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D&B Business Optimism Index

India | Q4 2025

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Business Optimism Index for India fell by 1.9% Q-o-Q

Optimism of Businesses on **Global macroeconomic environment fell by 8 percentage points q-o-q**, led by the chemicals and mining sectors, as tariff led uncertainty weighs on businesses.

BOI for small and medium businesses fell by an average of 7 percentage points q-o-q, as export led sectors are expected to be affected.

Chemicals sector remains optimistic on 5 out of 10 parameters including **domestic sales, selling price, net profits, domestic macro-economic condition** and **export orders** considered (despite exposure to US tariffs).

Optimism on Domestic economy continues as **Domestic orders increased by 4 percentage points q-o-q**, led by the capital goods and chemical sector.

Optimism on **Gross Sales increased by 7 percentage points q-o-q**, led by the utility and mining sectors.

43% of the Indian businesses surveyed believe that they are **moderately exposed to supply chain disruptions** stemming from geopolitical tensions. **40%** of them are **considering diversifying their trade** by creating backup supply bases across multiple trade blocs, against a backdrop of elevated global uncertainty.

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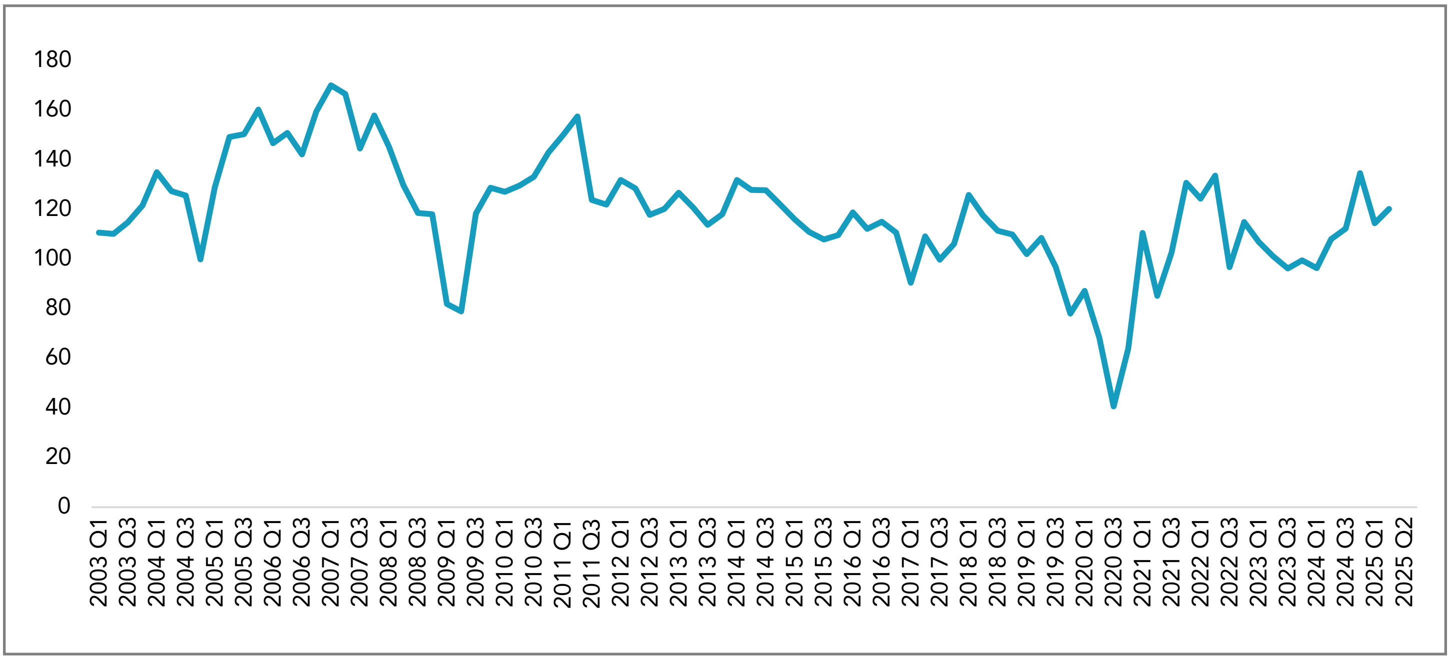
Key Macro Highlights

