

September 2020

# 112th Business Outlook Survey



Confederation of Indian Industry  
125 Years - Since 1895

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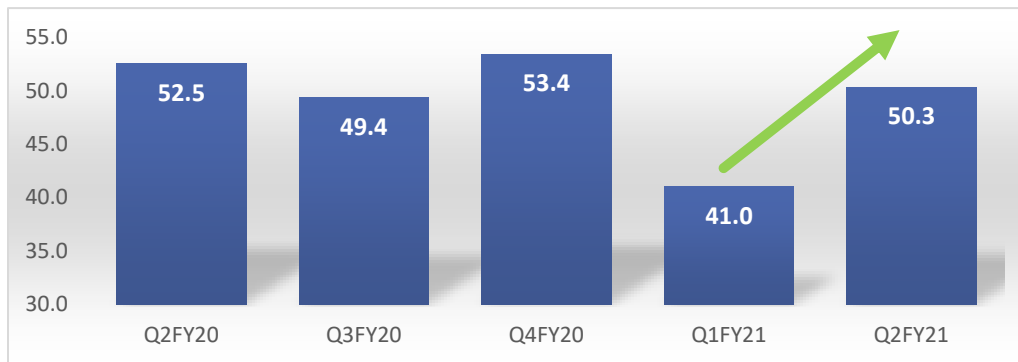
R E S E A R C H

# 112<sup>TH</sup> BUSINESS OUTLOOK SURVEY

(Jul-Sep 2020)



## HIGHLIGHTS



*THE CII BUSINESS CONFIDENCE INDEX (CII-BCI) RECOVERED TO THE LEVEL OF 50.3 IN JUL-SEP 2020.*



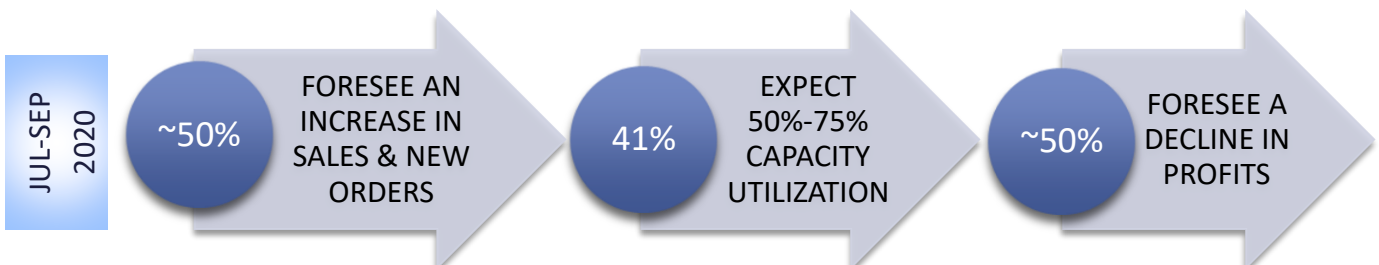
**35 PERCENT OF THE RESPONDENTS EXPECT GDP TO CONTRACT MORE THAN 4.0% IN FY21.**

**46 PERCENT OF THE RESPONDENTS EXPECT INFLATION TO INCREASE FURTHER IN FY21.**



**42 PERCENT OF THE RESPONDENTS INDICATE THAT MAJORITY WORKFORCE HAS ALREADY RETURNED TO THE WORKPLACE.**

**MORE THAN HALF OF THE RESPONDENTS CITE WEAK DOMESTIC DEMAND AS THE TOPMOST RISK TO BUSINESS SENTIMENT IN THE NEXT SIX MONTHS.**



**BUSINESS CONFIDENCE INDEX**

The CII Business Confidence Index (CII- BCI) for Jul-Sep 2020 quarter made a stellar recovery after the drastic but expected fall in the index in Apr-Jun quarter. BCI rose sharply to the level of 50.3 in the Jul-Sep quarter- indicating positive business sentiment, as against the reading of 41.0 in the previous quarter depicting weak confidence.

