

The Composite CFO Optimism Index declined by 7.8%, on a y-o-y basis, to 96.1 for Q1 2023



The Composite CFO Optimism Index declined by 7.8% (y-o-y) to 96.1 in Q1 2023



35% CFOs expect an increase in the operating margin of their company in Q1 2023, lowest in 10 quarters

36% CFOs expect an increase in the liquidity position of their company in Q1 2023, lowest in 10 quarters



Only 7% CFOs in the industrial sector expect the level of financial risks for overall corporate sector to decrease in Q1 2023, lowest since Q2 2012



47% CFOs are optimistic about raising short term funds in Q1 2023, highest since Q2 2012

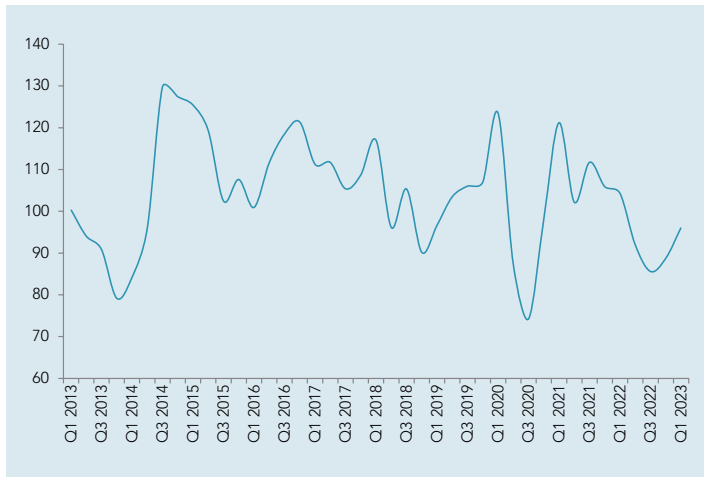


51% CFOs are optimistic about overall scenario for mergers and acquisitions, highest since Q2 2022



49% CFOs in the industrial sector see increase in risk appetite in Q1 2023, highest since Q1 2020

CFO Optimism Index

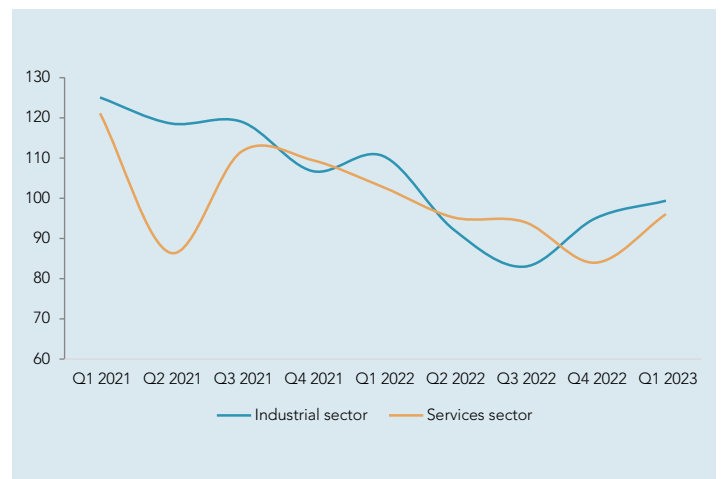


Note: Values represent index level

- The Composite CFO Optimism Index declined by 7.8%, on a y-o-y basis, to 96.1 for Q1 2023
- Optimism level for financial performance of the companies declined by 0.3% (y-o-y)
- Optimism level for macroeconomic scenario declined by 18.2% (y-o-y)

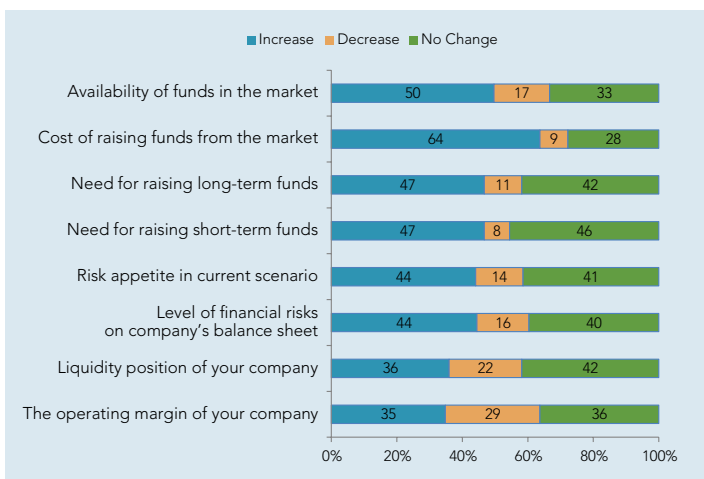
CFO optimism on a sectoral basis

- Optimism level of CFOs declined by 6.5% (y-o-y) in the services and by 10.1% (y-o-y) in the industrial sector
- Optimism level for macroeconomic scenario declined by 18.5% (y-o-y) in the services sector, and 18.6% (y-o-y) in the industrial sector
- Optimism level for financial performance declined by 3.6% (y-o-y) industrial sector and increased by 2.3% (y-o-y) for services sector, respectively



