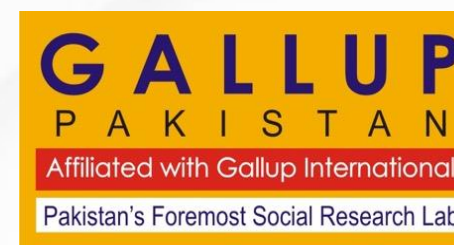


GALLUP PAKISTAN

BUSINESS CONFIDENCE INDEX (BCI)

4th Quarter 2020 Report

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



Released in February 2021



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 **408 BUSINESSES ACROSS PAKISTAN** from 31st January 2021 to 15th February 2021 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.

QUARTER 4,2019

QUARTER 1,2020

QUARTER 2, 2020

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



BUSINESS CONFIDENCE SURVEYS OVER TIME



QUARTER	TIMELINE	LINK
Q4 2019	October-November-December	Q4 2019
Q1 2020	January-February-March	Q1 2020
Q2 2020	April-May-June	Q2 2020
Q3 2020	July-August-September	Survey not conducted
Q4 2020	October-November-December	Released now



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

5. Corruption related to Government dealings



Comment by Bilal I Gilani , Executive Director Gallup Pakistan



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 4th report of the series which presents findings of the Quarter 4 survey conducted with randomly selected ~400 businesses in Pakistan.

For me following are **4** interesting and useful insights from this 4th report of the Business Confidence Survey (BCS).

Finding 1 : Slowing down of the recovery of economy from Covid and pre Covid shock : All 3 strands of Gallup Business Confidence Survey in Q4 remain in the positive showing more businesses pose a confidence in present and in future than those who express lack of confidence. However, the index has come down from the height seen in August 2020 report showing that the recovery appears to be slowing down. In order to go beyond just recovering from Covid 19 and to actually reach galloping speed , business community demands structural changes in government taxation, red tap , regulations and there seems to be pessimism about whether this is really happening.

FINDING 2 : AMIDST CLAIMS OF V SHAPE RECOVERY , SMES AND MSMES APPEAR TO BE SUFFERING POINTING TO DISTORTION IN ECONOMIC PICTURE With other macro economic numbers improving for example export number rising and LSM numbers showing improvement as well as discussions of a V shaped recovery, Gallup BCS Q4 2020 shows that underlying these good numbers are struggling SME and MSME. As reported in this edition businesses report a mode of 50% decline in revenue since Covid 19. In other words, there is a departure between how the large businesses are performing and how the SME is performing. The large businesses seem to have recovered from the Covid 19 shock where as the SME is reeling under the shock still. Many of these SME's may never be able to recover from this without consistent and well directed support from the government. **We therefore recommend that Government policy makers look beyond**

Introductory note by Executive Director

Gallup Pakistan



FINDING 3 : UNEMPLOYMENT MAY BE SIGNIFICANTLY MORE THAN EXPECTED ! With 4 in 10 businesses reporting that they have less workers now working for them as compared to same month last year, it is obvious that there is a huge increase in unemployed population in the country. Again with improving Large scale business numbers , we see a distortion that is bringing false sense of confidence about the economy. The reality of the small business and their employee remains quite negative.

FINDING 4 INCIDENCE OF CORRUPTION IN PARTICULAR BRIBERY EXCEPTIONALLY HIGH This edition we asked businesses about the incidence of bribery and sadly a huge 4 in 10 businesses report having bribed a govt official to get their due work done. Bribery and in general lack of transparency and accountability is one of the bedrock and fundamental issue plaguing the business environment in Pakistan. Despite much lip service , the position on the ground for the local businesses remains the same : Government is synonymous with bribery and nepotism leading to loss for the business community.

3 KEY FINDINGS – Q4 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 : Two strands of Gallup Business Confidence Index (BCI) on the forecast stand at fair confidence and one stands at great confidence

Key Finding 3: We see that business community is slightly more upbeat about the current business situation vis a vis earlier report based on Q3 when the economy was recovering from lockdown. However, with respect to Future Business and Direction of the country score we see that there has been a decline as compared to Quarter 2 report.

Strand 1: Current Business Situation Score

- Q4 2020: +22%
- Q2 2020: +16%



Strand 2: Future Business Situation Score

- Q4 2020: +44%
- Q2 2020: +58%



Strand 3: Direction of the Country Score

- Q4 2020: +6%
- Q2 2020: +10%



Interpretation of the Score

A positive score means more businesses are feeling positive/confident/ 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 2020 Assessment

Gallup Business Confidence Index	Q1 2020 Score	Q2 2020 Score	Q4 2020 Score	Assessment
Strand 1 Current Business Situation Score	-50%	+16%	+22%	Fair Confidence
Strand 2 Future Business Situation Score	-7%	+58%	+44%	Great Confidence
Strand 3 Direction of the Country Score	-25%	+10%	+6%	Fair Confidence

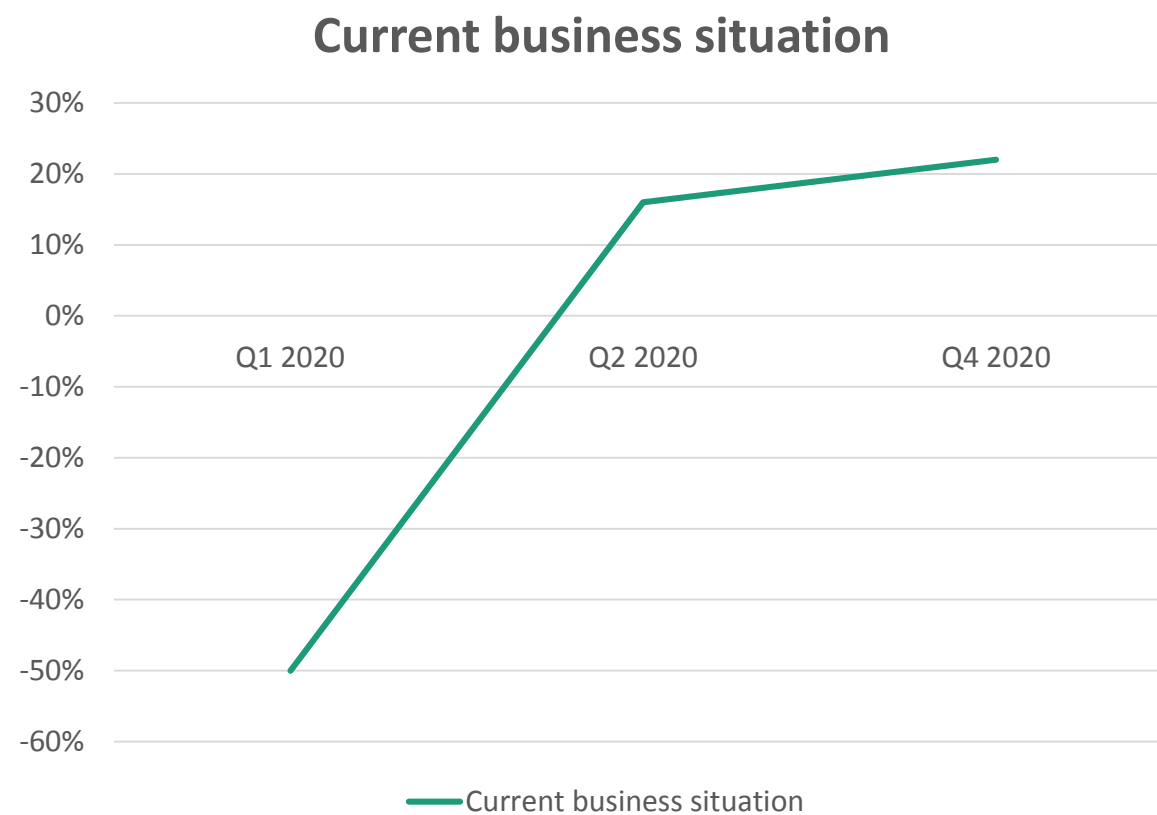
Legend

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



THREE STRANDS OF Gallup Business Confidence 2020 Assessment – Q4 2020 SNAP SHOT



ALL THREE STRANDS OF GALLUP BCI ARE IN POSITIVE HOWEVER THERE IS DECLINE IN FUTURE BUSINESS SCORE AND DIRECTION OF COUNTRY SCORE IN Q4 2020 POINTING TO POTENTIAL VULNERABILITY OF THE GROWTH ACHIEVED SO FAR



EXECUTIVE SUMMARY



GALLUP
P A K I S T A N
Affiliated with Gallup International
Pakistan's Foremost Social Research Lab

EXECUTIVE SUMMARY



- Most businesses report a drop of sale by sweeping 50% since Covid 19 started. The number is alarming!.
- Businesses related to electrical items have faced huge losses of sale compared to other businesses in Corona times
- 39% Businesses reported now have lesser number of people working for them as compared to the figures 12 months ago. The number is pointing towards massive unemployment increase and continuing till now.
- 6 in 10 businesses in Pakistan reported good business conditions. Gallup Pakistan Net Current Business condition rises by 6% since Q4 2020
- Businesses in Sindh as well as those related to trade are most optimistic of a better future.
- 53% Businesses believe the country to be in the right direction, net score decreases by 4% since the 2nd Quarter. In the 2nd quarter, 55% businesses believed the country was heading in the right direction



EXECUTIVE SUMMARY



- 3 in 10 Businesses are highly satisfied with their federal government's efforts in providing relief to businesses during Covid-19. Net satisfaction for businesses is +13%. There has been a 40% increase in net satisfaction since Q2.
- Increase in inflation, followed by inconsistency of Government policies are the most pressing problems businesses want the government to solve in Q4 2020. In Q2, businesses wanted the government to focus more on providing relief, financial support etc and to reduce taxes.
- To get legitimate work done, 40% of all businesses have had to pay bribe to government officials.



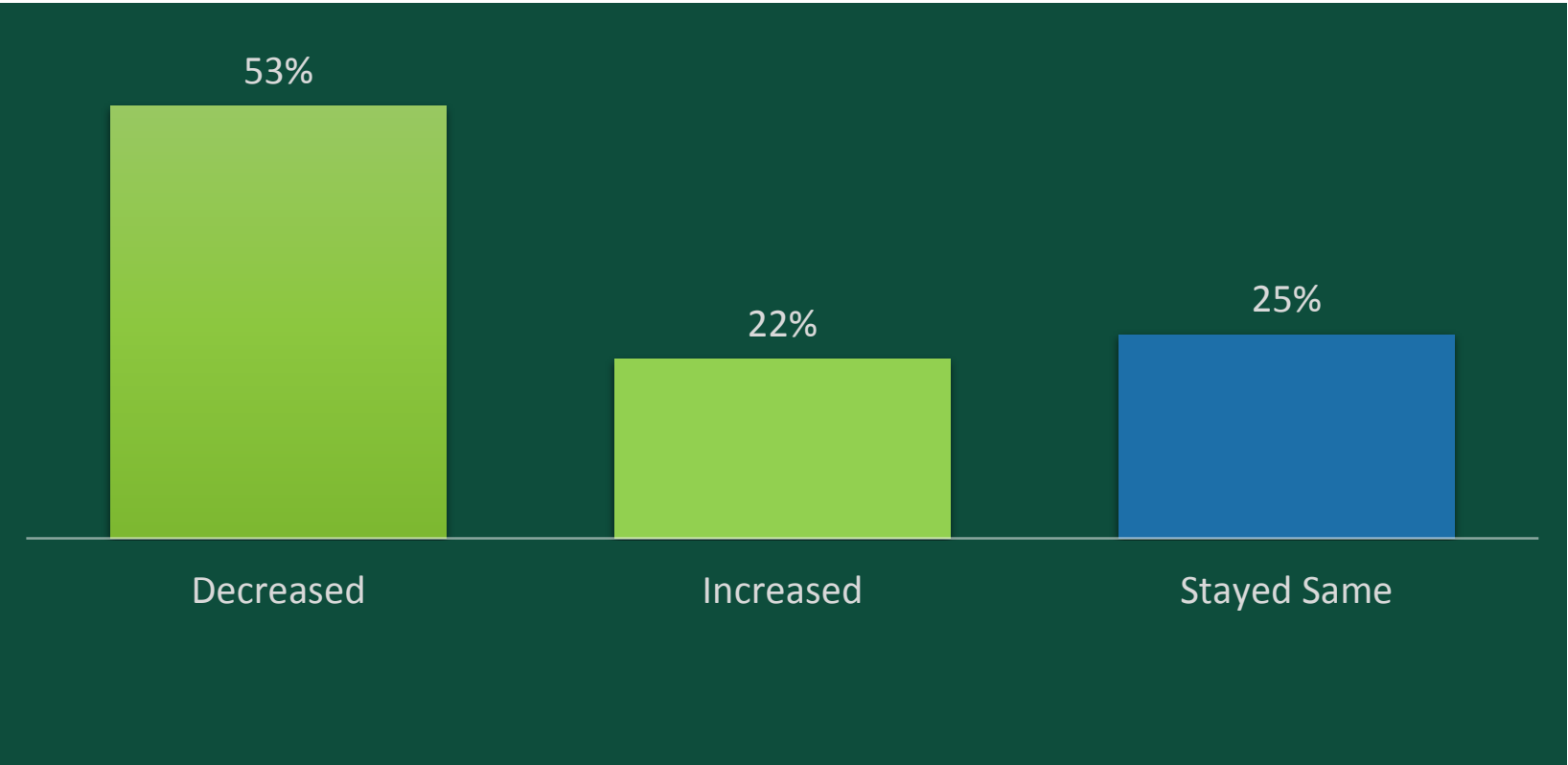
SECTION 1:

Corona & Lockdown And its Impact on Businesses in Pakistan

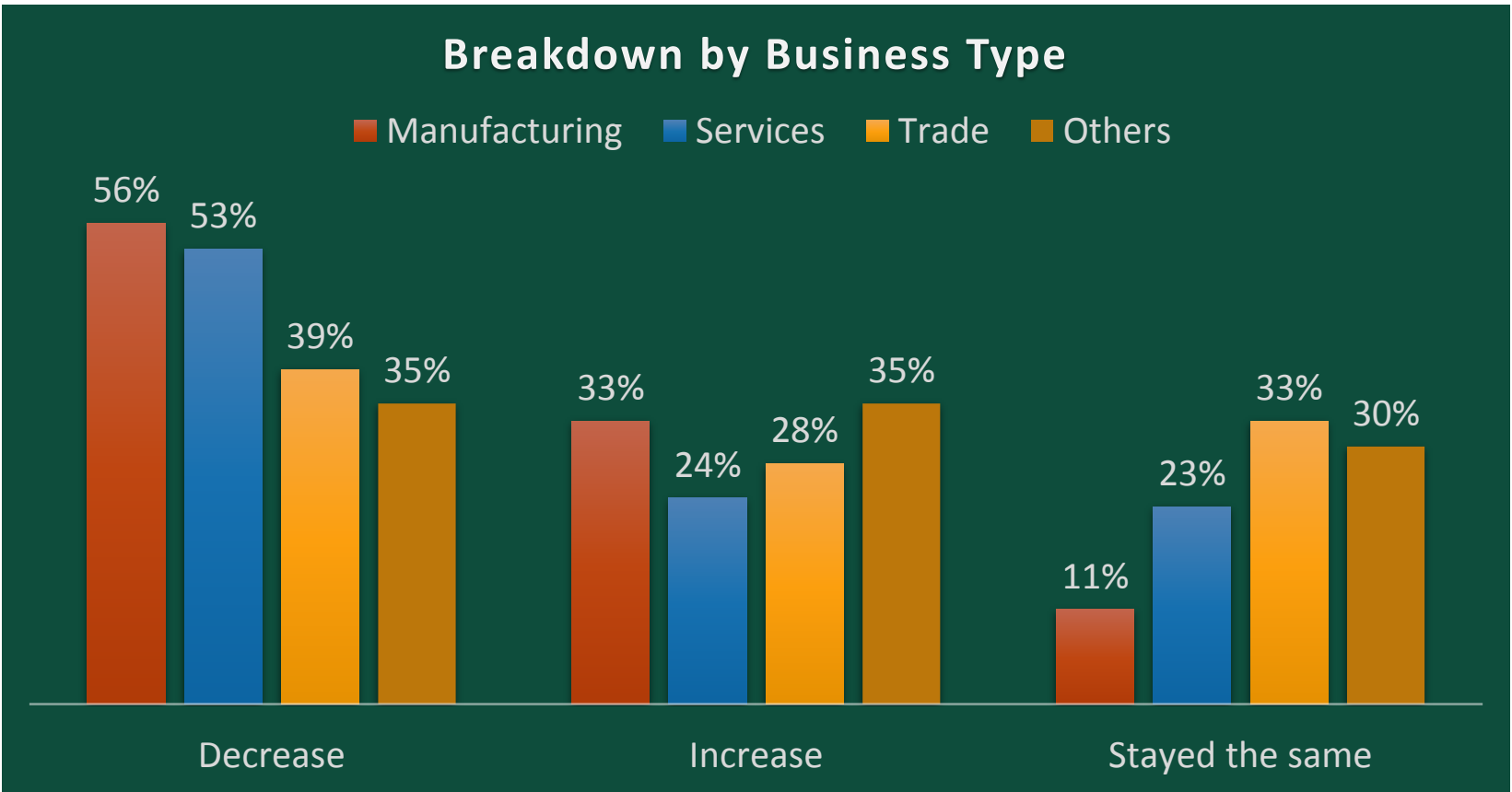


For 53% of the Businesses sales have decreased during Covid-19. 1 in 4 businesses report the same number of sales as before

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

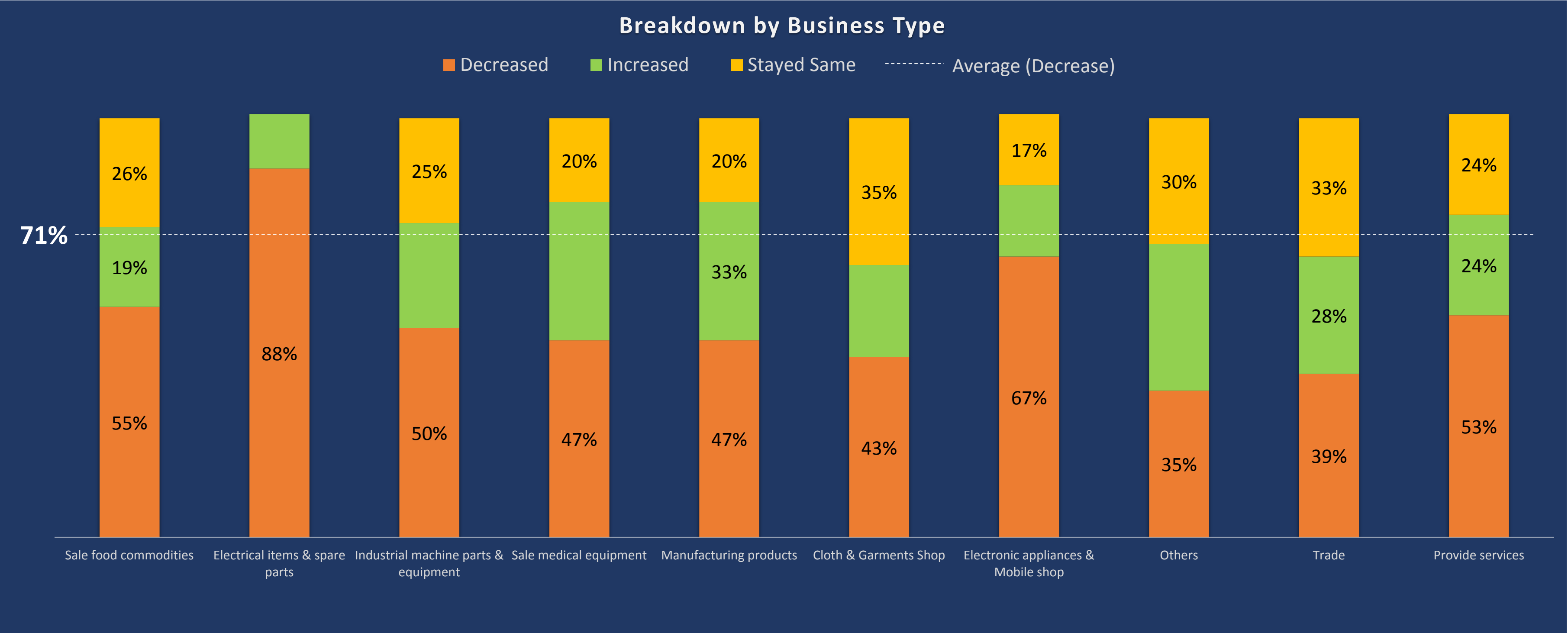


56% of the manufacturing businesses reported a decline in sales due to coronavirus. Overall the net change in sales have been -31% for all businesses.



Highest decline in sales experienced by reported by electrical items and spare parts Businesses.

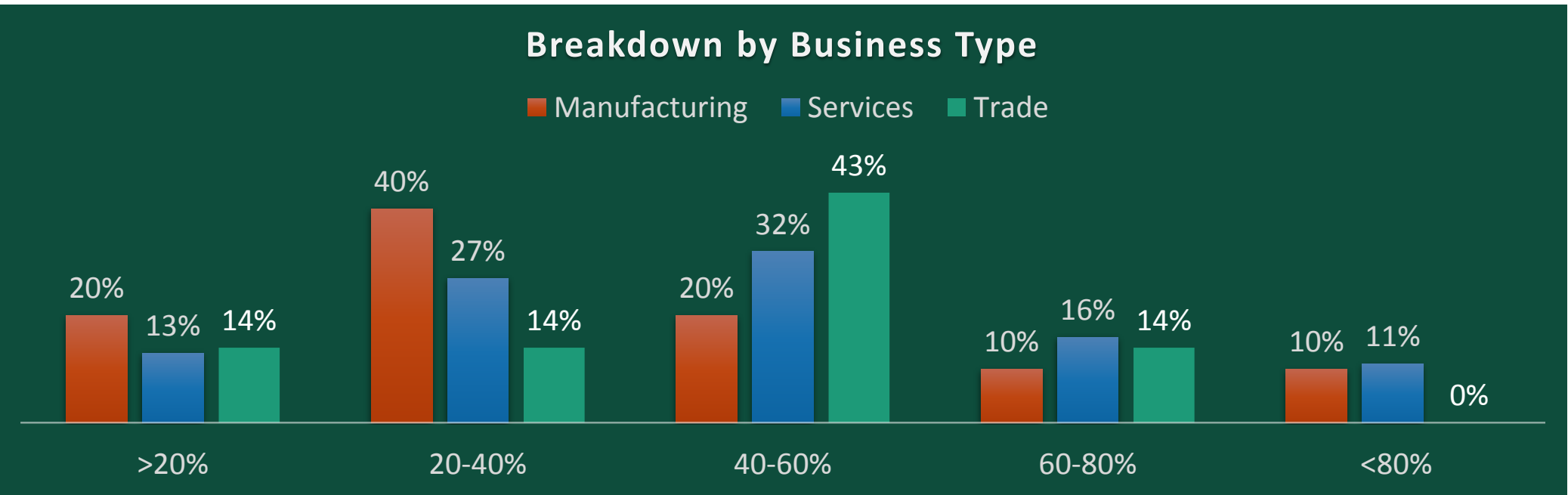
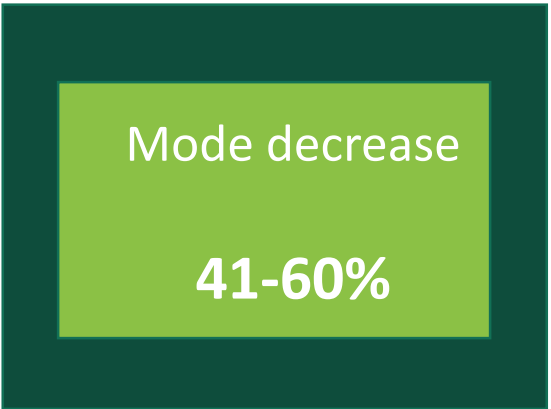
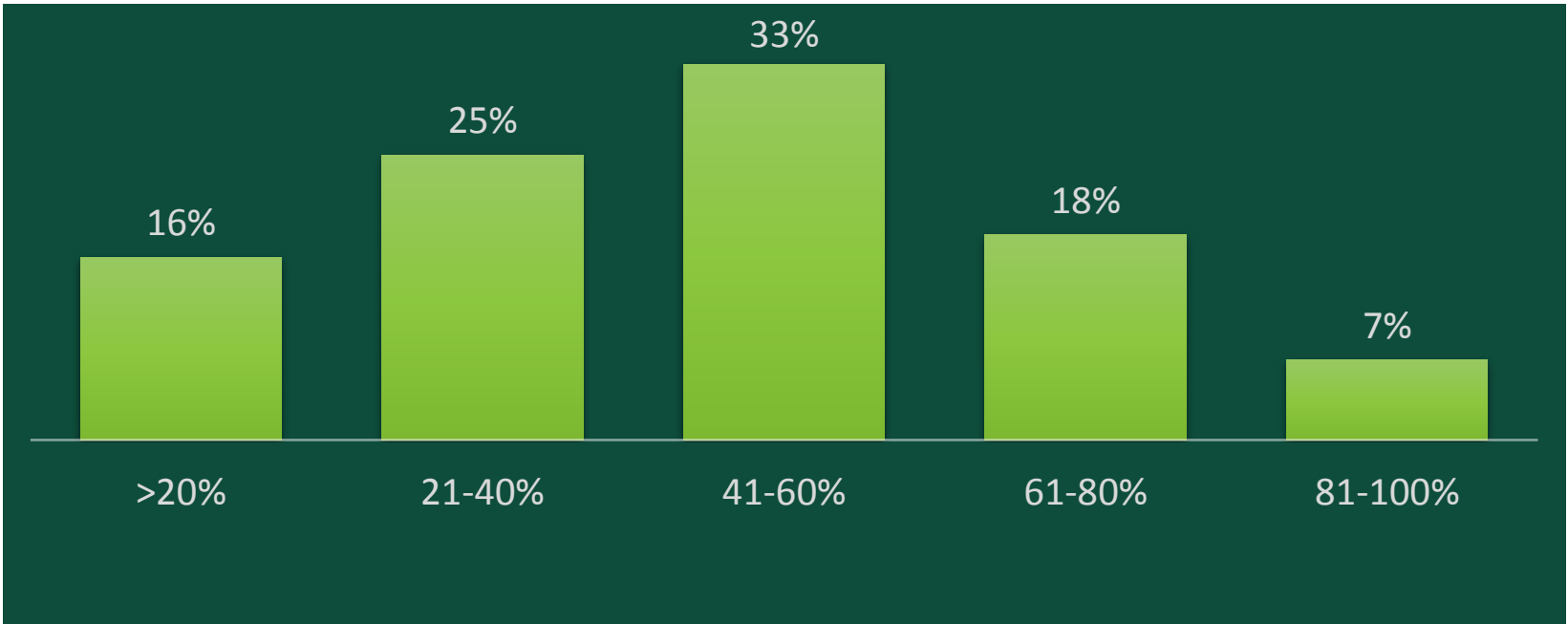
Question: Some people say their sales have decreased, increased or stayed same in Corona times. How have your sales been affected?



Source: Gallup Pakistan Business Confidence Survey with N 408 businesses in Pakistan (Report 4, Quarter 4 2020)

33% businesses reported a 41-60% decrease, 18% reported 61-80% decrease and 16% reported less than 20% decrease in sales during COVID-19

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?

