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SL Purchasing Managers' Index (PMI) – February 2022

Purchasing Managers' Indices for both Manufacturing and Services activities expanded in February 2022 as well

Manufacturing PMI remained expanded recording an index value of 52.5 in February 2022. The improvement was mainly attributable to the continued expansion in New Orders. However, Production, Stock of Purchases and Employment declined while Suppliers' Delivery Time lengthened on a month-on-month basis.

An expansion in New Orders, particularly in the manufacture of food & beverage, was witnessed in February 2022, ahead of Sinhala and Hindu New Year season. However, the Production declined on a month-on-month basis, especially in the manufacture of food & beverage, and textiles and wearing apparel sectors, following the seasonal pattern as there were lesser number of working days in February, and due to supply-side constraints. Moreover, the Stock of Purchases declined due to supply side impediments. Many respondents highlighted that it was difficult to acquire imported raw materials and packing materials due to delays in opening letters of credit.

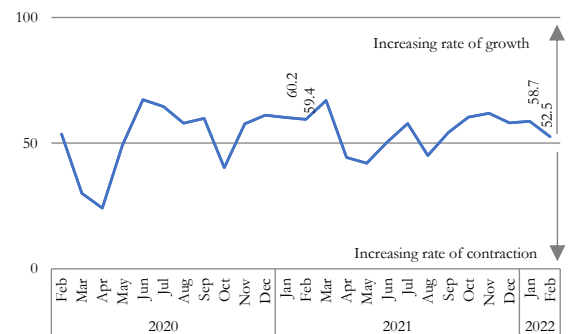
Manufacturing PMI

Index Value

52.5

Decrease of 6.2 index points compared to January 2022

PMI - Manufacturing



Source: Central Bank of Sri Lanka

Variable	Jan.	Feb.	+/-	Summary
PMI	58.7	52.5	-	Rising, Slower Rate
Sub-Indices of PMI				
New Orders	62.2	59.0	-	Rising, Slower Rate
Production	59.8	45.0	-	Falling from Rising
Employment	55.2	46.5	-	Falling from Rising
Stock of Purchases	55.7	47.5	-	Falling from Rising
Suppliers' Delivery Time	56.6	63.6	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

For the next three months, the expectations for manufacturing activities remains at elevated levels anticipating continuous improvements in economic condition locally and globally.

The World Outlook: Manufacturing PMI

The global manufacturing PMI reached 53.6 in February 2022, increasing by 0.4 index points from January 2022.

Manufacturing PMIs of USA, China, India and UK improved at a higher pace in February compared to the previous month. However, manufacturing PMIs of Singapore and Russia declined at a higher pace while that of Eurozone decreased at a slower rate in February compared to the previous month.

Source: Markit¹ as at 14th March 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 recorded an index value of 51.8 in February 2022 indicating a marginal growth across the services sector. This marginal increase was underpinned by the increases observed in New Businesses, Business Activities and Expectations for Activity sub-indices.

New Businesses rose at a slower pace in February 2022 compared to January 2022, particularly with the improvements observed in financial services, professional services, real estate, telecommunication and transportation sub-sectors.

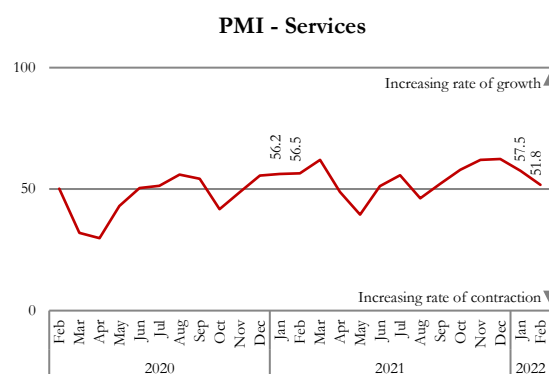
Business Activities continued to grow in February, even though at a slower pace, with the improvements observed in several sub-sectors. Accordingly, financial services, education, professional services, other personal activities, real estate and transportation sub-sectors reported improvements during the month. In addition, business activities in accommodation, food and beverage sub-sector also recorded a marginal growth amid the steady increase in tourist arrivals despite the disturbances occurred from disruptions to fuel and electricity supplies during the latter part of the month. Nevertheless, business activities related to wholesale and retail trade sub-sector observed a deterioration during the month.

Employment fell slightly in February for the first time after three months of increase due to retirements and increasing number of resignations. Meanwhile, Backlogs of Work continued to decline at a higher pace during the month.

**Services
PMI
Index Value**

51.8

Decrease of
5.7 index points
compared to
January 2022



Source: Central Bank of Sri Lanka

Variable	Jan.	Feb.	+/-	Summary
PMI	57.5	51.8	-	Rising, Slower Rate
<u>Sub-Indices of PMI</u>				
New Businesses	57.5	55.0	-	Rising, Slower Rate
Business Activity	62.0	56.5	-	Rising, Slower Rate
Employment	52.0	47.0	-	Falling from Rising
Backlogs of Work	47.4	46.3	-	Falling, Higher Rate
Expectations for Activity	68.5	54.0	-	Rising, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months improved in February, yet at a much slower pace, as wholesale and retail trade sub-sector expects their business outlook to deteriorate due to cost pressures and supply shortages following the float of the exchange rate and the imposition of import restrictions. Further, the uncertainties associated with fuel, electricity and LP gas supplies are also negatively affecting most of the sub-sectors.

**The World Outlook:
Services PMI**

Global services PMI recorded 53.9 in February 2022 from 51.0 January 2022 to indicate an expansion in global service activities.

Services PMIs of USA, China, India and UK indicated that their services sectors expanded in February 2022 compared to the previous month, while that of Japan indicated a deterioration.

Source: Markit¹ as at 14th March 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.