

### **Industrial Outlook Survey- Q3: 2014-15 (Round 68)**

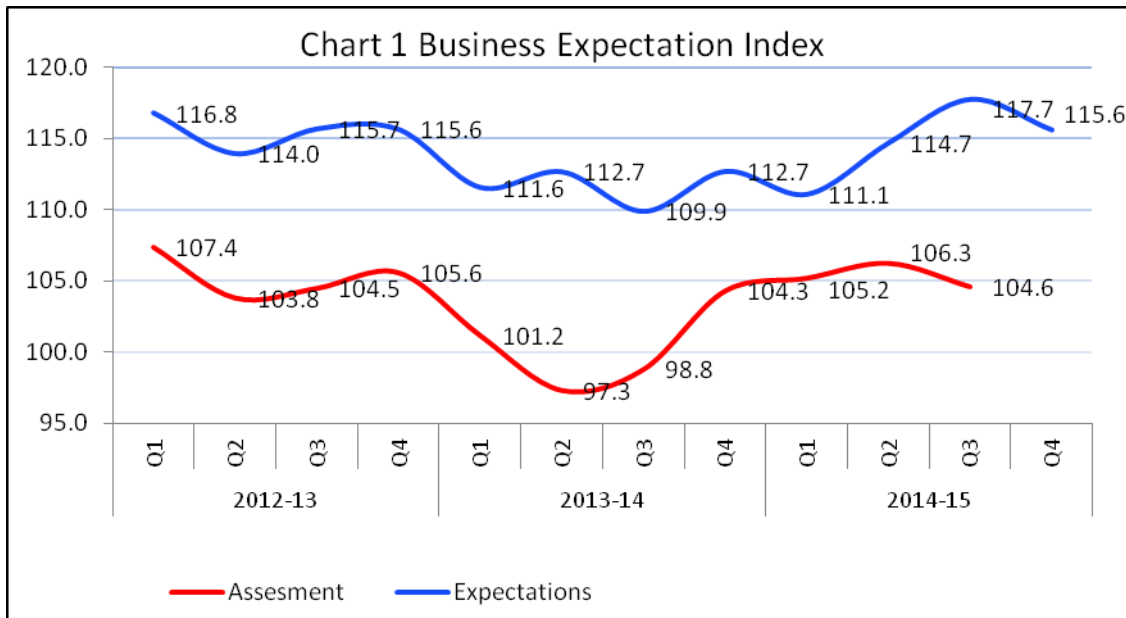
The Industrial Outlook Survey conducted during October- December 2014, provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q3:2014-15** and their **expectations** for the ensuing quarter **Q4:2014-15**. The survey elicited response from 2088 manufacturing companies.

#### **Highlights:**

Parameters	Assessment period		Expectation period	
	Q2:2014-15	Q3:2014-15	Q3:2014-15	Q4:2014-15
Production	18.5	15.6	34.5	32.3
Order Books	15.4	11.6	31.6	28.7
Pending Orders	12.6	13.9	6.6	7.1
Capacity Utilisation	7.1	4.9	19.9	18.1
Exports	12.4	10.5	20.9	21.1
Imports	12.7	10.7	12.9	13.1
Employment	6.3	5.8	11.2	9.0
Financial Situation	14.9	13.0	29.8	26.4
Availability of Finance	12.1	12.1	19.7	19.4
Cost of Finance	-18.5	-18.3	-17.2	-14.4
Cost of Raw Material	-44.7	-41.5	-39.2	-36.3
Selling price	6.8	5.9	13.3	12.8
Profit Margin	-15.3	-15.1	1.0	-0.8
Business Situation	22.0	18.6	39.7	36.0
Salary	29.5	19.6	21.6	15.6
Business Expectation Index	106.3	104.6	117.7	115.6

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<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';  $I+D+E=100$ . For example, increase in production is optimism whereas; decrease in cost of raw material is optimism.



