

## RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

## KEY POINTS:

**Manufacturing PMI increased at a slower rate in February 2020 recording an index value of 53.6** mainly due to the slower expansion in New Orders and Employment, while expectations for next three months decreased significantly due to COVID-19 outbreak.

New Orders and Employment slowed down, particularly in the manufacturing of textile and wearing apparel sector with the decrease in global demand. Moreover, many respondents in the textile and wearing apparel sector highlighted that their raw material imports have been delayed due to supply side issues arose from the COVID-19 outbreak. Accordingly, Suppliers' Delivery Time lengthened further during the month of February due to the delays in shipments in response to COVID-19 outbreak thereby causing an increase in the overall index.

Meanwhile, marginal increase in Production and Stock of Purchases in food and beverages sector could be observed in preparation to meet the upcoming seasonal demand.

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

Variable	Jan.	Feb.	+/-	Summary
<b>PMI</b>	<b>54.0</b>	<b>53.6</b>	<b>-</b>	<b>Rising, Slower Rate</b>
<b>Sub-Indices of PMI</b>				
New Orders	54.5	51.1	-	Rising, Slower Rate
Production	54.0	54.8	+	Rising, Higher Rate
Employment	49.5	47.3	-	Contracting, Higher Rate
Stock of Purchases	50.5	52.2	+	Rising, Higher Rate
Suppliers' Delivery Time	61.5	66.1	+	Lengthening, Higher Rate

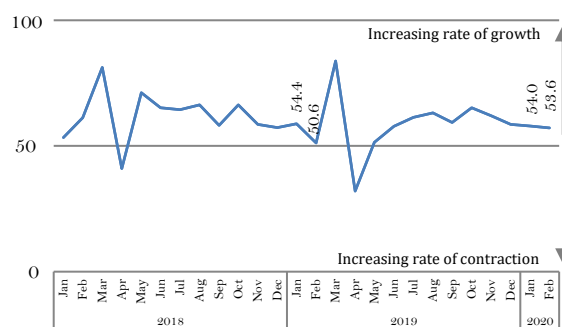
Source: Central Bank of Sri Lanka

The manufacturers, especially related to apparel sector, cautioned that COVID-19 outbreak would disrupt the global supply chain. As a result, overall expectations for manufacturing activities for the next three months deteriorated significantly, compared to the previous month.

PMI  
Index Value  
**53.6**

Decrease of  
0.4 index points  
compared to  
January 2020

## PMI - Manufacturing



Source: Central Bank of Sri Lanka

### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 47.2 in February 2020 with a decrease of 3.2 index points from January 2020, which is the steepest contraction in over a decade as COVID-19 outbreak hits supply chains and demand.

Manufacturing PMI of China contracted, USA and India slowed down in February 2020 while that of UK improved. Russia, and Eurozone PMIs remained in the negative territory.

Source: Markit<sup>1</sup> as at 16<sup>th</sup> March 2020

<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 for key regions including the Eurozone.

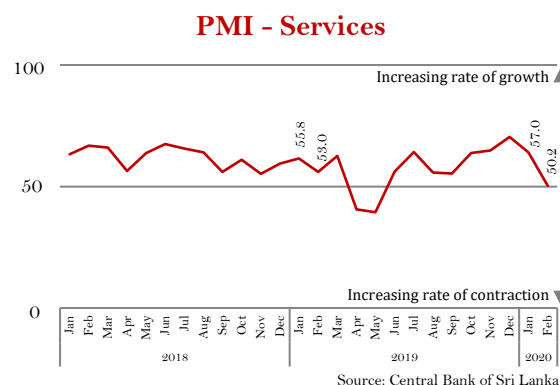
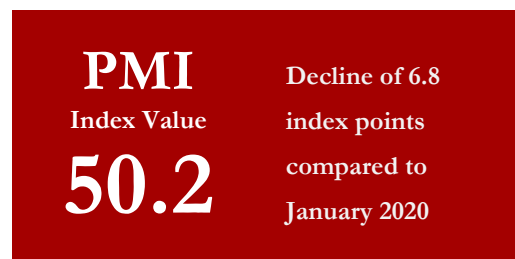
**Services sector expansion slowed down in February 2020,** compared to January 2020, underpinned by the slower expansion observed in New Businesses, Business Activity and Expectations for Activity due to the impact of COVID-19 outbreak.

Business Activities in accommodation, food and beverage; and transportation sub-sectors declined due to the impact of COVID-19 outbreak as there has been a decline in arrival of tourists and shipments from China in February 2020. Further, financial services and professional services sub-sectors also recorded a decline compared to the previous month. As a result, overall Business Activity in the Services sector expanded at a slower pace in February 2020. Meanwhile, expansion in New Businesses also declined compared to the previous month across most of the sub-sectors and the decline was notable in transportation and other personal services sub-sectors.

Expectations for Activity eased significantly in February 2020, mainly in accommodation, food and beverage and transportation sub-sectors over the distress on the possible impact of COVID-19 outbreak. Further, respondents engaged in wholesale and retail trade activities, particularly, in international trade, and financial services activities also cited that they expect a decline in business activities in next few months. Meanwhile, the ease in Business Activity and Expectations for Activity steered towards the decline in Employment, which consequently led towards a slower decline in Backlogs of Work in February 2020.

Variable	Jan	Feb	+/-	Summary
<b>PMI</b>	<b>57.0</b>	<b>50.2</b>	<b>-</b>	<b>Rising, Slower rate</b>
<u>Sub-Indices of PMI</u>				
New Businesses	60.4	52.7	-	Rising, Slower rate
Business Activity	61.4	53.8	-	Rising, Slower rate
Employment	52.5	46.2	-	Falling from Rising
Backlogs of Work	44.1	45.8	+	Falling, Slower rate
Expectations for Activity	66.5	52.7	-	Rising, Slower rate

Source: Central Bank of Sri Lanka



### The World Outlook: Services PMI

Global services PMI declined to 47.1 in February 2020 from 52.7 in January 2020, recording the lowest reading in almost 11 years due to the impact of COVID-19 outbreak.

The decline was led by a contraction in China, alongside lower levels of output in US, Japan and Australia. However, services PMIs of UK and India indicated that their services sectors improved in February 2020 compared to the previous month.

(Source: Markit<sup>1</sup> as at 17<sup>th</sup> March 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.