



The
Ceylon
Chamber of
Commerce

EXPORT BAROMETER SURVEY

Findings and Insights Report
Feb/March 2023

Executive Summary

Context

The 4th Export Barometer Survey covers the second half of 2022, a period that Sri Lanka was recovering from a challenging social and economic uncertainty and moving towards restoring economic stability. In the 3rd survey, exporters had a negative outlook on the economy and their export orders for the second half of 2022. This materialized with the economy contracting by 11.5% and 12.4% in the third and fourth quarter respectively. Further, exports also declined during the last quarter of 2022. This report is based on a survey of 103 exporters of goods and services with SMEs forming the majority of the respondents while 18% of the firms were women-owned and/or led.*

The report builds on the findings from previous reports and tracks trends related to Sri Lanka's export performance, challenges faced by exporters, and how firms navigated the current economic crisis. Further, the report provides measures required to enhance export competitiveness and the outlook for the export sector for the first half of 2023.

The key insights from the survey are as follows:

1. Export Performance falls in the second half of 2022 mirroring a slowdown in national exports during the last quarter

Export revenue growth and capacity utilization saw a dip during the second half of 2022. Only 31% of firms saw an increase in export revenue compared to 46% in the previous survey. Data from the Central Bank of Sri Lanka highlight that the last quarter of 2022 recorded a significant decline with exports contracting on a yearly basis. This trend was validated in the survey findings. The decline in revenue also meant production capacity was being underutilized with 55% of firms experiencing a decrease in capacity utilization during the second half of 2022.

* For details on the survey methodology click [here](#)

Executive Summary Cont'd

2. Exporters struggled with the negative image of the country and domestic regulation

While exports grew in 2022, with merchandise exports growing over USD 13 billion for the first time, firms faced difficulty in managing export buyer concerns regarding the stability of the country. Most firms highlighted that a greater concern than finding new buyers and venturing into new products, was retaining existing clients that were looking to move to competitor countries. Firms also faced domestic regulation issues related to import restrictions, clearance delays in the port and cumbersome import/export procedures including TIEP-related procedures and documentation. The challenges are consistent amongst both goods exporters and service exporters as well as SMEs, large firms and women-led/owned firms.

3. SMEs face challenges with disruption to supply and loss in demand

The foreign exchange crisis saw the SMEs that were exporting goods see a loss of suppliers/delay by suppliers. Service exporters in particular SMEs faced challenges with the decrease in demand for services. However, SMEs showed resilience relative to large firms with only 37% seeing a decline in export revenue compared to 60% of large firms.

4. Political stability and uninterrupted energy supply key asks from exporters

To be able to retain existing buyers and reach out to new markets with new products and services, firms listed the need for uninterrupted energy supply and political stability as the two key export facilitation measures. Firms also cited assistance related to export finance, improvement in the regulatory process and the need to allow a market determined currency as other requests. The request on the currency has been fulfilled with the exchange rate being made market determined during March 2023.

Executive Summary Cont'd

5. Exporters are less pessimistic in their outlook on the economy while views on exporter orders remain the same

52% of the firms expect the Sri Lankan economy to severely or moderately contract in the first half of 2023 which is an improvement from the 68% in the last survey. 47% of exporters expect a fall in their exporter orders in the first six months of 2023 similar to the last survey. Fewer firms have also found new business opportunities in the second half of 2022 that would help them drive new orders. The Middle East was cited as the top market that firms were looking to explore in terms of new markets for their products and services.

Conclusion

The survey highlights that exporters have successfully managed a period in which the economy and country was going through a turbulent time. Managing customer expectation, needs and communication ensured Sri Lanka did not see a fall in exports during 2022. However, as the survey points out the export momentum seen in 2022 may not continue in 2023 due to the fall in global demand. With the stability in electricity and fuel supply, firms could emerge out of a survival mode and consider entering new markets in order to diversify the risk of a global economic slowdown. The most concerning factor however is on the labour side where higher labour attrition compared to past and migration could lead to a more medium to long-term skills shortage.

