



EXPORT BAROMETER SURVEY

Findings and Insight Report- January 2024

Key Insights

This report is the 5th edition in the Export Barometer Survey series, succeeding the inaugural report launched after the survey conducted in August-September 2021. Based on the insights gathered from 103 exporters of goods and services, this report provides a comprehensive view of the export sector's prospects for 2024. It also sheds light on strategies employed by companies in navigating challenges arising from the economic crisis. Notably, the majority of respondents were SMEs, with 16% of the firms identified as women-owned or led.

1. Strong Performance in Exports Continue

Against the backdrop of economic dynamics, the export sector exhibited robust growth in 2023. The majority of exporting entities reported a notable surge in revenue, with Small and Medium Enterprises (SMEs) emerging as the primary drivers of this positive trend.

Women-owned or led firms demonstrated remarkable resilience, maintained or increased export revenue. Significantly, a majority of these firms experienced revenue growth within the range of 20%.

2. Exporters Faced Significant Challenges

Exporters, irrespective of their size or ownership structure, encountered formidable challenges primarily stemming from increased utility prices and the escalating costs of transport and logistics. The issues resonated across both large enterprises and SMEs.

Service oriented exporters grappled with lack of skilled labour, highlighting a sector-specific challenge that warrants attention.

3. Firms Expanded Their Workforce

74% of the firms surveyed expanded their workforce, attributing this expansion to increased production demands. Simultaneously, more than 80% of the entities maintained or increased training budgets, demonstrating commitment to skill development.

The 24% that did not expand their workforce cited lower product demand and labor migration as primary factors. Large enterprises, in particular, experienced workforce challenges due to skilled migration.

4. Improved Digital Adoption in Export Operations

A majority of firms, particularly SMEs, embraced digital tools to optimize their export processes.

Firms strategically pursued digital marketing to enhance global brand visibility and expand market reach. This underscores the sector's recognition of the importance of technological integration for sustained competitiveness.

Key Insights cont'd

5. Firms Identified New Business Opportunities

Most of the firms identified new business opportunities in 2023. A staggering 75% of these opportunities were seized by SMEs, showcasing the sector's agility and ability to identify and capitalize on emerging trends.

Additionally, nearly one-third of the firms ventured into exporting new products and services to novel markets, reflecting a strategic shift towards diversification.

6. Key Facilitation Required by Exporters

Political stability and the uninterrupted supply of energy emerged as key facilitation required to optimize operations.

The top five priorities in facilitation include financial assistance, market access support, and the adopting a market-determined exchange rate. Recognizing these needs is crucial for policymakers and support institutions to align strategies with the sector's requirements.

7. Exporters are Optimistic on Outlook

Despite global uncertainties, exporters in Sri Lanka are optimistic regarding the economic and export growth outlook for 2024. The majority anticipate moderate economic growth, mirroring positive sentiments towards the export sector.

More than half of the surveyed firms express positive expectations regarding the prices of their products in 2024. Additionally, a substantial proportion of firms plan to explore 1-2 new international markets, with the Middle East emerging as a prominent target region.

8. Strategies for 2024

Looking ahead to 2024, exporters are poised to employ strategic measures to boost export orders. Foremost among these is the adoption of a more competitive pricing strategy. This is closely followed by initiatives to enhance customer service and increased investment in marketing, including a notable focus on online advertising. These strategies reflect a concerted effort by exporters to position themselves competitively and capture new opportunities in the evolving global trade landscape.

Overview of Survey Respondents



Firm Type, Employment and Turnover

103

Exporters Participated in the Survey, which;

Company Size

74%
SMEs



26%
Large
Businesses



Ownership

16%
Female-led
/ owned firms



74%
Male-led
/ owned firms



Type of Export

82%
Export
only Goods



10%
Export
both Goods
and Services



3%
Export
only Services

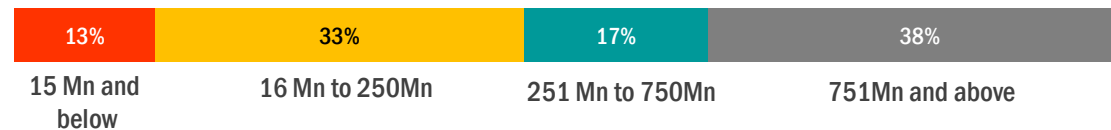


5%
Export
related Services



34% of respondents have 51-300 employees while **26%** has employ 300 or more

55% of the firms had annual turnover of Rs. 251 mn and above



Firm Location and Respondents' Profile

72% of the firms are located in the Western Province.

Colombo
43%

Gampaha
23%

Kalutara
6%

Kurunegala
6%

Puttlam
4%

Other Districts (indicated on the map)
18%



56% of respondents held C-Suite level positions while **31%** were Senior-Level Managers.



56% Senior Business Leaders



31% Senior-Level Managers



6% Mid-Level Managers



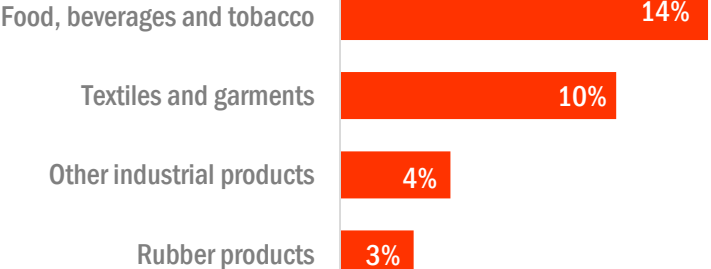
7% Junior-Level Managers

Top 10 Sectors and Export Markets

The top 10 export sectors consisted of a **balanced mix** of manufacturing and agriculture-based firms.

