IHS Markit

News Release

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Markit India Business Outlook

Indian companies least confident worldwide

Key findings:

- Optimism regarding new business and output falls in February
- Plans for job creation and capital expenditure revised lower
- Softer increases in input costs and output prices foreseen

Data collected February 10-24

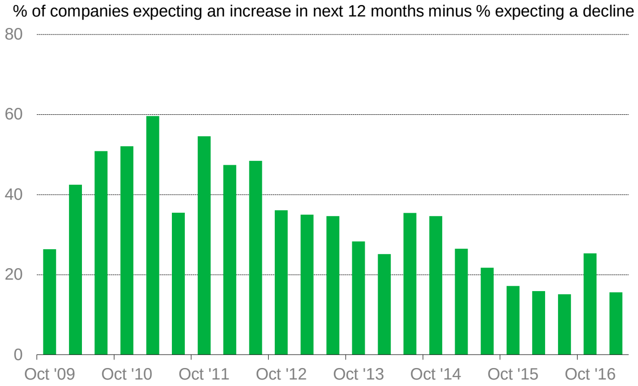
Although companies operating in the Indian private sector economy expect new business growth to support increases in output and employment in the year ahead, levels of confidence are down in February from those recorded four months ago.

The Markit Business Outlook survey shows that a net balance of +16% of firms expect output to expand over the course of the next year, compared with +25% in October 2016. This is the lowest reading of the 12 countries for which composite outlook data are available. Optimism has fallen in the manufacturing and service sectors, with the respective net balances down from +28% and +24% to +16% in both cases.

Whereas Indian enterprises foresee new projects in the pipeline, strong client demand and the possible introduction of the goods & services tax as potential growth drivers for the year ahead; competitive pressures, government policies, client defaults, and uncertainty in global markets are seen as threats to the outlook.

New business is anticipated to rise over the course of the next 12 months, though confidence is at its lowest mark since the global financial crisis. Sentiment for business revenues (+13%) is down from that registered in the prior outlook survey (+20%), as is also the case for profitability (from +25% to a survey-record low of +13%).

India business activity expectations



Source: IHS Markit.

Subdued degrees of optimism for new work, business revenues and profitability are recorded among goods producers and service providers alike, with net balances down from those seen at the end of 2016 in all cases.

Hiring intentions remain relatively muted

Job creation in India looks set to be supressed by weaker expected growth of incoming new business. Only a net balance of +6% of private sector companies are planning to take on extra staff, the joint-lowest reading since composite data became available in October 2009 and the gloomiest hiring intentions globally.

Capex plans revised lower

The capex net balance is at +12% in February, down from +15% four months ago and below the BRIC (+18%) average. Investment on capital in the next 12 months is forecast to rise in the manufacturing (+10%) and service (+12%) sectors, but levels of confidence are weaker than in October. In addition to the downward revision to capital expenditure expectations, goods producers also foresee broadly unchanged research & development spending (net balance unmoved at +2%).

Inflationary pressures anticipated to soften

Cost inflation expectations have been revised lower, in line with decisions by the central bank not to cut rates. Down from +31% in the prior survey period to +22%, its lowest reading in the series history, the net balance for input prices has dipped below the BRIC average (+25%). Goods producers are projected to face more intense rises in cost burdens than their services counterparts, though in both cases inflation anticipations are weaker than in October.

Subsequently, fewer companies (on balance) look set to raise their selling prices than previously registered. The output charges net balance is down to +10%, from +19%, the second-lowest mark in the series history. Breaking down by sector, the readings for manufacturing and services have fallen from +32% and +13% to +22% and +5%.

Comment:

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

"India bucked the general global trend of improving levels of confidence and saw business sentiment diminish in February.

"Manufacturers and service providers alike are dispirited with regards to growth prospects in the year ahead, with the latest set of gloomy outlook results showing subdued optimism concerning business activity, revenues and profitability that were among the weakest globally.

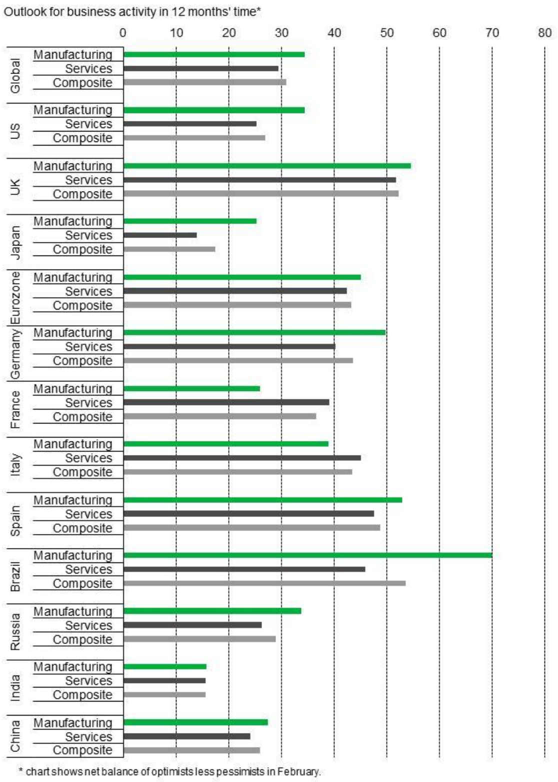
"As such, little-change to private sector employment is forecast, with Indian enterprises the least confident towards hiring intentions worldwide.

"The positive news came from measures of inflation expectations. On balance, the fewest percentage of firms ever recorded by the survey foresee higher input costs and a similar trend was signalled for plans to raise selling prices. If materialised, lower inflation could encourage consumer spending in the year ahead."

-Ends-

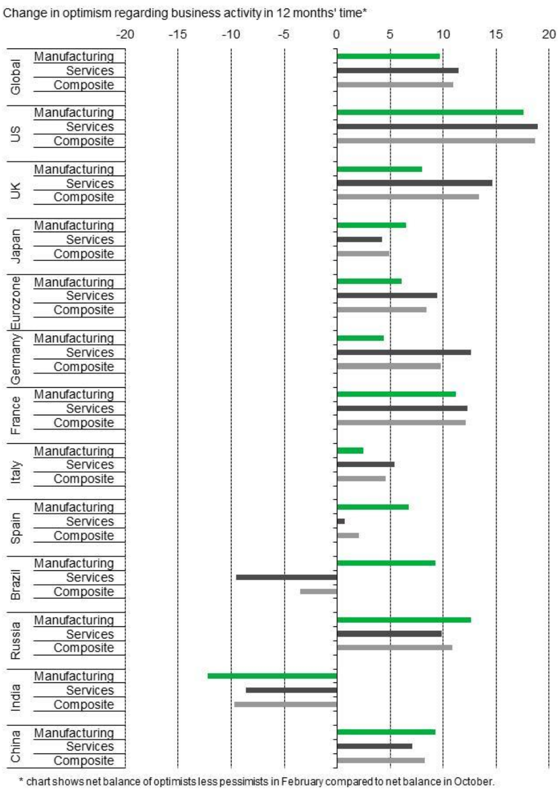
Full data available on request from
economics@ihsmarkit.com

Business optimism in February



* chart shows net balance of optimists less pessimists in February.

How business activity expectations have changed since October



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

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Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by 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 10 and 24.

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 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 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve 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 6,600 firms.

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IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.