

Business Confidence in Q4 of FY13 Sees a Dip, Industry Emphasizes Reduction in Lending Rates to Support Investments and Growth: FICCI Survey

NEW DELHI, June 8, 2013. In spite of a dip in business confidence in the fourth quarter of fiscal 2013-14 FICCI's Business Confidence Survey shows that industry is hopeful on investment front in the coming months.

Investment activity is expected to improve as industry is buoyant that the recent steps taken by Cabinet Committee on Investments (CCI) to expedite the process of granting project clearances will unlock the huge investments in core sectors of the economy. RBI support by way of reducing the repo rate by 75 bps so far this year, and the recent easing of WPI numbers will also give some more space to the Central Bank to consider further cut in policy rates. And the slight improvement in IIP and export numbers signal springing of green shoots and it will be crucial to keep nurturing them.

The survey participants pointed out a marginal decline in interest rates for both working capital and terms loans over the last six months, the monetary transmission mechanism following the reduction in policy rates has been weak. Industry has once again emphasized that the further cut in lending rates by banks at this juncture is very important to firm up the investment plans in the pipeline. Nearly 74% of the respondents have emphasized the importance of support from banks by way of lower lending rates at the present juncture to support investments and overall growth in the economy.

The survey drew responses from companies with a wide sectoral and geographical spread. The survey drew responses from about 200 companies with a turnover ranging from 10 lakh to 1 lakh crore. The participating companies belonged to an array of sectors such as textiles, cement, financial services, chemicals, metal and metal products, automobiles, FMCG, electrical equipment and machinery, paper and paper products. The survey was conducted during March 2013 and April 2013 and brings out expectations of the corporate members for the period April 2013 to September 2013.

The Overall Business Confidence Index declined for the second consecutive quarter. The index dropped to 57.4 in Q4 FY13 survey from 61.2 in Q3 FY13. What is even more worrisome is the fact that the participants did not seem too optimistic about the expectations over the next two quarters.

About 36% of the participating companies in the present survey indicated that the current economic situation is moderately to substantially better vis-à-vis last six months. The corresponding figure in the last survey (Q3 FY13) was 45% and a year back was 38%.

Likewise with regard to expectations over the next six months, about 49% of participants indicated that they anticipate an improvement in the overall economic situation over the first two quarters of FY13.

The participants indicated weak demand to be a worrying factor hampering the overall business performance. Also there was a marginal increase in the proportion of respondents citing cost of credit to be a concern. The companies were not too upbeat about the sales prospects and profit margin performance over the next six months.

Detailed survey Link:

<http://ficci.com/SEDocument/20247/FICCI-BCS-Report-June-2013.pdf>

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