

The NCAER

Business Expectations

Survey for India

Fourth Quarter of 2025–26

Business Confidence Index

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NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

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Study Team

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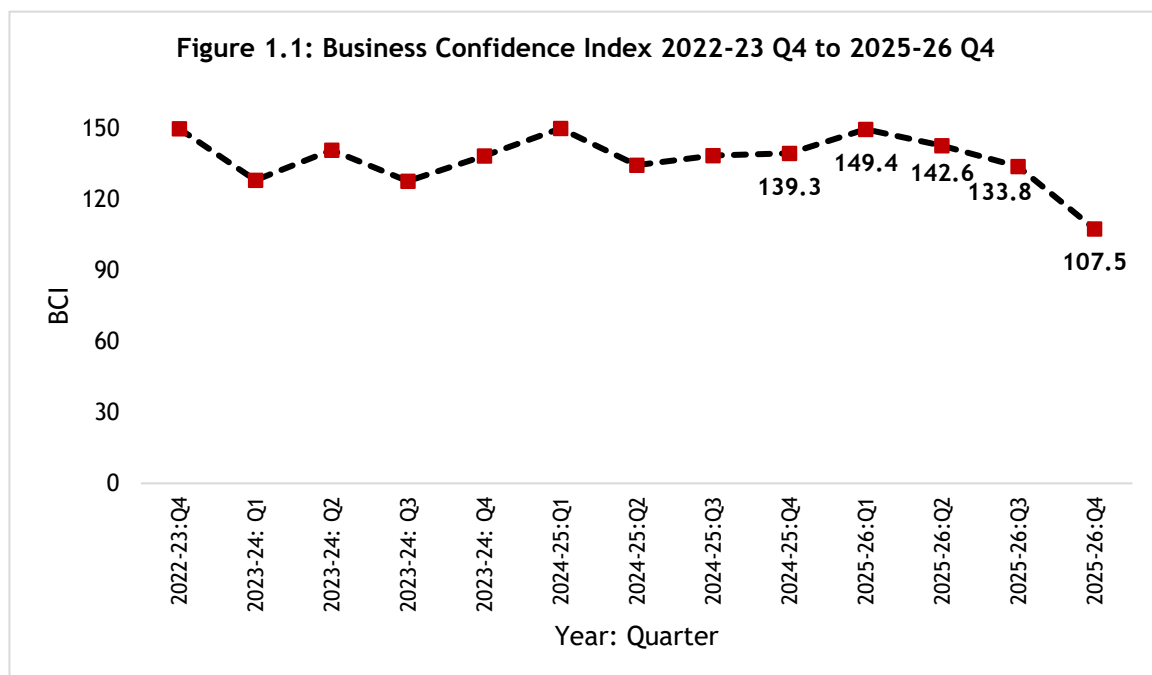
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NCAER Business Confidence Index Fourth Quarter of 2025–26

1. Overall Business Confidence¹

The current round of the Business Expectations Survey was conducted in March 2026, amid the ongoing tensions in the Middle East due to the war. Expectedly, the Business Confidence Index (BCI) moderated significantly from 133.8 in 2025-26:Q3 to 107.5 in 2025-26:Q4. At this level, the BCI was lower than the corresponding quarter in the previous fiscal year (139.3 in 2024-25:Q4).



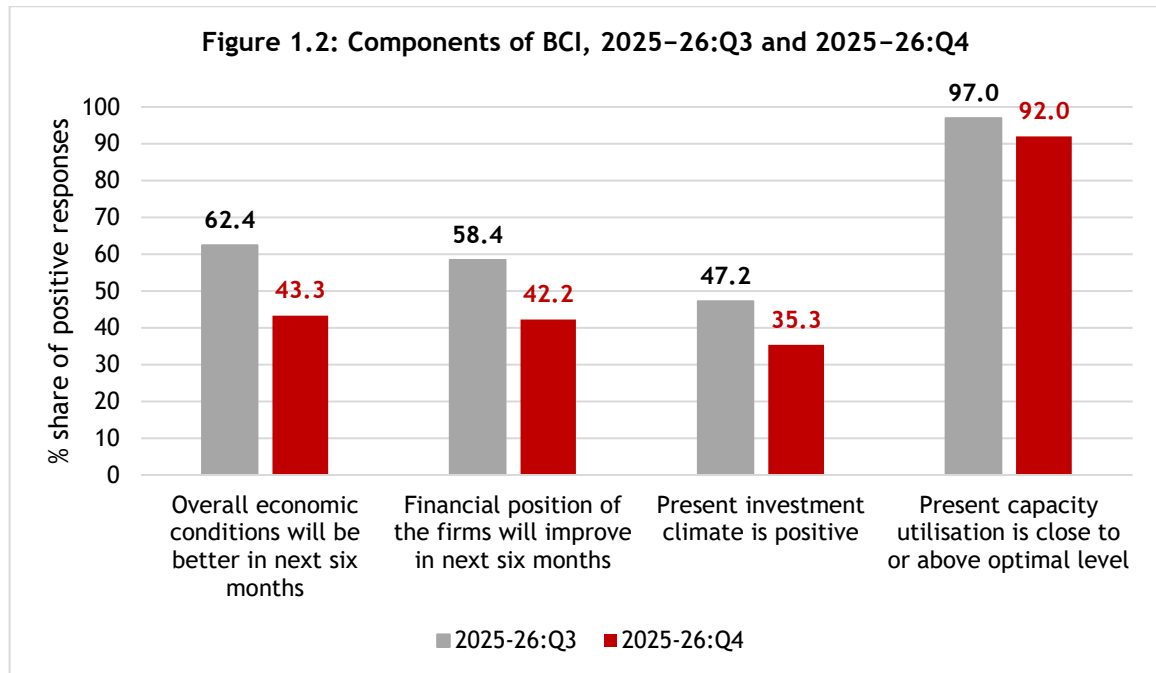
Source: NCAER BES, various Rounds.