Manufacturing companies are witnessing some moderation in demand (both domestic as well as external) as reflected in decline in order books and accumulations of inventories (both raw material and finished goods). As a result, net response for production also moderated though it remained in positive terrain. As a result, business outlook of the Indian manufacturing sector, as inferred from movements in Business Expectation Index (BEI) also moderated on a sequential basis for both expectation and assessment period.

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

**Table 1: Assessment & Expectation for Production**(Percentage responses)<sup>@</sup>

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response#	Increase	Decrease	No change	Net response
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	2088	34.9	19.3	45.9	15.6	43.6	9.8	47.3	34.5
Q4: 2014-15						42.6	10.3	47.0	32.3

\*Increase\* in production is optimistic.

<sup>@</sup>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
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	2088	30.5	19.0	50.5	11.6	40.0	8.4	51.6	31.6
Q4: 2014-15						38.6	9.8	51.6	28.7

\*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
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	2088	18.3	4.4	77.3	13.9	11.8	5.2	83.1	6.6
Q4: 2014-15						12.4	5.3	82.4	7.1

Pending orders \*Below Normal\* is optimistic.

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

(Percentage responses)

Parameter	Options	Assessment					Expectation				
		Q3:20 13-14	Q4:20 13-14	Q1:20 14-15	Q2:20 14-15	Q3:20 14-15	Q4:20 13-14	Q1:20 14-15	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15
Capacity Utilisation (CU)-(main product)	Increase	20.7	24.9	22.3	23.8	22.4	27.2	23.8	29.5	29.5	28.2
	No Change	59.9	60.1	61.3	59.5	60.1	61.9	63.6	60.4	60.9	61.6
	Decrease	19.4	15.0	16.3	16.7	17.5	10.9	12.6	10.1	9.6	10.2
	Net Response	1.3	9.9	6.0	7.1	4.9	16.3	11.2	19.4	19.9	18.1
Level of CU (compared to the average in last 4 quarters)	Above normal	8.5	10.1	10.3	8.7	9.6	11.1	9.7	10.6	10.0	10.6
	Normal	69.7	72.2	71.8	72.3	70.8	73.4	75.4	76.6	77.3	76.8
	Below Normal	21.8	17.6	17.9	19.0	19.5	15.5	14.9	12.7	12.7	12.6
	Net Response	-13.3	-7.5	-7.6	-10.3	-9.9	-4.4	-5.2	-2.1	-2.7	-2.0
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	14.7	13.9	13.8	13.3	14.0	15.7	13.4	12.9	13.0	12.7
	Adequate	76.6	77.9	78.1	78.7	77.0	77.6	79.5	80.3	80.9	80.4
	Less than adequate	8.7	8.2	8.1	8.0	9.0	6.8	7.1	6.8	6.1	6.9
	Net Response	5.9	5.7	5.7	5.3	5.0	8.9	6.3	6.1	6.9	5.8

'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
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	2088	25.2	14.7	60.1	10.5	28.5	7.6	63.9	20.9
Q4:2014-15						29.3	8.3	62.4	21.1

'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
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	2088	20.2	9.5	70.3	10.7	19.4	6.5	74.1	12.9
Q4:2014-15						20.5	7.4	72.1	13.1

'Increase' in imports is optimistic.

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

(Percentage responses)

Parameter	Options	Assessment					Expectation				
		Q3:20 13-14	Q4:20 13-14	Q1:20 14-15	Q2:20 14-15	Q3:20 14-15	Q4:201 3-14	Q1:20 14-15	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15
Inventory of raw material	Below average	8.3	7.7	7.2	8.4	8.3	5.3	6.7	6.4	6.1	5.6
	Average	78.9	79.2	80.2	79.4	79.7	83.7	83.6	83.7	84.0	84.6
	Above average	12.8	13.2	12.6	12.3	12.0	11.0	9.7	9.9	9.9	9.8
	Net Response	-4.6	-5.5	-5.4	-3.9	-3.6	-5.8	-3.1	-3.5	-3.8	-4.3
Inventory of finished goods	Below average	7.3	7.7	6.7	7.5	8.4	6.6	7.6	6.4	6.7	6.1
	Average	75.3	76.9	79.1	76.7	75.6	80.8	81.8	82.9	82.6	83.1
	Above average	17.4	15.4	14.1	15.8	16.0	12.6	10.6	10.8	10.8	10.8
	Net Response	-10.2	-7.6	-7.4	-8.3	-7.6	-6.0	-3.0	-4.4	-4.1	-4.7

