



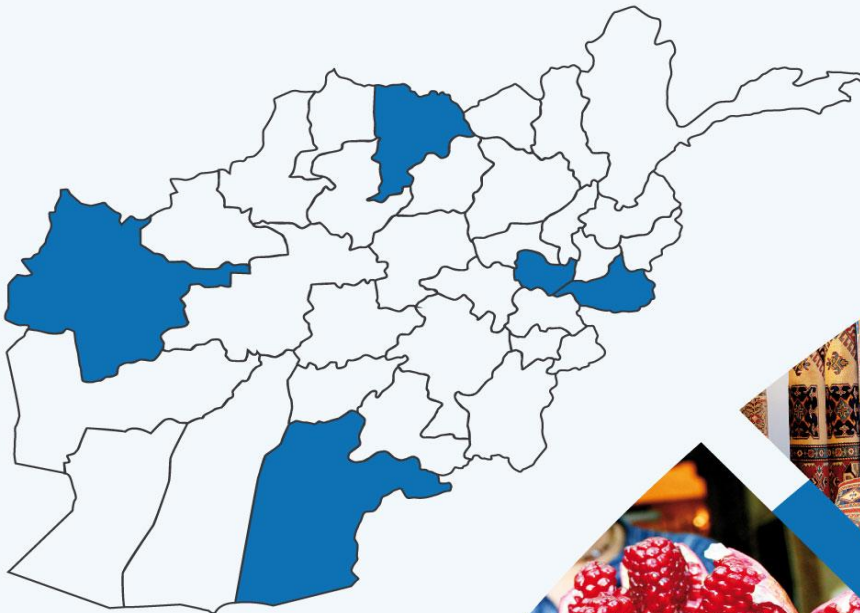
Afghanistan Chamber Of Commerce & Industries  
اتاق تجارت و صنایع افغانستان  
د افغانستان د سوداګرۍ او صنایعو اتاق



ACCI Business Monitor

# Business Monitor 2018

Companies say, their business conditions have deteriorated during last three months and their expectations regarding the coming six months have significantly decreased.



## Business Tendency Survey 3<sup>rd</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

- Companies say, their business conditions have deteriorated during last three months and their expectations regarding the coming six months have significantly decreased.
- Security remains the most important factor for business development. It is followed by market and demand, administrative reforms, better infrastructure and access to finance.
- Small and medium companies suffer more than large businesses.
- Businesses have reported that their order books keep shrinking.
- In general, surveyed companies have fired more people than those they have recruited during last three months. Meanwhile, agriculture and manufacturing companies expect to employ more people in coming six months.

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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

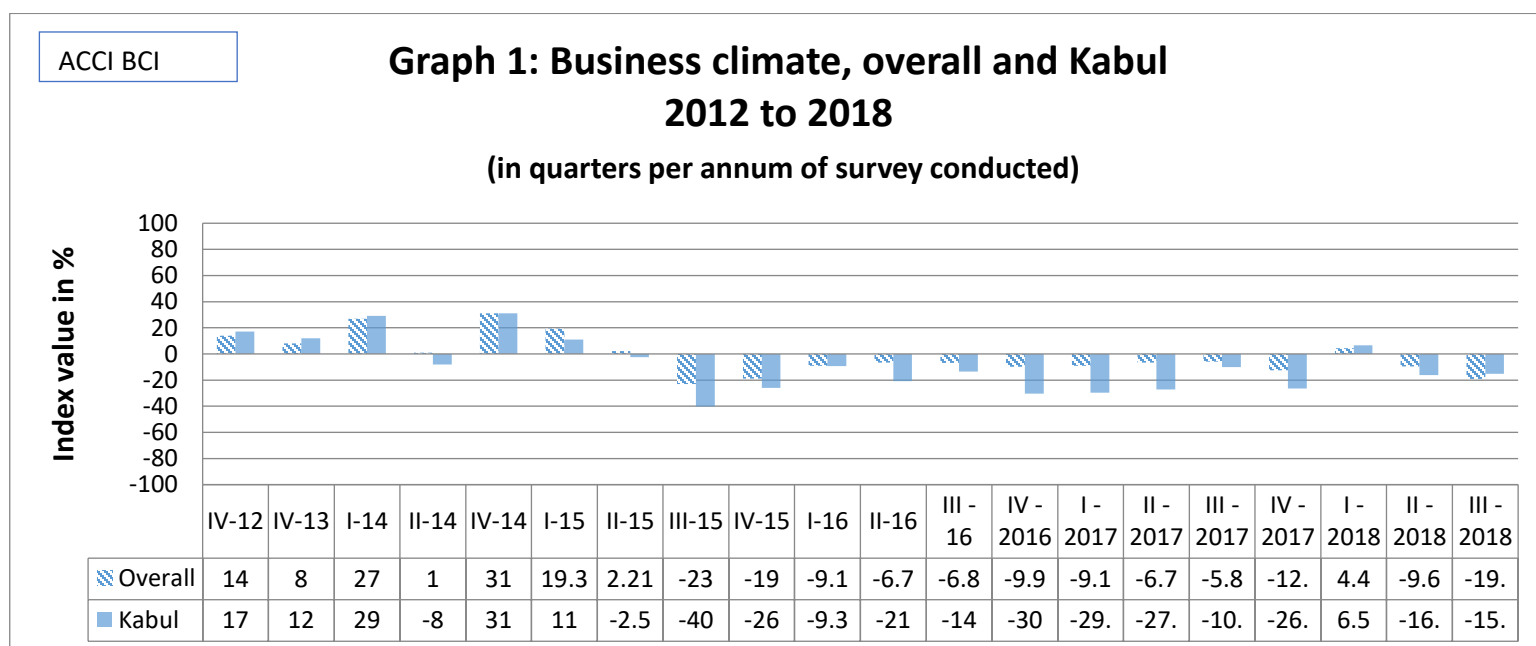
The Business Climate is an indicator for GDP growth tendencies. The indicator usually is leading; it indicates GDP changes in advance (on average a few months if no unexpected change in frame conditions occurs).

