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# EXPORT BAROMETER SURVEY

**Findings and Insights Report**  
July /August 2022

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This is the third report in the **Export Barometer Survey** series, based on a survey of 157 exporters of goods and services, covering the first half of 2022. The majority of the respondents to the survey were **SME firms**, while **20%** of the firms were **women-owned and/or led**.\*

This report builds on the findings from previous reports published in **August/September 2021** and **February/March 2022** 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 remainder of 2022.

## KEY INSIGHTS



### 1. Outlook on economy and export orders deteriorates significantly

Sixty-eight per cent (68%) of exporters expect the economy to undergo a moderate to severe contraction in the second half of 2022, while 47% anticipate a similar trend for their export orders. The latter trend demonstrates a significant change compared to the previous survey (28%). This could be a sign that the growth recorded in merchandise exports in the first half of 2022 (14%) may not continue much longer.



### 2. Large firms displaying more resilience compared to SMEs in managing the economic crisis

With the economic crisis intensifying, the private sector has shown great resilience, particularly in the export of goods, which has grown 14% in the first half of 2022 compared to the same period in 2021. However, this survey revealed that larger firms were performing better in terms of export revenue growth; capacity utilization; use of export proceeds to pay suppliers; ability to maintain training budgets; and sourcing of new export opportunities compared to SMEs.

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## 7 KEY INSIGHTS Cont'd

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### 3. Key challenges due to fuel and power shortages

Exporters faced challenges in meeting their existing orders due to fuel and power shortages, while increases in transport costs and policy uncertainty worsened the situation. All categories of firms, including women-owned and/or led businesses, struggled with these issues. Firms also highlighted the negative impact of the current situation in the country on the confidence of their buyers in the long run.



### 4. Employment trends turn negative

Employment trends turned negative in the first half of 2022, with more firms now looking at cost-cutting measures. Fewer firms were able to maintain their training budgets during the period. Most firms were facing attrition led by employees migrating due to the current crisis. Nevertheless, 64% of firms are not expecting a change in their workforce size in the second half of 2022.



### 5. Exporters seek political stability and continuous power supplies to sustain export momentum

Exporters requested facilitation measures to fulfil export orders, and the focus was less on asks related to improving export competitiveness. Minimizing power shortages and maintaining political stability were the top priorities. Women-owned and/or led businesses and SMEs continued to request more facilitation in exploring new markets and access to trade/export finance.

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## 7 KEY INSIGHTS Cont'd

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### 6. More optimism from service exporters in their outlook for the economy and business

Service exporters were more optimistic that their business would see moderate to high growth in the second half of 2022 compared to goods exporters (31% compared to 22%). A similar trend was seen in terms of the outlook for economic growth. However, a higher proportion of service exporters expect a contraction in their capacity utilization compared to goods exporters, suggesting that they may continue to lose labor and manage with their remaining workforce. Forty-seven (47%) of service exporters stated that their sourcing of products/services has been challenging during the first half of 2022.



### 7. Greater outreach of exporters beyond the Western Province

The third survey received more responses from firms outside the Western Province. Responses from the Western Province fell to 62% from 82% in the previous survey. Further, this survey had more responses from service exporters, with 11% in the current survey compared to 3% in the previous survey. As such, this survey achieved greater regional reach as well as diverse representation of firms.

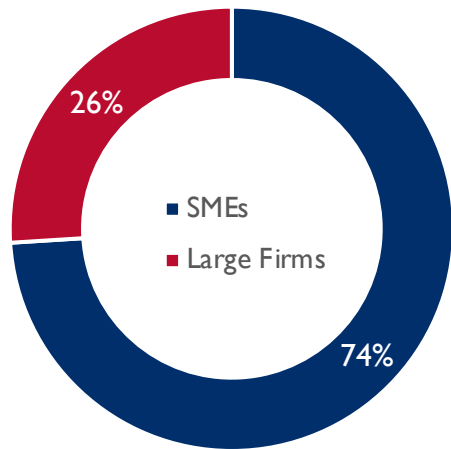
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# Overview of Survey Respondents

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## FIRM TYPE, EMPLOYMENT AND TURNOVER

157 exporters participated in the survey



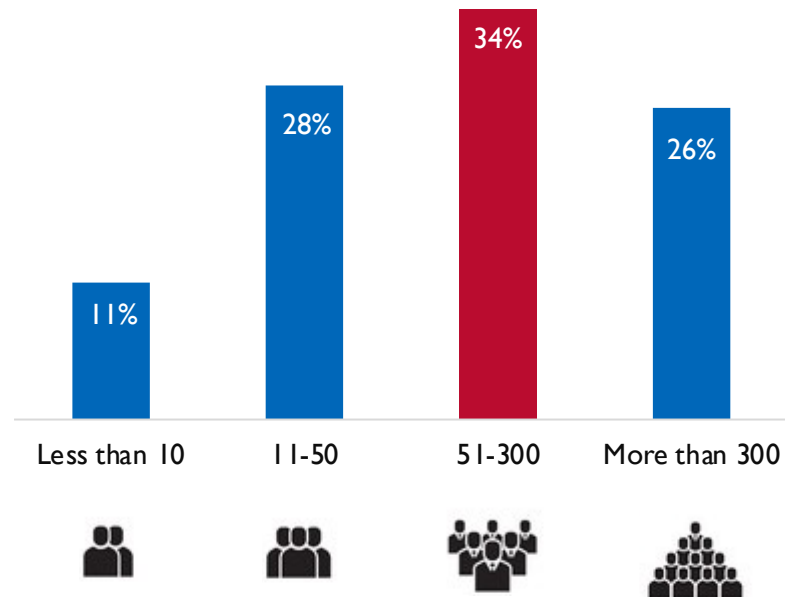
**74%** of firms were **SMEs\*** (higher than the previous survey which was at 69%)



