

Business Confidence Survey (BCS)* - September 2024 (52nd Wave)

[The current wave of BCS conducted from September 2-12, 2024; with 533 firms surveyed]

Business Confidence

The Business Confidence Index (BCI) decreased by 1.0 points to 50.0 in September 2024 (**Figure 1 & 2a**). This decrease was driven by both the Industry and the Services sectors. Specifically, the BCI for the Industry sector decreased by 0.6 points to 48.1 while the Services sector confidence decreased by 1.0 points to 50.7 (**Figure 2b**).

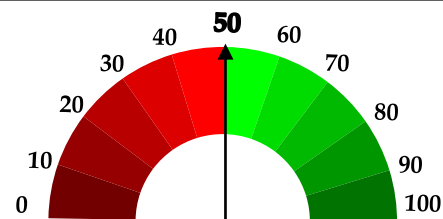
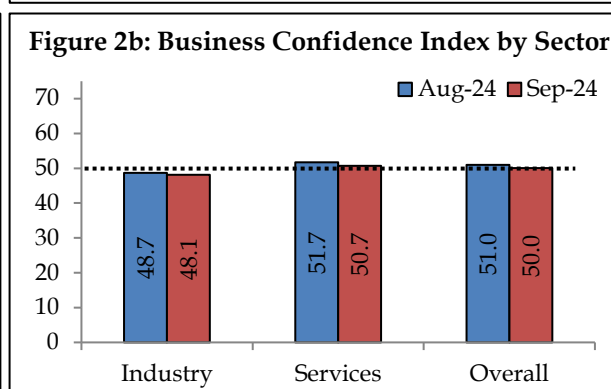
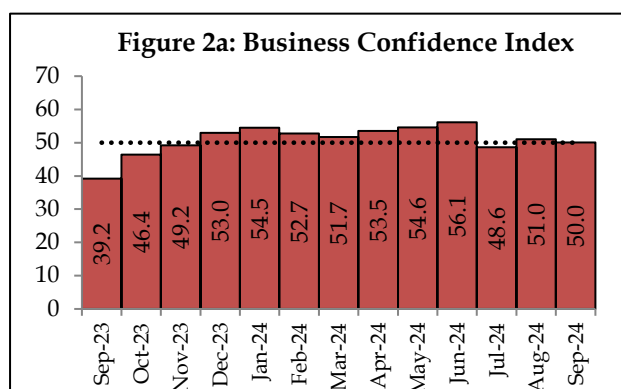


Figure 1: Business Confidence Index



The respondents' confidence on account of current as well as expected business conditions decreased in September 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 by 1.6 points to 47.8 in September 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 decreased by 0.8 points to 46.3 while that of the Services sector decreased by 1.8 points to 48.4.

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

Overall positive (positive and very positive) views decreased by 4.3 percent to 24.9 percent. On the other hand, share of negative views (negative and very negative) increased by 0.8 percent to 33.2 percent, while the neutral views increased by 3.5 percent to 41.9 in September 2024 wave.

Expected Business Confidence

The Expected Business Confidence Index (EBCI) decreased by 0.3 points to 52.3 in September 2024 (**Figure 4**). Both the Industry and the Services sector contributed to this change. The EBCI of the Industry sector decreased by 0.4 points to 50.0 in the current wave, while the Services sector confidence decreased by 0.3 points to 53.0.

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

The share of positive views (positive and very positive) decreased by 0.7 percent to 31.1 percent and in the current wave. On the other hand, share of negative views increased by 0.7 percent to 23.9 percent in September 2024.

Figure 3: Current Business Confidence Index

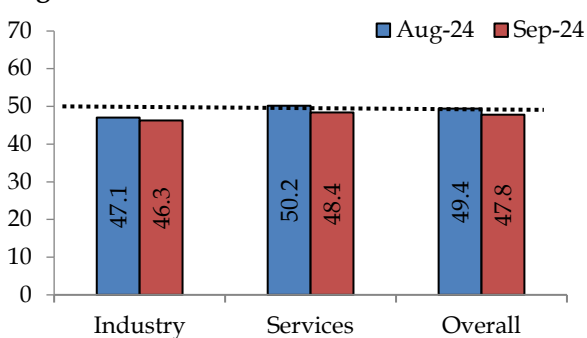


Table 1: CBCI - Distribution of Responses (%)

	Very Positive	Positive	Neutral	Negative	Very Negative
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	
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	

Figure 4: Expected Business Confidence Index

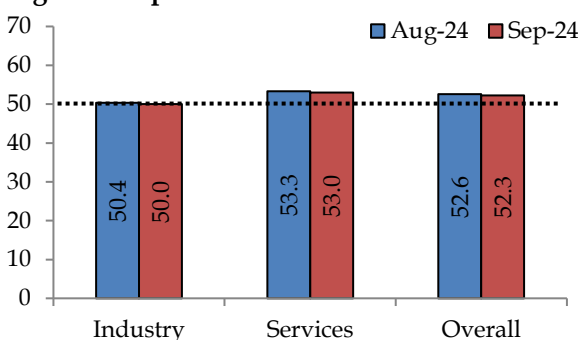


Table 2: EBCI - Distribution of Responses (%)

	Very Positive	Positive	Neutral	Negative	Very Negative
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	
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	

Purchasing Managers Index (PMI)

The PMI decreased by 0.8 points to 49.3 (**Figure 5**) in the current wave.

