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Pakistan's first PMI launched

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LAHORE: MCB Bank on Tuesday launched Pakistan's first Purchasing Manager Index (PMI), an indicator of the economic health of the manufacturing.

The PMI is based on five major indicators: new orders, production, employment, supplier deliveries and inventories. The PMI has been developed from the response provided by 200 small to large companies, whose selection reflects the GDP distribution across Pakistan and growth trend, Mohammad Ramzan, the bank's group head of treasury, told a media briefing at the release of the first index.

He said the index was closest reflection of GDP across the country and industry and indicated what was going to happen (in the manufacturing sector) in the near future. He said the index would be released every two months.

A PMI of more than 50 (on a scale of 1-100) represents expansion of the manufacturing sector. A reading under 50 represents a slowdown and contraction while a reading at 50 indicates no change. PMIs influence the decisions to invest or pull out of the stock markets the world over.

The MCB Bank PMI (registering a reading of 66.54) shows that the economy is expanding and adding jobs in spite of energy shortages, and the business is quite upbeat about future growth.—Staff Reporter

PMI shows manufacturing sector doing well

<http://www.thenews.com.pk/PrintEdition.aspx?ID=234841&Cat=3&dt=2/26/2014>

Mansoor Ahmad

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LAHORE: The launch of Pakistan's first Purchasing Managers Index (PMI) indicates that the manufacturing sector of the country is doing well. The MCB PMI reading for January stands at 66.54 points.

Economist Naveed Anwar Khan welcomed the launch, which follows the launch of the Consumer Confidence Index by the State Bank of Pakistan. He said a similar index on the services sector would ensure that governments refrain from releasing distorted statistics. He said PMI was started in 1948 by the US-based Institute of Supply Management, and that the Purchasing Managers Index, has now become one of the most closely watched indicators of business activity across the world.

A PMI of more than 50 represents expansion of the manufacturing sector, compared to the previous month, he said, and a reading under 50 represents a contraction. A reading at 50 indicates no change.

Naveed Anwar Khan said a PMI is usually released at the start of the month, much before most of the official data on industrial output, manufacturing and GDP growth becomes available. It is therefore considered a leading indicator of economic activity, he added.

Economists consider the manufacturing growth measured by the PMI a good indicator of industrial output, for which official statistics are released later, he said.

The PMI is based on five major indicators, he explained. They are: new orders, inventory levels, production, supplier deliveries, and employment environment.

"Purchasing managers' index is an indicator of the economic health of the manufacturing sector," said Amer Nazir Khan, Head of Treasury at MCB. He said the index would indicate the direction of the economy.

He said over 200 companies from various sectors of the economy were selected for this

purpose and asked questions relating to each of the five indicators. On the basis of the answers it was found that 15 percent of the companies saw a decline in new orders in January, he said. 23.3 percent reported no change. He said 59.3 percent companies saw an increase in new orders. He said the PMI score under this indicator was 72.0 percent.

In productivity in January, 11.0 percent had lower production, 39.6 saw no change and 49.5 percent reported increase in production. The PMI under this indicator was 69.2 percent.

2.2 percent said that there was a decrease in the number of employees, 76.9 percent said the number remained static, and 20.9 percent experienced an increase in the number of their employees. The PMI score under this count was 59.3 percent.

The Chief Financial Officer of MCB, Mohammad Ramzan, said 2.2 percent of companies reported decline in suppliers' deliveries, 74.7 said there was no change in suppliers' deliveries, and 23.1 percent said suppliers' deliveries had increased. The PMI index in suppliers' deliveries was 60.4.

8.8 percent saw a decline in inventories, 48.4 percent reported no change and 42.9 percent reported an increase. The PMI index in inventories was 67.00.

Purchasing Managers Index: MCB's first PMI shows an optimistic picture

By Our Correspondent

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LAHORE:

MCB Bank has taken an initiative to launch Pakistan's first Purchasing Managers Index (PMI), which portrays an optimistic image of the country's manufacturing sector, as the first PMI reading for the month of January stands at 66.54 points.

"PMI is an indicator of the economic health for the manufacturing sector" said Amer Nazir Khan, the head of treasury at MCB Bank, while briefing media. The index will give an indication of the direction of the economy. The PMI is released by all developed economies that guide business sentiments about the economy, Khan said.

PMI index is based on five major indicators that are new orders, inventory levels, production,

supplier deliveries and the employment environment.

Over 200 companies from large, medium and small scales, across all sectors of the economy and across Pakistan were selected for this purpose and were questioned to each of the above indicators.

On the basis of the answers, 15% companies said that they saw a decline in new orders, 23.3% said there was no change in new orders, while 59.3% companies saw increase in new orders for the month of January 2014, Khan said. PMI score under this indicator was 72%, he added.

On the question about the productivity in January 2014, 11% experienced lower production, 39.5% said that production remained unchanged while 49.5% companies stated that their productions increased. The PMI under this indicator was 69.2%.

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