

# **The NCAER**

# **Business Expectations**

# **Survey for India**

## ***Second Quarter of 2026–27***

## **Business Confidence Index**

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**NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH**

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# Study Team

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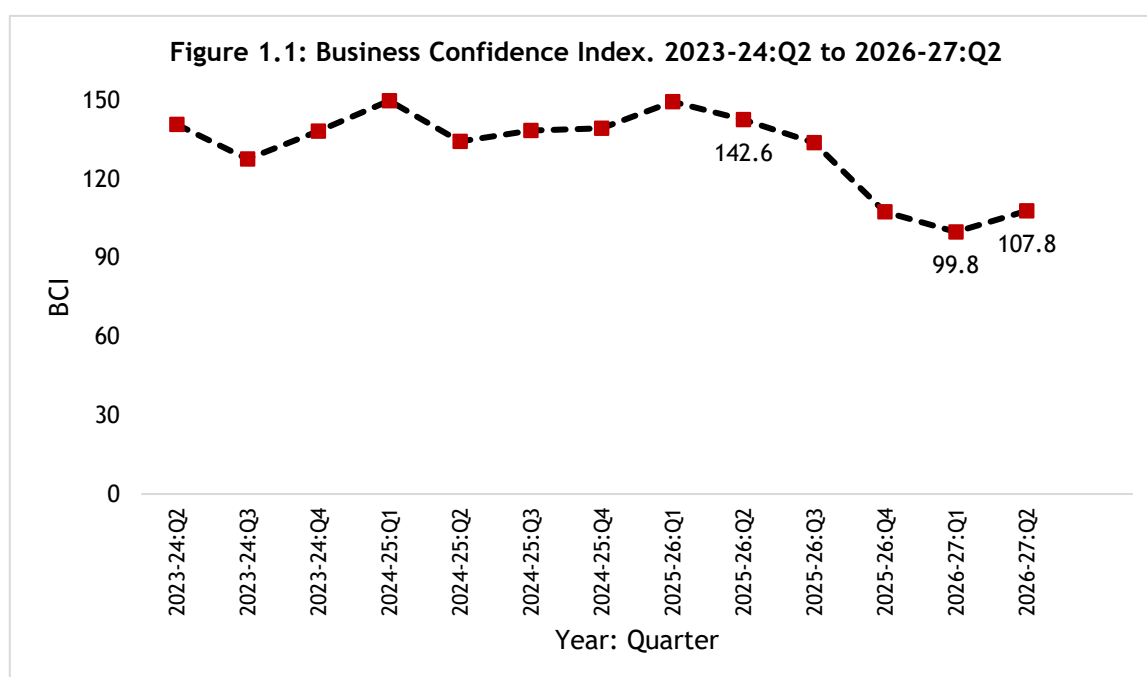
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# NCAER Business Confidence Index

## Second Quarter of 2026–27

### 1. Overall Business Confidence<sup>1</sup>

The second-quarter Business Expectations Survey for the current financial year was conducted in September 2026 amid prolonged geopolitical tensions. Business sentiments improved in 2026–27: Q2 after four consecutive quarters of moderation. The Business Confidence Index (BCI) rose from 99.8 in 2026–27: Q1 to 107.8 in 2026–27: Q2, ahead of the festive season. However, the BCI was lower than in the corresponding quarter of the previous fiscal year (142.6 in 2025–26: Q2).



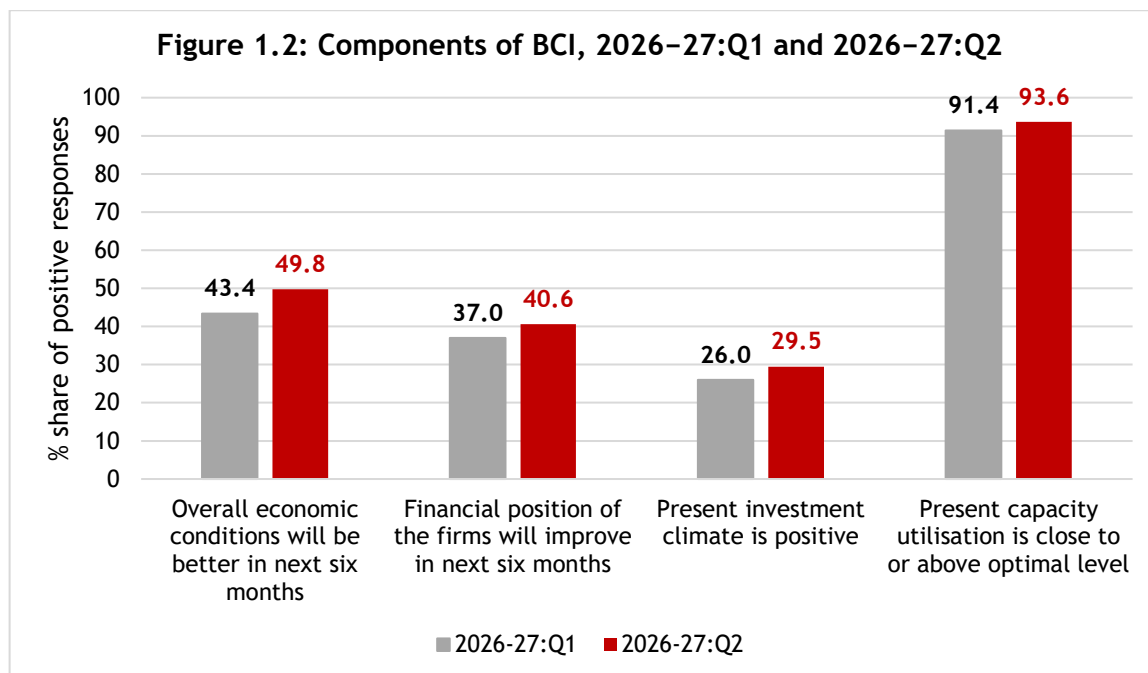
Source: NCAER BES, various Rounds.

