



**Business Confidence Survey  
February 2024**

# Business Confidence Survey

## Summary

*Overall Business Confidence Index improves to 70.9 in the latest survey round on back of improved current conditions and expectations on near term outlook*

- The latest round of FICCI's Business Confidence Survey reported improved optimism among members of India Inc. The Overall Business Confidence Index surged to 70.9 in the current round, marking a substantial improvement from the 66.9 recorded in the previous survey round. This upswing was bolstered by improvement in both current conditions and future expectations indices, which climbed to 67.7 and 72.5 respectively in the present round as compared to 63.4 and 68.6 reported in the previous round.
- This improvement in business sentiment, both for the current situation and the near-term outlook, is mirrored across all three levels: the economy, industry, and individual firms.
- Key operational parameters such as sales, profits, and investments reflect optimism with regard to the near-term outlook. However, exports and employment prospects indicate a subdued outlook.
- In the latest survey round, a majority 69% of the surveyed companies anticipated an uptick in sales over the coming six months, compared to 53% of respondents who held similar expectations in the previous round. Only about 5% of participants expected lower sales, while 26% anticipated no change.
- For investments and profits, a marginal improvement was noted in 'higher to much higher category'. While 51% of respondents expected increase in investments in the present round vis-à-vis 49% in previous, the corresponding number of respondents for profits are 38% and 34%.
- On the worrisome side, due to global headwinds, the outlook for exports remained subdued with 36% of respondents citing 'higher to much higher' levels in the present round, compared to 40% stating likewise in the previous round. Additionally, approximately 36% of respondents anticipated hiring new employees over the next six months in the latest survey, a decline compared to 41% of participating companies stating the same in the previous round.

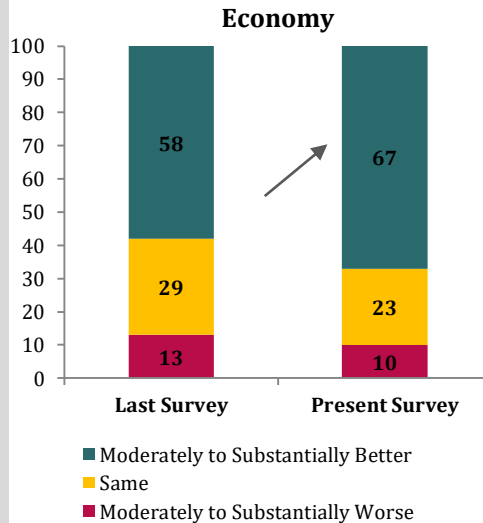
# Business Confidence Survey

## Summary

- The current geopolitical landscape is rife with conflicts, including the Red Sea crisis. Participants were surveyed to assess its impact on their businesses. About 55% respondents reported varying degrees of impact of the crisis, ranging from moderate to severe, citing challenges such as increased voyage times, higher freight costs, delays in sourcing raw materials, and reduced exports.
- Further, in terms of strategies to bolster trade resilience in the face of future adversities, suggestions from the respondents included: strengthening maritime security, expediting customs procedures, fostering a resilient internal market, and maintaining buffer stocks. Medium-term strategies involve enhancing risk management, allocating more funds to schemes like RoDTEP, and diversifying trade routes while reducing reliance on the Bab-el-Mandeb Strait.
- The intensifying reality of global warming and its rapid repercussions on climate change have stirred widespread concern. Against this backdrop, businesses were asked to share the sustainability practices they are integrating into their operations. Common practices adopted across sectors included investment in rainwater harvesting infrastructure, plastic waste management, increased utilization of renewable energy, carbon capture and storage, recycling initiatives, afforestation efforts and adoption of industry 4.0 technology.