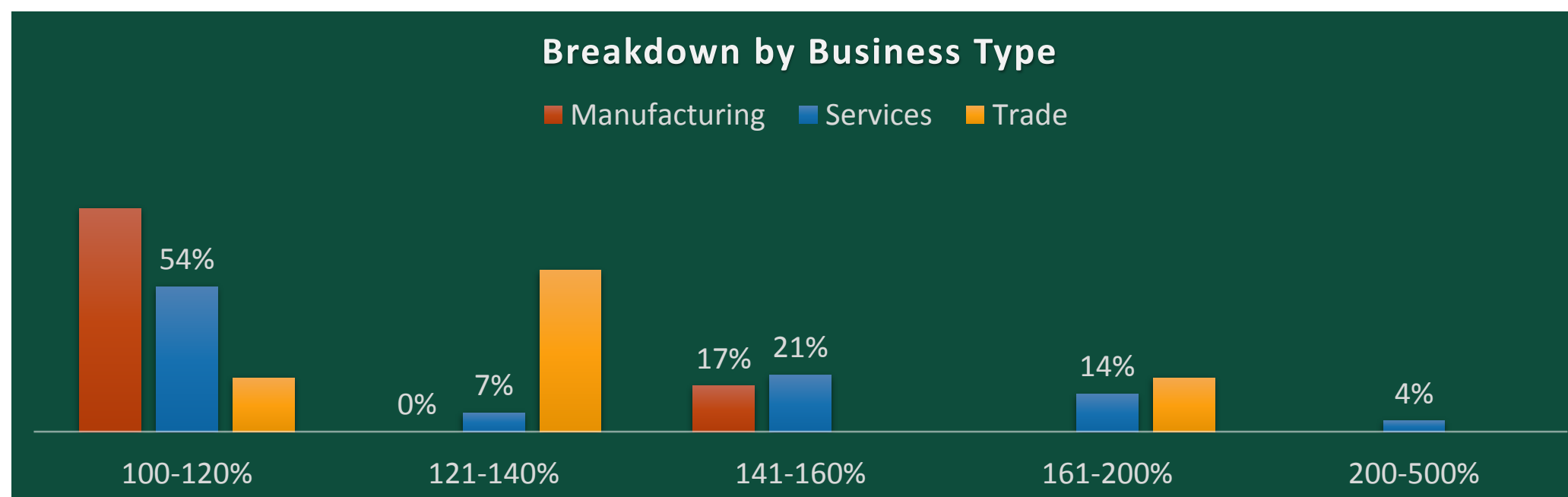
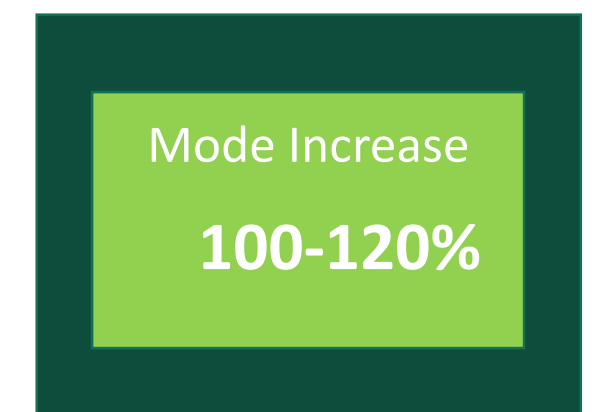
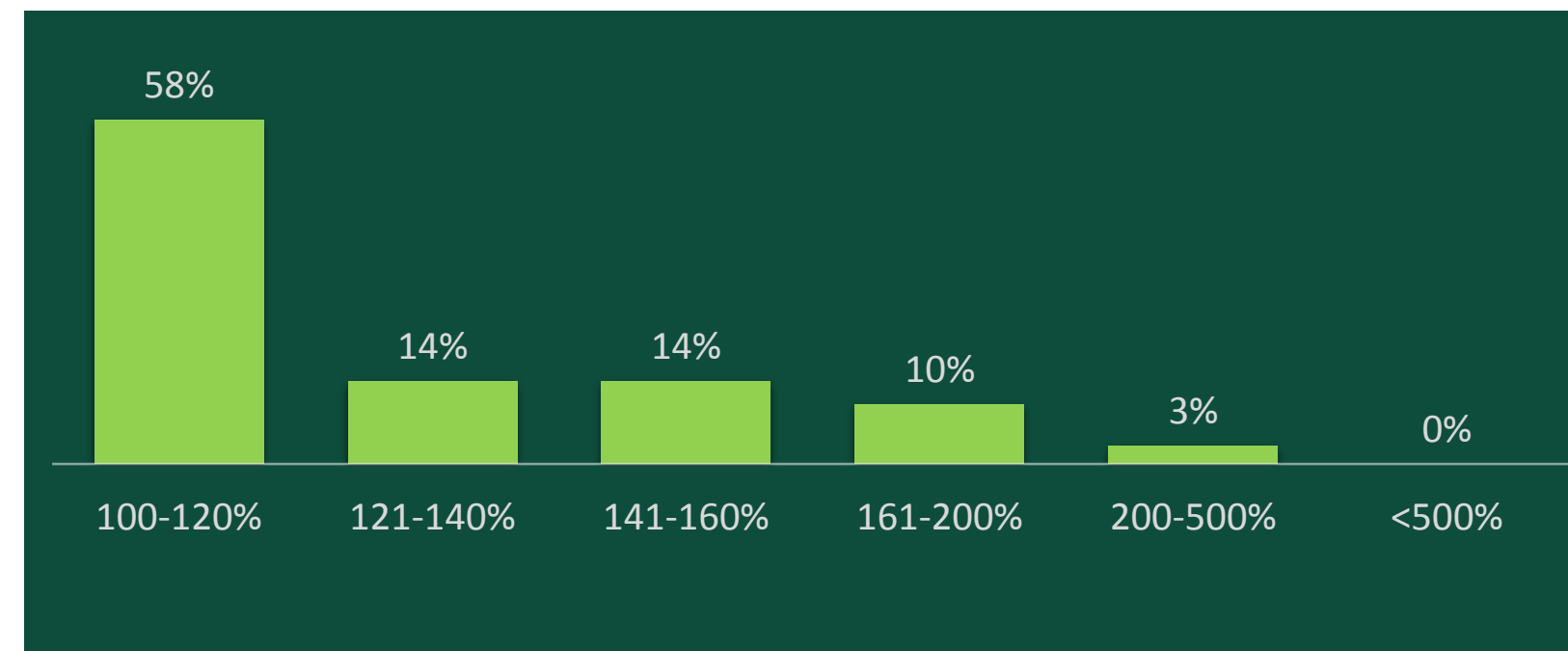


43% trade businesses reported between 40-60% decline in sales due to coronavirus. 1 in 10 manufacturing business reported more than 80% decline in sales



58% reported around a 100-120% increase, followed by 14% businesses each reporting 121-140% increase. Manufacturing companies reported the greatest amount of percentage increase in sales.

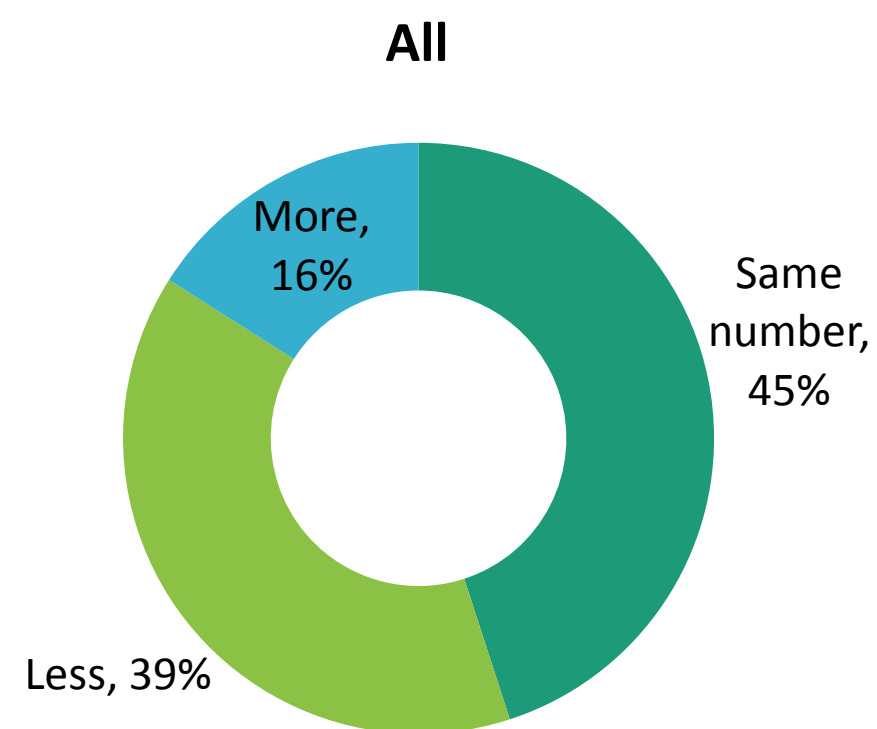
Question: Compared to pre-Corona time, what has been the percentage increase in your sales? Imagine your sales were Rs. 100 before Corona, what are they now?



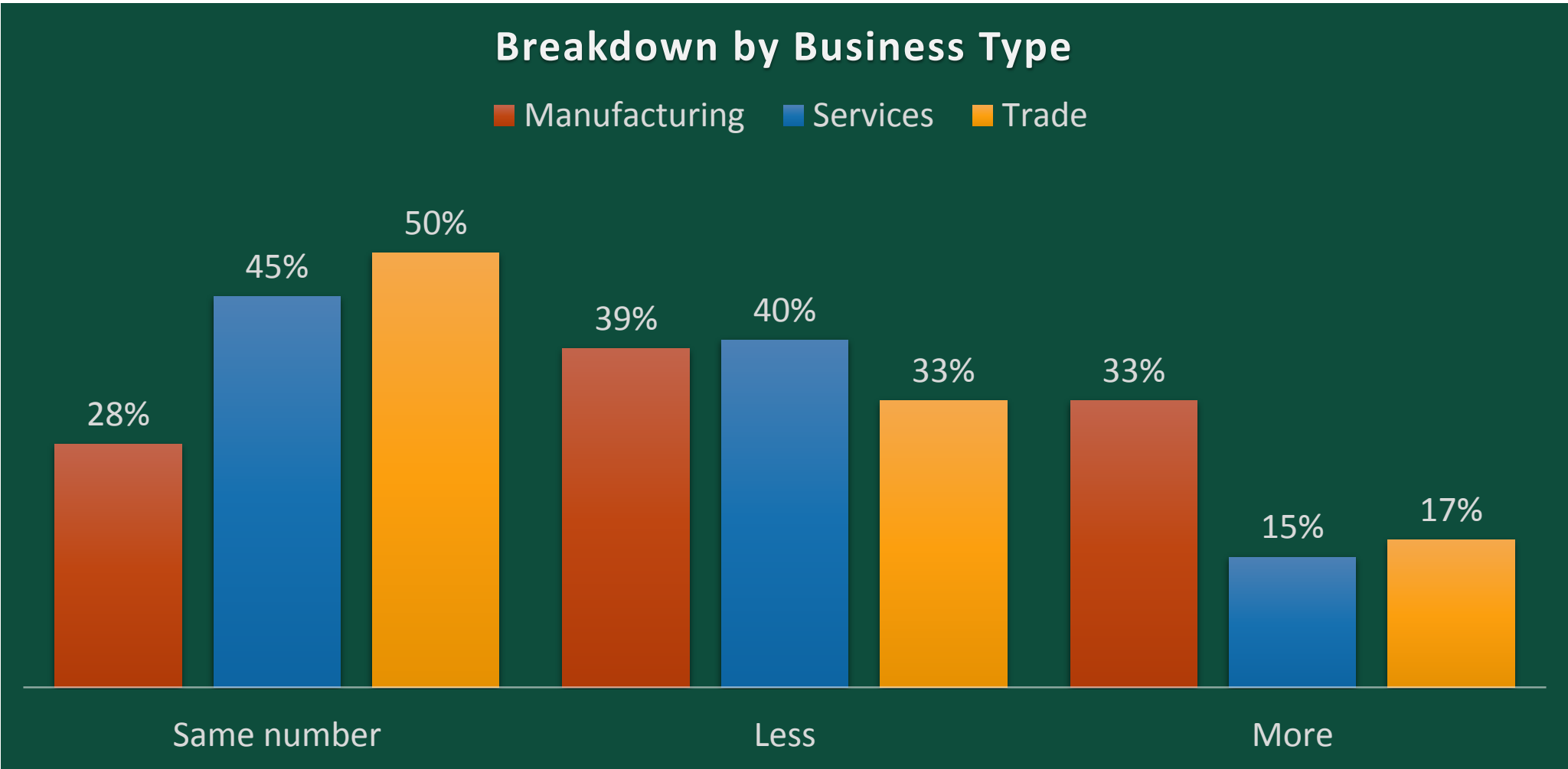
4 in 5 manufacturing businesses reported between 100-120% rise since pre-corona times. 60% trade businesses reported an increase of 121-140% compared to pre-Corona times.

39% Businesses reported laying off/ having fewer number off employees compared to 12 months ago.

Question: As opposed to 12 months ago do you have, same , less or more people working for you?

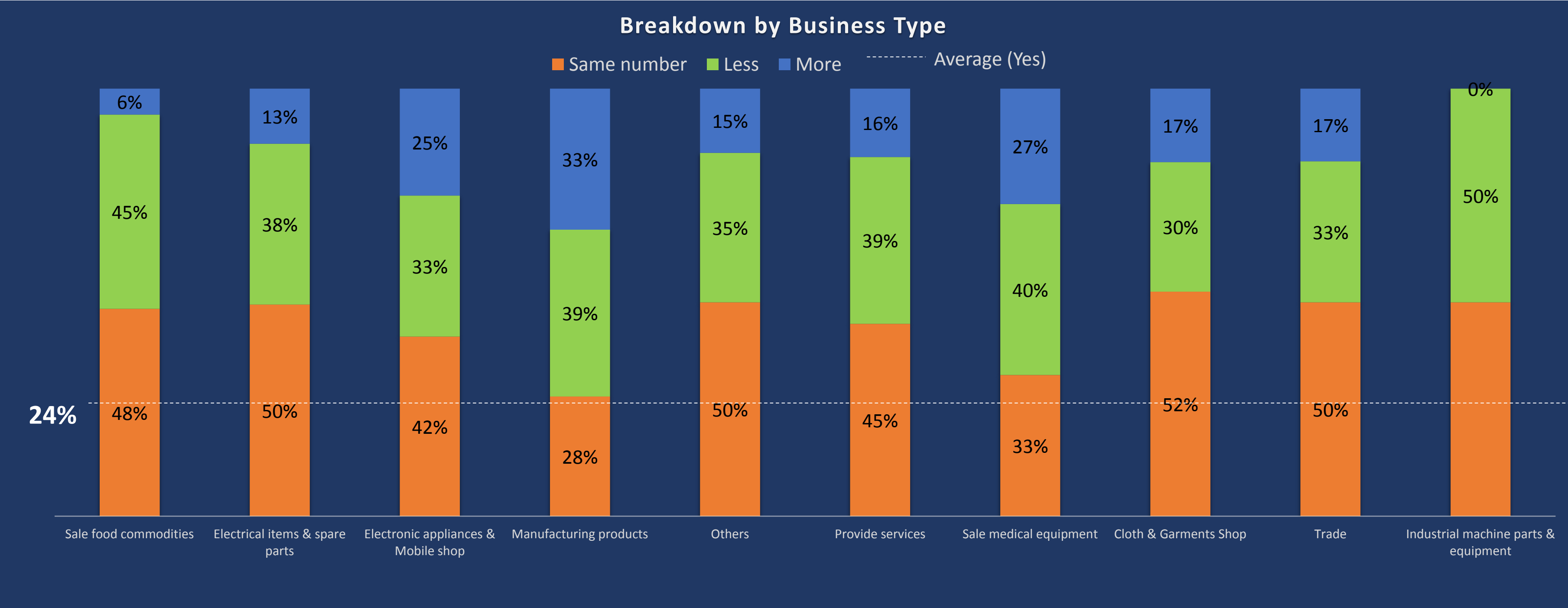


Companies in the services sector had to reduce greater number of employees compared to businesses related to trade and manufacturing.



Businesses which had to layoff the most employees are those related to food commodities and industrial machine parts.

Question: As opposed to 12 months ago do you have, same , less or more people working for you , less , or same number?