Overview

of Survey Respondents



FIRM TYPE, EMPLOYMENT AND TURNOVER

103

Exporters participated in the survey



71%

were SMEs based on the number of employees

Lower than the previous survey of 74%

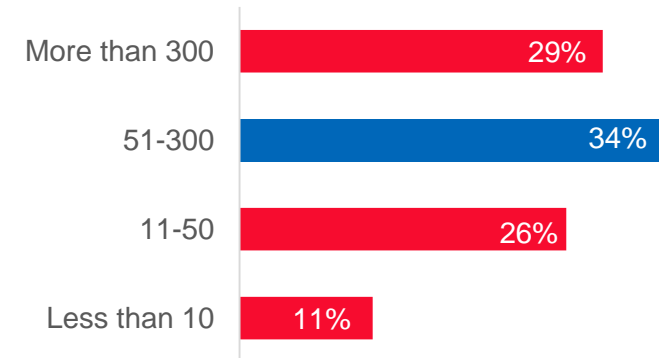


18%

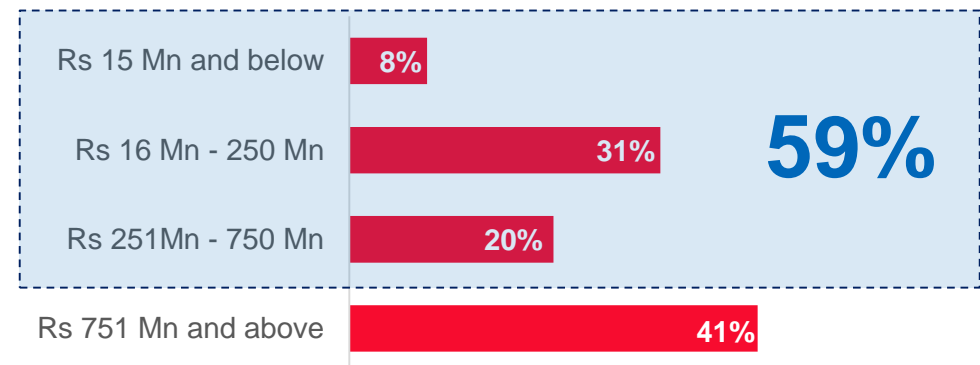
were women-owned and/or led businesses

Lower than the previous survey of 20%

34% of firms have 51-300 employees
29% companies have 300+



59% of firms have an annual turnover of Rs 750 Mn and below



FIRM LOCATION, EXPORT TYPE AND RESPONDENT PROFILE

85% of the respondents were engaged in **exporting goods**



85%
Exporting Goods



2%
Exporting Services

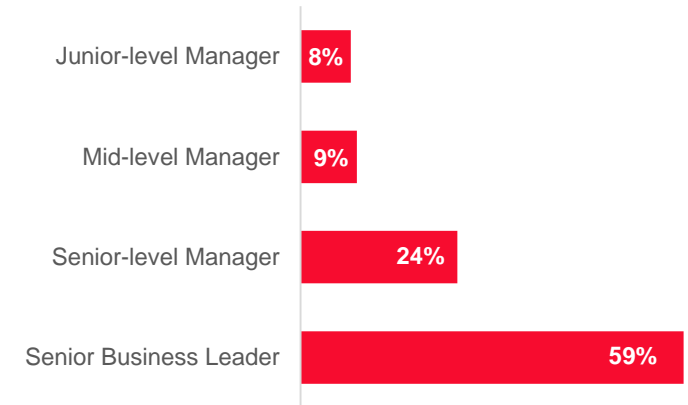


4%
Exporting Goods
and Services



9%
Export related
services

59% of the respondents held C-Suite level positions while 24% were Senior-Level Managers

