

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

Manufacturing PMI expanded at a slower pace in January 2020 recording an index value of 54.0 mainly due to the slower expansion in New Orders and Stock of Purchases.

New Orders, Production and Stock of Purchases sub-indices expanded at a slower pace particularly in the manufacturing of food and beverages sector with the decreasing demand after the festival season. Further, a slowdown in Stock of Purchases in textile & wearing apparel sector could be observed due to Chinese new year holidays. The Employment contracted during the month due to the leaving of employees from their jobs for better paid employments.

Meanwhile, a significant lengthening of suppliers' delivery time was experienced, especially in manufacturing of textile and wearing apparel sector. Although, lengthening of Suppliers' Delivery Time usually indicates higher demand for materials with the expanding manufacturing activities, the COVID-19 virus outbreak in China since early January 2020 has mainly caused this delay. Further, many respondents in this sector highlighted that their import orders for materials from China have been delayed indefinitely due to the same reason.

Variable	2019 Dec	2020 Jan	+/-	Summary
PMI	54.3	54.0	-	Rising, Slower Rate
Sub-Indices of PMI				
New Orders	56.5	54.5	-	Rising, Slower Rate
Production	56.0	54.0	-	Rising, Slower Rate
Employment	51.0	49.5	-	Falling from Rising
Stock of Purchases	56.5	50.5	-	Rising, Slower Rate
Suppliers' Delivery Time	50.0	61.5	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

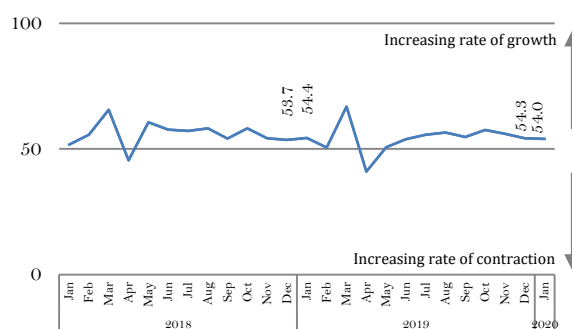
All sub-indices of PMI Manufacturing, except Employment exceeded the threshold of 50.0 (neutral) signalling an overall expansion in manufacturing activities during the month of January, 2020.

Although the manufactures, especially related to appeal sector, cautioned that New Coronavirus outbreak would disrupt the global supply chain, overall expectations for manufacturing activities for the next three months remain slightly improved compared to last month.

PMI
Index Value
54.0

Decrease of
0.3 index points
compared to
December 2019

PMI - Manufacturing



Source: Central Bank of Sri Lanka

The World Outlook:
Manufacturing PMI

The global manufacturing PMI recorded a value of 50.4 in January 2020 with an increase of 0.3 index points from December 2019.

Manufacturing PMIs of USA and China slowed down in January 2020 while those of India, UK, Eurozone, Singapore and Russia improved.

(Source: Markit¹ as at 13th February 2020)

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 sector continued to grow, yet at a slower pace, in January 2020, supported by the expansion in New Businesses, Business Activity, Employment and Expectations for Activity.

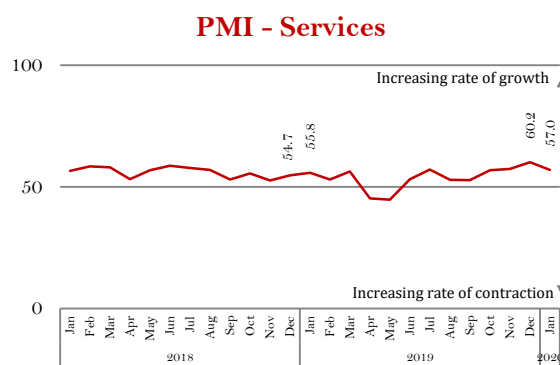
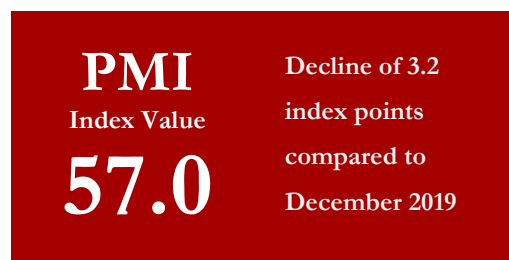
Business Activities in accommodation, food and beverage; and telecommunication sub sectors expanded due to peak season of tourism and tax reductions introduced by the government, respectively. Further, Business Activities in financial services; transportation; and wholesale and retail trade sub sectors also recorded a growth in January 2020, compared to the previous month. However, overall Business Activity expanded at a slower rate since the activity level in January 2020 is lower than the seasonally high activity level prevailed in December 2019.

Meanwhile, Employment increased in January 2020 after the continuous decline for nine consecutive months due to new recruitments at the beginning of the year. This increase in Employment also contributed towards the decline in Backlogs of Work in January 2020.

Moreover, increase in Expectations for Activity in accommodation, food and beverage and transportation sub sectors eased in January 2020 due to the impact of COVID-19 as there would be a decline in arrival of tourists and shipments from China.

Variable	2019 Dec	2020 Jan	+/-	Summary
PMI	60.2	57.0	-	Rising, Slower rate
<u>Sub-Indices of PMI</u>				
New Businesses	63.0	60.4	-	Rising, Slower rate
Business Activity	67.8	61.4	-	Rising, Slower rate
Employment	47.0	52.5	+	Rising from Falling
Backlogs of Work	50.0	44.1	-	Falling from Neutral
Expectations for Activity	73.3	66.5	-	Rising, Slower rate

Source: Central Bank of Sri Lanka



The World Outlook: Services PMI

Global services PMI increased to 52.7 in January 2020 from revised 52.0 in December 2019.

Services PMIs of India, US, UK, Japan and China indicated that their services sectors improved in January 2020 compared to December 2019.

(Source: Markit¹ as at 13th February 2020)

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.	