

## Business Optimism Index increased by 4.2% (q-o-q)

Business Optimism Index stands at 75.9



Optimism for increase in net profits stands at 8-quarter high

Optimism for inventory levels improved by 13 percentage points in Q2 2024 on quarterly basis



Optimism for level of selling prices has risen by 4 percentage points, reaching a four-quarter high.

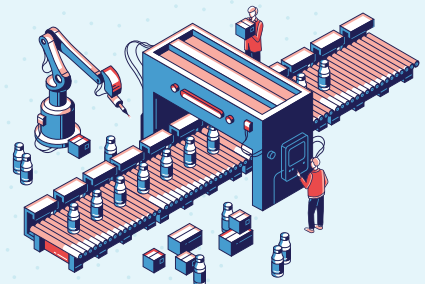


Optimism for fresh hiring of employees remains unchanged for three consecutive quarters



Optimism for order book expansion increased 2 percentage points on quarterly basis.

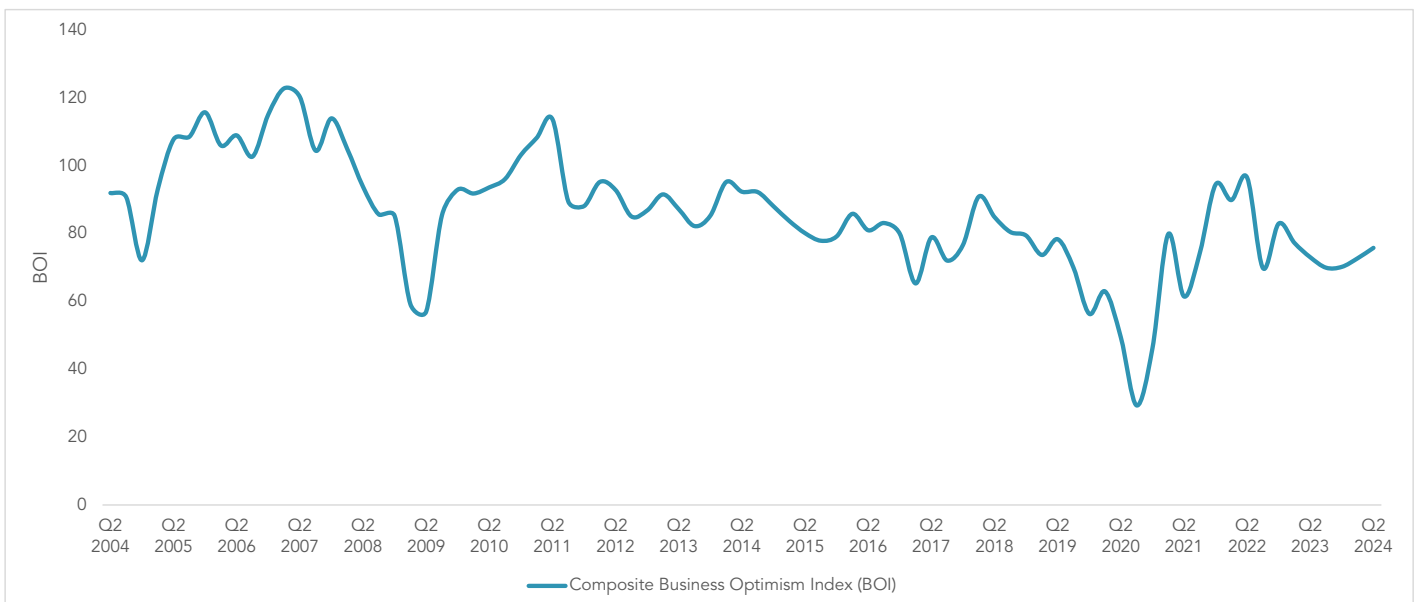
Food, beverages, and tobacco industries are the least optimistic on five out of six parameters



