FICCI

Business Confidence Survey
August 2024

Business Confidence Survey

Summary

Overall Business Confidence Index slips to 67.3 in Q1 2024-25

- The latest round of FICCI's Business Confidence Survey reported a moderation in the optimism level of members of India Inc. The Overall Business Confidence Index stood at 67.3 in the current round as compared to 73.7 in the previous survey round.

- Current Conditions Index fell by nearly six points, registering a value of 60.9 vis-à-vis 66.8 in the last survey. The Expectations Index, on the other hand, stood at 70.5 from the value of 77.2 in the last survey round.

- The subdued sentiment is reflected in the moderation in near-term outlook for key operational parameters such as investments, sales, employment, and exports.

- The proportion of respondents anticipating better sales prospects in the coming six months dropped to 61% in the current survey round from 72% in the previous round. The proportion of respondents citing 'much higher to higher' investments in the next two quarters also noted a decline in the latest round. 45% participating companies anticipated an increase in investments over coming six months in the latest survey as compared to 52% respondents reporting likewise in the previous round; while 47% participants expected no change in investment levels.

- With respect to profits, about 31% respondents anticipated an increase, compared to 49% respondents who held similar expectations in the previous round.

- Employment outlook also noted a moderation - with 28% of the participants anticipating hiring new employees in the current survey round, vis-à-vis 38% stating likewise in the previous round.

- On the external front, optimism regarding export performance continued to weaken amidst persistent global headwinds. The percentage of respondents expecting export levels to be "higher" or "much higher" has been on a consistent decline, decreasing from 36% two survey rounds ago to 33% in the previous round, and further dropping to 26% in the current survey.

- Over 56% respondents identified weak demand as a significant constraint for businesses, marking it as the most pressing challenge. Additionally, 49% participants flagged rising raw material costs as a key impediment to business operations. Furthermore, the rising cost of credit is emerging as a growing concern, with about 42% of respondents citing the same.

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Summary

- The survey also sought projections for India's expected GDP growth rate in 2024-25. Reflecting optimism about the country's macroeconomic outlook, 59% of participants anticipated growth between 7-8%. Meanwhile, 20% expected growth to exceed 8%, while 21% expected growth to be below 7%.

- Consumption growth has been sluggish, with recovery being hindered by high cumulative inflation. When asked about their assessment of consumption growth for FY25, majority (54%) of respondents anticipate a moderate improvement in demand, projecting 0-5% growth in the current fiscal year. Another 36% participants expected a more robust consumption growth of 5-10%. However, a fraction of about 4% businesses participating in the survey indicated a possible contraction in consumption.

- The Reserve Bank of India (RBI) has refrained from cutting the repo rate primarily due to concerns about persistent headline inflation. However, some signs of moderation in inflation have been evident in July 2024. Additionally, this year, a steady monsoon progress supporting kharif sowing and improved reservoir levels bode well for the upcoming rabi crop and thereby overall agricultural output. These factors have fueled expectations that the RBI might adjust its stance in the second half of the current fiscal year.

  Businesses were asked to share their expectations regarding when the RBI might undertake a downward revision in the repo rate. About 57% respondents anticipated a downward revision in the repo rate during the second half of FY25.

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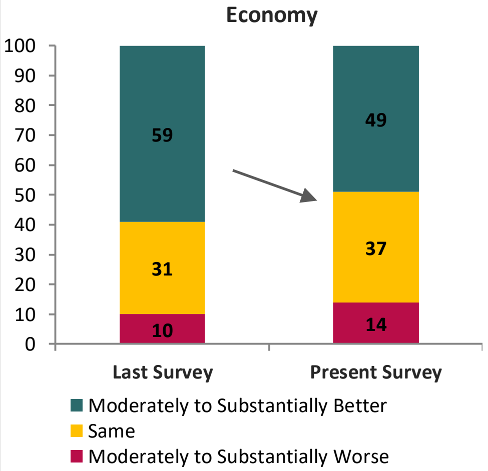
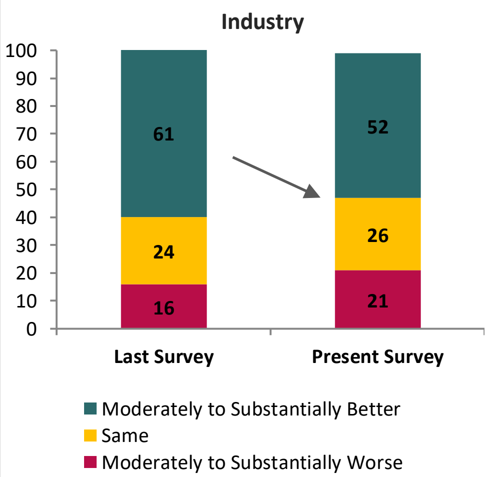
Current conditions vis-à-vis last six months



