

# BUSINESS CONFIDENCE AMONG EXPORTING AND IMPORTING FIRMS OF PAKISTAN

2022



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2022



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# RESULTS AT A GLANCE (2022)

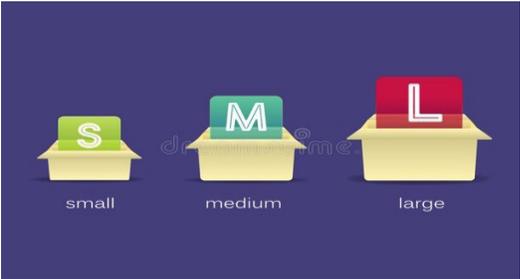
## Exporting Firms

### Sector of Exporting Firms



**70%**  
Of exporting firms were from the manufacturing sector.

### Size of Exporting Firm



**62%**  
Of the exporting firms were small sized firms having less than 50 employees.

### Location of Exporting Firms



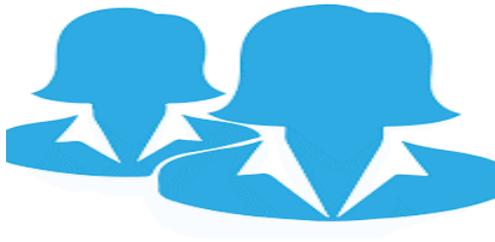
**40%**  
Of exporting firms in the sample were based in Punjab.

### Export Sales



**54%**  
Of exporting firms reported an increase in their export sales in 2021 as compared to the previous year. Moreover, 71% of exporting firms were predicting an increase in their export sales in 2022.

## Female Workforce in Exporting Firms



**65%**

Of exporting firms in the sample had no female employees in their firms.

## Output Per Worker of Exporting Firms



**64%**

Of exporting firms said that their output per worker either decreased or remained the same during the last 12 months

## Use of Solar Panels or other energy generation Sources by Exporting Firms



**85%**

Of exporting firms were not using any solar panels, while 87% of exporting firms had no other energy generation sources other than electricity from the grids or generators.

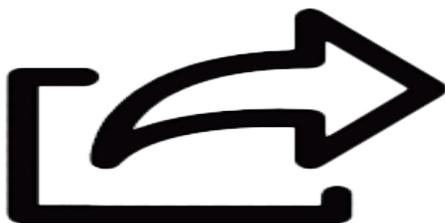
## Percentage of Output exporting Abroad



**40%**

Of exporting firms reported that they exported 100% of their output abroad.

## Export Value Change



**40%**

Of exporting firms reported that their export volumes increased in 2021 as compared to the previous year.

## Export Value Change (In current Rupee and US \$)



**64%**

Of exporting firms said that their export value increased in current rupee terms. Whereas, 54% of exporting firms said that their export value increased in current US \$ terms.

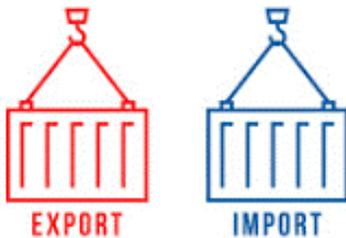
## Change in Average Price per unit of exported products in current rupee and US \$



**77%**

Of exporting firms in the sample said that the percentage change in the average price per unit of their exported product increased in current rupee terms. Whereas, 67% of exporting firms that the average price per unit of their exported products increased in current US \$ terms.

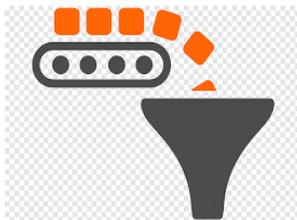
## Use of Imported Goods for the production of Exported Goods



**46%**

Of exporting firms said that they were using both imported raw material and machinery in the production of exported goods

## Change in Average Price of imported raw material and machines over the last 12 months



**100%**

Of exporting firms said that the average prices of imported raw material increased, while 92% of exporting firms said that the average prices of machines increased in the last 12 months.

## Change in the Import value of Raw material and machines



**87%**

Of exporting firms reported the change in the import value of the imported raw materials and 81 % of the exporting firms said that the import value of the imported machines changed during the last 12 months.

## Managerial Structure of Exporting Firms



**37%**

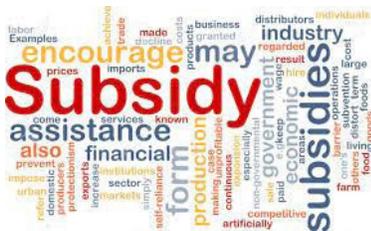
Of exporting firms revealed that their finance department was being managed by their owner (s) or partners.

## Export Designations



**40%**

Of exporting firms were selling their output in Asia/South Asia, while 38% of firms were selling their outputs in multiple continents.



**82%**

Of exporting firms said government subsidies, 76% said that promoting export of higher value-added goods, 63% said that upgrading technology and 57% said that uninterrupted electricity & gas were the most important factors to boost exports

## Importing Firms

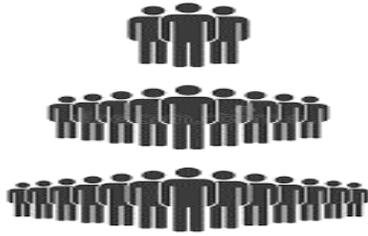
### Sector of Importing Firms



**61%**

Of importing firms in the sample were from the manufacturing sector.

### Size of Importing firms



**64%**

Of importing firms in the sample were small-sized firms. While 26% were medium-sized and 10% were large-sized firms.

### Location of Importing Firms



**42%**

Of the importing firms in the sample were from Balochistan province.

### Female Workforce in Importing Firms



**76%**

Of importing firms in the sample reported to have no female workers in their firms.

### Use of Solar Panels or other source of energy generation by Exporting Firms



**86%**

Of importing firms in the sample were not using any solar panels, while 90% of importing firms had no other energy generation source other than electricity from grids or generators.

### Current level of Imports and expectation about increase in imports



**56%**

Of importing firms in the sample reported that their imports either decreased or remained the same in 2021 as compared to the previous year. Whereas, 60% of the importing firms were expecting that their imports would either decrease or would remain the same in 2022.

# INTRODUCTION

The Innovation and Technology Centre (ITC) of the Lahore School conducted its seventh annual business confidence survey in 2022 to understand the perceptions of the business community regarding the prevailing economic conditions with a special emphasis on the environmental factors (adopted by firms), exporting and importing firms, female participations in firms, change in output per worker, impact and level of Pakistani currency depreciation on firms etc.

The data was collected from 228 firms from all four provinces of Pakistan (Punjab, Sindh, KPK, Baluchistan) from January , 2022 till the end of April, 2022. The firms that responded were put into three different sectors i.e. manufacturing, services and retail sectors in order to see the differences in the economic performance across various sectors.

This year's survey had a separate section on exporting and importing firms. Out of the total respondents, there were 52 exporting firms and 111 importing firms, with 69% of the exporting firms belonging to the manufacturing sector. Similarly, a majority of the importing firms in the survey were from the manufacturing sector (61%). The survey also looked at the gender ratio of the workforce and analyzed the use of other sources of energy to see the if the environmental aspects are taken into account by those firms. The results from the responses also shed light on the steps that could be taken to boost exports and also to tackle the problem of deteriorating balance of payment in these sectors over the coming years.

A summary of the firm level descriptive statistics of the respondents is as follows:

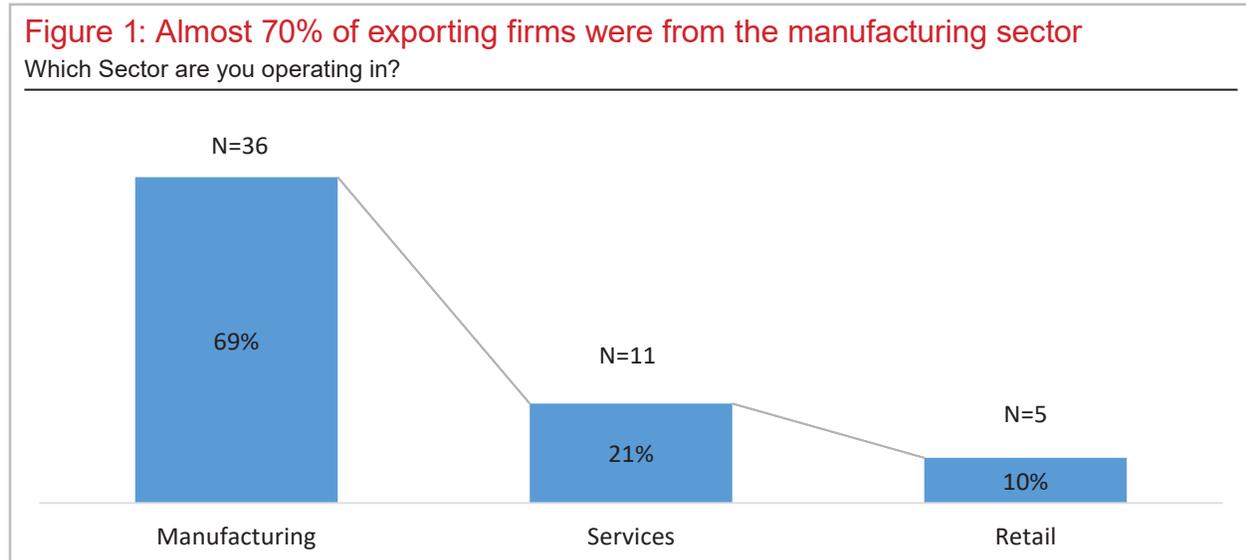
Category	Number of firms	Size*			Sector		
		Small	Medium	Large	Manufacturing	Services	Retail
Exporters	52	%62	%27	%12	%69	%21	%10
Importers	111	%64	%26	%10	%61	%22	%17

\*Size: 1-49 (Small scale), 50-249 (Medium scale), 250 & above (Large scale)

# 1 EXPORTING FIRMS

## 1.1 Analysis of Exporting Firms

### 1.1.1 Sector of Exporting firms



Almost 3/4 of the respondent exporting firms were from the manufacturing sector, followed by 21% of firm from the services sector, while only 10% of firms were from the retail sector.

