

PRESS RELEASE

SPECIAL PRESS RELEASE

Business Confidence in Pakistan

Wave 13

Political turmoil and 2024 Budget drive down business optimism for current and future business scores both, pessimism increases regarding the broad direction of the country; Gallup Business Confidence Index for Quarter 2 2024.

A significant proportion of businesses (86%) do not consider the 2024 Budget to be business-friendly, almost 2 in 5 businesses report inflation as the biggest problem faced by them, and a little more than half businesses surveyed (54%) think that the new PMLN government is worse than the previous government in managing the economy.

Gallup Pakistan Business Confidence Index Q2 2024 Report released.

(Islamabad), 25th July, 2024

According to a Gallup Pakistan Survey with business owners in the second quarter of 2024 for the Gallup Business Confidence Index report, there has been a deterioration of confidence in current and future business scores both, caused by political turmoil and the 2024 Budget, and pessimism has increased among the business community regarding the broad direction of the country. Among other salient findings, a significant proportion of businesses (86%) do not consider the 2024 Budget to be business-friendly, almost 2 in 5 businesses report inflation as the biggest problem faced by them, and a little more than half of the businesses (54%) think that the new PMLN government is worse than the previous government in managing the economy.

The survey is the **thirteenth edition** 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 with scientifically and randomly selected 454 businesses across Pakistan. The businesses hailed from over 30 districts of Pakistan and belonged to different sectors and fields of business community. Small, medium and large businesses were included according to their share in national economy.

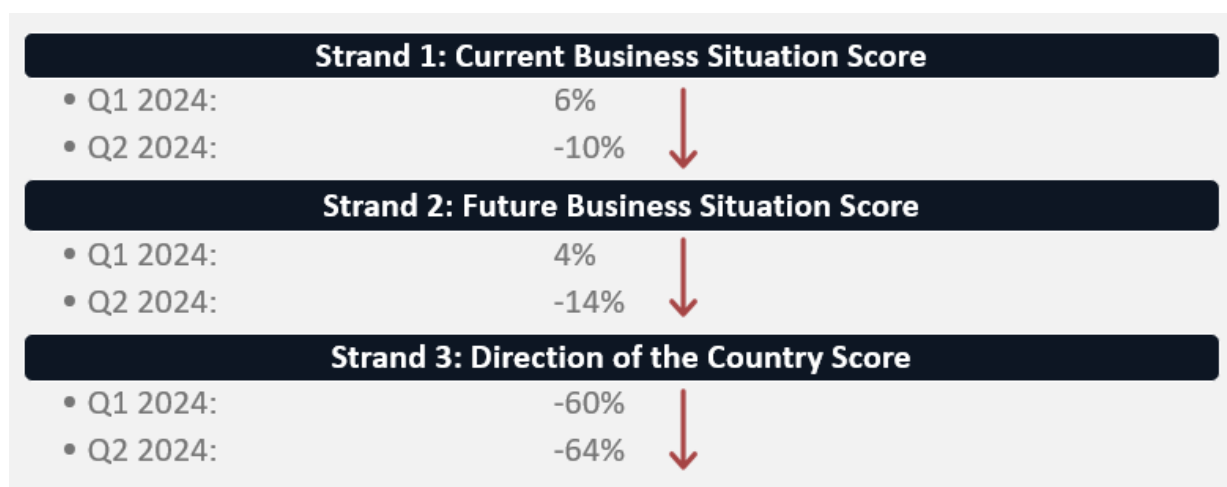
KEY QUESTIONS ANSWERED BY GALLUP BUSINESS CONFIDENCE INDEX:

1. What do businesses think with respect to the current and future state of their organization?
2. Are they hopeful or pessimistic about the direction the country is headed in?
3. Which problems affecting these businesses considerably would they want the government to solve?
4. Have there been changes in the size of the workforce in the businesses?
5. What is their opinion on the latest Budget 2024-25 which was recently passed? Is it a business-friendly budget or not?

