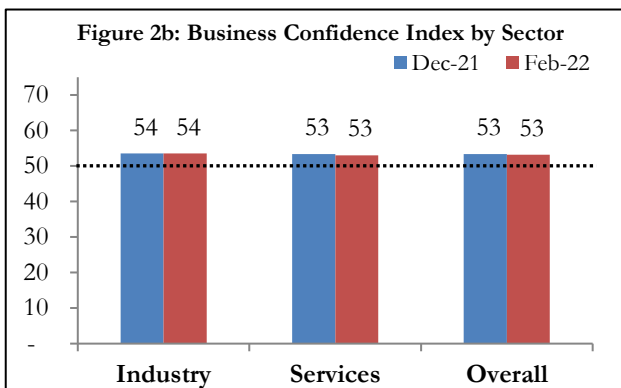
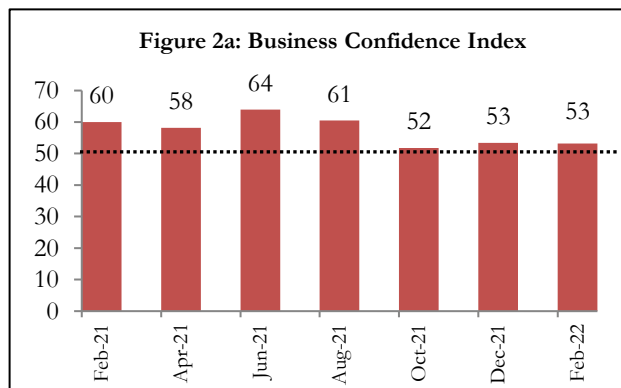
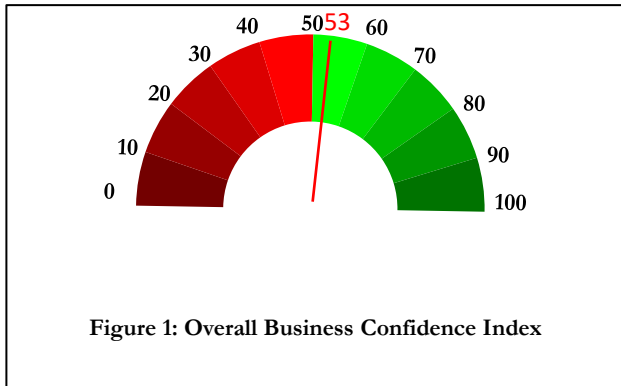


State Bank of Pakistan's Business Confidence Survey* – February 2022

[27th wave of Business Confidence Survey (BCS) conducted in February 2022; with 481 firms surveyed]

Overall Business Confidence

Business Confidence Index (BCI) remained almost same in February 2022 as was in previous wave of December 2021. The overall index was in the green zone continuously for the past 10 waves, i.e. since August 2020. **(Figure 1 & 2a).** The stability in BCI derived by both sectors: industry and services. **(Figure 2b).**



The views of BCS respondents on account of current economic & business conditions improved in February 2022; however, the index for expected economic and business conditions recorded a decline in the latest wave.

* 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) increased by 2 points to 51 in February 2022 from 49 in December 2021 (**Figure 3**). The improvement in CBCI during February 2022 can be attributed to the rise in CBCI in the services sector. The industry sector CBCI remained almost same at 51 in December 2021 while the services sector confidence increased by 3 points to 51 in February 2022 from 48 in the previous wave.

The disaggregation of responses (**Table 1**) shows a movement from very negative to positive views and the share of neutral views remained same in the current wave.

The overall percentage share of positive and very positive views has increased by 2 point to 33 in February 2022 over the last wave. Contrarily, the percentage share of negative and very negative views has decreased by 2 point to 29 in February 2022 from 31 in the last wave.

The major contribution for this increase in CBCI is an increase in the positive views of survey respondents about general economic conditions in the country over the past six months.