### 1.1.2 Location of Exporting Firms

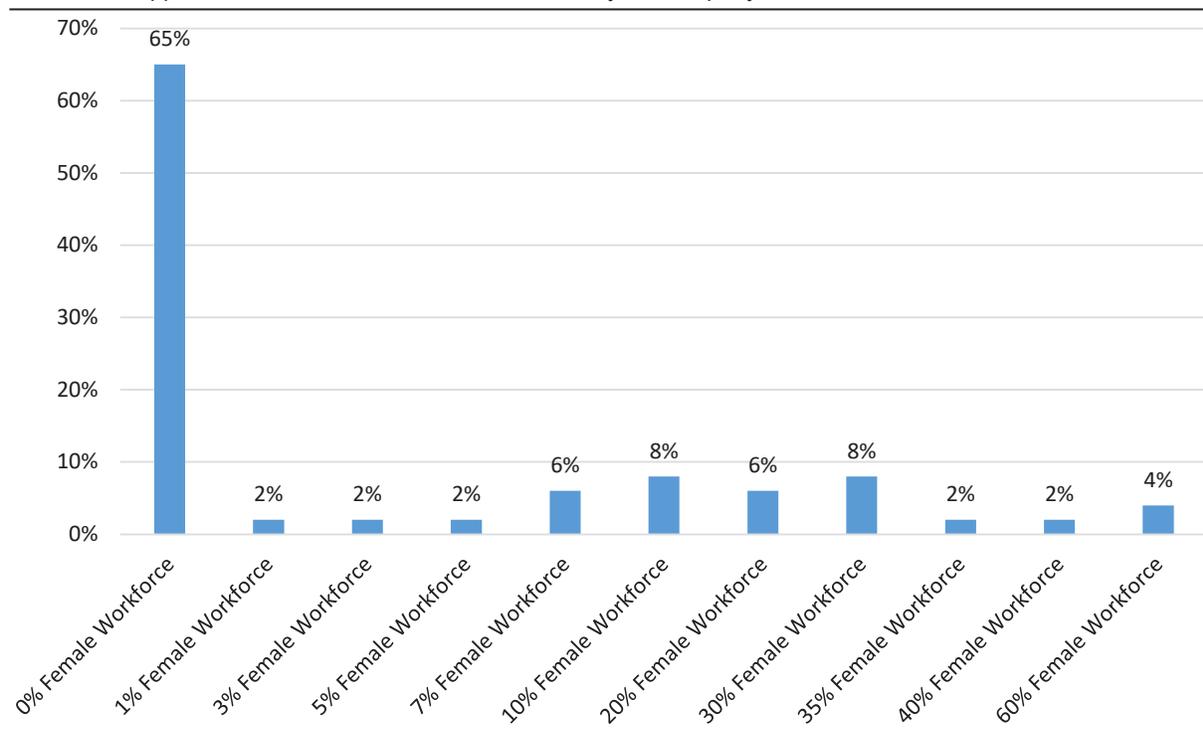


40% of the exporting firms in the sample were based in Punjab, 25% in Sindh, and 17% in KPK and Baluchistan each.

### 1.1.3 Number of Female Workforce

**Figure 3: 65% of exporting firms responded that they don't have any female employees in their company**

What is the approximate number of female workforce in your company?

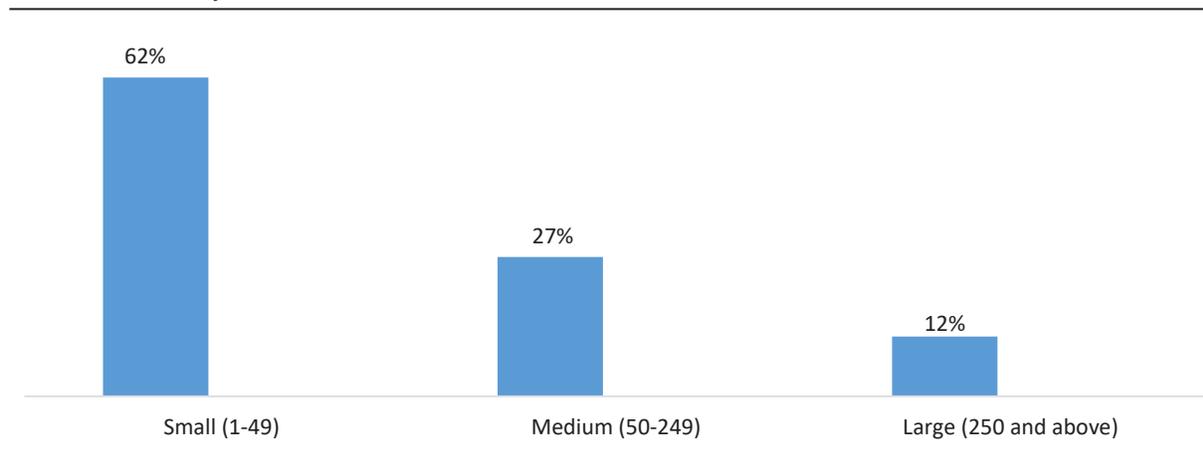


65% of the exporting firms in the sample said that they don't have any female workers in their firms. While, a very small percentage of firms responded they had any female workers.

### 1.1.4 Size of Firms

**Figure 4: 62% of exporting firms in the sample were small-sized (1-49), while 27% of the firms were medium-sized (27%)**

What is the size of your firm?

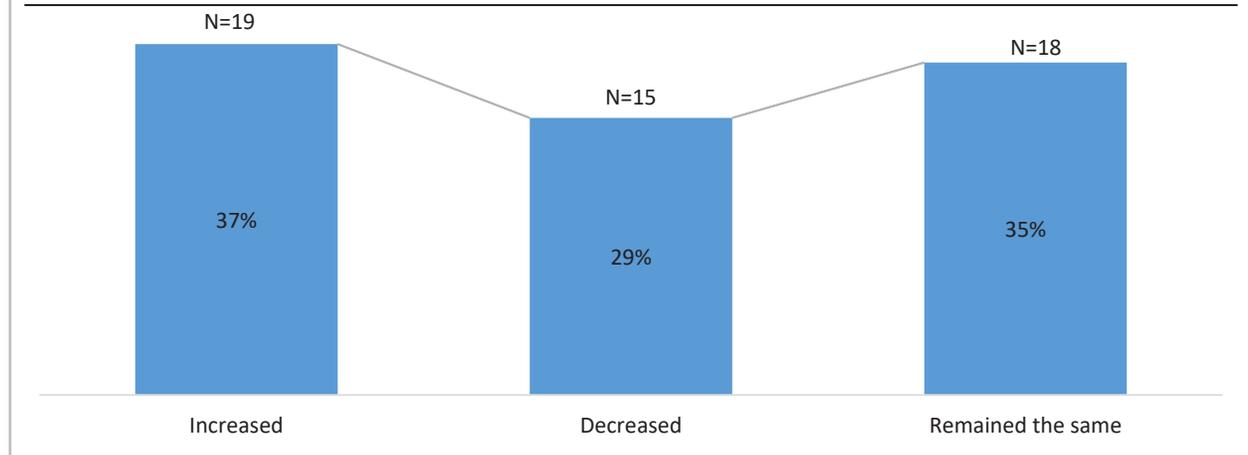


A majority of firms in the sample were small-sized firms with workers ranging between 1-49. 12% of firms were medium-sized with workers from 50 to 249, while only 12% of firm were large-sized having workforce of 250 and above.

### 1.1.5 Output per worker of exporting firms

**Figure 5: A majority of exporting companies reported that their output per worker either decreased or remained the same during the last 12 months**

In the last year, what has happened to your output per worker?

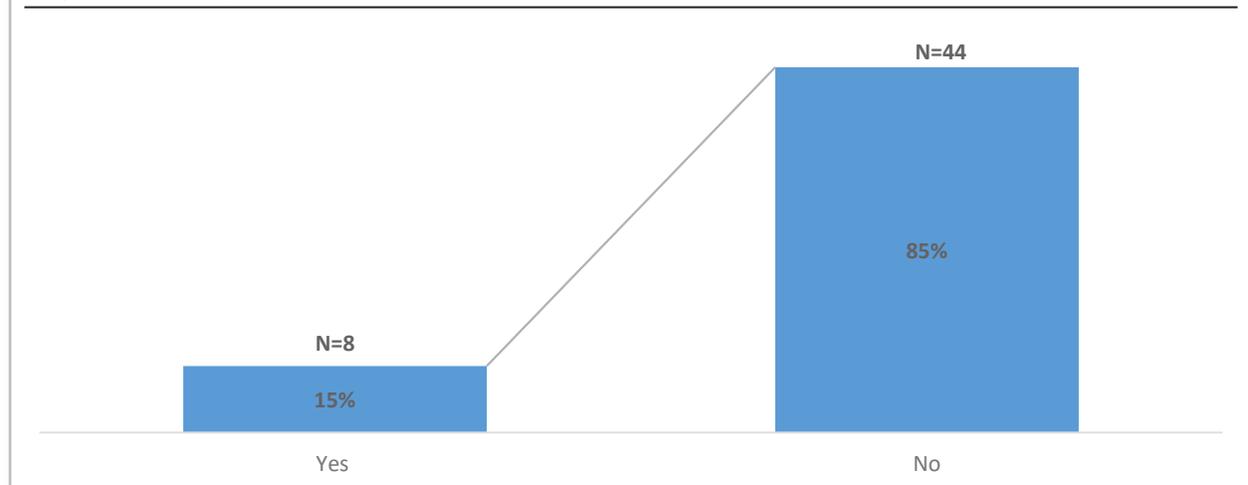


About 64% of firms responded that their output per worker either decreased or remained the same. While only 37% of firms reported an increase in their output per worker during the last 12 months.

