

Business Confidence Index continues to soar: NCAER - MasterCard Worldwide Index

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The current Business Confidence Index (BCI) rating of 153.8 points, compared to the October 2009 rating of 143.7 points and July 2009 rating of 118.6 points, is also the highest rating recorded since January 2008 (154 points).

Business confidence levels in India have exceeded the October 2009 levels by 7.03 per cent, according to the latest NCAER (National Council of Applied Economic Research) - MasterCard Worldwide Index of Business Confidence. The current Business Confidence Index (BCI) rating of 153.8 points, compared to the October 2009 rating of 143.7 points and July 2009 rating of 118.6 points, is also the highest rating recorded since January 2008 (154 points).

Now in its 71st round, the NCAER Index of Business Confidence is one of India's most comprehensive and insightful surveys. Released every quarter, the Index is based on a survey which measures business confidence on four indicators relating to 'Overall economic conditions six months from now', 'Financial position of the firm six months from now', 'Investment climate' and 'Level of capacity utilisation'. All four indicators carry equal weight.

The survey also looks at trends within firm-specific business outlook indicators, includes a Political Confidence Index (PCI) and studies the global economic crisis and its impact on various industries. The latest survey was conducted in December 2009 and received 542 responses. Data collection was conducted through personal interviews and questionnaires were sent to a diverse range of businesses across various regions in India. The Index and its accompanying report do not represent MasterCard financial performance. Mr T. V. Seshadri, vice president and country general manager, South Asia, MasterCard Worldwide, said, "The latest NCAER-MasterCard Worldwide Index of Business Confidence study has captured the upbeat economic climate in India, which is now almost close to the positive ratings during early 2008. The survey was conducted amid growing consensus that India had emerged rather quickly from the effects of the global crisis. Being a quarterly study, the BCI provides stakeholders with valuable insights on business expectation, political confidence and trends across the four regions in India."

The BCI has captured improvement in sentiment across all four indicators as compared to the perceptions held in the previous quarter. Indicators witnessing increases in ratings compared to the previous quarter included 'Overall economic conditions six months from now', at 77.7 per cent versus 69.4 per cent, as well as 'Financial position of the firm in the next six months', at 67.5 per cent versus 61.8 per cent. The other overall indicators, including 'Current investment climate compared to six months back' and 'Current level of capacity utilisation relative to its optimal level', also revealed significantly higher ratings this quarter.

The improvement in business sentiment based on the four components has been observed across all regions in India except in the East, where it fell by a relatively small 2.9 points or 1.82 per cent as compared to the previous quarter. Amongst all four regions, the West had a maximum proportion of respondents providing positive feedback for the 'Overall economic conditions' indicator, revealing an optimism about an improvement in the overall economic conditions and investment climate over the next 6 months. The West showed the highest increase (13.84 per cent), followed by the North (7.40 per cent) and the South (6.65 per cent).

The BCI ratings for the smallest firms increased by a larger proportion when compared to the large-sized firms. All firms except for those in the Rs 1-10 crore turnover category reflected heightened sentiments. Continuing in the same reign as the previous quarter, BCI ratings have risen uniformly across types of ownership which include public limited, private limited, individually owned and public sector.

There is a new category included in every quarterly study, with the category of 'infrastructure' having been introduced this quarter. This is recorded on a four-category scale: very satisfactory, just satisfactory, inadequate and very inadequate. The survey gathered responses on the improvements perceived by respondents over the past five years, with 76.6 per cent of respondents stating that they have witnessed a positive change in infrastructure development led by telecommunications facilities, followed by internet/broadband and postal/courier services. Respondents were least satisfied with the electricity sector, with the maximum number of respondents having stated that they were least satisfied with the services rendered by this sector.

The Political Confidence Index (PCI) in the current round witnessed a 16.5 per cent decline compared to a 4 per cent decline in October 2009. This is despite the fact that the BCI ratings continue to gain momentum. This could indicate a weak correlation between the BCI and the PCI. There was a significant drop in PCI from 144.4 points in October 2009 to 120.6 points in the current round.

The current survey reflected a declining trend in the ratings of all eight components of the PCI over the last quarter. The following four showed a steep decline: 1) Managing of government finance (52.1 to 43.1 points), 2) Managing of inflation (41.4 to 28.4 points), 3) Managing of unemployment (37.9 to 29.7 points), 4) Managing a conducive political climate (46.6 to 37.7 points). The remaining four components whose ratings continue to decrease are 5) Trade Negotiations (Both Bilateral/ Multilateral) (42.0 to 35.9 points), 6) Pushing the Economic Reforms Forward (46.6 to 42.8), 7) Managing overall economic growth (63.8 to 56.3 points) and 8) Managing Exchange Rate (35.4 to 31.2 points).

The current PCI ratings also witnessed a decrease across sectors. PCI has witnessed a decline across firms of all ownership categories, with, public limited firms substantially falling from 158.2 points in the last quarter to 122.7 in the current survey. PCI has also fallen across the four regions with the East falling from 153.6 points to 68.1 points followed by South from 119.4 to 101.4 points.

About NCAER's Macroeconomic Monitoring and Forecasting Research NCAER has been actively engaged in monitoring and analysis of the macro aspects of the economy for a number of years. Its research program covers a wide spectrum of sectors and issues with a focus on providing analysis based on empirical data. In the area of macroeconomic monitoring and forecasting, the quarterly business expectations surveys are among its core activities. Besides the business expectations surveys, NCAER also

brings out a comprehensive Quarterly Review of the Economy and a monthly newsletter "Macrotrack".

MasterCard and its Suite of Research Properties MasterCard Worldwide Insights is part of MasterCard's ongoing research and analysis of business dynamics, financial policies and regulatory activities in the Asia/Pacific, Middle East and Africa region. Over 60 Insights reports have been produced since 2004. The reports do not represent MasterCard financial performance.

In addition to these Insights report, MasterCard also releases a series of Indexes, ranging from the MasterCard Worldwide Index of Consumer Purchasing Resilience to the MasterCard Worldwide Index of Consumer Confidence and MasterCard Worldwide Index of Women's Advancement. MasterCard has also released a series of four books on Asian consumer insights, authored by its Asia/Pacific economist, Dr. Yuwa Hedrick-Wong and published by John Wiley & Sons.