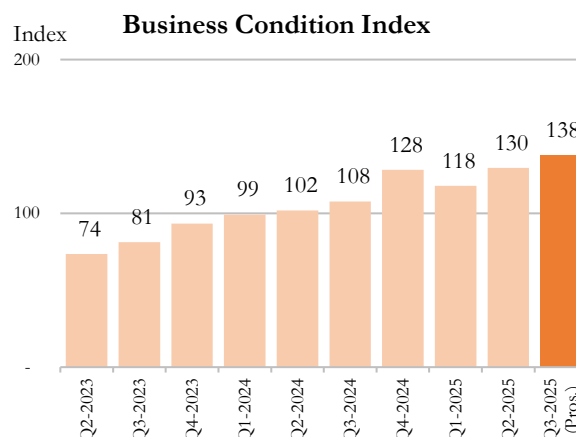


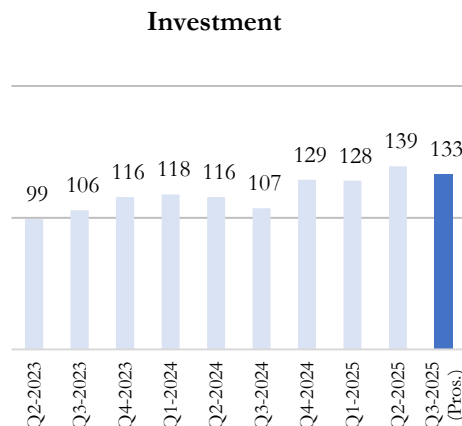
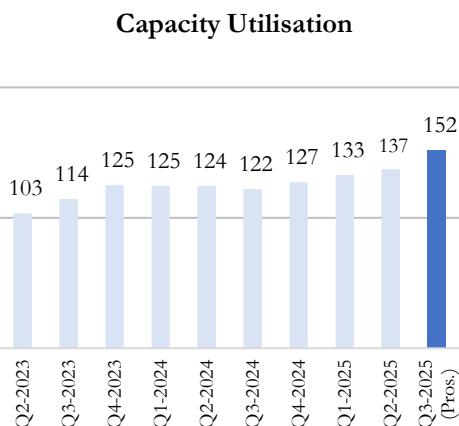
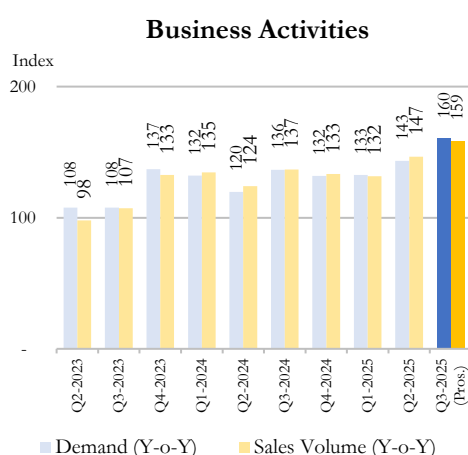
Business Condition

- The Business Condition Index indicates a notable improvement in business confidence in Q3 2025, extending the upward momentum observed in Q2 2025. This suggests a continuation of positive momentum in the overall business climate.
- Firms highlighted lower interest rates and a stable exchange rate as the main reasons for this improvement.
- A sectoral breakdown further reveals that the positive momentum is broad-based, with all three major sectors contributing to the overall improvement in business sentiment.



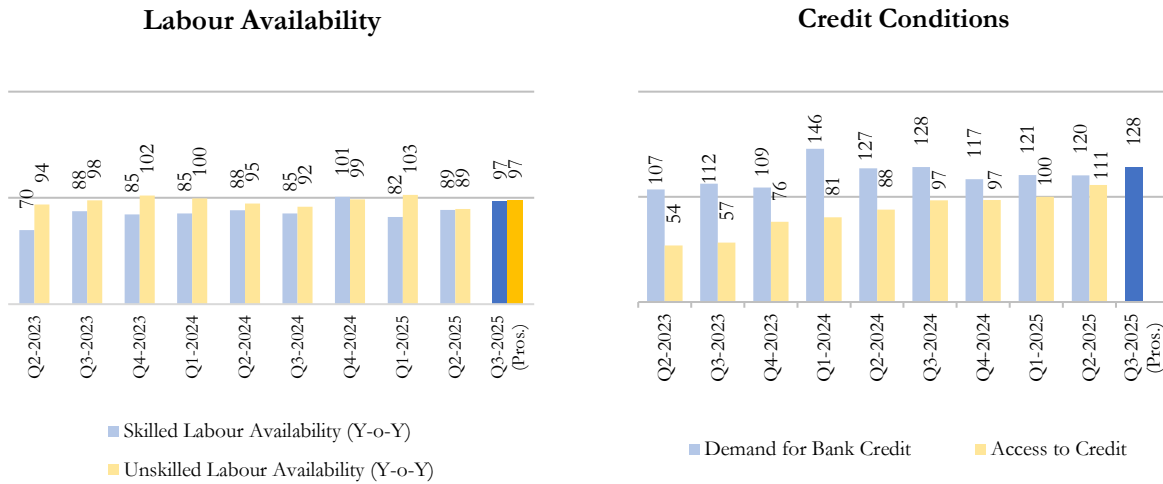
Outlook for Q3 2025

- Demand and sales volumes are expected to increase on a year-on-year basis in Q3 2025, supported by contribution from all three major economic sectors. The Agriculture sector, which has underperformed for a considerable period, is projected to rebound strongly during the quarter. As a result, capacity utilisation is likely to improve during the quarter.
- The investment outlook for Q3 2025 is also positive, with all three major sectors contributing to the improvement. Firms are expected to direct most of these investments toward expansion or repair/replace existing facilities.



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 remain below the neutral threshold in Q3 2025, particularly in the Agriculture and Industry sectors.
- Meanwhile, the demand for bank credit is projected to grow across all sectors, mainly for their operational requirements.



Developments in Q2 2025

- In Q2 2025, the balance of opinion on demand and sales improved in volume terms, supported by all three major sectors.
- Capacity utilisation also increased on a year-on-year basis, in line with higher demand and sales. At the same time, the investment reported an improvement.
- Skilled and Unskilled labour availability declined in all three sectors compared to Q2 2024.
- The balance of opinion on demand for bank credit had increased in Q2 2025 compared to Q2 2024, with firms mainly borrowing for operational purposes. Moreover, the firms rated that the access to credit improved in the quarter.

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.