

PRESS RELEASE

SPECIAL PRESS RELEASE

Business Confidence in Pakistan

Wave 12

Slight improvement in businesses perception regarding their current situation, pessimism increases for future and broad direction of the country; Gallup Business Confidence Index for Quarter 1 2024

54% businesses say Ramadan sales this year vs. previous year are worse; a quarter businesses report paying bribe to government officials and despite claims otherwise from government, close to half businesses complain of loadshedding, a third say government is major hurdle in their growth and they don't see govt as a facilitator.

Gallup Pakistan Business Confidence Index Q1 2024 Report released.

Islamabad, 05th April, 2024

According to a Gallup Pakistan Survey with business owners in the first quarter of 2024 for the Gallup Business Confidence Index report, slight improvement in businesses perception regarding their current situation, pessimism increases for future and broad direction of the country; Gallup Business Confidence Index for Quarter 1 2024. Among other salient findings, a quarter businesses report paying bribe to government officials and despite claims otherwise from government, close to half businesses complain of loadshedding.

The survey is the twelfth 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 first quarter of 2024, with around 535 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 changes in the size of the workforce in the businesses?
5. How concerned has the past quarter made business owners about the ability of the 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 one strand the value was negative. The score increased by significant percentage points in just one strand and has become positive in strand 1 and 2. This indicates a marginal improvement in business confidence after last quarter.

Strand 1: Current Business Situation Score

- Q3 2023: -1%
- Q1 2024: 6%

Strand 2: Future Business Situation Score

- Q3 2023: 22%
- Q1 2024: 4%

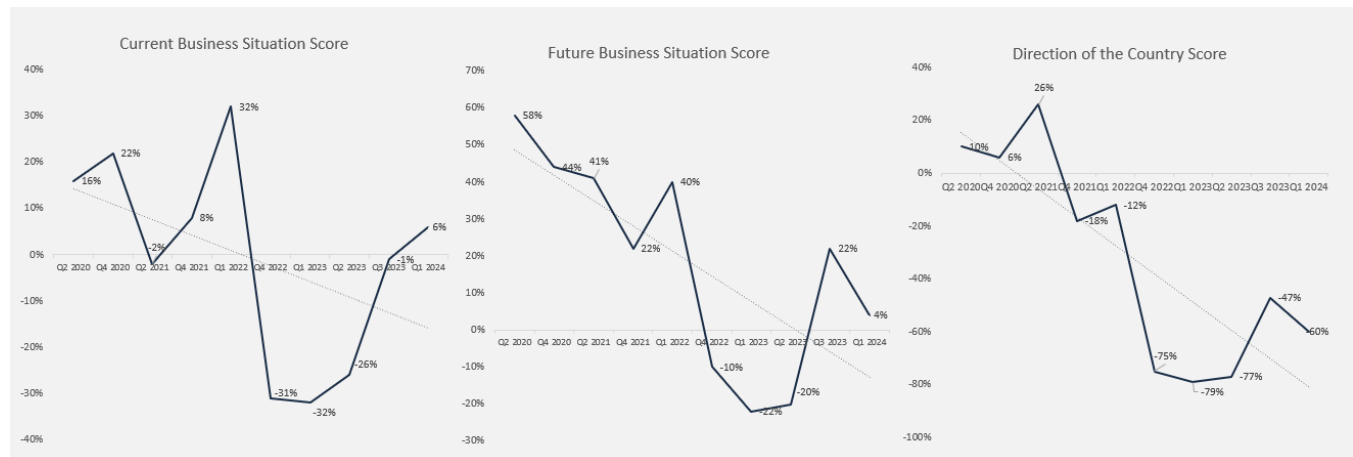
Strand 3: Direction of the Country Score

- Q3 2023: -47%
- Q1 2024: -60%

Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

Current Business score continues to recover for fifth quarter in a row however future business score and direction of the country score see a reversal.

