

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

Business Confidence Index

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NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

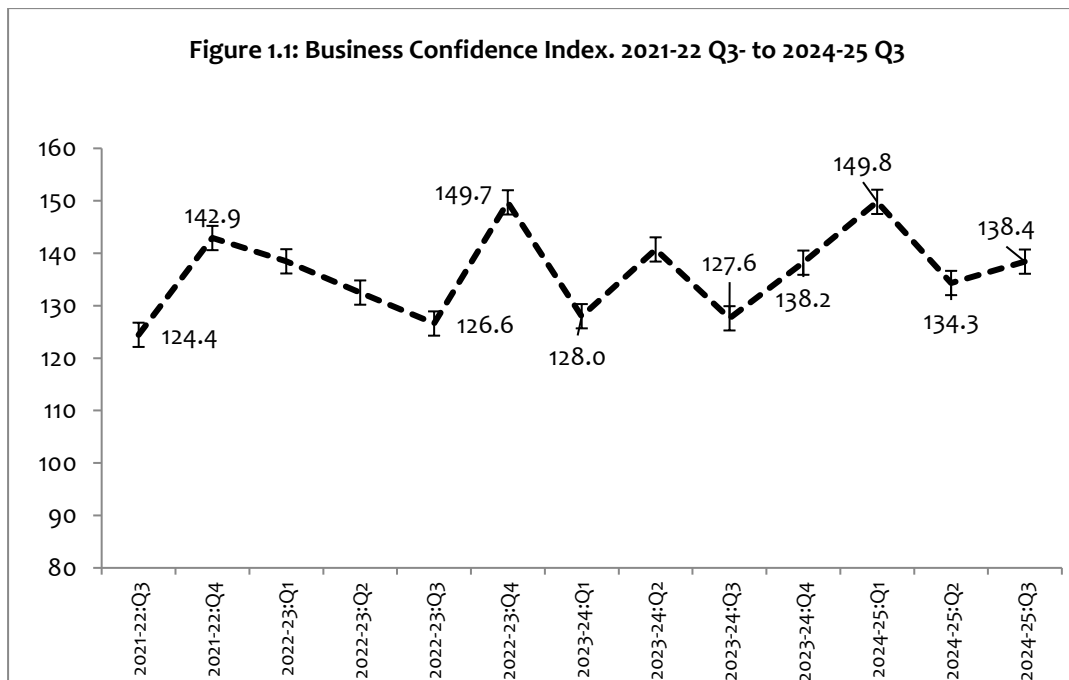
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NCAER-NSE Business Confidence Index Third Quarter of 2024-25

1. Business Confidence¹

- Business sentiments seem to have regained momentum in the third quarter of the current fiscal year, after moderating in the second. The Business Confidence Index (BCI) increased in the third quarter of 2024-25 (138.4), compared to 134.3 in the second quarter of 2024-25. Also, the BCI was higher than its corresponding quarter a year ago (127.6 in 2023-24: Q3).



