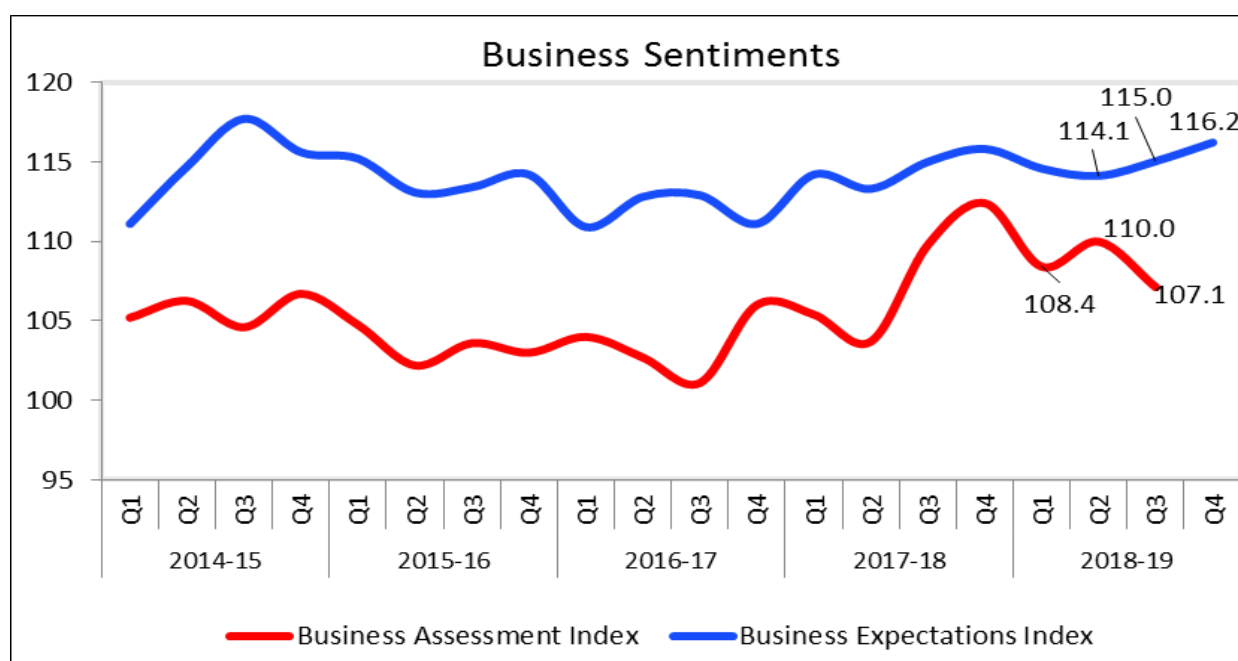


Industrial Outlook Survey of the Manufacturing Sector for Q3:2018-19

Today, the Reserve Bank released the results of the 84th round of the Industrial Outlook Survey (IOS) conducted in October-December 2018. The Survey captures qualitative assessments of the business environment by companies in India's manufacturing sector for Q3:2018-19 and their expectations for Q4:2018-19¹. Responses were received from 1,267 companies in this round of the survey.

Highlights:

- Demand conditions in Q3:2018-19 presented a mixed picture - the assessment of production and order books showed signs of moderations relative to Q2:2018-19; responses in respect of capacity utilisation remained at the same level as in the previous quarter; in respect of exports, respondents expressed rising optimism.
- Sentiments regarding the overall financial situation ebbed slightly, reflecting concerns on the availability of finance from both internal accruals and external sources.
- While input cost pressures (on raw materials and salary expenses) eased, lack of pricing power shrank the profit margin relative to the previous round of the survey.
- Overall business sentiment in the Indian manufacturing sector moderated, as reflected in the Business Assessment Index (BAI)² which moved from 110.0 in Q2:2018-19 to 107.1 in Q3:2018-19.



¹ The survey responses are those of the respondents and are not necessarily shared by the Reserve Bank of India. The 83rd round (Q2:2018-19) survey results were released on [October 5, 2018](#) on the RBI website.

² For each of the survey round, two indices are computed - one based on assessment namely Business Assessment Index (BAI) and another based on expectations, namely Business Expectations Index (BEI). Each indicator for the respective period is calculated as a weighted (share of GVA of different industry group) net response of nine business indicators. The nine indicators considered are: (1) overall business situation; (2) production; (3) order books; (4) inventory of raw material; (5) inventory of finished goods; (6) profit margins; (7) employment; (8) exports; and (9) capacity utilisation. BAI/BEI gives a snapshot of the business outlook in every quarter and takes values between 0 and 200, with 100 being the threshold separating expansion from contraction.

