



# IMPACT OF FLUCTUATIONS IN **FUEL SUPPLY** ON BUSINESSES

Survey Insights  
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PETROL

# Executive summary

Ongoing tensions in the Middle East have intensified volatility in global energy markets, resulting in higher fuel prices and disruptions to trade and supply chains. Given Sri Lanka's dependence on imported fuel, these developments are exerting significant pressure on businesses across sectors, particularly production-oriented firms engaged in import and export activities. In this context, a survey of 84 businesses was conducted to assess the operational and economic implications of recent fuel price increases.

The findings reveal that rising fuel, transport, energy, and input costs are the most critical challenges currently faced by businesses, placing substantial pressure on profitability, competitiveness, cash flow, and long-term planning. Workforce-related impacts are also emerging, with higher living costs and transport difficulties contributing to wage pressures, absenteeism, and adjustments to work arrangements and operating hours.

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Key findings indicate that businesses are largely relying on internal coping strategies to manage rising costs, including absorbing costs, reducing non-essential expenditure, improving operational efficiency, optimising logistics, and delaying investments. Limited price pass-through reflects weak demand conditions and strong competitive pressures. While most firms remain resilient in the short term, overall business confidence remains low.

The survey also highlights that although immediate external support is not widely viewed as critical, businesses expect targeted intervention if conditions worsen, particularly in relation to fuel price stabilisation, logistics support, and access to working capital. Overall, the findings point to a business sector that is adapting to current pressures, but remains vulnerable to prolonged cost increases and external shocks.

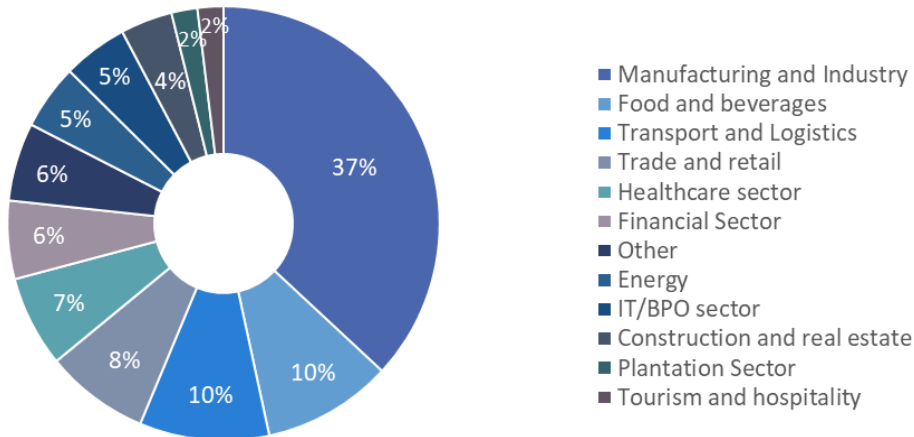
# Introduction

A total of 84 responses were received to the questionnaire, representing businesses across a range of industries. The sample was predominantly composed of firms from the manufacturing sector, followed by food and beverages, transport and logistics, and the financial sector.

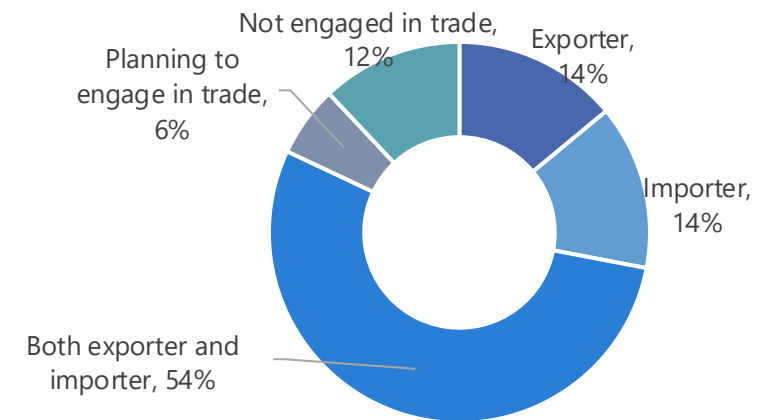
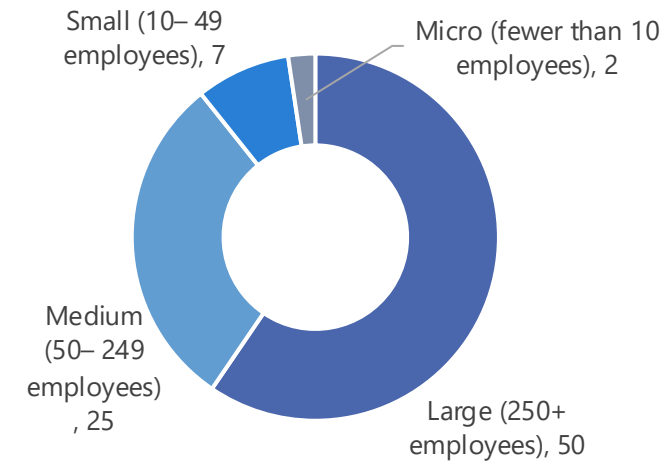
The respondent base is largely composed of medium- and large-scale enterprises. A majority reported involvement in both import and export activities, indicating production-oriented operations where imported inputs are processed and exported as finished goods, as seen in industries such as apparel.

