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## PAKISTAN BUSINESS OPTIMISM INDEX™

## Q2, 2020

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

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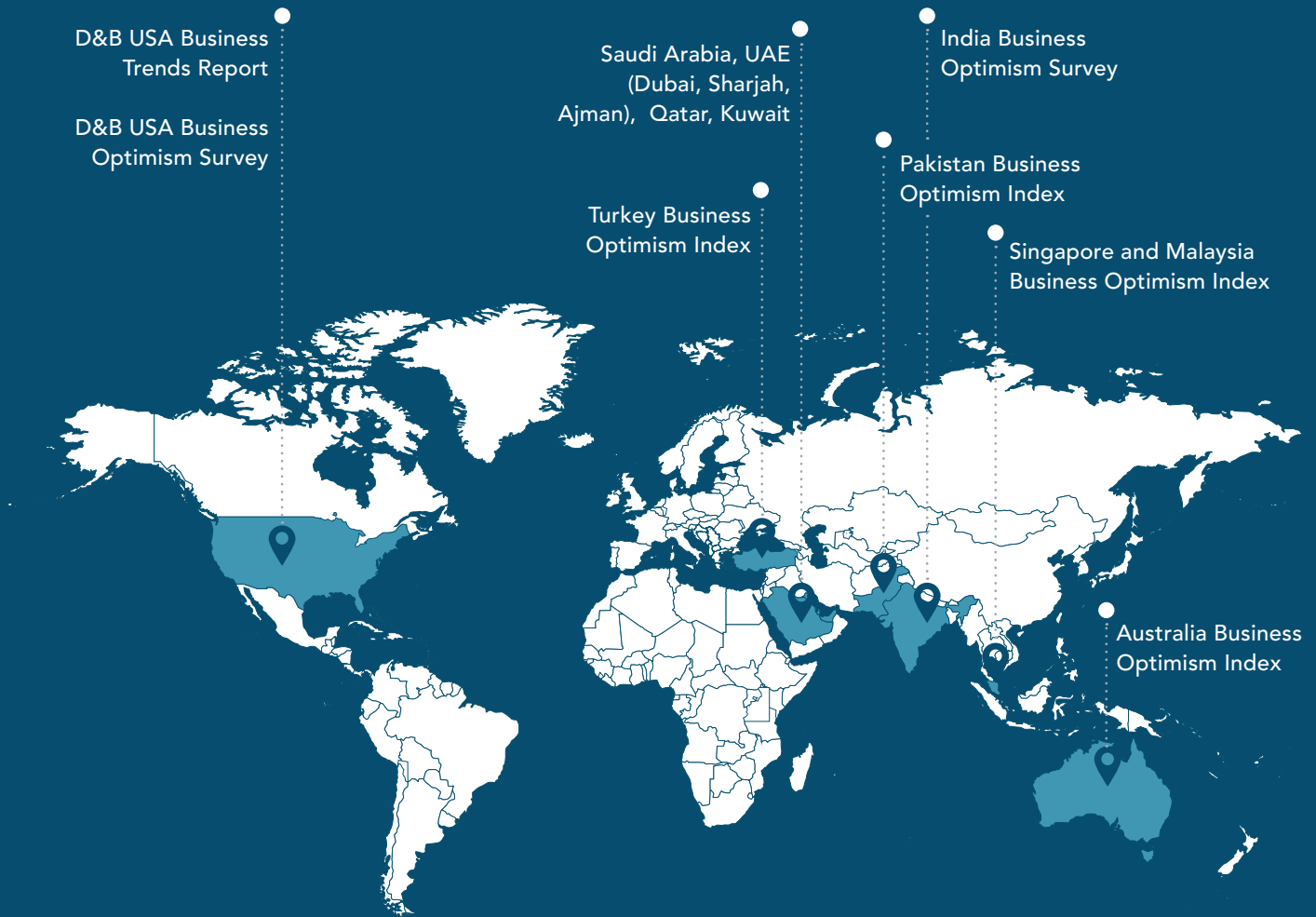
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## D&B GLOBAL CREDENTIALS ON BUSINESS OPTIMISM INDEX



## HISTORY OF D&B BUSINESS OPTIMISM INDEX



## INTRODUCTION

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

BOI surveys are conducted in the last month of each quarter. D&B conducted its BOI survey for Q2, 2020 from 1st June to 30th June, 2020 to gauge business sentiments for the current quarter as well as expectations about business performance in the following quarter. In addition, this edition of the BOI also covers the impact of the COVID-19 on businesses as well as business perceptions.

During Q2, 2020, Pakistan's economy continued to witness large-spread business disruptions due to the complete lockdown implemented from 23rd March 2020 till 18th May 2020. Subsequently, a 'smart lockdown' was announced in June, under which only the most affected areas were closed off. Specific businesses located outside of the closed off areas were allowed

to operate normally, provided there was strict adherence to Standard Operating Procedures (SOPs) issued by the government, which outlined social distancing guidelines and preventive measures to control the spread of the virus.

Post easing of the lockdown, respondents are now hopeful that the COVID-19 cases will decline and that economic activity will gradually return to normal compared to the complete standstill witnessed in the initial phase of the lockdown. Consequently, the Business Optimism for the current quarter is better than what was witnessed when the lockdown was imposed.

## 1. EXECUTIVE SUMMARY

The Business Optimism Index (BOI) in Q2, 2020 registered a decline of 7.8 points q-o-q to 112.8 (value above 100 points indicates business optimism). Decline in demand and business disruptions amid COVID-19 were regarded as the key reasons.

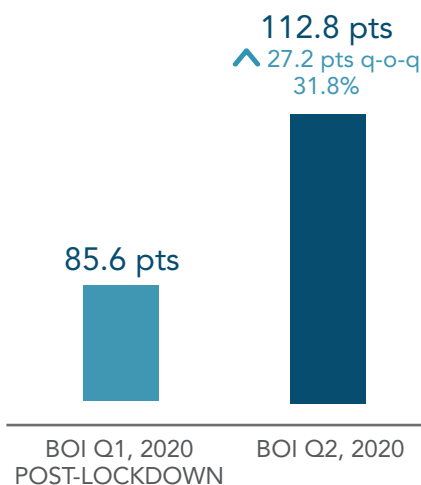
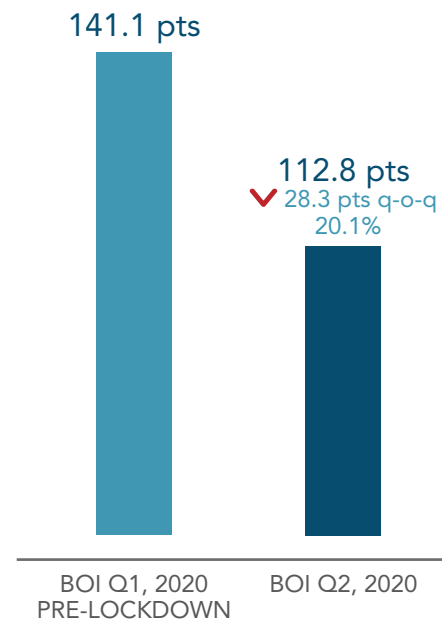
BOI Q1, 2020  
(OVERALL)  
**120.6 pts**

BOI Q2, 2020  
**112.8 pts**  
▼ 7.8 pts q-o-q  
(6.5%)

### Q2, 2020 INDEX COMPARISON WITH PRE & POST-LOCKDOWN SITUATION IN Q1, 2020

The Index declined by 28.3 points compared to the pre-lockdown score

Responses for the BOI in Q1, 2020 were collected from 2nd March to 30th March, 2020. To accurately assess the impact of the lockdown, the BOI survey results pre and post lockdown were analyzed separately. The responses collected before the lockdown (during which the businesses were operating normally) indicated high optimism, and a BOI score of 141.1. Compared to this, the BOI for Q2, 2020 declined by 28.3 points.



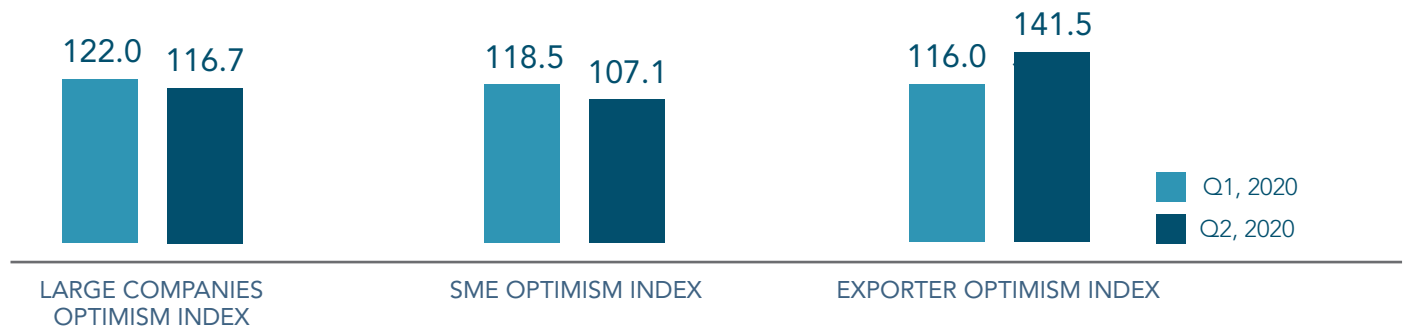
Q2, 2020 BOI Index increased by 27.2 points compared with the post-lockdown score in Q1, 2020.

After the lockdown was imposed, business activity came to a standstill as only essential businesses were allowed to operate. The responses collected after the lockdown indicated significantly lower optimism, and a BOI score of 85.6. Compared to this, the BOI increased by 27.2 points in Q2, 2020 indicating higher optimism owing to lower uncertainty regarding resumption of business activities.