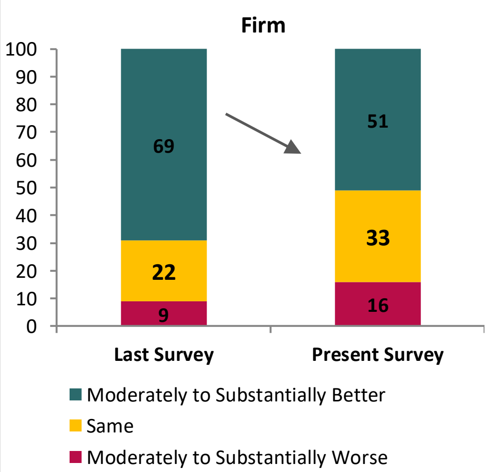
Findings from FICCI's latest round of Business Confidence Survey reported a moderation in the proportion of respondents citing better overall current conditions vis-à-vis last six months across all the three levels —economy, industry and firm.

In the latest survey, the proportion of participants citing current economic conditions as 'moderately to substantially better' compared to previous six months moderated to 49%, vis-à-vis 59% 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 37% in the present round, vis-à-vis 31% last time.

Assessment of respondents regarding overall current conditions noted some moderation across all the level……



About 52% respondents at the industry level reported 'moderately to substantially better' current conditions vis-à-vis last six months, compared to a higher proportion of 61% respondents citing the same in the previous round. Those citing conditions to remain the same noted an increase to 26% from 24% in the previous round.



At firm level, 51% respondents cited current conditions as 'moderately to substantially better' vis-à-vis last six months, which was lower than 69% participants citing the same in the previous round. Furthermore, an increase was reported in the percentage of participants expecting the situation at firm level to remain the same.

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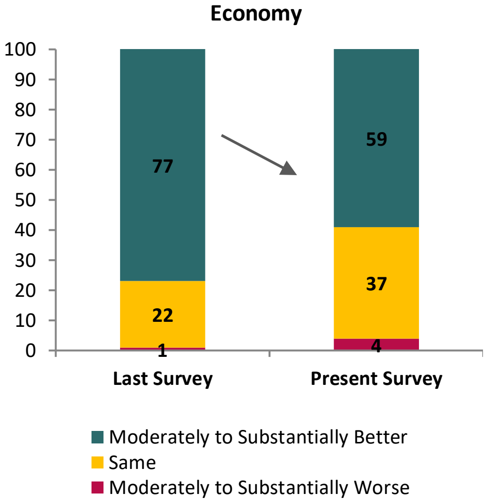
Expected conditions over next six months

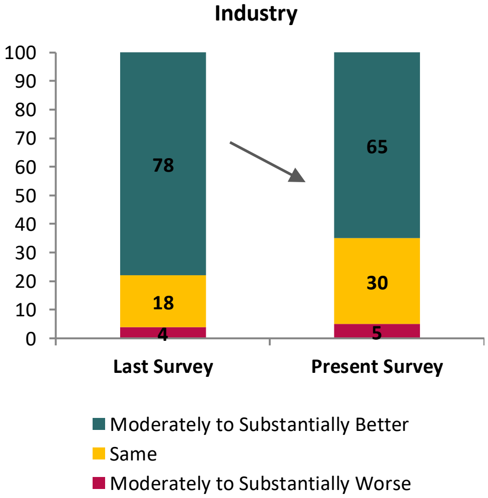
The latest survey results indicate a moderation in the optimism levels of the respondents for the next two quarters. Expectations for the next six months show a deterioration across all three levels—economy, industry, and firm.