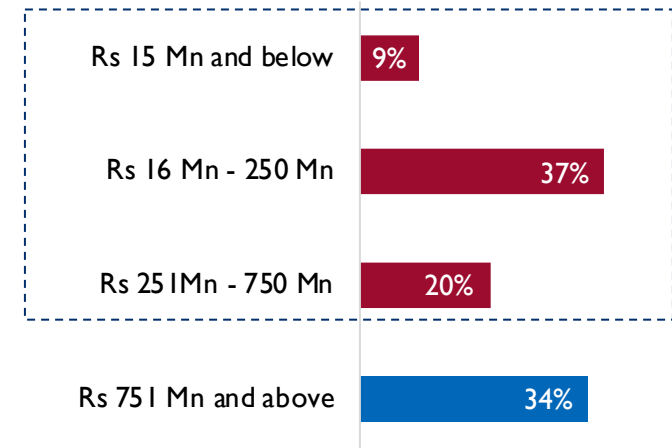
**20%** women-owned and/or led business (marginal fall compared to the previous survey)

**34%** of firms had 51-300 employees

**26%** of firms had more than 300



**66%** of firms had an annual turnover of Rs. 750 Mn and below



10% increase in firms with annual turnover of Rs 750 Mn and below, compared to the previous survey

\* For details on the categorization refer point 4 on [page 27](#)

## FIRM LOCATION, EXPORT TYPE AND RESPONDENT PROFILE

**77%** of firms were engaged in exporting goods while **11%** were service exporters



**64%** of the respondents held **Senior Business Leader** positions  
**27%** were **Senior-Level Managers**



**64%**  
 Senior Business Leader



**27%**  
 Senior-Level Manager



**4%**  
 Mid-Level Manager



**5%**  
 Junior Manager

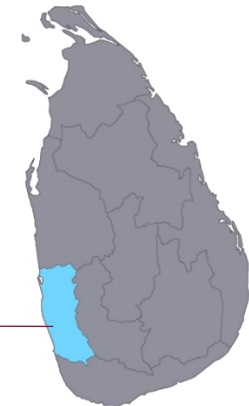
**62%** of the firms are located in the **Western Province**, a drop from **82%** in the previous survey. Also, a notable proportion of respondents are located in **Kurunegala (10%)**, **Puttalam (4%)** and **Galle (4%)**.

### Responses from the Western Province

**40%**  
 Colombo

**16%**  
 Gampaha

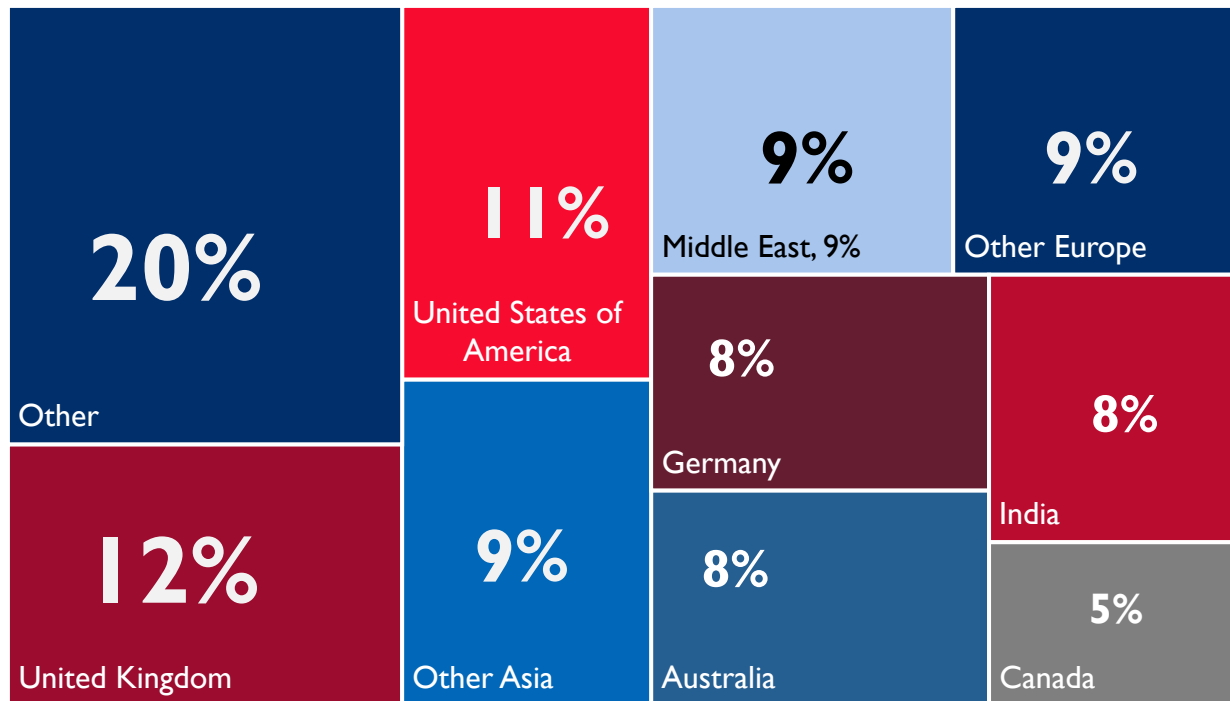
**6%**  
 Kalutara



## TOP 10 SECTORS AND EXPORT MARKETS

The top 5 export markets of the respondents were the United Kingdom, United States of America, India, Germany, and Italy in line with Sri Lanka's top export markets. The respondents represented sectors that were largely agriculture-based or focused on manufacturing related to food, apparel, and services such as ICT/BPM and Tourism.

