

## Business Optimism Index decreased by 15.1% (q-o-q) in Q1 2025



Optimism for **Export Orders** saw a **significant decline of 41%** (q-o-q), lowest since Q3 2023.

Optimism for **Selling Prices** decreased by **8%** (q-o-q).



Optimism for **Input Costs** declined by **14%** (q-o-q).

Optimism for **Profit Before Tax** dropped by **18%** (q-o-q).



**Hospitality activities sector** was the **most optimistic** across several parameters, including sales, domestic orders, profitability, and employment.

## Revision in Base Period for D&B Business Optimism Index

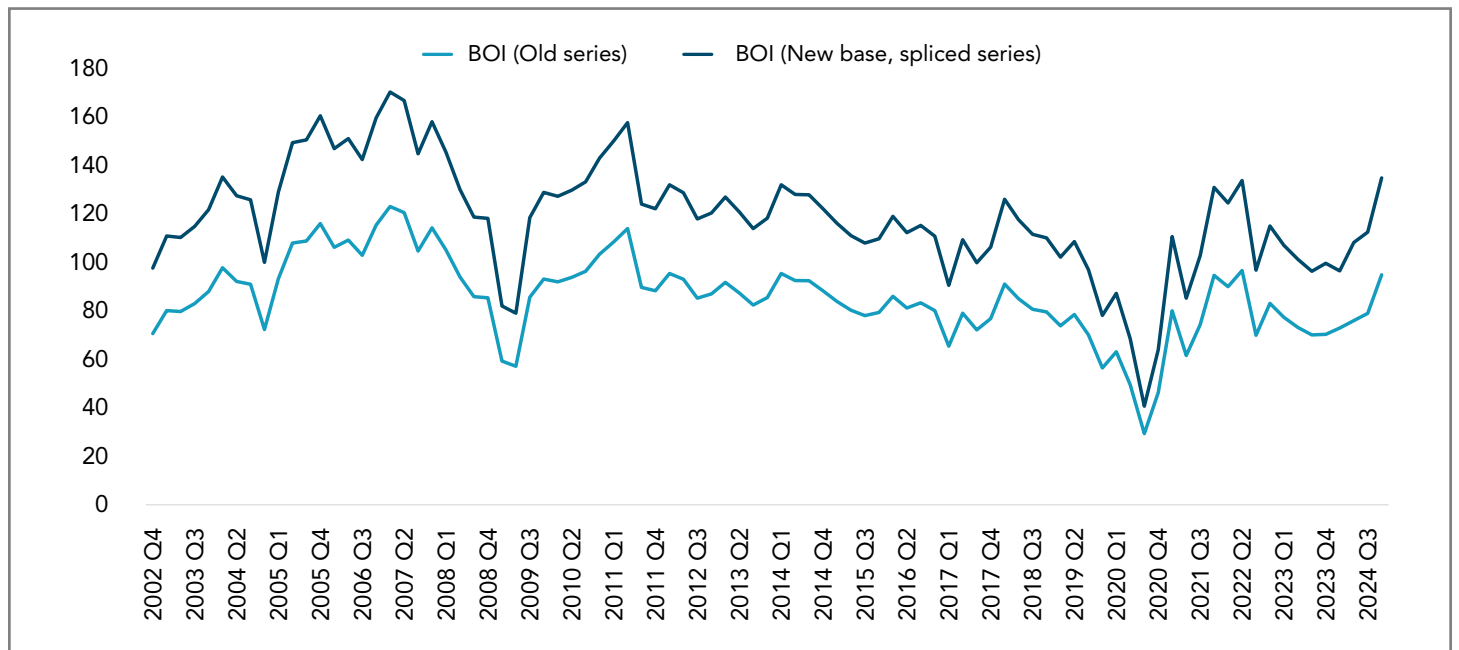
Dun & Bradstreet has revised the base period for its Business Optimism Index (BOI) to Sep-2023 to Jun-2024 to ensure continued relevance and accurate representation of economic conditions. Originally introduced in Dec-2002 and rebased to 2011, this revision in the base period reflects structural shifts in the Indian economy over the decades.

