GALLUP PAKISTAN

BUSINESS CONFIDENCE INDEX (BCI)

2nd Quarter 2020 Report

RESILIENT PAKISTANI BUSINESS COMMUNITY IS BACK ON ITS FEET !

Measuring the sentiments of business community in Pakistan through a statistically accurate method

GALLUP
PAKISTAN
Affiliated with Gallup International
Pakistan's Foremost Social Research Lab

August 2020

Gallup Pakistan Business Confidence Index (BCI) – An Introduction

Business Confidence Index is a crucial and globally used indicator for forecasting economic activity as particularly suitable for monitoring short-term changes in the economy.

Why measure? Business activity indicators, if timely available, give policy makers the chance to analyze the current situation & take appropriate policy actions to avert financial and other economic crises**.**

Business Confidence Index offers opportunity for businesses to contribute directly to the **policy formulation process** by sharing their perceptions of current and future economic and business conditions.

Another use of **Business Confidence Index** is that forward-looking monetary policy requires input on expectations of different agents and stakeholders of the economy.

This survey was conducted with around **487 BUSINESSES ACROSS** PAKISTAN IN **August 2020** by Gallup Pakistan which specialized in Data analytics and data creation

Surveyed firms include: manufacturing, services, construction, wholesale and retail trade and financial services sector spread across the country to seek their opinions on production, employment, and economic conditions etc.

This is the third report of the newly launched Gallup Pakistan Business Confidence Index

Methodology Note: *Even though the study took place in August 2020, we are calling this report Quarter 2. The field dates of the survey should not be confused with the report title. The main forte of this study is to be the first study of its kind in measuring business sentiments since the lifting of lockdown.*

WHAT IS COVERED IN THE REPORT

1. Special Section on Businesses & Corona covering two main questions – effect of Corona on business revenue & if the Businesses have downsized

2. Business Confidence Index

Gallup Business Confidence Index is composed of **three strands**

a. **Current Business Conditions Score –** The score represents the net value of the **positive – negative.**
A positive Current Business confidence score means more businesses are confident/positive about current business conditions than those who are **not** confident/positive.

b. **Future Business Condition Score** – The score represents the net value of the **positive-negative**
A positive Future Business Score represents that more businesses are confident/optimistic about the future than those who are **not** confident/optimistic

c. **Direction of the Country Score** – The score represents the net value of the **positive –negative**
A positive Direction of the country Score represents that more businesses are optimistic about the Direction of the country being Right vs those who think it is **not** right

3. Evaluation of Government Performance on COVID-19

4. Problems faced by Businesses in Pakistan

Introductory note by Executive Director Gallup Pakistan

Economic Revival signs are obvious !

Gallup Business Confidence Index (BCI) is designed to be a systematic voice of the Pakistani business community comprising of over 4 million firms spread across 4 provinces and 2 territories of Pakistan. This is the 3rd report of the series which presents findings of the Quarter 2 survey conducted with randomly selected ~500 businesses in Pakistan.

The significance of the survey is the timing. The survey was conducted right after the lockdown has been lifted and economic activity has scrambled into action.

To me there are following key points that policy makers should keep in mind as the design programs and initiatives to assist the business community :

1/ COVID-19 and the lockdown was the **single most devastating blow to the Pakistani Business landscape in its entire 70 year history.** Let there be no confusion about the disastrous effects of the Lockdown , despite it being significantly inimical in Pakistan. 9 in 10 businesses in Q2 report being affected adversely and most of these businesses report having felt revenue loss of at least 60%. With these revenue losses came employment lay offs reported by at least 25% of the firms. Unless there is consistent thinking on how the business community can be rescued from the loss that has already happened the recovery would be slow and could drag further businesses into closure.

2/ Resilient Pakistanis are back to business and very optimistic about future : Pakistanis have seen so much in their limited 70 year history that they are battle hardened. As soon as the lockdown is lifted businesses are back to being open and majority are reporting business is now Good. This has meant that the Gallup Business Confidence Index (BCI's) all three strands about current business environment , future business environment and Direction of the country are now in positive territory and two have witnessed an over 50% increase since the lockdown report in Q1. Despite hardships optimism about future business is very unusually high as almost 8 in 10 business report future will be better.

3/ Among the key difficulties businesses face in Pakistan, the largest one they want support from the Government is to manage the macro economy and its own policies vis a vis the business sector. In Macro Economy the loudest cry is inflation and managing the exchange rate in a stable fashion. With inflation again showing its teeth, businesses fear that demand will dwindle and their own ability to buy products from their vendors will be adversely affected. Financial assistance from the govt is another visible request which shows potentially rising problem of liquidity in the market. As market opens up , the complex value chain dynamics are drying up funds and businesses are looking towards the government to help with liquidity. Lowering the interest rates will be one recipe to help but the wider eco system around providing access to credit through informal means may need to be encouraged. Similarly , taxation relaxation may be a very easy and effective way to help businesses maintain liquidity rather than draining them towards the government.

4/ Federal government enjoys popular support in the business community and rightly so for continuously raising the voice against the lockdown and steering the opening of the lockdown. Businesses are less upbeat about the provincial government's role. As provincial governments are now raising as high as 10 to 15% of their revenue from provincial taxes, listening to the grievances of the business community is now not just a federal government responsibility.

5/ We at Gallup conclude that next 3 months provide significant hope for cautious optimism and signs of recovery are surely visible !

3 KEY FINDINGS – Q2 2020 REPORT

KEY FINDING 1 : All 3 strands of the Gallup Business Confidence Index (BCI) are in **Green territory** pointing that more businesses are now posing confidence in current and future business situation than those who are feeling pessimistic.

Key Finding 2 : There has been a major turn around in all 3 Strands with each rising by sweeping 50 points at least and some strands rising by even more since Q1 which happened during the COVID lockdown. The dividends of opening lockdown are clearly visible.

Key Finding 3 : Among the three strands of Gallup Business Confidence Index (BCI) on two the forecasts stand at fair confidence and 1 is now on great Confidence

Strand 1: Current Business Situation Score

- Q2 2020: +16% ↑
- Q1 2020: -50%

Strand 2: Future Business Situation Score

- Q2 2020: +58% ↑
- Q1 2020: -7%

Strand 3: Direction of the Country Score

- Q2 2020: +10% ↑
- Q1 2020: -25%

Interpretation of the Score

A positive score means more businesses are feeling positive/confidant/ optimistic

A negative score means more businesses are feeling negative /pessimistic

Legend

+1% to 25% = Fair Confidence
+26 to 75% = Great Confidence
+75% to 100% = Excellent Confidence

-1% to -25% = Poor Confidence
-26 to -75% = Negative Confidence
-75% to -100% = Deep Negative Confidence

Gallup Business Confidence Q2 2020 Assessment

Gallup Business Confidence Index	Q2 2020 Score	Assessment
Strand 1 Current Business Situation Score	+16%	Fair Confidence
Strand 2 Future Business Situation Score	+58%	Great Confidence
Strand 3 Direction of the Country Score	+10%	Fair Confidence

Legend

+1% to 25% = Fair Confidence
+26 to 75% = Great Confidence
+75% to 100% = Excellent Confidence

-1% to -25% = Poor Confidence
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EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

- For 2 in 3 Businesses sales have declined since Covid-19
- 1 in 3 Business that reported a decline in sales reported around a 40-60% decline
- 1 in 4 Businesses reported laying off/giving leave without pay to employees to minimize losses.
- Half of Businesses in Pakistan reported good business conditions. Net Current Business condition riose by 66% since Q1 2020
- 4 in 5 Businesses are confident of a better future. Net Future Business Confidence score rises by 65% since Quarter 1, 2020
- More than half Businesses believe the country to be in the right direction, a 15% rise since Quarter 1
- Financial support, followed by inflation are the most popular problems businesses want government to solve in Q2 2020
- More than 1 in 2 Businesses are dissatisfied with their provincial government's efforts in providing relief to businesses.
- 2 in 5 Businesses are satisfied with the federal government's efforts in providing relief to businesses

SECTION 1:

Corona & Lockdown And its Impact on Businesses in Pakistan

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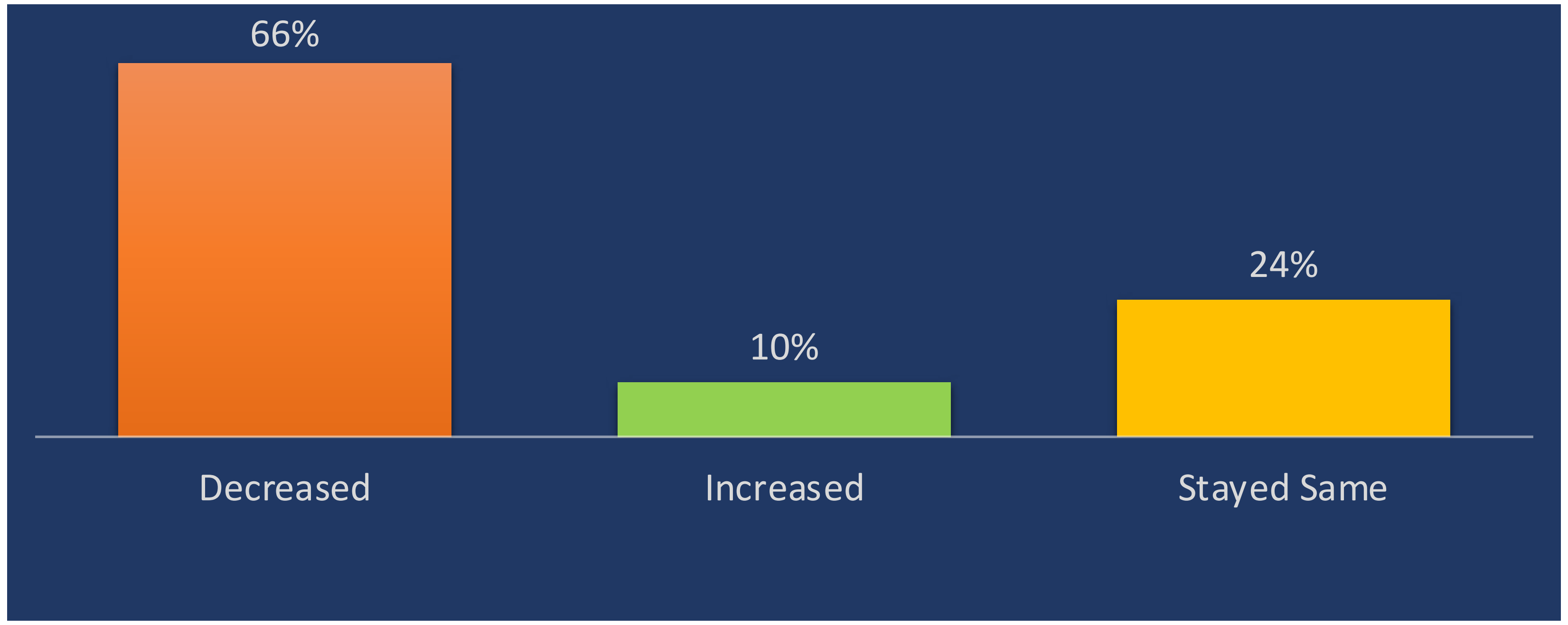
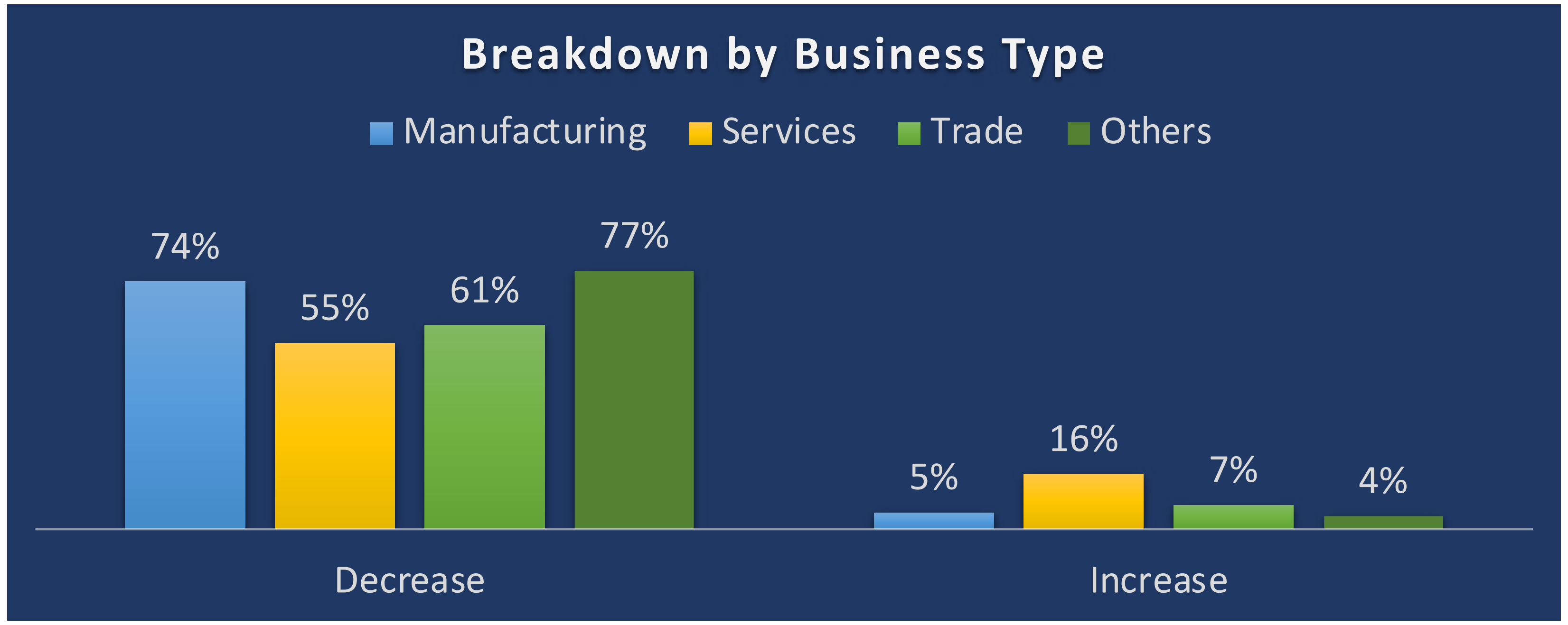
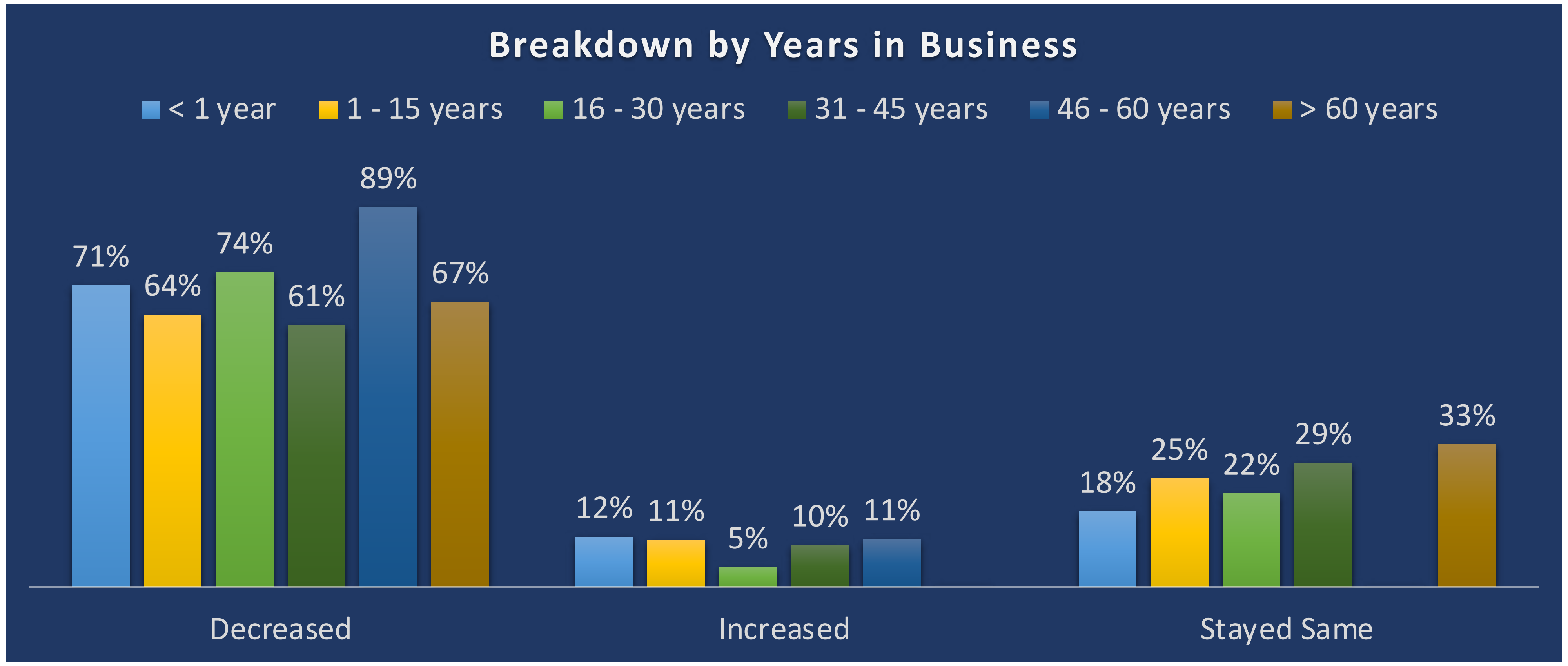
For 2 in 3 Businesses sales have decreased during Covid-19, while for 1 in 4 Businesses they have remained the same

Question: Some people say their sales have decreased, increased or stayed same in Corona times. How have your sales been affected?