### Top Export Markets



### Top Sectors

Agriculture based **37%**



10%

Coconut



10%

Spices



7%

Tea



4%

Vegetables



3%

Seafood



3%

Minor agriculture products



1%

Rubber

Food, Beverages and Tobacco

12%

Textile and Garments

10%

Other Sectors

10%



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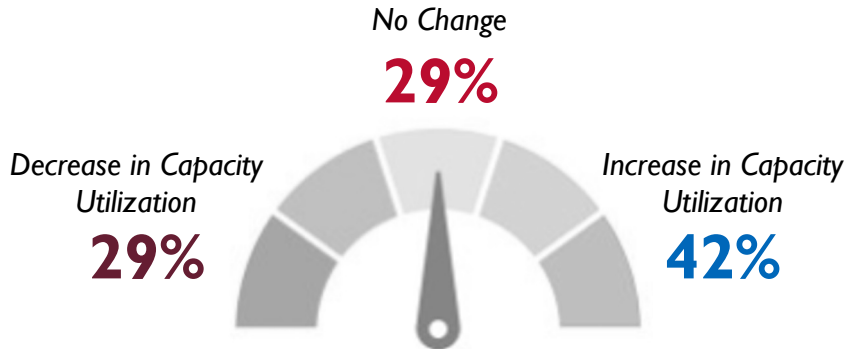
# **Business Performance and Key Challenges in the First Half of 2022**

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## CAPACITY UTILIZATION

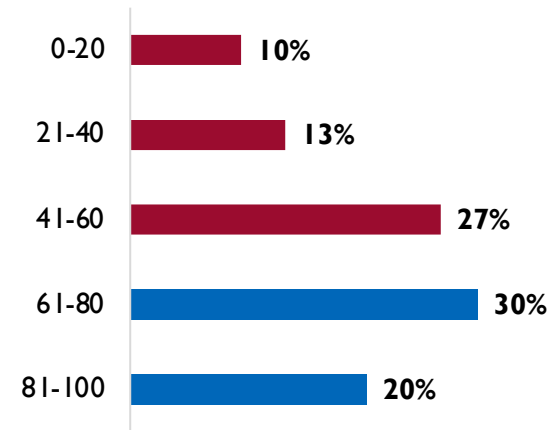
Export business performance in the survey is measured in terms of capacity utilization and revenue growth. In the first half of 2022, capacity utilization was similar to the second half of 2021. More firms had spare capacity compared to the previous survey led by SMEs, with 56% operating at a capacity level of 60% and below. A majority of large firms (68%) had a capacity utilization greater than 60%.

### Changes in Capacity Utilization



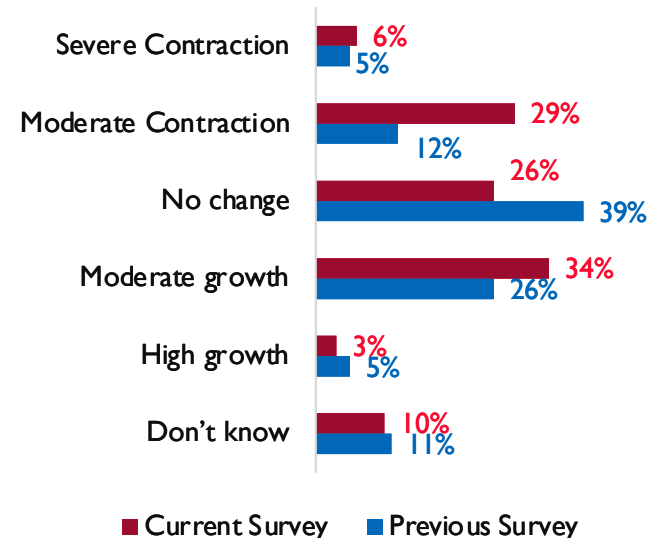
**53%** of women-owned and/or led firms experienced a fall in their capacity utilization, a reversal of the trend witnessed in the previous survey

### Current Capacity Utilization



**50%** of exporters had a capacity utilization of 61-100% while the balance **50%** had a significant spare capacity of 0-60%. These were women-owned and/or led firms

### 35% of firms expect a severe to moderate contraction in capacity utilization over the next six months



A higher proportion of service exporters expect a contraction in capacity compared to goods exporters

## EXPORT REVENUE PERFORMANCE

Fewer firms had an increase in export revenue in the first half of 2022 compared to the second half of 2021. More SMEs experienced a fall in export revenue while a higher number of large firms saw an increase. Women-owned and/or led firms had an increase in export revenue.