- As regards expectations for Q4: 2018-19, respondents were optimistic on the outlook about demand conditions.
- Sentiment on the overall financial situation also improved on expectations of easier availability of finance.
- While optimism on the outlook for selling prices moderated, profit margins are expected to improve with reduced input costs (finance, raw materials and salary outgo).
- The Business Expectations Index (BEI) improved from 115.0 in Q3:2018-19 to 116.2 in Q4:2018-19.

Summary Table				
Net responses³				
(per cent)				
Parameters	Assessment period		Expectation period	
	Q2:2018-19	Q3:2018-19	Q3:2018-19	Q4:2018-19
Production	26.0	24.9	32.5	36.3
Order Books	24.5	19.5	28.9	32.5
Pending Orders	6.0	8.6	3.6	3.6
Capacity Utilisation	12.5	12.6	21.0	23.8
Exports	10.7	12.1	15.9	19.8
Imports	9.8	11.6	12.2	15.7
Employment	8.4	9.4	12.9	12.2
Financial Situation (Overall)	18.6	16.5	26.9	28.7
Availability of Finance (from internal accruals)	14.1	10.8	18.2	19.2
Availability of Finance (from banks and other sources)	12.2	11.2	13.1	16.0
Availability of Finance (from overseas, if applicable)	4.9	2.9	5.2	6.0
Cost of Finance	-19.3	-19.5	-19.8	-17.5
Cost of Raw Materials	-52.9	-49.2	-44.5	-38.6
Salary/ Other Remuneration	-33.5	-28.2	-24.4	-21.4
Selling Price	11.3	6.2	14.3	12.3
Profit Margin	-12.2	-11.7	0.1	2.0
Overall Business Situation	27.9	24.6	36.3	36.7

Note: [Please see the excel file for time series data](#)

³ Net Response (NR) is the difference in 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. $NR = (I - D)$, 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.

Table 1: Assessment and Expectations for Production(Percentage responses)[@]

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response [#]	Increase	Decrease	No change	Net response
Q3:2017-18	1299	36.8	14.7	48.5	22.0	43.4	9.1	47.5	34.3
Q4:2017-18	1250	40.7	13.4	45.9	27.3	42.5	8.4	49.2	34.1
Q1:2018-19	1207	39.4	14.0	46.6	25.4	40.4	11.0	48.6	29.5
Q2:2018-19	1095	39.2	13.1	47.7	26.0	43.0	9.8	47.2	33.2
Q3:2018-19	1267	38.2	13.3	48.5	24.9	41.6	9.0	49.4	32.5
Q4:2018-19						43.5	7.2	49.3	36.3

'Increase' in production is optimistic.

[@]:Due to rounding off percentage may not add up to 100.**Table 2: Assessment and Expectations for Order Books**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	35.4	16.2	48.4	19.2	39.6	9.6	50.8	29.9
Q4:2017-18	1250	38.9	14.4	46.6	24.5	40.5	10.2	49.2	30.3
Q1:2018-19	1207	36.2	13.5	50.3	22.7	38.8	10.4	50.8	28.4
Q2:2018-19	1095	37.3	12.8	49.9	24.5	38.4	10.8	50.8	27.7
Q3:2018-19	1267	35.3	15.8	48.9	19.5	38.6	9.6	51.8	28.9
Q4:2018-19						41.0	8.5	50.5	32.5

'Increase' in order books is optimistic. Footnote '[@]' given in Table 1 is applicable here.**Table 3: Assessment and Expectations for Pending Orders**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q3:2017-18	1299	6.7	16.2	77.1	9.5	4.7	11.4	83.9	6.7
Q4:2017-18	1250	4.5	14.8	80.7	10.3	6.8	12.5	80.7	5.7
Q1:2018-19	1207	5.1	12.4	82.4	7.3	4.9	12.6	82.5	7.6
Q2:2018-19	1095	7.2	13.2	79.7	6.0	6.3	10.7	83.0	4.4
Q3:2018-19	1267	4.7	13.2	82.1	8.6	7.4	11.0	81.6	3.6
Q4:2018-19						6.3	9.9	83.8	3.6

Pending orders 'Below Normal' is optimistic. Footnote '[@]' given in Table 1 is applicable here.**Table 4: Assessment and Expectations for Capacity Utilisation (Main Product)**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	23.9	12.7	63.4	11.3	28.8	8.0	63.2	20.8
Q4:2017-18	1250	27.4	12.6	60.0	14.8	28.4	8.9	62.7	19.5
Q1:2018-19	1207	24.5	12.5	63.0	12.0	27.8	9.8	62.4	17.9
Q2:2018-19	1095	24.4	11.9	63.6	12.5	29.3	7.7	63.0	21.6
Q3:2018-19	1267	24.9	12.3	62.8	12.6	28.3	7.3	64.4	21.0
Q4:2018-19						30.3	6.5	63.1	23.8

'Increase' in capacity utilisation is optimistic. Footnote '[@]' given in Table 1 is applicable here.

