



**Business Confidence Survey
August 2023**

Business Confidence Survey

Summary

Overall Business Confidence Index reported at 64.8 in the current survey, vis-à-vis 62.4 last time

Weak demand seems to be ebbing as a concern for the survey participants

- The latest round of FICCI's Business Confidence Survey reported an improvement in the optimism level of members of India Inc. The Overall Business Confidence Index stood at 64.8 in the current round as compared to 62.4 in the previous survey round –backed by an improvement in both current conditions as well as expectations.
- The Current Conditions Index increased from a value of 56.0 in the previous survey to 59.5 in the latest round; while the Expectations Index increased from a value of 65.6 last time to 67.4 in the present round. With regard to the assessment on expectations – while an overall sense of optimism remains but the results were mixed. More than half of the respondents across all the three levels – economy, industry and firm levels – anticipated an improvement over the coming two quarters. However, at the firm, there was a moderation noted in the proportion of respondents stating likewise.
- The results pertaining to near term outlook of respondents on operational parameters indicated an improvement in the profits, sales and investments prospects; while the expectation of an improved performance related to employment noted a moderation.
- About, 49% of the participating companies anticipated an increase in **investments** over coming six months in the latest survey as compared to 44% respondents reporting likewise in the previous survey round. Further, 54% of the participating companies anticipated an increase in **sales** over next two quarters, a tad higher than 53% respondents citing the same in the previous survey round.
- With regard to profits, 33% of the respondents expected **profit** levels to be higher over next two quarters in the current survey – this was marginally higher than 31% participants stating likewise in the previous round.
- Additionally, about 32% respondents cited **hiring** new employees over the next six months in the latest survey, a decline compared to 36% participating companies stating the same in the previous round.
- In the latest survey, 32% respondents said that they foresee much higher-to-higher **exports** over next two quarters – reporting no change from the previous round of the survey.
- Even though external demand remains a concern, the domestic demand situation seems to be improving. The latest survey results reported a moderation in the percentage of respondents citing demand to be a constraining factor for their businesses.

Business Confidence Survey

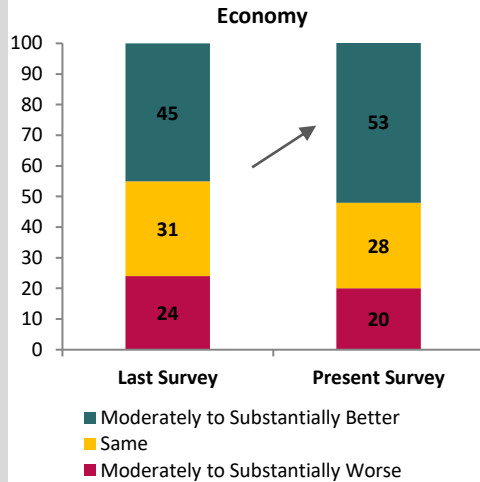
Summary

- In the current survey, 58% respondents said that they see weak demand as a bothering factor for their businesses – vis-à-vis 66% stating the same in the previous round.
- Furthermore, the percentage of respondents citing raw material prices as a bothering factor for businesses has also noted a visible moderation – with about 44% companies citing it as a constraint.
- However, the hawkish stance of the Central Bank continued to reflect in the credit costs emerging as a stress point for companies. In the present survey round, 56% respondents indicated cost of credit to be a worrying factor – which was the same as last time.

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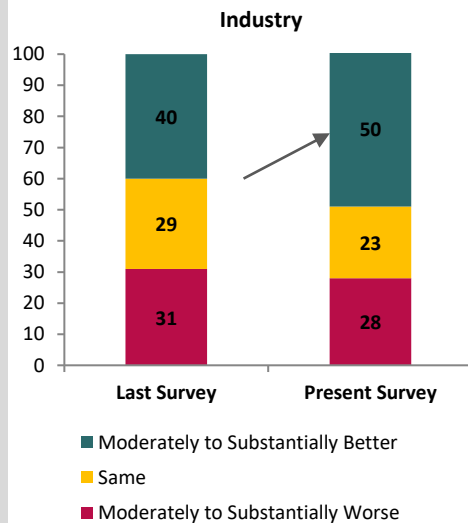
Current conditions vis-à-vis last six months

Assessment of respondents regarding overall current conditions notes some improvement....



