

**NATIONAL COUNCIL OF
APPLIED ECONOMIC
RESEARCH**

**The NCAER-NSE
Business Expectations Survey
for India**
Fourth Quarter 2022-23

Business Confidence Index

Report	April
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April 2023



National Council of Applied Economic Research
NCAER India Centre 11 Indraprastha Estate, New Delhi 110 002, India.

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NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992.

STUDY TEAM

Project Leader: Bornali Bhandari

Core Research Team: Ajaya Kumar Sahu & K S Urs

Computer and Design Support: Praveen Sachdeva

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Professor Anil K. Sharma
Secretary and Operations Director
National Council of Applied Economic Research (NCAER)
NCAER India Centre
11, Indraprastha Estate, New Delhi–110 002
Tel: +91-11-2345 2657, 6120 2698
Email: aksharma@ncaer.org
www.ncaer.org

Publications Coordinator
Jagbir Singh Punia

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The findings, interpretations, and conclusions expressed are those of the authors and do not necessarily reflect the views of the Governing Body of NCAER or NSE.

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Executive Summary

The National Council of Applied Economic Research (NCAER), one of India's premier economic policy research think tanks, carried out the 124th Round of its Business Expectations Survey (BES) in March 2023, with support from the National Stock Exchange of India Limited (NSE). NCAER has been carrying out the BES every quarter since 1992, covering 500 firms across four regions.

After moderating for three consecutive quarters in 2022–23 on a sequential basis, business sentiments turned buoyant in March 2023, though there is a mixed trend in sentiments about business prospects for the next six months. While sentiments about production, domestic sales, pre-tax profits and new orders improved in 2022–23:Q4 versus 2022–23:Q3, expectations about exports, imports of raw materials, and ex-factory prices remained muted.

In 2022–23:Q4, the BCI rose to 149.7. It was higher than the previous quarter at 126.6 in 2022–23:Q3 and the corresponding quarter in the previous year at 142.9 in 2021–22:Q4.

The NCAER-NSE Business Confidence Index (BCI) is driven by four components, with each of them being assigned equal weights in the Index. The four components are 'overall economic conditions will improve in the next six months', 'financial position of firms will improve in the next six months', 'present investment climate is positive', and 'present capacity utilisation is close to or above the optimal level'

The share of positive responses was higher for all four components of the BCI in 2022–23:Q4 compared to 2022–23:Q3. Business sentiments in March 2023 were even better than in the pre-pandemic period of slowdown.

Future sentiments about labour markets were stagnant. Future sentiments about per-unit costs of raw materials, electricity and labour remained muted. Despite a smaller share of firms expecting ex-factory prices to rise, sentiments about pre-tax profits improved due to muted sentiments about costs.

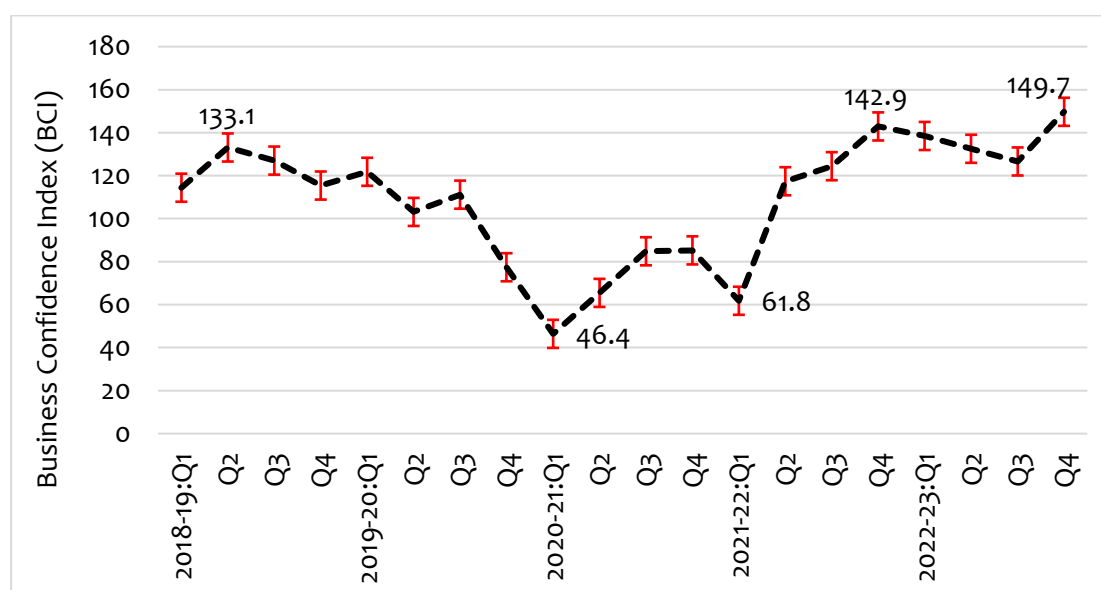
1. NCAER-NSE Business Confidence Index Rises in 2022–23:Q4, though sentiments about business prospects for the next six months remain mixed.

