



# SANEM Shongzog

## New Wave of COVID-19: State of Business Confidence in Bangladesh

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Findings from the **7th** Round of  
Nationwide Firm-level Survey conducted in January 3-24, 2022

**7 February 2022**



# Research team

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- Md. Tuhin Ahmed
- Omar Raad Chowdhury
- Md. Nadim Uddin



# Background (1/2)

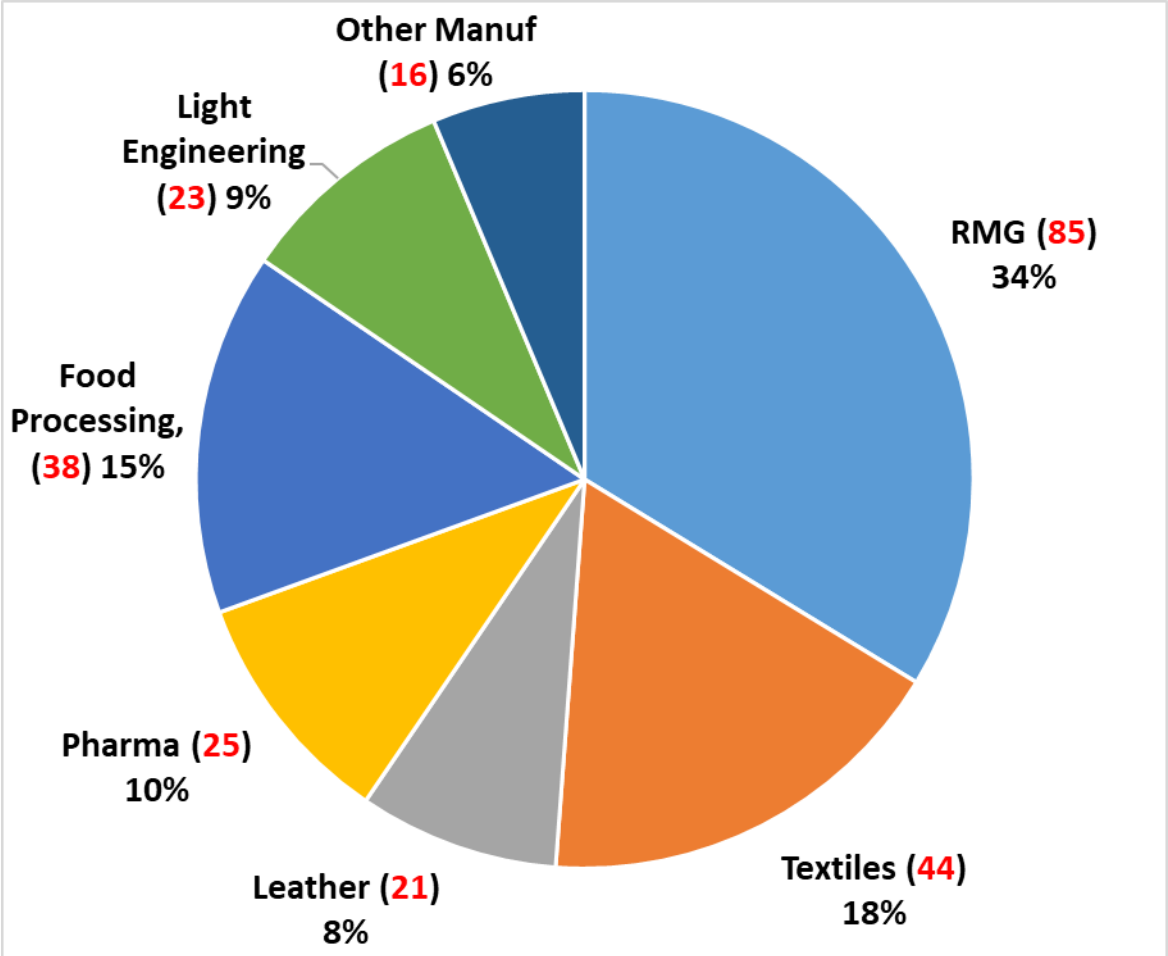
- Starting in July 2020, the quarterly Business Confidence Index (BCI) survey, conducted by **SANEM**, has now completed **seven (7) rounds**.
- The sixth round of the survey, held in 10-27 October 2021 on 500 firms, found that the business confidence score jumped to **60.67** in the final quarter of 2021 (October-December) from 52.31 in the previous quarter (July-September).
- In the sixth round, it was also found that 21% of respondents observed that **Bangladesh was on a path of strong recovery**, while it was only 9% in the earlier round. The share of hopefuls for a moderate recovery also rose significantly. **Thus, a robust recovery has been underway.**
- However, SANEM identified some **challenges to be affecting the economic recovery** process—which included: **fuel price hike, inflationary pressure, a new wave of COVID-19, falling remittances and a wider coverage of COVID-19 vaccination.**

# Background (2/2)

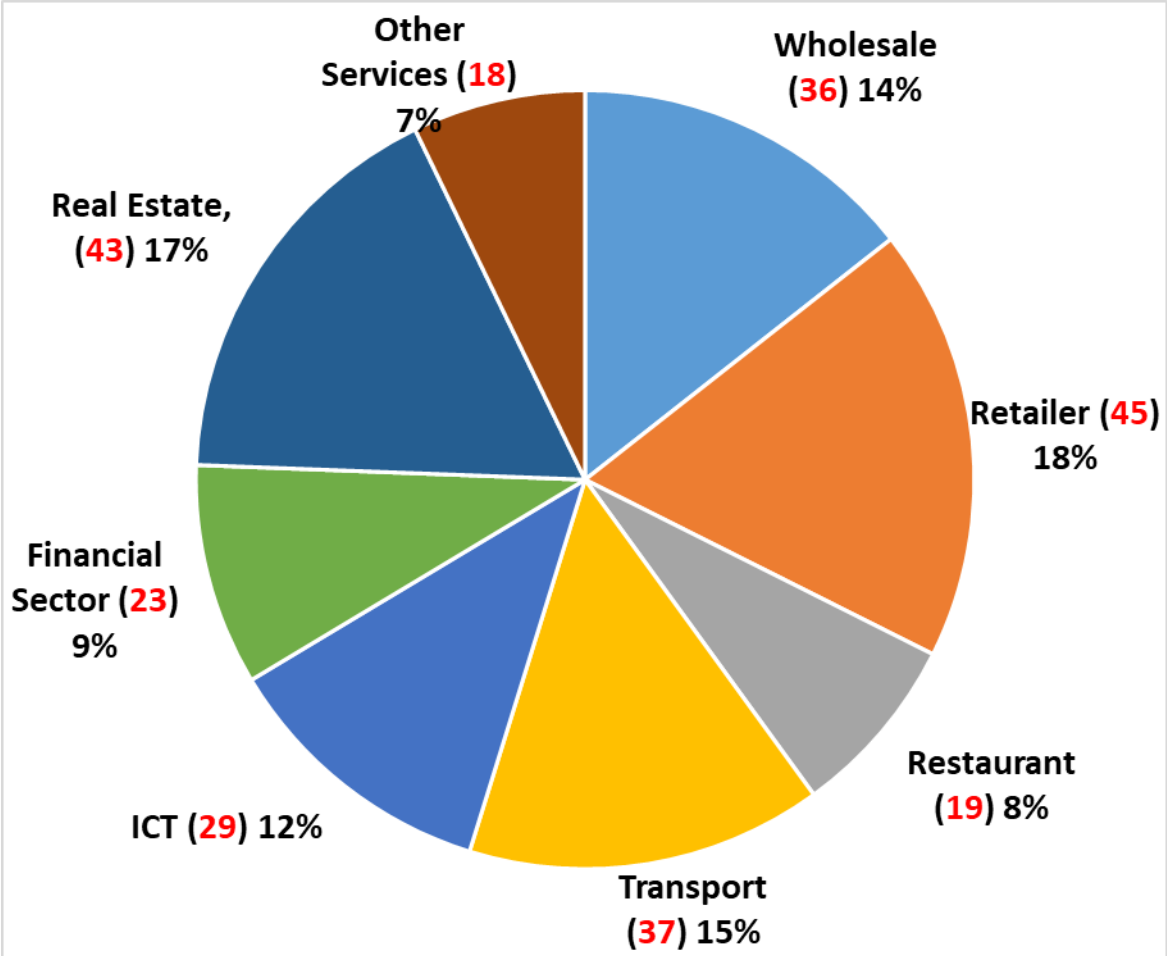
- Along with its routine line of inquiry, the 7th round of the BCI survey has taken an estimation of the **impact and expected implications of fuel price hike and the Omicron wave on businesses.**
- The Omicron driven surge in COVID-19 cases across the world has caused some concerns among the business community. However, since mortality rate is relatively lower than the previous waves, governments around the world have opted for rather relaxed measures in containing infection. What bearing does this global shift in COVID-19 containment strategy have on the future outlook of the businesses, was one of the core inquiries of the 7th round.
- **The seventh round of the survey was conducted nationwide in January 3-24, 2022 on 502 firms.** This round of survey provides insights on current status of businesses, and the impact of the latest wave of COVID on business confidence.

# Sample distribution by sectors in the 7th round

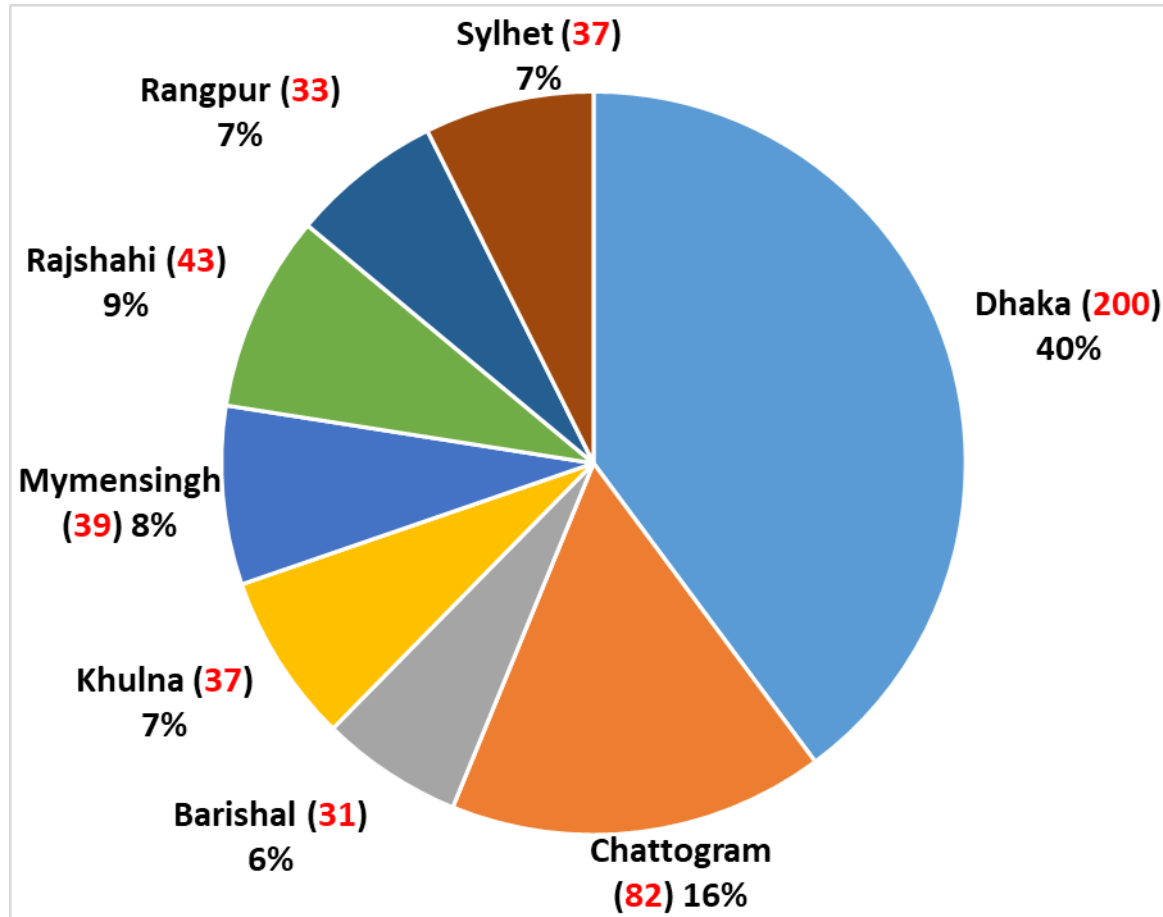
## Manufacturing = 252



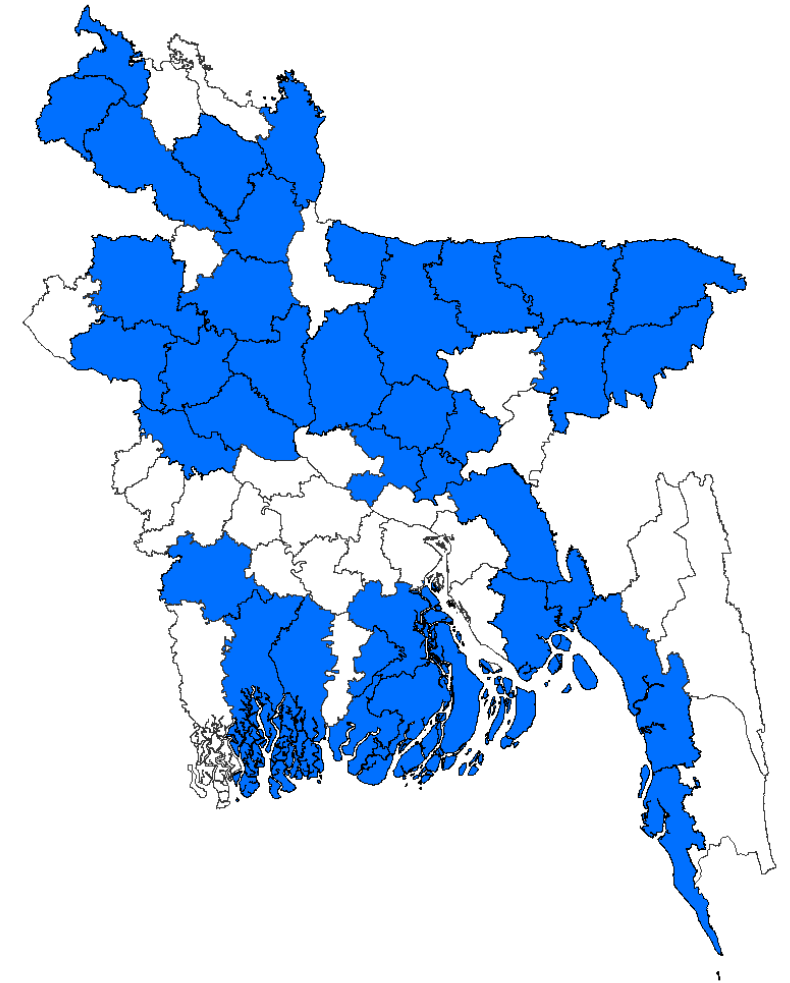
## Services = 250



# Sample distribution by divisions (8)



# Sample coverage of districts (38)



# PBSI and BCI

## PBSI (Year)

Present Business Status Index (PBSI) in Oct-Dec 2021 compared to Oct-Dec 2020

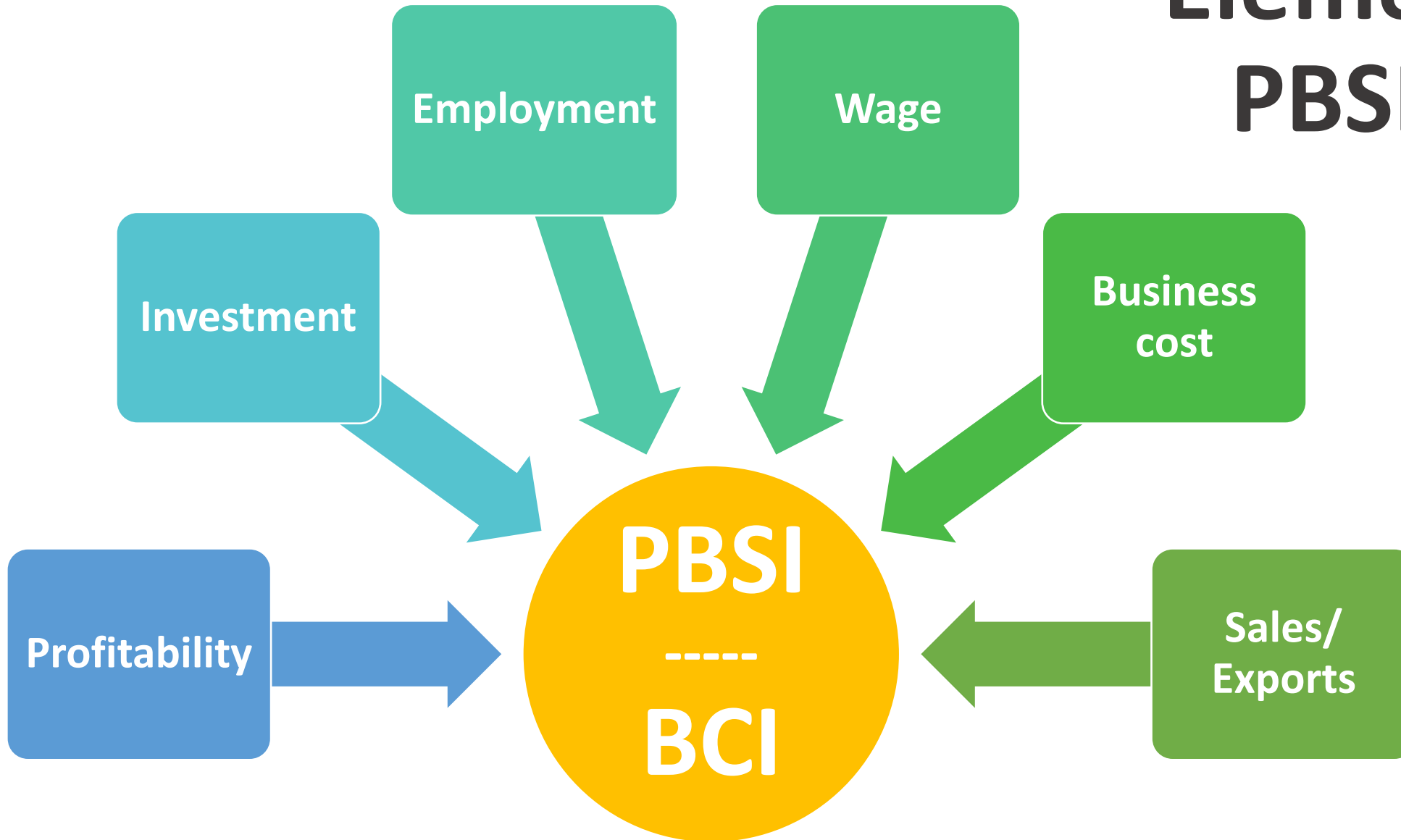
## PBSI (Quarter)

Present Business Status Index (PBSI) in Oct-Dec 2021 compared to Jul-Sep 2021

## BCI (Next Quarter)

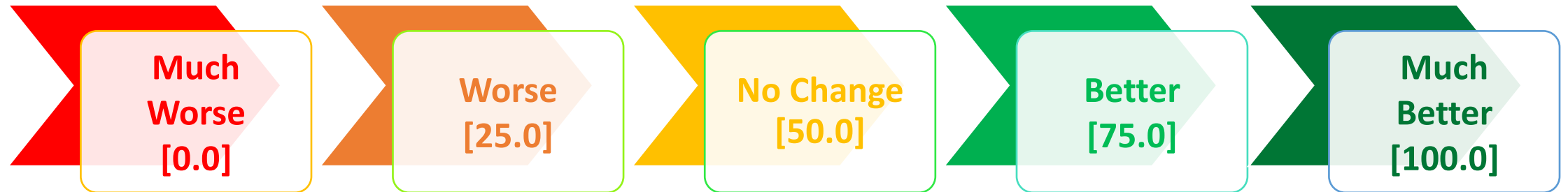
Business Confidence Index (BCI) in Jan-Mar 2022 compared to Oct-Dec 2021

# Elements of PBSI/BCI

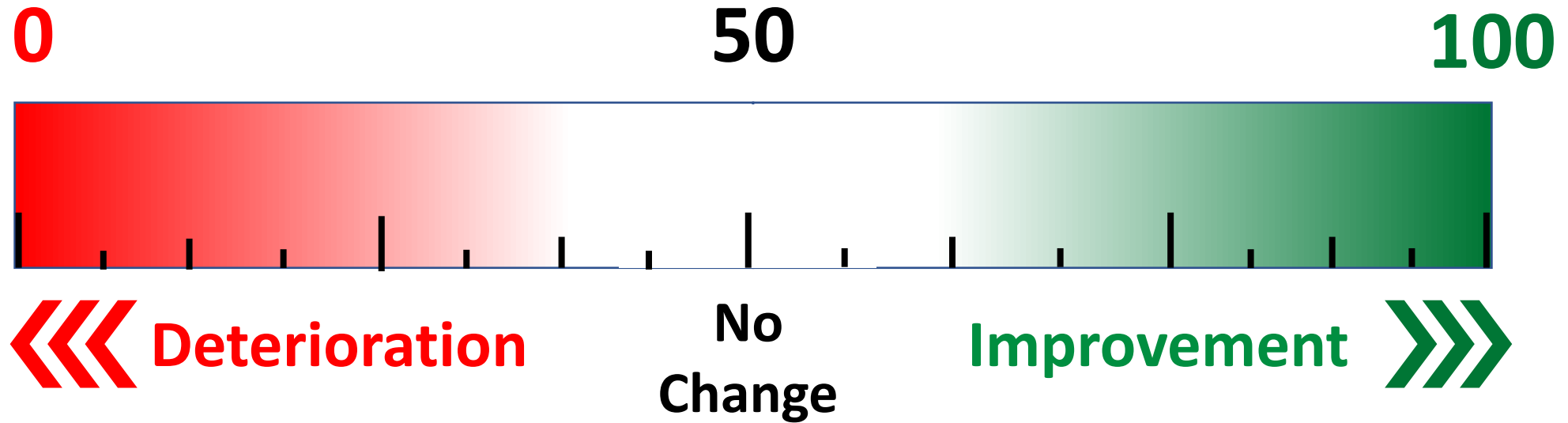




# Scoring of survey responses



# Interpretation of Indices

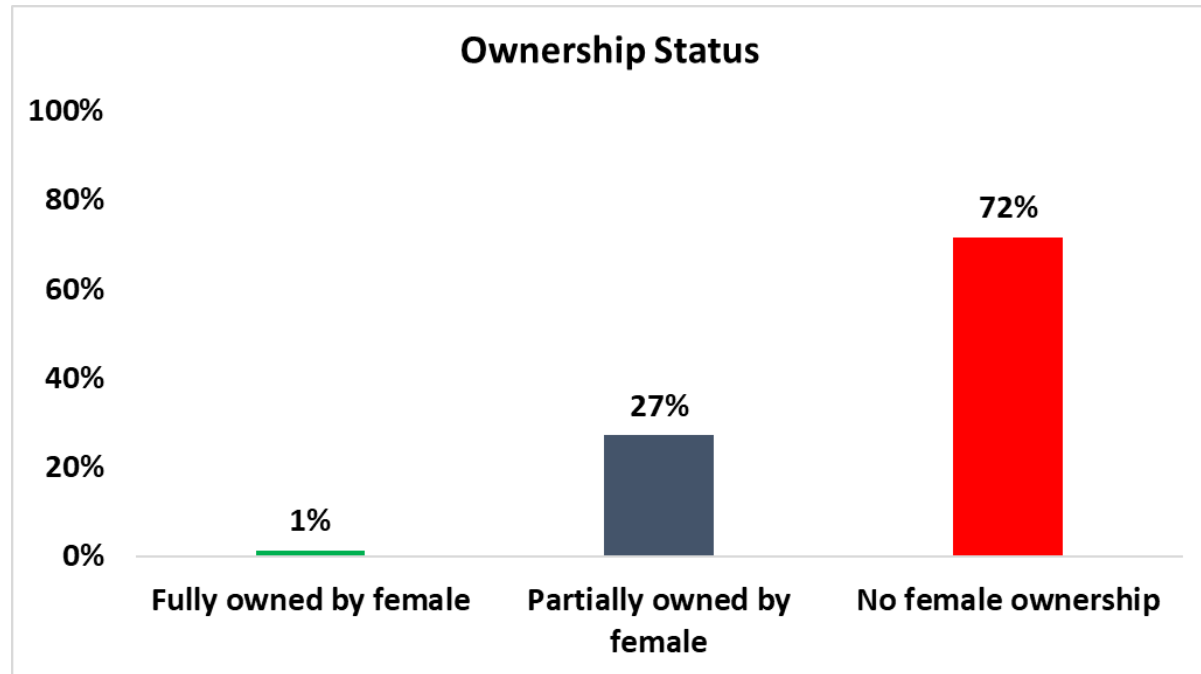
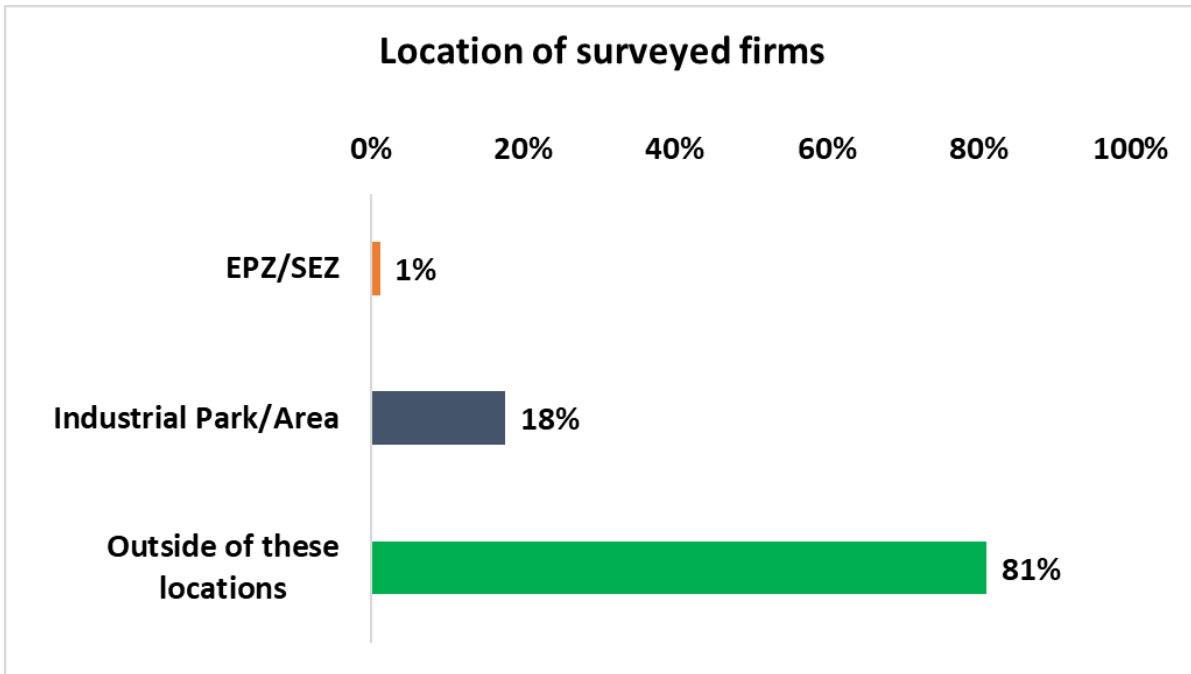
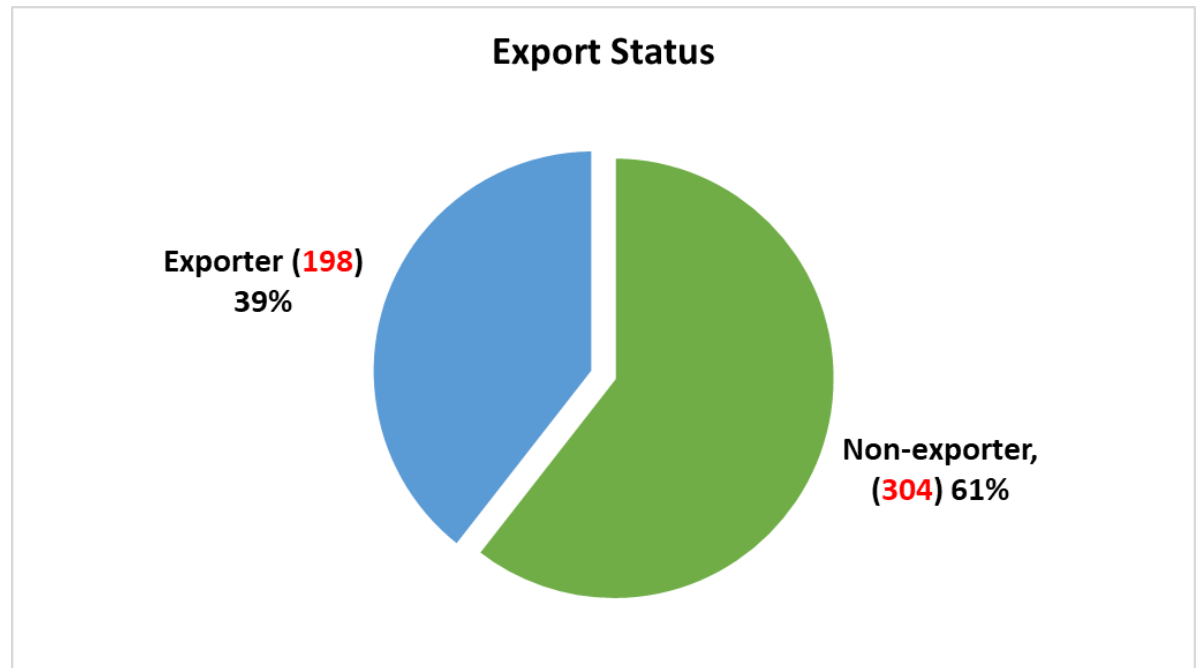
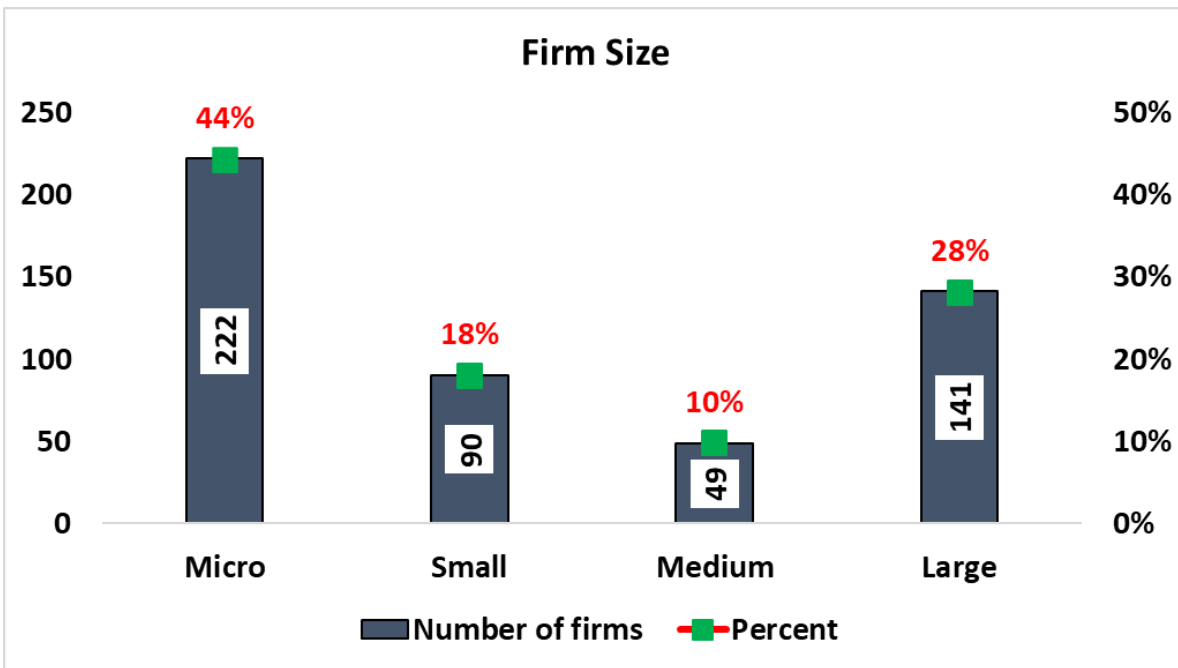


