



The Federation of Pakistan
Chambers of Commerce & Industry

POLICY ADVISORY BOARD – FPCCI's

Survey On

BUSINESS & ECONOMIC LANDSCAPE

Data input July to December, 2023
for fiscal year 2024

Introduction

- The "**Survey on Business and Economic Landscape, July - December 2023,**" conducted by the Federation of Pakistan Chambers of Commerce & Industry (FPCCI), provides an in-depth analysis of the current economic conditions, business sentiments, and key challenges faced by various industries across Pakistan. The survey aims to capture the perspectives and expectations of businesses regarding inflation, policy rates, exchange rates, sales composition, cost structures, and other critical factors affecting their operations.
- The primary objective of this survey is to understand the economic outlook and business environment as perceived by industry leaders and business owners from July to December 2023. The insights derived from this survey are intended to inform policymakers, industry stakeholders, and economic planners about the prevailing business climate and the anticipated economic trends, enabling them to devise strategies that foster economic stability and growth.
- The survey collected data from a diverse set of respondents, representing different sectors, company sizes, and geographic locations within Pakistan. The questionnaire covered a wide range of topics, including expectations for inflation and policy rates, exchange rate forecasts, sales channels, value addition, cost components, financing, investment, trade, employment, skill development, and sustainability practices. The responses were analyzed to identify key trends and issues impacting the business landscape.



Methodology

- The Survey employed a comprehensive methodology to gather and analyze data from various industries across Pakistan. This approach aimed to ensure a representative and insightful understanding of the economic conditions and business sentiments during the specified period. Data was collected using two primary methods: mail surveys and online surveys. Traditional mail surveys were sent to a selected list of businesses registered with the FPCCI, providing detailed questionnaires covering various aspects of operations, economic outlook, and challenges. These were particularly useful for reaching businesses in areas with limited internet access. To complement this, an online survey was made available through the FPCCI's official website and distributed via email to member businesses, allowing for quick and efficient data collection, especially from businesses with robust digital connectivity.
- The questionnaire covered a comprehensive range of topics, including economic outlook (expectations for inflation, policy rates, and exchange rates), business operations (composition of sales, value addition, revenue growth), cost structure (breakdown of cost components, primary drivers of cost increases), financing (sources of financing, interest rates, loan conditions), investment and trade (investment decisions, trade liberalization preferences), employment and skill development (workforce changes, skill upgrades), and climate change and sustainability (impact of climate disasters, sustainability measures). The collected data was analyzed using descriptive statistics to identify key trends, patterns, and insights. This included frequency distributions to understand the prevalence of various responses, cross-tabulations to examine relationships between different variables, and charts and graphs to visually represent the data and highlight key findings.
- Several quality control measures were implemented to ensure the reliability and validity of the survey results. These included pre-testing the questionnaire with a small sample of businesses to refine questions and address ambiguities, continuous monitoring of survey responses to identify and address inconsistencies or errors, and cross-verifying data collected through mail surveys with online survey responses to ensure accuracy. The survey targeted a diverse group of businesses across various sectors, including services, agriculture, engineering, automotive, textile, IT, FMCG, construction, pharmaceuticals, and chemicals. Participants included business owners, executives, and senior managers, providing a comprehensive view of the business landscape from multiple perspectives.

Disclaimer

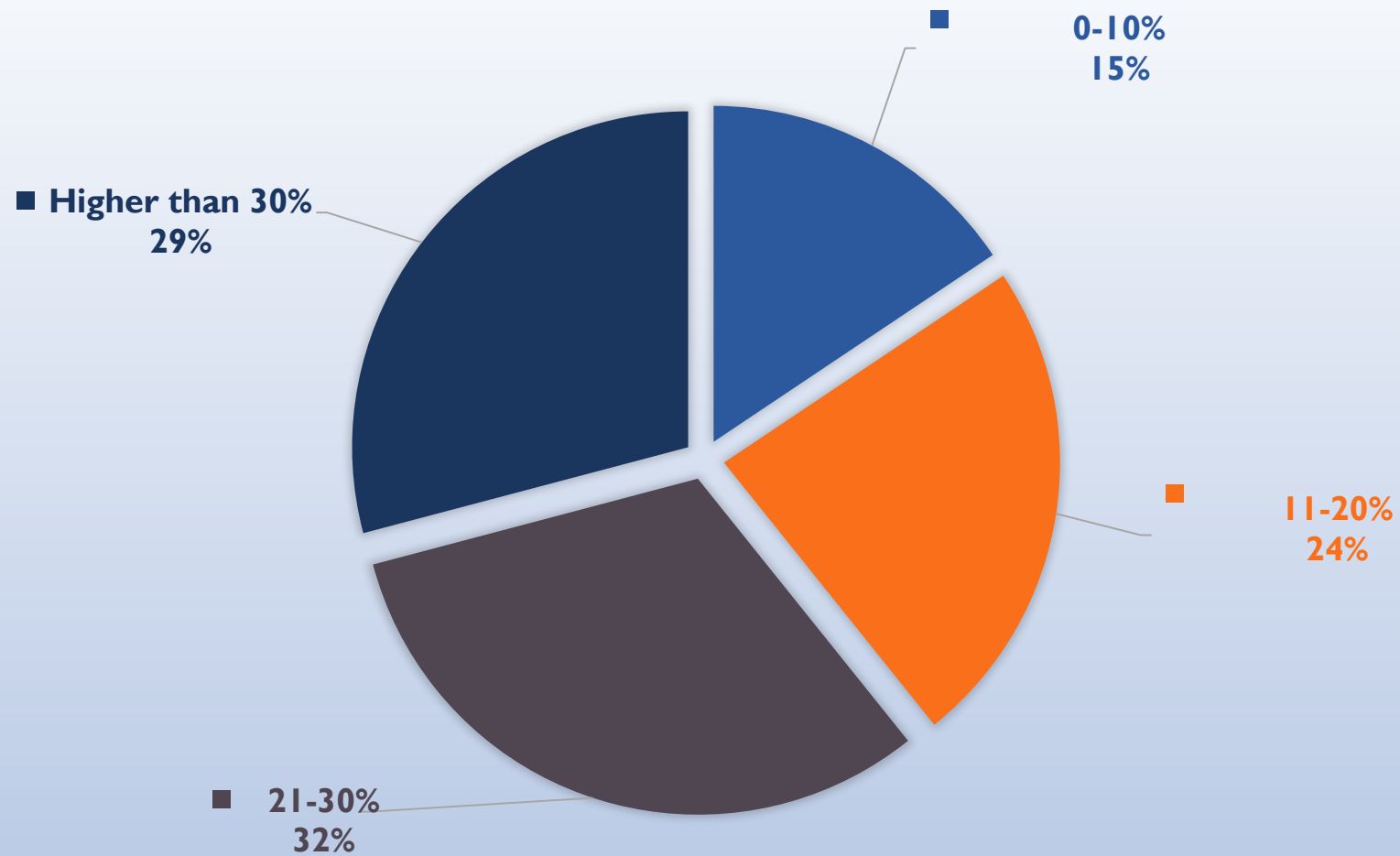
This survey is based on the responses and information provided by the participating businesses. While every effort has been made to ensure the accuracy and reliability of the data, the FPCCI does not guarantee the completeness or validity of the information presented. The findings and recommendations contained in this report are intended for informational purposes only and should not be construed as financial, legal, or business advice. The FPCCI is not liable for any decisions made or actions taken based on the information provided in this survey. The number of participants is expected to increase gradually over time, and subsequent analyses may reflect new insights and trends.



