

Business Outlook Survey

1st Quarter 2022



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

REPORT 2022 Q1

Executive Summary

- Business condition deteriorated in Q1 2022, on a year-on-year basis, after reaching the neutral threshold during Q4 2021. This deterioration was mainly attributable to the heightened uncertainty due to the issues that originated first at forex market, which subsequently spilled over to the entire economy, causing unrest on political and social fronts. Moreover, it is expected that the business condition would further deteriorate in Q2 2022 as well compared to Q2 2021.
- Considering the business activities, the balance of opinion¹ on demand and sales recorded improvements during Q1 2022 compared to Q1 2021. When the sector-wise indices are considered, both demand and sales for all three sectors of the economy recorded improvements. Further, it is expected that both demand and sales would improve in Q2 2022 on a year-on-year basis. However, it was noted that around 50% of participants did not rate their expectations on demand amidst the uncertainty in the country.
- The balance of opinion on capacity utilization and investment improved in Q1 2022, in line with the increase in sales and demand ahead of the New Year season. However, the firms expect the investment to deteriorate marginally in Q2 2022, while capacity utilization would improve.
- As input prices escalated more rapidly than output prices, the balance of opinion on profitability deteriorated in Q1 2022. The prices are expected to follow a similar trend in Q2 2022, where almost all the respondents expect an increase in input prices.
- The balance of opinion on demand for bank credit has increased in Q1 2022 compared to Q1 2021. Most of the firms expect to borrow in Q2 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

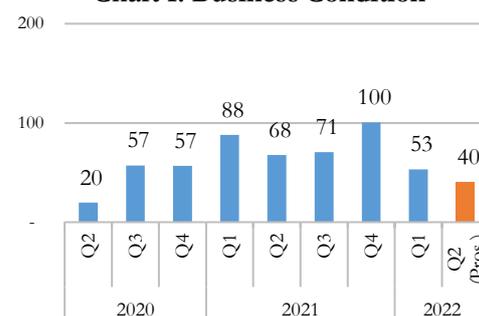
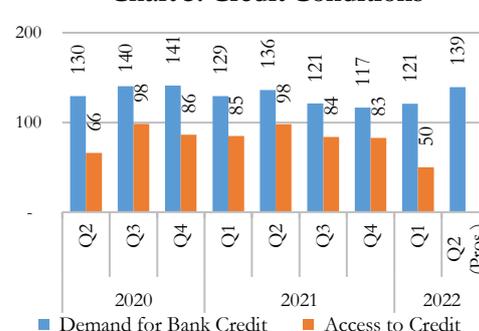


Chart 2: Business Activities



Chart 3: Credit Conditions



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