

Business Optimism Index for India increased by 4.2% q/q in Q2 2026



The improvement in overall optimism masked sharp divergences across firm sizes, with medium sized enterprises reporting an 18.2% increase in optimism, while sentiment contracted slightly among large enterprises, 0.34% and small enterprises, 0.64%.

Business optimism regarding the global macroeconomic environment weakened by 4 percentage points q/q, signalling a pullback in sentiment amid ongoing geopolitical developments, particularly the West Asia crisis, alongside heightened policy and trade uncertainty. Despite expected medium term export gains from the FTAs, near term confidence remains muted even as domestic demand stays resilient.



Optimism on export orders fell by 13.0 percentage points q/q, indicating weaker sentiment amid persistent global tariff pressures. The decline was primarily driven by softer confidence in chemicals and food manufacturing, as well as mining and real estate.

Business optimism in automobile manufacturing is the highest across sectors at 118 in Q2 2026, reflecting a sharp rise of 7.5 points quarter on quarter, driven by strengthening demand conditions, supportive policy measures, and improving export momentum. Sentiment in the sector is supported by robust domestic sales and exports across passenger vehicles, two wheelers, and commercial vehicles during FY2025 26, aided by GST rationalisation, income tax relief, and improved financing conditions that have enhanced affordability and consumer demand. Ongoing government support under the Production Linked Incentive (PLI) Scheme for automobiles and auto components has further strengthened confidence by encouraging capacity expansion, deeper localisation of critical components, and increased investment in advanced automotive technologies, including electric vehicles.

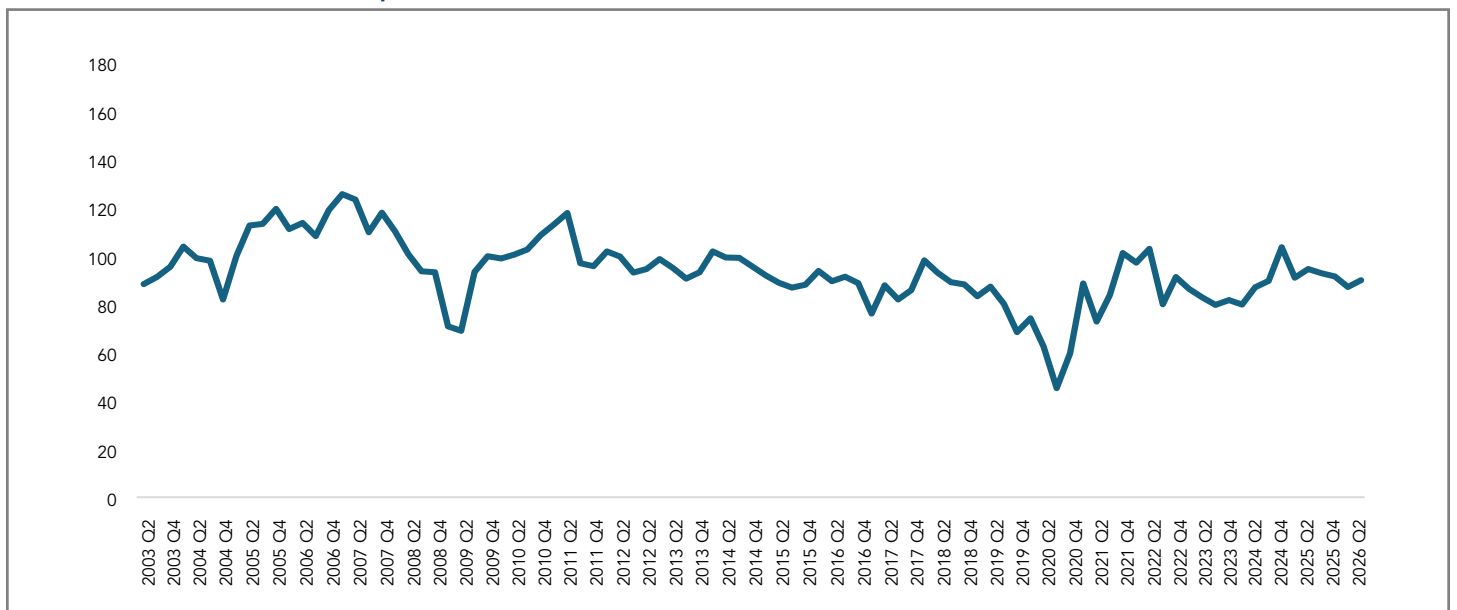


Optimism is supported by India's emergence as a global auto manufacturing and export hub under Make in India, with stronger competitiveness and rising demand from emerging markets boosting vehicle and component exports. However, sentiment remains guarded as most Indian businesses continue to cite supply chain disruptions, elevated trade protectionism, and volatile exchange rates as key operational challenges, alongside rising compliance costs associated with tighter emission and fuel efficiency norms, all of which could weigh on margins in the near term.