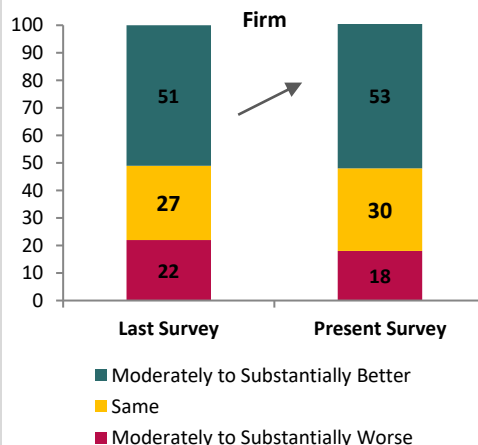
Findings from FICCI’s latest round of Business Confidence Survey indicate an improvement in the proportion of respondents citing better overall current conditions relative to last six months at all the three levels – economy, industry and firm.

In the present survey, the proportion of participants citing current economic conditions as ‘moderately to substantially better’ compared to previous six months increased by eight percentage points to 53%, vis-à-vis 45% respondents stating likewise in the previous round.



At the industry level too, about half of the surveyed companies reported ‘moderately to substantially better’ current conditions vis-à-vis last six months, compared to 40% in the last round.

The firm level results reported 53% respondents citing current conditions as ‘moderately to substantially better’ vis-à-vis last six months – marginally higher than 51% participants reporting likewise in the last survey.



Despite persisting global headwinds, India’s economy has been steady. The high frequency indicators have been performing well, there has been a softening in the price levels, and the demand prospects are seen improving. Going ahead, these factors should bode well for the economic situation.

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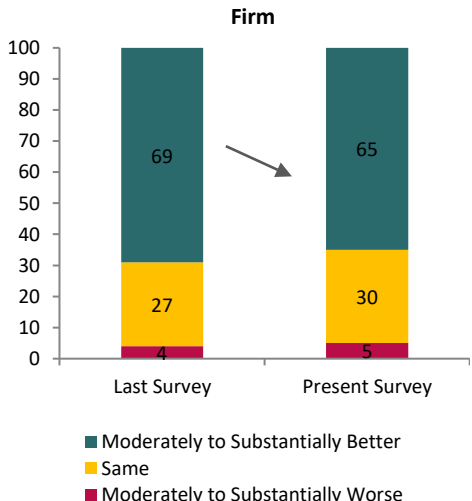
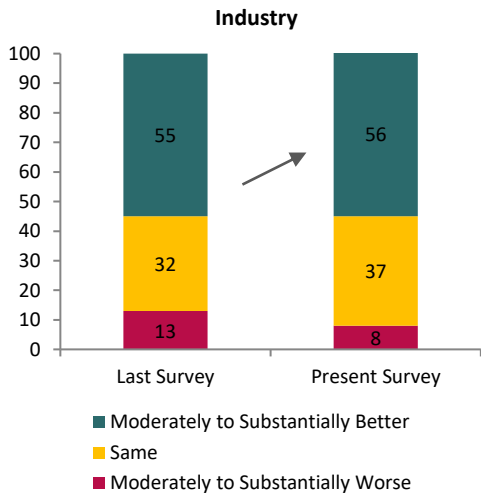
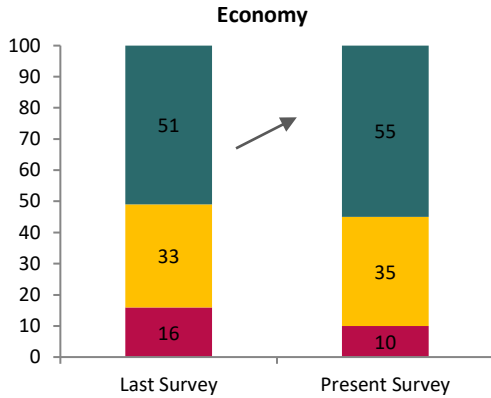
Expected conditions over next six months

The survey results indicate that expectations of respondents about near term prospects continue to hold up. Even though, not much change was evident from the last round.

