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SL Purchasing Managers' Index (PMI) for Construction Industry – July 2023

The construction industry continued to perform at a subdued level in July 2023, recording a Total Activity Index value of 43.2.

As per the respondents, most firms remain hibernated amid the challenging industry environment. However, the gradual decline in material cost had provided a conducive environment for the limited ongoing projects. Further, some temporarily suspended government-funded projects resumed at a modest scale during the month.

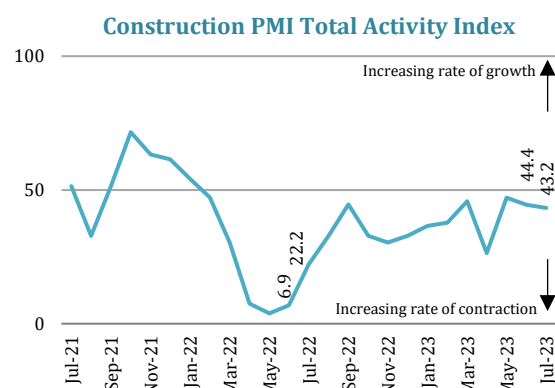
The New Orders contracted, yet at a slower rate in July. Many respondents highlighted that tendering opportunities are mostly limited to foreign-funded projects, while private clients are still waiting for further reductions in cost. Moreover, sub-contract openings are also scarce as firms with projects in hand possess extra capacities. Meanwhile, Employment decreased further during the month since firms tend to retain only the key staff. Further, Quantity of Purchases continued to decline during the month as most of the firms are in a wait-and-see stance, only fulfilling the short-term requirements. In the meantime, Suppliers' Delivery Time broadly remained stable during the month, and some respondents mentioned that supplier credit facilities are also becoming available.

Variable	Jun.	Jul.	+/-	Summary
Total Activity	44.4	43.2	-	Falling, Higher rate
New Orders	38.9	45.9	+	Falling, Slower rate
Employment	30.6	29.7	-	Falling, Higher rate
Quantity of Purchases	41.7	39.2	-	Falling, Higher rate
Suppliers' Delivery Time	47.2	50.0	+	Neutral from Shortening

Source: Central Bank of Sri Lanka

The sentiment amongst the firms towards the next three months broadly remained positive, mainly due to the expected recovery in the economy, the decrease in interest rates and material costs, and current negotiations on the recommencement of suspended government-funded projects.

Total Activity Index Value
July 2023
43.2



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.