

SL Purchasing Managers' Index (PMI) – April 2022

Purchasing Managers' Indices for both Manufacturing and Services activities decreased in April 2022

Manufacturing PMI declined significantly in April 2022, following the seasonal pattern and indicating a contraction in manufacturing activities on a month-on-month basis. Accordingly, Manufacturing PMI recorded an index value of 36.4 in April 2022, with a decline of 21.4 index points from the previous month. This was due to the significant decreases reported in Production, New Orders, Stock of Purchases, and Employment sub-indices compared to the seasonal peak in month of March.

The decline in Production, particularly observed in the manufacture of food & beverage and textiles & apparel sectors, was due to fewer working days during the month owing to new year holidays, and supply-side constraints including ongoing power outages/energy shortage. Decrease in New Orders, especially witness in the manufacture of food & beverage sector, was due to end of the festive season demand. Employment also dropped on a month-on-month basis with the increase of absentees following the new year holidays. Further, Stock of Purchases declined mainly due to the unavailability of required quantities in the domestic market and difficulties in opening letters of credit for importing materials. Many respondents highlighted that they had to slow down production due to the unavailability of required raw materials. Meanwhile, Suppliers' Delivery Time lengthened at a higher pace in April 2022, mainly on account of international logistical issues, clearance delays due to forex payment issues, and diesel shortage.

Variable	Mar. 2022	Apr. 2022	+/-	Summary
PMI	57.8	36.4	-	Falling from Rising
Sub-Indices of PMI				
New Orders	66.5	32.0	-	Falling from Rising
Production	56.9	19.0	-	Falling from Rising
Employment	52.2	43.4	-	Falling from Rising
Stock of Purchases	45.2	28.0	-	Contracting, Higher Rate
Suppliers' Delivery Time	57.5	70.6	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

As the manufacturers are concerned about the growing uncertainties from multiple fronts, the overall expectations for manufacturing activities for the next three months deteriorated further in April 2022.

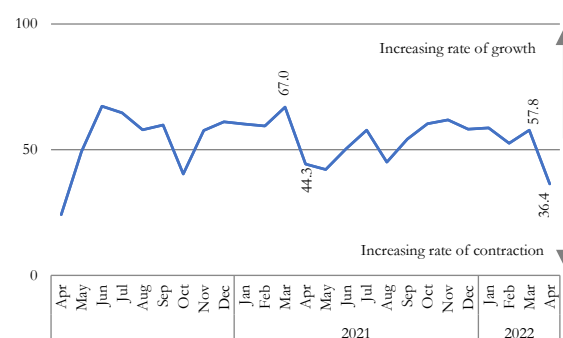
Manufacturing PMI

Index Value

36.4

Decrease of 21.4 index points compared to March 2022

PMI - Manufacturing



Source: Central Bank of Sri Lanka

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 52.2 in April 2022, with a decrease of 0.7 index points from March.

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

Source: S&P Global¹ as at 15th May, 2022

¹S&P Global 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 dropped to an index value of 43.8 in April 2022 indicating a deterioration across the services sector amid the prevailing economic, social and political instability in the country.

New Businesses declined in April 2022 for the first time since August 2021, particularly with the deteriorations observed in accommodation, food and beverage, insurance, real estate and transportation sub-sectors.

Business Activities also declined in April 2022 due to the continuous disturbances to business operations mainly attributable to prolonged power outages and difficulties in sourcing inputs including fuel and gas. Further, the subdued demand amid reduction in purchasing power, drop in tourist arrivals and uncertainties in the country also affected the business activities of some sub-sectors negatively. Accordingly, accommodation, food and beverage, professional services, education, insurance and real estate sub-sectors recorded major contractions during the month. Nevertheless, several companies, mainly in wholesale and retail trade and other personal activities sub-sectors, saw progresses supported by the festive demand.

Employment recorded a marginal decline in April 2022 due to contract expirations, retirements and resignations. Meanwhile, Backlogs of Work increased for the first time since September 2021 due to power outages, shortages of supplies and transportation difficulties.

Variable	Mar.	Apr.	+/-	Summary
PMI	51.3	43.8	-	Falling from Rising
Sub-Indices of PMI				
New Businesses	56.8	41.5	-	Falling from Rising
Business Activity	52.1	40.5	-	Falling from Rising
Employment	54.2	49.5	-	Falling from Rising
Backlogs of Work	48.9	52.8	+	Rising from Falling
Expectations for Activity	44.8	34.7	-	Falling, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months deteriorated further in April due to prolonged power outages, supply shortages and sharp increases in prices of fuel, gas and other inputs, increase in borrowing costs, subdued demand for non-essentials and economic, political and social instability in the country.

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

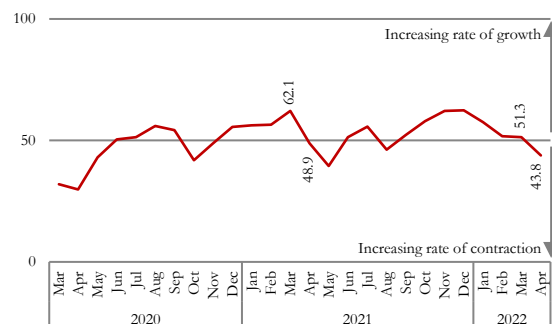
Other variables are self-explanatory.

**Services
PMI
Index Value**

43.8

**Decrease of
7.5 index points
compared to
March 2022**

PMI - Services



Source: Central Bank of Sri Lanka

The World Outlook: Services PMI

Global services PMI recorded 51.9 in April 2022 from 53.4 in March 2022 to indicate an expansion in global service activities.

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

Source: S&P Global¹ as at 15th May 2022