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PRESS RELEASE

NCAER Business Expectations Survey for 2021–22: Business Confidence Index Increased by 90 per cent in 2021–22:Q2

New Delhi (Tuesday, October 26, 2021): The National Council of Applied Economic Research (NCAER), one of India’s premier economic policy research think tanks, carried out the 118th Round of its Business Expectations Survey (BES) in September 2021. NCAER has been carrying out the BES on a quarterly basis since 1991, covering 500 firms across four regions.

After the second COVID-19 wave, business sentiments recovered in 2021–22:Q2 as compared to those prevailing in 2021–22:Q1. The NCAER Business Confidence Index (BCI) increased by 90 per cent on a quarter-on-quarter (q-o-q) basis and by an equally large figure, about 80 per cent, on a year-on-year (y-o-y) basis. The BCI is also higher than what it was in 2019–20:Q2, signalling an improvement in sentiments over the pre-pandemic period.

This upward movement in BCI was driven by an improvement in sentiments for all the four components of the BCI, namely ‘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 as compared with six months ago’, and ‘present capacity utilisation is close to or above the optimal level’.

Poonam Gupta, Director-General, NCAER said, “*The current BES survey points to a recovery in business sentiments post the second wave of the pandemic. The recovery is broad-based across firm size, ownership, and industrial sectors.*”

Barring the West, business sentiments have improved for all the regions. The BCI decreased in the **West** by nearly 10 per cent in 2021–22:Q2 whereas it increased in the East (Kolkata), North (National Capital Region of Delhi), and South (Chennai and Bengaluru).

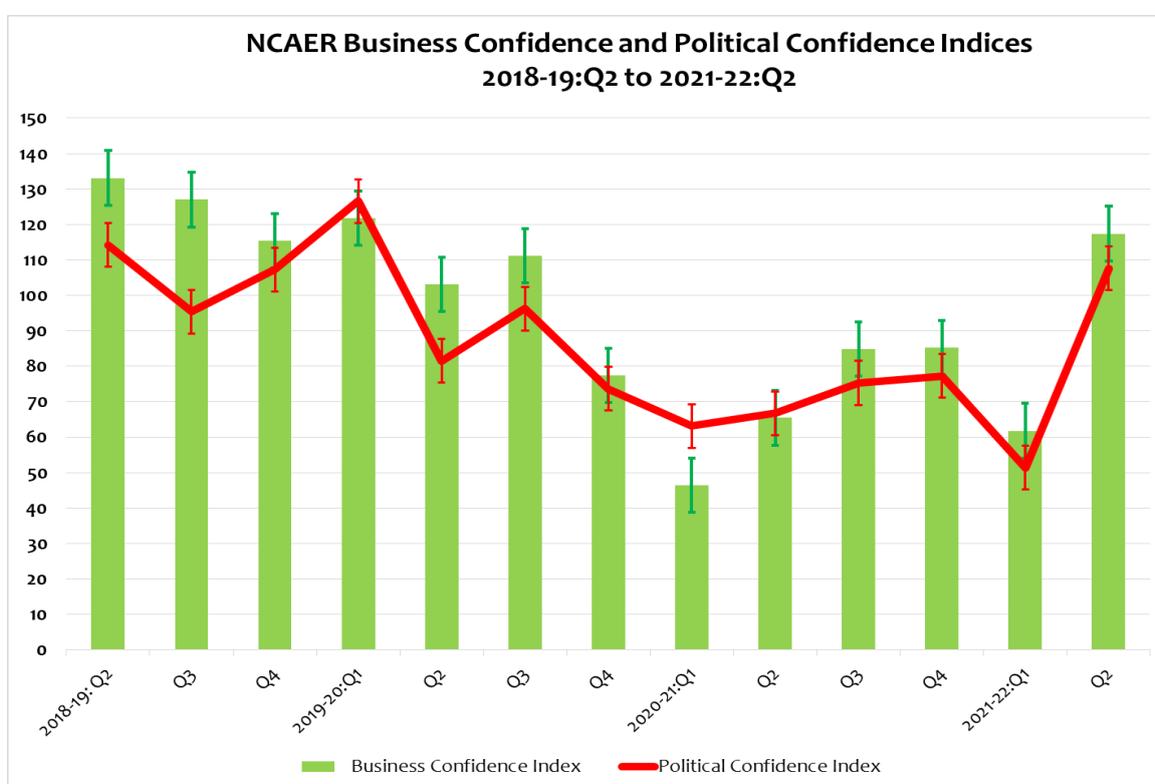
Bornali Bhandari, Senior Fellow, NCAER pointed out that “*the difference between business sentiments related to large firms (firms with annual turnovers > ₹500 crore) and those pertaining to small firms (firms with annual turnovers ≤ ₹100 crore), which had widened between 2019-20:Q2 and 2020-21:Q3, had narrowed this year, particularly in 2021-22:Q2. The narrowing of sentiments offers hope that the uneven recovery might give way to a more even shaped one in the future quarters*”.

