



Overseas Investors Chamber of Commerce and Industry

Business Confidence Survey Wave 23



(Conducted during
March to April 2023)

Survey Highlights

OICCI (Overseas Investors Chamber of Commerce and Industry) announced the results of the Business Confidence Index Survey (BCI) – Wave 23, conducted throughout the country during March to April 2023. The last edition of this survey, BCI – Wave 22, was done during September to October 2022. 1

Key Findings: State of Business Confidence

- Business confidence stands at -25% in Mar/Apr 2023
- Sharp drop in confidence levels from -4% in Oct/Nov 2022
- Current levels are lowest since Covid Pandemic
- Confidence levels in Retail/Wholesale sector at -35%
- Manufacturing sector see sharpest decline, slides to -19%
- Political instability major driver of low confidence

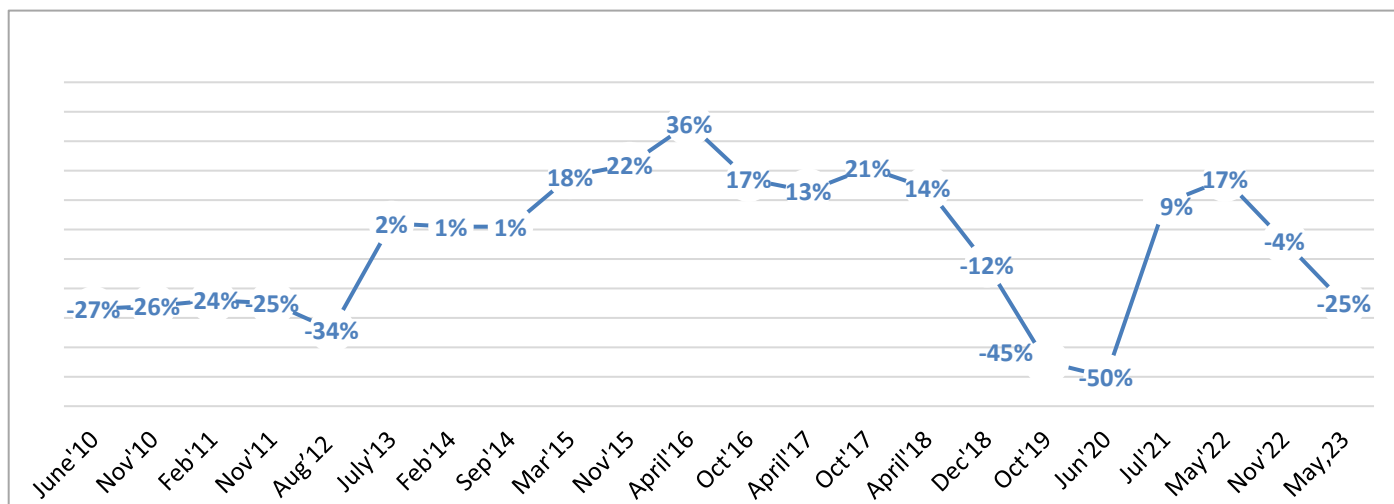
OICCI's BCI Survey, conducted periodically, comprises of comprehensive feedback from the frontline business stakeholders on the environment and opportunities impacting their respective business operations. The feedback covers the business environment at regional, national, sectorial, and business entity levels in the past six months (P6M), as well as the anticipated business and investment environment in the next six months (N6M). This survey is done face to face, across the country, covering participants representing 80 percent of the GDP, with higher weightage given to key business centers like Karachi, Lahore, Islamabad and Faisalabad.

Overall, Business Confidence in Pakistan decreased to negative 25 percent vs negative 4 percent in the previous Wave. A substantial decline in the overall Business Confidence was expected considering the highly challenging political and economic situation during the past six months. The minimal GDP growth, high interest cost, continuing severe controls on import and FX remittances along with super high inflation and the Pak Rupee devaluation to an alarming level have very severely dampened the economy.

