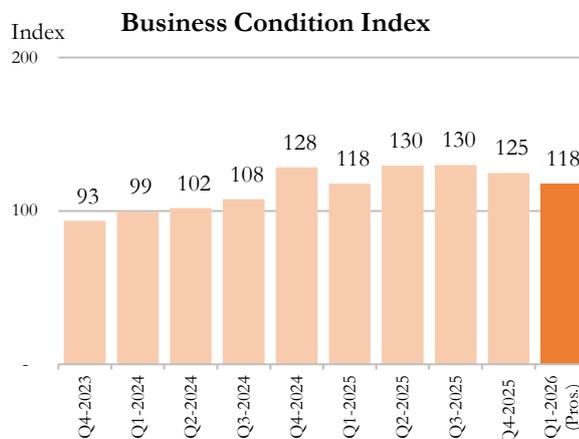


Note: The survey data collection commenced before the recent conflict in the Middle East.

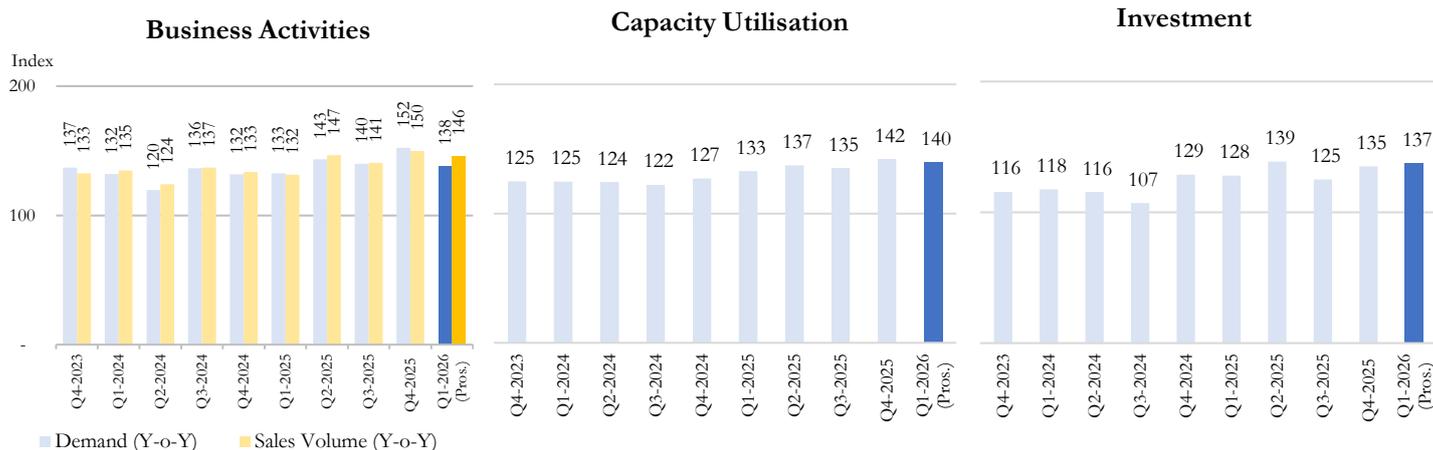
Business Condition

- The Business Condition Index denoted an expansion in Q4 2025, amidst the weather-related disturbances, demonstrating the resilience in the overall business environment. Furthermore, the outlook for Q1 2026 also indicates an expansion.
- Firms attributed this expansion primarily to favourable macroeconomic developments, including relatively low interest rates and low inflation rate.
- A sector-wise breakdown shows that the overall improvement in business sentiments is driven by the Services and Industry activities.



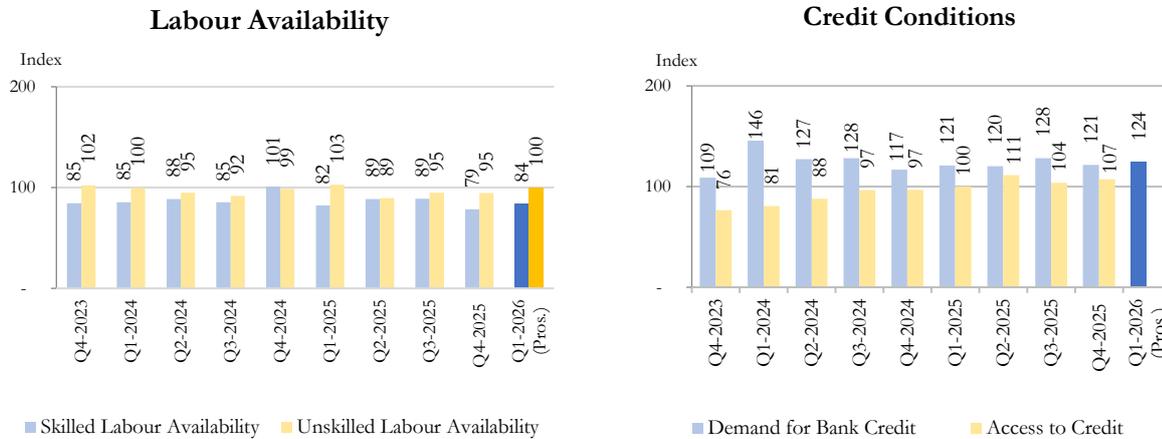
Outlook for Q1 2026

- Demand and sales volumes are projected to increase year-on-year in Q1 2026, driven by all three sectors. The profitability and financial situation are expected to improve in Q1 2026, mainly supported by the Services and Industry sectors. Further, capacity utilisation is anticipated to improve during the quarter.
- The investment outlook for Q1 2026 remains positive, driven by all three sectors. Firms are expected to allocate most of these investments toward capacity expansion and increasing output.



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 availability of skilled labour is expected to remain below the neutral threshold in Q1 2026 in all three sectors.
- Similarly, demand for bank credit is projected to increase across all sectors, primarily to meet operational requirements.



Developments in Q4 2025

- In Q4 2025, the balance of opinion regarding demand and sales improved in volume terms, underpinned by all three major sectors.
- Capacity utilisation strengthened on a year-on-year basis, reflecting higher demand and sales, while investment also exhibited an improvement.
- The availability of both skilled and unskilled labour contracted across all three sectors compared to Q4 2024.
- The balance of opinion on demand for bank credit increased in Q4 2025 year-on-year, driven primarily by operational requirements, even as firms reported a marginal easing in credit accessibility during 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.