**27%**

of SMEs

experienced a **decrease** in export revenue



**15%**

of Large Firms

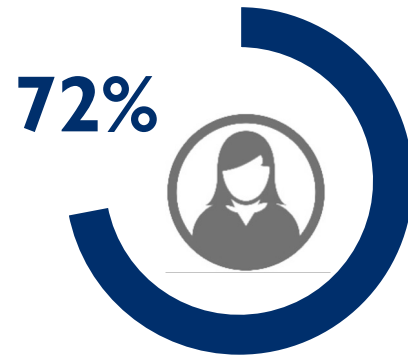
**40%**

of SMEs

experienced an **increase** in export revenue

**66%**

of Large Firms



**72%**

of women-owned and/or led companies have **increased** the export revenue during the IH of 2022, compared to **66%** in the previous survey



**46%**

of firms have increased their **export revenue** in the IH of 2022, relative to **54%** in the previous survey



of the firms have experienced an **increase** in export revenue, a strong majority of **71%** saw a change of **0-40%**

**30%**

of firms experienced no change

**24%**

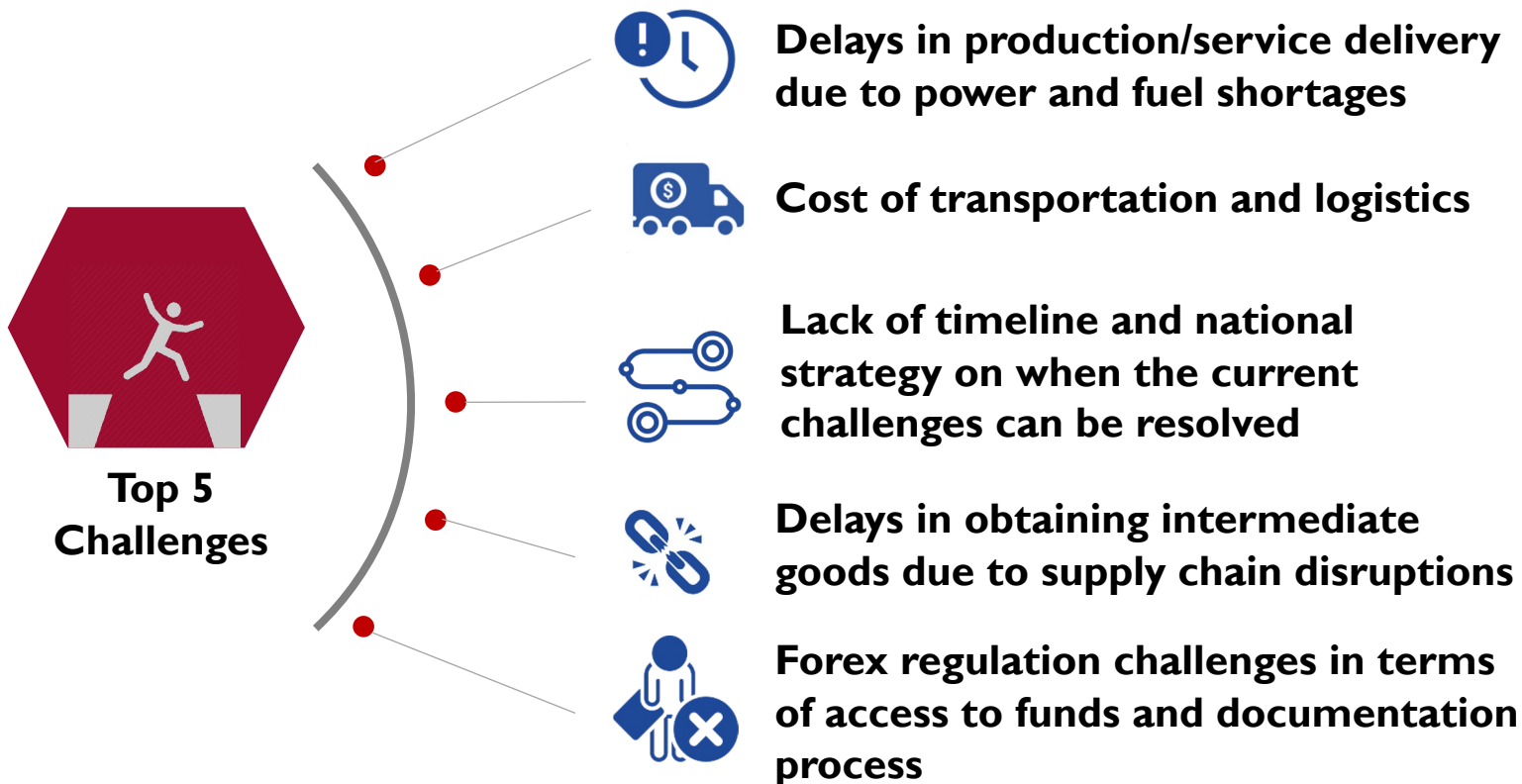
of firms saw a decrease in export revenue



of the firms that experienced a **decrease** in export revenue, a strong majority of **71%** saw a change of **0-40%**

## KEY CHALLENGES

Key challenges for exporters stemmed from the economic crisis. The top three challenges indicated by firms were: production delays owing to fuel and power shortages, transportation and logistics costs, and policy uncertainty in terms of economic recovery. These trends were consistent among goods exporters and service exporters, as well as SMEs, large firms, and women-owned and/or led businesses. In the previous survey (February 2022), firms were looking for a more market determined currency. Since the weakening of the currency after March 2022, the issues have been more related to forex regulations given the lack of dollar liquidity in the system. Exporters also highlighted the negative perception of Sri Lanka among international buyers.



