GALLUP PAKISTAN

BUSINESS CONFIDENCE INDEX (BCI)

2nd Quarter 2023 Report

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

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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 **557 BUSINESSES** across Pakistan from 22nd August to 25th August 2023 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 10th report of the recently launched Gallup Pakistan Business Confidence Index

*Business Confidence Survey in Pakistan is produced also by State Bank of Pakistan in collaboration with IBA, Karachi. The reports are available at State Bank of Pakistan (sbp.org.pk). The Gallup Pakistan Business Confidence Survey covers a broader range of the business community, including registered and non-registered businesses, and small , medium, and large enterprises. The SBP survey covers SECP registered businesses (there are approximately 6 million businesses in Pakistan and only 100,000 are registered with the SECP) and prioritizes large businesses from among them. Hence, the results between Gallup Pakistan and SBP surveys might not necessarily match.

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GALLUP PAKISTAN BUSINESS CONFIDENCE SURVEYS OVER TIME

QUARTER	TIMELINE	LINK
Q1 2020	January-February-March	Q1 2020 (CLICK HERE)
Q2 2020	April-May-June	Q2 2020 (CLICK HERE)
Q3 2020	July-August-September	Survey not conducted
Q4 2020	October-November-December	Q4 2020 (CLICK HERE)
Q1 2021	January-February-March	Survey not conducted
Q2 2021	April-May-June	Q2 2021 (CLICK HERE)
Q3 2021	July-August-September	Survey not conducted
Q4 2021	October-November-December	Q4 2021 (CLICK HERE)
Q1 2022	January-February-March	Q1 2022 (CLICK HERE)
Q2 2022	April-May-June	Survey not conducted
Q3 2022	July-August-September	Survey not conducted
Q4 2022	October-November-December	Q4 2022 (CLICK HERE)
Q1 2023	January-February-March	Q1 2023 (CLICK HERE)
Q2 2023	April-May-June	RELEASED NOW

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WHAT IS COVERED IN THE REPORT

1. Business Confidence Index

Gallup Pakistan Business Confidence Index is composed of <u>three strands</u>

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

2. Problems faced by Businesses in Pakistan (with special questions covering impact on business revenues & downsizing)

- High Inflation
- High utility bills
- Dollar devaluation

Apart from the usual topics covered in the Business Confidence Report, this quarter Gallup Pakistan is also looking at business community's confidence in governance

3 KEY FINDINGS – Q2 2023 REPORT

KEY FINDING 1: All 3 strands of the Gallup Pakistan Business Confidence Index (BCI) are in **Red territory,** pointing towards the reality that more businesses lack confidence in the business environment than those who have it. Business confidence, which was at a record low in Gallup Pakistan's history last quarter, has improved marginally this quarter but remains negative overall

KEY FINDING 2: Same as last quarter, the Current Business Situation Score indicates **Negative Confidence**, Future Business Situation Score indicates **Poor Confidence**, and Direction of the Country Score indicates **Deep Negative Confidence**. The trend lines for each indicator are declining on average but have become flatter due to incremental improvements in the second quarter

KEY FINDING 3: The BCI has seen a drastic drop over the last couple of years. The political and economic crises of 2022-23 exacerbated the initial negative effect of the covid-19 crisis and contributed to keeping business confidence deeply in the red

Strand 1: Current Business Situation Score

- Q1 2023: -32%
- Q2 2023: -26%

Strand 2: Future Business Situation Score

- Q1 2023: -22%
- Q2 2023: -20%

Strand 3: Direction of the Country Score

- Q1 2023: -79%
- Q2 2023: -77%

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

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Gallup Pakistan Business Confidence Assessment (trend over previous quarters)

Gallup Pakistan Business Confidence Index	Q4 2021 Score	Q1 2022 Score	Q4 2022 Score	Q1 2023 Score	Q2 2023 Score	Assessment
Strand 1 Current Business Situation Score	+8%	32%	-31%	-32%	-26%	Negative Confidence
Strand 2 Future Business Situation Score	+22%	40%	-10%	-22%	-20%	Poor Confidence
Strand 3 Direction of the Country Score	-18%	-12%	-75%	-79%	-77%	Deep Negative 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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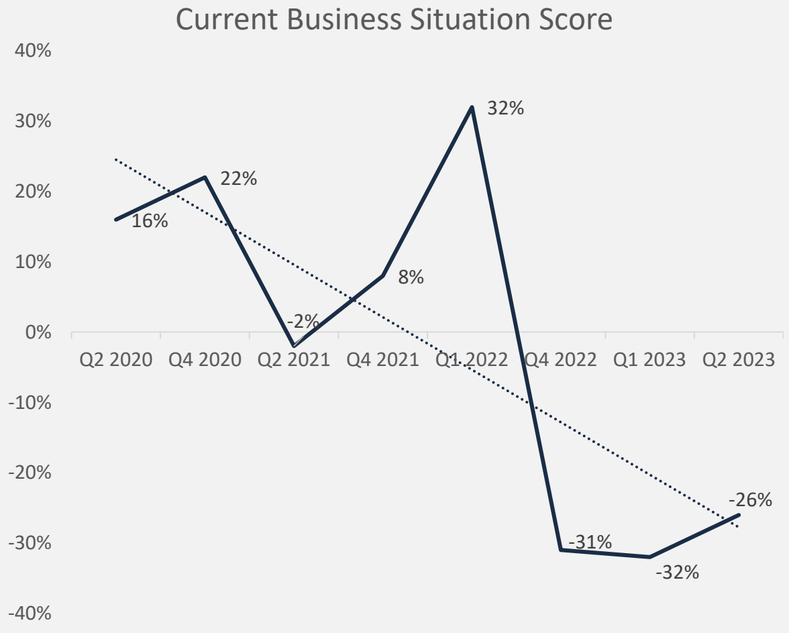
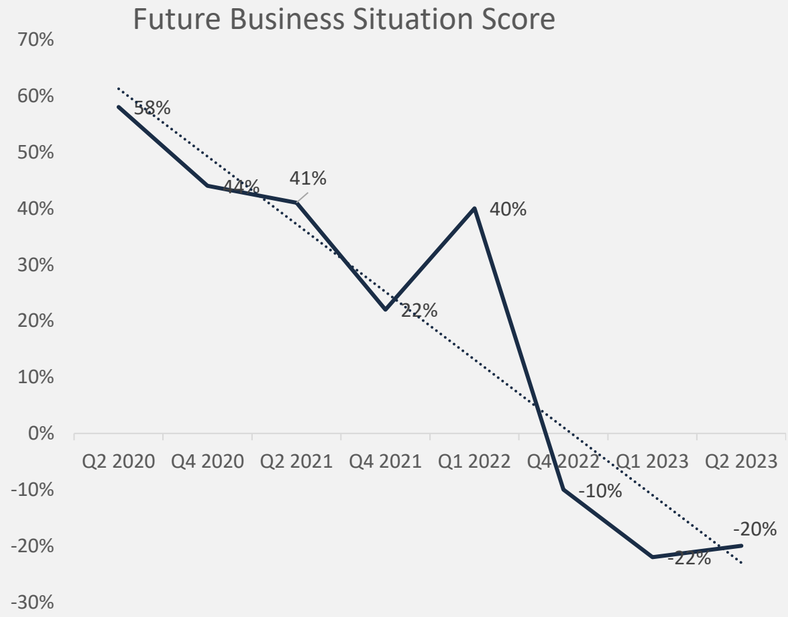
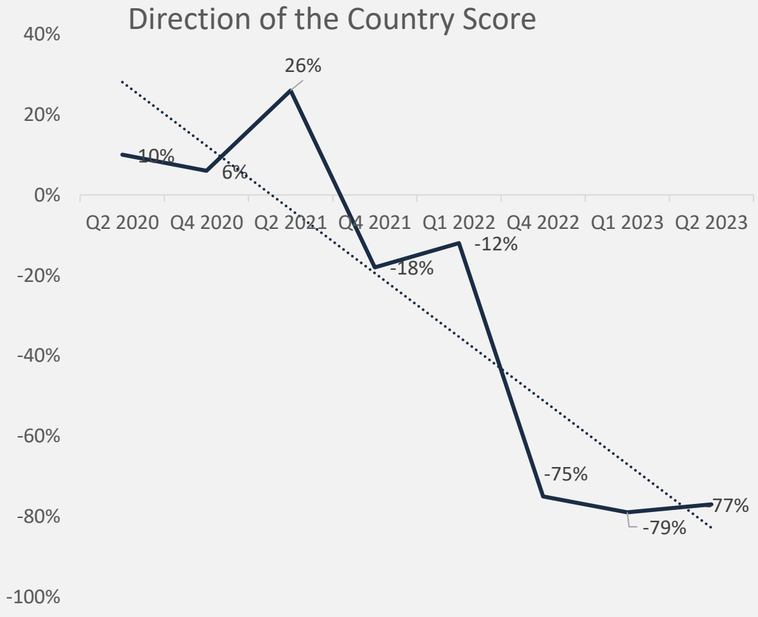
THREE STRANDS OF Gallup Pakistan Business Confidence Index Assessment – 2020-23 SNAPSHOT







ALL THREE STRANDS OF GALLUP PAKISTAN BCI EXHIBIT AN NEGATIVE TREND ON AVERAGE BETWEEN 2020 AND 2023. ALL SCORES SHOW MARGINAL

