

Industrial Outlook Survey of the Manufacturing Sector for Q1:2020-21

Today, the Reserve Bank released the results of the 90th round of the Industrial Outlook Survey (IOS) conducted during April-June, 2020. The survey encapsulates qualitative assessment of the business climate by Indian manufacturing companies for Q1:2020-21 and their expectations for Q2:2020-21¹. In all, 802 companies responded in this round of the survey. Owing to uncertainty driven by the Covid-19 pandemic, an additional block was included in this round of the survey for assessing the outlook on key parameters for two quarters ahead as well as one year ahead.

Highlights:

A. Assessment for Q1: 2020-21

- Manufacturing companies assessed faltering of major demand indicators like production, order books and employment conditions in Q1:2020-21; the perception of external demand conditions was also pessimistic.
- Sentiment for overall financial situation was negative, largely driven by downfall in internal accruals.
- Cost pressures stemming from interest payments on borrowings and purchase of inputs were assessed to soften; salary expenses also eased.
- Respondents polled reduction in selling prices and plunge in profit margins.
- The Business Assessment Index (BAI)² fell sharply to all-time low at 55.3 in Q1:2020-21 from 102.2 in the previous quarter.

B. Expectations for Q2: 2020-21

- Manufacturers expected improvements in production and order books in Q2:2020-21; the sentiments on job landscape and external demand, however, remained weak.
- Outlook on overall financial situation portrayed some optimism.
- Respondents tempered their expectations on selling prices on the back of lower cost burdens from inputs and salary outgo.
- Sentiments on profit margins remain highly negative during Q2:2020-21 also.
- The business expectations index (BEI) dipped into contraction zone and stood at 99.5 for Q2:2020-21.

¹ The survey results reflect the views of the respondents, which are not necessarily shared by the Reserve Bank of India. This round of the survey was launched on [April 24, 2020](#) and results were compiled with data received till June 30, 2020. The results of the 89th round of the survey (Q4:2019-20) were released on [April 3, 2020](#) on the RBI's website.

² For each survey round, two indices are computed – one based on assessment [*viz.*, Business Assessment Index (BAI)] and another based on expectations [*viz.*, Business Expectations Index (BEI)]. Each indicator for is calculated as a weighted net response of nine business indicators, weights being the share of industry groups in gross value added (GVA). 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.

