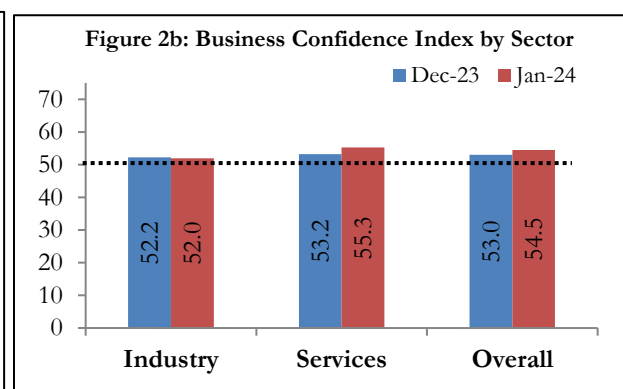
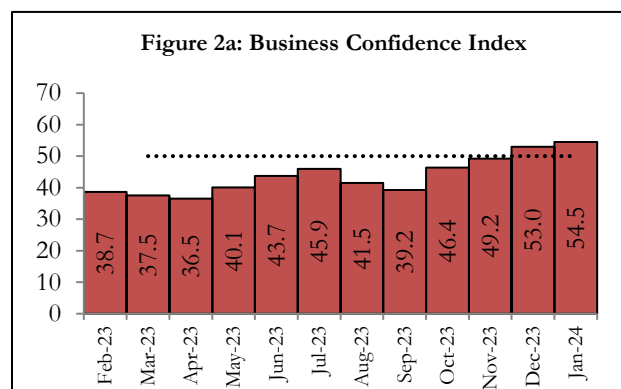
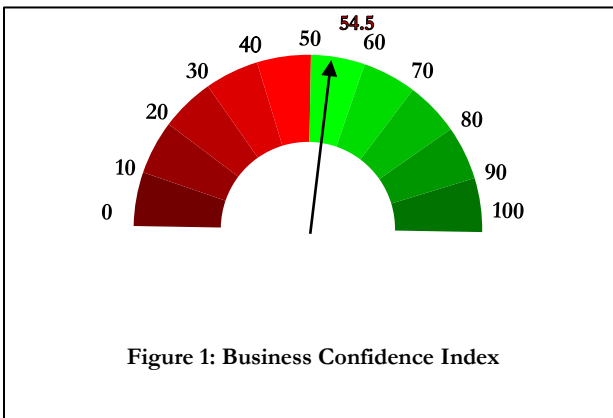


## Business Confidence Survey (BCS)\* – January 2024 (44<sup>th</sup> Wave)

[The current wave of BCS conducted from January 1-10, 2024; with 556 firms surveyed]

### Business Confidence

Business Confidence Index (BCI) improved by 1.5 points to 54.5 in January 2024 (**Figure 1 & 2a**). This increase is derived by Services sector, which improved by 2.0 points. On the other hand, Industry sector confidence decreased slightly by 0.2 points (**Figure 2b**).



The respondents' confidence on account of current business conditions improved in January 2024, however, expected business confidence decreased slightly in the same period

\* 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 3.0 points to 51.4 in January 2024 over the previous wave (**Figure 3**). Services sector is the major contributor for the increase in CBCI for the current wave, which increased by 3.6 points to 52.5 in the current wave. The Industry sector CBCI increased by 1.3 points to 48.1 in the current wave.

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

Overall percentage share of positive views (positive and very positive) increased by 6.4 percent to 32.2 percent in the current wave. On the other hand, negative views (negative and very negative) decreased by 2.4 percent to 29.4 percent in the current wave from 31.8 percent in the previous wave.

