

Business Optimism Index increased by 3.9% (q-o-q)



Business Optimism Index stands at 78.9



Optimism for net sales improved by 7 percentage points in Q3 2024 on quarterly basis



Optimism for net profits stands at nine - quarter high



Optimism for fresh hiring of employees remains stagnant for four consecutive quarters



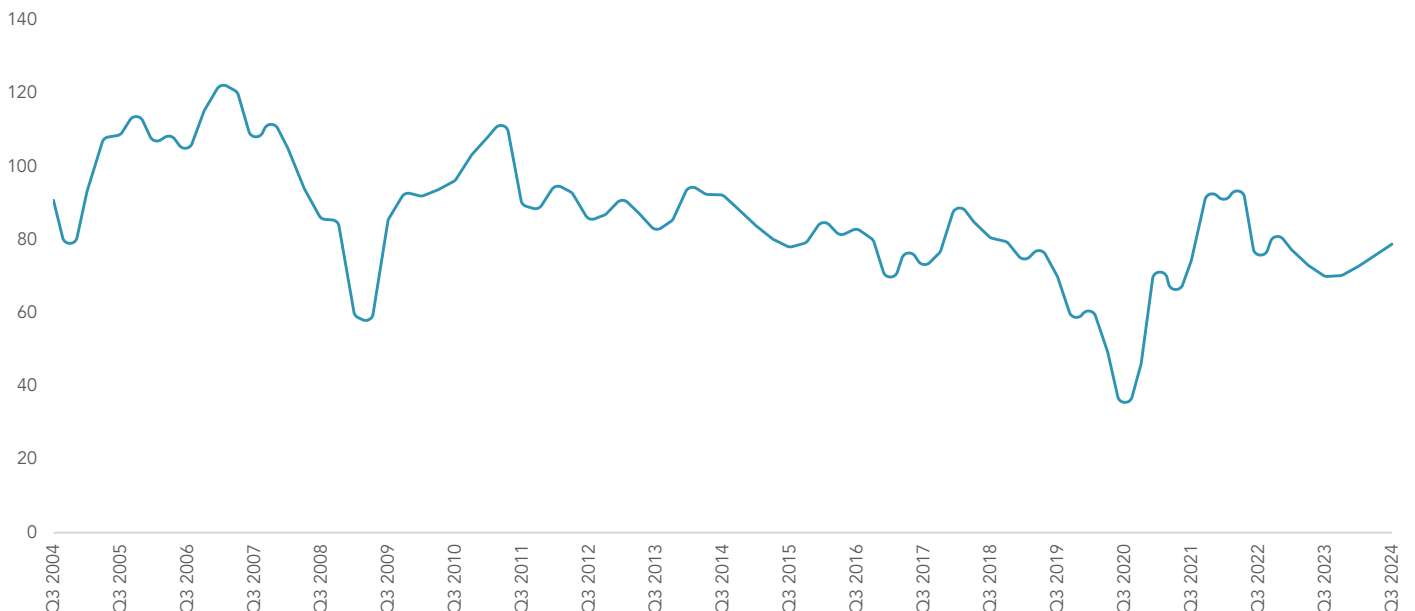
Transportation and Storage sector is the least optimistic on three out of six parameters



Key Macro Highlights

- 👍 As per the provisional estimates, the Indian economy has registered a growth of 8.2% in FY 24, 120 bps higher than FY 23.
- 👍 Contribution of net exports to GDP turned positive at 1.3% in Q4 2024, following contractions in the previous three quarters.
- 👍 Retail Inflation has eased to 12- month low at 4.75% in May 2024; with core inflation at all-time low of 2.97% (y-o-y).
- 👍 Overall exports grew by 9.21% in April-May 2024. Service exports saw double-digit growth, rising by 17.7% in April and 10.3% in May 2024.
- 👍 The gross GST collection grew by 11.3% (y-o-y) for April-May FY 25.
- 👍 India added highest foreign exchange reserves worth US\$ 33.4 billion IN FY 2024, marking an increase of 5.4% on annual basis.
- 👍 Net Foreign portfolio investment recorded inflow of US\$ 5 billion in June 2024, post inclusion in JP Morgan Government Bond Index .
- 👍 Bank credit grew at 16.4% in May 2024, with deployment to service sector recording growth of 20.7% (y-o-y).
- 👎 Wholesale price inflation has risen for the seventh consecutive month, reaching 15-month high of 2.61% in May 2024.
- 👎 Food Inflation remains sticky at elevated levels of 7.9% for May 2024.
- 👎 Agricultural crop production remained moderated in FY 24, with foodgrain production remaining flat on annual basis.
- 👎 Net FDI declined by 62% in FY 2024, standing at \$10.5 Bn, lowest in 17 years.
- 👎 External commercial borrowings (ECB) registrations slowed to US\$ 4.3 billion in April 2024, reducing by 20.4%, on annual basis.
- 👎 Contribution of non-durable goods to the industrial production moderated by 2.4% (y-o-y) in April 2024.
- 👎 India's International Investment Position of India (IIP) has moderated in Q4 2024, with net claim of non-residents of India declining by \$64 Bn, on annual basis.
- 👎 India's external debt stood at \$663.8 bn in FY 2024, increasing by \$39.7 bn on annual basis.

