

# News Release

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## S&P Global India Business Outlook

### Price concerns dampen business sentiment in June, despite moderation in inflation expectations

#### Key findings

Output prospects slip in June, in line with global trend

Non-staff costs net balance falls from February's recent high...

...leading to downward revisions in output price-setting plans

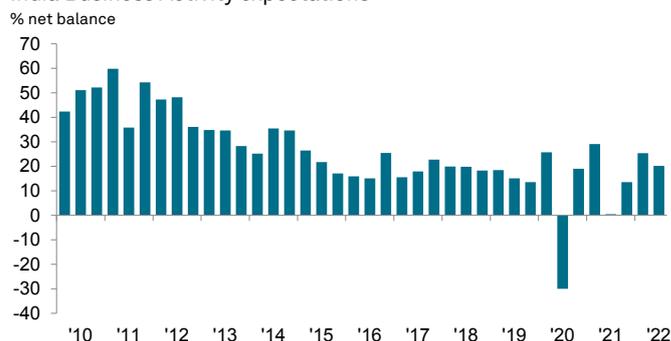
Businesses in India were slightly less buoyant towards the year-ahead outlook for output, amid worries regarding ongoing increases in their expenses and client requests for discounts. Yet, inflation expectations receded in June, with the net balances for both non-staff and staff costs slipping from February. In line with an anticipated moderation in cost inflation, and owing to efforts to remain competitive, a smaller proportion of firms intend to hike their selling prices in the coming 12 months. With pricing power projected to diminish, confidence surrounding profitability weakened. As for investment, there was a mild improvement in research and development (R&D) sentiment, although firms were less upbeat around capital expenditure.

June data from the S&P Global India Business Outlook survey showed that a net balance of +20% of companies foresee growth of business activity over the course of the coming 12 months. The headline figure was down from February's one-year high of +25%, but matched the average for emerging markets.

Anecdotal evidence indicated that optimism was supported by favourable demand conditions, greater bookings, quotations pending approvals, plans to price more competitively and efforts to secure new clients.

That said, overall sentiment was dampened by concerns among some survey participants that inflationary pressures and rising fuel prices would curb growth. There were also worries regarding the possibility of a new wave of COVID-19, US dollar strength, competitive pressures, difficulties receiving payments from clients, demands of price discounts, input shortages and public policies.

India Business Activity expectations



Source: S&P Global.  
Data were collected 13-28 June 2022.

#### Comment

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

*"Indian firms remained optimistic regarding business activity over the next 12 months midway through 2022, more so than their counterparts in Russia and China but below Brazil. As was the case in all 12 nations for which comparable data are available bar Japan, sentiment slipped from earlier in the year."*

*"Inflation was cited as the main threat to growth prospects, although price pressures were generally anticipated to ease. In fact, the net balance for non-staff costs has more than halved since February and was the second-lowest globally. A lower net balance of companies plan to hike their charges in the year ahead due to a combination of expected moderations in inflation, competitive pressures and client requests for discounts."*

*"Profitability sentiment was toned down, owing to a downward revision in the service sector as confidence among manufacturers was unchanged from February."*

*"The outlook for employment has also weakened, suggesting near-term caution with regards to hiring activity as firms reassess the sustainability of the economic recovery amid a challenging global scenario."*

The drop in sentiment was more pronounced at service providers than at goods producers. Among the former, the net balance of firms expecting higher business activity in the year ahead was down from +26% in February to +20% in June, while the respective figure for manufacturers fell from +23% to +21%.

### Inflationary pressures anticipated to recede

Inflation expectations were revised down in June, particularly with regards to non-staff costs. While in February a net balance of +25% of Indian private sector firms predicted greater input costs — the highest reading in over seven years — only +11% forecast an increase in June. This was the second-lowest figure of the 12 nations for which comparable data are available.

With regards to staff costs, the net balance was down marginally, from +20% in the prior survey period to +19%. This reading was below the global average (+42%), but above the figure for emerging markets (+16%).

Panellists intend to transfer cost increases through to customers by lifting their selling charges in the year ahead. However, the net balance of firms predicting price hikes was down from +19% to +12% in June.

