

Industrial Outlook Survey: Q1: 2013-14 (Round 62)¹

The Industrial Outlook Survey conducted during May-June 2013, provides qualitative assessment of business situation of companies in the Indian manufacturing sector for Q1:2013-14 and their expectations for the ensuing quarter Q2:2013-14. The survey elicited response from 1,321 manufacturing companies.

Highlights:

- I. The assessment of major demand side parameters, as measured by net responses of the companies indicates that sentiments on [production](#), [order books](#), [capacity utilisation](#) and [exports](#) dropped substantially in Q1:2013-14, whereas the sentiments on [imports](#) remained broadly unchanged. The demand condition outlook for Q2:2013-14, however, shows slightly improved optimism.
- II. The optimism on [overall financial situation](#) which dropped for Q1:2013-14, shows some upturn for Q2: 2013-14.
- III. [Cost of external finance](#) is perceived to rise, though by a lower proportion of respondents as compared to a quarter and a year ago.
- IV. Majority of the respondents reported no change in the levels of raw material and finished goods [inventories](#) in both, the assessment and expectation quarters.
- V. Though [cost of raw material](#) is expected to rise at a lower rate, the expectation for rise in selling price in Q2: 2013-14 dropped marginally.
- VI. The net response on [profit margin](#) continued to remain in the negative terrain but showed some improvement for Q2: 2013-14.
- VII. The [Business Expectation Index \(BEI\)](#), a measure that gives a single snapshot of the industrial outlook, dropped significantly by 4.4 points for Q1: 2013-14, touching the lowest point in last three financial years. For Q2: 2013-14, however, it improved marginally by 1.1 points. While BEI continued to remain in the growth terrain, the index capturing assessment almost reached the threshold level of 100, which separates expansion from contraction.

¹ The 61st round (Q4:2012-13) survey results were released on May 2, 2013 with the publication 'Macroeconomic and Monetary Developments-2012-13' on the RBI Website. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India.

Table 1: Assessment and Expectations for Production*(Percentage responses) #*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1: 2012-13	1404	38.8	18.5	42.7	20.3	45.4	10.6	44.0	34.7
Q2: 2012-13	1561	37.9	19.2	42.9	18.8	45.4	11.7	42.9	33.6
Q3: 2012-13	1388	37.5	18.8	43.7	18.6	46.1	10.4	43.4	35.7
Q4: 2012-13	1301	36.8	18.2	45.0	18.6	46.3	9.2	44.4	37.1
Q1:2013-14	1321	32.0	22.2	45.7	9.8	38.3	13.8	47.9	24.4
Q2:2013-14						40.6	12.1	47.3	28.5

'Increase' in production is optimistic.

: Due to rounding off percentage may not add up to 100. This is applicable for all the tables from 1 to 16.

Table 2: Assessment and Expectations for Order books*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1: 2012-13	1404	34.2	17.3	48.5	16.9	39.3	9.8	50.9	29.5
Q2: 2012-13	1561	31.9	19.8	48.3	12.0	41.0	11.1	47.9	29.9
Q3: 2012-13	1388	32.0	19.2	48.8	12.9	41.2	10.9	48.0	30.3
Q4: 2012-13	1301	32.7	18.6	48.7	14.0	40.0	10.2	49.8	29.8
Q1:2013-14	1321	30.5	20.9	48.6	9.7	35.5	13.2	51.2	22.3
Q2:2013-14						36.8	11.5	51.8	25.3

'Increase' in order books is optimistic.

Table 3: Assessment and Expectations for Pending Orders*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Below Normal	Above Normal	Normal	Net response	Below Normal	Above Normal	Normal	Net response
Q1: 2012-13	1404	17.0	5.7	77.3	11.3	13.3	4.6	82.1	8.8
Q2: 2012-13	1561	18.7	5.6	75.7	13.1	14.6	6.2	79.2	8.4
Q3: 2012-13	1388	18.8	4.4	76.8	14.3	14.4	7.0	78.6	7.4
Q4: 2012-13	1301	19.3	4.7	75.9	14.6	14.6	4.5	80.9	10.1
Q1:2013-14	1321	19.9	3.6	76.5	16.3	16.9	5.3	77.7	11.6
Q2:2013-14						15.9	4.4	79.6	11.5