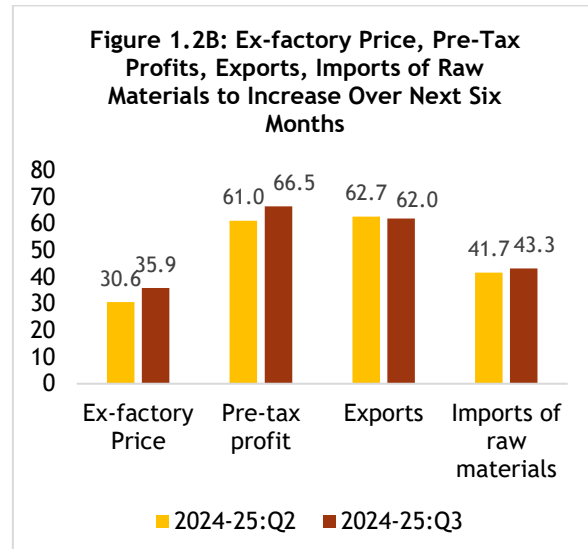
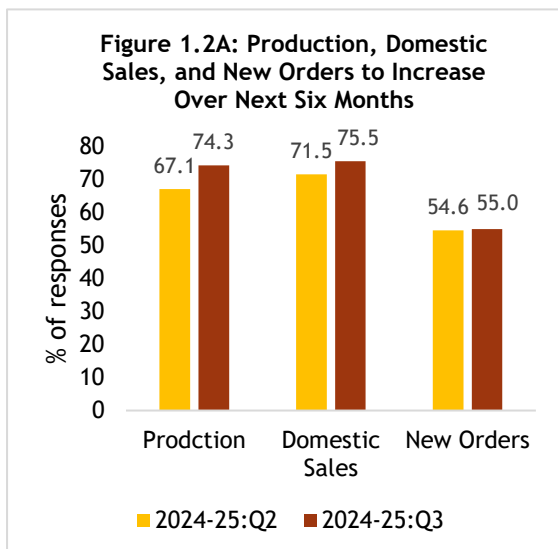
- There are four components that make up the BCI- ‘overall economic conditions to improve in next six months’; ‘financial position of the firms will improve in next six months’; ‘present investment climate’; and ‘present capacity utilisation was close to or above optimal level’. All four components of the BCI experienced improvement in sentiments between the second and third quarters of 2024-25. Also, the percentage share of positive responses remained above 50 per cent, signalling continued economic dynamism.

The share of firms expecting ‘overall economic conditions to improve in next six months’ increased from 62.1 per cent in 2024–25:Q2 to 66.3 per cent in 2024–25:Q3. Similarly, the share of firms expecting their own ‘financial position improving in next six months’, has increased marginally from 58.0 per cent in 2024–25:Q2 to 59.3 per cent in 2024–25:Q3. The share of firms perceiving that ‘present investment climate is positive’ also increased moderately from 49.7 per cent in 2024–25:Q2 to 51.2 per cent in 2024–25:Q3. A slightly higher number of firms (97.4 per cent) in 2024–25:Q3 responded positively on the capacity utilisation being close to or above optimal level, compared to 96.3 per cent in 2024–25:Q2.

¹ NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (131th) was carried out in December 2024 covering 496 respondents spread across six cities.

2. Business Prospects

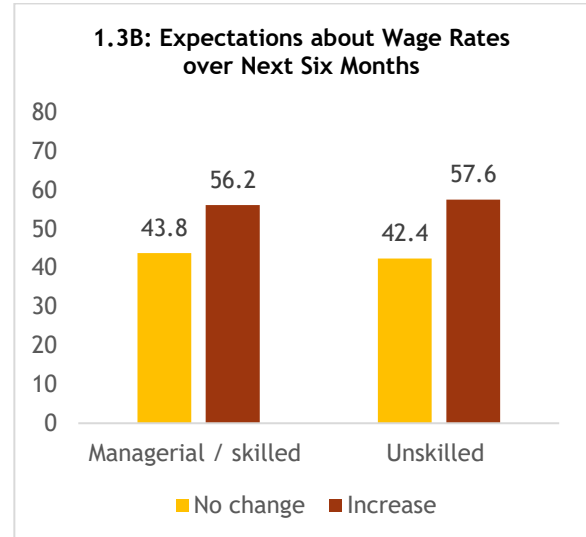
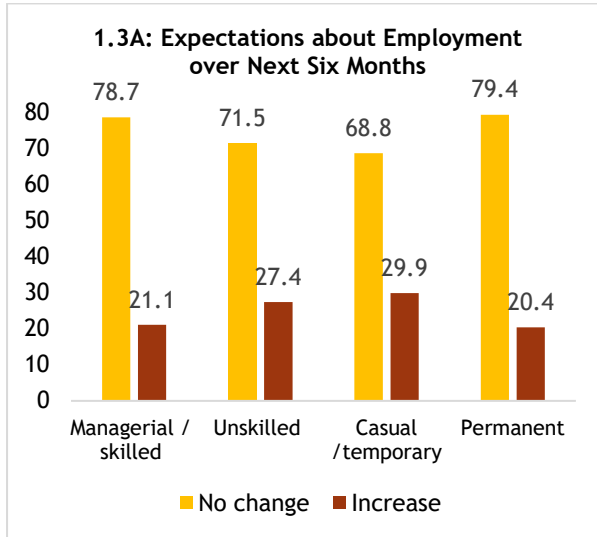
- In 2024-25:Q3, majority of respondents, 74.3 per cent of firms, expected domestic production to increase in the next six months and 75.5 per cent expected domestic sales to increase during the same period. These shares were higher than the last quarter, 2024–25:Q2 (Figure 1.2A). Similar trends were also observed regarding expectations about new orders over the next six months.
- Sentiments about exports of final products continued to remain upbeat with slight moderation in 2024–25:Q3, compared to 2024–25:Q2 (Figure 1.2B). In case of imports of raw materials, the percentage share of firms expecting it to increase increased from 41.7 per cent in 2024-25:Q2 to 43.3 per cent in 2024-25:Q3, signalling increased domestic demand.
- On the sentiments about pre-tax profits, 66.5 per cent of firms expected a rise in 2024–25:Q3, compared to 61 per cent in 2024–25:Q2. Sentiments with regard to ex-factory prices have improved with higher percentage of firms (35.9 percent) expecting these to rise in 2024–25:Q3, compared to 2024–25:Q2 (30.6 per cent).