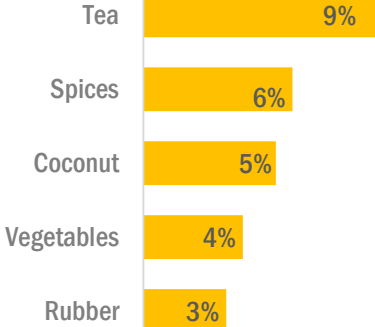
Manufacturing

30%

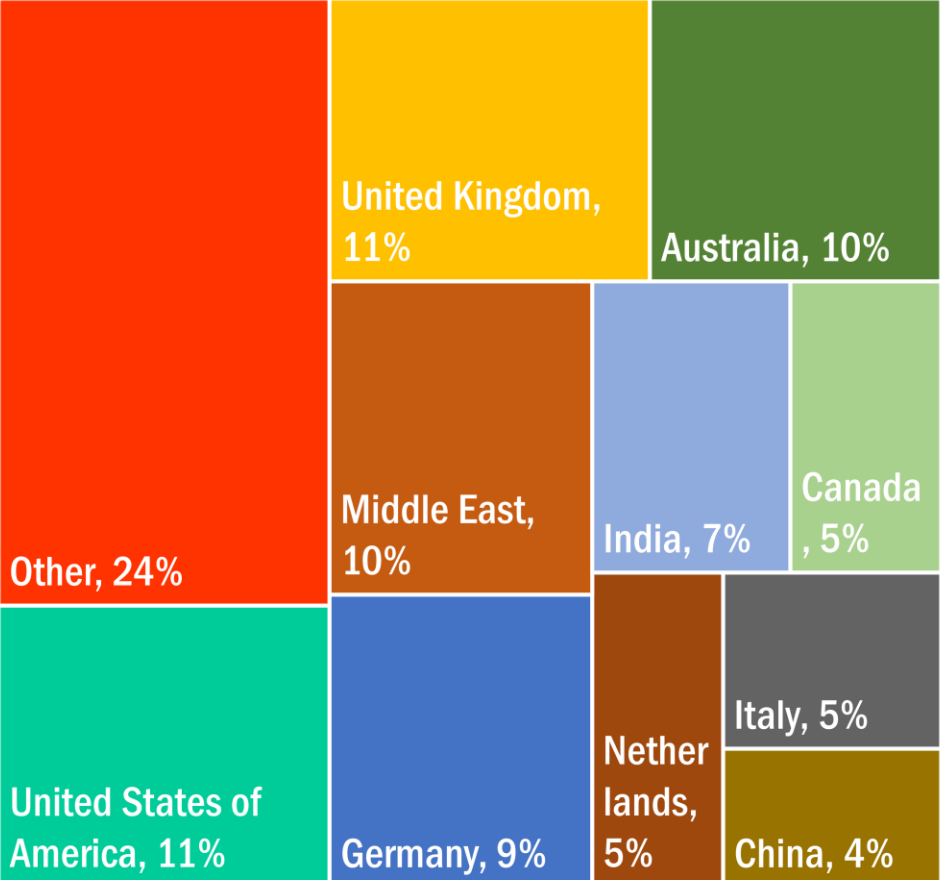


Agriculture-based

28%



Top Export Markets

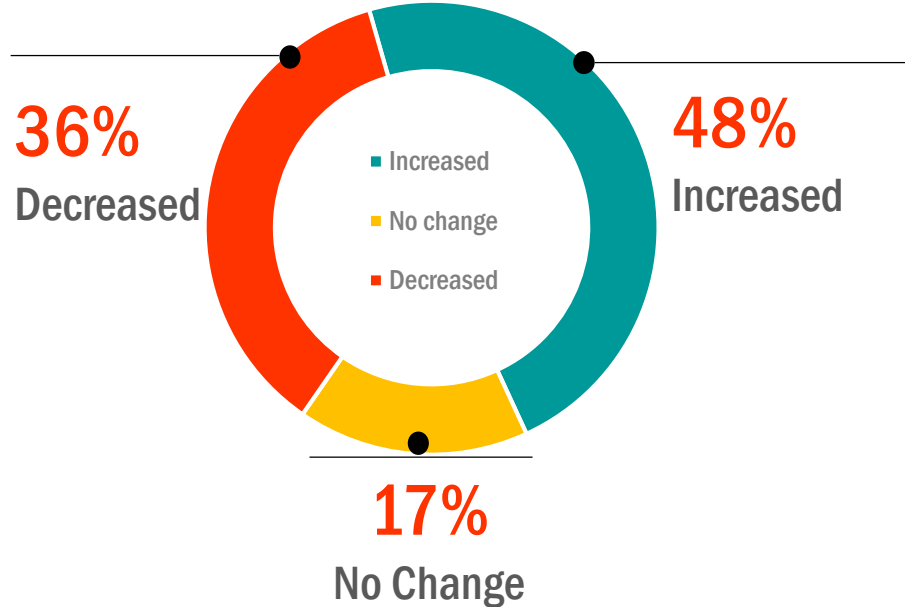


Export Business Performance and Challenges Faced During 2023

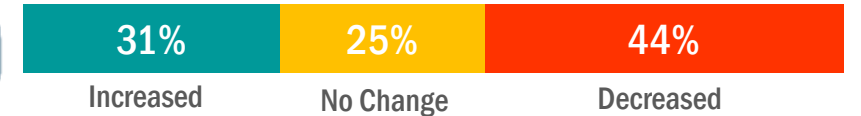


Export Performance in 2023

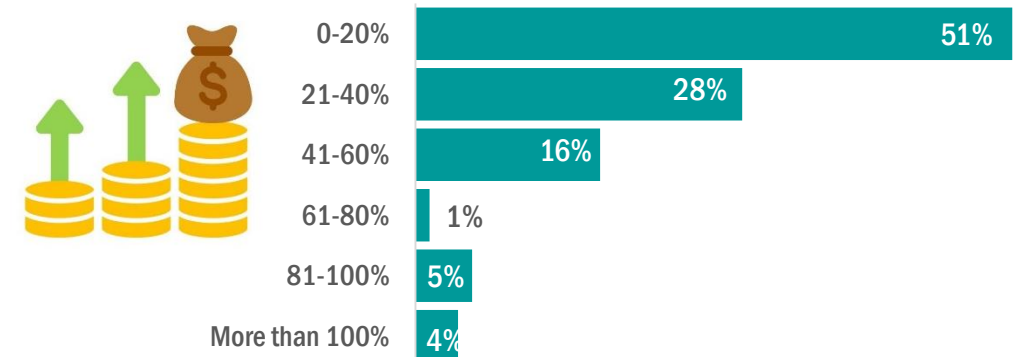
Almost half of the firms saw a rise in export revenue in 2023, compared to 2022.