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.

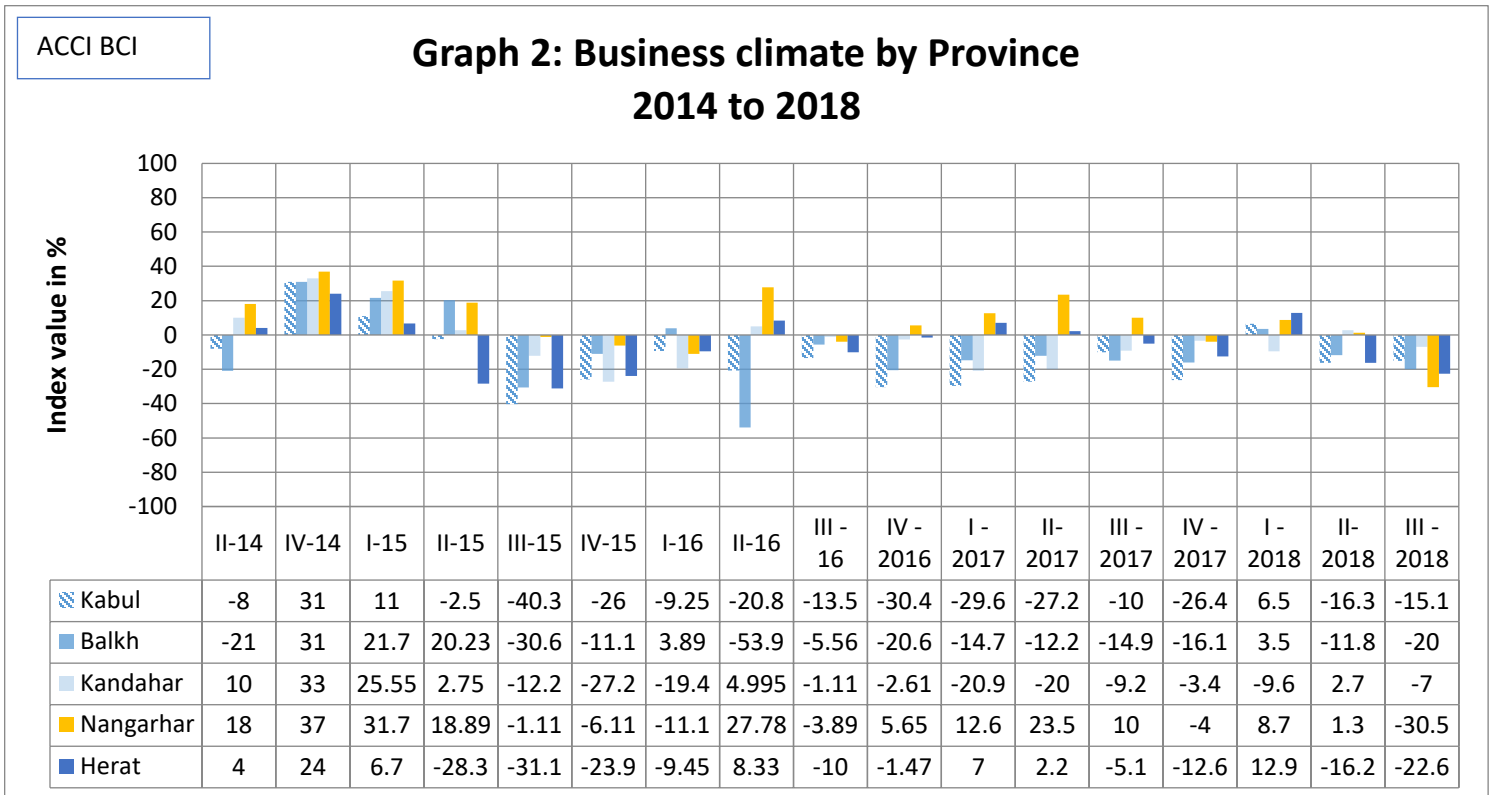
### A.1- Business Climate overall and by Region

