



**Business Confidence Survey
February 2023**

Business Confidence Survey

Summary

Overall Business Confidence Index improves to 61.0 in the latest survey from 59.9 in the previous round on back of improved expectations on near term outlook

- The latest round of FICCI's Business Confidence Survey reported a slight improvement in the optimism level of members of India Inc. The Overall Business Confidence Index stood at 61.0 in the current round as compared to 59.9 in the previous survey.
- Even though the assessment of participants regarding current conditions reported a mixed trend, the uptick in sentiment is being supported by positive expectations about the near-term performance. The outlook over the next two quarters at all the three levels – economy, industry, and firm level – was reported as encouraging by the respondents.
- This improvement is also mirrored in the near-term outlook on some of the major operational parameters. For all parameters tracked in the survey – sales, investments, profits, employment and exports – the participants reported expectations of better prospects over the foreseeable future. The improvement was particularly noticeable in case of sales, investments and employment.
- The proportion of respondents citing 'higher to much higher' investments in the coming six months witnessed a pickup in the latest round of the survey, while the proportion of participants citing investment levels to be same or lower noted a marginal decline. In the latest survey, about 41% of the participating companies anticipated an increase in investments over coming six months, as compared to 34% respondents reporting likewise in the previous round. Only 19% participants expected lower investment levels and 40% anticipated no change.
- Likewise, in case of sales, 57% participating companies indicated that they foresee an increase in sales over next two quarters – this was higher than 49% respondents citing likewise in the previous survey round. While 39% of the participants expected sales to remain same in near future.
- For profits and export prospects, only a marginal improvement was noted in the 'much higher to higher category'. Higher input costs, shortages and tempering external demand has had an impact on profit levels of the companies. Also, persisting global headwinds are impacting India's export position.
- In the present survey round, employment outlook of businesses noted an improvement. In the current survey, about 41% of the participants cited hiring new employees over the next six months – noting an increase compared to 35% respondents stating likewise in the previous round. Nonetheless, 45% of the participants anticipated hiring levels to remain the same in the near term.

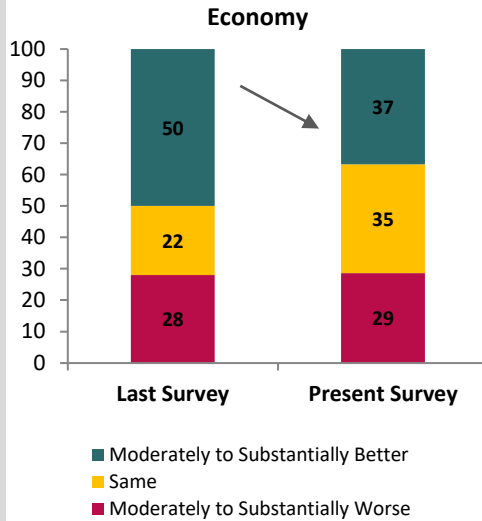
Business Confidence Survey

Summary

- Weak demand continues to be one of key constraining factor for businesses. In the current survey, 63% respondents cited weak demand as a worry (vis-à-vis 62% stating likewise).
- Besides, muted demand, cost of credit has emerged as a significant concern for the participants. From about 40% respondents citing cost of credit to be a bothering factor in the last survey, 55% participating companies expressed worry about the same this time. The unprecedented synchronicity in monetary tightening witnessed across the world through the year 2022, has been raising concerns about the Central Bank's stance.
- Rising raw material prices though was a concern for over half of the survey participants, the proportion stating likewise noted a decline. 53% respondents cited raw material prices to be a concern in the current survey – lower than 67% reporting the same in the previous round. Volatility in exchange rate was said to be a concern by 66% of the respondents.

