



**Business Confidence Survey
April 2022**

Business Confidence Survey

Summary

***Overall Business Confidence improves to 67.6 in the latest survey round
Backed by an uptick in demand and capacity utilization levels
Rising input prices, however, continue to be a major impediment for
businesses***

- The latest round of FICCI's Business Confidence Survey reported an improvement in the optimism level of members of India Inc. ***The Overall Business Confidence Index stood at 67.6 in the current round as compared to 63.9 in the previous survey round*** – backed by improvement in both current conditions as well as expectations.
- The improved optimism amongst industry members was reflected in the near-term outlook on some of the operational parameters including sales and investments.
- The proportion of respondents anticipating better sales prospects over the near term stood at 62% in the current survey round. This was higher than 50% respondents stating the same in the previous round. The demand situation is witnessing an improvement and the same has been reflected in the latest survey results as well. In the current survey round 46% of the participants cited weak demand as a constraining factor vis-à-vis 60% stating likewise in the previous round and about 70% citing the same last year.
- Further, the investment outlook of participating companies has also reported a discernible improvement. A little over 50% of the respondents anticipated higher investments vis-à-vis 40% stating likewise in the previous round. The capacity utilisation levels also seem to be gaining momentum. 45% of the respondents indicated a capacity utilization rate of over 75% in the present round of survey, vis-à-vis 30% stating the same in the previous round.
- However, escalating raw material prices amid the ongoing geopolitical tension is weighing heavy on the near-term outlook for profits and exports. The percentage of participants citing higher profits over next six months declined to 22% in the latest survey from 30% respondents stating likewise in the previous round.
- In fact, increasing raw material costs continues to be a major constraining factor for companies. About 84% of the participating companies stated higher raw material costs as a major impediment for their businesses in the present survey. This was a bit higher than 82% participants stating likewise in the previous round.
- Further, 48% respondents said that they have witnessed an increase in their cost of production by a margin greater than 10%. About 43% of the participants said that their cost of production increased between 5% and 10%, while the remaining 9% had witnessed an increase in production costs by up to 5%.

Business Confidence Survey

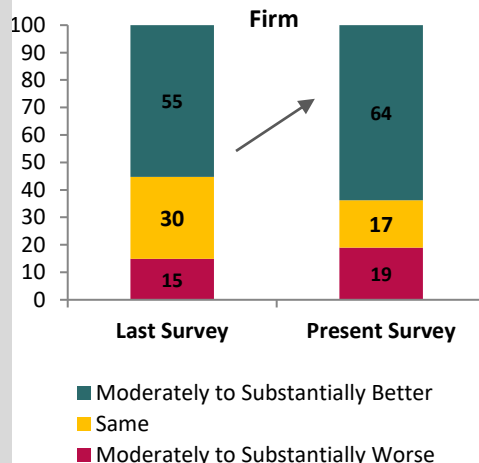
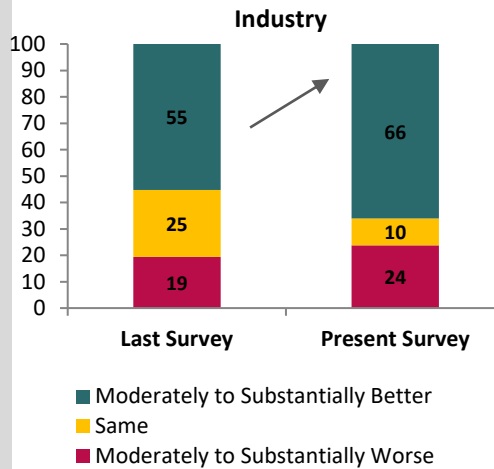
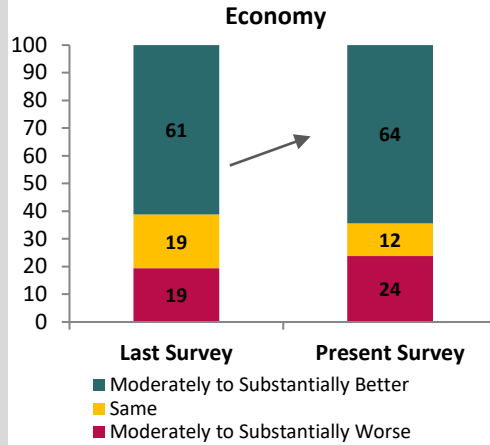
Summary

