

Industrial Outlook Survey- Q1: 2015-16 (Round 70)¹

The Industrial Outlook Survey conducted during April-June 2015, provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q1:2015-16** and their **expectations** for the ensuing quarter **Q2:2015-16**. The survey elicited response from 1,299 manufacturing companies.

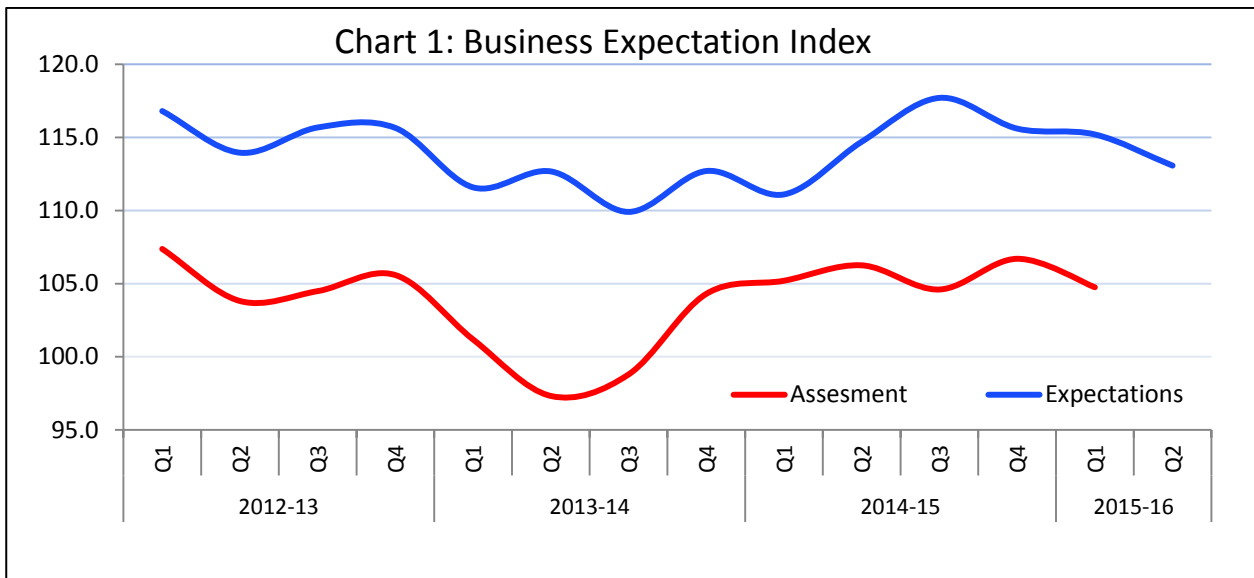
Highlights:

Summary Table: Net response² (NR in %) comparison over previous quarter				
Parameters	Assessment period		Expectation period	
	Q4:2014-15	Q1:2015-16	Q1:2015-16	Q2:2015-16
Production	21.7	16.3	28.7	28.9
Order Books	16.3	13.2	27.3	25.8
Pending Orders	10.8	13.6	6.2	8.5
Capacity Utilisation	8.2	6.7	18.7	17.6
Exports	10.1	10.1	19.5	19.6
Imports	9.4	10.7	12.4	9.9
Employment	8.4	7.4	8.8	9.9
Financial Situation	14.9	14.4	26.3	25.1
Availability of Finance	12.6	11.4	18.1	16.7
Cost of Finance	-17.7	-12.1	-13.0	-8.7
Cost of Raw Material	-32.8	-35.9	-32.8	-32.9
Selling price	2.6	3.1	10.3	7.9
Profit Margin	-12.5	-14.2	-0.5	-1.6
Business Situation	21.2	19.6	36.0	32.0
Salary	24.5	34.2	23.5	27.3
Business Expectation Index ³	106.7	104.8	115.2	113.1

¹The 69th round (Q4:2014-15) survey results were released on [April 7, 2015](#) on the RBI website. The survey results are based on views of the respondents and are not necessarily shared by the Reserve Bank of India.

² 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', 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 pessimism.

³ 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.



Assessment Quarter (Q1: 2015-16)

- Lower level of optimism is observed in the major parameters such as production, order books, capacity utilisation, employment, financial situation, availability of finance along with increased pessimism in raw material cost and profit margin during the assessment quarter.
- As a result, the business sentiments of the Indian manufacturing sector, as inferred from movements in Business Expectation Index (BEI), decreased in the assessment quarter (106.7 to 104.8).

Expectation Quarter (Q2: 2015-16)

- The outlook on business sentiments weakened in Q2:2015-16 (115.2 to 113.1) from that of the previous quarter implying decrease in optimism.
- This could be attributed to the reduced optimism in order books, capacity utilisation, imports, and overall business situation along with increased pessimism in profit margin.

