

PRESS RELEASE

SPECIAL PRESS RELEASE **Business Confidence in Pakistan** **Wave 11**

Despite the persisting economic crisis this year, and a low confidence in current business conditions, expectations for a better future have soared 42% among the business community; Gallup Business Confidence Index for Quarter 3 2023

Inflation, utility bills, and political instability cause growing concern among the business community, but overall fewer businesses express hopelessness compared to the previous quarter

Gallup Pakistan Business Confidence Index Q3 2023 Report released.

Islamabad, 20th December, 2023

According to a Gallup Pakistan Survey with business owners in the third quarter of 2023 for the Gallup Business Confidence Index report, relatively fewer business owners are pessimistic about future conditions and the direction of the country compared to Quarter 2, but still largely negative about their ongoing prospects. Prevailing economic and political crises have contributed to business insecurity persisting, but expectations for a better future have risen 42% from the previous quarter despite this.

The survey is the eleventh of a quarterly Business Confidence Survey that Gallup Pakistan conducts in Pakistan. The Business Confidence Index is an important barometer capturing the sentiments of the business community in any country, and used across the world by policy makers. The survey was conducted after the third quarter of 2023, with around 530 businesses across Pakistan.

KEY QUESTIONS ANSWERED BY GALLUP BUSINESS CONFIDENCE INDEX:

1. What do businesses think with respect to the current and future state of their business and the country?
2. Are they hopeful or pessimistic about business prospects?
3. What are the biggest hurdles faced by businesses?
4. Have there been layoffs or output price increases in the businesses?
5. How concerned has the past quarter made business owners about the ability of the caretaker government to alleviate problems?

In addition, the survey also looks at differences across business types in Pakistan.

Gallup Business Confidence Index Pakistan is comprised of 3 strands: Current Business Situation, Future Business Situation, and Direction of the Country.

On 2 strands the value was negative. However, the scores increased by significant percentage points in all 2 strands and has become positive in strand 2. This indicates a marginal improvement in business confidence after quarter 2.

Strand 1: Current Business Situation Score

- Q2 2023: -26%
- Q3 2023: -1%

Strand 2: Future Business Situation Score

- Q2 2023: -20%
- Q3 2023: 22%

Strand 3: Direction of the Country Score

- Q2 2023: -77%
- Q3 2023: -47%

Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

ALL THREE STRANDS OF GALLUP PAKISTAN BCI EXHIBIT A NEGATIVE TREND ON AVERAGE BETWEEN 2020 AND 2023.

Between q2-q3 2023, however, they show improvement by a significant magnitude



Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

Bilal Ijaz Gilani, Executive Director Gallup Pakistan, and Chief architect of the Gallup Pakistan Business Confidence Index Pakistan, notes,

“This quarter report of Gallup Business Confidence brings the positive news that business sentiment is improving in the country after witnessing consistent decline. Both current and future business confidence is on upward trajectory and a significant improvement is seen with respect to business community’s view regarding direction of the country. We hope that the current momentum in other indicators including stock exchange index, improved current account deficit, positive outcome of IMF loan tranches and relative consistency in policy for example with respect to smuggling are underlying factors leading to improved sentiment is continued in the coming quarter.”

10 Key findings from Gallup Business Confidence Index Report Q3 2023 Report

Finding 1: 50% of businesses in the past quarter perceive themselves to be facing bad or worse conditions – a 13% decrease from last year. Slight improvement is observed in Gallup Pakistan Business Situation Net score in Q3 2023 as the negative net score improves by 25%. Over half of businesses selling commodities, pharmacies, and electronic appliance shops reported their business doing well.

Finding 2: This quarter, 21% more businesses than in the previous quarter think that their business will be better off in the future; 61% in Q3 2023 said expectations for the future are positive, while 38% expect things to get worse. The Net Future Business Confidence score has increased by 42%.

Finding 3: 15% more businesses in quarter 3 of 2023, as compared to the previous quarter, think that the country is heading in the right direction. Overall trend for the past few quarters is consistently negative, however, Net Direction of Country score improves by 30%.

