

PRESS RELEASE

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 இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Issued By Statistics Department
Date 17.04.2023

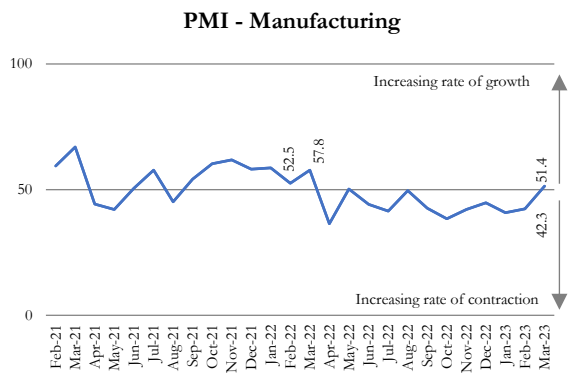
SL Purchasing Managers' Index (PMI) – March 2023

Purchasing Managers' Indices for both Manufacturing and Services activities returned to positive territory in March 2023

Manufacturing PMI turned positive in March 2023, after nine consecutive survey rounds, recording an index value of 51.4. This month-on-month expansion was driven by the increase in New Orders and Production sub-indices mainly due to the seasonal demand. However, Employment, Stock of Purchases and Suppliers' Delivery Time sub-indices remained below the neutral threshold.

The increase in New Orders and Production was mainly driven by the manufacture of food & beverages sector, where many respondents mentioned that they experienced a relatively higher demand compared to previous months to cater for the upcoming festive season. However, Employment continued to decline mostly due to non-replacement of retirements and resignations. Further, Stock of Purchases declined in March as well, since some firms used their stocks of raw materials delaying new purchases with the anticipation of a decline in raw material prices in the period ahead. Meanwhile, Suppliers' Delivery Time was slightly shortened during the month.

Manufacturing PMI
March 2023
51.4



Source: Central Bank of Sri Lanka

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 49.6 in March 2023, with a decrease of 0.3 index points from February 2023.

Manufacturing PMIs of India and Singapore improved at a higher pace in March 2023, while it increased at a slower rate in Russia compared to the previous month. However, manufacturing PMIs of Eurozone, UK, and USA deteriorated in March 2023 compared to the previous month. Moreover, manufacturing PMI of China remained at neutral threshold level in March 2023.

Source: S&P Global¹ as at 12th April, 2023

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

Variable	Feb.	Mar.	+/-	Summary
PMI	42.3	51.4	+	Rising from Falling
Sub-Indices of PMI				
New Orders	41.5	55.9	+	Rising from Falling
Production	40.0	55.8	+	Rising from Falling
Employment	40.0	45.2	+	Falling, Slower Rate
Stock of Purchases	43.5	45.8	+	Falling, Slower Rate
Suppliers' Delivery Time	50.0	47.3	-	Falling from Neutral Level

Source: Central Bank of Sri Lanka

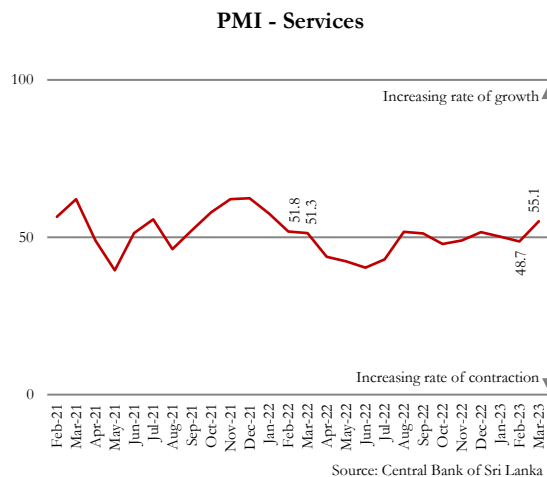
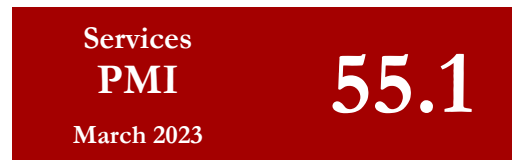
Expectations for manufacturing activities for the next three months indicated an improvement with the developments observed in the current economic environment.

Services sector PMI returned to the growth territory, recording an index value of 55.1 in March 2023 indicating an expansion across the services sector. This was driven by the increases observed in New Businesses, Business Activities, and Expectations for Activity.

New Businesses increased in March 2023 compared to February 2023, particularly with the increases observed in financial services, insurance and professional services sub-sectors.

Business Activities in the services sector rebounded in March 2023 after observing a decline in the previous month. Accordingly, financial services sub-sector continued to improve with the increases in deposits, while other personal activities sub-sector also exhibited a significant improvement. Meanwhile, human health, insurance, education and professional services sub-sectors also recorded slight increases during the month. However, business activities related to wholesale and retail trade sub-sector continued to deteriorate despite some improvements seen ahead of the festive season.

Employment continued to decline in March at a slower pace due to resignations, migrations and retirements occurred during the month despite few new recruitments to accommodate the seasonal demand. Meanwhile, Backlogs of Work also decreased at a slower pace during the month.



Variable	Feb.	Mar.	+/-	Summary
PMI	48.7	55.1	+	Rising from Falling
Sub-Indices of PMI				
New Businesses	49.0	59.7	+	Rising from Falling
Business Activity	45.0	56.1	+	Rising from Falling
Employment	42.5	42.9	+	Falling, Slower Rate
Backlogs of Work	43.6	46.6	+	Falling, Slower Rate
Expectations for Activity	63.5	70.4	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months improved in March at a higher pace amid the upcoming festive season, improvements in economic conditions and finalization of IMF Extended Fund Facility Arrangement. Nevertheless, several respondents continued to express their concerns over rising operational costs due to higher electricity tariffs, and increased tax rates.

The World Outlook: Services PMI

Global services PMI rose to 54.4 in March 2023 from 52.6 in February 2023, signalling an expansion in global services activities.

Services PMIs of China, India, UK, US and Japan indicated that their services sectors expanded in March 2023 compared to the previous month.

Source: S&P Global¹ as at 12th April 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.