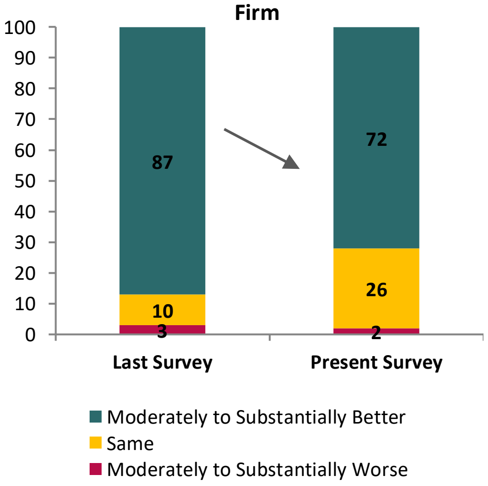
At economy level, the proportion of respondents anticipating 'moderately to substantially better' performance over next six months declined to 59% in the present round compared to 77% reporting likewise last time. Further, while 37% of the respondents expected no change in the economic situation over the next two quarters, the percentage of participants expecting economy-wide conditions to worsen stood at 4% in the current survey.

65% of the surveyed companies reported that they expect an improved performance over next two quarters at the industry level. This was again a moderation from the previous round when 78% respondents had said likewise. The proportion of respondents anticipating conditions to remain same over next six months rose to 30% in the present round, from 18% 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 87% in the last survey round to 72% in the present round. Those expecting conditions to remain the same rose to 26% in the present round from 10% in the last round.







The expectations of respondents regarding performance over the period of coming two quarters has also witnessed deterioration at the all the three levels....

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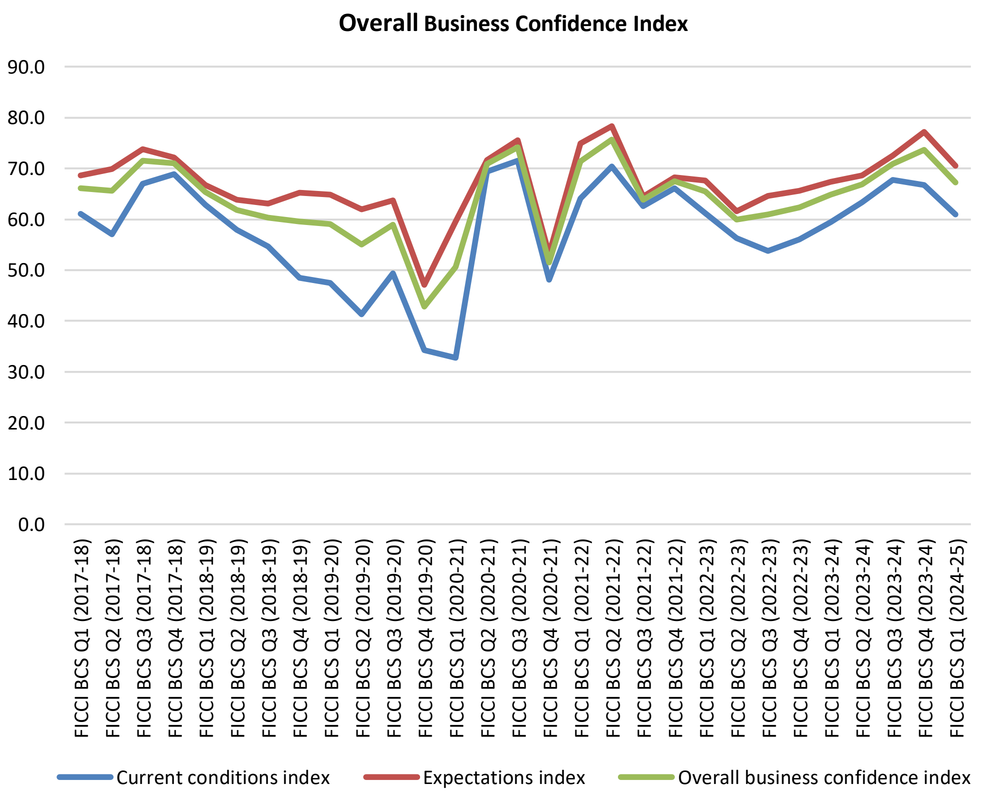
Business Confidence Index



Overall Business Confidence Index witnessed downturn from the levels observed in the previous survey round…

The Overall Business Confidence Index stood at 67.3 in the present survey round as compared to a value of 73.7 in the last round.

