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BUSINESS CLIMATE SURVEY SRI LANKA 2014

10th November 2014
Business Sweden India

BUSINESS CLIMATE SURVEY 2014

- BACKGROUND AND OBJECTIVE

BACKGROUND

- Business climate survey is conducted by Business Sweden with inputs from Swedish companies in Sri Lanka with the objective of analyzing their perception on the current market situation as well as their expected performance in coming years
- There are currently 20 Swedish subsidiaries active in Sri Lanka
- Perception of these companies at business-levels can influence the strategies to enter the market for new companies as well as the development of business opportunities in Sri Lanka
- An analysis of the market perception, expected performance and development of Swedish subsidiaries in Sri Lanka also allows Business Sweden to verify the market situation and provide accurate information to key stakeholders in Sweden

OBJECTIVE

- Main objective of this business climate survey is to gain understanding of the general perception of Swedish companies regarding the current and future business scenario in Sri Lanka, and to transfer the acquired knowledge from the local business community to Swedish decision making groups

APPROACH AND METHODOLOGY

SCHEME OF SURVEY

- First Business Climate Survey conducted by Business Sweden in Sri Lanka
- Questionnaire designed by Business Sweden and posted online to Swedish subsidiaries in Sri Lanka
- Questionnaire was divided broadly in the following parts-
  - Company specific information
  - Perception of business climate in Sri Lanka
- Questionnaire was sent to 20 Swedish subsidiaries
- More than 70% of the invited companies (14 companies), responded to the survey
- 39 questions posed to the managing directors of Swedish subsidiaries, covering different aspects of doing business in Sri Lanka
  - Business climate in the country
  - Economic performance of the subsidiaries
  - Bureaucracy and regulatory issues
  - Trade and investment issues
  - Competitive scenario
  - Investment climate in Sri Lanka
  - Investment plans
  - Challenges of doing business in the country

EXECUTIVE SUMMARY OF BUSINESS CLIMATE SURVEY 2014 - SRI LANKA

Optimism persists even during economic slowdown

More than 80% of companies

- are satisfied about doing business in Sri Lanka
- expect FY 14-15 to be profitable for their subsidiaries in Sri Lanka

Market size and potential encourage investments

More than 65% of companies acknowledge

- investment climate to be favourable
- that there will be an increase in their operating activities

Challenges & Risks

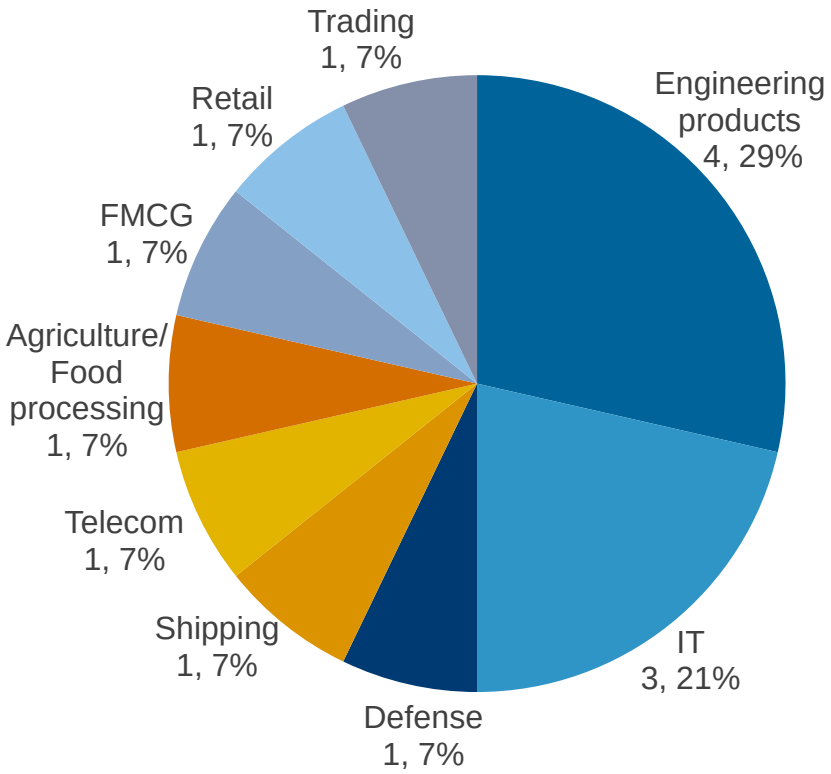
More than 30% of companies acknowledge following are major challenges and risks

