

Business Confidence Survey (BCS)* - October 2024 (53rd Wave)

[The current wave of BCS is conducted from October 2-14, 2024; with 501 firms surveyed]

Business Confidence

The Business Confidence Index (BCI) increased significantly by 4.3 points to 54.3 in October 2024 (Figure 1 & 2a). This increase was driven by both the Industry and the Services sectors. Specifically, the BCI for the Industry sector increased by 4.9 points to 53.0, while the confidence in the Services sector rose by 4.0 points to 54.7 (Figure 2b). It is worthy to mention here that overall BCI is weighted average of Industry and Services sector with 0.25 and 0.75 weights respectively (see annexure for details).

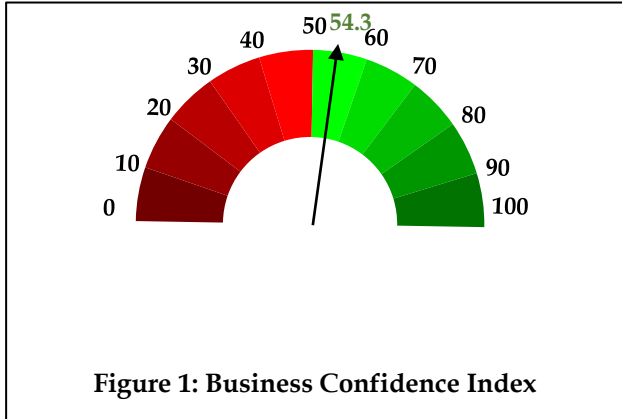


Figure 1: Business Confidence Index

Indices	Oct-23	Sep-24	Oct-24	MoM	YoY
Business Confidence Index (BCI)	46.4	50.0	54.3	8.5	17.0
Current Business Confidence Index (CBCI)	41.1	47.8	50.8	6.2	23.6
Expected Business Confidence Index (EBCI)	51.7	52.3	57.7	10.5	11.8
Purchasing Managers Index (PMI)	47.4	49.3	48.7	-1.2	2.9
Inflation Expectations	63.6	61.0	56.0	-8.2	-11.9
Current Employment	46.6	50.3	51.2	1.8	9.9
Expected Employment	52.7	51.7	55.4	7.0	5.1
Capacity Utilization	69.7	65.6	65.9	0.5	-5.4

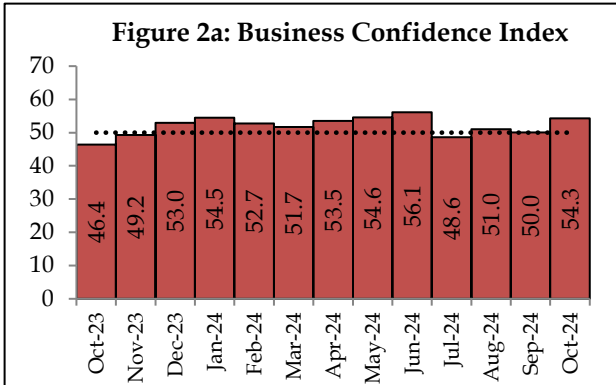


Figure 2a: Business Confidence Index

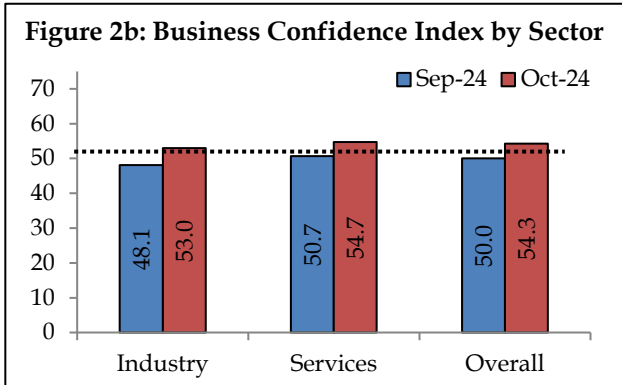


Figure 2b: Business Confidence Index by Sector

The respondents' confidence regarding both current as well as expected business conditions increased in October 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 3.0 points to 50.8 in October 2024 compared to 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 2.5 points to 48.8 while that of the Services sector increased by 3.1 points to 51.5.

