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GROWING RELATIONSHIPS THROUGH DATA



PAKISTAN BUSINESS OPTIMISM INDEX | Q4, 2019

A report to measure the pulse of the business community and serve as a tool to assess the outlook of businesses in Pakistan

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GROWING RELATIONSHIPS THROUGH DATA

1. EXCERPT OF RESULTS

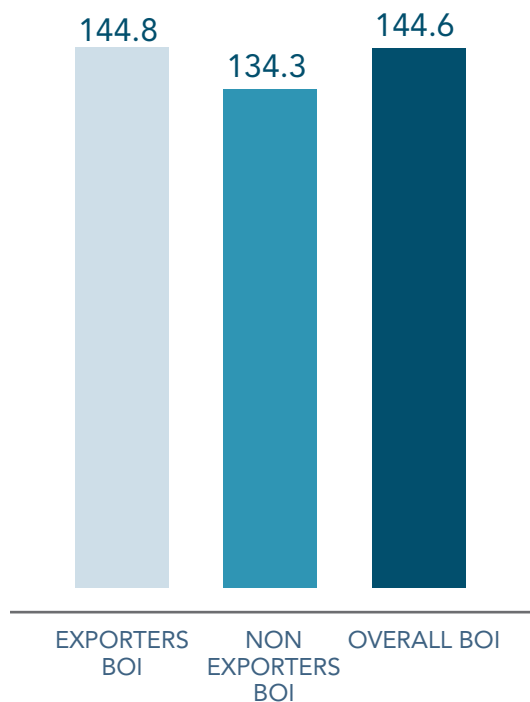
- Dun & Bradstreet (D&B) is pleased to initiate Business Optimism Index (BOI) for Pakistan.
- Based on our coverage from respondents across various cities in Pakistan, the inaugural BOI is calculated at 144.6 points for Q4, 2019. This indicates optimism and positive outlook for the future.
- Large companies are relatively more optimistic than SMEs with regards to all the parameters measured, i.e. Sales Revenue, Selling Prices, Volumes Sold, No of Employees, and Profits. The Large Company Index is calculated at 149.5 points while the SME Index is calculated at 137.3 points.
- The Services sector in Pakistan anticipates higher Sales Volumes, Sales Revenue and No of Employees compared to the Trading and Manufacturing sectors for the next quarter (Q1, 2020). BOI for Services sector is 142.8 points, while BOI for Manufacturing and Trading is 140.3 and 130.8 points, respectively.
- Government fees/taxes, competition, and unfavorable business regulations were regarded as the key factors hindering growth for businesses. Amongst other factors, exchange rate fluctuations, and political instability were the most prevalent responses.
- 68% of the exporters expect an increase in export performance in the upcoming quarter, while 29% of respondents expect to export to new markets. Top three export destinations are USA (43% of exporters), UAE (24% of exporters) and UK (17% of exporters).