## Distribution of Industries Related to Respondents

*Survey Respondents are Predominantly Medium- and Large-Scale Enterprises*



## Scale of Business Operations and Involvement in Trade

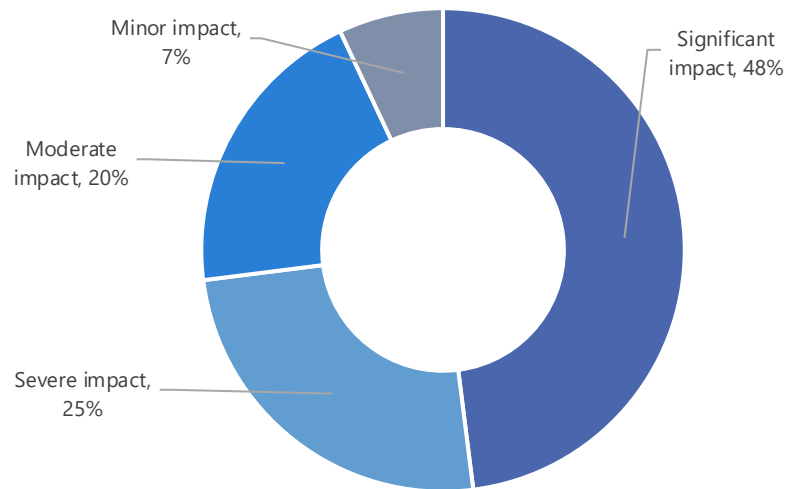


# Impact of Fuel Costs on Business Operations

Survey findings indicate that most respondents have faced a significant impact on business operations, primarily due to difficulties in accessing adequate fuel supplies. A further 25% reported a severe impact, suggesting critical disruptions to normal operations. These effects are likely more pronounced among small- and medium-scale enterprises, given their relatively limited capacity to absorb higher fuel costs and manage associated cash flow and operational challenges.

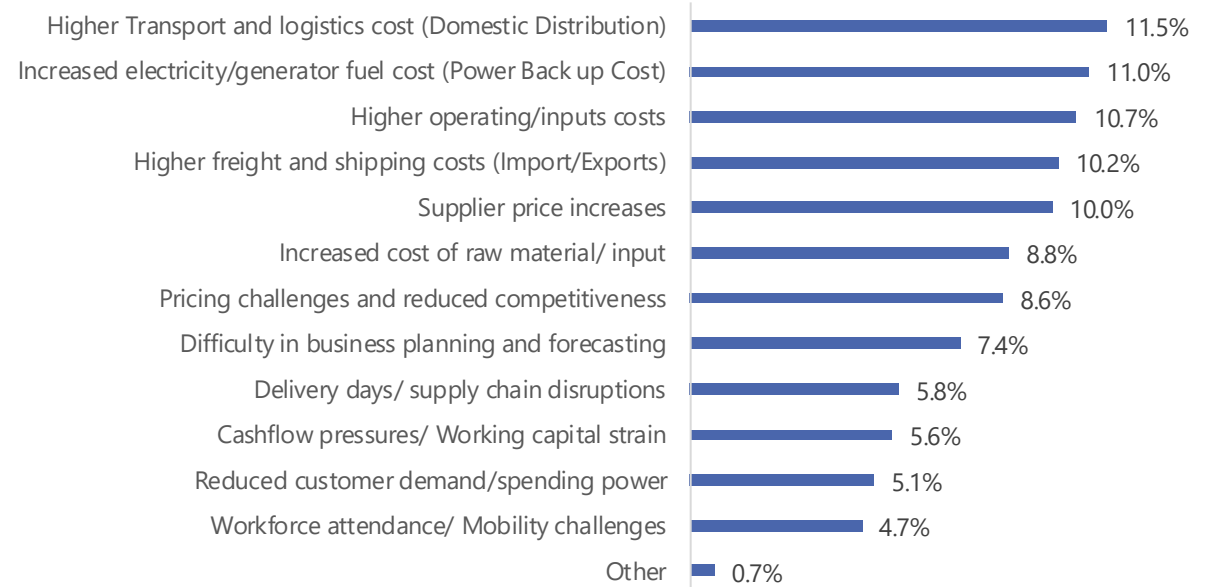
## Distribution of Industries Related to Respondents

