

The Composite CFO Optimism Index declined by 16.2% (y-o-y) to 88.7

Seven of the eight parameters under the financial performance sub-index **deteriorated** in Q4 2022 on a y-o-y basis

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Only 5% of CFOs expect the **cost of raising funds** from the market to **decrease** in Q4 2022, the **lowest since Q2 2012** when the index was instituted



Only 26% of CFOs in the **services sector** expect the **global macro-economic situation** to be **favorable** in Q4 2022, lowest in nine quarters



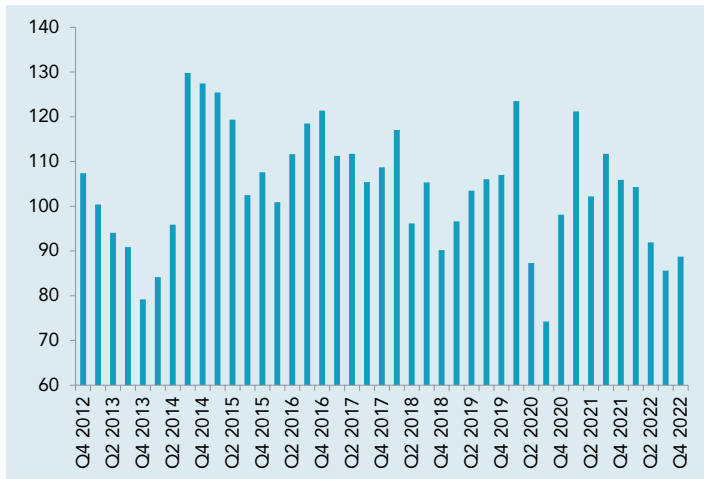
63% of CFOs in the **industrial sector** expect the **domestic macro-economic situation** to be **favorable** in Q4 2022, highest in three quarters



50% of CFOs expect an **increase** in the **operating margin** of their company in Q4 2022 compared to 58% in Q4 2021



CFO Optimism Index

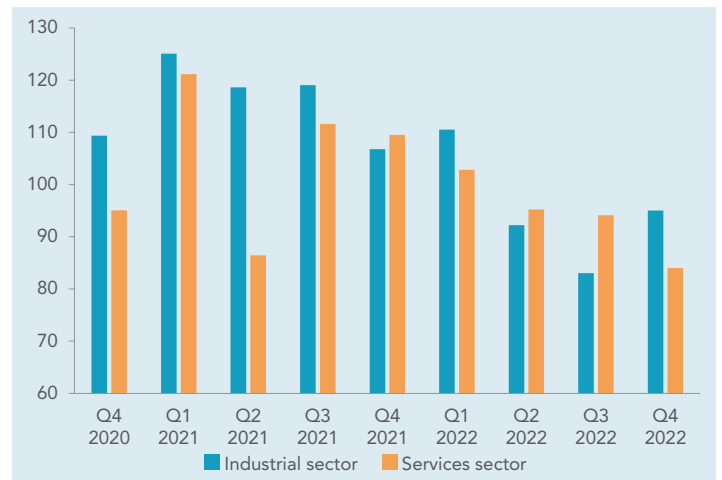


Note: Values represent index level

- The Composite CFO Optimism Index declined by 16.2%, on a y-o-y basis, to 88.7 during Q4 2022
- Optimism level for financial performance of the companies declined by 20.9% (y-o-y)
- Optimism level for macroeconomic scenario declined by 8.9% (y-o-y)

