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Brief: Dr Shashanka Bhide, Senior Research Counselor interviewed by CNBC-TV18

Verbatim transcript of his interview to CNBC-TV18

NCAER sees silver lining despite gloomy biz scenario

According to the latest National Council of Applied Economic Research (NCAER) MasterCard Worldwide Index of Business Confidence (BCI) in India has declined more than 4 percentage points over the previous quarter. It was registered at 119.7 points as compared to 125.4 points in October 2012.

Shashanka Bhide, Senior Research Counselor, NCAER told CNBC-TV18 that post Budget there is an improvement in business sentiment because the government made an attempt at fiscal consolidation. Going forward, he expects the sentiments to be more positive.

Q: Your business confidence index is lowest as far as your latest survey is concerned. You say it is 119 compared to the previous survey of 125 and yet you say there are silver linings. What would you say are the silver linings when the index itself is so sharply lower?

A: The index itself is down. It is actually at the lowest in the last three years. However, the components of the index show that there is variation in perceptions in central banks. It reflects at the macroeconomic level also.

At the macro level we have very weak growth, but at the same time we have seen decline in the rate of inflation. So, it is some of these factors which are influencing the index as well.

Q: Your report says that the capital goods sector is one sector which has registered an improvement in optimism. Can you throw some more light on the turnaround or the green shoots that you are seeing in the capital goods sector if at all and whether it is durable?

A: The capital goods sector is a sector which has shown some improvement. In some ways it was also the sector which was at the bottom of the sentiment for quite sometime now. What we have seen is probably the turnaround in the sense that there is improvement in the conditions affecting that.

One of the things people were expecting was the monetary policy response at that time. It was in late

December and so the expectation was that there would be some support from monetary policy. I think in the end of January the review of policy did come out with some drop in the interest rates. So, the expectations wear with respect to policies.

Q: Are you getting any confidence at all from these minor silver linings that you point out that we will not get less than 119 in the next survey?

A: The things that have happened since then such as Budget for example, the expectation from the Budget was that there would be fiscal consolidation. Some attempts at fiscal consolidation which will help further monetary policy easing. I think that has happened on the fiscal front. The Budget probably has also offered some incentives for infrastructure sector particularly.

Putting together some of these things there is an improvement in the sentiment because of the fiscal policy considerations. That is due to the further moderation in the rate of inflation and the likelihood that the monetary policy would also respond to the need for reviving growth. So, I think going forward we would expect that the sentiments would be more positive than they have been.

Q: Can you give us some indications of where are you seeing the highest region-wise improvement in sentiment if at all?

A: If one looks at sectors, regions, firm sizes and so on the government lent future is the decline in the sentiments. Across region, it is only the northern region where we see some improvement. As one said across sectors, it has been the capital goods which has seen improvement. In terms of different size groups of firms where we have seen improvement is in the middle segment.

So, these turnarounds are fewer, but it is interesting that there is a variation in the perceptions across firms also.

Q: What is the base of your survey? How many firms, people or respondents do you survey?

A: We do it every quarter. This time also we had about 546 respondents. So, roughly about 500-600 respondents is what we get in the survey.