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

Sri Lanka Purchasing Managers' Index for Construction (PMI - Construction) expanded at a slower pace in August 2024 over the significantly higher level reached in the previous month, recording an index value of 51.4. Further, most of the other indices were also around the neutral threshold, indicating that the operations of the construction industry broadly remained unchanged compared to the previous month.

New Orders stayed at the previous month's level, as many survey respondents observed a sluggishness in awarding new projects. Quantity of Purchases reported a contraction since many firms were cautious with their buying decisions due to the gradual decline in material prices and expectations of moderate activity levels ahead of the presidential election. Employment also remained contracted in August, while Suppliers' Delivery Time lengthened.

Summary of the PMI - Construction Survey

Variable	Ju1.	Aug.	+/-	Direction
PMI - Construction (Total Activity Index)	62.9	51.4	-	Rising, Slower Rate
New Orders	55.7	50.0	-	Neutral from Rising
Employment	44.1	44.3	+	Falling, Slower Rate
Quantity of Purchases	60.0	48.6	-	Falling from Rising
Suppliers' Delivery Time	51.5	51.4	-	Lengthening, Slower Rate

Source: Central Bank of Sri Lanka

Most firms are optimistic that construction activities will accelerate after September.

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.

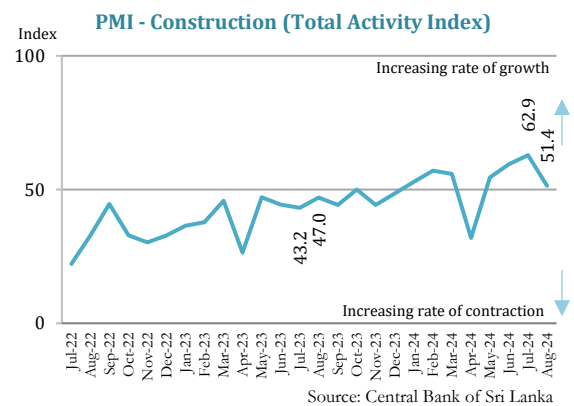
Definitions of Variables

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.



The World Outlook: Summary of PMI Construction

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

Source: S&P Global¹ as of 30 September 2024 (PMI Releases (spglobal.com))

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