

Press Release

MCB Bank PMI for March 2016 decreases to 63.44

[Lahore: April 18, 2016] Economic activity in the manufacturing sector expanded in March 2016 at a slower pace than in January, according to company executives surveyed in the MCB Bank Purchasing Managers Index (PMI). The PMI for the month of March registered a value of 63.44, a decrease from January's reading of 64.54. As a rule of thumb, a reading of 50 or above indicates that manufacturing activity and the overall economy expanded.

At present, the manufacturing sector appears to be growing at a solid pace with Large-Scale Manufacturing (LSM) increasing on a year-on-year basis by 4.12% in the Jul – January FY16 period, according to Pakistan Bureau of Statistics. An accommodative monetary policy has contributed to an uptick in credit to private sector and this is further supported by an increase in fixed investments for the fifth successive quarter according to the Monetary Policy Statement announced by the State Bank of Pakistan on 9th April 2016. With improvements in energy availability and lower input prices, supply conditions for manufacturing firms have also improved. On the downside, however, declining exports continue to weigh in on growth prospects. Pakistan's exports have declined by 12.92%, in dollar terms from July – March FY16 when compared with the corresponding period of the previous fiscal year, according to the Pakistan Bureau of Statistics.

The March MCB Bank PMI indicates that manufacturing activity continued to grow for the 14th consecutive reading but at a much slower pace compared to January. New orders increased at a faster pace in March, registering an index value of 73.61, compared to 73.06 in January. However, the Production Index decreased 1.67 points to 67.50. Meanwhile, Inventory levels decreased by 2.22 points to 59.72 (previously registered at 61.94). Therefore, even though new orders grew at a faster pace than before, manufacturers were able to fulfill orders using existing inventories to meet the increased demand.

Meanwhile, supplier deliveries were slower at 53.06 compared to an index value of 51.67 in January. A reading of below 50 indicates faster deliveries and a potential cooling down of the economy and vice versa. Employment in the manufacturing sector also grew further, registering a value of 52.78. However, the pace of growth of employment appears to have stalled with the index value dropping by 4.17 points.

The Prices Paid and Prices Received indices both pointed to an overall increase in price levels (with index values above 50 for both) which corroborates with Pakistan's current inflation dynamics. CPI Inflation has experienced a reversal since bottoming out in September 2015 at 1.32% YoY and currently stands at 3.94% YoY for the month of March. Manufacturing concerns reported that the rate of increase of prices paid has also increased, with the Prices Paid Index increasing by 3.61 points to 63.06. Similarly, the rate of increase of prices received also accelerated, with the index increasing 3.61 points to 64.44.

Overall, the manufacturing sector still remains on a moderate rate of growth and this indicates an uplift of the general economy. Manufacturing PMI serves as a leading indicator of economic activity as health of the manufacturing sector is typically highly correlated with future GDP levels.

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Purchasing Manager Index (PMI) March-16					
Index	Series Index		% Points Change	Direction	Trend*
	March	January			
PMI	63.44	64.54	-1.10	Growing	14
New Orders	73.61	73.06	0.56	Growing	14
Production	67.50	69.17	-1.67	Growing	14
Employment	52.78	56.94	-4.17	Growing	14
Supplier Deliveries	53.06	51.67	1.39	Slow	14
Inventories	59.72	61.94	-2.22	Expanding	14
Prices Paid	63.06	59.44	3.61	Increasing	14
Prices Received	64.44	60.83	3.61	Increasing	14
OVERALL ECONOMY				Growing	14
Manufacturing Sector				Growing	14

* Trend is an index direction in no. of releases

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About MCB Bank:

MCB Bank, is one of Pakistan's largest & most innovative banks in the private sector. The bank operates a strong and vast network of over 1200 ATMs, over 1240 branches in Pakistan and 11 branches overseas. MCB Bank was declared 'Best Bank in Pakistan, 2016 by Euromoney & Finance Asia' and the bank continues to maintain a strong rating of AAA/A1+. With a customer base of over 06 million, it leads the banking & financial services sector in Pakistan and Customers across the globe have 24/7 access to MCB Bank via the bank's World Class Internet Banking.

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