- The participants indicated that it is becoming increasingly difficult for them to endure the increasing cost pressures, and the same is being passed on to the consumers – a majority 77% of the participants indicated the passage of higher costs to the consumers. Amongst companies that have passed on a part of the increase in their overall costs to consumers, around 57% said that they have passed over 10% of the increased costs on to the final consumers – with about 22% of the respondents saying that they had passed on over 20% of the rise in costs to their consumers. About 43% of the participants however said that they had only passed on less than 10% of the increased cost to their customers.
- Outlook on exports also reported a slight deterioration. In the latest survey, 34% respondents said that they foresee higher to much higher exports over next two quarters. This number was two notches lower than the corresponding number of 36% stated in the previous round. Even though India's export prospects have been robust, global trade is expected to witness a slowdown amid the prolongation of the conflict between Russia and Ukraine.

Business Confidence Survey

Current conditions vis-à-vis last six months

With a decline in COVID-19 cases post the Omicron wave, the assessment of respondents regarding overall current conditions has turned optimistic....



Findings from FICCI’s latest round of Business Confidence Survey report an improvement in the proportion of respondents citing better overall current conditions relative to last six months. A quick receding in the number of COVID-19 infections post the peak of third wave in January 2022 helped restore the confidence level among businesses.

In the present survey, the proportion of participants citing current economic conditions as ‘moderately to substantially better’ relative to previous six months increased marginally to 64% vis-à-vis 61% respondents stating likewise in the previous round.

At the industry level, about 66% respondents reported ‘moderately to substantially better’ current conditions vis-à-vis last six months, compared to 55% in the previous round.

While at the firm level, 64% respondents cited current conditions as ‘moderately to substantially better’ vis-à-vis last six months. Around 55% of the participating companies had reported the same in the previous survey round.

A decline was noted in the proportion of respondents citing no change in the current conditions vis-à-vis last six months, at all the three levels.

Business Confidence Survey

Expected conditions over next six months

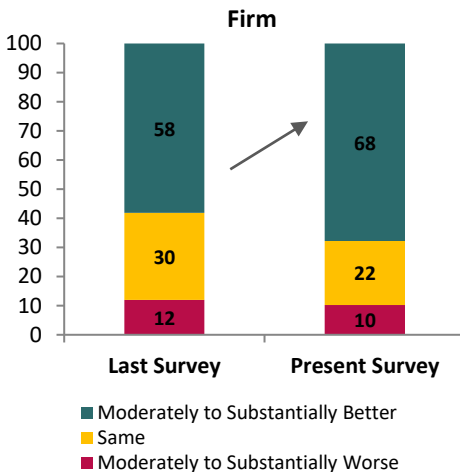
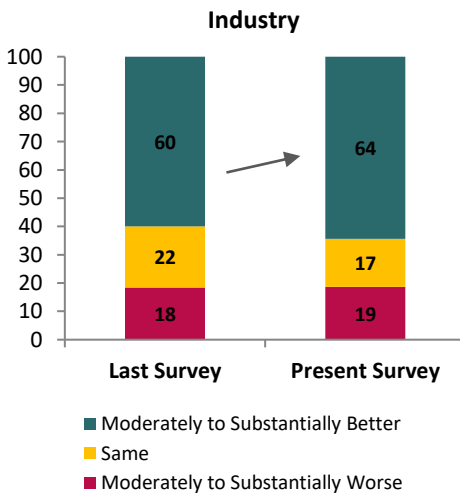
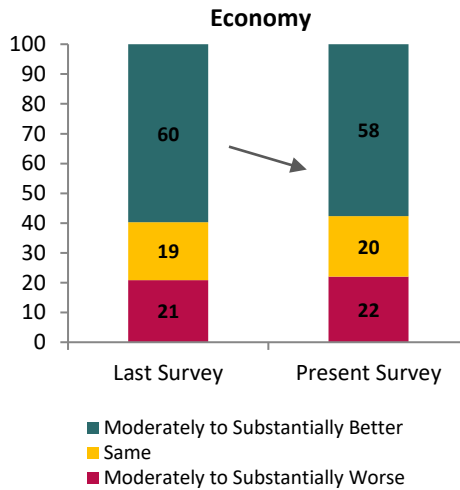
Results of the latest survey indicate an overall improvement in the optimism level of respondents about near-term prospects when compared to the previous round, even though a slight moderation in buoyancy was evident at the economy level.

