

Industrial Outlook Survey- Q4: 2014-15 (Round 69)¹

The Industrial Outlook Survey conducted during January-March 2015, provides qualitative **assessment** of the business situation of companies in the Indian manufacturing sector for **Q4:2014-15** and their **expectations** for the ensuing quarter **Q1:2015-16**. The survey elicited response from 1,565 manufacturing companies.

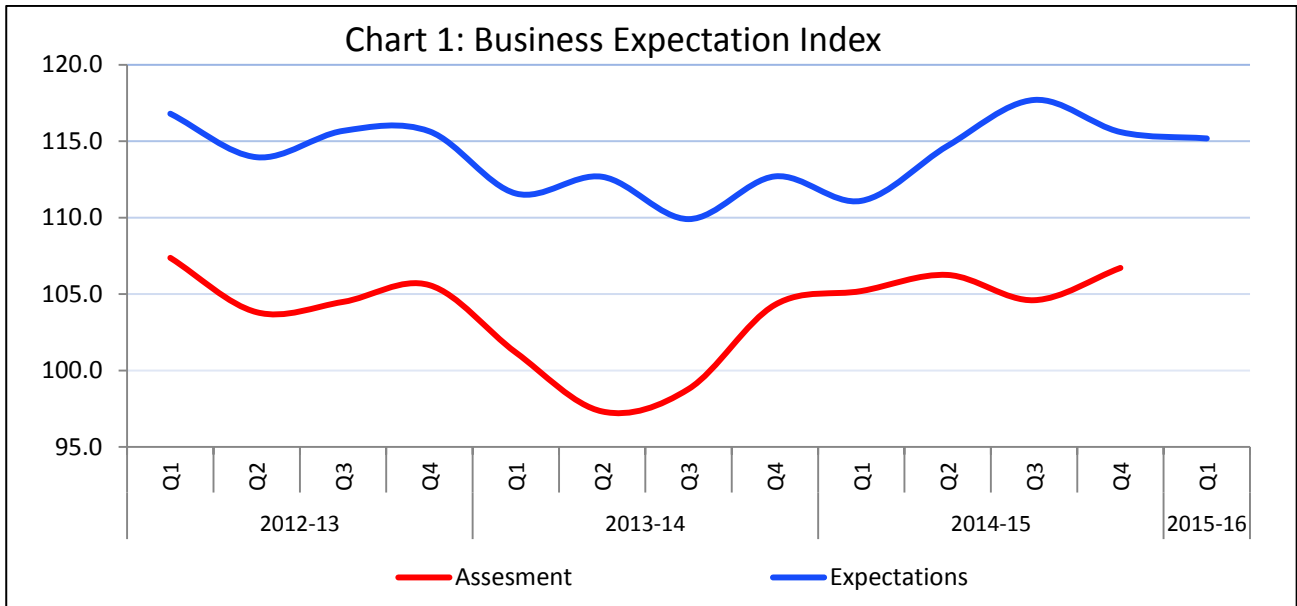
Highlights:

Summary Table: Net response ² (NR in %) comparison over previous quarter				
Parameters	Assessment period		Expectation period	
	Q3:2014-15	Q4:2014-15	Q4:2014-15	Q1:2015-16
Production	15.6	21.7	32.3	28.7
Order Books	11.6	16.3	28.7	27.3
Pending Orders	13.9	10.8	7.1	6.2
Capacity Utilisation	4.9	8.2	18.1	18.7
Exports	10.5	10.1	21.1	19.5
Imports	10.7	9.4	13.1	12.4
Employment	5.8	8.4	9.0	8.8
Financial Situation	13.0	14.9	26.4	26.3
Availability of Finance	12.1	12.6	19.4	18.1
Cost of Finance	-18.3	-17.7	-14.4	-13.0
Cost of Raw Material	-41.5	-32.8	-36.3	-32.8
Selling price	5.9	2.6	12.8	10.3
Profit Margin	-15.1	-12.5	-0.8	-0.5
Business Situation	18.6	21.2	36.0	36.0
Salary	19.6	24.5	15.6	23.5
Business Expectation Index ³	104.6	106.7	115.6	115.2

¹ The 68th round (Q3:2014-15) survey results were released on [January 2, 2015](#) on the RBI website. The survey results are those 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', 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.

