

STATISTICS DEPARTMENT CENTRAL BANK OF SRI LANKA

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

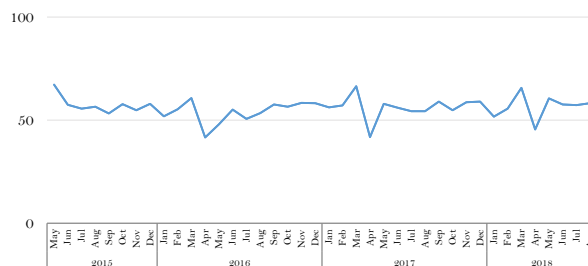
Manufacturing activities increased at a faster rate

The Manufacturing Sector PMI Increased to 58.2 index points in August 2018 from 57.2 index points observed in the previous month. The expansion observed in manufacturing activities in August was mainly driven by expansion in production led by the increase in new orders, especially in manufacturing of textiles, wearing apparel, leather and other related products. Further, employment also increased at a higher rate with the recruitment of employees especially for food and beverages sector led by the positive outlook for improving activities within this sector. However, stock of purchases show some slowdown, especially in manufacturing of other non-metallic mineral products. Nevertheless, stock of purchases in the manufacturing of textiles, wearing apparel, leather and other related products increased. Meanwhile, lengthening of suppliers' delivery time usually indicates that economy is booming with expanding activities in the short run. However, in this instance, moderation in lengthening of suppliers' delivery time was due to normalization of the supply disruptions prevailed during the last month in main importing destinations. Thus, it does not indicate a slowdown in economic activities. Overall, all the sub-indices of PMI recorded values above the neutral 50.0 threshold signalling an overall expansion in August. Meanwhile, the Expectation for activities indicates an improvement for the next three months.

	Y\M	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PMI Manufacturing	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	57.6	57.2	58.2	-	-	-	-

Variable	July	August	+/-	Summary
PMI	57.2	58.2	+	Rising, Higher rate
Sub-Indices of PMI				
New Orders	59.5	60.5	+	Rising, Higher rate
Production	57.5	60.5	+	Rising, Higher rate
Employment	55.0	56.5	+	Rising, Higher rate
Stock of Purchases	57.5	57.0	-	Rising, Slower rate
Suppliers' Delivery Time	55.0	53.0	-	Lengthening, Slower rate

Manufacturing PMI

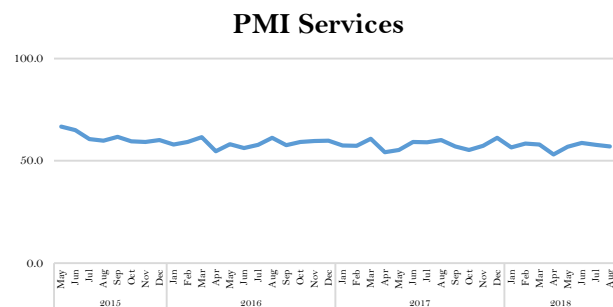


Services Sector Growth Eases

The Services Sector PMI declined to 57.0 index points in August 2018 from 57.8 index points recorded in July 2018. This indicates that the Services sector continued to expand, albeit at a slower pace, in August 2018 supported by growth in New Businesses, Business Activity and Employment. The growth in New Businesses was mainly observed in financial services and insurance sectors. Respondents cited establishment of digital banking units and improvements to service delivery channels as contributory factors to this growth. Business Activity expanded mainly in accommodation food & beverage sector due to improvement in both local and foreign tourism. Further, Hajj festival in August exerted a positive impact for Business Activities in wholesale and retail trade activities. Employment levels expanded in August which partly contributed to the decline in backlogs of work. Service providers' outlook on the three months business activities strengthened, yet recording the lowest index value in 15-months. Financial services sector respondents cited that customers await 2019 Government Budget announcement for any major investment decision. Prices Charged of the Services sector increased at a higher rate owing to upward revisions to fuel prices and depreciation of local currency during the month. Expected Labour Cost in the services sector also increased during August.

	Y\M	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PMI Services	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	58.7	57.8	57.0	-	-	-	-

Variable	July	August	+/-	Summary
PMI	57.8	57.0	-	Rising, Slower rate
Sub-Indices of PMI				
New Businesses	59.9	60.0	+	Rising, Higher rate
Business Activity	63.7	63.7	=	Rising, Same rate
Employment	51.1	55.8	+	Rising, Higher rate
Backlogs of Work	42.9	42.8	-	Falling, Higher rate
Expectations for Activity	71.3	62.8	-	Positive, Slower rate



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.