56% of women-owned and led companies either increased or maintained export revenue during 2023.

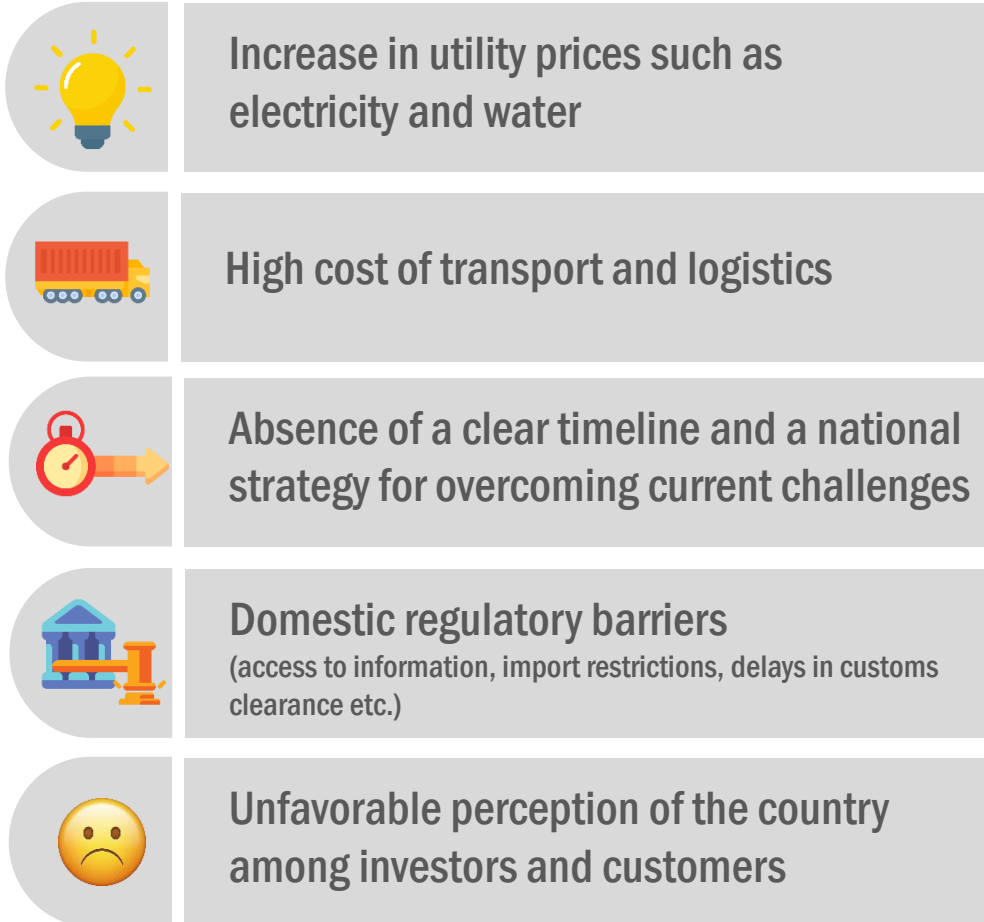


79% of firms saw an increase in revenue of between 0-20% in 2023.



Current Challenges

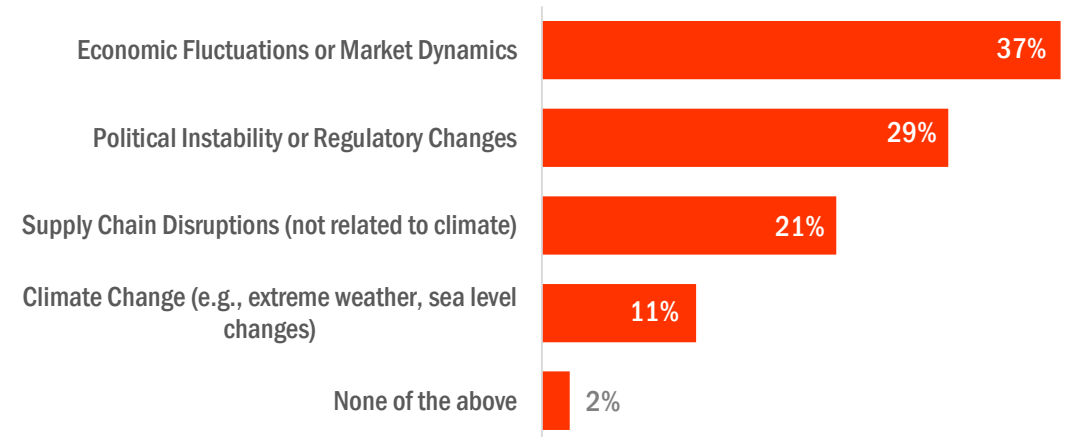
Top 5 Challenges



Exporters provided qualitative feedback on some of the other challenges they are facing,

