



**Business Confidence Survey  
February 2021**

# Business Confidence Survey

## Summary

### Overall Confidence Index touches a decadal high of 74.2 in the latest survey round

### Capacity utilization improves further; outlook on various operational parameters looks promising

- The latest round of FICCI's Business Confidence Survey revealed an improvement in the optimism level of members of India Inc. **The Overall Business Confidence Index stood at 74.2 in the current round which was more than 3 points higher than the index value of 70.9 reported in the previous survey.** Improvement in both current conditions as well as expectations index pulled the overall index value to a decadal high in the current survey.
- **In the present round, the proportion of respondents citing weak demand situation as a concern further declined and stood at a nine-quarter low of** about 56% (vis-à-vis 58% respondents stating the same in the previous round). This can be attributed to the release of the pent-up demand. In the first quarter 2020-21 (April-June) round of the survey, 80% of the participants had cited demand as a constraining factor – this was at the peak of the pandemic induced crisis. With demand situation slowly turning positive, an improvement was also noticed in capacity utilization rates. In the current survey, around 77% participating companies reported capacity utilization of more than 50% as compared to 68% stating likewise in the previous round. However, the participants did express some scepticism about the sustenance of buoyancy in demand. The rise in the number of Covid-19 cases across some states can act as a dampener.
- The recently announced Union Budget 2021-22 has been forward looking and a reform-oriented budget. It was not only limited to short term fixes but focused equally on long term measures. This together with measures announced as a part of the Atma Nirbhar Bharat package has infused optimism amongst industry members and the same is corroborated in the improved outlook for various operational parameters.
- The proportion of respondents citing 'higher to much higher' investments in the coming six months witnessed an upswing in the current survey when compared to the previous round. **31% participants said that they foresee higher to much higher investments over coming six months as compared to 19% participants stating likewise in the previous round.**
- In the current survey, the proportion of respondents anticipating better sales prospects in the near term remained unchanged at 66% from the previous survey round. Furthermore, companies were buoyed to regain some control over pricing power. **About 27% respondents expect an increase in the selling price of their products over the next six months as compared to 21% stating the same in the previous round.**

Overall Business Confidence Index jumped to 74.2 in the current survey round

Demand conditions continue to witness recovery

Near term investment outlook improves

Outlook on operational parameters buoyant

# Business Confidence Survey

## Summary

• **Improved economic conditions and greater pricing power is likely to drive profits of corporate India over the next two quarters.** The percentage of participants citing higher profits over next six months increased to 36% in the latest survey from 33% respondents stating likewise in the previous round.

• Outlook on employment and exports also reported a discernible improvement. **About 35% respondents were optimistic about better hiring prospects** over the next two quarters (up from 22% stating the same in the previous round). **Export prospects were also reported to be better in the current round with 41% respondents indicating higher outbounds shipments.** The corresponding number in the previous round was 27%.

• While participants of the survey were largely optimistic about the overall economic prospects, they did cite increasing raw material costs as a major bothersome factor for the third consecutive survey round. **About 59% of the participating companies stated higher raw material costs as a constraining factor in the present survey round. This was higher than 52% participants stating likewise in the previous survey round.**

The respondents were also asked to share their opinion on key trends to watch out for in 2021, top challenges and opportunities for the industry in 2021, feedback on production linked incentive scheme and additional ways to boost manufacturing.

### Top trends to watch out for in 2021

#### **Global Trends:**

- Risk from new Covid-19 strains was pegged as the most important global trend to watch out for in 2021 with about 57% respondents stating the same.
- Rise in inward looking policies worldwide, improvement in trade prospects, changes in global supply chain network and retraction of fiscal & monetary policies across countries were other important developments that companies will be watchful of in 2021.

#### **Domestic Trends:**

- On the domestic front, 62% participating companies said that they expect rising risks to inflation.
- About 50% respondents pointed that consumption trends will have to be monitored closely in 2021.
- Furthermore, slowdown in economic reforms, fresh wave of Covid-19 infection and higher than expected stressed asset creation are other major developments that will be keenly observed.

### Top Challenges & Opportunities for businesses in 2021

#### **Challenges**

- Companies participating in the survey cited high input costs (including manpower costs), weak demand conditions and lack of availability of affordable credit as their topmost concerns for the year 2021.

# Business Confidence Survey

## Summary

- In fact, a near unanimity was observed as far as rising input costs were concerned.
- This along with high interest costs on loans, higher inward and outward transport & logistics costs and increased manpower costs were said to be pushing the cost of doing business.
- Furthermore, respondents added that leaving trade policy issues unaddressed will create an even bigger challenge as other peer countries continue to gain global market share.
- Subdued economic conditions globally has led to a slowdown in consumption activity. Alongside, impact of Covid-19 pandemic on the Indian economy has left consumer spending for basics, raising the precautionary motive of spending amongst them. While an improvement in demand has been witnessed over the past few months, participating companies fear that fresh waves of Covid-19 infections, as seen in other nations, would be extremely challenging to cope with. They believed that retaining the revival in demand conditions can get challenging going forward.

