

Our Correspondent

### **Foreign investors bet on policy decisions to overcome challenges**

KARACHI: Foreign investors pinned hope on countermeasures taken by the government and central bank to tide businesses over coronavirus lockdown impacts that shattered their business confidence in the past couple of months, according to a survey finding.

Half of participants in a latest survey conducted by Overseas Investors Chamber of Commerce and Industry (OICCI) were found pessimistic over the situation. The business confidence index survey was conducted between May and June. It is conducted every six months.

Haroon Rashid, president of OICCI said the prolonged uncertainty, due to the pandemic and strict lockdowns and other corrective measures taken by the authorities, impacted a large segment of business activities.

“Massive scare caused by the pandemic came during a period when the country was already in the midst of a major economic stabilisation program since early 2019, with a significant devaluation of currency (38 percent decline in the past 12 months to June 2019) very high SBP policy rate (as high as 13.25 percent in December 2019) and resultant high inflation impacting all businesses,” Rashid said in a statement.

The latest survey results reflect the continued pessimism across all sectors in general and particularly in the manufacturing and services sectors. The business confidence of manufacturing sector, which represents about 42 percent of the respondents, declined 5 percent over the past six months and was 48 percent negative compared to 43 percent negative in the previous survey.

Services sector, representing 29 percent of the survey respondents, suffered a significant dip from 49 percent negative to 59 percent negative. Retail and wholesale trade remained unchanged – 44 percent negative in both surveys.

The results of the latest survey were largely influenced by the COVID-19 pandemic which has negatively impacted nearly all the businesses.

Poor business confidence scores in the last two surveys is a matter of concern to all the stakeholders and quite understandable under the current challenging circumstances, said OICCI with over 200 members representing 35 countries.

During the past 6 months, majority of the respondents experienced decline in their sales volumes, profits and return on investment and were unable to expand their business.

“Going forward, OICCI expects that various positive measures recently taken by the federal government, and various initiative of the SBP (State Bank of Pakistan) to

support and sustain vulnerable stakeholders in the business and industry to successfully navigate the current economic challenges will bear positive results," Rashid said. "Key is to focus on the future that looks both brighter and rife with opportunity as the country is slowly coming out of its COVID crisis. There is significant latent growth potential in the country."

Major services sectors, showing increasing negative confidence scores, were real estate, community, social and personal sectors, whereas transport and communication and financial services recorded a drop in negativity in the latest survey over the previous one.

Within the manufacturing sector, tobacco, chemicals/cement, and non-metallic sub-sectors recorded declines while petroleum/oil and gas, automobiles and food sub-sectors have shown significant improvement in the current survey.

The sentiments of the OICCI members, who were randomly included in the survey, recorded a sharp decline to 74 percent negative in the latest survey from 36 percent negative previously.

Business confidence of foreign investors had remained much higher than their local counterparts a year or so back. Business confidence score improved 3 percent in Karachi from -53 percent to -50 percent while it dropped by 12-13 percent in Rawalpindi /Islamabad (from -47 percent to -59 percent) and in Lahore (from -41 percent to -54 percent).