Table 5: Assessment and Expectations for Level of CU (compared to the average in last 4 quarters)
(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q3:2017-18	1299	10.3	14.1	75.6	-3.8	11.4	9.6	79.0	1.8
Q4:2017-18	1250	12.6	13.5	73.9	-0.9	13.0	10.7	76.2	2.3
Q1:2018-19	1207	11.0	12.9	76.1	-2.0	13.0	10.6	76.5	2.4
Q2:2018-19	1095	11.7	12.3	76.0	-0.6	11.8	9.3	78.9	2.5
Q3:2018-19	1267	10.1	12.9	76.9	-2.8	12.5	9.1	78.4	3.4
Q4:2018-19						12.7	8.6	78.7	4.1

'Above Normal' in Level of capacity utilisation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 6: Assessment and Expectations for Assessment of Production Capacity (with regard to expected demand in next 6 months)
(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		More than adequate	Less than adequate	Adequate	Net response	More than adequate	Less than adequate	Adequate	Net response
Q3:2017-18	1299	11.8	7.1	81.2	4.7	11.1	6.5	82.4	4.6
Q4:2017-18	1250	12.2	6.3	81.4	5.9	12.9	6.9	80.2	6.0
Q1:2018-19	1207	10.5	6.6	82.9	3.9	13.0	6.0	81.0	7.0
Q2:2018-19	1095	11.2	7.2	81.6	4.0	11.3	6.0	82.7	5.2
Q3:2018-19	1267	10.3	7.2	82.5	3.0	11.9	6.3	81.8	5.6
Q4:2018-19						10.6	6.1	83.3	4.5

'More than adequate' in Assessment of Production Capacity is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 7: Assessment and Expectations for Exports
(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	22.5	14.7	62.8	7.8	27.6	8.6	63.8	19.0
Q4:2017-18	1250	26.3	13.8	59.9	12.5	25.4	8.8	65.8	16.6
Q1:2018-19	1207	23.6	14.5	61.8	9.1	28.4	9.8	61.8	18.6
Q2:2018-19	1095	23.7	13.1	63.2	10.7	27.8	9.2	63.0	18.5
Q3:2018-19	1267	25.1	13.0	61.9	12.1	26.1	10.2	63.7	15.9
Q4:2018-19						27.8	8.0	64.2	19.8

'Increase' in exports is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 8: Assessment and Expectations for Imports
(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	18.2	9.1	72.7	9.1	17.8	5.0	77.2	12.8
Q4:2017-18	1250	19.8	8.7	71.5	11.0	19.7	6.2	74.1	13.5
Q1:2018-19	1207	19.6	8.4	72.0	11.2	19.6	5.8	74.7	13.8
Q2:2018-19	1095	18.3	8.6	73.1	9.8	19.1	5.8	75.1	13.3
Q3:2018-19	1267	20.1	8.5	71.4	11.6	19.3	7.1	73.6	12.2
Q4:2018-19						21.0	5.3	73.7	15.7

'Increase' in imports is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 9: Assessment and Expectations for level of Raw Materials Inventory (Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Above average	Below average	Average	Net response	Above average	Below average	Average	Net response
Q3:2017-18	1299	14.6	6.0	79.4	-8.6	10.4	4.3	85.4	-6.1
Q4:2017-18	1250	14.0	5.9	80.2	-8.1	11.5	6.0	82.5	-5.5
Q1:2018-19	1207	14.6	4.9	80.5	-9.6	10.8	5.7	83.5	-5.2
Q2:2018-19	1095	14.3	6.1	79.6	-8.2	11.0	5.2	83.7	-5.8
Q3:2018-19	1267	14.3	4.6	81.0	-9.7	11.3	4.6	84.1	-6.7
Q4:2018-19						12.1	4.2	83.8	-7.9

'Below average' Inventory of raw materials is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 10: Assessment and Expectations for level of Finished Goods Inventory (Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Above average	Below average	Average	Net response	Above average	Below average	Average	Net response
Q3:2017-18	1299	14.5	6.9	78.6	-7.6	10.0	6.2	83.8	-3.8
Q4:2017-18	1250	13.3	6.5	80.3	-6.8	10.9	6.5	82.6	-4.5
Q1:2018-19	1207	12.0	6.3	81.7	-5.7	10.4	5.8	83.9	-4.6
Q2:2018-19	1095	13.3	6.5	80.2	-6.9	9.9	5.0	85.1	-4.8
Q3:2018-19	1267	15.0	4.9	80.1	-10.0	10.8	5.2	83.9	-5.6
Q4:2018-19						11.1	4.6	84.3	-6.5

