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SL Purchasing Managers' Index (PMI) – November 2021

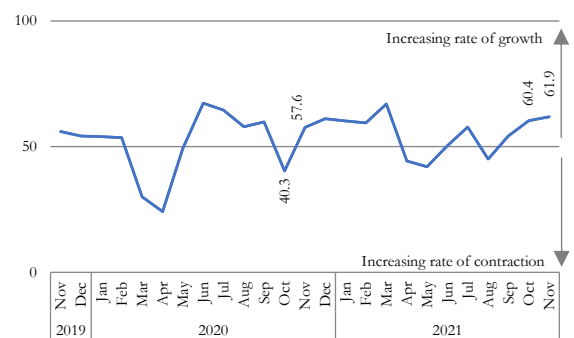
Purchasing Managers' Indices for both Manufacturing and Services activities expanded further in November 2021

Benefitting from the normalising of economic activities in the country, the Manufacturing PMI continued to expand in November 2021 and recorded an index value of 61.9. The significant increases in Production, New Orders, and Stock of Purchases sub-indices were mainly contributed to this improvement in the PMI.

A significant increase was observed in New Orders, particularly in the manufacture of food & beverages sector. Many respondents in this sector mentioned that they secured more orders in November 2021 than the previous month, for the upcoming festive season. Further, Production, especially in the manufacture of textile and wearing apparel sector increased during the month. Many respondents in this sector highlighted that their production levels were able to increase in November 2021 catering to the seasonal demands. Meanwhile, Employment expanded at a slower rate compared to the previous month.

Manufacturing
PMI
 Index Value
61.9
 Increase of
 1.5 index points
 compared to
 October 2021

PMI - Manufacturing



Source: Central Bank of Sri Lanka

Variable	Oct.	Nov.	+/-	Summary
PMI	60.4	61.9	+	Rising, Higher Rate
Sub-Indices of PMI				
New Orders	61.7	67.2	+	Rising, Higher Rate
Production	58.2	64.0	+	Rising, Higher Rate
Employment	57.7	52.7	-	Rising, Slower Rate
Stock of Purchases	56.6	64.0	+	Rising, Higher Rate
Suppliers' Delivery Time	67.3	58.6	-	Lengthening, Slower Rate

Source: Central Bank of Sri Lanka

The Stock of Purchases increased in line with the improvement in New Orders and Production, and some respondents in the manufacture of textile and wearing apparel sector highlighted that they increased purchases, anticipating supply-side disruptions due to upcoming Chinese new year holidays. Meanwhile, Suppliers' Delivery Time lengthened at a slower rate in November 2021. The continuous increase in the cost of imported raw materials, mainly due to rising global commodity prices, has been highlighted as a major concern by most of the respondents in all sub-sectors.

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

The World Outlook: Manufacturing PMI

The global manufacturing PMI reached 54.2 in November 2021, decreasing by 0.1 index points from October 2021.

Manufacturing PMIs of India, Eurozone, the UK, and Russia increased at a higher rate, while that of the USA increased at a slower rate in November 2021, compared to the previous month. Meanwhile, the Manufacturing PMI of China contracted in November 2021.

Source: Markit¹ as at 14th December 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 sector PMI registered an index value of 62.1 indicating a further solid performance in November 2021. This increase was underpinned by the increases observed in New Businesses, Business Activities, Employment and Expectations for Activity sub-indices.

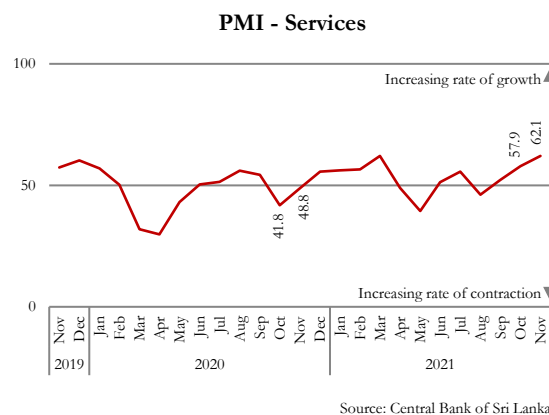
New Businesses rose in November compared to the previous month mainly with the improvements observed in financial services and transportation sub-sectors. Meanwhile, Business Activities increased for the second consecutive month stemmed from further recovery in demand following change in consumer sentiments amid relaxed pandemic related restrictions and upcoming festive season. Accordingly, business activities improved in most of the sub-sectors, where major improvements were observed in financial services, transportation, wholesale and retail trade and other personal activities sub-sectors. Nevertheless, as mentioned by few respondents, business activities in the services sector continued to be affected by supply side constraints amid import related issues and increase in input cost.

Improved confidence levels on expected developments in business activities led employment to increase in November 2021 for the first-time since March 2021. Meanwhile, Backlogs of Work continued to decline in November in line with staff reporting to work as usual.

**Services
PMI
Index Value**

62.1

**Increase of
4.2 index points
compared to
October 2021**



Variable	Oct.	Nov.	+/-	Summary
PMI	57.9	62.1	+	Rising, Higher Rate
<u>Sub-Indices of PMI</u>				
New Businesses	58.3	65.7	+	Rising, Higher Rate
Business Activity	66.2	71.7	+	Rising, Higher Rate
Employment	45.0	52.0	+	Rising from Falling
Backlogs of Work	49.5	47.3	-	Falling, Higher Rate
Expectations for Activity	70.3	74.0	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

The level of optimism on Business Activities for the next three months grew at the highest pace since November 2019 amidst relaxed pandemic related restrictions and upcoming festive season. Nevertheless, some respondents were concerned on the possible negative impact of the new variant of COVID-19 on their business operations.

**The World Outlook:
Services PMI**

Global services PMI posted 55.6 in November 2021 unchanged from October 2021 signalling a further expansion of global service activities.

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

Source: Markit¹ as at 15th December 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.