### Other issues highlighted by exporters:

- Shortage of skilled workers
- Negative perception of Sri Lanka among major customers and investors
- Increasing costs and prices (non-transport/logistics related)

## KEY CHALLENGES cont'd

While firms stated that air freight and international container shipping costs had increased, there was a fall in the overall response compared to the second half of 2021 highlighting that exporters were adjusting to it amidst other cost concerns. Sourcing of raw materials deteriorated slightly during the first half of 2022 but was led by domestic factors such as price increases, shortages of input, and foreign exchange constraints.

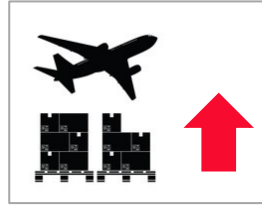


**69%**  
of firms

stated their **sourcing challenges have got worse**, which was an increase from 63% in the previous survey

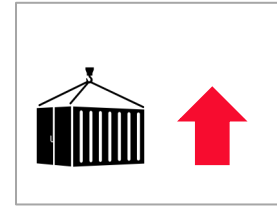
This was a similar trend among SMEs, large and women-owned and/or led firms.

**69%**



stated that **air freight costs have increased significantly** in the IH-2022. This is a drop compared to 79% in the previous survey.

**64%**



stated that **international container shipping costs have increased significantly** in the IH-2022, reduced compared to 83% in the previous survey.

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

**47%**



of service exporters stated that the **situation with regard to sourcing products/services has worsened** over the period



### Major Sourcing Challenges

- Increases in the prices of products sourced locally
- Shortage of inputs sourced locally
- Shortage of foreign exchange to open letters of credit (LoC) for the importation of raw materials

## ECONOMIC CRISIS - IMPACT ON GOODS EXPORTERS

Despite the shortage of dollars in the market, goods exporters were able to use their proceeds to pay suppliers. Firms were continuing to experience a loss of suppliers/delay of supplies.



A significant majority were able to **use their export earnings to pay for suppliers**. However, 50% of survey respondents agreed that it was a time-consuming process with the need for many documents

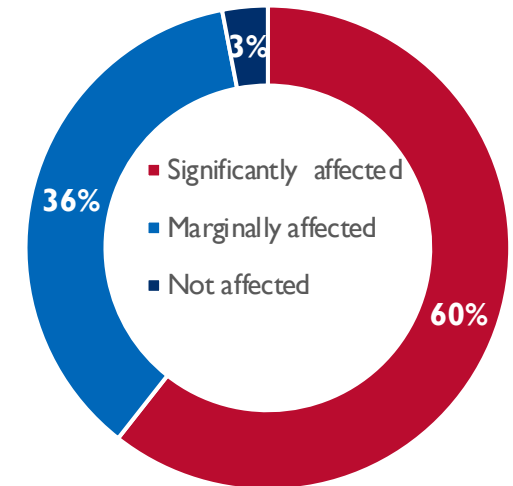


of **SMEs** were unable to **use their export earnings** to pay suppliers, compared to 3% of large firms



of firms agreed that there was a loss of suppliers/delay of supplies similar to the previous survey

Impact on their ability to export

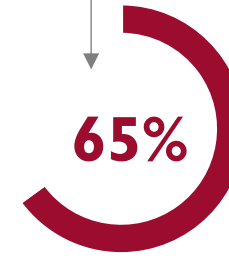


## ECONOMIC CRISIS - IMPACT ON SERVICES EXPORTERS

Services exporters were less impacted by the dollar shortage compared to goods exporters in terms of loss of suppliers/delay of supplies though they faced different challenges. Twenty per cent (20%) of service exporters have either partially or significantly relocated their services to other locations to mitigate risks of which about 70% were SMEs.



**50%** of firms agreed that there was a loss of suppliers/delay of supplies



65% agreed that it has significantly affected their ability to export

### Specific Challenges



Decrease in demand for services from Sri Lanka



Lack of skilled labor to manage existing and new projects/ product development



Managing foreign currency inflows and outflows

**69%**

of firms stated that there was **no change of location**



However, 11% of respondents have **relocated a significant proportion** of their services to other countries, while 19% have **partially relocated** to other countries.

**25%**



of firms that have partially relocated were **SMEs** compared to 8% of large firms

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# **Employment and Digital Transformation**

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## EMPLOYMENT TRENDS

Employment trends in the first half of 2022 were different from the second half of 2021 with more firms considering cost-cutting measures during the second half of 2022. There was a slight increase in the rate of employment though this could be due to the reasons highlighted below.

### Trends in Recruitments



Potential recruits asking for higher wages/ salaries due to rising living costs



Employee attrition caused by overseas employment/migration



Difficulties in recruitment process due to fall in income and production

## Employment

Increased



**30%**  
of firms

Decreased

**18%** of firms  
of which



**21%**  
of SMEs



**12%**  
of large  
firms

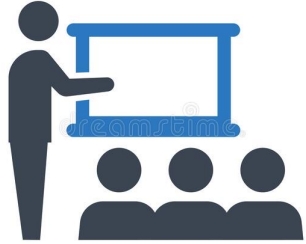


**53%**

of firms which is a larger percentage of exporters are considering cost cutting measures compared to 38% in the previous survey

## EMPLOYMENT TRENDS cont'd

### Training Budget



**41%**

of firms which is a less number of exporters maintained their training budgets, compared to 58% in the previous survey



**A higher proportion of SMEs (28%) have reduced their training budget, relative to large firms (12%)**

### Skilled Migration



**54%** of firms experienced a significant or marginal increase in employee attrition due to skilled migration

Of this

**73%** of Large firms seem to have experienced a higher proportion of their employees leaving for skilled migration, compared to

