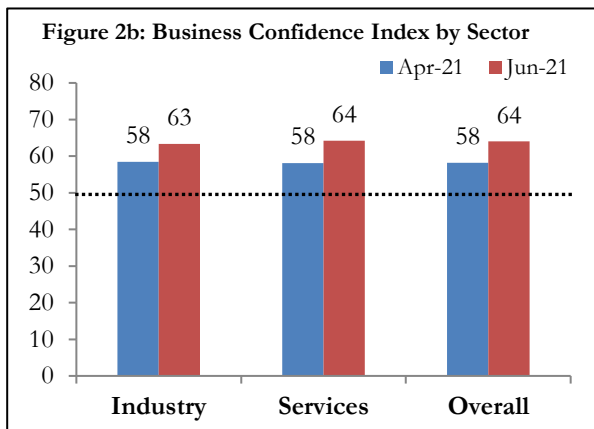
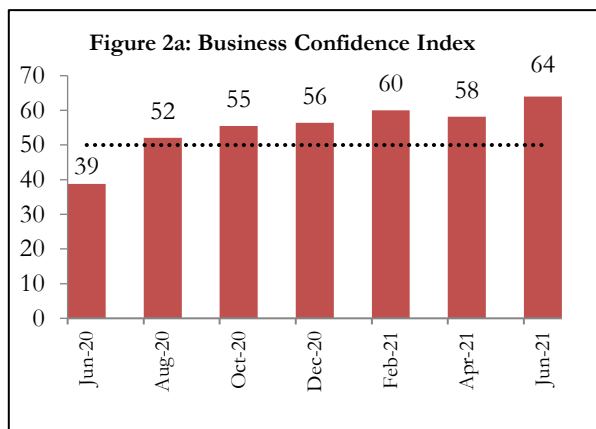
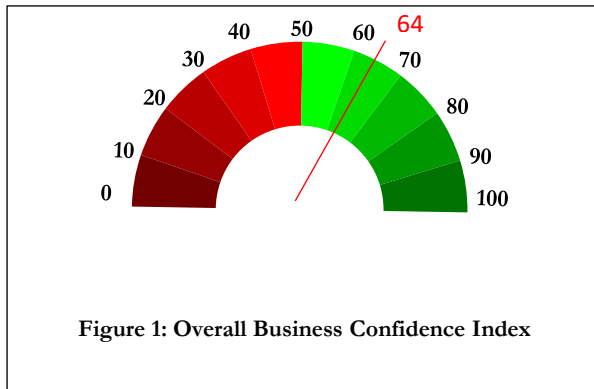


State Bank of Pakistan’s Business Confidence Survey* – June 2021

[23rd wave of Business Confidence Survey (BCS) was conducted in June 2021; with 469 firms surveyed]

Overall Business Confidence

A significant improvement observed in overall Business Confidence in June 2021 wave; Diffusion Index (BCI) reached its highest level since its inception. This is the sixth consecutive wave of BCI to be in the positive zone. The index increased by 6 points to 64 in June 2021 from 58 in April 2021 (**Figure 1 & 2a**). This increase in the index during current wave of BCS is supplemented by both (the industry and services) sectors (**Figure 2b**).

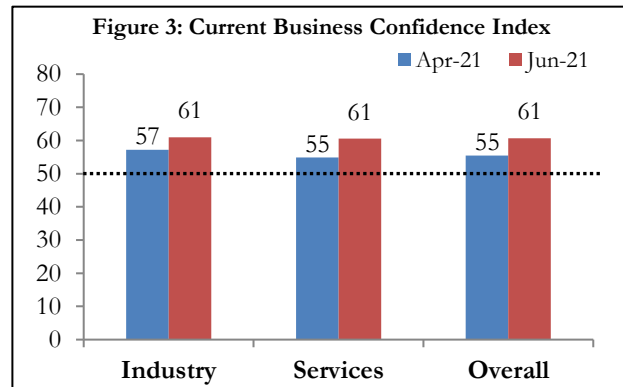


The views of respondents of BCS on account of current economic and business conditions continued to move into the positive zone for the 4th consecutive wave. As far as the expectations regarding economic and business conditions in the next six months are concerned, a significant increase was observed in the positive zone during the last six waves.