Source: Gallup Pakistan Business Confidence Survey with N 408 businesses in Pakistan (Report 4, Quarter 4 2020)



SECTION 2:

Gallup Business Confidence Index





Gallup Pakistan Business Confidence Index Yardstick

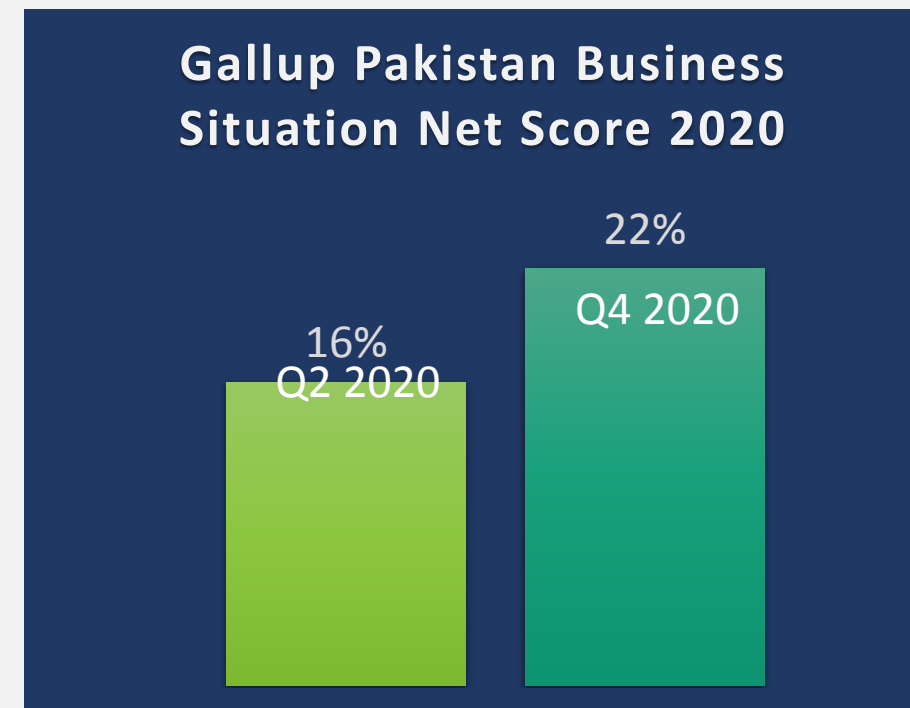
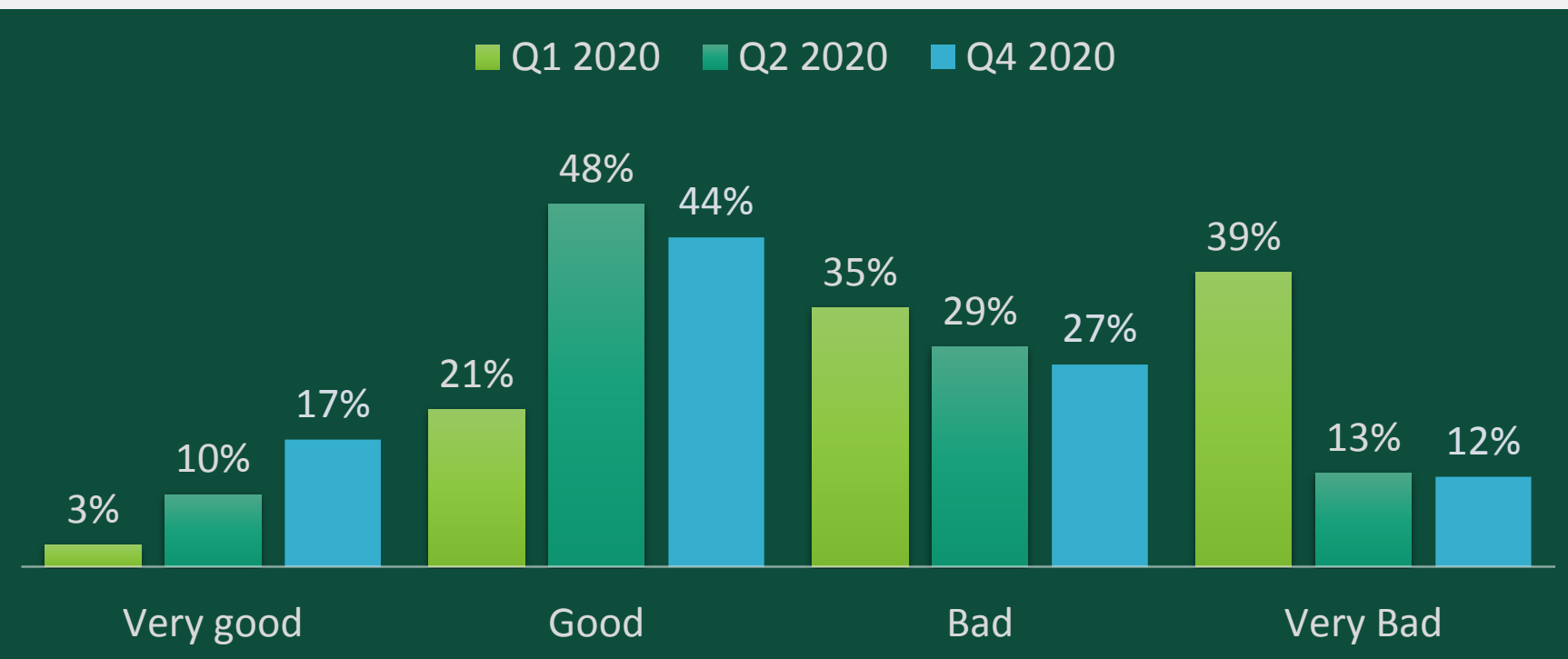
1:

Current Business Conditions Score



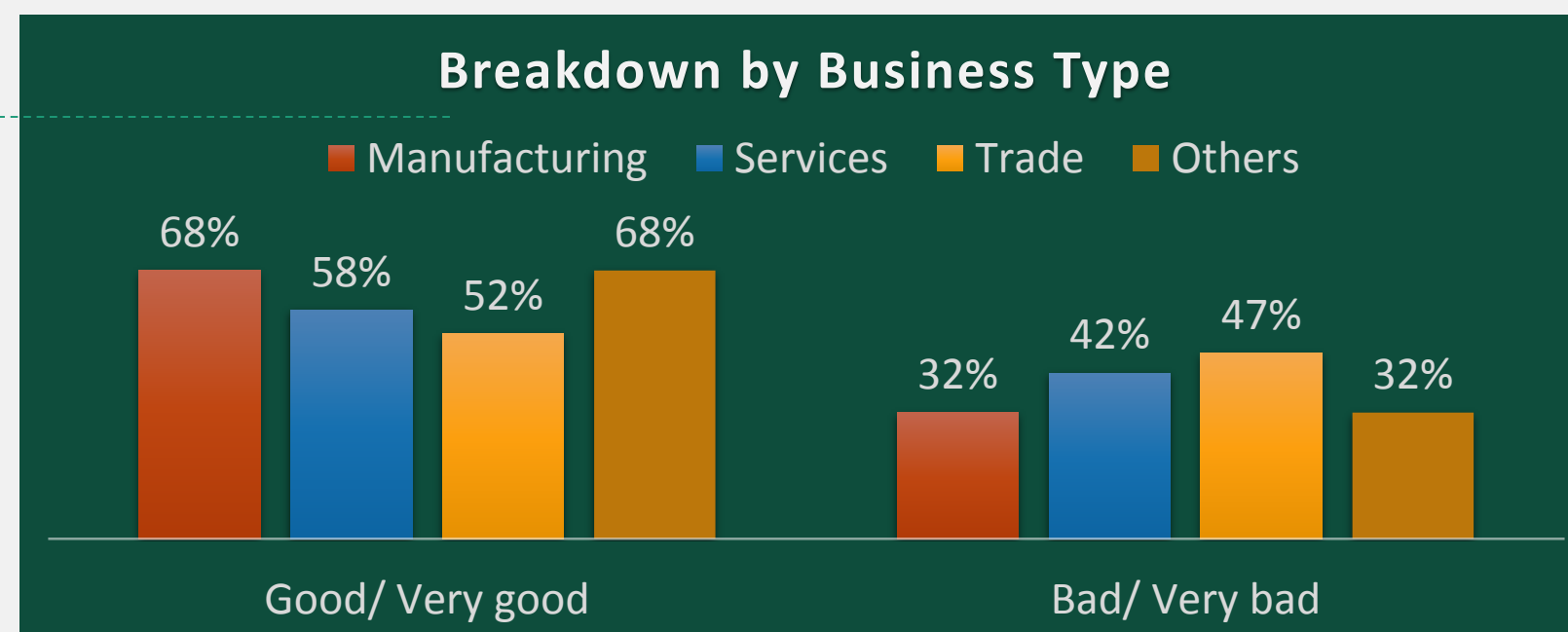
6 in 10 businesses in Pakistan reported good business conditions. Nearly 7 in 10 manufacturing businesses claim they are doing well. Net Current Business condition rises by 6% since 2020, Quarter 3

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



Since, Q2 2020, the current business assessment has improved considerably with a 6% increase Q4 stating business condition as good.

7 in 10 Business in the manufacturing sector assess current business situation as good. Business situation in other sectors is reported to be well as well.

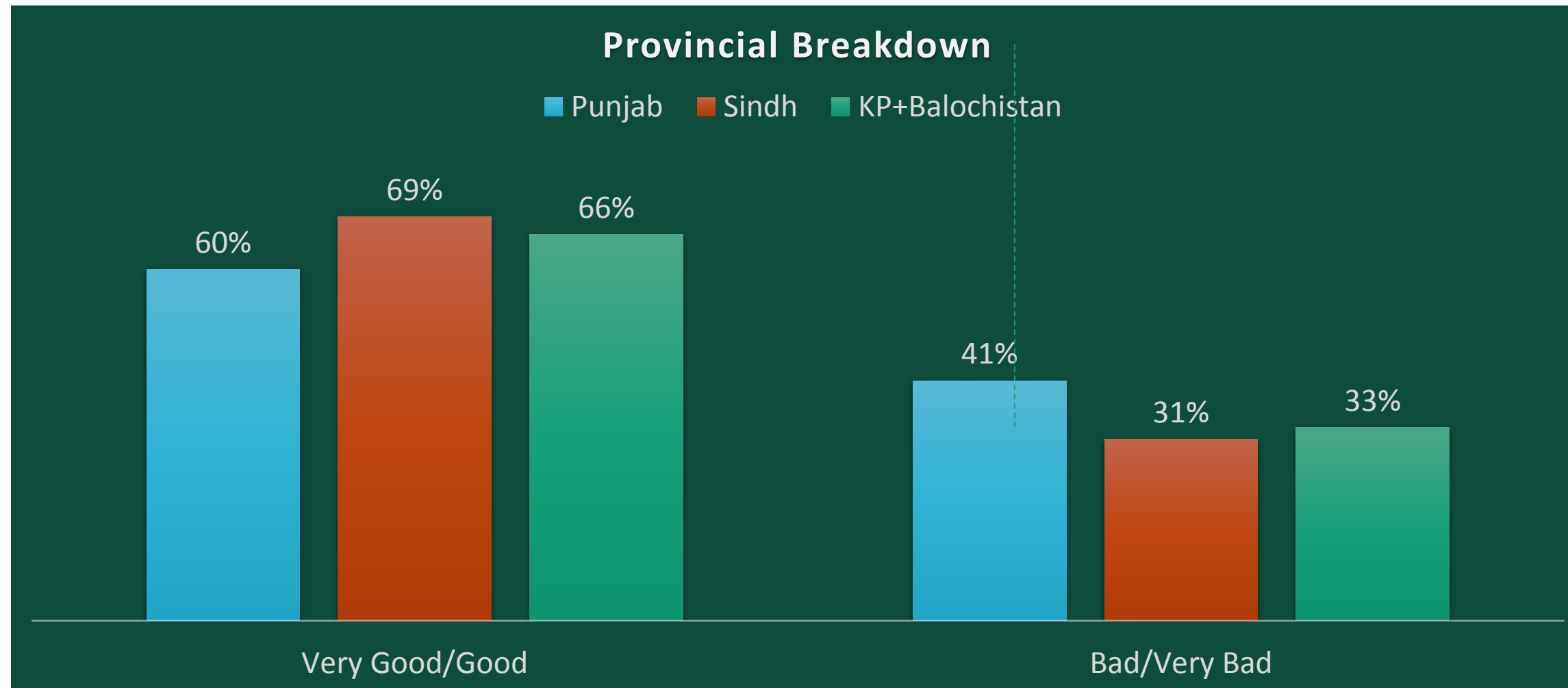


Timelines for the Business Confidence Reports

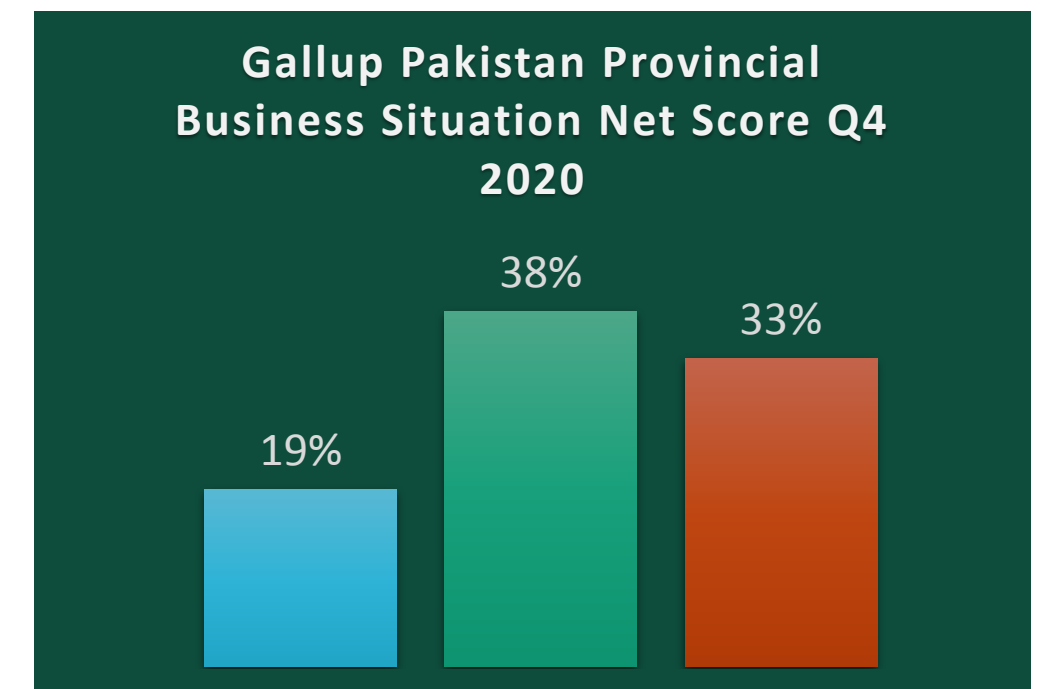
- Q1 2020 – 24th February – 3rd April 2020
- Q2 2020– 7th August – 23rd August 2020
- Q4 2020 – 29th January – 15th February 2021

69% Businesses from Sindh reported good business conditions nowadays. Net score for Sindh is highest amongst all provinces

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

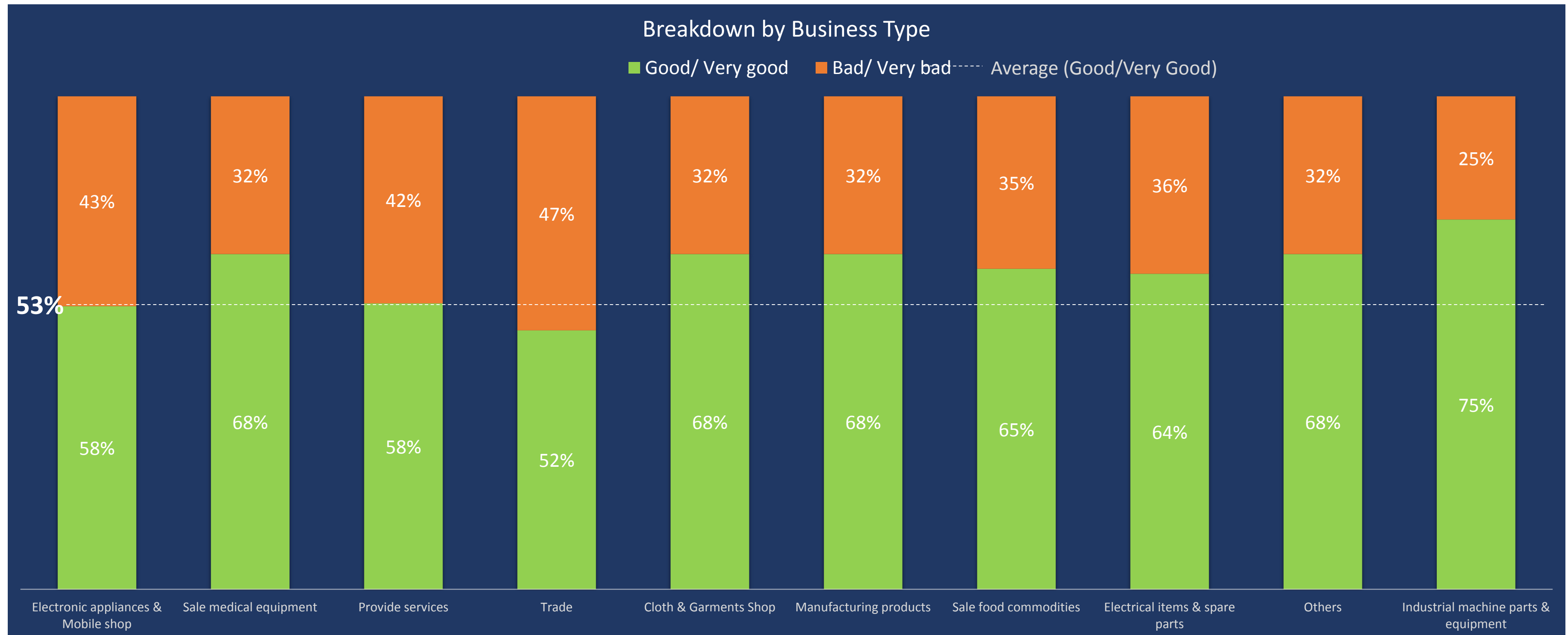


7 in 10 businesses from Punjab reported good/ very good business conditions, and central Punjab had the lowest net business condition score at +13%