# Business Confidence Survey

## Current conditions vis-à-vis last six months



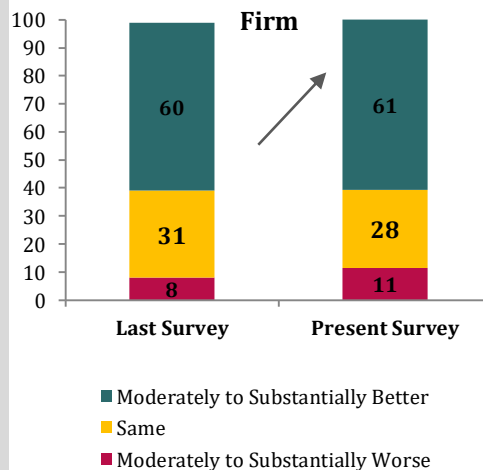
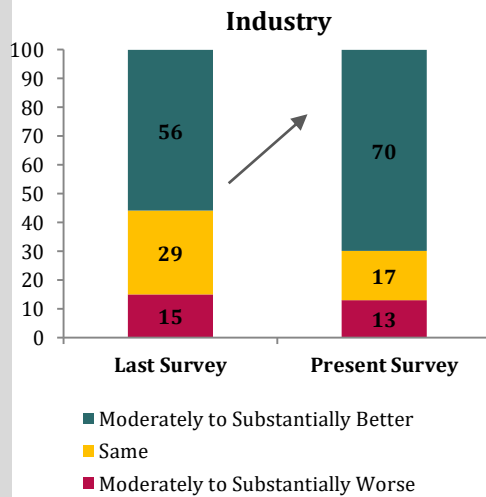
Findings from the latest round of FICCI's Business Confidence Survey report an improvement in the proportion of respondents citing better overall current conditions relative to last six months at all the three levels—economy, industry and firm.

In the present survey, the proportion of participants citing current economic conditions as 'moderately to substantially better' compared to previous six months increased noticeably to 67%, vis-à-vis 58% stating likewise in the previous round.

At the industry level, a majority 70% of the surveyed companies reported 'moderately to substantially better' current conditions vis-à-vis last six months, compared to 56% stating likewise in the previous round.

The firm level results reported 61% respondents citing current conditions as 'moderately to substantially better' vis-à-vis last six months—marginally higher than 60% participants reporting the same in the last survey.

Despite global headwinds, Indian economy is holding strong on back of solid domestic macroeconomic fundamentals thereby maintaining buoyancy in the business sentiment. Going ahead, the consistent capex push by government, tapering inflation levels and signs of improving demand conditions are expected to bode well for the economic situation.



# Business Confidence Survey

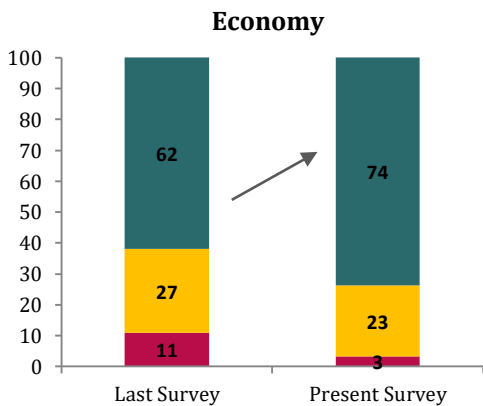
## Expected conditions over next six months

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

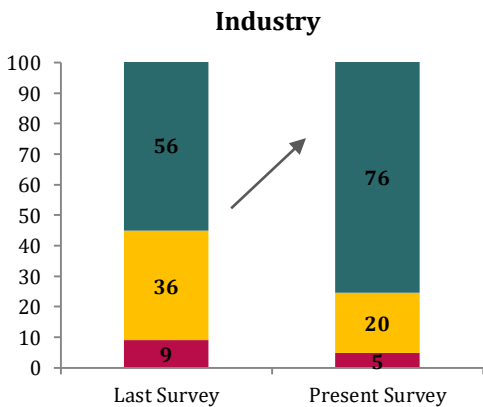
At the economy level, the proportion of respondents foreseeing 'moderately to substantially better' performance over next six months increased from 62% in the previous round to 74% in the present survey round. Those expecting economy-wide conditions to deteriorate in the next six months declined to 3% in the current round from 11% in the previous round, while 23% respondents expected conditions to remain the same.

