

PRESS RELEASE

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 இலங்கை மத்திய வங்கி
 CENTRAL BANK OF SRI LANKA

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SL Purchasing Managers' Index (PMI) – January 2024

Purchasing Managers' Indices indicate an expansion in Manufacturing and Services activities in January 2024

Sri Lanka Purchasing Managers' Index for Manufacturing (PMI – Manufacturing) recorded an index value of 55.6 in January 2024, indicating an expansion in manufacturing activities. This improvement was attributable to the increases observed in all sub-indices.

The expansion in New Orders and Production was largely driven by the manufacture of textiles & apparel sector. However, New Orders and Production in the manufacture of food & beverages sector decreased on a month-on-month basis due to the decline in demand with the end of December festival season. Meanwhile, Employment and Stock of Purchases expanded during the month in line with the New Orders and Production. Further, Suppliers' Delivery Time lengthened at a higher rate in January, mainly due to shipping disruptions in the Red Sea.

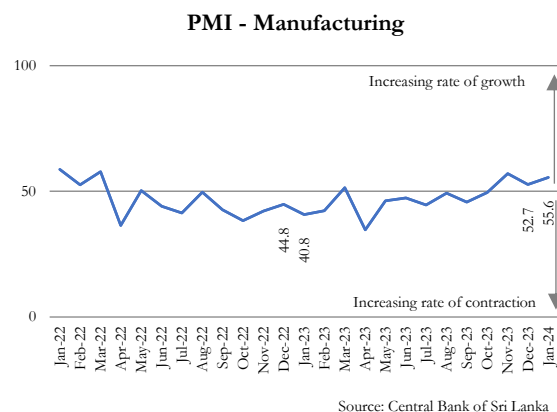
Summary of the PMI - Manufacturing Survey

Variable	Dec. 2023	Jan. 2024	+/-	Direction
PMI - Manufacturing	52.7	55.6	+	Rising, Higher Rate
New Orders	56.0	55.5	-	Rising, Slower Rate
Production	53.0	54.5	+	Rising, Higher Rate
Employment	42.5	55.1	+	Rising from Falling
Stock of Purchases	59.5	55.5	-	Rising, Slower Rate
Suppliers' Delivery Time	54.5	58.2	+	Lengthening, Higher rate

Source: Central Bank of Sri Lanka

Expectations for the manufacturing activities for the next three months remain positive, mainly due to the improved macroeconomic environment.

PMI
Manufacturing
January 2024
55.6



The World Outlook Summary of PMI Manufacturing

Country/Territory	Direction
Global	Neutral from Deterioration
India	Improved, Higher Rate
China	Improved, Same Rate
US	Improved from Deterioration
UK	Deteriorated, Slower Rate
Eurozone	Deteriorated, Slower Rate

Source: S&P Global ¹ as at 15th February, 2024 ([PMI Releases \(spglobal.com\)](https://www.spglobal.com))

¹S&P Global compiles PMIs for over 40 economies worldwide.

Sri Lanka Purchasing Managers' Index for Services (PMI – Services) indicated an expansion in services activities in January 2024 as reflected by the Business Activity Index², which recorded an index value of 60.1.

The continued expansion in Business Activities was driven by the significant improvements observed in other personal service activities, and accommodation, food and beverage sub-sectors amid tourist arrivals surpassing 200,000 for the second consecutive month. Meanwhile, financial services also improved further in line with the reductions in market interest rates. Nevertheless, amendments to VAT and the end of the festive season adversely affected the wholesale and retail trade sub-sector during the month. New Businesses increased in January, particularly with the increases observed in financial services, other personal service activities and professional services sub-sectors.

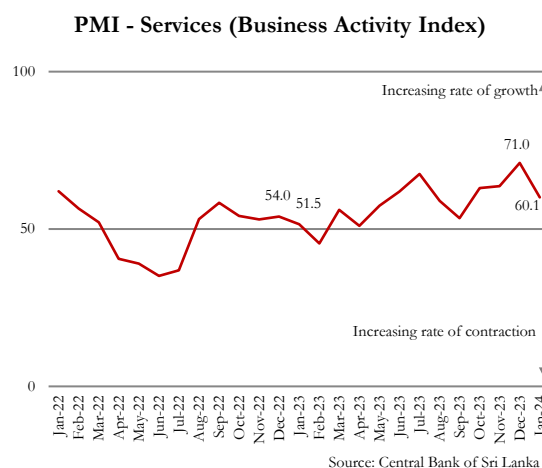
Employment fell despite new recruitments made by several companies. Meanwhile, Backlogs of Work continued to decline during January.

Summary of the PMI - Services Survey

Variable	Dec. 2023	Jan. 2024	+/-	Direction
PMI - Services (Business Activity Index)	71.0	60.1	-	Rising, Slower Rate
New Businesses	64.5	54.0	-	Rising, Slower Rate
Employment	46.5	48.5	+	Falling, Slower Rate
Backlogs of Work	48.3	46.7	-	Falling, Higher Rate
Expectations for Activity	64.1	69.8	+	Rising, Higher Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to rise in January. However, due to VAT amendments, there are concerns regarding a drop of sales in line with the decline in purchasing power of consumers and increase in input costs.



The World Outlook: Summary of PMI Services

Country/Territory	Direction
Global	Improved, Higher Rate
India	Improved, Higher Rate
China	Improved, Slower Rate
US	Improved, Higher Rate
UK	Improved, Higher Rate
Eurozone	Deteriorated, Higher Rate

Source: S&P Global ¹ as at 15th February 2024 (PMI Releases (spglobal.com))

² Following the international best practices, from January 2024 onwards “Services Business Activity Index” is considered to be the “PMI Services”.

Technical Note

Methodology

Questionnaires are completed in the first half of the succeeding month. For each variable, respondents are asked to report an increase, decrease or no change compared with the previous month, and to provide reasons for any changes. The index compilation and interpretation of indices follow the survey methodology of S&P Global.

PMI – Manufacturing, which is considered as the headline index for Manufacturing, is a weighted average of New Orders, Output, Employment, Suppliers' Delivery Time and Stocks of Purchases.

The Services Business Activity Index is the headline index for Services, which is referred to as the **PMI – Services**, as per the international best practices. The Services Business Activity Index is comparable to the Manufacturing Production Index.

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.