

September
2023

SL Purchasing Managers' Index

Construction



Construction PMI recorded a Total Activity Index value of 44.3 in September 2023, indicating the continued contraction in construction activities. In addition to the continuous decline in project work, the persistent rain that prevailed during the month dampened the progress of the available construction activities as well.

New Orders continued to decline, yet at a slower pace in September. Many respondents mentioned that although the tendering opportunities are gradually opening up, especially for some foreign-funded projects, the bid prices are highly competitive. Meanwhile, Employment remained contracted since most of the companies prefer to operate with the essential staff. Further, Quantity of Purchases declined during the month, in line with the decrease in construction work. In the meantime, Suppliers' Delivery Time remained shortened during the month, mainly due to the lack of demand.

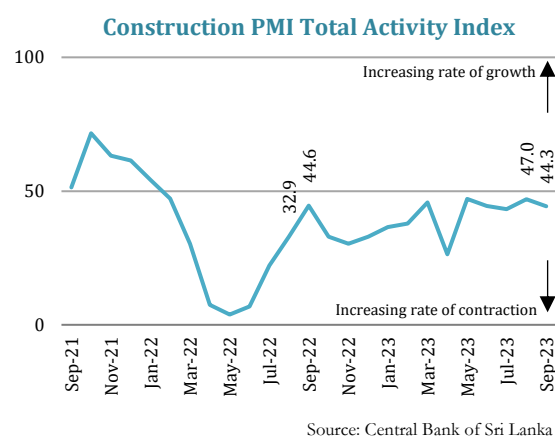
Variable	Aug.	Sep.	+/-	Summary
Total Activity	47.0	44.3	-	Falling, Higher rate
New Orders	41.2	45.7	+	Falling, Slower rate
Employment	26.5	35.7	+	Falling, Slower rate
Quantity of Purchases	44.1	42.9	-	Falling, Higher rate
Suppliers' Delivery Time	47.0	48.6	+	Shortening, Slower rate

Source: Central Bank of Sri Lanka

The expectations for the next three months remained positive, mainly owing to the ongoing tender processes and positive developments in the recommencement of certain suspended government-funded projects. However, the companies are concerned about the upward tendency in energy-related expenses and unfavourable weather conditions.

Total Activity
Index Value
September 2023

44.3



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.