* SBP has been conducting the Business Confidence Survey (BCS) in collaboration with the Institute of Business Administration (IBA) since October 2017 at a bi-monthly frequency to obtain the views of senior managers of large companies in the industry and services sector. The survey provides information to SBP 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 SBP views or as an endorsement by SBP.

Current Business Confidence

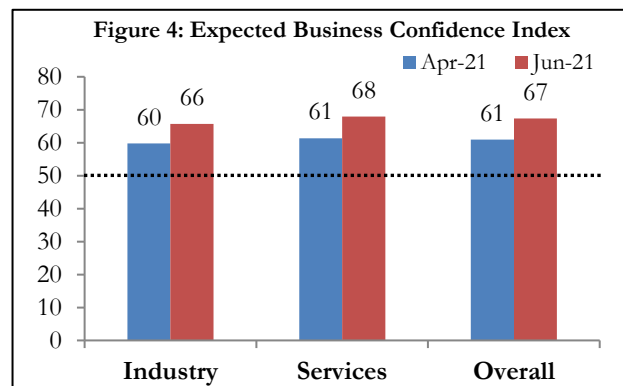
The Current Business Confidence Index (CBCI) reached highest level since its inception; increased by 6 points to 61 in June 2021 over April 2021 wave (**Figure 3**). This positive change in CBCI was led by both industry and services sectors. The industry sector CBCI increased by 4 points from 57 in April 2021 to 61 in the current wave. Similarly, the services sector confidence increased by 6 points from 55 in April 2021 to 61 in June 2021.



Looking at the disaggregation of responses (**Table 1**), there is a significant rise in positive views and a fall in negative views. The share of neutral views has decreased in the current wave.

	Very Positive	Positive	Neutral	Negative	Very Negative
Apr-21					
Industry	9.4	42.6	33.5	11.4	3.1
Services	9.0	39.8	37.9	10.6	2.6
Overall	9.2	41.2	35.7	11.0	2.9
Feb-21					
Industry	9.9	31.3	40.5	14.3	4.0
Services	7.2	31.4	37.6	21.1	2.6
Overall	8.6	31.4	39.1	17.7	3.3

The overall percentage share of positive and very positive views has increased by 10 points to 50 in June 2021 from 40 in April 2021. In contrast, the percentage share of negative and very negative opinions has decreased by 7 percent to 14 in June 2021 over the last wave.



The major factors for this increase in CBCI are; increase in the positive views of survey respondents about general economic conditions in the country, their production/sales, and increase in employment over the last six months.

Expected Business Confidence

The Expected Business Confidence Index (EBCI) also increased significantly in June 2021 and reached to its historical high level (67) (**Figure 4**).

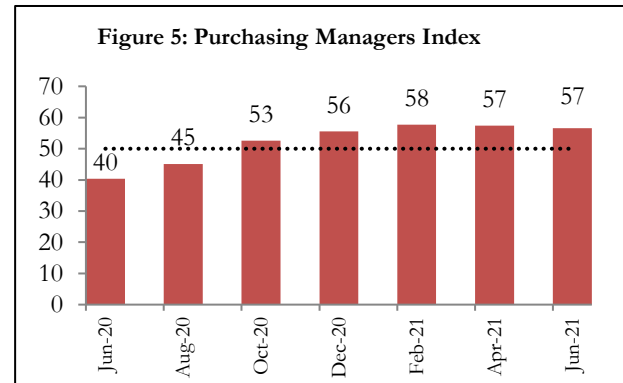
	Very Positive	Positive	Neutral	Negative	Very Negative
Apr-21					
Industry	9.9	51.0	32.5	5.1	1.5
Services	14.5	47.7	33.7	3.4	0.8
Overall	12.2	49.4	33.1	4.2	1.1
Feb-21					
Industry	8.9	37.0	41.1	10.4	2.7
Services	6.0	44.4	39.8	8.6	1.2
Overall	7.4	40.7	40.4	9.5	1.9

The disaggregation of EBCI results reveals an increase in positive views and a decrease in negative views during June 2021 wave (**Table 2**), while the neutral views decreased in the current wave.