At the economy level, the proportion of respondents foreseeing 'moderately to substantially better' performance over next six months declined marginally to 58% in the current round compared to 60% participants reporting likewise in the previous round of the survey.

Further, 64% of the surveyed companies reported that they expect an improved performance over next six months at industry level. This was a slight improvement over the previous round where the corresponding number was at 60%.

Furthermore, the proportion of participating companies hopeful of better prospects at the firm level witnessed a significant rise. About 68% participating companies expected a 'moderately to substantially better' performance over the next two quarters in the current survey; an improvement of 10 percentage points over the previous round where 58% participants had reported likewise.

Additionally, a marginal increase was noted in the proportion of respondents citing a worsening in their outlook over the next two quarters at the economy and industry level.



The expectations of respondents regarding performance over the period April – September 2022 witnessed an improvement at the industry and firm levels



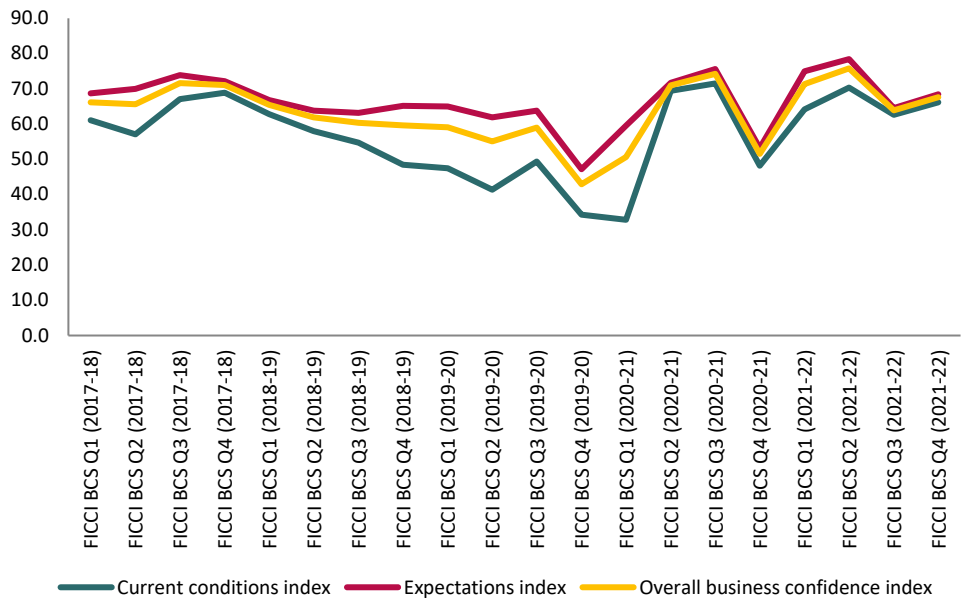
Business Confidence Survey

Overall Business Confidence Index

OBCI has improved moderately from the levels observed in the previous quarter

OBCI stood at 67.6 in the present survey round on the back of improvement in overall current conditions as well as future expectations

Overall Business Confidence Index



Overall Business Confidence Index (OBCI) noted an improvement in the latest survey round increasing to an index value of 67.6 from 63.9 in the previous survey. Participating companies reported improvement in current conditions and were a bit more optimistic about near- term expectations as well.

The economic consequence of the third wave of the pandemic was limited despite the contagious nature of the Omicron variant. The momentum in vaccination drive coupled with milder intensity of the virus led to a limited impact on businesses.