Between Q3 2023 and Q1 2024, however, there is an overall decline in the future business and direction of country scores, with the current business score recording an increase. Future business score and current business score are both in the green showing more businesses gave positive rating than those who gave negative ratings on these two strands.



Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

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 mix of positive and negative news. After many quarters more businesses perceive that their current situation is better than before, which is a positive news. However, pessimism about future of economy as well as over direction of the country has deteriorated. Lack of certainty about both politics as well as economic policies continues to hurt the business community’s sentiment despite the fact that there is some improvement on the ground. Economic and more so political managers need to pay close attention to bringing stability and continuity of policies. Majority of businesses surveyed are not very optimistic about the new government, this survey shows. Engagement and actively resolving business community issues should be therefore top priority of the federal and provincial governments.”

11 Key findings from Gallup Business Confidence Index Report Q1 2024 Report

Finding 1: 47% 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 Q1 2024 as the net score improves by 7%. Over half of businesses selling garments, commodities, stationery and gift items reported their business doing well. Sellers of electrical items, industrial machine parts, electronic appliances and medical equipment are among the most pessimistic about their current business conditions

Finding 2: This quarter, 9% fewer businesses than in the previous quarter think that their business will be better off in the future; 52% in Q1 2024 said expectations for the future are positive, while 48% expect things to get worse. The Net Future Business Confidence score has decreased by 18%. Optimistic expectations for future business conditions were still prevalent in most businesses during the first quarter, particularly those that sell food commodities, books, and pharmacy equipment.

Finding 3: 6% fewer businesses in quarter 1 of 2024, 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 worsens by 13%.

Finding 4: While the majority (56%) of businesses surveyed this wave expressed hopelessness in the new government’s ability to solve the business community’s problems, 44% reported being hopeful.

Finding 5: Similar to Q3 2023, inflation is the most cited problem in this Quarter that more than 2 in 4 businesses would like the government to solve. Proportion of those who want government to solve devaluation of currency has increased.

Finding 6: More than half (60%) of businesses surveyed said that their workforce remained the same in the last quarter, an increase of 12% from the previous quarter. More manufacturing businesses than service providers increased their workforce.

Finding 7: 54% of businesses surveyed said that their sales this Ramadan were worse compared to Ramadan last year. Only 18% said they were better.

Finding 8: Quarter-to-Quarter reports of loadshedding increase: 55% of businesses surveyed said 'no' to loadshedding in the past quarter, while 45% said yes (7% more than in the previous Quarter)

Finding 9: Nearly one third (74%) businesses reported not paying bribes to run their business in the past six months. More service providers report having to pay a bribe (26%) than manufacturers (10%).

Finding 10: Over half (66%) of businesses surveyed for this wave reported that they were not part of any business association, chamber of commerce, or other smaller committee, etc. Of the 34% that were, more than half (58%) were satisfied with the performance of the association.

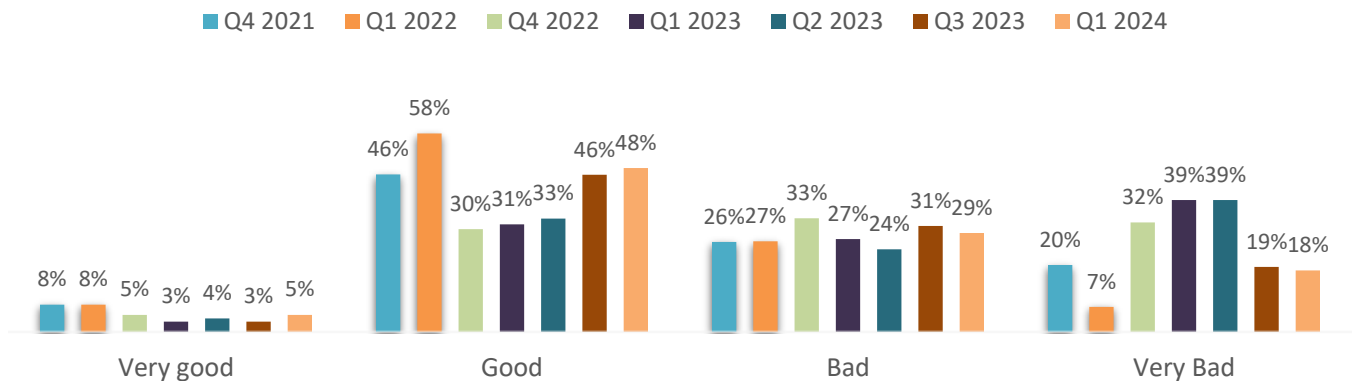
Finding 11: Almost half (45%) businesses report the government being irrelevant for their business, while 23% say it is a facilitator and 33% consider it a hurdle.