The NCAER-NSE Business Expectations Survey (BES), Round 124, was carried out in March 2023, covering 498 respondents. The BES is composed of the NCAER-NSE Business Confidence Index (BCI), which is based on positive responses for four components. Annexure 1 reports the methodology, sample composition, and summary statistics for the BES.

1.1. The BCI and Its Four Components

After moderating for three consecutive quarters in 2022–23 on a sequential basis, business sentiments turned buoyant in March 2023 (Figure 1.1). In 2022–23:Q4, the BCI rose to 149.7, the highest since 2010–11: Q3 (158.5). It was higher than the previous quarter at 126.6 in 2022–23:Q3 and the corresponding quarter in the previous year at 142.9 in 2021–22:Q4.

Figure 1.1: Business Sentiments Turn Buoyant in 2022–23:Q4



Source: NCAER Business Expectations Survey, several rounds.

Notes:

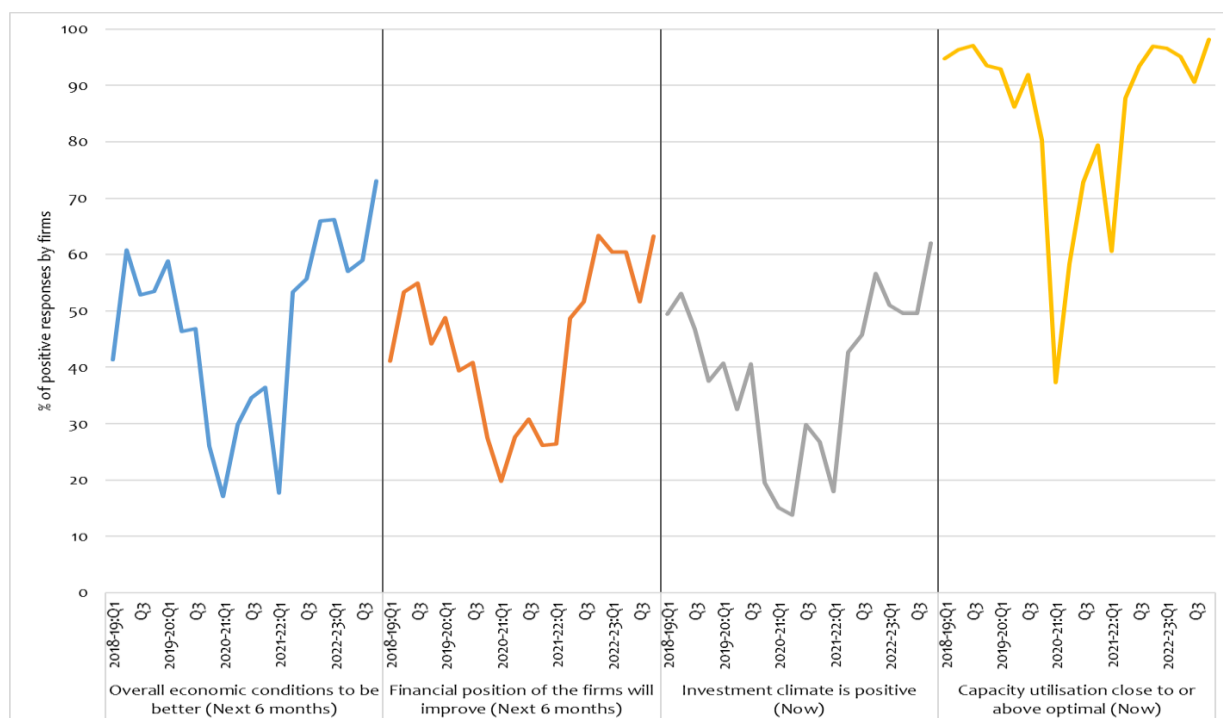
1. The survey from Round 119 onwards has been conducted with support from the NSE.
2. The bars in the graph represent error bars.
3. “Business sentiments are typically based on opinion surveys on production, inventory, orders etc. They are used to monitor output growth and anticipate turning points to essentially forecast future economic fluctuations. The advantage of sentiments data are two-fold i.e. they are timely and can capture real time changes. Second, they are not subject to revisions like macroeconomic data.” Bhandari, B., Gupta, S., Sahu, A.K., and Urs, K.S. 2021. “Business sentiments during India’s national lockdown: Lessons for second and potential third wave”. *Indian Economic Review*. 56(2): 335–350. December.