## Opportunities

- Participants unanimously agreed that the government's capital expenditure push in the Union Budget 2021-22 will lead to faster revival in economic growth.
- Surveyed companies also believed that recent initiatives such as vocal for local will go a long way in developing Brand India.
- Furthermore, respondents emphasized that given the current global sentiment, India could easily become the preferred sourcing destination for western countries.
- Respondents said they are focusing on creation of newer products as well as diversification of existing product categories to tap new markets globally.
- Lastly, respondents highlighted that the pandemic caused massive shifts in business operations, with level of digitization and adoption of new technologies playing a major role in determining success in the post COVID-19 world.

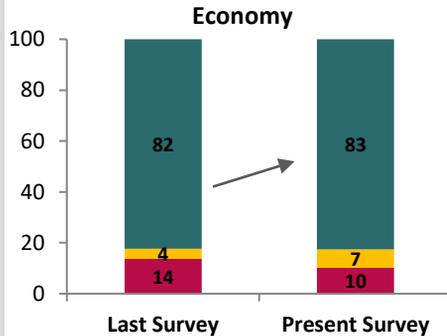
## Feedback on Production Linked Incentive Scheme (PLI) & Ways to Boost Manufacturing

- While 51% of the participating companies said that they would benefit from the recently announced PLI scheme, it was a close call with those who thought otherwise (49%).
- It was strongly felt that the scheme be extended to the entire manufacturing sector, especially labor-intensive industries. Greater clarity, less bureaucratic interference, removal of restrictive clauses and timely release of incentives are essential to boost industry's confidence in the scheme.
- Participating companies regarded improving ease of doing business as the most important component to boost India's manufacturing prowess.
- Respondents suggested that long term incentives to industry, particularly towards skill upgradation of employees/ workforce was the need of the hour.
- Additionally, companies stressed on the need for reducing customs duty on imports to curtail rising domestic prices of raw materials at least until India achieves some level of *atma nirbharta* in producing inputs.

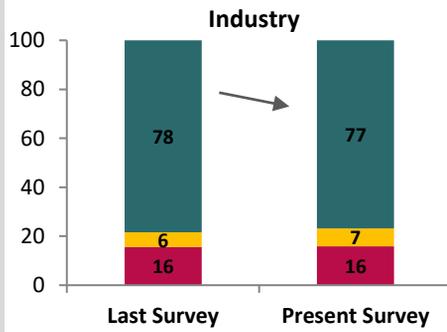
# Business Confidence Survey

## Current conditions vis-à-vis last six months

Assessment of respondents regarding overall current conditions remains buoyant...

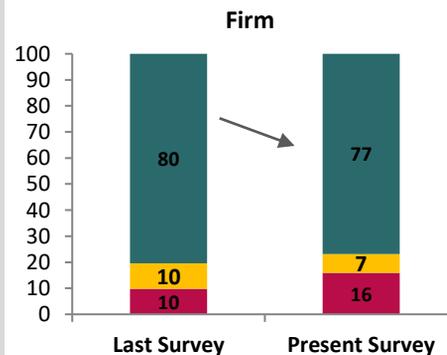


FICCI's latest Business Confidence Survey revealed a marginal improvement in the proportion of respondents reporting better overall current conditions relative to last six months. While current economic conditions witnessed a mild uptick, current conditions at industry and firm level noted a slight downtick in the latest survey vis-a-vis the previous round.



In the present survey, the proportion of participants citing current economic conditions as 'moderately to substantially better' relative to previous six months stood at 83% vis-à-vis 82% respondents stating likewise in the previous round.

At the industry level, about 77% respondents reported 'moderately to substantially better' current conditions vis-à-vis last six months as compared to 78% participants reporting the same in the previous round.



At the firm level, 77% of the respondents cited current conditions as 'moderately to substantially better' vis-à-vis last six months. About 80% of the participating companies reported likewise in the previous survey round.