The PMI's disaggregation shows decrease in the indices of four out of its five components. The firms' business activities decreased by 2.9 points followed by total orders booked (by 1.4 points), quantity of raw material purchases (by 1.3 points) and total number of employees (by 0.6 points). On the other hand, average supplier delivery times improved by 2.5 points in September 2024.

Inflation Expectations

The Inflation Expectations (IE) of businesses decreased substantially by 6.2 points to 61.0 in September 2024. This decrease is driven by both the Industry and the Services sectors. The Inflation Expectations of the Industry sector decreased by 5.0 points to 62.1 and that of the Services sector decreased by 8.0 points to 59.3 (**Figure 6**).

Employment

The overall Current Employment Index decreased by 1.1 points to 50.3 in the current wave (**Figure 7**). This decrease was contributed by both the Industry and the Services sectors, which decreased by 0.7 and 1.2 points respectively.

The overall Expected Employment Index decreased by 1.9 points to 51.7 in September 2024. Expected Employment Index for the Industry sector decreased by 2.0 points to 49.9 in the current wave, while that for the Services sector decreased by 1.7 points to 52.4 (**Figure 8**).

Figure 5: Purchasing Managers Index

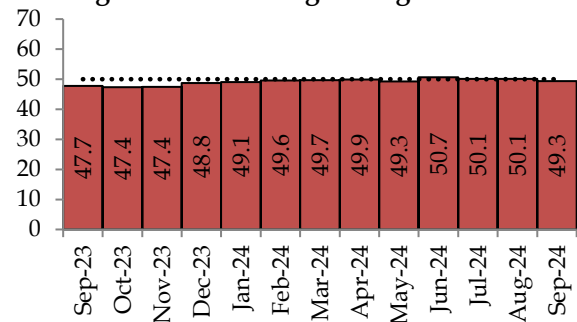


Figure 6: Inflation Expectation by Sector

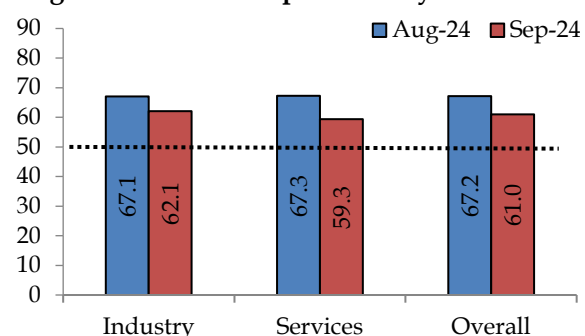


Figure 7: Current Employment

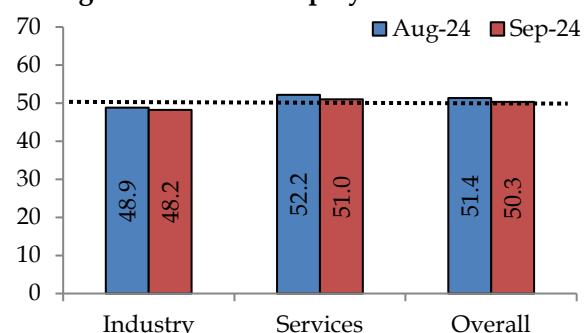
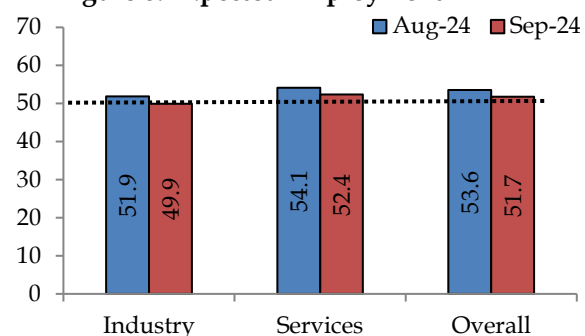
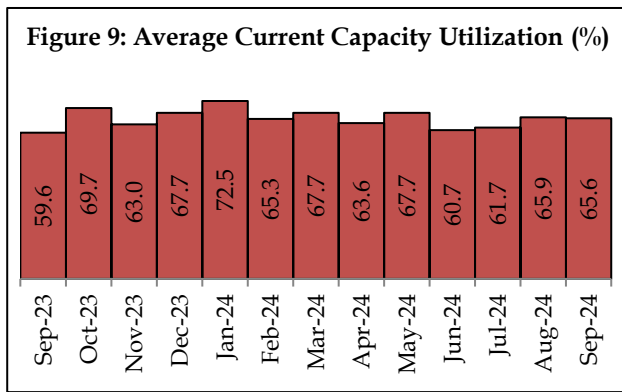


Figure 8: Expected Employment



Capacity Utilization

The Average Current Capacity Utilization (ACCU)¹ of the Manufacturing sector (within the Industry sector) decreased by 0.3 percent to 65.6 percent in September 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