The BCI comprises four components: ‘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 BCI rose in 2026–27: Q2, driven by higher sentiments across all four components (Figure 1.2). The data for all four components of the BCI are provided below:

- The share of firms expecting ‘overall economic conditions to improve in the next six months’ increased from 43 per cent in 2026–27: Q1 to 50 per cent in 2026–27: Q2.
- The share of firms expecting their own ‘financial position to improve in the next six months’ increased from 37 per cent in 2026–27: Q1 to 41 per cent in 2026–27: Q2.
- The share of firms perceiving that ‘present investment climate is positive’ rose from 26 per cent in 2026–27: Q1 to 30 per cent in 2026–27: Q2.

<sup>1</sup> NCAER has been carrying out quarterly surveys of Business Expectations in India since 1992 to assess business sentiments. The recent round (138<sup>th</sup>) was carried out in September 2026, covering 502 firms spread across six cities.

- The share of firms perceiving that present capacity utilisation would remain close to or above optimal levels rose from 91 per cent in 2026–27: Q1 to 94 per cent in 2026–27: Q2.



Source: NCAER BES Rounds 137 and 138.

Business sentiments varied regionally.

- Despite a moderation in BCI from 136.4 in 2026–27: Q1 to 129 in 2026–27: Q2, the eastern region had the highest BCI among all.
- The BCI in the West rose from 84.8 in 2026–27: Q1 to 92.2 in 2026–27: Q2.
- The BCI in the southern region moderated from 115.4 in 2026–27: Q1 to 108.6 in 2026–27: Q2.
- The BCI in the North rose from 64 to 102 between the two periods.

While the BCI for MSMEs rose from 93 in 2026–27: Q1 to 100 in 2026–27: Q2, the BCI for large firms rose from 111.6 to 120.3 for the corresponding period. Firms with annual turnover of Rs 100 crore or less are classified as micro, small, and medium enterprises (MSMEs), while those with annual turnover above Rs 100 crore are categorised as ‘large’ firms. The data indicate a broad-based recovery in sentiments across both MSMEs and large firms. Across sectors, business sentiments improved for four of the five groups and it remained unchanged for the ‘services’ sector.

## 2. Business Prospects

Overall business prospects improved both domestically and externally.

Most firms expected production to increase over the next six months, 68 per cent in 2026–27: Q2, up from 66 per cent in 2026–27: Q1 (Figure 1.3A). The share of firms expecting a decrease in production fell from 6 per cent to 3 per cent over the same period. The proportion of firms expecting production to remain unchanged rose from 27 per cent to 29 per cent. Similarly, the share of firms uncertain about production expectations fell from 2 per cent to 1 per cent over the same period.

Domestic sales also followed similar trends. Most firms (71 per cent in 2026–27: Q2) expected domestic sales to increase over the next six months, up from 67 per cent in

