The NCAER Business Expectations Survey for India

First Quarter 2025–26

Business Confidence Index

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NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

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NCAER Business Confidence Index
First Quarter of 2025-26

1. Overall Business Confidence[1]

The Business Confidence Index rose sharply from 139.3 in the last quarter of FY 2024-25 (2024-25:Q4) to 149.4 in the first quarter of FY 2025-26 (2025-26:Q1). The BCI has increased gradually in the last three quarters in a row signalling improvement in the pace of economic activity and the overall business sentiments (Figure 1.1). On a year-on-year basis, the BCI was almost at the same level in 2024-25:Q1 (149.8 in 2024-25:Q1 compared to 149.4 in 2025-26:Q1) (Figure 1.1).

Source: NCAER BES various Rounds

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 is positive' and 'present capacity utilisation was close to or above optimal level'. The share of positive responses across the four components remains above 60 per cent in 2025-26:Q1, and also, all the components themselves exhibited improving trends compared to the last quarter of 2024-25:Q4.

The share of firms perceiving that 'present investment climate is positive' increased from 55.6 per cent in 2024—25:Q4 to 60.1 per cent in 2025—21:Q1. The share of firms expecting their own 'financial position to improve in next six months' increased from 59.2 per cent in 2024—25:Q4 to 65.8 per cent in 2025—21:Q1.The share of firms expecting 'overall economic conditions to improve in next six months' increased from 64.7 per cent in 2024—25:Q4 to 72.9 per cent in 2025—21:Q1. About 97.3 per cent firms perceive the present capacity utilisation close to or above optimal level, which is marginally higher compared the share of firms in the previous quarter, 96.4 per cent in 2024—25:Q4 (Figure 1.2).

[1] NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (133rd) was carried out in June 2025 covering 479 respondents spread across six cities.

Source: NCAER BES, Rounds 132 and 133.

1.1 Business Confidence by Firm size

The overall business sentiments by size of firms also demonstrate that the pace of economic activity remains robust for all 5 types of firms – with an annual turnover of less than Rs 1 crore; Rs 1-10 crore; Rs 10-100 crore; Rs 100-500 crore; and, firms with annual turnover of more than Rs 500 crore (Figure 1.3).[2]

The Business Confidence Index (BCI) increased in all five groups across size between 2024—25:Q4 and 2025—21:Q1.

Source: NCAER BES, Rounds 132 and 133

[2] Barring the South, regional business sentiments have increased in East, West and North. Despite that the South had the highest BCI.

The behaviour of the four BCI components across various firm sizes during the period from 2024-25:Q4 to 2025-26:Q1 is described below:

- The share of positive responses for the component "overall economic conditions will be better in next six months" increased for all the five firm size groups.
- The share of positive responses for the component "financial position of the firms will improve in next six months" increased for four of the five groups and it remained unchanged for firms in the Rs 1-10 crore size group.
- The share of positive responses for the component "present investment climate is positive" also increased for four of the five groups, but declined marginally for firms in the Rs 1-10 crore size group.
- The share of positive responses for the component "present capacity utilisation is close to or above optimal level" show an increase for three out of five groups. For firms in the size group of Rs 100-500 crore it remained unchanged

Further, when firms are classified into two categories - firms with annual turnover less than or equal to Rs 100 crore as Micro, Small and Medium enterprises (MSMEs) and firms with annual turnover greater than Rs 100 crore as 'large' firms - the BCI for MSMEs went up from 129.8 in 2024–25:Q4 to 137.1 in 2025–26:Q1 and for large firms it went up from 155.9 in 2024–25:Q4 to 171.6 in 2025–26:Q1.

2. Business Prospects

Majority of respondents expected production (78.7 per cent in 2025-26:Q1) and domestic sales (79.1 per cent in 2025-26:Q1) to increase in the next six months (Figure 1.4A). The share of firms expecting new orders over the next six had also increased from 62.6 per cent in 2024–25:Q4 to 71.1 per cent in 2025–26:Q1.

Sentiments about exports of final products have also improved in 2025—26:Q1 (share of firms, 66.5 per cent) compared to 2024—25:Q4 (57.8 per cent) (Figure 1.4B).[3] In case of imports of raw materials, the percentage share of firms expecting these to rise has also increased from 46.1 per cent in 2024–25:Q4 to 54.3 per cent in 2025—26:Q1 signalling increased domestic production activities.

The sentiments about pre-tax profits have also stayed in the positive territory with 60.9 per cent of firms expecting pre-tax profits to rise in 2025—26:Q1 signalling continued buoyancy. Sentiments with regard to ex-factory prices also witnessed improvement with higher percentage of firms expecting these to rise in 2025—26:Q1 (51.1 per cent) compared to 2024—25:Q4 (42.5 per cent).

[3] It is important to reiterate that the Survey was carried out in June 2025 much before the recent tariff increases, which were announced at the end of July 2025.

Source: NCAER BES, Rounds 132 and 133.

3. Employment

Labour markets are showing signs of stagnation with both hiring and expectations of wage rates remaining unchanged over the next six months. More than 70 per cent of firms expected no change in hiring over the next six months across all types of workers' markets (Figure 1.5A). The share of firms expecting 'no change' in hiring permanent workers over the next six months also went up from 73.1 per cent in 2024–25:Q4 to 77.3 per cent in 2025–26:Q1. These trends were similar across all categories of workers whether unskilled, permanent or temporary workers.

Sentiments with respect to wage rates have also remained muted (Figure 1.5B). The share of firms expecting 'no change' in wage rates over the next six months has significantly increased for both categories of workers managerial/skilled as well as unskilled workers in 2025–26:Q1 over 2024–25:Q4.

Source: NCAER BES, Rounds 132 and 133.

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

Sentiments about changes in unit cost of raw materials, electricity and labour moderated in 2025-26:Q1 compared to 2024-25:Q4. Compared to 59.8 per cent of firms in 2024-25:Q4, a relatively lower number of firms 54.3 per cent expected unit raw material cost to increase over the next six months in 2025-26:Q1. Likewise, compared to 39.9 per cent for firms in 2024-25:Q4, 45.7 per cent expect that costs would remain unchanged over the next six months in 2025-26:Q1. The corresponding figures for firms expecting electricity costs and unit labour costs to remain unchanged in the next six months were relatively higher at 66 per cent and 64.6 per cent firms, respectively (Figure 1.6). This signals that sentiments about costs have moderated in the first quarter of FY 2025-26. Although in case of raw materials, cost sentiments remained heightened (Figure 1.6).

Source: NCAER BES, Rounds 132 and 133.