Afghanistan Chamber Of Commerce & Industries

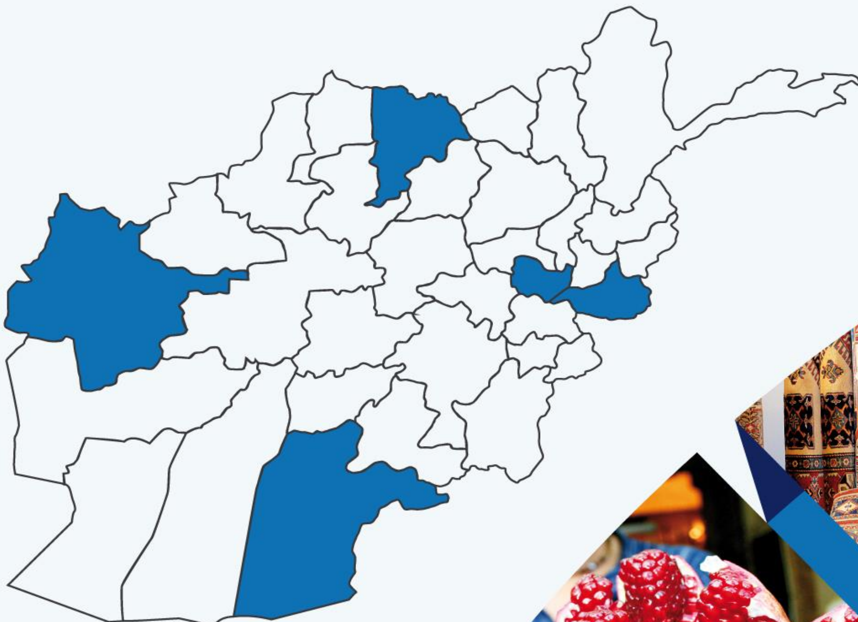
اتاق تجارت و صنایع افغانستان

دافغانستان د سوداګرۍ او صنایعو اتاق

ACCI Business Monitor

Business Monitor 2018

Companies are optimistic about their employment prospects, but the number of respondents who say they have decreased their employees is about 21.5 percent more than those who say they have employed more people during last three months.



Business Tendency Survey 1st Quarter

The Business Tendency Survey asks the managing directors of businesses for their opinions on the current business situation and their expectation for the next six months.

ACCI Business Tendency Survey Report[1]

Major findings

- The surveyed businesses' level of confidence regarding their current condition is very much negative as the last survey but their expectations regarding the coming six months has increased sharply.
- Calls for better market and demand, administrative reforms and suitable infrastructure have increased.
- The average indicator for security situation has improved compared to the previous survey, but in general the security condition seems very unstable.
- Companies are optimistic about their employment prospects, but the number of respondents who say they have decreased their employees is about 21.5 percent more than those who say they have employed more people during last three months.
- Businesses have reported that their order books keep shrinking.
- The current condition for all three categories of businesses are negative but small and medium companies are much more affected compared to large companies.
- All sectors, but trade, are optimistic about their business plans and prospects for coming six months.

[1] The Business Tendency Survey asks the managing directors of businesses for their opinions on the current business situation and their expectations for the next six months. The current survey was conducted in five regions (Kabul, Balkh, Kandahar, Herat and Nangarhar) and 705 companies were interviewed through phone during first and second week of April 2018.

A. Business Climate

The Business Climate is an indicator for GDP growth tendencies. The indicator usually is leading; it indicates GDP changes in advance (on average a few months if no unexpected change in frame conditions occurs).

The Business Climate indicator is constructed from the judgments of managers on their present business situation and their business expectations for the next six months by a standardized and internationally used formula (for methodology see at the end of the report).

The indicator values range from 0 (meaning “normal”) up to a possible maximum of plus 100 for a positive climate and from 0 to a possible minimum of minus 100 for a negative climate.

