



Business Outlook Survey

2nd Quarter 2021



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2021 Q2 (Survey concluded on 28.07.2021)

Executive Summary

- Economic activities were approaching normalcy recovering from the second wave of the COVID-19 pandemic until mid-April 2021, although it slowed down again afterwards with the emergence of the third wave making the overall business condition subdued during Q2 2021. However, business condition has edged up compared to all the four quarters in 2020, while economic activities have improved significantly compared to Q2 2020 due to the favourable base effect. Moreover, it is expected that the business condition would improve in Q3 2021 with the rapid vaccination program and subsequent relaxation of the restrictions imposed by the government.
- Considering the business activities, the balance of opinion¹ on both demand and sales recorded an expansion during Q2 2021 compared to Q2 2020, largely due to the base effect. 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 on a year-on-year basis. Further, it is expected that both demand and sales for all the three major activities would improve in Q3 2021 as well.
- The balance of opinion on capacity utilization and investment improved in Q2 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 Q3 2021 as well, compared to Q3 2020.
- In Q2 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 Q2 2021, supported by the expansion of sales volume. The prices are expected to follow a similar trend in Q3 2021, as well.
- The balance of opinion on demand for bank credit has increased in Q2 2021 compared to Q2 2020. Most of the firms expect to borrow in Q3 2021 for operational purposes.

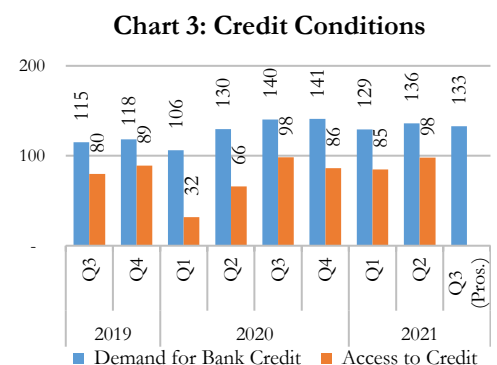
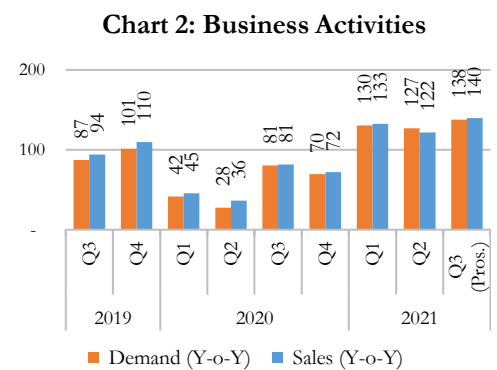
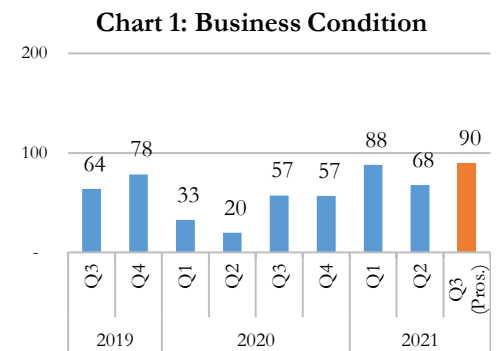
Key to Interpretation:

Business Sentiment Indices (BSIs);

BSI>100 - improved/increased

BSI=100 - unchanged

BSI<100 - worsened/decreased



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