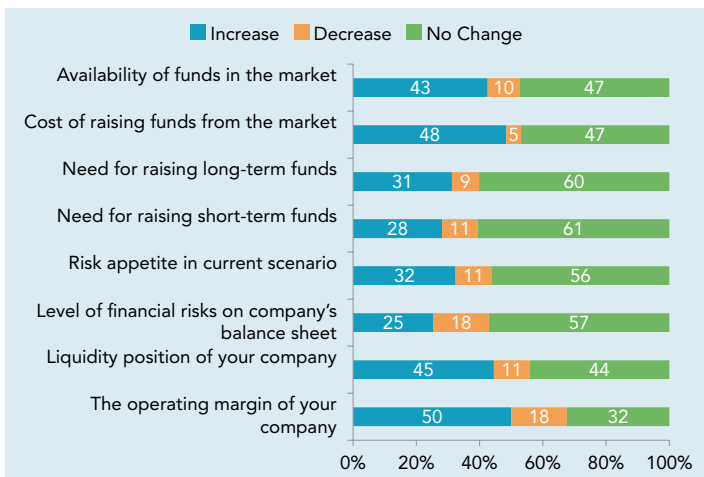
CFO optimism on a sectoral basis

- Optimism level declined by 23.3% (y-o-y) and 11% (y-o-y) in the services and industrial sector, respectively
- Optimism level for macroeconomic scenario declined by 22.3% (y-o-y) in the services sector, while it increased by 2.5% (y-o-y) in the industrial sector
- Optimism level for financial performance declined by 23.9% (y-o-y) and 19.8% (y-o-y) in the services and industrial sector, respectively



Note: Values represent index level

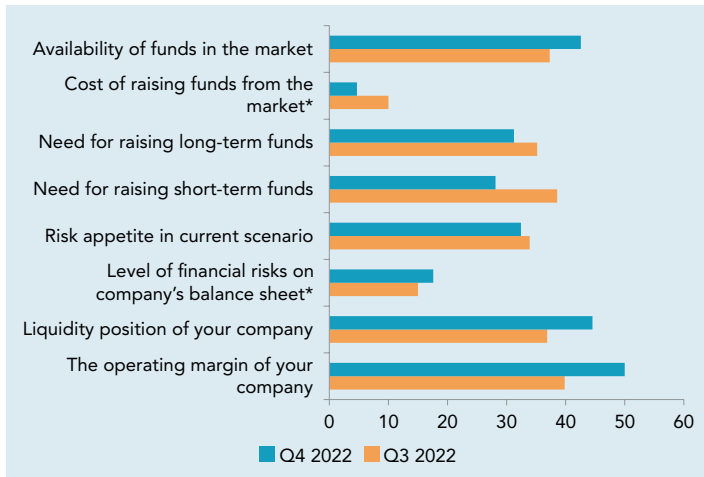
Optimism at the company level



Note: Values represent % of total responses

- Seven of the eight parameters under the financial performance sub-index deteriorated in Q4 2022 on a y-o-y basis
- Only 5% of CFOs expect the cost of raising funds from the market to decrease in Q4 2022, the lowest since Q2 2012 when the index was instituted
- 43% of CFOs expect an increase in the availability of funds in the market in Q4 2022 compared to 51% in Q4 2021
- 50% of CFOs expect an increase in the operating margin of their company in Q4 2022 compared to 58% in Q4 2021

Optimism at the company level

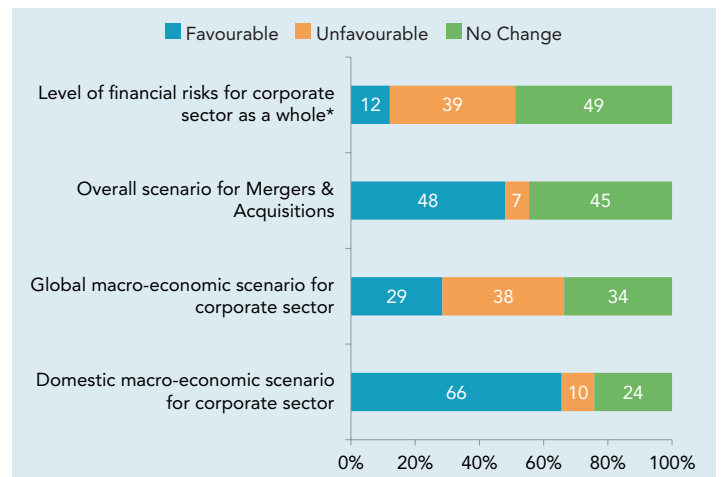


Note: % of CFOs indicating increase for the parameters
 *Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- 58% of CFOs in the services sector expect an increase in the operating margin of their companies in Q4 2022, compared to 42% of CFOs in the industrial sector
- 12% of CFOs in the services sector expect the level of financial risks on their company's balance sheet to decline in Q4 2022 compared to 23% of CFOs in the industrial sector
- 45% of CFOs in the services sector expect an increase in the liquidity position of their company in Q4 2022 compared to 59% in Q4 2021

