

AHK BUSINESS BAROMETER | SRI LANKA

AHK Sri Lanka World Business Outlook Spring 2024

Results of a survey among German companies
in Sri Lanka



AHK

Delegation der Deutschen
Wirtschaft in Sri Lanka
Delegation of German Industry
and Commerce in Sri Lanka

 **Partner In Sri Lanka**

Introduction

In order to gain an insight into the economic situation of **German companies in Sri Lanka**, AHK Sri Lanka participated in the worldwide survey 'AHK World Business Outlook' conducted by the German Chamber of Commerce and Industry (DIHK).

The latest edition of the survey, was conducted from **25th of March to 21st of April 2024**.

Our AHK Sri Lanka Business Barometer provides critical data about the current situation of German brands in Sri Lanka. With a **participation rate of 43.51%**, the survey ensures that the data collected is highly representative of the companies involved.



Executive Summary

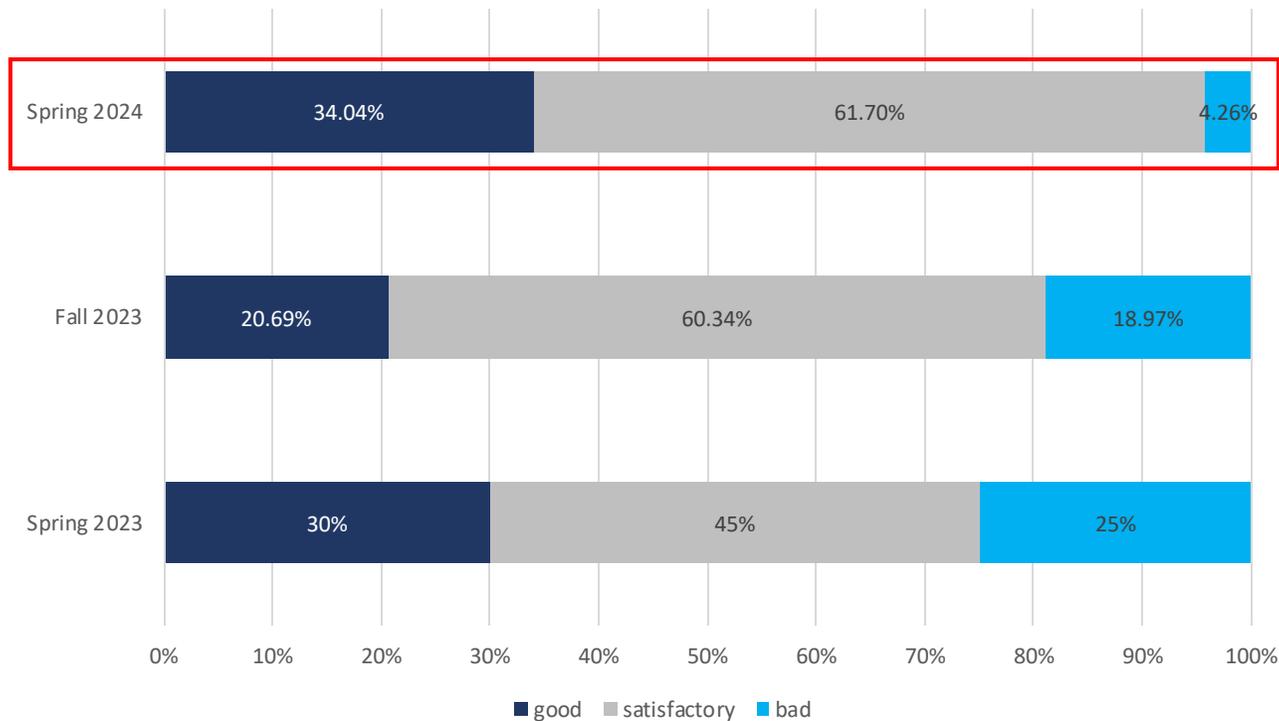
In Spring 2024, over 95% of German businesses in Sri Lanka reported a favourable business environment, with the percentage of companies experiencing improvement more than doubling since Fall 2023. However, the Asia/Pacific region's performance has declined compared to Fall 2023.

Despite an improved business situation in Sri Lanka, there is a decrease of optimism for the next 12 months, primarily due to concerns about the upcoming general election. As a result, most companies do not plan to increase investments; instead, they intend to maintain their current investment levels. Nevertheless, businesses are more optimistic about local economic development than they were 6 months ago.