Note: Values represent index level

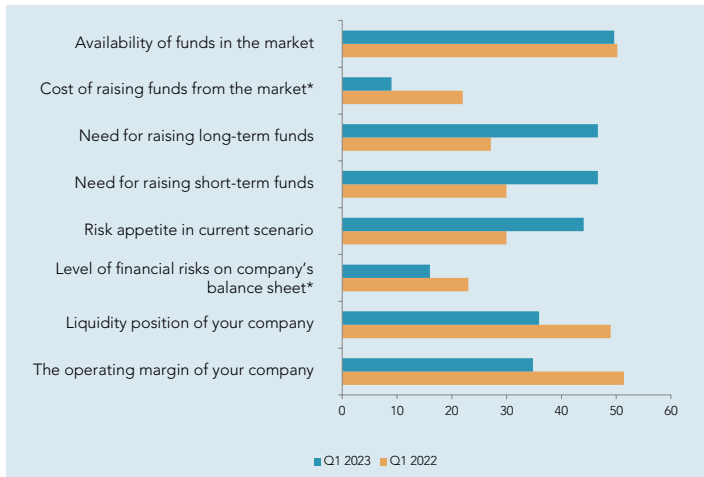
Optimism at the company level



Note: Values represent % of total responses

- 47% of CFOs in the services sector expect the need for raising long term funds to increase in Q1 2023 compared to 19% in Q1 2022
- Optimism for the operating margin of the company within the service sector has declined from 59% in Q1 2022 to 36% in Q1 2023
- 49% CFOs in the industrial sector see increase in risk appetite in Q1 2023, highest since Q1 2020

Optimism at the company level

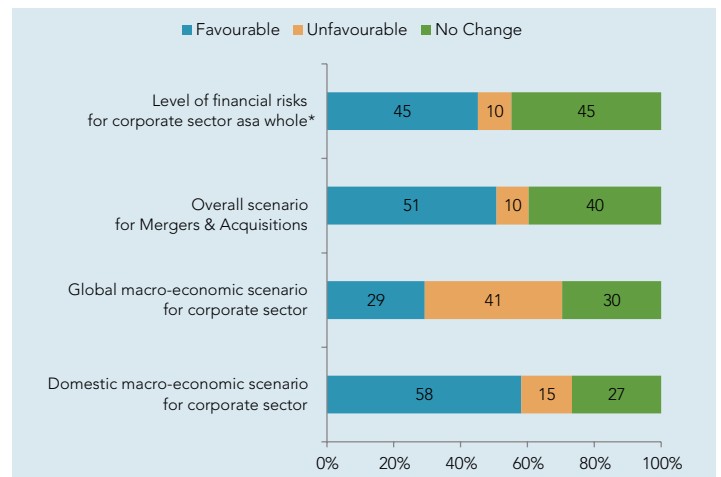


Note: % of CFOs indicating increase for the parameters  
 \*Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- Only 35% of CFOs expect an increase in the operating margin of their company in Q1 2023, lowest in 10 quarters
- 36% of the CFOs expect the liquidity position of the company to improve in Q1 2023, lowest since Q4 2020
- 44% of CFOs expect an increase in risk appetite of their company in the current scenario in Q1 2023, highest since Q1 2020
- 47% of CFOs expect an increase in the need for raising short term funds, highest since institution of the index in Q2 2012

