The NCAER Business Expectations Survey for India

Third Quarter of 2025–26

Business Confidence Index

January 2026

NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

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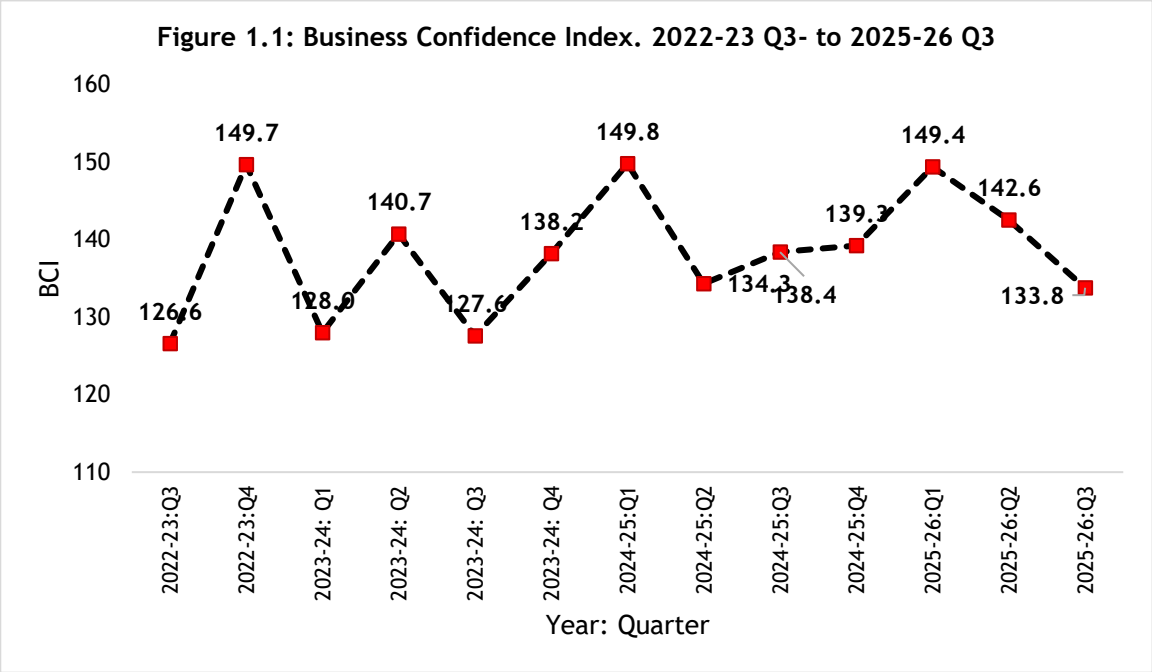
1. Overall Business Confidence[1]

The current round of the Business Expectations Survey was carried out in December 2025, about four weeks before the presentation of the Union Budget and the finalization of trade agreements with the EU and the US. Consequently, business sentiments showed moderation in the third quarter of the current fiscal year compared to the second quarter (Figure 1.1). The BCI eased from 142.6 in 2025–26: Q2 to 133.8 in 2025–26: Q3. The moderation in business sentiments continued for the second consecutive quarter. Compared to the corresponding period in the previous fiscal year, business sentiments moderated marginally (133.8 in 2025–26: Q3 compared to 138.4 in 2024-25: Q3).