2. BUSINESS OPTIMISM INDEX – Q4, 2019

BUSINESS OPTIMISM INDEX Q4, 2019



EXPORTERS VS NON EXPORTERS INDEX Q4, 2019

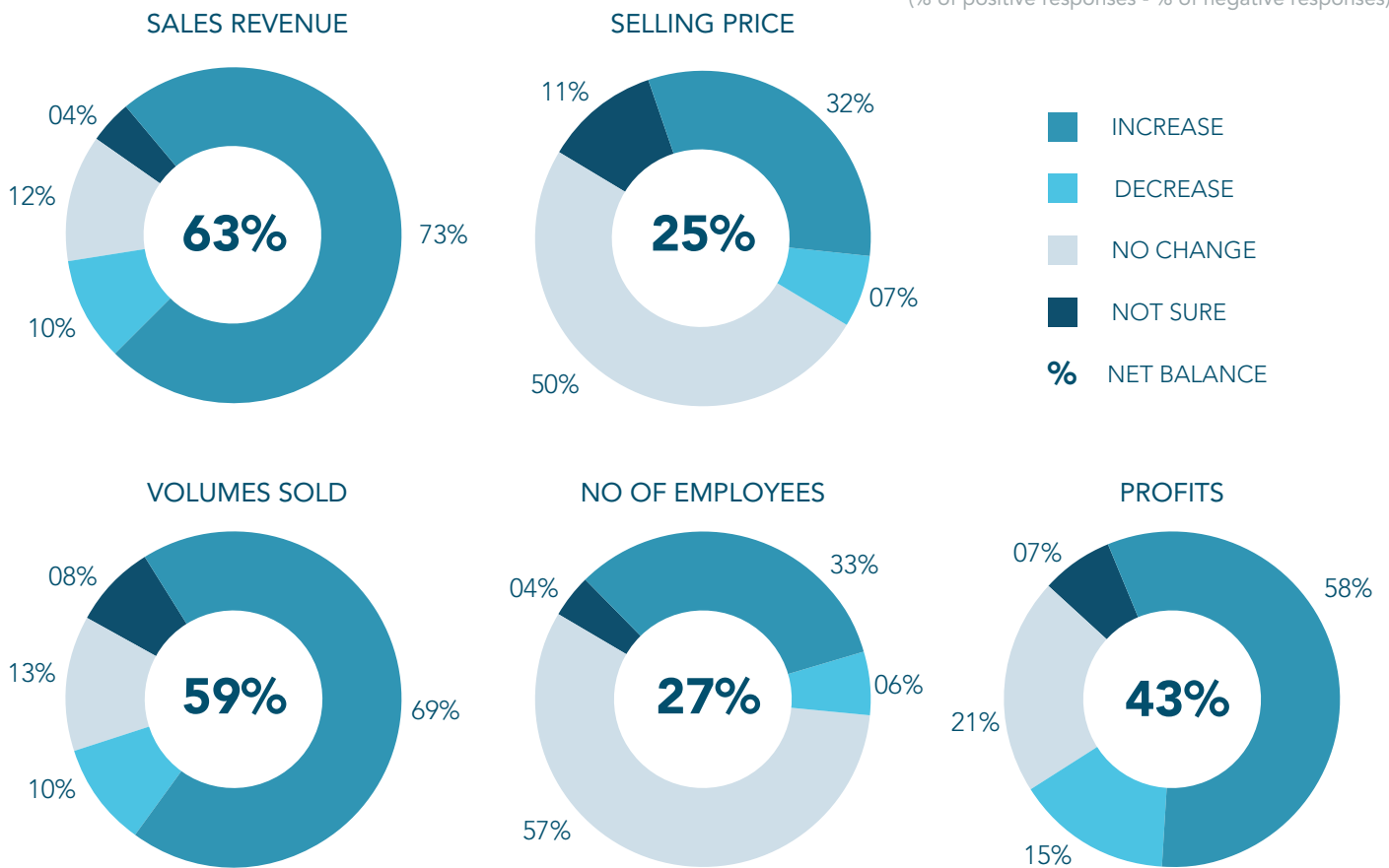


- Large companies maintain stronger projections for Q4, 2019 with an index score of 149.5 compared to SME index score of 137.3 points.
- The former is more optimistic than the latter in their outlook with respect to all the parameters i.e. Sales Revenue, Selling Prices, Volumes
- Exporters are slightly more optimistic than Non-Exporters as Exporters BOI was calculated at 144.8 points compared to 134.3 points for Non-Exporters.
- Exporters anticipate higher Sales Volumes, Sales Revenue and No of Employees as compared to Non-Exporters for the upcoming quarter.