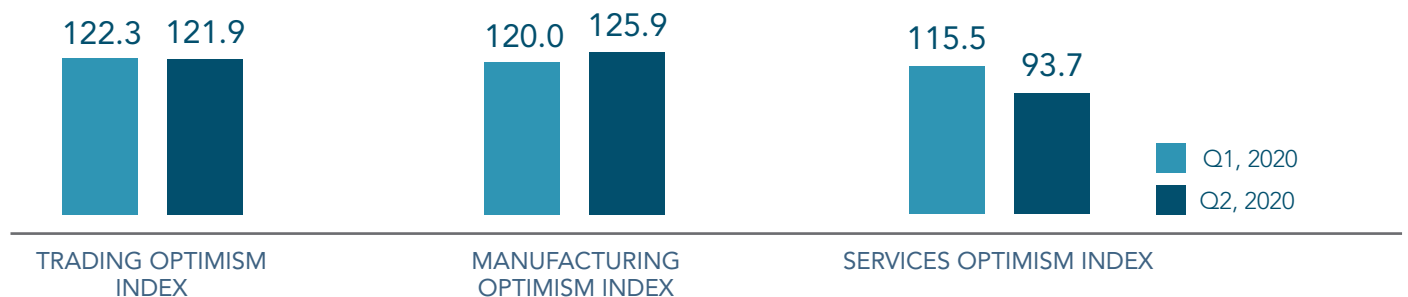
## INDEX COMPARISON (Q1, 2020 AND Q2, 2020)

The Large Companies Optimism Index and SME Optimism Index have both declined in Q3, 2020. However, at an aggregate level both indices are above 100, indicating overall optimism. In contrast, the Exporter Optimism Index increased from 116.0 to 141.5.



## INDEX COMPARISON, SECTOR-WISE (Q1, 2020 AND Q2, 2020)

Service sector indicated pessimism for Q3, 2020 with a BOI of 93.7 whereas, BOI for Manufacturing sector increased by 5.9 points to 125.9.



## FORECAST OUTLOOK (Q3, 2020)

Once the smart-lockdown was imposed in June, businesses partially resumed operations, resulting in an overall optimism in the business sector for Q3, 2020 as over half of the businesses surveyed, anticipate an increase in Sales Volume.



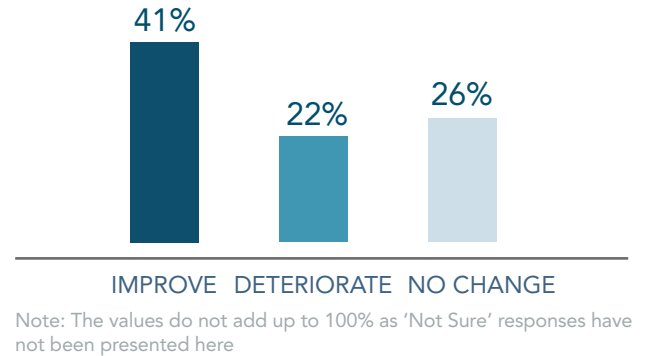
For Q3, 2020, over 50% of respondents anticipate an increase in Sales Revenue driven primarily by an increase in Sales Volume, in anticipation of better business and economic conditions. Although, overall BOI reflected a deterioration, this is a significant improvement from the post-lockdown sentiments during the previous quarter.

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

## OVERALL BUSINESS PERFORMANCE OUTLOOK (Q3, 2020)

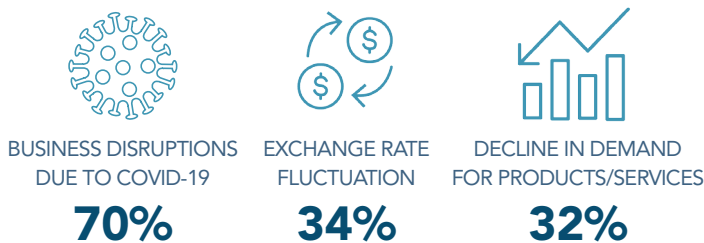
Respondents expect forecast business performance to improve in Q3, 2020 and anticipate higher demand. This expectation is driven by confirmation of previously delayed orders, as well as respondents' belief that demand will gradually increase.

In Q3, 2020, 41% of the respondents expect circumstances to improve while 22% expect a deterioration. The percentage of respondents citing a worsening of business conditions decreased from 48% in Q2, 2020 to 22% in Q3, 2020. The percentage of respondents citing an improvement of business conditions also increased from 18% in Q2, 2020 to 41% in Q3, 2020.



## TOP FACTORS HINDERING BUSINESS GROWTH

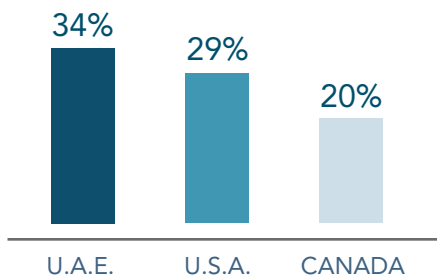
70% of the respondents cited business disruptions due to COVID-19 as the key business challenge in Q2, 2020. Other challenges included exchange rate fluctuation, and decline in demand.



In addition to the direct impact on local businesses and decline in demand, the COVID-19 pandemic has further affected businesses due to exchange rate fluctuations. PKR depreciated against the USD as PKR/USD stood at 168.05 on June 30, 2020 compared to 166.70 on March 31, 2020.

## TOP 3 CURRENT EXPORT DESTINATIONS

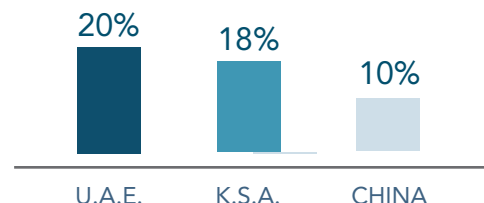
61% of the respondents expect their export performance to increase in Q3, 2020



28% of the survey sample were exporters who mentioned the UAE, USA and Canada as key export destinations.

## TOP 3 NEW EXPORT DESTINATIONS

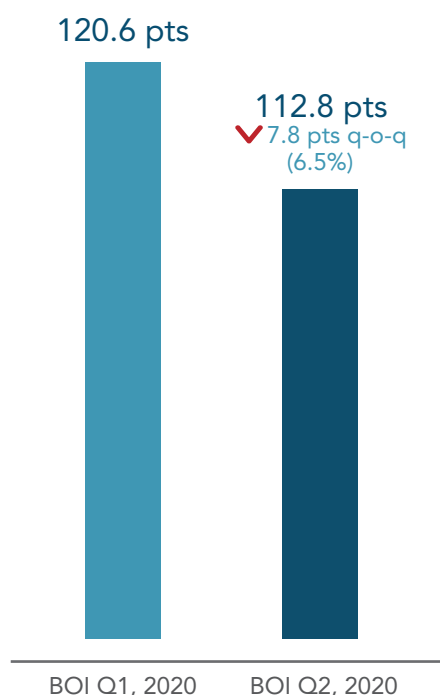
18% respondents expressed willingness to export to new markets in Q3, 2020



The UAE, KSA and China were cited as most lucrative markets amongst respondents for Q3 2020.

% indicates responses by respondents  
United Arab Emirates (UAE); Saudi Arabia (KSA); United States of America (USA)

## 2. KEY HIGHLIGHTS (Q2, 2020)



BOI Q2, 2020:  
**7.8 pts q-o-q (6.5%)**  
 indicating lower business optimism as compared to the previous quarter



Manufacturing sector emerged as the most optimistic for Q3, 2020



Services sector showed a negative Net Balance for most parameters

## EXCERPT OF RESULTS

- In Q2, 2020, BOI registered a decline of 7.8 points (6.5%) from 120.6 points in Q1, 2020 to 112.8 points in Q2, 2020. Since the index value is above 100, it indicates optimism and a positive outlook for the future from an economic performance perspective. However, the optimism has reduced compared to the previous quarter.
- Economic activity was significantly hampered during the lockdown phase since only essential businesses were allowed to operate and others were at a standstill, resulting in deterioration of business, and business sentiments. However, businesses were more optimistic after the Government of Pakistan lifted the ~1.5-month lockdown and switched to a 'Smart Lockdown' in areas that were hotspots for COVID-19 cases. Businesses are now hopeful that the situation will return to normal as economic activities resume and have cited improvement in business matters due to an expected increase in Sales Volume and consequently, Sales Revenue.
- Large Companies Index stood at 116.7 points (122.0 points in Q1, 2020), while the SME Index was 107.1 points (118.5 points in Q1, 2020) in Q2, 2020. Large companies were relatively more optimistic than SMEs with respect to all the parameters. During the 'smart lockdown', selected sectors such as construction and textile were allowed to resume operations while high risk sectors such as tourism and education were not allowed to operate.



**141.5**

Exporter Optimism Index in Q2, 2020 increased by 25.5 points from 116.0 in Q1, 2020.

- The Manufacturing sector anticipates higher Sales Revenue, Sales Volume and Employment Size compared to the Trading and Services sectors in Q3, 2020. The Trading sector anticipates higher Profits and Selling Prices compared to the other sectors while the Services sector showed negative Net Balance for all the parameters except Selling Prices. On an average, the Manufacturing sector was relatively more optimistic than the Trading and Services sectors.
- Business disruptions caused by the lockdown due to COVID-19, exchange rate fluctuation, and the reduced demand for products and services were cited as key challenges affecting business growth.
- The Exporter Optimism Index was 141.5 in Q2, 2020 compared to 116.0 in Q1, 2020. 61% of exporters expect an increase in export orders in the next quarter, while 18% of respondents plan to export to new markets. Top three new export destinations cited by the respondents are UAE (20%), KSA (18%) and China (10%) compared to the UAE (34%), USA (29%) and Canada (20%) in Q2, 2020.

