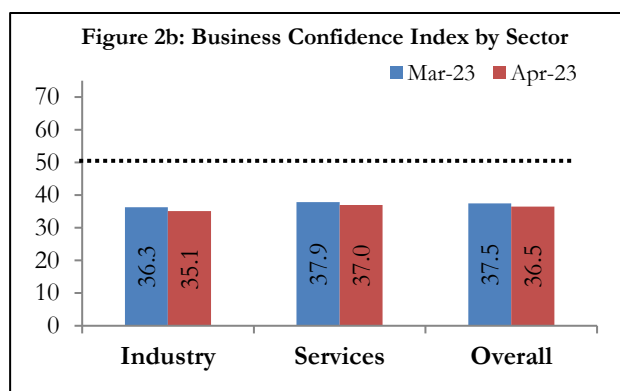
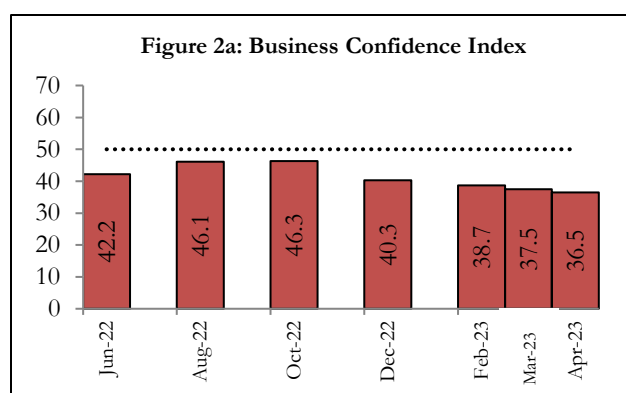
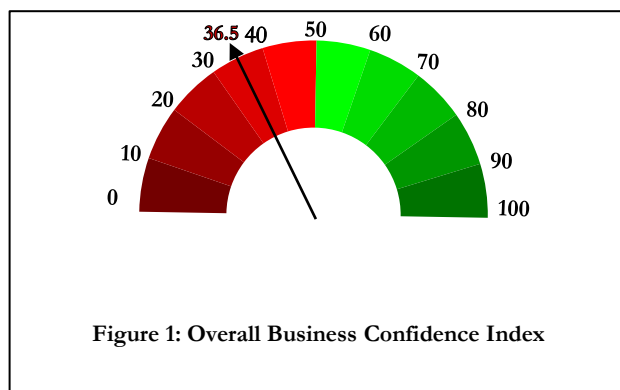


State Bank of Pakistan's Business Confidence Survey* – April 2023

[35th wave of Business Confidence Survey (BCS) conducted during April 3-11, 2023; with 552 firms surveyed]

Overall Business Confidence

Business Confidence Index (BCI) declined further in April 2023 and reached to a new lowest level since its inception in October 2017 (**Figure 1 & 2a**). BCI decreased by 1.0 points to 36.5 in April 2023 from 37.5 in the previous wave. The decrease in BCI contributed by both the Industry and Services sector. Industry sector confidence decreased by 1.2 points to 35.1, while Services sector confidence decreased by 0.9 points to 37.0 in March 2023 (**Figure 2b**).



BCS respondents' confidence on account of current business conditions declined further in April 2023. However, expected business confidence improved within negative zone.

* SBP has been conducting the Business Confidence Survey (BCS) in collaboration with the Institute of Business Administration (IBA) since October 2017 to obtain the views of senior managers of large companies in the Industry and Services sector. From February 2023, the frequency of the survey has been increased to monthly from bi-monthly. The survey provides information 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 views of or as an endorsement by SBP.

Current Business Confidence

Overall Current Business Confidence Index (CBCI) decreased by 2.6 points to 32.3 in April 2023 over the last wave (**Figure 3**). This is the lowest level since June 2020 when it was recorded at 30.1. This decrease was derived by both the Industry and Services sector. Industry sector CBCI fell by 2.3 points to 29.9 in April 2023. Similarly, Services sector CBCI decreased by 2.7 points to 33.1 in the current wave from 35.8 in March 2023.

The disaggregation of responses (**Table 1**) shows decline in the positive views and increase in the negative as well as neutral views during the current wave.

The overall percentage share of positive views (both positive and very positive) decreased by 4.3 to 6.7 percent in the current wave, while negative views (negative and very negative) increased by 1.7 points to 64.6 in the current wave from 62.9 in the last wave. Moreover, neutral views increased by 2.6 points to 28.7 in April 2023.