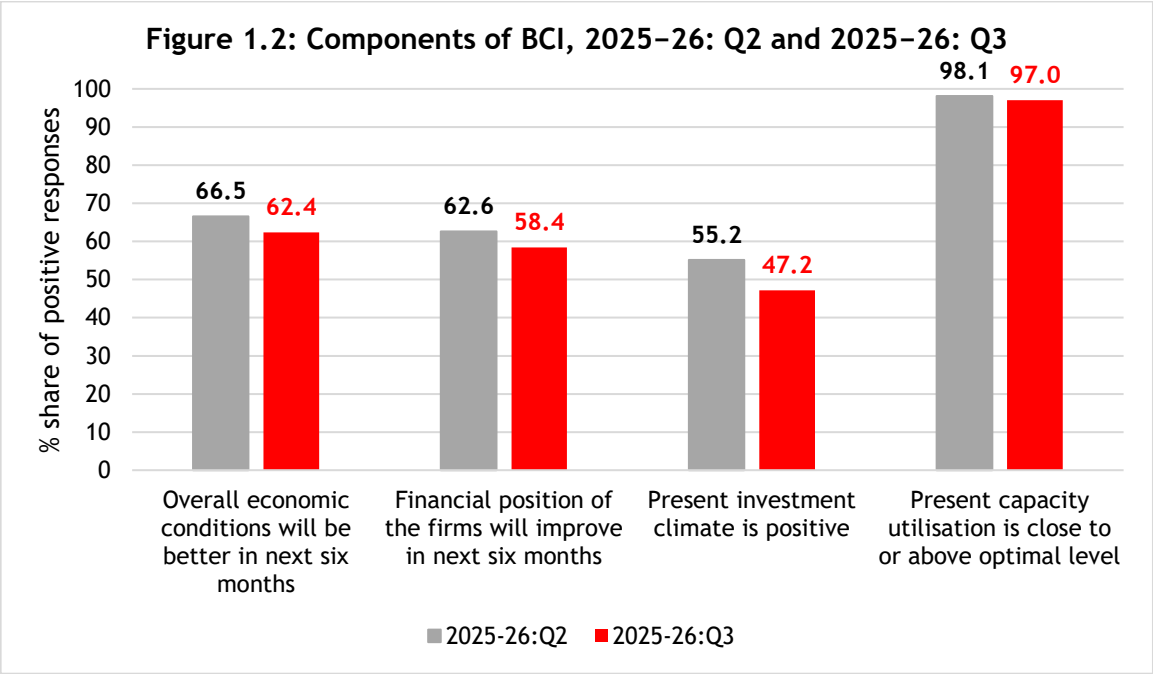
Source: NCAER BES various Rounds

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 BCI was driven down due to the continued uncertainty as the share of respondents expecting improvement in business sentiments, eased marginally from the second to the third quarter (Figure 1.2). However, the share of firms expecting business sentiments to remain unchanged, increased. This held for all the four BCI components. Further, barring one component about the 'present investment climate is positive', the shares of positive responses remained above 50 per cent in 2025–26: Q3 for three of the four

[1] NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (135th) was carried out in December 2025 covering 500 respondents spread across six cities.

components signalling continued buoyancy in the economy. The four components are discussed in detail below:

- The share of firms expecting 'overall economic conditions to improve in next six months' fell marginally from 66.5 per cent in 2025–26: Q2 to 62.4 per cent in 2025–26: Q3. (Figure 1.2). However, the share of firms expecting 'overall economic conditions to remain unchanged in next six months' rose from 31.2 per cent in 2025–26: Q2 to 35.8 per cent in 2025–26: Q3.
- The share of firms expecting their own 'financial position to improve in next six months' decreased from 62.6 per cent in 2025–26: Q2 to 58.4 per cent in 2025–26: Q3. However, the percentage share of firms which expected 'financial position to remain unchanged in next six months' rose from 36.2 per cent in 2025–26: Q2 to 39.2 per cent in 2025–26: Q3.
- The share of optimistic responses for 'present investment climate is positive' moderated from 55.2 per cent in 2025–26: Q2 to 47.2 per cent in 2025–26: Q3. However, the share of firms which expected the 'present investment climate' to remain the same as six months ago, rose from 42.6 per cent in 2025–26: Q2 to 50.6 per cent in 2025–26: Q3.
- The share of firms perceiving that present capacity utilisation to remain close to or above optimal levels declined marginally from 98.1 per cent in 2025–26: Q2 to 97 per cent in 2025–26: Q3.



Source: NCAER BES Rounds 134 and 135

The Business sentiments moderated across all sectors and firm sizes but varied across different regions.[2] Firms with annual turnover of less than or equal to Rs 100 crore are

[2] The BCI of the services sector moderated from 137.4 in 2025–26: Q2 to 130.1 in 2025–26: Q3. The BCIs of the manufacturing sectors- consumer durables, consumer non-durables, intermediate goods and capital goods sectors also eased.
Region wise, while business sentiments improved in the North and the South, it deteriorated in the East and the West. The BCI of the South went up from 134.8 in 2025–26: Q2 to 142.2 in 2025–26: Q3. The BCI of the North went up from 163.7 in 2025–26: Q2 to 167.2 in 2025–26: Q3. The BCI of the East

defined as micro, small and medium enterprises (MSMEs) and firms with annual turnover of more than Rs 100 crore as 'large' firms. The BCI for MSMEs declined from 138.2 in 2025–26: Q2 to 126.5 in 2025–26: Q3. However, the moderation in the BCI of large firms was marginal from 149.9 in 2025–26: Q2 to 145.7 in 2025–26: Q3.

2. Business Prospects

Business prospects exhibited mixed trends.

The share of firms expecting production to increase in the next six months remained at the same level (about 82 per cent) in 2025-26: Q2 and Q3. However, the share of firms expecting production to remain unchanged over the next six months went up to 17 per cent in 2025-26: Q3 from 14 per cent in 2025-26: Q2.