### 1.1.6a Use of Solar Panels by Exporting Firms

**Figure 6: 85% of exporting firms reported that they don't have solar panels in their firms**

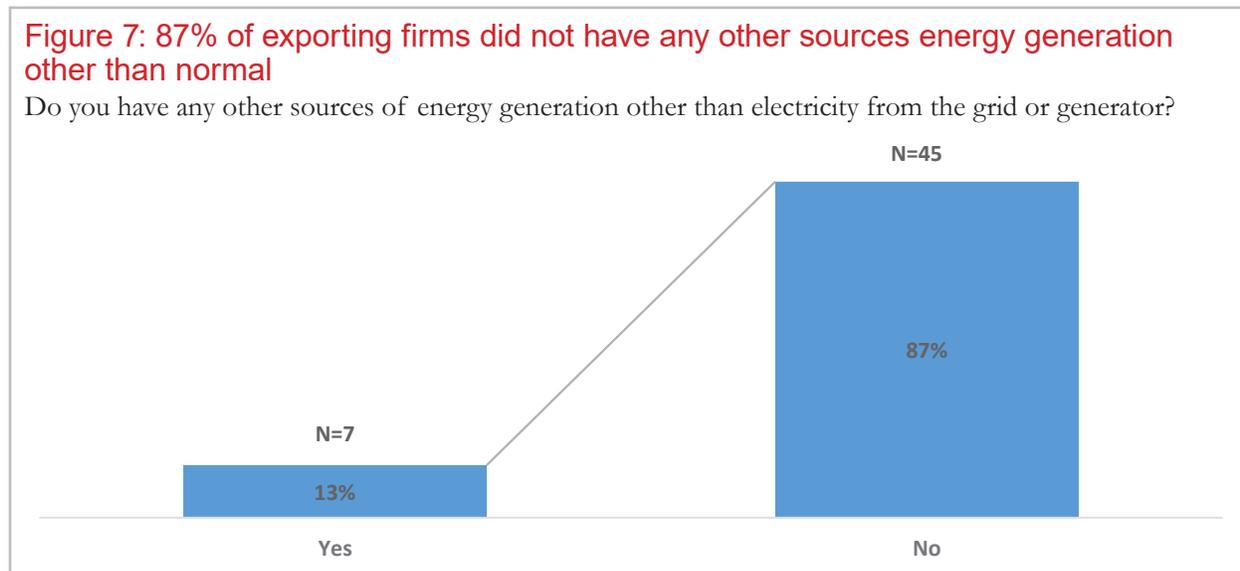
Do you have solar panels?



A majority of firms (85%) reported that they don't use solar panels at their workplace while only a small percentage of firms (15%) responded that they are using solar panels.

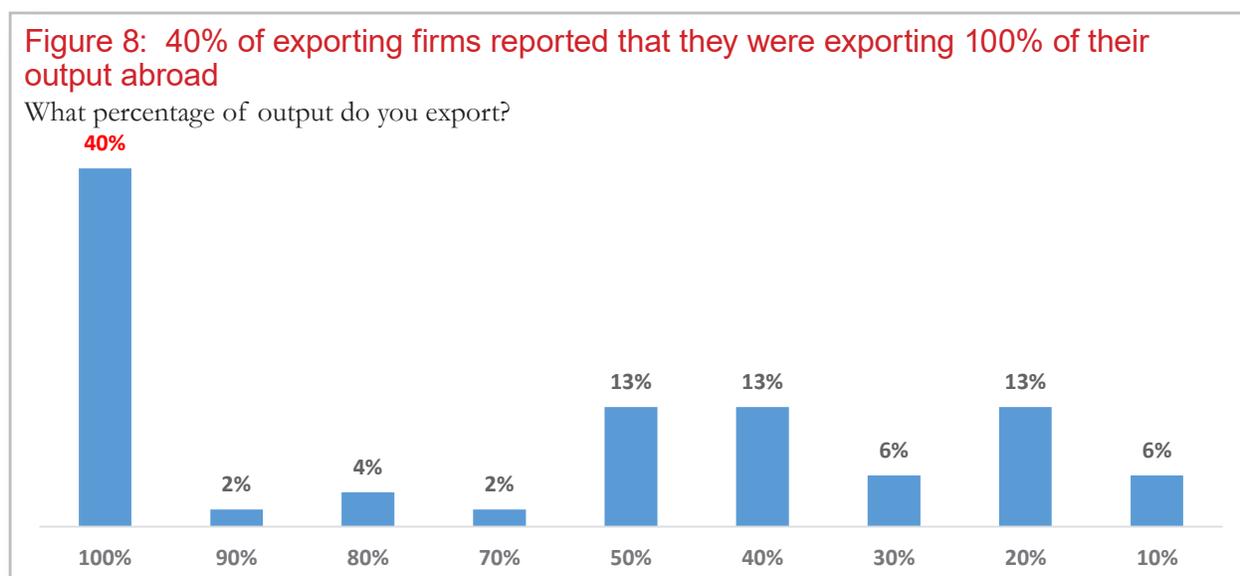
### 1.1.6b Other Sources of Energy being used by the exporting firms

When asked about the use of any other sources of energy generation other than electricity from the grid or generators, a majority of firms (87%) were relying only on electricity from grid and generators while only 13% of exporting firms had developed other sources of power generation.



### 1.1.7 Percentage of output being exported abroad

When asked about the percentage of output being exported abroad, 40% of exporting firms responded that they are exporting 100% of their output abroad. Whereas, 51% of firms were not exporting more than half of their output abroad and were selling half of their output in the local market.

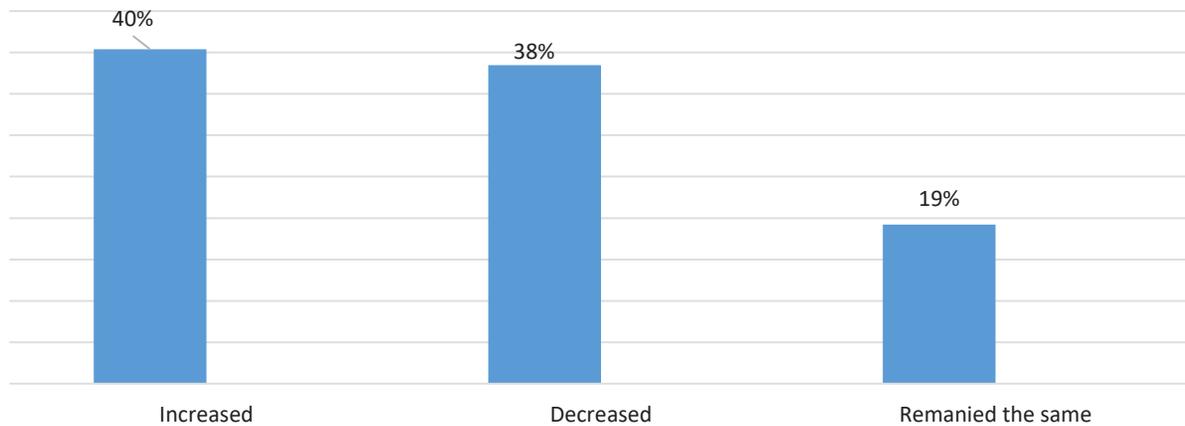


### 1.1.8 Change in Export Volume

When asked about how the export volume had changed over the last 12 months for exporting firms, 40% of firms reported that their export volume has increased as compared to the previous year, while 57% of exporting firms responded that their export volume either decreased or remained the same.

**Figure 8: 40% of the exporting firms reported that their export volume increased over the last 1 year and out of those, 52% of firms reported an increase of 1-20%**

How has your total volume changed over the last 12 months?

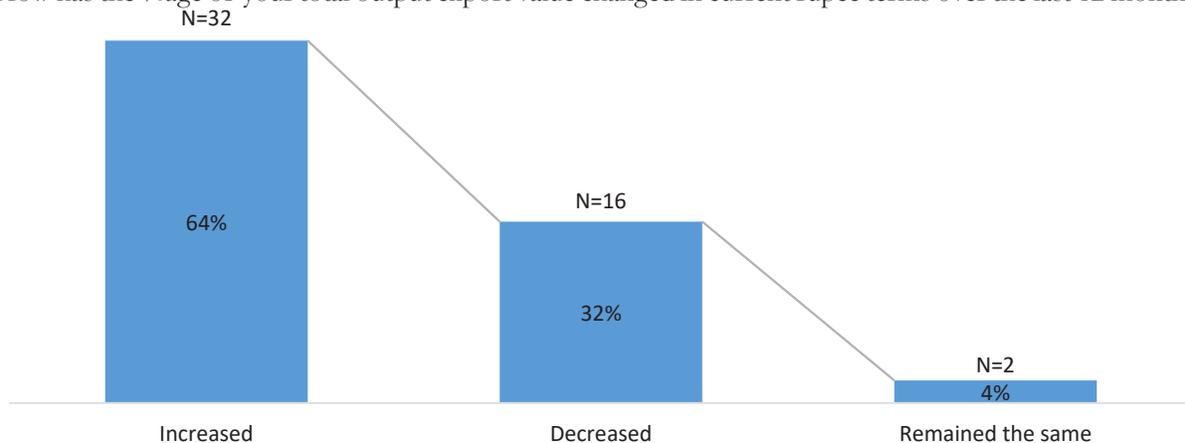


### 1.1.9a Export value change in current rupee terms

When asked about how has the percentage change in their export value change in current rupee terms, 64% of exporting firms said their export value increased in current rupee terms, whereas, 32% of exporting firms reported a decrease in their export volume in current rupee terms.

**Figure 10: 64% of exporting firms reported that their %age of total export value increased in current rupee terms**

How has the %age of your total output export value changed in current rupee terms over the last 12 months?