Workforce development plans of German businesses in Sri Lanka have grown by 7.72%, and the number of companies planning to reduce employment has drastically declined from 23% in Spring 2023 to just 4.26% in Spring 2024. However, exchange rate volatility and economic policy conditions remain major concerns, although the prices of energy and raw materials have declined.

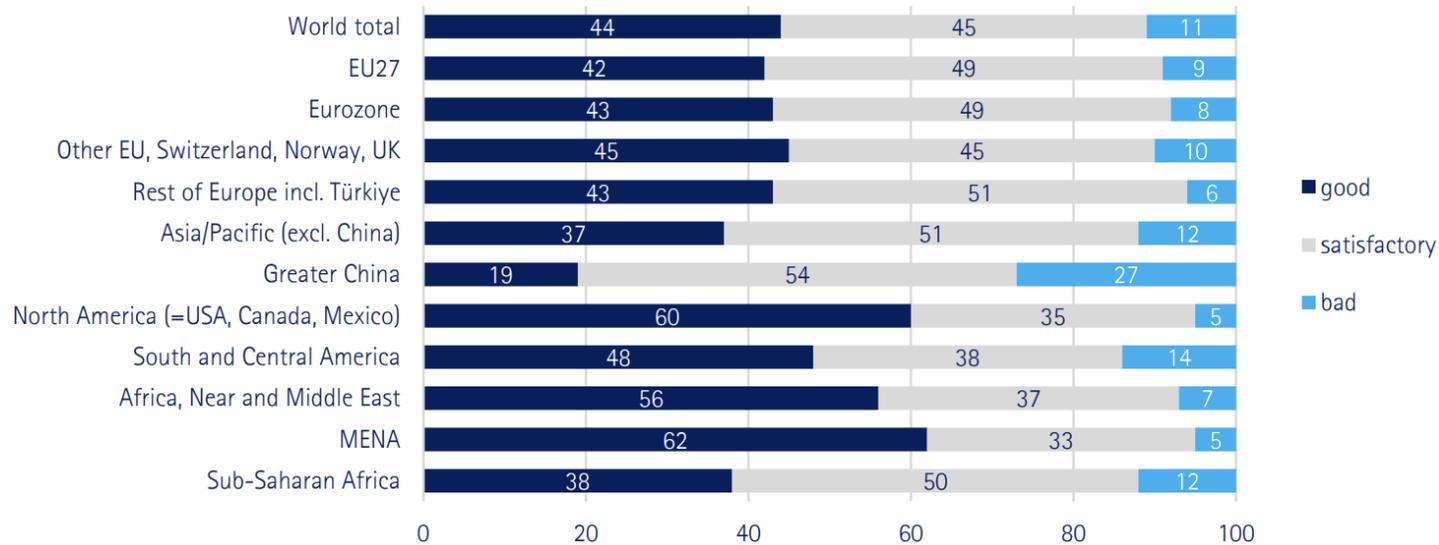


Q1 How do you assess the current situation of your company?