Expected Business Confidence

The Expected Business Confidence Index (EBCI) slightly improved within the negative zone in April 2023 (**Figure 4**). EBCI increased by 0.6 points over the previous wave to 40.7 in the current wave. The increase was attributed to Services sector which increased by 0.9 points to 40.8, while the Industry sector EBCI decreased by 0.2 points to 40.3 in April 2023.

The disaggregation of EBCI shows decrease in 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 and very positive) decreased by 2.1 points to 15.1 in April 2023 whereas the share of neutral views increased by 5.9 points to 38.4 in the current wave, while the negative views decreased by 3.9 points to 46.4 in the current wave.

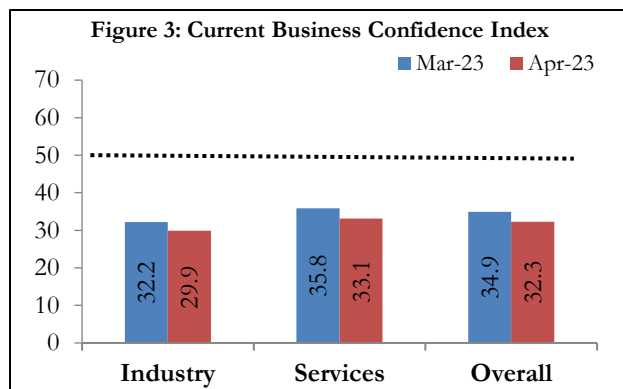


Table 1: Current Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Apr-23					
Industry	0.5	4.9	29.1	44.6	20.9
Services	0.3	7.7	28.3	51.7	12.0
Overall	0.4	6.3	28.7	48.2	16.5
	6.7		28.7	64.6	
Mar-23					
Industry	1.8	7.1	27.6	44.9	18.5
Services	0.5	12.5	24.6	54.6	7.8
Overall	1.1	9.8	26.1	49.8	13.2
	10.9		26.1	62.9	

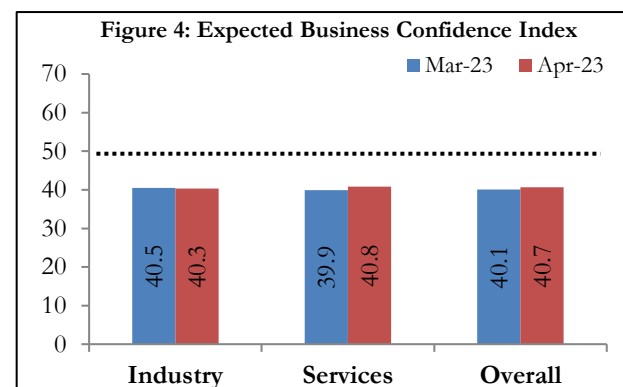
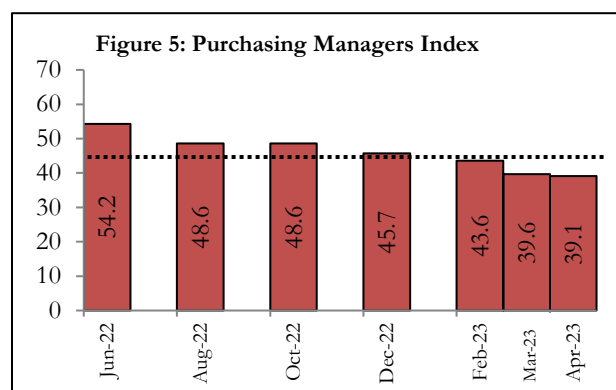


Table 2: Expected Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Apr-23					
Industry	0.7	13.7	40.5	36.0	9.0
Services	0.6	15.2	36.4	42.6	5.2
Overall	0.7	14.5	38.4	39.3	7.1
	15.1		38.4	46.4	
Mar-23					
Industry	1.4	16.3	34.9	37.4	10.0
Services	0.6	16.0	30.1	49.0	4.3
Overall	1.0	16.1	32.5	43.2	7.1
	17.2		32.5	50.3	

