

PRESS RELEASE

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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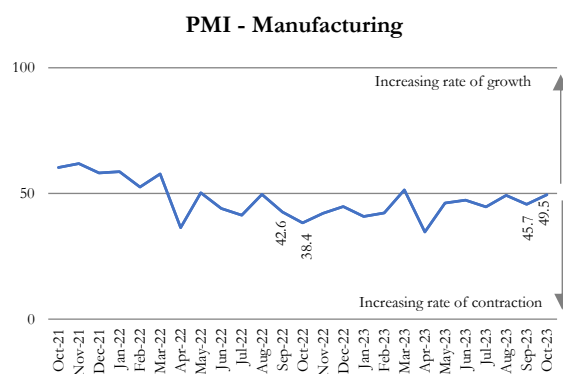
SL Purchasing Managers' Index (PMI) – October 2023

In October 2023, Purchasing Managers' Indices indicated a softened contraction in Manufacturing activities and an expansion in Services activities.

Manufacturing PMI recorded an index value of 49.5 in October 2023, reaching towards the neutral threshold, during the month. Considering the sub-indices, New Orders and Stock of Purchases increased during the month, while Production and Employment remained contracted.

New Orders expanded during the month, driven by the manufacture of textiles & wearing apparel sector, mainly attributable to the seasonal demand. Meanwhile, the decline in Production was mainly due to the manufacture of food & beverages sector, partly owing to the prevailed extreme weather conditions. Moreover, Employment continued to decrease on a month-on-month basis as most of the firms only recruit for the resignations and retirements. The overall Stock of Purchases increased during the month due to the accumulation of raw materials, targeting the seasonal production. Meanwhile, Suppliers' Delivery Time shortened at a slower pace during October compared to the previous month.

**Manufacturing
PMI
October 2023** **49.5**



Source: Central Bank of Sri Lanka

Variable	Sep.	Oct.	+/-	Summary
PMI	45.7	49.5	+	Falling, Slower Rate
Sub-Indices of PMI				
New Orders	43.5	50.5	+	Rising from Falling
Production	44.5	49.5	+	Falling, Slower Rate
Employment	47.5	46.5	-	Falling, Higher Rate
Stock of Purchases	47.0	52.5	+	Rising from Falling
Suppliers' Delivery Time	49.0	49.5	+	Shortening, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for the manufacturing activities for the next three months remained positive, mainly due to the expected increase in demand in the upcoming festive season.

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 48.8 in October 2023, with a decrease of 0.4 index points from September.

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

Source: S&P Global¹ as at 15th November, 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 56.2 in October 2023 indicating continued expansion in the services activities. This was led by the increases observed in New Businesses, Business Activities and Expectations for Activity. Nevertheless, Backlogs of Work and Employment contracted during the month.

New Businesses increased in October 2023 compared to September 2023, particularly with the increases observed in financial services, wholesale and retail trade, other personal activities and insurance sub-sectors.

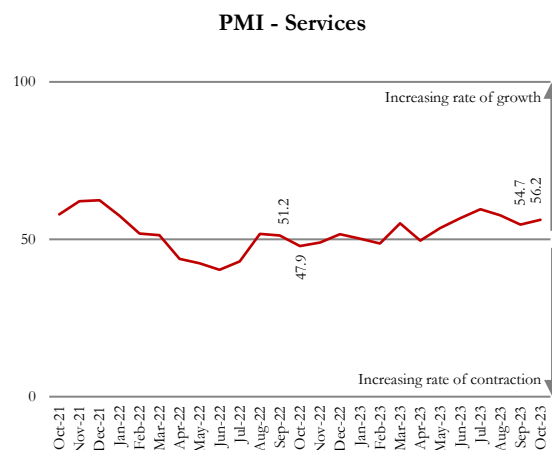
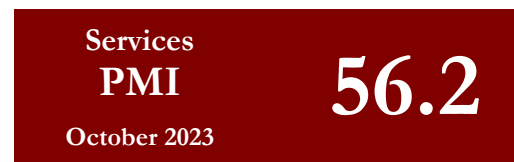
Business Activities also expanded at a higher pace in October 2023 attributable to positive developments in most of the sub-sectors. Accordingly, business activities in the financial services sub-sector continued to increase amid some improvements observed in credit demand. Further, some notable developments were also seen in wholesale and retail trade, and other personal activities sub-sectors during the month.

Employment fell back below the threshold level after previous month's marginal increase, while Backlogs of Work also decreased at a slower pace during October.

Variable	Sep.	Oct.	+/-	Summary
PMI	54.7	56.2	+	Rising, Higher Rate
<u>Sub-Indices of PMI</u>				
New Businesses	55.8	58.5	+	Rising, Higher Rate
Business Activity	53.4	63.0	+	Rising, Higher Rate
Employment	51.0	45.0	-	Falling from Rising
Backlogs of Work	41.1	46.2	+	Falling, Slower Rate
Expectations for Activity	72.3	68.5	-	Rising, Slower Rate

Source: Central Bank of Sri Lanka

Expectations for Business Activities for the next three months continued to increase in October. Many respondents highlighted the expected improvements in their business activities during the upcoming festive and tourist season. However, some respondents expressed their concerns regarding the recent increase in the electricity tariff and the proposed increase in Value Added Tax.



Source: Central Bank of Sri Lanka

The World Outlook: Services PMI

Global services PMI posted 50.4 in October 2023 signalling an expansion in global services activities.

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

Source: S&P Global¹ as at 15th November 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.