

# Bangladesh Business Confidence Survey Report 2022-23

Presented by Business Initiative Leading Development (BUILD)

5 March 2023  
InterContinental Dhaka



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# Introduction





## Business Confidence Survey (1st to 5th )

**1<sup>st</sup> BCS:** Undertaken by BUILD together with IFC interviewing 384 entities from Dhaka city.

2013

**2<sup>nd</sup> BCS:** Covered 400 entities from Dhaka and Chittagong City.

2014

**3<sup>rd</sup> BCS:** Covered 400 entities from Dhaka and Chittagong City.

2015

**4<sup>th</sup> BCS:** By BUILD covering 250 entities across country.

2019

2022

**5<sup>th</sup> BCS:** BUILD and USAID's Feed the Future Bangladesh Trade Activity Project in 2022 covering 567 entities across Bangladesh to better understand the perception of business enterprises about the existing state of business environment.

# Research Team

## BUILD

- Ferdaus Ara Begum, CEO
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## USAID Trade Activity

- Marc Shiman, Chief of Party
- Md. Shahtabul Islam, Team Leader
- Oleg Grigori, Costing Expert
- Nuzat Tasnim Dristy, Research Analyst

## Enumerators

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  - Eshrat Jerin

# 5th Business Confidence Survey

## Objective

- Analyse the business environment of the last six months and anticipate turning points in the economic activities for the coming six months so that businesses can get an early signal to take preparation and plan accordingly to mitigate risks.

## Rationale

- To help identify the **business environment** and **investment opportunities** for the company owners,
- To analyze and formulate the **macro and micro-economic policies and strategies**; and
- To evaluate the economy at this **trembling crisis** of rising inflation, shrinking foreign exchange reserves and growing trade deficit along with post-pandemic recovery crisis, and the Russia-Ukraine war crisis.

## Significance

- Methodology recommended by **OECD Statistics Directorate with a simple and intuitive questionnaire** which makes it very easy for the respondents to response quickly.

# Methodology Summary

Methodology Type	<ul style="list-style-type: none"><li>Applied methodology of harmonised business confidence survey</li></ul>
Survey Method	<ul style="list-style-type: none"><li>Qualitative</li></ul>
Data Collection Method	<ul style="list-style-type: none"><li>Online Survey</li></ul>
Data collection Time	<ul style="list-style-type: none"><li>September to November 2022</li></ul>
Survey questions Type	<ul style="list-style-type: none"><li>4 Closed-ended Questions: MCQ on a three-option ordinal scale: <b>Positive, Remain unchanged, Negative</b></li><li>Seven components of the questionnaire (<b>Employment, Volume of Order or Demand Of Service, Business Activity, Operating Capacity, Selling Price, Overall Business Cost, Investment</b>)</li></ul>
Sample Type	<ul style="list-style-type: none"><li>A modified (non-random) type of stratified sample is applied</li></ul>
Sampling Frame	<ul style="list-style-type: none"><li>Manufacturing (Ten sub-sectors ) and service (eight sub-sectors )</li><li>Sub-sector identification: Based on each sub-sectors contribution to GDP-2021 in Bangladesh.</li></ul>
Sample Size	<ul style="list-style-type: none"><li>567 Firms responded out of 1100 questionnaire distributed (about 50% responded)</li></ul>
Statistical Consideration	<ul style="list-style-type: none"><li>Standard level of Confidence Level <b>of 95% and a 6% Margin of Error</b></li></ul>
Data Analysis Formula	<ul style="list-style-type: none"><li>Diffusion Index(DI)</li></ul>

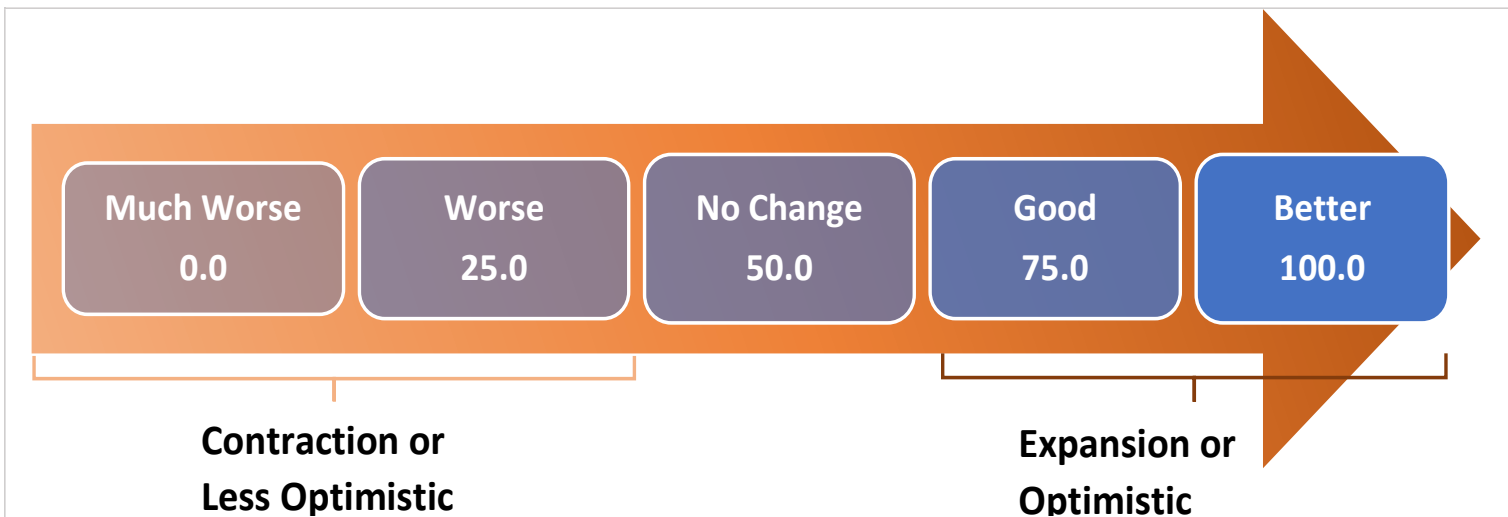
# Diffusion Index

- A diffusion index (DI) provides a summary of answers to **multiple-choice questions(MCQ)** in BCSs, a common way of qualifying the information contained in the survey.
- DI indicates the degree which the indicated change is diffused throughout the sample.
- DI is the percentage of respondents reporting a “positive” answer and adding it to one-half of the percentage of respondents reporting “unchanged”.
- DI ranges from **0 to 100 with midpoint 50** where less than 50 means contraction or less optimistic and more than 50 means towards expansion or optimistic.



**The formula for diffusion index (DI) is the following:  $DI=100 \times (P+U/2)$ , where  $P+U+N=100\%$ ,**

**P is Positive reply, U is Unchanged reply and N is Negative reply.**



Business Condition over the last 6 months	Data Collection Period	Business Perception over the next 6 months
March 2022 to August 2022	September 2022 to November 2022	December 2022 to June 2023



# Business Confidence Index

**Business Confidence Index (BCI) : Calculating the BCI has four(4) major steps considering the seven components of the questionnaire**

1

Calculating DI for each **seven components** of the questionnaire considering employment size as weighting variable

2

Calculating DI for **each sub-sector** considering employment size as weighting variable

3

Calculating DI for each sector **considering share of surveyed companies** as weighting variable

4

Calculating the final DI as the **Business Confidence Index (BCI)** considering sector contribution to GDP as weighting variable

# Survey Coverage and Sampling

Manufacturing Sub-sectors		Service Sub-sectors		Sample Size		
1.	Textiles and RMG	1.	Wholesale and Retail	<b>Sector wise (Total 567)</b>		
2.	Chemicals and Pharmaceuticals	2.	Information and Communications Technology	1.	Manufacturing Sector	284 (50%)
3.	Electronics and Light Engineering	3.	E-Commerce	2.	Service Sector	283 (50%)
4.	Leather and Tannery	4.	Hotel and Restaurant	<b>Size wise (Total 567)</b>		
5.	Plastic and Toy	5.	Transport	1.	Micro, Small and Medium Enterprises (MSMEs)	255 (45%)
6.	Furniture	6.	Post and Courier services	2.	Large Enterprises	312 (55%)
7.	Construction	7.	Financial institutes	<b>Location wise (Total 567)</b>		
8.	Mining, Cement and Steel	8.	Real Estate Landing	1.	Dhaka	273 (48%)
9.	Agriculture, Food processing and Jute			2.	Outside-Dhaka	294 (52%)
10.	Electricity Gas and Water					

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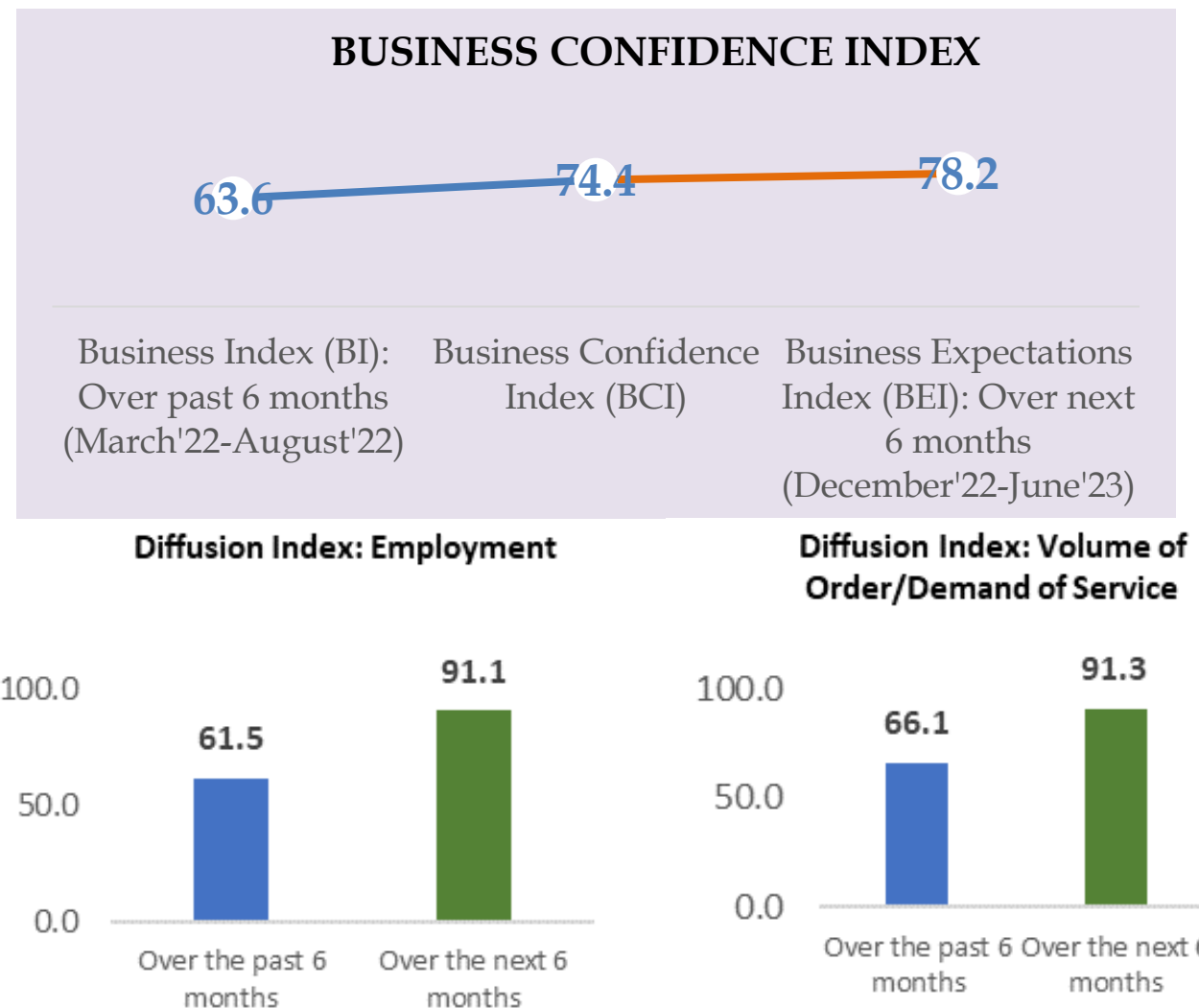
# Findings of the Survey

Business Confidence Index (BCI)



# Business Confidence Index (BCI)

- The overall BCI for the year 2022 stands at 74.4 giving an optimistic perception of business condition.
- The Business Index (BI) over the last 6 months (March-August, 2022) scores at 63.6 and Business Expectation Index (BEI) over the next six months (December 2022 – June 2023) scores at 78.2 showing some visible recoveries of business activities and emerging business confidence over the surveyed period.
- The scores of diffusion indices of different components combining manufacturing and service sector within the range of 0 to 100.
- The highest positive shift is observed in **employment change reflecting strong labour demand**.
- The volume of order for manufacturing sector and demand of service sector is expected to reach 91.3 indicating increase in demand over the next six months.