At the economy level, the proportion of respondents foreseeing 'moderately to substantially better' performance over next six months increased to 55% from 51% in the previous survey. Further, while 10% of the participants expected economy-wide conditions to deteriorate in the next six months, about 35% participants expected no change in conditions.

About 56% of the surveyed companies reported that they expect an improved performance over next two quarters at the industry level – which was almost same as the previous survey round. The proportion of respondents anticipating conditions to deteriorate over next six months noted a marginal decline to 8% in the present round, from 13% respondents stating likewise in the previous survey round.

At the firm level, a moderation was noted in the proportion of participants citing improved prospects over next two quarters – about 65% companies reported 'moderately to substantially' better performance in the latest survey, vis-à-vis 69% stating likewise in the previous round.



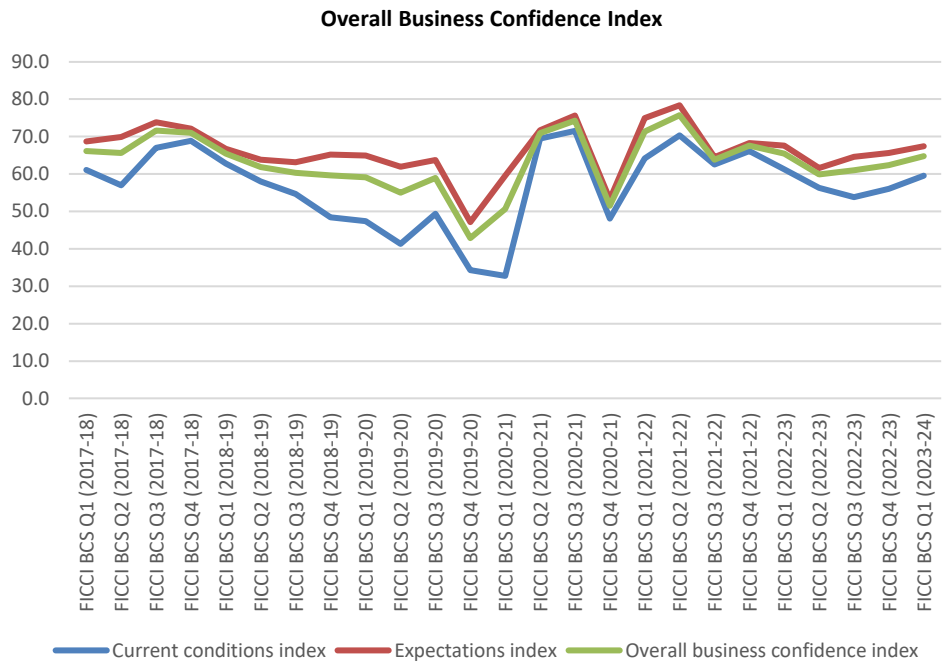
Expectations of respondents regarding performance over the period July – December 2023 holding ground



Business Confidence Survey

Business Confidence Index

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



In the current survey round, a further improvement was noted in the confidence levels of corporate India. The Overall Business Confidence Index stood at 64.8 in the present survey round as compared to a value of 62.4 in the last round.

The values of both current conditions index and the expectations index reported an improvement - with the former witnessing a larger increase.

The Current Conditions Index increased from a value of 56.0 in the previous survey to 59.5 in the latest round; while the Expectations Index increased from a value of 65.6 last time to 67.4 in the present round.

...Overall Business Confidence Index stood at 64.8 vis-à-vis 62.4 in the previous round...

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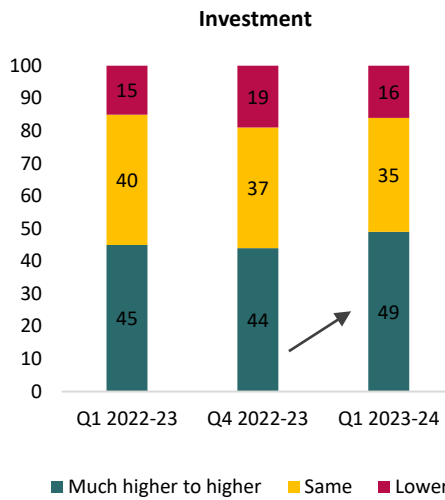
Operational Parameters

Investments

The proportion of respondents citing 'higher to higher' investments in the coming six months increased a bit in the latest round, while the proportion of participants citing investment levels to be same noted a marginal decline.

