

The NCAER-NSE Business Expectations Survey for India *First Quarter 2024–25*

Business Confidence Index

July 2024



NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

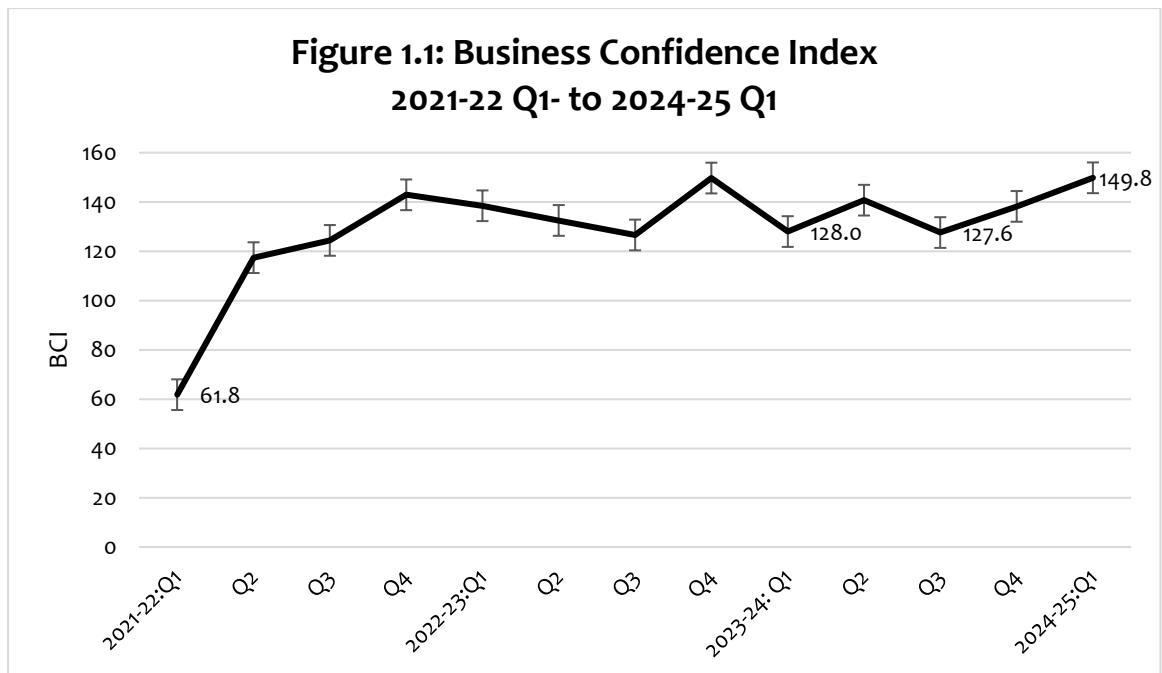
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NCAER-NSE Business Confidence Index First Quarter of 2024-25

1. Business Confidence¹

- The overall business sentiment as measured by the Business Confidence Index (BCI) rose from 138.2 in the fourth quarter of 2023–24 to 149.8 in the first quarter of 2024–25 (Figure 1.1). It went up for the second consecutive quarter indicating buoyancy in business sentiments. The BCI was also higher than its corresponding quarter a year ago (128 in 2023–24:Q4).



- There are four components that make up the BCI- ‘overall economic conditions to improve in next six months’, ‘financial position of the firms will improve in next six months’, ‘present investment climate’ and ‘present capacity utilisation was close to or above optimal level’. Since last quarter, there was all-round improvement in sentiments of all four of them which drove the buoyancy in BCI.