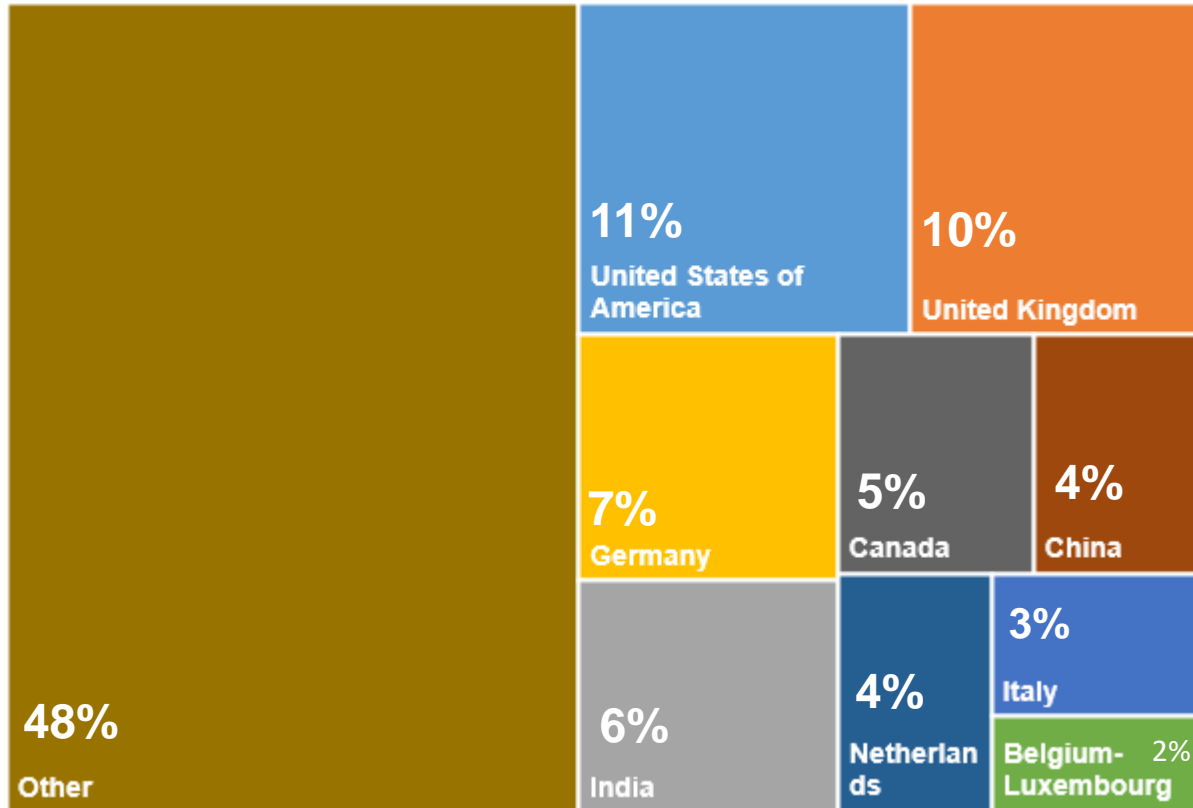


65% of the respondent firms are located in the Western Province, a small increase of 3% from the last survey

Notable proportion of respondents located in Kurunegala (12%) and Kandy (5%)

TOP 10 SECTORS AND EXPORT MARKETS

Top 10 Export Markets



The top 5 International markets in terms of value were; **United States of America, United Kingdom, Germany, India and Canada**

Top Sectors

44%
Agriculture based



Coconut
13%



Tea
9%



Spices
7%



Vegetables
5%



Seafood
4%



Rubber and Minor agri-products
3% each



18%
Textile and Garments



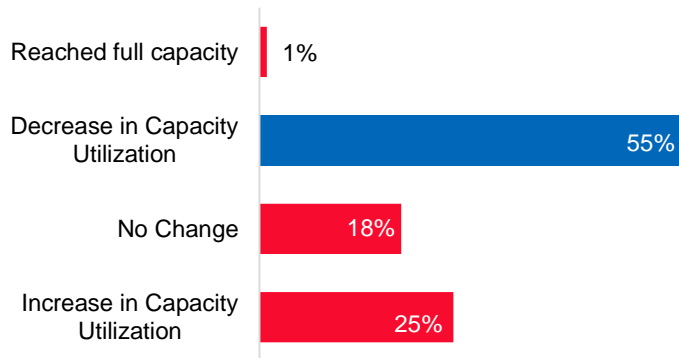
9%
Food and Beverages

Business Performance and Key Challenges in the **Second-Half of 2022**



CAPACITY UTILIZATION

55% of exporters experienced a **decrease in capacity utilization** during the second half of 2022. This is a significant fall compared to the first half of 2022



74% of firms that are **led / owned by a Woman** and **73% of large firms** experienced a decrease in capacity utilization

44% of exporters had capacity utilization of 61%-100%

56% of exporters had capacity utilization of 0%-60%

Decrease in capacity utilization from last survey where we saw a 50-50 mix

64% of **SMEs** and

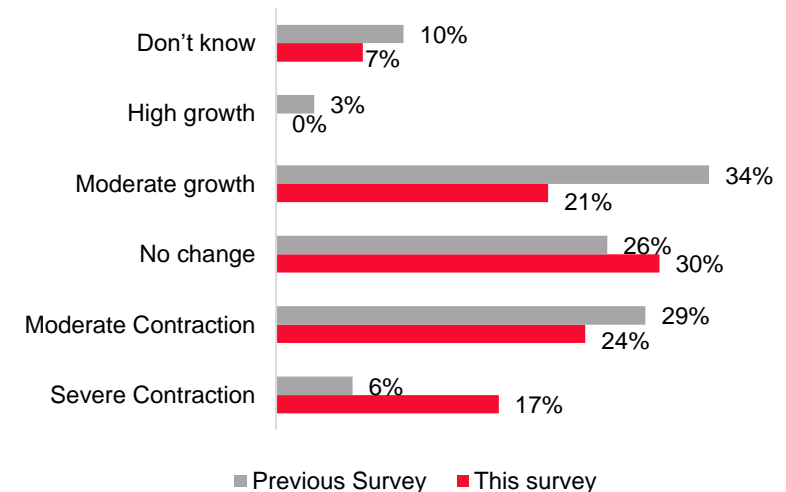
68% of **women**

owned/led firms were operating at a capacity level of 60% and below, while only 37% of Large firms which were at a capacity of 60% and below.

