

KEY POINTS:

Manufacturing PMI increased to 57.6 index value in October 2019 mainly due to increase in Production and New Orders compared to September 2019.

The increase in Production and New Orders was observed especially in manufacturing of food and beverages sector to meet the upcoming festive season demand. Meanwhile, Employment also increased in manufacturing of food & beverages and wearing apparel sectors. This was mainly due to the recruitment of new employees to increase the production levels to meet the higher demand in the period ahead.

Variable	Sept.	Oct.	+/-	Summary
PMI	54.7	57.6	+	Rising, Higher Rate
Sub-Indices of PMI				
New Orders	58.1	59.7	+	Rising, Higher Rate
Production	52.0	60.2	+	Rising, Higher Rate
Employment	55.6	58.2	+	Rising, Higher Rate
Stock of Purchases	56.6	54.1	-	Rising, Slower Rate
Suppliers' Delivery Time	50.0	50.5	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

Although the New Orders and Production expanded at a higher rate, the Stock of purchases remained broadly unchanged due to accumulated stocks brought forward from previous months. Further, Suppliers' Delivery Time lengthened at a slightly higher rate.

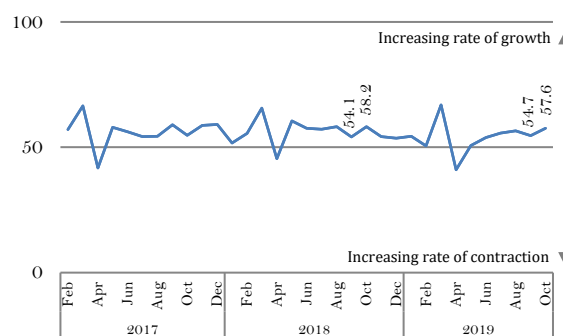
All sub-indices of PMI Manufacturing exceeded the threshold of 50.0 (neutral) signalling an overall expansion in manufacturing activities during the period under review.

PMI
Index Value

57.6

Increase of
2.9 index points
compared to
September 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 October 2019 with an increase of 0.1 index points from September 2019.

Manufacturing PMIs of India and Singapore slowed down in October 2019 while those of UK, Russia, China, USA and Eurozone improved.

(Source: Markit¹ as at 13th November 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 for key regions including the Eurozone.

Services PMI increased to 56.9 index points in October 2019, mainly supported by strong growth in New Businesses and Business Activities compared to September 2019.

New Businesses reached a 19-month high with Financial Services and Insurance sectors dominating in securing new businesses. Business Activities also posted a notable growth in October compared to September 2019, supported by Financial Services, Human Health Activities and Postal and Courier Activities. Advertising campaigns ahead of the presidential election and increased promotional activities of banks have contributed to the observed increase in Business Activities.

However, Employment in the Services sector continued to remain below the 50-threshold level for the seventh consecutive month, due to delays in recruitments and automation of manual work. Meanwhile, Backlogs of Work increased in October 2019 after 20 months of contraction, indicating that the excess capacity in the sector is diminishing. This could be partly attributable to the contraction in employment levels amidst the strong growth in New Businesses and Business Activities.

Variable	Sept.	Oct.	+/-	Summary
PMI	52.7	56.9	+	Rising, Higher rate
Sub-Indices of PMI				
New Businesses	55.0	61.5	+	Rising, Higher rate
Business Activity	52.5	59.0	+	Rising, Higher rate
Employment	47.0	44.0	-	Falling, Higher rate
Backlogs of Work	45.8	51.6	+	Rising, From Falling
Expectations for Activity	63.4	68.2	+	Rising, Higher rate

Source: Central Bank of Sri Lanka

Service providers' expectations for the next three months improved due to upcoming peak season for tourism, festive season and the expected stability in the political front. Respondents also cited that their businesses have gained momentum post Easter-Sunday attacks.

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

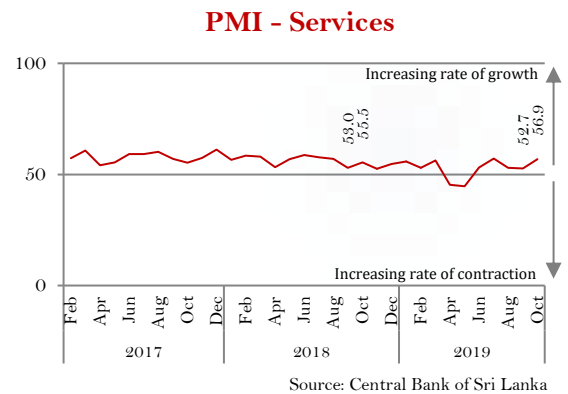
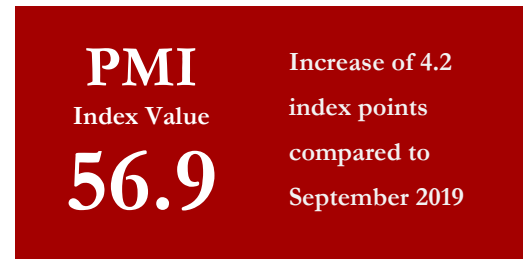
PMI<50 - sector is generally declining on month-on-month basis

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.	



The World Outlook: Services PMI

Global services PMI eased to 51.0 in October, its lowest reading over three and a half years.

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

(Source: Markit¹ as at 14th November 2019)