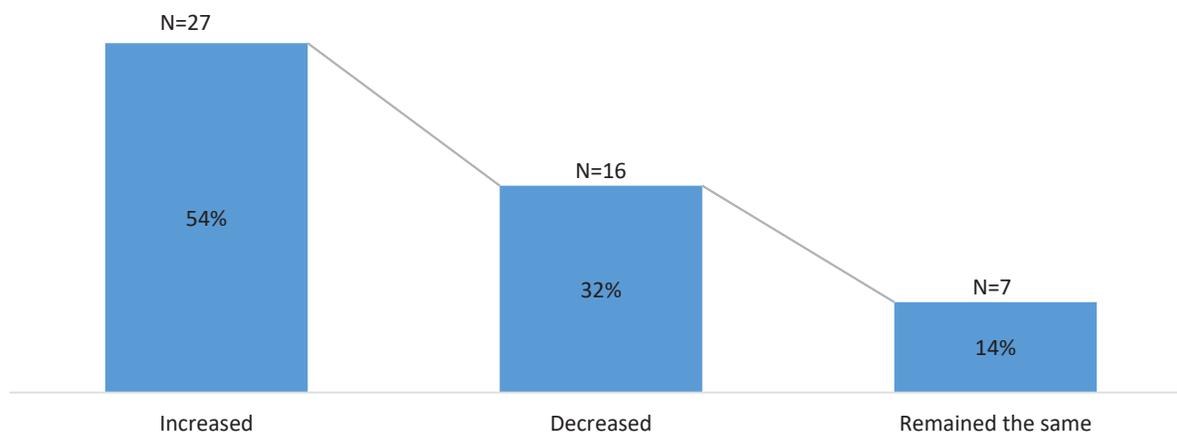


### 1.1.9b Export Value change in current US \$ terms

When asked about how has percentage change in their export value change in current US \$ terms, 54% of exporting firm said that their export value has increased in US \$ terms, whereas 46% of firms said that their export value either decreased or remained the same in current US \$ terms.

**Figure 11: 32% of exported firms reported that their %age of total export value decreased in current US \$ terms**

How has the %age of your total output export value changed in current US \$ terms over the last 12 months?

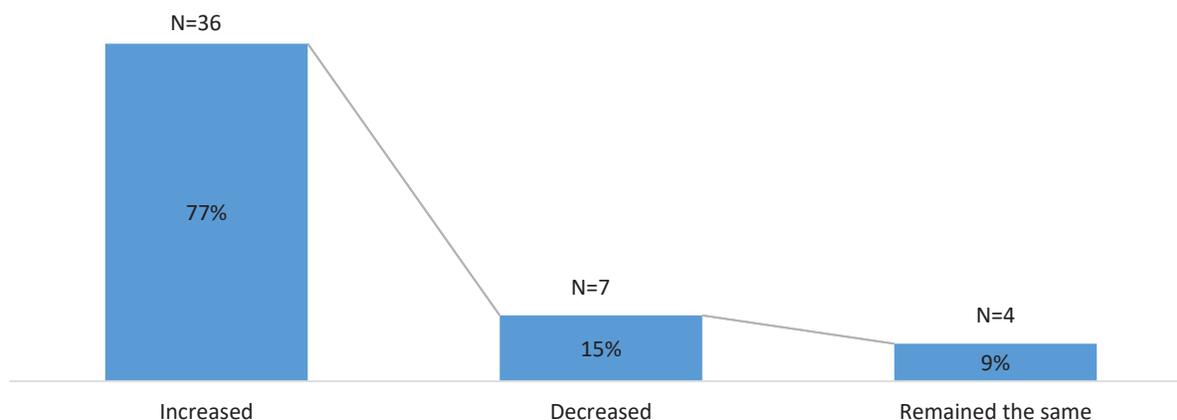


### 1.1.10a Change in the average price per unit in current rupee term

When asked about the percentage change in the average price per unit of their exported product (s) in current rupee terms over the last 12 months, 77% of exporting firms said that their average price per unit increased in current rupee terms.

**Figure 12: 77% of exporting firms reported that the %age change in the average price per unit of their exported product increased in current rupee terms**

What is the %age change in the average price per unit in current rupee terms of your exported products

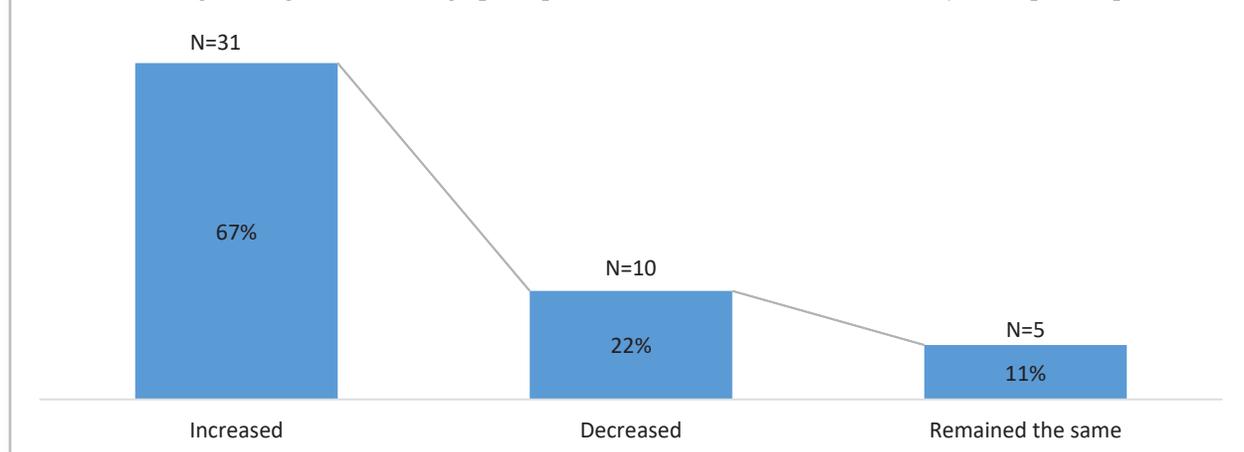


### 1.1.10b Change in the average price per unit in current US \$ term

When asked about the percentage change in the average price per unit of their exported product (s) in current US \$ terms over the last 12 months, 67% of exporting firms said that their average price per unit increased in current US \$ terms while 33% of firms said that their average price per unit either decreased or remained the same in current US \$ terms.

**Figure 13: 67% of exporting firms reported that the %age change in the average price per unit of their exported product increased in current US \$ terms**

What is the %age change in the average price per unit in current US \$ terms over your exported products

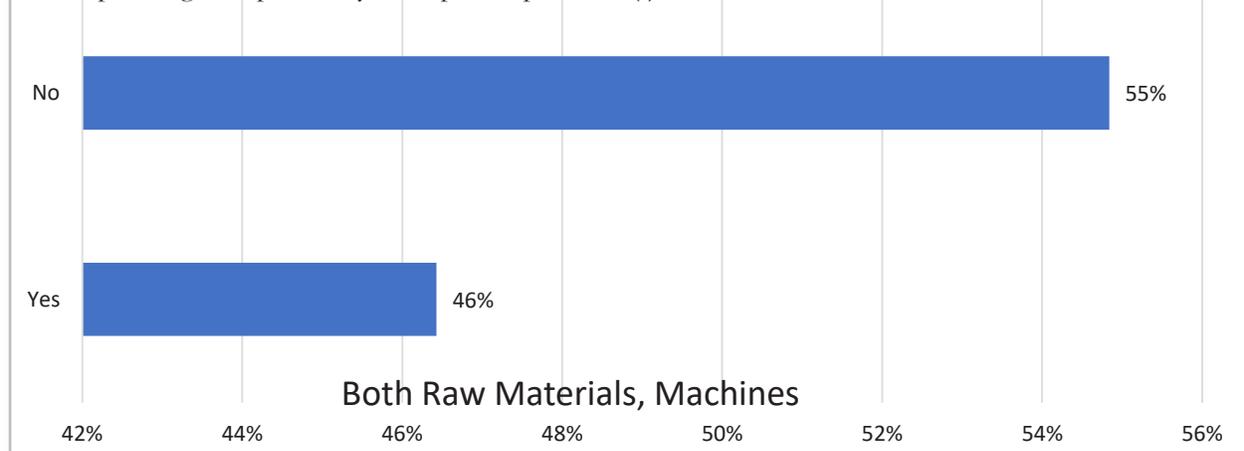


### 1.1.11 Use of imported goods for the production of exported goods

When asked about if their imported goods are used in the production of their exported goods, a majority of exporting firms indicated that they were using a combination of imported raw materials and machines to produce their exporting products.

**Figure 14: Majority of exporting firms indicated that they imported a combination of both machines & raw materials to produce tehir exported product (s)**

Do imported goods produce your exported products (s)?

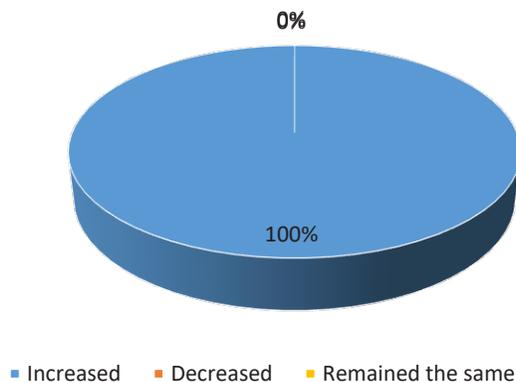


### 1.1.12a How the average price of imported “Raw Material” changed over the last 12 months?

When asked about how the average price of the imported raw materials changed over the last 12 months, 100% of exporting firms replied in yes.

**Figure 15: 100% of the exporting firms responded that the average prices of “Raw Materials” increased over the last 12 months**

How the average price of the imported “raw materials” changed over the last 12 months?