The index retains five of its original indicators—Volume of Sales, Net Profits, Selling Prices, Inventories, and Workforce Size—while

refining “New Orders” into two separate parameters: Domestic Orders and Export Orders. Additionally, three new indicators—Input Costs, Domestic Macroeconomic Environment, and Global Macroeconomic Environment—have been introduced. This revision also enhances cross-geography comparability, aligning India’s BOI with the 31 other economies for which D&B produces quarterly optimism indices via primary survey.

Sr. No.	Old parameters	New parameters
1	Volume of Sales	Volume of Sales
2	Net Profits	Net Profits
3	Selling Prices	Selling Prices
4	Inventories	Inventories
5	Workforce Size	Workforce Size
6	New Orders	Domestic Orders
7		Export Orders
8		Input Costs
9		Domestic Macroeconomic Environment
10		Global Macroeconomic Environment

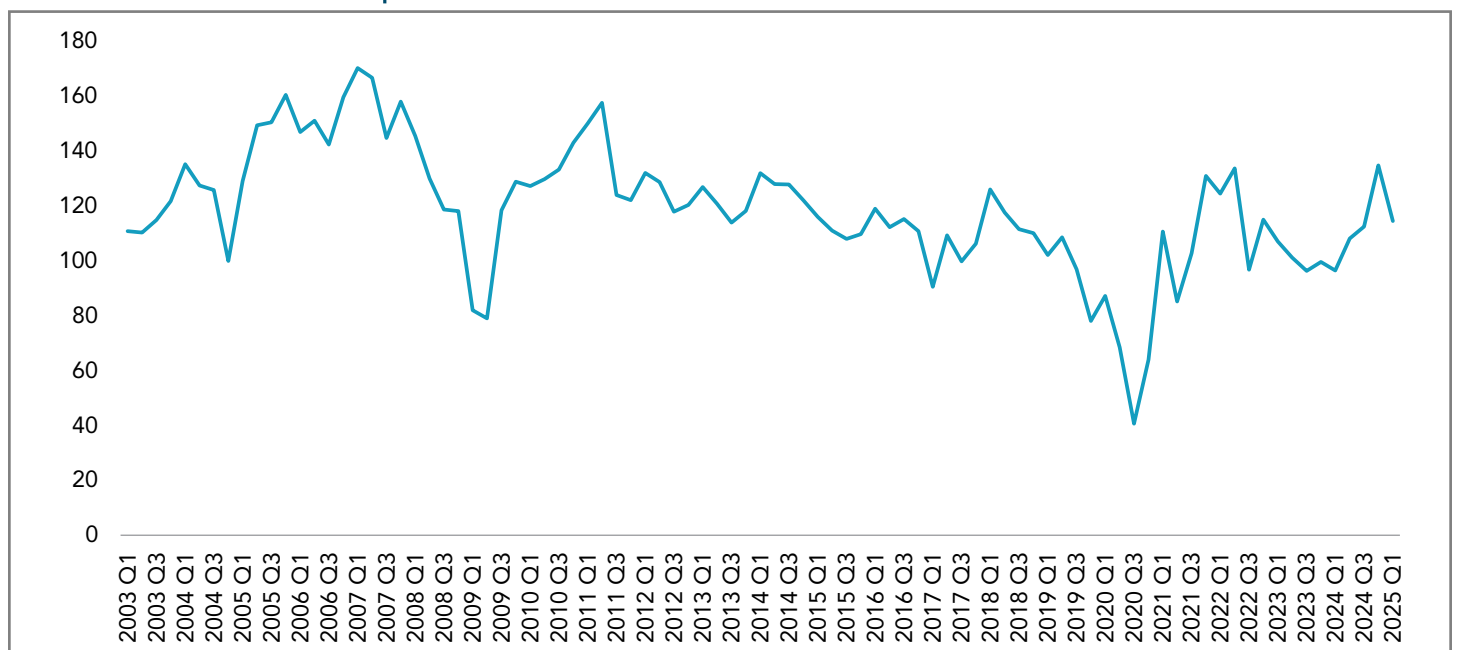
## BOI Comparison – Old series (2011 base period) vs. New series (Sep-2023 to Jun-2024 base period)