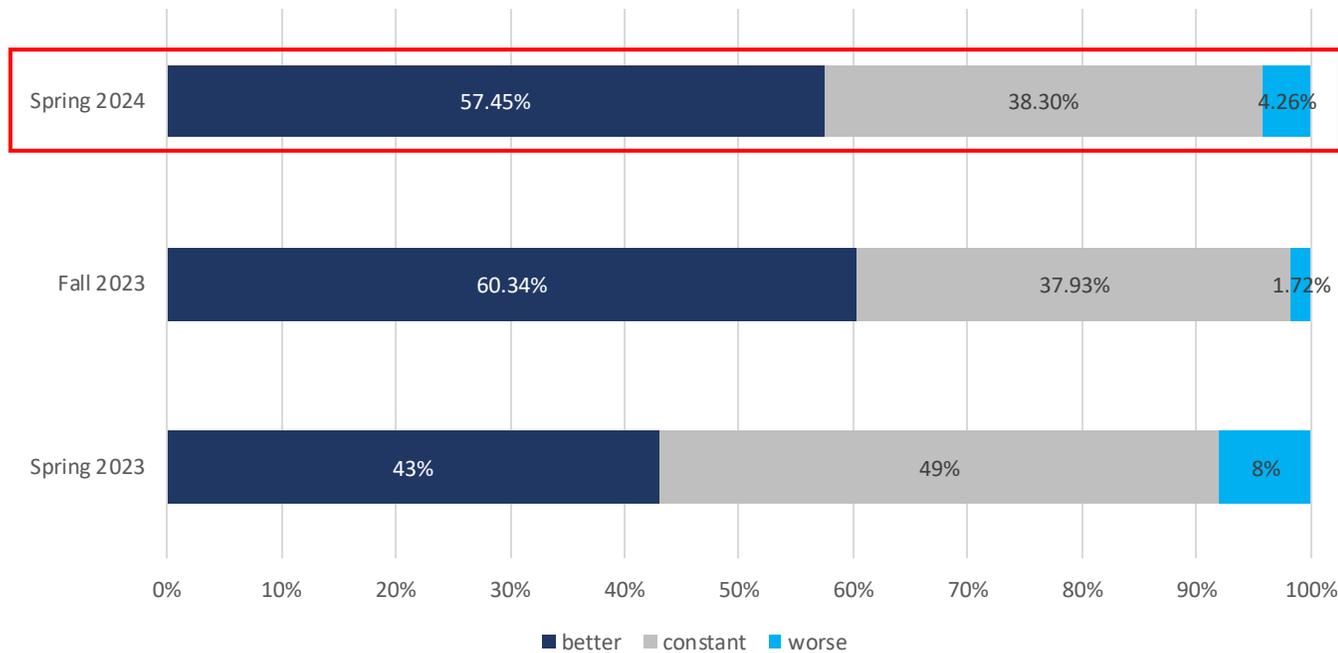
- In Spring 2024, **over 95% of German businesses in Sri Lanka reported a favourable business environment** regarding their current situations.
- From Fall 2023 to Spring 2024, **companies experiencing an improved situation more than doubled**, increasing from 20.69% to 42.82%.
- Compared to Spring 2023 and Fall 2023, there's a **rapid decrease in companies reporting a "worse" situation**.

Business situation of companies worldwide



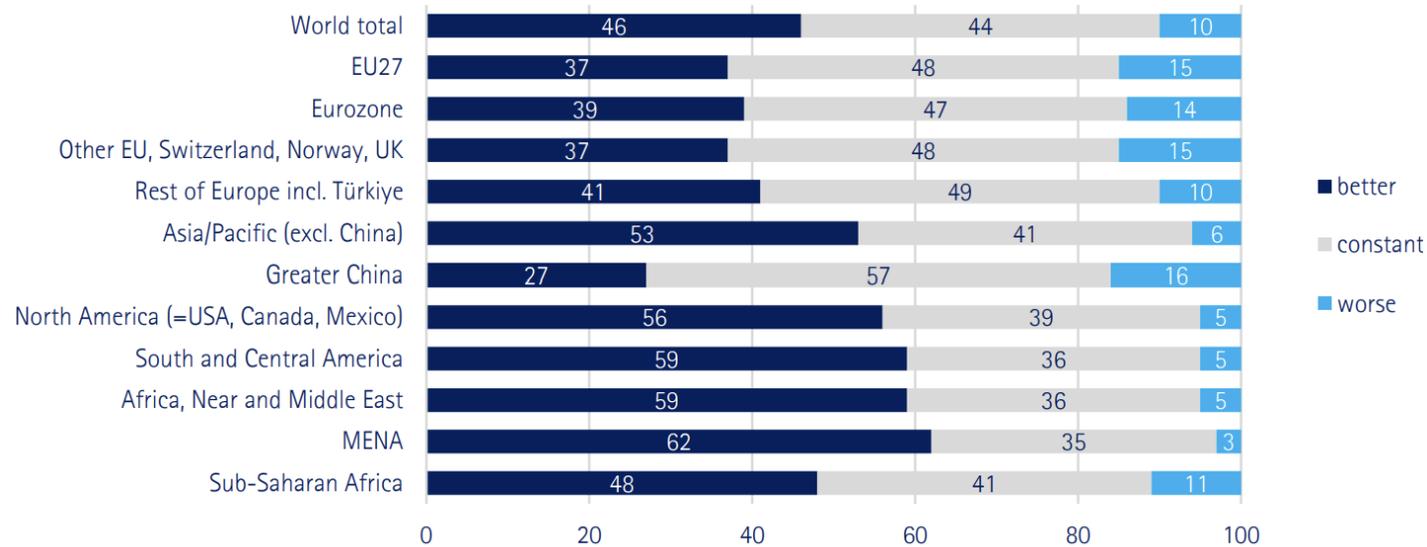
- Globally, most companies rate their business situations as satisfactory at 46.92%.
- **MENA region reported the most favourable** business environment for German businesses, while Greater China has remained the least satisfied since Fall 2023.
- **Asia has fallen to the 11th position** in this ranking, a significant drop from 7th place in Fall 2023, placing it just above Greater China.