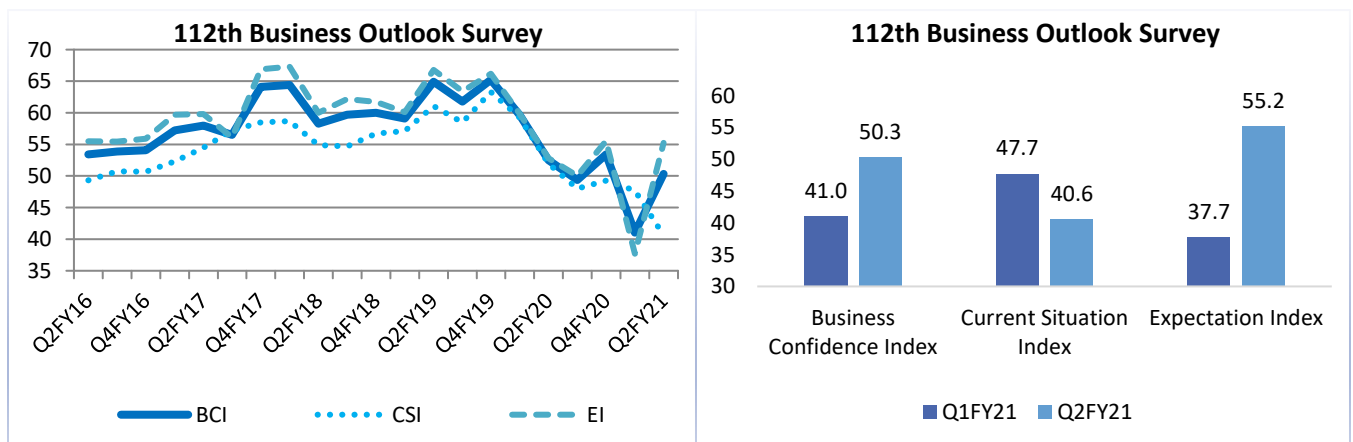
The respondents in the survey were asked to provide a view on the performance of their firm, sector and the economy based on their perceptions about the previous and current quarter. The CII-BCI was then constructed as a weighted average of the Current Situations Index (CSI), for the Apr-Jun 2020 quarter, and the Expectation Index (EI), for the Jul-Sep 2020 quarter.

The recovery in the BCI in the Jul-Sep quarter was driven by the notable increase in the EI, which rose 46% quarter-on-quarter, to the level of 55.2, as nation-wide lockdown restrictions were lifted, and businesses gradually began to reopen. The CSI, on the other hand, was recorded below the psychological level of 50, at 40.6, as the stringent lockdown restrictions led to complete shutdown of most business operation for a larger part of the quarter, thus impacting business sentiment.

**Quarterly Business Confidence Index (BCI)**

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
<b>Business Confidence Index</b>	<b>58.3</b>	<b>59.7</b>	<b>60.0</b>	<b>60.1</b>	<b>64.9</b>	<b>61.8</b>	<b>65.2</b>	<b>59.6</b>	<b>52.5</b>	<b>49.4</b>	<b>53.4</b>	<b>41.0</b>	<b>50.3</b>
<b>Current Situation Index</b>	<b>54.9</b>	<b>54.7</b>	<b>56.7</b>	<b>58.2</b>	<b>61.1</b>	<b>58.5</b>	<b>63.3</b>	<b>59.2</b>	<b>51.9</b>	<b>48.0</b>	<b>49.3</b>	<b>47.7</b>	<b>40.6</b>
<i>Overall Economy</i>	54.8	53.1	56.3	57.6	62.4	56.3	62.3	57.0	48.6	43.1	42.5	45.1	32.9
<i>Own Activity Sector</i>	54.5	52.4	53.8	57.0	59.3	57.3	60.7	57.6	49.0	45.7	47.7	47.1	39.7
<i>Own Company</i>	55.1	56.8	58.9	59.2	61.8	60.0	65.3	61.1	55.1	51.2	52.6	49.0	43.8
<b>Expectation Index</b>	<b>60.0</b>	<b>62.2</b>	<b>61.7</b>	<b>61.1</b>	<b>66.8</b>	<b>63.4</b>	<b>66.2</b>	<b>59.9</b>	<b>52.8</b>	<b>50.0</b>	<b>55.5</b>	<b>37.7</b>	<b>55.2</b>
<i>Overall Economy</i>	60.7	61.4	63.1	61.5	65.3	61.0	64.5	58.6	48.9	46.8	49.6	34.8	49.7
<i>Own Activity Sector</i>	57.8	60.5	60.0	59.6	64.1	61.3	64.2	58.6	50.4	47.3	54.1	37.6	54.8
<i>Own Company</i>	61.3	63.6	62.3	62.0	69.1	65.6	68.1	61.1	55.7	52.9	58.5	38.7	57.3