- Bureaucracy
- Lack of skilled workforce
- Increasing labour cost
- Economic slowdown

SWEDISH COMPANIES CREATING A POSITIVE IMPACT ACROSS ALL INDUSTRIAL SECTORS

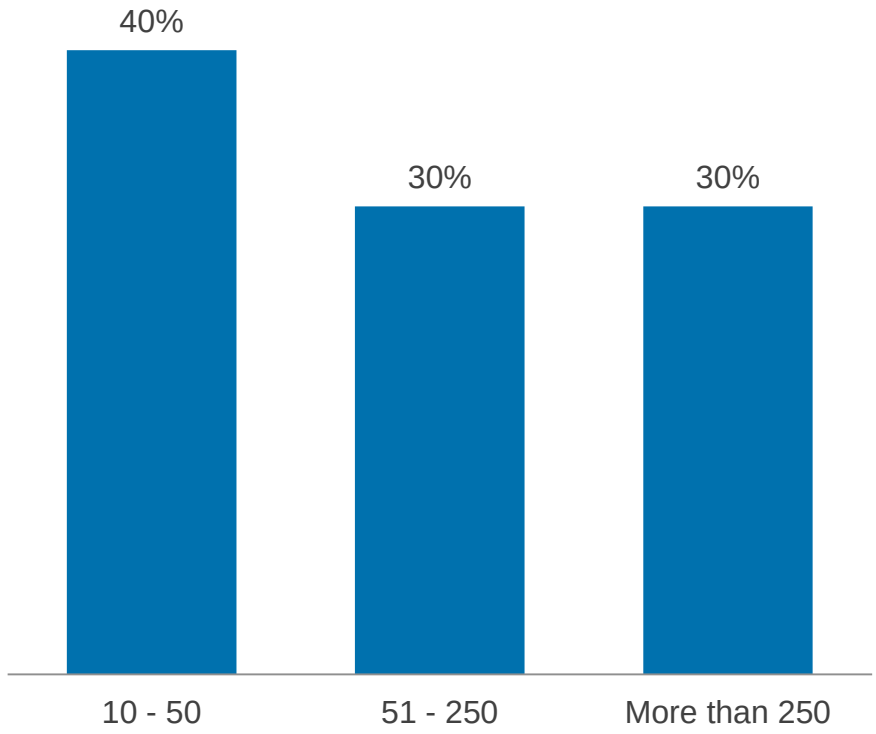
Percentage of companies in different industry sectors

sample size: 14



Employment Generated

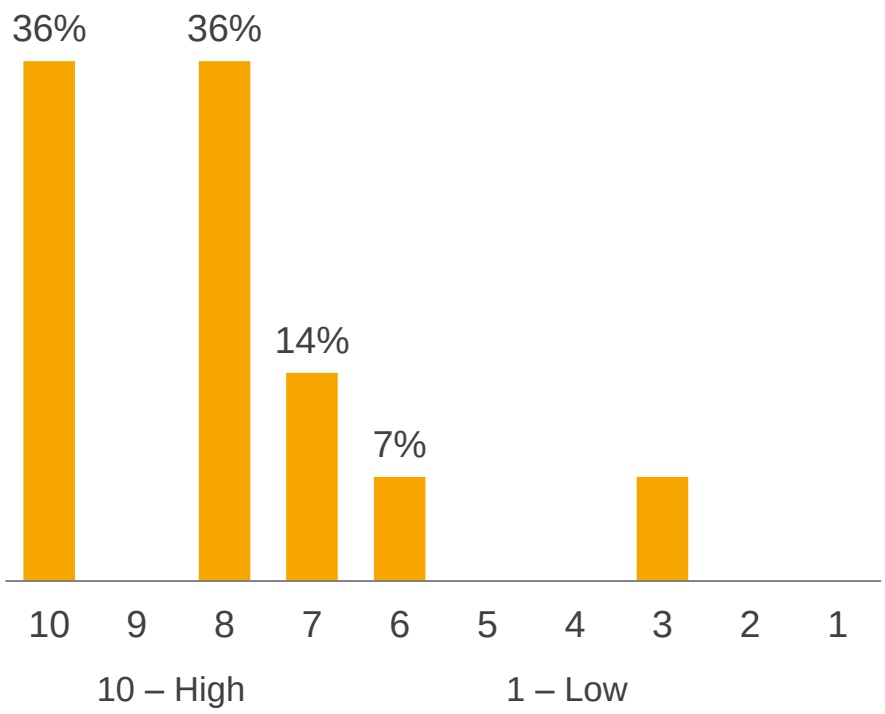
% of companies generating respective number of employments



