

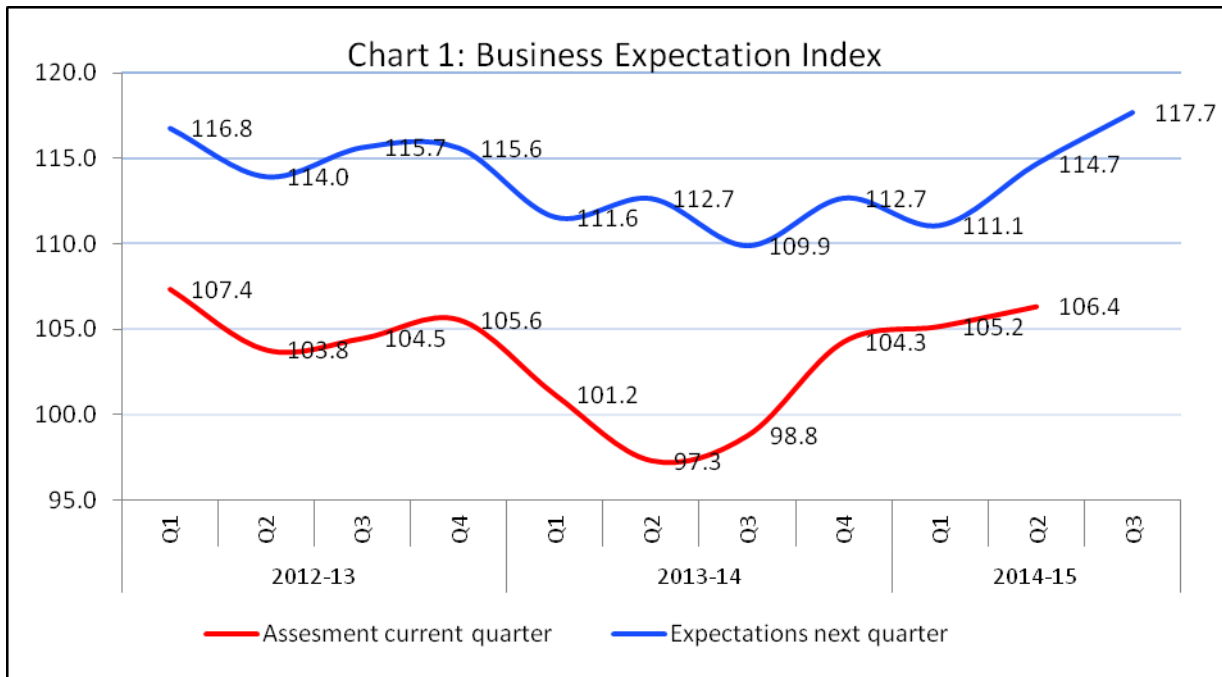
## Industrial Outlook Survey- Q2: 2014-15 (Round 67)

The Industrial Outlook Survey conducted during July-September 2014, provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q2:2014-15** and their **expectations** for the ensuing quarter **Q3:2014-15**. The survey elicited early response from 1,225 manufacturing companies.

### Highlights:

Summary Table: Net response <sup>1</sup> (NR in %) comparison over previous quarter					
Assessment period			Expectation period		
Parameters	Q1:2014-15	Q2:2014-15	Parameters	Q2:2014-15	Q3:2014-15
<b>Improved positivity:</b>			<b>Increased optimism:</b>		
i. Capacity Utilisation	6.0	7.1	i. Production	33.7	34.5
ii. Exports	10.5	12.4	ii. Order Books	29.1	31.6
iii. Imports	9.3	12.7	iii. Capacity Utilisation	19.4	19.9
iv. Production	17.2	18.5	iv. Imports	15.0	25.9
v. Employment	5.4	6.3	v. Employment	8.9	11.2
vi. BEI	105.2	106.4	vi. Selling price	12.5	13.3
<b>Reduced concern:</b>			vii. Profit Margin	-2.3	1.0
i. Cost of Finance	-22.2	-18.5	viii. BEI	114.7	117.7
ii. Cost of Raw Material	-49.5	-44.7	<b>Reduced pessimism:</b>		
			i. Cost of Raw Material	-42.1	-39.2
<b>Decline in positivity:</b>			<b>Reduced optimism:</b>		
i. Order Books	16.4	15.4	i. Availability of Finance	20.6	19.7
ii. Availability of Finance	12.4	12.1	ii. Exports	21.4	20.9
iii. Selling Price	9.8	6.8			
iv. Profit Margin	-15.1	-15.3			
<b>No Change:</b>			<b>No Change:</b>		
			i. Cost of Finance	-17.2	-17.2

<sup>1</sup> Net Response (NR) is the difference of percentage of the respondents reporting optimism and that reporting pessimism. The range is -100 to 100. Any value greater than zero indicates expansion/optimism and any value less than zero indicates contraction/pessimism i.e.  $NR = (I - D)$ ; where, I is the percentage response of 'Increase/optimism', and D is the percentage response of 'Decrease/pessimism' and E is the percentage response as 'no change/Equal';  $I+D+E=100$ .



