

## KEY POINTS:

**Manufacturing activities slowed down**

The Manufacturing Sector PMI decreased to 54.1 index points in September 2018 from 58.2 index points recorded in August 2018. The slowdown observed in manufacturing activities in September was mainly driven by the slowdown in new orders and production, especially in manufacturing of food and beverages activities. Respondents highlighted that they had to increase their prices during the period due to increase in input cost of imported raw materials with rupee depreciation. This led to a decline in demand for their products, which in turn resulted in a decrease in new orders and production. However, new orders and production of manufacturing of textiles, wearing apparel, leather and other related products, which are mostly export oriented improved during this period. Overall employment and stock of purchases also slowed down. Meanwhile, lengthening of suppliers' delivery time usually indicates that economy is booming with expanding activities in the short run. However, in this instance, lengthening of suppliers' delivery time was due to manufacturers' intentional increase of the lead time with the expectation of rupee stabilization. Thus, it does not indicate an expansion in economic activities. Overall, all the sub-indices of PMI recorded values above the neutral 50.0 threshold signalling an overall expansion in September yet at a slower pace compared to August.

	Y\M	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PMI Manufacturing	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	45.5	60.6	57.6	57.2	58.2	<b>54.1</b>	-	-	-

Variable	Aug.	Sept.	+/-	Summary
PMI	58.2	54.1	-	Rising, Slower rate
<b>Sub-Indices of PMI</b>				
New Orders	60.5	53.0	-	Rising, Slower rate
Production	60.5	53.5	-	Rising, Slower rate
Employment	56.5	55.5	-	Rising, Slower rate
Stock of Purchases	57.0	56.0	-	Rising, Slower rate
Suppliers' Delivery Time	53.0	54.0	+	Lengthening, Higher rate

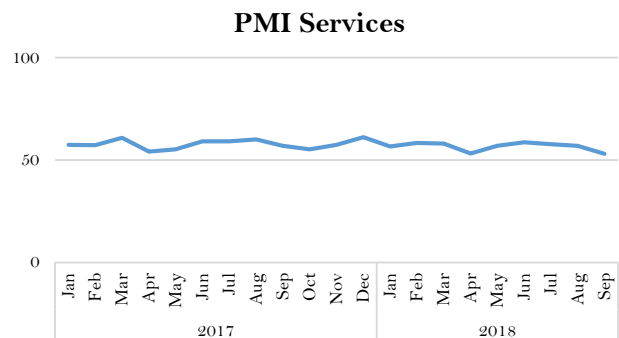


## Services sector growth eases further

The Services Sector PMI declined to 53.0 index points in September 2018 from 57.0 index points recorded in August 2018. This indicates that the Services sector expanded at a slower pace in September 2018, recording the lowest index value since survey began in May 2015. The slowdown in the Services sector was mainly due to the significant slowdown of Business Activities in accommodation food & beverage, wholesale and retail trade, health activities and other personal services sectors. The off-peak season for Tourism, and slowdown in import volumes were cited as main reasons for the observed slowdown. New Businesses growth also eased across financial services and insurance sectors. Employment levels expanded at a slower rate in September which was partly due to slowdown in Business Activities. Service providers' outlook on the three months business activities strengthened, yet at a slower pace. Upward revisions to fuel prices, depreciation of local currency and restrictions on imports were cited by respondents to have adversely affected their optimism. Prices Charged of the Services sector increased at a higher rate owing to upward revisions to fuel prices and depreciation of local currency during the month. Expected Labour Cost in the services sector also increased during September.

	Y\M	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PMI Services	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	53.2	56.9	58.7	57.8	57.0	<b>53.0</b>	-	-	-

Variable	Aug.	Sept.	+/-	Summary
PMI	57.0	53.0	-	Rising, Slower rate
<b>Sub-Indices of PMI</b>				
New Businesses	60.0	55.2	-	Rising, Slower rate
Business Activity	63.7	51.0	-	Rising, Slower rate
Employment	55.8	54.2	-	Rising, Slower rate
Backlogs of Work	42.8	45.0	+	Falling, Slower rate
Expectations for Activity	62.8	59.6	-	Positive, Slower rate



### 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.