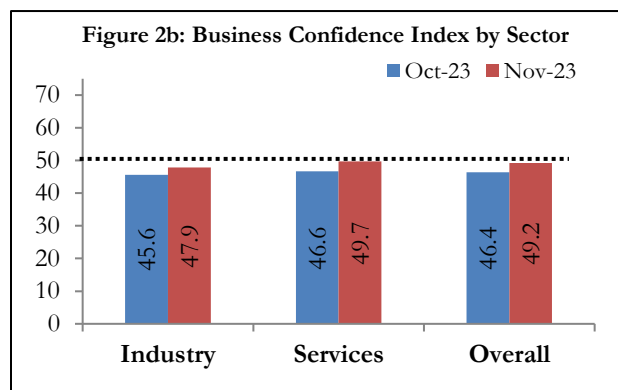
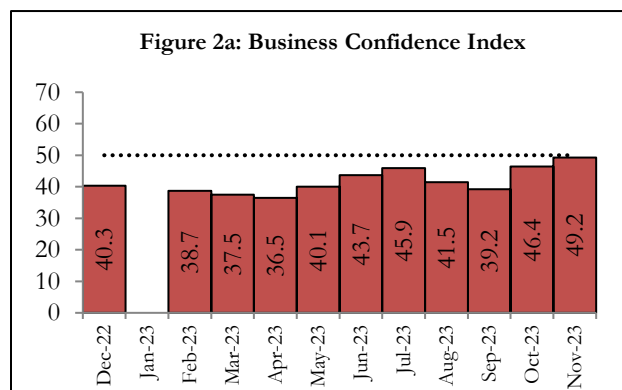
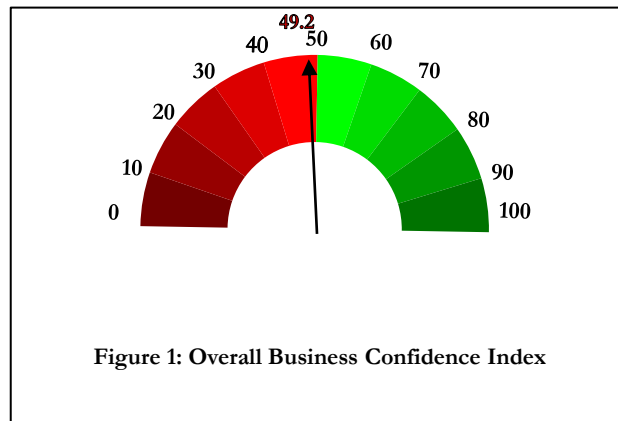


## Business Confidence Survey (BCS)\* – November 2023 (42<sup>nd</sup> Wave)

[The current wave of BCS conducted during November 01-14, 2023; with 417 firms surveyed]

### Overall Business Confidence

Business Confidence Index (BCI) improved by 2.8 points to 49.2 in November 2023; the highest level since April 2022 when it was recorded at 55.2 (**Figure 1 & 2a**). This increase is contributed by both the Industry and Services sectors, which improved by 2.3 and 3.1 points respectively in November 2023 (**Figure 2b**).



The respondents' confidence on account of current as well as expected business conditions also improved in November 2023.

\* 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

Current Business Confidence Index (CBCI) increased significantly by 5.2 points to 46.3 in November 2023 over the previous wave (**Figure 3**). Services sector is the major contributor for the increase in CBCI for the current wave, which increased by 6.0 points to 47.1 in the current wave. However, the Industry sector CBCI increased by 2.7 points to 43.9 in the current wave.

The disaggregation of responses shows an increase in the positive views, while the negative views decreased in the current wave (**Table 1**).

