



Key Macro Highlights

- The central government announced a Rs 1.70 tn Relief Package under Pradhan Mantri Garib Kalyan Yojana for the poor amid the nationwide lockdown.
- The RBI on March 27, 2020 reduced the policy repo rate under the liquidity adjustment facility (LAF) by 75 bps to 4.40% from 5.15%.
- All Financial Institutions are permitted to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.
- Global Brent crude oil price fell to US\$ 14.85 per barrel on Mar 31, 2020 – lowest since Jun 03, 1999.
- Business activities across multiple sectors have come to a near standstill due to the nationwide lockdown.
- The BSE Sensex on March 23, 2020 recorded the biggest one-day fall of 3,934 points and closed at 25,981.
- The average exchange rate of the Rupee stood at 76.46 against the US dollar on April 09, 2020, lowest ever.
- GST revenue collections fell below the Rs 1 tn mark for the 1st time in 5 months to Rs 0.98 tn during March 2020.



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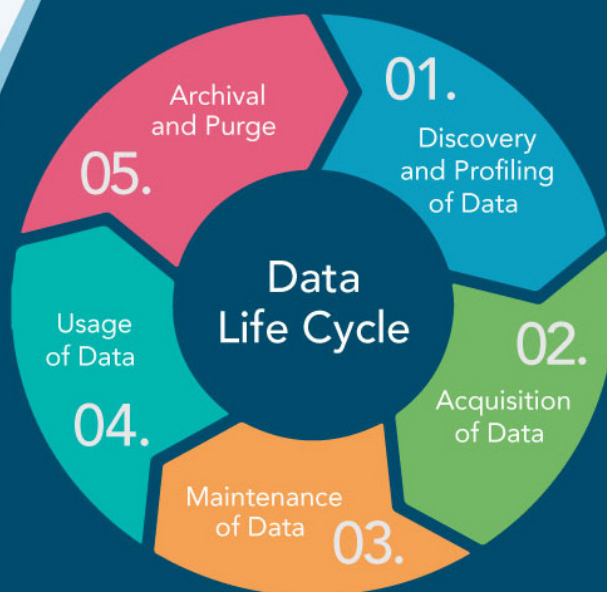
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D&B Optimism Index for India for Q2 2020

The survey for Dun & Bradstreet Business Optimism Index for Q2 2020 was conducted during the month of March 2020, when the COVID-19 outbreak was declared as a pandemic (11th March) by the World Health Organization (WHO). More than 185 countries have been affected causing governments to take unconventional measures such as lockdowns, restrictions on people movement and social distancing, severely affecting economic activities. A nation-wide lockdown was announced in India starting 25th March, bringing non-essential activities in almost all industrial and services sectors to a near halt.

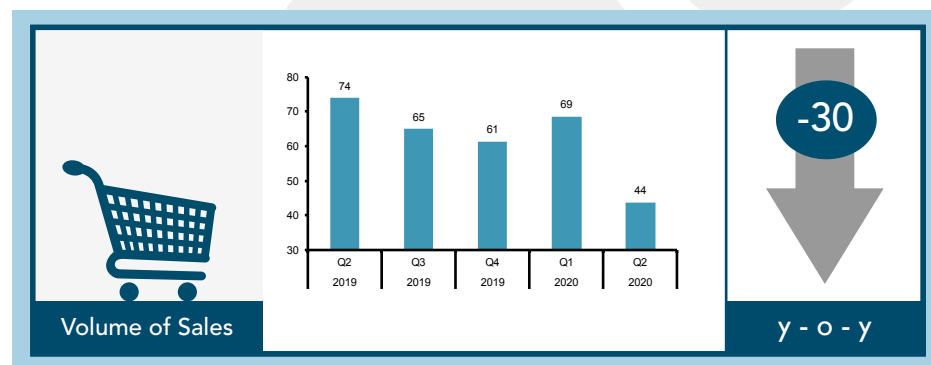
Reflecting the sharp fall in sentiment of businesses owing to the heightened uncertainty regarding the current situation, the D&B Business Optimism Index (D&B BOI) registered a record low for the period Apr - Jun 2020 (Q2 2020) declining by 37% from the year ago period. The index has dropped 7% more than it did during the 2009 financial crisis. The impact of COVID-19 started as a supply shock but has also triggered strong demand shocks and has led to the collapse of confidence levels. The ripple effects of this are evident across financial markets and the real sector. This has led to sharp fall in consumption, production and investment and increase in precautionary savings. The BOI survey revealed that businesses across the consumer non-durables sector i.e. packaged foods, beverages, toiletries, over-the-counter drugs and other consumables have reported the lowest level of optimism for new orders for the period Apr-Jun 2020. As per the survey, the overall optimism for net sales and new orders for Q2 2020 is the lowest in at least 18 years. Lock down and social distancing norms have impacted sectors such as hospitality and leisure, transportation and utilities, construction and retail (except essential goods such as groceries) and manufacturing except drugs and pharmaceuticals. Besides, lack of business continuity plans and far less access to

