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# Press Release

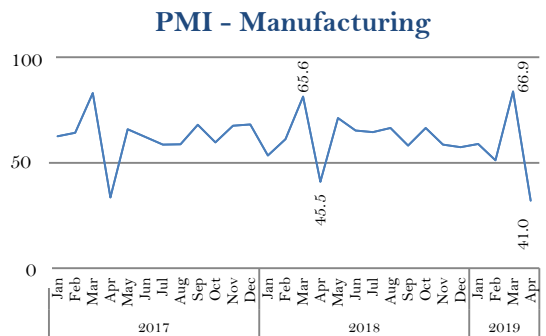
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## SL Purchasing Managers' Index (PMI) – April 2019

**Manufacturing activities contracted** recording the all-time low index value of 41.0 in April 2019 with a decline of 25.9 index points from March 2019. The decline of manufacturing PMI is mainly driven by the significant drop in New Orders and Production especially in manufacturing of food, beverages and tobacco and manufacturing of textiles, wearing apparels, leather and related activities products. This decline was mainly due to the New Year holidays in April and the security concerns that arose following the Easter Sunday attack which affected the smooth functioning of factory operations. Most respondents, especially in textile and apparel sector, highlighted that they had to restrict working hours in factories due to security concerns and were unable to achieve the desired production levels.

**PMI**  
Index Value  
**41.0**

Decrease of  
25.9 index points  
compared to  
March 2019



Variable	Mar.	Apr.	+/-	Summary
<b>PMI</b>	<b>66.9</b>	<b>41.0</b>	<b>-</b>	<b>Falling from Rising</b>
<b>Sub-Indices of PMI</b>				
New Orders	75.8	37.5	-	Falling from Rising
Production	74.2	32.5	-	Falling from Rising
Employment	57.1	43.5	-	Falling from Rising
Stock of Purchases	64.6	41.0	-	Falling from Rising
Suppliers' Delivery Time	51.5	55.5	+	Lengthening, Higher rate

Source: Central Bank of Sri Lanka

Employment also dropped significantly as a higher number of employees were absent after the New Year holidays. The Stock of Purchases decreased due to the decline in new orders at the end of the New Year season and brought forward stocks of raw material from previous month. Suppliers' Delivery Time lengthened at a higher rate due to increased security measures after the Easter Sunday attack.

All sub-indices excluding Suppliers' Delivery Time of PMI Manufacturing recorded values below the neutral 50.0 threshold signalling an overall contraction in manufacturing activities in April 2019 compared to March 2019.

### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 50.3 in April 2019 with a decline of 0.2 index points from March 2019.

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

Source: Markit<sup>1</sup> as at 15<sup>th</sup> May 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 deteriorated in April 2019** compared to March 2019, underpinned by decline in all five sub-indices, namely, New Businesses, Business Activity, Employment, Backlogs of Work and Expectations for Activity. This is the first time that Services PMI recorded a value below the neutral 50.0 threshold signalling overall deterioration in Services sector, since May 2015, when conducting of the survey began.

The deterioration in New Businesses, Business Activity, and Expectations for Activity was mainly due to Easter Sunday attack and prevailing uncertainty in the country. This was observed across majority of the sub sectors in the Services sector, particularly in accommodation, food & beverage and other personal services sub sectors, which largely depend on the tourist arrivals and wholesale and retail trade, and transportation sub sectors, which largely depend on the day to day activities of the people. Respondents cited that limitation of business hours due to imposition of island wide curfew and low productivity of the staff due to fear as reasons for deterioration in Business Activity. However, they expect this situation to be normalized by June 2019.

Variable	Mar.	Apr.	+/-	Summary
<b>PMI</b>	<b>56.3</b>	<b>45.3</b>	<b>-</b>	<b>Falling from Rising</b>
<b>Sub-Indices of PMI</b>				
New Businesses	57.9	44.0	-	Falling from Rising
Business Activity	63.5	45.1	-	Falling from Rising
Employment	51.7	47.3	-	Falling from Rising
Backlogs of Work	48.1	45.3	-	Falling, Higher rate
Expectations for Activity	60.1	44.6	-	Falling from Rising
<b>Other Indices</b>				
Prices Charged	56.3	53.3	-	Rising, Slower rate
Expectations for Labour Cost	70.5	62.6	-	Rising, Slower rate

Source: Central Bank of Sri Lanka

Prices Charged in the Services sector increased at a slower rate in April 2019 due to price increases related to the New Year festival. Also the expected Labour Cost in the Services sector increased at a slower rate due to realisation of expected salary increments in April 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

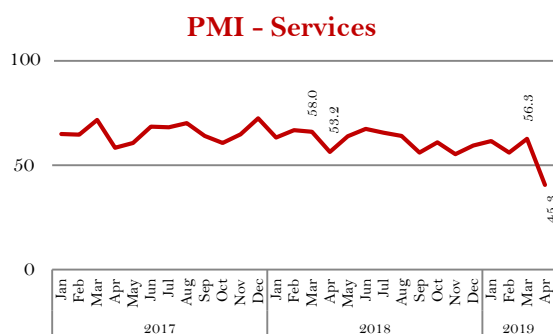
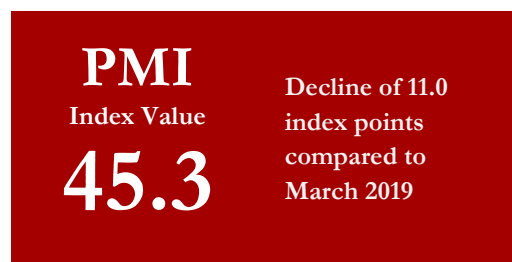
PMI<50 - sector is generally declining on month-on-month basis

#### 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.	



Source: Central Bank of Sri Lanka

### The World Outlook: Services PMI

Global services PMI declined to 52.7 in April 2019 from 53.7 in March 2019 indicating a slowdown in the rate of expansion of global services sector output. However, it has now signalled growth in global services output for 117 successive months.

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

Source: Markit<sup>1</sup> as at 14<sup>th</sup> May 2019