



## Key Macro Highlights

- ✔ Both retail and wholesale inflation have been moderating since June 2021
- ✔ Merchandise exports increased by 55% in H1 FY22 over the same period previous year
- ✔ 1080 million people vaccinated with at least one dose for Covid-19; 342 million people fully vaccinated
- ✔ Gross GST revenues higher by 23% in Sep 2021 than Sep 2020
- ⚠ Global Brent crude oil prices rose to US\$ 83.65 per barrel in Oct 21, highest in seven years
- ⚠ Recovery in manufacturing not broad based; double digit growth due to base effect
- ⚠ Eight core sectors' output grows at 7-month low of 4.4% in Sep 2021.
- ⚠ Thermal power sector at risk of increased outages due to low domestic coal production and spurt in global coal prices

## D&B Optimism Index for India for Q4 2021

The survey for Business Optimism Index (BOI) was conducted during the month of September when demand led growth along with fading pandemic risks, led to a surge in the business confidence levels to almost an eight year high. Measures taken by the government to increase FDI inflows and initiatives to boost the domestic manufacturing base along with facilitating investment clearances should have supported the optimism levels of businesses. Notably, the structural and procedural reforms in the telecom sector, expected to provide a respite to India's financially distressed telecom sector, has been a critical policy decision taken by the government at this time. India Inc. is expecting to garner support not only from the domestic demand but also from external demand. India is almost at the halfway mark in meeting the export target of US\$ 400 billion in FY22 after recording an excess of US\$ 30 bn of exports for the seventh month in a row in September 2021. Our survey shows that the optimism level of businesses in three out of six parameters, considered for the index, have increased to a multi-year high. Amongst the parameters, optimism for hiring employees is the highest, rising to a nine year high.

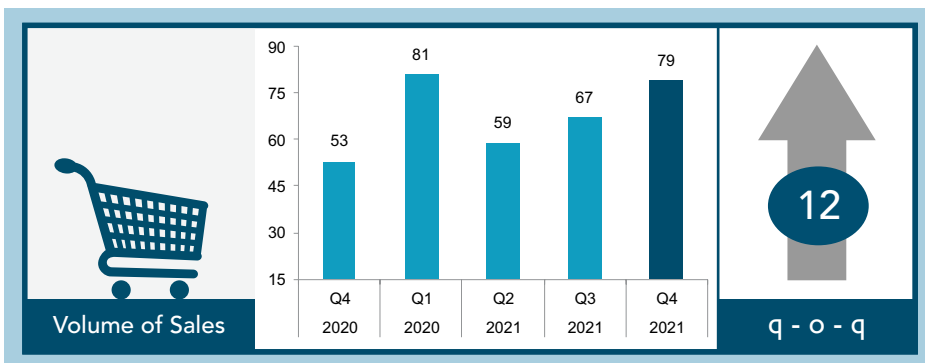
80% of the total population have received at least one dose of vaccination and 26% have been fully vaccinated. This has helped in easing the supply crunch and driving demand especially benefiting the severely impacted contact intensive services. The consumption boost, from easing restrictions, pent up and festive demand, arrears payment of dearness allowances along with improving consumer confidence levels, is evident from the optimism for new orders and sales indicated by firms in both the manufacturing and services sector. A robust agriculture output and revival in demand for workforce in factories and construction

sector seemed to have also helped in uplifting demand. The offline digital payment, to be rolled out by the RBI, will open up new opportunities for individuals and businesses, especially FMCG players.

The initiatives taken by the government to improve ease of doing business and open up market opportunities for businesses have also been instrumental in driving the optimism level of businesses. Launch of the single window system in nine states, with nine more states to be onboarded by year end asserts a strong move towards creating a conducive business environment by the government. Alongside, the step taken to withdraw the retrospective taxation which will help to ameliorate the regulatory environment for all the companies involved in investor-state disputes with India indicates the efforts taken to boost private sector investment. Businesses are also expected to gain opportunities as India is negotiating and is set to sign key trade deals with various countries including UAE (comprehensive trade agreement) and UK (FTA), Australia (an interim trade deal) besides others. Sustenance of the optimism level of businesses, however, depends on how effectively, domestic supply challenges are managed, and inflationary pressures are controlled. As prices in general are expected to go up driven by supply disruptions and rising commodity prices, both consumer spending and corporate earnings are at risk.

