



In May 2023, Purchasing Managers Indices indicated an expansion in Services activities and a contraction in Manufacturing activities.

**Manufacturing PMI declined in May 2023, yet at a slower rate, indicating a month-on-month contraction in manufacturing activities.** Accordingly, Manufacturing PMI recorded an index value of 46.2 in May, driven by decreases recorded in all the sub-indices.

The decline in Production and New Orders was mainly driven by the manufacture of food & beverages sector. As per the respondents, this decline was due to the seasonal drop in demand after the festive season and the deterioration in purchasing power of the consumers. Further, orders received for manufacture of textile and apparel sector remained at the same low level recorded in April, mainly due to subdued global demand and losing market share to more competitive countries. Moreover, Employment and Stock of Purchases also decreased in line with the decline in New Orders and Production. Many respondents mentioned that they maintain a minimum raw material stock, anticipating a continuous decline in raw material prices with the appreciation of the Sri Lanka rupee. Meanwhile, with the low order volumes during the month, Suppliers' Delivery Time shortened.

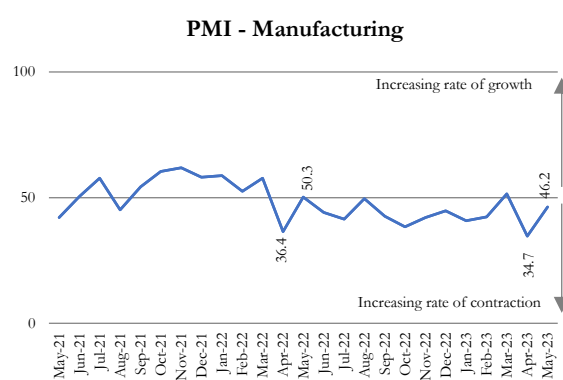
Variable	Apr.	May.	+/-	Summary
<b>PMI</b>	<b>34.7</b>	<b>46.2</b>	<b>+</b>	<b>Falling, Slower Rate</b>
Sub-Indices of PMI				
New Orders	33.0	48.0	+	Falling, Slower Rate
Production	24.5	48.0	+	Falling, Slower Rate
Employment	42.0	41.5	-	Falling, Higher Rate
Stock of Purchases	25.3	43.5	+	Falling, Slower Rate
Suppliers' Delivery Time	51.5	48.0	-	Shortening from Lengthening

Source: Central Bank of Sri Lanka

Nevertheless, expectations for manufacturing activities for the next three months indicated an improvement.

**Manufacturing  
PMI**  
May 2023

# 46.2



Source: Central Bank of Sri Lanka

### The World Outlook: Manufacturing PMI

The global manufacturing PMI remained unchanged at 49.6 in May compared to April 2023.

Manufacturing PMIs of China, India, and Russia improved at a higher pace in May 2023, while it increased at a slower rate in Singapore compared to the previous month. However, manufacturing PMIs of Eurozone, UK, and USA deteriorated in May 2023 compared to the previous month.

Source: S&P Global<sup>1</sup> as at 14<sup>th</sup> June, 2023

<sup>1</sup>S&P Global is identified as the global PMI compiler and compiles PMIs for over 40 economies worldwide.

**Services sector PMI returned to the growth territory recording an index value of 53.5 in May 2023 following the marginal drop observed in the previous month.** This was led by the increases observed in New Businesses, Business Activities and Expectations for Activity. Nevertheless, Employment and Backlogs of Works continued to decrease during the month.

New Businesses increased in May 2023 compared to April 2023, particularly with the increases observed in insurance, professional services and transportation sub-sectors.

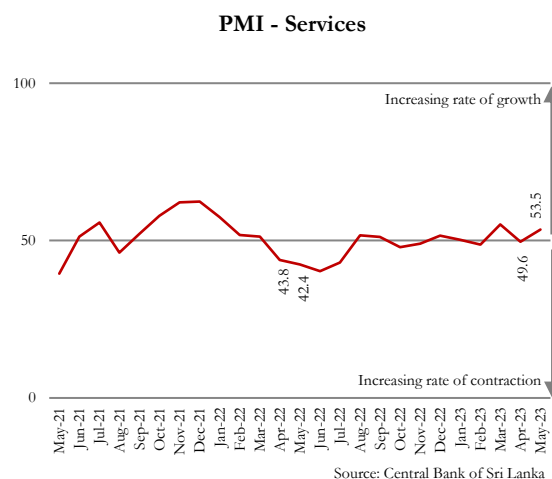
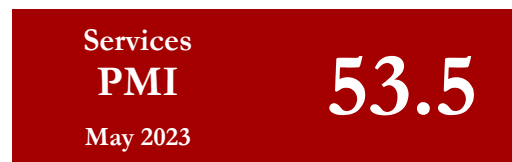
Business Activities continued to grow for the third straight month in May 2023 driven by improvements observed in most of the sub-sectors. Accordingly, business activities in other personal activities, insurance, professional services and human health sub-sectors exhibited some improvements during the month. Nevertheless, business activities related to wholesale and retail trade sub-sector declined as the festive season ended, while the business activities related accommodation, food and beverage sub-sector declined amid the moderation of tourist arrivals.

Employment continued to decline in May at a higher pace due to resignations, migrations and retirements though few new recruitments took place during the month. Meanwhile, Backlogs of Work also decreased at a higher rate during the month.

Variable	Apr.	May	+/-	Summary
<b>PMI</b>	<b>49.6</b>	<b>53.5</b>	<b>+</b>	<b>Rising from Falling</b>
<u>Sub-Indices of PMI</u>				
New Businesses	47.5	59.3	+	Rising from Falling
Business Activity	51.0	57.4	+	Rising, Higher Rate
Employment	42.5	36.6	-	Falling, Higher Rate
Backlogs of Work	45.7	42.2	-	Falling, Higher Rate
Expectations for Activity	61.1	72.1	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months improved substantially in May driven by the positive sentiments on rebounding of economic activity due improvements in demand conditions amid policy rate cuts and recent appreciation of rupee.



### The World Outlook: Services PMI

Global services PMI rose to 55.5 in May 2023 from 55.4 in April 2023, signalling an expansion in global services activities.

Services PMIs of China, India, UK, US and Japan indicated that their services sectors expanded in May 2023 compared to the previous month.

Source: S&P Global<sup>1</sup> as at 14<sup>th</sup> June 2023

#### 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

Other variables are self-explanatory.