

## KEY POINTS:

PMI for Manufacturing sector expanded in November 2020, while PMI for Services sector edged up compared to the previous month yet remained below the threshold level.

Manufacturing PMI bounced to 57.6 in November 2020 with an increase of 17.3 index points compared to October 2020. The significant increase in New Orders, particularly in the manufacture of textile & wearing apparel and food & beverages sectors, has mainly contributed to this considerable improvement. Increase in Production sub-index, mainly on account of the manufacture of textile & wearing apparel and non-metallic mineral products sectors, together with lengthening of the Suppliers' Delivery Time across all sectors have also contributed to the overall increase in the Manufacturing PMI.

Some respondents in the manufacture of food & beverages and textiles & wearing apparel sectors highlighted that, although there was a reasonable/satisfactory demand, they were unable to carry out production at the desired capacity due to lower employee availability due to health related concerns

Variable	Sep	Nov	+/-	Summary
<b>PMI</b>	<b>59.8</b>	<b>57.6</b>	<b>+</b>	<b>Rising from Falling</b>
<b>Sub-Indices of PMI</b>				
New Orders	61.7	61.8	+	Rising from Falling
Production	63.3	52.2	+	Rising from Falling
Employment	51.6	48.9	+	Contracting, Slower Rate
Stock of Purchases	56.9	47.2	+	Contracting, Slower Rate
Suppliers' Delivery Time	63.3	77.0	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

Despite the higher increase observed in New Orders and Production, the Stock of Purchases remained contracted with a slight edging up, as there were some accumulated stocks available. The Suppliers' Delivery Time sub-index lengthened at a higher pace, mainly due to ongoing delays at the Port of Colombo where many respondents mentioned that their shipments were either rerouted or refused to accept by the shipping lines.

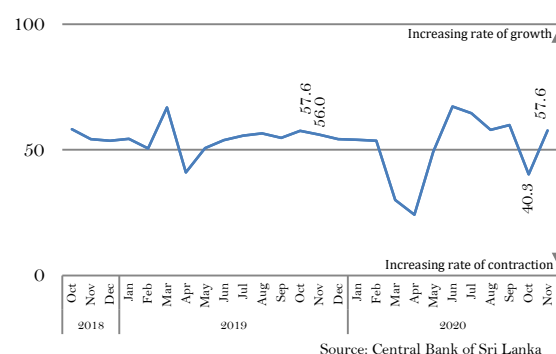
The sub-index of Expectations for manufacturing activities for the next three months increased significantly with expectation for the normalisation of economic activities within the country as well as in major export markets.

Manufacturing  
PMI  
Index Value

57.6

Increase of  
17.3 index  
points  
compared to  
October 2020

## PMI - Manufacturing

The World Outlook:  
Manufacturing PMI

The global manufacturing PMI recorded a value of 53.7 in November 2020 with an increase of 0.7 index points from October 2020.

Manufacturing PMIs of Eurozone, UK, USA and China continued to expand at a higher rate while that of India expanded at a slower rate in November 2020. Manufacturing PMI of Russia contracted further during the month with the continuation of adverse impact of COVID-19.

Source: Markit1 as at 15<sup>th</sup> December 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.

**Remaining in the contraction territory, services sector PMI edged up to 48.8 in November 2020, reflecting a slower decline in services sector economic activities in November 2020 compared to the previous month.** This deterioration in services sector activities was underpinned by the declines observed in business activities and employment sub-indices of services PMI.

New businesses sub-index increased in November 2020, particularly with the improvements observed in transportation and education sub-sectors.

Business activities sub index also increased during the month indicating a moderation in contraction of service activities. Business activities in financial services and insurance sub-sectors showed an increase in November 2020. However, business activities in wholesale and retail trade, transportation, and accommodation, food and beverage sub-sectors declined with the quarantine curfew imposed in the Western province in early November 2020 and localized isolations effected to contain the spread of the second wave of COVID-19 pandemic. Nevertheless, respondents in freight forwarding cited that an improvement was observed in their business activities due to the increase in apparel and personal protective equipment exports.

Backlogs of work continued to increase in November 2020 with the disruptions to their business activities due to the absence of employees who are resided in lockdown areas.

Employment continued to decline in November 2020 owing to non-extension of work agreements of the contract employees amidst halt in new recruitments.

Variable	Oct	Nov	+/-	Summary
<b>PMI</b>	<b>41.8</b>	<b>48.8</b>	<b>+</b>	<b>Falling, Slower Rate</b>
<u>Sub-Indices of PMI</u>				
New Businesses	40.1	50.5	+	Rising from Falling
Business Activity	35.7	43.0	+	Falling, Slower Rate
Backlogs of Work	58.7	58.5	-	Rising, Slower Rate
Employment	39.3	39.0	-	Falling, Higher Rate
Expectations for Activity	35.2	53.0	+	Rising from Falling

Source: Central Bank of Sri Lanka

However, expectations on future business activities increased considerably in November 2020 as service providers were more optimistic on the recovery of economic activities that were affected by the second wave of COVID-19 pandemic.

### 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

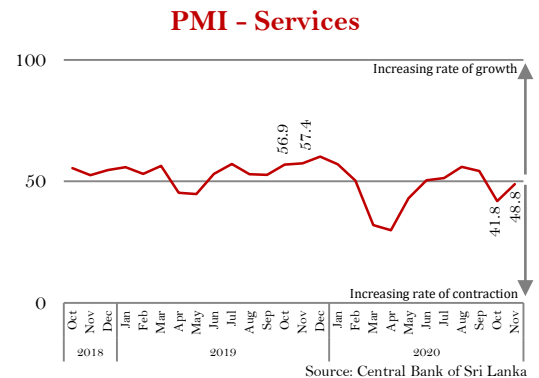
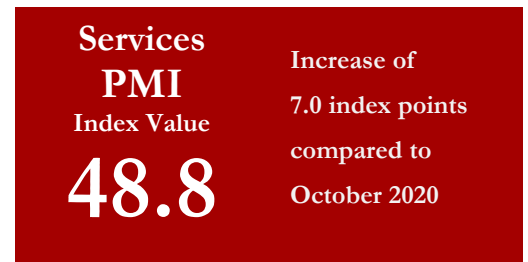
PMI<50 - sector is generally declining on month-on-month basis

#### 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 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 declined to 52.2 in November 2020 from 52.9 in October 2020, signalling an expansion in global service activities for the fifth consecutive month.

Services PMIs of USA, China and India indicated that their services sectors expanded in November 2020 compared to the previous month, while that of Japan and UK indicated a deterioration.

Source: Markit<sup>1</sup> as at 15<sup>th</sup> December 2020