

Key Highlights of the Survey

The business confidence level for Q3 2022 is lower than Q2 2022, according to business executives responding to the ASSOCHAM D&B Small Business Confidence Index survey. The index, which measures the level of optimism of small and medium businesses on key business parameters such as sales, employment, prices, inventory, and investment, stood at 83 in Q3 2022 compared to 87 in Q2 2022. An index value above 50 signals an improvement or increase in the forthcoming quarter compared to the same quarter in the previous year.

Most indicators point to a challenging economic environment for Q3 2022. 52% of responding SMEs anticipate a rise in export orders in Q3 2022, compared to 86% in Q2 2022, indicating a slowdown in export-driven demand growth. The percentage of SMEs that expect an increase in their workforce declined to 72% in Q3 2022 from 76% in Q2 2022.

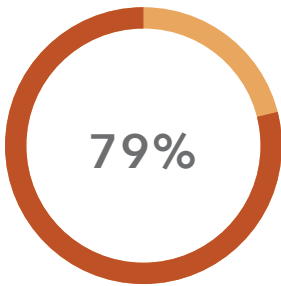
Businesses anticipate that price pressures will

continue to intensify in Q3 2022. 80% of SMEs anticipate an increase in the cost of raw materials, while only 74% of SMEs anticipate an increase in their selling prices. This suggests that not all producers may be able to pass on the greater cost of raw materials to customers. Consequently, the percentage of SMEs anticipating an increase in their net profits was 74%, a slight decrease from the 77% recorded in Q2 2022.

80% of SMEs anticipate an increase in domestic orders, up from 75% in Q2 2022. Consequently, the percentage of responding SMEs anticipating an increase in their net sales rose to 79 from 77 in Q2 2022. Businesses intend to improve their average capacity utilisation rate to 60% in Q3 2022, up from 55% in Q2 2022. 75% of SMEs anticipate an increase in their new fixed capital investment, which is suggestive of optimism over future demand, but this is marginally lower than the 77% recorded in Q2 2022.

Business Confidence Levels

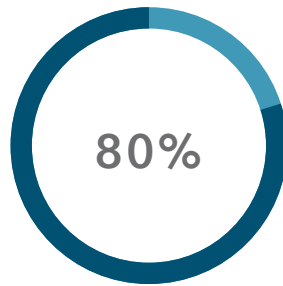
DEMAND ENVIRONMENT



SALES VOLUME

79% of the responding SMEs expect an increase in their volume of sales in Q3 2022 compared to 77% in Q2 2022

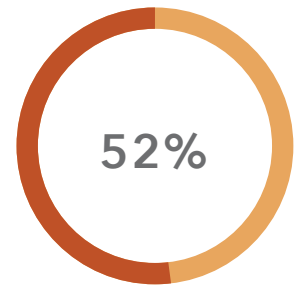
Up from previous quarter ↑



DOMESTIC ORDERS

80% of the responding SMEs expect an increase in their domestic orders in Q3 2022 compared to 75% in Q2 2022

Up from previous quarter ↑



EXPORT ORDERS

52% of the responding SMEs expect an increase in their export orders in Q3 2022 compared to 86% in Q2 2022

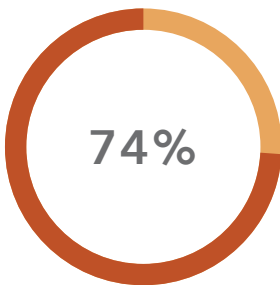
Decline from previous quarter ↓



The precipitous fall in optimism for export orders is a likely reflection of the downward revision for global economic growth due to inflationary pressures, rising interest rates and spillovers from the Russia-Ukraine crisis. Since March 2022, when the previous survey for this report was conducted, over 70% of the economies tracked by the Bank for International Settlements have increased their policy rates. Inflation has reached multi-decade highs in several major economies including the US, UK, Germany, France, and Canada. Exports may also be negatively impacted as more companies shorten their supply chains and diversify suppliers to reduce their operational risks.