Perceived outlook

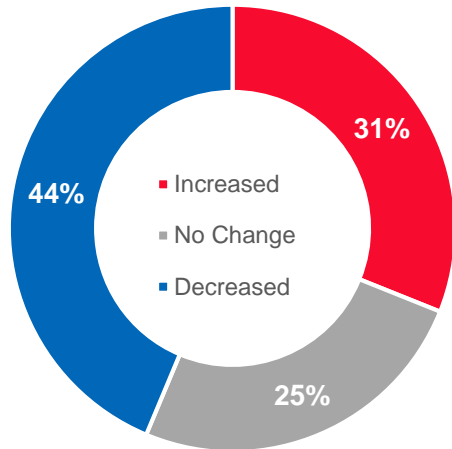
This generated a mixed response, with 24% of respondents expecting a moderate contraction in capacity utilization, 30% expecting no change, and 21% expecting moderate growth.

Overall, a slightly higher proportion of 41% expect a contraction in capacity utilization, comprising 44% of goods exporters and 27% of service exporters



PERFORMANCE IN THE 2ND HALF OF 2022

31% of firms have increased their export revenue in the 2nd half of 2022, a decrease compared to 46% in the previous survey



37% of SMEs experienced a decrease in export revenue compared to 60% of Large firms. In addition, only 34% and 23% of SMEs and Large firms respectively, experienced an increase in export revenue

69% of women led/owned companies have increased or maintained the export revenue during the second half of 2022 compared to 72% in the last survey.



Of the firms that experienced an **increase in export revenue**, a majority of

53% saw a change of 0-20%



Of the firms that experienced a **decrease in export revenue**, a

majority of **64%** saw a change of 0-40%



Large firms have seen a decrease in export revenue

with **96%** experiencing a decrease of 0% to 60%. 92% of SMEs have seen a decrease in export revenue between 61% - 100%.



KEY CHALLENGES



**Cost of transport
and logistics**



**Negative country image amongst
investors and customers**



**Domestic
regulatory
barriers (such
as access to
information/
import
restrictions/
clearance
delays etc.)**



**Lack of an indicative
timeline (and a national
strategy) relating to
overcoming current
challenges**



**Challenges with regard to forex
regulations, in terms of
documentation and access to
funds**

All categories of exporters cited identical challenges.

Challenges caused by power outages and fuel shortages, as well as the lack of a cohesive national strategy and timeline relating to overcoming current challenges, were highlighted more than in the previous survey.

Other challenges highlighted included those related to the drain on working capital due to Social Security Contribution Levy and Advanced Income Tax payments, additional procedures introduced by Public Health Inspector officers inside ports, post Covid-19, and continuing bottlenecks and red tape related to import/export procedures.

Negative image of country and domestic regulatory barriers are new top 5 challenges compared to the last survey

KEY CHALLENGES cont'd



49% of goods exporters stated that international air freight costs have increased moderately to significantly between the two periods.



54% of goods exporters stated that international container shipping costs have increased significantly in the 2nd half of 2022, which is a decrease from 83% in the last survey

Both percentages have decreased compared to the first...half of 2022 mirroring the decline in global freight rates.

The main reasons for the increase in freight / shipping costs were due to increases in container freight/air freight rates and a shortage of vessel/flights for export goods

50% of all firms stated that the sourcing of products has improved in the second half of 2022 compared to the first half of 2022. This comprises 70% of Large firms and 42% of SMEs, and is a significant change compared to the first half of 2022.

40% of service exporters stated that the situation with regard to sourcing products/services has not changed or seen only a slight improvement

IMPACT OF THE ECONOMIC CRISIS ON GOODS EXPORTERS



63% of firms agreed that there has been a **loss of suppliers/delays by suppliers due to the foreign exchange shortage/economic crisis**, the majority being SMEs (74%) compared to Large firms (26%)



Of those who responded Yes, **47%** agree that **it has significantly affected their ability to export**, while 45% marginally agree.



A strong majority of **93%** **are able to use their export earnings to pay for suppliers**. However, 60% agree that it is a time-consuming process requiring several documents.

ECONOMIC CRISIS IMPACT FOR SERVICES EXPORTERS



43% of firms believe that the **main challenge exporters of services face is the decrease in demand for services from Sri Lanka**, with 83% of them being SMEs and 17% being large firms.



73% of firms state that **there has been no change of location**.



The **lack of skilled labor** to manage existing projects/ product development was another key challenge faced by service exporters.



53% of firms claim that there has been a **loss of customers** due to the challenges faced by the forex shortage.



