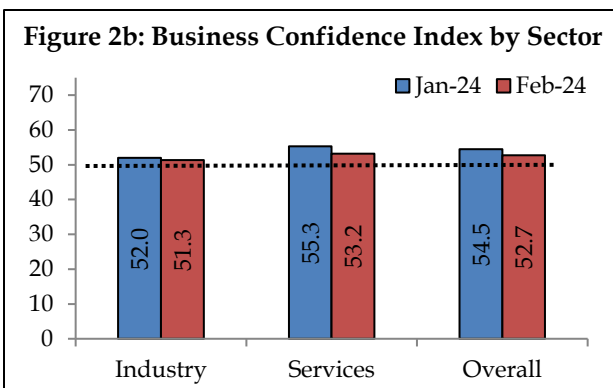
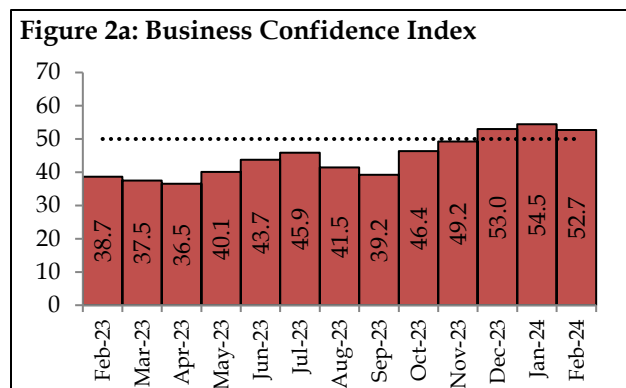
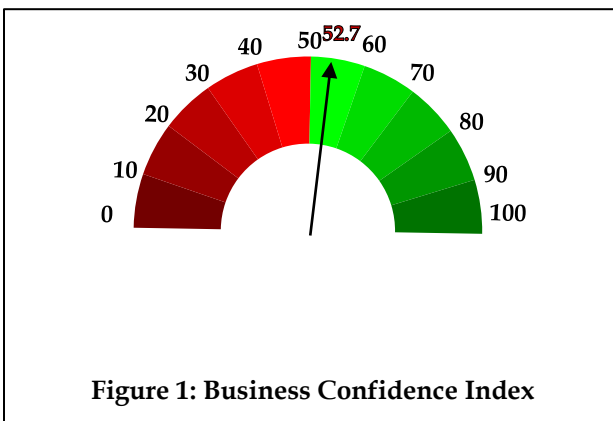


Business Confidence Survey (BCS)* – February 2024 (45th Wave)

[The current wave of BCS conducted from February 1-12, 2024; with 575 firms surveyed]

Business Confidence

The Business Confidence Index (BCI) decreased by 1.8 points to 52.7 in February 2024 (**Figure 1 & 2a**). This decrease is derived by both the Industry and the Services sectors. The Industry sector BCI decreased by 0.7 points to 51.3 while for the Services sector, it decreased by 2.1 points to 53.2. (**Figure 2b**).



The respondents' confidence on account of current as well as expected business conditions decreased in February 2024.

* 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

The Current Business Confidence Index (CBCI) decreased by 2.4 points to 49.0 in February 2024 over the previous wave (**Figure 3**). The Services sector is the major contributor for the decrease in CBCI for the current wave, which decreased by 3.1 points to 49.4 in the current wave. The Industry sector CBCI decreased by 0.5 points to 47.6 in the current wave.

The disaggregation of responses shows a significant decrease in the positive and neutral views while the negative views increased in the current wave (**Table 1**).

Overall percentage share of positive views (positive and very positive) decreased by 4.5 percent to 27.7 percent in the current wave. On the other hand, negative views (negative and very negative) increased by 1.0 percent to 30.4 percent in the current wave from 29.4 percent in the previous wave.

