

SL Purchasing Managers' Index

STATISTICS DEPARTMENT CENTRAL BANK OF SRI LANKA

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

Manufacturing activities increased at a slower rate in December compared to November mainly driven by the slowdown in employment and production, especially in manufacturing of textiles, wearing apparels, leather and related activities. A significant decline in employment was experienced as some employees moved to seasonal jobs for better salaries. This partly impacted on decrease in production. However, new orders increased mainly driven by the manufacturing of food and beverages activities with the continued festival season demand.

Variable	Nov.	Dec.	+/-	Summary	
РМІ	54.3	53.7	-	Rising, Slower rate	
Sub-Indices of PMI					
New Orders	54.0	57.0	+	Rising, Higher rate	
Production	54.0	51.5	-	Rising, Slower rate	
Employment	55.0	46.5	-	Falling from Rising	
Stock of Purchases	57.5	60.5	+	Rising, Higher rate	
Suppliers' Delivery Time	52.5	55.5	+	Lengthening, Higher rate	

Meanwhile, stock of purchases indicates an increase due to intended accumulation of stocks to fulfil the future requirements anticipating supply disruptions due to upcoming Chinese new year festival. In line with this, suppliers' delivery time also lengthened.

All the sub-indices of PMI Manufacturing except employment recorded values above the neutral 50.0 threshold signalling an overall expansion in December yet at a slower pace compared to November 2018. PMI Decr Index Value 0.6 in 53.7 Nov

Decrease of 0.6 index points compared to November 2018







The World Outlook: Manufacturing PMI

The global manufacturing PMI recorded a value of 51.5 in December with a decline of 0.5 index points from November.

Manufacturing PMIs of Eurozone, USA, China, India and Russia slowed down in December 2018 while that of UK improved.

(Source: Markit ' as at 14th January 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 growth accelerated in December 2018,** underpinned by a strong upturn in Business Activities, Expectations for Activities and New Businesses.

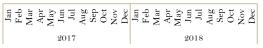
Business Activities sub index reached a ten-month high in December as wholesale & retail trade and accommodation, food & beverage sub sectors posted a strong growth due to the festive season and peak season for tourism. Transportation of goods recorded a growth with increased transhipment volumes while other personal services such as leisure activities also improved with the holiday season. The growth in new businesses were observed across financial services, insurance and professional services due to favourable demand conditions.

Variable	Nov.	Dec.	+/-	Summary		
PMI	52.6	54.7	+	Rising, Higher rate		
Sub-Indices of PMI						
New Businesses	53.4	55.4	+	Rising, Higher rate		
Business Activity	57.4	64.5	+	Rising, Higher rate		
Employment	52.3	44.1	-	Falling from Rising		
Backlogs of Work	44.6	47.2	+	Falling, Slower rate		
Expectations for Activity	55.1	62.4	+	Positive, Higher rate		

Despite the strong rise in Business Activities, the rate of job creation slowed among many sectors in December due to delays in filling open positions.

Prices Charged of the Services sector increased due to depreciation of the local currency and recent interest rate hikes while the expected Labour Cost in the services sector increased at a slower pace during December.





The World Outlook: Services PMI

Global services PMI declined to 53.1 in December 2018, from four-month high of 53.7 in November, and has now signalled growth throughout the past 113 months.

Services PMIs of Japan, China, UK, India and USA indicated their services sectors improved in December compared to November.

(Source: Markit ' as at 14th January 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-explanator	V