…Overall Business Confidence Index stood at 67.3 vis-à-vis 73.7 in the previous 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 fell to 60.9 in the latest round from 66.8 in the previous survey. The Expectations Index, on the other hand, dropped to 70.5 in the current round from 77.2 in the previous survey.

While global economic prospects remain uncertain due to persistent geopolitical tensions, slowing growth in major economies, and financial market volatility, transient domestic factors have also weighed on India's economic momentum. The parliamentary elections led to a slowdown in government capital spending at both central and state levels in the first quarter of 2024-25, dampening investment prospects. On the demand side, rural sentiment remained subdued, further impacted by last year's poor monsoon and the uneven onset of the 2024 monsoon season. These challenges have collectively tempered optimism about the near-term economic outlook.

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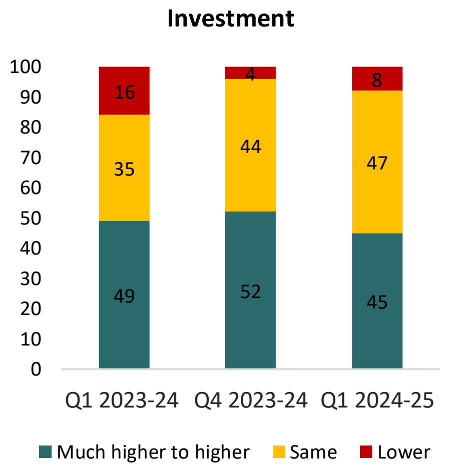
Operational Parameters

Investments

(Proportion of respondents)

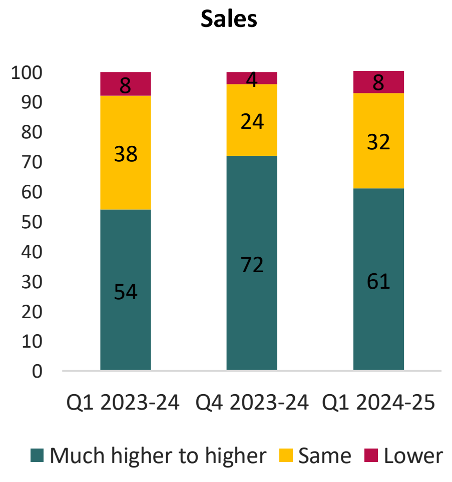


The proportion of respondents citing 'much higher to higher' investments in the coming six months moderated in the latest survey round.

45% of the participating companies anticipated an increase in investments over coming six months in the latest survey as compared to 52% respondents reporting likewise in the previous survey round; while 47% participants expected no change in investment levels.

Investment outlook reports subdued optimism….

(Proportion of respondents)



Sales

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

61% of the participating companies anticipated an increase in sales over next two quarters, lower than 72% respondents citing the same in the previous survey round. While 32% participants expected sales to remain same in near future, the proportion of those expecting sales to be lower was about 8%.

…sales prospects note a deterioration as well…

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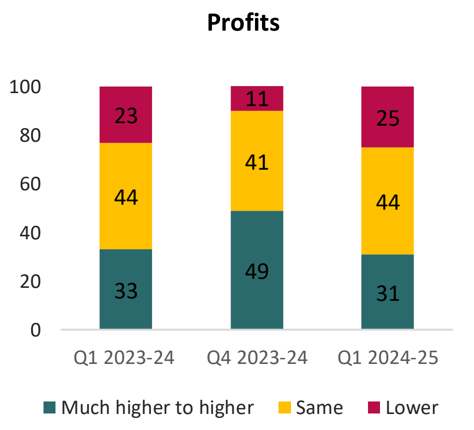
Operational Parameters

Survey results indicate a deterioration with regard to outlook on profits....

Profits

According to the latest survey results, 31% of the respondents expressed optimism about an increase in profits in the coming two quarters. However, a significant 44% of respondents anticipated profit levels to remain unchanged; while about a quarter of participants said that they foresee lower profit in the immediate term.