Nonetheless, the threat from virus remains on fore especially through the economic consequence of supply side constraints. Cases are once again witnessing an increase in Europe (France, United Kingdom, Germany) as well as in Asia (China, South Korea). Also, the escalation in geopolitical stress since end of February 2022 has further aggravated the supply side bottlenecks. Even though the direct impact of the conflict on Indian businesses has been limited but the surging commodity prices are adversely hitting the businesses.

Business Confidence Survey

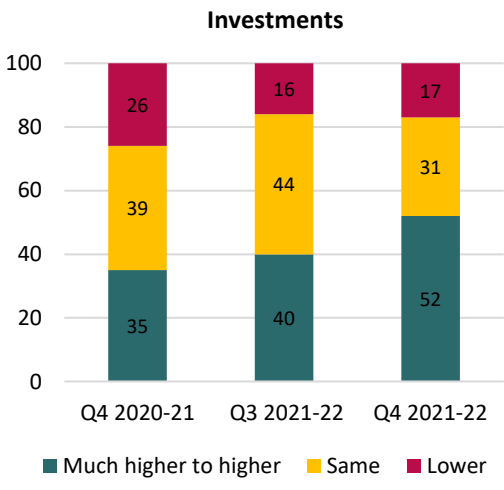
Operational Parameters

Investments

The proportion of respondents citing 'higher to much higher' investments in the coming six months witnessed a distinct improvement in the latest survey round.

A majority (52%) of the participating companies anticipated an increase in investments over coming six months in the latest survey as compared to 40% respondents reporting likewise in the previous survey round. The corresponding number a year ago was 35%. A pickup in consumption activity and the consequently improving capacity utilization rates have improved the investment outlook of the respondents.

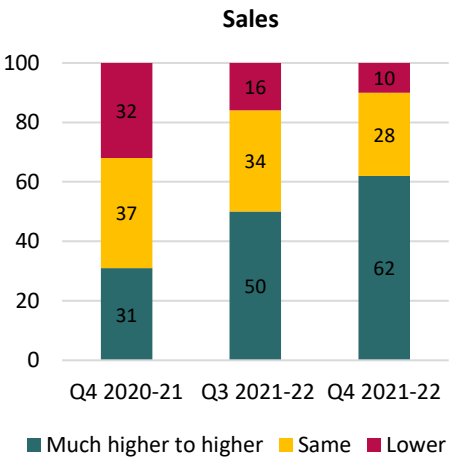
(Proportion of respondents)



Investment outlook notes an improvement....

(Proportion of respondents)

Sales



Latest survey results reported an improvement in the outlook of respondents with respect to sales.

62% participating companies anticipated an increase in sales over next two quarters which is a conspicuous increase over the previous round's assessment, where 50% respondents had stated the same. This may be attributed to increasing confidence in future sales prospects among companies post weakening of the Omicron wave of the COVID-19 pandemic.

...sales prospects note an uptick...



Business Confidence Survey

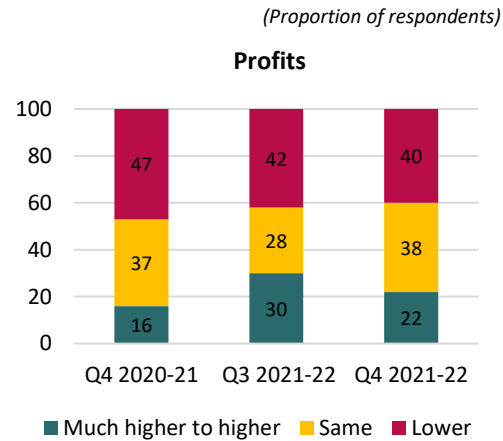
Survey results indicate deterioration in outlook on profits, employment and exports...

Operational Parameters

Profits

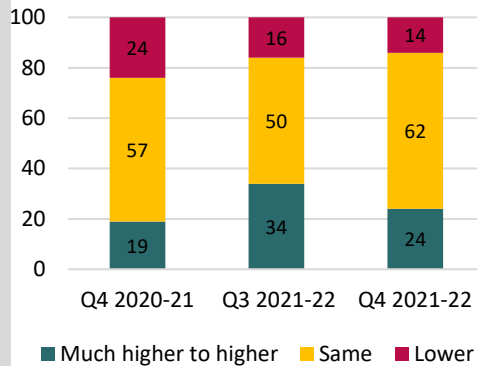
Outlook on profits noted a deterioration in the present survey round. Proportion of participants citing higher profits over next six months stood at 22% in the latest survey round, down from 30% respondents stating likewise in the previous round.