The overall Business Climate indicator in third quarter of 2018 for Kabul, Balkh, Kandahar, Nangarhar & Herat regions altogether valued points (- 19) while in last survey it was (- 9.6) points.



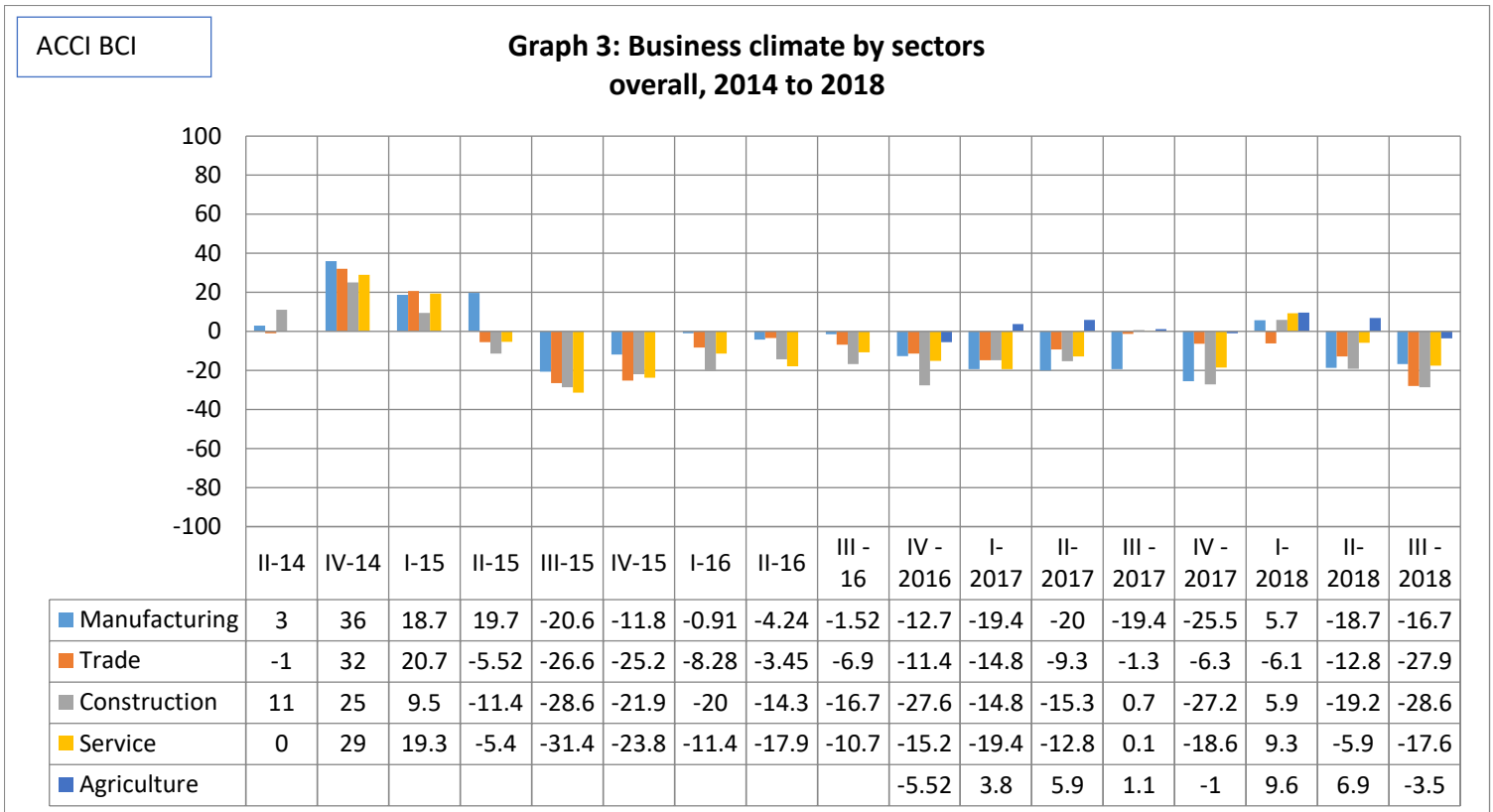
The overall business climate has deteriorated compared to the last survey. The surveyed businesses' level of confidence regarding their current condition is negative as the last survey (-32.81 → -37.84), their expectations regarding the coming six months (13.55 → 1.28) has significantly decreased.