# Business Confidence Survey

## Expected conditions over next six months

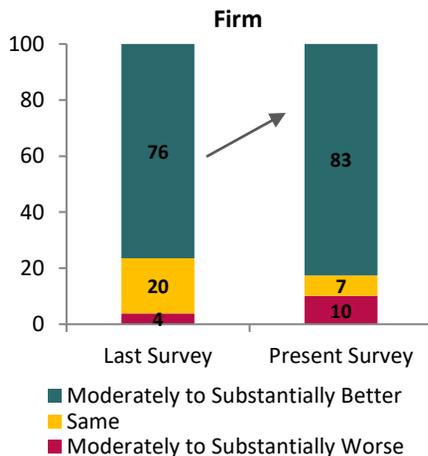
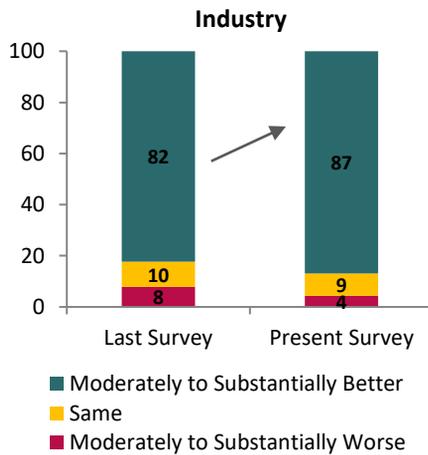
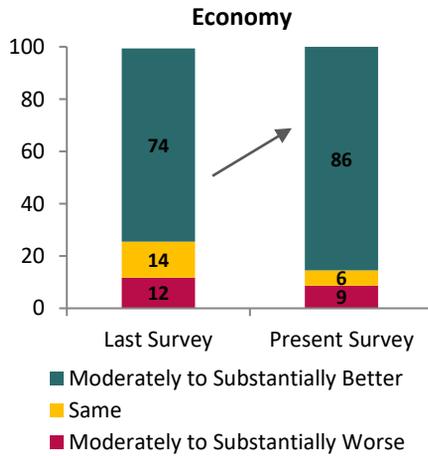
Results of the latest survey report improvement in the optimism level of respondents about near term prospects when compared to the previous round.

At the economy level, the proportion of respondents foreseeing 'moderately to substantially better' performance over next six months improved to 86% in the current round compared to 74% participants reporting likewise in the previous survey.

Furthermore, 87% of the surveyed companies reported that they expect an improved performance over the next six months at industry level. The corresponding number in the previous round was marginally lower at 82%.

Furthermore, the proportion of respondents citing worsening of near-term prospects at economy and industry level noted a decline.

The proportion of participating companies hopeful of better prospects at the firm level also witnessed an improvement. About 83% participating companies expected a 'moderately to substantially better' performance over the next two quarters in the current survey as compared to 76% stating the same in the previous round.



The expectations of respondents noted a significant improvement regarding performance at all the three levels over the period January-June 2021 ....

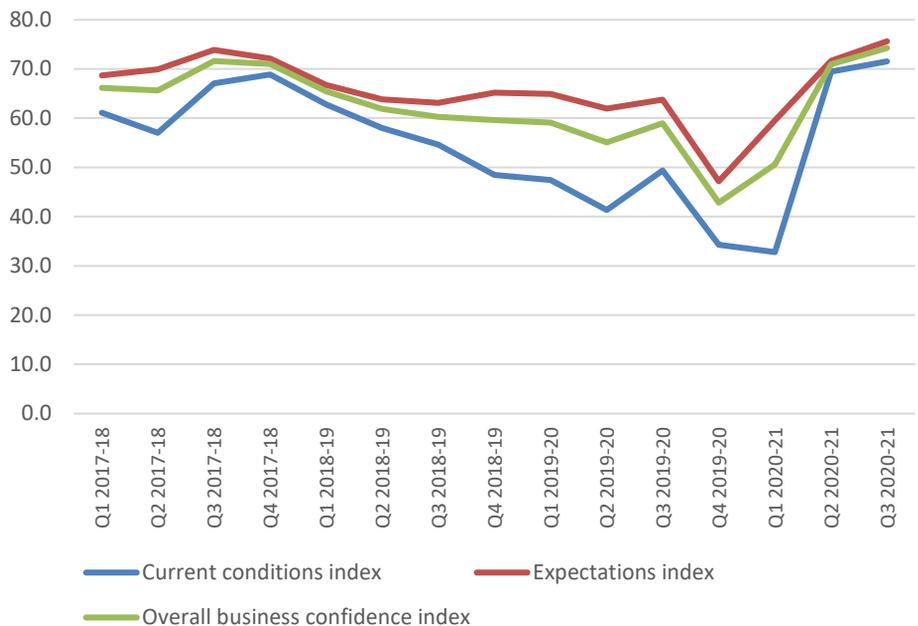
# Business Confidence Survey

## Business Confidence Index

OBCI leapfrogged to a decadal high and stood at 74.2 in the present survey...

...Better performance in both current conditions as well as expectations index led to a higher overall index value

Overall Business Confidence Index



Overall Business Confidence Index witnessed further improvement in the current survey round. The index value is reported at 74.2 in the present survey - the highest since Q2 2010-11. The corresponding number in the previous round was 70.9.

Increased optimism of the participating companies about both current conditions as well as expectations led to the decadal high overall index value in the current round.

Since the past few months, the green shoots of recovery are gradually strengthening. The pick-up in economic activity has broadened and the same is being reflected in the various lead indicators. The demand conditions, which have been a major cause of concern for a majority of businesses, are also seen improving. However, the uncertainty surrounding a fresh surge in Covid-19 cases remains the topmost concern for the economy and corporate India. A further acceleration in the pace of vaccination should help maintain stability in the recovery process.

