

Industrial Outlook Survey: Q4: 2012-13 (Round 61)

The 61st round of Industrial Outlook Survey conducted during February-March 2013, gives assessment of business situation of companies in the manufacturing sector for Q4:2012-13 and their expectations for the ensuing quarter Q1:2013-14. The survey elicited response from 1,301 manufacturing companies (about 65 per cent response rate).

Highlights:

- i. The assessment of major demand side parameters, as measured by net responses of the companies, for Q4:2012-13 indicates that while the optimism on **production** and **imports** remained around the previous quarter's level, **order books, capacity utilisation and exports** shows improved optimism. On the other hand, the outlook of demand conditions for Q1:2013-14 shows moderation.
- ii. Majority of the respondents reported no change in the levels of raw material and finished goods **inventories** in both the assessment and expectation quarters.
- iii. The optimism on **overall financial situation** showed some moderation for both the quarters.
- iv. **Cost of external finance** is perceived to rise, though by a lower proportion of respondents as compared to a quarter and a year ago.
- v. **Cost of raw materials** is expected to rise whereas growth in **selling prices** is expected to drop marginally.
- vi. The net response¹ on **profit margin** continued to remain in the negative terrain and showed further deterioration.
- vii. The **Business Expectation Index (BEI)**, a measure that gives a single snapshot of the industrial outlook, signals marginal improvement by 1.1 points (105.6 from 104.5) for Q4:2012-13. However, the index dropped by 4.0 points (111.6 from 115.6) for Q1: 2013-14.
- viii. The BEI for both the assessment and the expectation quarters have persisted in the growth terrain (i.e., above 100, which is the threshold separating contraction from expansion).

¹ Net response is the percentage difference between the optimistic (positive) and pessimistic (negative) responses; responses indicating status quo (no change) are not reckoned.

Table 1: Assessment & 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
Q4: 2011-12	1234	45.6	12.5	41.9	33.1	49.8	9.5	40.7	40.4
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						38.3	13.8	47.9	24.4

#: Due to rounding off percentage may not add up to 100. This is applicable for all the tables
 'Increase' in production is optimistic.

Table 2: Assessment & 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
Q4: 2011-12	1234	38.9	14.1	47.0	24.8	42.3	11.0	46.7	31.3
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						35.5	13.2	51.2	22.3

'Increase' in order books is optimistic.

Table 3: Assessment & 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
Q4: 2011-12	1234	15.9	5.4	78.7	10.5	13.7	6.5	79.8	7.3
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						16.9	5.3	77.7	11.6

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment & Expectations for Capacity Utilisation

<i>(Percentage responses) #</i>					
Parameter	Options	Assessment for Quarter		Expectations for Quarter	
		Q3:2012-13	Q4:2012-13	Q4:2012-13	Q1:2013-14
Capacity Utilisation (main product)	Increase	23.3	23.7	31.1	24.9
	No Change	59.0	60.5	59.6	62.0
	Decrease	17.6	15.9	9.3	13.1
	Net Response	5.7	7.8	21.7	11.7
Level of Capacity Utilisation (compared to the average in last 4 quarters)	Above normal	9.1	10.0	10.7	10.5
	Normal	70.9	71.3	76.6	74.5
	Below Normal	20.0	18.7	12.7	15.0
	Net Response	-10.8	-8.7	-2.1	-4.4
Assessment of Production Capacity (with regard to expected demand in next 6 months)	More than adequate	14.2	13.4	13.0	13.7
	Adequate	77.5	77.4	79.6	78.4
	Less than adequate	8.3	9.2	7.4	7.9
	Net Response	5.9	4.2	5.6	5.7

*Increase' in capacity utilisation is optimistic.

Table 5: Assessment & 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
Q4: 2011-12	1234	27.8	13.6	58.6	14.2	29.0	10.4	60.6	18.6
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						27.1	10.4	62.5	16.7

*Increase' in exports is optimistic.