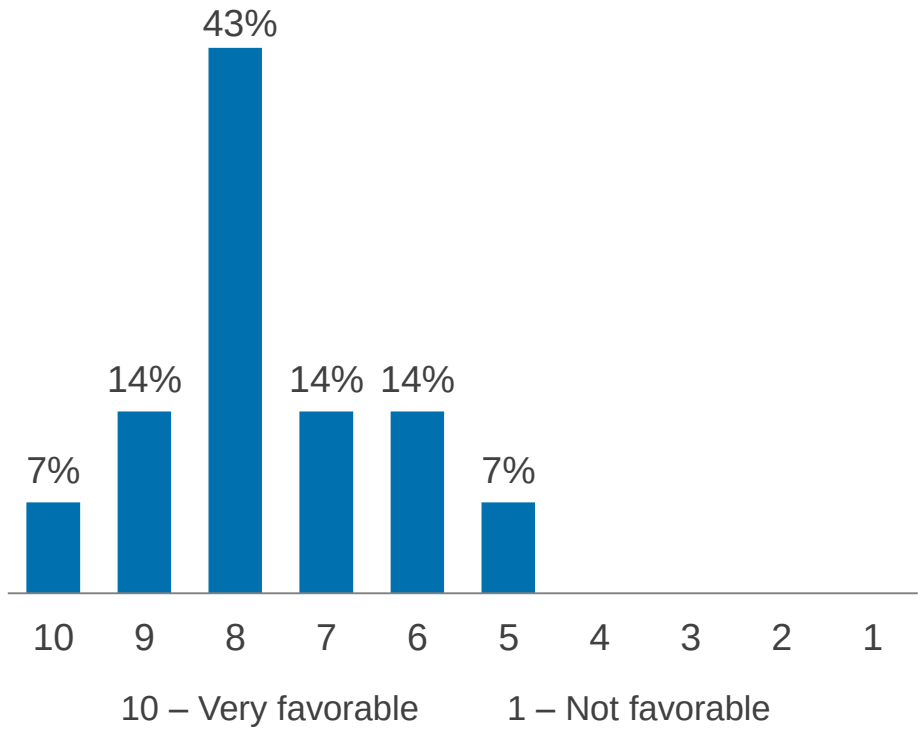
* DATA LABELS IN LEFT FIGURE SHOW NO. OF COMPANIES IN EACH CATEGORY AND THEIR PERCENTAGE SHARE

70% OF SWEDISH SUBSIDIARIES IN SRI LANKA FIND BUSINESS CLIMATE CONDUCIVE

Overall satisfaction of doing business in Sri Lanka
sample size: 14



Overall business climate perception in Sri Lanka
sample size: 14



"COST ADVANTAGE" IS THE KEY DRIVING FORCE

43% of forecast revenue increase in the range of +1-10%, 21% in the range of 11-20% and 7 % in the range of 21-50%

57% of companies expect operational costs to increase next year

80% of companies predict the cost competitiveness of the region would remain on similar levels