Last quarter, only Kandahar and Nangarhar had positive business climate indicator, while this time all surveyed regions have reported negative indicators. The business indicator in Nangarhar has significantly decreased compared to the last period. The business indicator in all surveyed regions has decreased significantly compared to the last quarter.



## A.2- Business Climate by Sectors

All sectors, have reported negative business indicators. Agriculture businesses, which usually report improvements, are also not positive about their business conditions. As indicated in graph 3. construction (-29) and trade (-28) have reported the two least favorable conditions followed by services (-18) and Manufacturing (-17). Agriculture (-3.5), despite its negative indicator, is in a much better position, compared to all other sectors.

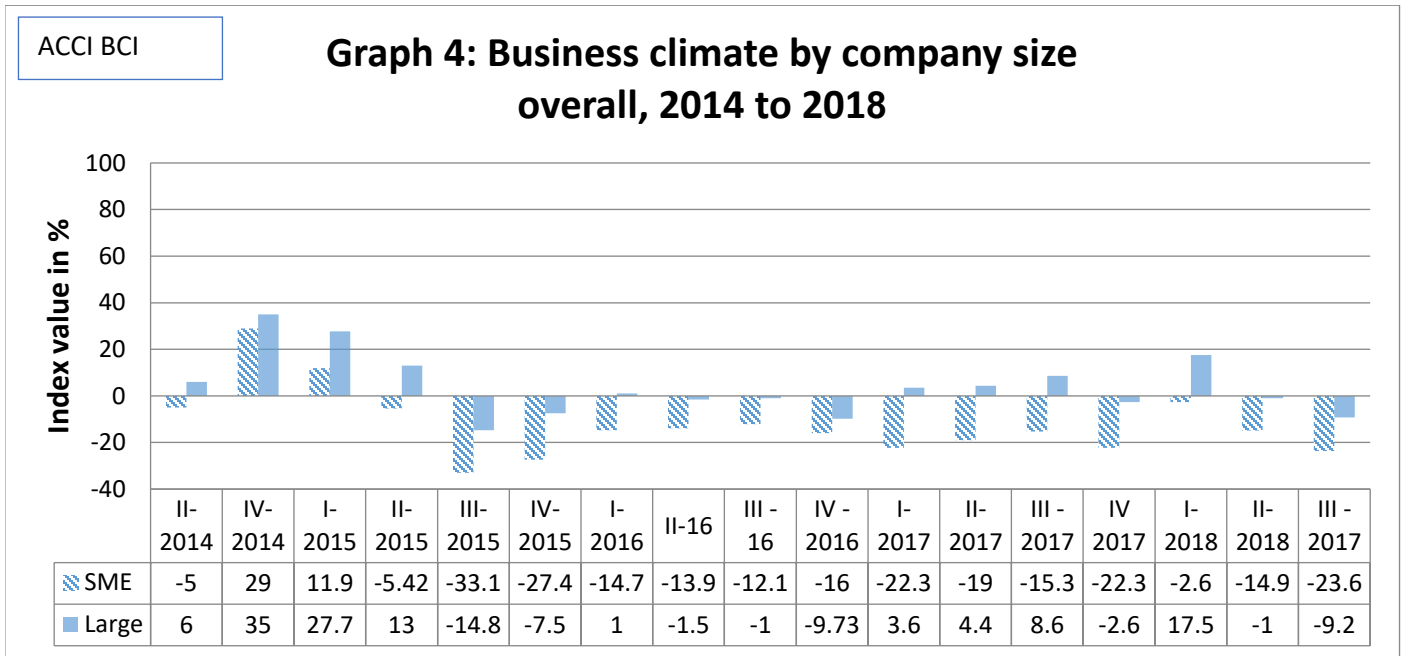


### A.3- Business Climate by Company Size

This Business Climate Survey, like the previous ones, shows that there is a big difference between the perception of large companies and SMEs about the business condition.

