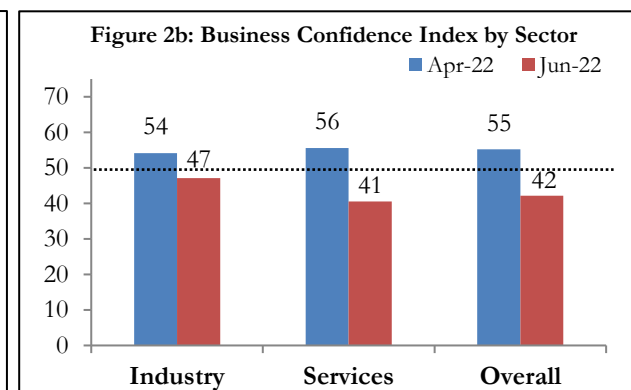
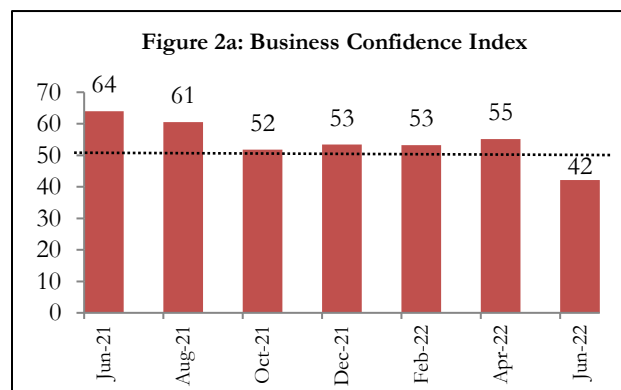
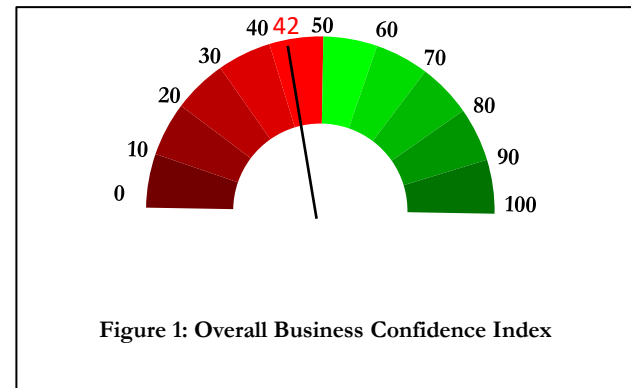


## State Bank of Pakistan's Business Confidence Survey\* – June 2022

[29<sup>th</sup> wave of Business Confidence Survey (BCS) conducted from 13 June to 22 June 2022; with 587 firms surveyed]

### Overall Business Confidence

Business Confidence Index (BCI) decreased to one of its lowest level after remaining in green zone for a long time (last 11 waves). BCI decreased by 13 points to 42 in June 2022 from 55 in last wave (**Figure 1 & 2a**); historically highest (wave on wave) dip for BCS. The decrease in BCI was mostly led by services sector, while industry sector also has significant decline. Services sector confidence declined by 15 points to 41 in June 2022, while industry sector decreased by 7 points to 47 in current wave while; lowest confidence level since August 2020 (**Figure 2b**).

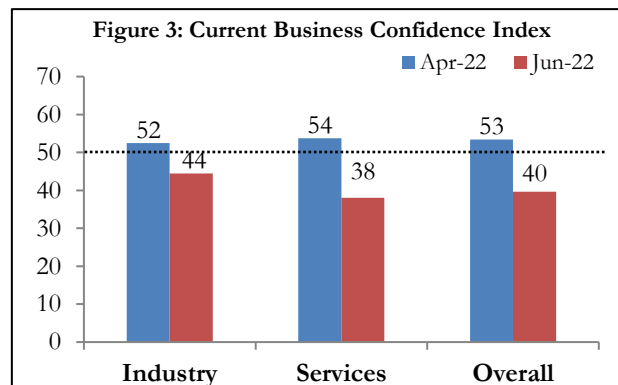


BCS respondent's confidence on account of current as well as expected economic & business conditions declined in June 2022.

\* 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) declined by 13 points to 40 in June 2022 from 53 in April 2022; lowest level since August 2020 (**Figure 3**). This decrease in CBCI attributed to fall in CBCI for both sectors; the industry and services sectors. The industry sector CBCI declined from 52 to 44 in June 2022 while the services sector confidence decreased by 16 points to 38 in June 2022 from 54 in the last wave.