**The overall BCI gives an optimistic perception where business entities are willing to increase the employment and expect the volume of order or demand of service will increase over the next six months.**

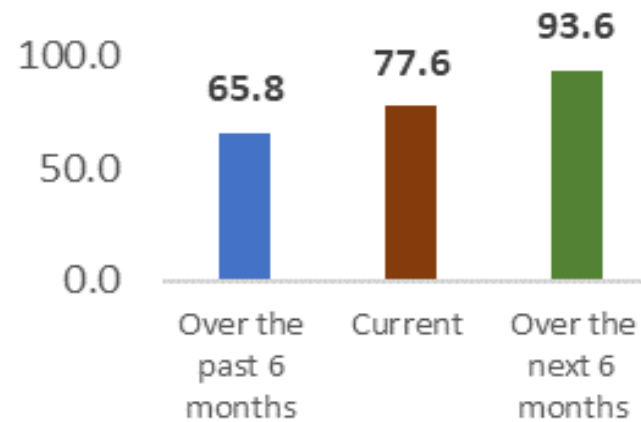


# Business Confidence Index (BCI)

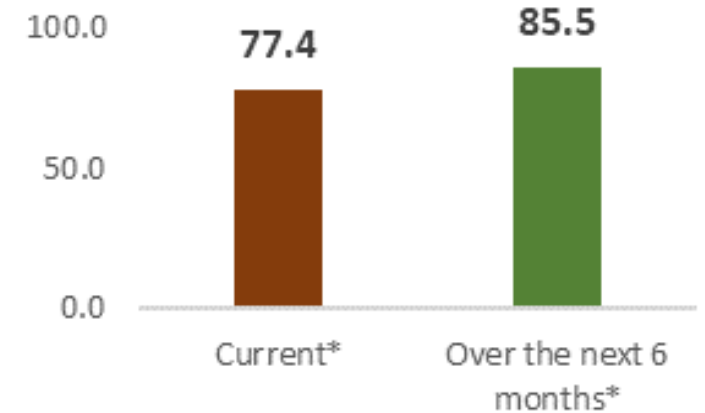
- Most survey entities(SE) expect to have improved demand and business activity as well as increased selling prices.
- The businesses continue to gradually recover from the **COVID-19** and look forward to increase investment further in coming months.
- However, the most **perplexing findings** of this survey is the **cost confidence** which is plummeted to as low as **22.4** over the next six months.
- SEs are concern of rising **cost of business** which may hinder the growth of businesses.

**Business activity index, selling price index and investment index are expected to increase over the next six months, but overall confidence on business cost index is expected to have a sharp fall.**

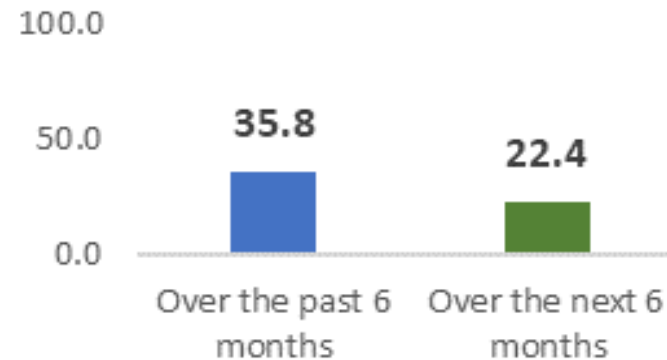
**Diffusion Index: Business Activity**



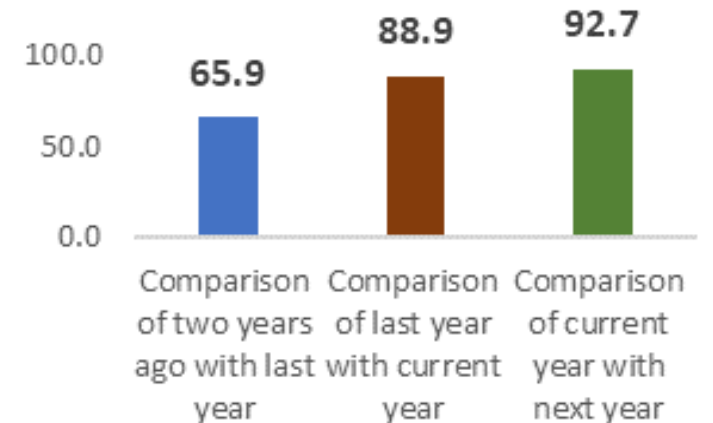
**Diffusion Index: Selling Price**



**Diffusion Index: Overall Business Cost**



**Diffusion Index: Investment**

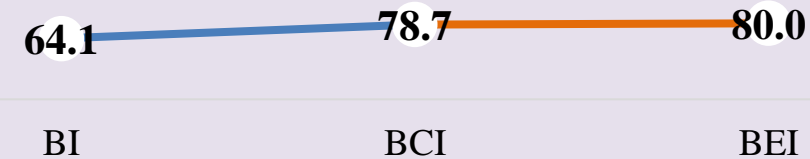


# Business Confidence Index: Manufacturing Sector

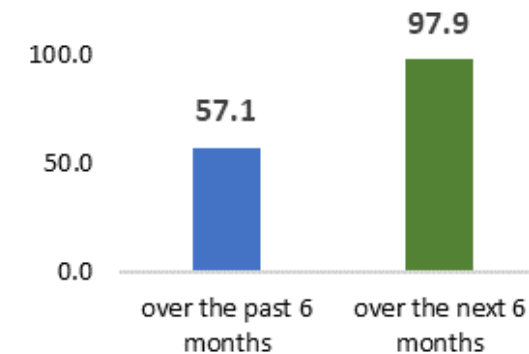
- BCI for manufacturing sector also possess a positive score of 78.7 providing an optimistic outlook towards future.
- Business indices in the manufacturing sector remain positive despite the uncertainties caused by the after impact of COVID -19, pressures on supply chain and global challenges.
- The BI over the period March to August 2022 is 64.1 and the BEI over the period of December 2022 to June 2023 is expected to reach as high as 80.
- The expectation to increase the employment is very high almost 100 percent over the next six months where index was 57.1 over the last six months.
- The current volume of order for manufacturing sector is quite satisfactory around 93.8 and expected to increase over the next six months.
- The volume of export order is also expected to increase.

**High BCI for manufacturing sector indicates optimism through recruiting labor force and getting more orders**

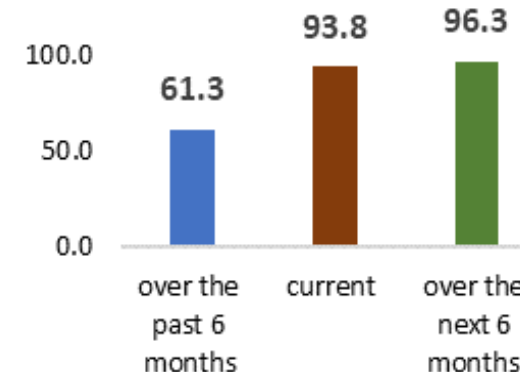
**BCI: Manufacturing Sector**



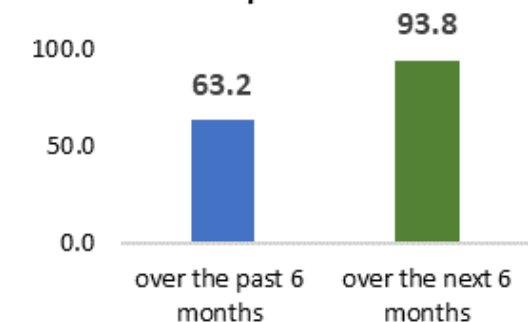
**Diffusion Index: Employment**



**Diffusion Index: Volume of Order**

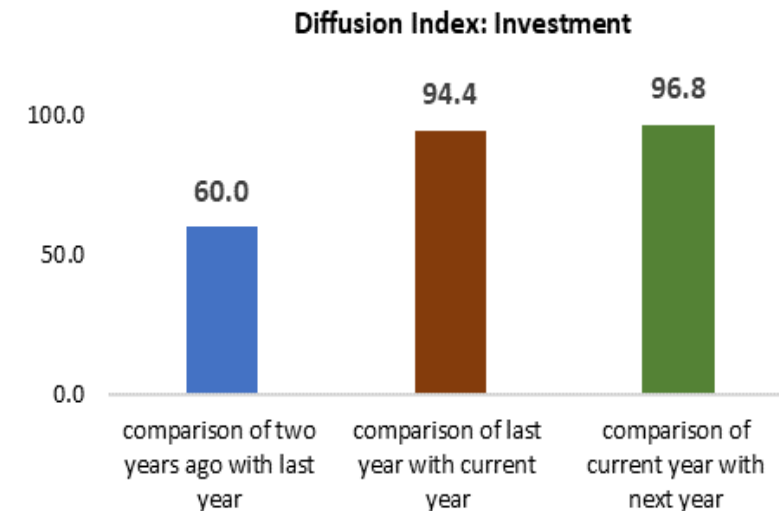
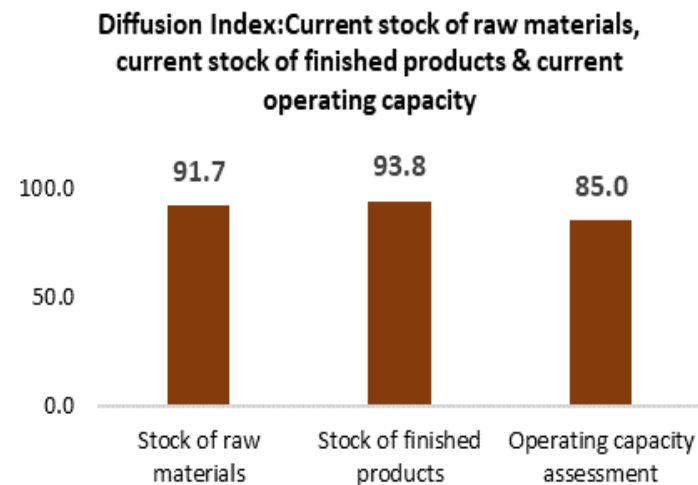
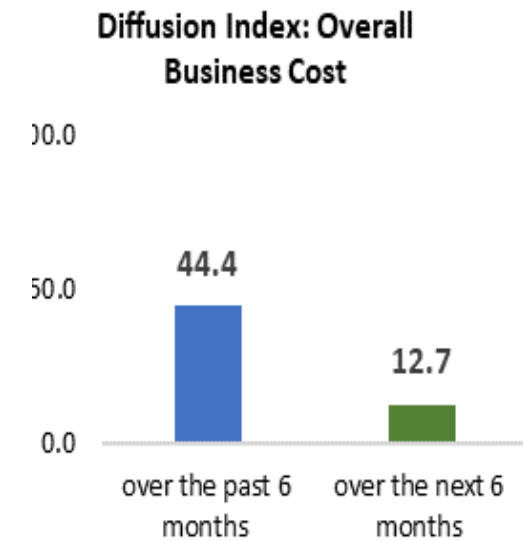
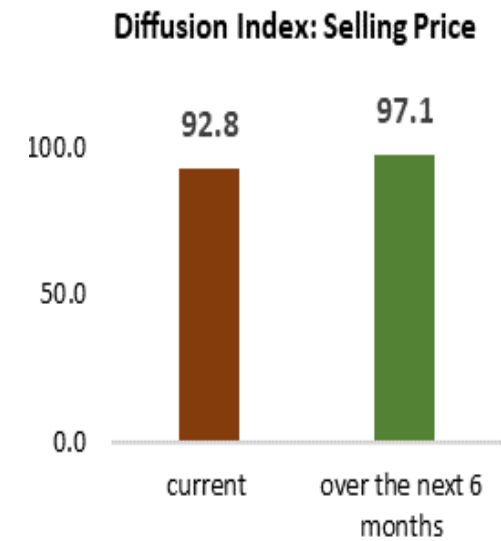
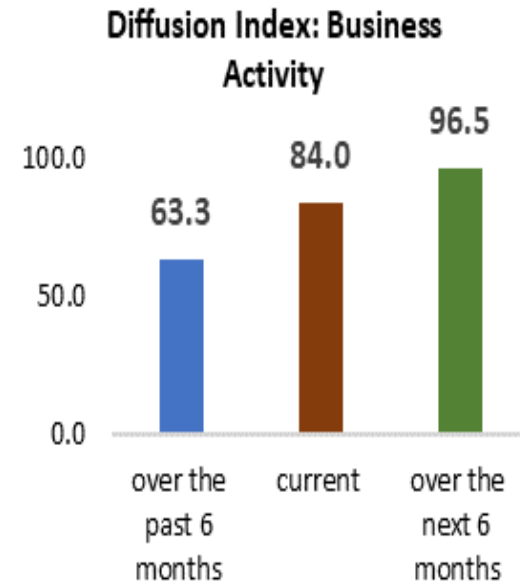


**Diffusion Index: Volume of Export Order**



# Business Confidence Index: Manufacturing Sector

- Compared to last six months, the current indices business activity, selling price, stock of raw materials, stock of finished products and operating capacity poses high scores giving an impression that the entities have survived well from the losses of COVID-19 and now striving towards investing more over the next six months.
- However, the expectation towards low score of overall cost of **business (12.7)** over the next six months gives a signal to take necessary steps to tackle the cost burden.
- Cost pressures in terms of rising global inflation, rising energy, gas and raw material prices, Russo-Ukraine war in this sector are worrying businesses.

