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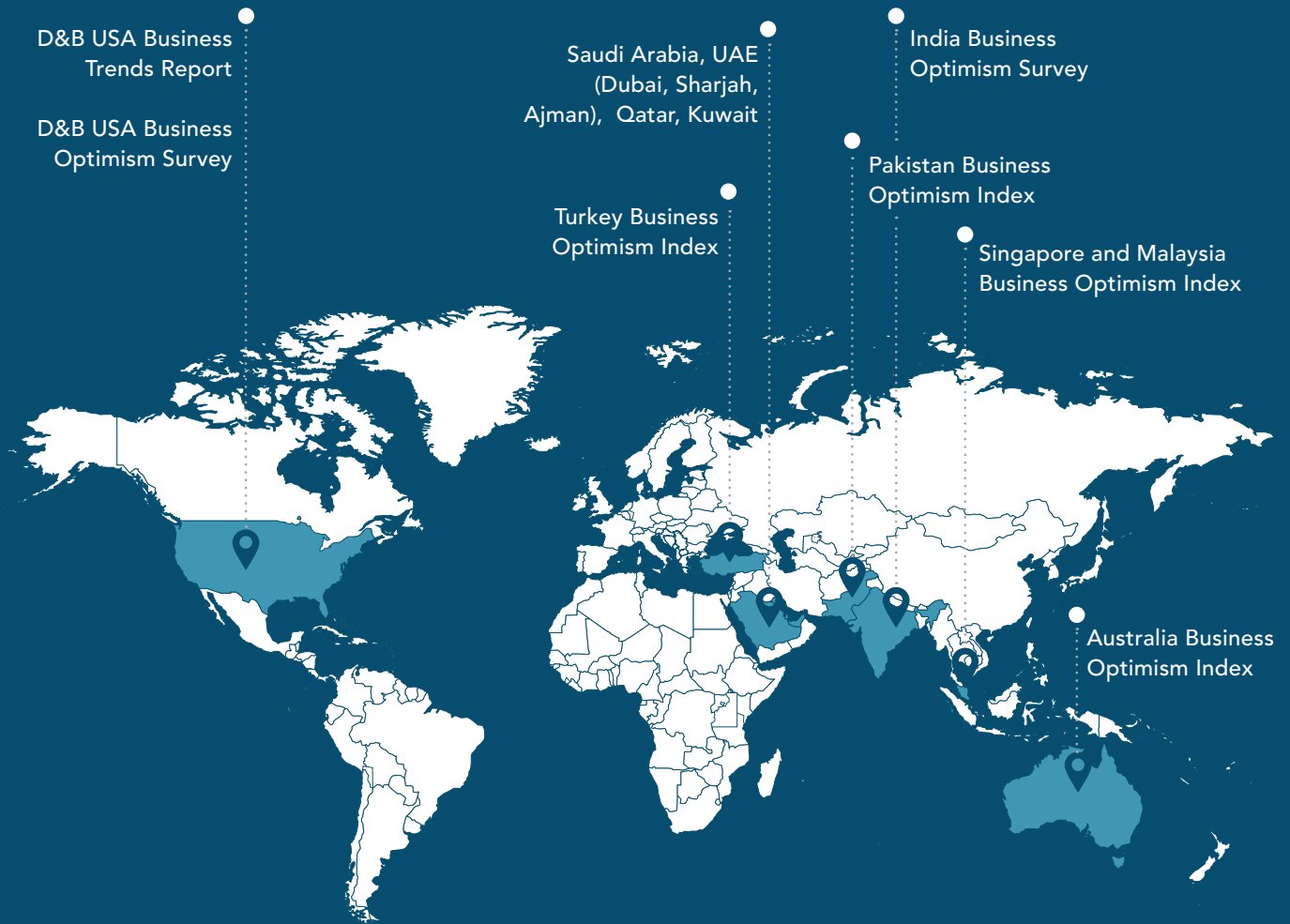


PAKISTAN BUSINESS OPTIMISM INDEXTM | Q1, 2020

SUMMARY REPORT

A Quarterly publication from D&B to measure the pulse of the business community in Pakistan and provide an outlook of business sentiments

D&B GLOBAL CREDENTIALS ON BUSINESS OPTIMISM INDEX



HISTORY OF D&B BUSINESS OPTIMISM INDEX



INTRODUCTORY NOTE

Dun & Bradstreet (D&B) is pleased to share the second edition of the Pakistan Business Optimism Index (BOI).