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment and Expectations for Capacity Utilisation*(Percentage responses)*

Parameter	Options	Assessment for Quarter				Expectation for Quarter			
		Q2:2012-13	Q3:2012-13	Q4:2012-13	Q1:2013-14	Q3:2012-13	Q4:2012-13	Q1:2013-14	Q2:2013-14
Capacity Utilisation (CU)-(main product)	Increase	24.0	23.3	23.7	22.6	30.4	31.1	24.9	27.5
	No Change	58.3	59.0	60.5	57.1	59.3	59.6	62.0	60.9
	Decrease	17.7	17.6	15.9	20.3	10.3	9.3	13.1	11.6
	Net Response	6.3	5.7	7.8	2.3	20.0	21.7	11.7	15.9
Level of CU (compared to the average in last 4 quarters)	Above normal	9.7	9.1	10.0	8.7	10.3	10.7	10.5	9.8
	Normal	71.3	70.9	71.3	71.0	77.4	76.6	74.5	76.2
	Below Normal	18.9	20.0	18.7	20.3	12.3	12.7	15.0	13.9
	Net Response	-9.2	-10.8	-8.7	-11.6	-2.0	-2.1	-4.4	-4.1
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	13.1	14.2	13.4	14.6	13.0	13.0	13.7	13.7
	Adequate	79.0	77.5	77.4	76.4	80.5	79.6	78.4	78.4
	Less than adequate	7.9	8.3	9.2	9.0	6.4	7.4	7.9	7.9
	Net Response	5.2	5.9	4.2	5.7	6.6	5.6	5.7	5.8

'Increase' in capacity utilisation is optimistic.

Table 5: Assessment and Expectations for Exports*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1: 2012-13	1404	25.7	14.9	59.4	10.8	30.1	9.4	60.5	20.7
Q2: 2012-13	1561	25.3	15.2	59.5	10.0	31.0	10.5	58.5	20.5
Q3: 2012-13	1388	24.3	15.0	60.6	9.3	29.0	10.9	60.1	18.0
Q4: 2012-13	1301	25.9	15.0	59.1	10.8	28.5	10.1	61.4	18.4
Q1:2013-14	1321	23.8	15.2	61.0	8.6	27.1	10.4	62.5	16.7
Q2:2013-14						28.6	10.0	61.5	18.7

'Increase' in exports is optimistic.

Table 6: Assessment and Expectations for Import*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1: 2012-13	1404	21.8	10.1	68.1	11.6	22.4	6.7	70.8	15.7
Q2: 2012-13	1561	20.7	10.9	68.5	9.8	22.9	7.4	69.7	15.5
Q3: 2012-13	1388	19.0	10.2	70.7	8.8	22.1	8.1	69.8	14.0
Q4: 2012-13	1301	19.8	11.5	68.8	8.3	20.9	7.4	71.7	13.5
Q1:2013-14	1321	18.7	10.7	70.6	8.0	20.4	8.5	71.1	11.9
Q2:2013-14						19.9	8.7	71.4	11.2

'Increase' in imports is optimistic.

Table 7: Assessment and Expectations for level of Inventory (Raw material and Finished goods)*(Percentage responses)*

Parameter	Options	Assessment for Quarter				Expectations for Quarter			
		Q2:2012-13	Q3:2012-13	Q4:2012-13	Q1:2013-14	Q3:2012-13	Q4:2012-13	Q1:2013-14	Q2:2013-14
Inventory of raw material	Below average	6.9	7.6	7.9	8.0	5.1	5.5	6.3	6.3
	Average	80.9	79.8	79.8	78.7	85.2	83.9	84.2	83.6
	Above average	12.3	12.6	12.2	13.3	9.7	10.6	9.5	10.2
	Net Response	-5.4	-5.0	-4.3	-5.3	-4.7	-5.1	-3.3	-3.9
Inventory of Finished goods	Below average	7.0	7.0	7.4	8.1	6.1	7.0	6.3	7.0
	Average	78.5	78.0	76.5	77.3	83.9	83.1	83.1	82.7
	Above average	14.5	15.0	16.1	14.7	10.0	9.9	10.6	10.3
	Net Response	-7.4	-8.0	-8.7	-6.6	-4.0	-3.0	-4.3	-3.3

Inventory of raw material and finished goods 'Below average' is optimistic.