SME's have reported a negative business climate indicator (-23.6) which is worse than last quarter (14.9) and the same quarter of last year (-15.3). Large companies have also reported a significantly decreased business climate indicator (-9.2) compared to the last survey.

The current condition for all three categories of businesses are negative but large (-26.67) companies are much less affected than medium (-40.25) and small companies (-48.39).

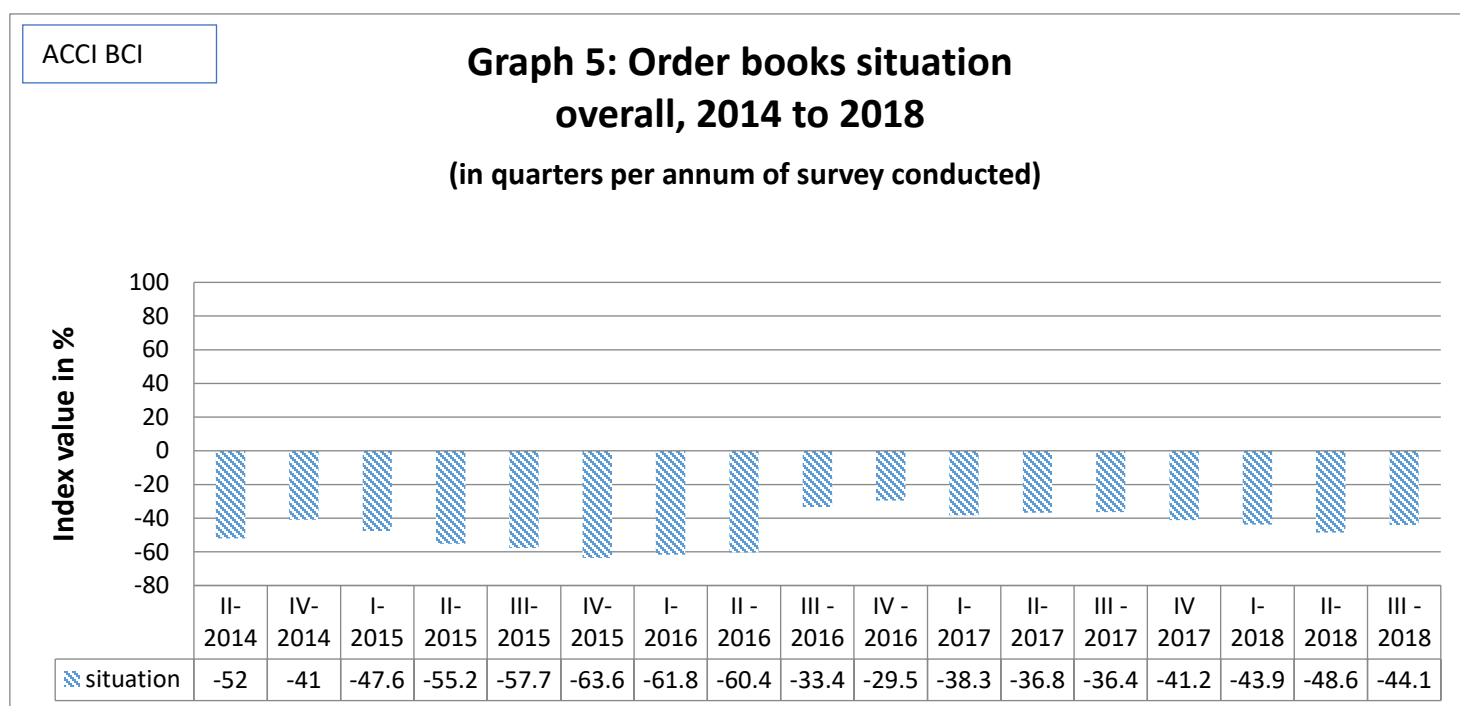


## B. Order Books

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).

