

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 increased in August 2022.

Manufacturing PMI recorded an index value of 49.6 in August 2022, up from July, yet at slightly below the neutral threshold level. The rate of decline of manufacturing activities was softened with the improvements reported in Employment and Stock of Purchases compared to the previous month while Production and New Orders declined at a slower pace. Further, the Suppliers' Delivery Time was shortened with the improved mobility.

Overall Production and New Orders declined marginally in August 2022 compared to July 2022. However, considering the largest manufacturing sub-sectors, an increase in Production and New Orders was reported in manufacture of textile and apparel sector, limiting the overall decline to a marginal level, while the manufacture of food & beverage sector maintained Production and New Orders at the same level as of July 2022. Many respondents revealed that improved fuel availability on a month-on-month basis positively affected manufacturing activities. Meanwhile, Employment increased in August 2022, particularly in the manufacture of textile and apparel sector which frequently suffered by scarcity of employees. The increase reported in Stock of Purchases was mainly due to higher activity levels anticipated in the coming months. Some respondents mentioned that slightly improved foreign exchange availability in the market allows them to open letters of credit to import materials.

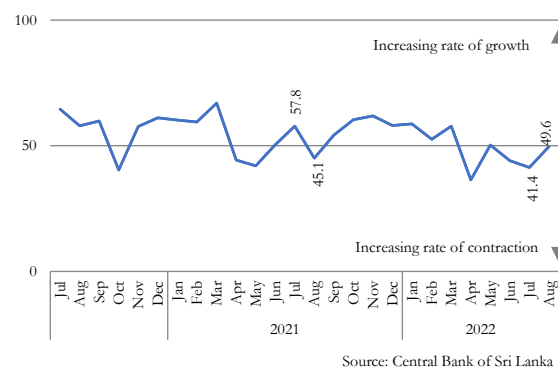
Manufacturing PMI

Index Value

49.6

Increase of 8.2
index points
compared to July
2022

PMI - Manufacturing



Variable	Jul.	Aug.	+/-	Summary
PMI	41.4	49.6	+	Falling, Slower Rate
Sub-Indices of PMI				
New Orders	39.0	49.0	+	Falling, Slower Rate
Production	32.0	49.0	+	Falling, Slower Rate
Employment	45.0	52.0	+	Rising from Falling
Stock of Purchases	32.7	51.5	+	Rising from Falling
Suppliers' Delivery Time	62.6	47.5	-	Shortening from Lengthening

Source: Central Bank of Sri Lanka

Expectations for manufacturing activities for the next three months indicated an improvement in August 2022, for the first time since February 2022, reflecting an improved business sentiment on gradually restoring stability and anticipating a more conducive environment for manufacturing activities in the coming months despite demand side impediments.

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 50.3 in August 2022, with a decrease of 0.8 index points from July.

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

Source: S&P Global¹ as at 14th September, 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 PMI returned to the growth territory in August 2022, recording an index value of 51.7 after declining for four consecutive months. This expansion was driven by the increases observed in New Businesses, Business Activities and Expectations for Activity.

New Businesses expanded in August 2022 compared to July 2022, particularly with the improvements observed in financial services, real estate, transportation and other personal activities sub-sectors.

With the increase in mobility amid the easing of fuel crisis Business Activities in the services sector increased in August following a continuous decline for four months in a row. Accordingly, the business activities mainly related to financial services, other personal activities, real estate and insurance sub-sectors showed improvements compared to the previous month. Nevertheless, as highlighted by many respondents, the other supply side constraints continued to negatively affect the business activities of some sub-sectors. In addition, the low demand lead by high inflation reportedly weighed on business activities. As such, wholesale and retail trade sub-sector showed a major decline during the month.

Employment continued to fall in August due to increasing resignations besides halt in new recruitments, non-renewal of existing employment contracts and retirements. Meanwhile, Backlogs of Work dropped during the month mainly with the ease of transportation difficulties faced by the staff.

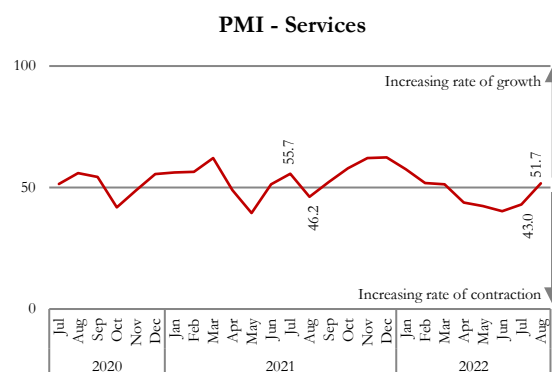
Variable	Jul.	Aug.	+/-	Summary
PMI	43.0	51.7	+	Rising from Falling
<u>Sub-Indices of PMI</u>				
New Businesses	41.2	57.3	+	Rising from Falling
Business Activity	36.9	53.1	+	Rising from Falling
Employment	36.7	43.3	+	Falling, Slower Rate
Backlogs of Work	52.2	47.8	-	Falling from Rising
Expectations for Activity	48.0	57.2	+	Rising from Falling

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months recovered with renewed expectations on the economic stability. Nevertheless, firms express their concerns over import restrictions, increase in taxes and various other uncertainties in the country.

**Services
PMI
Index Value
51.7**

**Increase of
8.7 index points
compared to
July 2022**



Source: Central Bank of Sri Lanka

The World Outlook: Services PMI

Global services PMI posted 49.2 in August 2022 from 51.1 in July 2022 to indicate a contraction in global services activities.

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

Source: S&P Global¹ as at 14th September 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.