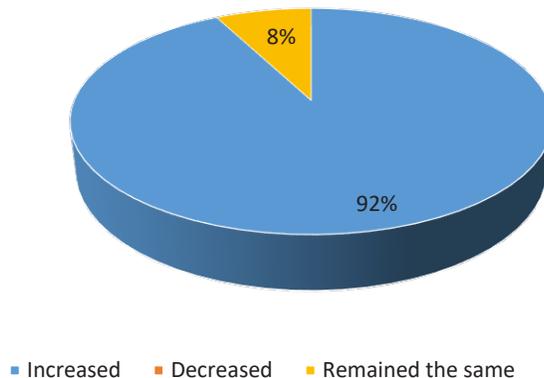


### 1.1.12b How the average price of imported “Machines” changed over the last 12 months?

When asked about how the average price of the imported machines changed over the last 12 months, 92% of exporting firms replied in yes., while only 8% of firms replied that the prices remained the same.

**Figure 16: 92% of firms responded that the average prices of the imported Machines increased, while only 8% reported that the prices remained the same over the last 12 months**

How the average price of the imported “machines” changed over the last 12

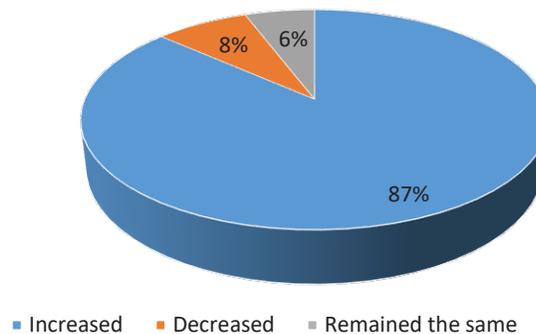


### 1.1.13a Change in the Import Value of Imported Raw Materials

When asked about how has the import value of imported “Raw Material” changed over the last 12 months, 87% of exporting firms said that the import value of those imported raw material increased over the last one year.

**Figure 17: 87% of the exporting firms reported an increase in the import value of the imported Raw Materials purchased increased over the last 12 months**

How has the import value of these imported raw materials changed over the last 12 months?

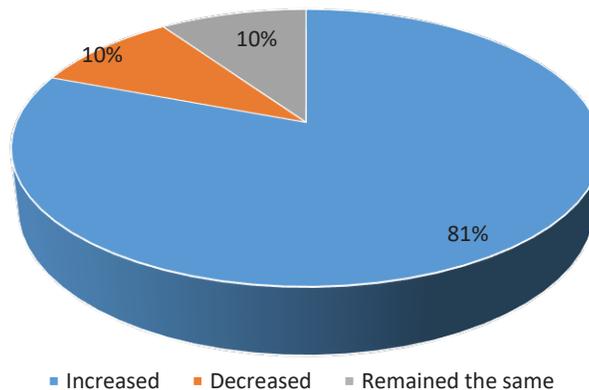


### 1.1.13b Change in the Import Value of Imported “Machines”

When asked about how has the import value of imported “Machines” changed over the last 12 months, 81% responded that the imported value of machines purchased increased over the last 12 months.

**Figure 18: 81% of the exporting firms responded that the import value of the imported Machines purchased increased over the last 12 months**

How has the import value of these imported machines changed over the last 12 months?

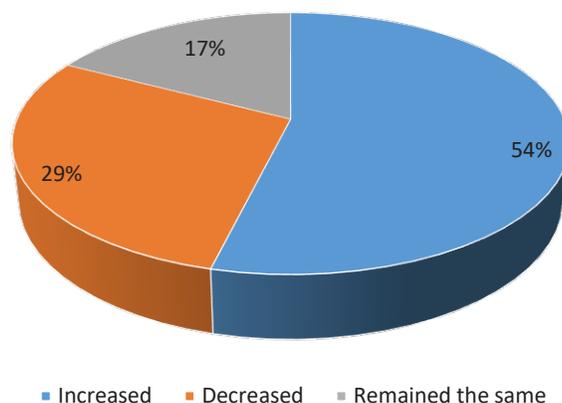


### 1.1.14a Export Sales

More than half of the exported firms said that their export sales have gone up in 2021 as compared to the previous year. This shows that the exports have started to pick up again after showing a continuous decline in the last few years.

**Figure 19: Almost half of exporting firms reported that their export sales increased in 2021 as compared the previous year**

Compared to 2020, revenues from export sales in 2021?

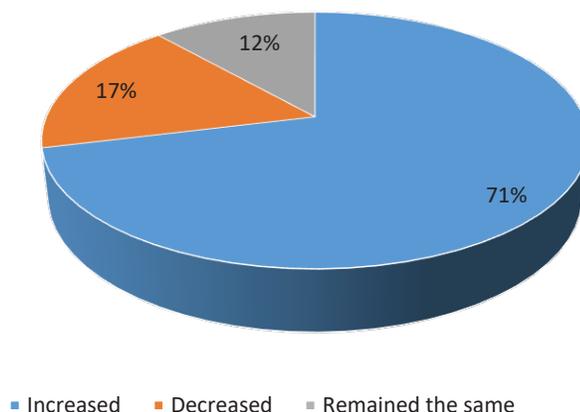


### 1.1.14b Expectations about export sales

71% of the exporting firms had positive expectations about the increase in export sales in 2022 as compared to 54% increase in 2021.

**Figure 20: 71% of the exporting firms said that they are expecting an increase in their export sales in 2022**

You expect that revenues from export sales in 2022 will?

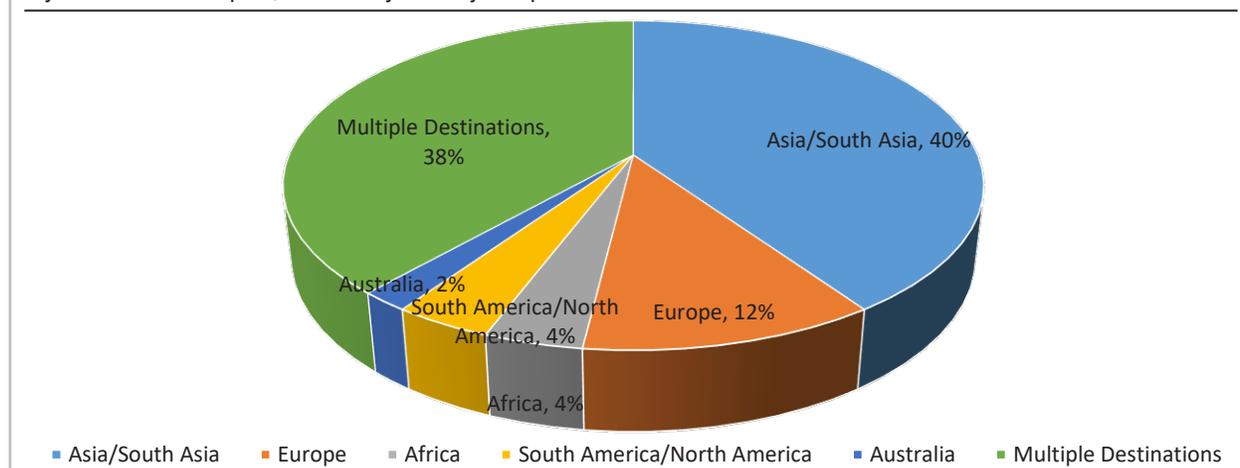


### 1.1.15 Export Destinations

When asked about the major export markets for exporters in Pakistan, a majority of firms were exporting to Asia/South Asia or to multiple destinations around the world.

**Figure 21: A majority of exporting firms responded that they export their products to Asia/South Asia. Whereas, 38% of firms were exporting their products to multiple destinations across the globe**

If your firm does export, what are your major export markets?

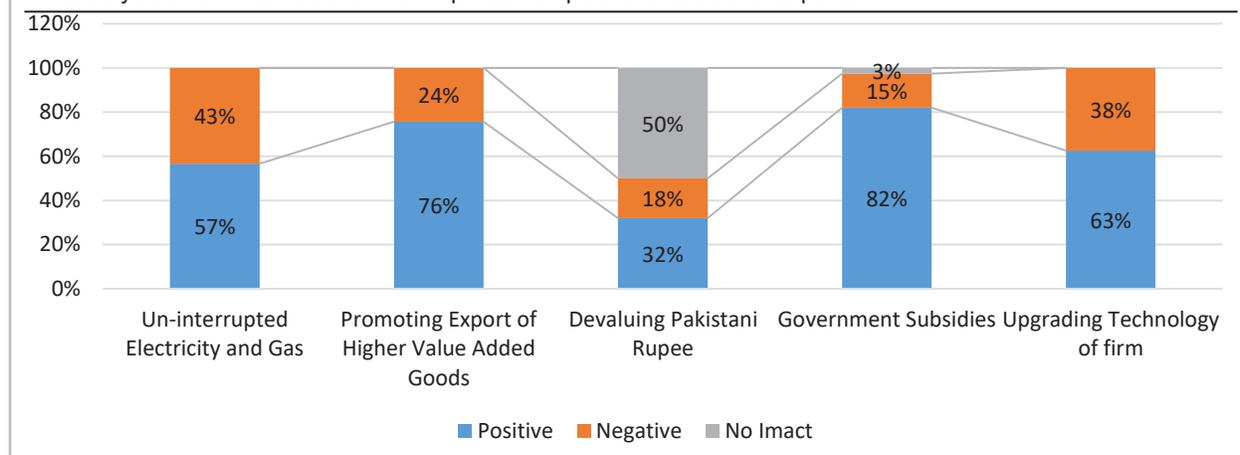


### 1.1.16a Factors to Boost Exports

When asked about rating the most important steps that could boost exports on the basis of the scale from very positive to very negative, a majority of firms rated government subsidies and promoting export of higher value goods as the most important factors to boost exports.

**Figure 22: Government Subsidies and Promoting Export of High Value Added Goods were rated as the most important steps to boost exports by respondent firms**

What do you think would be the most important steps that could boost exports?



