

The Q3FY18 BCPI:

A Steadying Ship?

Preliminary results from IMA's latest quarterly Business Confidence and Performance Index (BCPI) survey point to a nascent revival in business sentiment in the third quarter (October-December) of 2017. Responses from over 75 companies spanning the gamut of industry in India suggest a fairly buoyant outlook – in terms of both the macro-economy and business conditions.

Reflecting the tumult around the GST's roll-out, only slightly more than a third (37 per cent) of businesses feel that the economy has strengthened in the last three months, with most ticking the 'unchanged' box. However, the forward view is much stronger, with two-thirds (65 per cent) expecting conditions to improve in the coming three months (Charts 1, 2).

More strikingly, on four out of five key business parameters

– sales, new orders, profitability, and capacity utilisation – not only are firms keeping pace with their expectations from a quarter ago (i.e., from the previous round of the survey), but they are also expecting a mild bump-up in performance in Q3. On each of these measures, either a majority or a near-majority of companies report sequentially-stronger QoQ performance in both the last (Q2) and the current (Q3) quarter (Charts 3-6). Only on net

Chart 1: Are macro-economic conditions stronger than 3 months ago?

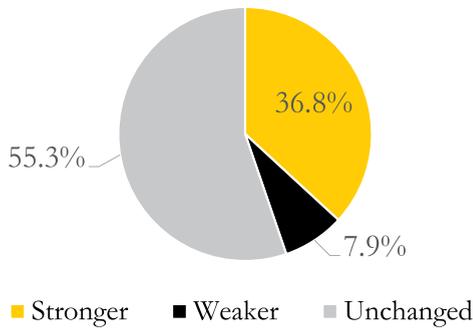


Chart 2: Will the economy strengthen in the next 3 months?

