

India Inc's business confidence dips, reveals NCAER study

Their survey index of firms dipped in Jan-April to a 10-quarter low; however, political confidence measure rose

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India Inc's confidence in the economy and their businesses fell to a 10-quarter low in the three-month period ending April this year, showed a survey of the National Council of Applied Economic Research.

Their Business Confidence Index (BCI) declined to 121.6 points in the latest round, 6.7 per cent lower than the 130.3 points in the quarter ended January. However, the Political Confidence Index (PCI) rose 2.1 per cent to a four-quarter high of 139.2 points. However, it was nowhere near the peak of 183 points witnessed for the Narendra Modi government in the quarter ended January 2015.

Three of the four components of the BCI showed a deterioration in sentiment between January and April; one component had increased marginally. BCI was mainly driven down by deterioration in sentiment of the component on whether the 'financial position of firms will improve in the next six months'. In April, only 43.8 per cent of the companies thought so versus 59.8 per cent in January. As many as 44.8 per cent of the companies thought there would be no change.

All the five sectors showed deterioration in business sentiment in April over January, indicating the decline in sentiment was wide-ranging. However, the fall in BCI was moderate in the case of services and consumer durables (by 1.4 and 2.9 per cent, respectively), whereas it fell sharply by 9.5, 9.3 and 8.8 per cent, respectively, in the intermediate goods, consumer non-durables and capital goods sectors.

The eastern region showed a significant improvement (11.2 per cent) in BCI, the western (minus 15.8 per cent) and southern (minus 17.9 per cent) ones a sharp dip and the northern region (minus 0.5 per cent) hardly any change, quarter on quarter.

All groups of companies recorded a decline in business sentiment, except those in which annual turnover was less than Rs 1 crore, which showed a marginal increase of 0.3 per cent between January and April. The biggest decline in BCI, of 11.4 per cent, was in firms with annual turnover of Rs 1–10 crore.

All groups of companies across type of ownership registered a decline. The largest in BCI, of 7.4 per cent, was at partnership or individual-owned companies.

Overall,
sentiment

DECLINING SENTIMENT?

Quarter ended (in points)	Oct 2014	Jan 2015	Apr 2015	Jul 2015	Oct 2015	Jan 2016	Apr 2016
Business Confidence Index	142.5	148.4	138.2	121.8	129.5	130.3	121.6
Political Confidence Index	180.6	183	166.7	137.1	137.5	136.4	139.2

Source: National Council of Applied Economic Research (NCAER)

production, domestic sales, exports, imports of raw materials, and pre-tax profits continued to remain subdued in April over January. Expectations regarding the costs of raw materials, labour and electricity remained muted. Hence, after showing positive signs of turning in January, the sentiment at labour markets again took a turn for the worse, as a result of which these continued to remain subdued.

Even as PCI rose over the earlier quarter, the outlook was mixed — expectations improved in the case of four components and worsened in four others. The components for which more positive responses were recorded were ‘managing a conducive political climate’, ‘managing the exchange rate’, ‘managing unemployment’ and ‘managing overall economic growth’. A decline was recorded in positive responses on ‘managing government finances’, ‘external trade negotiations’, ‘pushing the economic reforms forward’, and ‘managing inflation’.