Reflecting the prevailing business sentiment, the Composite Business Optimism Index for Q4 2021 increased by 27% on a q-o-q basis. Based on the responses received, on a q-o-q basis it was observed that five of the six optimism indices have increased. Amongst the sectors, services and construction sectors have been the most optimistic and intermediate goods sector is the most pessimistic as per the survey.

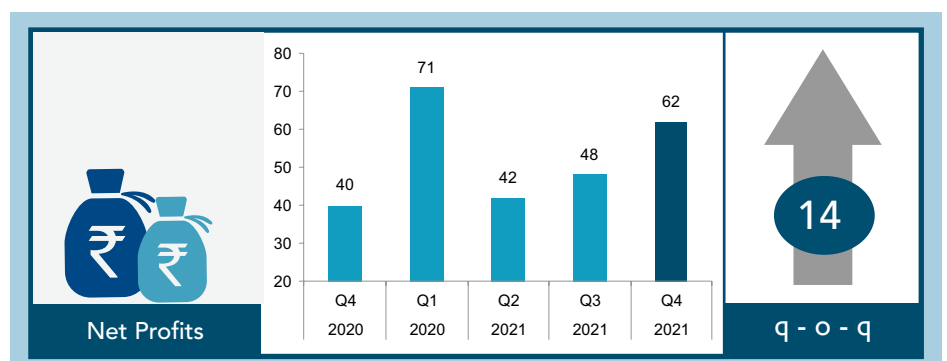
### Optimism on Sub-indices



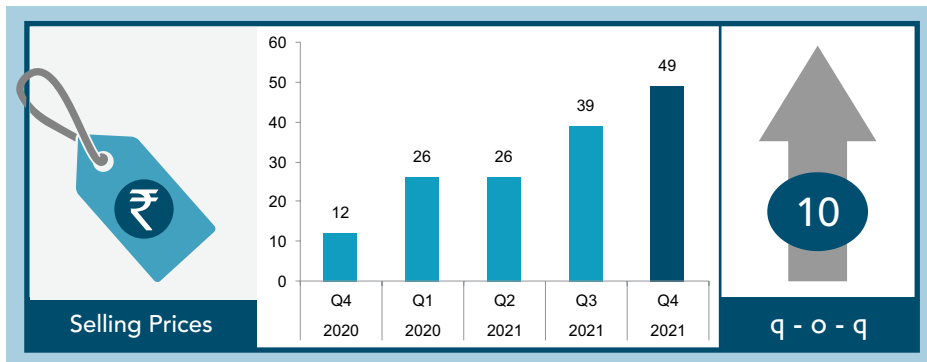
Note: All q-o-q figures are in percentage points

Around 79% of the respondents expect volume of sales to increase in Q4 2021 compared to 67% in Q3 2021, an increase of 12 percentage points. While around 15% expect it to remain unchanged, 6% expect the volume of sales to decline. The services sector is the most optimistic, while the intermediate goods sector is the least optimistic on this parameter.

62% of the respondents expect an increase in net profits in Q4 2021, compared to 48% in Q3 2021, an increase of 14 percentage points. 30% expect net profits to remain unchanged, while 8% expect it to decrease. The capital goods sector is the most optimistic, while the intermediate goods sector is the least optimistic on this parameter.