'Below average' Inventory of finished goods is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 11: Assessment and Expectations for Employment Outlook (Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	15.8	7.4	76.8	8.4	15.8	5.3	78.9	10.4
Q4:2017-18	1250	17.5	8.1	74.4	9.4	17.0	5.3	77.7	11.7
Q1:2018-19	1207	18.1	7.2	74.6	10.9	17.7	6.6	75.7	11.1
Q2:2018-19	1095	16.2	7.8	76.1	8.4	17.6	4.7	77.7	12.9
Q3:2018-19	1267	16.1	6.7	77.1	9.4	17.1	4.2	78.7	12.9
Q4:2018-19						17.0	4.8	78.2	12.2

'Increase' in employment is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 12: Assessment and Expectations for Overall Financial Situation (Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q3:2017-18	1299	28.6	11.4	60.0	17.1	35.3	6.6	58.1	28.7
Q4:2017-18	1250	31.9	9.5	58.6	22.4	35.2	6.6	58.2	28.6
Q1:2018-19	1207	31.0	10.3	58.7	20.7	34.5	6.5	59.0	28.0
Q2:2018-19	1095	30.0	11.3	58.7	18.6	35.1	7.2	57.6	27.9
Q3:2018-19	1267	28.5	11.9	59.6	16.5	34.4	7.5	58.0	26.9
Q4:2018-19						35.2	6.5	58.3	28.7

'Better' overall financial situation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 13: Assessment and Expectations for Working Capital Finance Requirement

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	34.4	5.0	60.6	29.4	30.5	4.1	65.4	26.4
Q4:2017-18	1250	35.5	5.3	59.2	30.1	32.4	3.6	64.0	28.8
Q1:2018-19	1207	32.4	4.8	62.8	27.7	30.8	5.3	63.9	25.4
Q2:2018-19	1095	30.4	5.5	64.2	24.9	30.8	4.5	64.7	26.3
Q3:2018-19	1267	30.5	5.6	63.9	24.9	30.6	4.0	65.4	26.6
Q4:2018-19						29.9	4.4	65.7	25.6

'Increase' in working capital finance is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 14: Assessment and Expectations for Availability of Finance (from Internal Accruals)

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q3:2017-18	1299	22.2	8.4	69.3	13.8	25.8	5.6	68.6	20.2
Q4:2017-18	1250	23.7	8.9	67.4	14.7	26.6	5.2	68.2	21.4
Q1:2018-19	1207	24.2	8.2	67.5	16.0	25.1	6.9	67.9	18.2
Q2:2018-19	1095	24.3	10.2	65.5	14.1	25.1	6.5	68.3	18.6
Q3:2018-19	1267	21.2	10.4	68.4	10.8	24.9	6.7	68.3	18.2
Q4:2018-19						25.4	6.2	68.4	19.2

'Improvement' in availability of finance is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 15: Assessment and Expectations for Availability of Finance (from banks and other sources)

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q3:2017-18	1299	19.8	5.8	74.4	14.0	18.6	4.5	77.0	14.1
Q4:2017-18	1250	18.8	7.0	74.2	11.9	20.9	4.4	74.7	16.5
Q1:2018-19	1207	19.0	7.3	73.7	11.7	20.9	6.4	72.7	14.6
Q2:2018-19	1095	18.7	6.4	74.9	12.2	19.9	5.6	74.4	14.3
Q3:2018-19	1267	17.2	6.0	76.8	11.2	19.0	5.9	75.1	13.1
Q4:2018-19						20.1	4.1	75.8	16.0

'Improvement' in availability of finance is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 16: Assessment and Expectations for Availability of Finance (from overseas, if applicable)

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q3:2017-18	1299	7.9	3.9	88.1	4.0	7.2	3.0	89.8	4.1
Q4:2017-18	1250	8.0	4.6	87.4	3.4	9.2	2.6	88.2	6.6
Q1:2018-19	1207	7.1	5.7	87.1	1.4	8.6	4.3	87.1	4.3
Q2:2018-19	1095	9.0	4.0	87.0	4.9	9.0	4.6	86.4	4.4
Q3:2018-19	1267	6.9	4.0	89.1	2.9	9.5	4.3	86.2	5.2
Q4:2018-19						9.0	3.0	88.0	6.0

