

PRESS RELEASE

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 இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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SL Purchasing Managers' Index (PMI) – August 2023

Purchasing Managers Indices in August 2023 indicated an expansion in Services activities and a softening of the contraction in Manufacturing activities.

Manufacturing PMI recorded an index value of 49.3 in August 2023, reaching closer to the neutral threshold, indicating signs of a recovery in manufacturing activities compared to previous months. Considering the sub-indices, New Orders and Suppliers' Delivery Time increased during the month, while Production and Employment remained contracted.

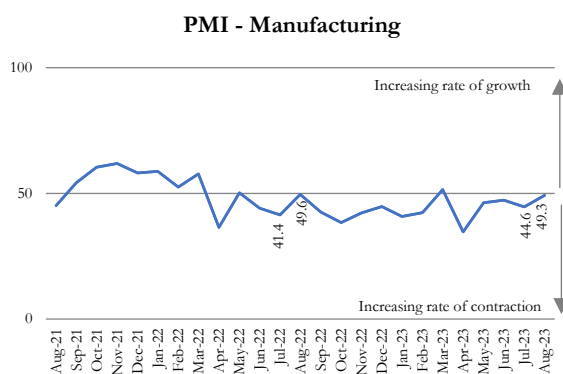
The overall increase in New Orders was mainly driven by the manufacture of food & beverages sector, in response to the continuous downward revisions in retail prices. Further, most of the respondents in the manufacture of food & beverages sector mentioned that there was an upturn in their overall business activities during the month. Meanwhile, the continuous setback in Production was headed primarily by the manufacture of textiles & wearing apparel sector due to the ongoing subdued global demand. Further, Employment remained contracted in August as well, while Stock of Purchases remained unchanged on a month-on-month basis. Meanwhile, Suppliers' Delivery Time lengthened during August compared to the previous month.

Variable	Jul.	Aug.	+/-	Summary
PMI	44.6	49.3	+	Falling, Slower Rate
Sub-Indices of PMI				
New Orders	47.5	53.0	+	Rising from Falling
Production	41.9	48.0	+	Falling, Slower Rate
Employment	41.9	43.5	+	Falling, Slower Rate
Stock of Purchases	47.0	50.0	+	Neutral from Faling
Suppliers' Delivery Time	45.5	51.0	+	Lengthening from Shortening

Source: Central Bank of Sri Lanka

Expectations for manufacturing activities for the next three months indicated an improvement, particularly due to the relaxed import restrictions, decline in borrowing rates and decrease in raw material prices.

Manufacturing
PMI
 August 2023
49.3



Source: Central Bank of Sri Lanka

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 49.0 in August 2023, with an increase of 0.4 index point from July.

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

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

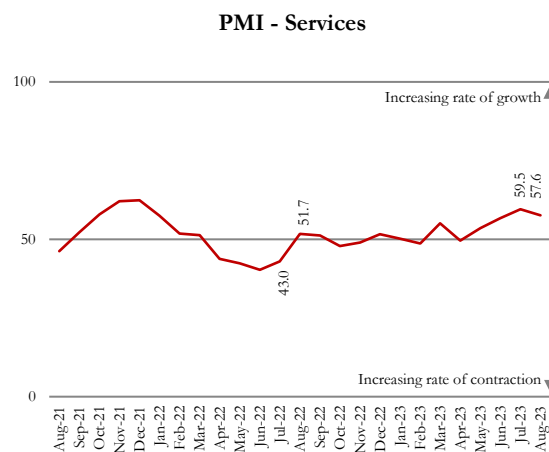
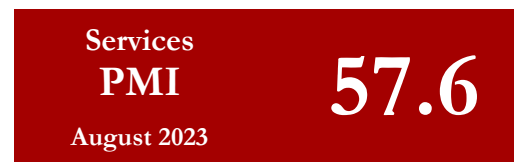
¹S&P Global is identified as the global PMI compiler and compiles PMIs for over 40 economies worldwide.

Services sector PMI recorded an index value of 57.6 in August 2023, indicating a continued expansion in the services activities. This was led by the increases observed in New Businesses, Business Activities and Expectations for Activity. Nevertheless, Employment remained unchanged, while Backlogs of Works remained contracted during the month.

New Businesses increased in August 2023 compared to July 2023, particularly with the increases observed in financial services, wholesale and retail trade, other personal activities, professional services and education sub-sectors.

Business Activities continued to expand in August 2023 showing positive developments in several sub-sectors. Accordingly, accommodation, food and beverage and other personal activities sub-sectors recorded increases during the month largely attributable to high tourist arrivals. Further, improvements in domestic tourism also played a significant role in driving this growth. Meanwhile, driven by a rise in credit demand in the backdrop of low market interest rates, the financial services sub-sector also exhibited further improvements during the month.

Employment remained at the same level following the increase recorded in the previous month. Meanwhile, Backlogs of Work decreased, yet at a slower pace, during the month.



Source: Central Bank of Sri Lanka

Variable	Jul.	Aug.	+/-	Summary
PMI	59.5	57.6	-	Rising, Slower Rate
Sub-Indices of PMI				
New Businesses	62.0	62.4	+	Rising, Higher Rate
Business Activity	67.5	58.9	-	Rising, Slower Rate
Employment	51.0	50.0	-	Neutral from Rising
Backlogs of Work	45.1	47.3	+	Falling, Slower Rate
Expectations for Activity	71.7	69.4	-	Rising, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to increase at a slower pace in August attributed to expected improvements in economic activities led by improved demand amidst relaxed import restrictions.

The World Outlook: Services PMI

Global services PMI posted 51.1 in August 2023 signalling an expansion in global services activities.

Services PMIs of China, India, US and Japan indicated that their services sectors expanded in August 2023 compared to the previous month, while Services PMI of UK indicated a deterioration in their services activities.

Source: S&P Global¹ as at 14th September 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.