


December 2020

India | Q4 2020

The Composite CFO Optimism Index declined by 8.3% (y-o-y) to 98.1

Optimism levels for **financial performance** of the company and **macroeconomic scenario**

declined by

 8.2% (y-o-y) and
 8.4% (y-o-y),
 respectively



Five of the
 eight parameters
under the financial performance
 sub index deteriorated in
 Q4 2020 on a y-o-y basis



Only **17%** of CFOs
 in the industrial sector
 expect the level of
financial risk
 on their company's
 balance sheet to
decrease



in Q4 2020, lowest in seven quarters

Only
18% of CFOs
 expect an
increase in the
risk appetite in the current scenario
 lowest since the index was
 instituted in Q2 2012



Only **33%** of CFOs
 expect the overall scenario
 for **mergers & acquisitions**
 to be favourable during **Q4 2020**

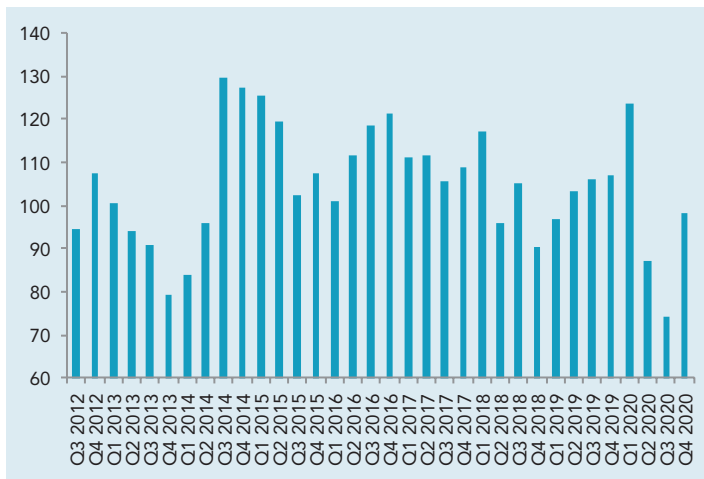
63% of CFOs
 have stated
effective
recovery system
 to be their **risk management tool**
 in the **next six months**



LOWEST
 since Q2 2014



CFO Optimism Index

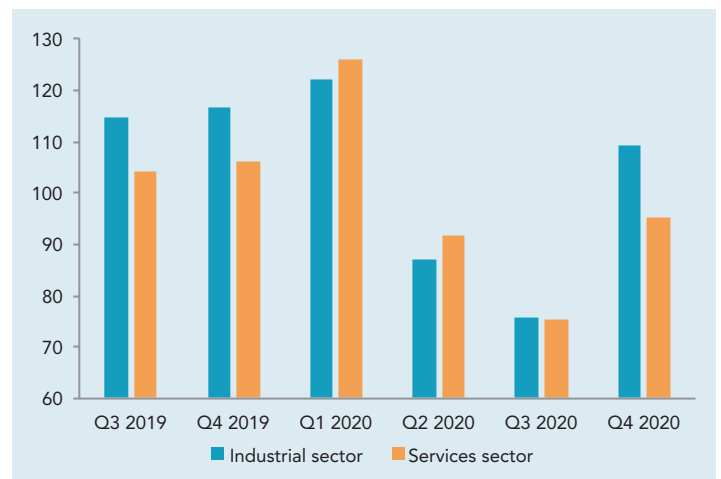


Note: Values represent index level

- The Composite CFO Optimism Index declined by 8.3%, on a y-o-y basis, to 98.1 during Q4 2020. However, the index increased by 32.1% on a q-o-q basis
- Optimism levels for financial performance of the company declined by 8.2% (y-o-y)
- Optimism level for macroeconomic scenario declined by 8.4% (y-o-y)

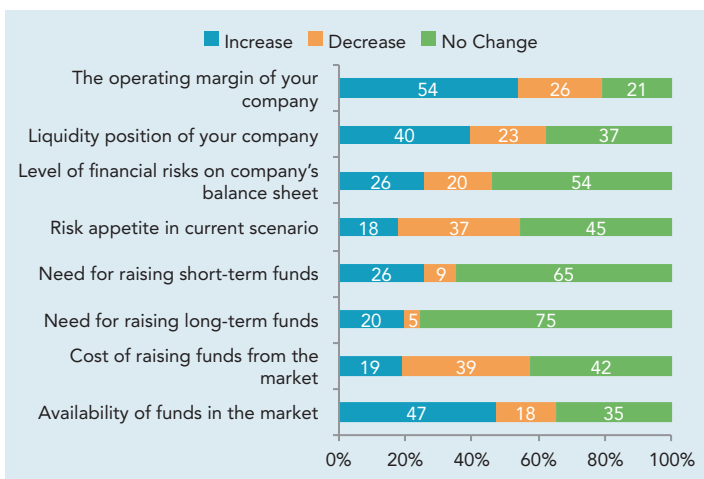
CFO optimism on a sectoral basis

- Optimism level declined by 6.2% (y-o-y) in the industrial sector and by 10.2% (y-o-y) in the services sector
- Optimism level for macroeconomic scenario declined by 10.5% (y-o-y) in the industrial sector and by 10.8% (y-o-y) in the services sector
- Optimism level for financial performance declined by 2.9% (y-o-y) in the industrial sector compared to a decline of 9.9% (y-o-y) in the services sector



