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

Sri Lanka Purchasing Managers' Index for Construction (PMI – Construction) indicates an expansion in construction activities in February 2024, as reflected by the Total Activity Index, which recorded an index value of 57.1. Many firms attributed the growth in construction activities to the current conducive environment and the resumption of several temporarily suspended projects.

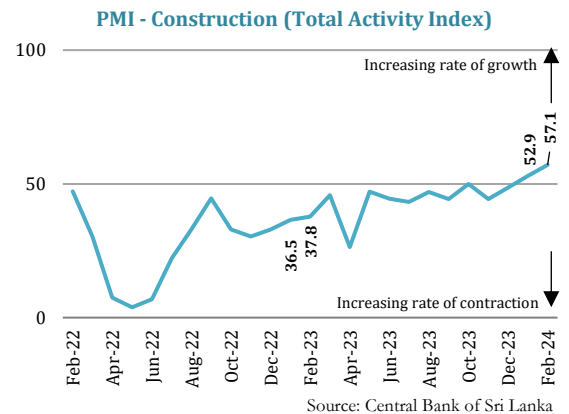
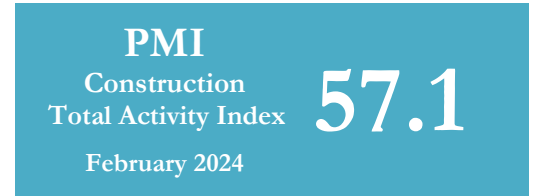
New Orders continued to increase for the second consecutive month, reflecting the improved demand conditions in the industry. The respondents mentioned that large-scale infrastructure projects, particularly foreign-funded ones, are also among the available tender opportunities. However, Employment remained contracted in February, yet at a slower rate than the previous month. Several survey respondents cautioned about the shortage of skilled and experienced construction workers. Further, Quantity of Purchases improved due to the increased pipeline projects. The price levels of construction materials denoted a downward adjustment during the month. Meanwhile, Suppliers' Delivery Time further lengthened in February.

Summary of the PMI - Construction Survey

Variable	Jan. 2024	Feb. 2024	+/-	Direction
PMI - Construction (Total Activity Index)	52.9	57.1	+	Rising, Higher Rate
New Orders	55.7	58.6	+	Rising, Higher Rate
Employment	42.9	45.7	+	Falling, Slower Rate
Quantity of Purchases	55.7	58.6	+	Rising, Higher Rate
Suppliers' Delivery Time	51.4	52.9	+	Lengthening, Higher rate

Source: Central Bank of Sri Lanka

Most of the firms are optimistic on the next three months mainly because of the increased availability of projects.



The World Outlook: Summary of PMI Construction

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

Source: S&P Global¹ as at 27th March 2024 (PMI Releases (spglobal.com))

¹S&P Global compiles PMIs for over 40 economies worldwide.

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.