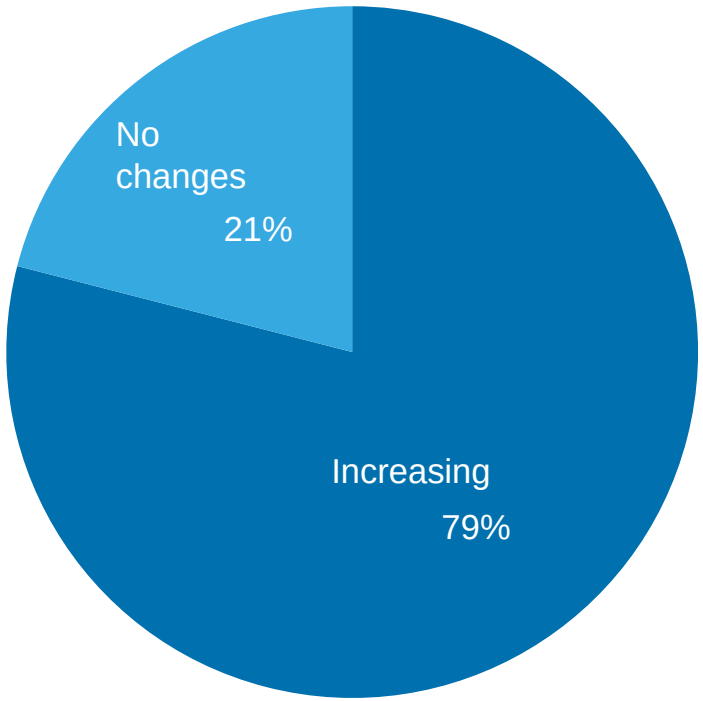
50% of companies see increase in investments by 11-50%, 36% would maintain current levels of investment and 14 % see increase in investments by 1-10%,

29% of companies expect operational margins to improve slightly while 21% expect significant improvements

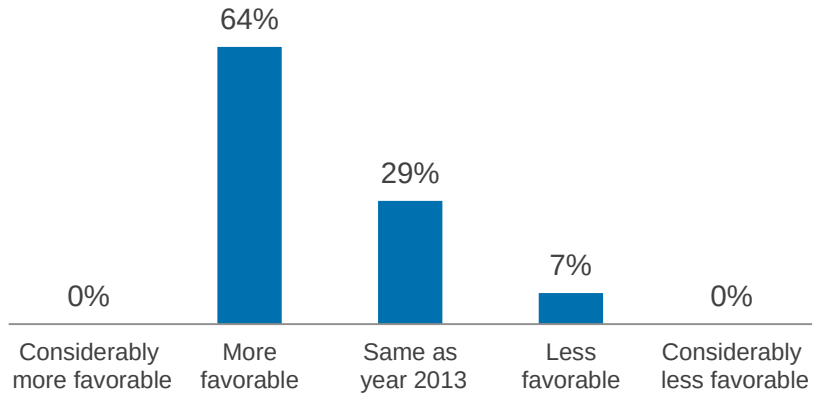
70% OF COMPANIES EXPECT FY 14-15 TO BE PROFITABLE

SWEDISH COMPANIES PLAN TO INVEST AND EXPAND IN NEXT THREE YEARS

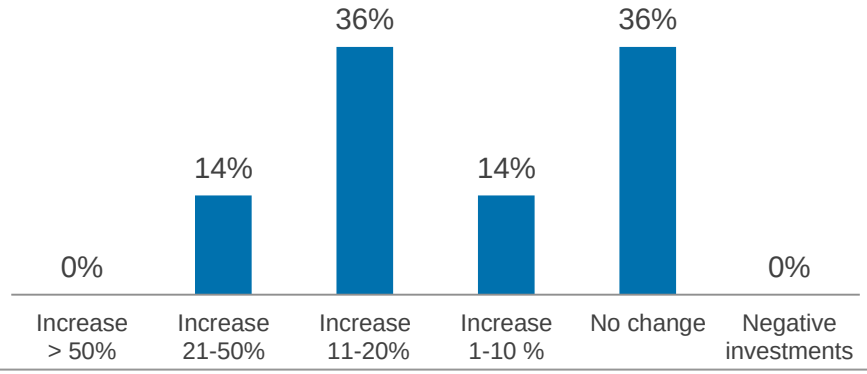
Operational activities plan (next 3 years)



