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Business Confidence Index Survey

Wave 25

(conducted during Mar-Apr 2024)

The **First Port of Call** for
Foreign Investment in Pakistan

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Survey Highlights

The Overseas Investors Chamber of Commerce and Industry (OICCI) has released the results of the Business Confidence Index (BCI) Survey Wave 25, conducted throughout Pakistan from March to April 2024. The previous survey, BCI Wave 24, was conducted during October to November 2023.

Key Findings: State of Business Confidence

- Overall Pakistan's Business Confidence stood at -14% in Mar/Apr 2024 vs -18% in Oct/Nov 2023, reflecting a 4% improvement.
- Manufacturing Sector confidence dropped to -15% from -10%, while the Services Sector showed slight improvement, moving to -14% from -18% in the previous wave.
- Retail/Wholesale Sector confidence significantly improved, rising to -15% from -31% in the previous wave.

OICCI's BCI Survey, conducted periodically, incorporates comprehensive feedback from frontline business stakeholders on the business environment and opportunities impacting their respective operations. The survey covers the environment at regional, national, sectorial, and business entity levels over the past six months (P6M) and forecasts the business and investment environment for the next six months (N6M).

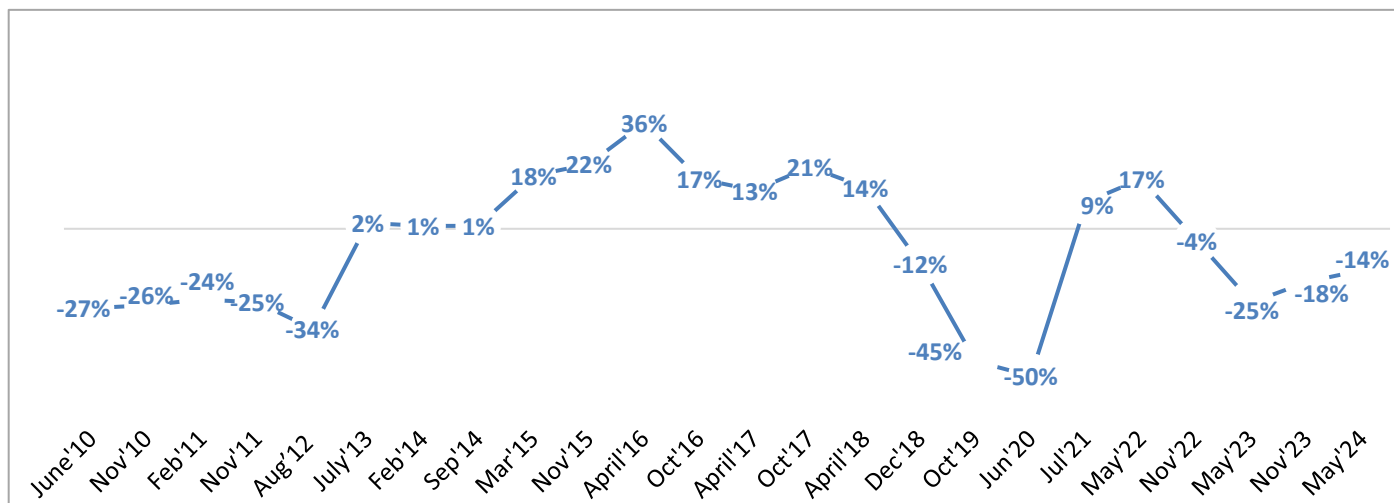
The survey, conducted face-to-face across the country, includes participants representing almost 80% of the GDP. Greater weight is given to business stakeholders in key centers such as Karachi, Lahore, Islamabad, and Faisalabad.

According to BCI Wave 25, Business Confidence in Pakistan improved to -14% from -18% in the previous wave. This improvement is attributed to positive changes in the political and economic situation during Q1 2024. Better economic growth, stable exchange rate and declining inflation along with positive performance of the Pakistan Stock Exchange appears to have contributed to the improvement in the overall business confidence.

The survey sample comprised 43% of respondents from the Manufacturing Sector, 36% from the Services Sector, and 20% from the Retail/Wholesale Sector. Confidence in the Manufacturing Sector substantially declined to -15% from -10% in Wave 24. The Services Sector saw an improvement, with confidence rising to -14%, a 4% increase from the last wave. The Retail/Wholesale Sector showed the highest improvement, with confidence increasing to -15%, an improvement of 16%.