Q2 Which Business Development Does Your Company Expect for the Next 12 Months?



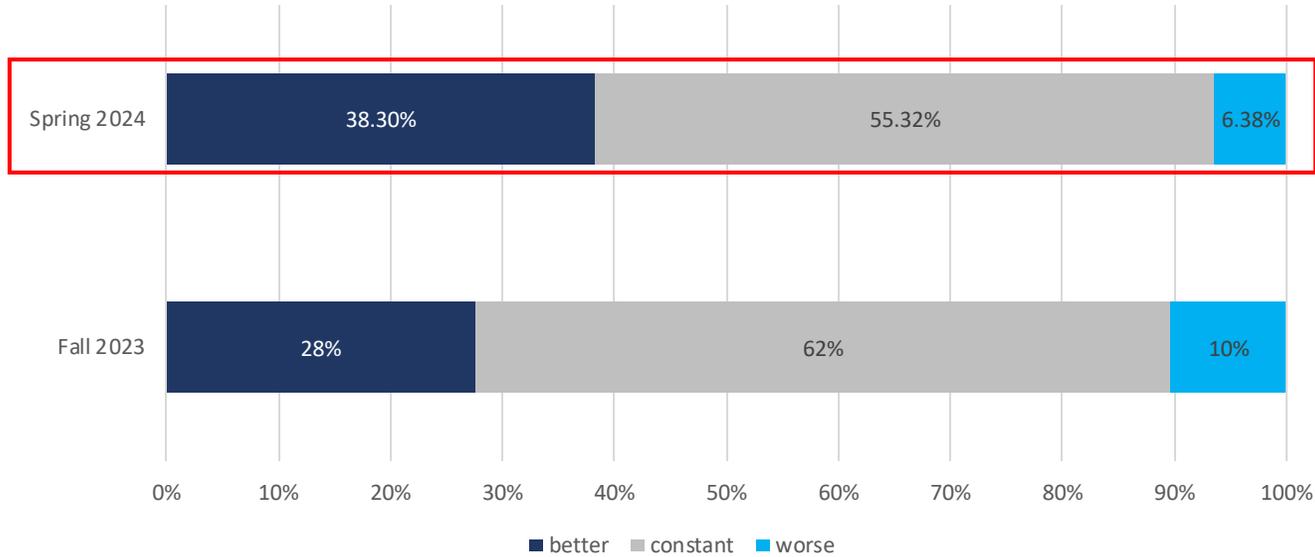
- Compared to Fall 2023, German brands in Sri Lanka exhibit a **slight decrease in optimism** for the next 12 months, with a decrease in the percentage reporting "better" (↓ by 2.89%), and an increase in the percentage reporting a "constant" (↑ by 0.37%) and "worse" (↑ by 2.54%) outlook.
- However, the situation has **improved compared to Spring 2023**.