Higher cost of raw materials as well as rising labour costs are hampering the profit margins thereby dampening the overall outlook.



(Proportion of respondents)

Employment



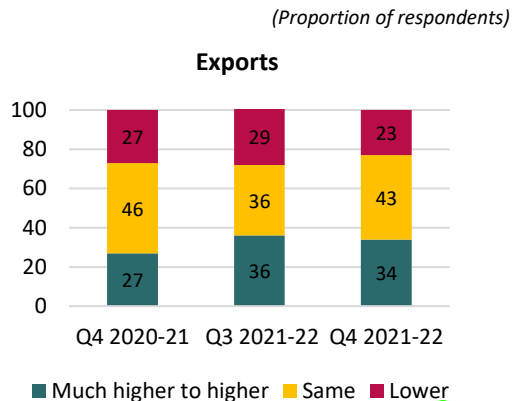
Employment

In the present round, 24% respondents said that they foresee hiring new employees over the next six months vis-à-vis 34% respondents stating the same in the previous round of the survey. A large increase was noted in the proportion of respondents keeping hiring activity at the same level as before over the next two quarters.

This may be attributed to rising manpower cost, which has emerged as a growing concern among the respondents.

Exports

In the latest survey, 34% respondents said that they foresee higher to much higher exports over next two quarters. This number was two notches lower than the corresponding number of 36% in the previous round. Further, the proportion of those expecting the export levels to be the same level increased by 7 percentage points. Even though India's export prospects have been robust, global trade is expected to witness a slowdown amid the continuation of the conflict between Russia and Ukraine.



Business Confidence Survey

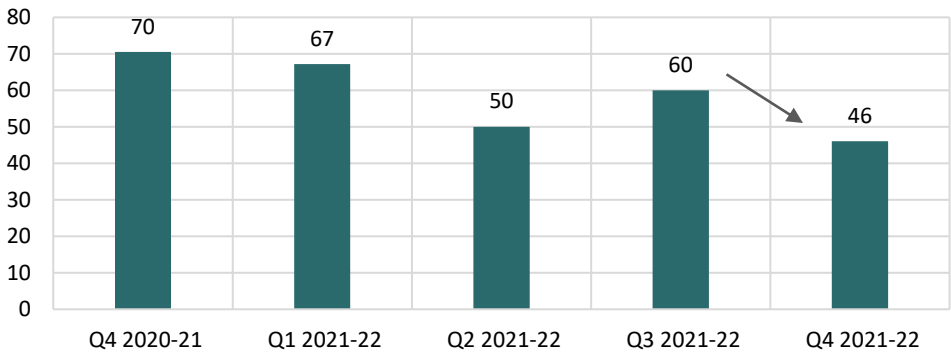
Constraining Factors

Proportion of surveyed respondents facing weak demand comes down

Although weak demand conditions have remained a major concern for participating companies over the course of the pandemic, some improvement has been cited in the present round of the survey. About 46% participating companies said weak demand was a bothersome factor for their business in the latest round - lower than the 60% stating likewise in the previous round.

...around 46% respondents cited weak demand as a constraining factor....

(Proportion of respondents)

