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SL Purchasing Managers' Index (PMI) – December 2021

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

Manufacturing PMI indicates that manufacturing activities sustained the expansion on a month-on-month basis in December 2021, recording an index value of 58.1 mainly due to the expansion in New Orders and Production. All the sub-indices except Employment increased during the month.

The expansion in New Orders and Production was mainly driven by seasonal demand for the food & beverage manufacturing sector. New Orders and Production in manufacture of textile and wearing apparel sector also showed an improvement, yet at a slower pace. However, Employment sub-index declined in December compared to November 2021. The Stock of Purchases increased at a slower pace compared to the increases in New Orders and Production. Many respondents mentioned that although they wanted to build up stocks significantly ahead of the Chinese new year holidays, they were able to do it only to a certain extent due to import related issues.

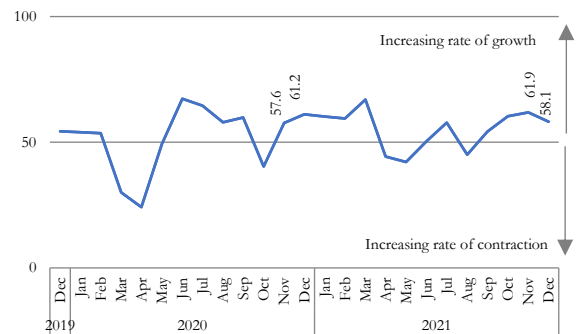
Manufacturing
 PMI

Index Value

58.1

Decrease of
 3.8 index points
 compared to
 November 2021

PMI - Manufacturing



Source: Central Bank of Sri Lanka

Variable	Nov.	Dec.	+/-	Summary
PMI	61.9	58.1	-	Rising, Slower Rate
Sub-Indices of PMI				
New Orders	67.2	65.5	-	Rising, Slower Rate
Production	64.0	58.0	-	Rising, Slower Rate
Employment	52.7	48.0	-	Falling from Rising
Stock of Purchases	64.0	52.0	-	Rising, Slower Rate
Suppliers' Delivery Time	58.6	61.1	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

Meanwhile, Suppliers' Delivery Time lengthened at a higher pace in December 2021. Delays due to port congestions, increase in orders ahead of the Chinese new year holidays, shortage of local raw materials were among the major causes of lengthening the Suppliers' Delivery Time.

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

The World Outlook: Manufacturing PMI

The global manufacturing PMI remained unchanged at 54.2 in December 2021, sustaining the upturn at the end of 2021.

Manufacturing PMI of China improved slightly in December from the contraction recorded in November 2021. Meanwhile, Manufacturing PMI of Singapore also increased in December 2021. However Manufacturing PMIs of USA, Eurozone, UK, India and Russia declined in December 2021, compared to the previous month.

Source: Markit¹ as at 18th January, 2022

¹Markit 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 also for key regions including the Eurozone.

Services sector PMI edged up to an index value of 62.4 in December marking a strong end to 2021. This increase was underpinned by the increases observed in New Businesses, Business Activities, Employment and Expectations for Activity sub-indices.

New Businesses rose further in December compared to the previous month with the improvements observed across most of the sub-sectors.

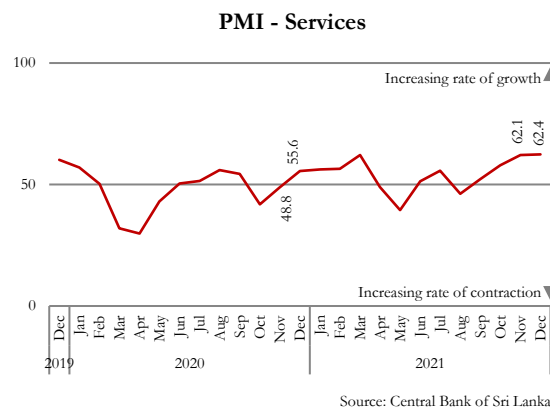
Business Activities in the Services sector indicated a stronger growth in December in line with the continued improvements in demand amid the normalization of economic activities and the festive season. Accordingly, business activities improved across most of the sub-sectors, where major improvements were observed in financial services, transportation, wholesale and retail trade and other personal activities sub-sectors. Meanwhile, business activities in accommodation, food and beverage sub-sector also recorded a significant improvement amid the festive season and the considerable growth in international tourist arrivals.

Employment rose further in December as companies continued to expand their workforce owing to the positive developments in their business activities. Meanwhile, Backlogs of Work continued to decline in December in line with staff reporting to work as usual.

Services PMI Index Value

62.4

Increase of **0.3 index points** compared to **November 2021**



Variable	Nov.	Dec.	+/-	Summary
PMI	62.1	62.4	+	Rising, Higher Rate
<u>Sub-Indices of PMI</u>				
New Businesses	65.7	67.8	+	Rising, Higher Rate
Business Activity	71.7	72.8	+	Rising, Higher Rate
Employment	52.0	53.0	+	Rising, Higher Rate
Backlogs of Work	47.3	45.7	-	Falling, Higher Rate
Expectations for Activity	74.0	72.8	+	Rising, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months improved further in December supported by the improved perceptions amid expectations on continuity of relaxed pandemic related restrictions. Nevertheless, some respondents mentioned that the business outlook continues to remain uncertain due to the challenging economic environment amid inflationary pressures stemmed from supply constraints and potential impact of new variants of COVID-19.

The World Outlook:
Services PMI

Global services PMI fell to 54.6 in December 2021 from 55.6 November 2021 to indicate a moderate expansion in global service activities.

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

Source: Markit¹ as at 13th January 2022

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.