The NCAER-NSE Business Confidence Index (BCI) is driven by four components,

with each of them being assigned equal weights in the Index. The four components are ‘overall economic conditions will improve in the next six months’, ‘financial position of firms will improve in the next six months’, ‘present investment climate is positive’, and ‘present capacity utilisation is close to or above the optimal level’.

The share of positive responses was higher for all four components of the BCI in 2022–23:Q4 compared to 2022–23:Q3. Business sentiments in March 2023 were even better than in the pre-pandemic period of slowdown. Annexure 1 (Table A1.2) shows the confidence interval for each of these components.

**Figure 1.2: Four Components of the Business Confidence Index
2018–19:Q1 and 2022–2023:Q4**



Source: NCAER Business Expectations Survey, several rounds.

Note: Firms are asked to give their responses as ‘better’, ‘same’, and ‘worse’. Only positive responses (‘better’ for the first three components and ‘better’ and ‘same’ for the fourth component) are taken into account for determining the BCI.

Following are some key findings of the current BES:

- The share of positive responses for the component ‘overall economic conditions will be better in the next six months’ improved from 58.9 per cent in 2022–23:Q3 to 73.1 per cent in 2022–23:Q4.
- The share of positive responses for the component ‘financial position of the firms will improve in the next six months’ increased from 51.6 per cent in 2022–23:Q3 to 63.3 per cent in 2022–23:Q4.
- The share of positive responses for the component ‘present investment climate is positive’ increased from 49.6 per cent in 2022–23:Q3 to 62.0 per cent in 2022–23:Q4.
- The share of ‘better’ and ‘same’ responses for the component ‘present capacity utilisation is close to or above optimal level’ rose from 90.7 per cent in 2022–23:Q3 to 98.2 per cent in 2022–23:Q4.

2. Trends in Firm-specific Business Outlook Indicators

2.1. Business Prospects over the Next Six Months

There was a mixed trend in sentiments about business prospects for the next six months (Table 2.1). While sentiments about production, domestic sales, pre-tax profits and new orders improved in 2022–23:Q4 versus 2022–23:Q3, they were muted for exports, imports of raw materials, and ex-factory prices.

**Table 2.1: Business Prospects in the Next Six Months (Expected Change)
January and April 2023**

Percentage Distribution of Respondents	Round	Decrease	No change	Increase by		
				0–5%	5–10%	>10%
Prospects of						
Production	Mar-23	0.5	9.4	31.8	31.0	27.3
	Jan-23	2.2	10.9	21.2	13.6	52.1
Domestic Sales	Mar-23	0.8	7.0	25.4	40.3	26.4
	Jan-23	2.6	14.4	20.3	13.9	48.7
Exports	Mar-23	0.3	21.8	52.6	14.9	10.4
	Jan-23	0.4	16.2	36.6	21.3	25.5
Imports of Raw Materials	Mar-23	0.6	27.9	28.8	36.2	6.4
	Jan-23	1.3	20.6	35.7	25.2	17.2
Pre-tax Profits	Mar-23	1.1	18.4	33.8	40.3	6.5
	Jan-23	1.5	28.1	37.3	24.8	8.3
Ex-factory Output Price	Mar-23	0.3	44.2	37.3	17.7	0.5
	Jan-23	0	36.8	39.9	22	1.2
New Orders	Mar-23	0.6	14.8	43.9	24.9	15.8
	Jan-23	0.5	31	22.2	19.3	27.1

Source: NCAER-NSE Business Expectations Survey, Rounds 123 and 124.

Note: 'New orders' implies the orders being expected by a firm.

2.2. Labour Market Prospects

Despite the expected buoyancy last quarter, labour market prospects remained stagnant with a majority of firms reporting no change in the hiring of various types of workers over the past three months (Figures 2.1 & 2.2, and Table 2.2). The share of firms reporting a decline in hiring over the past three months was relatively higher in the case of unskilled and casual/temporary workers (2.1 per cent and 5.3 per cent, respectively) than in managerial/skilled and permanent workers (0.4 per cent and 1.1 per cent, respectively).