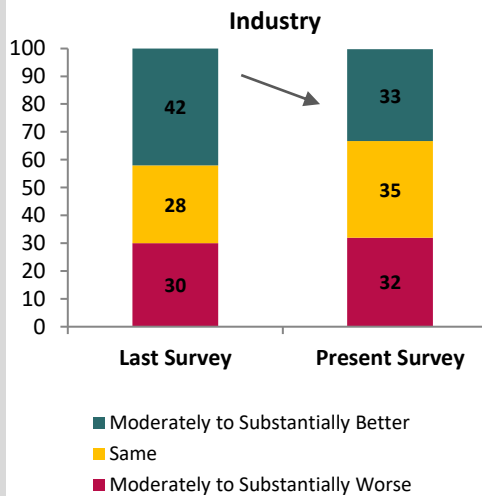
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Current conditions vis-à-vis last six months



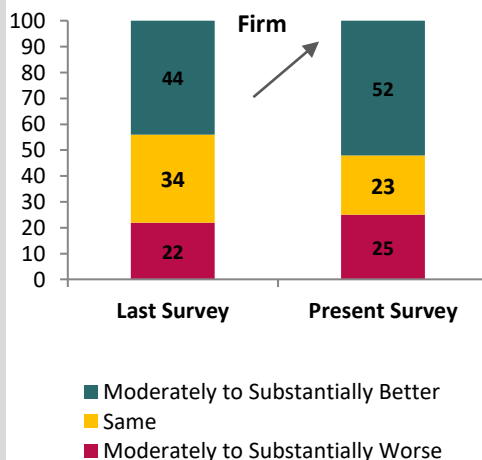
The results of latest round of FICCI’s Business Confidence Survey reported a moderation in the proportion of respondents reporting an improvement in overall current conditions relative to last six months at the economy and industry levels. However, interestingly, the respondents were optimistic about the current conditions (relative to last six months) at the firm level.

The year 2022 began on a challenging note with the Omicron wave hitting the world and escalation of the conflict in Europe. India was not unscathed from these intensifying external headwinds. However, the survey findings do indicate initial signs of optimism.



In the latest survey, the proportion of participants citing current economic conditions as ‘moderately to substantially better’ compared to previous six months moderated to 37%, vis-à-vis 50% stating the same in the previous round. The proportion of participants reporting no change in current economic conditions vis-a-vis previous six month increased to 35% in the present round, vis-à-vis 22% last time.

About 33% respondents at the industry level reported ‘moderately to substantially better’ current conditions vis-à-vis last six months, while the proportion was higher at 42% in the previous round. Those citing conditions to remain the same noted an increase to 35% from 28% in the previous round.



It seems the participants have caught the pulse of improvement at the firm level. In the present round, 52% respondents cited current conditions as ‘moderately to substantially better’ vis-à-vis last six months – this was 8 percentage points higher than the proportion of participants citing the same in the previous round.

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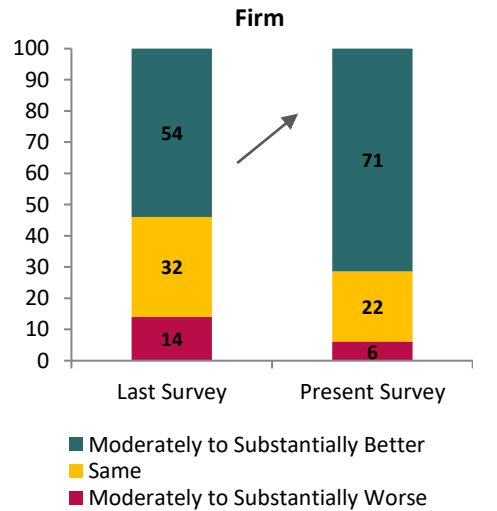
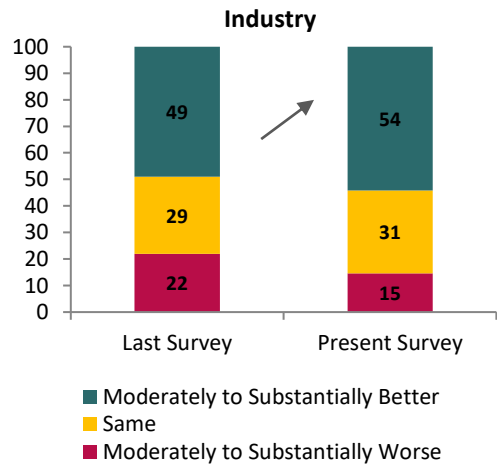
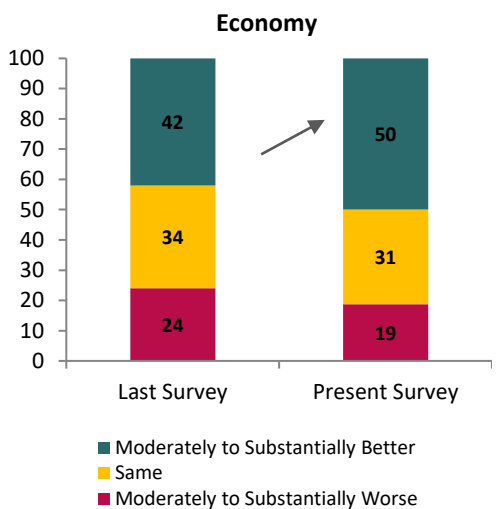
Expected conditions over next six months

