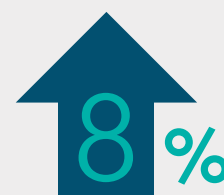


Business Optimism Index fell by 2.3% Q-o-Q.

Optimism for Domestic Macroeconomic environment

increased by 8 per centage points q-o-q

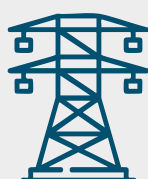


Optimism for domestic order increased by 3 per centage points

q-o-q led by accommodation, textile and transportation sectors

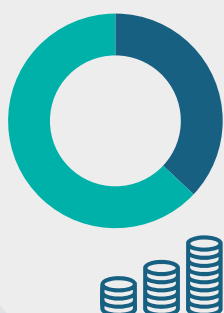
Optimism for employment fell by 15 per centage points

q-o-q led by the utility and the real estate sectors



Construction, real estate activities, utility services

were most optimistic across multiple parameters



37% businesses will prioritize domestic sales over international expansion

BOI for small businesses

increased by 17 percentage points q-o-q.

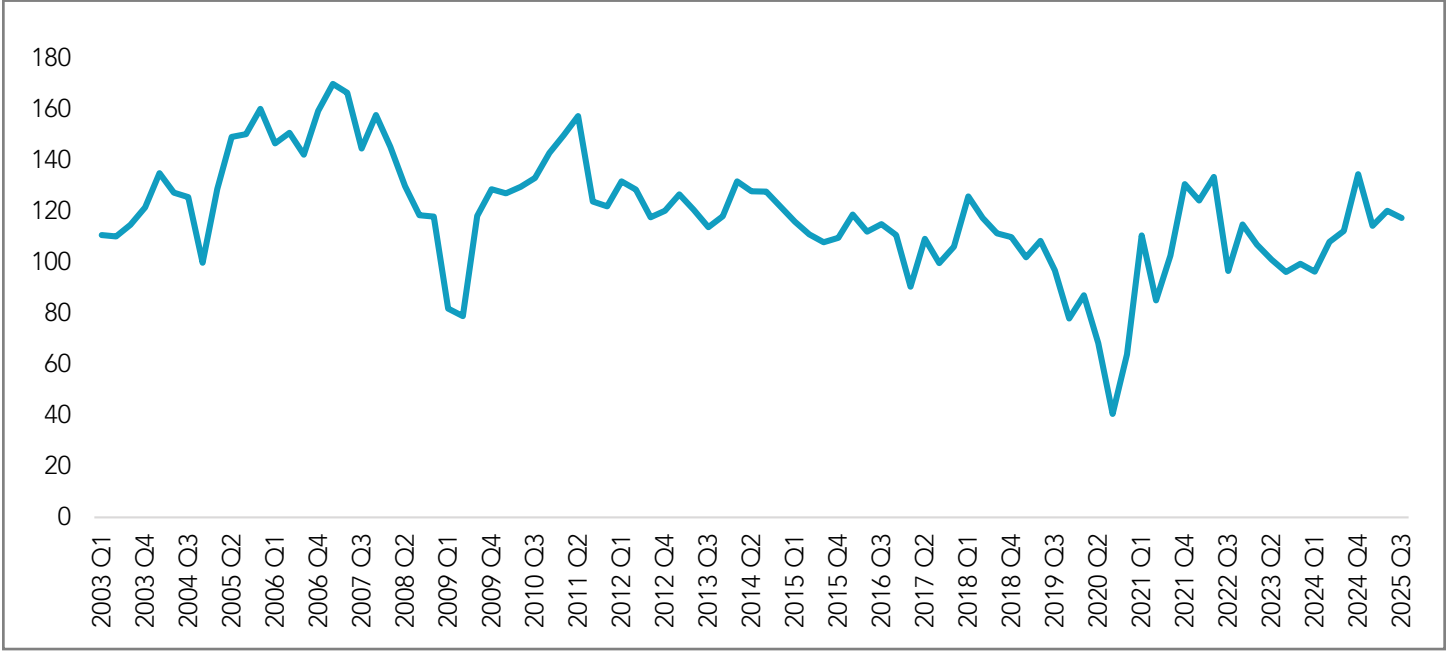


Key Macro Highlights

- India's Trade deficit narrowed by 29% YoY in May 2025, as imports shrunk by 1% and exports expanded by 3% YoY. Export of electricity goods, pharmaceutical goods and marine products led the exports growth.
- Real GDP growth for Q4 FY25 is at 7.4%. The growth is driven by a growth in indirect taxation revenue by 12.7%. The Indirect taxation played a role in boosting the economic activity.
- Reserve Bank of India lowered its interest rates by 50 basis points, bringing the interest rates down at 5.5%, the lowest interest rate since August 2022
- India's Gross FDI inflow for April 2025 increased by 23% YoY. Manufacturing and the business services accounted for half of the net inflow.
- India and UK finalized the long-awaited Free Trade Agreement (FTA) on 6th May 2025. The FTA will allow duty free entry on India's labour-intensive products in the UK. Both the countries are targeting implementation by August 2026.

- India's unemployment rate rose to 5.65% in May 2025 from 5.1% in April, driven by seasonal shifts in agriculture which leads to reduced labour demand.
- India faces a higher risk from the rising oil prices, which can fuel cost increase and also ballooning of the import bills. A threat of closure of the Strait of Hormuz can threaten the supply of 36% of India's oil imports.