Businesses related to industrial machine parts, medical equipment and manufacturing products have reported good/ very good current business conditions, while trade businesses and those in the service sector claim their businesses are not doing well

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 408 businesses in Pakistan (Report 4, Quarter 4 2020)



Gallup Pakistan Business Confidence Index Yardstick

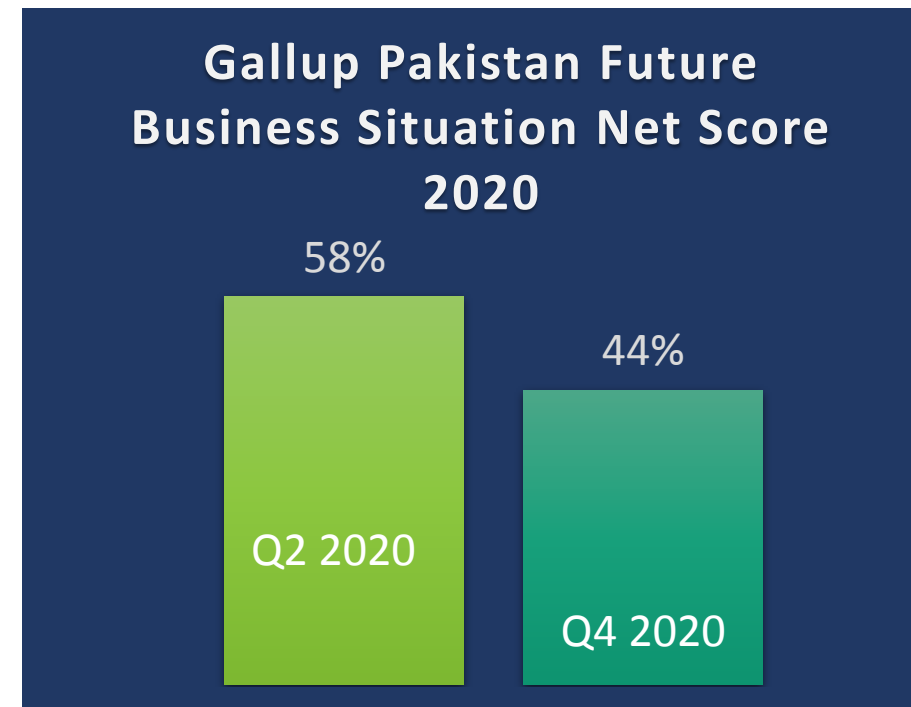
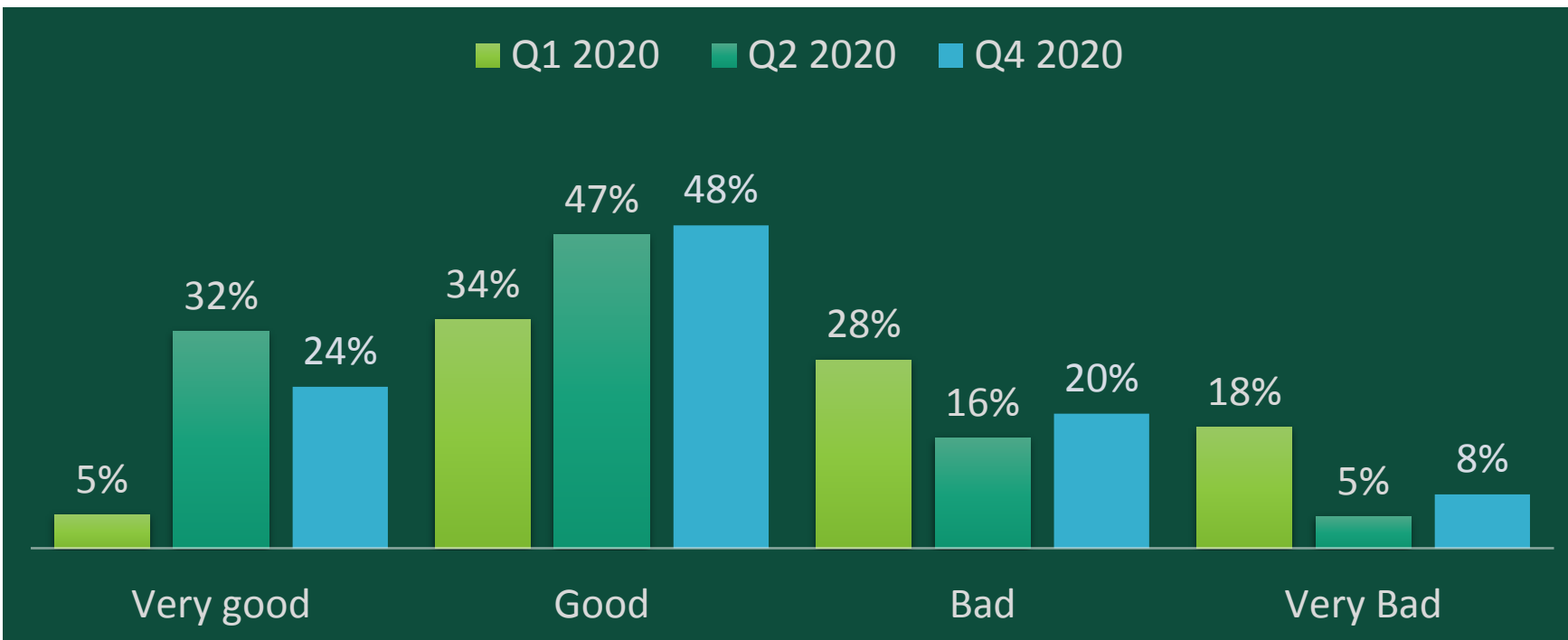
2:

Future Business Conditions Score



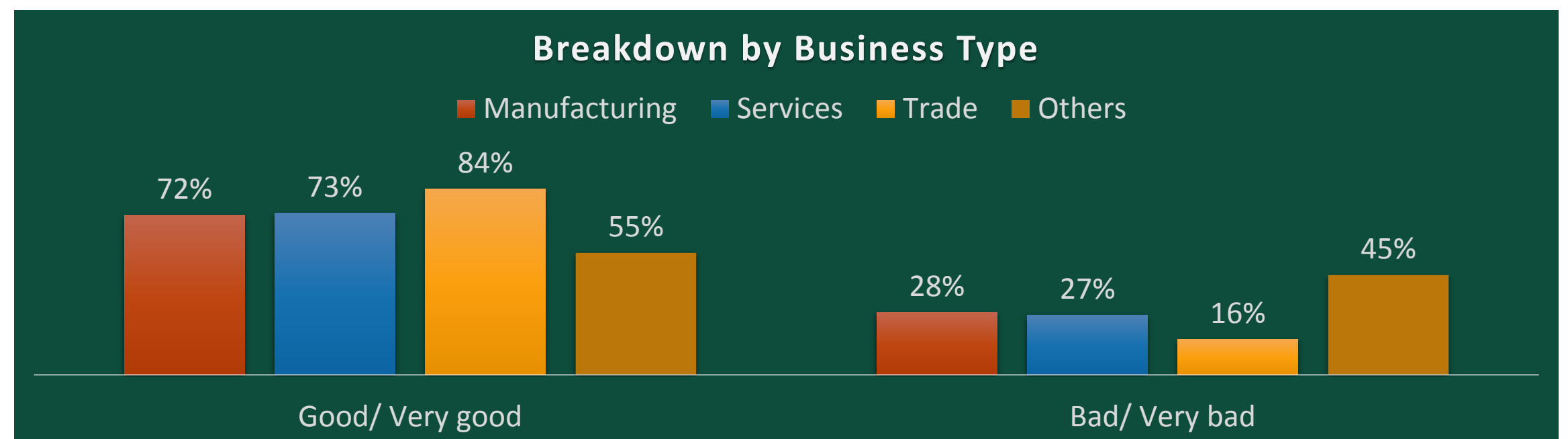
7 in 10 Businesses (72%) confident that the future will be better. However, Net Future Business Confidence score decreases by 14% (falling from 58% to 44%) since Quarter 2, 2020

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



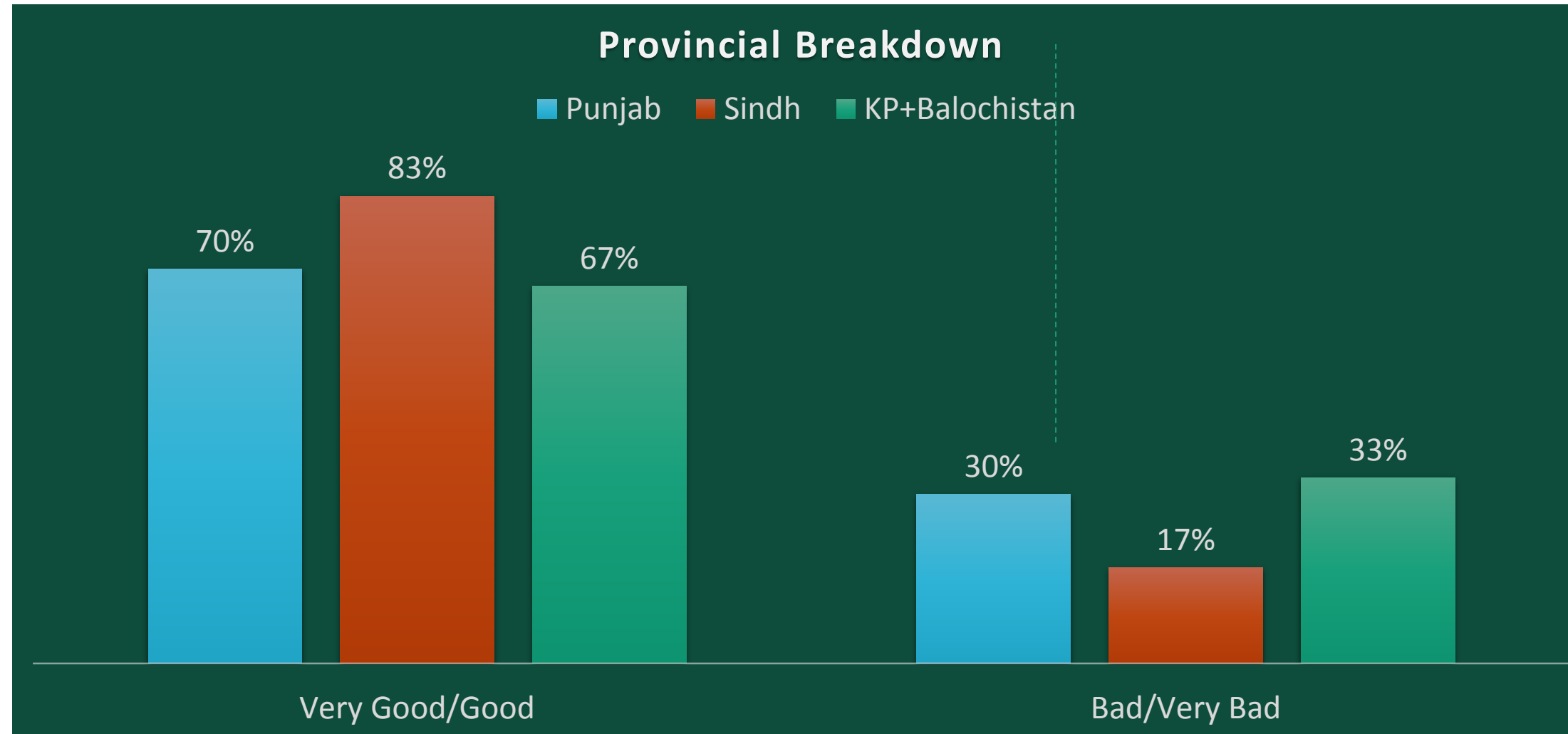
Overall Net Business Situation Score has fallen from 58% in Q2 to 44% in Q4, a 14% overall decrease

Business in trade and services sector most optimistic of future business situation.

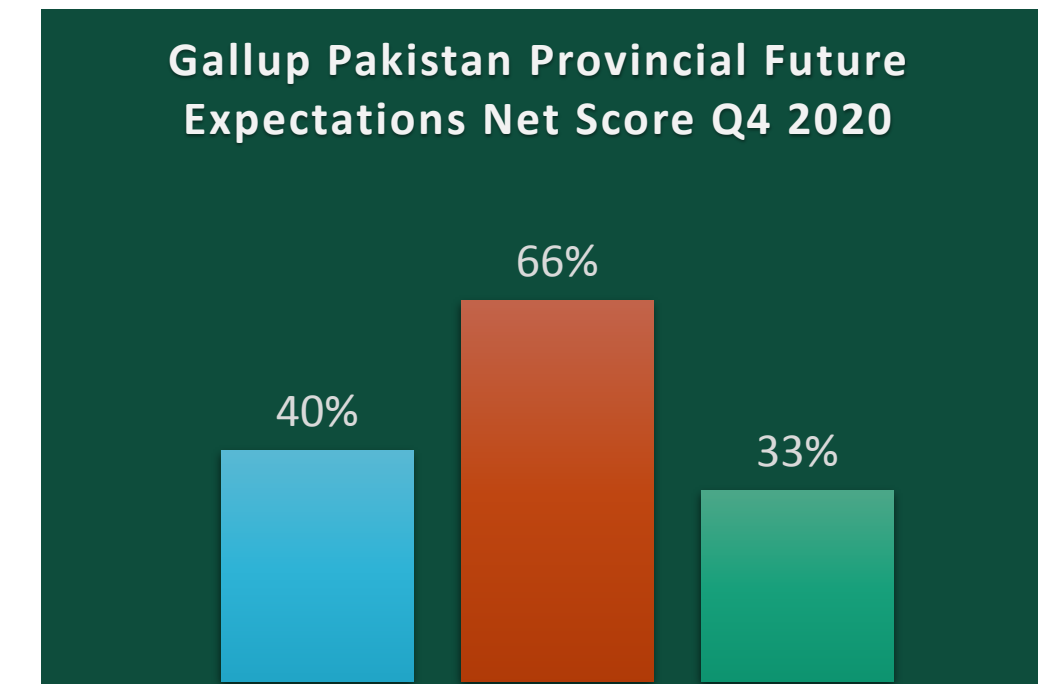


83% Businesses from Sindh are optimistic for future of their business. Businesses in KPK and Baluchistan least optimistic