3 in 4 manufacturing businesses reported a decline in sales due to coronavirus. Overall the net change in sales have been -56% for all businesses. A greater percentage of young companies (less than 15 years of age), reported an increase in sales

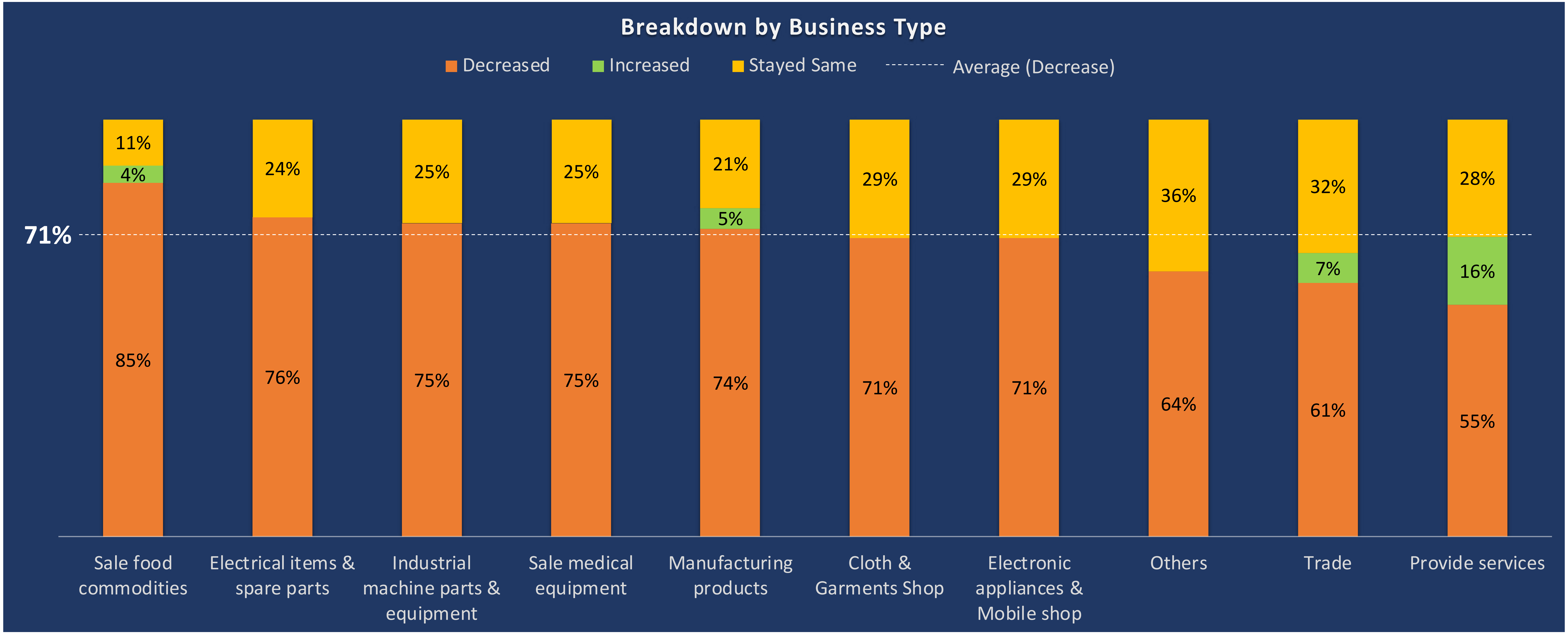




Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

On average 71% decrease in sales for businesses across Pakistan, highest decline in sales experienced by food commodities Businesses (who have been allowed to open almost the last)

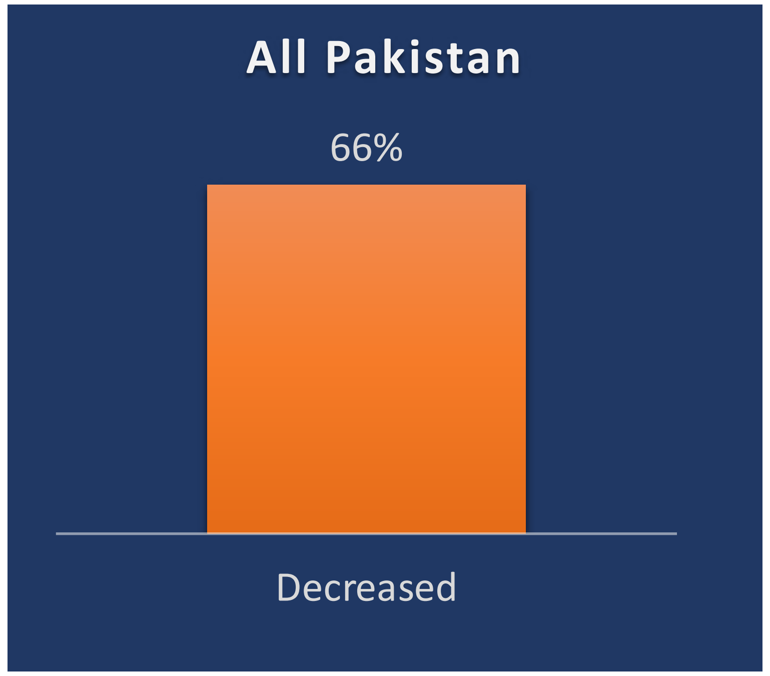
Question: Some people say their sales have decreased, increased or stayed same in Corona times. How have your sales been affected?

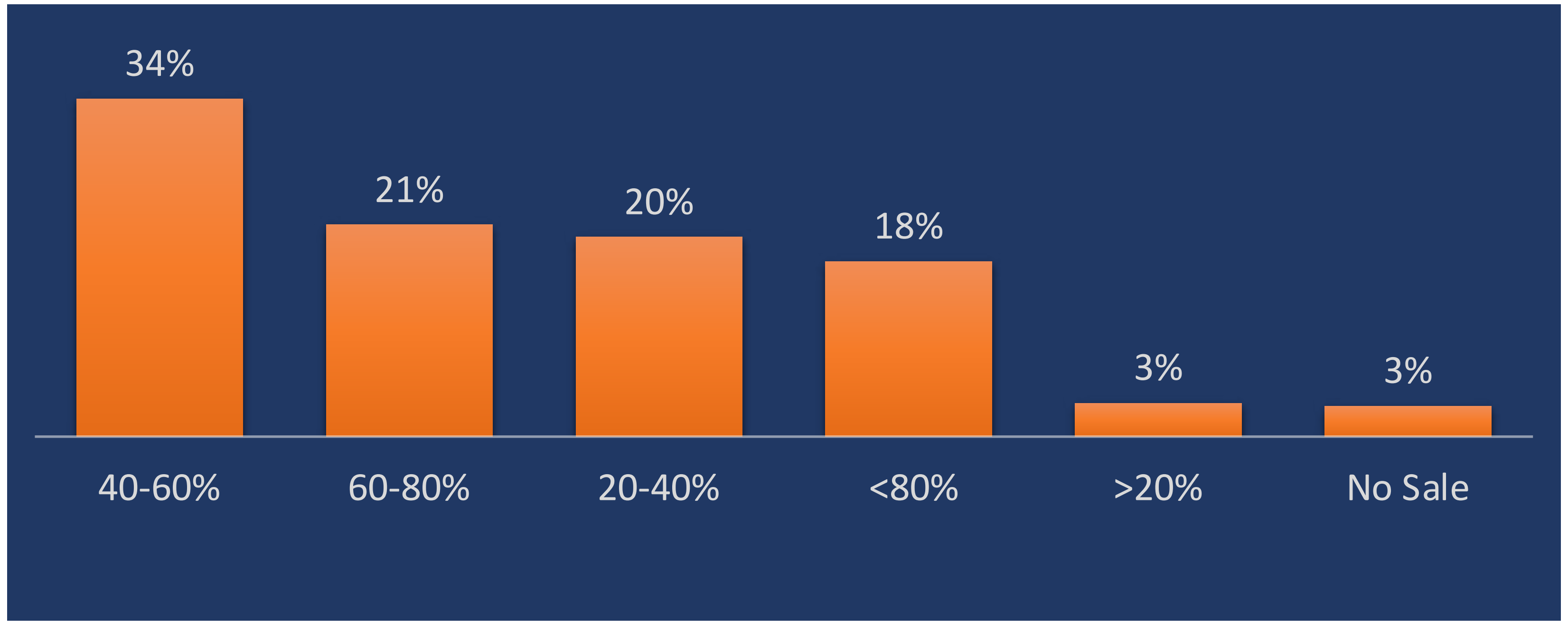


Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

1 in 3 Business that reported a decline in sales reported around a 40-60% decrease, followed by 1 in 5 businesses reporting between 60-80% sales decline

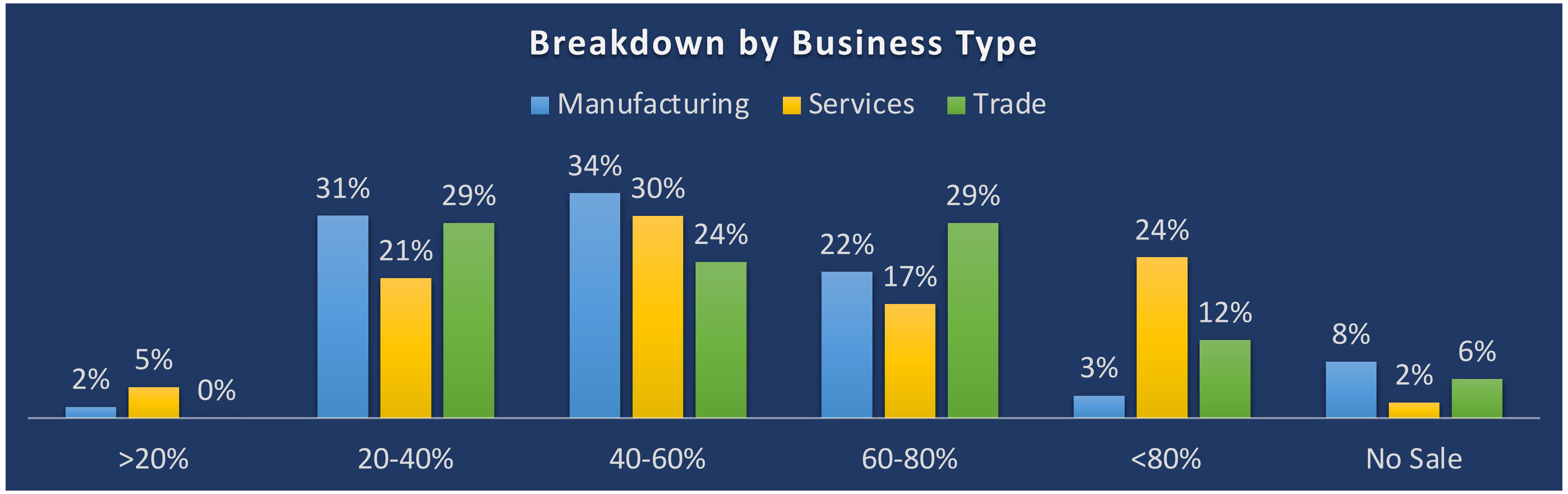
Question: Compared to pre-Corona time, what has been the percentage decrease in your sales? Imagine your sales were Rs. 100 before Corona, what are they now?





Mode Decrease

40-60%

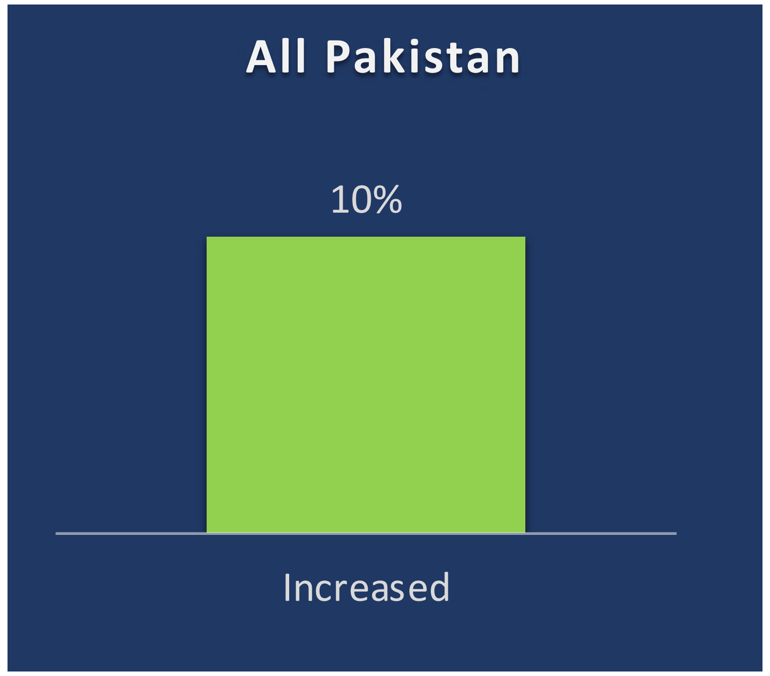


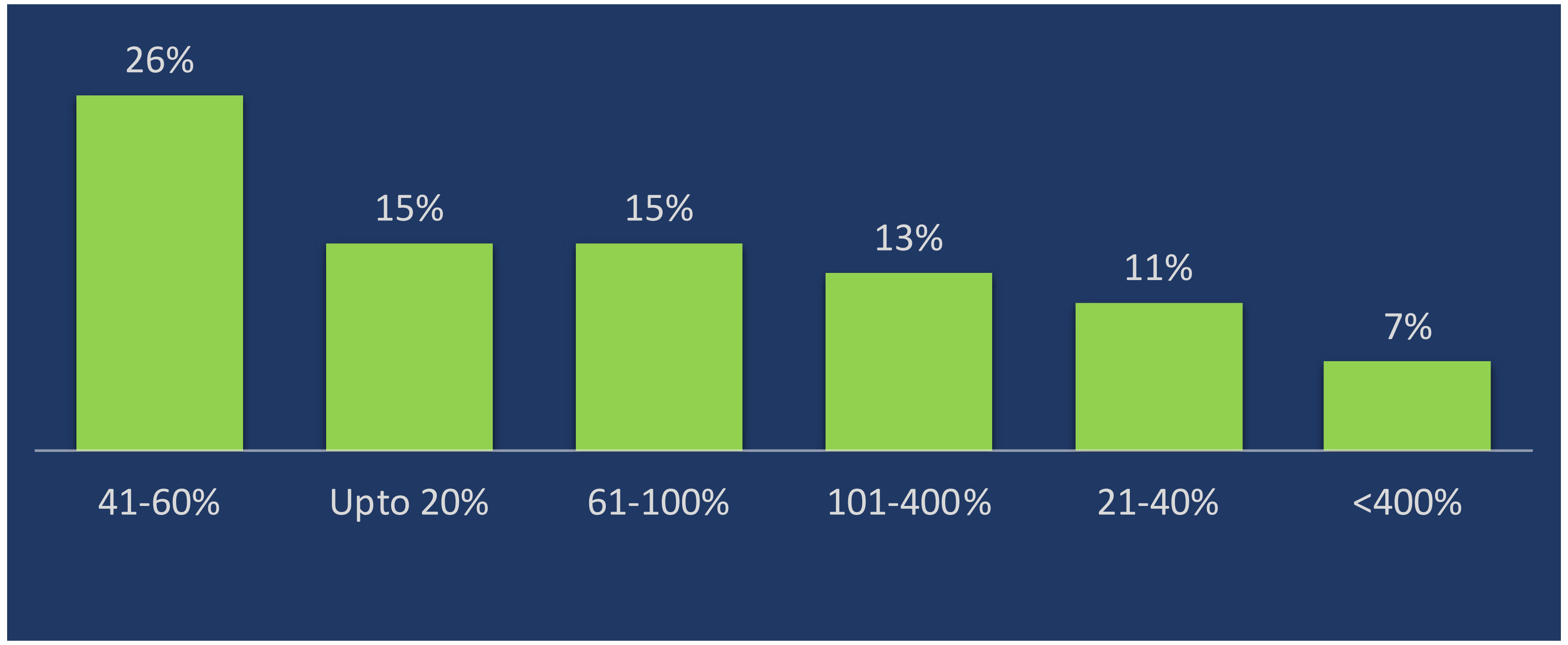
2 in 3 manufacturing businesses reported between 20-60% decline in sales due to coronavirus. Nearly 3 in 10 trading business reported upto 80% decline in sales

Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

Out of 1 in 10 Businesses that reported a rise in sales, 26% reported around a 41-60% increase, followed by 15% businesses each reporting upto 20% and between 61-100% sales increase

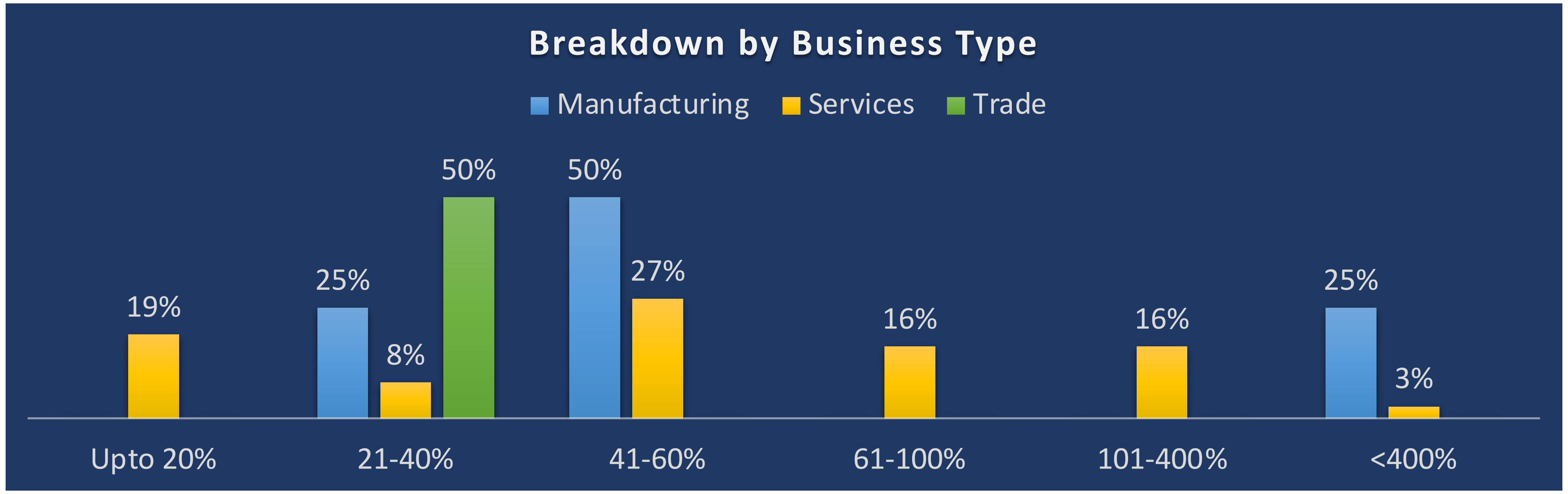
Question: Compared to pre-Corona time, what has been the percentage increase in your sales? Imagine your sales were Rs. 100 before Corona, what are they now?