The survey sample consisted of 42 percent of respondents from the Manufacturing sector, 35 percent from the Services sector and 23 percent from the retail / wholesale trade. All sectors have recorded a major decline in confidence as compared to the previous wave. However, the biggest drop of 22 percent was noted in the manufacturing sector, making it move from a positive sentiment of 3 percent (Wave 22) to a negative 19 percent (Wave 23). The retailer and wholesaler segment stands at negative 35 percent during wave 23, making it the lowest of all three sectors. The business confidence of the retail / wholesale trade was down by 21 percent, from negative 14 percent (Wave 22) to negative 35 percent (Wave 23) whereas business confidence of services sector declined by 18 percent, (from negative 8 percent to negative 26 percent).

The survey was conducted by an internationally renowned pollster for Overseas Investors Chamber of Commerce and Industry (OICCI).

Business Confidence Score



Key Factors Impacting the BCI – Wave 23:

The main driving force for the negative business confidence during wave 23, as reported by the respondents, is the gloomy business outlook for the next 6 months (N6M). The significant changes that were seen during this wave 23 were on the following measures:

- **Pakistan business situation in N6M: -25%**
- **Company business situation in N6M: -27%**
- **Expansion of Business in N6M: -26%**
- **Capital Investment in N6M: -28%**
- **Sales Volume Increase in N6M: -25%**
- **Profit Increase in N6M: -26%**
- **ROI increase in N6M: -34%**
- **Increase in employees in Past Six Month (P6M): -24%**
- Overall, more than three-fourth (75 percent vs 56 percent in previous wave) survey respondents were negative on the business environment in the past six months and going forward 23 percent (vs only 2 percent in the previous survey) were negative for the next six months.
- The BCI of four key metro cities (Karachi, Lahore, Islamabad, and Faisalabad) also recorded a decline of 16 percent, going down from negative 5 percent in Wave 22 to negative 21 percent in wave 23.
- The main drivers of this decrease for the next 6 months' outlook are the expected decrease in return on investment, negative growth for businesses and hence, expected decline in sales volume.
- Non-Metro cities (Peshawar, Quetta, Rawalpindi, Multan, Sialkot, and Sukkur) BCI stood at negative 39 percent compared to negative 21 percent in wave 22, reflecting a decline of 18 percent.

OICCI Business Confidence Survey – Wave 23: May 2023

Given below is a brief list of key factors highlighted by the survey respondents.

Respondents who were Pessimistic/Negative

The 83 percent respondents had a negative outlook of Pakistan's business situation in the past 6 months due to political instability, increase in fuel and electricity cost, super high inflation, PKR devaluation and last but not the least ineffective commercial and trade policies. Around half of these respondents feel similar conditions will persist in the next 6 months.

Key Factors for Decline		
Past Six Months		
Wave 22	Ranks	Wave 23
Political instability	1	Political instability
Pak Rupee Devaluation	2	Increase in fuel prices
Increase in fuel prices	3	High Inflation
Energy Situation/ High electricity cost	4	Pak Rupee Devaluation
Ineffective commercial and trade policies	5	Energy Situation/ High electricity cost
Worse Law and order situation	6	Ineffective commercial and trade policies

Next Six Months		
Wave 22	Ranks	Wave 23
Political Instability	1	Political Instability
Increase in fuel prices	2	Pak Rupee Devaluation
Pak Rupee Devaluation	3	Increase in fuel prices
Energy Situation (inadequate supply of Gas, Electricity)	4	High Inflation
Ineffective commercial and trade policies	5	Ineffective commercial and trade policies
Inflation	6	Energy Situation (inadequate supply of Gas, Electricity)

Respondents who are Optimistic/Positive

Only 9 percent respondents shared a positive outlook about Pakistan's overall business situation, in the past 6 months, while 27 percent were optimistic for the next 6 months mainly due to the expected increase in the size of global market, betterment in government policies and further improvement in the law-and-order situation.