3. OVERALL BUSINESS OUTLOOK, NEXT QUARTER (Q1, 2020)

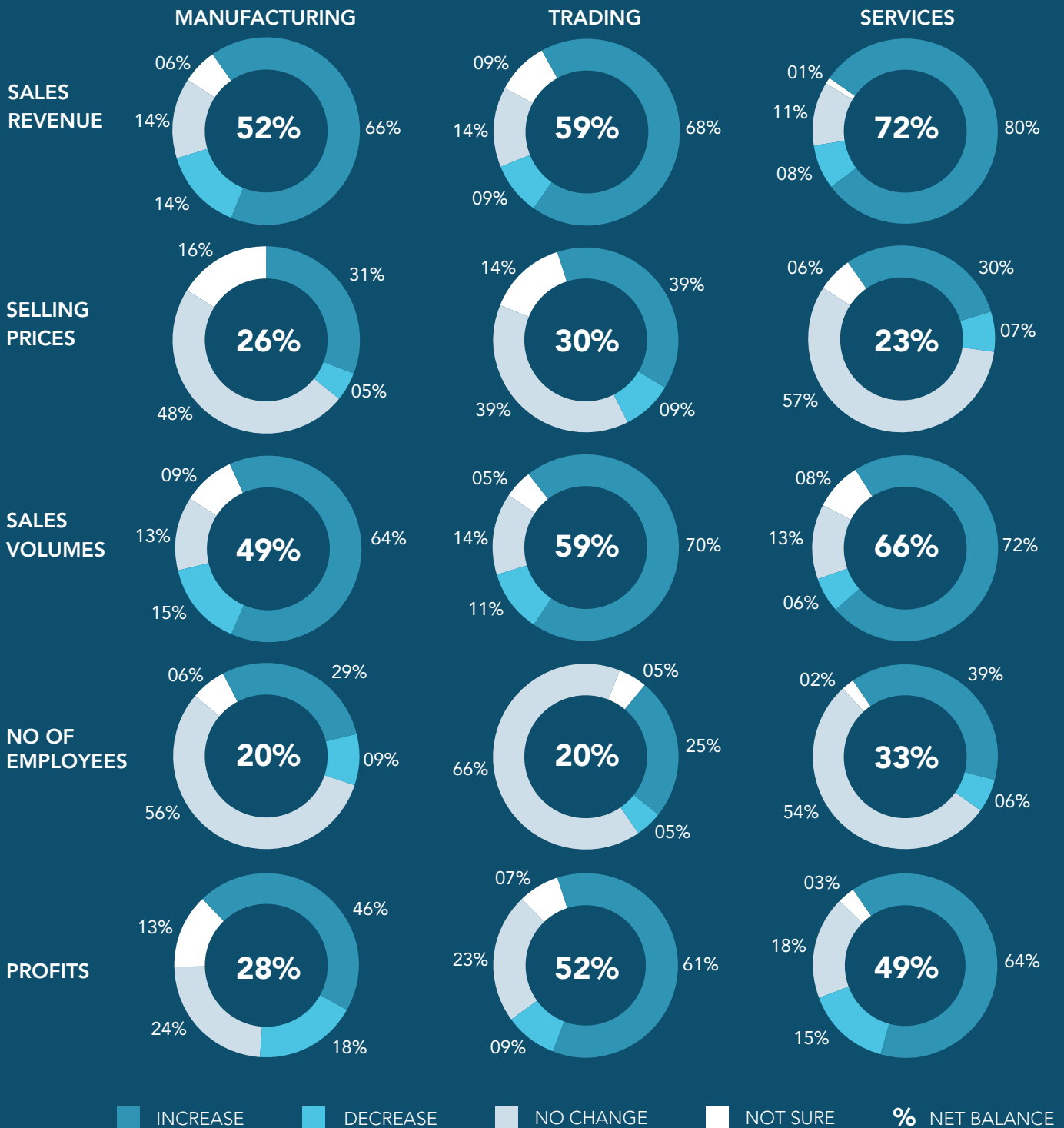
OVERALL	INCREASE	DECREASE	NO CHANGE	NOT SURE	*NET BALANCE
SALES REVENUE	73%	10%	12%	04%	63%
SELLING PRICES	32%	07%	50%	11%	25%
VOLUMES SOLD	69%	10%	13%	08%	59%
NO OF EMPLOYEES	33%	06%	57%	04%	27%
PROFITS	58%	15%	21%	07%	43%

*(% of positive responses - % of negative responses)



- Based on survey results, businesses are overall optimistic for the upcoming quarter as the net balance for all parameters depicted a positive response.
- 73% of the respondents expect an increase in Sales Revenue while only 10% expect a decrease, indicating that respondents expect higher demand in anticipation of higher exports, seasonal demand, and new budget allocations during start of the new year.
- 32% of the respondents expect an increase in Selling Prices on account of higher inflation, while 50% expect no change on account of stable exchange rates, as well as the need to remain competitive in the market.
- The net balance for Volumes Sold is 59%, indicating overall high optimism as 69% respondents expect an increase in Volumes Sold due to higher demand from exports.
- 57% of respondents expect no change in No. of employees due to availability of excess capacity within their respective firms.