Movement of Composite Business Optimism Index (BOI)



D&B Optimism Index for India for Q3 2024

The Dun & Bradstreet Business Optimism Index (BOI) survey was conducted during the period of April-May 2024, at the time when global economy appears to have past behind its worst phase and turning up gradually towards growth and an increasingly more accommodating monetary policy. With geopolitical tensions still lingering around, a substantial portion of the growth appears to come from domestic consumption revival as well as straightening of fiscal and policy imbalances, while the global trade remains at the mercy of supply chain vulnerabilities and higher-than usual trade-route costs and delivery times. Amid the global geopolitical and geo-economic tug of war, Indian economy seems to chart its own growth, drawing steam from domestic consumption, credit availability and policy guidance. Dun & Bradstreet composite business optimism index has improved by 3.9 % q/q in Q2 2024. India is benefitting from prudent fiscal management- the gross capital formation driven by the government led capital expenditure has grown by strong 28.8% for FY 2024. At the same time, the external sector is turning positive- net exports to GDP stood at positive 1.3% after three quarters of negative net exports/ GDP. Indian businesses also seem to benefit from credit supply and availability of capital. The Indian debt markets remain vibrant with strong capitalization push by domestic investors as well as uptick in new foreign investments. The net foreign portfolio investment has turned positive in June 2024 with US\$ 5.0 billion net inflow in June 2024, reversing the trend of negative investments in

April & May. India's external sector stability augurs well for capital influx. Moreover, Indian Government Bonds (IGBs) are being included into the JPMorgan Government Bond Index-Emerging Markets (GBI-EM) in June 2024, with initial weightage of 1% and gradually to 10% over the next 10 months. This would offer much required liquidity in the sovereign bond market. driven by major inflows in capital goods, consumer services and real estate sector. Riding on the revival of rural demand with prospects of good harvest season and rising real incomes, the optimism for sales and new order momentum has surged to seven-quarter high. The index of industrial production (IIP) -tracking the industrial sector, has been maintaining an average growth rate of 5.4% over the last three months, thus corroborating the revival of industrial sectors in India. Similarly, the high optimism for the inventory levels in our survey reflect the effective capacity utilization, thus, in turn making room for strategic investments by businesses. Despite the benefits of low-cost prices waning, the optimism for the profit levels still hold firm as firms are confident of being able to pass-on the cost pressure to downstream customers. However, businesses remain cognizant of price sensitivity and are cautious in raising the selling prices, with the optimism for selling prices staying moderate on quarterly basis.

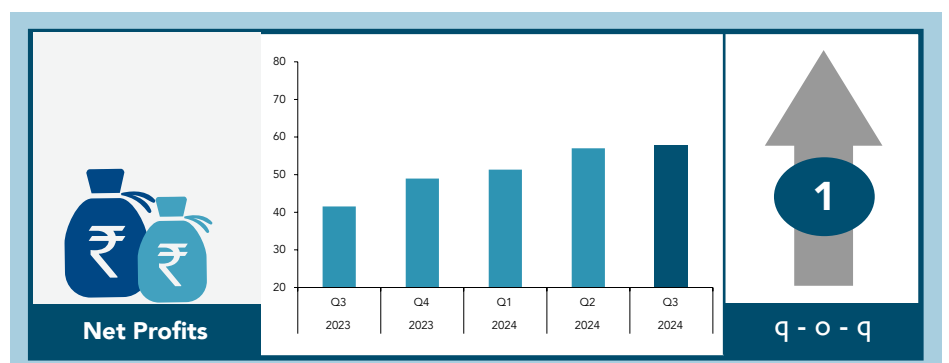
Optimism on Sub-indices



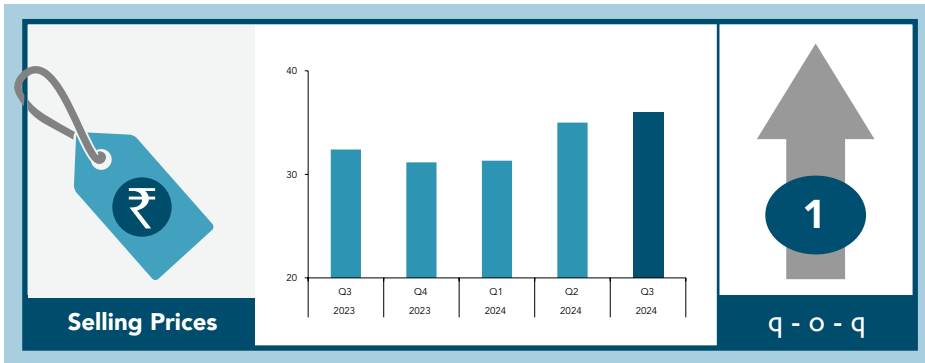
Note: All q-o-q figures are in percentage points

67% of the respondents expect volume of sales to increase in Q3 2024 compared to 60% in Q2 2024, an increase of 7 percentage points. Food, Beverages and Tobacco manufacturing industries are the most optimistic, while the transportation and storage sector is the least optimistic on this parameter.