## Key Macro Highlights

- 👍 Private Final Consumption Expenditure at constant prices, increased to 7.3% in FY25 from 4.0% in the previous year.
- 👍 Retail inflation eased to 5.2% in Dec 24 from 6.2% in Oct 2024. Food inflation also moderated to 8.39% from 9.04% in Nov 2024, according to MOSPI.
- 👍 Gross FDI inflows reached US\$1 trillion since April 2000. FDI inflows amounted to US\$42.1 billion during H1 FY25, compared to \$33.5 billion in H1 FY24, reflecting a growth of 26%.
- 👍 GST collections increased by 8.5%, on a y-o-y basis, to ₹1.82 trillion in Nov 2024.
- 👍 IIP grew by 5.2% in Nov 2024, up from 3.1% in Sep 2024. It recorded a y-o-y growth of 4.4% from Oct to Nov 2024, marking an improvement from the 2.7% growth observed in Q2 FY25.
- 👍 Unemployment rate in urban areas for persons aged 15 years and above showed a slight decline, decreasing from 6.6% in Q2 FY23 to 6.4% in Q2 FY24. The rate for males dropped from 6.0% to 5.7%, while for females, it decreased from 8.6% to 8.4% over the same period.
- 👎 India's GDP growth fell to a seven-quarter low of 5.4 in Q2 FY25, significantly below the RBI's forecast of 7% attributed to slowdown in urban consumption and sluggish growth in manufacturing sector.
- 👎 Real GVA growth slowed to 5.6% in Q2 FY25, driven by weaker industrial activity. Industry GVA grew by 3.9% in Q2 FY25 compared to 13.7% in Q2 FY24, with declines in mining and slower growth in manufacturing, electricity, and construction.
- 👎 WPI rose to 2.37% in Dec 2024 from 1.89% in Nov, driven by higher food and textile manufacturing costs.
- 👎 India's trade deficit for Dec 2024 increased to USD 6.77 billion, driven by higher imports (up 6.40% y-o-y) compared to exports (up 0.92% y-o-y). For Apr-Dec 2024, the trade deficit rose to USD 79.50 billion from USD 69.67 billion in the same period of 2023, primarily due to a significant rise in imports.
- 👎 Net FDI to India saw outflows of USD 97 million in Nov 2024, following a net inflow of USD 422 million in October.
- 👎 The Indian Rupee (INR) depreciated to an average of ₹84.76 per USD in the first half of Dec 2024, reflecting a strong USD and sustained foreign portfolio investment outflows.

## D&B Business Optimism Index (BOI)



## D&B Optimism Index for India for Q1 2025

The Dun & Bradstreet Business Optimism Index (BOI) survey for Q1 2025 was conducted in December 2024, amidst a backdrop of global economic uncertainties. Concerns over weak global growth, rising geopolitical risks, and potential trade policy shifts by the new U.S. administration have dampened business confidence globally. Persistent challenges in supply chain recovery and labor market realignments further add to the cautious sentiment.

Amidst global economic uncertainties, India's GDP growth slowed to 5.4% in Q2 FY25, below the RBI's forecast of 7%, driven by weak urban consumption and sluggish manufacturing. Investment spending also decelerated, with gross fixed capital formation growth expected at 6.4% in FY25, down from 9% in FY 24. Adding to these challenges, the trade deficit widened to USD 6.77 billion in December 2024, fueled by higher imports. The Indian Rupee depreciated to ₹84.76 per USD in the first half of December 2024, reflecting a strong US dollar and FPI outflows. Rising inflationary pressures are evident as the WPI increased to 2.37% in December 2024, up from 1.89% in November, primarily due to higher food and manufacturing costs.

