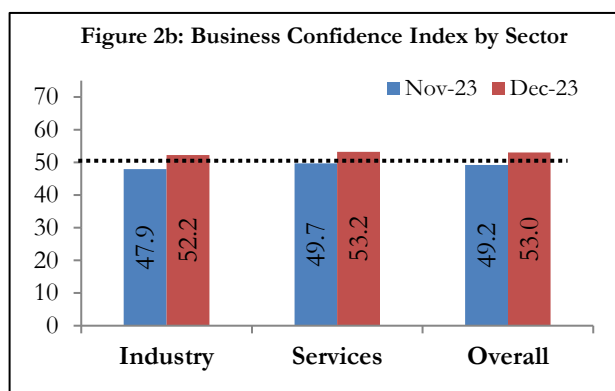
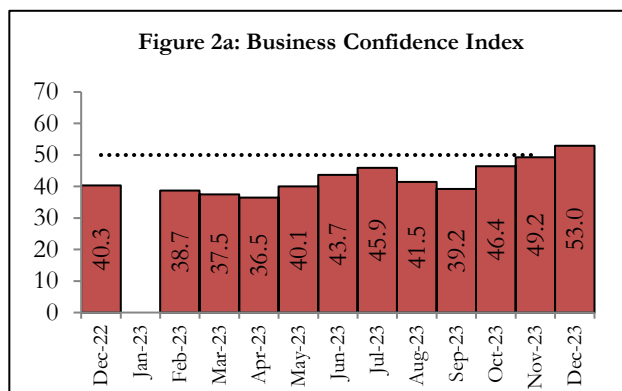
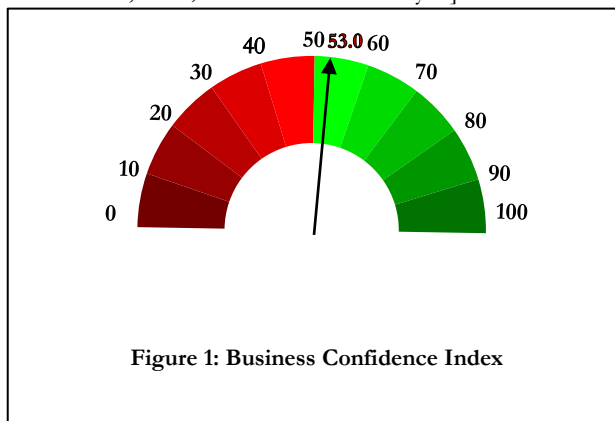


Business Confidence Survey (BCS)* – December 2023 (43rd Wave)

[The current wave of BCS conducted from December 1-12, 2023; with 486 firms surveyed]

Business Confidence

Business Confidence Index (BCI) improved by 3.8 points to 53.0 in December 2023; reaching the positive zone after remaining in negative territory for 14 consecutive waves (**Figure 1 & 2a**). This increase is contributed by both the Industry and Services sectors, which improved by 4.3 and 3.6 points respectively (**Figure 2b**).



The respondents' confidence on account of current as well as expected business conditions also improved in December 2023.

* 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 sectors. 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

Current Business Confidence Index (CBCI) increased by 2.1 points to 48.4 in December 2023 over the previous wave (**Figure 3**). Industry sector is the major contributor for the increase in CBCI for the current wave, which increased by 2.9 points to 46.8 in the current wave. However, the services sector CBCI increased by 1.8 points to 48.9 in the current wave.

The disaggregation of responses shows a significant increase in the neutral views and a slight increase in the positive views, while the negative views decreased significantly in the current wave (**Table 1**).

Overall percentage share of neutral views increased by 4.6 percent to 42.4 percent in the current wave. On the other hand, negative views (negative and very negative) decreased by 5.0 percent to 31.8 percent in the current wave from 36.8 percent in the last wave.

Expected Business Confidence

The Expected Business Confidence Index (EBCI) also improved by 5.4 points to 57.6 in December 2023 (**Figure 4**). Both Industry and Services sectors were the contributors for this change whose EBCI increased by 5.7 and 5.3 points respectively in current wave.

The disaggregation of responses shows a significant increase in the positive views, while the negative views decreased significantly in the current wave (**Table 2**).