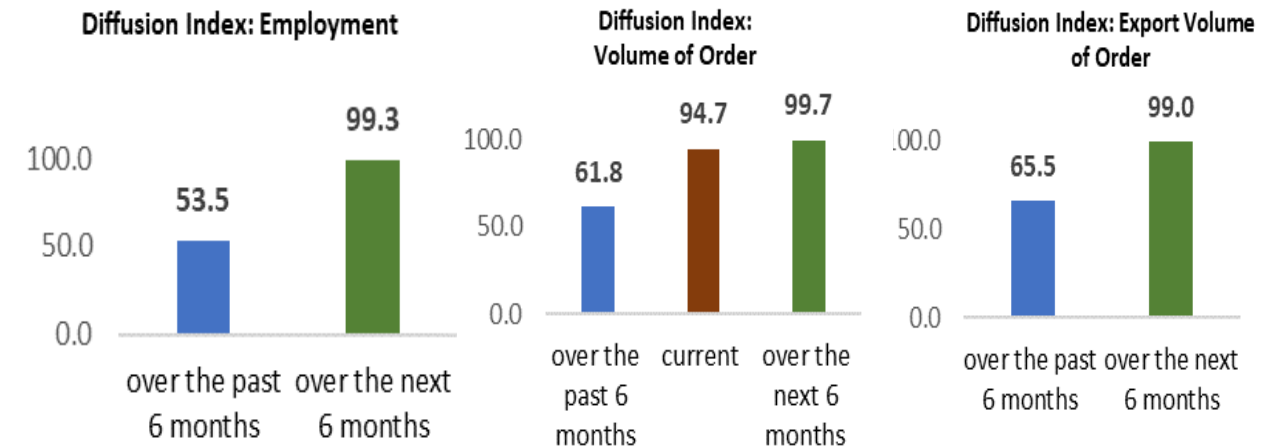
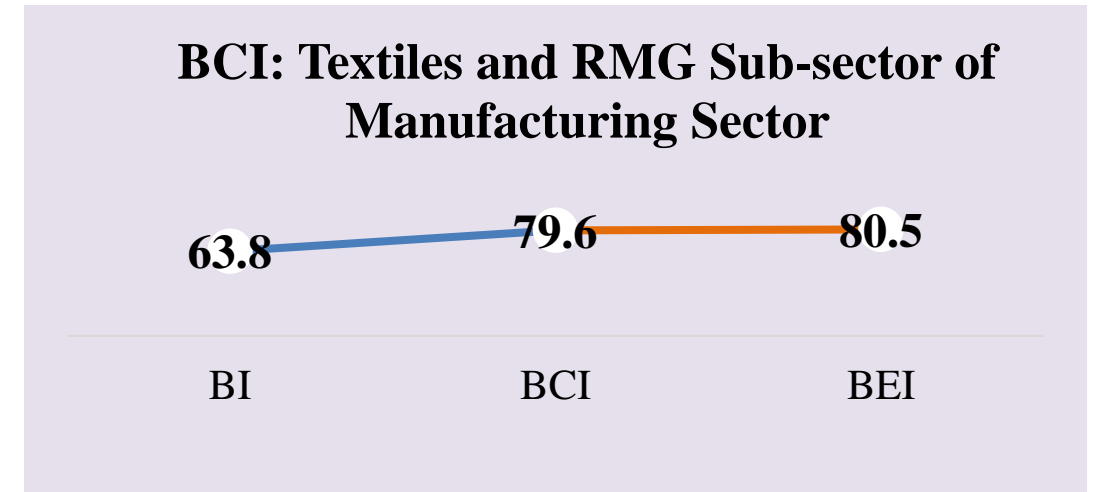


During the time of data collection period, current indicators were at satisfactory level, but the business entities feared that the rising business cost might change the scenario to an unfavorable position .

# Business Confidence Index: Textiles and RMG Sub-sector of Manufacturing Sector

- The BCI for textiles and RMG sub-sector of manufacturing sector poses even higher score 79.6.
- The BI over the period of March 2022 to August 2022 is 63.8 and the BEI over the period of December 2022 to June 2023 is 80.5 highest amongst the survey indices.
- Recurring RMG demand from abroad helped this sector to emerge strongly after the devastating impact of COVID-19.
- The employment index has a jump from 53.5 to 99.3 indicating that most businesses are expecting to hire more employees over the next six months in this sub-sector.
- High score of current indices for volume of orders show boosting confidence amongst textiles and RMG manufacturers

The textiles and RMG sub-sector of Manufacturing sector has the highest BCI and BEI indicating optimism in employment and volume of order.

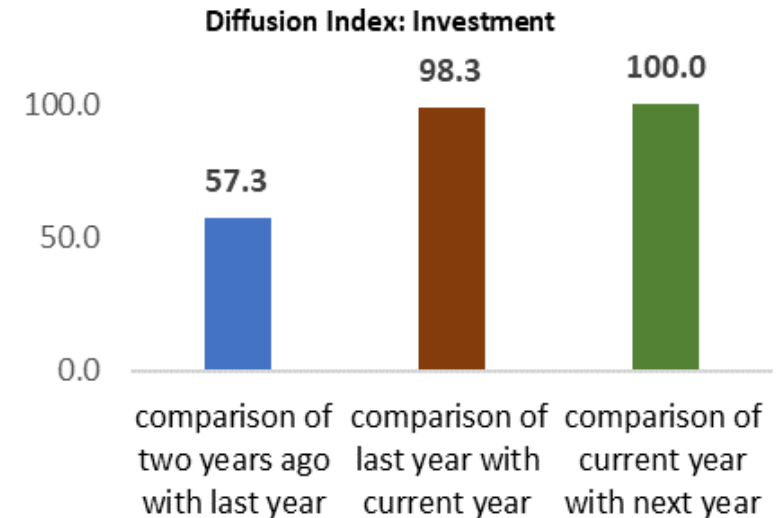
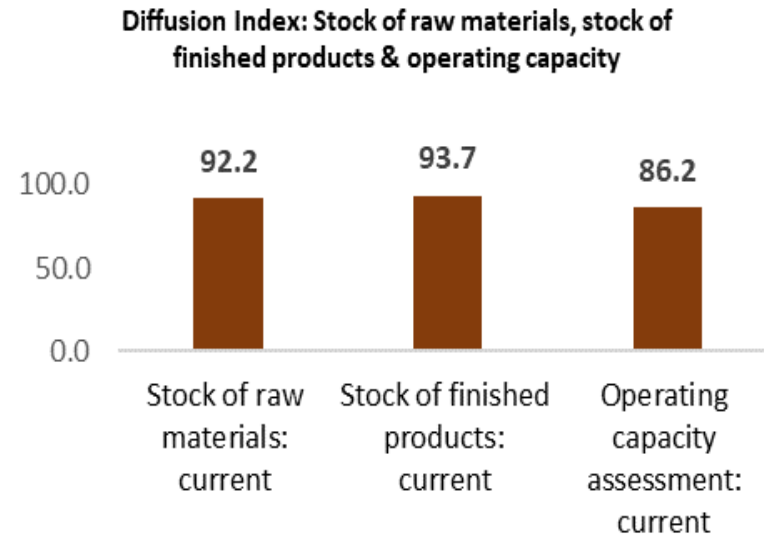
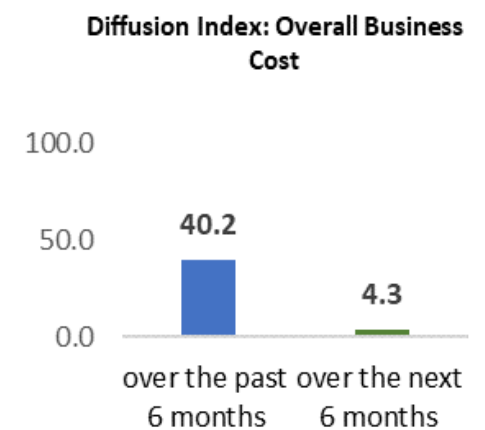
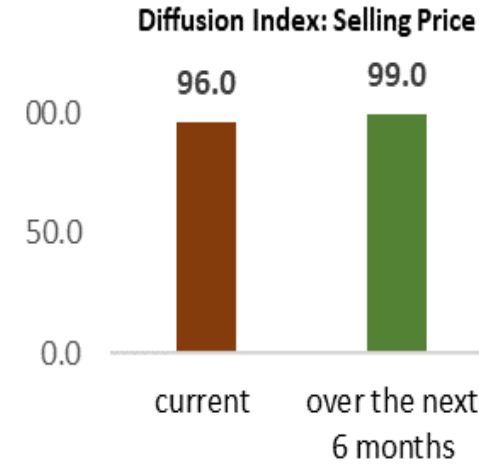
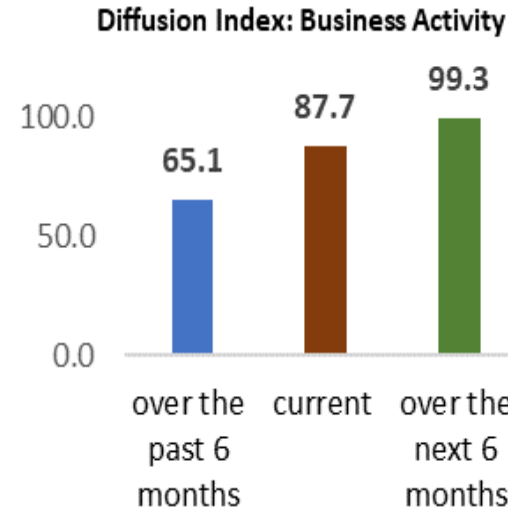




# Business Confidence Index: Textiles and RMG Sub-sector of Manufacturing Sector

- The business activity reach 87.7 in current period from 65.1 and expecting to reach 99.3 over the next six months.
- However, the index of overall **business cost score is lowest, almost zero**, for this sub-sector.
- The current situation of **high energy and raw materials prices, increased transport and shipping charges and unstable banking** operations are emerged as a concern for the business entities.
- The stock of raw materials, stock of finished products and operating capacity at current period are at satisfactory level.
- The investment index **shows positive trend over the years.**