The BOI for Q1 2025 moderated to 114.4, a decline of 15.1% from the previous quarter, following the festive-driven surge of Q4 2024. Several key parameters have shown a decline in optimism, signaling a cautious sentiment among businesses as they adjust to post-festive season conditions. This lower optimism is due to the cyclical slowdown in growth, indicating a moderation rather than a downturn. Indicators such as strong rural consumption, improvement in IIP with a 5.2% increase in November 2024,

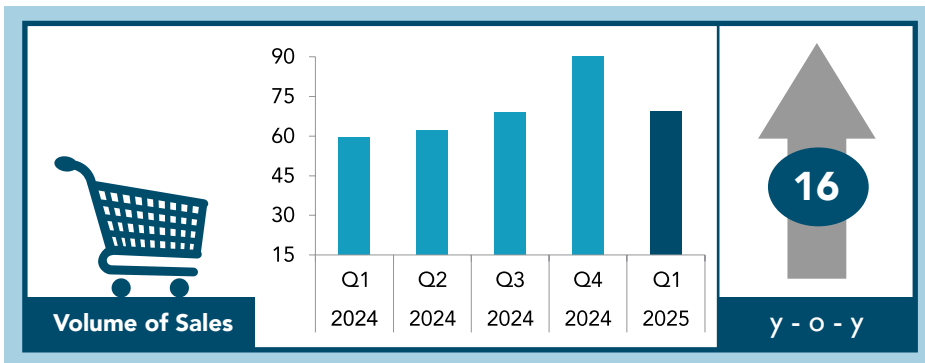
and easing retail inflation to 5.2% in December 2024 from 6.2% in October, suggest potential pickup in the coming quarters.

Optimism for sales volumes and domestic orders declined by 23 and 21 percentage points, respectively, in Q1 2025, indicating cautious sentiment among businesses. Additionally, the moderation in optimisms for sales volume and net profit in Q1 2025 also indicate a recalibration of expectations across various sectors. However, projections for FY25 from the NSO point to a boost in consumption, with Private Final Consumption Expenditure (PFCE) expected to grow by 7.3%, up from 4% in FY24. This increase, along with higher government spending, could stimulate demand and support business optimism in the coming quarters.

Export order optimism fell by 41 percentage points, reaching its lowest level since Q3 2023, amid concerns over protectionist trade policies and supply chain disruptions. Meanwhile, optimism around input costs levels has softened and inventory levels optimisms also declined sharply as businesses are focusing on maintaining leaner stock levels in Q1 2025 following the high inventory buildup in Q4 2024.

Despite these challenges, businesses continue to exhibit optimism for the domestic and global macroeconomic environment, with notable improvements of 2 and 3 percentage points, respectively, from the previous quarter. This positive sentiment stems from expectations that the Union Budget 2025-26 will focus on fiscal consolidation and increased government spending in critical sectors like infrastructure and consumption, driving economic activity and enhancing business confidence going forward.