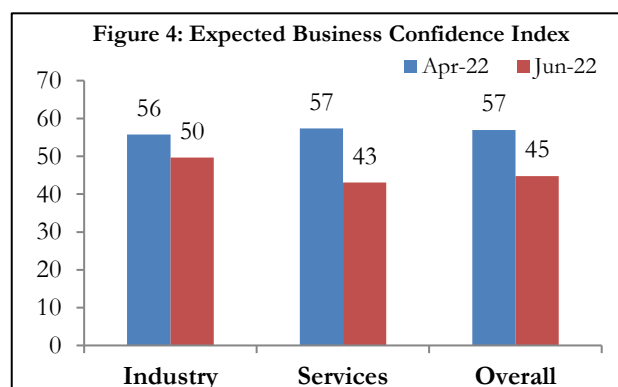


The disaggregation of responses (**Table 1**) show a movement from positive to negative views and the share of neutral views decreased in the current wave.

Table 1: Current Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Jun-22</b>					
Industry	6.3	20.3	33.1	25.4	14.8
Services	3.0	11.1	31.9	42.7	11.2
Overall	4.7	15.7	32.5	34.1	13.0
<b>Apr-22</b>					
Industry	5.5	28.0	42.8	18.1	5.6
Services	4.1	34.3	38.9	18.2	4.6
Overall	4.8	31.1	40.8	18.2	5.1

The overall percentage share of positive and very positive views has decreased by 16 points to 20 in June 2022 over the last wave. On the other hand, the percentage share of negative and very negative views has increased (significantly) by 24 points to 47 in June 2022 from 23 in the last wave.

The major contribution for this decrease in CBCI is an increase in the negative views of survey respondents about general economic conditions in the country, their business activity, and employment level over the past six months.



## Expected Business Confidence

The Expected Business Confidence Index (EBCI) also decreased in June 2022 from green zone to red zone. EBCI decreased by 12 points from 57 in April 2022 to 45 in June 2022 (**Figure 4**), this decline can be attributed to both sectors.

The disaggregation of EBCI shows a decline in positive views (**Table 2**), while the negative

Table 2: Expected Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Jun-22</b>					
Industry	7.0	24.7	37.1	22.6	8.6
Services	2.9	15.9	38.1	36.9	6.2
Overall	4.9	20.3	37.6	29.8	7.4
<b>Apr-22</b>					
Industry	6.1	32.2	42.9	16.2	2.6
Services	3.5	40.5	40.1	13.6	2.2
Overall	4.8	36.4	41.5	14.9	2.4

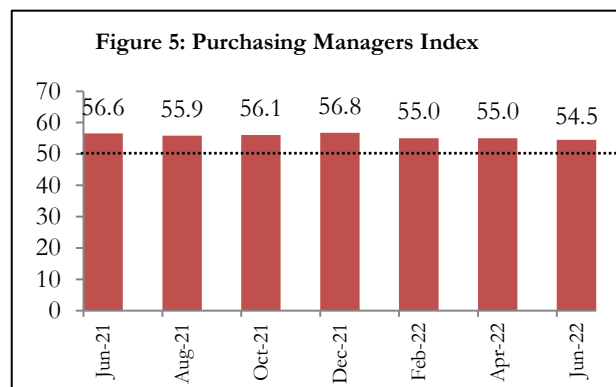
(negative and very negative) and neutral views increased in the current wave.

The overall percentage share of positive views (positive plus very positive) has decreased by 16 points to 25 in June 2022 and the percentage share of negative views increased by 20, while neutral views increased by 5 points in the current wave.

### Purchasing Managers Index

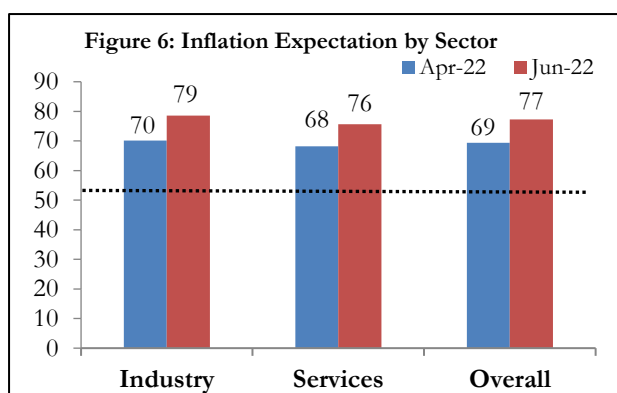
Purchasing Managers Index (PMI) slightly declined within the positive zone. PMI declined by 0.5 point to 54.5 in June 2022; (**Figure 5**). PMI's disaggregation shows improvement in the index of its one out of five components. Index for Firms' average supplier delivery times improved in the current wave, while the indices for quantity of raw material purchases, company's business activity, and total orders booked have decreased in the current wave.