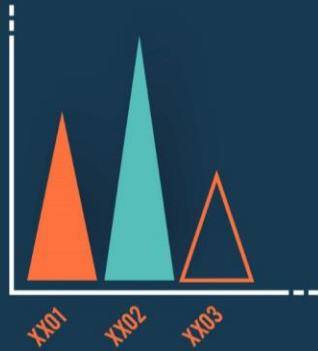
# Survey Findings:

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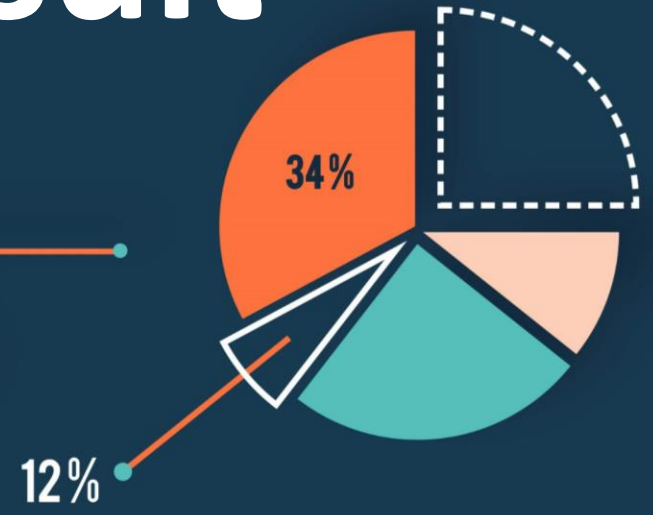
*Basic features of surveyed firms*







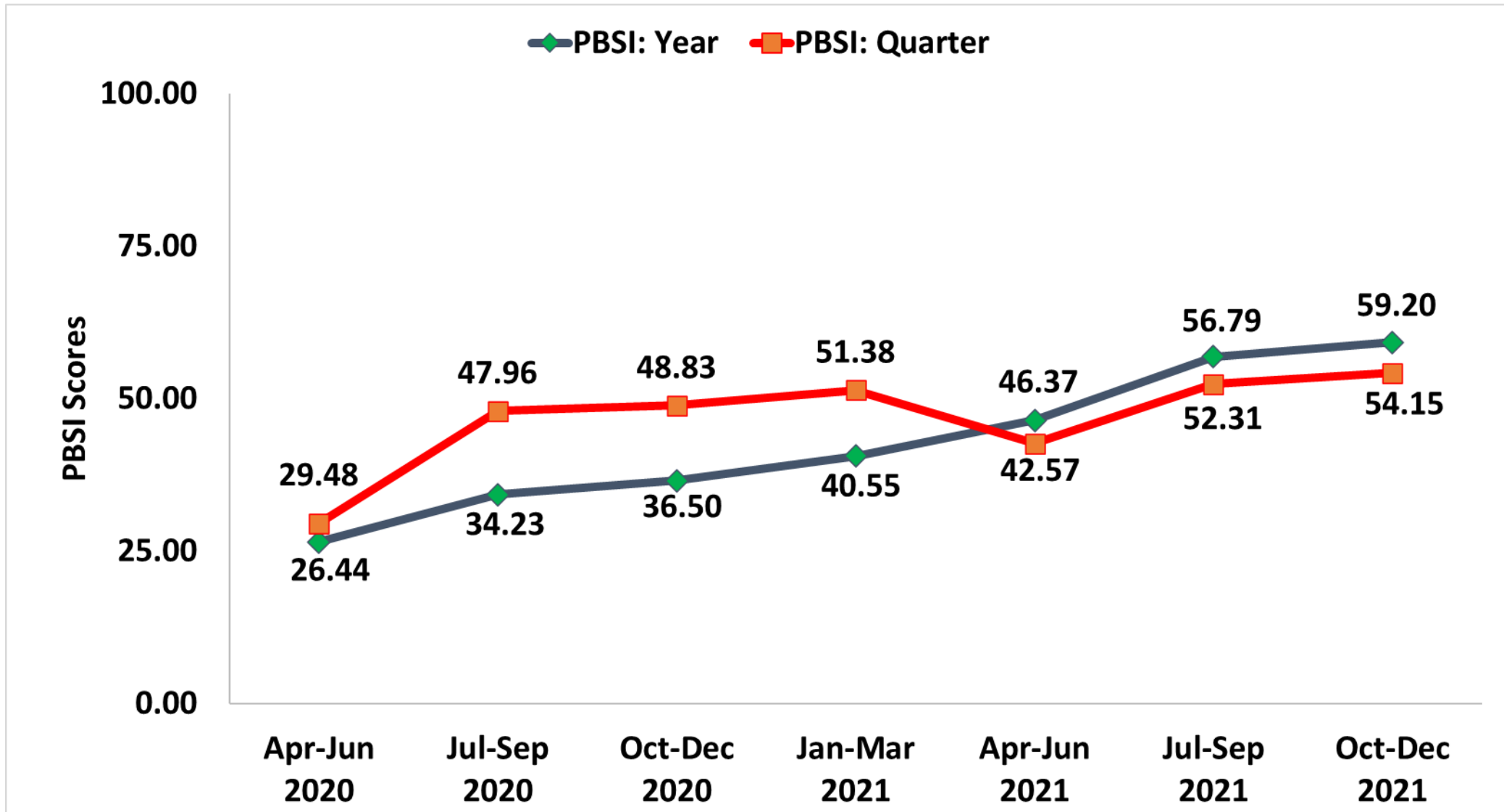
# Summary Result



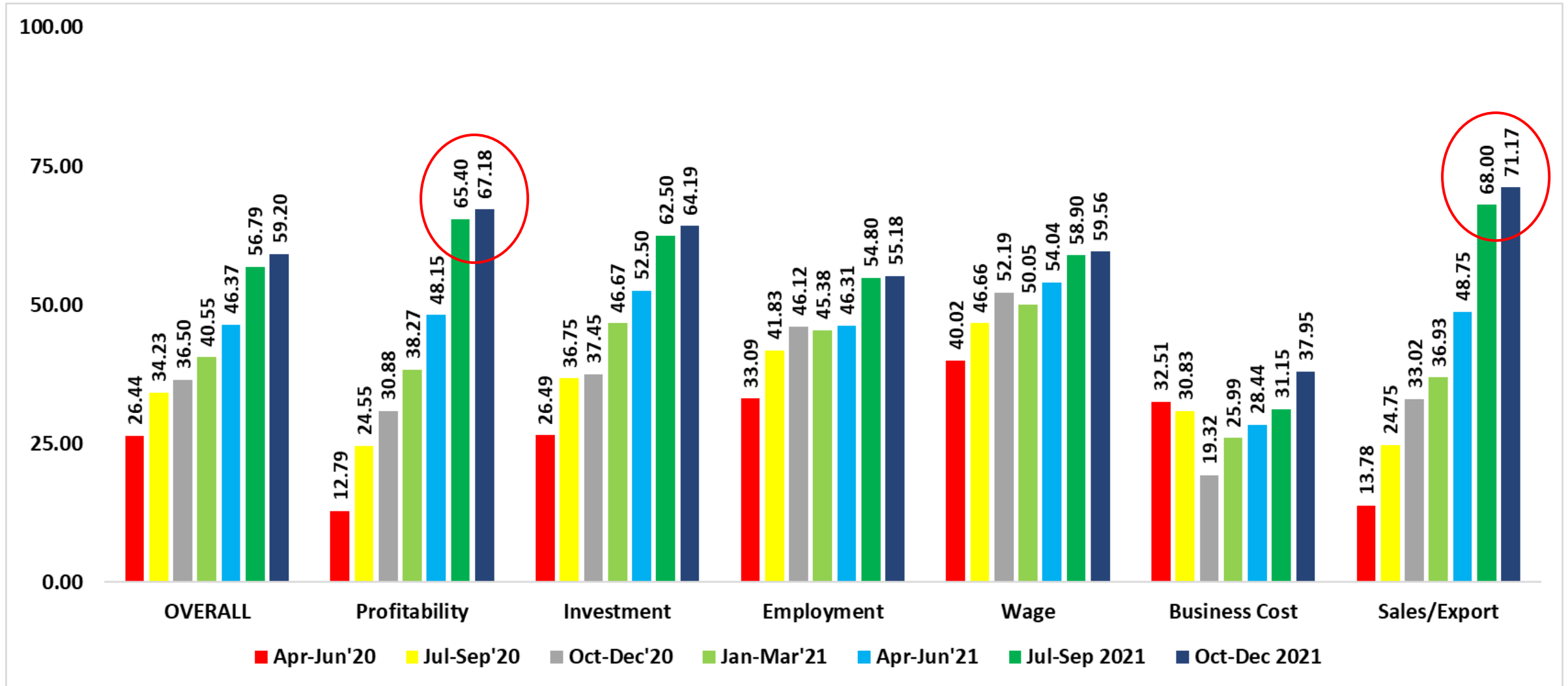


**How has the  
'business  
status'  
progressed?**

# Present Business Status Index (PBSI)



# Present Business Status Index (PBSI): Year

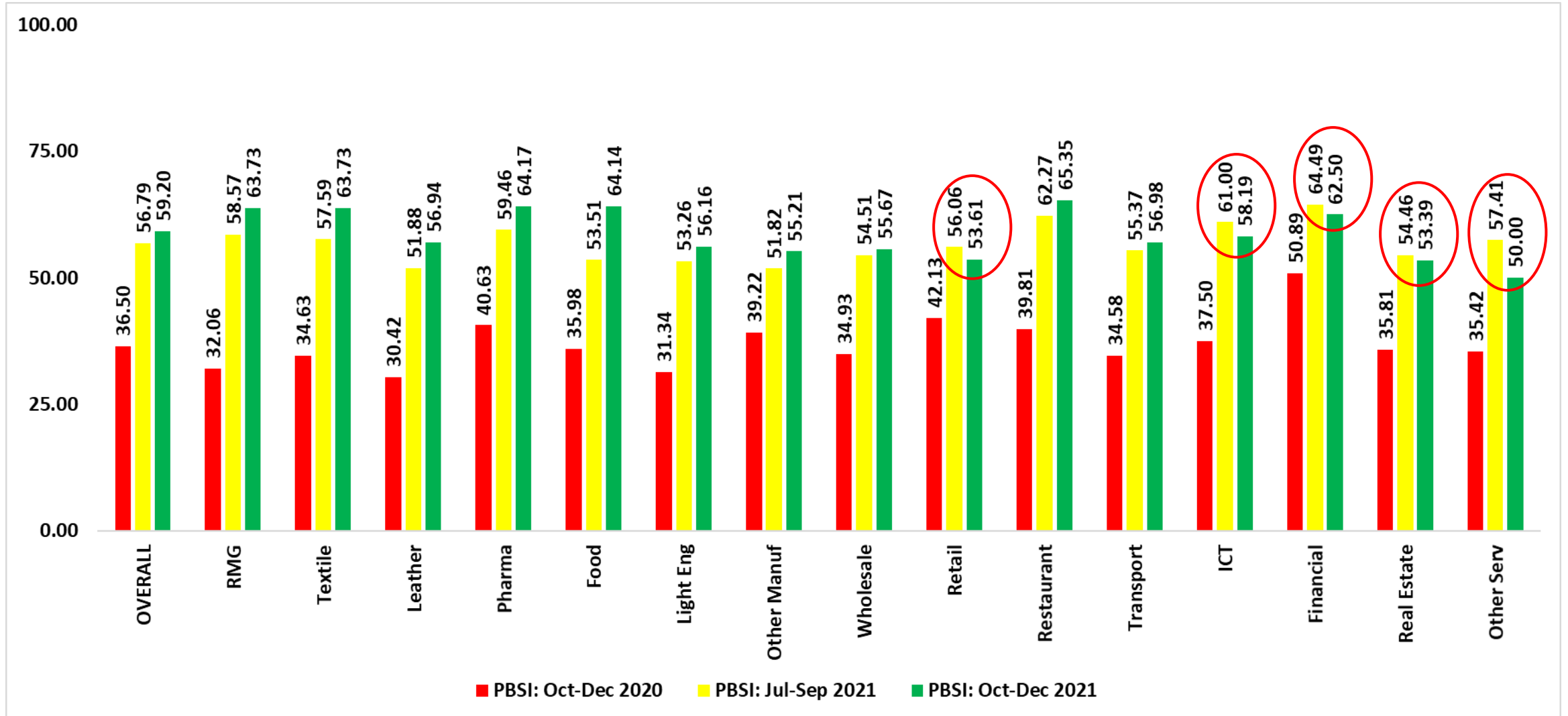




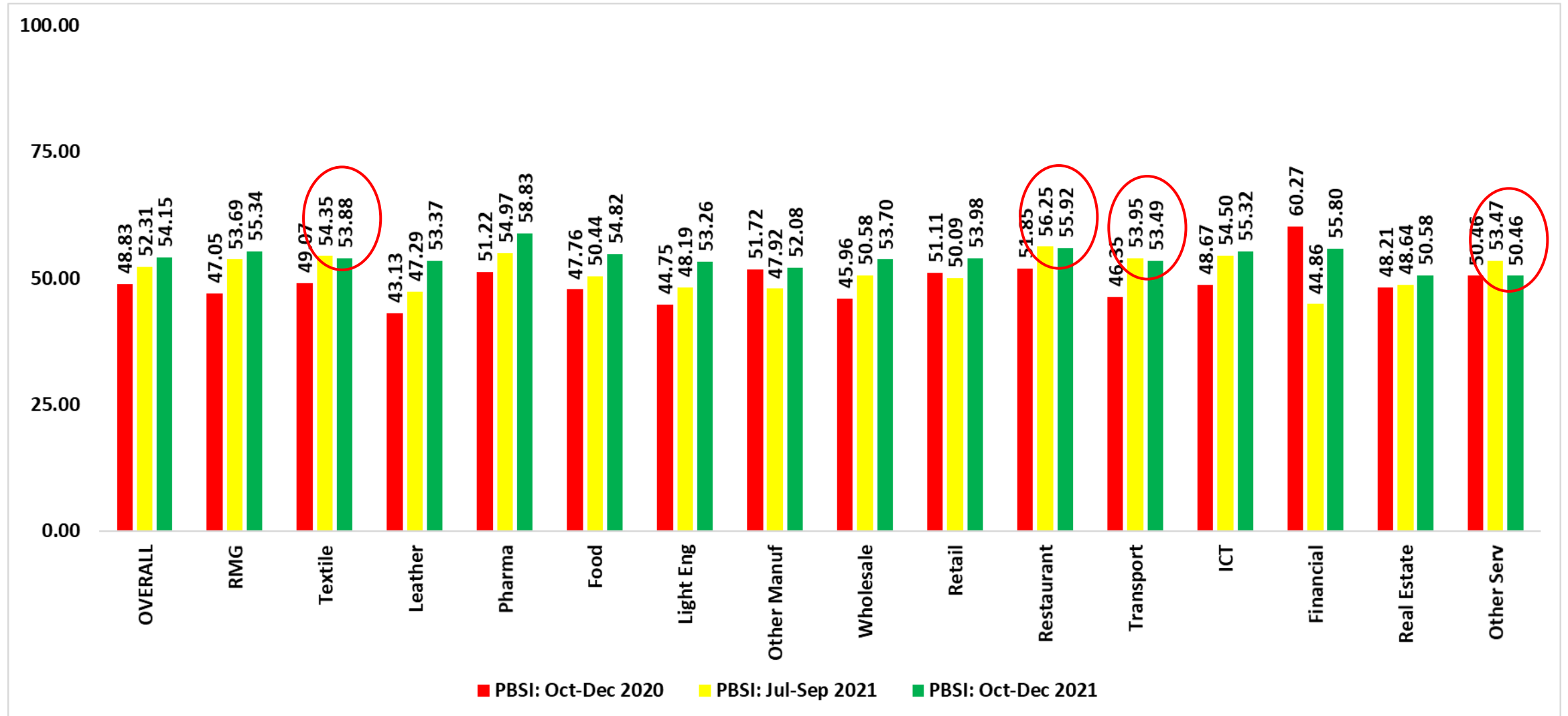
# Present Business Status Index (PBSI): Quarter



# Present Business Status Index (PBSI) by sector: Year



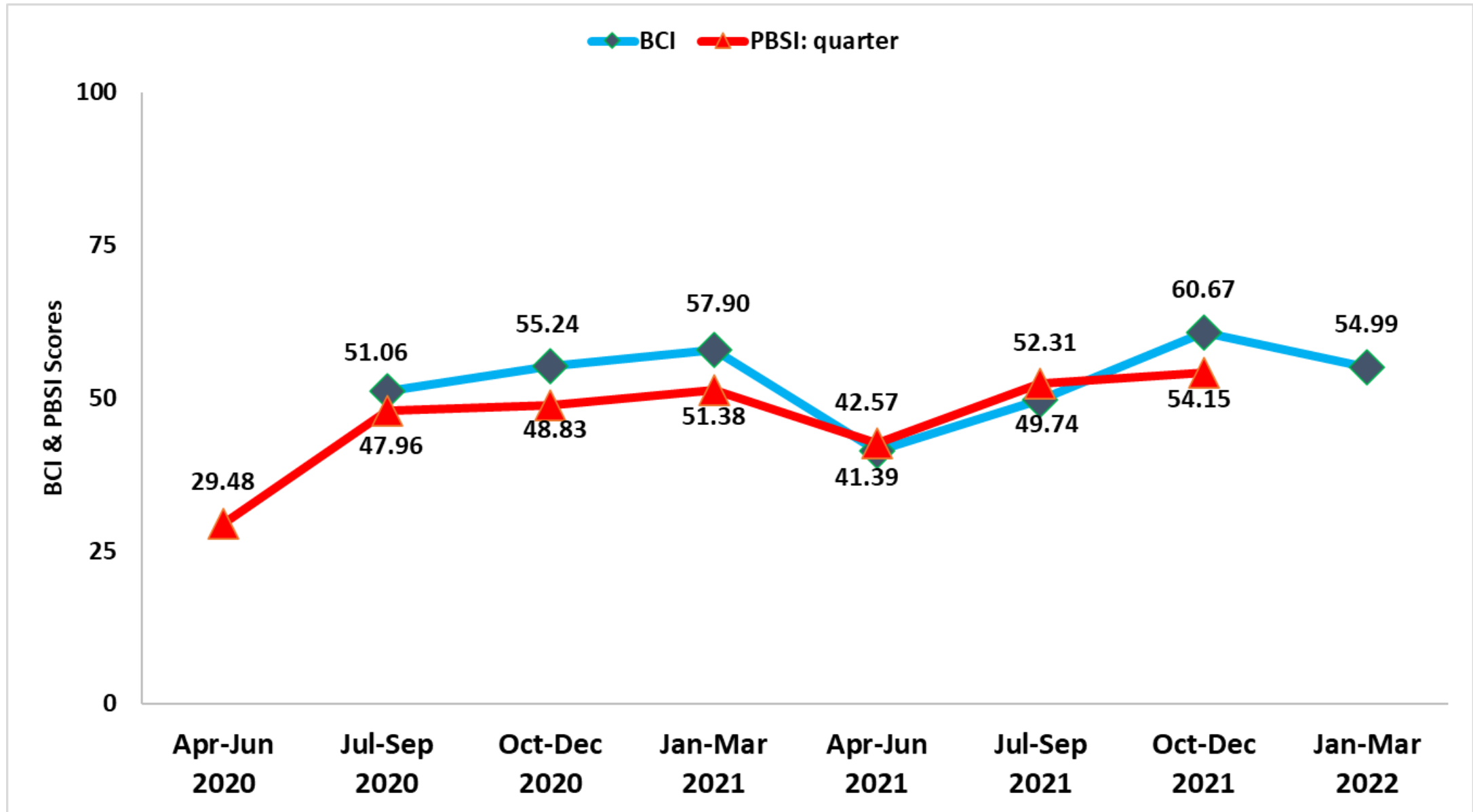
# Present Business Status Index (PBSI) by sector: Quarter



