



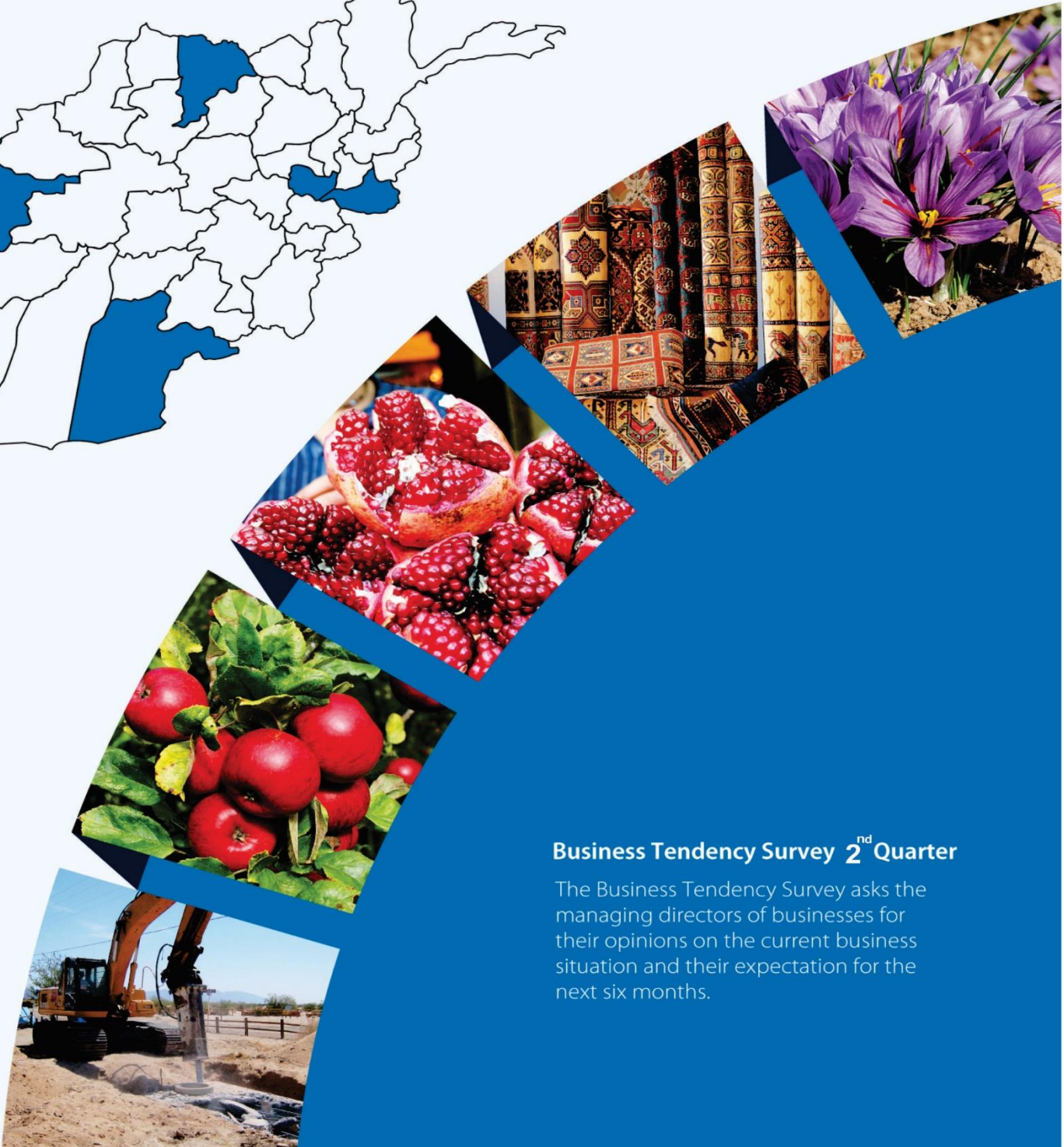
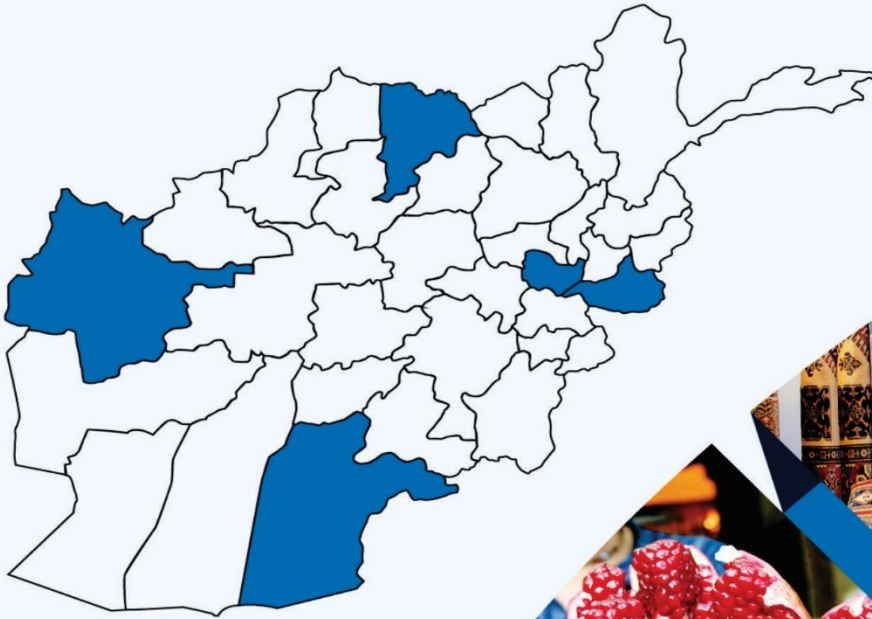
Afghanistan Chamber Of Commerce & Industries  
اتاق تجارت و صنایع افغانستان  
د افغانستان د سوداګرۍ او صنایعو اتاق