4. SECTOR WISE BUSINESS OUTLOOK, NEXT QUARTER (Q1, 2020)



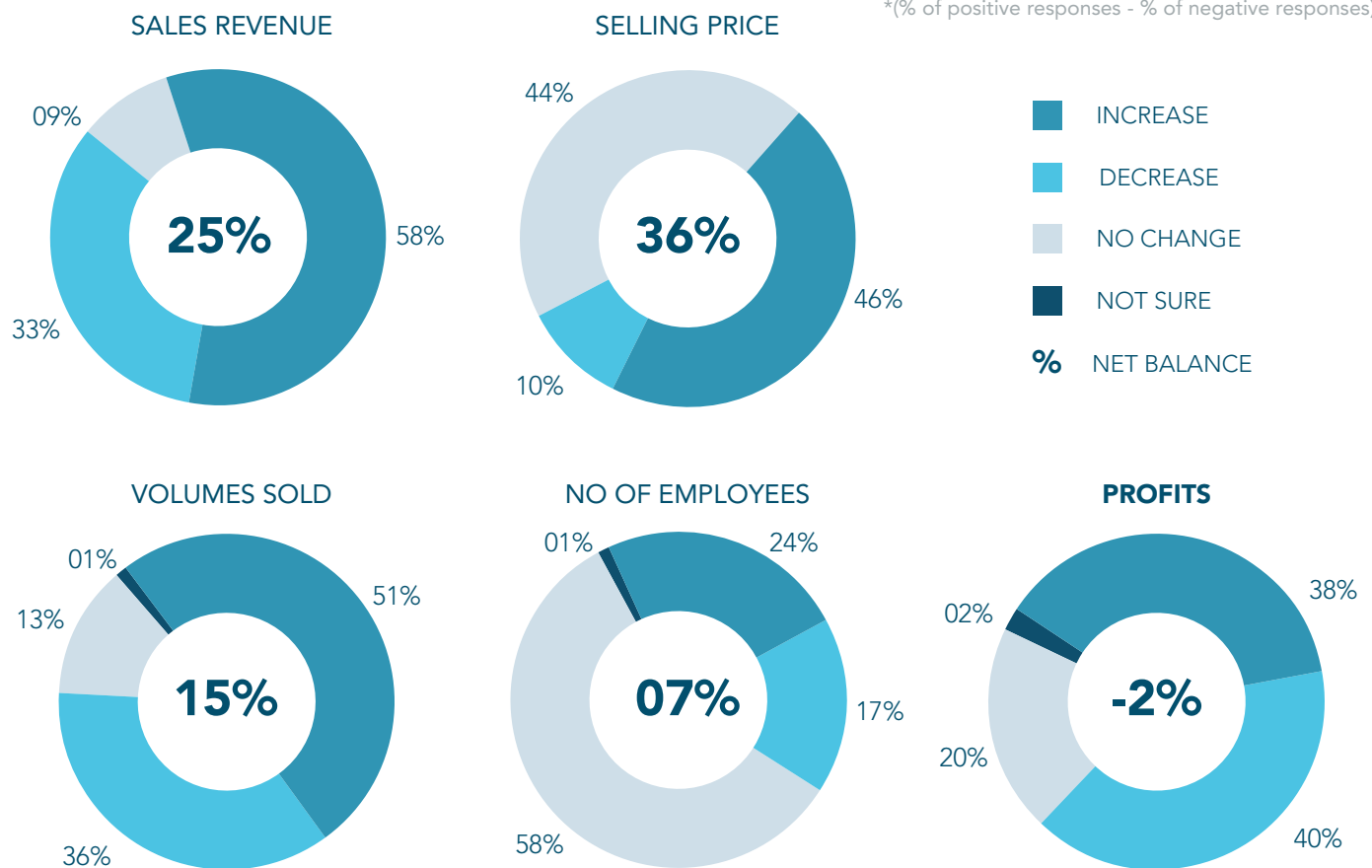
- All major industry sectors have shown positive outlook across all parameters for the next quarter (Q1, 2020).
- At an overall level, the Services sector is more optimistic than Manufacturing and Trading sectors in regards to Sales Revenue, Volumes Sold and No of Employees;

- However, the Trading sector expects higher Selling Prices & Profits.
- Sales Revenue is the most positive parameter across all three sectors with a net balance of 66%, 68% and 80% for Manufacturing, Trading and Services, respectively.

5. CURRENT BUSINESS PERFORMANCE (Q4, 2019)

OVERALL	INCREASE	DECREASE	NO CHANGE	NOT SURE	*NET BALANCE
SALES REVENUE	58%	33%	09%	00%	25%
SELLING PRICES	46%	10%	44%	00%	36%
VOLUMES SOLD	51%	36%	13%	01%	15%
NO OF EMPLOYEES	24%	17%	58%	01%	07%
PROFITS	38%	40%	20%	02%	-2%

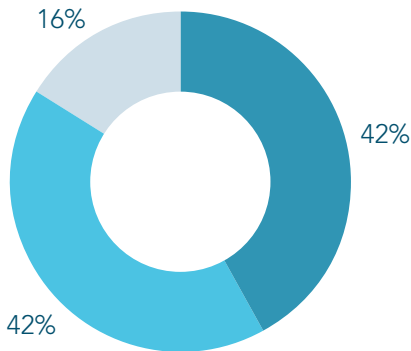
*(% of positive responses - % of negative responses)