Of the firms that experienced a **loss of customers** due to forex-related challenges, half the respondents state this has **significantly affected their ability** to continue providing services, while the other half say their ability to do so has been only marginally affected.

Employment and Digital Transformation



EMPLOYMENT



57% of respondent's state that **labor recruitment during the two periods have remained the same**, while 17% state that it has increased. 29% of SMEs has seen a decrease in recruitment compared to 30% of Large firms.



A majority of the firms say that they have considered cost cutting measures due to the current economic climate.

83% of large firms have considered **cost cutting measures** compared to 64% of SMEs.



Overall, **25%** of respondents state that their **budget for training and support of employees in the second half of 2022 compared to the first half of 2021 has increased** with 10% experiencing a significant increase and 15% experiencing a marginal increase.

EMPLOYMENT cont'd



Overall, **29%** of respondents state that **their budget for training and support of employees decreased in the first of half of 2022 compared to the second half of 2021**

12% experiencing a significant decrease

17% experiencing a marginal decrease

29% of SMEs have reduced their training budget, compared to 27% of Large firms

48% of respondents' training budgets have remained unchanged.



26% of firms have seen an **increase in attrition** due to skilled migration, while 36% have seen a marginal increase

However, **26%** of respondents have not observed such a trend in their organisation.

Large firms have experienced a higher proportion of their employees leaving for skilled migration (83%) compared to SMEs (51%)



64% **expect no change in the size of their workforce over the next 6 months** compared to the previous 6 months.

DIGITAL TRANSFORMATION



61% use online channels to generate orders/sales/leads, compared to 39% who do not do so

A higher proportion of **84%** of male respondents tend to use online channels compared to female respondents (16%).

A higher proportion of **63%** of SMEs tend to use online channels compared to Large firms (57%).

Of the respondents who said 'Yes', a majority of

86% state that

less than 25% of sales/orders were generated through online channels in the second half of 2022. 7% stated that more than 50% of sales/orders were generated through online channels in the second half of 2022.

Export Opportunities and Facilitation

To improve Export Competitiveness



EXPORT OPPORTUNITIES



51% of respondents identified new business opportunities in the second half of 2022, *(a drop compared to 57% in the previous survey).*

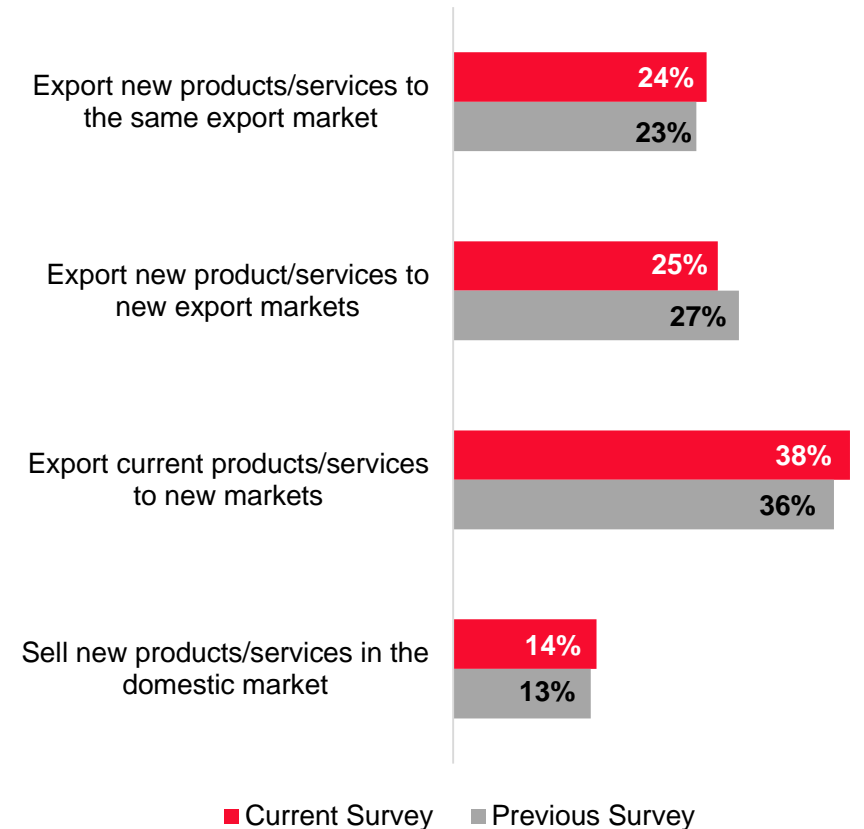
A higher proportion of **52% of goods exporters** identified new opportunities during the period, compared to **55% of service exporters.**