Strand 1: Current Business Conditions

A sample of more than 535 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?"*

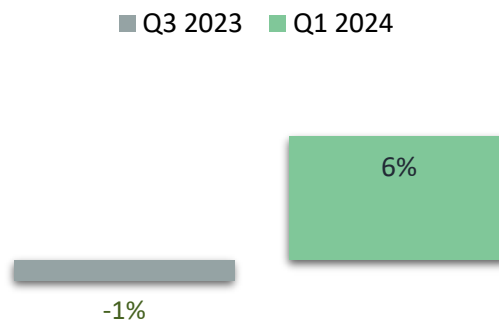
Since economic crises have been looming since 2023, businesses confidence remains low overall. While economic security has not fully stabilized due to the ongoing political situation, the business situation score has improved regardless by 7 percentage points.

Trend Analysis - Current Business Conditions



Q2 2023

Gallup Pakistan Current Business Situation Net Score



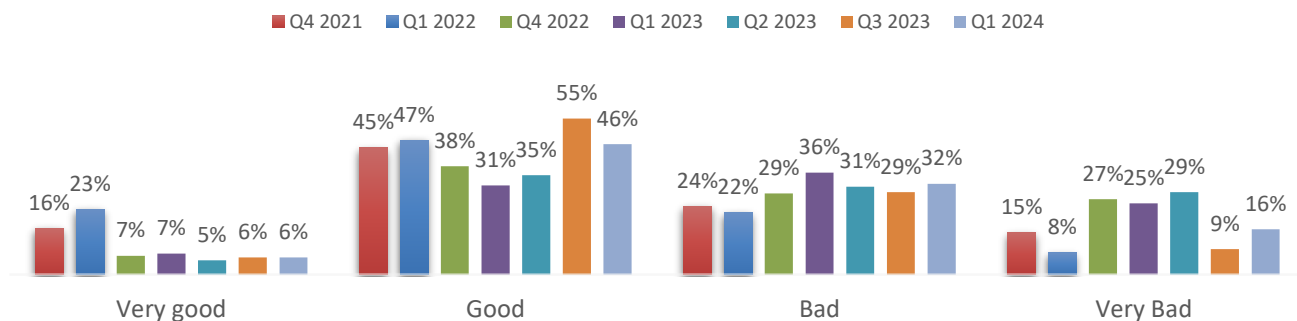
Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

Strand 2: Future Expected Business Conditions

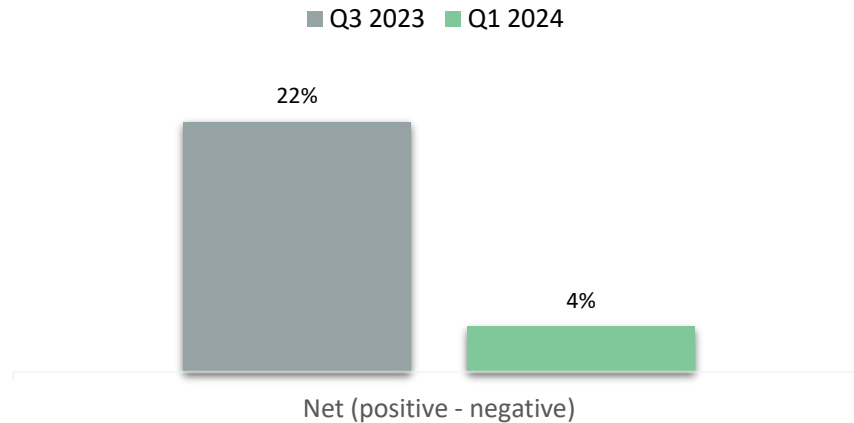
Business owners were further asked, “*What are your expectations for the future of your business compared to the past?*”