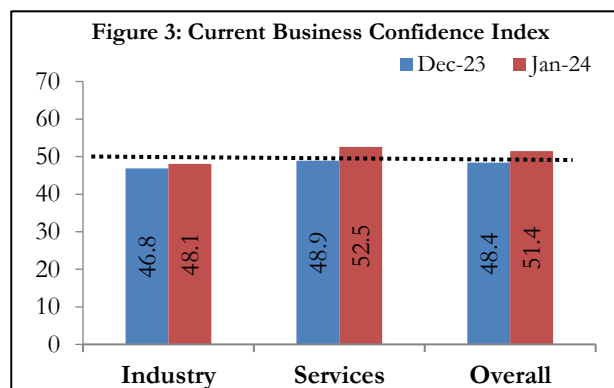


Table 1: Current Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Jan-24</b>					
Industry	3.0	25.3	40.2	24.3	7.3
Services	6.1	30.0	36.6	22.4	4.9
Overall	4.6	27.6	38.4	23.3	6.1
	32.2		38.4	29.4	
<b>Dec-23</b>					
Industry	4.7	18.8	43.0	25.9	7.6
Services	3.7	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	

## Expected Business Confidence

The Expected Business Confidence Index (EBCI) decreased slightly by 0.1 points to 57.5 in January 2024 (**Figure 4**). Industry sector was the contributor for this change whose EBCI decreased by 1.7 points. The Services sector, on the other hand, improved by 0.5 points in the current wave.

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

Overall percentage share of positive views (positive and very positive) decreased by 1.5 percent to 40.6 percent. On the other hand, share of negative views increased by 0.6 percent to 14.7 percent in January 2024 while neutral views increased by 0.8 percent to 44.6 percent in the current wave.

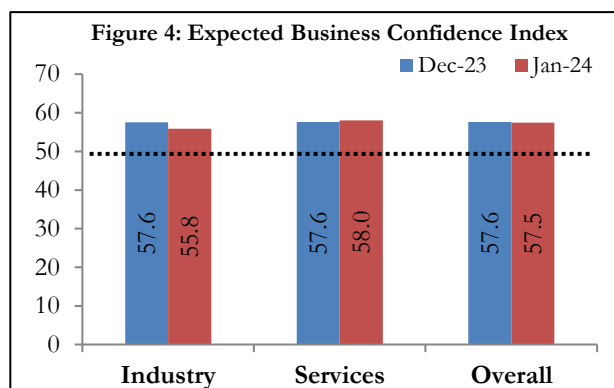


Table 2: Expected Business Confidence (% Share)					
	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Jan-24</b>					
Industry	3.0	35.0	46.2	14.3	1.6
Services	4.3	39.0	43.1	11.6	2.0
Overall	3.7	37.0	44.6	12.9	1.8
	40.6		44.6	14.7	
<b>Dec-23</b>					
Industry	5.4	36.6	43.2	12.4	2.4
Services	3.7	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	

## Purchasing Managers Index (PMI)

PMI increased slightly by 0.3 points to 49.1 (Figure 5) in the current wave from the 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 January 2024. The highest increase of 2.2 points was observed in the firms' business activities followed by total order booked (0.7) average supplier delivery times (0.5), and total number of employees (0.2). On the other hand, quantity of raw material purchases decreased by 2.1 points in the current wave.

## Inflation Expectations

Inflation Expectations (IE) increased by 1.6 points from previous wave and reached to 59.6 in January 2024. Both the Industry and the Services sectors contributed to the increase in overall IE. The Industry sector witnessed an increase of 1.9 points and the Services sector inflation expectations increased by 0.9 points in the current wave (Figure 6).

## Employment

The Current Employment Index increased by 2.3 points to 51.0 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 slightly by 0.2 points in January 2024 from the previous wave. Services sector's Current Employment Index increased by 3.0 points to 51.9 in January 2024 over the previous wave.

The Expected Employment Index increased by 1.4 points to 57.2 in the current wave. The increase was derived by the Services sector while the employment expectations of the Industry sector decreased in the latest wave. The Services sector recorded an increase of 2.5 points, while the Industry Sector's Expected Employment Index decreased by 1.8 points in the current wave (Figure 8).