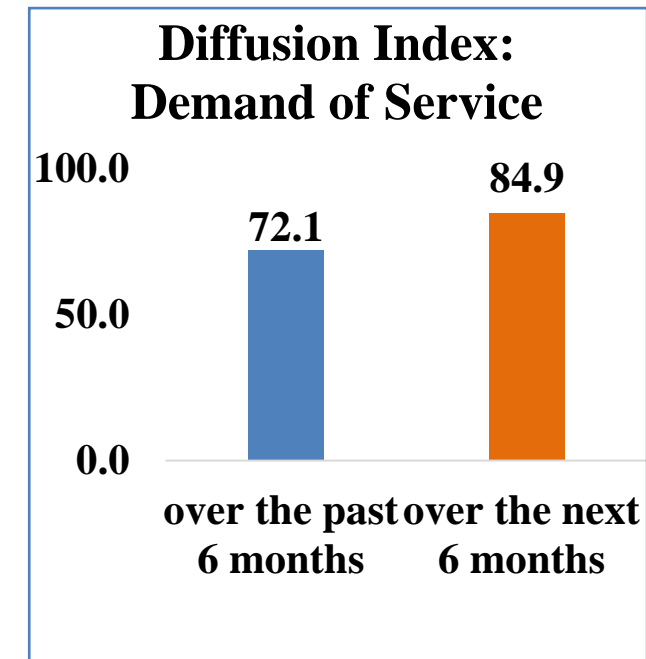
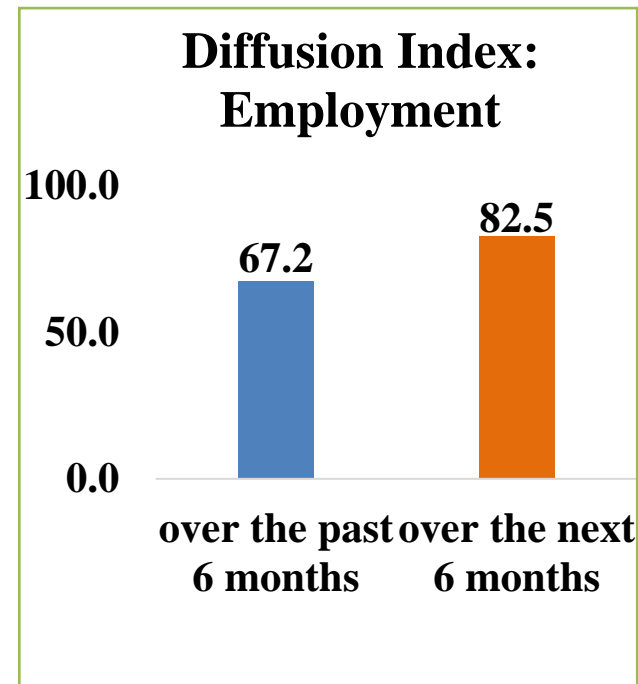
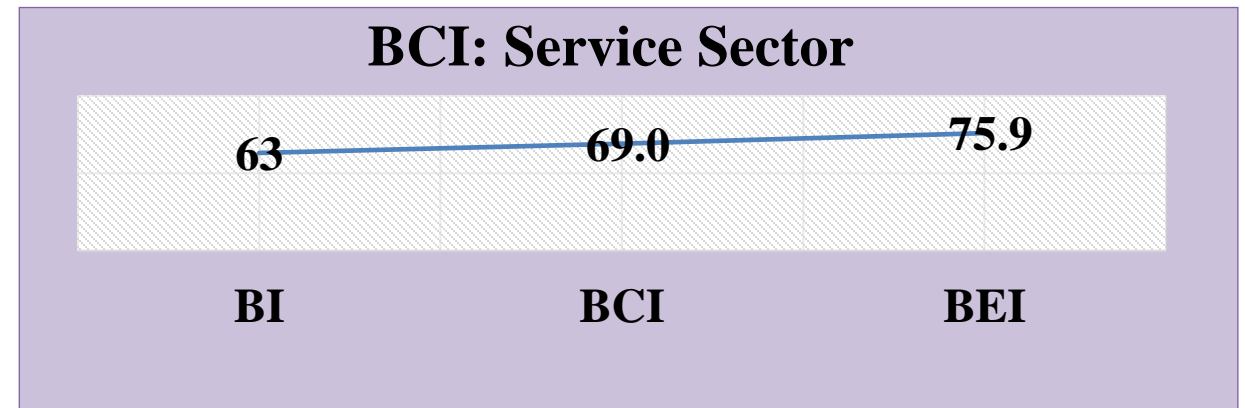
Though most of the indices have high score, the overall business cost index is 4.3 indicating a much worse perception for cost index over the next six months.



# Business Confidence Index: Service Sector

- The BCI for **service sector** is **69** giving an optimistic perspective around the general outlook, however not as high as the BCI of the manufacturing sector (78.7).
- The BI over the period of March to August 2022 is 63 and the BEI over the period December 2022 to June 2023 is 75.9
- Compared to manufacturing sector, the indices of the current components are moderate.
- Most businesses expect improved demand and productivity over the next six months however not as much as manufacturing sector.
- Both employment index and demand of service index have an upward trend.

**Service sector has a moderate perception over the next six months.**



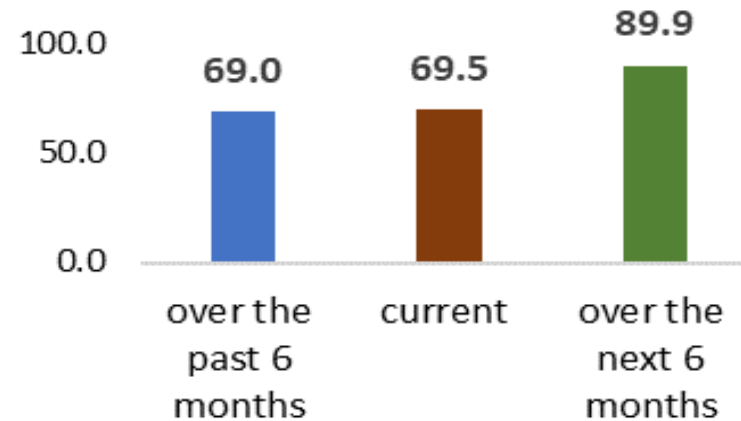
# Business Confidence Index: Service Sector(Activity)

- The index of business activity of current period is 69.5 which is almost similar to the index over the last six months.
- The business activity index is expected to reach 89.9 over the next six months indicating more circulation throughout the economy.
- Compared to last six months, the score of overall cost of business is expected to increase from 24.9 to 34.8 however, still giving a pessimistic view of the situation.
- Consumption based intangible output of service sector is dependent knowledge structure thus cost burden such as energy, gas price does not have such severe impact compared to manufacturing sector.

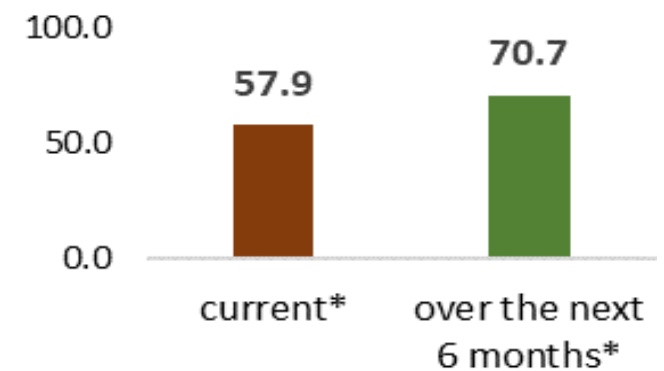
\* Indicators which are not applicable for financial sub-sector.

**Compare to manufacturing sector, service sector has moderate optimism over the next six months.**

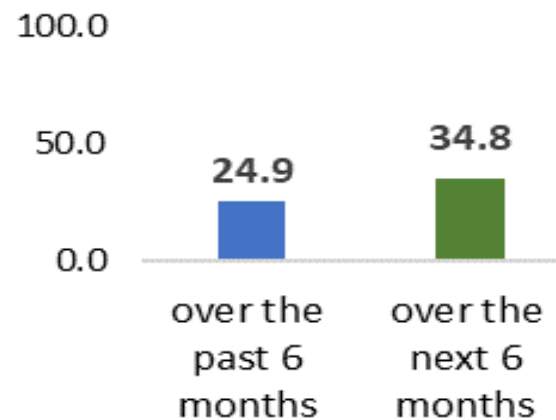
**Diffusion Index: Business Activity**



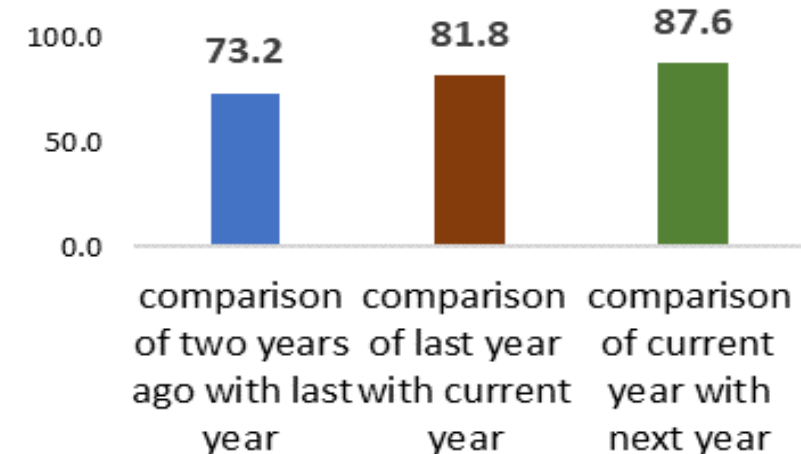
**Diffusion Index: Selling Price**



**Diffusion Index: Overall business cost**



**Diffusion Index: Investment**

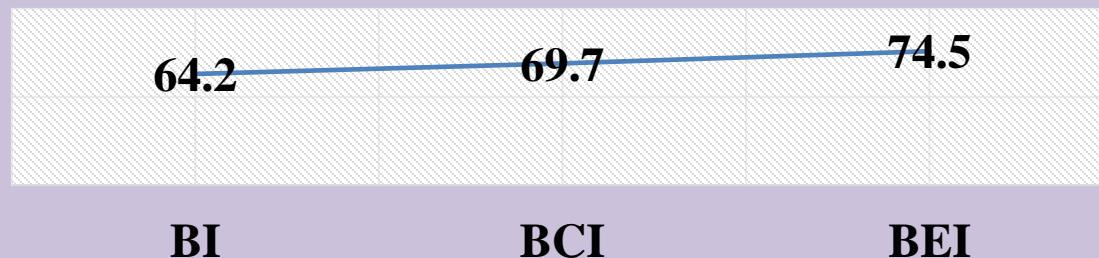


# Business Confidence Index: Wholesale and Retails sub-sector of Service Sector

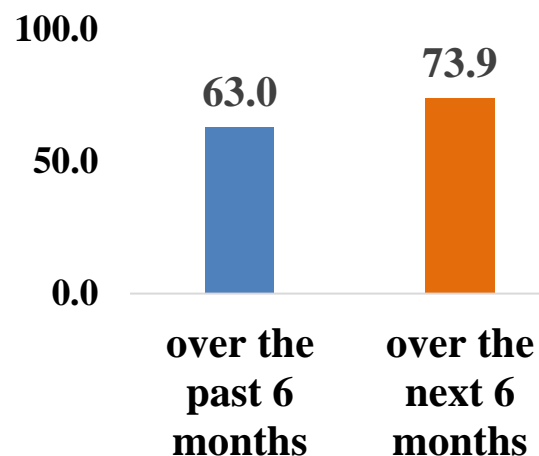
- The BCI for the wholesale and retail sub-sector of service sector stands at 69.7, the BI 64.2 and the BEI 74.5 giving an optimistic view.
- Firms within this sub-sector are upbeat about the business condition over the next six months compared to the preceding six months however the indices are more restrained compared to other sectors.
- Over the last six months, the employment index was 63 which reaches to 73.9 over the next six months.
- Over the last six months, the index for demand of service was 77.1 which portray a optimistic business environment for wholesale and retail sub-sector of service sector compared to other discussed sectors.

The indices of the Wholesale and Retails sub-sector of service sector indicates favorable condition existed in the past and also opted for the future.