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

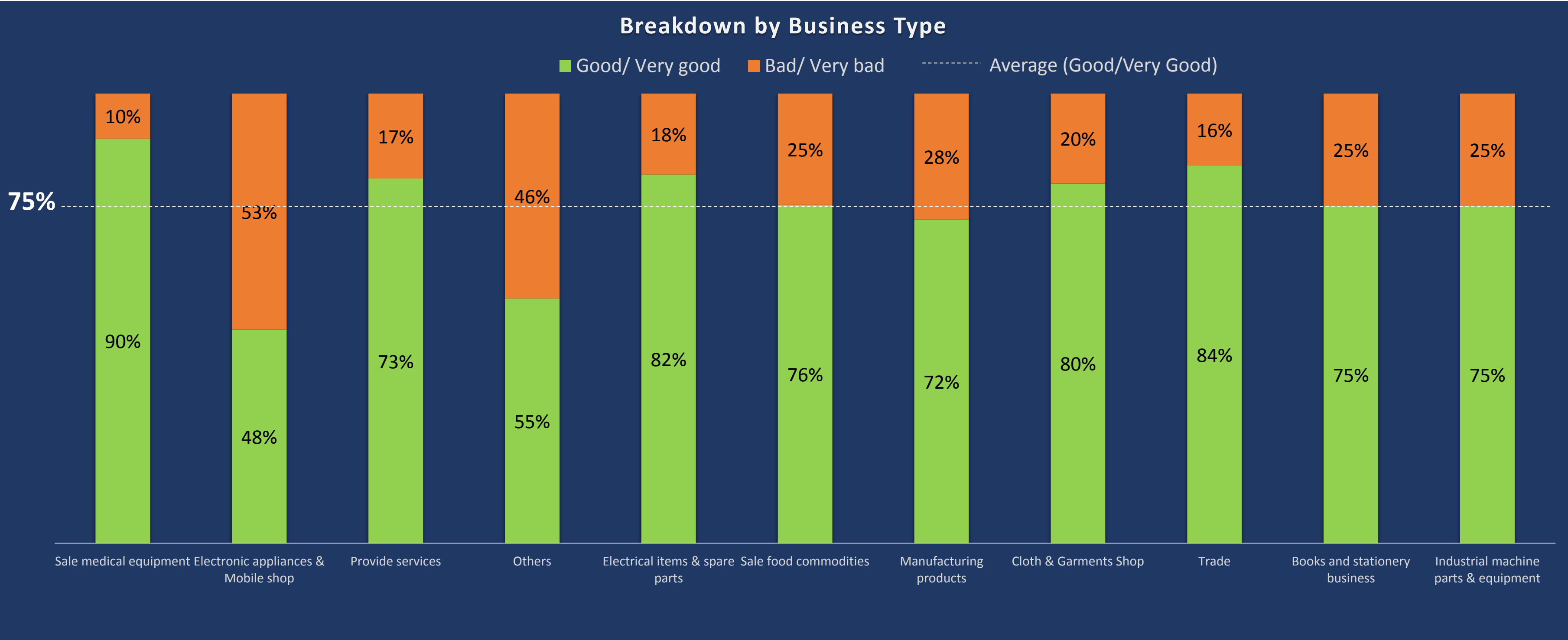


Provincial future net score highest in Sindh followed by Punjab



Businesses related to medical equipment, trade and electrical items are most optimistic of future business conditions, while businesses related to electronic appliances are 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 408 businesses in Pakistan (Report 4, Quarter 4 2020)

Gallup Pakistan Business Confidence Index Yardstick

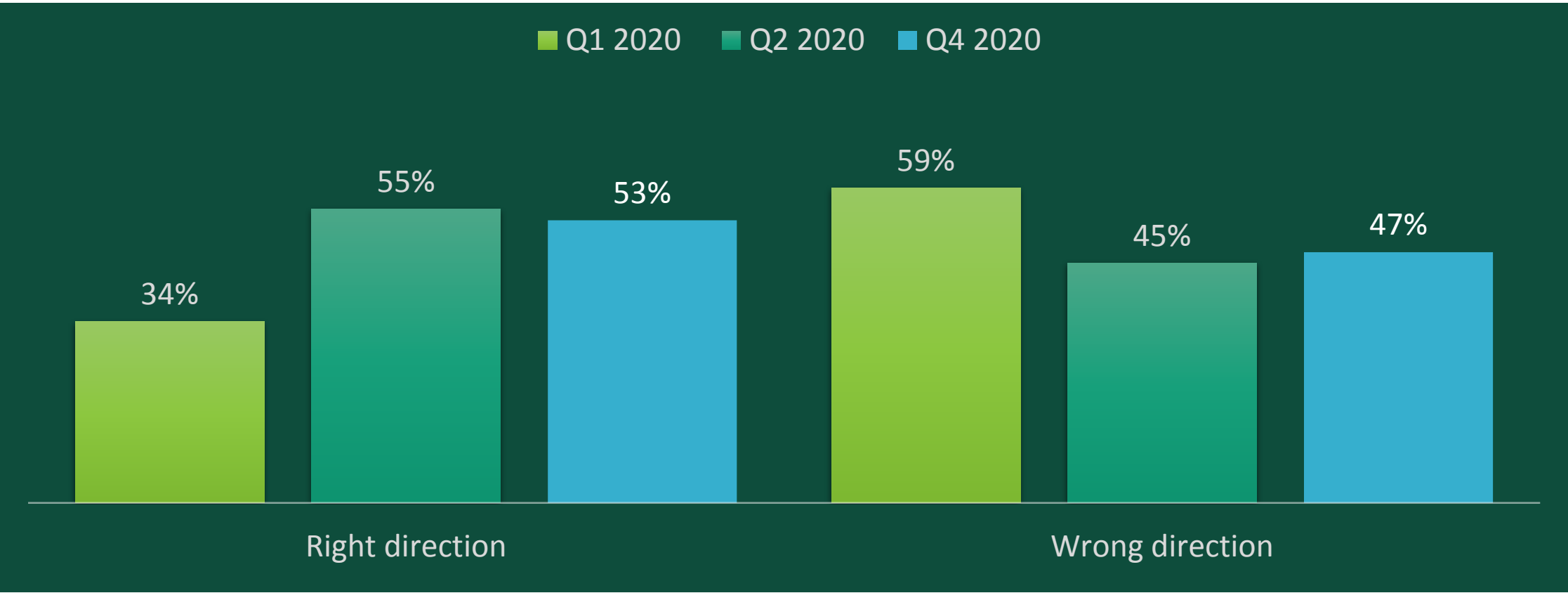
3:

Direction of the Country Score

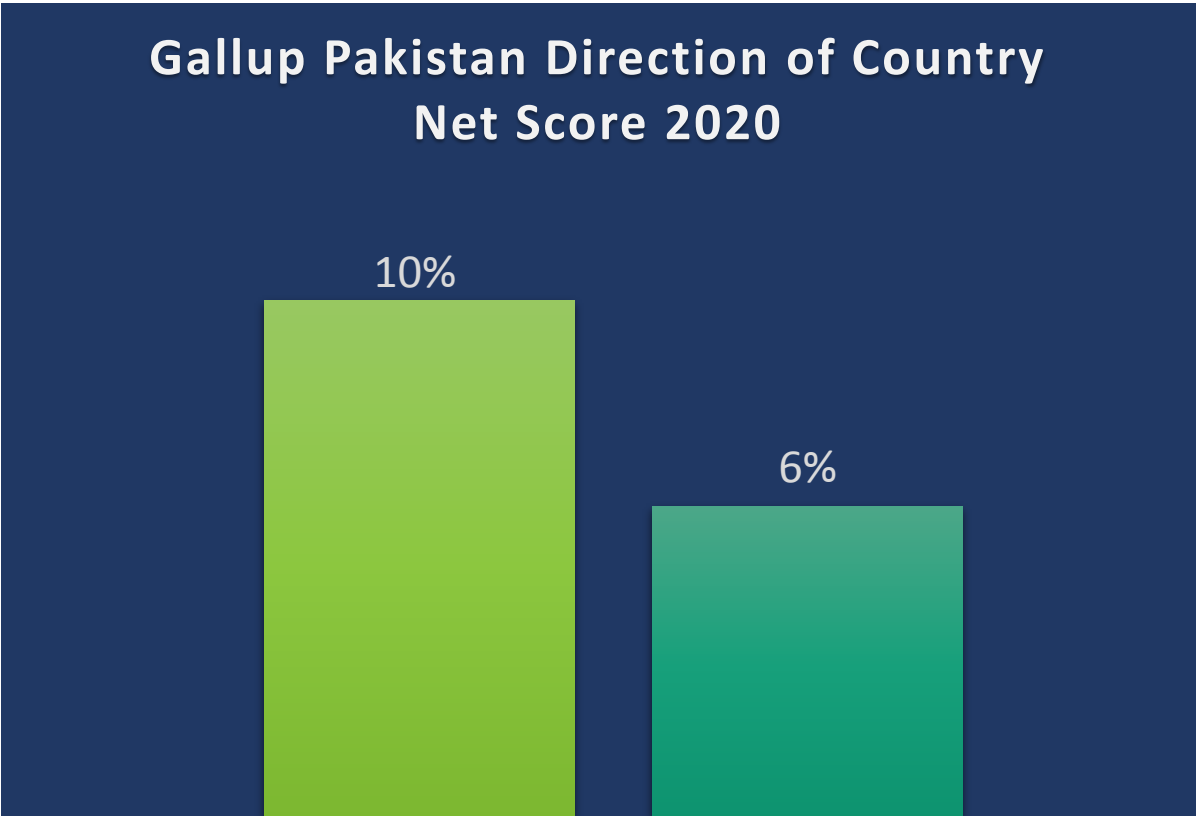


Slight decrease(2%) from Quarter 2, in the number of Businesses that opine that the country is heading in the right direction.

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

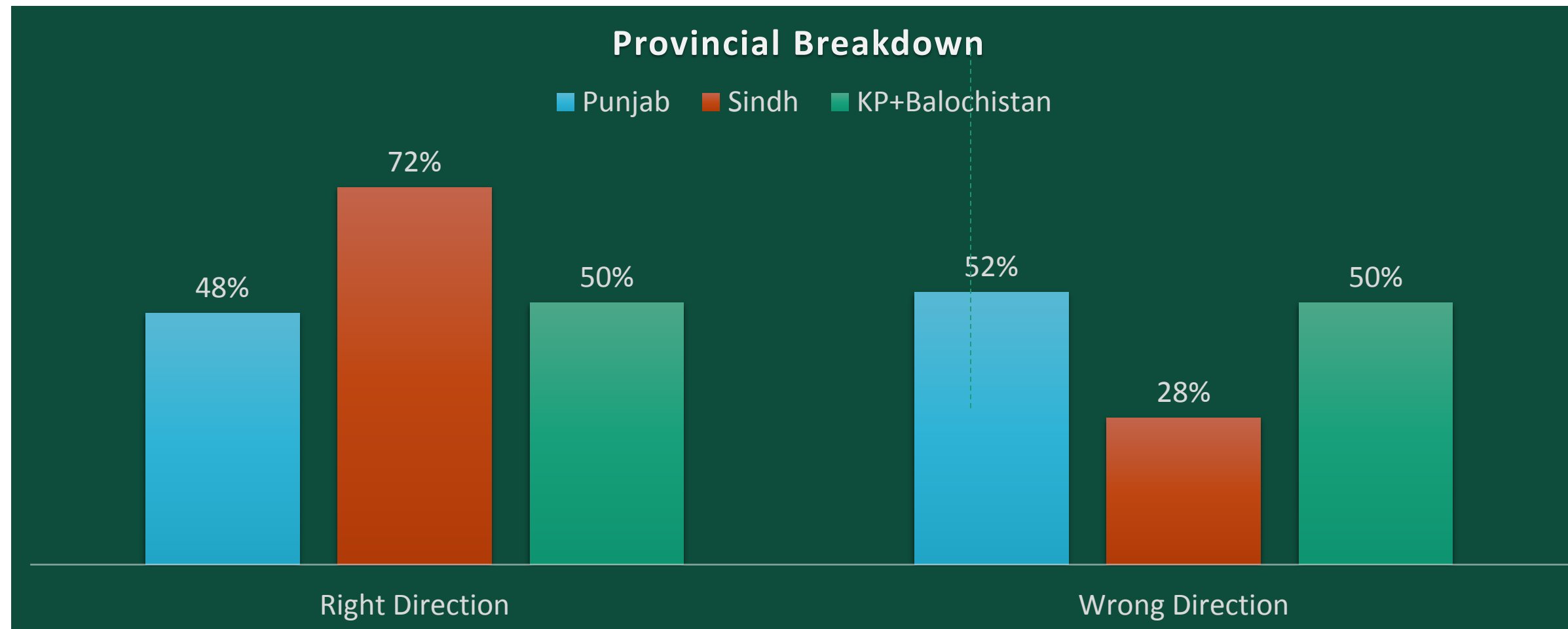


Net direction of the country score has decreased by a significant 52% since Quarter 2, 2020.

