



**Business Confidence Survey
November 2022**

Business Confidence Survey

Summary

*Overall Business Confidence Index slips to 59.9 in the latest survey round
Global uncertainties, rising inflation, currency volatility, and weak demand
prospects impacting businesses*

- The latest round of FICCI's Business Confidence Survey reported a conspicuous fall in the optimism level of members of India Inc. The Overall Business Confidence Index stood at 59.9 in the current round as compared to 65.0 in the previous survey round – a decline by more than five notches.
- The overall index value has witnessed a deterioration in the present survey round since buoyancy amongst industry members has fallen in case of both current conditions as well as the near-term outlook at all three levels of economy, industry, and firm. The confidence level has moderated as a result of the persisting uncertainty.
- The muted sentiment is also corroborated by a dent in the near-term outlook on some of the major operational parameters viz investments, sales, employment, and exports.
- The proportion of respondents anticipating better sales prospects over the coming two quarters dipped to 49% in the current survey round from 54% in the previous round. The proportion of respondents citing 'higher to much higher' investments in the coming six months also noted a decline in the latest round of the survey. 34% of the participating companies anticipated an increase in investments over coming six months in the latest survey as compared to 45% respondents reporting likewise in the previous round; while 43% participants expected no change in investment levels.
- Businesses were also asked about the factors that are deterring them to undertake fresh investment. Majority of the respondents highlighted factors such as geopolitical uncertainties, rising protectionism, currency volatility, and weak domestic as well as international demand to be key deterrents to fresh investment. Further, a large proportion of participants pointed out that rising interest rates led by monetary tightening has also made them wary to invest. A dearth of skilled labor also seems to be hindering the investment decisions.
- Employment outlook of participants has also noted a substantial dip. While 42% of the participants anticipated hiring new employees in the last survey round, 35% foresee likewise in the present survey round.
- Further, over 60% of the respondents cited weak demand as a major constraining factor for business, while 67% cited rising cost of raw materials to be a major impediment for business. Moreover, rising cost of credit is emerging as another concern for businesses, with about 40% of the participants responding in the affirmative.

Business Confidence Survey

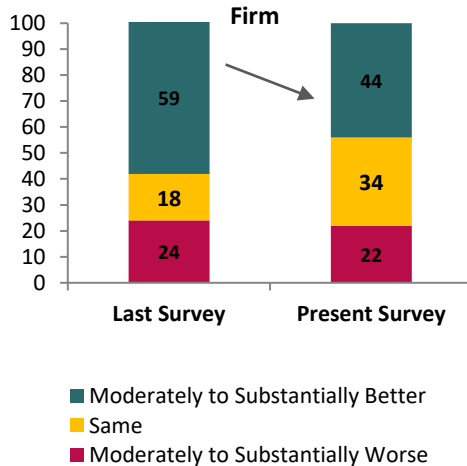
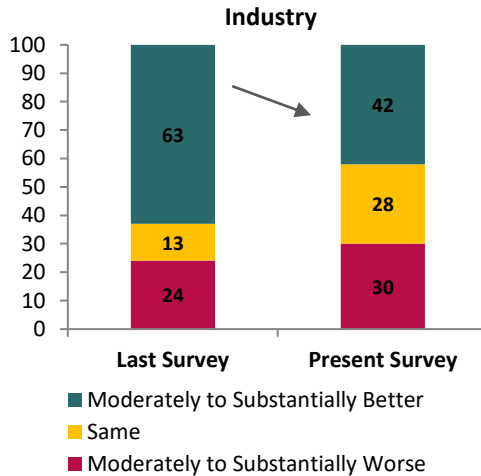
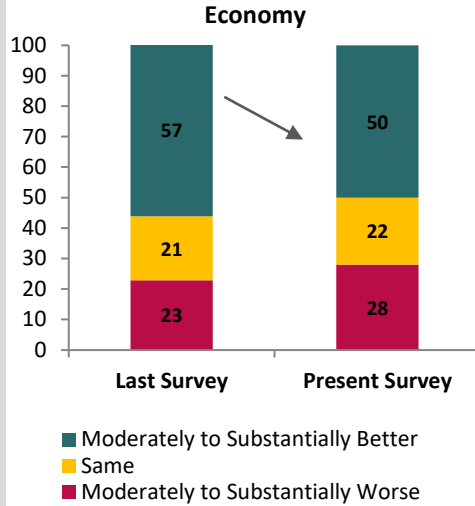
Summary

