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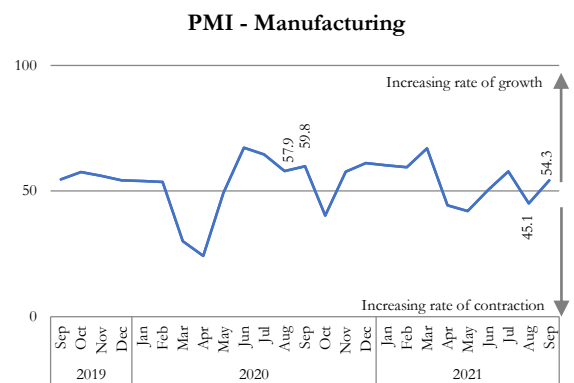
SL Purchasing Managers' Index (PMI) – September 2021

Purchasing Managers' Indices for both Manufacturing and Services activities expanded in September 2021

Manufacturing PMI bounced back to 54.3 in September 2021, increasing by 9.2 index points compared to August 2021. This increase was mainly attributable to the significant improvements observed in New Orders and Employment sub-indices.

The increase in New Orders, particularly in the manufacture of textile & wearing apparel and food & beverages sectors, have contributed considerably to the overall improvement in the PMI. Some respondents in the textile & wearing apparel sector mentioned that they received a large number of export orders in September with the normalisation of the economies in the major export destinations. Employment has also increased, especially in the manufacture of textile & wearing apparel sector, where new recruitments resumed with the tapering off of the pandemic situation.

Manufacturing PMI Index Value
54.3
 Increase of 9.2 index points compared to August 2021



Source: Central Bank of Sri Lanka

Variable	Aug.	Sep.	+/-	Summary
PMI	45.1	54.3	+	Rising from Falling
Sub-Indices of PMI				
New Orders	42.6	55.5	+	Rising from Falling
Production	37.8	49.0	+	Falling, Slower Rate
Employment	44.1	53.5	+	Rising from Falling
Stock of Purchases	43.1	49.0	+	Falling, Slower Rate
Suppliers' Delivery Time	64.9	65.0	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

However, Production and Stock of Purchases have remained closer to the neutral level with a marginal contraction during September 2021. Some respondents in the manufacture of food & beverages sector highlighted that they had to slow down the factory operations due to the lower availability of raw materials. Further, the continuous increase in the cost of imported raw materials, particularly due to rising global commodity prices, has also been highlighted as a major concern. Meanwhile, Suppliers' Delivery Time lengthened in September 2021.

In the next three months, expectations for manufacturing activities remain at elevated levels anticipating further improvements in economic condition locally and globally.

The World Outlook: Manufacturing PMI

The global manufacturing PMI remained unchanged at 54.1 in September 2021 compared to August 2021.

The Manufacturing PMI of India improved at a higher rate while those of the USA, Europe and UK increased at a slower pace. Meanwhile, the Manufacturing PMI of China stood at the neutral level while that of Russia declined at a slower pace.

Source: Markit¹ as at 14th October 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 entered the growth territory reporting an index value of 52.2 in September 2021 following the dip observed in August 2021. This was underpinned by the increases in New Businesses, Backlogs of Work and Expectations for Activity sub-indices.

New Businesses increased in September compared to the previous month mainly with the improvements observed in transportation, solely related to freight forwarding, financial services, education and telecommunication sub-sectors.

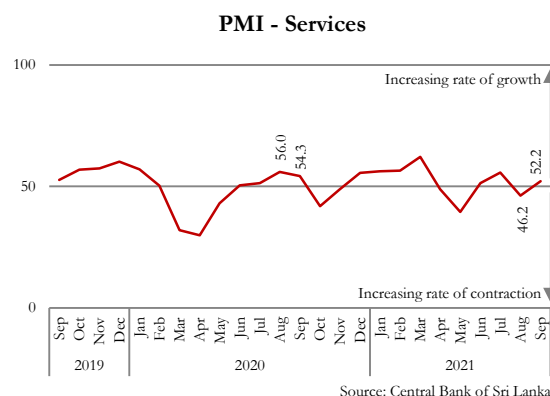
Business activities in transportation, solely driven by freight forwarding, education and insurance sub-sectors showed improvements during September. However, business activities in other personal activities, wholesale and retail trade, human health activities and accommodation, food and beverage sub-sectors were largely affected due to the quarantine curfew imposed throughout the month. As such, Business Activity sub-index edged up in September, yet continued to remain below the threshold level.

Employment sub-index continued to remain in the negative territory with retirements and voluntary resignations amid comparatively low level of new recruitments. Meanwhile, Backlogs of Work continued to increase in September since a limited staff reported to work amid prolonged travel restrictions and COVID-19 infections among staff members.

Services PMI
Index Value

52.2

Increase of 6.0 index points compared to August 2021



The World Outlook: Services PMI

Global services PMI rose to 53.4 in September 2021 from 52.8 in August 2021 signalling a further expansion of global service activities.

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

Source: Markit¹ as at 14th October 2021

Variable	Aug.	Sep.	+/-	Summary
PMI	46.2	52.2	+	Rising from Falling
<u>Sub-Indices of PMI</u>				
New Businesses	40.2	54.0	+	Rising from Falling
Business Activity	35.3	46.5	+	Falling, Slower Rate
Employment	47.5	40.3	-	Falling, Higher Rate
Backlogs of Work	60.8	54.8	-	Rising, Slower Rate
Expectations for Activity	47.1	65.6	+	Rising from Falling

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months increased in September following the lift in travel restrictions and fall in domestic COVID-19 cases. Nevertheless, some respondents continued to express their concerns with regard to adverse effects on business operations from import restrictions and increase in input costs.

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.