- The Reserve Bank of India cut interest rate by 100 basis points to 5.5% over the first ten months of 2025.
- Unemployment rate in India declined to 5.1% from 5.2% in July 2025.
- Employment generation Scheme (ELI) has been launched in the country, effective August 2025. With an outlay of Rs.99,446 crore, the scheme aims to create 3.5 crore employment in the period of 1st August 2025 to 31st July 2027.
- India is planning to expand exports of textiles and apparel to more than 40 countries. Countries from Middle East, European Union, Netherlands are targeted in the outreach.
- India's gross non-performing assets have declined from 9.11% in March 2021 to 2.58% in March 2025. Changes in Insolvency and Bankruptcy Code (IBC) and increasing the Preliminary jurisdiction limit of the Debt Recovery Tribunal (DRT), has led to the successful reductions in the NPA.
- Headline inflation in August 2025 rose to 2.07%, up from 1.55% in July, breaking a nine-month declining streak. Inflation, however, remains well within the RBI's 2% to 6% target tolerance range.

- The 50% tariff imposed by the United States will have a negative (albeit limited) impact on India's export volumes. Key sectors impacted include textiles and apparel (with US having accounted for 29% of the sector's total exports in FY25) and gems and jewellery (33%) are likely to be the most impacted, with MSMEs bearing the brunt of this disruption.
- The US tariffs of 50% has increased financial strain on India's leather industries—which majorly comprises of MSMEs—which are also bearing the brunt of order cancellations and delays.
- US tariffs will impact the textiles sector, which directed 29% of its total exports to the US in FY25.
- Manufacturing output slowed in August, as IIP for the month slowed marginally to 4% from revised July IIP figures of 4.3%.
- The Indian rupee faces the risk of further depreciation against a backdrop of elevated US-India tensions, elevated likelihood of sustained exodus of portfolio outflows, and a potential dip in remittances.

D&B Business Optimism Index (BOI)



D&B Optimism Index for India for Q4 2025

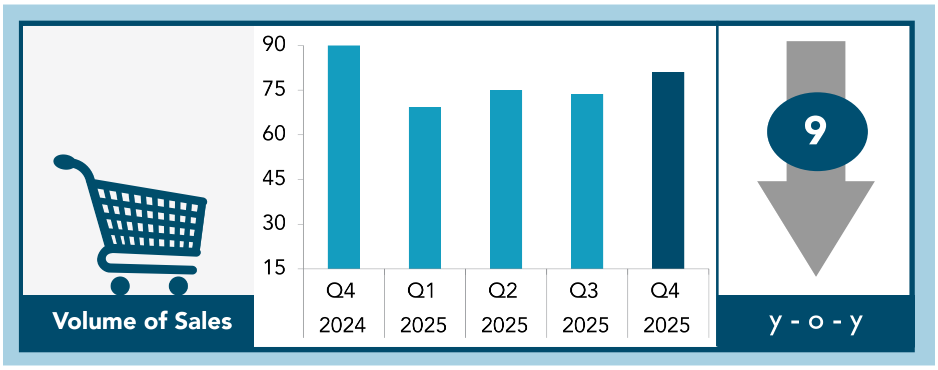
India's Business Optimism Index declines in Q4 2025 as MSMEs Feel the Pressure of Global Tariffs

The Dun & Bradstreet Business Optimism Index (BOI) for Q4 2025 stood at 115, marking a 1.9% decline from the previous quarter. The dip was primarily driven by a fall in optimism among small and medium sized businesses, impacted by tariff uncertainty and global supply chain disruptions. Business optimism among medium-sized Indian businesses has declined by a sharp 8% in Q4. Meanwhile, the decline in small Indian firms' overall business optimism (4%), is more muted, and lower than the global average dip among small businesses (of 7%). Contrastingly, large businesses remain optimistic, driven by higher optimism on domestic consumption and operating margins. On average, optimism regarding the global macroeconomic environment among Indian businesses, has fallen sharply by 10% q-o-q, higher than the global decline of 4%. While US tariffs are expected to impact key export-centric sectors, the overall effect on India's GDP remains limited—given the strength of its domestic market and a supportive policy environment.