Four components make up the BCI: ‘overall economic conditions to improve in the next six months’; ‘financial position of the firms will improve in the next six months’; ‘present investment climate is positive’; and ‘present capacity utilisation was close to or above the optimal level’. This quarter’s BCI has been driven down by the weakening of sentiments of all four components due to uncertainties largely related to exports, imports, prices and their consequent impact on production and sales (Figure 1.2). The four components are discussed in detail below:

- The share of firms expecting ‘overall economic conditions to improve in the next six months’ fell from 62.4 per cent in 2025–26:Q3 to 43.3 per cent in 2025–26:Q4. (Figure 1.2).
- The share of firms expecting their own ‘financial position to improve in the next six months’ decreased from 58.4 per cent in 2025–26:Q3 to 42.2 per cent in 2025–26:Q4.
- The share of firms perceiving that ‘present investment climate is positive’ decreased from 47.2 per cent in 2025–26:Q3 to 35.3 per cent in 2025–26:Q4.

¹ NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (136th) was carried out in March 2026, covering 464 firms spread across six cities.

- The share of firms perceiving that present capacity utilisation would remain close to or above optimal levels declined from 97 per cent in 2025–26: Q3 to 92 per cent in 2025–26:Q4.



Source: NCAER BES Rounds 135 and 136.

Business sentiments moderated across all sectors and all types of firm sizes.² The BCI for micro, small and medium enterprises (MSMEs) declined from 126.5 in 2025–26:Q3 to 87.1 in 2025-26:Q4, whereas the BCI for large firms eased from 145.7 in 2025–26:Q3 to 104.6 in 2025-26:Q4.

2. Business Prospects

Business prospects were muted both at the domestic and external fronts.

The share of firms expecting production to increase over the next six months declined from 81.6 per cent in 2025-26:Q3 to 77.3 per cent in 2025-26:Q4 (Figure 1.3A). Meanwhile, the proportion of firms anticipating no change in production rose slightly from 17.1 per cent to 17.9 per cent. Notably, the share of firms expecting a decrease in production increased, from 0.8 per cent to 3.9 per cent over the same period.

The share of firms expecting domestic sales to *increase* eased between the two quarters (83 per cent in 2025–26:Q3 and 80.8 per cent in 2025–26:Q4) (Figure 1.3A). However, the share of firms expecting domestic sales in the next six months to remain *unchanged* went down slightly from 15.5 per cent in the third quarter to 14.2 per cent in the fourth quarter. The share of firms expecting a *decrease* in domestic sales increased, from 0.9 per cent to 3.7 per cent over the same period.

The share of firms expecting new orders to *increase* over the next six months declined marginally between the two quarters, 75.4 per cent in 2025–26:Q3 and 74.4 per cent in 2025-26:Q4 (Figure 1.3A). Whereas the proportion of firms expecting new orders to *remain the same* over the next six months increased (21.0 per cent in 2025-26:Q3 vs 22.6 per cent

² Firms with an annual turnover of less than or equal to Rs 100 crore are classified as micro, small, and medium enterprises (MSMEs), while those with an annual turnover of more than Rs 100 crore are categorised as ‘large’ firms.

