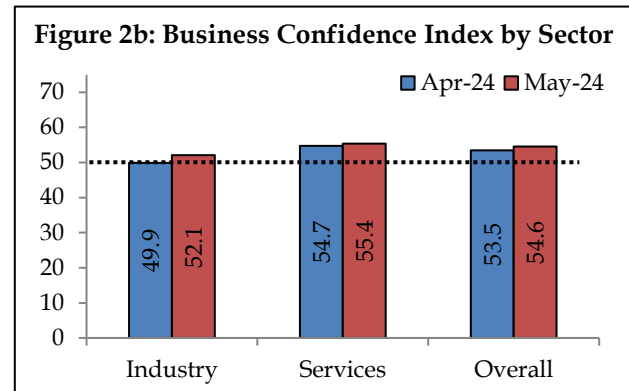
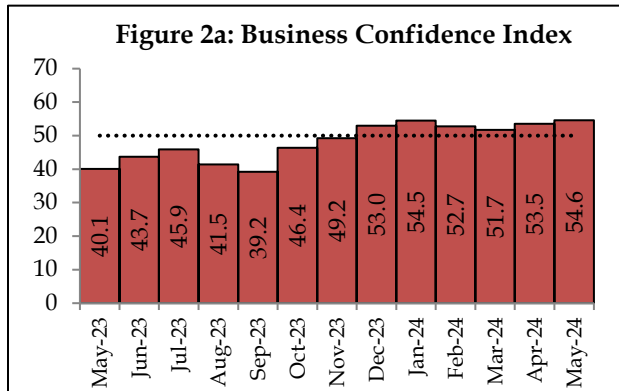
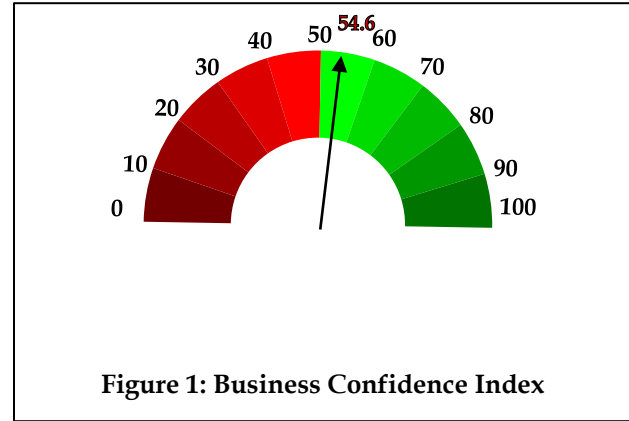


# Business Confidence Survey (BCS)\* – May 2024 (48<sup>th</sup> Wave)

[The current wave of BCS conducted from May 2-13, 2024; with 554 firms surveyed]

## Business Confidence

The Business Confidence Index (BCI) improved by 1.1 points to 54.6 in May 2024 (Figure 1 & 2a). This increase is driven by both the Industry and the Services sector. The Industry sector BCI increased by 2.2 points to 52.1, while that for Services sector increased by 0.7 points to 55.4 (Figure 2b).



The respondents' confidence on account of current as well as expected business conditions improved in May 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) increased by 1.1 points to 51.2 in May 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 increased by 2.8 points to 48.3 while that of the Services sector CBCI increased by 0.5 points to 52.1.

The disaggregation of responses reveals that the positive and neutral views increased in the current wave while the negative views decreased (Table 1).

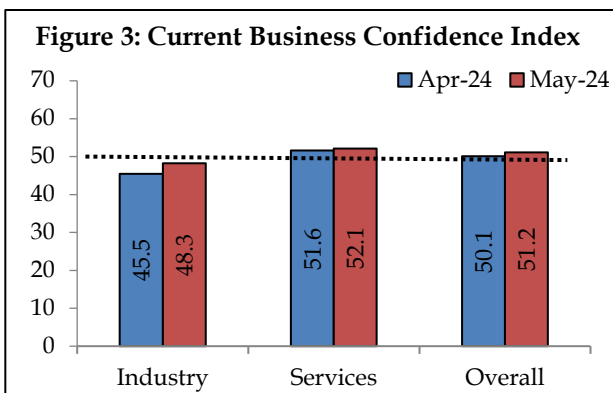
Overall positive (positive and very positive) views increased by 2.5 percent to 29.5 percent and the neutral views increased by 0.6 percent to 43.2 percent in the current wave. On the other hand, share of negative views (negative and very negative) decreased by 3.1 percent to 27.3 percent in the current wave.