A majority 76% of the surveyed companies reported that they expect an improved performance over next two quarters at the industry level vis-à-vis 56% stating likewise in the previous quarter. The proportion of respondents anticipating conditions to worsen over next six months fell to 5% in the present survey, from 9% in the previous round.

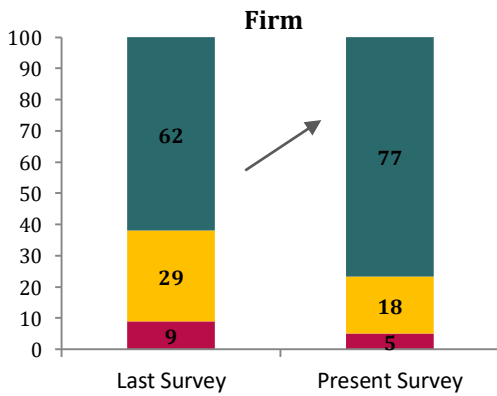
Further, the proportion of participating companies hopeful of better prospects in the next six months at the firm level also witnessed a conspicuous uptick from 62% in the last survey round to 77% in the present round. Those expecting conditions to remain the same, dropped to 18% in the present round from 29% 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

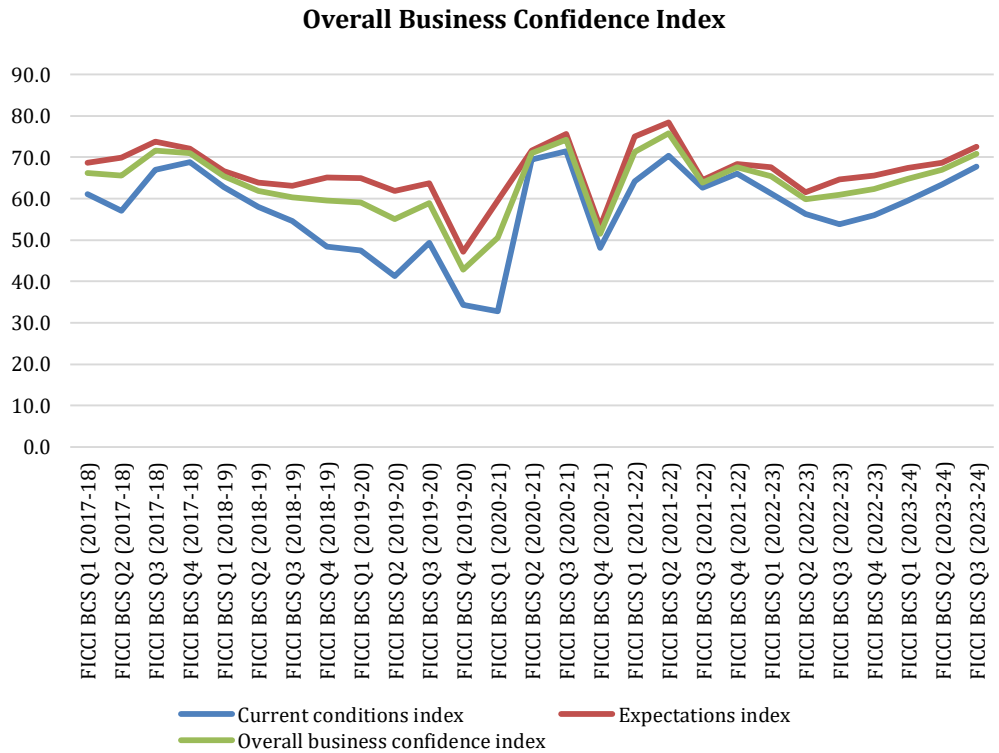
The expectations of respondents regarding performance over the period of coming two quarters has witnessed a substantial improvement at the all the three levels....