With regard to the expected conditions over next six months, the survey results indicated signs of buoyancy at all the three levels - economy, industry, and firm.

At economy level, the proportion of respondents anticipating 'moderately to substantially better' performance over next six months improved to 50% in the present round from 42% reporting likewise last time. Further, the percentage of participants expecting economy-wide conditions to worsen in the next six months fell to 19% in the current survey from 24% in the previous round.

At industry level, 54% of the surveyed companies reported that they expect a better performance over next two quarters – the number marked an improvement by 5 percentage points from the previous round. The proportion of respondents citing conditions to deteriorate over next six months declined to 15% in the present round, from 22% in the previous survey round.

Moreover, the participants seemed quite confident about near term firm level prospects. The percentage of participants hopeful of better conditions in the foreseeable future improved to a whopping 71% vis-à-vis 54% respondents indicating the same in the previous round. Those expecting conditions to remain the same or worsen (at the firm level) over the coming six months noted a visible decline.



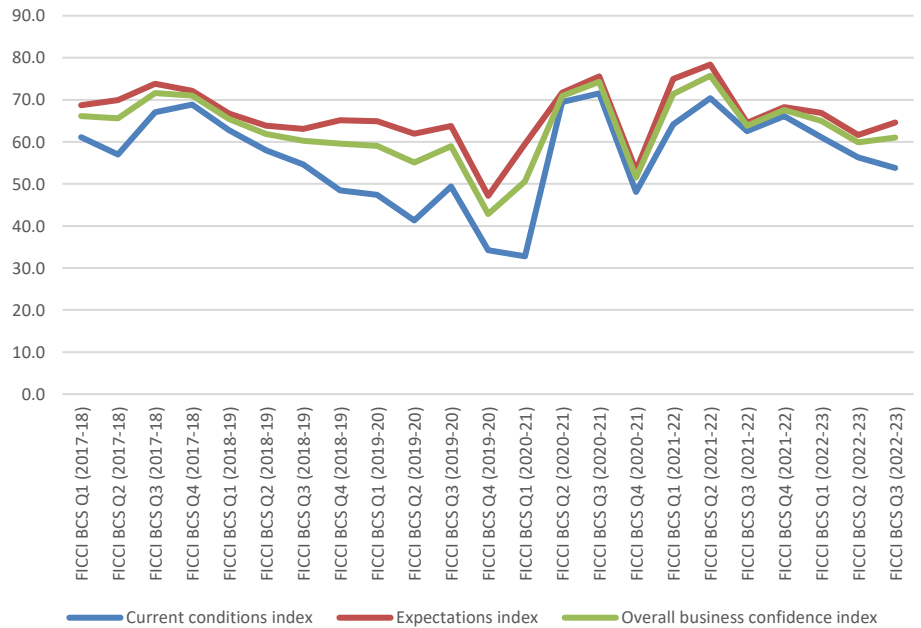
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Business Confidence Index

Overall Business Confidence Index witnesses an improvement ...