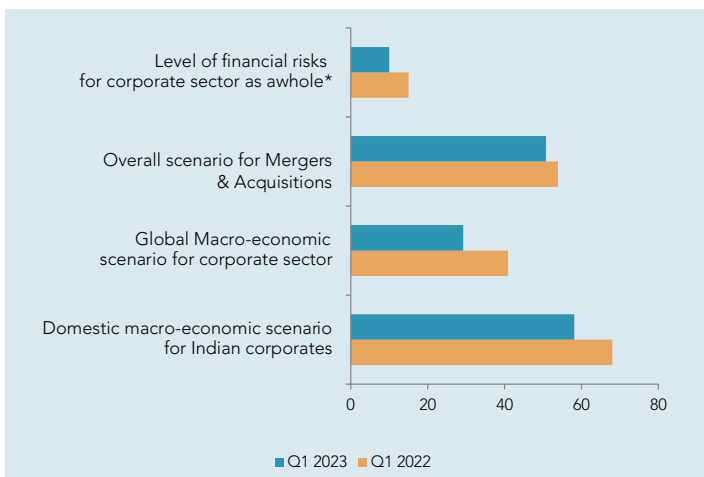
Optimism at the macro level

- Only 7% of CFOs in the industrial sector expect the level of financial risks for corporate sector as a whole to decrease in Q1 2023, lowest since Q2 2012 (when the index was instituted)
- Optimism level for domestic macroeconomic scenario for service sector declined to 58% in Q1 2023 from 66% in Q1 2022
- Optimism for overall scenario of mergers & acquisitions at 52% is highest since Q2 2022



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

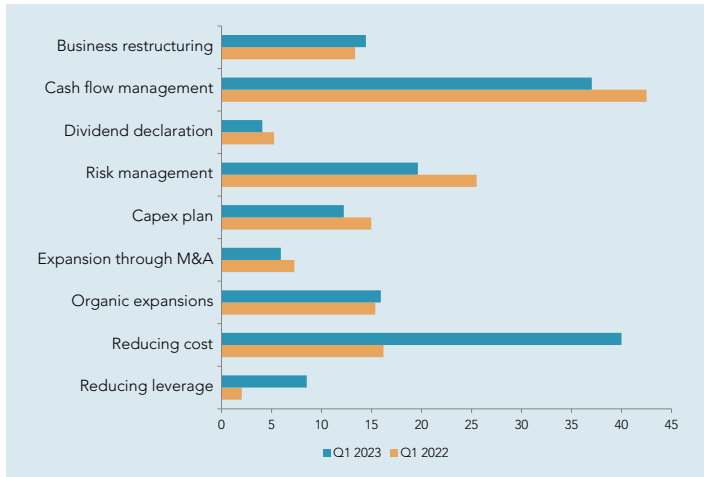
Optimism at the macro level



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

- Optimism for the global macro-economic scenario has remained same for three consecutive quarters at 29% compared to 41% in Q1 2022
- 51% of CFOs expect the overall scenario for mergers & acquisitions to be favourable during Q1 2023. The optimism for this parameter increased in Q1 2023 after falling for three quarters in a row
- 58% of CFOs expect domestic macro-economic scenario to be favorable during Q1 2023 compared to only 68% in Q1 2022 and 66% in Q4 2022

**CFO Priority during the next six months**

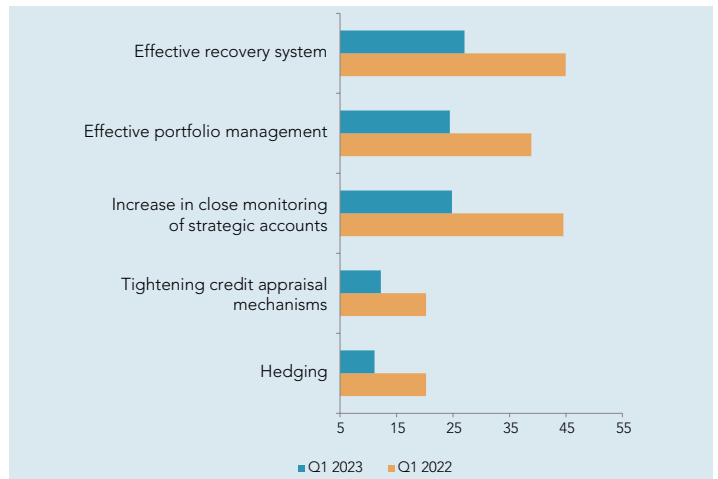


- 40% of CFOs have stated reducing cost to be their priority in the next six months, compared to 16% in Q1 2022
- 37% of CFOs have stated cash-flow management to be their priority in the next six months in Q1 2023, lowest in five quarters
- Only 20% of CFOs have stated risk management to be their priority in the next six months, compared to 26% in Q1 2022

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

**Risk management tool to be adopted during the next six months**

- 27% of CFOs have stated increase in effective recovery system to be their risk management tool in the next six months, highest in five quarters
- 24% of CFOs have stated effective portfolio management to be their risk management tool in the next six months compared to 39% in Q1 2022
- 25% of CFOs have stated increase in close monitoring of strategic accounts to be their risk management tool in the next six months compared to 45% in Q1 2022
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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 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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