



# BUSINESS CONFIDENCE SURVEY

WAVE 24

CONDUCTED DURING  
**NOVEMBER 2023**

### Survey Highlights

The Overseas Investors Chamber of Commerce and Industry (OICCI) has released the results of the Business Confidence Index Survey (BCI) – Wave 24, conducted throughout Pakistan from October to November 2023. The previous survey, BCI – Wave 23, was conducted during March to April 2023.

#### Key Findings: State of Business Confidence

- Overall, Business confidence stands at negative 18% in Oct/Nov 2023 vs negative 25% in Apr/May 2023, reflecting improvement by 7%.
- Manufacturing sector confidence is negative 10 % vs negative 19% in previous survey. Similarly, good improvement has been recorded in the Services sector, reporting negative 18% vs negative 26% earlier.
- Business confidence of Retail/Wholesale sector remained lowest at negative 31% vs negative 35% in the last survey.

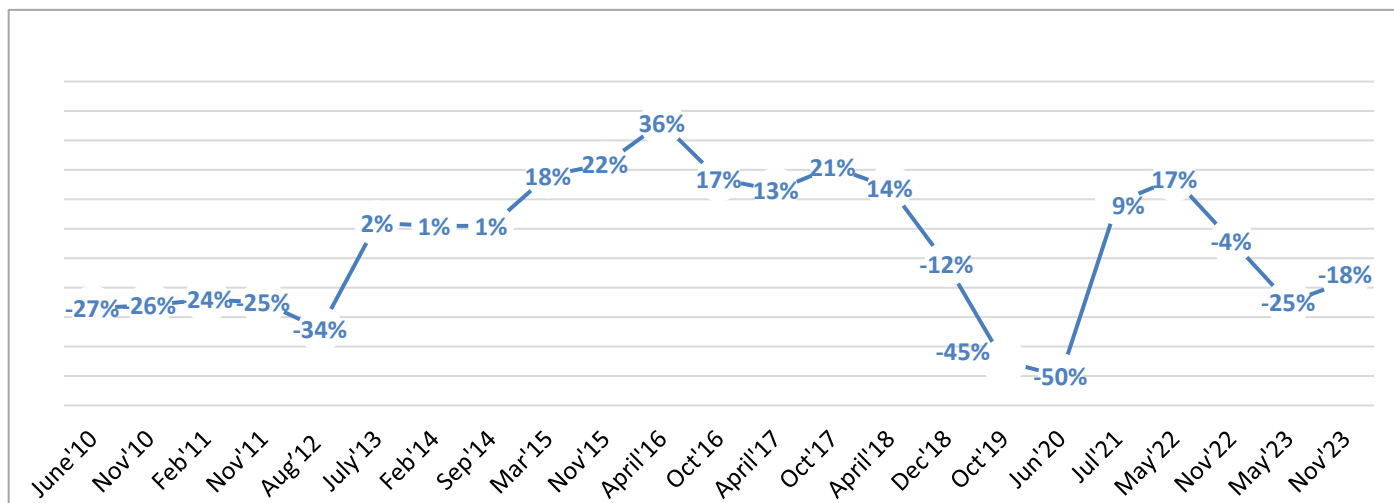
OICCI's BCI Survey, conducted periodically, incorporates comprehensive feedback from frontline business stakeholders on the environment and opportunities impacting their respective operations. The survey covers the business environment at regional, national, sectorial, and business entity levels in the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

Overall, Business Confidence in Pakistan has improved to negative 18 percent compared to negative 25 percent in the previous Wave. This improvement is attributed to positive changes in the political and economic situation in the past few months. Stable macroeconomic indicators, such as Forex rates and inflation, combined with the positive performance of the Pakistan Stock Exchange, have notably contributed to fostering business confidence among the respondents.

The survey sample comprised 43 percent respondents from the Manufacturing sector, 34 percent from the Services sector, and 23 percent from the retail/wholesale trade. Within sectors, all have reflected improved confidence compared to the previous wave, with the most significant improvements seen in the manufacturing and service sectors, at about 9% and 8%, respectively.

The survey was conducted by an internationally renowned pollster for the OICCI.

