

June 2021

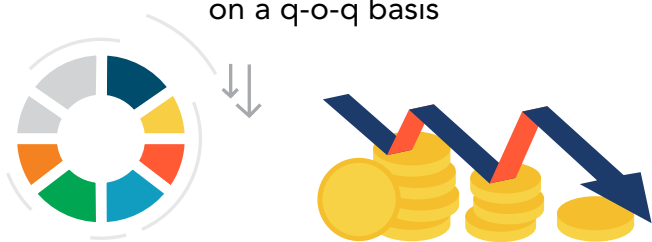
India | Q2 2021

The Composite CFO Optimism Index declined by 15.7% (q-o-q) to 102.2

Optimism levels for **financial performance of the company** and **macroeconomic scenario** declined by **13% (q-o-q)** and **20% (q-o-q)**, respectively



6/8 Six of the eight parameters under the **financial performance sub index** declined in Q2 2021 on a q-o-q basis



11% of CFOs in the **services sector** expect the level of **financial risk on company's balance sheet** to decrease in Q2 2021, lowest ever



43% of CFOs expect **domestic macro-economic scenario** to be **favourable** during Q2 2021, **lowest in 3 quarters**



44% of CFOs expect **global macro-economic scenario** to be **favourable** during Q2 2021, down from 53% in Q1 2021

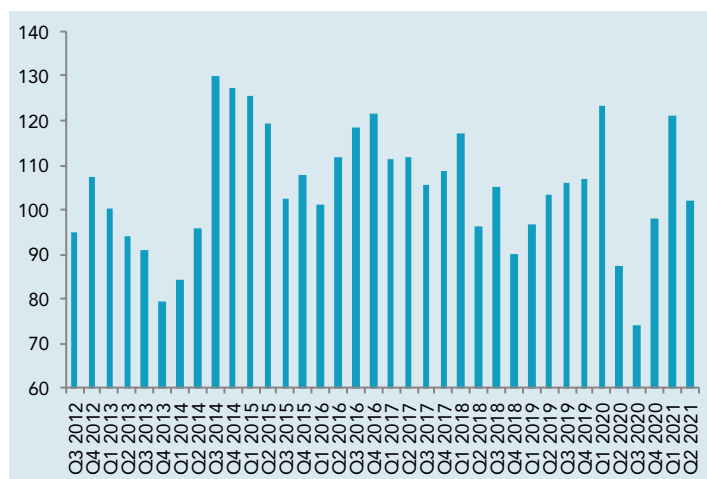


55%

of CFOs have stated **cash flow management** to be their **priority** in the next six months



CFO Optimism Index

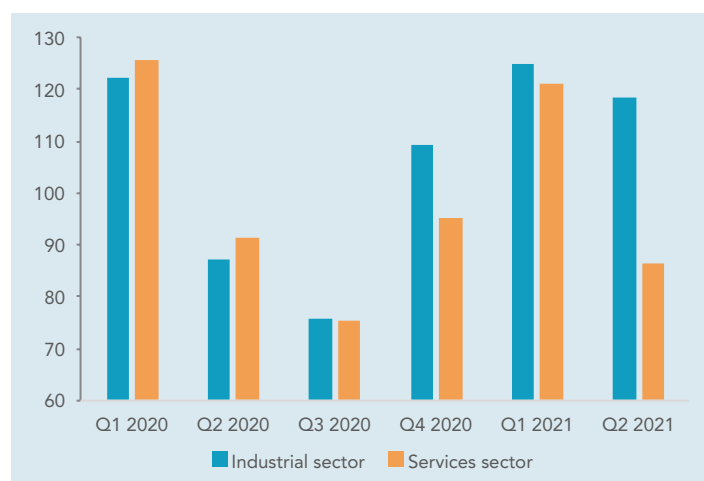


Note: Values represent index level

- The Composite CFO Optimism Index declined by 15.7%, on a q-o-q basis, to 102.2 during Q2 2021
- Optimism levels for financial performance of the company declined by 13% (q-o-q)
- Optimism level for macroeconomic scenario declined by 20.0% (q-o-q)