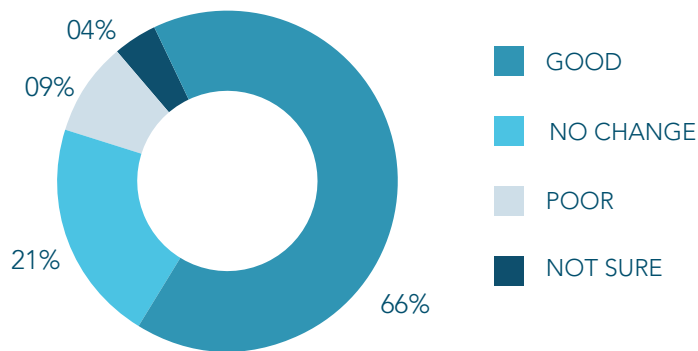
- Based on the survey results, net balance for all parameters except Profits is positive for the current quarter (Q4, 2019) indicating that business costs have increased.
- 58% of the respondents indicated an increase in Sales Revenue while 33% specified a decrease. The increase is attributed to both volumetric and price increase by businesses.
- 46% of the respondents indicated an increase in Selling Prices primarily on account of higher inflation. Net balance for Selling Prices stood at 36%, which is higher than that expected during Q1, 2020 (25%) due to volatility in inflation and currency exchange rate.
- Net balance for Volumes Sold is reported at 15% as 51% respondents cited an increase in Volumes Sold while 36% cited a decrease. The increase is attributed to seasonal demand.
- The net balance for No of Employees stands at 7% for Q4, 2019. 58% respondents indicated no change in employment size to avoid increase in overhead costs.
- 38% of respondents indicated an increase in Profits primarily due to higher Sales Revenue while 40% cited a decrease in Profits due to rise in raw material costs and overhead costs such as utility prices. Net balance for Profits is negative 2% for Q4, 2019.