Mode Increase

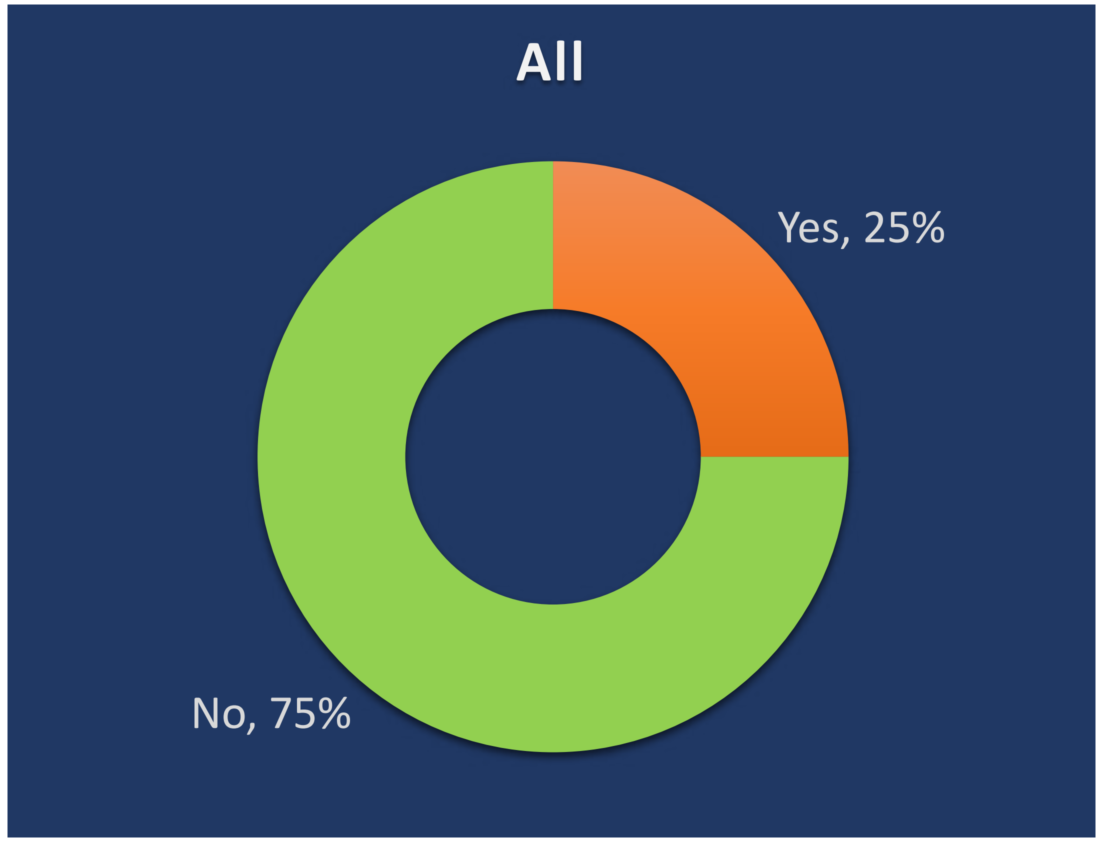
40-60%



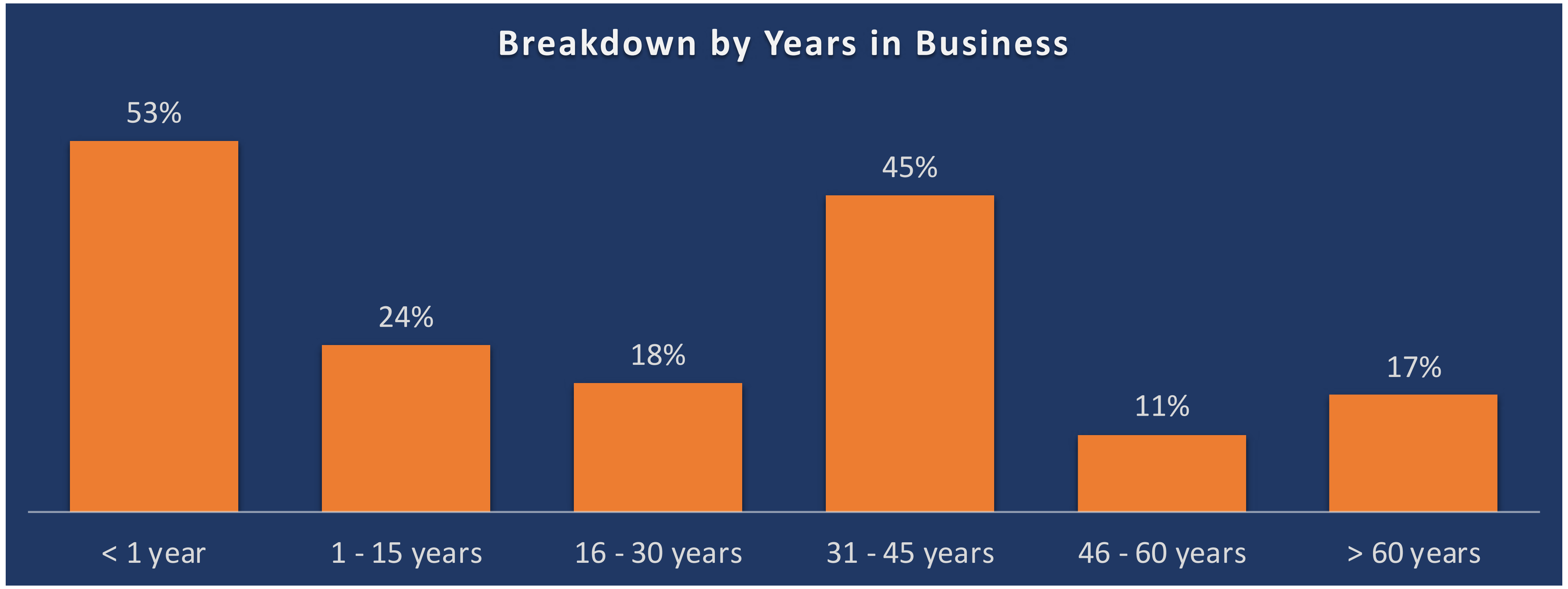
1 in 2 manufacturing businesses reported between 41-60% rise since pre-corona times. 1 in 2 services businesses reprted more than a 100% increase in sales

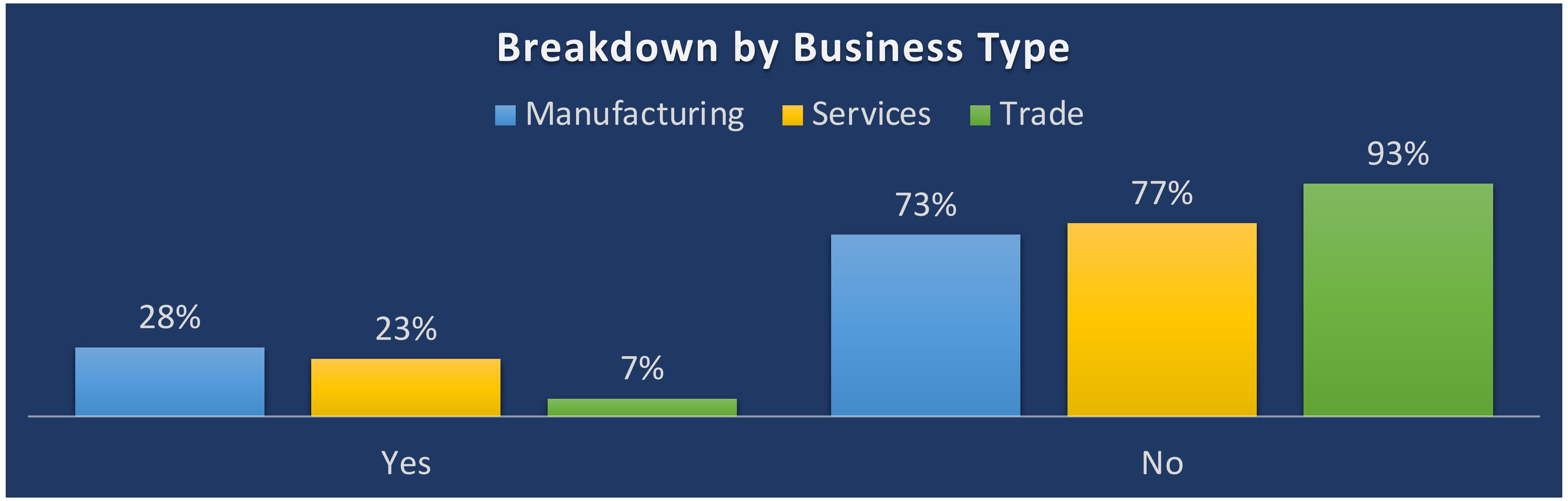
1 in 4 Businesses reported laying off/giving leave without pay to employees to minimize losses. More than half of the businesses established less than a year ago reported downsizing, while 3 in 10 manufacturing businesses reported layoffs

Question: To minimize losses of your business due to Corona, did you lay off or give leave without pay to any of your employees?



Lowest downsizing reported by trade businesses at 7% and companies established more than 46 years ago at 11%

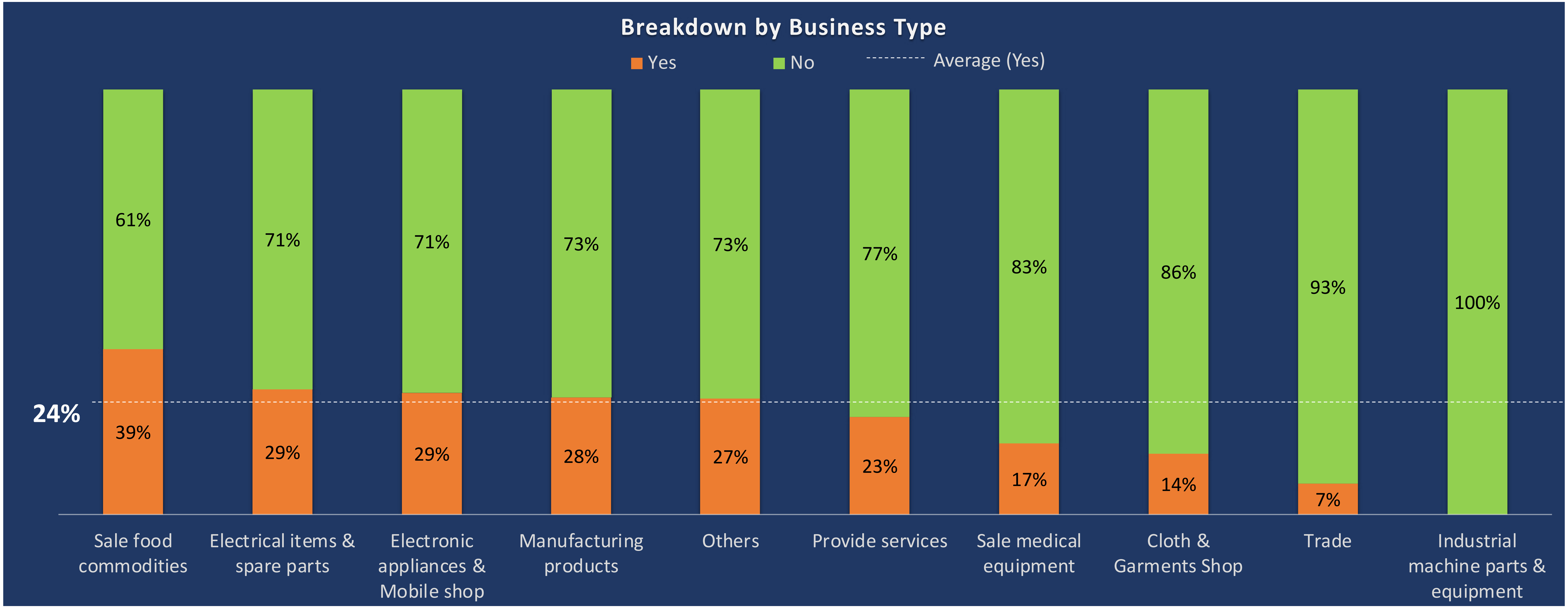




Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

2 in 5 Food commodity businesses reported laying off employees, while industrial equipment businesses reported no layoffs

Question: To minimize losses of your business due to Corona, did you lay off or give leave without pay to any of your employees?



Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

SECTION 2:

Gallup Business Confidence Index

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Gallup Pakistan Business Confidence Index Yardstick 1:

Current Business Conditions Score

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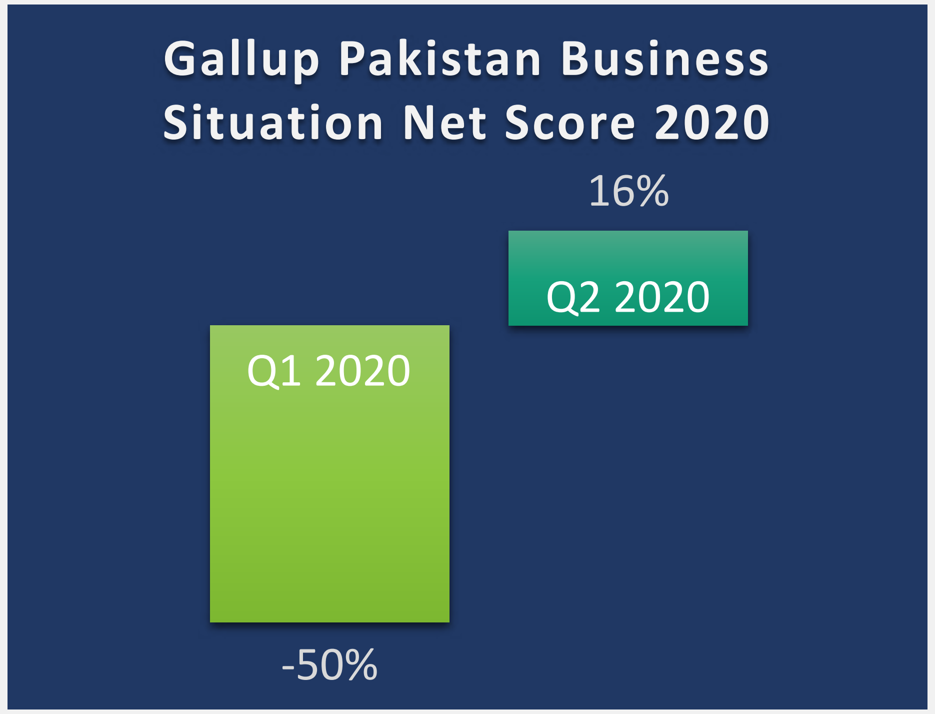
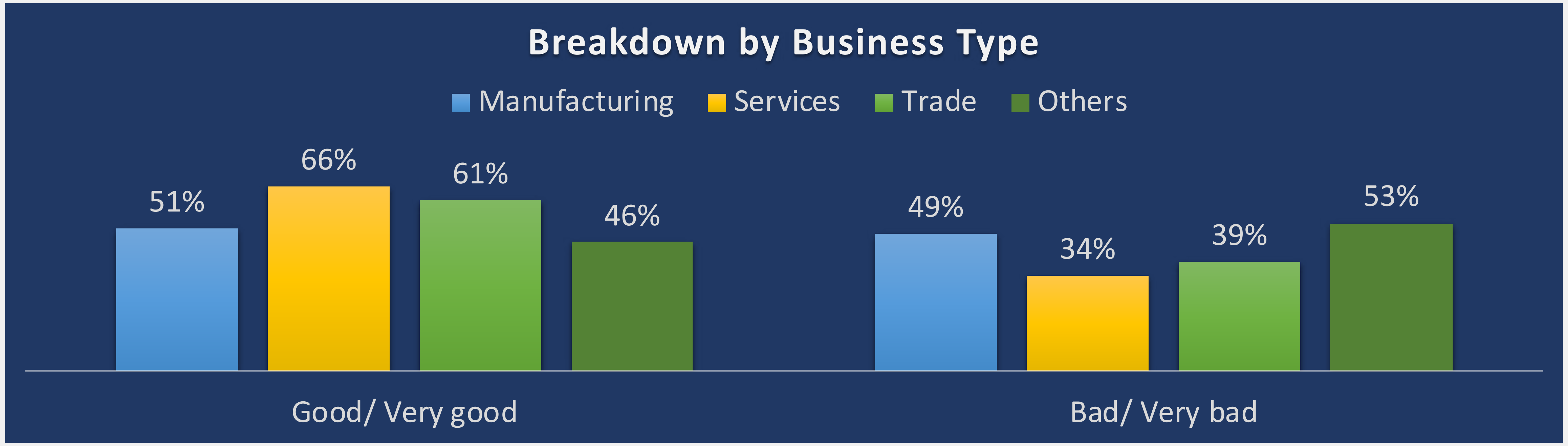
Half of Businesses in Pakistan reported good business conditions, while Manufacturing businesses hit the worst. Net Current Business condition rises by 66% since 2020, Quarter 1

Question: How well is your business doing nowadays. Would you say it is very good, good, bad, or very bad?



Since, Q1 2020, the current business assessment has improved considerably with twice as many businesses in Q2 stating business condition as good. Overall Net Business Situation Score has risen from -50% in Q1 to +16% in Q2, a significant 66% rise.

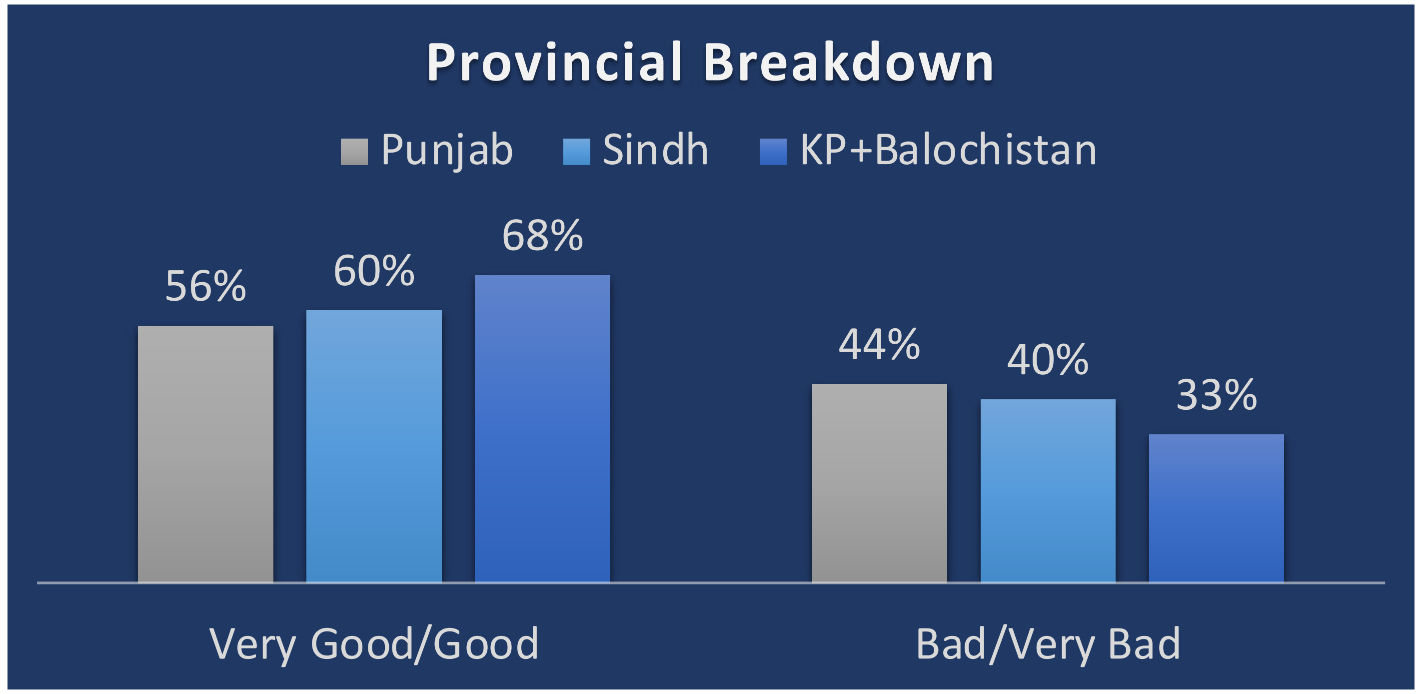
2/3rd Business in services sector assess current business situation as good, compared to only 46% business from other sectors who state the same