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 25:

The main driving force for the improvement in business confidence during Wave 25, as reported by the respondents, is the positive business outlook over the past 6 months. This improvement is largely due to the improving economic situation and new government policies. Significant changes during this wave were observed in the following measures:

- Pakistan Business Situation in P6M: 14% (-61% in Wave 25 vs -75% in Wave 24)
- City Business Situation in P6M: 19% (-48% in Wave 25 vs -67% in Wave 24)
- Industry business situation in P6M: 23% (-33% in Wave 25 vs -56% in Wave 24)
- Company business situation in P6M: 28% (-28% in Wave 25 vs -56% in Wave 24)

During Wave 25, improvements in the Company and Industry business situation over the past six months were the main contributors to the increased confidence. Additionally, by the end of March, the Pakistan Stock Exchange surged, reaching the significant benchmark of 67,000 points, which also boosted confidence.

The BCI of the four key metro cities (Karachi, Lahore, Islamabad, and Faisalabad) collectively improved by 3%, rising to -12% from -15% in the last wave. The main factors behind this increase are the business situations of companies, industries, cities, and Pakistan over the past six months.

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

Respondents who were Pessimistic/Negative

- 76% of respondents expressed a negative outlook on Pakistan's business situation over the past six months, down from 81% in the previous wave.
- 46% forecast a negative outlook for Pakistan's business situation in the next six months, compared to 41% in Wave 24.
- An unstable security situation has become one of the main concerns for the upcoming six months, compared to Wave 24.

Key Factors for Decline					
Past Six Months			Next Six Months		
Wave 24 (84%)	Ranks	Wave 25 (76%)	Wave 24 (41%)	Ranks	Wave 25 (46%)
Political instability	1	Political Instability	High Inflation	1	Political Instability
Increase in fuel prices	2	Fuel Prices	Political Instability	2	High Inflation
High Inflation	3	High Inflation	Energy Situation (inadequate supply of Gas, Electricity)	3	Increase in Fuel Prices
Energy Situation/ High electricity cost	4	Pak Rupee Devaluation	Increase in fuel prices	4	Pak Rupee Devaluation
Pak Rupee Devaluation	5	Energy Situation/High Electricity Cost	Pak Rupee Devaluation	5	Ineffective Commercial and Trade Policies
Ineffective commercial and trade policies	6	Ineffective Commercial and Trade Policies	Ineffective commercial and trade policies	6	Unstable Security Situation

Respondents who are Optimistic/Positive

- 34% of respondents showed optimism for the next six months in Wave 25, compared to 36% in the previous wave.
- Respondents attributed the increase in business confidence to factors such as the global peace situation, improvements in government policies, growth in the global market, economic growth, expected decline in inflation, and improvements in the law-and-order situation.

Key Factors for Increase					
Past Six Months			Next Six Months		
Wave 24 (9%)	Ranks	Wave 25 (15%)	Wave 24 (36%)	Ranks	Wave 25 (34%)
Improved Law-and-order situation	1	Economic growth	Decline in Oil Price	1	Increase in Business due to Global peace situation
Better Government policies	2	Better Government policies	Increase in Global Market	2	Better Govt Policies
Economic growth	3	Improved law-and-order situation	Better Government Policies	3	Increase in Global Market
Improve Energy Situation (Adequate supply of Gas, Electricity etc)	4	Investment Climate (Foreign investment in the country)	Increase in Business due to global peace situation	4	Economic Growth
Investment Climate (Foreign investment in Country)	5	Energy Situation (Adequate supply of Gas, Electricity etc.)	Decrease in Prices/Inflation	5	Decrease in price/inflation
International Perception of Pakistan	6	International Perception of Pakistan	Economic Growth	6	Improved law-and-order situation

