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# Press Release

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## SL Purchasing Managers' Index (PMI) – January 2019

**Manufacturing activities expanded at a higher rate** in January 2019 compared to December 2018. This was mainly driven by the expansion in employment and production, especially in manufacturing of textiles, wearing apparels, leather and related activities. A significant improvement in employment was experienced with the recruitment of new employees to fill the vacancies. Accordingly, the production also increased with the enhanced level of employment as well as the orders carried forward from the previous month.

Variable	2018 Dec.	2019 Jan.	+/-	Summary
<b>PMI</b>	<b>53.7</b>	<b>54.4</b>	<b>+</b>	<b>Rising, Higher rate</b>
<b>Sub-Indices of PMI</b>				
New Orders	57.0	54.0	-	Rising, Slower rate
Production	51.5	55.5	+	Rising, Higher rate
Employment	46.5	52.5	+	Rising from Falling
Stock of Purchases	60.5	55.5	-	Rising, Slower rate
Suppliers' Delivery Time	55.5	55.0	-	Lengthening, Slower rate

Source: Central Bank of Sri Lanka

However, with the end of festive seasonal demand, new orders decreased. Stock of purchases also decreased in line with the low demand for new orders and availability of stocks of raw materials carried forward from the previous month. The suppliers' delivery time lengthened slightly due to logistical issues experienced at the latter part in January 2019.

All sub-indices of PMI Manufacturing recorded values above the neutral 50.0 threshold signalling an overall expansion in manufacturing activities in January 2019 at a higher pace compared to December 2018.

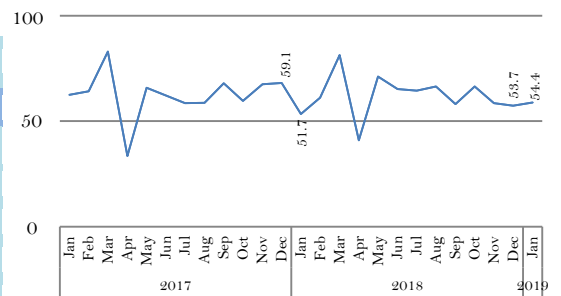
## PMI

Index Value

# 54.4

Increase of 0.7 index points compared to December 2018

PMI - Manufacturing



Source: Central Bank of Sri Lanka

### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 50.7 in January 2019 with a decline of 0.8 index points from December 2018.

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

(Source: Markit<sup>1</sup> as at 14<sup>th</sup> February 2019)

<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 also for key regions including the Eurozone.

**Services sector growth accelerated in January 2019,** underpinned by a strong upturn in Employment, New Businesses and Expectations for Activities.

Employment sub index reached a seven-month high in January 2019 due to recruitments for filling vacant positions, which were delayed in December 2018. Respondents in education; and postal and courier activities sub sectors cited that their new businesses were expanded in January 2019 due to intake of new batches and increase in gift deliveries for the new year. Expectations for Activities also expanded as service providers expect that the new budget would provide some stimulus to the local economy.

Variable	2018 Dec.	2019 Jan.	+/-	Summary
<b>PMI</b>	<b>54.7</b>	<b>55.8</b>	<b>+</b>	<b>Rising, Higher rate</b>
<b>Sub-Indices of PMI</b>				
New Businesses	55.4	57.7	+	Rising, Higher rate
Business Activity	64.5	56.7	-	Rising, Slower rate
Employment	44.1	57.4	+	Rising from Falling
Backlogs of Work	47.2	42.9	-	Falling, Higher rate
Expectations for Activity	62.4	64.4	+	Positive, Higher rate

Source: Central Bank of Sri Lanka

However, neutral expansion in Business Activity at the beginning of the year could be due to seasonality, as the activity level in January 2019 is compared with a strong activity level in December 2018, which was a festive season and peak season for tourism.

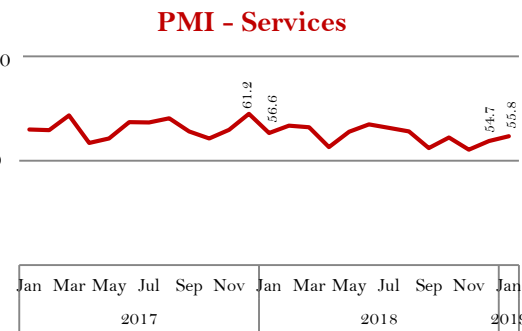
Prices Charged in the Services sector increased at a slower rate in January 2019 due to stabilisation of the local currency value, while the expected Labour Cost in the services sector increased at a higher pace as annual increments are due in April.

# PMI

Index Value

# 55.8

Increase of 1.1 index points compared to December 2018



Source: Central Bank of Sri Lanka

### The World Outlook: Services PMI

Global services PMI fell to a 28-month low of 52.6 in January 2019 from 53.0 in December 2018 indicating a further slowing in the rate of expansion of global services sector output. However, it has now signalled growth in global services output throughout the past 114 months.

Services PMIs of Japan, China, UK, India and USA indicated their services sectors improved in January 2019 compared to December 2018.

(Source: Markit ' as at 14<sup>th</sup> February 2019)

### 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.