6. OVERALL BUSINESS

CURRENT BUSINESS SITUATION Q4, 2019

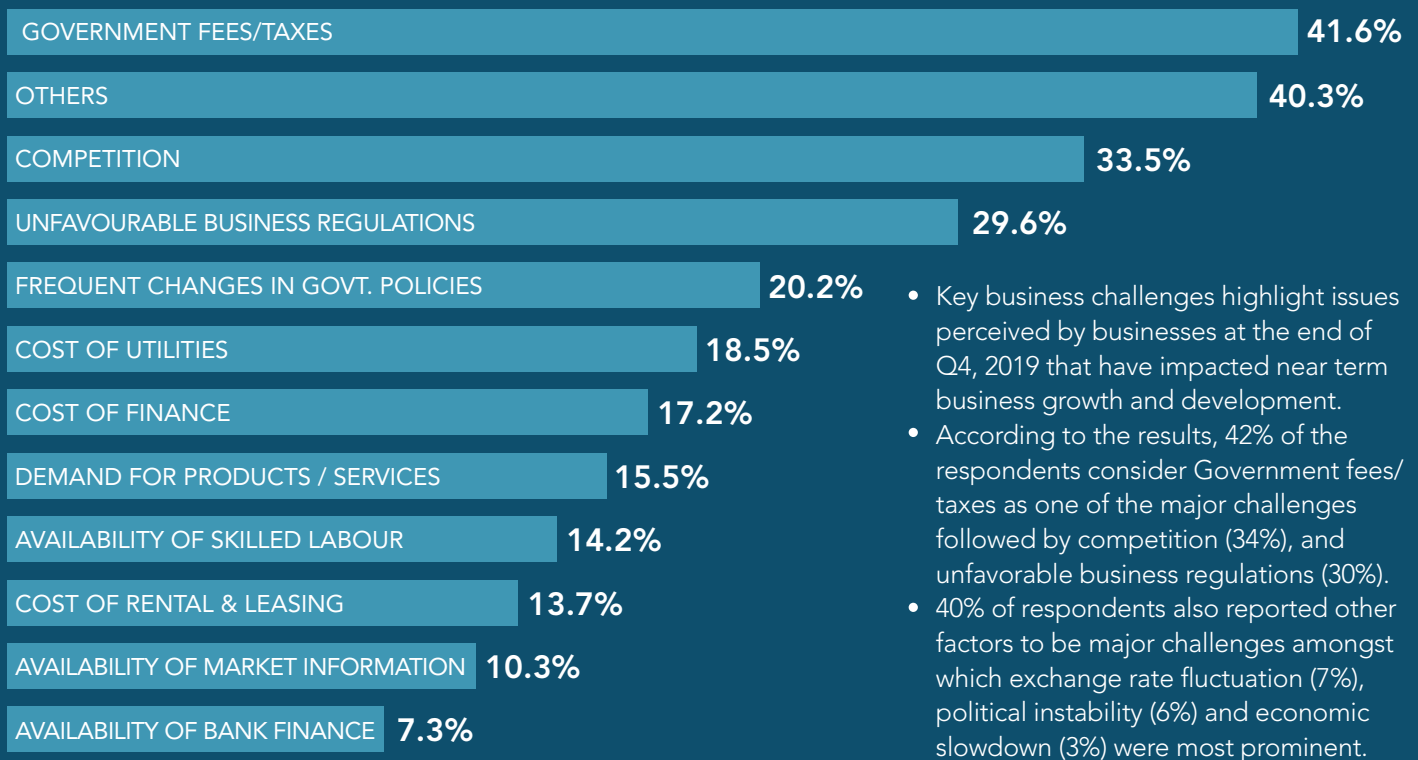


FORECAST BUSINESS SITUATION Q1, 2020



- The responses for the business situation reflect respondents' outlook in regards to the current business situation (Q4, 2019) and forecast business situation (Q1, 2020). Based on the results, respondents are more optimistic with respect to forecast business situation compared to the current business situation.
- 66% of the respondents expect business situation to be good in the upcoming quarter compared to 42% of respondents in the current quarter.
- 42% of respondents indicated no change in the current business situation while only 21% of respondents expect no change in the business situation in the next quarter.
- 9% of the respondents expect their business situation to be poor in the upcoming quarter, compared to 16% in the current quarter which is a positive indicator for businesses.

7. KEY BUSINESS CHALLENGES - Q4, 2019



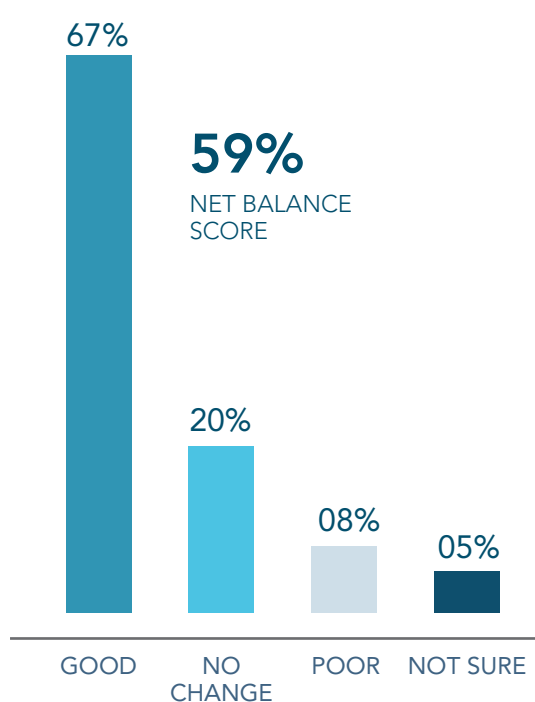
8. SME BUSINESS OUTLOOK – Q1, 2020

SME Business Optimism Index For Q4, 2019: 137.3

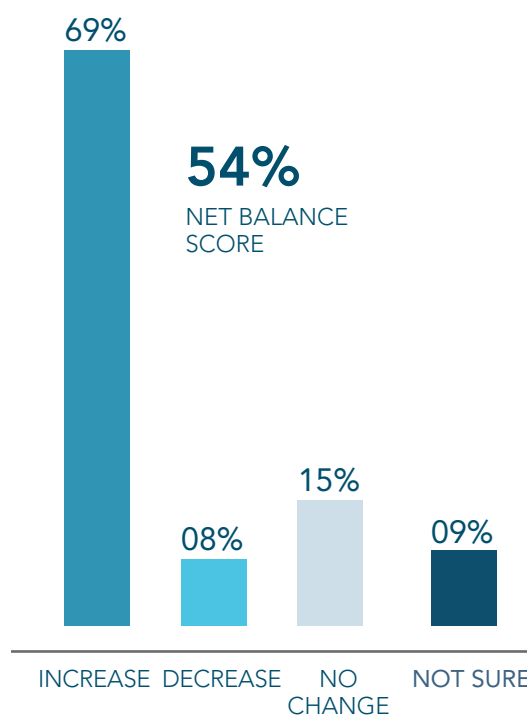
OVERALL	INCREASE	DECREASE	NO CHANGE	NOT SURE	*NET BALANCE
SALES REVENUE	71%	11%	13%	05%	60%
SELLING PRICES	32%	07%	50%	10%	25%
VOLUMES SOLD	67%	11%	14%	08%	56%
NO OF EMPLOYEES	31%	06%	59%	04%	25%
PROFITS	58%	15%	21%	06%	43%

