

## PRESS RELEASE

**For more information, please contact:**  
Dr Bornali Bhandari, NCAER, +91-98718 25027, [bbhandari@ncaer.org](mailto:bbhandari@ncaer.org)

### ***NCAER-NSE Business Expectations Survey for 2023–24:Q2***

#### ***Business sentiments rose in 2023–24: Q2 as compared to last quarter***

**New Delhi (Thursday, November 2, 2023):** The National Council of Applied Economic Research (NCAER), one of India’s premier economic policy research think tanks, carried out the 126<sup>th</sup> Round of its Business Expectations Survey (BES) in September 2023, with support from the National Stock Exchange of India Limited (NSE). NCAER has been carrying out the BES every quarter since 1992, covering 500 firms across four regions.

There has been all-round improvement in business sentiments in this quarter. The BCI rose from 128 in 2023–24:Q1 to 140.7 in 2023–24:Q2. The BCI was also higher than the corresponding quarter in the previous year (132.5 in 2022–23:Q2).

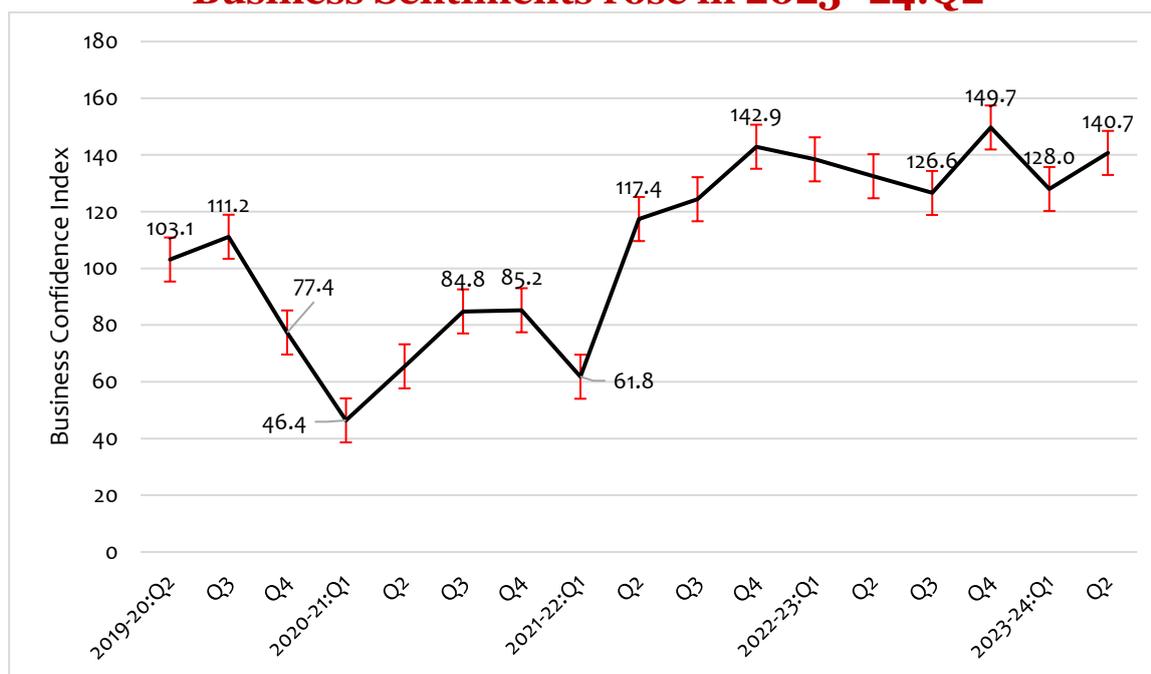
The NCAER-NSE Business Confidence Index (BCI) is driven by four components, with each of them being assigned equal weights in the Index. The four components are ‘overall economic conditions will improve in the next six months’, ‘financial position of firms will improve in the next six months’, ‘present investment climate is positive’, and ‘present capacity utilisation is close to or above the optimal level’. The share of positive responses was higher for all four components of the BCI in 2023–24:Q2 compared to 2023–24:Q1.

Business sentiments were relatively more buoyant about domestic markets than external markets. The share of firms expecting production, domestic sales and pre-tax profits to increase was more in 2023–24:Q2 compared to 2023–24:Q1. In contrast, a lower percentage of firms expected exports of own products and imports of raw materials to increase in 2023–24:Q2 compared to 2023–24:Q1.

Regarding expectations about future price trends, sentiments were muted for both prices of inputs and outputs with a lower percentage of firms expecting prices to rise in 2023–24:Q2 over 2023–24:Q1. The share of firms expecting a rise in the unit cost of raw materials, electricity and labour in the next six months decreased between the two periods. Similarly, the percentage of firms expecting their ex-factory prices to rise came down in 2023–24:Q2 over 2023–24:Q1.

The latest BES Report can be accessed and downloaded from [here](#).

## Business Sentiments rose in 2023–24:Q2



Source: NCAER Business Expectations Survey, several rounds.

Notes: 1. The survey from Round 119 onwards has been conducted with support from the NSE.

1. The bars in the graph represent error bars.
2. “Business sentiments are typically based on opinion surveys on production, inventory, orders etc. They are used to monitor output growth and anticipate turning points to essentially forecast future economic fluctuations. The advantage of sentiments data are two-fold i.e. they are timely and can capture real time changes. Second, they are not subject to revisions like macroeconomic data.” Bhandari, B., Gupta, S., Sahu, A.K., and Urs, K.S. 2021. “Business sentiments during India’s national lockdown: Lessons for second and potential third wave”. *Indian Economic Review*. 56(2): 335–350. December.

**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 represented in terms of ownership type (including public sector, private limited, and public limited firms, partnerships/individually owned firms, and multinational corporations); the industry sector (including 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 any change.

An increase in the level of the BCI (signified by 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 worldwide 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, and it is governed by an independent Governing Body currently chaired by Mr Nandan M. Nilekani.

### **About NSE**

The National Stock Exchange of India (NSE) is the world's largest derivatives exchange by trading volume (as per Futures Industry Association) for the calendar year 2021. NSE is ranked 4th in the world in cash equities by number of trades (as per World Federation of Exchanges) for the 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 the total and average daily turnover for equity shares every year since 1995. 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.

#### **NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH**

NCAER India Centre, 11 Indraprastha Estate, New Delhi 110 002  
Tel: +91-11- 2345-2698/2699, Email: [info@ncaer.org](mailto:info@ncaer.org), [www.ncaer.org](http://www.ncaer.org)

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#### **NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400 051  
Tel: + 91-22-2659-8100/ 2659-8114 / 6641-8100, [www.nseindia.com](http://www.nseindia.com)