### Expectation (Q3:2014-15)

- Business outlook of the Indian manufacturing sector as inferred from movements in Business Expectation Index<sup>2</sup> (BEI) shows improvement for Q3:2014-15 (117.7) as compared to previous quarter (114.7). This increase in composite index is due to higher optimism in capacity utilisation, imports, production and cost of raw material.

### Assessment (Q2:2014-15)

- Business outlook of the Indian manufacturing sector as inferred from movements in Business Expectation Index (BEI), shows improvement for Q2:2014-15 (106.4) as compared to previous quarter (105.2).
- The improved positivity is mainly due to capacity utilisation, exports, imports, cost of finance and cost of raw material.

**Table 1: Assessment & Expectation for Production**

(Percentage responses)<sup>®</sup>

<sup>2</sup> The Business Expectation Index (BEI), which is a composite indicator calculated as weighted net response of nine business parameters, gives a single snapshot of business outlook in every quarter. The range of BEI lies between 0 to 200, and 100 is the threshold line separating expansion from contraction.

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response#	Increase	Decrease	No change	Net response
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	1114	36.6	16.6	46.7	20.0	42.3	10.2	47.5	32.1
Q1:2014-15	1293	34.4	17.2	48.4	17.2	39.2	12.2	48.6	27.1
Q2:2014-15	1225	35.2	16.7	48.1	18.5	43.4	9.7	46.8	33.7
Q3:2014-15						43.6	9.8	47.3	34.5

'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 17.

#Net Response (NR) is the difference of percentage of the respondents reporting optimism and that reporting pessimism. The range is -100 to 100. Any value greater than zero indicates expansion and any value less than zero indicates contraction.

**Table 2: Assessment & Expectation for Order Books**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	1114	32.1	17.3	50.6	14.8	38.1	10.5	51.4	27.6
Q1:2014-15	1293	31.8	15.4	52.9	16.4	36.2	11.5	52.3	24.6
Q2:2014-15	1225	31.2	15.8	53.0	15.4	38.2	9.1	52.6	29.1
Q3:2014-15						40.0	8.4	51.6	31.6

'Increase' in order books is optimistic.

**Table 3: Assessment & Expectation for Pending Orders**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Below Normal	Above Normal	Normal	Net response	Below Normal	Above Normal	Normal	Net response
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	1114	16.1	5.4	78.5	10.7	14.2	6.0	79.8	8.1
Q1:2014-15	1293	15.6	5.1	79.3	10.5	14.0	5.8	80.1	8.2
Q2:2014-15	1225	16.8	4.2	79.1	12.6	12.3	5.7	82.0	6.5
Q3:2014-15						11.8	5.2	83.1	6.6

Pending orders 'Below Normal' is optimistic.

**Table 4: Assessment & Expectation for Capacity Utilisation**

(Percentage responses)

Parameter	Options	Assessment					Expectation				
		Q2:20 13-14	Q3:20 13-14	Q4:20 13-14	Q1:20 14-15	Q2:20 14-15	Q3:20 13-14	Q4:20 13-14	Q1:20 14-15	Q2:20 14-15	Q3:20 14-15
Capacity Utilisation (CU)-(main product)	Increase	20.7	20.7	24.9	22.3	23.8	26.8	27.2	23.8	29.5	29.5
	No Change	58.6	59.9	60.1	61.3	59.5	60.6	61.9	63.6	60.4	60.9
	Decrease	20.7	19.4	15.0	16.3	16.7	12.6	10.9	12.6	10.1	9.6
	Net Response	0.0	1.3	9.9	6.0	7.1	14.2	16.3	11.2	19.4	19.9
Level of CU (compared to the average in last 4 quarters)	Above normal	8.9	8.5	10.1	10.3	8.7	9.8	11.1	9.7	10.6	10.0
	Normal	70.7	69.7	72.2	71.8	72.3	75.0	73.4	75.4	76.6	77.3
	Below Normal	20.4	21.8	17.6	17.9	19.0	15.2	15.5	14.9	12.7	12.7
	Net Response	-11.5	-13.3	-7.5	-7.6	-10.3	-5.3	-4.4	-5.2	-2.1	-2.7
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	15.0	14.7	13.9	13.8	13.3	14.8	15.7	13.4	12.9	13.0
	Adequate	77.0	76.6	77.9	78.1	78.7	78.0	77.6	79.5	80.3	80.9
	Less than adequate	8.1	8.7	8.2	8.1	8.0	7.1	6.8	7.1	6.8	6.1
	Net Response	6.9	5.9	5.7	5.7	5.3	7.7	8.9	6.3	6.1	6.9

\*Increase' in capacity utilisation is optimistic.