- Businesses were also asked whether the adverse impact of the COVID-19 pandemic and the Russia-Ukraine war has weaned off on their supply chains. While 16% participants cited that the impact has weaned off considerably, 65% of the respondents reported that the impact has weaned off only to a certain extent.
- The participants were also asked about their outlook regarding the upcoming festive season. 18% of the participants cited being considerably optimistic for the upcoming festive season, while about a third of the participants (31%) reported being moderately positive. While consumer demand is expected to pick up amidst the festivities, however the purchasing power of consumers has eroded due to the pandemic and is likely to take some more time to recover firmly. Further, geopolitical uncertainties and the resultant spike in inflation levels is also affecting market demand.

Business Confidence Survey

Current conditions vis-à-vis last six months

Participants' optimism level has noted a moderation owing to persistent volatility in geopolitical environment and its fallout on the domestic economy...



Findings from FICCI's latest round of Business Confidence Survey reported a moderation in the proportion of respondents reporting better overall current conditions relative to last six months. Persistent geopolitical tensions, slowdown in advanced economies, high commodity prices, and depreciation of the Indian Rupee vis-à-vis the USD have muted businesses sentiments to some extent.

In the present survey, the proportion of participants citing current economic conditions as 'moderately to substantially better' compared to previous six months moderated to 50%, vis-à-vis 57% stating likewise in the previous round. The proportion stating current economic conditions to be worse than the previous six month increased marginally to 28% in the present round, vis-à-vis 23% last time.

At the industry level, about 42% respondents reported 'moderately to substantially better' current conditions vis-à-vis last six months, while the proportion was much higher at 63% in the previous round. Those citing conditions to remain the same rose to 28% from 13% in the previous round.

At firm level, 44% of the respondents cited current conditions as 'moderately to substantially better' vis-à-vis last six months, which was lower than 59% participants citing the same in the previous round. On the other hand, a significant increase was noted in the percentage of participants expecting the situation at firm level to remain the same.

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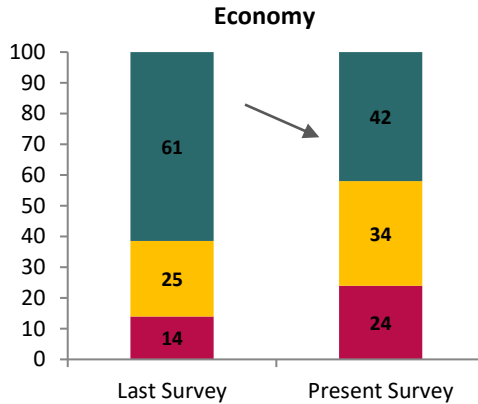
Expected conditions over next six months

A moderation was noted in the optimism level of respondents about near-term prospects, at all the three levels - economy, industry, and firm.

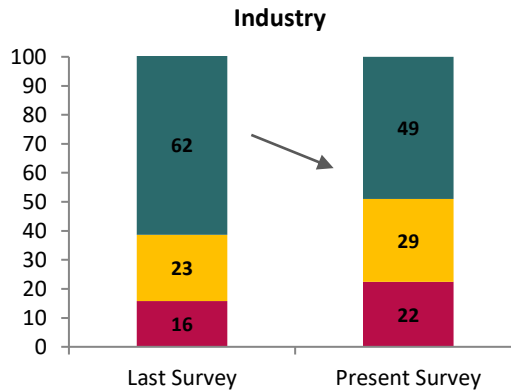
At the economy level, the proportion of respondents foreseeing 'moderately to substantially better' performance over next six months declined significantly from 61% in the previous round to 42% in the present survey round. Those expecting economy-wide conditions to deteriorate in the next six months rose to 24% in the current round, while 34% expected conditions to remain the same.

49% of the surveyed companies reported that they expect an improved performance over next two quarters at the industry level. This was again a deterioration from the previous round when 62% of respondents has said so. The proportion of respondents anticipating conditions to worsen over next six months rose to 22% in the present round, from 16% in the previous survey round.