KEY FINDINGS

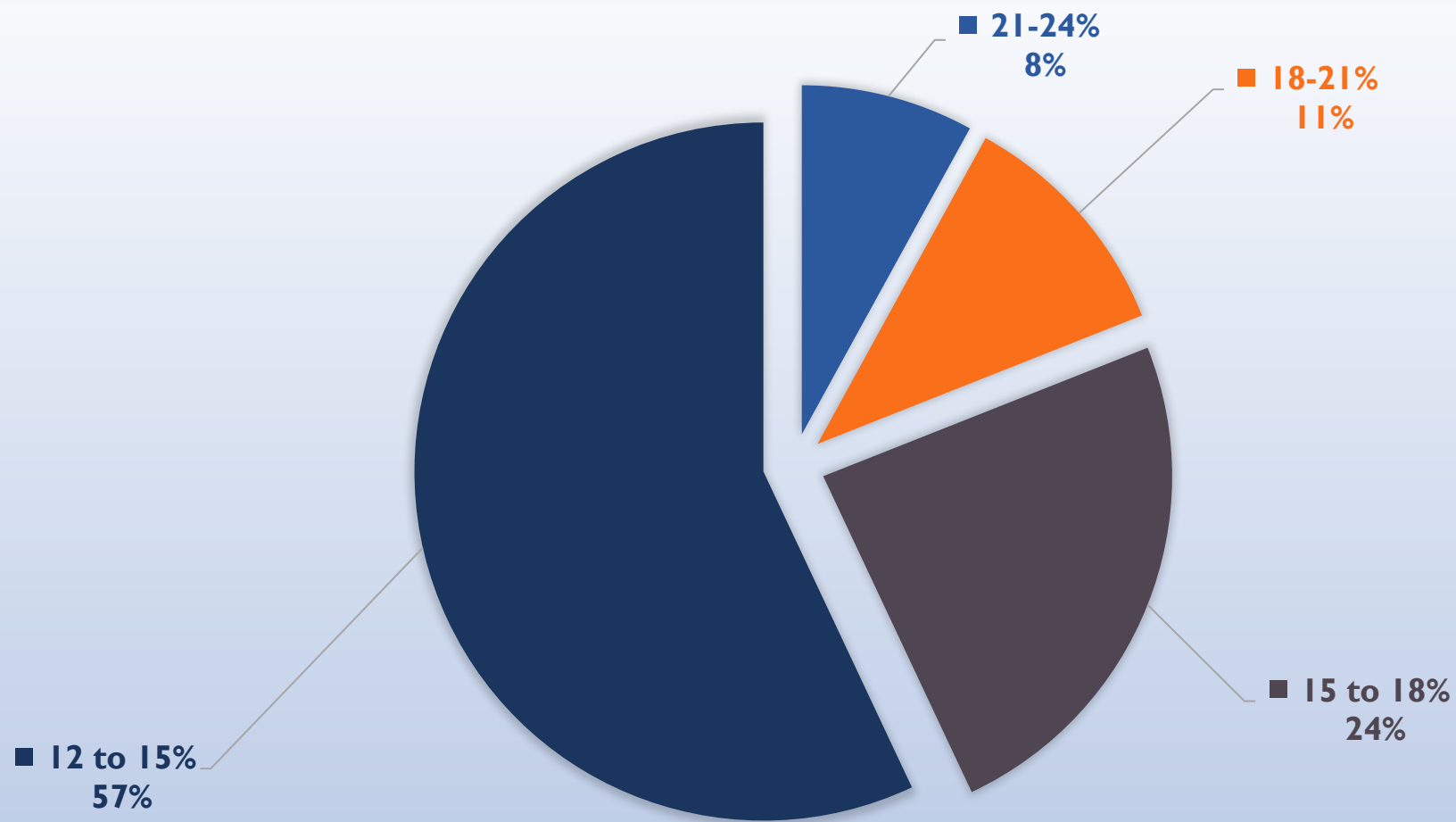


- **Economic Outlook:** A significant majority of participants anticipate inflation to remain above 21% by June 2024, reflecting widespread concerns about increasing costs and economic instability. Businesses also suggest lowering the current policy rate of 20.5% to between 12-15% for the time being to stimulate economic growth and business expansion.
- **Exchange Rate Expectations:** There is a consensus among businesses that the USD/PKR exchange rate will likely stay within the 275-300 range by June 2024, indicating concerns over the continuous depreciation of the Pakistani Rupee and its impact on import costs and inflation.
- **Sales Composition and Channels:** The survey reveals a diverse composition of sales channels, with direct sales being the most prominent. International e-commerce remains notably low, highlighting potential areas for growth or existing barriers that need to be addressed.
- **Value Addition and Sales Growth:** Industries such as services (excluding IT), engineering, and pharmaceuticals exhibit strong value addition capabilities. Conversely, sectors like FMCG show minimal value addition. Sales growth varied across sectors, with services, agriculture, and pharmaceuticals showing increases, while engineering, automotive, and textile sectors experienced declines.
- **Cost Structure and Inflation Drivers:** Raw material costs and regulatory compliance expenses dominate in sectors like chemicals and pharmaceuticals. Energy costs are notably high in the automotive and metal and steel sectors. The primary drivers for the increase in input prices include interest rates, fuel prices, and the depreciation of the rupee in previous months.
- **Financing and Investment:** The cost of loans and collateral requirements are significant factors affecting businesses' ability to secure financing. There is also a strong interest in joint ventures, particularly in the pharmaceutical and chemical industries.
- **Employment and Skill Development:** The ongoing economic crisis and political instability has led to downsizing across various sectors. Industry-specific technical skills, problem-solving, and decision-making skills are critical to enhance business competitiveness.
- **Climate Change and Sustainability:** Climate disasters such as floods and water scarcity have significantly impacted business operations. There is an increasing emphasis on adopting sustainability-related measures, including renewable energy integration and waste treatment facilities.



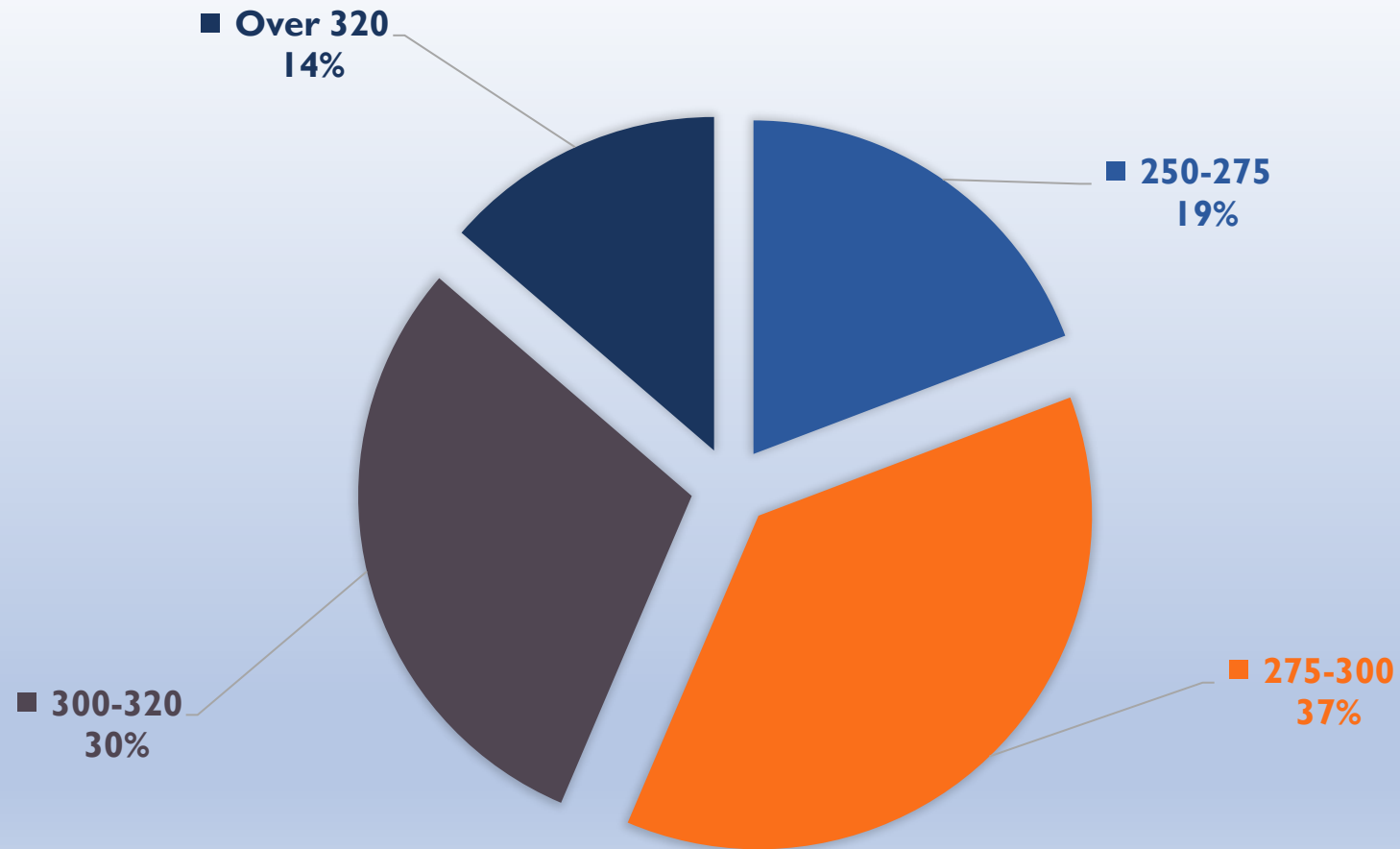
Q: What is your expectation regarding the general inflation by June 2024?

A majority of the survey participants anticipate that inflation will stay over 21% by June 2024, reflecting widespread concerns about increasing costs and economic instability. This sentiment is crucial for policymakers as it underscores the need for measures to stabilize prices and enhance economic confidence.