Figure 5: Purchasing Managers Index

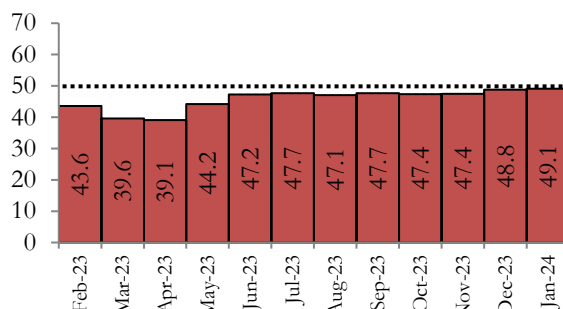


Figure 6: Inflation Expectation by Sector

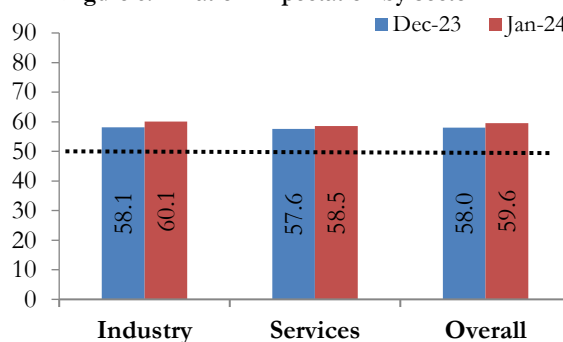


Figure 7: Current Employment

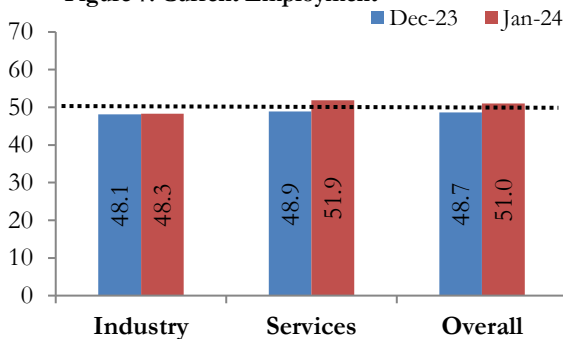
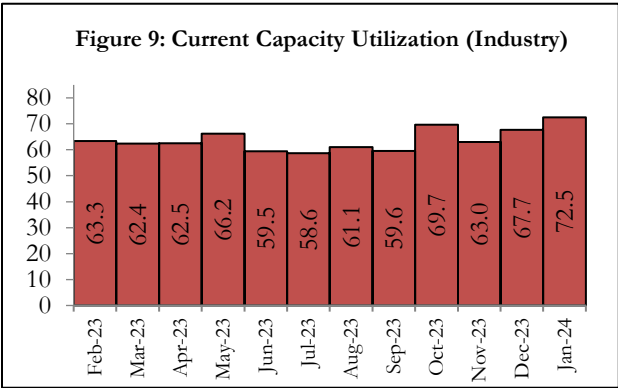


Figure 8: Expected Employment



Capacity Utilization

Average Current Capacity Utilization (ACCU)<sup>1</sup> of manufacturing sector (within Industry sector) increased by 4.8 percent to 72.5 percent in January 2024 from the previous wave.



<sup>1</sup> 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.

<b>Sr. No.</b>	<b>Answer Options</b>	<b>Assigned score</b>
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
<b>Current Business Confidence Index</b>	- The general <i>economic conditions</i> in the country over the <b>past six months</b> have
	- Excluding normal seasonal changes, your <i>production</i> over the <b>past six months</b> has
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the <b>past six months</b> has
<b>Expected Business Confidence Index</b>	- You expect the general <i>economic conditions</i> in the country in the <b>next six months</b> to
	- Excluding normal seasonal changes, you expect your <i>production</i> in the <b>next six months</b> to
	- Excluding normal seasonal changes, you expect the <i>total number of employees</i> at your firm in the <b>next six months</b> to
<b>Business Confidence Index</b>	- The general <i>economic conditions</i> in the country over the <b>past six months</b> have
	- You expect the general <i>economic conditions</i> in the country in the <b>next six months</b> to
	- Excluding normal seasonal changes, your <i>production</i> over the <b>past six months</b> has
	- Excluding normal seasonal changes, you expect your <i>production</i> in the <b>next six months</b> to
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the <b>past six months</b> has
	- Excluding normal seasonal changes, you expect the <i>total number of employees</i> at your firm in the <b>next six months</b> to
<b>Purchasing Manager Index</b> (for Industry sector only)	- Excluding normal seasonal changes, your <i>production</i> over the <b>past six months</b> has
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the <b>past six months</b> has
	- Excluding normal seasonal changes, your <i>total order books</i> over the <b>past six months</b> have
	- In the <b>past six months</b> , the <i>quantity of raw material purchases</i> has
	- Average <i>supplier delivery times</i> over the <b>past six months</b> has