Table 8: Assessment and Expectations for Employment Outlook*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1: 2012-13	1404	19.8	9.7	70.5	10.0	19.9	5.2	74.9	14.6
Q2: 2012-13	1561	17.9	9.6	72.5	8.3	20.5	8.3	71.2	12.3
Q3: 2012-13	1388	16.4	9.7	73.9	6.7	19.2	5.9	74.9	13.3
Q4: 2012-13	1301	15.3	9.8	74.9	5.5	17.2	6.9	75.8	10.3
Q1:2013-14	1321	14.4	11.2	74.4	3.2	16.0	8.0	76.1	8.0
						16.0	8.4	75.6	7.7

'Increase' in employment is optimistic.

Table 9: Assessment and Expectations for Overall Financial Situation*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1: 2012-13	1404	27.8	13.5	58.7	14.2	35.7	8.1	56.2	27.7
Q2: 2012-13	1561	27.1	14.9	58.0	12.2	33.2	9.5	57.3	23.6
Q3: 2012-13	1388	26.4	13.7	59.9	12.7	34.8	9.0	56.2	25.8
Q4: 2012-13	1301	26.9	15.1	58.0	11.8	34.9	7.9	57.2	27.0
Q1:2013-14	1321	23.3	13.8	63.0	9.5	31.5	9.6	58.9	21.9
Q2:2013-14						33.2	9.1	57.7	24.1

'Better' overall financial situation is optimistic.

Table 10: Assessment and Expectations for Working Capital Finance Requirement*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1: 2012-13	1404	36.6	6.1	57.3	30.4	36.2	4.3	59.6	31.9
Q2: 2012-13	1561	37.5	6.8	55.8	30.7	34.9	4.8	60.3	30.1
Q3: 2012-13	1388	35.0	5.7	59.4	29.3	37.3	4.4	58.3	32.9
Q4: 2012-13	1301	35.2	6.3	58.5	29.0	35.8	3.8	60.5	32.0
Q1:2013-14	1321	32.1	7.3	60.5	24.8	33.0	6.5	60.4	26.5
Q2:2013-14						31.0	6.5	62.5	24.5

'Increase' in working capital finance is optimistic.

Table 11: Assessment and Expectations for Availability of Finance*(Percentage responses)*

Parameter	Options	Assessment		Expectations	
		Q4:2012-13	Q1:2013-14	Q1:2013-14	Q2:2013-14
Availability of finance (from internal accruals)*	Improve	23.3	21.2	25.6	24.6
	No Change	65.6	68.4	67.4	67.9
	Worsen	11.1	10.4	7.0	7.4
	Net Response	12.1	10.8	18.7	17.2
Availability of Finance(from banks and other sources)*	Improve	18.3	18.8	18.7	20.0
	No Change	76.8	74.4	77.9	75.2
	Worsen	4.9	6.7	3.4	4.8
	Net Response	13.4	12.1	15.3	15.2
Availability of Finance (from overseas, if applicable)*	Improve	9.6	10.1	11.0	11.6
	No Change	84.2	84.7	84.4	83.7
	Worsen	6.2	5.2	4.6	4.6
	Net Response	3.4	5.0	6.3	7.0

'Improvement' in availability of finance is optimistic.

*: These questions are newly added by splitting the question on Availability of Finance (both internal and external sources) in the 61st Round (Jan-March 2013)

Table 12: Assessment and Expectations for Cost of External Finance*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Q1: 2012-13	1404	7.3	37.8	54.9	-30.5	9.9	32.6	57.6	-22.7
Q2: 2012-13	1561	5.8	33.1	61.1	-27.4	8.6	32.6	58.9	-24.0
Q3: 2012-13	1388	5.8	30.3	63.9	-24.4	7.6	28.1	64.3	-20.6
Q4: 2012-13	1301	9.5	27.0	63.5	-17.6	7.5	25.5	67.0	-18.1
Q1:2013-14	1321	10.1	24.6	65.3	-14.5	9.7	24.0	66.3	-14.3
Q2:2013-14						9.1	21.5	69.5	-12.4

'Decrease' in cost of external finance is optimistic.