Q. What Policy Rate do you suggest by June 2024? (Current Policy Rate is 20.5%)

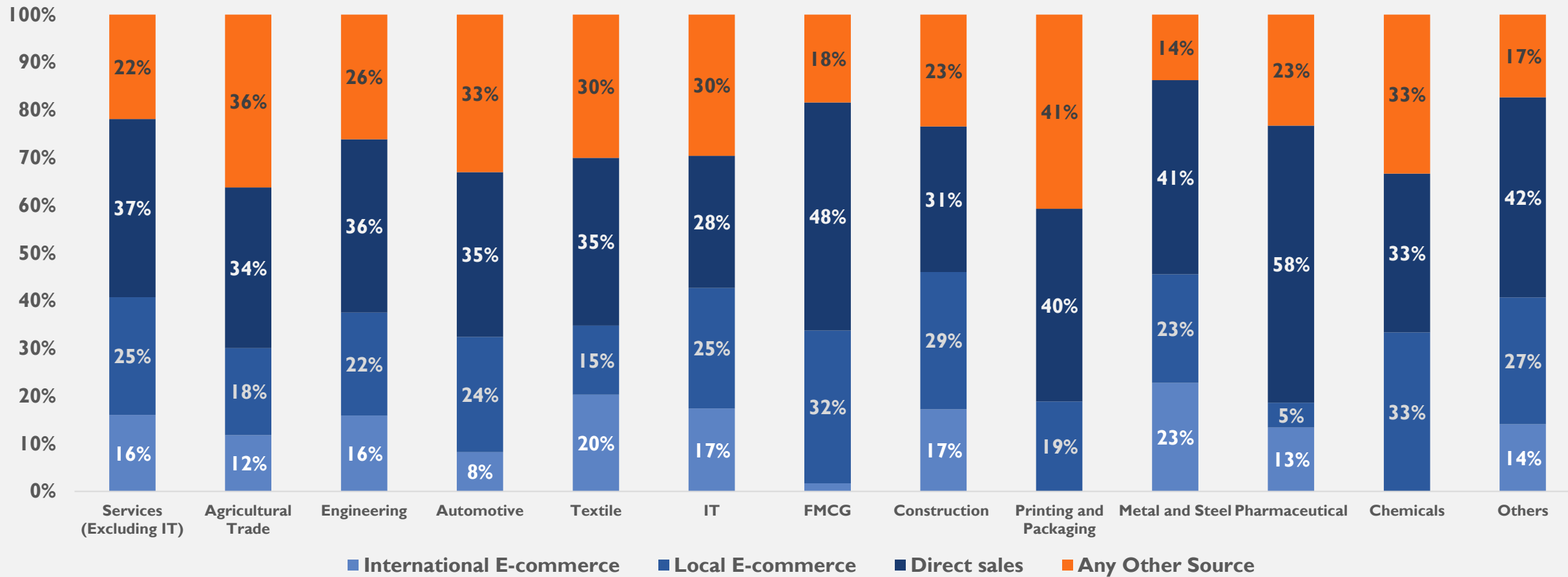
There is a consensus among businesses on the need to lower the policy rate from the current 20.5%. Most businesses favor a reduction to 12-15%, indicating that the current rates are perceived as overly restrictive and could be impeding business expansion and economic growth.



Q. What exchange rate of USD/PKR do you expect by June 2024?

Expectations for the USD/PKR exchange rate vary, with a significant number of respondents predicting it will fall within the 275-320 range by June 2024. This suggests concerns about the continuing depreciation of the Pakistani Rupee, which could affect import costs and inflation.

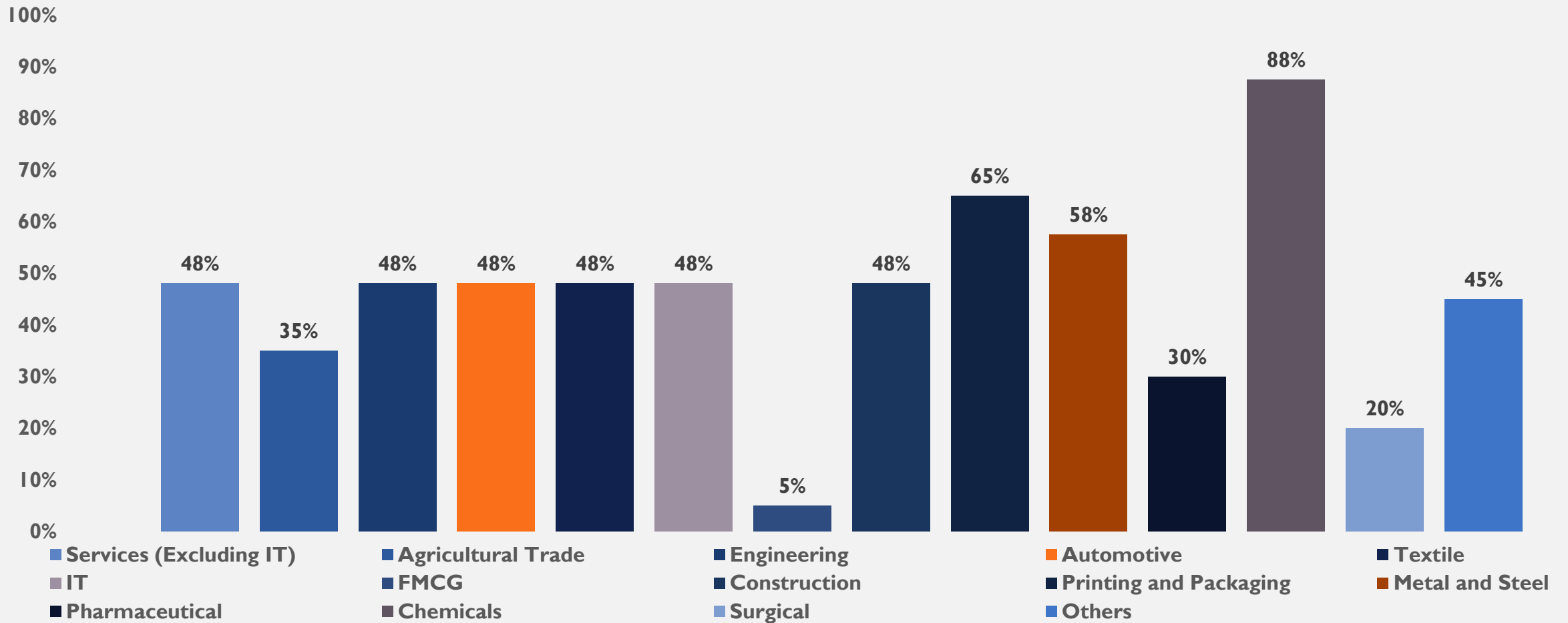
Sales Composition



Q. What is the composition of your overall sales across different channels?

The survey reveals a diverse composition of sales channels, with direct sales being the most prominent. However, international e-commerce remains notably low, indicating potential areas for growth or barriers that need addressing.

Value Addition



Q. On average, how much value do you add to your products for every dollar of imports (value addition ratio)? Value Addition (Average, %)

This bar chart illustrates the value addition percentages across various industries per dollar of imports. Notably, Services (Excluding IT), Engineering, and Pharmaceuticals exhibit robust transformation capabilities, with value addition ranging from 48% to 65%. Conversely, the FMCG sector demonstrates minimal value addition, registering at only 5%.

Services (Excluding IT)

Agriculture

Printing and Packaging

Pharmaceutical

Surgical

Others



Engineering

Automotive

Textile

IT

FMCG

Construction

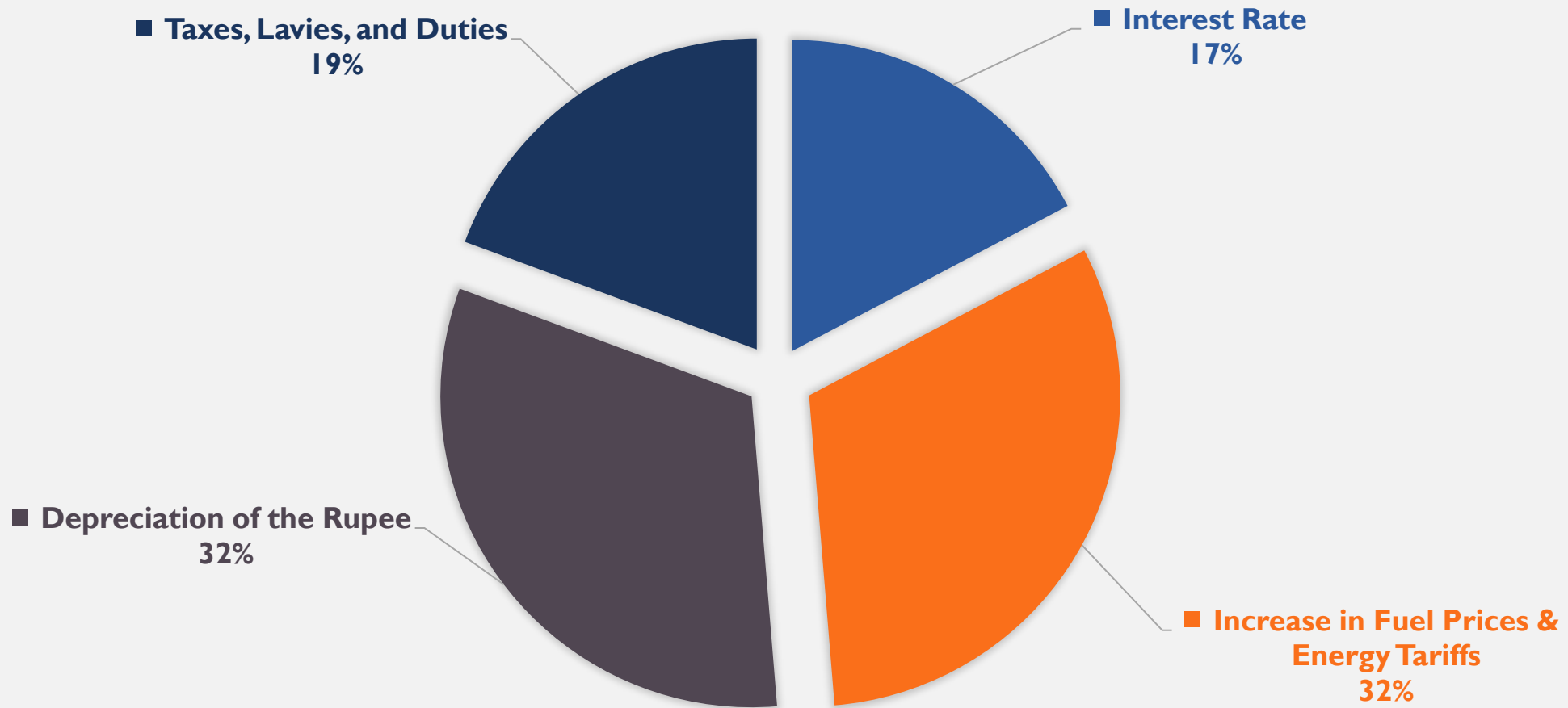
Metal and Steel

Chemicals



Q. Did the sales revenue of your firm increased or decreased during July to December 2023 compared to the period from July to December 2022?

