

Executive Summary

- Business Condition edged up during Q2 2023, recording the highest index value since the outbreak of the economic downturn. However, it still remained below the 100-threshold level during the quarter while similar developments were expected in Q3 2023 as well. Challenging macro economic environment especially high taxation, high market interest rates and volatility in exchange rate have been highlighted by the survey participants as the main reasons for this weak business condition. All three major economic sectors, namely Agriculture, Industry and Services denoted declines in business condition.
- Considering the business activities, the balance of opinion¹ on demand and sales revenue improved in Q2 2023 driven by the Services sector, compared to the turbulent environment experienced in Q2 2022, and is expected to improve in Q3 2023 as well on a year-on-year basis.
- The balance of opinion on capacity utilisation marginally increased in Q2 2023 on a year-on-year basis and is expected to increase in Q3 2023 as well. Meanwhile, the balance of opinion on investment almost remained at the same level during the quarter and is expected to increase in Q3 2023 compared to the corresponding quarters of the previous year.
- Both input and output prices increased, yet at lower index values compared to recent quarters, in Q2 2023. However, the number of respondents who experienced an increase in input prices was higher than those who increased their output prices, reflecting that the firms are compelled to absorb the input cost pressure. This trend is expected to follow in Q3 2023 as well.
- Accordingly, financial situation and profitability deteriorated in Q2 2023. However, it is expected the profitability and financial situation to improve in Q3 2023, on a year-on-year basis.
- The balance of opinion on demand for bank credit has increased in Q2 2023 compared to Q2 2022, while the majority who expect to borrow in Q3 2023 is for operational purposes. However, access to credit remained deteriorated during Q2 2023, mainly due to high borrowing cost.

Key to Interpretation:

Business Sentiment Indices (BSIs);

BSI>100 - improved/increased

BSI=100 - unchanged

BSI<100 - worsened/decreased

Chart 1: Business Condition

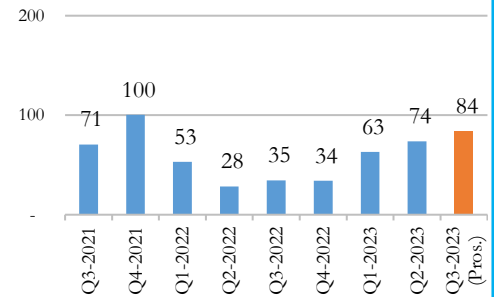


Chart 2: Business Activities

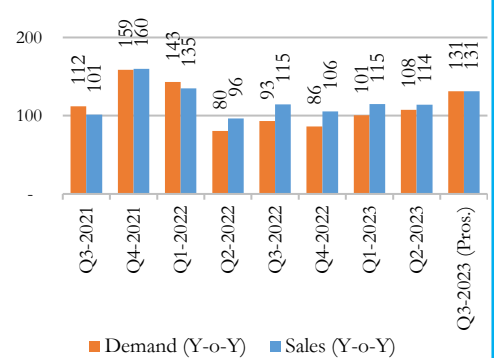
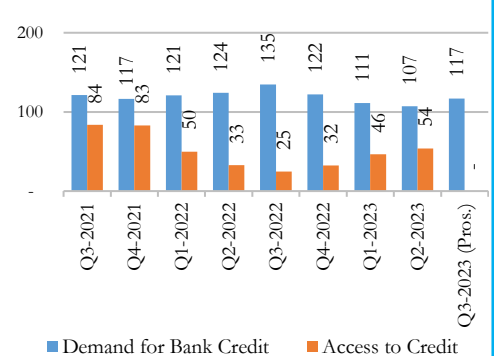


Chart 3: Credit Conditions



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