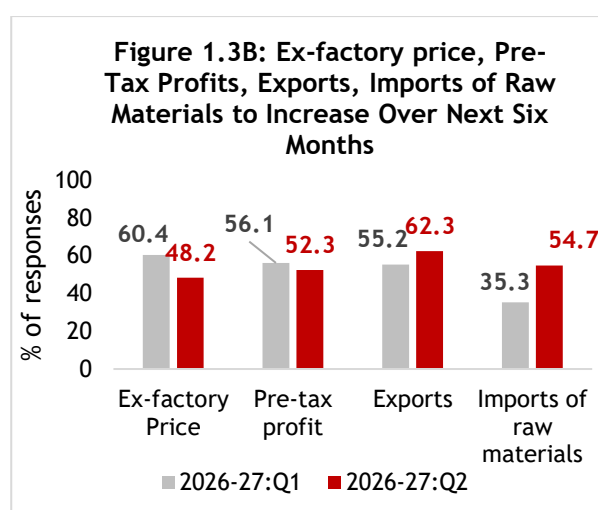
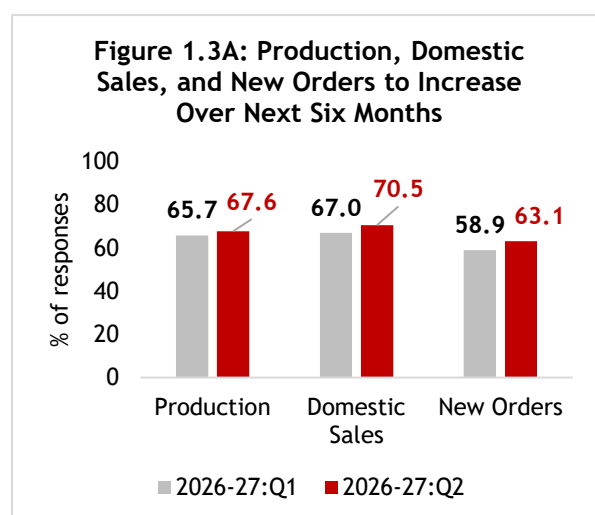
2026–27: Q1 (Figure 1.3A). The share of firms expecting domestic sales to decrease fell from 5 per cent to 2 per cent over the same period. The share of firms expecting domestic sales to remain unchanged in the next six months rose from 24 per cent to 26 per cent in the same period. Similarly, the share of firms uncertain about sales expectations fell from 5 per cent to 2 per cent over the same period.

The share of firms expecting new orders to *increase* over the next six months also rose from 59 per cent in 2026–27: Q1 to 63 per cent in 2026–27: Q2 (Figure 1.3A). The share of firms expecting a decrease in new orders fell from 9 per cent to 2 per cent, while the share expecting it to remain unchanged rose from 26 per cent to 31 per cent over the same period. The share of firms uncertain about new order expectations fell from 7 per cent to 4 per cent over the same period.

On the external trade front, the share of exporting firms expecting final-product exports to increase rose from 55 per cent in 2026–27: Q1 to 62 per cent in 2026–27: Q2 (Figure 1.3B). By contrast, the share of firms expecting exports to decrease fell sharply from 17 per cent to 2 per cent over the same period. In a sign of expectations of rising business activity, the share of firms expecting raw material imports to rise increased significantly from 35 per cent in 2026–27: Q1 to 55 per cent in 2026–27: Q2, while the share of firms expecting a decrease in raw material imports fell significantly from (Figure 1.3B) 11 per cent to 2 per cent over the same period (Figure 1.3B).

Regarding ex-factory prices, fewer firms (48 per cent) in 2026–27: Q2 expected them to rise than in 2026–27: Q1 (60 per cent), signalling potentially lower inflation in the near future.

After a significant rise in 2026–27: Q1 over 2025–26: Q4, the share of firms expecting pre-tax profits to *increase* moderated from 56 per cent (Q1) to 52 per cent in 2026–27: Q2. However, share of firms expecting pre-tax profits to decline decreased from 9 per cent to 4 per cent during the period.

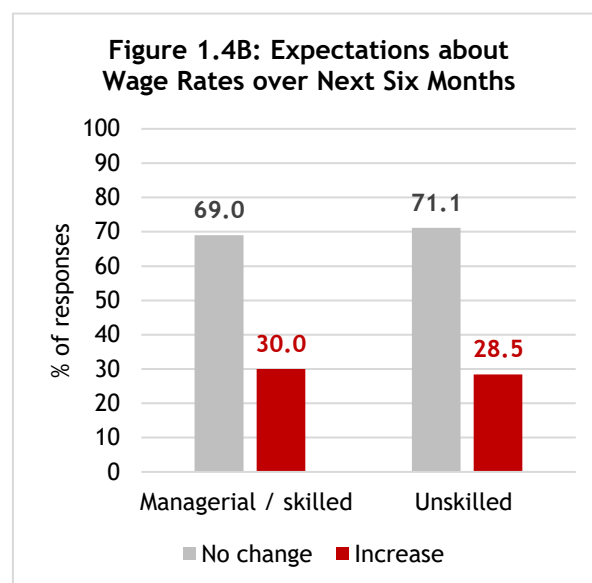
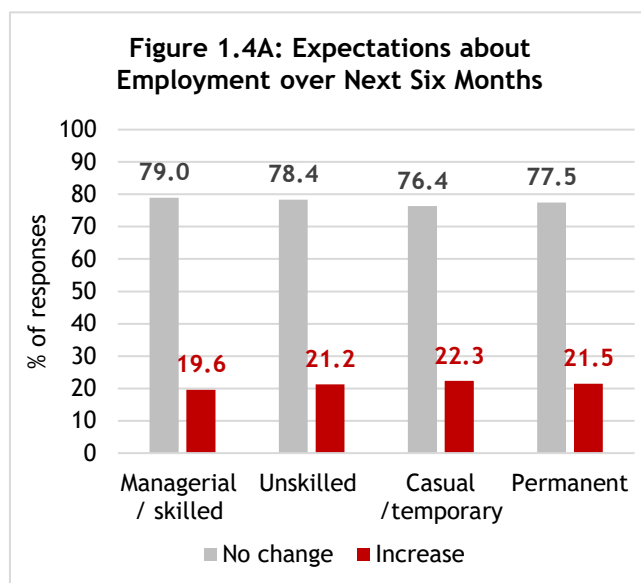