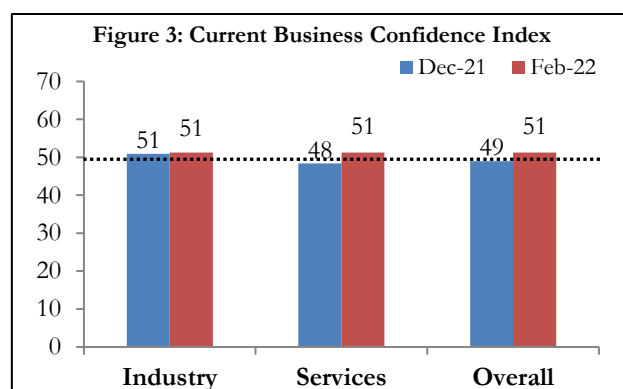
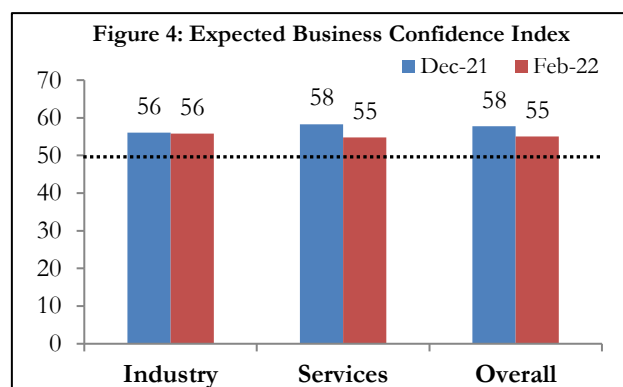


Table 1: Current Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Feb-22					
Industry	6.2	26.6	37.8	24.8	4.6
Services	5.8	27.3	37.3	25.3	4.3
Overall	6.0	27.0	37.6	25.0	4.5
Dec-21					
Industry	6.6	27.6	35.8	22.8	7.1
Services	6.5	22.1	38.7	23.9	8.9
Overall	6.6	24.8	37.2	23.3	8.0



Expected Business Confidence

The Expected Business Confidence Index (EBCI) remained within positive zone since August 2020; however, decreased in February 2022. EBCI decreased by 3 points from 58 in December 2021 to 55 in February 2022 (**Figure 4**), largely contributed by services sector.

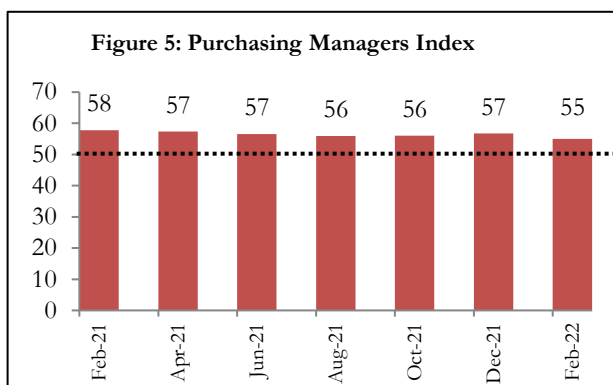
The disaggregation of EBCI shows a reduction in positive and very positive views (**Table 2**), while the negative views increased in the current wave.

Table 2: Expected Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Feb-22					
Industry	7.5	30.6	42.6	16.4	3.0
Services	5.6	33.1	39.3	18.7	3.2
Overall	6.5	31.9	41.0	17.6	3.1
Dec-21					
Industry	8.2	31.3	40.4	16.7	3.3
Services	9.7	35.3	37.4	13.3	4.2
Overall	9.0	33.3	38.9	15.0	3.7

The overall percentage share of positive views (positive plus very positive) has decreased by 4 point to 38 in February 2022 and the percentage share of neutral views has increased by 2 points to 41 in the current wave.

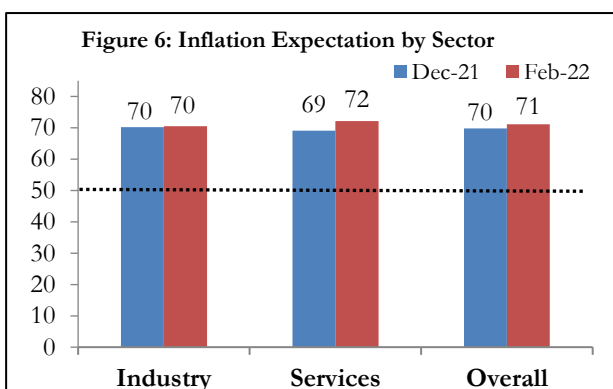
Purchasing Managers Index

Purchasing Managers Index (PMI) decreased within the positive zone in the current wave. PMI decreased from 57 in December 2021 to 55 in February 2022 (**Figure 5**). PMI's disaggregation shows decrease in the indices of its four out of five components. Indices for Firms' production, total number of employees, quantity of raw material purchases, and total orders booked have decreased in the current wave, while supplier delivery times improved in the same period.



