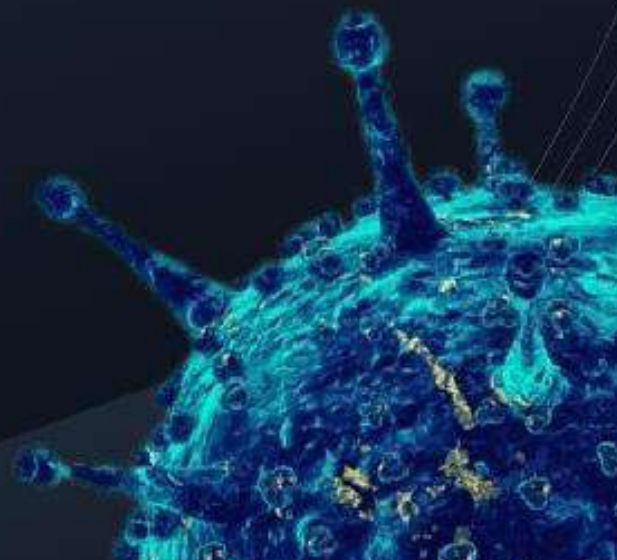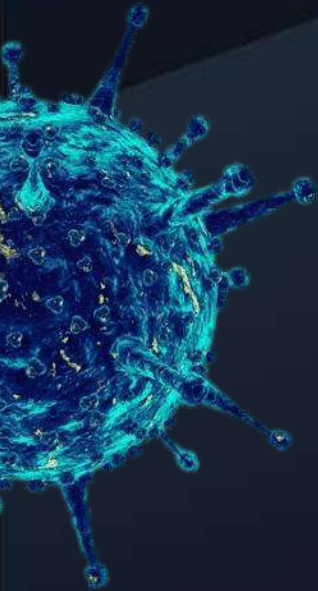# COVID-19 and Business Confidence in Bangladesh

Findings from the 5th Round of
Nationwide Firm-level Survey in July 2021

COVID-19 and Business Confidence in Bangladesh

Findings from the 5th Round of Nationwide Firm-level Survey in July 2021

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Acknowledgement

Table of Contents

List of Figures

List of Tables

List of Maps

Acronyms and Abbreviations

BBS	Bangladesh Bureau of Statistics
BCI	Business Confidence Index
BCS	Business Confidence Survey
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BKEMA	Bangladesh Knitwear Manufacturers and Exporters Association
BTMA	Bangladesh Textile Mills Association
COVID-19	Corona Virus Disease 2019
EPZ	Export Processing Zone
GDP	Gross Domestic Product
GoB	Government of Bangladesh
GVA	Gross Value Addition
ICT	Information and Communications Technology
ID	Identity
MSMEs	Micro, Small, and Medium Enterprises
OECD	Organization for Economic Co-operation and Development
PBSI	Present Business Status Index
RMG	Ready-Made Garments
SANEM	South Asian Network on Economic Modeling
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
TAF	The Asia Foundation
WHO	World Health Organization

Executive Summary

The progress that Bangladesh had made in terms of recovering from the first wave of the COVID-19 pandemic was lost due to the arrival of the second wave in the second quarter of 2021. During the second wave, businesses have confronted several phases of soft and hard lockdowns that put them into a severe downturn. As a result, private sector businesses have been struggling to cope with and recover from the crisis. Despite such adversities, the Government of Bangladesh (GoB) has made strides in terms of distributing the COVID-19 vaccine, as well as stimulus packages. It is, therefore, essential to monitor them, in order to formulate and implement relevant government policies to aid the recovery of businesses.

Against this backdrop, SANEM and The Asia Foundation (TAF) jointly conduct the fifth round of the Business Confidence Index (BCI) survey on over 501 firms in Bangladesh in an attempt to investigate attitudes and expectations of businesses on profitability, investment, wages, employment, business costs, and sales/exports, amongst others. Out of the 501 surveyed firms, 255 firms were from the manufacturing sector and 246 firms were from the services sector. Seven sub-sectors in the manufacturing industry and eight sub-sectors in the services industry were identified based on the Survey of Manufacturing Industry (2012) and National Accounts Statistics (2019) respectively. The survey covers RMG, Textile, Pharmaceutical, Leather and Tannery, Electronics, Light Engineering, Food Processing, etc. in the manufacturing sector. In the services sector, this study covers Wholesale, Retail, Restaurant, Transport, ICT and Telecommunications, Financial Sector, Real Estate, etc. The number of firms to be surveyed for each of the sub-sectors was chosen based on each sub-sector's contribution to the GDP.

Based on the survey responses, this study constructs three indices, namely – (i) Present Business Status Index (PBSI) in April-June 2021 compared to January-March 2021, (ii) Present Business Status Index (PBSI) in April-June 2021 compared to April-June 2020 and (iii) Business Confidence Index (BCI) for July-September 2021 compared to April-June 2021. The indices are first prepared at the firm level and later aggregated to the sub-sectoral and sectoral level incorporating appropriate weights.

Besides such indices measures, this study includes a section on stimulus packages that elaborate business thoughts on the availability and effectiveness of incentive packages, barriers to access to the incentive packages as well as major challenges of businesses. There is a section on the economic recovery that includes the opinions of the business insiders regarding the economic recovery that Bangladesh might have and the recovery they observed. The study also covers a section on the vaccination programme that incorporates the coverage of vaccination for both employer and employee sides.

Major findings

Over the last year and a quarter, there have been some visible recoveries of business activities. The overall Present Business Status Index (year) in April-June 2020, July-September 2020, October-December 2020, January-March 2021 and April-June 2021 compared to the corresponding quarters of the previous years (2019 and 2020) stands at 26.44, 34.23, 36.50, 40.55 and 46.37 respectively. Unlike the previous rounds where there was little increase, the index seems to be having greater improvement in the fifth round. The improvement is visible in most of the sub-components of PBSI (year). But still, the overall PBSI (year) is low.

Businesses activities (as measured by PBSI-quarter) have deteriorated in April-June 2021 compared to January-March 2021. In the April-June 2021 quarter, there is a large decrease in the PBSI (quarter); the score has fallen to 42.57 from a score of 51.38 in the January-March 2021 quarter. This is quite

concerning - the PBSI (quarter) score has not been this low for the previous three quarters. Overall, the score indicates that businesses are worse off in April-June 2021 compared to the previous quarter - which could be attributed to the second wave of the pandemic.

The business confidence for the July-September 2021 quarter shows some improvement over the April-June 2021 quarter. The BCI score for the July-September 2021 quarter over April-June 2021 quarter is 49.74, increasing from the previous quarter (41.39) after a decrease in the fourth round.

For July-September 2021 quarter, there is higher overall business confidence in the service sector compared to the manufacturing sector. The service sub-sector BCIs seem to be higher than those of the manufacturing sector, with the highest overall BCI being that of the Financial sector (55.50). However, manufacturing sector firms are not too far behind, as most have scores above 50 in this round.

Large firms continue to perform better than the Micro, Small, and Medium Enterprises (MSMEs) in PBSI indicators. Like the previous rounds of the survey, the PBSI score compared to the previous quarter and the BCI score of large firms are much higher in comparison to other firm sizes. This is likely due to the advantages large firms have in times of economic turmoil, such as greater access to finance and a well-established business network.

Firms located in Dhaka have a better business status compared to firms located outside Dhaka. This is observed as Dhaka has higher PBSI scores, both overall and across all statistically significant indicators.

Firms depended greatly on their savings to cope with the pandemic during the April-June 2021 quarter. 65.7% financed their costs with such funds. Other coping strategies include borrowing/loans, employee lay-off and stimulus packages.

65% of the surveyed firms are yet to avail of any stimulus packages announced by the Government of Bangladesh. Around 21% of the respondents said their firm received the stimulus package announced by the GoB. Around 14% of the respondents were not sure whether their firm received the stimulus package or not.

6% of the firms who did not avail of the stimulus package in the previous round availed it in this round. In contrast, 94% of those firms still did not avail any packages.

The manufacturing sector availed more stimulus packages than the service sector. From the firms surveyed, the highest percentage of recipients are in the RMG and Textile sector (52% and 36% respectively). In the services sector, the highest is 28% from the Financial sector.

In terms of availing stimulus packages for the first time in this quarter, the manufacturing sector is again ahead. Leather and RMG firms have the highest percentages of first-time recipients (22% and 18% respectively). On the other hand, many services sector firms (Wholesale, Restaurants, Real Estate and Other Services) did not avail the packages at all.

Large firms availed more stimulus packages than micro, small and medium firms. 45% of the surveyed large firms availed stimulus packages, whereas this rate was 24% for medium firms, and 9% for micro and small firms. For first-time recipients, 17% were large firms, 4% were micro and small, and none were medium firms.

Major problems faced by firms who did receive the stimulus packages were difficulties in bank-related services, the lengthy procedure, difficulty in obtaining information, the amount of the package etc. 63% of 150 firms stated the lengthy procedure as a major problem. Difficulty in bank-related services was a major problem for 56% of 144 firms. Around 33% of 116 firms responded that their major problems were in understanding the procedure itself and obtaining information. 21% of

138 firms thought that the amount of the package was not enough. Being asked for bribes was a problem for 12% of 123 firms.

Major factors that led to firms not availing the stimulus packages were the lengthy procedure, lack of packages for certain industries, difficulty in obtaining information, the package not being a grant etc. 75% of 158 respondents stated that the reason for not availing of the stimulus package is that 'it is not a grant rather a loan with soft terms'. For 67% of 165 firms, there were no packages for their respective industry. 79% of 136 firms cited that delays in receiving the package are what discouraged them from availing it. 72% of firms out of 131 stated that they did not avail themselves due to bank-related difficulties. Additional factors include difficulty in obtaining information, the size of the package itself and even bribes.

Firms that have received stimulus packages have higher mean PBSI scores on all sub-indicators than non-recipients. Recipient firms are notably better off in terms of profit and sales/exports with a 9.62 and 13.44 percentage points higher score respectively. This implies that recipient firms are performing better than non-recipient firms during the April-June 2021 quarter than the previous quarter.

A weak economic recovery is expected by 64% of firms. In contrast, a strong recovery is expected by 9% and a moderate recovery by 27%. In terms of firm size, large and medium firms expect a moderate or strong recovery more than micro and small firms.

Major contributing factors to the overall economic recovery include foreign remittances, export of goods and services, vaccination programme etc. 76% of 290 firms stated that foreign remittances have a strong contribution to the overall economic recovery. 69% of 289 firms thought the same for exports. For 65% of 297 firms, the vaccination programme is a strong contributor. Bank's credit to the private sector seemed to be significant in the overall economic recovery for 61% of 284 firms. Other factors include the management of the current upsurge of COVID-19, import of raw materials, goods and services, the existing stimulus package and the social protection programme.

Firms' internal recovery has gone down to 35% in July 2021 (recovery of July 2021 since March 2020) from 57% in March 2021 (recovery of March 2021 since March 2020). This is a significant drop from a rate of 57% in March 2021. In terms of firm size, large firms in July 2021 were able to recover more than micro and small and medium firms, standing at 47.1%.

60% of employers have taken at least one dose of the vaccine. In terms of the broad sector, the manufacturing sector has a greater proportion of vaccinated employers (69%) than the services sector (51%). Amongst the sub-sectors, the Financial sector has the highest percentage of vaccinated employers (92%), whereas the Retailer sector has the lowest (26%). Large firms have 79% of employers vaccinated, whereas medium and micro and small firms are behind at 78% and 49% respectively. Additionally, Dhaka firms and exporter firms have a larger proportion of vaccinated employers.

25% of employees have taken at least one dose of the vaccine. The manufacturing sector has a higher percentage of vaccinated employees (26.2%) than services firms (24.87%). Like employers, the Financial sector has the highest vaccination rate for employees (57.4%) while the Restaurants sector has the lowest (12.1%). Large firms have a higher percentage of employee vaccination (29.13%) than smaller firms. Dhaka firms and exporter firms are seen to have higher rates in terms of employees too.

Policy implications

Sector & area-specific protocol development: Since imposing lockdown is a crisis response, long-term ineffective lockdown will make the socio-economic development non-functional. Hence, effective short-term lockdown along with area and sector-specific protocol development to continue economic activities amid the pandemic is the key coping up strategy at the current state. Sector-specific protocol development is required to make specific guidelines for each sector while making the sector

functional. For example, the guidelines for the financial sector will be different from that of the RMG sector. Area-specific protocol development is essential to prepare a specific guideline for the businesses in different areas according to the reality of that area. Dhaka and Chittagong having regional differences create the requirement of different guidelines for these two cities, for example. To understand the sector and area-specific reality, major stakeholders should be involved in building the guidelines.

Stronger vaccination programme: Past experiences recall that less effective vaccination programmes contributed significantly to the suffering stories of the economy as well as social life. Stronger vaccination campaigning with the collection of enough vaccines to meet the demand is a must requirement to combat the different upsurges of the pandemic and its resulting losses.

Effective and increased disbursement of the stimulus packages: The stimulus package disbursement should be transparent, and the implementation must be monitored. Special attention to the small and medium enterprises is necessary while disbursing the packages as they have lagged. Bangladesh Bank needs to provide a guideline to the banks in disbursing the loans to the micro, small, and medium firms, which could include setting a rule to pay out stimulus packages in terms of GDP contribution of firms of such size and firms in the informal sector. The procedure to avail the stimulus package should be simplified so that more firms are interested to apply for the packages. Also, a necessary campaign about the procedure to get a stimulus package should be started to ensure equal access to information for all firms.

Creating a COVID-19 focused annual budget: There is a lack of proper analysis of loss due to COVID-19 in the budget. Policies and budgets should be prepared according to proper analysis of the covid impact and future threat. Short, medium and long-term planning to combat the pandemic should be made.

Making policies based on a proper database: A proper database for all the sectors in the economy is important. Appropriate policies to create a business-friendly environment could be made only if there is a proper database as it gives the government a proper concept about the existing business community. The database should contain information on the employers and employees, business status, and business confidence according to them. The BCI survey initiated by SANEM & TAF can be taken as an example and a more rigorous survey backed by the relevant organ of the government will be useful.

Strong support needed for the micro and small firms: The MSMEs are still the least successful in all the indices along with availing a stimulus package compared to the large firms. Small enterprises are spending their capital which may create a threat to their survival in the market. Hence the stimulus packages should be expanded and modified with a long-term plan as soon as possible to revive the MSMEs sector of the country. The requirements and procedures of getting the packages should be simplified and easier to ensure the MSMEs access to the packages.

Section I: Introduction

Context

The progress that Bangladesh had made in terms of recovering from the first wave of the COVID-19 pandemic was lost due to the arrival of the second wave in the second quarter of 2021. During the second wave, businesses have confronted several phases of soft and hard lockdowns that put them into a severe downturn. As a result, private sector businesses have been struggling to cope with and recover from the crisis. Despite such adversities, the Government of Bangladesh (GoB) has made strides in terms of distributing the COVID-19 vaccine, as well as stimulus packages.

To determine the effectiveness of COVID-19 related policies implemented by the GoB, it is essential to monitor the business confidence of business executives throughout the recovery process (Raihan, Uddin, & Ahmed, 2021). Such monitoring allows policymakers to answer some important questions – 'Are the private sectors confident about their returns? What are their perceptions regarding the investment opportunities in the next quarter? What are their perceptions regarding employment or wages? How do they think the overall business cost in the economy is going to be in the next quarter? How much are they confident about the economic recovery amid the pandemic?'

Furthermore, the data acquired can also play a part in negotiations between policymakers and businesses through the information on sector-level business confidence. Such investment and business confidence monitoring tools are widely available in developed economies. The OECD countries regularly update an index named Business Confidence Index (BCI) with a similar objective. Since the Asian Crisis in the late 1990s, the East Asian countries periodically monitor and update information on 'business sentiment'. Most of these countries collect this data at a regular interval, such as monthly or quarterly. As already mentioned, during a crisis period, such monitoring becomes more crucial. In the context of Bangladesh, no such regular monitoring data on 'business confidence' is available.

More than three-quarters of Bangladesh's total investment comes from the private sector – it is evident that it is a driving force for economic recovery, aiding job creation and a virtuous multiplier effect across the backward and forward linking industries. For greater private sector investment, however, businesses must have greater confidence in gaining favourable returns with lower risk.

In this context, monitoring the confidence of business insiders is essential for policymaking and distributing stimulus packages during such uncertain times. Therefore, South Asian Network on Economic Modeling (SANEM) and the Asia Foundation (TAF) initiated the quarterly Business Confidence Index (BCI) survey in July 2020, collecting data from representative manufacturing and service sector firms. The findings from the first round of the survey revealed the dire state of businesses in the country. The second round (conducted in October 2020) and the third round (convened in January 2021) showed signs of economic recovery. The fourth round (held in April 2021) revealed a deterioration of business confidence followed by the second wave of COVID-19. The fifth round of the survey provides insight into the pulse of the economy as it transits through the second wave of the pandemic. This round in particular analyses the present business scenario of the firms during April-June 2021. This report is a summary of the findings from the fifth round of the BCI survey.

Objectives

The Business Confidence Index (BCI) survey aims to analyse the expectations of private sector businesses on indicators such as investment, employment, wages, stimulus packages, performance related to business costs, sales or exports, and the status of potential economic recovery during the COVID-19 pandemic.

More specifically, the objectives of the survey could be outlined as follows:

- Industry expectations of profit, business expenditure, prices, employment, wages, and new investment opportunities, total output, export demand, domestic output demand & supply, etc.
- Business thoughts on incentive packages (adequate/inadequate; effectiveness; etc.)
- Barriers to accessing the incentive packages
- Perceptions on economic recovery
- Contributing factors to the overall economic recovery
- Firms' coping strategies
- Vaccination programme (both employer and employees' perspective)

Organization of the report

The rest of this report is organized as follows: Section II details the survey methodology, sampling framework, as well as indices methodologies. Section III elaborates on the key features of the surveyed firms. Section IV details the findings from the analysis of the present business status indices and business confidence indices along with the gaps between firms' expectations and realities. In section V, this study elaborates on the results and analysis related to the stimulus packages, and existing business environment. Section VI analyzes the insights of economic recovery from the firm's perspective. In section VII, the study details the vaccination programme and its implementation. Finally, Section VIII concludes with a set of policy recommendations.

Section II: Methodology

Since July 2020, SANEM, in collaboration with The Asian Foundation (TAF), initiated a survey namely Business Confidence Index (BCI) survey. Since then, the survey is conducted quarterly on a regular basis. The first round of the survey was conducted in July 2020, with the findings published in a report in August 2020. The second round took place in October 2020, and its results were shared in November 2020. In January 2021, the third round of the survey was conducted, and its findings were disseminated in February 2021. The fourth round of the survey was conducted in April 2021, and its results were shared in May 2021. In July 2021, the latest round (fifth round) of the survey was conveyed and its findings were disseminated in August 2021. It is vital to assess the expectations and reality in every quarter in a consistent way to allow for efficient assessment - therefore this study followed a similar methodology in line with the earlier round analyses.

Survey methodology

Based on the primary data collected from private sector businesses in the fifth round, this study has made a comparison in the earlier rounds of the survey. This section details the survey methodology.

Survey coverage

All five rounds of the BCI survey have covered firms from the Manufacturing and Services sectors. The firms are categorized into micro, small, medium, and large firms based on their sizes as defined in the National Industrial Policy 2016. The definition of the firm sizes differs for the manufacturing and the services sector (Table 1).

Table 1: Sector-wise firm size classification

Firm Size	Manufacturing sector (Total Persons Engaged, TPE)	Services sector (Total Persons Engaged, TPE)
Micro Firms	Less than 30	Less than 15
Small Firms	Between 31 and 120	Between 16 and 50
Medium Firms	Between 121 and 300	Between 51 and 120
Large Firms	More than 300	More than 120

Source: National Industrial Policy, 2016

Survey technique and sampling framework

All five rounds of the survey have been convened with the top managers of the firms over the phone. To construct panel data, the survey has been conducted quarterly on the same sample over the last five quarters. In this regard, another three quarters are expected to conduct in October 2021, January 2021, and April 2021 respectively.

Sampling framework

The sample size of the first-round survey was specified to be 300 firms (150 manufacturing firms and 150 services sector firms). The study distributed around 50% of total firms surveyed into the services sector as the services sector contributes half of the country's GDP.

However, taking into consideration of suggestions from the stakeholders, the sample size of the second-round survey was increased to 502 firms (252 manufacturing firms and 250 services firms). In the following rounds, the study team attempted to reach all firms (500 firms) surveyed in the earlier rounds.

A systematic approach for all five rounds has been followed in selecting the intra-industry sample sizes. It is noteworthy that Bangladesh is heavily concentrated only in a few industrial sectors. For instance, the RMG alone contributes most of the value-added in the GDP from the manufacturing

sector. Therefore, if we choose our samples only based on the relative shares of the sectors in the Gross Value Addition (GVA), the sample will be highly biased to only a few sectors. For ensuring appropriate representation of the major subsectors (both from the manufacturing and the services sectors), the sample selection in this study has been made in two steps. In the first step, we blocked a minimum of firms (9 firms in the first round, and 15 firms for the next four rounds) to be surveyed from each of these sub-sectors for each round of the survey. After the first stage allocation of firms in the total sampling framework, the rest of the firms were selected based on each sub-sectors' contribution of these sectors' total Gross Value Addition (GVA) in the economy. Finally, we got the total number of firms to be surveyed for this exercise summing up the first-step and second step totals. We followed this sampling distribution in our initial round and after the first round, we attempted to reach all firms surveyed in the earlier round.

In the fifth round of the survey, a total of 255 firms have been surveyed from the manufacturing sectors. In this round, the highest proportion of firms surveyed in the manufacturing sector has been RMG firms (Figure 1). Followed by RMG firms are Textiles firms, which make up 18% of the total number of manufacturing firms (45 out of 255 firms). Food Processing firms account for 16% of the total; Pharmaceuticals and Chemicals make up 10%. Electronics and Light Processing, and Leather and Tannery make up 8% each. The rest 6% is made up by Other Manufacturing firms.

Figure 1: Surveyed firms in the manufacturing sectors in the fifth round
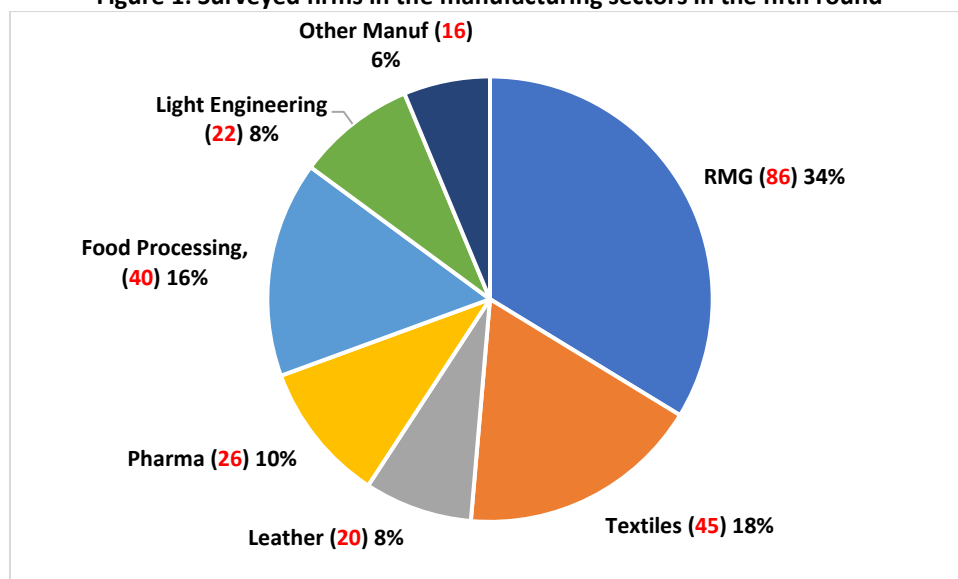
Source: Authors' estimation based on SANEM BCI (fifth round) survey

In the services sector, Retailer firms account for the highest proportion of the 246 firms (18% or 43 firms) in the fifth round (Figure 2). Retailer firms are followed by Real Estate firms with the latter making up 17% of the total. Following closely are Transportation firms at 16% and Wholesale firms at 15%. Both Financial Sector and ICT & Telecommunications account for 10% each. The lowest number of firms come from Restaurant and Other Services sub-sectors, accounting for 7% each.