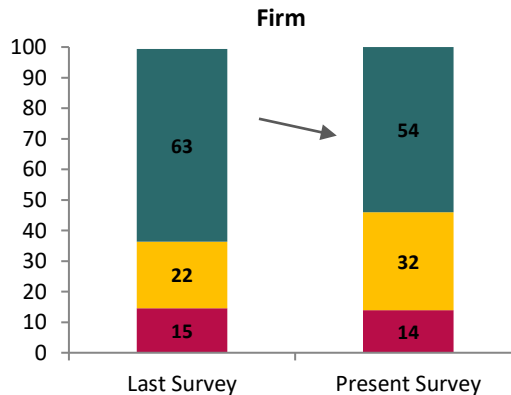
Further, the proportion of participating companies hopeful of better prospects in the next six months at the firm level also witnessed a decline from 63% in the last survey round to 54% in the present round. Those expecting conditions to remain the same rose to 32% in the present round from 22% in the last round.



- Moderately to Substantially Better
- Same
- Moderately to Substantially Worse



- Moderately to Substantially Better
- Same
- Moderately to Substantially Worse



- Moderately to Substantially Better
- Same
- Moderately to Substantially Worse

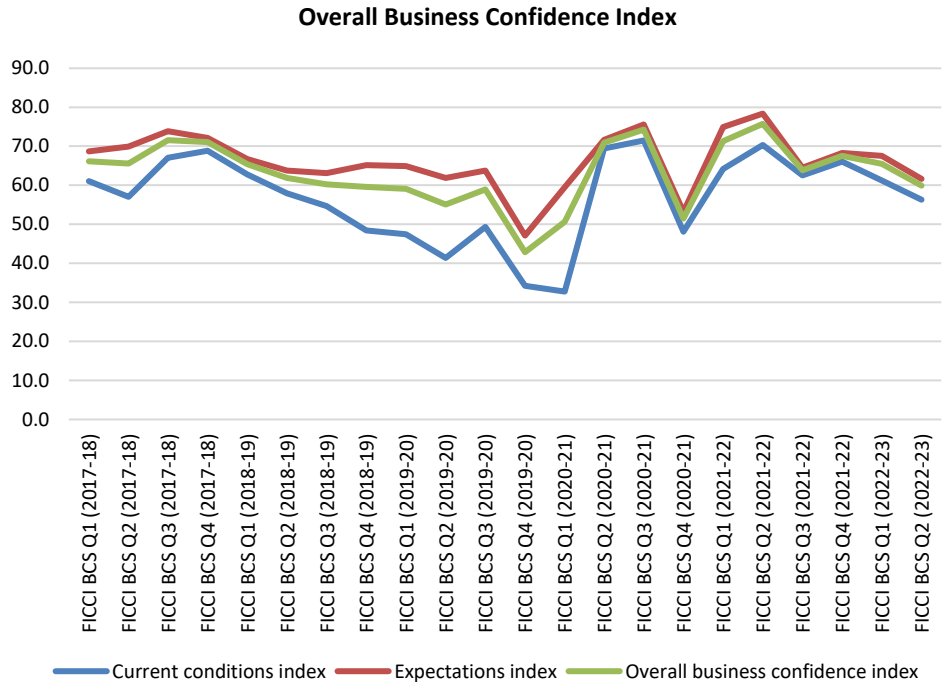
The expectations of respondents regarding performance over the period October 2022-March 2023 witnessed a deterioration at all the three levels – economy, industry and firm



Business Confidence Survey

Business Confidence Index

Overall Business Confidence Index witnessed decline from the levels observed in the previous survey round...



In the current survey round, a conspicuous moderation has been noted in the confidence levels of corporate India. Overall Business Confidence Index stood at 59.9 in the present survey round as compared to a value of 65.0 in the last round.

Both the current conditions index and expectations index also noted a decline in the respective values in the present survey round.

The Current Conditions Index declined from a value of 61.1 in the previous survey to 56.3 in the latest round; while the Expectations Index decreased from a value of 66.9 last time to 61.6 in the present round.

With uncertainty regarding global growth prospects looming large and factors such as rising input costs, Rupee depreciation, weak demand, and rising interest rates exerting pressure, confidence among Indian industry seems to have taken a beating.

...Overall Business Confidence Index stood at 59.9 vis-à-vis 65.0 in the previous round...