A.1- Business Climate overall and by Region

The overall Business Climate indicator in April 2018 for Kabul, Balkh, Kandahar, Nangarhar & Herat regions altogether valued points (4.4) while in last survey it was (-12.5) points.

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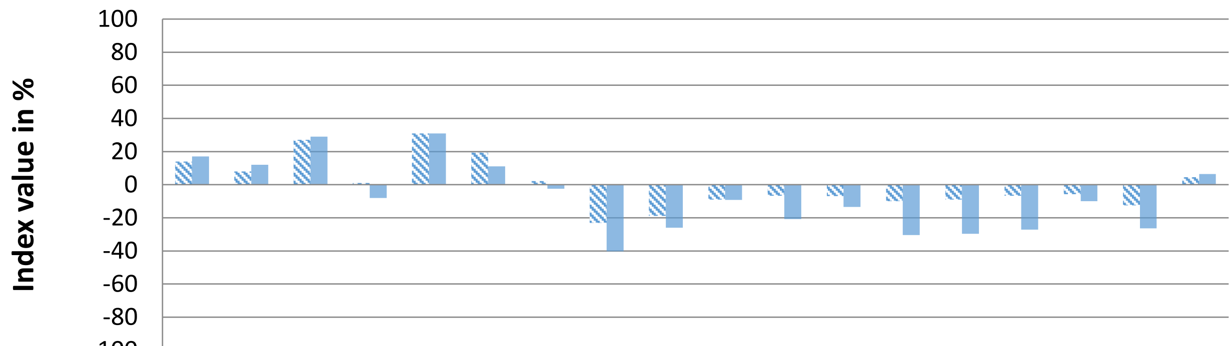
Graph 1: Business climate, overall and Kabul 2012 to 2018

(in quarters per annum of survey conducted)



	IV-12	IV-13	I-14	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I - 2017	II - 2017	III - 2017	IV - 2017	I - 2018
Overall	14	8	27	1	31	19.3	2.21	-23	-19	-9.1	-6.7	-6.8	-9.9	-9.1	-6.7	-5.8	-12.	4.4
Kabul	17	12	29	-8	31	11	-2.5	-40	-26	-9.3	-21	-14	-30	-29.	-27.	-10.	-26.	6.5

As shown in Graph 1. the overall business climate has improved compared to the recent surveys. The surveyed businesses' level of confidence regarding their current condition is very much negative as the last survey (-26.5→ -26.4) but their expectations regarding the coming six months (-3.5→ 35.9) has increased sharply. In contrast to most of the recent surveys, this time surveyed businesses optimist about their business plans and prospects.

Last year, only Nangarhar and Herat regions had positive business climate indicator for the same season, while this year all regions except Kandahar have reported positive indicators. Kandahar has also shown considerable improvement.

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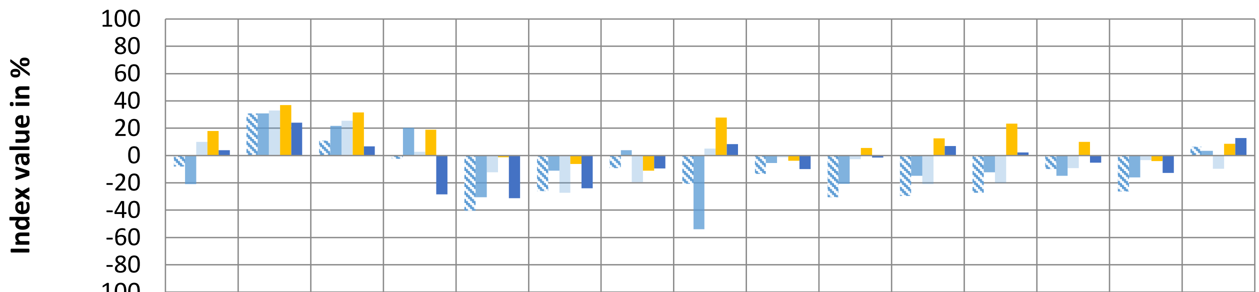
Graph 2: Business climate by Province 2014 to 2018



