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Press Release

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SL Purchasing Managers' Index (PMI) – February 2019

Manufacturing activities increased at a slower rate in February 2019 compared to January 2019, mainly driven by the decrease in new orders and production, especially in manufacturing of textiles, wearing apparels, leather and related activities. This decline was mainly due to the lesser number of working days in February. Stock of purchases also decreased during the month in line with the decrease in new orders and production.

PMI
Index Value
50.6

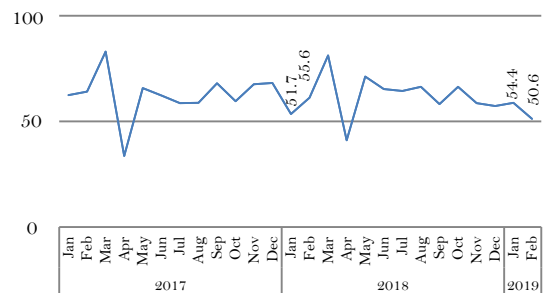
Decrease of
3.8 index points
compared to
January 2019

Variable	2019 Jan.	2019 Feb.	+/-	Summary
PMI	54.4	50.6	-	Rising, Slower rate
Sub-Indices of PMI				
New Orders	54.0	48.5	-	Falling from Rising
Production	55.5	48.0	-	Falling from Rising
Employment	52.5	53.0	+	Rising, Higher rate
Stock of Purchases	55.5	54.0	-	Rising, Slower rate
Suppliers' Delivery Time	55.0	53.5	-	Lengthening, Slower rate

Source: Central Bank of Sri Lanka

However, a slight improvement in employment was experienced with the recruitment of new employees to enhance business activities for upcoming seasonal demand. Meanwhile, suppliers' delivery time lengthened at a slower rate. Logistical issues experienced at the beginning of February and supply disruptions due to Chinese new year holiday season have lengthened the suppliers' delivery time. All sub-indices apart from new orders and production, recorded values above the neutral 50.0 threshold.

PMI - Manufacturing



Source: Central Bank of Sri Lanka

The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 50.6 in February 2019 with a decline of 0.1 index points from January 2019.

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

(Source: Markit¹ as at 14th March 2019)

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 also for key regions including the Eurozone.

Services sector expanded in February 2019, albeit at a slower rate, underpinned by slower expansion in New Businesses, Business Activity, Employment and Expectations for Activities compared to January 2019. This slowdown was observed after witnessing of continuous acceleration in Services sector expansion for two consecutive months.

The expansion in Business Activities was mainly seen across financial services and transportation sub sectors due to technology based improvements and expansion in export volumes. Both New Businesses and Expectations for Activities slowed down due to many people taking a wait and see approach as there is an uncertainty in the business climate. Further, expectations in the wholesale and retail trade sub sector deteriorated due to new vehicle duty reforms introduced in the Budget 2019. Some respondents cited that growth of Employment may decline since they are focusing on business processes automation and adoption of artificial intelligence.

Variable	2019 Jan.	2019 Feb.	+/-	Summary
PMI	55.8	53.0	-	Rising, Slower rate
Sub-Indices of PMI				
New Businesses	57.7	55.3	-	Rising, Slower rate
Business Activity	56.7	54.7	-	Rising, Slower rate
Employment	57.4	51.1	-	Rising, Slower rate
Backlogs of Work	42.9	43.3	+	Falling, Slower rate
Expectations for Activity	64.4	60.5	-	Positive, Slower rate

Source: Central Bank of Sri Lanka

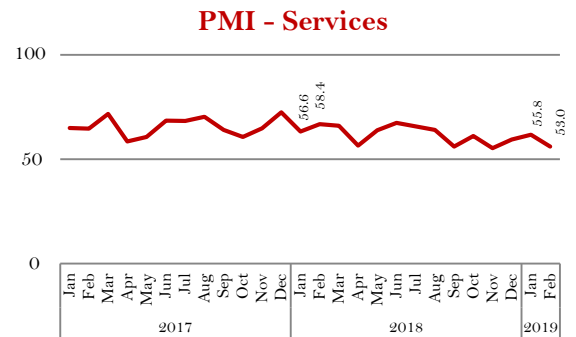
Prices Charged in the Services sector increased at a slower rate in February 2019 while the expected Labour Cost in the services sector also increased at a slower pace.

PMI

Index Value

53.0

Decline of 2.8 index points compared to January 2019



Source: Central Bank of Sri Lanka

The World Outlook: Services PMI

Global services PMI improved to 53.3 in February 2019 from a 28-month low of 52.6 in January 2019 indicating a rise in the rate of expansion of global services sector output. It has now signalled growth in global services output for 115 successive months.

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

(Source: Markit¹ as at 14th March 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.