Investment Intention during the year 2014-15 and 2015-16

- An additional data block (Block 6) is annually canvassed in the April-June quarter for the purpose of getting an assessment of the investment intentions of the manufacturing companies in fixed capital, i.e. buildings, plants & machinery, etc. More than half of the companies (53 per cent) reported having made investment during the year 2014-15, of which 78 per cent companies planned for further investment in 2015-16. Among the manufacturing industries 'basic metals & metal products', 'transport equipment', 'textiles' and 'food products' industries expressed higher investment intentions for 2015-16. However, out of the 47 per

cent companies who have not invested in FY: 2014-15, 10 per cent companies planned for investment in 2015-16.

Table 1: Assessment & Expectation for Production

(Percentage responses)[@]

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response#	Increase	Decrease	No change	Net response
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	1565	37.2	15.5	47.3	21.7	42.6	10.3	47.0	32.3
Q1:2015-16	1299	34.1	17.8	48.1	16.3	39.6	10.9	49.5	28.7
Q2:2015-16						40.3	11.4	48.3	28.9

'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
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	1565	32.3	16.0	51.7	16.3	38.6	9.8	51.6	28.7
Q1:2015-16	1299	30.8	17.7	51.5	13.2	37.8	10.5	51.7	27.3
Q2:2015-16						37.4	11.6	51.0	25.8

'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
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	1565	17.7	6.9	75.3	10.8	12.4	5.3	82.4	7.1
Q1:2015-16	1299	18.6	5.1	76.3	13.6	13.1	6.9	80.1	6.2
Q2:2015-16						14.6	6.1	79.4	8.5

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment & Expectation for Capacity Utilisation

(Percentage responses)

Parameter	Options	Assessment				Expectation					
		Q1:20 14-15	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15	Q1:20 15-16	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15	Q1:20 15-16	Q2:20 15-16
Capacity Utilisation (CU)- (main product)	Increase	22.3	23.8	22.4	23.5	23.3	29.5	29.5	28.2	27.5	27.7
	No Change	61.3	59.5	60.1	61.2	60.0	60.4	60.9	61.6	63.7	62.1
	Decrease	16.3	16.7	17.5	15.3	16.7	10.1	9.6	10.2	8.8	10.2
	Net Response	6.0	7.1	4.9	8.2	6.7	19.4	19.9	18.1	18.7	17.6
Level of CU (compared to the average in last 4 quarters)	Above normal	10.3	8.7	9.6	10.6	10.2	10.6	10.0	10.6	12.1	10.5
	Normal	71.8	72.3	70.8	70.6	71.3	76.6	77.3	76.8	75.6	75.5
	Below Normal	17.9	19.0	19.5	18.9	18.6	12.7	12.7	12.6	12.3	13.9
	Net Response	-7.6	-10.3	-9.9	-8.3	-8.4	-2.1	-2.7	-2.0	-0.2	-3.4
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	13.8	13.3	14.0	14.7	15.1	12.9	13.0	12.7	13.9	15.8
	Adequate	78.1	78.7	77.0	76.9	76.9	80.3	80.9	80.4	79.2	77.5
	Less than adequate	8.1	8.0	9.0	8.5	8.0	6.8	6.1	6.9	6.9	6.8
	Net Response	5.7	5.3	5.0	6.2	7.2	6.1	6.9	5.8	7.0	9.0

'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
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	1565	23.9	13.8	62.3	10.1	29.3	8.3	62.4	21.1
Q1:2015-16	1299	24.1	14.0	62.0	10.1	27.6	8.1	64.3	19.5
Q2:2015-16						27.5	8.0	64.5	19.6

'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
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	1565	19.4	10.0	70.6	9.4	20.5	7.4	72.1	13.1
Q1:2015-16	1299	19.8	9.1	71.0	10.7	20.3	7.9	71.8	12.4
Q2:2015-16						18.0	8.1	73.9	9.9

'Increase' in imports is optimistic.

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

Parameter	Options	Assessment				Expectation					
		Q1:20 14-15	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15	Q1:20 15-16	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15	Q1:20 15-16	Q2:20 15-16
Inventory of raw material	Below average	7.2	8.4	8.3	8.4	6.5	6.4	6.1	5.6	7.1	5.5
	Average	80.2	79.4	79.7	77.5	79.3	83.7	84.0	84.6	83.0	83.0
	Above average	12.6	12.3	12.0	14.1	14.2	9.9	9.9	9.8	10.0	11.5
	Net Response	-5.4	-3.9	-3.6	-5.7	-7.7	-3.5	-3.8	-4.3	-2.9	-6.0
Inventory of finished goods	Below average	6.7	7.5	8.4	8.1	7.2	6.4	6.7	6.1	5.8	6.4
	Average	79.1	76.7	75.6	73.8	74.7	82.9	82.6	83.1	80.9	78.9
	Above average	14.1	15.8	16.0	18.2	18.1	10.8	10.8	10.8	13.4	14.6
	Net Response	-7.4	-8.3	-7.6	-10.1	-10.9	-4.4	-4.1	-4.7	-7.6	-8.2

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
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	1565	17.0	8.6	74.4	8.4	15.6	6.7	77.7	9.0
Q1:2015-16	1299	16.7	9.3	74.0	7.4	15.8	7.0	77.2	8.8
Q2:2015-16						16.5	6.6	76.8	9.9

'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
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	1565	27.9	13.0	59.2	14.9	34.6	8.2	57.2	26.4
Q1:2015-16	1299	27.9	13.2	59.1	14.4	34.3	8.0	57.7	26.3
Q2:2015-16						34.2	9.1	56.7	25.1

'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
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	1565	34.2	6.6	59.2	27.6	32.9	5.0	62.1	27.9
Q1:2015-16	1299	30.2	6.8	63.0	23.5	32.3	5.1	62.6	27.2
Q2:2015-16						29.6	4.7	65.7	25.0

'Increase' in working capital finance is optimistic.

