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SL Purchasing Managers' Index (PMI) – December 2022

In December 2022, Purchasing Managers Indices indicated an expansion in Services activities and a continued setback in Manufacturing activities.

Manufacturing PMI recorded an index value of 44.8 in December, indicating a continued setback in manufacturing activities. This setback was driven by subdued performance observed in all the sub-indices, except Suppliers' Delivery Time.

The decline in New Orders and Production was mainly driven by manufacturing of textile & wearing apparel sector. Subdued foreign demand due to seasonal holidays, and economic slowdown experienced in major export destinations was the main reasons for this decline. Manufacturers mentioned that, although supply-side impediments such as high input cost and shortage of foreign exchange that affected importation of raw materials are yet to be resolved, demand slowdown due to deteriorated purchasing power of the customers was the key issue that restricted them from increasing production. Furthermore, Employment and Stock of Purchases also declined in line with the decline in New Orders and Production. Meanwhile, Suppliers' Delivery Time lengthened in December 2022 compared to the previous month on a month-on-month basis.

Manufacturing PMI

Index Value

44.8

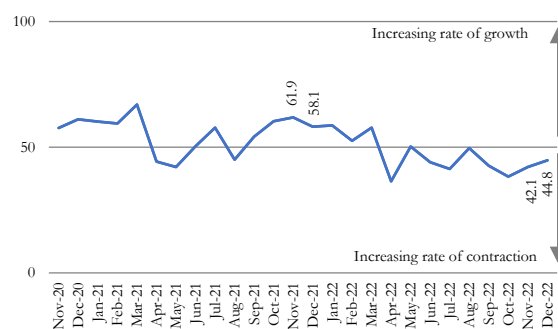
Increase of 2.7

index points

compared to

November 2022

PMI - Manufacturing



Source: Central Bank of Sri Lanka

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 48.6 in December 2022, with a decrease of 0.2 index points from November.

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

Source: S&P Global¹ as at 14th January, 2023

¹S&P Global is identified as the global PMI compiler and compiles PMIs for over 40 economies worldwide.

Variable	Nov.	Dec.	+/-	Summary
PMI	42.1	44.8	+	Falling, Slower Rate
Sub-Indices of PMI				
New Orders	38.0	45.5	+	Falling, Slower Rate
Production	35.5	40.5	+	Falling, Slower Rate
Employment	48.0	44.5	-	Falling, Higher Rate
Stock of Purchases	43.9	41.9	-	Falling, Higher Rate
Suppliers' Delivery Time	52.5	53.0	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for manufacturing activities for the next three months indicated an improvement in December 2022 anticipating improvements in economic conditions.

Services PMI returned to the growth territory, recording an index value of 51.6 in December 2022 after declining for two consecutive months. This increase was underpinned by the improvements observed in New Businesses, Business Activities and Expectations for Activity sub-sectors. However, Employment and Backlogs of Work continued to decline during the month.

New Businesses improved at a slower pace in December 2022 compared to November 2022, particularly with the increases observed in other personal activities, accommodation, food and beverages, and insurance sub-sectors.

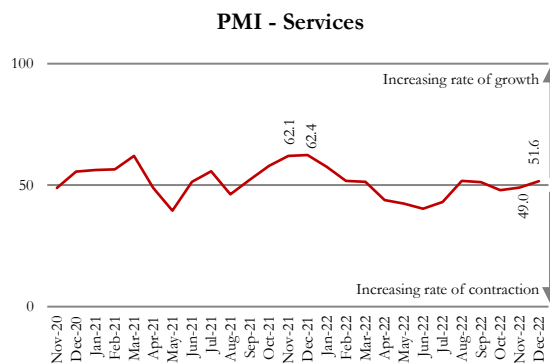
Business Activities in the services sector continued its upward trend in December 2022. In line with the increase in tourist arrivals during the month, business activities related to other personal activities and accommodation, food and beverages sub-sectors showed significant improvements. Further, insurance, telecommunication and financial services sub-sectors also showed some increases compared to the previous month. Nevertheless, business activities related to wholesale and retail trade sub-sector deteriorated further during the month amid the continued cost of living challenges and shortages of certain items.

Employment declined in December at a slower pace due to seasonal recruitments, though resignations, migrations and retirements continued during the month. Meanwhile, Backlogs of Work also decreased at a slower pace during the month.

**Services
PMI
Index Value**

51.6

**Increase of
2.6 index points
compared to
November 2022**



Source: Central Bank of Sri Lanka

Variable	Nov.	Dec.	+/-	Summary
PMI	49.0	51.6	+	Rising from Falling
<u>Sub-Indices of PMI</u>				
New Businesses	53.5	52.0	-	Rising, Slower Rate
Business Activity	53.0	54.0	+	Rising, Higher Rate
Employment	37.4	45.5	+	Falling, Slower Rate
Backlogs of Work	41.8	47.4	+	Falling, Slower Rate
Expectations for Activity	59.2	59.0	-	Rising, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to improve with the optimism regarding further improvements in economic conditions and with the peak of the tourist season. However, some respondents were concerned about the impact of tax increases on demand conditions.

The World Outlook: Services PMI

Global services PMI posted 48.1 in December 2022 unchanged from November 2022, signalling decline in global services activities.

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

Source: S&P Global¹ as at 14th January 2023

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

Other variables are self-explanatory.