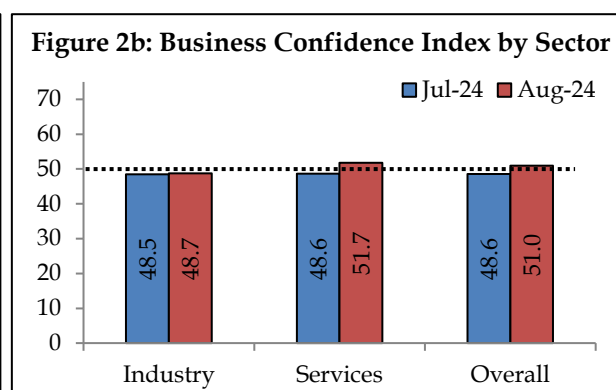
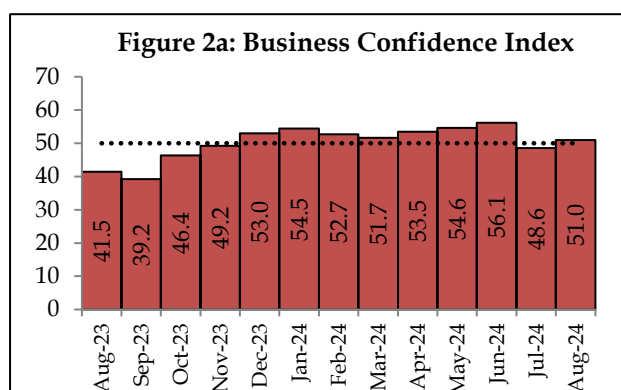
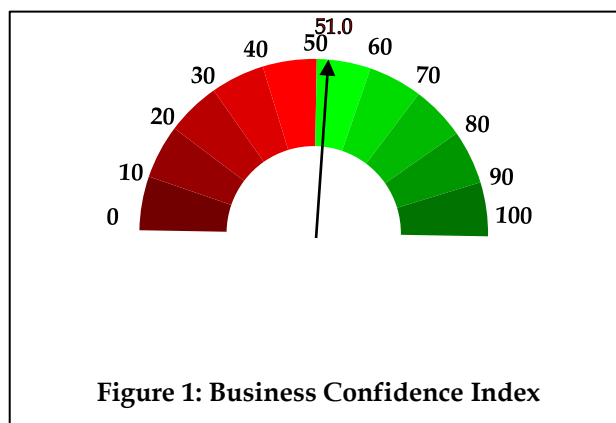


Business Confidence Survey (BCS)* - August 2024 (51th Wave)

[The current wave of BCS conducted from August 1-12, 2024; with 533 firms surveyed]

Business Confidence

The Business Confidence Index (BCI) improved by 2.4 points to 51.0 in August 2024 (**Figure 1 & 2a**). This increase was primarily driven by the Services sector, although the Industry sector also showed some improvement. Specifically, the BCI for the Services sector increased by 3.1 points to 51.7, while the Industry sector's BCI recorded an increase of 0.2 points, reaching 48.7 (**Figure 2b**).



The respondents' confidence on account of current as well as expected business conditions increased in August 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 2.9 points to 49.4 in August 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 0.6 points to 47.1 while that of the Services sector increased by 3.7 points to 50.2.

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

Overall positive (positive and very positive) views increased by 2.8 percent to 29.2 percent while the neutral views increased by 1.7 percent to 38.4 in August 2024. On the other hand, share of negative views (negative and very negative) decreased by 4.5 percent to 32.4 percent in the current wave.

Expected Business Confidence

The Expected Business Confidence Index (EBCI) increased by 2.0 points to 52.6 in August 2024 (**Figure 4**). The Services sector mainly contributed to this change. The EBCI of Services sector increased by 2.6 points to 53.3, while that for Industry sector decreased slightly by 0.1 points to 50.4 in the current wave.

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

The share of positive views (positive and very positive) increased by 0.6 percent to 31.8 percent and that of neutral views increased by 4.1 percent to 45.1 percent in the current wave. On the other hand, share of negative views decreased by 4.6 percent to 23.2 percent in August 2024.

Figure 3: Current Business Confidence Index

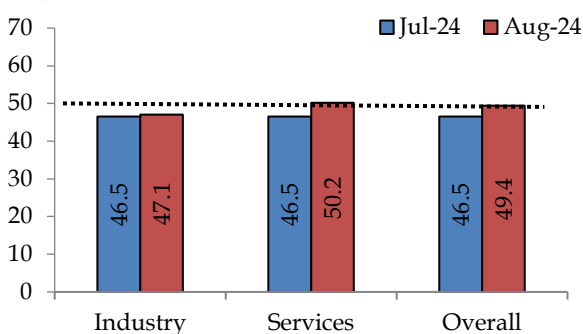


Table 1: CBCI - Distribution of Responses (%)

	Very Positive	Positive	Neutral	Negative	Very Negative
Aug-24					
Industry	0.8	23.8	42.0	29.8	3.6
Services	0.9	33.0	34.8	28.6	2.7
Overall	0.8	28.4	38.4	29.2	3.2
	29.2		38.4	32.4	
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	

Figure 4: Expected Business Confidence Index

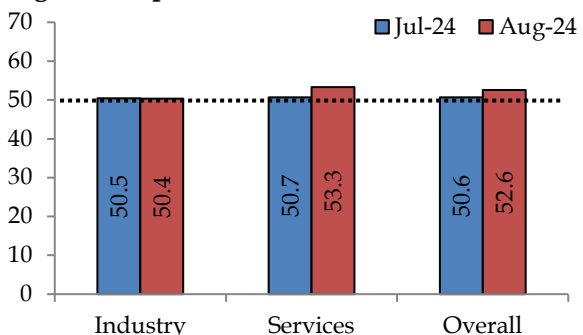


Table 2: EBCI - Distribution of Responses (%)

	Very Positive	Positive	Neutral	Negative	Very Negative
Aug-24					
Industry	0.6	26.3	48.7	22.8	1.6
Services	0.9	35.7	41.4	19.6	2.4
Overall	0.7	31.0	45.1	21.2	2.0
	31.8		45.1	23.2	
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	

Purchasing Managers Index (PMI)

The PMI remained same at 50.1 (**Figure 5**) in the current wave.

