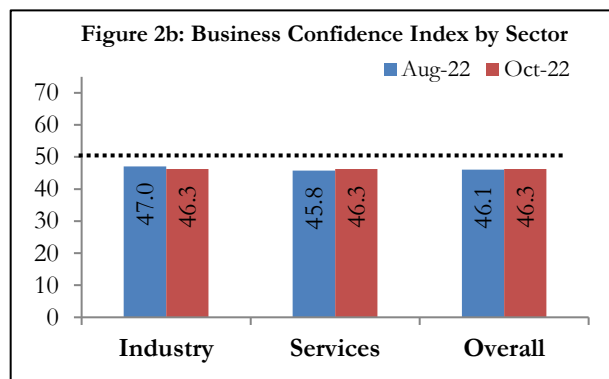
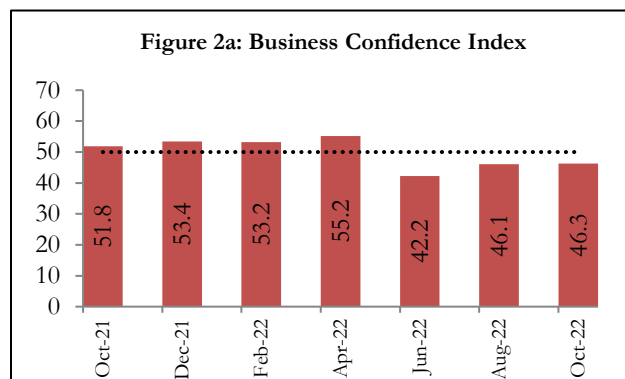
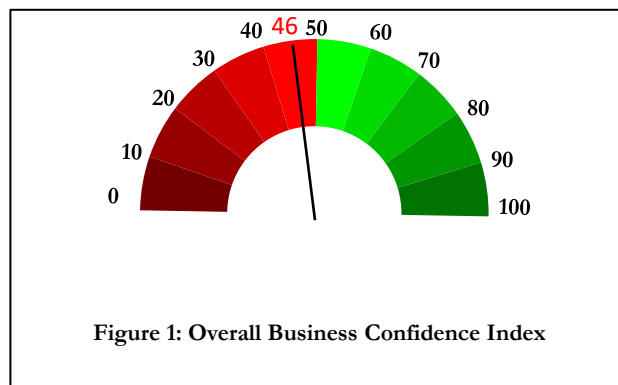


## State Bank of Pakistan's Business Confidence Survey\* – October 2022

[30<sup>th</sup> wave of Business Confidence Survey (BCS) conducted during October 17-24 2022; with 516 firms surveyed]

### Overall Business Confidence

Business Confidence Index (BCI) remained almost same in October 2022 wave at 46.3 (**Figure 1 & 2a**). Stability in overall BCI was due to minor increase in confidence of services sector which was offset by a decrease in confidence of industry sector. Services sector confidence increased by 0.5 point in October 2022 to 46.3, while industry sector index decreased by 0.7 point to 46.3 in the same period. (**Figure 2b**).



BCS respondents' confidence on account of current business conditions improved slightly; however, sector-wise results reveal that it decreased slightly for industry sector while the same for services sector shown marginal improvement.

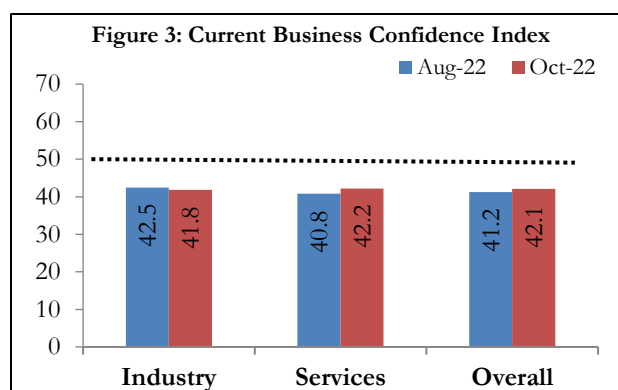
\* SBP has been conducting the Business Confidence Survey (BCS) in collaboration with the Institute of Business Administration (IBA) since October 2017 at a bi-monthly frequency to obtain the views of senior managers of large companies in the industry and services sector. The survey provides information 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 0.9 point to 42.1 in October 2022 over the last wave (**Figure 3**). This increase is attributed to CBCI of services sector, which increased by 1.4 point to 42.2 in the current wave from 40.8 in August 2022; while industry sector CBCI declined by 0.7 point to 41.8 in October 2022.