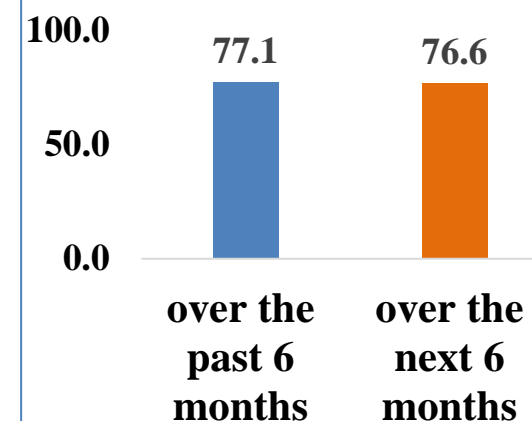
## BCI: Wholesale and Retails sub-sector of service sector



### Diffusion Index: Employment



### Diffusion Index: Demand of service

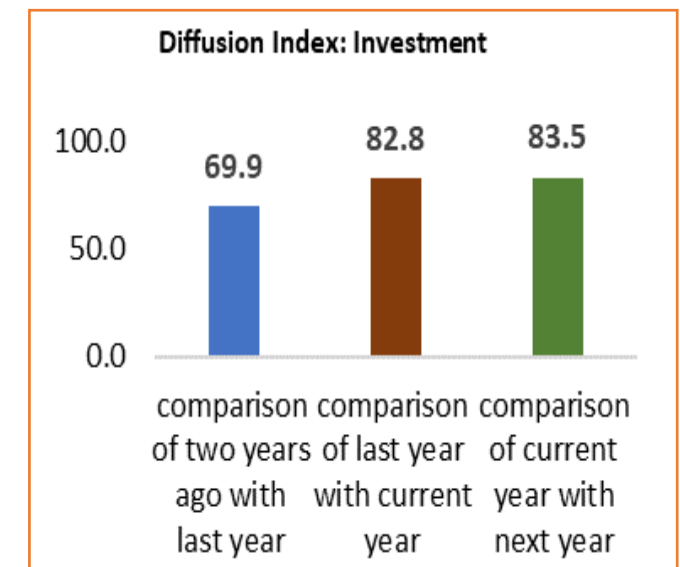
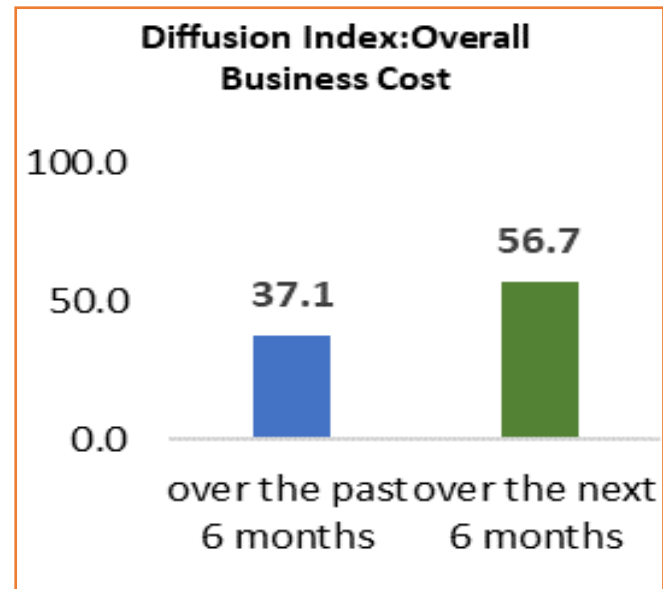
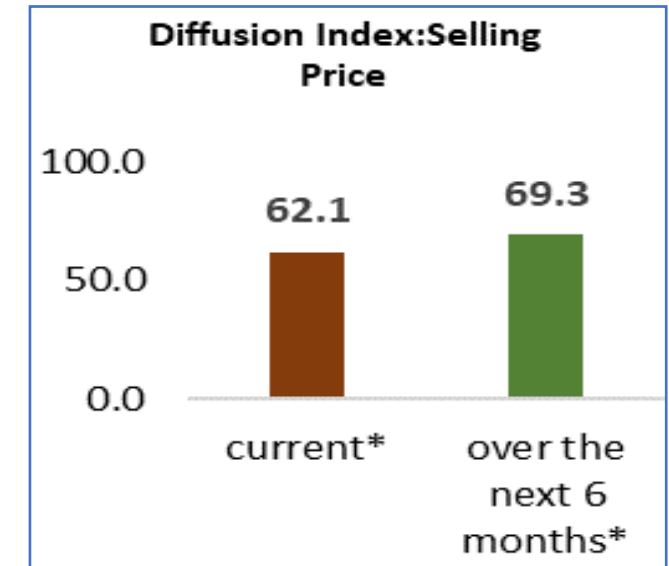
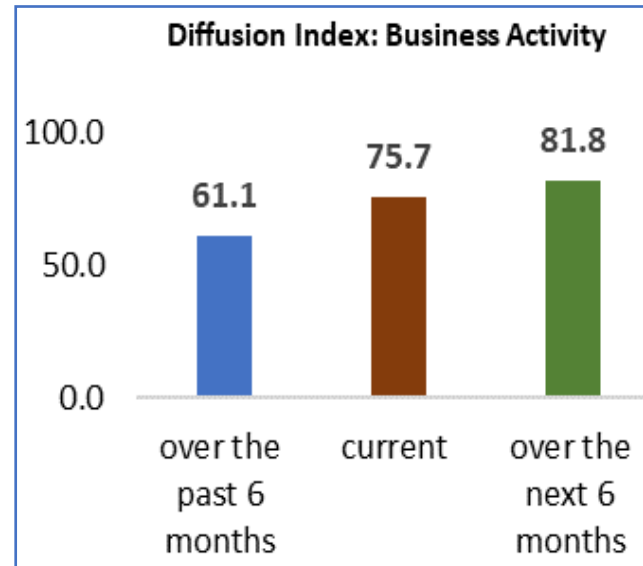




# Business Confidence Index: Wholesale and Retail sub-sector of Service Sector

- Business activity indices shows upward trend over the time.
- Selling price in current period and coming six months are moderate compared to other sectors.
- The score of overall business cost is expected to **reach 56.7 over** the six months.
- Investment indices also show upward trend.

Compared to other sectors, overall business cost index is higher for wholesale and retails sub-sector.



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# Findings of the Survey

Components of the Questionnaire



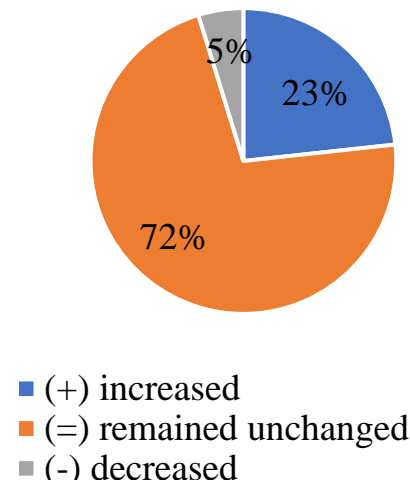
# Components of the Questionnaire

## Employment (M+S):

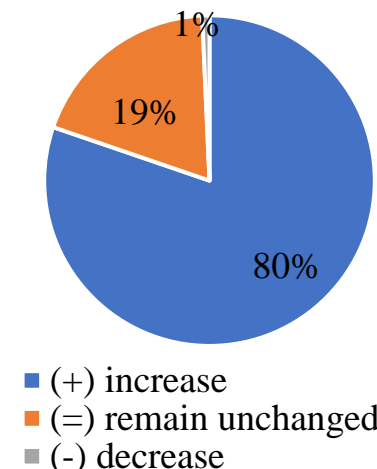
- Over the past 6 months, the total employment increase (23%) was a bit shy, **amongst** the 567 surveyed entities but the expectation is to increase **(80%)** over the next 6 months indicating that most businesses expect to hire more employees.
- Businesses are expecting to increase their recruitment activities to meet manpower shortage issues, increase operating capacity and increase investment over the next six months.
- Compared to entities in service sector **(67%)**, expectations of future employment are firmly positive in manufacturing sector **(94%)**, especially Textiles and **RMGs (98%, Report)**

## Employment (Manufacturing and Service sector)

Over the past 6 months

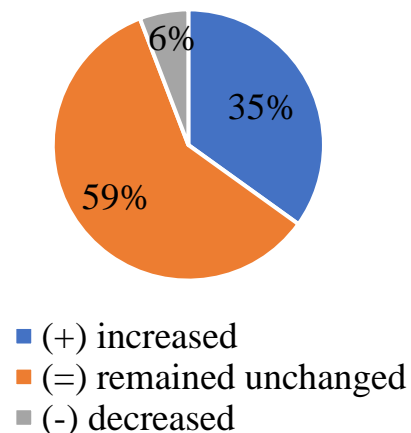


Over the next 6 months

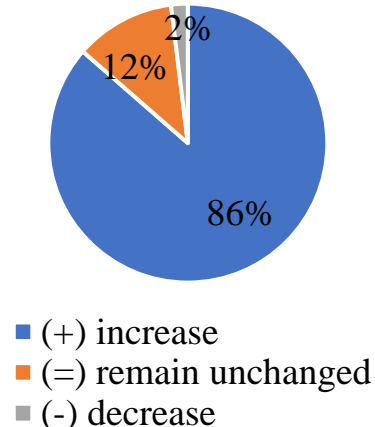


## Total volume of orders and demand of services (M & S)

Over the past 6 months



Over the next 6 months



## Volume of orders and demand of services (M+S):

- The total order books (Report) for all 567 surveyed entities remained (35%) over the last 6 months, but the expectation is to increase it by 86% over the next 6 months.
- Around 46% businesses from service sector have reported to have an increased demand of services over the last six months; However, only 24% companies from manufacturing sector reported of their increased order books.
- The expectation to have an increased total order books for manufacturing sector is 92%, Textiles and RMG is 99% and for service sectors is 80% over the coming 6 months.

Both manufacturing and service sector are expecting to increase employment and volume of orders and services over the next six months.

# Components of the Questionnaire

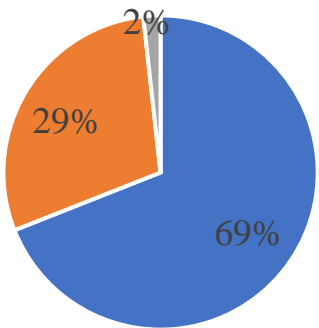
## Operating Capacity

- 69% firms from manufacturing sector stated that the current operating capacity is more than sufficient. Only 2% reported performing **under sufficiently**.
- Only 28% firms in service sector reports that the current operating capacity is more than sufficient. The operating capacity is not sufficient for 14% firms in service sector.
- Operating capacity also differs across size of the surveyed entities. The number of firms operating more than sufficiently is almost double for large entities compared to MSMEs.
- The current operating capacity is not sufficient for 13% entities of MSMEs where the number is only 3% for large entities.

Operation capacity for majority of business entities of manufacturing sector are more than sufficient and for most of the entities of service sector are reported as sufficient. The percentage of entities reported to have operation capacity more than sufficient is double for large companies compared to MSMEs.

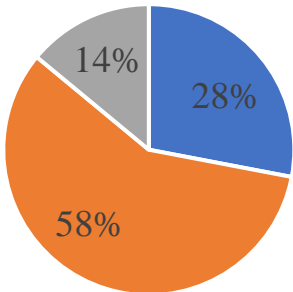
## Operation Capacity Assessment by sector

Manufacturing sector



- (+) more than sufficient
- (=) sufficient
- (-) not sufficient

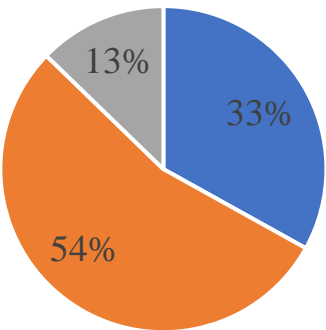
Service sector



- (+) more than sufficient
- (=) sufficient
- (-) not sufficient

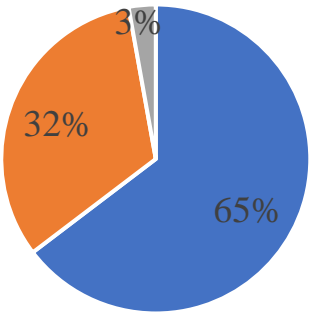
## Operation Capacity Assessment by size

MSMEs companies



- (+) more than sufficient
- (=) sufficient
- (-) not sufficient

Large companies



- (+) more than sufficient
- (=) sufficient
- (-) not sufficient

# Components of the Questionnaire

## Operating Capacity (Comparing with Large and MSMEs)

- Most (81%) of the entities from manufacturing sector are operating between 76%-90% of full capacity. None of the entity reported to operation under 50% of their operating capacity.
- For Service sector, 27% entities are operating below 50% of full capacity. Around 55% entities are operating between 51% to 90%.
- Most (70%) of the large entities are operating between 76%-90% of their operating capacity where else the percentage of firm for MSMEs is only 45% . 23% MSMEs are performing between 0 – 50%.

None of the companies under manufacturing sector perform under 50% of their full capacity where else the percentage is 27% for service sector. Only 2% of the large companies are performing under 50% and for MSMEs the percentage is 23%.