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Finding 1: 63% of businesses in the past quarter perceive themselves to be facing bad or worse conditions – a 3% decrease from last year. Slight improvement is observed in the Gallup Pakistan Business Situation Net score in Q2 2023 as net score increases by 6%. Electronic/electrical item suppliers, fertilizer and pesticide businesses, home goods, sports goods, and construction businesses are those from among whom half or more reported their business as doing well. Cosmetics, clothes and garments, and industrial equipment businesses are among those most pessimistic about the current state

Finding 2: This quarter, 4% more businesses than in the previous quarter think that their business will be very bad in the future; 60% in Q2 2023 said expectations for the future are negative, while 40% expect things to improve at all. The Net Future Business Confidence score has improved by 2%, indicating that future expectations are less negative than in the last quarter. Around half or more of electronic/electrical items suppliers, cosmetics businesses, and home décor shops were optimistic about the future. Garment businesses and industrial equipment suppliers had largely pessimistic expectations. Despite not doing well currently, flower shop owners were hopeful for the future

Finding 3: 1% more businesses in quarter 2 of 2023, as compared to the previous quarter think that the country is heading in the right directions. The overall trend for the past few quarters is consistently negative, however. Net Direction of Country score improves by 2% but remains negative

EXECUTIVE SUMMARY

Finding 4: In the aftermath of the second quarter of 2023, the majority (83%) of businesses surveyed this wave expressed hopelessness in the new caretaker government's ability to solve the business community's problems. Of these, over half (57%) express significantly high lack of confidence

Finding 5: Similar to Q1 2023, inflation is the most cited problem in this quarter that 4 in 10 businesses would like the government to solve. Unlike last quarter, less businesses now care about devaluing currency; a more immediate concern is the control of electricity bills, with 18% businesses citing this issue (15% more than last quarter)

Finding 6: Half (51%) of businesses surveyed said that they implemented layoffs in the last quarter, an increase of 13% from the previous quarter. More service-providing businesses than product manufacturers increased their workforce

Finding 7: 50% of businesses surveyed said that they raised average output prices in the past quarter. Of these, 45% raised those prices between 1% and 40%

EXECUTIVE SUMMARY

Finding 8: 69% of businesses surveyed said ‘yes’ to loadshedding in the past quarter, which is 25% more than the previous quarter. 75% of product manufacturers reported load shedding. Of those businesses that said yes to loadshedding, around half (51%) in the past quarter report facing 3 hours or less of loadshedding every day. A similar proportion of businesses (53%) reported loadshedding for the same number of hours in the last quarter

Finding 9: Over half (65%) of businesses surveyed for this wave reported that they were not part of any business association, chamber of commerce, or other smaller committee, etc.

SECTION 1:

Gallup Pakistan Business Confidence Index

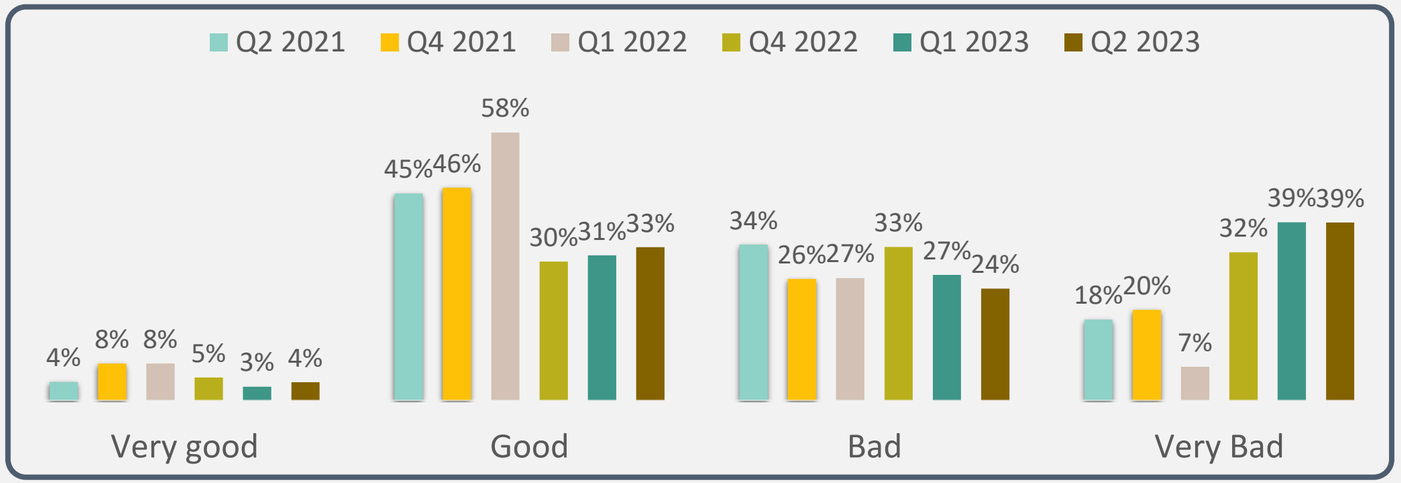
Gallup Pakistan

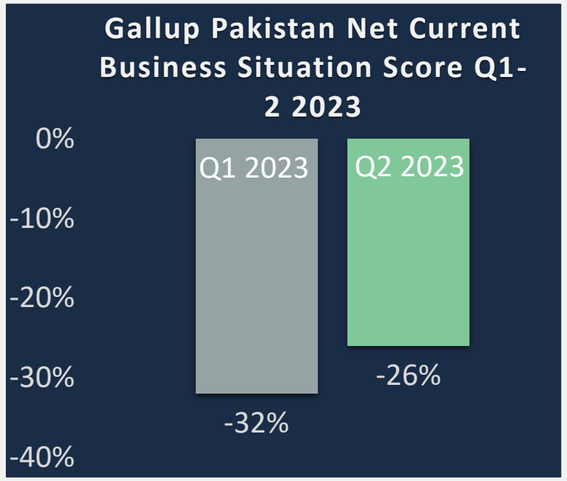
Business Confidence Index Yardstick 1:

Current Business Conditions Score

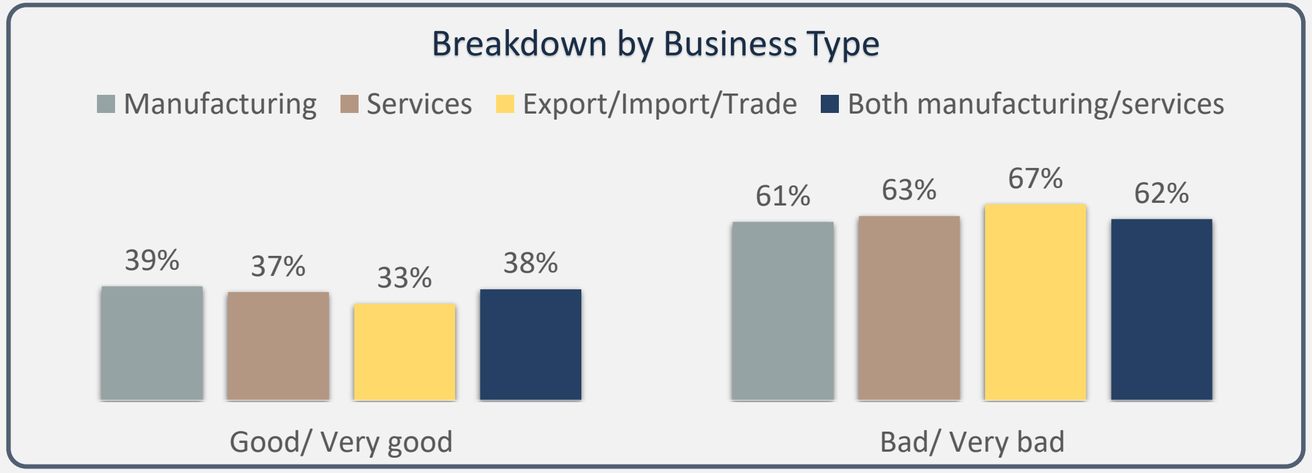
63% of businesses in the past quarter perceive themselves to be facing bad or worse conditions – a 3% decrease from last year. Slight improvement is observed in Gallup Pakistan Business Situation Net score in Q2 2023 as net score increases 6%

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





Since Q1 2023, the current business assessment improved by a few percentage points, with a 6% increase in the net proportion of people claiming their business situation to be good.



