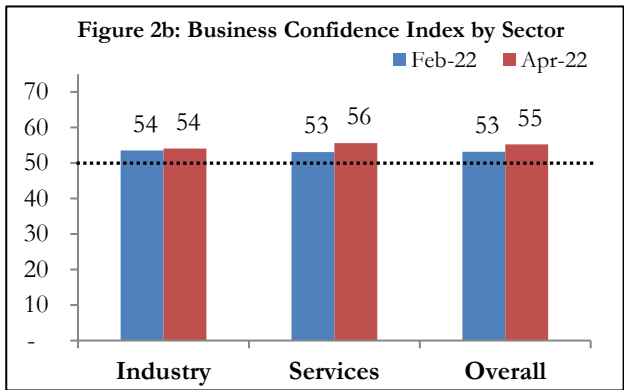
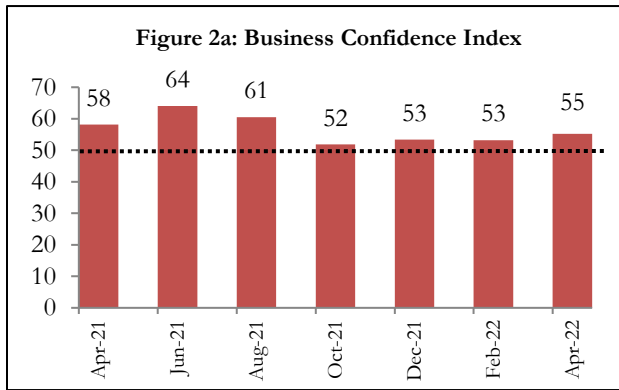
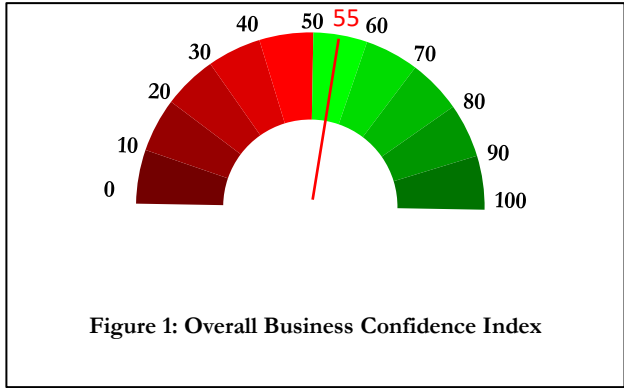


State Bank of Pakistan’s Business Confidence Survey* – April 2022

[28th wave of Business Confidence Survey (BCS) conducted from 18 Apr 2022 to 23 Apr 2022; with 539 firms surveyed]

Overall Business Confidence

Business Confidence Index (BCI) has continued to remain in positive zone since August 2020 and it improved in the latest wave by two points to 55. **(Figure 1 & 2a)**. The improvement in BCI mainly contributed by services sector, while industry sector remained same at 54 as in the last wave **(Figure 2b)**.



The views of BCS respondents on account of current as well as expected economic & business conditions improved in April 2022.

* 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

Current Business Confidence Index (CBCI) increased by 2 points to 53 in April 2022 from 51 in February 2022 (**Figure 3**). The improvement in CBCI during February 2022 can be attributed to increase in CBCI for both the industry and services sectors. The industry sector CBCI improved from 51 to 52 in April 2022 while the services sector confidence increased by 3 points to 54 in April 2022 from 51 in the last wave.

The disaggregation of responses (**Table 1**) show a movement from negative to positive views and the share of neutral views increased in the current wave.

The overall percentage share of positive and very positive views has increased by 3 points to 36 in April 2022 over the last wave. Contrarily, the percentage share of negative and very negative views has decreased by 6 points to 23 in April 2022 from 29 in the last wave.

The major contribution for this increase in CBCI is an increase in the positive views of survey respondents about general economic conditions in the country, their business activity, and employment level over the past six months.