Business Development Expectations Worldwide



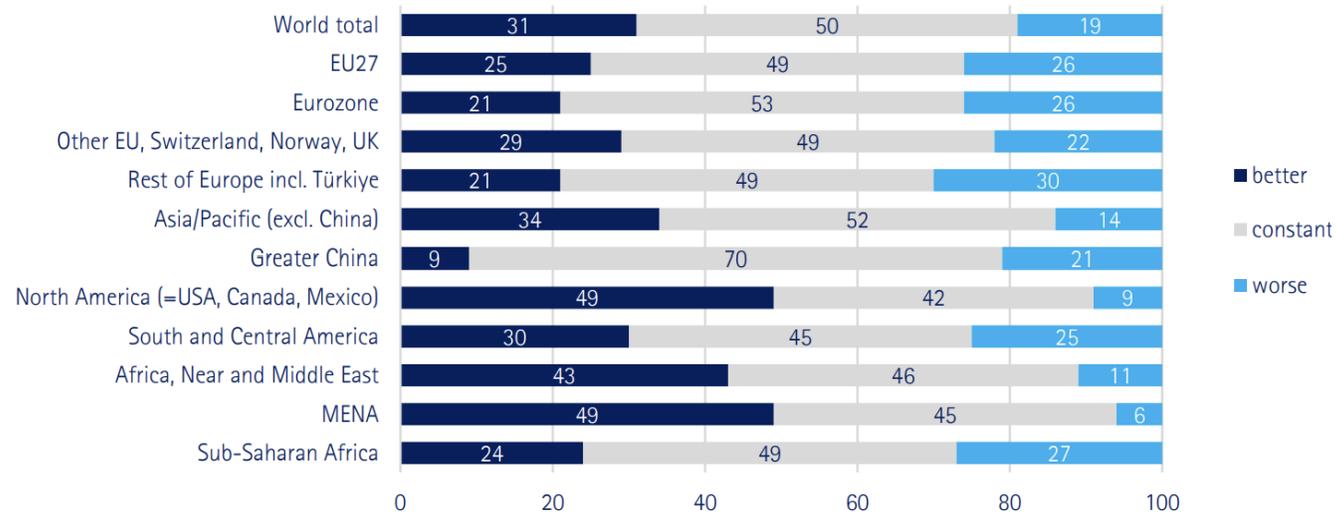
- Despite the current unfavourable business situation in Asia/Pacific (excluding China), the region **remains optimistic about business development** over the next 12 months.
- With 53% of businesses in the Asia/Pacific region anticipating an improved business environment, it ranks as the **4th most optimistic region globally**.
- Compared to Fall 2023, the Asia/Pacific region in Spring 2024 shows a **4% increase in businesses reporting "better,"** rising from 49% to 53%, while **those reporting "worse" decreased by 3%.**

Q3 How Do You Judge the Local Economic Development in the Next 12 Months?



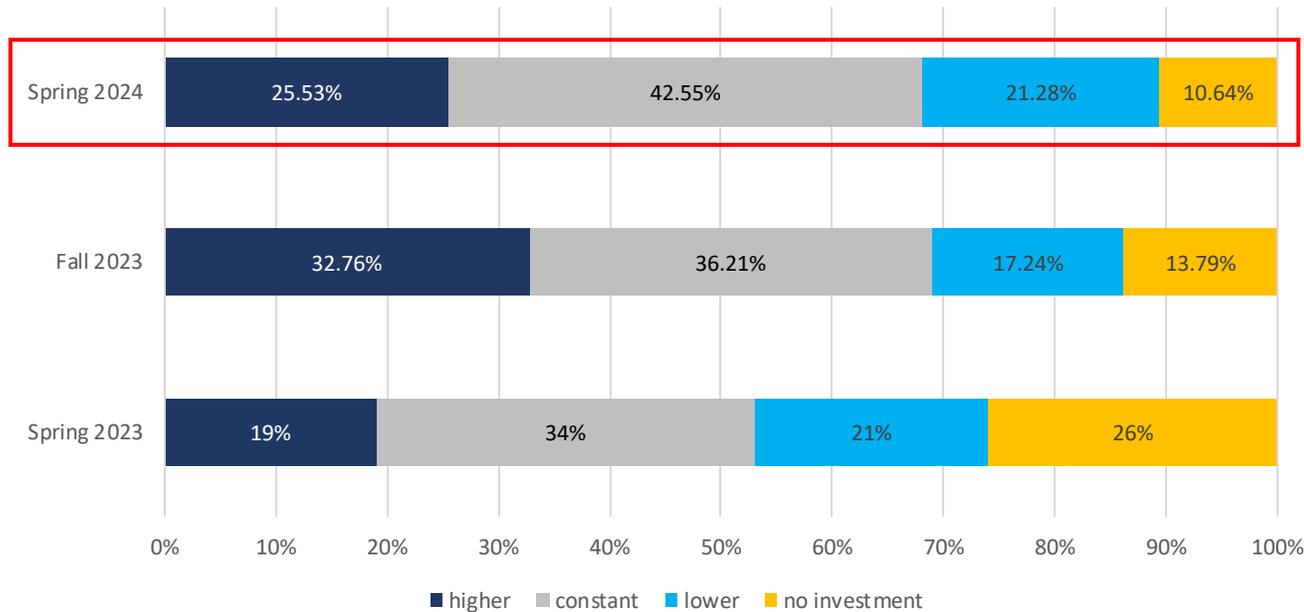
Despite a planned election in the country, **over 38%** of businesses expects "better" local economic development, marking an **increase of 10.30%** from Fall 2023.