### Expected Business Confidence

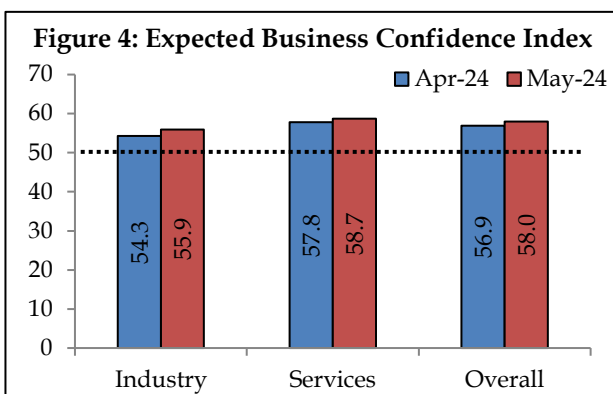
The Expected Business Confidence Index (EBCI) increased by 1.1 points to 58.0 in May 2024 (Figure 4). Both the Industry and the Services sector contributed to this change. The EBCI of the Industry sector increased by 1.6 points to 55.9 while that of the Services sector increased by 0.9 points to 58.7.

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

Overall share of positive views (positive and very positive) increased by 2.1 percent to 42.6 percent and share of neutral views slightly increased by 0.2 percent to 43.1 percent in May 2024. On the other hand, share of negative views decreased by 2.3 percent to 14.3 percent.



	Very Positive	Positive	Neutral	Negative	Very Negative
<b>May-24</b>					
Industry	1.7	25.2	42.4	25.9	4.8
Services	2.2	29.9	44.0	22.2	1.8
Overall	1.9	27.6	43.2	24.0	3.3
	29.5		43.2	27.3	
<b>Apr-24</b>					
Industry	2.4	18.1	44.5	28.8	6.1
Services	1.8	31.5	40.8	23.1	2.8
Overall	2.1	24.8	42.6	25.9	4.5
	27.0		42.6	30.4	



	Very Positive	Positive	Neutral	Negative	Very Negative
<b>May-24</b>					
Industry	2.2	37.0	44.7	14.4	1.6
Services	2.1	43.8	41.5	11.7	0.8
Overall	2.2	40.4	43.1	13.1	1.2
	42.6		43.1	14.3	
<b>Apr-24</b>					
Industry	2.3	32.9	47.1	15.1	2.6
Services	2.6	43.2	38.7	13.7	1.8
Overall	2.5	38.1	42.9	14.4	2.2
	40.5		42.9	16.6	

### Purchasing Managers Index (PMI)

The PMI decreased by 0.6 points to 49.3 (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 decrease in the indices of four out of its five components. A decrease of 1.5 points was observed in the total orders booked followed by the firms' business activities (by 1.0 points), average supplier delivery times (by 0.6 points), and total number of employees (by 0.3 points). On the other hand, quantity of raw material purchases slightly improved by 0.1 points in May 2024.