*Business Confidence Score – Profile since inception in June 2010*



## Key Factors Impacting the BCI – Wave 24:

The main driving force for the improvement in business confidence during Wave 24, as reported by the respondents, is the positive business outlook for the next 6 months (N6M). This is mainly based on the gradually improving economic and political situation in the country. The significant changes that were seen during Wave 24 were on the following measures:

- **Pakistan business situation in N6M: 18% (-5% vs -23%)**
- **Company business situation in N6M: 16% (17% vs 1%)**
- **Industry business situation in N6M: 16% (13% vs -3%)**
- **City business situation in N6M: 14% (3% vs -11%)**
- **Expansion of Business in N6M: 14% (6% vs -8%)**
- **Capital Investment in N6M: 22% (-4% vs -26%)**
- **Profit increase in N6M: 14% (-2% vs -16%)**
- **ROI increase in N6M: 18% (-9% vs -27%)**

During Wave 24, improvement was noted in two-thirds of the parameters, with Capital Investment and Pakistan business situation in the next 6 months being the biggest contributors. The positive performance of the Pakistan Stock Exchange, crossing the benchmark of 50,000 points in October, for the first time in six years, also boosted the confidence level.

The **BCI of four key metro cities** (Karachi, Lahore, Islamabad, and Faisalabad) collectively experienced a notable enhancement of 6% during Wave 24, moving to negative 15%, compared to negative 21% in the last wave. This upswing is driven by an optimistic outlook for the next six months, particularly concerning the business climate in Pakistan and the industry. Positive trajectory is further fueled by anticipated gains in return on investment and a concurrent increase in capital investments.

The **BCI of non-Metro cities** (Peshawar, Quetta, Rawalpindi, Multan, Sialkot and Sukkur) during Wave 24 is currently negative 29%, marking an improvement of 10% since Wave 23. Almost all attributes increased, collectively pulling confidence. The prominent reasons include increased confidence to make capital investment due to significant improvements in the stock market and overall business situation.



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

## Respondents who were Pessimistic/Negative

Key Factors for Decline					
Past Six Months			Next Six Months		
Wave 23	Ranks	Wave 24	Wave 23	Ranks	Wave 24
Political instability	1	Political instability	Political Instability	1	High Inflation
Increase in fuel prices	2	Increase in fuel prices	Pak Rupee Devaluation	2	Political Instability
High Inflation	3	High Inflation	Increase in fuel prices	3	Energy Situation (inadequate supply of Gas, Electricity)
Pak Rupee Devaluation	4	Energy Situation/ High electricity cost	High Inflation	4	Increase in fuel prices
Energy Situation/ High electricity cost	5	Pak Rupee Devaluation	Ineffective commercial and trade policies	5	Pak Rupee Devaluation
Ineffective commercial and trade policies	6	Ineffective commercial and trade policies	Energy Situation (inadequate supply of Gas, Electricity)	6	Ineffective commercial and trade policies

- 41 percent respondents had a negative outlook on Pakistan’s business situation in the next six month in Wave 24 (9 percent less than those in Wave 23), while the outlook for past six months remained unchanged from previous wave.
- Reasons include political instability, increase in fuel and electricity costs, high inflation, PKR devaluation, and ineffective commercial and trade policies.

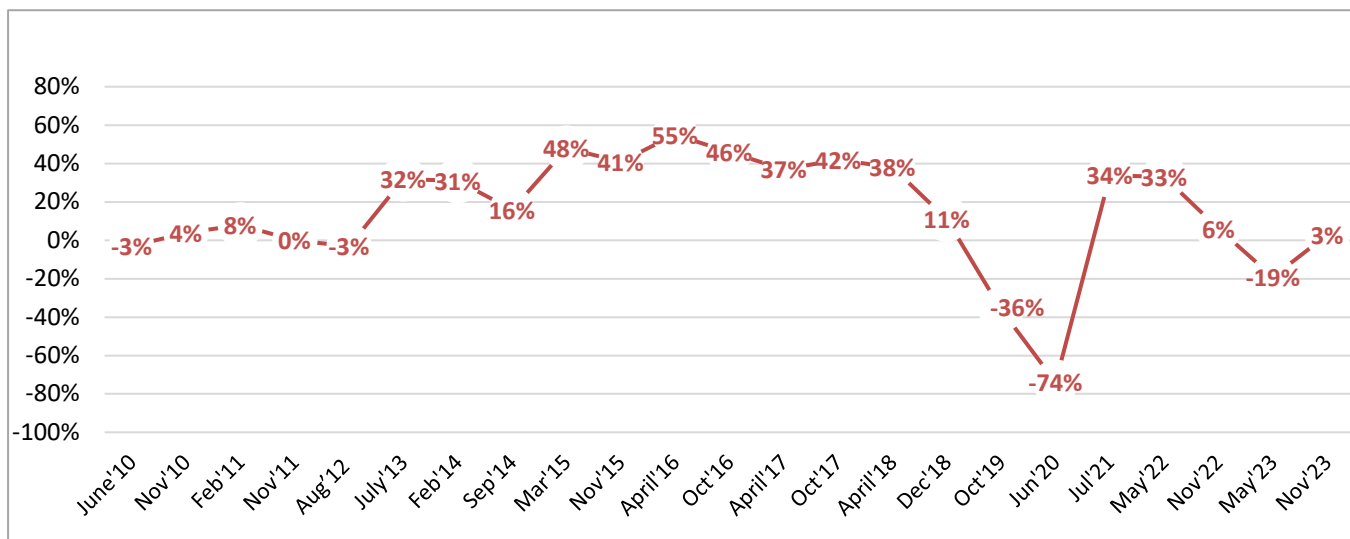
## Respondents who are Optimistic/Positive