Businesses grew pessimistic about the future; 52% expressed positive expectations for the future, while only 48% expect things to worsen. The Net Future Business Confidence score has worsened by 16% since the last quarter and is now at 4%.

Trend Analysis - Future Business Conditions



Gallup Pakistan Future Business Situation Net Score



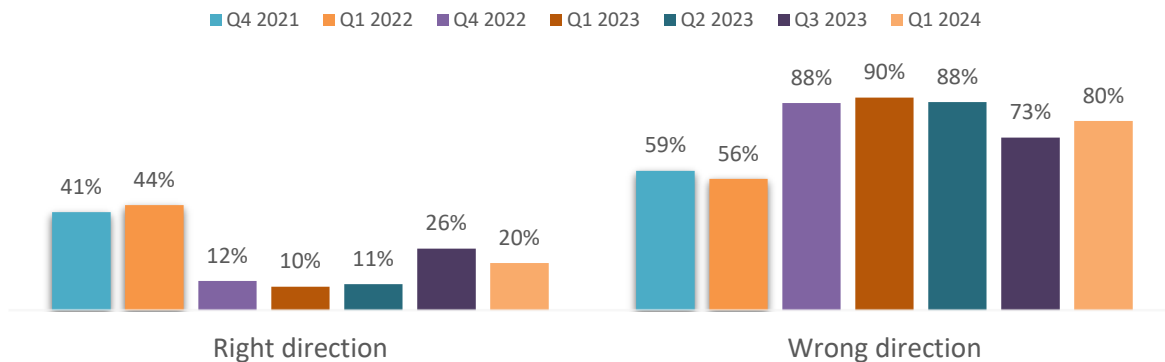
Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

Strand 3: Direction of the Country Score

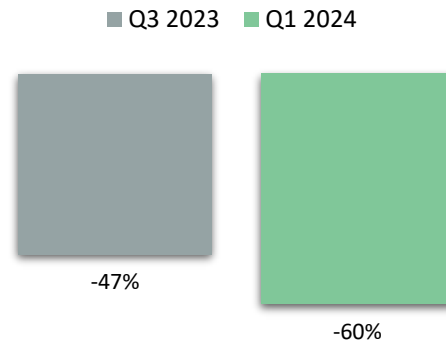
Business owners and managers were also asked, “*What is your opinion on the direction of the country? Are we headed in the right direction or wrong direction?*”

Business community perceptions regarding the direction of the country have worsened since the previous two quarters; 20% of respondents opined that the country is heading in the right direction. The Direction of the Country Score has increased to 60%, 17-percentage points more than what it was the previous quarter.

