



Business Outlook Survey

4th Quarter 2019



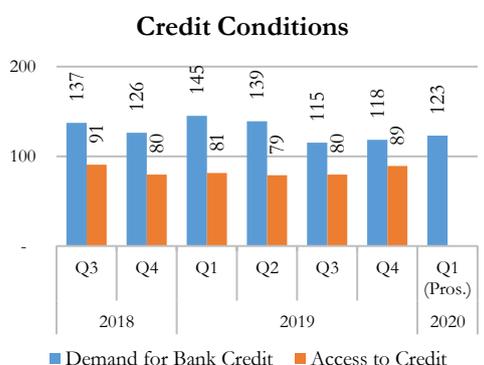
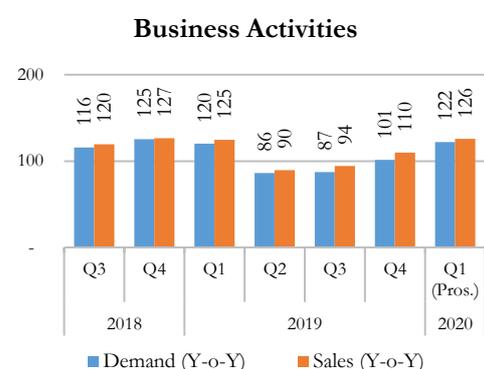
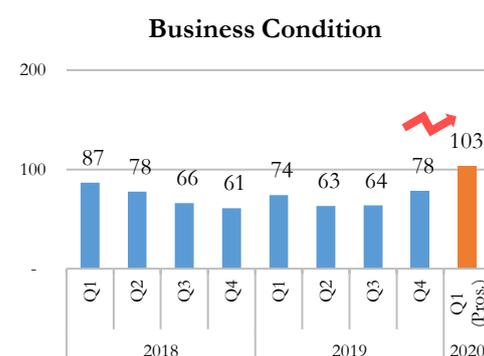
STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2019 Q4

Executive Summary

- The business condition continued to remain in the negative territory for the 12th consecutive quarter during Q4 2019, mainly on account of political uncertainty prevailed due to the presidential election held in mid-November and the lingering effect of Easter attack. However, it is expected that business condition would improve in Q1 2020, with the gradual stabilization of political environment.
- Considering business activities, balance of opinion¹ on both the demand and sales suggest an overall expansion during Q4 2019, yet at a slower rate, compared to Q4 2018.
- The demand for Industry related activities remain slightly positive during the quarter, the balance of opinion decreased compared to Q4 2018. The demand for Agriculture related activities remain unchanged compared to 2018 Q4. Demand for Services activities remained marginally below the threshold level, indicating broadly an unchanged situation in demand compared to 2018 Q4. Expectation for demand for Q1 2020 is favourable for all the three activities.
- Balance of opinion on capacity utilization improved at a slower pace in Q4 2019 while that on investment increased at a higher rate. Investment is expected to accelerate while capacity utilization is expected to remain positive in Q1 2020.
- Input prices increased in Q4 2019 while output prices decreased which might have contributed in squeezing profit margin. Further both input and output prices are expected to increase in Q1 2020 compared to Q1 2019.
- Compared to the previous surveys, there was an improvement in expected borrowing for investment purposes. Meanwhile, majority of the firms expect to borrow during Q1 2020 to cover the operational expenses.

Key to Interpretation:
Business Sentiment Indices (BSIs);
BSI>100 - improved/increased
BSI=100 - unchanged
BSI<100 - worsened/decreased



¹ Balance of opinion: Percentage of firms reporting faster growth minus the percentage reporting slower growth