

PRESS RELEASE

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 இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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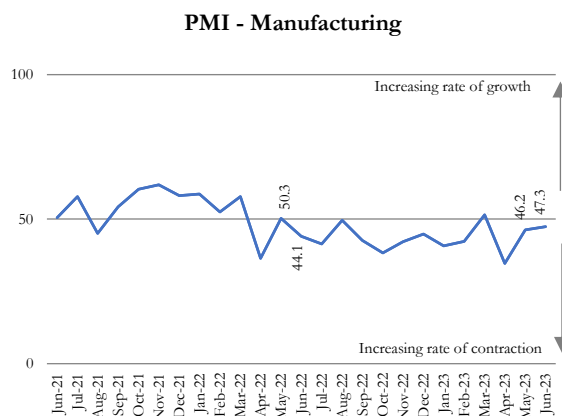
SL Purchasing Managers' Index (PMI) – June 2023

Purchasing Managers Indices indicated an expansion in Services activities and a contraction in Manufacturing activities in June 2023.

Manufacturing PMI recorded an index value of 47.3 in June 2023, indicating the setback in manufacturing activities. This setback was contributed by subdued performance observed in all the sub indices.

Production and New Orders declined, mainly driven by the manufacture of textile and apparel sector. As mentioned by many respondents, continued subdued global demand was the major reason for this decline. However, some improvement in New Orders and Production was observed in the manufacture of food and beverages sector with the reduction of prices by some manufacturers to increase the market demand. Employment and Stock of Purchases also decreased in line with the decline in New Orders and Production. Many respondents mentioned that they tend to replace only the essential staff and also to maintain a minimum raw material stock. Meanwhile, Suppliers' Delivery Time remained shortened in June 2023 with the low order volumes during the month.

Manufacturing
PMI
 June 2023 **47.3**



Source: Central Bank of Sri Lanka

Variable	May	Jun.	+/-	Summary
PMI	46.2	47.3	+	Falling, Slower Rate
Sub-Indices of PMI				
New Orders	48.0	49.5	+	Falling, Slower Rate
Production	48.0	49.5	+	Falling, Slower Rate
Employment	41.5	42.5	+	Falling, Slower Rate
Stock of Purchases	43.5	43.4	-	Falling, Higher Rate
Suppliers' Delivery Time	48.0	48.5	+	Shortening, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for manufacturing activities for the next three months indicated an improvement, anticipating a gradual recovery in economic conditions.

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 48.8 in June 2023, with a decrease of 0.8 index points from May.

Manufacturing PMIs of China, India, Singapore and Russia improved at a slower pace in June 2023. However, manufacturing PMIs of Eurozone, UK, and USA deteriorated in June 2023 compared to the previous month.

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

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

Services sector PMI increased further in June 2023 recording an index value of 56.7, the highest reading since January 2022.

This was led by the increases observed in New Businesses, Business Activities and Expectations for Activity. Nevertheless, Backlogs of Works continued to decrease, while employment remained unchanged during the month.

New Businesses increased in June 2023 compared to May 2023, particularly with the increases observed in financial services, other personal services, insurance and professional services sub-sectors.

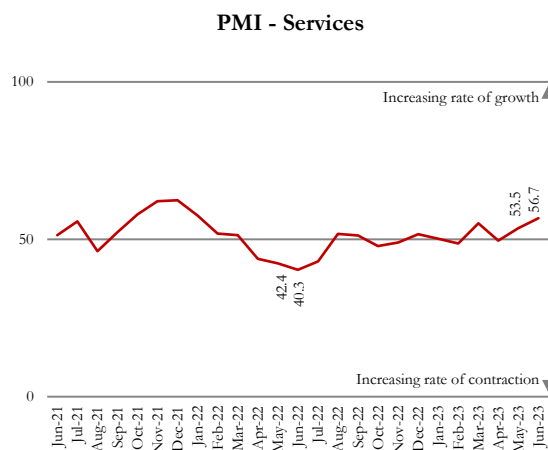
Business Activities experienced a continuous growth in June 2023 with improvements across most of the sub-sectors. Accordingly, financial services sub-sector showed improvements driven by the gradual decrease in market interest rates. In addition, other personal services, education and professional services sub-sectors also exhibited positive developments during the month. Nevertheless, wholesale and retail trade sub-sector experienced a continued decline in business activities, though there was some improvement in clothing and footwear businesses due to Hajj season.

Backlogs of Work also decreased at a higher rate during the month, while Employment remained unchanged from the level reported in May.

Variable	May	Jun.	+/-	Summary
PMI	53.5	56.7	+	Rising, Higher Rate
<u>Sub-Indices of PMI</u>				
New Businesses	59.3	59.4	+	Rising, Higher Rate
Business Activity	57.4	61.9	+	Rising, Higher Rate
Employment	36.6	50.0	+	Falling to Neutral
Backlogs of Work	42.2	41.4	-	Falling, Higher Rate
Expectations for Activity	72.1	70.8	-	Rising, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to improve in June amid anticipated improvements in economic activities driven by policy rate cuts, strengthening of Sri Lanka Rupee, relaxation of import restrictions and moderation of inflationary pressures.



Source: Central Bank of Sri Lanka

The World Outlook: Services PMI

Global services PMI posted 54.0 in June 2023 from 55.5 in May 2023, signalling an expansion in global services activities.

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

Source: S&P Global¹ as at 14th July 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.