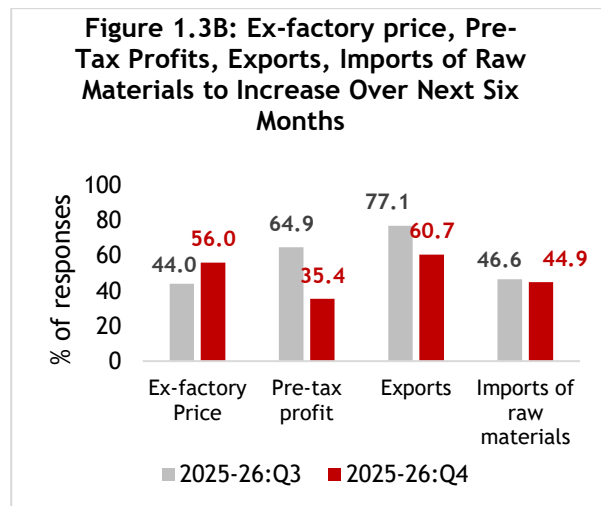
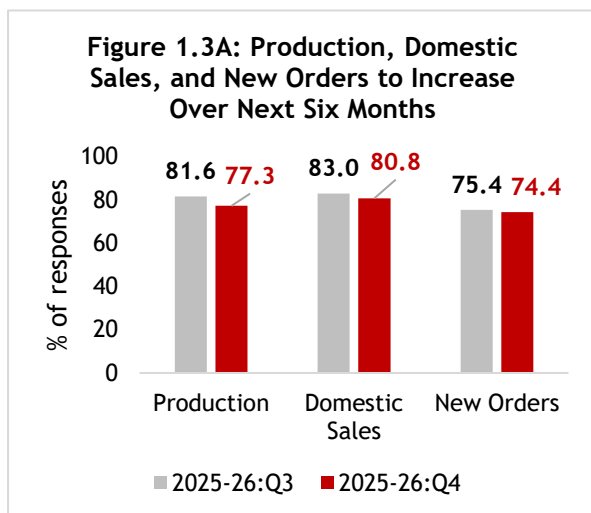
in 2025-26:Q4). And so did the share of firms anticipating a decrease in new orders, from 0.4 per cent in 2025-26: Q3 to 1.2 per cent in 2025-26:Q4.

On the external front, the share of all firms expecting exports of final products to *increase* fell sharply from 77.1 per cent in 2025–26:Q3 to 60.7 per cent in 2025–26:Q4 (Figure 1.3B). And, the share of all firms expecting exports of final products to *decrease* rose sharply from 2.3 per cent in 2025–26:Q3 to 13.3 per cent in 2025–26:Q4.

The share of firms expecting imports of raw materials to rise moderated from 46.6 per cent in 2025–26:Q3 to 44.9 per cent in 2025–26: Q4 (Figure 1.3B). While 41 per cent of firms expected import of raw materials to *remain unchanged* over the next six months (compared to 53 per cent in 2025-26:Q3), and 6.8 per cent of firms anticipated raw material imports to *decline* in 2025-26:Q4 (compared to 0 per cent in 2025-26:Q3).

Regarding ex-factory prices, the majority of firms 56 per cent expected these to rise in 2025-26:Q4 versus 44 per cent in 2025-26:Q3.

The share of firms expecting pre-tax profits to *increase* went down from 65 per cent in 2026-27:Q3 to 35.4 per cent in 2025-26:Q4. The majority of firms (55.1 per cent of firms) perceived pre-tax profits to remain unchanged in 2025-26:Q4 (versus 33.1 per cent in 2025-26: Q3). The proportion of firms anticipating pre-tax profits to decrease went up from 1.2 per cent in 2025-26:Q3 to 9.7 per cent in 2025-26:Q4.



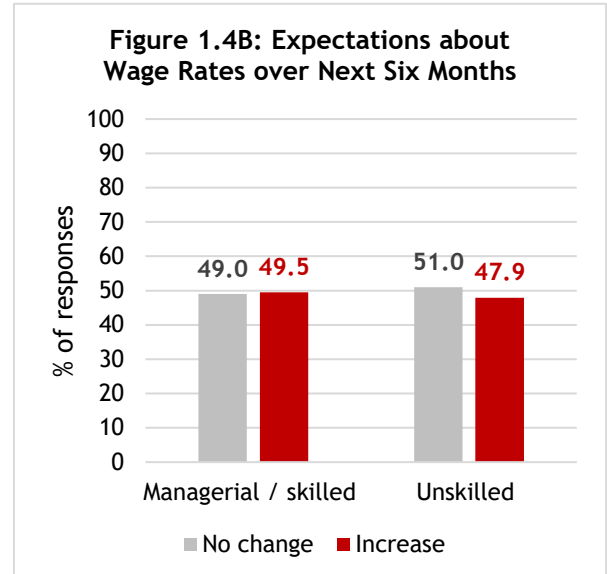
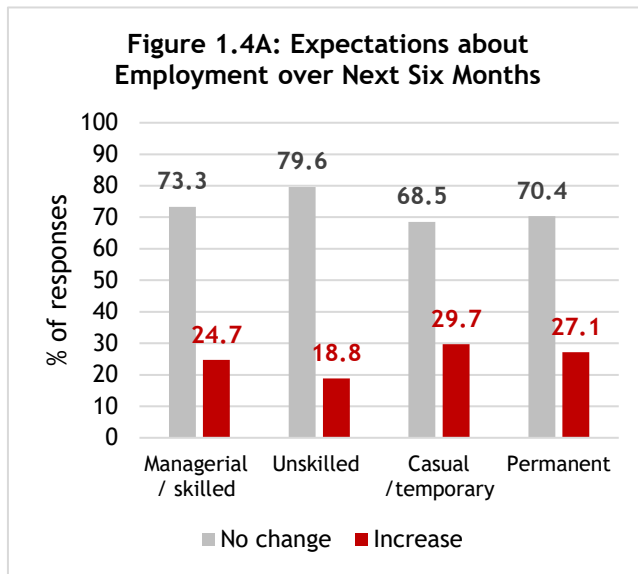
Source: NCAER BES Rounds 135 and 136.

