

Business Confidence Survey (BCS)* – October 2023 (41st Wave)

[The current wave of BCS conducted during October 02-10, 2023; with 413 firms surveyed]

Overall Business Confidence

Business Confidence Index (BCI) improved significantly by 7.2 points to 46.4 in October 2023; highest BCI value since April 2022 when it was 55.2 (**Figure 1 & 2a**). This increase is contributed by both the Industry and Services sectors, which improved by 7.7 and 7.0 points respectively in October 2023 (**Figure 2b**).

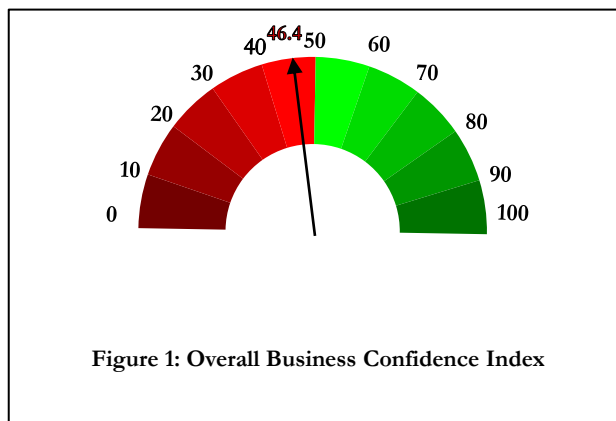


Figure 1: Overall Business Confidence Index

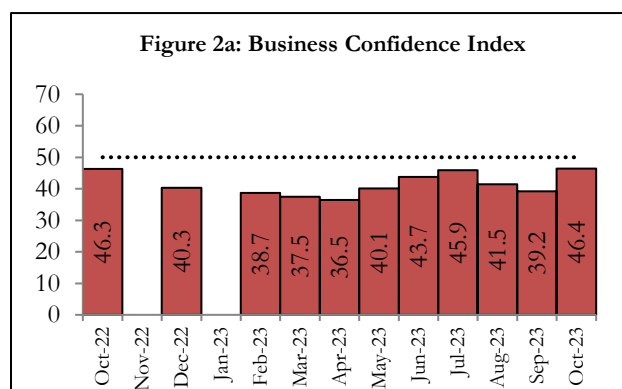


Figure 2a: Business Confidence Index

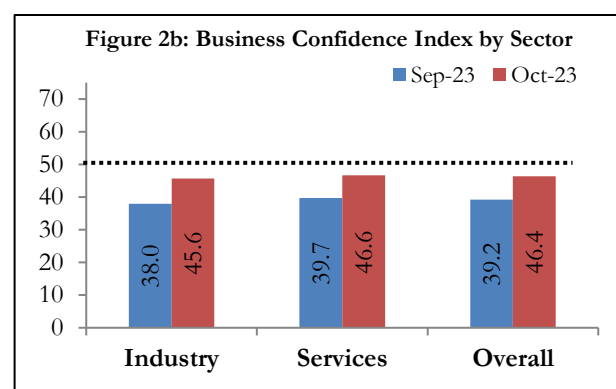


Figure 2b: Business Confidence Index by Sector

It has also been observed that respondents' confidence on account of current as well as expected business conditions improved in October 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

Current Business Confidence Index (CBCI) increased by 5.4 points to 41.1 in October 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 6.7 points to 41.2 in the current wave. However, the Services sector CBCI increased by 5.0 points to 41.1 in the current wave.

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

Overall percentage share of positive views (both positive and very positive) increased by 2.8 percent to 18.5 percent in the current wave. Likewise, neutral views increased by 12.0 percent to 37.9 percent in October 2023. On the other hand, negative views (negative and very negative) significantly decreased by 14.8 percent to 43.6 percent in the current wave from 58.4 percent in the last wave.

Expected Business Confidence

The Expected Business Confidence Index (EBCI) also improved in October 2023 (**Figure 4**). The EBCI increased by 8.9 points to 51.7 in the current wave. Both Industry and Services sectors were the contributors for this positive change whose EBCI increased by 8.7 and 8.9 points respectively in current wave.

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

Overall percentage share of positive views (positive and very positive) significantly increased by 10.6 percent to 30.5 percent. While, the share of neutral views notably increased by 9.5 percent to 44.0 percent in October 2023. On the other hand, negative views pronouncedly decreased by 20.1 percent to 25.5 percent in the same period.