However, total number of employees' index remained same in the latest wave.



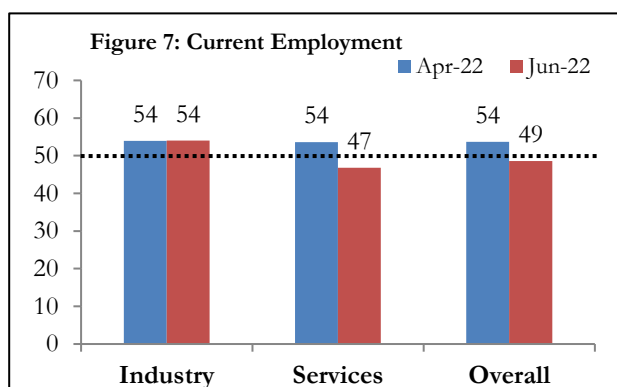
### Inflation Expectations

Overall inflation expectations of businesses index significantly amplified by nine points to 79 in April 2022, (highest level since August 2019). This rise in inflation expectations contributed by services and industry sector. Inflation expectation index of services sector increased by 9 points to 77 in June 2022 wave, whereas industry sector's inflation expectations index also surged by ten points to 80 in the same period (**Figure 6**).



### Employment

The overall current employment diffusion index decreased by five points to 49 in June 2022 over the last wave (**Figure 7**), lowest employment level since December 2020. Services sector is the mainly contributor for this decrease in employment. The index for services sector declined from 54 in April 2022 to 49 in the current wave, lowest index since August 2020.

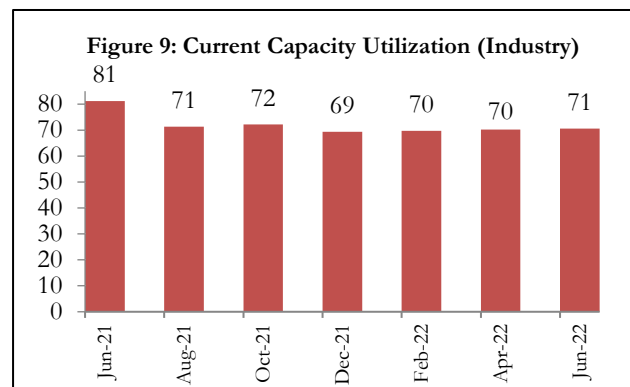
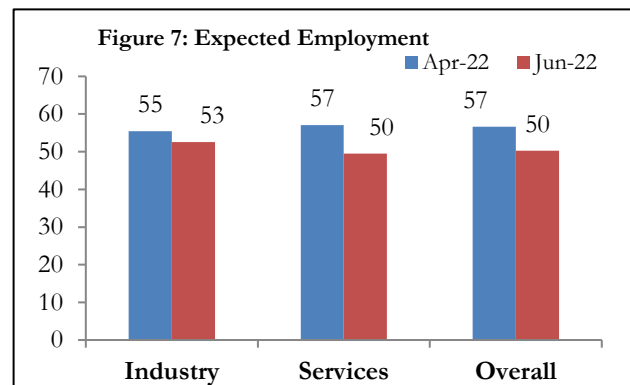


However, industry sector employment index remained same at 54 in June 2022.

Expected employment diffusion index decreased from 57 in April 2022 to 51 in June 2022, lowest level since August 2020. This decrease was contributed by both sectors, services and industry. Expected employment index for industry sector dipped by three points to 52 in the current wave. However, services sector index decreased by 6 point to 51 in June 2022 (**Figure 8**).

### Capacity Utilization

Average Current Capacity Utilization (ACCU) measures percentage of total capacity being utilized by industry sector. ACCU increased by 1 percent to 71 percent during the latest 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