Key Factors for Increase					
Past Six Months			Next Six Months		
Wave 23	Ranks	Wave 24	Wave 23	Ranks	Wave 24
Improvement in Law-and-order situation	1	Improvement in Law-and-order situation	Increase in Global Market	1	Decline in Oil Price
Economic growth	2	Better Government policies	Better Government Policies	2	Increase in Global Market
Improve Energy Situation (Adequate supply of Gas, Electricity etc)	3	Economic growth	Improvement in Law-and-order situation	3	Better Government Policies
Investment Climate (Foreign investment in Country)	4	Improve Energy Situation (Adequate supply of Gas, Electricity etc)	Decline in Oil Prices	4	Increase in Business due to global peace situation
Better Government policies	5	Investment Climate (Foreign investment in Country)	Increase in Business due to global peace situation	5	Decrease in Prices/Inflation
International Perception of Pakistan	6	International Perception of Pakistan	Economic Growth	6	Economic Growth

- 36 percent were optimistic for the next 6 months in Wave 24 vs 27 percent in the previous wave.
- Respondents cited expected decline in fuel prices, increase in the size of the global market, betterment in government policies, expected decline in price inflation, and economic growth as reasons for the positive outlook.

## BCI OF OICCI MEMBERS (Foreign Investors):

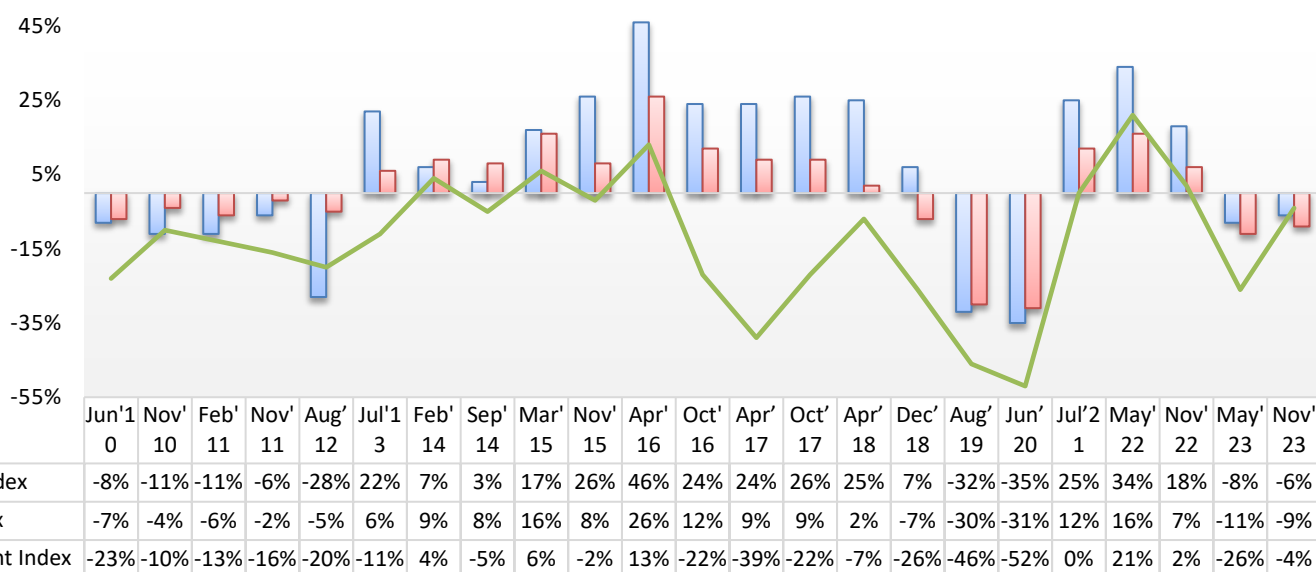
The overall BCI of a limited number of OICCI members, randomly selected as part of the survey, stands at positive 3 percent, substantially improved compared to negative 19 percent in the previous wave. OICCI members' business confidence is far better than non-members, with a 15% jump in the positive scores and a 9% drop in negative scores contributing to an overall improvement of 22%.



