

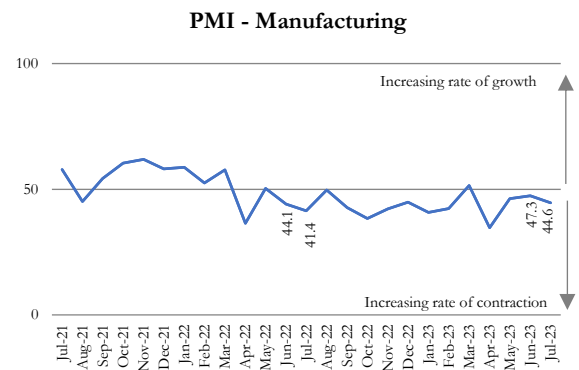


Purchasing Managers Indices indicated an expansion in Services activities and a contraction in Manufacturing activities in July 2023.

Manufacturing PMI continued to decline in July 2023, recording an index value of 44.6, indicating a delay in the recovery of manufacturing activities. This setback was contributed by the subdued performance observed in all the sub-indices.

The decline in Production and New Orders was mainly due to the setback in manufacture of food & beverages and textiles & wearing apparel sectors. Most of the respondents in the manufacture of food and beverages sector still suffer from subdued demand conditions, despite the reduction in market prices. Further, the manufacturers in textile & wearing apparel sector endured with lack of new orders amidst intense competition in the global market and unfavourable demand conditions. In parallel to the decline in New Orders and Production, Employment and Stock of Purchases also decreased during the month. Further, most companies tend to fill only the essential vacancies, reducing the Employment in July as well. Meanwhile, Suppliers' Delivery Time remained shortened in July 2023 compared to the previous month.

Manufacturing  
PMI  
July 2023  
**44.6**



Source: Central Bank of Sri Lanka

Variable	Jun.	Jul.	+/-	Summary
<b>PMI</b>	<b>47.3</b>	<b>44.6</b>	<b>-</b>	<b>Falling, Higher Rate</b>
Sub-Indices of PMI				
New Orders	49.5	47.5	-	Falling, Higher Rate
Production	49.5	41.9	-	Falling, Higher Rate
Employment	42.5	41.9	-	Falling, Higher Rate
Stock of Purchases	43.4	47.0	+	Falling, Slower Rate
Suppliers' Delivery Time	48.5	45.5	-	Shortening, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for manufacturing activities for the next three months indicated a marginal improvement considering the current economic environment.

### The World Outlook: Manufacturing PMI

The global manufacturing PMI value remained unchanged at 48.7 in July compared to June 2023.

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

Source: S&P Global<sup>1</sup> as at 14<sup>th</sup> August, 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 increased further to record an index value of 59.5 in July 2023, indicating continued expansion in the services activities.** This was led by the increases observed in New Businesses, Business Activities, Employment and Expectations for Activity. Nevertheless, Backlogs of Works remained contracted during the month.

New Businesses increased in July 2023 compared to June 2023, particularly with the increases observed in accommodation related services, financial services, other personal services and professional services sub-sectors.

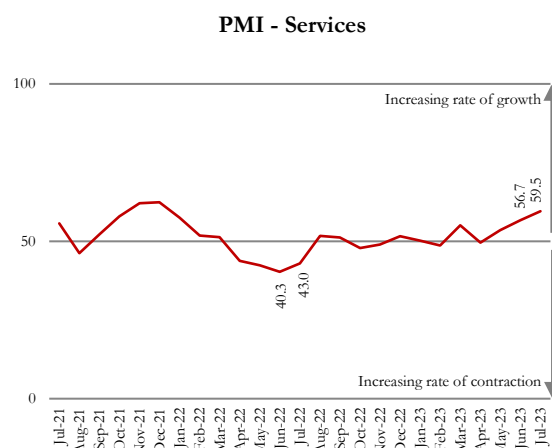
Business Activities experienced a consistent growth in July 2023 with improvements across most of the sub-sectors. Accordingly, amid the highest tourist arrivals recorded during the year, accommodation related services recorded improvements during the month. Further, financial services sub-sector also showed further improvements driven by the gradual decrease in market interest rates. In addition, some positive developments were observed in other personal services and professional services sub-sectors during the month.

Employment rose for the first time after a span of 15 months due to ongoing recruitments at several companies. Meanwhile, Backlogs of Work decreased at a slower pace during the month.

Variable	Jun.	Jul.	+/-	Summary
<b>PMI</b>	<b>56.7</b>	<b>59.5</b>	<b>+</b>	<b>Rising, Higher Rate</b>
<b>Sub-Indices of PMI</b>				
New Businesses	59.4	62.0	+	Rising, Higher Rate
Business Activity	61.9	67.5	+	Rising, Higher Rate
Employment	50.0	51.0	+	Rising from Neutral
Backlogs of Work	41.4	45.1	+	Falling, Slower Rate
Expectations for Activity	70.8	71.7	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to improve in July due to prevailing conducive economic conditions.



Source: Central Bank of Sri Lanka

### The World Outlook: Services PMI

Global services PMI posted 52.7 in July 2023 signalling an expansion in global services activities.

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

Source: S&P Global<sup>1</sup> as at 14<sup>th</sup> August 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.