

PRESS RELEASE

✉ Communications Department, 30, Janadhipathi Mawatha, Colombo 01, Sri Lanka
 ☎ +94 11 2477424 / +94 11 2477669 📠 +94 11 2346304
 @ communications@cbsl.lk / dcommunications@cbsl.lk 🌐 www.cbsl.gov.lk



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 இலங்கை மத்திய வங்கி
 CENTRAL BANK OF SRI LANKA

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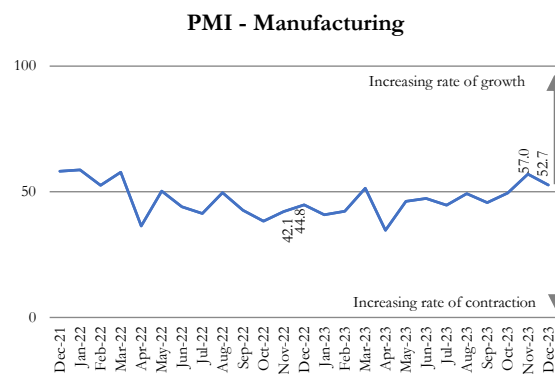
SL Purchasing Managers' Index (PMI) – December 2023

Both Manufacturing and Services Purchasing Managers' Indices increased in December 2023

Manufacturing PMI recorded an index value of 52.7 in December 2023, indicating an expansion in manufacturing activities. This improvement was attributable to the increases observed in all the sub-indices except Employment.

The increases in New Orders and Production were driven by the manufacture of food & beverages sector with the seasonal demand. However, New Orders and Production in manufacture of textiles & apparel sector declined during the month, which mainly contributed to the decline in Employment as well. Meanwhile, Stock of Purchases increased during the month due to the increase in Production and New Orders. Further, Suppliers' Delivery Time continued to lengthen in December.

Manufacturing PMI
52.7
 December 2023



Variable	Nov.	Dec.	+/-	Summary
PMI	57.0	52.7	-	Rising, Slower Rate
Sub-Indices of PMI				
New Orders	60.5	56.0	-	Rising, Slower Rate
Production	59.5	53.0	-	Rising, Slower Rate
Employment	51.5	42.5	-	Falling from Rising
Stock of Purchases	59.5	59.5	=	Rising, same level
Suppliers' Delivery Time	51.5	54.5	+	Lengthening, higher rate

Source: Central Bank of Sri Lanka

Expectations for the manufacturing activities for the next three months remain positive. However, the firms are concerned about the impact of tax revisions from January 2024, and the shipping disruptions due to the unrest in the Red Sea.

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 49.0 in December 2023, with a decrease of 0.3 index points from November.

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

Source: S&P Global¹ as at 16th January, 2024

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 58.9 in December 2023 indicating an expansion in the services activities. This was led by the increases observed in New Businesses, Business Activities and Expectations for Activity.

New Businesses increased in December 2023 compared to November 2023, particularly with the increases observed in wholesale and retail trade, financial services, insurance, other personal service activities and accommodation, food and beverages sub-sectors.

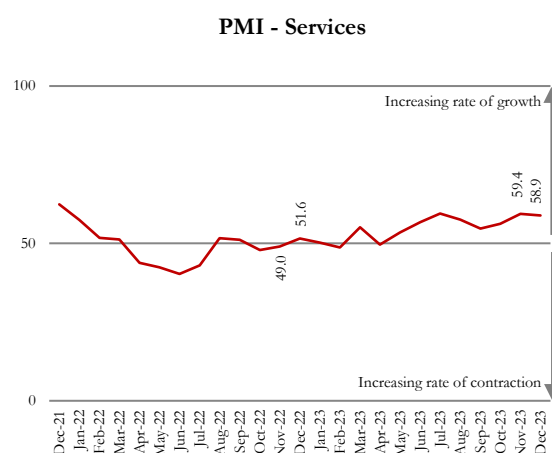
Business Activities continued to expand in December 2023 at a higher pace in line with the positive developments observed in many sub-sectors. Accordingly, significant improvements were observed in business activities related to other personal service activities, transportation and accommodation, food and beverage sub-sectors, amid the festive and holiday seasons, and tourist arrivals reaching its peak. Further, wholesale and retail trade sub-sector showed a strong growth due to seasonal sales. Meanwhile, financial services also improved further in line with the increase in lending activities.

Employment declined despite some new recruitments made to meet the seasonal demand, while Backlogs of Work also continued to decline during December.

Variable	Nov.	Dec.	+/-	Summary
PMI	59.4	58.9	-	Rising, Slower Rate
Sub-Indices of PMI				
New Businesses	57.6	64.5	+	Rising, Higher Rate
Business Activity	63.6	71.0	+	Rising, Higher Rate
Employment	58.5	46.5	-	Falling from Rising
Backlogs of Work	45.6	48.3	+	Falling, Slower Rate
Expectations for Activity	71.7	64.1	-	Rising, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to rise in December at a slower pace despite concerns regarding the adverse impacts of VAT amendments and related increases in fuel and utility costs.



Source: Central Bank of Sri Lanka

The World Outlook: Services PMI

Global services PMI posted 51.6 in December 2023 signalling an expansion in global services activities.

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

Source: S&P Global ¹ as at 16th January 2024

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.