

Business Inflation Expectations Survey (BIES) for April 2023 from IIMA

- Contributing valuable insights to support monetary policy formulation since 2017
- Survey released every month by the Misra Centre for Financial Markets and Economy

June 6, 2023: The Misra Centre at the Indian Institute of Management Ahmedabad (IIMA), today released the BIES Survey for the month of April 2023. Authored by Professor Abhiman Das, the BIES Survey is the only business inflation survey to be published in India since May 2017. Over the six years, the BIES survey from IIMA has contributed to effective monetary policy formulation by providing valuable insights which have been referred to by various policy makers, government, and industry.

Key messages of April 2023 survey are as follows:

Firms' inflation expectations remain anchored. Business inflation expectations declined marginally by 9 basis points to 4.31% in April 2023, from 4.40% reported in March 2023. This has been the third consecutive decline and the lowest since December 2022
Businesses in April 2023 expect Consumer Price Index (CPI) headline inflation to be marginally lower at 4.81%, as against 4.94% reported in February 2023
Firms' sales expectations remain subdued - pointing towards continuing slowdown in the manufacturing sector. The percentage of firms reporting 'somewhat less than normal' sales has increased to 34% in April 2023, from 30% reported in March 2023
Profit margin expectations improved, primarily on account of cost moderation

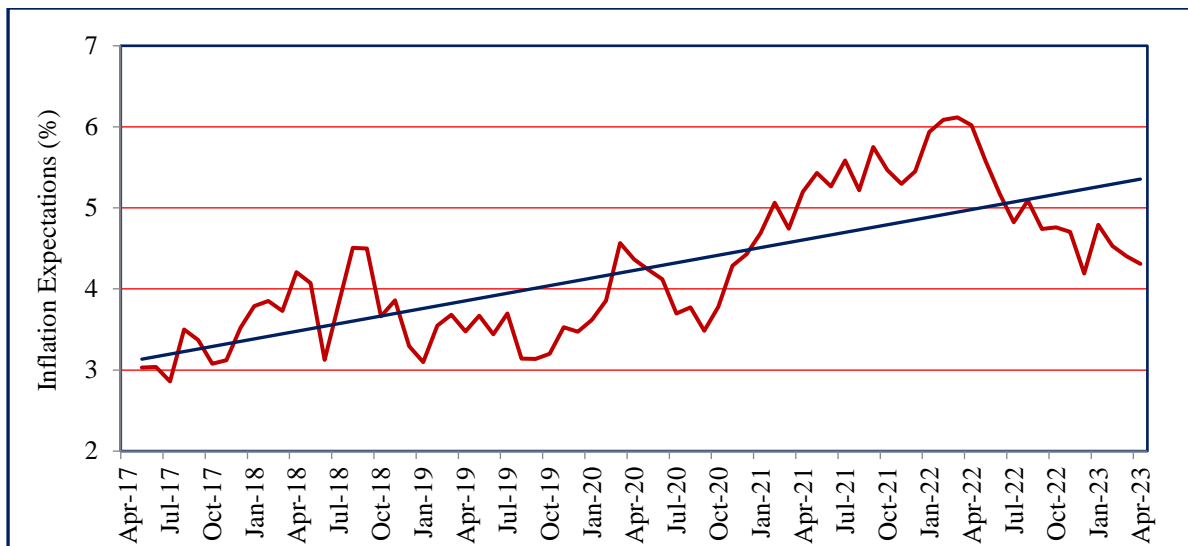
Details of the survey follow:

A. Inflation expectations

One year ahead business inflation expectations, as estimated from the mean of individual probability distribution of unit cost increase, declined marginally by 9 basis points to 4.31% in April 2023, from 4.40% reported in March 2023. This has been the third consecutive decline and the lowest since December 2022. The trajectory of one year ahead business inflation expectations is presented in Chart 1.