# Business Confidence Survey

## Operational Parameters

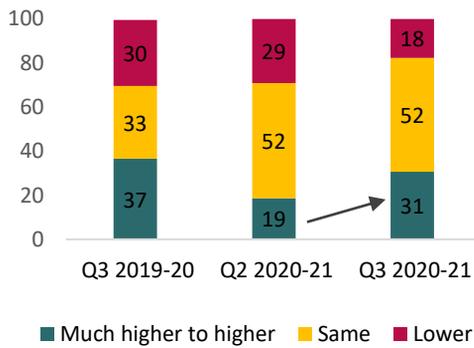
### Investments

The proportion of respondents citing 'higher to much higher' investments in the coming six months witnessed an upswing in the current survey when compared to the previous round.

In the current survey, 31% participating companies anticipated an increase in investments over the coming six months which is higher than just 19% respondents reporting likewise in the previous survey round.

In addition, about 30% of the participants cited a growth of over 10% in investments in the next two quarters. Improvement in consumption demand backed by renewed hopes of economic recovery has improved capacity utilization rates among corporate India. While this is an encouraging sign, sustaining this momentum in demand in the months ahead will be an important factor and the same will have to be keenly watched.

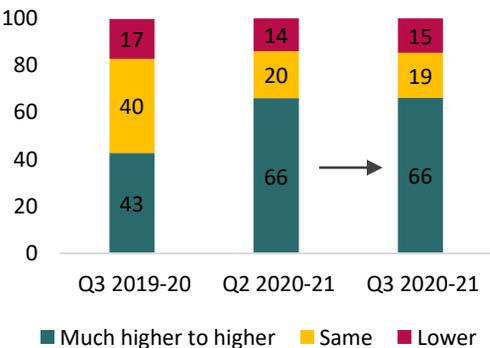
(Proportion of respondents)



Investment outlook witnesses some improvement...

### Sales

(Proportion of respondents)



Latest survey results report a consistent outlook of respondents with respect to sales.

About 66% participating companies anticipated an increase in sales over next two quarters which was the same as that of the previous round's assessment.

Furthermore, about 44% of the respondents anticipated an increase of over 10% in their sales in the coming six months.

...better sales prospects reported by 66% respondents...



# Business Confidence Survey

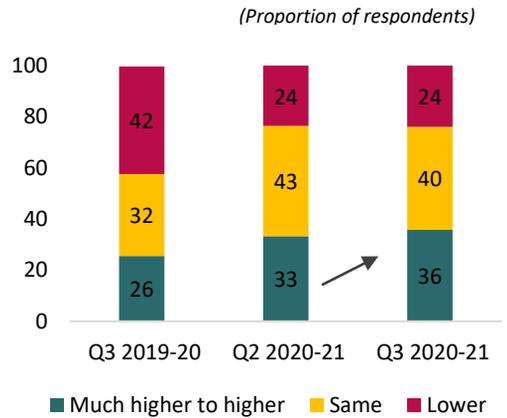
Survey results indicate improvement in the outlook on profits...

## Operational Parameters

### Profits

In the present round, outlook on profits also noted some improvement. Proportion of participants citing higher profits over next six months increased to 36% in the latest survey from 33% respondents stating likewise in the previous round.

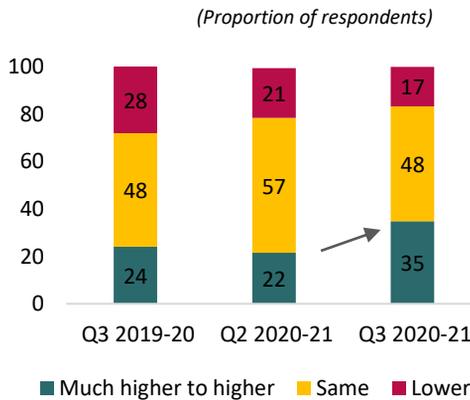
Better sales prospects as well as greater pricing power of corporate India is likely to drive profits over the next two quarters. In fact, for about a quarter of respondents' profits are likely to rise by 10% or more in the near term horizon.



### Employment

As per the latest survey results, outlook on employment generation improved visibly in the current survey round.

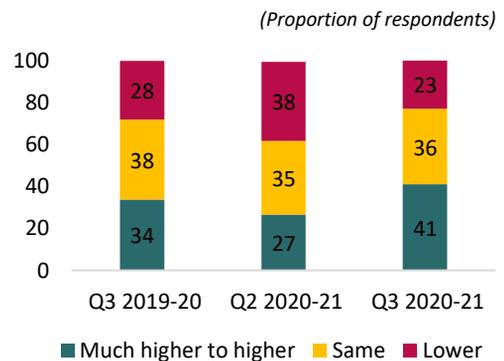
In the present round, 35% respondents said that they foresee hiring new employees over the next six months which is much higher than 22% respondents stating likewise in the previous round. About 28% of them foresaw hiring rise by more than 10%.



### Exports

...outlook on employment and exports also witnessed a stark improvement.