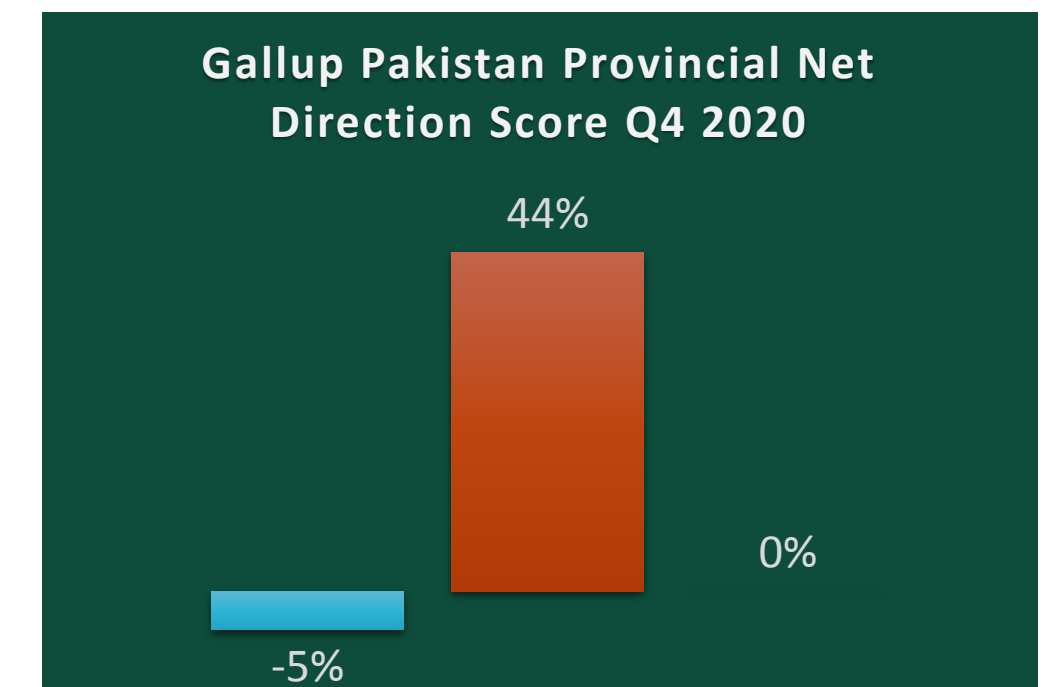


72% Businesses from Sindh believe the country is heading in the right direction. Net satisfaction highest in Sindh and lowest in Punjab

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



Net satisfaction is 44% in Sindh and -5% in Punjab



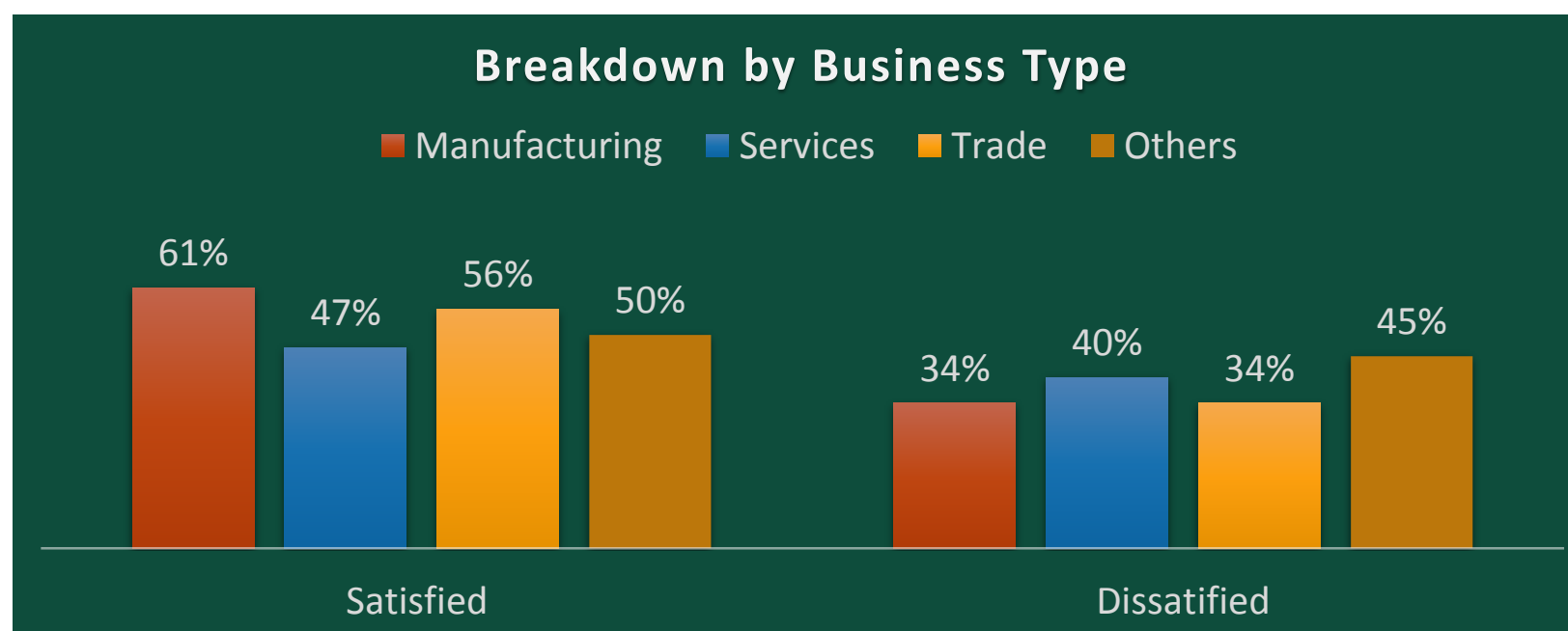
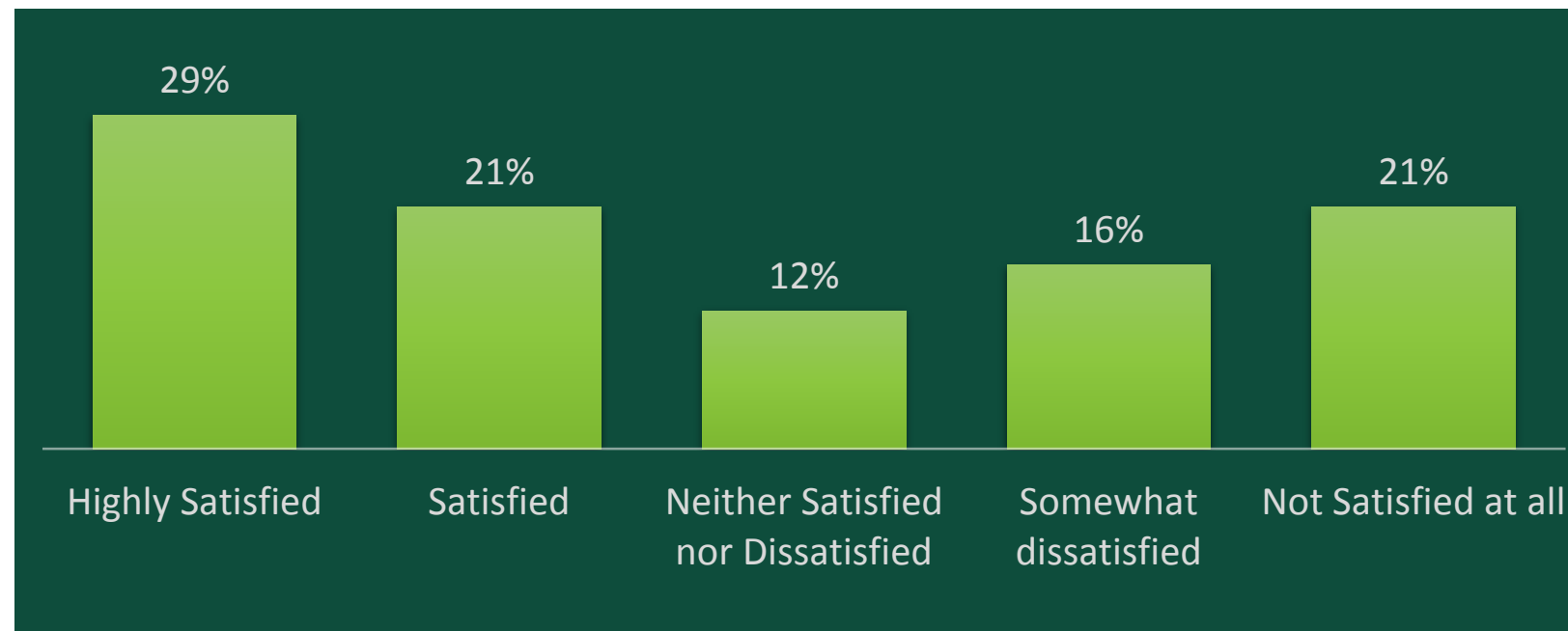
SECTION 3:

Evaluation of Government Performance on COVID-19



3 in 10 Businesses are highly satisfied with their federal government's efforts in providing relief to businesses during Covid-19. Net satisfaction for businesses is +13%

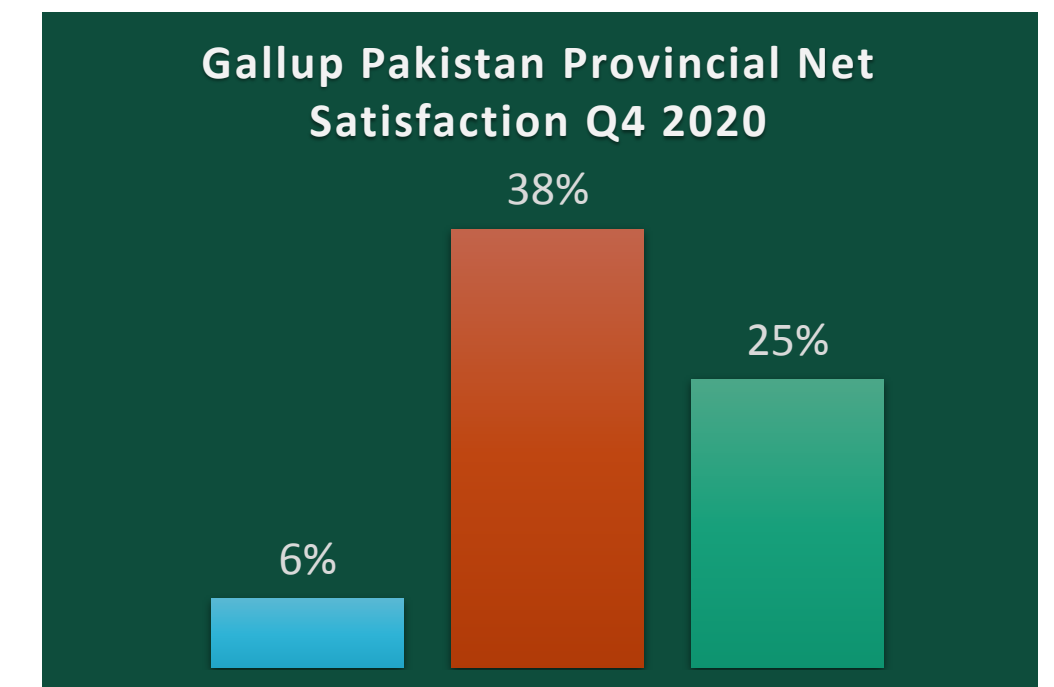
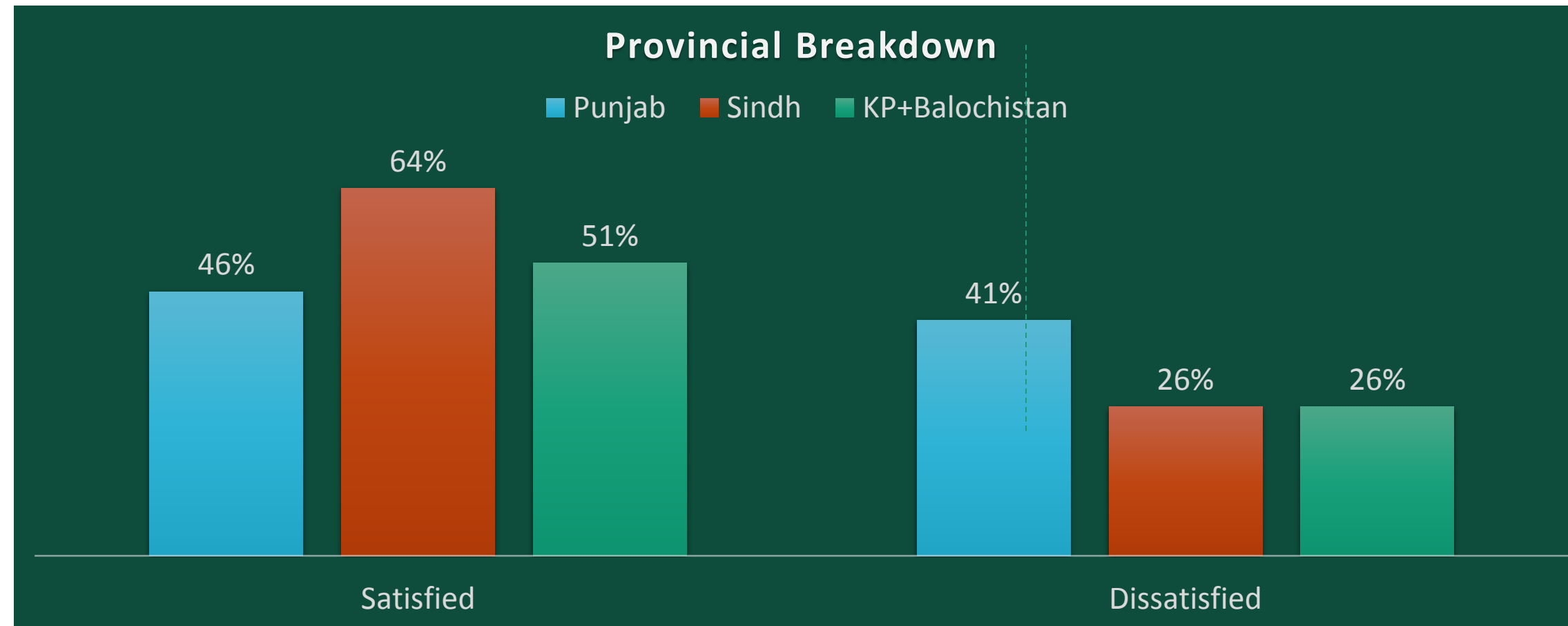
Question: How satisfied are you with your federal government's efforts in providing relief to businesses like yours during Corona?



61% manufacturing businesses reported satisfaction with their federal government's efforts to provide relief to businesses. Services sector least satisfied with federal government's efforts.

About 6 in 10 Businesses from Sindh are satisfied with the federal government's efforts. Net satisfaction remains highest in Sindh. Businesses in Punjab are least satisfied.

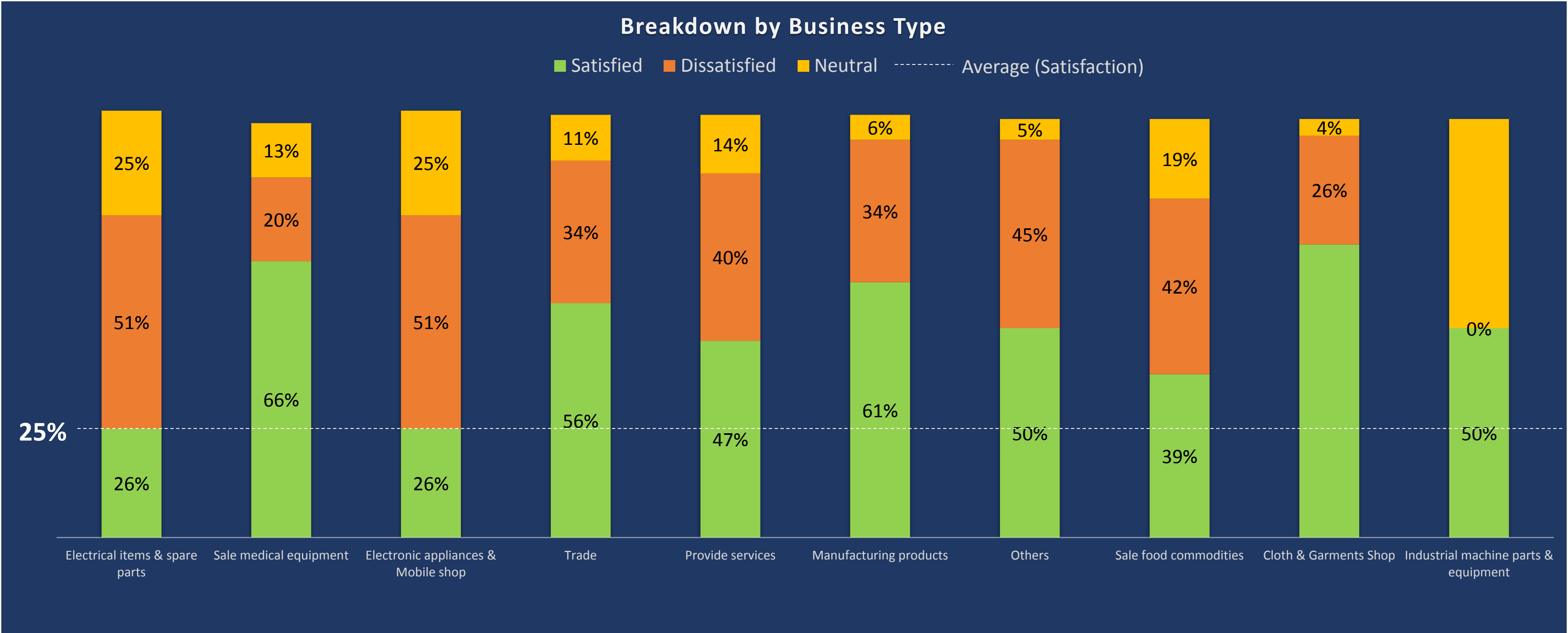
Question: How satisfied are you with your federal government's efforts in providing relief to businesses like yours during Corona?



