

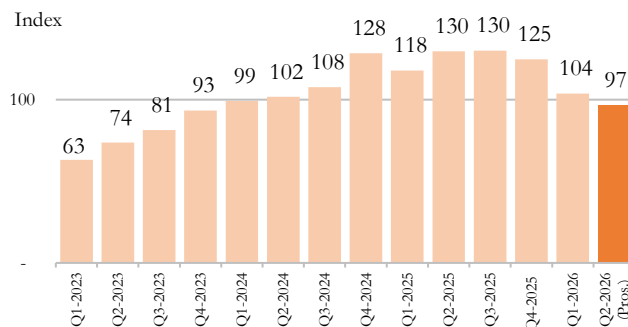


Note: The survey data collection completed on 02.06.2026.

Business Condition

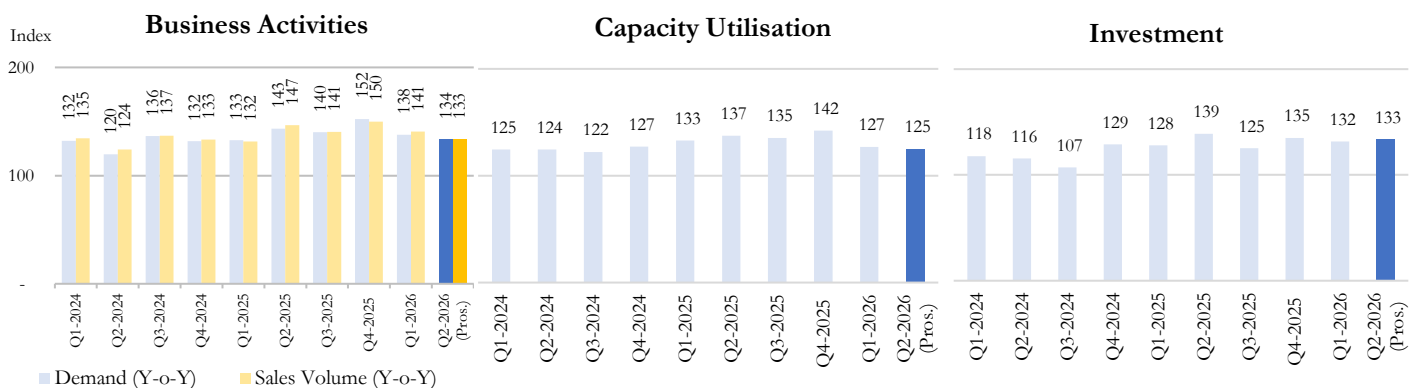
- The Business Condition Index, which captures firms' assessment of the current and future business environment, remained above the neutral threshold in Q1 2026. The outlook for Q2 2026 is marginally below the neutral threshold, reflecting a more cautious assessment of the overall business environment, primarily due to heightened uncertainties stemming from the ongoing conflict in the Middle East. However, most key indices remained above the neutral threshold for Q2 2026.
- Sectoral survey results suggest that the moderation in overall business sentiment in Q2 2026 was driven by the Agriculture and Industry sectors. The Services sector continued to exhibit positive sentiment, in spite of expected subdued performance of the tourism sector.

Business Condition Index



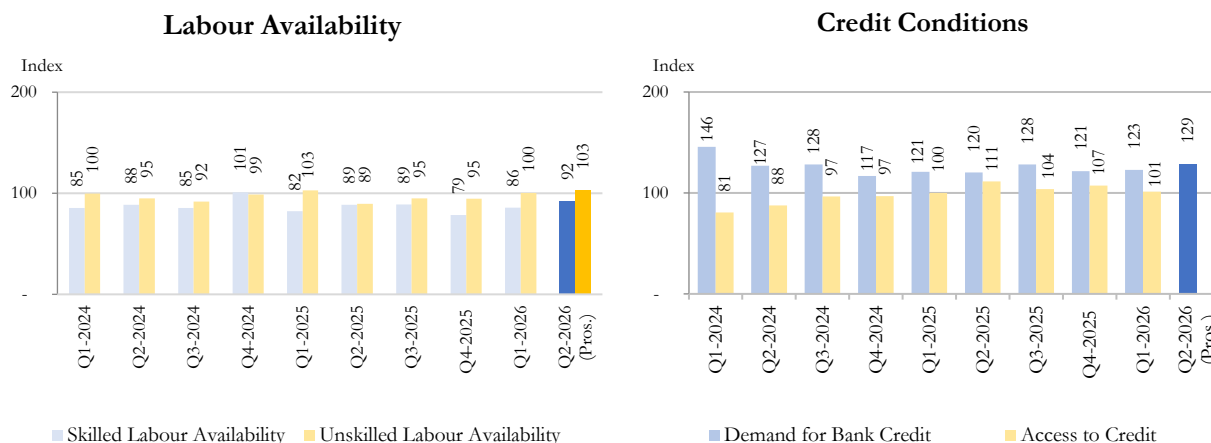
Outlook for Q2 2026

- Demand and sales volumes are expected to increase at a moderate pace on a year-on-year basis in Q2 2026, mainly driven by the Industry and Services sectors, while demand in the Agriculture sector is expected to remain around the neutral threshold. In line with these developments, capacity utilisation is expected to remain above the neutral threshold in Q2 2026.
- The balance of opinion on investment is expected to remain robust in Q2 2026, supported by all three sectors, with the majority of the firms planning to undertake investment for expansion purposes.



¹ The Statistics Department of the Central Bank of Sri Lanka initiated a quarterly Business Outlook Survey (BOS) in the second Quarter of 2014 to assess current and future business conditions. The 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 Q2 2026.
- The balance of opinion on demand for bank credit², which is mainly intended for operational purposes, is expected to improve in Q2 2026. This increase is expected to be driven by all three sectors.



Developments in Q1 2026

- The balance of opinion on demand and sales volumes improved in Q1 2026, led by the Industry and Services sectors. Sales growth was observed across all three sectors, whereas demand in the Agriculture sector remained at the neutral threshold.
- Overall capacity utilisation increased on a year-on-year basis in Q1 2026 in line with the increase in demand and sales. Meanwhile, the balance of opinion on investment also improved in Q1 2026.
- Firms reported an increase in both input and output prices across all three sectors in Q1 2026 on a year-on-year basis.
- The balance of opinion on demand for bank credit improved across all sectors in Q1 2026.

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.

² Please note that most of the survey responses have been recorded prior to the recent policy actions by the Central Bank.