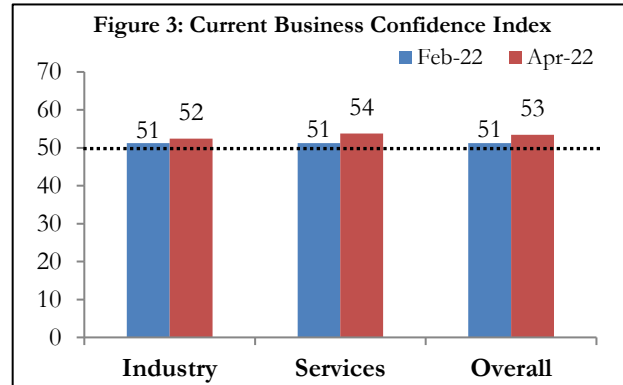
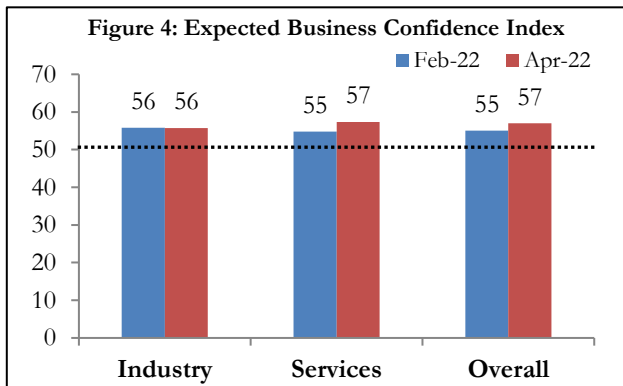


Table 1: Current Business Confidence (% Share)

	Very Positive	Positive	Neutral	Negative	Very Negative
Apr-22					
Industry	5.5	28.0	42.8	18.1	5.6
Services	4.1	34.3	38.9	18.2	4.6
Overall	4.8	31.1	40.8	18.2	5.1
Feb-22					
Industry	6.2	26.6	37.8	24.8	4.6
Services	5.8	27.3	37.3	25.3	4.3
Overall	6.0	27.0	37.6	25.0	4.5



Expected Business Confidence

The Expected Business Confidence Index (EBCI) has also remained within positive zone since August 2020; improved in April 2022. EBCI increased by 2 points from 55 in February 2022 to 57 in April 2022 (**Figure 4**), largely contributed by services sector.

The disaggregation of EBCI shows an improvement in positive views (**Table 2**), while the negative views decreased in the current wave.

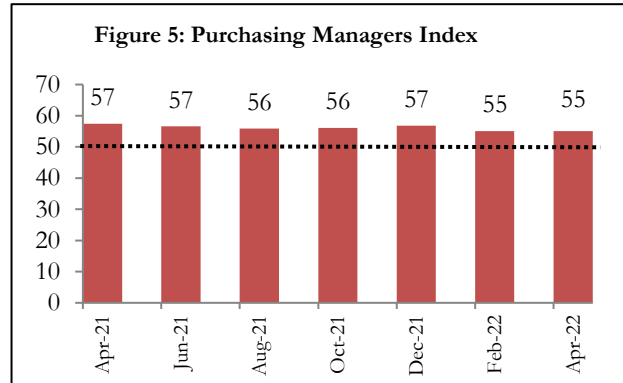
Table 2: Expected Business Confidence (% Share)

	Very Positive	Positive	Neutral	Negative	Very Negative
Apr-22					
Industry	6.1	32.2	42.9	16.2	2.6
Services	3.5	40.5	40.1	13.6	2.2
Overall	4.8	36.4	41.5	14.9	2.4
Feb-22					
Industry	7.5	30.6	42.6	16.4	3.0
Services	5.6	33.1	39.3	18.7	3.2
Overall	6.5	31.9	41.0	17.6	3.1

The overall percentage share of positive views (positive plus very positive) has increased by 3 points to 41 in April 2022 and the percentage share of negative views has decreased by 3 points to 17 in the current wave.