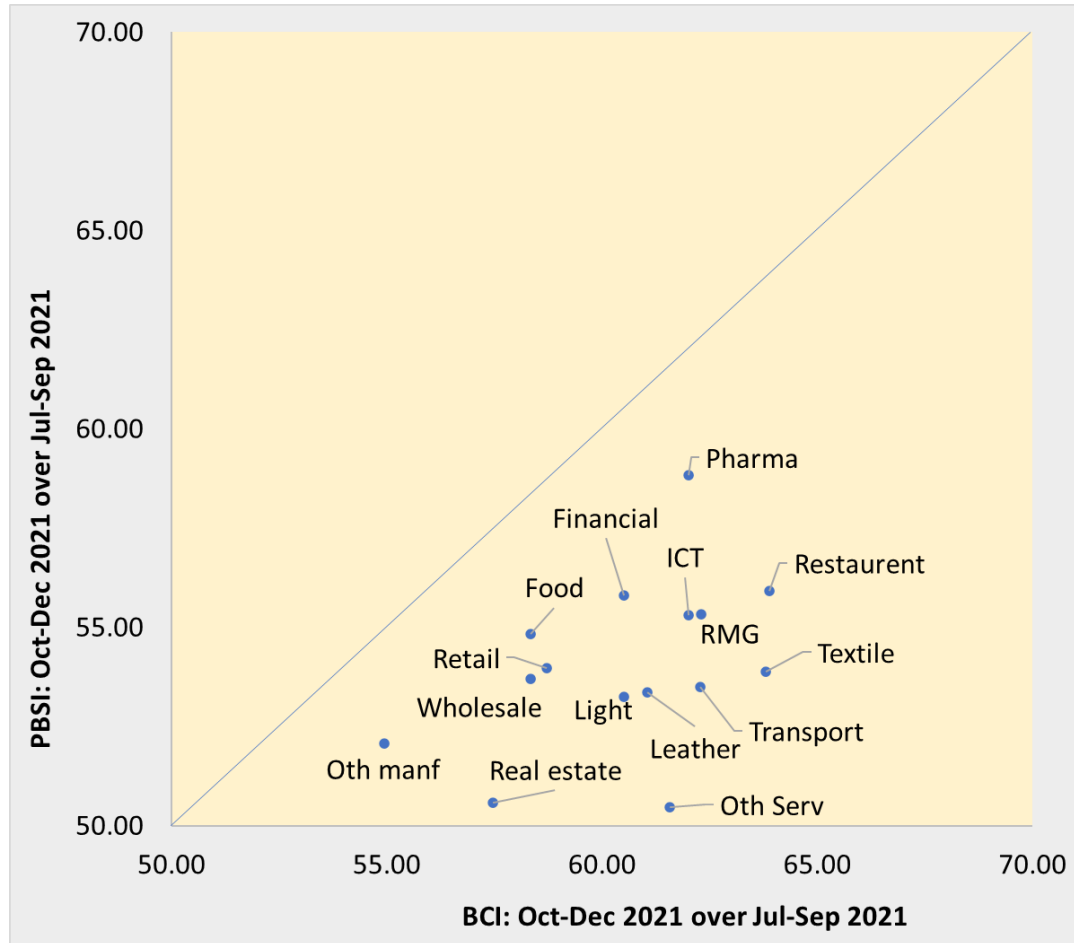


**How has the  
'business  
confidence'  
evolved?**

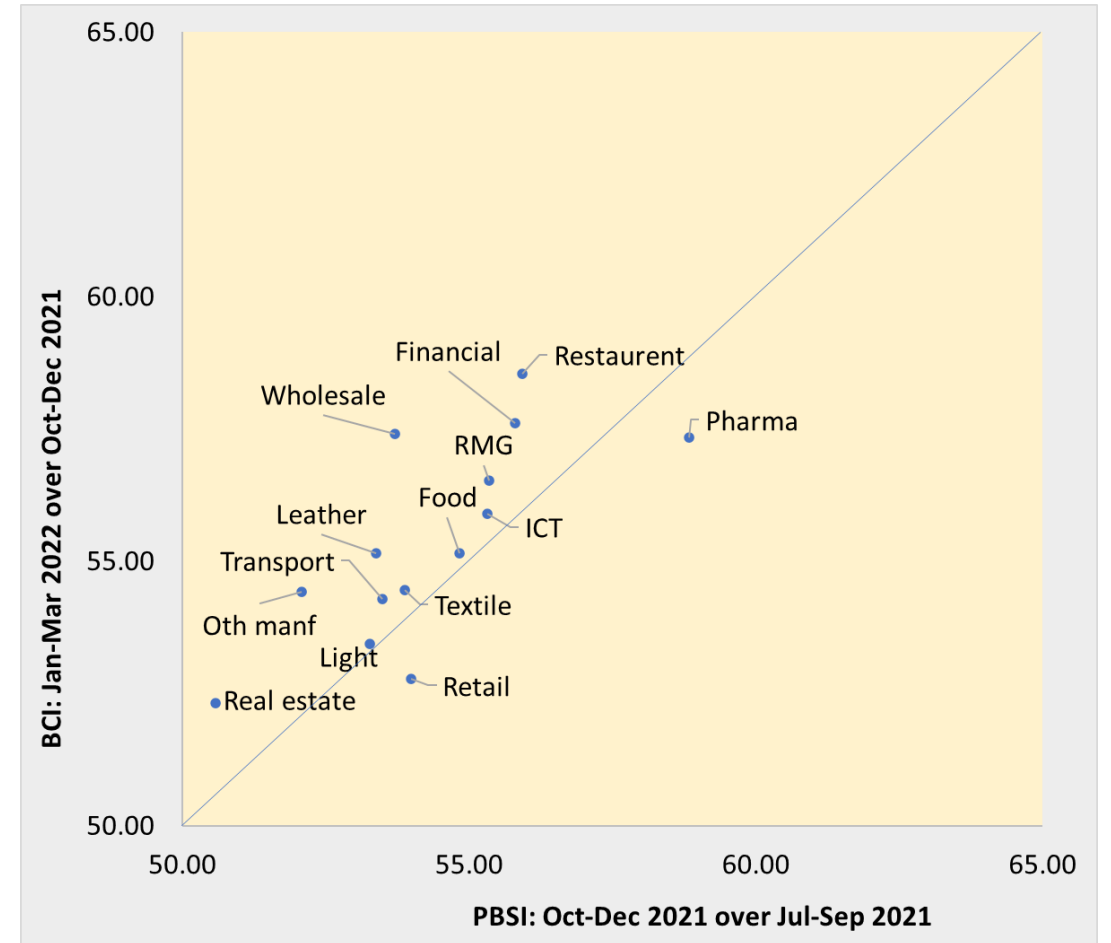
# BCI and PBSI



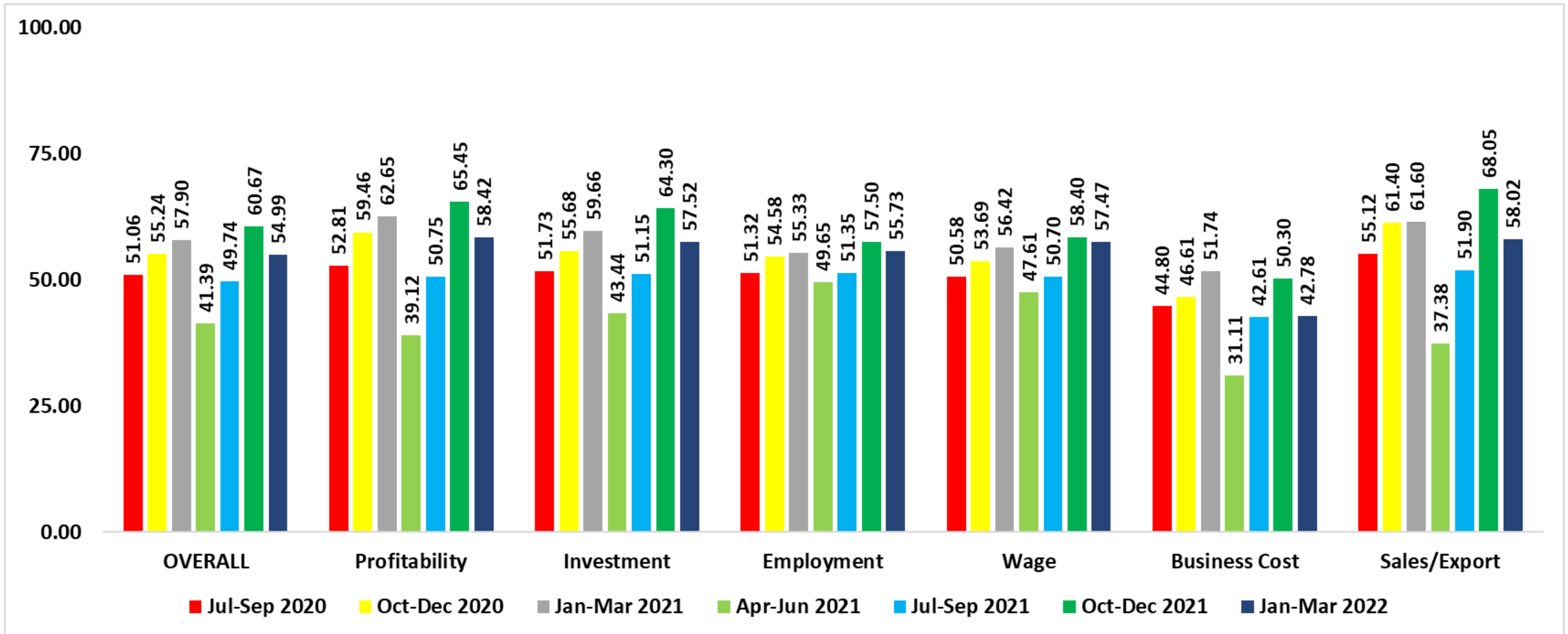
# Expectation vs Reality



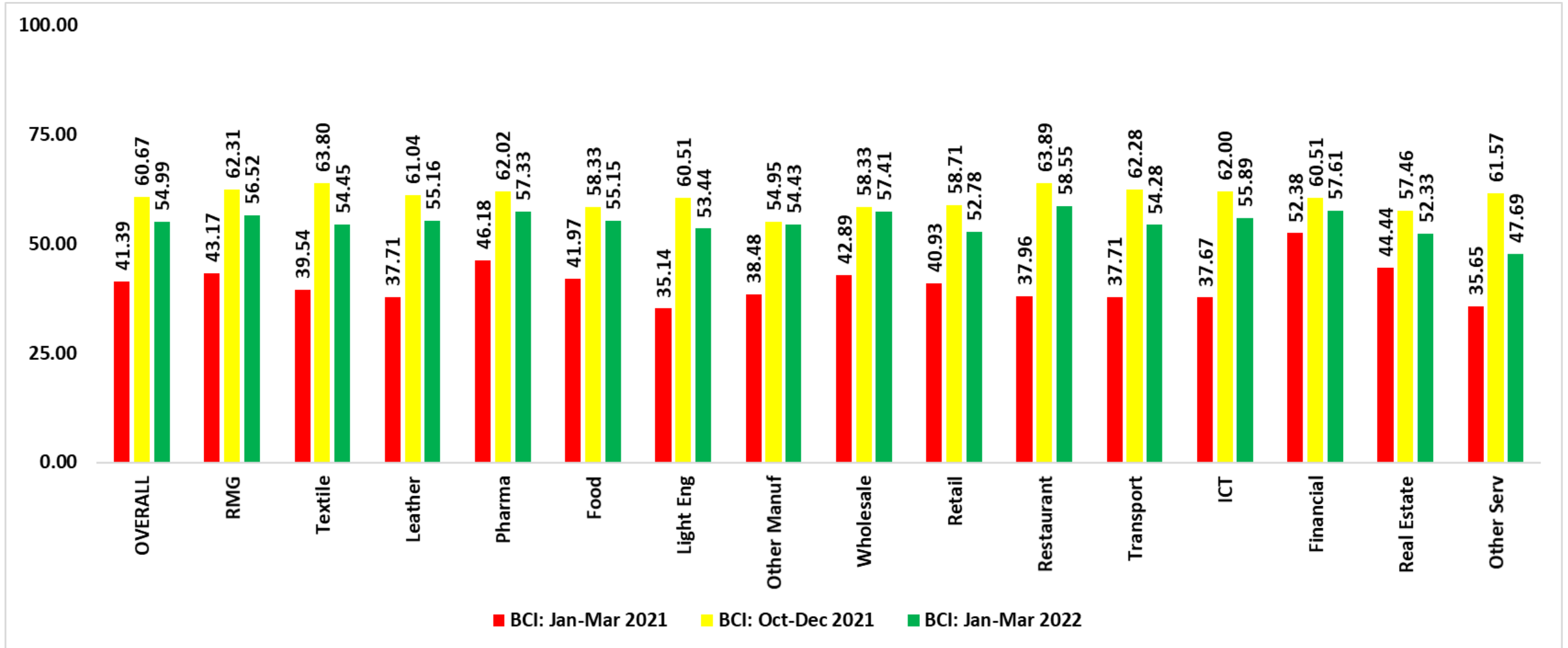
# Reality vs Expectation



# Business Confidence Index (BCI), by indicator

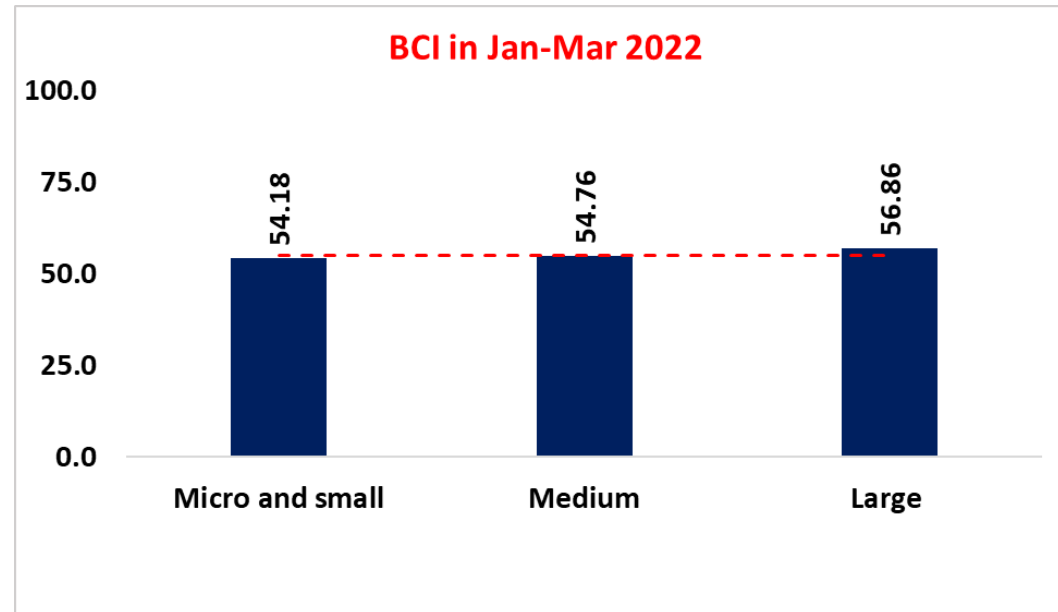
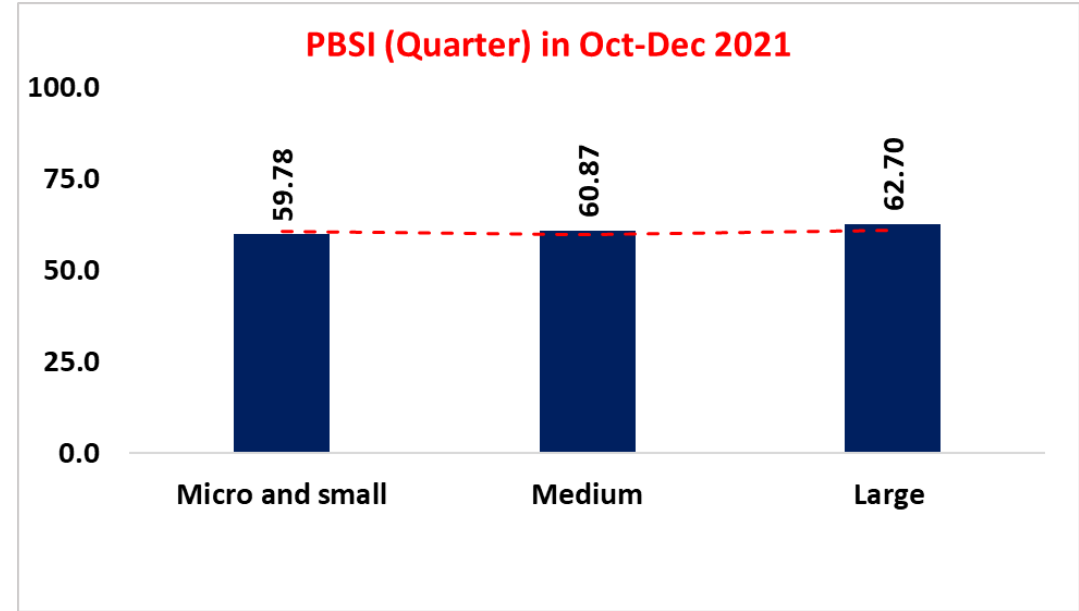
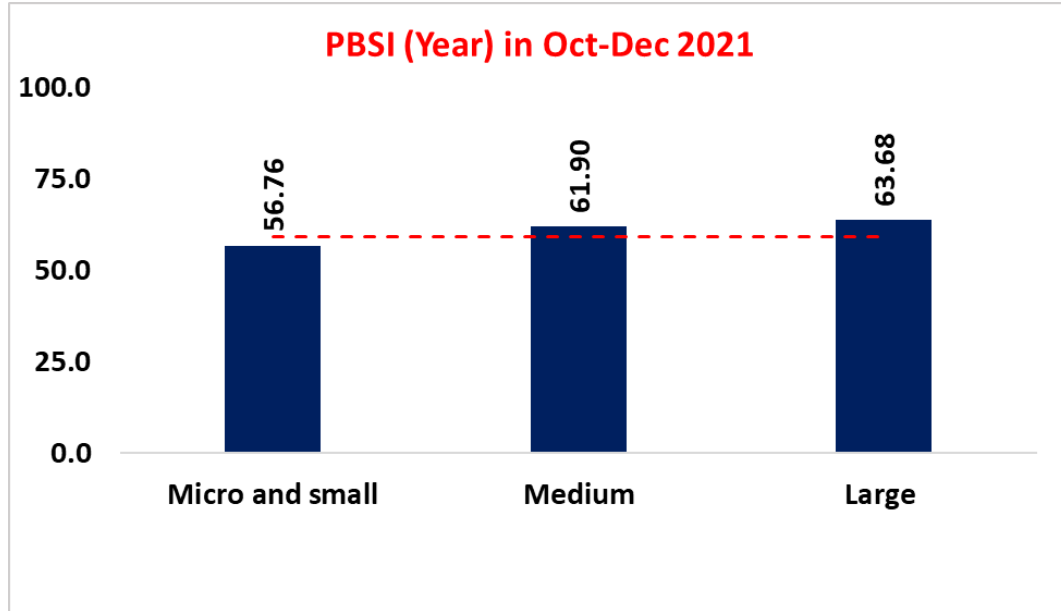


# Business Confidence Index (BCI), by sector

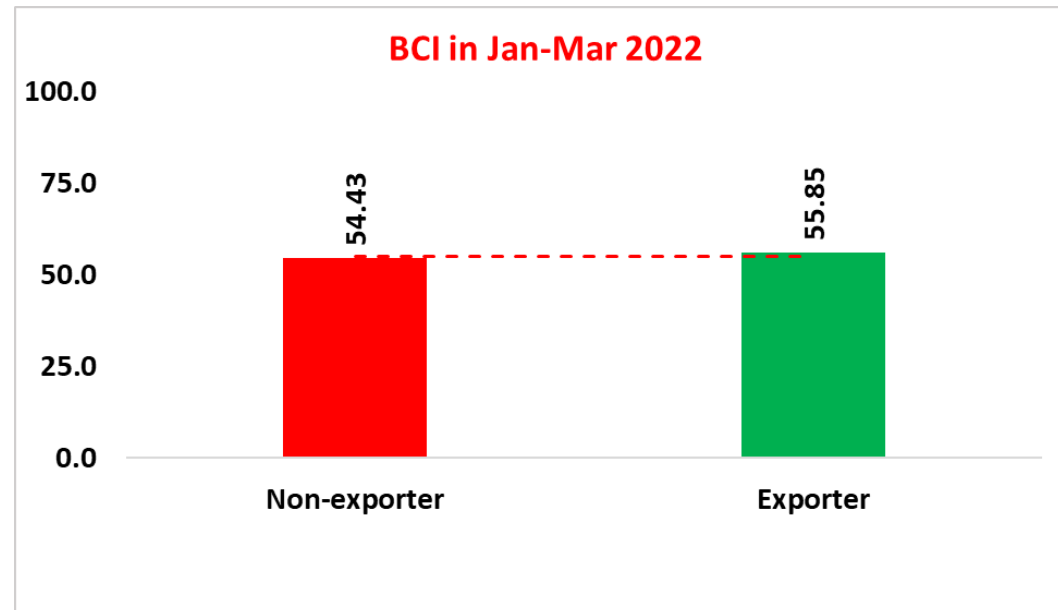




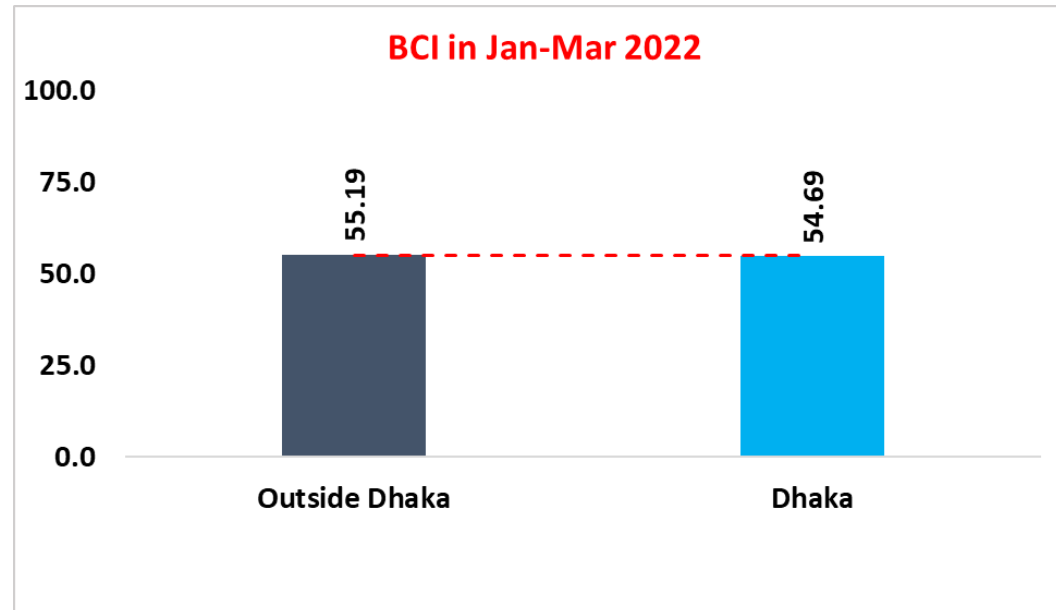
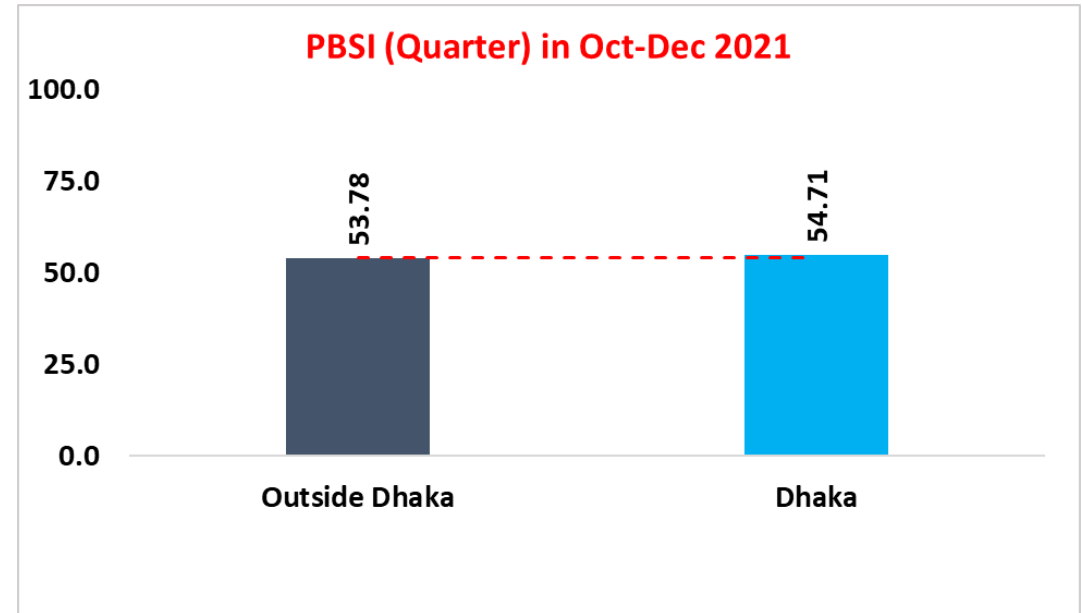
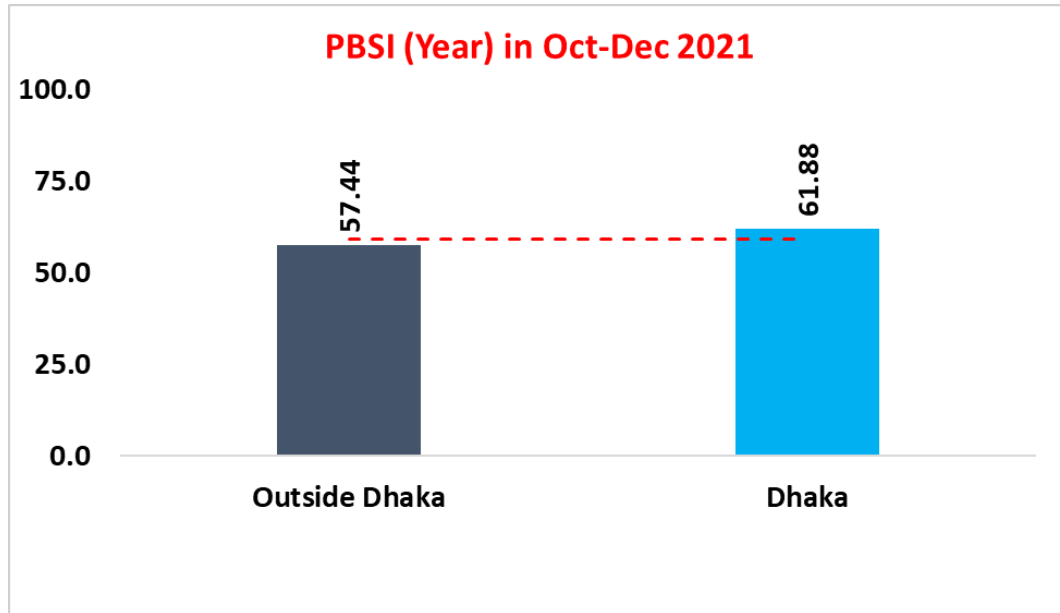
# PBSIs and BCI Vs firm size

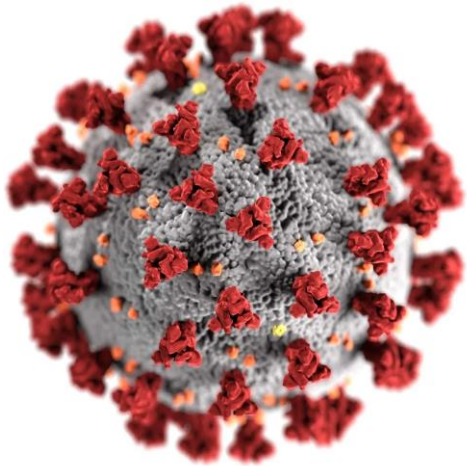
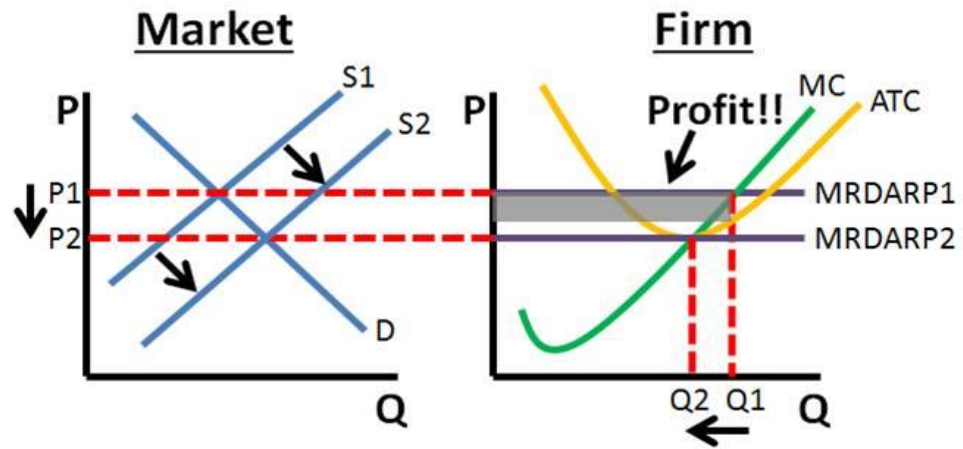


# PBSIs and BCI Vs export status



# PBSIs and BCI Vs location



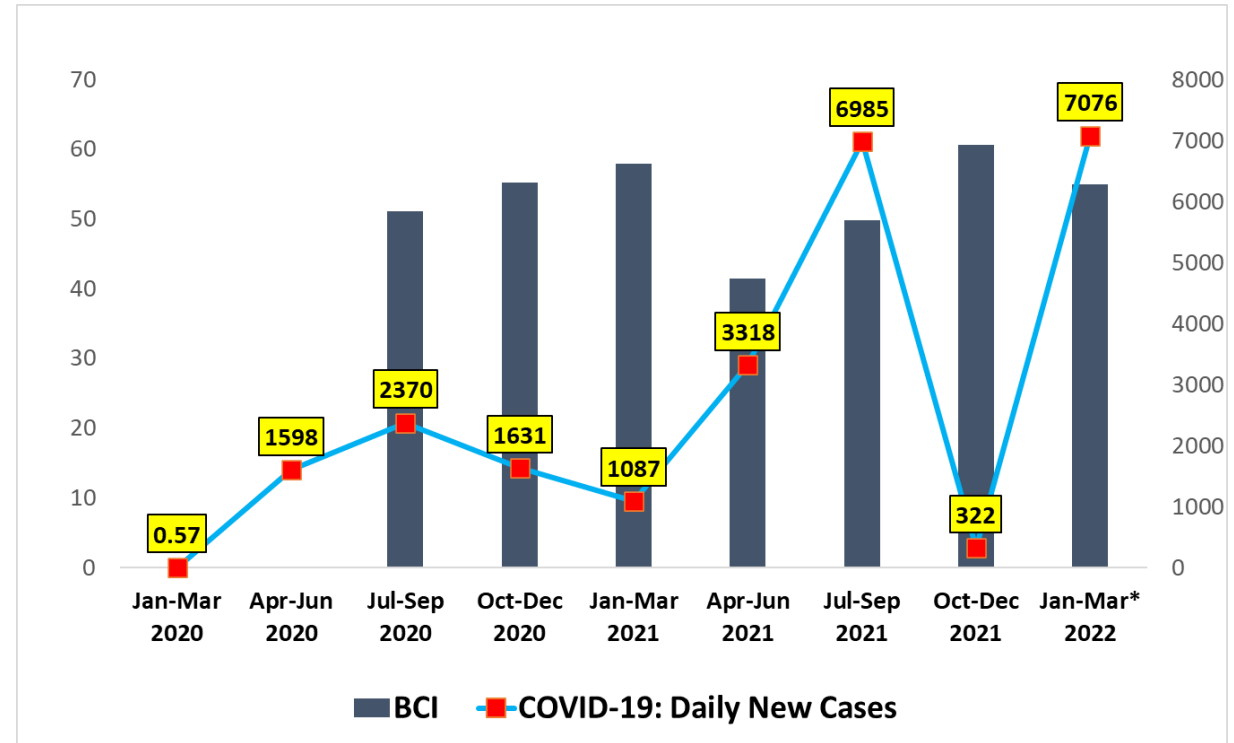
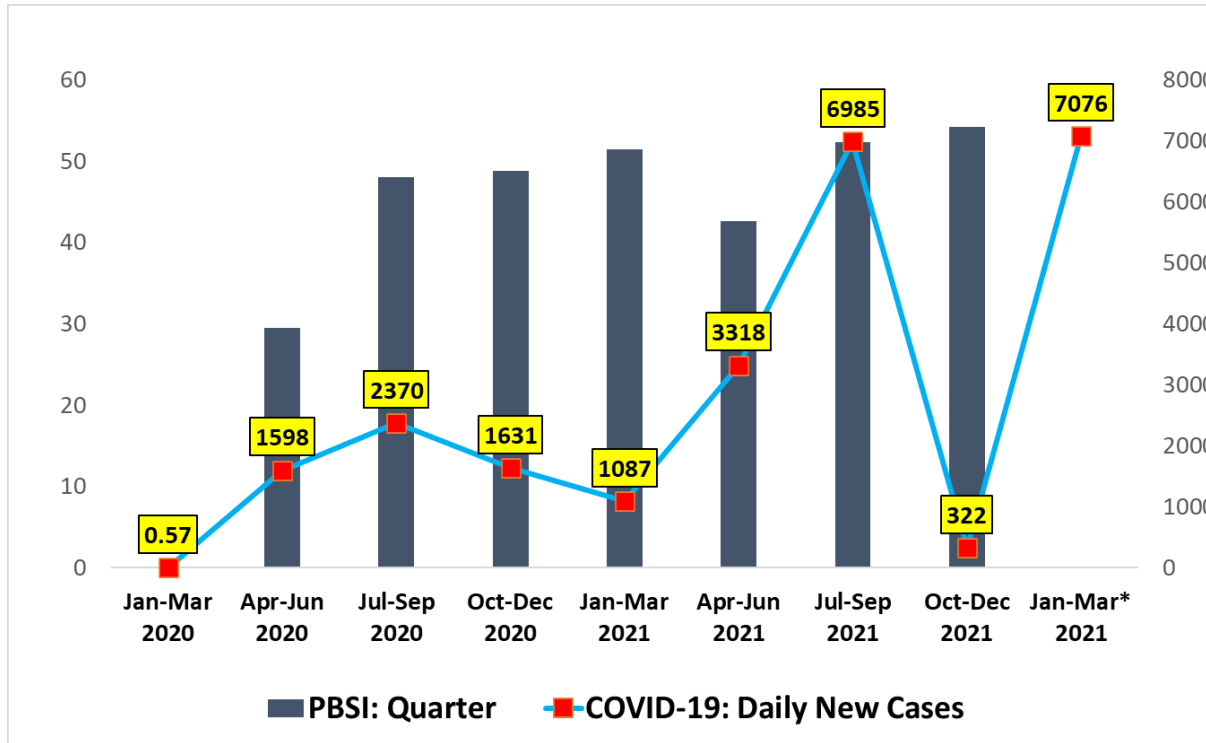


# PBSI and BCI Scenarios

with

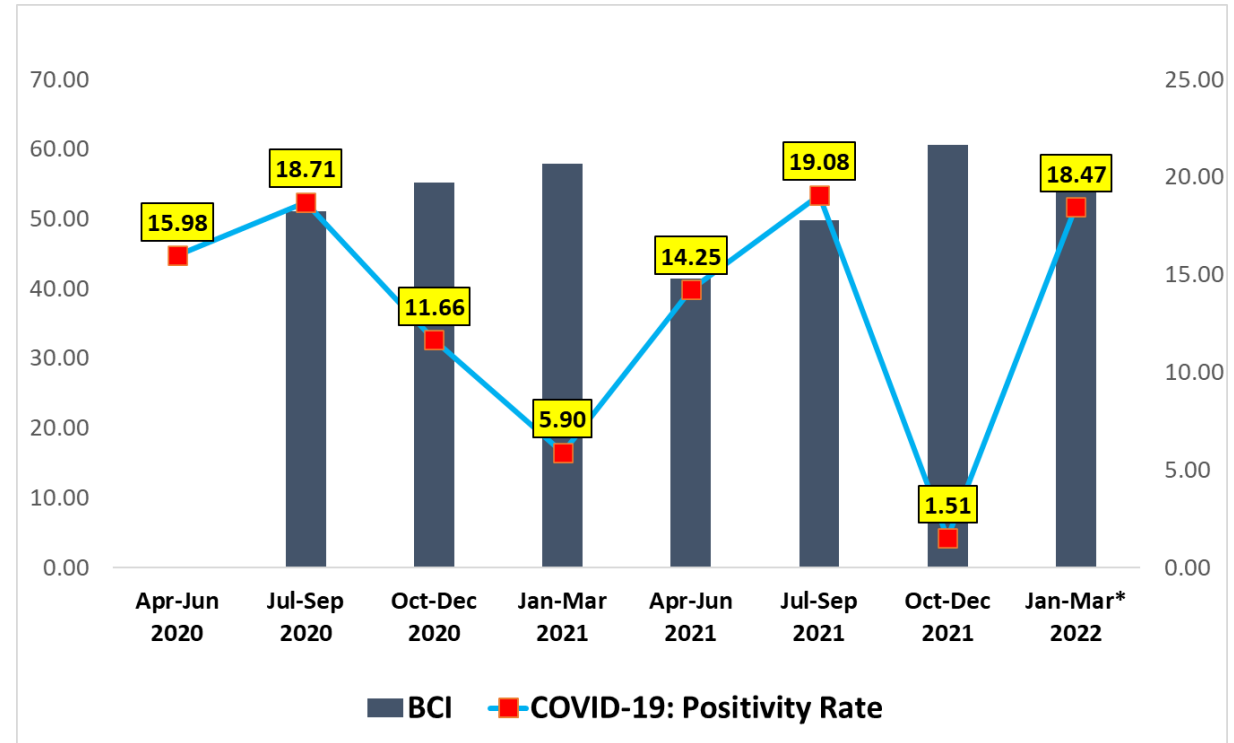
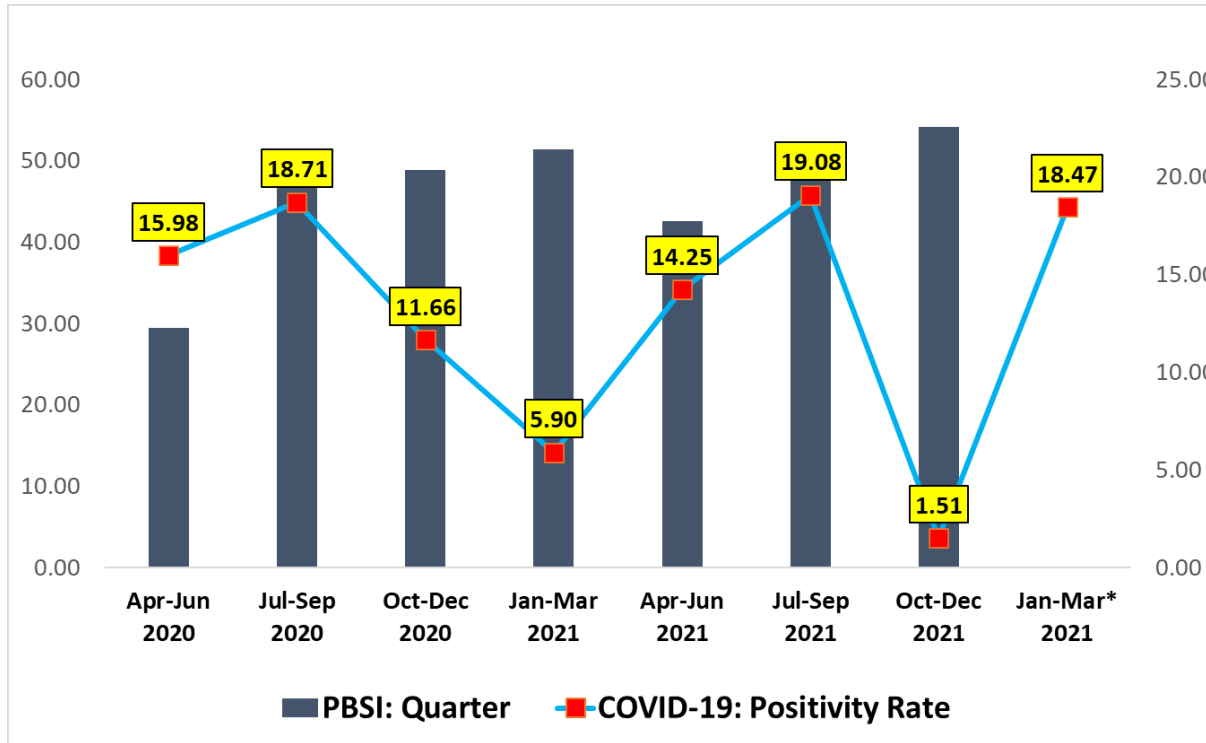
**COVID-19  
And Its  
Measures**

