Press Release

The Business Confidence Index, Quarter 4, 2013-14, NCAER

The Business Confidence Continues to Improve but Investment Climate Drags

- The BCI rose by 3.8 percentage points in April 2014, over the previous quarter continuing its sharp increase of 21.8 percentage points in the previous quarter.

- Out of the four components of BCI only investment climate indicator declined in April whereas the other three indicators reflecting expectations of overall economic growth, financial position of the firms and capacity utilization improved.

- The Political Confidence Index (PCI) shows improvement from 112.9 points in January 2014 to 136.6 points in April 2014. All eight components of the PCI reflect greater optimism now.

New Delhi, Tuesday May 20, 2014: The current survey was conducted just ahead of the Lok Sabha elections in April 2014. The expectations of a new electoral mandate may have influenced the overall sentiments besides some macroeconomic and sectoral level improvements in the recent quarter. While upturn in growth itself remained elusive, there was a positive news on moderating inflation rate, lower current account deficit, rupee rate and stock prices. The Business Confidence Index (BCI) compiled by the National Council of Applied Economic Research (NCAER) provides an assessment of the sentiments of the business sector.

The survey is based on a sample of 495 respondents.

The highlights of the latest round of the quarterly Business Expectations Survey are:

- The current round of the quarterly Business Expectations Survey carried out in March 2014 reflects a second successive improvement in business sentiments as measured by the NCAER Business Confidence Index (BCI). The BCI rose by about 3.8 percentage points over the previous quarter, while in the last quarter business confidence rose by 21.8 percentage points over October 2013.

- The continued improvement in overall BCI, however, is not uniform across the indicators, sectors, regions and types of firms.

- Three of the four components of the BCI show a higher level of optimism. While expectations of improved financial position is the main factor behind the increase in overall confidence, the lower ratings on investment climate remain the area of concern in the present survey.

- Of the five major sectors of the economy, three show improved business confidence in April 2014 over the previous quarter. While the services, consumer non-durables and intermediate goods sectors show improved level of optimism, the consumer durables and capital goods sectors reflect lower business sentiments over the previous quarter.

- The regional distribution of responses also reflects mixed perceptions. While West and South regions show improved business sentiments, the remaining two regions—North and East—reflect decline in optimism.
The firm-level business indicators reflect expectations of increased domestic sales, production level, exports and pre-tax profits in the next six months. The improvement in these factors appears to be the underlying factor for the overall improvement in the confidence level.

Employment for all types of labour and wage rates are also likely to improve in the short run.

In line with the BCI, the Political Confidence Index (PCI) shows improvement in the present round of the survey from 112.9 points in January 2014 to 136.6 points in April 2014. All eight components of the PCI reflect greater optimism now.

Focusing on the perceptions on three financial market rates, the survey reveals that both WPI and CPI-based inflation along with interest rates are likely to moderate in the first half of the current fiscal. The value of the rupee relative to US dollar is also likely to strengthen ahead.

### Trends in BCI and PCI

![Trends in BCI and PCI](image)

**About NCAER**

NCAER, the National Council of Applied Economic Research, is India's oldest and largest independent economic think-tank, set up in 1956 at the behest of Prime Minister Jawaharlal Nehru to inform policy choices for both the public and private sectors. Over nearly six decades, NCAER has served the nation well with its rich offering of applied policy research, unique data sets, evaluations, and policy inputs to central and state governments, corporate India, the media, and informed citizens. It is one of a few independent think-tanks world-wide that combines rigorous economic analysis and policy outreach with data collection capabilities, particularly for large-scale household surveys. NCAER is currently led by its Director-General, Dr Shekhar Shah, and governed by an independent Governing Body chaired by Mr Nandan M. Nilekani.

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