Note: United Arab Emirates (UAE); Saudi Arabia (KSA)

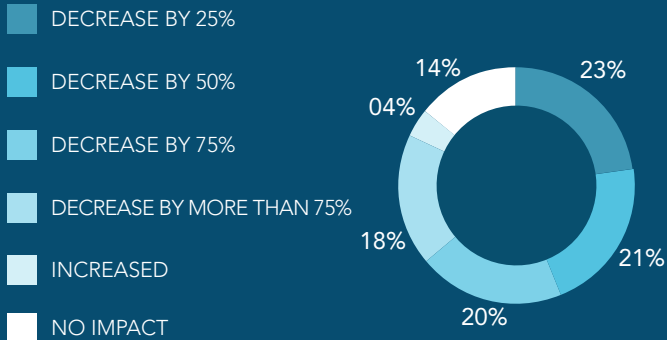


### 3. IMPACT OF COVID-19 (Q2, 2020)

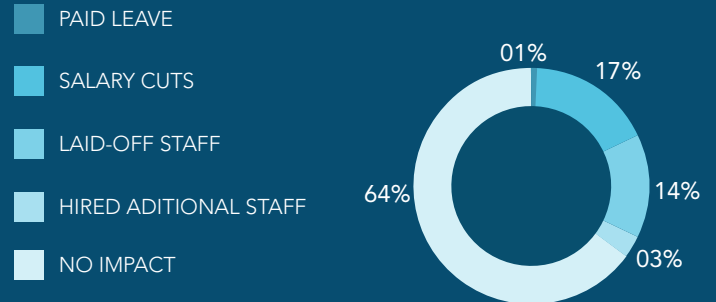
Approximately half (54%) of the businesses surveyed believe that the business situation will take 6 to 12 months to normalize. Around two-thirds of respondents indicated that they were maintaining staff levels, while 32% indicated they had cut salaries, laid off staff or sent staff on leaves (paid/unpaid).

Over half (59%) of the respondents reported a decrease in Sales by 50% or more in the current quarter (Q2, 2020). 64% reported no impact on Employment Size.

#### COVID-19 IMPACT ON SALES IN CURRENT QUARTER

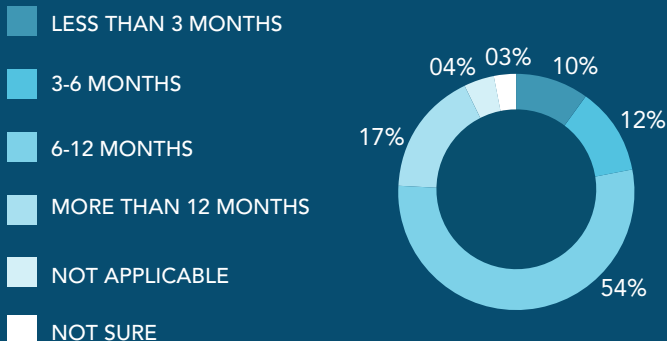


#### COVID-19 IMPACT ON EMPLOYMENT IN CURRENT QUARTER

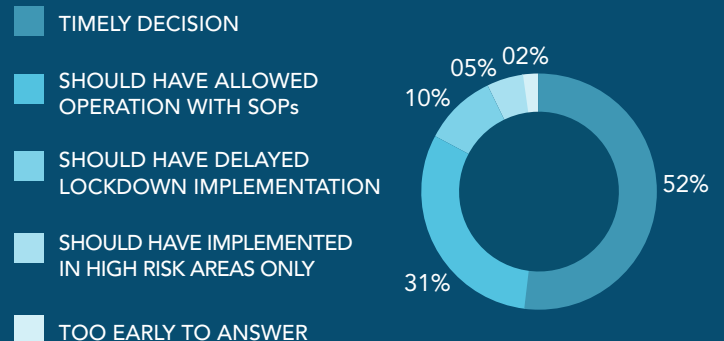


54% of the respondents anticipate that the business situation will take 6 to 12 months to normalize. Around half (52%) agreed that the government took a timely decision of imposing the lockdown.

#### WHEN WILL THE BUSINESS SITUATION NORMALIZE

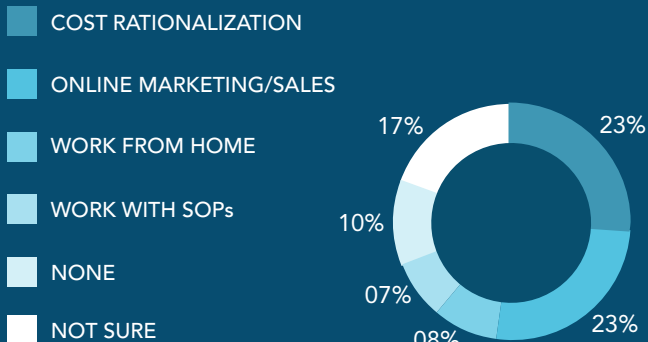


#### OPINION ON GOVERNMENT'S DECISION TO LOCKDOWN

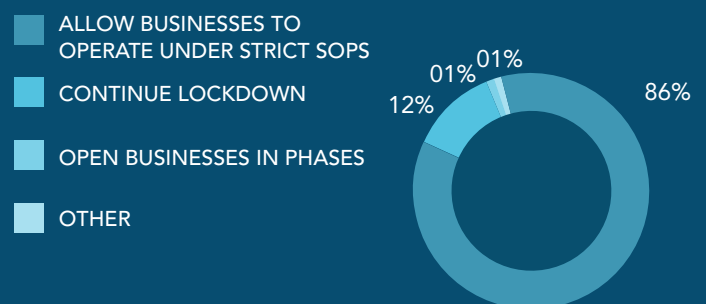


23% of the respondents believe that cost rationalization and online marketing/sales should be adopted to counter COVID-19 whereas, 86% want the government to allow businesses to operate under strict Standard Operating Procedures (SOPs).

#### MEASURES TO COUNTER COVID-19 IN NEXT QUARTER



#### BEST STRATEGY GOVERNMENT SHOULD IMPLEMENT TO DEAL WITH COVID-19



Note: Values may not add up to 100% at certain places due to rounding off

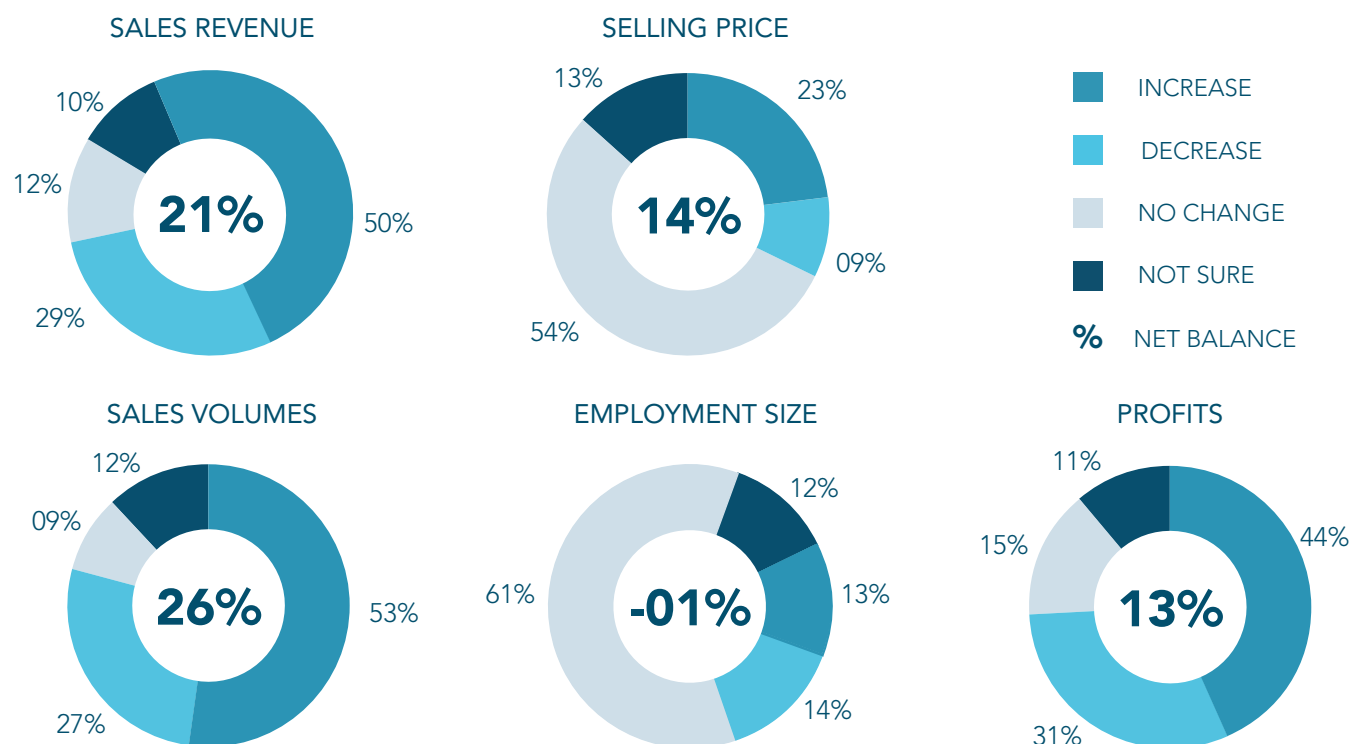
## 4. FORECAST BUSINESS OUTLOOK (Q3, 2020)

The Net Balance for Q3, 2020 is lower across all parameters, except for Sales Volume and Selling Prices, compared to Q2, 2020. Employment size was the only parameter to record a negative Net Balance despite 61% indicating no change in the Employment Size.

