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SL Purchasing Managers' Index (PMI) – September 2022

In September 2022, Purchasing Managers Indices indicate marginal expansion for Services activities and contraction for Manufacturing activities.

Manufacturing PMI declined in September 2022, indicating a setback in manufacturing activities on a month-on-month basis. Accordingly, Manufacturing PMI recorded an index value of 42.6 in September 2022, with a decline of 7.0 index points from the previous month driven by the decreases in all the sub-indices, except Employment and Suppliers' Delivery Time.

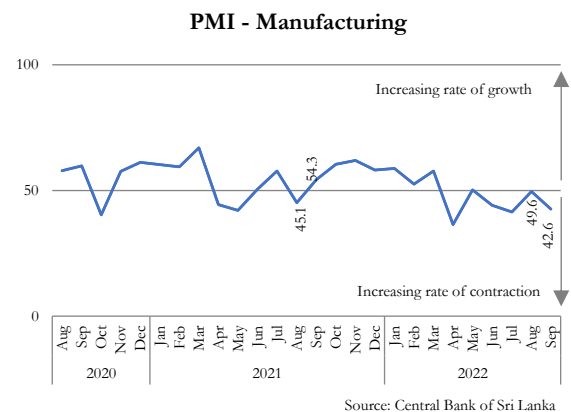
The decline in New Orders and Production was mainly attributable to the manufacture of food & beverages, and textiles & wearing apparel sectors. Many respondents representing manufacturing firms primarily catering to the domestic markets, including the manufacture of food & beverages, mentioned that the decline in demand was due to the deteriorating purchasing power of the consumers. Further, manufacturers in the export-oriented industries mentioned that they experienced a weaker demand mainly due to the fear of recession in the major export destinations. However, Employment is broadly at the level of the previous month, while an improvement seen in the manufacture of textile and apparel sector. As the apparel sector frequently suffers from the scarcity of employees, it has tended to recruit despite the gloomy outlook, taking advantage of the healthy influx. The Stock of Purchases decreased in line with the decline in New Orders and Production while Suppliers' Delivery Time lengthened slightly in September 2022. Some respondents mentioned that they continuously experience difficulties in sourcing raw materials due to lower foreign exchange availability, although some recent improvement has been witnessed.

Variable	Aug.	Sep.	+/-	Summary
PMI	49.6	42.6	-	Falling, Higher Rate
Sub-Indices of PMI				
New Orders	49.0	37.5	-	Falling, Higher Rate
Production	49.0	39.0	-	Falling, Higher Rate
Employment	52.0	50.5	-	Rising, Slower Rate
Stock of Purchases	51.5	38.9	-	Falling from Rising
Suppliers' Delivery Time	47.5	51.0	+	Lengthening from Shortening

Source: Central Bank of Sri Lanka

For the next three months, the overall expectations for manufacturing activities deteriorated in September 2022, anticipating demand side impediments to be intensified in the coming months.

Manufacturing PMI
 Index Value
42.6
 Decrease of 7.0 index points compared to August 2022



The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 49.8 in September 2022, with a decrease of 0.5 index points from August.

Manufacturing PMIs of USA, Singapore and Russia improved at a higher pace in September 2022 while it increased at a slower rate in India compared to the previous month. However, manufacturing PMIs of Eurozone, UK and China deteriorated in September 2022 compared to the previous month.

Source: S&P Global¹ as at 14th October, 2022

¹S&P Global is identified as the global PMI compiler and compiles PMIs for over 30 countries and also for key regions including the Eurozone.

Services PMI recorded an index value of 51.2 in September 2022 indicating a marginal expansion in the services sector driven by the increases observed in New Businesses, Business Activities and Expectations for Activity.

New Businesses expanded in September 2022 compared to August 2022, particularly with the improvements observed in financial services, accommodation, food and beverage and education sub-sectors.

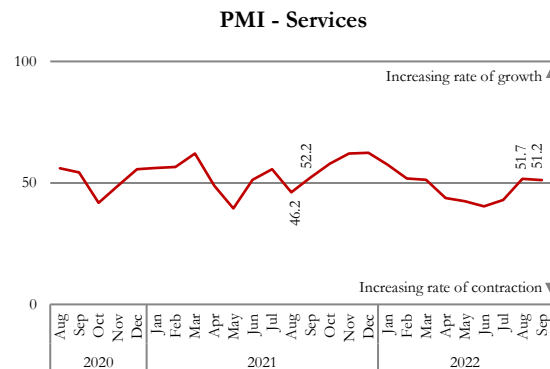
Business Activities in the services sector increased further during September amid the ease of the energy crisis and improvements in economic conditions. Accordingly, business activities related to financial services, other personal activities, education and insurance sub-sectors recorded improvements compared to the previous month. Nevertheless, business activities of real estate, postal and courier and human health sub-sectors declined during the month.

Employment continued to fall in September due to increasing resignations and retirements besides halt in new recruitments. Meanwhile, Backlogs of Work continued to drop during the month with the ease of transportation difficulties faced by the staff.

Services
PMI
Index Value

51.2

Decrease of
0.5 index points
compared to
August 2022



Source: Central Bank of Sri Lanka

Variable	Aug.	Sep.	+/-	Summary
PMI	51.7	51.2	-	Rising, Slower Rate
<u>Sub-Indices of PMI</u>				
New Businesses	57.3	56.3	-	Rising, Slower Rate
Business Activity	53.1	58.3	+	Rising, Higher Rate
Employment	43.3	39.6	-	Falling, Higher Rate
Backlogs of Work	47.8	44.0	-	Falling, Higher Rate
Expectations for Activity	57.2	57.8	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months improved further with the developed optimism regarding the improvements in the economic conditions and with the upcoming festive season. Nevertheless, many respondents expressed their concerns over the supply side constraints, increase in Value Added Tax (VAT), introduction of Social Security Contribution Levy (SSCL) and increase in direct taxes, which could have negative effects on their business operations.

The World Outlook: Services PMI

Global services PMI posted 50.0 in September 2022 from 49.3 in August 2022 to indicate a stabilization in global services activities.

Services PMIs of India and Japan indicated that their services sectors expanded in September 2022 compared to the previous month, while that of China and US indicated a deterioration and UK indicated an unchanged level.

Source: S&P Global¹ as at 15th October 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.