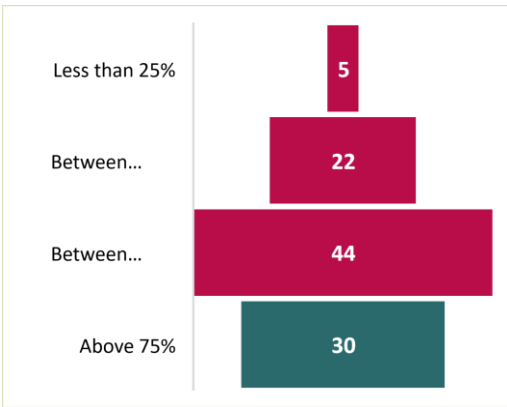
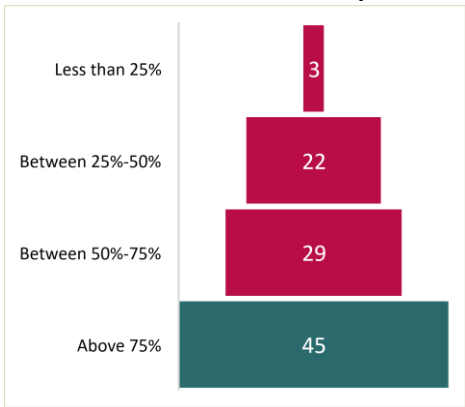


In consonance with the improving demand situation, capacity utilization rate of Corporate India noted an uptick. 45% of the respondents indicated a capacity utilization rate of over 75% in the present round of survey, vis-à-vis 30% stating the same in the previous round.

Capacity Utilization (Proportion of respondents)

Present Survey

Last Survey



...capacity utilization rate of over 75% reported by 45% of the respondents...

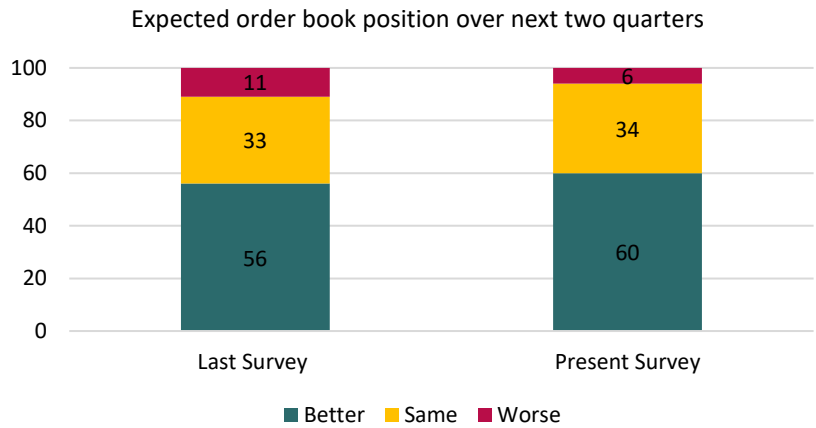


Business Confidence Survey

Constraining Factors

Proportion of respondents anticipating better order books over next six months noted an increase. About 60% companies expected an improvement in their order book position in coming six months vis-à-vis 56% who had stated likewise in the previous round.

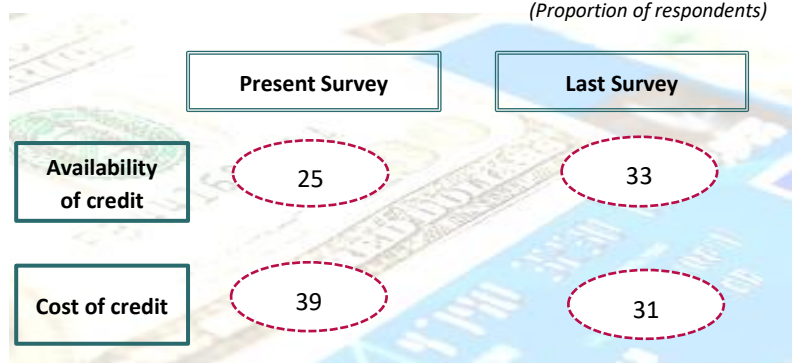
(Proportion of respondents)



Credit Situation

In the present survey, proportion of respondents citing availability of credit as a worrisome factor witnessed a decline to 25% as compared 33% in the previous round; while the proportion of companies citing cost of credit as a cause of concern witnessed an increase to 39% from 31% in the previous round.

