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Press Release

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SL Purchasing Managers' Index (PMI) – September 2020

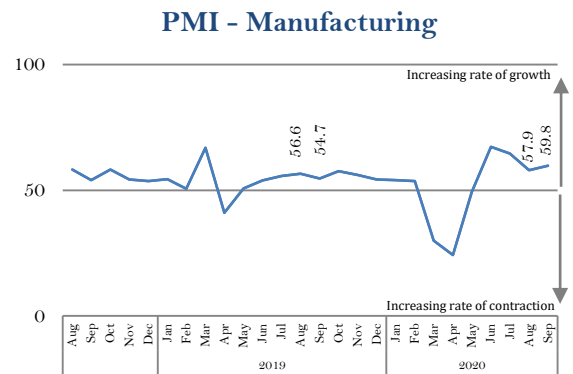
Purchasing Managers' Indices for both Manufacturing and Services activities expanded in September

Manufacturing activities expanded at a higher rate in September 2020, compared to August 2020. This expansion in manufacturing PMI was mainly attributable to the increase in Production and New Orders, especially in manufacturing of food & beverages and textiles & wearing apparel sectors.

Some respondents in the manufacturing of food & beverages and textiles & wearing apparel sectors highlighted that their factories operated at full capacity receiving more new orders with the normalisation of business activities. Further, the Employment sub-index increased in line with these developments.

Further, Stock of Purchases sub-index increased at a slower pace in September. The Suppliers' Delivery Time sub-index continued to lengthen at a higher pace, due to issues in logistics such as shortage of direct shipping services.

Manufacturing PMI
Index Value
59.8
Increase of 1.9 index points compared to August 2020



Source: Central Bank of Sri Lanka

Variable	Aug	Sep	+/-	Summary
PMI	57.9	59.8	+	Rising, Higher Rate
Sub-Indices of PMI				
New Orders	58.5	61.7	+	Rising, Higher Rate
Production	57.5	63.3	+	Rising, Higher Rate
Employment	54.0	51.6	-	Rising, Slower Rate
Stock of Purchases	57.5	56.9	-	Rising, Slower Rate
Suppliers' Delivery Time	62.5	63.3	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

Some respondents highlighted that the restrictions imposed on importation of some categories of goods continued to affect the smooth functioning of manufacturing activities.

The sub-index of overall expectations for manufacturing activities for the next three months declined significantly due to the prevailing situation of spreading of COVID-19 virus in the country, particularly centering to some manufacturing zones.

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 52.3 in September 2020 with an increase of 0.5 index points from August 2020.

Manufacturing PMIs of India, USA and Eurozone continued to expand at a higher rate while those of UK and China expanded at a slower rate in September 2020. Further, Manufacturing PMI of Russia contracted during the month with the adverse impact of COVID-19.

Source: Markit¹ as at 15th October 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 sector continued to expand for the fourth consecutive month with PMI recording 54.3 in September 2020 compared to the previous month. This was underpinned by the expansions observed in New Businesses, Business Activities and Expectations for Activity compared to August 2020 indicating a further recovery of services sector activities.

New Businesses, particularly in financial services and insurance sub-sectors, improved in September 2020 with the gradual normalisation in economic activities.

Business Activities also expanded in September 2020, yet at a slower pace. Financial services sub-sector was the main contributor to this expansion with increased financial facilities provided to support the businesses, which were negatively affected by the pandemic. Further, respondents in cargo handling services cited that they were able to handle more transshipments in September 2020. Moreover, business activities related to insurance and professional services sub-sectors also expanded during the month.

Employment sub-index almost reached 50-threshold level in September 2020 after a continuous decline in employment for seven months.

Backlogs of Work continued to remain in the negative territory indicating that any increase in demand can be met with the existing capacity.

Variable	Aug	Sep	+/-	Summary
PMI	56.0	54.3	-	Rising, Slower Rate
<u>Sub-Indices of PMI</u>				
New Businesses	58.3	58.9	+	Rising, Higher Rate
Business Activity	66.7	60.4	-	Rising, Slower Rate
Employment	38.2	49.5	+	Falling, Slower Rate
Backlogs of Work	45.8	43.2	-	Falling, Higher Rate
Expectations for Activity	70.8	59.6	-	Rising, Slower Rate

Source: Central Bank of Sri Lanka

Meanwhile, Expectations on future Business Activities increased further in September 2020, with the positive sentiments prevailed on the recovery of economy in the second half of the year. Nevertheless, some respondents expressed concerns on realisation of their expectations due to the re-emergence of the risk of spreading COVID-19 virus in the country.

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

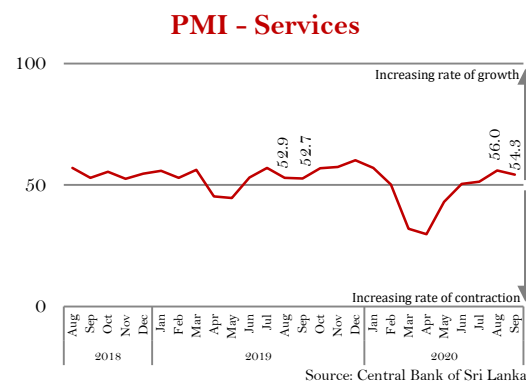
The sampling frame was based on a list of large companies located in the Western province obtained from the EPF Department. Samples for Manufacturing and Services activities were selected based on the GDP sectoral share, with a target of 100 responses for each.

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.	

Services
PMI
Index Value
54.3

Decrease of
1.7 index points
compared to
August 2020



The World Outlook: Services PMI

Global services PMI declined to 51.6 in September 2020 from a seven-month high of 52.0 in August 2020, signalling an expansion in global service activities for the third consecutive month.

Services PMIs of USA, China and the UK indicated that their services sectors expanded in September 2020 compared to the previous month, while those of Japan and India indicated a deterioration.

Source: Markit¹ as at 15th October 2020