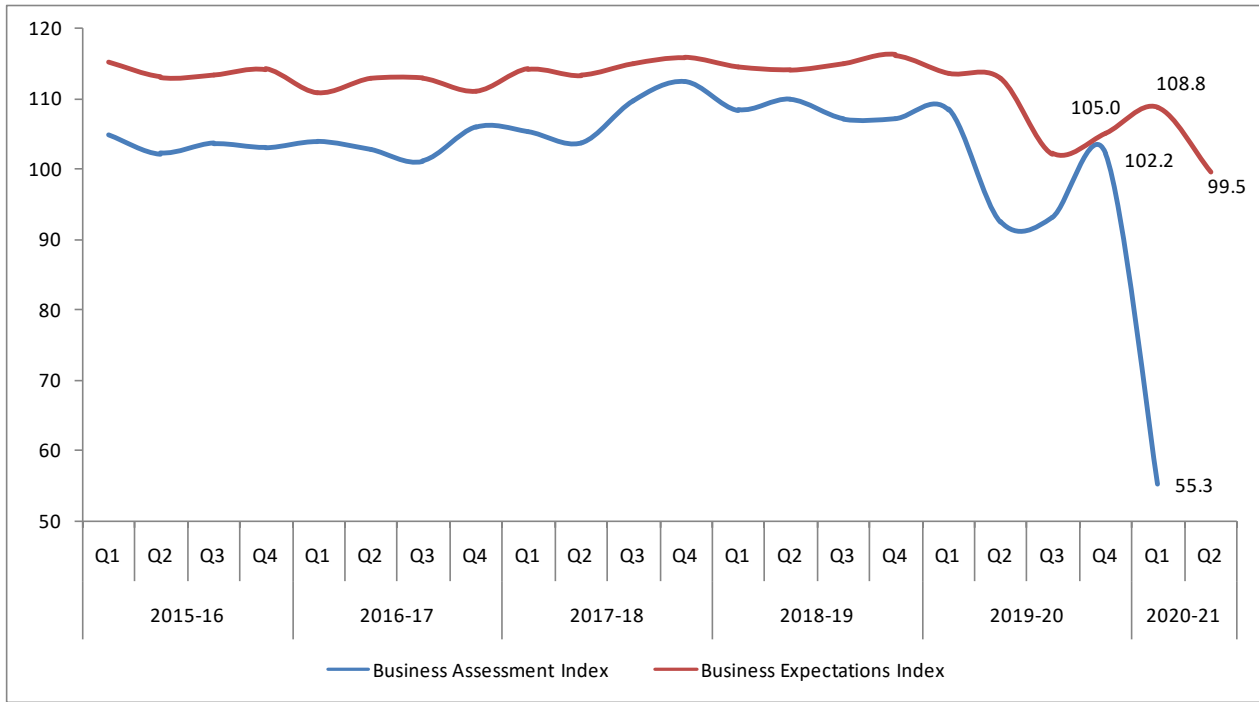


Table A: Summary of Net responses³ on Survey Parameters (per cent)

Parameters	Assessment period		Expectations period	
	Q4:2019-20	Q1:2020-21	Q1:2020-21	Q2:2020-21
Production	13.8	-63.9	23.7	11.2
Order Books	10.0	-54.9	18.4	8.0
Pending Orders	14.4	41.2	11.6	26.0
Capacity Utilisation	2.0	-61.6	11.3	7.6
Inventory of Raw Materials	-5.1	-7.8	-2.9	-5.9
Inventory of Finished Goods	-6.5	-12.6	-4.3	-7.6
Exports	5.8	-41.7	11.0	-3.8
Imports	4.7	-32.9	6.6	-1.0
Employment	2.0	-28.6	5.2	-7.7
Financial Situation (Overall)	12.8	-48.9	24.3	11.4
Availability of Finance (from internal accruals)	13.7	-30.8	17.0	6.4
Availability of Finance (from banks & other sources)	10.8	-3.0	11.7	10.6
Availability of Finance (from overseas, if applicable)	2.8	-10.3	4.0	-2.0
Cost of Finance	-6.6	-0.4	-6.1	-6.7
Cost of Raw Material	-34.1	-29.3	-33.6	-32.0
Salary/ Other Remuneration	-24.8	9.6	-33.1	-4.0
Selling Price	2.5	-17.1	8.3	-6.0
Profit Margin	-11.6	-56.8	-2.9	-26.8
Overall Business Situation	15.7	-60.2	28.2	15.7

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

³ Net Response (NR) is the difference between the percentage of respondents reporting optimism and those reporting pessimism. It ranges between -100 to 100. Any value greater than zero indicates expansion/optimism and any value less than zero indicates contraction/pessimism. In other words, $NR = (I - D)$, 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.e.*, $I+D+E=100$). For example, increase in production is optimism whereas decrease in cost of raw material is optimism.

C. Expectations for Q3:2020-21 and Q1:2021-22

- Manufacturers polled distinct betterment in key demand indicators in Q3:2020-21 sustaining through Q1:2021-22.
- Overall business situation is expected to gradually improve by Q1:2021-22.

Table B: Business Expectations of Select Parameters for extended period – Net response
(per cent)

Parameters	Round 89	Round 90		
	Q1:2020-21	Q2:2020-21	Q3:2020-21	Q1:2021-22
Overall Business Situation	28.2	15.7	17.3	22.4
Production	23.7	11.2	19.1	24.6
Order Books	18.4	8.0	17.6	22.9
Capacity Utilisation	11.3	7.6	20.0	20.6
Employment	5.2	-7.7	5.0	10.7

Table 1: Assessment and Expectations for Production

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	38.6	15.6	45.8	23.0	42.1	9.3	48.5	32.8
Q2:2019-20	481	26.5	28.4	45.2	-1.9	40.1	11.0	48.9	29.1
Q3:2019-20	775	28.7	28.3	43.1	0.4	34.8	21.0	44.2	13.9
Q4:2019-20	860	33.6	19.8	46.6	13.8	35.4	18.2	46.4	17.2
Q1:2020-21	802	8.3	72.2	19.5	-63.9	37.8	14.1	48.1	23.7
Q2:2020-21						41.4	30.2	28.5	11.2

'Increase' in production is optimistic.