Figure 2: Surveyed firms in the services sector in the fifth round
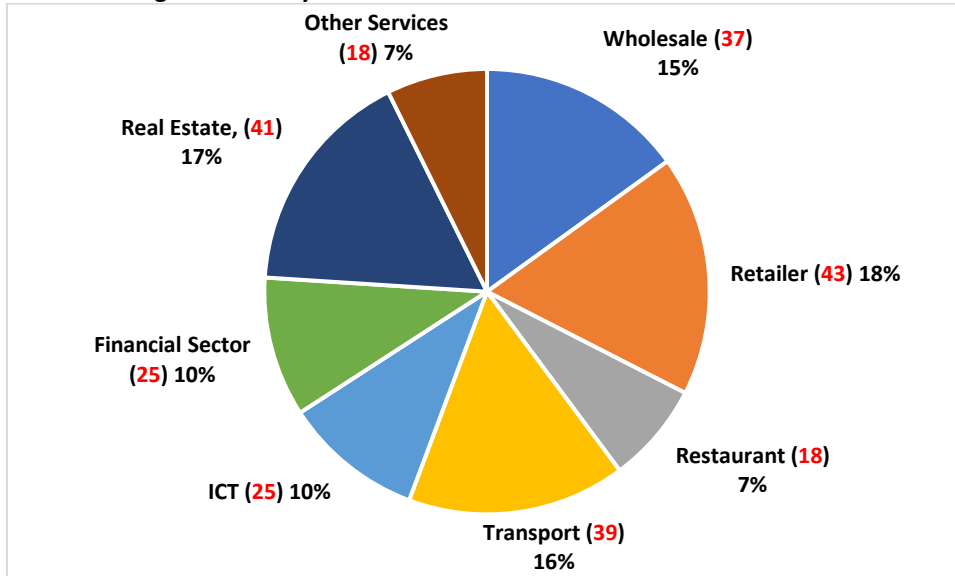
Source: Authors' estimation based on SANEM BCI (fifth round) survey

60 firms from the fourth round (out of 503 firms) dropped in the fifth round taking the overall attrition rate to 11.9%. Out of the 60, 7 firms went out of business due to the Covid-19 crisis (2 from ICT, 2 from RMG, 1 from textile, 1 from Light Eng, and another from Wholesale); 29 declined, and 24 firms could not be reached. The highest attrition is found in Financial (25%), followed by RMG (20.5%), Leather (20%), Textile (13%), and Pharma (12.5%) amongst others. These firms were replaced from the same industry following systematic random sampling.

Figure 3: Attrition rate from the survey (considered from the fourth round to fifth round)
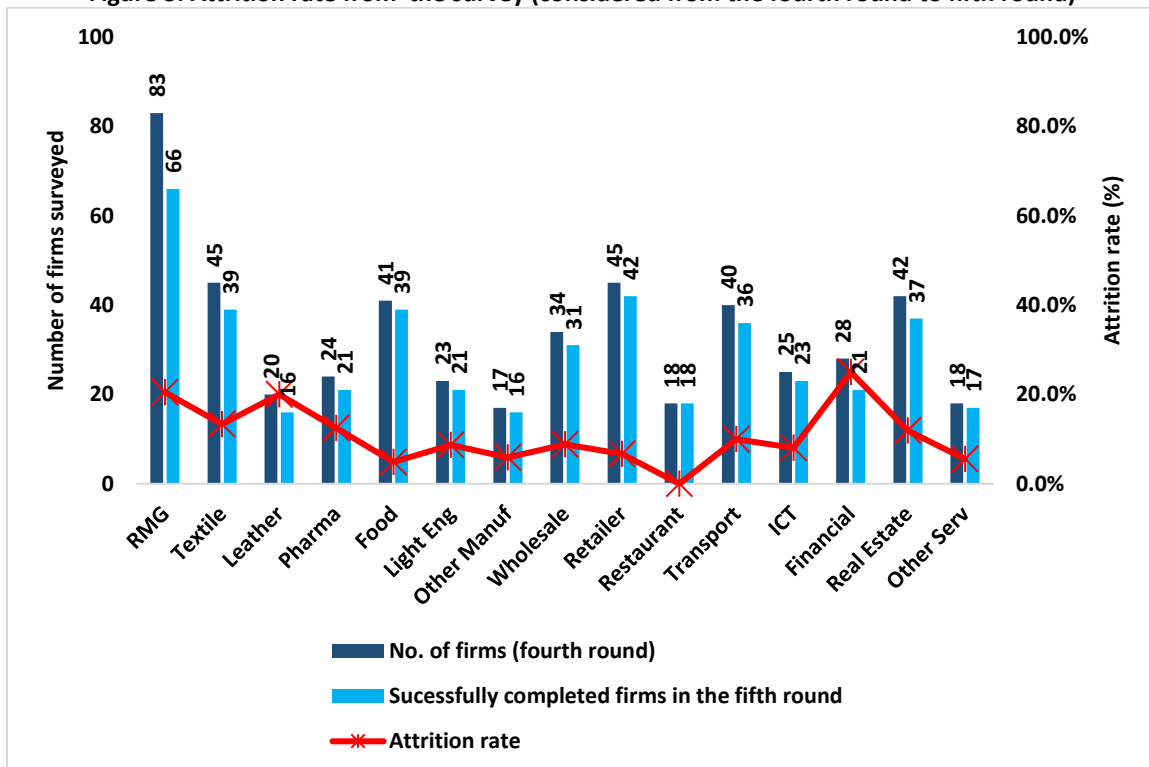
Source: Authors' estimation based on SANEM BCI (fourth & fifth round) survey

Sampling distribution across divisions

As mentioned earlier we have followed a similar methodology in line with the preceding rounds' analysis, the divisional weights remain the same over the quarters. For ensuring proper representation of the firms across the country, all the subsectors were distributed across the divisions based on 'divisional weights'. These 'divisional weights' had been generated based on total industrial concentration. From the BBS Economic Census of 2013, we had estimated the relative share of each of the divisions in terms of economic establishments. For instance, based on the Economic Census 2013, it was observed that almost 29 per cent of the total economic establishments of Bangladesh were concentrated in Dhaka. This rate was 19 per cent for Chittagong, 12 per cent for Rajshahi, 11 per cent for Khulna, seven per cent for Mymensingh, and six per cent for Barisal and Sylhet respectively (Figure 4).

Figure 4: Distribution of economic establishment by divisions (% of total)
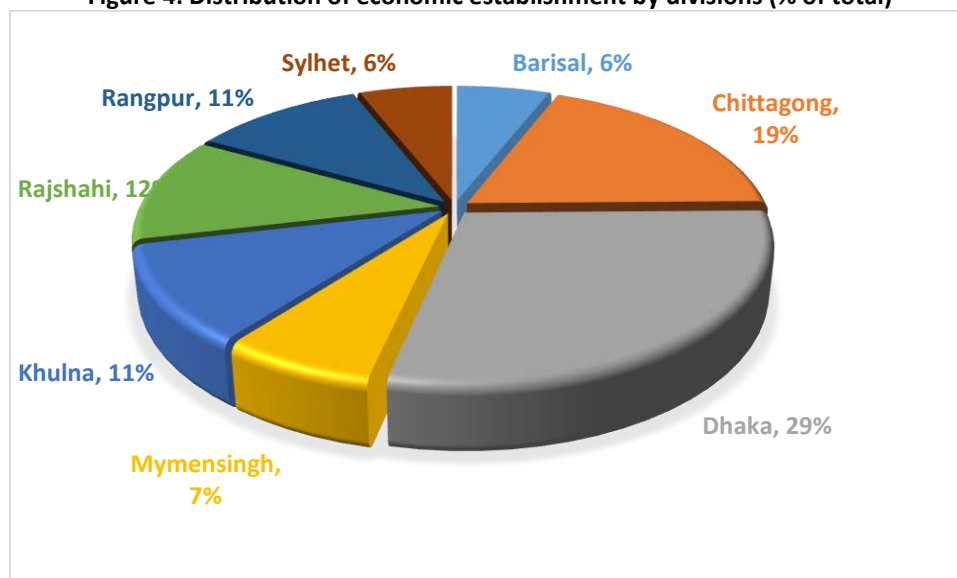
Source: Authors' calculation based on Economic Census 2013, BBS

We had consumed this divisional weight as the basis for our sampling distribution across divisions. It is noteworthy that not all the industries were available in all divisions. For instance, there were no Leather and Tannery firms in Barisal. In that case, we incorporated another firm (such as agro-processing, food processing, etc.) from other sub-categories to maintain a total divisional balance. The omitted subcategory was covered from the districts where it was more available. For instance, in this case, the tannery was most available in Dhaka. Hence, we incorporated it from Dhaka and provide one agro-processing firm to Barisal taking that from the Dhaka Division. However, the actual sample in the fifth round of the survey is presented in Figure 5.

Figure 5: Actual sample by divisions in the fifth round survey

Sylhet (35) 7%
Rangpur (29) 6%
Rajshahi (44) 9%
Mymensingh (38) 7%
Khulna (39) 8%
Barishal (32) 6%
Chattogram (84) 17%
Dhaka (200) 40%
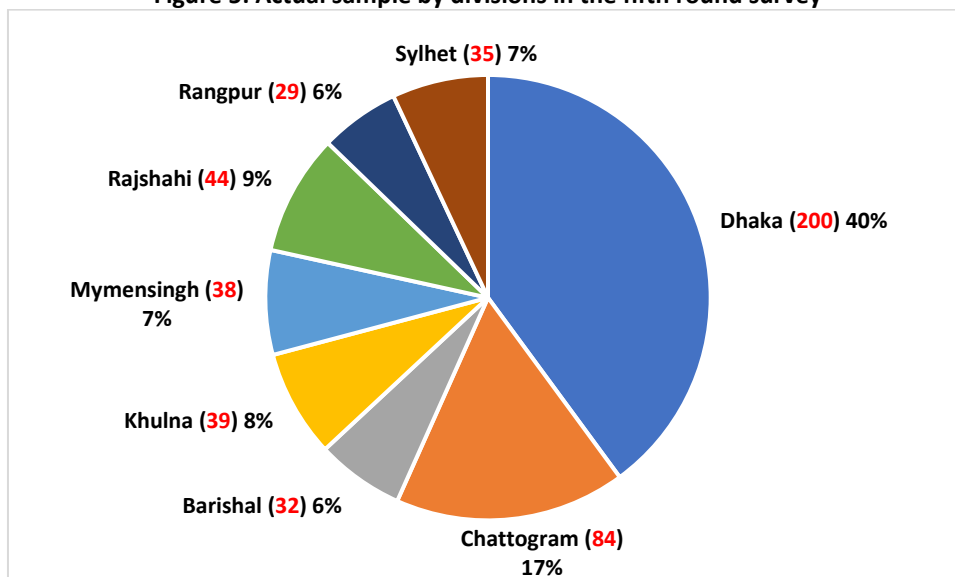
Source: Authors' estimation based on SANEM BCI (fourth & fifth round) survey

In the fifth round survey, the randomly drawn samples (501 firms) cover 37 districts of Bangladesh (Map 1).

Map 1: Covered districts in the fifth round survey
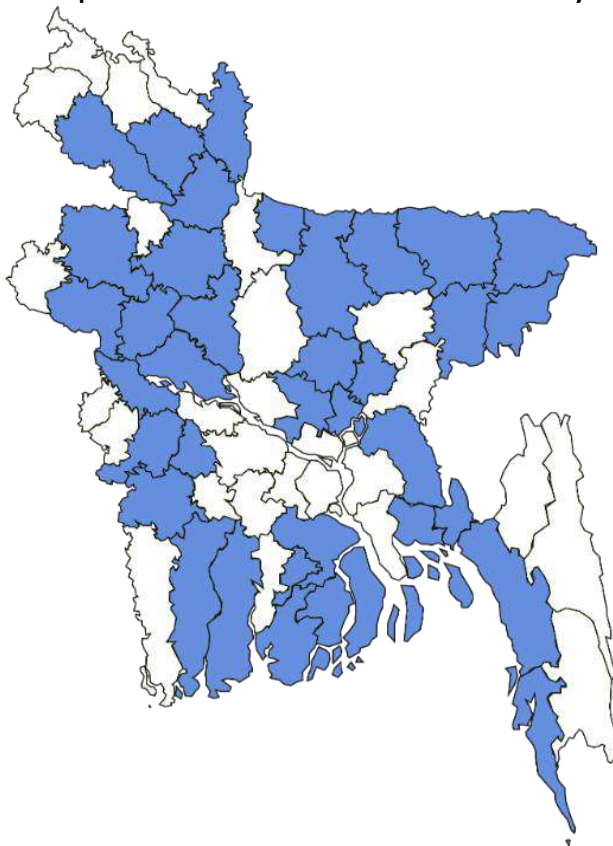
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Selection of firms

Each of the firms (new firms as well) from the respective divisions is chosen randomly. To do so, SANEM has incorporated the list of all firms from the respective business associations' websites (such as BGMEA, BKEMA, Bangladesh Textile Mills Association (BTMA), etc.). From the lists, we divided the firms across the divisions. Each of the firms was provided with a unique ID. Thereafter, based on those IDs, each of the firms from the respective divisions was selected randomly using a random number table.

Business Confidence Index (BCI) methodology

Indicators for the assessment

Business Confidence and Business status have been assessed based on six indicators. The indicators were selected in such a way that they can reflect the economic condition as well as the business outlook of firms (Figure 6). The six broad indicators include: (i) profitability, (ii) investment, (iii) employment, (iv) wages, (v) business cost, and (vi) sales/exports.

Figure 6: Broad indicators for BCI/PBSI assessment
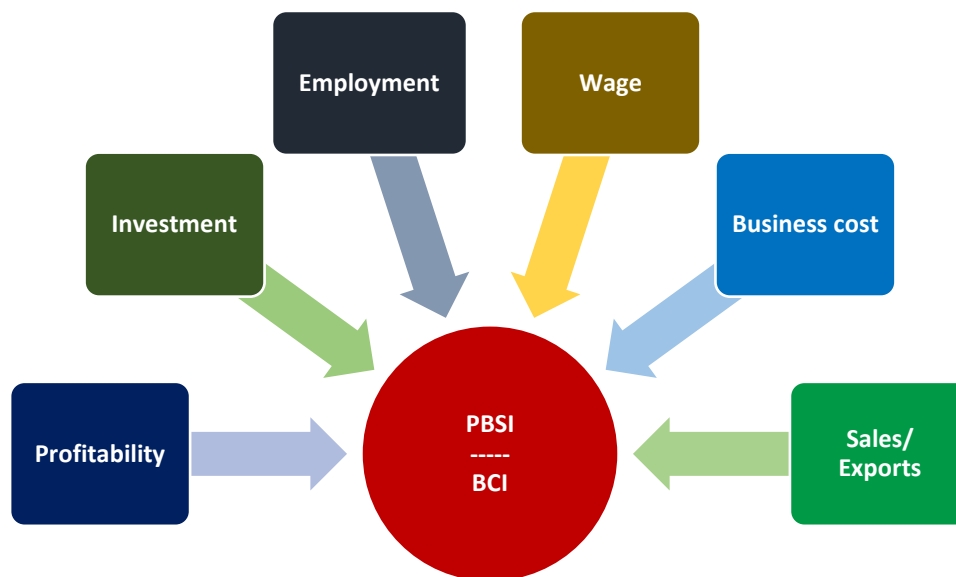
Source: Authors' assessment on SANEM BCI (quarterly) survey

Apart from the six indicators, the survey also covered several other important areas such as stimulus package, problems faced by the firms in acquiring stimulus package, current business challenges, economic recovery, as well as vaccination programme etc. A questionnaire was developed to compute the attitudes and outlooks of business firms on these parameters (Annexe 1).

The questionnaire was developed in such a way so that it could be used for forecasting the next quarter's business confidence and commenting about the present quarter compared with the previous quarter of the same year as well as the corresponding quarter of the previous year. For instance, for each indicator, the respondents were asked three questions for the fifth round BCI survey:

(i)   *What was the condition of his/her business on the indicator 'i' in April-June 2021 compared to April-June 2020;*

(ii)   What was the condition of his/her business on the indicator 'i' in April-June 2021 compared to January-March 2021;

(iii)   And what is the expectation on the condition of his/her business on the indicator 'i' in July-September 2021 compared to April-June 2021

For instance, regarding the business confidence in profitability, a sample question for the fifth-round survey was like, 'compared to the last quarter (April-June 2021), what is your perception regarding profitability in your business in the next quarter (July-September 2021)'. The respondents had five options to choose from: (i) much worse, (ii) worse, (iii) same as before, (iv) better, and (v) much better (Figure 7).

Figure 7: Likert options for answering the questions

| Much Worse 0.0 | Worse 25.0 | No Change 50.0 | Better 75.0 | Much Better 100.0 |
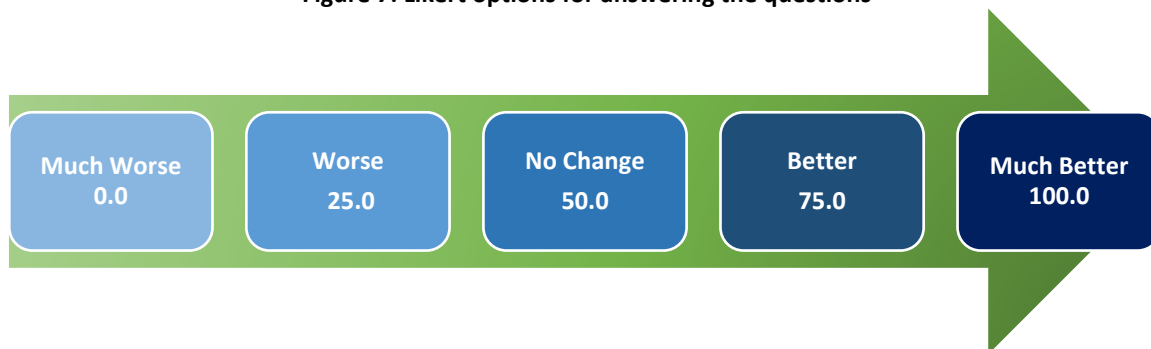
Source: Authors' assessment on SANEM BCI (quarterly) survey

The choice 'much worse' is interpreted as the situation where the respondents think that the condition on the selected indicator is extremely bad or the situation will be far worse soon. On the other hand, the option choice 'much better' means the respondent thinks his business is doing very well compared to the reference quarter or expects his business condition to improve highly from the last quarter to the next quarter.

The first-round survey was conducted over the phone during 15-23 July 2020. In a similar approach, the second-round survey was conducted during 12-25 October 2020. During 5-21 January 2021, the third round of the survey was piloted. The fourth round was conducted during 5-21 April 2021. Again, during 2-17 July 2021, the fifth round survey was convened. From each round survey, two indices have been calculated- (i) the Index derived from present quarter data which is called – Present Business Status Index (PBSI), and (ii) the Index derived from the assessment of the sample firms based on the anticipation of business conditions in the next quarter, which is called the Business Confidence Index (BCI). In the case of PBSI, two versions are generated: (i) PBSI-last quarter – where the Present Business Status Index is measured compared to the business status in the last quarter; and (ii) PBSI-last year: where the business status PBSI is measured in comparison to the business status during the same quarter in the last year.

The methodology of the indices

The BCI/PBSI has been prepared based on the qualitative answers to the questions in the survey. The responses have been converted into quantitative data by assigning weights to them (Table 2). The lowest weight zero (0) is assigned to the worst confidence, i.e. for the response "much worse". The corresponding points 25, 50, 75, or 100 are assigned to the options of "worse", "same as before", "better", and "much better" respectively.

Table 2: Weights assigned to five Likert response options

Sl.	Responses	Weights
1	Much worse	0
2	Worse	25
3	Same as before	50
4	Better	75
5	Much better	100

Source: Authors' assessment on SANEM BCI (quarterly) survey

Steps to calculating the indices

In the first step the scores for the sub-indicator k (such as profitability) for sub-sector j (such as RMG) is calculated as follows:

$$S_{jk} = \frac{\sum_{i=1}^{n} x_i}{n}$$

Here,

- j is the sub-sector (such as RMG under manufacturing),
- k is the sub-indicator (such as profitability)
- x_i is the score of the firm in that indicator (such as the score of a firm in the RMG on profitability)
- and n is the total number of firms surveyed in that sector (RMG).

Based on these scores, the index (BCI or PBSI) for the subsector j (such as RMG) is calculated as follows:

$$I_j = \frac{\sum_{k=1}^{m} S_{jk}}{m}$$

Where,

- I_j is the index value of subsector j
- m is the number of sub-indicators (which is six in this case)

Based on the scores, the weighted BCI/PBSI for each of the sub-indicators for the broad sectors (such as manufacturing/services) is calculated as follows:

$$I_{Lk} = \sum_{k=1}^{m} \omega_j S_{jk}$$

Where,

- ω_j is the weight of the j-th subsector (such as RMG) in the broad sector L (manufacturing/services)

Finally, we calculate the overall BCI/PBSI score for the manufacturing/service sector as follows:

$$I_L = \sum_{j=1}^{l} \omega_j I_j$$

Where,

- I_L is the BCI/ PBSI scores for the manufacturing or services sector.

Here, the score of sub-sector j on indicator k is the cumulative score on that indicator for all the firms divided by the number of firms surveyed in that indicator.

Calculation of the combined BCI/PBSI scores:

We calculate the combined BCI/PBSI for the sub-indicator k as follows:

$$I_k = \sum_{l=1}^{2} \sum_{k=1}^{m} \omega_l \omega_j s_{jk}$$

Where,
- ω_l is the weight of the broad sectors (manufacturing and services); l = 1 for manufacturing, l=2 for services.

Finally, we calculate the overall BCI/PBSI as follows:

$$I = \sum_{l=1}^{2} \sum_{j=1}^{l} \omega_l \omega_j I_j$$

Reliability of the survey

The Cronbach α coefficient is widely used in surveys where the questionnaire is designed on the Likert scale (Heo, Kim, & Faith, 2015; Bland & Altman, 1997). As all rounds of the survey were set based on a Likert questionnaire, it was very relevant to calculate the α coefficient for the survey. The α coefficient is therefore calculated using the following formula:

$$\alpha = \frac{N}{N-1} \left(1 - \frac{\sum_{i=1}^{N} \sigma_i^2}{\sigma_X^2}\right)$$

Where,
- α is the Cronbach coefficient,
- N is the number of items (questions),
- σ_i^2 is the variance of items i,
- σ_X^2 is the variance of total scores (total scores are calculated by adding the score for each of items i)

Based on 18 questions of the BCI survey, the α coefficient for the first, second, third, fourth, and fifth rounds of the BCI survey are calculated as 0.81, 0.83, 0.88, 0.88, and 0.86 respectively. The coefficient is used to measure the accuracy and reliability of the survey (Ercan, Yazici, Sigirli, Ediz, & Kan, 2007; Quansah, 2017; Becker, 2000; Kocak, Egrioglu, Yolcu, & Aladag, 2014). When the coefficient is between 0 to 0.40, 0.40 to 0.60, 0.60 to 0.80, and 0.80 to 1, the survey is considered as not reliable, less reliable, quite reliable, and highly reliable respectively (OECD, 2005). According to this, all five rounds of the BCI survey are highly reliable.

Section III: Key Features of Surveyed Firms

This section details the basic characteristics of the surveyed firms. The key features of the surveyed firms include the location of firms, ownership type of firms, female share of ownerships, surveyed firm sizes as well as the export status of the firms.

Location of firms

81 per cent of the firms surveyed are located outside of the Export Processing Zones (EPZs) or Special Economic Zones (SEZs), or industrial parks and areas (Figure 8). 18 per cent of the firms are from the industrial areas/industrial parks, while 1 per cent is from the EPZs or SEZs.

Figure 8: Location of surveyed firms
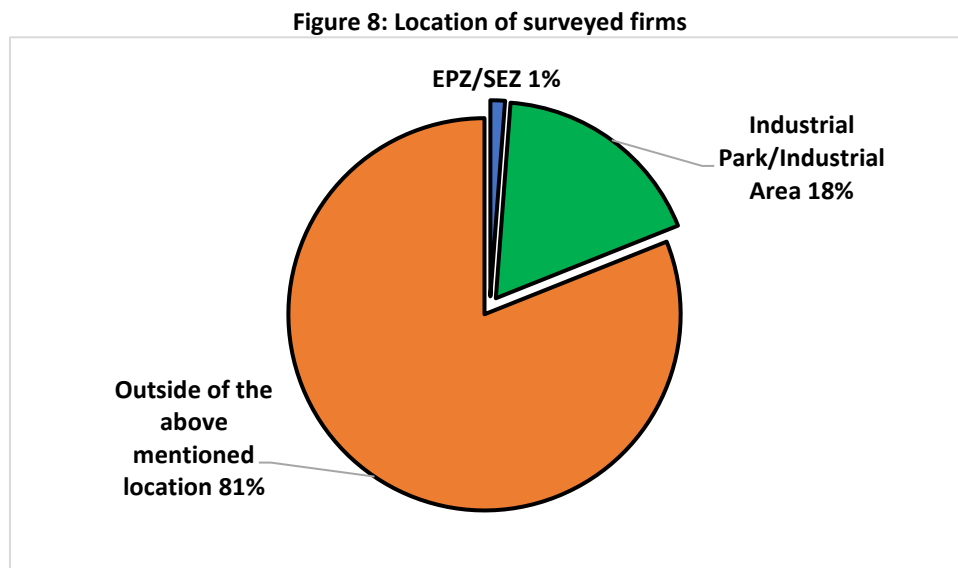
Source: Authors' estimation based on SANEM BCI (fifth round) survey

The ownership type of firms

The majority of the firms in the survey are domestic private companies (Figure 9). 1 per cent of firms in the survey are public-private joint ventures, while the remaining 2 per cent consists of domestic foreign joint ventures and foreign-owned firms.