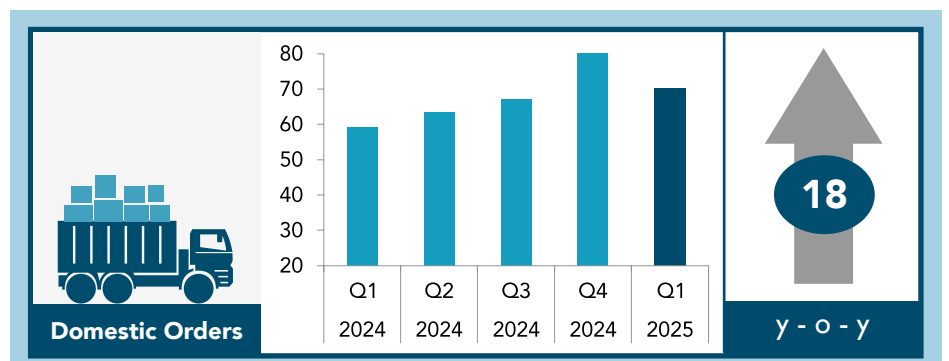
### Optimism on Sub-indices



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

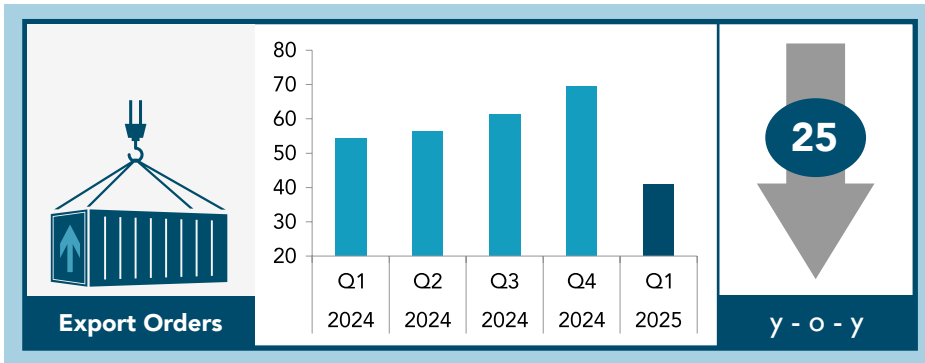
69% of the respondents expect gross sales to improve during Q1 2025, compared to 90% in Q4 2024, marking a Q-o-Q decline of 23 percentage points. However, optimism for volume of sales increased by 16 percentage points in a y-o-y basis. While manufacturers of food and metals are the most optimistic, real estate service providers are the least optimistic.

70% of respondents foresee an improvement in their domestic order book positions during Q1 2025, down from 88% in Q4 2024, reflecting a Q-o-Q decrease of 21 percentage points. Y-o-Y, this parameter has grown by 18 percentage points. Optimism is highest amongst professional and administrative service providers, while it is the lowest amongst capital goods sector.



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

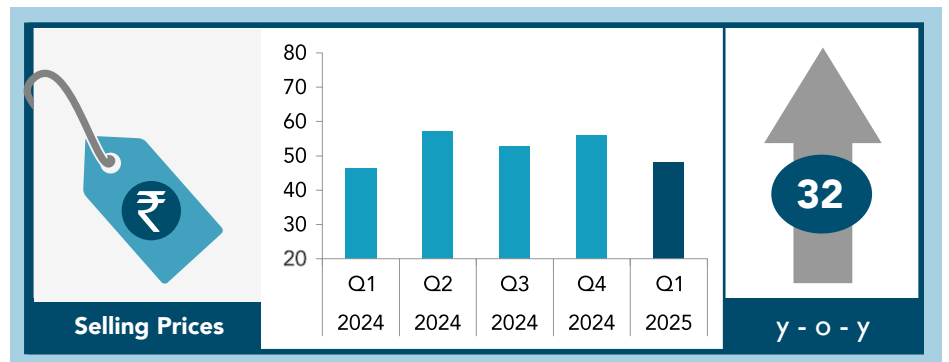




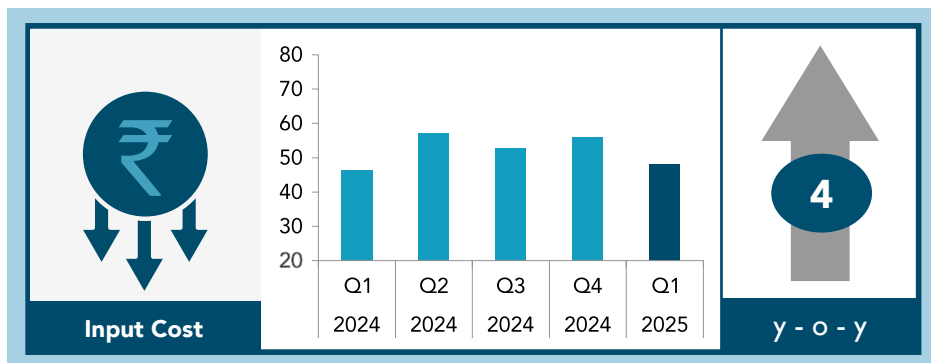
Note: All y-o-y figures are in percentage points

The 41% of respondents anticipating a rise in export orders during Q1 2025 marks the lowest level since Q3 2023. Moreover, this reflects a significant Q-o-Q decline of 41 percentage points from 69% in Q4 2024 and a Y-o-Y drop of 25 percentage points. High optimism is noted in the chemicals sector, whereas muted expectations are reported in the hospitality activities sector.

75% of respondents expect selling prices to increase in Q1 2025, compared to 82% in Q4 2024, reflecting a Q-o-Q decline of 8 percentage points. Y-o-Y, this parameter has grown by 32 percentage points. Hospitality activities is the most optimistic sector, while capital goods, textiles and chemicals sectors are least optimistic on this parameter.