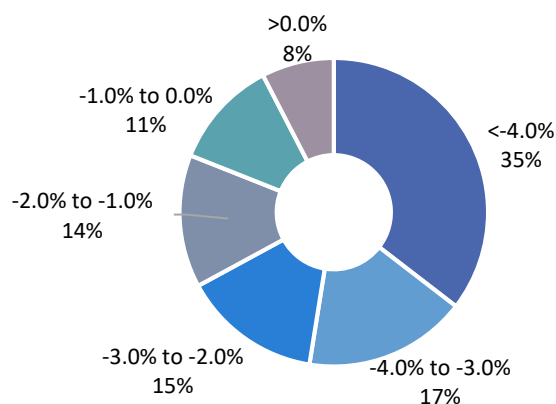
\* The Survey is conducted on a quarterly basis since the 74th Business Outlook Survey



## GENERAL ECONOMIC PROSPECTS

## GDP GROWTH

**Expected GDP Growth in FY21  
(% of Respondents)**



*Major share of the respondents (35 percent) expect GDP to contract more than 4.0% in FY21.*

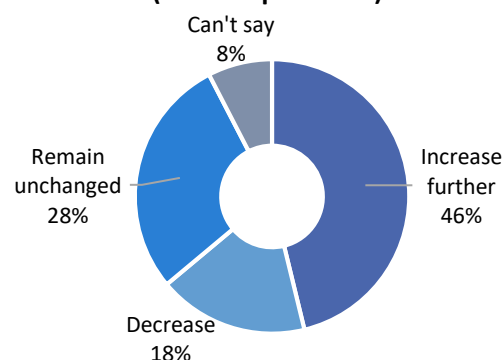
More than third of the respondents (35 percent) feel that India's GDP will fall more than 4.0% in financial year 2020-21. Further, only 8 percent of the respondents feel that GDP growth could be positive in FY21. The pandemic-led lockdown has caused a huge setback to economic activity, which has been further aggravated by state-imposed lockdowns to curb local outbreaks.

## RETAIL INFLATION

*Major proportion of the respondents (46 percent) anticipate an increase in inflation in FY21.*

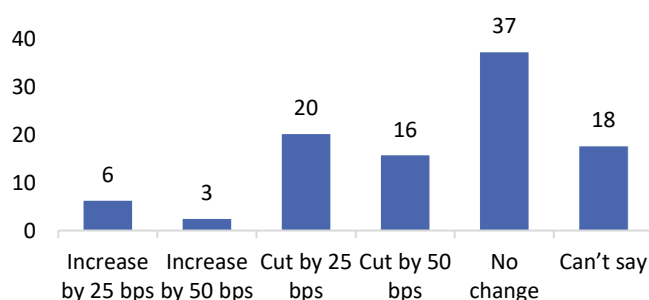
Nearly half of the respondents (46 percent) feel that inflation may inch up further in the current financial year while about 28 percent of the respondents feel that it may remain unchanged from the current levels. The supply-side disruptions caused by the lockdown-led business shutdowns have stoked price pressures higher with retail inflation steadily inching upwards.