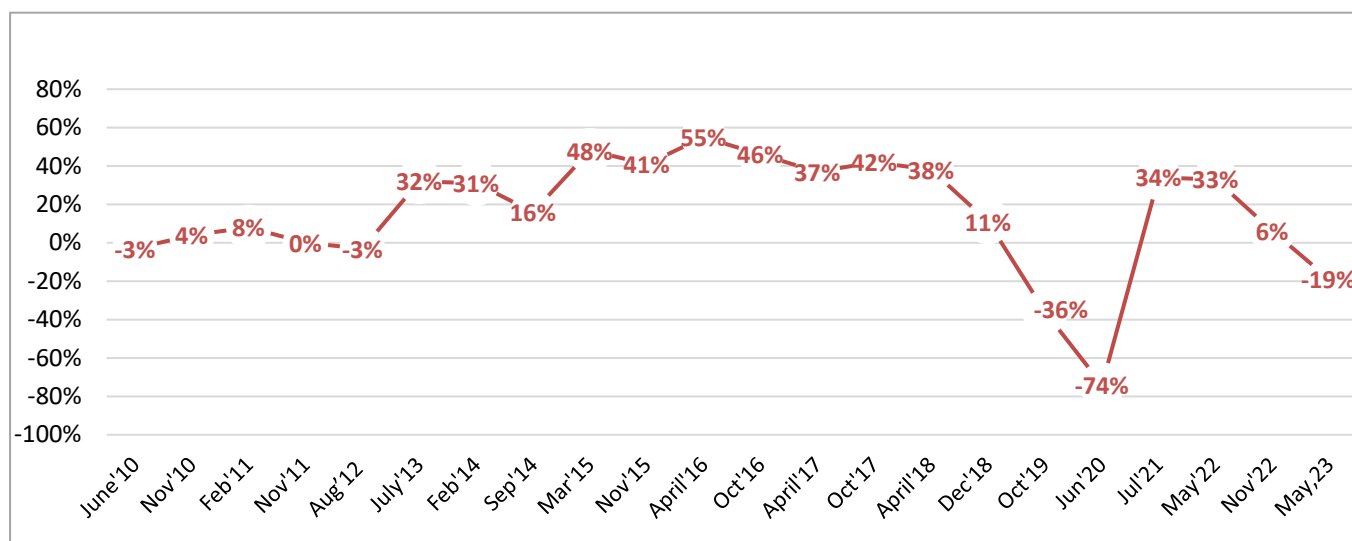
Key Factors for Increase		
Past Six Months		
Wave 22	Ranks	Wave 23
Better Government policies	1	Improvement in Law-and-order situation
Economic growth	2	Economic growth
Improve Energy Situation (Adequate supply of Gas, Electricity etc)	3	Improve Energy Situation (Adequate supply of Gas, Electricity etc)
Improvement in Law and-order situation	4	Investment Climate (Foreign investment in Country)
Investment Climate (Foreign investment in Country)	5	Better Government policies
International Perception of Pakistan	6	International Perception of Pakistan

Next Six Months		
Wave 22	Ranks	Wave 23
Increase in Global Market	1	Increase in Global Market
Economic Growth	2	Better Government Policies
Decline in Oil Prices	3	Improvement in Law-and-order situation
Better Government Policies	4	Decline in Oil Prices
Increase in Business due to global peace situation	5	Increase in Business due to global peace situation
Decline in Energy Crises	6	Economic Growth

OICCI Business Confidence Survey – Wave 23: May 2023

BCI OF OICCI MEMBERS (Foreign Investors):

