

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 October 2021

Indicating a strong revival in manufacturing activities in the country, the manufacturing PMI reached a 7-month high at 60.4 in October 2021 with an increase of 6.1 index points compared to the previous month. This increase in manufacturing PMI was attributable to the increases observed in all the sub-indices.

Significant increases were observed in New Orders and Production, particularly in the manufacture of food & beverages and textiles & apparel sectors during the month. Many respondents from the manufacture of food & beverages sector mentioned that they secured more local orders in October 2021, targeting demand in the upcoming festive season, while textile and apparel manufacturers have received healthy export orders. Meanwhile, Employment also increased during the month compared to the previous month with the relaxation of travel restrictions in the country. However, some respondents in the textile and wearing apparel sector highlighted that their production levels could be even higher if sufficient employees were available.

Variable	Sep.	Oct.	+/-	Summary
<b>PMI</b>	<b>54.3</b>	<b>60.4</b>	<b>+</b>	<b>Rising, Higher Rate</b>
<b>Sub-Indices of PMI</b>				
New Orders	55.5	61.7	+	Rising, Higher Rate
Production	49.0	58.2	+	Rising from Falling
Employment	53.5	57.7	+	Rising, Higher Rate
Stock of Purchases	49.0	56.6	+	Rising from Falling
Suppliers' Delivery Time	65.0	67.3	+	Lengthening, Higher Rate

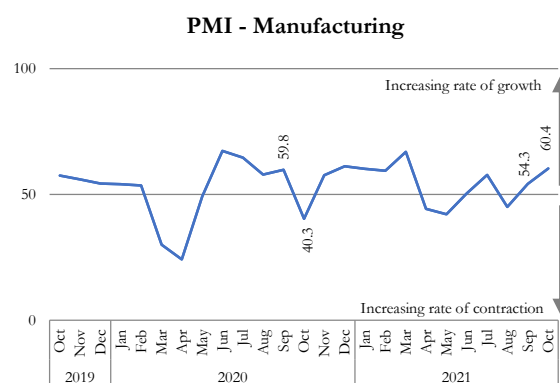
Source: Central Bank of Sri Lanka

Meanwhile, the Stock of Purchases increased with the improvement in New Orders and anticipation of the normalisation of economic activities. Some respondents in the manufacture of food & beverages sector highlighted that they increased purchases, in account of supply-side concerns. Meanwhile, Suppliers' Delivery Time lengthened at a higher rate in October 2021. The continuous increase in the cost of imported raw materials, mainly due to rising global commodity prices, has been highlighted as a major concern by most of the respondents in all sub-sectors.

In the next three months, expectations for manufacturing activities remain at higher levels anticipating further improvements in economic condition locally and globally.

Manufacturing  
PMI  
Index Value  
**60.4**

Increase of  
6.1 index points  
compared to  
September 2021



Source: Central Bank of Sri Lanka

## The World Outlook: Manufacturing PMI

The global manufacturing PMI reached 54.3 in October 2021, increasing by 0.2 index points from September 2021.

Manufacturing PMIs of India, Russia, the UK and China increased at a higher rate, while those of the USA and Eurozone increased at a slower rate in October 2021, compared to the previous month.

Source: Markit<sup>1</sup> as at 12<sup>th</sup> November 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.

**Services PMI increased to 57.9 in October 2021 underpinned by the increases in New Businesses, Business Activities and Expectations for Activity sub-indices.** This is the strongest rate of growth in services PMI, which was observed since March 2021.

New Businesses increased in October compared to the previous month mainly with the improvements observed in financial services, transportation, education, insurance, professional services, real estate and telecommunication sub-sectors.

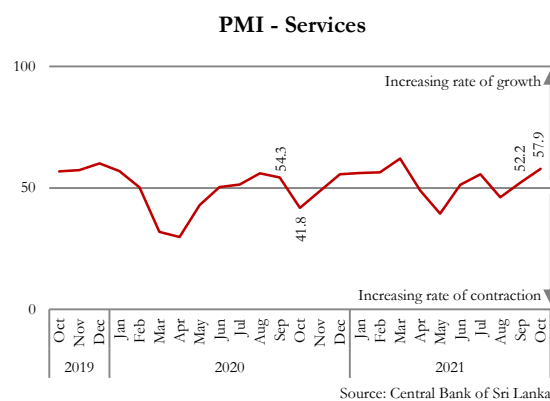
Business Activities sub index saw a sharp increase in October with the improvements observed across almost all the sub-sectors. Accordingly, significant improvements were observed in business activities related to financial services, other personal activities, transportation, education and wholesale and retail trade sub-sectors. Nevertheless, some respondents were pessimistic over the negative consequences on their business activities from increasing input costs, and supply constraints and delays amidst import related issues. Further, respondents in freight forwarding companies also expressed their concerns over the adverse impact on export volumes due to capacity limitations and increasing freight charges.

Employment sub-index continued to remain in the negative territory with retirements and voluntary resignations exceeding the number of new recruitments. Meanwhile, Backlogs of Work decreased in October for the first time since March 2021 as a majority of staff reported to work after the relaxation of travel restrictions.

**Services PMI Index Value**

57.9

**Increase of 5.7 index points compared to September 2021**



Variable	Sep.	Oct.	+/-	Summary
<b>PMI</b>	<b>52.2</b>	<b>57.9</b>	<b>+</b>	<b>Rising, Higher Rate</b>
<u>Sub-Indices of PMI</u>				
New Businesses	54.0	58.3	+	Rising, Higher Rate
Business Activity	46.5	66.2	+	Rising from Falling
Employment	40.3	45.0	+	Falling, Slower Rate
Backlogs of Work	54.8	49.5	-	Falling from Rising
Expectations for Activity	65.6	70.3	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months increased in October following the relaxation of pandemic related restrictions and favourable expectations on demand side developments in the upcoming festive season.

**The World Outlook: Services PMI**

Global services PMI rose to 55.6 in October 2021 from 53.8 in September 2021 signalling a further expansion of global service activities.

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

*Source: Markit<sup>1</sup> as at 14<sup>th</sup> November 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.