- Shortage in skilled labour
- Red tape and Sri Lanka Customs
- Volumetric courier charges
- Mandatory forex conversions

External factors affecting export businesses



Transport and Logistics Cost

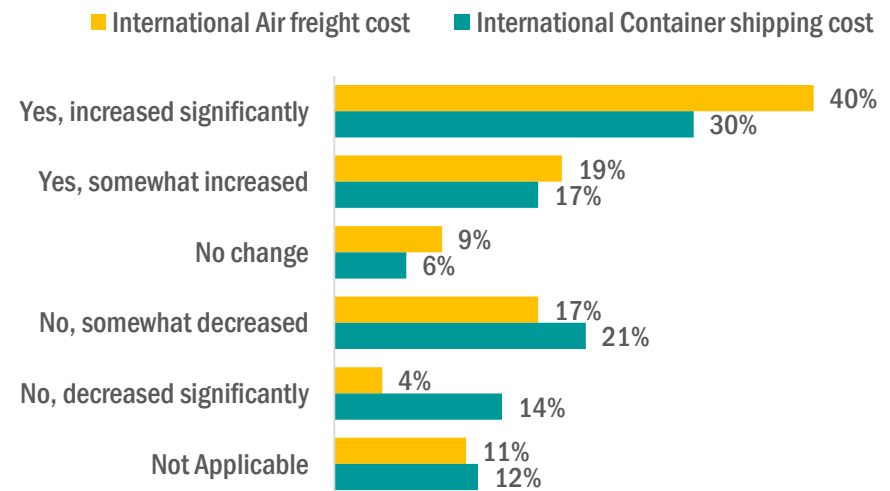
A substantial **35%** of respondents identified the "increase in container freight and air freight rates" as the primary logistics challenge, followed by the shortage of vessels and flights for exporting goods.



A majority of respondents (**59%**) reported experiencing an **increase in international air freight costs** in 2023 compared to 2022.



Nearly half of respondents (**49%**) noted an **increase in international container shipping costs** in 2023 compared to 2022.



Challenges in Sourcing Products



Over half of respondents (**58%**) experienced **an improvement in sourcing products** in 2023 compared to 2022.

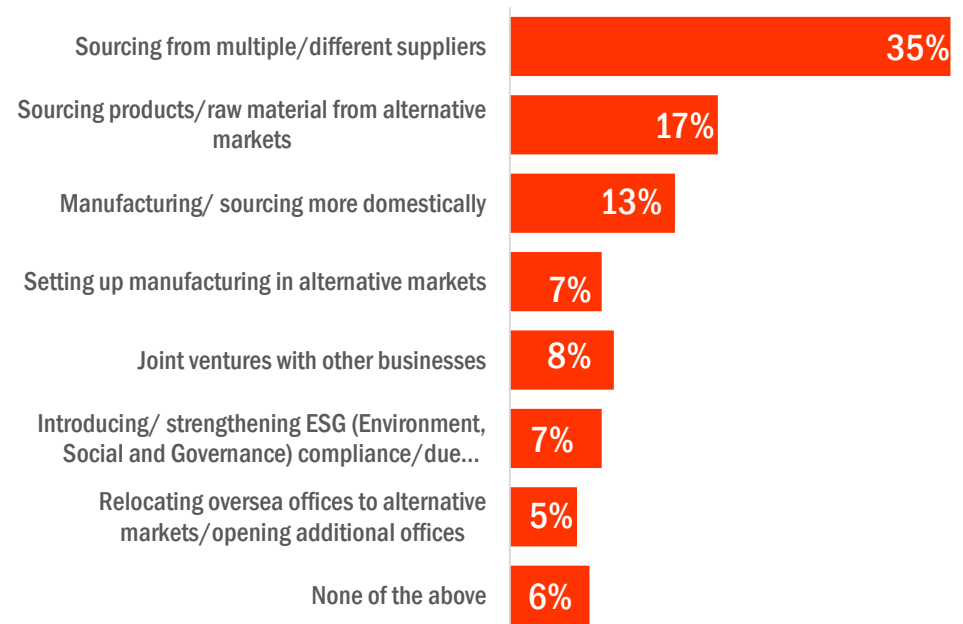
16% of respondents **noted a deterioration in product sourcing** in 2023. This was primarily attributed to the rise in the price of locally sourced production/service inputs and a shortage of such inputs.



