

Industrial Outlook Survey- Q3: 2013-14 (Round 64)¹

The Industrial Outlook Survey conducted during November-December 2013, provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q3:2013-14** and their **expectations** for the ensuing quarter **Q4:2013-14**. The survey elicited response from 1,223 manufacturing companies.

Highlights:

- i. The assessment of major demand side parameters, as measured by net responses of the companies indicates marginal improvement in sentiments on [production](#), [order books](#), [capacity utilisation](#), [exports](#) and [imports](#) for Q3:2013-14. The demand outlook for Q4:2013-14, also shows improved optimism.
- ii. The perceptions on [overall financial situation](#) improved for Q3:2013-14. The outlook for Q4: 2013-14 also shows similar sentiments.
- iii. The sentiments on [availability of finance](#) from all the three sources viz; internal accruals, banks and other financial institutions, and overseas improved for Q3:2013-14. The sentiments have improved for Q4:2013-14 as well.
- iv. [Cost of external finance](#) is perceived to rise in Q4: 2013-14, but percentage of respondents expecting a rise moderated marginally as compared to the previous quarter.
- v. Majority of the respondents reported no change in the levels of raw material and finished goods [inventories](#) in both the assessment and expectation quarters.
- vi. [Cost of raw material](#) is expected to rise in Q4: 2013-14 from the level of previous quarter by a lower percentage of respondents. The sentiment for rise in [selling price](#) remained almost unchanged for Q4: 2013-14.
- vii. The perception on [profit margin](#) continued to remain in the negative terrain but showed some improvement for Q4 of 2013-14.
- viii. Majority of the respondents reported no change in [salary/other remuneration](#) and around three per cent expect the same to decrease for Q4: 2013-14.
- ix. The [Business Expectation Index \(BEI\)](#), a measure that gives a single snapshot of the industrial outlook, improved marginally for Q3: 2013-14, but still remained below the threshold level of 100 separating contraction from expansion. Based on expectation, the index showed an improvement in Q4: 2013-14 over the previous quarter.

¹ The 63rd round (Q2:2013-14) survey results were released on October 28, 2013 with the publication “Macroeconomic and Monetary Developments: Second Quarter Review 2013-14” 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
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	1207	31.8	21.0	47.2	10.8	40.6	12.1	47.3	28.5
Q3: 2013-14	1223	31.7	20.2	48.1	11.5	40.8	12.0	47.2	28.9
Q4:2013-14						42.3	10.2	47.5	32.1

[†]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 17.

[#]: Net Response (NR) is the difference of percentage of the respondents reporting optimism (increase) and that reporting pessimism (decrease).

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
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	1207	27.9	22.3	49.8	5.5	36.8	11.5	51.8	25.3
Q3:2013-14	1223	28.2	21.2	50.6	7.0	34.7	13.7	51.5	21.0
Q4:2013-14						38.1	10.5	51.4	27.6

[†]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
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	1207	21.3	3.9	74.8	17.3	15.9	4.4	79.6	11.5
Q3:2013-14	1223	19.2	5.1	75.7	14.1	17.5	3.8	78.8	13.7
Q4:2013-14						14.2	6.0	79.8	8.1

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment and Expectations for Capacity Utilisation

(Percentage responses)

Parameter	Options	Assessment for Current Quarter				Expectation for Next Quarter			
		Q4:2012-13	Q1:2013-14	Q2:2013-14	Q3:2013-14	Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14
Capacity Utilisation (CU)-(main product)	Increase	23.7	22.6	20.7	20.7	24.9	27.5	26.8	27.2
	No Change	60.5	57.1	58.6	59.9	62.0	60.9	60.6	61.9
	Decrease	15.9	20.3	20.7	19.4	13.1	11.6	12.6	10.9
	Net Response	7.8	2.3	0.0	1.3	11.7	15.9	14.2	16.3
Level of CU (compared to the average in last 4 quarters)	Above normal	10.0	8.7	8.9	8.5	10.5	9.8	9.8	11.1
	Normal	71.3	71.0	70.7	69.7	74.5	76.2	75.0	73.4
	Below Normal	18.7	20.3	20.4	21.8	15.0	13.9	15.2	15.5
	Net Response	-8.7	-11.6	-11.5	-13.3	-4.4	-4.1	-5.3	-4.4
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	13.4	14.6	15.0	14.7	13.7	13.7	14.8	15.7
	Adequate	77.4	76.4	77.0	76.6	78.4	78.4	78.0	77.6
	Less than adequate	9.2	9.0	8.1	8.7	7.9	7.9	7.1	6.8
	Net Response	4.2	5.7	6.9	5.9	5.7	5.8	7.7	8.9