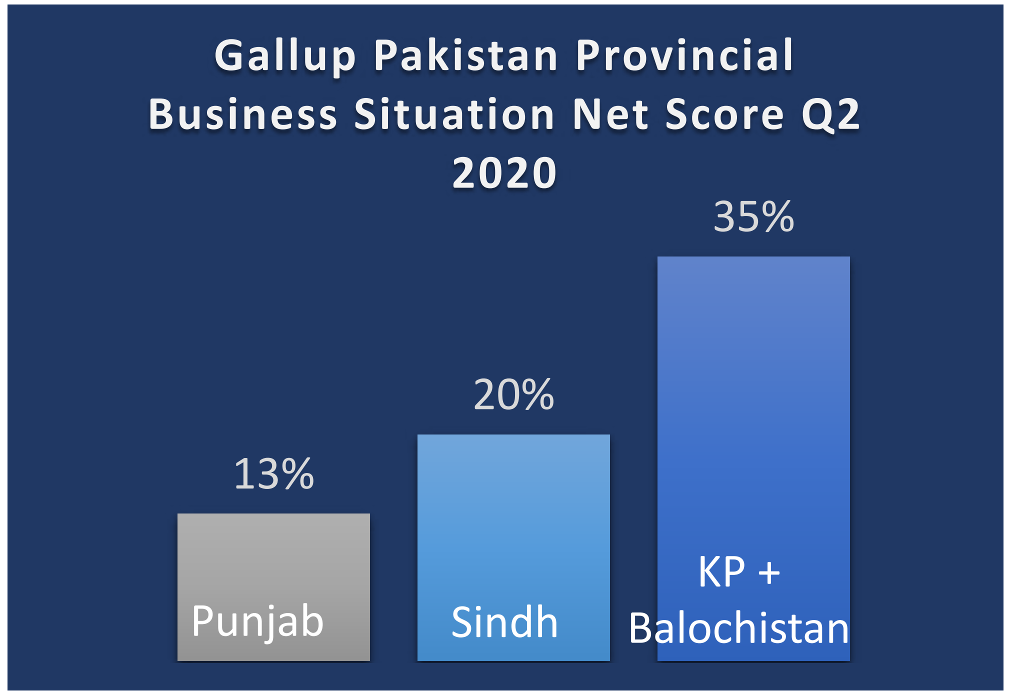


Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

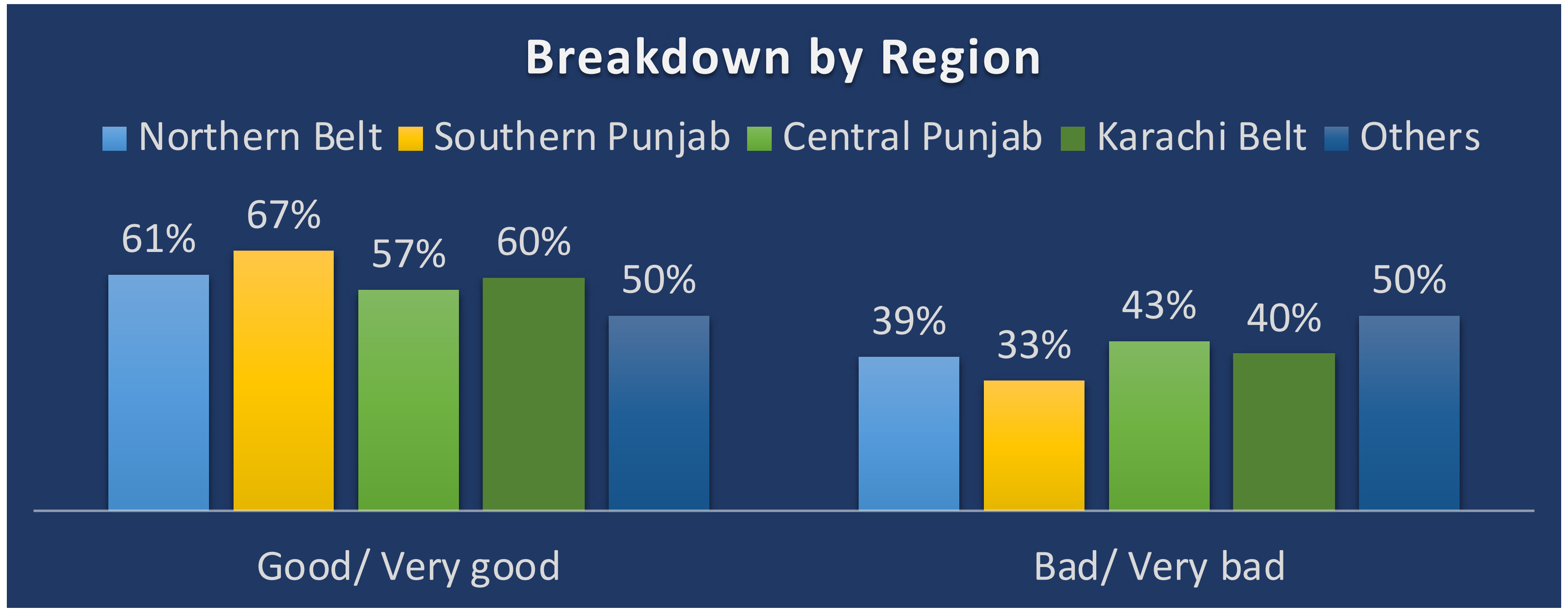
2 in 3 Businesses from Southern Punjab reported good business conditions. On provincial level KP & Balochistan boasted the highest business situation net score at +35%

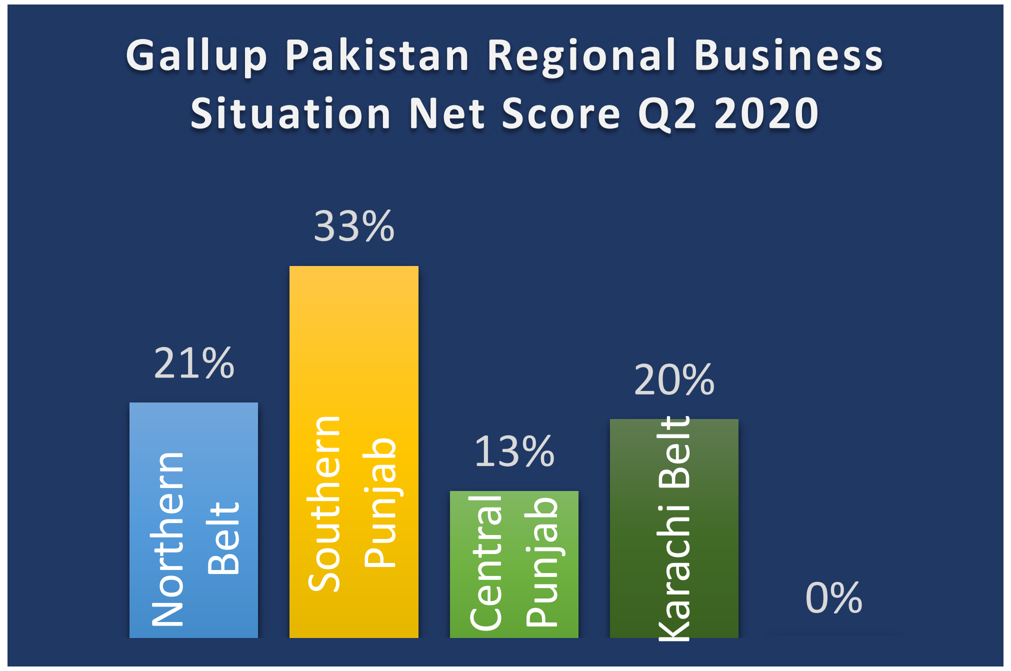
Question: How well is your business doing nowadays. Would you say it is very good, good, bad, or very bad?





More than 2 in 5 businesses from Punjab and Sindh reported bad business conditions, and central Punjab had the lowest net business condition score at +13%

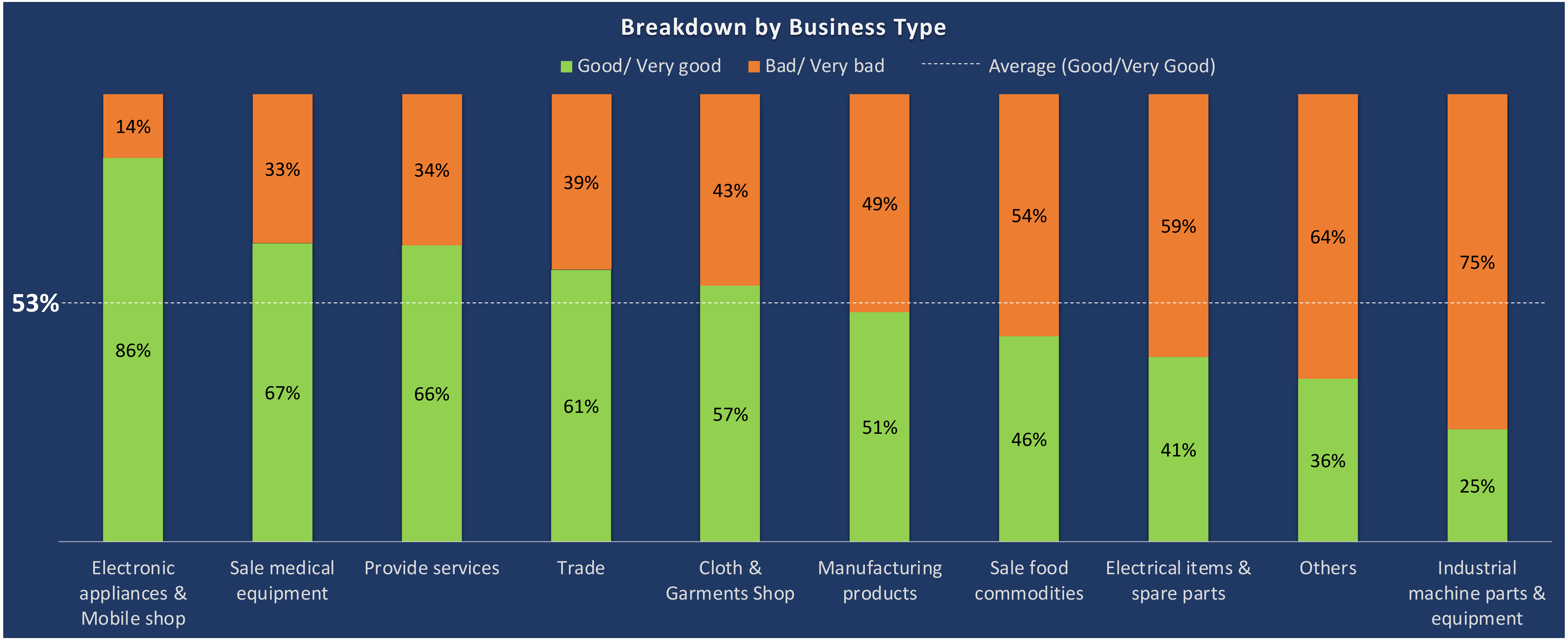




Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

Businesses related to electronics, medical equipment and services have the most positive view of their current business conditions, while industrial machine parts businesses is the least positive

Question: How well is your business doing nowadays. Would you say it is very good, good, bad, or very bad?



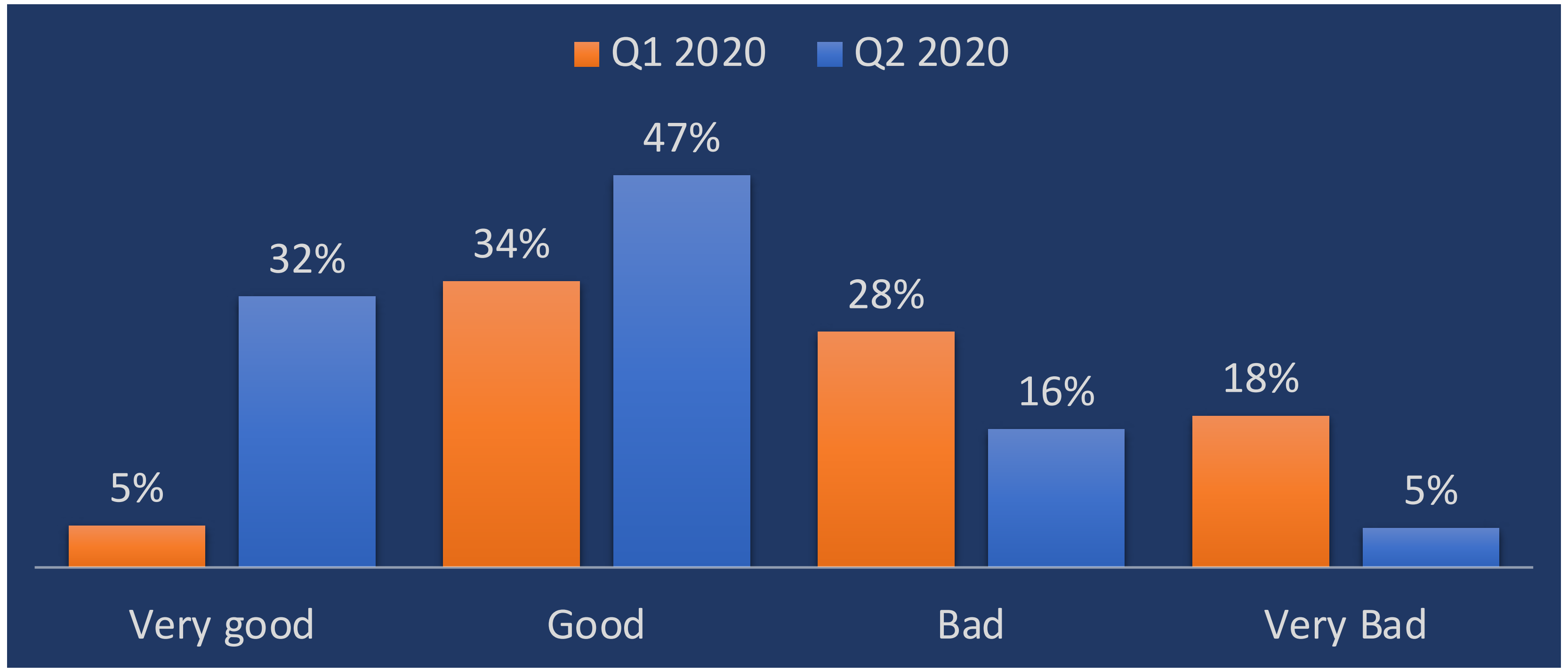
Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

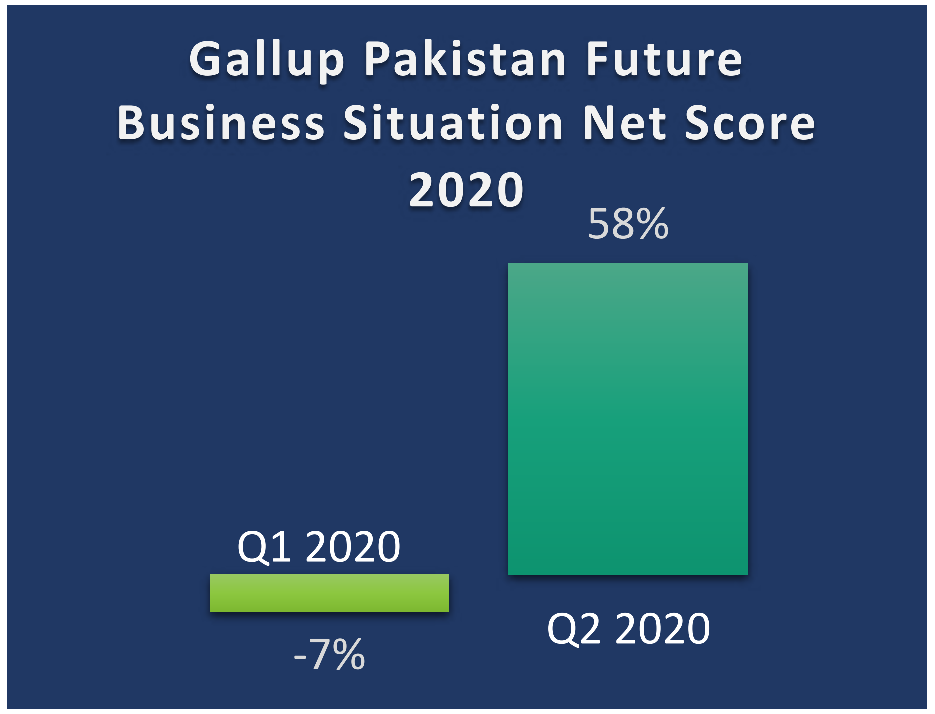
Gallup Pakistan Business Confidence Index Yardstick 2:

Future Business Conditions Score

4 in 5 Businesses (81%) confident that the future would be better. Net Future Business Confidence score rises by 65% (rising from -7% to 58%) since Quarter 1, 2020

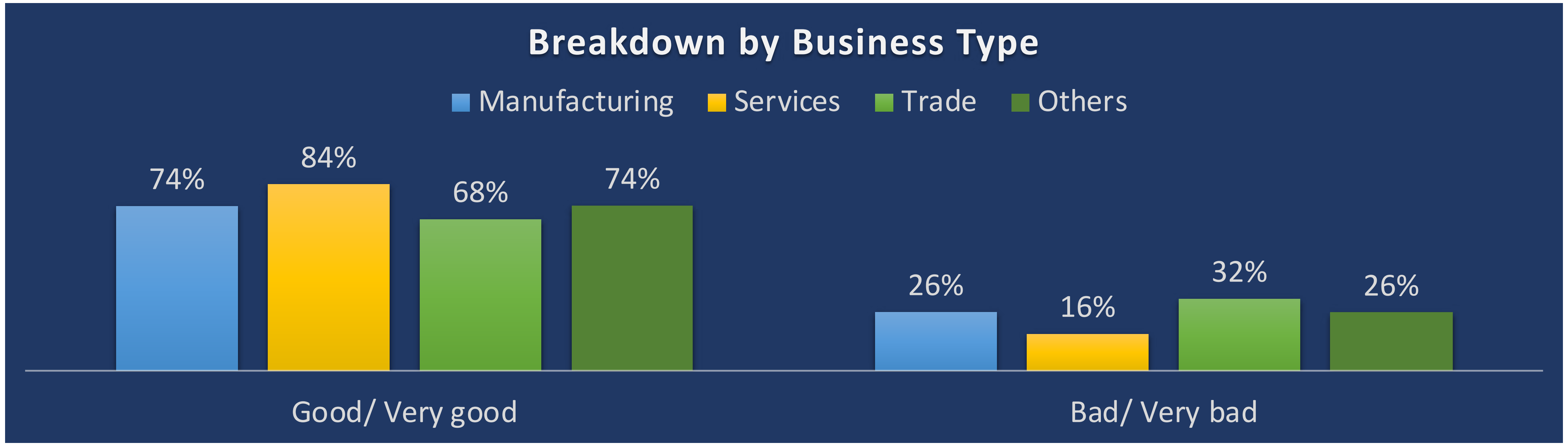
Question: What are your expectations for the future of your business compared to the past?





Since, Q1 2020, the current business assessment has improved considerably with twice as many businesses in Q2 assessing future business condition as good/very good. Overall Net Business Situation Score has risen from -50% in Q1 to +16% in Q2, a significant 66% rise.

