SL Purchasing Managers' Index
Manufacturing and Services

STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

Purchasing Managers' Indices indicate improvements in both Manufacturing and Services activities in May 2024

Sri Lanka Purchasing Managers' Index for Manufacturing (PMI – Manufacturing) recorded an index value of 58.2 in May 2024, indicating an expansion in manufacturing activities. All sub-indices, except for employment, rose above the neutral threshold during the month, resulting in an overall increase in the index value.

The increases in New Orders and Production sub-indices were mainly attributable to the manufacture of food & beverages sector. Most of the respondents mentioned that the considerable increase in production activities was due to more working days prevailed in May compared to the previous month. Moreover, Stock of Purchases increased considerably during the month, in line with the increase in New Orders and Production. Meanwhile, Suppliers' Delivery Time further lengthened in May.
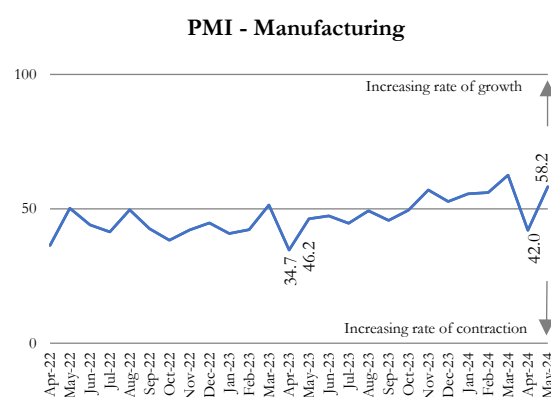
PMI Manufacturing May 2024	58.2

PMI - Manufacturing

Source: Central Bank of Sri Lanka

Summary of the PMI - Manufacturing Survey

Variable	Apr.	May.	+/-	Direction
PMI - Manufacturing	**42.0**	**58.2**	**+**	**Rising from Falling**
New Orders	40.5	57.5	+	Rising from Falling
Production	31.5	62.5	+	Rising from Falling
Employment	46.5	49.0	+	Falling, Slower Rate
Stock of Purchases	38.5	60.8	+	Rising from Falling
Suppliers' Delivery Time	59.1	62.8	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

The industry expectations for the next three months remain positive, anticipating a gradual increase in demand. However, many respondents are cautious about the existing issues related to container availability in the global shipping industry.

The World Outlook
Summary of PMI Manufacturing

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

Source: S&P Global [1] as of 18 June 2024 (PMI Releases (spglobal.com))

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

Sri Lanka Purchasing Managers' Index for Services (PMI – Services) indicated a slower expansion in services activities in May 2024 as reflected by the Business Activity Index, which recorded an index value of 55.0.

The expansion in Business Activities was driven by the improvements observed across most sectors. Accordingly, business activities in the financial services continued to grow in line with the reductions in market interest rates. Further, business activities in the transportation services experienced a considerable growth, while telecommunication, real estate, health and professional services also recorded positive developments during the month. Nevertheless, business activities in the accommodation, food and beverages services declined further during the month in line with the decline in tourist arrivals on a month-on-month basis. Moreover, business activities related to wholesale and retail trade also declined with end of the festive season.

New Businesses increased in May, particularly with the increases observed in financial services.

Employment increased in May due to new recruitments made by several companies. Meanwhile, Backlogs of Work continued to decline during the month.

Summary of the PMI - Services Survey

Variable	Apr.	May.	+/-	Direction
PMI - Services (Business Activity Index)	**56.7**	**55.0**	-	Rising, Slower Rate
New Businesses	56.2	52.0	-	Rising, Slower Rate
Employment	42.8	52.0	+	Rising from Falling
Backlogs of Work	49.4	45.7	-	Falling, Higher Rate
Expectations for Activity	67.5	70.2	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to improve, at a higher rate, supported by favourable macroeconomic conditions.

PMI - Services (Business Activity Index)
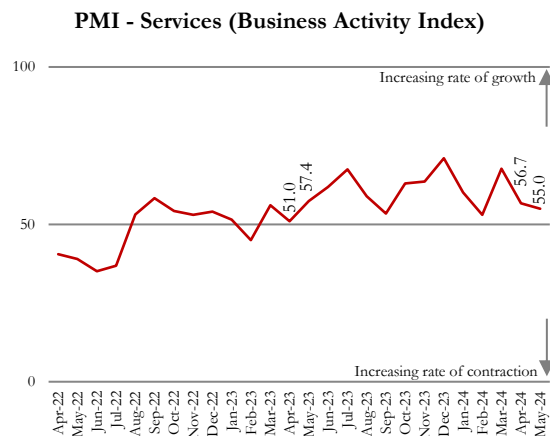
Source: Central Bank of Sri Lanka

The World Outlook
Summary of PMI Services

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

Source: S&P Global [1] as of 18 June 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.