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D&B Business Optimism Index

India | Q3 2023

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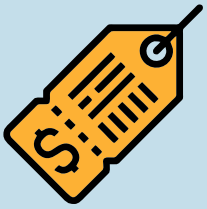
Business Optimism Index increased by 0.2% (y-o-y)



Business Optimism Index stands at **70.0**



Optimism for **order book position** stands **15 percentage points higher** than Q3 2022



Optimism for level of **selling prices** is **lowest in 9 Quarters**



Capital goods sector is the **most optimistic** on **volume of net sales**



Consumer Non-durables sector is the **least optimistic** on **net profits** after taxes

Key Macro Highlights

- International Monetary Fund revises India's growth rate for FY 24 to 6.1%, an upward movement of 20 basis points.
- The Wholesale Price Index is witnessing deflationary trend for last four months, with value of negative 1.36% (y-o-y) in July 2023.
- India's Overall Trade Deficit narrowed to $28.26 billion in April-July 2023 experiencing decline by 39.5% compared to the same period in the previous year.
- India' GST collections continue to remain robust with an uptick of 11% (y-o-y) to ₹1.65 Lakh Crore in July 2023.
- Retail Inflation rose to 15-month high of 7.44% in July 2023, due to surge in food prices.
- Index of Industrial Production (IIP) growth has slowed down to 3.7% in June 2023 against 12.6% growth registered in the same period last year, owing to lagging manufacturing sector.
- Merchandise exports in India recorded contraction of 15.9% to $32.25 Billion in July 2023 (y-o-y) for sixth consecutive month.
- According to the Controller General of Accounts (CGA), India's corporate tax collections declined by 28% in June 2023 compared to same period last year.

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D&B Optimism Index for India for Q3 2023

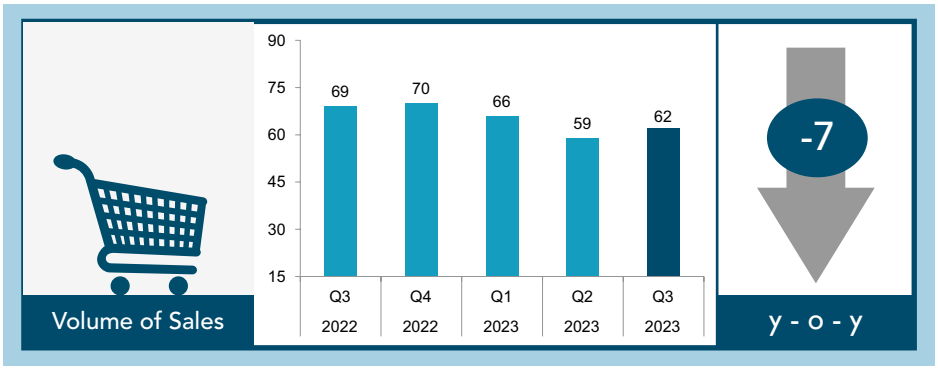
The Dun & Bradstreet Business Optimism Index (BOI) survey was conducted during the month of June which started off with the Indian economy maintaining its growth trajectory despite pronounced recession in advanced economies of Europe, the US, China and several other economies. Despite the sluggish external demand due to factors related to global economy, the domestic economy remained cushioned with resilient domestic demand. The same was reflected in 11% year-on-year surge in GST collections for the month of July 2023. The capacity creation in the country also remained strong with the expansion in gross fixed capital formation. In a respite to businesses, the sustained decrease in input costs resulted in WPI movement towards negative territory while business sentiments among producers stayed upbeat. However, businesses remain cautiously optimistic for next quarter as onset of monsoon season and subsequent potential disruptions in supply-chain could add up to the volatilities in consumer prices.

According to the survey, business optimism has come out marginally positive in Q3 2023 compared to same period last year, mainly due to stronger than expected investments and resilience in consumer demand. The sentiment for orderbook expansion by remained sizeably higher by 15 percentage points compared to Q3 2022.

Despite tighter monetary environments, firms have so far not succumbed to pressure of passing on the cost burden to consumer. This has led to optimism for level of selling prices falling to 9 Quarter low in Q3 2023 (y-o-y). The survey also indicates that firms are relatively optimistic about higher profitability and reduced inventory levels, further benefitting from lower commodity prices and seamless availability due to improvements in supply chain. However, export export-oriented sectors appear vulnerable as the demand from overseas still depressed. The relatively moderate performance of India Inc., reflected by subdued corporate earning has lowered the confidence for fresh hirings. Labor market sluggishness has also added to the dwindling confidence for expansion of employee base.

