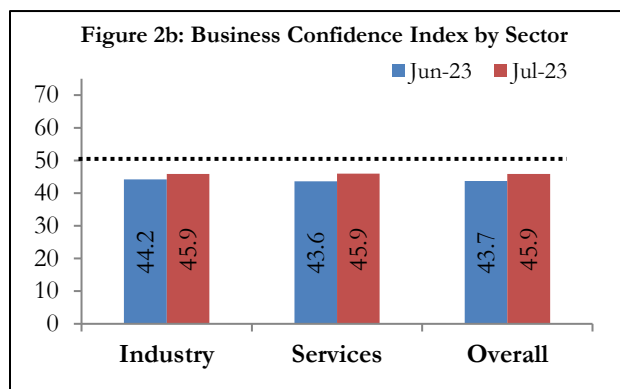
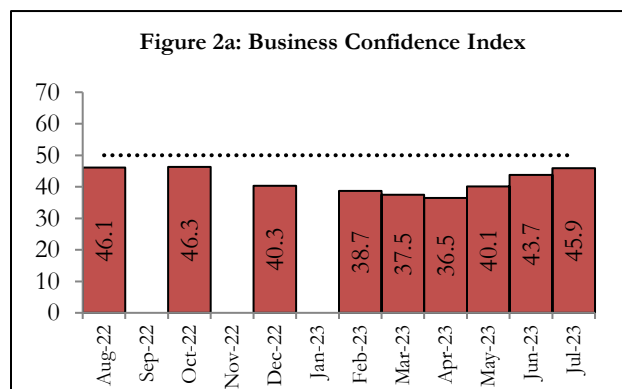
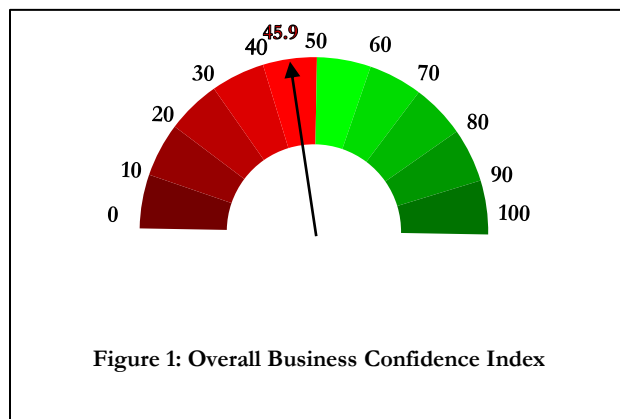


State Bank of Pakistan's Business Confidence Survey* – July 2023

[38th wave of Business Confidence Survey (BCS) conducted during July 03-10, 2023; with 668 firms surveyed]

Overall Business Confidence

The Business Confidence Index (BCI) has risen for the third consecutive wave, but it has remained in the negative zone since June 2022. **(Figure 1 & 2a).** The BCI increased by 2.2 points to 45.9 in July 2023 in addition to 3.7 points rise in June 2023 wave. This increase is contributed by both the Industry and Services sectors. Industry Sector confidence increased by 1.7 points to 45.9, while Services Sector confidence increased by 2.4 points to 45.9 in July 2023 **(Figure 2b).**



BCS respondents' confidence on account of current as well as expected business conditions improved within negative zone in July 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 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) increased by 1.0 points to 40.6 in July 2023 over the last wave (**Figure 3**). Services Sector is the main driver for the increase in CBCI for the current wave, which improved by 1.4 points to 40.8 in July 2023. However, the Industry Sector CBCI slightly decreased by 0.1 points to 39.8 in the current wave from 39.9 in the wave of June 2023.

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

Overall percentage share of positive views (both positive and very positive) slightly increased by 0.2 percent to 19.9 percent in the current wave, while negative views (negative and very negative) decreased by 1.4 percent to 51.2 in the current wave from 52.6 in the last wave. Moreover, neutral views also increased by 1.2 percent to 28.9 in July 2023.

Expected Business Confidence

The Expected Business Confidence Index (EBCI) improved further in June 2023 for fourth consecutive wave (**Figure 4**) and entered into positive zone after a period of seven waves. EBCI increased by 3.4 points over the previous wave to 51.3. Both Industry and Services Sectors were the contributors for this change. Industry Sector EBCI increased by 3.6 points to 51.9, while for Services Sector, it increased by 3.3 points to 51.1 in July 2023.

The disaggregation of responses shows an increase in the positive views, while the negative (negative and very negative views) as well as neutral views decreased in the current wave (**Table 2**).

