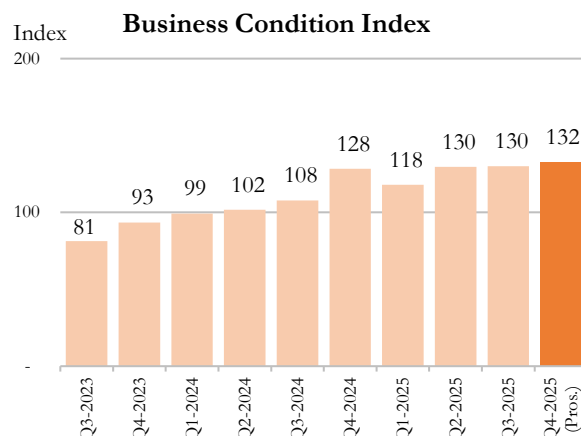


The survey data were collected before the recent extreme weather conditions; hence, the Quarter 4, 2025 prospects may have changed at this point.

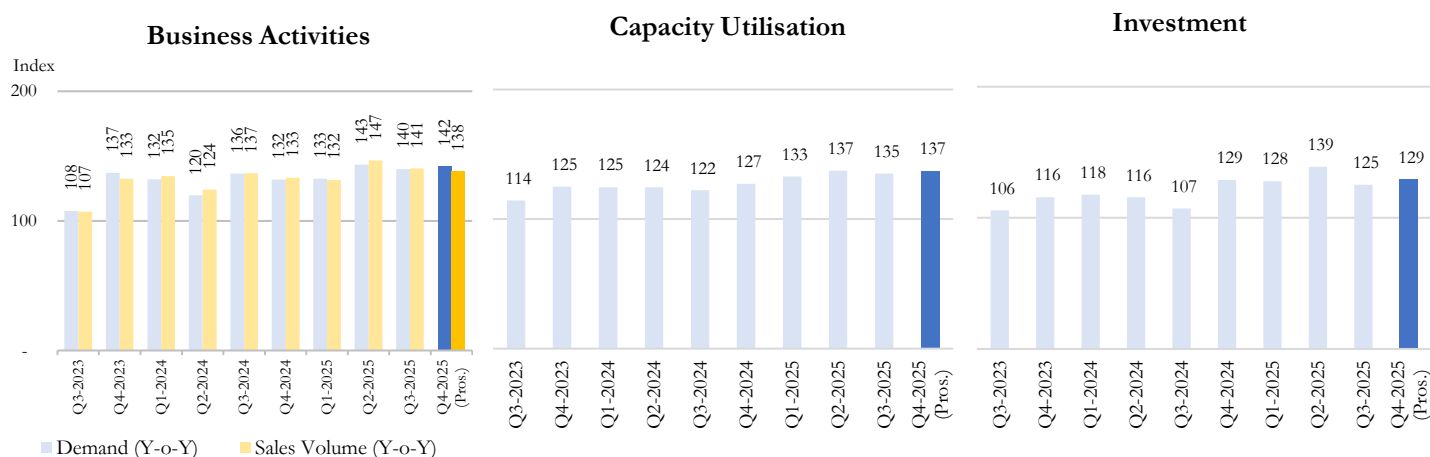
## Business Condition

- The Business Condition Index reflects a strengthening of business confidence in Q4 2025, building upon the upward trajectory recorded in Q3 2025. This indicates a sustained positive momentum in the overall business environment.
- Firms attributed this improvement primarily to favourable macroeconomic developments, including reduced interest rates and a stabilised exchange rate.
- A sector-wise breakdown shows that the positive momentum is widespread, with all three major sectors contributing to the overall improvement in business sentiment.



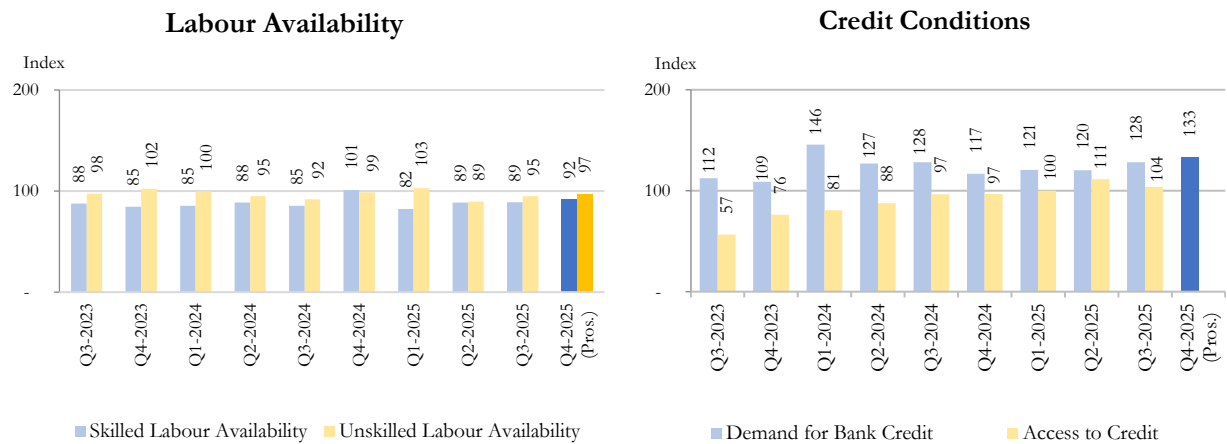
## Outlook for Q4 2025

- Demand and sales volumes are projected to increase year-on-year in Q4 2025, primarily driven by the industry and services sectors. Capacity utilisation is also anticipated to improve during the period.
- The investment outlook for Q4 2025 remains positive, with all three major economic sectors contributing to this improvement. Firms are expected to allocate most of these investments toward capacity expansion and increasing output.



<sup>1</sup> 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 availability of skilled as well as unskilled labour is expected to remain below the neutral threshold in Q4 2025.
- Concurrently, demand for bank credit is projected to increase across all sectors, primarily to meet operational requirements.



## Developments in Q3 2025

- In Q3 2025, the balance of opinion regarding demand and sales improved in volume terms, supported by all three major economic sectors.
- Capacity utilisation increased on a year-on-year basis, reflecting higher demand and sales, while investment also exhibited an improvement.
- However, the availability of both skilled and unskilled labour continued to decline.
- The balance of opinion on demand for bank credit increased, with firms primarily borrowing to meet operational requirements. The firms also reported an improvement in access to credit during the quarter.

### How the Index is Compiled

Business Sentiment Index(BSI)<sub>k</sub> =  $\sum_{i=1}^n \frac{x_i}{n} \times 100 + 100$  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.