Investment climate (next 3 years)
% of respondents



Investment plans (next 3 years)
% of respondents

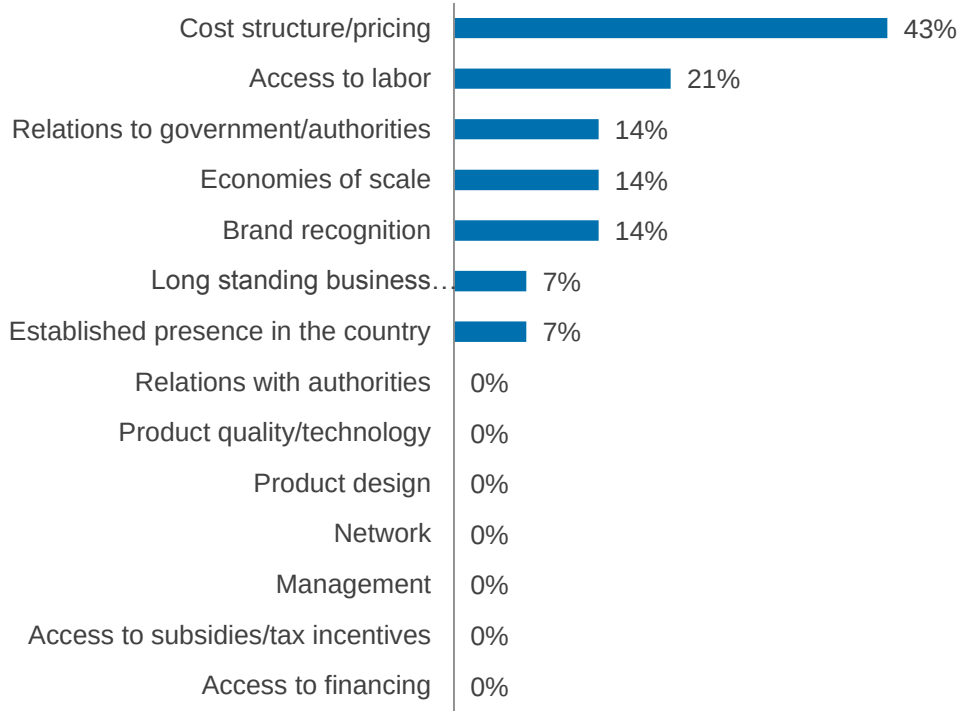


BRAND AND BUSINESS RELATIONSHIP ARE IMPORTANT SUCCESS FACTORS

PRICING AND ACCESS TO LABOUR KEY CHALLENGES

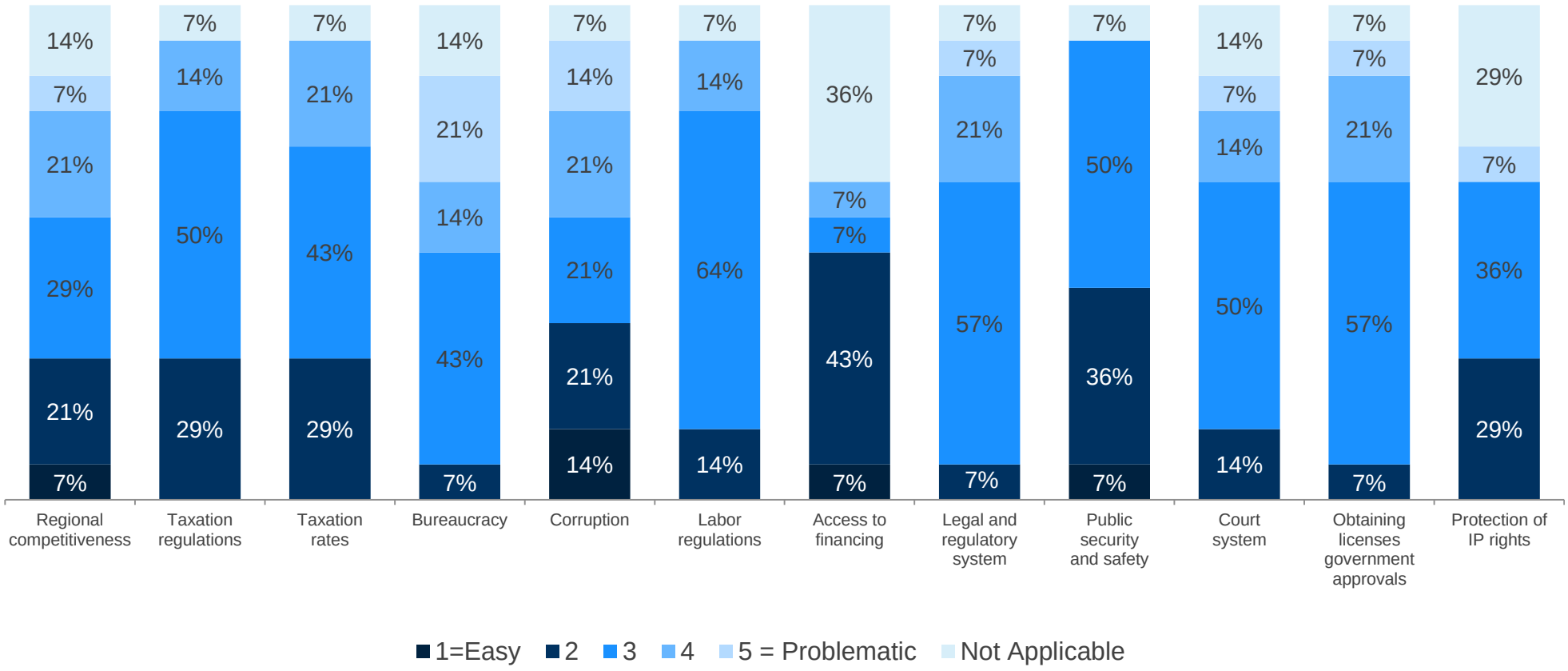
Competitive advantage to Swedish companies in Sri Lanka