internet is leading to more disruptions and loss to businesses. India's overall internet density is 52 per 100 population and only around 28 per 100 rural population have access to internet. The unorganised sector, which accounts for 70% of non-agricultural enterprises in India (excl construction), are severely impacted owing to shortage of laborers, lack of funds and delay in payments.

The temporary suspension of economic activities is leading to loss of income and rise in unemployment causing depletion of savings, both for households and even for corporates as they manage to stay afloat. Given that the propensity to consume of households is expected to remain low, even beyond the period the disease is controlled, businesses will continue to face demand crunch. Indian firms will have to realign their supply chains as both domestic and external economies remain impaired, adjust to shortages of cash flows and lower demand. Optimism level for net profits amongst businesses have thus fallen to the lowest level in 11 years for the current quarter. Even as the RBI has ensured liquidity in the banking system, the deceleration in demand is expected to cause severe crunch in cashflows, increase in corporate debt levels and could even lead to large scale credit defaults and trigger bankruptcies. Given that the period of lockdown is extended till 3rd May, the impact on businesses can be severe. It is anticipated that restrictions on the states will be relaxed stage-wise depending on level of impact.

Reflecting the prevailing business sentiment, the Composite Business Optimism Index for Q2 2020 decreased by 37.0% on a y-o-y basis. Based on the responses received, on a y-o-y basis it was observed that all six optimism indices have decreased. Amongst the sectors, consumer durables sector is the least optimistic on net profits and employees and consumer non-durables on new orders while the capital goods sector is the most optimistic on volume of sales and new profits.

