**BUSINESS CONFIDENCE SURVEY**

**2019**

**1 Timeline of the Business Confidence Indices 2019 (Current & Expectations)**

The business confidence and business expectations indices were constructed based on the feedback received from the businesses across firms in the Lahore region on a number of parameters such as revenues, investment, employment levels and the performance of the Pakistan’s economy over the period of 11 months from October 2018-August 2019 during which the survey was being conducted by interviewing the surveyed firms.

The survey reflects that current business confidence index has been fluctuating with a decreasing trend. The decrease in trend is mainly coming from the decline in the perceptions about the performance of the Pakistan’s economy which was positive 9 in October in 2018, reaching the lowest in July to -40, and ending with -31 in August 2019. The second most significant decrease was seen in the employment levels, whereas the investment level was fluctuating between high and low but has been continuously decreasing over the later months.

Looking at the expectations index, all parameters have shown an overall decreasing trend. However, we can see positive expectations in the beginning of the year 2019 from January to February and has been decreasing drastically over the remaining months. This decline in expectations were mainly coming from the negative perceptions about the performance of the Pakistan’s economy followed by employment levels. The expectations figures for revenues have been fluctuating between positive and negative. However, the expectations for investment remained positive since the beginning of the year 2019 till August 2019.

**Business Confidence & Business Expectations Indices:**

Business confidence was measured using indicators for sales, investment, employment and overall economic condition. The Business Confidence Index also measured the level of confidence amongst different groups about the statement of the Pakistan Economy. Overall, the business confidence has declined as compared to previous year. The graphs on the comparisons of overall actual and expectations index reveal that the overall actual index remained higher than expectations from 2016 till 2018, however the expectations index has been negative and showing a downward trend after 2018 till 2020.

Sector-wise comparison of indices showed that the decline in business confidence is mainly coming from the retail sector which was most optimistic during the previous year. Similarly, manufacturing sector and exporting firms have shown extreme pessimism as compared to the previous year. Moreover, the manufacturing, retail and exporting sectors, which had higher expectations in the previous year, are now more pessimistic as reflected in the business expectations index.

**Sector wise Indices**

**2 FINANCIAL PERFORMANCE OF FIRMS**

**2.1 Total Sales**

**2.2 Change in Total Sales**

**2.3 Domestic Sales**

**2.4 Change in Domestic Sales**

**2.5 Export Sales**

**2.6 Change in Export Sales**

**3 EMPLOYMENT LEVELS**

**N=99**

**N=132**

**N=269**

**N=500**

**3.1 Change in employment**

**4 EXPORT & IMPORTS**

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| **MOST IMPORTANT FACTORS THAT COULD BOOST EXPORTS?** | | | | | | | |
| **(Top 4 most important factors, with 1 being the most important and 4 being the least important)** | | | | | | | |
| **Un-interrupted Electricity & Gas, Upgrading Technology and Promoting higher value-added goods are the important affecting that could boost exports** | | | | | | | |
| **EXPORTING FIRMS** | | | | | | | |
|  | **#1**  **#2**   |  | | --- | |  |   **Upgrading Technology of Firms (93%)** | **#3**   |  | | --- | |  | |  |  |  | **#4**   |  | | --- | |  | |  |
|  | **Un-interrupted Electricity & Gas (75%)** |  |  |  |  |  |  |
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| |  | | --- | |  | | **Promoting Export of Higher Value-Added Goods (75%)** | **Government Subsidies (67%)** |  |  | **Upgrading Technology of Firms (63%)** | | |
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|  | **Government Subsidies (93%)** | **Revising present Government Policies (63%)** |  |  |
| |  | | --- | |  | |  | **Promoting Export of Higher Value-Added Goods (93%)** | | | **Lower Cost of Raw Materials & Labour (65%)**  **Un-interrupted Electricity and Gas (91%)** | | |
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|  | **Un-interrupted Electricity & Gas (68%)** |
|  | **Increasing Access to Foreign Buyers (63%)** |
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**4.5 Analysis of Importing Firms**

**5 DRIVERDS OF GROWTH**

In this section of the survey, the firms across all three sectors were asked about their opinion about other factors affecting their business.

