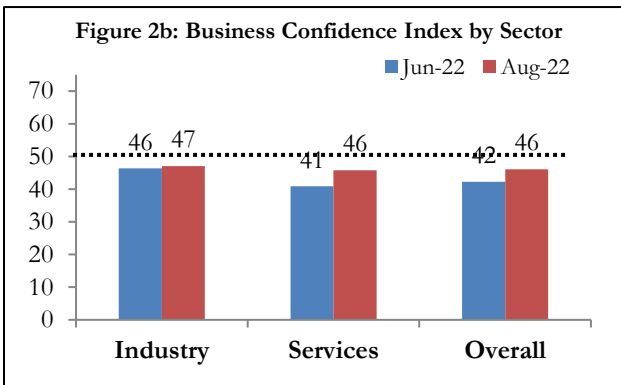
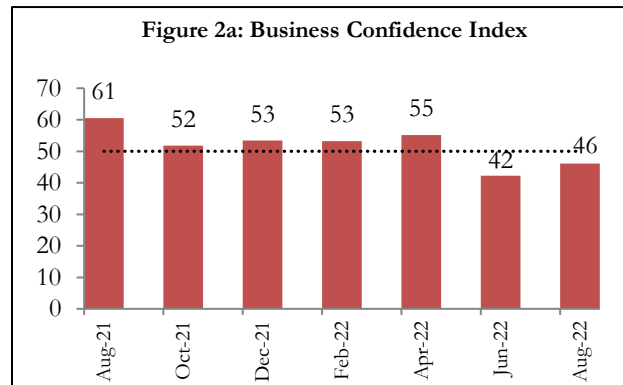
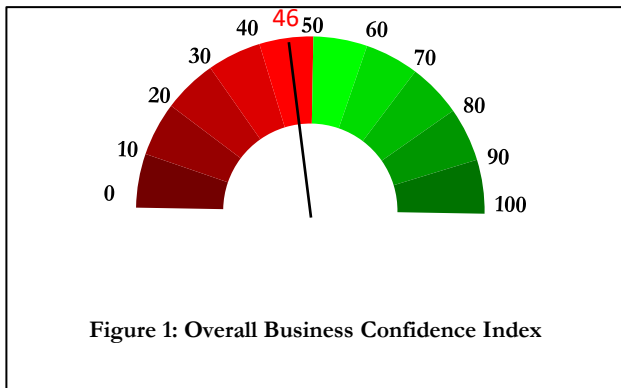


## State Bank of Pakistan's Business Confidence Survey\* – August 2022

[30<sup>th</sup> wave of Business Confidence Survey (BCS) conducted during August 15-26 2022; with 564 firms surveyed]

### Overall Business Confidence

Business Confidence Index (BCI) resurged in August 2022 wave though remained in the red zone. BCI increased by 4 points to 46 in August 2022 from 42 in last wave (**Figure 1 & 2a**). The increase in BCI was contributed by both services and industry sectors. Services sector confidence climbed by 5 points to 46 in August 2022, while industry sector index increased by one point to 47. (**Figure 2b**).



BCS respondent's confidence on account of current as well as expected economic & business conditions increased in August 2022.

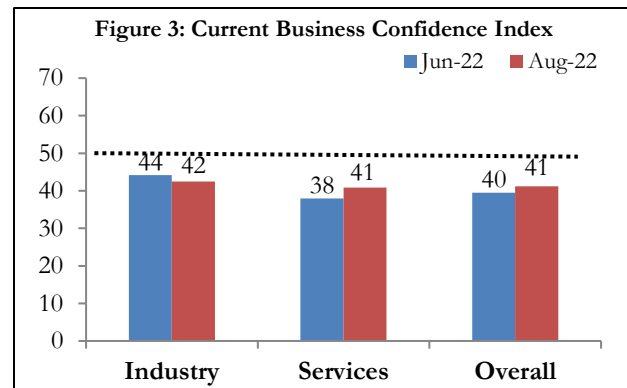
\* SBP has been conducting the Business Confidence Survey (BCS) in collaboration with the Institute of Business Administration (IBA) since October 2017 at a bi-monthly frequency to obtain the views of senior managers of large companies in the industry and services sector. The survey provides information to SBP regarding the perceptions of company managers about current and expected business conditions and major factors affecting these conditions. It covers their views on production, hiring of employees, demand for credit and general economic conditions. SBP disseminates the results of BCS for general information only. These are opinions of businesses and may not be considered either as SBP views or as an endorsement by SBP.