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

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

The values were negative for all three strands. The score decreased by 4-10 percentage points in all three strands and is no longer positive for any strand. This indicates a decline in the optimism of businesses with regards to the current conditions, future conditions, and the direction of the country since the first quarter of 2024.



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

Current Business score is unable to maintain the previous Quarter (Q1 2024)'s improvement, the future business situation and direction of country scores continued their downward trajectory; all three strands of Gallup BCI descend into red territory showing that pessimists dominate optimists within business community in Pakistan for second Quarter 2024.

The improvement of the Current Business Score in Q1 2024 was not possible to maintain in Q2 2024, as it plunged into a negative score in Q2. The Future Business and Direction of Country Scores have continued their downward trajectory in Q2 2024, both recording negative scores in the red territory.



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

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

“Owing to continued political uncertainty and the recently announced heavy-on-taxation Federal and Provincial Budgets have had a significant impact on business optimism in the country. The business community, already burdened with various regulatory measures and taxes through direct and indirect means, expressed serious reservations on Budget 2024. Inflation continues to bite the consumer purchasing power, 6 in 10 businesses say they are faced with crippling load shedding, and a majority finds the current economic managers to be worse than their previous counterparts. Governments in Pakistan need to listen and address the voice of business communities across Pakistan.”

11 Key findings from Gallup Business Confidence Index Report Q2 2024 Report

Finding 1: More than half of the businesses (55%) in Q2 2024 perceive themselves to be facing bad or worse conditions – a deterioration of 8% from Q1 2024. Deterioration is observed in Gallup Pakistan Business Situation Net score in Q2 2024 as the negative net score falls to -10%. Pessimistic expectations for future business conditions were prevalent in most businesses during the second quarter of 2024, particularly among those that sell hardware and tools, electrical items, and manufacturing products. Those selling home decor & accessories, gift items (toys and sports related), and cosmetics are among the most optimistic.

Finding 2: In Q2 2024, 10% fewer businesses than in Q1 of 2024 think that their business will be better off in the future; 43% in Q2 2024 said expectations for the future are positive, while 57% expect things to get worse. The Net Future Business Confidence score has decreased by 36% since Q1 2024. Pessimistic expectations for future business conditions were prevalent in the majority of businesses during this quarter, with the exception of shoes/footwear sellers, home décor/accessories shops, and cosmetics sellers which reported more optimism.

Finding 3: 2% more businesses in Quarter 2 of 2024, as compared to Quarter 1 of 2024, think that the country is heading in the wrong direction. Overall trend for the past few quarters is consistently negative. Net Direction of Country score worsens by 4%.

Finding 4: Similar to Q1 2024, inflation is the most cited problem in Q2 that almost 2 in 5 businesses (37%) would like the government to solve. The proportion of businesses that want the government to solve/decrease taxation has increased considerably since Q1 2024 because of tax rate changes in the latest Budget (2024-25).

Finding 5: 43% of the businesses surveyed said that their workforce decreased in Quarter 2, a further reduction of 9% from Quarter 1. More manufacturing businesses than service providers decreased their workforce.

Finding 6: Quarter-to-Quarter reports of loadshedding increase: 16% more businesses in Quarter 2 report loadshedding in their business on the day they were surveyed, owing to heavy load on electricity infrastructure in the country during the summer months. 39% of businesses surveyed said 'no' to loadshedding in Q2, while 61% said yes.

Finding 7: Around 1 in 5 businesses (22%) reported having to pay a bribe to run their business in the past six months, a decrease of 4% from Q1 2024. More manufacturers report having to pay a bribe (25%) than service providers (20%).

Finding 8: 6 out 10 of the businesses (60%) claimed that their sales were worse this year as compared to this time last year. More manufacturers (66%) reported worse sales as compared to service providers (58%).

Finding 9: A little more than half of the surveyed businesses (54%) thought that the PMLN government was worse than the previous government in managing the economy. 23% of manufacturers thought that the PMLN government was the same as the previous government in this regard.

Finding 10: A sweeping majority of businesses (85%) do not consider the 2024 Budget to be a good budget. Manufacturers and service providers are almost on the same page with this verdict.