(Proportion of respondents)



(Proportion of respondents)

Employment

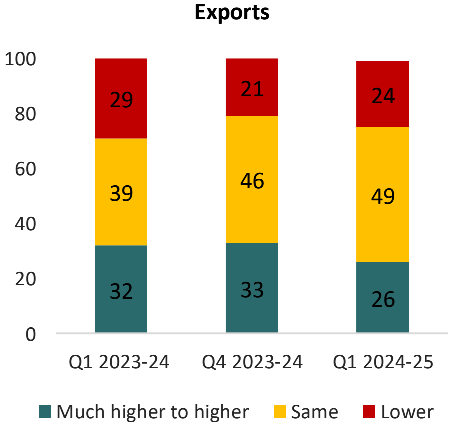
In the present survey round, 28% participating companies expected an increase in hiring levels over the near term. This marks a noticeable decrease from 38% participants stating likewise in the previous round. Further, while 60% participants anticipated no change in employment levels, the remaining 13% cited lower hiring in the next six months.

Exports

In the present survey round, 26% respondents said that they foresee much higher-to-higher exports over next two quarters, a decline from 33% participants reporting likewise in the previous survey round.

A marginal uptick was noted in the proportion of participants (at 24%) anticipating exports to decline, whereas 49% participating companies in the latest survey round cited export prospects to remain same over near term.

(Proportion of respondents)



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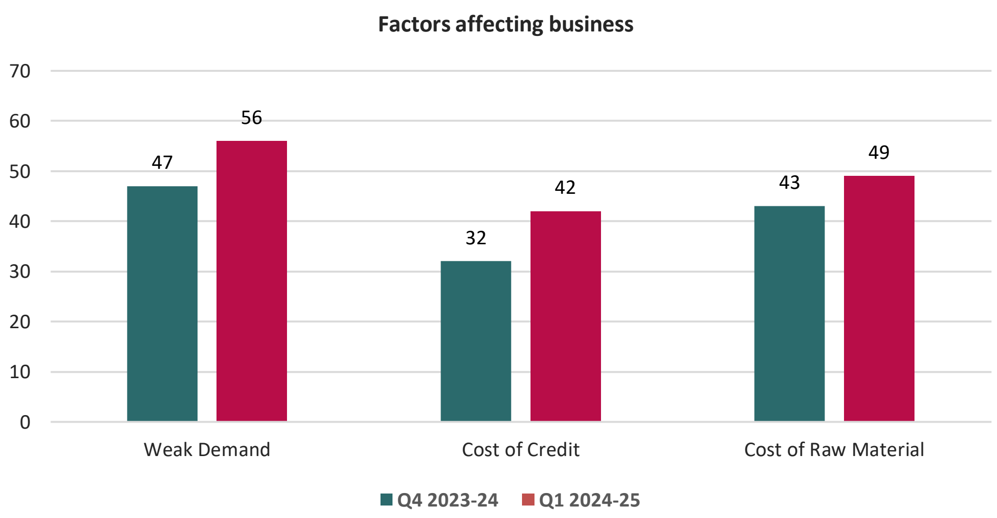
Constraining Factors

Major Constraining Factors for Businesses

(Proportion of respondents)



There was a notable increase in the proportion of respondents identifying weak demand as a concern for businesses. In the current survey, 56% respondents highlighted weak demand as a challenge, compared to 47% in the previous round. High food inflation has tightened consumer spending, further exacerbating demand concerns.

Additionally, concerns regarding the cost of credit as a constraining factor have also risen. In the current survey, 42% of respondents identified the cost of credit as a major concern, compared to 32% in the previous round.

The proportion of respondents identifying raw material costs as a cause of concern also increased to 49% in the current round from 43% in the previous survey. This increase reflects both global and domestic pressures. On international front, geopolitical tensions have driven up freight costs and output cuts by OPEC plus have led to an increase in crude oil prices.

