

Business Outlook Survey

3rd Quarter 2023



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2023 Q3

Executive Summary

- Business Condition continued to edge up in Q3 2023, recording the highest index value since Q1 2022. However, the index still remained below the 100-level during the quarter and is also expected to remain below that threshold in Q4 2023. Most of the survey participants highlighted the challenging macroeconomic environment as the main reason 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 Q3, driven by the Services sector. Both demand and sales are expected to improve in Q4 on a year-on-year basis.
- The balance of opinion on capacity utilisation improved in Q3 on a year-on-year basis yet majority is still below potential. However, the capacity utilization is expected to improve in Q4 2023. Meanwhile, the balance of opinion on investment also increased in Q3 and is expected to increase in Q4.
- Input prices continued to increase in Q3, while output prices remained at the same levels, compelling firms to absorb the input cost pressure. As a result, the profitability of the firms deteriorated in Q3 2023. Meanwhile, both input and output prices are expected to increase in Q4 and the profitability of the firms is expected to improve in Q4 on a year-on-year basis.
- The balance of opinion on demand for bank credit increased in Q3. However, access to credit remained deteriorated during the quarter, mostly due to high borrowing cost. Further, demand for bank credit indicated an expansion in Q4, mainly for operational purposes.

Key to Interpretation:

Business Sentiment Indices (BSIs);

BSI>100 - improved/increased

BSI=100 - unchanged

BSI<100 - worsened/decreased

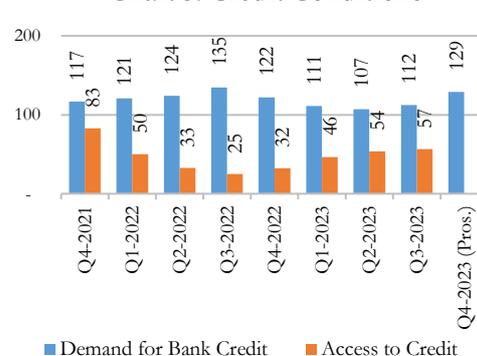
Chart 1: Business Condition



Chart 2: Business Activities



Chart 3: Credit Conditions



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