



Business Outlook Survey

1st Quarter 2021



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2021 Q1

N.B. The majority responded to the survey prior to the third wave of the pandemic, and the prospects for Q2 2021 might have upward biased subject to/despite the uncertainty over the possible adverse impact of the third wave of the pandemic.

Executive Summary

- A considerable improvement was observed in the business condition in Q1 2021, recording the highest index value for the past thirteen quarters. This was largely attributable to the favourable environment that prevailed during Q1 2021, as the economic activities were approaching normalcy recovering from the second wave of the COVID-19 pandemic. However, the business condition remained below 100-threshold (the negative territory) during Q1 2021 as well. It is expected that the business condition would improve in Q2 2021, compared to the last year Q2 where the economy severely hit by the emergence of pandemic.
- Considering the business activities, the balance of opinion¹ on both demand and sales recorded a significant expansion during Q1 2021 compared to Q1 2020. When the activity wise indices are considered, demand and sales for all the three major economic activities, namely Agriculture, Industry, and Services, have improved during the quarter. Further, it is expected that both demand and sales for all the three major activities would improve in Q2 2021 as well, on a year-on-year basis.
- The balance of opinion on capacity utilization and investment improved in Q1 2021, in line with the increase in sales and demand. It is expected that the capacity utilization and investment would remain at higher levels in Q2 2021 as well, compared to Q2 2020.
- In Q1 2021, input prices increased at a higher pace while output prices increased at a slower pace. However, the balance of opinion on profitability improved in Q1 2021, supported by the expansion of sales volume. The prices are expected to follow a similar trend in Q2 2021, as well.
- The balance of opinion on demand for bank credit has increased in Q1 2021 compared to Q1 2020. Most of the firms expect to borrow in Q2 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

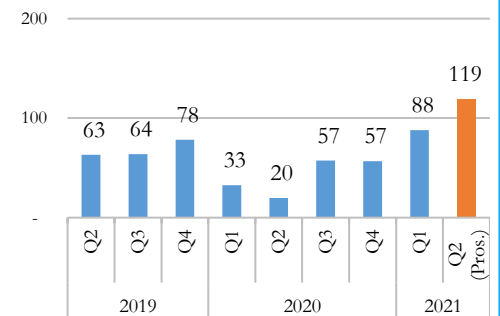


Chart 2: Business Activities

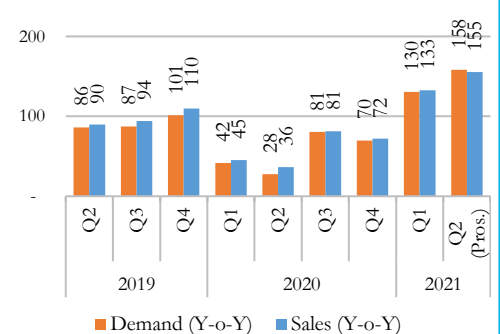
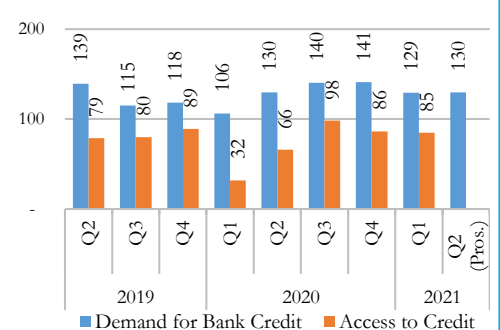


Chart 3: Credit Conditions



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