

Business Outlook Survey

1st Quarter 2023



REPORT 2023 Q1

Executive Summary

- Business Condition index indicated some edging up in Q1 2023 compared to all four quarters of 2022, yet remained below the 100-threshold, the neutral level, reflecting the stress in the economy and is expected to remain in the same territory in Q2 2023. All three major economic sectors, Agriculture, Industry and Services, decreased, while Industry activities denoted a notable decline.
- Considering the business activities, the balance of opinion¹ on demand remained at almost the same level in Q1 2023, compared to the corresponding quarter of the previous year, and is expected to improve in Q2 2023 compared to the turbulent environment experienced in Q2 2022. Further, sales revenue increased during Q1 2023 mainly due to the price effect and is expected to increase in Q2 2023 as well, on a year-on-year basis. When the sector-wise indices are considered, both the demand and sales increased in Agriculture and Services sectors, while that of the Industry sector decreased during Q1 2023, and it is expected to follow the same pattern in Q2 2023 as well.
- The balance of opinion on capacity utilisation marginally declined in Q1 2023 on a year-on-year basis, driven by the subdued performance in the Industry sector. However, the balance of opinion on investment improved during the quarter mainly due to the optimism in Services sector. Further, the firms expect capacity utilisation and investment to improve in Q2 2023.
- Both input and output prices increased over the period. However, the number of respondents who experienced an increase in input prices was higher than those who increased their output prices in Q1 2023, reflecting that the firms are compelled to absorb the input cost pressure. This trend is expected to follow in Q2 2023 as well. Meanwhile, profitability and the financial situation deteriorated in Q1 2023. It is expected that profitability and financial situation would largely remain at the same level in Q2 2023, compared to the corresponding quarter of the previous year.
- The balance of opinion on demand for bank credit has increased in Q1 2023 compared to Q1 2022, while the majority who expect to borrow in Q2 2023 is for operational purposes. However access to credit remained deteriorated during Q1 2023.

Key to Interpretation:

Business Sentiment Indices (BSIs);

BSI>100 - improved/increased

BSI=100 - unchanged

BSI<100 - worsened/decreased

Chart 1: Business Condition

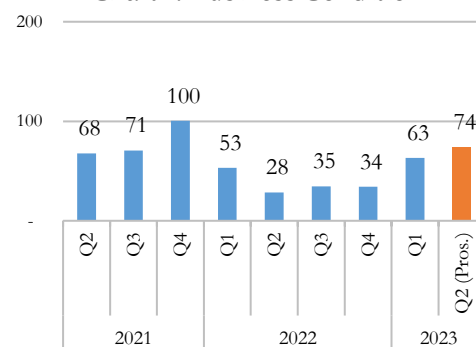


Chart 2: Business Activities

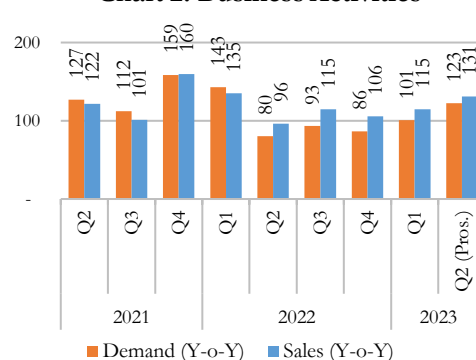
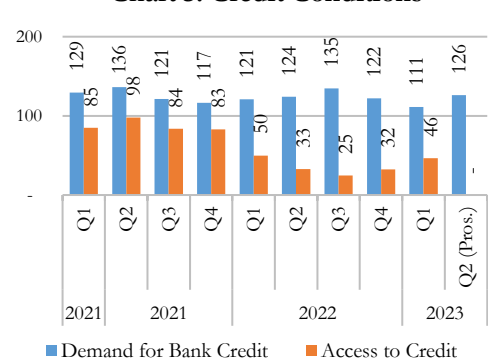


Chart 3: Credit Conditions



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