Table 13: Assessment and Expectations for Cost of Raw Material*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Q1: 2012-13	1404	3.1	66.2	30.7	-63.1	2.2	51.2	46.5	-49.0
Q2: 2012-13	1561	3.0	62.6	34.4	-59.6	3.5	54.9	41.6	-51.4
Q3: 2012-13	1388	5.4	56.2	38.4	-50.7	3.5	52.1	44.3	-48.6
Q4: 2012-13	1301	4.3	57.8	37.9	-53.5	3.3	48.3	48.3	-45.0
Q1:2013-14	1321	4.6	54.5	40.9	-49.9	3.6	49.2	47.1	-45.6
Q2:2013-14						3.5	46.9	49.6	-43.4

'Decrease' in cost of raw material is optimistic.

Table 14: Assessment and Expectations for Selling Price*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1: 2012-13	1404	28.0	10.5	61.4	17.5	26.3	7.3	66.4	19.0
Q2: 2012-13	1561	29.3	10.9	59.8	18.5	27.8	9.0	63.2	18.8
Q3: 2012-13	1388	22.5	12.3	65.1	10.2	25.6	8.3	66.1	17.3
Q4: 2012-13	1301	22.3	13.2	64.5	9.1	22.8	7.0	70.2	15.8
Q1:2013-14	1321	21.4	14.1	64.5	7.3	23.1	8.1	68.8	14.9
Q2:2013-14						21.2	9.1	69.7	12.1

'Increase' in selling price is optimistic.

Table 15: Assessment and Expectations for Profit Margin*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1: 2012-13	1404	15.4	33.3	51.3	-17.9	20.4	21.6	58.0	-1.2
Q2: 2012-13	1561	16.2	31.2	52.6	-15.1	20.1	23.6	56.3	-3.6
Q3: 2012-13	1388	14.5	31.2	54.2	-16.7	20.5	21.8	57.7	-1.3
Q4: 2012-13	1301	16.2	31.5	52.3	-15.3	18.8	20.8	60.4	-2.0
Q1:2013-14	1321	13.5	31.9	54.6	-18.4	17.7	22.7	59.6	-4.9
Q2:2013-14						18.6	22.3	59.1	-3.7

'Increase' in profit margin is optimistic.

Table 16: Assessment and Expectations for Overall Business Situation*(Percentage responses)*

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1: 2012-13	1404	32.9	14.6	52.5	18.3	43.0	8.1	49.0	34.9
Q2: 2012-13	1561	32.8	16.7	50.5	16.1	40.2	9.7	50.1	30.6
Q3: 2012-13	1388	32.3	15.0	52.7	17.2	41.4	9.2	49.4	32.2
Q4: 2012-13	1301	32.8	14.4	52.8	18.4	44.8	7.2	48.0	37.5
Q1:2013-14	1321	29.3	16.5	54.2	12.8	39.3	9.7	51.1	29.6
Q2:2013-14						39.2	9.2	51.6	30.0

Better Overall Business Situation is optimistic.

Table 17: Business Expectation Index (BEI)

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
Q4: 2011-12	114.9	117.2
Q1: 2012-13	107.4	116.8
Q2: 2012-13	103.8	114.0
Q3: 2012-13	104.5	115.7
Q4: 2012-13	105.6	115.6
Q1:2013-14	101.2	111.6
Q2: 2013-14		112.7

Table18: Outlook for important business parameters according to Industries (Net response in per cent)

