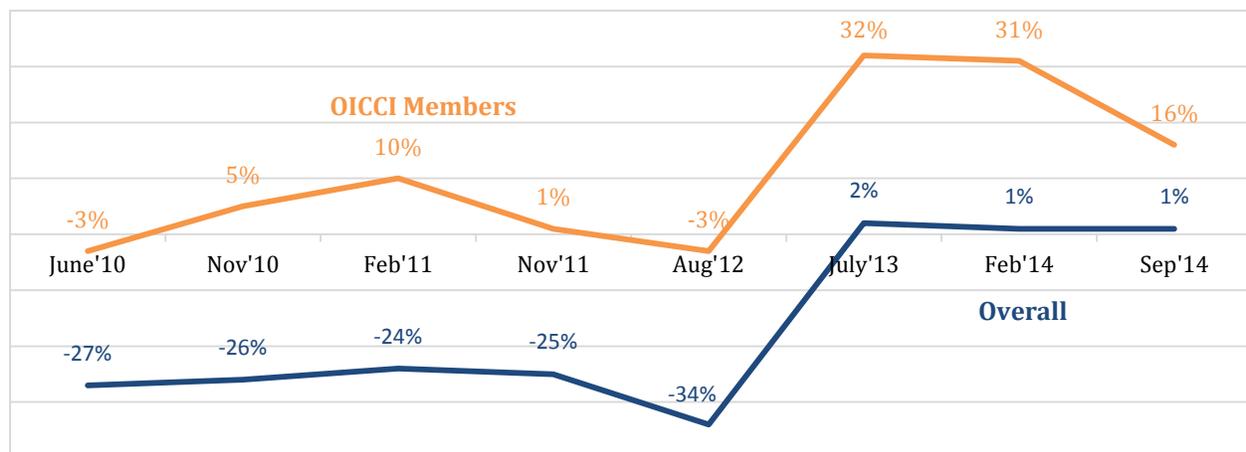


OICCI Business Confidence Index Wave 9: HIGHLIGHTS

OICCI has announced the results of the Business Confidence Index Survey (BCI) wave 9 conducted throughout the country in September 2014. The overall BCI score was recorded at positive 1%, same as Wave 8 result in March 2014. The business confidence has remained steadfast despite rise in political, energy and economic challenges. However, divergent trends were witnessed across the different sectors.

The confidence level of OICCI members participating in the BCI, however, showed a noticeable decline from 31% in March 2014 to 16% in the latest wave 9 survey.

Business Confidence Score – Graph 1



The business confidence of manufacturing sector declined sharply to 5% in September 2014 from positive 12% in March, depicting move back to a contracting cycle. The Retail sector also recorded a marginal decline in confidence and also remained in a contracting cycle. The overall score was largely boosted by the pickup in confidence of the Services industry, which was recorded at positive 7% in September 2014 vs. negative 3% in March.

Going forward, the business confidence for the next six months is largely negative except for services sector which is expecting better business environment. While 54% businesses expect that their operations will remain the same over the next six months whereas 30% expect an increase. This is similar to the expectations in previous survey in March 2014.

While the overall business confidence is positive but it is on the border line and this throws a serious challenge to the authorities in the federal and provincial governments to keep focus on good governance and create an enabling and business friendly environment.

Business Confidence – Past 6 Months

Overall, the business confidence scores have improved within the country over the past six months. Respondents showed more confidence at all levels (country level, city level, industry level, and own company level). The confidence in global business community has declined by 4% compared to March 2014. Although there is improvement in scores, the confidence level is below 0% mark. This is true for all three sectors.

The biggest challenges, faced by businesses, during the past six months were energy crisis (39%) and law and order problems (35%). There was a significant increase in respondents, who cited inflation (35%), and rules and regulations (9%) as causes of deteriorating business conditions. The growth/decline in number of employees is almost identical to that witnessed in the last wave (March 2014).