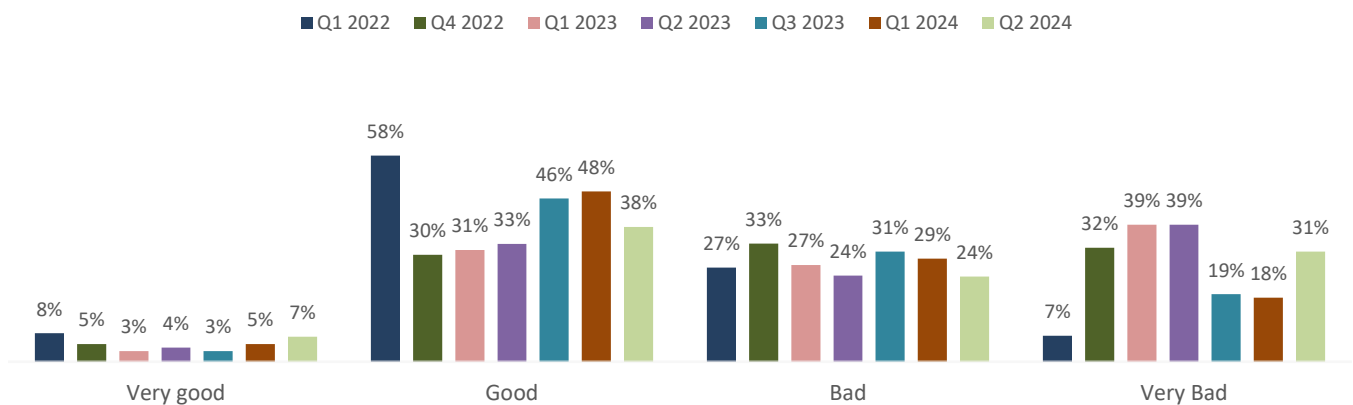
Finding 11: A significant proportion of businesses (86%) do not consider the 2024 Budget to be a business-friendly budget. Fewer manufacturers (11%) than service providers (15%) consider this budget to be business-friendly.

Strand 1: Current Business Conditions

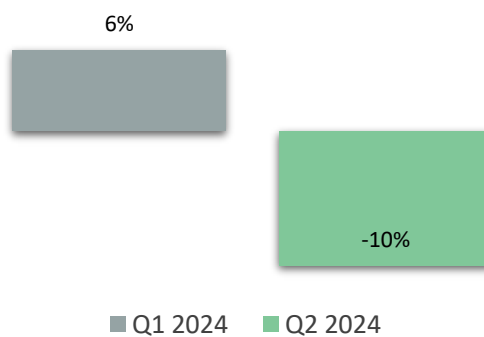
A sample of more than 454 business owners and managers across Pakistan were asked the following question, *“How well is your business doing nowadays? Would you say it is very good, good, bad, or very bad?”*

Since economic crises have been looming since 2022, business confidence remains low overall. National and global challenges have made economic security in Pakistan a distant dream, and resultantly we witness a deterioration of 16 percentage points in the Net Current Business Situation Score.