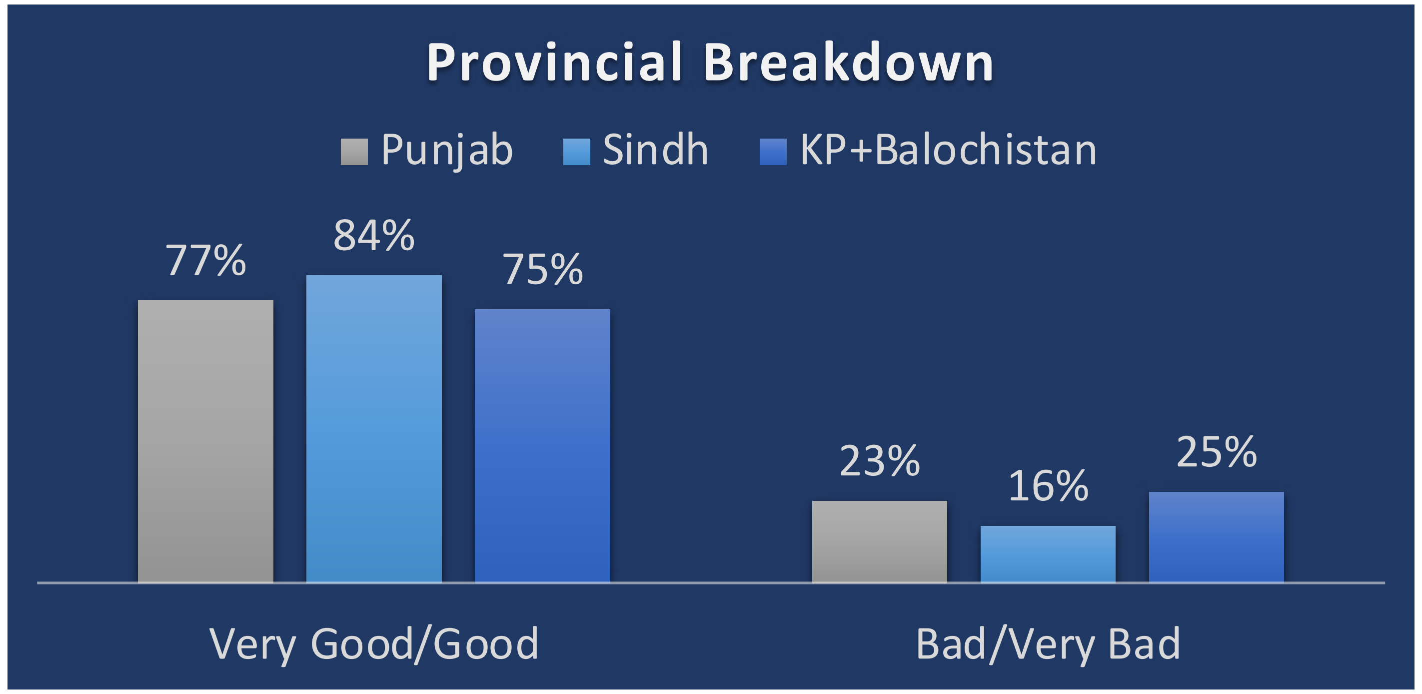
Business in services sector most optimistic of future business situation while trade business least optimistic

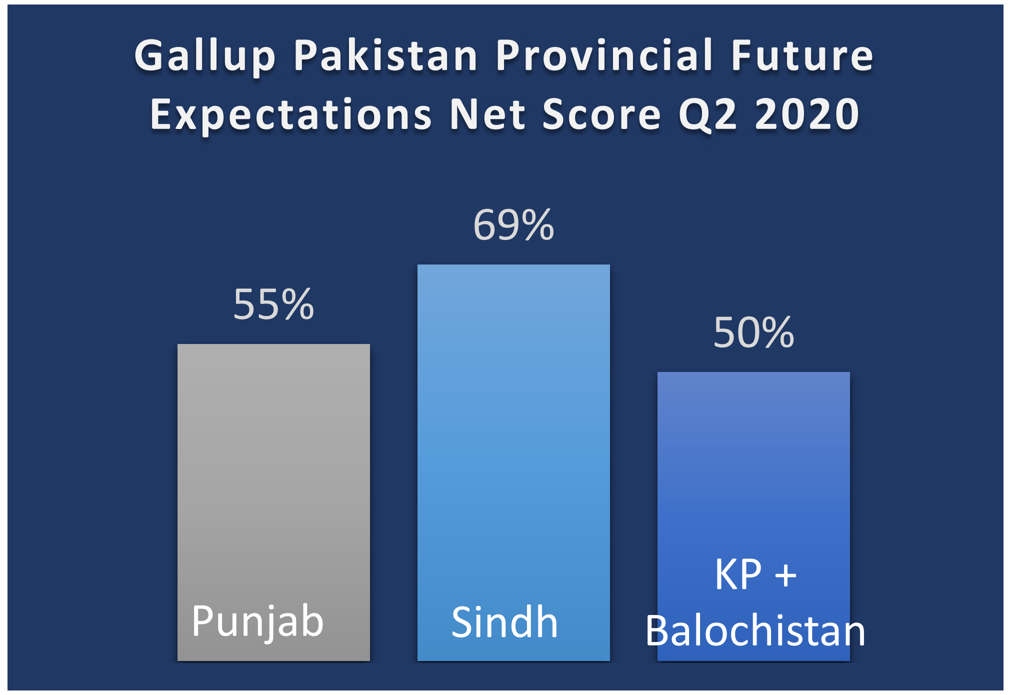


Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

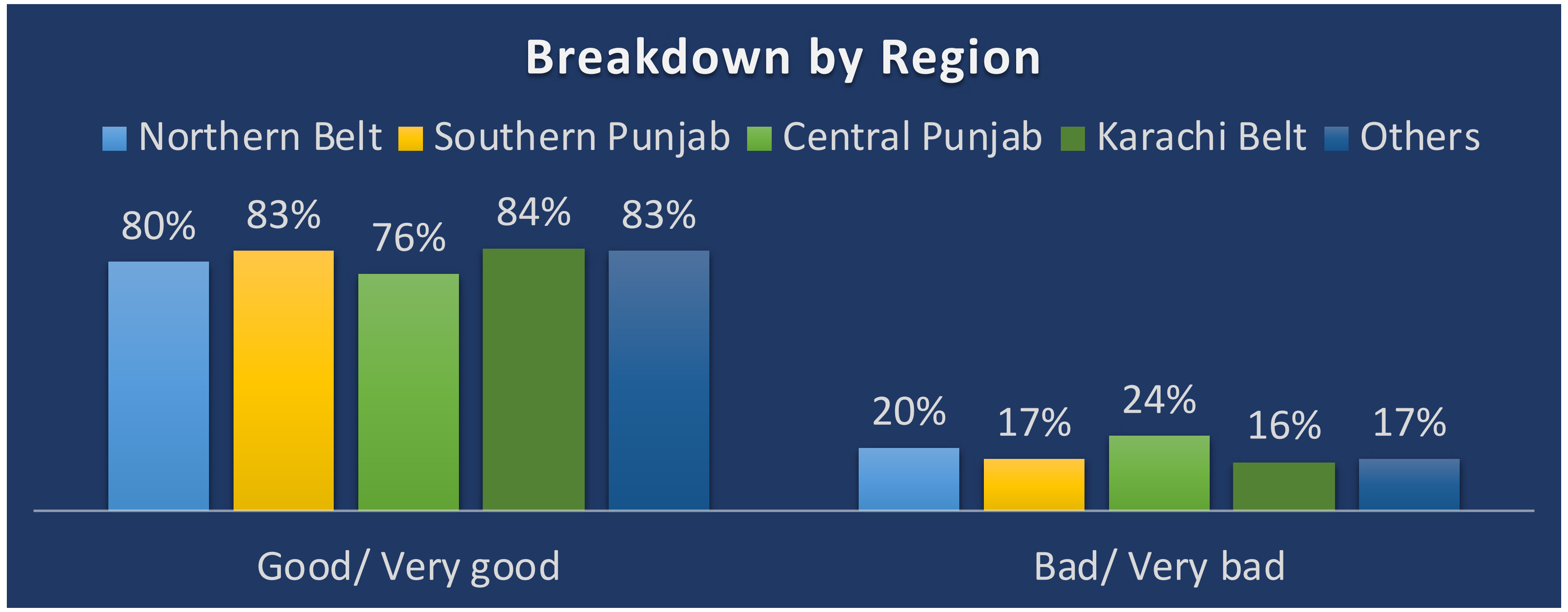
More than 4 in 5 Businesses from Sindh are optimistic for future of their business while 1 in 4 Businesses from Central Punjab are most pessimistic

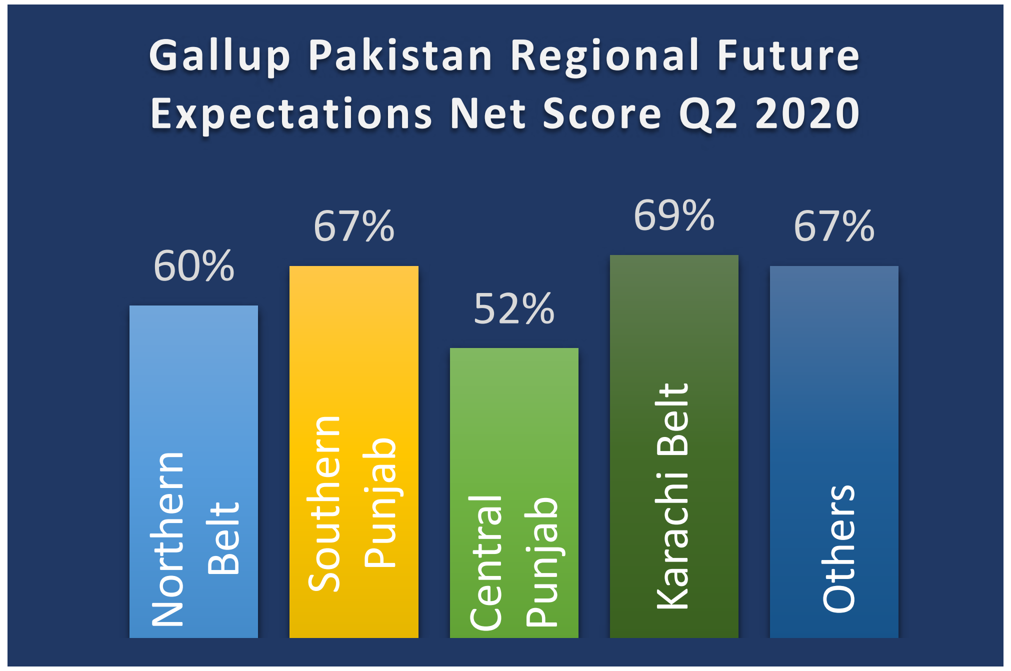
Question: What are your expectations for the future of your business compared to the past?





More than 3 in 4 businesses from across all provinces are optimistic for the future. Karachi belt has the highest net business condition score at +69%

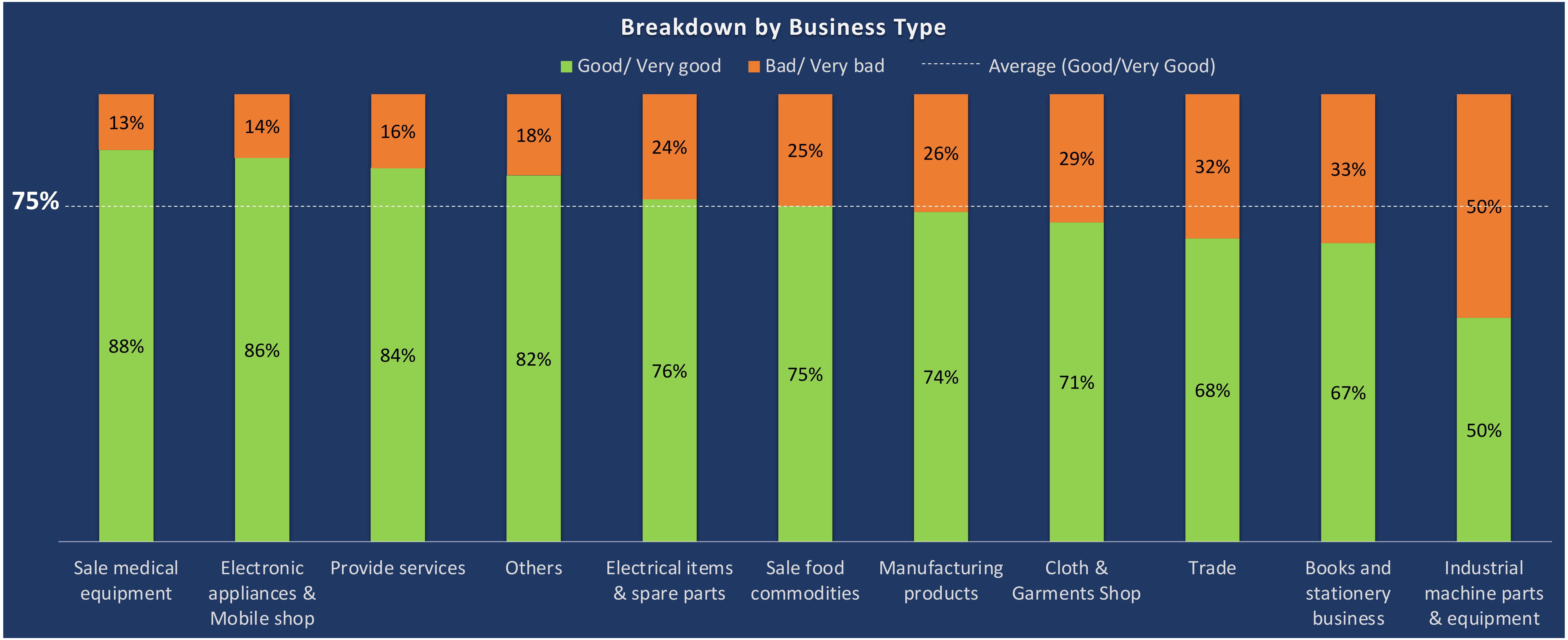




Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

Businesses related to medical equipment, electronics and services most optimistic of future business conditions, while industrial machine parts businesses least optimistic

Question: What are your expectations for the future of your business compared to the past?



Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

Gallup Pakistan Business Confidence Index Yardstick 3:

Direction of the Country Score

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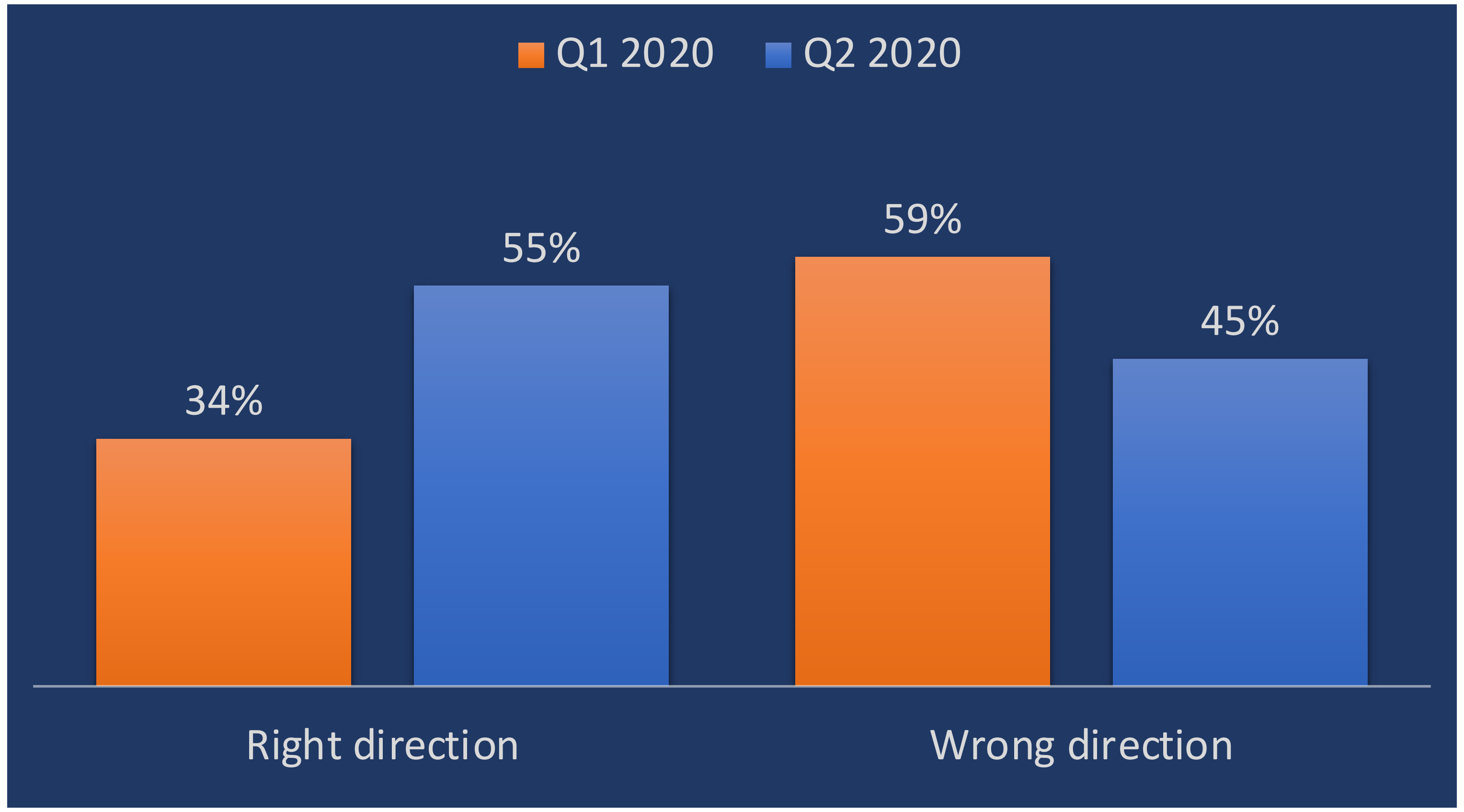
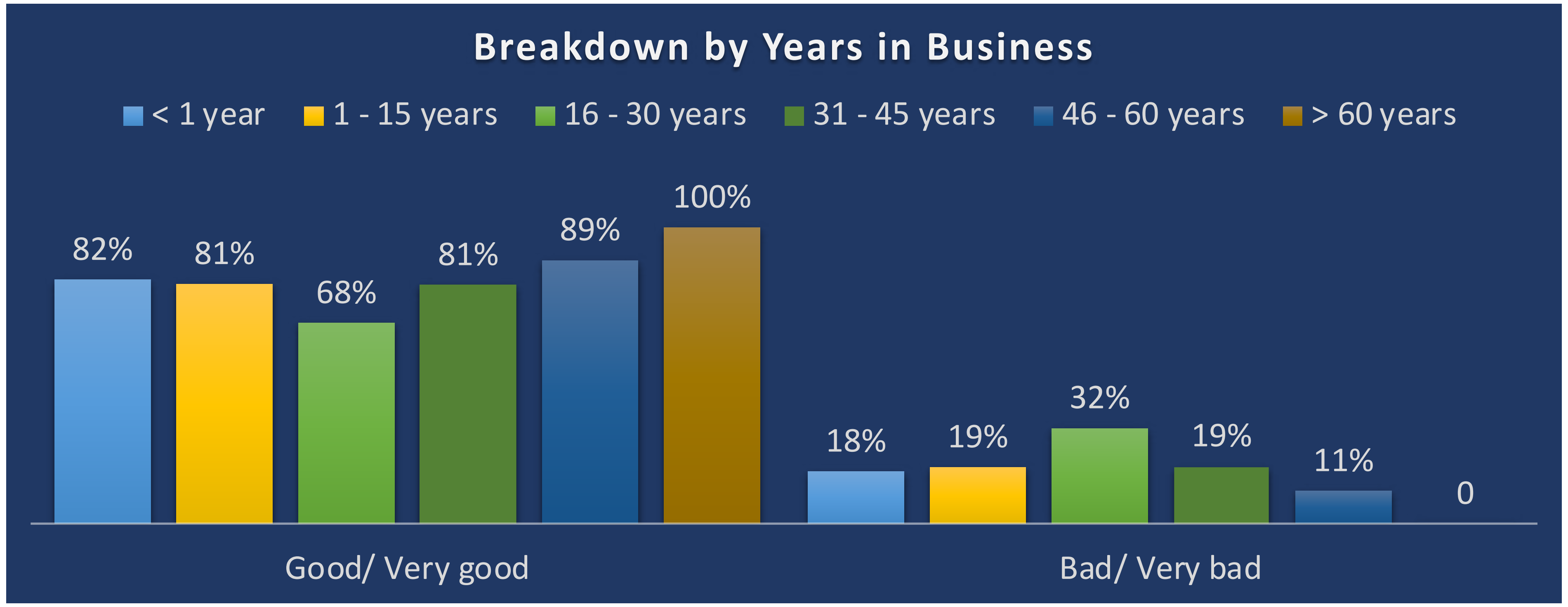
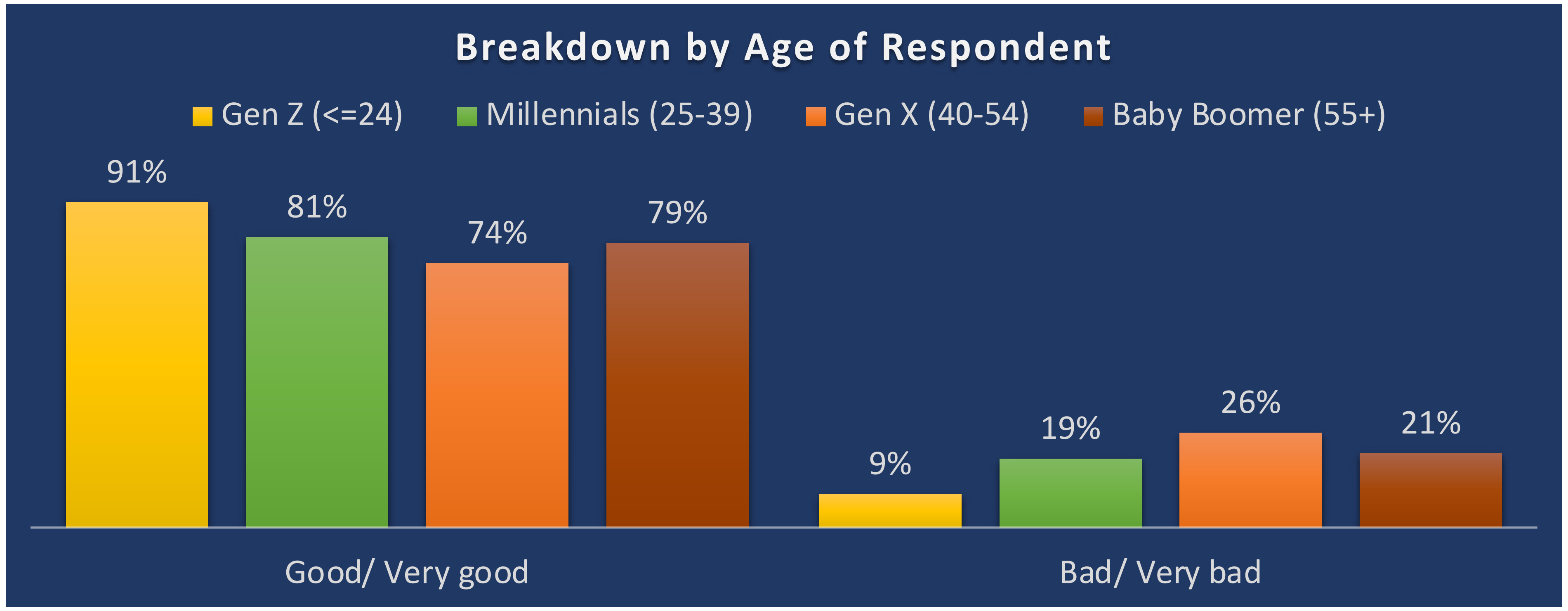
More than half Businesses believe the country to be in the right direction, a 15% rise since Quarter 1

Question: What is your opinion on the direction of the country? Are we headed in the right direction or wrong direction?