Expected Business Confidence

The Expected Business Confidence Index (EBCI) decreased by 1.0 points to 56.5 in February 2024 (**Figure 4**). Both the Industry and Services sectors were the contributors for this change whose EBCI decreased by 0.7 and 1.0 points respectively in current wave.

The disaggregation of responses shows a slight decrease in the positive and neutral views, while the negative views increased in the current wave (**Table 2**).

Overall percentage share of positive views (positive and very positive) decreased by 0.3 percent to 40.3 percent and neutral views decreased by 1.2 percent to 43.4 percent. On the other hand, share of negative views increased by 1.6 percent to 16.3 percent in February 2024.

Figure 3: Current Business Confidence

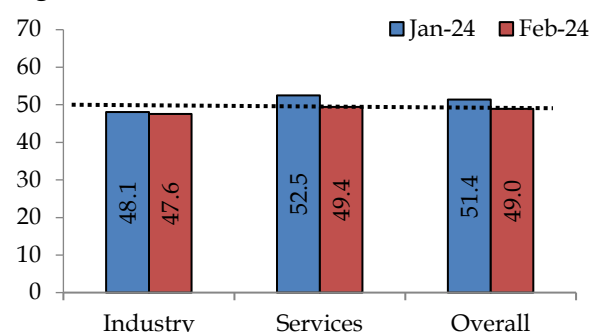


Table 1: Current Business Confidence (% Share)

	Very Positive	Positive	Neutral	Negative	Very Negative
Feb-24					
Industry	3.6	20.3	45.1	24.8	6.2
Services	1.4	30.0	38.7	24.4	5.4
Overall	2.5	25.2	41.9	24.6	5.8
	27.7		41.9	30.4	
Jan-24					
Industry	3.0	25.3	40.2	24.3	7.3
Services	6.1	30.0	36.6	22.4	4.9
Overall	4.6	27.6	38.4	23.3	6.1
	32.2		38.4	29.4	

Figure 4: Expected Business Confidence Index

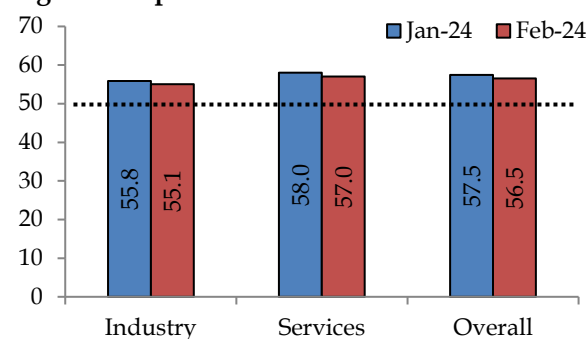


Table 2: Expected Business Confidence (% Share)

	Very Positive	Positive	Neutral	Negative	Very Negative
Feb-24					
Industry	3.5	31.5	49.8	12.3	2.9
Services	1.6	44.0	37.0	15.3	2.0
Overall	2.6	37.8	43.4	13.8	2.4
	40.3		43.4	16.3	
Jan-24					
Industry	3.0	35.0	46.2	14.3	1.6
Services	4.3	39.0	43.1	11.6	2.0
Overall	3.7	37.0	44.6	12.9	1.8
	40.6		44.6	14.7	

Purchasing Managers Index (PMI)

The PMI increased slightly by 0.5 points to 49.6 (Figure 5) in the current wave from the previous wave. It is worth mentioning here that the PMI was last seen in the positive zone in June 2022.

The PMI's disaggregation shows improvement in indices of three out of its five components in February 2024. The highest increase of 4.2 points was observed in the quantity of raw material purchases followed by total number of employees (1.2 points) and total order booked (1.0 points). On the other hand, average supplier delivery times decreased by 3.2 points and firms' business activities decreased by 0.4 points in the current wave.

Inflation Expectations

The Inflation Expectations (IE) increased by 4.9 points from the previous wave and reached to 64.5 in February 2024. Both the Industry and the Services sectors contributed to the increase in overall IE. Industry sector witnessed an increase of 5.7 points and the Services sector inflation expectations increased by 3.3 points in the current wave (Figure 6).

