

**EMBARGOED UNTIL: 00:01 (UTC) July 13th 2020**

# IHS Markit India Business Outlook

## Indian business activity set to fall over coming year

### Key findings:

- Outlook turns negative for first time in survey's near 11-year history
- Confidence in India the lowest of all monitored countries
- Profits and employment also set to decline over coming year
- Input costs predicted to fall, but slight rise in selling prices expected

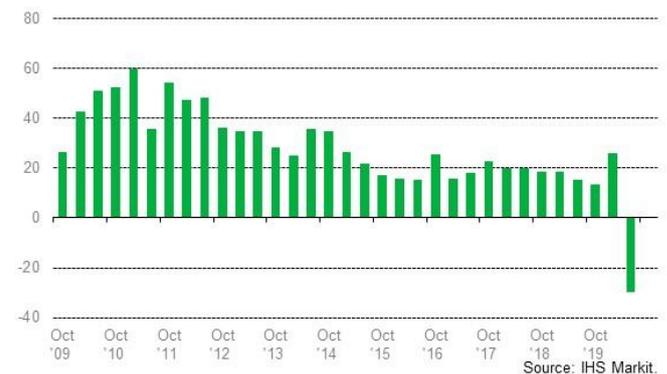
Data collected June 12-26

The coronavirus disease 2019 (COVID-19) pandemic led to a steep drop in confidence among companies in India in June, with sentiment negative for the first time in nearly 11 years of data collection. With business activity expected to decrease and a negative outlook for profits signalled, firms are set to cut staffing levels. Input costs are predicted to fall, while output prices were forecast to rise only slightly amid weak customer demand.

The business activity net balance fell sharply to -30% of companies in June, from +26% in February. This was the lowest reading on record and the first time that a negative outlook has been signalled since the series began in late-2009. Moreover, Indian companies were the most pessimistic of the 12 countries for which comparable data is available.

Pessimism was largely a reflection of the spread of COVID-19 across India and the prospect of the pandemic continuing for some time to come. Several firms indicated that if the outbreak was brought under control then this would provide a strong opportunity for growth. However, many respondents indicated that the outlook was unusually uncertain and were subsequently unsure of how activity would develop over the coming 12 months.

### India business activity expectations



### Employment predicted to fall

Indian companies look set to respond to falling activity by scaling back workforce numbers. The employment net balance turned negative for the first time in the survey's history in June, falling to -23% from +14% in February. As was the case with business activity, the outlook for staffing levels in India was the lowest of the 12 countries covered. Both the manufacturing and service sectors recorded pessimism in terms of employment, with service providers registering a greater degree of negativity.

Firms also predicted a scaling back of spending on R&D (net balance: -7%). Although capital expenditure was still expected to rise, the net balance of +6% was down from that posted in February and one of the lowest on record.

### Decline in input costs expected

Falling input prices were predicted in June, with both staff costs and non-staff costs expected to be lower than current levels in 12 months' time. In both cases, the forecasts of deflation were the first since the series began in late-2009. Manufacturers projected declining input prices, but the respective net balances were even lower among service providers.

Despite predicted falls in cost burdens and expected weakness in customer demand, Indian companies are still due to raise their selling prices over the next 12 months. That said, at +6% the output prices net balance was only just in positive territory and the lowest on record. The manufacturing net balance (+16%) was much higher than that seen for services (+2%).

### Profitability set to worsen

Efforts to raise selling prices likely reflect concerns among firms regarding trends in profitability over the coming year. June saw a profits net balance of -33%, well down from +23% in February and negative for the first time in the survey history. Moreover, the outlook for profits in India was the worst of the countries covered by the outlook survey.

### Comment:

Commenting on the India Business Outlook survey data, **Andrew Harker**, Economics Director at IHS Markit, said:

*“Based on the latest Business Outlook survey, an extremely challenging period for the Indian economy is ahead with the severe impact of the COVID-19 pandemic and a great deal of uncertainty regarding the end of disruption leading to negative business activity predictions for the first time in the survey’s near 11-year history.*

*“Alongside output, profits and employment appear set to fall, with investment plans scaled back relative to earlier in the year. There appears to be little light at the end of the tunnel at present.*

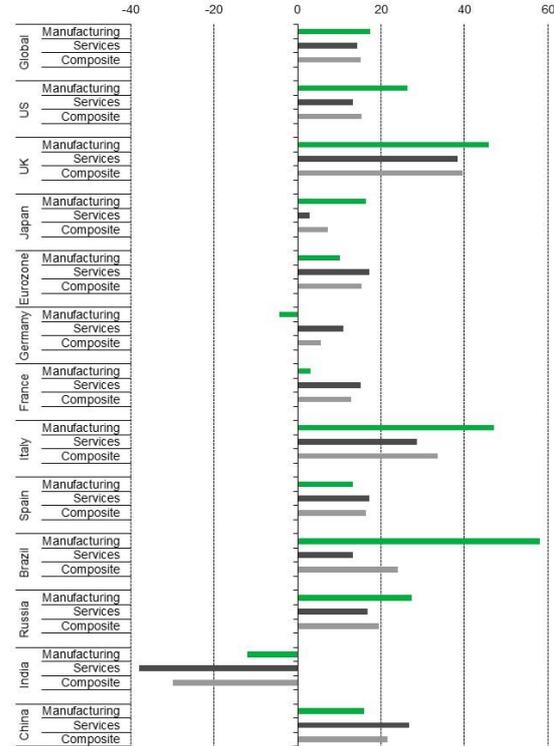
*“Moreover, the outlook for India was the worst globally, indicative of the country still being some way from seeing the peak impact on economic activity of COVID-19.”*

**-Ends-**

Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

### Business optimism in June

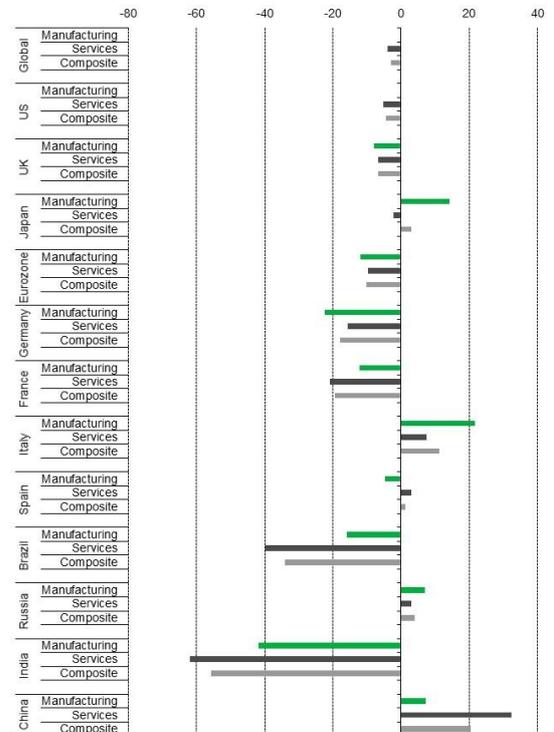
Outlook for business activity in 12 months' time\*



\* chart shows net balance of optimists less pessimists in June.

### How business activity expectations have changed since February

Change in optimism regarding business activity in 12 months' time\*



\* chart shows net balance of optimists less pessimists in June compared to net balance in February.

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**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit 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. The latest survey was conducted between June 10 and 29.

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 IHS Markit 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 0.0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0.0 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 7,000 firms.

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