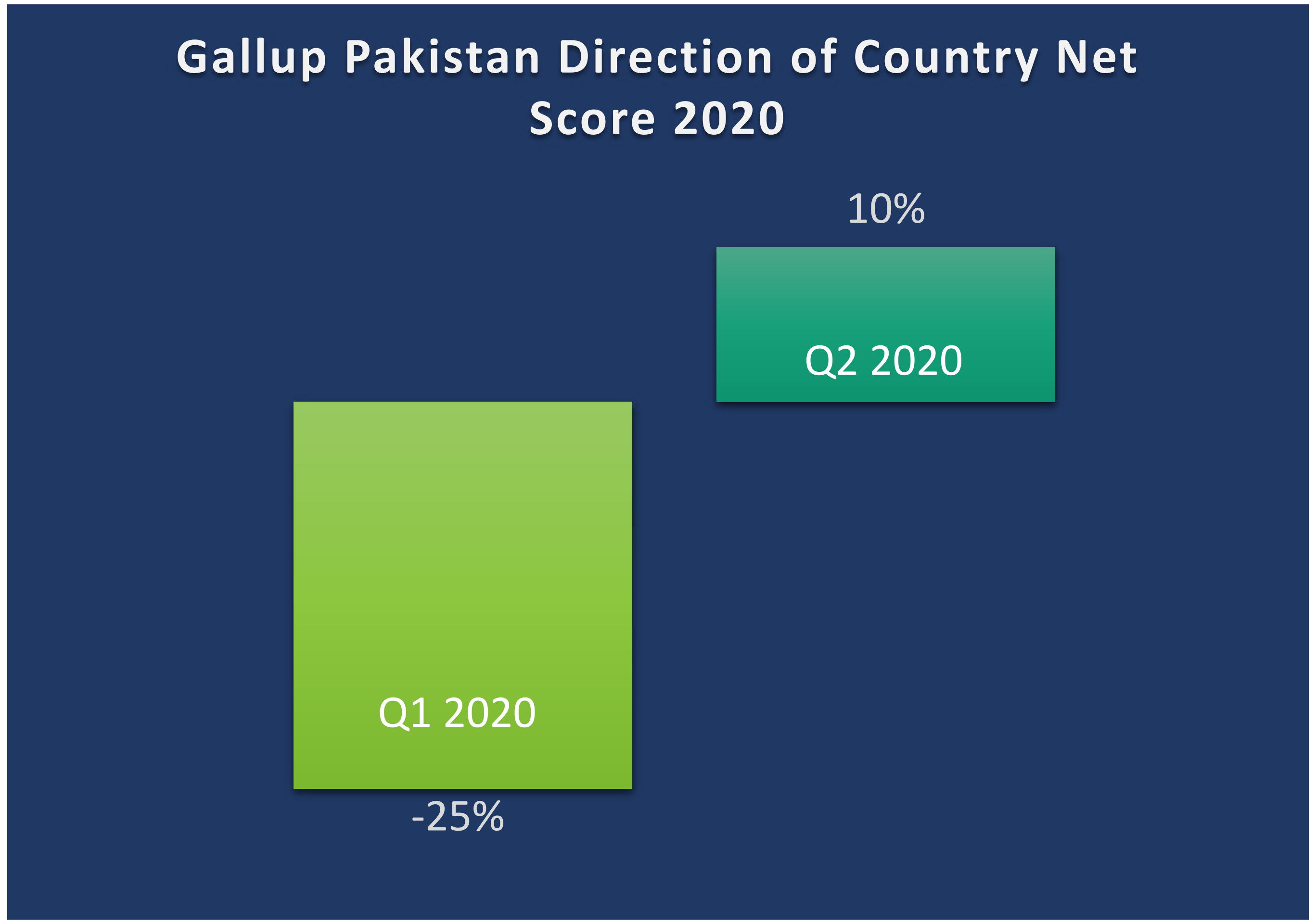


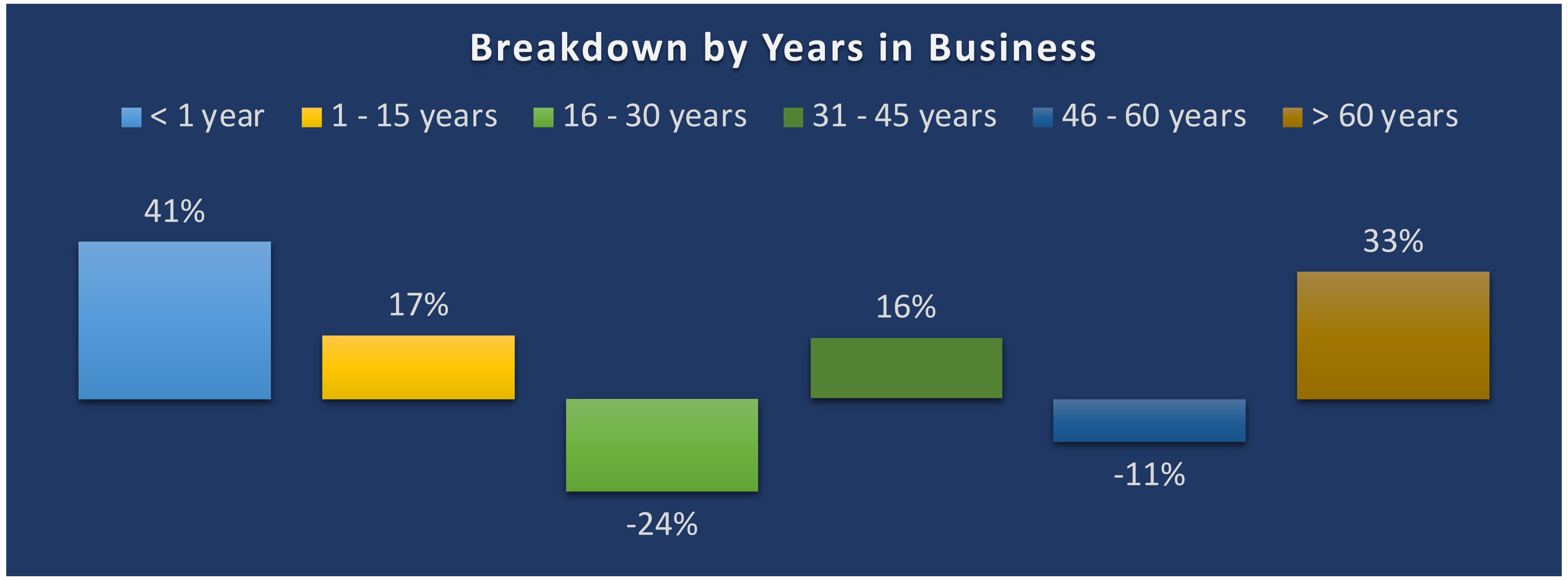
Since, Q1 2020, 15% rise in proportion of businesses who assess the country to be in the right direction. 16-30 years old businesses least positive of country's direction. Gen Z (<=24 years) respondents most positive of country's direction

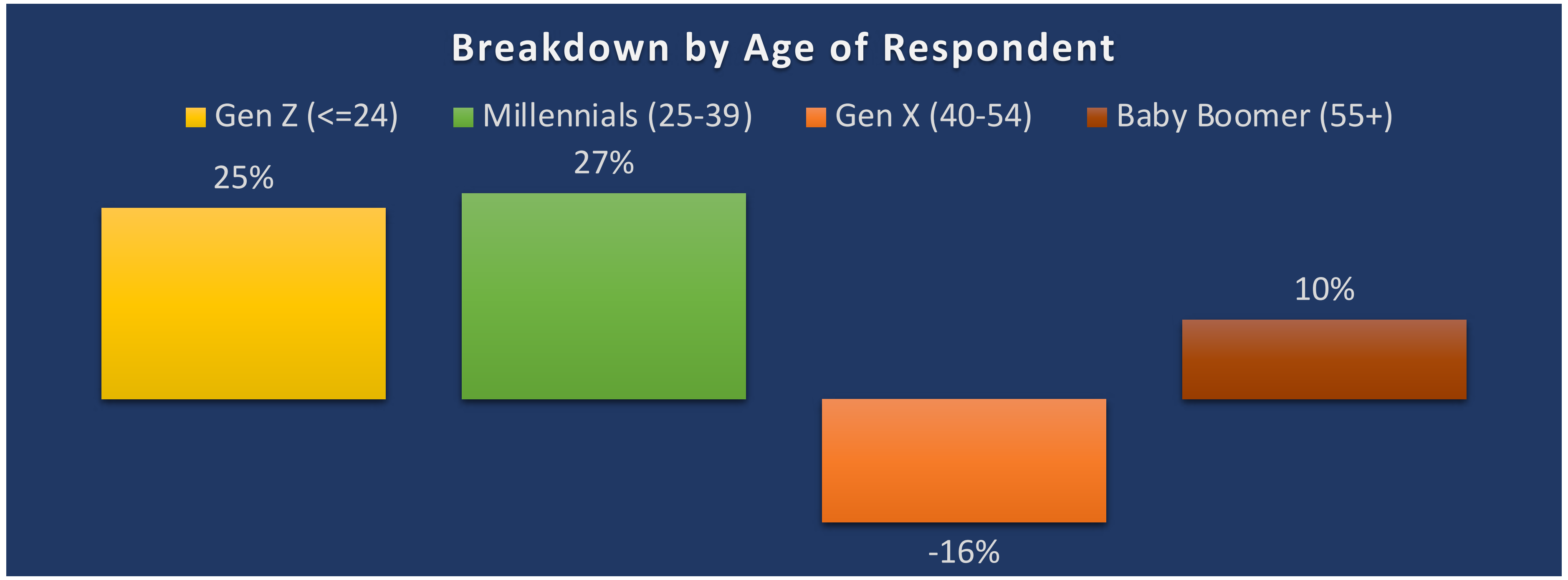
Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

Net direction of the country score has risen by 35% since Quarter 1, 2020 (rising from -25% to 10%).

Net Direction of the Country





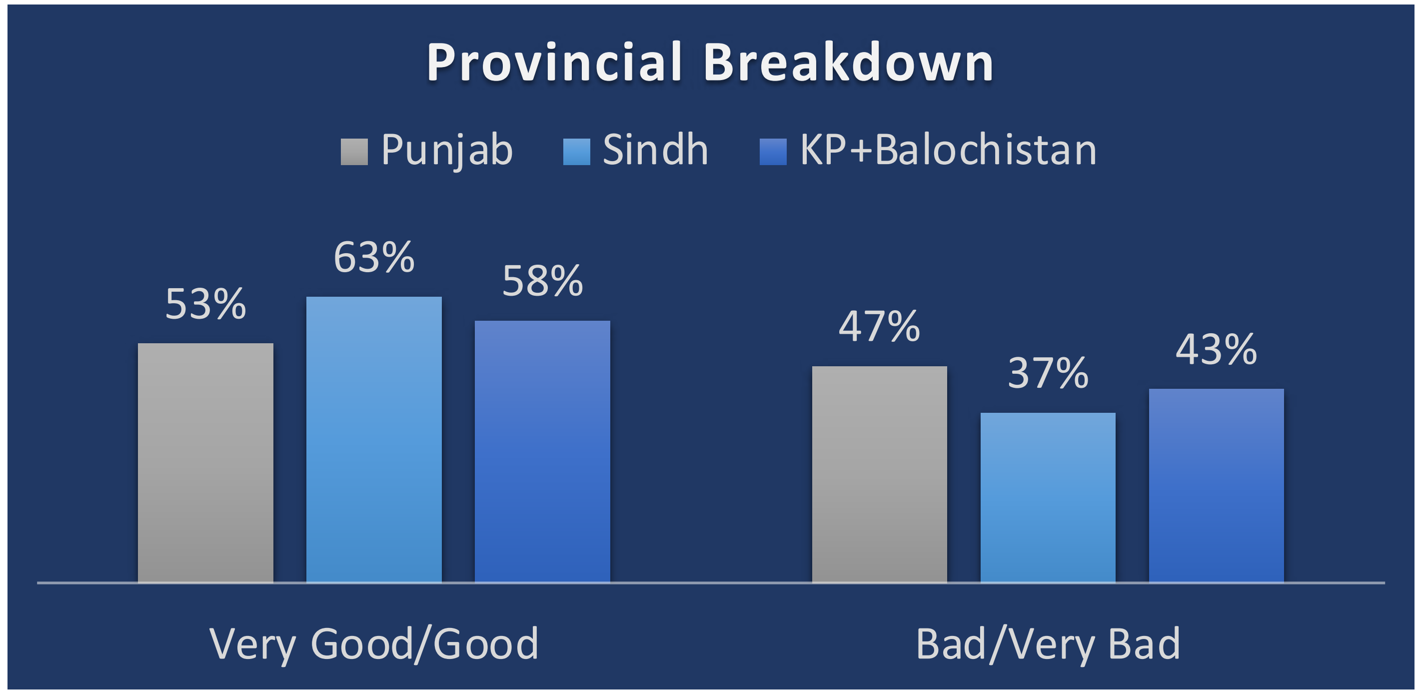


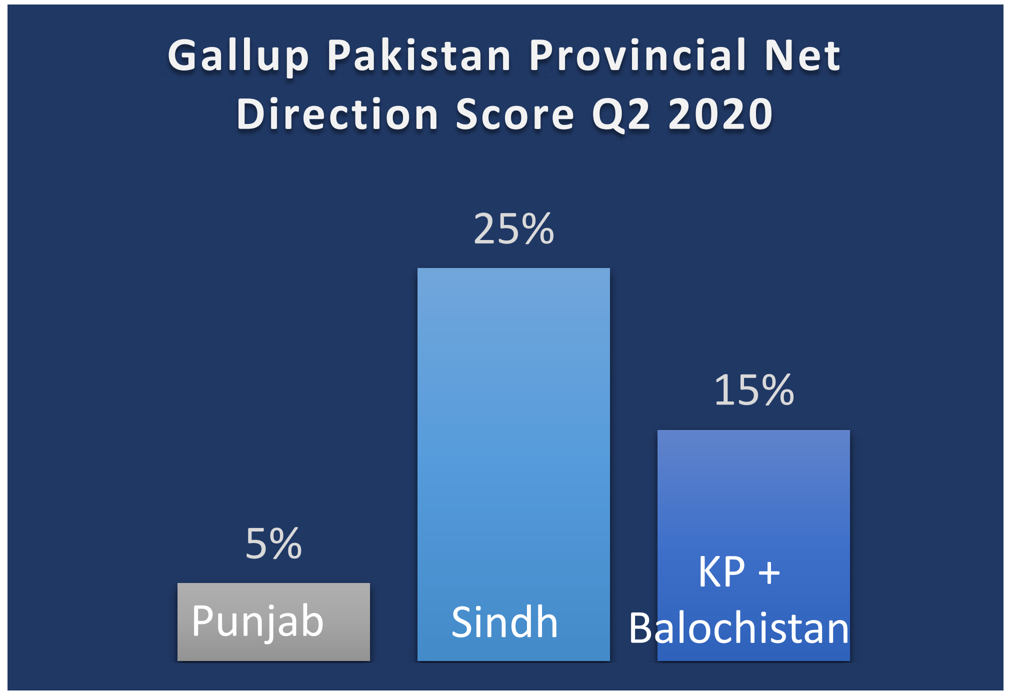
Gen X respondents and businesses aged 16-30 years least optimistic of the country's direction.

Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

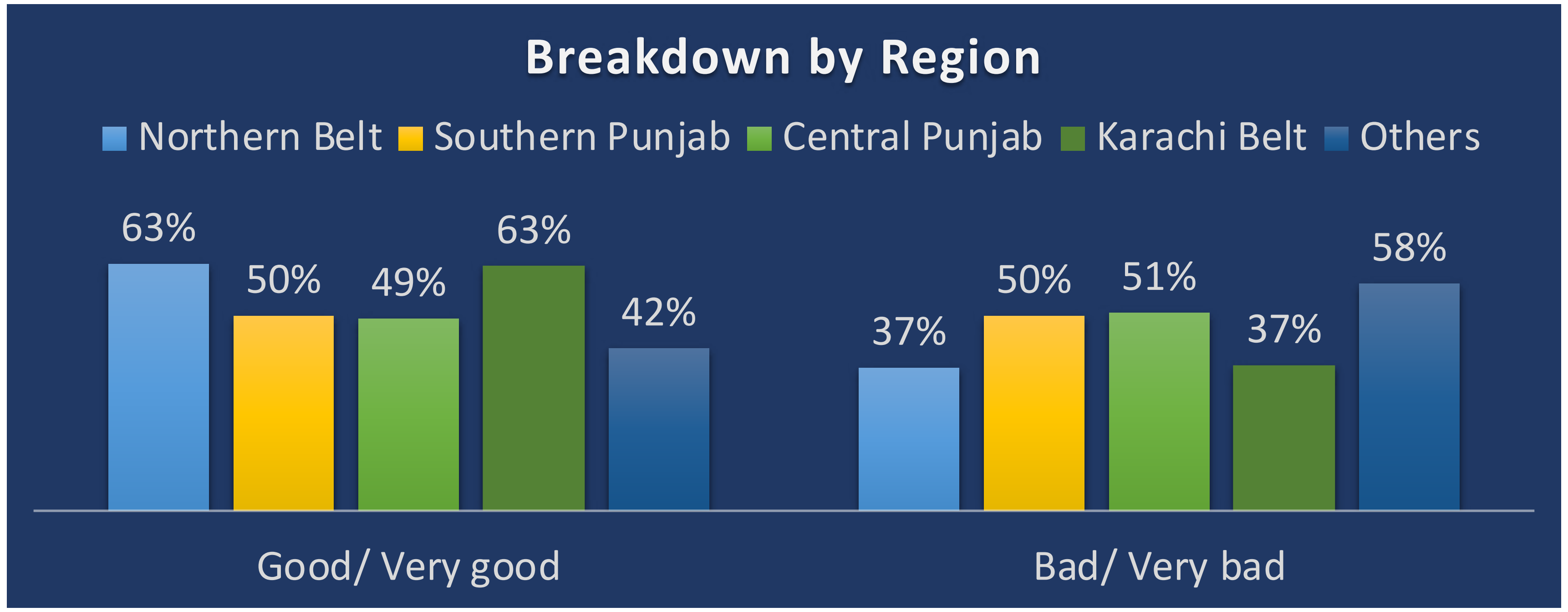
2 in 3 Businesses from Sindh feel the country to be heading in the right direction while lowest proportion of businesses from Central Punjab find the country in the right direction

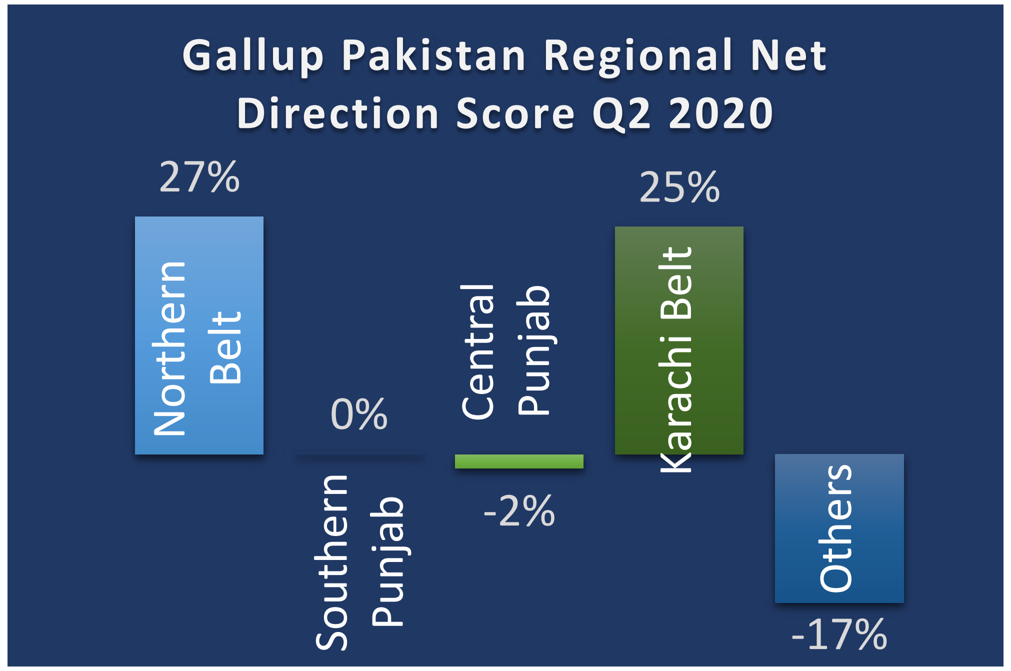
Question: What is your opinion on the direction of the country? Are we headed in the right direction or wrong direction?