Figure 9: Ownership type of surveyed firms
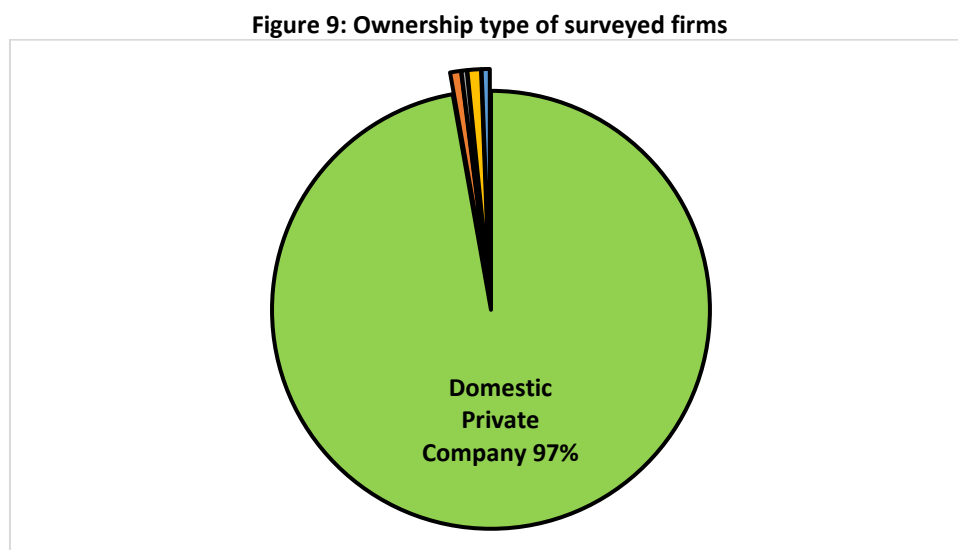
Source: Authors' estimation based on SANEM BCI (fifth round) survey

In terms of female ownership of firms, 70 per cent of the surveyed firms are partially owned by a female (Figure 10). On the other hand, 29 per cent of the firms have no female share or ownership. Only 1 per cent of the firms are fully owned by a female.

Figure 10: Female ownership of surveyed firms
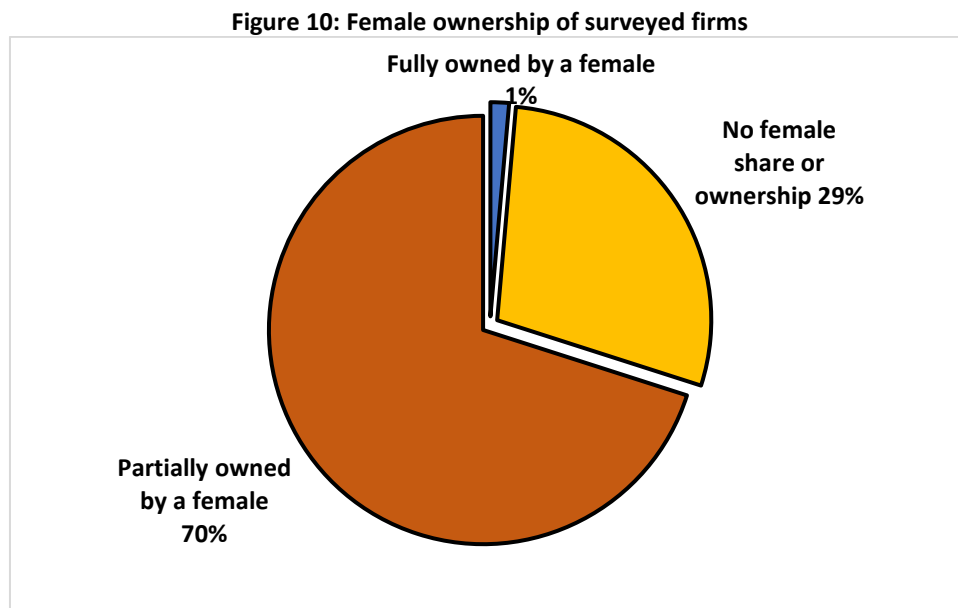
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Surveyed firm size

Out of the 501 firms surveyed, 62 per cent are micro and small, 10 per cent of the firms are medium, and 28 per cent are large (Figure 11).

Figure 11: Surveyed firms sizes
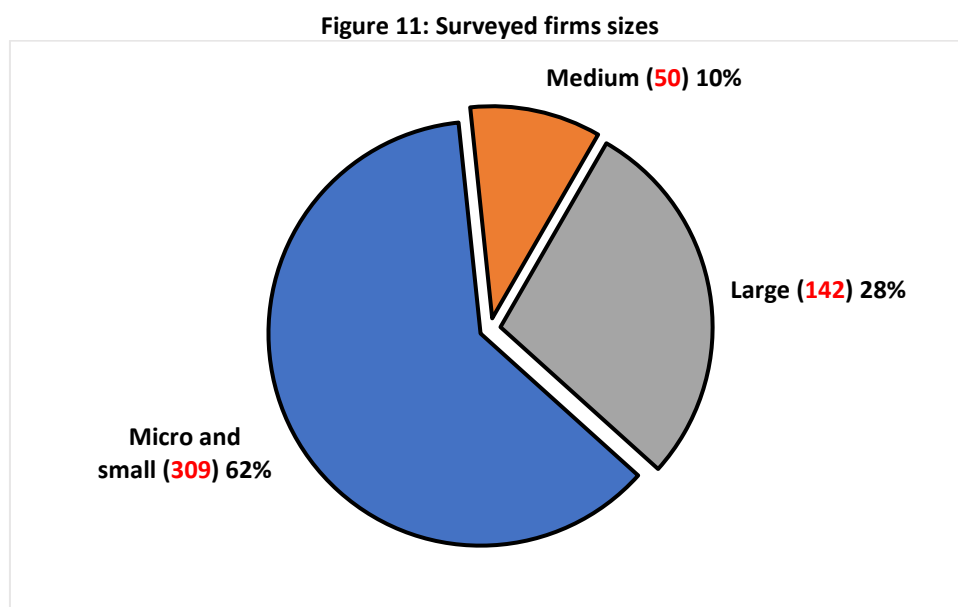
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Export status of surveyed firms

For export status, 38 per cent of the firms are engaged in exporting (partially or fully), while 62 per cent do not export at all (Figure 12). Among this, 25 per cent are fully exported oriented (100% of the sales come from exports).

Figure 12: Export status of surveyed firms

0% ■ 50%< ■ 51-90% ■ 90%>
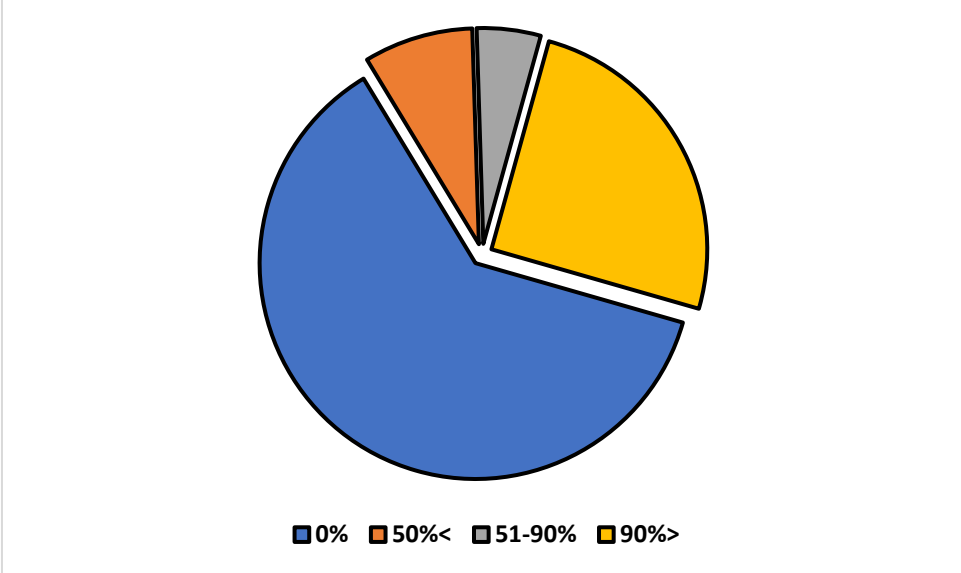
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Section IV: 'Business Status' and 'Business Confidence'

This study constructs two sets of Present Business Status Index (PBSI) for each round of BCI survey. For the first round of the BCI survey, the PBSIs were PBSI in April-June 2020 compared to the previous quarter (January to March 2020) and PBSI in April to June 2020 compared to last year (April-June 2019). Again, for the second round of the survey, the PBSIs were PBSI in July to September 2020 compared to April to June 2020, and PBSI in July to September 2020 compared to July to September 2019. In the third round of the survey, the PBSIs were PBSI in October-December 2020 compared to July to September 2020, and PBSI in October-December 2020 compared to October to December 2019. For the fourth round of the survey, the PBSIs were PBSI in January to March 2021 compared to October to December 2020, and PBSI in January to March 2021 compared to January to March 2020. Similarly, for the fifth round of the survey, the study has constructed two sets of PBSI: (i) PBSI in April to June 2021 compared to the previous quarter (January to March 2021), and (ii) PBSI in April to June 2021 compared to the previous year (April to June 2020).

Present Business Status Index (year)

The overall PBSI in April-June 2020, July-September 2020, October-December 2020, January-March 2021 and April-June 2021 compared to the corresponding quarters of the previous years (2019 and 2020) stands at 26.44, 34.23, 36.50, 40.55, 46.37 respectively (Figure 13). While there was significant improvement between the first and second rounds of the survey, progress had slowed between the second and third rounds. In the fourth round or the January-March 2021, however, there was a higher jump in PBSI scores; the trend continues in the fifth round as well with an even higher increase.

Figure 13: Present Business Status Index (year)
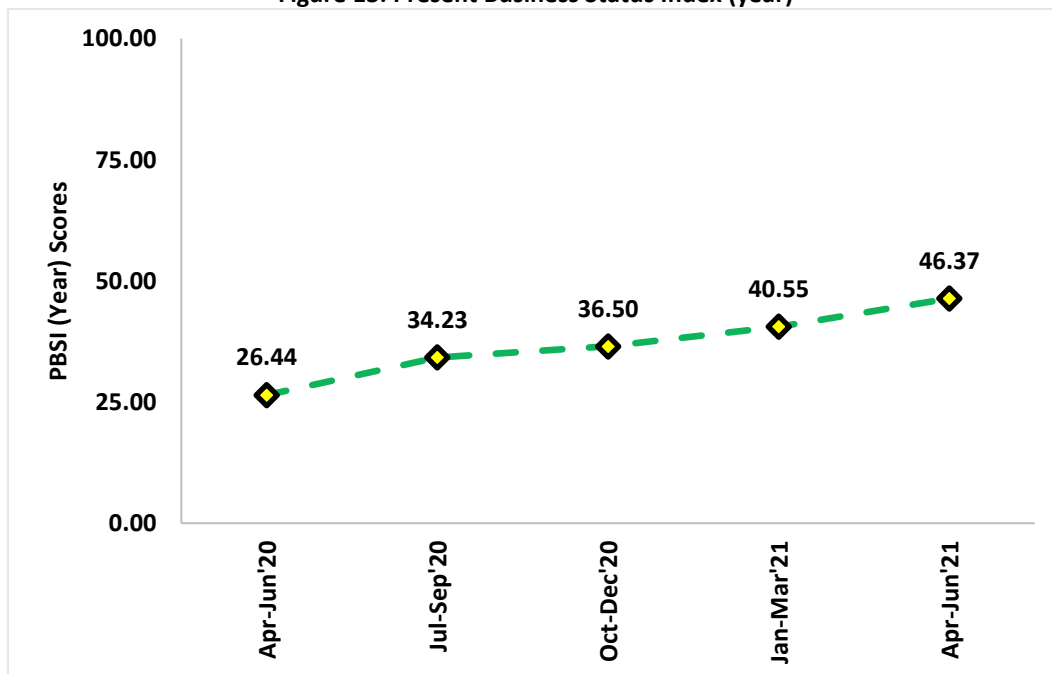
Source: Authors' estimation based on SANEM BCI survey

Present Business Status Index (year) by indicator

Again, in the fifth round, the wage is the indicator with the highest PBSI - rising from 50.05 in January-March 2021 to 54.04 in April-June 2021 (Figure 14). Investment continues its trend of increase, standing at 52.50 – a score above 50, which implies that investment is in a better state this year compared to the previous year. The PBSI for employment, while suffering from a slight decrease in

the previous round, has now improved slightly. It is still below 50, however, which means that the business status on the indicator is worse than it was during the same period in 2019. It is interesting to note that the PBSIs of profitability and sales/export were lower than the aforementioned indicators in the first four rounds but have since shown much improvement and reached scores higher than employment. Profitability stands at 48.15, increasing from 38.27 in the fourth round. Sales/export stands at 48.75, compared to 36.93 in January-March 2021. The PBSI of business cost continues to increase, although in the fifth round it is not as significant – it has only increased to 28.44 from 25.99, which is a smaller jump compared to the difference in scores between the third and fourth rounds. It has yet to reach the same score as the first round, however, and remains below 50.

Figure 14: Present Business Status Index (year) by indicator
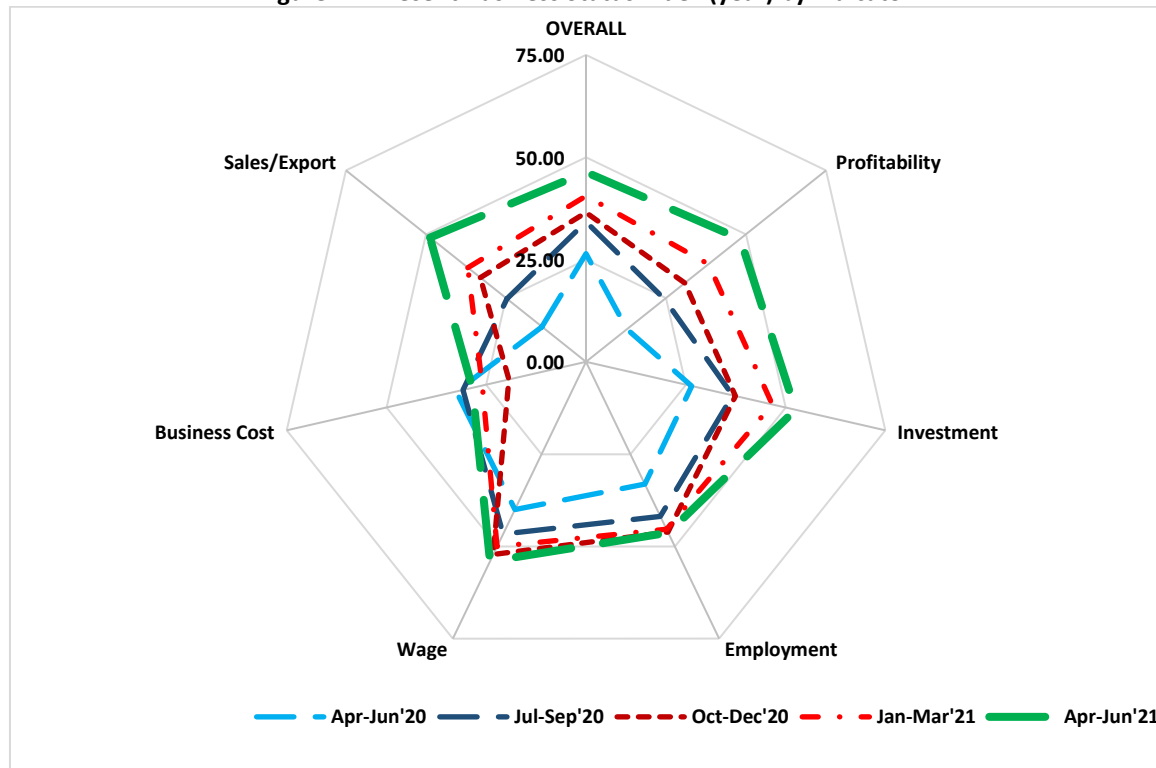
Source: Authors' estimation based on SANEM BCI survey

Present Business Status Index (year) by sector

All sub-sectors (except Retail, which has seen a very small decrease) have experienced an increase in the PBSI (year) scores in the April-June 2021 quarter (Figure 15). Like all other rounds of the survey, the Financial sub-sector remains the one with the highest PBSI score, standing at 56.50. The second highest PBSI score is again for Pharmaceuticals and Chemicals, which has shown further improvement and reached a score of 52.40, compared to 49.48 in the previous round. Both sectors have scores above 50, which implies that their business situation is better in April-June 2021 in contrast to the same quarter last year. The rest of the sub-sectors remain below 50, although sectors like RMG, ICT and Telecommunication, Food, Textile and Restaurants are quite close to 50 and also above the overall PBSI (year) score.

Figure 15: Present Business Status Index (year) by sector

PBSI (year): First round: Apr-Jun 2020

RMG 23.27, Textile 29.35, Leather 23.40, Pharma 38.97, Food 29.89, Light Eng 23.08, Other Man 25.38, Wholesale 22.50, Retail 25.48, Restaurant 15.28, Transport 25.19, ICT 26.04, Financial 39.72, Real Estate 27.23, Other Serv 22.22

PBSI (year): Second round: Jul-Sep 2020

RMG 32.58, Textile 33.61, Leather 30.83, Pharma 42.36, Food 35.00, Light Eng 27.72, Other Man 33.09, Wholesale 34.05, Retail 34.21, Restaurant 28.01, Transport 32.71, ICT 44.17, Financial 44.64, Real Estate 32.85, Other Serv 27.31

PBSI (year): Third round: Oct-Dec 2020

RMG 32.06, Textile 34.63, Leather 30.42, Pharma 40.63, Food 35.98, Light Eng 31.34, Other Man 39.22, Wholesale 34.93, Retail 42.13, Restaurant 39.81, Transport 34.58, ICT 37.50, Financial 50.89, Real Estate 35.85, Other Serv 35.42

PBSI (year): Fourth round: Jan-Mar 2021

RMG 40.56, Textile 43.80, Leather 34.58, Pharma 49.48, Food 41.06, Light Eng 36.59, Other Man 38.73, Wholesale 39.46, Retail 42.69, Restaurant 38.43, Transport 36.25, ICT 39.67, Financial 49.70, Real Estate 37.60, Other Serv 34.95

PBSI (year): Fifth round: Apr-Jun 2021

RMG 49.56, Textile 47.87, Leather 47.71, Pharma 52.40, Food 48.33, Light Eng 40.34, Other Man 45.05, Wholesale 39.98, Retail 42.34, Restaurant 48.61, Transport 41.99, ICT 48.50, Financial 56.50, Real Estate 45.02, Other Serv 37.27

Source: Authors' estimation based on SANEM BCI survey

Present Business Status Index (quarter)

When compared to the last quarter, the overall Present Business Status Index (PBSI) for July-September 2020 is found to be 47.96 (Figure 16), the PBSI for October-December 2020 over July-September 2020 is found to be 48.83, the overall PBSI for January-March 2021 over October-December 2020 is found to be 51.38 and the PBSI for April-June 2021 over January-March 2021 is

42.57. The overall PBSI score in July-September 2020 increased significantly compared to the April-June 2020 quarter. Compared to the July-September 2020 quarter, the overall score of PBSI in the October-December 2020 quarter has also increased but very marginally. We observe a greater increase in the January-March 2021 quarter, with the PBSI being above 50. However, in the fifth round, there is a large decrease in the PBSI; the score has fallen to 42.57. This is quite concerning - the PBSI (quarter) score has not been this low for the previous three rounds. Overall, the score indicates that businesses are worse off in April-June 2021 compared to the previous quarter - which could be attributed to the second wave of the pandemic.

Figure 16: Present Business Status Index (quarter)
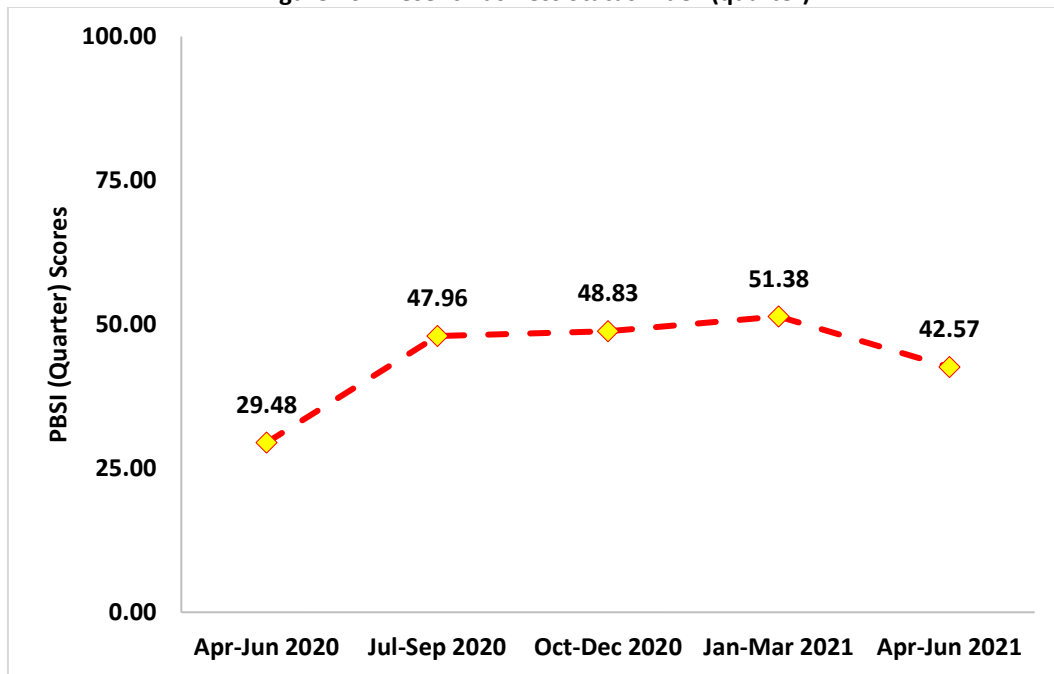
Source: Authors' estimation based on SANEM BCI survey

Present Business Status Index (quarter) by indicator

There has been a decrease in the PBSI (quarter) across all sub-indicators (Figure 17). Unlike previous rounds, the wage is the indicator with the highest score at 50.05. It is also the only indicator with a score above 50. Followed by wage is the score for investment - standing at 47.85, decreasing from 53.43 in the January-March 2021 quarter. While profitability had achieved great improvement over the four previous quarters, it has seen a significant drop in its score from 59.79 to 37.87. A likely reason for this is the current upsurge of coronavirus cases and its subsequent hindrance to business activity.

Figure 17: Present Business Status Index (quarter) by indicator
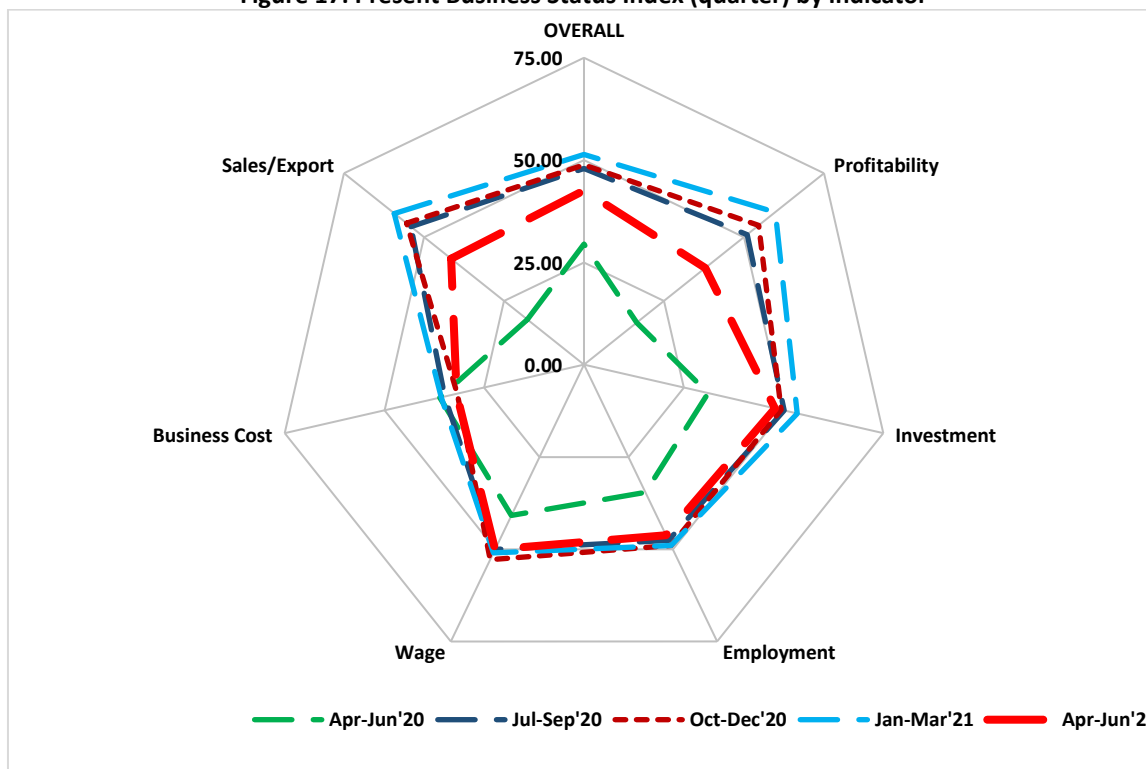
Source: Authors' estimation based on SANEM BCI survey

Present Business Status Index (quarter) by sector

The sectoral PBSI scores have decreased substantially for all sectors in April-June 2021, in comparison to the previous quarter (Figure 18). Like the previous rounds, the Financial (53.00) and Pharmaceuticals and Chemicals (47.76) have the highest sectoral PBSIs in the April-June 2021 quarter. In contrast, Other Services (31.71) and Wholesale (36.26) have the lowest scores. Apart from the Financial sub-sector, all the PBSI scores are below 50 which means that businesses are in a worse situation in this quarter.

