

dun & bradstreet

INDIA FINANCIAL AND INVESTMENT CONFIDENCE



Indices Report - Q1 2026

India Financial and Investment Confidence Index Q1 2026

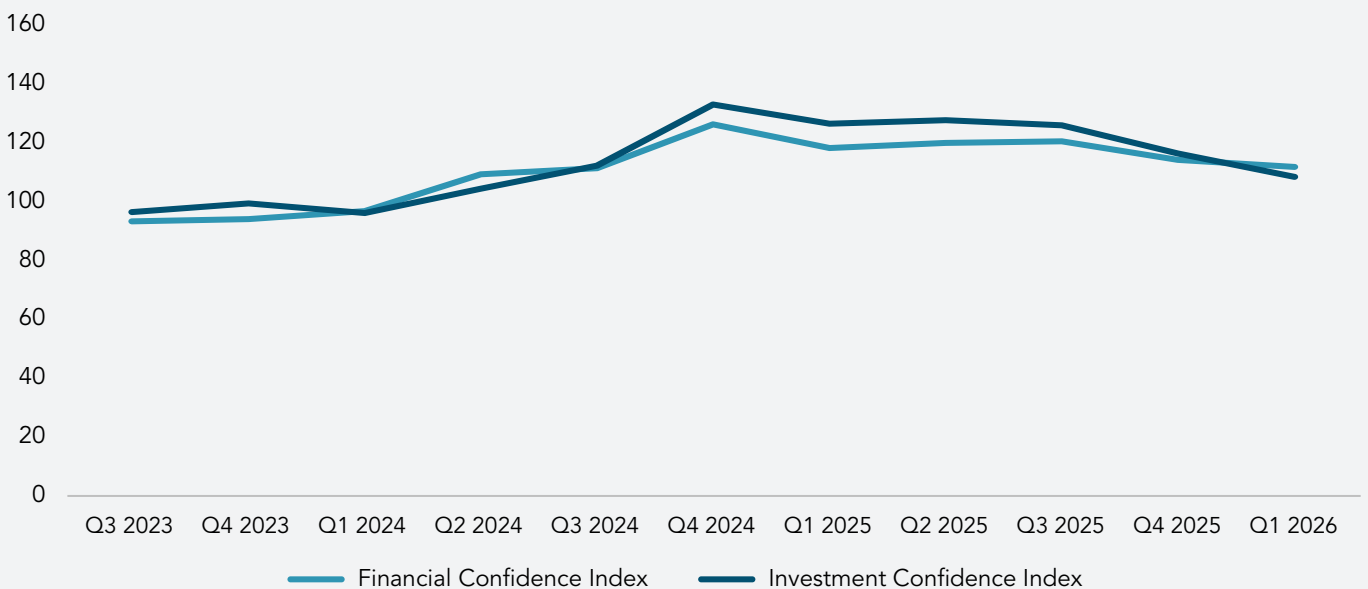
The Dun & Bradstreet India Financial and Investment Confidence Indices (IFICI) Report offers a comprehensive quarterly assessment of business sentiment in India through two distinct indices - the Investment Confidence Index (ICI) and the Financial Confidence Index (FCI). The ICI and the FCI are based on a quarterly survey of 300 businesses in India, conducted alongside similar surveys in 32 major economies across the world as part of Dun & Bradstreet's Global Business Optimism Insights report. While the FCI is designed to provide directional insights into financial stress trends and changing risk sentiment across sector, helping stakeholders anticipate risks across sectors, the ICI offers insights into business sentiment around investment activity, reflecting the willingness of firms to launch new projects, expand operations, and pursue growth. Both indices track optimism across 17 sectors - grouped under industry and services - and span three business sizes, providing a comprehensive view of business confidence in the economy.



Executive Summary

- The Financial Confidence Index (FCI) decreased by 2.1% QoQ, while the Investment Confidence Index (ICI) fell by 7% QoQ.
- The decline in ICI has been primarily driven by reduced optimism around mergers and acquisition (M&A) activity, as businesses postponed expansion plans amid sharply lower risk appetite, weakening operating margins, and a steep deterioration in hiring sentiment.
- The decline in FCI has been primarily driven by worsening days sales outstanding, as businesses reported prolonged receivable cycles alongside a sharp deterioration in risk appetite, signalling heightened caution and tighter financial conditions across firms.
- A decline was recorded in India's ICI (by 7%) and FCI (by 2.1%) compared to the increase in the global ICI (at 6%) and FCI (at 6%), respectively, suggesting a more guarded investment stance toward emerging markets like India.
- India's business risk appetite softened in Q1 2026 as economic outlook indicators declined, liquidity remained tight relative to expectations, and borrowing-cost expectations rose, even as firms continued to sustain elevated investment plans.