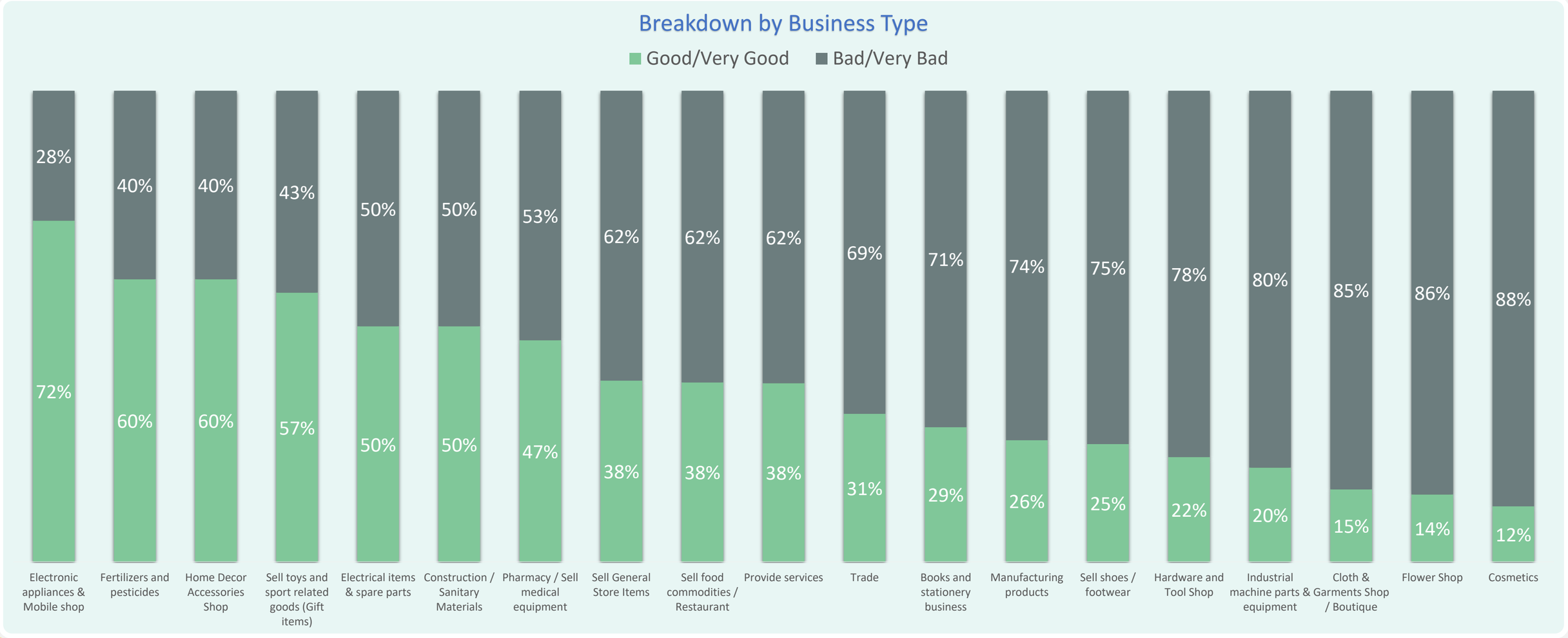
Disclaimer: sample of businesses that export/import goods was very small and therefore results must be interpreted with caution

65% of service businesses and 69% of manufacturing businesses reported their current business conditions to be doing badly.

Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

Electronic/electrical item suppliers, fertilizer and pesticide businesses, home goods, sports goods, and construction businesses are those from among whom half or more reported their business doing well. Cosmetics, clothes and garments, and industrial equipment businesses are among the most pessimistic about the current state

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 557 businesses in Pakistan (Report 10, Quarter 2 2023)

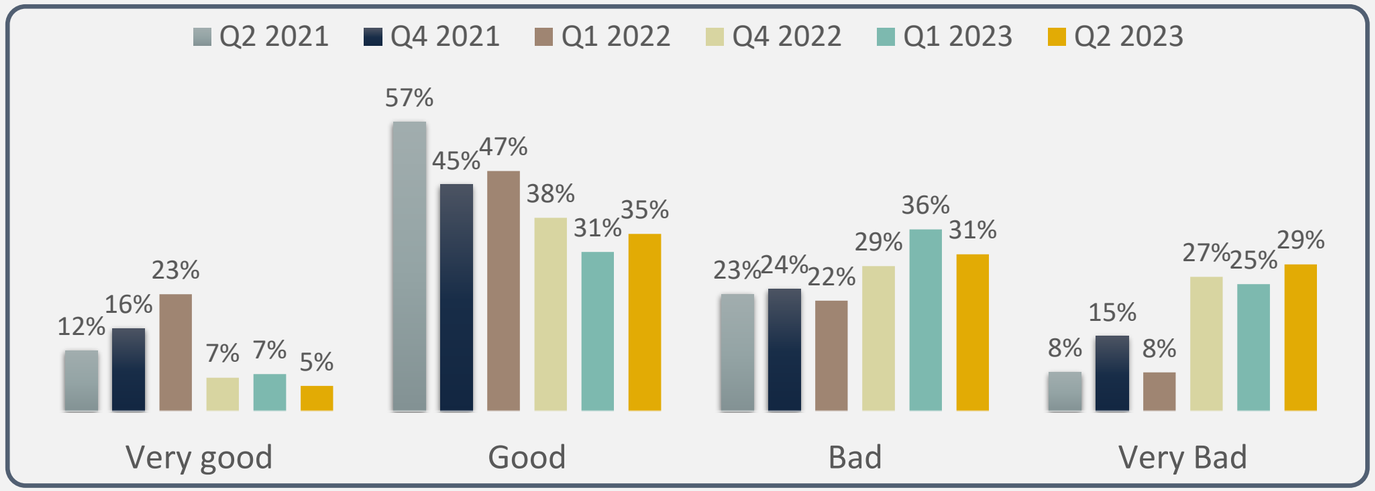
Gallup Pakistan

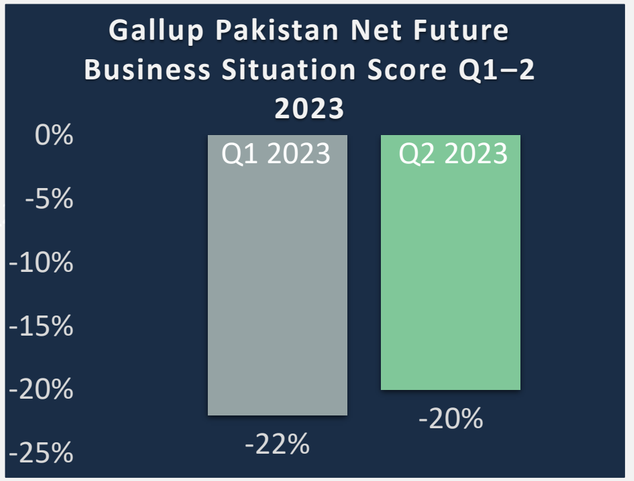
Business Confidence Index Yardstick 2:

Future Business Conditions Score

This quarter, 4% more businesses than in the previous quarter think that their business will be very bad in the future; 60% in Q2 2023 said expectations for the future are negative, while 40% expect things to improve at all. The Net Future Business Confidence score has improved by 2%, indicating that future expectations are less negative than last quarter

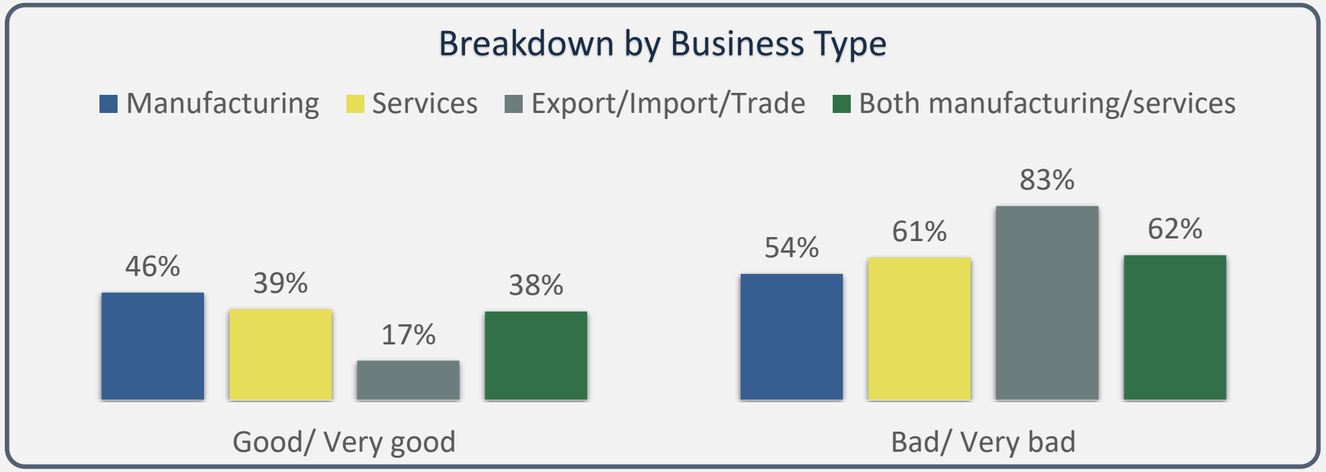
Question: What are your expectations for the future of your business compared to the past?





Overall, Net Future Business Situation Score has improved by 2% since the previous quarter

Pessimistic outlook for future business prospects dominates the landscape, regardless of the type of business.