Q1 2020 globally witnessed large-scale business disruptions, cross-border shut downs, and lockdowns on account of COVID-19. In Pakistan, the impact was evident after the lockdown was implemented on 23rd March 2020. Prior to the lockdown, businesses in the country were hopeful that the pandemic will not affect Pakistan as acutely as it has affected other developed and developing countries both east and west of Pakistan. Post lockdown sentiments are markedly different, as evidenced by our findings.

BOI surveys are conducted in the last month of each quarter to gauge business sentiments for the current quarter as well as expectations about business performance in the following quarter. D&B conducted its BOI survey from 2nd March to 31st March, 2020. About 30% of our responses were captured after the lockdown, where we saw a significant dip in Business Optimism.

Thus, this BOI edition represents mixed sentiments, collected both before and after the announcement of the lockdown in Pakistan. Since the majority of our responses were captured pre-lockdown, at an aggregate level the **Q1 2020 BOI issue primarily reflects a pre COVID-19 sentiment analysis.**

Our next issue for Q2 2020 is likely to exhibit a more comprehensive impact of COVID-19 on business sentiments in the country.

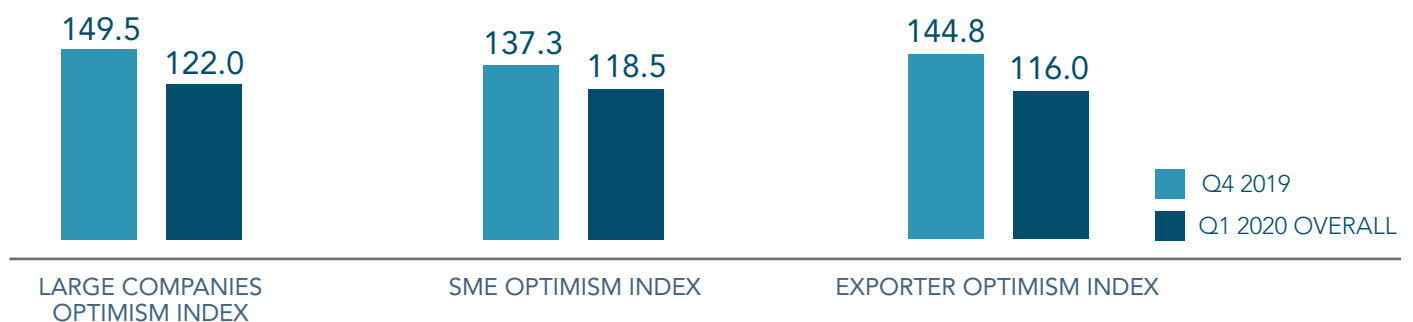
We hope you enjoy reading the Summary Report of the second edition of D&B's Pakistan Business Optimism Index (BOI).

OVERALL BUSINESS OPTIMISM INDEX (BOI - OVERALL) IN Q1 2020 REGISTERED A DECLINE OF 24.0 PTS Q-O-Q TO 120.6 (VALUE ABOVE 100 PTS INDICATES BUSINESS OPTIMISM). ECONOMIC UNCERTAINTY POST-LOCKDOWN AMID COVID-19 PANDEMIC WAS REGARDED AS THE KEY REASON FOR DECLINE IN BUSINESS PERFORMANCE.