The outlook of respondents with regard to outbound shipments seemed more optimistic as well. In the latest survey, 41% respondents said that they foresee higher to much higher exports over next two quarters. The corresponding number in the previous round was much lower at 27%.

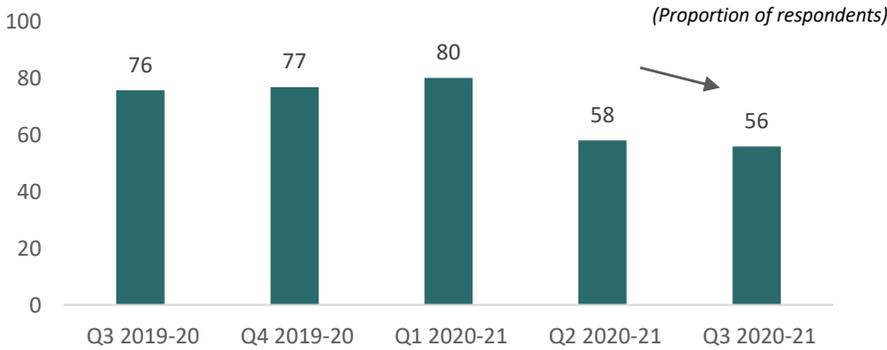


# Business Confidence Survey

## Constraining Factors

**Even though demand conditions have improved, weak demand still remains a major constraining factor for over half of the surveyed respondents**

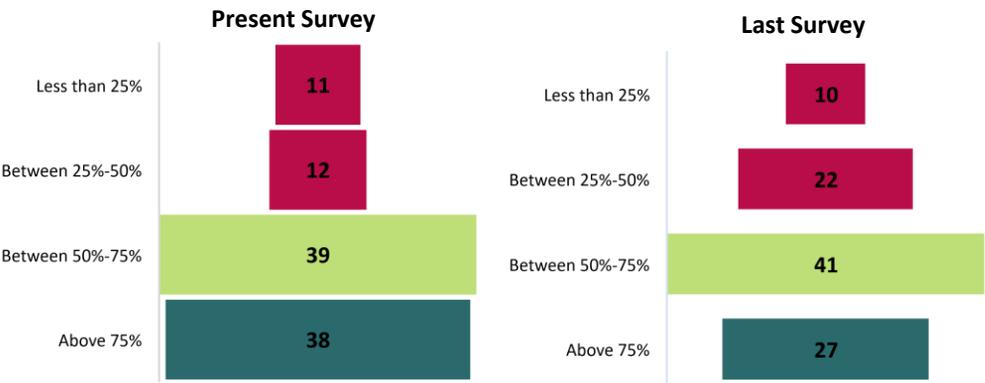
Even though demand conditions have been improving according to the results of our latest survey, yet over half of the participating companies continued to report subdued domestic demand situation as a major constraint. Around 56% of participating companies cited weak demand as a bothersome factor for their business in the latest round. Even though this is the lowest in about nine quarters, nonetheless the proportion of participating companies affected by it remains significant.



...56% respondents cite weak demand as a constraining factor, lowest in nine quarters....

Better demand conditions have also resulted in some further improvement in capacity utilization amongst members of India Inc. About 38% respondents, indicated a capacity utilization rate of over 75% in the present round vis-à-vis 27% stating likewise in the previous round. Moreover, the proportion of respondents citing capacity utilization rate of under 50% was down to 23% in the current round vis-à-vis 32% in the last survey, indicating a gradually stabilizing return to recovery.

**Capacity Utilization** (Proportion of respondents)



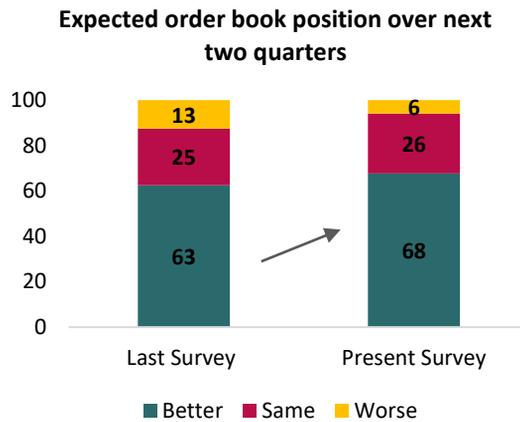
...capacity utilization rate of over 75% reported by 38% respondents...



# Business Confidence Survey

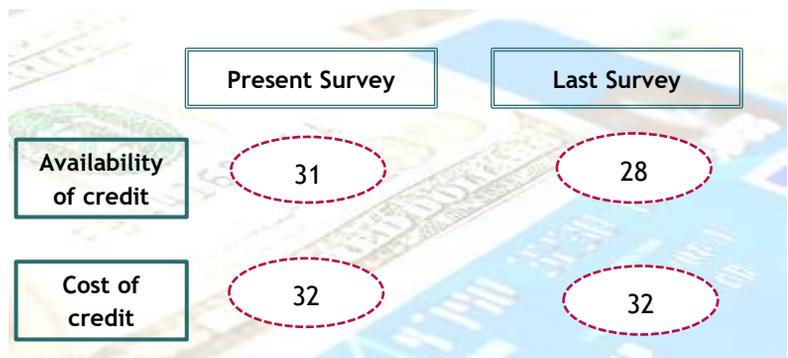
## Constraining Factors

An improvement was also noticed in the proportion of respondents anticipating better order books over next six months in the current survey. About 68% companies expected an improvement in their order book position in coming six months vis-à-vis 63% who stated likewise in the previous round.