ACCI Business Monitor

# Business Monitor 2018

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Kabul has the worst indicator for order books.



## Business Tendency Survey 2<sup>nd</sup> 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<sup>1</sup>

### Major findings

- The surveyed businesses' level of confidence regarding their current condition has deteriorated compared to the last survey; and their expectations regarding the coming six months has also decreased.
- Businesses have reported that their order books keep shrinking. Kabul has the worst indicator for order books.
- Like other recent surveys, the current condition for all three categories of businesses are negative, but small companies are much more affected compared to large companies.
- The number of respondents who say they have decreased their employees is about 20 percent more than those who say they have employed more people during last three months.
- In general, the security situation has deteriorated compared to the previous survey.
- Businesses call for better market & demand, and administrative reforms, but insecurity and poor infrastructure are the two most deterrent challenges.

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<sup>1</sup> 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 July 2018.

## A. Business Climate

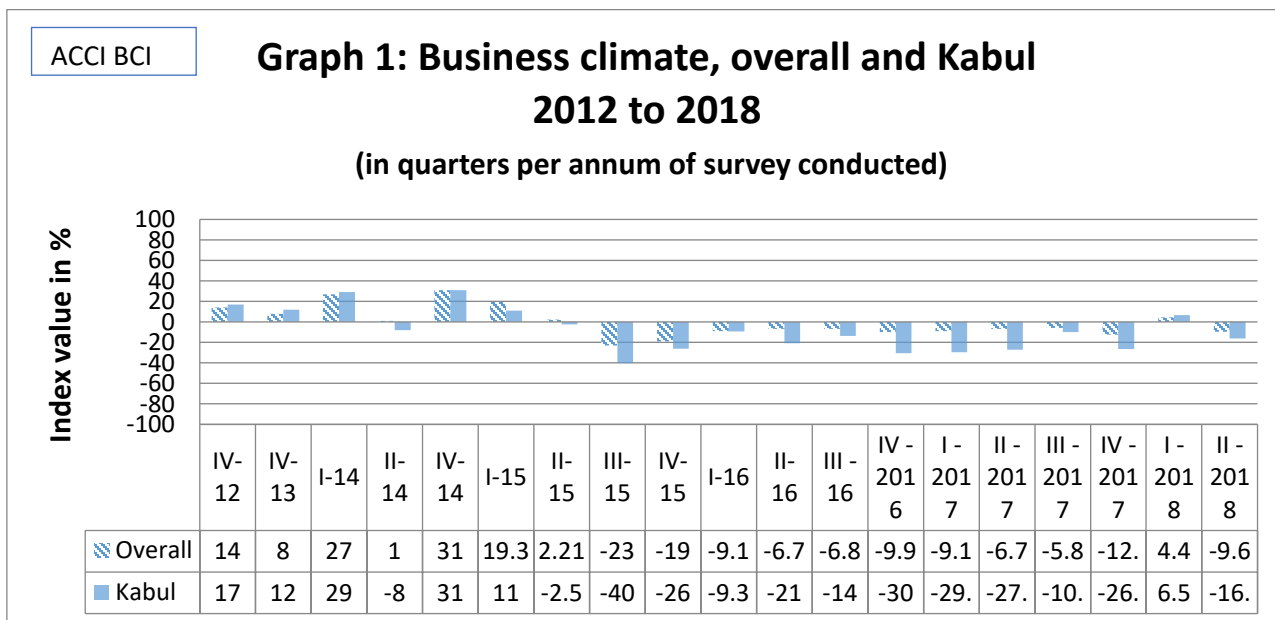
The Business Climate is an indicator for GDP growth tendencies. The indicator usually is leading; it indicates GDP changes in advance (on average a few months if no unexpected change in frame conditions occurs).