**Inflation Expectations for FY21  
(% of Respondents)**



## MONETARY POLICY RATES

**Expected Monetary Policy action in FY21  
(% of Respondents)**



*More than a third of the respondents foresee status quo on policy rates going forward in FY21*

A large proportion of the respondents (37 percent) feel that RBI will keep policy rates unchanged in the remaining part of FY21. The continued strain on economic activity due to the pandemic is dissuading the RBI from raising rates despite inflation overshooting RBI's target range for the fifth consecutive month.

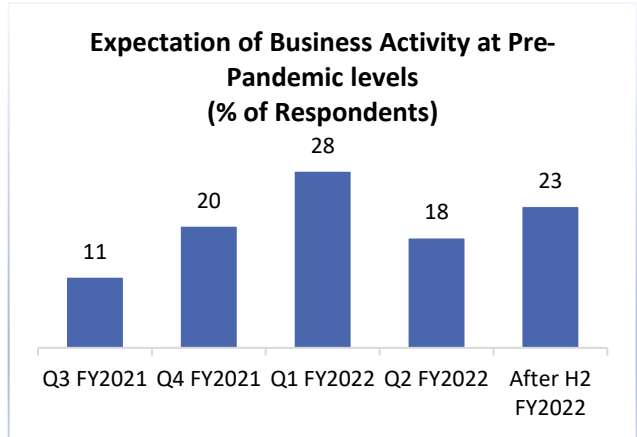


**BUSINESS RECOVERY AMIDST COVID-19**

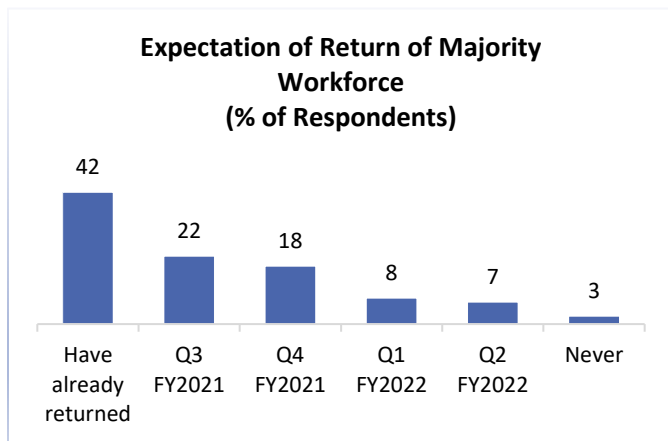
**BUSINESS ACTIVITY**

*Major share of the respondents (28 percent) anticipate pre-pandemic levels of business activity by Q1 FY22.*

Nearly 30 percent of the respondents feel that business activity may return to the pre-pandemic levels by Q1 FY22 while 23 per cent feel that it will return only after H2FY22. The heightened uncertainty in business conditions, led by the recurrent lockdown in certain states, is impacting business operations and lengthening the recovery timeline.



**WORKFORCE**



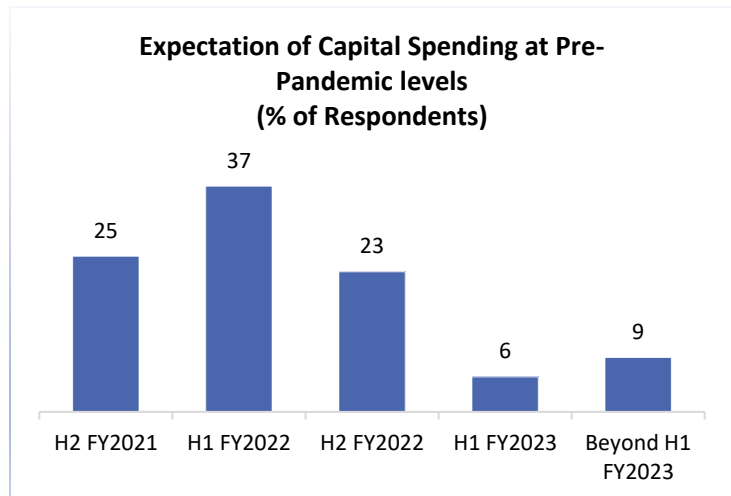
*Large proportion of the respondents (42 percent) indicate that majority workforce has already returned to the workplace.*

More than 40 percent of the respondents have indicated that a majority of their workforce (more than 75% of the workers) has already returned to the workplace, while another 22 percent of the respondents anticipate their return by the next quarter.