## Credit Situation

In the present survey, proportion of respondents citing cost of credit as a worrisome factor remained unchanged from the previous round- around 32% participants cited credit costs as a concern.



# Business Confidence Survey

## Constraining Factors

However, the proportion of respondents citing availability of credit as a major concern noted a marginal increase. About 31% of the respondents cited availability of credit as a bothersome factor. The corresponding number was 28% in the previous round.

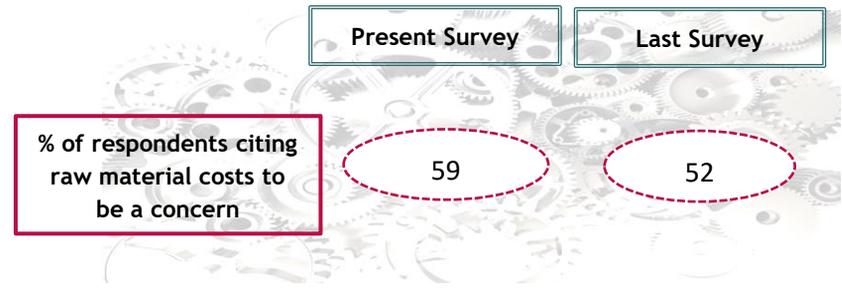
Survey findings indicate that companies are paying an average interest rate of 9.7% on term loans and an average interest rate of 9.3% on working capital loans.

**Average Interest on Term Loans: 9.7%**  
**Average Interest on Working Capital Loans: 9.3%**

### Raw Material Costs- A Major Concern

In the present survey, rising raw material prices were reported to be a constraining factor by 59% of the respondents. The corresponding figure in the previous survey round was 52%, and 40% a year back. This was the third consecutive quarter noting a rise in the proportion of respondents reporting higher raw material costs.

(Proportion of respondents)



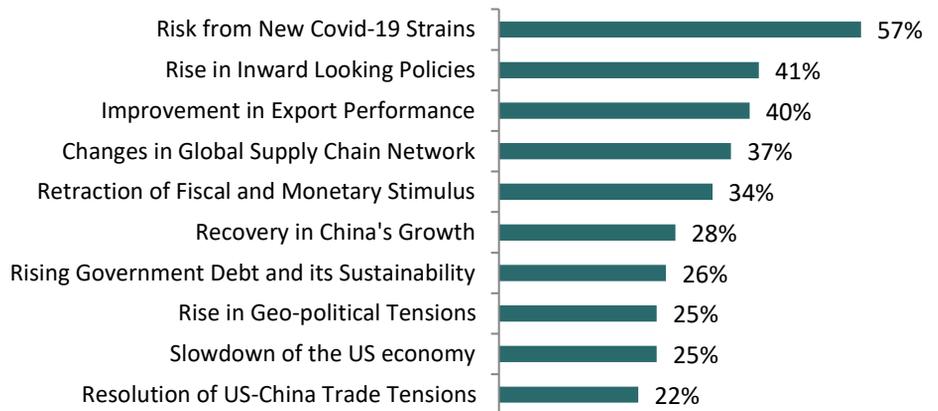
**Rising raw material costs pose a major challenge for 59% of the participating companies...**

# Business Confidence Survey

## Top trends to watch out for in 2021

### Global trends in 2021

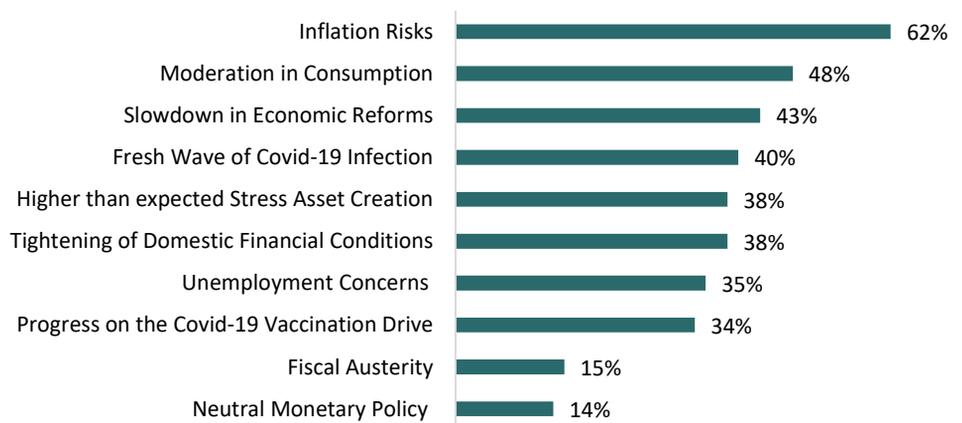
(Proportion of respondents)



Risk from new Covid-19 strains was pegged as the most important global trend to watch out for in 2021 with about 57% respondents stating the same. Rise in inward looking policies worldwide, improvement in trade prospects, changes in global supply chain network and retraction of global fiscal and monetary policies were also cited as important developments that companies will be watchful of in 2021.