(Proportion of respondents)



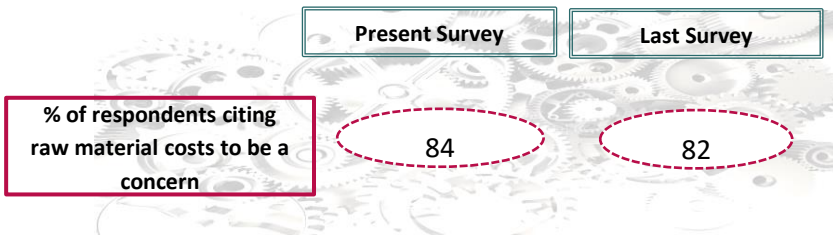
Business Confidence Survey

Constraining Factors

Raw Material Costs- A Major Concern

In the present survey, rising raw material prices continued to be a major constraining factor for 84% of the respondents – vis-à-vis 82% stating the same in the previous survey round and 65% stating likewise a year back. High commodity and input prices is exerting tremendous pressures on businesses.

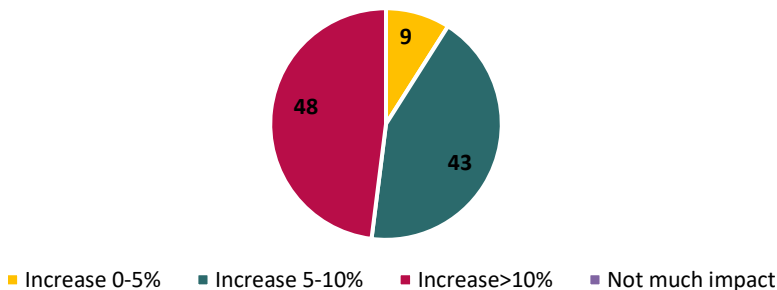
(Proportion of respondents)



Rising raw material costs is posing a challenge for majority 84% of the participating companies...

The recent escalation in geopolitical stress is causing considerable uncertainty. The Russia Ukraine conflict is having an impact on already high global commodity prices and has raised fresh concerns regarding global recovery. The cost of production has already been on rise for the past six months and the current conflict has further raised upside pressures on prices of key industrial inputs.

What has been the impact of increased input costs on your overall cost of production?



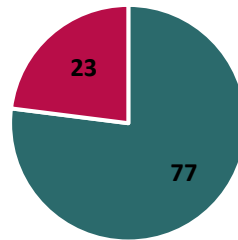
About 48% of the respondents said that they have witnessed an increase in their cost of production by a margin greater than 10%. Moreover, about 43% of the participants said that their cost of production increased between 5% and 10% and the remaining 9% had witnessed an increase in production costs by up to 5%.

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The increase in cost pressures is being passed on to the consumers and a majority 77% of the respondents indicated the same.

(Proportion of respondents)

Are you passing the cost to consumers?



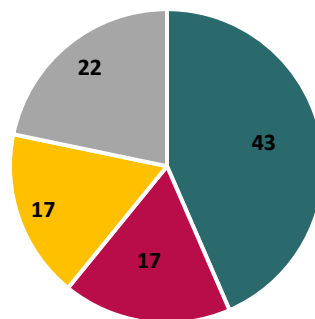
■ Yes ■ No

Given the increased cost push pressures, around 57% of the participating companies said that they have passed over 10% of the increased costs on to the final consumers (vis-à-vis 34% stating likewise about two quarters ago). Out of this, about 22% of the respondents had passed on over 20% of the rise in costs to their consumers.

Around 43% of the participants however said that they had only passed on less than 10% of the cost pressure to their customers. The corresponding number about two quarters back was 66%.

(Proportion of respondents)

What percentage of increased costs are you passing on the final consumer?



■ Less than 10% ■ 10-15% ■ 15-20% ■ Above 20%

Business Confidence Survey

Survey Profile

The survey drew responses from about 165 companies with a turnover ranging from Rs 1 crore to Rs 11,000 crore and belonging to a wide array of sectors. The survey gauges expectations of the respondents for the period April to September 2022.

Broad Sectoral Coverage		
Agricultural Equipment	Textile/Apparel	Infrastructure
Services	Real Estate	Metals
Energy	Engineering Goods	Banking & Financial Services
Automotive	Consultancy	Electronics & Electricals
Paper & Paper products	Plastics	Pharmaceutical

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