

Press Release

The Business Confidence Index, Quarter 1, 2014-15, NCAER

Continued Upward trajectory: Business Confidence on its accelerated growth trend

- The BCI rose by 13 per cent in June 2014 over April 2014, overshadowing the 3.8 per cent increase in April 2014 over January 2014.
- Out of the four components of BCI three showed improvement reflecting higher expectations of overall economic growth, financial position of the firms and investment climate for the overall economy improved. Only the fourth component, optimal capacity utilisation showed a marginal decline.
- The Political Confidence Index (PCI), as similarly recorded in June 2014, surged by 20 per cent over April 2014. All eight components of PCI reflect higher optimism in this round.

New Delhi, Friday, 29 August 2014: The current survey was conducted just after the formation of a new government at the Centre with a single party getting majority of its own after three decades thereby assuring citizens of stability. June was the time that the government was getting ready to present its maiden budget. Hopes and expectations from the government were high especially given its emphasis on reviving economic growth. On the economic front, inflation had showed some signs of moderating and industrial production showed revival. Exports also showed signs of improvement. However, there was still a great degree of uncertainty regarding monsoon as El Nino was predicted around that time. The Business Confidence Index (BCI) compiled by the **National Council of Applied Economic Research (NCAER)** provides an assessment of the sentiments of the business sector in June 2014 given this background.

The survey is based on a sample of 629 respondents.

Highlights of BES round 89

- The 89th round of BES (Business Expectations Survey) carried out in June 2014 reflects improvement in business sentiments as measured by the NCAER Business Confidence Index (BCI). The BCI rose by about 13 per cent over the previous quarter.
- Three of the four components of the BCI show a higher level of optimism. While expectations of economic conditions improving in the short run and positive ratings on investment climate are the main factors behind the increase in overall confidence, marginally lower ratings on capacity utilisation are an area of concern in the present survey.
- All five major sectors of the economy show an improvement in business sentiments in the present survey over the last round. Although service sector firms have registered the highest BCI in terms of percentage change, the manufacturing sector reflects higher optimism than service sector firms in the present survey.
- The regional distribution of responses reflects mixed perceptions. Except the South, the other three regions registered higher level of optimism in the survey.

- The disaggregation of responses by firm size reflects improved optimism for all size categories of firms. Firms with an annual turnover between ₹100-500 crore show the highest percentage increase in confidence over the last round of survey. The distribution of firms by ownership type reveals improvement in both public and private sector firms in the present round of the survey.
- Increases in production, domestic sales, exports and pre-tax profits are expected. There is also a positive outlook with respect to employment and wages. The prices of inputs as well as the ex-factory prices of outputs are slated to rise.
- In line with the BCI, the Political Confidence Index (PCI) too has shown an improvement in the present round surging by almost 20 per cent in this round. All eight components of PCI reflect higher optimism in this round.
- Public sector firms have registered falling confidence levels as against the positive outlook shown by private sector firms in terms of political management of economic policies.
- Business plans for capacity expansion, expanding into new lines of business and improvement of quality and efficiency depend heavily on favourable budget. There is anticipation of an increased tax rate in the budget of the new government.



About NCAER

NCAER, the National Council of Applied Economic Research, is India's oldest and largest independent economic think-tank, set up in 1956 at the behest of Prime Minister Jawaharlal Nehru to inform policy choices for both the public and private sectors. Over nearly six decades, 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 informed citizens. It is one of a few independent think-tanks world-wide that combines rigorous economic analysis and policy outreach with data collection capabilities, particularly for large-scale household surveys. NCAER is currently led by its Director-General, Dr Shekhar Shah, and governed by an independent Governing Body chaired by Mr Nandan M. Nilekani.

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