# Business Confidence Survey

## Business Confidence Index

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



...Overall Business Confidence Index stood at 70.9 vis-à-vis 66.9 in the previous round...

In the current survey round, a visible increase has been noted in the optimism levels of corporate India. Overall Business Confidence Index stood at 70.9 in the present survey round as compared to a value of 66.9 in the last round.

Both the current conditions index and the expectations index witnessed a noticeable increase in their values in the present survey round.

The Current Conditions Index increased from a value of 63.4 in the previous survey to 67.7 in the latest round; while the Expectations Index increased from a value of 68.6 last time to 72.5 in the present round.

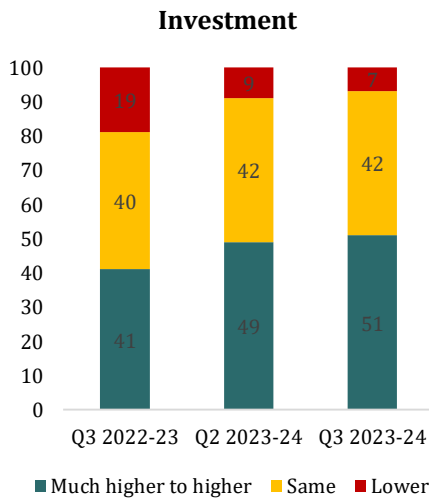
# Business Confidence Survey

## Operational Parameters

### Investments

The proportion of respondents citing 'higher to much higher' investments in the coming six months rose marginally in the latest round of the survey. 51% of the participating companies anticipated an increase in investments over coming six months in the latest survey as compared to 49% respondents reporting likewise in the previous survey round; while 42% participants expected no change in investment levels.

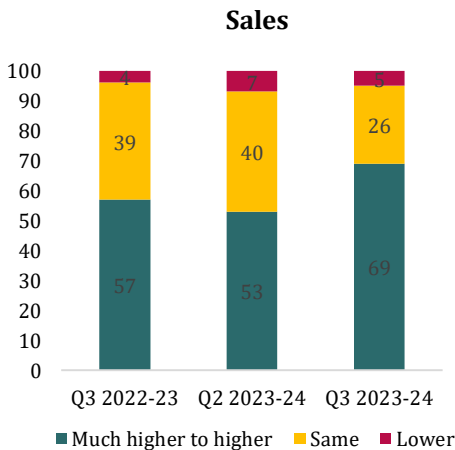
(Proportion of respondents)



Investment outlook reports a marginal uptick...

### Sales

(Proportion of respondents)



The latest survey results report an improved outlook for sales in the coming six months.

A significant 69% of the participating companies anticipated an increase in sales over next two quarters, vis-à-vis 53% respondents citing the same in the previous survey round. While 5% of the participants expected sales to be lower in near future, the proportion of those expecting sales to be same dropped to 26% from 40% respondents saying likewise in the previous round.

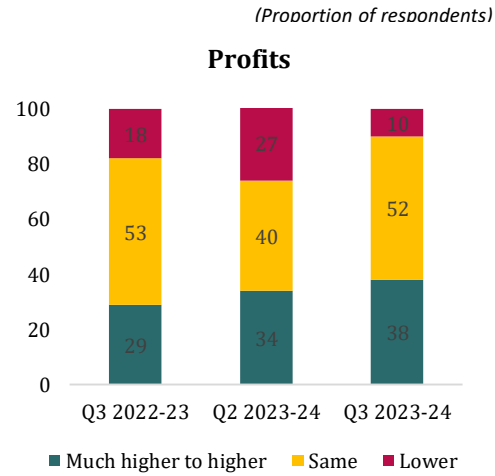
...sales prospects report an improvement...