Finding 4: While the majority (73%) of businesses surveyed this wave expressed hopelessness in the new caretaker government's ability to solve the business community's problems. 25% reported being hopeful, which is 8% more than in Quarter 2.

Finding 5: Similar to Q2 2023, inflation is the most cited problem in this Quarter that more than 1 in 4 businesses would like the government to solve. The proportion of those who want government to solve loadshedding, taxes, and political instability, has increased.

Finding 6: Around half (48%) of businesses surveyed said that their workforce remained the same in the last quarter, a decrease of 11% from the previous quarter. More service-providing businesses than product manufacturers increased their workforce.

Finding 7: 54% of businesses surveyed said that they raised average output prices in the past quarter. Of these, more than a quarter (28%) raised those prices by 41% to 100%.

Finding 8: Quarter-to-Quarter reports of loadshedding decrease: 62% of businesses surveyed said 'no' to loadshedding in the past quarter, while 38% said yes (31% less than in the previous Quarter).

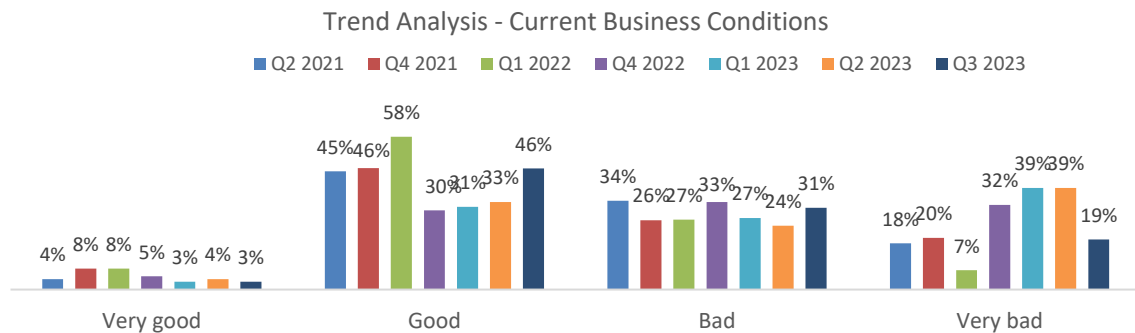
Finding 9: For nearly half (46%) of businesses, electricity costs comprise between 21% and 50% of their total cost of business.

Finding 10: Over half (63%) of businesses surveyed for this wave reported that they were not part of any business association, chamber of commerce, or other smaller committee, etc.

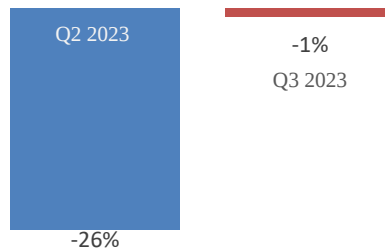
Strand 1: Current Business Conditions

A sample of more than 530 business owners and managers across Pakistan were asked the following question, “How well is your business doing nowadays? Would you say it is very good, good, bad, or very bad?”

Since economic crises have been looming since 2022, businesses confidence remains low overall. Economic insecurity has worsened since the start of the year, but the business situation score has improved regardless by 25 percentage points.