...Overall Business Confidence Index stood at 61.0 vis-à-vis 59.9 in the previous round...

Overall Business Confidence Index



In the present survey round, Overall Business Confidence Index marked an improvement – the index value stood at 61.0, vis-à-vis a value of 59.9 in the last round.

The improvement in the index value was backed by a conspicuous uptick in the expectations of the respondents - even though the sentiment with regard to the current conditions was mixed.

In the latest survey, the Current Conditions Index declined to a value of 53.8 from 56.3 in the previous round. The Expectations Index, on the other hand, improved to a value of 64.6 from 61.6 in the last survey.

The return in hint of sanguinity in sentiment is encouraging. The participants foresee an improvement over the near term. Despite the continuing headwinds and downside risks remaining on fore, India’s economy has maintained resilience.

Furthermore, the Union Budget 2023-24 is around the corner, and we are hopeful that the government’s emphasis on strengthening growth will remain at forefront. Focus on ironing out supply issues, measures to boost domestic demand via higher capex, providing a roadmap to leverage the China-plus-one strategy, further encouraging R&D and innovation will be critical.



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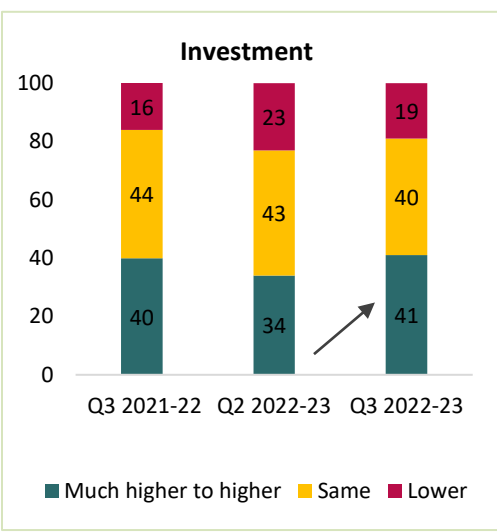
Operational Parameters

Investments

The proportion of respondents citing 'much higher to higher' investments in the coming six months witnessed a pickup in the latest round of the survey, while the proportion of participants citing investment levels to be same or lower noted a marginal decline.

41% of the participating companies anticipated an increase in investments over coming six months in the latest survey as compared to 34% respondents reporting likewise in the previous round. About 19% participants expected lower investment levels and 40% anticipated no change.

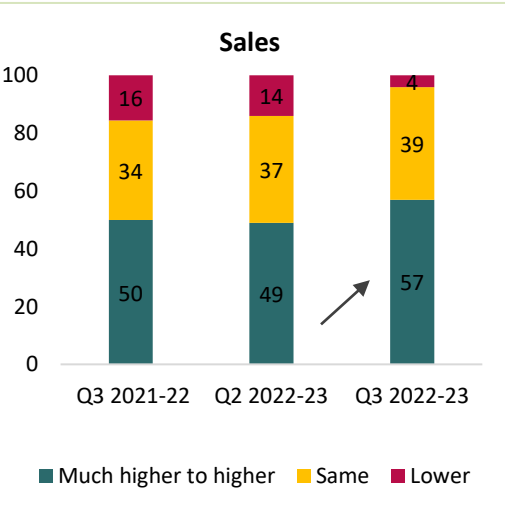
(Proportion of respondents)



Investment outlook reports buoyancy...

(Proportion of respondents)

Sales



The survey results report an improvement with respect to the sales outlook.

In the present round, 57% participating companies indicated that they foresee an increase in sales over next two quarters – this was higher than 49% respondents citing likewise in the previous survey round. While 39% of the participants expected sales to remain same in near future, the proportion of those expecting sales to be lower was just about 4%.

...sales prospects note an improvement as well...