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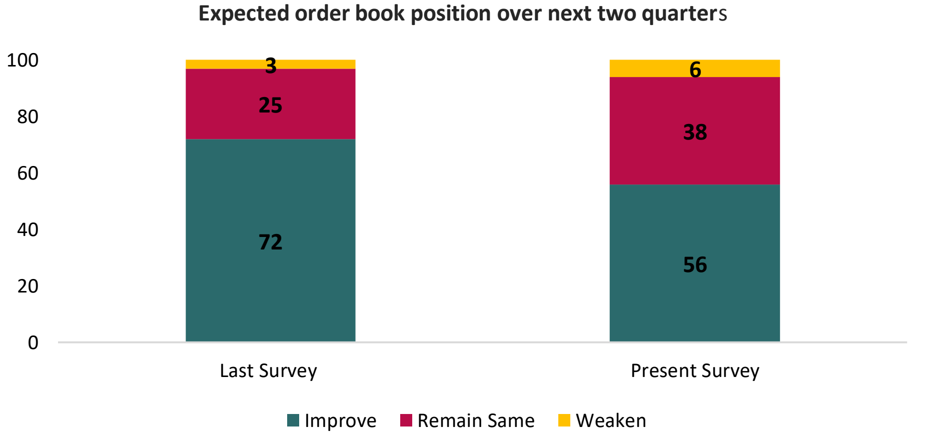
Expected Order Book Position

Proportion of respondents anticipating better order books over next six months decreased in the present survey round to 56% from 72% citing likewise in the last survey round. Also, about 38% companies expected their order book position to remain the same in the coming six months vis-à-vis 25% stating likewise in the previous round.

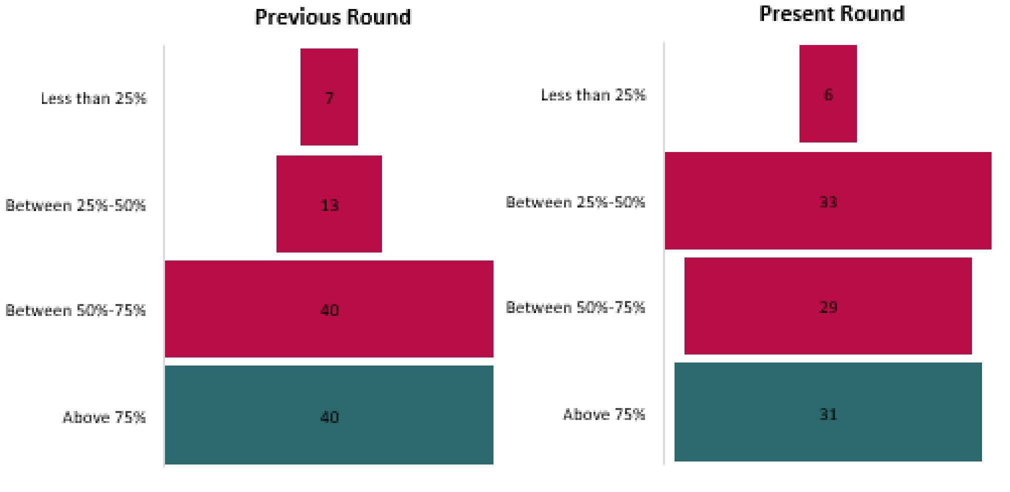
(Proportion of respondents)



Capacity Utilization

An increase was noted in the proportion of respondents citing capacity utilization rate between 25% to 50%- 33% of the participants companies cited the same in the current survey , vis-à-vis 13% stating likewise in the last round. However, the percentage of participants indicating capacity utilization between 50%-75% and over 75% indicated a decline.

(Proportion of respondents)



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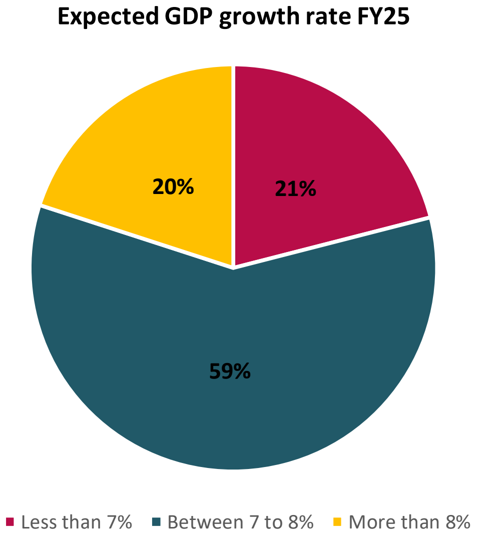
Expected GDP growth rate in 2024-25



The participating businesses were asked to share their projection of the expected growth rate for financial year 2024-25.

