

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

Manufacturing activities continued to expand at a higher rate in August 2019, recording an index value of 56.6 which is an increase of 0.9 index points, compared to July 2019. This expansion in manufacturing PMI was mainly attributable to the increase in Production and New Orders, especially in manufacturing of food & beverages and textiles & wearing apparel sectors to meet the upcoming festive season demand. Further, Employment increased, yet at a slower rate, during the month of August especially with the increase in employment in food & beverages sector while, many respondents in the textile and apparel industry highlighted that the labour availability in the market was low.

PMI

Index Value

56.6

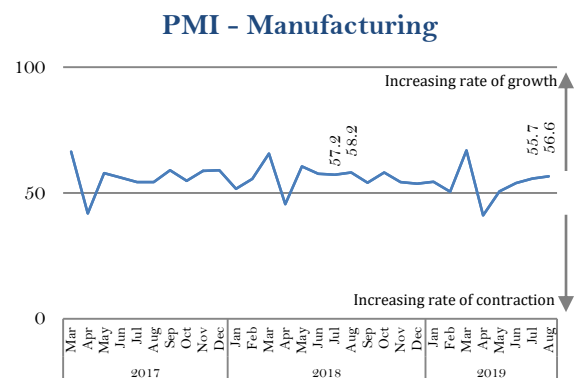
Increase of 0.9 index points compared to July 2019

Variable	July	August	+/-	Summary
PMI	55.7	56.6	+	Rising, Higher Rate
Sub-Indices of PMI				
New Orders	59.0	61.0	+	Rising, Higher Rate
Production	57.5	60.5	+	Rising, Higher Rate
Employment	52.0	50.5	-	Rising, Slower Rate
Stock of Purchases	57.0	55.0	-	Rising, Slower Rate
Suppliers' Delivery Time	50.0	50.5	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

Meanwhile, the Stock of Purchases expanded at a slower pace in August. Although the New Orders and Production expanded at a higher rate, the stock of purchases was not increased significantly due to accumulated stocks brought forward from previous month. Further, Suppliers' Delivery Time lengthened at a slightly higher rate, especially from local suppliers.

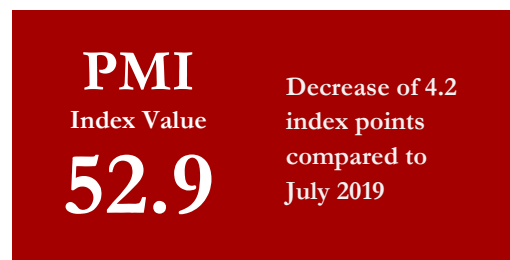
All sub-indices of PMI Manufacturing, exceeded the threshold of 50.0 (neutral) signalling an overall expansion in manufacturing activities during the period under review.



Source: Central Bank of Sri Lanka

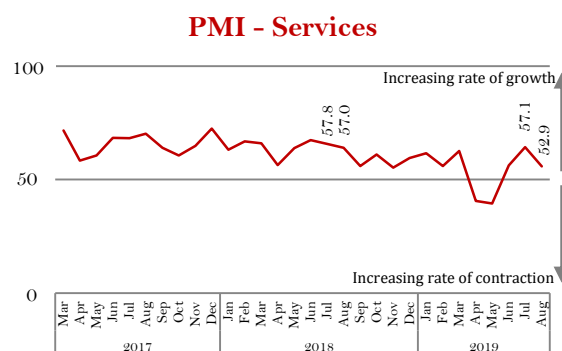
Services sector continued to expand in August 2019, yet at a slower pace compared to July 2019, recording an index value of 52.9 underpinned by the increases in New Businesses, Business Activity and Expectations for Activity sub-indices.

Expansion in Business Activity in August 2019, was mainly attributable to the accommodation food & beverage sector owing to the improvement in tourist arrivals. New Businesses also expanded in August 2019, particularly in financial services and transportation sub sectors.



Variable	July	August	+/-	Summary
PMI	57.1	52.9	-	Rising, Slower rate
Sub-Indices of PMI				
New Businesses	59.9	52.7	-	Rising, Slower rate
Business Activity	63.5	59.6	-	Rising, Slower rate
Employment	43.2	43.6	+	Falling, Slower rate
Backlogs of Work	47.7	45.3	-	Falling, Higher rate
Expectations for Activity	71.4	63.4	-	Rising, Slower rate

Source: Central Bank of Sri Lanka



Source: Central Bank of Sri Lanka

On the employment front, August saw a decline in staffing levels compared to the previous month, due to retirements and time lags in filling vacant positions. Meanwhile, Backlogs of Work sub index continued to remain below 50.0 threshold level implying that any increase in demand could be met with the existing capacity of service providers.

In terms of Expectations for Activity, service providers' optimism on the three month business outlook eased in August 2019 compared to 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.	