49% of the participating companies anticipated an increase in investments over coming six months in the latest survey as compared to 44% respondents reporting likewise in the previous survey round; while 35% participants expected no change in investment levels. Those foreseeing undertaking higher investments were equally divided between maintaining existing used structures, assets, equipment and adding new structures, assets, and equipment.

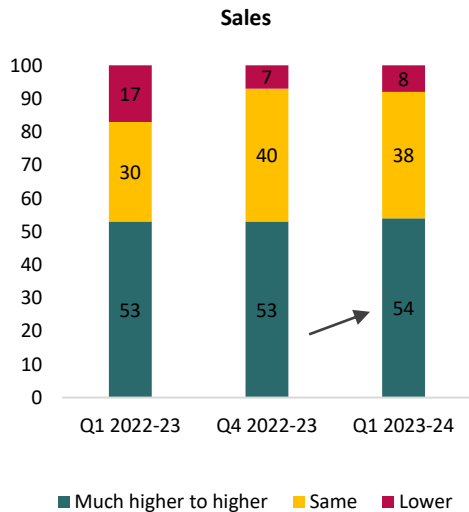
(Proportion of respondents)



Investment outlook notes an improvement....

(Proportion of respondents)

Sales



About 54% of the participating companies anticipated an increase in sales over next two quarters, a marginal increase over 53% respondents citing the same in the previous survey round. Another 38% of the participants expected sales to remain same in near future, while those expecting sales level to decline was about 8%.

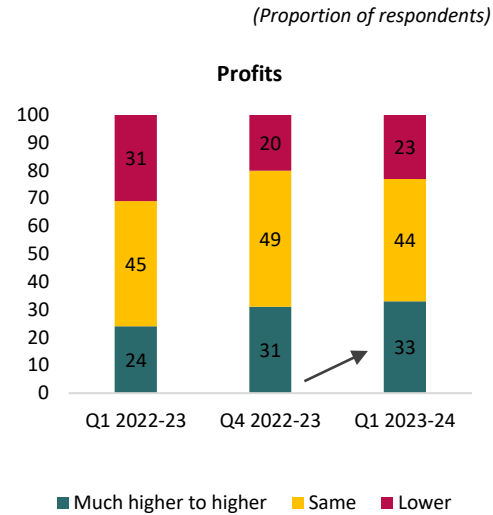
Business Confidence Survey

Operational Parameters

Profits

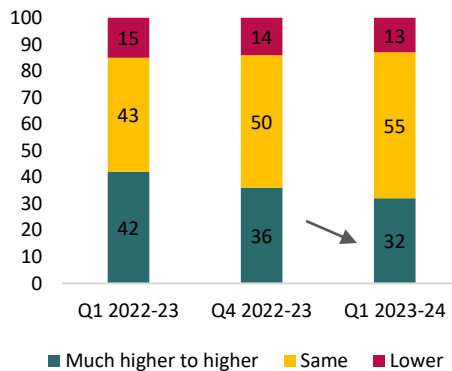
In the current survey, 33% of the respondents expected their profit levels to be higher over next two quarters – this was marginally higher than 30% participants stating likewise in the previous round.

Nonetheless, 38% of the companies expected no change in their profit levels over the coming six months; while about 28% participants said that they foresee a decline in profits over the near term.



(Proportion of respondents)

Employment



Employment

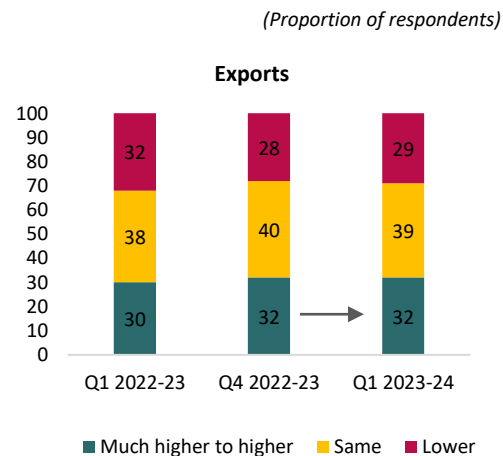
According to the current survey, 32% respondents cited hiring new employees over the next six months, compared to 36% participating companies stating the same in the previous round. A majority 55% of the participants anticipated no change in the hiring levels.

