



Key Macro Highlights

- ✔ The RBI's monetary policy committee (MPC) retained its GDP growth forecast at 7.2% for FY23
- ✔ Non-food outstanding credit increased by 13.9% in Jul 22, highest since Mar 19
- ✔ Brent crude oil declined to US\$ 90.16 per barrel in Sep, lowest in eight months
- ✔ Merchandise export increased by 15.5% in H1 FY23 to US\$ 229.05 bn
- ✘ In Sep 2022, inflation remained over the target zone for the 9th consecutive month, at 7.4%
- ✘ The policy repo rate was increased by 50 basis points to 5.90% in Sep 2022, a 40-month high
- ✘ FII outflows stood at US\$ 22.8 bn during Jan-Sep 22 compared to US\$ 13 bn during the same period last year
- ✘ Continuing its depreciation streak, the rupee reached its lowest level of 82.40 per USD on Oct 07, 2022

D&B Optimism Index for India for Q4 2022

The survey for the Dun & Bradstreet Business Optimism Index (BOI) was conducted during the month of September 2022, when the upcoming festive season, rising urban wages, a gradual uptick in rural demand, and easy bank credit were supporting consumption. The festive season along with the rapidly declining number of Covid-19 cases helped optimism level of businesses to improve from the previous quarter. The Dun & Bradstreet Business Optimism index improved by 18.8% in Q4 2022 over Q3 2022. Nonetheless, given the significant headwinds from an unsettled external environment and the rising input and borrowing costs for businesses, the optimism levels remained low compared to the same period last year. The Dun & Bradstreet Business Optimism index declined by 12.2% (y-o-y) in Q4 2022.

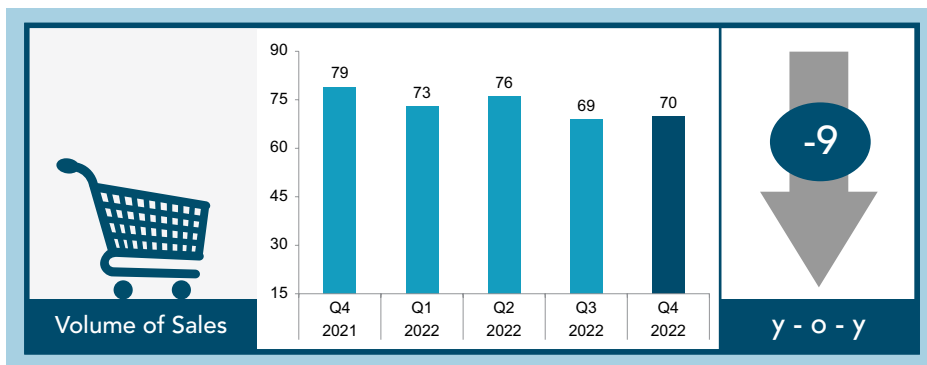
Inflation continues to remain high because of the adverse global supply shocks and the firming up of domestic demand: in September, inflation remained above the target level for the ninth consecutive month, at 7.4%. The policy repo rate was increased by 50 basis points (bps) to 5.90%, a 40-month high. The monetary tightening phase is expected to continue, and the past policy rate hikes are yet to be transmitted to the broader spectrum of interest rates as it takes three to four quarters for the policy rate to be transmitted to the real economy. Against the 140bps hike in the policy rate, the one-year median marginal cost of funds-based lending rate (MCLR) of scheduled commercial

banks increased by approximately 70bps during the period May to September. Volatile sentiments in global markets, fears of a global recession, and aggressive rate hikes by the US Fed triggered foreign fund outflow in September. Worries are rising as the rupee is falling lower than INR80:USD; inflation, a current account gap and company profits are being affected. The sharp fall and the volatility of the rupee have increased cross-border trading costs for businesses. Business with exposure to the European markets need to adjust their credit exposure given the political, regulatory, and financial turmoil in those markets.

Nonetheless, the positive is that the recent correction in global commodity prices, if sustained, may ease cost pressures. With the conclusion of the spectrum auctions for 5G in early August, there will likely be further internet penetration and many opportunities for social and business activities. The government is also considering extending incentives under the PLI scheme to more sectors such as leather, bicycles, some vaccine materials, and certain telecom products which should support businesses.

Reflecting the prevailing business sentiment, the Composite Business Optimism Index for Q4 2022 decreased by 12.2% on a y-o-y basis. Based on the responses received, on a y-o-y basis it was observed that five out of six optimism indices have decreased. Amongst the sectors, intermediate goods sector is the least optimistic on net profits and employees.