# Business Confidence Survey

## Operational Parameters

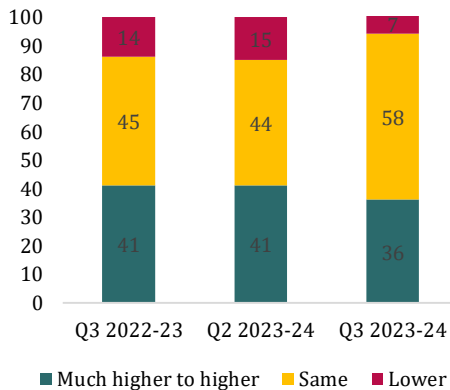
### Profits

52% of participating businesses expect no change in their profit levels over the coming six months; while about 10% participants cited lower profits over the near term. Further 38% of the respondents expected their profit levels to be higher over the next two quarters – this was marginally higher than 34% participants stating likewise in the previous round.



(Proportion of respondents)

### Employment



### Employment

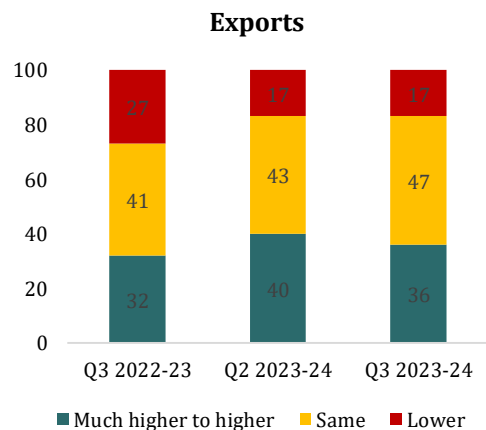
In the present survey round, employment outlook of businesses noted a moderation. Only 36% respondents cited hiring new employees over the next six months in the current survey round, a decline compared to 41% respondents stating the same in the previous round. A majority 58% of the participants anticipate hiring levels to remain the same.

(Proportion of respondents)

### Exports

In the present survey round, 36% respondents said that they foresee much higher-to-higher exports over next two quarters, a decline from 40% participants reporting likewise in the previous survey round.

A corresponding uptick was noted in the proportion of participants anticipating export levels to remain same at 47%, whereas 17% of businesses cited lower export prospects over the near term in the latest survey round.



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



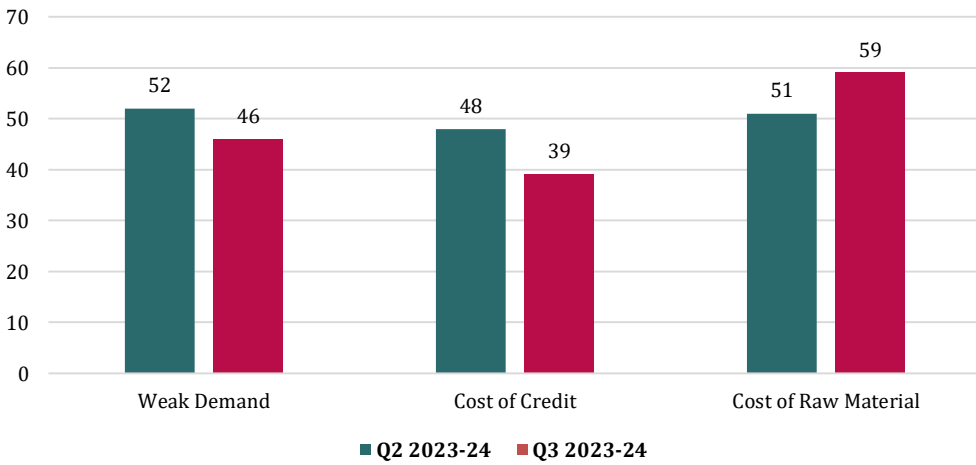
# Business Confidence Survey

## Constraining Factors

### Major Constraining Factors for Businesses

(Proportion of respondents)

#### Factors affecting business



...46% respondents cited weak demand as a constraining factor...

