



Business Outlook Survey

2nd Quarter 2020



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2020 Q2

Executive Summary

- The business condition continued to remain in the negative territory for the 14th consecutive quarter and reached to historically lowest level during Q2 2020, mainly due to island-wide curfew imposed to contain COVID-19 pandemic during the quarter. However, it is expected that negativity of the business condition would decrease in Q3 2020, with the resumption of the economic activities returning to normalcy.
- Considering the business activities, balance of opinion¹ on both demand and sales suggest an overall contraction at a higher rate during Q2 2020, compared to Q2 2019.
- The demand for all three major sectors of the economy remained contracted during the quarter as reflected by the balance of opinion. However, it is expected that the demand for Agriculture and Services activities will improve in Q3 2020. In line with the decline in demand, sales also indicated a decline in Q2 2020 and it is expected to improve in Q3 2020.
- Balance of opinion on capacity utilization and investment deteriorated at a higher pace in Q2 2020. It is expected that investment would remain subdued and capacity utilization would improve during Q3 2020.
- Majority has experienced an increase in input prices in Q2 2020 while output prices slightly decreased on year on year basis, which might have contributed to squeezing profit margins. Prices are expected to follow the same trend in Q3 2020, as well.
- The balance of opinion on demand for bank credit has increased in Q2 2020 compared to Q2 2019, while access to credit indicate some softening in a tightened situation.

Key to Interpretation:

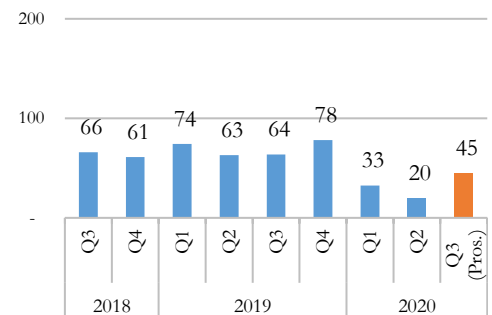
Business Sentiment Indices (BSIs);

BSI>100 - improved/increased

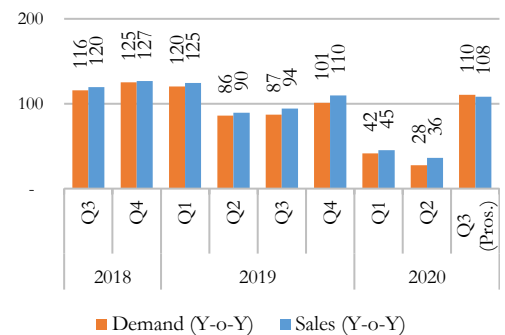
BSI=100 - unchanged

BSI<100 - worsened/decreased

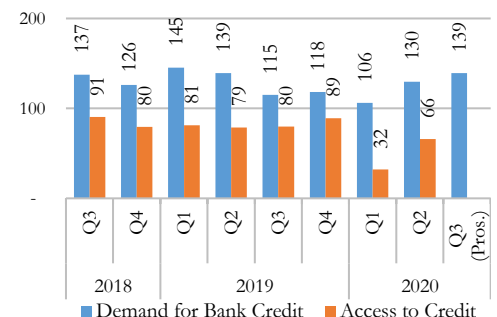
Business Condition



Business Activities



Credit Conditions



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