# PBSI and BCI versus New COVID-19 Cases



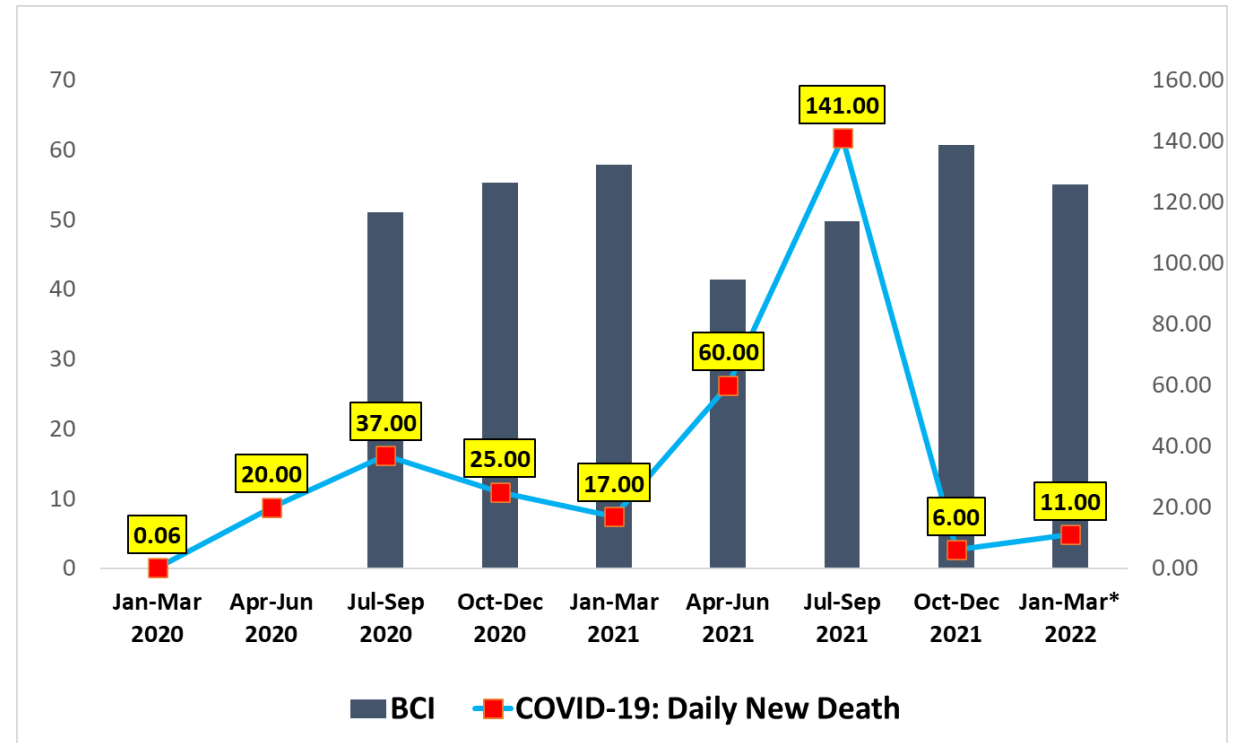
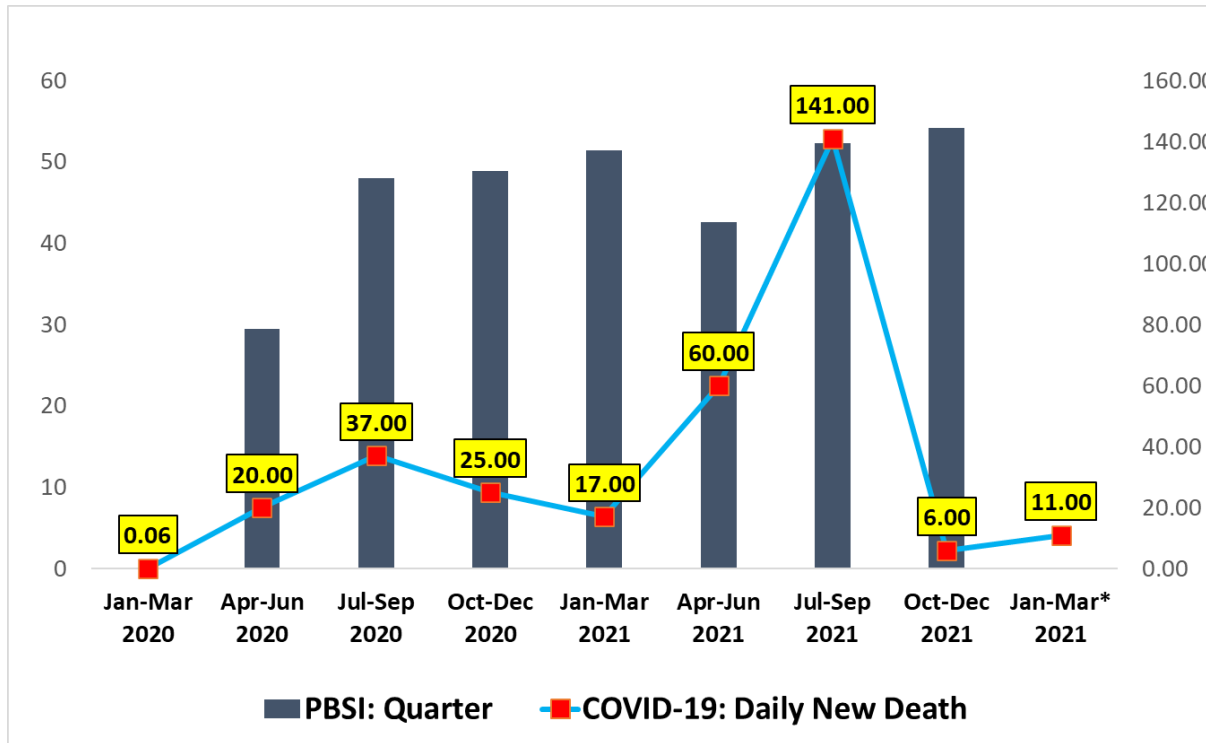
Data Source: New Daily COVID-19 Cases: World Health Organization, COVID-19 Global Table Data; \* Data of New Daily COVID-19 Cases as of 2 February 2022

# PBSI and BCI versus COVID-19 Positivity Rate



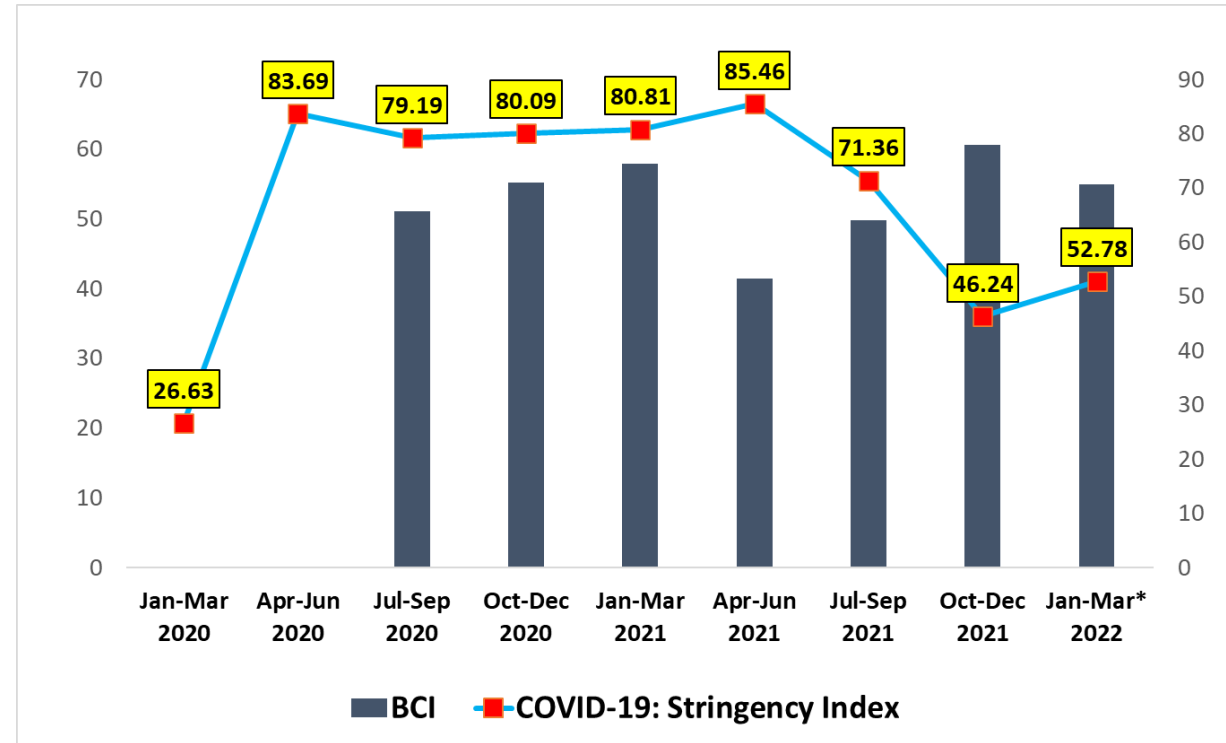
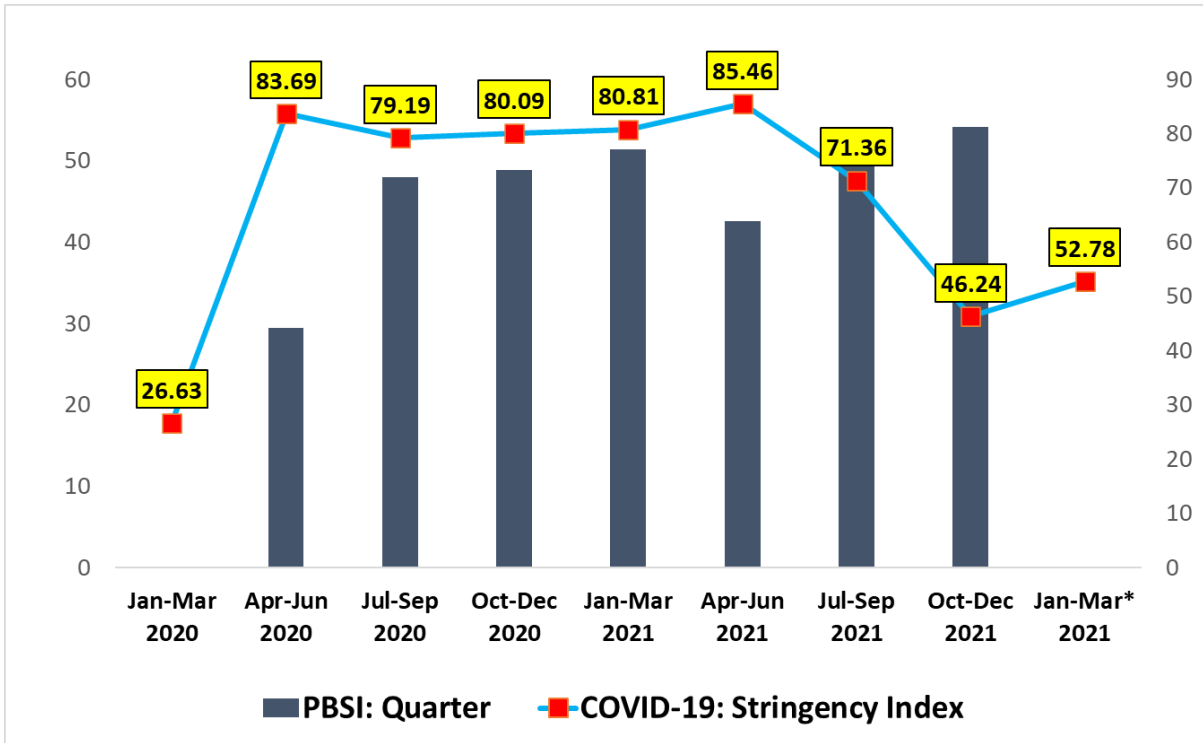
Data Source: COVID-19 Positivity Rate: Health Emergency Operations Center (HEOC) & Control Room, Institute of Epidemiology, Disease Control and Research (IEDCR), District Health Information Software (Version 2) (DHIS2); \* Data of COVID-19 Positivity Rate as of 2 February 2022

# PBSI and BCI versus New Death Cases



Data Source: Daily New COVID-19 Death Cases: World Health Organization, COVID-19 Global Table Data; \* Data of Daily New COVID-19 Death Cases as of 2 February 2022

# PBSI and BCI versus Stringency Index



Data Source: COVID-19: Stringency Index: Oxford COVID-19 Response Tracker, Blavatnik School of Government, University of Oxford; \* Data of Stringency Index as of 2 February 2022



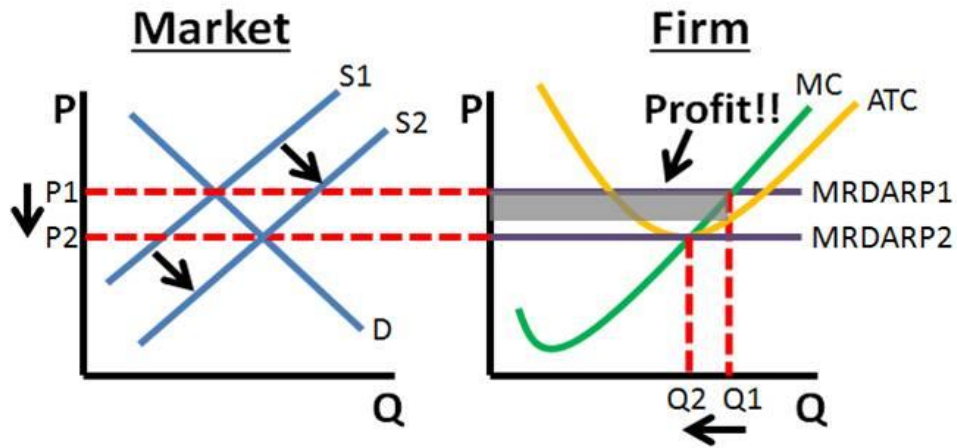
# Observations of PBSI and BCI with COVID-19 cases and its measures

- Both business status and business confidence exhibit sensitivity to the trend of COVID-19 cases. However, over time and through experience, businesses have developed their own perceptions on the severity of COVID-19 waves which impact their future outlook.
- On the other hand, as COVID-19 containment measures affect the demand and supply side more directly, business status and business confidence pivot on the extent and strictness of the state sanctioned health protocols.

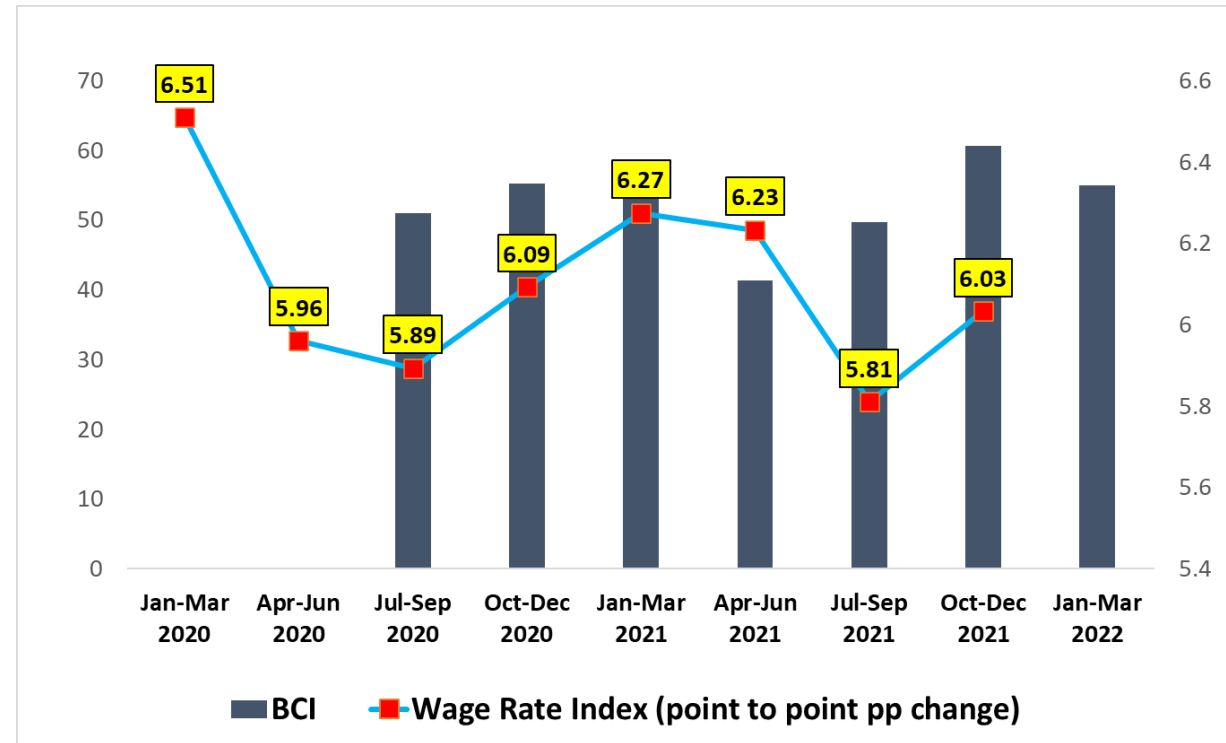
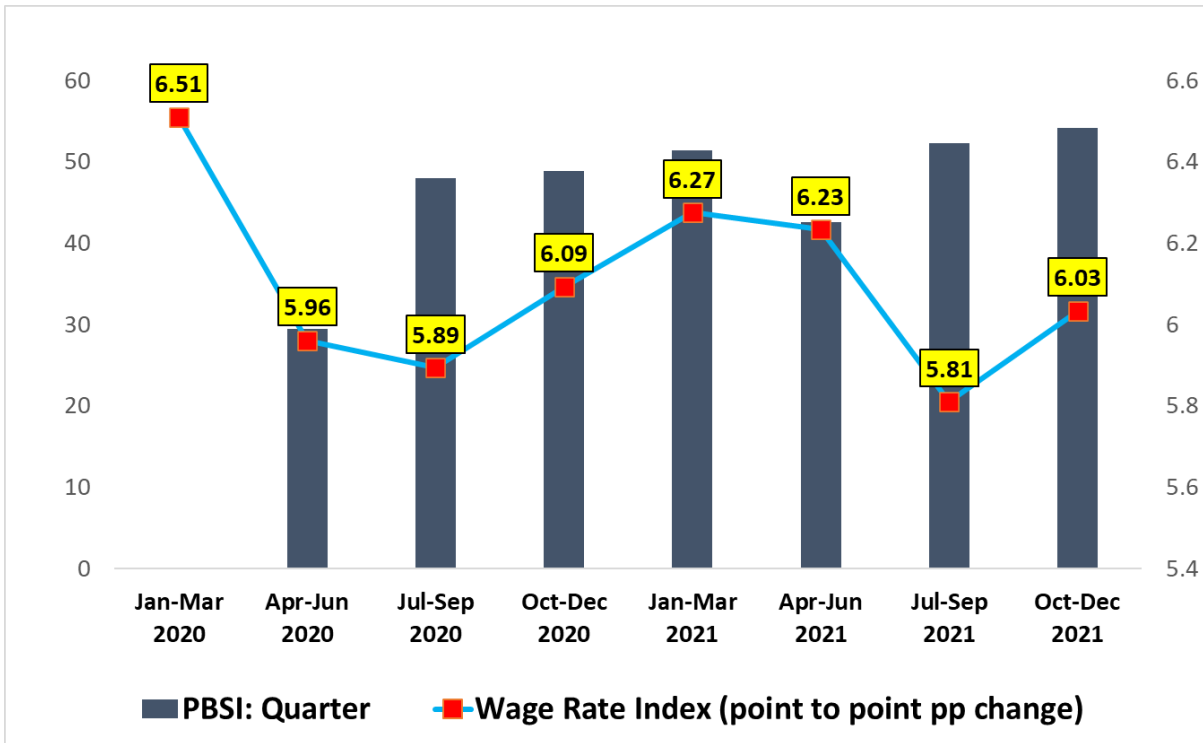
# Micro Figures

with

Macro  
Trends

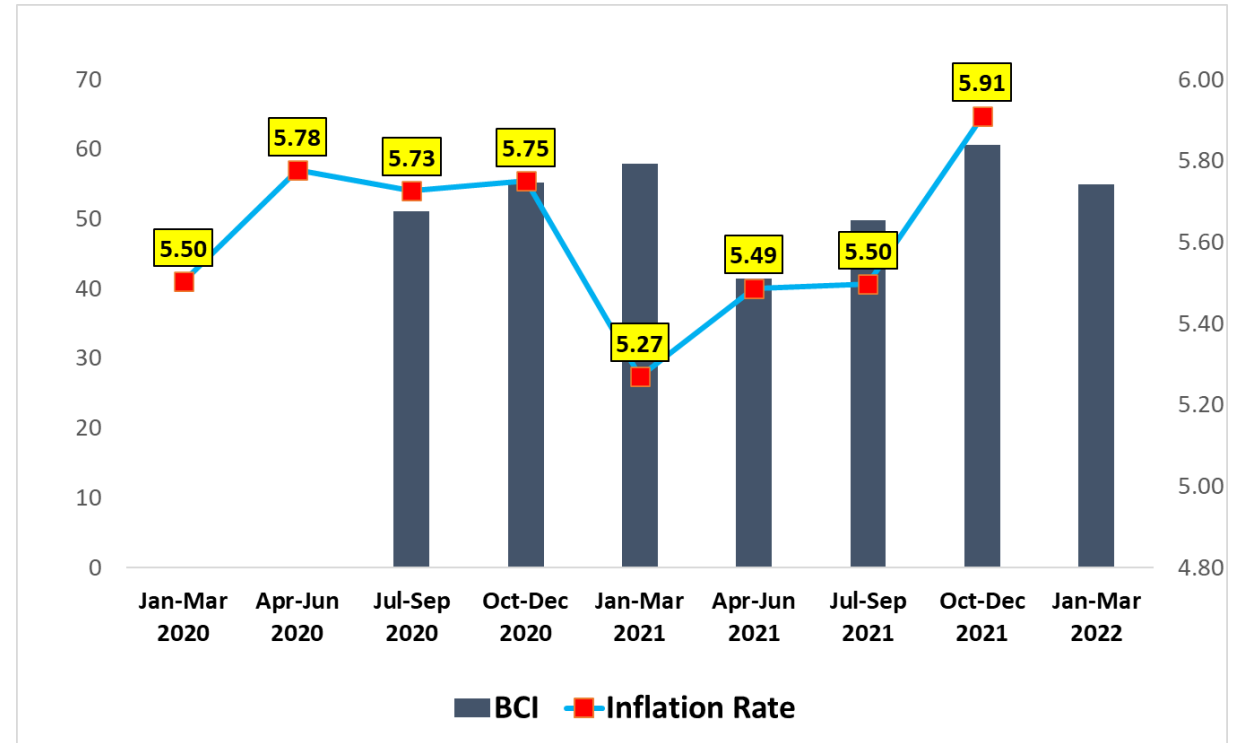
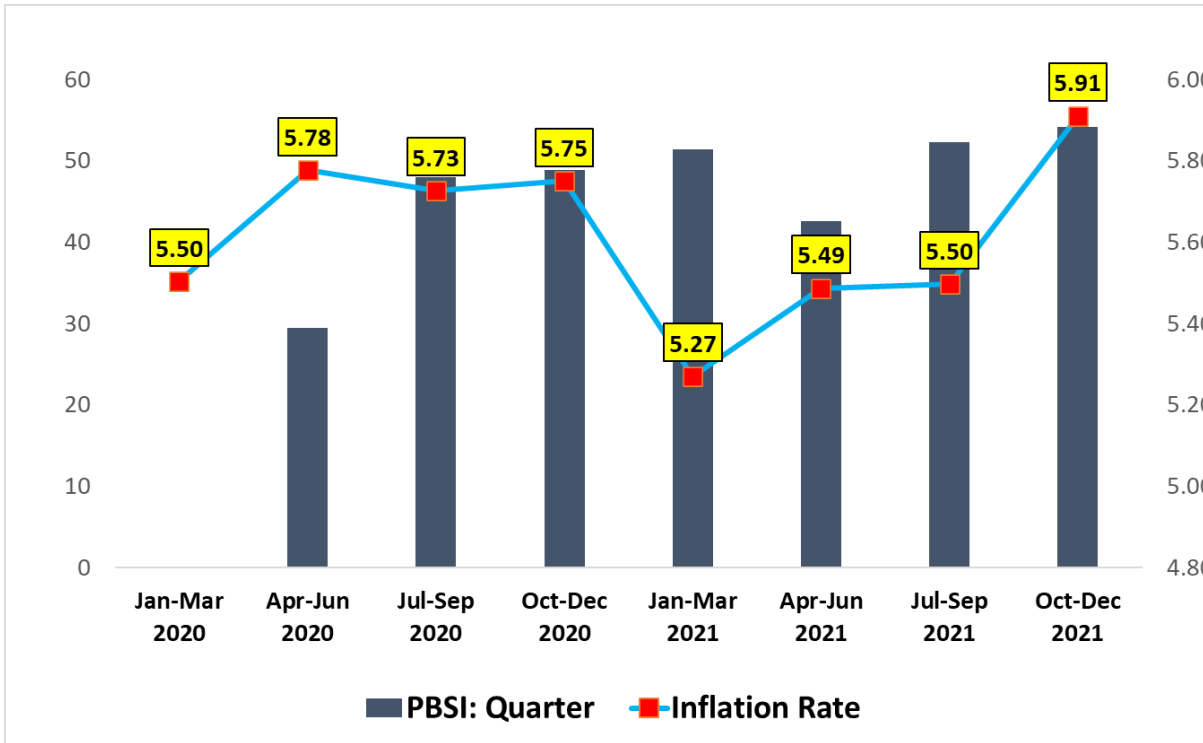


# PBSI and BCI versus Wage Rate Index (WRI)



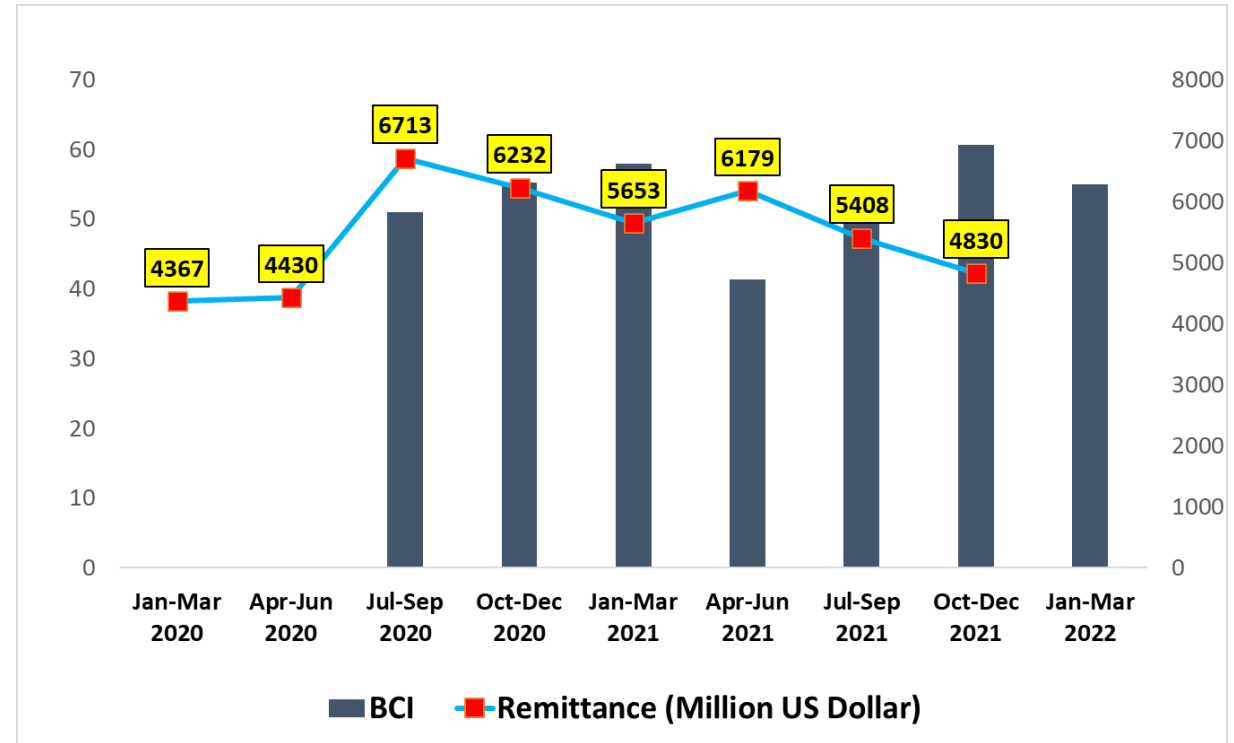
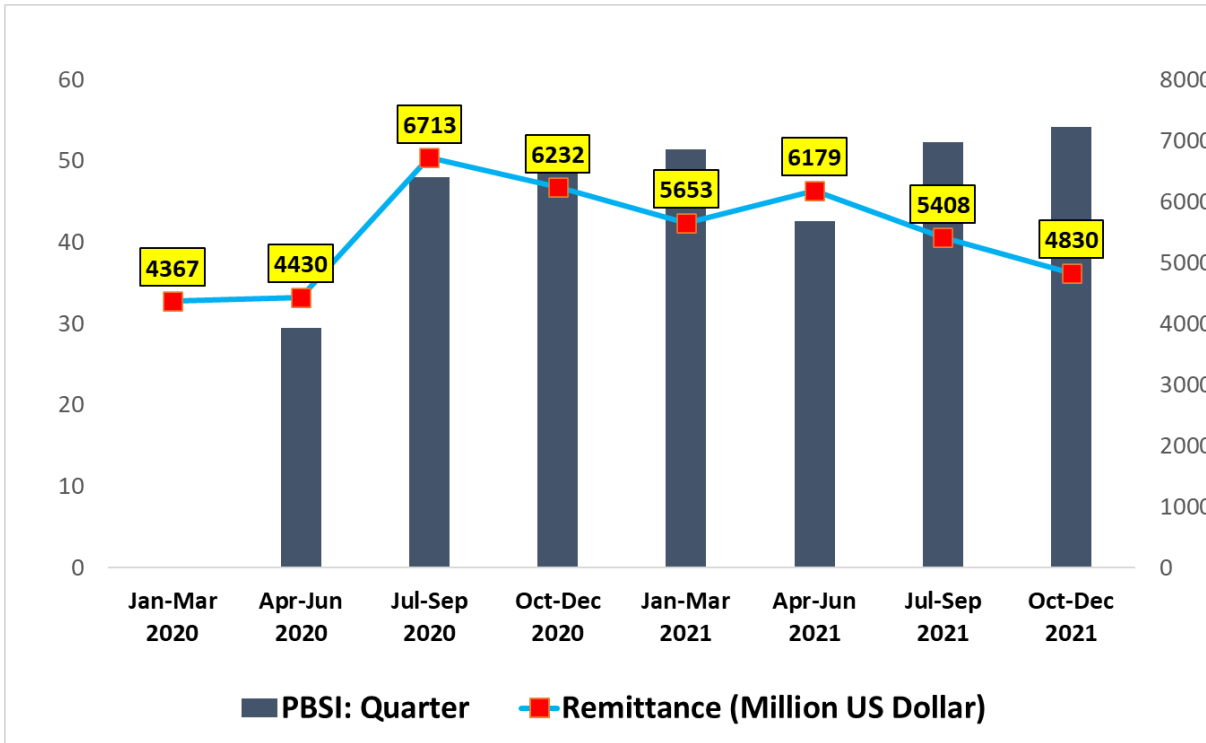
Data Source: Wage Rate Index (WRI): Bangladesh Bureau of Statistics (BBS).

