

India's business confidence level rises 7% to 153.8 points, says survey

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Moneylife Digital Team



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Business confidence levels in India have exceeded the October 2009 levels by 7%, according to the latest National Council of Applied Economic Research (NCAER)-MasterCard Worldwide Index of Business Confidence. The current Business Confidence Index (BCI) rating of 153.8 points, compared to the October 2009 rating of 143.7 points and July 2009 rating of 118.6 points, is also the highest rating recorded since January 2008 (154 points), it said in a release.

"The latest NCAER-MasterCard Worldwide Index of Business Confidence study has captured the upbeat economic climate in India, which is now almost close to the positive ratings during early 2008," said TV Seshadri, vice president and country general manager, South Asia, MasterCard Worldwide.

He said that the survey was conducted amid growing consensus that India had emerged rather quickly from the effects of the global crisis. Being a quarterly study, the BCI provides stakeholders with valuable insights on business expectation, political confidence and trends across the four regions in India.

The Index is based on a survey which measures business confidence on four indicators relating to 'Overall economic conditions six months from now', 'Financial position of the firm six months from now', 'Investment climate' and 'Level of capacity utilisation'. All four indicators carry equal weight.

The improvement in business sentiment based on the four components has been observed across all regions in India except in the East, where it fell by a relatively small 2.9 points or 1.82%, 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 West showed the highest increase (13.84%), followed by the North (7.4%) and the South (6.65%).

The Political Confidence Index (PCI) in the current round witnessed a 16.5% decline compared to a 4% decline in October 2009. This could indicate a weak correlation between the BCI and the PCI. There was a significant drop in PCI from 144.4 points in October 2009 to 120.6 points in the current round, the survey said.

The current survey reflected a declining trend in the ratings of all eight components of the PCI over the last quarter. Four components that showed steep decline include, managing of government finance (52.1 to 43.1 points), managing of inflation (41.4 to 28.4 points), managing of unemployment (37.9 to 29.7 points), and managing a conducive political climate (46.6 to 37.7 points).

The remaining four components that continue to decrease are trade negotiations (both bilateral/ multilateral) (42.0 to 35.9 points), pushing the economic reforms forward (46.6 to 42.8), managing overall economic growth (63.8 to 56.3 points) and managing exchange rate (35.4 to 31.2 points), the NACER-MasterCard survey said.