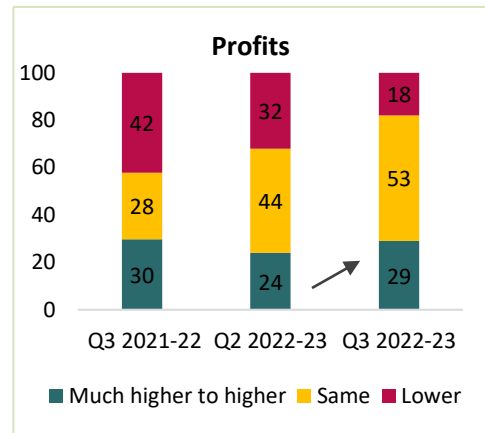
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Operational Parameters

Profits

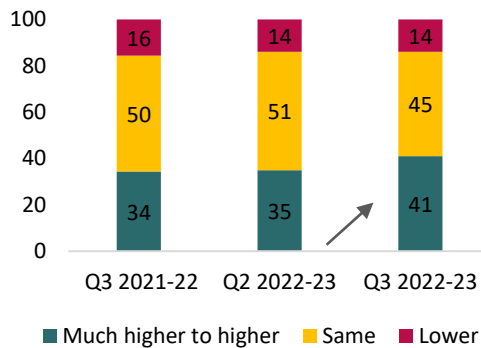
(Proportion of respondents)

According to the results of the current survey, 29% participants anticipated 'much higher to higher' profits over the coming two quarters. These results indicated a marginal improvement from 24% participants expecting an improvement in profit levels in the last round. While the percentage of participants foreseeing a fall in profit levels over near term noted a decline; those expecting profits levels to remain the same reported an increase.



(Proportion of respondents)

Employment



Employment

In the present survey round, employment outlook of businesses noted an improvement. In the current survey round, about 41% of the participants cited hiring new employees over the next six months – noting an increase compared to 35% respondents stating likewise in the previous round. Nonetheless, 45% of the participants anticipated hiring levels to remain the same in the near term.

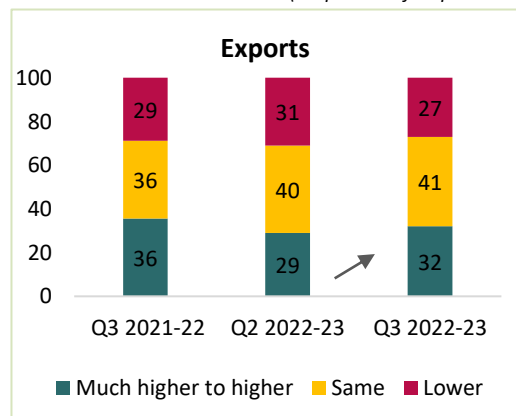
Survey results indicate a moderate improvement with regard to employment and export prospects...

Exports

(Proportion of respondents)

In the present survey, 32% respondents said that they foresee 'much higher-to-higher' exports over next two quarters, which was a tad higher than 29% participants reporting likewise in the previous round.

A marginal decline was noted in the proportion of participants anticipating lower export levels in the foreseeable future – around 27% participants expected lower exports in the latest survey, vis-à-vis 31% stating the same last time. About 41% participants expected no change in export levels over the near term.