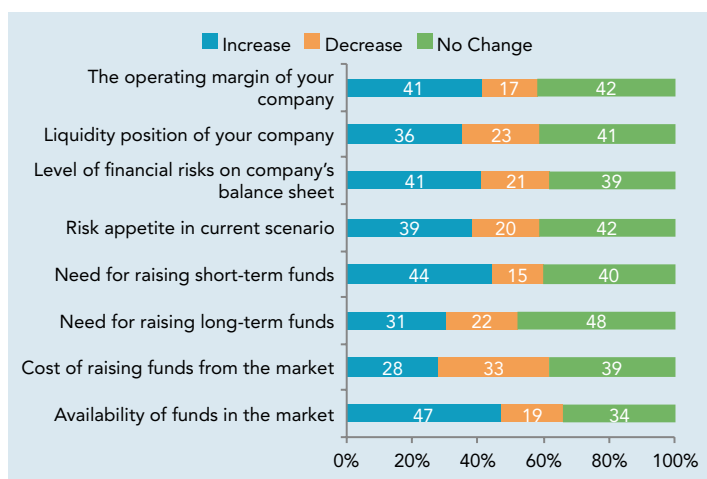
CFO optimism on a sectoral basis

- Optimism level declined by 5.2% (q-o-q) in the industrial sector and by 28.7% (q-o-q) in the services sector
- Optimism level for macroeconomic scenario declined by 5.1% (q-o-q) in the industrial sector and by 37.4% (q-o-q) in the services sector
- Optimism level for financial performance declined by 5.2% (q-o-q) in the industrial sector and by 23.1% (q-o-q) in the services sector



Note: Values represent index level

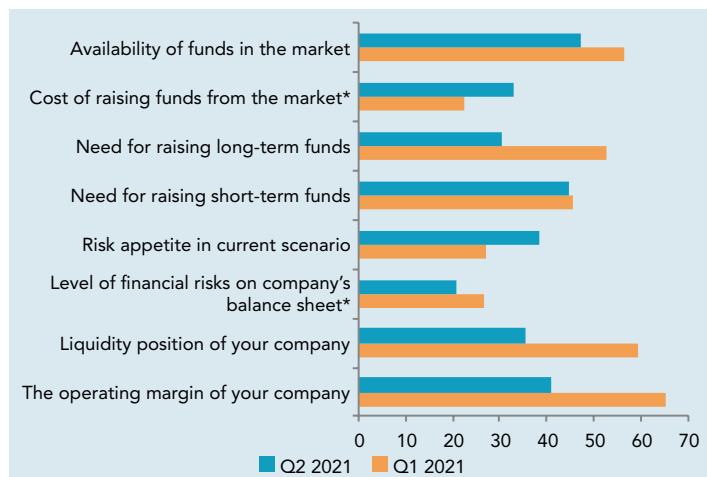
Optimism at the company level



Note: Values represent % of total responses

- Six of the eight parameters under the financial performance sub index declined in Q2 2021 on a q-o-q basis
- Percentage of CFO's who have indicated an increase in the operating margin of the company (41%) and liquidity position of their firms (36%) is the lowest in three quarters
- 39% of the CFO's are optimistic about their risk appetite in the current scenario which is the highest in since Q1 2020