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

Exports

In the latest survey, 32% respondents said that they foresee much higher-to-higher exports over next two quarters. About 39% participants expected no change in export orders in near future, while 29% businesses anticipated lower exports.

The external demand remains under strain due to continuing uncertainties/global slowdown – thereby affecting outbound shipments from India.

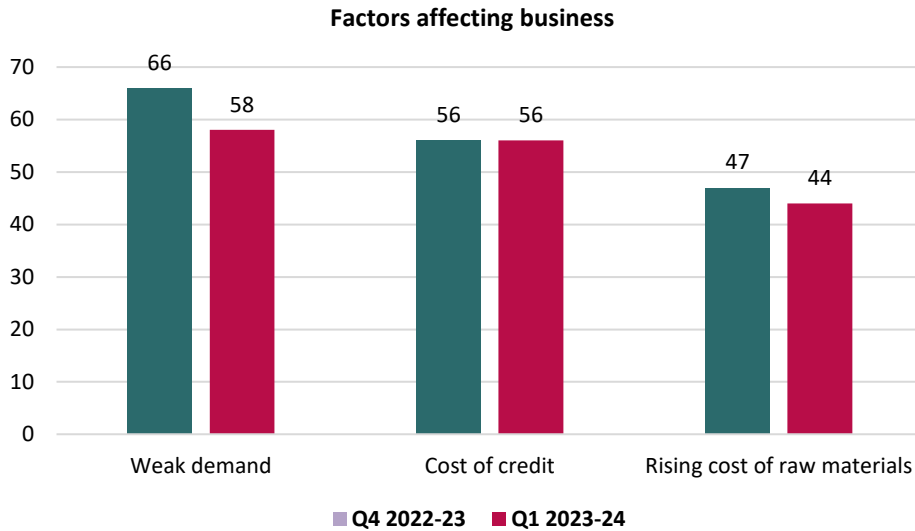


Business Confidence Survey

Constraining Factors

Major Constraining Factors for Businesses

(Proportion of respondents)



... weak demand seems to be ebbing as a constraining factor....

Cost of credit has emerged as a challenge for participating companies...

Even though external demand remains a concern, the domestic demand situation seems to be improving. The recovery in contact intensive services sector has lent support to demand. Projecting these ground level trends; the latest survey results reported a moderation in the percentage of respondents citing demand to be a constraining factor for their businesses. In the current survey, 58% respondents said that they see weak demand as a bothering factor for their businesses – vis-à-vis 66% stating the same in the previous round.

Further, the percentage of respondents citing raw material prices as a bothering factor for businesses remained on a declining trend. About 44% respondents in the present survey cited rising raw material costs as a concern – vis-à-vis 47% participants stating likewise in the last round.

In the present survey round, 56% respondents indicated cost of credit to be a worrying factor.

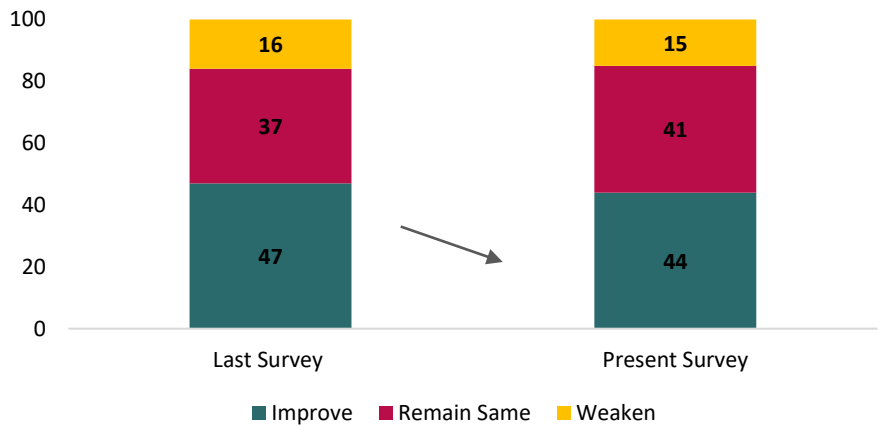
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Expected Order Book Position

Proportion of respondents anticipating better order books over next six months noted a marginal decline in the present survey round to 44% from 47% participants citing likewise in the last round. About 41% companies expected their order book position to remain the same in the coming six months vis-à-vis 37% in the previous round.

