55.2	54.1	-	Rising, Slower Rate
Business Activity	60.9	62.8	+	Rising, Higher Rate
Employment	43.8	49.5	+	Falling, Slower Rate
Backlogs of Work	53.3	46.8	-	Falling from Rising
Expectations for Activity	67.7	69.6	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations on future business activities increased further in February 2021 due to the increased optimism on the growth of economic activities with the commencement of COVID-19 vaccination process.

The World Outlook:
Services PMI

Global services PMI increased to 52.8 in February 2021 from 51.6 in January 2021, signalling an expansion of global service activities.

Services PMIs of USA, China and India indicated that their services sectors expanded in February 2021 compared to the previous month, while that of Japan and UK indicated a deterioration.

Source: Markit¹ as at 14th March 2021

Technical Note

The Index

PMI is calculated as a 'Diffusion Index', where it takes values between 0 and 100.

PMI=50 - sector remained neutral on month-on-month basis; PMI>50 - sector is generally expanding on month-on-month basis

PMI<50 - sector is generally declining on month-on-month basis

Sample

The sampling frame was based on a list of large companies located in the Western province obtained from the EPF Department. Samples for Manufacturing and Services activities were selected based on the GDP sectoral share, with a target of 100 responses for each.

Definitions of Variables

- Employment : Number of staff working for the organization
 - Stock of purchases : Raw materials purchased and kept in a warehouse to be used for production
 - Supplier Delivery Time : Time lag between order placement and delivery by the supplier
 - Backlogs of Work : Uncompleted orders due to increased flow of business activity
- Other variables are self-explanatory.