

**EMBARGOED UNTIL: 00:01 (UTC) March 12th 2019**

# IHS Markit India Business Outlook

## Unchanged optimism among Indian companies during February

### Key findings:

- Activity net balance equal to October's one-and-a-half-year low...
- ...as marginal uptick in manufacturing sentiment offsets weaker confidence at services firms
- Private sector job creation set to soften, capex plans revised lower

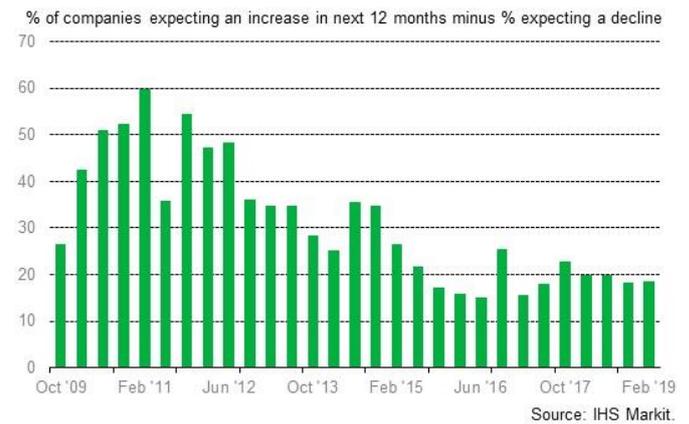
Data collected February 12-26

February data show that Indian companies remain upbeat towards the 12-month outlook for business activity. However, sentiment is unchanged from October's recent low and remains weaker than seen on average across emerging markets. Levels of confidence are broadly similar across the manufacturing and service sectors, but the former signals a brighter mood than recorded in the prior survey period. Optimism has weakened slightly among service providers.

A net balance of +18% of private sector companies in India predict growth of business activity in the year ahead, the same proportion as last October. This compares with an average of +23% in emerging markets and +24% globally. Growth projections stem from stable market conditions, strong demand, expansion plans, advertising efforts, technological progress, wider product offerings and hopes of easier access to finance. Still, anecdotal evidence highlights competitive pressures, rupee weakness, fluctuations in fuel prices and the upcoming elections as threats to the outlook.

Indian businesses are planning to curb their outlays on hiring and capital spending (capex), with levels of positive sentiment the lowest since June and February 2018 respectively. At the same time, the mood for research & development (R&D) expenditure is neutral. Expectations regarding non-staff costs have been revised lower, as have those for selling prices.

### India business activity expectations



### Employment & Investment plans

Companies intend to create more jobs in the year ahead, in line with predictions of sales growth. Still, hiring intentions are subdued, as has been the case throughout the past four years. The proportion of firms projecting employment growth outnumbers those forecasting job shedding by +8%, one of the lowest figures globally. Fainter expectations are only noted in China and Italy. Hiring plans are stronger among service providers than at goods producers.

Muted sentiment regarding R&D is evident at the composite level in February, with optimism among services companies offsetting sustained pessimism at manufacturers.

At +9% in February, the net balance for capex points to the lowest level of private sector confidence in one year. For this metric, Indian companies are the least upbeat of the four emerging markets monitored by the Global Business Outlook survey.

### Inflation Expectations

Non-staff cost expectations are relative subdued, with the net balance of firms predicting increases the lowest since comparable data became available in October 2009. Some companies foresee higher raw material

and fuel prices, but the vast majority expect no change in overall cost burdens. As for staff costs, a net balance of +17% of businesses envisage increases in the coming 12-month period. This is the second-lowest figure globally, ahead only of the US. Broken down by sector, salary inflation looks set to be stronger in services. Forecasts of subdued cost pressures in turn have led to downward revisions to selling price inflation.

## Corporate Earnings

Predictions of sales growth and plans to share the burden of expected cost increases with clients conveys upbeat profit projections. Sentiment surrounding earnings is the strongest since October 2016. Optimism on this front outstrips the global average.