Gallup Pakistan Current Business Situation Net Score

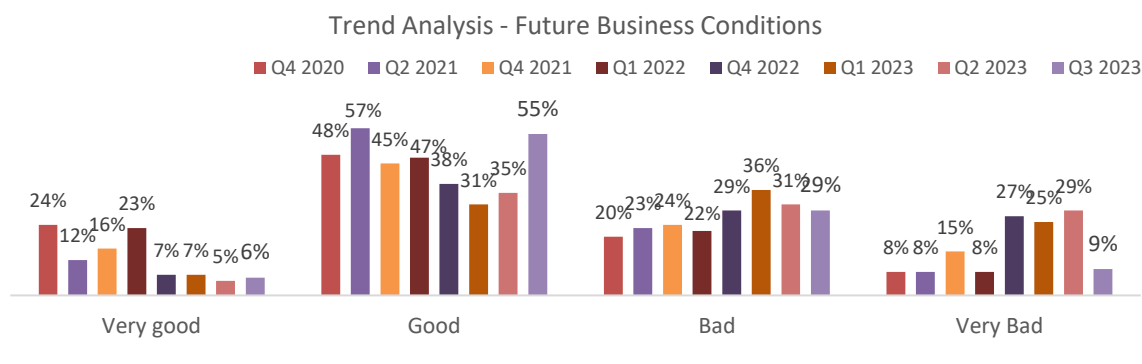


Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

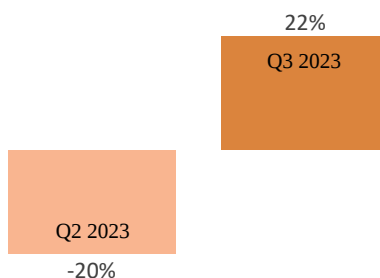
Strand 2: Future Expected Business Conditions

Business owners were further asked, “*What are your expectations for the future of your business compared to the past?*”

Businesses grew surprisingly optimistic about the future; 61% expressed positive expectations for the future, while only 38% expect things to worsen. The Net Future Business Confidence score has improved by 42% since the spring and is now at 22%.



Gallup Pakistan Current Business Situation Net Score

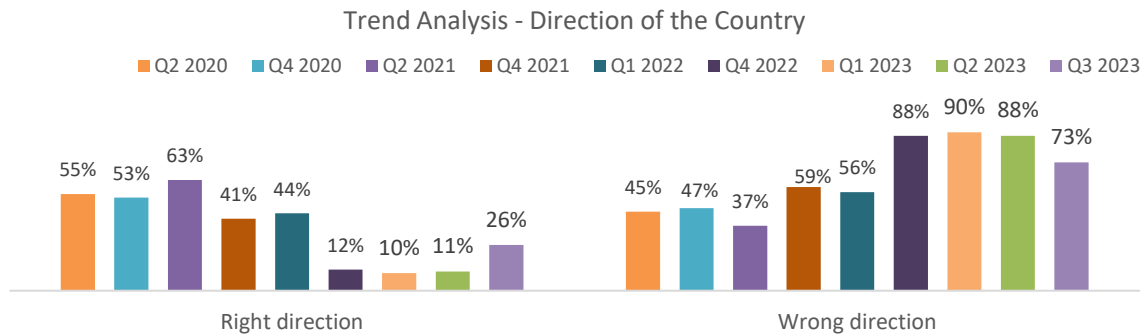


Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

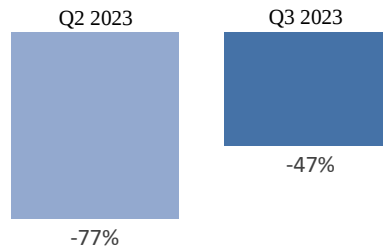
Strand 3: Direction of the Country Score

Business owners and managers were also asked, “*What is your opinion on the direction of the country? Are we headed in the right direction or wrong direction?*”

Business community perceptions regarding the direction of the country have improved since the previous two quarters; 26% of respondents opined that the country is heading in the right direction. The Direction of the Country Score has increased to -47%, 30-percentage points more than what it was the previous quarter.