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.

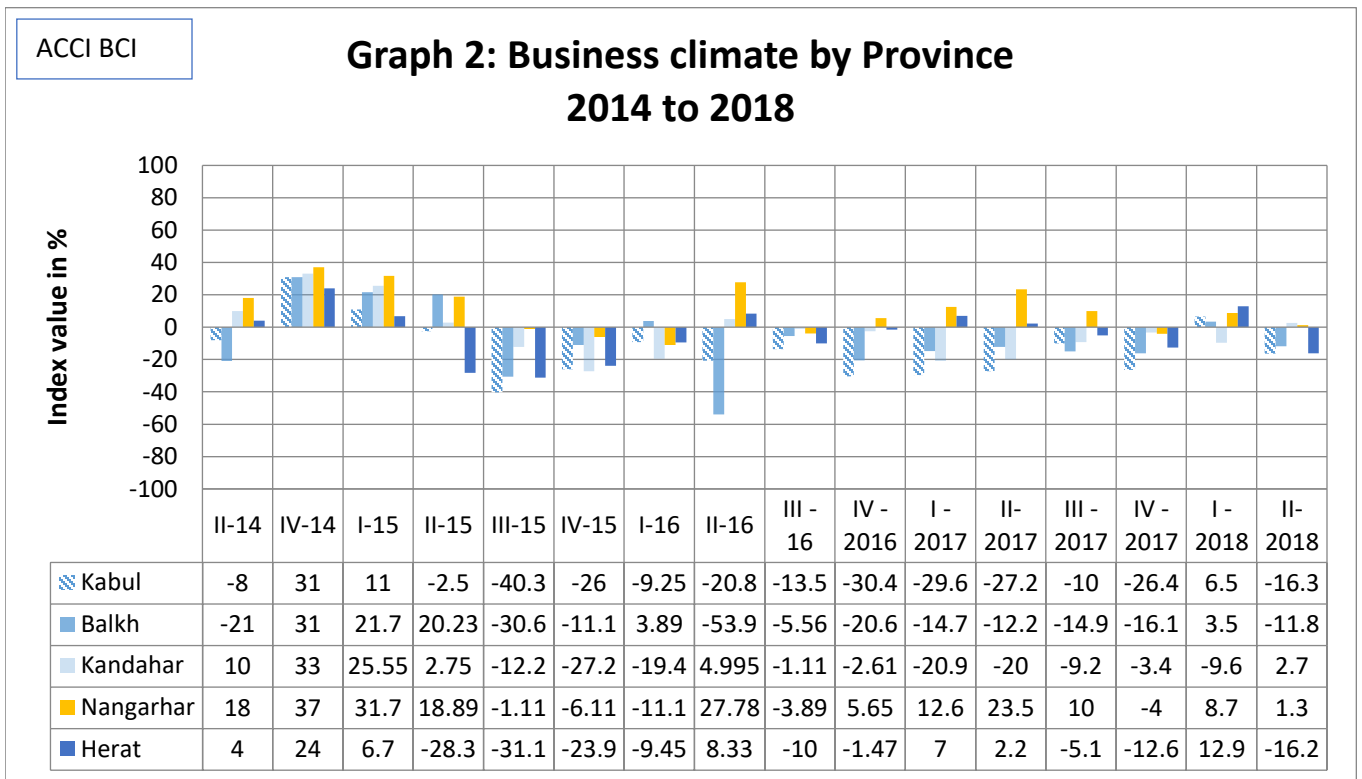
### A.1- Business Climate overall and by Region

The overall Business Climate indicator in second quarter of 2018 for Kabul, Balkh, Kandahar, Nangarhar & Herat regions altogether valued (- 9.6) points while in the last survey it was (4.4) points.