Trend Analysis - Current Business Conditions



Gallup Pakistan Net Current Business Situation Score



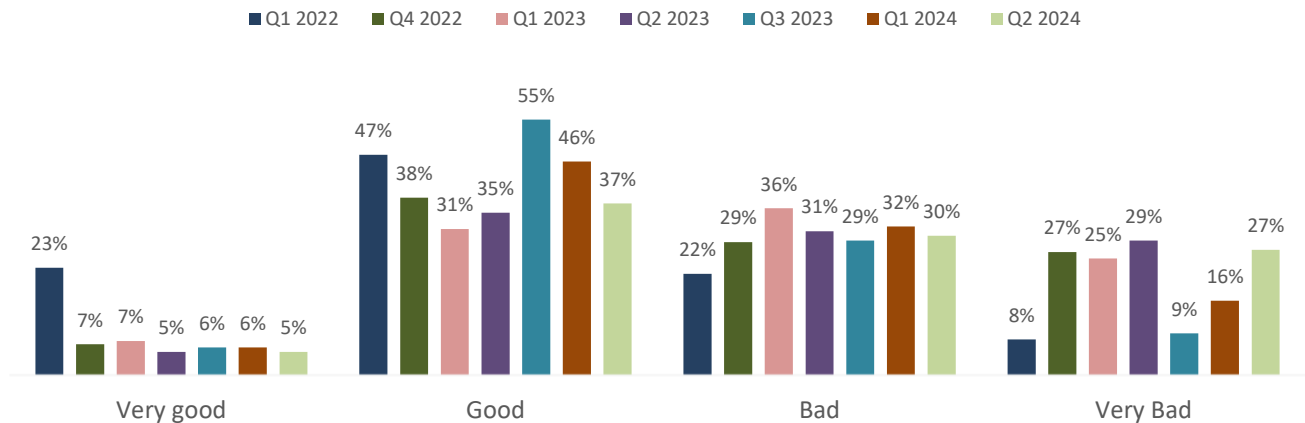
Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

Strand 2: Future Expected Business Conditions

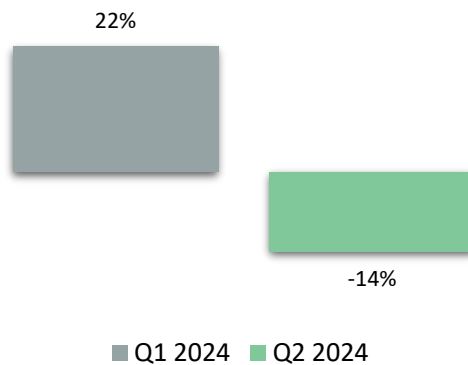
Business owners were further asked, “*What are your expectations for the future of your business compared to the past?*”

Businesses grew more pessimistic about the future; 57% expressed negative expectations for the future, while only 43% expect things to get better. The Net Future Business Confidence score has worsened by 36% since the last quarter and is now at -14%.