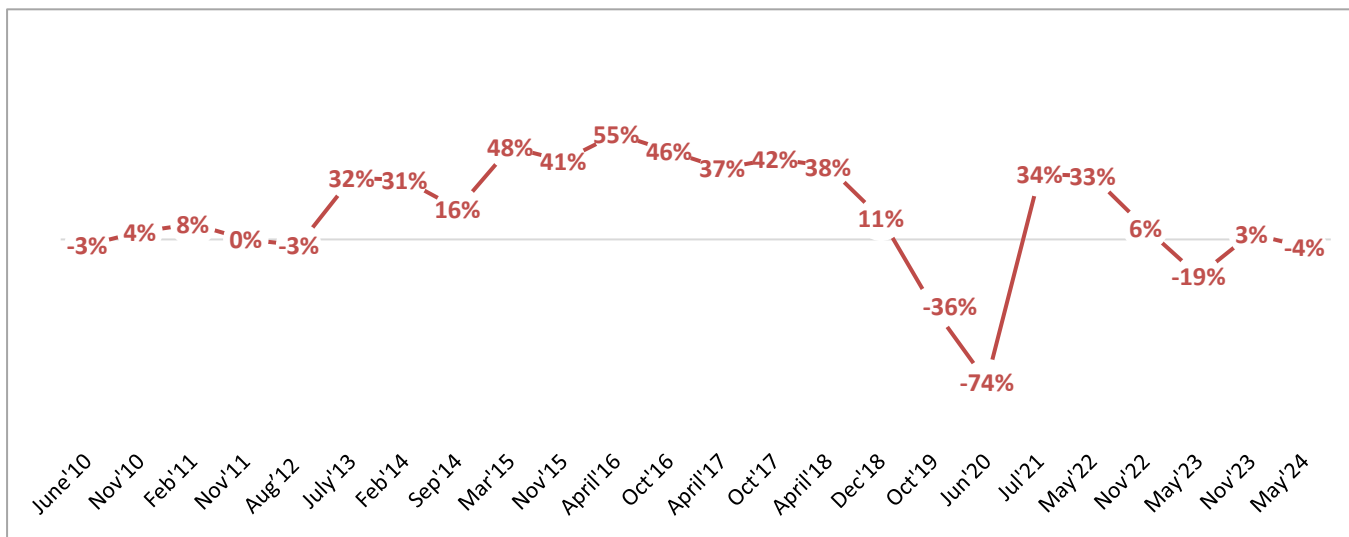
BCI OF OICCI MEMBERS (Foreign Investors):

The BCI of a limited number of OICCI members, randomly selected as part of the survey, substantially dropped to -4% from 3% in Wave 24. This drop is mainly attributed to:

- Global Business Situation in the N6M dropped to -10% from 56%
- Global Business Situation in the P6M dropped to -54% from -18%
- Capital Investment in the N6M declined to 16% from 50%

OICCI Business Confidence Survey – Wave 25: May 2024

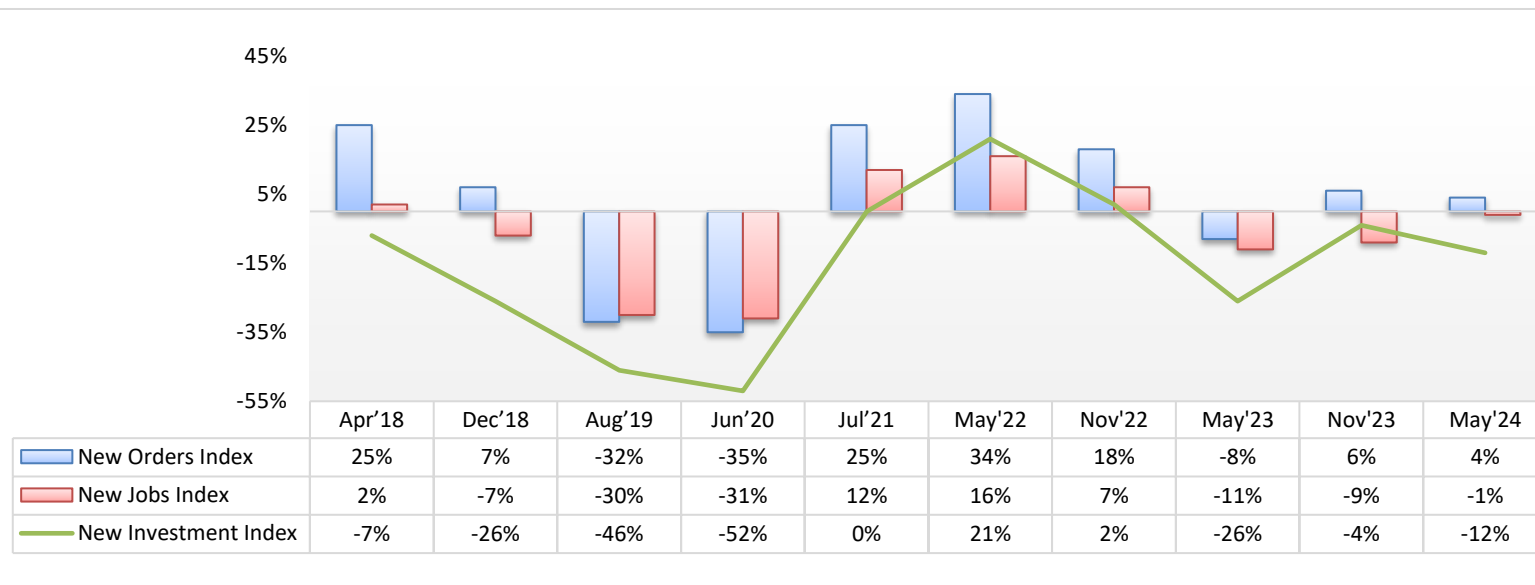
However, OICCI members’ business confidence is still better than non-members.



