

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

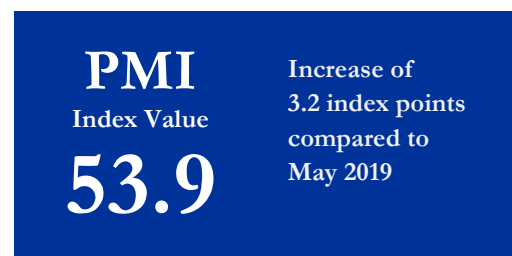
**Manufacturing activities expanded at a higher rate** in June 2019, recording an index value of 53.9 which is an increase of 3.2 index points, compared to May 2019. This expansion in manufacturing PMI is mainly attributable to the significant recovery in Employment, especially, in manufacturing of food & beverages and textiles & wearing apparels sectors, from the lower employment availability experienced after the Easter Sunday attacks. Expansion in New Orders and Production, particularly in manufacturing of food and beverages sector, also contributed to the improvement of PMI in June 2019. Many respondents also highlighted that New Orders and Production recovered to a greater extent in June with the normalization of economic activities after the disruptions caused by the Easter Sunday attacks.

Variable	May	June	+/-	Summary
<b>PMI</b>	<b>50.7</b>	<b>53.9</b>	<b>+</b>	<b>Rising, Higher Rate</b>
<b>Sub-Indices of PMI</b>				
New Orders	52.0	53.0	+	Rising, Higher Rate
Production	55.0	56.5	+	Rising, Higher Rate
Employment	45.0	55.5	+	Rising from Falling
Stock of Purchases	44.5	51.5	+	Rising from Falling
Suppliers' Delivery Time	52.5	51.0	-	Lengthening, Slower rate

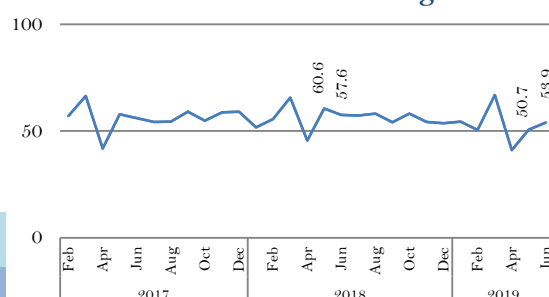
Source: Central Bank of Sri Lanka

The Stock of Purchases increased considerably with the expansion of New Orders and Production. Further, Suppliers' Delivery Time lengthened at a slower rate as a combined outcome of increased demand for supplies of input and the gradual easing of the tight security measures deployed.

All sub-indices of PMI Manufacturing exceeded the neutral 50.0 threshold signalling an overall expansion in manufacturing activities during the period under review.



PMI - Manufacturing



Source: Central Bank of Sri Lanka

### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 49.4 in June 2019 with a decline of 0.4 index points from May 2019.

Manufacturing PMIs of China, India, UK, Eurozone, Russia and Singapore slowed down in June 2019 while manufacturing PMI of USA improved.

Source: Markit<sup>1</sup> as at 15<sup>th</sup> July 2019

<sup>1</sup> 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 recovered in June 2019** from its lowest level recorded in May 2019, which was mainly caused by the Easter Sunday attack. The recovery in Services activities is mainly attributable to expansion in New Businesses and Business Activity, and Expectations for Activity.

New Business activities of Wholesale and retail trade, and Transportation sub sectors, which deteriorated after the Easter Sunday attack, expanded in June 2019. Further, respondents in accommodation, food & beverage, and other personal services sub sectors, which largely depended on tourist arrivals in the country highlighted that Business Activities were gradually picking up. Expectations for Activity were also increased in June 2019 after declining for two consecutive months. However, Employment recorded a deterioration compared to previous month, yet at a slower pace, due to delays in filling vacant positions.

Variable	May	June	+/-	Summary
<b>PMI</b>	<b>44.7</b>	<b>53.1</b>	<b>+</b>	<b>Rising from Falling</b>
<b>Sub-Indices of PMI</b>				
New Businesses	49.4	57.4	+	Rising from Falling
Business Activity	41.7	57.4	+	Rising from Falling
Employment	36.4	44.7	+	Falling, Slower rate
Backlogs of Work	46.4	44.1	-	Falling, Higher rate
Expectations for Activity	49.4	61.8	+	Rising from Falling
<b>Other Indices</b>				
Prices Charged	50.6	47.9	-	Falling from Rising
Expectations for Labour Cost	64.8	63.4	-	Rising, Slower rate

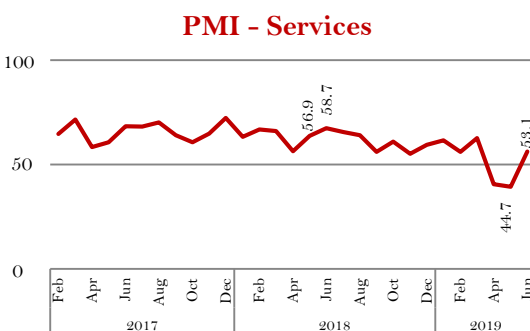
Source: Central Bank of Sri Lanka

Prices Charged in the Services sector declined in June 2019 due to price discounts offered by hotels and price reductions offered by firms in Transportation sub sector to face the competitiveness in the industry. Meanwhile, Expected Labour Cost for next three months increased at a slower pace in June 2019.

**PMI**  
Index Value

**53.1**

Increase of 8.4  
index points  
compared to  
May 2019



Source: Central Bank of Sri Lanka

**The World Outlook:  
Services PMI**

Global services PMI slightly increased to 51.9 in June 2019 from 33-month low of 51.6 in May 2019 indicating an acceleration in growth of global services sector output. The strongest rate of output expansion was registered in the financial services sector.

Services PMIs of Japan, China, UK and USA indicated their services sectors improved in June compared to May 2019, while Services PMI of India indicated a decline.

Source: Markit as at 15<sup>th</sup> July 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.	