Overall percentage share of positive views (positive and very positive) increased by 7.4

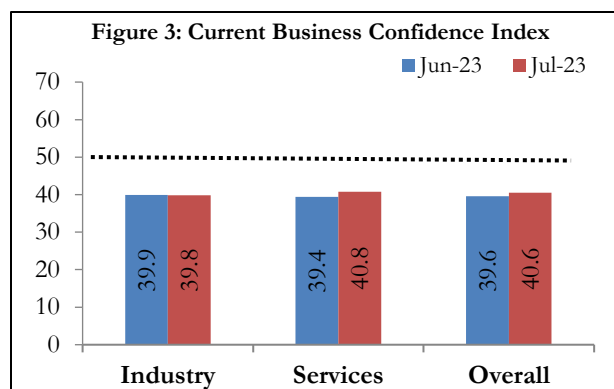


Table 1: Current Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Jul-23					
Industry	0.8	18.1	30.6	40.4	10.1
Services	0.6	20.2	27.3	45.5	6.4
Overall	0.7	19.2	28.9	43.0	8.2
	19.9		28.9	51.2	
Jun-23					
Industry	4.6	14.9	28.2	40.3	12.0
Services	0.7	19.2	27.2	42.9	10.1
Overall	2.6	17.1	27.7	41.6	11.0
	19.7		27.7	52.6	

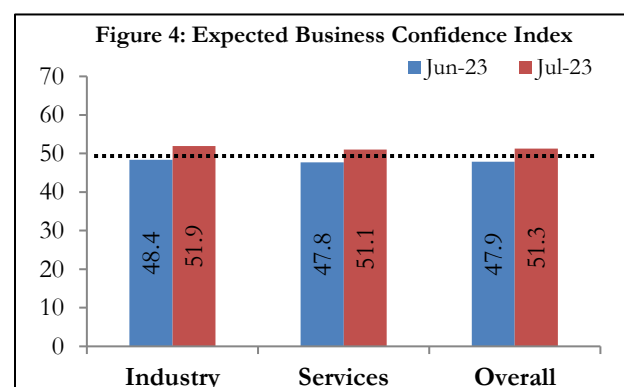
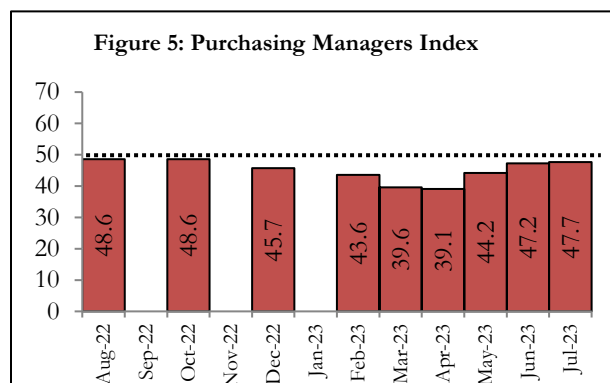


Table 2: Expected Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Jul-23					
Industry	1.0	32.9	41.1	22.7	2.3
Services	0.9	35.9	31.4	30.0	1.7
Overall	0.9	34.4	36.3	26.4	2.0
	35.4		36.3	28.3	
Jun-23					
Industry	4.6	24.2	36.1	30.2	4.9
Services	1.2	25.9	38.3	31.7	2.8
Overall	2.9	25.1	37.2	31.0	3.8
	28.0		37.2	34.8	

percent to 35.4 percent in July 2023. On the other hand, the share of neutral views decreased by 0.9 percent to 36.3 percent and the negative views decreased by 6.5 percent to 28.3 percent in the current wave.

Purchasing Managers Index

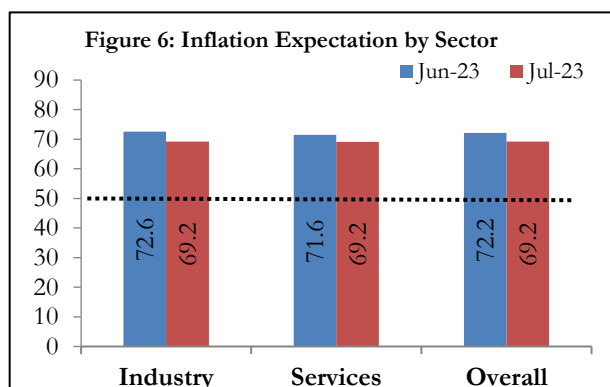
A continuous rising trend witnessed in Purchasing Managers Index (PMI) since April 2022 wave. However, it remained within the red zone for nine consecutive waves. PMI improved by 0.5 points to 47.7 in the current wave of July 2023 on top of 3.0 points increase in the previous wave (**Figure 5**).