Future Business Outlook

New Orders, Investment and Jobs Indices

In line with the increase in business confidence, the survey recorded a noticeable improvement in the New Orders, and New Jobs. However, the New Investment index declined.



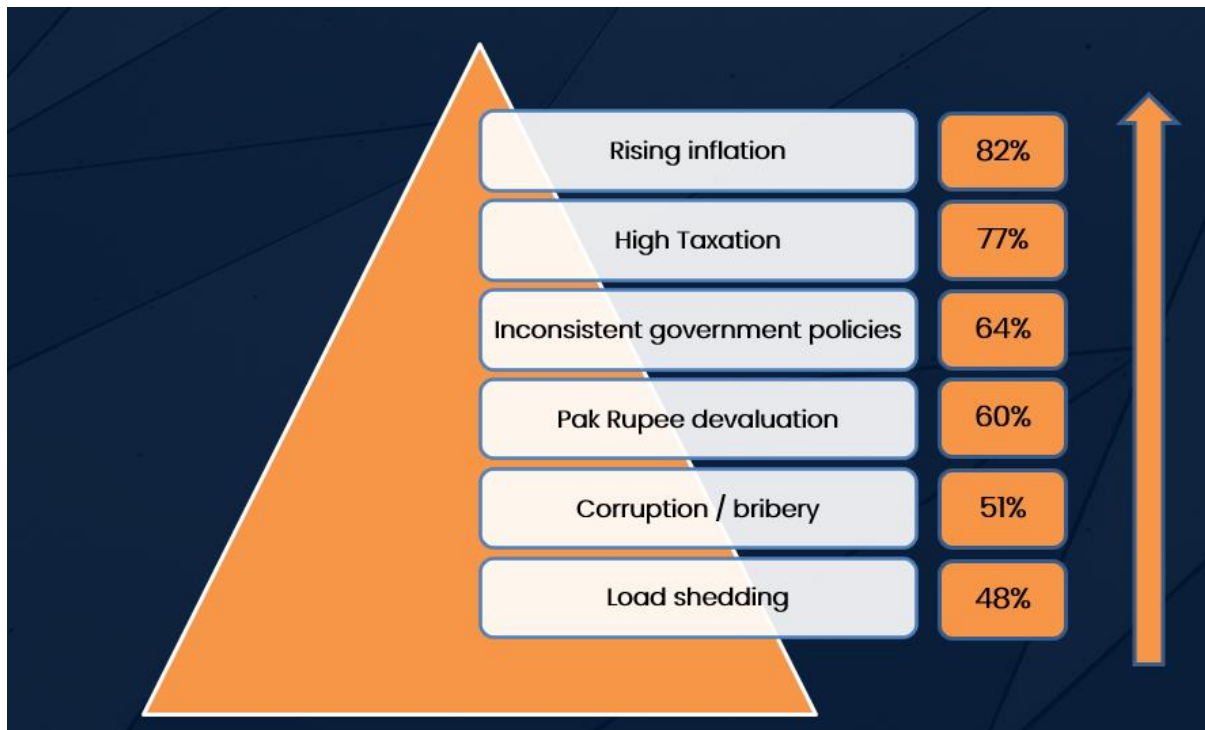
Expansion (New Orders): Businesses expect expansion as the New Orders Index was recorded at 4%, a slight decline from 6% in the previous wave. Sectoral expansion plans show a decline in the Manufacturing Sector from 12% to 3% and a drop in the Services Sector from 9% to 7%. However, the Retail Sector showed significant improvement, rising from -9% to 1%.

New Jobs/Employment Opportunities: Employment opportunities are expected to decrease by 1% over the next six months, compared to a 9% expected decrease in the previous wave. This indicates that businesses expect an improvement in the environment compared to the last wave.

New Investment: Capital Investment plans have declined to -12%, an 8% decrease from the last wave. The Manufacturing Sector registered a significant drop from 16% to -8%, while the Services Sector improved from -15% to -13%. The Retail Sector also showed recovery, improving from -30% to -14%.

Key Threats to Business Growth

Going forward, the respondents identified the following key threats, in order of priority, among which the top two remained consistent with the 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.