The NCAER Business Expectations Survey for India

Fourth Quarter 2024–25

Business Confidence Index

April 2025

NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

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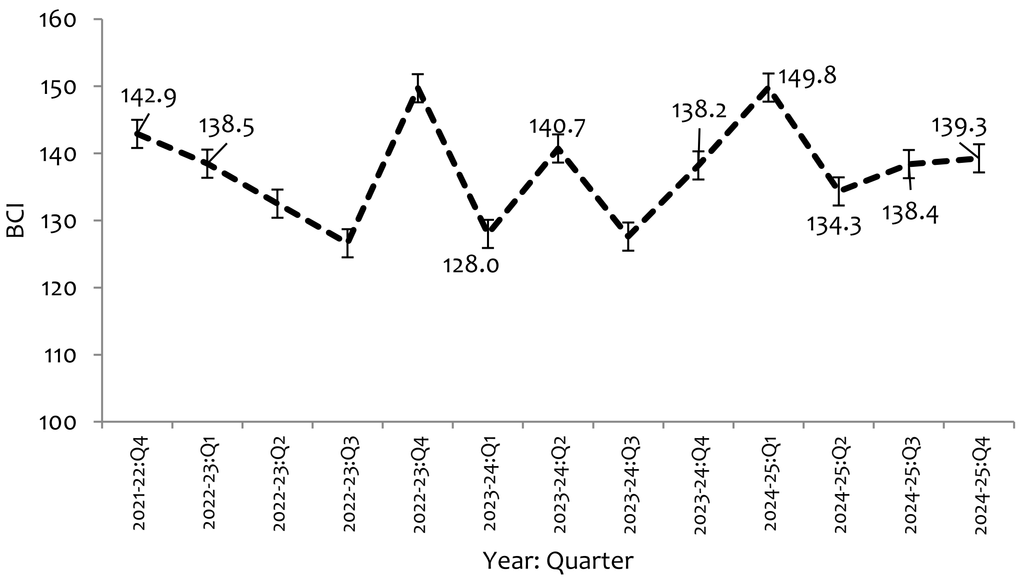
NCAER Business Confidence Index
Fourth Quarter of 2024-25

1. Business Confidence[1]

- Business sentiment remained elevated in the fourth quarter of 2024-25, signalling that the pace of economic activity remains robust, albeit at a moderated pace. The Business Confidence Index (BCI), a measure of business sentiments, improved marginally in the fourth quarter of 2024-25 (139.3) compared to the third quarter of 2024-25 (138.4). At this level, the BCI in 2024-25:Q4 was also marginally higher in comparison to its corresponding quarter a year ago (138.2 in 2023—24:Q4).

Figure 1.1: Business Confidence Index. 2021-22 Q4- to 2024-25 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'. Although the share of positive responses across the four components remain above 50 per cent in 2024-25:Q4, the components themselves exhibited mixed trends compared to the last quarter.

  The share of firms perceiving that 'present investment climate is positive' increased from 51.2 per cent in 2024—25:Q3 to 55.6 per cent in 2024—25:Q4. The share of firms expecting their own 'financial position' to improve in next six months' remained unchanged between the two quarters (59.3 per cent in 2024-25:Q3 versus 59.2 per cent in 2024-25:Q4). The share of firms expecting 'overall economic conditions to improve in next six months' declined marginally from 66.3 per cent in 2024—25:Q3 to 64.7 per cent in 2024—25:Q4. About 96.4 per cent of the firms perceived 'present capacity utilisation' being close to or above optimal level in

[1] NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (132nd) was carried out in March 2025 covering 448 respondents spread across six cities. This is before the announcement of the nature of US reciprocal tariffs, starting from April 2, 2025.

2024—25:Q4. The corresponding figure was only marginally higher at 97.4 per cent in 2024—25:Q3.

2. Business Prospects

- Majority of the firms in 2024-25:Q4 expected domestic production (72.5 per cent) and domestic sales (75.6 per cent) to increase in the next six months. This is marginally lower than the share of firms expecting domestic production to increase over the next six months (74.3 per cent) in 2024-25:Q3. (Figure 1.2A). However, there is virtually no change between the two quarters in terms of the number of firms expecting domestic sales to increase in the next six months. But, the share of firms expecting new orders over the next six months went up from 55 per cent in 2024-25:Q3 to 62.6 per cent in 2024-25:Q4.
- Sentiments about exports of final products moderated in 2024—25:Q4 (57.8 per cent of the firms) compared to 2024—25:Q3 (62 per cent of the firms) (Figure 1.2B). This signals relatively weaker external demand. In case of imports of raw materials, the percentage share of firms expecting it to rise increased from 43.3 per cent in 2024-25:Q3 to 46.1 per cent in 2024-25:Q4, signalling increased domestic demand.
- Regarding the sentiments about pre-tax profits, 65.2 per cent of firms expected it to rise in 2024—25:Q4 signalling continued buoyancy. Sentiments with regard to ex-factory prices improved with higher percentage of firms (42.5 per cent) expecting these to rise in 2024—25:Q4 compared to 35.9 per cent in 2024—25:Q3.