Percentage of full capacity by sectors		
Operating capacity range	Manufacturing sector	Service sector
100%	5%	9%
91%-99%	10%	9%
76%-90%	81%	32%
51%-75%	4%	23%
0-50%	0%	27%

Percentage of full capacity by considering size of the companies		
Operating capacity range	MSMEs	Large
100%	7%	7%
91%-99%	6%	13%
76%-90%	45%	70%
51%-75%	19%	8%
0-50%	23%	2%



# Components of the Questionnaire

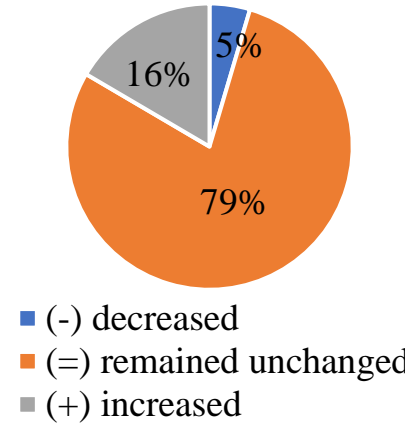
## Overall Business Cost

- Overall cost for manufacturing sector was unchanged for 16% entities over the last six months, however, expected to increase by majority, around 82% entities.
- For service sector, the overall business cost started to increase significantly over the last six months. The expectation to increase the overall business cost over the next six months is relatively moderate compared to manufacturing sector.

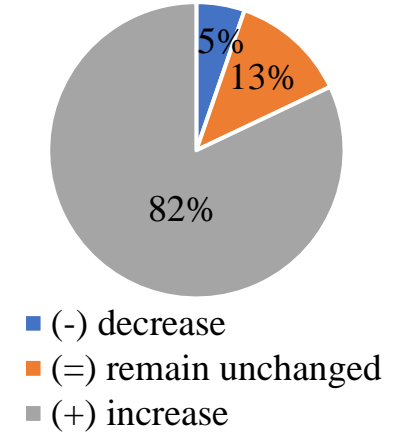
For firms in manufacturing sector, the overall business cost was mostly unchanged for last six months but expected to increase a lot over the next six months. However, firms in service sector reported that overall business cost has started to change over the last six months and expected to increase further.

## Overall business cost (Manufacturing sector)

Over the past 6 months  
(Manufacturing sector)

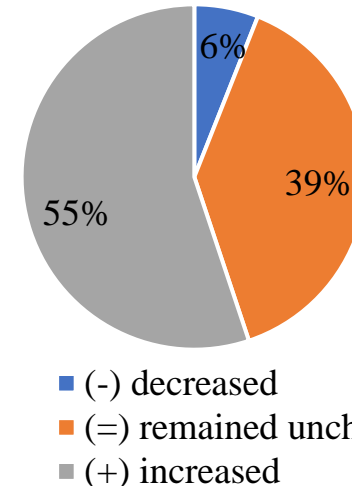


Over the next 6 months  
(Manufacturing sector)

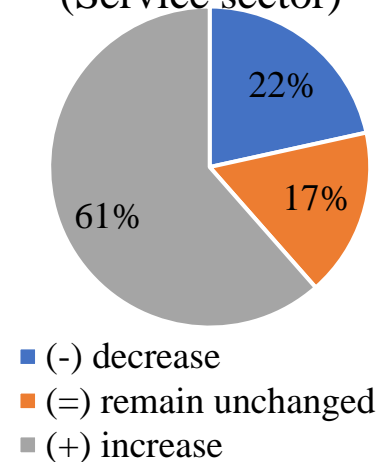


## Overall business cost (Service sector)

Over the past 6 months  
(Service sector)



Over the next 6 months  
(Service sector)

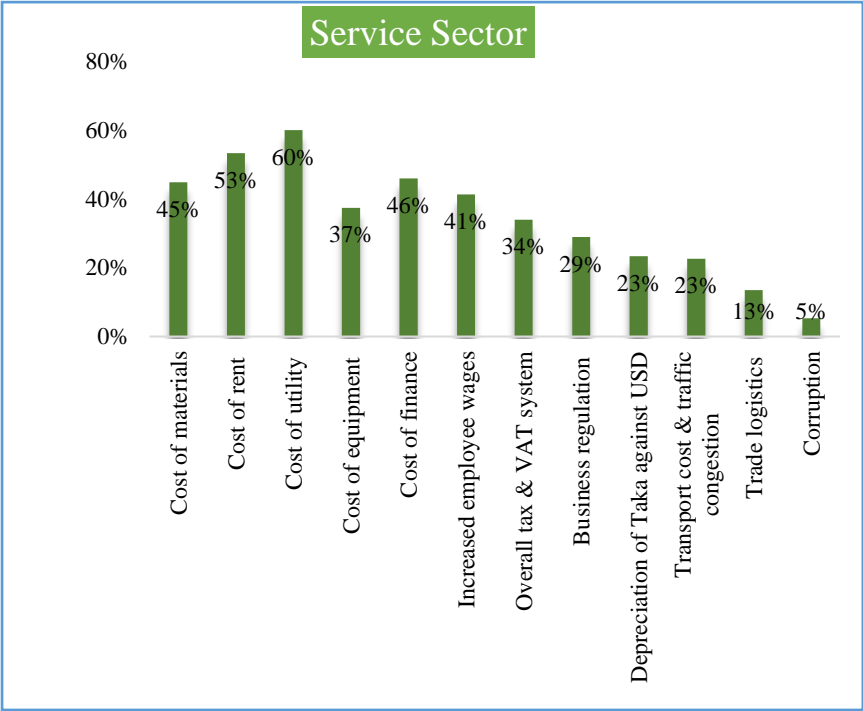
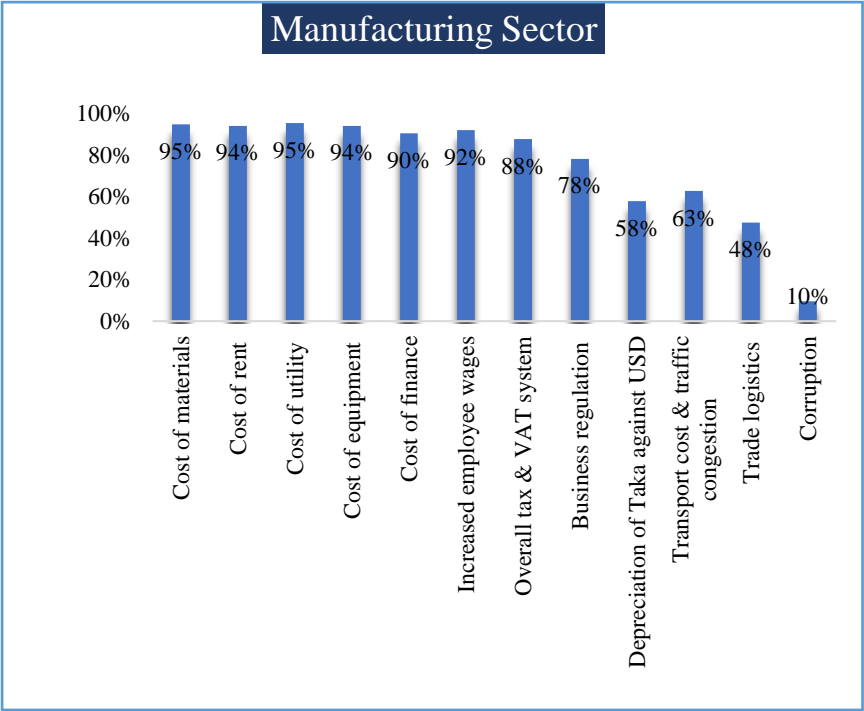


# Overall Business Cost (Business Cases)

- ❑ According to a survey respondent, “Sectors such as **steel and cement** are highly dependent on raw material import. This dependency in raw material has created price volatility as prices of raw materials have grown up to **25%** for steel and cement. Moreover, **the AIT and customs duty** are very high for importing raw materials”.
- ❑ Because of the supply chain disruption due to Russia-Ukraine war and cost push inflation, firms are **facing losses which were profitable six months ago** – reported by many survey respondents.

Utility and cost of materials are selected by most of the respondents (95%) as the main cost of doing business for manufacturing sector, followed by cost of rent and cost of equipment by 94% of respondents. Cost of utility (66%) is the main factor for service sector followed by cost of rent (53%).

Main factors behind the overall business cost sector wise

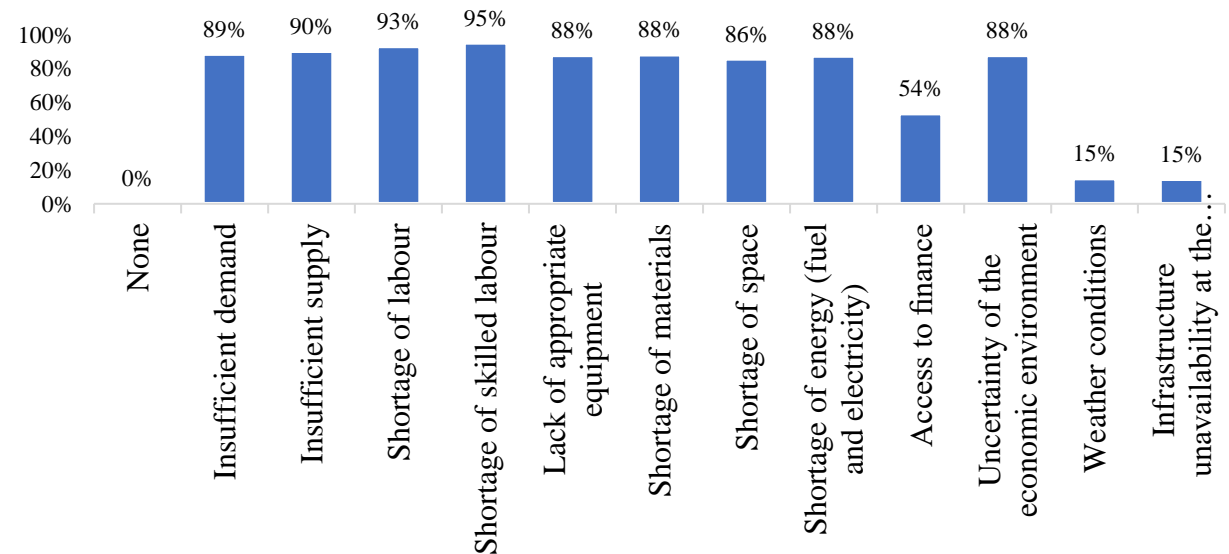


# Factors Limiting Business Activities (Business Cases)

- ❑ Because of the rising cost in backward linkage industries such as **poultry, fisheries and livestock feed**, doing business has become **more expensive in agriculture** sector. Moreover, disruption in daily life due to inflation causes a shift in **consumer purchasing behaviour**. Climate change has impact which results in a **demand variation**. Lack of locally produced **fish feed** is also a bottleneck which incurs more costs – **shared by survey respondents**.
- ❑ Respondent **from jute sector said**, “Syndicates and middlemen often artificially regulate the market, especially for raw jute, resulting in absurd prices as raw jute prices almost double in price over months. Sourcing jute, especially high quality finished jute products becomes troublesome for the entrepreneurs. Big mills prefer interacting with big players. Moreover, there is a lack of adequate promotion of jute-based products for domestic consumption.”

Insufficient demand; insufficient supply; shortage of labour; shortage of skilled labour; lack of appropriate equipment; shortage of materials; shortage of space; shortage of energy (fuel and electricity); and uncertainty of the economic environment are selected main factors for limiting business activity by more than 80% of the respondents from Manufacturing sector. Only 15% responses were captured for both weather condition and infrastructure unavailability at the economic zones.