	Production		Order books		Cost of raw material		Cost of finance		Profit Margin	
	Rd61	Rd62	Rd61	Rd62	Rd61	Rd62	Rd61	Rd62	Rd61	Rd62
Food products	20.9	23.5	29.9	11.5	-43.9	-61.1	-18.1	-17.6	5.6	0.9
Textiles	26.8	36.2	23.3	34.0	-51.8	-42.0	-16.0	-12.1	-9.0	-2.5
Basic Metals & Metal products	8.9	19.9	5.3	16.8	-37.5	-36.4	-11.5	-15.3	-13.9	-11.5
Electrical machinery	12.5	34.7	14.7	33.8	-45.1	-45.1	-16.7	-13.2	-11.5	-7.2
Other Machinery(Non-electrical machinery) & Apparatus	20.2	24.2	28.0	19.3	-50.8	-40.3	-18.1	-10.0	-5.4	-9.7
Transport Equipment	9.5	24.1	12.3	23.7	-37.3	-29.9	-5.1	-2.7	-13.3	-8.8
Fertilizers	28.6	29.6	33.3	33.3	-35.7	-21.4	-18.5	-7.4	-10.7	18.5
Pharmaceuticals & Medicines	48.1	53.8	42.5	44.0	-49.4	-48.8	-5.1	-15.0	9.4	4.8
Basic Chemicals	42.6	46.9	29.1	37.0	-46.9	-45.7	-19.4	-18.2	9.4	4.9
Rubber & Plastic products	41.3	31.0	31.6	32.7	-50.0	-57.1	-6.5	-9.3	0.0	5.3
Paper & Paper products	21.2	40.0	18.8	30.8	-60.6	-48.3	-25.8	-14.3	-9.1	-13.3
Cement	45.8	4.0	9.5	-5.3	-48.0	-52.0	-16.7	-8.7	-4.0	-28.0
Wood & wood products	0.0	25.0	-7.1	25.0	-58.8	-60.0	-12.5	-44.4	11.8	0.0
Diversified companies	30.3	19.3	32.5	21.5	-40.2	-35.9	-19.8	-9.4	-8.0	-3.5
Other industries	22.8	19.8	16.3	20.0	-43.0	-49.5	-10.5	-11.8	-8.7	-3.2
All Industries	24.4	28.5	22.3	25.3	-45.6	-43.4	-14.3	-12.4	-4.9	-3.7

Table19: Outlook for important business parameters according to size (Paid-Up-Capital-wise and Annual production-wise) of responding companies

(Net response in per cent)

		Production		Order books		Cost of raw material		Cost of finance		Profit Margin	
		Rd61	Rd62	Rd61	Rd62	Rd61	Rd62	Rd61	Rd62	Rd61	Rd62
Paid-Up-Capital-Wise	Small	22.4	27.8	15.5	17.7	-48.4	-47.6	-14.3	-15.7	-11.8	-10.9
	Medium	25.0	28.2	23.1	26.9	-45.4	-42.8	-15.0	-12.8	-3.7	-3.4
	Big	23.0	33.8	31.1	25.0	-39.7	-40.0	-5.6	0.0	0.0	10.7
Annual Production.-Wise	Small	24.6	29.1	18.6	22.4	-51.1	-47.3	-13.5	-13.8	-10.4	-11.0
	Medium	23.4	29.4	23.0	27.7	-42.9	-42.7	-16.9	-12.7	-1.9	1.8
	Big	27.4	23.3	31.5	25.3	-37.9	-34.9	-8.2	-7.7	1.7	-2.3

Table 20: Constraints for attaining the normal production level: Industry-wise

Industry group	Production constraints			
	No	%of No	Yes	%of Yes
	Count		Count	
Food products	54	46.2	63	53.8
Textiles	62	36.5	108	63.5
Basic Metals & Metal products	49	32.7	101	67.3
Electrical machinery	33	45.2	40	54.8
Other Machinery & Apparatus	68	53.1	60	46.9
Transport Equipment	32	39.5	49	60.5
Fertilizers	17	58.6	12	41.4
Pharmaceuticals & Medicines	54	63.5	31	36.5
Basic Chemicals	45	54.2	38	45.8
Rubber & Plastic products	25	43.1	33	56.9
Paper & Paper products	18	56.3	14	43.8
Cement	12	48.0	13	52.0
Wood & wood products	7	58.3	5	41.7
Diversified companies	92	51.4	87	48.6
Other industries	47	47.5	52	52.5
All industries	615	46.6	706	53.4