

September
2023

SL Purchasing Managers' Index

Manufacturing and Services

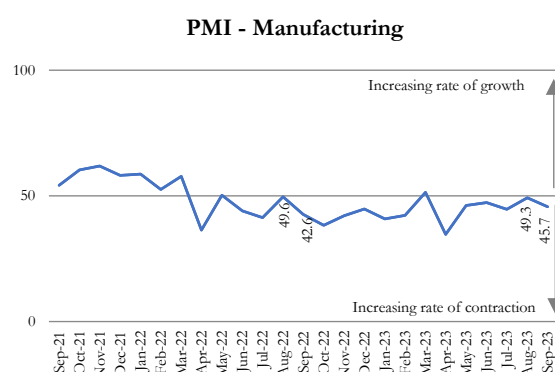


Purchasing Managers Indices in September 2023 indicated a contraction in Manufacturing activities and an expansion in Services activities.

Manufacturing PMI recorded an index value of 45.7 in September 2023, indicating a contraction in manufacturing activities. This setback was contributed by the subdued performance observed in all the sub-indices.

The decrease in New Orders and Production was mainly driven by the manufacture of food & beverages and textiles & wearing apparel sectors. Many manufacturers highlighted the challenging business conditions due to the lacklustre consumer demand and the increased availability of imported goods in the market at competitive prices. Further, the manufacture of textiles & wearing apparel sector continued to contract due to the ongoing sluggish global demand. Moreover, Employment and Stock of Purchases also decreased in line with the decline in New Orders and Production. Meanwhile, Suppliers' Delivery Time shortened during September compared to the previous month.

Manufacturing
PMI
September 2023
45.7



Source: Central Bank of Sri Lanka

Variable	Aug.	Sep.	+/-	Summary
PMI	49.3	45.7	-	Falling, Higher Rate
Sub-Indices of PMI				
New Orders	53.0	43.5	-	Falling, Higher Rate
Production	48.0	44.5	-	Falling, Higher Rate
Employment	43.5	47.5	+	Falling, Slower Rate
Stock of Purchases	50.0	47.0	-	Falling from Neutral
Suppliers' Delivery Time	51.0	49.0	-	Shortening from Lengthening

Source: Central Bank of Sri Lanka

However, the outlook for manufacturing activities for the next three months remained positive, mainly due to the anticipated increase in demand in the upcoming festive season.

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 49.1 in September 2023, with an increase of 0.1 index point from August.

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

Source: S&P Global¹ as at 13th October, 2023

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

Services sector PMI recorded an index value of 54.7 in September 2023, indicating an expansion in the services activities at a slower pace compared to the previous month. 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 September 2023, yet at a slower pace, compared to August 2023, particularly with the increases observed in financial services, wholesale and retail trade, real estate, insurance and education sub-sectors.

Business Activities also expanded in September 2023 showing positive developments in several sub-sectors. Accordingly, business activities in financial services sub-sector improved further attributed to the gradual increase in credit demand inline with declining lending rates. Further, some positive developments were seen in education and transportation sub-sectors during the month. Meanwhile, accommodation, food and beverage sub-sector also continued to increase, yet at a slower pace, following the slight decline in tourist arrivals observed during the month.

Employment increased compared to the previous month owing to recruitments that took place in several companies, while Backlogs of Work decreased at a higher pace.

Variable	Aug.	Sep.	+/-	Summary
PMI	57.6	54.7	-	Rising, Slower Rate
Sub-Indices of PMI				
New Businesses	62.4	55.8	-	Rising, Slower Rate
Business Activity	58.9	53.4	-	Rising, Slower Rate
Employment	50.0	51.0	+	Rising from Neutral
Backlogs of Work	47.3	41.1	-	Falling, Higher Rate
Expectations for Activity	69.4	72.3	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to increase at a higher pace in September led by the expected seasonal demand and improvements in economic activities amid relaxed monetary conditions.

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 declining on month-on-month basis

PMI>50 - sector is generally expanding 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

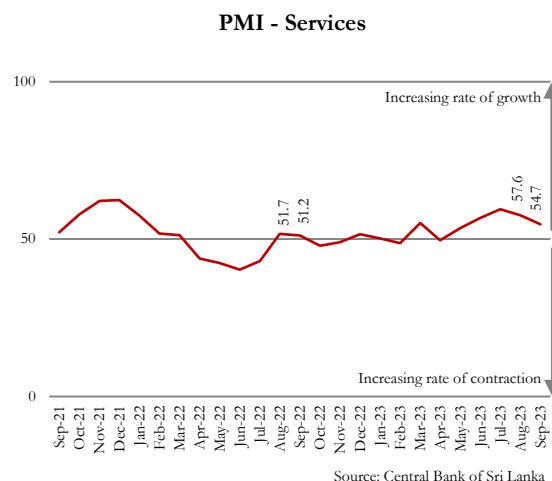
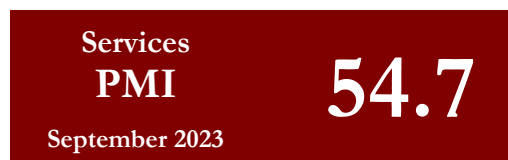
Employment : Number of staff working for the organization

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.



The World Outlook: Services PMI

Global services PMI posted 50.8 in September 2023 signalling an expansion in global services activities.

Services PMIs of China, India, US and Japan indicated that their services sectors expanded in September 2023 compared to the previous month, while Services PMI of UK indicated a deterioration in their services activities.

Source: S&P Global¹ as at 13th October 2023