Index Analysis



Source - Global Business Optimism Insights Survey Q1 2026

Investment Confidence Index



Source - Global Business Optimism Insights Survey Q1 2026

Financial Confidence Index

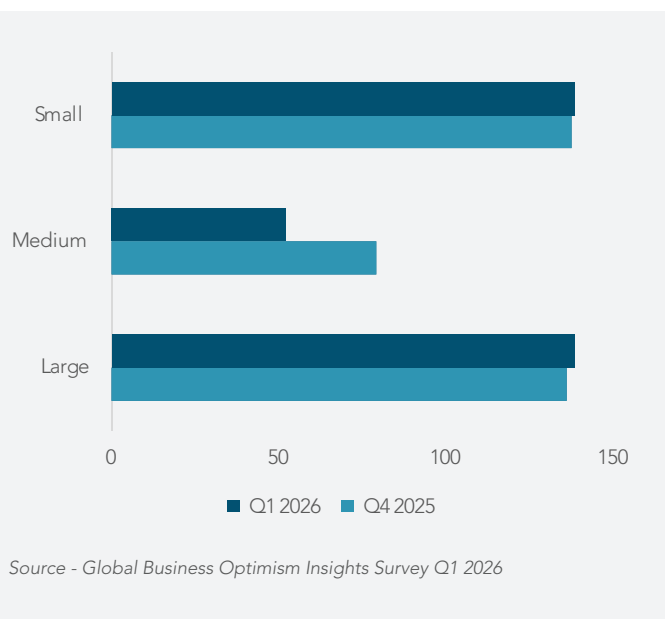


Source - Global Business Optimism Insights Survey Q1 2026

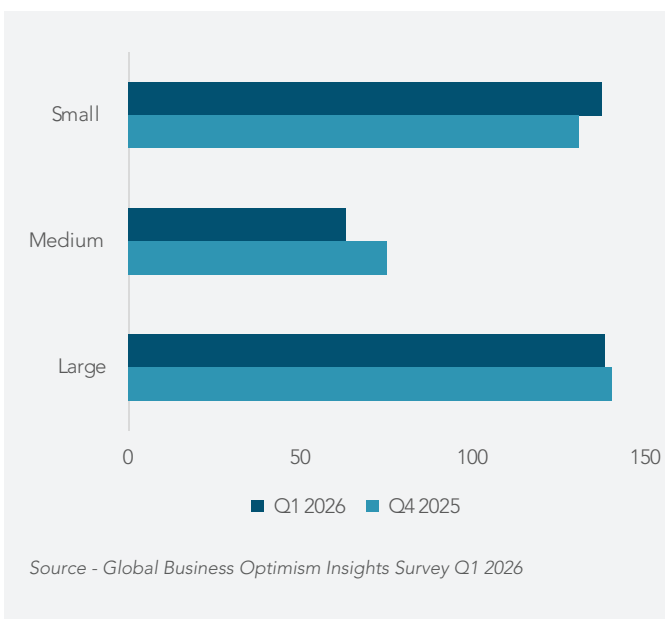
- Manufacturing sentiment in India weakened materially in Q1, with the ICI declining 10% QoQ and the FCI decreasing 3% QoQ, signalling a broad-based softening in sectoral confidence.
- India's ICI decline contrasts with a 6% global improvement, underscoring a widening divergence between domestic sentiment and the strengthening global manufacturing outlook.
- Underlying financial indicators for manufacturing deteriorated, driven by sharp declines in operating margins (-24%), tighter cash-flow management, rising funding and borrowing costs, and a 25% reduction in risk appetite.

- Despite near-term pressures, capex expectations in manufacturing strengthened by 11%, indicating selective continuation of long-term investment plans even as M&A and capital-raising intentions moderated.
- Manufacturing sector declining confidence is led by manufacturing of capital goods, chemicals and mining.
- Services optimism in India eased modestly during the same period, even as global services sentiment improved, reflecting India's sensitivity to global demand cycles, particularly in accommodation and food services, information and communication, utility and wholesale and trade.