BOI Q4 2019 144.6 pts	BOI Q1 2020 (OVERALL) 120.6 pts ▼ 24.0 pts q-o-q (16.6%)
*BOI Q1 2020 (PRE-LOCKDOWN) 141.1 pts ▼ 3.5 pts q-o-q (2.4%)	**BOI Q1 2020 (POST-LOCKDOWN) 85.6 pts ▼ 59 pts q-o-q (40.8%)

INDEX COMPARISON (Q4 2019 AND Q1 2020 - OVERALL)

The Large Companies Optimism Index, SME Optimism Index and Exporter Optimism Index exhibited a decline in Q1 2020 ranging from 16% to 25%. However, at an aggregate level, all three indices were above 100 pts, indicating overall optimism



KEY PARAMETERS (OUTLOOK FOR Q2 2020 - OVERALL)

More than half the respondents anticipated an increase in Sales Revenue and Sales Volume in anticipation of higher demand, while ~30% of respondents anticipated decline in Profits due to fixed cost payments amid falling revenue. Trading sector respondents were more optimistic than Manufacturing and Services sector respondents for the upcoming quarter.



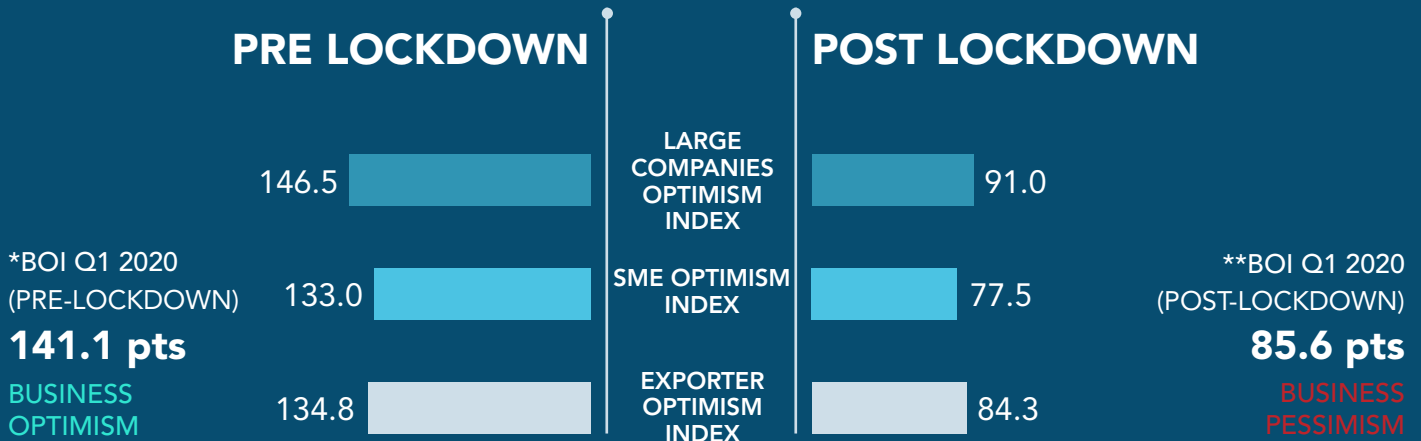
The above outlook largely represents a pre-COVID-19 business sentiment, as majority of the responses were captured pre-lockdown. An analysis of the pre-lockdown and post-lockdown scenarios (detailed in the subsequent pages) reflects a stark contrast.

Note: The values do not add up to 100% as 'No change' and 'Not Sure' responses have not been presented here