	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I - 2017	II- 2017	III - 2017	IV - 2017	I - 2018
Kabul	-8	31	11	-2.5	-40.3	-26	-9.25	-20.8	-13.5	-30.4	-29.6	-27.2	-10	-26.4	6.5
Balkh	-21	31	21.7	20.23	-30.6	-11.1	3.89	-53.9	-5.56	-20.6	-14.7	-12.2	-14.9	-16.1	3.5
Kandahar	10	33	25.55	2.75	-12.2	-27.2	-19.4	4.995	-1.11	-2.61	-20.9	-20	-9.2	-3.4	-9.6
Nangarhar	18	37	31.7	18.89	-1.11	-6.11	-11.1	27.78	-3.89	5.65	12.6	23.5	10	-4	8.7
Herat	4	24	6.7	-28.3	-31.1	-23.9	-9.45	8.33	-10	-1.47	7	2.2	-5.1	-12.6	12.9

A.2- Business Climate by Sectors

All sectors, but trade, are optimistic about their business plans and prospects for coming six months; and therefore Agriculture, Services, Construction and Manufacturing have positive business climate indicators with Agriculture (9.6) and Services (9.3) topping the sectoral ranking. Trade (-6.1) has also shown considerable improvement compared to the same season of last year (-14.8)

Since 2015, it is the first time for Manufacturing and Construction sectors to have positive business climate indicators, though it is worth mentioning that no sector has reported a positive indicator for their current business conditions which they have ranked between -22.4 and -33.3.

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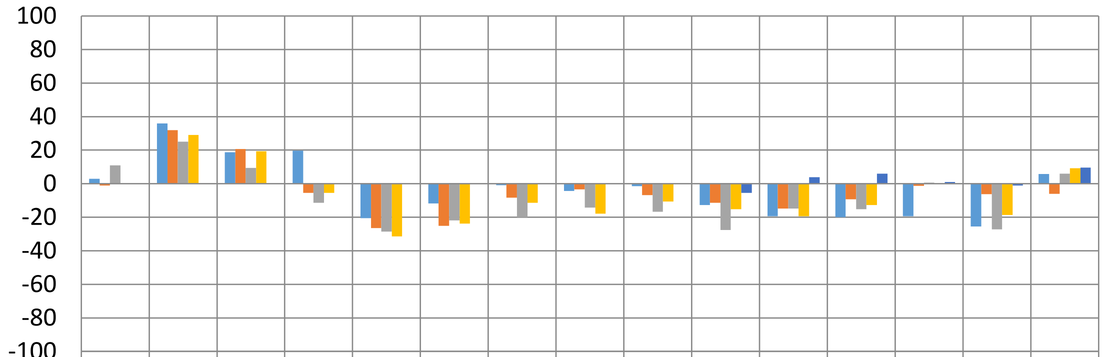
Graph 3: Business climate by sectors overall, 2014 to 2018