Sentiments about the hiring of workers over the next six months were also stagnant with the majority of firms expecting no change in labour employed. The share of firms expecting hiring to decline in the next six months was also relatively higher in the case of unskilled and casual/temporary workers (1.7 per cent and 2.1 per cent, respectively) than in managerial/skilled and permanent workers (0.4 per cent and 0.2 per cent, respectively).

In sum, the expected buoyancy in the various labour markets in 2022–23:Q3 did not hold up. Both hiring of workers over the past quarter and expectations about hiring remained stagnant.

Figure 2.1: Sentiments about hiring managerial/ skilled and unskilled workers during the past three months and expectations about the next six months

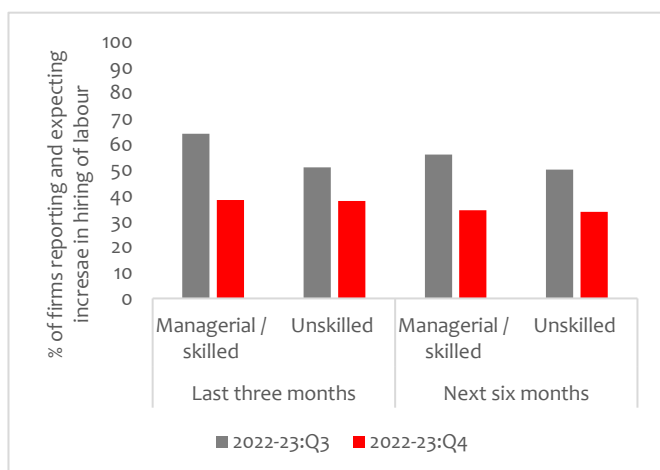


Figure 2.2: Sentiments about hiring casual/ temporary and permanent workers during the past three months and expectations about the next six months

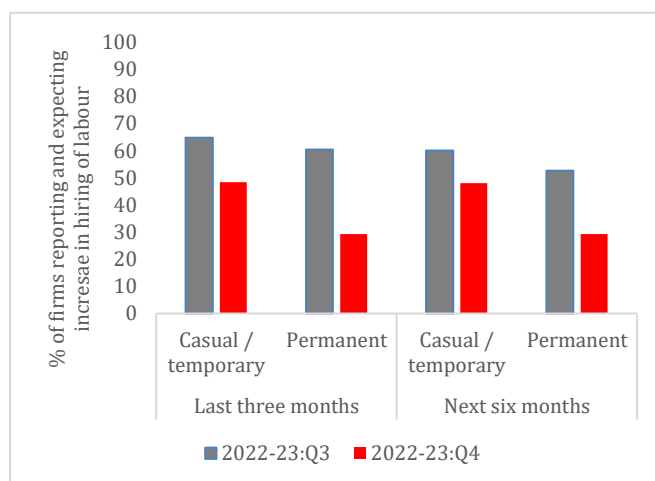


Table 2.2: Percentage of Responses in Employment and Wages by Labour Type, March 2023

		<i>Managerial / Skilled</i>	<i>Unskilled</i>	<i>Casual/ Temporary</i>	<i>Permanent</i>
Over the Past Three Months					
Employment	<i>Decrease</i>	0.4	2.1	5.3	1.1
	<i>No change</i>	61.2	59.9	46.3	69.6
	<i>Increase</i>	38.4	38.0	48.4	29.3
	<i>Increase by >10%</i>	1.1	1.4	2.8	0.0
Wages	<i>Decrease</i>	0.2	0.2	N.A.	N.A.
	<i>No change</i>	59.8	60.0	N.A.	N.A.
	<i>Increase</i>	40.0	39.7	N.A.	N.A.
	<i>Increase by >10%</i>	3.2	1.6	N.A.	N.A.
Over the Next Six Months					
Employment	<i>Decrease</i>	0.4	1.7	2.1	0.2
	<i>No change</i>	65.1	64.5	49.9	70.5
	<i>Increase</i>	34.4	33.8	48.0	29.3
	<i>Increase by >10%</i>	0.4	0.7	2.9	0.5
Wages	<i>Decrease</i>	0.0	0.0	N.A.	N.A.
	<i>No change</i>	43.1	42.4	N.A.	N.A.
	<i>Increase</i>	56.9	57.6	N.A.	N.A.
	<i>Increase by >10%</i>	14.0	10.3	N.A.	N.A.