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	Increa se	Decrease	No change	Net response
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	2088	15.2	9.4	75.4	5.8	16.6	5.4	78.0	11.2
Q4:2014-15						15.6	6.7	77.7	9.0

'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
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	2088	27.1	14.1	58.8	13.0	36.0	6.2	57.8	29.8
Q4:2014-15						34.6	8.2	57.2	26.4

'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
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	2088	33.8	6.6	59.7	27.2	31.7	4.8	63.5	26.9
Q4:2014-15						32.9	5.0	62.1	27.9

'Increase' in working capital finance is optimistic.

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

Parameter	Options	Assessment					Expectation				
		Q3:2013-14	Q4:2013-14	Q1:2014-15	Q2:2014-15	Q3:2014-15	Q4:2013-14	Q1:2014-15	Q2:2014-15	Q3:2014-15	Q4:2014-15
Availability of finance (from internal accruals)	Improve	20.3	21.9	23.1	23.5	23.0	25.0	23.4	26.7	26.5	26.3
	No Change	66.9	67.1	66.3	65.7	66.1	68.5	69.2	67.3	66.8	66.9
	Worsen	12.7	11.0	10.6	11.1	10.9	6.6	7.4	6.1	6.8	6.8
	Net Response	7.6	10.8	12.4	12.1	12.1	18.4	16.0	20.6	19.7	19.4
Availability of Finance (from banks & other sources)	Improve	17.1	18.2	20.1	18.8	19.7	19.0	20.5	21.5	20.8	20.5
	No Change	74.5	72.4	72.3	74.4	73.1	76.2	73.6	74.7	75.1	75.1
	Worsen	8.4	9.3	7.6	6.8	7.3	4.8	5.9	3.8	4.2	4.4
	Net Response	8.7	8.9	12.5	12.0	12.4	14.2	14.6	17.6	16.6	16.1
Availability of Finance (from overseas, if applicable)	Improve	10.4	10.9	9.9	8.8	11.4	11.9	11.8	12.2	10.8	12.4
	No Change	83.1	83.4	84.8	86.1	82.9	84.2	83.6	84.8	86.3	83.8
	Worsen	6.5	5.7	5.3	5.1	5.7	3.9	4.6	3.0	2.9	3.8
	Net Response	3.9	5.2	4.6	3.7	5.8	8.1	7.2	9.1	7.9	8.6

'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
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	2088	7.1	25.4	67.4	-18.3	5.6	22.8	71.6	-17.2
Q4:2014-15						7.4	21.8	70.8	-14.4

'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
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	2088	7.4	48.9	43.7	-41.5	4.3	43.5	52.2	-39.2
Q4:2014-15						4.9	41.2	53.9	-36.3

'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 response	Increase	Decrease	No change	Net response
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	2088	20.1	14.2	65.8	5.9	20.5	7.2	72.3	13.3
Q4:2014-15						21.3	8.5	70.2	12.8

'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
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	2088	14.0	29.0	57.0	-15.1	18.9	17.9	63.2	1.0
Q4:2014-15						19.4	20.2	60.4	-0.8

'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
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	2088	32.9	14.3	52.8	18.6	45.4	5.7	48.9	39.7
Q4:2014-15						43.0	6.9	50.1	36.0

'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
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	2088	25.3	5.7	69.0	19.6	24.0	2.4	73.6	21.6
Q4:2014-15						21.5	5.9	72.6	15.6

'Increase in Salary / other remuneration' is optimistic.

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

Quarter	BEI-AssessmentQuarter	BEI-Expectation Quarter
Q3:2013-14	98.8	109.9
Q4:2013-14	104.3	112.7
Q1:2014-15	105.2	111.1
Q2:2014-15	106.3	114.7
Q3:2014-15	104.6	117.7
Q4:2014-15		115.6