Table 11: Assessment & Expectation for Availability of Finance

(Percentage responses)

Parameter	Options	Assessment					Expectation				
		Q1:20 14-15	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15	Q1:20 15-16	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15	Q1:20 15-16	Q2:20 15-16
Availability of finance (from internal accruals)	Improve	23.1	23.5	23.0	22.9	21.5	26.7	26.5	26.3	24.7	23.9
	No Change	66.3	65.7	66.1	66.8	68.3	67.3	66.8	66.9	68.8	68.9
	Worsen	10.6	11.1	10.9	10.3	10.1	6.1	6.8	6.8	6.6	7.2
	Net Response	12.4	12.1	12.1	12.6	11.4	20.6	19.7	19.4	18.1	16.7
Availability of Finance (from banks & other sources)	Improve	20.1	18.8	19.7	20.3	19.1	21.5	20.8	20.5	22.6	21.2
	No Change	72.3	74.4	73.1	72.8	75.6	74.7	75.1	75.1	72.4	75.0
	Worsen	7.6	6.8	7.3	6.9	5.4	3.8	4.2	4.4	4.9	3.8
	Net Response	12.5	12.0	12.4	13.4	13.7	17.6	16.6	16.1	17.7	17.3
Availability of Finance (from overseas, if applicable)	Improve	9.9	8.8	11.4	15.0	13.0	12.2	10.8	12.4	14.4	12.9
	No Change	84.8	86.1	82.9	79.4	82.2	84.8	86.3	83.8	81.6	83.6
	Worsen	5.3	5.1	5.7	5.6	4.8	3.0	2.9	3.8	4.0	3.5
	Net Response	4.6	3.7	5.8	9.4	8.2	9.1	7.9	8.6	10.4	9.3

'Improvement' in availability of finance is optimistic.

Table 12: Assessment & Expectation for Cost of Finance

(Percentage responses)

Decrease' in cost of finance is optimistic.

Quarter	Total response	Assessment				Expectation			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
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	1565	7.4	25.1	67.5	-17.7	7.4	21.8	70.8	-14.4
Q1:2015-16	1299	10.2	22.3	67.5	-12.1	8.8	21.8	69.4	-13.0
Q2:2015-16						9.9	18.7	71.4	-8.7

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
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	1565	9.6	42.4	48.0	-32.8	4.9	41.2	53.9	-36.3
Q1:2015-16	1299	8.6	44.5	46.9	-35.9	6.0	38.8	55.2	-32.8
Q2:2015-16						5.2	38.1	56.6	-32.9

'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
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	1565	18.1	15.5	66.4	2.6	21.3	8.5	70.2	12.8
Q1:2015-16	1299	18.3	15.2	66.5	3.1	19.1	8.8	72.1	10.3
Q2:2015-16						19.5	11.6	68.8	7.9

'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
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	1565	15.4	27.9	56.7	-12.5	19.4	20.2	60.4	-0.8
Q1:2015-16	1299	14.2	28.5	57.3	-14.2	18.8	19.3	61.9	-0.5
Q2:2015-16						18.5	20.0	61.5	-1.6

'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
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	1565	34.1	12.9	53.0	21.2	43.0	6.9	50.1	36.0
Q1:2015-16	1299	32.5	12.9	54.6	19.6	42.7	6.7	50.6	36.0
Q2:2015-16						40.3	8.2	51.5	32.0

'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
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	1565	28.1	3.6	68.3	24.5	21.5	5.9	72.6	15.6
Q1:2015-16	1299	36.9	2.6	60.5	34.2	27.4	3.9	68.7	23.5
Q2:2015-16						30.0	2.7	67.3	27.3

'Increase in Salary / other remuneration' is optimistic.

Table 18: Business Expectation Index (BEI)[§]

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
Q1:2014-15	105.2	111.1
Q2:2014-15	106.3	114.7
Q3:2014-15	104.6	117.7
Q4:2014-15	106.7	115.6
Q1:2015-16	104.8	115.2
Q2:2015-16		113.1

§: The nine parameters considered for computation of BEI are: (1) overall business situation, (2) production, (3) order books, (4) inventory of raw material, (5) inventory of finished goods, (6) profit margin, (7) employment, (8) exports and (9) capacity utilisation.

Table 19: Investment in Fixed Capital

(Percentage responses)

Year	Planned for the year	Realised during the year
2010-11	64.9	71.1
2011-12	70.7	67.7
2012-13	64.4	66.8
2013-14	65.1	53.3
2014-15	49.1	52.6
2015-16	45.7	-