The survey has revealed that the Services (Excluding IT), Agriculture, Printing and Packaging, Pharmaceutical, Surgical, and Others have experienced sales revenue increases. In contrast, sectors like Engineering, Automotive, Textile, IT, FMCG, Construction, Metal and Steel, and Chemicals have seen decreases in sales revenue.

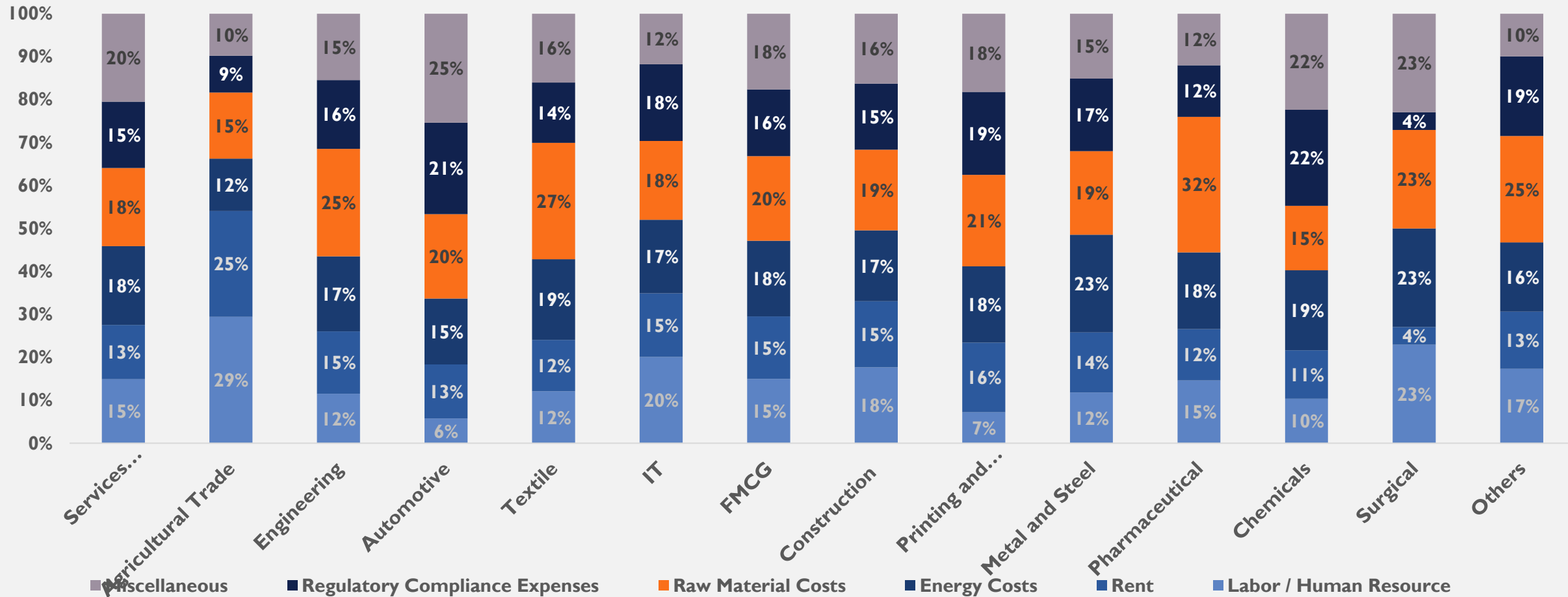


Q. What are the primary drivers of inflation and increase in input/raw material prices?

Select all the options that apply

The survey results have revealed the primary drivers of inflation and rising input/raw material prices. The depreciation of the rupee and hike in energy prices accounts for 32% each. Taxes, levies, and duties contribute 19%, while the interest rate adds 17%. These factors collectively impact the cost structures of businesses, driving up inflation.

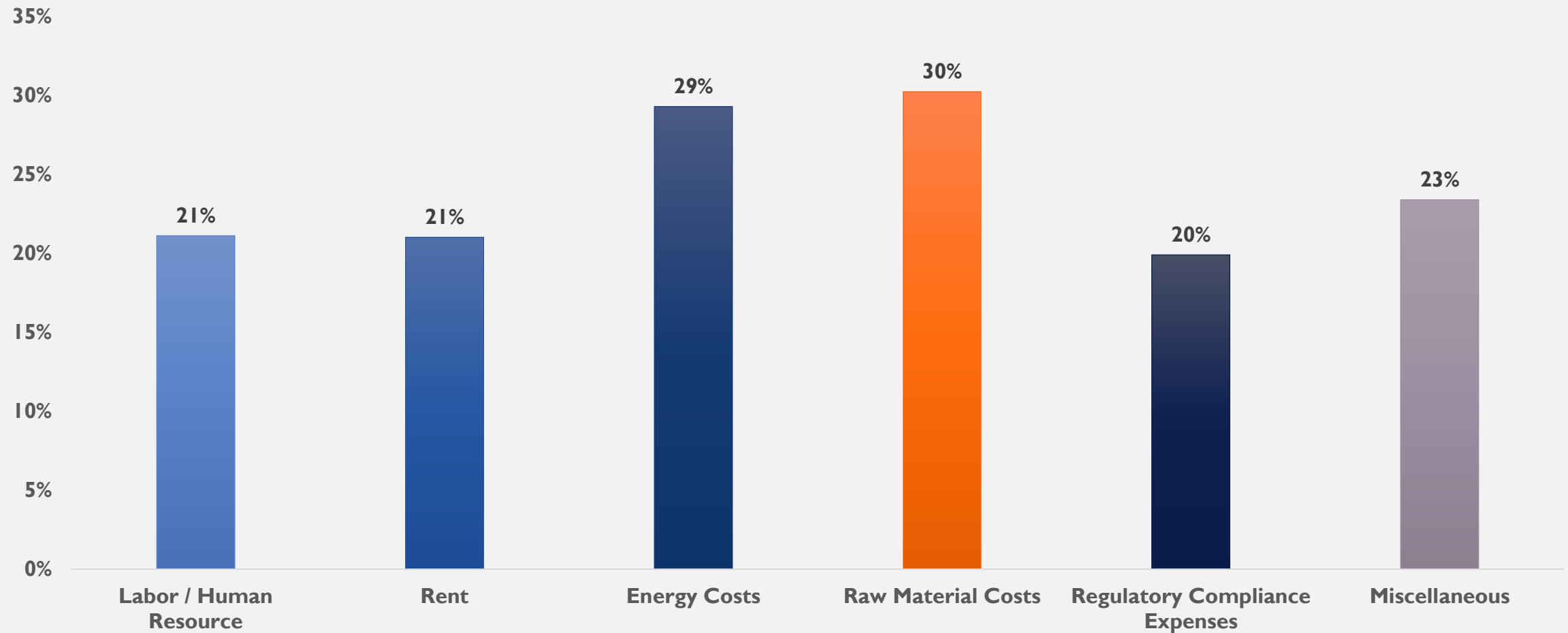
Cost Components



Q. What is the break-up of various cost components of your business?

In sectors like Chemicals and Pharmaceutical, raw material costs and regulatory compliance expenses dominate, reflecting a high cost of production and stringent standards. Conversely, in industries such as Services (Excluding IT) and IT, labor and human resources are the largest expense, indicating a significant investment in personnel. Energy costs are notably high in the Automotive and Metal and Steel sectors, highlighting the energy-intensive nature of these industries.