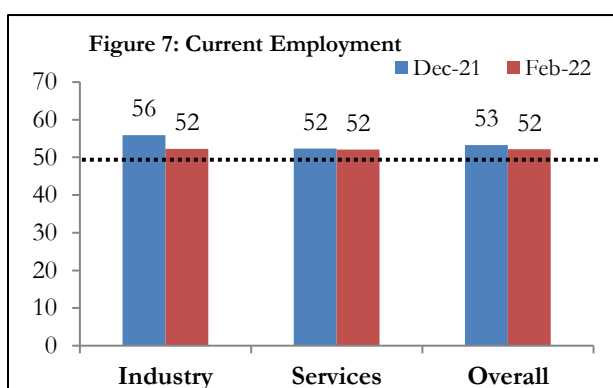
Inflation Expectations

Overall inflation expectations of businesses index increased by one point to 71 in February 2022. This increase in inflation expectation contributed by services sector. Inflation expectation index of services sector increased by 3 points to 72 in February 2022 wave, whereas industry sector's inflation index remained unchanged at 70 in the same period (**Figure 6**).



Employment

The overall current employment diffusion index decreased by one point to 52 in February 2022 (**Figure 7**), mainly contributed by decline in industry sector. Industry sector employment deteriorated while services sector employment remained same in the current wave. The index for industry sector decreased from 56 in December 2021 to 52 in the current wave while for services sector employment remained same at 52 in the latest wave.

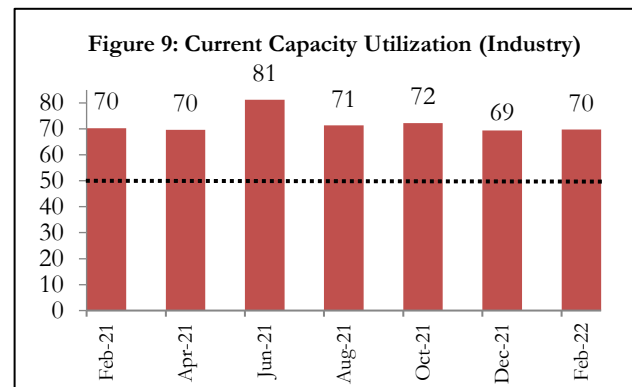
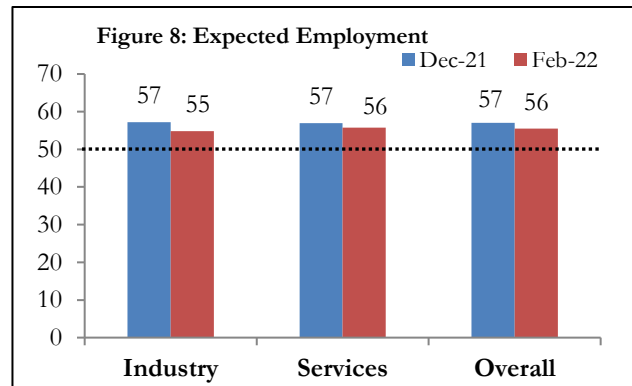


Expected employment diffusion index decreased by 1 point to 56 in February 2022. This decrease was shared by both sectors (industry and services). Expected employment index for industry sector

decreased from 57 to 55 in the current wave. Similarly, services sector index also decreased (by 1 point) to 56 in February 2022 (**Figure 8**).

Capacity Utilization

Average Current Capacity Utilization (ACCU) measures percentage of total capacity being utilized by industry sector. A slight increase observed in ACCU during the latest wave of BCS. ACCU increased by 1 percent to 70 in February 2022 from 69 percent in December 2021.



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.

Sr. No.	Answer Options	Assigned score
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
Current Business Confidence Index	- The general <i>economic conditions</i> in the country over the past six months have
	- Excluding normal seasonal changes, your <i>production</i> over the past six months has
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the past six months has
Expected Business Confidence Index	- You expect the general <i>economic conditions</i> in the country in the next six months to
	- Excluding normal seasonal changes, you expect your <i>production</i> in the next six months to
	- Excluding normal seasonal changes, you expect the <i>total number of employees</i> at your firm in the next six months to
Business Confidence Index	- The general <i>economic conditions</i> in the country over the past six months have
	- You expect the general <i>economic conditions</i> in the country in the next six months to
	- Excluding normal seasonal changes, your <i>production</i> over the past six months has
	- Excluding normal seasonal changes, you expect your <i>production</i> in the next six months to
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the past six months has
	- Excluding normal seasonal changes, you expect the <i>total number of employees</i> at your firm in the next six months to
Purchasing Manager Index (for industry only)	- Excluding normal seasonal changes, your <i>production</i> over the past six months has
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the past six months has
	- Excluding normal seasonal changes, your <i>total order books</i> over the past six months have
	- In the past six months , the <i>quantity of raw material purchases</i> has
	- Average <i>supplier delivery times</i> over the past six months has