Business Confidence Survey

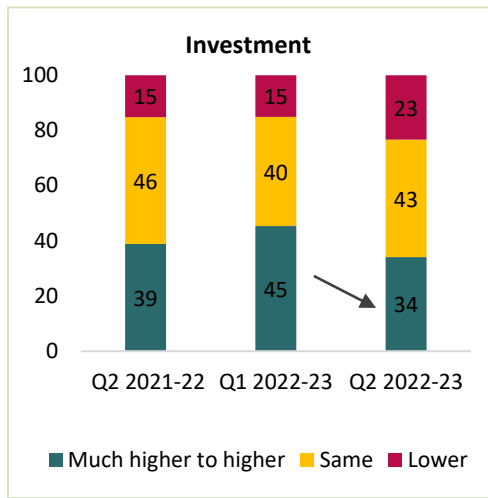
Operational Parameters

Investments

The proportion of respondents citing 'higher to much higher' investments in the coming six months declined in the latest round of the survey, while the proportion of participants citing investment levels to be lower noted a rise.

34% of the participating companies anticipated an increase in investments over coming six months in the latest survey as compared to 45% respondents reporting likewise in the previous survey round; while 43% participants expected no change in investment levels.

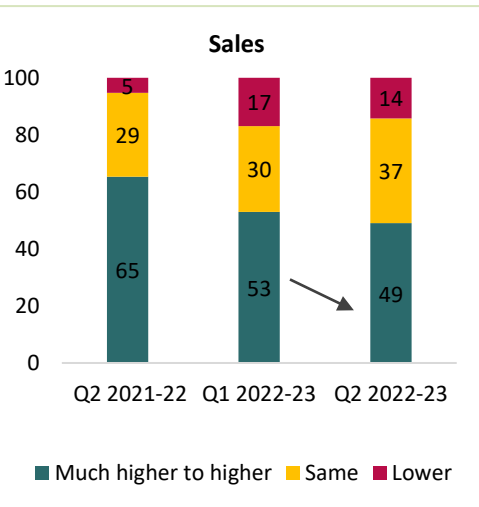
(Proportion of respondents)



Investment outlook reports moderation...

Sales

(Proportion of respondents)



The latest survey results report a moderation with respect to the sales outlook as well.

49% of the participating companies anticipated an increase in sales over next two quarters, lower than 53% respondents citing the same in the previous survey round. While 37% of the participants expected sales to remain same in near future, the proportion of those expecting sales to be lower was about 14%.

...sales prospects remain subdued...

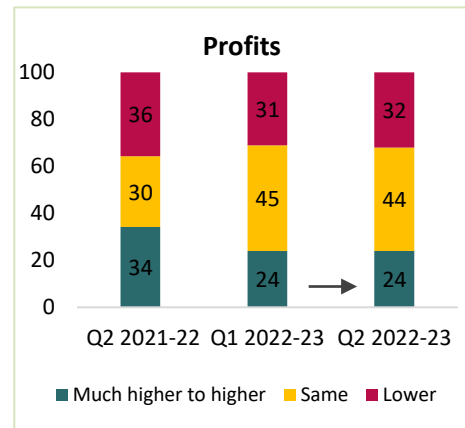
Business Confidence Survey

Operational Parameters

Profits

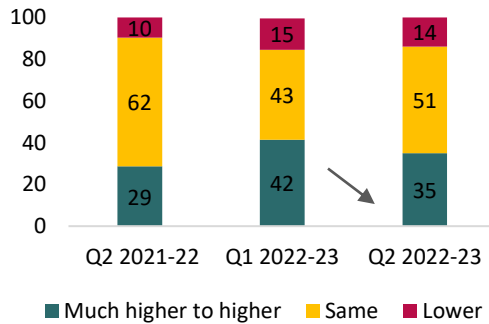
44% of participating businesses expect no change in their profit levels over the coming six months; while about 32% participants cited lower profits over the near term. Further, 24% of the respondents expected their profit levels to be higher over the next two quarters – marking no change from the proportion of participants stating likewise in the previous round.

