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CENTRAL BANK OF SRI LANKA

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# Press Release

Issued By

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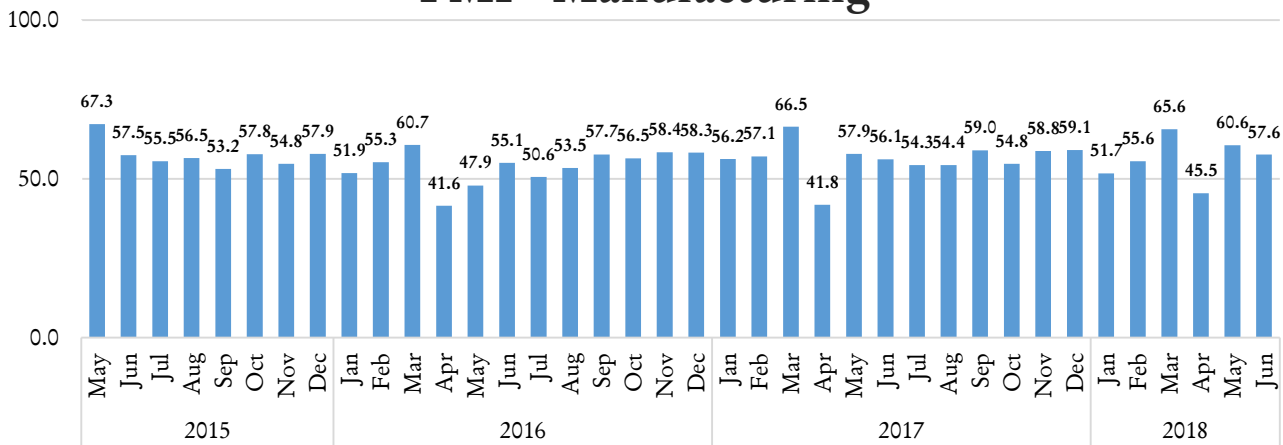
16 July 2018

## SL Purchasing Managers' Index (PMI) – June 2018

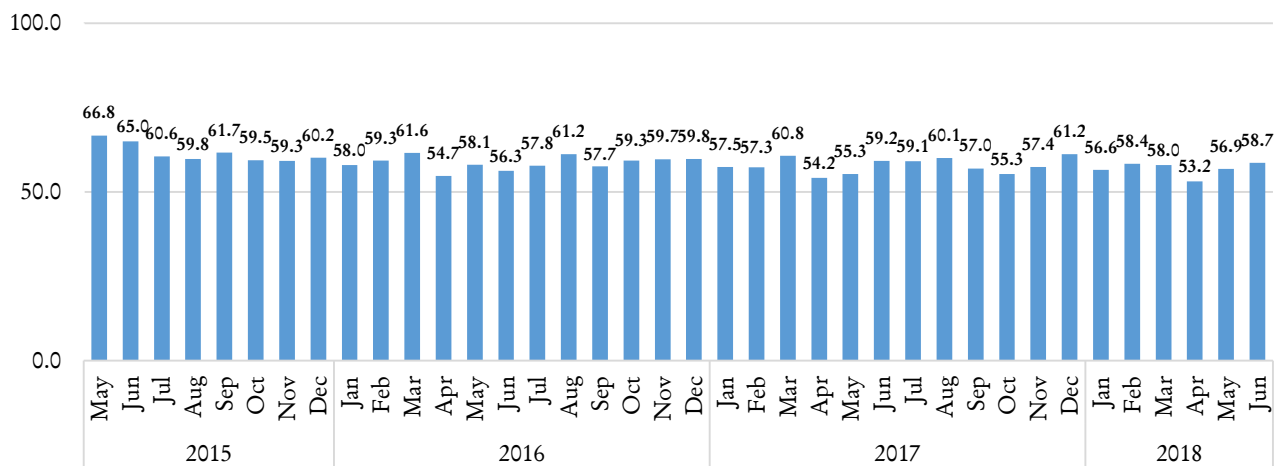
- **The Manufacturing Sector PMI** decreased to 57.6 index points in June 2018 from 60.6 index points observed in the previous month and was in line with the pattern observed in the previous years. The significant drop in Production especially that of manufacturing of food, beverages and tobacco products largely contributed for this decrease. Further, New Orders and Stock of Purchases also decreased during the month. However, the overall Employment increased with the new recruitments in manufacturing of textiles, wearing apparel, leather and other related products. Meanwhile, the time taken by the suppliers to deliver materials increased due to unfavourable weather conditions prevailed during the month and the tightened environmental regulations in China. As a result, the Suppliers' Delivery Time lengthened. Overall, all the sub-indices of PMI recorded values above the neutral 50.0 threshold in June 2018 signalling an overall expansion in manufacturing activities yet at a slower phase compared to May 2018. Meanwhile, the Expectation for activities indicates an improvement for the next three months.
- **The Services Sector PMI** increased to 58.7 index points in June 2018 from 56.9 index points recorded in May 2018 supported by faster growth in Business Activity, Employment and Expectations for Activity. The strong growth in Business Activities was mainly observed in financial services, health services and wholesale and retail trade sectors. Respondents cited that expansion of service delivery channels in the financial services and increased demand due to Ramadan festival as contributory factors to this growth. However, the pace of growth in transportation of goods and warehousing sector eased in June 2018 due to upward revisions to fuel prices. Expansion in business activities partly contributed towards the rise in employment levels to the highest since December 2015, which in turn led Backlogs of Work to decline. Meanwhile, service providers' optimism on the three-month Business Outlook strengthened at a faster pace mainly in accommodation, food and beverage service activities due to upcoming tourist season. Prices Charged by the service providers increased owing to upward revisions to fuel prices and depreciation of the Sri Lankan Rupee. Expected Labour Cost in the services sector also increased due to anticipated salary increments for the year 2018.

	Y\M	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>PMI Manufacturing</b>	2015	n.a.	n.a.	n.a.	n.a.	67.3	57.5	55.5	56.5	53.2	57.8	54.8	57.9
	2016	51.9	55.3	60.7	41.6	47.9	55.1	50.6	53.5	57.7	56.5	58.4	58.3
	2017	56.2	57.1	66.5	41.8	57.9	56.1	54.3	54.4	59.0	54.8	58.8	59.1
	2018	51.7	55.6	65.6	45.5	60.6	<b>57.6</b>	-	-	-	-	-	-
<b>PMI Services</b>	2015	n.a.	n.a.	n.a.	n.a.	66.8	65.0	60.6	59.8	61.7	59.5	59.3	60.2
	2016	58.0	59.3	61.6	54.7	58.1	56.3	57.8	61.2	57.7	59.3	59.7	59.8
	2017	57.5	57.3	60.8	54.2	55.3	59.2	59.1	60.1	57.0	55.3	57.4	61.2
	2018	56.6	58.4	58.0	53.2	56.9	<b>58.7</b>	-	-	-	-	-	-

## PMI - Manufacturing



## PMI - Services



### **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.