# PBSI and BCI versus Inflation Rate



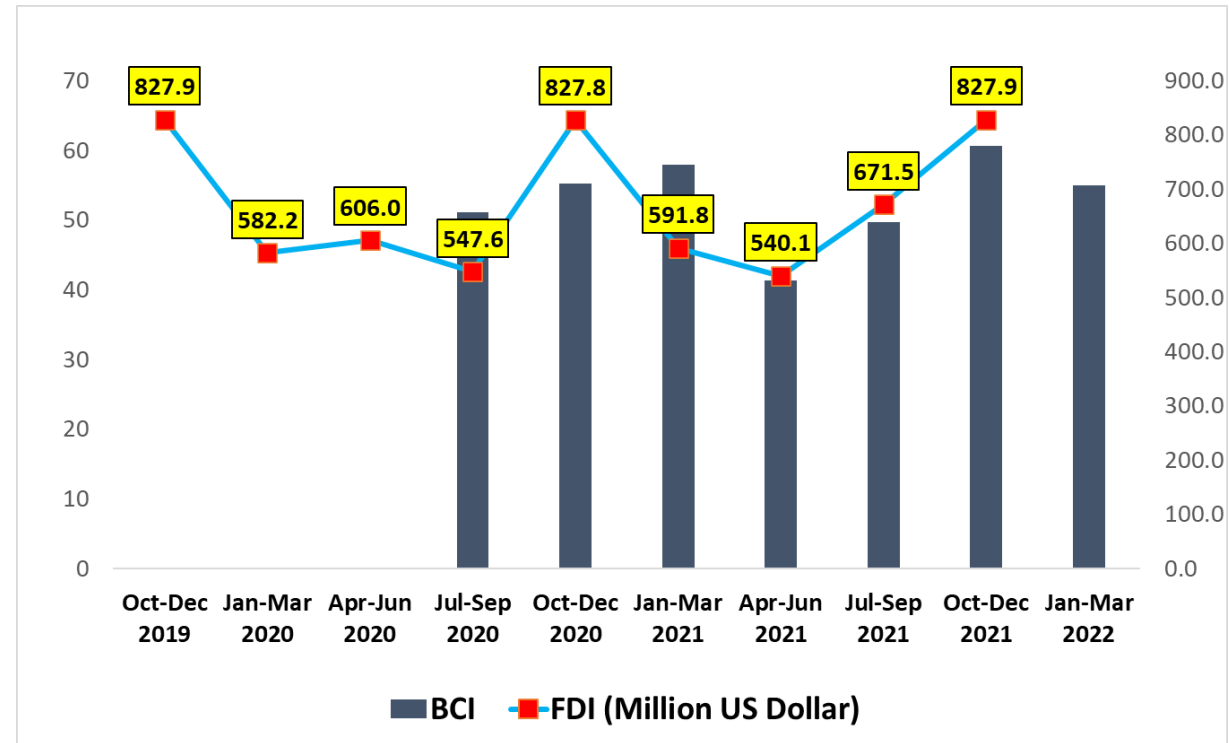
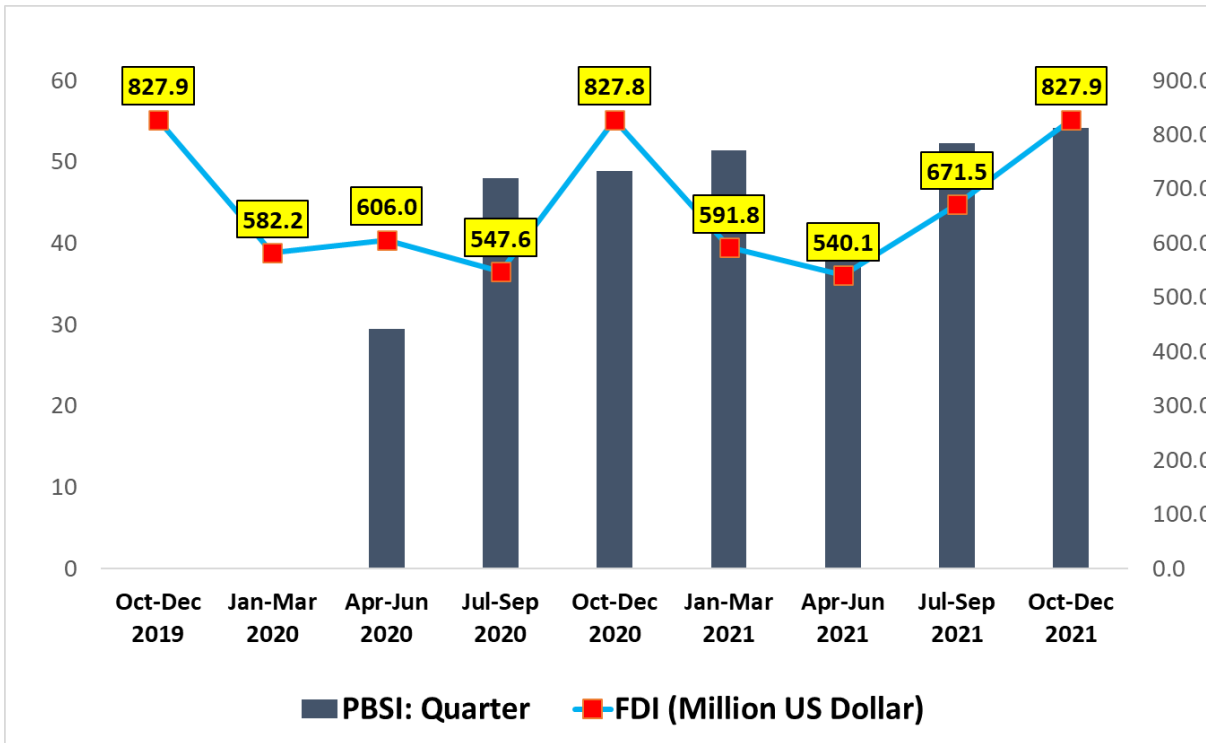
Data Source: Inflation Rate: Bangladesh Bureau of Statistics (BBS).

# PBSI and BCI versus Remittance



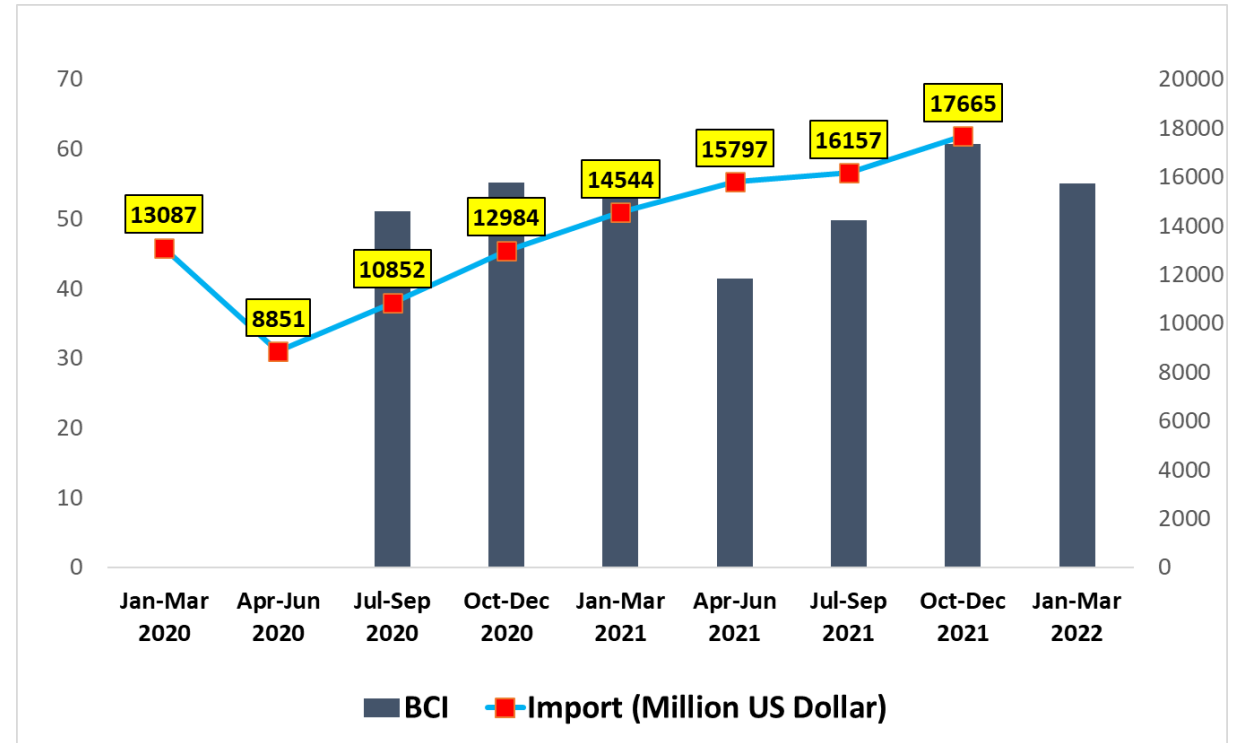
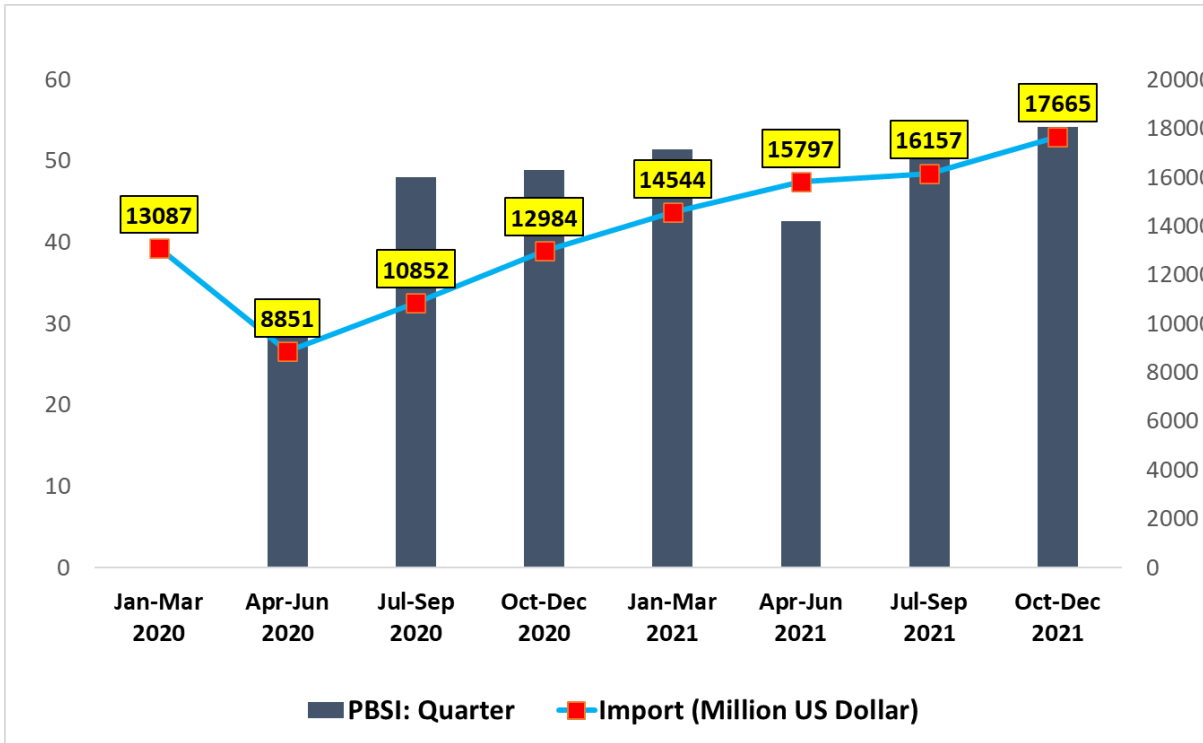
Data Source: Wage Earners Remittance Inflow: Bangladesh Bank (BB).

# PBSI and BCI versus Foreign Direct Investment (FDI)



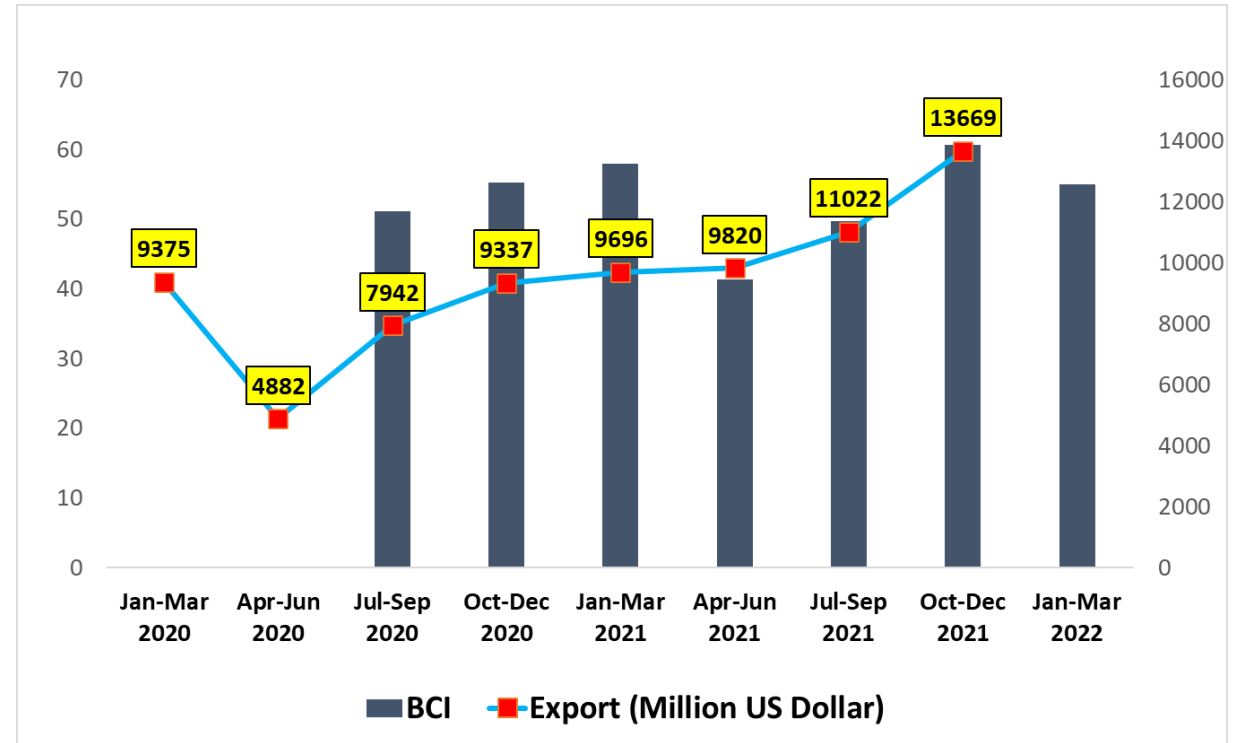
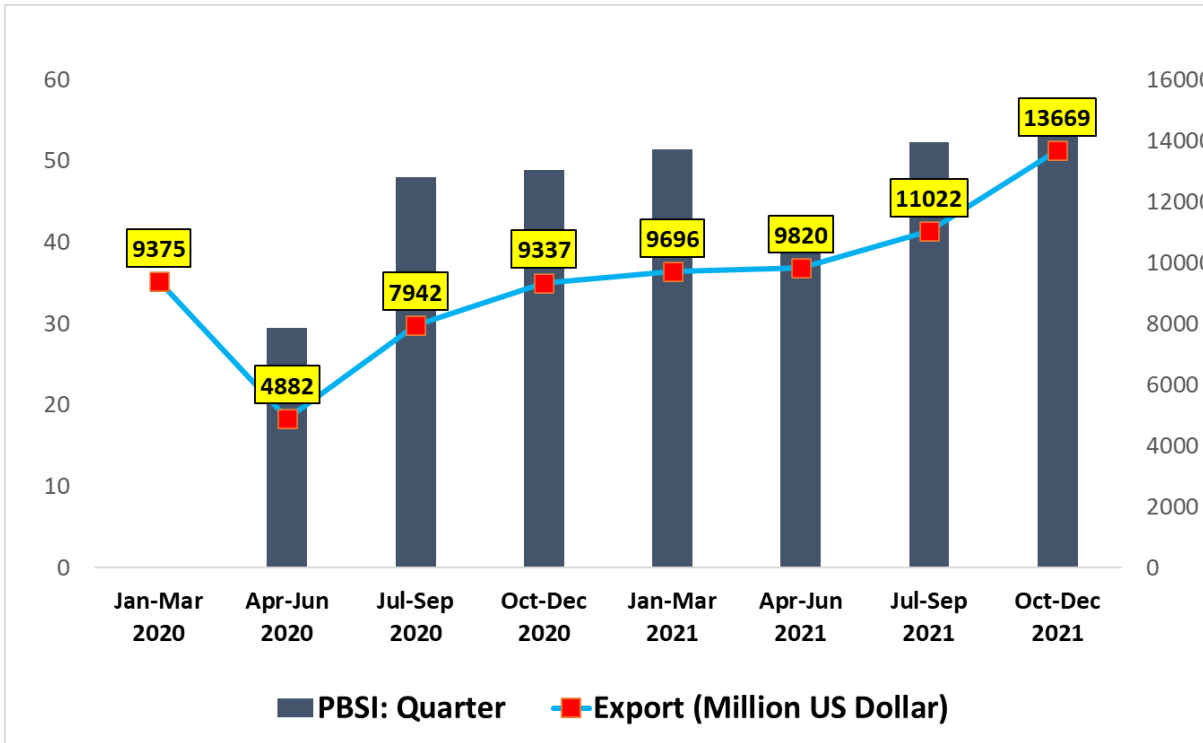
Data Source: Overall Foreign Direct Investment (FDI) Inflow: Bangladesh Bank (BB).

# PBSI and BCI versus Import



Data Source: Quarterly Review on Import Payments, Bangladesh Bank (BB).

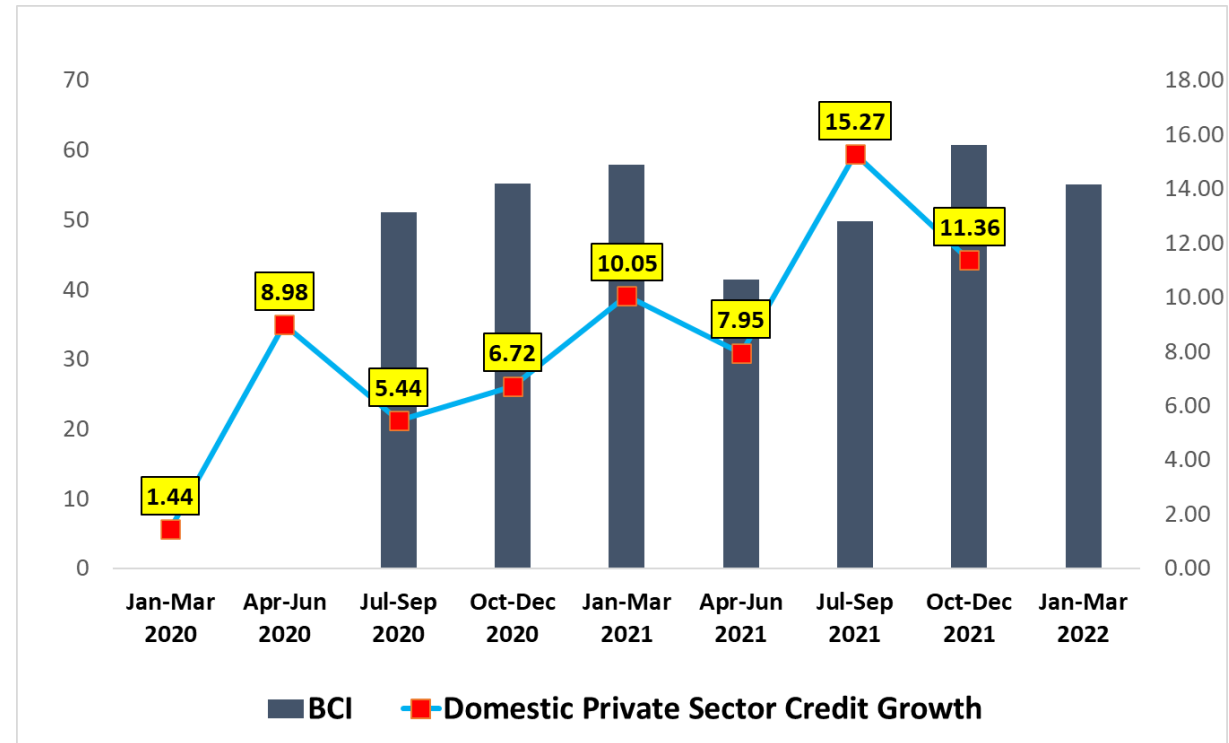
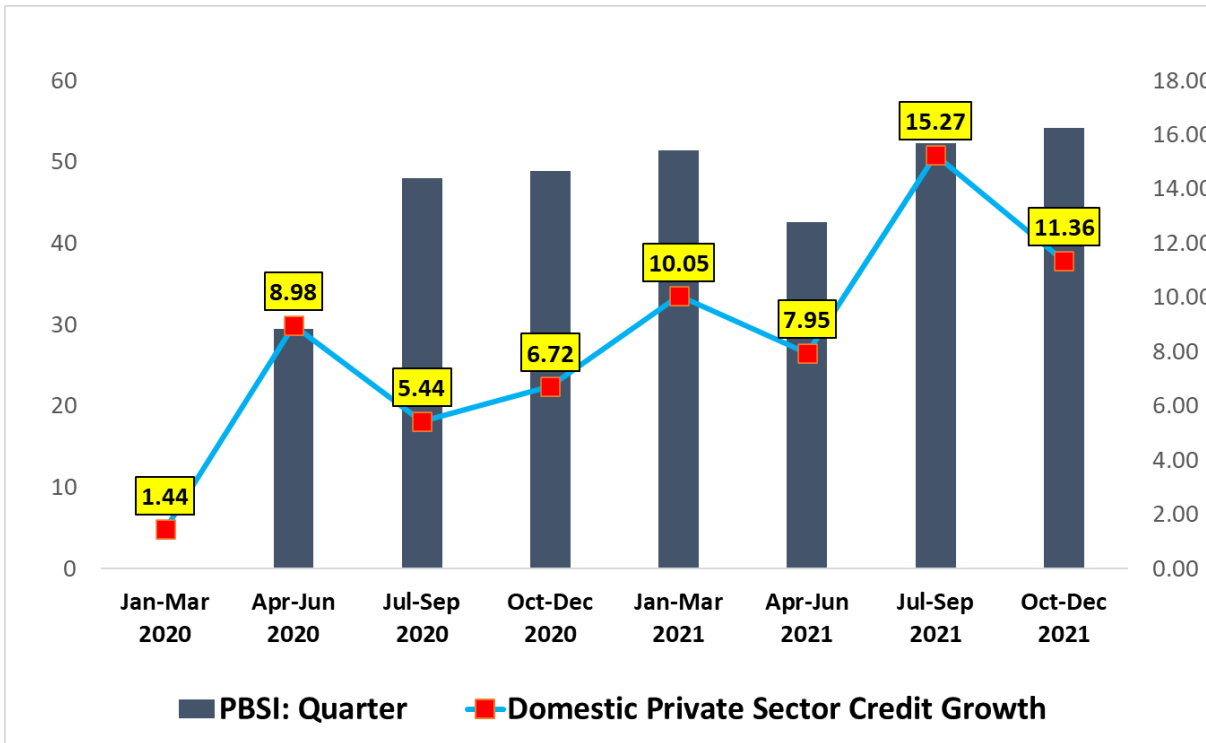
# PBSI and BCI versus Export



Data Source: Export Promotion Bureau (EPB), Bangladesh.



# PBSI and BCI versus Private Sector Credit Growth



Data Source: Domestic Private Sector Credit, Bangladesh Bank (BB).

# Observation of PBSI and BCI with macro trends (1/2)

- Wage rate has not been entirely consistent with the improvement in business status and business confidence. Rather, wage rate has shown some amount of “stickiness” and been slow to match trend in business status and confidence. So, despite recovery in progress, wage rate is yet to be restored to the pre-pandemic level.
- Inflation has understandably affected both PBSI (quarter) and BCI. However, the intensity of the effect remains to be determined.
- There has been a gradual decline in remittance flow which might significantly affect the recovery process, especially at household level and in demand side. This in turn can also create a downward pull onto firms' recovery.
- A “V” shaped recovery in FDI inflow can be seen across two consecutive periods, which also coincide with the overall COVID-19 situation. This has been positively received by the businesses.