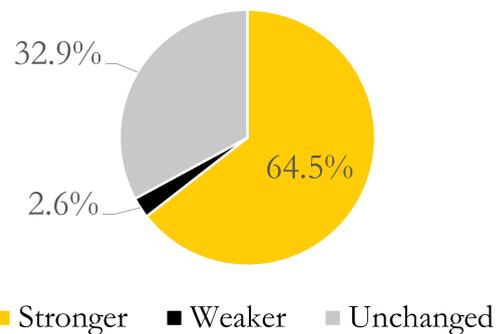


Chart 3: Sales Growth

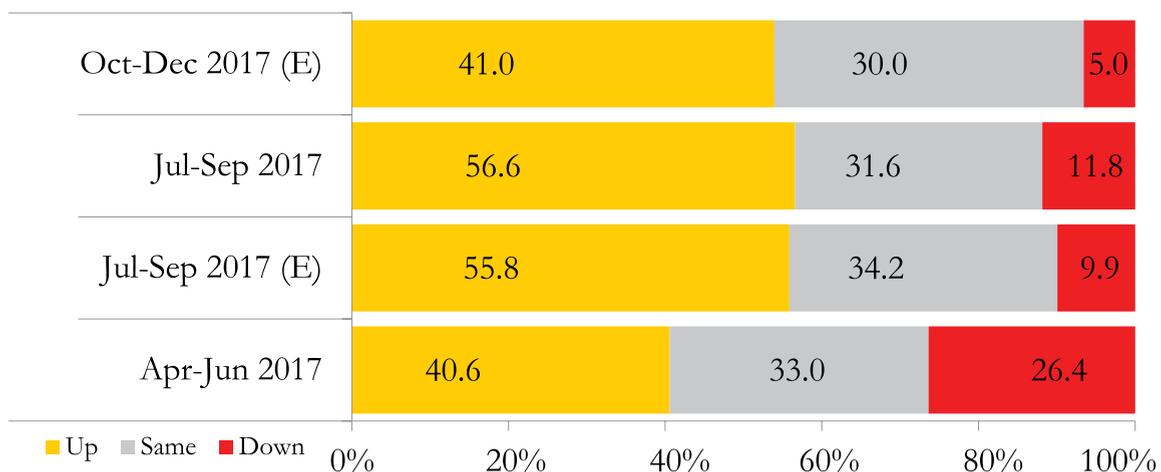


Chart 4: Order Book Size / confirmed new orders

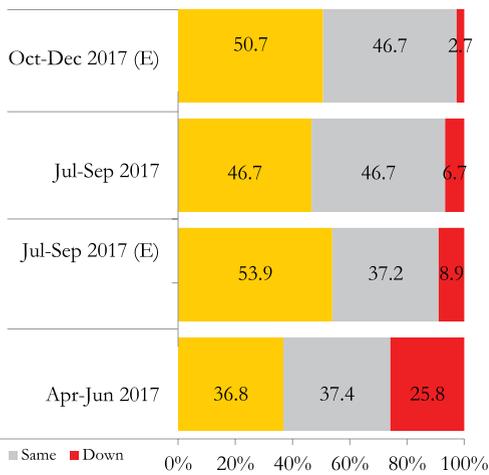


Chart 5: Profitability

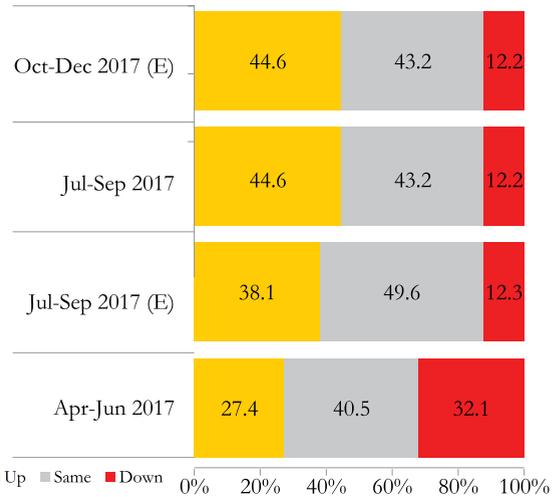


Chart 6: Capacity utilisation

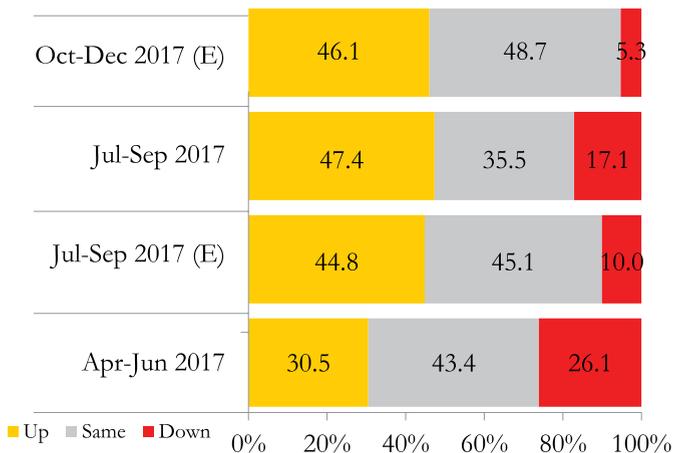


Chart 8: Do you expect revenue to grow in Q3 FY18 as compared to last year?

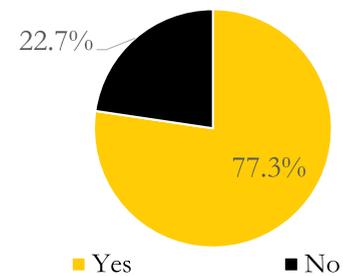
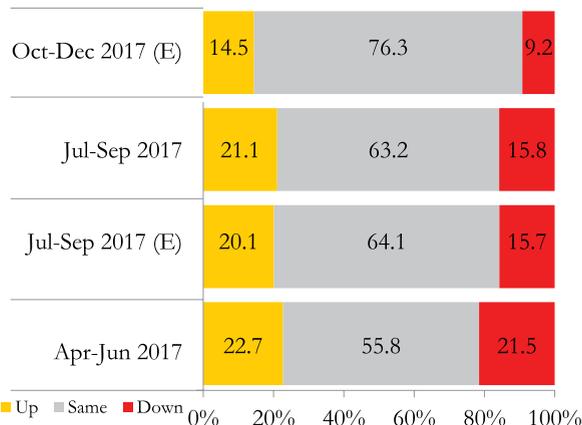


Chart 7: New (not replacement) hiring



hiring is there some trepidation, though even there, progressively fewer organisations believe that hiring will continue to fall (Chart 7).

Hearteningly, the bulk (77 per cent) of companies expect stronger, seasonally-adjusted Q3 sales this year than a year ago, when many were hit by demonetisation (Chart 8). At the median, those expecting positive sales growth forecast a 10 per cent rise, and a full quarter (26 per cent) believe that it will exceed 20 per cent on a YoY basis. On the flip side, the ~23 per cent of companies that anticipate slower sales project, at the median, a 5 per cent YoY decline this quarter. ■

**IMA Research
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