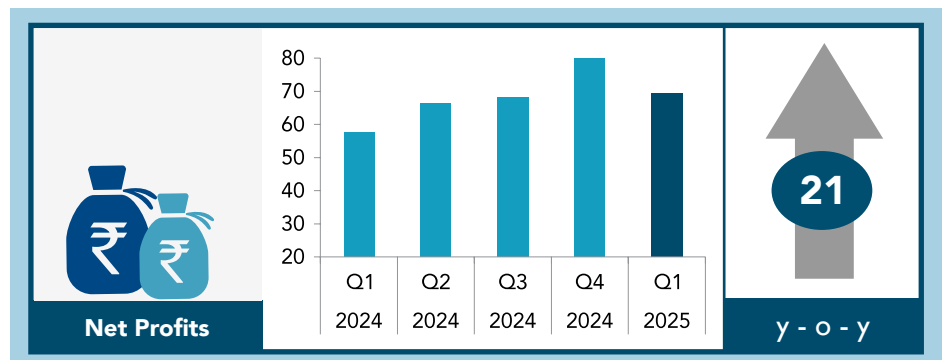
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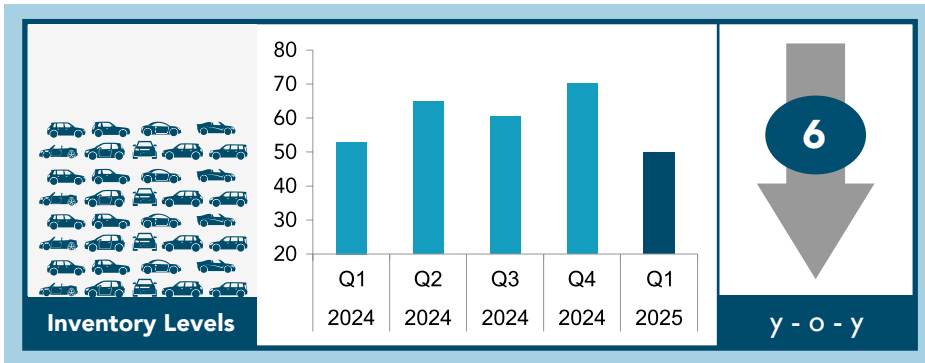
Note: All y-o-y figures are in percentage points

48% of respondents anticipate a rise in input costs during Q1 2025, down from 56% in Q4 2024, reflecting a Q-o-Q decrease of 14 percentage points. Y-o-Y, optimism for input costs has increased by 4 percentage points. High optimism is evident in sectors such as food, beverages, and tobacco, hospitality activities, and transportation and storage, while services sector like financial and insurance activities, information and communication, and professional and administrative service providers report lower expectations.

69% of respondents expects higher net profits in Q1 2025, compared to 85% in Q4 2024, indicating a Q-o-Q decline of 18 percentage points. Y-o-Y, profit expectations improved by 21 percentage points. Optimism is highest in hospitality activities sector, while metals sector shows lowest optimism.



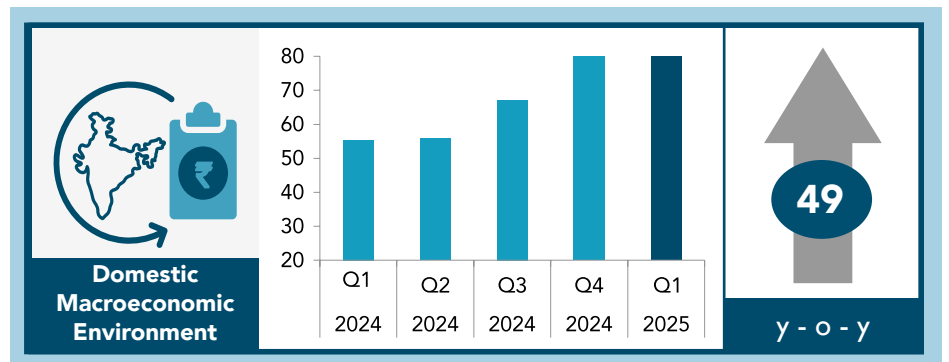
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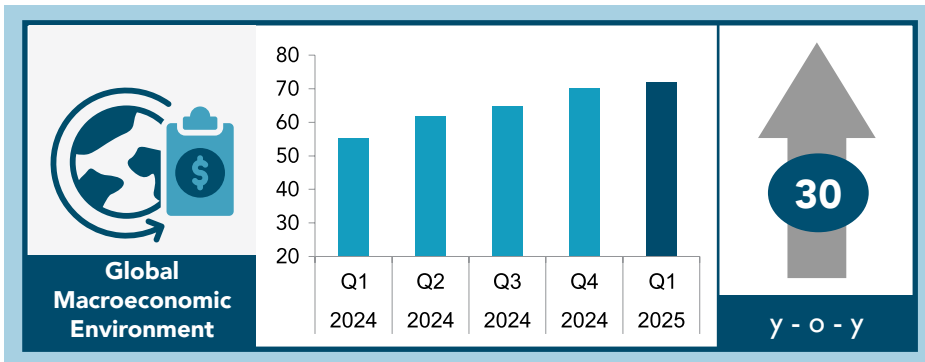
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50% of respondents expect inventory levels to rise in Q1 2025, down from 70% in Q4 2024, showing a Q-o-Q decrease of 29 percentage points and a Y-o-Y drop of 6 percentage points. Sectors such as manufacture of metals, automotives, and mining are highly optimistic, whereas sectors like food, beverages, and tobacco and capital goods are least optimistic on this parameter.