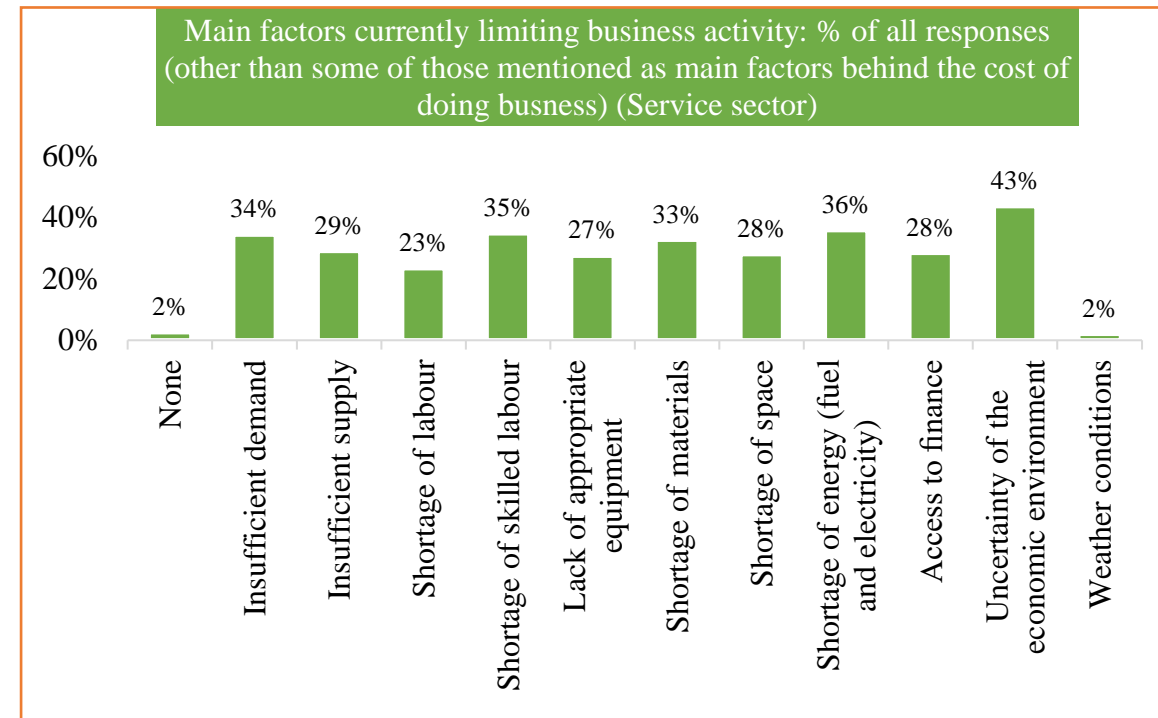
Main factors currently limiting business activity: % of all responses (other than some of those mentioned as main factors behind the cost of doing business)  
(Manufacturing sector)



# Factors Limiting Business Activity ( Business Cases)

- ❑ Because of being a **micro business and collateral requirement**, it is difficult to avail loans of **more than Tk. 5 lac** from a bank. Moreover, applying for a **bank loan** also incurs new costs. Putting up a **signboard** with the same firm's name and proprietor's name, having at least three year's trade license, CIB report fee etc. **incur costs**. One respondent said that **he applied for a bank loan in 2022 but got rejected thrice for several reasons** (i.e., signboard name issue, third party guarantor, etc.). As a result, he faced difficulties in paying to supplier on time which resulted in decrease in **supplier's confidence**.
- ❑ Respondent from a **restaurant said** that they faced problems in connection to passing off related to **trademark for several years**. “For several years, a restaurant named **Takeout 2.0** sold identical food items like that of another restaurant named **Takeout**. It hurts the business and goodwill of **Takeout for several years**”, a respondent mentioned.
- ❑ A respondent said that the cost of **cheap credit/stimulus package** would not be very helpful because of inflation. **Rising freight prices** has caused a four times increase in cost, for local companies.

**Uncertainty of economic environment (43%) is reported as the main factor for limiting business activity followed by shortage of energy (36%), shortage of skilled labour (35%) and insufficient demand (34%) for service sector**



# Components of the Questionnaire

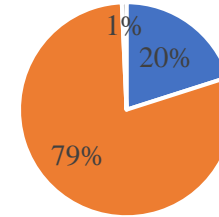
## Investment

- No significant investment was made in 2020 in manufacturing sector. But the businesses have started to investing further this year and expect to continue next year.
- Over the last two years, increase in investment in service sector is notable. The sector expects to continue investing in coming year, however not as optimistic as manufacturing sector.

**Business entities are willing to invest in coming year(M-94%, S-77%)**

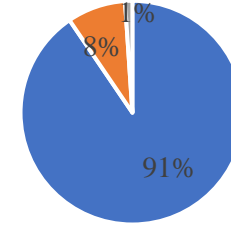
## Investment (Manufacturing sector)

Comparison of two years ago with last year



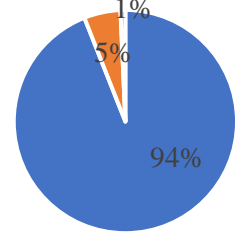
■ (+) increased  
■ (=) remain unchanged  
■ (-) decreased

Comparison of last year with current year



■ (+) increase  
■ (=) remain unchanged  
■ (-) decrease

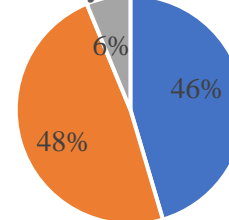
Comparison of current year with next year



■ (+) increase  
■ (=) remain unchanged  
■ (-) decrease

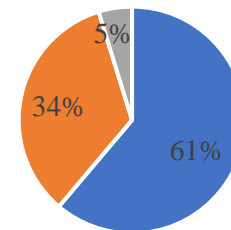
## Investment (Service Sector)

Comparison of two years ago with last year



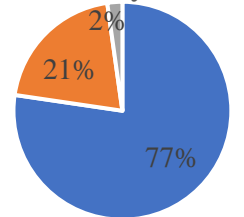
■ (+) increased  
■ (=) remain unchanged  
■ (-) decreased

Comparison of last year with current year



■ (+) increase  
■ (=) remain unchanged  
■ (-) decrease

Comparison of current year with next year



■ (+) increase  
■ (=) remain unchanged  
■ (-) decrease



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# Findings of the Survey

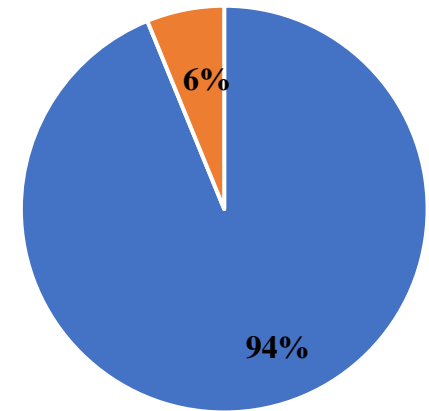
General Observation



# Year of Establishment

- The survey entities were divided into two groups: **newly created companies established between 2018 to 2022** and rest companies that were established before 2018.
- Among the survey entities **only 6 % companies** are newly created companies and rest were established before 2018.
- It is found in the survey that the newly created companies established between 2018 to 2022 are **less optimistic** on components about expectations compared to companies established before 2018.
- Thus, expectations over the next six months on increase of employment are **34%** for entities established between 2018 to 2022 **vs 83%** for companies that are already established.
- The expectation to invest over the next six months is also found to be bit higher for companies established before 2018 (87%) than newly created companies (66%).

Year of establishment

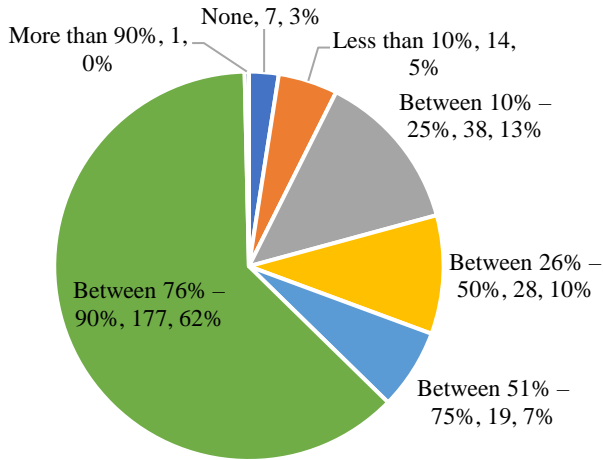


■ up to 2018 ■ 2018-2022

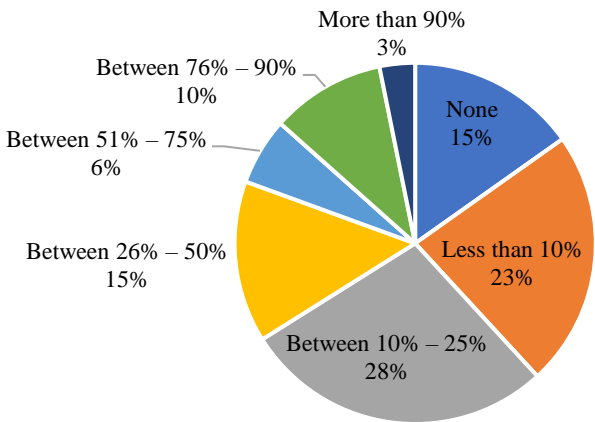
# Share of Female Employee

- Around 44% companies in manufacturing and service sector stated that the share of the female in the total number of employees is more than 50%.
- The share of female in the total number of employees is **more in manufacturing sector than service sector.**
- Around 62% companies in manufacturing sector stated that the share of female in the total number of employees falls under the range of 76%-90%, where else in the service sector the percentage is only 10% within this range.
- Most of the companies (51%) of companies in service sector have less than fifty percentage shares of female in the total number of employees.

Manufacturing companies: share of the female in the total number of employees



Service companies: share of the female in the total number of employees



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# Findings of the Survey

Conclusion



# Key Findings



- ❑ The Business Confidence Index (BCI) for the year 2022 is **74.4, giving an optimistic perception.**
- ❑ Business expectations among the firms continue to be **positive for the first half of 2023.** Business expectation Index (BEI) over the next six months (December 2022 – June 2023) scores at 78.2
- ❑ The upward movement in the BCI was driven by improvement in the sentiments for the six components out of seven components of the BCI, namely; employment, volume of order or demand for service, business activity, selling price and investment.
- ❑ The survey finding indicates that established business entities are willing to expand their business by hiring skilled labour force and increasing investment.



- ❑ Out of the seven components of the questionnaire, only **overall business cost index is negative giving pessimistic perception.**
- ❑ The overall business cost index stands at 35.8 over the last six months (March 2022 – August 2022) and expects to reach 22.4 over the next six months (December 2022 – June 2023).
- ❑ Around 72% business entities reported to observe an increase in the business cost over the next six months (December 2022 – June 2023).



# Key Findings

## Manufacturing Sector and Service Sector

- ❑ Compared to Service sector, **Manufacturing sector is more optimistic** over the next six months (December 2022 – June 2023).
- ❑ The business cost index for Manufacturing sector is 12.7 and for Textiles and RMG sub-sector is 4.3 which is very low. The business entities willingness to expand business may hamper if the cost burden is not tackled in time.
- ❑ The business cost index for Service sector is 34.8 and for wholesale and retails is 56.7 slightly optimistic compared to manufacturing sector.
- ❑ The survey indicates that operating capacity of service sector is not fully utilized. Sector based specific investigation is needed to find out the possible reasons and circumstances.

## Emerging Entities

- ❑ When business entities are compared based on their year of establishment, it is observed that the confidence level amongst the newly established companies are low compared to those who are already established.
- ❑ MSMEs are also keen on increasing employment and boosting investment over the next six months (December 2022 to June 2023).
- ❑ MSMEs are also not operating at their full capacity.

# Recommendations

- 1) The **cost confidence** is low amongst business entities especially for manufacturing sector. Immediate actions should be taken to tackle the cost burden of businesses (**e.g; cost of electricity, water, gas; cost of rent, cost of materials**).
- 2) Compared to manufacturing sector, service sector has moderate **optimistic BCI (69)** over the next six months. On the other hand, service sector is operating **below their capacity**. A **consumer confidence survey** can be conducted to understand the mechanisms of service sector.
- 3) According to this survey, manufacturing sector has somehow reached a stable position through several developments, however, the volatile service sector is yet to recover even though has many opportunities that can be explored. Business entities in service sector especially **MSMEs** need to adopt **modernization and cutting edge technology** to provide competitive services.
- 4) Newly created companies that are established between 2018 to 2022, are **less optimistic** than companies established before 2018. This indicates these companies need more supports. Thus, priority should be given to **new established companies while designing policy supports**.
- 5) Only 6% of the survey respondents are established between 2018 to 2020. **Emerging entities** should be encouraged to be more involved with different business associations.

# Recommendations

- 6) Developing **economic zone** across Bangladesh is one of the priorities of Government. However, this survey finds that government could not attract businesses to shift to economic zones as planned. Thus, necessary steps need to be taken to find the reasons for undermining development of the **economic zones**.
- 7) **Uncertainty of economic environment** (Manufacturing -88%, Service- 43%) of policy inconsistencies would need to address for improved BCS in the future.
- 8) Sometimes, easy market entrance create **price wars**, resulting in compromise of quality. There is a need to **control market entry** to help current industry players with healthy competition.”
- 9) Along with modernization of the business environment, focus should also be given at transforming towards a **skilled and modern nation building**.
- 10) Availing trade license, trade make, certifications are still troublesome for business entities. Necessary steps should be taken to make the **process easy and less time consuming**.

