

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 January 2022 as well

Manufacturing PMI improved in January 2022 recording an index value of 58.7 with an increase of 0.6 index points compared to December 2021. This was mainly attributable to the improvements recorded in New Orders, Production together with the recovery in Employment during the month. Further, Stock of Purchases increased while Suppliers' Delivery Time lengthened on a month-on-month basis.

The expansion in New Orders, Production and Stock of Purchases, particularly in the manufacture of textile & wearing apparel and food & beverage sectors, have mainly contributed to the improvement in the PMI. Although Employment sub-index recovered to positive territory in January 2022, employment sub-index with respect to the manufacture of textile & wearing apparel sector continued to decline, reflecting the difficulty in attracting employees to the sector. Meanwhile, the Stock of Purchases increased in line with the expansion in New Orders and Production.

| Variable | Dec. 2021 | Jan. 2022 | +/- | Summary |
|---------------------------|-------------|-------------|----------|----------------------------|
| PMI | 58.1 | 58.7 | + | Rising, Higher Rate |
| Sub-Indices of PMI | | | | |
| New Orders | 65.5 | 62.2 | - | Rising, Slower Rate |
| Production | 58.0 | 59.8 | + | Rising, Higher Rate |
| Employment | 48.0 | 55.2 | + | Rising from Falling |
| Stock of Purchases | 52.0 | 55.7 | + | Rising, Higher Rate |
| Suppliers' Delivery Time | 61.1 | 56.6 | - | Lengthening, Slower Rate |

Source: Central Bank of Sri Lanka

The Suppliers' Delivery Time lengthened at a slower pace in January 2022 on a month-on-month basis. Many respondents stressed that they experienced delays in receiving import consignments, partly due to the impediments in the clearance of shipping documents, opening of letters of credit, and congestions at the port.

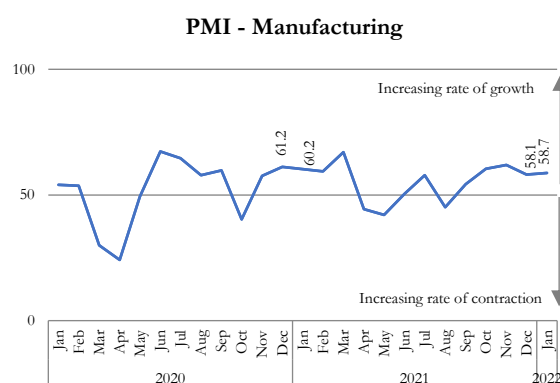
In the next three months, the expectations for manufacturing activities remain at elevated levels anticipating continuous improvements in economic condition, locally and globally.

Manufacturing
PMI

Index Value

58.7

Increase of
0.6 index points
compared to
December 2021



Source: Central Bank of Sri Lanka

The World Outlook:
Manufacturing PMI

The global manufacturing PMI reached 53.2 in January 2022, decreasing by 1.0 index points from December 2021.

Manufacturing PMIs of Eurozone and Russia improved at a higher pace in January compared to the previous month. Further, Manufacturing PMIs of USA, UK, India and Singapore increased but at a slower pace in January 2022. However, Manufacturing PMI of China decreased in January compared to the previous month.

Source: Markit¹ as at 14th February 2022

¹Markit 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 also for key regions including the Eurozone.

Services sector PMI recorded an index value of 57.5 indicating a continuous expansion in the services sector at the start of 2022. This increase was underpinned by the increases observed in New Businesses, Business Activities, Employment and Expectations for Activity sub-indices.

New Businesses rose further in January 2022 compared to December 2021, particularly with the improvements observed in transportation, professional services, other personal activities and education sub-sectors.

Amid the continuation of relaxed pandemic related restrictions, Business Activities indicated a softer growth in January 2022 compared to December 2021. Accordingly, transportation and professional services sub-sectors reported significant improvements during the month. In addition, business activities in accommodation, food and beverage sub-sector recorded further developments supported by the increase in tourist arrivals. Meanwhile, business activities related to financial services, other personal activities and education sub-sectors also increased during the month.

Employment increased for the third month in a row in January 2022 as companies continued recruitments in order to support the increase in business activities. Meanwhile, Backlogs of Work continued to decline at a slower pace in January as most of the staff report to work as usual.

| Variable | Dec. 2021 | Jan. 2022 | +/- | Summary |
|---------------------------|-------------|-------------|----------|----------------------------|
| PMI | 62.4 | 57.5 | - | Rising, Slower Rate |
| <u>Sub-Indices of PMI</u> | | | | |
| New Businesses | 67.8 | 57.5 | - | Rising, Slower Rate |
| Business Activity | 72.8 | 62.0 | - | Rising, Slower Rate |
| Employment | 53.0 | 52.0 | - | Rising, Slower Rate |
| Backlogs of Work | 45.7 | 47.4 | + | Falling, Slower Rate |
| Expectations for Activity | 72.8 | 68.5 | - | Rising, Slower Rate |

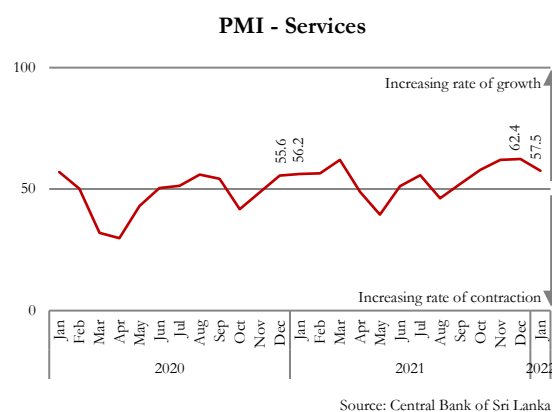
Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months improved further in January in line with the optimism related to growth in business activities amid continuance of relaxed pandemic related restrictions, despite renewed increase in Omicron cases. Nevertheless, some respondents continued to mention the negative impact from import related restrictions and inflationary pressure to their business activities.

Services PMI Index Value

57.5

Decrease of 4.9 index points compared to December 2021



The World Outlook: Services PMI

Global services PMI recorded 51.3 in January 2022 from 54.7 December 2021 to indicate a moderate expansion in global service activities.

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

Source: Markit¹ as at 14th February 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 due to increased flow of business activity

Other variables are self-explanatory.