### Domestic trends in 2021

(Proportion of respondents)



On the domestic front, 62% participating companies said that they expect rising risks to inflation. About 50% respondents pointed out that consumption trends would be monitored closely in 2021. Furthermore, slowdown in economic reforms, fresh wave of Covid-19 infection and higher than expected stressed asset creation are other possible developments that will be keenly observed.

# Business Confidence Survey

## Top Challenges & Opportunities for businesses in 2021

While the year 2020 was full of uncertainties, it ended on a positive note with countries around the world going on a vaccination drive against Covid-19. However, the virus is mutating, and new strains are being reported in several parts of the world- UK, Brazil, South Africa- which are known to be highly contagious.

Given this backdrop, participating companies were asked to share their views on the top challenges and opportunities they foresee for their businesses in the year 2021.

### Challenges in 2021

High input costs
High logistics costs
Credit costs
Subdued demand
Frequently changing compliance norms
Trade issues/Lack of export incentives
Global slowdown
Availability/Retention of skilled workers

Companies participating in the survey cited high input costs (including manpower costs), weak demand conditions and lack of availability of affordable credit as their topmost concerns for the year 2021.

In fact, a near unanimity was observed as far as input costs were concerned. Respondents believed that volatility in commodity prices, shortage as well as increased cost of basic raw materials and higher import duties are creating inflationary pressures. This along with high interest costs on loans, higher inward and outward transport and logistics costs, greater compliance burden on the back of frequently changing statutory compliances and increased manpower costs are further pushing the cost of doing business in India. This does not bode well in the current environment where in a shift in global supply chains is being witnessed.

# Business Confidence Survey

In this context, respondents also added that leaving trade policy issues unaddressed will create an even bigger challenge with China as well as other countries including Vietnam regaining market share to become global suppliers. Lack of adequate export incentives is also making it difficult for Indian entrepreneurs to compete globally.

In addition to the high interest costs, availability of credit was also cited as a concern by members of India Inc. Respondents of the survey highlighted that availability of affordable working capital might be a challenge going forward which may give rise to liquidity issues. Some of the participants said that they were working with lower cash flows as availability of credit/ funds is inadequate.

Subdued economic conditions in advanced economies has led to global slowdown in consumption activity. Alongside, impact of Covid-19 pandemic on the Indian economy left consumers fending for basics, raising the precautionary motive of spending amongst them. This impacted domestic consumption gravely. While some improvement in demand has been witnessed over the past few months, participating companies fear that fresh waves of Covid-19 infections, as seen in other nations, would be extremely challenging to cope with. They believed that retaining the revival in demand conditions can get challenging going forward.

Furthermore, respondents also felt that availability/ retaining of skilled labor would be a worrisome factor in 2021. In addition, the respondents expressed worry about getting new projects, capacity creation, receiving timely payments for projects, improving processes and business margins, increased competition from China, complying with regulatory changes, restoration of complete normalcy especially in supply chain networks and pace of economic recovery.

## ***Opportunities in 2021***

**Diversification of products**

**Diversification of markets**

**Improved export orders**

**India could become a sourcing destination for Western countries**

**Opportunities from 'Act East' policy**

**Newer opportunities from digitization/Adoption of new technologies**

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Participants of the survey unanimously believed that government policies including those announced under the ambit of Atma Nirbhar Bharat package as well as policy provisions in the Union Budget 2021-22 will not only support economic revival but also give a thrust to Make in India by encouraging competition. Fiscal support, export support programmes, SME financial support scheme, focus on agriculture and thrust on attaining Atma Nirbharta is likely to create opportunities for all segments of the economy.

Participants of the survey unanimously agreed that the government's capital expenditure push in the Union Budget 2021-22 towards building infrastructure will give a boost to demand as employment opportunities increase. This should enable a virtuous cycle of growth and lead to a faster revival in economic growth.

Surveyed companies also believed that recent initiatives such as vocal for local will go a long way in developing Brand India. They are focusing on creation of newer products as well as diversification of existing product categories to tap new markets globally. Companies expect higher export orders in the coming months on the back of global economic recovery led by large scale vaccination drive against Covid-19 around the world.

Furthermore, respondents emphasized that given the current global sentiment, India could easily become the preferred sourcing destination for western countries if adequate and timely steps taken to support this change.