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# Annex



# Components of Questionnaire

## Components of the Questionnaire

1. **Employment:** Respondents were asked about variable change over the past 6 months and expectation over the next 6 months (change past/next 6 months)
2. **Volume of order or Demand of Service :** Change past/next 6 months
3. **Business activity:** Change past/next 6 months and assessment of the current situation
4. **Operating capacity:** Assessment of the current situation
5. **Selling price:** Assessment of the current level and expectation over the next 6 months
6. **Overall business cost :** Change past/next 6 months and specific main factors behind the cost of doing business
7. **Investment:** Comparison of: two years ago, with the last year, the last year with the current year and the current year with the next year



# Survey Questionnaire and Time Frame

- One questionnaire for the manufacturing sector and **three** customized questionnaires for the service sector were disseminated (**September to November, 2022**) asking about business conditions over the past six months (March 2022 to August 2022) and future perceptions towards the next six months (December 2022 to June 2023).
- The survey was conducted online using Microsoft Forms, extensive follow-up were made, phone - interview conducted

## 1. Manufacturing Sector

- One questionnaire

## 2. Service Sector

- One questionnaire for Wholesale and Retail
- One questionnaire for Financial institutions
- One questionnaire for all other service sector

**Business Condition over  
the last 6 months**

March 2022 to August  
2022

**Data Collection Period**

September 2022 to  
November 2022

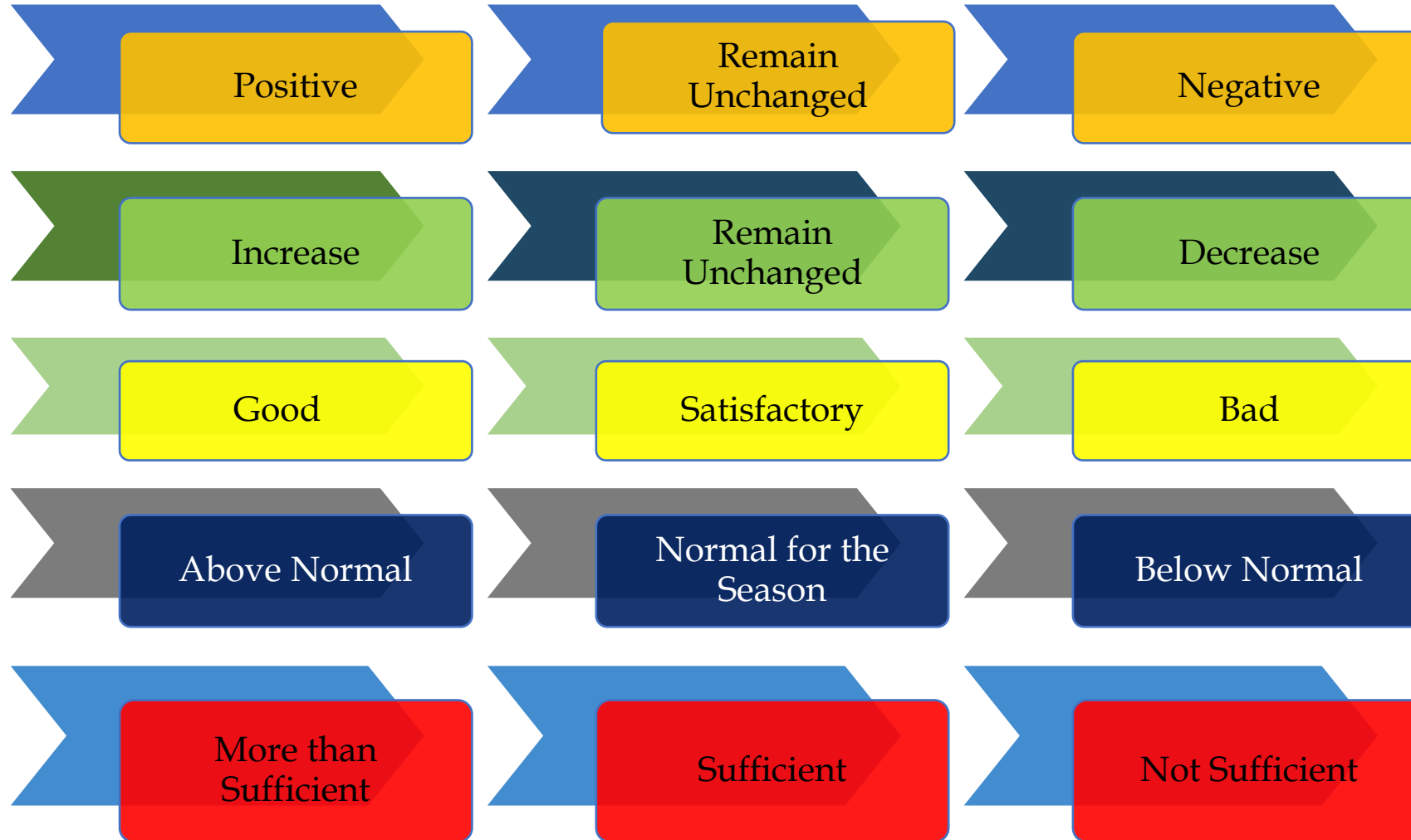
**Business Perception  
over the next 6 months**

December 2022 to June  
2023



# Questionnaire

- The majority of survey questions were **multiple-choice questions** and majority of them were formulated on a **three-option ordinal scale**. Typical possible answers are listed below:



# Business Index (BI) and Business Expectation Index (BEI)

## Business Index (BI)

- Indicates the business condition over the last six months (March to August 2022), compiled as **weighted average** of net response of parameters on five selected components of questionnaire. The BI over the past six months is also calculated using the following five components or indicators:

### BI Components

- employment,
- volume of order for manufacturing sector and demand of service for service sector,
- business activity,
- overall business cost and
- investment.

## Business Expectation Index (BEI)

- Indicates the perception of business over the next six months (December 2022 to June 2023). BEI is compiled as weighted average of net response of expectation parameters on five selected components of questionnaire over the next six months. The BEI over the next six months is also calculated using the following five components or indicators:

### BEI Components

- employment
- volume of order for manufacturing sector and demand of service for service sector
- business activity
- overall business cost
- investment.

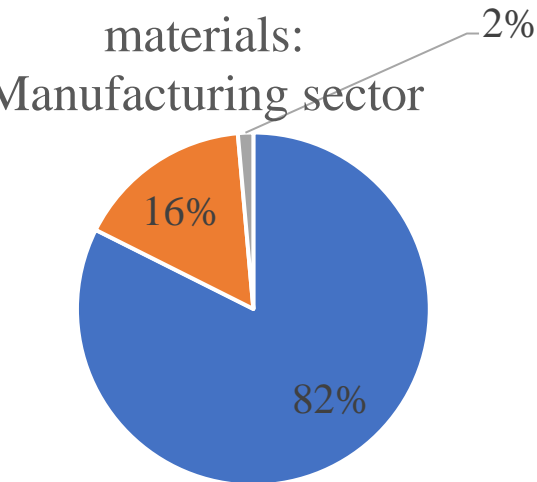
# Findings of the Survey: Components of the Questionnaire

## Stock of raw materials, current order and stock of finished products of manufacturing sector (M):

- Out of 284 surveyed entities in manufacturing sectors, stock of raw materials, current orders and stock of finished products are 82%, 86% and 85% above normal respectively.
- According to the survey, the entities in manufacturing sectors have well recovered from the impact of COVID-19 and looking forward to invest in employment growth and productivity.

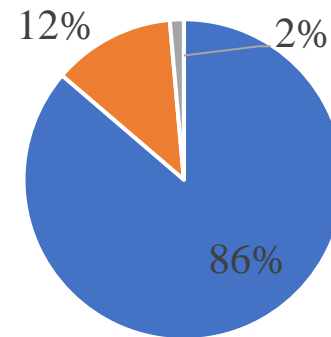
### Current Stock of Raw Materials, Volume of Orders and Stock of finished products (Manufacturing sector)

Current Stock of raw materials:  
Manufacturing sector



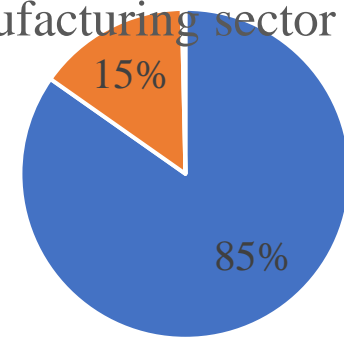
- (+) above normal
- (=) normal for the season
- (-) below normal

Current Volume of Orders:  
Manufacturing sector



- (+) above normal
- (=) normal for the season
- (-) below normal

Current Stock of finished products:  
Manufacturing sector



- (+) above normal
- (=) normal for the season
- (-) below normal

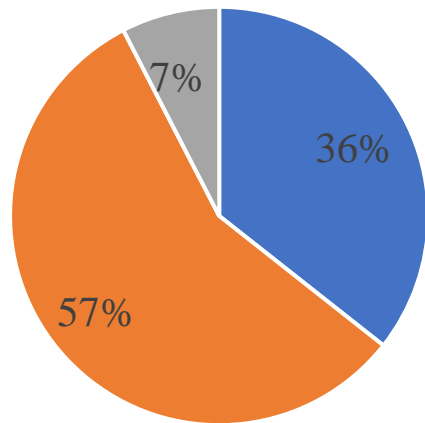
# Findings of the Survey: Components of the Questionnaire

## Business Activity (M+S):

- Over the past 6 months, 36% business entities from manufacturing and service sector claimed to have an increased business activity, which reaches a better condition scoring 55% in current business activities.
- With an optimistic view, 89% businesses expect to have an increased activity in business.

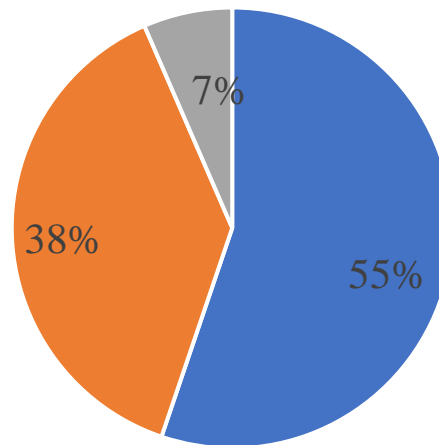
## Business Activity (Manufacturing and Service sector)

Over the past 6 months



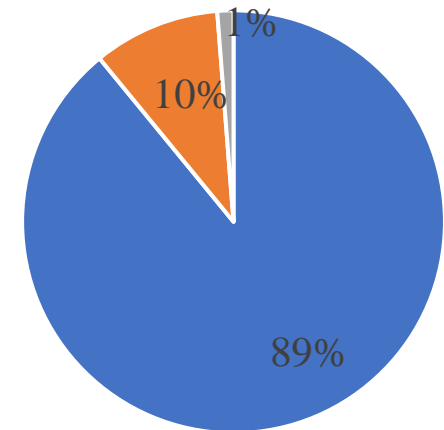
- (+) increased
- (=) remained unchanged
- (-) decreased

Current



- (+) good
- (=) satisfactory
- (-) bad

Over the next 6 months



- (+) increase
- (=) remain unchanged
- (-) decrease



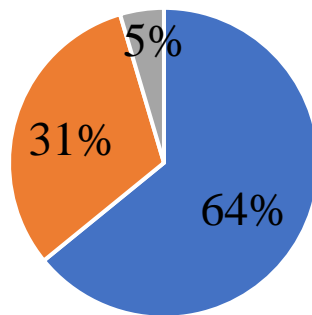
# Components of the Questionnaire

## Selling price (M+S):

- Around 64% entities reported that the current selling price is above normal and 83% entities expects that the selling price will increase in the next 6 months.
- Most (85%) of the manufacturing companies state that the selling price is above normal for the season, however only 40% companies in service sector state that the selling price is above normal.
- The percentage for manufacturing sector is 92% where for service sector is 73% regarding increase in selling price.

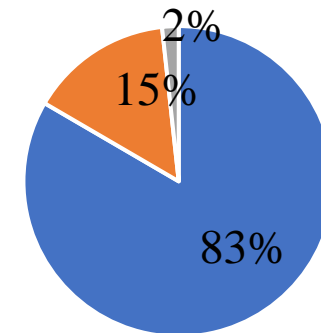
### Selling price (Manufacturing and Service sector)

Current



- (+) above normal
- (=) normal for the season

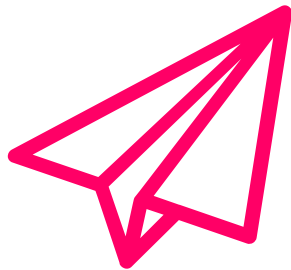
Over the next 6 months



- (+) increase
- (=) remain unchanged

# Thank you!

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