

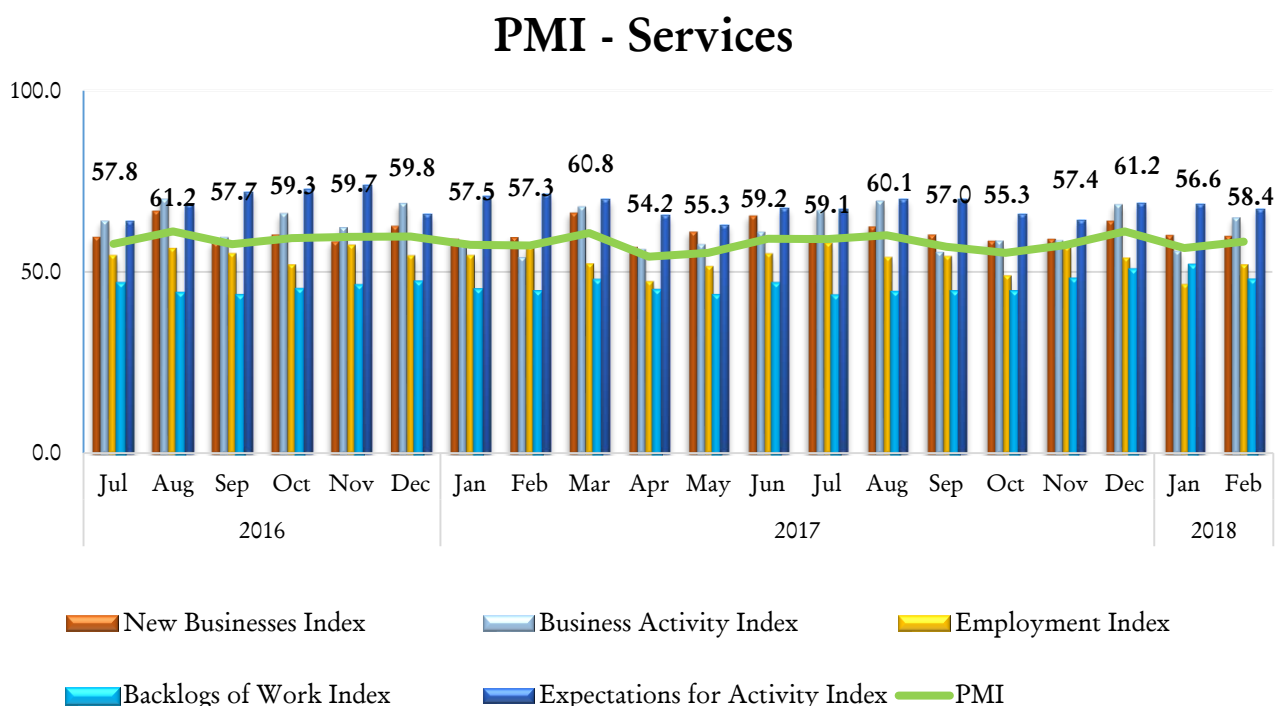
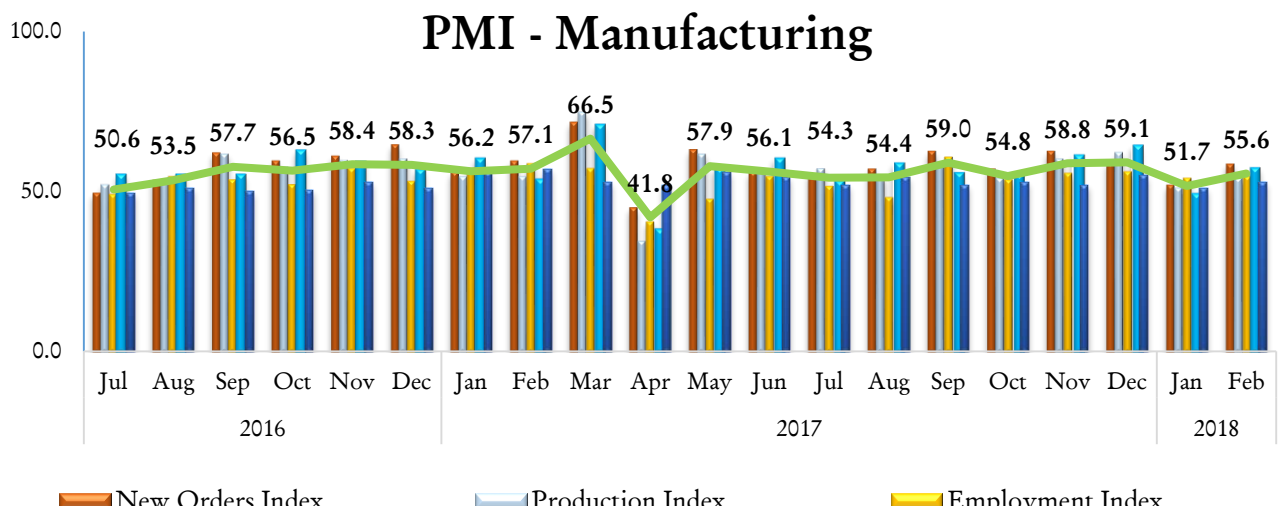
STATISTICS DEPARTMENT CENTRAL BANK OF SRI LANKA

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

- **The Manufacturing Sector PMI** recorded 55.6 index points in February from 51.7 index points in January 2018. This indicates that the Manufacturing activities expanded at a higher rate in February compared to January 2018 after the seasonal slowdown observed during the previous month. This was mainly driven by the expansion in the New Orders sub-index. The Production sub-index also increased with the increase in new orders. Nevertheless, this increase was relatively low compared to that of new orders due to lesser number of working days in February. Further, Stock of Purchases sub-index also expanded during the month while Employment sub-index expanded marginally. Meanwhile, the Suppliers' Delivery Time sub-index lengthened at a higher rate compared to previous month. Overall, all the sub-indices of PMI recorded values above the neutral 50.0 threshold signalling an overall expansion in manufacturing activities during the month. Moreover, The Expectation for activities indicates an improvement for the next three months.
- **The Services Sector PMI** recorded 58.4 index points in February 2018 from 56.6 index points in January 2018. This indicates that the Services sector gathered momentum in February 2018 supported by New Businesses, Business Activity, Employment and Expectations for Activity. A steeper gain was observed in the business activities of the Financial Services; IT programming; and Transportation of goods and warehousing sectors. Meanwhile, employment increased in February 2018 in contrast to the decline observed in January, and was prominent in the Wholesale and Retail Trade sector. Backlogs of Work declined in February 2018, reversing its' trend observed during the past two months, partly caused by increase in employment due to new recruitments. Service providers' optimism on the three-month business outlook also strengthened at a modest pace. Expected Labour Cost increased compared to the previous month due to expected salary increments in 2018, while Prices Charged of the Services sector increased, albeit at a slower rate.

	Y\M	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>PMI Manufacturing</b>	2015	n.a.	n.a.	n.a.	n.a.	67.3	57.5	55.5	56.5	53.2	57.8	54.8	57.9
	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	-	-	-	-	-	-	-	-	-	-
<b>PMI Services</b>	2015	n.a.	n.a.	n.a.	n.a.	66.8	65.0	60.6	59.8	61.7	59.5	59.3	60.2
	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	-	-	-	-	-	-	-	-	-	-



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 month.

### **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.