Source: NCAER-NSE Business Expectations Survey, Rounds 123 and 124.

The share of firms reporting an increase in wage rate over the past three months declined between the last round and this one. For unskilled workers, the share of firms reporting an increase in wage rate over the past three months was 44.1 per cent in 2022–

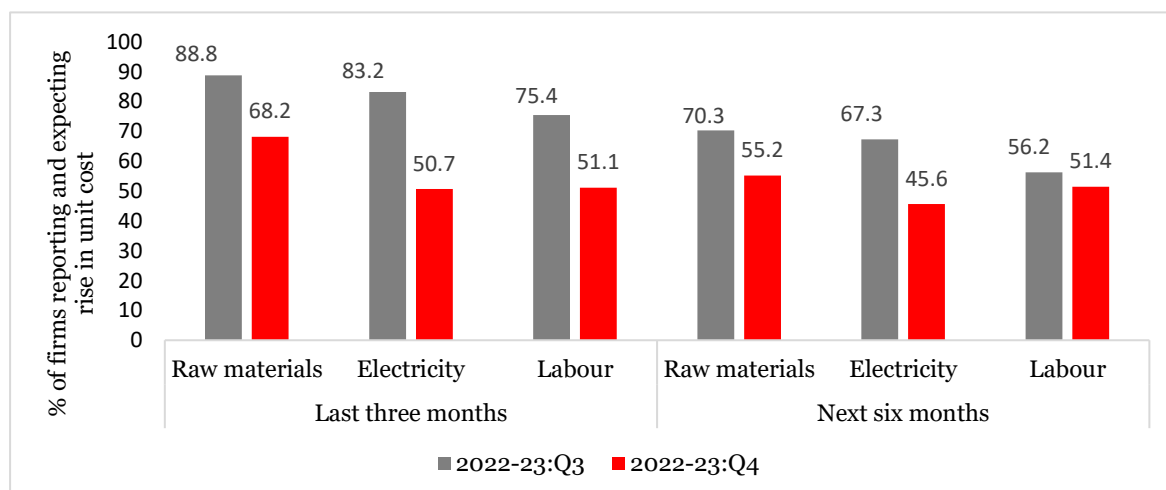
23:Q3, which went down to 40.0 per cent in 2022–23:Q4. The corresponding numbers for skilled workers were 44.1 per cent and 39.7 per cent, respectively.

Firms’ expectations that wages would rise over the next six months for both skilled and unskilled workers remained the same in 2022–23:Q3 and 2022–23:Q4. The share of firms expecting an increase in unskilled workers’ wage rate over the next six months remained unchanged at 57.6 per cent. The corresponding numbers for skilled workers showed a marginal increase from 56.1 per cent in 2022–23:Q3 to 56.9 per cent in 2022–23:Q4.

2.3. Costs of Raw Materials, Electricity, and Labour per Unit of Output

The percentage of firms reporting an increase in unit costs of raw materials, electricity, and labour during the past three months in 2022–23:Q4 decreased compared to 2022–23:Q3. Similarly, the share of firms expecting a rise in the unit cost of raw materials, electricity and labour in the next six months decreased between the two periods (Figure 2.3).

Figure 2.3: Firms reporting of and expectations about change in unit cost of Raw Materials, Electricity, and Labour: over past three months and next six months



Source: NCAER-NSE Business Expectations Survey, Rounds 123 and 124.

Overall, past trends and future sentiments about costs remain muted (Table 2.4). This is a deviation from the trends seen during the past few quarters where they had remained elevated.

Table 2.3: Firms Responses for Unit Raw Materials, Electricity, and Labour Cost for the Past Three and Next Six Months (%), March 2023

Time Period	Type of Input	Decrease	No Change	Increase
Over the past three months	Raw Material	0.8	31.0	68.2
	Electricity	0.0	49.3	50.7
	Labour	0.5	48.5	51.1
Over the next six months	Raw Material	0.0	44.8	55.2
	Electricity	0.0	54.4	45.6
	Labour	0.0	48.6	51.4

Source: NCAER-NSE Business Expectations Survey, Round 124.

Annexure 1: Survey Methodology

1.1 Methodology and Sample Composition

The NCAER-NSE Business Expectations Survey (BES) is a quarterly survey of firms/industries across six cities, undertaken to assess business sentiments in the four regions of India— the North (Delhi-National Capital Region), South (Bangalore and Chennai), East (Kolkata), and West (Mumbai and Pune). The BES covered 498 firms in the 124th round.