On a sequential quarter-on-quarter basis, the business optimism has come subdued. Despite the relative resilience, there are existent vulnerabilities within the economy due to persistently high interest rates affecting business confidence across sectors. Further, a somber monsoon-period demand outlook and central bank maintaining hawkish stance continue to pose challenges in near term. The overall economy appears to be at inflection point, where next set of macroeconomic data should be setting up the mood of businesses and their subsequent performances in upcoming quarter.

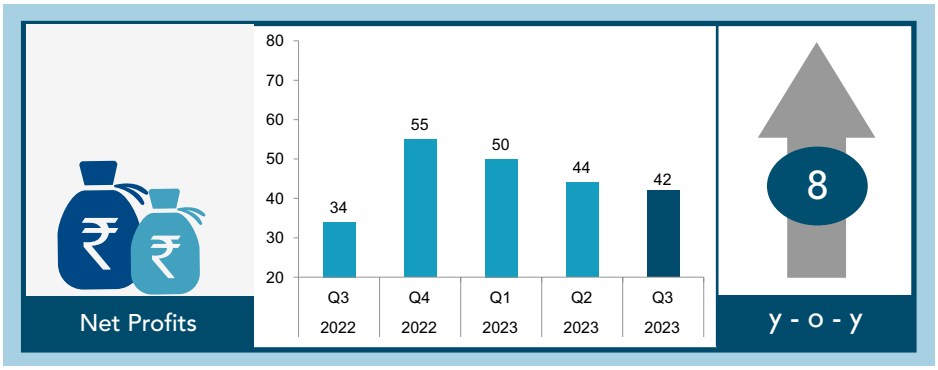
Optimism on Sub-indices



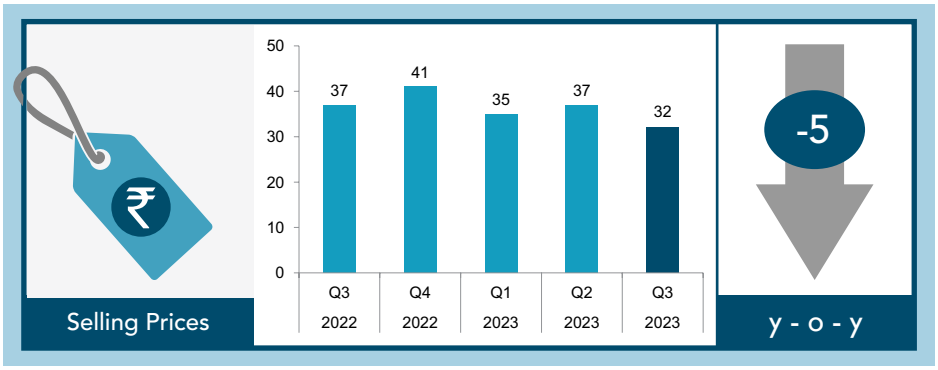
Note: All q-o-q figures are in percentage points

62% of the respondents expect volume of sales to increase in Q3 2023 compared to 69% in Q3 2022, a decrease of 7 percentage points. While 28% expect it to remain unchanged, 10% expect the volume of sales to decline. Capital goods sector is the most optimistic, while the Intermediate goods sector is the least optimistic on this parameter.

42% of the respondents expect an increase in net profits in Q3 2023 compared to 34% in Q3 2022, an increase of 8 percentage points. 47% expect net profits to remain unchanged, while 11% expect it to decrease. The basic goods sector is the most optimistic, while the consumer non-durables sector is the least optimistic on this parameter.