(Proportion of respondents)



(Proportion of respondents)

Employment



Employment

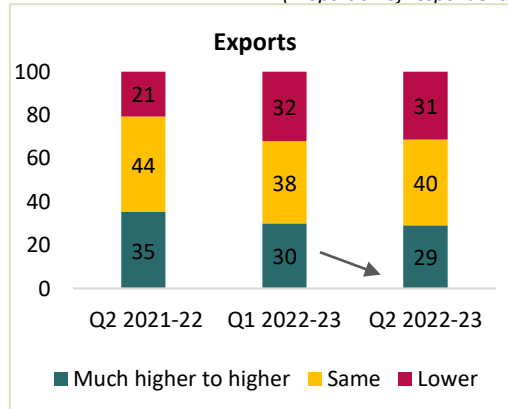
In the present survey round, employment outlook of businesses noted a moderation. About 35% of the respondents cited hiring new employees over the next six months in the current survey round, a decline compared to 42% respondents stating the same in the previous round. A little over half of the participants anticipated hiring levels to remain the same.

Survey results indicate a moderating outlook on employment and export front...

Exports

In the present survey round, 29% respondents said that they foresee much higher-to-higher exports over next two quarters, which was similar to 30% participants reporting likewise in the previous survey round.

(Proportion of respondents)

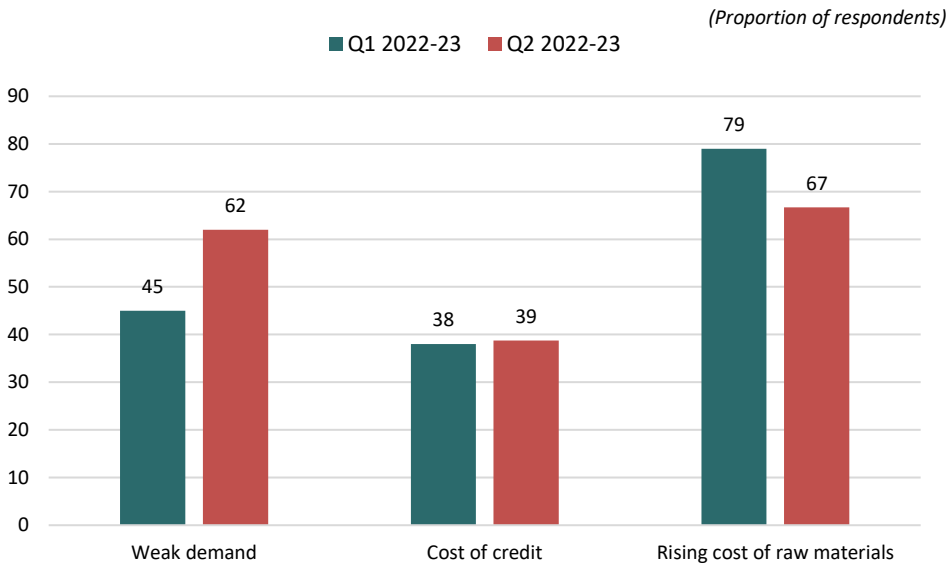


A marginal increase was noted in the proportion of participants anticipating export levels to remain same at 40%, whereas 31% of businesses cited lower export prospects in the latest survey; almost unchanged from the last round.

Business Confidence Survey

Constraining Factors

Major Constraining Factors for Businesses



....Over 60% respondents cited weak demand as a constraining factor....

There was an increase in the proportion of respondents citing weak demand as a constraining factor for their business. In the latest survey round, the number increased to 62% vis-à-vis 45% of respondents citing the same in the last survey round. While elevated commodity prices continue to erode purchasing power, higher purchases during the ongoing festive season were expected to allay concerns regarding a bleak demand outlook.

In the present survey round, rising raw material prices continued to be another major impediment for businesses – even though the percentage of respondents citing the same has come down to 67% in the present survey from 79% in the last round. Global commodity prices have indicated some softening which may have contributed to a fall in this number.

Further, with monetary tightening in the country well underway, its lagged effect is beginning to reflect in companies' borrowing costs. In the present survey round, almost 40% respondents indicated cost of credit to be a worrisome factor.

Rising raw material costs pose a major challenge for 67% of the participating companies...