Investment Confidence Index



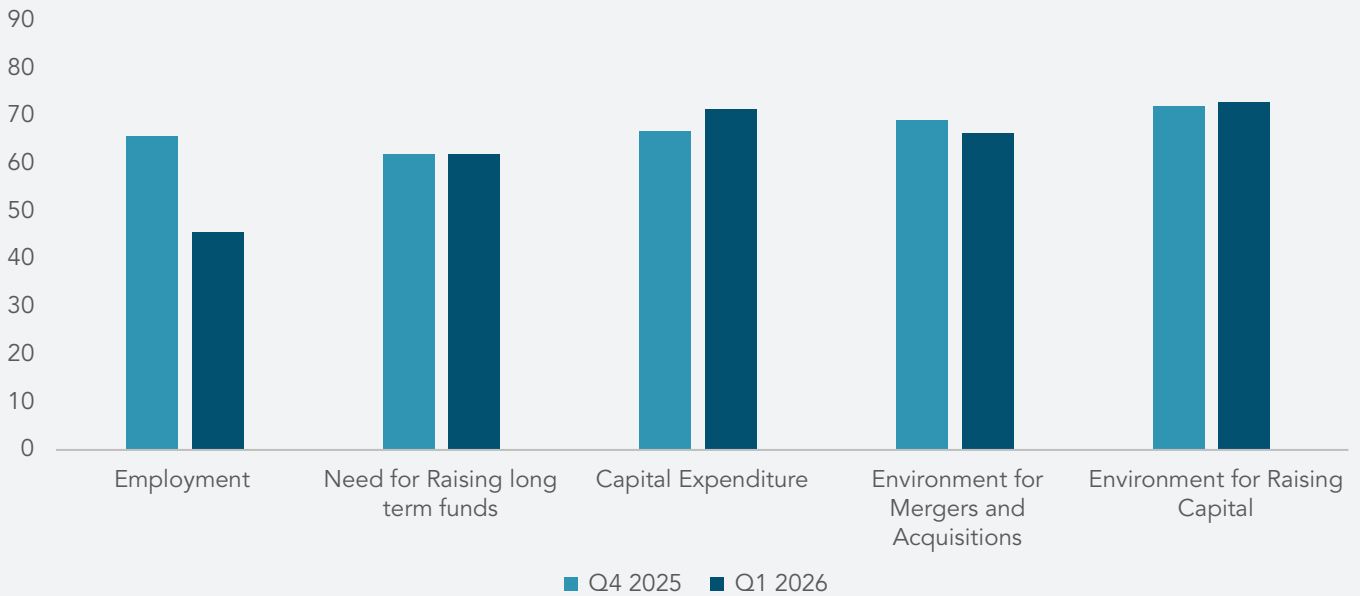
Financial Confidence Index



- Large enterprises turned cautious in Q1 2026, with a modest 2% decline in FCI driven by lower risk appetite and weaker operating margins, despite relatively stable liquidity and funding conditions.
- Medium enterprises continued to experience a deep and persistent deterioration in sentiment, with ICI falling 34% QoQ and FCI declining 15% QoQ, reflecting sustained uncertainty around profitability, liquidity, and investment viability.
- Operating margin expectations weakened sharply across all firm sizes, with QoQ declines of 21% for large, 25% for medium, and 12% for small enterprises, signaling broad-based margin compression amid rising cost pressures.

- Small enterprises showed comparatively resilient optimism, as FCI improved to 5% QoQ and investment indicators such as capex, M&A environment, and capital-raising conditions strengthened, pointing to continued confidence among smaller firms.
- Capex sentiment diverged across firm sizes, increasing strongly among large and small enterprises (both reporting significant gains), while medium enterprises saw a deterioration in capex intent, highlighting widening disparities in investment capacity.
- India's medium-sized enterprises reported a steep ICI contraction (-34% QoQ), at odds with the more stable global trend, underscoring heightened domestic caution and a disproportionate impact of financial and operating pressures on mid-sized firms.

