

## 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 March 2022

Following the seasonal pattern in manufacturing activities, the manufacturing PMI increased on a month-on-month basis to an index value of 57.8, yet at a slower rate than the previous years. This increase was mainly attributable to the improvements observed in Production, New Orders and Employment sub-indices following the seasonal demand.

The increase observed in New Orders and Production sub-indices, particularly in the manufacture of textiles & apparel sector, was due to cover-up arrangements ahead of the seasonal holidays. Though New Orders in the manufacture of food & beverage sector increased in March 2022, catering to the New Year demand, Production and Stock of Purchases related to the same remain subdued, mainly due to supply-side constraints. Many respondents highlighted that fuel shortage amidst scheduled power-cut disturbed their production plans in many aspects, from material supply to transportation of workers. Suppliers' Delivery Time also lengthened on a month-on-month basis. Moreover, Stock of Purchases declined due to unavailability of required quantities in the domestic market and difficulties in opening letters of credit for importing materials.

Variable	Feb. 2022	Mar. 2022	+/-	Summary
<b>PMI</b>	<b>52.5</b>	<b>57.8</b>	<b>+</b>	<b>Rising, Higher Rate</b>
<b>Sub-Indices of PMI</b>				
New Orders	59.0	66.5	+	Rising, Higher Rate
Production	45.0	56.9	+	Rising from Falling
Employment	46.5	52.2	+	Rising from Falling
Stock of Purchases	47.5	45.2	-	Contracting, Higher Rate
Suppliers' Delivery Time	63.6	57.5	-	Lengthening, Slower Rate

Source: Central Bank of Sri Lanka

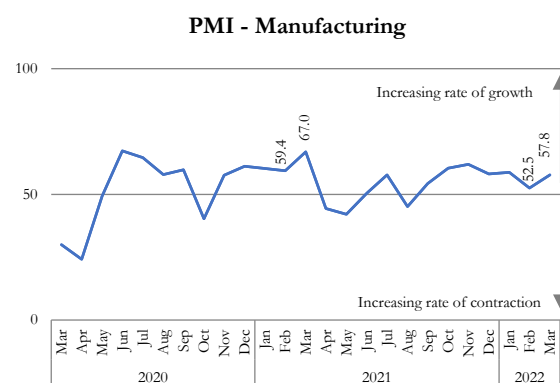
For the next three months, the overall expectations for manufacturing activities deteriorated significantly compared to the previous month due to prevailing uncertain environment in the country.

### Manufacturing PMI

Index Value

**57.8**

Increase of 5.3 index points compared to February 2022



Source: Central Bank of Sri Lanka

### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 53.0 in March 2022, with a decrease of 0.7 index points from February.

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

Source: Markit<sup>1</sup> as at 16<sup>th</sup> April, 2022

<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 also for key regions including the Eurozone.

**Services sector PMI recorded an index value of 51.3 in March 2022 indicating an expansion across the services sector** underpinned by the increases observed in New Businesses, Business Activities and Employment sub-indices.

New Businesses rose at a higher pace in March 2022 compared to February 2022, particularly with the improvements observed in financial services, other personal activities, telecommunication and insurance sub-sectors.

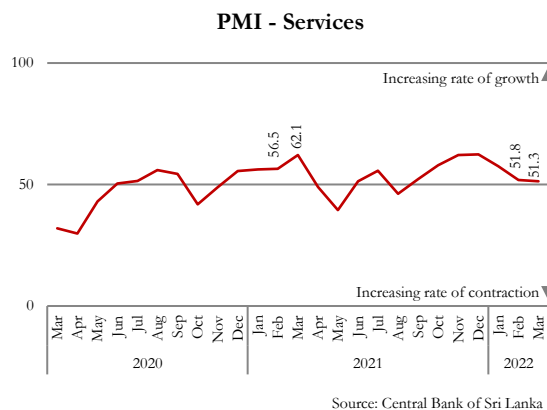
Following the seasonality, Business Activities continued to grow in March, yet at a slower pace. Accordingly, financial services, transportation, insurance, real estate, and IT programming consultancy sub-sectors reported improvements during the month. Nevertheless, the operational cost pressures, prolonged power cuts and supply shortages related to the gas, fuel and other inputs negatively affected the business operations of most of the sub-sectors, while rise in cost of living as well as Russia-Ukraine war weakened the demand related to several other services sub-sectors. Accordingly, business activities particularly related to wholesale and retail trade, accommodation, food and beverage, human health, and education sub-sectors recorded deteriorations during the month.

Employment recorded an increase in March due to new recruitments done primarily to meet the seasonal demand. Meanwhile, Backlogs of Work continued to decline at a slower pace during the month.

**Services PMI Index Value**

51.3

**Decrease of 0.5 index points compared to February 2022**



Variable	Feb.	Mar.	+/-	Summary
<b>PMI</b>	<b>51.8</b>	<b>51.3</b>	<b>-</b>	<b>Rising, Slower Rate</b>
<u>Sub-Indices of PMI</u>				
New Businesses	55.0	56.8	+	Rising, Higher Rate
Business Activity	56.5	52.1	-	Rising, Slower Rate
Employment	47.0	54.2	+	Rising from Falling
Backlogs of Work	46.3	48.9	+	Falling, Slower Rate
Expectations for Activity	54.0	44.8	-	Falling from Rising

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months deteriorated for the first time since August 2021 with the growing uncertainties and challenges with prolonged power cuts, supply shortages of fuel, gas and other inputs, import related issues and restrictions amid foreign exchange shortage, sharp increases in input prices with allowing flexibility in the exchange rate, and political and social unrest in the country.

**The World Outlook: Services PMI**

Global services PMI recorded 53.4 in March 2022 from 54.0 February 2022 to indicate an expansion in global service activities.

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

*Source: Markit<sup>1</sup> as at 16<sup>th</sup> April 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.