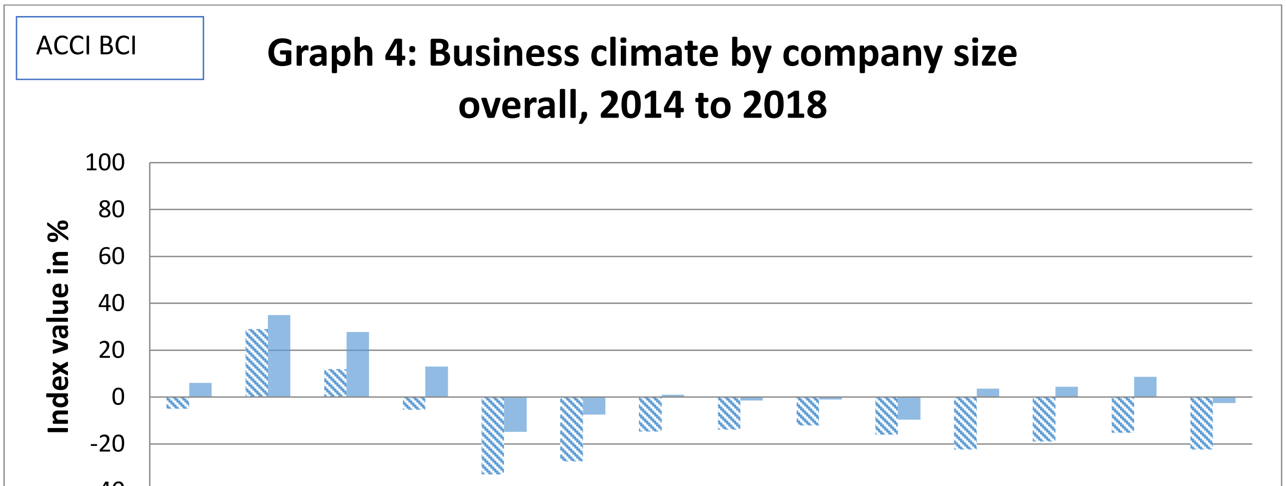


	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I- 2017	II- 2017	III - 2017	IV - 2017	I- 2018
Manufacturing	3	36	18.7	19.7	-20.6	-11.8	-0.91	-4.24	-1.52	-12.7	-19.4	-20	-19.4	-25.5	5.7
Trade	-1	32	20.7	-5.52	-26.6	-25.2	-8.28	-3.45	-6.9	-11.4	-14.8	-9.3	-1.3	-6.3	-6.1
Construction	11	25	9.5	-11.4	-28.6	-21.9	-20	-14.3	-16.7	-27.6	-14.8	-15.3	0.7	-27.2	5.9
Service	0	29	19.3	-5.4	-31.4	-23.8	-11.4	-17.9	-10.7	-15.2	-19.4	-12.8	0.1	-18.6	9.3
Agriculture										-5.52	3.8	5.9	1.1	-1	9.6

A.3- Business Climate by Company Size

This Business Climate Survey, like the previous ones, shows that there is a meaningful difference between the perception of large companies and SMEs about the business condition. SME's report a negative business climate indicator (-2.6) which is better than the same season in last year (-22.3). Large companies have reported a highly improved business climate indicator (17.5) compared to the same season of 2017 (3.6).

The current condition for all three categories of businesses are negative but large (-8.9) and medium (-21.5) companies are much less affected than small companies (-51.8).