Northern Belt boasts the highest net direction score at +27%, followed by Karachi Belt at +25%





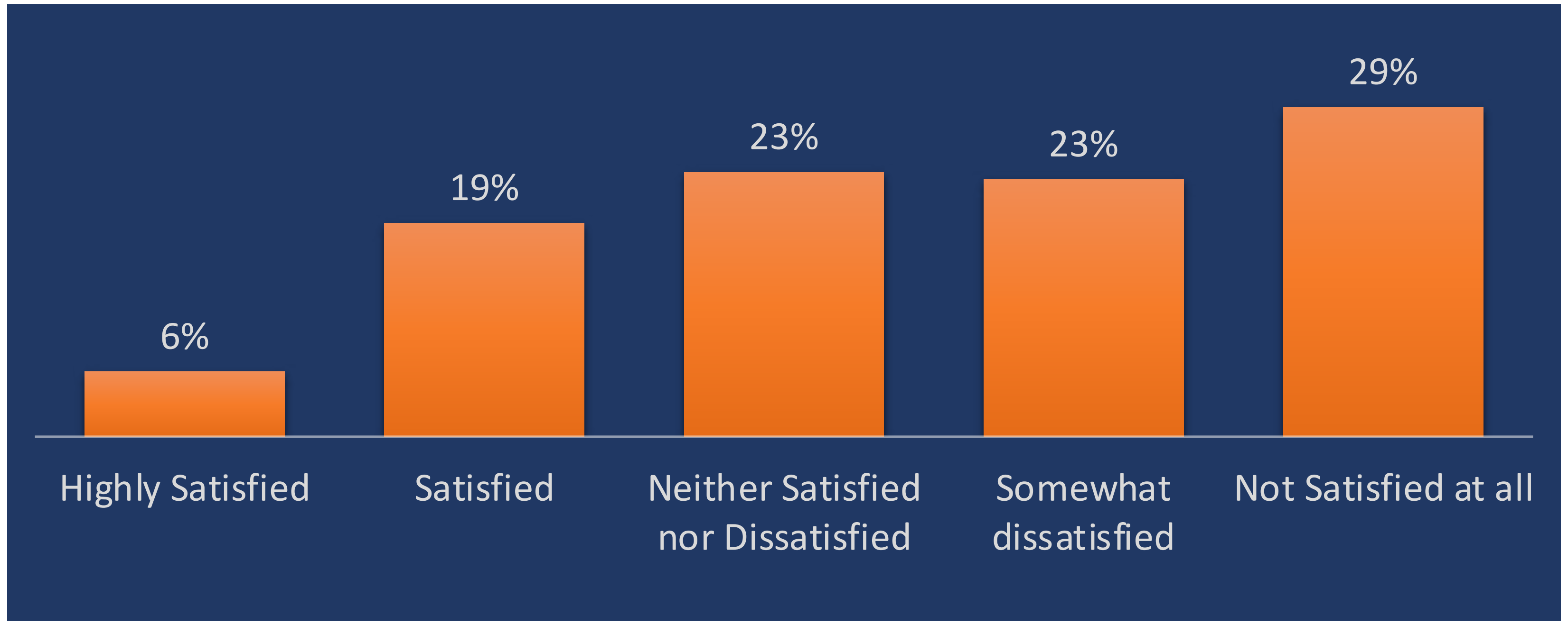
Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

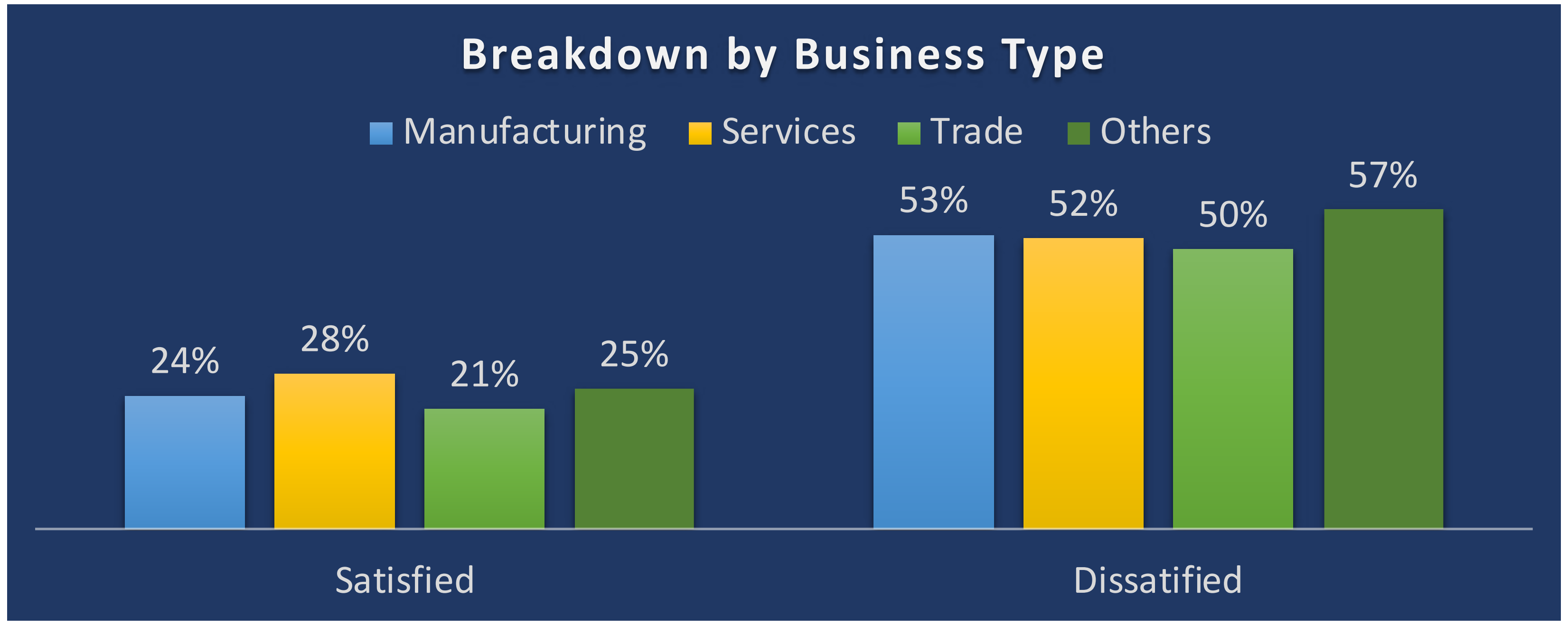
SECTION 3:

Evaluation of Government Performance on COVID-19

More than 1 in 2 Businesses are dissatisfied with their provincial government's efforts in providing relief to business. Net satisfaction for businesses in -27%

Question: How satisfied are you with your provincial government's efforts in providing relief to businesses like yours during Corona?



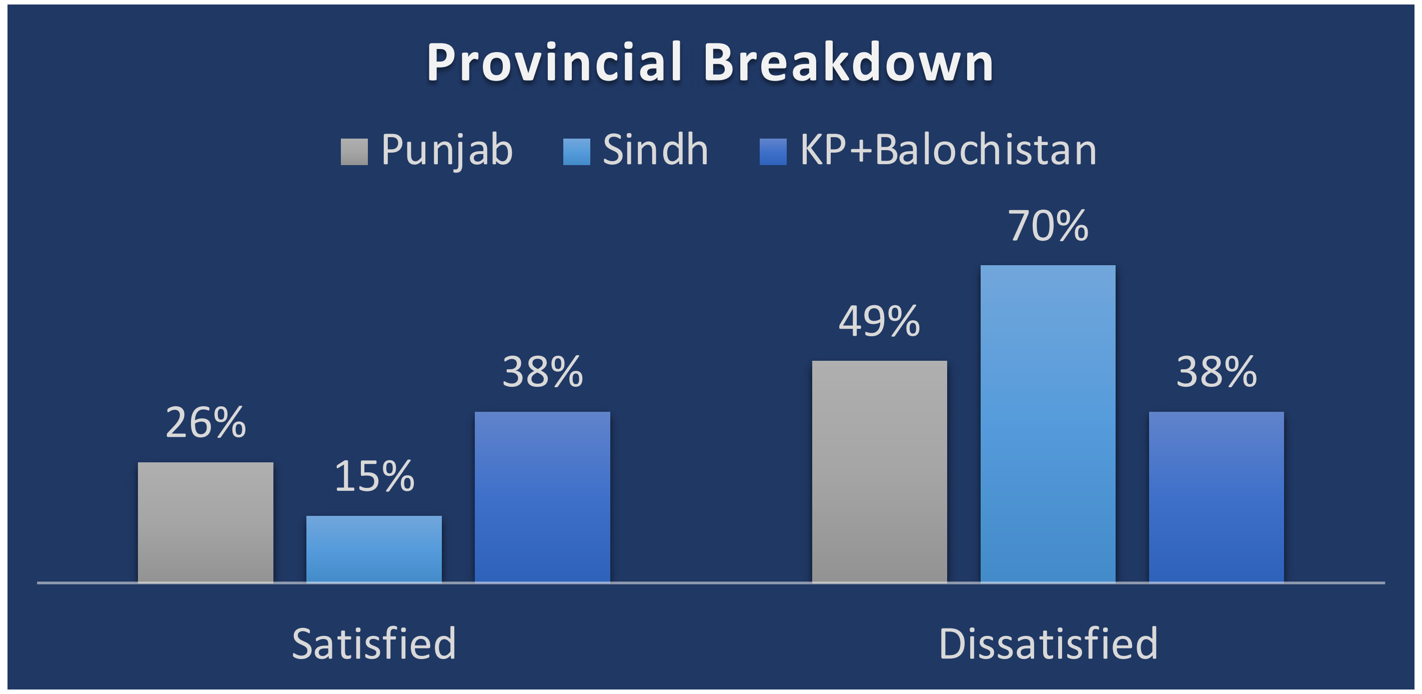


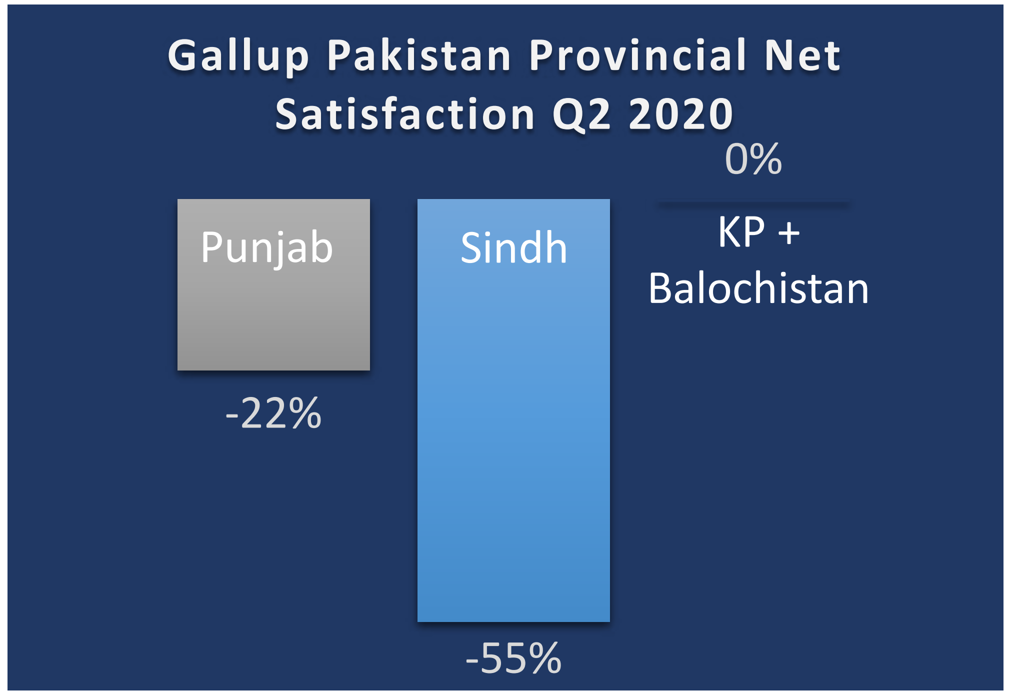
Only 1 in 4 businesses reported satisfaction with their provincial government's efforts to provide relief to businesses. Trade businesses least satisfied with provincial government

Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

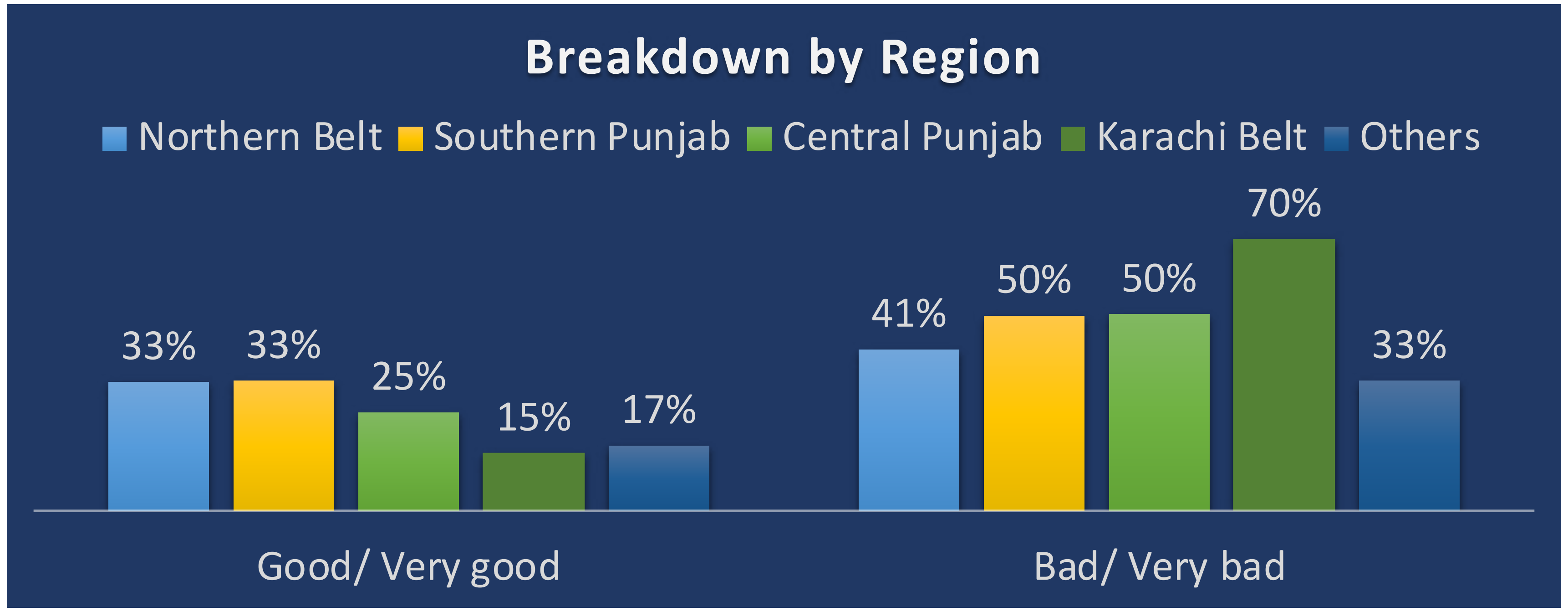
7 in 10 Businesses from Sindh are dissatisfied with the provincial government efforts, followed by 1 in 2 businesses that are dissatisfied with provincial government

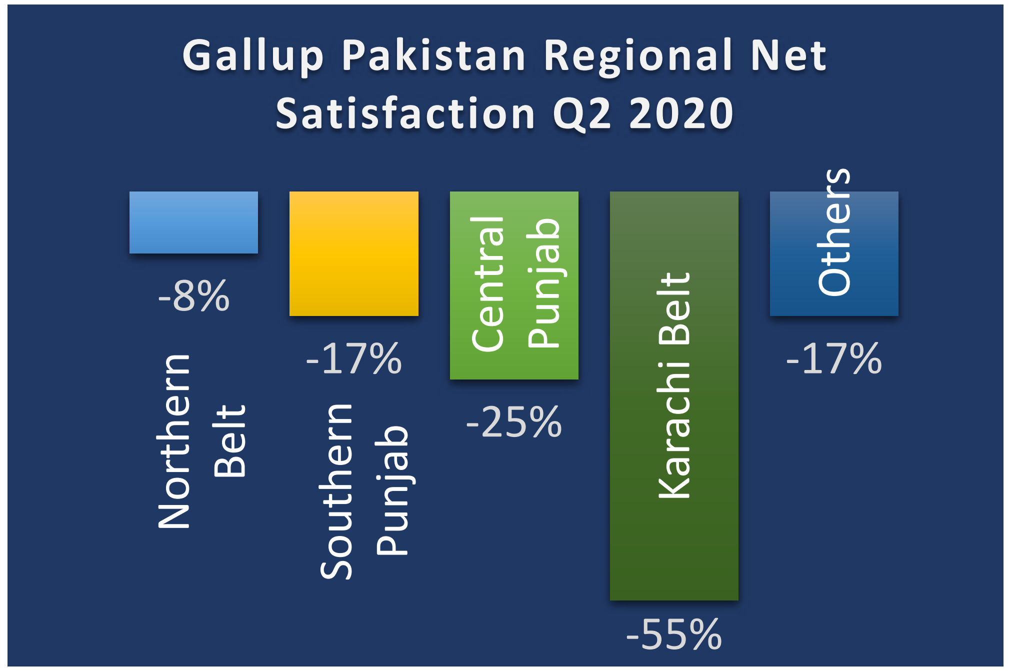
Question: How satisfied are you with your provincial government's efforts in providing relief to businesses like yours during Corona?





