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## SL Purchasing Managers' Index (PMI) for Construction Industry – January 2024

Sri Lanka Purchasing Managers' Index for Construction (PMI – Construction) indicates an expansion in construction activities in January 2024, as reflected by the Total Activity Index, which recorded an index value of 52.9. This marks the first time that the index exceeded the neutral threshold since January 2022. Many respondents mentioned that new construction work is gradually becoming available, while some suspended projects also recommenced on a limited scale during the month.

New Orders increased in January compared to the previous month. Most of the respondents mentioned that, at the moment, the availability of both foreign-funded projects and privately-funded local projects is higher. However, Employment continued to contract, yet at a slower rate in January. Meanwhile, Quantity of Purchases rebounded during the month in line with the increases in Total Activity and New Orders. Nevertheless, increases in material prices were widely highlighted, mainly due to the impact of the amendments made to the Value Added Tax. Meanwhile, Suppliers' Delivery Time remained lengthened during the month.

### Summary of the PMI - Construction Survey

Variable	Dec. 2023	Jan. 2024	+/-	Direction
PMI - Construction (Total Activity Index)	48.6	52.9	+	Rising from Falling
New Orders	45.8	55.7	+	Rising from Falling
Employment	40.3	42.9	+	Falling, Slower rate
Quantity of Purchases	47.2	55.7	+	Rising from Falling
Suppliers' Delivery Time	51.4	51.4	=	Lengthening, Same rate

Source: Central Bank of Sri Lanka

The industry outlook for the next three months is positive, mainly due to the increased project opportunities.

### Technical Note

#### Methodology

The index compilation and interpretation of indices follow the survey methodology of S&P Global.

The Construction Total Activity Index is the headline index for Construction, which is referred to as the **PMI – Construction**, as per the international best practices. The Construction Total Activity Index is comparable to the Manufacturing Production Index and Services Business Activity Index.

#### The Index

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

PMI=50 - sector remained neutral on month-on-month basis;

PMI>50 - sector is generally expanding on month-on-month basis

PMI<50 - sector is generally declining on month-on-month basis

#### Sample

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.

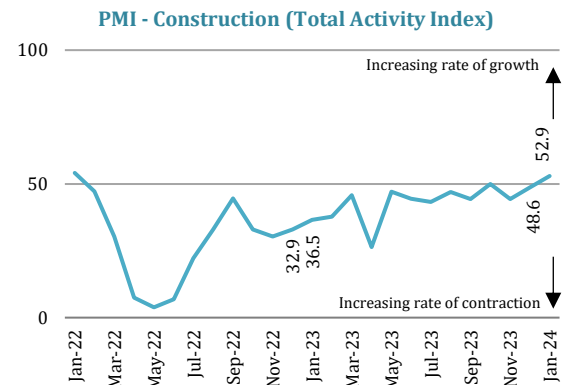
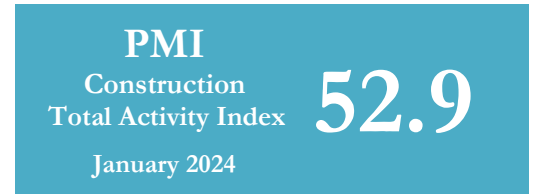
#### Definitions of Variables

Employment : Number of staff working for the organization

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

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

Other variables are self-explanatory.



Source: Central Bank of Sri Lanka

### The World Outlook: Summary of PMI Construction

Country/Territory	Direction
Eurozone	Deteriorated, Higher Rate
France	Deteriorated, Higher Rate
Germany	Deteriorated, Higher Rate
Ireland	Deteriorated, Slower Rate
Italy	Improved, Slower Rate
UK	Deteriorated, Slower Rate

Source: S&P Global <sup>1</sup> as at 28<sup>th</sup> February 2024 ([PMI Releases \(spglobal.com\)](https://www.spglobal.com))

<sup>1</sup>S&P Global compiles PMIs for over 40 economies worldwide.