Key Macro Highlights

- 👍 In its April 2026 policy review, the RBI's Monetary Policy Committee unanimously held the repo rate at 5.25% and retained a neutral stance, reiterating confidence in the resilience of India's domestic growth. The central bank projected real GDP growth of 6.9% for FY27 and CPI inflation at 4.6%, reflecting a balance between steady domestic demand conditions and rising external uncertainties linked to developments in West Asia.
- 👍 Retail inflation remained comfortably within the RBI's 2-6% tolerance band, with headline CPI recorded at 3.4% year on year in March 2026. The modest uptick was largely driven by food and fuel prices, while core inflation stayed subdued, preserving policy flexibility and supporting consumer sentiment despite heightened external price pressures.
- 👍 India's industrial momentum showed resilience, with the Index of Industrial Production rising 5.2% year on year in February 2026. Growth was led by manufacturing output, which expanded by 6.0%, alongside strong performance in investment oriented segments such as capital goods and infrastructure goods, pointing to sustained support from public sector capital expenditure.
- 👍 Despite global volatility, India's exports hit a record USD 860.1 bn in FY26, driven by strong services and a late recovery in petroleum and engineering goods, sustaining external earnings despite pressure on merchandise exports.
- 👍 FPI sentiment showed early stabilisation in Q2, with Rs 22,615 crore equity inflows in Feb 2026 (highest in 17 months), supported by improved valuations, policy continuity, and better earnings visibility, partly offsetting earlier outflows.
- 👎 India's external risk profile weakened as the West Asia conflict disrupted Strait of Hormuz shipping and pushed Brent crude above USD 100/bbl in March 2026, raising inflation, current account, and cost pressures for energy-intensive sectors.
- 👎 India's merchandise exports fell 7.4% YoY in March 2026, with shipments to West Asia plunging nearly 58% due to higher freight, insurance costs, and restricted port access, hitting chemicals, electricals, and engineering goods.
- 👎 Geopolitical uncertainty put pressure on the rupee amid high oil prices and volatile capital flows, raising risks of imported inflation and margin stress for firms reliant on energy and intermediate imports.
- 👎 Industrial momentum softened, with core sector output contracting 0.4% YoY in March 2026, led by declines in fertilisers, crude oil, coal, and electricity, highlighting supply-side vulnerabilities.
- 👎 Rural risks rose after the IMD's April 2026 forecast of a below-normal monsoon (92% of LPA), the first in over a decade, raising concerns for kharif output, food inflation, and informal employment in H2 FY27.

D&B Business Optimism Indices (BOI)



Source: D&B Global Business Optimism Insights Q2 2026

D&B Optimism Index for India for Q2 2026

Hiring Recovery and Inventory Rebuild Drive Business Optimism Higher in Q2 2026

The Dun & Bradstreet Business Optimism Index (BOI) rose to 112.6 in Q2 2026, up 4.1% q/q, indicating a recovery from the weaker Q1. This improvement was primarily driven by an 18.2% increase in optimism among medium enterprises, supported by stabilising domestic demand, inventory replenishment following earlier drawdowns, and improved order book visibility. In contrast, sentiment among large firms declined marginally by -0.34% and among small enterprises by -0.64%, reflecting continued caution in capital expenditure and hiring. Large firms remained exposed to external demand uncertainty, while smaller firms faced tighter cost and credit conditions. Inventory sentiment reversed sharply, shifting from contraction in Q1 to strong expansion, consistent with stock rebuilding alongside improving manufacturing activity and resilient domestic consumption trends.

External risks remained elevated in Q2 2026 amid persistent rupee depreciation against the US dollar, volatile global capital flows, and higher crude prices, as highlighted by the RBI. While the weaker currency supported export competitiveness, it also increased import-led cost pressures, particularly for energy and intermediate inputs, with potential pass-through to production costs. Businesses flagged supply chain disruptions (69.1%), trade protectionism (65.9%), exchange rate volatility (60.5%), and tighter monetary and financial conditions (59.6%) as key risks, indicating that improvements in optimism remain selective rather than broad-based.