- China has restricted the exports of the rare earth magnets, which can hinder the growth of India's EV industry and defense industry. India is one of the largest importers of the rare earth magnets.
- India's Index of Industrial Production (IIP) grew 1.2%, the slowest growth since September 2024.
- India's imports of oil from Russia can be significantly impacted if the US Congress passes the bill in August 2025, to impose a 500% tariff on the countries who import oil from Russia.

D&B Business Optimism Index (BOI)



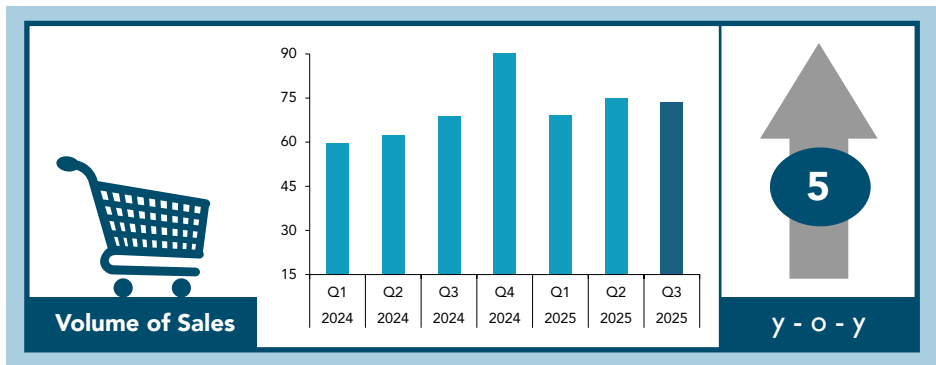
D&B Optimism Index for India for Q3 2025

India’s Business Optimism for Q3 2025 Down on Global Cues, but Indicates Domestic Resilience

The Dun & Bradstreet Business Optimism Index (BOI) for Q3 2025 stood at 117.46, marking a 2.3% decline from the previous quarter. This dip was largely driven by reduced optimism among large and medium enterprises. However, the decline was more tempered when compared to Dun & Bradstreet’s Global Business Optimism Index (GBOI), which saw a sharper 6% q-o-q drop in global sentiment for Q3 2025-underscoring relatively stronger confidence in the Indian economy. Notably, small enterprises in India remain optimistic, with the BOI for small enterprises growing by 17% q-o-q. This is further reflected in increased optimism across key business parameters-optimism for operating margins rose by 4 percentage points q-o-q, optimism for input costs increased by 19 percentage points q-o-q, and optimism for domestic orders climbed by 9 percentage points q-o-q. Supporting the trend, RBI data shows that credit growth for small-scale industries increased by 13% y-o-y in May 2025, pointing to improved access to financing and a wider scope for expansion. For small firms, domestic economy is probably more important than global economy. Optimism about the domestic macroeconomic environment rose 8 percentage points q-o-q. For context-private consumption expenditure increased 6% in Q4 FY25, while gross fixed capital formation rose 9.4%-the highest since

