

The NCAER

Business Expectations

Survey for India

First Quarter of 2026–27

Business Confidence Index

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NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

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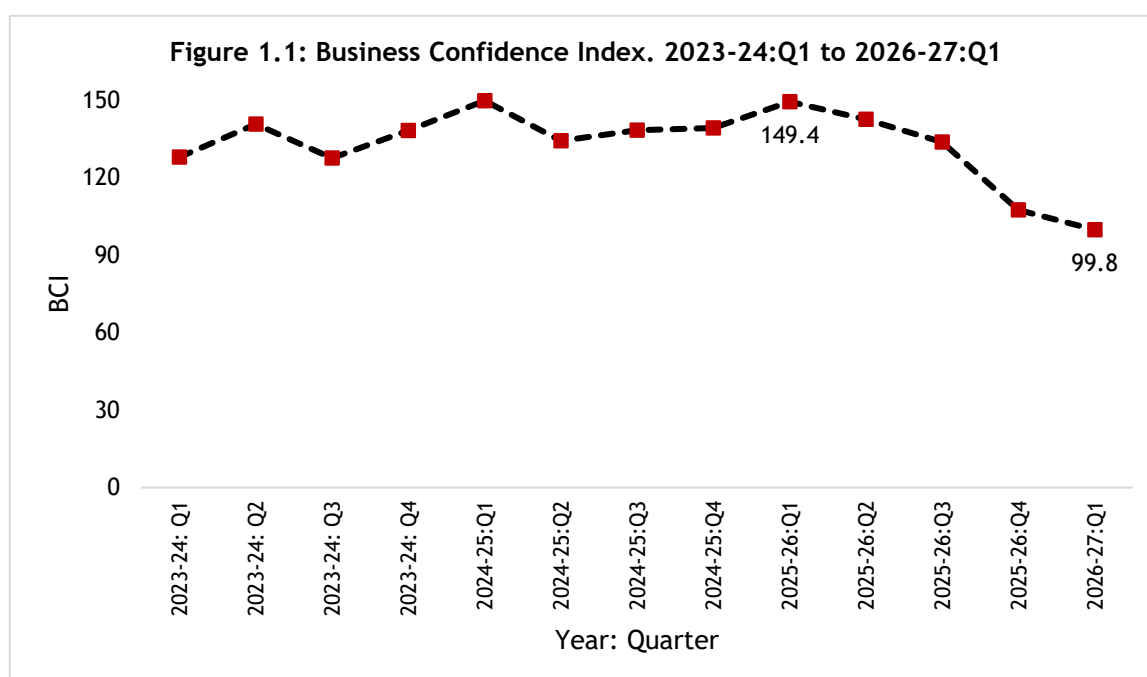
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NCAER Business Confidence Index

First Quarter of 2026–27

1. Overall Business Confidence¹

The current round of the Business Expectations Survey was carried out in June 2026 against the background of the prolonged tensions in the Middle East. Business sentiment moderated for the fourth consecutive quarter, with the Business Confidence Index (BCI) declining from 107.5 in 2025–26:Q4 to 99.8 in 2026–27:Q1. However, the extent of moderation varied across regions and firm size categories. The BCI was also lower than the corresponding quarter of the previous fiscal year (149.4 in 2025–26:Q1).