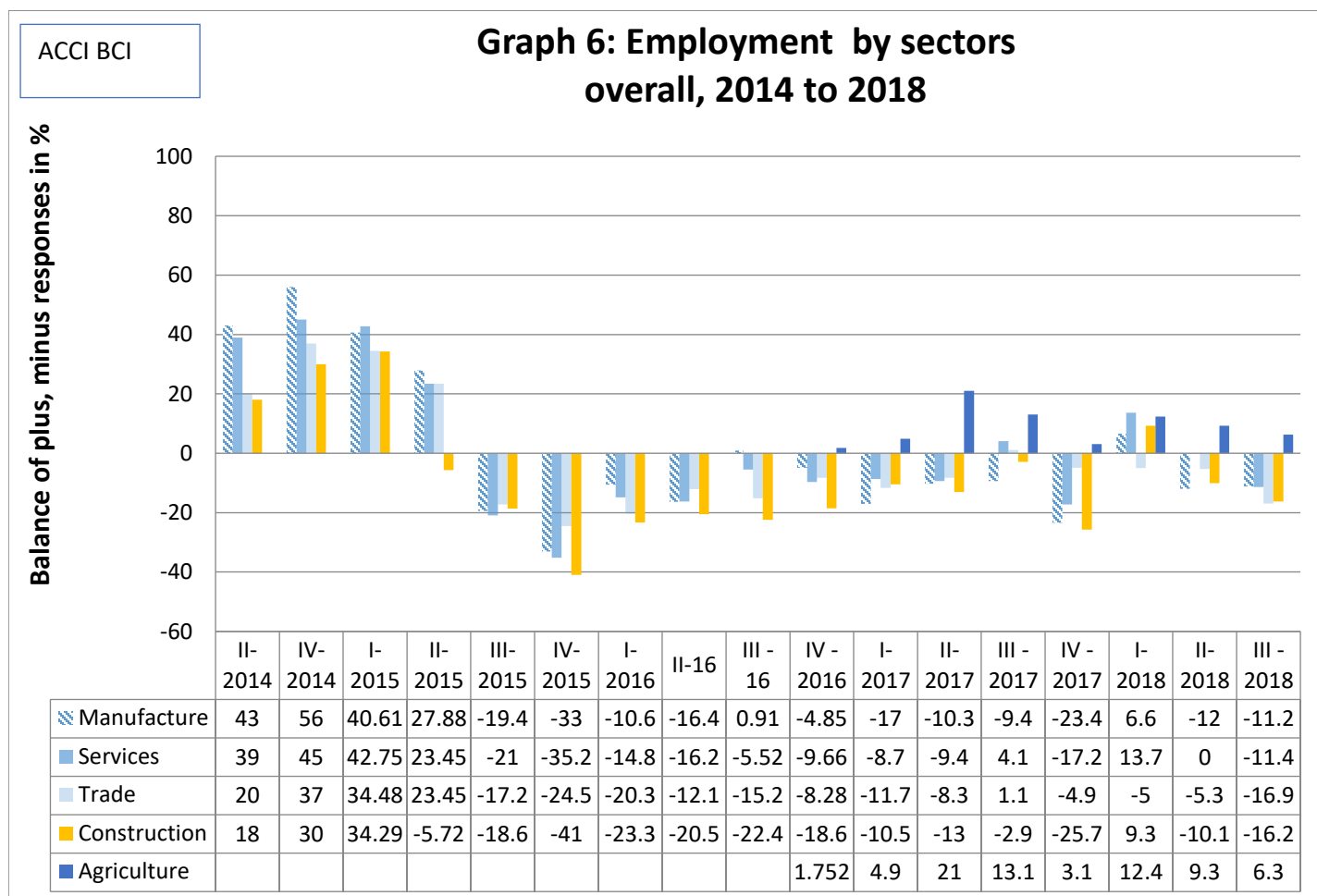
Businesses have reported that their order books keep shrinking (-44.09). This figure is lower than the order books indicator of the same season in 2017 (-36.4). No region reports a positive indicator: Herat (-40.87), Balkh (-40.87), Kabul (-44.49) and Nangarhar (-55.75).

Order books indicator for Kabul have improved, compared to the last quarter, while in Nangarhar they have considerably decreased compared to the previous survey (-37.4 → -55.75).



### C. Employment Expectation

Graph No. 6 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 (-20.49). Agriculture expects the highest rate of employment (6.3) and Trade the lowest (-16.9).



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 (20.49) percent more than those who say they have employed more people during last three months.