Q4 FY24-indicating stronger consumption and investment prospects. This sentiment is likely reinforced by recent monetary policy actions, including a 50 basis point repo rate cut and phased cash reserve ratio reduction, both expected to lower borrowing costs and boost economic activity. India’s trade outlook improved following the India-UK Free Trade Agreement signed in June 2025, aimed at enhancing access for Indian goods and services. Despite this optimism, caution remains. Optimism for gross sales reduced by 1 percentage point and selling price reduced by 11 percentage points q-o-q, suggesting concerns about profitability. Still, overall sentiment remains resilient amid global headwinds. In contrast, global macroeconomic optimism fell 5 percentage points q-o-q due to U.S. trade policy uncertainty and geopolitical tensions. Around half of businesses expect tariff escalation or no change, while the rest anticipate a rollback. Optimism for export orders declined by 1 point in Q3 2025, with volumes expected to normalize following a 21-point surge in Q2-likely driven by frontloading after U.S. tariff announcements. In response to global trade uncertainty, firms are shifting focus to the domestic market. Optimism for domestic orders rose 3 percentage points q-o-q. 37% of businesses now prioritize domestic sales over international expansion, while 51% see the domestic market as a fallback amid global volatility. Businesses increasingly view the domestic economy as both a safer bet and a platform for growth.

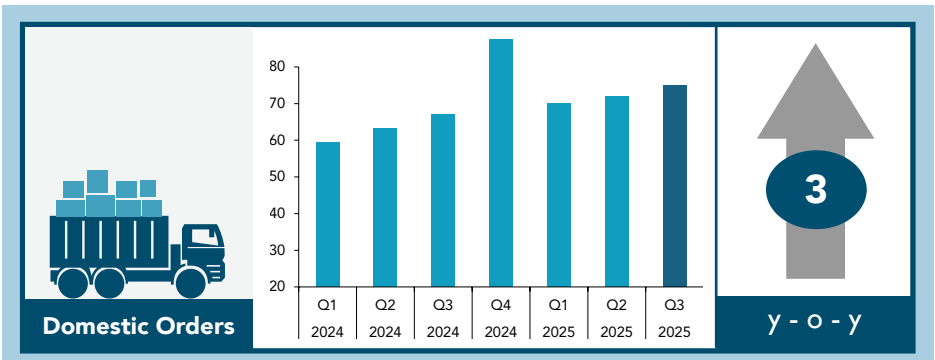
Optimism on Sub-indices



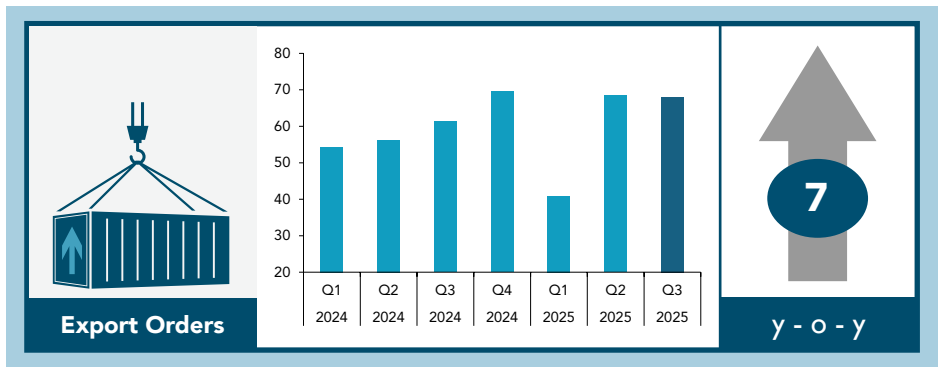
Note: All y-o-y figures are in percentage points

74% of the respondents expect volume of sales to improve during Q3 2025, compared to 75% in Q2 2025, marking a Q-o-Q rise of just 1 percentage points. Moreover, optimism for volume of sales increased by 5 percentage points in a Y-o-Y basis. While utilities, electrical and food and beverage are most optimistic, capital goods, chemicals and metal manufacturing sectors are least optimistic.