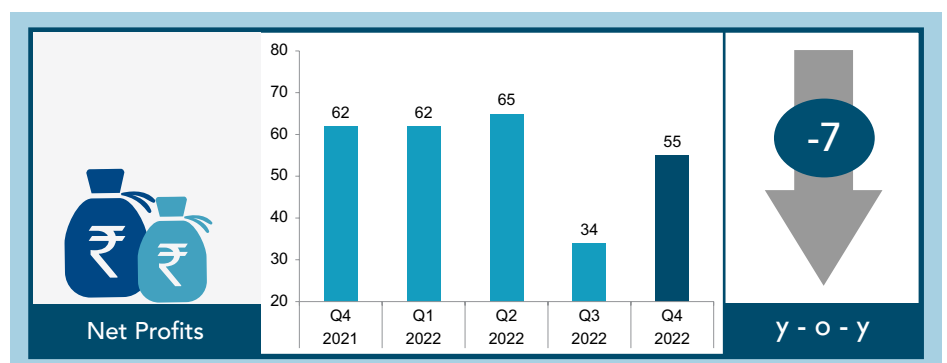
Optimism on Sub-indices



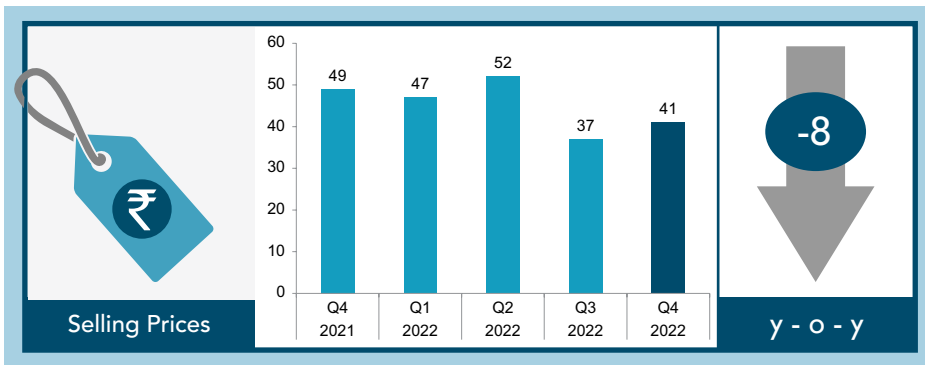
Note: All q-o-q figures are in percentage points

70% of the respondents expect volume of sales to increase in Q4 2022 compared to 79% in Q4 2021, a decrease of 9 percentage points. While 21% expect it to remain unchanged, 9% expect the volume of sales to decline. The consumer durable goods sector is the most optimistic, while the basic goods sector is the least optimistic on this parameter.

55% of the respondents expect an increase in net profits in Q4 2022 compared to 62% in Q4 2021, a decrease of 7 percentage points. 34% expect net profits to remain unchanged, while 11% expect it to decrease. The capital goods sector is the most optimistic, while the intermediate goods sector is the least optimistic on this parameter.



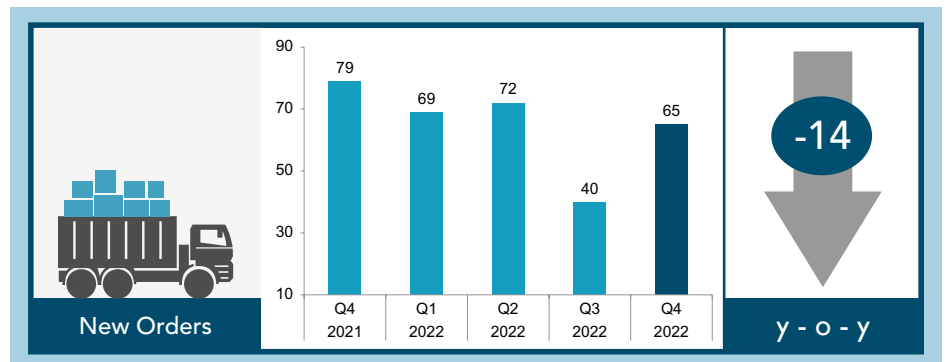
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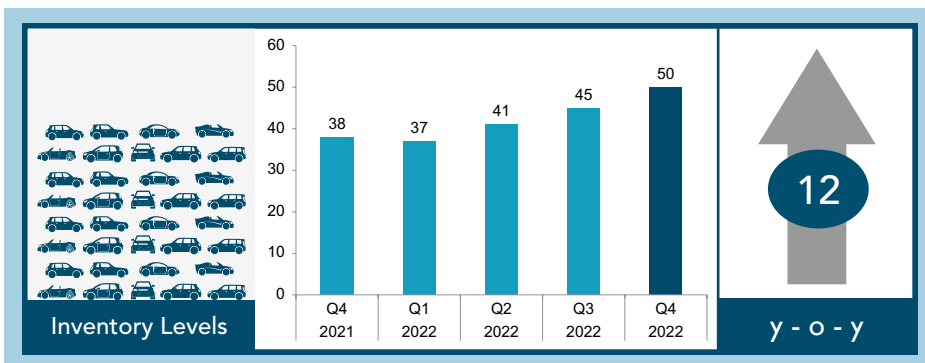
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51% of the respondents expect no change in the selling price of their products in Q4 2022. 41% of the respondents expect the selling price of their products to increase during Q4 2022, while 8% expect a decline. The construction sector is the most optimistic on this parameter, while the consumer non-durable goods sector is the least optimistic.