Overall percentage share of positive views (positive and very positive) increased by 8.6 percent to 42.1 percent and the share of neutral views increased by 0.5 percent to 43.8 percent in December 2023. On the other hand, negative views decreased by 9.0 percent to 14.1 percent in the current wave.

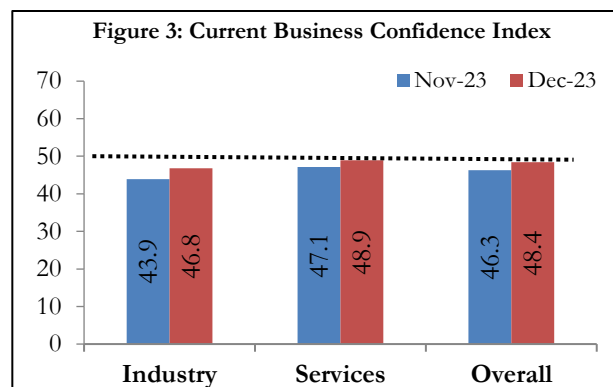


Table 1: Current Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Dec-23					
Industry	4.7	18.8	43.0	25.9	7.6
Services	3.7	24.3	41.9	24.3	5.9
Overall	4.2	21.6	42.4	25.1	6.7
	25.8		42.4	31.8	
Nov-23					
Industry	1.6	20.2	39.8	28.8	9.5
Services	4.3	24.7	35.8	25.4	9.8
Overall	3.0	22.4	37.8	27.1	9.6
	25.4		37.8	36.8	

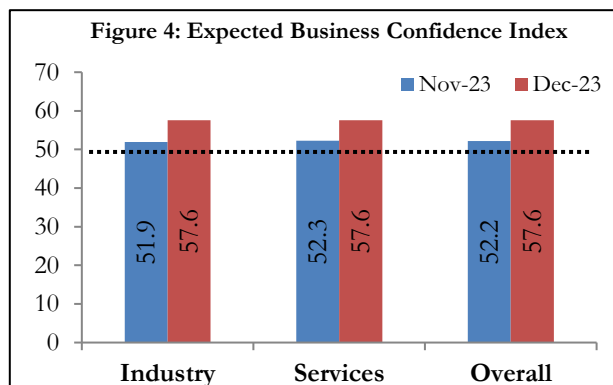
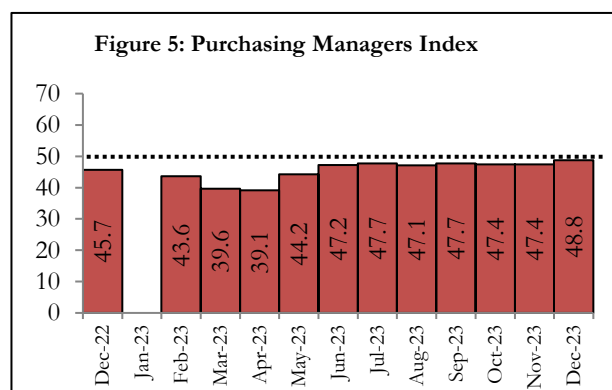


Table 2: Expected Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Dec-23					
Industry	5.4	36.6	43.2	12.4	2.4
Services	3.7	38.5	44.4	11.3	2.2
Overall	4.6	37.5	43.8	11.8	2.3
	42.1		43.8	14.1	
Nov-23					
Industry	3.8	29.0	43.2	18.9	5.1
Services	2.5	31.8	43.4	16.8	5.4
Overall	3.2	30.4	43.3	17.9	5.3
	33.6		43.3	23.1	

Purchasing Managers Index

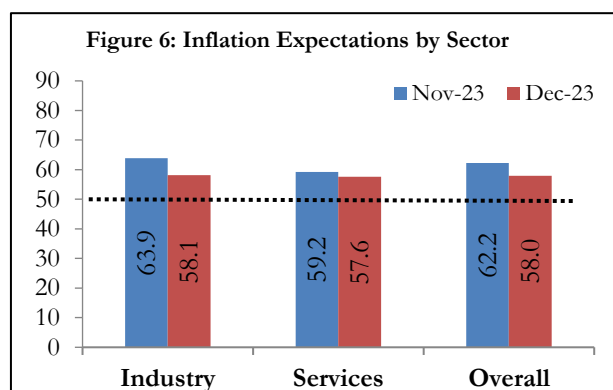
PMI increased by 1.4 points to 48.8 (**Figure 5**) in the current wave from previous wave. It is pertinent to mention here that PMI was last seen in the positive zone in June 2022.