Gallup Pakistan Current Business Situation Net Score

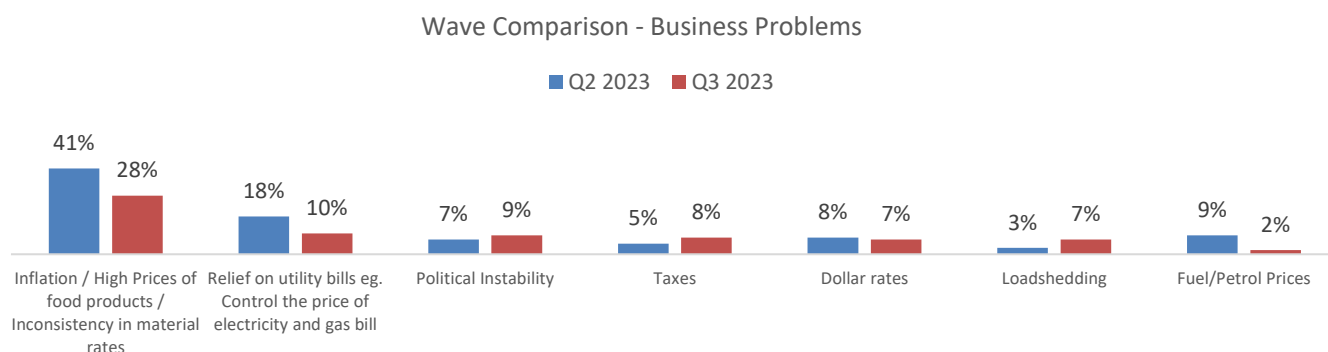


Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

Problems Affecting Businesses in Pakistan

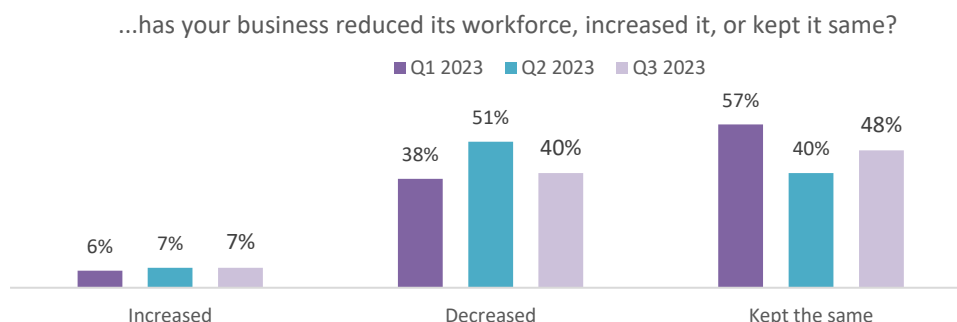
Businesses were asked, *“Which problems affecting your business considerably would you want the government to solve?”*

Similar to Q2 2023, inflation is the most cited problem in this quarter that businesses would like the government to solve, with 3 in 10 saying so. Relatively more respondents were concerned about political instability in Q3. Rupee devaluation and fuel prices have taken a backseat in concern relative to the past quarter, while taxes and loadshedding have become more of a concern.



Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

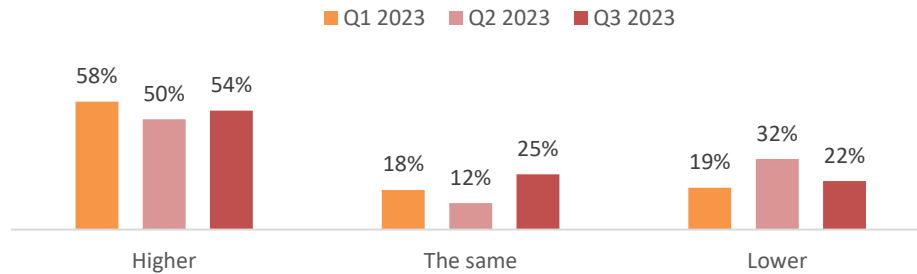
In order to analyze whether business conditions induced layoffs in the last quarter, respondents were asked, *“In the past 3 months has your business reduced its workforce, increased it, or kept it the same?”* 4 in 10 businesses surveyed reported having decreased their workforce, 11% less than in the previous quarter.



Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

To further explore problems arising from the prevailing economic conditions, businesses were asked, *“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?”* Over half of surveyed businesses reported having increased their output prices during quarter 3. More businesses raised output prices compared to quarter 2, and comparatively less businesses reduced their output prices in quarter 3 than in quarter 2.