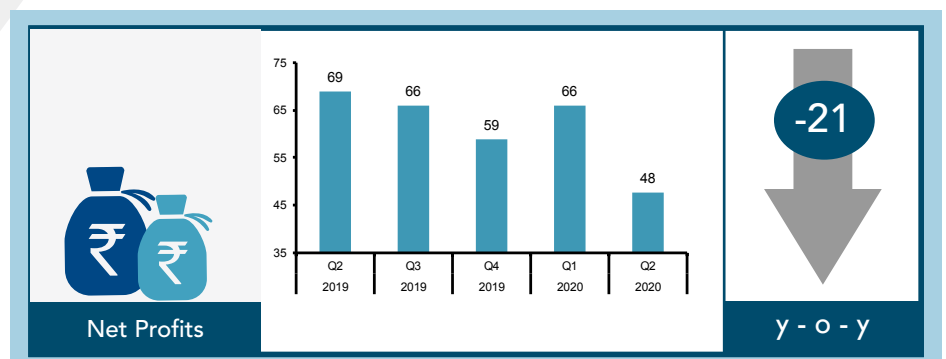
Optimism on Sub-indices



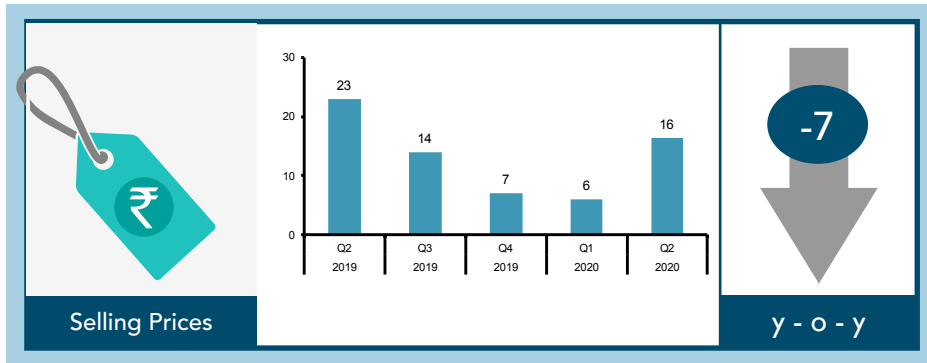
Note: All y-o-y figures are in percentage points

44% of the respondents expect volume of sales to increase in Q2 2020 compared to 74% in Q2 2019, a decrease of 30 percentage points. While 51% expect it to remain unchanged, 5% expect the volume of sales to decline. The capital goods sector is the most optimistic, while the construction sector is the least optimistic on this parameter.

48% of the respondents expect an increase in net profits in Q2 2020, compared to 69% in Q2 2019, a decrease of 21 percentage points. 38% expect net profits to remain unchanged, while 14% expect it to decrease. The capital goods sector is the most optimistic, while the consumer durable goods sector is the least optimistic on this parameter.



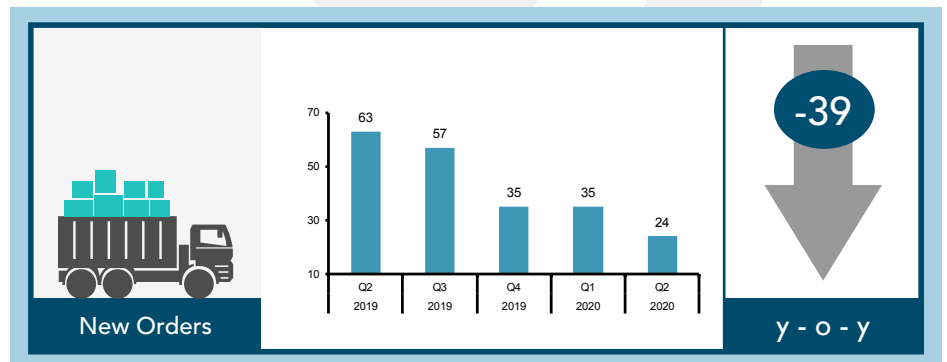
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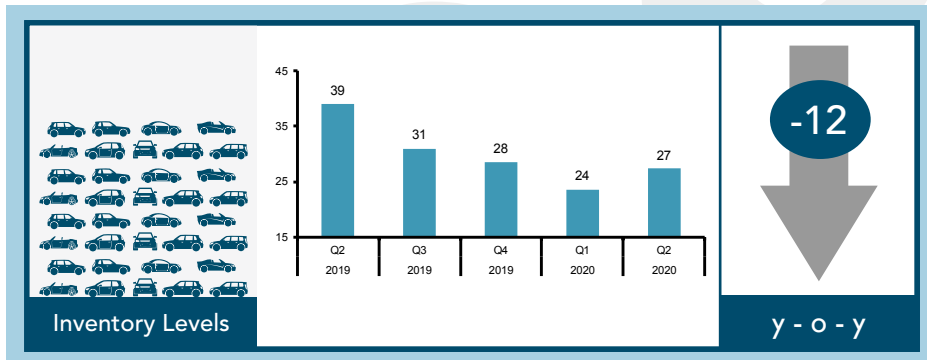
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75% of the respondents expect no change in the selling price of their products for Q2 2020. 16% of the respondents expect the selling price of their products to increase during Q2 2020, while 9% expect a decline. The construction sector is the most optimistic on this parameter, while the capital goods sector is the least optimistic.

