

PRESS RELEASE

NCAER-NSE Business Expectations Survey for 2021–22 Business Confidence Index Increased by 14.9 per cent in 2021–22:Q4

New Delhi (Thursday, April 21, 2022): The National Council of Applied Economic Research (NCAER), one of India’s premier economic policy research think tanks, carried out the 120th Round of its Business Expectations Survey (BES) in March 2022, covering 500 firms in four regions across the country. The survey was supported by the National Stock Exchange of India Limited (NSE). NCAER has been carrying out the BES on a quarterly basis since 1992.

Despite global headwinds and uncertainty, business sentiments showed an improvement and resurgence this quarter. The Business Confidence Index (BCI) increased for the third consecutive quarter by 14.9 per cent on a quarter-on-quarter (q-o-q) basis, from 124.4 in 2021–22:Q3 to 142.9 in 2021–22:Q4. It also improved by 67.6 per cent in 2021–22:Q4 as compared to 2020–21:Q4 on a year-on-year (y-o-y) basis.

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’.

Dr Poonam Gupta, Director General, NCAER emphasised that “*the latest round of the BES indicates that not only have firms overcome the pandemic-related slowdown but there is also an improvement in sentiments from the sluggishness observed before the pandemic*”. The BCI has achieved the highest level since the figure of 148.5 recorded in 2014–15:Q3.

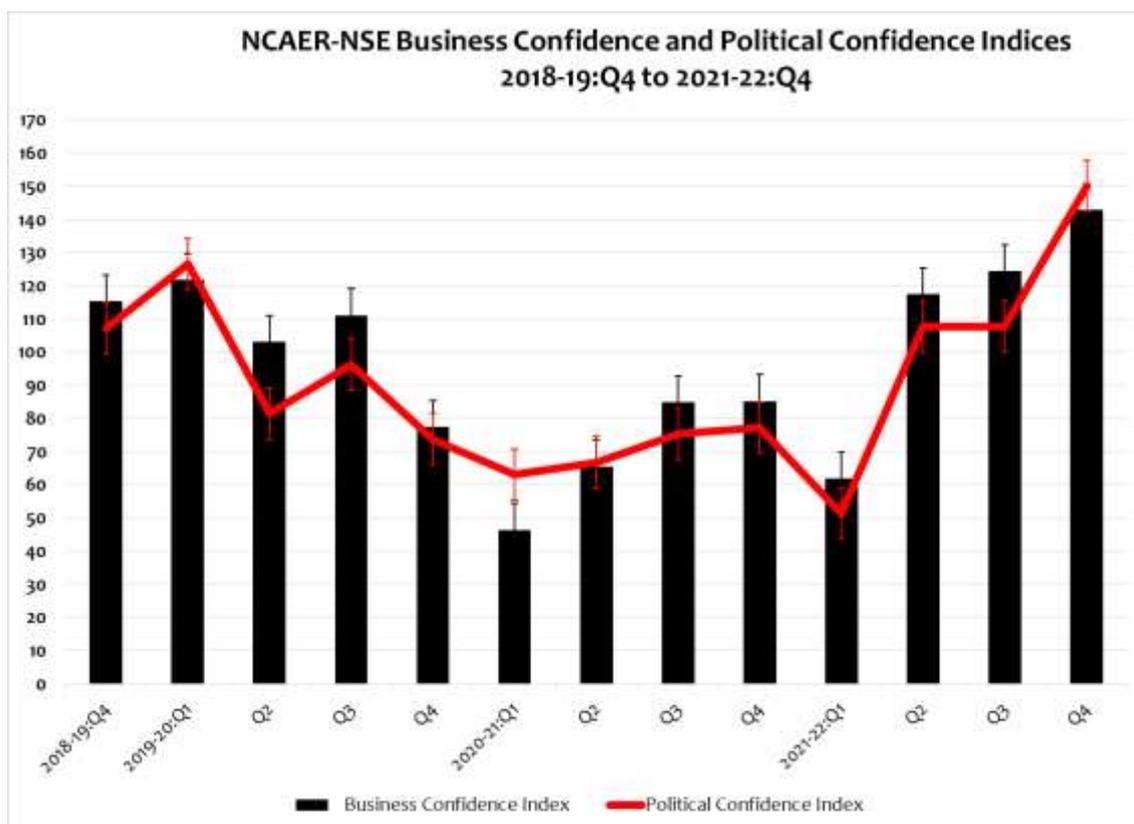
Barring the consumer durables sector, which registered a rise of less than 1 per cent in sentiments, all the other sectors showed an improvement in sentiments in 2021–22:Q4 on a q-o-q basis, as compared to the corresponding figures in 2021–22:Q3.

There was also an all-round improvement in sentiments across regions, firm size based on annual turnovers and ownership types. The BCI of the northern region was the highest amongst all the four regions, showing a q-o-q growth of 8.9 per cent. Dr Bornali Bhandari, Senior Fellow at NCAER, said that “*the business sentiments of firms with annual turnovers >₹ 500 crores were substantially higher, outstripping the remaining categories of firms based on annual turnovers*”.

Business sentiments for the next six months were relatively more buoyant with regard to domestic parameters like production, domestic sales, and ex-factory prices than external parameters like exports and imports of raw materials. More than 70 per cent of the firms reported an increase in the unit costs of raw materials and electricity over the last three months, whereas 72 per cent of the firms perceived that the unit costs of raw materials would rise over the next six months. The corresponding figures for the unit costs of electricity and hiring of workers were 68.2 per cent and 52.8 per cent, respectively. Despite the subdued sentiments about new orders and rising unit costs, 81 per cent of the firms said that they expected an increase in pre-tax profits over the next six months.

The sentiments of firms pertaining to the hiring of workers over the last three months were relatively stagnant in 2021–22:Q4 as compared to 2021–22:Q3 but future sentiments about hiring over the next six months exhibited resilience.

The Political Confidence Index (PCI) increased by 39.2 per cent, from 107.8 in 2021–22:Q3 to 150.1 in 2021–22:Q4. This was the highest level achieved since 2015–16:Q3. Overall, the PCI recorded a y-o-y growth of 94.3 per cent in 2021–22:Q4. All the eight components of the PCI registered double-digit improvements in the shares of responses during the current quarter as compared to the previous quarter. However, future sentiments relating to two components of the PCI, namely, ‘managing inflation’ and ‘managing unemployment’ remained low, at 31.4 per cent and 37.2 per cent, respectively. The latest BES Report can be accessed and downloaded from [here](#).



Source: NCAER-NSE Business Expectation Surveys.

Notes: 1. The bars represent error bars.

2. The survey from round 119 onwards was conducted with support from the NSE.

Methodology: NCAER has been conducting the BES every quarter since 1991. The BES findings reported here relate to 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 (NSE) is the world’s largest derivatives exchange by trading volume (contracts) as per the statistics maintained by Futures Industry Association (FIA) for calendar year 2021. NSE is ranked 4th in the world in the cash equities by number of trades as per the statistics maintained by the World Federation of Exchanges (WFE) for calendar year 2021. 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, clearing members and listed companies with the rules and regulations of SEBI and the exchange.

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