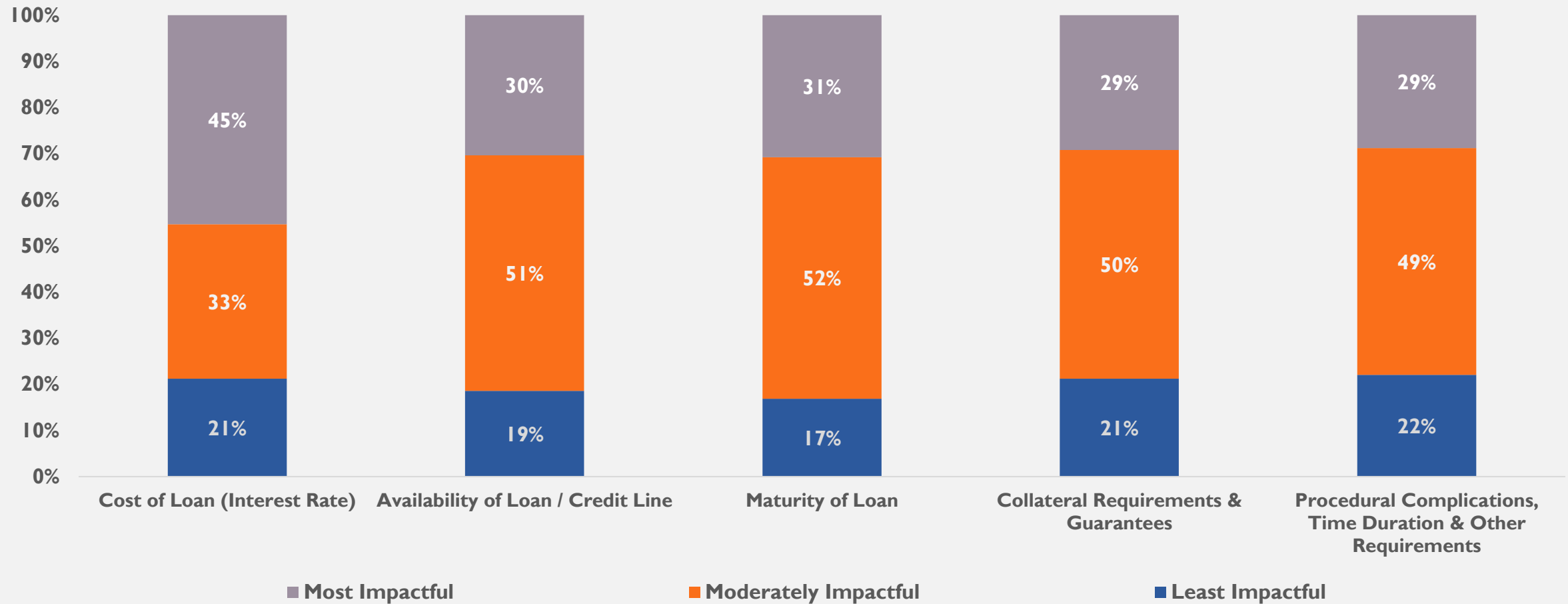
Cost Increases



Q. What is the increase (%) in each of the following Cost components during July to December 2023 compared to July to December 2022?

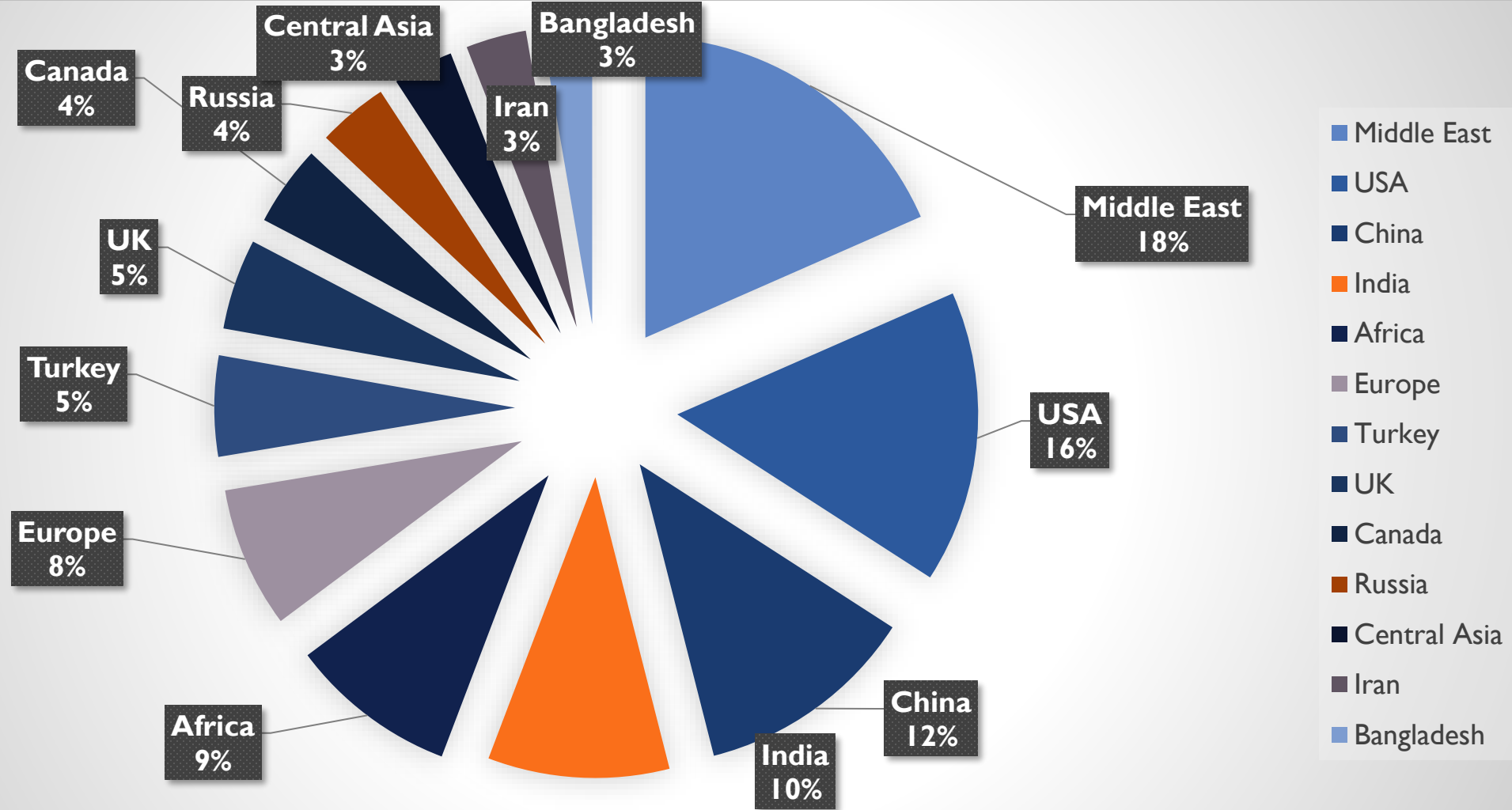
The results show significant cost increases from July to December 2023 compared to the previous year. Energy and raw material costs saw the highest rise at 29%, followed by regulatory compliance expenses at 26%. Labor and miscellaneous costs increased by 21% and 23%, respectively, while rent had the smallest rise at 21%. These trends highlight growing operational expenses across various sectors.

Considerable Factors for Obtaining Loan



Q. Rate the following factors on a scale of 1 to 5 (5 being the most impactful) as per their significance when obtaining a loan.

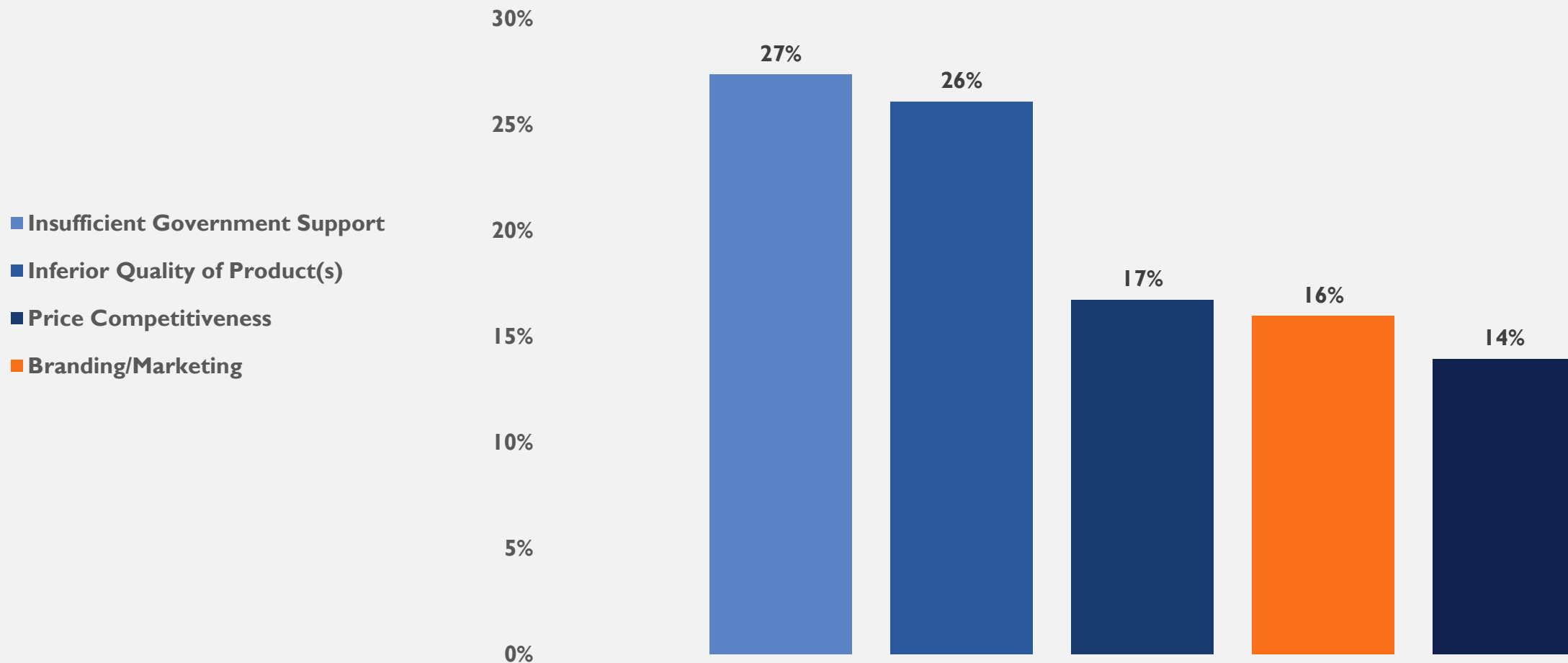
The Cost of Loan (Interest Rate) and Collateral Requirements & Guarantees are considered most impactful, rated as most significant by 45% and 50% of respondents respectively. Availability of Loan/Credit Line and Procedural Complications also hold considerable weight, each noted as most significant by about 30% of participants. Maturity of Loan is seen as moderately impactful, with 52% rating it as such.



