

Industrial Outlook Survey: Q2: 2013-14 (Round 63)¹

The Industrial Outlook Survey conducted during August-September 2013, provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q2:2013-14** and their **expectations** for the ensuing quarter **Q3:2013-14**. The survey elicited response from 1,207 manufacturing companies.

Highlights:

- i. The assessment of major demand side parameters, as measured by net responses of the companies indicates that while the sentiments on **production** remained broadly unchanged, the sentiments on **order books**, **capacity utilisation**, **exports** and **imports** moderated substantially in Q2:2013-14. The demand condition outlook for Q3:2013-14 shows lower optimism.
- ii. The perceptions on **overall financial situation** dropped substantially for Q2:2013-14. The outlook for Q3: 2013-14 also shows similar sentiments.
- iii. The sentiments on Availability of Finance from all the three sources viz., from internal accruals, from banks & other financial institutions and from overseas, fell for Q2:2013-14. The sentiments are further moderated for Q3:2013-14.
- iv. **Cost of external finance** is perceived to rise, and the percentage of respondents expecting this rise has increased for the first time since Q4:2011-12.
- 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. The **cost of raw material** is expected to rise significantly during Q3:2013-14, and companies expect to pass on a portion of the higher cost to their customers, as reflected in the increase in their expectations on selling price.
- vii. The perception on **profit margin** continues to remain in the negative terrain and is expected to deteriorate further for Q3: 2013-14.
- viii. A question on expectation on movements in **salary/other remuneration to employees** was introduced in the 63rd round of the survey. Majority of the respondents (75 per cent) expect no change in the salary and less than three per cent expect the salary to decrease for Q3: 2013-14.
- ix. The **Business Expectation Index (BEI)**, a measure that gives a single snapshot of the industrial outlook, dropped significantly by 3.9 points for Q2: 2013-14, and at 97.3 it was

¹ The 62st round (Q1:2013-14) survey results were released on July 29, 2013 with the publication "Macroeconomic and Monetary Developments: First 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.

below the threshold level of 100 which separates expansion from contraction. For Q3: 2013-14, BEI fell by 2.8 points and at 109.9 remained above the threshold level.

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
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	1207	31.8	21.0	47.2	10.8	40.6	12.1	47.3	28.5
Q3: 2013-14						40.8	12.0	47.2	28.9

*Increase' in production is optimistic.

@: Due to rounding off percentage may not add up to 100.

*: Net Response (NR) is the difference of percentage of the respondents reporting an increase and that reporting a 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
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	1207	27.9	22.3	49.8	5.5	36.8	11.5	51.8	25.3
Q3:2013-14						34.7	13.7	51.5	21.0

*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
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	1207	21.3	3.9	74.8	17.3	15.9	4.4	79.6	11.5
Q3:2013-14						17.5	3.8	78.8	13.7

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			
		Q3:2012-13	Q4:2012-13	Q1:2013-14	Q2:2012-13	Q4:2012-13	Q1:2013-14	Q2:2013-14	Q3:2013-14
Capacity Utilisation (CU)-(main product)	Increase	23.3	23.7	22.6	20.7	31.1	24.9	27.5	26.8
	No Change	59.0	60.5	57.1	58.6	59.6	62.0	60.9	12.6
	Decrease	17.6	15.9	20.3	20.7	9.3	13.1	11.6	60.6
	Net Response	5.7	7.8	2.3	0.0	21.7	11.7	15.9	14.2
Level of CU (compared to the average in last 4 quarters)	Above normal	9.1	10.0	8.7	8.9	10.7	10.5	9.8	9.8
	Normal	70.9	71.3	71.0	70.7	76.6	74.5	76.2	75.0
	Below Normal	20.0	18.7	20.3	20.4	12.7	15.0	13.9	15.2
	Net Response	-10.8	-8.7	-11.6	-11.5	-2.1	-4.4	-4.1	-5.3
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	14.2	13.4	14.6	15.0	13.0	13.7	13.7	14.8
	Adequate	77.5	77.4	76.4	77.0	79.6	78.4	78.4	78.0
	Less than adequate	8.3	9.2	9.0	8.1	7.4	7.9	7.9	7.1
	Net Response	5.9	4.2	5.7	6.9	5.6	5.7	5.8	7.7

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
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	1207	24.9	17.1	58.0	7.8	28.6	10.0	61.5	18.7
Q3:2013-14						27.4	10.9	61.7	16.5

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
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	1207	18.3	14.7	67.0	3.6	19.9	8.7	71.4	11.2
Q3:2013-14						19.0	11.3	69.7	7.7

'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			
		Q3:2012-13	Q4:2012-13	Q1:2013-14	Q2:2013-14	Q4:2012-13	Q1:2013-14	Q2:2013-14	Q3:2013-14
Inventory of raw material	Below average	7.6	7.9	8.0	8.7	5.5	6.3	6.3	6.3
	Average	79.8	79.8	78.7	78.7	83.9	84.2	83.6	83.6
	Above average	12.6	12.2	13.3	12.6	10.6	9.5	10.6	10.1
	Net Response	-5.0	-4.3	-5.3	-3.8	-5.1	-3.3	-3.9	-3.9
Inventory of Finished goods	Below average	7.0	7.4	8.1	7.5	7.0	6.3	7.0	6.2
	Average	78.0	76.5	77.3	77.0	83.1	83.1	82.7	82.5
	Above average	15.0	16.1	14.7	15.5	9.9	10.6	10.3	11.3
	Net Response	-8.0	-8.7	-6.6	-8.1	-3.0	-4.3	-3.3	-5.0

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

Table 8: Assessment & 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
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
Q2:2013-14	1207	11.3	11.5	77.3	-0.2	16.0	8.4	75.6	7.7
Q3:2013-14						13.3	8.8	77.9	4.5

'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
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	1207	21.4	19.5	59.1	1.8	33.2	9.1	57.7	24.1
Q3:2013-14						29.7	12.4	57.9	17.3

'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
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	1207	32.9	8.1	59.0	24.8	31.0	6.5	62.5	24.5
Q3: 2013-14						32.7	5.3	61.9	27.4

'Increase' in working capital finance is optimistic.

