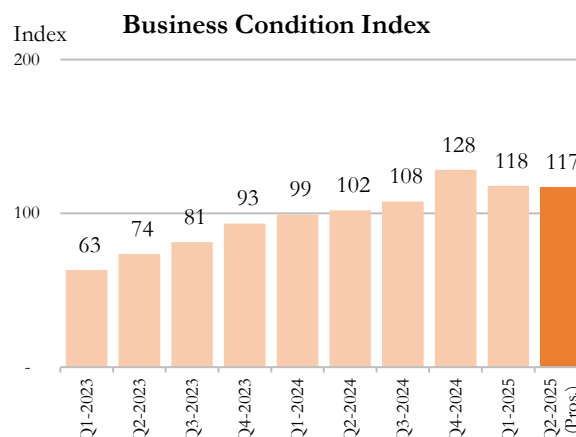


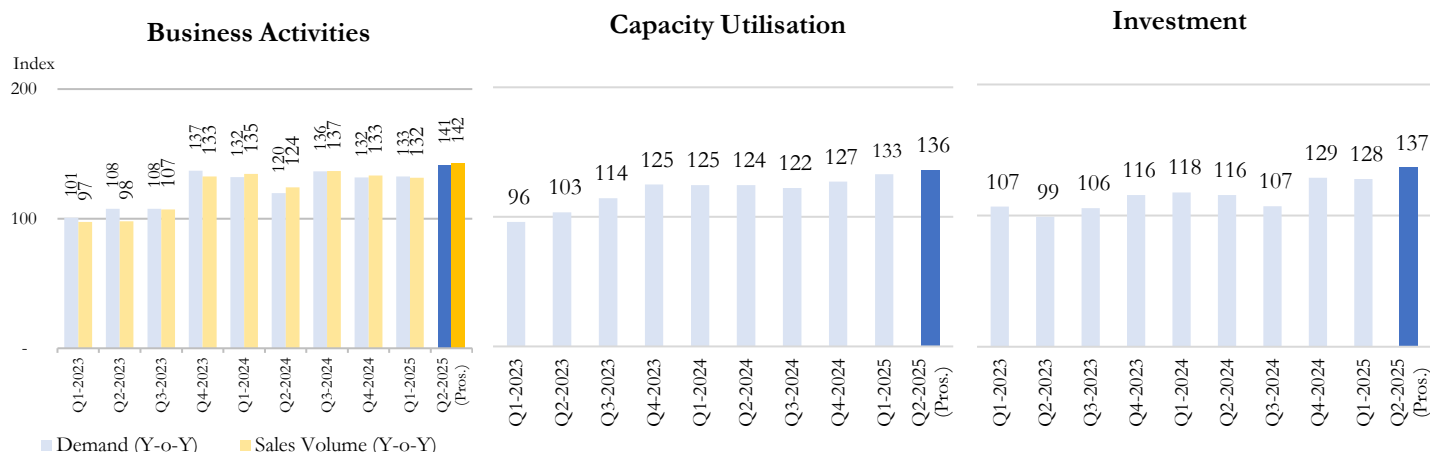
Business Condition

- The Business Condition Index, which captures the firms' assessment of the current and future business environment, indicates improvements in Q1 2025. Furthermore, the outlook for Q2 2025 continues to remain above the neutral threshold.
- The improvement in macroeconomic conditions, particularly the decline in interest rates and inflation, was highlighted by the survey participants as the main factor driving this positive development.
- Sector-wise analysis indicates that the improved outlook is primarily driven by the performance of the Services sector.



Outlook for Q2 2025

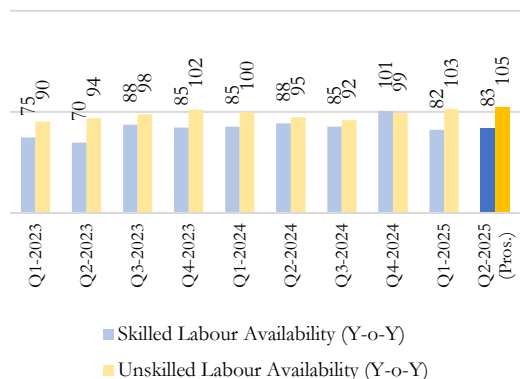
- Demand and sales volumes are projected to increase on a year-on-year basis in Q2 2025, primarily supported by continued expansion in the Industry and Services sectors. Conversely, the Agriculture sector is expected to remain subdued. In line with these trends, capacity utilisation is anticipated to improve during the same period.
- The balance of opinion on investment is projected to strengthen in Q2 2025, supported by the contributions from all three major sectors of the economy. Further, the firms are largely expected to channel their investments toward expansion-oriented initiatives.



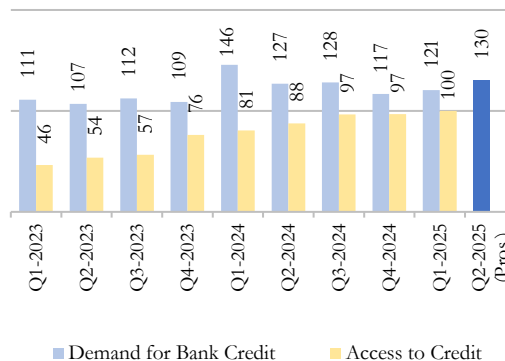
¹ Statistics Department of the Central Bank of Sri Lanka initiated a quarterly Business Outlook Survey (BOS) in Quarter 2, 2014 to assess current and future business conditions. BOS summarises opinions expressed by the respondents of around 100 firms, which were selected in accordance with the composition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

- The skilled labour availability is expected to decline in Q2 2025, particularly in the Industry and Services sectors.
- 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.

Labour Availability



Credit Conditions



Developments in Q1 2025

- Considering the business activities, the balance of opinion on demand and sales improved in volume terms in Q1 2025, contributed by the Industry and Services sectors.
- The overall capacity utilisation recorded an increase on a year-on-year basis in Q1 2025, with increased demand and sales. Meanwhile, the balance of opinion on investment also improved in Q1 2025.
- Skilled labour availability declined in Q1 2025 compared to Q1 2024. This was mainly due to the declines recorded in the Industry and Services sectors, while the Agriculture sector recorded an improvement during the quarter.
- The balance of opinion on demand for bank credit increased in Q1 2025 compared to Q1 2024. Most of the firms expect to borrow for operational purposes. Further, the firms rated that access to credit is same as the corresponding quarter of the previous year.

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.