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

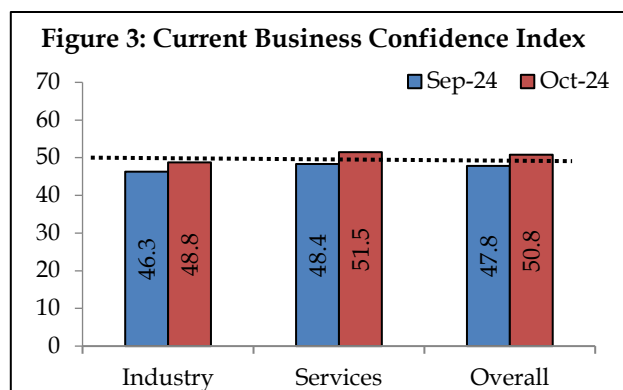
Overall positive (positive and very positive) views increased by 5.1 percent to 30.0 percent. On the other hand, share of negative views (negative and very negative) decreased by 5.1 percent to 28.1 percent, while the neutral views remained same in October 2024 wave.

Expected Business Confidence

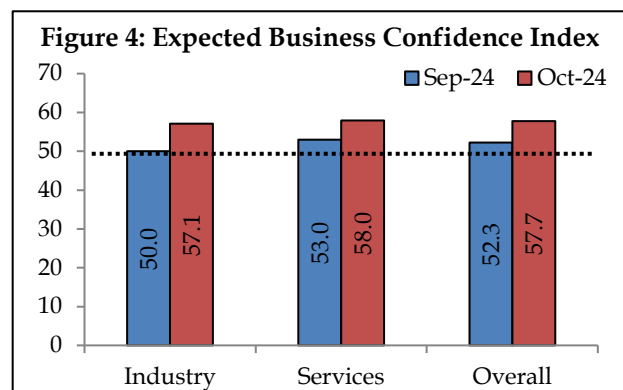
The Expected Business Confidence Index (EBCI) increased significantly by 5.4 points to 57.7 in October 2024 (Figure 4). Both the Industry and the Services sector contributed to this change. The EBCI of the Industry sector increased significantly by 7.1 points to 57.1 in the current wave, while the Services sector's confidence increased by 5.0 points to 58.0.

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

The share of positive views (positive and very positive) increased by 11.3 percent to 42.4 percent in the current wave. On the other hand, share of negative views decreased by 10.1 percent to 13.8 percent, while the share of neutral views decreased by 1.2 percent to 43.8 percent in October 2024.



	Very Positive	Positive	Neutral	Negative	Very Negative
Oct-24					
Industry	1.7	25.6	43.0	25.2	4.4
Services	1.8	30.9	40.7	24.9	1.8
Overall	1.7	28.3	41.9	25.1	3.1
	30.0		41.9	28.1	
Sep-24					
Industry	1.7	21.1	42.2	30.8	4.2
Services	1.0	26.1	41.5	28.1	3.3
Overall	1.3	23.6	41.9	29.4	3.8
	24.9		41.9	33.2	

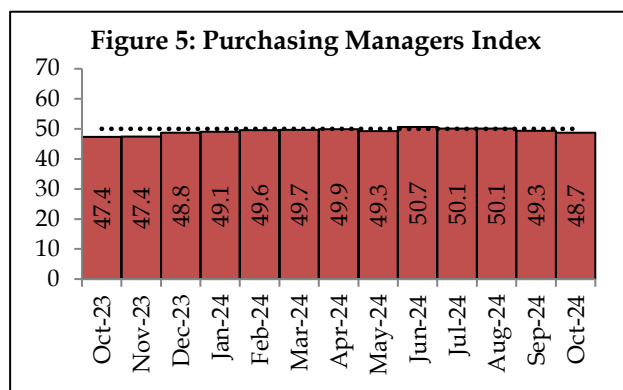


	Very Positive	Positive	Neutral	Negative	Very Negative
Oct-24					
Industry	2.5	37.7	46.8	12.1	1.0
Services	2.3	42.4	40.7	14.1	0.5
Overall	2.4	40.0	43.8	13.1	0.8
	42.4		43.8	13.8	
Sep-24					
Industry	1.1	25.3	48.8	22.1	2.7
Services	1.0	34.9	41.2	20.9	2.0
Overall	1.1	30.1	45.0	21.5	2.4
	31.1		45.0	23.9	

Purchasing Managers Index (PMI)