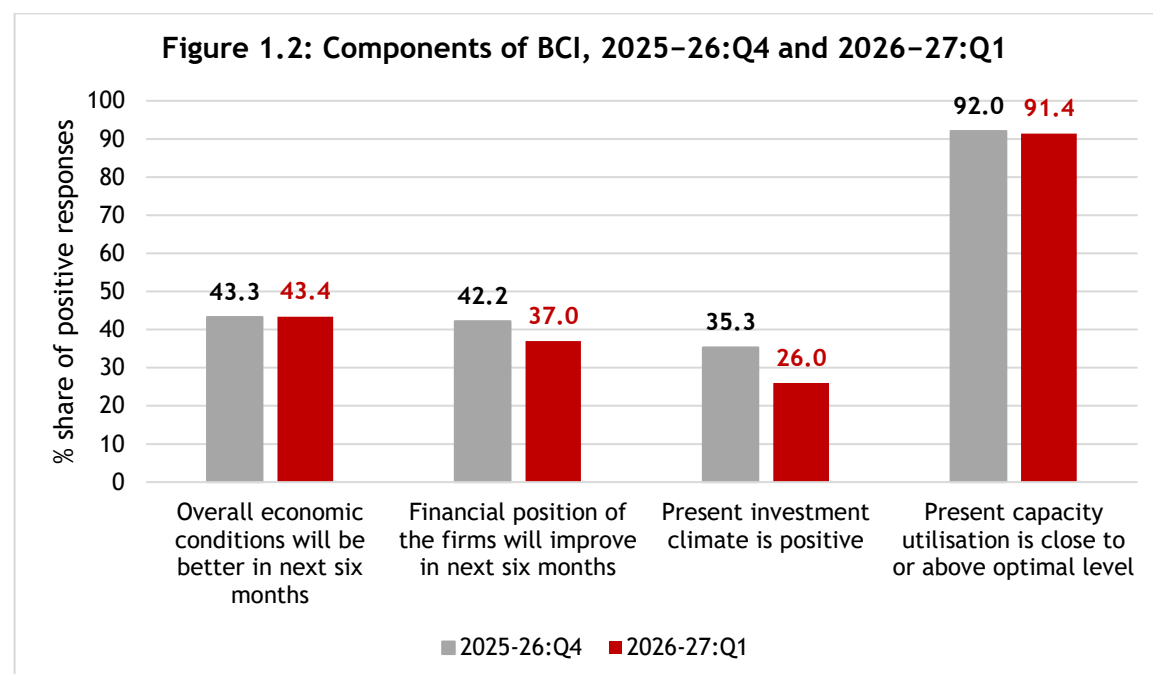
Source: NCAER BES, various Rounds.

Four components make up the BCI: ‘overall economic conditions will 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’. The decline in the BCI during the current quarter was driven by weaker sentiments on two of its four components - (i) a lower share of firms expecting their own financial position to improve over the next six months; and (ii) a moderation in the share of firms perceiving the present investment climate as favourable (Figure 1.2). The data for all four components of the BCI is provided below:

- The share of firms expecting ‘overall economic conditions to improve in the next six months’ remained unchanged between 2025–26:Q4 and 2026–27:Q1 at 43 per cent (Figure 1.2).
- The share of firms expecting their own ‘financial position to improve in the next six months’ decreased from 42.2 per cent in 2025–26:Q4 to 37 per cent in 2026–27:Q1.

¹ NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (137th) was carried out in June 2026, covering 500 firms spread across six cities.

- The share of firms perceiving that ‘present investment climate is positive’ moderated from 35.3 per cent in 2025–26:Q4 to 26 per cent in 2026–27:Q1.
- The share of firms perceiving that present capacity utilisation would remain close to or above optimal levels remained largely unchanged between the two periods, 92 per cent in 2025–26:Q4 and 91.4 per cent in 2026–27:Q1.



Source: NCAER BES Rounds 136 and 137.

However, business sentiments varied regionally. Barring the ‘North’, the BCI actually improved in the other three regions, namely East, South and West.

- The BCI in the Eastern region rose from 99.3 in 2025–26:Q4 to 136.4 in 2026–27:Q1.
- The BCI in the West rose from 67.8 in 2025–26:Q4 to 84.8 in 2026–27:Q1.
- The BCI in the Southern region rose from 101 in 2025–26:Q4 to 115.4 in 2026–27:Q1.
- The BCI in the North moderated from 183.8 in 2025–26:Q4 to 63.8 in 2026–27:Q1. In the last round, BCI had improved in 2025–26:Q4 over 2025–26:Q3.

While the BCI for MSMEs eased from 106.8 in 2025–26:Q4 to 92.9 in 2026–27:Q1, the BCI for large firms rose from 108.6 in 2025–26:Q4 to 111.6 in 2026–27:Q1. 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.

Across sectors, business sentiments moderated for all groups, though the degree of moderation varied. BCI of the ‘consumer durables’ and ‘services’ deteriorated by larger magnitudes, whereas it declined marginally in the remaining three sectors.

2. Business Prospects

The overall business prospects continued to be muted both at the domestic and external fronts.