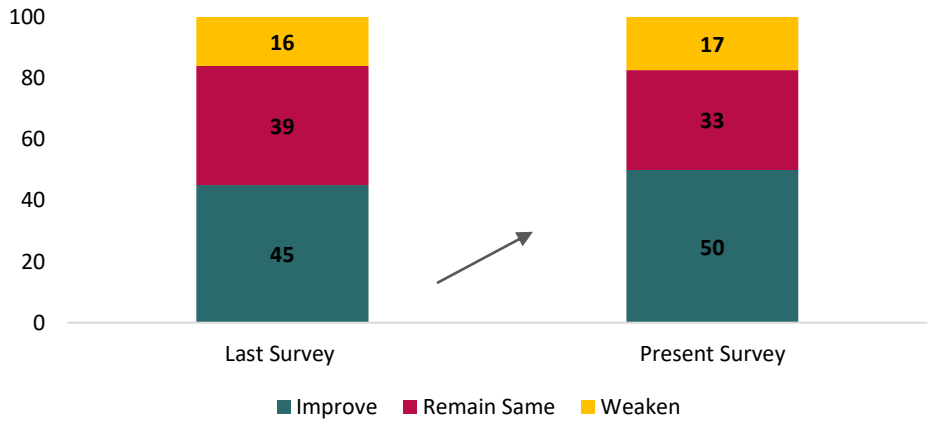
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Expected Order Book Position

Proportion of respondents anticipating better order books over next six months declined in the present survey round to 45% from 57% citing likewise in the last survey round. About 40% companies expected their order book position to remain the same in the coming six months vis-à-vis 31% in the previous round.

(Proportion of respondents)

Expected order book position over next two quarters

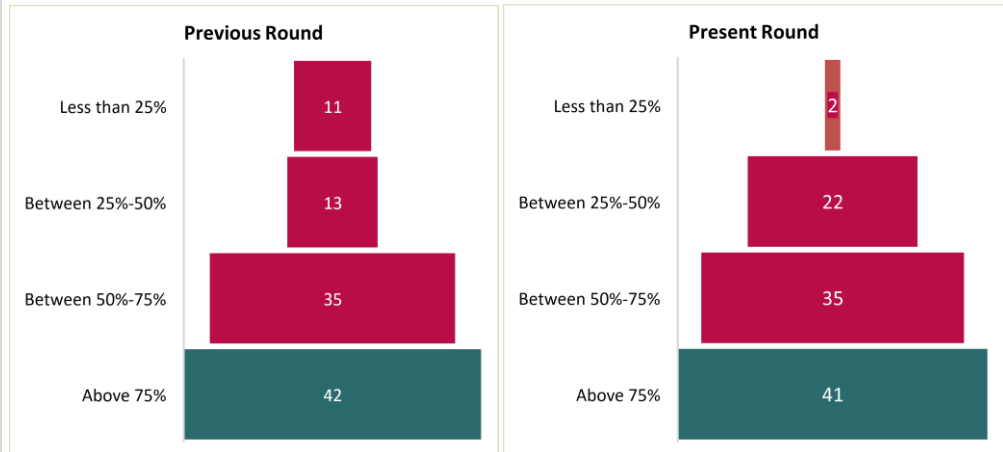


Capacity Utilization

In terms of capacity utilization, there was an increase in the proportion of respondents citing capacity utilization rate between 25% to 50% - 22% of the participants companies cited the same in the current survey, vis-à-vis 13% in the last round.

However, those indicating a capacity utilization rate of over 75% was almost unchanged at 41% in the current round compared to 42% in the previous survey round.

(Proportion of respondents)



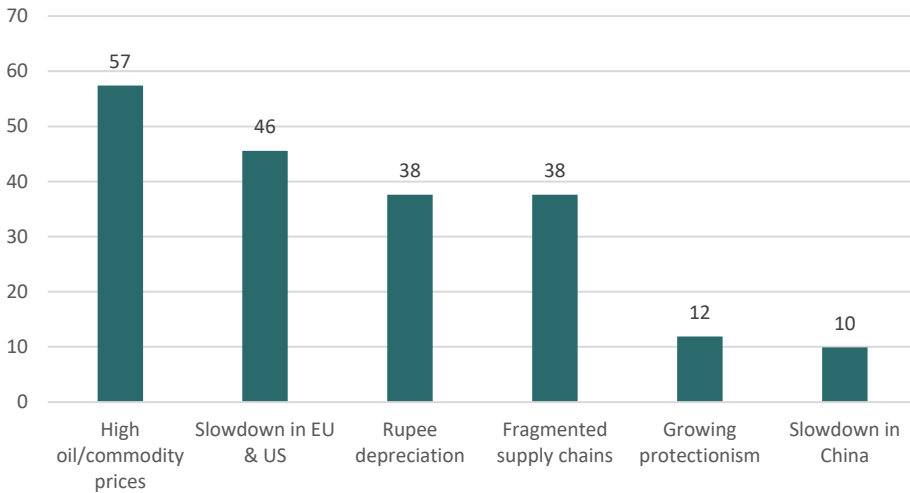
....capacity utilization rate of over 75% reported by 41% of the respondents...

