



Business Outlook Survey

3rd Quarter 2020



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2020 Q3

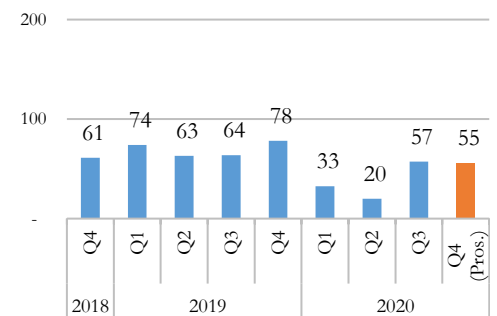
Executive Summary

- A significant improvement from the second quarter was exhibited with the normalization of the economy following the relaxation of the restrictions on mobility imposed to contain COVID-19. However, the business condition remains below 100-threshold (the negative territory) during Q3 2020, mainly due to the lingering effects of the first wave of COVID-19 pandemic. It is expected that the business condition would deteriorate in Q4 2020, anticipating adverse impacts from the second wave of the pandemic, which experienced since the beginning of October.
- Considering the business activities, the balance of opinion¹ on both demand and sales remain contracted during Q3 2020 compared to Q3 2019, although it exhibits a considerable improvement over Q2 2020.
- When the balance of opinion on both demand and sales are considered, Agriculture and Industry sectors have improved during the quarter, while Services activities have weakened. It is expected that both the demand and sales for Agriculture will improve in Q4 2020, while those for Industry and Services will decrease in Q4 2020.
- Balance of opinion on capacity utilization and investment deteriorated in Q3 2020 and are expected to deteriorate in Q4 2020 as well.
- In Q3 2020, Input prices increased while output prices declined slightly, squeezing the profit margins. The prices are expected to follow the same trend in Q4 2020, as well.
- The balance of opinion on demand for bank credit has increased in Q3 2020 compared to Q3 2019, and most of the firms expect to borrow in Q4 2020 for operational purposes.

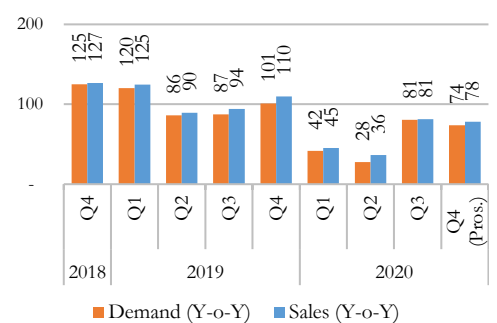
Key to Interpretation:

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

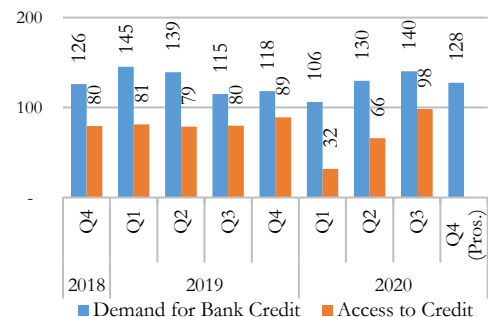
Business Condition



Business Activities



Credit Conditions



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