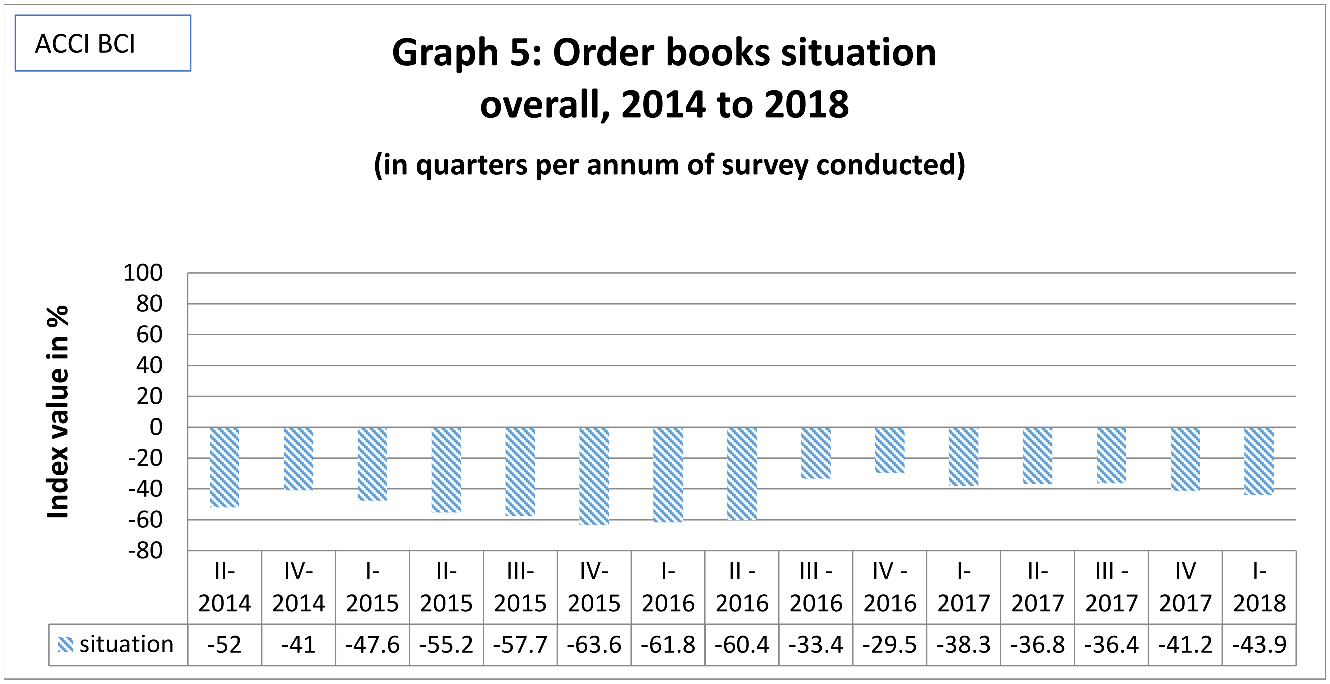


	II-2014	IV-2014	I-2015	II-2015	III-2015	IV-2015	I-2016	II-16	III - 16	IV - 2016	I-2017	II-2017	III - 2017	IV 2017
SME	-5	29	11.9	-5.42	-33.1	-27.4	-14.7	-13.9	-12.1	-16	-22.3	-19	-15.3	-22.3
Large	6	35	27.7	13	-14.8	-7.5	1	-1.5	-1	-9.73	3.6	4.4	8.6	-2.6

B. Order Books

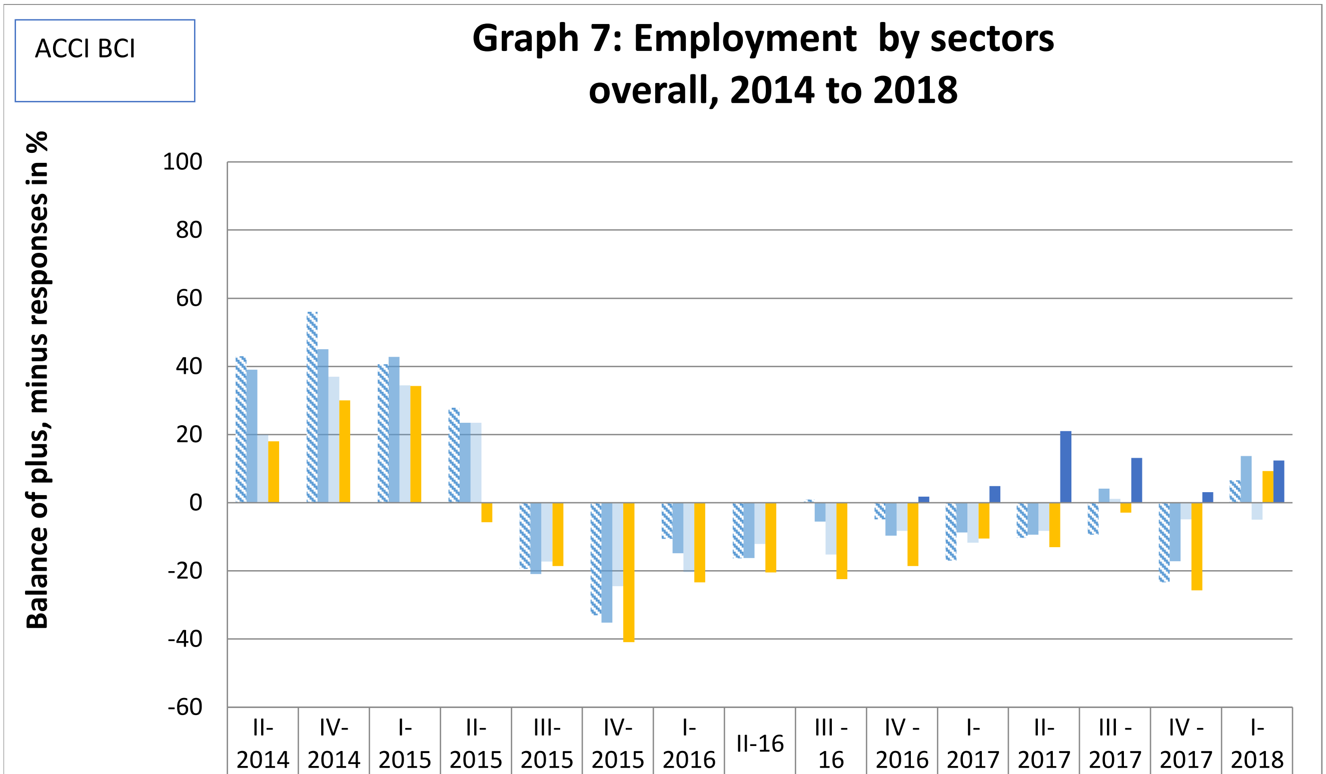
The order books situation is another indicator for the business situation. It is complementary to the Business Climate and can be used as a control for the climate tendency. The result figures are based on percentage balance values (positive minus negative answers).

