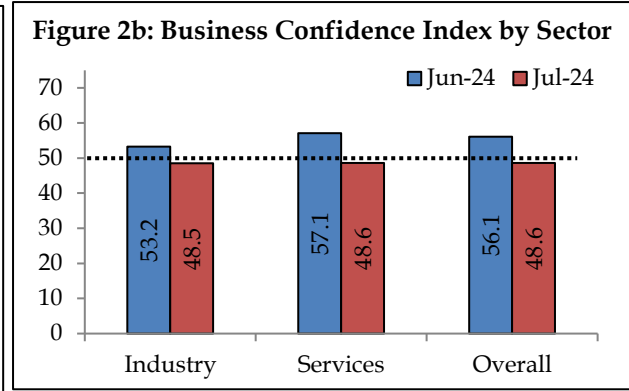
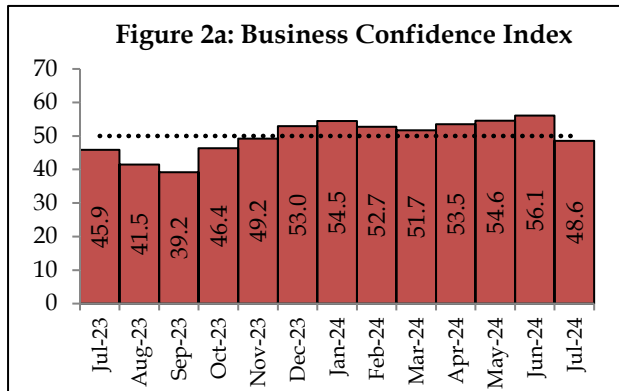
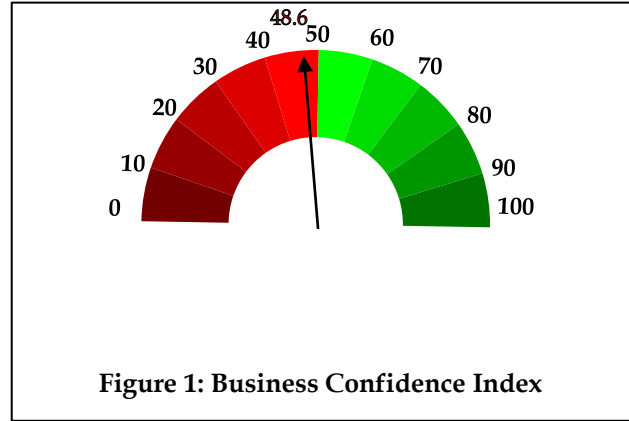


Business Confidence Survey (BCS)* - July 2024 (50th Wave)

[The current wave of BCS conducted from July 1-10, 2024; with 539 firms surveyed]

Business Confidence

The Business Confidence Index (BCI) decreased significantly by 7.5 points to 48.6 in July 2024 (Figure 1 & 2a). This decrease is driven by both the Industry and the Services sectors. The Industry sector BCI decreased by 4.7 points to 48.5, while that for Services sector decreased by 8.5 points to 48.6 (Figure 2b). It may be noted that the BCI entered the negative zone after remaining positive for seven (07) consecutive months.



The respondents' confidence on account of current as well as expected business conditions deteriorated significantly in July 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 significantly by 7.1 points to 46.5 in July 2024 over the previous wave (**Figure 3**). This change is driven by both the Industry and the Services sector. The CBCI of the Industry sector decreased by 4.1 points to 46.5 while that of the Services sector decreased by 8.2 points to 46.5.

The disaggregation of responses reveals that the positive and the neutral views decreased significantly while a significant increase was recorded in the negative views (**Table 1**).

Overall positive (positive and very positive) views decreased by 7.3 percent to 26.4 percent while the neutral views decreased by 7.1 percent to 36.7 in July 2024. On the other hand, share of negative views (negative and very negative) increased by 14.3 percent to 36.9 percent in the current wave.