Source: NCAER BES Rounds 137 and 138.

### 3. Employment

Labour markets continued to be muted, with the majority of firms expecting no change in hiring over the next six months (Figure 1.4A). Fewer firms expected an increase in hiring in 2026–27: Q2 than in 2026–27: Q1 across all worker categories.

- Managerial/Skilled Workers: 20 per cent of firms in 2026-27: Q2 expected an increase in workers employed versus 21 per cent in 2026-27: Q1.
- Unskilled Workers: 21 per cent of firms in 2026-27: Q2 expected an increase in workers employed versus 23 per cent in 2026-27: Q1.
- Casual/temporary Workers: 22 per cent of firms in 2026-27: Q2 expected an increase in workers employed versus 23 per cent in 2026-27: Q1.
- Permanent Workers: 21.5 per cent of firms in 2026-27: Q2 expected an increase in workers employed versus 22 per cent in 2026-27: Q1.

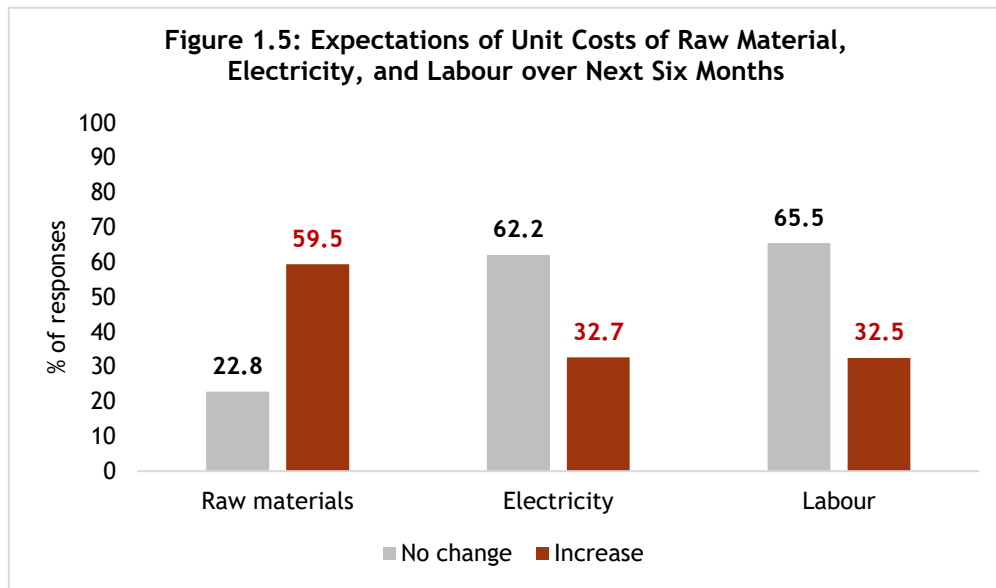


Source: NCAER BES Round 138.

Sentiments about wage rates were also muted, with most firms (69 per cent) in 2026-27: Q2 expecting no change in wage rates for both managerial/skilled and unskilled workers over the next six months. Only 30 per cent and 29 per cent of firms, respectively, expected wages for managerial/skilled and unskilled workers to rise in the next six months (Figure 1.4B).

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

Cost Sentiments about unit costs of raw materials, electricity and labour have moderated in 2026-27:Q2 versus 2026-27:Q1. The share of firms expecting raw material costs to rise over the next six months was 60 per cent (down from 67 per cent in 2026-27: Q1). The corresponding figures for electricity costs were 33 per cent and 43 per cent, respectively (Figure 1.5), and for labour, 33 and 35 per cent, respectively.



Source: NCAER BES Round 138.