Trend Analysis - Future Business Conditions



Gallup Pakistan Future Business Situation Net Score

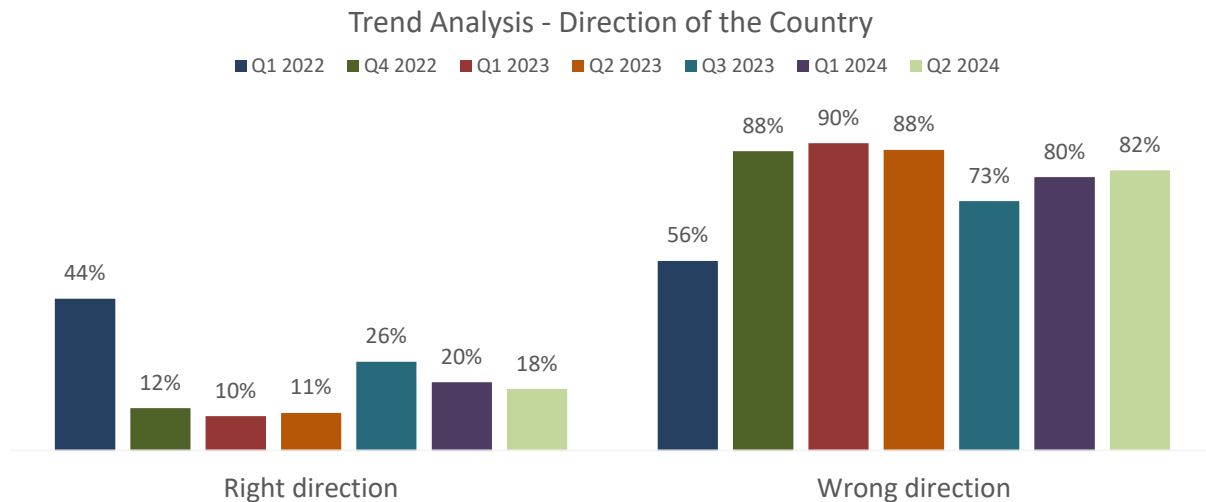


Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

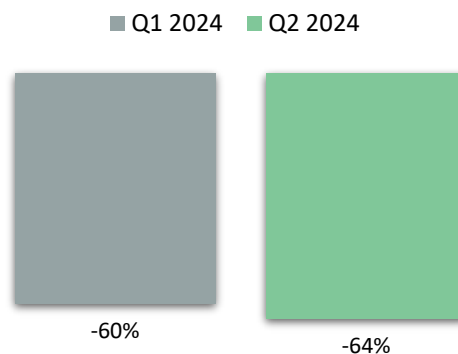
Strand 3: Direction of the Country Score

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; only 18% of respondents claimed that the country is heading in the right direction. The Net Direction of the Country Score has decreased to -64%, worsening by 4-percentage points as compared to the first quarter of 2024.



Gallup Pakistan Direction of the Country Net Score



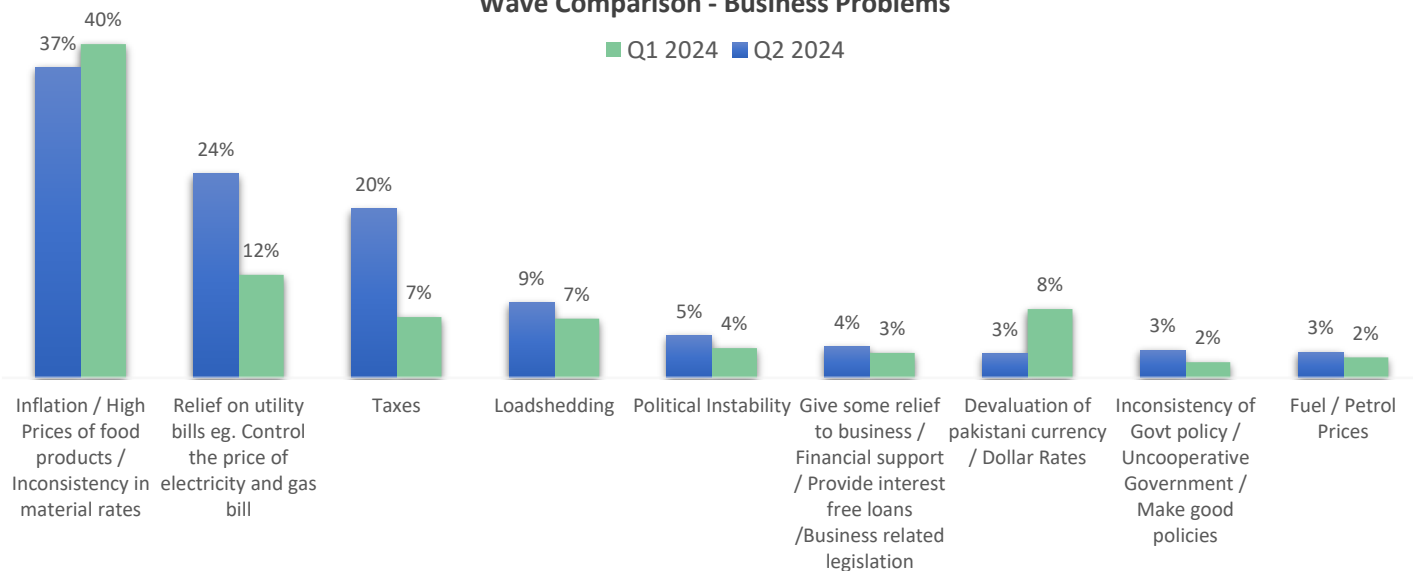
Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

Problems Affecting Businesses in Pakistan

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

Similar to Q1 2024, inflation is the most cited problem in Q2 2024 that almost 2 in 5 businesses (37%) would like the government to solve. The proportion of the businesses that want the government to solve/decrease taxation has increased considerably (a net increase of 13%) since Q1 2024 because of tax rate changes in the latest Budget (2024-25). The concern for relief on utility bills has doubled in Q2 2024 (24%), as compared to Q1 2024 (12%). Devaluation of Pakistani currency has taken a backseat relative to its importance in Q1 2024, while loadshedding has become a greater concern in Q2.