Note: The sum of components may not add up to total due to rounding off (This is applicable for all tables).

Table 2: Assessment and Expectations for Order Books

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	34.1	15.4	50.5	18.8	38.5	8.6	52.8	29.9
Q2:2019-20	481	27.4	30.2	42.5	-2.8	31.6	11.1	57.3	20.5
Q3:2019-20	775	26.9	26.6	46.5	0.3	34.3	20.4	45.3	13.9
Q4:2019-20	860	30.1	20.1	49.9	10.0	33.6	17.0	49.3	16.6
Q1:2020-21	802	8.9	63.8	27.3	-54.9	33.5	15.1	51.4	18.4
Q2:2020-21						36.4	28.4	35.3	8.0

'Increase' in order books is optimistic.

Table 3: Assessment and Expectations for Pending Orders

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q1:2019-20	1,231	6.0	15.7	78.3	9.6	6.1	10.4	83.5	4.3
Q2:2019-20	481	4.5	25.5	70.0	21.0	16.1	9.4	74.5	-6.7
Q3:2019-20	775	3.4	25.5	71.1	22.1	3.9	18.3	77.8	14.4
Q4:2019-20	860	4.1	18.5	77.4	14.4	3.7	19.5	76.8	15.9
Q1:2020-21	802	6.1	47.3	46.6	41.2	4.6	16.2	79.1	11.6
Q2:2020-21						5.8	31.8	62.4	26.0

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment and Expectations for Capacity Utilisation (Main Product) (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	22.8	13.4	63.8	9.4	27.2	7.7	65.1	19.6
Q2:2019-20	481	15.9	24.9	59.2	-9.0	23.1	9.2	67.7	13.9
Q3:2019-20	775	17.5	25.8	56.7	-8.3	24.4	20.0	55.6	4.4
Q4:2019-20	860	21.0	19.0	60.0	2.0	23.1	15.2	61.6	7.9
Q1:2020-21	802	6.0	67.6	26.3	-61.6	25.5	14.2	60.3	11.3
Q2:2020-21						36.2	28.6	35.2	7.6

'Increase' in capacity utilisation is optimistic.

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

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q1:2019-20	1,231	9.6	14.8	75.7	-5.2	12.2	8.2	79.6	4.0
Q2:2019-20	481	8.1	26.6	65.3	-18.6	9.2	8.8	82.0	0.3
Q3:2019-20	775	6.6	26.9	66.5	-20.3	9.3	21.7	69.0	-12.4
Q4:2019-20	860	7.6	21.6	70.7	-14.0	7.9	18.5	73.6	-10.6
Q1:2020-21	802	2.7	63.6	33.7	-60.9	9.1	16.4	74.5	-7.3
Q2:2020-21						5.8	39.2	55.0	-33.5

'Above Normal' in Level of capacity utilisation is optimistic.

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				Expectations			
		More than adequate	Less than adequate	Adequate	Net response	More than adequate	Less than adequate	Adequate	Net response
Q1:2019-20	1,231	11.0	6.7	82.2	4.3	12.2	6.2	81.6	6.0
Q2:2019-20	481	15.1	14.2	70.7	0.9	13.5	6.9	79.6	6.6
Q3:2019-20	775	15.8	11.7	72.5	4.2	15.3	12.4	72.2	2.9
Q4:2019-20	860	14.3	9.5	76.2	4.8	14.6	11.4	74.0	3.2
Q1:2020-21	802	19.0	24.5	56.5	-5.6	13.7	8.8	77.5	4.9
Q2:2020-21						18.7	17.3	64.0	1.3

'More than adequate' in Assessment of Production Capacity is optimistic.