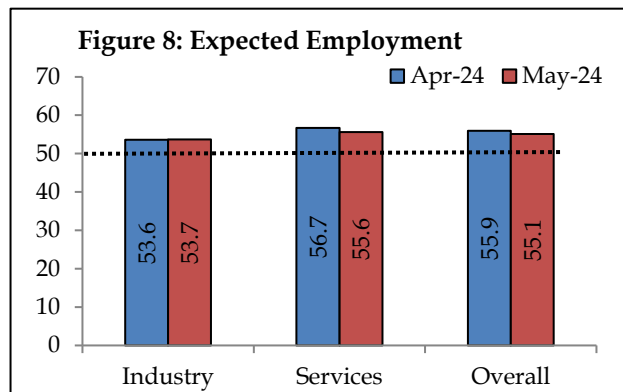
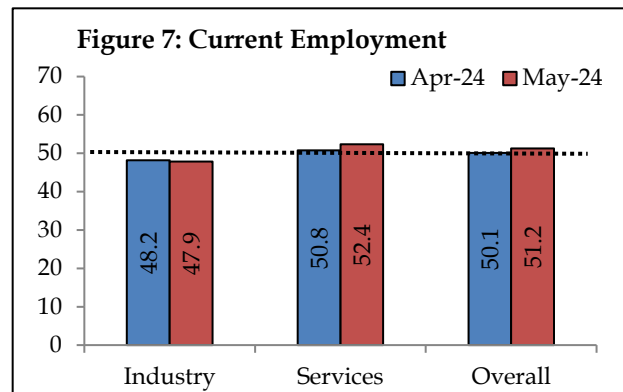
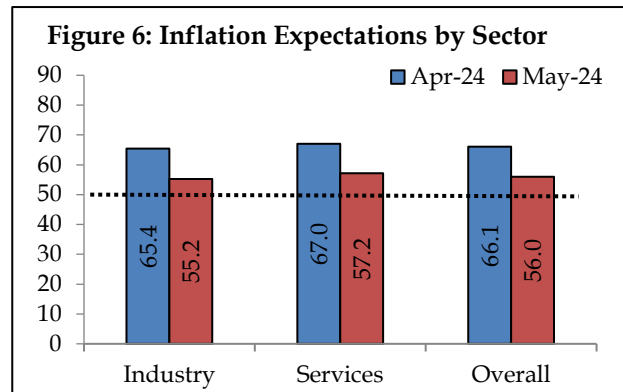
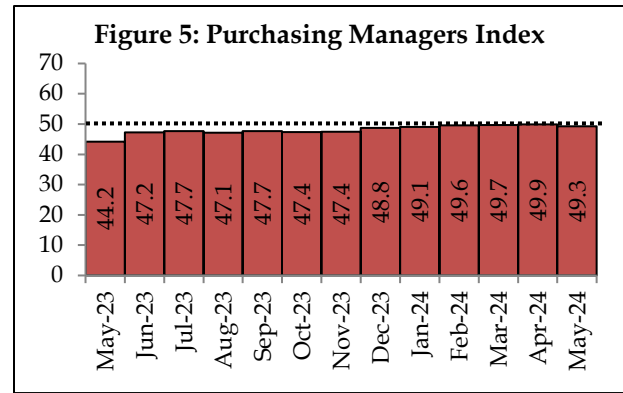
### Inflation Expectations

The Inflation Expectations (IE) of businesses decreased significantly by 10.1 points to 56.0 in May 2024. Both the Industry and the Services sectors contributed to the decrease in overall IE. The Inflation Expectations of the Industry sector decreased by 10.2 points and that of the Services sector by 9.8 points (Figure 6).

### Employment

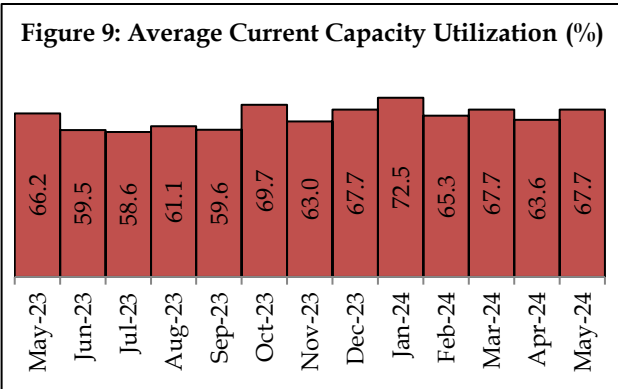
The Current Employment Index increased by 1.1 points to 51.2 in the current survey wave (Figure 7). This increase was contributed by the Services sector which increased by 1.6 points to 52.4. On the other hand, the same for the Industry sector decreased slightly by 0.3 points in May 2024 from the previous wave.

The overall Expected Employment Index decreased by 0.8 points to 55.1 in May 2024. This change was driven by the Services sector which decreased by 1.0 points. On the other hand, the index for the Industry sector increased slightly by 0.1 points in May 2024 (Figure 8).



### Capacity Utilization

The Average Current Capacity Utilization (ACCU)<sup>1</sup> of the Manufacturing sector (within the Industry sector) increased by 4.1 percent to 67.7 percent in May 2024.



<sup>1</sup> 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 <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
Expected Business Confidence Index	- 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
Business Confidence Index	- 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
Purchasing Manager Index (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