

dun & bradstreet

INDIA FINANCIAL AND INVESTMENT CONFIDENCE

Indices Report - Q2 2026



India Financial and Investment Confidence Index Q2 2026

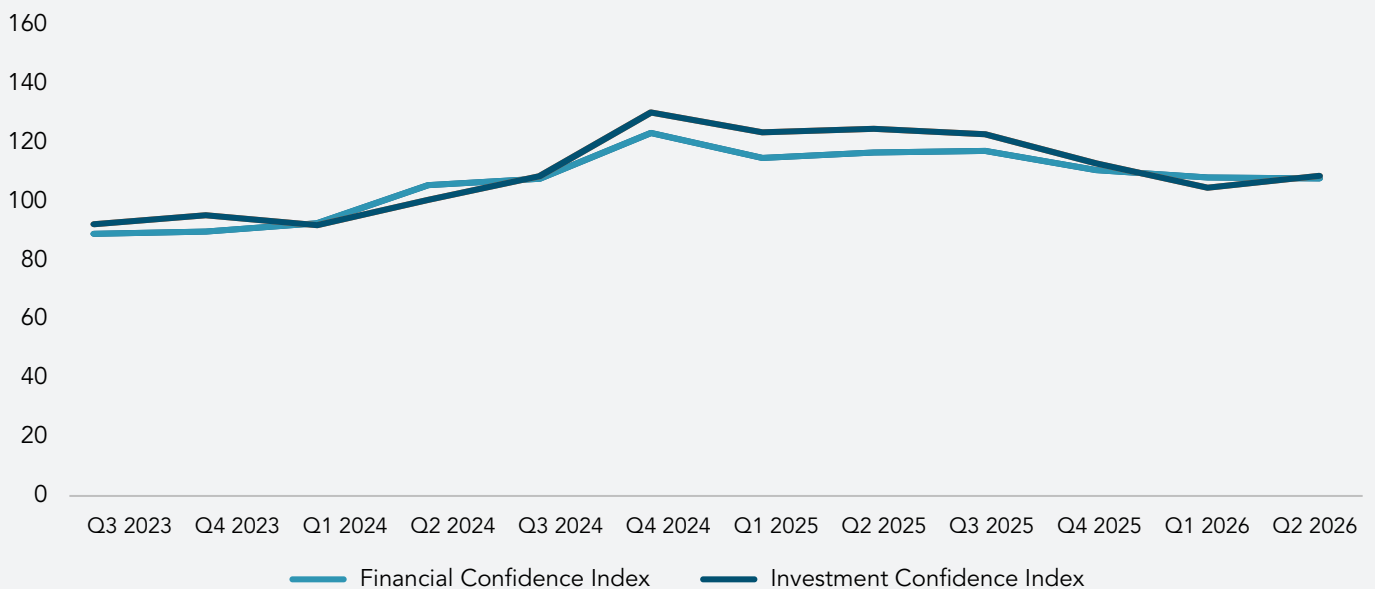
The Dun & Bradstreet India Financial and Investment Confidence Indices (IFICI) Report offers a comprehensive quarterly assessment of business sentiment in India through two distinct indices - the Investment Confidence Index (ICI) and the Financial Confidence Index (FCI). The ICI and the FCI are based 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 serves as an early warning signal for financial distress and potential bankruptcies, 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

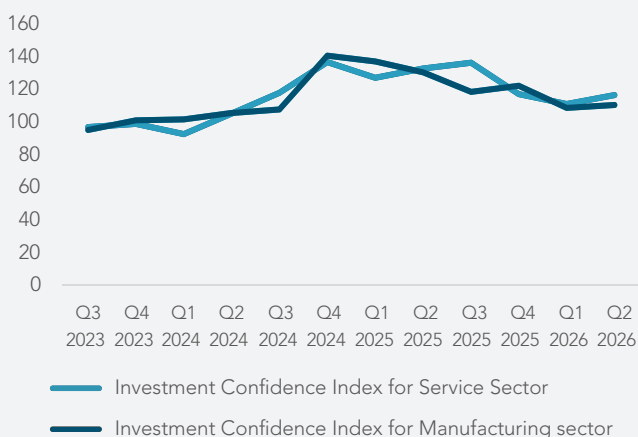
- The Financial Confidence Index (FCI) decreased by 0.4% QoQ, while the Investment Confidence Index (ICI) increased by 3.7% QoQ.
- The increase in ICI has been primarily driven by improving optimism around mergers and acquisition (M&A) activity, as businesses began reviving expansion plans amid improved risk appetite (QoQ) and a recovery in operating margins.
- FCI edged down in Q2 2026, mainly due to a sharp rise in Days sales outstanding (DSO) and a fall in Days payable outstanding (DPO) that tightened cash flows, compounded by a weaker capital raising environment, although with improved risk appetite and expectation of improved margins.
- A rise was recorded in India's ICI (by 3.7%) and decline in FCI (by 0.4%) compared to the decrease in the global ICI (at 11%) and FCI (at 6%), respectively, indicating relative resilience in India's sentiment despite a slight softening in financial confidence.
- India's business risk appetite firmed up in Q2 from previous quarter, although lower than same quarter last year, supported by stronger margins, and improved hiring momentum, even as cash-flow pressures intensified due to slower receivable collections and quicker supplier payments, tighter capital-raising conditions kept capex plans subdued.

