

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 contracted in April

Following the seasonal pattern, manufacturing PMI contracted to 44.3 in April 2021 with a decline of 22.7 index points from March 2021. This was mainly due to the significant declines in Production, New Orders, Stock of Purchases, and Employment sub-indices compared to the significant expansion recorded in March.

The New Orders significantly declined with the end of the Sinhala and Tamil new year seasonal demand, particularly in the manufacture of food & beverages sector. Meanwhile, the Production, especially in the manufacture of food & beverages and textile & wearing apparel sectors declined significantly due to the lesser number of working days in the month and the drop in Employment, especially due to the increase in unauthorised absentees following new year holidays. Further, the resurgence of the COVID-19 pandemic in the latter part of April prevented many employees from reporting to the workplaces and refrained some employers from employing their entire workforce.

Manufacturing
PMI
Index Value

44.3

Decrease of
22.7 index points
compared to
March 2021

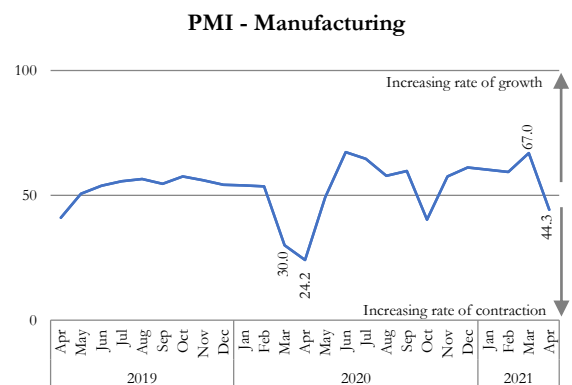
Variable	Mar	Apr	+/-	Summary
PMI	67.0	44.3	-	Falling from Rising
Sub-Indices of PMI				
New Orders	73.9	44.3	-	Falling from Rising
Production	72.9	33.0	-	Falling from Rising
Employment	56.4	44.9	-	Falling from Rising
Stock of Purchases	72.3	40.9	-	Falling from Rising
Suppliers' Delivery Time	53.7	64.8	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

Meanwhile, the Stock of Purchases contracted in line with the decline in New Orders and Production, and increased uncertainty. Many respondents, particularly in the manufacture of food & beverages sector emphasised that they reduced their purchases with the end of the seasonal demand.

The Suppliers' Delivery Time lengthened at a higher pace in April 2021 mainly due to the delays in receiving imported and local supplies. Further, many respondents highlighted that freight rates remained at elevated levels, increasing the cost of imported raw materials, which in turn adversely affected their profit margins.

The manufacturers cautioned that the uncertainty over the third wave of COVID-19 pandemic would hamper the manufacturing activities in the country. Accordingly, overall expectations for manufacturing activities for the next three months deteriorated significantly compared to the previous month.



Source: Central Bank of Sri Lanka

**The World Outlook:
Manufacturing PMI**

The global manufacturing PMI recorded a value of 55.8 in April 2021 with an increase of 0.8 index points from March.

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

Source: Markit¹ as at 16th May 2021

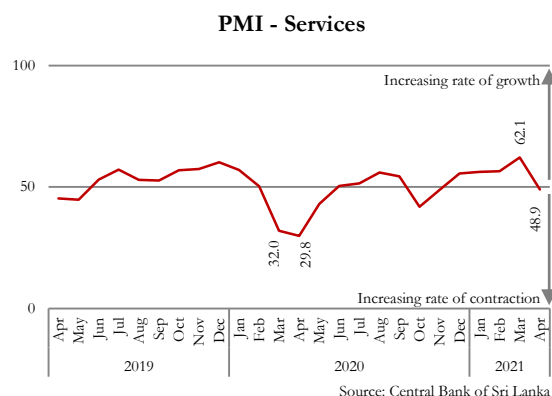
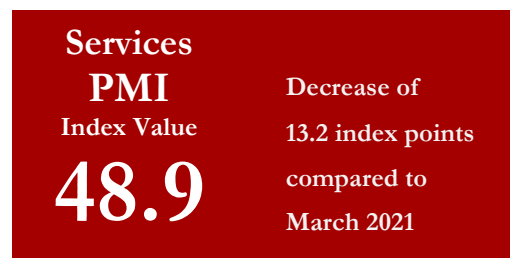
¹ Markit is a leading global diversified provider of financial information services. It is identified as the global PMI compiler and compiles PMIs for over 30 countries and for key regions including the Eurozone.

Services PMI dropped to 48.9 in April 2021, reversing the growth momentum observed in the Services sector for four straight months. This decline was underpinned by the deteriorations observed in new businesses, business activities, employment and expectations for activity.

New businesses and Business activities in the services sector decreased in April 2021, particularly with the declines observed in transportation, education and insurance sub-sectors. Moreover, other personal services sub-sector also experienced a decrease in Business activities in April 2021. Extensive holidays during the month of April amidst the impact from the onset of the third wave of COVID-19 pandemic towards the latter part of the month led this moderation of Business activities in the services sector. Nevertheless, accommodation, food and beverage and wholesale and retail trade sub-sectors saw improvements in April 2021 mainly due to the surge in demand for goods and services during the Sinhala and Tamil new year season.

Employment also declined due to retirements amid absence of new recruitments in April 2021.

Backlogs of work increased in April 2021 after declining for two consecutive months due to localized lockdowns and implementation of roster systems amid the surge in COVID-19 cases.



Variable	Mar	Apr	+/-	Summary
PMI	62.1	48.9	-	Falling from Rising
<u>Sub-Indices of PMI</u>				
New Businesses	64.7	48.9	-	Falling from Rising
Business Activity	73.4	47.9	-	Falling from Rising
Employment	52.2	48.4	-	Falling from Rising
Backlogs of Work	49.4	54.4	+	Rising from Falling
Expectations for Activity	70.7	44.7	-	Falling from Rising

Source: Central Bank of Sri Lanka

Subsequent to increasing for five month in a row, Expectations for business activities for the next three months dropped in April 2021 in line with the adverse sentiments instigated by the outbreak of the third wave of COVID-19 pandemic in the country.

The World Outlook: Services PMI

Global services PMI increased to 56.6 in April 2021 from 54.7 in March 2021, signalling a further expansion of global service activities.

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

Source: Markit¹ as at 16th May 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.