OVERALL	INCREASE		DECREASE		NO CHANGE		NOT SURE		*NET BALANCE
SALES REVENUE	54%	50%	29%	29%	12%	12%	05%	10%	25% 21%
SELLING PRICES	24%	23%	10%	09%	45%	54%	21%	13%	14% 14%
SALES VOLUMES	52%	53%	27%	27%	12%	09%	09%	12%	25% 26%
EMPLOYMENT SIZE	23%	13%	07%	14%	56%	61%	14%	12%	16% -01%
PROFITS	49%	44%	29%	31%	12%	15%	10%	11%	20% 13%

■ Q2,2020 ■ Q3,2020

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



**53%** businesses anticipate an increase in Sales Volume during Q3, 2020

- Positive Net Balance across all parameters except Employment Size indicates that businesses are overall optimistic for the upcoming quarter.
- However, for Q3, 2020, respondents anticipate lower Sales Revenue, Employment Size and Profits, compared to Q2, 2020, indicating relatively lower optimism.
- 54% of the respondents expect stability in prices while 23% expect an increase due to the PKR devaluation. The Net Balance for Employment Size decreased to -01% q-o-q for

Q3, 2020 from 16% during the last quarter.

- Outlook for Sales Volume is the only parameter that increased on q-o-q basis as the Net Balance registered an increase from 25% in Q2, 2020 to 26% in Q3, 2020. 53% of the respondents expect an increase in Sales Volume due to higher demand as businesses resume operations.
- Furthermore, respondents' expectation with regards to Profit declined on q-o-q basis as the Net Balance decreased from 20% in Q2, 2020 to 13% in Q3, 2020. However, 59% anticipate profit will increase or remain unchanged as they believe sales will increase in the upcoming quarter.

Note: Values may not add up to 100% at certain places due to rounding off

## 5. Q3, 2020 COMPARISON WITH PRE & POST-LOCKDOWN SITUATION IN Q2, 2020

OVERALL	INCREASE		DECREASE		NO CHANGE		NOT SURE		*NET BALANCE
SALES REVENUE	68%	50%	18%	29%	10%	12%	03%	10%	50% 21%
SELLING PRICES	28%	23%	07%	09%	42%	54%	24%	13%	21% 14%
SALES VOLUMES	65%	53%	17%	27%	10%	09%	07%	12%	48% 26%
EMPLOYMENT SIZE	29%	13%	03%	14%	52%	61%	15%	12%	26% -01%
PROFITS	62%	44%	19%	31%	12%	15%	07%	11%	43% 13%

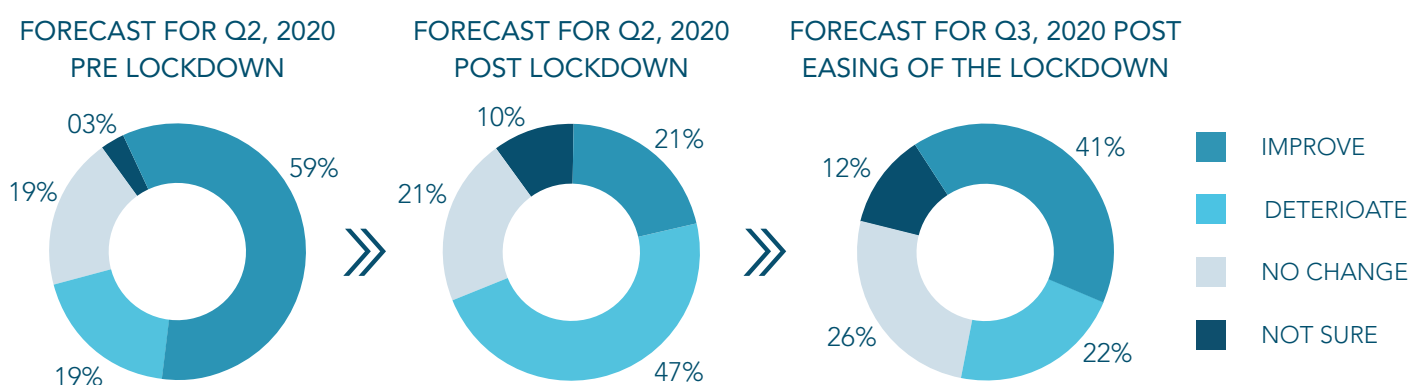
■ Q2,2020 (PRE-LOCKDOWN) ■ Q3,2020

The Net Balances for Q3, 2020 responses are lower compared to pre-lockdown responses for Q2, 2020 across all parameters. Net Balances for pre-lockdown responses for Sales Revenue and Sales Volume were 50% and 48%, against 21% and 26% for Q3 2020, respectively, indicating significant decline in optimism.

OVERALL	INCREASE		DECREASE		NO CHANGE		NOT SURE		*NET BALANCE
SALES REVENUE	19%	50%	57%	29%	14%	12%	10%	10%	-38% 21%
SELLING PRICES	14%	23%	19%	09%	53%	54%	14%	13%	-05% 14%
SALES VOLUMES	20%	53%	50%	27%	17%	09%	13%	12%	-30% 26%
EMPLOYMENT SIZE	09%	13%	16%	14%	65%	61%	10%	12%	-07% -01%
PROFITS	19%	44%	53%	31%	13%	15%	15%	11%	-34% 13%

■ Q2,2020 (POST-LOCKDOWN) ■ Q3,2020

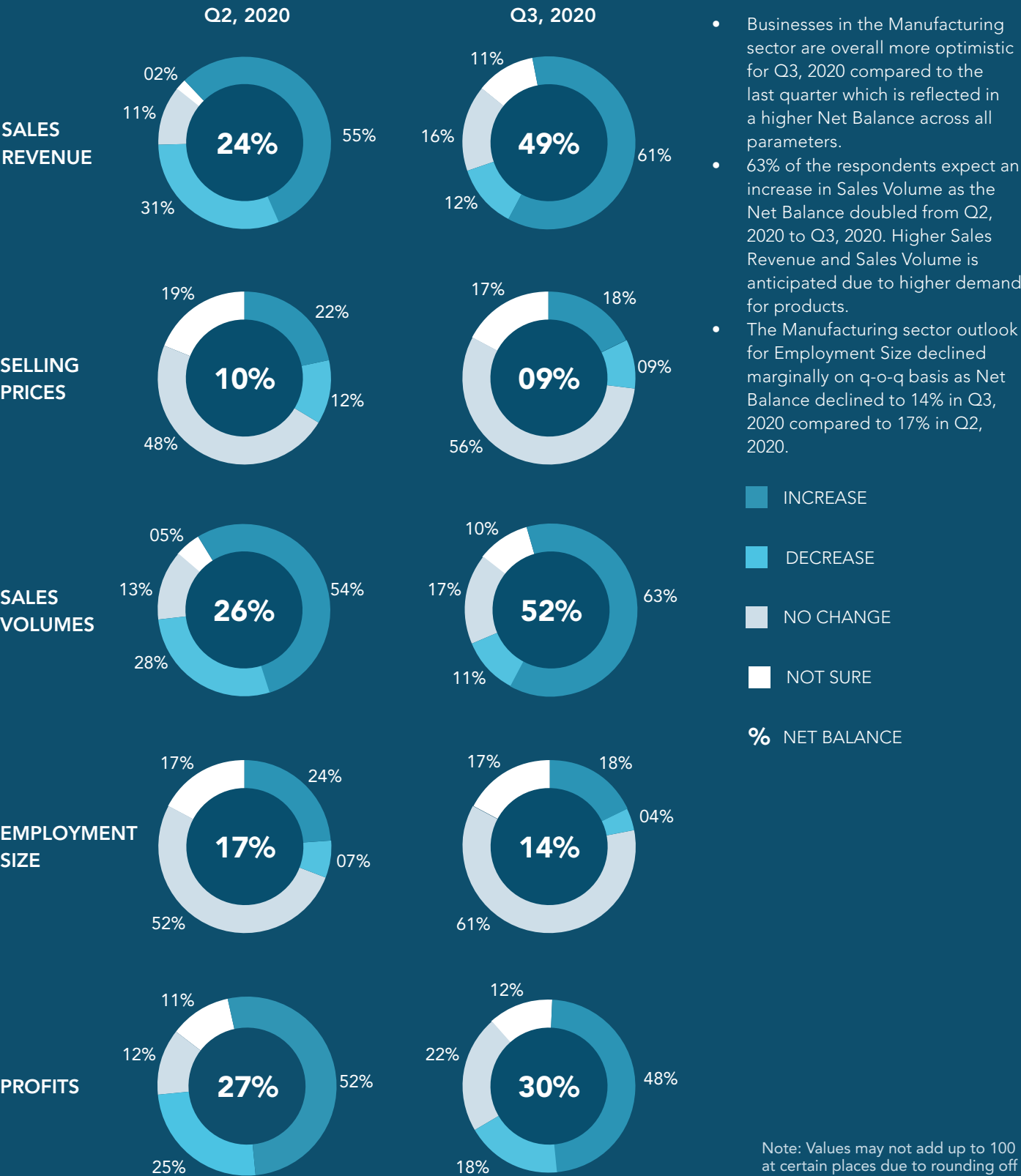
Q2, 2020 post-lockdown responses reflected negative Net Balances across all parameters compared to positive Net Balances for pre-lockdown responses. However, Net balances for all parameters improved in Q3, 2020 compared to post-lockdown responses since economic activity has partially returned to normal.



For responses captured pre-lockdown, 59% of the respondents cited an improvement in the next quarter (Q2, 2020) compared to 21% for post-lockdown responses. However, after easing of the lockdown in Q2, 2020, 41% respondents anticipate an improvement in the next quarter (Q3, 2020).