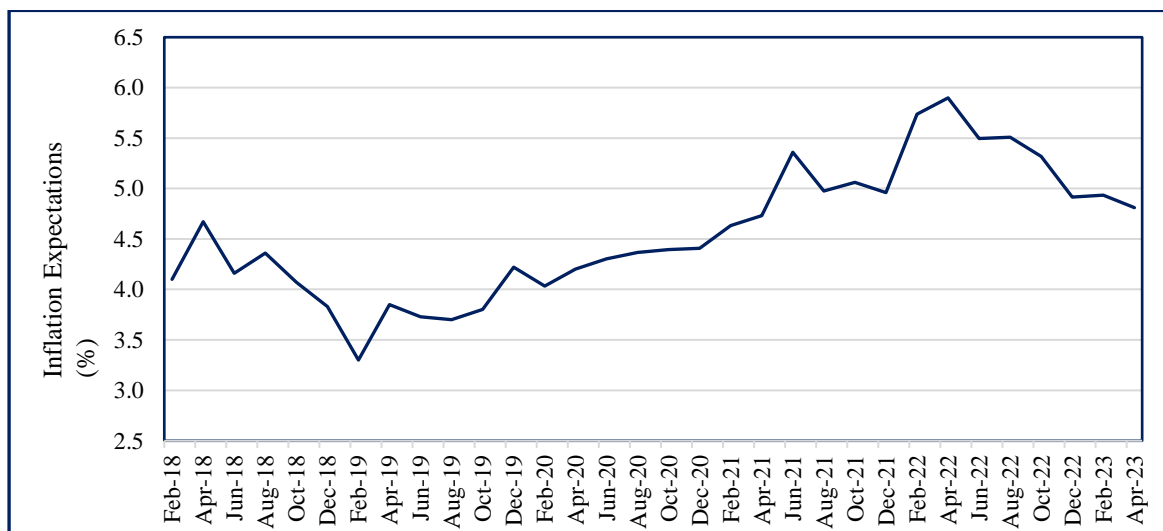
- The uncertainty of business inflation expectations in April 2023, as captured by the square root of the average variance of the individual probability distribution of unit cost increase, has remained unchanged around 2%, as in March 2023.

Chart 1: One year ahead business inflation expectations (%)



- Respondents were also asked to project one year ahead CPI headline inflation through an additional question using a probability distribution. This question is repeated every alternate month, coinciding with the month of RBI’s bi-monthly monetary policy announcement.
- Businesses in April 2023 expect one year ahead CPI headline inflation to be marginally lower at 4.81%, as against 4.94% reported in February 2023, with a relatively low standard deviation of 0.99% (Chart 2).

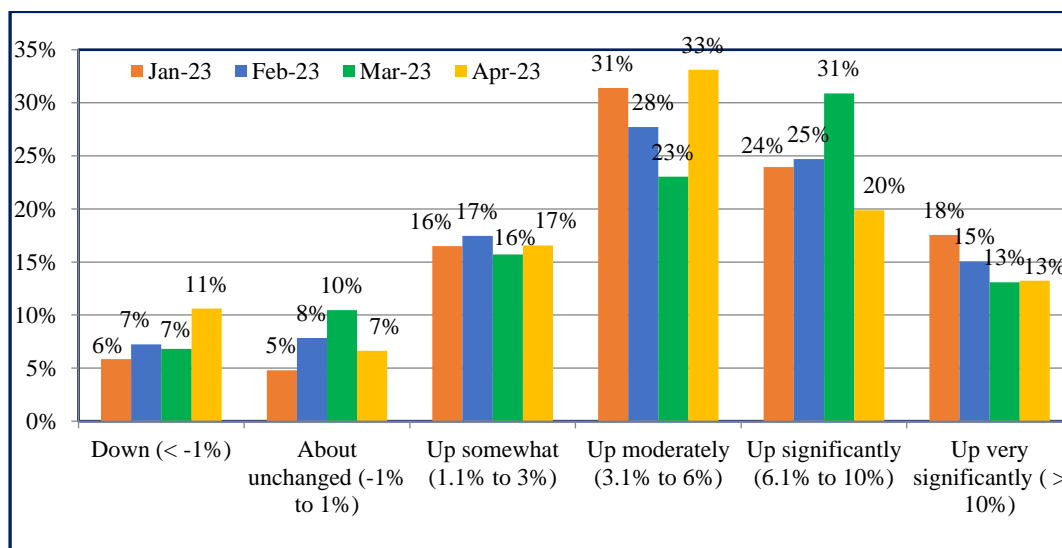
Chart 2: Expected CPI headline inflation (%) - one year ahead



B. Costs

- Overall, the cost perceptions data indicates further moderation of cost pressures. The percentage of firms perceiving a significant (over 6%) cost increase, has declined from 31% to 20% in this round of the survey.
- Majority (over 33%) of the firms perceive that costs have gone up moderately – in the range of 3.1% to 6% (Chart 3).