Economic Expectations of Companies Worldwide



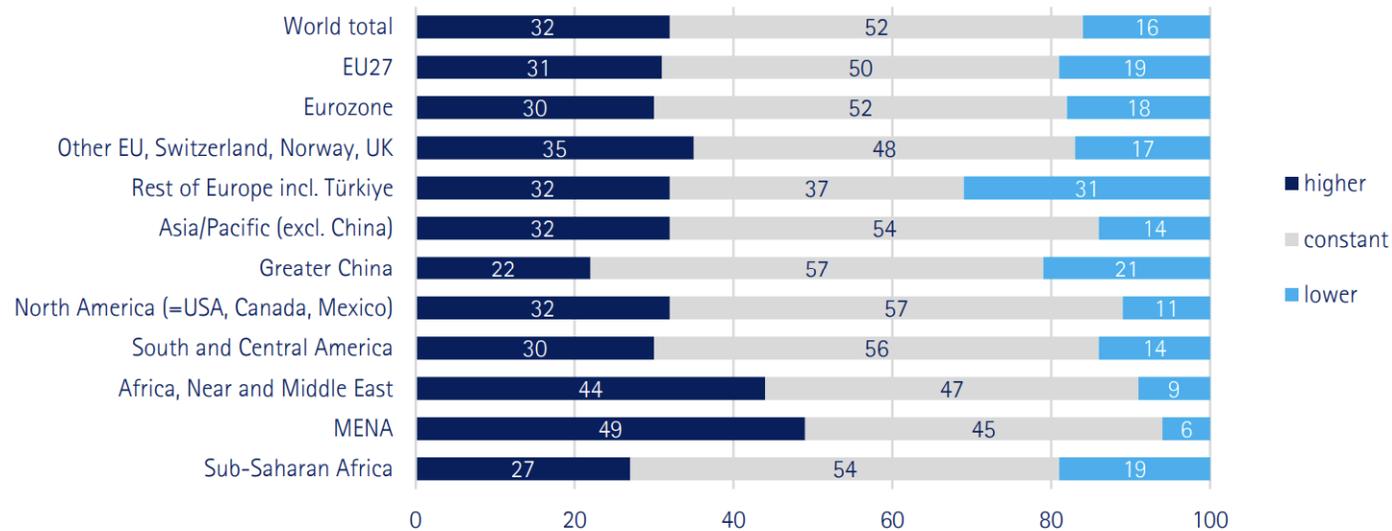
- With 34% of German companies in the Asia/Pacific region (excluding China) expressing optimism, it ranks as the **3rd most optimistic region** for economic expectations.

Q4 How do you Think Local Investments of your Company are Likely to Develop in the Next 12 Months?