PMI's disaggregation shows improvement in indices of four out of its five components in December 2023. The highest increase of 2.9 points was observed in the firms' business activities followed by average supplier delivery times (2.7), total order booked (1.3) and total number of employees (0.9). On the other hand, quantity of raw material purchases decreased by 0.9 points in the current wave.



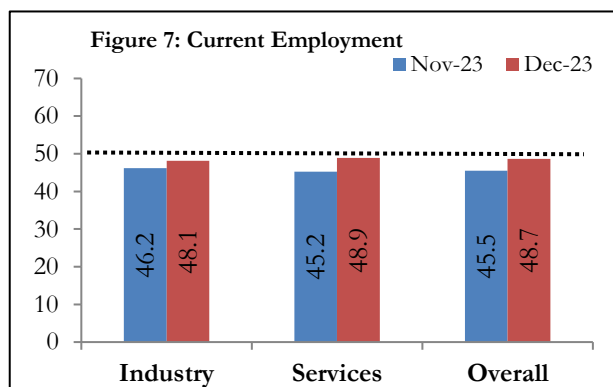
Inflation Expectations

Inflation Expectations (IE) further eased by 4.2 points from previous wave and reached to 58.0 in December 2023, the lowest level since April 2020 when it was recorded at 51.4. Both the Industry and the Services sectors contributed to the decrease in overall IE. Industry sector witnessed a decrease of 5.8 points and the Services sector inflation expectations decreased by 1.6 points in the current wave (**Figure 6**).

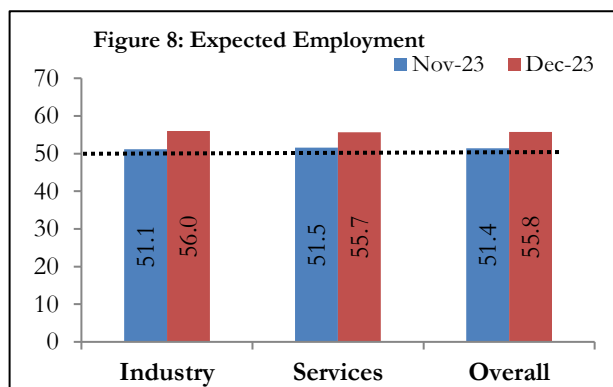


Employment

The Current Employment Index increased by 3.2 points to 48.7 in the current survey wave (**Figure 7**). This increase was contributed by the increase in the Industry as well as the Services sectors. The Current Employment Index for the Industry sector increased by 1.9 points in December 2023 from the previous wave. Services sector's Current Employment Index increased by 3.7 points to 48.9 in December 2023 over the previous wave.

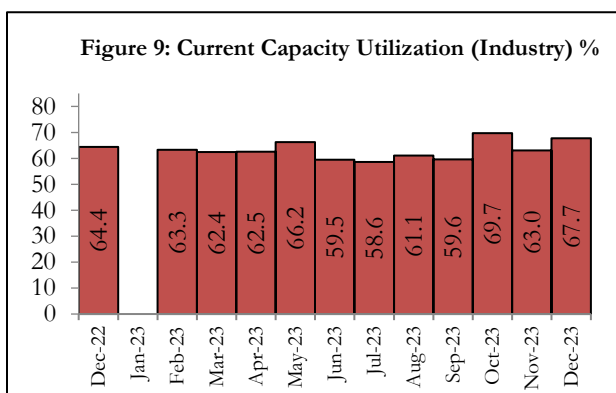


The Expected Employment Index increased by 4.3 points to 55.8 in the current wave. The increase was recorded in both the Industry and the Services sector. The Industry sector recorded an increase of 4.9 points, while the Services Sector's Expected Employment Index increased by 4.2 points in the current wave (**Figure 8**).



Capacity Utilization

Average Current Capacity Utilization (ACCU)¹ of manufacturing sector (within Industry sector) increased by 4.7 percent to 67.7 percent in December 2023 from the previous month.



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