## Key Macro Highlights

- 👍 As per the second advanced estimates, the Indian economy's growth rate for FY 2024 is revised to 7.6%, up by 0.3 percentage points from the first advanced estimates.
- 👍 In Q3 2024, Real GDP growth reached its highest level in six quarters, standing at 8.4% (y-o-y), with gross fixed capital formation (GFCF) recording double digit growth of 10.6% (y-o-y).
- 👍 The wholesale price inflation drops to three months low to 0.27% in February 2024.
- 👍 In February 2024, India's total exports surged by 14.2%, with merchandise exports reaching an 11-month high value of US\$ 41.4 billion.
- 👍 India's foreign exchange reserves have surged to all-time high value of US\$ 642.6 Bn in March 2024.
- 👍 India has emerged as a leading destination for foreign portfolio investment, attracting net inflows of \$31.3 billion in FY 24, compared to \$6.4 billion outflows experienced in FY 23.
- 👍 Credit deployment by the commercial banks remains strong, recording a growth of 16.5% (y-o-y) in February 2024.
- 👍 GST collections remained robust, throughout April-February 2023-24, growing at 11.7% (y-o-y).
- 👎 The Private final consumption expenditure (PFCE) has registered modest growth of 3.5% in Q3 FY 2024.
- 👎 Merchandise imports recorded a growth of 12.2% (y-o-y) in February 2023 reaching US\$ 60.1 billion with the share of the POL deficit reaching 10-month high.
- 👎 Index of Industrial Production has increased by 3.8% (y-o-y) in January 2024, decelerating on annual basis by 200 basis points, with flat growth in Consumer non-durables sector.
- 👎 Consumer price inflation has remained unchanged in February 24, with headline inflation surging up due to increase in food prices.
- 👎 Foreign direct investments (FDI) net inflows have declined by 38% (y-o-y) during April-January 2024 slipping to \$15.4 Bn.
- 👎 The Overall International Investment Position of India (IIP) has experienced a decline on quarterly basis, dropping to USD 370.4 billion from USD 382.6 billion in Q3 2024.
- 👎 Fertilizer production within the core industries has experienced a notable decline, dropping by 9.5% in February 2024 compared to the corresponding period last year.

## Movement of Composite Business Optimism Index (BOI)

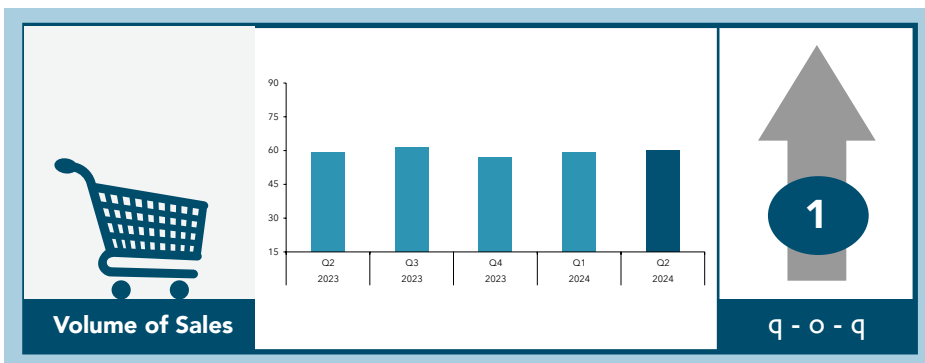


## D&B Optimism Index for India for Q2 2024

The Dun & Bradstreet Business Optimism Index (BOI) survey was conducted during the period of Feb - March 2024, when businesses globally are gearing up to adjust the resetting of monetary and fiscal policies by central banks as well as governments. Major economies globally are expecting the turning around of business cycles with recoveries expected in coming quarters. However, the recovery is fraught with risks emanating from tightened liquidity, stickiness in inflation as well as high sovereign debt levels. Indian economy although still exposed to the vagaries of the global economic uncertainties, have been able to maintain stability, mainly due to economic momentum witnessed over previous periods. Businesses in India also appear to be moving past the global supply chain challenges and potential spillovers on the trade dynamics following disruption in the Red Sea. This is evidenced by the notable 11.86% (y-o-y) growth in exports in Feb 24, which marks the highest growth in FY 24. India's current account deficit appears to be improving, strengthening India's trade profile with 38% (y-o-y) increase in for FY 24. This should alleviate the concern on currency even as the capital inflows might be slower as advanced economies look for recovery in the second half of the year. At the same time, momentum in credit expansion, coupled with ample liquidity in the system is expected to keep up the investment cycle strong further supported by anticipated monetary easing. As the country enters election phase, businesses anticipate a continuation of political stability and policy alignment.

According to our survey, composite business optimism index has improved by 4.2 percent in Q2 2024 on quarterly basis. The prevailing sentiment suggests that India Inc. is capitalizing on strong macroeconomic fundamentals, maintaining momentum for the upcoming quarter. The consumer sentiment remains steady, as the rural demand picks up evidenced by the surge in automobile sales and heightened labor force participation rates (LFPR) in rural areas. Further, anticipated favorable monsoon conditions are poised to sustain and accelerate the rural demand over the next few quarters. Thus, sales outlook remains strong for the next quarter, with 60% respondents expecting an increase in sales volume. Supporting this, elevated profit margins for three consecutive quarters is providing the impetus towards capital expenditure, essential for businesses to thrive and grow. The fact, that aggregate demand in Q3 2023-24 is driven by investments and rebound in rural demand supports stronger sentiment within India inc. for pickup of the private capital expenditure cycle. The overhang of the low costs enjoyed over the previous periods has leveraged the firm' position to raise the selling prices, with optimism rising by 4 percentage points. Businesses remain encouraged to cycle through their inventory, making room for new orders, as evident by the substantial uptick of 13 percentage points in the optimism regarding the inventory levels. Nonetheless, the stagnant hiring for three quarters now, despite overall improvement in scenario reflect cautious optimism to businesses.