**48%** of SMEs



### Over the Next 6 Months



**64%**

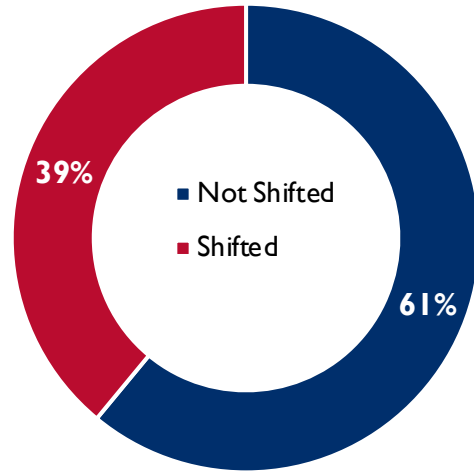
of firms expect **no change in their workforce size** compared to the first half of 2022

**25%** of services exporters expect a decrease in workforce size, compared to 10% of goods exporters



## DIGITAL TRANSFORMATION

The exporters continued to rely on the B2B model for orders in line with the past two surveys. However, there was an increase in the usage of online channels to generate sales in the current survey with almost all women-owned and/or led businesses leveraging this medium.



A majority of 61% didn't experience a shift in orders from B2B to B2C in the IH-2022, similar to the previous survey



**94%**  
of women-owned and/or led businesses used online channels

Current Survey

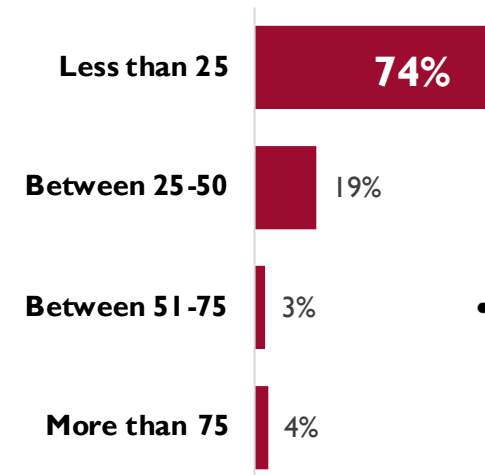
78%

Previous Survey

62%

More firms used online channels to generate sales

74% of firms stated that less than 25% of sales came from online channels. A similar trend was observed for all types of firms.



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# **Export Opportunities and Facilitation to Improve Export Competitiveness**

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## EXPORT OPPORTUNITIES

Despite economic issues, exporters continued to find new business opportunities even though the current survey recorded a drop (57%) in opportunities compared to the previous survey (60%). The opportunities were mainly in accessing new markets with either existing or new products/services.



**57%** of firms found new opportunities



**61%**

**Goods Exporters**



**44%**

**Services Exporters**

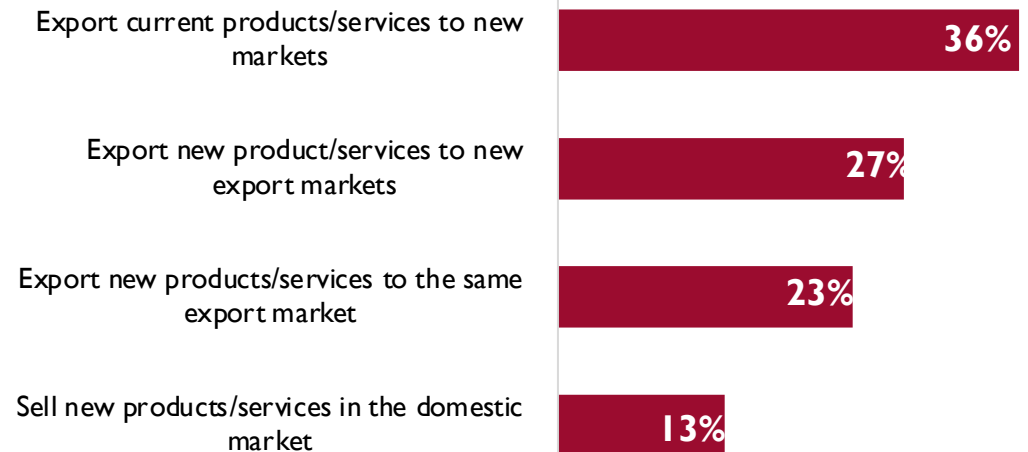
**A greater proportion of Large firms (72%) have found new opportunities compared to SMEs (58%)**