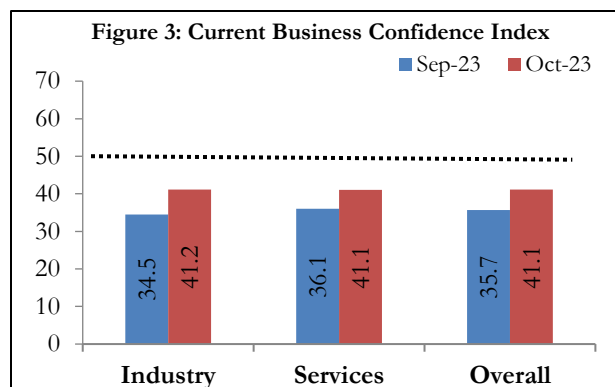


Table 1: Current Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Oct-23					
Industry	2.6	14.5	38.6	33.4	10.9
Services	3.0	16.8	37.2	27.6	15.4
Overall	2.8	15.7	37.9	30.5	13.2
	18.5		37.9	43.6	
Sep-23					
Industry	1.1	14.3	24.8	41.3	18.6
Services	2.2	13.9	27.0	39.9	17.0
Overall	1.6	14.1	25.9	40.6	17.8
	15.7		25.9	58.4	

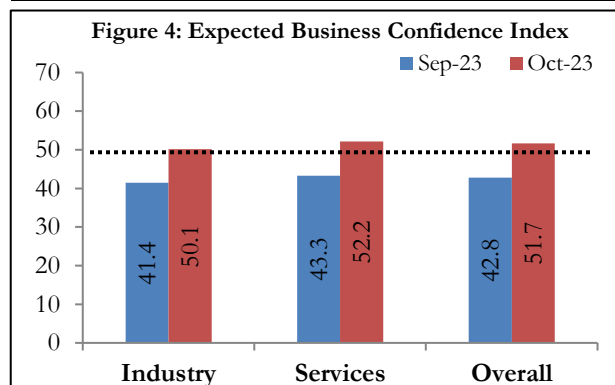


Table 2: Expected Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
Oct-23					
Industry	4.1	23.7	44.5	23.7	3.9
Services	3.9	29.3	43.5	18.3	5.0
Overall	4.0	26.5	44.0	21.0	4.5
	30.5		44.0	25.5	
Sep-23					
Industry	0.5	18.2	35.8	37.6	7.9
Services	1.8	19.3	33.1	41.7	4.1
Overall	1.1	18.8	34.5	39.7	6.0
	19.9		34.5	45.6	

Purchasing Managers Index

Purchasing Managers Index (PMI) slightly decreased by 0.3 points to 47.4 in October 2023. It is pertinent to mention here that PMI was last seen in the positive zone in June 2022 (**Figure 5**).

PMI's disaggregation shows deterioration in indices of three out of its five components in October 2023. The highest decrease of 5.3 points was observed in the *average supplier delivery times* followed by *firms' business activities* (-0.7) and *total orders booked* (-0.5). On the other hand, *total number of employees* and *quantity of raw material purchases* increased by 3.6 points and 1.2 points respectively in the current wave of the BCS survey.

