

The construction industry remained contracted in June 2023, recording a Total Activity index value of 44.4. Most of the companies operate at a sub-optimal level amidst the limited availability of construction projects. However, several respondents mentioned that the steady decline in material prices has induced to commence small-scale construction work.

The lack of new projects continued to hinder the industry, which is reflected by the continuous decrease in New Orders. The respondents mentioned that sizable projects are hardly available, except some foreign-funded projects, and the bidding for available tenders is also highly competitive. However, they expect the suspended large-scale projects to gradually recommence later in the year.

Further, Employment remained contracted in June, mainly due to the layoffs after project completions. Moreover, Quantity of Purchases declined in line with the decrease in pipeline projects. Meanwhile, Suppliers' Delivery Time remained shortened during the month due to low order quantities.

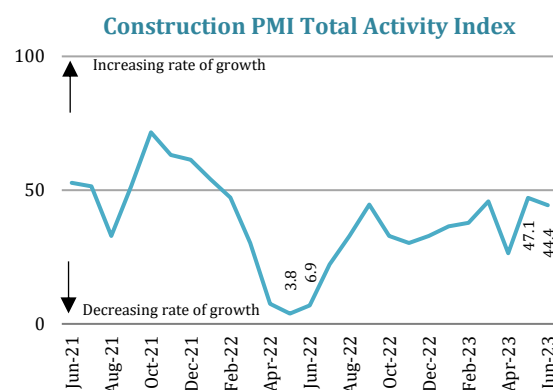
Variable	May	Jun.	+/-	Summary
Total Activity	47.1	44.4	-	Falling, Higher rate
New Orders	42.9	38.9	-	Falling, Higher rate
Employment	22.9	30.6	+	Falling, Slower rate
Quantity of Purchases	45.7	41.7	-	Falling, Higher rate
Suppliers' Delivery Time	44.3	47.2	+	Shortening, Slower rate

Source: Central Bank of Sri Lanka

The industry outlook is positive, mainly due to the gradual recovery in the economy, the easing of import restrictions and the expected commencement of the suspended projects. However, the respondents highlighted that the downward rigidity of the market borrowing rates delays the commencement of many private-sector construction projects.

Total Activity
Index Value
June 2023

44.4



Source: Central Bank of Sri Lanka

Compilation: PMI¹

PMI is calculated as a 'Diffusion Index', where it takes values between 0 and 100.

PMI = 50; sector remains neutral

PMI > 50; sector is generally expanding

PMI < 50; sector is generally contracting

Definitions of Variables

Total Activity: Total volume of construction activity. This is the headline index referred to as the 'Construction PMI' following the international practice, which is comparable to the Manufacturing Production Index and Services Business Activity Index.

Employment: Number of staff working for the organization

Quantity of purchases: Raw materials purchased and kept in a warehouse to be used for production.

Suppliers' Delivery Time: Time lag between order placement and delivery by the supplier

Other variables are self-explanatory.

Survey Responses

The survey is conducted targeting highest graded local construction companies registered in the Construction Industry Development Authority covering around 35 responses to capture month on month developments.

¹PMI is compiled using the methodology followed by S&P Global which is identified as the global PMI compiler and compiles PMIs for over 40 economies worldwide.