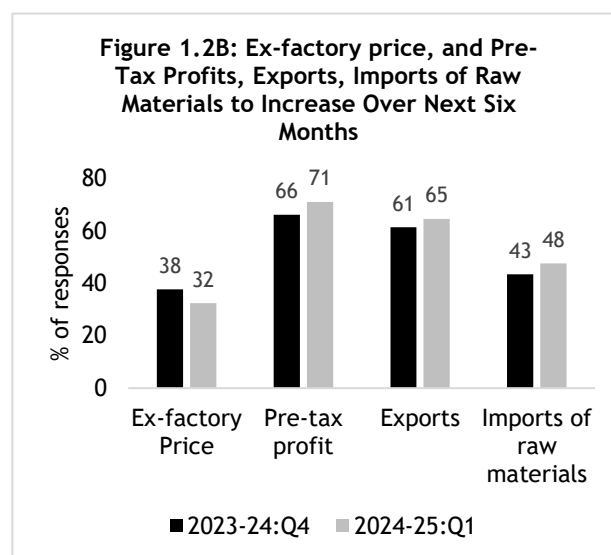
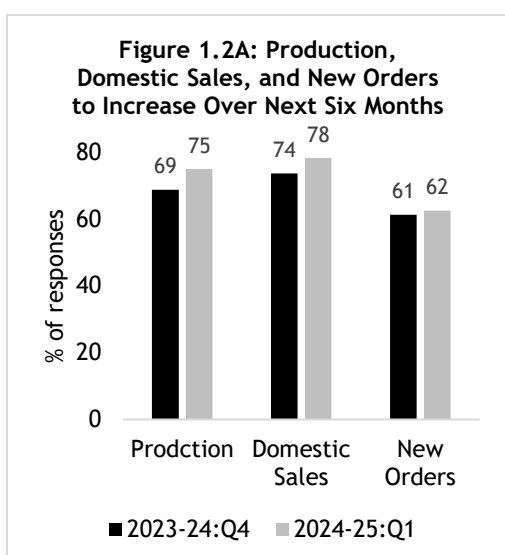
The share of firms expecting ‘overall economic conditions to improve in next six months’ went up from 65.8 per cent in 2023–24:Q4 to 71.2 per cent in 2024–25:Q1. Similarly, the share of firms expecting their own ‘financial position of the firms will improve in next six months’ went up from 60.6 per cent in 2023–24:Q4 to 67.4 per cent in 2024–25:Q1. The share of firms perceiving that ‘present investment climate is positive’ went up from 52.2 per cent in 2023–24:Q4 to 60.4 per cent in 2024–25:Q1. Present capacity utilisation was close to or above optimal level for 97.8 per cent of firms in 2024–25:Q1. The corresponding figure was 95.2 per cent in 2023–24:Q4.

¹ NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (129th) was carried out in June 2024 covering 497 respondents spread across six cities.

Firms' perception about the improvement in their own financial position is particularly noteworthy as the share of firms positively responding was at 67.4 per cent, the highest since 2010–11:Q3 (75.6 per cent)

2. Business Prospects

- A larger share of firms in 2024–25:Q1 compared to 2023–24:Q4 expected that production and domestic sales will increase in the next 6 months (Figure 1.2A). Sentiments about new orders also remained buoyant.
- Sentiments about external trade, both exports of final products and imports of raw materials have improved with a larger share of firms expecting them to increase in 2024–25:Q1 compared to 2023–24:Q4 (Figure 1.3B). Similarly, higher percentage of firms expected pre-tax profits to rise in 2024–25:Q1 compared to 2023–24:Q4 (71.1 per cent vs 66.1 per cent). However, lesser percentage of firms expected that ex-factory price will rise in 2024–25:Q1 compared to 2023–24:Q4 (32.4 per cent vs 37.7 per cent).