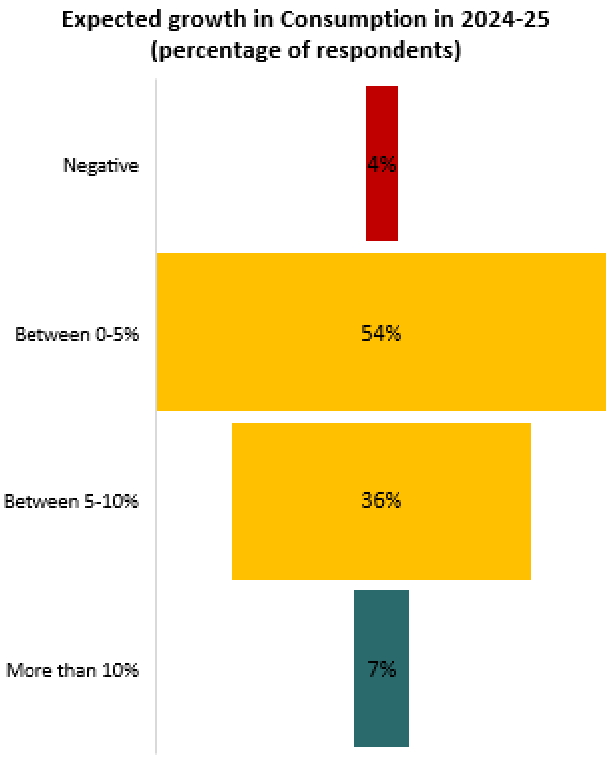
Reflecting optimism about India's macroeconomic outlook, majority of respondents, about 59% anticipate GDP growth between 7 to 8% in FY25. While 20% of respondents expect growth to exceed 8%, another 21% of respondents expect the growth to be less than 7%.

Consumption growth expectations in 2024-25

Consumption growth has been sluggish, with recovery proceeding slowly due to high cumulative inflation.

When asked about their assessment of consumption growth for FY25, majority (54%) of respondents anticipate a moderate improvement in demand, projecting 0-5% growth in the current fiscal year.

Another 36% participants expected a more robust consumption growth of 5-10%. However, a fraction of about 4% businesses participating in the survey indicated a possible contraction in consumption.

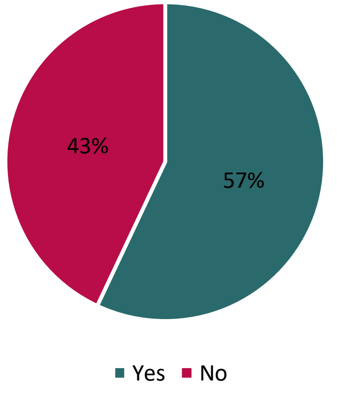


Expectation of repo rate cut by RBI

The Reserve Bank of India (RBI) has refrained from cutting the repo rate primarily due to concerns about persistent headline inflation. However, some moderation in inflation has been evident in July 2024. Additionally, this year, a steady monsoon progress supporting kharif sowing and improved reservoir levels bode well for the upcoming rabi crop and thereby overall agricultural output. These factors have fueled expectations that the RBI might adjust its stance in the second half of the current fiscal year.

Businesses were asked to share their expectations regarding when the RBI might undertake a downward revision in the repo rate. 57% of respondents anticipate a downward revision in the repo rate during the second half of FY25, while 43% believed that the RBI will maintain its current stance and repo rate.

Expectation of repo rate cut by RBI (percentage of respondents)



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Survey Profile

The survey drew responses from about 188 companies with a turnover ranging from Rs 2 crore to Rs 60,000 crore and belonging to a wide array of sectors. The survey gauges expectations of the respondents for the period July 2024 to December 2024.

Agriculture	Textile/Apparel	Chemicals	Banking & Financial Services
Energy	Real Estate	Metals	Pharmaceuticals
Automotive	Engineering Goods	Food Processing	
Information Technology	Consumer Products	Hospitality	

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