Q. Please mention the countries/regions/blocs that Pakistan should consider for trade liberalization /duty concessions.

The survey highlights diverse opinions on which countries/regions/blocs Pakistan should consider for trade liberalization and duty concessions. The Middle East and Central Asia emerge as top considerations, each garnering 18% and 16% of responses, respectively. China and Europe also feature prominently, each receiving 12% and 10% of the vote.

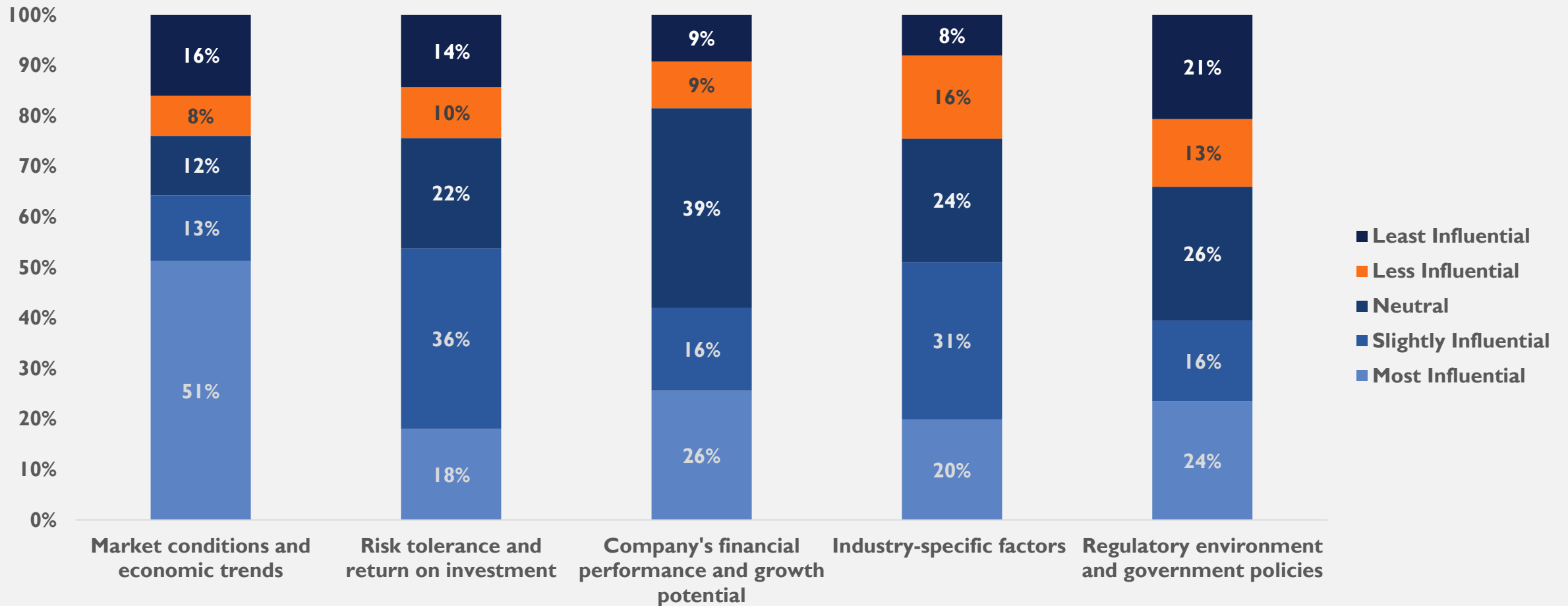
Barriers in Exports



Q. What are your primary challenges or barriers when participating in exports? Select all the options that apply.

The survey results indicate that the main challenges faced by businesses in exporting are primarily related to insufficient government support and inferior quality of products, each cited by 27% and 26% of participants respectively. Price competitiveness and customs regulations and tariff barriers are also notable hurdles, identified by 17% and 14% of participants. Branding and marketing issues are a concern for 16% of participants, illustrating a broad spectrum of obstacles that affect export activities.

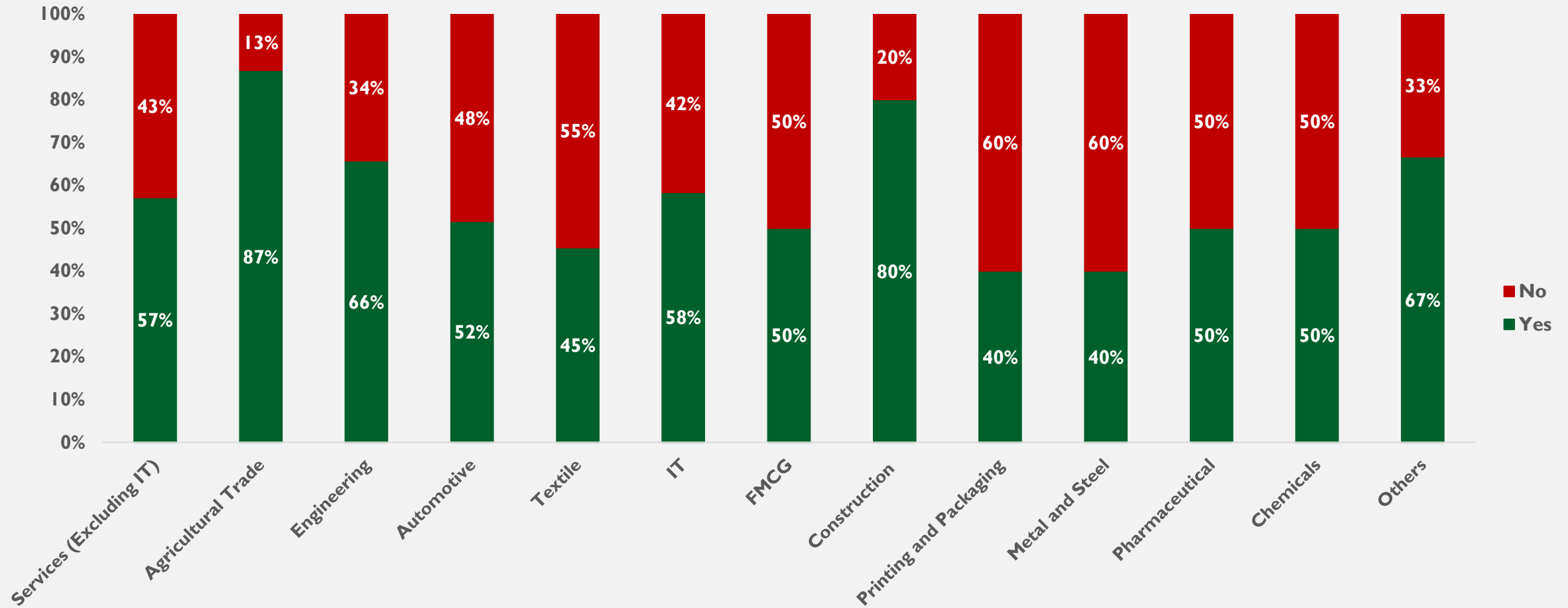
Factors Affecting Investment Decisions



Q. With 1 being the least influential and 5 being the most influential, please rate the following factors affecting your investment decisions.

The survey results show that market conditions and economic trends are the most influential factors in investment decisions, with 51% of respondents rating them as such. Risk tolerance and return on investment are also highly significant, influencing 36% of participants. Company's financial performance and growth potential, along with regulatory environment and government policies, are noted as crucial by 26% and 24% of respondents, respectively.