Figure 18: Present Business Status Index (quarter), by sector

PBSI (quarter): Third round: Oct-Dec 2020

RMG 47.05, Textile 49.07, Leather 43.13, Pharma 51.22, Food 47.76, Light Eng 44.75, Other Man 51.72, Wholesale 45.96, Retail 51.11, Restaurant 51.85, Transport 46.35, ICT 48.67, Financial 60.27, Real Estate 48.21, Other Serv 50.46

PBSI (quarter): Fourth round: Jan-Mar 2021

RMG 51.81, Textile 53.43, Leather 45.63, Pharma 53.99, Food 53.15, Light Eng 48.73, Other Man 52.45, Wholesale 46.81, Retail 51.02, Restaurant 51.16, Transport 48.65, ICT 49.17, Financial 58.78, Real Estate 51.19, Other Serv 53.24

PBSI (quarter): Fifth round: Apr-Jun 2021

RMG 44.33, Textile 43.80, Leather 43.96, Pharma 47.76, Food 43.75, Light Eng 37.50, Other Man 42.97, Wholesale 36.26, Retail 37.98, Restaurant 45.60, Transport 41.35, ICT 45.50, Financial 53.00, Real Estate 41.97, Other Serv 31.71

Source: Authors' estimation based on SANEM BCI survey

Business Confidence Index

In addition to the PBSIs, this study also measures the business confidence of the business executives. The Business Confidence Index (BCI) shows the expectations of the business personnel on the selected indicators in the next quarter (such as July-September 2021) compared to the previous quarter (April-June 2021). The BCI for July-September 2021 (compared to April-June 2021) stands at 49.74 (Figure 19). While this is an improvement from the BCI score in the previous round, it still means that firms are less optimistic about their performance in the July-September 2021 quarter, in comparison to April-June 2021.

Figure 19: Business Confidence Index (BCI)
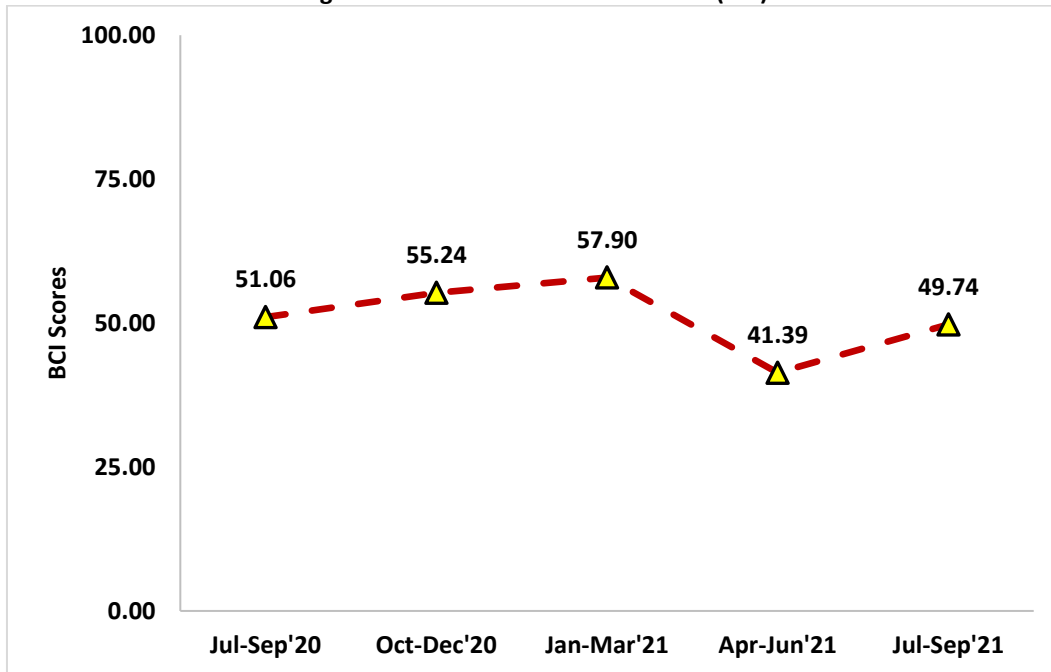
Source: Authors' estimation based on SANEM BCI survey

Business Confidence Index by indicator

The BCIs of all sub-indicators have risen significantly for the July-September 2021 quarter (Figure 20). Unlike the previous quarter, sales/export holds the highest score (51.90), closely followed by employment (51.35) and investment (51.15). Similar to previous quarters, the business cost has the lowest BCI (42.61). Nonetheless, business confidence seems to be increasing in the July-September 2021 quarter after lower scores were faced in the April-June 2021 quarter. This may be an indication that businesses are recovering their confidence following another wave of the pandemic, due to greater availability of vaccines and higher rates of vaccination - which gives hope for some normalcy in the upcoming months.

Figure 20: Business Confidence Index (BCI) by indicator

Legend: Jul-Sep'20 | Oct-Dec'20 | Jan-Mar'21 | Apr-Jun'21 | Jul-Sep'21
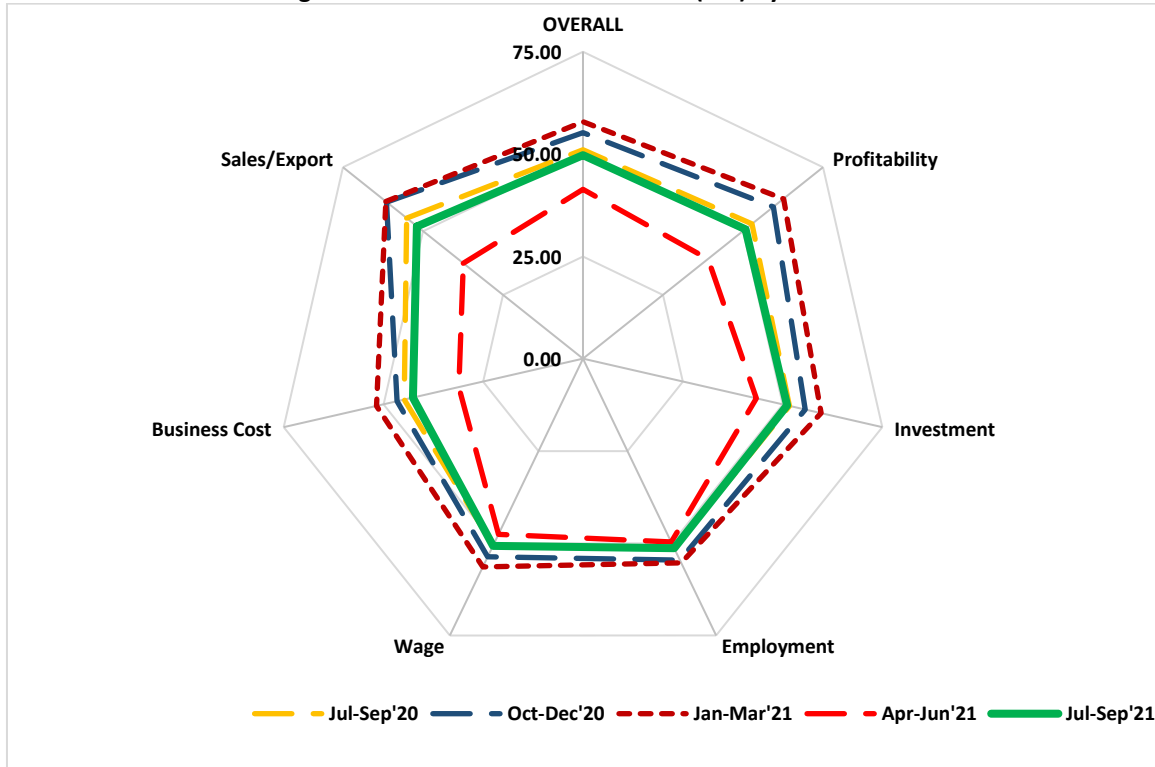
Source: Authors' estimation based on SANEM BCI survey

Business Confidence Index by sector

BCI scores have increased for all sectors in the July-September 2021 quarter (Figure 21). The highest scores are in the Financial (55.50) and Restaurant (53.47) sectors and multiple sectors have scores above 50, unlike the previous quarter. This is a very good sign and implies that these sectors are more confident regarding their future. However, there remain many sectors with scores that do not reach this benchmark - most notably, Transport (44.34) and Other Services (44.21) have the lowest BCI scores.

Figure 21: Business Confidence Index (BCI) by sector

BCI: First round: Jul-Sep 2020

Sector	Value
RMG	48.58
Textile	55.07
Leather	45.19
Pharma	58.58
Food	50.18
Light Eng	43.59
Other Man	45.83
Wholesale	52.00
Retail	50.96
Restaurant	52.43
Transport	50.38
ICT	54.17
Financial	57.50
Real Estate	51.04
Other Serv	50.00

BCI: Second round: Oct-Dec 2020

Sector	Value
RMG	53.41
Textile	56.48
Leather	48.96
Pharma	55.03
Food	55.94
Light Eng	52.17
Other Man	55.39
Wholesale	56.55
Retail	56.01
Restaurant	56.25
Transport	52.81
ICT	59.50
Financial	60.71
Real Estate	55.14
Other Serv	55.79

BCI: Third round: Jan-Mar 2021

Category	Value
RMG	55.79
Textile	56.85
Leather	55.21
Pharma	62.33
Food	56.61
Light Eng	54.35
Other Man	61.76
Wholesale	53.43
Retail	59.26
Restaurant	62.27
Transport	57.19
ICT	61.33
Financial	67.71
Real Estate	56.25
Other Serv	57.18

BCI: Fourth round: Apr-Jun 2021

Category	Value
RMG	43.17
Textile	39.54
Leather	37.71
Pharma	46.18
Food	41.97
Light Eng	35.14
Other Man	38.48
Wholesale	42.89
Retail	40.93
Restaurant	37.96
Transport	37.71
ICT	37.67
Financial	52.38
Real Estate	44.44
Other Serv	35.65

BCI: Fifth round: Jul-Sep 2021

Category	Value
RMG	51.84
Textile	50.09
Leather	51.88
Pharma	51.44
Food	54.69
Light Eng	45.08
Other Man	47.92
Wholesale	46.51
Retail	47.87
Restaurant	53.47
Transport	44.34
ICT	49.83
Financial	55.50
Real Estate	48.48
Other Serv	44.21

Source: Authors' estimation based on SANEM BCI survey

Present Business Status Index (quarter) by firm sizes

As the literature suggests, the coping capacities of large firms during recessions are much higher than the small and medium firms. Several factors put the large firms in a better position during such a crisis like – (i) greater access to finances and stimulus packages (a strong bank client relationship), (ii) higher bargaining powers, (iii) well-established business network, (iv) a more diversified market reach, etc. A reflection of such advantages of the large firms over the small and medium firms can be observed from the PBSI scores of the firms by their sizes (Figure 22).

Large firms are observed to have a higher PBSI (quarter), standing at 48.42 - which is also greater than the overall PBSI. Followed by this is the PBSI of medium firms at 43.75, and micro and small firms at 39.70. This shows that large businesses have been better off than micro and small ones throughout the pandemic.

Figure 22: PBSI (quarter) score in the fifth round by firm sizes
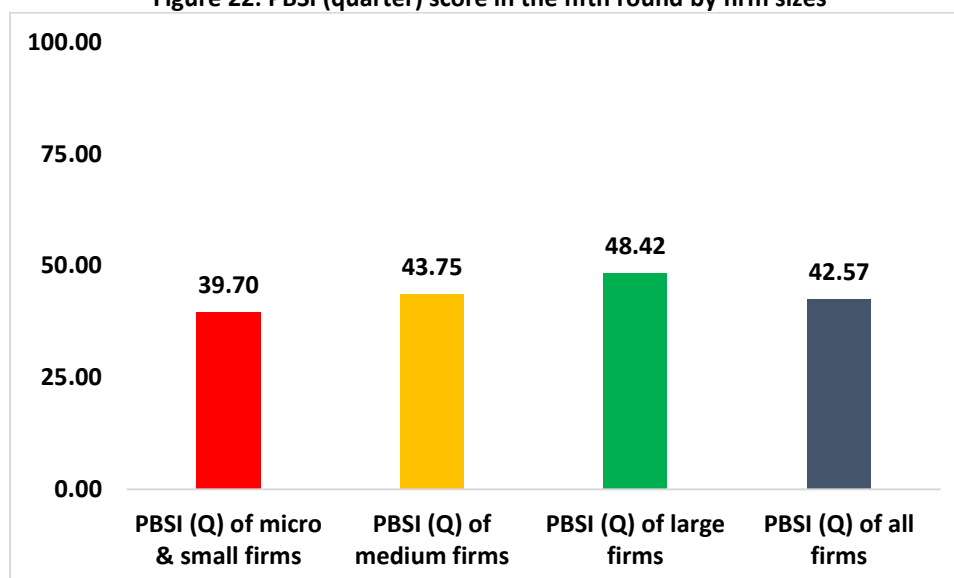
Source: Authors' estimation based on SANEM BCI (fifth round) survey

However, mere observations of the mean differences between the large firms and others do not necessarily imply statistically significant distinctions. With this in mind, all the firms were recategorized between Large firms (142 firms) and Micro, Small, and Medium Enterprises (MSMEs, 359 firms) (Table 3).

It is observed that the overall PBSI (quarter) at the firm level is significantly higher for the large firms (mean score of 48.42) compared to the MSMEs (mean score of 40.26). Most sub-indicators have a statistically significant and higher score for large firms. The greatest difference across all sub-indicators is observed in sales/exports, where the mean PBSI is 14.30 percentage points higher. While the business costs sub-indicator is higher for larger firms, the difference is marginal and not statistically significant - this implies that firms of all sizes have not made much improvement in business costs for the April-June 2021 quarter compared to the previous quarter.

Table 3: t-test on the PBSI (quarter) score by firm sizes

PBSI Indicators	Obs (MSMEs)	Obs (Large)	Mean (MSMEs)	Mean (Large)	diff	Standard Error	t-value	p-value
PBSI Firm***	359	142	40.26	48.42	-8.15	0.991	-8.250	0.000
PBSI Profit***	359	142	35.10	44.90	-9.80	2.178	-4.500	0.000
PBSI Investment***	359	142	45.13	54.75	-9.63	1.752	-5.500	0.000
PBSI Employment***	359	142	43.73	52.47	-8.73	1.357	-6.450	0.000
PBSI Wages***	359	142	48.47	54.05	-5.58	1.089	-5.150	0.000
PBSI Business Costs	359	142	31.69	32.57	-0.89	1.601	-0.550	0.581
PBSI Sales/Exports***	359	142	37.47	51.76	-14.30	2.090	-6.850	0.000

Source: Authors' estimation based on SANEM BCI (fifth round) survey

Present Business Status Index (quarter) by broad-sector

In terms of sectors, manufacturing firms are observed to have a higher PBSI (quarter) (43.79), compared to services firms (41.31) (Figure 23). This means that manufacturing firms have a somewhat better business status in the April-June 2021 quarter compared to services firms.

Figure 23: PBSI (quarter) score in the fifth round by broad-sector
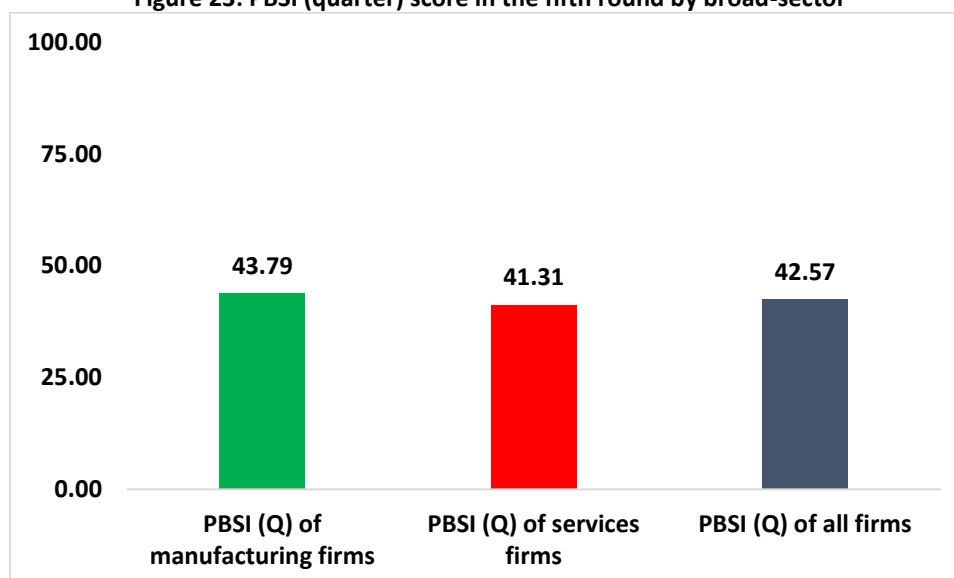
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Observing the PBSI indicators, it can be seen that the PBSI (quarter) is statistically significant for the employment, wages and sales/exports indicators (Table 4). Besides business costs (which does not hold statistical significance), all indicators have a higher score for manufacturing firms - the most notable of which is sales/exports, where the mean PBSI is 4.90 percentage points higher.

Table 4: t-test on the PBSI (quarter) score by broad-sector

PBSI Indicators	Obs (Manu)	Obs (Serv)	Mean (Manu)	Mean (Serv)	diff	Standard Error	t-value	p-value
PBSI Firm**	255	246	43.79	41.31	2.48	1.008	2.450	0.014
PBSI Profit	255	246	39.41	36.28	3.13	1.967	1.600	0.112
PBSI Investment	255	246	48.14	47.56	0.58	1.762	0.350	0.744
PBSI Employment**	255	246	47.55	44.82	2.73	1.385	1.950	0.049
PBSI Wages***	255	246	51.96	48.07	3.89	0.992	3.900	0.000
PBSI Business Costs	255	246	31.77	32.11	-0.35	1.534	-0.250	0.820
PBSI Sales/Exports**	255	246	43.92	39.03	4.90	1.999	2.450	0.015

Source: Authors' estimation based on SANEM BCI (fifth round) survey

Present Business Status Index (quarter) by export status

Exporter firms have a higher PBSI (quarter) (46.34) compared to non-exporter firms (40.26) (Figure 24), meaning that firms that engage in export have seen a greater recovery in this quarter.

Figure 24: PBSI (quarter) score in the fifth round by export status
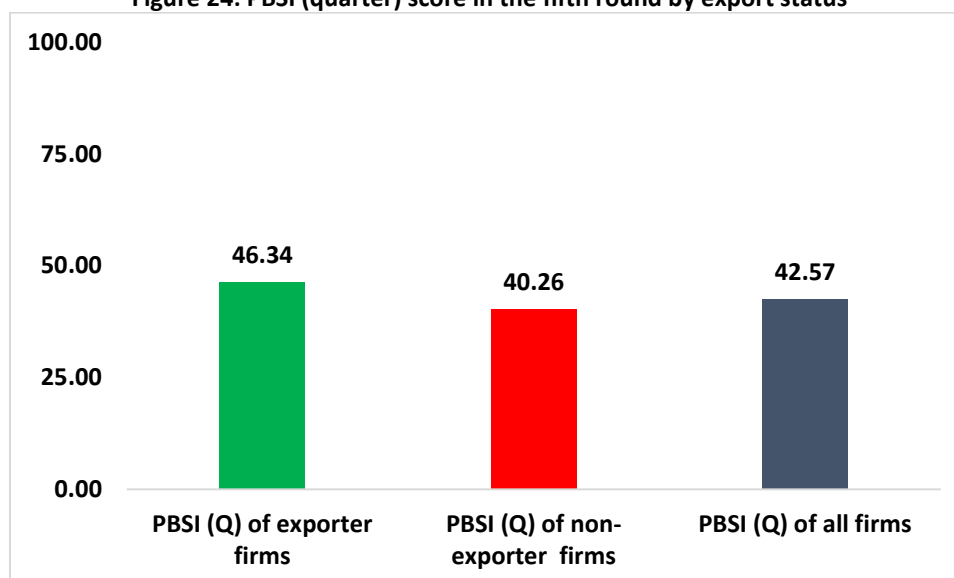
Source: Authors' estimation based on SANEM BCI (fifth round) survey

The PBSI (quarter) is statistically significant for all indicators, except business costs (Table 5). All indicators have a higher score for exporter firms - the greatest difference being between the mean PBSI score for sales/exports (12.02 percentage points).

Table 5: t-test on the PBSI (quarter) score by export status

PBSI Indicators	Obs (Non-exporter)	Obs (Exporter)	Mean (Non-exporter)	Mean (Exporter)	diff	Standard Error	t-value	p-value
PBSI Firm***	310	191	40.26	46.34	-6.08	0.978	-6.200	0.000
PBSI Profit***	310	191	34.19	43.85	-9.66	2.006	-4.800	0.000
PBSI Investment***	310	191	45.73	51.31	-5.58	1.779	-3.150	0.002
PBSI Employment***	310	191	44.52	48.95	-4.44	1.359	-3.250	0.001
PBSI Wages***	310	191	48.31	52.88	-4.57	0.974	-4.700	0.000
PBSI Business Costs	310	191	31.86	32.07	-0.21	1.540	-0.150	0.890
PBSI Sales/Exports***	310	191	36.94	48.95	-12.02	1.999	-6.000	0.000

Source: Authors' estimation based on SANEM BCI (fifth round) survey

Present Business Status Index (quarter) by location

In the measurement of PBSI (quarter) by location, the score for Dhaka firms in the fifth round is higher, standing at 44.64 (Figure 25). Non-Dhaka firms are slightly behind at 41.61. This is likely due to the higher level of business activity and resources available in the capital city.

Figure 25: PBSI (quarter) score in the fifth round by location
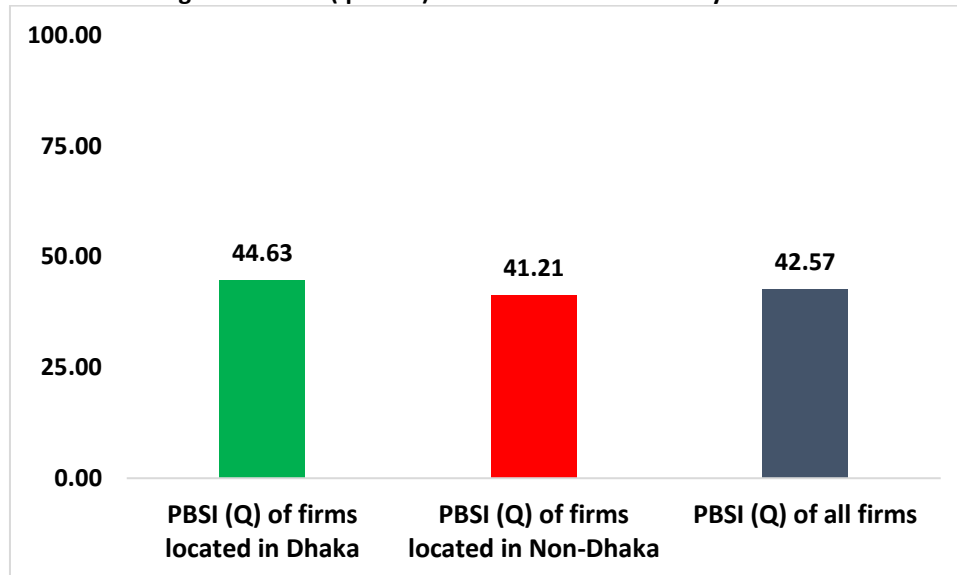
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Here, the PBSI (quarter) is statistically significant for all indicators, except wages and business costs (Table 6). All the PBSI indicators have a higher score for Dhaka firms, compared to non-Dhaka firms; the largest gap is observed in the profit indicator (6.24 percentage points).

Table 6: t-test on the PBSI (quarter) score by location

PBSI Indicators	Obs (Non-Dhaka)	Obs (Dhaka)	Mean (Non-Dhaka)	Mean (Dhaka)	diff	Standard Error	t-value	p-value
PBSI Firm***	301	200	41.21	44.63	-3.42	1.016	-3.350	0.001
PBSI Profit***	301	200	35.38	41.63	-6.24	2.000	-3.100	0.002
PBSI Investment*	301	200	46.60	49.75	-3.16	1.793	-1.750	0.079
PBSI Employment**	301	200	45.10	47.88	-2.78	1.332	-2.100	0.037
PBSI Wages	301	200	49.42	51.00	-1.58	1.004	-1.550	0.116
PBSI Business Costs	301	200	31.40	32.75	-1.36	1.561	-0.850	0.386
PBSI Sales/Exports***	301	200	39.37	44.75	-5.38	2.035	-2.650	0.009

Source: Authors' estimation based on SANEM BCI (fifth round) survey

Firms' expectations versus reality

We need to understand the nature of the gap between firms' expectations and reality as the gap reflects how far the firms' expectations from the realities are, and whether the gap is increasing or falling over the quarters. To understand this, the study calculated the ratios between BCI and PBSI for the report. The explanations of the ratios are as follow:

o **Ratio = 1** indicates that a firm believes that its condition will remain the same in the next quarter compared to what it has in the current quarter

o **Ratio < 1** indicates that a firm believes that its condition will deteriorate in the next quarter compared to what it has in the current quarter

o **Ratio > 1** indicates that a firm believes that its condition will improve in the next quarter compared to what it has in the current quarter

The study further aims to understand whether the gap between expectation and reality is falling as the economy moves towards recovery. This is done with a simple comparison of the ratio among all five rounds of the survey (Figure 26). For all firms, the means of the ratio for the first, second, third, fourth and fifth rounds stands at 2.07, 1.25, 1.22, 0.81 and 1.25 respectively. While it was declining over the first four rounds, it seems to have increased in the fifth round - this implies that the gap between firms' expectations and reality has increased again. The variances of the ratio stood at 3.21, 0.34, 0.14, 0.06 and 0.40 for each round respectively - like the mean, the variance has also seen a shift in trends. The responses of the firms tended further from the means values of the ratio in the fifth round, compared to the fourth round where the variance had been the lowest. This means that while the gap between business expectation and reality regarding the ratio to BCI and PBSI scores decreased greatly in the fourth round, it has increased quite a bit in the fifth round.