Table 6: Assessment & 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
Q4: 2011-12	1234	22.5	8.0	69.5	14.4	23.0	7.5	69.4	15.5
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						20.4	8.5	71.1	11.9

‘Increase’ in imports is optimistic.

Table 7: Assessment & 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	Q4:2012-13	Q1:2013-14
Inventory of raw material	Below average	7.6	7.9	5.5	6.3
	Average	79.8	79.8	83.9	84.2
	Above average	12.6	12.2	10.6	9.5
	Net Response	-5.0	-4.3	-5.1	-3.3
Inventory of Finished goods	Below average	7.0	7.4	7.0	6.3
	Average	78.0	76.5	83.1	83.1
	Above average	15.0	16.1	9.9	10.6
	Net Response	-8.0	-8.7	-3.0	-4.3

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
Q4: 2011-12	1234	19.8	6.9	73.3	12.9	19.3	5.7	75.0	13.6
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						16.0	8.0	76.1	8.0

‘Increase’ in employment is optimistic.

Table 9: Assessment & 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
Q4: 2011-12	1234	30.4	11.9	57.8	18.5	35.3	10.2	54.5	25.2
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						31.5	9.6	58.9	21.9

'Better' overall financial situation is optimistic.

Table 10: Assessment & 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
Q4: 2011-12	1234	40.0	5.1	54.8	34.9	38.0	4.2	57.8	33.8
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						33.0	6.5	60.4	26.5

'Increase' in working capital finance is optimistic.

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

Parameter	Options	Assessment for Quarter	Expectations for Quarter
		Q4:2012-13	Q1:2013-14
Availability of Finance (from internal accruals)*	Improve	23.3	25.6
	No Change	65.6	67.4
	Worsen	11.1	7.0
	Net Response	12.1	18.7
Availability of Finance(from banks & other sources)*	Improve	18.3	18.7
	No Change	76.8	77.9
	Worsen	4.9	3.4
	Net Response	13.4	15.3
Availability of Finance (from overseas, if applicable)*	Improve	9.6	11.0
	No Change	84.2	84.4
	Worsen	6.2	4.6
	Net Response	3.4	6.3

'Improvement' in availability of finance is optimistic.

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

Table 12: Assessment & 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
Q4: 2011-12	1234	3.8	41.1	55.1	-37.4	4.1	42.8	53.1	-38.8
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						9.7	24.0	66.3	-14.3

‘Decrease’ in cost of external finance is optimistic.

Table 13: Assessment & 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
Q4: 2011-12	1234	3.4	62.7	33.9	-59.4	4.0	54.1	41.9	-50.1
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						3.6	49.2	47.1	-45.6

‘Decrease’ in cost of raw material is optimistic.

Table 14: Assessment & 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
Q4: 2011-12	1234	25.1	11.6	63.3	13.5	25.0	10.3	64.7	14.7
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						23.1	8.1	68.8	14.9

‘Increase’ in selling price is optimistic.

Table 15: Assessment & 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
Q4: 2011-12	1234	17.5	28.7	53.8	-11.3	20.1	23.1	56.8	-2.9
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						17.7	22.7	59.6	-4.9

'Increase' in profit margin is optimistic.

Table 16: Assessment & 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
Q4: 2011-12	1234	37.8	11.3	50.9	26.5	43.6	10.0	46.5	33.6
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						39.3	9.7	51.1	29.6

'Better' Overall Business Situation is optimistic.

Table 17: Business Expectation Index (BEI)

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
Q4: 2009-10	118.5	120.6
Q1: 2010-11	115.9	119.8
Q2: 2010-11	119.0	118.8
Q3: 2010-11	122.8	126.5
Q4: 2010-11	122.0	125.9
Q1: 2011-12	116.3	121.9
Q2: 2011-12	109.4	121.5
Q3: 2011-12	110.1	118.8
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		111.6

