

Business Confidence Index at two-year-high

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Business confidence in India [[Images](#)] continued to improve and touched a two-year high in January, according to the latest National Council of Applied Economic Research (NCAER) - MasterCard Worldwide Index of Business Confidence.

The Business Confidence Index (BCI) rating of 153.8 points for January 2010, compared to the October 2009 rating of 143.7 points and July 2009 rating of 118.6 points, is also the highest rating since January 2008 (154 points).

"The latest NCAER-MasterCard Worldwide Index of Business Confidence study has captured the upbeat economic climate in India," said T V Seshadri, vice-president and country general manager, South Asia, MasterCard Worldwide.

"The performance of the index points to a robust recovery. The growth in the non-agricultural side of the economy has been sustained since October and the performance has been good across the board," said Shashanka Bhide, senior fellow and survey head at NCAER.

The survey, based on 542 responses received in December, measures business confidence on four indicators: Overall economic conditions expected after six months, expected financial position of the firm after six months, investment climate compared to six months back and capacity utilisation level. All four indicators carry equal weight.

However, the Political Confidence Index (PCI) witnessed a 16.5 per cent decline compared to a 4 per cent decline in October 2009. This could indicate a weak correlation between the BCI and the PCI, a statement by NCAER said. PCI declined to 120.6 points from 144.4 points in October 2009. Within the PCI, there was a steep decline in components like managing of government finance (52.1 to 43.1 points) and managing of inflation (41.4 to 28.4 points).

"The primary reason for the decline in the political index might be the consistent rise in CPI based inflation (especially food). Considering the high levels of the PCI in July and then a consistent decline, respondents gave a conservative assessment of leadership in this survey, which indicates that the high expectations of July have moderated," Bhide added. The BCI shows improvement in sentiment across all the four indicators as compared to the perceptions held in the previous quarter.

The improvement in business sentiment has been observed across all regions in India except in the East, where it fell by 2.9 points, or 1.82 per cent, as compared to the previous quarter.

Amongst all four regions, the West had a maximum proportion of respondents providing positive feedback for the "Overall economic conditions" indicator, revealing an optimism about an improvement in the overall economic conditions and investment climate over the next six months.

The BCI ratings for the smallest firms increased by a larger proportion when compared to the large-sized firms. All firms except for those in the Rs 1-10 crore turnover category, reflected heightened sentiments.

BCI ratings have risen uniformly across types of ownership which include public limited, private limited, individually owned and public sector.

The survey also gathered responses on the perceived improvements in infrastructure over the last five years. Respondents were least satisfied with the electricity sector, though 76.6 per cent of respondents said they had witnessed a positive change in infrastructure development, led by telecommunications facilities.

Business confidence in India continued to improve and touched a two-year high in January.

According to the latest survey by the National Council of Applied Economic Research (NCAER) — Mastercard Worldwide Index of Business Confidence, the Business Confidence Index (BCI) rating for December was at 153.8 points — the highest rating recorded since 154 points in January 2008.

The survey is based on 542 responses received in December, which measure business confidence on four indicators: overall economic conditions expected after six months, expected financial position of the firm after six months, investment climate compared to six months back and capacity utilisation level. All four indicators carry equal weight.

The business confidence level in January is 7.03 per cent higher than the BCI rating of 143.7 points in October 2009, said a statement from NCAER-Mastercard. The BCI rating in July was at 118.6 points.

"The latest NCAER-MasterCard Worldwide Index of Business Confidence study has captured the upbeat economic climate in India," said TV Seshadri, vice president and country general manager, South Asia, MasterCard Worldwide.

The Political Confidence Index (PCI) in the current round however witnessed a 16.5 per cent decline compared to a 4 per cent decline in October 2009.

This could indicate a weak correlation between the BCI and the PCI, the statement said.

PCI declined from 144.4 points in October 2009 to 120.6 points in the current round.

Within the political confidence index, there was a steep decline in components like managing of government finance (52.1 to 43.1 points), managing of inflation (41.4 to 28.4 points).

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BS Reporter in New Delhi