Table 7: Assessment and Expectations for Exports

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	24.6	11.5	64.0	13.1	25.7	8.0	66.2	17.7
Q2:2019-20	481	21.3	21.3	57.5	0.0	24.0	8.2	67.8	15.8
Q3:2019-20	775	18.3	19.2	62.5	-0.9	24.3	17.0	58.7	7.3
Q4:2019-20	860	20.1	14.3	65.5	5.8	22.4	13.8	63.9	8.6
Q1:2020-21	802	8.7	50.4	40.9	-41.7	22.5	11.5	66.0	11.0
Q2:2020-21						23.1	26.9	50.0	-3.8

'Increase' in exports is optimistic.

Table 8: Assessment and Expectations for Imports

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	18.2	8.3	73.4	9.9	19.2	6.2	74.6	13.0
Q2:2019-20	481	16.0	14.5	69.6	1.5	18.4	7.4	74.2	11.1
Q3:2019-20	775	13.2	12.3	74.5	0.9	18.1	11.7	70.2	6.4
Q4:2019-20	860	16.0	11.3	72.7	4.7	15.7	10.2	74.1	5.4
Q1:2020-21	802	7.6	40.5	51.8	-32.9	16.9	10.3	72.8	6.6
Q2:2020-21						19.9	21.0	59.1	-1.0

'Increase' in imports is optimistic.

Table 9: Assessment and Expectations for level of Raw Materials Inventory

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Above average	Below average	Average	Net response	Above average	Below average	Average	Net response
Q1:2019-20	1,231	13.9	5.7	80.4	-8.3	12.0	3.7	84.3	-8.3
Q2:2019-20	481	17.1	8.4	74.5	-8.6	11.8	4.2	84.0	-7.7
Q3:2019-20	775	13.9	7.7	78.4	-6.2	13.2	6.6	80.3	-6.6
Q4:2019-20	860	12.9	7.8	79.3	-5.1	10.6	7.0	82.4	-3.6
Q1:2020-21	802	21.3	13.5	65.2	-7.8	9.8	6.9	83.3	-2.9
Q2:2020-21						15.5	9.7	74.8	-5.9

'Below average' Inventory of raw materials is optimistic.

Table 10: Assessment and Expectations for level of Finished Goods Inventory

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Above average	Below average	Average	Net response	Above average	Below average	Average	Net response
Q1:2019-20	1,231	13.5	6.7	79.8	-6.8	10.5	4.9	84.6	-5.6
Q2:2019-20	481	22.5	8.0	69.5	-14.5	13.0	6.0	81.0	-7.0
Q3:2019-20	775	18.3	7.3	74.4	-11.0	15.7	5.0	79.3	-10.7
Q4:2019-20	860	13.3	6.7	80.0	-6.5	12.9	6.2	80.9	-6.7
Q1:2020-21	802	27.0	14.3	58.7	-12.6	10.4	6.2	83.4	-4.3
Q2:2020-21						17.2	9.5	73.3	-7.6

'Below average' Inventory of finished goods is optimistic.

Table 11: Assessment and Expectations for Employment

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	15.9	7.3	76.8	8.6	17.1	4.8	78.1	12.3
Q2:2019-20	481	13.4	14.2	72.4	-0.9	16.6	5.7	77.7	10.9
Q3:2019-20	775	12.2	13.8	74.0	-1.6	12.1	11.4	76.5	0.7
Q4:2019-20	860	13.4	11.3	75.3	2.0	12.5	10.7	76.8	1.8
Q1:2020-21	802	3.9	32.5	63.7	-28.6	14.3	9.0	76.7	5.2
Q2:2020-21						11.0	18.7	70.3	-7.7

'Increase' in employment is optimistic.

Table 12: Assessment and Expectations for Overall Financial Situation

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1:2019-20	1,231	29.7	8.6	61.7	21.1	35.0	5.7	59.3	29.3
Q2:2019-20	481	21.2	22.2	56.6	-1.1	34.3	6.1	59.6	28.3
Q3:2019-20	775	24.6	19.3	56.1	5.3	30.6	14.8	54.7	15.8
Q4:2019-20	860	26.5	13.6	59.9	12.8	31.2	11.7	57.1	19.5
Q1:2020-21	802	8.7	57.6	33.6	-48.9	33.1	8.8	58.0	24.3
Q2:2020-21						34.6	23.2	42.2	11.4

'Better' overall financial situation is optimistic.

