

# News Release

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## S&P Global India Business Outlook

### Stronger optimism towards output boosts hiring intentions and capex plans

#### Key findings

Indian firms most upbeat about business activity since February 2021

Outlook for profits, employment and capital expenditure improve in October

Non-staff cost inflation expectations wane to one-year low

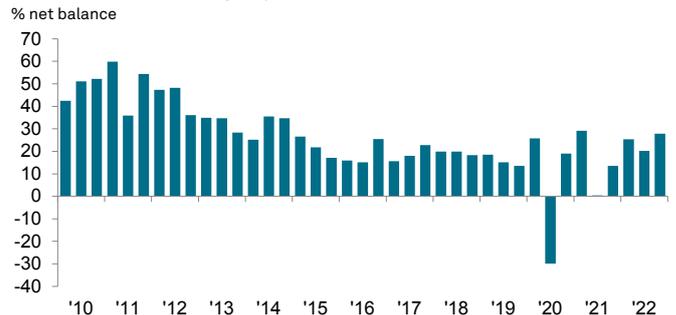
Business Outlook data for October, compiled by S&P Global, indicated strengthening optimism among Indian companies regarding growth prospects. The recovery in output sentiment, which was pinned on hopes of better demand conditions and successful marketing efforts, contrasted with deteriorations in nine out of the 12 nations for which equivalent data are available. Compared to June when the survey was last conducted, Indian firms also became more confident towards job creation, profitability and capital expenditure. The picture for the inflation outlook was mixed, with an intensification predicted for staff costs and output charges but non-staff cost inflation expectations revised lower.

Looking at the key risks to growth prospects, panellists were generally concerned about US dollar strength, competitive conditions, greater borrowing costs, higher transportation fees, input shortages and energy price volatility.

The headline India business activity net balance posted +28% in October, up from +20% in June and at its highest mark since February 2021. The latest figure indicated a robust degree of optimism that was the second-strongest of the 12 monitored nations, behind Brazil.

Improvements in business confidence were seen among Indian services companies and their manufacturing counterparts. Levels of positive sentiment were broadly similar at the start of the third fiscal quarter and in both cases at their highest since February 2021.

India Business Activity expectations



Source: S&P Global.  
Data were collected 12-27 October 2022.

#### Comment

Commenting on the India Business Outlook survey data, Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

*"The latest business outlook data for India were encouraging, with companies more buoyant towards output volumes, profitability and capital investment than they were in June. These results were in stark contrast to waning confidence in other parts of the world covered by the survey.*

*"Indian firms largely pinned optimism on hopes of better underlying demand and expectations that marketing efforts will bear fruit. Many threats to growth prospects were cited, including rupee weakness, raw material scarcity and rising interest rates.*

*"It was encouraging to see tamed cost inflation expectations in October, with the net balance of companies predicting higher non-staff costs falling to a one-year low. Panellists became more worried about wage pressures, however, and revised higher their price-setting policies for 2023. Beliefs that additional cost pressures will be transferred to consumers without severely harming sales boosted the outlook for profitability to its highest since the prior to the COVID-19 pandemic."*

### Capex prospects improve, but R&D sentiment falls marginally in October

Amid expectations of favourable operating conditions in the coming 12 months, Indian private sector companies intend to lift capital spending by October 2023. A net balance of +17% of panellists were upbeat, an improvement from +15% in June and above both the emerging markets (+11%) and global (+9%) averages.

With regards to R&D spending, there was only a slight waning of confidence from mid-year as seen by the net balance falling from +7% to +6%.

Although the employment outlook remained positive, and strengthened from June (net balance up from +3% to +5% in October), hiring plans in India were below both the emerging markets and global averages.

Manufacturers were much more buoyant towards capex than services firms, with the respective net balances at +31% and +11%. R&D sentiment and hiring targets were broadly similar across the two sub-sectors.

### Firms at their most positive about profitability since onset of COVID-19

October data showed a sizeable improvement in the outlook for profits at private sector companies in India. The proportion of firms predicting growth outstripped that of a reduction by +21%, the highest figure since February 2020. The upbeat sentiment compared with weakening confidence globally (+1%) and across emerging markets (+6%).

Strengthening optimism regarding earnings was centred on the service economy as goods producers were at their least confident in a year.

### Salary and wage pressures set to intensify in 2023

Indian companies foresee higher labour costs over the course of the coming 12 months, with the respective net balance posting +22% in October. Rising from +19% in June, the latest figure was at its highest since February 2021.

Conversely, there was a downward revision to the non-staff costs outlook, with the net balance of companies anticipating increases falling from +11% to a one-year low of +9%. By comparison, the global average was at +34%.

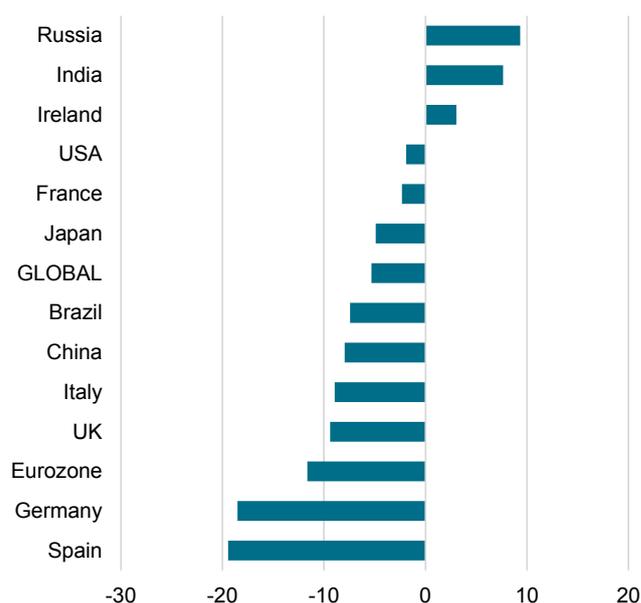
A higher net balance of private sector companies intend to lift selling prices than previously reported in June. However, despite rising from +12% to +16% in October, the latest figure was below its historical average and the global reading (+30%).

Global Business Activity expectations  
% net balance



Source: S&P Global.

Global Business Activity expectations  
Change in % net balance, Oct '22 vs. Jun '22



Source: S&P Global.  
Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

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