Employment and inventory sub-indices were key drivers of the overall improvement in BOI, supported by expansionary trends across sectors such as capital goods, automotives, wholesale and retail trade, and transportation and storage. Firms reported stronger hiring plans, inventory replenishment, and sales momentum, reflecting improved demand visibility and supply chain throughput.

Employment sentiment rose sharply by 30 percentage points q/q, indicating a clear turnaround. Hiring optimism strengthened across capital goods, automotives, transportation and storage, and wholesale and retail trade, driven by improved orders, inventory rebuilding, and firm domestic demand. However, the unemployment rate increased slightly to 5.1% in March 2026 from 4.9% in February, reflecting lagged adjustments in labour market outcomes. Strong hiring expectations also persisted in food manufacturing and accommodation and food services,

supported by resilient consumption, policy and investment-led expansion, and tourism. Inventory optimism rose by 24 percentage points, signalling active stock rebuilding amid supply and cost considerations.

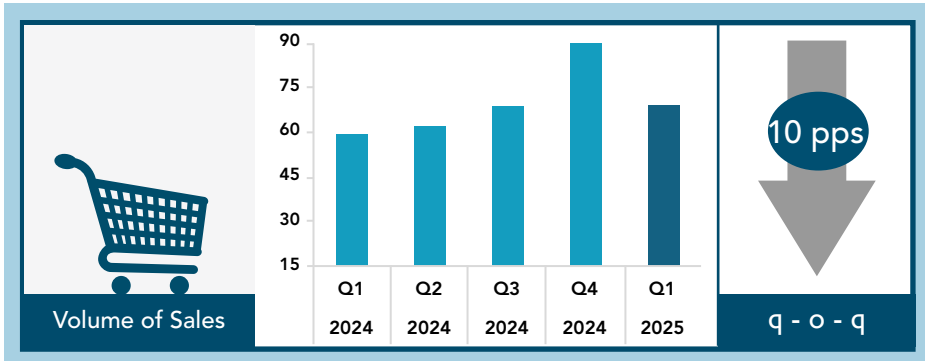
Despite the improvement in headline BOI, export order sentiment declined by 13 percentage points q/q due to weak global demand, trade uncertainty, and geopolitical risks. Export optimism was particularly weak in construction, chemicals, food manufacturing, and mining, reflecting challenges in input-intensive sectors. The construction sector recorded the lowest export optimism at 46.6 in Q2 2026, highlighting continued weakness in project-linked exports despite domestic infrastructure activity. While the US Supreme Court's February 2026 decision replacing reciprocal tariffs with a 10% surcharge improved policy clarity, supply chain disruptions and geopolitical tensions, especially from the ongoing Middle EastWest Asia conflict, continued to dampen export sentiment.

Domestic fundamentals remained broadly supportive, though near-term demand showed moderation. Monetary policy remained accommodative, with the RBI maintaining the repo rate at 5.25% after cumulative 125 bps cuts in 2025, supporting growth. Inflation stayed within the RBI's tolerance band, allowing continued focus on growth. However, domestic macro sentiment declined further to -7 in Q2 from -2 in Q1, reflecting cautious consumption and deferred discretionary spending. Industrial activity remained resilient, supported by manufacturing and infrastructure, despite slower sequential improvement. Revised GDP estimates, incorporating ASUSE, PLFS, GST, and PFMS data, indicated real GDP growth of 7.6% in FY2025-26, up from 7.1% in FY2024-25.

Survey findings reflected similar trends, with domestic economic optimism remaining relatively high at 75% despite a marginal decline. Global optimism was lower at 71% in Q2 2026, reflecting geopolitical tensions, volatile energy markets, and softer global trade amid the Middle EastWest Asia conflict. Broader sub-indices were mixed, with selling price optimism declining by 8.0 percentage points q/q, indicating weaker pricing power and a cautious profitability outlook.

Overall, business sentiment improved in Q2 2026, supported by stronger employment, inventory rebuilding, and resilient domestic fundamentals. However, the recovery remains uneven, with declining export sentiment, moderating demand, and persistent external risks suggesting that sustained optimism will depend on global stability and continued domestic demand strength.