75% of respondents foresee an improvement in their domestic order book positions during Q3 2025, an increase from 72% in Q2 2025, reflecting a Q-o-Q increase of 3 percentage points. Y-o-Y, this parameter has grown by 8 percentage points. Optimism is highest amongst accommodation, textile and leathers sectors and transportation and storage , while it is the lowest amongst mining, metals and automobile sector.



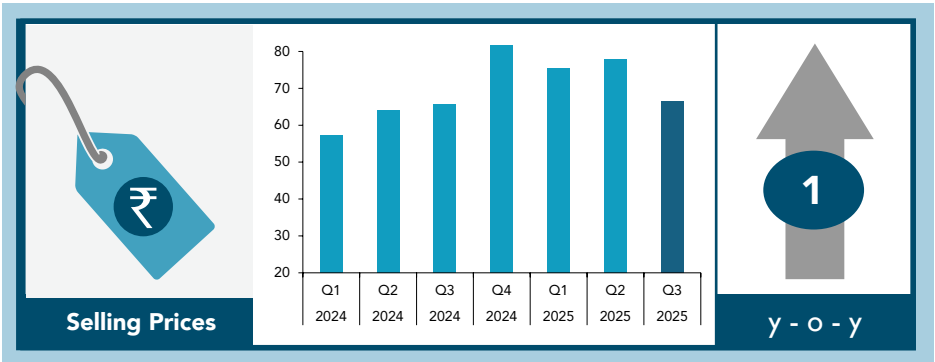
Note: All y-o-y figures are in percentage points



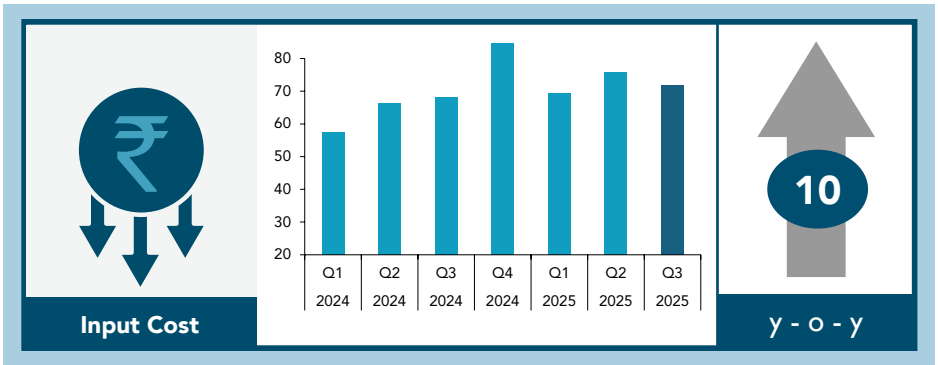
Note: All y-o-y figures are in percentage points

Export optimism fell marginally in Q3 2025, with 68% of respondents anticipating higher export orders, marking a marginal fall of 1-percentage point from Q2 2025 and a 7-percentage point rise Y-o-Y. Optimism is strong in construction, wholesale and retail sectors, while expectations remain subdued in food and beverages and metal sectors.

67% of respondents expect selling prices to increase in Q3 2025, compared to 78% in Q2 2025, reflecting a Q-o-Q fall of 11 percentage points. Y-o-Y, this parameter has grown by 1 percentage point. Real estate and construction sectors are highly optimistic, while metals and chemical sectors are least optimistic on this parameter.