Furthermore, at the individual firm level, the convergence of the BCI to PBSI ratio has been illustrated using the five different scatter diagrams (Figure 26). In the first round, the dots were scattered and very far from 1. Compared to the first round, the dots in the second round were observed close to 1. In the third round, the dots were found very close to 1 and even closer in the fourth round. This indicates that the expectations of the firms are getting closer to the realities observed over the quarters. However, in the fifth round, it can be seen that the dots are again quite scattered and further away from 1. This is a change from the sequential progress that was being observed in the first four rounds, likely due to the rise in COVID-19 variants and resulting lockdowns leading to higher uncertainty.

Figure 26: The ratio of BCI and PBSI over quarters

Mean = 2.07
Median = 1.73
Standard deviation = 1.79
Variance = 3.21

Mean = 1.25
Median = 1.14
Standard deviation = 0.59
Variance = 0.34

Mean = 1.22
Median = 1.17
Standard deviation = 0.37
Variance = 0.14

Mean = 0.81
Median = 0.79
Standard deviation = 0.24
Variance = 0.06

Mean = 1.25
Median = 1.14
Standard deviation = 0.63
Variance = 0.40
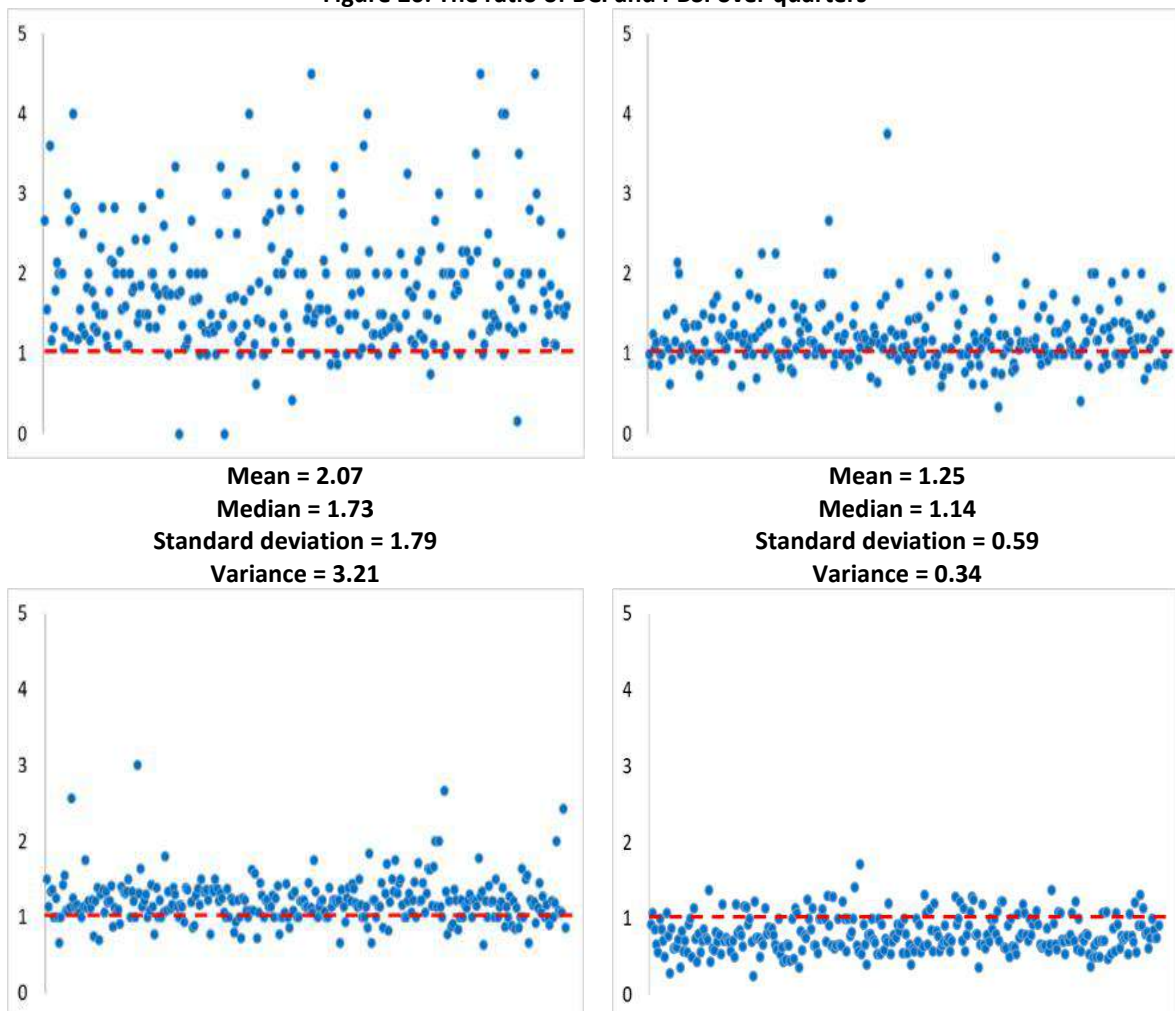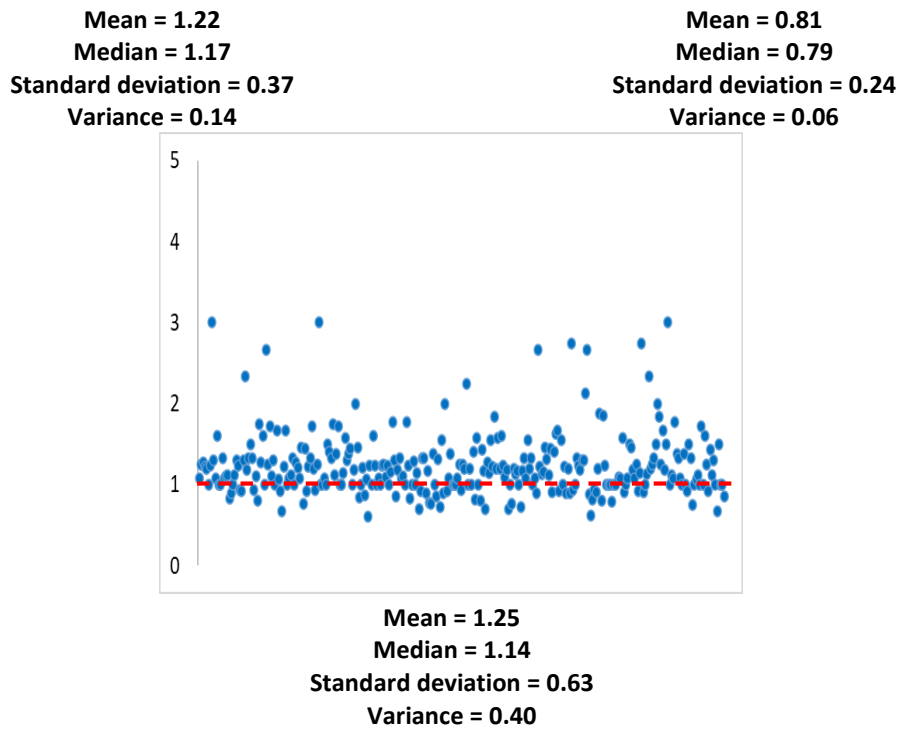
Source: Authors' estimation based on SANEM BCI survey

Firms' coping strategies during April-June 2021

The fifth round of the survey also attempts to shed a light on the measures taken by firms to cope with the pandemic and its effects during their recovery process (Figure 27). The most common strategy was to use the firms' own savings to finance its costs, with 65.7% of firms implementing this. Other common strategies included borrowing or taking out loans (28.1%) and laying off employees (19.0%). Only a small proportion of firms decreased employee wages or changed the location of their factories. Most notably, only 17.8% of firms coped using government distributed stimulus packages - this is concerning as a low percentage might mean that the packages were not effectively distributed or were not adequate.

Figure 27: Firms' coping strategies during April-June 2021
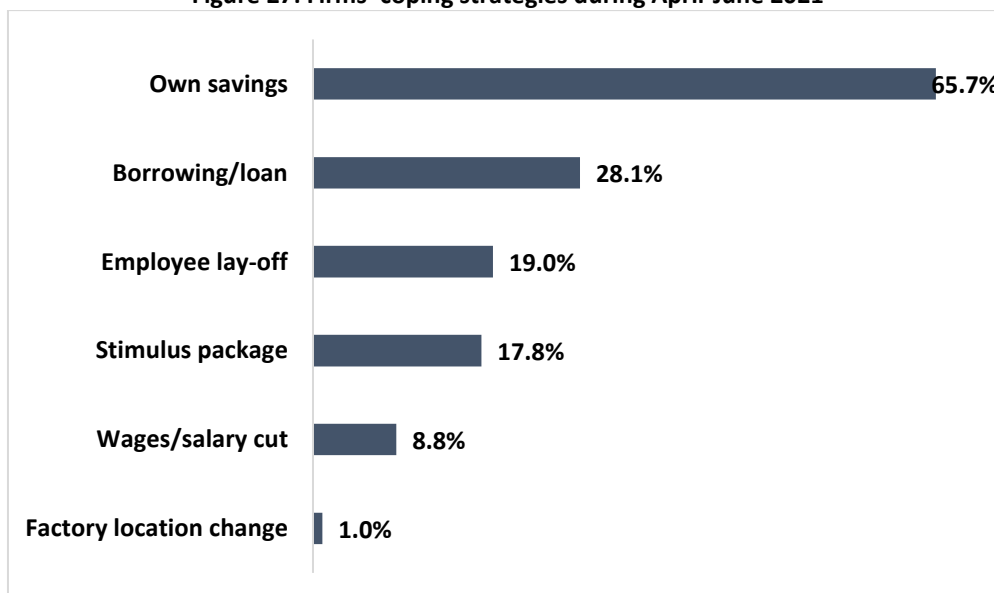
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Section V: Status on the Stimulus Packages

The Government of Bangladesh (GoB) has announced several stimulus packages for firms both in the manufacturing and service sectors to combat the economic shock arising from the COVID-19 pandemic. This section focuses on the firm-level opinion about the availability and effectiveness of the incentives, problems in availing of stimulus packages as well as reasons for not availing stimulus packages.

Status on stimulus packages

To understand what percentage of surveyed firms availed the incentive packages, respondents in the survey were asked whether the firms have received the stimulus package or not. Around 21 per cent of them stated that they have received the stimulus package in the fifth round (Figure 28), which was 22 per cent in the earlier round. Although 60 firms from the fourth round (out of 503 firms) dropped in the fifth round and were replaced by new firms in the fifth round, the overall percentage of stimulus recipients has stagnated at around 21-22 per cent during this period. 69 per cent of respondents in the fourth round of the survey said that they did not avail any of the stimulus packages, while the rate was 65 per cent in the fifth round.

Figure 28: Status of stimulus package receipt
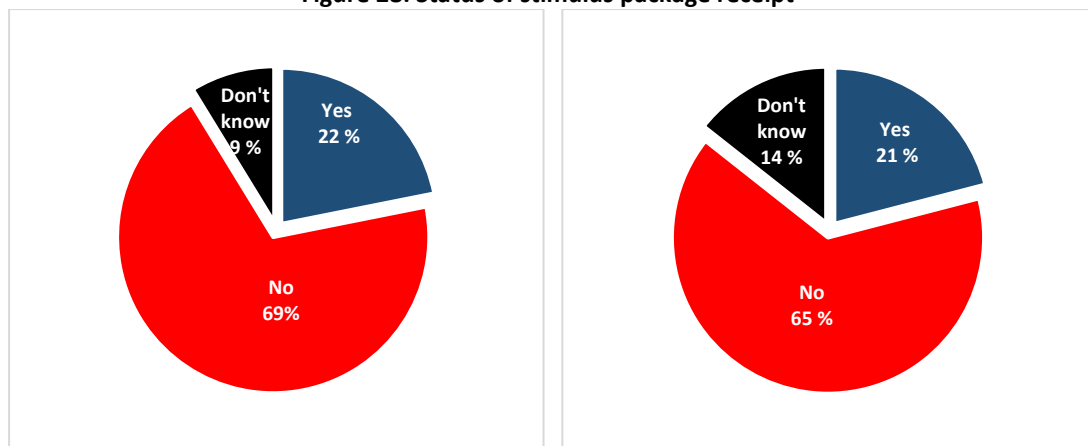
Source: Authors' estimation based on SANEM BCI (fifth round) survey

The study also attempted to explore how many firms received stimulus packages in the fifth round who did not avail in the earlier round (Figure 29). There were around 348 firms who did avail any of stimulus packages in the fourth round of the survey. Among them, only 6 per cent got the incentive in this round.

Figure 29: Availing the stimulus who did not avail in the earlier round

Recipient (20)
6%

Non-recipient
(328) 94%
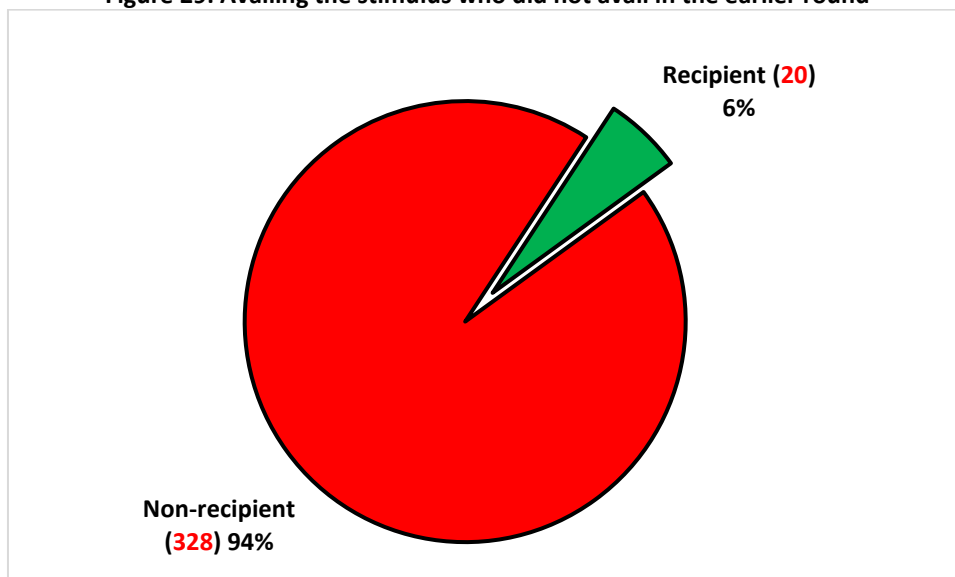
Source: Authors' estimation based on SANEM BCI (fourth & fifth round) survey

The sub-sectorial analysis of the firms shows that the RMG and Textile sectors have a higher percentage of recipients (52% and 36% respectively) than any other sub-sector (Figure 30). Leather (30%) and Financial (28%) sectors got a significant number of recipients. Food, Pharmaceutical and Chemicals, and Light Engineering sectors comprise 23%, 15% and 14% incentive-recipient firms, respectively. We observe that most of the incentives went to manufacturing, compared to the service sector.

Figure 30: Percentage of firms receiving benefits by sub-sectors
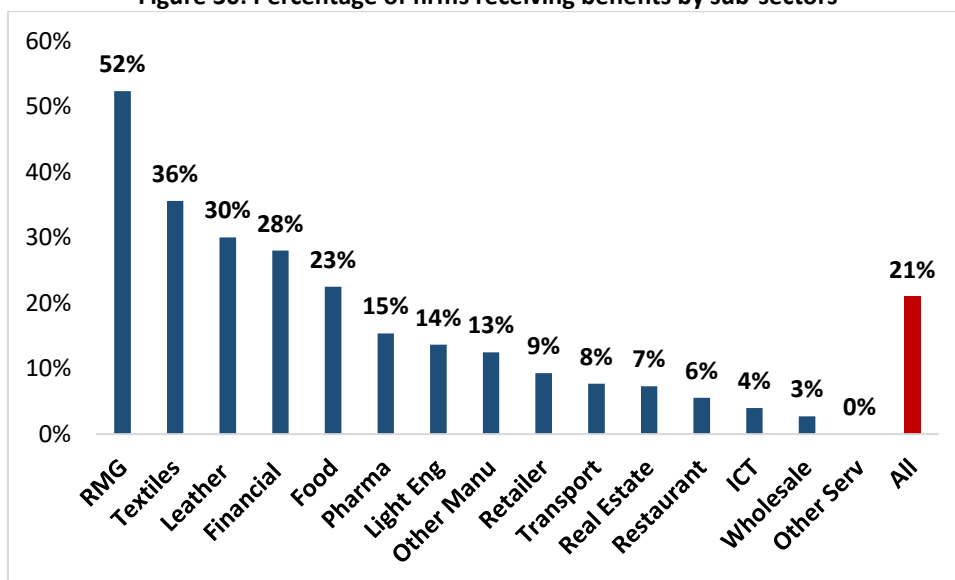
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Data regarding the percentage of firms receiving an incentive for the first time in this quarter reveals that the manufacturing sector is still dominating in terms of receiving stimulus packages (Figure 31). Leather firms have the highest percentage of first-time recipients, standing at 22%. 18% of firms in the RMG sector received the package, followed by Other Manufacturing (15%), Food (15%) and Financial (13%) sectors. Wholesale, Restaurants, Real Estate and Other Services did not avail any packages. Regrettably, a very small proportion of the Light Engineering sector (6%) availed of the stimulus package despite being a potential industry to contribute to the economic growth of Bangladesh.

Figure 31: Percentage of firms by sectors who availed the stimulus package for the first time
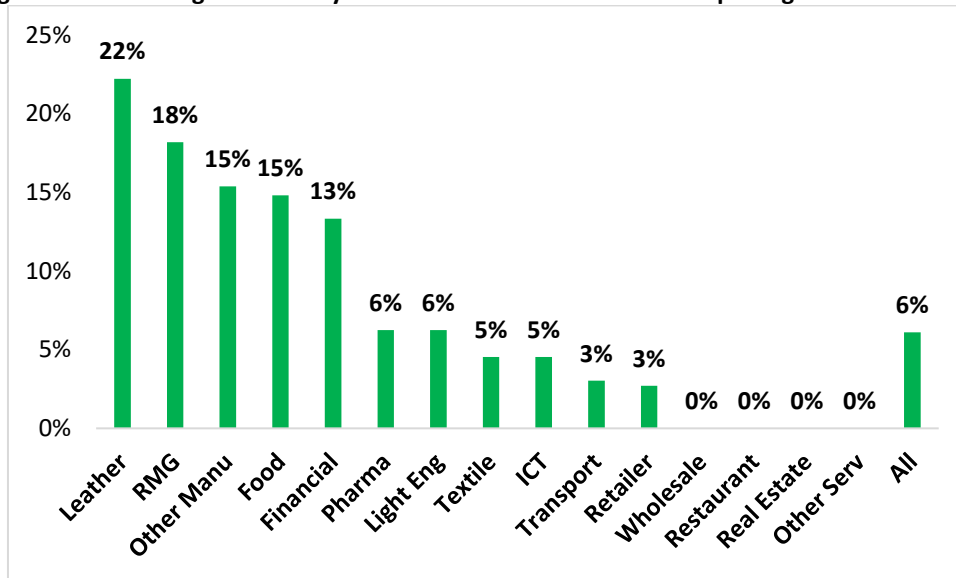
Source: Authors' estimation based on SANEM BCI (fourth & fifth round) survey

A positive relationship is observed between firm size and the status of availing the stimulus package (Figure 32). 9% of the micro and small firms received stimulus packages, whereas for the large and medium firms the percentages were 45% and 24% respectively. This is in line with the trends seen in the previous rounds. While this is also seen in the case of first-time recipient firms, there are no medium-sized firms that have availed of the package (Figure 33).

Figure 32: Percentage of firms receiving stimulus by firm-sizes
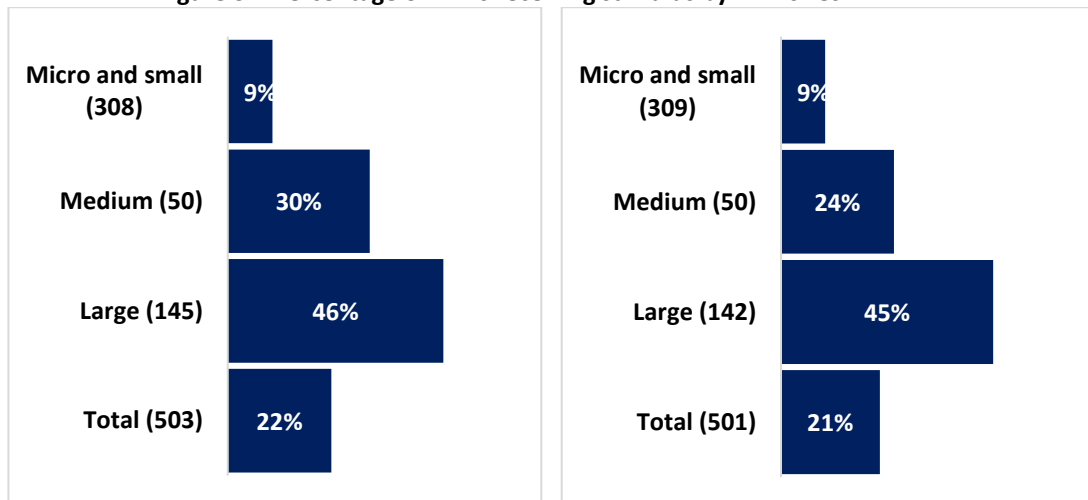
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Figure 33: Distribution of firms by sizes who availed the stimulus package for the first time

Category	Percentage
Micro and small (253)	4%
Medium (32)	0%
Large (63)	17%
Total (348)	6%
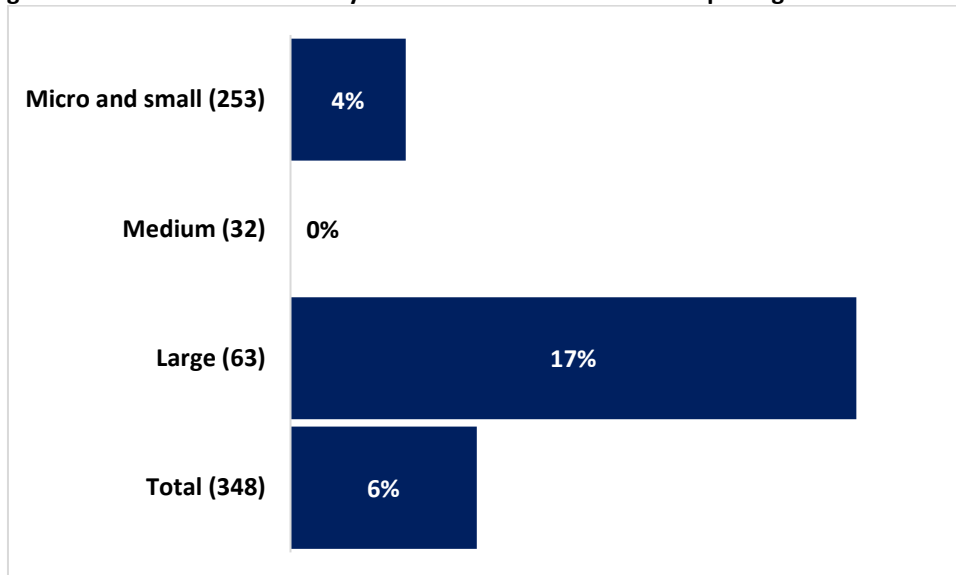
Source: Authors' estimation based on SANEM BCI (fourth & fifth round) survey

Problems in availing of the stimulus package

The recipient firms or the firms that tried to receive the packages were asked to identify the problems they faced in acquiring them (Figure 34). The respondents were asked to choose from five alternatives: strongly disagree, disagree, neither disagree nor agree, agree, strongly agree. The responses were later clustered into three categories: Disagree, Neither Agree nor Disagree, and Agree.

Many of the respondents (63% out of 150 firms) who replied to the "lengthy procedure" question, marked it as a major problem they faced in attaining the packages (Figure 34). 'Difficulty due to bank-related services' was identified as a major problem by 56% of the respondents (out of 144 firms). 33% of respondents (out of 116 firms) replied that difficulty in obtaining the information or understanding the procedure for availing the packages was one of the major problems.