Businesses in 9 out of the 16 sectors assessed have noted an increase in confidence in the domestic economy in Q4, with electrical and textile industries showing notable quarter-on-quarter growth. Selling volume optimism too has increased by 7 percentage points q-o-q in Q4, led by higher confidence in domestic orders, which has increased by 4 percentage points q-o-q, fueled by expectations of robust domestic (especially rural) demand. Improving domestic indicators such as falling NPAs (which fell to 2.58% in March 2025) and declining unemployment rates (which fell to 5.1% in August 2025) suggest resilience; with recent policy measures like GST revisions underpinning a broadly strong domestic outlook.

Moreover, despite an overall decline in optimism around export orders, certain key export-oriented sectors, including textiles, automotives, chemicals, metal and food processing, bucked the trend, recording improvements in export order and profitability optimism (despite their exposure to US tariffs). Although the US accounted for 29% of total Indian textile sector exports in FY25, optimism for export orders in the sector rose by 8 percentage points and for profitability by 4 percentage points, quarter-on-quarter. This is being supported by an acceleration in India's diversification efforts, as it is negotiating trade deals with EU, Netherlands, New Zealand, Oman, Peru, Chile and Eurasian Economic Union. Additionally, 36% of Indian businesses surveyed reported that their direct suppliers are located within the domestic territory. This localised sourcing is not only likely to help cushion against global supply chain disruptions but also strengthen operational stability in a volatile trade environment.

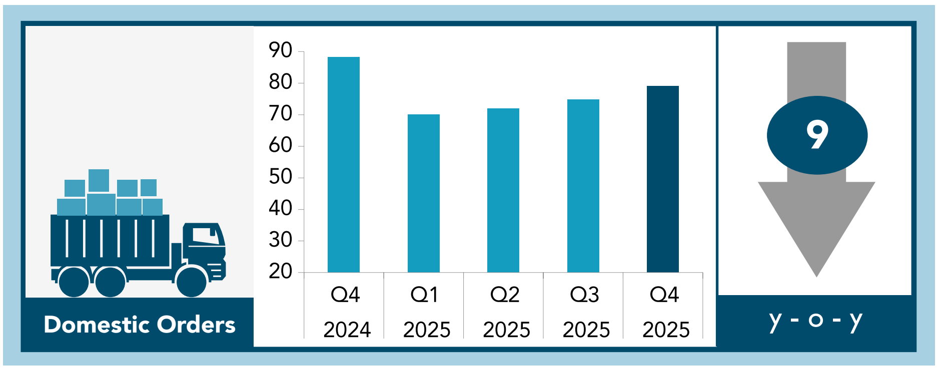
Optimism on Sub-indices



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

81% of the respondents expect volume of sales to improve during Q4 2025, compared to 74% in Q3 2025, marking a Q-o-Q rise of just 7 percentage points. Moreover, optimism for volume of sales reduced by 9 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.

79% of respondents foresee an improvement in their domestic order book positions during Q4 2025, an increase from 75% in Q3 2025, reflecting a Q-o-Q increase of 4 percentage points. Y-o-Y, this parameter fell by 9 percentage points. Optimism is highest amongst administrative and professional services, mining and utility sectors, while it is the lowest metals, textiles and automotives sectors.