Of the firms that stated sourcing has worsened, **93%** were SMEs compared to **7%** of large firms

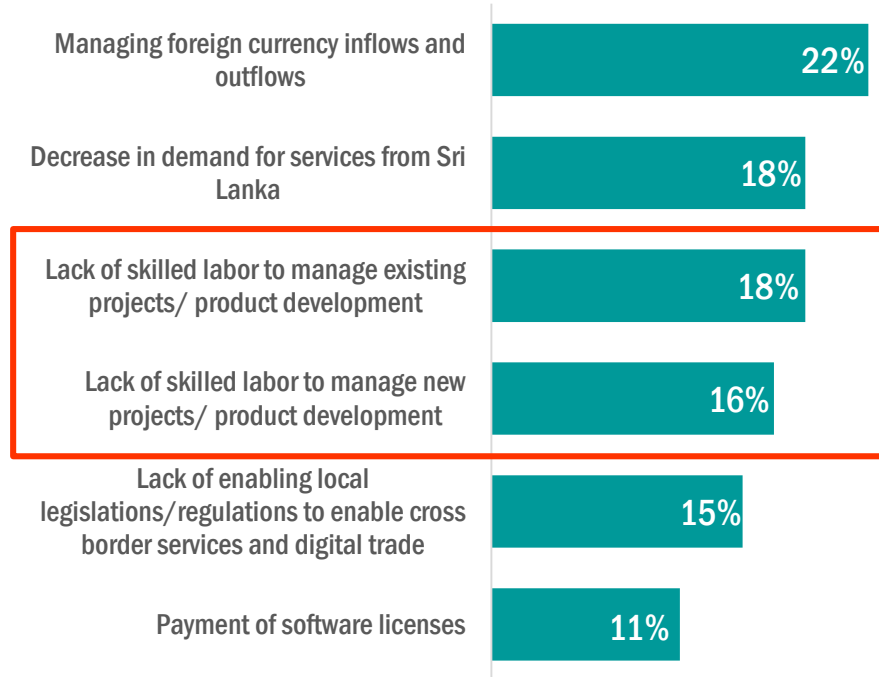
52% of respondents indicated that their preferred method for supply chain diversification is **sourcing from multiple/different suppliers and markets**.

Additionally, firms turned to domestic manufacturing/ sourcing, especially SMEs compared to large businesses.



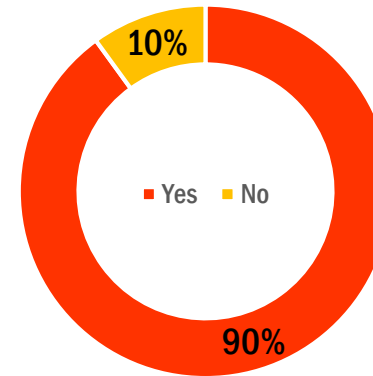
Challenges Faced by Service Exporters

Key Challenges Faced by Service Exporters



34% of respondents identified the shortage of skilled labor to service existing and new projects as the predominant challenge related to the export of services, followed by difficulties in managing foreign currency inflows and outflows.

A majority of respondents (**53%**) indicated that the availability of required services for sourcing products and services (e.g., laptops, service licenses) they offered in 2023 have somewhat improved compared to 2022.



A significant majority of **90%** of total respondents have experienced a loss of customers due to challenges stemming from the economic crisis that impacted their ability to provide services.



A significant proportion Partial relocation No change

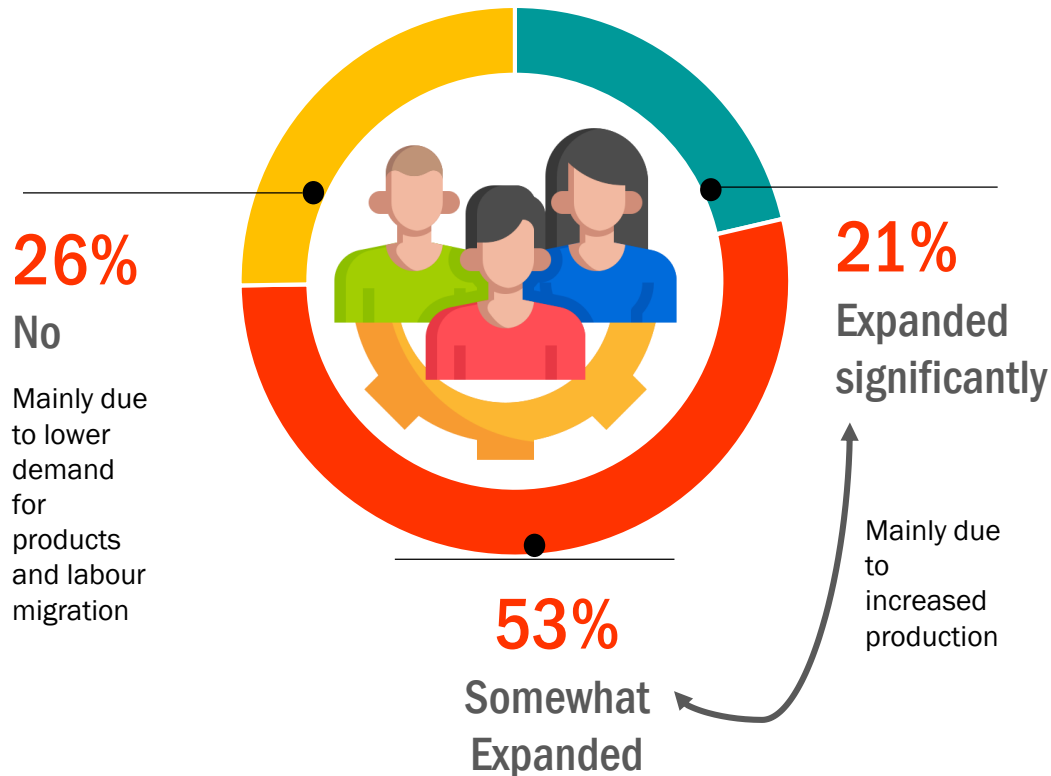
An overwhelming majority of **79%** of respondents have not shifted their service provision.