**69%**



**of women-owned and/or led businesses found new business opportunities compared to 50% in the previous survey**

### Nature of Identified New Business Opportunities

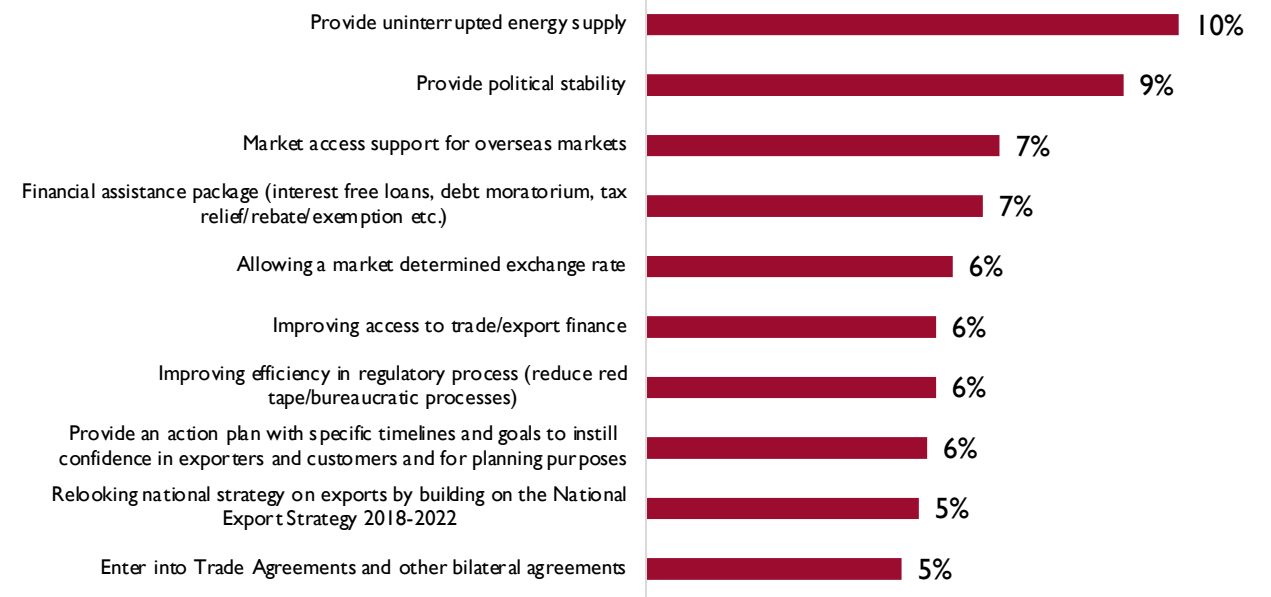


## REQUIRED EXPORT FACILITATION



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

## Key Focus Areas for Facilitation by Government



## Facilitation Measures Required

by **SMEs**



- Market access support for overseas markets
- Financial assistance package
- Allowing a market-determined exchange rate
- Improving access to trade/export finance

by **women-owned and/or led businesses**



- Market access support for overseas markets
- Improving access to trade/export finance
- Financial assistance package
- Provide an action plan with specific timelines and goals to instill confidence in exporters and customers and for planning purposes

## EXPORT FACILITATION REQUIRED FROM TRADE CHAMBERS AND DONOR AGENCIES



Assistance for accessing new markets and export buyers; Facilitating partnerships for export production



Assistance for investments in solar power generation



Logistics support



Assistance for acquiring new mechanization tools and technology to be export competitive



Support for participation in international trade/ Expo fairs and exhibitions



Policy advocacy support related to export regulations; Assistance for creating awareness amongst policymakers and key government institutions on the importance of an export-oriented economy



Training and development support on technical and technology transfer and improving process efficiencies



Assistance for R & D and obtaining international accreditations



Joint lobbying of government together with private sector to improve ease of doing business and effective crisis management

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# **Outlook for the Next 6 Months**

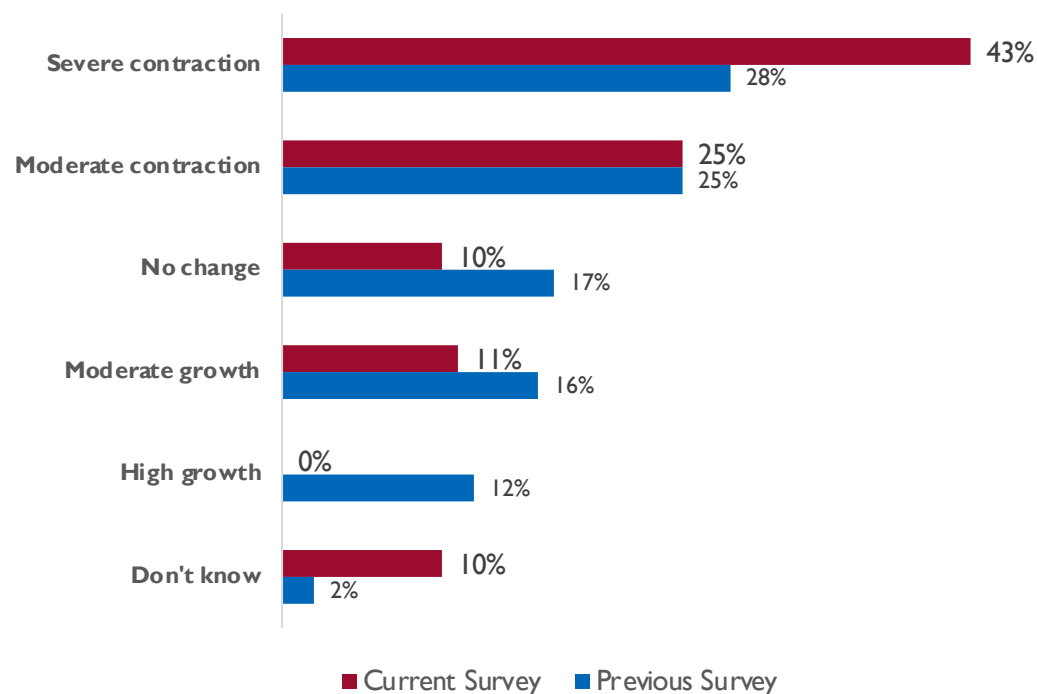
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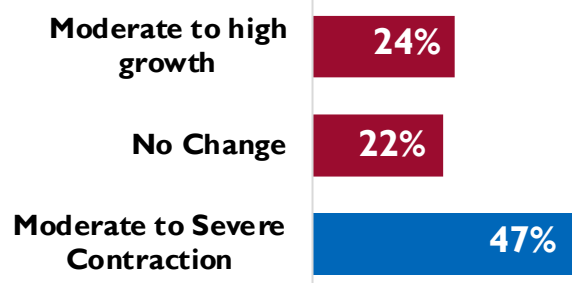
## OUTLOOK FOR THE NEXT 6 MONTHS

The outlook in terms of the economy and export orders for the second half of 2022 is negative. The majority of exporters (68%) expect the economy to undergo a severe or moderate contraction while 47% expect this trend in terms of their export orders.