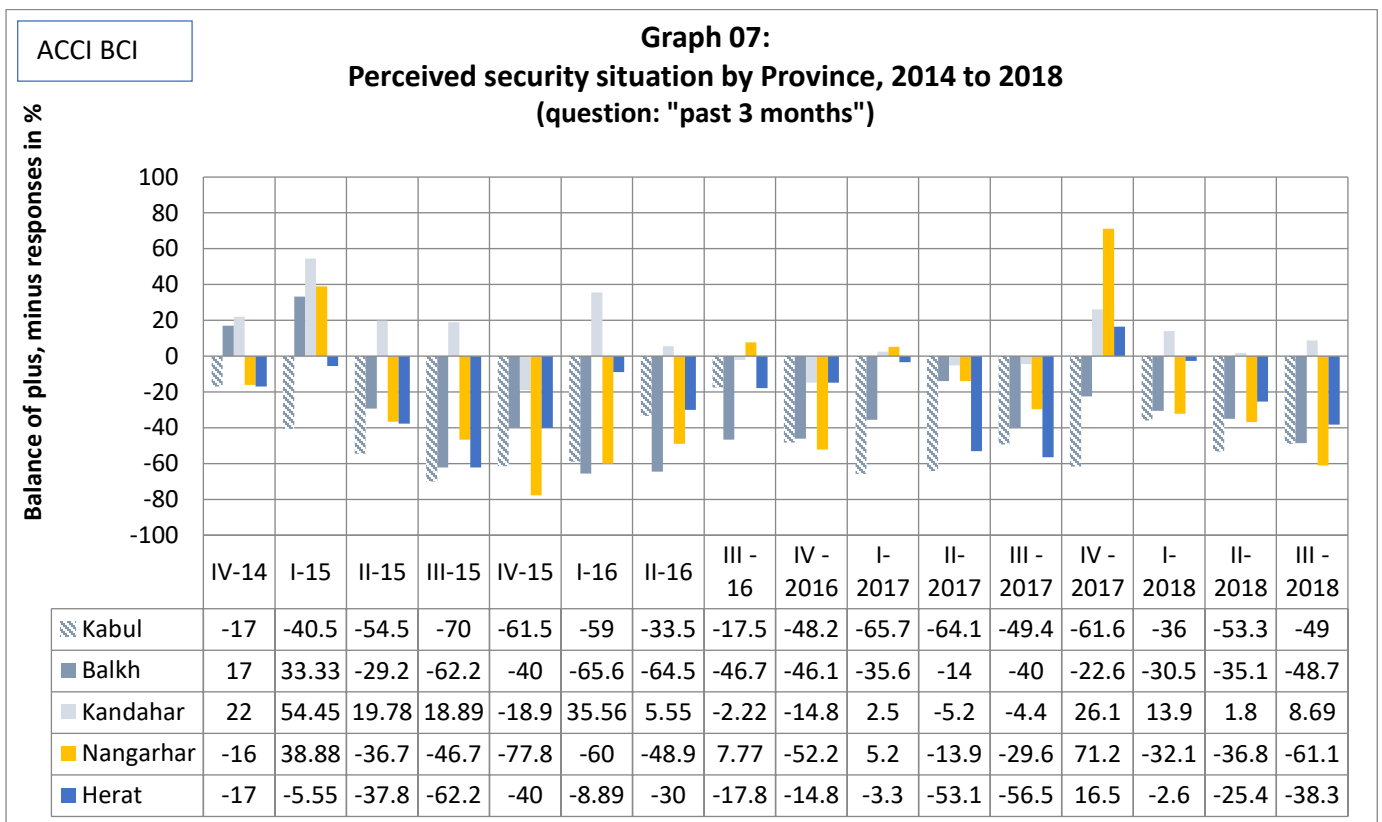


Trade (-7.6), Construction (-05.72), Services (-2.76) employment expectations are negative, while Manufacturing (3.63) Agriculture sector (16.8) expects to employ more people.