PMI's disaggregation shows increase in indices of four out of five components. The highest rise of 1.7 points recorded in the "average supplier delivery times". The other three improved components of PMI are: (a) index for firms' business activities, (b) total number of employees, and (c) quantity of raw material purchases. While total orders booked declined by 1.6 points to 46.6 in July 2023.

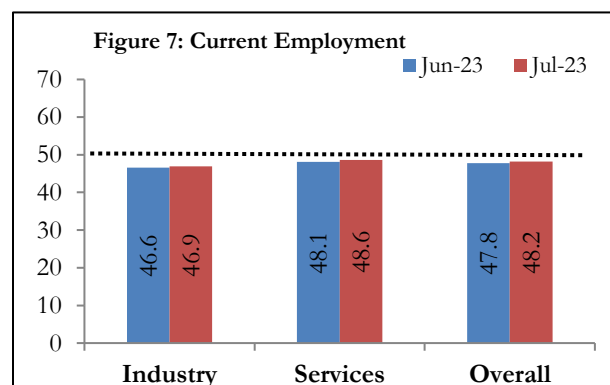
Inflation Expectations

A declining trend observed in overall index of Inflation Expectations (IE) since March 2023 BCS wave. IE decreased by 3 points to 69.2 in July 2023 from 72.2 noted in June 2023. The Industry Sector as well as Services Sector drive this decrease in IE. Industry Sector recorded a decrease of 3.4 points to 69.2 in July 2023, while Services Sector also decreased by 2.4 points to 69.2 in current wave (**Figure 6**).

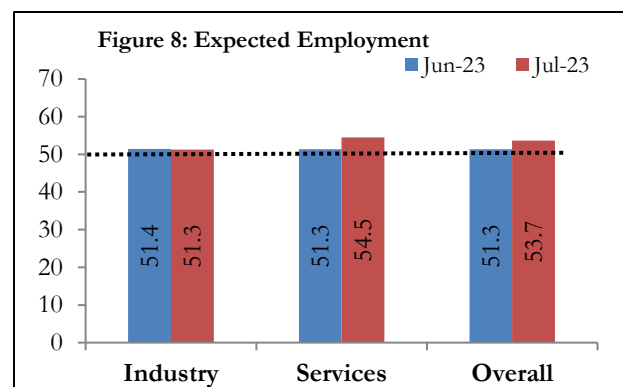


Employment

The Current Employment Diffusion Index slightly increased by 0.4 points to 48.2 in the latest wave of BCS (**Figure 7**). This encouraging change is backed by Industry and Services Sectors. The Current Employment Diffusion Index for the Industry Sector increased by 0.3 points to 46.9 in July 2023 from 46.6 in the previous wave. Similarly, the Services Sector's Current Employment Index improved by 0.5 points to 48.6 in July 2023 from 48.1 in the last wave.

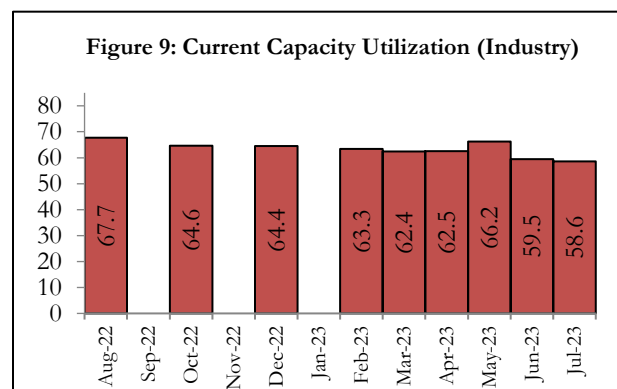


The Expected Employment Diffusion Index further improved by 2.3 points to 53.7 in July 2023. The July 2023 improvement led by Services sectors, which witnessed an increase of 3.2 points to 54.4 in July 2023 from 51.3 in June 2023. However, Industry Sector's Expected Employment Index marginally decreased by 0.2 points to 51.3 in July 2023 (**Figure 8**).



Capacity Utilization

Average Current Capacity Utilization (ACCU)¹ of manufacturing sector (within industry sector) slightly decreased by 0.9 percent to 58.6 percent in July 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