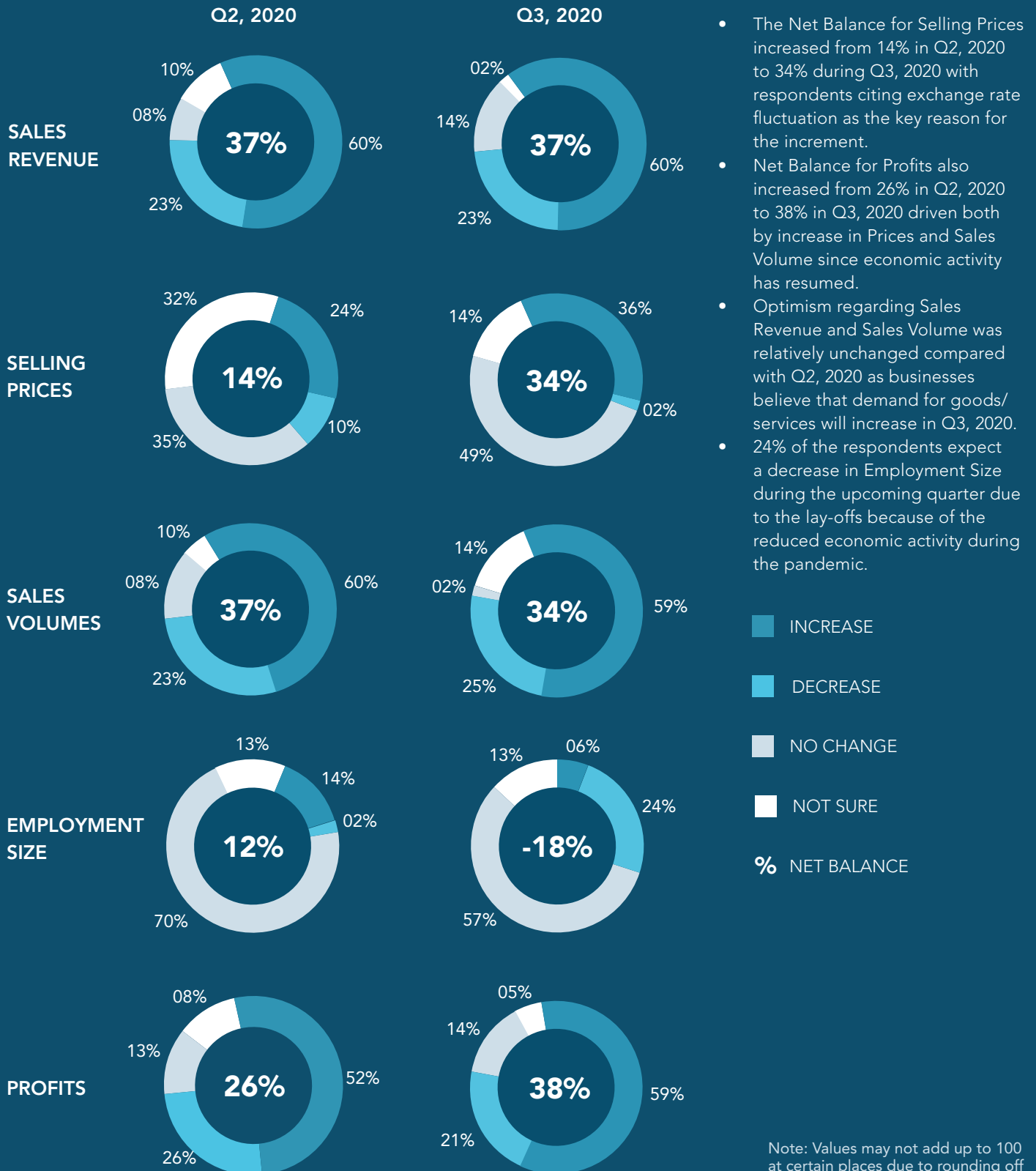
6. MANUFACTURING SECTOR OUTLOOK, NEXT QUARTER (Q3, 2020)

The Manufacturing sector is the most optimistic with respect to Sales Revenue and Sales Volume, with a Net Balances of ~50% for both parameters. Businesses in food & beverages and textile manufacturing sub-sectors are most optimistic.



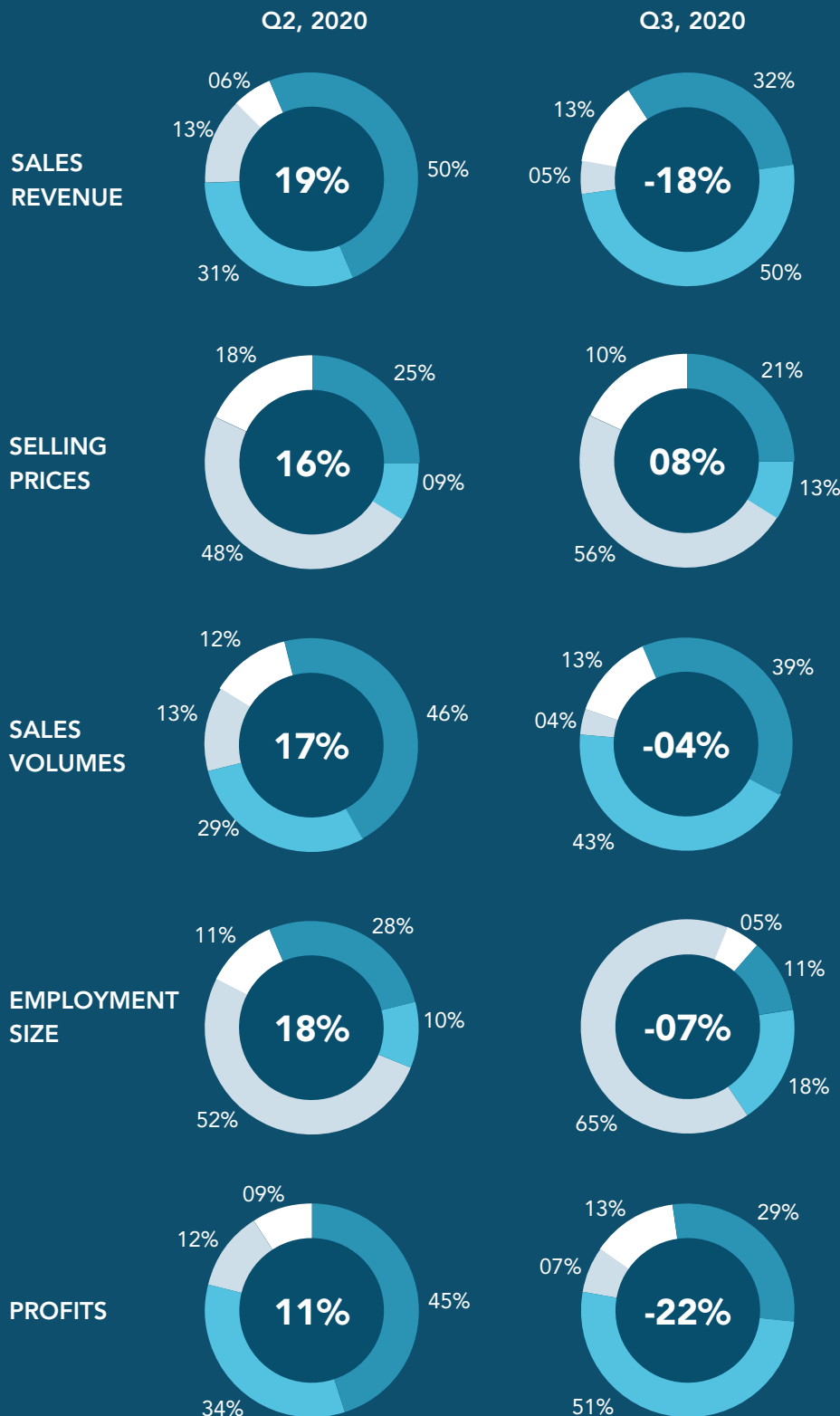
## 7. TRADING SECTOR OUTLOOK, NEXT QUARTER (Q3, 2020)

For Q3, 2020, a higher percentage of Trading sector businesses expect an increase in prices compared to other sectors, with a Net Balance of 34% compared to 14% in Q2, 2020. Increase in prices is anticipated to be driven by exchange rate deterioration.

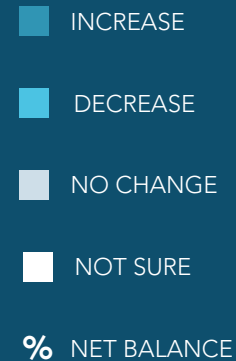


## 8. SERVICES SECTOR OUTLOOK, NEXT QUARTER (Q3, 2020)

Services sector is the most pessimistic for Q3, 2020, reflected by negative Net Balances across all parameters except for Selling Prices. Service sector business such as hotels, schools and restaurants continue to remain on lockdown and mentioned inability to achieve sales targets due to the pandemic.



- Businesses in the Services sector are less optimistic for Q3, 2020 compared to the last quarter; they are least optimistic regarding Profits due to decreased sales with Net Balance declining to -22% compared to 11% in the previous quarter.
- Selling Prices was the only parameter with a positive Net Balance as 21% of the respondents expect an increase in prices due to the devaluation of PKR against the USD.
- Moreover, 65% of the respondents anticipate Employment Size to remain constant as majority mentioned that they are retaining their current workforce.

