

STATISTICS DEPARTMENT CENTRAL BANK OF SRI LANKA

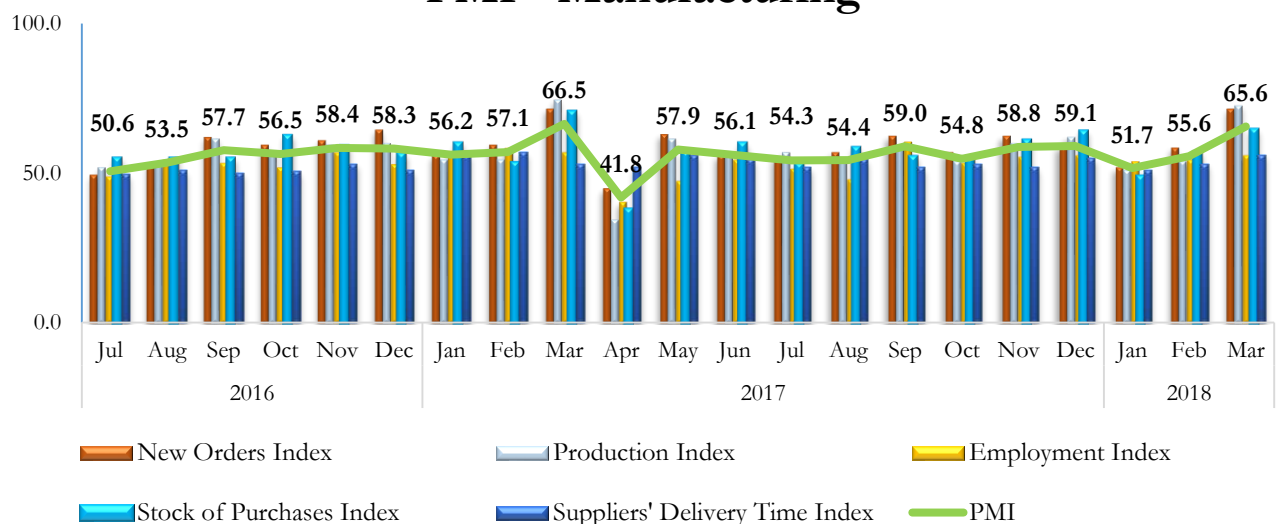
RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

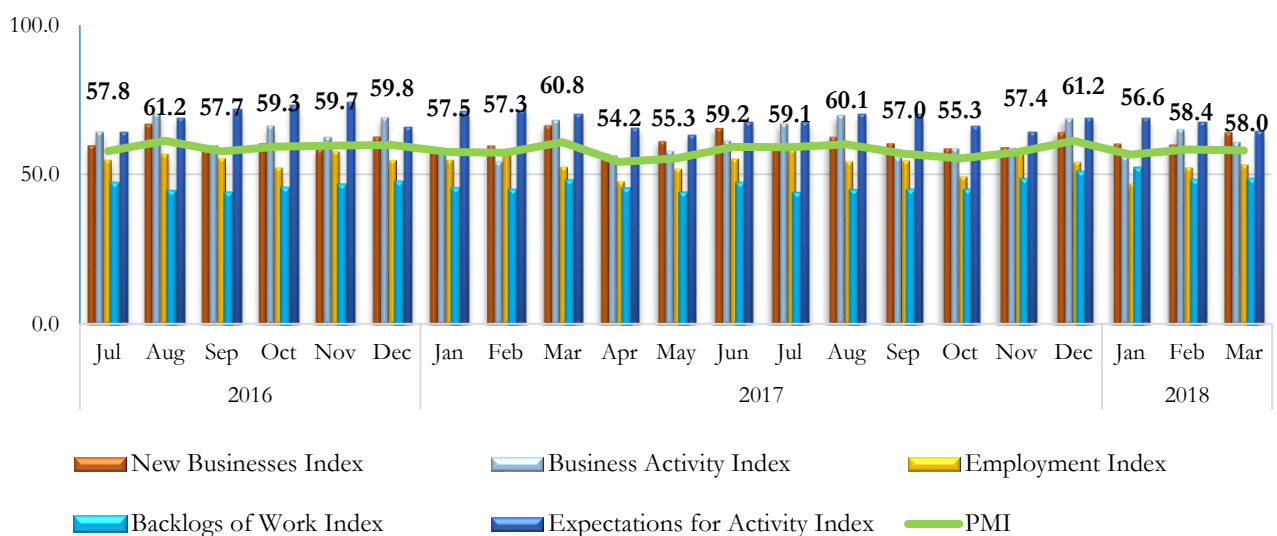
- **The Manufacturing Sector PMI** reached a 12-month high and signalled a strong upturn in manufacturing activities by recording 65.6 index points in March from 55.6 index points in February 2018 and was in line with the pattern observed in previous years. The increase of PMI in March was largely attributable to increasing orders in line with the seasonal demand as reflected by increase in New Orders and Production sub-indices. Stock of Purchases and Employment sub-indices also increased during the month. Further, lengthening of the Suppliers' Delivery Time sub-index also contributed positively to the overall increase. However, most respondents, especially in the Textiles and Apparel sector, highlighted difficulties in finding both skilled and unskilled workers. Overall, all the sub-indices of PMI recorded values above the neutral 50.0 threshold signalling an overall expansion in manufacturing activities during the month. Moreover, the Expectation for activities remains positive for the next three months.
- **The Services Sector PMI** recorded 58.0 index points in March 2018 from 58.4 index points in February 2018. This indicates that the Services sector activities expanded at a softer pace in March 2018, mainly supported by New Businesses, Business Activity, Employment and Expectations for Activity sub-indices. The expansion in New Businesses remained strong and was observed across financial service activities, insurance activities and wholesale and retail trade activities. Although Business Activities usually see a seasonal upturn during March compared to February, a notable development in this survey round was the deceleration of Business Activities mainly in Accommodation, Food and Beverage Services; Transportation and Wholesale and Retail Trade sectors. Respondents noted ethnic tensions in some areas of the country affected their business activity levels during March 2018. Backlogs of Work declined along with the increase in employment in March 2018, continuing its trend observed in previous month, while a modest expansion was observed in Expectation for Activity. Expected Labour Cost increased due to expected salary increments and incentives to be granted during festival season, while Prices Charged of the Services sector increased, albeit at a slower rate.

	Y\M	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PMI Manufacturing	2015	n.a.	n.a.	n.a.	n.a.	67.3	57.5	55.5	56.5	53.2	57.8	54.8	57.9
	2016	51.9	55.3	60.7	41.6	47.9	55.1	50.6	53.5	57.7	56.5	58.4	58.3
	2017	56.2	57.1	66.5	41.8	57.9	56.1	54.3	54.4	59.0	54.8	58.8	59.1
	2018	51.7	55.6	65.6	-	-	-	-	-	-	-	-	-
PMI Services	2015	n.a.	n.a.	n.a.	n.a.	66.8	65.0	60.6	59.8	61.7	59.5	59.3	60.2
	2016	58.0	59.3	61.6	54.7	58.1	56.3	57.8	61.2	57.7	59.3	59.7	59.8
	2017	57.5	57.3	60.8	54.2	55.3	59.2	59.1	60.1	57.0	55.3	57.4	61.2
	2018	56.6	58.4	58.0	-	-	-	-	-	-	-	-	-

PMI - Manufacturing



PMI - Services



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 month.

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.