Businesses have reported that their order books keep shrinking (-43.9). This figure is lower than the order books indicator of the same season in 2017 (-38.3). No region reports a positive indicator, but Nangarhar (-28.7), and Kandahar (-33.9) expect comparatively better conditions than other regions: Herat (-41.4), Balkh (-47.8) and Kabul (-52.7).



C. Employment Expectation

Graph No. 7 shows the employment climate which is the arithmetic mean of the situation (balance value) and the expectations (balance value). According to this survey companies are optimistic about their employment prospects (35.9). Services expects the highest rate of employment (13.7) and Trade the lowest (-5).



	II-2014	IV-2014	I-2015	II-2015	III-2015	IV-2015	I-2016	II-16	III - 16	IV - 2016	I-2017	II-2017	III - 2017	IV - 2017	I-2018
Manufacture	43	56	40.61	27.88	-19.4	-33	-10.6	-16.4	0.91	-4.85	-17	-10.3	-9.4	-23.4	6.6
Services	39	45	42.75	23.45	-21	-35.2	-14.8	-16.2	-5.52	-9.66	-8.7	-9.4	4.1	-17.2	13.7
Trade	20	37	34.48	23.45	-17.2	-24.5	-20.3	-12.1	-15.2	-8.28	-11.7	-8.3	1.1	-4.9	-5
Construction	18	30	34.29	-5.72	-18.6	-41	-23.3	-20.5	-22.4	-18.6	-10.5	-13	-2.9	-25.7	9.3
Agriculture										1.752	4.9	21	13.1	3.1	12.4

As usual, the real employment situation was different to what the businesses expected in previous survey. In November 2017, the surveyed companies expected only (-3.5) decrease in their employments for the then coming three months, while this survey showed a more negative tendency in employment since then. The number of respondents who say they have decreased their employees is about 21.5 percent more than those who say they have employed more people during last three months.