While the majority of firms expected production to increase over the next six months (65.7 per cent in 2026–27:Q1), however, the actual share of firms has declined from 77.3 per cent in 2025–26:Q4 to 65.7 per cent in 2026–27:Q1 (Figure 1.3A). As a result, the proportion of firms anticipating no change and a decline in production rose between the two periods (2025–26:Q4 and 2026–27:Q1). The proportion of firms expecting production to remain unchanged rose from 17.9 per cent to 26.8 per cent. Similarly, the share of firms expecting a decrease in production increased from 3.9 per cent to 5.5 per cent over the same period.

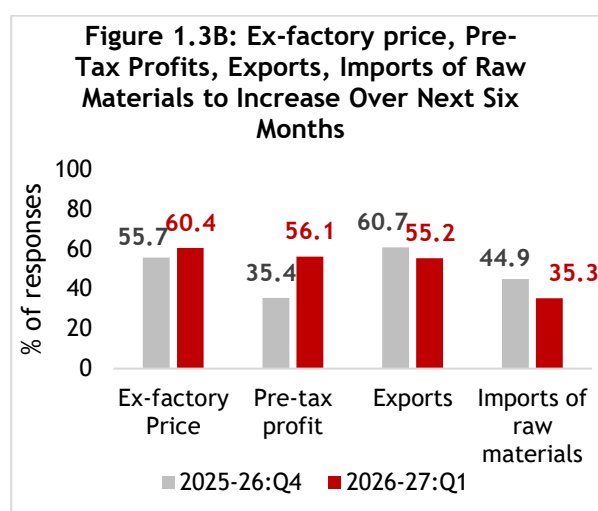
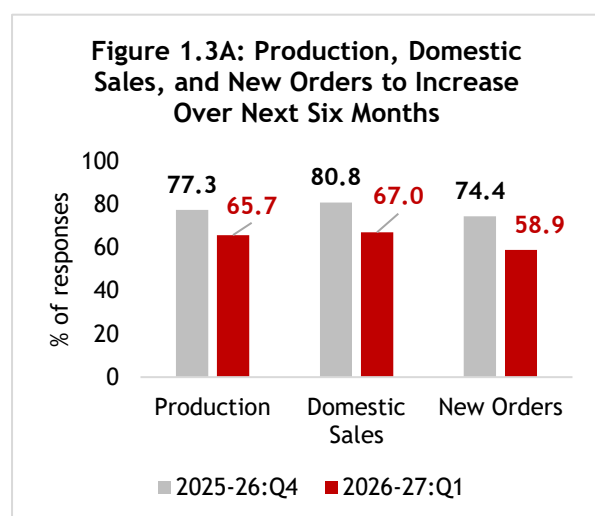
Domestic sales also exhibited similar trends. The majority of firms (67 per cent in 2026–27:Q1) expect domestic sales to increase over the next six months. However, their share has eased from 80.8 per cent in 2025–26:Q4 (Figure 1.3A). Consequently, the proportion of firms anticipating no change and a decline in domestic sales increased between the two periods. The share of firms expecting domestic sales in the next six months to remain *unchanged* went up from 14.2 per cent to 23.8 per cent between the two periods. And, the share of firms expecting a *decrease* in domestic sales also increased, from 3.7 per cent to 4.7 per cent over the same period.

The share of firms expecting new orders to *increase* over the next six months also declined between the two quarters, from 74.4 per cent in 2025–26:Q4 to 58.9 per cent in 2026–27:Q1 (Figure 1.3A). The proportion of firms expecting new orders to *remain the same* over the next six months increased (22.6 per cent in 2025–26:Q4 vs 25.7 per cent in 2026–27:Q1). Similarly, the share of firms anticipating a decrease in new orders increased significantly from 1.2 per cent in 2025–26:Q4 to 8.9 per cent in 2026–27:Q1.

On the external trade front, the share of exporting firms expecting exports of final products to *increase* declined from 60.7 per cent in 2025–26:Q4 to 55.2 per cent in 2026–27:Q1 (Figure 1.3B). And, the share of firms expecting imports of raw materials to rise also moderated from 44.9 per cent in 2025–26: Q4 to 35.3 per cent in 2026–27: Q1 (Figure 1.3B). As a consequence, a sizeable share of firms expect imports of raw materials to either remain unchanged and decline respectively.