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	
	Rd60	Rd61	Rd60	Rd61	Rd60	Rd61	Rd60	Rd61	Rd60	Rd61
Food products	37.9	20.9	31.0	29.9	-52.3	-43.9	-11.1	-18.1	0.8	5.6
Textiles	30.7	26.8	27.6	23.3	-37.7	-51.8	-15.8	-16.0	-6.8	-9.0
Basic Metals & Metal products	21.2	8.9	17.7	5.3	-44.1	-37.5	-22.2	-11.5	-9.8	-13.9
Electrical machinery	38.6	12.5	34.6	14.7	-36.0	-45.1	-20.5	-16.7	3.4	-11.5
Other Machinery(Non-electrical machinery) & Apparatus	39.9	20.2	32.2	28.0	-55.9	-50.8	-18.4	-18.1	-6.0	-5.4
Transport Equipment	38.8	9.5	30.4	12.3	-36.6	-37.3	-9.8	-5.1	0.0	-13.3
Fertilisers	13.3	28.6	0.0	33.3	-33.3	-35.7	-10.7	-18.5	-10.3	-10.7
Pharmaceuticals & Medicines	45.7	48.1	33.3	42.5	-52.1	-49.4	-12.2	-5.1	-2.1	9.4
Basic Chemicals	40.4	42.6	31.3	29.1	-44.7	-46.9	-33.3	-19.4	2.2	9.4
Rubber & Plastic products	59.4	41.3	40.0	31.6	-44.9	-50.0	-15.5	-6.5	8.5	0.0
Paper & Paper products	45.0	21.2	41.7	18.8	-37.5	-60.6	-23.1	-25.8	-15.0	-9.1
Cement	48.0	45.8	27.3	9.5	-46.2	-48.0	-3.8	-16.7	30.8	-4.0
Wood & wood products	71.4	0.0	53.3	-7.1	-64.3	-58.8	-40.0	-12.5	42.9	11.8
Diversified companies	43.1	30.3	31.3	32.5	-50.0	-40.2	-26.1	-19.8	0.0	-8.0
Other industries	34.0	22.8	31.0	16.3	-41.7	-43.0	-16.0	-10.5	-3.7	-8.7
All Industries	37.1	24.4	29.8	22.3	-45.0	-45.6	-18.1	-14.3	-2.0	-4.9

Table19: Outlook for important business parameters according to size (Paid-Up-Capital-wise & Annual production-wise) of responding companies*(Net response in per cent)*

		Production		Order books		Cost of raw material		Cost of finance		Profit Margin	
		Rd60	Rd61	Rd60	Rd61	Rd60	Rd61	Rd60	Rd61	Rd60	Rd61
Paid-Up-Capital-Wise	Small	24.9	22.4	15.6	15.5	-46.7	-48.4	-20.4	-14.3	-15.0	-11.8
	Medium	39.2	25.0	32.3	23.1	-44.5	-45.4	-18.3	-15.0	0.5	-3.7
	Big	43.0	23.0	35.7	31.1	-46.0	-39.7	-9.2	-5.6	13.8	0.0
Annual Production.-Wise	Small	34.7	24.6	25.6	18.6	-50.7	-51.1	-21.4	-13.5	-7.3	-10.4
	Medium	37.5	23.4	31.4	23.0	-42.4	-42.9	-18.0	-16.9	-0.2	-1.9
	Big	43.1	27.4	38.3	31.5	-35.8	-37.9	-7.5	-8.2	7.3	1.7

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	46	41.1	66	58.9
Textiles	59	34.1	114	65.9
Basic Metals & Metal products	56	33.9	109	66.1
Electrical machinery	42	50.6	41	49.4
Other Machinery & Apparatus	66	50.0	66	50.0
Transport Equipment	39	45.9	46	54.1
Fertilisers	18	62.1	11	37.9
Pharmaceuticals & Medicines	54	62.8	32	37.2
Basic Chemicals	56	57.1	42	42.9
Rubber & Plastic products	30	46.9	34	53.1
Paper & Paper products	20	58.8	14	41.2
Cement	15	60.0	10	40.0
Wood & wood products	9	52.9	8	47.1
Diversified companies	46	51.1	44	48.9
Other industries	59	54.6	49	45.4
All industries	615	47.3	686	52.7