

**EMBARGOED UNTIL: 00:01 (UTC) November 11th 2019**

# IHS Markit India Business Outlook

## Business optimism sinks to survey low in October

### Key findings:

- Downward revisions to output, profitability and employment expectations
- Capex plans gloomiest since global financial crisis
- Companies turn pessimistic about investment on research and development
- Muted non-staff cost inflation forecast

Data collected October 9-29

Business confidence among private sector companies in India is down in October, with sentiment towards output, profitability and capital spending (capex) at their lowest levels since comparable data became available in late-2009. Also, in all cases, degrees of optimism are below their respective emerging market averages. Concurrently, firms foresee broadly muted non-staff cost inflation and have revised down their projections for selling charges accordingly.

At +14% in October, down from +15% in June, the business activity net balance is at its lowest mark since composite data were first available in October 2009 and compares with a reading of +19% for developing countries.

Moreover, downward revisions to growth projections are evident in India's manufacturing and service sectors, with the respective net balances falling to +14% and +13%.

Survey participants cite several threats to the outlook, including regulation, fierce competition, unresponsive demand, subdued global conditions, unfavourable exchange rates, infrastructure issues, automobile sector weakness and environmental concerns.

Where expansion is anticipated, companies hope for better demand conditions, currency stability and a more favourable market scenario. Some firms also

### India business activity expectations



Source: IHS Markit.

indicate that acquisitions, better use of online portals, innovation, urbanisation and marketing efforts are all potential sources of growth.

### Spending plans reduced in October

In line with predictions of softer growth in the coming 12 months, Indian companies have revised lower their hiring, capex and research & development (R&D) intentions.

On the employment front, a net balance of +7% of firms foresees job creation. This is the lowest figure in over two-and-a-half years but matches the global average. Employment projections have weakened in both the manufacturing and service sectors.

While capex is predicted to expand, the aggregate level of confidence is down to its lowest since comparable data became available, below both the global and emerging markets averages. Indian service providers are slightly more optimistic regarding capital spending than goods producers.

Meanwhile, private sector companies turned pessimistic towards R&D, with the net balance of -5% the lowest globally. Negative sentiment is noted across the manufacturing and service economies.

## Restricted pricing power anticipated

Amid predictions of subdued demand conditions and relatively muted input cost inflation, only a net balance of +8% of private sector companies plan to lift their selling prices in the year ahead. As for most indicators, this is the lowest reading in the survey history.

Inflation expectations for non-staff costs are the lowest worldwide. While services companies forecast a marginal rise in operating expenses, overall projections amongst goods producers are neutral.

Divergent sector trends are noted for staff costs, with a downward revision to growth recorded among services firms but a stronger projection for manufacturers.

## Profitability growth set to soften

At +9% in October, the profitability net balance signals the weakest degree of optimism post-financial crisis. Fading sentiment is evident in both the manufacturing and service sectors.

### Comment:

Commenting on the India Business Outlook survey data, **Pollyanna De Lima**, Principal Economist at IHS Markit, said:

*“The trend of diminishing sentiment among Indian companies contrasts with improvements across other developing countries but matches that seen elsewhere globally. Concerns over weak domestic and international demand have weighed heavily on confidence surrounding business activity, in turn curtailing spending plans.*

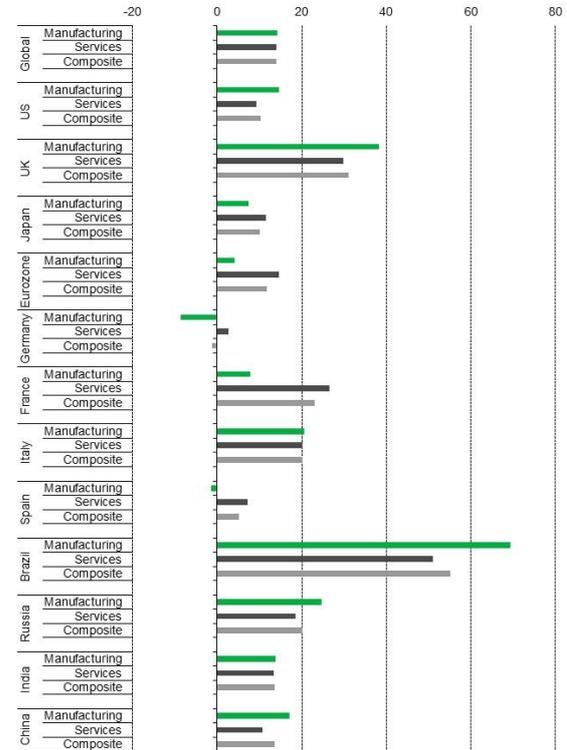
*“It’s disappointing to see an almost across-the-board deterioration in sentiment levels, with the net balance for staff costs the only one to rise since mid-year. Most worrying are the downward revisions to spending plans for capital and employment, as well as anticipated cuts to R&D investment.”*

**-Ends-**

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

## Business optimism in October

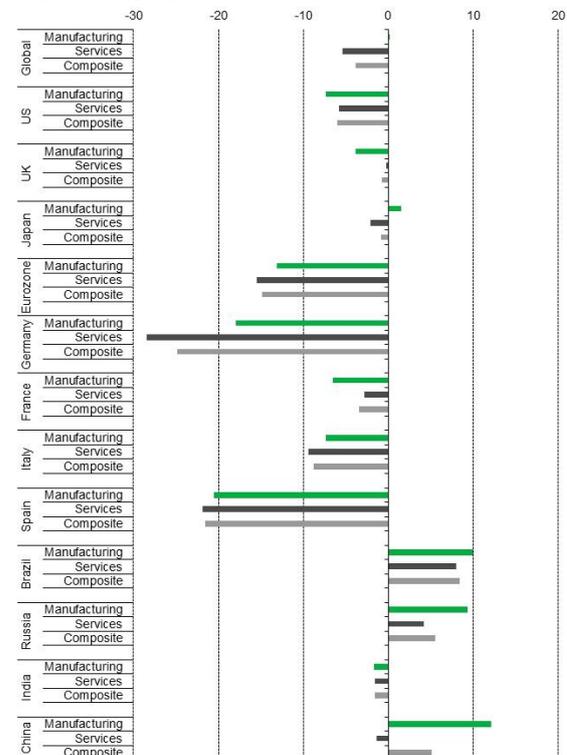
Outlook for business activity in 12 months' time\*



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

## How business activity expectations have changed since June

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



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

**For further information, please contact:****IHS Markit**

Pollyanna De Lima, Principal Economist  
Telephone +44 149 146 1075  
Email [pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

Katherine Smith, Public Relations  
Telephone +1 781 301 9311  
Email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

**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 October 9 and 30.

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, fax, 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.

**About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

*IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners ©2019 IHS Markit Ltd. All rights reserved.*

**The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Limited. and/or its affiliates.**

*If you prefer not to receive news releases from IHS Markit, please email [pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com). To read our privacy policy, [click here](#).*