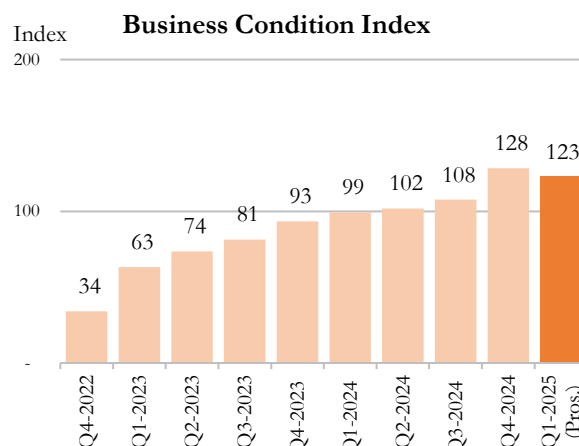


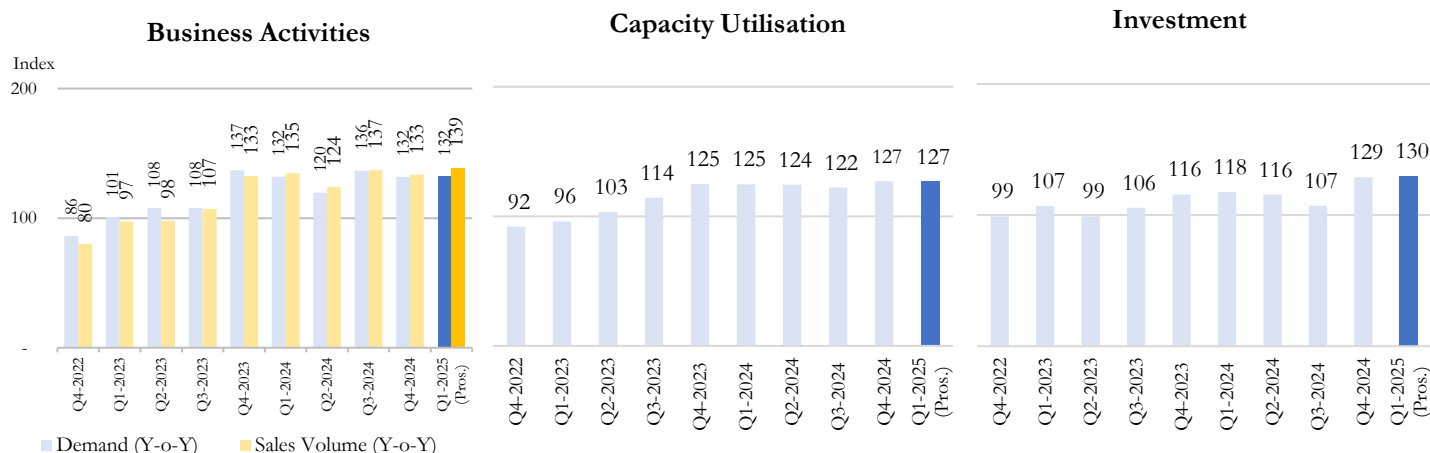
Business Condition

- The Business Condition Index, which reflects firms' assessments of the present and anticipated business environment, reached its highest value in the past decade during the fourth quarter of 2024. Furthermore, the outlook for the first quarter of 2025 continues to remain above the neutral threshold.
- The improvement in macroeconomic conditions, particularly with respect to low interest rates and inflation, was highlighted as the main factor contributing to this improvement.
- The surge in Service sector activities was the primary catalyst for these improvements in the fourth quarter of 2024 and to the optimistic outlook in the first quarter of 2025.



Outlook for Q1 2025

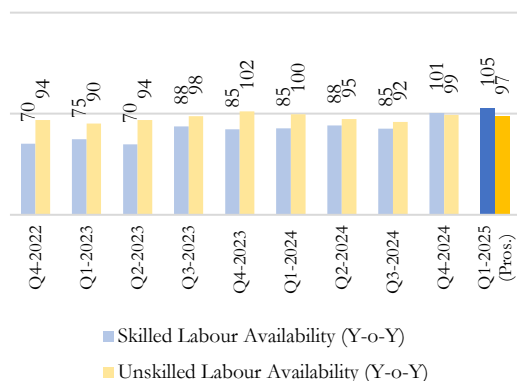
- Demand and sales volumes are envisioned to grow on a year-on-year basis in the first quarter of 2025, primarily driven by expansions in the Industry and Services sectors. In contrast, the Agriculture sector is expected to remain subdued. Consistent with these overall trends in demand and sales, capacity utilisation is expected to improve during the same period.
- The balance of opinion on investment is projected to strengthen in the first quarter of 2025, supported by positive contributions from all three major economic sectors. During the period, the firms are mostly expected to direct investments toward expansionary initiatives.



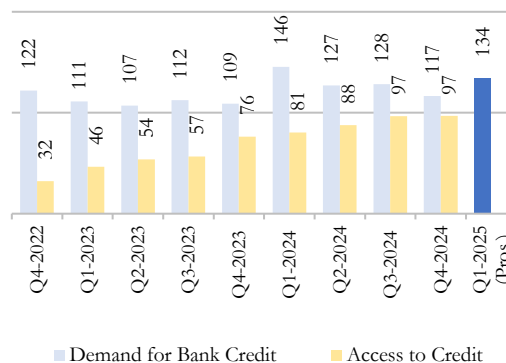
¹ Statistics Department of the Central Bank of Sri Lanka initiated a quarterly Business Outlook Survey (BOS) in Quarter 2, 2014 to assess current and future business conditions. BOS summarises opinions expressed by the respondents of around 100 firms, which were selected in accordance with the composition 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).

- Skilled labour availability is expected to improve marginally in Q1 2025, owing to the Services sector, following the similar trend observed in Q4 2024.
- The balance of opinion on the demand for bank credit, primarily intended to finance operational expenditures, is anticipated to improve across all three major economic sectors in the first quarter of 2025.

Labour Availability



Credit Conditions



Developments in Q4 2024

- Considering the business activities, the balance of opinion on demand and sales improved in volume terms in Q4 2024, mainly contributed by industry and services sectors.
- The overall capacity utilisation recorded an increase on a year-on-year basis in Q4 2024 with increased demand and sales. Meanwhile, the balance of opinion on investment also improved in Q4 2024.
- Skilled labour availability in Q4 2024 is almost at the same level as in Q4 2023. The Services sector recorded an improvement during the quarter, while Agriculture and Industry sectors continued to decline.
- The balance of opinion on demand for bank credit improved across all sectors in Q4 2024. Further, most of the respondents mentioned that access to credit remained normal during the quarter. Moreover, among the respondents who mentioned that access to credit remains tight, the majority attributed it to constraints on their balance sheets.

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.