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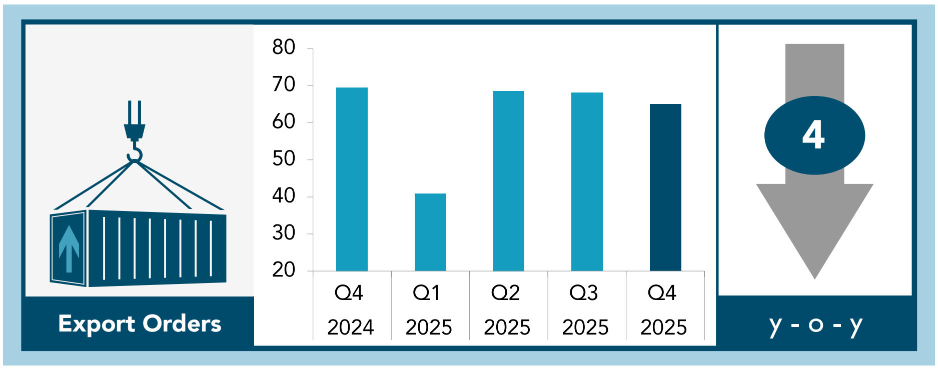
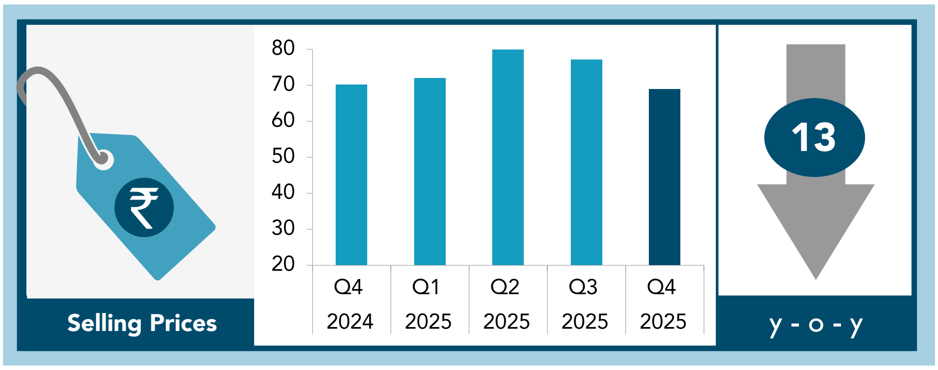


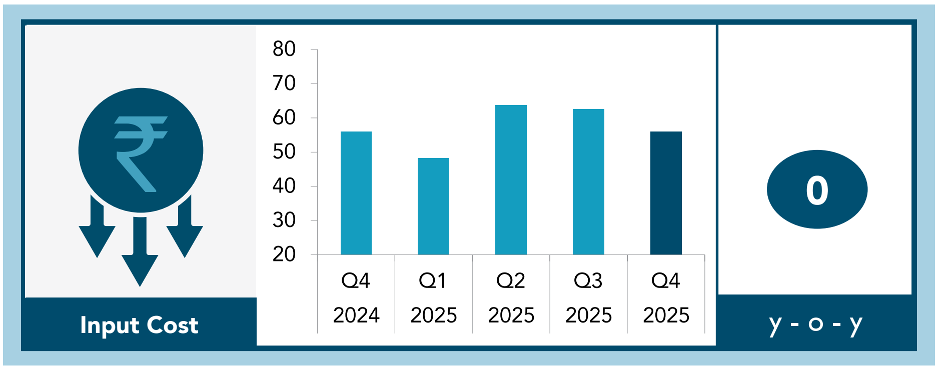
Note: All y-o-y figures are in percentage points

Export optimism fell in Q4 2025, with 65% of respondents anticipating higher export orders, marking a fall of 3- percentage point from Q3 2025 and a 4-percentage point decline Y-o-Y. Optimism is strong in chemicals, mining, and automotive sectors, while expectations remain subdued in professional and administrative services, and construction.

69% of respondents expect selling prices to increase in Q4 2025, compared to 67% in Q3 2025, reflecting a Q-o-Q increase of 3 percentage points. Y-o-Y, this parameter fell by 13 percentage points. Chemicals, capital goods and automotive sectors are highly optimistic, while professional and administrative services, construction, financial and insurance sectors are least optimistic on this parameter.