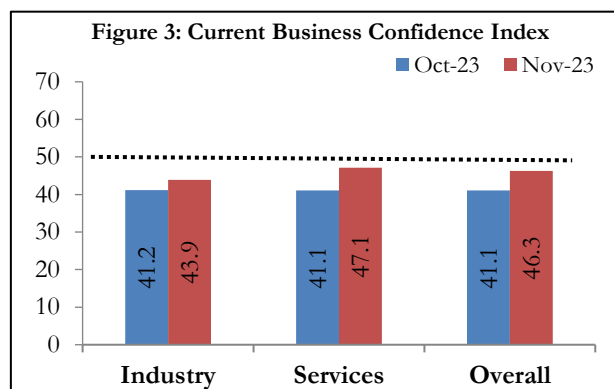
Overall percentage share of positive views (both positive and very positive) increased by 6.9 percent to 25.4 percent in the current wave. On the other hand, negative views (negative and very negative) decreased by 6.8 percent to 36.8 percent in the current wave from 43.6 percent in the previous wave.

## Expected Business Confidence

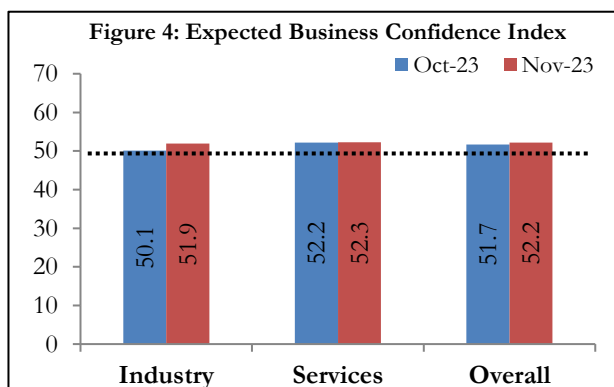
The Expected Business Confidence Index (EBCI) improved slightly by 0.5 points to 52.2 in November 2023 (**Figure 4**). Both Industry and Services sectors were the contributors for this change whose EBCI increased by 1.8 and 0.1 points respectively in current wave.

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

Overall percentage share of positive views (positive and very positive) increased by 3.1 percent to 33.6 percent. On the other hand, the share of neutral views decreased by 0.7 percent to 43.3 percent in November 2023 while negative views decreased by 2.4 percent to 23.1 percent in the current wave.



	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Nov-23</b>					
Industry	1.6	20.2	39.8	28.8	9.5
Services	4.3	24.7	35.8	25.4	9.8
Overall	3.0	22.4	37.8	27.1	9.6
	25.4		37.8	36.8	
<b>Oct-23</b>					
Industry	2.6	14.5	38.6	33.4	10.9
Services	3.0	16.8	37.2	27.6	15.4
Overall	2.8	15.7	37.9	30.5	13.2
	18.5		37.9	43.6	



	Very Positive	Positive	Neutral	Negative	Very Negative
<b>Nov-23</b>					
Industry	3.8	29.0	43.2	18.9	5.1
Services	2.5	31.8	43.4	16.8	5.4
Overall	3.2	30.4	43.3	17.9	5.3
	33.6		43.3	23.1	
<b>Oct-23</b>					
Industry	4.1	23.7	44.5	23.7	3.9
Services	3.9	29.3	43.5	18.3	5.0
Overall	4.0	26.5	44.0	21.0	4.5
	30.5		44.0	25.5	

## Purchasing Managers Index

Purchasing Managers Index (PMI) remained same at 47.4 in November 2023 (**Figure 5**). It is pertinent to mention here that PMI was last seen in the positive zone in June 2022.

PMI's disaggregation shows deterioration in indices of three out of its five components in November 2023. The highest decrease of 2.1 points was observed in the *quantity of raw material purchases* followed by *total number of employees* (-1.0) and *total orders booked* (-0.1). On the other hand, *firms' business activities* increased by 1.3 points and *average supplier delivery times* by 2.2 points in the current wave of the survey.

## Inflation Expectations

Inflation Expectations (IE) further decreased by 1.3 points from previous wave and reached to 62.2 in November 2023; the lowest level since December 2020 when it was recorded at 61.6. Both the Industry and the Services sectors contributed to the decrease in overall IE. The Services sector's inflation expectations decreased by 3.7 points in the current wave while the Industry sector witnessed a decrease of 0.1 points (**Figure 6**).