65% of the respondents expect their order book position to improve in Q4 2022, compared to 79% in Q4 2021, a decrease of 14 percentage points. While 28% of the respondents expect new orders to remain unchanged, only 7% anticipate new orders to decrease. The consumer non-durable goods sector is the most optimistic, while the capital goods sector is the least optimistic.



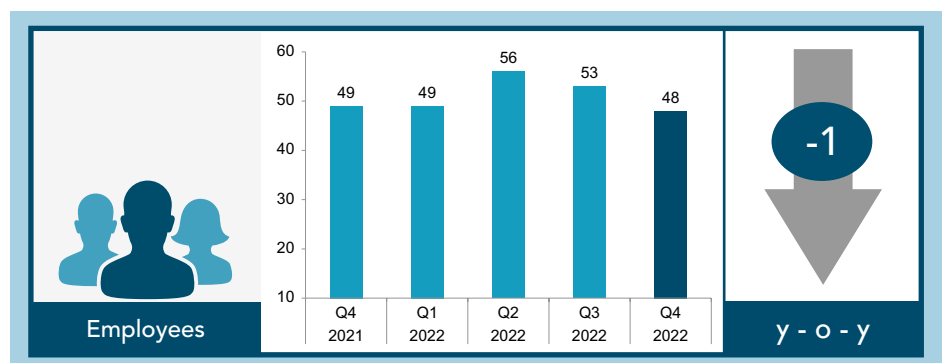
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50% of the respondents expect their inventory level to increase during Q4 2022, compared to 38% in Q4 2021, an increase of 12 percentage point. While another 35% anticipate no change in inventory level, 15% expect inventory level to decline. The consumer non-durable goods sector is the most optimistic on this parameter, while the basic goods sector is the least optimistic.

48% of the respondents expect an increase in the size of their workforce employed during Q4 2022, which is 1 percentage point lower than Q4 2021. While 45% anticipate no change in the number of employees, 7% expect their workforce size to decline. The construction sector is the most optimistic on this parameter, while the intermediate goods sector is the least optimistic.



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

The D&B Optimism Index is recognised as a product, which measures the pulse of the business community and serves as a reliable benchmark for investors. Over time, this index has emerged as a leading indicator of turning points in economic activity.

Methodology

For the purpose of conducting the survey, a sample of companies belonging to basic goods, capital goods, intermediate goods, consumer durables, consumer nondurables, construction and the services sectors is selected at random from Dun & Bradstreet's commercial credit information file. The sample selected is a microcosmic representation of India's business community. All the respondents in the survey are asked six standard questions regarding their expectations as to whether the following critical parameters pertaining to their respective companies will register an increase, decline or show no change in the ensuing quarter as compared to the same quarter in the prior year: Volume of Sales, Net Profits, Selling Prices, New Orders Inventories and Employees. The individual indices are then calculated by the percentage of respondents expecting an increase

Composite Business Optimism Index

Dun & Bradstreet introduced the Composite Business Optimism Index from 04 2002. The purpose of the Composite Business Optimism Index is to capture the aggregate behaviour of all the individual indices except inventory. Each of the five parameters has a weight assigned to it. For calculating the Composite Business Optimism Index, the positive responses for each of five parameters for the period under review are expressed as a proportion of positive responses in the revised base period (2011). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite Business Optimism Index. For the purpose of the survey, 01 is the period between January and March, 02 is the period between April and June, 03 is the period between July and September and 04 is the period between October and December each year. We trust that you will find the D&B Optimism Index as a useful tool in your day-to-day decision making. Please do give us your feedback in this regard.

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