In addition, capitalizing on the government's stance on 'Act East' policy could prove beneficial for India Inc. and will open a plethora of opportunities in terms of accessing greater markets.

Furthermore, the long-awaited vehicle scrappage policy announced as a part of the budget provisions is also likely to support demand. While several steps have been taken to ensure revival in demand, sustaining the momentum will be extremely important.

Lastly, respondents highlighted that the pandemic caused massive shifts in the way businesses operate, with level of digitization playing a major role in determining success in the post COVID-19 world. Sectors have witnessed emergence of new trends and many businesses have undergone substantial transformation during this time. Larger internet penetration in the country has unlocked new ways of transaction between businesses and consumers. Businesses are witnessing increased automation, shift towards OTT platforms, growth in digital advertisements and adoption of new technologies to not only remain relevant but also support business expansion.

# Business Confidence Survey

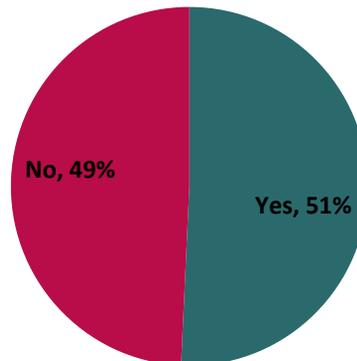
## Feedback on Production Linked Incentive Scheme & Additional Ways to Boost Manufacturing

The government extended the Production Linked Incentive (PLI) Scheme to ten more labor intensive sectors including automotive, pharmaceutical, food products and advance cell chemistry battery, thereby providing a big boost (Rs. 1.46 lakh crore) to achieve Atma nirbharta in manufacturing.

In this backdrop, companies were asked to provide their feedback on the PLI scheme. They were also asked to suggest additional measures to boost manufacturing in the country.

**Do you see your industry/sector benefitting from the PLI scheme?**

*(Proportion of respondents)*



While 51% of the participating companies said that they are likely to benefit from the recently announced PLI scheme, it was a close call with those who thought otherwise (49%). Participants of the survey strongly felt that the scheme be extended to the entire manufacturing sector, especially labour-intensive industries, as it would not only boost manufacturing capabilities of the country but also enhance employment generation.

In addition, greater clarity, less bureaucratic interference, removal of restrictive clauses and timely release of incentives provided under the scheme must be ensured to boost industry's confidence in the scheme.

Respondents believed that monitoring and implementation of the scheme will hold key to its success and the same must be carried out transparently. This must be accompanied by regular follow up with stakeholders to plug any issues that can inhibit its efficacy. A good supportive system will be essential for the scheme to perform as envisioned.

# Business Confidence Survey

## ***Additional Measures to Boost Manufacturing***

Participating companies regarded improving ease of doing business as the most important component to boost India's manufacturing prowess. Greater transparency and clarity of regulatory procedures, processes & policies; definite timelines and smooth approvals of licenses, projects & other government services; truly single window approval system; reduction in bureaucratic interference; simplification of GST refund process were some of the areas that were highlighted by the participants for further action. They added that efforts must also be made to reduce the cost of doing business by enhancing infrastructure creation as well as achieving cost efficiency in logistics and supply chain management.

In addition, continuous availability of credit at a reasonable cost to the entire industry, with special focus on improving credit flows to MSMEs will be vital to sustain recovery. Moratorium period for Covid loans must be extended for the MSME sector.

Respondents to the survey suggested that long term incentives to industry, particularly towards skill upgradation of employees/ workforce was the need of the hour. They were looking forward to the new and simplified labor laws as these would enhance our manufacturing competitiveness.

In addition, companies stressed on the need for reducing customs duty on imports to curtail rising domestic prices of raw materials. Commodity prices have risen drastically in the past few weeks and this is impacting profitability and viability of business. Participants of the survey highlighted that India is heavily dependent on imports for meeting its raw material requirement and thus restrictions on imports must be removed at least until India achieves some level of atma nirbharta in production of industrial inputs such as components and parts.

Furthermore, international trade pacts must be revisited and rethought to create a level playing field for all stakeholders involved.

Lastly, it was felt that Industry 4.0 and 4.0 plus initiatives including artificial intelligence, machine learning, internet of things, increased automation/digitization must be promoted more rigorously to remain ahead of the curve. Greater focus and incentives must be spelt out for R&D activities of industry to enable faster technological adaption.

# Business Confidence Survey

## Survey Profile

The survey drew responses from about 190 companies with a turnover ranging from Rs 1 crore to Rs 1.37 lakh crore and belonging to a wide array of sectors. The survey gauges expectations of the respondents for the period January to June 2021.

Broad Sectoral Coverage			
Food Processing	Textile/Apparel	Chemicals & Pharmaceutical	Defence & Aerospace
Agricultural Equipment	Financial Services	Metals	Travel & Tourism
Energy	Engineering Goods	Media & Entertainment	Real Estate
Automotive	Consultancy	Bio-technology	Information Technology
Plastics	Steel & Steel Products	Consumer Products	Medical Devices

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