

# News Release

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## S&P Global India Business Outlook

### Companies in India pare back growth expectations

#### Key findings

October sees waning confidence surrounding private sector output

Non-staff cost inflation set to stabilise

R&D investment and hiring plans remain subdued

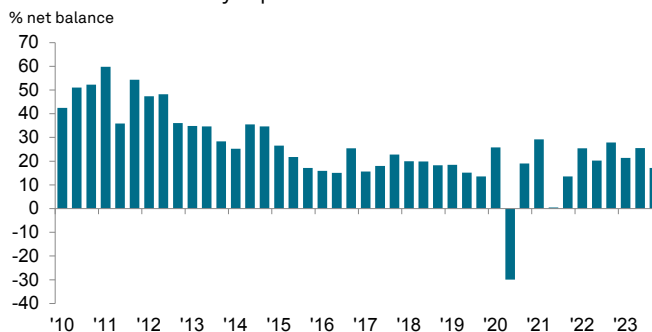
Private sector companies in India remained confident towards their ability to secure new work, expand output and stay profitable over the course of the coming 12 months. Nevertheless, with growth set to moderate, sentiment regarding job creation and investment plans somewhat faded during October. Trends for anticipated price levels were mixed, as downward revisions to staff cost and output charge inflation expectations compared with forecasts of sticky input price inflation.

The S&P Global India Business Outlook survey conducted in October highlighted diminished optimism among private sector companies regarding output prospects. A net balance of +17% of panellists foresee growth, versus +26% in June, the lowest figure for two years. India was one of ten countries with comparable data to register fading sentiment, as only Russia and the US recorded improvements. Despite almost broad-based national reductions in confidence, the figure for India was below both the emerging market and global averages (+21% and +25% respectively).

Indian goods producers remained more upbeat than service providers, despite posting the larger downward revision to growth prospects. The respective net balances fell from +30% and +24% to +20% and +16%.

When listing expected challenges for the year ahead, survey participants commonly noted competitive pressures and cost-cutting measures at clients. Firms also indicated that, should inflation stay elevated, their ability to meet customers' requests for price discounts may be limited.

India Business Activity expectations



Source: S&P Global PMI.

Data were collected 12-27 October 2023.

#### Comment

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

*"Considering how India weathered the storm in 2023 so far and experienced extraordinary economic growth, it is perhaps unsurprising that businesses foresee a moderation in the coming year."*

*"The weakening of business confidence regarding output, profitability and capital expenditure plans should not divert the focus away from the fundamental point that growth looks set to continue. We currently forecast real GDP to expand 6.6% in this fiscal year, slowing to 6.2% in fiscal year 2024–25."*

*"A positive from the latest results came from the data for inflation expectations, with companies generally forecasting a more stable price environment. The outlook for non-staff costs barely moved since June, with mild declines seen for staff cost and output charge prospects. This bodes well for interest rate cuts in 2024."*

*"A key message offered by participants of the Business Outlook survey was that competitive pressures and clients' requests for discounts should remain a feature of their operating environment."*

### Restrained outlook for employment and R&D

Although expectations of demand resilience in the year ahead underpinned hiring plans among Indian private sector companies, the level of positive sentiment slipped in October. Job creation was forecast by a net balance of +4% of panellists, the lowest figure since mid-2022. Most of this downgrade was centred on the service economy where only 2% of firms reported plans to take on extra staff. Confidence among goods producers was little-changed since the prior survey period as the net balance was at +9% (June: +10%).

Allocated budgets for R&D were stable in October, with the aggregate net balance unchanged at +2%. The overall figure, however, masked sectoral divergence. While optimism strengthened at manufacturing firms, their services counterparts turned pessimistic.

Capital expenditure looks set to increase further over the course of the coming 12 months, but the net balance of private sector firms reporting growth plans fell from +16% in June to a two-year low of +11% in October. The reading for manufacturing was three times higher than that for services (+21% versus +7%).

### Non-staff cost inflation expectations barely move since June

At +9% in October, the net balance of Indian companies anticipating higher non-staff costs in the year ahead was broadly similar to June's reading of +8% and therefore remained the lowest of the 12 nations for which comparable data are available.

With regards to labour costs, the latest data showed inflation expectations at their lowest for two years. The price outlook at manufacturers was unchanged, while the net balance for the service economy slipped to a two-year low of +11%.

Predictions of cost inflation stability in the year ahead, coupled with plans to maintain competitiveness, sparked downward revisions to pricing policies at both goods producers and service providers. Hence, the aggregate net balance fell from +17% in June to +11% in October, the lowest reading since June 2021. Only China (+3%) saw a lower figure than India.

### Profitability projections fade in October

Indian firms remained confident that their businesses would remain profitable in the year ahead, but the overall degree of optimism waned since June. The net balance of optimists outstripped that of pessimists by +11% (+18% in June), the lowest figure for two years. That said, this compared favourably with readings of +10% and +9% for emerging markets and the global average. Indian manufacturing companies and their services counterparts posted downgrades of similar magnitudes.



Source: S&P Global PMI.



Source: S&P Global PMI. Full data available on request from [economics@spglobal.com](mailto:economics@spglobal.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\*. 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.

*\*The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.*

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