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SL Purchasing Managers' Index (PMI) – June 2021

Purchasing Managers' Indices for both Manufacturing and Services activities recovered in June

Manufacturing activities recovered marginally during June 2021 from the adverse impacts of the third wave of the COVID-19 pandemic. The manufacturing PMI recorded an index value of 50.4 in June 2021 with an increase of 8.3 index points from the previous month, mainly driven by the strong recovery seen in New Orders. All the other sub-indices, except Suppliers' Delivery Time, edged up from the previous month.

The New Orders, especially in the manufacture of food & beverages sector, increased significantly. The Production, Employment, and Stock of Purchases sub-indices, mainly related to the food & beverages sector, edged up compared to the previous month yet remained below the neutral threshold level, owing to the disturbances from the third wave of the pandemic. However, the textile & wearing apparel sector indicated a deterioration in June, as reflected from the further decline in New Orders, Employment, and Stock of Purchases sub-indices.

Variable	May	Jun.	+/-	Summary
PMI	42.1	50.4	+	Rising from falling
Sub-Indices of PMI				
New Orders	42.4	52.1	+	Rising from falling
Production	27.9	43.2	-	Contracting, Slower Rate
Employment	38.4	45.8	-	Contracting, Slower Rate
Stock of Purchases	36.0	45.3	-	Contracting, Slower Rate
Suppliers' Delivery Time	73.8	68.9	+	Lengthening, Slower Rate

Source: Central Bank of Sri Lanka

The Suppliers' Delivery Time continued to lengthen in June 2021, yet at a slower pace, with the ease of travel restrictions in domestic front. However, many respondents to the survey mentioned that they experienced delays in making overseas payments and in opening letters of credit for import purposes, while those who involved in exports of goods mention that they continuously experience difficulties in reserving shipping spaces on top of the short supply of empty containers.

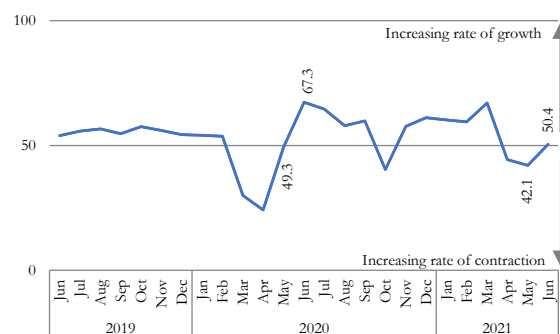
Expectations for manufacturing activities for the next three months significantly increased with the anticipation that the economic activities would normalise in the coming months supported by the rapid rollout of the COVID-19 vaccination across the country, particularly in the Western Province, and the easing of mobility restrictions.

Manufacturing
PMI
Index Value

50.4

Increase of
8.3 index points
compared to
May 2021

PMI - Manufacturing



Source: Central Bank of Sri Lanka

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 55.5 in June 2021 with a decrease of 0.5 index points from May 2021.

Manufacturing PMIs of EU increased at a higher rate, while that of USA increased at the same rate. Further, the index values in UK and China increased at a slower pace. Meanwhile, India and Russia indicated a deterioration in manufacturing PMIs in June 2021.

Source: Markit¹ as at 14th July 2021

¹ Markit is a leading global diversified provider of financial information services. It is identified as the global PMI compiler and compiles PMIs for over 30 countries and for key regions including the Eurozone.

Services PMI returned to the growth territory in June 2021, recording an index value of 51.3, after declining for two consecutive months. This improvement was mainly driven by the increase in expectations for activity supported by the relaxation of travel restrictions.

New businesses sub index improved in June 2021 compared to May 2021, particularly with the improvements observed in education and financial services sub-sectors. However, wholesale and retail trade, accommodation, food and beverage and other personal activities sub-sectors saw declines during the month.

Business activities sub index improved in June in line with the relaxation of the travel restrictions towards the latter part of the month. Accordingly, insurance, education, professional services and transportation sub-sectors saw improvements during the month. Nevertheless, wholesale and retail trade, other personal activities, accommodation, food and beverage and real estate activities sub-sectors continued to decline with a dip in demand related to discretionary goods and services due to the spread of the third wave of COVID-19 pandemic.

Employment continued to fall, yet at a slower pace, in June due to retirements and resignations amid halt in new recruitments in line with contracted business requirements.

Backlogs of work grew further in June due to disruptions on business operations amid extension of island wide travel restrictions and localized lockdowns.

Variable	May	Jun.	+/-	Summary
PMI	39.5	51.3	+	Rising from falling
<u>Sub-Indices of PMI</u>				
New Businesses	36.3	49.0	-	Falling, Slower Rate
Business Activity	28.9	49.0	-	Falling, Slower Rate
Employment	32.8	46.1	-	Falling, Slower Rate
Backlogs of Work	60.9	54.2	+	Rising, Slower Rate
Expectations for Activity	38.6	58.3	+	Rising from falling

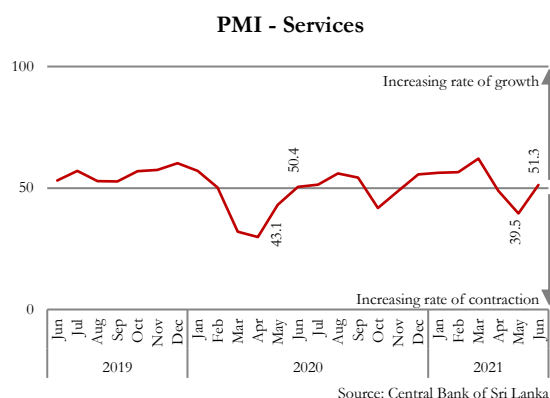
Source: Central Bank of Sri Lanka

Expectations for business activities for the next three months picked up from May with the positive sentiments reinforced by the relaxation of travel restrictions, while some respondents expressed their concerns with related to import restrictions.

**Services
PMI
Index Value**

51.3

Increase of
11.8 index points
compared to
May 2021



The World Outlook: Services PMI

Global services PMI posted 57.5 in June 2021 down from 59.6 in May 2021, though signalling a further expansion of global service activities.

Services PMIs of USA, China and UK indicated that their services sectors expanded in June 2021 compared to the previous month, while that of India and Japan indicated a deterioration.

Source: Markit¹ as at 14th July 2021

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 due to increased flow of business activity

Other variables are self-explanatory.