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IHS Markit India Business Outlook

Indian companies more optimistic towards future output growth

Key findings:

- Confidence improves for new business and output
- Positive projections for employment growth
- Cost inflationary pressures set to strengthen

Data collected October 12-27

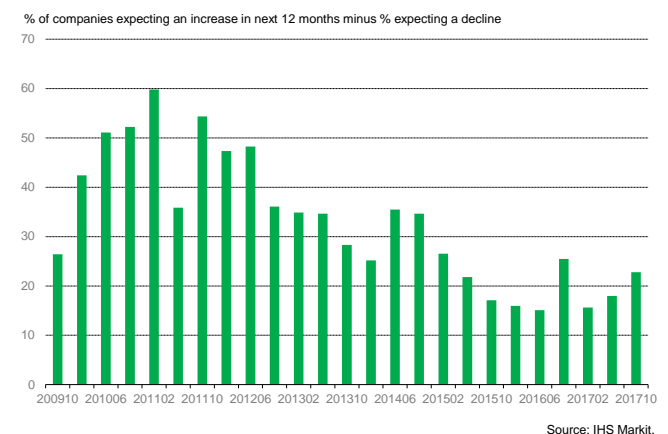
The latest IHS Markit Business Outlook survey signals an improvement in business sentiment among both manufacturing firms and service providers in India. The net balance of companies projecting activity growth over the coming year stands at +23%, up from +18% in June and the strongest since October 2016 (+25%). However, the level of business confidence remains below the global average (+32%) and is the third-lowest globally.

Confidence among India's service providers surrounding output has strengthened further in October, climbing to the highest level since early-2015. Manufacturers remain comparatively less confident about their prospects, despite sentiment reaching a one-year high.

India's private sector firms indicate that a number of factors are likely to bolster business activity over the coming year, including expectations of better demand conditions, and the positive effects of the goods & services tax. On the other hand, some survey respondents consider the GST as a threat to the outlook.

Activity growth is set to be supported by a rise in new business levels. The net balance of firms anticipating an increase in new work is the highest since October 2016 as optimism improves at goods producers and service providers alike.

India business activity expectations



Employment & Investment plans

Companies plan to increase their payroll numbers over the coming year, in line with forecasts of new business growth. Manufacturers' hiring intentions strengthened in October to the strongest since October 2014. Service providers also anticipate job creation, with optimism the highest in a year. That said, confidence levels across both sectors are much lower than seen for other monitored countries.

Inflation Expectations

On the price front, companies expect cost inflationary pressures to intensify further over the next 12 months, with the net balance of firms predicting greater cost burdens the highest in one year.

In response to predictions of higher average cost burdens, Indian companies intend to raise their selling prices over the next 12 months. That said, the net balance of enterprises planning to raise charges is unchanged from that noted in June. According to anecdotal evidence, intensified competition and fears

of a fall in demand is likely to restrict firms' ability to fully pass on higher cost burdens to clients.

Corporate Earnings

Business revenues at private sector companies in India are projected to increase over the coming year, but sentiment is weak in the context of historical data. Subsequently, optimism around profitability has waned in October. Meanwhile, capital expenditure is expected to increase over the course of the next year, with service providers more upbeat than their manufacturing counterparts.

Comment:

Commenting on the India Business Outlook survey data, **Aashna Dodhia**, Economist at IHS Markit, said:

“Confidence among Indian businesses marks a promising start to the quarter, with optimism the strongest since October 2016. That said, the degree of positive sentiment is much weaker than the global average, as has been the case over the past year.

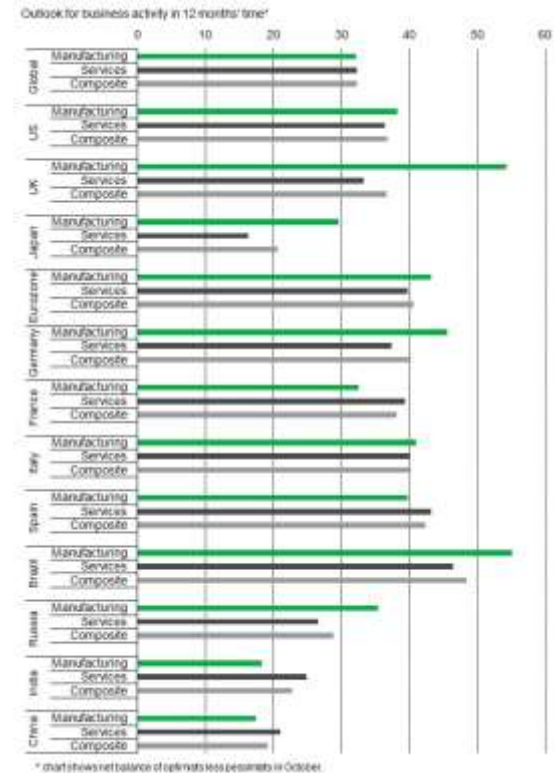
“Confidence is firmly rooted in the expectation of GST benefits materialising over the upcoming year, which is anticipated to underpin an uptick in demand. Conversely, inflation and competition are reportedly the key areas of concern for businesses.

“On a positive note, hiring intentions are the joint-highest since February 2015. This is particularly encouraging as demand conditions can substantially improve with more people being placed into jobs.”

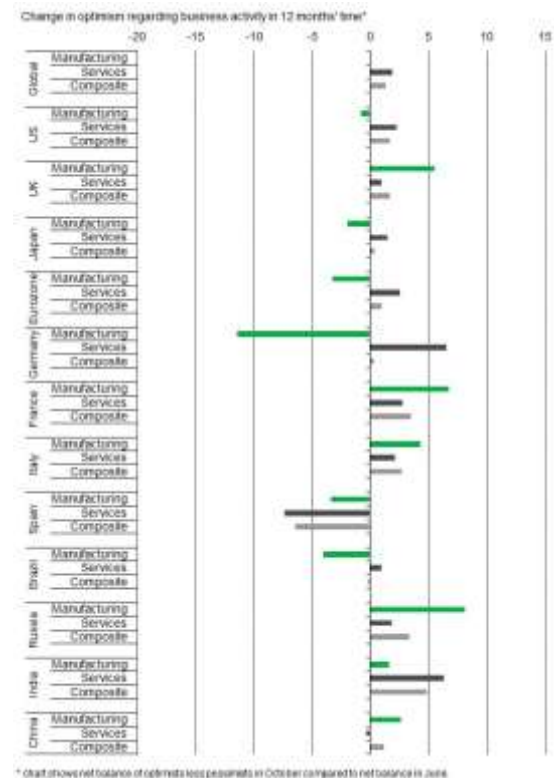
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Full data available on request from economics@ihsmarkit.com

Business optimism in October



How business activity expectations have changed since June



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 October 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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