'Improvement' in availability of finance is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 17: Assessment and Expectations for Cost of Finance

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	14.5	11.6	73.9	-3.0	14.1	11.9	74.0	-2.2
Q4:2017-18	1250	18.1	7.9	74.0	-10.3	13.9	9.8	76.3	-4.1
Q1:2018-19	1207	25.3	5.4	69.2	-19.9	18.7	6.4	74.9	-12.2
Q2:2018-19	1095	25.7	6.4	67.9	-19.3	24.1	4.8	71.1	-19.3
Q3:2018-19	1267	24.9	5.4	69.7	-19.5	24.7	4.9	70.4	-19.8
Q4:2018-19						22.3	4.8	73.0	-17.5

'Decrease' in cost of finance is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 18: Assessment and Expectations for Cost of Raw Materials

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	47.9	5.2	46.8	-42.7	37.6	5.7	56.7	-31.9
Q4:2017-18	1250	52.8	3.3	43.9	-49.5	38.3	4.3	57.4	-34.0
Q1:2018-19	1207	55.9	2.8	41.3	-53.0	42.7	3.7	53.6	-39.0
Q2:2018-19	1095	55.5	2.6	41.8	-52.9	46.2	2.8	50.9	-43.4
Q3:2018-19	1267	53.1	3.9	43.1	-49.2	46.5	1.9	51.6	-44.5
Q4:2018-19						42.1	3.5	54.3	-38.6

'Decrease' in cost of raw materials is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 19: Assessment and Expectations for Salary/Other Remuneration

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	29.4	2.2	68.4	-27.2	25.9	2.0	72.1	-23.9
Q4:2017-18	1250	28.8	2.2	69.0	-26.6	25.2	2.3	72.5	-22.9
Q1:2018-19	1207	42.0	2.1	55.9	-40.0	36.8	1.8	61.3	-35.0
Q2:2018-19	1095	35.5	2.0	62.5	-33.5	32.8	1.2	65.9	-31.6
Q3:2018-19	1267	29.8	1.6	68.6	-28.2	25.6	1.2	73.2	-24.4
Q4:2018-19						22.8	1.4	75.8	-21.4

'Decrease' in Salary / other remuneration is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 20: Assessment and Expectations for Selling Price

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	17.7	13.2	69.0	4.5	17.5	10.6	71.9	7.0
Q4:2017-18	1250	19.3	12.6	68.1	6.7	17.4	9.5	73.2	7.9
Q1:2018-19	1207	23.0	11.4	65.6	11.5	19.2	8.9	71.9	10.4
Q2:2018-19	1095	22.1	10.7	67.2	11.3	18.5	9.6	71.9	8.8
Q3:2018-19	1267	19.9	13.7	66.4	6.2	21.0	6.7	72.3	14.3
Q4:2018-19						19.4	7.1	73.5	12.3

'Increase' in selling price is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 21: Assessment and Expectations for Profit Margin

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2017-18	1299	15.4	25.4	59.1	-10.0	19.6	17.8	62.5	1.8
Q4:2017-18	1250	16.2	26.1	57.7	-9.9	18.8	18.7	62.5	0.1
Q1:2018-19	1207	15.5	25.8	58.7	-10.3	18.0	18.7	63.3	-0.7
Q2:2018-19	1095	14.3	26.5	59.2	-12.2	18.0	18.0	64.0	0.0
Q3:2018-19	1267	16.1	27.8	56.1	-11.7	17.1	17.0	65.9	0.1
Q4:2018-19						18.7	16.7	64.5	2.0

'Increase' in profit margin is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 22: Assessment and Expectations for Overall Business Situation

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q3:2017-18	1299	35.1	11.2	53.7	23.9	42.9	6.0	51.1	36.9
Q4:2017-18	1250	39.2	9.0	51.8	30.2	42.5	6.4	51.2	36.1
Q1:2018-19	1207	38.7	9.0	52.3	29.6	42.7	5.8	51.5	36.9
Q2:2018-19	1095	38.1	10.3	51.6	27.9	40.5	5.9	53.6	34.6
Q3:2018-19	1267	34.9	10.3	54.8	24.6	43.3	7.0	49.8	36.3
Q4:2018-19						43.2	6.5	50.3	36.7

'Better' Overall Business Situation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 23: Business Sentiments

Quarter	Business Assessment Index (BAI)	Business Expectations Index (BEI)
Q3:2017-18	109.8	115.0
Q4:2017-18	112.4	115.8
Q1:2018-19	108.4	114.6
Q2:2018-19	110.0	114.1
Q3:2018-19	107.1	115.0
Q4:2018-19		116.2