



Business Outlook Survey

4th Quarter 2020



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2020 Q4

Executive Summary

- The business condition in the Q4 2020 continued to remain deteriorated owing to the second wave of the COVID-19 pandemic erupted in early October 2020. However, it has edged up compared to Q2 which was severely affected by the first wave of the pandemic. It is expected that the business condition would edge up in Q1 2021, expecting that the society would adapt to the new normalcy and vaccination program against the COVID-19 virus would be expedited yielding positive outcomes.
- Considering the business activities, the balance of opinion¹ on both demand and sales remain subdued during Q4 2020 compared to Q4 2019.
- When the balance of opinion on demand is considered, demand for all the three major economic activities, namely Agriculture, Industry, and Services, has contracted during the quarter. When considering sales, it denoted a contraction in Services and Industry sectors while an improvement was observed in Agriculture sector. It is expected that both demand and sales for Agriculture and Industry sectors would improve in Q1 2021, while Services sector is expected to remain subdued.
- The balance of opinion on capacity utilization and investment deteriorated in Q4 2020. An improvement in investment, yet at a slower rate, could be expected in Q1 2021 while capacity utilization would remain at the same level.
- In Q4 2020, input prices increased at a higher pace and output prices increased at a slower pace squeezing the profit margins. The prices are expected to follow a similar trend in Q1 2021, as well.
- The balance of opinion on demand for bank credit has increased in Q4 2020 compared to Q4 2019. Most of the firms expect to borrow in Q1 2021 for operational purposes.

Key to Interpretation:

Business Sentiment Indices (BSIs);

BSI>100 - improved/increased

BSI=100 - unchanged

BSI<100 - worsened/decreased

Chart 1: Business Condition

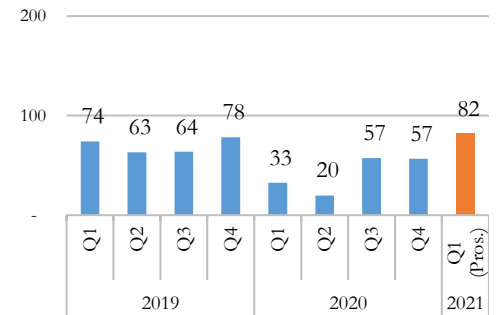


Chart 2: Business Activities

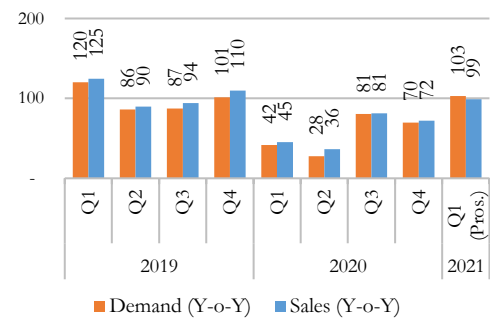
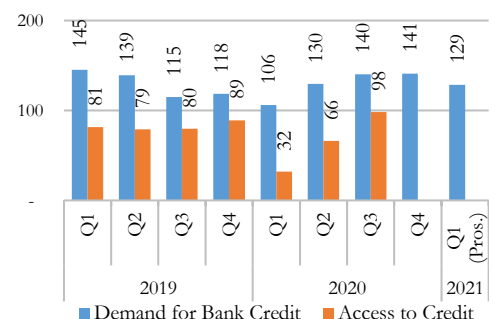


Chart 3: Credit Conditions



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