Figure 34: Reasons for not availing of the stimulus packages in the fourth round survey

Reason	Agree	Neither agree nor disagree	Disagree
Lengthy procedure (n=167)	78%	9%	13%
Difficulty due to bank related services (n=169)	67%	9%	24%
Difficulty in understanding the procedure of application (n=145)	41%	24%	34%
The amount is not sufficient (n=142)	15%	25%	60%
Asked for bribes (n=139)	6%	32%	62%
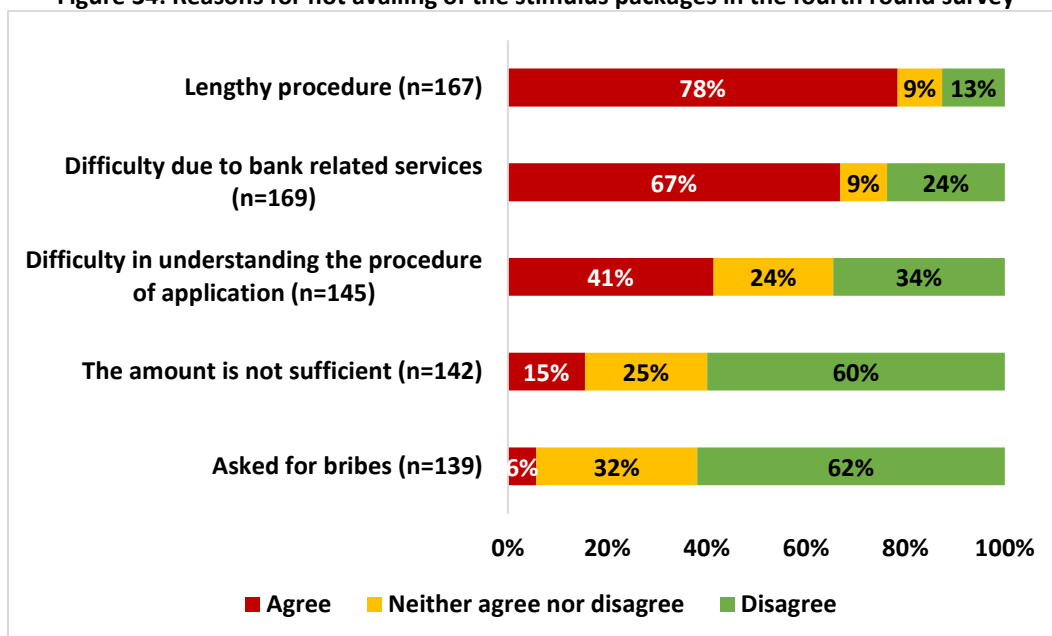
Source: Authors' estimation based on SANEM BCI (fourth round) survey

We can see an improvement from the previous quarter (Figure 35) in the case of these three problems. 21% of the respondents (out of 142 firms) think that the announced stimulus package is not adequate. 12% of the respondents (out of 123 firms) identified bribes as a problem- this indicates the rise in corruption from the previous period as this percentage has almost doubled.

Figure 35: Reasons for not availing of the stimulus packages in the fourth round survey
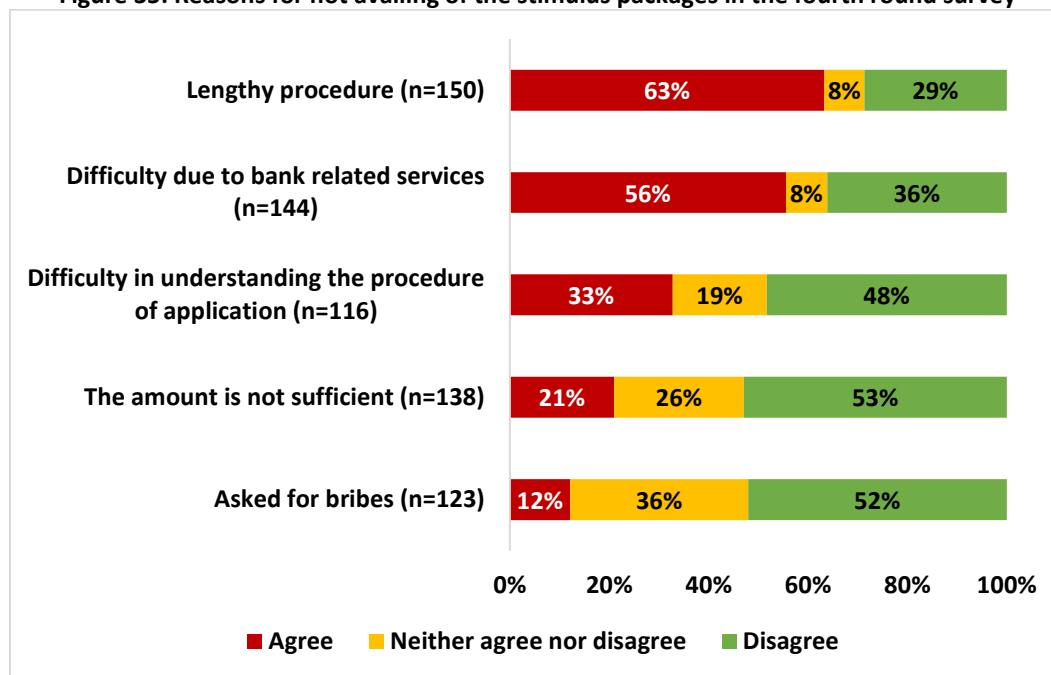
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Reasons for not availing stimulus packages

Firms that did not avail of the stimulus package were asked to identify the reasons for not availing of them. The respondents were given five alternatives: strongly disagree, disagree, neither agree nor disagree, agree, and strongly agree. Afterwards, the five alternatives are further clustered into three: agree, neither agree nor disagree, and disagree.

Out of 158 respondents, 75% (Figure 36) did not consider the stimulus package as a grant, it seemed like a loan to them which was a disincentive. Nonetheless, we can see an improvement in the situation as it is less than the previous quarter. A lot of firms (79% of 136 respondents) did not avail of the package as they considered the process to be lengthy. Difficulty with bank-related services was the reason for not availing the package for 72% of 131 respondents, indicating a decline in the performance of the service than the previous quarter. 67% of 167 firms replied that there were no stimulus packages for their industry - this percentage is lower than that of the previous quarter. Hence, firm inclusivity in terms of the package has risen in this quarter. 50% of 127 respondents have not applied due to the difficulty in obtaining information and understanding the process - this is worse than before. For 36% of 116 respondents, the amount of the package was not sufficient. Bribing has been identified as a hindering factor to avail the stimulus package for more than three times the number of firms (29% of 109) than the previous quarter (Figure 37). Almost half of the firms expressed their answer as "neither agree nor disagree", which may be due to the respondents being hesitant to speak about such an issue.

Figure 36: Problems in availing stimulus packages in the fourth round survey

Problem	Agree	Neither agree nor disagree	Disagree
The incentive package is not a grant (n=190)	89%	10%	1%
Leanthy procedure (n=158)	79%	18%	3%
No packages for your industry (n=212)	75%	13%	12%
Difficulty due to bank related services (n=168)	61%	29%	10%
Difficulty in information/understanding the procedure (n=154)	47%	35%	18%
The amount is not sufficient (n=149)	17%	37%	46%
Bribes are involved (n=148)	7%	65%	28%

■ Agree ■ Neither agree nor disagree ■ Disagree
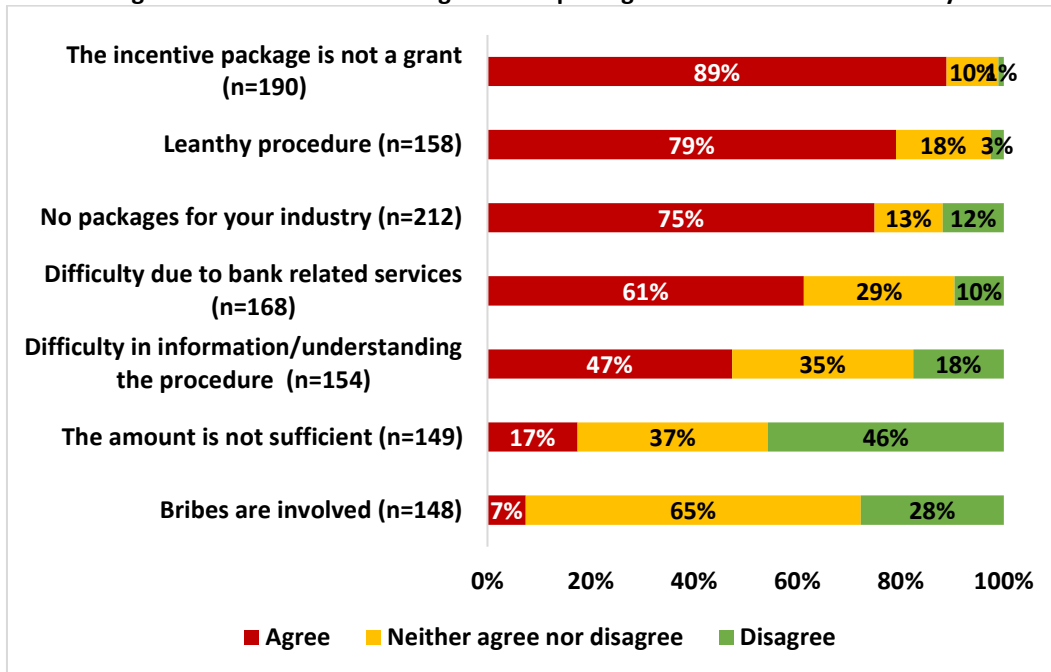
Source: Authors' estimation based on SANEM BCI (fourth round) survey

Figure 37: Problems in availing stimulus packages in the fifth round survey

Problem	Agree	Neither agree nor disagree	Disagree
Leanthy procedure (n=136)	79%	16%	4%
The incentive package is not a grant (n=158)	75%	20%	5%
Difficulty due to bank related services (n=131)	72%	24%	4%
No packages for your industry (n=165)	67%	18%	15%
Difficulty in information/understanding the procedure (n=127)	50%	31%	18%
The amount is not sufficient (n=116)	36%	45%	19%
Bribes are involved (n=109)	29%	47%	24%

■ Agree ■ Neither agree nor disagree ■ Disagree
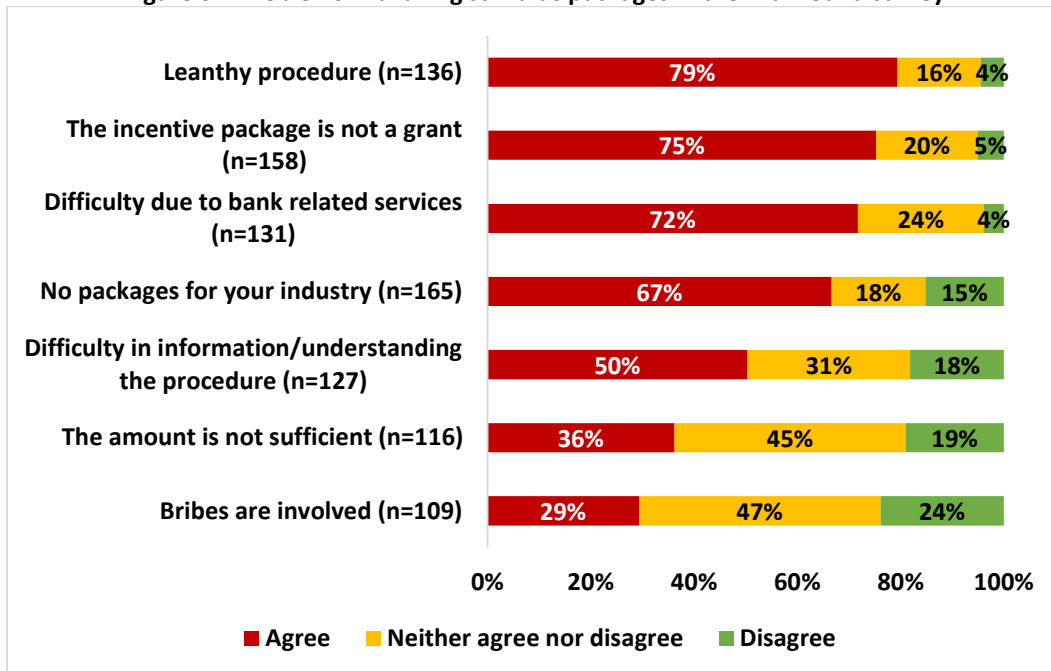
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Impact of the stimulus packages

An interesting connection can be observed between PBSI and the recipient status of the firms. PBSI of the recipient firms (47.70) is higher than the PBSI of non-recipient firms and the overall PBSI (42.57) (Figure 38).

Figure 38: PBSI (quarter) score in the fifth round by the status of stimulus receipt
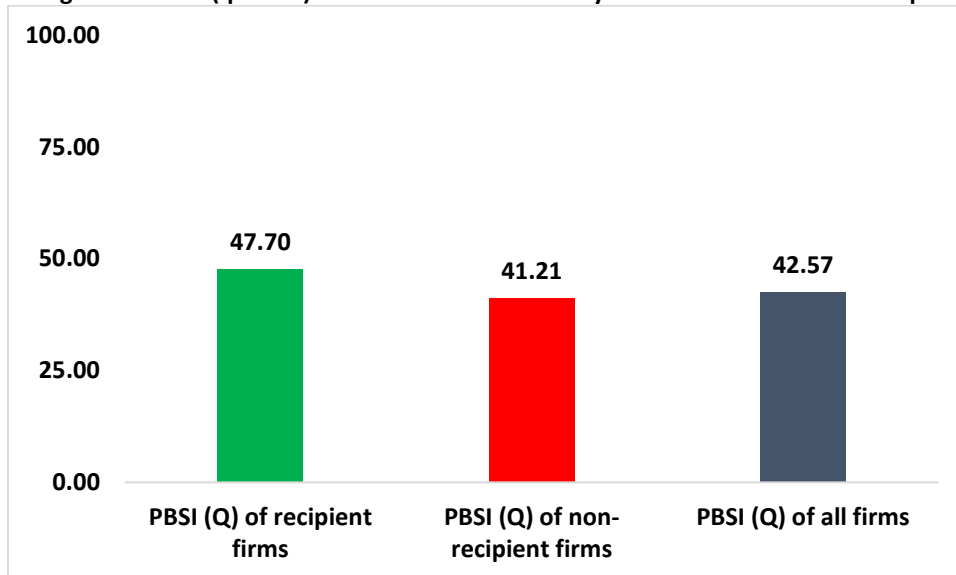
Source: Authors' estimation based on SANEM BCI (fifth round) survey

We can observe this difference in more detail when looking into the PBSI sub-indicators (Table 7). The firms that received the stimulus packages have higher mean values across all sub-indicators. That is, the stimulus recipient firms have performed better than the firms who did not receive the packages amid the pandemic. In the case of the employment sub-indicator, the firms who received the incentive packages have a 5.40 percentage points higher score compared to the firms who did not receive the packages. Regarding the profit sub-indicator, the incentive package recipient firms have a 9.62 percentage point higher score than non-recipient firms. This difference is much higher than that of the previous quarter.

Table 7: t-test on the PBSI (quarter) score by the status of stimulus receipt

PBSI Indicators	Obs (Recipient)	Obs (Non-recipient)	Mean (Recipient)	Mean (Non-recipient)	diff	Standard Error	t-value	p-value
PBSI Firm***	105	396	47.70	41.21	6.48	1.168	5.550	0.000
PBSI Profit***	105	396	45.48	35.86	9.62	2.526	3.800	0.000
PBSI Investment***	105	396	52.62	46.59	6.03	2.075	2.900	0.004
PBSI Employment***	105	396	50.48	45.08	5.40	1.462	3.700	0.001
PBSI Wages***	105	396	52.38	49.43	2.95	1.046	2.800	0.005
PBSI Business Costs	105	396	33.10	31.63	1.47	1.883	0.800	0.437
PBSI Sales/Exports***	105	396	52.14	38.70	13.44	2.406	5.600	0.000

Source: Authors' estimation based on SANEM BCI (fifth round) survey

Section VI: Economic Recovery

Like other countries in the world, the economy of Bangladesh has experienced economic downturns followed by the consecutive waves of the COVID-19. In early 2021, a countrywide lockdown like that of the first wave has been imposed - this may affect trade and overall production in the economy. The study, therefore, took the opinions of businesses regarding their perceptions on the status of economic recovery in this survey. More specifically, they have been asked about the factors that have affected economic recovery and whether they could recover the losses caused by the pandemic.

Status on economic recovery

The 501 firms who participated in the fifth round of the survey were asked about their expectation of economic recovery based on the current situation. The respondents were given three options to choose from: strong, moderate and weak recovery. In comparison to the previous quarter's survey response, there is no significant change in the perception of the firms (Figure 39) - the majority of the firms expect a weak recovery (64%), and some expect moderate recovery (27%). However, the expectation of strong recovery has increased from 2% to 9% - the only significant change we can observe here. A similar trend in the firms' expectation on economic recovery can be attributed to the coping mechanisms of the firms which they have developed over the pandemic period.

Figure 39: Recovery status (type of recovery)

Figure 39. a: Recovery status in April 2021   **Figure 39 .b: Recovery status in July 2021**
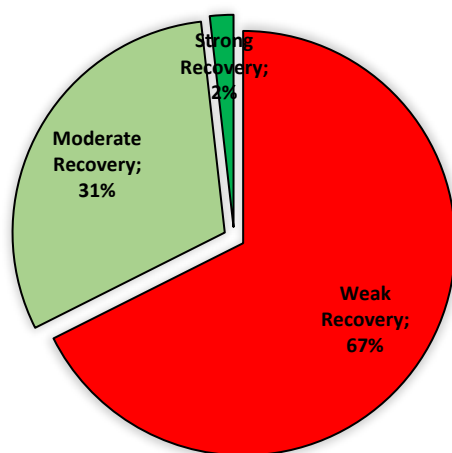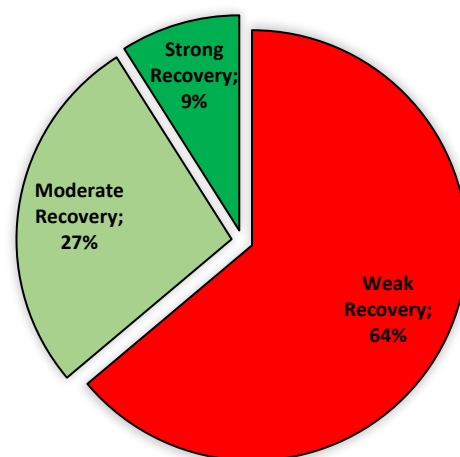
Source: Authors' estimation based on SANEM BCI (fourth & fifth round) survey

While looking at the firms' perception of economic recovery, we can observe a pattern in regards to the firm size (Figure 40). Most of the micro and small size firms expect weak recovery (73%) and it is no different for the medium-size firms (72%). A significant percentage of large firms expect either weak (45%) or medium (42%) recovery. An approximately 4 times increase in the expectation from large firms for strong recovery (13%) between the two quarters indicates an improvement of their confidence (Figure 41). Although low, the micro and small, along with the medium size firms, have also raised their expectations of strong recovery (7% & 6% respectively).

Figure 40: Type of recovery by firm sizes in April 2021

Micro and Small: Weak Recovery 73%, Moderate Recovery 26%, Strong Recovery 1%
Medium: Weak Recovery 72%, Moderate Recovery 26%, Strong Recovery 2%
Large: Weak Recovery 54%, Moderate Recovery 43%, Strong Recovery 3%
Total: Weak Recovery 68%, Moderate Recovery 31%, Strong Recovery 2%

Legend: ■ Weak Recovery ■ Moderate Recovery ■ Strong Recovery ■ Total
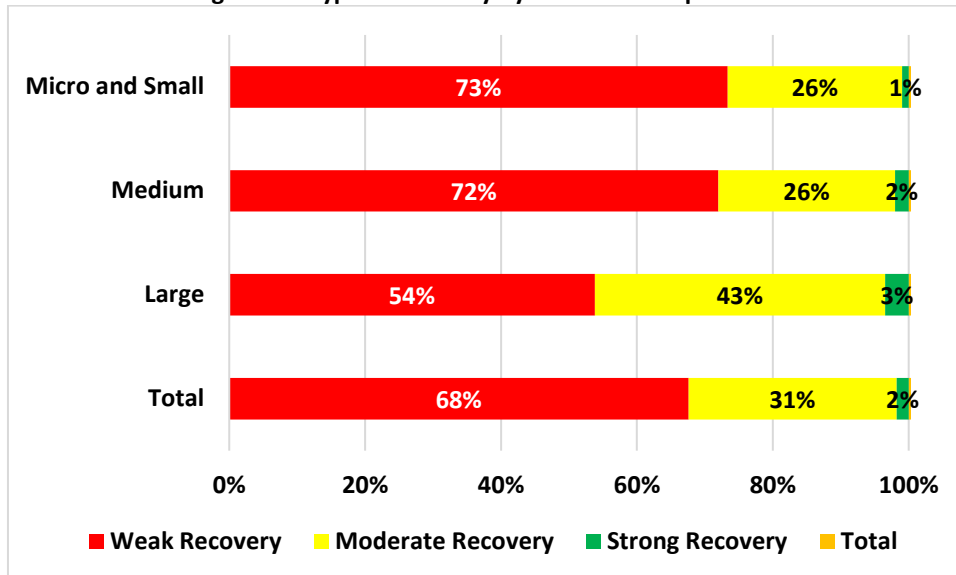
Source: Authors' estimation based on SANEM BCI (fourth round) survey

Figure 41: Type of recovery by firm sizes in July 2021

Micro and Small: Weak Recovery 73%, Moderate Recovery 20%, Strong Recovery 7%
Medium: Weak Recovery 62%, Moderate Recovery 32%, Strong Recovery 6%
Large: Weak Recovery 45%, Moderate Recovery 42%, Strong Recovery 13%
Total: Weak Recovery 64%, Moderate Recovery 27%, Strong Recovery 9%

Legend: ■ Weak Recovery ■ Moderate Recovery ■ Strong Recovery ■ Total
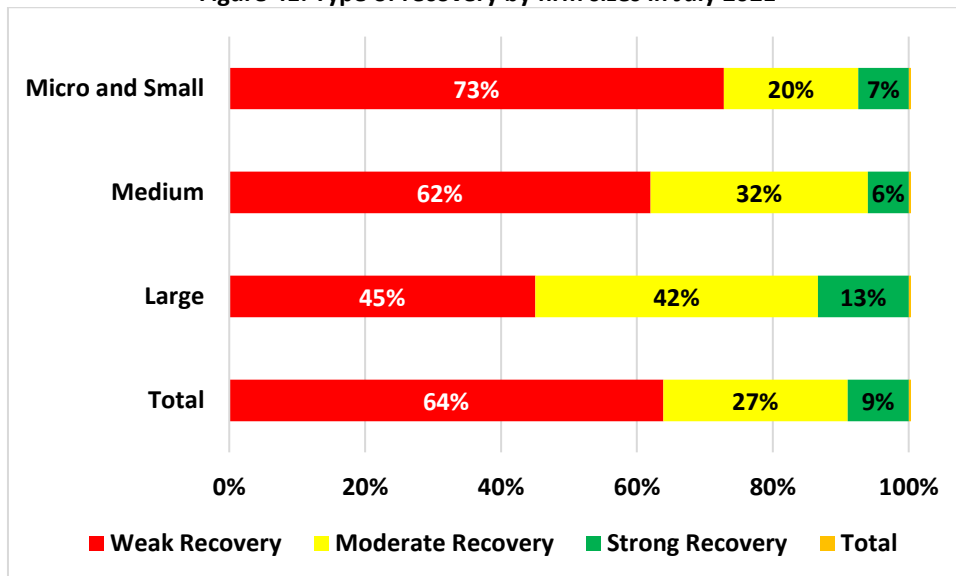
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Contributing factors to the overall economic recovery

Firms were asked to identify the level of contribution to the overall economy of multiple indicators. The respondents were given four options: strong, moderate, low and no contribution. A high percentage of respondents (76% of 290 firms) chose foreign remittance as a strong contributor to the economic recovery (Figure 42). It is much higher than that of the fourth round, which indicates a better environment in the world economy. The vaccination program has been identified as a strong contributing factor by a large group of respondents (65% of 297), implying an improvement in the program taken by the GoB. 69% and 29% of 289 firms referred to the export of goods and services as strong and moderate contributors, respectively. Banks' credit to the private sector also got a higher percentage of reference (61% & 30% of 284 firms) as a strong and moderate contributing factor than before (Figure 43). Management of the Covid-19 upsurge has gotten better, as it is a strong contributor according to 49% of 298 respondents. Other contributing factors such as imports, stimulus package disbursement got a similar response. Though social protection is identified as a strong contributor by

a small percentage of firms (24% of 257 firms), it is better than the fourth round. Regardless, the GoB should take into account social protection to fasten the economic recovery.

Figure 42: Contributing factors to the overall economic recovery in April 2021

Factor	Strong Contribution	Moderate Contribution	Low Contribution	No Contribution
Foreign Remittances (N=473)	61%	31%	8%	
Export of goods and services (N=450)	46%	40%	10%	3%
Bank's credit to the private sector (N=464)	35%	44%	18%	2%
Vaccination programme (N=480)	35%	30%	25%	10%
Management of current upsurge/2nd wave in covid-19 (N=484)	28%	24%	39%	9%
Import of raw materials, goods, and services (N=435)	23%	38%	33%	6%
Existing stimulus package and its disbursement (N=470)	19%	30%	41%	10%
Social protection programme (N=459)	11%	37%	38%	14%

Source: Authors' estimation based on SANEM BCI (fourth round) survey

Figure 43: Contributing factors to the overall economic recovery in July 2021

Factor	Strong Contribution	Moderate Contribution	Low Contribution	No Contribution
Foreign Remittances (N=290)	76%	21%	2%	1%
Export of goods and services (N=289)	69%	29%	1%	1%
Vaccination programme (N=297)	65%	27%	6%	2%
Bank's credit to the private sector (N=284)	61%	30%	7%	2%
Management of current upsurge/ 2nd wave in covid-19 (N=298)	49%	36%	12%	2%
Import of raw materials, goods, and services (N=282)	49%	33%	18%	1%
Existing stimulus package and its disbursement (N=292)	44%	34%	17%	4%
Social protection programme (N=257)	24%	39%	32%	5%

Source: Authors' estimation based on SANEM BCI (fifth round) survey

The extent of firms' economic recovery

This round of the survey continued to check firms' perceived self-recovery from the economic shock, i.e. to what extent they have recovered to their pre-pandemic state. On average, the respondents demonstrated a 57% recovery in March 2021 but this percentage falls to 35% in June 2021 (Figure 44).

