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# Press Release

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## SL Purchasing Managers' Index (PMI) – March 2020

**Manufacturing activities significantly contracted due to adverse impacts of the COVID-19 pandemic.** PMI recorded the all-time low index value of 30.0 in March 2020 with a decline of 23.6 index points from February 2020. The decline of manufacturing PMI was mainly driven by the significant contraction of Production and New Orders sub-indices of PMI reflecting the significance of the COVID-19 pandemic to Sri Lankan manufacturing sector.

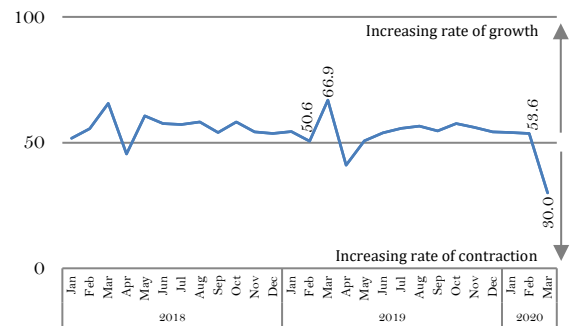
The significant decline in Production was due to the closure of manufacturing companies due to curfew since mid-March 2020. Further, New Orders and Stock of Purchases contracted significantly, in line with the closure of companies and the halting of production process. Moreover, the orders received at the beginning of March from USA and Europe markets, particularly textile and wearing apparel orders, were subsequently cancelled with the spread of the virus in those countries.

The lengthening of Suppliers' Delivery Time usually indicates higher demand for materials with the expanding manufacturing activities, whereas the increase of Suppliers' Delivery Time during March was due to the delays in shipments and local logistics with the impact of COVID-19 pandemic.

**PMI**  
Index Value  
**30.0**

Decrease of  
23.6 index points  
compared to  
February 2020

PMI - Manufacturing



Source: Central Bank of Sri Lanka

Variable	Feb.	Mar.	+/-	Summary
<b>PMI</b>	<b>53.6</b>	<b>30.0</b>	<b>-</b>	<b>Falling from Rising</b>
<b>Sub-Indices of PMI</b>				
New Orders	51.1	18.7	-	Falling from Rising
Production	54.8	5.2	-	Falling from Rising
Employment	47.3	44.8	-	Contracting, Higher Rate
Stock of Purchases	52.2	12.7	-	Falling from Rising
Suppliers' Delivery Time	66.1	85.8	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

In line with these developments, manufacturing activities recorded an overall contraction during the month of March 2020.

The manufacturers cautioned that COVID-19 outbreak would disrupt the global supply chain as well as demand. Accordingly, overall expectations for manufacturing activities for the next three months deteriorated significantly.

### The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 47.6 in March 2020 with an increase of 0.5 index points from February 2020.

Manufacturing PMI of China improved while that of India slowed down in March 2020. Eurozone, USA, UK and Russia PMIs remained in the negative territory.

Source: Markit<sup>1</sup> as at 15<sup>th</sup> April 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.

**Services sector PMI declined significantly to 32.0 in March 2020** recording the lowest index value in Services PMI since May 2015, reflecting the adverse impact of COVID-19 pandemic on the services sector of the economy. All sub-indices of Services PMI except for Backlogs of Work remained significantly below the threshold level of 50.0, indicating the widespread impact of this pandemic on Services activities.

New Businesses and Business Activities declined mainly in services related to tourism industry such as hotels, travel agents, and recreation activities. In addition, domestic travel restrictions imposed in line with the lockdown of the country and slowdown in cargo handling have affected negatively on the business activities of the transportation sub sector. Even though the wholesale and retail trade sector observed an increase in demand with stockpiling, the demand could not be catered due to the issues with staff availability and delivery networks. Expectations for Activity sub index declined to its all-time low in March 2020 as respondents concerned about the expected fall in consumer demand emanating from the reduction in discretionary spending and personal income, import restrictions and fall in tourist arrivals. Meanwhile, Employment in Services sector continued to decline due to discontinuation of contractual and casual employees amidst the freeze of new recruitments with the decline in New Businesses, Business Activity and Expectations for Activity.

Variable	Feb	Mar	+/-	Summary
<b>PMI</b>	<b>50.2</b>	<b>32.0</b>	<b>-</b>	<b>Falling from Rising</b>
<u>Sub-Indices of PMI</u>				
New Businesses	52.7	25.7	-	Falling from Rising
Business Activity	53.8	17.1	-	Falling from Rising
Employment	46.2	34.8	-	Falling, Higher rate
Backlogs of Work	45.8	65.4	+	Rising from Falling
Expectations for Activity	52.7	16.9	-	Falling from Rising

Source: Central Bank of Sri Lanka

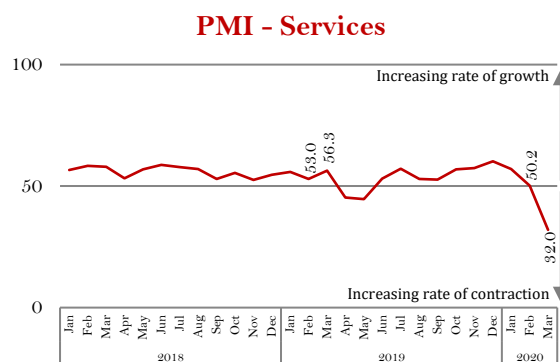
However, a significant increase in Backlogs of Work sub index was observed across the Services sector in March 2020. This was primarily due to carrying out essential business activities with a minimum number of employees particularly in financial services, telecommunication, human health and transportation sub sectors.

# PMI

Index Value

# 32.0

Decline of 18.2 index points compared to February 2020



Source: Central Bank of Sri Lanka

### The World Outlook: Services PMI

Global services PMI declined to 37.0 in March 2020 from 47.1 in February 2020, to stay below the neutral 50.0 mark for the second successive month, due to the impact of COVID-19 pandemic. Employment fell at the fastest pace in over a decade.

Services PMIs of US, China, Japan, UK and India indicated that their services sectors deteriorated in March 2020 compared to the previous month.

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

### 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.