Optimism at the company level



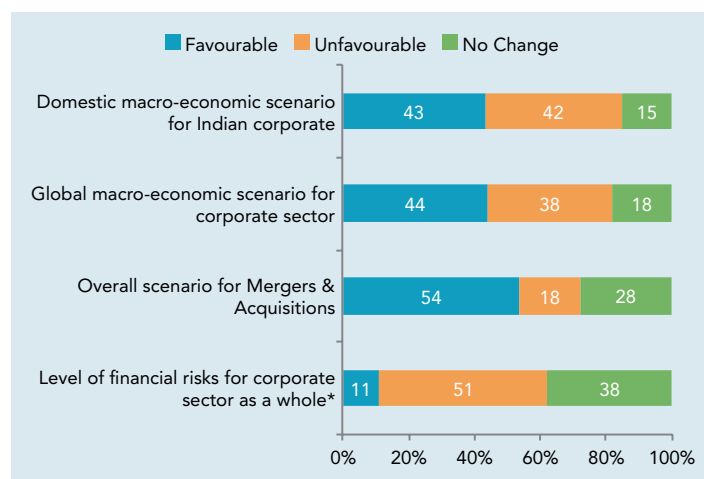
Note: % of CFOs indicating increase for the parameters

*Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- Only 11% of CFOs in the services sector expect the level of financial risk on company's balance sheet to decrease in Q2 2021, lowest ever
- 44% of CFOs in the services sector expect the risk appetite to increase in Q2 2021, highest in six quarters
- 38% of CFOs in the industrial sector expect the cost of raising funds from the market to decrease in Q2 2021 compared to 18% in Q2 2020

Optimism at the macro level

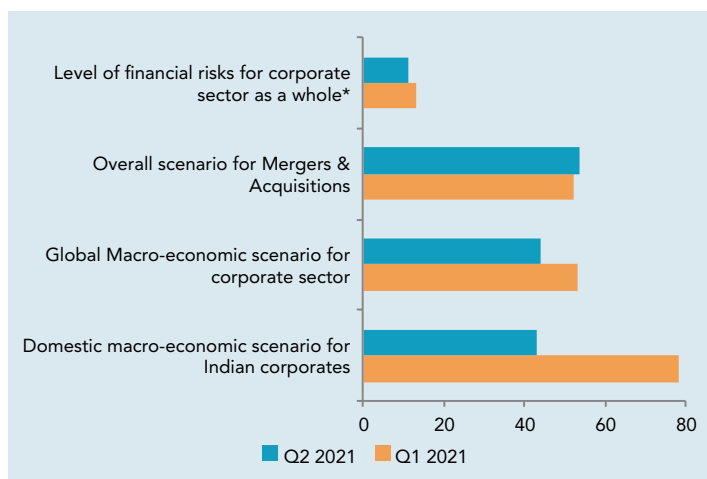
- 43% of CFOs expect domestic macro-economic scenario to be favourable during Q2 2021, down from 78% in Q1 2021
- 44% of CFOs expect global macro-economic scenario to be favourable during Q2 2021, down from 53% in Q1 2021
- 54% of CFOs expect the overall scenario for mergers & acquisitions to be favourable during Q2 2021, highest since Q3 2018
- 11% of CFOs expect the level of financial risk for the corporate sector as a whole to be favourable during Q2 2021, lowest since Q3 2018



Note: Values represent % of total responses.

*For level of financial risks for the corporate sector as a whole, unfavourable means increase

