



Business confidence surpasses pre-crisis level, rises 21% in Oct

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Chennai Business confidence in India has surpassed the level that prevailed before the financial crisis that seized economic growth prospects, according to the latest National Council of Applied Economic Research (NCAER), MasterCard Worldwide Index of Business Confidence.

The Business Confidence Index (BCI) reported a sharp rise of 21%, with a rating of 143.7 points in October 2009, compared to 118.6 points in July 2009. BCI ratings in April 2009 were at their lowest, at 81.6 points, after the global financial crisis hit world economies. Previous data reflects a trend of BCI ratings rising in October, a period of increased sales due to the festive season in India. In the October survey of 2008, this pattern was broken for the first time due to the effects of the global financial crisis on Indian markets.

The BCI has captured improvement in sentiment across all four indicators in October 2009 as compared to the perceptions held in the previous quarter. The overall optimism reflected in the positive response to the question of "overall economic conditions six months from now" has been accompanied by an assessment of other indicators such as "financial position of the firm in the next six months" and current levels of "capacity utilisation". The other overall indicator, "investment climate", also revealed significantly higher ratings in September as compared to July 2009.

The improvement in business sentiment based on the four components has been observed across all four regions in India (north, south, east and west) in the present round of the survey. The maximum rise has been seen in North (155 from 111 points), followed by South (135 from 114 points) and East (159 from 134 points). The western region, however, showed a marginal rise (125.7 from 119 points) and this is due to the percentage of respondents seeing improvements in overall economic conditions over the next six months dropping slightly as compared to July 2009.

BCI ratings for larger firms increased by a larger proportion when compared to the smallest size category, suggesting a return to an increasingly stable outlook for business conditions after the fairly uncertain conditions of the second half of 2008-09. BCI ratings also increased in all four types of ownership considered—public limited, private limited, individually-owned and public sector.

While the period of October 2008-March 2009 reflected a sharp decline in overall demand, the current survey also gauged the impact felt at the firm level. The survey focused on exports, investments and domestic sales and the findings revealed that the adverse impact is greater on investments than on exports or domestic sales. The responses also indicate that the adverse impact is less widely expected in 2009-10 in comparison to 2008-09.

The Political Confidence Index (PCI) ratings witnessed a marginal decline of 3.96%, having decreased to 144.4 points in October 2009 from 150.4 points in July 2009. PCI ratings in July 2009 were at an all-time peak as India had just concluded general elections which had resulted in a clearer mandate than expected. As such, a decline from July's ratings was not entirely unexpected.

The PCI survey is based on eight indicators relating to managing overall economic growth, managing government finance, managing inflation, managing unemployment, managing exchange rate, managing conducive political climate, external trade negotiations (both bilateral/multilateral) and pushing the economic reforms forward. Of the eight components, the survey reveals that managing inflation and unemployment are the two indicators that continue to see further gains in October 2009. The remaining six components reflected a decline in ratings when compared to July's ratings.

The sustained high levels of PCI ratings are representative of enhanced levels of confidence of the business sector in economic policies. Given the continuing weakness in global markets, strong business confidence in national economic policies implies that commercial policies will be much more aligned with domestic economic policy directions.

TV Seshadri, vice-president and country general manager, South Asia, MasterCard Worldwide, said, "MasterCard has collaborated with NCAER for the first time this year for a comprehensive and increasingly relevant study, which shows that business confidence is back on track in India. The sharp rise in the BCI indicates that there is optimism about an improvement in the overall economic conditions and investment climate over the next six months."