

August
2023

SL Purchasing Managers' Index

Construction



The construction industry continued to perform at a subdued level in August 2023, yet reaching towards the neutral threshold, recording a **Total Activity Index** value of **47.0**. As per the respondents, firms tend to undercut prices to secure the limited available projects in a highly competitive tender bidding process.

The lack of new projects continued to have a severe adverse impact on the industry as reflected by the continuous decline in New Orders. Many respondents highlighted that the limited availability of local and foreign funded construction projects is still a major concern in the industry. In this background, firms laid off contract based employees to scale down operations as reflected by the continuous decline in Employment. Further, Quantity of Purchases continued to decline, yet at a slower rate during the month. In the meantime, Suppliers' Delivery Time shortened during the month mainly due to reduced pressure on supplier capacity.

| Variable | Jul. | Aug. | +/- | Summary |
|--------------------------|-------------|-------------|----------|-----------------------------|
| Total Activity | 43.2 | 47.0 | + | Falling, Slower rate |
| New Orders | 45.9 | 41.2 | - | Falling, Higher rate |
| Employment | 29.7 | 26.5 | - | Falling, Higher rate |
| Quantity of Purchases | 39.2 | 44.1 | + | Falling, Slower rate |
| Suppliers' Delivery Time | 50.0 | 47.0 | - | Shortening from Neutral |

Source: Central Bank of Sri Lanka

The sentiment amongst the firms towards the next three months remained positive as they experience an improvement in availability of projects from September mainly due to the expected recovery in the economy.

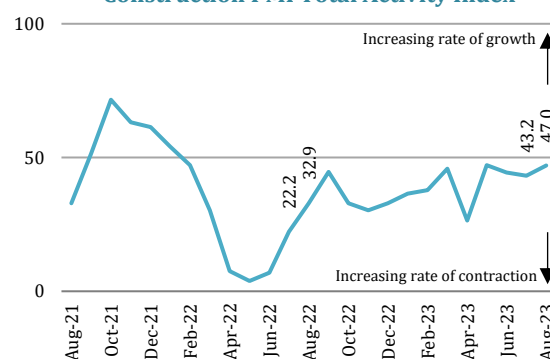
Total Activity

Index Value

August 2023

47.0

Construction PMI Total Activity Index



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.