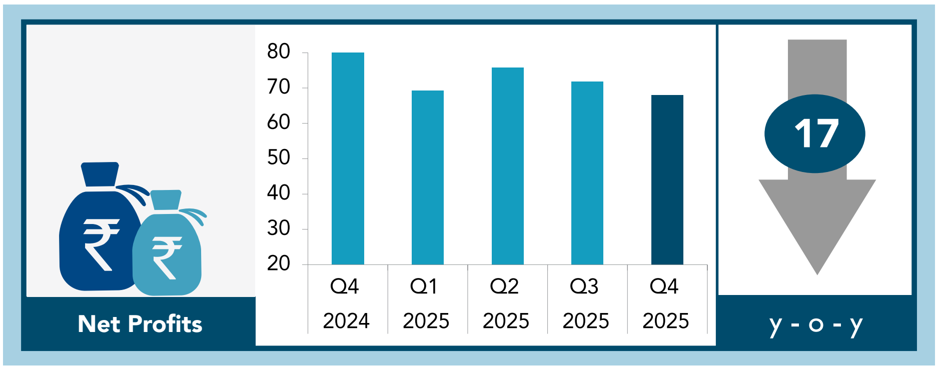
Note: All q-o-q figures are in percentage points



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

56% of respondents anticipate a rise in input costs during Q4 2025, a sharp decline from 63% in Q3 2025, reflecting a Q-o-Q decrease of 7 percentage points, against a backdrop of subdued inflationary pressures. Y-o-Y, optimism for input costs has maintained its status quo. High optimism is evident in sectors such as metals, wholesale and retail trade and real estate sector, while services sectors like, information and communication services, financial and insurance and professional and administrative activities report lower expectations.

68% of respondents expects higher net profits in Q4 2025, compared to 72% in Q3 2025, indicating a Q-o-Q fall of 4 percentage points. Y-o-Y, profit expectations deteriorated by 17 percentage points. Optimism is highest in mining, professional and administrative services and financial and insurance activities, while utility, information and communication and food sector show lowest optimism.



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

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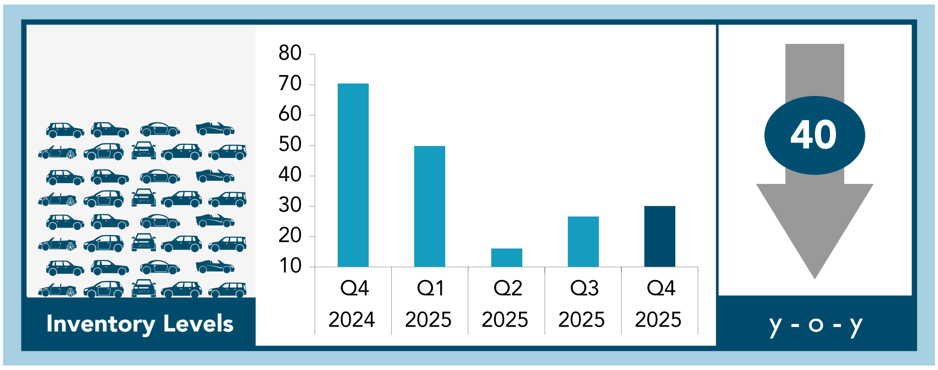
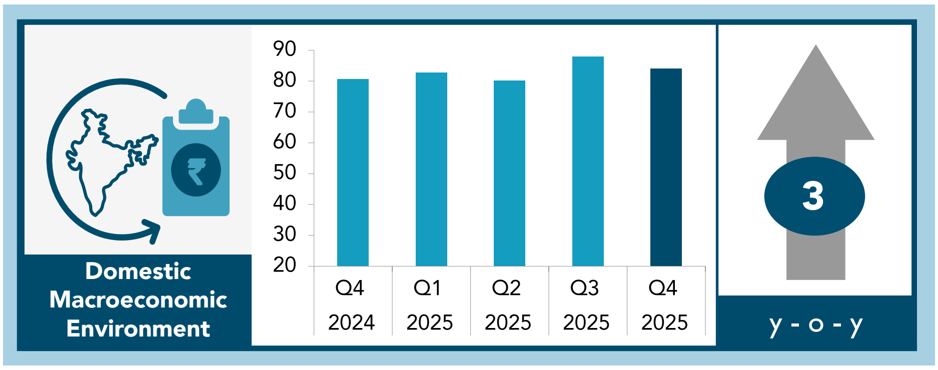


Note: All y-o-y figures are in percentage points

30% of respondents anticipate higher inventory levels in Q4 2025, reflecting a 4 percentage point increase Q-o-Q but a steep fall by 40 percentage points Y-o-Y. Optimism is strongest in electricals, chemicals and textiles sectors, while real estate, capital goods and automotives sectors are least optimistic.