The latest survey round reports a decrease in the proportion of respondents citing weak demand as a concern for their business - 46% participants indicated demand to be a constraining factor for their businesses vis-à-vis 52% reporting likewise in the previous round. An uptick in demand is evident in various high-frequency indicators, including increased sales of passenger vehicles, higher credit card spending, and growing housing sales- highlighting resilient urban demand. Additionally, rising sales of two-three-wheelers, increased minimum support prices and expectations for a healthy rabi harvesting season indicate possibility of a pick-up in rural demand as well.

Further, concerns around cost of credit as a constraining factor have also come down – about 39% respondents indicated cost of credit to be a worrisome factor in the present round- a decline from 48% stating likewise in the previous round. According to the announcement in the interim budget FY25, the lower-than-expected government borrowings are expected to decrease the cost of credit for the private sector, consequently increasing the availability of credit.

However, in the present survey round, rising raw material prices persists to be an impediment for businesses. The percentage of respondents citing raw material costs as a constraining factor increased to 59% in the present survey from 51% in the last round.

Cost of Raw Material pose a challenge for 59% participating companies...

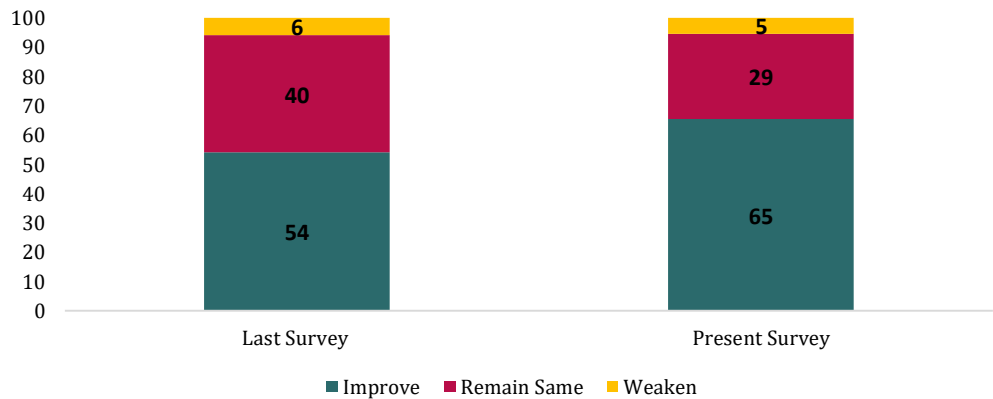
# Business Confidence Survey

## Expected Order Book Position

Proportion of respondents anticipating better order books over next six months increased in the present survey round to 65% from 54% citing likewise in the last survey round. Also, about 29% companies expected their order book position to remain the same in the coming six months vis-à-vis 40% in the previous round.

*(Proportion of respondents)*

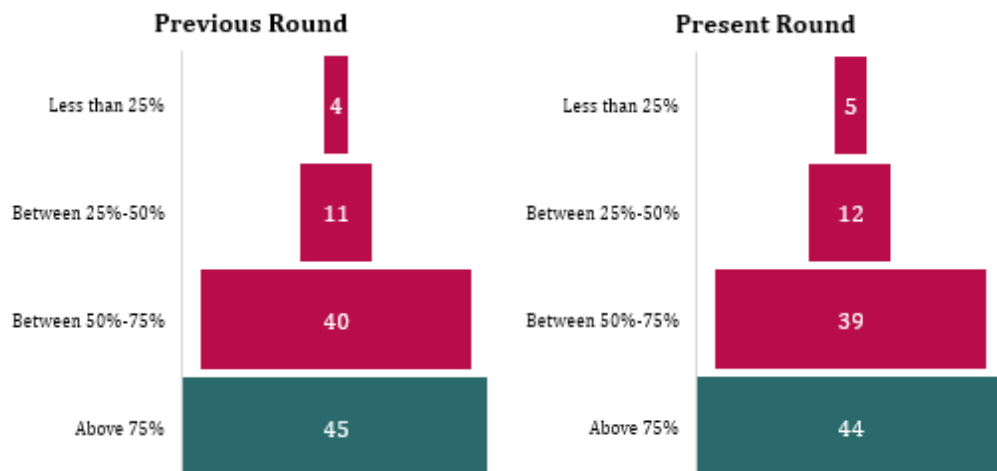
### Expected order book position over next two quarters