### Comment:

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

*“Optimism in India is unchanged in February as firms wait for the outcome of the elections to have a better idea of the future path of the economy. Stable market conditions and buoyant demand underpin sales growth projections, while planned investments in marketing, technology and product innovation are expected to boost output growth. Sentiment around capital spending is nonetheless at a one-year low.”*

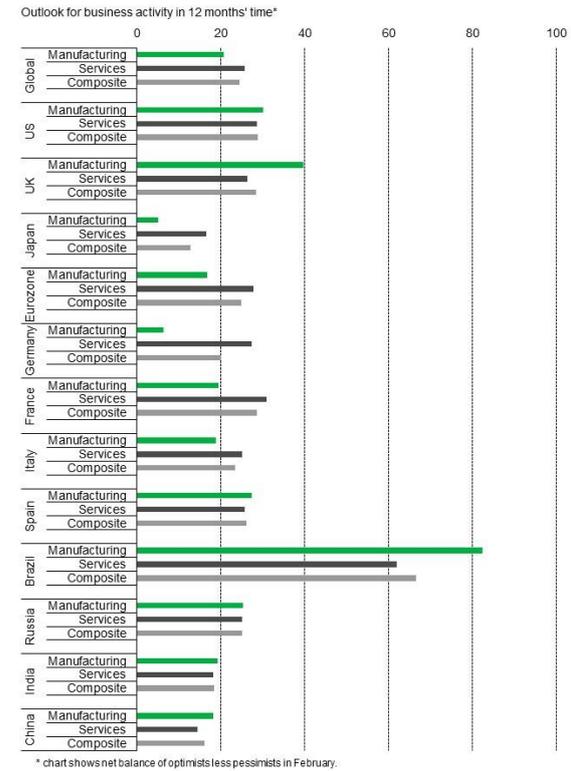
*“Bumps in the road to prosperity are expected, with firms concerned about the lack of available finance, competitive pressures and fluctuations in the rupee and fuel rates.”*

*“The trend for business confidence in India matches those seen in the other countries monitored by the Global Business Outlook surveys, where in most cases output expectations have either weakened or remained unchanged amid concerns surrounding trade tensions, political instability and global growth slowdown.”*

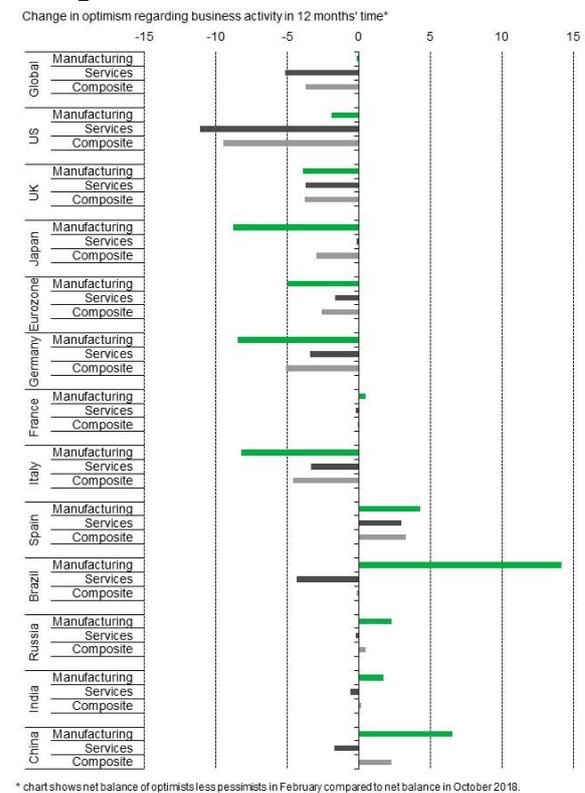
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

## Business optimism in February



## How business activity expectations have changed since October



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

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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 February 12 and 27.

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.

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