PRE LOCKDOWN AND POST LOCKDOWN INDEX ANALYSIS

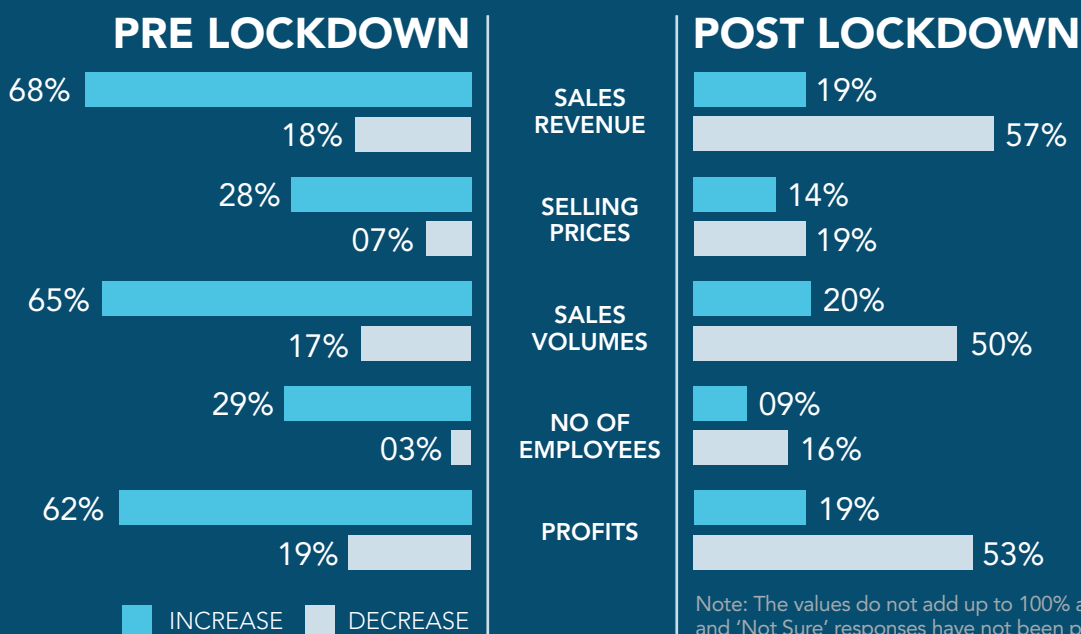
Prior to the lockdown, businesses were optimistic and hopeful that the pandemic will not affect Pakistan very acutely. Thus, we see a marginal drop of only 2.4% in the Q1 2020 BOI (Pre-Lockdown) vis-à-vis the Q4 2019 BOI.

However, Q1 2020 BOI (Post-lockdown) dropped from a high of 141.1, to below 100, indicating a significant shift in sentiments from optimism to pessimism.



PRE LOCKDOWN AND POST LOCKDOWN FORECAST OUTLOOK (Q2 2020)

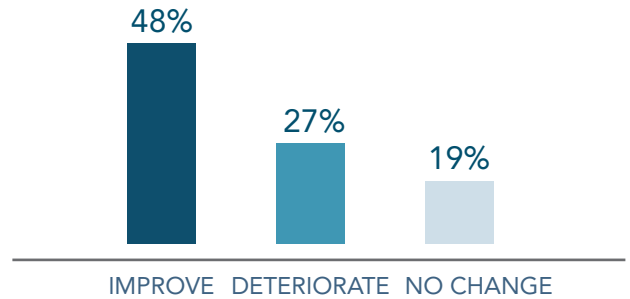
Post lockdown, there is concern and significant pessimism. Over half the businesses anticipated a drop in Sales Revenues, Volumes and Profits. One-sixth of the businesses anticipated a reduction in number of employees as well on account of declining business volumes.



BUSINESS PERFORMANCE OUTLOOK (Q2 2020 - OVERALL)

Half the respondents expected business performance to improve in Q2 2020 due to increased demand during Ramadan. In contrary, over a quarter of the respondents expected business performance to deteriorate on account of economic uncertainty following the lockdown.

During Q2 2020, 48% of the respondents expected business situation to improve and 27% expected their business situation to deteriorate. The percentage of respondents citing a deterioration in business conditions increased from 17% in Q1 2020 to 27% in Q2 2020. Similarly, the percentage of respondents citing an improvement increased from 41% in Q1 2020 to 48% in Q2 2020.