Competitive disadvantage to Swedish companies in Sri Lanka

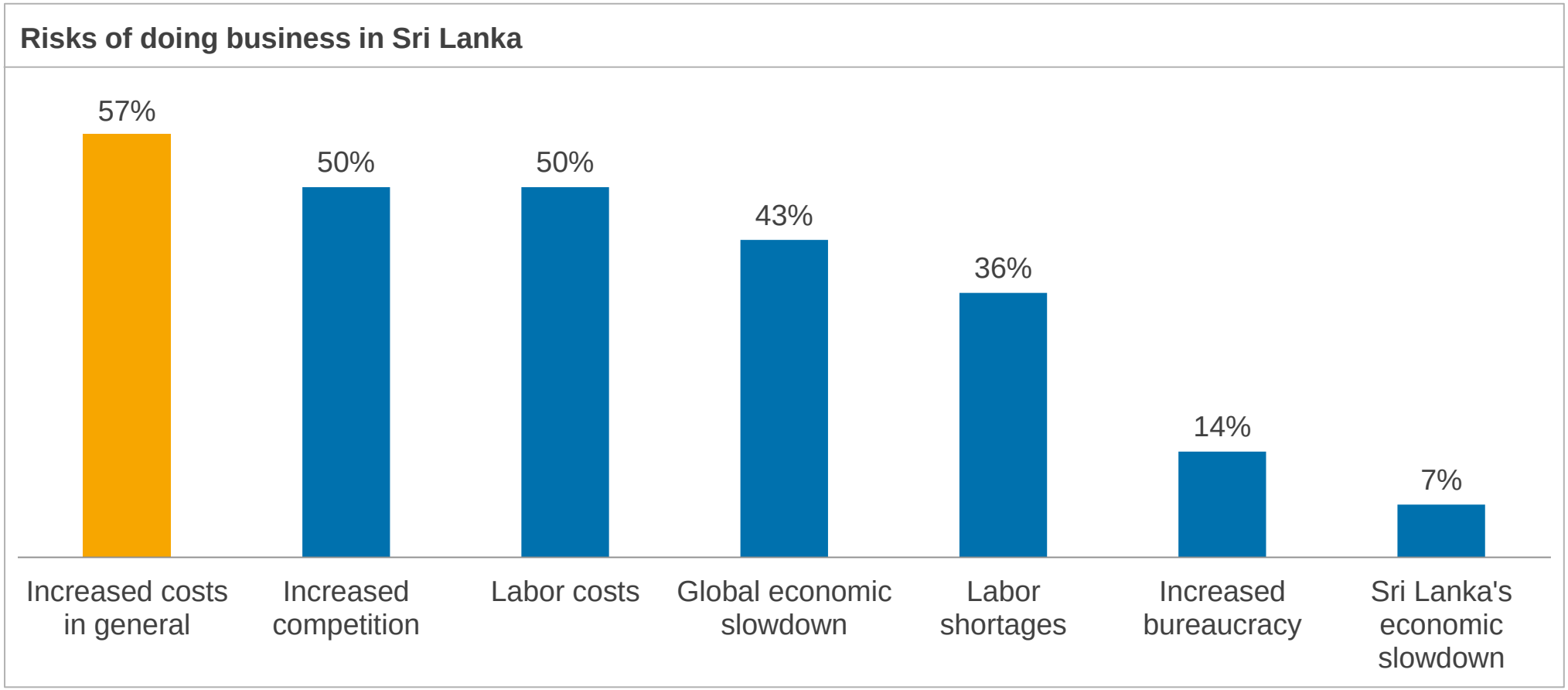


CORRUPTION, IP ISSUES AND BUREAUCRACY ARE AT MAJOR ISSUES FOR SWEDISH FIRMS

Legal factors affecting Swedish companies in Sri Lanka

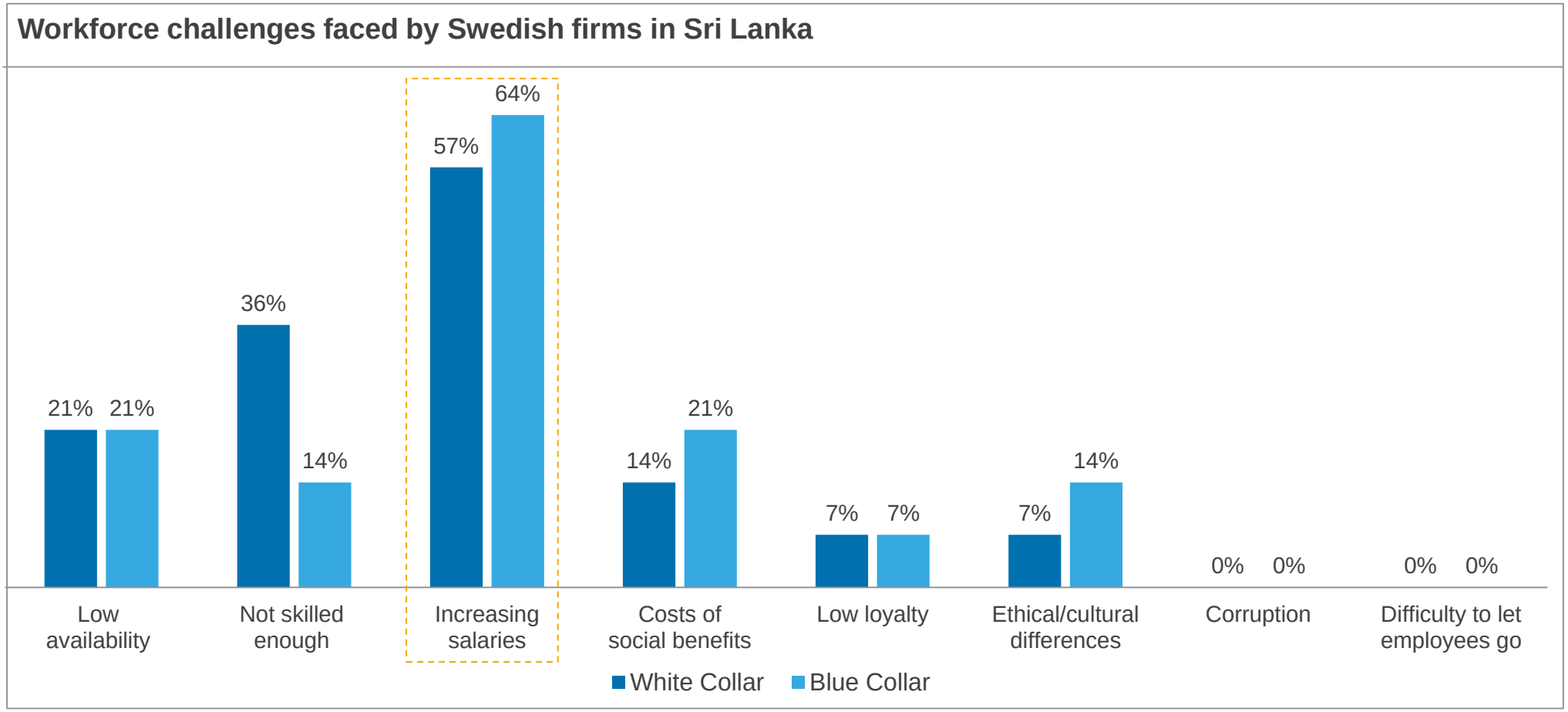


INCREASING COST IS THE LARGEST RISK FACED BY SWEDISH ESTABLISHMENTS IN SRI LANKA



INCREASED LABOR COSTS AND COMPETETION ALSO CONCERN SWEDISH COMPANIES IN SRI LANKA

INCREASING SALARIES IS A MAJOR WORKFORCE CHALLENGE



WELCOME TO SRI LANKA

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