



# Business Outlook Survey

## 3<sup>rd</sup> Quarter 2021



STATISTICS DEPARTMENT  
CENTRAL BANK OF SRI LANKA

REPORT 2021 Q3

### Executive Summary

- Business condition edged up during Q3 2021 compared to Q3 2020 amidst the third wave of the COVID-19 pandemic and related mobility restrictions. This improvement was mainly due to businesses adjusting to new normalcy and successful vaccination rollout in the country. Moreover, it is expected that the business condition would improve in Q4 2021 in line with the subsequent relaxation of the restrictions and easing of pandemic impact.
- Considering the business activities, the balance of opinion<sup>1</sup> on both demand and sales recorded noteworthy expansions during Q3 2021 compared to Q3 2020. When the sector-wise indices are considered, demand for Agriculture and Industry sectors improved, while demand decreased in the Services sector. Sales have improved in Industry sector. However, Services sector experienced a decrease in sales while it was remained unchanged for Agriculture. Further, it is expected that both demand and sales for Industry and Services would improve in Q4 2021 as well while Agriculture demand would increase and sales would remain at the same level.
- The balance of opinion on capacity utilization and investment improved in Q3 2021, in line with the increase in sales and demand. It is expected that the capacity utilization and investment would increase in Q4 2021.
- In Q3 2021, input prices increased at a higher pace than the increase in output prices, squeezing the profit margins. The prices are expected to follow a similar trend in Q4 2021, as well.
- The balance of opinion on demand for bank credit has increased in Q3 2021 compared to Q3 2020. Most of the firms expect to borrow in Q4 2021 for operational purposes.

#### Key to Interpretation:

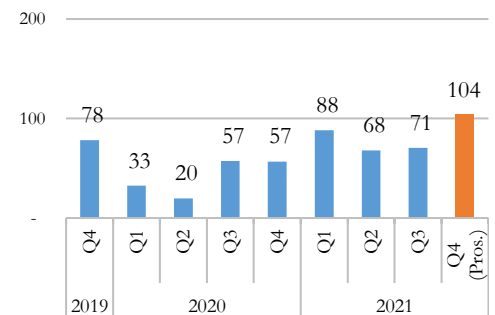
**Business Sentiment Indices (BSIs);**

**BSI>100 - improved/increased**

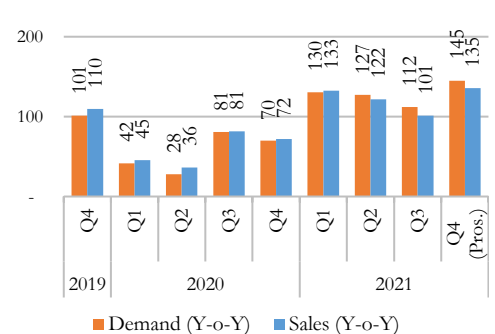
**BSI=100 - unchanged**

**BSI<100 - worsened/decreased**

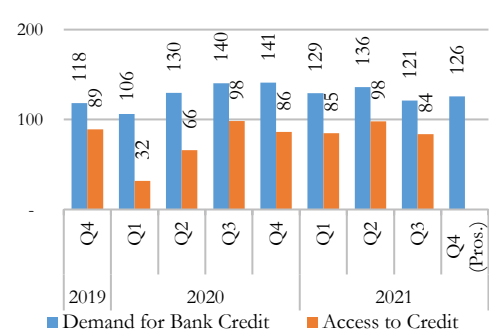
**Chart 1: Business Condition**



**Chart 2: Business Activities**



**Chart 3: Credit Conditions**



<sup>1</sup> Balance of opinion: Percentage of firms reporting growth minus the percentage reporting contraction