58% of the respondents expect an increase in net profits in Q3 2024 compared to 57% in Q2 2024, an increase of 1 percentage point. Food, beverages and tobacco manufacturing industries are the most optimistic, while transportation and storage sector is the least optimistic on this parameter.



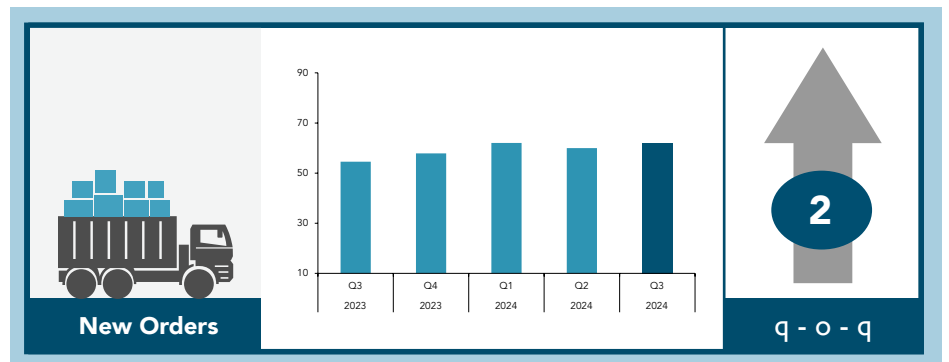
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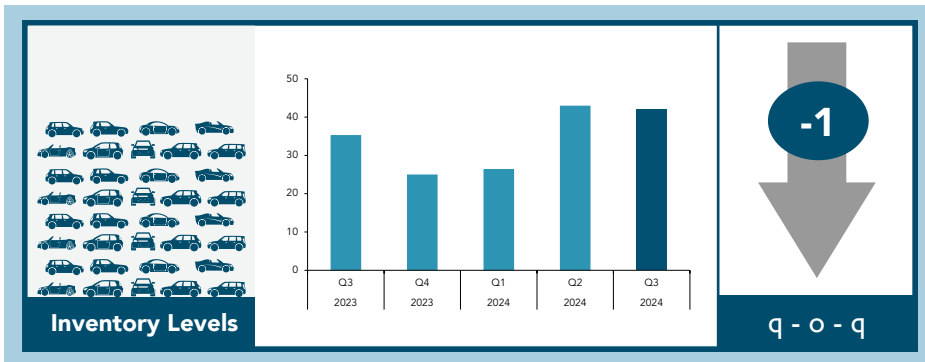
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36% of the respondents expect the selling price of their products to increase during Q3 2024, compared to 35% in Q2 2024, increasing by 1 percentage point. Mining sector is the most optimistic on this parameter, while the food, beverages and tobacco manufacturing sector is the least optimistic.

62% of the respondents expect their order book position to improve in Q3 2024, compared to 60% in Q2 2024, an increase of 2 percentage points. Textiles, wood, paper and leather manufacturing industries are the most optimistic, while transportation and storage sector is the least optimistic.



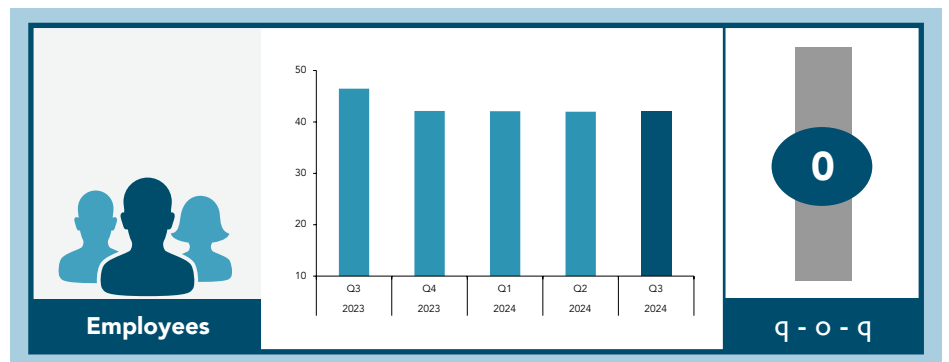
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42% of the respondents expect their inventory level to increase during Q3 2024, compared to 43% in Q2 2024, decreasing by 1 percentage point. Electrical, electronics and hardware manufacturing sector is the most optimistic on this parameter, while the chemical, rubber, plastics and pharmaceuticals manufacturing industries are the least optimistic on this parameter.

42% of the respondents expect an increase in the size of their workforce employed during Q3 2024, remaining unchanged compared to previous quarter. The automobiles manufacturing industry is the most optimistic on this parameter, while the chemical, rubber, plastics and pharmaceuticals manufacturing industries are 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.

Research Team

Economic Research Team



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