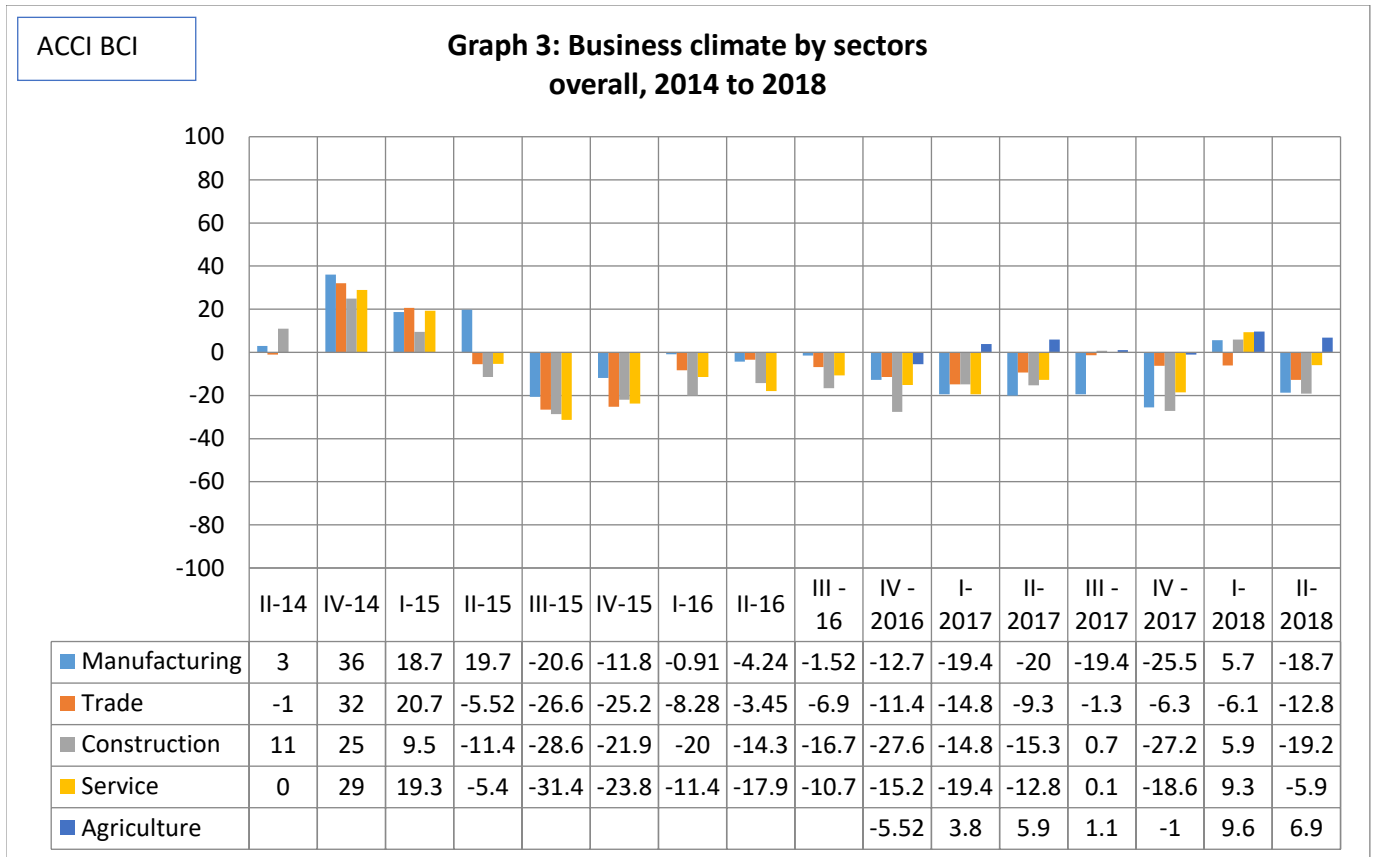
The overall business climate has significantly decreased compared to the last survey. The surveyed businesses' level of confidence regarding their current condition has deteriorated compared to the last survey (-26.4→ -32.81), their expectations regarding the coming six months (35.9→ 13.55) has also decreased. Surveyed businesses are pessimist about their business plans and prospects.

Last quarter, only Kandahar had a negative business climate indicator, while this time all surveyed regions except Kandahar and Nangarhar have reported negative indicators. Kandahar has shown a considerable improvement compared to the same period of last year. Business indicators for Kabul, Herat, Balkh and Nangarhar have significantly decreased compared to the last survey.



## A.2- Business Climate by Sectors

All sectors, but Agriculture, have reported a negative business indicator, while the business indicator of agriculture has also decreased compared to the previous survey. As graph 3 shows Construction (-19.2) and Manufacturing (-18.7) sit at the lowest position of sectoral ranking followed by trade (-12.8) and services (-5.9). Agriculture (6.9) is the only sector with positive business climate indicator.

