

# **The NCAER-NSE Business Expectations Survey for India *Second Quarter 2024–25***

## **Business Confidence Index**

October 2024



**NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH**

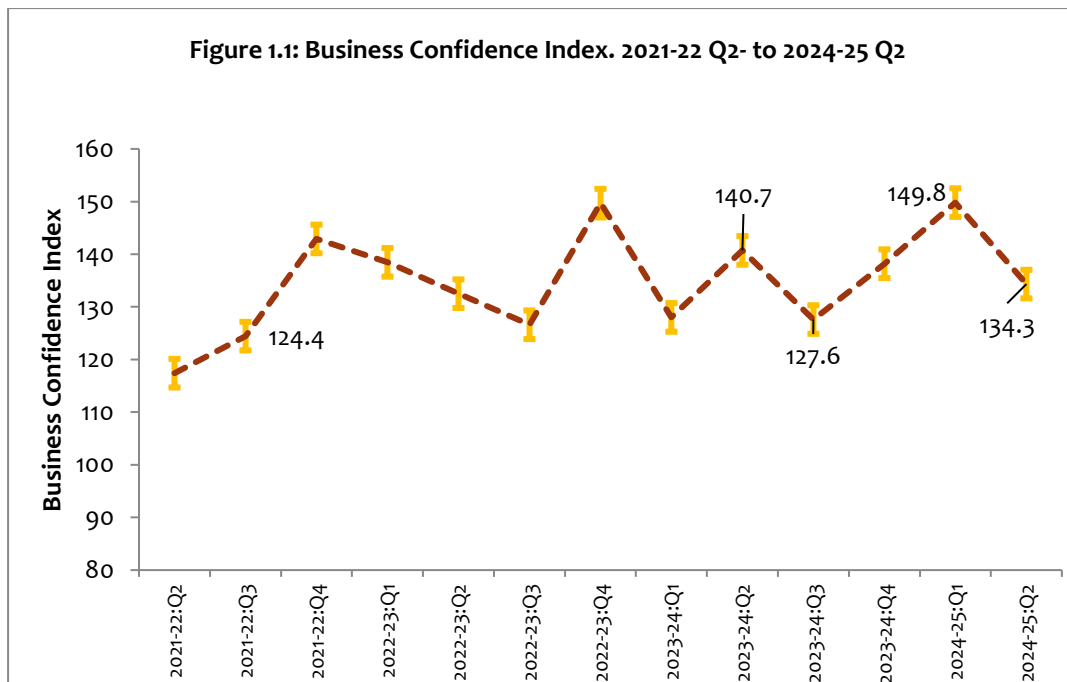
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# NCAER-NSE Business Confidence Index Second Quarter of 2024-25

## 1. Business Confidence<sup>1</sup>

- Economic activity continues to be on its dynamic and positive path, albeit at a moderated pace. After improving for two consecutive quarters (Figure 1.1), business sentiments slowed down in the second quarter of 2024-25 (134.3) compared to the first quarter of 2024-25 (149.8) as well as its corresponding value of second quarter of 2023–24 (140.7).



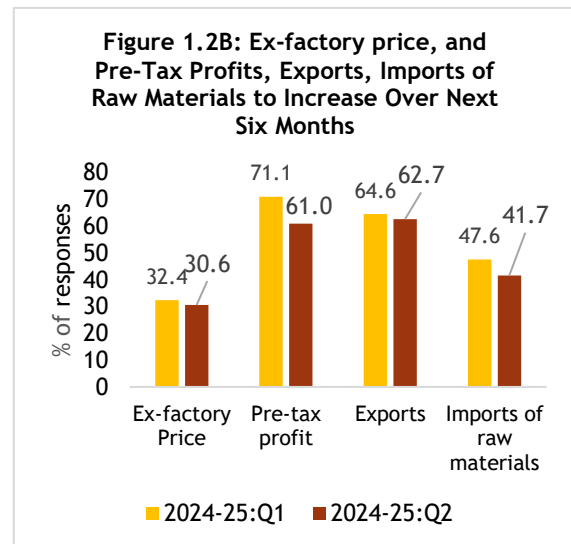
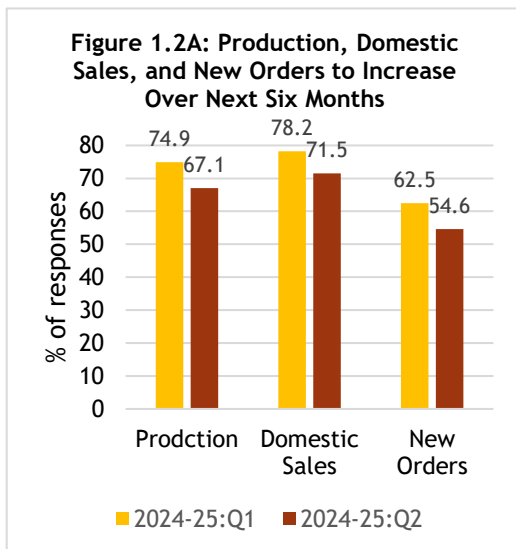
- There are four components that make up the BCI- ‘overall economic conditions to improve in next six months’, ‘financial position of the firms will improve in next six months’, ‘present investment climate’ and ‘present capacity utilisation was close to or above optimal level’. While all four components of the BCI experienced moderation in sentiments between the first and second quarters of 2024-25, the percentage share of positive responses remained above 50 per cent signalling continued economic dynamism.