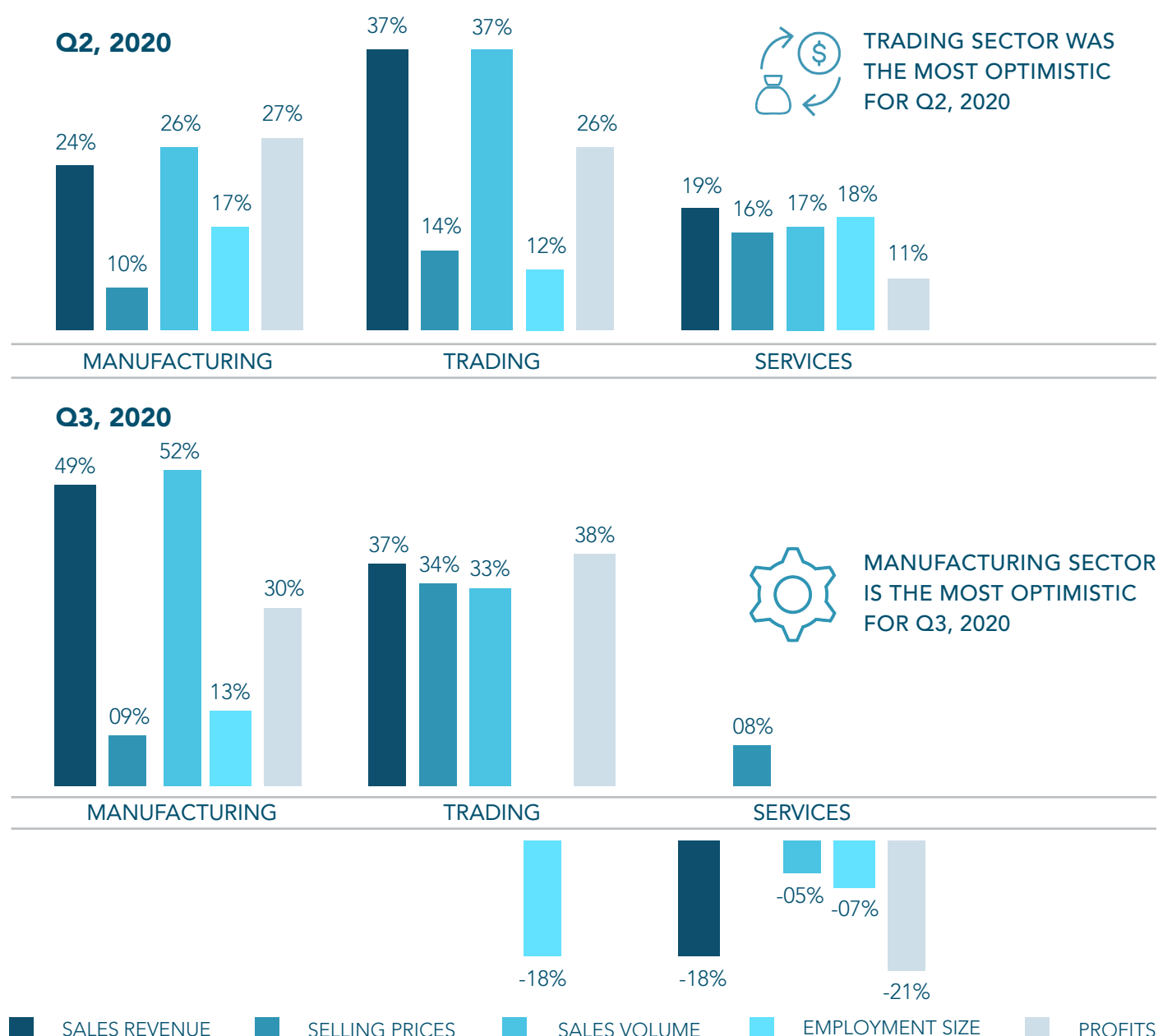


Note: Values may not add up to 100 at certain places due to rounding off



## 9. SECTOR WISE NET BALANCE, NEXT QUARTER (Q3, 2020)

On average, Sales Volume recorded the highest Net Balance across all sectors and almost doubled for the Manufacturing sector. Even though, majority of the businesses cited no impact on Employment Size, Net Balance was lower across all three sectors during Q3, 2020 indicating that businesses may reduce their workforce amid muted demand.



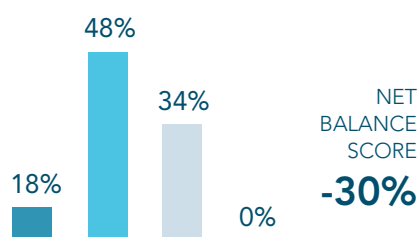
- Manufacturing sector businesses anticipate higher Sales Revenue and Sales Volume compared to the Trading and Services sectors for the next quarter (Q3, 2020). The Trading sector anticipates higher Profits while the Services sector shows a negative Net Balance for all the parameters except Employment Size.
- On an average, the Manufacturing sector is more optimistic than Trading and Services sectors for the upcoming quarter. Conversely, the Services sector is the

- most pessimistic as majority of the businesses indicated inability to meet sales targets.
- The Net Balance for Selling Prices increased only for the Trading sector, from 14% in Q2, 2020 to 34% during Q3, 2020 due to exchange rate deterioration.
- The Net Balance for Employment Size declined for Q3, 2020 across all sectors indicating that businesses might decrease their workforce as businesses are rationalizing costs due to reduced sales.

## 10. CURRENT AND FORECAST BUSINESS SITUATION (Q2, 2020 & Q3, 2020)

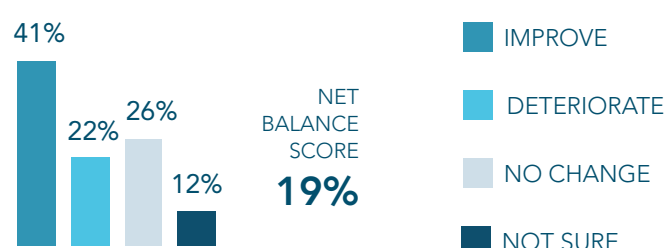
The Net Balance for forecast business situation (Q3, 2020) has increased to 19% compared to -30% for the business situation in the current quarter (Q2, 2020) indicating significantly higher optimism.

CURRENT BUSINESS SITUATION Q2, 2020



- The responses for the business situation reflect respondents' outlook in regards to the current business situation (Q2, 2020) and forecast business situation (Q3, 2020). Based on the results, respondents were more optimistic with respect to forecast business situation vis-a-vis the current business situation as the Net Balance has increased and is in positive.
- 41% of the respondents expect business situation to improve

FORECAST BUSINESS SITUATION Q3, 2020

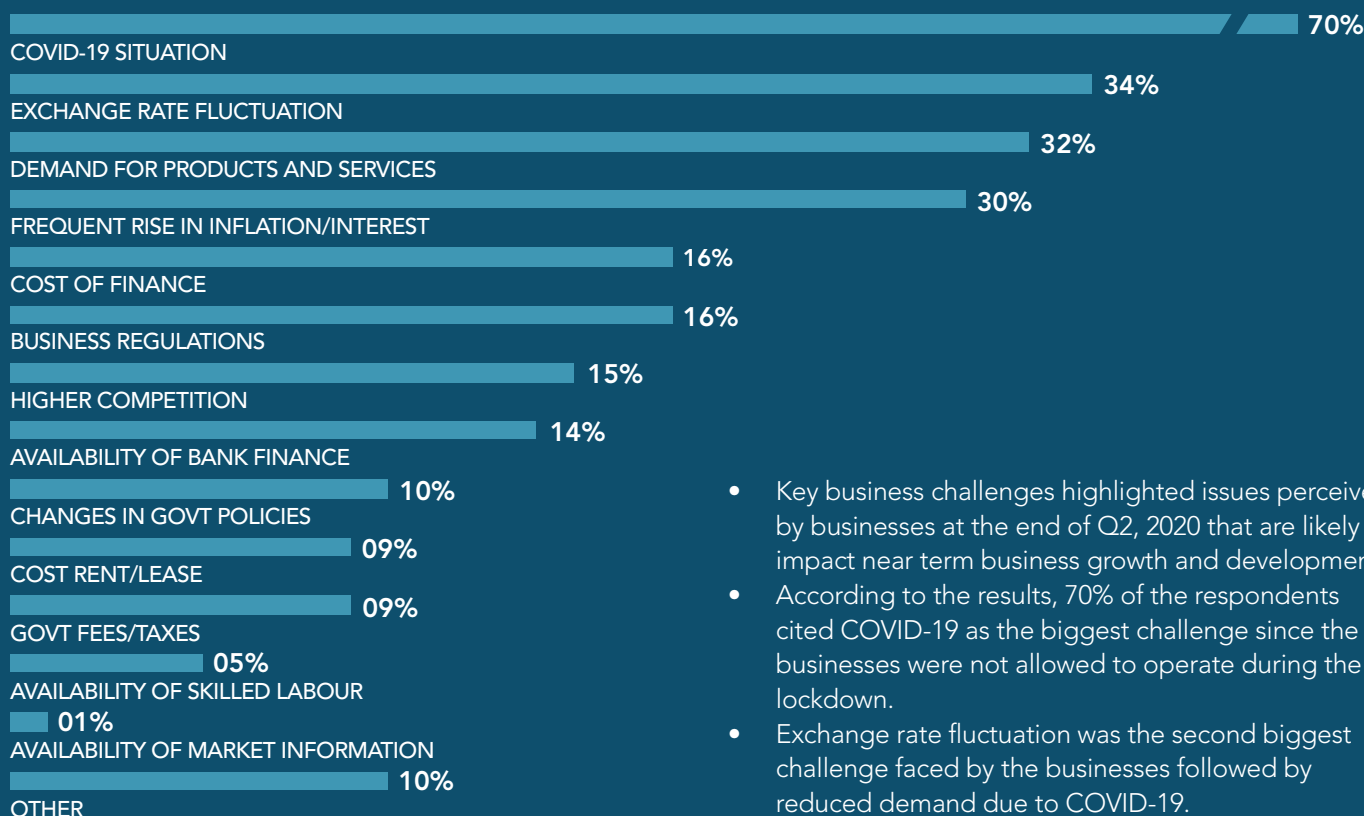


in the upcoming quarter compared to 18% in the current quarter. However, 22% of the respondents expect their business situation to deteriorate in the upcoming quarter, compared to 48% in the current quarter, highlighting a Net Balance improvement from -30% in Q2, 2020 to 19% in Q3, 2020.