³The 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 (Q4: 2014-15):

- Business outlook of the Indian manufacturing sector, as inferred from movements in Business Expectation Index (BEI) improved in assessment quarter (104.6 to 106.7).
- The improvement in BEI for the assessment quarter is mainly due to improved optimism in production, order books, capacity utilisation, employment, financial situation, availability of finance coupled with reduced pessimism in cost of finance, cost of raw material and profit margin.

Expectation Quarter (Q1: 2015-16):

- Business sentiments in Q1: 2015-16 remained broadly unchanged from that of the previous quarter.
- Reduced pessimism is observed in cost of raw material, cost of finance and profit margin, whereas, reduced optimism is witnessed in production, order books, imports, exports and employment.

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
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	1565	37.2	15.5	47.3	21.7	42.6	10.3	47.0	32.3
Q1: 2015-16						39.6	10.9	49.5	28.7

'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
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	1565	32.3	16.0	51.7	16.3	38.6	9.8	51.6	28.7
Q1: 2015-16						37.8	10.5	51.7	27.3

'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
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	1565	17.7	6.9	75.3	10.8	12.4	5.3	82.4	7.1
Q1: 2015-16						13.1	6.9	80.1	6.2

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment & Expectation for Capacity Utilisation

(Percentage responses)

Parameter	Options	Assessment					Expectation				
		Q4:2013-14	Q1:2014-15	Q2:2014-15	Q3:2014-15	Q4:2014-15	Q1:2014-15	Q2:2014-15	Q3:2014-15	Q4:2014-15	Q1:2015-16
Capacity Utilisation (CU)-(main product)	Increase	24.9	22.3	23.8	22.4	23.5	23.8	29.5	29.5	28.2	27.5
	No Change	60.1	61.3	59.5	60.1	61.2	63.6	60.4	60.9	61.6	63.7
	Decrease	15.0	16.3	16.7	17.5	15.3	12.6	10.1	9.6	10.2	8.8
	Net Response	9.9	6.0	7.1	4.9	8.2	11.2	19.4	19.9	18.1	18.7
Level of CU (compared to the average in last 4 quarters)	Above normal	10.1	10.3	8.7	9.6	10.6	9.7	10.6	10.0	10.6	12.1
	Normal	72.2	71.8	72.3	70.8	70.6	75.4	76.6	77.3	76.8	75.6
	Below Normal	17.6	17.9	19.0	19.5	18.9	14.9	12.7	12.7	12.6	12.3
	Net Response	-7.5	-7.6	-10.3	-9.9	-8.3	-5.2	-2.1	-2.7	-2.0	-0.2
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	13.9	13.8	13.3	14.0	14.7	13.4	12.9	13.0	12.7	13.9
	Adequate	77.9	78.1	78.7	77.0	76.9	79.5	80.3	80.9	80.4	79.2
	Less than adequate	8.2	8.1	8.0	9.0	8.5	7.1	6.8	6.1	6.9	6.9
	Net Response	5.7	5.7	5.3	5.0	6.2	6.3	6.1	6.9	5.8	7.0

*'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
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	1565	23.9	13.8	62.3	10.1	29.3	8.3	62.4	21.1
Q1:2015-16						27.6	8.1	64.3	19.5

*'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
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	1565	19.4	10.0	70.6	9.4	20.5	7.4	72.1	13.1
Q1:2015-16						20.3	7.9	71.8	12.4

'Increase' in imports is optimistic.