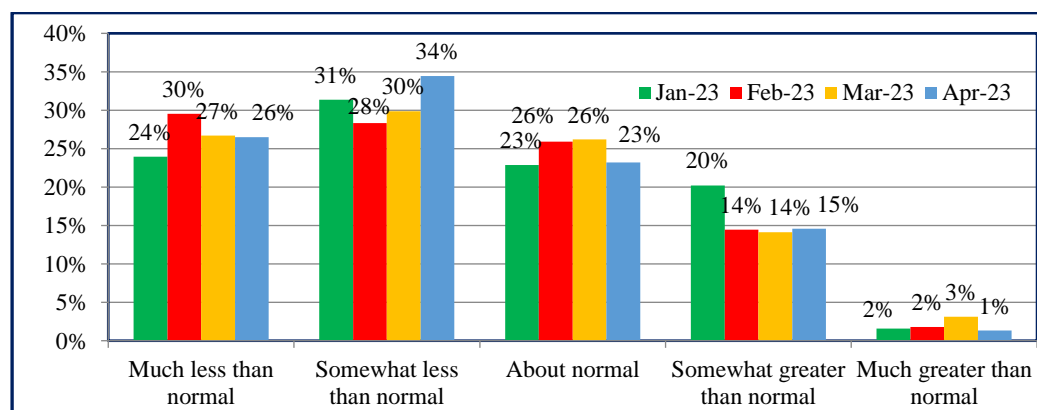
Chart 3: How do current costs per unit compare with this time last year? – % responses



C. Sales Levels

- Firms' sales expectations have remained subdued. Over 26% of the firms are still reporting 'much less than normal' sales in April 2023.
- The percentage of firms reporting 'somewhat less than normal' sales has increased to 34% in April 2023, from 30% reported in March 2023 (Chart 4)¹.

Chart 4: Sales Levels - % response

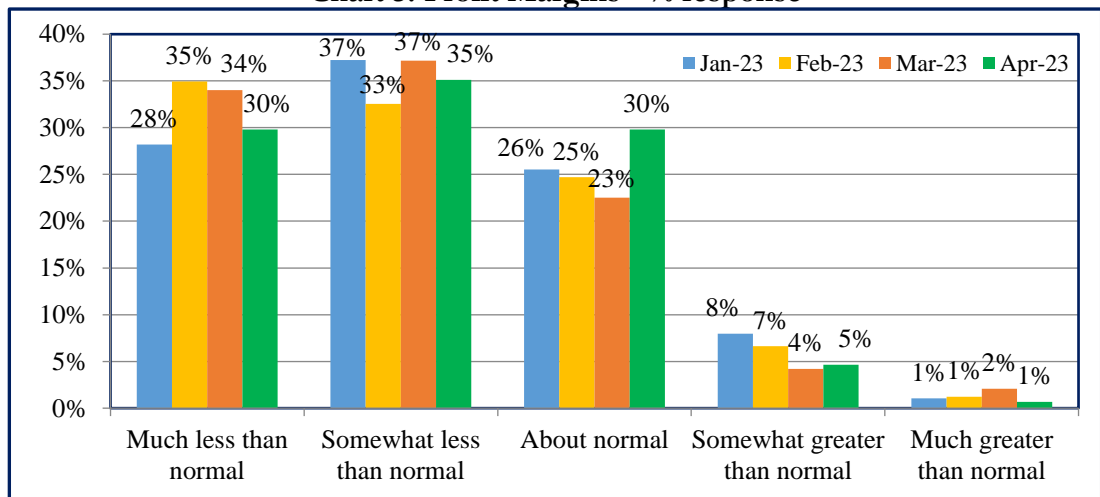


¹ "Normal" means as compared to the average level obtained in the preceding 3 years, excluding the Covid-19 period.