Employment

The Current Employment Index decreased by 2.1 points to 48.9 in the current survey wave (Figure 7). This decrease was contributed by the Services sector which decreased by 3.1 points in February 2024 from the previous wave. On the other hand, Industry sector's Current Employment Index increased by 1.2 points to 49.5 in February 2024 over the previous wave.

The Expected Employment Index decreased by 2.3 points to 54.9 in the current wave. The decrease was derived by both the Industry and Services sectors which decreased by 1.2 points and 2.6 points respectively (Figure 8).

Figure 5: Purchasing Managers Index

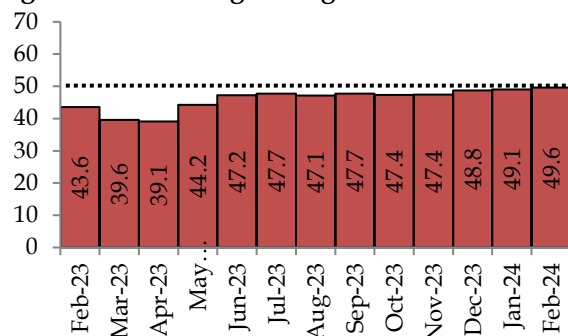


Figure 6: Inflation Expectation by Sector

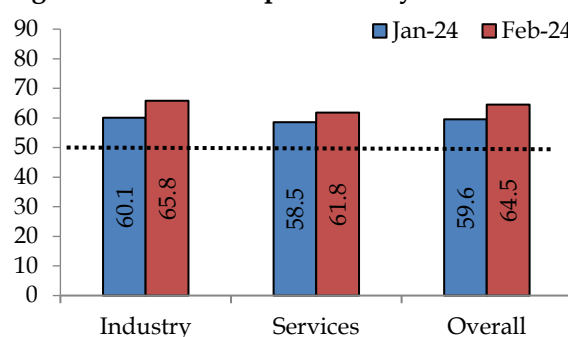


Figure 7: Current Employment

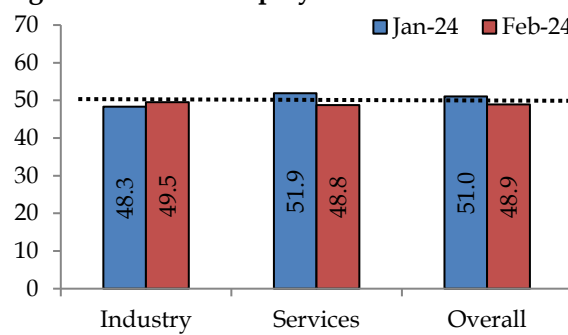
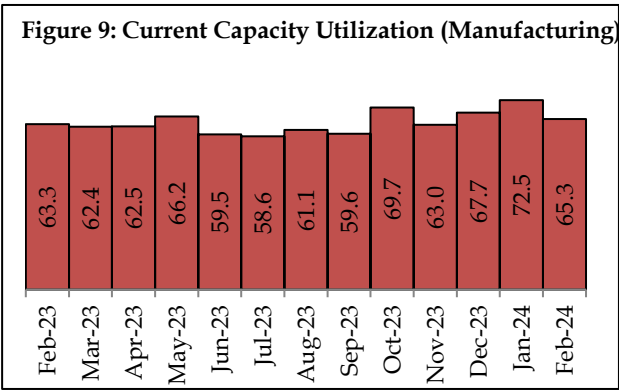


Figure 8: Expected Employment



Capacity Utilization

The Average Current Capacity Utilization (ACCU)¹ of manufacturing sector (within the Industry sector) decreased by 7.2 percent to 65.3 percent in February 2024 from the previous wave.



¹ ACCU measures percentage of total capacity being utilized by the manufacturing 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