

Business Outlook Survey

2nd Quarter 2022



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2022 Q2

Executive Summary

- Business condition significantly deteriorated in Q2 2022 on a year-on-year basis. This deterioration was mainly attributable to the numerous supply-side constraints, including power outages, shortages in materials and fuel emanating from the lower liquidity of foreign exchange in the banking system, and the uncertainty that prevailed in the country. Moreover, it is expected that the business condition would deteriorate in Q3 2022 as well compared to Q3 2021.
- Considering the business activities, the balance of opinion¹ on demand and sales decreased during Q2 2022 compared to Q2 2021. When the sector-wise indices are considered, demand for all three sectors of the economy, namely, Agriculture, Industry and Services, recorded a decline. However, sales in the Agriculture sector increased while it was deteriorated in Industry and Services sectors during Q2 2022 compared to the corresponding period in 2021. Further, it is expected that both the demand and sales would decline in Q3 2022.
- The balance of opinion on capacity utilization and investment deteriorated in Q2 2022 on a year-on-year basis in line with the subdued performance seen in sales and demand. Further, the firms expect that capacity utilization and investment to deteriorate in Q3 2022, as well.
- Majority has experienced an increase in input prices compared to that of output prices in Q2 2022 compared to Q2 2021. The prices are expected to follow a similar trend in Q3 2022, where almost all the respondents expect an increase in input and output prices. Further, profitability and financial situation deteriorated in Q2 2022 and expected to deteriorate in the next quarter as well.
- The balance of opinion on demand for bank credit has increased in Q2 2022 compared to Q2 2021. Most of the firms expect to borrow in Q3 2022 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

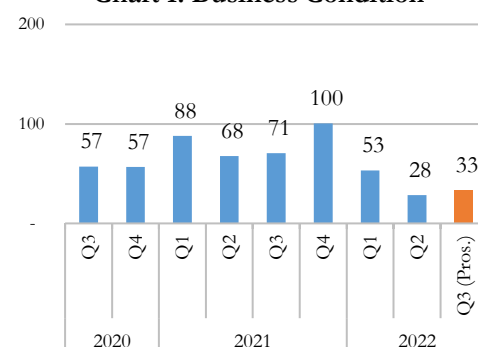


Chart 2: Business Activities

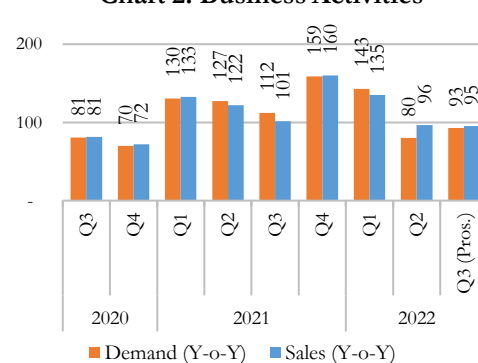
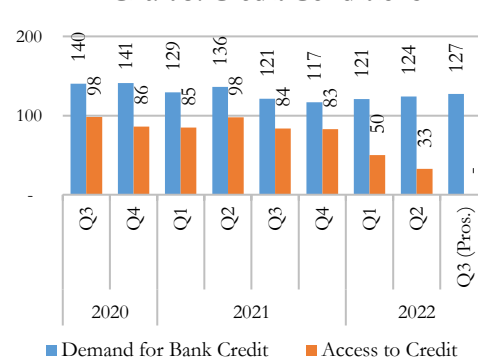


Chart 3: Credit Conditions



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