## Employment

The Current Employment Index decreased by 1.1 points to 45.5 in the current survey wave (**Figure 7**) on account of decrease in the Industry as well as the Services sectors. The Current Employment Index for the Industry sector decreased by 1.0 points in November 2023 from the previous wave. The Services sector's Current Employment Index decreased by 1.1 points to 45.2 in November 2023 over the previous wave.

The Expected Employment Index decreased by 1.3 points to 51.4 in the current wave. The decrease is contributed by both the Industry and the Services sector. The Industry sector recorded a decrease of 0.4 points in November 2023, while the Services Sector's Expected Employment Index decreased by 1.6 points in the current wave (**Figure 8**).

Figure 5: Purchasing Managers Index

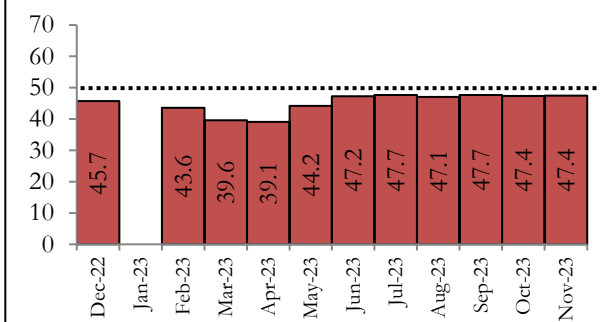


Figure 6: Inflation Expectations by Sector

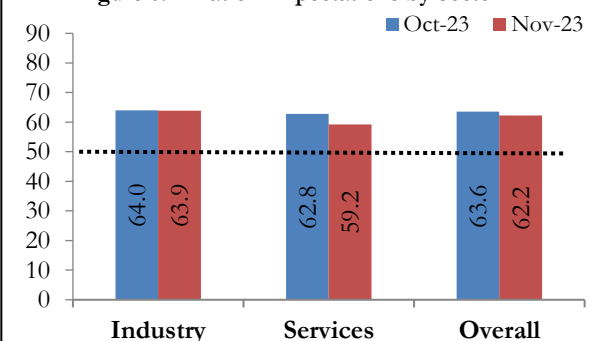


Figure 7: Current Employment Index

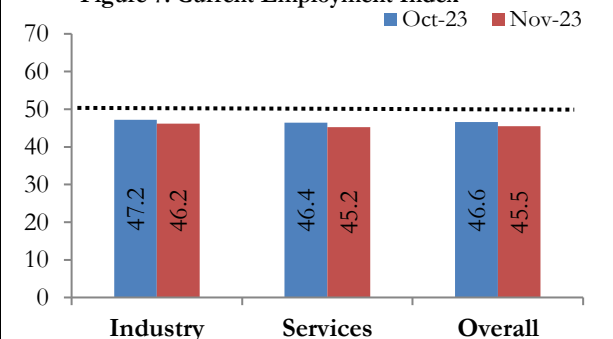
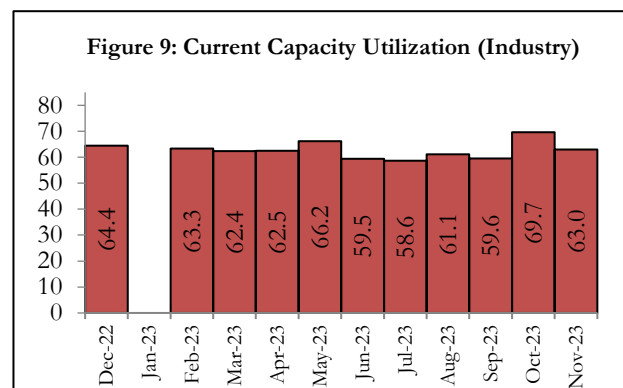


Figure 8: Expected Employment Index



## Capacity Utilization

Average Current Capacity Utilization (ACCU)<sup>1</sup> of manufacturing sector (within Industry sector) decreased by 6.7 percent to 63.0 in November 2023.



<sup>1</sup> ACCU measures percentage of total capacity being utilized by Industry 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
<b>Current Business Confidence Index</b>	- 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
<b>Expected Business Confidence Index</b>	- 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
<b>Business Confidence Index</b>	- 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
<b>Purchasing Manager Index</b> (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