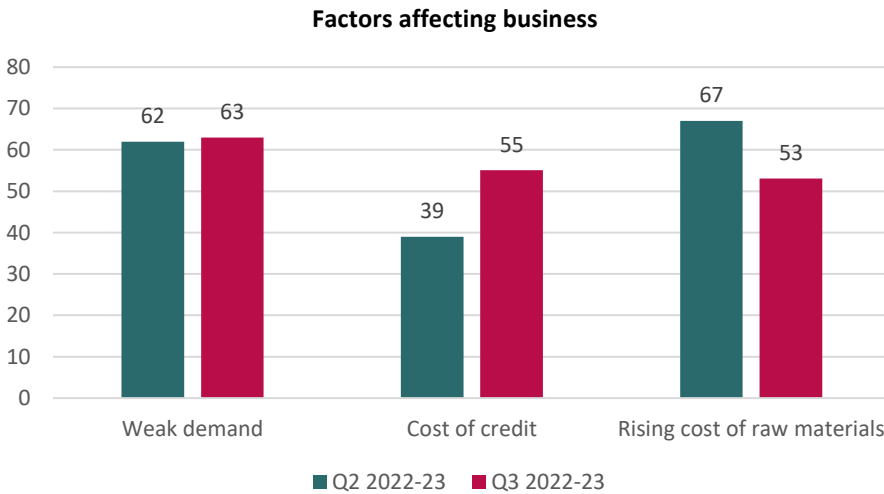


Business Confidence Survey

Constraining Factors

Major Constraining Factors for Businesses

(Proportion of respondents)



....63% respondents cited weak demand as a constraining factor....

Weak demand continues to be one of key constraining factor for businesses. In the current survey, 63% respondents cited weak demand as a worry. This is almost the same as 62% participating companies which reported likewise in the last round. Even though domestic demand was holding up with the release of pent-up demand post abating of Covid-19 pandemic, high price levels is adding to the cautiousness. Also, slowing external demand has been a key concern.

Besides, muted demand, cost of credit has emerged as a significant concern for the participants. From about 40% respondents citing cost of credit to be a bothering factor in the last survey, 55% participating companies expressed worry about the same this time. Between April 2022 and December 2022, the repo rate has been increased by about 225 bps. The unprecedented synchronicity in monetary tightening witnessed across the world through the year, has been raising concerns about the Central Bank's stance. The Reserve Bank of India's approach has been calibrated. But with inflation remaining elevated, it will be important to ensure the economic recovery doesn't get stalled.

Further, rising raw material prices continued to be another impediment for businesses in the present survey – with over half of the survey participants reporting likewise. 53% respondents cited raw material prices to be a concern in the current survey – lower than 67% reporting the same in the previous round.

Volatility in exchange rate was said to be a concern by 66% of the respondents.

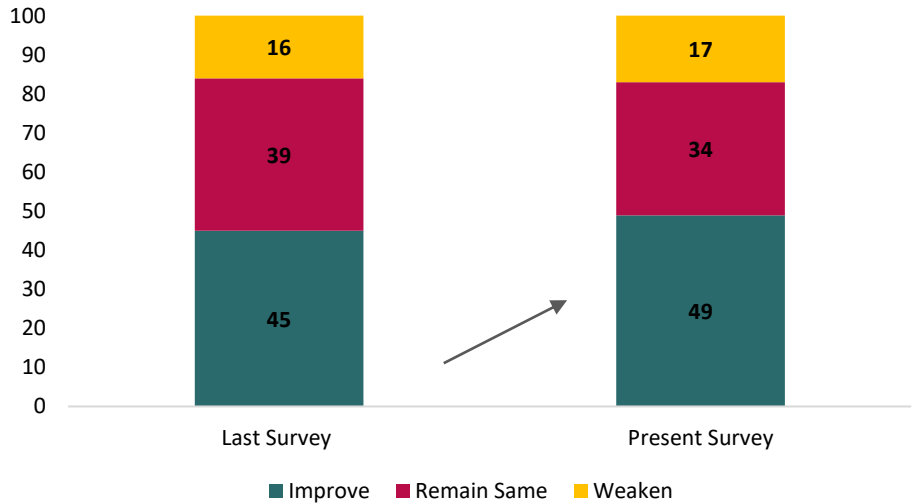
Rising raw material costs pose a major challenge for 53% of the participating companies...