Trend Analysis - Direction of the Country



Gallup Pakistan Direction of the Country Net Score



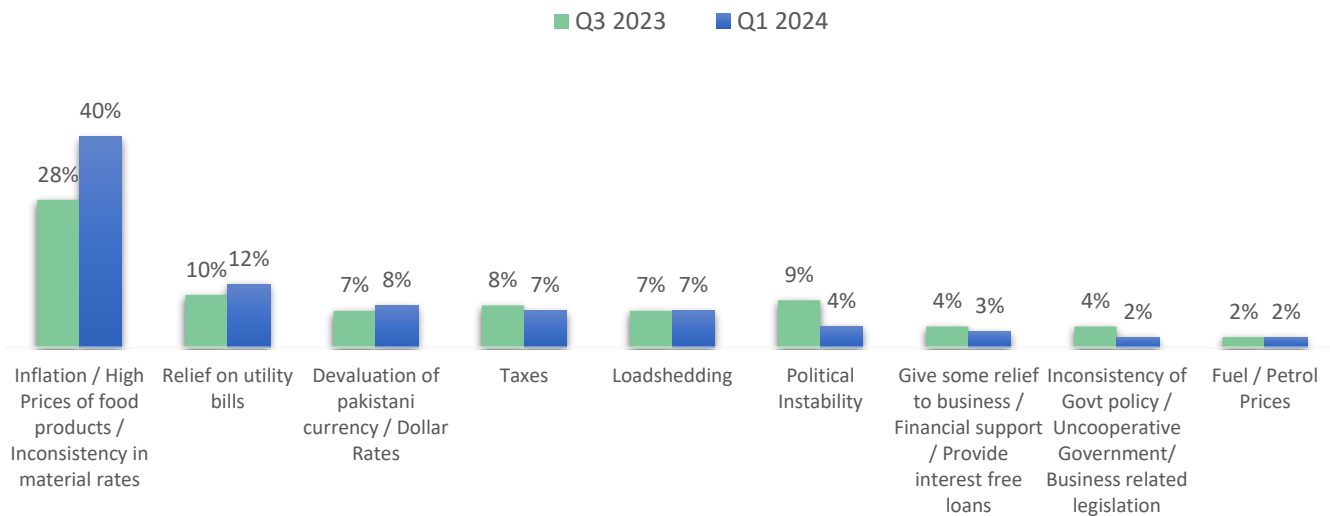
Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

Problems Affecting Businesses in Pakistan

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

Similar to Q3 2023, inflation is the most cited problem in this Quarter that more than 2 in 4 businesses would like the government to solve. Relatively more respondents were concerned about devaluation of currency in Q1. Political instability and taxes have taken a backseat in concern relative to the past quarter, while utility bills and business-related legislation have become more of a concern.

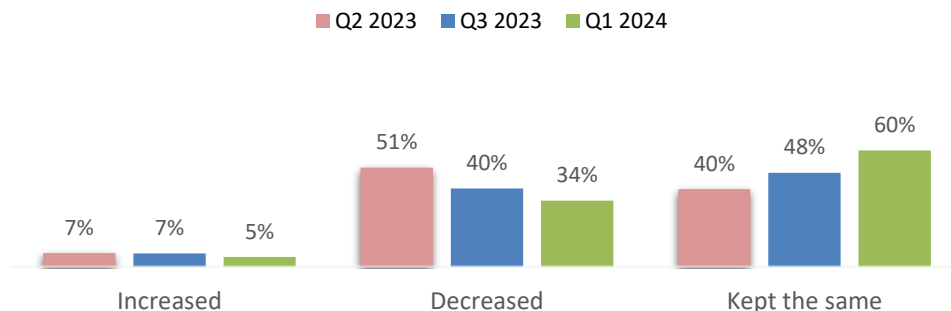
Wave Comparison – Business Problems



Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

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?”* 3 in 10 businesses surveyed reported having decreased their workforce, 6% less than in the previous quarter.

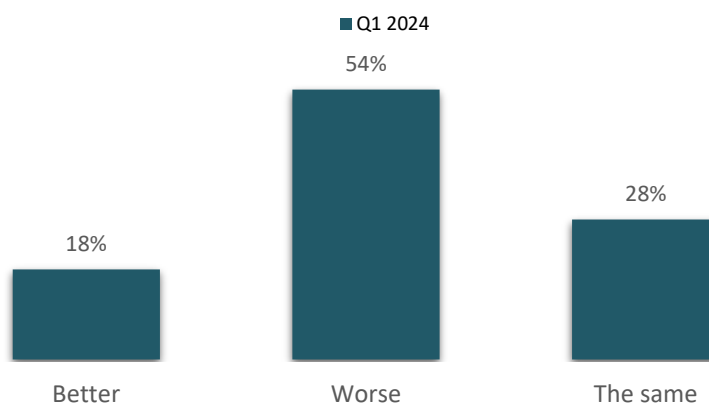
...has your business reduced its workforce, increased it, or kept it same?



Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

To further explore problems arising from the prevailing economic conditions, businesses were asked, *“How are your sales this year as compared to previous Ramadan last year? Are they better, worse, or the same?”* Over half of surveyed businesses reported worse sales this Ramadan than Ramadan last year. Only 18% said they were better

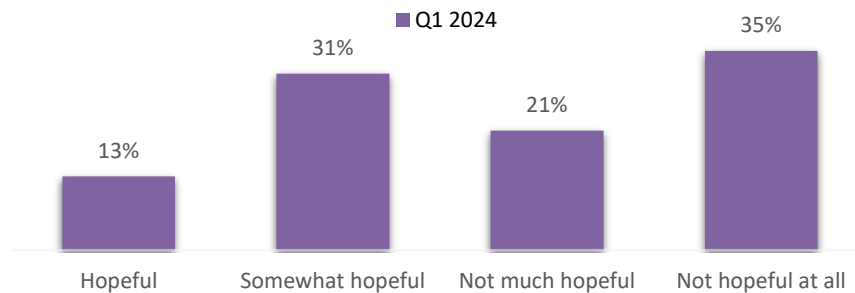
Would you say the average prices you charged in this month were higher, the same or lower than last month?



Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

It was also inquired, *“A new government has come in. Are you hopeful that the new 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.

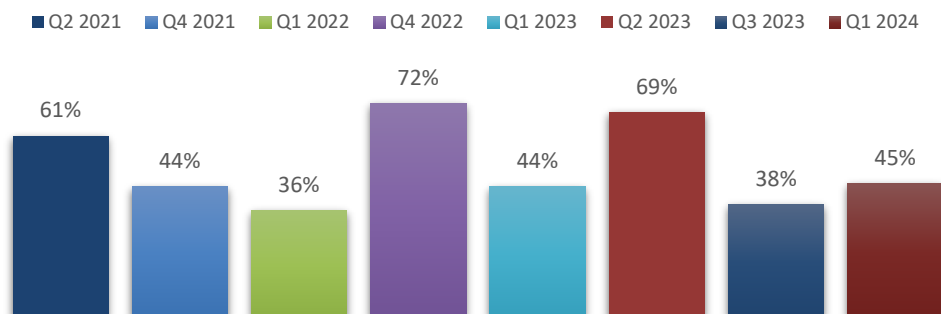
Are you hopeful that the new caretaker governments would be able to solve the problems of the business community?



Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

Businesses were asked, “*Was there loadshedding in your business today?*” 45% of businesses said ‘yes’ to loadshedding this quarter, which is 7% higher than in the previous quarter.