## Current Business Confidence

Current Business Confidence Index (CBCI) slightly moved up by 1 point to 41 in August 2022 (**Figure 3**). The increase in CBCI can be attributed to rise in CBCI of services sector, which increased by 3 points to 41 in current wave from 38 in June 2022. While industry sector CBCI declined from 44 in June 2022 to 42 in current wave.

The disaggregation of responses (**Table 1**) shows a stability in views of respondents regarding positivity, negativity, and neutrality during the current wave.

The overall percentage share of positive views (both positive and very positive), negative views (negative and very negative), and neutral views recorded at 20, 47, and 33 respectively in August 2022.



**Table 1: Current Business Confidence (% Share)**

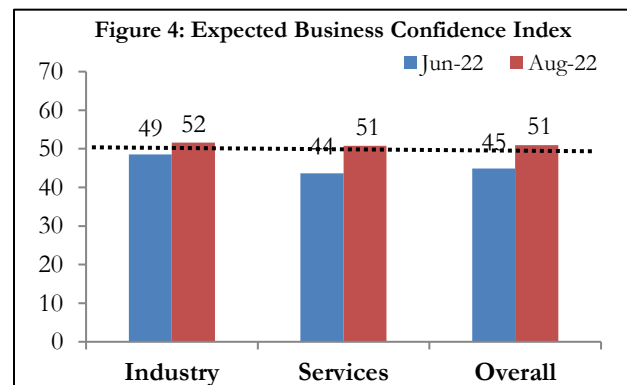
	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Aug-22</b>					
Industry	7.0	13.7	34.9	31.2	13.3
Services	2.3	17.2	31.8	39.0	9.8
Overall	4.6	15.4	33.3	35.1	11.5
<b>Jun-22</b>					
Industry	6.1	20.2	33.2	25.1	15.4
Services	3.0	11.3	32.8	40.7	12.3
Overall	4.5	15.8	33.0	32.9	13.8

## Expected Business Confidence

The Expected Business Confidence Index (EBCI) also resurged in August 2022 and it once again landed in green zone. EBCI increased significantly by 6 points to 51 in August 2022 from 45 in June 2022 (**Figure 4**), attributed to both industry and services sectors.

The disaggregation of EBCI shows an increase in positive views (**Table 2**) and neutral views, while the negative views (negative and very negative) decreased in the current wave.

The overall percentage share of positive views (positive plus very positive) has increased by 7 points to 32 in August 2022 and the percentage share of neutral views increased by 2 points to 40 in the current wave, while negative views decreased by 9 points to 28 in the current wave.

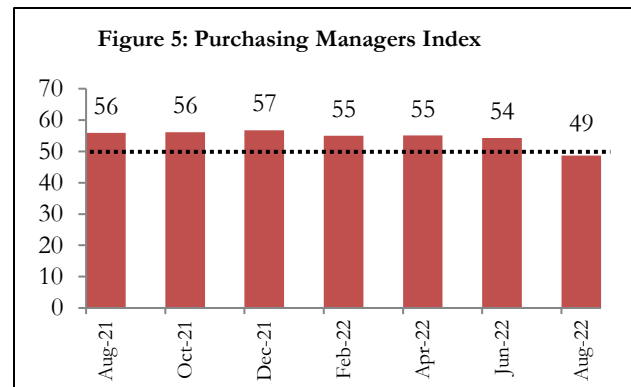


**Table 2: Expected Business Confidence (% Share)**

	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Aug-22</b>					
Industry	7.0	25.9	39.6	21.6	5.9
Services	2.8	29.0	39.7	25.4	3.1
Overall	4.9	27.5	39.6	23.5	4.5
<b>Jun-22</b>					
Industry	6.3	24.2	36.7	23.0	9.9
Services	3.5	16.5	38.3	34.7	7.1
Overall	4.9	20.3	37.5	28.8	8.5