Figure 1.2A: Production, Domestic Sales, and New Orders to Increase Over Next Six Months

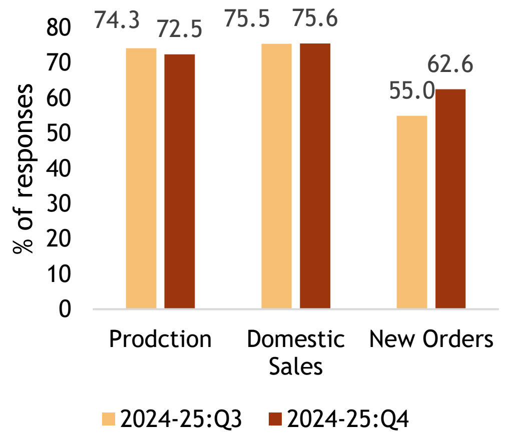
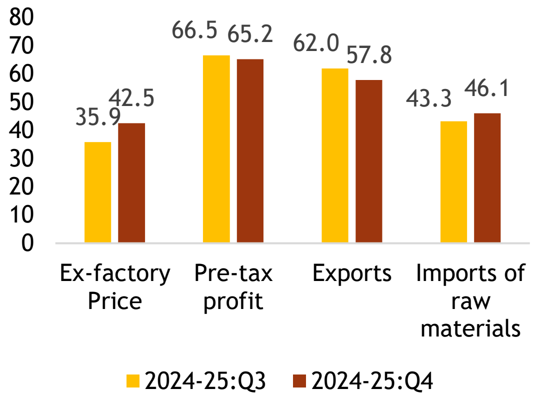


Figure 1.2B: Ex-factory price, Pre-Tax Profits, Exports, Imports of Raw Materials to Increase Over Next Six Months



3. Employment

- The labour market reflected mixed trends. Majority of the firms (72.8 per cent) expected 'no change' in workers employed over the next six months. The trends in labour markets indicate buoyancy although the share of firms expecting to hire more workers remained below 40 per cent (Figure 1.3A). The share of firms expecting decrease in workers employed also went up.
- In case of managerial/skilled workers, the share of firms expecting hiring to rise went up (19.2 per cent in 2024-25:Q3 to 26.9 per cent in 2024-25:Q4). The share of

firms expecting hiring to remain unchanged fell from 80.8 per cent in 2024-25:Q3 to 72.7 per cent in 2024-25:Q4. In case of unskilled workers, the share of firms expecting hiring to remain unchanged fell from 73.9 per cent in 2024-25:Q3 to 66.1 per cent in 2024-25:Q4. The share of firms expecting hiring to rise went up (23.2 per cent in 2024-25:Q3 to 29.3 per cent in 2024-25:Q4).

- The permanent workers' labour market also reflected some uncertainty. The share of firms expecting hiring to remain unchanged fell from 82.2 per cent in 2024-25:Q3 to 73.1 per cent in 2024-25:Q4. The share of firms expecting hiring to rise, went up (17.1 per cent in 2024-25:Q3 to 26.2 per cent in 2024-25:Q4).
- There has been dynamism about firms' expectations about wage rates with significantly higher percentage of firms expecting rise in wage rates for both managerial/skilled workers and unskilled workers in 2024-25:Q4 over 2024-25:Q3. The share of firms expecting wages of managerial/skilled workers to rise in six months increased from 56.2 per cent to 70.0 per cent between these two quarters. The corresponding rise in case of unskilled workers was from 57.6 per cent to 68.0 per cent.
- Approximately 30 per cent of firms expected wage rates for both managerial/skilled workers and unskilled workers to remain unchanged over the next six months (Figure 1.3B). The corresponding numbers in 2024—25:Q3 were relatively higher at around 40 per cent for both managerial/skilled workers and unskilled workers.

Figure 1.3A: Expectations about Employment over Next Six Months

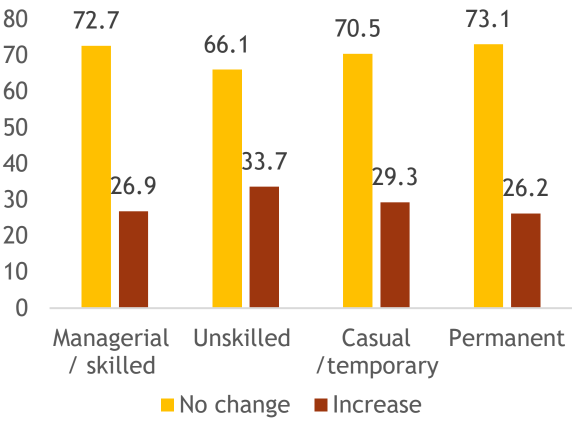
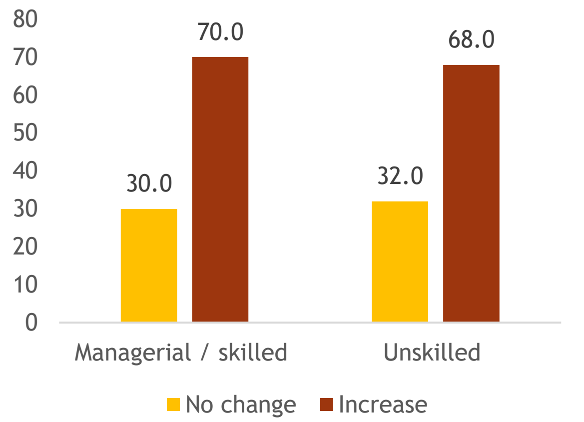


Figure1.3B: Expectations about Wage Rates over Next Six Months



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

- Expectations about changes in unit cost of raw materials, electricity and labour were mixed in 2024-25:Q4. Relatively higher share of firms (59.8 per cent) expected unit raw material cost to increase compared to 53.8 per cent in 2024-25:Q3.
- A relatively larger percentage of firms expected unit costs of electricity to remain unchanged (61.2 per cent) in 2024-25:Q4.
- In terms of expectations about changes in unit labour costs in six months, percentage of firms expecting it to rise were higher at 59.6 per cent in 2024-25: Q4 (Figure 1.4) as against 48.5 per cent in 2024-25:Q3. This indicates that input costs for all three categories may increase over the next six months.

Figure 1.4: Expectations of Unit Costs of Raw Material, Electricity, and Labour over Next Six Months