# Observation of PBSI and BCI with macro trends (2/2)

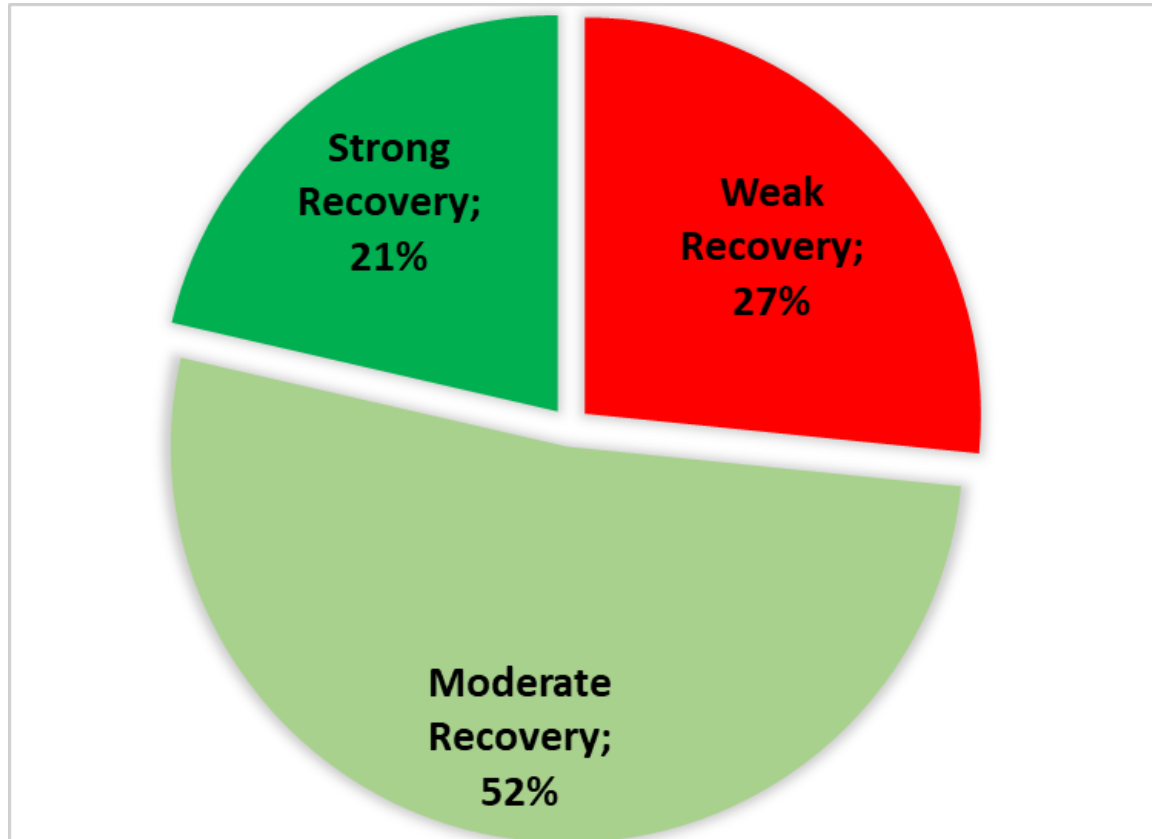
- With an initial dip during the early period of the COVID-19 pandemic, import has since been gradually increasing and had even some time ago crossed the pre-pandemic level. This shows the strong resiliency of the economy.
- The same is also true for export. Consistent and gradual improvement in export and import are correlated with the businesses' status and confidence.
- There has been an overall improvement in private sector credit growth, with sustained periodical downward trend. As business confidence adjusted to the changing COVID-19 scenario, so did private sector credit growth. Also, business status mostly manifested the positive impacts of the credit growth.



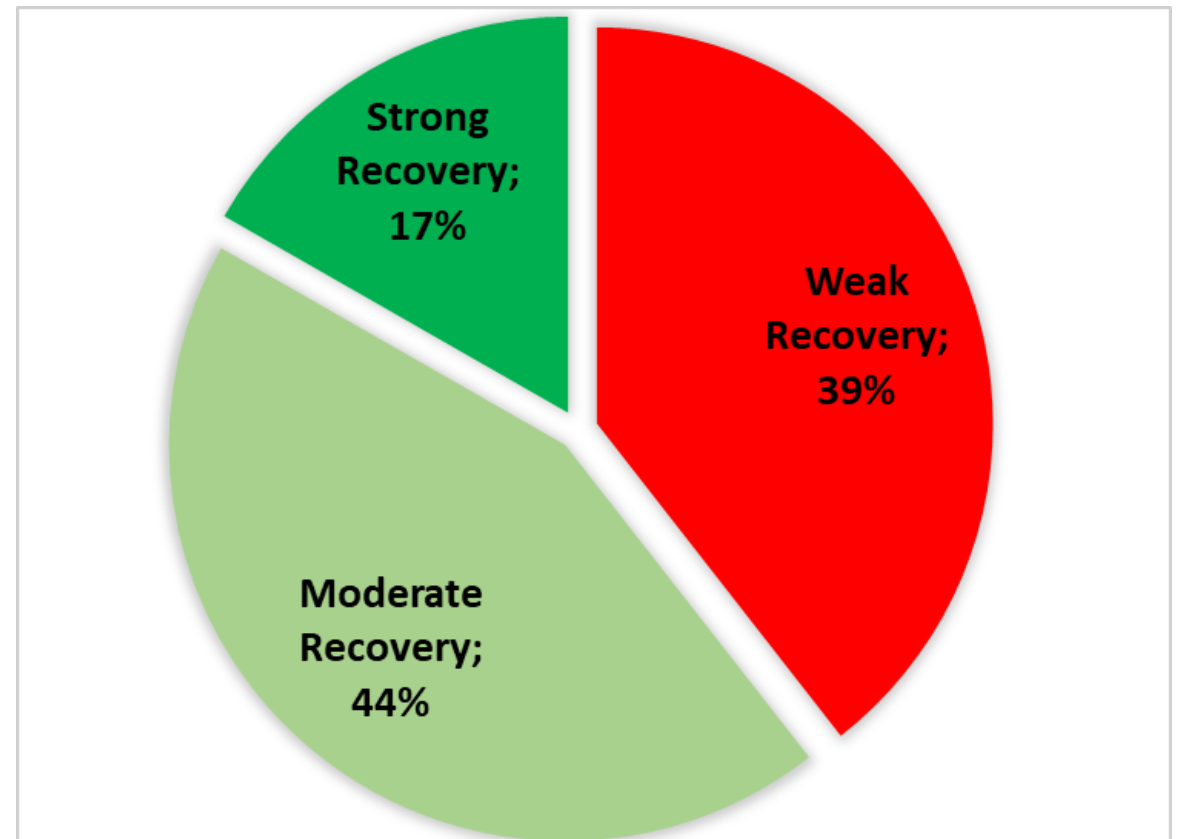
# Economic Recovery

# Perception towards economic recovery

6th Round (October 2021)

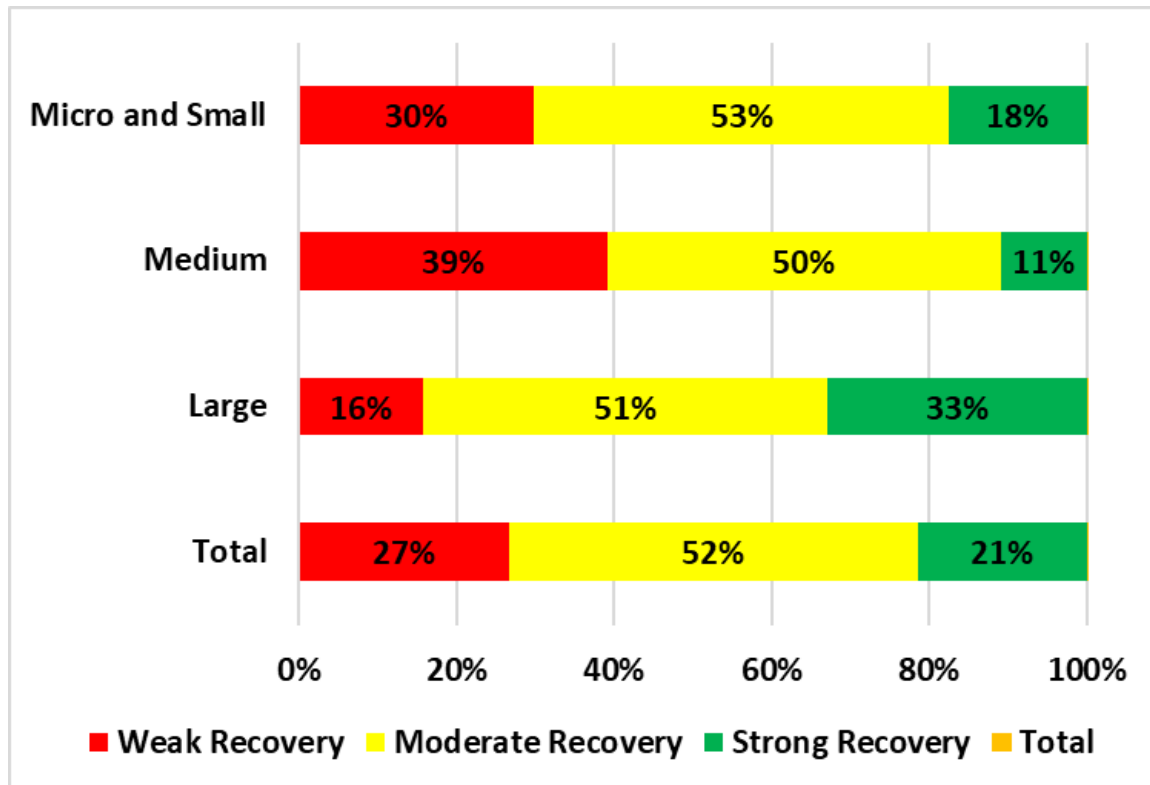


7th Round (January 2022)

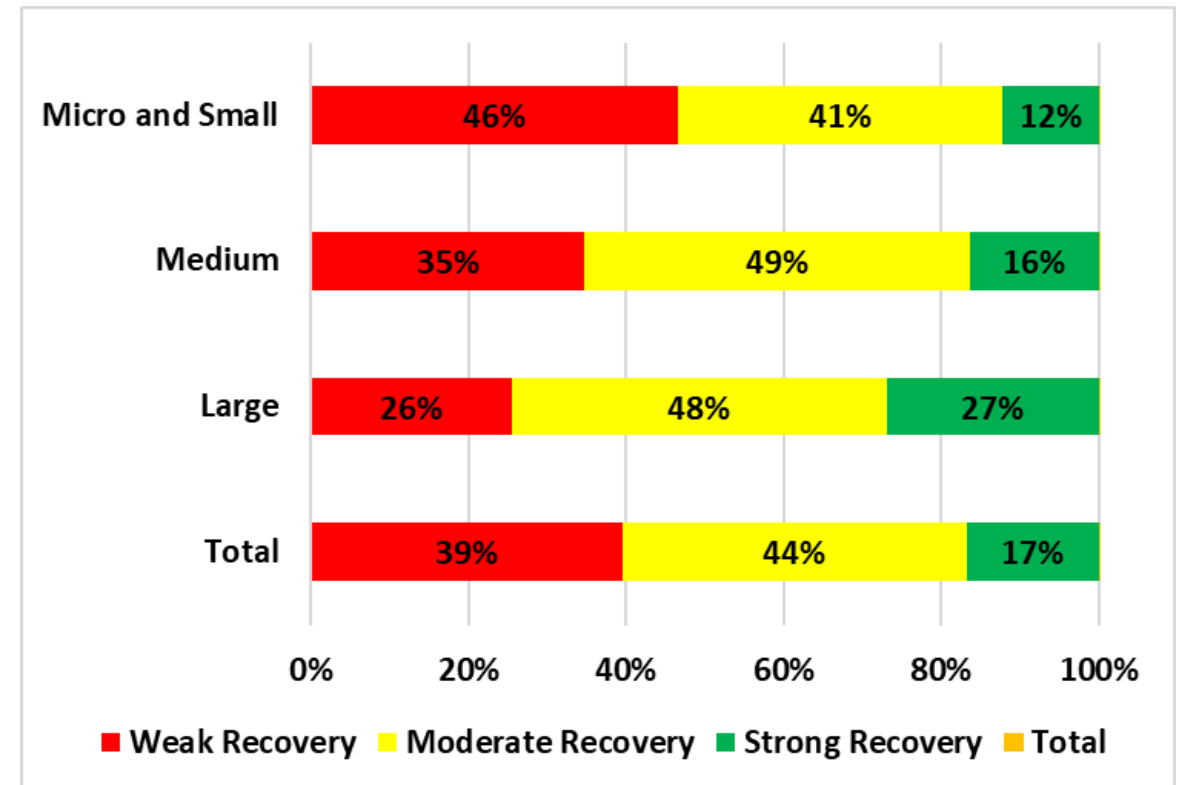


# Perception towards economic recovery by firm size

## 6th Round (October 2021)

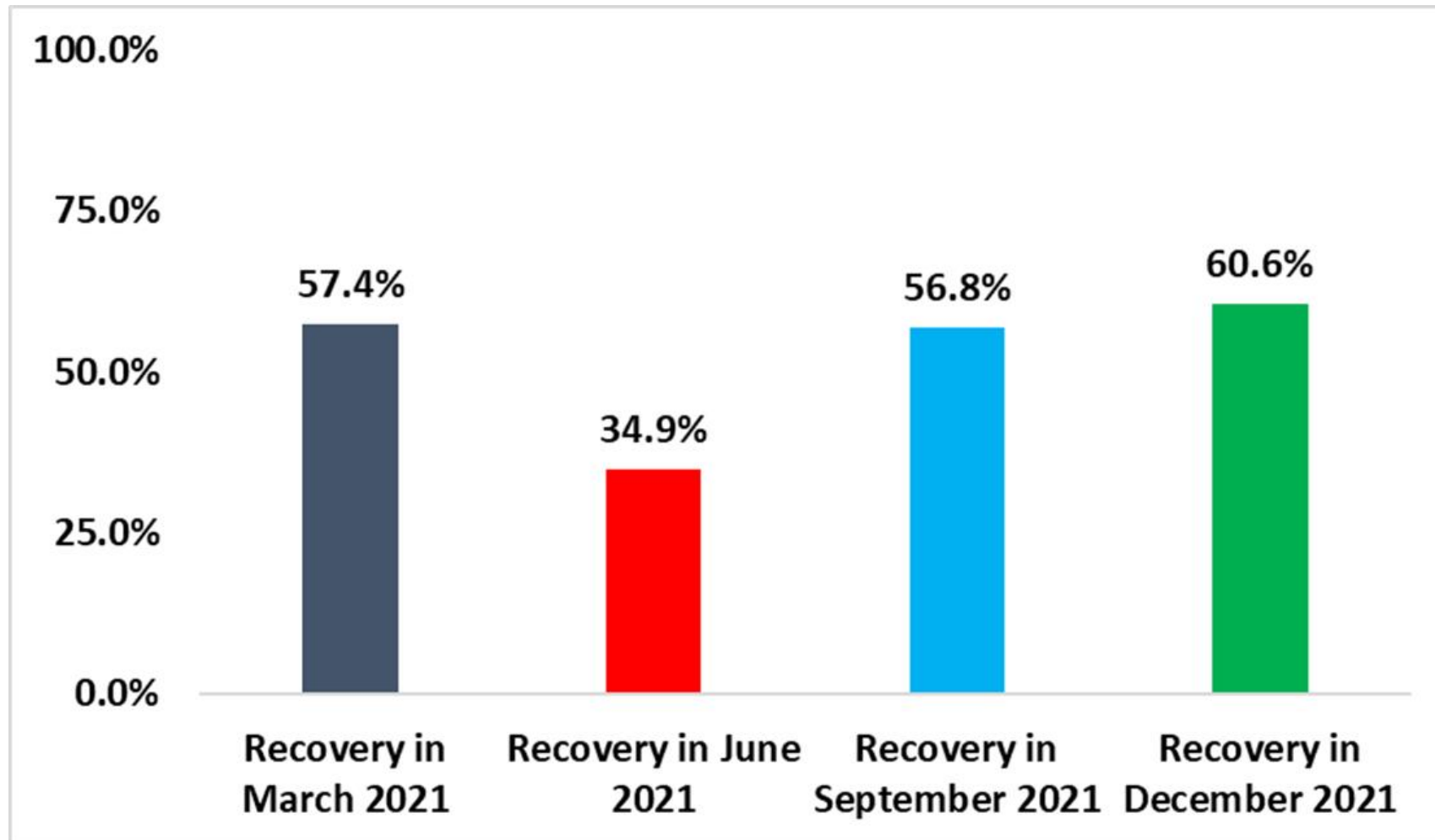


## 7th Round (January 2022)



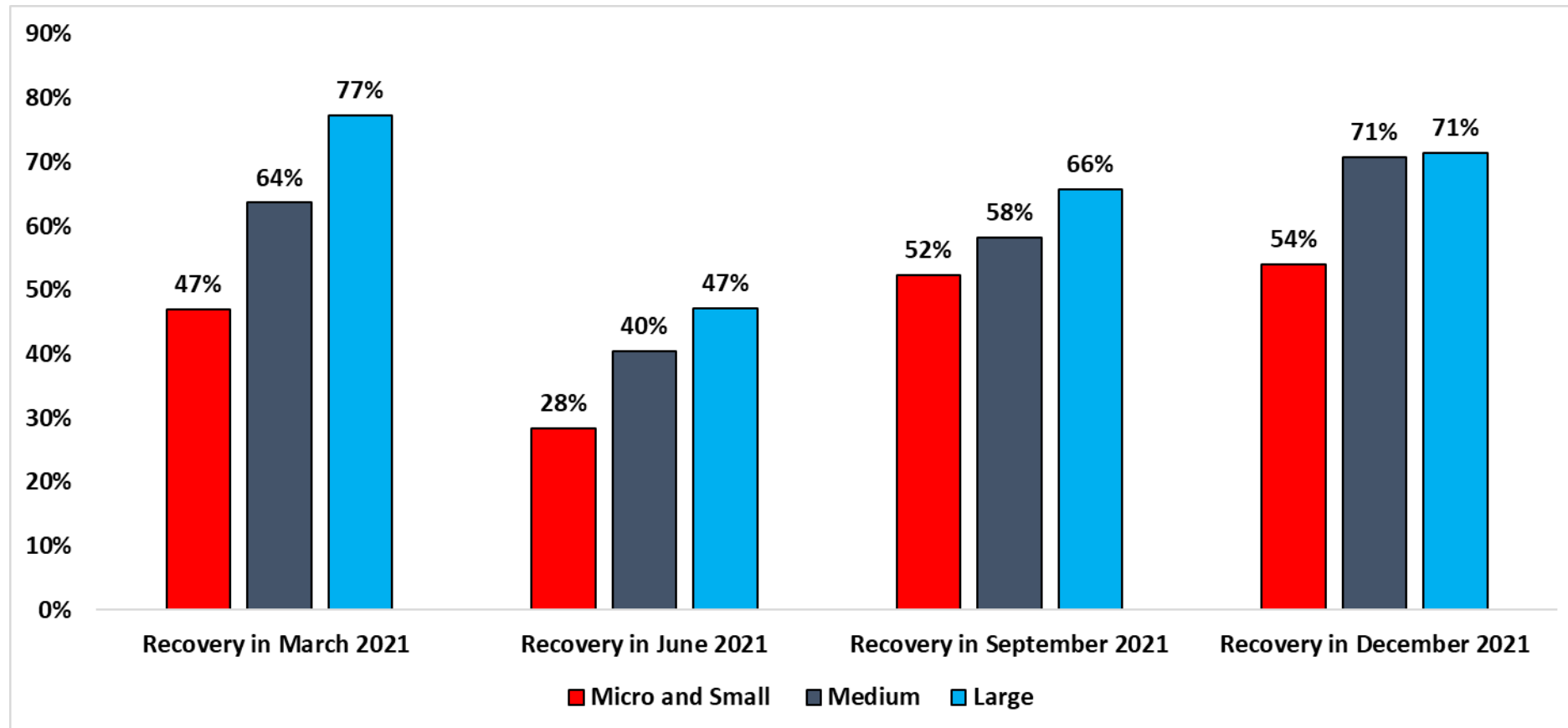
# Business recovery

*(To what extent firms were able to recover their business since March 2020?)*



# Business recovery by firm size

*(Magnitude of recovery in March 2021, June 2021, September 2021 and December 2021 compared to March 2020, %)*

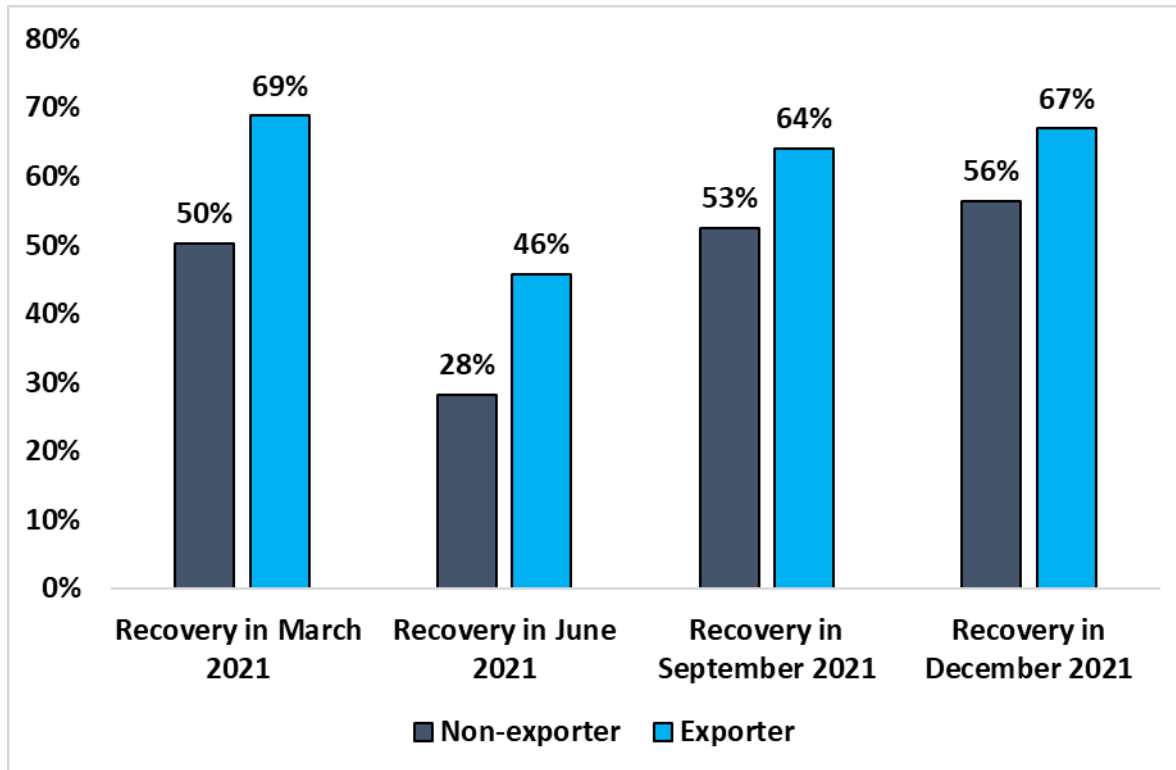




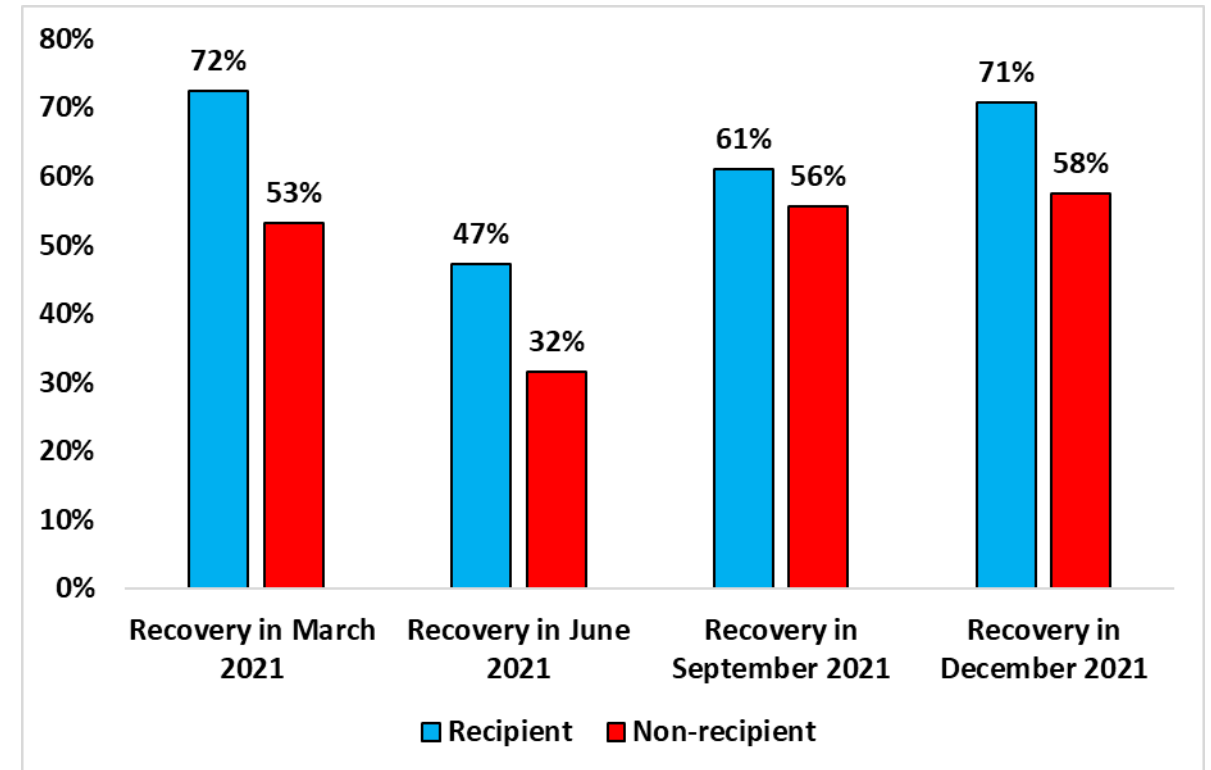
# Business recovery by export status, and stimulus receipt

(Magnitude of recovery in March 2021, June 2021 and September 2021 compared to March 2020, %)

## Export status



## Stimulus receipt

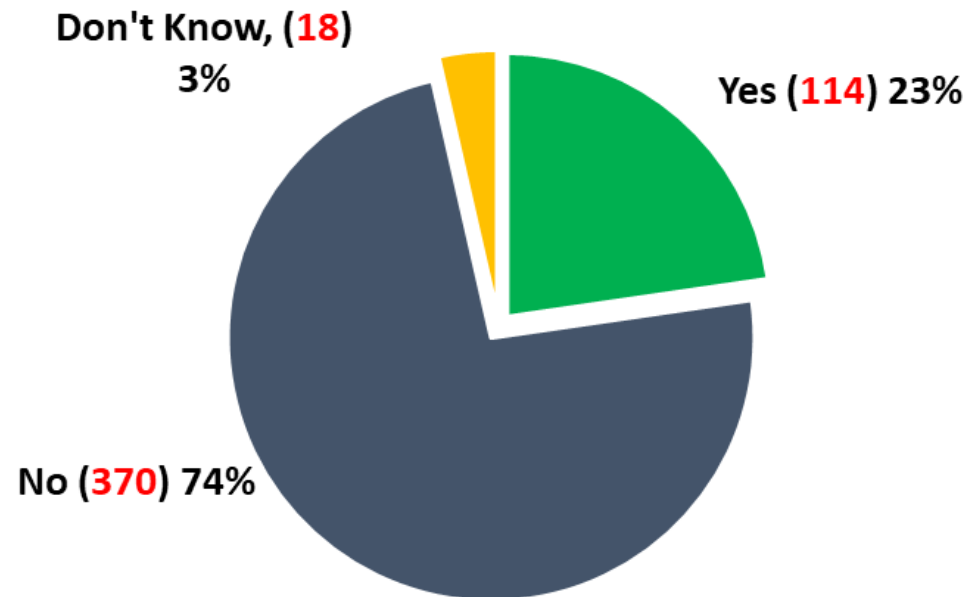


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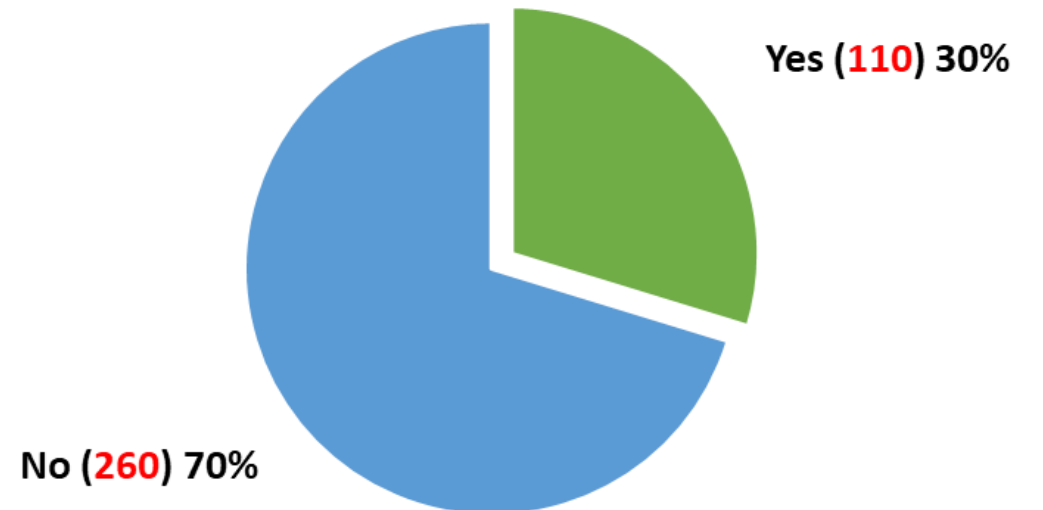
# **Stimulus packages & Government support**