Optimism at the macro level

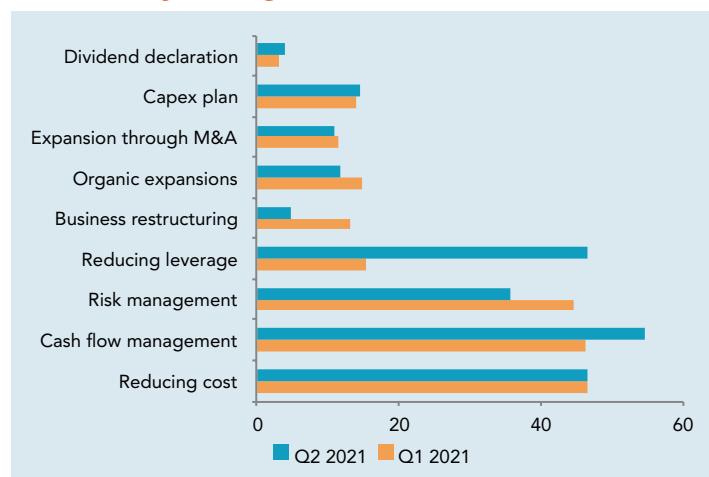


Note: % of CFOs indicating favourable for the parameters

*Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- 28% of CFOs in the services sector expect domestic macro-economic scenario to be favourable during Q2 2021, lowest in four quarters
- 50% of CFOs in the industrial sector expect the global macro-economic scenario to be favourable during Q2 2021, highest since Q1 2020
- Only 6% of CFOs in the services sector expect the level of financial risk for the corporate sector as a whole to be favorable during Q2 2021, lowest since Q3 2018

CFO Priority during the next six months

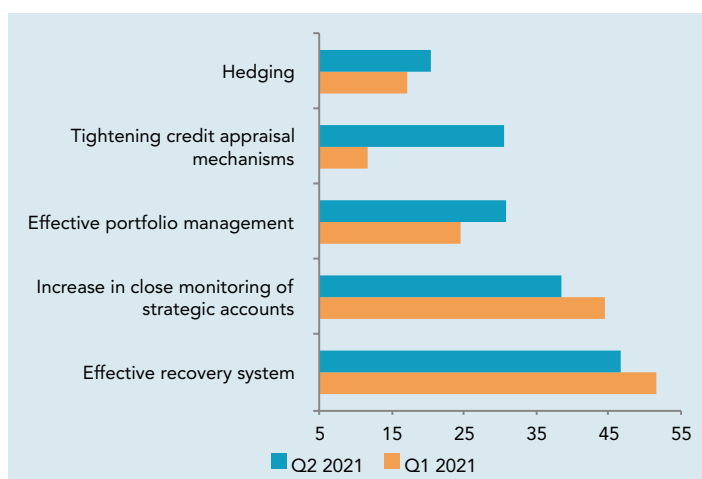


Note: % of CFOs who rated each of the parameters as their strong priority

- 55% of CFOs have stated cash flow management to be their priority in the next six months
- 47% of CFOs have stated reducing cost be their priority in the next six months
- 36% of CFOs have stated risk management to be their priority in the next six months, lowest since Q3 2020

Risk management tool to be adopted during the next six months

- 49% of CFOs in the services sector have stated effective recovery system to be their risk management tool in the next six months
- 30% of CFOs in the industrial sector have stated tightening of credit appraisal mechanism to be their risk management tool in the next six months, highest since Q3 2018
- 41% of CFOs in the industrial sector have stated increase in close monitoring of strategic accounts to be their risk management tool in the next six months



Note: % of CFOs who stated each of the risk management tools to be adopted

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The D&B CFO Optimism Index is arrived at on the basis of a quarterly survey of CFO expectations regarding the financial state of their company as well as overall macroeconomic scenario.

Methodology

For the purpose of conducting the survey, a sample of companies belonging to basic goods, capital goods, intermediate goods, consumer durables, consumer non-durables and the services sector is selected randomly 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 a set of questions regarding the financial performance of their companies and the overall macroeconomic scenario for the forthcoming period. The CFOs are asked to state their expectations as to whether the specified parameters pertaining to their respective companies and the overall macroeconomic scenario will register an increase, decrease or show no change in the ensuing quarter as compared to the same quarter in the previous year. Two broad indices, optimism at the company level and optimism at the macroeconomic level, each consisting of 8 and 4 sub-parameters respectively, are then designed.

CFO Optimism Index

Dun & Bradstreet introduced the Composite CFO Optimism Index from Q3 2013. The purpose of the Composite CFO Optimism Index is to capture the aggregate behaviour of the two broad indices. Each of the 12 parameters under the two broad indices has a weight assigned to it. For calculating the Composite CFO Optimism Index, the positive responses for each of these parameters for the period under review are expressed as a proportion of positive responses in the base period (Q2 2012). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite CFO 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 CFO Optimism Index as a useful tool in your day-to-day decision making.

Please send your feedback to Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet
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