5 b: Top four factors to boost Export rated by exporting firms in the Year 2022

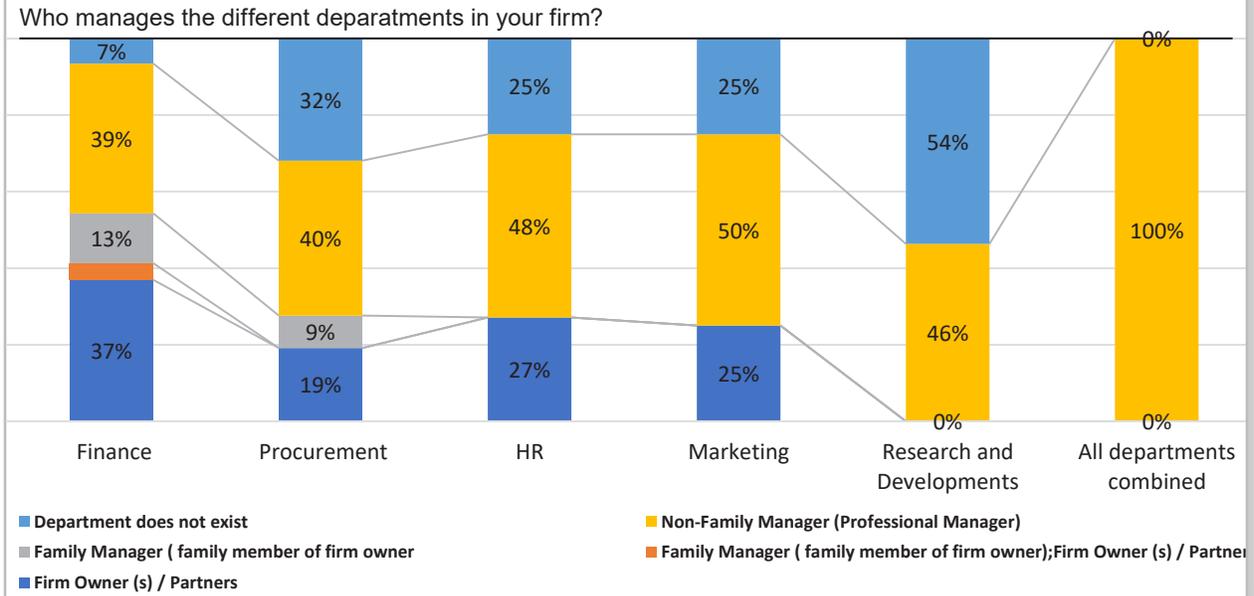
Table 1: Government Subsidies, Promoting Higher Value-Added Goods, Upgrading Technology and Uninterrupted Electricity & Gas are the Important Factors (Indicated by the importing firms) that could Boost Exports



1.1.16 Managerial Structure of Exporting Firms

A majority of exporting firms reported that their finance department was majorly being run by the family owner (s)/Partners; the Procurement, HR, Marketing department were mostly handled by non-family manager (professional manager), while companies with all departments combined were only being run by a non-family member (professional manager).

Figure 22: For most of the exporting firm, finance department was mostly managed by family owners/partners, while Marketing and Research & Development departments were mostly managed by non-family manager



# 2 IMPORTING FIRMS

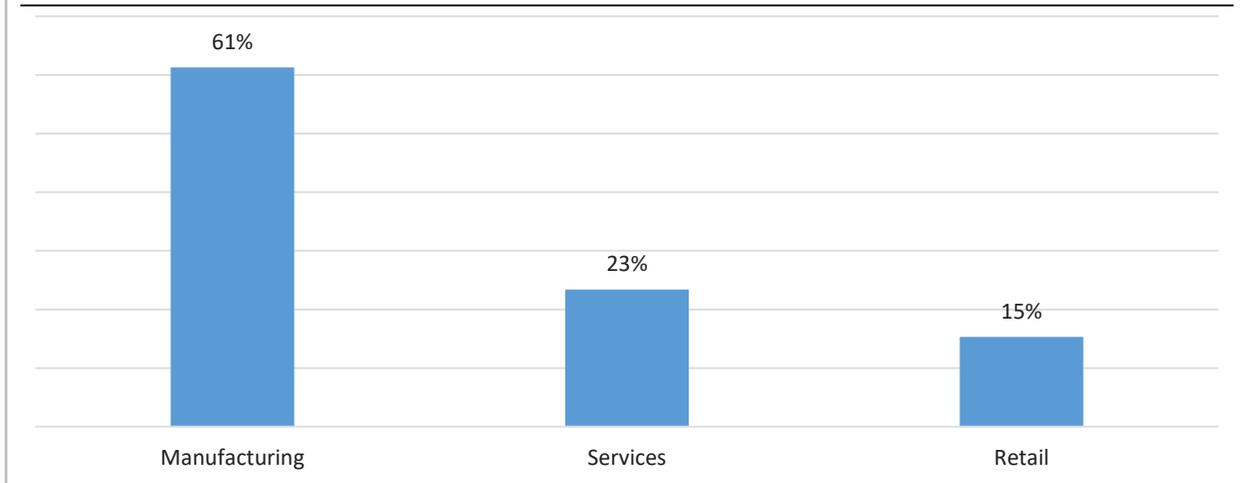
## 2.1 Analysis of Importing Firms

### 2.1.1 Sector of Importing Firms

61% of the 111 importing firms in the sample were from the manufacturing sector, while 23% and 15% of firms were from the services and retail sectors respectively.

**Figure 1: A majority of importing firms were from the manufacturing sector**

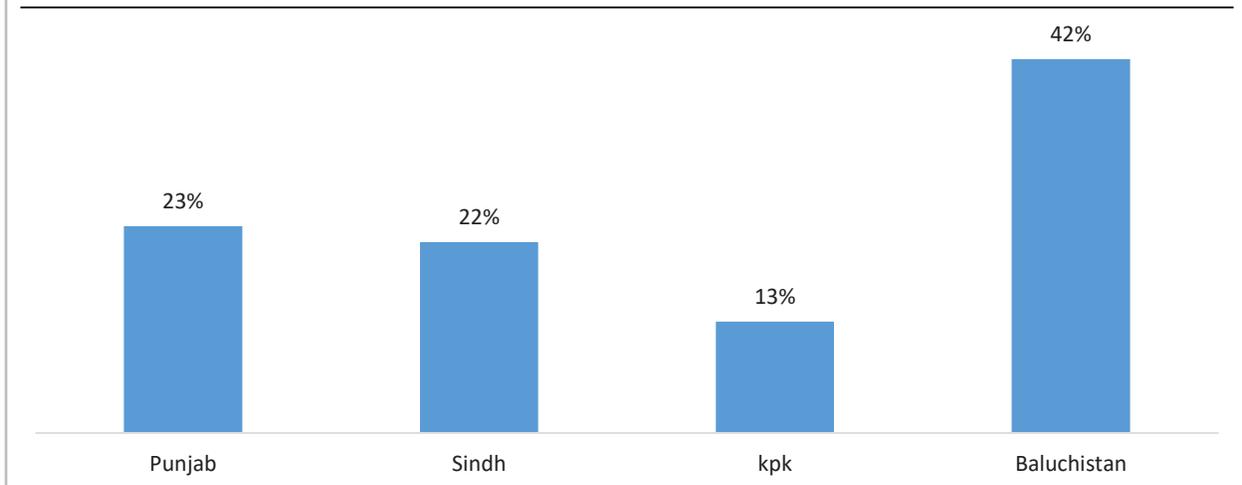
Which Sector your company operate in?



### 2.1.2 Location of the Importing Firms

**Figure 2: A majority of importing firms in the sample were based in Baluchistan**

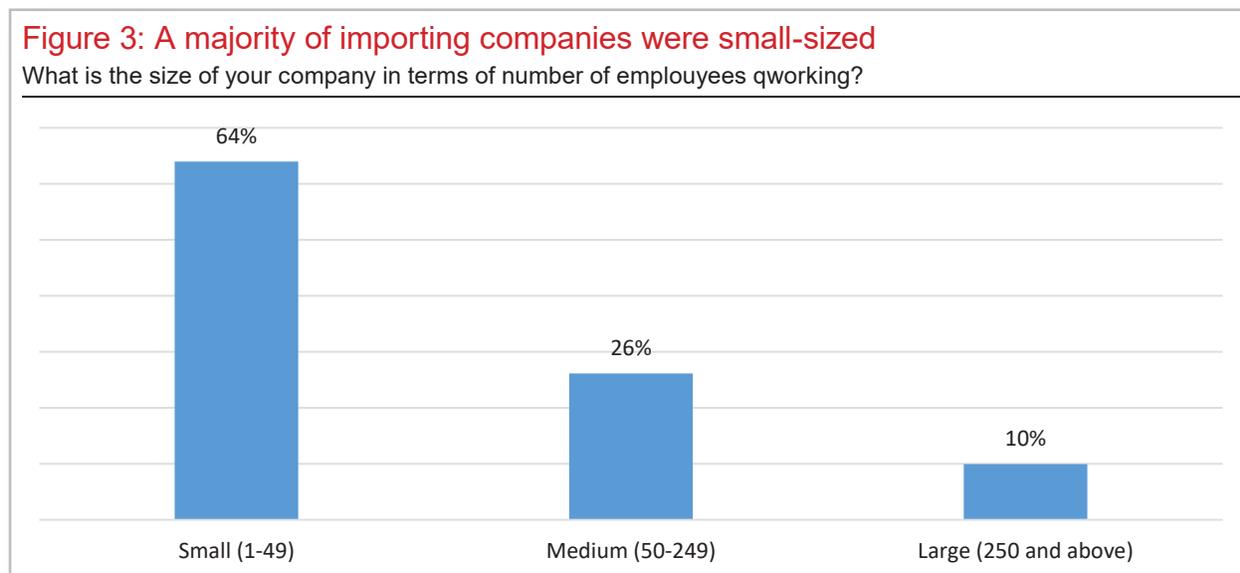
What is the location of your company?



42% of importing firms in the sample were based in Baluchistan province, 23% in Punjab, 22% in Sindh and 13% were based in KPK.