**CAPITAL SPENDING**

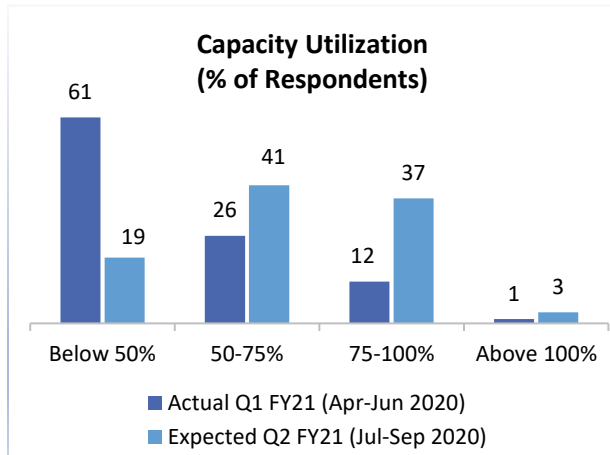
*Major share of the respondents (37 percent) foresee capital spending returning to pre-pandemic levels by H1 FY22.*

As per a large share of respondents (37 percent) capital spending at their firm is likely to return to its pre-pandemic levels by H1 FY22 while about a quarter of the respondents (25 percent) feel that the return may take place sooner, by the second half of this financial year (H2 FY21).



GENERAL BUSINESS PROSPECTS

CAPACITY UTILISATION



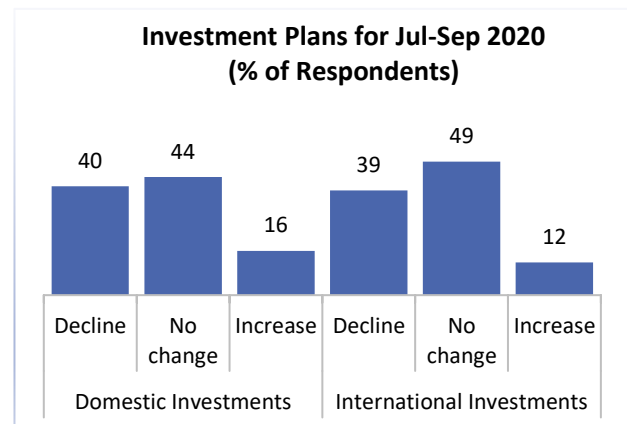
Major proportion of the respondents (41 percent) feel that capacity utilization will be in the 50-75% range in Jul-Sep 2020 quarter.

Though a majority of the respondents (61 percent) experienced significantly low capacity utilization levels (below 50%) in the Apr-Jun 2020 quarter, a major share of the respondents (41 percent) feel that capacity utilization will improve to 50-75% in the Jul-Sep quarter, closely followed by 37 percent of the respondents anticipating higher utilization levels of 75-100% in the said quarter.

INVESTMENT PLANS

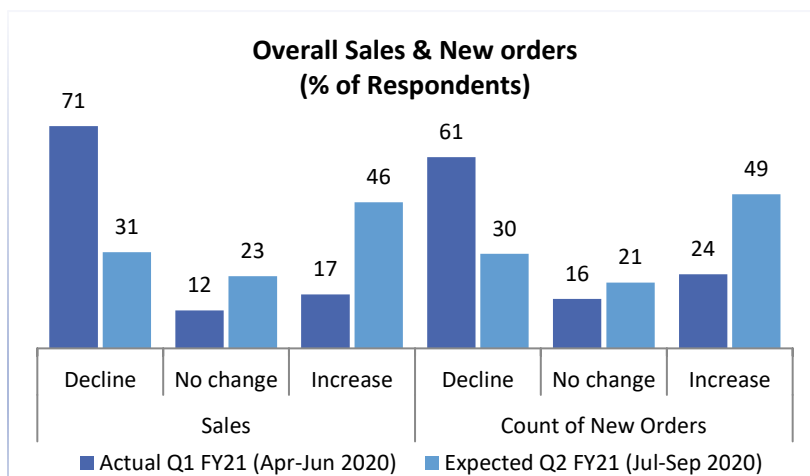
Large proportion of the respondents foresee status quo on their Jul-Sep 2020 investment plans.

