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Press Release

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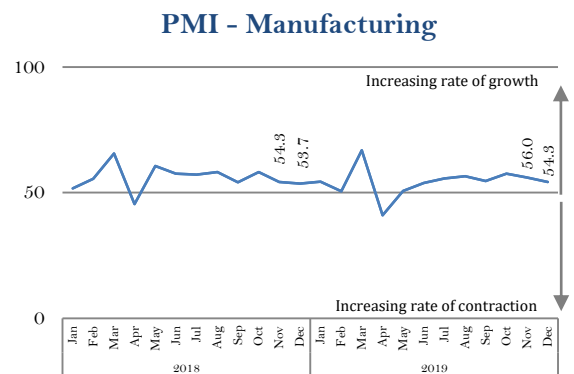
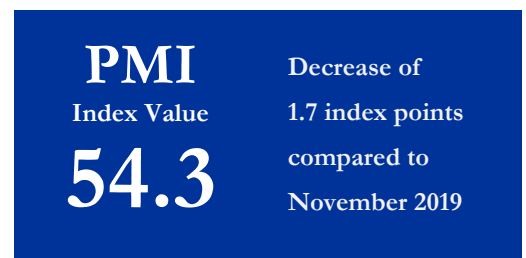
Date 16 January 2020

SL Purchasing Managers' Index (PMI) – December 2019

Manufacturing PMI expanded at a slower pace in December 2019 recording an index value of 54.3 mainly due to the slower expansion in New Orders, Production and Stock of Purchases.

All the sub-indices indicated an expansion, yet at a slower pace, compared to November 2019. New Orders and Production expanded at a slower rate owing to the slowdown in manufacturing of textile and wearing apparel sector. A significant slowdown in employment was experienced, particularly in manufacturing of wearing apparel sector as potential employees were attracted to seasonal jobs for better remuneration. This slowdown in employment partly impacted the slowdown in production.

Although the New Orders and Production expanded at a slower pace, the Stock of purchases expanded at a higher rate due to intended accumulation of stocks in December 2019 to fulfil the future requirements, anticipating supply disruptions, due to upcoming Chinese new year holidays. Further, Suppliers' Delivery Time remained at the neutral level indicating that it remains as same as in the previous month.



Source: Central Bank of Sri Lanka

Variable	Nov.	Dec.	+/-	Summary
PMI	56.0	54.3	-	Rising, Slower Rate
Sub-Indices of PMI				
New Orders	57.1	56.5	-	Rising, Slower Rate
Production	57.1	56.0	-	Rising, Slower Rate
Employment	57.7	51.0	-	Rising, Slower Rate
Stock of Purchases	55.6	56.5	+	Rising, Higher Rate
Suppliers' Delivery Time	50.0	50.0	=	Remained at Neutral

Source: Central Bank of Sri Lanka

All sub-indices of PMI Manufacturing, except Suppliers' Delivery Time which was on neutral level, exceeded the threshold of 50.0 (neutral) signalling an overall expansion in manufacturing activities during the month of December 2019.

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 50.1 in December 2019 with a decrease of 0.2 index points from November 2019.

Manufacturing PMIs of UK, Eurozone, China and USA slowed down in December 2019 while those of India, Singapore and Russia improved.

Source: Markit¹ as at 16th January 2020

¹ 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 PMI reached a 24-month high to 60.2 index points in December 2019, supported by the strong expansion in New Businesses and Business Activity in December 2019 due to the seasonal movement, political stability and measures taken by the government to improve economic activity.

Business Activities in wholesale & retail trade and accommodation, food & beverage sub sectors posted a strong growth due to the festive season and peak season of tourism. Transportation of goods recorded a growth with increased transhipment volumes while other personal services such as leisure activities also improved with the holiday season.

Expectations for Activity increased, yet at a slower pace, compared to the previous month. Respondents cited that they expect a higher growth in their business underpinned by new tax revisions.

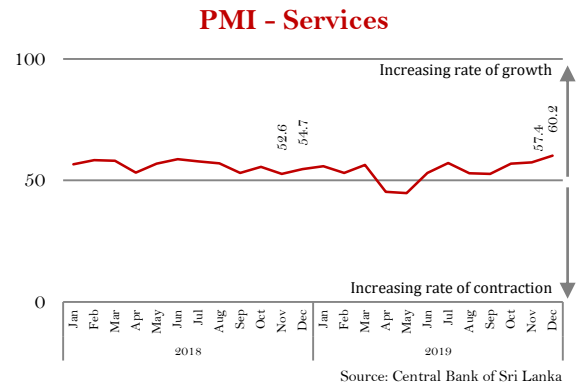
Despite the strong growth in Business Activities, the rate of job creation slowed in many sectors in December 2019 due to the delays in filling vacant positions. Further, this is the ninth consecutive month that the index on Employment of the Services sector continued to remain below 50.0 index points (threshold level). Backlogs of Work sub index reached the threshold level indicating that there is no change in backlogs compared to November 2019.

PMI

Index Value

60.2

Increase of 2.8 index points compared to November 2019



The World Outlook: Services PMI

Global services PMI increased to 52.1 in December 2019 from 51.6 in November 2019.

Services PMIs of India, China and US indicated that their services sectors improved in December 2019 compared to November 2019, while Japan indicated a decline in services activities.

(Source: Markit¹ as at 16th January 2020)

Variable	Nov.	Dec.	+/-	Summary
PMI	57.4	60.2	+	Rising, Higher rate
<u>Sub-Indices of PMI</u>				
New Businesses	52.2	63.0	+	Rising, Higher rate
Business Activity	59.0	67.8	+	Rising, Higher rate
Employment	49.4	47.0	-	Falling, Higher rate
Backlogs of Work	48.1	50.0	+	Neutral from Falling
Expectations for Activity	78.1	73.3	-	Rising, Slower Rate

Source: Central Bank of Sri Lanka

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 minimum 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.