**Table 5: Assessment & Expectation for Exports**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	1114	29.3	12.9	57.9	16.4	28.3	8.9	62.8	19.5
Q1:2014-15	1293	24.6	14.1	61.2	10.5	31.7	10.0	58.3	21.6
Q2:2014-15	1225	25.6	13.2	61.2	12.4	29.9	8.5	61.5	21.4
Q3:2014-15						28.5	7.6	63.9	20.9

\*Increase' in exports is optimistic.

**Table 6: Assessment & Expectation for Imports** (Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	1114	19.3	10.0	70.7	9.3	20.8	7.3	71.9	13.4
Q1:2014-15	1293	18.8	9.4	71.8	9.3	18.3	7.8	73.9	10.5
Q2:2014-15	1225	20.9	8.2	70.9	12.7	21.2	6.2	72.6	15.0
Q3:2014-15						19.4	6.5	74.1	25.9

\*Increase' in imports is optimistic.

**Table 7: Assessment & Expectations for level of Inventory (Raw Material and Finished Goods)**

(Percentage responses)

Parameter	Options	Assessment					Expectation				
		Q2:20 13-14	Q3:20 13-14	Q4:20 13-14	Q1:20 14-15	Q2:20 14-15	Q3:20 13-14	Q4:20 13-14	Q1:20 14-15	Q2:20 14-15	Q3:20 14-15
Inventory of raw material	Below average	8.7	8.3	7.7	7.2	8.4	6.3	5.3	6.7	6.4	6.1
	Average	78.7	78.9	79.2	80.2	79.4	83.6	83.7	83.6	83.7	84.0
	Above average	12.6	12.8	13.2	12.6	12.3	10.1	11.0	9.7	9.9	9.9
	Net Response	-3.8	-4.6	-5.5	-5.4	-3.9	-3.9	-5.8	-3.1	-3.5	-3.8
Inventory of finished goods	Below average	7.5	7.3	7.7	6.7	7.5	6.2	6.6	7.6	6.4	6.7
	Average	77.0	75.3	76.9	79.1	76.7	82.5	80.8	81.8	82.9	82.6
	Above average	15.5	17.4	15.4	14.1	15.8	11.3	12.6	10.6	10.8	10.8
	Net Response	-8.1	-10.2	-7.6	-7.4	-8.3	-5.0	-6.0	-3.0	-4.4	-4.1

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

**Table 8: Assessment & Expectations for Employment Outlook**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	1114	16.1	10.7	73.2	5.4	14.3	7.4	78.3	7.0
Q1:2014-15	1293	15.0	9.6	75.4	5.4	15.7	8.4	75.9	7.2
Q2:2014-15	1225	14.6	8.3	77.1	6.3	15.2	6.2	78.6	8.9
Q3:2014-15						16.6	5.4	78.0	11.2

'Increase' in employment is optimistic.

**Table 9: Assessment & Expectation for Overall Financial Situation**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
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	1114	25.0	13.1	61.9	11.9	33.0	9.5	57.5	23.5
Q1:2014-15	1293	26.2	12.3	61.5	14.0	30.7	8.4	60.8	22.3
Q2:2014-15	1225	27.2	12.3	60.5	14.9	33.6	6.8	59.6	26.8
Q3:2014-15						36.0	6.2	57.8	29.8

'Better' overall financial situation is optimistic.

**Table 10: Assessment & Expectation for Working Capital Finance Requirement** (Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	1114	34.9	6.2	58.8	28.7	35.3	4.7	60.0	30.6
Q1:2014-15	1293	31.6	6.6	61.7	25.0	33.1	5.0	61.9	28.1
Q2:2014-15	1225	30.5	6.0	63.5	24.5	33.5	5.0	61.5	28.5
Q3:2014-15						31.7	4.8	63.5	26.9

'Increase' in working capital finance is optimistic.