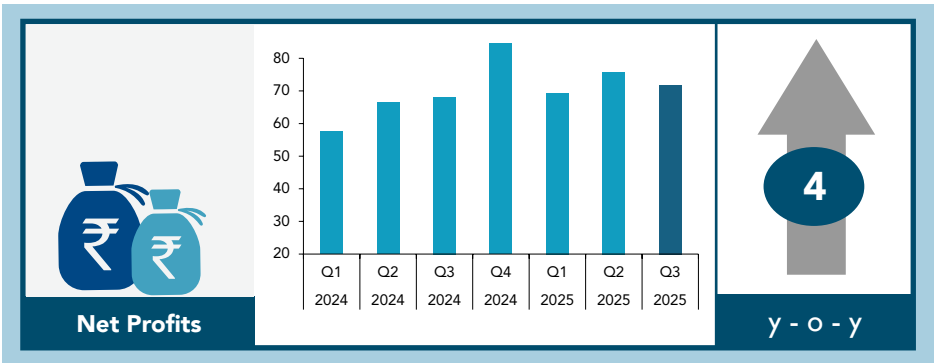
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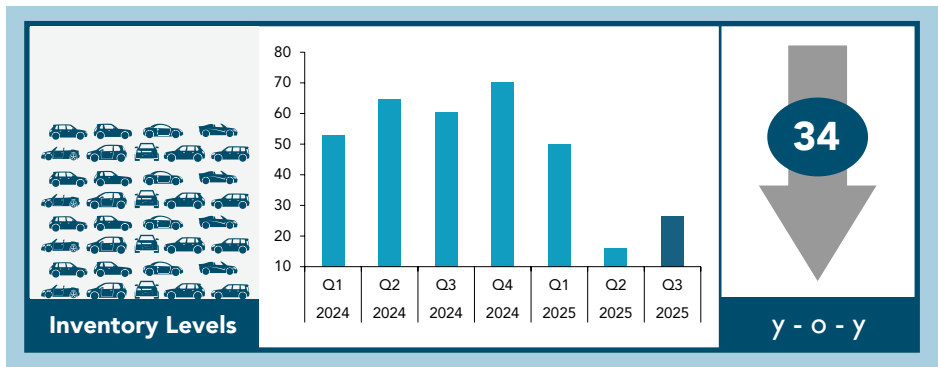
Note: All y-o-y figures are in percentage points

63% of respondents anticipate a rise in input costs during Q3 2025, marginally reducing from 64% in Q2 2025, reflecting a Q-o-Q decrease of 1 percentage points. Y-o-Y, optimism for input costs has increased by 10 percentage points. High optimism is evident in sectors such as accommodation and real estate sectors, while services sectors like information and communication, and professional and administrative service providers report lower expectations.

72% of respondents expects higher net profits in Q3 2025, compared to 76% in Q2 2025, indicating a Q-o-Q fall of 4 percentage points. Y-o-Y, profit expectations improved by 4 percentage points. Optimism is highest in capital goods and construction sectors, while electronics and chemical sector show lowest optimism.



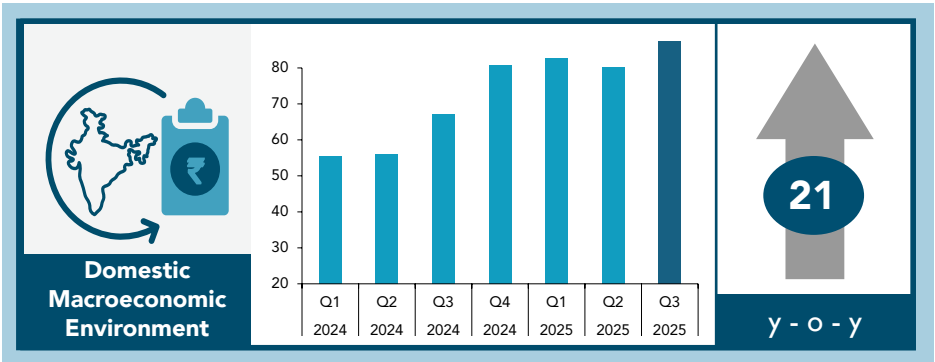
Note: All y-o-y figures are in percentage points



