

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

Manufacturing activities expanded at a slower rate in September 2019, recording an index value of 54.7 which is a decrease of 1.9 index points, compared to August 2019. This slowdown in manufacturing PMI was mainly driven by the slowdown in Production and New Orders during the month of September. Slowdown in Production could be observed, especially in manufacturing of food & beverages and textiles & wearing apparel sectors. Although the New Orders and Production expanded at a slower rate, the Stock of Purchases was increased significantly with the anticipation of high demand in future especially in manufacturing of food & beverages sector.

Variable	Aug.	Sept.	+/-	Summary
PMI	56.6	54.7	-	Rising, Slower Rate
Sub-Indices of PMI				
New Orders	61.0	58.1	-	Rising, Slower Rate
Production	60.5	52.0	-	Rising, Slower Rate
Employment	50.5	55.6	+	Rising, Higher Rate
Stock of Purchases	55.0	56.6	+	Rising, Higher Rate
Suppliers' Delivery Time	50.5	50.0	-	Lengthening to Neutral

Source: Central Bank of Sri Lanka

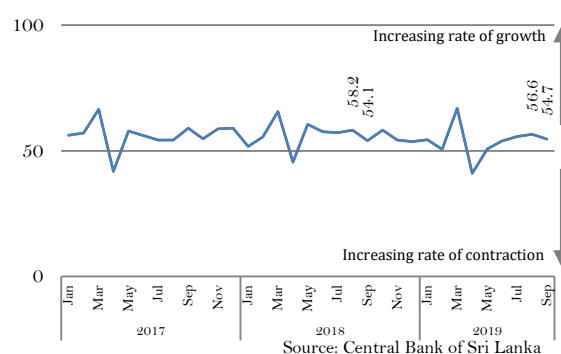
An improvement in Employment was observed with the recruitment of new employees to fill the vacancies. Further, Suppliers' Delivery Time slowed down to the neutral level indicating that they experienced similar delivery time as previous month.

All sub-indices of PMI Manufacturing, except Suppliers' Delivery Time, which was on neutral level, exceeded the threshold of 50.0 (neutral) signalling an overall expansion in manufacturing activities during the period under review.

PMI
Index Value
54.7

Decrease of
1.9 index points
compared to
August 2019

PMI - Manufacturing



Source: Central Bank of Sri Lanka

The World Outlook:
Manufacturing PMI

The global manufacturing PMI recorded a value of 49.7 in September 2019 with an increase of 0.2 index points from August 2019.

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

(Source: Markit¹ as at 15th October 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.

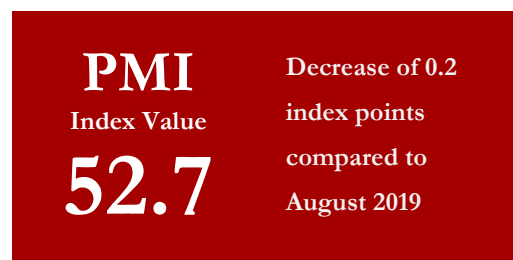
Services sector continued to expand in September 2019, yet at a slower pace compared to August 2019, mainly due to slower expansion in Business Activities.

Despite the slower expansion in Business Activities, New Businesses exhibited an accelerated pace of growth in September 2019, which could positively contribute towards the growth of Business Activities in future. Accommodation, food & beverage services; financial services; and transportation sub sectors contributed towards the growth in New Businesses. Meanwhile, Expectations for Activity remained at same level in September compared to August 2019. However, some respondents highlighted that their optimistic expectations on business activities were affected by the uncertainty in business environment due to current political climate of the country.

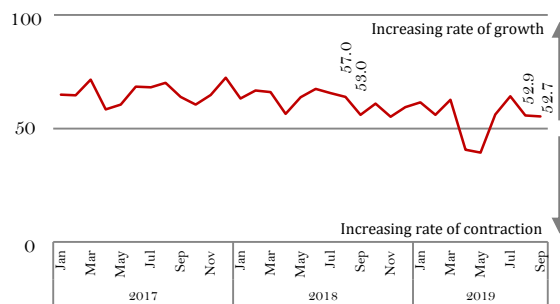
Variable	Aug.	Sept.	+/-	Summary
PMI	52.9	52.7	-	Rising, Slower rate
<u>Sub-Indices of PMI</u>				
New Businesses	52.7	55.0	+	Rising, Higher rate
Business Activity	59.6	52.5	-	Rising, Slower rate
Employment	43.6	47.0	+	Falling, Slower rate
Backlogs of Work	45.3	45.8	+	Falling, Slower rate
Expectations for Activity	63.4	63.4	=	Rising, Same rate

Source: Central Bank of Sri Lanka

Employment continued to decline for the sixth consecutive month in September 2019, due to delays in filling vacant positions since recruitments are not carried out in the later part of the year and skill mismatch in the labour force. Backlogs of Work sub index remained below 50.0 threshold level implying that any increase in demand could be met with the existing capacity of service providers.



PMI - Services



Source: Central Bank of Sri Lanka

The World Outlook: Services PMI

Global services PMI eased to 51.6 in September, its joint-weakest reading in over three years,

Services PMIs of Japan, US and China indicated that their services sectors improved in September compared to August 2019, while UK and India indicated a decline in services activities.

(Source: Markit¹ as at 14th October 2019)

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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.