*Most Businesses Report Significant Operational Disruptions Due to Fuel Supply Constraints*



## Impact Category

*Rising Transport, Energy, and Input Costs Emerge as the Most Significant Business Impacts*

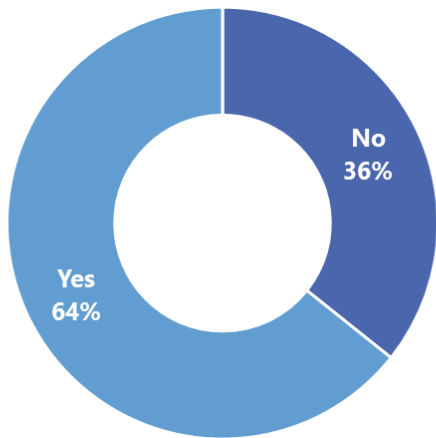


# Impact of Fuel Costs on the Workforce

The survey also examined the impact on the workforce, given its direct implications for operational performance. On one hand, disruptions affecting employees' mobility have resulted in attendance and accessibility challenges, thereby affecting business continuity. On the other hand, rising living costs have contributed to increased wage demands, adding further pressure on organisational cost structures. If sustained, this dynamic could potentially translate into higher product prices, raising the risk of a cost-wage spiral over the medium to long term.

## The Impact of Fuel Price Revisions on the Workforce

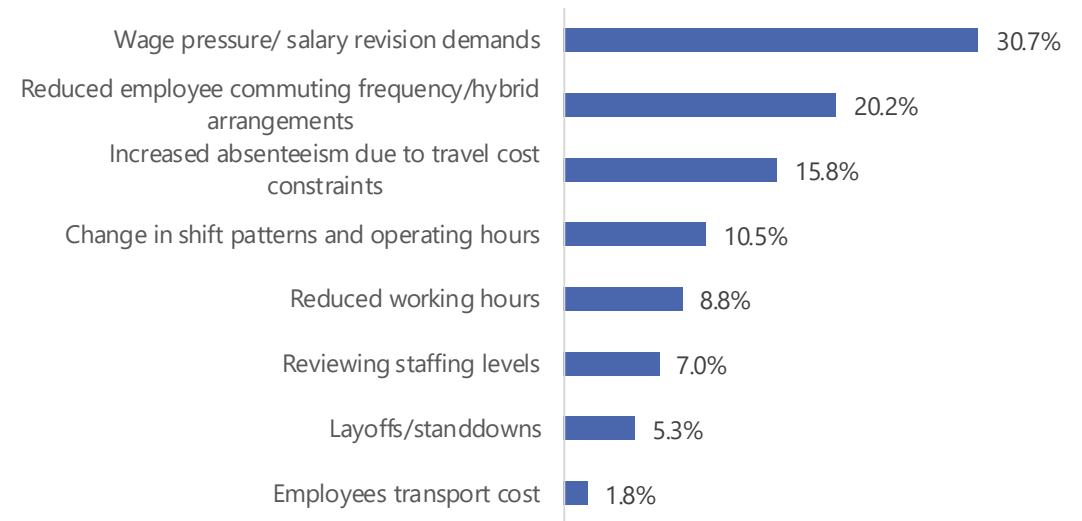
*Majority of Businesses Report Workforce Impacts Following Fuel Price Revisions*



In terms of the impacts, wage pressure and the need for hybrid arrangements lead the problems followed by absenteeism and changes to operating hours. The types of impact ranked from very high to low are shown below.