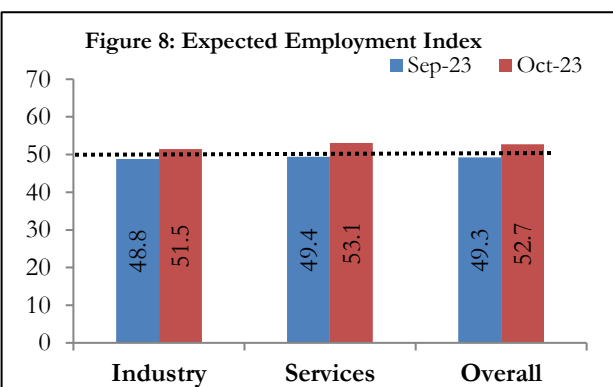
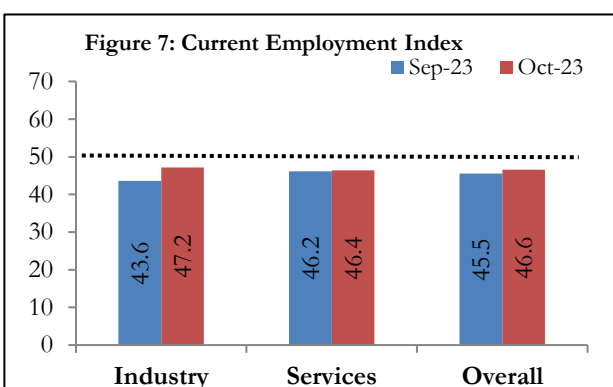
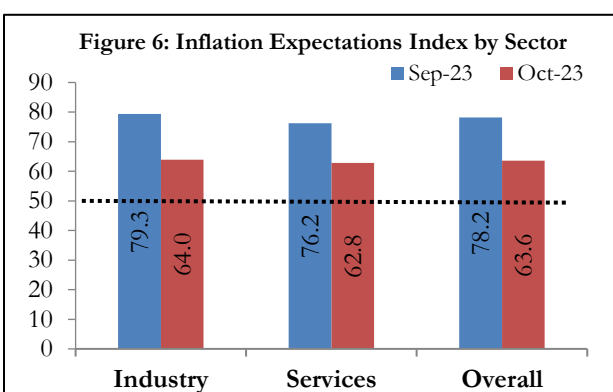
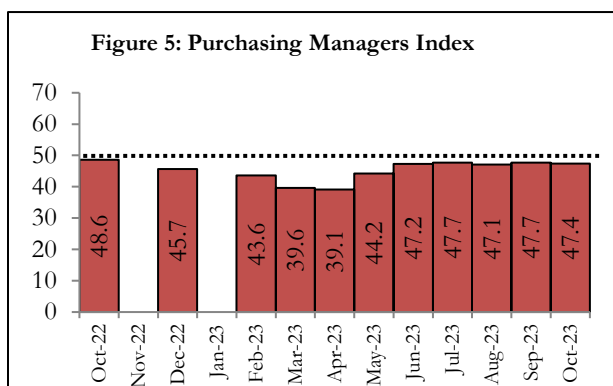
Inflation Expectations

Inflation Expectations (IE) significantly decreased by 14.6 points from previous wave (highest decline in IE). IE reached to 63.6 in October 2023, the lowest level since December 2020 when it was recorded at 61.6. Both the Industry and the Services sectors contributed to the decrease in overall IE. Industry sector witnessed a decrease of 15.4 points and the Services sector inflation expectations decreased by 13.4 points in the current wave (**Figure 6**).

Employment

The Current Employment Diffusion Index increased by 1.1 points to 46.6 in the current survey wave (**Figure 7**) on account of increase in the Industry as well as the Services sectors. The Current Employment Diffusion Index for the Industry sector increased by 3.6 points in October 2023 from the previous wave. Services sector's Current Employment Index marginally increased by 0.2 points to 46.4 in October 2023 over the previous wave of BCS.

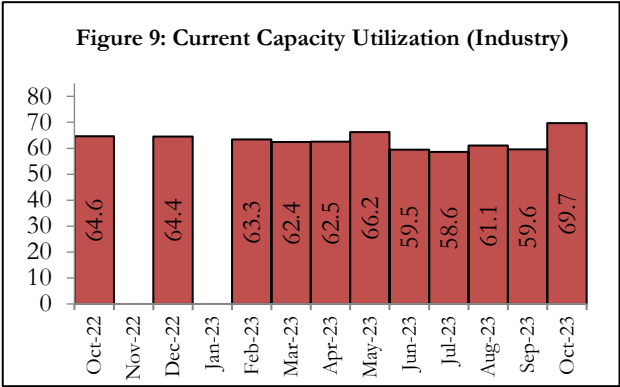
The Expected Employment Diffusion Index increased by 3.4 points to 52.7 in the current wave. This improvement is contributed by both the



Industry and the Services sector. The Industry sector recorded an increase of 2.7 points in October 2023 while the Services Sector’s Expected Employment Index increased by 3.7 points in the current wave (**Figure 8**).

Capacity Utilization

Average Current Capacity Utilization (ACCU)¹ of manufacturing sector (within Industry sector) increased by 10.1 percent to 69.7 percent in October 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