Table 11: Assessment and Expectations for Availability of Finance

(Percentage responses)

Parameter	Options	Assessment		Expectations	
		Q1:2013-14	Q2:2013-14	Q2:2013-14	Q3:2013-14
Availability of finance (from internal accruals)*	Improve	21.2	18.3	24.6	23.2
	No Change	68.4	66.4	67.9	67.6
	Worsen	10.4	15.2	7.4	9.2
	Net Response	10.8	3.1	17.2	14.0
Availability of Finance(from banks & other sources)*	Improve	18.8	14.2	20.0	18.2
	No Change	74.4	75.6	75.2	75.6
	Worsen	6.7	10.3	4.8	6.2
	Net Response	12.1	3.9	15.2	12.0
Availability of Finance (from overseas, if applicable)*	Improve	10.1	7.6	11.6	8.9
	No Change	84.7	84.6	83.7	85.0
	Worsen	5.2	7.8	4.6	6.0
	Net Response	5.0	-0.2	7.0	2.9

*'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
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	1207	5.0	37.6	57.4	-32.7	9.1	21.5	69.5	-12.4
Q3:2013-14						4.9	33.2	61.9	-28.3

*'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
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	1207	2.8	65.0	32.2	-62.2	3.5	46.9	49.6	-43.4
Q3:2013-14						3.2	54.6	42.2	-51.5

*'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
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	1207	25.1	13.8	61.1	11.3	21.2	9.1	69.7	12.1
Q3:2013-14						23.4	9.5	67.0	13.9

'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
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	1207	12.3	36.4	51.3	-24.1	18.6	22.3	59.1	-3.7
Q3:2013-14						16.5	25.7	57.8	-9.3

'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
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	1207	28.2	20.8	51.0	7.4	39.2	9.2	51.6	30.0
Q3:2013-14						37.4	11.7	50.8	25.7

'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	97.3	112.7
Q3: 2013-14		109.9

Table 18: Assessment and Expectations for Salary/other remuneration

(Percentage responses)

Parameter	Options	Assessment	Expectations
		Q2:2013-14	Q3:2013-14
Salary/other remuneration to employees	Increase	30.3	22.5
	Decrease	3.4	2.7
	No Change	66.3	74.8
	Net Response	26.8	19.8

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	
	Rd62	Rd63	Rd62	Rd63	Rd62	Rd63	Rd62	Rd63	Rd62	Rd63
Food products	23.5	39.6	11.5	32.9	-61.1	-45.0	-17.6	-22.5	0.9	-1.0
Textiles	36.2	32.3	34.0	26.6	-42.0	-45.8	-12.1	-28.8	-2.5	-10.7
Basic Metals & Metal products	19.9	18.8	16.8	13.2	-36.4	-47.1	-15.3	-25.8	-11.5	-16.3
Electrical machinery	34.7	26.2	33.8	15.0	-45.1	-50.8	-13.2	-27.9	-7.2	-19.0
Other Machinery(Non-electrical machinery) & Apparatus	24.2	19.4	19.3	15.2	-40.3	-54.1	-10.0	-31.8	-9.7	-18.5
Transport Equipment	24.1	13.0	23.7	12.7	-29.9	-48.5	-2.7	-13.4	-8.8	-26.9
Fertilizers	29.6	36.0	33.3	27.8	-21.4	-53.8	-7.4	-16.7	18.5	0.0
Pharmaceuticals & Medicines	53.8	39.0	44.0	24.3	-48.8	-58.4	-15.0	-25.0	4.8	-3.8
Basic Chemicals	46.9	43.4	37.0	26.5	-45.7	-70.7	-18.2	-46.4	4.9	3.9
Rubber & Plastic products	31.0	49.0	32.7	23.9	-57.1	-58.8	-9.3	-34.0	5.3	3.9
Paper & Paper products	40.0	34.6	30.8	24.0	-48.3	-57.7	-14.3	-28.0	-13.3	-3.8
Cement	4.0	0.0	-5.3	-12.5	-52.0	-69.6	-8.7	-35.0	-28.0	-21.7
Wood & wood products	25.0	16.7	25.0	-10.0	-60.0	-46.2	-44.4	-33.3	0.0	-20.0
Diversified companies	19.3	26.4	21.5	26.2	-35.9	-40.4	-9.4	-29.1	-3.5	-4.2
Other industries	19.8	28.4	20.0	20.5	-49.5	-60.7	-11.8	-29.9	-3.2	-6.6
All Industries	28.5	28.9	25.3	21.0	-43.4	-51.5	-12.4	-28.3	-3.7	-9.3