

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 expanded in July 2021

**Manufacturing PMI increased further in July 2021 recording an index value of 57.8 with an increase of 7.4 index points compared to June 2021.** This was mainly attributable to the increases observed in New Orders, Production, Employment, and Stock of Purchases sub-indices.

The significant increases in New Orders, Production, Employment, and Stock of Purchases sub-indices, particularly in the manufacture of textile & wearing apparel and food & beverage sectors, have mainly contributed to the considerable improvement in the PMI. Some respondents in those sectors highlighted that they received higher export orders, especially from the Europe, with the gradual normalization of economic activities, and they resumed new recruitments with the expectation of future demand and following the progress of the COVID-19 vaccination programme.

**Manufacturing  
PMI  
Index Value**

57.8

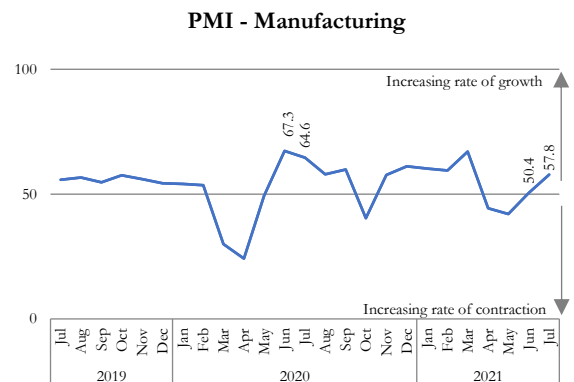
**Increase of  
7.4 index points  
compared to  
June 2021**

Variable	Jun.	Jul.	+/-	Summary
<b>PMI</b>	<b>50.4</b>	<b>57.8</b>	<b>+</b>	<b>Rising, Higher Rate</b>
<b>Sub-Indices of PMI</b>				
New Orders	52.1	61.5	+	Rising, Higher Rate
Production	43.2	54.0	+	Increasing, from Decreasing
Employment	45.8	52.0	+	Increasing, from Decreasing
Stock of Purchases	45.3	51.0	+	Increasing, from Decreasing
Suppliers' Delivery Time	68.9	69.0	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

Meanwhile, the Stock of Purchases sub-index increased in line with the expansion in New Orders and Production while the Suppliers' Delivery Time continued to lengthen in July 2021. Many respondents stressed that delays in the opening of letters of credit and delays in settlement of foreign payments affect adversely the supply chain of importing raw materials. This has caused disturbances for their production schedules.

The manufacturers cautioned that the uncertainty over the rapid spread of the COVID-19 virus 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, yet remained above the neutral threshold.



Source: Central Bank of Sri Lanka

### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 55.4 in July 2021 with a decrease of 0.1 index points from June 2021.

Manufacturing PMIs of USA and India increased at a higher rate, while those of Europe, UK and China increased at a slower rate. Meanwhile, Russia indicated a further deterioration in manufacturing PMI in July 2021.

Source: Markit<sup>1</sup> as at 15<sup>th</sup> August 2021

<sup>1</sup> 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.

**Signaling a further expansion of Services activity, Services PMI increased further to an index value of 55.7 in July 2021.**

This increase was driven by the increases in new businesses, business activity, backlogs of work and expectations for activity.

New businesses increased in July 2021 compared to June 2021 with the improvements observed in financial services, insurance, transportation, telecommunication and real estate sub-sectors.

Business activities across most of the sub-sectors increased in July in line with the relaxation of the travel restrictions. Accordingly, financial services sub-sector reported a huge improvement during the month. Transportation sub-sector also saw a considerable progress with growths observed in passenger transportation and freight volumes. Further, human health, insurance and telecommunication sub-sectors also improved during the month. Meanwhile, wholesale and retail trade, and other personal activities sub-sectors also reported positive developments owing to recommencement of business operations and recovery in demand following the gradual normalization of economic activities.

Employment continued to fall at a slower pace as retirements and resignations exceeded the number of recruitments carried out during the month.

Backlogs of work increased, yet at a slower pace, in July.

Variable	Jun.	Jul.	+/-	Summary
<b>PMI</b>	<b>51.3</b>	<b>55.7</b>	<b>+</b>	<b>Rising, Higher Rate</b>
<i>Sub-Indices of PMI</i>				
New Businesses	49.0	58.6	+	Rising from Falling
Business Activity	49.0	63.5	+	Rising from Falling
Employment	46.1	49.0	-	Falling, Slower Rate
Backlogs of Work	54.2	53.2	+	Rising, Slower Rate
Expectations for Activity	58.3	54.5	+	Rising, Slower Rate

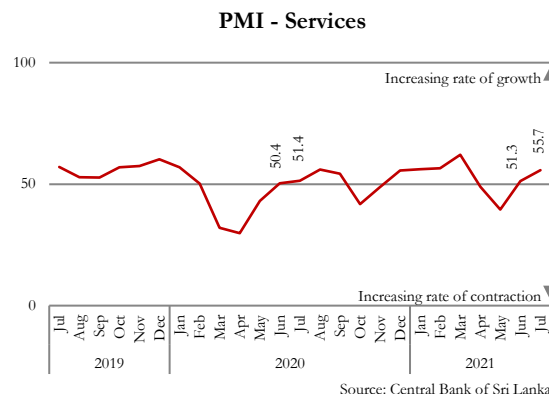
Source: Central Bank of Sri Lanka

Expectations for business activities for the next three months continued to increase in July with the gradual normalization of economic activities. However, expectations of some respondents were rather pessimistic as per the fast spread of the third wave of COVID-19, import restrictions, delays in opening of letters of credit and increase of input costs.

**Services PMI**  
Index Value

55.7

Increase of 4.4 index points compared to June 2021



**The World Outlook: Services PMI**

Global services PMI posted 56.3 in July 2021 down from 57.5 in June 2021, though signalling a further expansion of global service activities.

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

*Source: Markit<sup>1</sup> as at 13<sup>th</sup> August 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.