The share of firms expecting ‘overall economic conditions to improve in next six months’ moderated from 71.2 per cent in 2024–25:Q1 to 62.1 per cent in 2024–25:Q2. Similarly, the share of firms expecting their own ‘financial position of the firms will improve in next six months’ moderated from 67.4 per cent in 2024–25:Q1 to 58.0 per cent in 2024–25:Q2. The share of firms perceiving that ‘present investment climate is positive’ moderated from 60.4 per cent in 2024–25:Q1 to 49.7 per cent in 2024–25:Q2. Present capacity utilisation was close to or above optimal level for 96.3 per cent of firms in 2024–25:Q2. The corresponding figure was 97.8 per cent in 2024–25:Q1.

<sup>1</sup> NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (130<sup>th</sup>) was carried out in September 2024 covering 493 respondents spread across six cities.

## 2. Business Prospects

- Majority of respondents- 67.1 per cent of firms expected production to increase in the next six months and 71.5 per cent expected domestic sales to increase in the next six months in 2024-25:Q2. However, these shares were lower than last quarter, 2024–25:Q1 (Figure 1.2A). Similar trends were witnessed regarding expected new orders over the next six months.
- Sentiments about exports of final products continued to remain upbeat although these have also moderated with a smaller share of firms expecting them to increase in 2024–25:Q2 compared to 2024–25:Q1 (Figure 1.2B). In case of imports of raw materials, the percentage share of firms expecting these to increase have declined from 47.6 per cent in 2024-25:Q1 to 41.7 per cent in 2024-25:Q2 signalling weak domestic demand.
- In case of sentiments about pre-tax profits, 61 per cent of firms expected pre-tax profits to rise in 2024–25:Q2 signalling continued buoyancy but this is also lower compared to the numbers of 2024–25:Q1 (71.1 per cent). Sentiments with regard to ex-factory prices moderated slightly with lesser number of firms expecting these to rise in 2024–25:Q2 compared to 2024–25:Q1 (30.6 per cent vs 32.4 per cent).



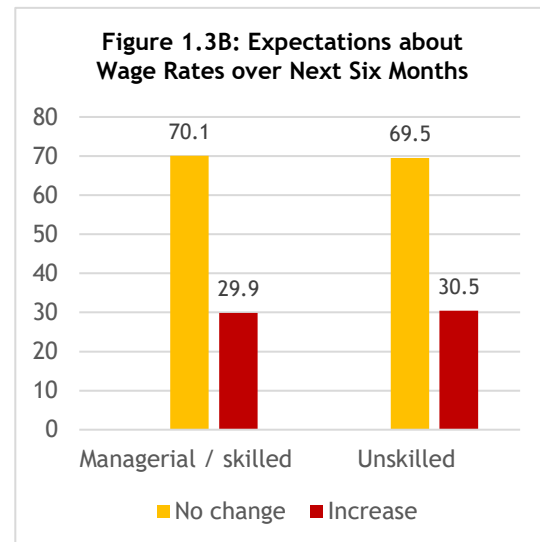
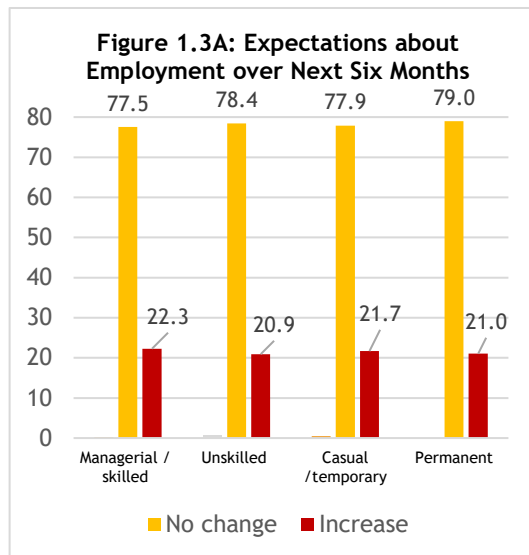
## 3. Employment

- Majority of firms continue to expect the prospects of employment to remain the same in the next 6 months of both skilled and unskilled or casual and permanent workers (Figure 1.3A). However, labour markets' sentiments were muted since last quarter with lesser percentage of firms expecting employment to increase (26.4 per cent in 2024-25:Q1 to 21 per cent in 2024-25:Q2).

Regarding plans for increasing hiring of workers over the next six months the number of firms that responded positively were - 22.3 per cent for hiring managerial/skilled workers; 20.9 per cent for hiring unskilled workers; 21.7 per cent for hiring wage/temporary workers; and, 21 per cent for hiring permanent workers, respectively.

- Approximately 70 per cent of firms expect that wage rates for both managerial/skilled workers and unskilled workers to remain unchanged over the

next six months (Figure 1.3B). The corresponding numbers in 2024–25:Q1 were relatively lesser at around 50 per cent for both managerial/skilled workers and unskilled workers. In the current round, 29.9 per cent of firms expected wages of managerial/skilled workers and 30.5 per cent of unskilled workers to rise in next six months. The corresponding figures in the previous round were around 50 per cent for each category of workers.



#### 4. Unit costs of Raw Materials, Electricity, and Labour

- A majority of firms expect no changes in the unit costs of raw materials, electricity and labour (Figure 1.4) signalling that costs will remain muted.
- Percentage of firms expecting unit cost of raw materials, electricity and labour in the next six months in 2024–25:Q2 to increase were 44.2 per cent, 31.8 per cent and 30.9 per cent respectively. Corresponding figures in 2024–25:Q1 were 48.8 per cent, 34.7 per cent and 30.6 per cent in that order.