Regarding ex-factory prices, a larger percentage of firms (60.4 per cent) expected these to rise in 2026–27:Q1 compared to 55.7 per cent firms in 2025–26:Q4. This signals increased inflation rates in the near future.

After a significant drop in 2025–26: Q4 over 2025–26:Q3, the share of firms expecting pre-tax profits to *increase* has risen from 35.4 per cent in 2025–26:Q4 to 56.1 per cent in 2026–27: Q1.

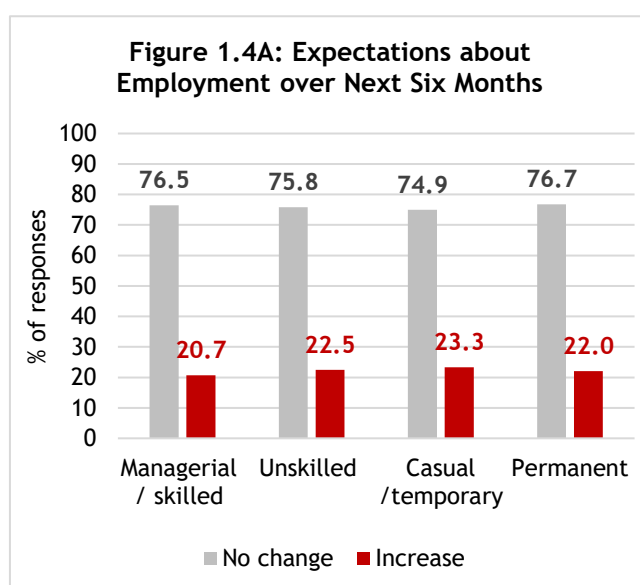


Source: NCAER BES Rounds 136 and 137.

3. Employment

The majority of firms continue to expect that there will be no change in workers employed over the next six months (Figure 1.4A). Only a smaller share of firms ranging from 20.7 per cent to 23.3 per cent expect hiring to increase for all categories of workers (skilled, unskilled, casual, and permanent). And, there has been a moderation in the change in sentiments about increase in expected hiring of workers between 2025–26: Q4 and 2026–27: Q1, with a lower percentage of firms expecting an increase in hiring in 2026–27: Q1 as compared to 2025–26:Q4 barring the exception of hiring of ‘unskilled workers’.

- **Managerial/Skilled Workers:** 20.7 per cent of firms expected an increase in workers employed in 2026–27: Q1 versus 24.7 per cent in 2025–26: Q4.
- **Unskilled Workers:** An increased 22.5 per cent of firms expected an increase in workers employed in 2026–27: Q1 versus 18.8 per cent in 2025–26: Q4.
- **Casual/temporary Workers:** 23.3 per cent of firms expected an increase in workers employed in 2026–27: Q1 versus 29.7 per cent in 2025–26: Q4.
- **Permanent Workers:** 22 per cent of firms expected an increase in workers employed in 2026–27: Q1 versus 27.1 per cent in 2025–26: Q4.



Source: NCAER BES Round 136.

Sentiments about the wage rates are also muted, with a relatively larger percentage of firms expecting the wage rates of both managerial/ skilled as well as unskilled labourers to remain unchanged in the next six months. In 2026–27: Q1, 69.2 per cent of firms expected wage rates of managerial/skilled labourers to remain unchanged in the next six months. The corresponding number for unskilled labourers was 72.6 per cent. Only 29.8 per cent and 26.5 per cent of firms respectively expect wages of managerial/ skilled and unskilled labourers to rise in the next six months (Figure 1.4B).

Expectations about an increase in wage rates were more buoyant in 2025–26: Q4 as compared to 2026–27: Q1.

Thus, labour market trends in 2026–27: Q1 remain muted as compared to trends in 2025–26: Q4, both in terms of an increase in hiring as well as an increase in wage rates.

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

Sentiments about unit costs of raw materials, electricity and labour were mixed in 2026–27: Q1. The share of firms expecting an increase in raw material costs over the next six months remained elevated at 67 per cent (same as last quarter). As against this, the percentage of firms expecting unit costs of electricity and labour to remain the same in the current quarter was 48.1 per cent and 64.7 per cent, respectively. Only 42.5 per cent and 34.5 per cent of the firms expect the unit costs of electricity and labour to increase over the next six months, respectively (Figure 1.5).