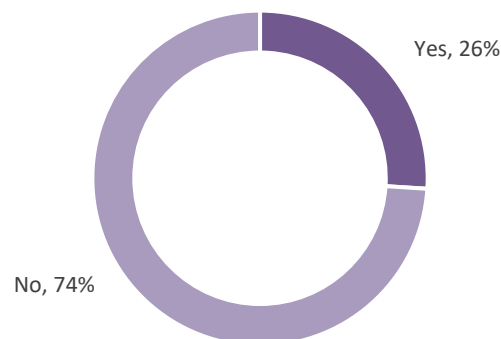
Trend Analysis - Loadshedding



Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

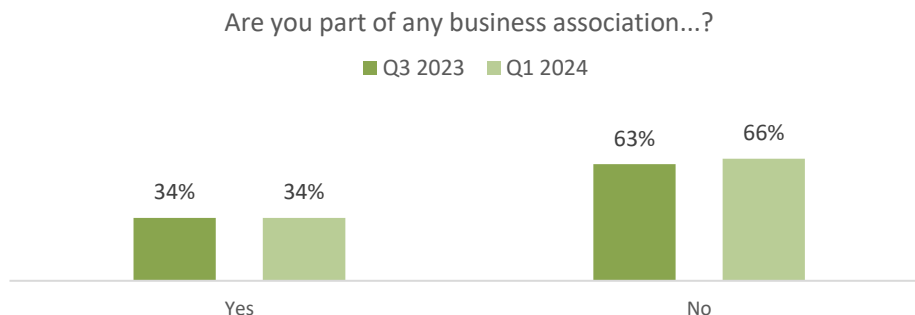
Similarly, businesses were asked, “*Did you have to pay bribe to anyone in past six months to run your business?*” 74% of businesses said ‘no’ to having paid bribes in the last six months.

Paid bribes in past 6 months?



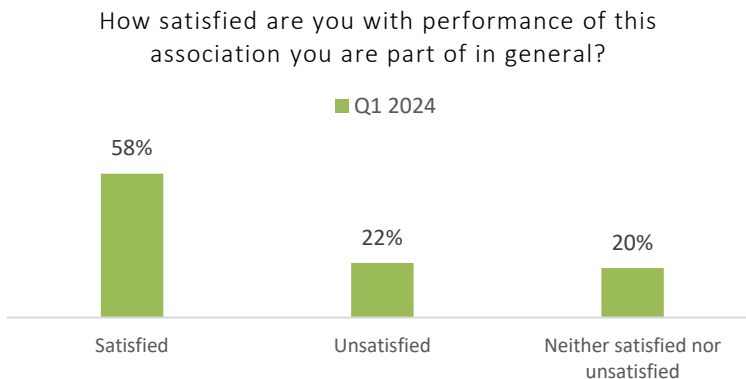
Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

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 (66%) of businesses surveyed for this wave reported that they were not part of any business association, chamber of commerce, or other smaller committee, etc.



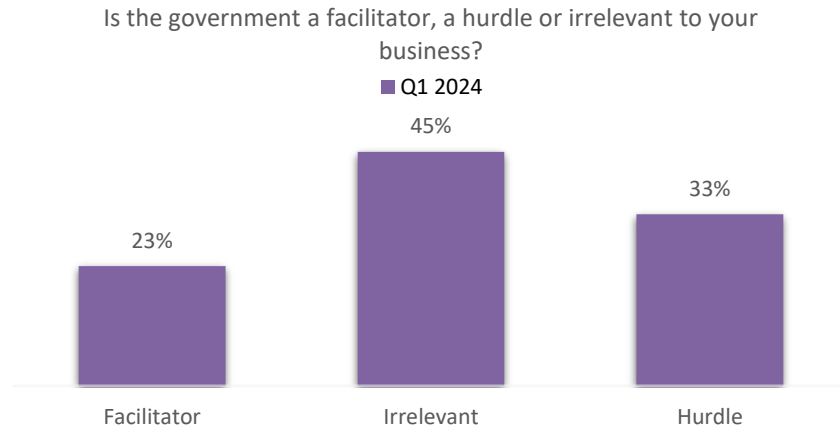
Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

The 34% businesses who were part of an association were asked: *“If yes, how satisfied are you with performance of this association or associations you are part of in general? Are you satisfied, unsatisfied or neither satisfied nor unsatisfied?”* More than half (66%) 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 12, Quarter 1 2024)

It was also inquired, *“Some people think government is a facilitator of businesses like you, others say it is irrelevant, yet others say it is a big hurdle for business like yours. What is your opinion?”* The majority (45%) reported the government being irrelevant for their business, while 23% said it was a facilitator and 33% considered it a hurdle.



Source: Gallup Pakistan Business Confidence Survey (Report 12, Quarter 1 2024)

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
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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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