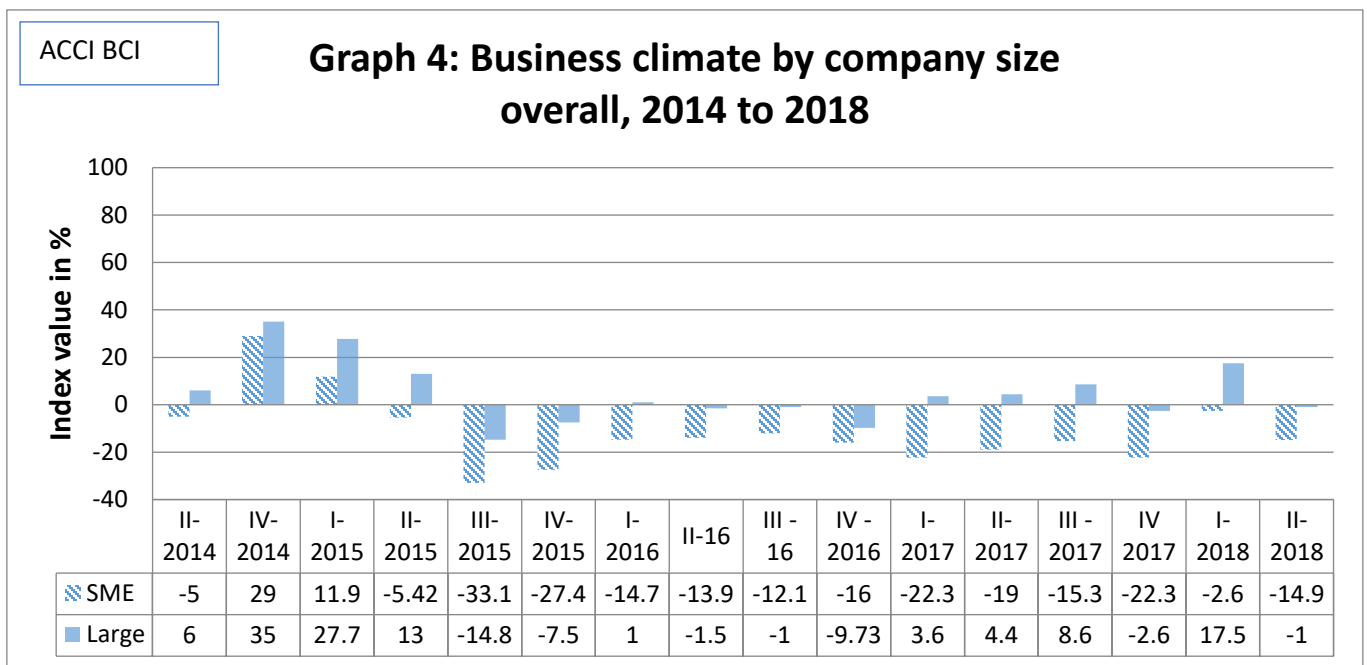


### A.3- Business Climate by Company Size

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 (-14.9) which is worse than the last quarter (-2.6), but a better than the same quarter of the previous year (-19). Large companies have reported a significantly decreased business climate indicator (-1) compared to the last survey (17).

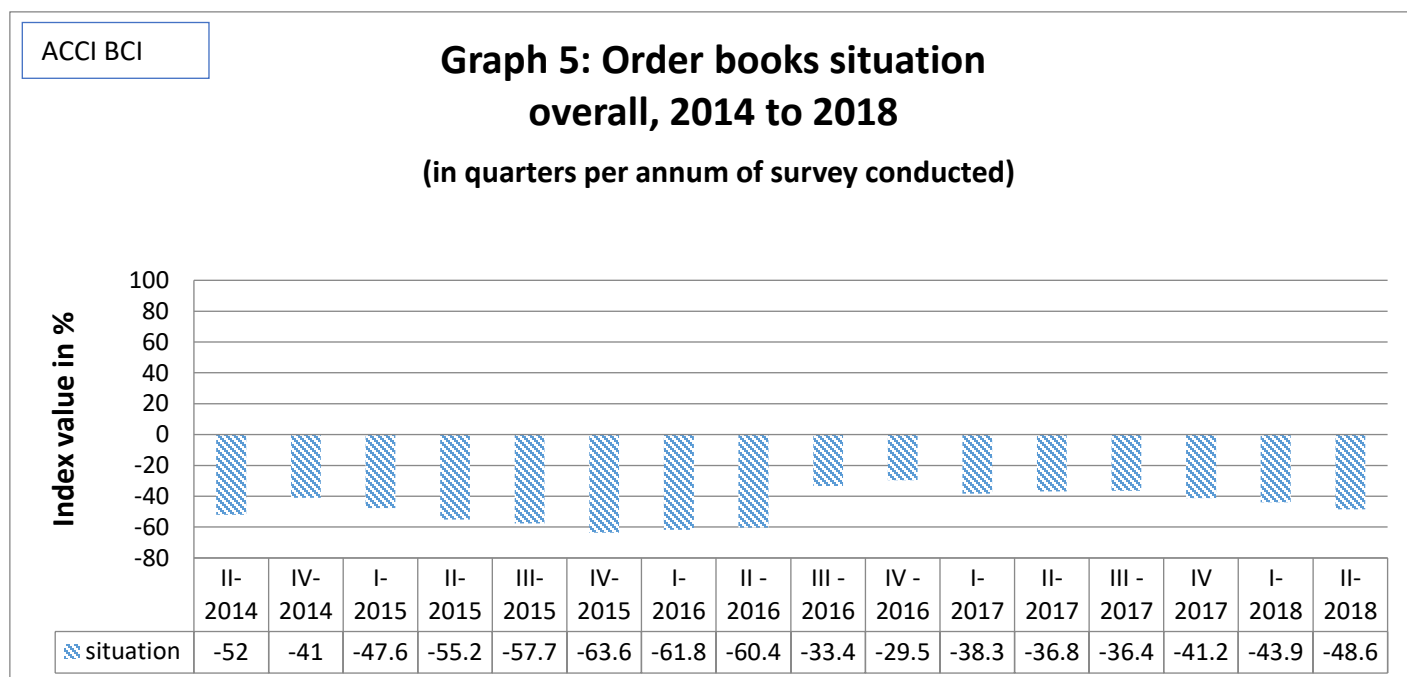
The current condition for all three categories of businesses are negative but large (-24.01) and medium (-24.78) companies are much less affected than small companies (-51.61).



