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

Sri Lanka Purchasing Managers' Index for Construction (PMI – Construction) reached 59.5 in June 2024, recording its highest index value in thirty consecutive survey rounds. Most of the respondents highlighted that the industry is mainly driven by projects funded by multilateral agencies, particularly related to road rehabilitation and water distribution.

New orders increased at a higher rate in June, indicating a positive outlook for future industry activity. However, Employment remained contracted during the month, yet at a slower rate compared to the previous month. Meanwhile, the Quantity of Purchases increased with the accelerated demand for input materials. Further, many respondents mentioned that the price levels of most of the construction materials are in a declining trend. Meanwhile, Suppliers' Delivery Time further lengthened in June.

Summary of the PMI - Construction Survey

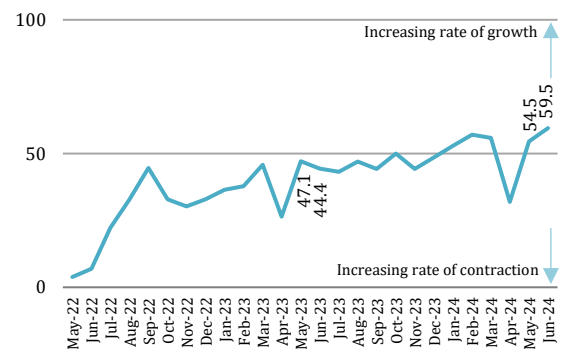
Variable	May.	Jun.	+/-	Direction
PMI - Construction (Total Activity Index)	54.5	59.5	+	Rising, Higher Rate
New Orders	51.5	60.8	+	Rising, Higher Rate
Employment	39.4	40.5	+	Falling, Slower Rate
Quantity of Purchases	50.0	58.1	+	Rising from neutral
Suppliers' Delivery Time	51.5	54.1	+	Lengthening, Higher Rate

Source: Central Bank of Sri Lanka

The expectations for construction activities for the upcoming three months remain positive due to the gradual increase in project availability. However, many firms are cautious about the potential uncertainty associated with the upcoming election period.



PMI - Construction (Total Activity Index)



Source: Central Bank of Sri Lanka

The World Outlook: Summary of PMI Construction

Country/Territory	Direction
Eurozone	Falling, Higher Rate
France	Falling, Higher Rate
Germany	Falling, Slower Rate
Ireland	Falling, Higher Rate
Italy	Falling, Higher Rate
UK	Rising, Slower Rate

Source: S&P Global¹ as of 30 July 2024 ([PMI Releases \(spglobal.com\)](https://www.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.