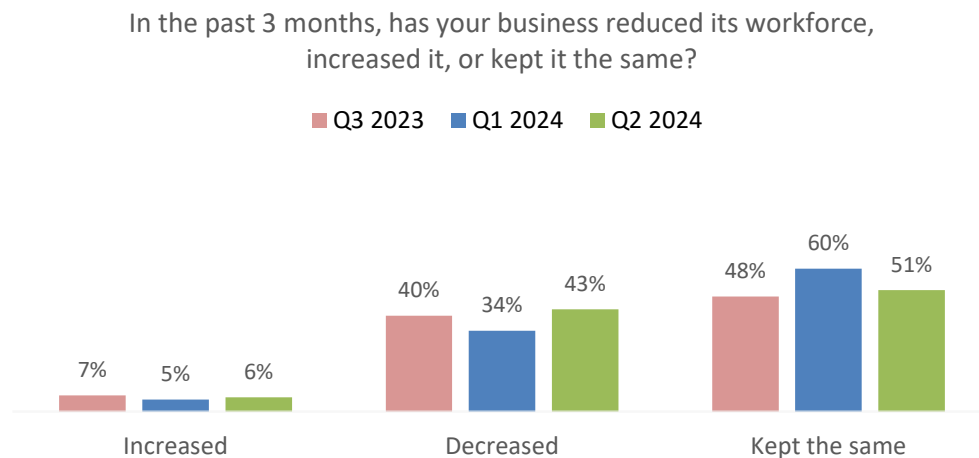
Wave Comparison - Business Problems



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

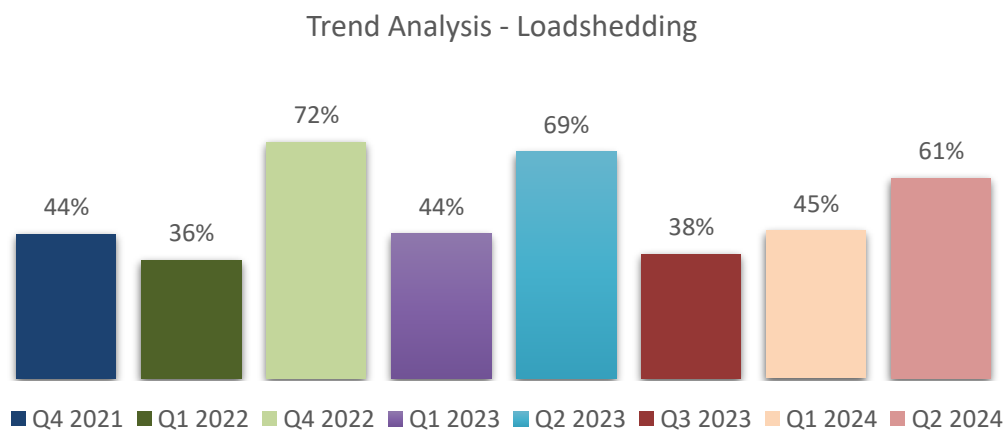
Other Topics Covered:

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?”* around 2 in 5 businesses surveyed reported decreasing their workforce, 9% more than in the first quarter.



