

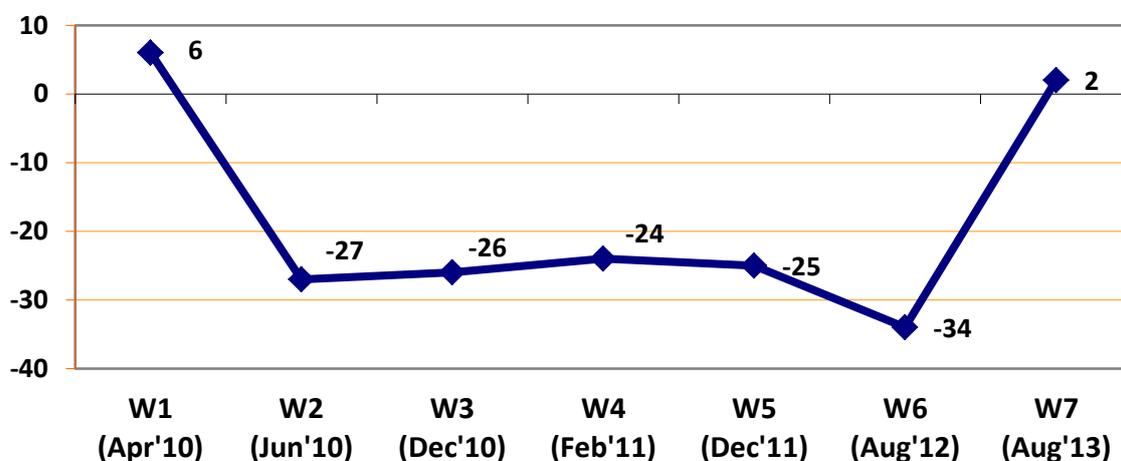
## HIGHLIGHTS

### OICCI's Business Confidence Index shows dramatic upswing in the Business sentiment

There is remarkable buoyancy in business circles coinciding with the change of government through a peaceful and orderly transition in May 2013. Business sentiments have gone up dramatically from minus -34% in August 2012 to 2% positive in July 2013.

This was revealed in the 7<sup>th</sup> Wave Business Confidence Index (BCI) survey sponsored by the Overseas Investors Chamber of Commerce and Industry (OICCI). The survey is largely attitudinal and is carried out bi-annually to evaluate business sentiment. The survey reflects feedback from a cross section of business people representing approximately 80 % of the GDP and operating in across Pakistan.

The latest BCI survey results are largely in line with the feelings of OICCI members. The turnaround in sentiment appears to be influenced by the perception of PML (N) as a “business friendly” political party which is experienced and is expected to exercise good governance and astute business sense to manage the economy. Moreover, the consistent downward trend in inflation in the past twelve months, from 10.8% in July 2012 to 7.4% in June 2013, with expectations that it will remain at single digit has also been a contributor for the positive feeling.



#### **Business confidence back in positive territory**

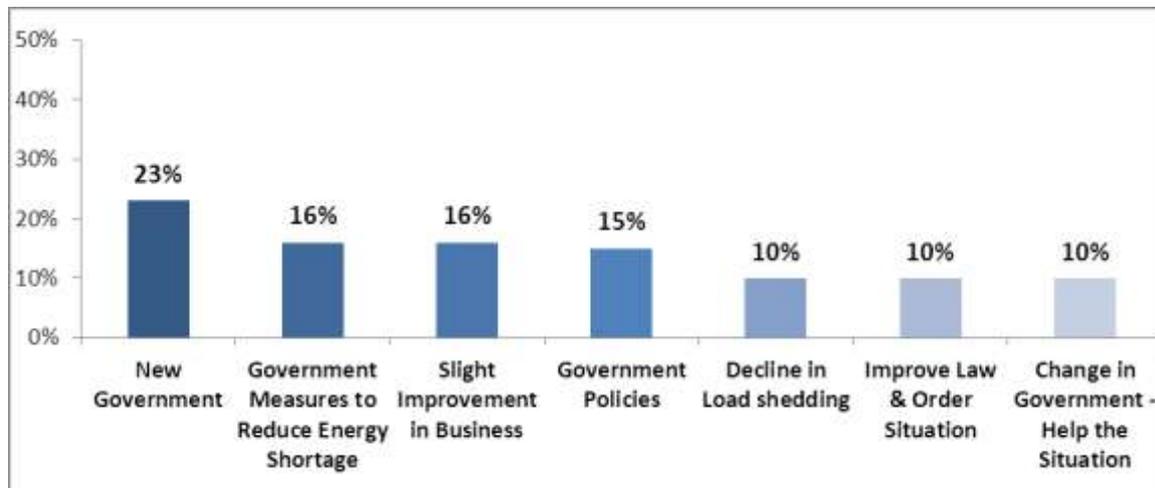
*The Confidence Index is the net of positive and negative responses*

*(Wave 7: Positive Response 31% - Negative Response 29% = 2%, Remaining 40% were neutral)*

Compared to the 6th Wave BCI survey, Manufacturing sector recorded the biggest turnaround with confidence changing in the 7th Wave from minus -37% to +4%, followed by Retail sector that has changed from minus -48% to minus -6%, and Services sector trailing last amongst the three sectors, but still recording significant increase in confidence from minus -17% to +5%.

The positive sentiment is fueled mainly by the perception that the new government will take appropriate measures to reduce load shedding, effectively tackle the law and order situation and generally improve governance.

### Reasons of improvement in Business Situation: Next 6 Months



Business entities consider load shedding, corruption, law and order problems, increase in cost of doing business, and ineffective implementation of government policies as the biggest challenges that have hampered growth in last six months.

More than 40% of respondents have a positive outlook on Foreign Direct Investment (FDI) and estimate a higher inflow of FDI, roughly US\$ 3 billion, during the current year with manufacturing sector as the major beneficiary.

Similarly, 48% respondents have plans to increase capital investment in next six months. Business entities that are hoping to expand their business have a positive outlook about increase in sales volume, profit and Return on Investment (ROI).

Majority of the survey respondents believe that the Federal Budget 2013 -14 will produce negative or no impact on their businesses.

60% of business entities are confident that federal / provincial governments will take measures to improve security situation in Punjab, KPK, Balochistan, and Gilgit Baltistan. Business community in Karachi is least confident about improvement in Karachi / Sindh security situation.

The survey results offer a great opportunity for the Federal and Provincial Government's to listen to the important and unbiased feedback from the business community and streamline governance and security situation to make Pakistan more business friendly and attractive for large FDI inflows which it rightly deserves.

The BCI is the only survey which measures business sentiment at equal time intervals and provides a valuable gauge for policy makers as well as all stakeholders in the country's economy.