

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

Manufacturing activities improved

All the sub-indices of PMI Manufacturing recorded values above the neutral 50.0 threshold signalling an overall expansion in October compared to September.

The improvement observed in manufacturing activities in October was mainly driven by the improvement in new orders and production, especially in manufacturing of food and beverages activities, led by the positive outlook with the seasonal demand. Even though the employment in the manufacturing of food and beverages activities has improved with seasonal trend, overall employment slowed down. This was mainly evident in manufacturing of textiles, wearing apparels, leather and related activities due to difficulties to find employees in the market.

Variable	Sep.	Oct.	+/-	Summary
PMI	54.1	58.2	+	Rising, Higher rate
Sub-Indices of PMI				
New Orders	53.0	59.0	+	Rising, Higher rate
Production	53.5	61.0	+	Rising, Higher rate
Employment	55.5	55.0	-	Rising, Slower rate
Stock of Purchases	56.0	61.0	+	Rising, Higher rate
Suppliers' Delivery Time	54.0	54.0	=	Lengthening, Same rate

Meanwhile, Stock of purchases indicates an expansion with the stock holding in manufacturing of furniture activities in preparation for the upcoming season. Lengthening of suppliers' delivery time usually indicates that economy is booming with expanding activities in the short run. However, in this instance, suppliers' delivery time lengthened at the same rate observed in the previous month which is mainly driven by scarcity of raw materials and the increase of the lead-time purposely with the expectation of rupee stabilization thereby controlling further increase in raw material prices.

PMI

Index Value

58.2

Increase of
4.1 index points
compared to
September 2018

PMI - Manufacturing

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
2017											2018										

**The World Outlook:
Manufacturing PMI**

The global manufacturing PMI recorded a value of 52.1 in October with the decrease of 0.1 index points from September, signalling that global manufacturing growth slowed down in October.

Manufacturing PMIs of Eurozone and UK slowed down in October 2018 while those of China, India, Russia and USA improved.

(Source: Markit¹ as at 13th November 2018)

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 also for key regions including the Eurozone.

Services Sector Growth Accelerated in October

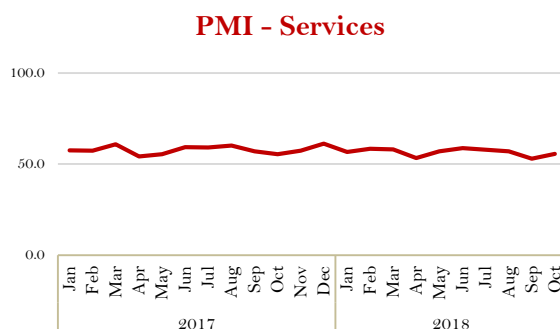
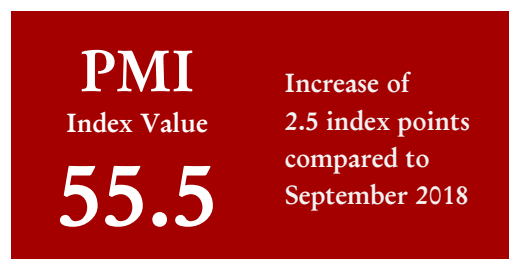
The Services sector expanded at a higher pace in October, underpinned by a strong upturn in Business Activities, Expectations for Activity and New Businesses.

The expansion in Business Activities was seen mainly across financial services and transportation and warehousing sub sectors. However, respondents cited that the depreciation of the local currency had an adverse impact on import volumes and thereby on their activity growth. New Businesses also expanded across financial services and professional services sub sectors. Employment levels expanded at a higher rate in October owing to the expansion in Business Activities.

Variable	Sep.	Oct.	+/-	Summary
PMI	53.0	55.5	+	Rising, Higher rate
Sub-Indices of PMI				
New Businesses	55.2	58.2	+	Rising, Higher rate
Business Activity	51.0	57.1	+	Rising, Higher rate
Employment	54.2	55.4	+	Rising, Higher rate
Backlogs of Work	45.0	43.1	-	Falling, Higher rate
Expectations for Activity	59.6	63.6	+	Positive, Higher rate

Service providers' optimism on the three months business outlook strengthened in October 2018 due to upcoming festive season and the peak season for tourism. However, respondents raised concerns over the current political situation and the weakening of the domestic currency which could moderate the realisation of expectations.

Prices Charged of the Services sector increased at a higher rate while the expected Labour Cost in the services sector also increased during October due to bonus payments.



The World Outlook: Services PMI

October saw the rate of expansion in global services business activity accelerate for the first time in four months. Global services PMI was up from September's two-year low of 52.9 to 53.4 in October and has now signalled growth for 111 straight months. Italy was the only nation covered by the survey to register a decline in business activity during October. The fastest rates of increase were seen in Ireland and Russia.

Services PMIs of Japan, China, UK, India and USA indicated their services sectors improved in October compared to September.

(Source: Markit¹ as at 13th November 2018)

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.	