For all three price measures, sentiment levels were either equal or very close among service providers and goods producers.

### Research and development intentions improve, capex prospects weaken

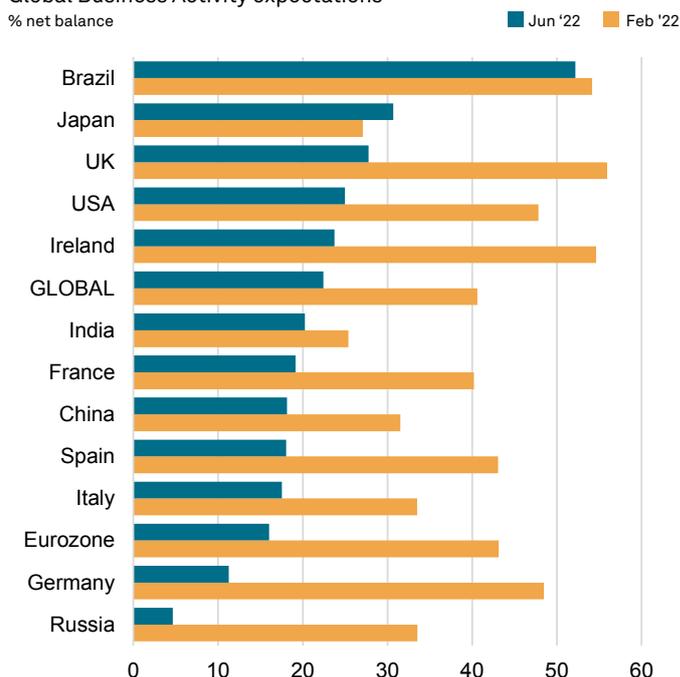
Investment plans were mixed in June, with an improvement for R&D contrasting with a downward revision to capex. For the latter, the net balance was down from +17% to +15% midway through 2022, but sentiment was still stronger than at the emerging markets and global levels. The respective reading for R&D rose to +7%, its highest since February 2021.

Goods producers were more upbeat towards capex than services firms, while the latter led with regards to R&D prospects. Meanwhile, hiring intentions slipped in both the manufacturing (+1%) and service (+4%) sectors, dragging down the aggregate figure to +3%.

### Profits net balance falls in June, but is among highest globally

Indian companies foresee profitability growth in the coming year, with the overall level of sentiment being one of the highest globally despite sliding from February. The net balance was down from +18% to +15% in June, equal to that seen in Japan and below only Brazil (+23%). Optimism was unchanged among goods producers (+20%), but weakened at services firms (+13%).

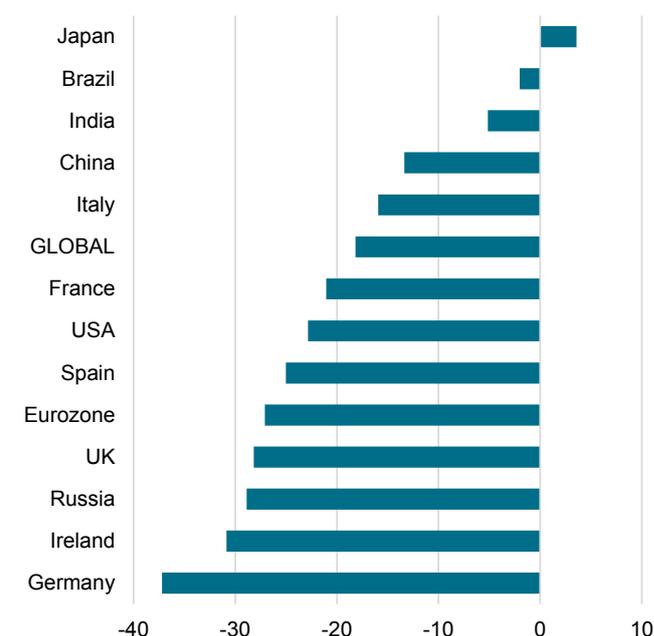
Global Business Activity expectations



Source: S&P Global.

Global Business Activity expectations

Change in % net balance, Jun '22 vs. Feb '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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