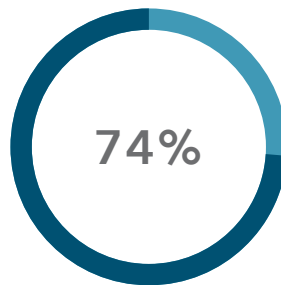
FINANCIAL SITUATION



NET PROFITS

74% of the respondents expect an increase in net profits in Q3 2022 compared to 77% in Q2 2022

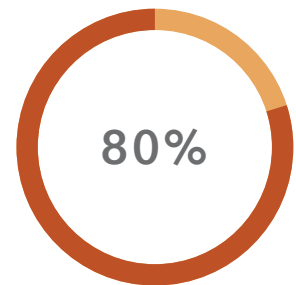
Decline from previous quarter ↓



SELLING PRICE OF THEIR PRODUCTS/SERVICES

74% of the responding SMEs expect an increase in the selling price of their products and services in Q3 2022 compared to 75% in Q2 2022

Decline from previous quarter ↓



RAW MATERIAL

80% of the responding SMEs expect an increase in their raw material prices in Q3 2022, the same level as in Q2 2022

Same Level as previous quarter =



As monetary tightening, rising food and energy costs, increasing global political and insecurity risks, and supply chain disruptions cloud the prospects for global economic growth, firms view new investments as riskier. These risks also imply a slowdown in foreign direct investments. Consequently, compared to Q2 2022, fewer businesses anticipate an increase in their workforce size and fixed capital investments. The probability of delayed payments and defaults particularly for small businesses, will be higher in H2 2022 as debt servicing costs increase with rising interest rates.



Business Confidence Levels

INVENTORY MANAGEMENT



72%

INVENTORY OF FINISHED GOODS

72% of the respondents expect an increase in their level of inventory of finished goods in Q3 2022 compared to 76% in Q2 2022

Decline from previous quarter ↓



76%

INVENTORY OF RAW MATERIALS AND WORK IN PROGRESS

76% of the respondents expect an increase in their level of inventory of raw materials and work in progress in Q3 2022 same as in Q2 2022

Same Level as previous quarter =

INVESTMENT SCENARIO



72%

WORKFORCE SIZE

72% of the respondent SMEs expect an increase in the size of their workforce in Q3 2022 compared to 76% in Q2 2022

Decline from previous quarter ↓



75%

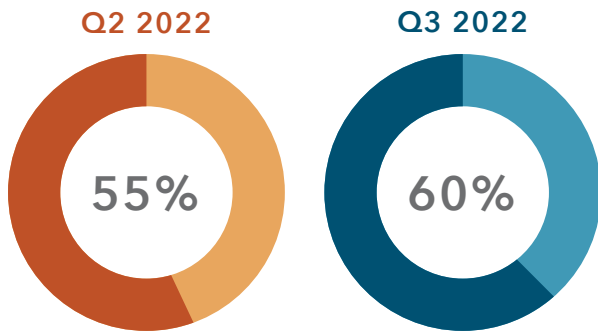
FIXED CAPITAL INVESTMENTS

75% of the respondents expect an increase in their fixed capital investments in Q3 2022 compared to 77% in Q2 2022

Decline from previous quarter ↓

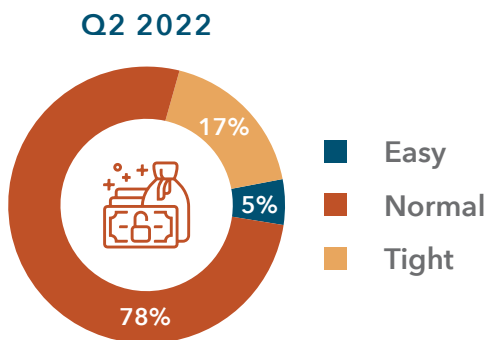
Business Confidence Levels

CAPACITY UTILISATION

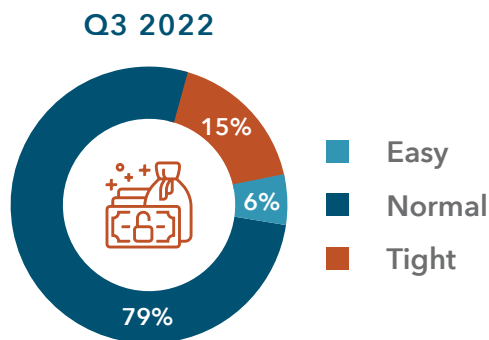


Responding SMEs anticipate their average capacity utilisation rate to increase to 60% in Q3 2022 from 55% in Q2 2022

ACCESS TO CREDIT



78% of the respondents anticipated that access to credit will be normal, while another 5% anticipate it to be easy in Q2 2022