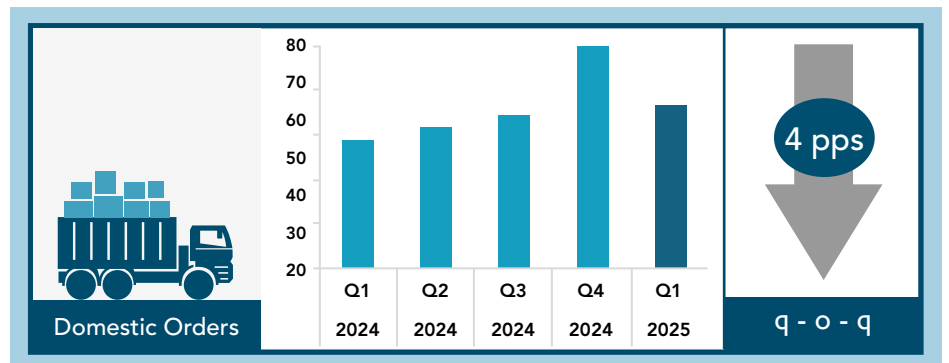
Optimism on Sub-indices



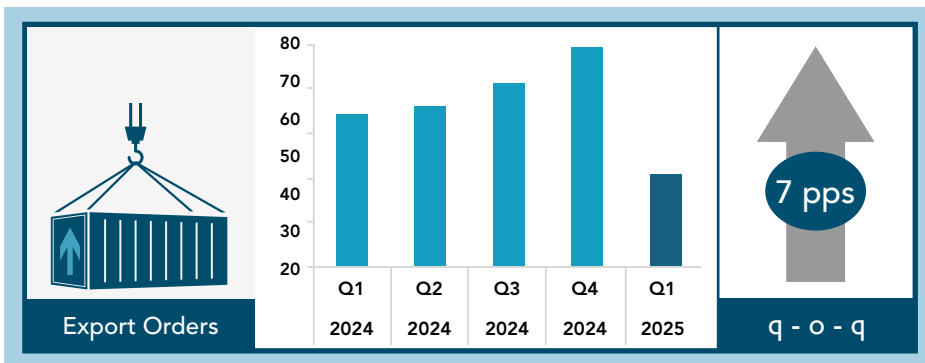
Sales-volume optimism rose to 76% in Q2 2026 from 71% in Q1 2026. Sentiment is slightly stronger year-on-year. Optimism is highest in utilities, accommodation and food services, and electricals, while automotives, transportation and storage, and manufacturing of food and chemicals, financial and insurance activities as well remain the least optimistic.

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

Domestic order optimism eased from 75% in Q1 to 68% in Q2 2026, marking a 7 point quarter on quarter decline and a 4 point year on year drop. Sentiment is strongest in financial and insurance services, information and communication, and real estate, while capital goods, textiles, metals, wholesale and retail trade are the least optimistic.



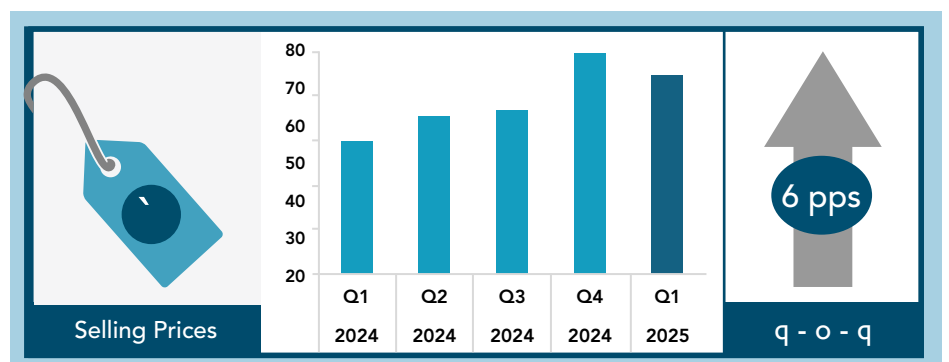
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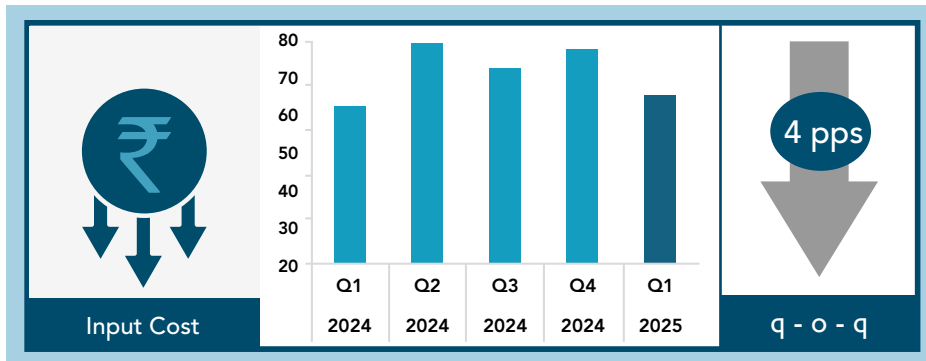
Export optimism weakened in Q2 2026, with 59% expecting higher orders (down 13 pp q/q and 10 pp y/y), reflecting softer global demand, geopolitical uncertainty, delayed FTA gains, and rising trade disruptions and currency volatility weighing on near-term export sentiment.