Note: The values do not add up to 100% as 'Not Sure' responses have not been presented here

KEY FACTORS HINDERING BUSINESS GROWTH (OVERALL)

Inflation was highlighted as one of the key business challenges by respondents during Q1 2020 which was in line with January to March 2020 average inflation of 12.4% y-o-y.



INFLATION
44%



EXCHANGE RATE FLUCTUATION
34%



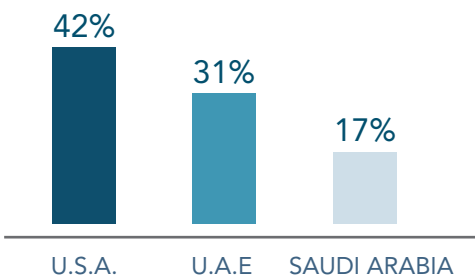
COMPETITION
31%

Macro economic concerns of inflation and exchange rate fluctuation were key factors hindering business growth in Q1 2020. Additionally, 9% of respondents reported COVID-19 related uncertainty as an emerging challenge amongst businesses.

CURRENT EXPORT PERFORMANCE (OVERALL)

39% of respondents cited an increase in export performance in Q1 2020.

TOP CURRENT EXPORT DESTINATIONS

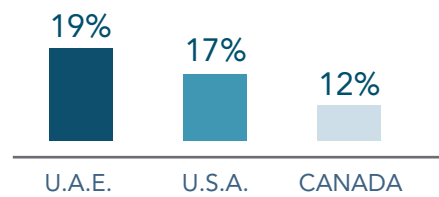


33% of the survey sample were exporters who highlighted the USA, UAE and Saudi Arabia as key export destinations in Q1 2020.

FORECAST EXPORT PERFORMANCE (OVERALL)

52% of respondents expected an increase in export performance in Q2 2020.

TOP NEW EXPORT DESTINATIONS



27% of respondents expressed willingness to export to new markets in Q2 2020. The UAE, USA and Canada were cited as prime new markets.

KEY HIGHLIGHTS – Q1 2020 RESULTS

BOI Q4 2020
(OVERALL)

120.6 pts

Business Optimism

PERIOD OF SURVEY
2nd - 31st MARCH 2020

BOI Q1 2020
(PRE-LOCKDOWN)

141.1 pts

Business Optimism

PERIOD OF SURVEY
2nd - 22nd MARCH 2020

BOI Q1 2020
(POST-LOCKDOWN)