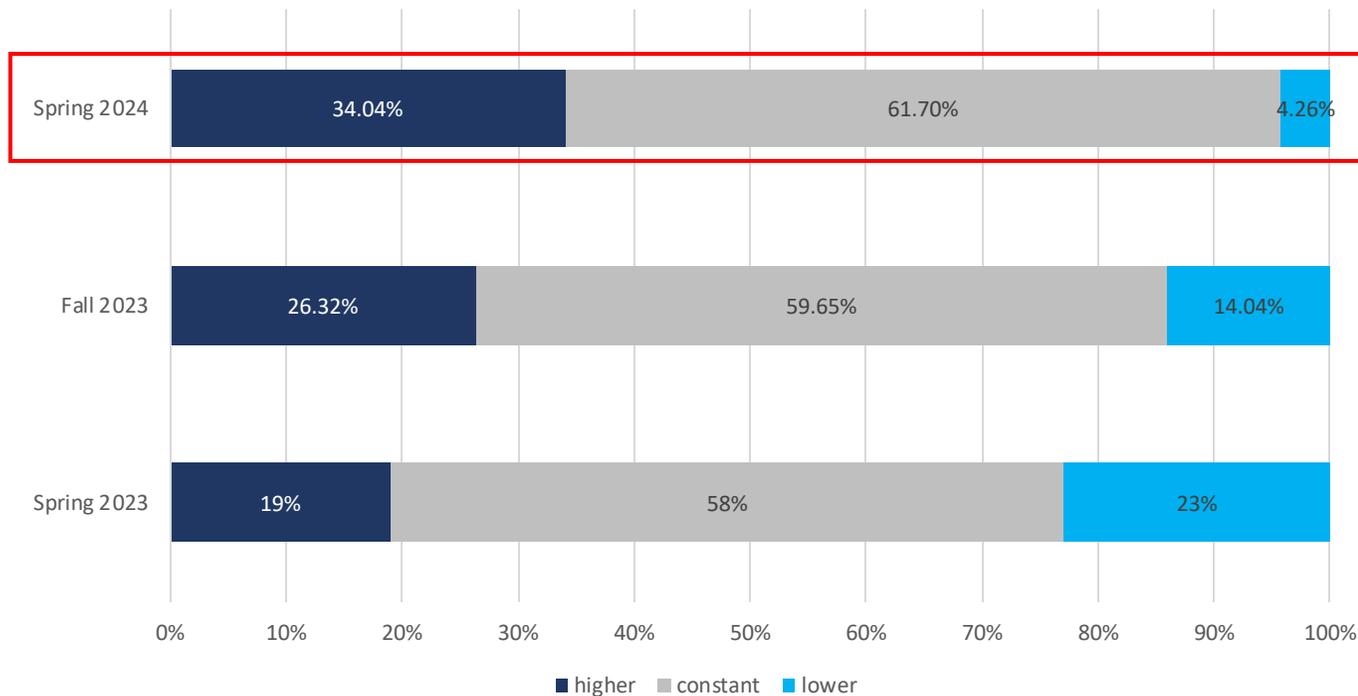
- Despite anticipated economic improvements, most companies are not planning to increase investments; instead, majority intends to maintain their current investment levels.
- The percentage of companies without investment plans dropped further in Spring 2024 to 10.64%, down from 13.79% in Fall 2023.

Investment Intentions of Companies Worldwide



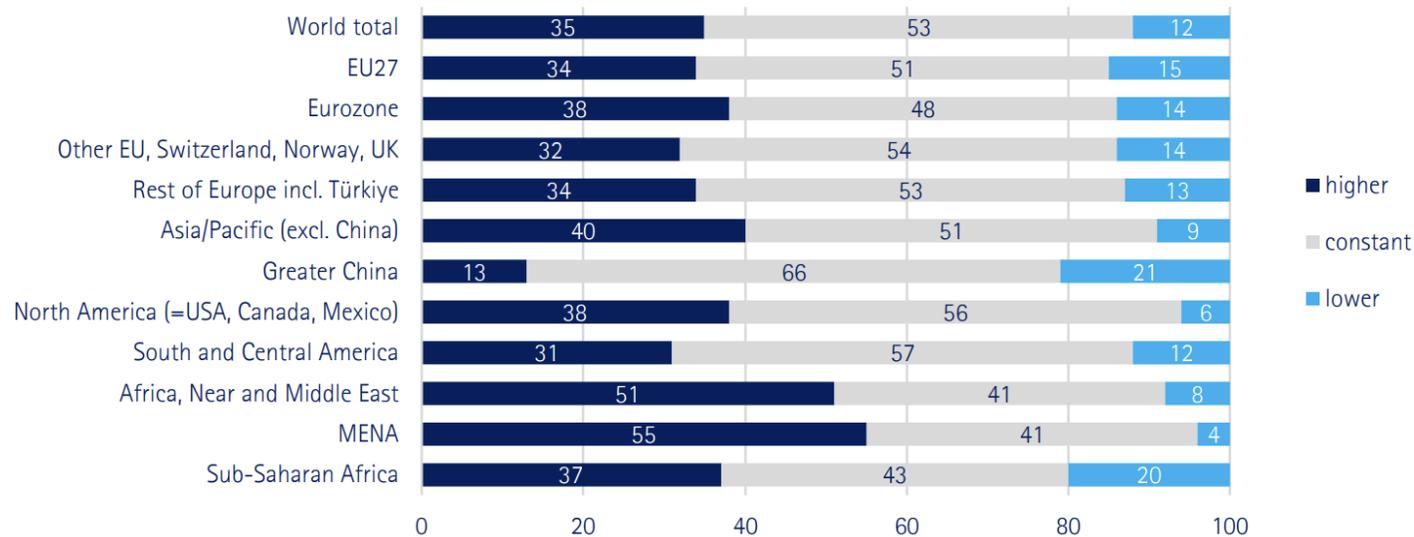
- **Persistently high interest rates and geopolitical tensions** continue to dampen investment intentions worldwide: 32% plan to invest more in the next 12 months (↓ by 33% in fall), while 16% plan to invest less (↓ by 20% in fall).
- **Asia Pacific region** (excluding China) ranks among the **top 5** for increasing investments.