Similar trends are seen in other parameters such as sales. The share of firms expecting domestic sales to increase remained unchanged between the two quarters (83.1 per cent in 2025–26: Q2 and 83 per cent in 2025–26: Q3) (Figure 1.3A). However, the share of firms expecting domestic sales in the next six months to remain unchanged, went up slightly from 12.2 per cent in the second quarter to 15.5 percent in the third quarter.

The share of firms expecting new orders over the next six months increased from 67.2 per cent in 2025–26: Q2 to 75.4 per cent in 2025–26: Q3. The share of all firms expecting exports of final products to increase also went up from 73.4 per cent in 2025–26: Q2 to 77.1 per cent in 2025–26: Q3 (Figure 1.3B).

The share of firms expecting imports of raw materials to rise, increased from 40.7 per cent in 2025—26: Q2 to 46.6 per cent in 2025—26: Q3. However, majority of the firms (53 per cent) expected import of raw materials to remain unchanged over the next six months.

The sentiments about pre-tax profits improved with 64.9 firms expecting it to rise in 2025—26: Q3 as compared to 54.3 per cent of firms in 2025—26: Q2. Sentiments regarding ex-factory prices remained unchanged with around 43 to 44 per cent of firms expecting these to rise in both the quarters. However, 33 per cent of the firms responded that they expected pre-tax profits to remain the same in the next six months.

Figure 1.3A: Production, Domestic Sales, and New Orders to Increase Over Next Six Months

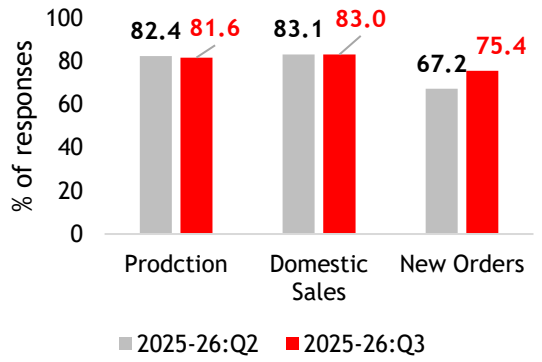
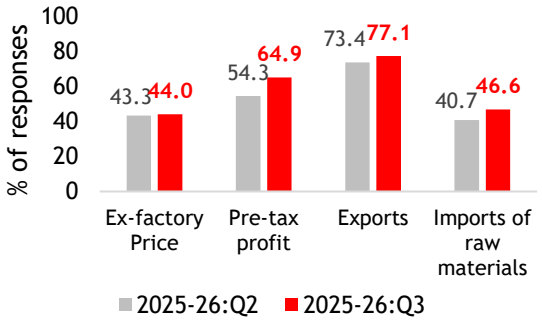


Figure 1.3B: Ex-factory price, Pre-Tax Profits, Exports, Imports of Raw Materials to Increase Over Next Six Months



Source: NCAER BES Rounds 134 and 135.

fell from 161.9 in 2025–26: Q2 to 124.8 in 2025–26: Q3. Similarly, the BCI of the West fell from 110.2 in 2025–26: Q2 to 101 in 2025–26: Q3.

3. Employment

Labour markets showed signs of stagnation with majority of firms expecting no change in hiring of various types of workers in next six months (Figure 1.4A) as more than 75 per cent of firms expect no change in hiring over the next six months across all four types of workers.

The share of firms expecting 'no change' in hiring of permanent workers over the next six months was 76.7 per cent in 2025-26: Q3 versus 75.2 per cent in 2025-26: Q2. Only 22 per cent of firms expect hiring of permanent workers to increase in the next six months.

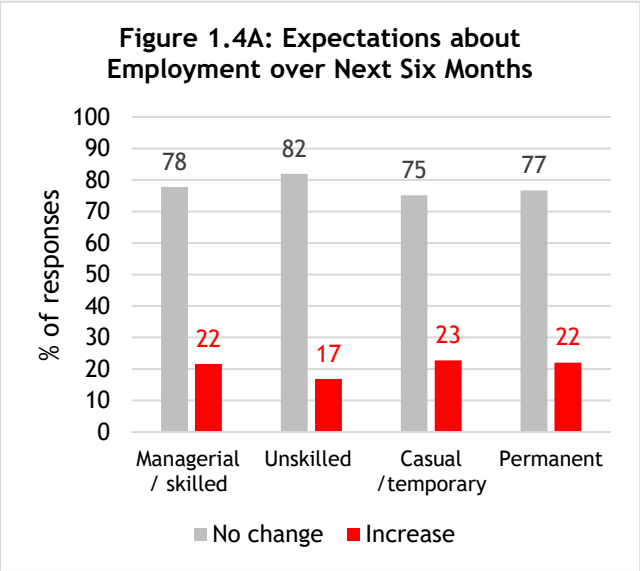
Likewise, 75 per cent firms expect hiring of casual temporary workers to remain unchanged and only 23 per cent of firms expect hiring of casual temporary workers to increase over the next six months. The corresponding numbers for the second quarter were 68 percent and 30 per cent, respectively.