The PMI's disaggregation shows decrease in the indices of three out of its five components. The firms' business activities decreased by 0.8 points followed by quantity of raw material purchases (by 0.5 points) and average supplier delivery times (by 0.2 points). On the other hand, total number of employees and total orders booked improved by 1.3 and 0.2 points respectively in August 2024.

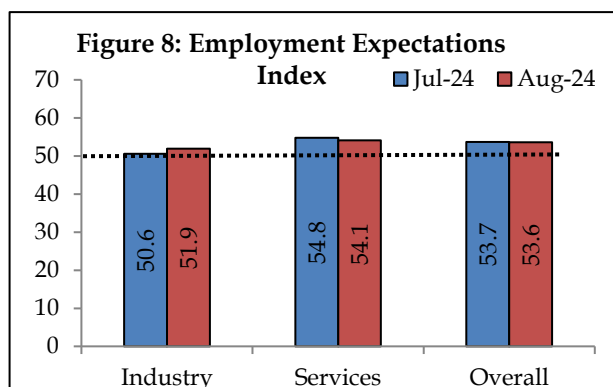
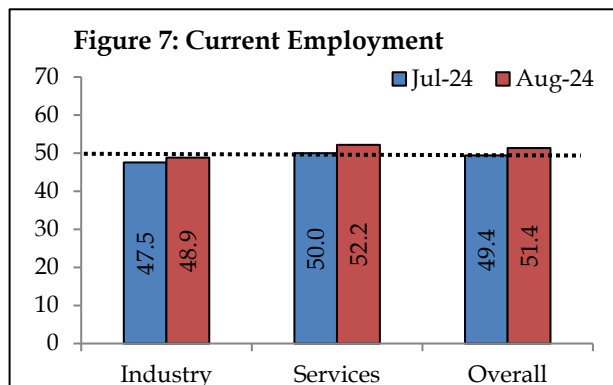
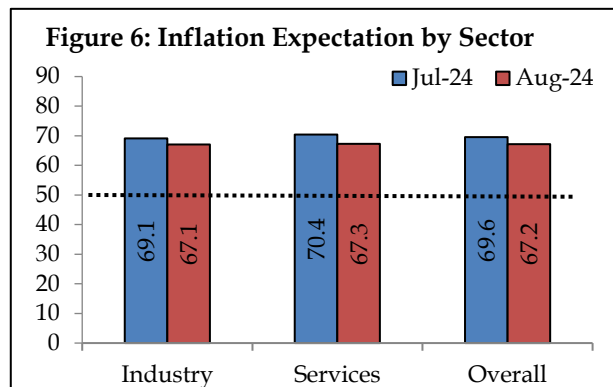
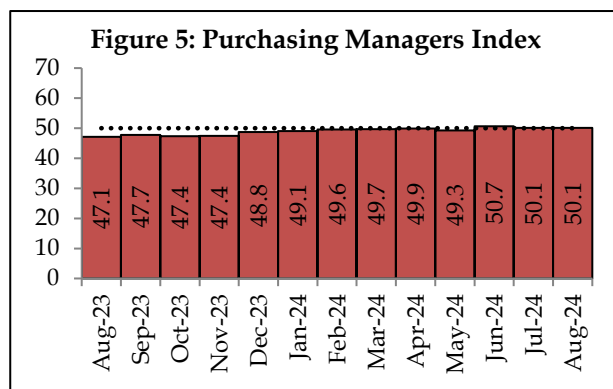
Inflation Expectations

The Inflation Expectations (IE) of businesses decreased by 2.4 points to 67.2 in August 2024. This increase is driven by both the Industry and the Services sector. The Inflation Expectations of the Industry sector decreased by 2.0 points to 67.1 and that of the Services sector decreased by 3.1 points to 67.3 (**Figure 6**).

Employment

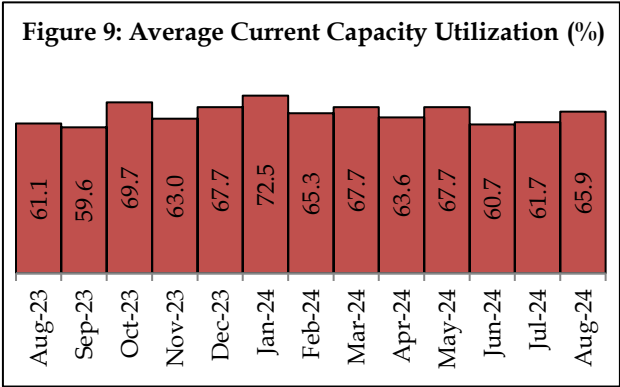
The overall Current Employment Index increased by 2.0 points to 51.4 in the current wave (**Figure 7**). This increase was contributed by both the Industry and the Services sectors, which increased by 1.4 and 2.2 points respectively.

The overall Expected Employment Index decreased slightly by 0.1 points to 53.6 in August 2024. Expected Employment Index for the Industry sector improved by 1.3 points to 51.9 in the current wave, while that for Services sector decreased by 0.7 points to 54.1. (**Figure 8**).



Capacity Utilization

The Average Current Capacity Utilization (ACCU)¹ of the Manufacturing sector (within the Industry sector) increased by 4.2 percent to 65.9 percent in August 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