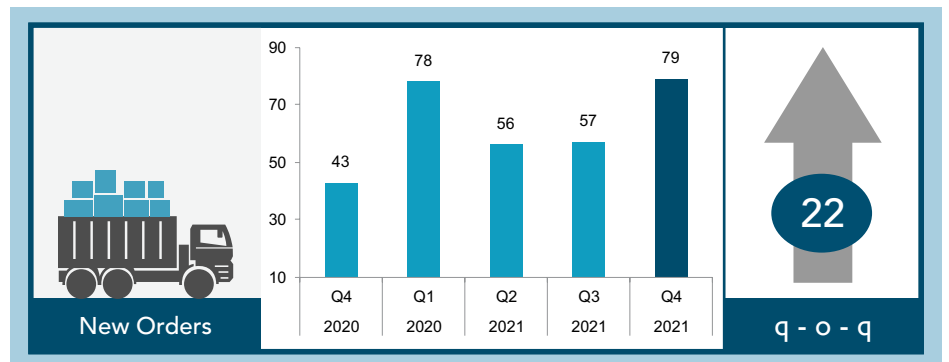
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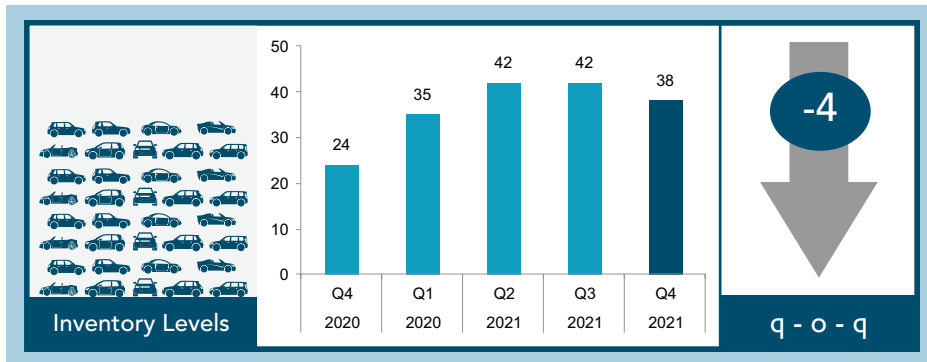
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44% of the respondents expect no change in the selling price of their products in Q4 2021. 49% of the respondents expect the selling price of their products to increase during Q4 2021, while 7% expect a decline. The construction sector is the most optimistic on this parameter, while the intermediate goods sector is the least optimistic.

79% of the respondents expect their order book position to improve in Q4 2021, compared to 57% in Q3 2021, an increase of 22 percentage points. While 20% of the respondents expect new orders to remain unchanged, only 1% anticipate new orders to decrease. The consumer durable goods sector is the most optimistic, while the intermediate goods sector is the least optimistic.



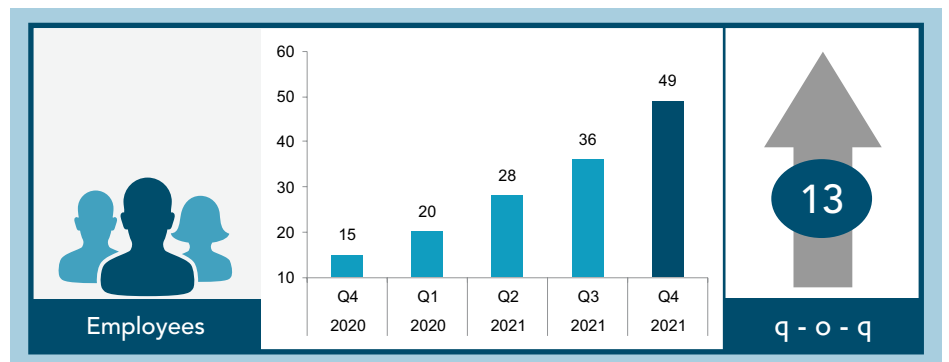
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38% of the respondents expect their inventory level to increase during Q4 2021, compared to 42% in Q3 2021, a decrease of 4 percentage points. While another 48% anticipate no change in inventory level, 14% expect inventory level to decline. The construction sector is the most optimistic on this parameter.

49% of the respondents expect an increase in the size of their workforce employed during Q4 2021 compared to 36% in Q3 2021, an increase of 13 percentage points. While 45% anticipate no change in the number of employees, 6% expect their workforce size to decline. The construction sector and services sector are the most optimistic on this parameter.



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.

## Research Team

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