### D. Security Situation

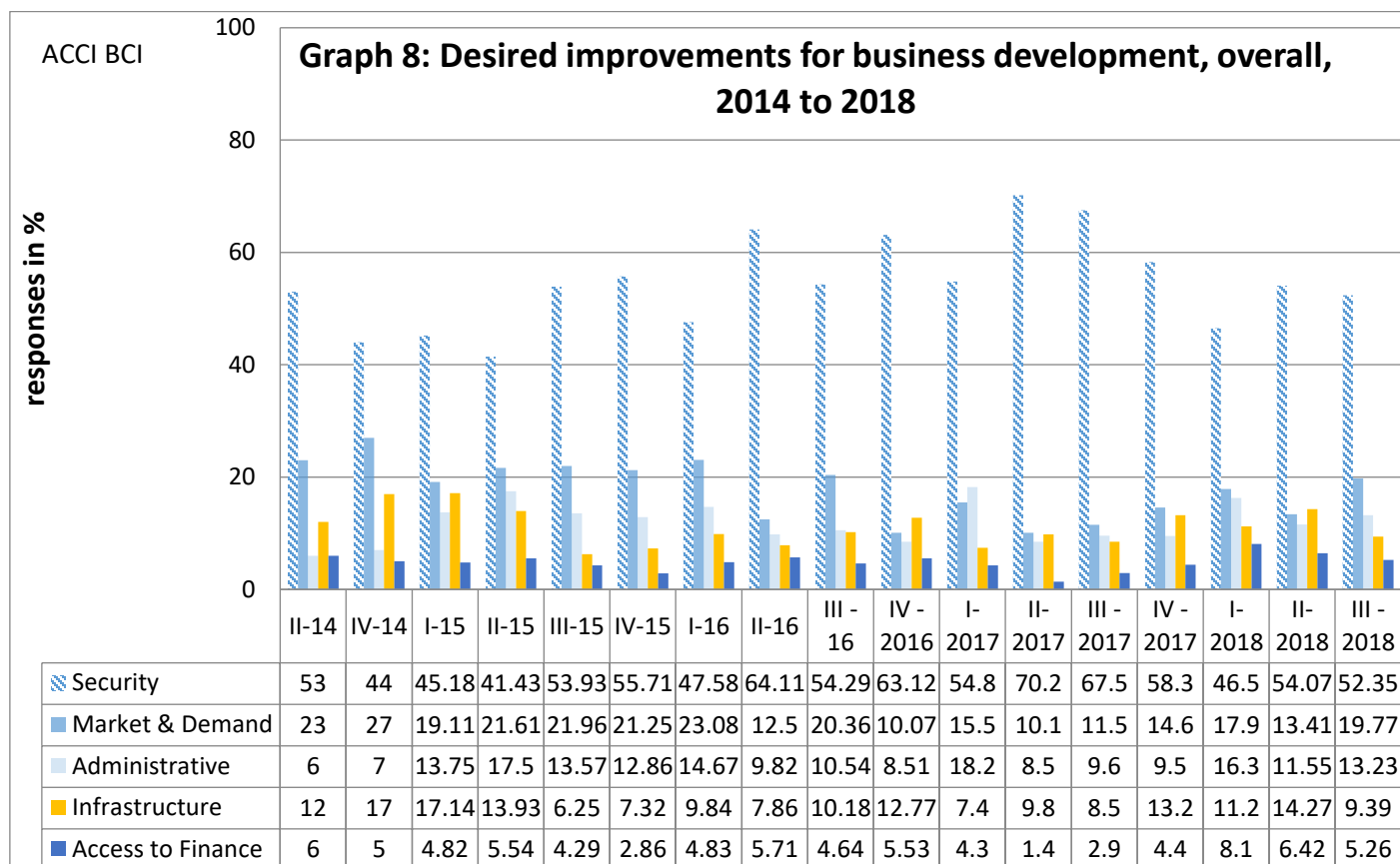
The average indicator for security situation has decreased (-39.68) compared to the previous survey (-34.74), and regional differences are high.

Kandahar has reported a positive security indicator (8.69), which is higher than last survey (1.8). Nangarhar (-61.06) has reported the least favorable security condition, followed by Kabul (-48.98), Balkh (-48.69) and Herat (-38.26). 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 market and demand, administrative reforms, better infrastructure and access to finance. The following table indicates that calls for market and demand and administrative reforms, 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”.

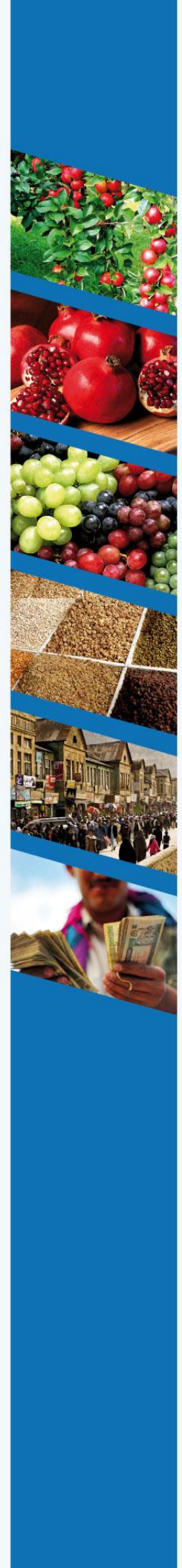
The Business Climate is the arithmetic mean of the situation (balance value) and the expectations (balance value).

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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