

Business Outlook Survey

Statistics Department of the Central Bank of Sri Lanka initiated a quarterly Business Outlook Survey (BOS) from the 2nd quarter of 2014 to assess future business conditions and to capture the short-term market developments through qualitative indicators which are useful in monitoring current economic situation and for forecasting future trends. Thus, this survey serves as an early warning indicator.

The target population of this survey is large scale enterprises covering all three sectors of Agriculture, Industry and Services. The sample is selected using judgmental sampling method with stratification based on sectoral contribution to the GDP. Data based on a standard questionnaire is collected through face to face interviews, telephone interviews or through emails depending on the preference of the respondents. The survey is conducted with a quarterly frequency during the last week of the final month of each quarter and first week of the month succeeding each quarter. The findings were summarised by computing following Business Sentiment Indices (BSIs),

1. Business condition (Level)

Indicates whether the general business condition during the current quarter was 'good', 'normal' or 'bad' and the expectation for the next quarter

- Index above 100 means, percentage of respondents who mentioned business condition as 'good' is higher than the percentage of respondents who mentioned business condition as 'bad'

2. Profitability (Quarter On Quarter (Q-o-Q))¹

Indicates whether the profitability during the current quarter had 'increased', 'remained unchanged' or 'decreased' as compared to previous quarter and the expectation for the next quarter

- Index above 100 means, percentage of respondents who mentioned an 'increase' in profitability is higher than the percentage respondents who mentioned a 'decrease' in profitability on Q-o-Q basis

¹ The Profitability (Q-o-Q) series was discontinued from 2018 Q3 and Profitability (Y-o-Y) series was introduced.

3. Profitability (Year On Year (Y-o-Y))

Indicates whether the profitability has 'improved', 'remained unchanged' or 'deteriorated' during the current quarter as compared to corresponding quarter of the last year and the expectation for the next quarter

- Index above 100 means, percentage of respondents who mentioned an 'improvement' in profitability is higher than the percentage respondents who mentioned a 'deterioration' in profitability on Y-o-Y basis

4. Skilled Labour Availability (Y-o-Y)

Indicates whether the skilled labour availability during the current quarter is 'better', 'same' or 'worse' as compared to corresponding quarter of the last year and the expectation for the next quarter

- Index above 100 means, percentage of respondents who mentioned availability in skilled labour as 'better' is higher than the percentage of respondents who mentioned availability in skilled labour as 'worsen' on Y-o-Y basis

5. Sales (Y-o-Y)

Indicates whether the sales 'increased', 'no change' or 'decreased' during the current quarter as compared to corresponding quarter of the last year and the expectation for the next quarter

- Index above 100 means, percentage of respondents who mentioned an 'increased' in sales is higher than the percentage of respondents who mentioned a 'decreased' in sales on Y-o-Y basis

6. Demand (Y-o-Y)

Indicates whether the volume of demand 'increased', 'no change' or 'decreased' during the current quarter as compared to corresponding quarter of the last year and the expectation for the next quarter

- Index above 100 means, percentage of respondents who mentioned an 'increased' in the volume of demand is higher than the percentage of respondents who mentioned a 'decreased' in the volume of demand on Y-o-Y basis

7. Capacity Utilisation (Y-o-Y)

Indicates whether the utilisation of the capacity has 'improved', 'remained unchanged' or 'deteriorated' during the current quarter as compared to corresponding quarter of the last year and the expectation for the next quarter

- Index above 100 means, percentage of respondents who mentioned an 'improvement' in their capacity utilisation is higher than the percentage of respondents who mentioned a 'deterioration' in capacity utilisation on Y-o-Y basis

How it is compiled?

BSIs were calculated using the manual introduced by the Organisation for Economic Co-operation and Development (OECD) as follows,

$$BSI_k = \sum_{i=1}^n \frac{x_i}{n} \times 100 + 100$$

x_i takes values of +1, 0 or -1 depending on the answer given by enterprise i

$$BSI_k = BSI \text{ of } k^{th} \text{ sector}$$

n is the number of reporting units in the sector sample

$$\text{combined BSI} = \sum_{k=1}^K w_k \times BSI_k$$

Where w_k : k^{th} sector's GDP weight

Compiled BSIs will consists of values ranging from 0 to 200 where the general interpretation is as follows,

- BSI=100 means business sentiment is unchanged
- BSI>100 means business sentiment has improved
- BSI<100 means business sentiment has worsen