## Future Business Outlook

### New Orders, Investment and Jobs Indices

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



**Expansion (New Orders):** Businesses remain wary of expansion as new orders remain in negative territory. However, this wariness has decreased as confidence index in respect of expansion plans of businesses in the next six months has improved by 2 percent (negative 6 percent vs negative 8 percent in W23). The sectorial expansion plans also showed

increasing trend, where manufacturing (12%) and services (9%) sectors remained most optimistic, recording improvement by around 15 percent, while retail sector (-9%) also showed increase by 6 percent but remained in negative.

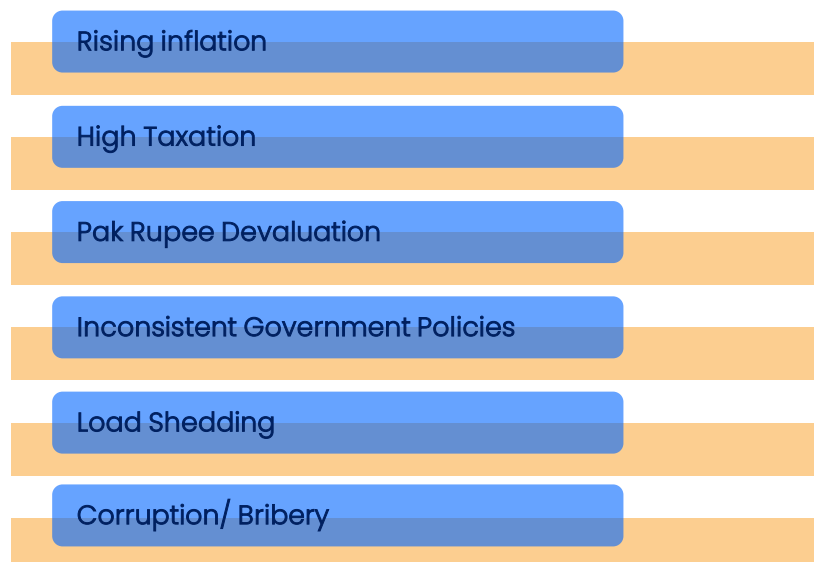
**New Jobs/ Employment Opportunities:** Employment opportunities are expected to decrease for the next 6 months by 9 percent, whereas in the previous wave employment was expected to decrease by 11 percent. This indicates that businesses expect the environment to improve.

**New investment:** Capital Investment plans is one of the biggest contributors for the increase in overall business confidence by showing an improvement of 22 percent for the next 6 months, recording a significant improvement to negative 4 percent vs negative 26 percent in the last wave. Manufacturing sector sentiment recovered by one-third, whereas Service and Retail sectors also recorded an increase by 14 and 11 percent, respectively.

### Key Threats to Business Growth

More than three-quarters of respondents identified that the current economic situation will adversely affect their businesses, with high inflation remaining the biggest concern. Increased production and operation costs will eat into profits, and limited transferring of price burden will compound the impact of businesses.

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



### About OICCI

The OICCI is the collective voice of major foreign investors in Pakistan, with over 200 members, from more than 30 countries. OICCI members contribute over one-third of Pakistan's total tax revenue and are involved in 14 sectors of the economy. They facilitate the transfer of technology and skills and provide employment to a significant number of people. About a third of OICCI member companies are listed on the Pakistan Stock Exchange, and many are associates of Global Fortune 500 companies. OICCI members also engage in corporate social responsibility activities benefiting 46 million persons from underprivileged communities.