

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

Manufacturing activities recovered to an index value of 50.7 in May 2019 which is an increase of 9.7 index points, compared to April 2019. The recovery of manufacturing PMI is mainly attributable to the significant increase in Production and New Orders, especially, in manufacturing of textiles, wearing apparels, leather and related products. Increase in production was mainly attributable to the fulfilment of accumulated orders using extra hours of factory operations. Many respondents, especially in textile and apparel sector, highlighted that they had to work extra hours on week days as well as in weekends during the month to clear the backlog of orders.

Variable	Apr.	May	+/-	Summary
PMI	41.0	50.7	+	Rising from Falling
Sub-Indices of PMI				
New Orders	37.5	52.0	+	Rising from Falling
Production	32.5	55.0	+	Rising from Falling
Employment	43.5	45.0	+	Falling, Slower Rate
Stock of Purchases	41.0	44.5	+	Falling, Slower Rate
Suppliers' Delivery Time	55.5	52.5	-	Lengthening, Slower rate

Source: Central Bank of Sri Lanka

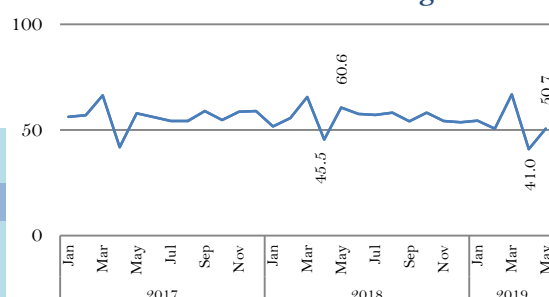
Employment contracted as a slight decline in new recruitments was observed, particularly, in manufacturing of food and beverages sector. Although, the New Orders expanded, the Stocks of Purchases continued to contract yet at a slower rate, due to the stocks of raw materials brought forward from the previous month. Suppliers' Delivery Time lengthened at a slower rate due to security measures deployed after the Easter Sunday attack.

All sub-indices of PMI Manufacturing except for Employment and Stock of Purchases recorded values above the neutral 50.0 threshold signalling an overall expansion in manufacturing activities in May 2019 compared to April 2019.

PMI
Index Value
50.7

Increase of 9.7 index points compared to April 2019

PMI - Manufacturing



Source: Central Bank of Sri Lanka

**The World Outlook:
Manufacturing PMI**

The global manufacturing PMI recorded a value of 49.8 in May 2019 with a decline of 0.6 index points from April 2019.

Manufacturing PMIs of USA, UK, Eurozone, Russia and Singapore slowed down in May 2019. However, manufacturing PMI of India improved, while that of China remained unchanged.

Source: Markit¹ as at 14th June 2019

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.

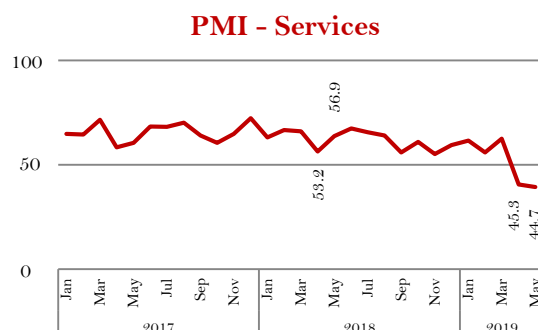
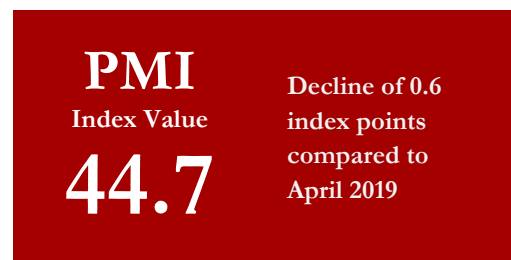
Services sector continued to deteriorate in May 2019 compared to previous month due to decline in Employment and Business Activity sub-indices, which was mainly caused by Easter Sunday attack.

Employment sub index recorded the lowest level since the commencement of the survey in May 2015 and it was mainly due to discontinuation of the service of contract employees with the deterioration in Business Activity, particularly in accommodation, food & beverage, and other personal services sub sectors. Further, deterioration of Business Activity was also observed in the wholesale and retail trade, and transportation sub sectors. Many respondents highlighted that uncertainty arose from Easter Sunday attack still prevails in the country. Thus, New Businesses and Expectations for Activity continued to decline compared to previous month, yet at a slower pace.

Variable	Apr.	May	+/-	Summary
PMI	45.3	44.7	-	Falling, Higher rate
Sub-Indices of PMI				
New Businesses	44.0	49.4	+	Falling, Slower rate
Business Activity	45.1	41.7	-	Falling, Higher rate
Employment	47.3	36.4	-	Falling, Higher rate
Backlogs of Work	45.3	46.4	+	Falling, Slower rate
Expectations for Activity	44.6	49.4	+	Falling, Slower rate
Other Indices				
Prices Charged	53.3	50.6	-	Rising, Slower rate
Expectations for Labour Cost	62.6	64.8	+	Rising, Higher rate

Source: Central Bank of Sri Lanka

Prices Charged in the Services sector increased at a slower rate in May 2019 due to price discounts offered by hotels and other firms in accommodation, food & beverage, and other personal services sub sectors. Moreover, Expected Labour Cost for next three months increased at a higher rate in May 2019.



Source: Central Bank of Sri Lanka

The World Outlook: Services PMI

Global services PMI declined to 33-month low of 51.6 in May 2019 from 52.7 in April 2019 indicating a slowdown in growth of global services sector output. However, it has signalled growth in global services output for 118 successive months.

Services PMIs of Japan, China, India, UK and USA indicated that their services sectors improved in May 2019 compared to April 2019.

Source: Markit as at 13th June 2019

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.	