Net satisfaction among businesses from Karachi Belt lowest at -55% followed by Central Punjab at -25%

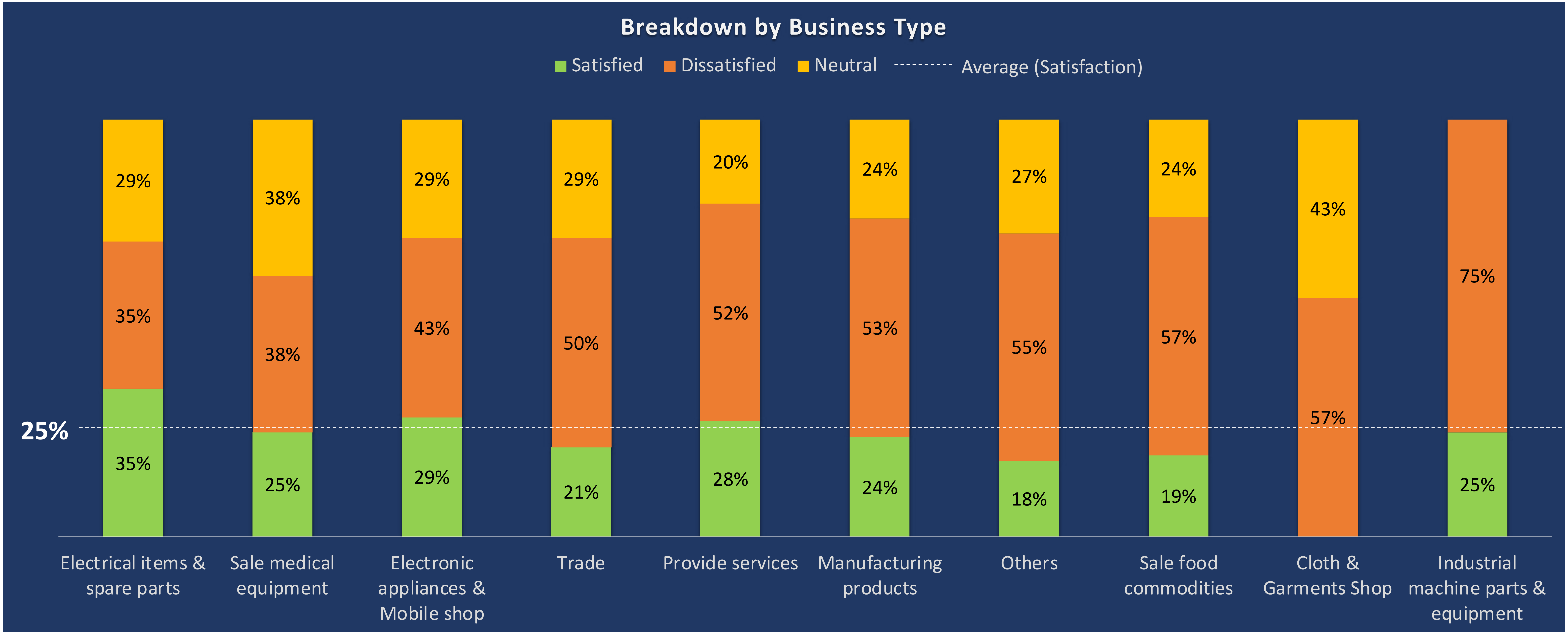




Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

Businesses related to electronics and services most satisfied with their provincial governments while cloth and garments shops most dissatisfied.

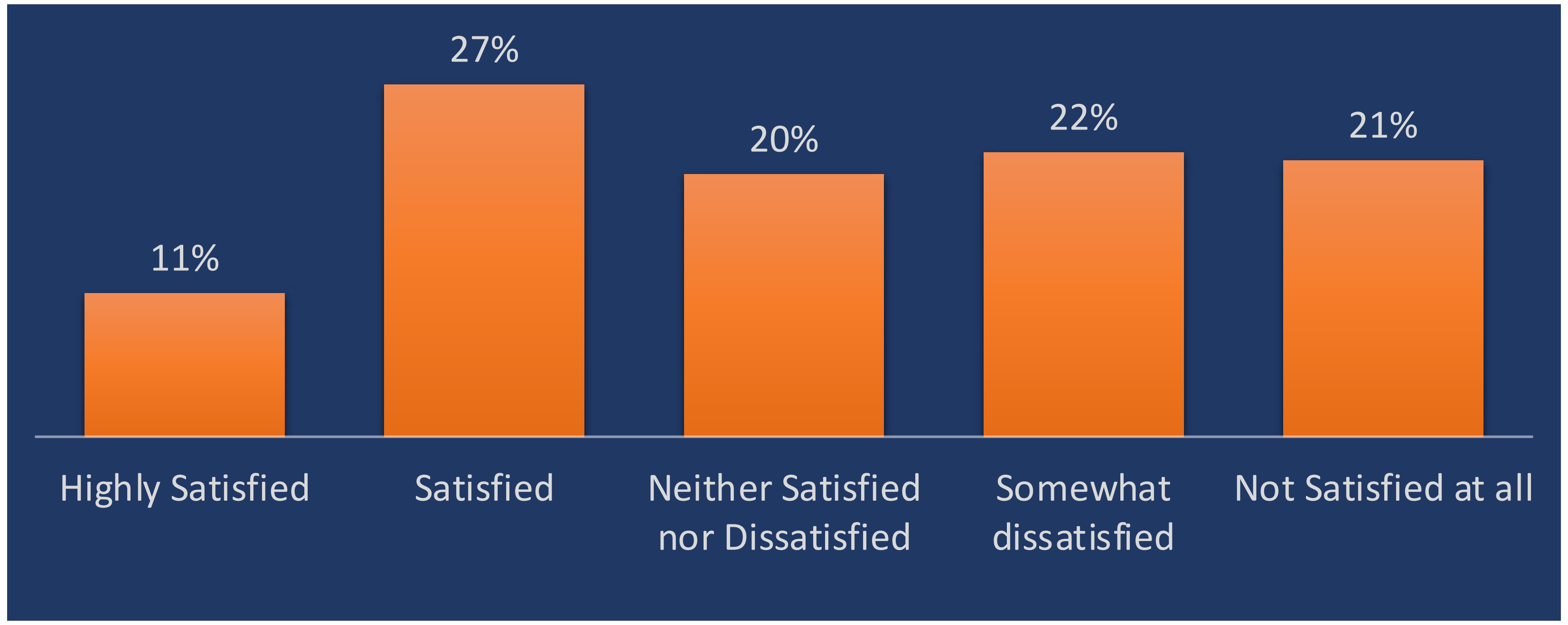
Question: How satisfied are you with your provincial government's efforts in providing relief to businesses like yours during Corona?

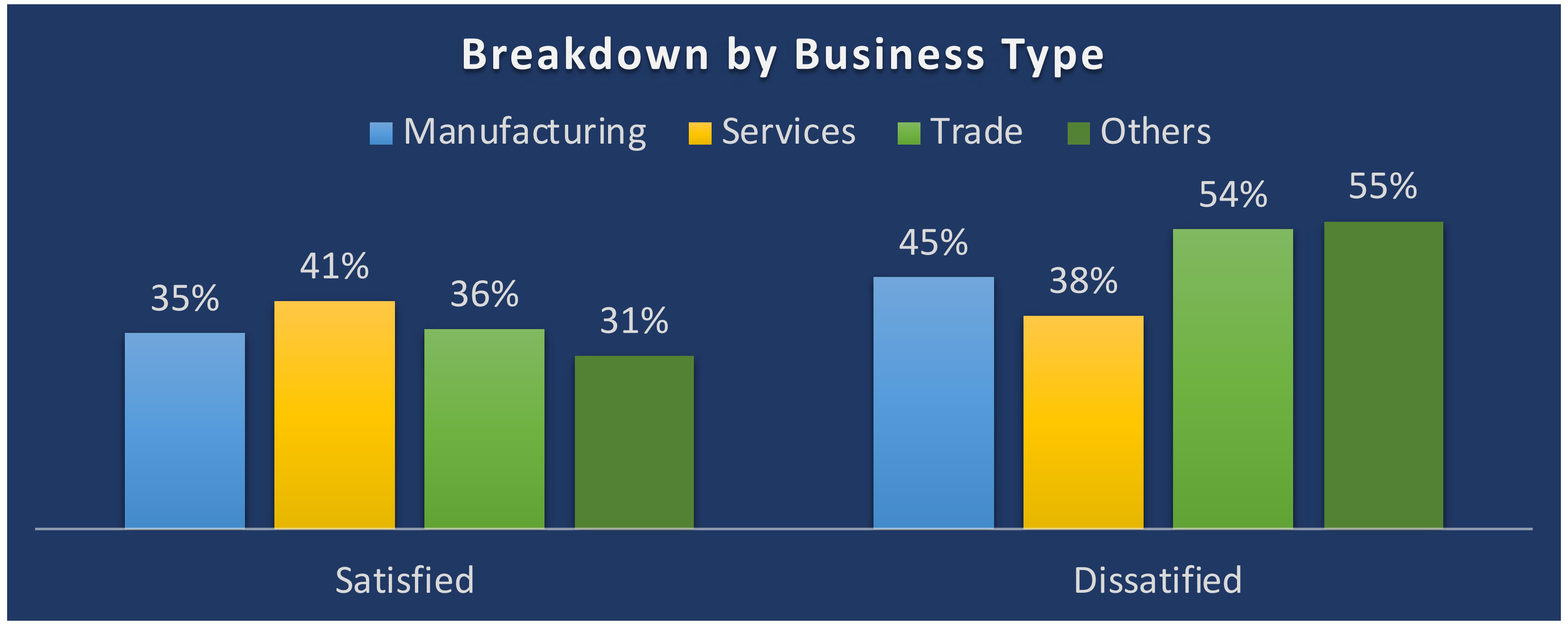


Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

2 in 5 Businesses are satisfied with the federal government's efforts in providing relief to business. Net satisfaction for businesses in -5%

Question: How satisfied are you with the federal government's efforts in providing relief to businesses like yours during Corona?





Only 1 in 4 businesses reported satisfaction with their provincial government's efforts to provide relief to businesses. Trade businesses least satisfied with provincial government

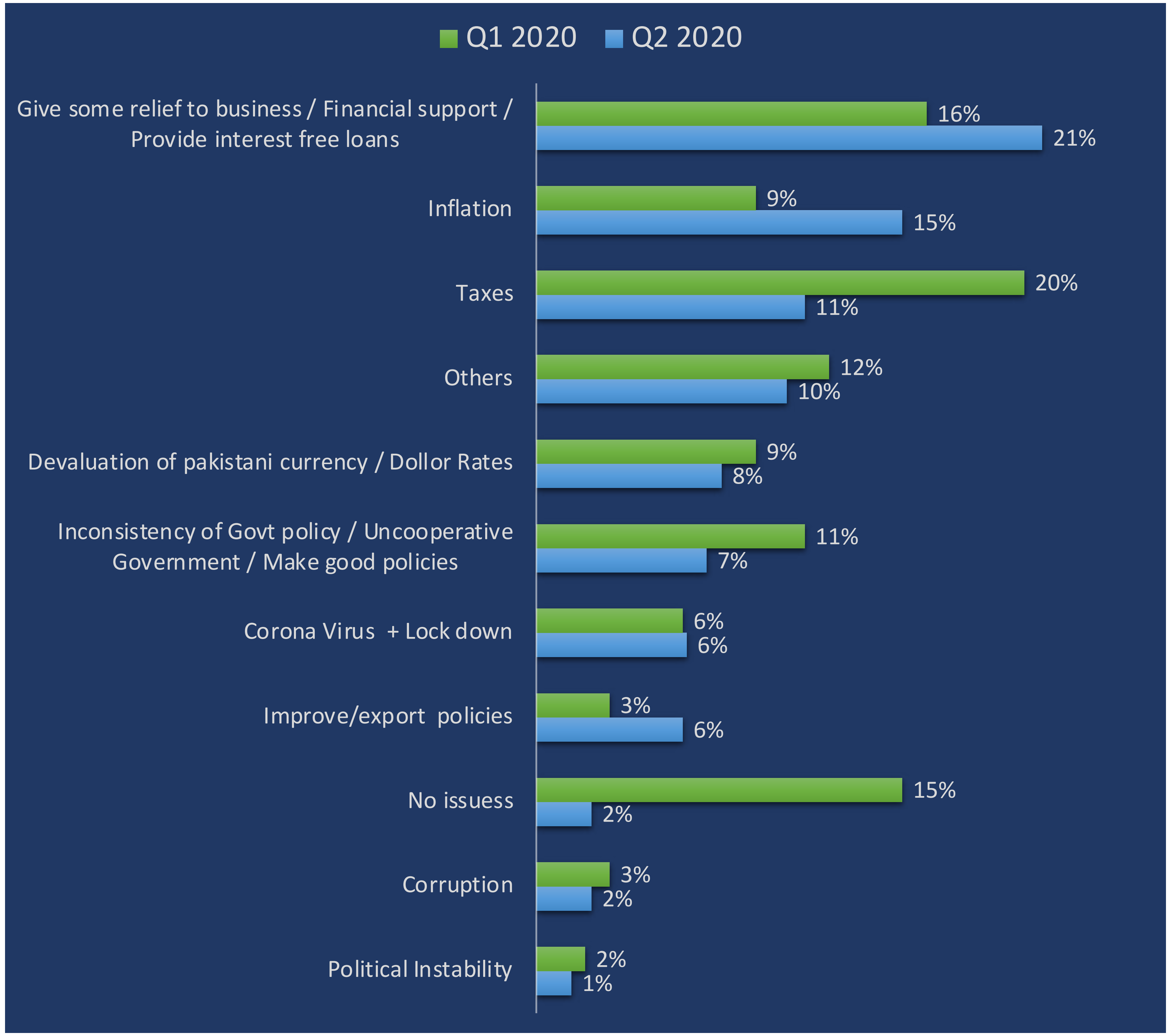
Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

SECTION 4:

Problems Affecting Businesses in Pakistan

Lack of Financial support from govt, followed by inflation are the most popular problems businesses want government to solve in Q2 2020

Question: Which problems affecting your business considerably would you want the government to solve?

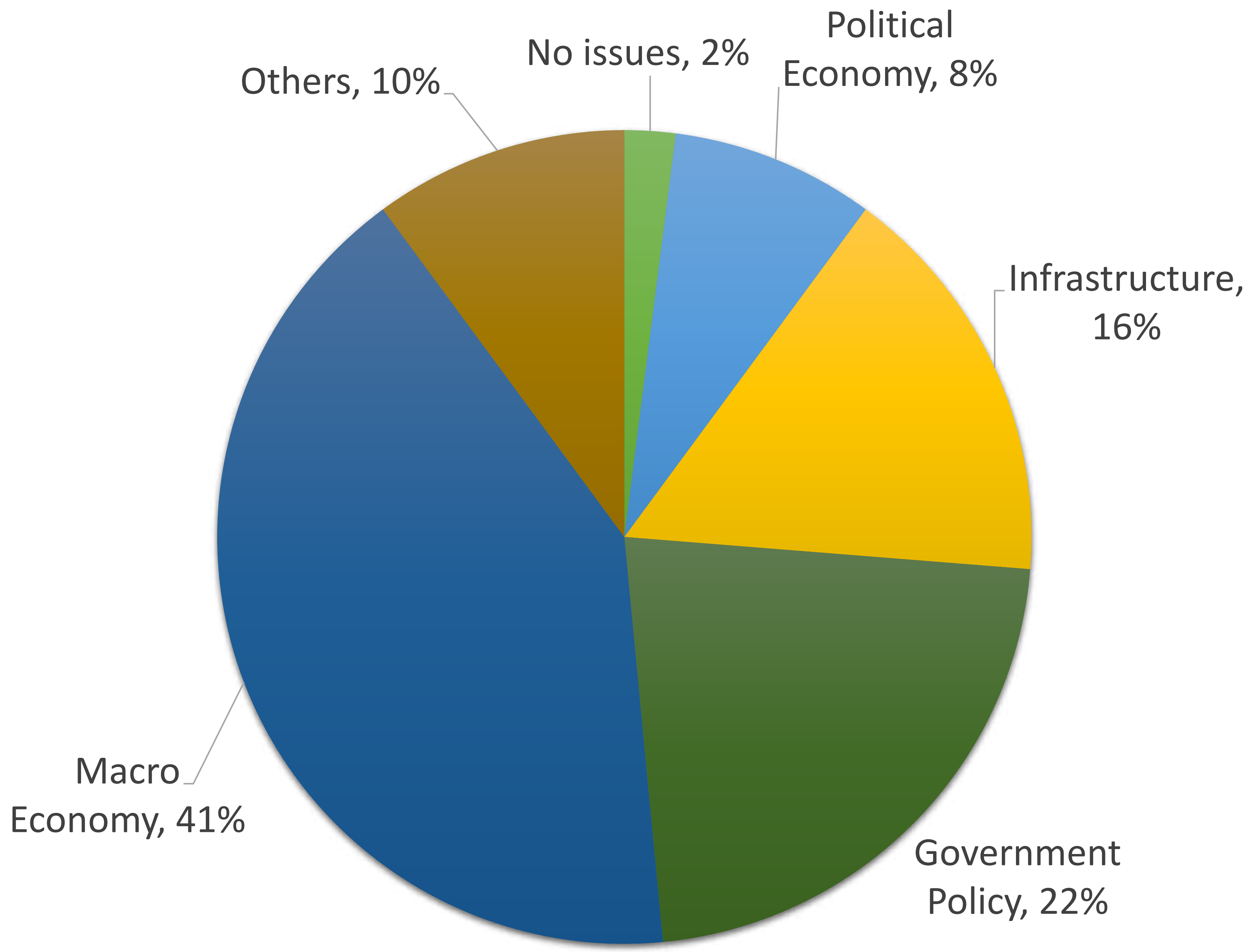


In Q1 2020, taxes were the most popular issue businesses wanted government to solve but in Q2 2020 businesses want government to provide relief and financial support possibly pointing to liquidity crunch now that economy is moving.

Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

2 in 5 Businesses want government to solve macroeconomic issues, followed by 1 in 5 who want the government to solve issues related to government policies.

Question: Which problems affecting your business considerably would you want the government to solve?



Macroeconomic issues (such as inflation, devaluation) are the most popular issues that businesses want the government to solve, followed by improvement of government policies (most notably taxation issues) and infrastructure (provision of backbone services like internet). Political stability comes at he lowest end.

Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

Methodology and Sample Profile

GALLUP BUSINESS CONFIDENCE INDEX IN PAKISTAN

METHODOLOGY DETAILS

Sample Size:
N= 487 businesses across Pakistan

Method of Interview:
Online Interviews

Field Dates:
August 2020

Field Agency:
Gallup Pakistan *(established since 1980 and member of Gallup International- www.gallup.com.pk)*
For more information on methodology please write to:
nimra@gallup.com.pk

DISCLAIMER : This is an internally funded study by Gallup Pakistan without relying on an outside source. Although maximum care has been taken but we do not take any responsibility of error or omission. We urge care and precaution in using the statistics reported here. Gallup Pakistan is not responsible for any gain or loss arising out of the use of statistics reported here.

Sample Profile

Business Type	Manufacturing	16%
	Services	47%
	Trade	6%
	Others	30%
Age of the Business Owners	≤ 39 years	54%
	40-54 years	34%
	≥ 55 years	12%
Years in Business	< 1 years	3%
	1-15 years	69%
	16-30 years	18%
	> 30	9%

Source: Gallup Pakistan Business Confidence Survey with N 487 businesses in Pakistan (Report 3, Quarter 2 2020)

FOR MORE INFORMATION PLEASE CONTACT

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