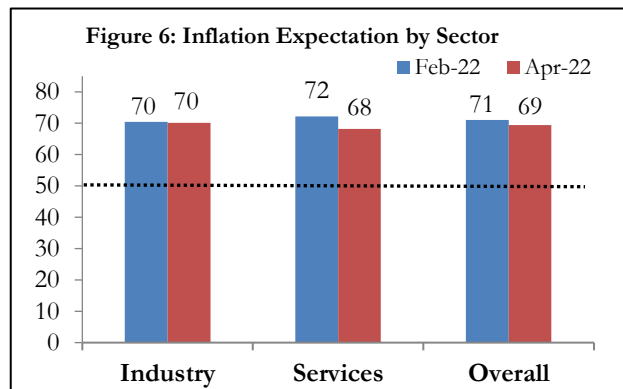
Purchasing Managers Index

Purchasing Managers Index (PMI) has remained same; within the positive zone since October 2020. PMI was at 55 in April 2022 (**Figure 5**). PMI's disaggregation shows improvement in the indices of its two out of five components. Indices for Firms' production and total number of employees have improved while the indices for quantity of raw material purchases, total orders booked, and supplier delivery times have decreased in the current wave.



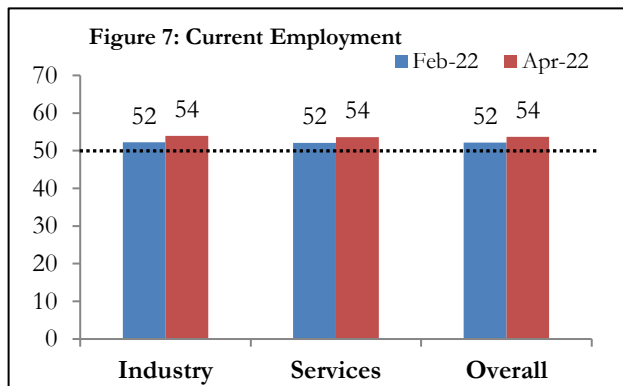
Inflation Expectations

Overall inflation expectations of businesses index decreased by two points to 69 in April 2022, (lowest level since August 2021). This decrease in inflation expectations contributed by services sector. Inflation expectation index of services sector decreased by 4 points to 68 in April 2022 wave, whereas industry sector's inflation expectations index remained unchanged at 70 in the same period (**Figure 6**).

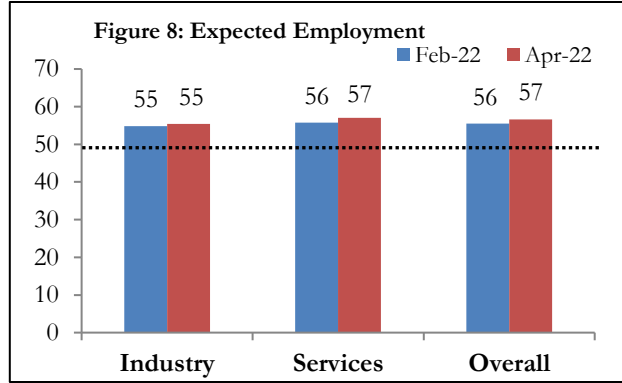


Employment

The overall current employment diffusion index increased by two points to 54 in April 2022 over the last wave (**Figure 7**), contributed by increase in both the industry and services sector. The index for industry sector increased from 52 in February 2022 to 54 in the current wave. Similarly, services sector employment improved by two points to 54 in the latest wave from 52 in the last wave.

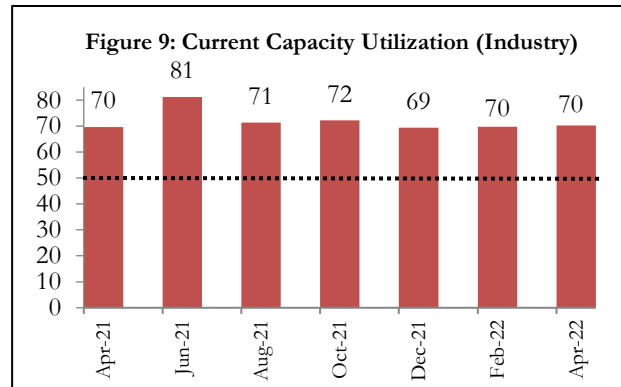


Expected employment diffusion index increased by 1 point to 57 in April 2022. This increase was mainly contributed by services sectors. Expected employment index for industry sector remained same at 55 in the current wave. However, services sector index increased (by 1 point) to 57 in April 2022 (Figure 8).



Capacity Utilization

Average Current Capacity Utilization (ACCU) measures percentage of total capacity being utilized by industry sector. ACCU remained same at 70 percent during the latest wave of BCS.



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 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