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

Pricing pressures continued to ease, with 67% reporting lower selling prices in Q2 2026 (down 8 pp q/q and 11 pp y/y). Price-increase optimism remained strongest in autos, hospitality and services, and food, textiles, and electrical manufacturing, while it was weakest in capital goods, BFSI, metals, and mining.



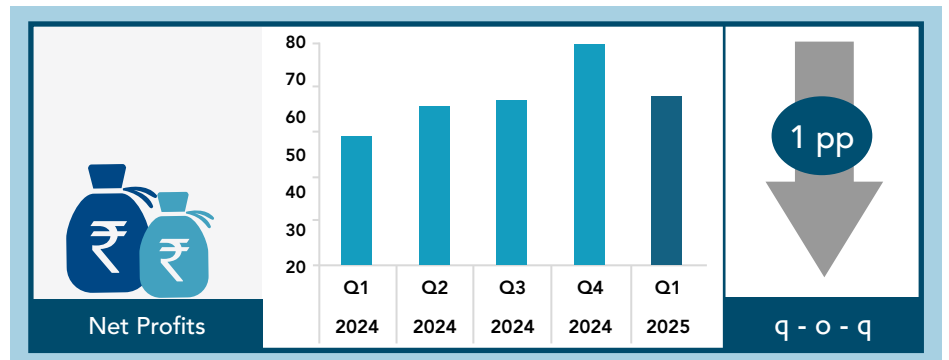
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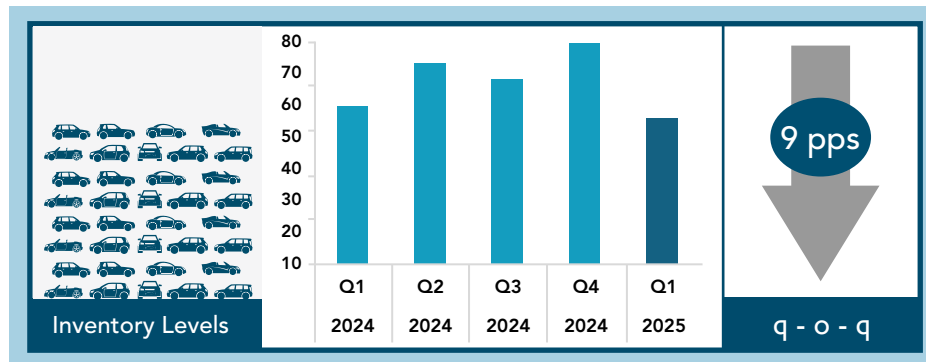
Input cost expectations stood at 56% in Q2 2026, moderating from Q1 and down 7 pp y/y, indicating overall easing cost pressures. However, concerns remain higher in capital goods, construction, and hospitality, while services sectors report relatively lower cost pressures.

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

Net profit optimism edged up to 68% in Q2 2026 (from 67% in Q1) but remains 8 pp lower y/y, indicating cautious stabilisation amid subdued inflation and steady activity. However, elevated wage pressures in skill-intensive sectors continue to weigh on sentiment. Optimism is strongest in electricals, mining, and BFSI, and weakest in textiles, chemicals, metals, food, and capital goods.