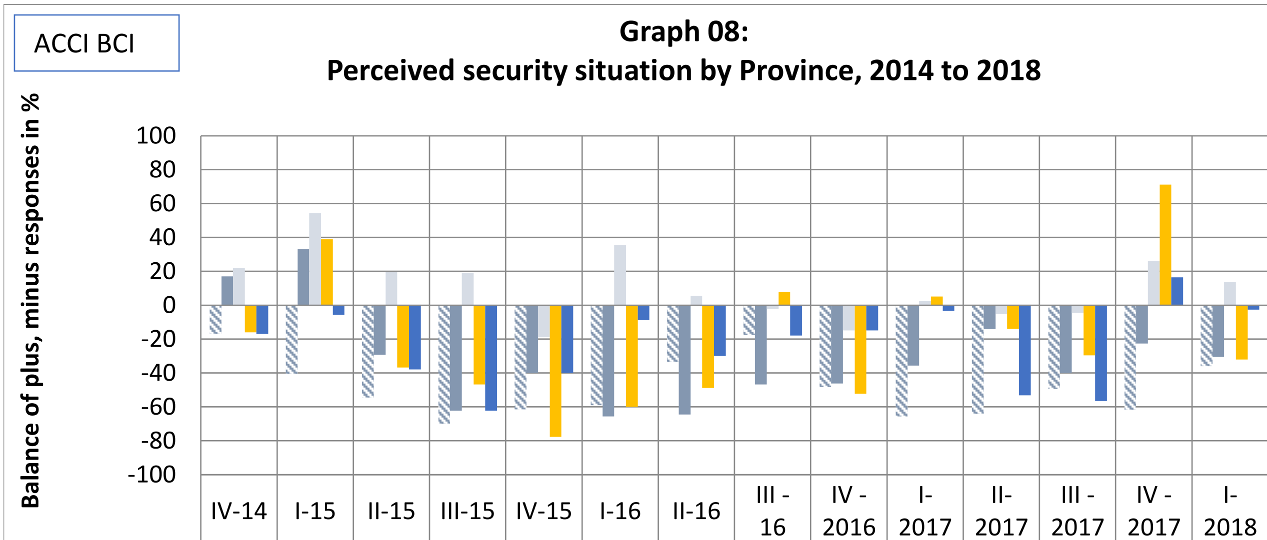
Trade (-28.6), Construction (-26.5), Manufacturing (-22.3), Agriculture (-17.8) and Services (-13.7) have all reported that they employ few people than three months back.

D. Security Situation

The average indicator for security situation has improved (-20.9) compared to the previous survey (-35.1), and regional differences are high.

Kandahar has reported a positive security indicator (13.9), while Kabul (-36) has reported the least favorable security condition, followed by Nangarhar (-32.1), Balkh (-30.5) and Herat (-2.6). In general the security condition seems very unstable.

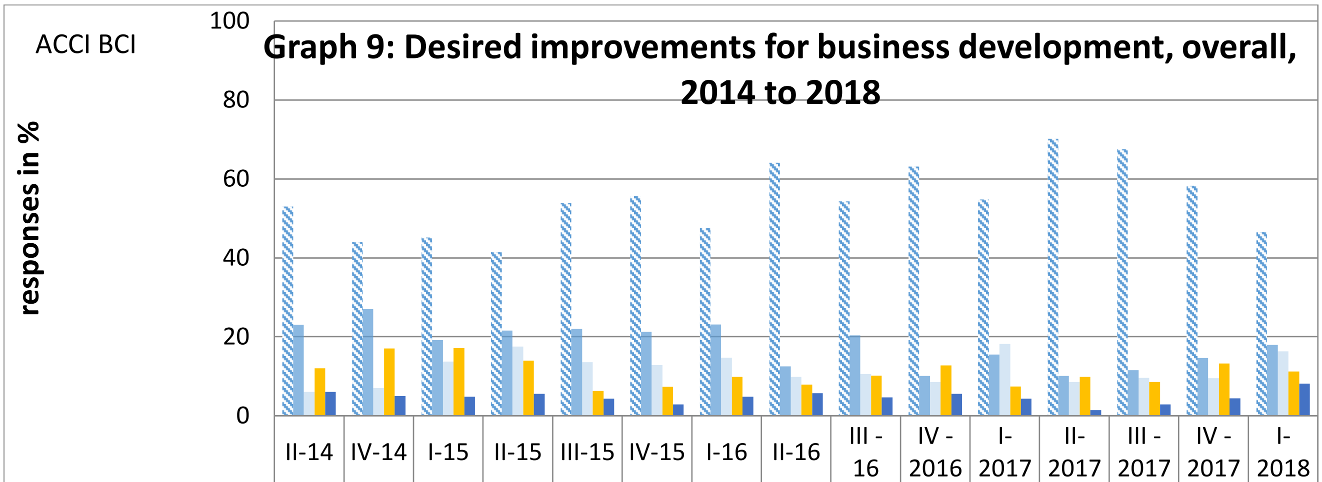
Graph 08:
Perceived security situation by Province, 2014 to 2018