# Stimulus package

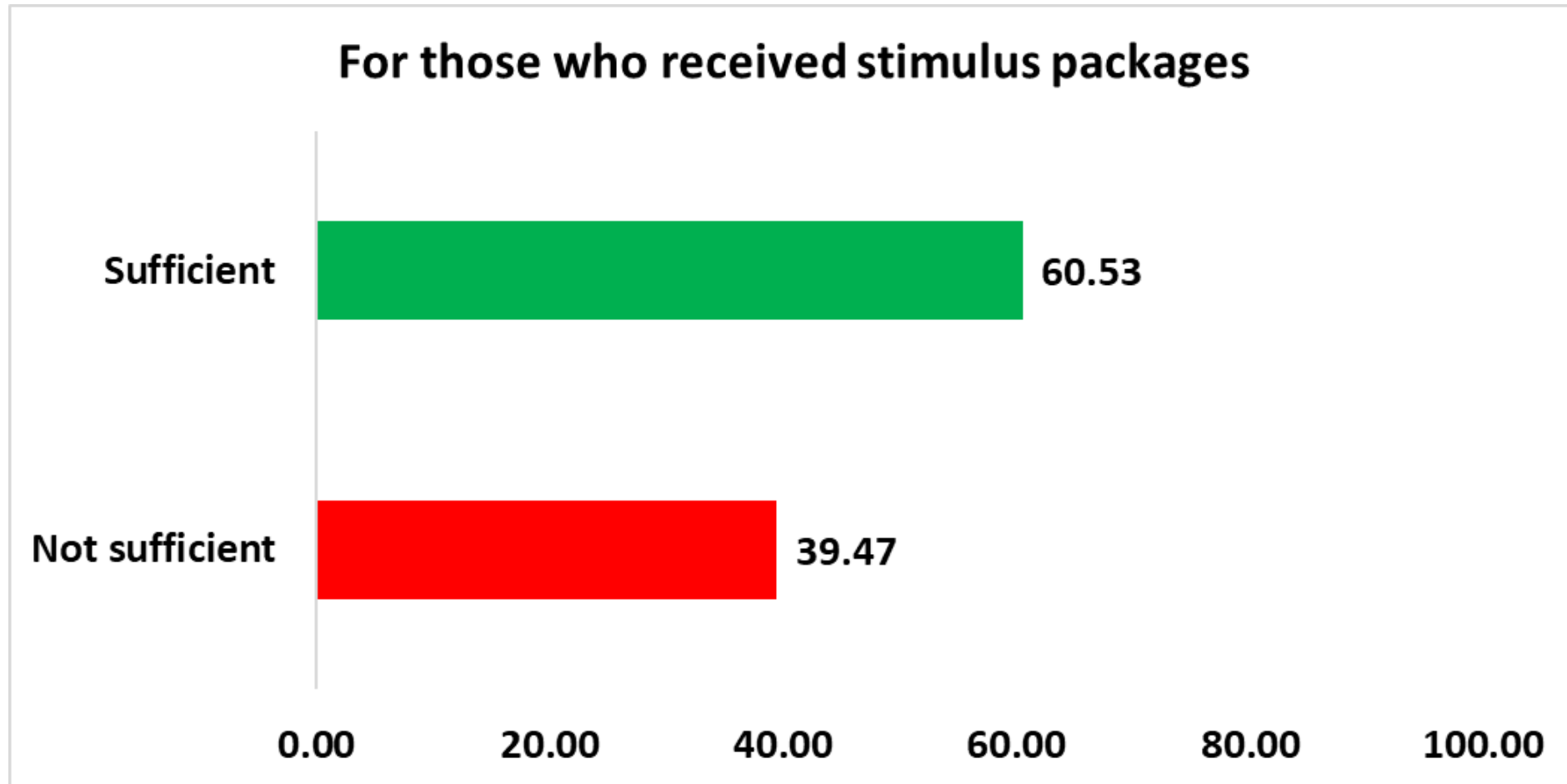
Whether firms availed stimulus packages



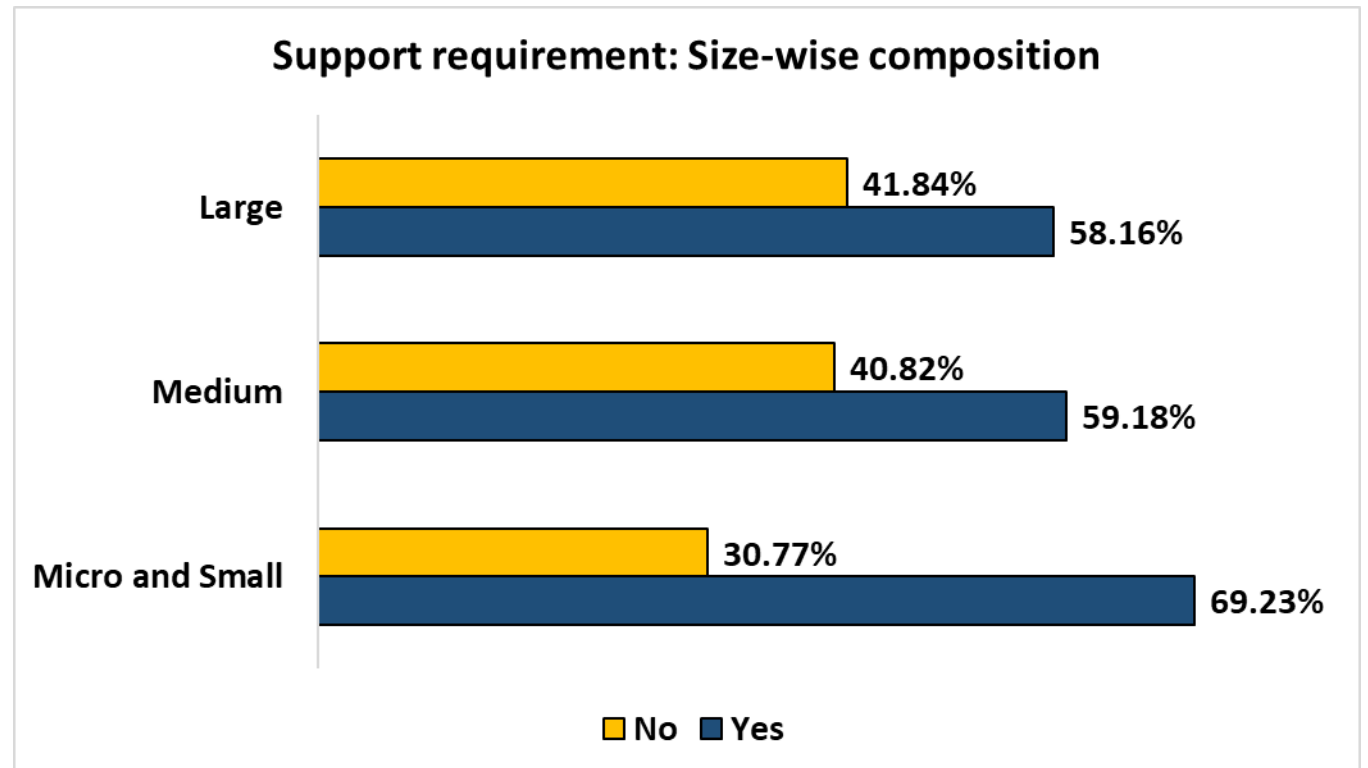
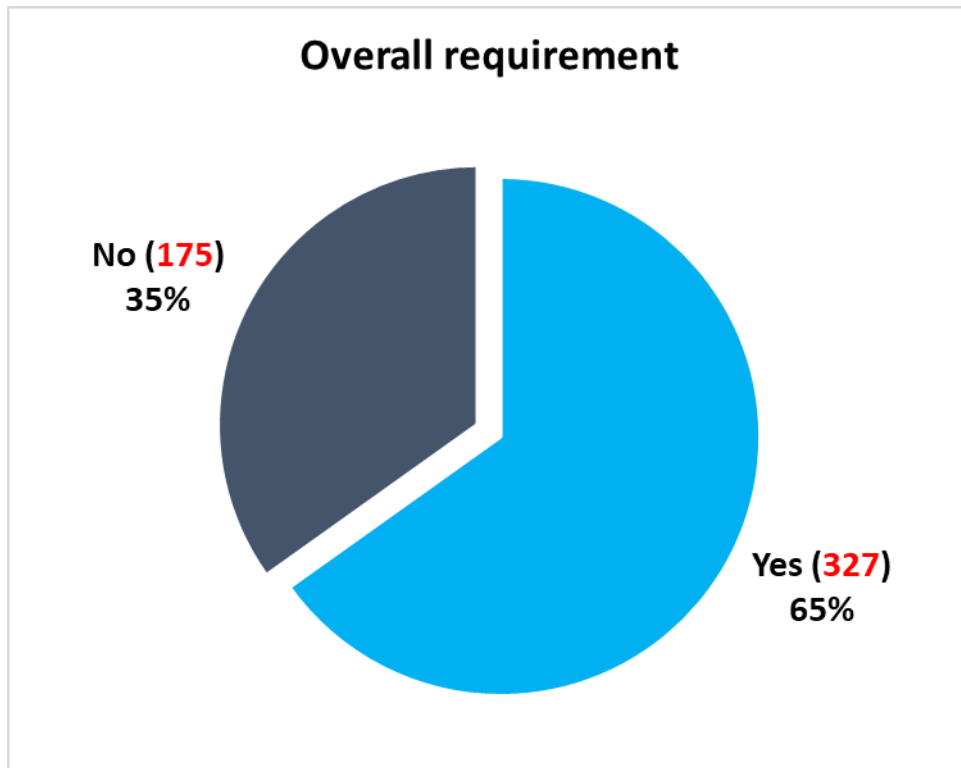
Whether non-recipient firms tried to avail stimulus packages



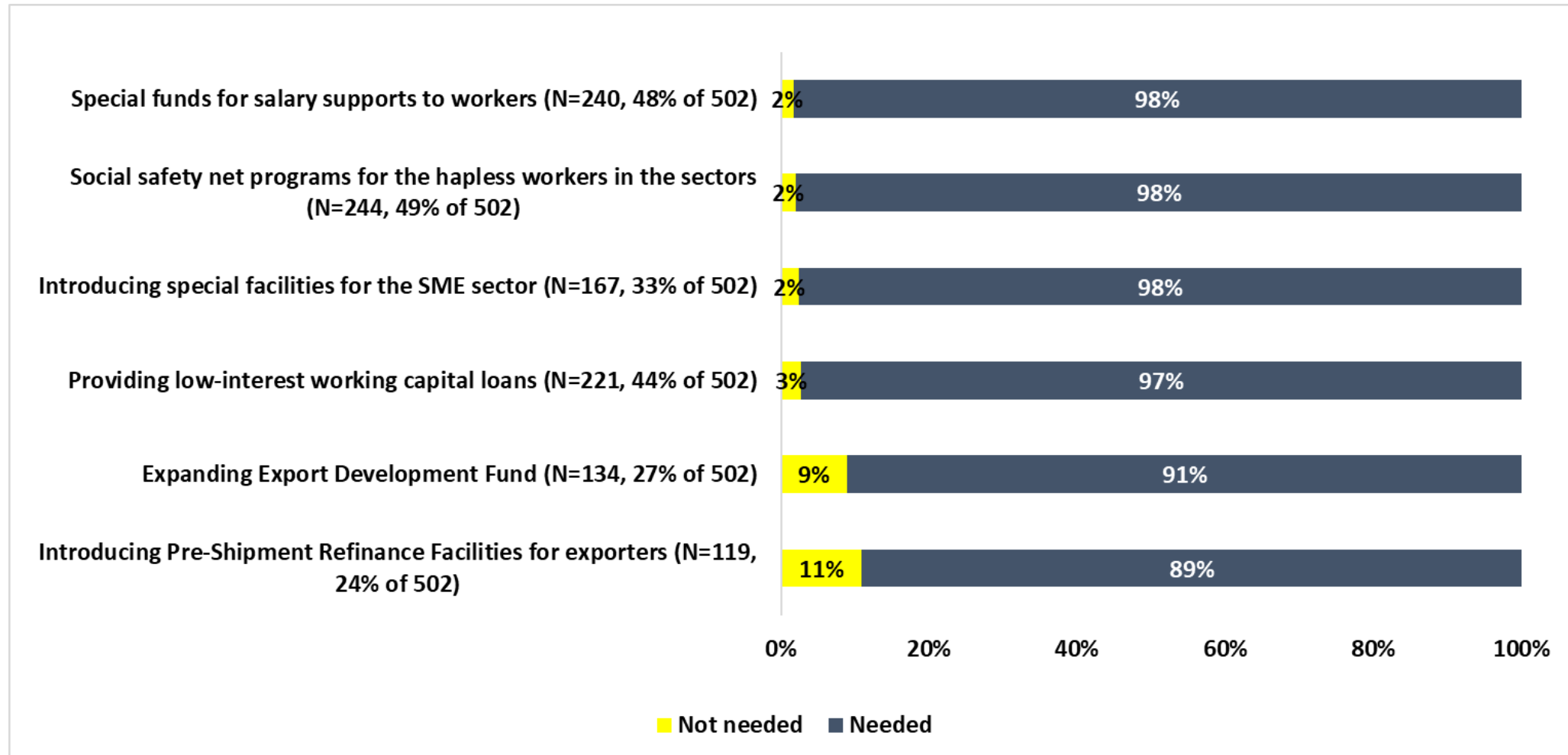
# Sufficiency of the stimulus packages



# Whether further govt. supports are needed



# Govt. supports required by the firms in the upcoming days

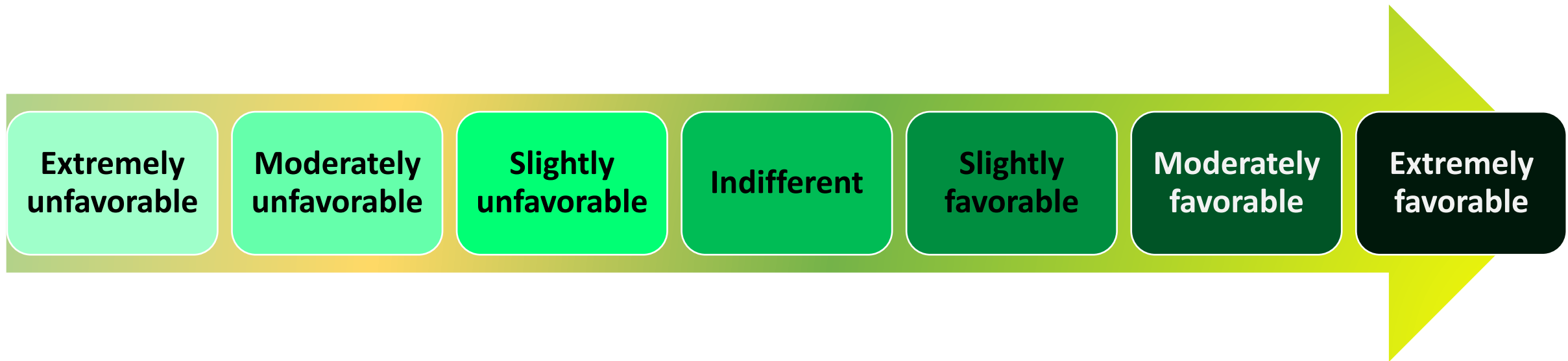


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# Business Environment

# Using the survey data, we have constructed the Enabling Business-environment Index (EBI)

- **10 indicators, Considering equal weights**
- **Scoring between 0 and 100**





# 10 indicators of EBI

**Electricity  
(connection &  
quality)**

**Availability of  
skilled  
workers**

**Transport  
quality**

**Business or  
property  
registration**

**Access to  
finance**

**Overall tax  
system**

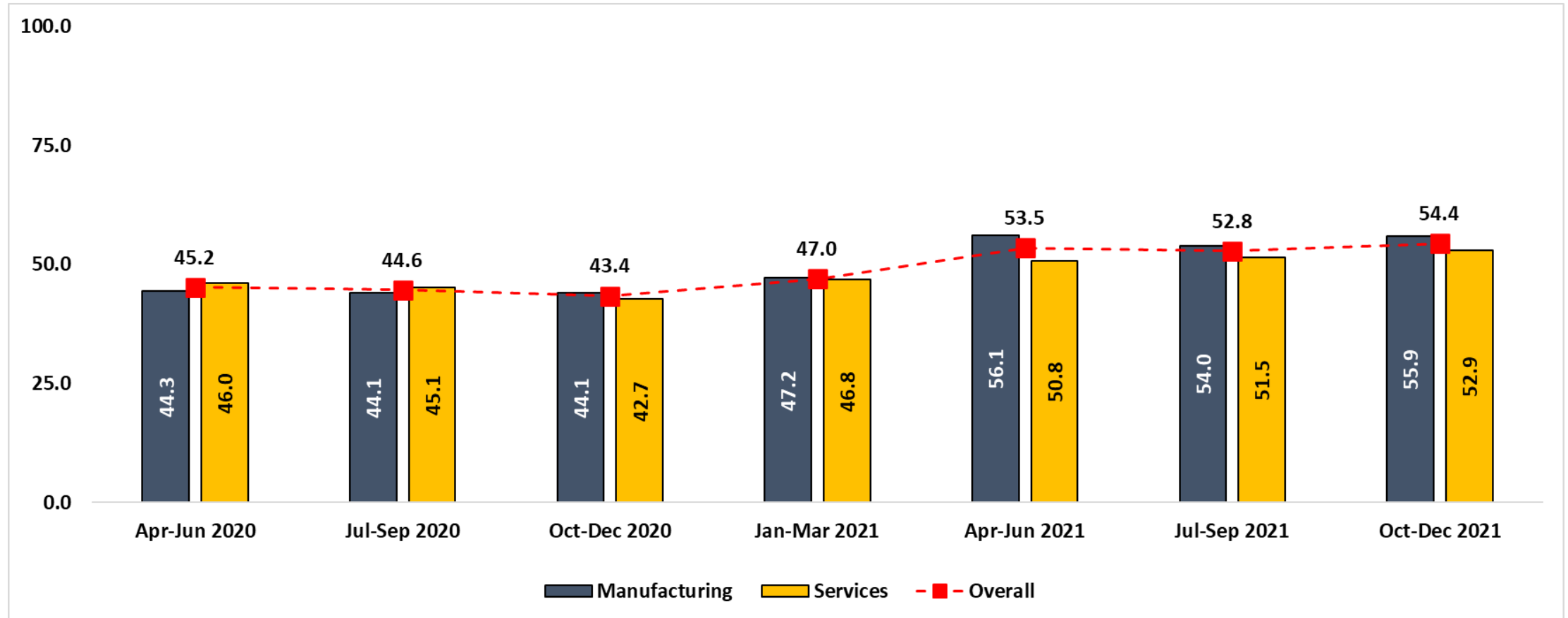
**Government  
support for  
the industry**

**Management  
of the Covid-  
19 crisis**

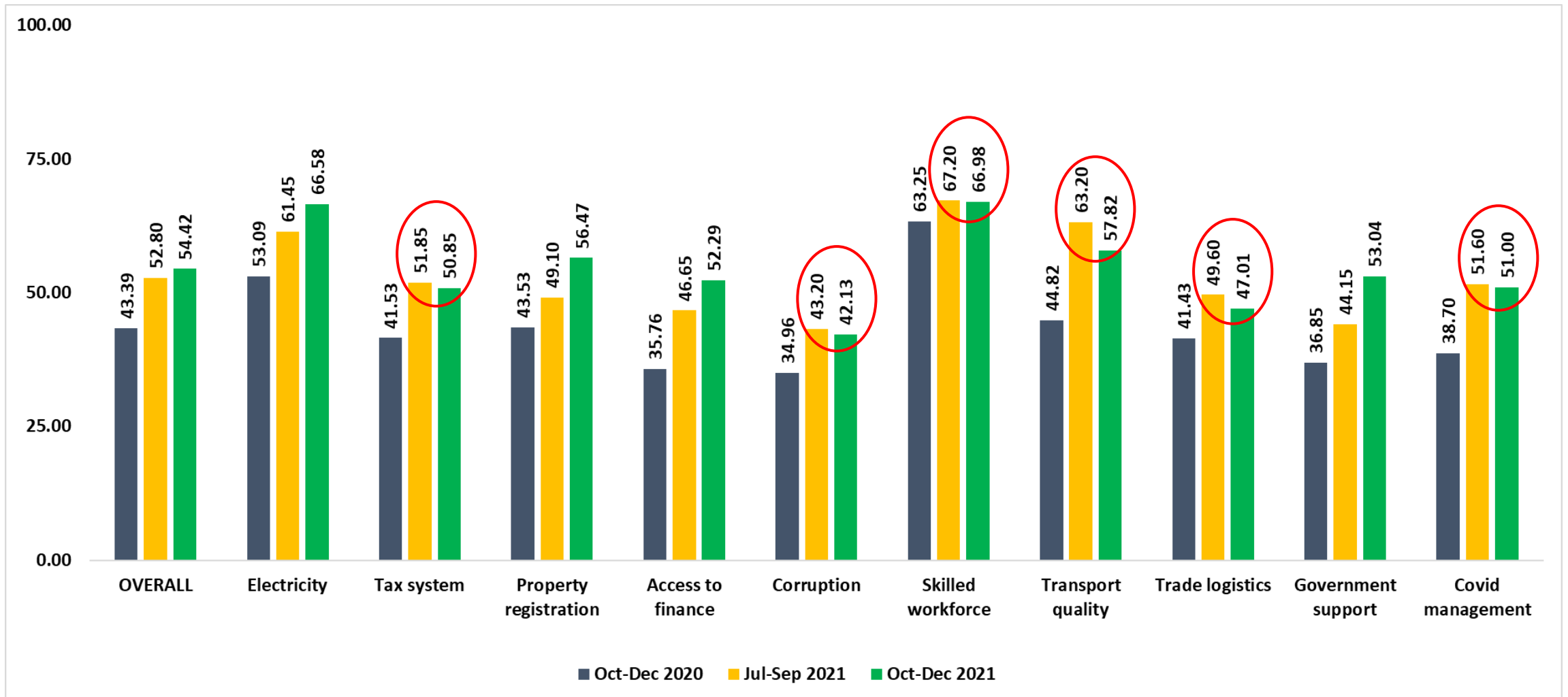
**Trade logistics  
(port and  
customs)**

**Corruption**

# Overall Enabling Business-environment Index (EBI)



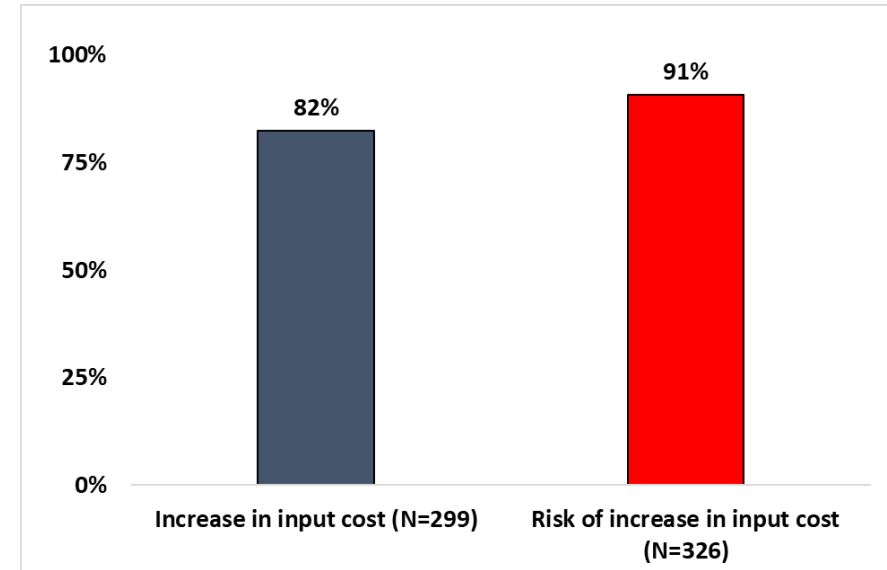
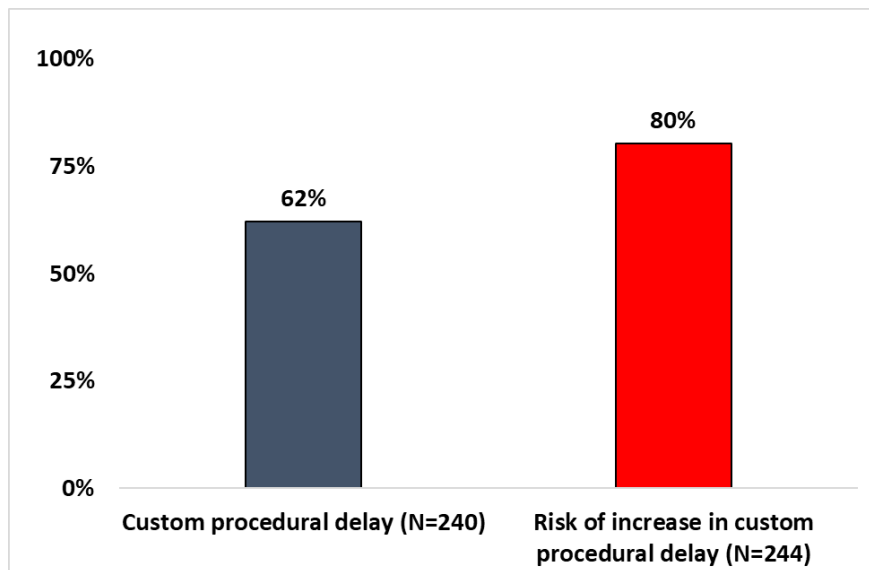
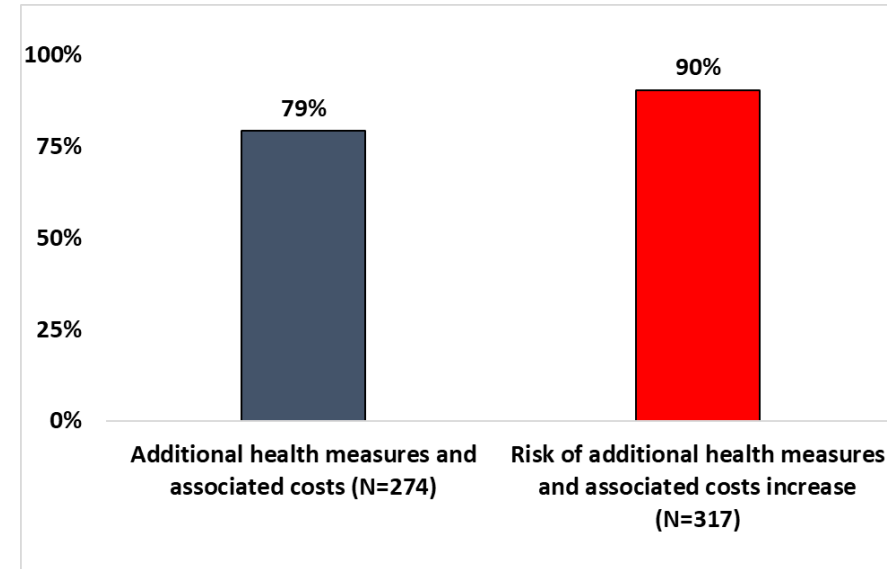
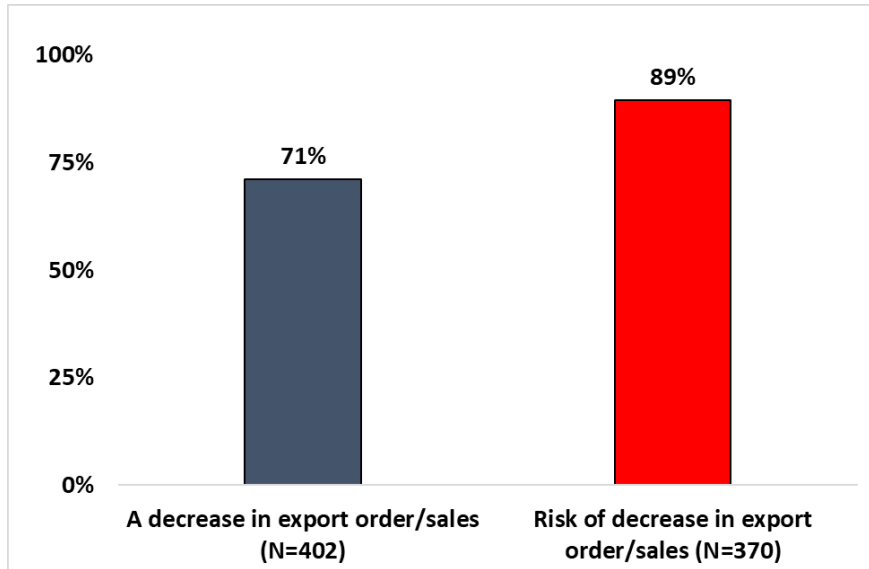
# EBI by indicator