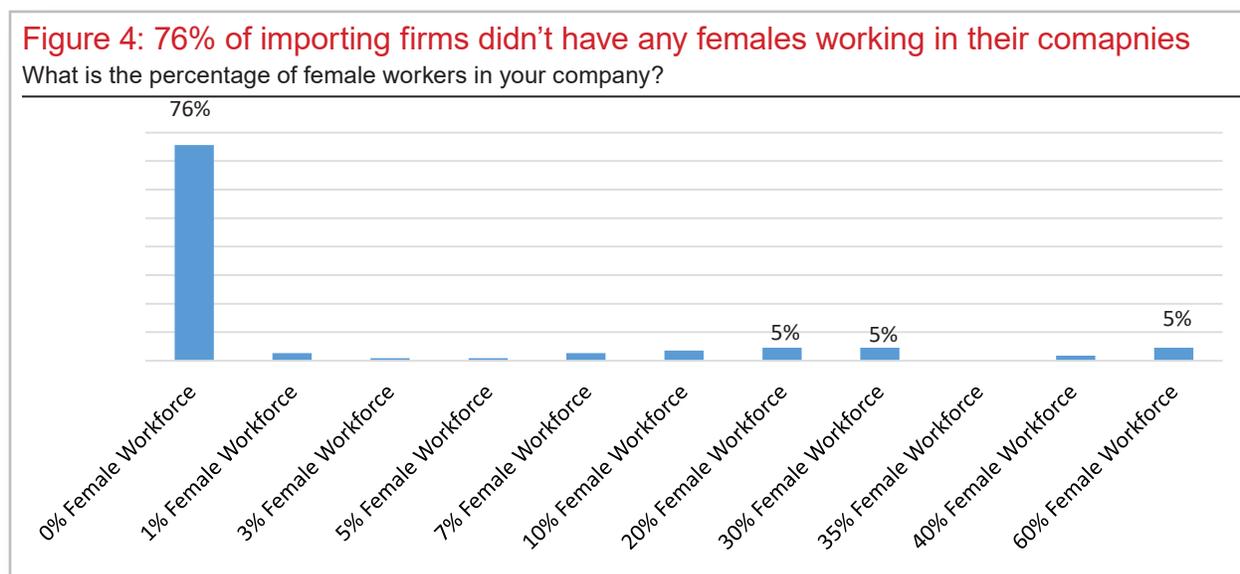
### 2.1.3 Size of Importing Firms

64% of the importing firms were small-sized i.e. having employees less than 50, while 26% were medium-sized with employees between 50 and 249 and 10% of importing firms in the sample were large having employees above 250.



### 2.1.4 Female Workforce in Importing Firms

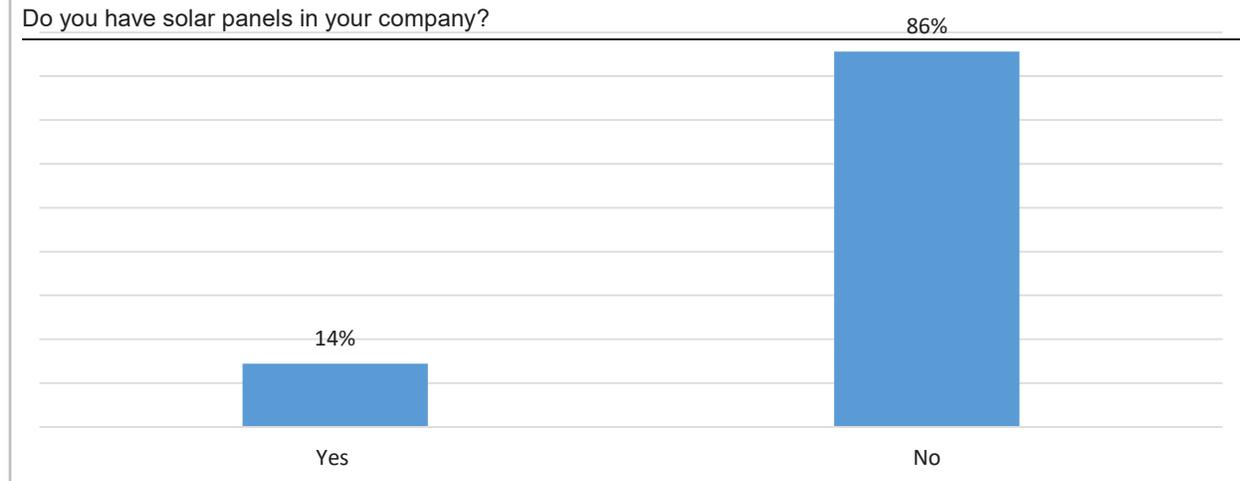
When asked about the percentage of female employees from the importing firms in the sample, 76% responded that they didn't have any female workers in their companies.



### 2.1.5a Use of Solar Panels by Importing Firms

A majority of importing firms (86%) reported that they don't use solar panels at their workplace while only a small percentage of firms (14%) responded that they are using solar panels.

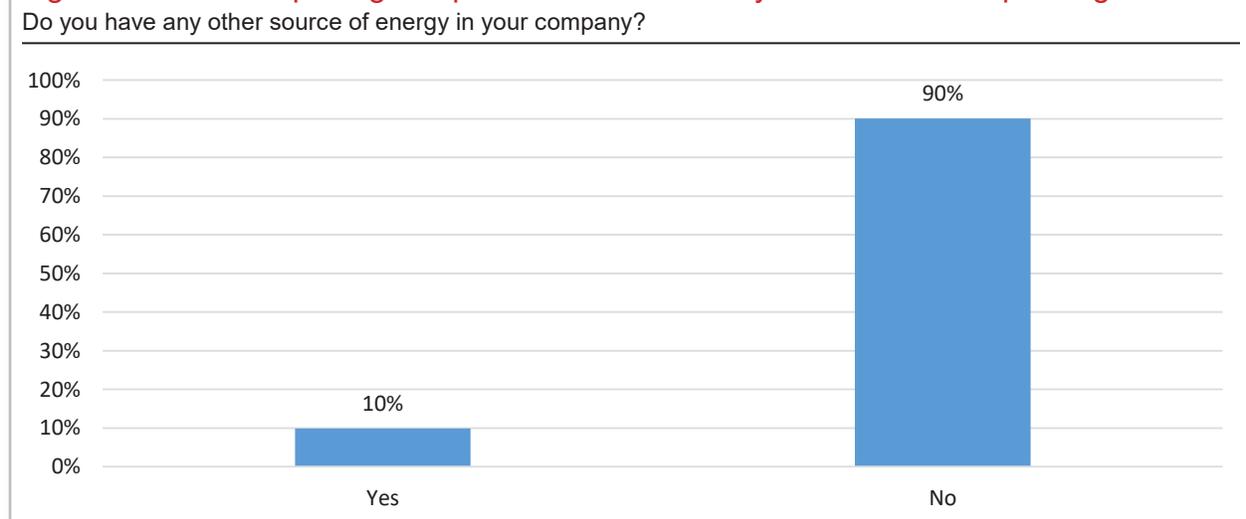
**Figure 5: 86% of importing companies said that they didn't have solar panels in their companies**



### 2.1.5b Other Sources of Energy being used by the importing firms

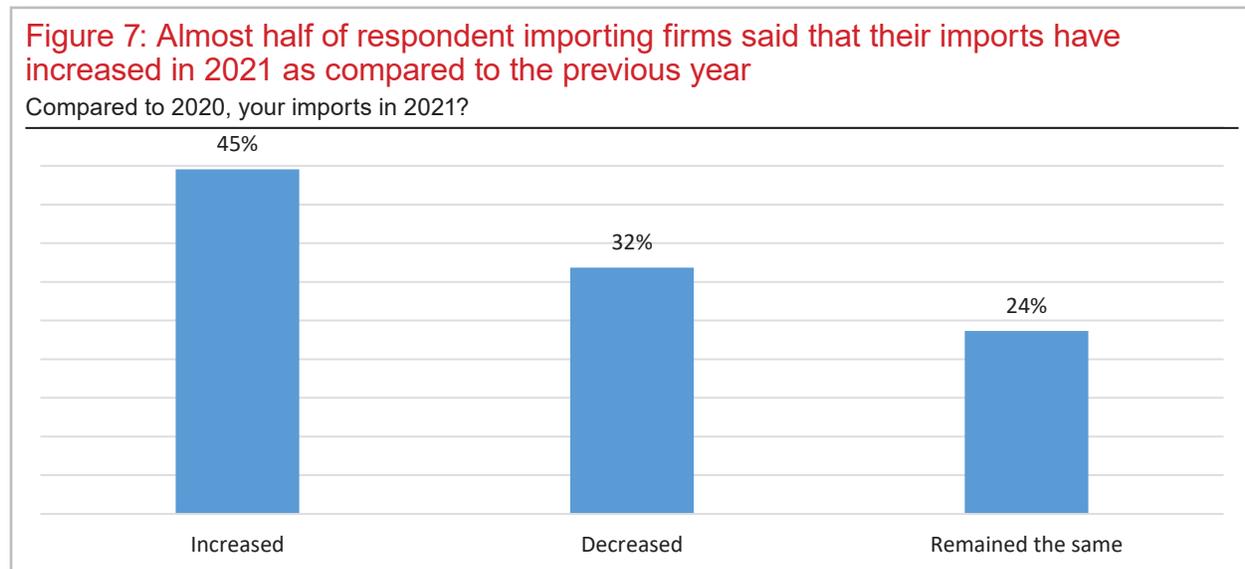
When asked about the use of any other sources of energy generation other than electricity from grid or generators, a majority of importing firms (90%) were relying only on electricity from grid and generators, while only 10% of exporting firms had developed other sources of power generation.