Business Confidence Survey

Top Risk Factors Impacting the Manufacturing Sector

With global growth prospects continuing to remain volatile, businesses were asked what are the top risks for the manufacturing sector. Majority of the participants (57%) cited high global oil/ commodity prices as the key factor impacting their business. This was followed by slowdown in advanced economies and a depreciating INR as the other key risks, with 46% and 38% of the respondents, respectively, citing the same.

(Proportion of respondents)



Further, businesses were also asked about the factors that are deterring them to undertake fresh investment. The responses were aligned to the above stated risk factors. Majority of the respondents highlighted factors such as geopolitical uncertainties, rising input costs, rising protectionism, depreciation of the Indian Rupee, and weak domestic as well as international demand to be key deterrents to their decision to undertake fresh investments.

Further, a number of participants also pointed out that rising interest rates led by monetary tightening is also adding to the cautiousness to undertake fresh investments.

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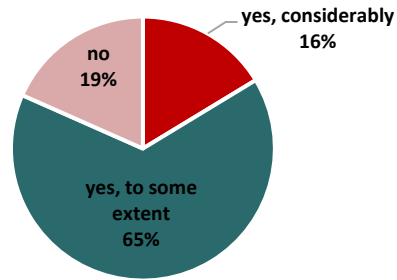
Adverse impact on supply chains is gradually waning off...

Impact on Supply Chains

Participating companies were also asked whether the adverse impact of the COVID-19 pandemic and the Russia-Ukraine war on their respective supply chain has waned off

(Proportion of respondents)

Has impact of the pandemic and Russia/Ukraine conflict on supply chain waned off?



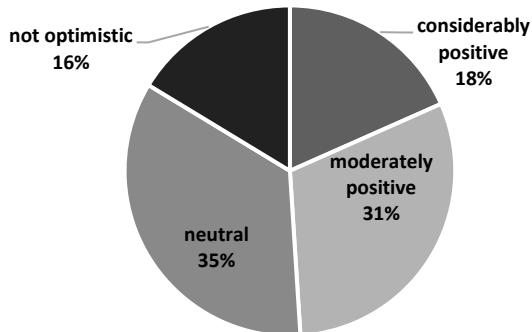
While 16% of the respondents cited that the impact of the pandemic/ conflict in Europe has waned off considerably on their supply chains , however a majority 65% participants reported that the impact has weakened only to a certain extent

Optimism regarding Festive Season

Businesses were also asked about their outlook regarding the upcoming festive season. Around 18% of the participants cited being considerably optimistic about the upcoming festive season, while a third of the participants (31%) reported being moderately positive.

(Proportion of respondents)

How optimistic about festive season



The purchasing power of consumers has eroded substantially after the pandemic and is likely to take some more time to recover firmly. Further, geopolitical uncertainties and the resultant spike in inflation levels is also wearing off the market demand.

Business Confidence Survey

Survey Profile

The survey drew responses from about 165 companies with a turnover ranging from Rs 1 crore to Rs 30,000 crore and belonging to a wide array of sectors. The survey gauges expectations of the respondents for the period October 2022 to March 2023.

Broad Sectoral Coverage			
Agricultural Equipment	Textile/Apparel	Chemicals	Infrastructure
Services	Real Estate	Metals	Electronics & Electricals
Energy	Engineering Goods	Food Processing	Banking & Financial Services
Automotive	Consultancy	Travel & Tourism	Pharmaceutical
Packaging	Satellite Communication	Consumer Products	Transport & Logistics

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