

Industrial Outlook Survey- Q1: 2014-15 (Round 66)¹

The Industrial Outlook Survey conducted during May-June 2014, provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q1:2014-15** and their **expectations** for the ensuing quarter **Q2:2014-15**. The survey elicited response from 1,293 manufacturing companies.

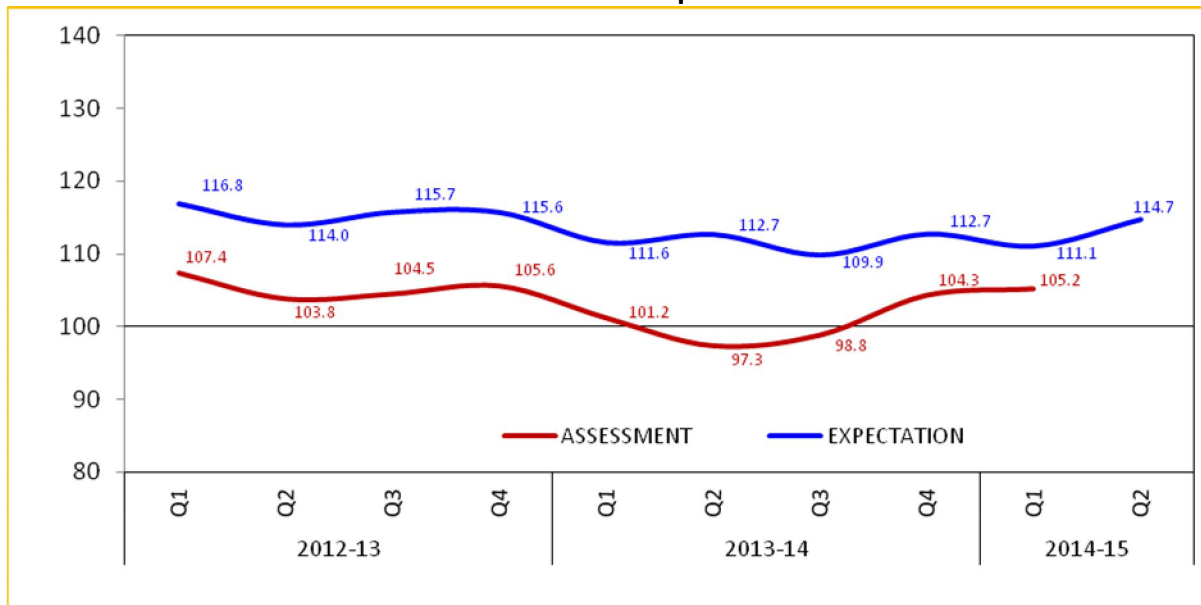
Highlights:

Summary Table: Net response² (NR in %) <u>comparison over previous quarter</u>					
Assessment period			Expectation period		
Parameters	Q1:2014-15	Q4:2013-14	Parameters	Q2:2014-15	Q1:2014-15
Improved positivity:			Increased Optimism:		
i. Order books	16.4	14.8	i. Order books	29.1	24.6
ii. Availability of finance	12.4	10.8	ii. Production	33.7	27.1
Reduced concern:			iii. Capacity utilisation	19.4	11.2
i. Cost of finance	-22.2	-27.9	iv. Imports	15.0	10.5
ii. Cost of raw material	-49.5	-54.1	v. Employment	8.9	7.2
iii. Profit margins	-15.1	-16.5	vi. Availability of finance	20.6	16.0
			vii. Selling price	12.5	15.1
			viii. BEI	114.7	111.1
			Reduced pessimism:		
			i. Cost of finance	-17.2	-22.2
			ii. Cost of raw material	-42.1	-46.9
			iii. Profit margin	-2.3	-5.4
Decline in positivity:			Pessimism:		
i. Production	17.2	20.0	-		
ii. Capacity utilisation	6.0	9.9			
iii. Exports	10.5	16.4			
No Change:			No Change:		
i. Imports	9.3	9.3	- Exports	21.4	21.6
ii. Employment	5.4	5.4			
iii. Selling price	9.8	9.6			
iv. BEI	105.2	104.3			

¹The 65th round (Q4:2013-14) survey results were released on April 1, 2014 with the publication "Macroeconomic and Monetary Developments 2014-15 (An Update)" 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'; $I+D+E=100$.