Index Analysis



Source - Global Business Optimism Insights Survey Q2 2026

Investment Confidence Index



Source - Global Business Optimism Insights Survey Q2 2026

Financial Confidence Index

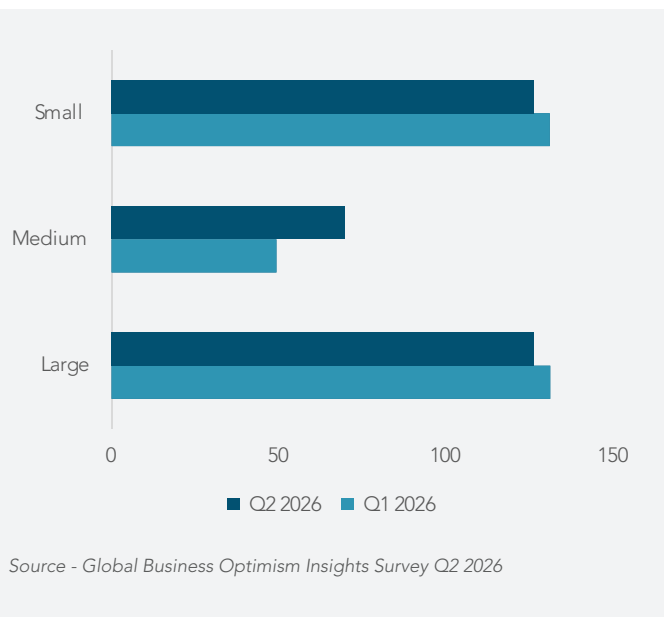


Source - Global Business Optimism Insights Survey Q2 2026

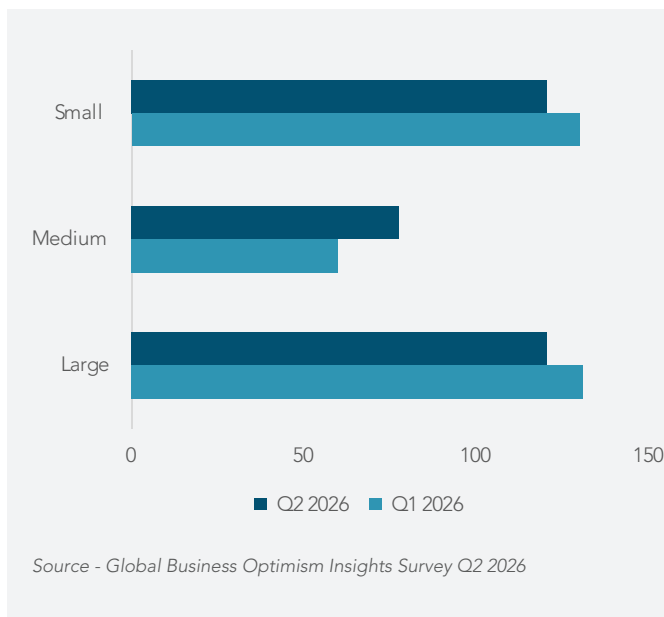
- Manufacturing sentiment in India weakened materially in Q2, with the ICI rising 1% QoQ and the FCI decreasing 3% QoQ, suggesting that confidence remains fragile despite minor improvement in one indicator.
- India's ICI increased this quarter, in contrast to a 12% global decline, highlighting a widening divergence between improving domestic sentiment and a softening global manufacturing outlook.
- Underlying financial indicators for manufacturing were mixed in Q2; liquidity tightened and overall financial risk eased, while the financial risks associated with balance sheet fell sharply (-24%) alongside a 20% drop in short term funding needs.

- Despite near term pressures, capex expectations in manufacturing softened, indicating a more cautious approach to long term investment plans, even as the need to raise long term funds and the environment for raising capital weakened; meanwhile, the M&A environment was broadly steady but edged marginally lower, pointing to a general moderation in expansion and financing appetite amid elevated war related geopolitical uncertainty.
- Manufacturing optimism fell across both financial and investment confidence indices, led by metals, electricals, and food.
- Services optimism in India strengthened on both the FCI and ICI in the same period, even as global services sentiment weakened, signalling greater domestic resilience and a firmer near term and investment outlook, particularly in construction, information and communication, utilities, and wholesale and trade.