85.6

Business Pessimism

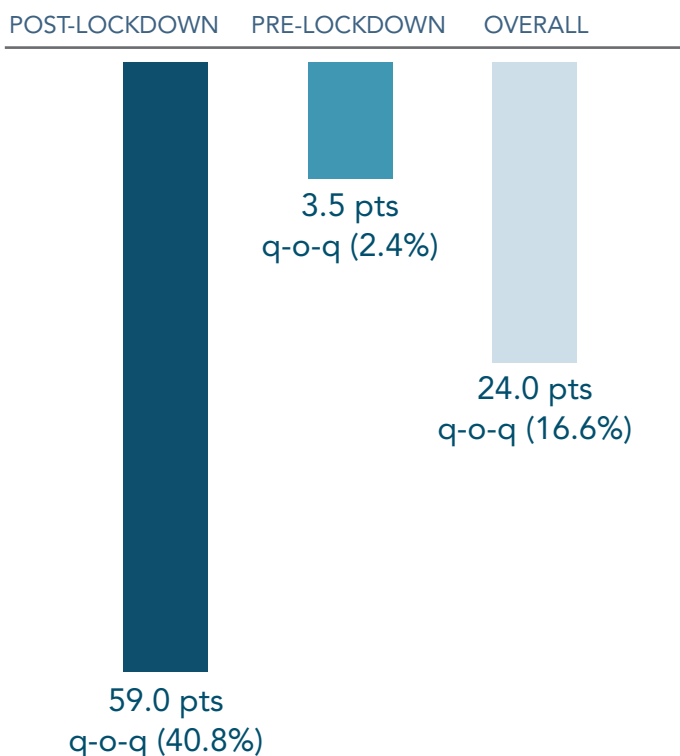
PERIOD OF SURVEY
23rd - 31st MARCH 2020

EXCERPT OF RESULTS

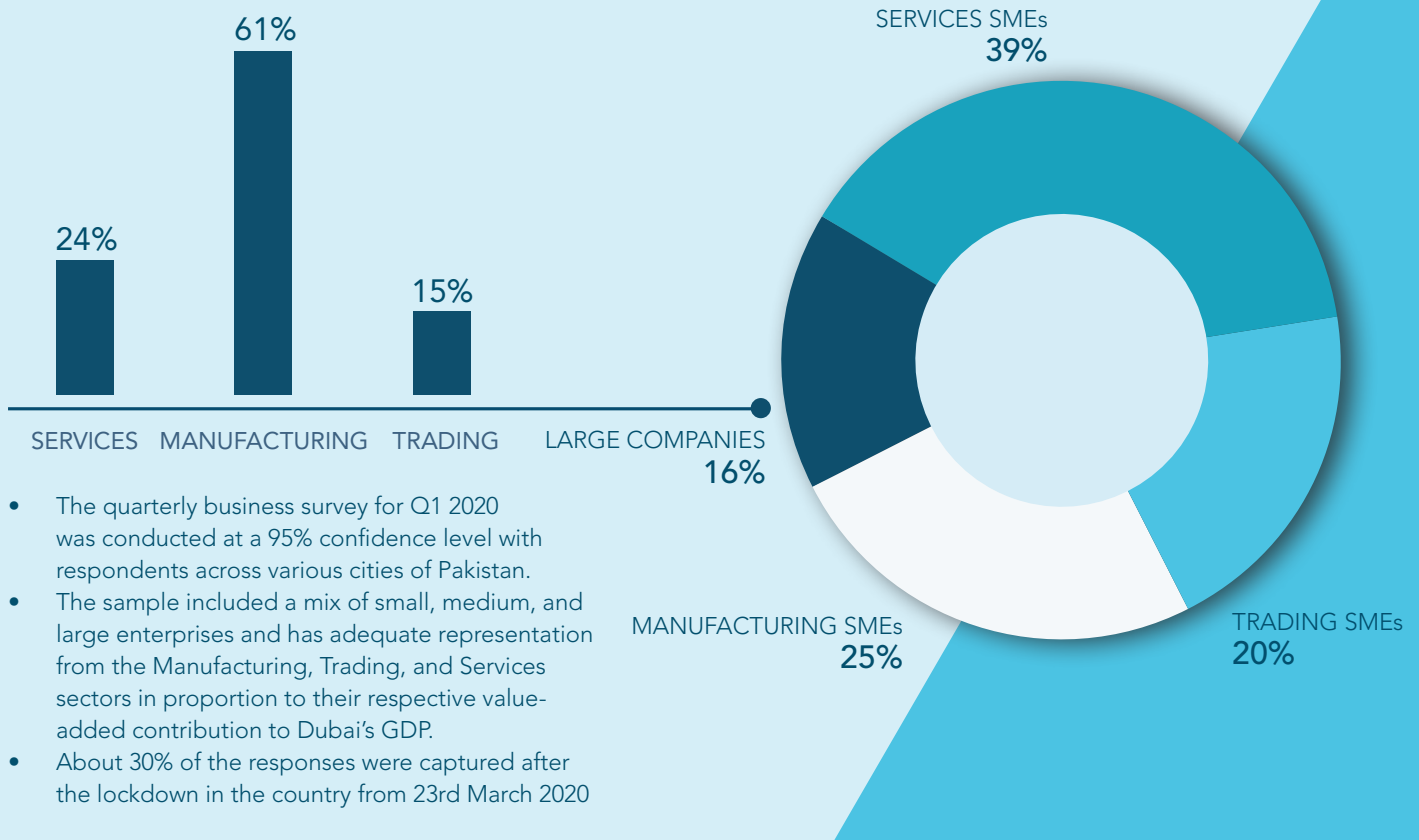
(OVERALL LEVEL CONSIDERING PRE AND POST LOCKDOWN RESPONSES)