Chart 1: Business Expectation Index³



Expectation quarter (Q2:2014-15)

- Business outlook of the Indian manufacturing sector as inferred from movements in Business Expectation Index (BEI), shows improvement for Q2:2014-15 (114.7) as compared to previous quarter (111.1) and the corresponding quarter of previous year (112.7).
- The improvement in BEI for the expectation quarter is mainly due to improved optimism on overall business situation, production, order books, capacity utilisation, imports, exports added with the reduced pessimism on cost of finance, cost of raw material and the profit margin.
- For Q2:2014-15, the proportion of respondents who expected increase in production and at the same time decline in employment (indicating jobless growth) turns out to be around two per cent. This has been consistent throughout past ten rounds of the survey.

Assessment quarter (Q1:2014-15)

- The business sentiments in Q1:2014-15 remained broadly unchanged from that of the previous quarter.

³The Business Expectation Index (BEI), is a composite indicator calculated as weighted net response of nine business parameters, and gives a single snap shot of business outlook in every quarter. The range of BEI lies between 0 to 200, and 100 is the threshold line separating expansion from contraction.

Table 1: Assessment and Expectation for Production

(Percentage responses)@									
Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response#	Increase	Decrease	No change	Net response
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	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						43.4	9.7	46.8	33.7

'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 and Expectation for Order Books

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	30.5	20.9	48.6	9.7	35.5	13.2	51.2	25.3
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	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						38.2	9.1	52.6	29.1

'Increase' in order books is optimistic.

Table 3: Assessment and 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
Q1:2013-14	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	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						12.3	5.7	82.0	6.5

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment and Expectation for Capacity Utilisation

(Percentage responses)											
Parameter	Options	Assessment					Expectation				
		Q1:20 13-14	Q2:201 3-14	Q3:201 3-14	Q4:201 3-14	Q1:201 4-15	Q1:201 3-14	Q3:201 3-14	Q4:201 3-14	Q1:201 4-15	Q2:201 4-15
Capacity Utilisation (CU)-(main product)	Increase	22.6	20.7	20.7	24.9	22.3	27.5	26.8	27.2	23.8	29.5
	No Change	57.1	58.6	59.9	60.1	61.3	60.9	60.6	61.9	63.6	60.4
	Decrease	20.3	20.7	19.4	15.0	16.3	11.6	12.6	10.9	12.6	10.1
	Net Response	2.3	0.0	1.3	9.9	6.0	15.9	14.2	16.3	11.2	19.4
Level of CU (compared to the average in last 4 quarters)	Above normal	8.7	8.9	8.5	10.1	10.3	9.8	9.8	11.1	9.7	10.6
	Normal	71.0	70.7	69.7	72.2	71.8	76.2	75.0	73.4	75.4	76.6
	Below Normal	20.3	20.4	21.8	17.6	17.9	13.9	15.2	15.5	14.9	12.7
	Net Response	-11.6	-11.5	-13.3	-7.5	-7.6	-4.1	-5.3	-4.4	-5.2	-2.1
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	14.6	15.0	14.7	13.9	13.8	13.7	14.8	15.7	13.4	12.9
	Adequate	76.4	77.0	76.6	77.9	78.1	78.4	78.0	77.6	79.5	80.3
	Less than adequate	9.0	8.1	8.7	8.2	8.1	7.9	7.1	6.8	7.1	6.8
	Net Response	5.7	6.9	5.9	5.7	5.7	5.8	7.7	8.9	6.3	6.1

'Increase' in capacity utilisation is optimistic.

Table 5: Assessment and Expectation for Exports

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	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						29.9	8.5	61.5	21.4

'Increase' in exports is optimistic.

Table 6: Assessment and Expectation for Imports

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	18.7	10.7	70.6	8.0	20.4	8.5	71.1	11.2
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	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						21.2	6.2	72.6	15.0

'Increase' in imports is optimistic.