This rapid fall of the average economic recovery percentage can be attributed to the upsurge of COVID-19 due to the Delta variant of the virus and the consequent lockdown imposed by the GoB.

Figure 44: To what extent have firms been able to recover their business since 2020
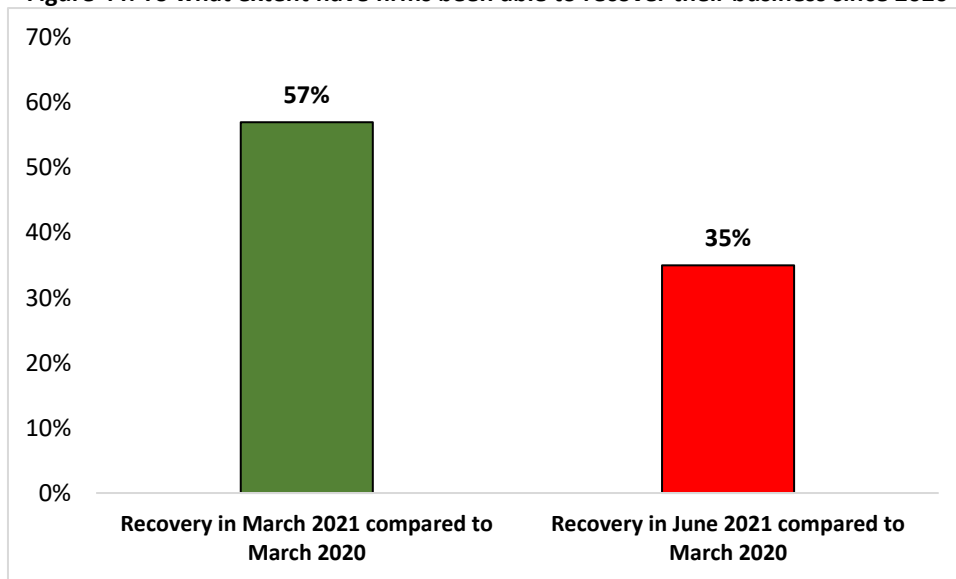
Source: Authors' estimation based on SANEM BCI (fourth & fifth round) survey

Further observations can be made when comparing this to the recovery made in terms of the firm sizes. Large firms could recover 47% to their pre-pandemic state which is higher than medium (40.5%) and micro & small firms (28.3%) (Figure 45). It is interesting to note that the average economic recovery percentage fell more rapidly in the case of the large firms than the medium and micro & small firms.

Figure 45: To what extent firms were able to recover their business since 2020 by firm sizes

Source: Authors' estimation based on SANEM BCI (fourth & fifth round) survey

Section VII: Vaccination Programme

As the pandemic is going to sustain for an uncertain period, vaccination is the only long-term solution to survive in this critical time. Some effective and safe vaccines got developed since the pandemic are now being used to inoculate people in most countries. Bangladesh with the support of the WHO got access to the Oxford-AstraZenca vaccine in February 2021 first. However, the Delta-variant of COVID-19 in India created a crisis in India which affected the vaccine production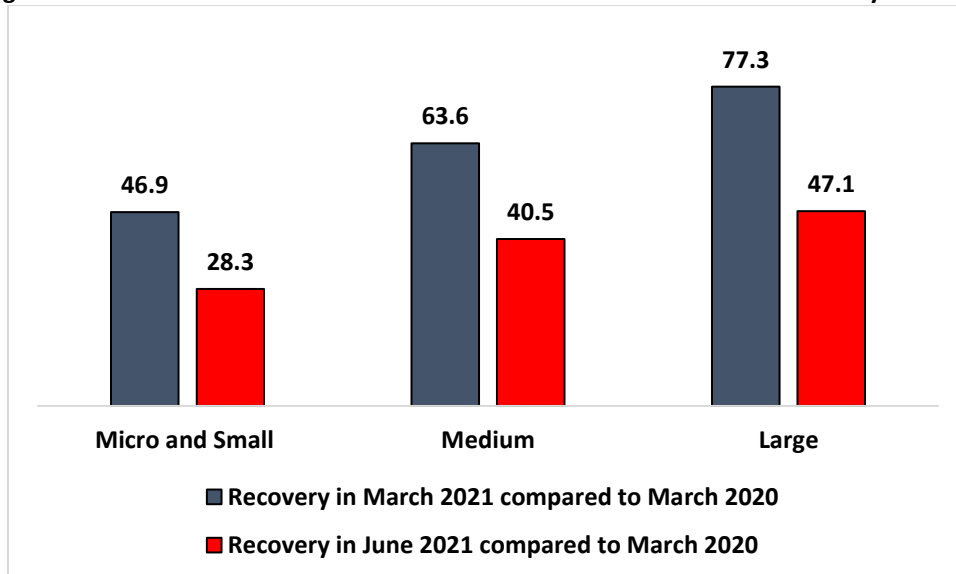 there and Bangladesh faced a shortage of the Oxford-AstraZenca vaccine. In response to that, the GoB started to purchase and collect Sinopharm, Pfizer, Moderna vaccines from several countries. However, the availability of vaccines is still not enough in comparison with the number of people. To make the economy run and move forward, it is urgent to ensure vaccination for both employers and employees. The fifth round survey asked questions about the vaccination programme to the respondents to get a concrete scenario of the manufacturing and service sector stakeholders' vaccination.

Employers' vaccination

When asked whether or not they have taken at least one dose of the vaccine (Figure 46), the majority of the employers had said yes (60%). This is a positive sign in terms of the effectiveness of vaccine distribution.

Figure 46: Whether the respondent (employers) took at least one dose of vaccine
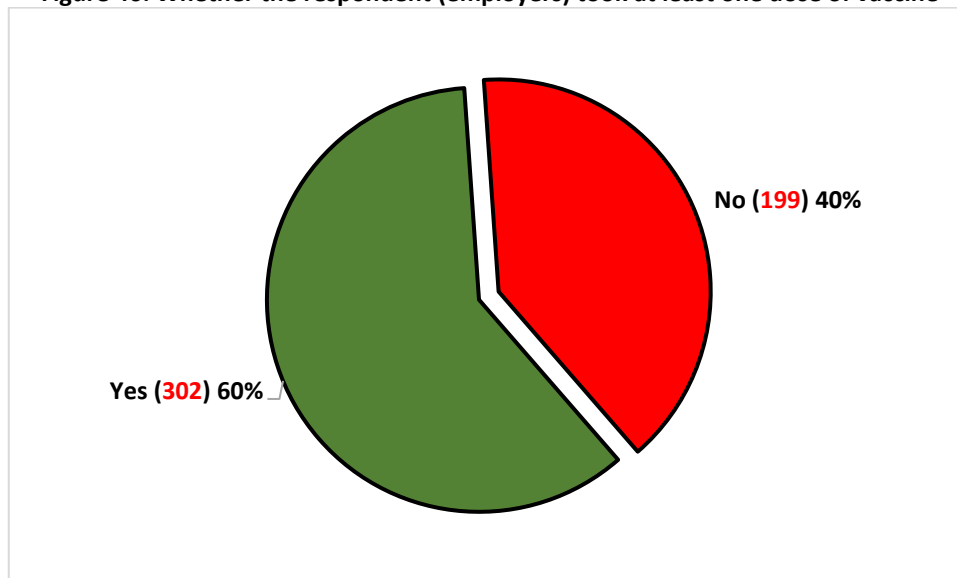
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employers' vaccination by broad-sector

Observing the number of employers with at least one dose in terms of broad sectors (Figure 47), it can be seen that the manufacturing sector has a higher proportion of partially to fully vaccinated employers (69%), whereas in the service sector the percentage is little over a half.

Figure 47: Respondent's vaccination (at least one dose) by broad sector
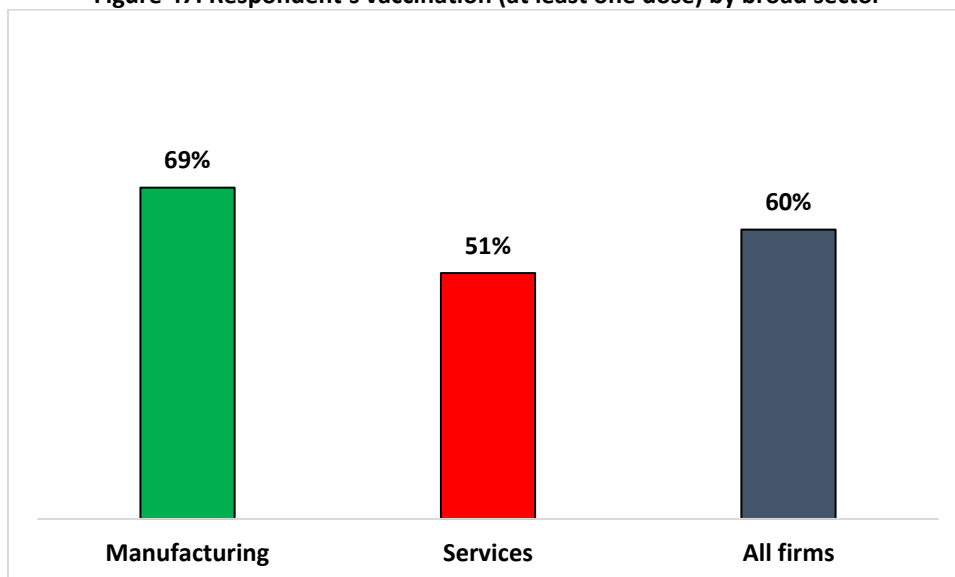
	Manufacturing	Services	All firms
	69%	51%	60%

Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employers' vaccination by sector

Further observations in terms of sub-sectors within manufacturing and services also reveal some interesting results (Figure 48). The financial sector has the highest percentage of partially or fully vaccinated employers, standing at 92%, followed by Textile (87%), Pharmaceuticals (85%), RMG (73%) and Food (60%). On the contrary, the lowest rates are observed for Wholesale (49%), Restaurants (33%), Other Manufacturing (31%) and Retailers (26%) which have more than half of their employers yet to be vaccinated.

Figure 48: Respondent's vaccination (at least one dose) by sector
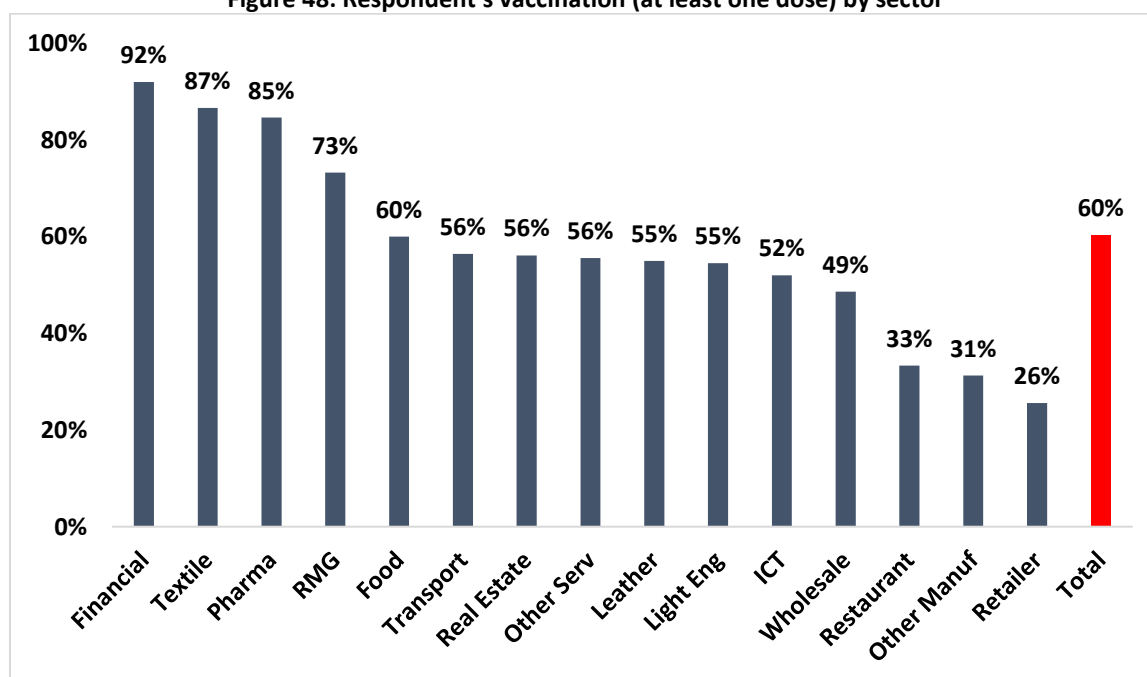
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employers' vaccination by firm sizes

In terms of firm size (Figure 49), micro and small firms seem to be lagging with only 49% of their employers having at least one dose of the vaccine. Medium and large firms have made better progress, with rates of 78% and 79% respectively.

Figure 49: Respondent's vaccination (at least one dose) by firms sizes
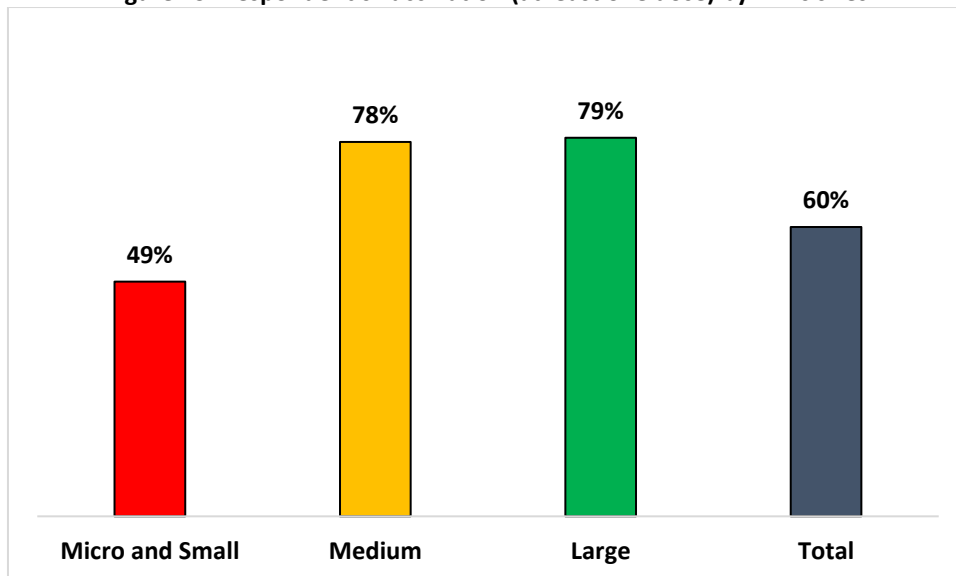
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employers' vaccination by location

Comparing Dhaka and non-Dhaka firms (Figure 50), Dhaka firms have a much higher rate of vaccination among employers (72%) than non-Dhaka firms (52%). This is likely due to the higher allocation and availability of vaccines in Dhaka in comparison to other regions.

Figure 50: Respondent's vaccination (at least one dose) by location
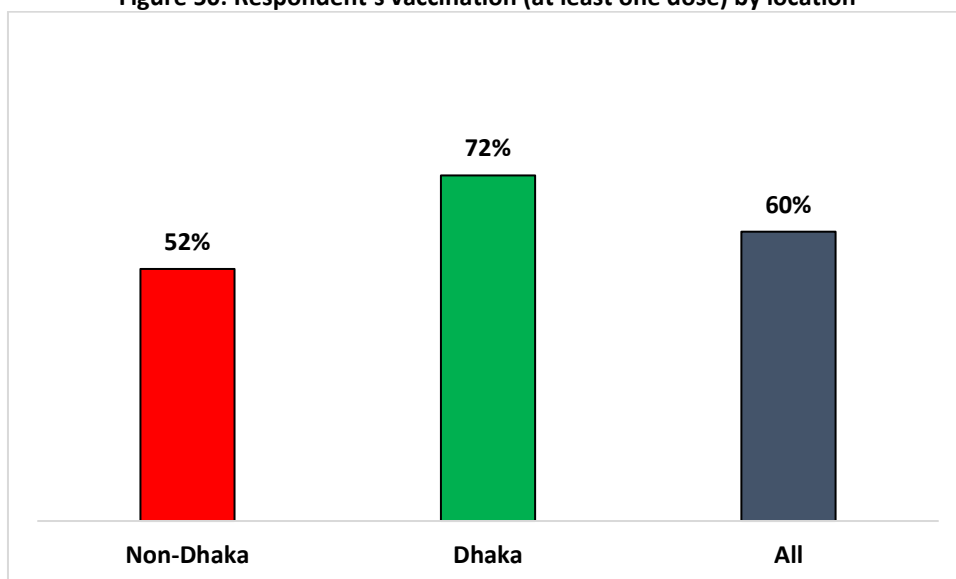
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employers' vaccination by export status

Among exporter and non-exporter firms (Figure 51), a larger proportion of exporter firms have vaccinated employers (73%), whereas the proportion is quite low for non-exporter firms (52%).

Figure 51: Respondent's vaccination (at least one dose) by export status

Non-exporter firms: 52%
Exporter firms: 73%
All firms: 60%

Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employees' vaccination

Employees' vaccination by broad-sector

In contrast to employers, the rate of vaccinated employees is quite low amongst firms – only 25.33% of employees are partially or fully vaccinated. In terms of broad sectors (Figure 52), a higher rate is observed in manufacturing firms than services firms, although both rates are quite low.

Figure 52: Percentage of firms' employees got at least one dose of vaccine, by broad sector
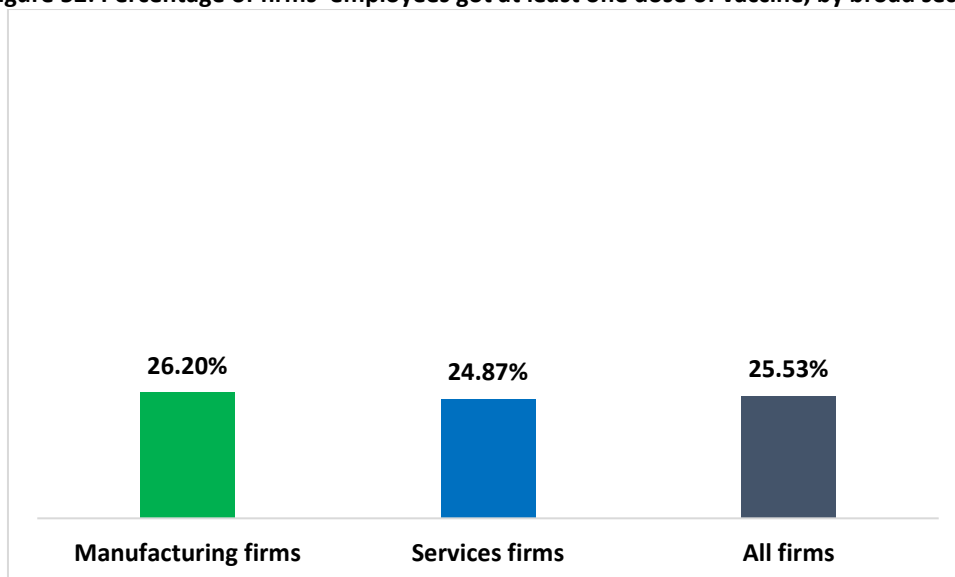
Manufacturing firms: 26.20%
Services firms: 24.87%
All firms: 25.53%

Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employees' vaccination by sector

Similar trends between employers' and employees' vaccination are also seen in sub-sector data (Figure 53). Like employers, the financial sector has the highest percentage of partially or fully vaccinated employees (57.4%), followed by Pharmaceuticals (50.7%). There is a sharp contrast between these sectors and the others, as the rest all have rates much below half – this is likely because

both Financial and Pharmaceuticals are essential sectors during such times. The lowest rate is observed for Restaurants (12.1%), a sector that has mostly operated via deliveries or has remained closed during the pandemic.

**Figure 53: Percentage of firms' employees got at least one dose of vaccine**
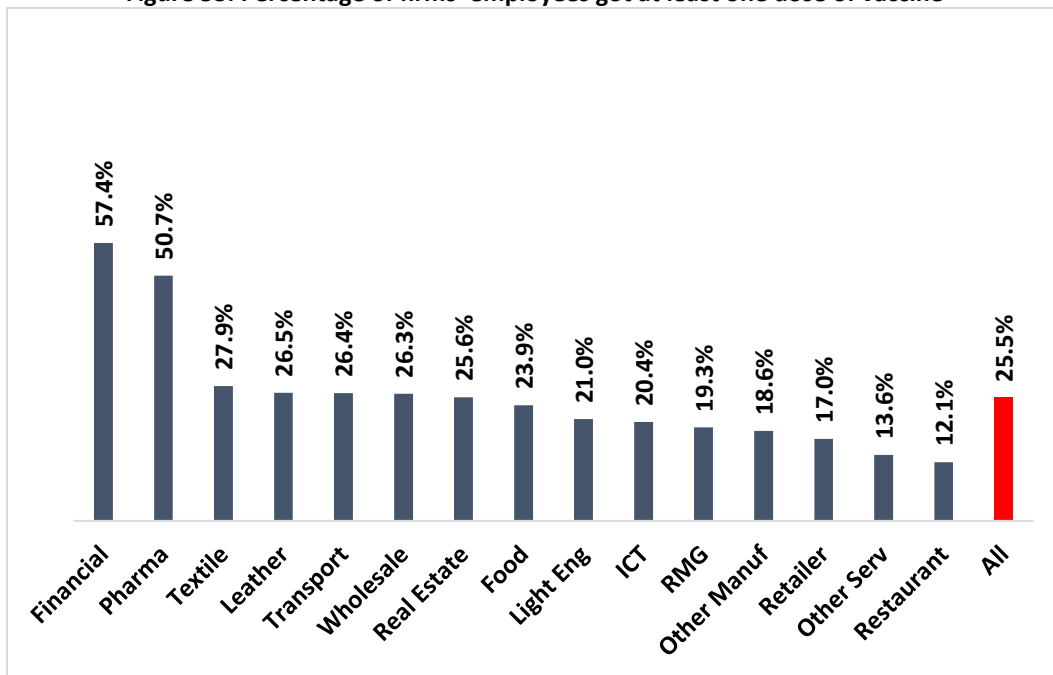
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employees' vaccination by firm sizes

In terms of firm size (Figure 54), micro and small firms are again behind, standing at 23.24%. Medium and large firms are slightly better off but are still quite low.

Figure 54: Percentage of firms' employees got at least one dose of vaccine by firm sizes
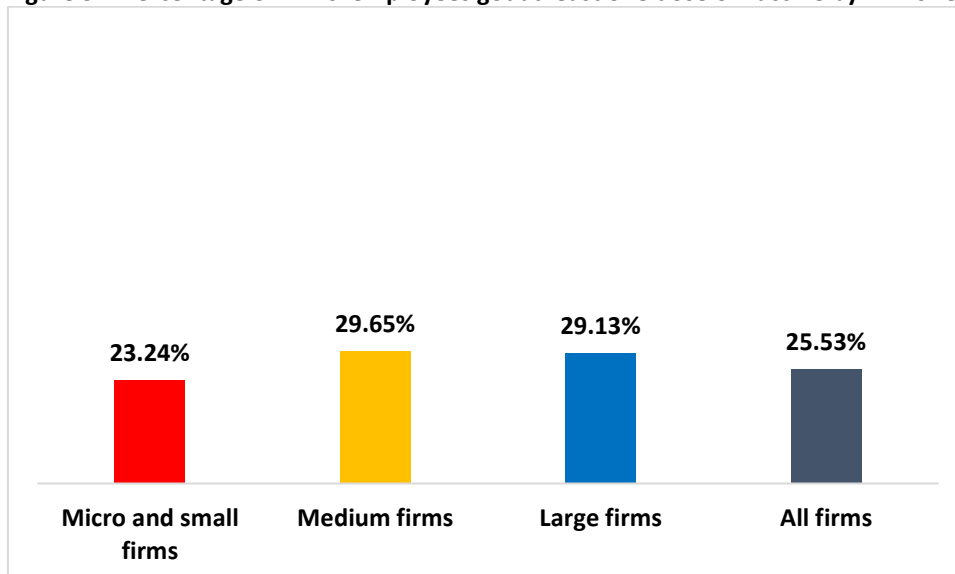
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Employees' vaccination by location

Like employers, Dhaka firms have a higher rate of vaccination among employees (29.43%) than non-Dhaka firms (23.09%) - possible reasons for which could be the number of vaccines and ease of access in the region (Figure 55).