D. Profit Margins

- With moderation in cost pressures, the profit margins expectations have improved. Over 30% of the participating firms in April 2023 perceive profit margins are 'about normal' – up from 23% reported in March 2023 (Chart 5).

Chart 5: Profit Margins - % response



Business Inflation Expectation Survey (BIES) – Questionnaire

A. Current Business Conditions

Q1. How do your current **PROFIT MARGINS**[@] compare with "normal"^{*} times?

- Much less than normal
- Somewhat less than normal
- About normal
- Somewhat greater than normal
- Much greater than normal

Q2. How do your current sales levels compare with **SALES LEVELS**[@] during what you consider to be "normal"^{*} times?

- Much less than normal
- Somewhat less than normal
- About normal
- somewhat greater than normal
- Much greater than normal

[@] of the main or most important product in terms of sales.

^{*}"normal" means the average level obtained during the corresponding time point of preceding 3 years, excluding the Covid-19 period.

B. Current Costs Per Unit[^]

Q3. Looking back, how do your current **COSTS PER UNIT**[^] compare with this time last year?

- Down (< -1%)
- About unchanged (-1% to 1%)
- Up somewhat (1.1% to 3%)
- Up moderately (3.1% to 6%)
- Up significantly (6.1% to 10%)
- Up very significantly (> 10%)
-

[^] of the main or most important product in terms of sales.

C. Forward Looking Costs Per Unit^s

Q4. Projecting ahead, to the best of your ability, please assign a percent likelihood (probability) to the following changes to costs per unit^s over the next 12 months.

- Unit costs down (less than -1%)
- Unit costs about unchanged (-1% to 1%)
- Unit costs up somewhat (1.1% to 3%)
- Unit costs up moderately (3.1% to 6%)
- Unit costs up significantly (6.1% to 10%)
- Unit costs up very significantly (>10%)

%
%
%
%
%
%

^s of the main or most important product in terms of sales.

Values should add up to 100%.

Financial Markets play an important role in the Indian economy. The study and analysis of financial markets require high quality data, research, and insights to engage in the debate and influence policymakers, institutions, and other stakeholders. In this context, the Misra Centre for Financial Markets and Economy, set up at IIMA, is a Centre of excellence, conducting research on the financial markets and economy in India. This Centre provides the impetus for focused research, teaching, and knowledge dissemination on contemporary issues related to financial markets within the overall economic framework.

About IIMA

The Indian Institute of Management Ahmedabad (IIMA) is a premier, global management Institute that is at the forefront of promoting excellence in the field of management education. Over the 60 years of its existence, it has been acknowledged for its exemplary contributions to scholarship, practice and policy through its distinctive teaching, high-quality research, nurturing future leaders, supporting industry, government, social enterprise and creating a progressive impact on society.

IIMA was founded as an innovative initiative by the Government, industry, and international academia in 1961. Since then, it has been consolidating its global footprint and today it has a network with over 80 top international institutions and a presence in Dubai. Its eminent faculty members and more than 40,000 alumni, who are at the helm of influential positions in all walks of life also contribute to its global recognition.

Over the years, IIMA's academically superior, market-driven, and socially impactful programmes, have earned high reputation and acclaim globally. It became the first Indian institution to receive international accreditation from EQUIS. The institute also is placed first in the Government of India's National Institutional Ranking Framework (NIRF), India Rankings 2023. The Institute has been ranked number 1 in India, number 2 in Asia and the 35th, globally, in the Financial Times (FT) Executive Education Rankings 2023. The renowned flagship two-year Post Graduate Programme in Management (PGP) is ranked 26th in the FT Masters in Management Ranking 2021 and the one-year Post Graduate Programme in Management for Executives (PGPX) has been ranked 62nd in the FT Global MBA rankings 2022.

IIMA offers consultancy services and more than 200 curated executive education programmes in customized, blended, and open enrolment formats for a diverse audience comprising business leaders, policymakers, industry professionals, academicians, government officials, armed forces personnel, agri-business and other niche sector specialists and entrepreneurs. To know more about IIMA, please visit: <https://www.iima.ac.in/>

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