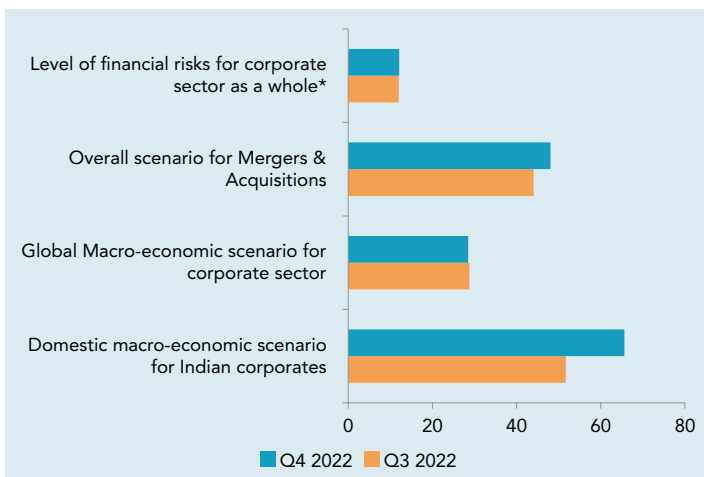
Optimism at the macro level

- 66% of CFOs expect domestic macro-economic scenario to be favourable during Q4 2022 compared to only 51% in Q4 2021
- Only 29% of CFOs expect global macro-economic scenario to be favourable during Q4 2022 compared to 34% in Q4 2021
- 48% of CFOs expect the overall scenario for mergers & acquisitions to be favourable during Q4 2022
- Only 12% of CFOs expect the level of financial risks for corporate sector as a whole to decrease in Q4 2022 compared to 21% in Q4 2021



Note: Values represent % of total responses.
 *For level of financial risks for the corporate sector as a whole, unfavourable means increase

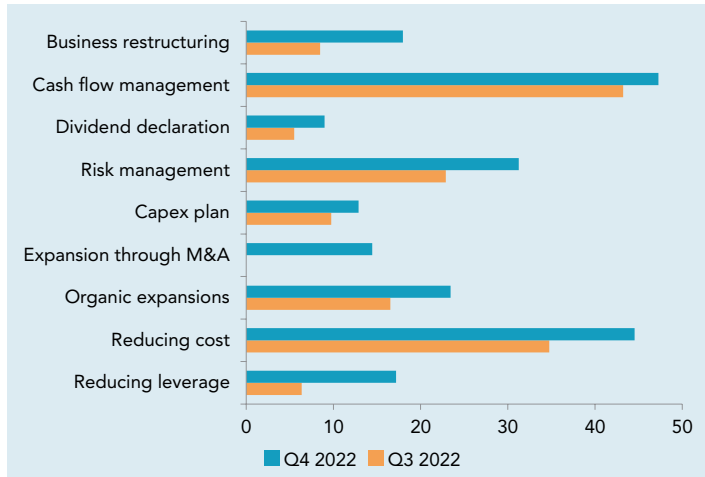
Optimism at the macro level



Note: % of CFOs indicating favourable for the parameters
 *Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- Only 26% of CFOs in the services sector expect the global macro-economic situation to be favorable in Q4 2022, lowest in nine quarters
- 63% of CFOs in the industrial sector expect the domestic macro-economic situation to be favorable in Q4 2022, highest in three quarters
- 17% of CFOs in the industrial sector expect the level of financial risks for corporate sector as a whole to be favorable during Q4 2022 compared to only 7% of CFOs in the services sector

