

## RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

### KEY POINTS:

**Manufacturing sector PMI recorded a noticeable bounce in May 2020 reaching to 49.3, which is an increase of 25.1 index points, from the all-time low of 24.2 recorded in April 2020.** The gradual easing of restrictions for mobility has contributed to the resumption of economic activities in the manufacturing sector.

Production sub-index reported an index value of 51.1 in May 2020 compared to 3.5 reported in April, reflecting a significant expansion in volume produced, particularly in manufacturing of food, beverages and manufacturing of textiles, wearing apparels sectors. Further, New Orders, Stock of Purchases, Employment sub-indices also improved during the month of May 2020, yet remained below the neutral level. Meanwhile, Suppliers' Delivery Time lengthened at a slower pace during the period signaling a softening of stress on supply chain.

Many respondents in the manufacturing of textile and wearing apparel and manufacturing of chemicals and chemical products sector highlighted that they still have not received orders for their products and therefore, they have initiated to produce some alternative products relating to health and safety instead of their regular products.

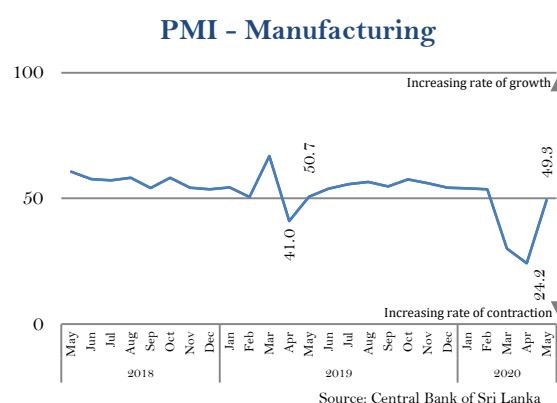
Variable	Apr.	May	+/-	Summary
<b>PMI</b>	<b>24.2</b>	<b>49.3</b>	<b>+</b>	<b>Contracting, Slower Rate</b>
<b>Sub-Indices of PMI</b>				
New Orders	11.1	47.3	+	Contracting, Slower Rate
Production	3.5	51.1	+	Rising from Falling
Employment	29.9	37.8	+	Contracting, Slower Rate
Stock of Purchases	9.7	47.9	+	Contracting, Slower Rate
Suppliers' Delivery Time	86.8	66.5	-	Lengthening, Slower Rate

Source: Central Bank of Sri Lanka

The overall expectations for manufacturing activities for the next three months significantly increased compared to the previous month, yet the manufacturers are still concerned that COVID-19 pandemic would continue to affect the consumer demand.

**PMI**  
Index Value  
**49.3**

Increase of  
25.1 index points  
compared to  
April 2020



### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 42.4 in May 2020 with an increase of 2.6 index points from April 2020.

Manufacturing PMI of China expanded while India, Eurozone, UK, USA and Russia remained contracted in May 2020 with the adverse impact of COVID 19.

Source: Markit<sup>1</sup> as at 15<sup>th</sup> June 2020

<sup>1</sup> Markit is a leading global diversified provider of financial information services. It is identified as the global PMI compiler and compiles PMIs for over 30 countries and for key regions including the Eurozone.

**Services sector PMI rebounded significantly to 43.1 in May 2020 from a record-low of 29.8 in April 2020**, with the steps taken towards resumption of civilian life and institutions back to normalcy in the country following the curb in the spread of COVID-19 pandemic. This increase was underpinned by increases observed in New Businesses, Business Activities and Expectations for Activity sub-indices.

New Businesses sub index increased in May 2020 owing to improvements in new businesses in transportation and wholesale and retail trade sub-sectors with the lift of domestic travel restrictions, which had been imposed to control the spread of COVID-19 pandemic.

Business Activities sub index also increased significantly during the month indicating a moderation in contraction of Service activities. Business activities of transportation, wholesale and retail trade, professional services and telecommunication sub-sectors showed an improvement over the previous month with the normalisation of business activities. However, business activities related to tourism industry including accommodation, food and beverage sub sector declined owing to restrictions imposed on hotel operations and zero international tourist arrivals for the second consecutive month.

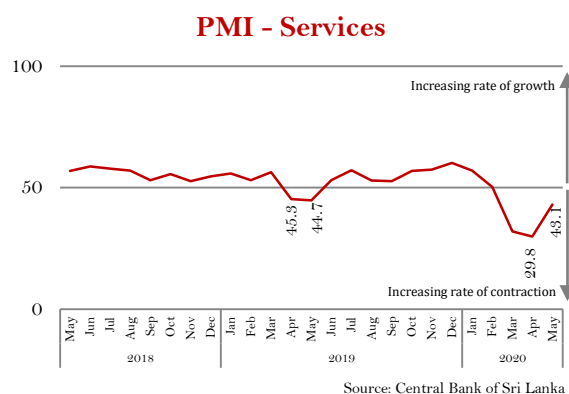
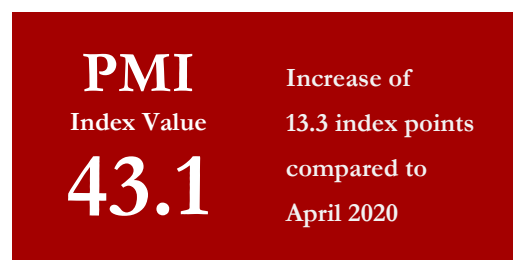
Further, respondents in Services sector are optimistic on future business activities with the expected revival of economic activities aftermath of COVID-19 pandemic.

However, Employment declined in May 2020 compared to previous month due to halt of new recruitments amidst retirements.

Variable	Apr	May	+/-	Summary
<b>PMI</b>	<b>29.8</b>	<b>43.1</b>	<b>+</b>	<b>Contracting, Slower rate</b>
<u>Sub-Indices of PMI</u>				
New Businesses	26.8	45.7	+	Contracting, Slower rate
Business Activity	8.9	34.2	+	Contracting, Slower rate
Employment	33.7	27.7	-	Contracting, Higher rate
Backlogs of Work	60.8	61.0	+	Increasing, Higher rate
Expectations for Activity	18.9	46.7	+	Contracting, Slower rate

Source: Central Bank of Sri Lanka

Meanwhile, Backlogs of Work continued to increase, softening the overall index, for the third consecutive month, primarily due to the lingering effect of COVID-19 pandemic.



### The World Outlook: Services PMI

Global services PMI rose to 35.2 in May 2020 from a record-low of 23.7 in April 2020, signalling a contraction for the fourth month in a row, due to the impact of COVID-19 pandemic.

Services PMIs of US, Japan, UK and India indicated that their services sectors deteriorated in May 2020 compared to the previous month, while that of China indicated an improvement.

Source: Markit<sup>1</sup> as at 15<sup>th</sup> June 2020

### 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 due to increased flow of business activity
Other variables are self-explanatory.	