Employment Trends and Digital Transformation

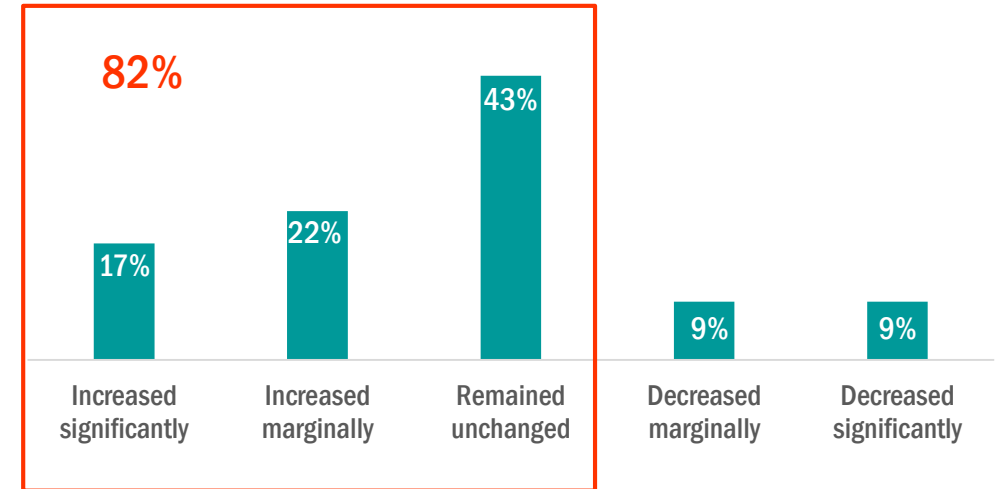


Employment Trends

Firms expanded their workforce in 2023.



82% of the firms increased or maintained their training budgets during 2023.



62% of respondents reported that attrition due to skilled migration. This trend was predominantly experienced by large businesses, with 41% of SMEs indicating that they did not experience such a pattern.



Skill gaps identified in workforce

Lack of Communication and Supervisory Skills

Lack of International Quality Standards

Disinterest in acquiring new skills

Knowledge deficiency related to lean manufacturing and basic technical skills

Lack of knowledge on international marketing and data analytics

Digital Transformation

A strong majority of respondents (**71%**) have adopted digital technologies to improve their export operations.



Among the firms that have adopted digital technologies, **68%** are SMEs.

A majority of respondents (**64%**) have invested in new technologies or innovations to enhance export capabilities.

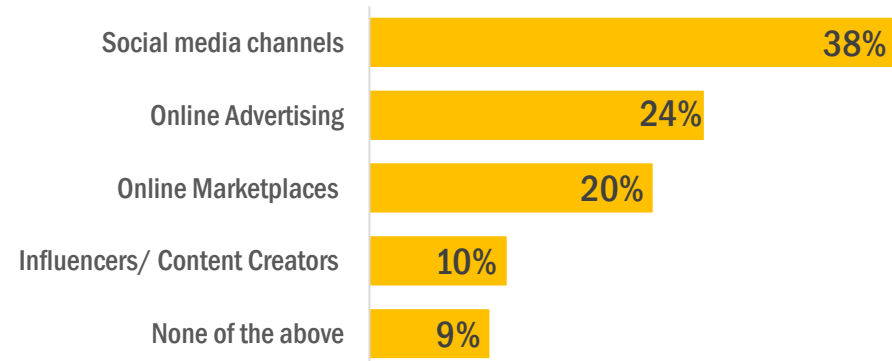


A significant proportion of respondents (**28%**) are utilizing social media and digital marketing to enhance global brand awareness, aiming to streamline their export processes or expand into new markets.

Only **14%** are incorporating AI and Big Data for market research and trend analysis.

A notable **38%** of respondents have incorporated social media channels such as Facebook, Instagram, LinkedIn, YouTube, Twitter, Pinterest, TikTok, and WeChat as essential digital technologies to enhance their export operations.

Additionally, online advertising and online marketplaces were employed to improve export operations.



Export Opportunities, and Facilitation Required



Export Opportunities



59% of respondents consider free trade agreements are being crucial to enhance current export activities.

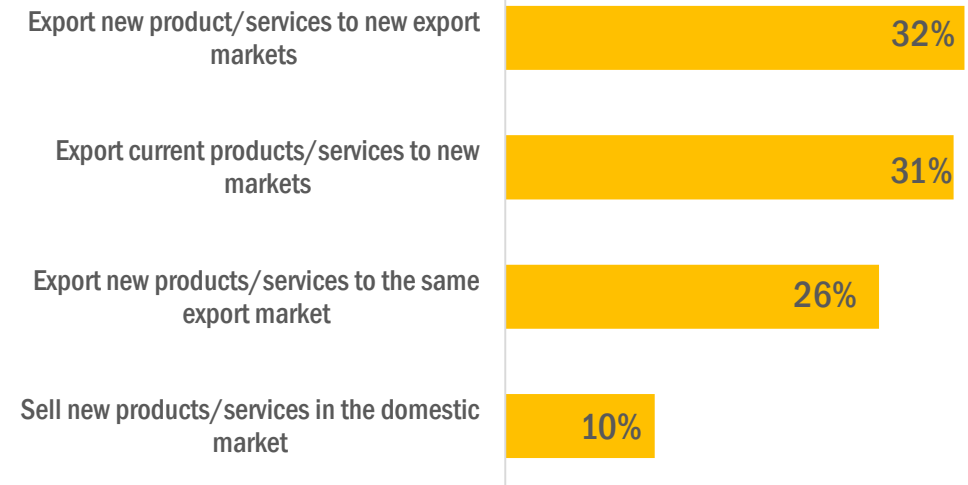


A majority of **66%** of respondents have identified new business opportunities during 2023.