Goods exporters
who have found
new opportunities

61%
SMEs

39%
Large firms

Nature of New Business Opportunities identified,

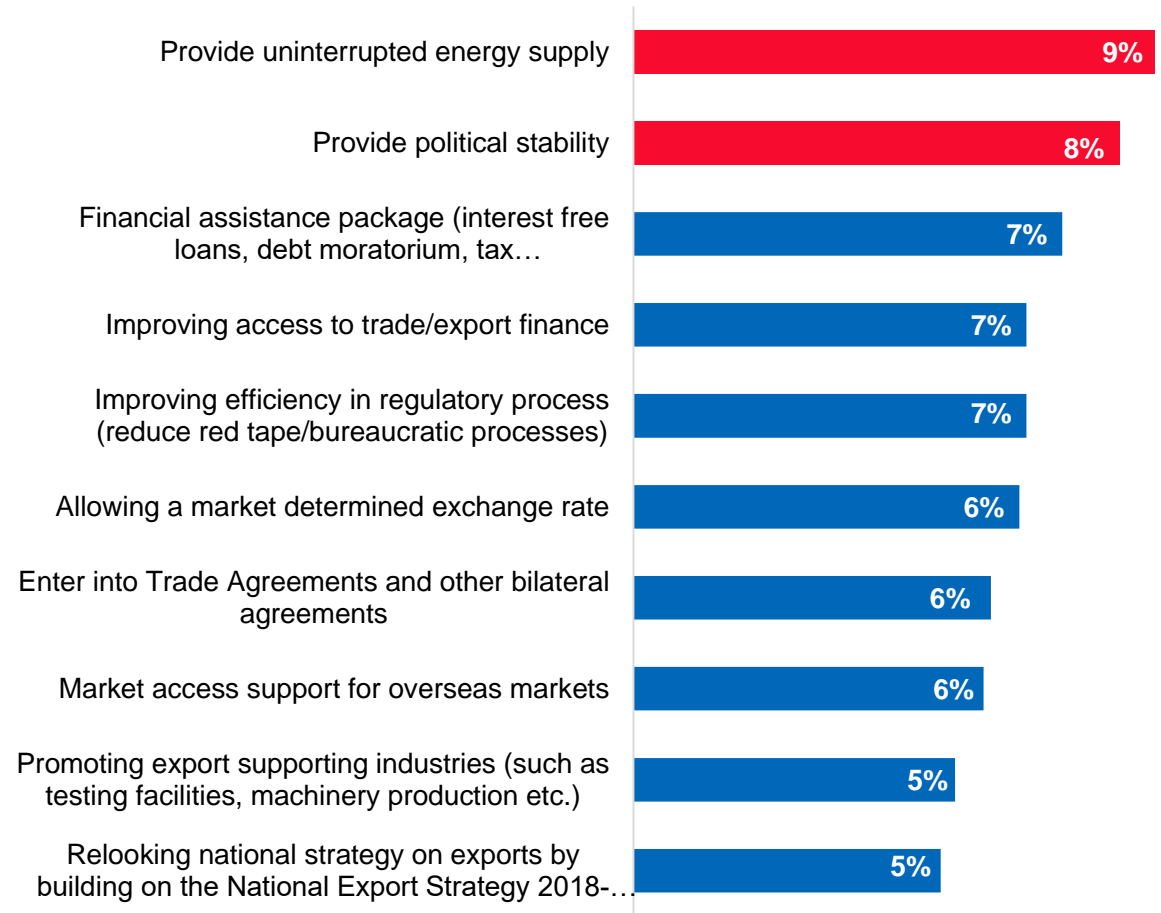


EXPORT FACILITATION REQUIRED

A significant majority of exporters expressed the need for **uninterrupted energy supply** and **political stability** in the country



Top 10 Export Facilitation Required From The Government



EXPORT FACILITATION REQUIRED cont'd

Export Facilitation required from Trade Chambers and Donor Agencies

Speed up the process of obtaining licenses, approvals from government bodies and conduct workshops & create awareness.

Exhibitions / B2B/Trade fairs/assist with digital marketing. Promote legislation and increase support in export markets which **reduce colonial barriers in trade**

Training on export negotiation, digital marketing, automation and IoT, e-Commerce development and supply-chain management for e-Commerce, and market access

Introduction to online platforms like Amazon to sell direct to consumers.

Awareness regarding digital marketing and other digital technologies.



Assistance from the respective commercial officers in support with relevant information pertaining to entering various markets

Awareness on FTAs which are under discussion. Lobbying authorities on critical issues. Technology and training

Enhance awareness among State agencies and the general public regarding **the importance of exports to the national economy**, vis-a-vis contributing towards improved socio-economic standards. Sri Lankan missions overseas can assist exporters in Sri Lanka with inquiries relating to the viability of overseas buyers/companies

Digitization of import export facilitation to enhance transparency.