*(% of positive responses - % of negative responses)

CURRENT BUSINESS SITUATION Q4, 2019



FORECAST BUSINESS SITUATION Q1, 2020



- SMEs are slightly less optimistic compared to large companies as the composite index for SMEs is calculated at 137.3 points compared to 149.5 points for large companies.
- SME respondents are optimistic with respect to all the stated parameters with a positive Net Balance in each parameter. However, SMEs are most optimistic with regards to Sales Revenue and Volumes Sold.
- Based on the survey results, 67% of the SMEs expect their business situation to improve in the upcoming quarter, while only 8% expect poor business conditions.

- Top three factors hindering the growth of SMEs include Government fees/taxes (42%), increase in competition (33%) and unfavorable business regulations (30%).
- Amongst SMEs surveyed, top export destinations included USA (48% of SMEs), UAE (25% of SMEs), UK (19% of SMEs) and Canada (19% of SMEs).
- 28% of SMEs expressed willingness to export to new markets in the next quarter (Q1, 2020). USA, UK and UAE were the most prominent markets with 19%, 15% and 14% respondents willing to export to these markets, respectively.

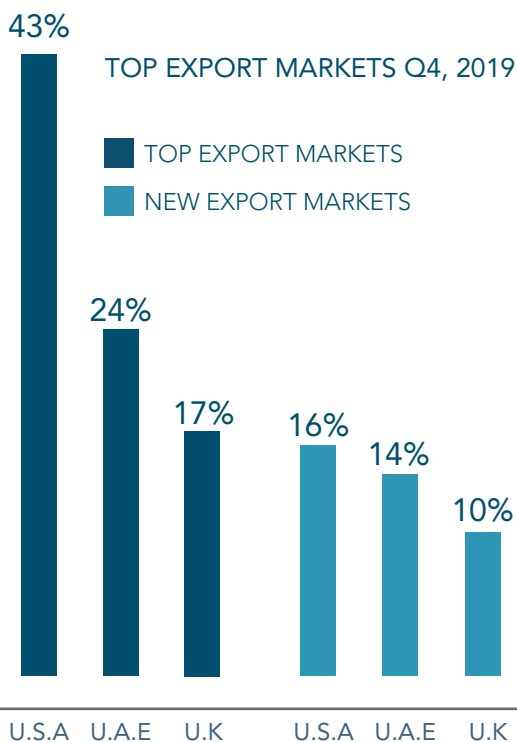
9. EXPORTERS' BUSINESS OUTLOOK – Q1, 2020 SITUATION

Exporters Business Optimism Index for Q4, 2019: 144.8

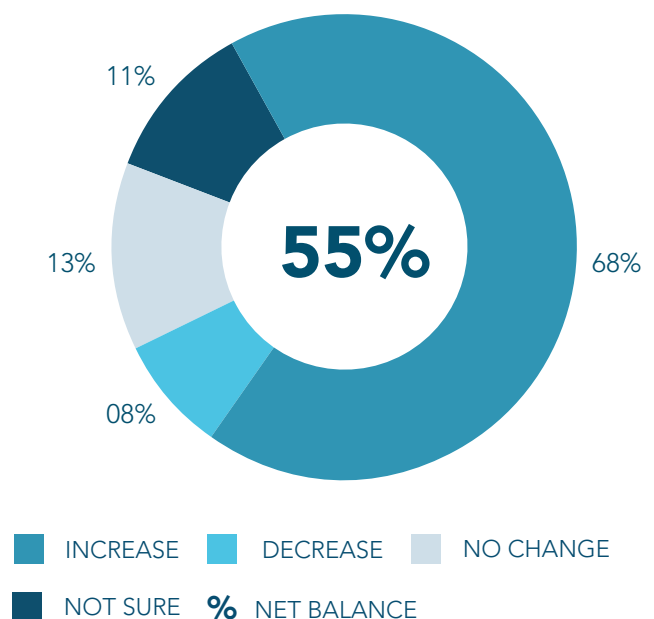
OVERALL	INCREASE	DECREASE	NO CHANGE	NOT SURE	*NET BALANCE
SALES REVENUE	80%	09%	09%	02%	71%
SELLING PRICES	30%	08%	51%	11%	22%
VOLUMES SOLD	76%	08%	10%	07%	68%
NO OF EMPLOYEES	45%	04%	48%	03%	41%
PROFITS	60%	12%	21%	08%	48%