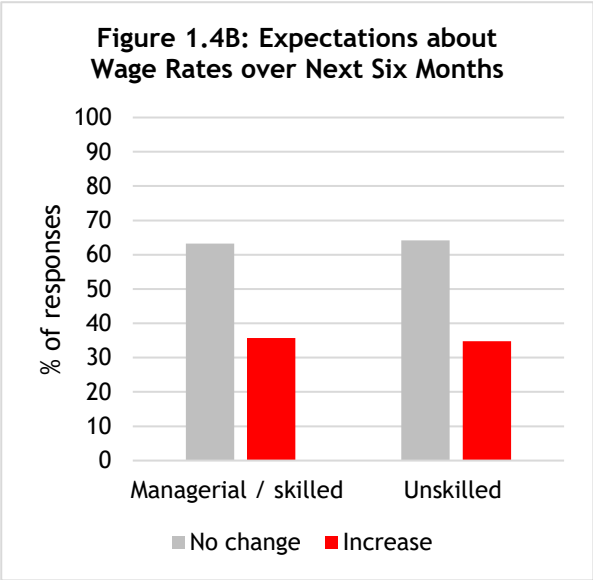
The share of firms expecting 'no change' in hiring of managerial/skilled workers over the next six months increased to 77.8 per cent in 2025-26: Q3 versus 72.2 per cent in 2025-26: Q2. Only 22 per cent of firms expected hiring of managerial/skilled workers to increase as compared to the corresponding figure of 25 per cent in 2025-26: Q3.

The share of firms expecting 'no change' in hiring of unskilled workers over the next six months was 82 per cent in 2025-26: Q3 versus 75 per cent in 2025-26: Q2. Only about 17 per cent of firms expected hiring of unskilled workers to increase over the next six months (Figure 1.4A).

The above shows that labour market trends were expected to remain subdued for both permanent and temporary workers in the next six months.

Sentiments about expected wage rates in next six months, also remained muted with about 35 percent of firms expecting wage rates to rise for both types of workers (Figure 1.4B). More than 60 per cent of firms expected no change in wage rates for both managerial/ skilled and unskilled workers.





Source: NCAER BES Round 135

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

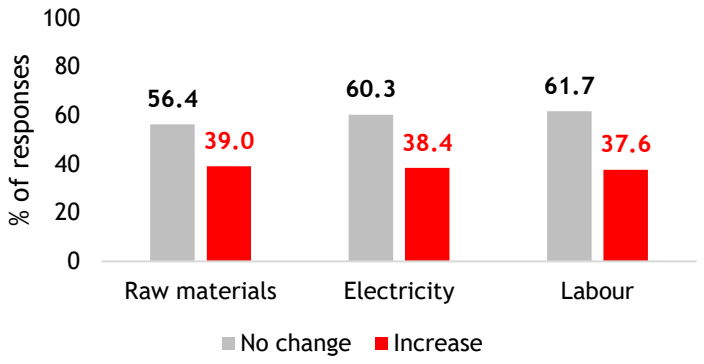
Sentiments about expected changes in unit cost of raw materials, electricity and labour were mixed in 2025–26: Q3 (Figure 1.5). About 39 per cent of firms expected increase in

unit cost of raw materials in the next six months and 28.9 per cent of all firms expected the rise to be between zero and five per cent. But, most firms (56.4 per cent) expected costs of raw materials to remain unchanged. Only 0.5 per cent of firms expected it to decline.

Likewise, a significant number of firms (60.3 per cent) expected no change in unit costs of electricity and only 38.4 per cent expected it to rise (with majority of them expecting the increase to be between zero and five per cent).

Similarly, only 37.6 per cent of firms expected rise in unit costs of labour (majority of them expected the rise to be between zero and five per cent) and 61.7 per cent expected labour costs to remain unchanged.

Figure 1.5: Expectations of Unit Costs of Raw Material, Electricity, and Labour over Next Six Months



Source: NCAER BES Round 135

The above shows that cost sentiments are muted with majority of firms expecting no change in unit cost of raw materials, electricity and labour. Relatively lesser percentage of firms expected rise in unit costs and among those expecting an increase, majority of them expected a moderate rise of between zero and five per cent.