

Purchasing Managers' Indices indicate expansions in Manufacturing and Services activities in March 2024

Sri Lanka Purchasing Managers' Index for Manufacturing (PMI – Manufacturing) recorded an index value of 62.5 in March 2024, indicating an expansion in manufacturing activities. This marks the highest PMI-Manufacturing that was recorded in three years. All the sub-indices expanded on a month-on-month basis contributing to this increase, mainly driven by the seasonal demand.

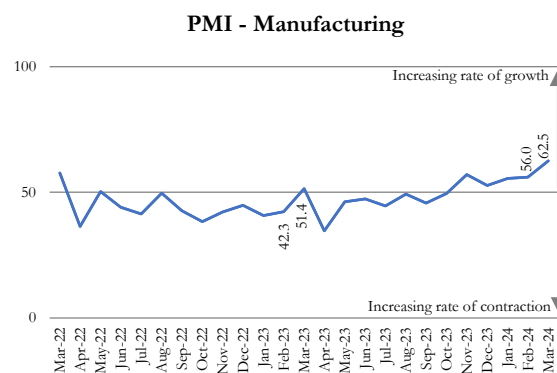
The increase in New Orders and Production was mainly attributable to the manufacture of food & beverages and textiles & apparel sectors. Most of the manufacturers, especially in food & beverage sector, were optimistic about the upcoming festive season. Moreover, Employment and Stock of Purchases increased during the month in line with the New Orders and Production. Further, a decline in price levels was also evident. Meanwhile, Suppliers' Delivery Time remained lengthened, yet at a slower rate in March.

Summary of the PMI - Manufacturing Survey

Variable	Feb.	Mar.	+/-	Direction
PMI - Manufacturing	56.0	62.5	+	Rising, Higher Rate
New Orders	57.0	66.5	+	Rising, Higher Rate
Production	55.0	67.2	+	Rising, Higher Rate
Employment	54.0	54.5	+	Rising, Higher Rate
Stock of Purchases	56.0	65.5	+	Rising, Higher Rate
Suppliers' Delivery Time	58.6	55.6	-	Lengthening, Slower Rate

Source: Central Bank of Sri Lanka

The industry expectations for the next three months remain positive. However, most of them expect a natural decrease in production during April following the end of seasonal peak.



Source: Central Bank of Sri Lanka

The World Outlook Summary of PMI Manufacturing

Country/Territory	Direction
Global	Improved, Higher Rate
India	Improved, Higher Rate
China	Improved, Higher Rate
US	Improved, Slower Rate
UK	Improved from Deterioration
Eurozone	Deteriorated, Higher Rate

Source: S&P Global ¹ as of 15 April, 2024 ([PMI Releases \(spglobal.com\)](https://www.spglobal.com))

¹S&P Global compiles PMIs for over 40 economies worldwide.

Sri Lanka Purchasing Managers' Index for Services (PMI – Services) indicated a further expansion in services activities in March 2024 as reflected by the Business Activity Index, which recorded an index value of 67.7.

The continued expansion in Business Activities was driven by the improvements observed across most of the sub-sectors. Accordingly, the wholesale and retail trade sub-sector experienced a significant uptick attributed to increased sales ahead of the festive season. Further, business activities in the financial services sub-sector continued to grow supported by the accommodative monetary policy stance. Meanwhile, the accommodation, food and beverage sub-sector continued to grow driven by high tourist arrivals, while transportation, other personal activities and professional services sub-sectors also recorded positive developments during the month.

New Businesses increased in March, particularly with the increases observed in wholesale and retail trade, financial services, insurance, transportation and professional services sub-sectors.

Employment increased due to new recruitments made by several companies in view of the festive season. Meanwhile, Backlogs of Work continued to decline, yet at a slower rate, during March.

Summary of the PMI - Services Survey

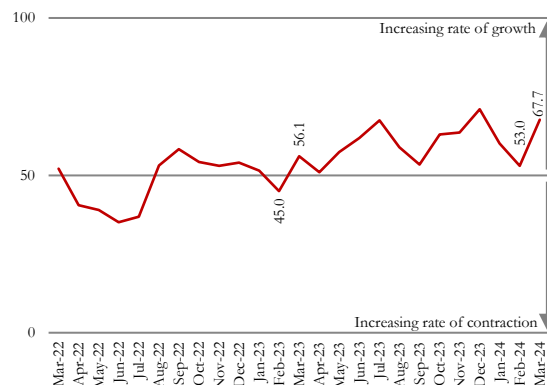
Variable	Feb.	Mar.	+/-	Direction
PMI - Services (Business Activity Index)	53.0	67.7	+	Rising, Higher Rate
New Businesses	54.5	64.0	+	Rising, Higher Rate
Employment	51.0	52.7	+	Rising, Higher Rate
Backlogs of Work	44.6	48.3	+	Falling, Slower Rate
Expectations for Activity	71.2	74.2	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to rise supported by favourable macroeconomic conditions.

PMI
Services
Business Activity Index 67.7
March 2024

PMI - Services (Business Activity Index)



Source: Central Bank of Sri Lanka

**The World Outlook:
Summary of PMI Services**

Country/Territory	Direction
Global	Improved, Higher Rate
India	Improved, Higher Rate
China	Improved, Higher Rate
US	Improved, Slower Rate
UK	Improved, Slower Rate
Eurozone	Improved, Higher Rate

Source: S&P Global ¹ as of 15 April 2024 (PMI Releases spglobal.com)

Technical Note

Methodology

Questionnaires are completed in the first half of the succeeding month. For each variable, respondents are asked to report an increase, decrease or no change compared with the previous month, and to provide reasons for any changes. The index compilation and interpretation of indices follow the survey methodology of S&P Global.

PMI – Manufacturing, which is considered as the headline index for Manufacturing, is a weighted average of New Orders, Output, Employment, Suppliers' Delivery Time and Stocks of Purchases.

The Services Business Activity Index is the headline index for Services, which is referred to as the **PMI – Services**, as per the international best practices. The Services Business Activity Index is comparable to the Manufacturing Production Index.

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.