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

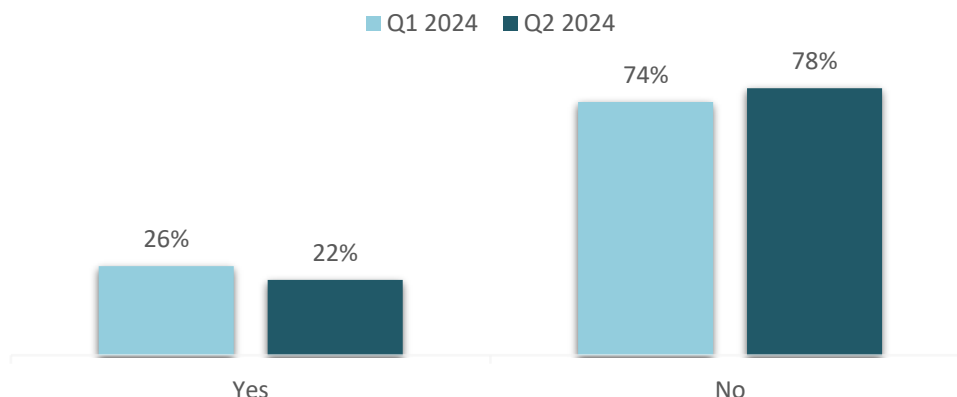
To further explore problems arising from the prevailing economic conditions, businesses were asked, *“Was there loadshedding in your business today?”* 39% of businesses surveyed said ‘no’ to loadshedding in Q2, while 61% said yes. In comparison to Quarter 1, there were 16% more businesses in Quarter 2 reporting loadshedding in their business on the day they were surveyed, owing to heavy load on electricity infrastructure in the country during the summer months.



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

It was also inquired, “*Did you have to pay bribe to anyone in the past six months to run your business?*” Around 1 in 5 businesses (22%) reported having to pay a bribe to run their business in the past six months, a decrease of 4% from Q1 2024. More manufacturers report having to pay a bribe (25%) than service providers (20%).

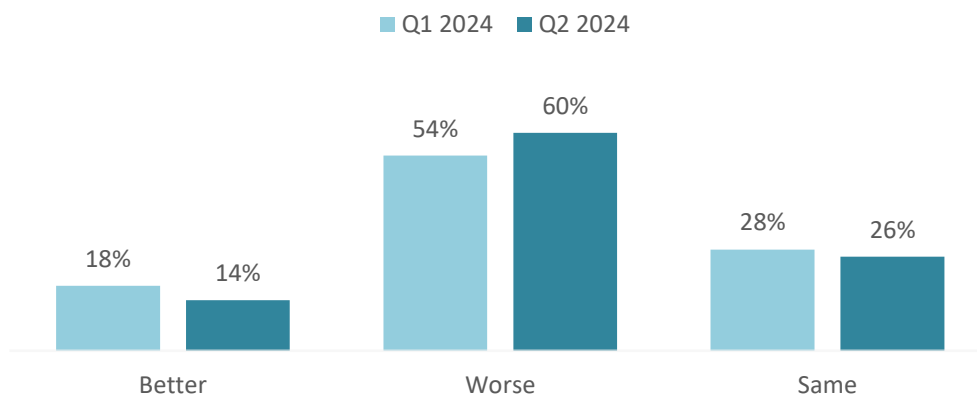
Trend Analysis - Paying bribes in the last six months



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

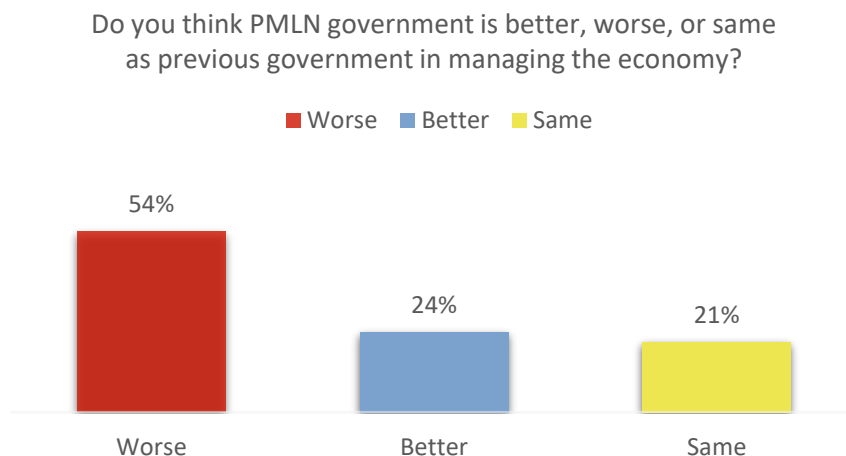
Businesses were asked, “*How are your sales this year as compared to this time last year? Are they better, worse, or the same?*” 6 out of 10 of the businesses (60%) claimed that their sales were worse this year as compared to this time last year. This was a further deterioration of 6% in worse sales, relative to Q1 2024. More manufacturers (66%) reported worse sales as compared to service providers (58%).