*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
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	1207	24.9	17.1	58.0	7.8	28.6	10.0	61.5	18.6
Q3:2013-14	1223	24.2	13.4	62.4	10.9	27.4	10.9	61.7	16.5
Q4:2013-14						28.3	8.9	62.8	19.5

*Increase' in exports is optimistic.

Table 6: Assessment and Expectations for Imports

(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
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	1207	18.3	14.7	67.0	3.6	19.9	8.7	71.4	11.2
Q3:2013-14	1223	19.1	12.0	68.9	7.0	19.0	11.3	69.7	7.7
Q4:2013-14						20.8	7.3	71.9	13.4

'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			
		Q4:2012-13	Q1:2013-14	Q2:2013-14	Q3:2013-14	Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14
Inventory of raw material	Below average	7.9	8.0	8.7	8.3	6.3	6.3	6.3	5.3
	Average	79.8	78.7	78.7	78.9	84.2	83.6	83.6	83.7
	Above average	12.2	13.3	12.6	12.8	9.5	10.2	10.1	11.0
	Net Response	-4.3	-5.3	-3.8	-4.6	-3.3	-3.9	-3.9	-5.8
Inventory of Finished goods	Below average	7.4	8.1	7.5	7.3	6.3	7.0	6.2	6.6
	Average	76.5	77.3	77.0	75.3	83.1	82.7	82.5	80.8
	Above average	16.1	14.7	15.5	17.4	10.6	10.3	11.3	12.6
	Net Response	-8.7	-6.6	-8.1	-10.2	-4.3	-3.3	-5.0	-6.0

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
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
Q2:2013-14	1207	11.3	11.5	77.3	-0.2	16.0	8.4	75.6	7.7
Q3:2013-14	1223	13.1	12.7	74.2	0.4	13.3	8.8	77.9	4.5
Q4:2013-14						14.3	7.4	78.3	7.0

'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
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	1207	21.4	19.5	59.1	1.8	33.2	9.1	57.7	24.1
Q3:2013-14	1223	23.7	17.3	58.9	6.4	29.7	12.4	57.9	17.3
Q4:2013-14						33.0	9.5	57.5	23.5

'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
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	1207	32.9	8.1	59.0	24.8	31.0	6.5	62.5	24.5
Q3: 2013-14	1223	33.5	7.2	59.3	26.3	32.7	5.3	61.9	27.4
Q4:2013-14						35.3	4.7	60.0	30.6

'Increase' in working capital finance is optimistic.

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

Parameter	Options	Assessment		Expectations	
		Q2:2013-14	Q3:2013-14	Q3:2013-14	Q4:2013-14
Availability of finance (from internal accruals)*	Improve	18.3	20.3	23.2	25.0
	No Change	66.4	66.9	67.6	68.5
	Worsen	15.2	12.7	9.2	6.6
	Net Response	3.1	7.6	14.0	18.4
Availability of Finance(from banks & other sources)*	Improve	14.2	17.1	18.2	19.0
	No Change	75.6	74.5	75.6	76.2
	Worsen	10.3	8.4	6.2	4.8
	Net Response	3.9	8.7	12.0	14.2
Availability of Finance (from overseas, if applicable)*	Improve	7.6	10.4	8.9	11.9
	No Change	84.6	83.1	85.0	84.2
	Worsen	7.8	6.5	6.0	3.9
	Net Response	-0.1	3.9	2.9	8.1

'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
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	1207	5.0	37.6	57.4	-32.7	9.1	21.5	69.5	-12.4
Q3:2013-14	1223	5.6	37.5	56.9	-32.0	4.9	33.2	61.9	-28.3
Q4:2013-14						4.4	31.1	64.6	-26.7

