

Business Optimism Index **increased by 7.4% (q-o-q) and by 57% (y-o-y)**



Business Optimism Index stands at **96.6, highest since Q3 2011**



Optimism for **hiring workforce** is the **highest since Q3 2011**



Optimism for **selling price** is the **highest since Q2 2021**



Optimism for **net profits** is the **highest in 5 quarters**







Consumer non-durables sector is the most optimistic on volume of sales



Key Macro Highlights

-  Fiscal Deficit in April 2021-Feb 2022 is at 82.7% of the revised Budget Target on account of buoyant Tax Collection
-  7.12 crore E-Way Bills were generated in March 2021, the highest in the last three years
-  Merchandise exports were US\$ 40.38 billion in March 2022, which in value terms is an all time monthly high
-  GST collection touched an all-time high of INR 1.42 trillion in March 2022

-  Monthly oil price at US\$ 117.25/barrel (Europe Brent Spot Price FOB) is the highest since February 2012
-  In March 2022, retail inflation was at a 17-month high and wholesale inflation touched the second highest level in the current data series (2012)
-  Growth in consumer durables sector fell by 5.5% y-o-y in February 2022, lowest since February 2021
-  FPI net investments in March 2022 saw an outflow of US\$ 6.56 billion

D&B Optimism Index for India for Q2 2022

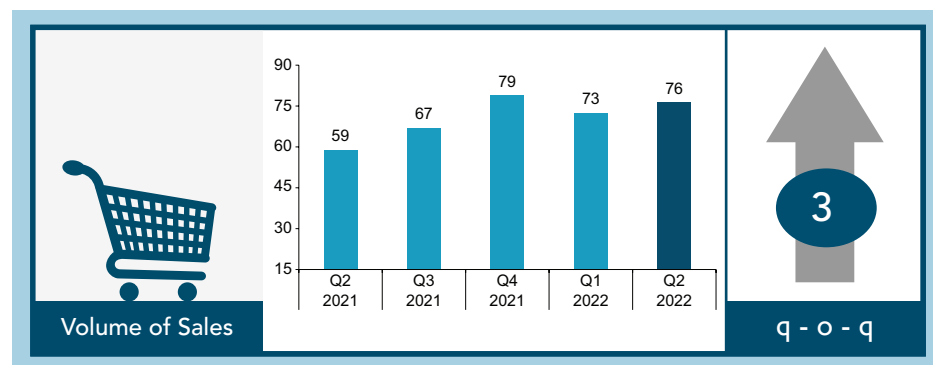
The survey for Dun & Bradstreet Business Optimism Index (BOI) was conducted during the month of March 2022 when Russia's invasion of Ukraine intensified uncertainty in the world economy, added to woes in the global financial markets, a breakdown in supply chains, inaccessibility of critical raw materials and consequent commodity market mayhem. Amidst the heightened geopolitical uncertainty, optimism of firms in India for Q2 2022 surged to the highest level in 11 years. While external shocks and rising inflationary pressures were expected to dampen the optimism level of businesses, some positive developments in the domestic economy might have helped to uplift the confidence levels of businesses to the highest level in the last 44 quarters.

Optimism levels might have increased as resumption in business activity gathered a strong foothold post the 3rd wave with mobility gaining above pre-Covid levels. Both GST collections and exports were at an all-time high in March 2022 when the survey was conducted. Demand conditions also remained resilient. e-way bills which records inter-state and intra-state movement of goods surged to 48-month high. Credit growth to industries picked up significantly in March indicating traction in economic activity. Credit to industries grew by double digits (12.5%) in Feb 2022 compared to 2% by September 2022 and -0.24% in the year ago period. Contrary to expectations that firm level profitability would be impacted by the negative spillovers from the geo-political risk, our survey reveals that firms are confident of recording high profits. Optimism level for net profit of firms recorded the highest level in five quarters for Q2 2022 Besides, given the buoyancy in the economic activity, firms are likely to hire at an increased pace as their optimism for hiring workforce is also at a 11-year high.