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

(Percentage responses)

Parameter	Options	Assessment					Expectation				
		Q4:20 13-14	Q1:20 14-15	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15	Q1:201 4-15	Q2:20 14-15	Q3:20 14-15	Q4:20 14-15	Q1:20 15-16
Inventory of raw material	Below average	7.7	7.2	8.4	8.3	8.4	6.7	6.4	6.1	5.6	7.1
	Average	79.2	80.2	79.4	79.7	77.5	83.6	83.7	84.0	84.6	83.0
	Above average	13.2	12.6	12.3	12.0	14.1	9.7	9.9	9.9	9.8	10.0
	Net Response	-5.5	-5.4	-3.9	-3.6	-5.7	-3.1	-3.5	-3.8	-4.3	-2.9
Inventory of finished goods	Below average	7.7	6.7	7.5	8.4	8.1	7.6	6.4	6.7	6.1	5.8
	Average	76.9	79.1	76.7	75.6	73.8	81.8	82.9	82.6	83.1	80.9
	Above average	15.4	14.1	15.8	16.0	18.2	10.6	10.8	10.8	10.8	13.4
	Net Response	-7.6	-7.4	-8.3	-7.6	-10.1	-3.0	-4.4	-4.1	-4.7	-7.6

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
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	1565	17.0	8.6	74.4	8.4	15.6	6.7	77.7	9.0
Q1:2015-16						15.8	7.0	77.2	8.8

'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
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	1565	27.9	13.0	59.2	14.9	34.6	8.2	57.2	26.4
Q1:2015-16						34.3	8.0	57.7	26.3

'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
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	1565	34.2	6.6	59.2	27.6	32.9	5.0	62.1	27.9
Q1:2015-16						32.3	5.1	62.6	27.2

'Increase' in working capital finance is optimistic.

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

Parameter	Options	Assessment					Expectation				
		Q4:2013-14	Q1:2014-15	Q2:2014-15	Q3:2014-15	Q4:2014-15	Q1:2014-15	Q2:2014-15	Q3:2014-15	Q4:2014-15	Q1:2015-16
Availability of finance (from internal accruals)	Improve	21.9	23.1	23.5	23.0	22.9	23.4	26.7	26.5	26.3	24.7
	No Change	67.1	66.3	65.7	66.1	66.8	69.2	67.3	66.8	66.9	68.8
	Worsen	11.0	10.6	11.1	10.9	10.3	7.4	6.1	6.8	6.8	6.6
	Net Response	10.8	12.4	12.1	12.1	12.6	16.0	20.6	19.7	19.4	18.1
Availability of Finance (from banks & other sources)	Improve	18.2	20.1	18.8	19.7	20.3	20.5	21.5	20.8	20.5	22.6
	No Change	72.4	72.3	74.4	73.1	72.8	73.6	74.7	75.1	75.1	72.4
	Worsen	9.3	7.6	6.8	7.3	6.9	5.9	3.8	4.2	4.4	4.9
	Net Response	8.9	12.5	12.0	12.4	13.4	14.6	17.6	16.6	16.1	17.7
Availability of Finance (from overseas, if	Improve	10.9	9.9	8.8	11.4	15.0	11.8	12.2	10.8	12.4	14.4
	No Change	83.4	84.8	86.1	82.9	79.4	83.6	84.8	86.3	83.8	81.6

applicable)	Worsen	5.7	5.3	5.1	5.7	5.6	4.6	3.0	2.9	3.8	4.0
	Net Response	5.2	4.6	3.7	5.8	9.4	7.2	9.1	7.9	8.6	10.4

'Impr
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ent' 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
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	1565	7.4	25.1	67.5	-17.7	7.4	21.8	70.8	-14.4
Q1:2015-16						8.8	21.8	69.4	-13.0

'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
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	1565	9.6	42.4	48.0	-32.8	4.9	41.2	53.9	-36.3
Q1:2015-16						6.0	38.8	55.2	-32.8

'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
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	1565	18.1	15.5	66.4	2.6	21.3	8.5	70.2	12.8
Q1:2015-16						19.1	8.8	72.1	10.3

'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
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	1565	15.4	27.9	56.7	-12.5	19.4	20.2	60.4	-0.8
Q1:2015-16						18.8	19.3	61.9	-0.5

'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
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	1565	34.1	12.9	53.0	21.2	43.0	6.9	50.1	36.0
Q1:2015-16						42.7	6.7	50.6	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
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	1565	28.1	3.6	68.3	24.5	21.5	5.9	72.6	15.6
Q1:2015-16						27.4	3.9	68.7	23.5

'Increase in Salary/other remuneration' is optimistic.

Table 18: Business Expectation Index (BEI)

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
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	106.7	115.6
Q1:2015-16		115.2