## B. Order Books

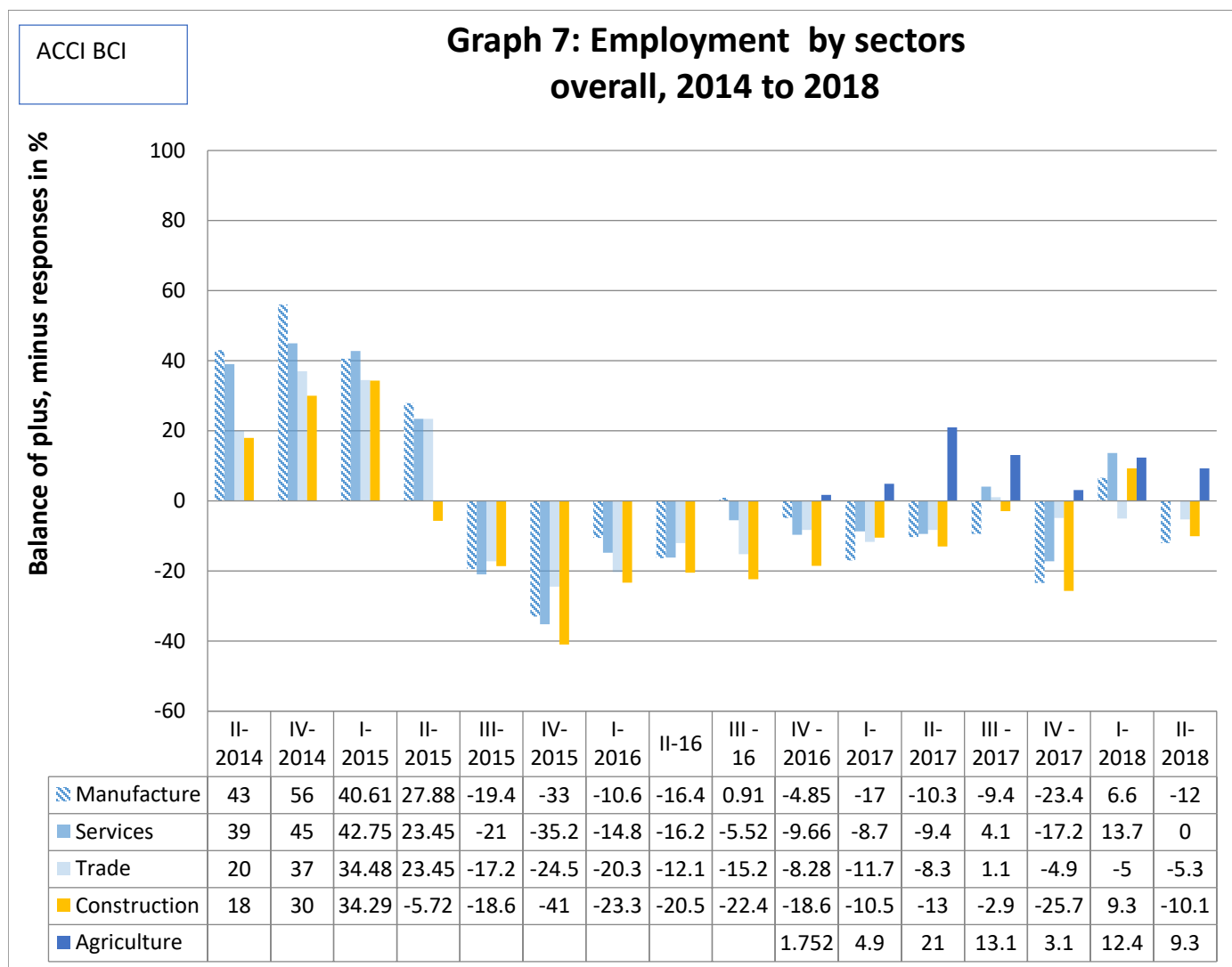
The order books situation is another indicator for the business situation. It is complementary to the Business Climate and can be used as a control for the climate tendency. The result figures are based on percentage balance values (positive minus negative answers).