## Type of Impact on the Workforce

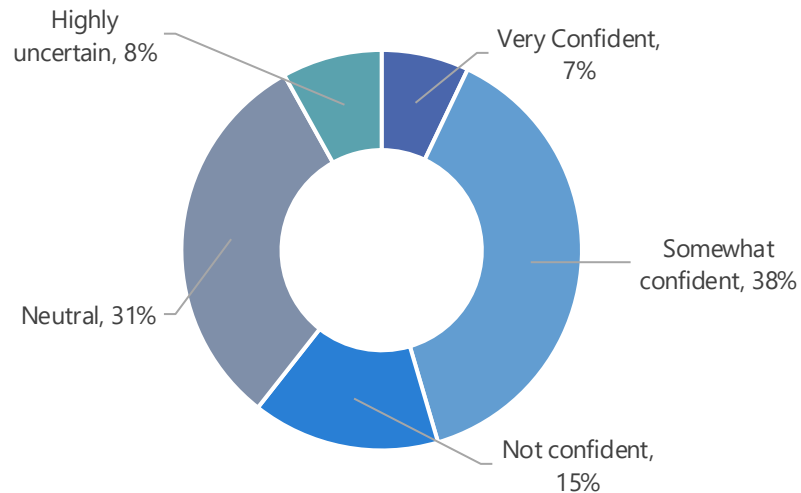
*Fuel Price Increases Are Creating Workforce Pressures through Mobility Challenges and Rising Wage Demands*



# Businesses' Ability to Manage Costs and Strategic Responses

Upon being asked about the confidence of the business to handle the fuel costs within the next 6 weeks, a majority were voting towards less confident and uncertain. The breakdown of responses is shown below.

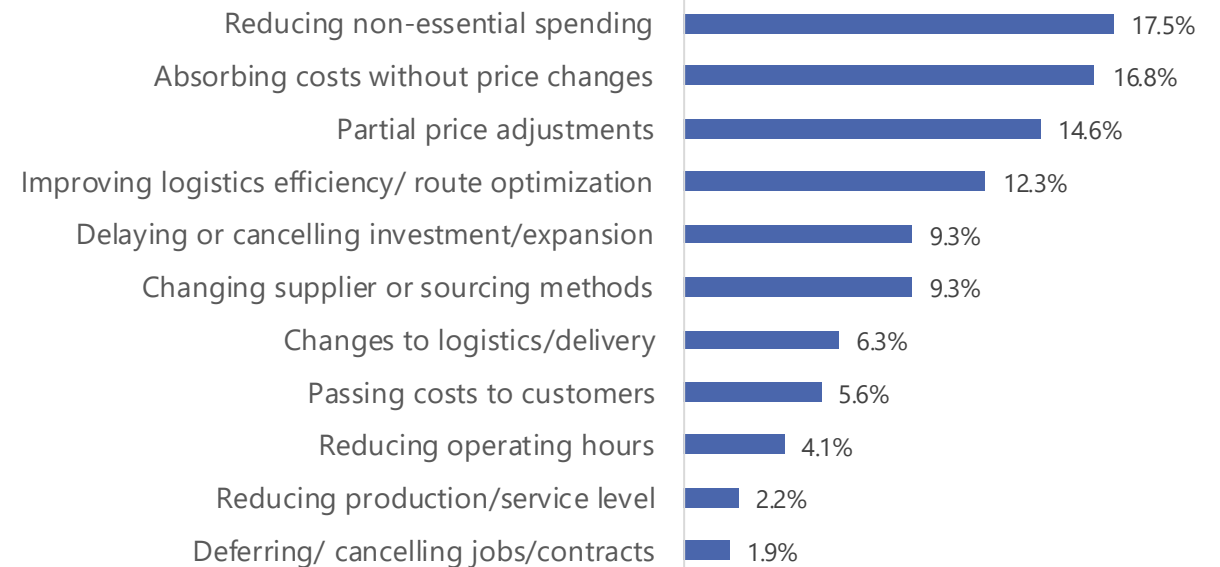
## Level of Confidence of Businesses to Manage the Impact of Fuel Costs



A majority of businesses have responded to rising cost pressures by absorbing a significant share of the impact, reflecting expectations that current disruptions, particularly those linked to developments in the Middle Eastern region may be temporary. Concurrently, firms are undertaking operational adjustments aimed at improving efficiency and reducing fuel-related expenditure, including the adoption of alternative operating strategies. The ranked list of strategies identified through the survey is presented below.