Figure 55: Percentage of firms' employees got at least one dose of vaccine by location
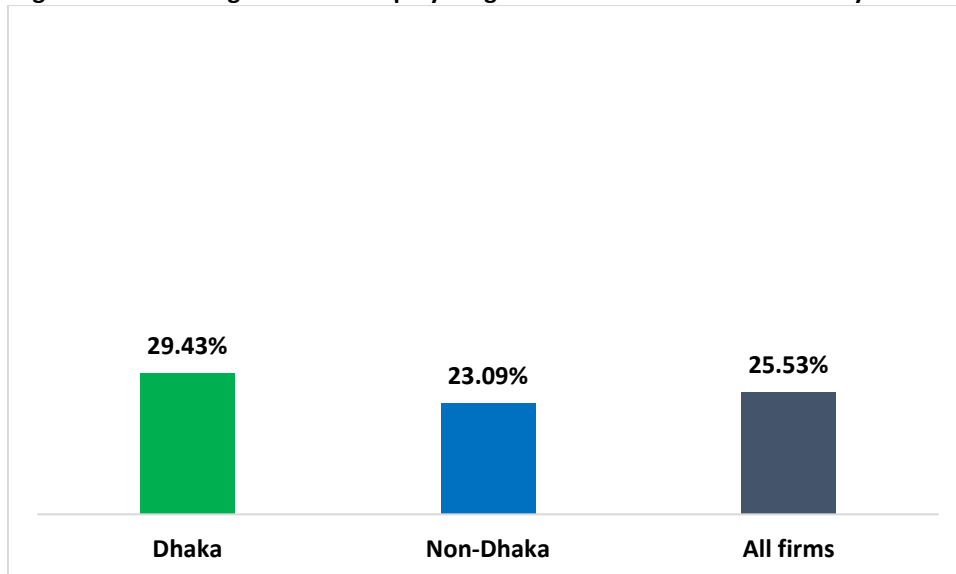
Dhaka	29.43%
Non-Dhaka	23.09%
All firms	25.53%

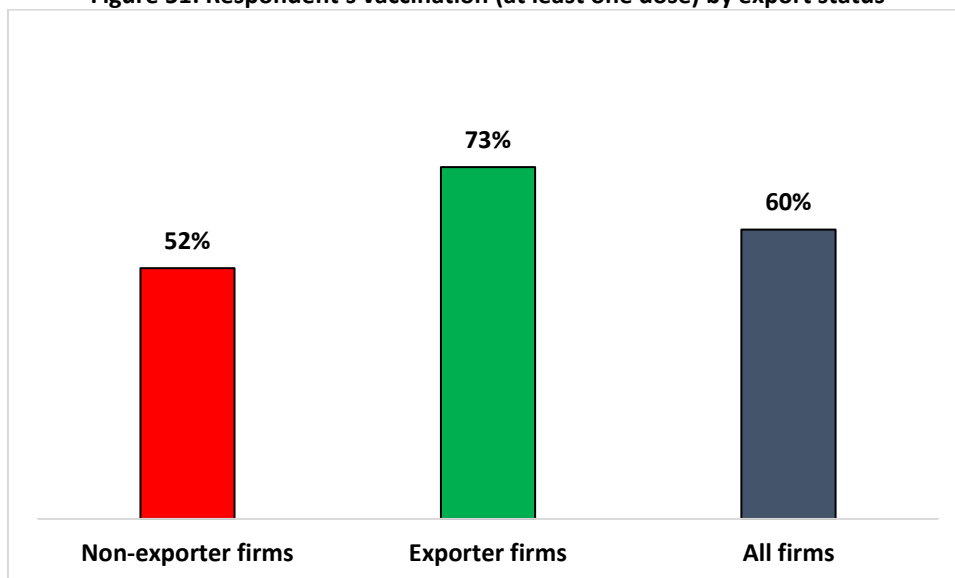*Source: Authors' estimation based on SANEM BCI (fifth round) survey*

Employees' vaccination by export status

In terms of export status (Figure 56), while exporter and non-exporter firms are quite close to their vaccination rates, exporter firms are slightly ahead with an employee vaccination rate of 26.24%.

Figure 56: Percentage of firms' employees got at least one dose of vaccine by export status

Exporter	26.24%
Non-exporter	25.13%
All firms	25.53%
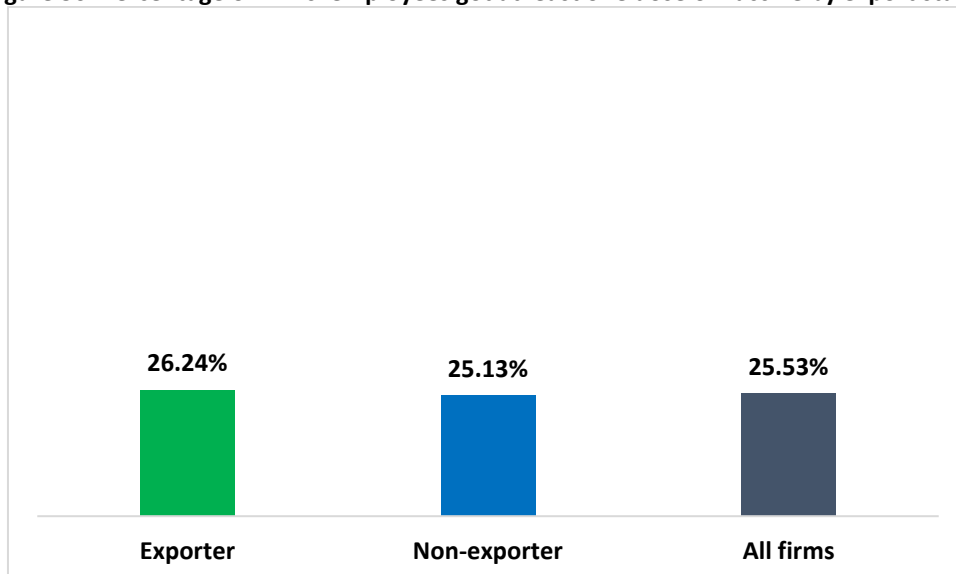
Source: Authors' estimation based on SANEM BCI (fifth round) survey

Section-VIII: Conclusion and Policy Recommendations

The COVID-19 pandemic with its numerous variants arising in different times has already proved that it is not going away from our life soon. In response to the COVID-19 upsurge, the Government of Bangladesh had to impose lockdowns at different periods which incurred many losses in the national economy. As it will be existing at different degrees across the world, the Government of Bangladesh needs to build up coping development strategies accordingly to survive in the new-normal situation. For that, monitoring the private sector closely is a necessity that can assess how effective the already-taken government measures are.

In this respect, this study convened a survey of 501 firms across the country (255 manufacturing; 246 services sector firms). Seven sub-sectors in the manufacturing industry and eight sub-sectors in the services industry were identified based on Bangladesh's latest available National Accounts Statistics. The survey covers RMG, Textiles, Pharmaceuticals, Leather and Tannery, Light Engineering, Food Processing, etc. in the manufacturing sector. In the Services sector, this study covers Wholesales, Retailers, Restaurants, Transport, ICT and Telecommunication, Financial Sectors, Real Estate, etc. The number of firms to be surveyed for each of the sub-sectors was chosen based on the sub-sectors' contribution to the GDP.

Based on the survey responses, this study constructs three indices, namely – (i) Present Business Status Index in April-June 2021 compared to January-March 2021, (ii) Present Business Status Index in April-June 2021 compared to April-June 2020, (iii) Business Confidence Index for July-September 2021 compared to April-June 2021. The indices are first prepared at the firm level and later aggregated to the sub-sectoral and sectoral level incorporating appropriate weights. There were six indicators for each index: Profitability, investment, employment, wage, business cost, and sales/export.

The PBSI (year) has improved over the quarters though it is lower than the 50 mark which indicates the overall under-developed business situation in the country. The improvement has also been visible in all indicators except the business cost. In comparison with each round PBSI (year), the fifth round has the highest average PBSI score. However, the current business activities as measured by PBSI (quarter) have deteriorated in April-June 2021 quarter compared to January-March 2021 quarter-this is primarily because of the second wave of the pandemic. This evidences the vulnerability of the national economy to face consecutive crises specifically in the micro, small, and medium business enterprises.

The improvement in the business confidence creates a hope to restore the private sector as the score of BCI in July-September 2021 has improved than that of in April-June 2021. The improvement is visible for all the sub-components of BCI. The business cost has always been a concern and it should be given more importance by improving the overall business environment facilitating the firms to produce at a lower cost. The stimulus package could be a key facilitator here and the GOB has already taken this measure. But the disbursement is not that effective since 65% of the surveyed firms are yet to receive it. The major challenges have been identified in the survey report as lack of package for the industry, lengthy procedure, difficulty in bank-related services, and difficulty in information.

The surveyed firms provided an opinion on the status of Bangladesh's economic recovery since the emergence of the pandemic. 64% of respondents observe Bangladesh in a path of weak recovery, 27% consider it as moderate recovery, and only 9% opines it a strong recovery which is a little bit better than the previous round survey. Foreign remittances, export of goods and services, bank credit to the private sector, and vaccination programs amongst others are major factors that are contributing to the overall economic recovery. As a coping up strategy during April-June 2021, firms handle the

situation by their savings (65.7% out of 501). The other major strategies are borrowing (28.1%), employee lay-off (19%), usage of stimulus (17.8%), and wage/salary cut (8.8%) amongst others.

Vaccination is the first and foremost measure to combat the COVID crisis. The reach of the government vaccination programme is yet to reach an efficient level. The survey finds that 60% of the respondent (employers) got at least one dose of vaccine. However, this finding is not homogenous across sector, location, firm size, and exporter amongst others. Also, on average 25.5% of firms' total employees got at least one dose of the vaccine among which the Financial Sector, Pharmaceuticals, Textile are in the leading position. The rate is higher in Dhaka in comparison with other areas.

Policy Recommendation: Based on the survey findings and results, the study suggests the following sets of policy recommendations to be adopted with priority:

Sector & area-specific protocol development: Since imposing lockdown is a crisis response, long-term ineffective lockdown will make the socio-economic development non-functional. Hence, effective short-term lockdown along with area and sector-specific protocol development to continue economic activities amid the pandemic is the key coping up strategy at the current state. Sector-specific protocol development is required to make specific guidelines for each sector while making the sector functional. For example, the guidelines for the financial sector will be different from that of the RMG sector. Area-specific protocol development is essential to prepare a specific guideline for the businesses in different areas according to the reality of that area. Dhaka and Chittagong having regional differences create the requirement of different guidelines for these two cities, for example. To understand the sector and area-specific reality, major stakeholders should be involved in building the guidelines.

Stronger vaccination programme: Past experiences recall that less effective vaccination programmes contributed significantly to the suffering stories of the economy as well as social life. Stronger vaccination campaigning with the collection of enough vaccines to meet the demand is a must requirement to combat the different upsurges of the pandemic and its resulting losses.

Effective and increased disbursement of the stimulus packages: The stimulus package disbursement should be transparent, and the implementation must be monitored. Special attention to the small and medium enterprises is necessary while disbursing the packages as they have lagged. Bangladesh Bank needs to provide a guideline to the banks in disbursing the loans to the micro, small, and medium firms, which could include setting a rule to pay out stimulus packages in terms of GDP contribution of firms of such size and firms in the informal sector. The procedure to avail the stimulus package should be simplified so that more firms are interested to apply for the packages. Also, a necessary campaign about the procedure to get a stimulus package should be started to ensure equal access to information for all firms.

Creating a COVID-19 focused annual budget: There is a lack of proper analysis of loss due to COVID-19 in the budget. Policies and budgets should be prepared according to proper analysis of the covid impact and future threat. Short, medium and long-term planning to combat the pandemic should be made.

Making policies based on a proper database: A proper database for all the sectors in the economy is important. Appropriate policies to create a business-friendly environment could be made only if there is a proper database as it gives the government a proper concept about the existing business community. The database should contain information on the employers and employees, business status, and business confidence according to them. The BCI survey initiated by SANEM & TAF can be

taken as an example and a more rigorous survey backed by the relevant organ of the government will be useful.

Strong support needed for the micro and small firms: The MSMEs are still the least successful in all the indices along with availing a stimulus package compared to the large firms. Small enterprises are spending their capital which may create a threat to their survival in the market. Hence the stimulus packages should be expanded and modified with a long-term plan as soon as possible to revive the MSMEs sector of the country. The requirements and procedures of getting the packages should be simplified and easier to ensure the MSMEs access to the packages.

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Annexe 1: Questionnaire for the Business Confidence Index (BCI) Survey

The Global Economy is passing through an unprecedented crisis. Bangladesh is no different. The economic crisis fuelled by COVID-19 has been proven to be unpredictable and rapidly evolving. During such economic downturns, close monitoring of the private sector is warranted. This is primarily because, for any economy, private investment is one of the fundamental sources of economic expansion. Recovery from economic downturns caused by the pandemic would require a revamped rejuvenation of the private sector. Unless and otherwise, the business community in a country are assured of their returns, along with assurances of risk minimizations, no country can revive from economic recessions.

SANEM and The Asia Foundation (TAF) have jointly taken the initiative to measure the condition of business confidence in Bangladesh quarterly. SANEM is a renowned Think Tank and Research Organisation based in Dhaka, Bangladesh. The Asia Foundation is a leading non-profit international development organisation working for improving lives across developing Asia.

Meanwhile, SANEM and TAF have successfully conducted four rounds of the business confidence survey in July 2020, October 2020, January 2021 & April 2021 respectively. Based on the survey responses, four consecutive workshops were arranged on August 2020, November 2020, February 2021 & May 2021, and findings of the surveys were communicated to renowned economists and policymakers in the country. We will now conduct the fifth round of the survey, which will begin on 1 July 2021 and will be completed by 15 July 2021. This round is very crucial to compare the opinions of the business community with the previous rounds and to have their expectations in the next round.

As a business insider, once again your opinions have become extremely important during such crises. Your perceptions regarding the overall business scenario are extremely valuable in understanding what policy revisions are required, and where further policy deepening is essential.

It will take a maximum of 10-15 minutes to complete this survey. We are most grateful to you for making this time amidst your busy schedule. Your valuable insights are essential in this endeavour.

We assure you that your all responses, including your personal and firm details, will be kept strictly confidential. All your responses will only be used for research.

Section 1: General Information aboutthe Firm

Q.1.1 Firm Information

Firm Name
Firm ID
Division Name
District Name

1.2 Type of Firm

Q.1.2 What is the type of this Firm?
1. Manufacturing (>> Q.1.3)
2. Services   (>> Q.1.4)

Q.1.3 If manufacturing, please select the firm type from the options listed below.

1. RMG
2. Textile
3. Leather
4. Tannery
5. Pharmaceuticals
6. Food processing
7. Chemical and chemical products
8. Plastics, rubber and other non-metallic products
9. Light engineering
10. Electronics
11. Furniture
12. Heavy engineering (Cement, Steel)
13. Others

Please specify "Others" for question 1.3

Q.1.4 If service, please select the firm type from the options listed below.

1. Real estate
2. Wholesale
3. Retailers
4. Restaurants
5. Tourism and Hospitality
6. Transport
7. Financial sector
8. ICT and Telecommunication (excluding E-commerce)
9. E-commerce
10. Construction
11. Other

Please specify "Others" for question 1.4

1.5(a) Firm Contact Information

    Mailing Address
    Phone Number

Do you agree to start the interview now?

1. Yes (>> Respondent's Contact Details; Start the Interview)
2. No (>> 10; Thank the contact person and conclude the interview)

1.5(b) Respondent's Contact Details

Respondent's Name
Respondent's gender
Respondent's designation in the Firm
Mobile Number of the respondent
Email Address
Number of years in Firm

1.6 Location of the Firm

Q.1.6 where is the Firm located?

    1. Export Processing Zone/Special Economic Zone
    2. Industrial Park/ Industrial Area
    3. Outside of the above-mentioned locations

1.7 Firm Ownership

Q.1.7 What is the type of ownership of the Firm?

1. Government ownership
2. Domestic Private company
3. Public-Private joint ownership
4. Domestic-Foreign joint venture
5. Foreign Ownership

1.8 [Female ownership in the Firm]

Q.1.8 Is this establishment owned by a female [partially/fully]?

1. Fully owned by a female

2. Partial female ownership

3. No female share or ownership

1.9 Year of Establishment

Q.1.9 In which year was the Firm established?

Section-2: Financial Condition or Profitability

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Much worse is equivalent to 0; 'Worse' is 25; 'Same as before' is 50; 'Better' is 75; and 'Much better' is 100.

Q.2.1 How was your profit in April to June (2021) compared to January to March (2021)?

- o   Much worse [0]
- o   Worse [25]
- o   Same as before [50]
- o   Better [75]
- o   Much better [100]

Q.2.2 How was your profit in April to June (2021) compared to April to June (2020)?

- o   Much worse [0]
- o   Worse [25]
- o   Same as before [50]
- o   Better [75]
- o   Much better [100]

Q.2.3 Compared to April to June (2021), what is your expectation about profit in July to September (2021)?

- o   Much worse [0]
- o   Worse [25]
- o   Same as before [50]
- o   Better [75]
- o   Much better [100]

Section-3: Investment Situation

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Much worse is equivalent to 0; 'Worse' is 25; 'Same as before' is 50; 'Better' is 75; and 'Much better' is 100.

Q.3.1 How was your investment scenario in April to June (2021) compared to January to March (2021)?

- o   Much worse [0]
- o   Worse [25]
- o   Same as before [50]
- o   Better [75]
- o   Much better [100]

Q.3.2 How was your investment scenario in April to June (2021) compared to April to June (2020)?

- o   Much worse [0]
- o   Worse [25]
- o   Same as before [50]
- o   Better [75]
- o   Much better [100]

Q.3.3 Compared to April to June (2021), what is your expectation about the investment scenario in July to September (2021)?

- o   Much worse [0]
- o   Worse [25]
- o   Same as before [50]
- o   Better [75]
- o   Much better [100]

Section-4: Employment Situation

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Much worse is equivalent to 0; 'Worse' is 25; 'Same as before' is 50; 'Better' is 75; and 'Much better' is 100.

Q.4.1 How many permanent employees do you have NOW (July 2021)? (Record in number)

Q.4.2 How many of the permanent employees are females (July 2021)? (Record in number)

Q.4.3 How was your overall employment scenario in your organization in April to June (2021) compared to January to March (2021)?

- o Much worse [0]
- o Worse [25]
- o Same as before [50]
- o Better [75]
- o Much better [100]

Q.4.4 How was your overall employment scenario in your organization in April to June (2021) compared to April to June (2020)?

- o Much worse [0]
- o Worse [25]
- o Same as before [50]
- o Better [75]
- o Much better [100]

Q.4.5 Compared to April to June (2021), what is your expectation about the overall employment scenario in your organization from July to September (2021)?

- o Much worse [0]
- o Worse [25]
- o Same as before [50]
- o Better [75]
- o Much better [100]

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Section-5: Wages Situation

</div>

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Much worse is equivalent to 0; 'Worse' is 25; 'Same as before' is 50; 'Better' is 75; and 'Much better' is 100.

Q.5.1 How was the salary/wages of the workers/employees in your organization from April to June (2021) compared to January to March (2021)?

- o Much worse [0]
- o Worse [25]
- o Same as before [50]
- o Better [75]
- o Much better [100]

Q.5.2 How was the salary/wages of the workers/employees in your organization from April to June (2021) compared to April to June (2020)?

- o Much worse [0]
- o Worse [25]
- o Same as before [50]
- o Better [75]
- o Much better [100]

Q.5.3 Compared to April to June (2021), what is your expectation about the salary/wages of the workers/employees in your organization from July to September (2021)?

- o Much worse [0]
- o Worse [25]
- o Same as before [50]
- o Better [75]
- o Much better [100]

Section-6: Business Costs

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Business cost 'Increased a lot' is equivalent to 0; 'Increased' is 25; 'Same as before' is 50; 'Decreased' is 75; and 'Decreased a lot' is 100.

Q.6.1 How was your overall business cost in April to June (2021) compared to January to March (2021)?

- o Increased a lot [0]
- o Increased [25]
- o Same as before [50]
- o Decreased [75]
- o Decreased a lot [100]

Q.6.2 How was your overall business cost in April to June (2021) compared to April to June (2020)?

- o Increased a lot [0]
- o Increased [25]
- o Same as before [50]
- o Decreased [75]
- o Decreased a lot [100]

Q.6.3 Compared to April to June (2021), what do you expect regarding your overall business cost in July to September (2021)?

- o Increase a lot [0]
- o Increase [25]
- o Same as before [50]
- o Decrease [75]
- o Decrease a lot [100]

Section-7: Sales or Exports

Respondents should choose the option that suits their perception best. Here, all the options are scaled between 0 and 100. Export/Sales order 'Decreased a lot' is equivalent to 0; 'Decreased' is 25; 'Same as before' is 50; 'Increased' is 75; and "Increased a lot" is 100.

Q.7.1. What is the share of export in your total sales? (Write in Percentage, %: 0% to 100%)

Q.7.2 How was your sales/export order in April to June (2021) compared to January to March (2021)?

- o Decreased a lot [0]
- o Decreased [25]
- o Same as before [50]
- o Increased [75]
- o Increased a lot [100]

Q.7.3 How was your sales/export order in April to June (2021) compared to April to June (2020)?

- o Decreased a lot [0]
- o Decreased [25]
- o Same as before [50]
- o Increased [75]
- o Increased a lot [100]

Q.7.4 Compared to April to June (2021), what is your expectation about sales/export orders in July to September (2021)?

- o Decrease a lot [0]
- o Decrease [25]
- o Same as before [50]
- o Increase [75]
- o Increase a lot [100]

Section 8: Stimulus Packages and Business Environment

Q.8.1 Have you availed of any of the announced incentive packages?

1. Yes (>>Q.8.1_a>>Q.8.2)
2. No (>>Q.8.3)
3. I do not know whether my company availed stimulus package or not (>>Q.8.7)

Q.8.1_a What was the amount of stimulus package that you have received (in BDT) until June 2021?

Q.8.2 How many times did you receive the stimulus package?

1. Once (>>Q.8.4>>Q.8.5>>Q.8.7)
2. Twice (>>Q.8.4>>Q.8.5>>Q.8.7)
3. More than twice(>>Q.8.4>>Q.8.5>>Q.8.7)

Q.8.3 Have you tried to avail any of the announced stimulus packages?

1. Yes (>>Q.8.4>>Q.8.7)
2. No (>>Q.8.6>>Q.8.7)

Q.8.4 What problems did you face in availing/pursuing the incentive package

Options	Strongly Disagree (1)	Disagree (2)	Neither agree nor disagree (3)	Agree (4)	Strongly Agree (5)
a. The amount is not sufficient					
b. Asked for bribes					
c. Lengthy procedure					
d. Difficulty in understanding the procedure of application					
e. Difficulty due to Bank collateral/Bank related services					
f. Others [Specify]					

Please specify "Others" for question 8.4

Q.8.5 On a scale of 1 (Very ineffective) to 5 (extremely effective), in your view, how effective are the incentive packages for your industry as a whole?

1. Very ineffective
2. Ineffective
3. Neither effective nor ineffective
4. Slightly effective
5. Extremely effective

Q.8.6 What are the reasons for you not to avail the incentive package/try to avail the incentive package (Multiple selections)

Options	Strongly Disagree (1)	Disagree(2)	Neither agree nor disagree (3)	Agree (4)	Strongly Agree (5)
a. No package for your industry (in your knowledge)					
b. The incentive package is basically a loan with low-interest rate/ This is not a grant					
c. The amount is not sufficient					
d. Bribes are involved					
e. Lengthy procedure					
f. Difficulty in information/					

understanding the procedure of application					
g. Difficulty due to Bank collateral/Bank related services					
h. Others [Specify]					

Please specify "Others" for question 8.6

Q.8.7 On a scale of 1 to 6, at present how much favourable are the following indicators for your overall business performance (here, 1 represents extremely unfavourable to business, and 6 represents extremely favourable to business)

Options	Extremely unfavourable (1)	Moderately unfavourable (2)	Slightly unfavourable (3)	Slightly favourable (4)	Moderately favourable (5)	Extremely favourable (6)
Electricity (connection and quality)						
Overall Tax System						
Business or property Registration						
Access to finance						
Corruption						
Availability of skilled workers						
Transport quality						
Trade Logistics (Port and Customs)						
Overall government support for your industry						
Management of the COVID-19 crisis (health sector and economy)						

Section 9: Path to Economic Recovery

Q.9.1 Do you think Bangladesh is on the path to economic recovery?

1. Yes (>>Q.9.2)
2. No

Q.9.2 What kind of economic recovery are you observing?

1. Strong Recovery
2. Moderate Recovery
3. Weak Recovery

Q.9.3 Under the current situation, according to your opinion, what are the contribution of the following factors to the overall economic recovery of the country?

Indicators	Strong	Moderate	Low	No Contribution	Not applicable /don't know
Bank's credit to the private sector					
Foreign Remittances					
Import of raw materials, goods, and services					
Export of goods and services					
Existing stimulus package and its disbursement					
Social protection programme					
Management of current upsurge/ 2nd wave in covid-19					
Vaccination programme					

Q.9.4 Overall, compared to the pre-pandemic situation in March 2020, to what extent you have been able to recover your business in June 2021?

[Write in percentage %: 0% to any positive %]. If the business expands, it can be more than 100.

Section-10: Coping Strategies and Health Measures

Q.10.1 What steps were taken in your factory to cope with the economic impact of the lockdown (COVID related strict restrictions) imposed in the last three months?

1. Employee lay-off
2. Wages/salary cut
3. Factory location change
4. Loan
5. Stimulus package
6. Company's savings
7. Others

Q.10.2 Have you been vaccinated?

1. Yes
2. No

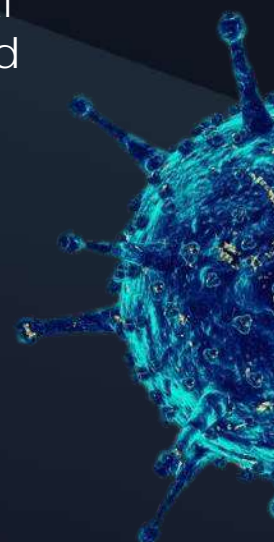**Q.10.3 What is the percentage (%) of employees including you have been vaccinated in your factory?**

Section-11: Interviewer details

11.1 Enumerator Name
11.2 Enumerator's ID number
11.3 Enumerator's Comment

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