(Proportion of respondents)

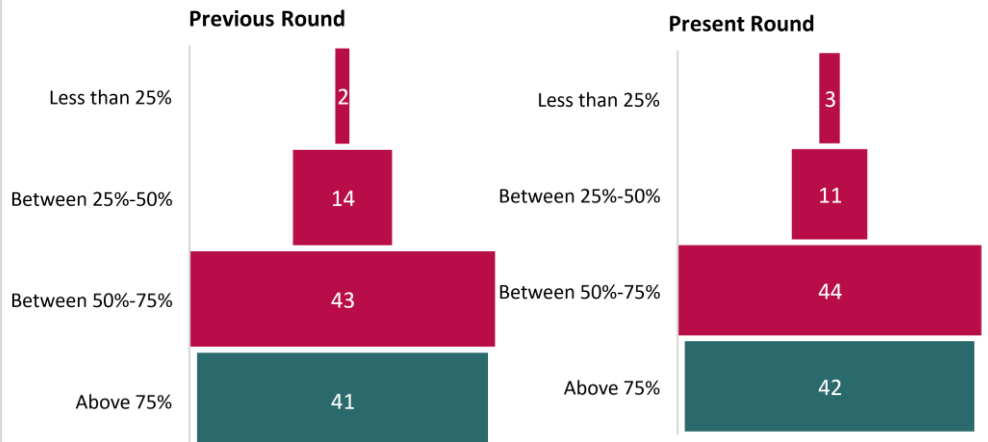
Expected order book position over next two quarters



Capacity Utilization

In terms of capacity utilization, 44% of the participants companies cited a capacity utilization rate between 50% to 75% the current survey, vis-à-vis 43% in the last round. However, those indicating a capacity utilization rate of over 75% increased marginally to 42% in the current round compared to 41% in the previous survey round.

(Proportion of respondents)



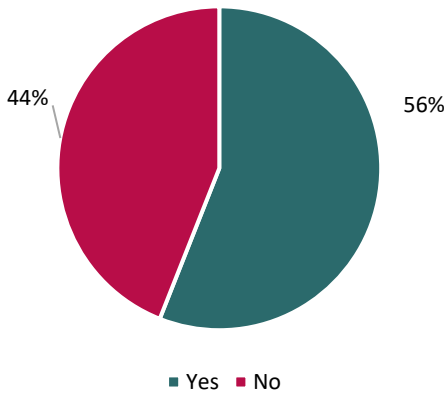
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Members of India Inc concerned about global uncertainties

The outlook for global economy in 2023 remains uncertain. The continued geo-political tensions in Europe, cut in oil output by OPEC, financial market stress in developed countries and continuation of tighter monetary policy by central banks are expected to limit global economic expansion. Such developments are expected to have a bearing on Indian economy as well. In this backdrop, the companies were asked to share their plans to limit the impact of slowing global and Indian economy.

(Proportion of respondents)

Respondents expressing concern about the global slowdown and indicating taking measures to limit the impact



The participating companies revealed that basis the current economic backdrop they are undertaking a review of their cost structures (wage costs/production costs), planning better inventory management, optimizing current manpower/limiting hiring, re-negotiating with vendors, improving IT structures/ and undertaking digitization.

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Survey Profile

The survey drew responses from about 165 companies with a turnover ranging from Rs 1 crore to Rs 8,000 crore and belonging to a wide array of sectors. The survey gauges expectations of the respondents for the period July 2023 to December 2023.

Broad Sectoral Coverage			
Agricultural Equipment	Textile/Apparel	Gems & Jewellery	Biotech
Services	Real Estate	Metals	Electronics & Electricals
Automotive	Consultancy	Travel & Tourism	Banking & Financial Services
Plastics	Transport & Logistics	Pharmaceutical	Chemicals

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