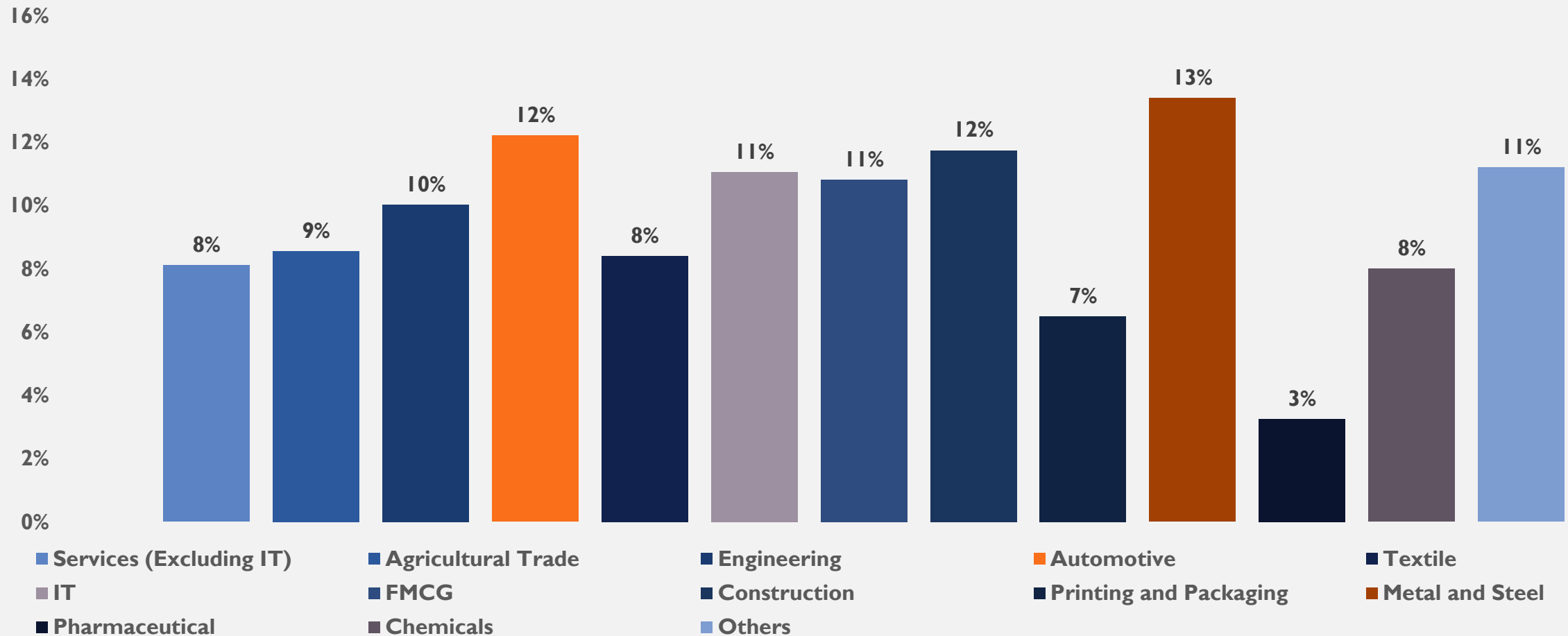
Willingness for Joint Ventures



Q. Is your company looking for possible Joint Ventures?

The survey results reveal that the interest in pursuing joint ventures varies significantly across industries. The Pharmaceutical and Chemical industries show the highest inclination, with 50% of respondents in each sector actively considering joint ventures. The Agriculture and IT sectors also demonstrate strong willingness, with 66% and 58% respectively looking into joint ventures. Conversely, industries such as Services (Excluding IT) and Construction are more inclined towards joint ventures, indicated by 57% and 80% of respondents in these sectors respectively.

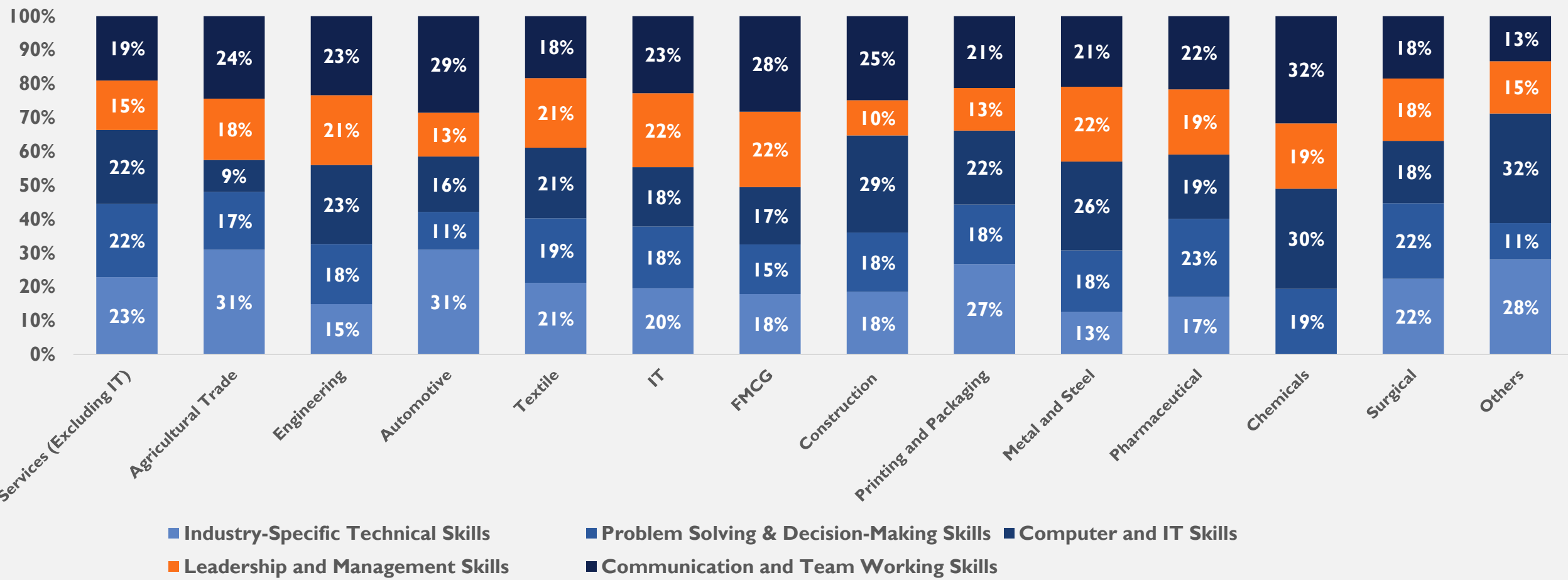
Workforce Downsized



Q. In response to the ongoing economic crisis, how much percentage of workforce have your firm downsized during July to December 2023 as compared to July to December 2022?

The data illustrates varying degrees of workforce downsizing across industries in response to the ongoing economic crisis from July to December 2023. The Printing and Packaging sector shows the most significant reduction, with 12% of its workforce downsized. This is closely followed by the Pharmaceutical sector, where 11% of the workforce was reduced. Conversely, sectors like Services (Excluding IT) and Chemicals have seen relatively lower reductions, at 3% each.

Necessary Skill Upgrades

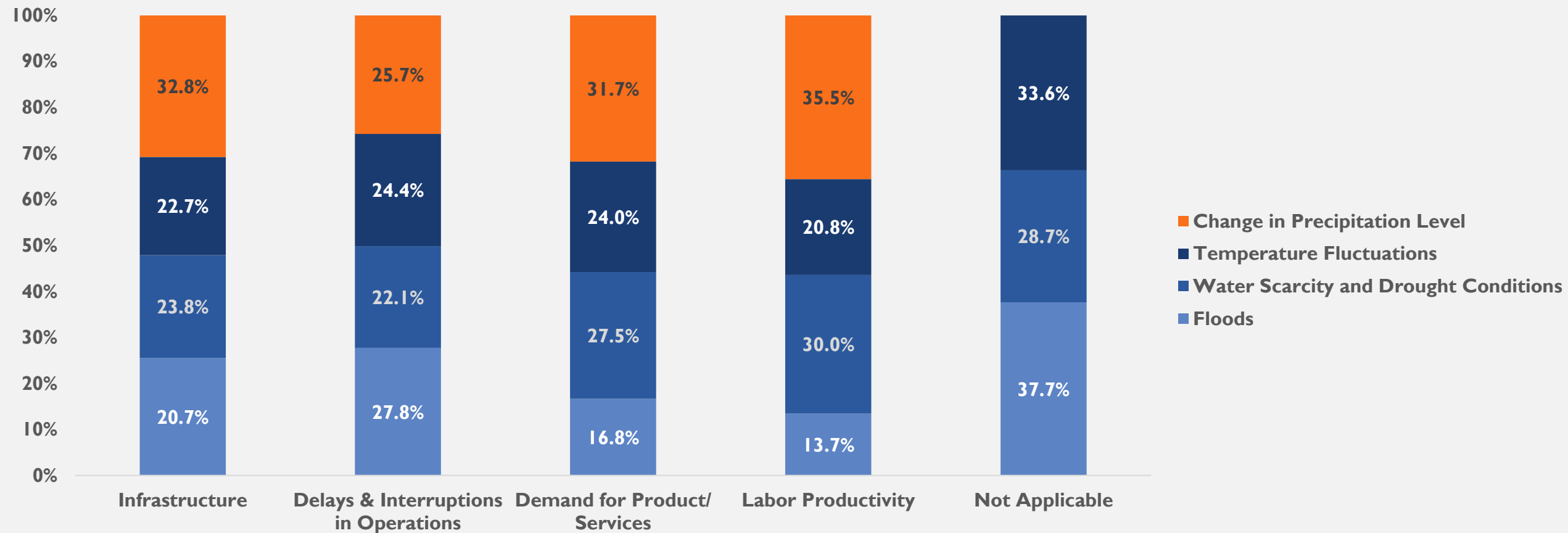


Q. What skill upgrades are necessary to enhance the competitiveness of your business? Please rank each of the following in terms of their significance on the scale of 1-5 (5 being the most significant)

The results indicate that industry-specific technical skills are prioritized across most sectors as crucial for enhancing business competitiveness, with high significance in sectors like Printing and Packaging and Chemicals. Problem-solving and decision-making skills also rank highly, especially in the Pharmaceutical and Engineering sectors. Computer and IT skills are emphasized in the IT and Surgical sectors. Leadership and management skills, along with communication and teamwork skills, are seen as essential in the Services (Excluding IT) and Textile sectors.