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Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

Around half or more of electronic/electrical items suppliers, cosmetics businesses, and home décor shops were optimistic about the future. Garment businesses and industrial equipment suppliers had largely pessimistic expectations. Despite not doing well currently, flower shop owners were hopeful for the future

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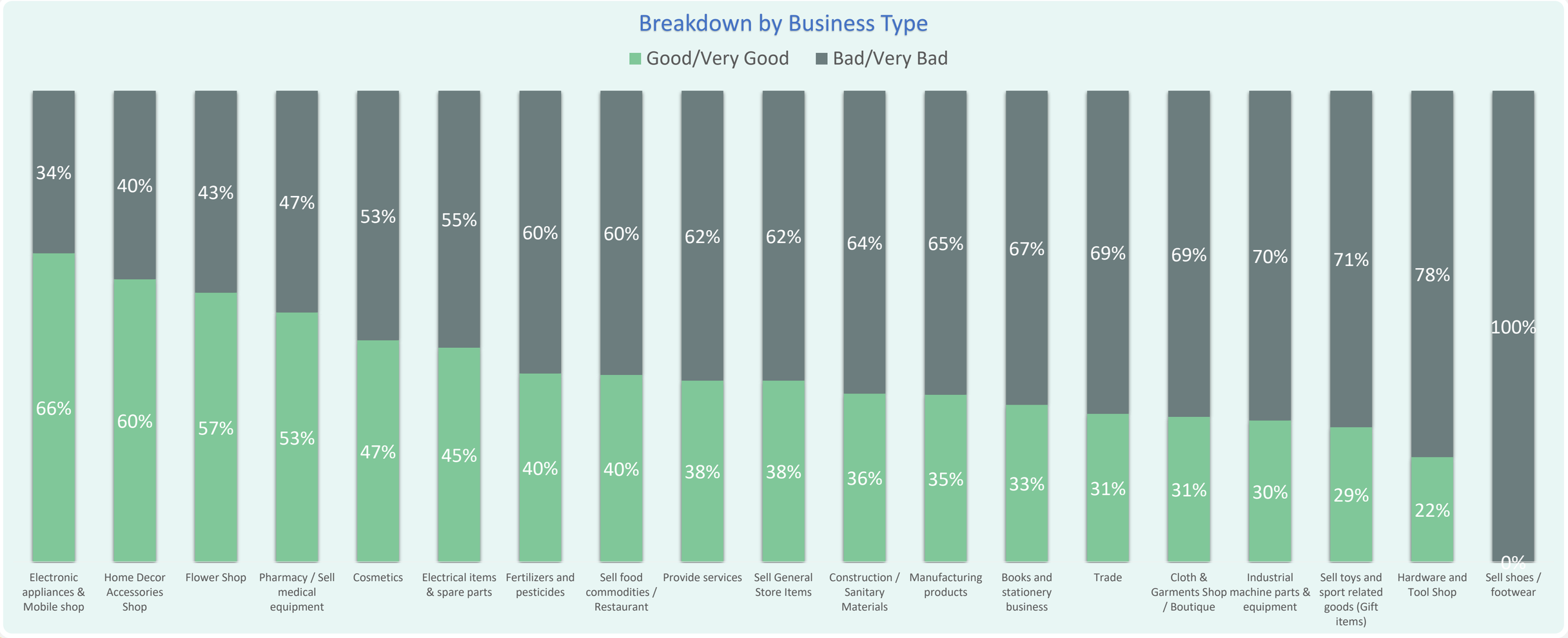


Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

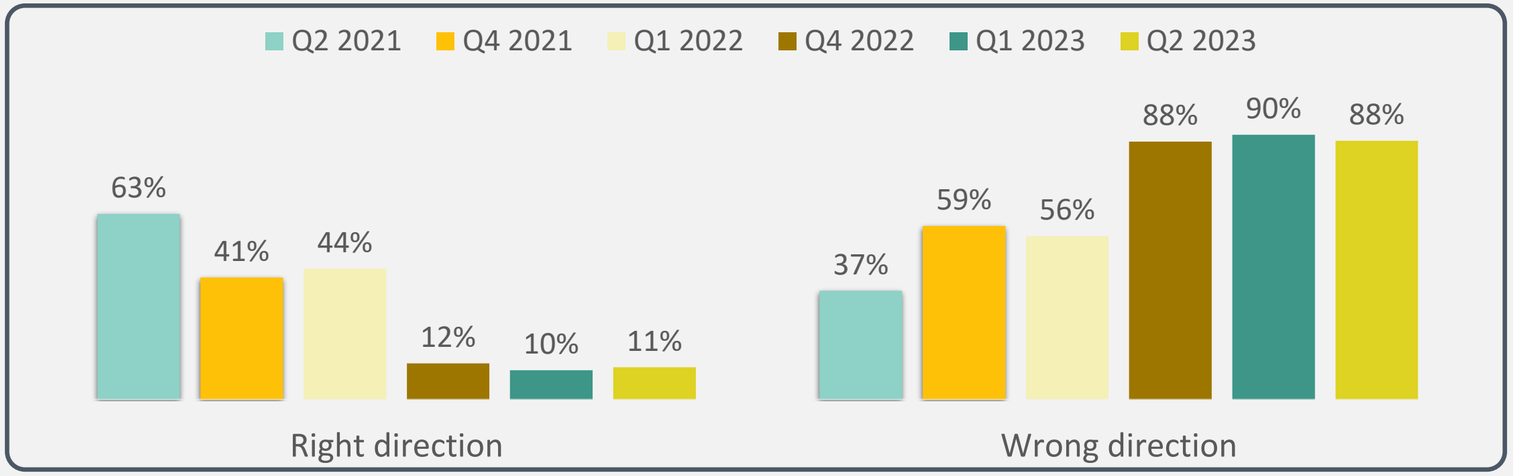
Gallup Pakistan

Business Confidence Index Yardstick 3:

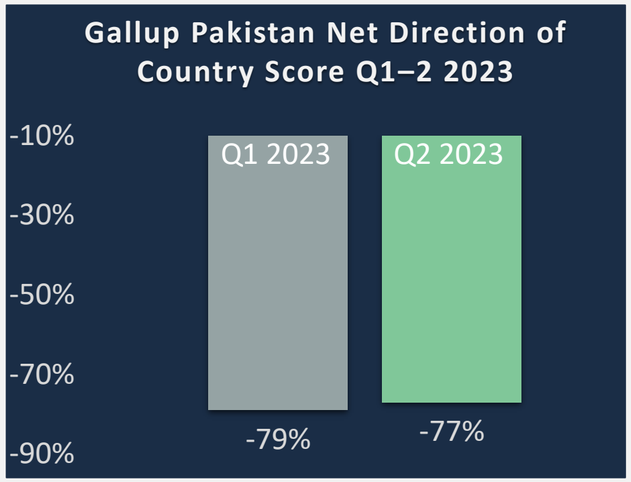
Direction of the Country Score

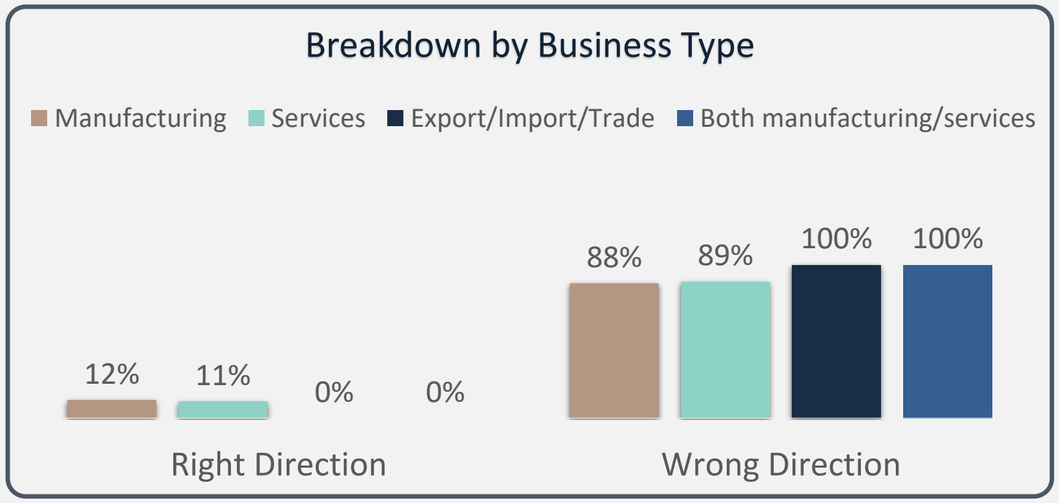
1% more businesses in quarter 2 of 2023, as compared to the previous quarter think that the country is heading in the right directions. Overall trend for the past few quarters is consistently negative, however. Net Direction of Country score improves by 2% but remains negative

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



Net direction of Country Score has improved by 2% since the last quarter





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Around 9 in 10 each of manufacturers and service providers are pessimistic about the direction the country is headed in

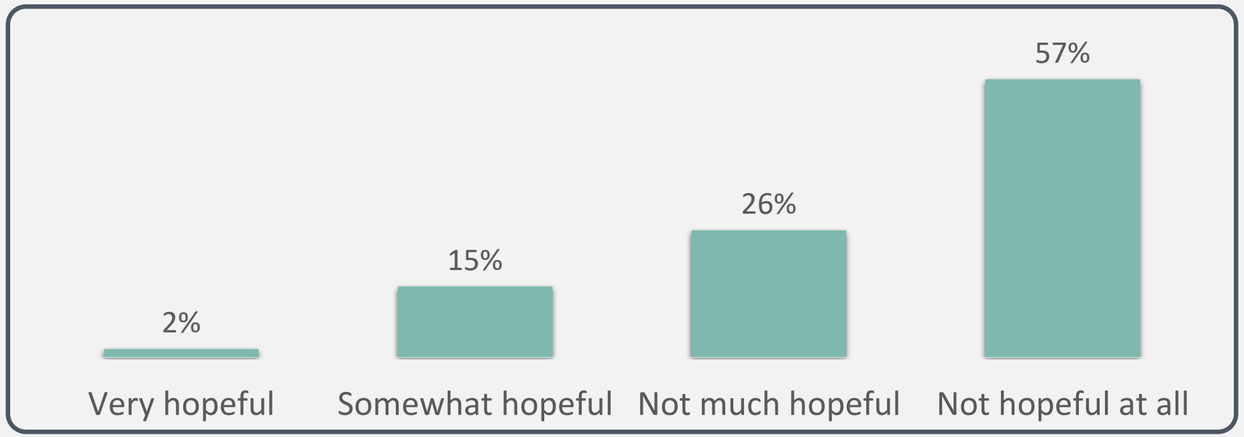
Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