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Expected Order Book Position

(Proportion of respondents)

Expected order book position over next two quarters

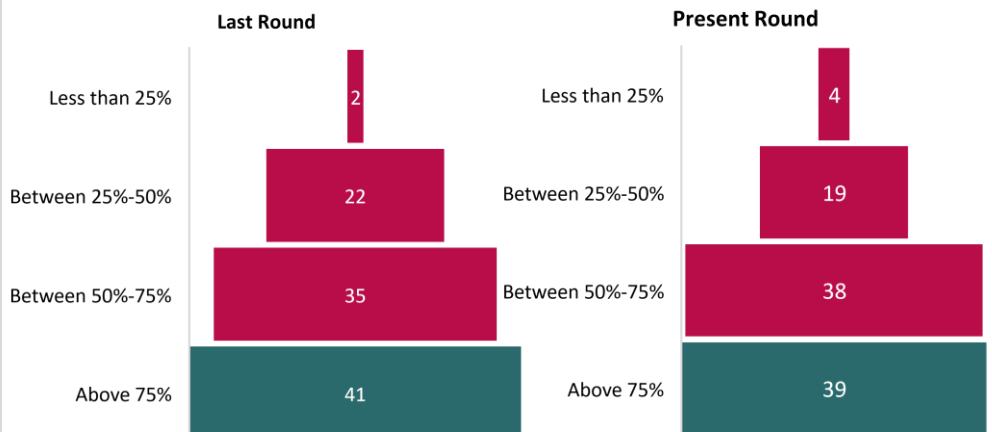


Proportion of respondents anticipating better order books over next six months noted an improvement in the present survey round to 49% from 45% stating the same in the previous survey. About 34% companies expected their order book position to remain the same in the coming six months vis-à-vis 39% in the previous round.

Capacity Utilization

In terms of capacity utilization, there was a marginal increase in the proportion of respondents citing capacity utilization rate between 50% to 75% - 38% of the participants companies cited the same in the current survey, vis-à-vis 35% in the last round. However, those indicating a capacity utilization rate of over 75% was almost similar at 39% in the current round compared to 41% in the previous survey round.

(Proportion of respondents)

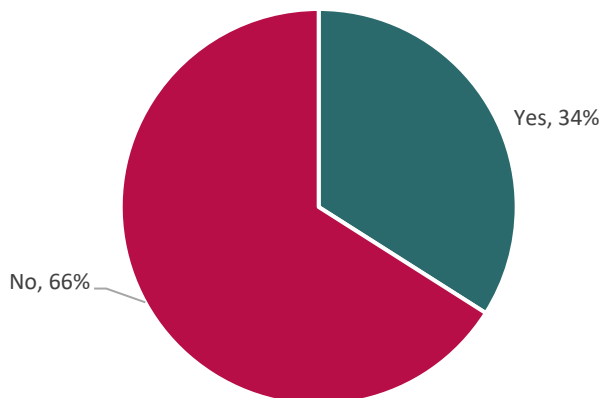


Business Confidence Survey

China Zero Covid Policy: Impact on Indian Industry

Following the sudden withdrawal of the zero covid policy in December 2022, the covid situation in China turned worse with reports indicating a massive jump in covid cases in the country. Amid this backdrop, the participants were requested to share any ensuing implications (in terms facing any difficulties in doing business with China and / or disruption in supply chains for imports from China) on them following this move.

Are you facing any challenges in importing inputs from China post withdrawal of zero covid policy?



A majority of the participants reported that the sudden withdrawal of the zero covid policy did not cause any significant disruption to their businesses. This could be because about 43% of the participating companies also indicated that they were primarily sourcing their inputs from the domestic market. Also, some respondents indicated that though the imports from China have been impacted to some extent, they are looking at alternatives such as Europe, Brazil, Mexico for sourcing raw materials.

Business Confidence Survey

Survey Profile

The survey drew responses from about 157 companies with a turnover ranging from Rs 1 crore to Rs 7,000 crore and belonging to a wide array of sectors. The survey gauges expectations of the respondents for the period January 2023 to June 2023.

Broad Sectoral Coverage			
Plastic & plastic products/Packaging	Leather & Leather Products	Chemicals	Agriculture Equipment
Gems & Jewellery	Textiles	Metals & Machinery	Electronics & Electricals
Energy/Renewables	Engineering Goods	Food Processing	Banking & Financial Services
Automotive	Information Technology	Travel & Tourism	Pharmaceutical/Biotech

Federation of Indian Chambers of Commerce and Industry
Federation House
Tansen Marg, New Delhi 110001

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