The disaggregation of responses (**Table 1**) shows stability in positive views; decline in negative views and improvement in neutral views during the current wave.

The overall percentage share of positive views (both positive and very positive) remained at 20, while negative views (negative and very negative) declined by 2 percent to 44.7 in the current wave. However, neutral views increased by 2 percent to 35.4 in October 2022.

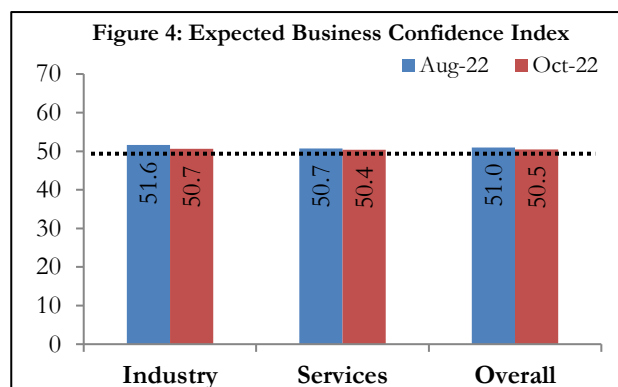


**Table 1: Current Business Confidence (% Share)**

	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Oct-22</b>					
Industry	2.4	16.3	37.0	34.8	9.5
Services	3.0	18.0	33.9	35.3	9.9
Overall	2.7	17.1	35.4	35.0	9.7
<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

## Expected Business Confidence

The Expected Business Confidence Index (EBCI) slightly decreased in October 2022 and touched the benchmark level. It decreased by 0.5 point to 50.5 in October 2022 from 51.0 in August 2022 (**Figure 4**). The decrease is attributed to 0.9 point decrease in industry and 0.3 point decrease in services sector.



The disaggregation of EBCI shows decrease in positive views (positive plus very positive) as well as negative views (negative and very negative), while the neutral views increased in the current wave (**Table 2**).

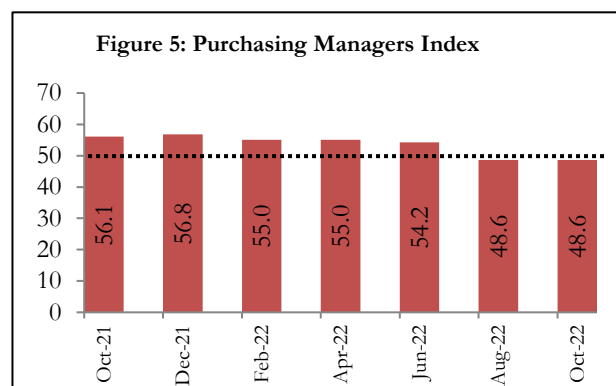
The overall percentage share of positive views (positive plus very positive) has decreased by 1.2 percent to 31.2 in October 2022 and the percentage share of negative views decreased by 1.8 percent to 26.2 in the current wave, while neutral views increased by 3.0 percent to 42.6 in the current wave.

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

	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Oct-22</b>					
Industry	2.6	28.0	43.2	21.6	4.5
Services	2.1	29.5	42.1	20.6	5.8
Overall	2.4	28.8	42.6	21.1	5.1
<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

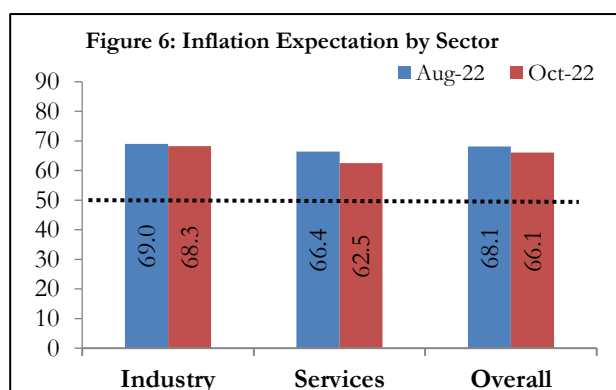
## Purchasing Managers Index

Purchasing Managers Index (PMI) positioned into red zone for the second consecutive wave after remaining in green zone for previous twelve waves. PMI remained unchanged at 48.6 in October 2022 (**Figure 5**). PMI's disaggregation shows decrease in the indices of its three out of five components viz. (a) index for firms' business activities, (b) total number of employees, and (c) total orders booked. However, average supplier delivery times and quantity of raw material purchases improved in the latest wave.