Businesses have reported that their order books keep shrinking (-48.57). This figure is lower than the order books indicator of the same season in 2017 (-36.8). No region reports a positive indicator, but Nangarhar (-37.4), Balkh (-39.48) and Kandahar (-40.18) have comparatively better conditions than Herat (-54.39) and Kabul (-59.18).



### 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 not optimistic about their employment prospects (-20.54). Agriculture expects the highest rate of employment (9.3) and Manufacturing the lowest (-12).



As usual, the real employment situation was different to what the businesses expected in previous survey. The number of respondents who say they have decreased their employees is about (20.54) percent more than those who say they have employed more people during last three months.

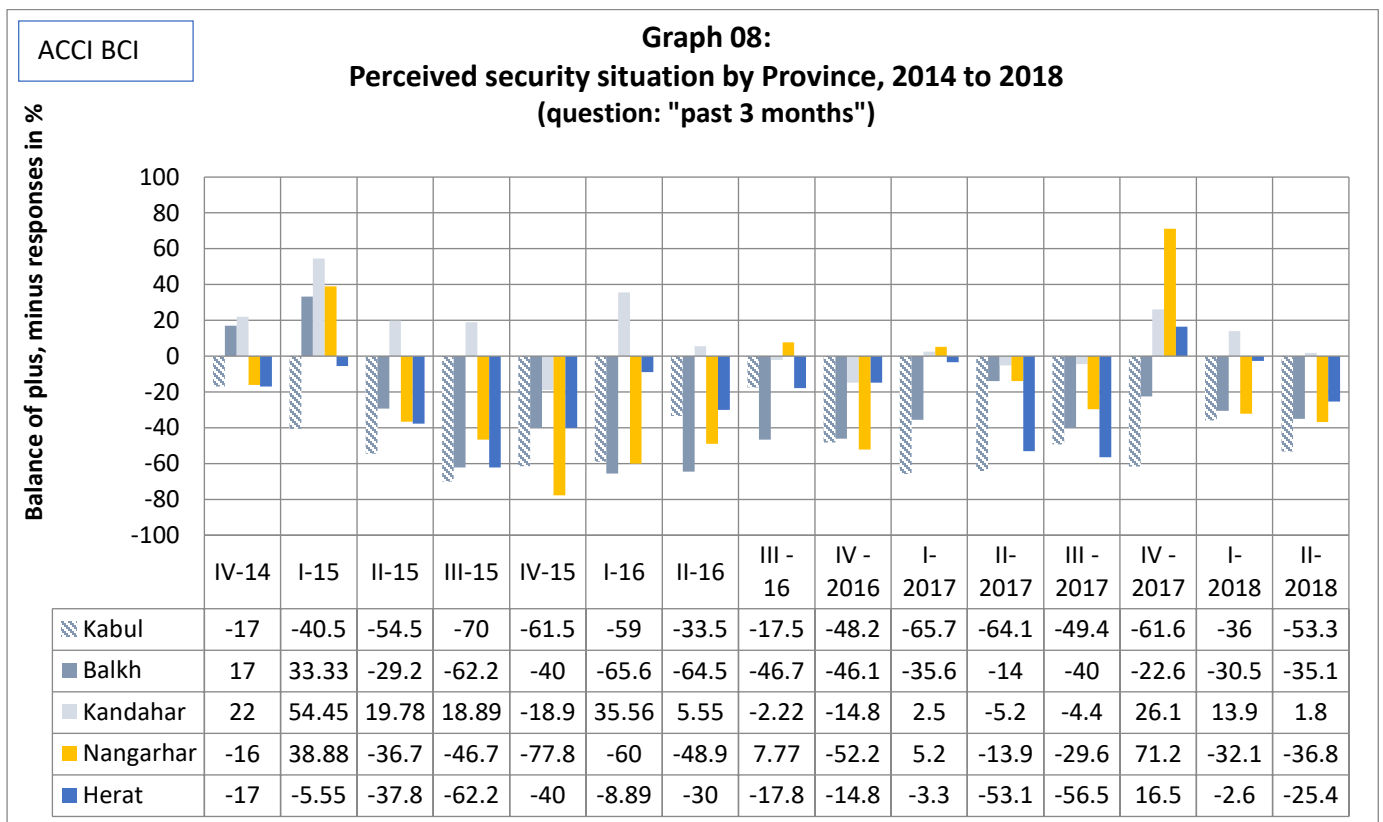


Manufacturing (-12), Construction (-10.1) and Trade (-5.3) have lost jobs, while the employment indicator in Services sector is (0) and Agriculture sector has reported a positive employment indicator (9.3).