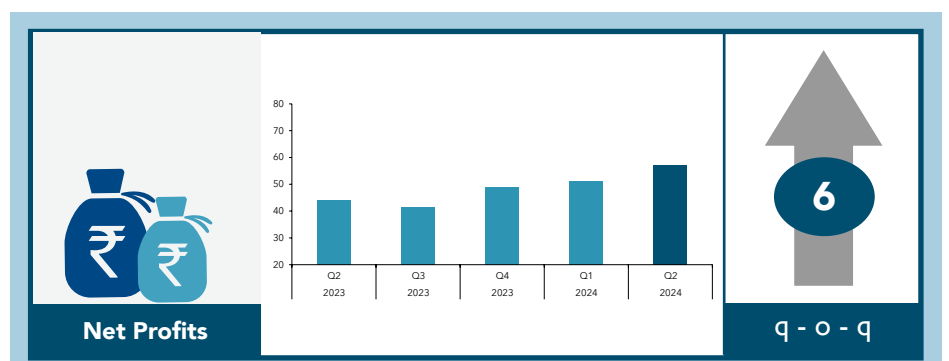
### Optimism on Sub-indices



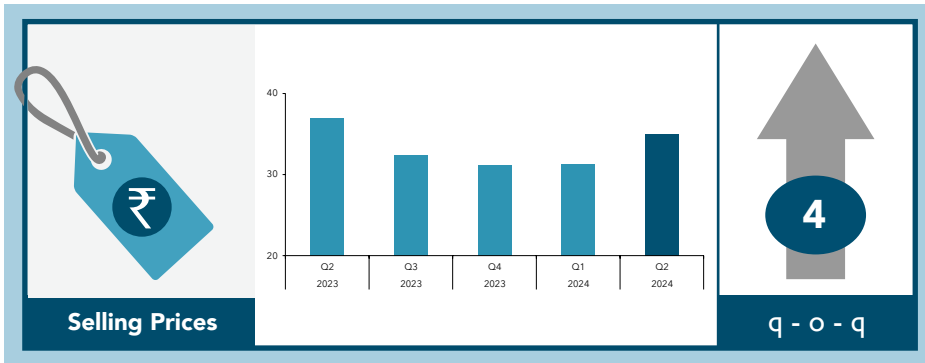
Note: All q-o-q figures are in percentage points

60% of the respondents expect volume of sales to increase in Q2 2024 compared to 59% in Q1 2024, an increase of 1 percentage point. While 21% expect it to remain unchanged, 19% expect the volume of sales to decline. Professional and administrative services are the most optimistic, while the capital goods manufacturing sector is the least optimistic on this parameter.

57% of the respondents expect an increase in net profits in Q2 2024 compared to 51% in Q1 2024, an increase of 6 percentage points. 25% expect net profits to remain unchanged, while 18% expect it to decrease. Professional and administrative service sector is the most optimistic, while the food, beverages and tobacco manufacturing sector is the least optimistic on this parameter.



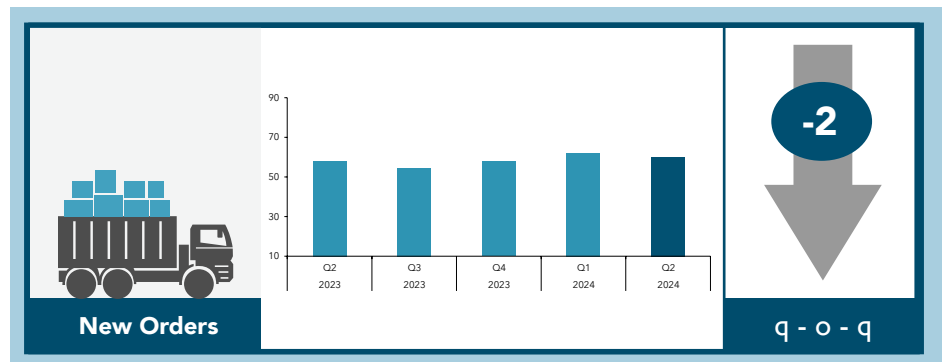
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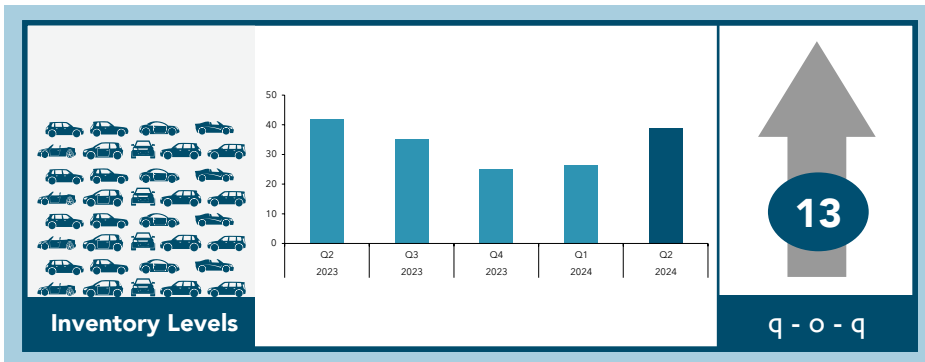
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35% of the respondents expect the selling price of their products to increase during Q2 2024, compared to 31% in Q1 2024, registering an increase of 4 percentage points. 43% of the respondents expect no change while 22% expect a decline in the selling price of their products in Q2 2024. The electricals, electronics and hardware manufacturing sector is the most optimistic on this parameter, while the food, beverages and tobacco manufacturing sector is the least optimistic.