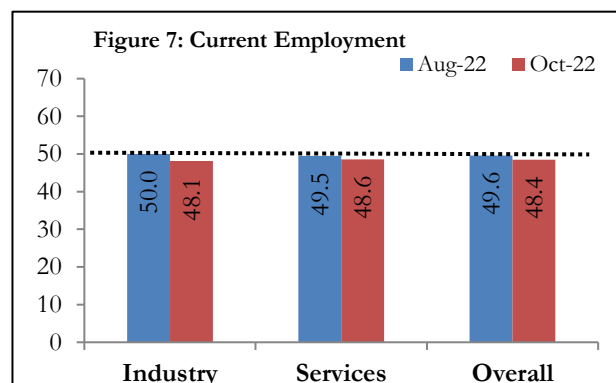
## Inflation Expectations

Overall index of Inflation Expectations from businesses decreased by 2 points in October 2022 (lowest level since April 2021). This decrease in inflation expectations was contributed by both the services and industry sector. Inflation Expectation Index of industry sector decreased by 0.7 point to 68.3 in October 2022 wave, whereas services sector's Inflation Expectations Index decreased by 3.9 points to 62.5 (**Figure 6**) from 66.4 in the wave of August 2022.



## Employment

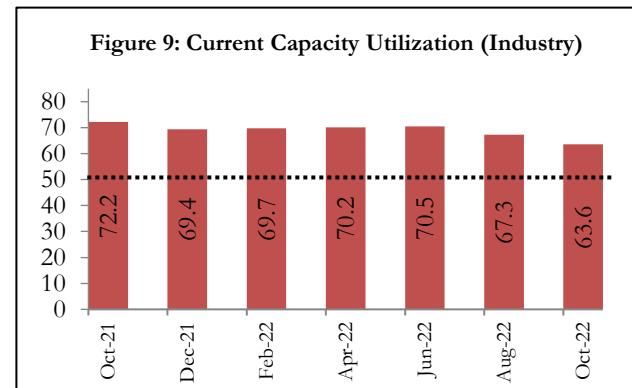
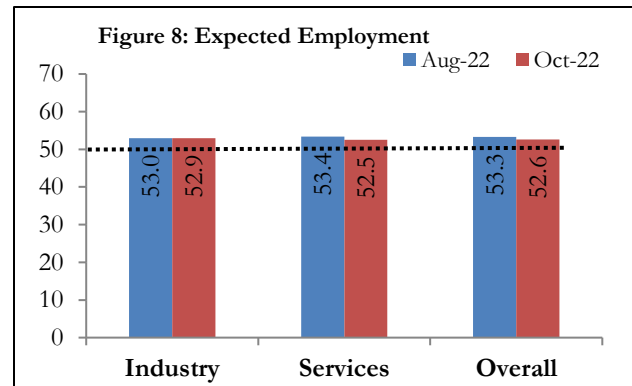
The overall Current Employment Diffusion Index decreased by 1.2 points to 48.4 in October 2022 (**Figure 7**). Industry sector is the main contributor for this decrease in employment perception index. The index for industry sector fell to 48.1 in October 2022 from 50.0 in the previous wave. However, services sector current employment index decreased from 49.5 to 48.6 in the current wave.



Expected Employment Diffusion Index decreased slightly by 0.7 points from 53.3 to 52.6 in October 2022. This change is contributed by services sector, which decreased from 53.4 to 52.5 in the current wave, while Industry sector index witnessed a slight decrease of 0.1 point to 52.9 in October 2022 (**Figure 8**).

### Capacity Utilization

Average Current Capacity Utilization (ACCU) measures percentage of total capacity being utilized by industry sector. ACCU decreased by 3.7 percent to 63.6 in October 2022 from 67.3 percent in August 2022.



## **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