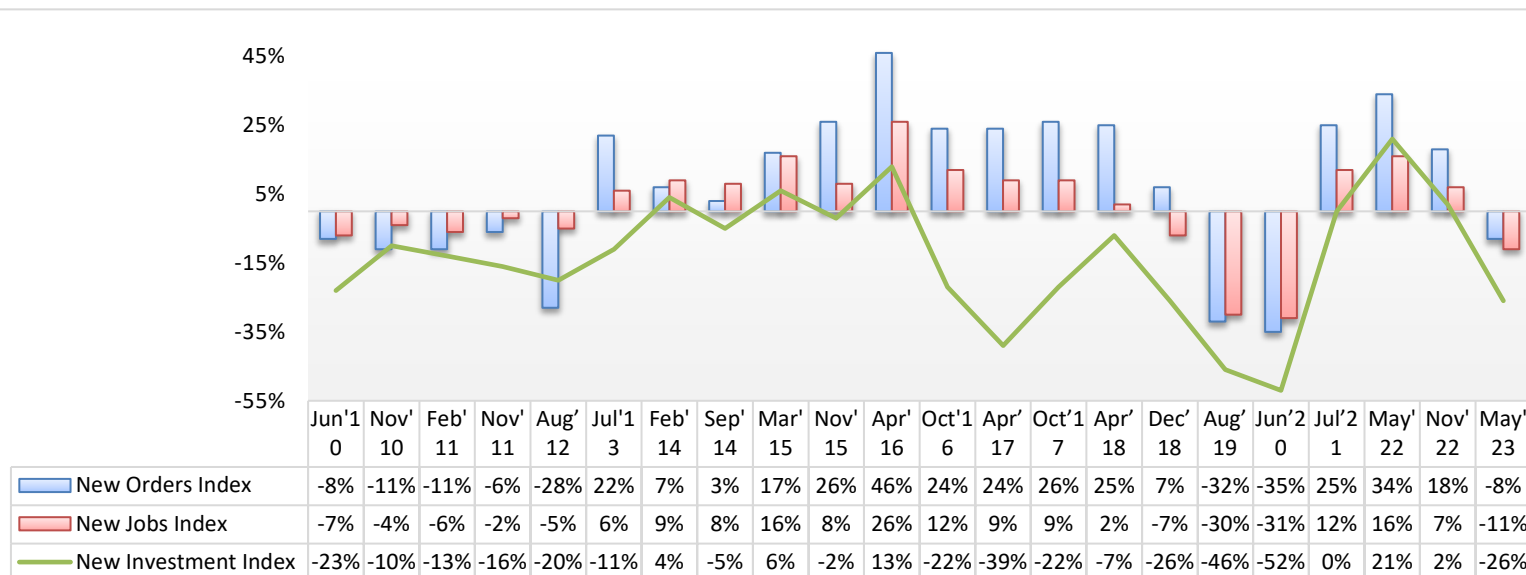
The overall BCI of a limited number of OICCI members, randomly selected as part of the survey, stands at negative 19 percent substantially lower to positive 6 percent in the previous wave. Even though OICCI members' business confidence stands negative but still optimistic than non-members and that has been a trend for a long period.



Future Business Outlook

New Orders, Investment and Jobs Indices

In line with the drop of business confidence as of May 2023, the survey recorded a noticeable drop in the New Orders, New Jobs and New Investment index as reflected below:



Expansion (New Orders): Confidence index in respect of expansion plans of businesses in next six months has declined to negative 8 percent vs positive 18 percent in W22. The sectorial expansion plans also showed decreasing trend of retail sector at negative 15 percent, followed by service sector at negative 7 percent and manufacturing by negative 3 percent, which dropped by 33 percent from positive 30 in the last wave, mainly due to import and LC restrictions.

New Jobs/ Employment Opportunities: Employment opportunities are expected to decrease by 18 percent whereas it was expected to increase by 7 percent in the corresponding period. Around 43 percent of the respondents cited a decrease in total employment in the past six months.

New investment: Capital Investment plans, for the next 6 months, have decreased significantly to negative 26 percent vs positive 2 percent in the last wave, recording a drop of 28 percent. While only one-fourth of the respondents indicated new investment, out of which only 45% of the respondents are willing to invest not more than 25 million in the next 12 months. Manufacturing & Retail sectors sentiments are majorly impacted, whereas Service sector have remained comparatively stable in this regard.

Key Threats to Business Growth

More than three quarter of the respondents identified that the current economic situation will be adversely affecting their businesses while about half of the respondents' raised concerns over restriction on LCs, which will result in a circular impact on inflation, taxation, and currency devaluation.

Going forward, the respondents identified the following key threats, in order of priority, amongst which the top three remained consistent to last wave.



CONFIDENCE IN FOREIGN DIRECT INVESTMENT IN PAKISTAN:

Foreign direct investment (FDI) has been decreasing in Pakistan for past few years. Many of the survey respondents consider the high cost of doing business, improper implementation of policies, and security concerns among the key factors inhibiting large FDI in the country.

About OICCI

The OICCI is the collective voice of major foreign investors in Pakistan. Over 200 OICCI members, from more than 30 different countries, have a presence in 14 sectors of the economy and contribute over one-third of Pakistan's total tax revenue, besides facilitating transfer of technology and skills and providing employment to a sizeable number of people. About a third of OICCI member companies are listed on the Pakistan Stock Exchange and 40 members are associates of the Global Fortune 500 companies. Besides their business operations the OICCI members realize their corporate social responsibilities and are major contributors to various CSR activities benefiting 46 million persons from underprivileged communities.