

## STATISTICS DEPARTMENT CENTRAL BANK OF SRI LANKA

## RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

## KEY POINTS:

Purchasing Managers' Indices for both Manufacturing and Services activities remained contracted in November 2022.

Indicating a setback in manufacturing activities on a month-on-month basis, Manufacturing PMI recorded an index value of 42.1 in November 2022. This setback was contributed by subdued performance observed in all the sub-indices, except for Suppliers' Delivery Time.

New Orders and Production remained contracted in November mainly due to the subdued demand conditions, particularly in the manufacture of the food & beverages, and textile & wearing apparel sectors. Many respondents representing the food & beverages sector mentioned that deterioration of purchasing power of the consumers was the major reason for the decline in demand. In the meantime, export-oriented manufacturers, particularly in the textile & apparel sector, highlighted that the subdued demand was due to the economic slowdown in major export destination and shifting of orders to other countries amidst stiff competition. Besides these, acquiring required raw materials was an issue for certain manufacturers due to a shortage of foreign exchange. Furthermore, Employment and Stock of Purchases declined in-line with the decline in New Orders and Production. Meanwhile, Suppliers' Delivery Time lengthened in November 2022 compared to the previous month.

Variable	Oct.	Nov.	+/-	Summary
<b>PMI</b>	<b>38.4</b>	<b>42.1</b>	<b>+</b>	<b>Falling, Slower Rate</b>
<b>Sub-Indices of PMI</b>				
New Orders	33.0	38.0	+	Falling, Slower Rate
Production	32.5	35.5	+	Falling, Slower Rate
Employment	47.0	48.0	+	Falling, Slower Rate
Stock of Purchases	35.9	43.9	+	Falling, Slower Rate
Suppliers' Delivery Time	49.0	52.5	+	Lengthening from Shortening

Source: Central Bank of Sri Lanka

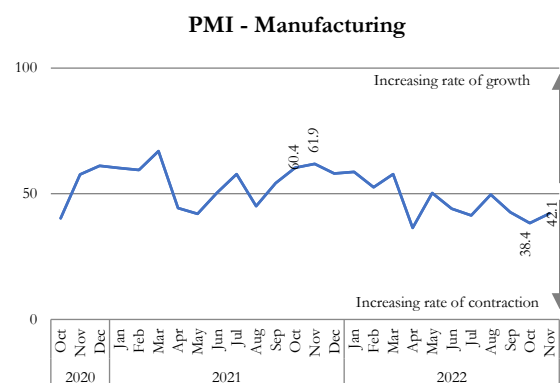
Expectations for manufacturing activities for the next three months indicated an improvement in November 2022 anticipating improvements in economic condition.

### Manufacturing PMI

Index Value

**42.1**

Increase of 3.7 index points compared to October 2022



Source: Central Bank of Sri Lanka

### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 48.8 in November 2022, with a decrease of 0.6 index points from October.

Manufacturing PMIs of India and Russia improved at a higher pace in November 2022 while it increased at a slower rate in Singapore compared to the previous month. However, manufacturing PMIs of Eurozone, UK, USA and China deteriorated in November 2022 compared to the previous month.

Source: S&P Global<sup>1</sup> as at 14<sup>th</sup> December, 2022

<sup>1</sup>S&P Global is identified as the global PMI compiler and compiles PMIs for over 40 economies worldwide.

**Services PMI recorded an index value of 49.0 in November 2022, up from 47.9 in October, yet remained slightly below the neutral threshold level.** The rate of decline in services activities was softened with the improvements observed in New Businesses, Business Activities and Expectations for Activity. However, Employment and Backlogs of Work declined during the month.

New Businesses improved in November 2022 compared to October 2022, particularly with the increases observed in some financial services, insurance, and other personal activities.

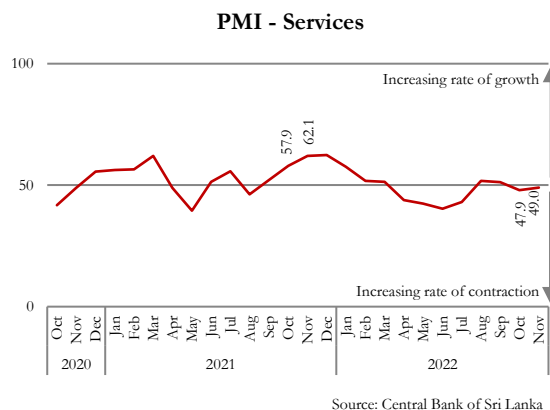
Business Activities in the services sector continued its increasing trend in November 2022 due to the upcoming festive season. Accordingly, business activities related to other personal activities, financial services and telecommunication sub-sectors showed improvements compared to the previous month. Further, in line with the increase in tourist arrivals, business activities in accommodation, food and beverages sub-sector also increased. However, business activities related to wholesale and retail trade sub-sector declined further during the month amid the continued cost of living challenges.

Employment continued to fall in November due to increasing resignations, migrations and retirements though few recruitments took place in several companies. Meanwhile, Backlogs of Work dropped at a faster pace during the month.

**Services PMI Index Value**

49.0

Increase of 1.1 index points compared to October 2022



Variable	Oct.	Nov.	+/-	Summary
<b>PMI</b>	<b>47.9</b>	<b>49.0</b>	<b>+</b>	<b>Falling, Slower Rate</b>
<u>Sub-Indices of PMI</u>				
New Businesses	49.0	53.5	+	Rising from Falling
Business Activity	54.2	53.0	-	Rising, Slower Rate
Employment	33.9	37.4	+	Falling, Slower Rate
Backlogs of Work	44.6	41.8	-	Falling, Higher Rate
Expectations for Activity	57.9	59.2	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months improved further especially with the festive season and optimism regarding improvements in economic conditions.

### The World Outlook: Services PMI

Global services PMI posted 48.1 in November 2022 from 49.2 in October 2022 signalling decline in global services activities.

Services PMIs of India and Japan indicated that their services sectors expanded in November 2022 compared to the previous month, while PMIs in China, UK and US indicated a deterioration in their services activities.

Source: S&P Global<sup>1</sup> as at 14<sup>th</sup> December 2022

#### **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

Other variables are self-explanatory.