Strong recovery in exports in FY22, after falling at the steepest pace during the pandemic in the last two decades, have also supported the confidence level of businesses. The momentum in export growth to be reinforced by India's Free Trade Agreements (FTAs) signed with UAE and Australia in 2022, and the other agreements that are in pipeline, with UK (in 2022) and European countries. Nonetheless, risk remains elevated. Optimism for selling price is the highest since Q2 2012 indicating retail prices to gain further momentum. The protracted geopolitical tension and the consequent retaliatory sanctions on Russia besides supply chain disruptions are likely to set back global growth recovery and might impart tepidness to the business optimism levels going ahead.

Reflecting the prevailing business sentiment, the Composite Business Optimism Index for Q2 2022 increased by 7.4% on a q-o-q basis. Based on the responses received, on a q-o-q basis it was observed that all the six optimism indices have increased. Amongst the sectors, the basic goods sector is the most optimistic on net profit and increasing workforce size.

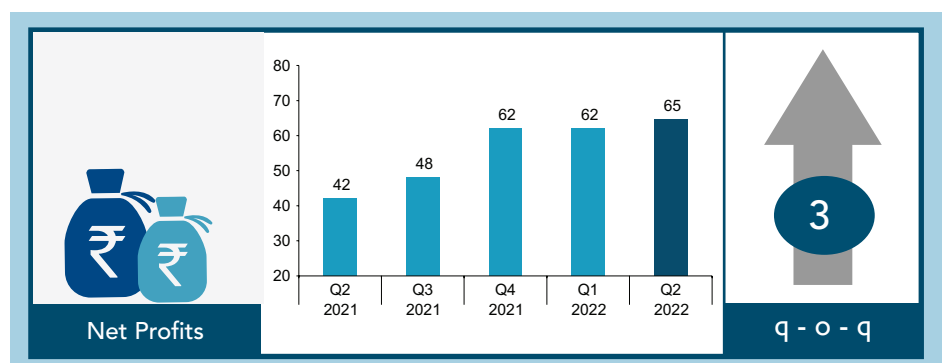
Optimism on Sub-indices



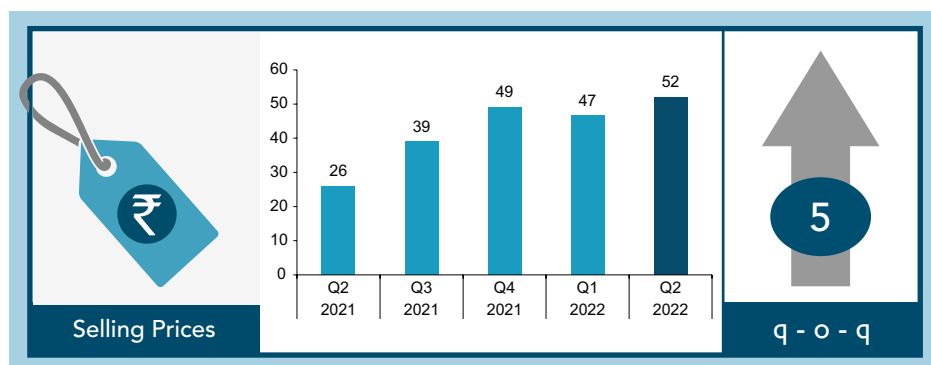
Note: All q-o-q figures are in percentage points

Around 76% of the respondents expect volume of sales to increase in Q2 2022 compared to 73% in Q1 2022, an increase of 3 percentage points. While around 19% expect it to remain unchanged, 5% expect the volume of sales to decline. The consumer non-durable goods sector is the most optimistic, while the intermediate goods sector is the least optimistic on this parameter.

65% of the respondents expect an increase in net profits in Q2 2022, more than the expectations of 62% in Q1 2022. 24% expect net profits to remain unchanged, while 11% expect it to decrease. The basic goods sector is the most optimistic, while the capital goods sector is the least optimistic on this parameter.