'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
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	1207	2.8	65.0	32.2	-62.2	3.5	46.9	49.6	-43.4
Q3:2013-14	1223	4.2	59.5	36.3	-55.3	3.2	54.6	42.2	-51.5
Q4:2013-14						2.8	49.1	48.0	-46.3

'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
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	1207	25.1	13.8	61.1	11.3	21.2	9.1	69.7	12.1
Q3:2013-14	1223	22.3	14.5	63.2	7.8	23.4	9.5	67.0	13.9
						23.3	8.2	68.5	15.1

'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
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	1207	12.3	36.4	51.3	-24.1	18.6	22.3	59.1	-3.7
Q3:2013-14	1223	12.8	35.2	52.0	-22.4	16.5	25.7	57.8	-9.3
Q4:2013-14						18.2	22.2	59.7	-4.0

‘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
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	1207	28.2	20.8	51.0	7.4	39.2	9.2	51.6	30.0
Q3:2013-14	1223	28.7	19.0	52.3	9.6	37.4	11.7	50.8	25.7
Q4:2013-14						40.6	9.1	50.3	31.5

‘Better’ Overall Business Situation is optimistic.

Table 17: Assessment and Expectations for Salary/other remuneration

(Percentage responses)

Parameter	Options	Assessment		Expectations	
		Q2:2013-14	Q3:2013-14	Q3:2013-14	Q4:2013-14
Salary/other remuneration to employees	Increase	30.3	29.7	22.5	25.3
	Decrease	3.4	3.6	2.7	3.2
	No Change	66.3	66.8	74.8	71.5
	Net Response	26.8	26.1	19.8	22.1

Table 18: 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	97.3	112.7
Q3: 2013-14	98.8	109.9
Q4:2013-14		112.7

Table19: 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	
	Rd63	Rd64	Rd63	Rd64	Rd63	Rd64	Rd63	Rd64	Rd63	Rd64
Food products	39.6	49.1	32.9	37.2	-45.0	-50.5	-22.5	-30.6	-1.0	1.9
Textiles	32.3	21.5	26.6	18.3	-45.8	-36.1	-28.8	-20.9	-10.7	-10.0
Basic Metals & Metal products	18.8	20.8	13.2	18.9	-47.1	-38.5	-25.8	-26.2	-16.3	-10.6
Electrical machinery	26.2	47.6	15.0	42.4	-50.8	-50.0	-27.9	-25.4	-19.0	-1.7
Other Machinery(Non-electrical machinery) & Apparatus	19.4	34.9	15.2	32.7	-54.1	-48.7	-31.8	-24.1	-18.5	-7.5
Transport Equipment	13.0	29.0	12.7	27.0	-48.5	-42.4	-13.4	-26.9	-26.9	-16.9
Fertilizers	36.0	26.9	27.8	38.9	-53.8	-48.0	-16.7	-17.4	0.0	-44.3
Pharmaceuticals & Medicines	39.0	46.7	24.3	41.4	-58.4	-62.2	-25.0	-28.8	-3.8	-5.3
Basic Chemicals	43.4	39.2	26.5	28.4	-70.7	-54.4	-46.4	-31.6	3.9	11.4
Rubber & Plastic products	49.0	45.0	23.9	38.9	-58.8	-52.5	-34.0	-30.4	3.9	12.1
Paper & Paper products	34.6	39.3	24.0	30.8	-57.7	-55.2	-28.0	-33.3	-3.8	-14.3
Cement	0.0	36.8	-12.5	21.4	-69.6	-52.6	-35.0	-41.2	-21.7	5.9
Wood & wood products	16.7	28.6	-10.0	-16.7	-46.2	-50.0	-33.3	-37.5	-20.0	25.0
Diversified companies	26.4	22.2	26.2	20.8	-40.4	-40.0	-29.1	-28.0	-4.2	3.2
Other industries	28.4	25.0	20.5	22.9	-60.7	-50.6	-29.9	-21.8	-6.6	-15.7
All Industries	28.9	32.1	21.0	27.6	-51.5	-46.3	-28.3	-26.7	-9.3	-4.0