*(% of positive responses - % of negative responses)

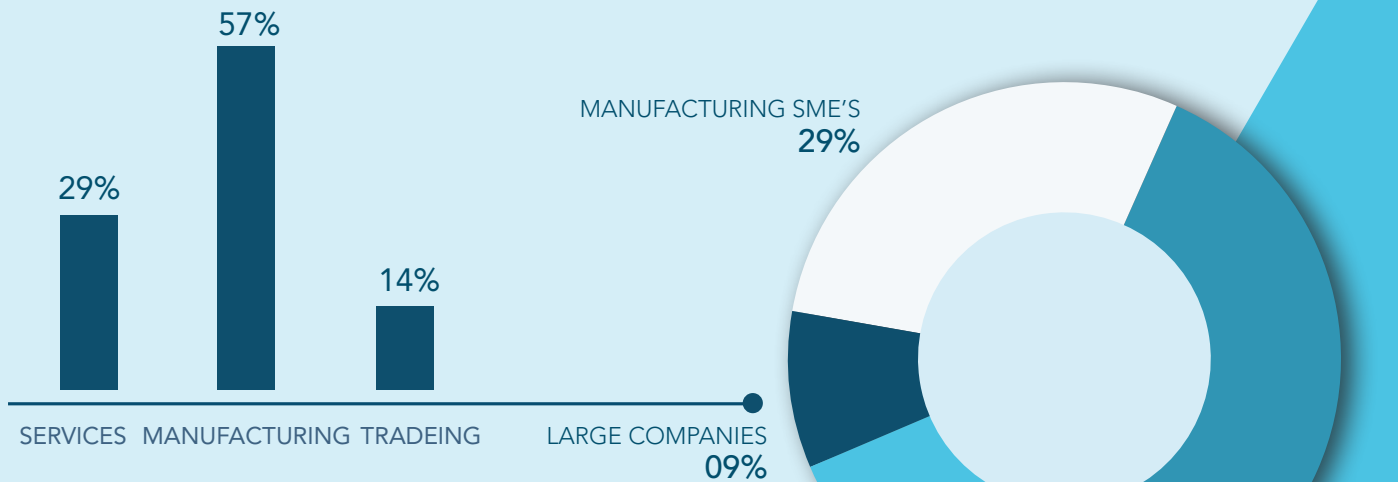
- The composite Business Optimism Index for exporters is calculated at 144.8 points.
- Exporters are optimistic with respect to all the stated parameters with a positive Net Balance in each parameter. However, exporters are most optimistic with regards to Sales revenue Volumes Sold and Profits .
- 68% of exporters expect an increase in their export performance in the upcoming quarter, while only 8% expect export performance to decrease.
- Top three export destinations included USA (43% of exporters), UAE (24% of exporters) and UK (17% of exporters).
- 67% of exporters expressed willingness to export to new markets in Q1, 2020. USA, UK and UAE were most prominent with 16%, 14% and 10% respondents willing to export to these markets, respectively.
- Top three key factors hindering the growth of exporters included Government fees/taxes (42%), unfavorable business regulations (30%) and increase in competition (27%).



FORECAST EXPORT PERFORMANCE Q1, 2020



SAMPLE ALLOCATION



- The quarterly business survey for Q4, 2019 was conducted at a 85% confidence level with respondents across various cities of Pakistan.
- Survey composition include 91% SMEs and 9% Large companies as per their representation in the GDP of Pakistan. Additionally, representation of Manufacturing, Trading and Services sectors is also based on their share in GDP

ABOUT

The D&B Business Optimism Index (BOI) is recognized as a product, which measures the pulse of business community. The report serves as a tool 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 Q4, 2019 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, Volumes Sold, 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:

SALES REVENUE

SELLING PRICE

VOLUMES SOLD

NO OF EMPLOYEES

PROFITS

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

(% OF POSITIVE RESPONSES - % 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. The value of first index is presented and is to be use as a base for all future publications. 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:

OVERALL INDEX = 60% * (LARGE COMPANY INDEX) + 40% * (SME INDEX).

BOI scores are classified in the following three groups:

BOI < 100, BUSINESS EXPECTATIONS ARE NEGATIVE

BOI = 100, BUSINESS EXPECTATIONS ARE STABLE

BOI > 100, BUSINESS EXPECTATIONS ARE POSITIVE

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

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

To unsubscribe - please write to Pakistan@dnbpk.com with "Unsubscribe - DPBB" in the subject line.

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