Investment Confidence Index



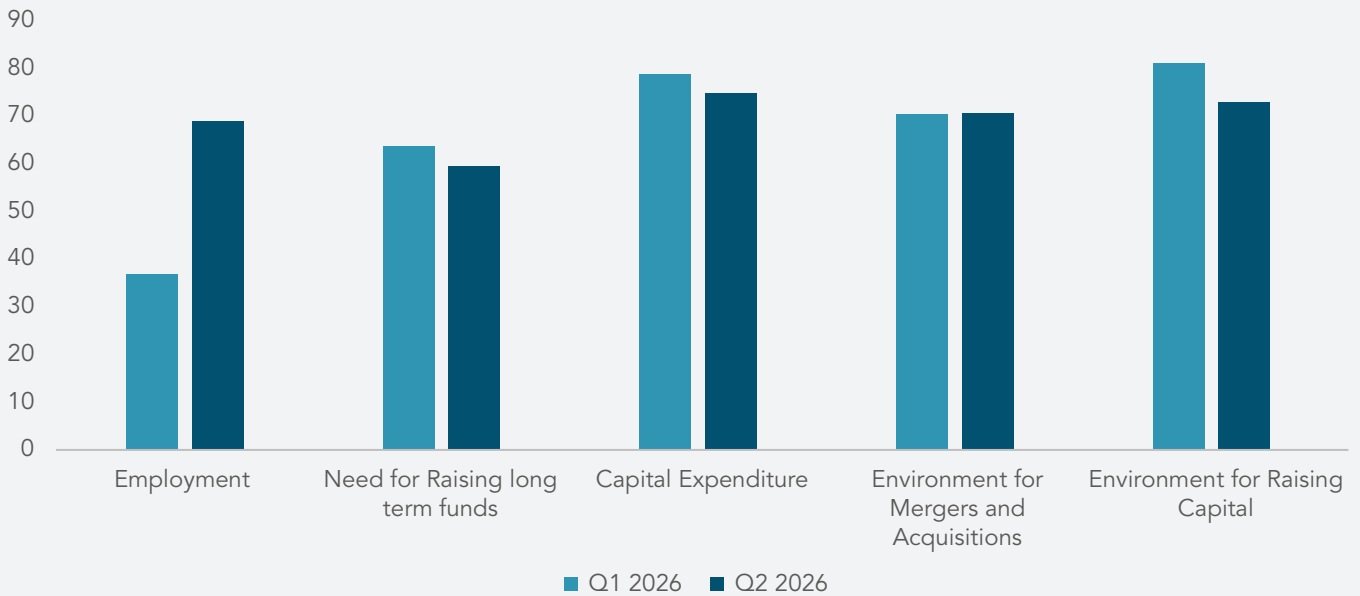
Financial Confidence Index



- Large enterprises turned cautious in Q2 2026, with an 8% decline in FCI driven by a higher financial risk level, a greater need for short term funds, and rising funding costs, and a weaker liquidity position.
- Medium enterprises staged a sharp rebound in Q2 2026, with ICI rising 41% QoQ and FCI improving 29% QoQ, reflecting renewed confidence in profitability, a firmer liquidity outlook, and stronger investment viability.
- Days payable outstanding (DPO) diverged across firm sizes in Q2 2026, changing -33% for large, 54.2% for medium, and -18% for small enterprises, suggesting faster supplier payments by large and small firms, while medium firms extended their payment cycle.

- Small enterprises turned more cautious in Q2 2026, as FCI fell 7% QoQ, while investment indicators such as capex, M&A environment, capital raising conditions, and the need for long term funds all weakened, pointing to softening confidence among smaller firms.
- Capex sentiment diverged across firm sizes in Q2 2026, with large and small enterprises scaling back investment intent (-10% and -18%, respectively), while medium enterprises showed a clear pickup (39.4%), underscoring a shift in where investment momentum is coming from.
- Medium enterprises led the turnaround in Q2 2026, with both FCI and ICI surging as confidence in profitability, liquidity, and investment viability strengthened.