SECTION 4:

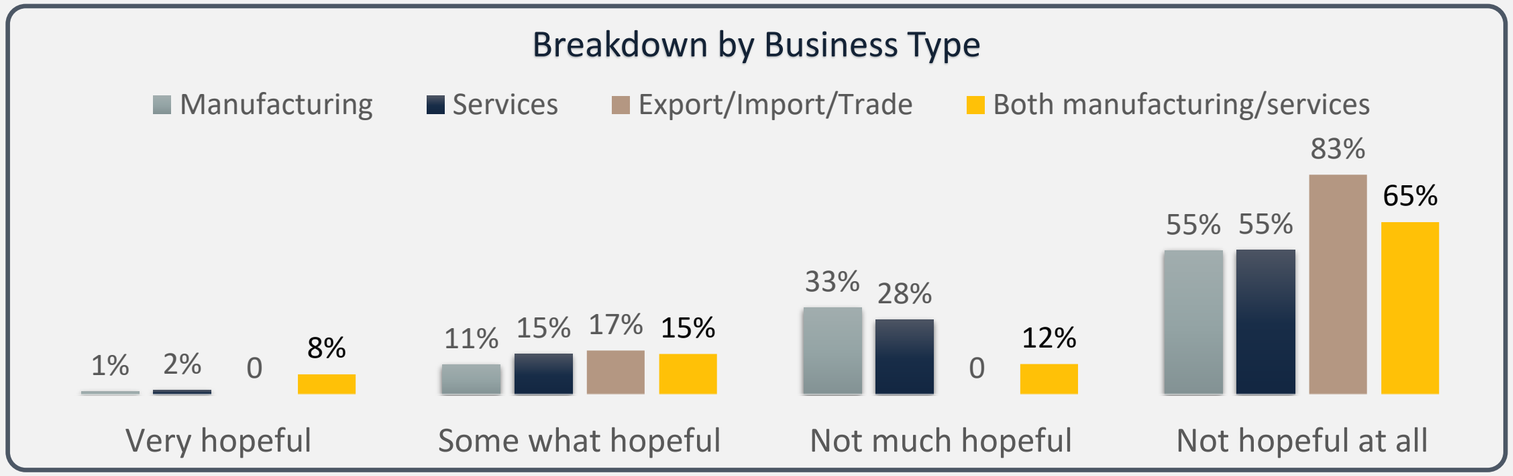
Problems Affecting Businesses in Pakistan

In the aftermath of the second quarter of 2023, the majority (83%) of businesses surveyed this wave expressed hopelessness in the new caretaker government's ability to solve the business community's problems. Of these, over half (57%) express significantly high lack of confidence

Question: A new caretaker government has come in. Are you hopeful that the new caretaker governments would be able to solve t he problems of the business community. Would you say you are very hopeful , somewhat hopeful, not hopeful , not hopeful at all?



83% of businesses expressed a lack of confidence in the caretaker government's ability to solve the problems that plague the business community



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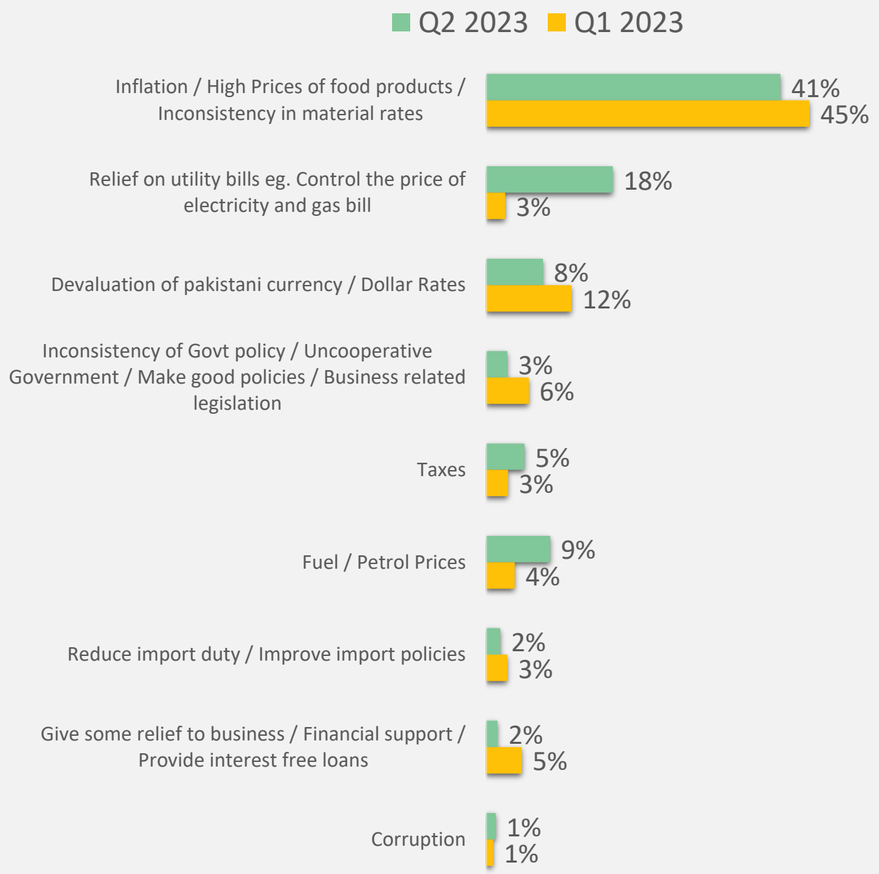
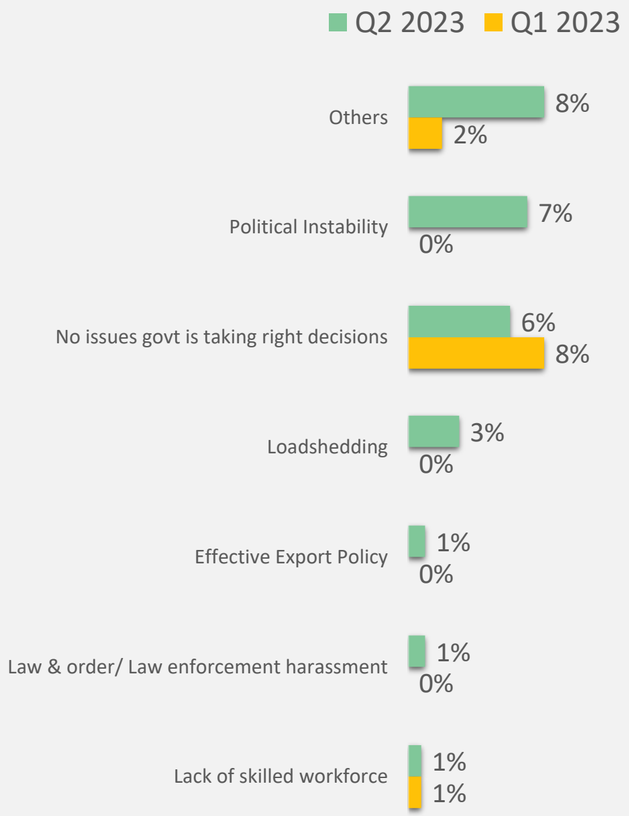
Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

Similar to Q1 2023, inflation is the most cited problem in this quarter that 4 in 10 businesses would like the government to solve. Unlike last quarter, less businesses now care about devaluing currency; a more immediate concern is control of electricity bills, with 18% businesses citing this issue (15% more than last quarter)

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



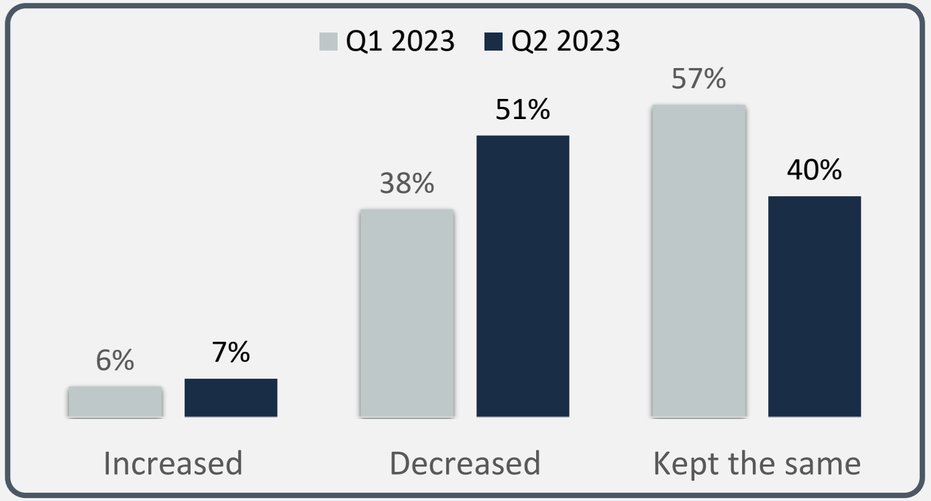


The most common issue businesses wanted the government to solve in Quarter 2 2023 was inflation (41% of businesses) and currency devaluation against the dollar (8% of businesses). Proportion of businesses that believed government is taking the right dropped to 6% since the last quarter

Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

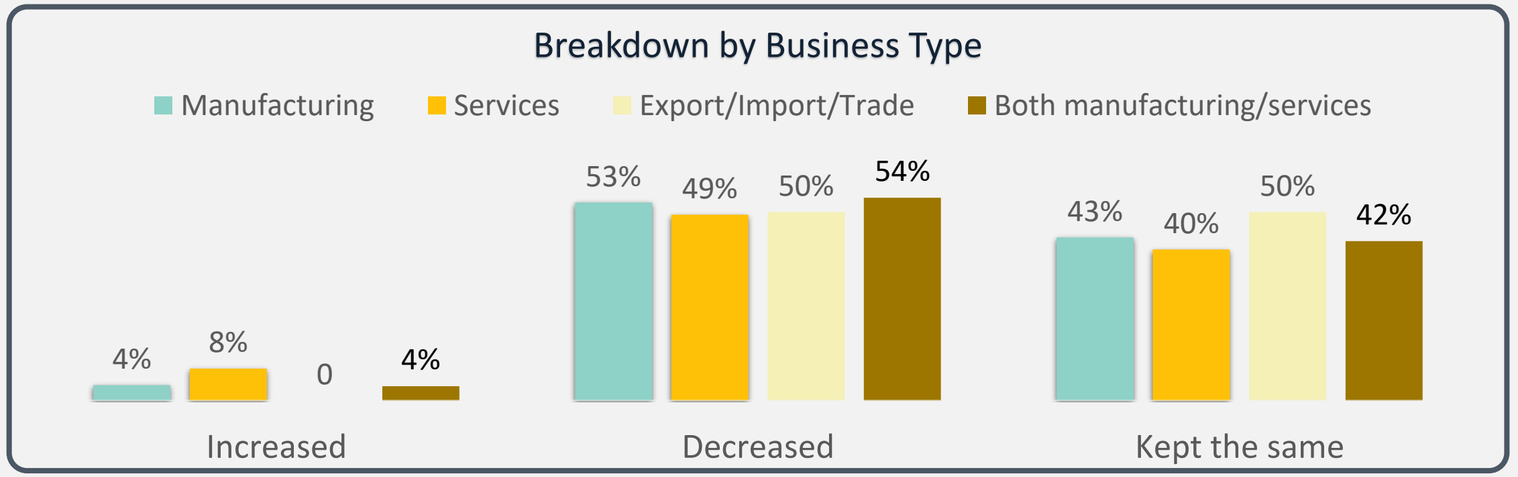
Half (51%) of businesses surveyed said that they implemented layoffs in the last quarter, an increase of 13% from the previous quarter. More service-providing businesses than product manufacturers increased their workforce

Question: In the past 3 months has your business reduced its workforce, increased it, or kept it same?



Disclaimer: may not sum to 100% as "Don't Know" category is excluded due to small base

51% of respondents reported decreasing their workforce over the quarter, while only 7% reported an increase

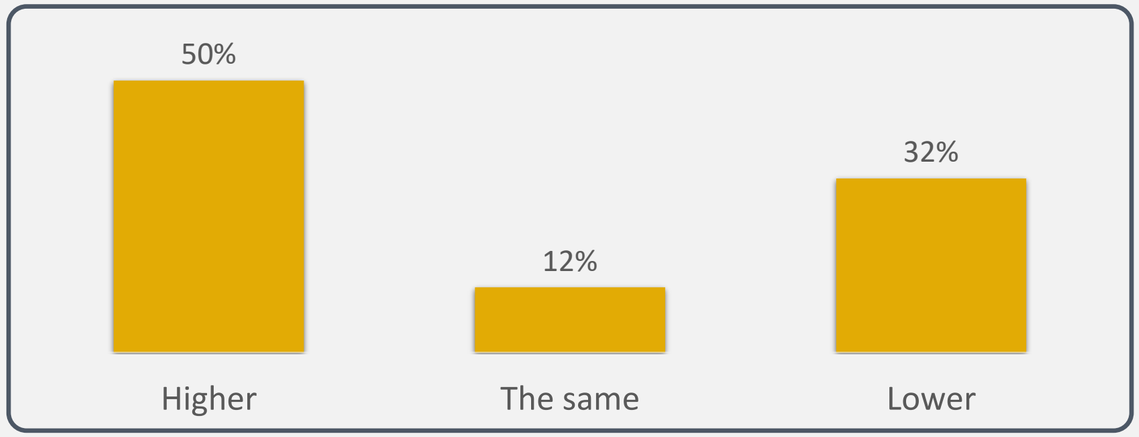


Disclaimer: sample of businesses that exports/imports goods was very small and therefore results must be interpreted with caution

Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

50% of businesses surveyed said that they raised average output prices in the past quarter. Of these, 45% raised those prices between 1% and 40%

Question: I'd now like you to think about output prices or prices charged for your goods/services. Would you say the average prices you charged in this month were higher, the same or lower than last month?



50% of respondents report higher output prices being charged by their businesses, while 32% said prices had decreased, over a one-month period

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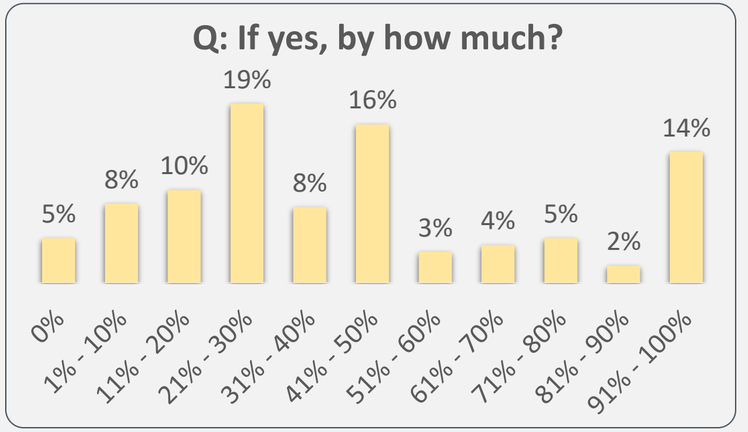

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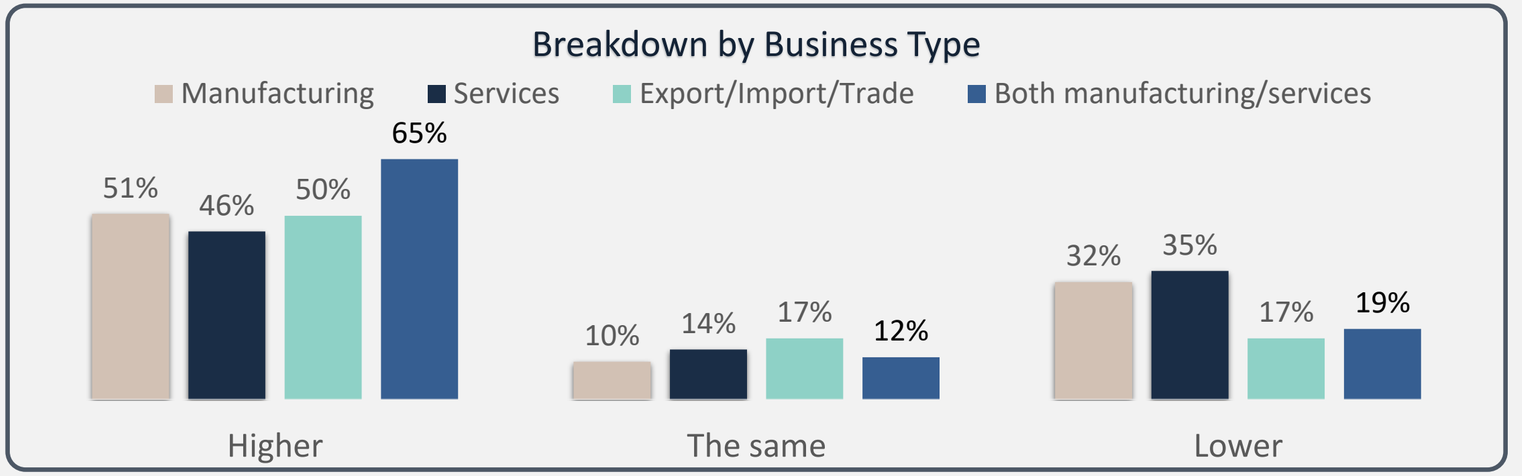
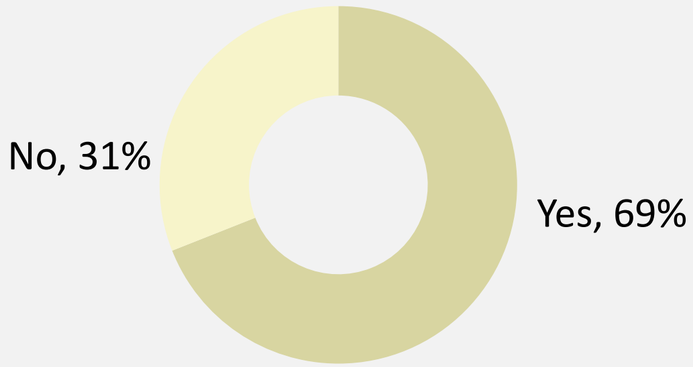