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

Parameter	Options	Assessment					Expectation				
		Q2:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15	Q2:2014-15	Q3:2013-14	Q4:2013-14	Q1:2014-15	Q2:2014-15	Q3:2014-15
Availability of finance (from internal accruals)	Improve	18.3	20.3	21.9	23.1	23.5	23.2	25.0	23.4	26.7	26.5
	No Change	66.4	66.9	67.1	66.3	65.7	67.6	68.5	69.2	67.3	66.8
	Worsen	15.2	12.7	11.0	10.6	11.1	9.2	6.6	7.4	6.1	6.8
	Net Response	3.1	7.6	10.8	12.4	12.1	14.0	18.4	16.0	20.6	19.7
Availability of Finance (from banks & other sources)	Improve	14.2	17.1	18.2	20.1	18.8	18.2	19.0	20.5	21.5	20.8
	No Change	75.6	74.5	72.4	72.3	74.4	75.6	76.2	73.6	74.7	75.1
	Worsen	10.3	8.4	9.3	7.6	6.8	6.2	4.8	5.9	3.8	4.2
	Net Response	3.9	8.7	8.9	12.5	12.0	12.0	14.2	14.6	17.6	16.6
Availability of Finance (from overseas, if applicable)	Improve	7.6	10.4	10.9	9.9	8.8	8.9	11.9	11.8	12.2	10.8
	No Change	84.6	83.1	83.4	84.8	86.1	85.0	84.2	83.6	84.8	86.3
	Worsen	7.8	6.5	5.7	5.3	5.1	6.0	3.9	4.6	3.0	2.9
	Net Response	-0.1	3.9	5.2	4.6	3.7	2.9	8.1	7.2	9.1	7.9

'Improvement' in availability of finance is optimistic.

**Table 12: Assessment & Expectation for Cost of Finance**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
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	1114	5.0	32.9	62.0	-27.9	4.4	31.1	64.6	-26.7
Q1:2014-15	1293	5.3	27.4	67.3	-22.2	5.4	27.7	66.9	-22.2
Q2:2014-15	1225	6.5	25.0	68.6	-18.5	6.0	23.2	70.8	-17.2
Q3:2014-15						5.6	22.8	71.6	-17.2

'Decrease' in cost of finance is optimistic.

**Table 13: Assessment & Expectation for Cost of Raw Material**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
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	1114	2.6	56.7	40.7	-54.1	2.8	49.1	48.0	-46.3
Q1:2014-15	1293	3.0	52.5	44.5	-49.5	2.9	49.7	47.4	-46.9
Q2:2014-15	1225	4.6	49.3	46.2	-44.7	3.7	45.8	50.6	-42.1
Q3:2014-15						4.3	43.5	52.2	-39.2

'Decrease' in cost of raw material is optimistic.

**Table 14: Assessment & Expectation for Selling Price**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net respons	Increase	Decrease	No change	Net response
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
Q4:2013-14	1114	22.0	12.4	65.6	9.6	23.3	8.2	68.5	15.1
Q1:2014-15	1293	22.0	12.2	65.8	9.8	23.4	8.4	68.2	15.1
Q2:2014-15	1225	20.1	13.3	66.6	6.8	20.6	8.0	71.4	12.5
Q3:2014-15						20.5	7.2	72.3	13.3

'Increase' in selling price is optimistic.

**Table 15: Assessment & Expectation for Profit Margin**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	1114	14.1	30.6	55.3	-16.5	18.2	22.2	59.7	-4.0
Q1:2014-15	1293	14.3	29.4	56.4	-15.1	16.8	22.2	61.0	-5.4
Q2:2014-15	1225	12.6	27.9	59.4	-15.3	18.0	20.3	61.7	-2.3
Q3:2014-15						18.9	17.9	63.2	1.0

'Increase' in profit margin is optimistic.

**Table 16: Assessment & Expectation for Overall Business Situation**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
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	1114	30.9	13.5	55.7	17.4	40.6	9.1	50.3	31.5
Q1:2014-15	1293	31.7	12.6	55.7	19.1	36.5	9.1	54.4	27.4
Q2:2014-15	1225	34.6	12.6	52.8	22.0	43.9	7.0	49.1	37.0
Q3:2014-15						45.4	5.7	48.9	39.7

'Better' Overall Business Situation is optimistic.

**Table 17: Assessment & Expectation for Salary/Other Remuneration**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q2:2013-14	1207	30.3	3.4	66.3	26.8				
Q3:2013-14	1223	29.7	3.6	66.8	26.1	22.5	2.7	74.8	19.8
Q4:2013-14	1114	28.7	3.5	67.9	25.2	25.3	3.2	71.5	22.1
Q1:2014-15	1293	38.5	3.1	58.4	35.4	31.8	2.8	65.4	28.9
Q2:2014-15	1225	32.5	3.0	64.4	29.5	30.2	2.1	67.7	28.1
Q3:2014-15						24.0	2.4	73.6	21.6

'Increase in Salary / other remuneration' is optimistic.

**Table 18: Business Expectation Index (BEI)**

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
Q2:2013-14	97.3	112.7
Q3:2013-14	98.8	109.9
Q4:2013-14	104.3	112.7
Q1:2014-15	105.2	111.1
Q2:2014-15	106.4	114.7
Q3:2014-15		117.7