Sentiments improved in 2021–22:Q2 with regard to production, domestic sales, exports, new orders, imports of raw materials, and pre-tax profits. Sentiments

about costs, especially ones related to raw materials, remained elevated with two-thirds of the firms expecting the costs of raw materials per unit of output to go up in the next six months as compared to 54 per cent reporting so in 2021–22:Q1. The share of firms which responded that they had hired both skilled and unskilled workers over the last three months has improved in 2021-22:Q2 over 2021-22:Q1. Similarly, the share of firms which responded that they were planning to hire workers over the next six months, has also improved in Q2 over Q1. Sentiments are marginally more buoyant for casual/temporary workers versus permanent workers.

The NCAER Political Confidence Index (PCI) increased by nearly 110 per cent (109.4 per cent) in 2021–22:Q2 over the previous quarter, and by more than 60 per cent as compared to the corresponding quarter of last year. Sentiments improved for all the eight components over the figures recorded the last quarter.

The latest BES Report is available [here](#).



Source: NCAER Business Expectation Surveys.

Note: The bars represent error bars.

Methodology: NCAER has been conducting the BES every quarter since 1991. The BES findings reported here are for 500 firms. The survey elicits responses from firms across six cities to assess business sentiments in the four regions of India: Delhi NCR, representing the North; Mumbai and Pune, the West; Kolkata, the East; and Bengaluru and Chennai, the South. All the industries are adequately represented in terms of ownership type (public sector, private limited, public limited, partnerships/individually owned firms, and multinational corporations); industry sector (consumer durables, consumer non-durables, intermediate goods, capital goods, and services); and firm size based on the annual turnovers of the firms (in the range of less than or equal to ₹1 crore, more than ₹1 crore to less than or equal to 10 crore, more than ₹10 crore to less than or equal to ₹100 crore, more than ₹100 crore to

less than or equal to 500 crore, and more than ₹500 crore). The sample is drawn randomly from a list of firms in each city. A sizeable number of units taken in one round are retained in the next round to maintain continuity of the analysis.

The BCI is computed on the basis of responses from firms to four questions. Two of these questions focus on macro factors and the other two on micro factors. All the questions carry equal weight. The BCI is a simple average of all the positive responses in the case of three questions, whereas in the case of the fourth question on capacity utilisation, an average of the sum of the responses indicating 'improvement' and 'status quo' is taken. Thereafter, the BCI is compared with the base value (denoted by the value of 100 in Round 7; 1993) to determine change. An increase in the level of the BCI (that is, a larger share of positive responses) reflects optimism in the business sector about the performance of the economy.

About NCAER

NCAER, the National Council of Applied Economic Research, is India's oldest and largest independent economic think tank, set up in 1956 to inform policy choices for both the public and private sectors. Over the past 65 years, 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 the citizenry. It is one of a few independent think tanks world-wide that combines rigorous economic analysis and policy outreach with deep data collection capabilities, particularly for large-scale household surveys. NCAER is led by its Director General, Dr Poonam Gupta, the institution's first woman head, who assumed office on 1 July 2021, and it is governed by an independent Governing Body currently chaired by Mr Nandan M. Nilekani.

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