Note: Values represent index level

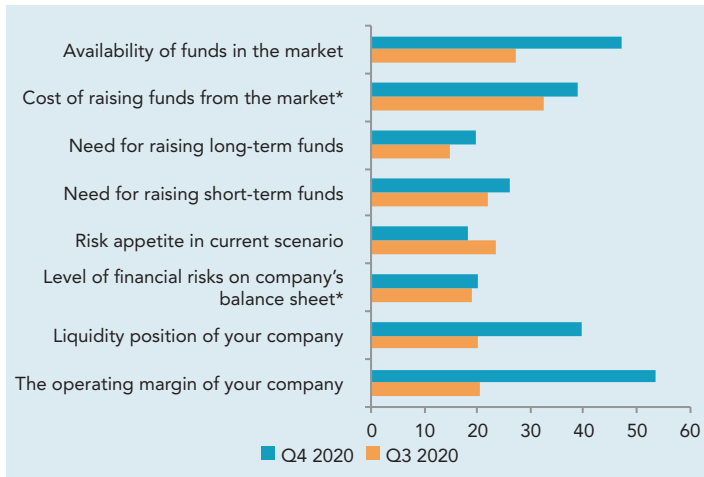
Optimism at the company level



Note: Values represent % of total responses

- Five of the eight parameters under the financial performance sub index deteriorated in Q4 2020 on a y-o-y basis
- Only 18% of CFOs expect an increase in the risk appetite in the current scenario - lowest since the index was instituted in Q2 2012
- 39% of CFOs expect a decrease in the cost of raising funds – highest in 14 quarters

Optimism at the company level

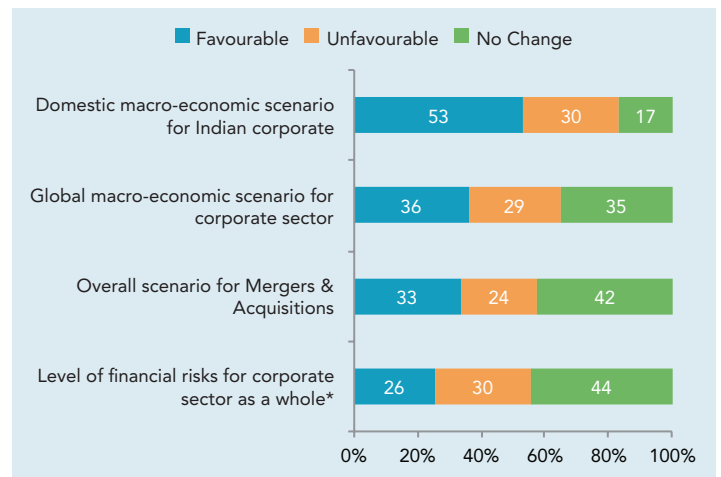


Note: % of CFOs indicating increase for the parameters
 *Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- Only 17% of CFOs in the industrial sector expect the level of financial risk on their company's balance sheet to decrease in Q4 2020, lowest in seven quarters
- Only 20% of CFOs in the services sector indicated the need for raising short-term funds. This is the lowest level for two successive quarters since the index was instituted in Q2 2012
- 42% of CFOs in the services sector and 55% of CFOs in the industrial sector expect the availability of funds in the market to increase in Q4 2020, highest in six quarters and 15 quarters, respectively

Optimism at the macro level

- Only 33% of CFOs expect the overall scenario for mergers & acquisitions to be favourable during Q4 2020, lowest since Q2 2014
- 53% of CFOs expect domestic macro-economic scenario to be favourable during Q4 2020, the same level as in Q4 2019
- 36% of CFOs expect global macro-economic scenario to be favourable during Q4 2020 compared to 51% during Q4 2019



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

- 39% of CFOs in the industrial sector expect global macro-economic scenario to be favourable during Q4 2020, compared to 64% during Q4 2019
- 24% of CFOs in the services sector expect the level of financial risk for corporate sector as a whole to decrease during Q4 2020, the same level as in Q4 2019
- 37% of CFOs in the services sector as compared to 28% of CFOs in the industrial sector expect the overall scenario for mergers & acquisitions to be favourable during Q4 2020

CFO Priority during the next six months

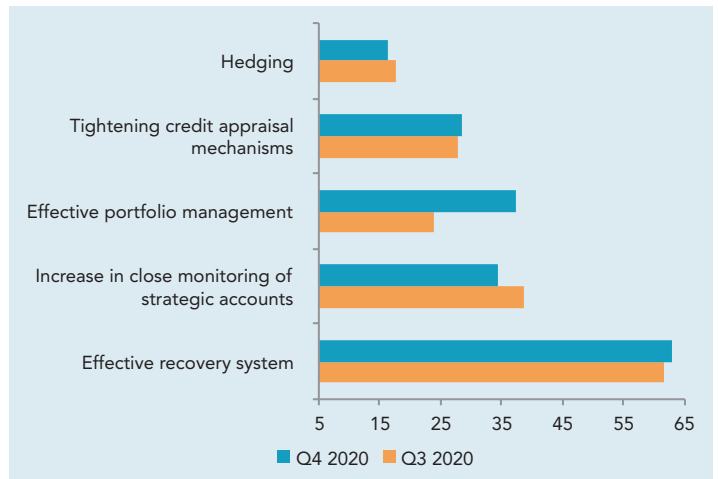


- 58% of CFOs have stated cash flow management to be their priority in the next six months
- 57% of CFOs have stated reducing cost be their priority in the next six months
- 44% of CFOs have stated risk management to be their priority in the next six months

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

Risk management tool to be adopted during the next six months

- 63% of CFOs have stated effective recovery system to be their risk management tool in the next six months
- 37% of CFOs have stated effective portfolio management to be their risk management tool in the next six months
- 34% 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

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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 corporate sector in 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
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