How are your sales this year as compared to this time last year?
Are they better, worse, or the same?



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

Businesses were also asked about the new government that was elected in February of 2024: “*Do you think PMLN government is better, worse, or same as previous government in managing the economy?*” A little more than half of the surveyed businesses (54%) thought that the PMLN government was worse than the previous government in managing the economy.

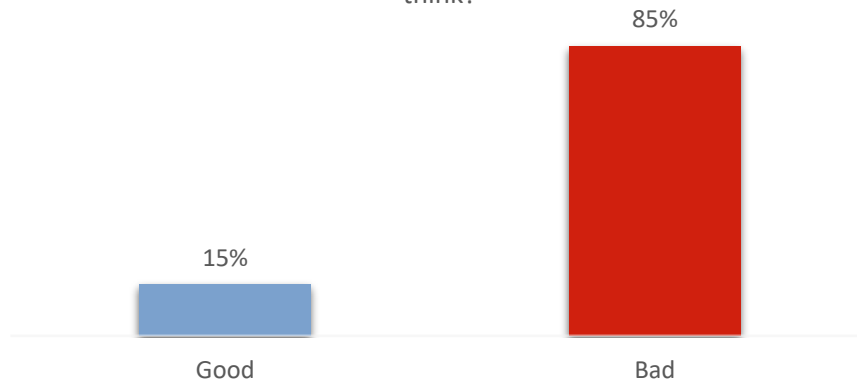


Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

Special Section on the 2024 Budget:

Businesses were also asked about the latest Budget shared by the Government of Pakistan for the fiscal year of 2024-25: *“Budget 2024 was passed. Some people think this is a good budget while others think it is a bad budget. What do you think?”* A sweeping majority of businesses (85%) do not consider the 2024 Budget to be a good budget, with only 15% approving of it. Manufacturers and service providers are almost on the same page with this verdict.

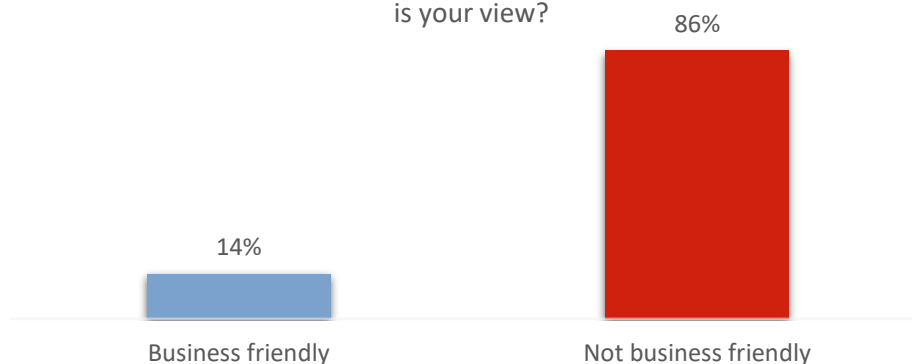
Budget 2024 was passed. Some people think this is a good budget while others think it is a bad budget. What do you think?



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 2024)

Related to the previous question, the businesses being surveyed were asked the following: *“Some people think that the recent budget that was passed is business friendly. Others think it is not business friendly. What is your view?”* A significant proportion of businesses (86%) do not consider the 2024 Budget to be a business-friendly budget, with a small minority (14%) considering it business-friendly. Fewer manufacturers (11%) than service providers (15%) consider this budget to be business-friendly.

Some people think that the recent budget that was passed is business friendly. Others think it is not business friendly. What is your view?



Source: Gallup Pakistan Business Confidence Survey (Report 13, Quarter 2 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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