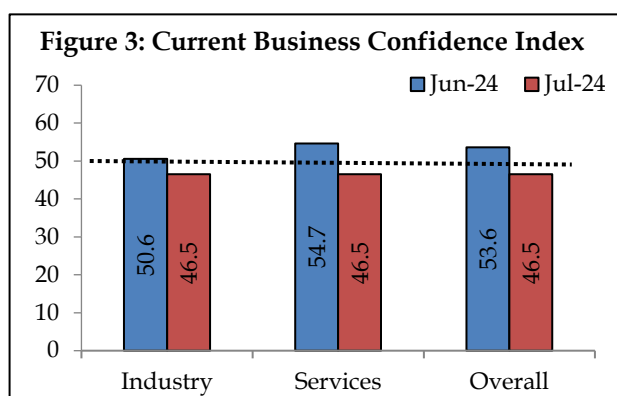


Table 1: CBCI - Distribution of Responses (%)

	Very Positive	Positive	Neutral	Negative	Very Negative
Jul-24					
Industry	1.1	25.8	37.7	29.0	6.4
Services	1.4	24.4	35.7	35.9	2.6
Overall	1.2	25.1	36.7	32.4	4.5
	26.4		36.7	36.9	
Jun-24					
Industry	1.9	27.2	45.6	21.8	3.5
Services	2.6	35.6	42.0	17.7	2.2
Overall	2.2	31.4	43.8	19.7	2.9
	33.7		43.8	22.6	

Expected Business Confidence

The Expected Business Confidence Index (EBCI) decreased significantly by 8.0 points to 50.6 in July 2024 (**Figure 4**). Both the Industry and the Services sector contributed to this change. The EBCI of Industry sector decreased by 5.4 points to 50.5 while that for Services sector decreased by 8.8 points to 50.7 in the current wave.

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

The share of positive views (positive and very positive) decreased by 12.7 percent to 31.2 percent and that of neutral views decreased by 1.4 percent to 41.0 percent in the current wave. On the other hand, share of negative views increased by 14.0 percent to 27.8 percent in July 2024.

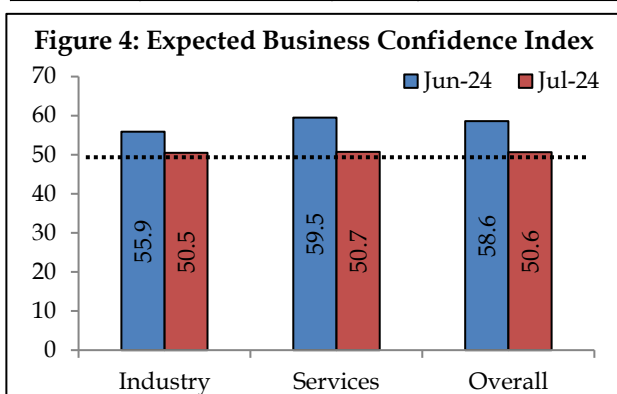


Table 2: EBCI - Distribution of Responses (%)

	Very Positive	Positive	Neutral	Negative	Very Negative
Jul-24					
Industry	0.7	29.5	42.8	25.1	2.0
Services	1.6	30.7	39.2	25.8	2.6
Overall	1.1	30.1	41.0	25.5	2.3
	31.2		41.0	27.8	
Jun-24					
Industry	1.7	37.2	45.7	13.7	1.7
Services	2.4	46.5	39.0	11.2	1.0
Overall	2.0	41.8	42.4	12.5	1.3
	43.9		42.4	13.8	

Purchasing Managers Index (PMI)

The PMI decreased by 0.6 points to 50.1 (Figure 5) in the current wave from the previous wave.

The PMI's disaggregation shows decrease in the indices of three out of its five components. The quantity of raw material purchases decreased by 3.1 points followed by total number of employees (by 2.1 points) and total orders booked (by 0.4 points). On the other hand, the firms' business activities and average supplier delivery times improved by 1.4 and 1.3 points respectively in July 2024.