## Business Response to Increased Fuel and Input Costs

*Majority of Businesses Are Managing Rising Fuel Costs through Cost Absorption and Operational Adjustments*

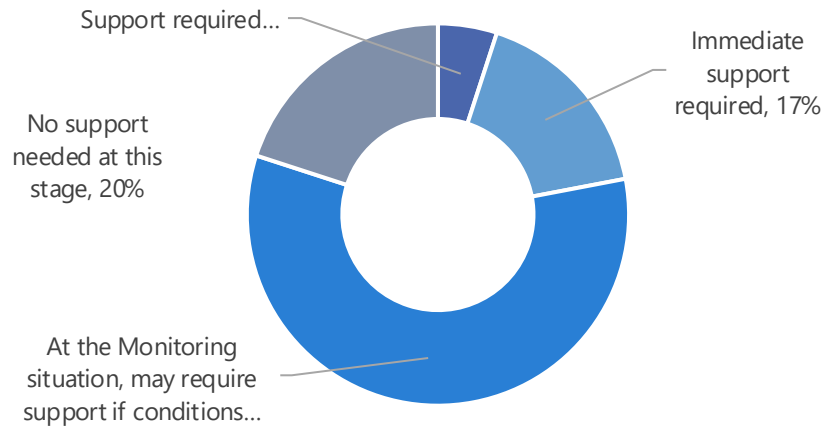


# The Need for External Support for Businesses

The survey also explored whether businesses require external support from the government or other institutions. A majority of respondents indicated that, while immediate intervention is not critical, continued monitoring of the situation is necessary, with a need for greater support should conditions deteriorate. Meanwhile, around 20% of businesses reported that no support is required at this stage, likely reflecting the strategic adjustments already undertaken, as outlined in the previous section.

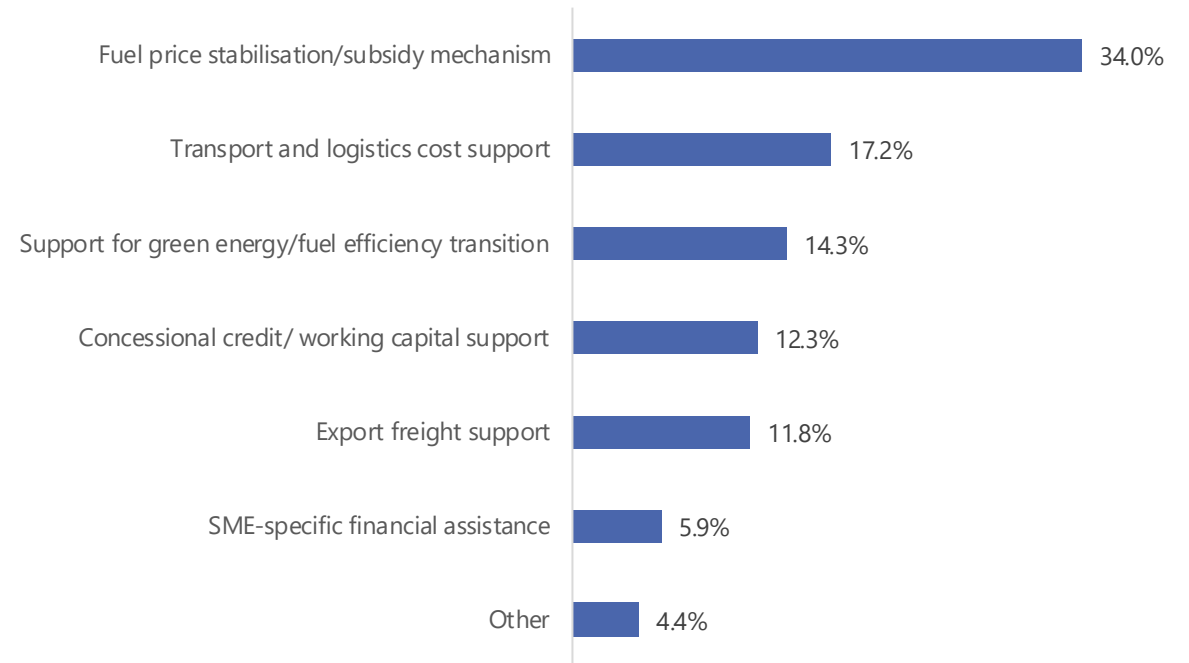
## The Need for External Support for Businesses

*Most Businesses Seek Continued Monitoring and Potential Support if Conditions Worsen*



## Business Response to Increased Fuel and Input Costs

*Majority of Businesses Are Managing Rising Fuel Costs through Cost Absorption and Operational Adjustments*



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