In light of the heightened uncertainty, around 44 percent of the respondents foresee no change in their domestic investment plans for Jul-Sep 2020, closely followed by 40 percent of them who feel that investment plans may fall in the said quarter. Similarly, about 50 percent of the respondents expect status quo on their international investment plans while 39 percent foresee a decline.



OVERALL TRENDS

OVERALL SALES & NEW ORDERS



Nearly half of the respondents expect an increase in sales and new orders in Jul-Sep 2020.

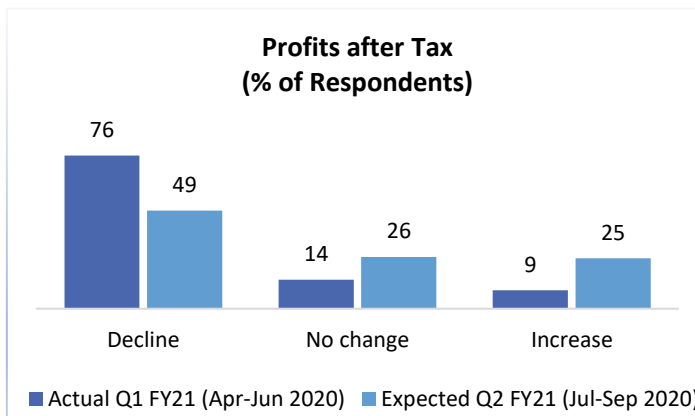
Even though a significant majority of the respondents experienced a fall in sales and new order during the Apr-Jun 2020 period, nearly half of them foresee an increase in sales (46 percent) and an improvement in the count of new order (49 percent) in the Jul-Sep quarter.



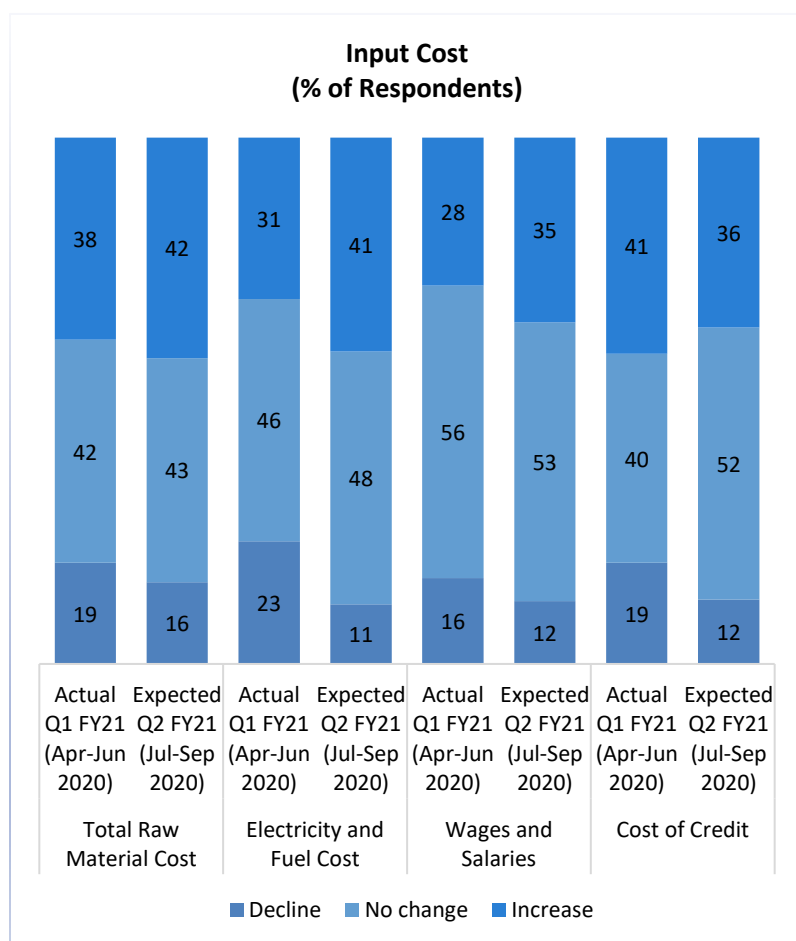
PROFITS AFTER TAX

About half of the respondents (49 percent) continue to anticipate a decline in profits in the Jul-Sep quarter.