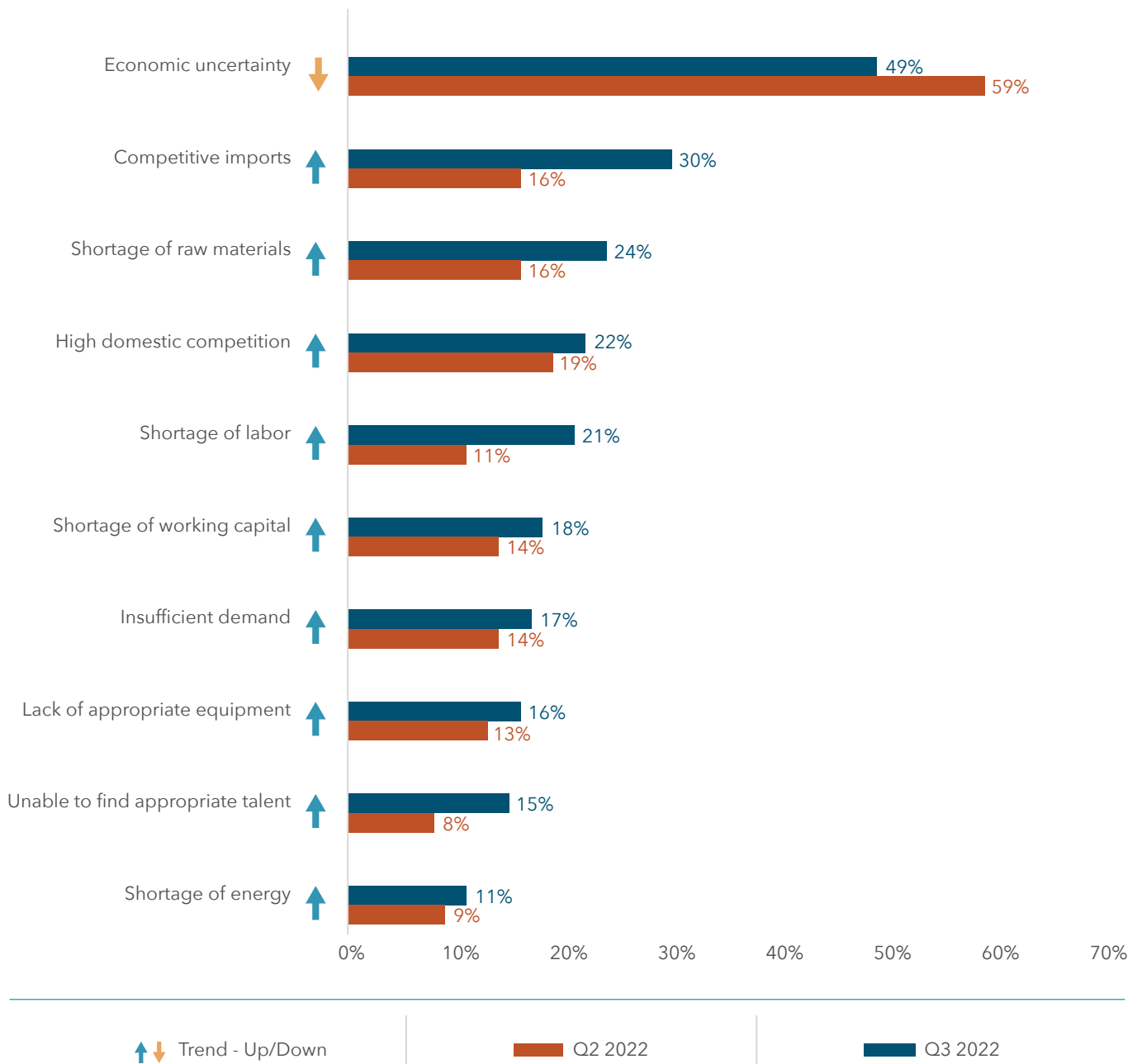


79% of the respondents anticipated that access to credit will be normal, while another 6% anticipate it to be easy in Q3 2022

Up from previous quarter ↑

FACTORS LIMITING PRODUCTION VOLUME

PERCENTAGE OF RESPONDENTS



Methodology

ASSOCHAM, in association with Dun & Bradstreet India, conducted a pan-India survey of small and medium businesses across multiple sectors to understand their optimism level on key business parameters such as sales, employment, prices, inventory, and investment. The responses to selected questions were aggregated to create a diffusion index for each parameter. The overall index - ASSOCHAM D&B Small Business Confidence Index - was then calculated by taking a weighted average of the sub-indices. The weights for the sub-indices were determined using appropriate statistical techniques. An index value above 50 signals an improvement or increase in the forthcoming quarter compared to the same quarter in the previous year. A value below 50 signals a deterioration or decrease in the forthcoming quarter compared to the same quarter in the previous year.

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