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

The Total Activity Index reached the neutral threshold of 50.0 in October 2023 after twenty consecutive months of contraction. Several respondents mentioned that some of the suspended government-funded projects recommenced at a limited scale during the month. However, the industry operates with a low level of available work since most of the ongoing projects are in their final stages.

Meanwhile, New Orders declined at a slower pace in October compared to the previous month. Many respondents had observed a gradual increase in sizable tender opportunities, mostly scheduled to be commenced in the first half of next year. Employment remained contracted since the companies operate with limited staff under current circumstances. Further, Quantity of Purchases declined, yet at a slower pace during the month. Moreover, several respondents highlighted the pressure emanated from the increase in energy-related expenses. In the meantime, Suppliers' Delivery Time slightly lengthened during the month.

Variable	Sep.	Oct.	+/-	Summary
<b>Total Activity</b>	<b>44.3</b>	<b>50.0</b>	<b>+</b>	<b>Neutral from falling</b>
New Orders	45.7	48.6	+	Falling, Slower rate
Employment	35.7	36.1	+	Falling, Slower rate
Quantity of Purchases	42.9	44.4	+	Falling, Slower rate
Suppliers' Delivery Time	48.6	51.4	+	Lengthening from shortening

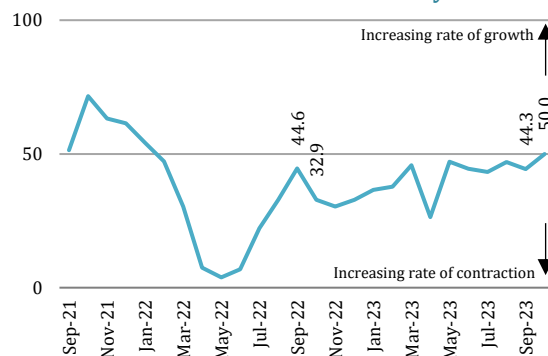
Source: Central Bank of Sri Lanka

The industry outlook for the next three months is positive, mainly due to the gradual recovery in the economy and the expected increase in project work. However, the firms are concerned about the upward tendency in energy-related costs and the impact of the upcoming tax revisions.

**Total Activity**  
Index Value  
October 2023

**50.0**

### Construction PMI Total Activity Index



Source: Central Bank of Sri Lanka

### Compilation: PMI<sup>1</sup>

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.

<sup>1</sup>PMI 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.