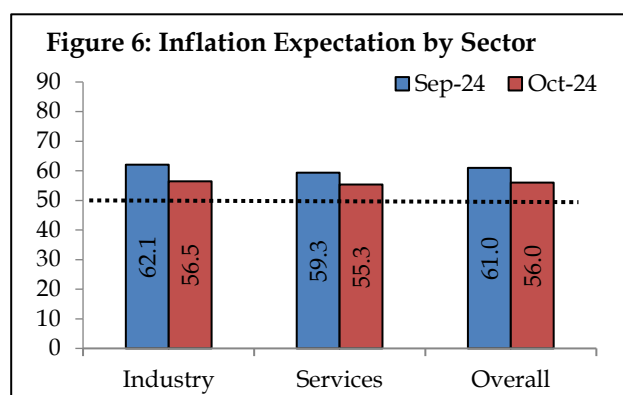
Purchasing Managers Index (PMI) is the average of its five components i.e. firm’s business activities, total number of employees, total order booked, quantity of raw material purchases and average supplier delivery times. PMI for the current wave decreased by 0.6 points to 48.7 (Figure 5).

The PMI’s disaggregation shows decrease in the indices of four out of its five components. The total orders booked decreased by 1.9 points followed by total number of employees (by 0.9 points), quantity of raw material purchases (by 0.5 points) and average supplier delivery times (by 0.1 points). On the other hand, firms’ business activities improved by 0.4 points in October 2024.



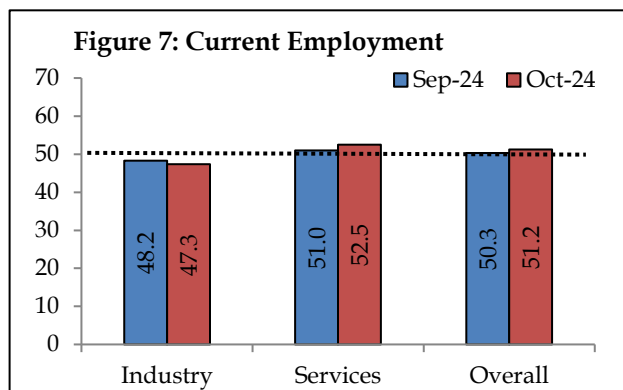
Inflation Expectations

The Inflation Expectations (IE) of businesses decreased substantially by 5.0 points to 56.0 in October 2024. This decrease is driven by both the Industry and the Services sectors. The Inflation Expectations of the Industry sector decreased by 5.6 points to 56.5 and that of the Services sector decreased by 4.0 points to 55.3 (Figure 6).

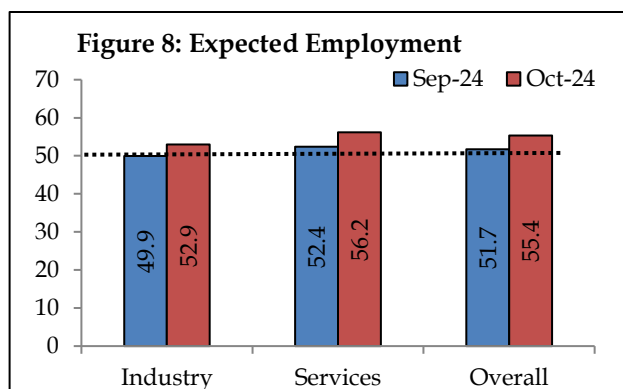


Employment

The overall Current Employment Index improved by 0.9 points to 51.2 in the current wave (Figure 7). This change was driven by the Current Employment Index of Services sector which increased by 1.5 points to 52.5, while the Industry sector’s current employment index decreased by 0.9 points to 47.3.

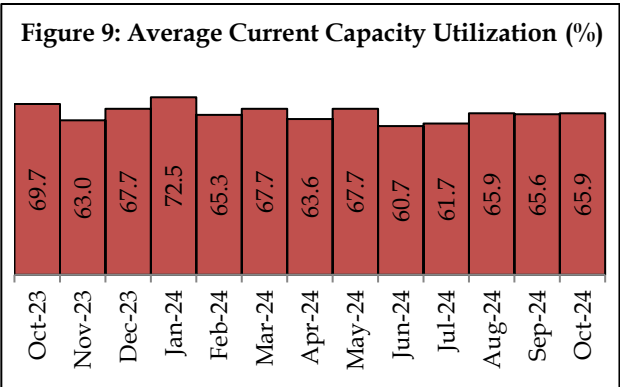


The overall Expected Employment Index increased by 3.7 points to 55.4 in October 2024. Expected Employment Index for the Industry sector increased by 3.0 points to 52.9 in the current wave, while that for the Services sector increased by 3.8 points to 56.2 (Figure 8).