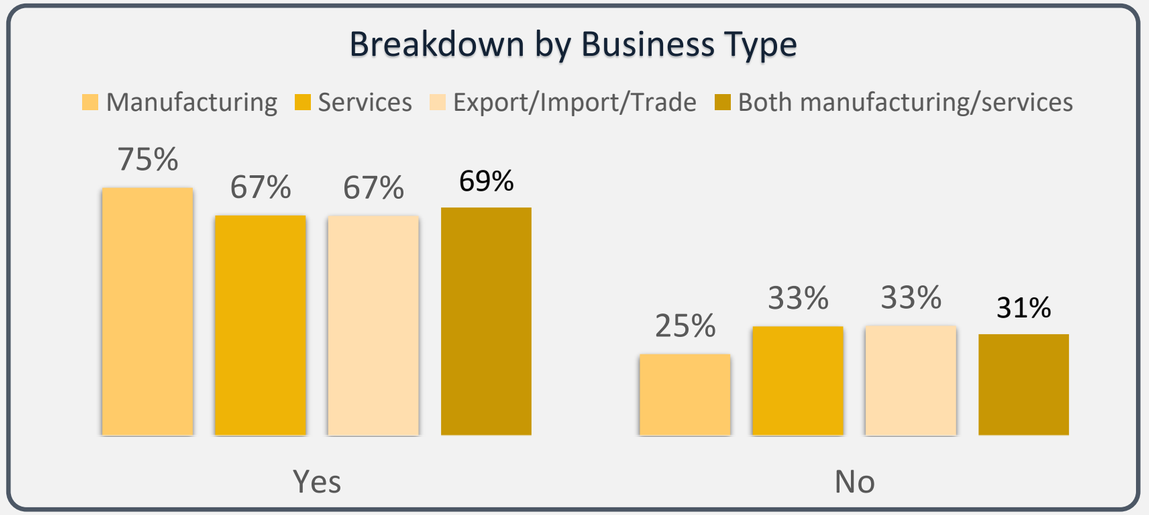
Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

69% of businesses surveyed said ‘yes’ to loadshedding in the past quarter, which is 25% more than the previous quarter. 75% of product manufacturers reported load shedding

Question: Was there load shedding in your business today?

Overall in current wave





75% of product manufacturers reported not experiencing loadshedding in this quarter

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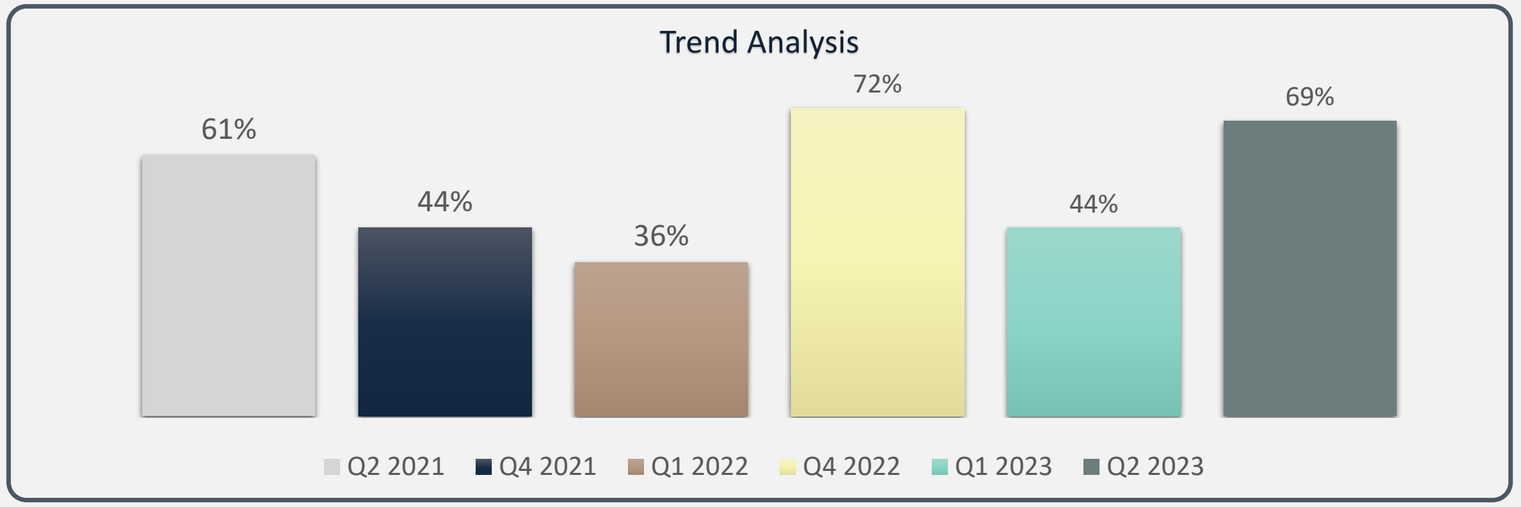
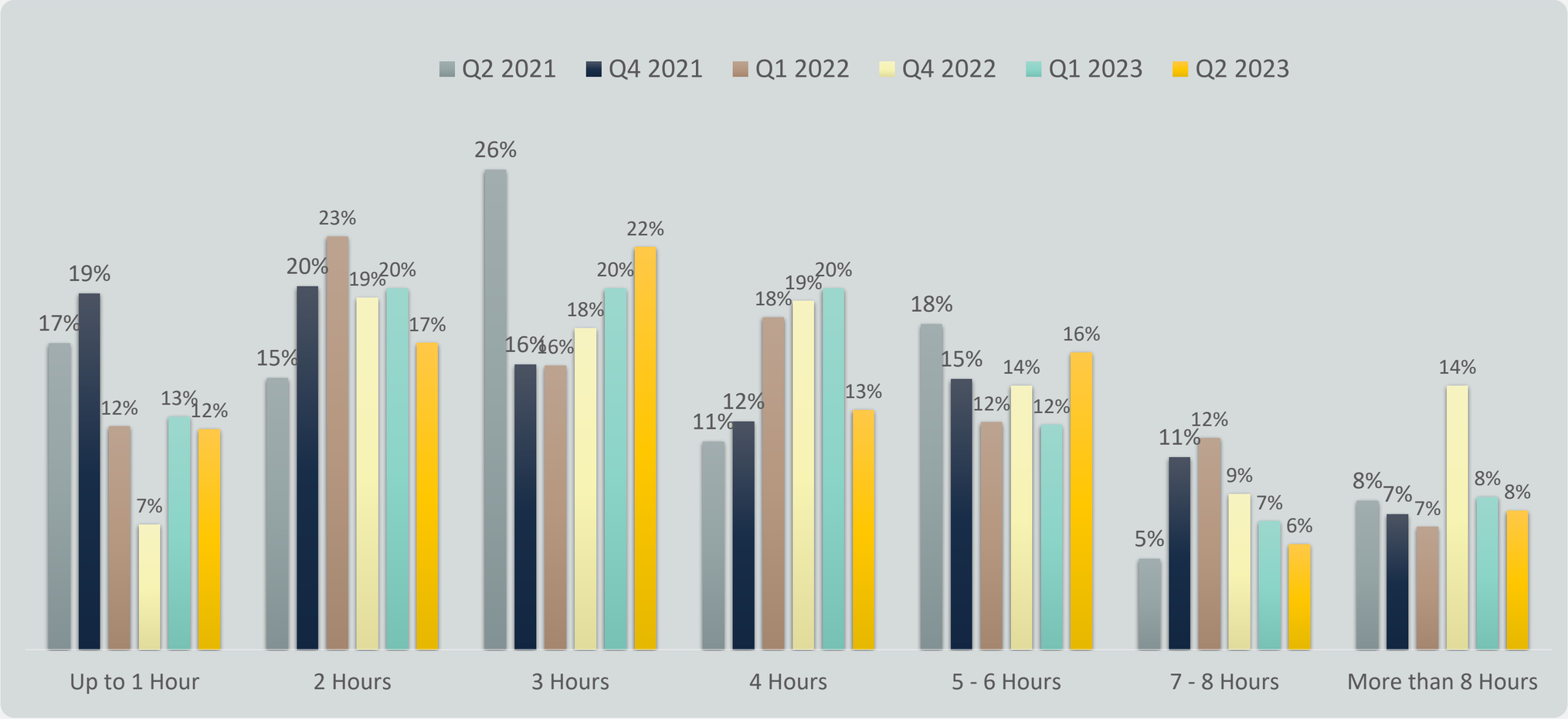


The proportion of businesses that experienced load-shedding within a day increased 25% since last quarter

Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

Of those businesses that said yes to loadshedding, around half (51%) in the past quarter report facing 3 hours or less of loadshedding every day. A similar proportion of businesses (53%) reported loadshedding for the same number of hours in the last quarter

Question: If yes, for how many hours?