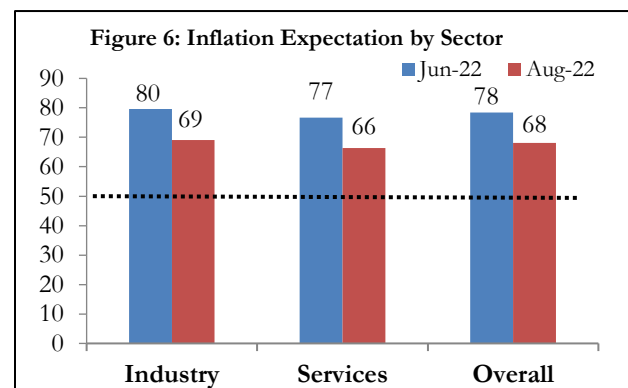
## Purchasing Managers Index

After remaining in green zone for a period of twelve waves, Purchasing Managers Index (PMI) slipped to red zone. PMI declined by 6 points to 49 in August 2022; (**Figure 5**), lowest level since October 2020. PMI's disaggregation shows slump in the indexes of its four out of five components. Index for firms' business activities, total number of employees, quantity of raw material purchase, and total orders booked have decreased in the current wave. However, average supplier delivery times improved in the latest wave.



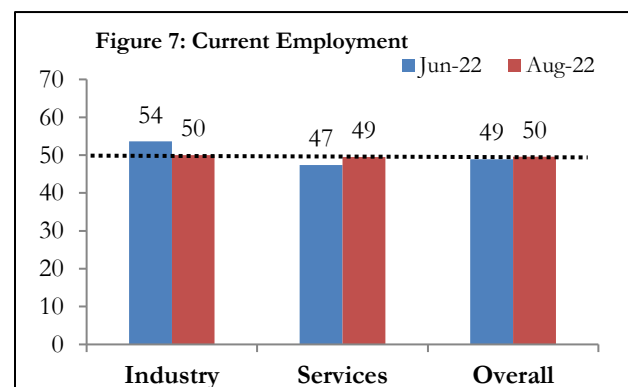
## Inflation Expectations

Overall inflation expectations of businesses index considerably dipped by eleven points to 68 in August 2022, (lowest level since April 2021). This fall in inflation expectations was contributed by both, services and industry sector. Inflation expectation index of services sector decreased by 10 points to 66 in August 2022 wave, whereas industry sector's inflation expectations index also squeezed by eleven points to 69 in the same period (**Figure 6**) from 80 in the last wave .

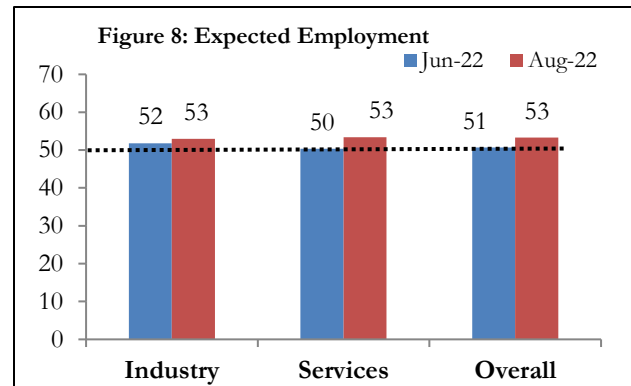


## Employment

The overall current employment diffusion index marginally improved by one points to 50 in August 2022 over the last wave (**Figure 7**). Services sector is the main contributor for this increase in employment perception index. The index for services sector rose to 50 in August 2022 from 47 in the previous wave. However, industry sector current employment index fell by 4 points to 50 in the latest wave.