Capacity Utilization

The Average Current Capacity Utilization (ACCU)¹ of the Manufacturing sector (within the Industry sector) increased slightly by 0.3 percent to 65.9 percent in October 2024.



¹ ACCU measures percentage of total capacity being utilized by the Manufacturing sector.

Business Confidence Survey (BCS) Annexure

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	Question options
Current Business Confidence Index	- The general <i>economic conditions</i> in the country over the past six months have	<ul style="list-style-type: none"> • Improved Significantly • Improved Moderately • Remained unchanged • Deteriorated Moderately • Deteriorated Significantly
	- Excluding normal seasonal changes, your <i>production</i> over the past six months has	<ul style="list-style-type: none"> • Increased Significantly • Increased Moderately • Remained Unchanged • Declined Moderately • Declined Significantly
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the past six months has	<ul style="list-style-type: none"> • Increased Significantly • Increased Moderately • Remained Unchanged • Declined Moderately • Declined Significantly
Expected Business Confidence Index	- You expect the general <i>economic conditions</i> in the country in the next six months to	<ul style="list-style-type: none"> • Improve Significantly • Improve Moderately • Remain unchanged • Deteriorate Moderately • Deteriorate Significantly
	- Excluding normal seasonal changes, you expect your <i>production</i> in the next six months to	<ul style="list-style-type: none"> • Increase Significantly • Increase Moderately • Remain Unchanged • Decline Moderately • Decline Significantly
	- Excluding normal seasonal changes, you expect the <i>total number of employees</i> at your firm in the next six months to	<ul style="list-style-type: none"> • Increase Significantly • Increase Moderately • Remain Unchanged • Decline Moderately • Decline Significantly
Business Confidence Index	- The general <i>economic conditions</i> in the country over the past six months have	<ul style="list-style-type: none"> • Improved Significantly • Improved Moderately • Remained unchanged • Deteriorated Moderately • Deteriorated Significantly

	- You expect the general <i>economic conditions</i> in the country in the next six months to	<ul style="list-style-type: none"> • Improve Significantly • Improve Moderately • Remain unchanged • Deteriorate Moderately • Deteriorate Significantly
	- Excluding normal seasonal changes, your <i>production</i> over the past six months has	<ul style="list-style-type: none"> • Increased Significantly • Increased Moderately • Remained Unchanged • Declined Moderately • Declined Significantly
	- Excluding normal seasonal changes, you expect your <i>production</i> in the next six months to	<ul style="list-style-type: none"> • Increase Significantly • Increase Moderately • Remain Unchanged • Decline Moderately • Decline Significantly
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the past six months has	<ul style="list-style-type: none"> • Increased Significantly • Increased Moderately • Remained Unchanged • Declined Moderately • Declined Significantly
	- Excluding normal seasonal changes, you expect the <i>total number of employees</i> at your firm in the next six months to	<ul style="list-style-type: none"> • Increase Significantly • Increase Moderately • Remain Unchanged • Decline Moderately • Decline Significantly
Purchasing Manager Index (for Industry sector only)	- Excluding normal seasonal changes, your <i>production</i> over the past six months has	<ul style="list-style-type: none"> • Increased Significantly • Increased Moderately • Remained Unchanged • Declined Moderately • Declined Significantly
	- Excluding normal seasonal changes, the <i>total number of employees</i> at your firm over the past six months has	<ul style="list-style-type: none"> • Increased Significantly • Increased Moderately • Remained Unchanged • Declined Moderately • Declined Significantly
	- Excluding normal seasonal changes, your <i>total order books</i> over the past six months have	<ul style="list-style-type: none"> • Increased Significantly • Increased Moderately • Remained Unchanged • Decreased Moderately • Decreased Significantly

	<p>- In the past six months, the <i>quantity of raw material purchases</i> has</p>	<ul style="list-style-type: none"> • Increased significantly • Increased moderately • Remained unchanged • Decreased moderately • Decreased significantly
	<p>- Average <i>supplier delivery times</i> over the past six months has</p>	<ul style="list-style-type: none"> • Increased significantly • Increased moderately • Remained unchanged • Decreased moderately • Decreased significantly