Source: Gallup Pakistan Business Confidence Survey with N 408 businesses in Pakistan (Report 4, Quarter4 2020)

Businesses related to cloth are most satisfied with their federal governments while businesses related to electronic appliances and electrical items are most dissatisfied.

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



Source: Gallup Pakistan Business Confidence Survey with N 408 businesses in Pakistan (Report 4, Quarter 4 2020)



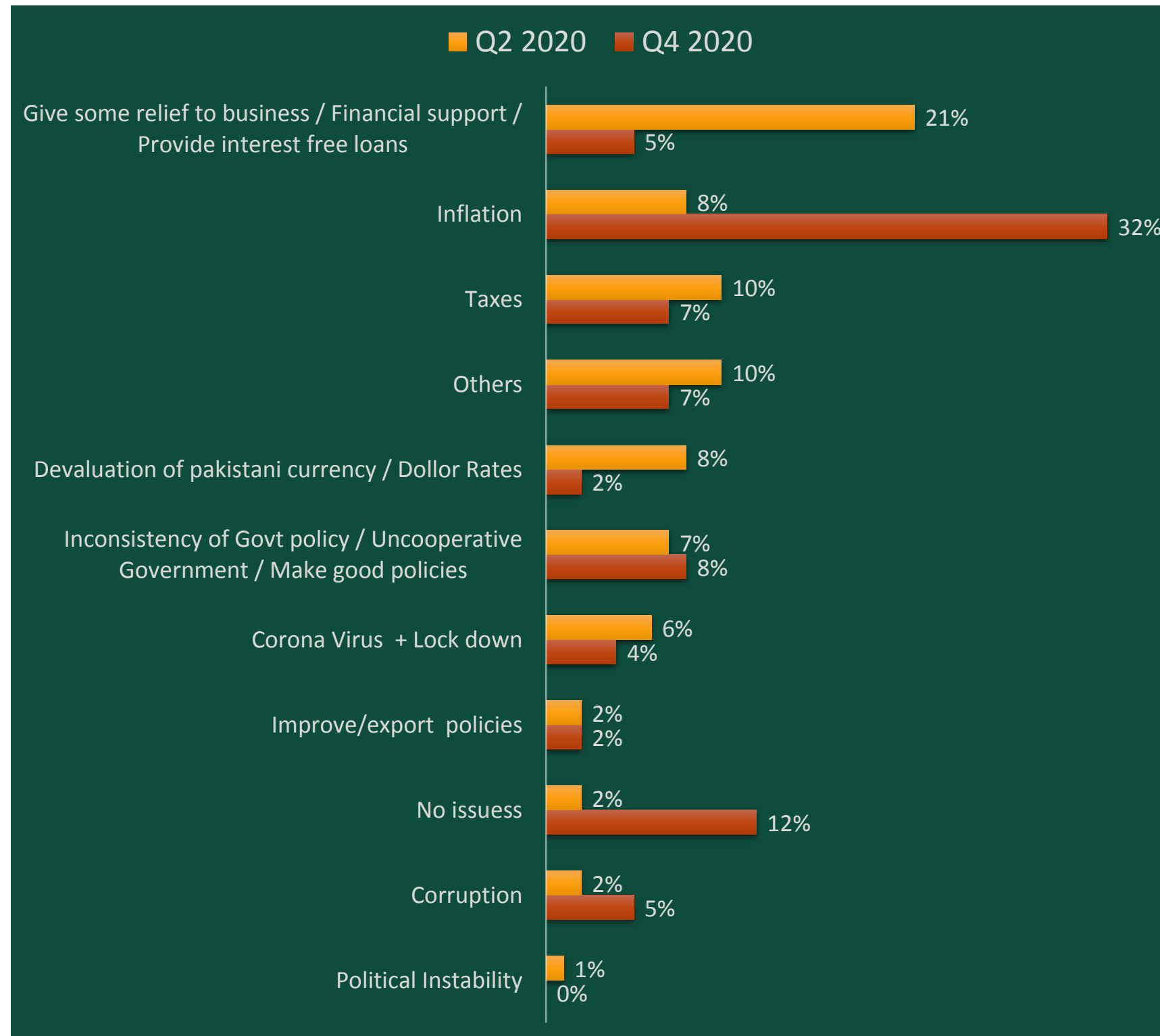
SECTION 4:

Problems Affecting Businesses in Pakistan



Increase in inflation, followed by inconsistency of Government policies are the most pressing problems businesses want government to solve in Q4 2020. 12% of businesses report no issues that need to be resolved by the government

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



In Q2 2020, lack of relief to businesses was the most popular issue businesses wanted the government to solve but in Q4 2020 businesses want the government to reduce inflation and form consistent government policies to ensure stability of businesses.

Source: Gallup Pakistan Business Confidence Survey with N 408 businesses in Pakistan (Report 4, Quarter 4 2020)



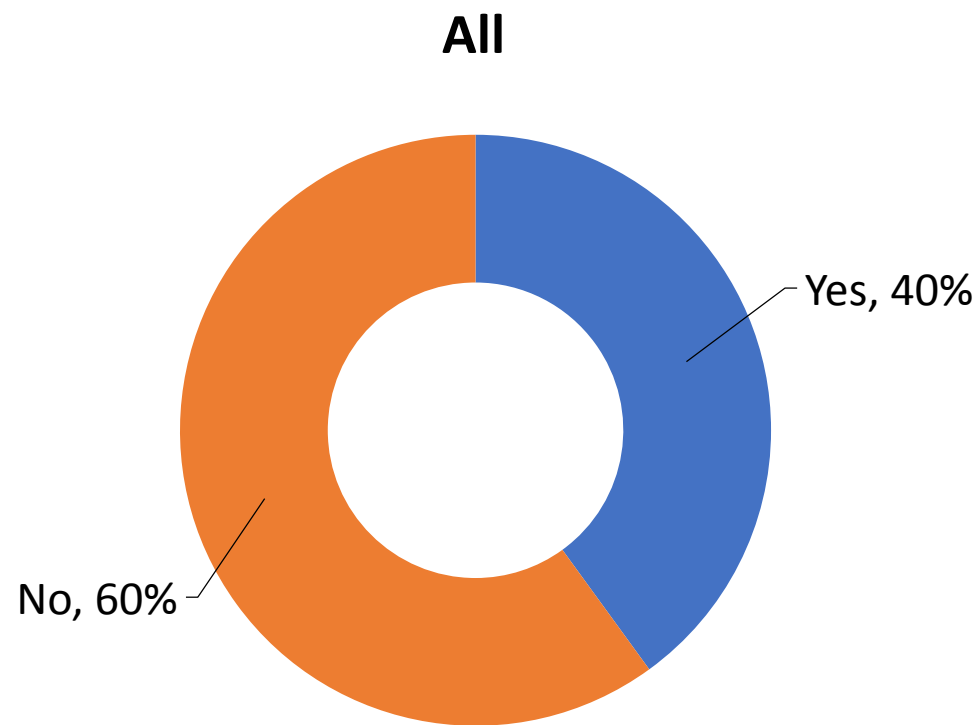
SECTION 5:

Corruption related to Government dealings

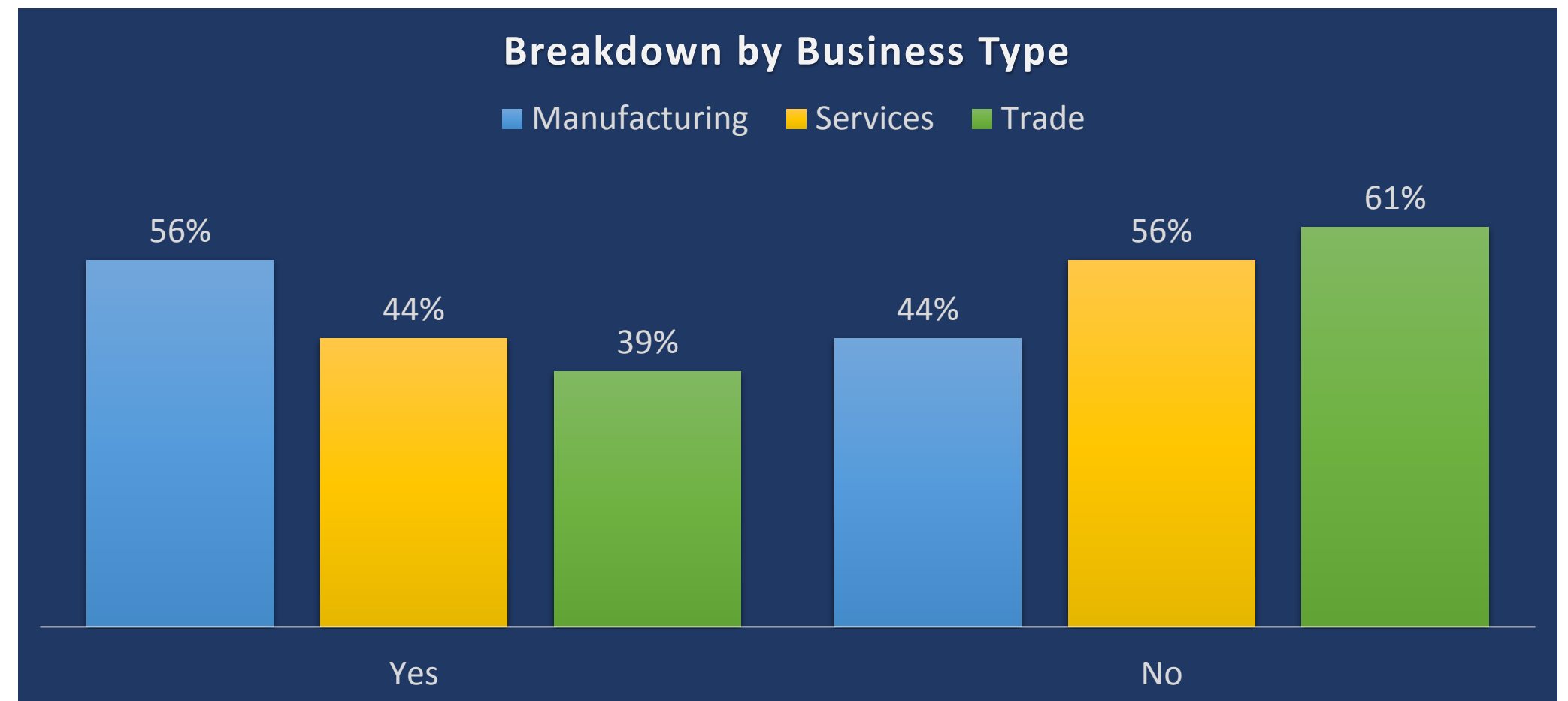


To get legitimate work done, 40% of all businesses had to pay bribe to government officials.

Question: In the past 12 months did you have the unhappy occasion of paying bribe to any Government official to get your legitimate work done?

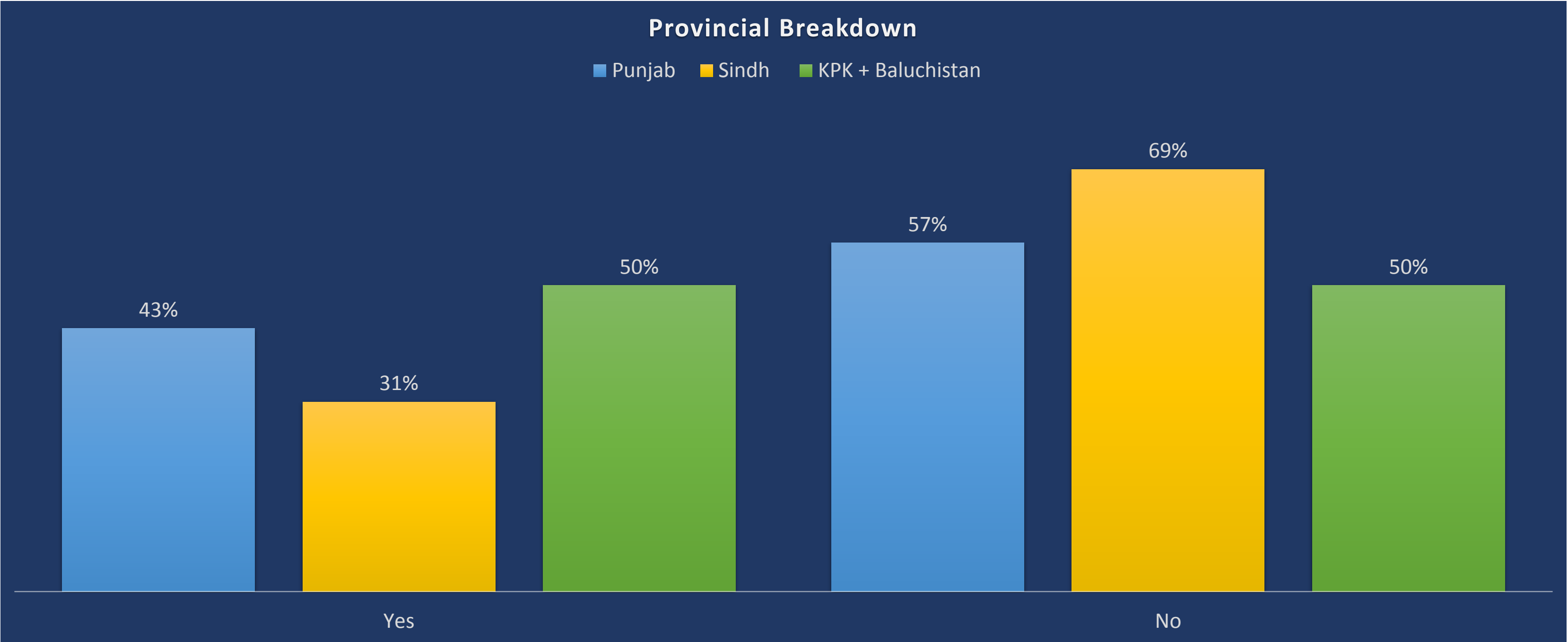


Manufacturing companies had to pay more bribe as compared to those in the trade business or service sector to get legitimate work done



Approximately 7 in 10 businesses in Sindh have not had the unhappy occasion of paying bribe to a government official to get legitimate work done.

Question: In the past 12 months did you have the unhappy occasion of paying bribe to any Government official to get your legitimate work done?



Source: Gallup Pakistan Business Confidence Survey with N 408 businesses in Pakistan (Report 4, Quarter 4 2020)



Methodology and Sample Profile

GALLUP BUSINESS CONFIDENCE INDEX IN PAKISTAN



METHODOLOGY DETAILS

Sample Size:

N= 408 businesses across Pakistan

Method of Interview:

Online Interviews and phone surveys

Field Dates:

29th January 2021- 15th February 2021

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	6%
	Services	35%
	Trade	5%
	Others	5%

Source: Gallup Pakistan Business Confidence Survey with N 408 businesses in Pakistan (Report 4, Quarter 4 2020)

FOR MORE INFORMATION PLEASE CONTACT

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