Profitability, however, may be slightly harder to achieve during this pandemic as nearly half of the respondents continue to expect a decline in profits in the Jul-Sep quarter after a majority of them (76 percent) experienced a decline in the preceding quarter.



EXPENDITURE



Major share of the respondents anticipate no change in inputs costs in the Jul-Sep quarter.

More than half of the respondents feel that there will be no change in the cost of credit and wages and salaries in the Jul-Sep quarter after the same was experienced by a similar proportion of the respondents in the preceding quarter. Further, about 48 percent of the respondents feel that electricity and fuel costs will also remain unchanged in the Jul-Sep quarter after 46 percent of them experienced the same in the Apr-Jun quarter.

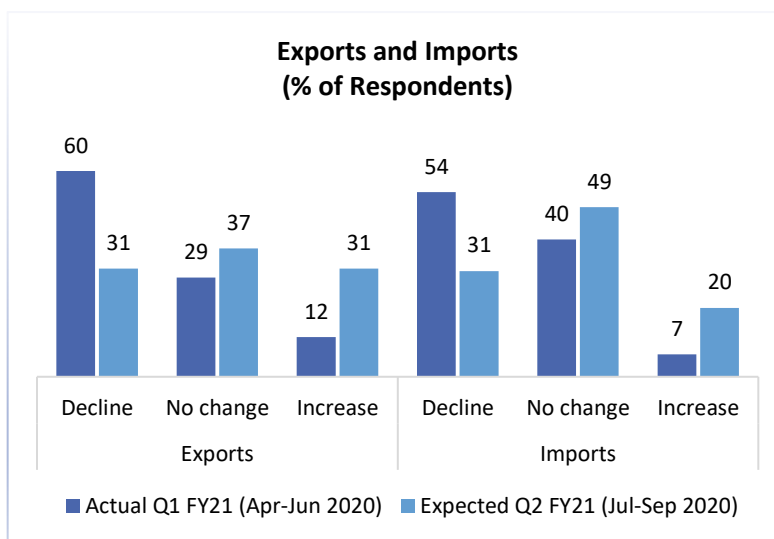
Lastly, the expectations on the raw material costs seem to be quite dispersed with 43 percent of the respondents anticipating status quo on costs while a similar proportion (42 percent) feel that cost may increase in Jul-Sep quarter.



