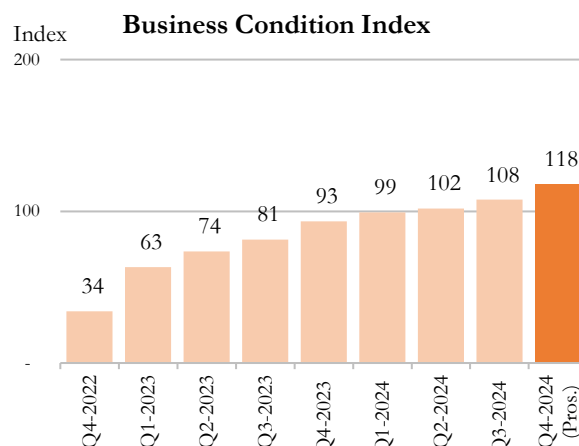


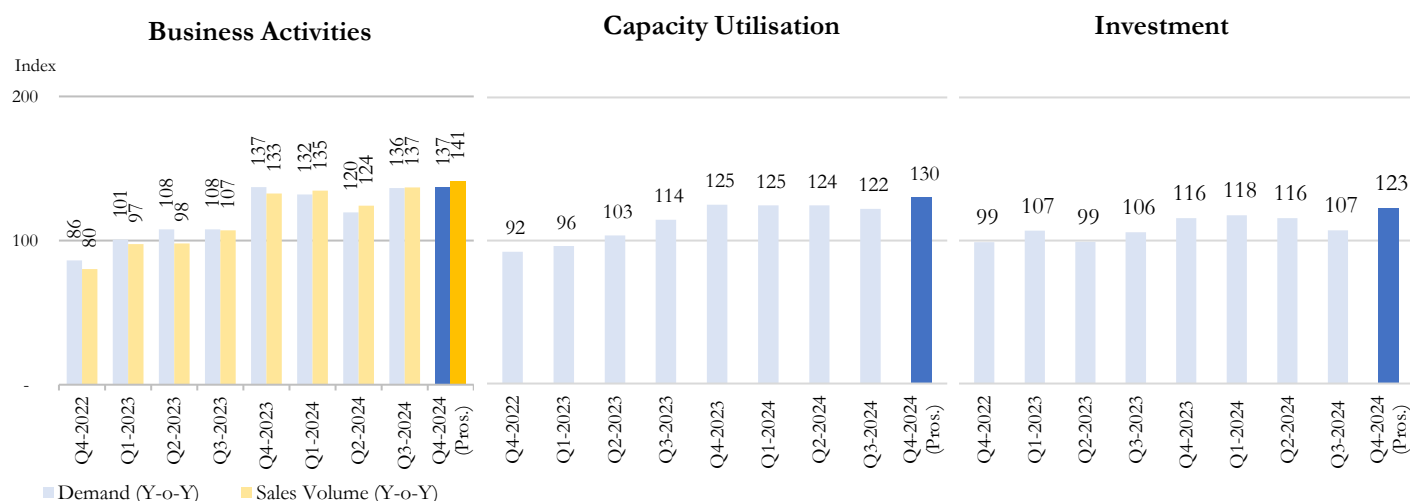
Business Condition

- The Business Condition Index, which captures the firms' assessment of the current and future business environment, surpassed the neutral threshold in Q3 2024 for the second consecutive quarter. The outlook for Q4 2024 also remained above the neutral threshold.
- The improved macroeconomic conditions, especially eased interest rates and inflation were highlighted as the main reason for this improvement in business condition.
- The Services activities drove this improvement in business condition in Q3, and prospects in Q4 2024.



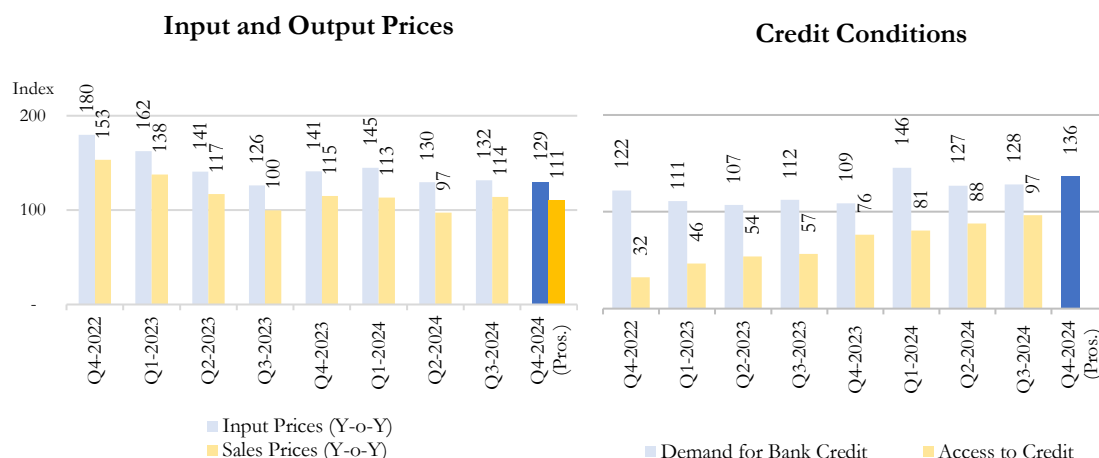
Outlook for Q4 2024

- Demand and sales volumes are expected to improve on a year-on-year basis in Q4 2024, driven by all three major economic activities. In line with the overall developments in demand and sales, capacity utilisation is expected to improve during Q4 2024.
- The balance of opinion on investment is expected to improve in Q4 2024, driven by all three major economic activities. Continuing the turnaround in the previous quarter, most of the firms are expected to invest in expansionary purposes rather than maintaining their existing facilities during this survey round.



¹ Statistics Department of the Central Bank of Sri Lanka initiated a quarterly Business Outlook Survey (BOS) in Quarter 2, 2014 to assess current and future business conditions. BOS summarises opinions expressed by the respondents of around 100 firms, which were selected in accordance with the composition of Sri Lanka's Gross Domestic Product based on a structured questionnaire. The survey responses are translated into Business Sentiment Indices (BSIs), and the balance of opinion (Percentage of firms reporting growth minus the percentage reporting contraction) can vary between 0 and 200 (BSI>100 - improved/increased, BSI=100 - unchanged/neutral, BSI<100 - worsened/decreased).

- Most of the firms, especially in the Services activities, expect both input and output prices to increase in Q4 2024 on a year-on-year basis.
- The balance of opinion on demand for bank credit, mainly intended for operational expenditure, is expected to improve in all three major economic activities in Q4 2024.



Developments in Q3 2024

- Considering the business activities, the balance of opinion on demand and sales improved in volume terms in Q3 2024, contributed by all three major economic activities.
- The overall capacity utilisation recorded an increase on a year-on-year basis in Q3 2024 with increased production and business activities. Meanwhile, the balance of opinion on investment also improved in Q3 2024.
- Firms reported an increase in input and output prices in Q3 2024 on a year-on-year basis.
- The balance of opinion on demand for bank credit improved across all activities in Q3 2024. However, a continuation in tight credit conditions was reported during the quarter. The main reason highlighted by respondents was higher credit standards in banks' lending facilities.

How the Index is Compiled

Business Sentiment Index(BSI)_k = $\sum_{i=1}^n \frac{x_i}{n} \times 100 + 100$ is the BSI of k^{th} sector.

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

n is the number of reporting units in the sector sample.

Combined BSI = $\sum_{k=1}^K w_k \times BSI_k$, where w_k : GDP weight of k^{th} sector.