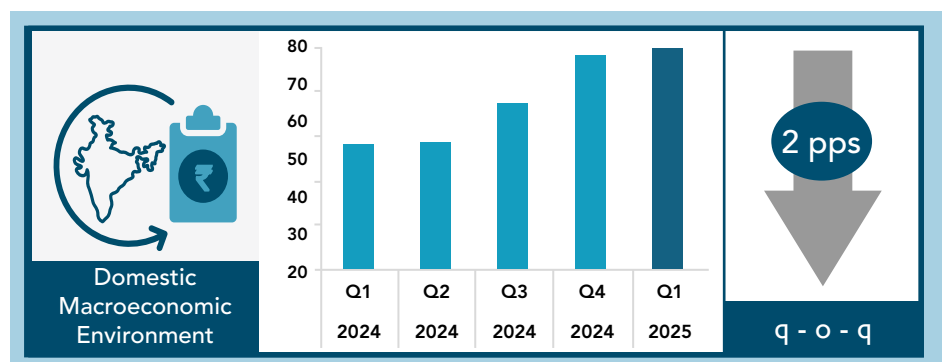
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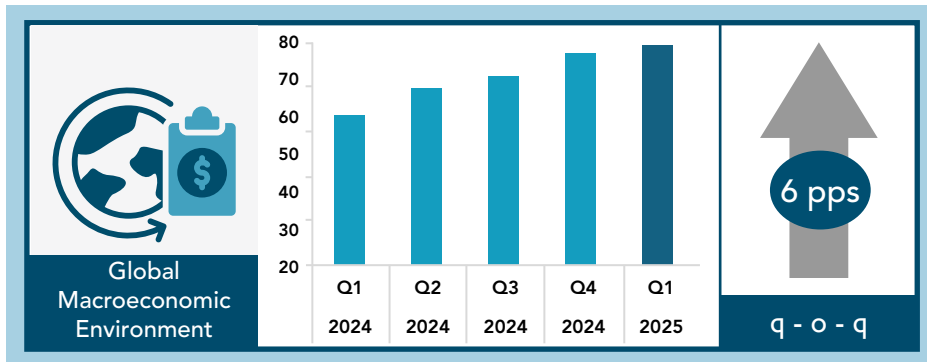
Inventory optimism rose sharply to 45% in Q2 2026 (up 24 pp q/q and 29 pp y/y), indicating partial stock normalisation and selective rebuilding amid stabilising demand, though uncertainty persists. Optimism is highest in food, metals, and logistics, and lowest in real estate, mining, and construction.

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

Domestic-macroeconomic optimism stands at 75% in Q2 2026, reflecting sharper q/q and y/y declines of 7 and 5 percentage points, respectively. Sentiment remains broadly strong, led by accommodation and food services, transportation and storage and real estate while manufacturing of metals, chemicals and manufacturing of food sector show comparatively weaker optimism.



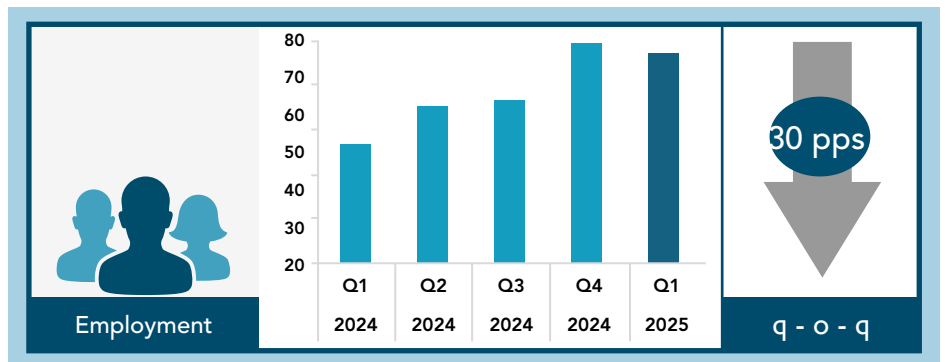
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Global optimism moderated in Q2 2026, with 71% expecting improvement (down 4 pp q/q and 12 pp y/y), reflecting rising geopolitical risks, weaker global support, and uneven FTA gains. Optimism is strongest in autos, food, and chemicals, and weaker in hospitality, BFSI, and logistics.

66% indicating higher employment levels in Q2 2026, rose sharply from 36% in Q1 2026 - a q/q gain of 30 percentage points. On a y/y basis, employment optimism has weakened, declining by 18 percentage. Optimism is strongest in manufacturing of capital goods, manufacturing of metals and automotives, while optimism is comparatively weaker in electricals manufacturing and food, and accommodation and food service activities.



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

Methodology

The Dun & Bradstreet Business Optimism Index report is a synthesis of data from a comprehensive survey, alongside insights from Dun & Bradstreet, leveraging the firm's proprietary data and economic expertise. The primary survey is conducted on a stratified random sample of around 300 businesses, across 17 sectors and across three size segments (small, medium and large businesses). A diffusion index is calculated for each parameter and normalized against base period values

(Sep-2023 to Jun-2024). An index reading above 100 indicates an improvement in optimism relative to the base period, while an index reading below 100 signifies a deterioration. The composite index at size and sector level is calculated using factor-weighted averages of the parameter-level indices. The economy-level index is a weighted average of sector-level indices by their contribution to GDP.

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