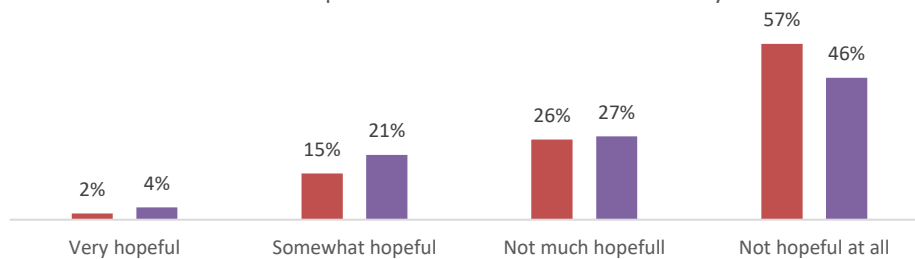
Would you say the average prices you charged in this month were higher, the same or lower than last month?



Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

It was also inquired, “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, somewhat hopeful, not hopeful, not hopeful at all?” The majority (73%) of businesses surveyed are not hopeful that the caretaker government will address Pakistan’s business problems. 25% of survey respondents are somewhat hopeful.

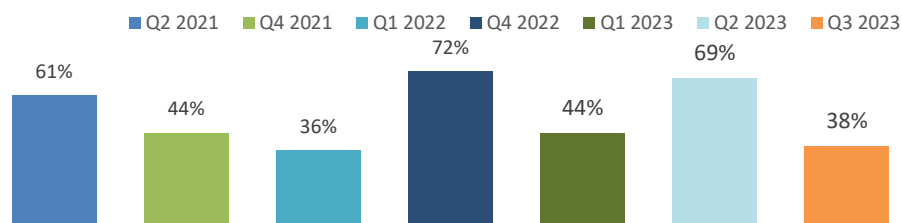
Are you hopeful that the new caretaker governments would be able to solve the problems of the business community?



Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

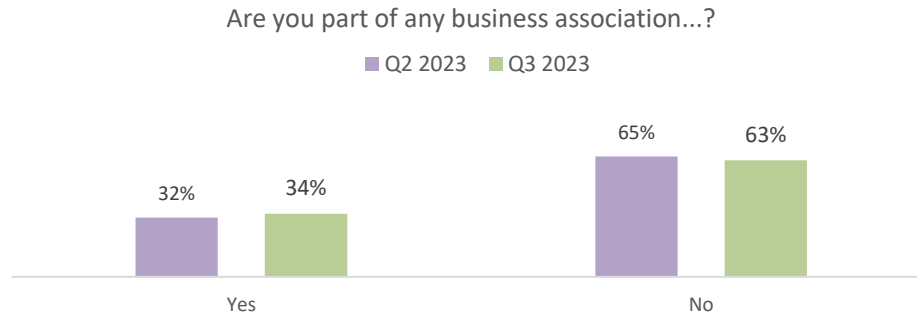
Businesses were asked, “Was there loadshedding in your business today?” 38% of businesses said ‘yes’ to loadshedding this quarter, which is 31% less than in the previous quarter.

Trend Analysis - Loadshedding



Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

Businesses were also asked about their membership in community organizations: *“Are you part of any business association for example market association, chamber, committee? It could be a very small group as well?”* More than half (63%) of businesses surveyed for this wave reported that they were not part of any business association, chamber of commerce, or other smaller committee, etc.



Source: Gallup Pakistan Business Confidence Survey (Report 11, Quarter 3 2023)

Methodology

For details, please see the full report on the Gallup Pakistan website.

This project is done under the guidance of Bilal I. Gilani, Executive Director Gallup Pakistan. Mr. Gilani has the experience of over a decade in directing business surveys in Pakistan apart from spearheading over 500 research projects on behalf of Gallup Pakistan.

Opinion Poll from Gallup Pakistan
*The Pakistani Affiliate of Gallup
International*



Gilani Research Foundation is a not-for-profit public service project to provide social science research to students, academia, policy makers and concerned citizens in Pakistan and across the globe.

Gilani Research Foundation is headed by Dr. Ijaz Shafi Gilani who pioneered the field of opinion polling in Pakistan, and established Gallup Pakistan in 1980. Currently Dr. Gilani, who holds a PhD from the Massachusetts Institute of Technology (MIT) and has taught at leading universities in Pakistan and abroad, is Chairman of Gallup Pakistan.

If you have any further questions regarding this poll, please feel free to contact us.

Best Regards,

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