Funding for sustainable export products and services

Outlook

Next 6 months



OUTLOOK ON THE ECONOMY



52% of respondents expect the **Sri Lankan economy to severely/moderately contract** within the next 6 months compared to the previous 6 months.

This is an improvement from 69% in the last survey

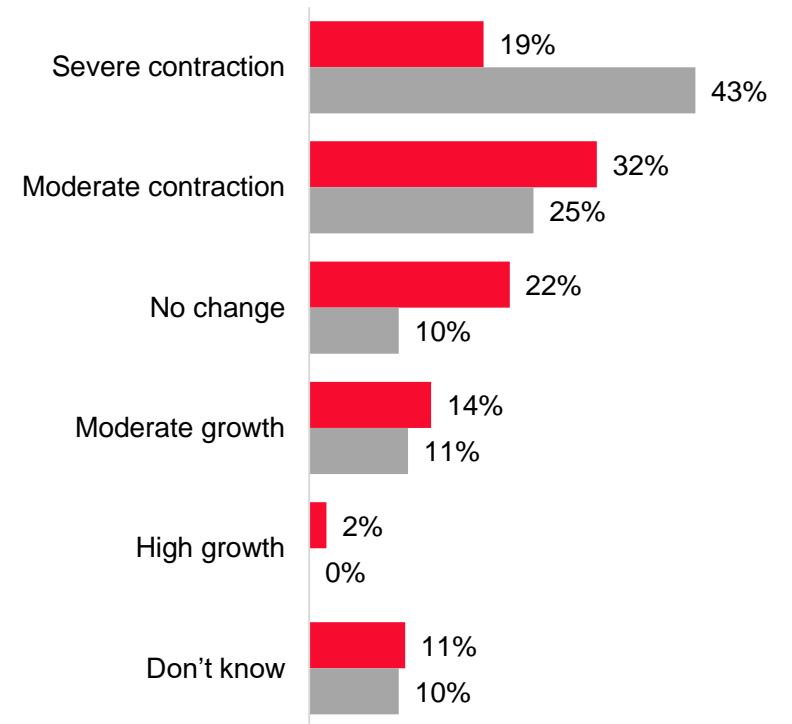
Goods exporters are more pessimistic about the

future outlook of the economy with **74%** expecting worsening or no growth, compared to 64% of service exporters expressing similar sentiments



Only **2%** of the respondents **expect high growth.**

Outlook for the economy has improved and export orders have remained as in the last survey



■ Current Survey ■ Previous Survey

OUTLOOK ON EXPORT ORDERS



47% of respondents expected a **moderate to severe contraction** in their export orders.

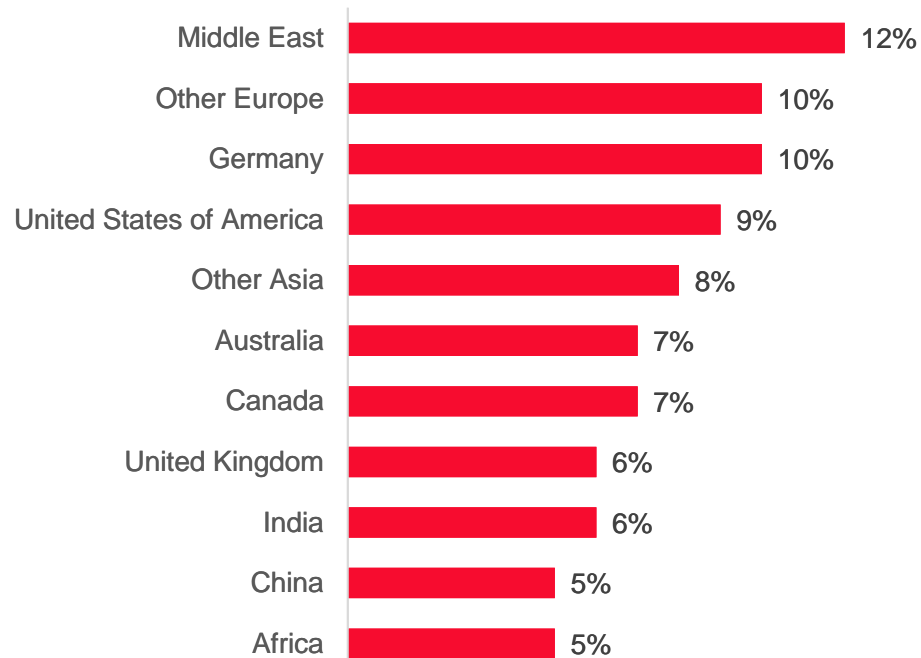
20% of respondents expect no change in export orders, while 26% expect moderate to high growth.