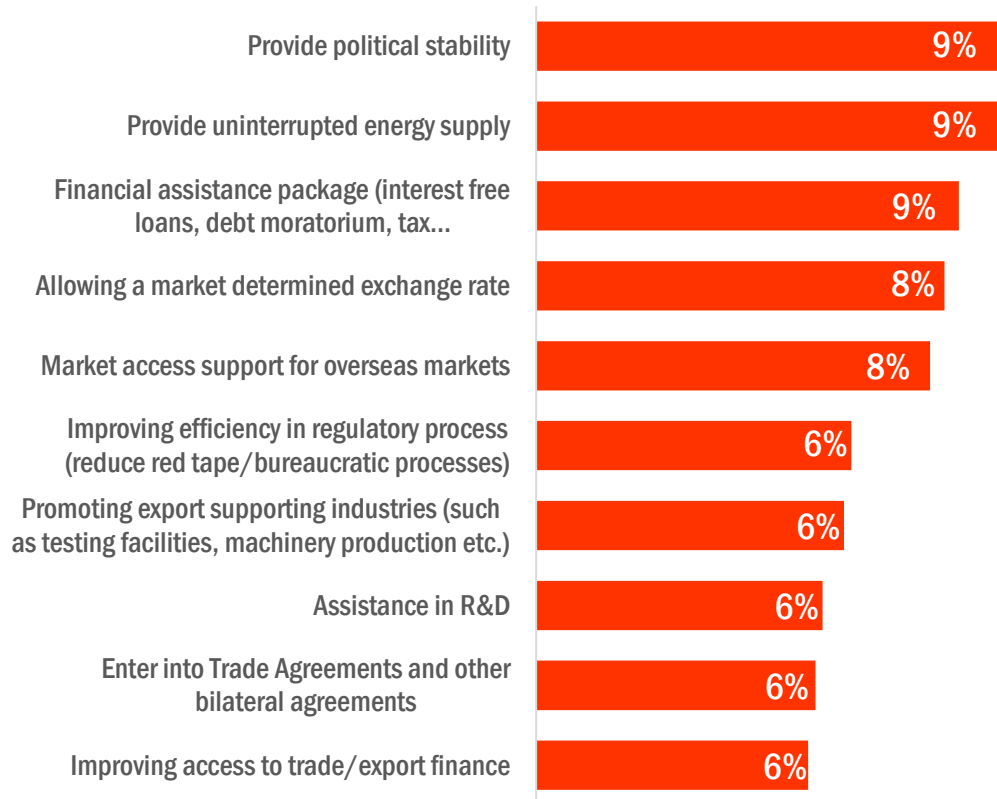
Out of the firms that identified new business opportunities, **75%** are SMEs.

Nature of the Business Opportunities Identified



Export Facilitation Required

Key Focus Areas for Facilitation by the Government



Leading Facilitation Measures required,



1. Uninterrupted energy supply
2. Political stability
3. Allowing a market determined exchange rate
4. Financial assistance



1. Uninterrupted energy supply
2. Market access support to overseas markets
3. Political stability
4. Improved access to trade/export finance



64% of firms incorporate sustainability practices into their export operations.

Eco-friendly packaging

Reusing the recycling plastic

Utilizing solar power

Wastewater management

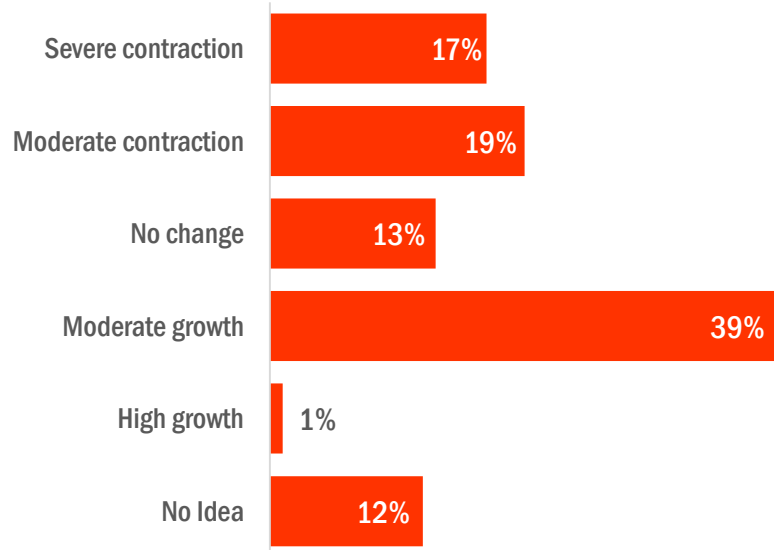
Export Business Outlook for 2024



Outlook for 2024

Exporters are expecting a moderate growth in the Sri Lankan economy in 2024 and they are optimistic about outlook for the export growth.

39% of firms expect the Sri Lankan economy to moderately grow in 2024 compared to 2023.



Outlook for export growth in 2024 is optimistic. **43%** of firms expect that export orders/ services will see moderate growth in 2024 compared to 2023.