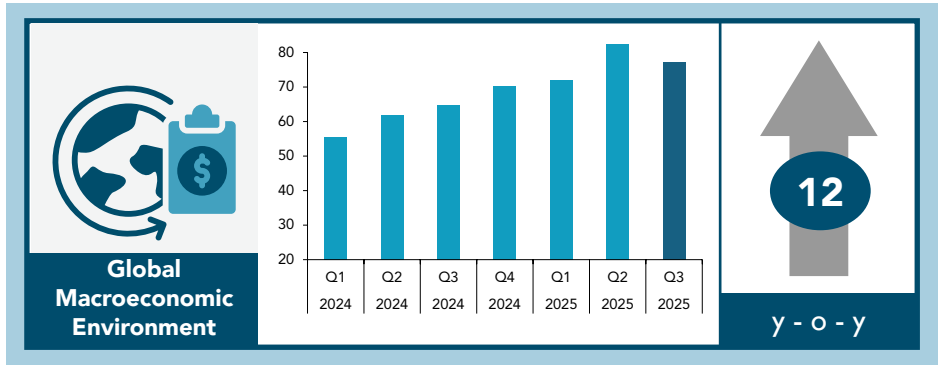
Note: All y-o-y figures are in percentage points

27% of respondents anticipate higher inventory levels in Q3 2025, a sharp rise from 16% in Q2 2025, reflecting a 10-percentage point increase Q-o-Q and decrease by 34 percentage points Y-o-Y. Optimism is strongest in food and chemical sectors while finance and insurance and construction sectors are least optimistic.

88% of respondents are optimistic about the domestic macroeconomic environment in Q3 2025, up from 80% in Q2 2025, reflecting a Q-o-Q increase of 8 percentage points and a Y-o-Y rise of 21 percentage points. High optimism is seen in sectors such as utility, transportation and construction. While metals and chemicals sectors show lower optimism.



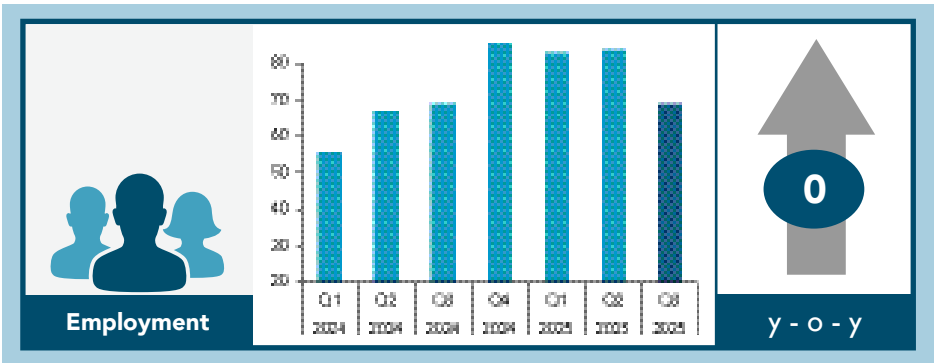
Note: All y-o-y figures are in percentage points



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

77% of respondents anticipate an improvement in the global macroeconomic environment during Q3 2025, compared to 82% in Q2 2025, marking a Q-o-Q fall of 5 percentage points and a Y-o-Y increase of 12 percentage points. High optimism is seen in wholesale and retail trade and construction. On the other hand professional and administrative services and chemical sectors show lower optimism.

69% of respondents expect employment levels to improve in Q3 2025, compared to 84% in Q2 2025, indicating a massive Q-o-Q fall of 15 percentage points. In Y-o-Y, employment optimism maintained its status quo. The utilities and real estate sectors show strong optimism, while automotive and metals sectors remain less optimistic.



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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Economic Research Team

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