Q5 How do you Think Local Employment of your Company is Likely to Develop in the Next 12 Months?



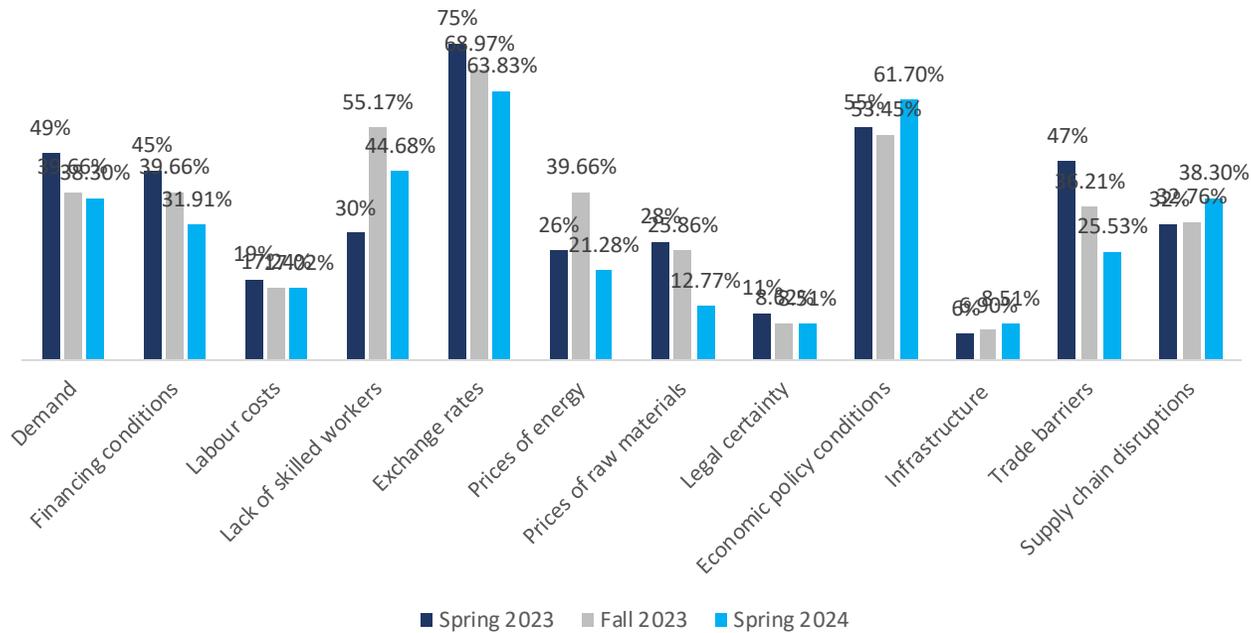
- In Spring 2024, German brands in Sri Lanka plan to grow their workforce by **7.72%**.
- Percentage of companies planning to reduce employment in the next 12 months has **drastically declined** - from 45% in Fall 2022 to just 4.26% in Spring 2024

Employment Intentions of Companies Worldwide



- Despite the improved expectations for economic development, most companies worldwide are **not adjusting** their employment plans compared to the Fall 2023.
- Asia/Pacific (excluding China) ranks as the **third-highest** region anticipating increased employment, with Sri Lanka being a contributor.

Q5 What are the Biggest Risks for your Company's Economic Development in the Next 12 Months?



- In Spring 2024 as well, German brands in Sri Lanka continue to express **heightened concern over exchange rate volatility**, which tops the list at 63.83%. However, this marks a 5.14% **reduction from Fall 2023**. Following closely is worries about economic policy conditions (61.70%).
- The perceived risk of a lack of skilled workers has **significantly decreased**, dropping from 55.17% to 44.68% in Spring 2024.

Business Risks for Companies Worldwide in the Next 12 Months



- Even though the global economy has shown resilience in the face of the crises and conflicts of recent years and the outlook for the coming months has improved, globally active companies are confronted with numerous business risks.
- Companies at their international locations still see low **demand** as the greatest business risk (45%, Fall 2023: 46%, long-term average 47%).

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