- Large Companies Index stood at 122.0 points (149.5 points in Q4 2019), while the SME Index was 118.5 points (137.3 points in Q4 2019) in Q1 2020 (Overall). Large companies were relatively more optimistic than SMEs with respect to Sales Revenue, Sales Volume, No of Employees, and Profits. SMEs were relatively more optimistic with regards to Selling Prices.
- The Trading sector anticipated higher Sales Revenue and Sales Volume compared to the Manufacturing and Services sectors in Q2 2020. The Manufacturing Sector anticipated higher Profits compared to the other two sectors while the Services sector anticipated higher Selling Prices and No. of Employees.
- Overall, Trading sector was relatively more optimistic than the other two sectors, i.e. Manufacturing and Services sectors.
- Inflation, exchange rate fluctuation, and competition were cited as key challenges affecting business growth. COVID-19 related uncertainty, was cited as an emerging challenge among businesses.

DECLINE IN BOI SINCE Q4 2019



SAMPLE ALLOCATION



ABOUT

The D&B Business Optimism Index (BOI) measure the pulse of the business community and provide an outlook of business sentiments in Pakistan. The report serves as an indicator to assess the level of current economic activity and outlook of businesses for the next quarter. Over time, the index is expected to emerge as a leading indicator of turning points in economic activity.

PERIOD OF STUDY

For the purpose of the survey, each quarter is defined as follows:

- Q1 is the period between Jan and Mar
- Q2 is the period between Apr and Jun
- Q3 is the period between Jul and Sep
- Q4 is the period between Oct and Dec

METHODOLOGY

- The quarterly business survey for Q1 2020 was conducted with respondents all across Pakistan. The sample included a mix of small, medium, and large enterprises and has adequate representation from the Manufacturing, Trading, and Services sectors in proportion to their respective value-added contribution to GDP.
- In order to gauge 'business outlook' or expectations, the quarterly survey focuses on key indicators, including Sales Revenue, Selling Prices, Sales Volume, No of Employees, and Profits. Respondents are asked to indicate if they expect an 'increase', 'decrease' or 'no change' in these parameters

BUSINESS OPTIMISM INDEX CALCULATIONS

The Business Optimism Index (BOI) is calculated as a weighted average score of the following 'business outlook' indicators:

SELLING PRICES

SALES VOLUME

NO OF EMPLOYEES

PROFITS

For each indicator, 'resulting scores' are calculated using the net balance method:

$(\% \text{ OF POSITIVE RESPONSES} - \% \text{ OF NEGATIVE RESPONSES}) + 100$

For the Composite Business Optimism Index, the resulting scores are multiplied with their corresponding weights to arrive at a weighted average index score. Taking account of the economy's composition by firm size, the index is weighted by the relative contributions of SMEs and large businesses to Pakistan's GDP. The final result is the following index calculation:

BOI is classified in the following three groups:

BOI < 100, BUSINESS EXPECTATIONS ARE NEGATIVE

BOI = 100, BUSINESS EXPECTATIONS ARE STABLE

BOI > 100, BUSINESS EXPECTATIONS ARE POSITIVE

$\text{OVERALL INDEX} = 60\% * (\text{LARGE COMPANIES INDEX}) + 40\% * (\text{SME INDEX}).$

WE TRUST THAT YOU WILL FIND THE D&B BUSINESS OPTIMISM INDEX AS A USEFUL TOOL IN YOUR BUSINESS DECISION MAKING. PLEASE DO GIVE US YOUR FEEDBACK IN THIS REGARD

To email your comments – please write to eag@dnbpk.com with "Feedback" in the subject line.

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