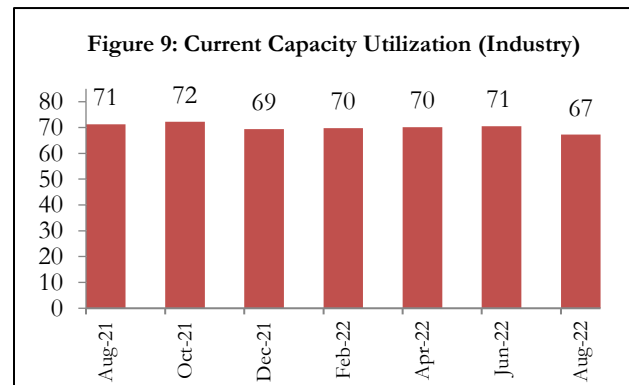


An improvement of 3 points observed in expected employment diffusion in August 2022, which surged to 53 in current wave. This escalation in expected employment index mainly contributed by services sector. Expected employment index for services sector increased by three points to 53 in the current wave, while industry sector index slightly increased by one point to 53 in August 2022 (**Figure 8**).



### Capacity Utilization

Average Current Capacity Utilization (ACCU) measures percentage of total capacity being utilized by industry sector. ACCU decreased by 3 percent to 68 percent in August 2022 from 71 percent in last wave of BCS.



## **Business Confidence Survey (BCS) Notes**

### ***1. Computation of the Diffusion Index***

The results of Business Confidence Survey (BCS) are reported in the form of Diffusion Index (DI). The Diffusion Index shows the general tendency of respondents about a certain aspect of a particular survey. The questionnaire for this survey offers following five types of options to the respondents for their views on each question.

<b>Sr. No.</b>	<b>Answer Options</b>	<b>Assigned score</b>
1	PP = Very positive	1
2	P = Positive	0.5
3	E = Unchanged/neutral	0
4	N = Negative	-0.5
5	NN = Very negative	-1

Based on these five options, the Diffusion Index is computed in the following two steps:

Step 1: Net Response (NR) is computed as below:

$$NR = \{(1.00 * PP) + (0.50 * p) + (-0.50 * N) + (-1.00 * NN)\}$$

Step 2: The diffusion index is computed as follows:

$$DI = (NR + 100)/2$$

### ***2. How to interpret the index?***

The diffusion index ranges from the minimum value of 0 to the maximum value of 100 i.e. a value of 50 is indicative of neutrality, 0 no confidence and 100 indicates extreme confidence. So in general:

- $DI > 50$  indicates that Positive views are more than Negative views;
- $DI = 50$  indicates that Positive views and Negative views are equal;
- $DI < 50$  indicates that Positive views are less than the Negative views

We report diffusion index for each question; the composite indices such as Current Business Confidence Index (CBCI), Expected Business Confidence Index (EBCI), Business Confidence Index (BCI) and Purchasing Managers Index (PMI) are averages of selected questions. In addition, overall economy wide indices are computed by taking weighted average of industry and services sector indices. The weight assigned to each sector is based on its share in the Non-Agricultural GDP.

### 3. Questions used for different Indices

Index	Question description
<b>Current Business Confidence Index</b>	- The general <i>economic conditions</i> in the country over the <b>past six months</b> have
	- Excluding normal seasonal changes, your <i>production</i> over the <b>past six months</b> has
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the <b>past six months</b> has
<b>Expected Business Confidence Index</b>	- You expect the general <i>economic conditions</i> in the country in the <b>next six months</b> to
	- Excluding normal seasonal changes, you expect your <i>production</i> in the <b>next six months</b> to
	- Excluding normal seasonal changes, you expect the <i>total number of employees</i> at your firm in the <b>next six months</b> to
<b>Business Confidence Index</b>	- The general <i>economic conditions</i> in the country over the <b>past six months</b> have
	- You expect the general <i>economic conditions</i> in the country in the <b>next six months</b> to
	- Excluding normal seasonal changes, your <i>production</i> over the <b>past six months</b> has
	- Excluding normal seasonal changes, you expect your <i>production</i> in the <b>next six months</b> to
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the <b>past six months</b> has
	- Excluding normal seasonal changes, you expect the <i>total number of employees</i> at your firm in the <b>next six months</b> to
<b>Purchasing Manager Index</b> (for industry only)	- Excluding normal seasonal changes, your <i>production</i> over the <b>past six months</b> has
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the <b>past six months</b> has
	- Excluding normal seasonal changes, your <i>total order books</i> over the <b>past six months</b> have
	- In the <b>past six months</b> , the <i>quantity of raw material purchases</i> has
	- Average <i>supplier delivery times</i> over the <b>past six months</b> has