Note: Values may not add up to 100 at certain places due to rounding off

## 11. KEY BUSINESS CHALLENGES (Q2, 2020)

During the current quarter, 70% of the respondents claimed business disruptions due to lockdown as a major factor affecting growth. Over 30% of the respondents were impacted by exchange rate fluctuation and decrease in demand.



- Key business challenges highlighted issues perceived by businesses at the end of Q2, 2020 that are likely to impact near term business growth and development.
- According to the results, 70% of the respondents cited COVID-19 as the biggest challenge since the businesses were not allowed to operate during the lockdown.
- Exchange rate fluctuation was the second biggest challenge faced by the businesses followed by reduced demand due to COVID-19.

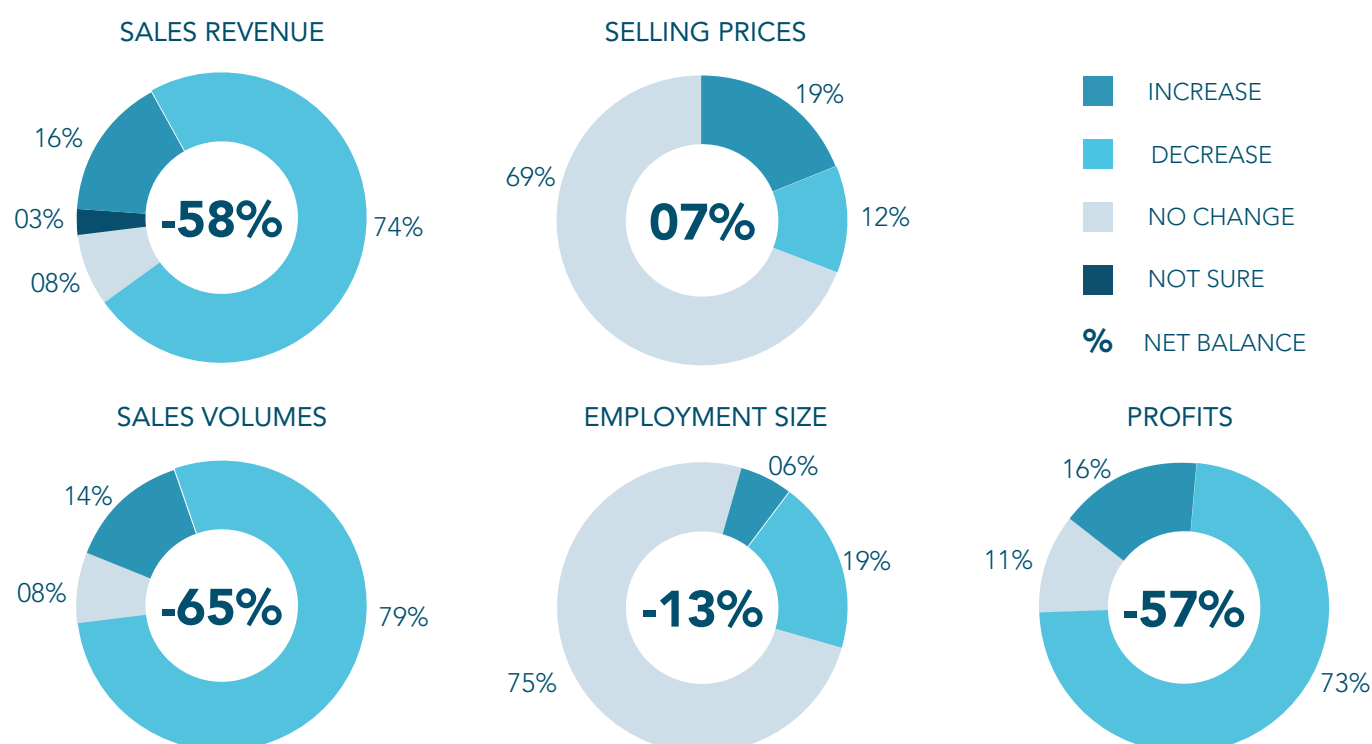
## 12. CURRENT BUSINESS PERFORMANCE (Q2, 2020)

Current business performance indicates that business optimism for all parameters declined. Businesses reported decrease in Sales Revenue, Sales Volume and Profits due to reduced demand during the lockdown.

OVERALL	INCREASE		DECREASE		NO CHANGE		NOT SURE		*NET BALANCE
SALES REVENUE	54%	16%	35%	74%	12%	08%	00%	03%	19% -58%
SELLING PRICES	41%	19%	08%	12%	50%	69%	01%	00%	33% 07%
SALES VOLUMES	49%	14%	35%	79%	15%	08%	01%	00%	14% -65%
EMPLOYMENT SIZE	27%	06%	09%	19%	64%	75%	01%	00%	18% -13%
PROFITS	43%	16%	39%	73%	16%	11%	02%	00%	04% -57%

■ Q2,2020 ■ Q3,2020

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



Net Balance declined below -50% for Sales Revenue, Sales Volume and Profits in Q2, 2020 compared to 19%, 14% and 04%, respectively in Q1, 2020.

Selling prices was the only parameter with a positive Net Balance of 07%

- Current quarter business performance declined for Q2, 2020 compared to Q1, 2020 as indicated by the negative Net Balance across all the parameters, except for Selling Prices. Net Balance for Sales Revenue, Sales Volume and Profits were all lower than -50%.

- 74% of the respondents cited a decrease in Sales Revenue in Q2, 2020 against 35% in Q1, 2020.
- In Q2, 2020, over 70% of respondents indicated a decrease in Sales Volumes and Profits against 35% and 39% in Q1, 2020 respectively. Respondents highlighted COVID-19 as a major reason for the decline in Sales Revenue, Sales Volume and Profits in Q2, 2020. In Q1, 2020, a higher Net Balance was recorded for these parameters as businesses reported increase in demand and consequently, increase in sales.
- Respondents that reported an increase in Profits declined from 43% in Q1, 2020 to 16% in Q2, 2020 driven by inability to make sales during the pandemic.

Note: Values may not add up to 100% at certain places due to rounding off

## 13. SME BUSINESS OUTLOOK (Q3, 2020)

SME index registered a decline of 11.4 points q-o-q to 107.1 points in Q2, 2020. SME index was lower compared to large companies' index for all parameters due to lower business optimism, especially in the Services sector.

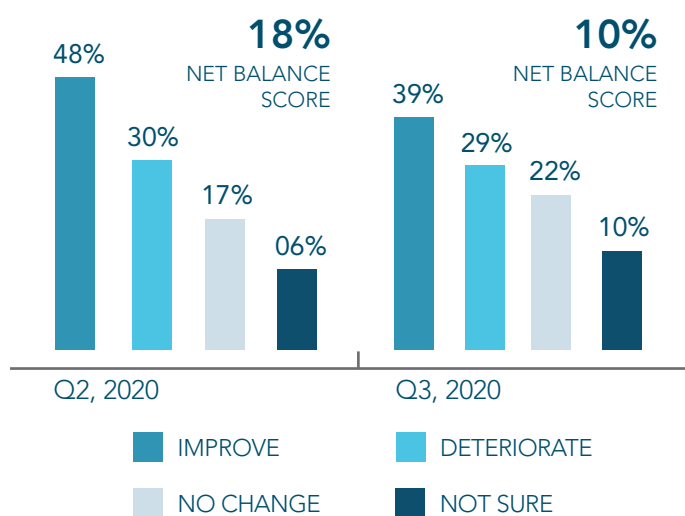
SME Index for Q2, 2020: 107.1 (Q1, 2020: 118.5)

OVERALL	INCREASE		DECREASE		NO CHANGE		NOT SURE		*NET BALANCE
SALES REVENUE	53%	43%	29%	35%	13%	10%	05%	11%	24% 08%
SELLING PRICES	25%	21%	10%	10%	46%	61%	19%	08%	15% 11%
SALES VOLUMES	52%	44%	28%	35%	12%	09%	09%	11%	24% 09%
EMPLOYMENT SIZE	23%	13%	06%	11%	58%	66%	13%	11%	17% 02%
PROFITS	48%	40%	30%	34%	13%	11%	09%	14%	18% 06%

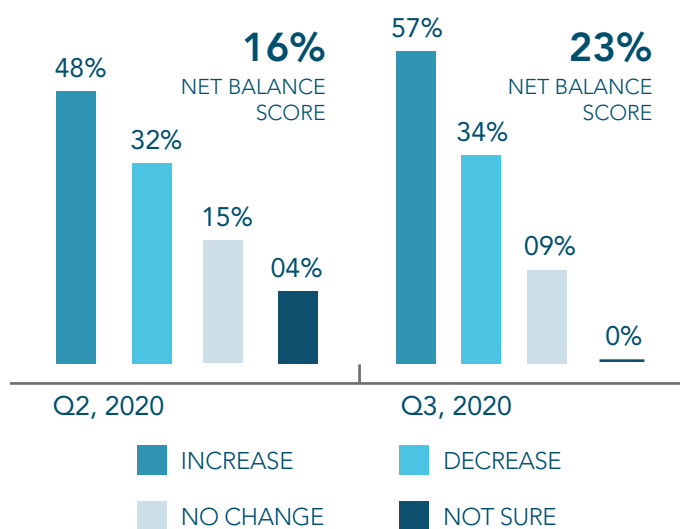
■ Q2,2020 ■ Q3,2020

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

### SME FORECAST BUSINESS SITUATION



### FORECAST EXPORT PERFORMANCE



SME Index  
Q2, 2020

**107.1 pts**

✓ 11.4 pts q-o-q

Large Companies  
Index Q2, 2020

**116.7 pts**

✓ 5.3 pts q-o-q

- SMEs were less optimistic compared to large companies as the Large Companies Index stood at 116.7 points (down 5.3 points q-o-q). A lower index for SMEs was largely due to relatively lower business optimism amongst Service sector SMEs.
- Although, Net Balances for SMEs declined across all the parameters for Q3, 2020 compared to Q2, 2020, Sales Revenue witnessed the greatest decline, from a Net

Balance of 24% in Q2, 2020 to 8% in Q3, 2020.