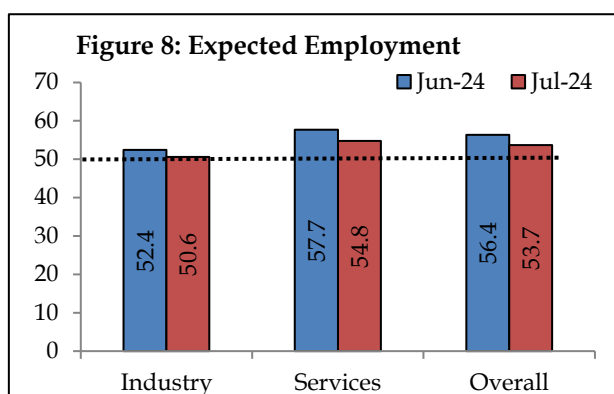
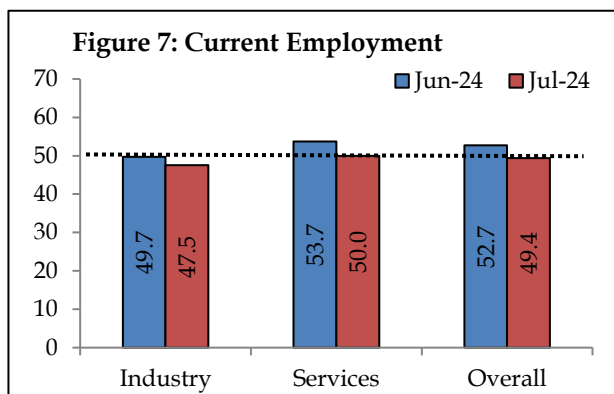
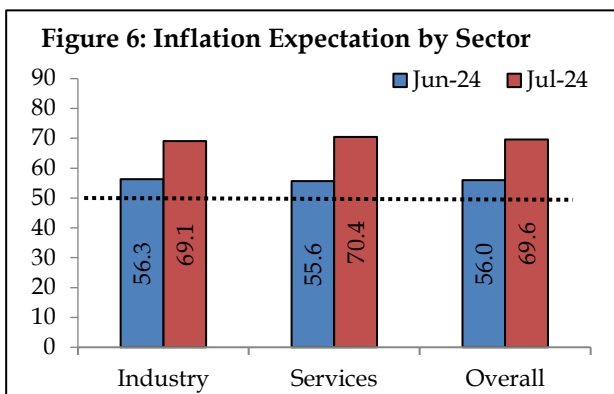
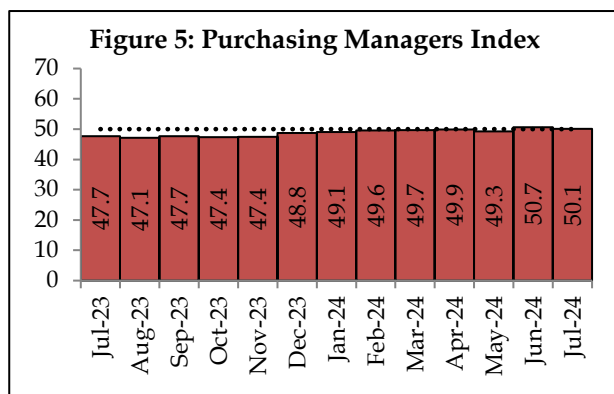
Inflation Expectations

The Inflation Expectations (IE) of businesses increased significantly by 13.6 points to 69.6 in July 2024. This increase is driven by both the Industry and the Services sector. The Inflation Expectations of the Industry sector increased by 12.8 points to 69.1 and that of the Services sector increased by 14.8 points to 70.4 (Figure 6).

Employment

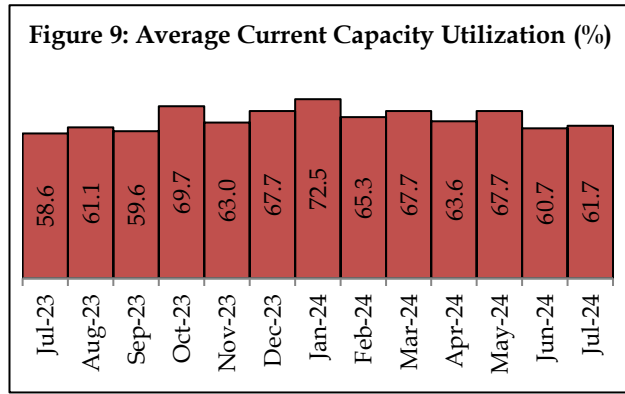
The overall Current Employment Index decreased by 3.3 points to 49.4 in the current wave (Figure 7). This decrease was contributed by both the Industry and the Services sectors, which decreased by 2.2 and 3.7 points respectively.

The overall Expected Employment Index decreased by 2.7 points to 53.7 in July 2024. This change was driven by both the Industry and the Services sector. The Expected Employment Index for the Industry sector decreased by 1.8 points, while that for Services sector decreased by 2.9 points in July 2024 (Figure 8).



Capacity Utilization

The Average Current Capacity Utilization (ACCU)¹ of the Manufacturing sector (within the Industry sector) increased by 1.0 percent to 61.7 percent in July 2024.



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