

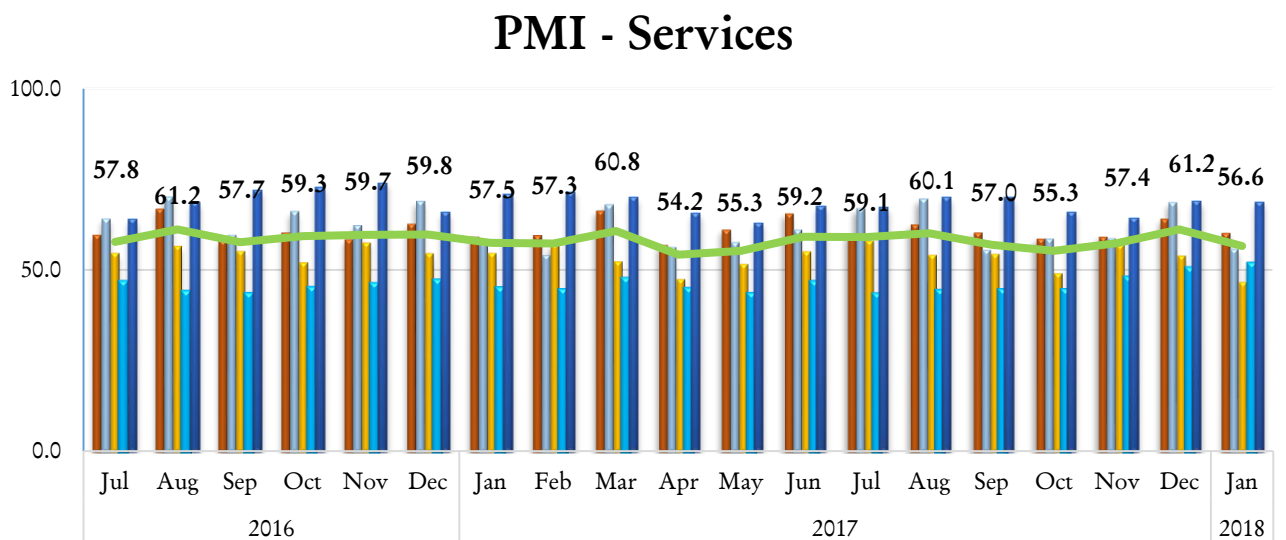
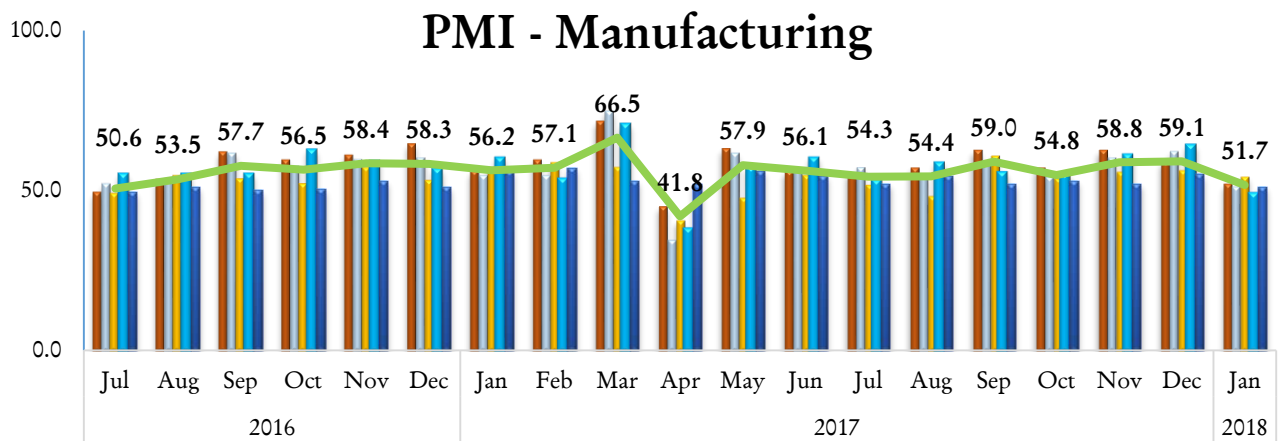
STATISTICS DEPARTMENT CENTRAL BANK OF SRI LANKA

RESULTS OF PMI MANUFACTURING AND PMI SERVICES INDICES

KEY POINTS:

- **The Manufacturing Sector PMI** recorded 51.7 index points in January from 59.1 index points in December 2017. This indicates that the Manufacturing activities expanded at a slower rate in January compared to December 2017 after the seasonal peak observed during last two months of the year 2017. This was mainly driven by the slowdown in the Production and New Orders sub-indices. Further, the Employment sub-index also slowed down during the month as compared to December 2017 while Stock of Purchases sub-index contracted during the month. Meanwhile, the Suppliers' Delivery Time sub-index lengthened at a slower rate compared to previous month. Overall, all the sub-indices of PMI except from stock of purchases sub-index recorded values above the neutral 50.0 threshold signalling an overall expansion in January 2018. Moreover, The Expectation for activities indicates an improvement for the next three months.
- **The Services Sector PMI** recorded 56.6 index points in January 2018 from 61.2 index points in December 2017. This indicates that the Services sector activities expanded in January 2018, albeit at a slower rate, mainly supported by New Businesses, Business Activity, Backlogs of Work and Expectations for Activity sub-indices. Employment declined in January 2018, partly causing Backlogs of Work to continue its expansion for the second consecutive month. The passive expansion in New Businesses and Business Activity at the beginning of the year could be due to seasonality since the activity level is compared with a strong activity level in December 2017. The increase in Business Activity was mainly observed in Financial Services sector due to expansion of service delivery channels. Employment declined due to non-recruitment for vacancies of retired and resigned employees, mainly in Financial Services, Health Care and Real Estate Activities sectors. Expected Labour Cost increased due to routine salary increments in 2018 including collective agreements.

	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	-	-	-	-	-	-	-	-	-	-	-
<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	-	-	-	-	-	-	-	-	-	-	-



- New Businesses Index
- Business Activity Index
- Employment Index
- Backlogs of Work Index
- Expectations for Activity Index
- PMI

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.