Goods exporters are slightly more confident of an improvement in their export orders with **28%** expecting moderate to high growth, while 18% of service exporters expect moderate to high growth.

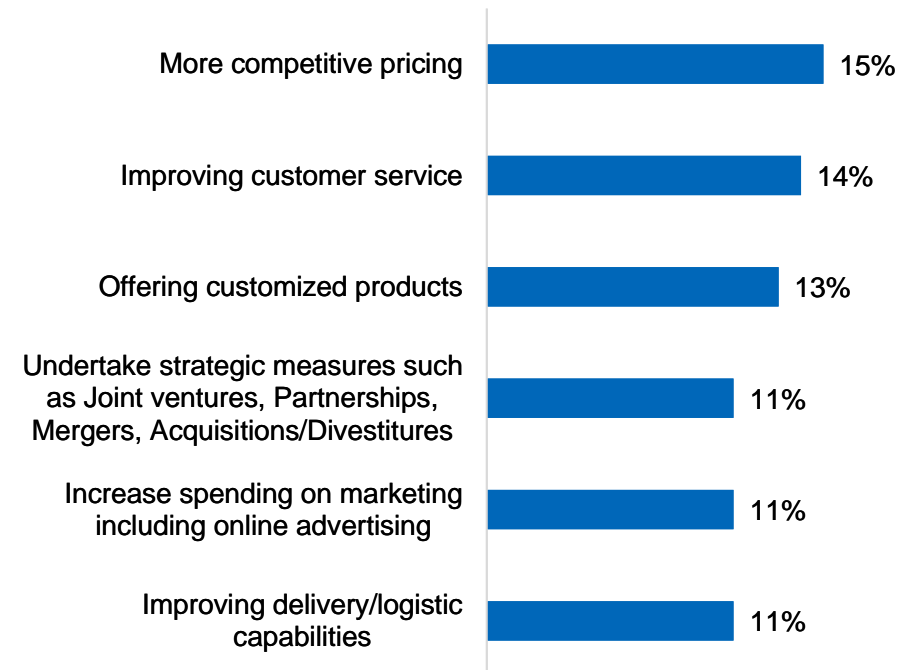


55% of respondents **expect to reach 1-2 new international markets in the next 6 months,** while **16%** do not expect to reach any new international markets within the next 6 months.

Top New Markets



Top 6 measures to be implemented to drive more orders



OUTLOOK FOR STOCK OF PURCHASES



39% of respondents stated that **there will be no change in the perceived stock of purchases** in the next 6 months while **36%** expect a severe to moderate contraction

OUTLOOK FOR PRICE EXPECTATIONS



38% expect a **moderate to significant increase** in prices (unit price movement) while **25%** do not expect any change

OUTLOOK FOR SUPPLIERS' DELIVERY TIME



A significant proportion of **48%** **expect no change.**

Survey Methodology

- The Export Barometer Survey is a bi-annual survey implemented with the main purpose of gathering exporter insights. This survey provides an understanding of how exporters are transitioning to a new normal post-COVID-19 and how the ongoing economic crisis impacts on firms. The survey signals changes in export trade, and thereby, acts as a forward-looking indicator. Also, it identifies the needs and support requirements of exporters.
- A detailed survey questionnaire with 56 questions was formulated to conduct the assessment. The questionnaire had 4 main sections: 1) General Respondent Details, 2) Changes in Export Business Performance, 3) Business Opportunities and Facilitation Measures and 4) Export Business Outlook. Prior to administering the survey, a pilot test was conducted for both goods and service exporters to ensure that the questionnaire was user-friendly and met the objectives of the survey. Feedback received was used to improve the survey instrument.
- The survey utilized the exporter database of The Ceylon Chamber of Commerce which covers both exporters of goods and services. The questionnaire was also circulated amongst key trade and service associations similar to the previous survey. The survey was implemented for three weeks from February 10th – 3rd of March, 2023 using the online survey platform, Typeform. The survey received a total of 103 responses which was above the target of 100-120 responses.
- The survey received 71% of responses from SME firms and 18% from women-owned and/or led firms, meeting the targets. SME firms were classified based on the number of employees specified by the [National Policy Framework for Small and Medium Enterprise Development](#). Data collected was analyzed using quantitative methods including calculating percentages, and cross-tabulating data.
- Certain challenges were faced in implementing the survey given that it was conducted during a period of economic crisis. The duration of the survey was restricted as certain questions were time-bound due to changing economic and social conditions. The lack of willingness of exporters to engage in a lengthy survey conducted online was another limitation.

Export Barometer Survey – February/March 2023

Conducted by The Ceylon Chamber of Commerce

For further information on the report, contact ei@chamber.lk