

Industrial Outlook Survey - Q4:2013-14 (Round 65)¹

The Industrial Outlook Survey conducted during February-March 2014, provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q4:2013-14** and their **expectations** for the ensuing quarter **Q1:2014-15**. Based on the responses received from 795 companies (as on March 19, 2014), the survey showed that business conditions in Indian manufacturing sector which showed signs of improvement in Q4: 2013-14, are expected to moderate marginally in Q1:2014-15.

Highlights:

- i. The assessment of major demand side parameters, as measured by net responses of the companies, indicates higher optimism with respect to [production](#), [order books](#), [capacity utilisation](#) and [exports](#) in Q4:2013-14.
- ii. However, the outlook for production, order books and capacity utilisation was less optimistic for Q1:2014-15 as compared to the previous quarter. Outlook on exports improved further.
- iii. Sentiments on [overall financial situation](#) that improved in Q4:2013-14 have been retained.
- iv. [Cost of external finance](#) is perceived to rise in Q1: 2014-15, but percentage of respondents expecting a rise moderated (26.8 per cent) as compared to the previous quarter (31.1 per cent).
- 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 sentiments on [Cost of raw material](#) and [selling price](#) remained almost unchanged for Q1: 2014-15 from that of the previous quarter.
- vii. The perception on [profit margin](#) improved slightly in Q4: 2013-14; however the outlook moderated for Q1: 2014-15 and continued to remain in the negative terrain.
- viii. Majority of the respondents reported no change in [salary/other remuneration](#) and less than three per cent expect the same to decrease for Q1: 2014-15.
- ix. The [Business Expectation Index \(BEI\)](#), a measure that gives a single snapshot of the industrial outlook, improved in Q4: 2013-14, and stood above the threshold level of 100 separating contraction from expansion. Based on expectation, the index moderated marginally for Q1: 2014-15 over the previous quarter.

¹ The 64th round (Q3:2013-14) survey results were released on January 28, 2014 with the publication "Macroeconomic and Monetary Developments: Third 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
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	795	35.6	15.0	49.4	20.6	42.3	10.2	47.5	32.1
Q1:2014-15						37.7	11.2	51.1	26.6

'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 respondents reporting optimism and that reporting pessimism.

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
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	795	31.3	15.9	52.8	15.4	38.1	10.5	51.4	27.6
Q1:2014-15						35.5	11.2	53.3	24.4

'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
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	795	14.6	5.7	79.7	8.9	14.2	6.0	79.8	8.1
Q1:2014-15						12.6	5.7	81.7	6.9

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			
		Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15
Capacity Utilisation (CU)-(main product)	Increase	22.6	20.7	20.7	24.9	27.5	26.8	27.2	22.6
	No Change	57.1	58.6	59.9	60.7	60.9	60.6	61.9	65.1
	Decrease	20.3	20.7	19.4	14.4	11.6	12.6	10.9	12.4
	Net Response	2.3	0.0	1.3	10.5	15.9	14.2	16.3	10.2
Level of CU (compared to the average in last 4 quarters)	Above normal	8.7	8.9	8.5	10.4	9.8	9.8	11.1	9.6
	Normal	71.0	70.7	69.7	73.7	76.2	75.0	73.4	77.8
	Below Normal	20.3	20.4	21.8	15.8	13.9	15.2	15.5	12.6
	Net Response	-11.6	-11.5	-13.3	-5.4	-4.1	-5.3	-4.4	-3.0
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	14.6	15.0	14.7	14.0	13.7	14.8	15.7	13.1
	Adequate	76.4	77.0	76.6	78.2	78.4	78.0	77.6	80.6
	Less than adequate	9.0	8.1	8.7	7.9	7.9	7.1	6.8	6.3
	Net Response	5.7	6.9	5.9	6.1	5.8	7.7	8.9	6.8

'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
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	795	30.3	11.5	58.2	18.9	28.3	8.9	62.8	19.5
Q1:2014-15						32.5	9.0	58.5	23.5

'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
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	795	18.8	9.0	72.2	9.8	20.8	7.3	71.9	13.4
Q1:2014-15						19.3	7.1	73.5	12.2

'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			
		Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15
Inventory of raw material	Below average	8.0	8.7	8.3	7.8	6.3	6.3	5.3	6.8
	Average	78.7	78.7	78.9	78.9	83.6	83.6	83.7	84.4
	Above average	13.3	12.6	12.8	13.3	10.2	10.1	11.0	8.8
	Net Response	-5.3	-3.8	-4.6	-5.6	-3.9	-3.9	-5.8	-2.1
Inventory of Finished goods	Below average	8.1	7.5	7.3	7.2	7.0	6.2	6.6	6.3
	Average	77.3	77.0	75.3	76.9	82.7	82.5	80.8	83.8
	Above average	14.7	15.5	17.4	15.9	10.3	11.3	12.6	9.9
	Net Response	-6.6	-8.1	-10.2	-8.6	-3.3	-5.0	-6.0	-3.7

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
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	795	17.0	9.0	73.9	8.0	14.3	7.4	78.3	7.0
Q1:2014-15						15.3	6.9	77.8	8.4

'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
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	795	24.8	11.5	63.7	13.4	33.0	9.5	57.5	23.5
Q1:2014-15						31.0	7.6	61.4	23.4

'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
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	795	34.2	5.8	60.0	28.3	35.3	4.7	60.0	30.6
Q1:2014-15						32.4	4.5	63.1	27.9

'Increase' in working capital finance is optimistic.