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

(Percentage responses)											
Parameter	Options	Assessment					Expectation				
		Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15	Q1:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15	Q2:2014-15
Inventory of raw material	Below average	8.0	8.7	8.3	7.7	7.2	6.3	6.3	5.3	6.7	6.4
	Average	78.7	78.7	78.9	79.2	80.2	84.2	83.6	83.7	83.6	83.7
	Above average	13.3	12.6	12.8	13.2	12.6	9.5	10.1	11.0	9.7	9.9
	Net Response	-5.3	-3.8	-4.6	-5.5	-5.4	-3.3	-3.9	-5.8	-3.1	-3.5
Inventory of finished goods	Below average	8.1	7.5	7.3	7.7	6.7	7.0	6.2	6.6	7.6	6.4
	Average	77.3	77.0	75.3	76.9	79.1	82.7	82.5	80.8	81.8	82.9
	Above average	14.7	15.5	17.4	15.4	14.1	10.3	11.3	12.6	10.6	10.8
	Net Response	-6.6	-8.1	-10.2	-7.6	-7.4	-3.3	-5.0	-6.0	-3.0	-4.4

Inventory of raw material and finished goods 'Below average' is optimistic.

Table 8: 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
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	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						15.2	6.2	78.6	8.9

'Increase' in employment is optimistic.

Table 9: Assessment and Expectation for Overall Financial Situation

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1:2013-14	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	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						33.6	6.8	59.6	26.8

'Better' overall financial situation is optimistic.

Table 10: Assessment and 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
Q1:2013-14	1321	30.1	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	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						33.5	5.0	61.5	28.5

'Increase' in working capital finance is optimistic.

Table 11: Assessment and Expectation for Availability of Finance

(Percentage responses)											
Parameter	Options	Assessment						Expectation			
		Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15	Q1:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15	Q2:2014-15
Availability of finance (from internal accruals)	Improve	21.2	18.3	20.3	21.9	23.1	24.6	23.2	25.0	23.4	26.7
	No Change	65.6	66.4	66.9	67.1	66.3	67.9	67.6	68.5	69.2	67.3
	Worsen	10.4	15.2	12.7	11.0	10.6	7.4	9.2	6.6	7.4	6.1
	Net Response	12.1	3.1	7.6	10.8	12.4	17.2	14.0	18.4	16.0	20.6
Availability of Finance (from banks & other sources)	Improve	18.8	14.2	17.1	18.2	20.1	20.0	18.2	19.0	20.5	21.5
	No Change	74.4	75.6	74.5	72.4	72.3	75.2	75.6	76.2	73.6	74.7
	Worsen	6.7	10.3	8.4	9.3	7.6	4.8	6.2	4.8	5.9	3.8
	Net Response	12.1	3.9	8.7	8.9	12.5	15.2	12.0	14.2	14.6	17.6
Availability of Finance (from overseas, if applicable)	Improve	10.1	7.6	10.4	10.9	9.9	11.6	8.9	11.9	11.8	12.2
	No Change	84.7	84.6	83.1	83.4	84.8	83.7	85.0	84.2	83.6	84.8
	Worsen	5.2	7.8	6.5	5.7	5.3	4.6	6.0	3.9	4.6	3.0
	Net Response	5.0	-0.1	3.9	5.2	4.6	7.0	2.9	8.1	7.2	9.1

'Improvement' in availability of finance is optimistic.

Table 12: Assessment and Expectation for Cost of Finance

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Q1:2013-14	1321	10.1	24.6	65.3	-14.5	9.7	24.0	66.3	-12.4
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	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						6.0	23.2	70.8	-17.2

'Decrease' in cost of finance is optimistic.

Table 13: Assessment and 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
Q1:2013-14	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	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						3.7	45.8	50.6	-42.1

'Decrease' in cost of raw material is optimistic.

Table 14: Assessment and Expectation for Selling Price

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	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						20.6	8.0	71.4	12.5

'Increase' in selling price is optimistic.

Table 15: Assessment and Expectation for Profit Margin

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	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						18.0	20.3	61.7	-2.3

'Increase' in profit margin is optimistic.

Table 16: Assessment and Expectation for Overall Business Situation

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1:2013-14	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	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						43.9	7.0	49.1	37.0

'Better' Overall Business Situation is optimistic.

Table 17: Assessment and Expectation for Salary/Other Remuneration

(Percentage responses)									
Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q2:2013-14	1207	30.3	3.4	66.3	26.8				
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						30.2	2.1	67.7	28.1

'Increase in Salary/other remuneration' is optimistic.

Table 18: Business Expectation Index (BEI)

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
Q1:2013-14	101.2	111.6
Q2:2013-14	97.3	112.7
Q3:2013-14	98.8	109.9
Q4:2013-14	104.3	112.7
Q1:2014-15	105.2	111.1
Q2:2014-15		114.7