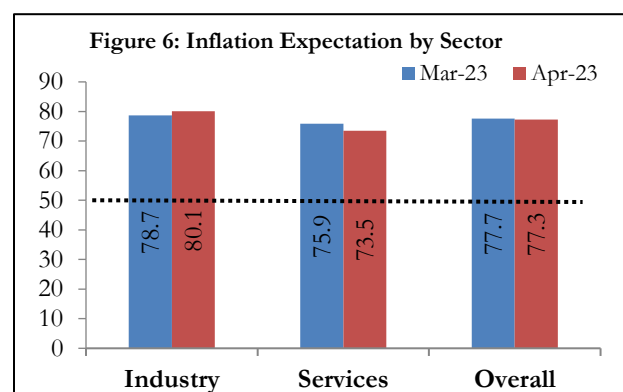
Purchasing Managers Index

Purchasing Managers Index (PMI) decreased for the sixth consecutive wave within the red zone as it fell by 0.5 points to 39.1 in April 2023 (**Figure 5**), recording a new low. PMI's disaggregation shows decrease in the indices of its three components; (a) index for firms' business activities, (b) total number of employees, and (c) total orders booked. However, two other factors improved in April 2023 namely (a) quantity of raw material purchases and (b) average supplier delivery times.



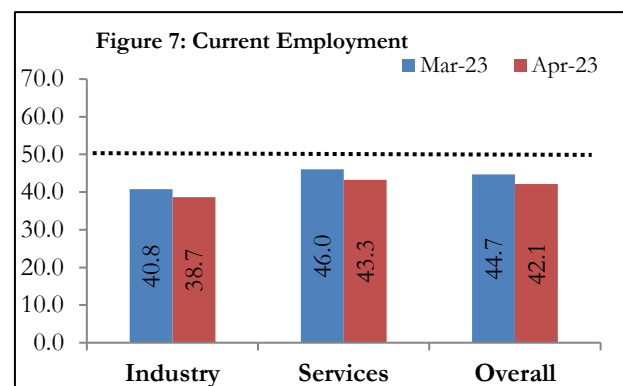
Inflation Expectations

Overall index of Inflation Expectations (IE) slightly decreased by 0.4 points to 77.3 in April 2023 from 77.7 in March 2023. This decrease is derived by the Services sector, which decreased by 2.4 points to 73.5 in April 2023. On the other hand, IE of Industry sector increased by 1.4 points to 80.1 in April 2023 (**Figure 6**).

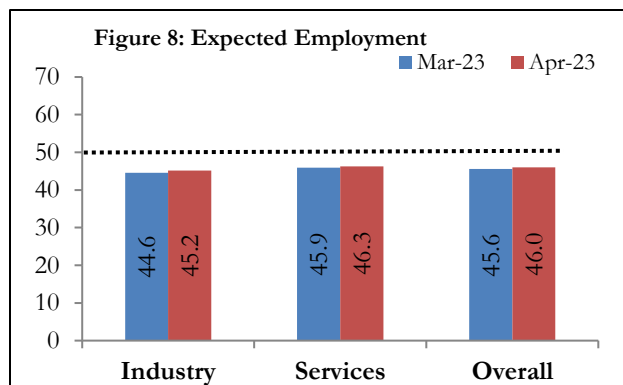


Employment

The overall Current Employment Diffusion Index decreased by 2.6 points to 42.1 in the current wave (**Figure 7**). This change was derived by both the Industry and Services sector. The current employment diffusion index for Services sector fell by 2.7 points to 43.3 in April 2023 from 46.0 in the previous wave. Similarly, Industry sector current employment index fell by 2.1 points from 40.8 in March 2023 to 38.7 in the current wave.

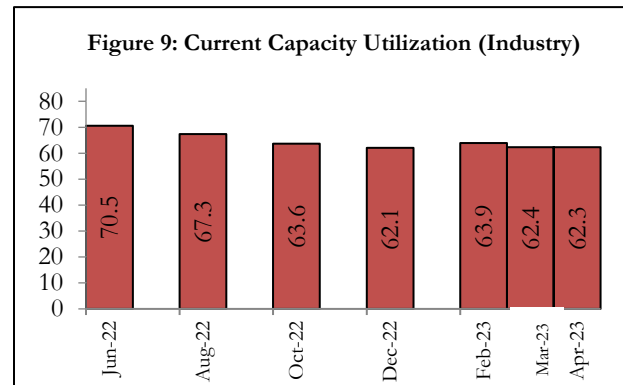


Expected Employment Diffusion Index slightly improved by 0.4 points to 46.0 in April 2023. This change is contributed by both the Industry and the Services sector. Industry sector Expected Employment Index increased by 0.6 points to 45.2, while Services sector index improved by 0.4 points to 46.3 in April 2023 (Figure 8).



Capacity Utilization

Average Current Capacity Utilization (ACCU)¹ by manufacturing sector (within industry sector) decreased in the recent wave by 0.1 percent to 62.3 percent in April 2023.



¹ ACCU measures percentage of total capacity being utilized by Industry sector.

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 sector 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