24% of the respondents expect their order book position to improve in Q2 2020, compared to 63% in Q2 2019, a decrease of 39 percentage points. While 65% of the respondents expect new orders to remain unchanged, 11% anticipate new orders to decrease. The intermediate goods sector is the most optimistic, while the consumer non-durable goods sector is the least optimistic.



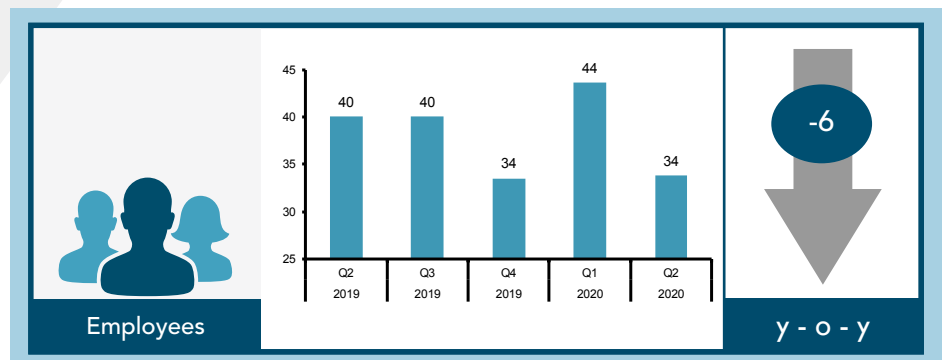
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27% of the respondents expect their inventory level to increase during Q2 2020, as compared to 39% in Q2 2019. While 60% anticipate no change in inventory level, 13% expect inventory level to decline. The construction sector is the most optimistic on this parameter.

Around 34% of the respondents expect an increase in the size of their workforce employed during Q2 2020 compared to 40% in Q2 2019, a decrease of 10 percentage points. While around 54% anticipate no change in the number of employees, around 12% expect their workforce size to decline. The construction sector is the most optimistic on this parameter.



Note: All y-o-y figures are in percentage points



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The D&B Optimism Index is recognised as a product, which measures the pulse of the business community and serves as a reliable benchmark for investors. Over time, this index has emerged as a leading indicator of turning points in economic activity.

Methodology

For the purpose of conducting the survey, a sample of companies belonging to basic goods, capital goods, intermediate goods, consumer durables, consumer nondurables, construction and the services sectors is selected at random from Dun & Bradstreet's commercial credit information file. The sample selected is a microcosmic representation of India's business community. All the respondents in the survey are asked six standard questions regarding their expectations as to whether the following critical parameters pertaining to their respective companies will register an increase, decline or show no change in the ensuing quarter as compared to the same quarter in the prior year: Volume of Sales, Net Profits, Selling Prices, New Orders Inventories and Employees. The individual indices are then calculated by the percentage of respondents expecting an increase.

Composite Business Optimism Index

Dun & Bradstreet introduced the Composite Business Optimism Index from Q4 2002. The purpose of the Composite Business Optimism Index is to capture the aggregate behaviour of all the individual indices except inventory. Each of the five parameters has a weight assigned to it. For calculating the Composite Business Optimism Index, the positive responses for each of five parameters for the period under review are expressed as a proportion of positive responses in the revised base period (2011). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite Business Optimism Index. For the purpose of the survey, Q1 is the period between January and March, Q2 is the period between April and June, Q3 is the period between July and September and Q4 is the period between October and December each year. We trust that you will find the D&B Optimism Index as a useful tool in your day-to-day decision making. Please do give us your feedback in this regard.

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CIN : U74140MH1997PTC107813

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