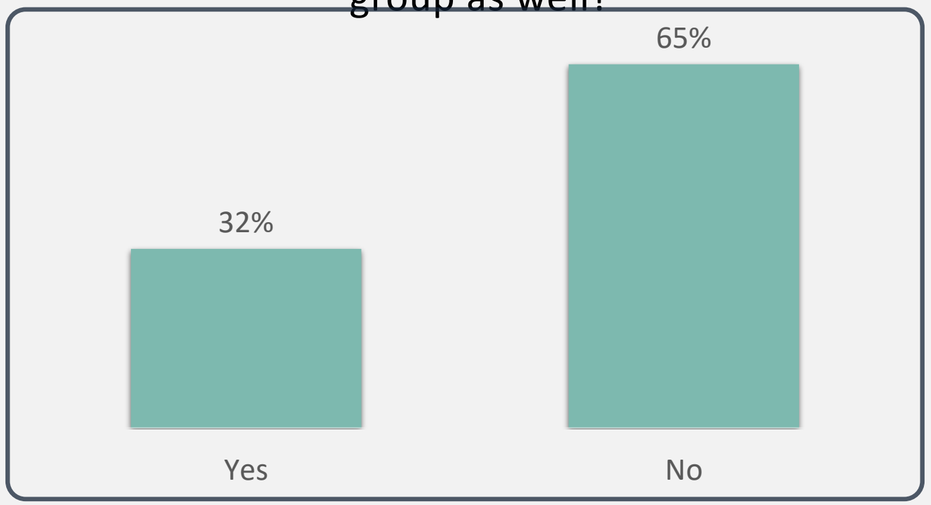


Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

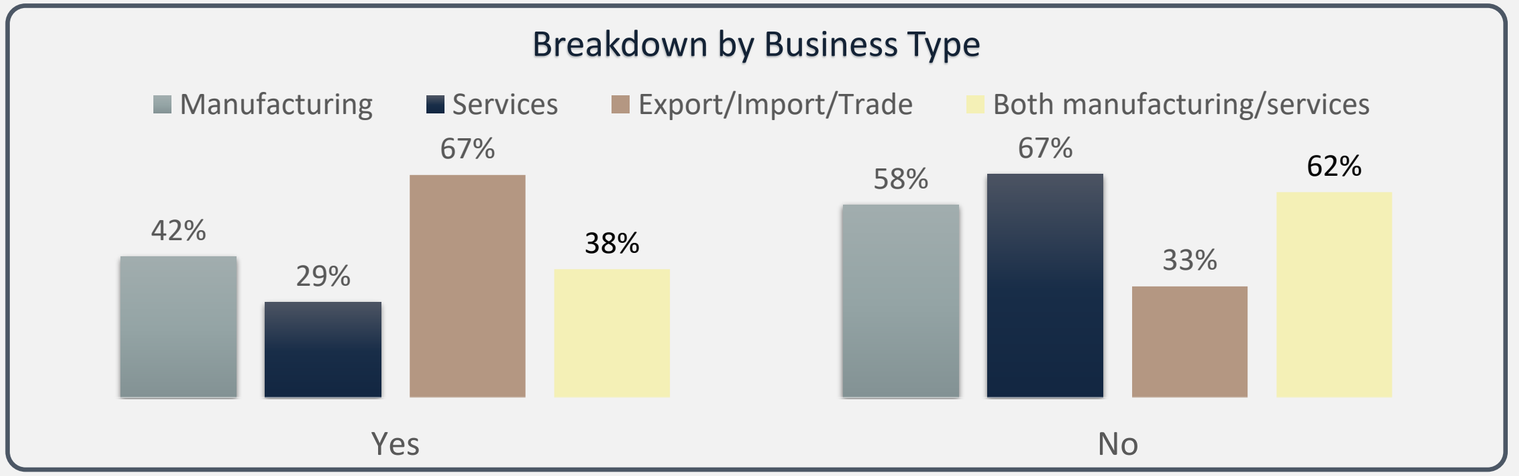
Miscellaneous

Over half (65%) of businesses surveyed for this wave reported that they were not part of any business association, chamber of commerce, or other smaller committee, etc.

Question: Are you part of any business association for example market association, chamber, committee? It could be a very small group as well?



65% of businesses surveyed were not part of any market association, chamber of commerce, etc.



Disclaimer: sample of businesses that export/import goods was very small and therefore results must be interpreted with caution

Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

Methodology and Sample Profile

GALLUP PAKISTAN BUSINESS CONFIDENCE INDEX IN PAKISTAN

METHODOLOGY DETAILS

Sample Size:
N= 557 businesses across Pakistan

Method of Interview:
Phone surveys

Field Dates:
22nd August 2023 – 25th August 2023

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

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 of Businesses which were interviewed

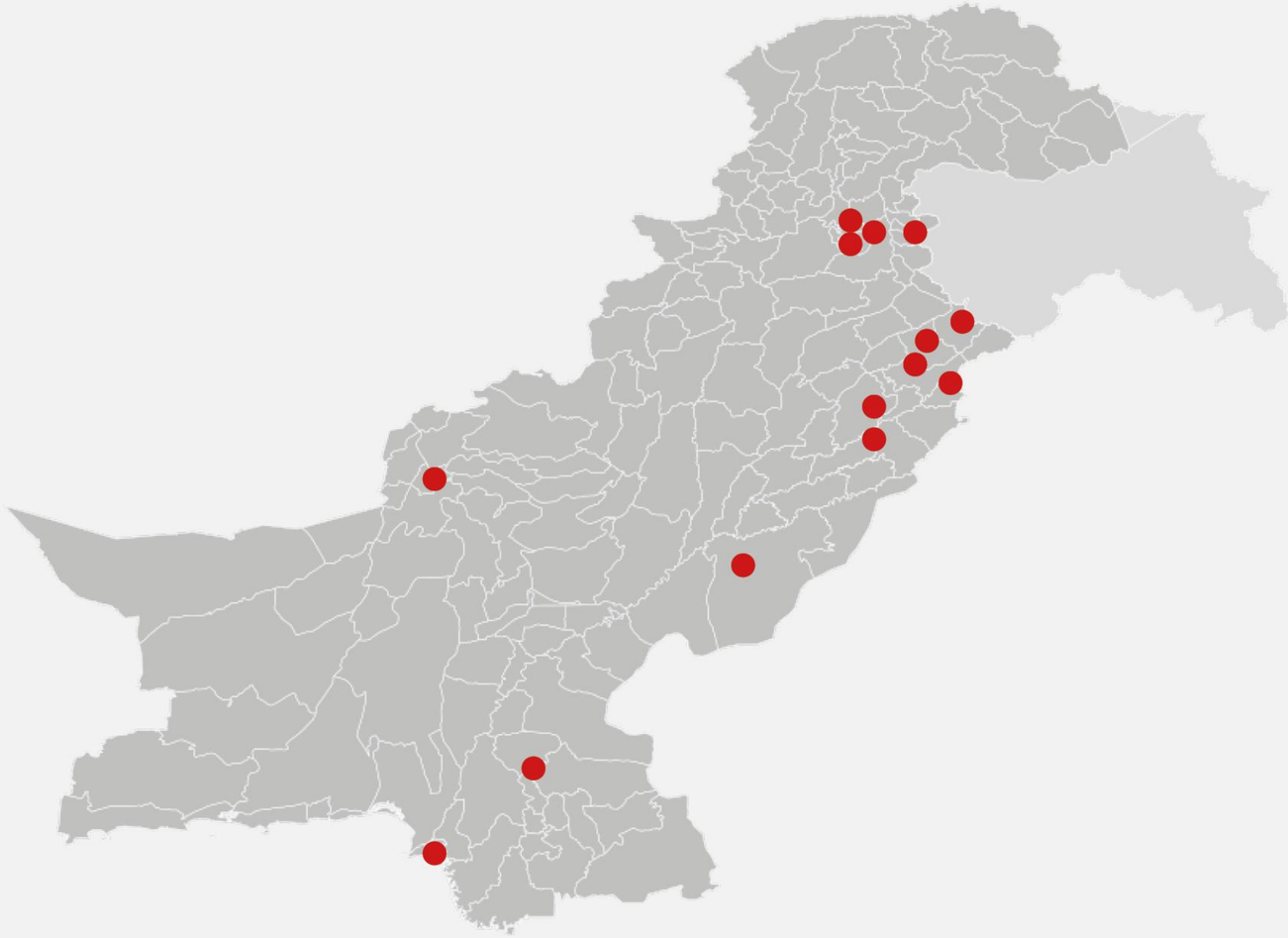
BUSINESS TYPE	Manufacturing	17%
	Services	70%
	Trade	1%
	Both products and services	5%
	No response	7%

Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

METHODOLOGY DETAILS

Districts/Cities covered:

Rawalpindi
Islamabad
Karachi
Lahore
Faisalabad
Sialkot
Gujranwala
Gujrat
Okara
Quetta
Bahawalpur
Hyderabad
Taxila
Attock
Azad Jammu Kashmir



Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

APPENDIX

QUESTIONNAIRE

Q1) How well is your business doing nowadays? Would you say it is very good, good, bad, or very bad?
Q2) In the past 3 months has your business reduced its workforce, increased it, or kept it same?
Q3) I'd now like you to think about output prices or prices charged for your goods/services. Would you say the average prices you charged in this month were higher, the same or lower than last month?
Q4) If higher, by how much?
Q5) What are your expectations for the future of your business compared to the past?
Q6) Which problem affecting your business considerably would you want the government to solve?
Q7) What is your opinion on the direction of the country? Are we headed in the right direction or wrong direction?
Q8) A new caretaker government has come in. Are you hopeful that the new caretaker governments would be able to solve the problems of the business community. Would you say you are very hopeful , some what hopeful, not hopeful , not hopeful at all.
Q9) Was there load shedding in your business today?
Q10) If yes, how many hours?
Q11) Does your business make products or provide services?
Q12) Which product does your business make/ which service does your business provide?
Q13) Are you part of any business association for example market association, chamber , committee ? It could be a very small group as well.
Q14) Which city are you operating your business from?
Q17) Gender

Source: Gallup Pakistan Business Confidence Survey with N 557 businesses in Pakistan (Report 10, Quarter 2 2023)

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FOR MORE INFORMATION, PLEASE CONTACT

Bilal I Gilani
Executive Director
Gallup Pakistan
bilal.gilani@gallup.com.pk

Mominah Junaid
Research Executive
Gallup Pakistan
mominah@galluppakistan.com

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