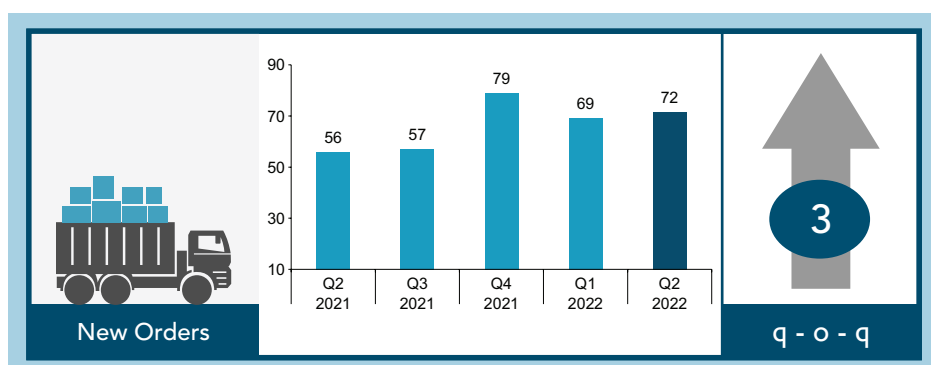
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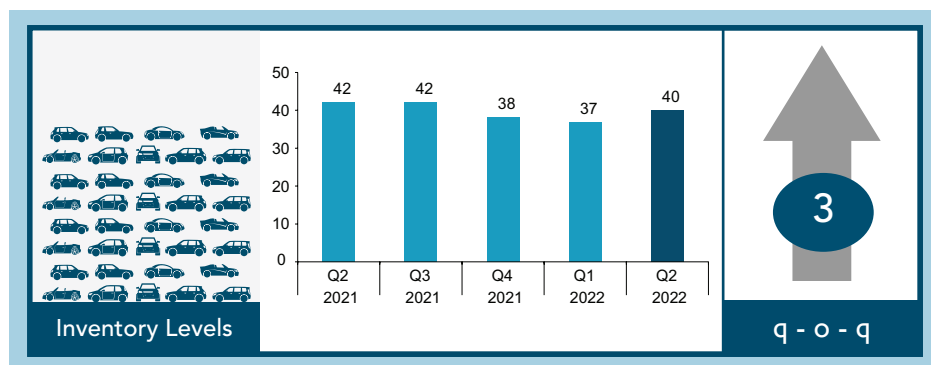
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41% of the respondents expect no change in the selling price of their products in Q2 2022. 52% of the respondents expect the selling price of their products to increase during Q2 2022, while 7% expect a decline. The capital goods sector is the most optimistic on this parameter, while intermediate goods sector is the least optimistic.

72% of the respondents expect their order book position to improve in Q2 2022, compared to 69% in Q1 2022, a decrease of 3 percentage points. While 22% of the respondents expect new orders to remain unchanged, only 6% anticipate new orders to decrease. The consumer non-durable sector is the most optimistic, while the capital goods sector is the least optimistic.



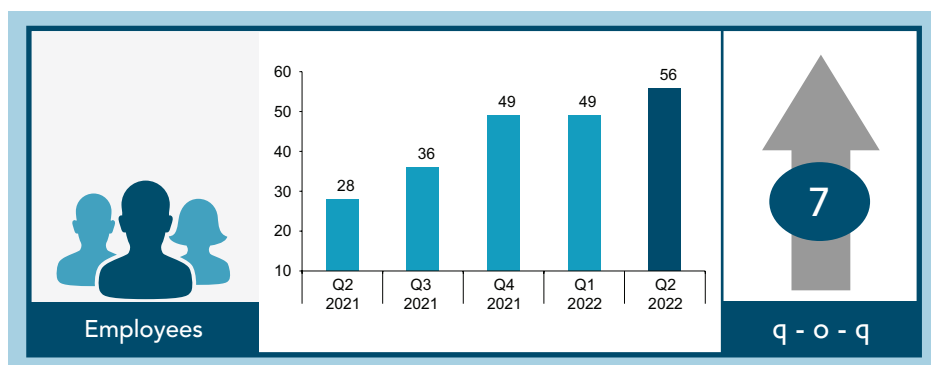
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40% of the respondents expect their inventory level to increase during Q2 2022, compared to 37% in Q1 2022, an increase of 3 percentage point. While another 46% anticipate no change in inventory level, 14% expect inventory level to decline. The basic goods sector is the least optimistic (more respondents expect rise in inventory) on this parameter while the capital goods sector is the most optimistic.

56% of the respondents expect an increase in the size of their workforce employed during Q2 2022, which is 7 percentage points higher than Q1 2022. While 39% anticipate no change in the number of employees, 5% expect their workforce size to decline. The basic goods sector is the most optimistic on this parameter and the construction sector is least optimistic.



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

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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