3. Employment

- Expectations about workers' markets were mixed. Overall sentiments about hiring over the next six months were similar to the last quarter. The share of firms expecting 'no change' in workers employed over the next six months remained approximately around 70 per cent (Figure 1.3A).
- However, the expectations about hiring casual/temporary workers and unskilled workers have improved compared to the last quarter. The share of firms 'expecting employment of unskilled workers to rise' increased from 20.9 per cent in 2024-25:Q2 to 27.4 per cent in 2024-25:Q3. The corresponding numbers for casual/temporary workers were 21.7 per cent and 29.9 per cent for 2024-25:Q2 and 2024-25:Q3, respectively.
- The share of firms expecting 'managerial/skilled workers' employment to rise over the next six months' decreased marginally from 22.3 per cent in 2024-25:Q2 to 21.1 per cent in 2024-25:Q3. The corresponding numbers for permanent workers were 21 per cent and 20.4 in Q2 and Q3, respectively.
- There has been dynamism about firms' expectations regarding wage rates with significantly higher percentage of firms expecting rise in wage rates for both

managerial/skilled workers and unskilled workers in 2024-25:Q3 over 2024-25:Q2. Percentage of firms expecting wages of managerial/skilled workers to rise in six months increased from 29.9 per cent to 56.2 per cent between the two quarters. The corresponding rise in wages of unskilled workers is from 30.5 per cent in 2024-25:Q2 to 57.6 per cent in 2024-25:Q3.



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

- Expectations about unit cost of raw materials, electricity and labour over the next six months rose, signalling their rise in 2024-25:Q3 compared to 2024-25:Q2.
- A higher percentage of firms expected unit raw material cost to increase (53.8 per cent) than the percentage of firms expecting it to remain unchanged (46.2 per cent) in next six months. The share of firms expecting rise in raw material costs per unit of output also rose from 44.2 per cent in 2024-25:Q2 to 53.8 per cent in 2024-25:Q3.
- The share of firms expecting rise in electricity costs per unit of output went up from 31.8 per cent in 2024-25:Q2 to 34.3 per cent in 2024-25:Q3.
- The share of firms expecting unit labour costs to increase vs percentage of firms expecting it to remain unchanged were almost same (48.5 per cent vs 51.5 per cent in Figure 1.4). However, the share of firms expecting rise in labour costs per unit of output went up from 30.9 per cent in 2024-25:Q2 to 48.5 per cent in 2024-25:Q3.