CFO Priority during the next six months

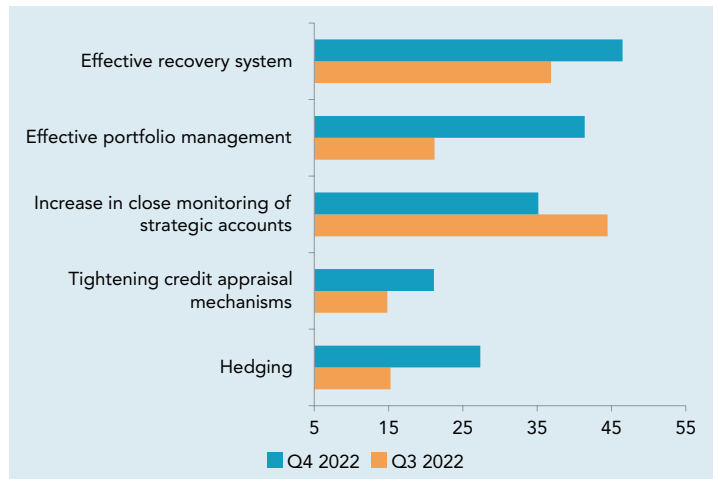


- 47% of CFOs have stated cash flow management to be their priority in the next six months
- 45% of CFOs have stated reducing cost to be their priority in the next six months, highest in six quarters
- 17% of CFOs have stated reducing leverage to be their priority in the next six months, highest in five quarters

Note: % of CFOs who rated each of the parameters as their strong priority

Risk management tool to be adopted during the next six months

- 46% of CFOs have stated increase in effective recovery system to be their risk management tool in the next six months
- 41% of CFOs have stated effective portfolio management to be their risk management tool in the next six months, highest in five quarters
- 35% of CFOs have stated increase in close monitoring of strategic accounts to be their risk management tool in the next six months



Note: % of CFOs who stated each of the risk management tools to be adopted

Research Team: Dr. Arun Singh | Dipshikha Biswas | Raj Kiran

The D&B CFO Optimism Index is arrived at on the basis of a quarterly survey of CFO expectations regarding the financial state of their company as well as overall macroeconomic scenario.

Methodology

For the purpose of conducting the survey, a sample of companies belonging to basic goods, capital goods, intermediate goods, consumer durables, consumer non-durables and the services sector is selected randomly 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 a set of questions regarding the financial performance of their companies and the overall macroeconomic scenario for the forthcoming period. The CFOs are asked to state their expectations as to whether the specified parameters pertaining to their respective companies and the overall macroeconomic scenario will register an increase, decrease or show no change in the ensuing quarter as compared to the same quarter in the previous year. Two broad indices, optimism at the company level and optimism at the macroeconomic level, each consisting of 8 and 4 sub-parameters respectively, are then designed.

CFO Optimism Index

Dun & Bradstreet introduced the Composite CFO Optimism Index from Q3 2013. The purpose of the Composite CFO Optimism Index is to capture the aggregate behaviour of the two broad indices. Each of the 12 parameters under the two broad indices has a weight assigned to it. For calculating the Composite CFO Optimism Index, the positive responses for each of these parameters for the period under review are expressed as a proportion of positive responses in the base period (Q2 2012). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite CFO Optimism Index. For the purpose of the survey, Q1 is the period between January and March, Q2 is the period between April and June, Q3 is the period between July and September and Q4 is the period between October and December each year. We trust that you will find the D&B CFO Optimism Index as a useful tool in your day-to-day decision making.

Please send your feedback to Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet
 Dun & Bradstreet Information Services India Pvt. Ltd., Chemtex House Main Street, Hiranandani Gardens, Powai, Mumbai 400 076.
 CIN - U74140MH1997PTC107813 Tel: 91-22-4941 6666 | Email: SinghArun@DNB.com, India@DNB.com | www.dnb.co.in