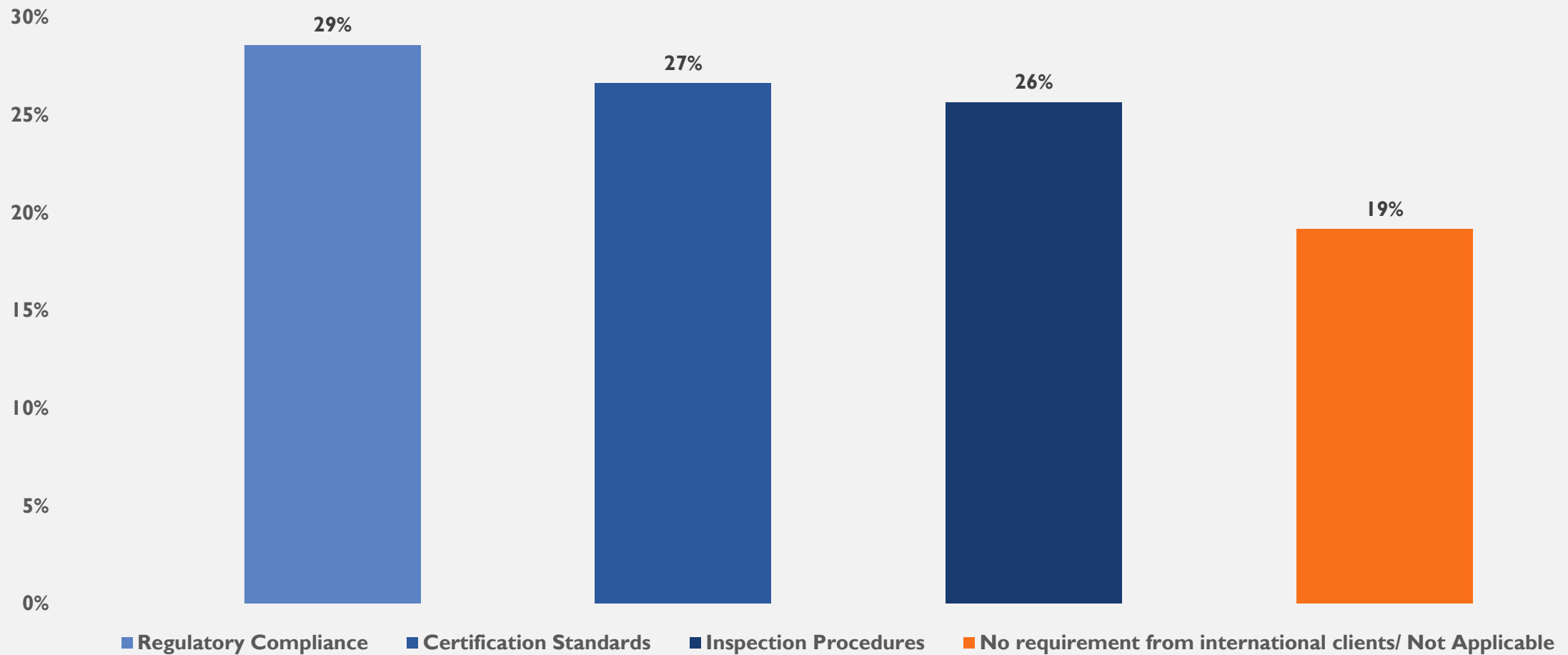
Affects of Climate Disasters



Q. Please specify how each of the following climate disasters has adversely affected your business.

The survey results show that climate disasters have varied impacts on businesses. Water scarcity and drought conditions have significantly affected infrastructure, with 81% of respondents noting impacts. These conditions also lead to substantial delays and interruptions in operations. Floods heavily impact labor productivity, as indicated by 58% of businesses. Temperature fluctuations and changes in precipitation levels moderately affect the demand for products/services and labor productivity

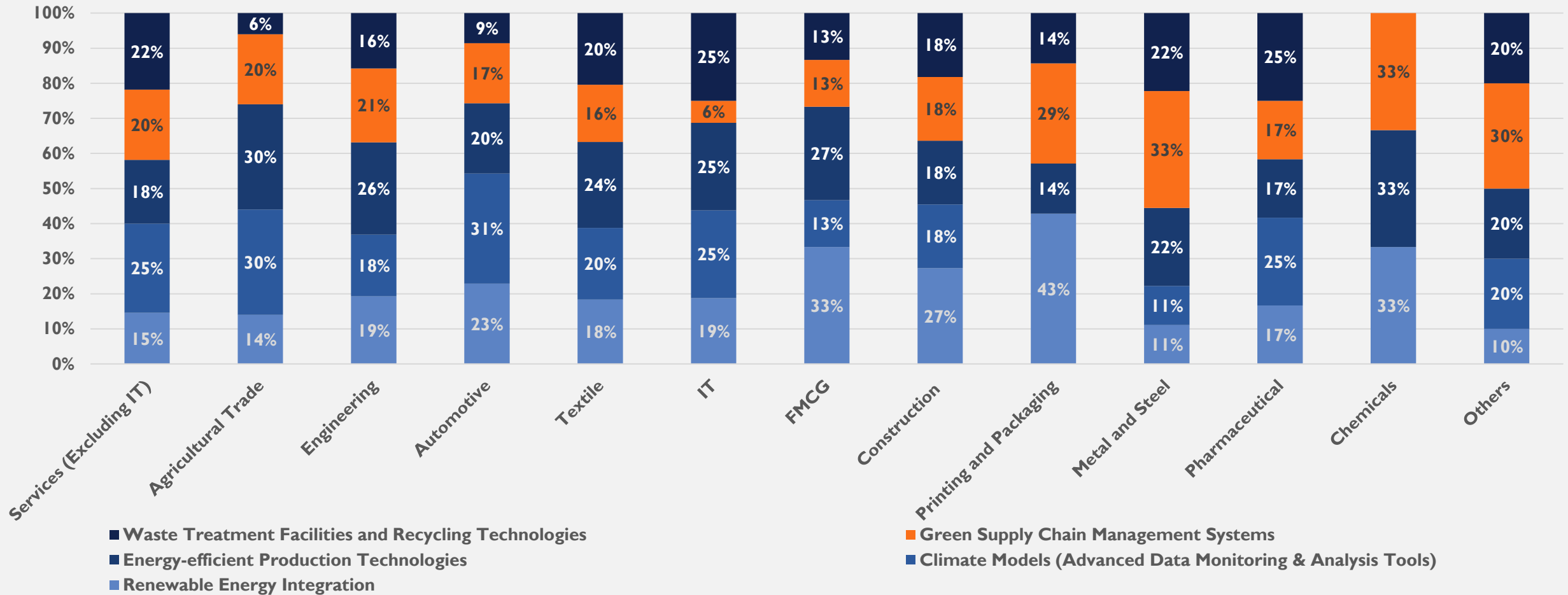
Environmental Requirements by Foreign Countries



Q. Have you encountered any additional environmental requirements by foreign countries recently for trade & investment initiatives ?

The survey data shows that a significant portion of businesses have encountered additional environmental requirements for trade and investment. Regulatory compliance, certification standards, and inspection procedures each impact approximately 26-29% of respondents. Despite these challenges, 19% of businesses reported not facing any new requirements from international clients, indicating a varied degree of regulatory exposure across different sectors.

Sustainability-Related Measures



Q. Has your company implemented any of the sustainability-related measures listed below? Select all the options that apply.

The results illustrate the adoption of sustainability-related measures across various industries. Renewable energy integration and waste treatment facilities are widely implemented, especially in the Chemicals and Others categories, indicating strong environmental initiatives. Energy-efficient production technologies are notably prevalent in the Chemicals and Engineering sectors. However, the adoption of climate models and green supply chain management systems shows variability, with some sectors like FMCG and Construction less engaged in these practices.



FPCCI Recommendations based on Survey

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1. Policy Rate Adjustments:

Lowering the policy rate for the time being the suggested 12-15% range could help alleviate some of the financial pressures on businesses and stimulate economic growth.

2. Inflation Control Measures:

Implementing targeted policies to stabilize prices and enhance economic confidence is crucial. This could include good governance, effective price control mechanism, and conducive environment for critical industries including adoption of renewable energy.

3. Support for Export and E-commerce:

Enhancing capacity building for improvement in international e-commerce and removing barriers to export can help businesses expand their market reach and improve overall sales.

4. Cost Management Strategies:

Encouraging businesses to adopt energy-efficient technologies and streamline regulatory compliance processes can help manage rising costs.

5. Improved Access to Financing:

Reducing the cost of loans and easing collateral requirements can make it easier for businesses to secure necessary financing. Promoting joint ventures can also be a viable strategy for growth.

6. Skill Development Programs:

Investing in training programs to enhance technical skills, decision-making, automation, and leadership abilities can boost business competitiveness.

7. Sustainability Initiatives:

Encouraging the adoption of renewable energy, discouraging use of fossil fuels and other sustainability measures can help mitigate the impact of climate change on businesses.





Call to Action

Policymakers, industry leaders, and other stakeholders are welcome to provide their feedback on above findings and work with us to address the highlighted concerns. Together, we can create a more stable, conclusive, supportive, and dynamic business environment for a prospering Pakistan.

Acknowledgments

We would like to thank all the participants for their valuable input in this survey. Feedback of the participants is instrumental in shaping policies and strategies that drive economic growth and business success in Pakistan.

FINAL REMARKS

The findings of this survey provide valuable insights into the current business and economic landscape of Pakistan. Addressing the identified challenges and leveraging the opportunities can pave the way for a more resilient and prosperous economy. The FPCCI is committed to working with all stakeholders to implement these recommendations and support the sustainable growth of Pakistan's business community.

SURVEY INFORMATION



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