**5.1 Top-Rated Growth Factors**

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| **Table 2: Energy, Political Stability, Law & Order and Federal Corporate Tax Policies are consistent factors that affect businesses (ALL FIRMS)** | | | | | | |
|
| **#1**   |  | | --- | |  | | |  |  | **#4**  **Access to Finance (49%)**  **#3**  **#2**  **Law & Order (55%)**  **Political Stability (64%)** | | |
| **Energy (69%)** | |  |  |
|  | |  |  |
|  | |  |  |
| |  | | --- | |  | | | **Federal Corporate Tax Policies (78%)**  **Law & Order (80%)**  **Political Stability (82%)**  **Energy (85%)** | | | | |
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|  | |
| |  | | --- | |  | | |  |  | **Provincial Tax (79%)**  **Federal Corporate Tax Policies (79%)** | | **Import and Custom Duty Policies (72%)**  **Law & Order (73%)** |
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|  | |  |  | **Import and Custom Duty Policies (73%)**  **Energy (75%)**  **Provincial Taxes (79%)** | |  |
|  | |  |  |  | | **Access to Finance (70%)** |
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|  | |  |  |  | | **Federal Corporate Tax Policies (69%)** |
|  | |  |  | **Energy (75%)** | |  |
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| **Import and Custom Duty Policies (76%)** | |  |  | **Provincial Taxes (75%)** | |  |
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| **Table 3: Energy, Access to Finance and Law & Order and political stability are the factors**  **that consistently affect manufacturing firms** | | | | | | | | | |
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|  | | | | **Political Stability (80%)**  **Law & Order (75%)**  **Access to Finance (78%)**  **Law & Order (74%)**  **Access to Finance (77%)**  **Provincial Tax Policies (79%)**  **Energy (77%)**  **Federal Corporate Tax Policies (79%)**  **Law & Order (43%)**  **Access to Finance (46%)**  **Political Stability (59%)**  **Energy (75%)**  **#4**  **#3**  **#2**  **#1** | | |  |
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| |  | | --- | |  | | | | | **Import and Custom Duty Policies (72%)**  **Energy (82%)**  **Provincial Taxes (68%)**  **Federal Corporate Taxes Policies (68%)**  **Import and Custom Duty Policies (72%)**  **Energy (87%)**  **Access to Finance (75%)**  **Provincial Taxes (75%)** | | |  |
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| **Table 4: Law & Order, Federal Tax Policies, Import and Custom Duty Policies and Federal Tax Policies and Political Stability consistently affect services sector firms** | | | | | | | | | | | | |
|
| **#2**  **#1**  **#3**  **#4**  **Political Stability (75%)**  **Energy (63%)**  **Law and Order (66%)**  **Access to Finance (56%)**  **Law and Order (80%)**  **Political Stability (80%)**  **Energy (78%)**  **Federal Corporate Tax Policies (81%)**  **Import and Custom Duty Policies (71%)**  **Provincial Taxes (78%)**  **Federal Corporate Tax Policies (76%)**  **Law and Order (68%)**   |  | | --- | |  | | | | | | | |  |  |  |  |  |  |
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| **Energy / Federal Corporate Tax Policies (67%)**  **Provincial Taxes (71%)**  **Import and Custom Duty Policies (69%)**  **#1**  **Law and Order (73%)**  **Provincial Taxes (81%)**  **Federal Corporate Tax Policies (75%)**  **Import and Custom Duty Policies (71%)**  **Law and Order (70%)**   |  | | --- | |  | | | | | | | |  |  |  |  |  |  |
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| **Table 5: Energy, Law & Order, Access to Finance, Provincial Tax Policies and Political Stability consistently affect retail sector firms** | | | | | | | | | | | | |
|
| **#2**  **#1**  **#3**  **#4**  **Energy (67%)**  **Political Stability (60%)**  **Law and Order (61%)**  **Access to Finance (49%)**  **Energy (94%)**  **#1**  **Law & Order (95%)**  **Political Stability (92%)**  **Provincial & Federal Tax Regulations (89%)**   |  | | --- | |  | |  |  |  |  |  |  |
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|  | **Federal Corporate Tax Policies (84%)**  **Provincial Tax Policies (76%)**  **Law & Order Situation (76%)**  **Access to Finance (75%)** | | | | | |
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| |  | | --- | |  | | **Law and Order / Federal Corporate Tax Policies (81%)**  **Access to Finance (81%)**  **Energy (87%)**  **Provincial Policies (87%)** | | | | | |
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| |  | | --- | |  | | **Provincial Tax Policies (79%)**  **Import and Custom Duty Policies (86%)**  **Energy (79%)**  **Law and Order (74%)**   |  | | --- | |  | |  |  |  |  |  |
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**5.2 Analysis of factors affecting growth of Pakistani Businesses**

**6 INVESTMENT AND BANK BORROWING**

**6.1 Levels of Investment**

**6.2 Changes in the Level of Investment**

**6.3 Level of Bank Borrowing**

**N=290**

**6.4 Changes in Level of Bank Borrowing**

**N=180**

**7 ECONOMIC OPTIMISM**

**7.1 Analysis of Firm Level Expectations about Pakistan’s Economy**

**7.2 Analysis of Firm Level Expectations about Impact of CPEC**

**8 FORECASTS**

**8.1 Financial Growth**

**N=500**

**Expectations about Domestic Sales**

**N=500**

**Expectations about Export Sales**

**8.2 Levels of Employment**

**Expectations about Number of Employees**

**N=500**

**8.3 Imports**

**Expectations about Imports**

**8.4 Investment & Bank Borrowing**

**Expectations about Investment**

**Expectations about Bank Borrowing**