Industries are adequately represented in the BES with regard to ownership type, covering public sector, private limited, public limited, partnerships/individually owned firms, and multinational corporations (MNCs); industry sector, covering the consumer durables, consumer non-durables, intermediate goods, capital goods, and services sectors; and firm size, based on the annual turnovers of the firms, including those with turnovers of less than ₹1 crore, ₹1 to 10 crore, ₹10 to 100 crore, ₹100 to 500 crore, and more than ₹500 crore.

The sample has been drawn randomly from a list of industries in each city obtained from various sources. Around 90 per cent of the sample has been drawn from the list and 10 per cent of new firms have been taken from outside the list, which have been added to the list for the next round.

1.2 Conduct of the Survey and Quality Assurance

The respondents are contacted through e-mail and details of the survey along with the survey on a Google form link are shared with them. Thereafter, multiple follow-ups are done through both phone and email. Conducting the survey through Google forms facilitates the receipt of responses on a real-time basis. This also allows for a review of the responses on a daily basis. Any discrepancies/anomalies in the responses are discussed with the respondents on the day when the responses are received, and necessary changes are made in such responses. The responses are also checked against the figures available on the websites and through independent validation. This kind of daily review helps maintain distribution across the various groups and the quality of the survey.

1.3 Response Rates

Table A1.1 depicts the response rates across regions and types of ownership of firms.

Table A1.1: Response Rate across Regions and Ownership Type (%)

	<i>Public Sector</i>	<i>Private Limited</i>	<i>Public Limited/ MNCs</i>	<i>Partnership / Individual Ownership</i>	<i>All</i>
East	73.3	82.2	80.4	73.5	78.1
West	40.0	66.7	60.0	56.0	58.4
North	42.9	82.2	82.0	85.0	74.7
South	75.0	75.5	59.7	56.1	64.8
All	53.8	75.6	68.9	66.3	68.0

Source: NCAER-NSE Business Expectations Survey, Round 124.

1.4 Confidence Intervals of the BCI Components

These confidence intervals are delineated in Table A1.2.

Table A1.2: Confidence Interval of the BCI Components

<i>Statistic</i>	<i>In looking ahead 6 months from now, overall business conditions for the economy as a whole will be</i>	<i>Compared to now, your firm's own financial position over the next six months will be</i>	<i>How do you rate present investment climate for the economy as a whole compared to six months ago</i>	<i>How do you rate the current level of operation of your firm relative to its optimal capacity utilisation</i>	<i>BCI Components average</i>
R124 (2022-23: Q4)					
Sample size	498	498	498	498	498
Proportion of positive responses	0.73	0.63	0.62	0.98	0.74
Relative Standard Error	0.00025	0.00025	0.00025	0.00009	0.00019
Confidence interval @95% level of significance	0.7313	0.6329	0.6208	0.9820	0.7418
	0.7306	0.6322	0.6201	0.9819	0.7411
BCI Range					149.81
					149.71
R123 (2022-23: Q3)					
Sample size	492	492	492	492	492
Proportion of positive responses	0.59	0.52	0.50	0.91	0.63
Relative Standard Error	0.00025	0.00025	0.00025	0.00009	0.0002
Confidence interval @95% level of significance	0.5898	0.5166	0.4962	0.9067	0.6273
	0.5891	0.5160	0.4956	0.9063	0.6268
BCI Range					126.70
					126.59
R122 (2022-23: Q2)					
Sample size	496	496	496	496	496
Proportion of positive responses	0.57	0.60	0.50	0.95	0.66
Relative Standard Error	0.00025	0.00024	0.00025	0.00005	0.0002
Confidence interval @95% level of significance	0.5709	0.6052	0.4963	0.9517	0.6560
	0.5702	0.6045	0.4957	0.9515	0.6555
BCI Range					132.50
					132.39

Note: t-statistic significance value at 95 per cent level of significance is 2.33; at 90 per cent, it is 1.96.

Change in BCI between two rounds is statistically significant if there is no overlap between the respective ranges.

Given that there is no overlap between the BCI ranges in all three rounds given above, the changes between the rounds are statistically significant.



NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

NCAER India Centre 11 Indraprastha Estate, New Delhi 110 002, India.

Tel: +91-11-2345-2698, info@ncaer.org www.ncaer.org

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