PRESS RELEASE


New Delhi (Monday, February 1, 2022): The National Council of Applied Economic Research (NCAER), one of India’s premier economic policy research think tanks, carried out the 119th Round of its Business Expectations Survey (BES) in December 2021, supported by the National Stock Exchange of India Limited (NSE). NCAER has been carrying out the BES on a quarterly basis since 1991, covering 500 firms across four regions.

Business sentiments recovered in 2021–22:Q3 as compared to those prevailing in 2021–22:Q2. The NCAER-NSE Business Confidence Index (BCI) increased by 6 per cent on a quarter-on-quarter (q-o-q) basis and by 46.6 per cent on a year-on-year (y-o-y) basis. As compared to the last quarter, there was a moderation in the pace of increase of the BCI. Business sentiments were affected in the last week of December as the number of COVID-19 cases went up and travel restrictions came into place.

The upward movement in the 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’.

Sentiments were broadly buoyant across sectors with the exception of the consumer non-durables sector, where the BCI fell by 2 per cent in 2021–22:Q3 on a q-o-q basis. The plateauing of business sentiments in this key sector lends credence to the K-shaped recovery of various stakeholders. The variation in business sentiments across sectors narrowed in 2021–22:Q3 as compared to that in 2021–22:Q2.

In contrast, there was wide variation in sentiments across regions. The West had the lowest BCI despite showing the maximum q-o-q increase of 16.6 per cent amongst the four regions in 2021–22:Q3. The West was the only region that had not yet caught up with its pre-pandemic level. Barring capacity utilisation, the share of positive responses for the other three components of the BCI in the West remained below 30 per cent.

While for the North, sentiments were virtually unchanged between 2021–22:Q2 and 2021–22:Q3, it still had the highest BCI. The BCI for the East and South increased by 11.8 per cent and 4.3 per cent, respectively.
While the BCI figures of all the groups based on firm size (annual turnover) increased, the pace of increase differed across groups. Specifically, the BCI of firms with annual turnovers greater than Rs 500 crores increased by 16.4 per cent. The BCI of firms with annual turnovers greater than Rs 100 crore increased at a faster pace than that of firms with annual turnovers less than or equal to Rs 100 crore, which showed an increasing divergence between the two sets of firms. Lastly, all the firm groups based on ownership also experienced an improvement in sentiments, albeit at a different pace. The public sector and public limited firms showed a higher pace of recovery as compared to private limited and partnerships/individually-owned firms.

A mixed trend was seen with regard to sentiments on both the domestic and external business parameters. While sentiments regarding domestic parameters like production, domestic sales, new orders, ex-factory prices, and pre-tax profits showed a marginal improvement between 2021–22:Q2 and 2021–22:Q3, external business sentiments on exports and imports of raw materials, on the other hand, worsened. Sentiments pertaining to hiring were relatively more buoyant for the skilled labour (versus unskilled labour) and permanent workers (versus temporary/casual workers). Increased casualisation of workers poses challenges of a more equitable recovery. Sentiments about the anticipated costs of raw materials in future were also elevated as compared to those for labour and electricity.

The NCAER-NSE Political Confidence Index (PCI) remained virtually unchanged between 2021–22:Q2 and 2021–22:Q3, at 107.8. However, there was a 43.1 per cent y-o-y growth in the PCI in 2021–22:Q3. The shares of positive responses rose for three components of the PCI, that is, ‘managing the exchange rate’, ‘managing inflation’, and ‘managing a conducive political climate’; fell for three of the components, that is, ‘pushing economic reforms forward’, ‘external trade negotiations’ and ‘managing government finances’, and remained unchanged for the remaining two components, that is, ‘managing overall economic growth’ and ‘managing unemployment’. The shares of positive responses for the components on managing inflation and unemployment were low, at 18 per cent and 24 per cent, respectively. There was a wide gap in positive sentiments between firms with annual turnovers greater than Rs 500 crore, on one hand, and the rest of the firms, on the other hand.

The latest BES Report can be downloaded from [here](https://example.com).
Source: NCAER-NSE 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.

About NSE

National Stock Exchange of India Ltd. (NSE) is the largest derivatives exchange by trading volume as per the statistics published by Futures Industry Association (FIA) for 2019 and ranked 3rd in the world in the cash equities segment by number of trades as per the statistics published by the World Federation of Exchanges (WFE). NSE was the first exchange in India to implement electronic or screen-based trading. It began operations in 1994 and is ranked as the largest stock exchange in India in terms of total and average daily turnover for equity shares every year since 1995, based on SEBI data. NSE has a fully integrated business model comprising exchange listings, trading services, clearing and settlement services, indices, market data feeds, technology solutions and financial education offerings. NSE also oversees compliance by trading and clearing members with the rules and regulations of the exchange. NSE is a pioneer in technology and ensures the reliability and performance of its systems through a culture of innovation and investment in technology.

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