	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I- 2017	II- 2017	III - 2017	IV - 2017	I- 2018
Kabul	-17	-40.5	-54.5	-70	-61.5	-59	-33.5	-17.5	-48.2	-65.7	-64.1	-49.4	-61.6	-36
Balkh	17	33.33	-29.2	-62.2	-40	-65.6	-64.5	-46.7	-46.1	-35.6	-14	-40	-22.6	-30.5
Kandahar	22	54.45	19.78	18.89	-18.9	35.56	5.55	-2.22	-14.8	2.5	-5.2	-4.4	26.1	13.9
Nangarhar	-16	38.88	-36.7	-46.7	-77.8	-60	-48.9	7.77	-52.2	5.2	-13.9	-29.6	71.2	-32.1
Herat	-17	-5.55	-37.8	-62.2	-40	-8.89	-30	-17.8	-14.8	-3.3	-53.1	-56.5	16.5	-2.6

E. Desired Improvements for Business Development

The evaluation of major business constraints shows that the most important factor for business development is security; it is followed by market and demand, administrative reforms, better infrastructure and access to finance. The following table indicates that calls for better market and demand, administrative reforms and suitable infrastructure have increased.



	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I- 2017	II- 2017	III - 2017	IV - 2017	I- 2018
Security	53	44	45.18	41.43	53.93	55.71	47.58	64.11	54.29	63.12	54.8	70.2	67.5	58.3	46.5
Market & Demand	23	27	19.11	21.61	21.96	21.25	23.08	12.5	20.36	10.07	15.5	10.1	11.5	14.6	17.9
Administrative	6	7	13.75	17.5	13.57	12.86	14.67	9.82	10.54	8.51	18.2	8.5	9.6	9.5	16.3
Infrastructure	12	17	17.14	13.93	6.25	7.32	9.84	7.86	10.18	12.77	7.4	9.8	8.5	13.2	11.2
Access to Finance	6	5	4.82	5.54	4.29	2.86	4.83	5.71	4.64	5.53	4.3	1.4	2.9	4.4	8.1

Appendix:

The Definition of the Business Climate Indicator

The Business Climate is based on a periodic survey of company managers in Manufacturing, Construction, Services Trade and Agriculture sectors. The managers are requested to report on their present business situation as well as on their expectations for the next six months. They may judge their situation to be "better than normal", "normal" or "worse than normal". On their expectations they may answer that the situation will "improve", "remain the same" or "deteriorate".

The balance value of the present situation is the difference of the percentage shares of the answers "better than normal" and "worse than normal". The balance value for the expectations is the difference of the percentage shares of the answers "improve" and "deteriorate".

The Business Climate is the arithmetic mean of the situation (balance value) and the expectations (balance value).

In graphical presentations for the first survey rounds the "normal" and "remain the same" judgments are taken as the zero line. The range of the climate indicator may vary between 0 and in its maximum up to one hundred towards the positive (plus) and as well one hundred towards the negative (minus) side. At a later stage, after time series can be established, the "zero" line will be based on a normal year climate (taken as 100 and the following quarterly climate values indexed to this year).

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