- Net Balance for SME Forecast Business Situation declined for the upcoming quarter (Q3, 2020) to 10% against 18% in Q2, 2020.
- Top factors hindering SMEs' growth in Q2, 2020 included business disruptions due to COVID-19 (69%), inflation (37%) and exchange rate fluctuation (36%).
- Only 15% of SMEs expressed willingness to export to new markets in Q3, 2020, compared to 26% in Q2, 2020. The UK and USA were cited as the most lucrative markets with 23% and 18% respondents planning to export to these countries, respectively.

Note: Values may not add up to 100 at certain places due to rounding off

# 14. EXPORTERS' BUSINESS OUTLOOK (Q3, 2020)

The Exporters Index was calculated at 141.5 points for Q2, 2020, up by 25.5 points q-o-q. Exporters have displayed stronger forecast than domestic-market oriented firms across all the parameters.

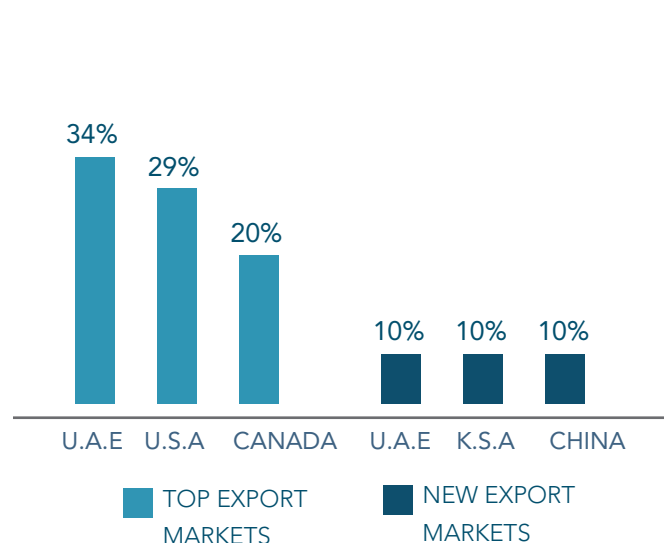
Exporters Index for Q2, 2020: 141.5 (Q1, 2020: 116.0)

OVERALL	INCREASE	DECREASE	NO CHANGE	NOT SURE	*NET BALANCE
SALES REVENUE	48% 79%	32% 07%	17% 12%	03% 02%	16% 72%
SELLING PRICES	21% 24%	12% 02%	50% 63%	17% 11%	09% 22%
SALES VOLUMES	47% 79%	30% 07%	16% 11%	07% 03%	17% 72%
EMPLOYMENT SIZE	31% 13%	09% 10%	45% 55%	15% 22%	22% 03%
PROFITS	48% 77%	32% 07%	13% 12%	06% 05%	16% 70%

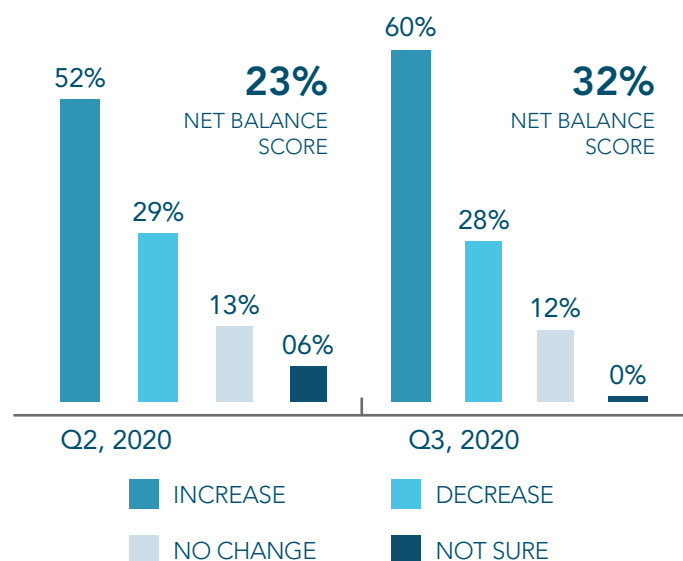
■ Q2,2020 ■ Q3,2020

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

TOP EXPORT MARKETS Q2, 2020



FORECAST EXPORT PERFORMANCE Q3, 2020



**54%** exporters expressed willingness to export to new markets in Q3, 2020

## TOP NEW EXPORTS MARKETS



U.A.E



K.S.A



CHINA

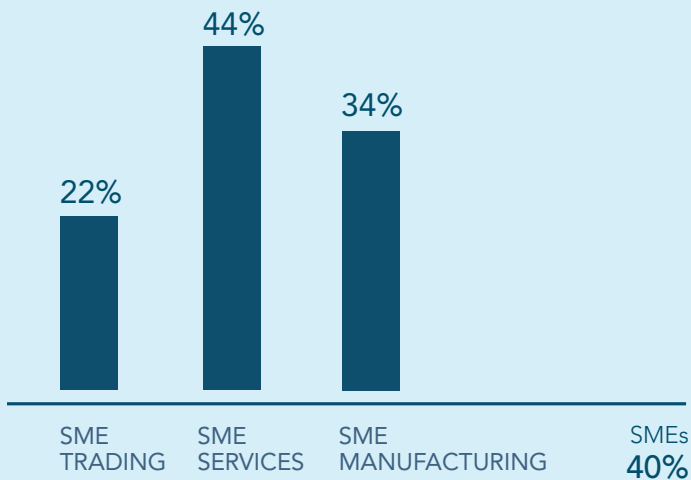
- Exporters were optimistic with respect to all parameters registering a positive Net Balance in each parameter. Net Balances for Sales Revenue, Sales Volume and Profits were over all over 70%.
- Based on the survey results, Net Balance for forecast export performance for the upcoming quarter (Q3, 2020) was 33%,

compared to 23% in the previous quarter (Q2, 2020) as exporters are hopeful that international trade will resume.

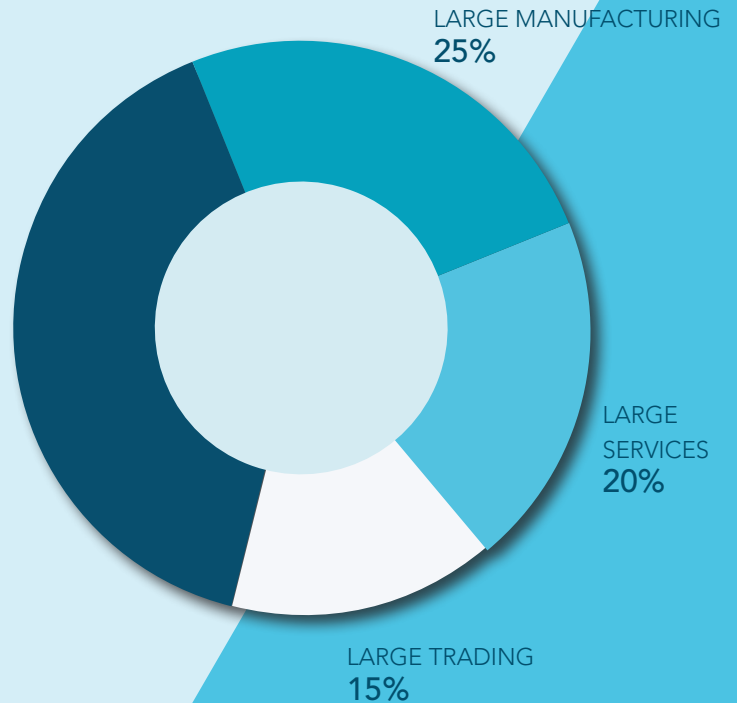
- Top three export destinations for exporters included the UAE (34%), the USA (29%) and Canada (20%) in Q2, 2020 whereas, in Q1, 2020 top export destinations included the USA (42%), UAE (31%) and UK (16%).
- 54% of exporters expressed willingness to export to new markets in Q3, 2020, compared to 73% in the previous quarter. Amongst businesses surveyed, the UAE, the KSA and China were the most popular new export markets with around 10% of respondents willing to export to each of these countries.

Note: Values may not add up to 100% at certain places due to rounding off  
United States of America (USA), United Arab Emirates (UAE); Saudi Arabia (KSA), United Kingdom (UK)

## 15. SAMPLE ALLOCATION AND METHODOLOGY



The quarterly business survey for Q2, 2020 was conducted at an 85% confidence level with respondents across various cities of Pakistan from June 01, 2020 to June 30, 2020.



### ABOUT

The D&B Business Optimism Index (BOI) measures the pulse of the business community and provides 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 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 Pakistan's GDP.
- The sample was then weighted for SME and Large companies as per their contribution to the GDP i.e. 60% for Large companies and 40% for SMEs.
- In order to gauge 'business outlook' or expectations, the quarterly survey focuses on key indicators, including Sales Revenue, Selling Prices, Sales Volume, Employment Size, 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:

**(% 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. 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 COMPANIES INDEX) + 40% \* (SME INDEX).**

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**

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](mailto:eag@dnbpk.com) with "Feedback" in the subject line.

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