The overall percentage share of positive views (positive plus very positive) has increased by 13 point to 62 in June 2021. Contrarily, the percentage share of negative views has decreased by 6 points in June 2021 to 5 percent in current wave.

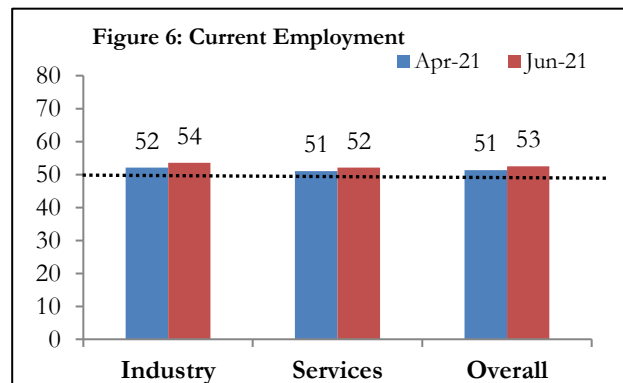
Purchasing Managers Index

Purchasing Managers Index (PMI) remain consistent during the last two waves of BCS; PMI remained same at the level of 57 in June 2021 (**Figure 5**). This unchanged PMI constituted by stability in the firm’s business activities, firm’s total orders booked in the recent wave, and improvement in employment. However, the gain in employment is offset by decline in quantity of raw material purchases and supplier delivery times.

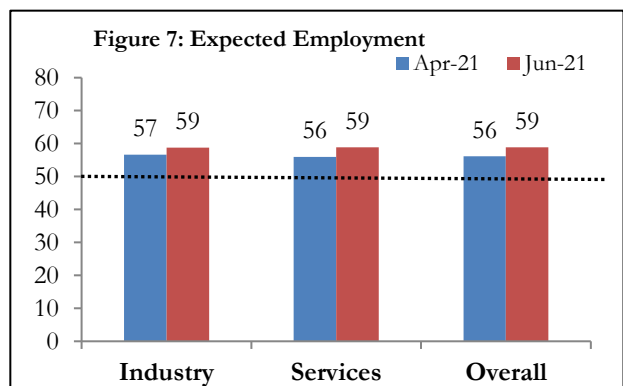


Employment

The current employment diffusion index improved by 2 points to 53 in the current wave (**Figure 6**). The improvement in current employment is contributed by both sectors (industry and services). The industry sector increased from 52 in April 2021 to 54 in the current wave. Similarly, the services sector improved by 1 point to 52 in June 2021 from 51 in April 2021.

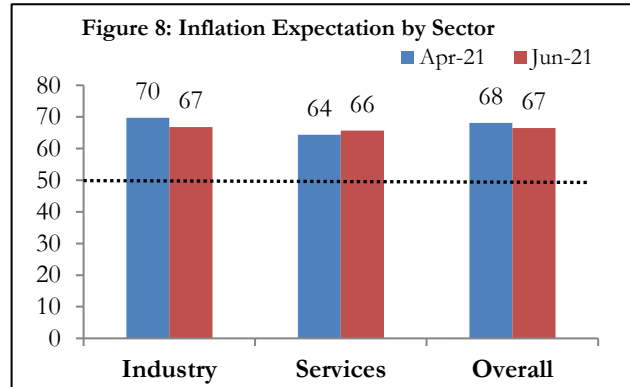


Likewise, expected employment diffusion index also improved by 3 points to 59 in June 2021. The improvement in expected employment index is shared by both sectors (industry and services). Employment in industry sector increased by 2 points to 59 in current BCS wave, while the employment in services sector increased from 56 to 59 in June 2021(**Figure 7**).



Inflation

Overall inflation expectations eased by 1 points from 68 in April 2021 to 67 in June 2021; however the index is still significantly higher than the threshold. Sector wise inflation expectations reveals that respondents from industry sector are expecting inflation to ease slightly but services sector is expecting inflation on higher side in the latest wave over the previous wave. Inflation expectation of industry sector decreased by 3 points to 67 in current wave while service sector respondents see a surge of 2 points to 66 in June 2021 (**Figure 8**).



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

On the basis of 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 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