### Outlook on the Economy



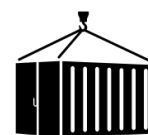
### Outlook on Export Orders



Service exporters are slightly more confident of improvement in their export orders with 31% expecting moderate to high growth, while 22% of goods exporters expect moderate to high growth



Service exporters are more positive about the outlook of the economy with, **22%** expecting a moderate growth



Only **9%** of goods exporters expect a moderate growth

None of the respondents expect high growth. Overall, this trend is similar among SMEs, large firms, and women-led and/or owned firms.

## OUTLOOK FOR THE NEXT 6 MONTHS cont'd

Despite the negative outlook for growth and orders, exporters are continuing to look for new business opportunities. Exporters intend to explore traditional markets (USA and UK) as well as new markets (Middle Eastern countries, Australia, Canada, Europe and Asia).



**50%**

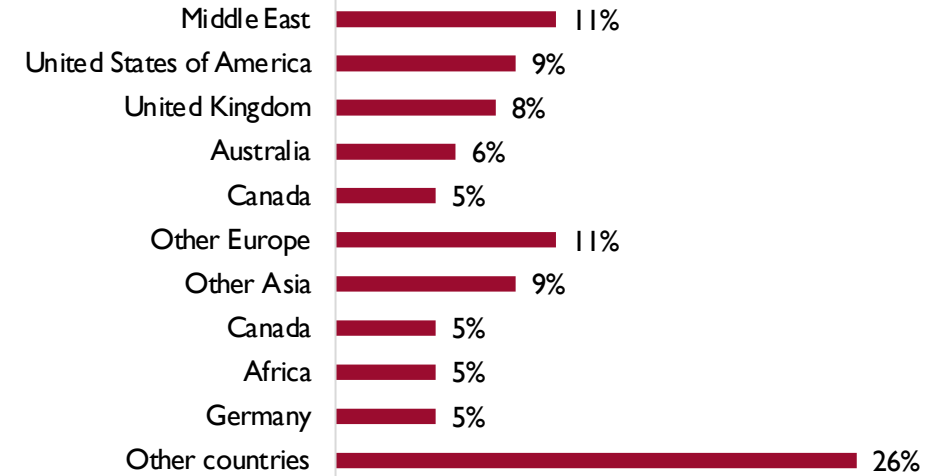
of firms expect to reach 1-2 new international markets in the next 6 months



**24%**

of firms do not expect to reach any new international markets within the next 6 months

## Top 10 New Markets



## Top 5 Measures to Drive Export Orders



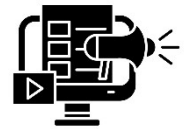
Offering customized products



Improving customer service



Competitive pricing



Increasing spending on marketing including online advertising



Undertaking strategic measures (Joint ventures, Partnerships, Mergers, Acquisitions and Divestitures)

## OUTLOOK FOR THE NEXT 6 MONTHS cont'd



### Stock of Purchases\*

**36%**

of firms expect a severe to moderate contraction, while 22% of firms expect moderate to high growth



### Price Expectations

**49%**

of firms expect a moderate to significant increase in prices (unit price movement)



### Suppliers' Delivery Time\*\*

**46%**

of firms expect a moderate to severe contraction, while 27% expect no change. It is a similar trend across all types of firms

### Other Comments on Outlook:

Exporters expressed concerns on the global economic slowdown and its impact on their export orders. Improving the local economy and political stability will provide better opportunities to price their orders competitively. The main concern was the lack of sufficient fuel and rising fuel prices to transport goods domestically in fulfilling current export orders. Firms also stated that in certain instances they lost new orders to competing markets due to forex unavailability to finance raw materials.

\* Stock of Purchases refers to the raw materials purchased and kept in a warehouse to be used for production

\*\* Suppliers' Delivery time refers to the time lag between order placement and delivery by the supplier

## 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 as well as the SME database of PARTNER. The questionnaire was also circulated amongst key trade and service associations. The survey sample was similar to the second survey conducted in February 2022. The survey was implemented for three weeks from July 5th - 26th, 2022 using the online survey platform, Typeform. The survey received a total of 157 responses which was above the target of 100-120 responses.
- The survey received 74% of responses from SME firms and 20% 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.
- The survey was conducted by The Ceylon Chamber of Commerce with the support of the United States Agency for International Development (USAID) Partnership for Accelerating Results in Trade, National Expenditure and Revenue (PARTNER) Activity.

## **Export Barometer Survey – July/August 2022**

**Conducted by**

**The Ceylon Chamber of Commerce**

**and**

**United States Agency for International Development (USAID)-  
supported Partnership for Accelerating Results in Trade, National  
Expenditure and Revenue (PARTNER) Activity**

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