83% of respondents are optimistic about the domestic macroeconomic environment in Q1 2025, up from 81% in Q4 2024, reflecting a Q-o-Q increase of 2 percentage points and a robust Y-o-Y rise of 49 percentage points. Highest optimism is recorded in electricals, electronics, and hardware sector. On the other hand, food, beverages, and tobacco exhibits lowest optimism.



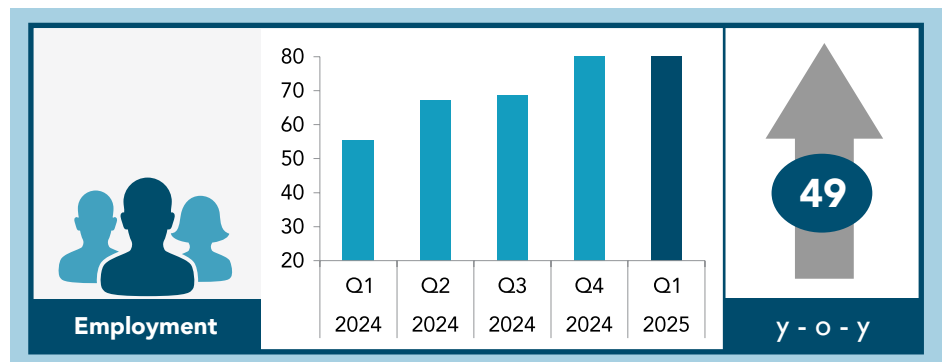
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72% of respondents anticipate an improvement in the global macroeconomic environment during Q1 2025, compared to 70% in Q4 2024, marking a Q-o-Q rise of 3 percentage points and a Y-o-Y increase of 30 percentage points. High optimism is seen in sectors such as utilities, metals, and mining. While information and communication and transportation sectors show lower optimism.

83% of respondents expect employment levels to improve in Q1 2025, compared to 86% in Q4 2024, indicating a slight Q-o-Q decline of 3 percentage points. Y-o-Y, employment optimism surged by 49 percentage points. The hospitality activities, capital goods, and manufacture of electricals, electronics, and hardware sectors show strong optimism, while metals and professional and administrative service providers remain less optimistic.



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

## Methodology

The Dun & Bradstreet Business Optimism Index report is a synthesis of data from a comprehensive survey, alongside insights from Dun & Bradstreet, leveraging the firm's proprietary data and economic expertise. The primary survey is conducted on a stratified random sample of around 300 businesses, across 17 sectors and across three size segments (small, medium and large businesses). A diffusion index is calculated for each parameter and normalized against base period values

(Sep-2023 to Jun-2024). An index reading above 100 indicates an improvement in optimism relative to the base period, while an index reading below 100 signifies a deterioration. The composite index at size and sector level is calculated using factor-weighted averages of the parameter-level indices. The economy-level index is a weighted average of sector-level indices by their contribution to GDP.

## Research Team

Economic Research Team



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