84% of respondents are optimistic about the domestic macroeconomic environment in Q4 2025, a modest decline from 88% in Q3 2025, reflecting a Q-o-Q decrease of 4 percentage points and a Y-o-Y rise of 3 percentage points. Overall optimism across sectors remains strong, with high optimism is seen in sectors such as food, capital goods and chemicals. While wholesale and retail, real estate, and mining sectors show lower optimism.



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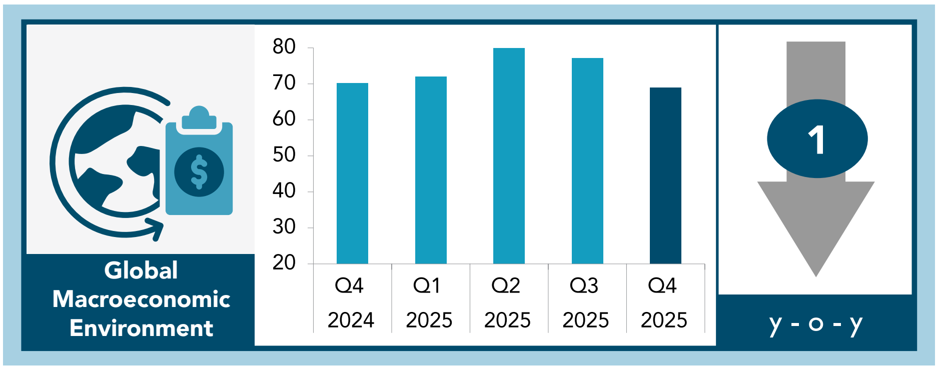
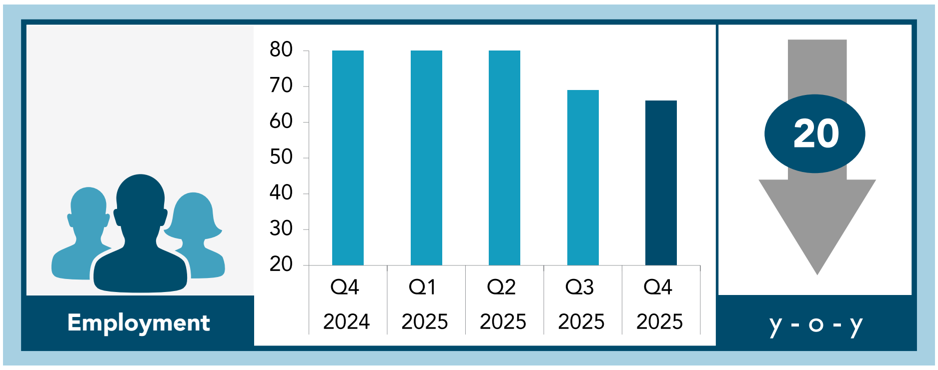


Note: All y-o-y figures are in percentage points

69% of respondents anticipate an improvement in the global macroeconomic environment during Q4 2025, compared to 77% in Q3 2025, marking a Q-o-Q fall of 8 percentage points and a Y-o-Y fall of 1 percentage points, reflecting an uncertain global trade environment . High optimism and resilience is seen in chemicals, mining and real estate activities. On the other hand accommodation, real estate and food sectors show lower optimism.

66% of respondents expect employment levels to improve in Q4 2025, compared to 69% in Q3 2025, indicating a Q-o-Q fall of 3 percentage points. In Y-o-Y, employment optimism reduced by 20 percentage points. The accommodation, real estate and food processing sectors show strong optimism, while construction, capital goods and metals sectors remain less optimistic.



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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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