## Capacity Utilization

In terms of capacity utilization, there was a marginal drop of one percentage point each in the proportion of respondents citing capacity utilization rates between 50% to 75% and above 75% in the present round compared to the previous round. The corresponding proportion of respondents stood at 39% and 44% respectively in the present survey .

*(Proportion of respondents)*

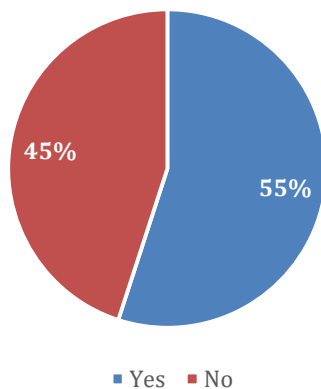


# Business Confidence Survey

## Impact of the Red Sea Crisis

(Proportion of respondents)

### Business impacted by Red Sea Crisis



The current geopolitical landscape is marked by multiple conflicts, with the Red Sea crisis being the latest addition. Participants were surveyed to gauge the impact of this crisis on their businesses. Over half of the respondents, 55%, acknowledged experiencing varying degrees of impact, ranging from moderate to severe. Critical fallout of crisis highlighted by businesses include increased voyage times leading to higher freight and insurance costs, delays in sourcing raw materials, and a quantitative drop in exported goods.

Further, in terms of strategies to bolster trade resilience in the face of future adversities, the following suggestions were made:

#### Immediate Measures:

- Strengthening maritime security through international collaboration efforts to ensure the secure passage of trade. This involves intelligence sharing, coordinated patrols, and joint exercises aimed at safeguarding maritime routes.
- Implementing measures to expedite customs clearance and port procedures.
- Fostering a resilient internal market in response to declining export markets.
- Lowering export credit interest rates and facilitating easy access to export credit.
- Maintaining buffer stocks of essential items to mitigate inflationary impacts.

# Business Confidence Survey

## Medium-term Measures:

- Enhancing risk management by establishing a centralized information hub for major exporters, importers, and logistics firms. This initiative would facilitate proactive risk assessment and mitigation strategies.
- Allocating higher funds for the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme due to the prolonged nature of the crisis.
- Diversifying trade routes and reducing dependency on the Bab-el-Mandeb Strait is crucial.

## *Sustainability & Businesses*

The intensifying reality of global warming and its rapid repercussions on climate change have stirred widespread concern. Against this backdrop, businesses were asked to share the sustainability practices they are integrating into their operations. The respondents shared undertaking practices such as investments in rainwater harvesting infrastructure, plastic waste management, increased use of renewable energy, usage of carbon capture and storage technologies, recycling packaging materials, afforestation and use of industry 4.0 technology.

### Suggestions for the government

Recommendations were also sought on what kind of support do the business seek from the government to enhance the adoption of sustainability practices. The participating companies suggested following measures:

**Raising Awareness**

**Grants to switch from fossil fuels**

**Viability gap funding**

**Interest subsidy on green projects**

**Investment in public transport**

**Encouraging Carbon credit market**

# Business Confidence Survey

## Survey Profile

The survey drew responses from about 180 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 January 2024 to June 2024.

Agriculture	Textile/Apparel	Chemicals	Defence & aerospace
Services	Real Estate	Metals	Transport & Logistics
Energy	Engineering Goods	Food Processing	Banking & Financial Services
Automotive	Information Technology	Consumer Products	Healthcare

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

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