3. Employment

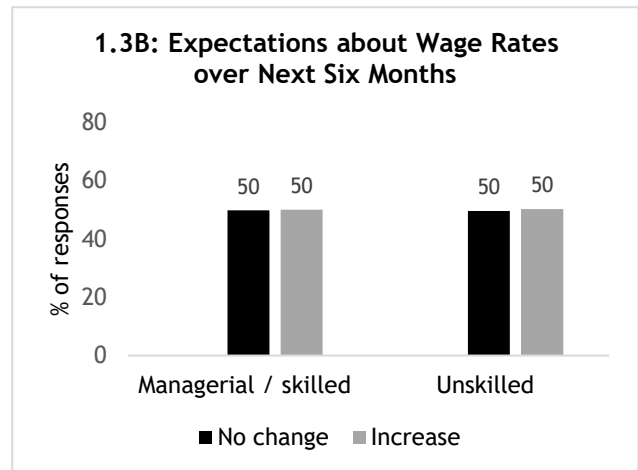
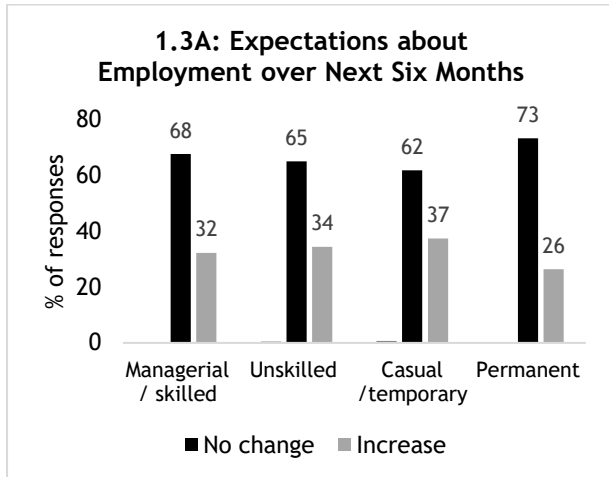
- Majority of firms continue to expect the prospects of employment in the next 6 months of both skilled and unskilled or casual and permanent workers to remain the same as in the past 3 months (Figure 1.3A). Albeit, labour markets' sentiments show improvement since last quarter.

As against 30.6 per cent firms in 2023–24:Q4, 32.3 per cent of firms responded in 2024–25:Q1 that they plan to increase hiring of managerial/skilled workers over the next six months.

The corresponding numbers for unskilled workers were 27.6 per cent and 34.4 per cent respectively. As against 30.5 per cent of firms in 2023–24:Q4, 37.4 per cent of firms in 2024–25:Q1 responded that they plan to increase hiring of casual wage/temporary workers over the next six months.

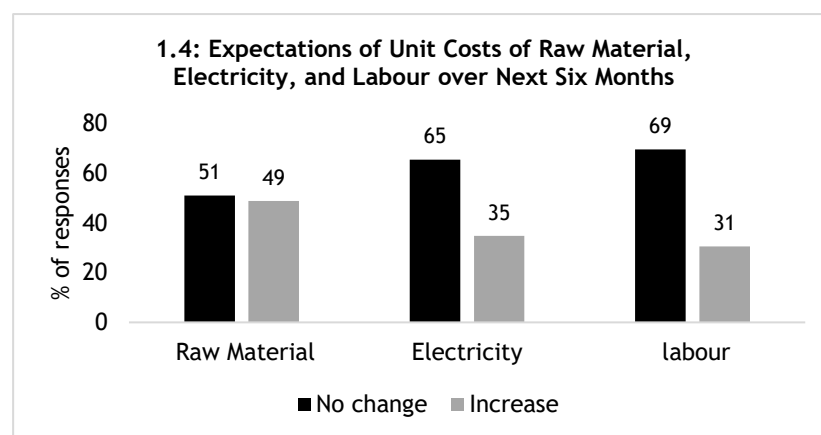
The corresponding numbers for permanent workers were 22.4 and 26.4 per cent respectively.

- Approximately 50 per cent of firms expect that wage rates for both managerial/skilled workers and unskilled workers to increase over the next six months (Figure 1.3B). The corresponding numbers in 2023–24:Q4 were relatively higher at around 58 per cent for both managerial/skilled workers and unskilled workers. In the current round, 50 per cent of firms expect no change in wage rates for both types of workers. This means cost sentiments of labour markets will remain relatively muted.



4. Unit costs of Raw Materials, Electricity, and Labour

- A majority of firms expect no changes in the unit costs of electricity and labour (Figure 1.4) signalling that costs will remain muted.
- In case of electricity, 65 per cent of firms perceived that unit costs will remain unchanged over the next six months. This had gone up from 63 per cent last quarter.
- In case of labour, 69 per cent of firms perceived that unit costs will remain unchanged over the next six months. This has gone up from 65 per cent last quarter.
- In case of raw materials, 51 per cent of firms responded that per unit costs of raw materials will remain unchanged. This had remained unchanged since last quarter when 52 per cent of forms had perceived that unit costs of raw materials will increase.





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