Investment Confidence Index : Sub-Indices

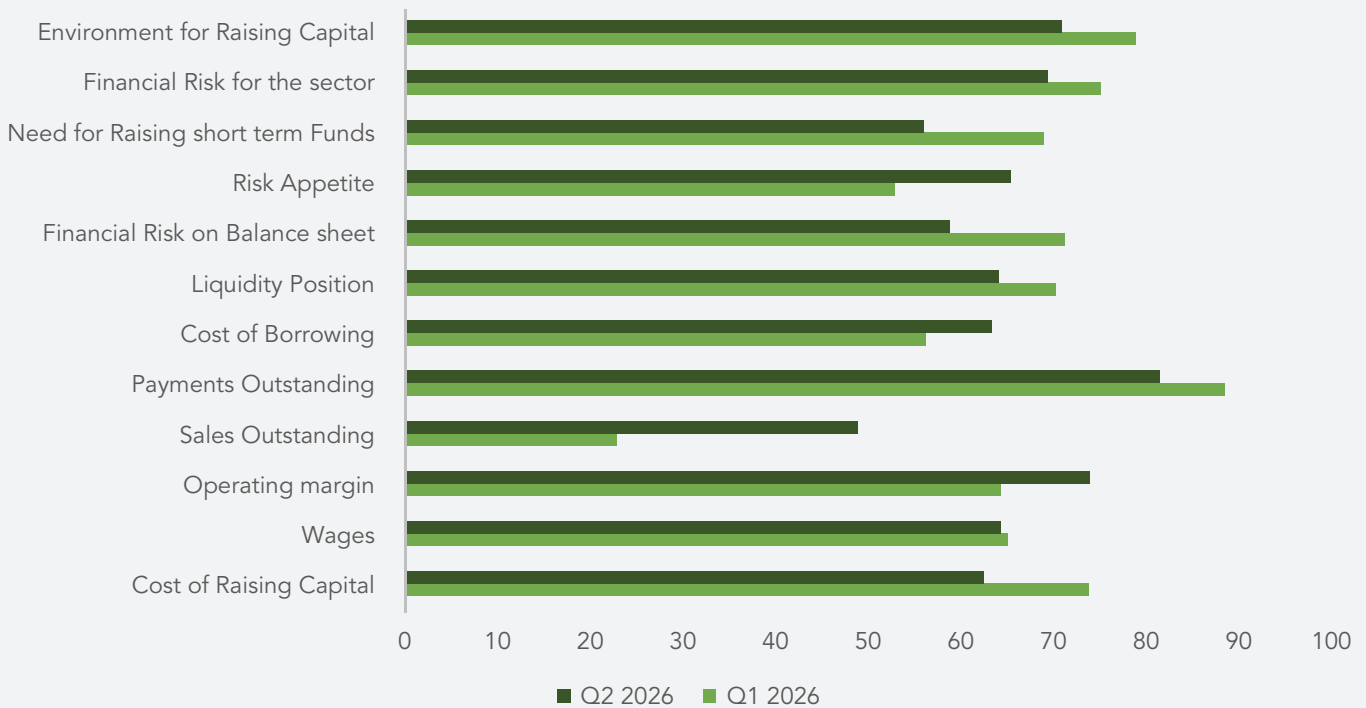


Source - Global Business Optimism Insights Survey Q2 2026

Dun and Bradstreet Business Optimism Indices Q2 2026

- Employment sentiment strengthened sharply in Q2 2026, rising 86% quarter on quarter, indicating a strong pickup in hiring intentions and greater confidence around workforce expansion.
- The need for raising long term funds declined (6.5%) in Q2 2026, indicating a modest easing in strategic financing requirements amid shifting market conditions.
- Capital expenditure expectations softened in Q2 2026, declining 5% QoQ, signaling a pullback in planned investment toward capacity expansion and modernization amid a more cautious sentiment backdrop.
- The environment for mergers and acquisitions improved marginally, rising 0.3% QoQ, reflecting a slightly firmer appetite for inorganic growth even amid ongoing financial risks and cost pressures.
- Despite broader caution, the environment for raising capital deteriorated sharply in Q2 2026, reflecting tighter funding conditions and reduced market access, even for financially stronger firms, amid elevated war-driven geopolitical fragility.

Financial Confidence Index: Sub-Indices



Source - Global Business Optimism Insights Survey Q2 2026

Dun and Bradstreet Business Optimism Indices Q2 2026

- Profitability pressures eased, with operating margins rising 14.8% QoQ, indicating improving demand conditions, better cost absorption, and a modest recovery in pricing power across firms.
- Working capital dynamics shifted materially, marked by an 114% increase in days sales outstanding alongside an 8% decline in days payable outstanding, suggesting firms collected receivables more slowly while paying suppliers faster, which likely tightened near-term cash positions.
- Risk conditions eased, with financial risk on corporate balance sheets declining 17.2% QoQ and sector level financial risk falling 7.6%, underscoring a moderation in macro financial uncertainty compared to the previous quarter.
- Corporate risk appetite contracted sharply on a YoY basis (-86.4%), signalling a markedly more cautious stance toward investment, expansion, and discretionary capital allocation.
- Even as sentiment stayed cautious, the environment for raising capital weakened in Q2 2026 (-10%), signalling tighter liquidity and softer market access, with firms more hesitant to tap external financing, potentially amid heightened geopolitical tensions and ongoing conflict-related uncertainty.
- Financing conditions eased in Q2 2026, with the cost of raising funds down 15.5% QoQ.

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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