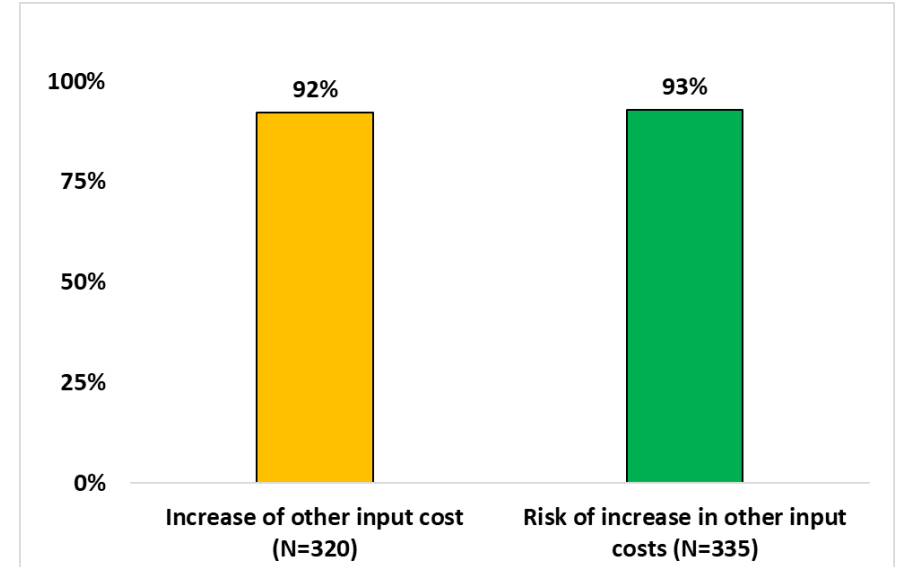
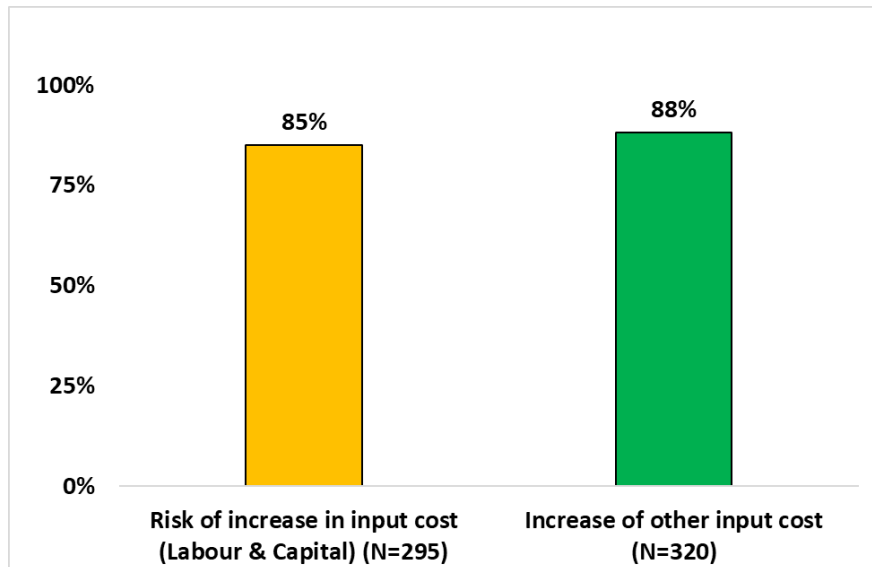
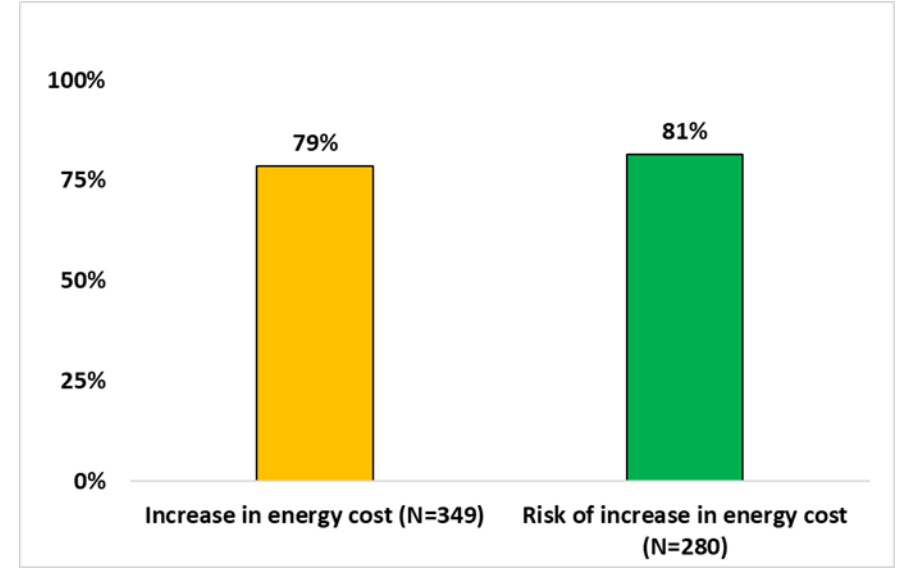
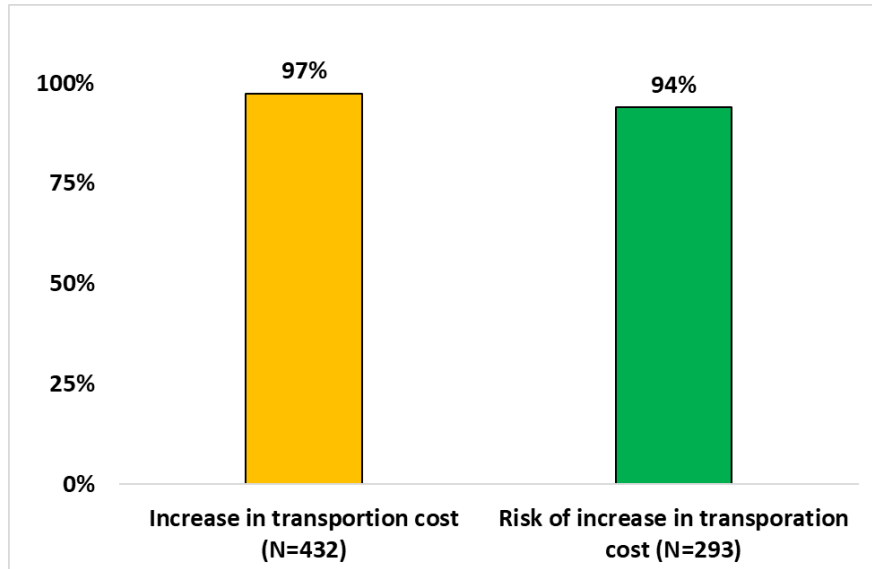
# EBI by sector



# Omicron and its possible impact



# Fuel price hike\* and its possible impact

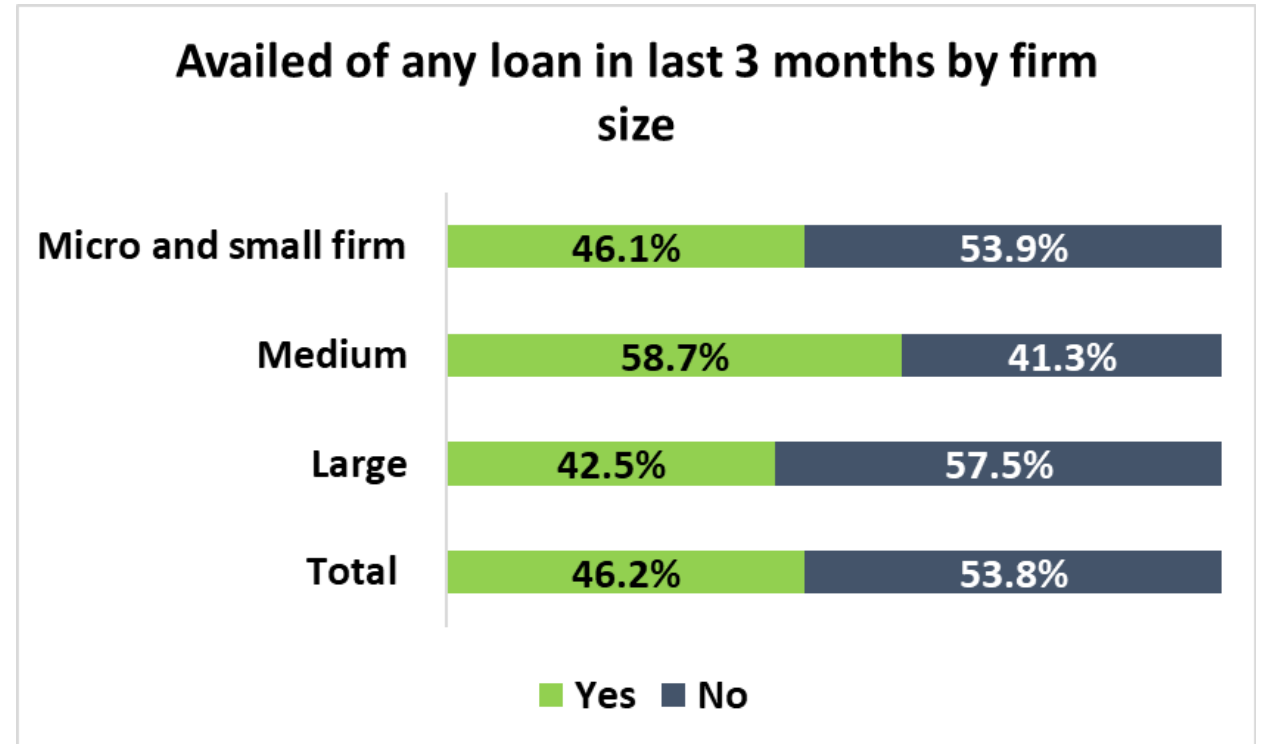
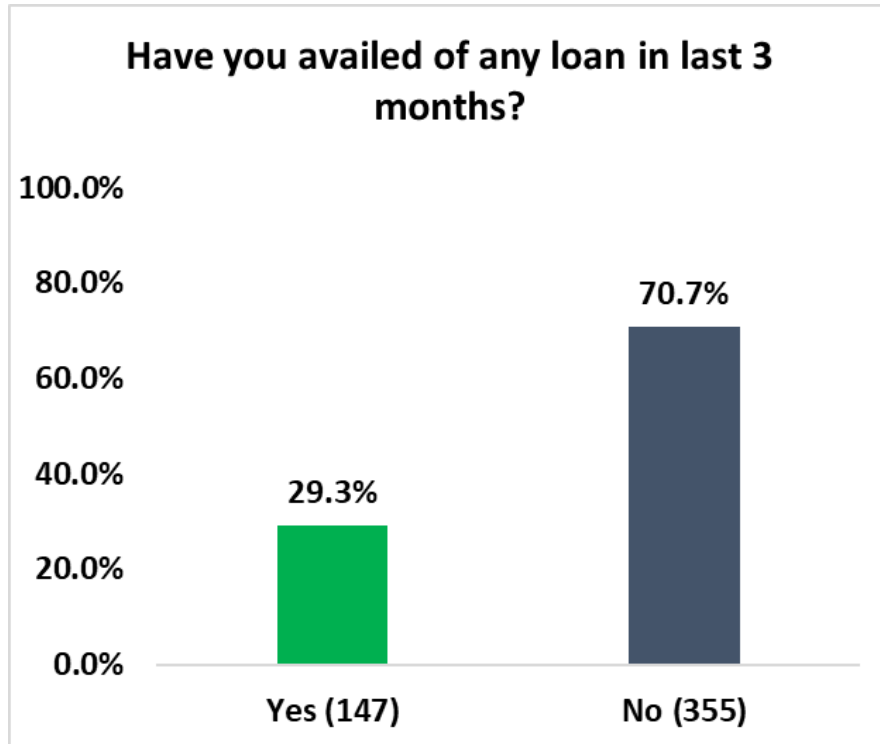


Note: \*Government decided to raise the fuel price on 3<sup>rd</sup> November 2021

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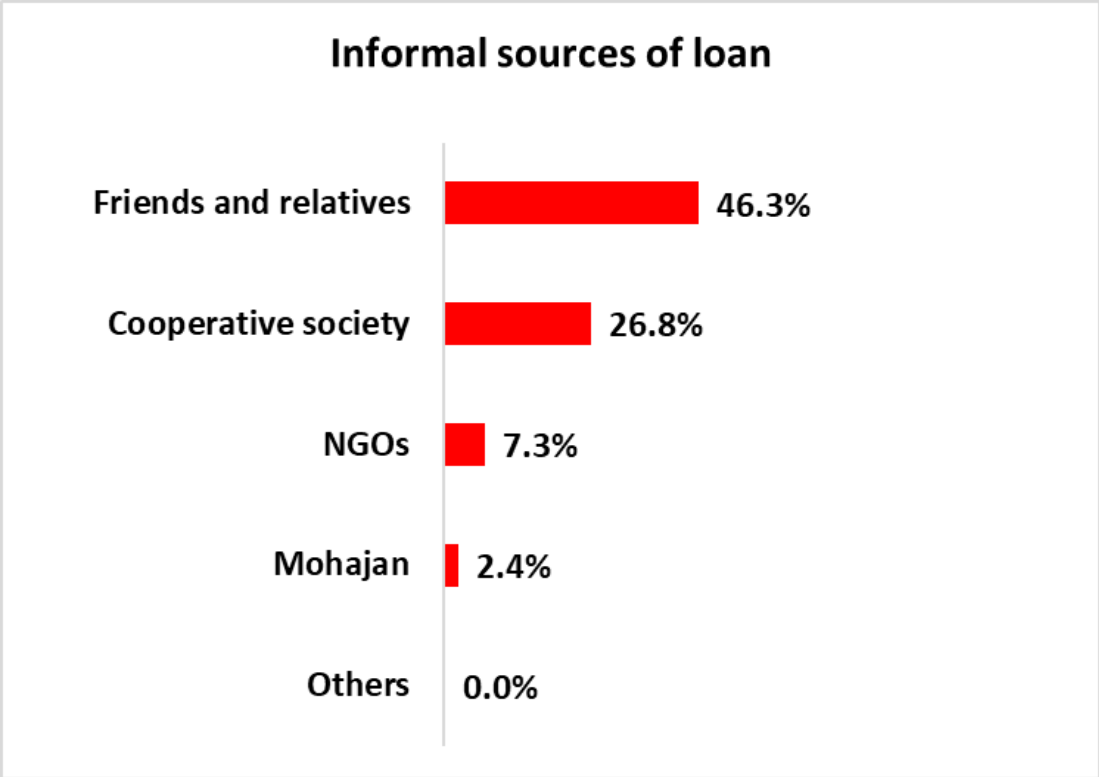
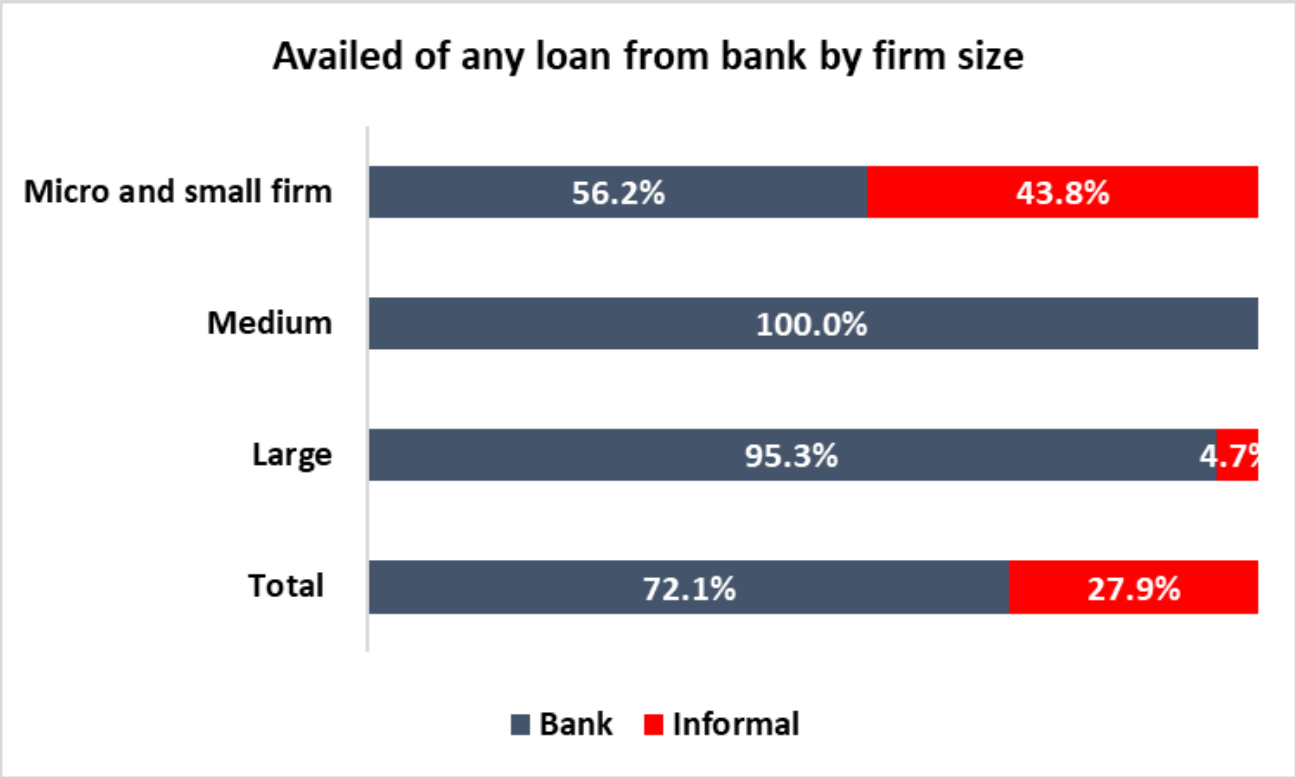
# Financing

# Availed of any loan by firm and firm size

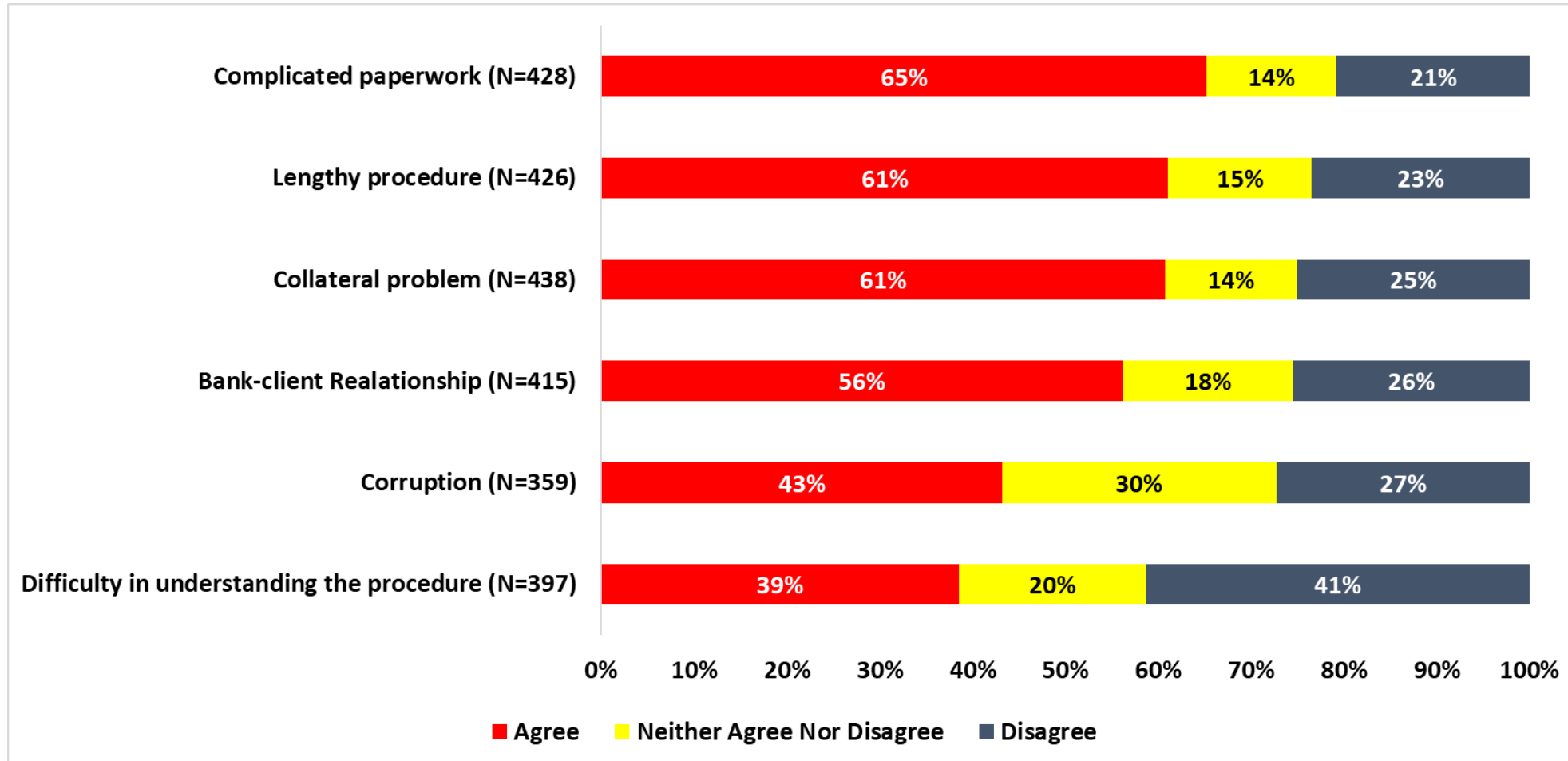




# Sources of loan



# Major problems in availing of any loan from bank or non-bank financial institution



# Summary findings (1/4)

- Over the quarters, there has been gradual recovery in business activities. PBSI (year) is approaching the mark of 60 in the October-December 2021 quarter from 56.79 in the earlier quarter, indicating a continuation of improvement. The improvement is also visible in all sub-indicators. However, a considerable improvement has been observed in the profitability and sales or export order sub-indicators.
- Similar to PBSI (year), PBSI (quarter) has shown an improvement in business activities in October-December 2021 quarter compared to July-September 2021 quarter.
- Faster recovery has been observed in RMG, Textile, Restaurant, Food Processing, and Pharmaceuticals sectors when compared year-on-year.
- However, overall business confidence in January-March 2022 faces decline in comparison to the October-December 2021 quarter. The decline is visible across all sub-components of BCI.
- Most of the sectors have expressed lesser confidence for the upcoming quarter, reflecting their growing concern about the advent of Omicron.

# Summary findings (2/4)

- A gap between firms' expectation and reality has been observed. Firms were unable to meet the expectations in the October-December 2021 quarter. Firms, in the next quarter, however, are attempting to revise their expectations based on the current reality.
- The trend of COVID-19 confirmed new cases, positivity rate, death cases and stringency measures has an effect on both business status and business confidence. However, over time and through experience, businesses have developed their own perceptions on the severity of COVID-19 waves which impact their future outlook.
- The macroeconomic trends that the study investigated is clearly reflected with micro images. Wage Rate Index, inflation rate, FDI, export, import, and domestic private sector credit growth, for example, have all been more or less consistent with the businesses' status and confidence over the quarters.
- 17% of respondents in the seventh round of the survey (January 2022) observed that Bangladesh is on a path of strong recovery, while it was 21% in the earlier round. Similarly, their views on moderate recovery has fallen to 44% in this round from 52% in the previous round.

# Summary findings (3/4)

- Despite fuel price hike and threat of new wave of COVID-19, business recovery rate increased to 60.6% in December 2021 which is higher than that of September 2021 (56.8%) and even higher than the earlier record of 57.4% registered in March 2021.
- Consecutive waves of COVID-19, increase in input price, supply chain disruption, and decline in sales of export orders among others were mentioned by the firms as major difficulties in the recovery phase.
- While 74% of the firms did not receive any stimulus package, only 23% received any stimulus package. Around 40% of the firms availing the stimulus package found it to be insufficient.
- 65% of the surveyed firms said that further government supports are required. The required support includes: providing low-interest working capital loans, introducing pre-shipment refinance facilities for exporters and social safety net programs for hapless workers.
- After a dip in the last quarter (July-September 2021), the overall EBI has improved and is now the highest recorded so far in the seven rounds of survey.

# Summary findings (4/4)

- Despite overall improvement in EBI, there has been some decline in tax system, corruption, skilled workforce, transport quality, trade logistics and COVID management sub-indicators. EBI has fallen across leather, wholesale and real estate sectors.
- In relation to impact of Omicron, 71% firms have reported a decrease in export order/sales followed by 79% firms reporting additional health measures and associated costs increase and 82% firms reporting increase in input costs.
- Omicron has also increased the risk of decrease in export as reported by 89% firms, the risk of additional health measures and associated cost increase as reported by 90% firms and the risk of increase in input cost, as reported by 91% firms.
- The impact of fuel price hike has also been significant. 97% firms reported an increase in transportation cost and 79% firm reported an increase in energy cost. It has also increased the risk of increase in transportation cost as reported by 94% firms and the risk of increase in energy cost, as reported by 81% firms.
- Similar to the last quarter, completed paperwork, collateral problem, lengthy procedure, bank-client relationship etc. remain major problems for the firms to avail any loan from the banks.

# Policy recommendations (1/4)

## **(1) COVID management**

- Development of sector-specific protocol
- Acceleration of vaccination programme
- Considering pragmatic stringent policies

## **(2) Government support & stimulus package**

- Faster disbursement of stimulus package
- Easier access to stimulus package
- Focusing on specific requirements of firms

# Policy recommendations (2/4)

## **(3) SMEs focus**

- A proper assessment of the impact of the stimulus packages
- Facilitation of further credit and easy access to finance
- Supply-side support to reduce institutional deficiency
- Promoting and extensive implementation of the Credit Guarantee Schemes by Bangladesh Bank

## **(4) Fuel price hike**

- Relaxed taxation on import of oil
- Strategic, dynamic and forward looking fuel price policy



# Policy recommendations (3/4)

## (5) Addressing other challenges

### Remittance

- Need assessment of falling trend of remittances
- Extended support to aspirant immigrant
- Facilitation of training on skills demanded in destination countries
- Diplomatic efforts with labour receiving countries on employment, salary and work environment
- Increase cash incentives from 2.5% to 3%

### Inflation

- Balanced coordination between fiscal and monetary policy
- Ensuring a stable inflation rate in the mid-term

# Policy recommendations (4/4)

## FDI inflow

- SEZ based approach
- Successful management of COVID-19 situation
- Improvement in business environment

**Thank You!**

# **Annex**

## **Survey Methodology & Construction of the PBSI and BCI Indices**

# Survey Methodology: *Coverage and Technique*

- The survey covers firms from Manufacturing and Service sectors.
- Firms are categorized into micro, small, medium, and large based on their sizes (as per the National Industrial Policy 2016)
- Covers six sub-sectors from Manufacturing and seven sub-sectors from the Service sector.
- Interview of top managers/executives of the firms over the phone between January 3-24, 2022.
- **In total, 502 firms are surveyed across the country: 252 manufacturing firms and 250 service sector firms.**

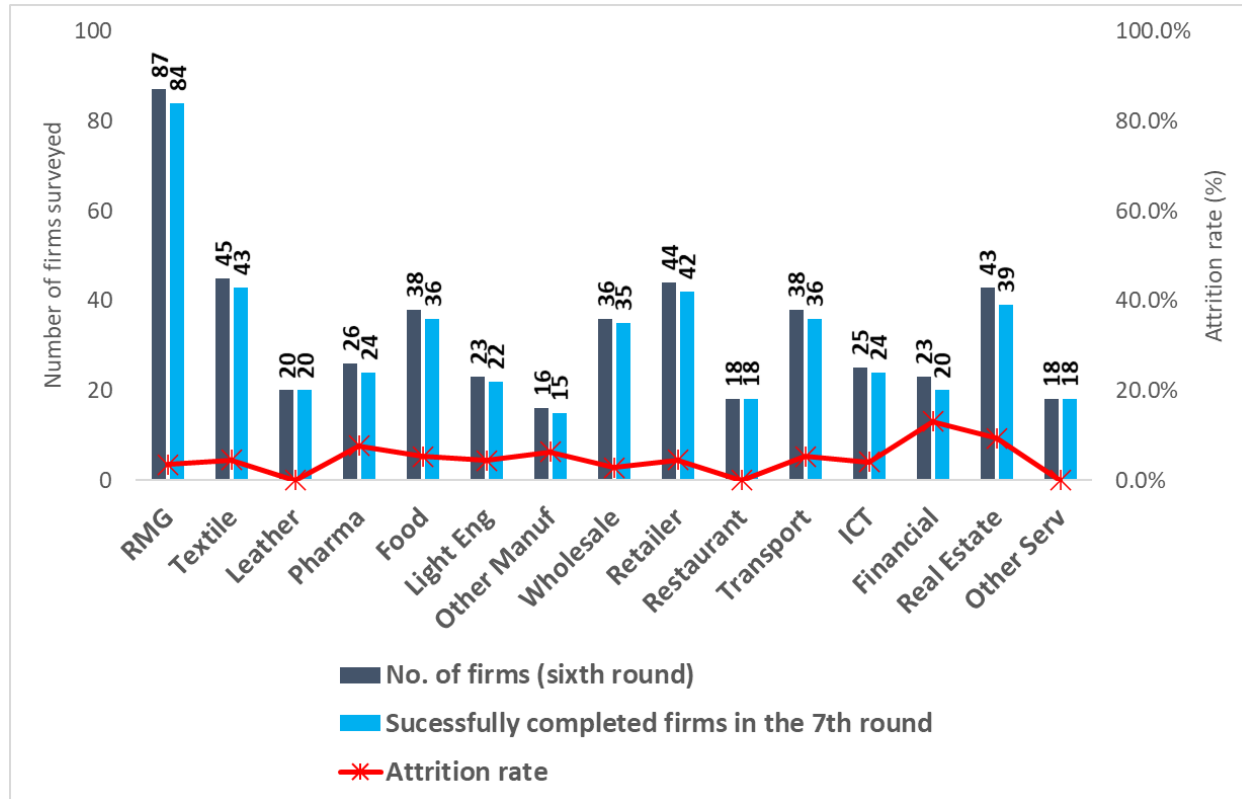
# Survey Methodology: *Sampling framework*

- The survey covers systematic representation from all major subsectors from the manufacturing and the services sectors.
- The sample selection is done in **two steps**:
- **In the first step**, we block a minimum number of firms (15 firms) to be interviewed from each of the sub-sectors under both manufacturing and service sectors.
- **In the 2<sup>nd</sup> step**, the rest of the firms (out of 250 firms for each sector) are selected based on each sub-sectors' contribution to the total Gross Value Addition (GVA) in the economy.

# Survey Methodology: *Sampling framework (Cont.)*

- All the subsectors are distributed across the divisions based on 'divisional weights' using BBS Economic Census of 2013.
- Then the number of firms to be surveyed was identified for each of the subsectors from these divisions.
- Not all the industries are available in all the divisions. In that case, we have incorporated another firm from other sub-categories to maintain total divisional balance.
- Each of the firms from the respective divisions is chosen randomly. Lists of firms from the respective business association's websites are used.

# Minor Attrition in the Response



- 24 firms from the sixth round (out of 500 firms) dropped in the sixth round taking the overall attrition rate to 4.8%.
- Out of the 24 firms, 10 declined, and 14 firms could not be reached.
- The highest attrition is found in Financial sector (13%), followed by Real Estate (9.3%), Pharma (7.7%), and Other Manuf (6.3%) amongst others.
- These firms were replaced from the same industry following systematic random sampling.



# Methodology of Construction of Indices (1/3)

First, we calculate the scores of the sub-indicator  $k$  (such as profitability) for sub-sector  $j$  (such as RMG) as following:

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

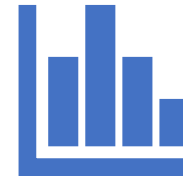
Here,

- $j$  is the sub-sector (such as RMG under manufacturing),  $k$  is the sub-indicator (such as profitability),
- $x_{i,jk}$  is the score of the  $i$ -th firm in  $j$  sector on  $k$  indicator (such as score of a firm in the RMG on profitability), and  $n$  is the total number of firms surveyed in that sector (RMG).  $x_{i,jk}$  can take values 0, 25, 50, 75 or 100 depending on the response.

Based on these scores, we calculate the index (PBSI/BCI) for the subsector  $j$  (such as RMG) as following:

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

Where,  $I_j$  is the index value of subsector  $j$ ;  $m$  is the number of sub-indicators (here, 6)



# Methodology of Construction of Indices (2/3)

Based on our scores, we calculate the weighted PBSI/BCI for each of the sub-indicators (such as profitability) for the broad sector L (such as manufacturing/services) as following:

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

Where,

$\omega_j$  = Weight of the j-th subsector (such as RMG) in the broad sector L (manufacturing/service)

We calculate the overall PBSI/BCI score for the manufacturing/service sector as following:

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

Where,  $p$  is the number of sub-sectors in the manufacturing or services sector.



# Methodology of Construction of Indices (3/3)

## Calculation of the overall BCI/PBSI scores:

The overall PBSI/BCI scores is calculated combining both the services sector and the manufacturing sector.

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

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

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

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

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