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

Parameter	Options	Assessment		Expectations	
		Q3:2013-14	Q4:2013-14	Q4:2013-14	Q1:2014-15
Availability of finance (from internal accruals)	Improve	20.3	22.2	25.0	23.1
	No Change	66.9	67.7	68.5	69.7
	Worsen	12.7	10.2	6.6	7.2
	Net Response	7.6	12.0	18.4	16.0
Availability of Finance(from banks & other sources)	Improve	17.1	18.1	19.0	20.1
	No Change	74.5	73.1	76.2	74.8
	Worsen	8.4	8.8	4.8	5.1
	Net Response	8.7	9.2	14.2	15.0
Availability of Finance (from overseas, if applicable)	Improve	10.4	9.6	11.9	11.0
	No Change	83.1	85.2	84.2	84.9
	Worsen	6.5	5.1	3.9	4.1
	Net Response	3.9	4.5	8.1	6.9

'Improvement' in availability of finance is optimistic.

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
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	795	5.3	32.7	62.0	-27.4	4.4	31.1	64.6	-26.7
Q1:2014-15						5.7	26.8	67.5	-21.1

'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
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	795	1.8	57.4	40.8	-55.6	2.8	49.1	48.0	-46.3
Q1:2014-15						2.5	49.8	47.7	-47.3

'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
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
Q4:2013-14	795	21.1	11.6	67.3	9.5	23.3	8.2	68.5	15.1
Q1: 2014- 15						23.2	7.7	69.0	15.5

'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
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	795	13.7	28.9	57.4	-15.2	18.2	22.2	59.7	-4.0
Q1: 2014-15						15.3	21.4	63.2	-6.1

'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
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	795	3.4	11.6	58.0	18.9	40.6	9.1	50.3	31.5
Q1:2014-15						36.1	9.2	54.7	27.0

'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	Q4:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15
Salary/other remuneration to employees	Increase	30.3	29.7	28.1	22.5	25.3	32.5
	Decrease	3.4	3.6	2.8	2.7	3.2	2.1
	No Change	66.3	66.8	69.1	74.8	71.5	65.4
	Net Response	26.8	26.1	25.4	19.8	22.1	30.3

'Increase in Salary/other remuneration' is optimistic.

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	104.7	112.7
Q1:2014-15		110.0

Table19: Outlook for Important Business Parameters according to Industries (Net response in per cent)

Industry	Production		Order books		Cost of raw material		Cost of finance		Profit Margin	
	Rd64	Rd65	Rd64	Rd65	Rd64	Rd65	Rd64	Rd65	Rd64	Rd65
Food products	49.1	31.7	37.2	33.3	-50.5	-59.3	-30.6	-31.6	1.9	-8.9
Textiles	21.5	35.3	18.3	24.1	-36.1	-51.0	-20.9	-24.0	-10.0	-7.2
Basic Metals & Metal products	20.8	20.7	18.9	16.3	-38.5	-38.0	-26.2	-20.9	-10.6	-8.7
Electrical machinery	47.6	30.0	42.4	20.0	-50.0	-35.9	-25.4	-30.0	-1.7	-5.6
Other Machinery(Non-electrical machinery) & Apparatus	34.9	18.2	32.7	29.4	-48.7	-46.4	-24.1	-30.9	-7.5	-11.9
Transport Equipment	29.0	0.0	27.0	0.0	-42.4	-42.9	-26.9	-4.9	-16.9	-20.9
Fertilizers	26.9	14.3	38.9	33.3	-48.0	-42.9	-17.4	-23.1	-44.3	-23.1
Pharmaceuticals & Medicines	46.7	49.0	41.4	43.5	-62.2	-51.0	-28.8	-24.0	-5.3	10.2
Basic Chemicals	39.2	29.8	28.4	22.9	-54.4	-56.4	-31.6	-18.9	11.4	1.8
Rubber & Plastic products	45.0	40.9	38.9	23.8	-52.5	-51.2	-30.4	-25.6	12.1	-7.0
Paper & Paper products	39.3	26.1	30.8	28.6	-55.2	-65.2	-33.3	-21.7	-14.3	-17.4
Cement	36.8	38.5	21.4	-20.0	-52.6	-61.5	-41.2	-41.7	5.9	-7.7
Wood & wood products	28.6	16.7	-16.7	20.0	-50.0	-42.9	-37.5	-14.3	25.0	0.0
Diversified companies	22.2	17.0	20.8	25.0	-40.0	-28.3	-28.0	-6.4	3.2	-1.0
Other industries	25.0	27.9	22.9	30.2	-50.6	-63.5	-21.8	-16.1	-15.7	-1.6
All Industries	32.1	26.6	27.6	24.4	-46.3	-47.3	-26.7	-21.1	-4.0	-6.1