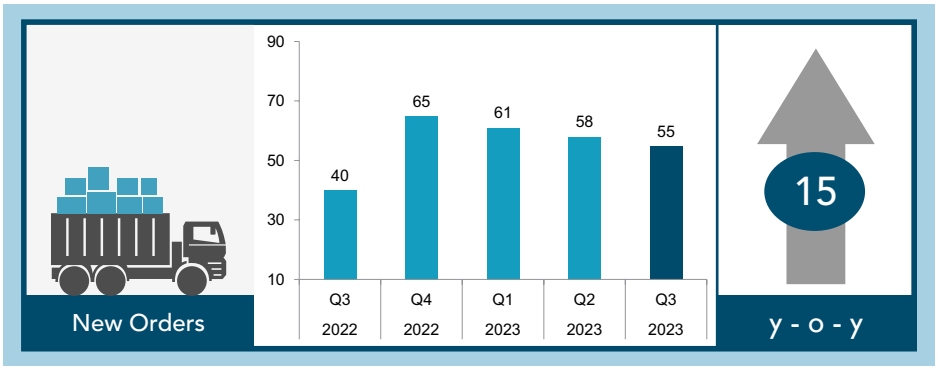
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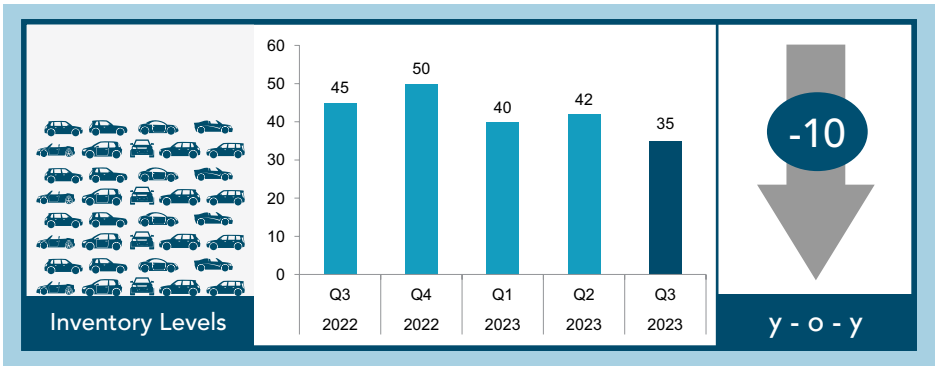
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32% of the respondents expect the selling price of their products to increase during Q3 2023, registering a decline of 5 percentage points compared to Q3 2022. 56% of the respondents expect no change while 12% expect a decline in the selling price of their products in Q3 2023.The intermediate goods sector is the most optimistic on this parameter, while the consumer durables sector is the least optimistic.

55% of the respondents expect their order book position to improve in Q3 2023, compared to 40% in Q3 2022, an increase of 15 percentage points. While 38% of the respondents expect new orders to remain unchanged, 7% anticipate new orders to decrease. Basic goods sector is the most optimistic, while the consumer non-durable goods sector is the least optimistic.



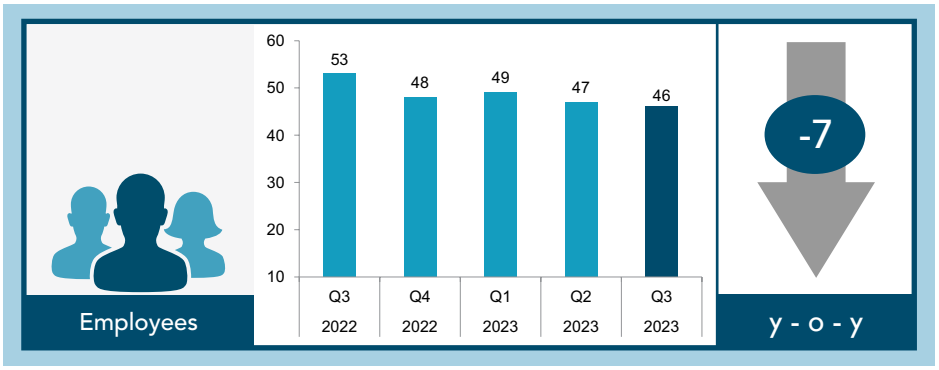
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35% of the respondents expect their inventory level to increase during Q3 2023, registering decline of 10 percentage points with respect to Q3 2022. While 50% anticipate no change in inventory level, 15% expect inventory level to decline. Basic goods sector is the most optimistic on this parameter, while the construction sector is the least optimistic.

46% of the respondents expect an increase in the size of their workforce employed during Q3 2023 compared to 53% in Q3 2022. While 47% anticipate no change in the number of employees, 7% expect their workforce size to decline. Services sector is the most optimistic on this parameter, while the intermediate goods sector is the 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 04 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, 01 is the period between January and March, 02 is the period between April and June, 03 is the period between July and September and 04 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.

Research Team

Dr. Arun Singh | Dipshikha Biswas | Annie Mahajan

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Send us your feedback at India@DNB.com
or write to Dr. Arun Singh at SinghArun@DNB.com

Dun & Bradstreet Information Services India Pvt Ltd
Godrej BKC, 7th floor, G-Block, Bandra Kurla Complex,
Mumbai, Maharashtra, India – 400 051
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