



Business Outlook Survey

1st Quarter 2020



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2020 Q1

Executive Summary

- The business condition continued to remain in the negative territory for the 13th consecutive quarter during Q1 2020 and reached to historically lowest level, mainly on account of the impact of COVID-19 pandemic during the latter part of the quarter. Further, it is expected that business condition would significantly deteriorate in Q2 2020, due to the continuation of pandemic related disruptions on business operations.
- Considering business activities, balance of opinion¹ on both the demand and sales suggest an overall contraction at a higher rate during Q1 2020, compared to Q1 2019.
- The demand for all three major sectors of the economy weakened during the quarter compared to Q1 2019 as reflected by the balance of opinion. Expectation for demand for Q2 2020 is also weakening for all three major sectors. In line with the decline in demand, sales also indicated a decline in Q1 2020 and is expected to decline in Q2 2020, as well.
- Balance of opinion on capacity utilization and investment deteriorated at a higher pace in Q1 2020 and further deterioration is expected in Q2 2020.
- Majority has experienced an increase in input prices in Q1 2020 while output prices slightly decreased which might have contributed in squeezing profit margins. Both input and output prices are expected to follow the same trend in Q2 2020, as well.
- The demand for credit has increased in Q1 2020 compared to Q1 2019, yet at a slower pace, while access to credit has been tightened further.

Key to Interpretation:

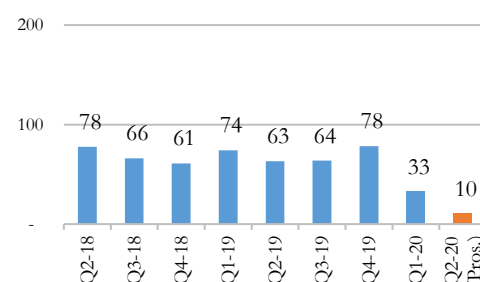
Business Sentiment Indices (BSIs);

BSI>100 - improved/increased

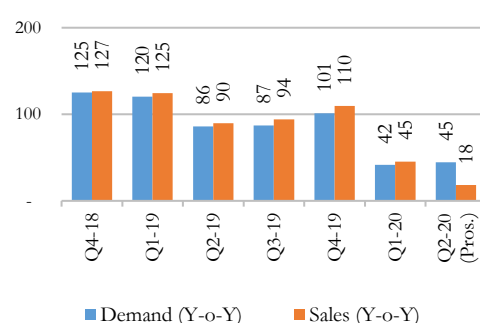
BSI=100 - unchanged

BSI<100 - worsened/decreased

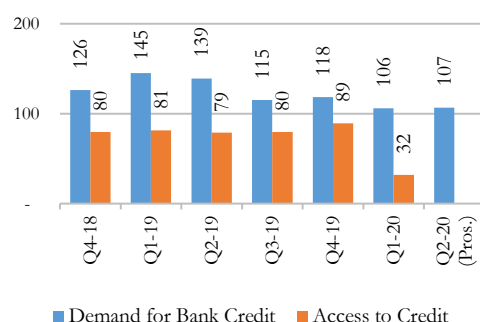
Business Condition



Business Activities



Credit Conditions



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