**Figure 6 : 90% of importing companies did not have any other sources of power generation**



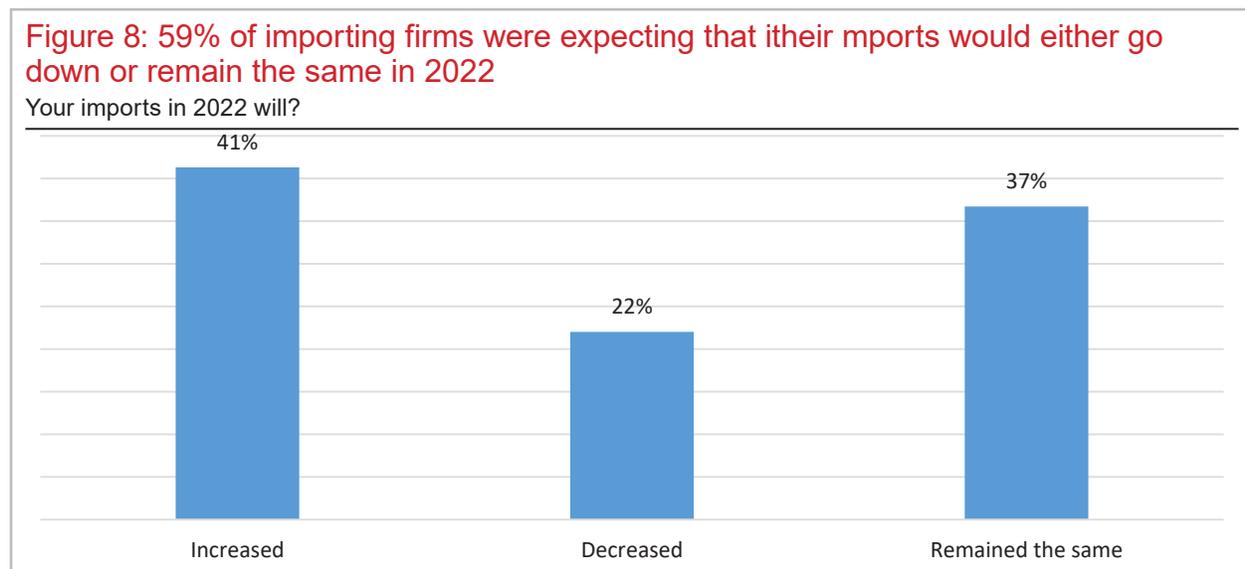
### 2.1.6a: Purchase of imported goods by the importing firm

45% of importing firms in the sample responded that their imports increased in 2021 as compared to the previous year, whereas, 55% of firms said that their imports either decreased or remained the same as compared to the previous year.



### 2.1.6b: Expectations about increase in Imports by importing firms:

60% of the importing firms are expecting that their imports would either decrease or would remain the same in 2022.

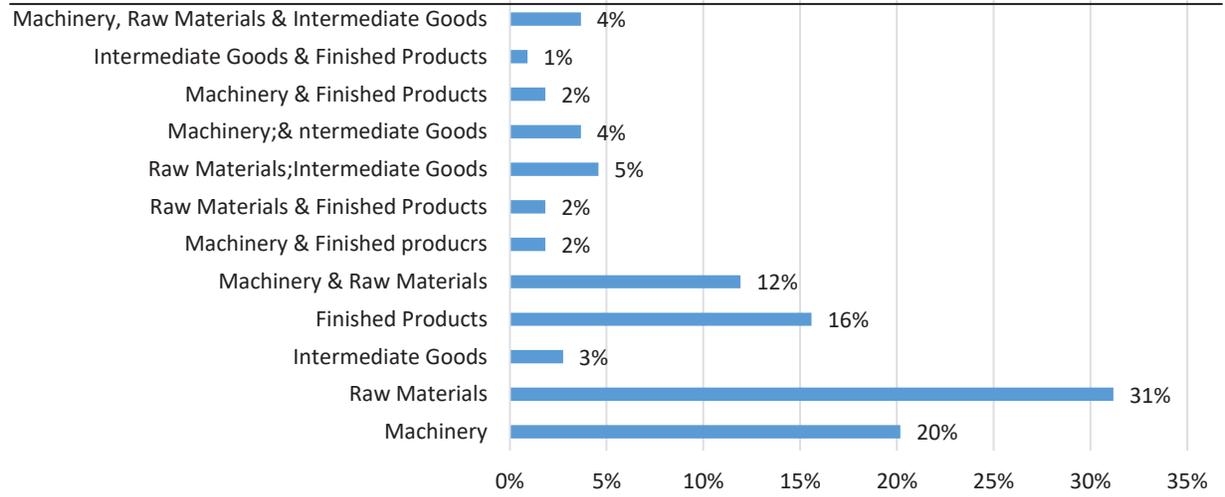


### 2.1.7: Major Imported Products by importing Firms

Almost half of importing firms were importing raw material or machinery, 16% were importing finished products, and 12% were importing both machinery and raw materials, while a small percentage of firms (4%) were importing a combination of Machinery, Raw Material and Intermediate Goods.

**Figure 9: A majority of importing firms said that they were importing raw materials and machinery**

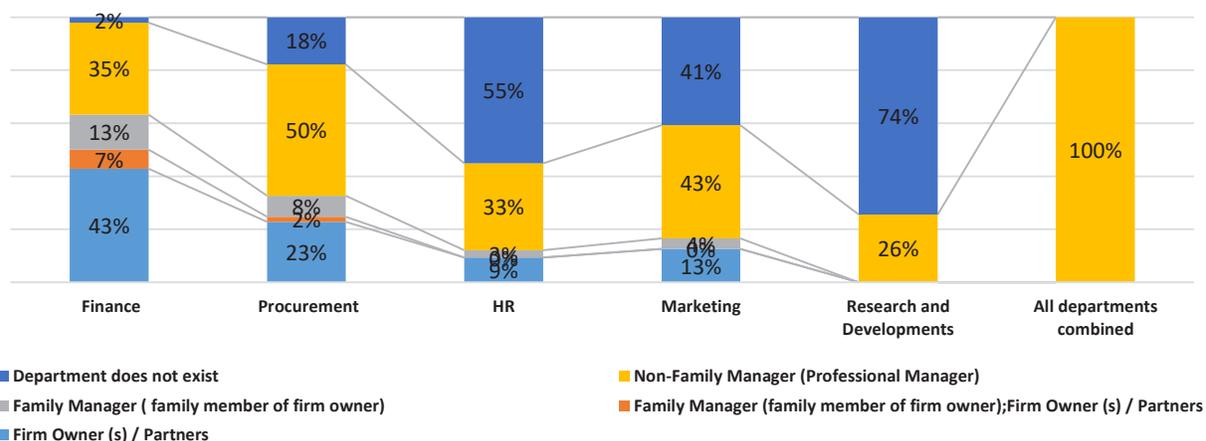
If your firm import then what are your major imports product (s)?



### 2.1.8 Managerial Structure of Importing Firms:

A majority of importing firm have a structure where mostly their owner (s) or partners manage their finances. Procurement department is mostly handled by a professional manager, whereas Research and Development, Marketing department and HR department mostly don't exist. Moreover, importing firms with a structure where all departments are combined are most handled by Non-Family (Professional Manager).

**Figure 6: A majority of importing firms responded that they their finance delaparment is mostly managed by the Fammily owner (s) /partner, while the procurement department is mostly managed by the non-family (professional manager, HR, Reserach & Development**



# 3 CONCLUSION

Pakistan's trade deficit has been increasing over the last few years. The main reason behind this was decline in exports and constant increase in imports. The Lahore School of Economics conducted a seventh business confidence survey of firms in 2022 to determine the industry specific and general macroeconomic trends prevailing in the local markets/industries.

This year's survey had a separate detailed section for exporting and importing firms to explain the unprecedented trade deficit, so that policy makers could determine what factors have led to the fall in exports and what measures do we need to tackle the deterioration in Pakistan's trade balance. The survey was conducted selecting a variety of firms across three important sectors viz. the manufacturing sector, the services sector and the retail sector. The data was comprised of 227 firms from all four provinces of Pakistan, with 52 exporting and 111 importing firms. The survey was conducted from mid-January, 2022 till end of April, 2022.

Contrary to last years, this year's survey found that exports have increased in 2021 as compared to 2020 and a larger percentage of firms had positive expectations about further increase in the level of export sales in 2022. It was found that a majority of exporting companies were exporting a significant percentage of their output abroad and thus their export volume was increasing both in current Pakistani rupee and current US \$ terms. Thus, the exporting companies experienced an increase in the average price of the exported products both in current Pakistani rupee and current US \$ terms. Also, exporting companies were using imported raw material and machines to produce their exporting product thus improving the quality of the exported products.

When asked about the factors that could boost exports, a significant proportion of firms reported government subsidies, promoting exports of higher value-added goods, upgrading technology and uninterrupted supply of electricity and gas as the most important factors. The survey results indicated that exporting firms are mostly exporting to Asia/ South and to multiple continents (around the world).

The survey found that most of the importing companies import raw material and machinery and use these imported products to produce high value-added exported goods. Survey also found that imports have significantly declined in the year 2021 as compared to the previous year and a majority of firms are expecting a further reduction in their imports. One major reason of the decline in imports is the increase in the average prices of imported goods in the international markets.

The current year's survey also studied the gender ratio by asking about the number of female employees in their firms. The results showed that both exporting and importing companies have almost no female workers in their companies. To analyze the environmental aspects, the exporting and importing firms were asked about the use of solar panels in their firms and if they were using other sources of energy other than electricity from grid or generator. Unfortunately, both the exporting and importing firms have not switched to solar energy and utilizing other sources of energy to reduce the burden on environment. In this regard, government may need to introduce some new policies and regulations to encourage such companies towards utilizing less harmful sources of energy.

Moreover, analyzing the managerial structure of both exporting and importing firms revealed that Finance department of both exporting and importing firms are mostly handled by their owner. For exporting firms, the Marketing and Research & Development departments were mostly handled by non-family/professional managers. Whereas for importing firms, the Procurement department was mostly handled by non-family/professional manager, while HR & Research department didn't mostly exist.

Overall, 2022 cannot be considered a good year for tackling the balance of payments problem prevailing in the country from the past few years. The collaboration between the government and the business community and the joint efforts by them in developing a workable industrial strategy can promote the growth and tackle the trade deficit and balance of payment problems in the coming years.



# BUSINESS CONFIDENCE SURVEY



# 2022