### D. Security Situation

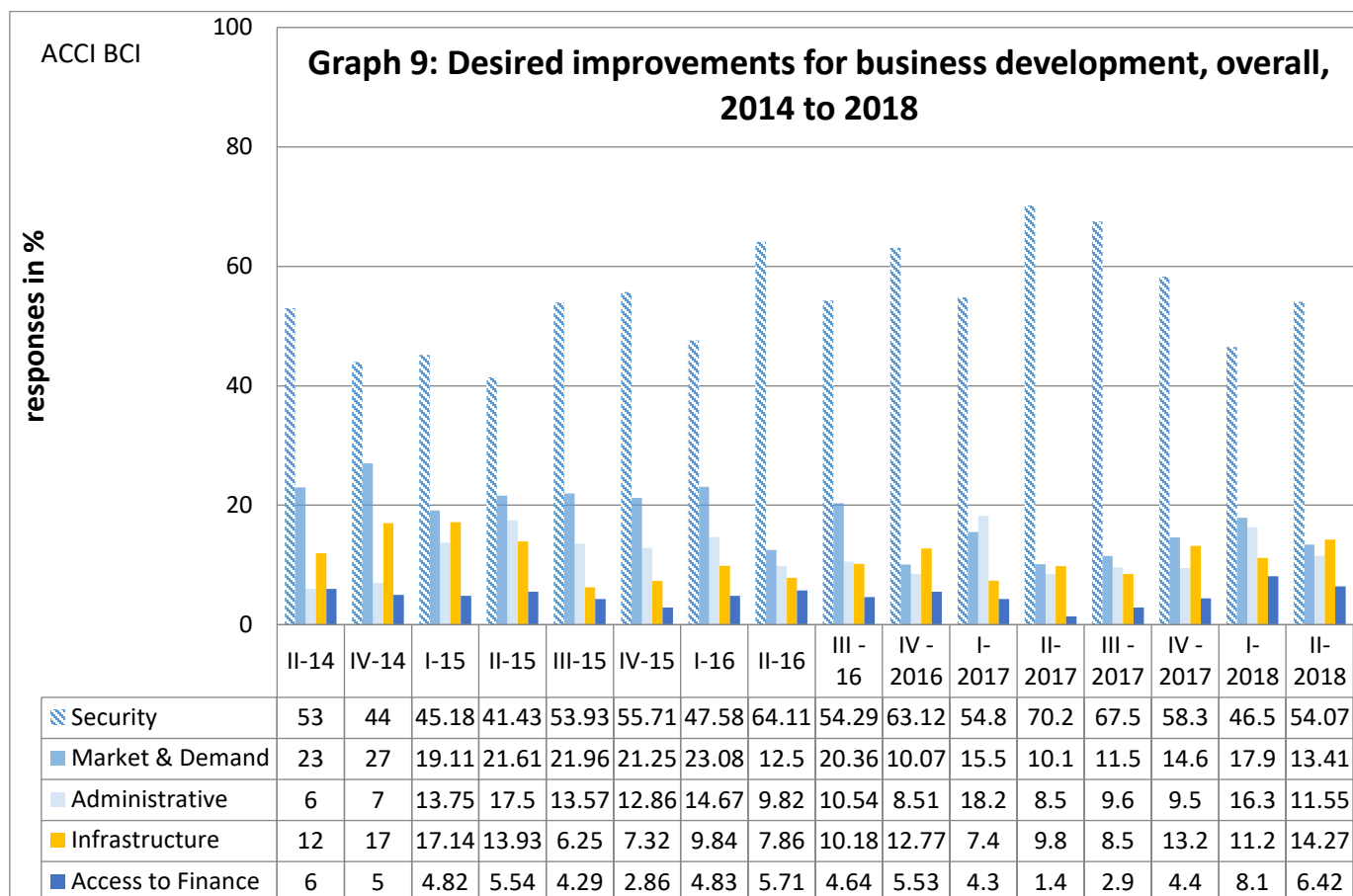
The average indicator for security situation has decreased (-34.74) compared to the previous survey (-20.9), and regional differences are high.

Kandahar has reported a positive security indicator (1.8), but compared with the last survey(13.9), Kandahar has also experienced a negative trend. Kabul (-53.28) has reported the least favorable security condition, followed by Nangarhar (-36.84), Balkh (-35.08) and Herat (-25.44). In general the security condition seems very unstable.



## 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 better infrastructure, market and demand, administrative reforms and access to finance. The following table indicates that calls for security and suitable infrastructure have increased.



## **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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