3. Employment

While the majority of firms continue to expect no change in the number of workers employed over the next six months (Figure 1.4A), there is a glimmer of hope. The share of firms expecting ‘no change’ in hiring of workers over the next six months ranges from 68.5 per cent for casual/temporary workers to 79.6 per cent for unskilled workers. Across all worker categories, a larger share of firms expected an increase in the number of workers employed over the next six months.

- **Managerial/Skilled Workers:** 21.6 per cent of firms expected an increase in workers employed in 2025-26:Q3 versus 24.7 per cent in 2025-26:Q4.
- **Unskilled Workers:** 16.8 per cent of firms expected an increase in workers employed in 2025-26:Q3 versus 18.8 per cent in 2025-26:Q4.
- **Casual/temporary Workers:** 22.7 per cent of firms expected an increase in workers employed in 2025-26:Q3 versus 29.7 per cent in 2025-26:Q4.

- Permanent Workers: 22 per cent of firms expected an increase in workers employed in 2025-26:Q3 versus 27 per cent in 2025-26:Q4.



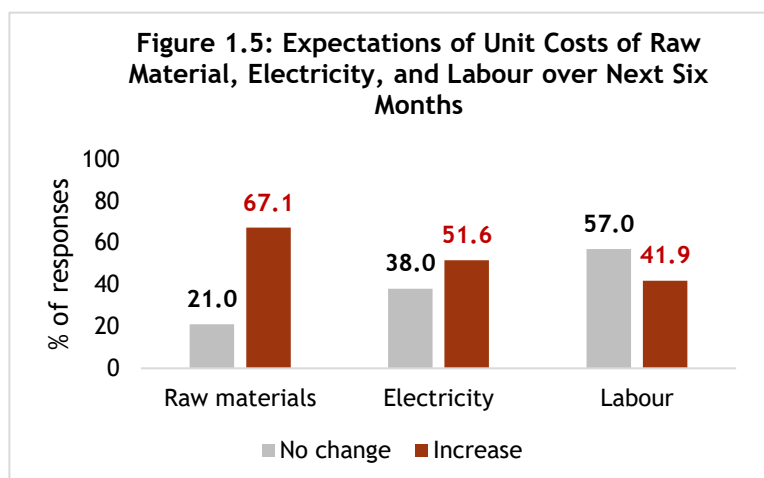
Source: NCAER BES Round 136.

Sentiments about the wage rates are mixed for managerial/skilled workers, with 49 per cent of firms expecting it not to change over the next six months and 49.5 per cent of firms expecting to increase (Figure 1.4B). Compared to 2025-26:Q3, sentiments have changed quite dramatically. The corresponding numbers in the previous quarter were 63.2 per cent and 35.8 per cent, respectively.

In the case of unskilled workers, 51 per cent of firms expected that wage rates would remain unchanged and 47.9 per cent of firms expected them to increase in 2025-26:Q4 (Figure 1.4B). The corresponding numbers for 2025-26:Q3 were 64.2 per cent and 34.8 per cent, respectively.

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

Sentiments about unit costs of raw materials, electricity and labour are significantly elevated in 2025-26:Q4 versus 2025-26:Q3 (Figure 1.5). The majority of firms, 67.1 per cent, anticipated that these would increase in 2025-26:Q4 versus 41.5 per cent in 2025-26:Q3. The corresponding numbers for electricity were 51.6 per cent (2025-26:Q4) and 38.4 per cent, respectively (2025-26:Q3). In the case of labour costs per unit of output, 57 per cent of firms expected it to remain unchanged over the next six months.



The Middle East Tensions have had a deleterious impact on Indian firms' business sentiments by affecting their sentiments both on the supply and demand side. Both costs of production are expected to rise along with a fall in markets, thereby harming firms' earnings.