Business Confidence – Next 6 Months

Compared to March 2014, businesses think the future is bleaker. Business confidence has decreased across all levels (global, country, industry, city, own company). This shows that businesses do not see a bright future in next six months. However services sector is positive and has shown higher and improved confidence compared to March 2014.

32% businesses in the survey are expecting an improvement in business situation mainly because they are expecting an improvement in law and order situations (46%) and are also hopeful with the government’s new projects (34%).

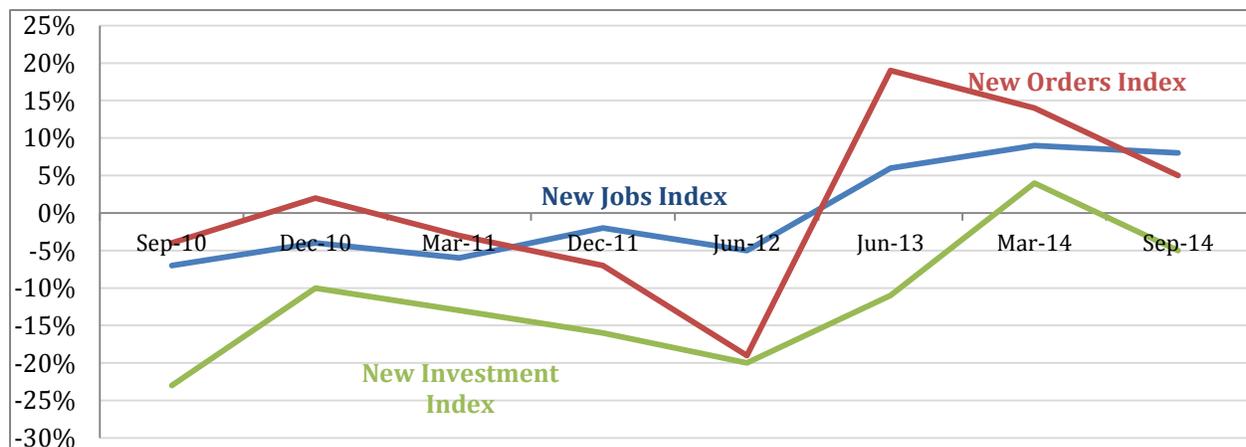
34% businesses expecting a decline in future are worried because of energy issues (38%), inflation (36%), political instability (19%), poor government facilities (13%), and poor government policies (11%).

Over the next six months, businesses foresee energy crisis and law and order as the two biggest challenges. Most of the companies believe that their employment levels will remain constant over the next six months.

Future Business Outlook

Another focus of this wave 9 was to gauge the investment appetite of the respondents. It was observed that the economy is still in an expansionary mode but with a downward trend. Against 38% in the previous survey only 30% respondents expect the business to expand in the next six months. Only 24% of the respondents have plans for capital investment to expand capacity while the remaining 76% have no plan for expansion. When questioned to share reasons for not expanding, the energy shortage, security concern, government policy and high cost of financing were highlighted as major impediments.

New orders, Investment and Job Index – Graph 2



Most of the businesses are neutral to youth business loan schemes, GSP Plus membership and banking credit. Businesses are neutral to the availability of banking credit because it is not the main source of funding for their investment plans. These factors were rated low on importance.

About 31% business entities expect FDI to come to Pakistan, mainly in Energy and infrastructure development sectors.

Confidence in Government

About 36% business entities are confident on federal government to improve business situation in next 1-2 years. The confidence increases to 43% with the increase in duration of government (i.e. in next 3-5 years). Retailers have the highest level of distrust in the current government, while manufacturers have the highest level of trust in the government. The top ranked law and order issue impacting the business negatively is kidnapping for ransom.

About OICCI

OICCI is the collective voice of 195 leading foreign investors belonging to 35 countries and include several Fortune 500 companies operating locally. OICCI members collectively contribute approximately one-third of the total revenues collected in the country besides facilitating transfer of technology and skills and providing employment to a sizeable number of people. For further information, please contact shaiq.queshi@oicci.org or visit www.oicci.org.