

Q2 biz confidence drops on US tariff

First decline after 3 qtrs of improvement

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A survey conducted by Delhi-based think tank National Council of Applied Economic Research (NCAER) showed that India's business sentiment dropped during the September quarter (Q2) of the financial year (FY26) from the June quarter (Q1).

This marks the first decline after three consecutive quarters of improvement.

The latest round (134th) of the quarterly Business Expectations Survey was carried out in September, days after the 50 per cent tariff on most Indian goods by the Donald Trump administration kicked in and the government announced goods and services tax (GST) reforms. The survey covered 484 respondents spread across six cities.

The Business Confidence Index (BCI) slipped to 142.6 in Q2 from 149.4 in Q1.

However, sentiment remains stronger than the same period a year ago, when the BCI stood at 134.3 in the September quarter of FY25.

"The present round was carried out in September 2025 during a period marked by international uncertainties and domestic GST reforms. Announcement of some policies by the US in quick succession in this quarter added to the uncertainty," the survey report added.

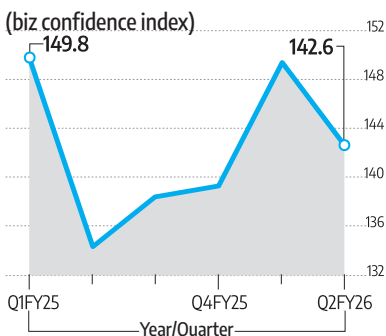
The BCI comprises four key components — expectations of overall economic conditions improving in the next six months, firms' financial position outlook, current investment climate positivity and capacity utilisation close to or above optimal levels. While optimism about capacity utilisation improved slightly, rising to 98.1 per cent in Q2 from 97.3 per cent in Q1, the other three components saw a decline.

"The share of positive responses remained above 50 per cent in Q2 for all four components, signalling slower growth momentum, going forward," the report added.

The share of firms expecting overall economic conditions to improve fell from 73 per cent in Q1 to 66.5 per cent in Q2. Investment climate positivity dropped from 60.1 per cent to 55.2 per cent, and firms expecting better financial position declined from 65.8 per cent to 62.6 per cent.

"The components dealing with macro sentiments were relatively more negatively affected, while the impact was

Facing headwinds



MSMEs show modest dip in confidence

The reading on Business Conditions Index for MSMEs declined to 61.64 for July-September 2025 quarter (Q2FY26) from 63.75 for April-June period (Q1FY26), showing a modest dip in confidence, according to Sidbi's Business Outlook Survey. The survey indicated that the moderation may be attributed to the emerging global challenges such as USA tariff measures and other external economic pressures. Nevertheless, MSMEs continue to show resilience with all the three sectoral indices well above the expansion threshold of 50. The survey showed that business conditions are expected to improve from 61.64 to 62.26 in Q3FY26, and further to 66.57 in Q2FY27. This reflects MSMEs' anticipation of improved market conditions.

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mixed for sentiments at the micro level," said NCAER's Prof Bornali Bhandari, who led the survey.

Micro, small, and medium enterprises (MSMEs) showed stable confidence, with their BCI inching up marginally from 137.1 to 138.2. In contrast, large firms, more exposed to international markets, saw their BCI steeply fall from 171.6 to 149.9.

Production and domestic sales outlook remain positive, with 82.4 per cent and 83.1 per cent of firms, respectively, expecting increases over the next six months. However, optimism for new orders fell to 67.2 per cent, with 5.1 per cent uncertain about future orders.