A Majority firms are planning to reach 1-2 new international markets in 2024

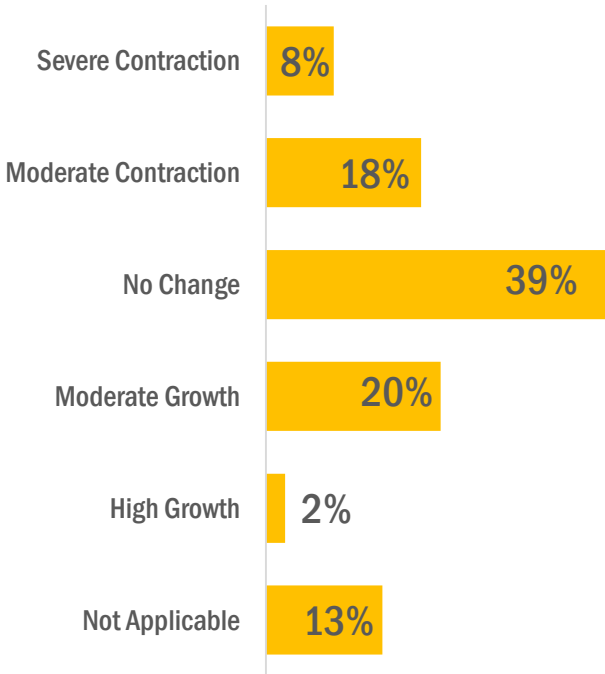


18% of firms are planning to explore Middle-east, as their new international market

Outlook for 2024

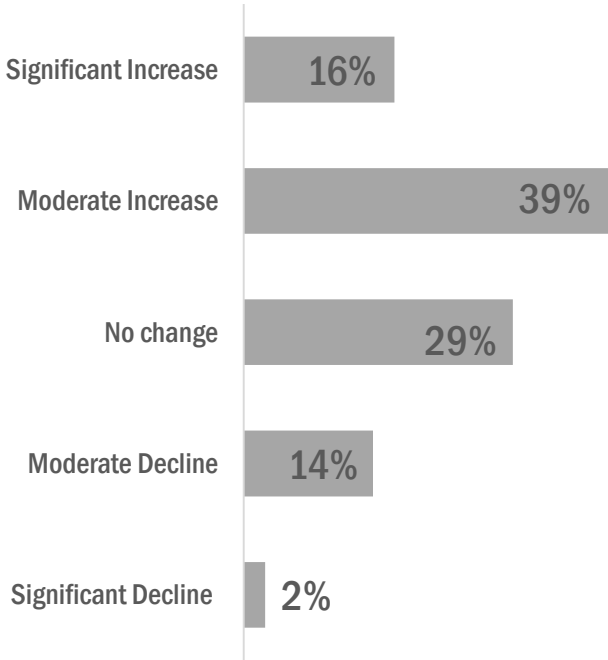
Stock of Purchases

39% of firms anticipate no changes in raw materials stocks purchased and stored in warehouses for production in 2024 compared to 2023.



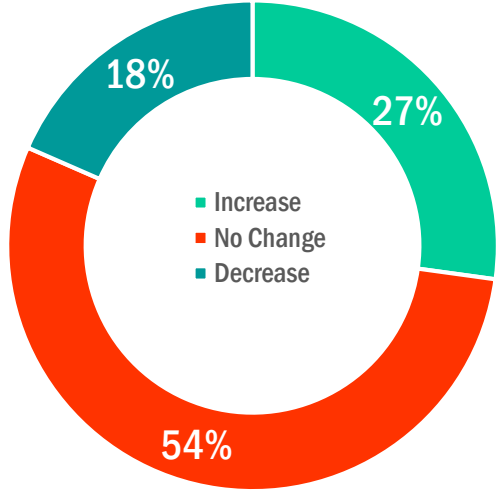
Price Expectations

55% of firms have positive expectations of the prices of their products in 2024 compared to 2023.



Workforce Size

54% of firms anticipate no change in the sizes of their workforces in 2024 compared to 2023.



Outlook for 2024

Top 5 Strategies that firms will employ to boost export orders in 2024.

1. More competitive pricing
2. Improving customer service
3. Increasing spending on marketing including online advertising
4. Improving online presence on social media, market places and other channels
5. Undertake strategic measures such as joint ventures, partnerships, mergers.

Additional qualitative input received from firms regarding the Outlook for 2024.

- Anticipated increases in raw material prices mainly due to the increase in VAT, are poised to elevate production costs, rendering Sri Lankan products non-competitive in the international market.
- Rising logistics costs, mainly due to disruptions in container movements.



Survey Methodology



- The Export Barometer Survey is an annual survey conducted to obtain exporter insights. This survey provides an understanding of the impact of economic crisis and the gradual recovery of the economy, signals changes in export trade, and thereby acts as a forward looking indicator. It also identifies the needs and support requirement of exporters.
- A detailed survey questionnaire with 50 questions was formulated to conduct the assessment. The questionnaire had 4 main sections namely.
 - General Respondents' Details
 - Changes in Export Business Performance
 - Business Opportunities and Facilitation Measures
 - Export Business Outlook
- The survey utilized the exporter database of The Ceylon Chamber of Commerce, which includes both exporters of products and services. The questionnaire was also circulated amongst key trade and service associations. The survey was implemented for a period of five weeks from 4th December 2023 to 12th January 2024, using the online survey platform, *Typeform*, and received 103 responses, which was above the 100 responses target.
- The survey also aimed to obtain responses from at least 25% and 10% of SMEs and women owned and/led firms, respectively. The survey received 74% of responses from SMEs and 10% of women owned and/ led firms. SME firms were classified based on the number of employees as specified by the [National Policy Framework for Small and Medium Enterprise Development](#). The data collected data was analyzed using quantitative methods including calculating percentages, and cross tabulating data.
- The survey was conducted by the Economic Intelligence Unit of The Ceylon Chamber of Commerce.

Export Barometer Survey- January 2024

Conducted by
The Ceylon Chamber of Commerce



For further information on the report,
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