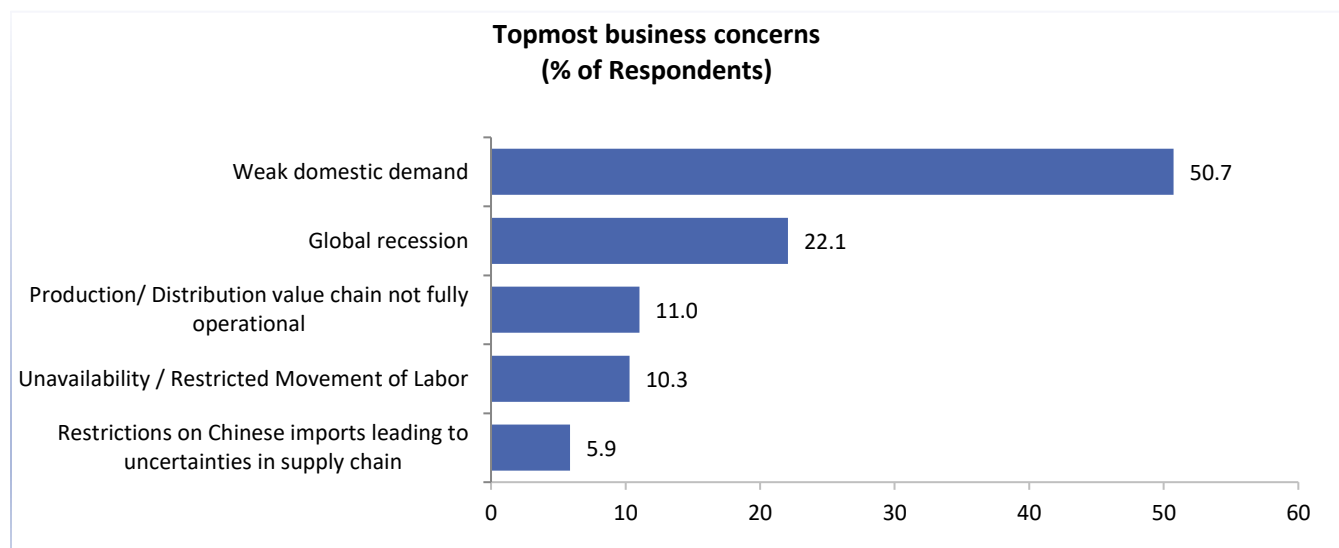
## EXPORTS AND IMPORTS

*Major proportion of the respondents expect no change in external trade in Jul-Sep quarter.*

Major share of the respondents (37 percent) foresee no change in their export order in the Jul-Sep quarter while about half of the respondents anticipate the same for their imports. With many countries across the globe still under lockdown, external trade looks unlikely to recover in the near term.



## BUSINESS CONCERNS



*Weak domestic demand has emerged as the topmost risk to business sentiment during the next six months.*

More than half of the respondents (51 percent) have indicated that the weakness in domestic demand is likely to be the topmost risk to business confidence in the next six months. Further, the imminent global recession was also cited as a top business risk by 22 percent of the respondents.





## COVERAGE & METHODOLOGY

CII's 112<sup>th</sup> Business Outlook Survey is based on sample survey of firms covering all industry sectors, including micro, small, medium and large enterprises, from different regions. The survey also enumerated responses across industry groups both in public and private sectors engaged in manufacturing and services sector.

The survey was conducted during August-September 2020, covering more than 150 firms of varying sizes. Major proportion of the respondents (37 percent) belonged to large-scale firms, while around 26 percent of the respondents belonged to small-scale enterprises and around 19 percent and 18 percent respectively, belonged to micro and medium scale firms. Sectoral break up shows that about 70 percent of the respondents represented the manufacturing sector while 24 percent were from services sector and 3.2 percent, 1.9 percent and 1.3 percent, respectively, belonged to the agriculture, mining and utilities sector.

CII-BCI is calculated as a weighted average of the Current Situation Index (CSI) and the Expectation Index (EI), with greater weight given to EI as compared to CSI. These indices are based on questions pertaining to performance of the economy and the respondents' sector and firm. Respondents are asked to rate the current and expected performance on a scale of 0 to 100. A score above 50 indicates positive confidence while a score above 75 would indicate strong positive confidence. On the contrary, a score of less than 50 indicates a weak confidence.





**Confederation of Indian Industry**  
125 Years: 1895-2020

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry.

Founded in 1895 and celebrating 125 years in 2020, India's premier business association has more than 9100 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 291 national and regional sectoral industry bodies.

With 68 offices, including 9 Centres of Excellence in India, and 11 overseas offices in Australia, China, Egypt, France, Germany, Indonesia, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.



**Confederation of Indian Industry**  
125 Years - Since 1895

R E S E A R C H

CII Research is an Industry think-tank providing thought leadership on strategic economic and industry issues critical to national growth and development. Drawing on a deep reservoir of industry leaders and industry associations spanning all sectors and present across the country, CII Research originates analytical reports in consultation with stakeholders. Based on strategic perceptions and data, these in-depth insights suggest specific policies and action plans that would enhance the role of Indian industry in nation-building.

### **Confederation of Indian Industry**

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