60% of the respondents expect their order book position to improve in Q2 2024, compared to 62% in Q1 2024, decreasing by 2 percentage points. While 21% of the respondents expect new orders to remain unchanged, 19% anticipate new orders to decrease. Professional and administrative service sector is the most optimistic, while the food, beverages and tobacco manufacturing sector is the least optimistic on this parameter.



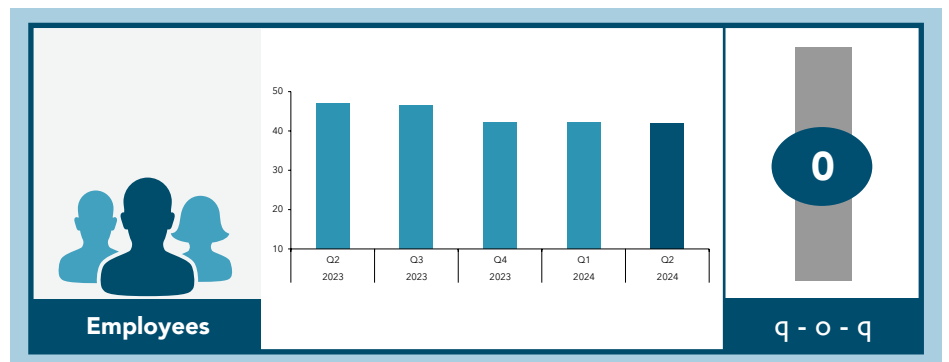
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39% of the respondents expect their inventory level to increase during Q2 2024, registering an increase of 13 percentage points with respect to Q1 2024. While 28% anticipate no change in inventory level, 33% expect inventory level to decline. The automobile manufacturing sector is the most optimistic on this parameter, while the food, beverages and tobacco manufacturing sector is the least optimistic.

42% of the respondents expect an increase in the size of their workforce employed during Q2 2024, remaining unchanged compared to previous quarter. While 38% anticipate no change in the number of employees, 20% expect their workforce size to decline. Mining sector is the most optimistic, while the food, beverages and tobacco manufacturing sector is the least optimistic on this parameter.



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

The D&B Optimism Index is recognised as a product, which measures the pulse of the business community and serves as a reliable benchmark for investors. Over time, this index has emerged as a leading indicator of turning points in economic activity.

## Methodology

For the purpose of conducting the survey, a sample of companies belonging to basic goods, capital goods, intermediate goods, consumer durables, consumer nondurables, construction and the services sectors is selected at random 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 six standard questions regarding their expectations as to whether the following critical parameters pertaining to their respective companies will register an increase, decline or show no change in the ensuing quarter as compared to the same quarter in the prior year: Volume of Sales, Net Profits, Selling Prices, New Orders Inventories and Employees. The individual indices are then calculated by the percentage of respondents expecting an increase

## Composite Business Optimism Index

Dun & Bradstreet introduced the Composite Business Optimism Index from 04 2002. The purpose of the Composite Business Optimism Index is to capture the aggregate behaviour of all the individual indices except inventory. Each of the five parameters has a weight assigned to it. For calculating the Composite Business Optimism Index, the positive responses for each of five parameters for the period under review are expressed as a proportion of positive responses in the revised base period (2011). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite Business Optimism Index. For the purpose of the survey, 01 is the period between January and March, 02 is the period between April and June, 03 is the period between July and September and 04 is the period between October and December each year. We trust that you will find the D&B Optimism Index as a useful tool in your day-to-day decision making. Please do give us your feedback in this regard.

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