Investment Confidence Index : Sub- Indices

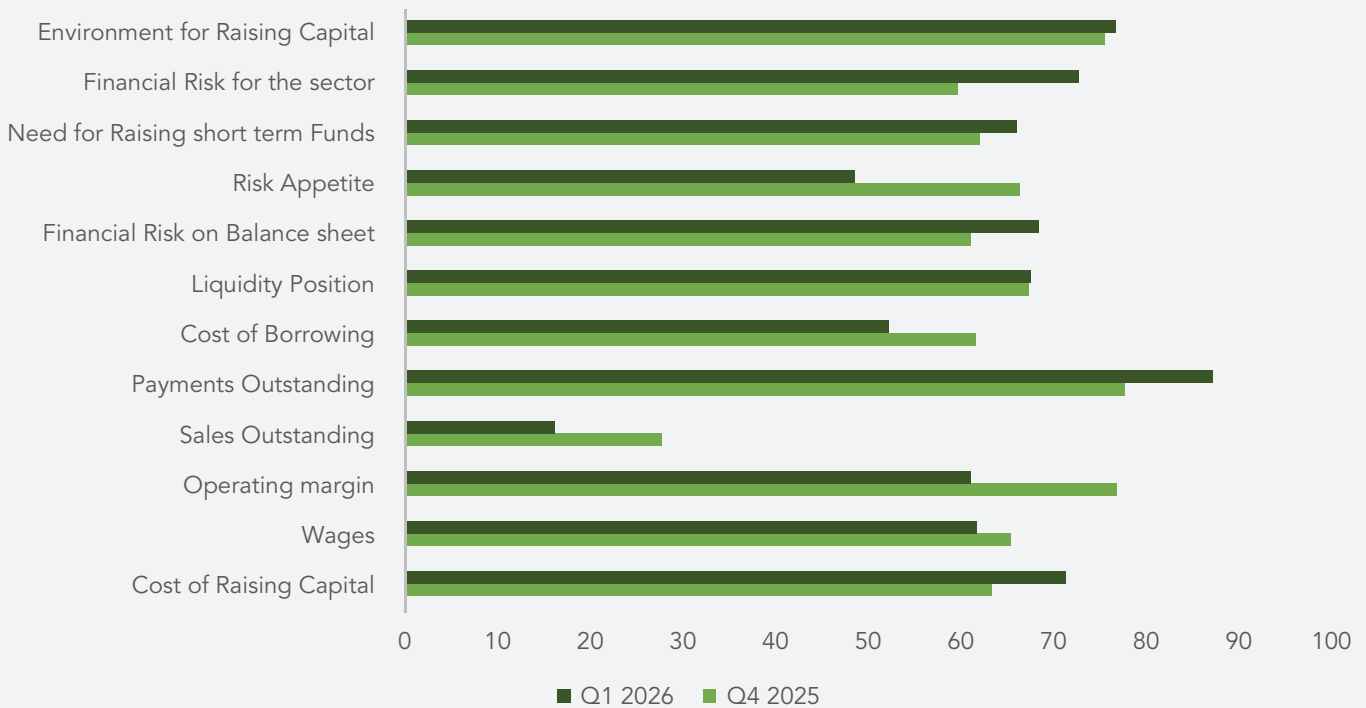


Source - Global Business Optimism Insights Survey Q1 2026

Dun and Bradstreet Business Optimism Indices Q1 2026

- Employment sentiment weakened significantly, declining 46% quarter on quarter, indicating a substantial slowdown in hiring intentions and heightened caution around workforce expansion.
- The need for raising long term funds remained unchanged quarter on quarter, suggesting stability in strategic financing requirements despite broader shifts in market conditions.
- Capital expenditure expectations strengthened, rising 10% QoQ, demonstrating continued commitment to investment in capacity expansion and modernization, even as other sentiment indicators softened.
- The environment for mergers and acquisitions deteriorated modestly, falling 6% QoQ, reflecting reduced appetite for inorganic growth amid rising financial risks and elevated cost pressures.
- Despite broader caution, the environment for raising capital improved slightly by 2%, supported by stable funding conditions and continued market access for financially stronger firms.

Financial Confidence Index: Sub-Indices



Source - Global Business Optimism Insights Survey Q1 2026

Dun and Bradstreet Business Optimism Indices Q1 2026

- Financing conditions became more stringent in Q1 2026, as evidenced by an 11% quarter on quarter increase in the cost of raising capital and a similar rise in borrowing costs, indicating a tightening credit environment and higher risk premia.
- Profitability pressures intensified, with operating margins declining 19% QoQ, reflecting weakening demand conditions, elevated input costs, and reduced pricing power across firms.
- Working capital dynamics shifted materially, marked by a 32% reduction in days sales outstanding, accompanied by an 11% rise in days payable outstanding, suggesting firms accelerated receivables collection while extending payables to preserve cash positions.
- Risk conditions deteriorated further, with financial risk on corporate balance sheets increasing 11% QoQ and sector level financial risk rising 19%, underscoring heightened macro financial uncertainty.
- Corporate risk appetite contracted sharply, falling 24% QoQ, indicating a more conservative posture towards investment, expansion, and discretionary capital allocation.
- Despite greater caution, the environment for raising capital improved modestly by 2%, supported by stable liquidity levels and a slight increase in the need for short term funding, suggesting that firms remain selectively active in accessing market-based financing.

Methodology

Dun & Bradstreet conducted a stratified random survey of around 300 businesses in India, covering 17 sectors and three business size segments. A diffusion index is calculated for each parameter and normalized against base year values (Q3 2023 to Q2 2024). An index reading above 100 indicates an improvement in optimism

relative to the base year, 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. Economy-level indices are weighted averages of sector-level indices by their contribution to GDP.





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