Table 13: Assessment and Expectations for Working Capital Finance Requirement

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	28.5	5.4	66.1	23.2	29.6	4.1	66.3	25.6
Q2:2019-20	481	28.4	10.7	60.9	17.7	27.7	5.5	66.8	22.1
Q3:2019-20	775	27.4	8.7	63.9	18.7	29.3	5.5	65.3	23.8
Q4:2019-20	860	28.3	6.4	65.4	21.9	27.3	5.7	66.9	21.6
Q1:2020-21	802	36.9	18.8	44.4	18.1	28.8	5.7	65.5	23.1
Q2:2020-21						37.2	11.5	51.3	25.7

'Increase' in working capital finance is optimistic.

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

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q1:2019-20	1,231	23.2	7.2	69.6	16.0	25.5	5.0	69.5	20.5
Q2:2019-20	481	19.6	12.7	67.7	6.9	23.0	5.7	71.3	17.3
Q3:2019-20	775	19.0	12.4	68.6	6.6	21.4	8.1	70.5	13.2
Q4:2019-20	860	23.1	9.5	67.4	13.7	22.1	8.8	69.1	13.4
Q1:2020-21	802	7.2	38.0	54.8	-30.8	23.1	6.0	70.9	17.0
Q2:2020-21						22.5	16.1	61.3	6.4

'Improvement' in availability of finance is optimistic.

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

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q1:2019-20	1,231	17.9	6.0	76.1	11.9	19.3	5.0	75.7	14.2
Q2:2019-20	481	14.3	10.0	75.8	4.3	17.4	4.4	78.2	13.0
Q3:2019-20	775	14.6	7.4	78.1	7.2	18.7	6.0	75.3	12.7
Q4:2019-20	860	16.9	6.1	76.9	10.8	17.7	5.9	76.4	11.7
Q1:2020-21	802	12.9	15.8	71.3	-3.0	18.1	6.4	75.4	11.7
Q2:2020-21						20.4	9.8	69.8	10.6

'Improvement' in availability of finance is optimistic.

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

Quarter	Total response	Assessment				Expectations			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q1:2019-20	1,231	8.2	4.0	87.8	4.3	9.5	3.5	87.0	6.0
Q2:2019-20	481	6.9	4.1	89.1	2.8	13.1	3.5	83.5	9.6
Q3:2019-20	775	7.5	5.0	87.6	2.5	9.2	4.1	86.7	5.1
Q4:2019-20	860	7.2	4.4	88.4	2.8	7.3	4.3	88.4	3.0
Q1:2020-21	802	3.2	13.5	83.3	-10.3	7.9	4.0	88.1	4.0
Q2:2020-21						7.9	9.9	82.2	-2.0

'Improvement' in availability of finance is optimistic.

Table 17: Assessment and Expectations for Cost of Finance (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	22.4	4.9	72.7	-17.6	20.2	5.8	74.0	-14.4
Q2:2019-20	481	21.3	8.1	70.6	-13.1	22.5	7.1	70.4	-15.4
Q3:2019-20	775	16.9	8.2	74.9	-8.7	18.5	8.4	73.1	-10.0
Q4:2019-20	860	15.0	8.4	76.6	-6.6	15.0	7.1	77.9	-7.9
Q1:2020-21	802	16.3	15.9	67.8	-0.4	12.7	6.6	80.6	-6.1
Q2:2020-21						17.6	10.9	71.5	-6.7

'Decrease' in cost of finance is optimistic.

Table 18: Assessment and Expectations for Cost of Raw Materials (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	46.4	3.1	50.5	-43.3	37.2	3.5	59.2	-33.7
Q2:2019-20	481	42.4	7.1	50.5	-35.3	31.4	3.8	64.8	-27.6
Q3:2019-20	775	37.2	11.1	51.7	-26.1	37.0	6.2	56.8	-30.8
Q4:2019-20	860	41.1	7.1	51.8	-34.1	35.6	5.6	58.8	-30.0
Q1:2020-21	802	39.9	10.7	49.4	-29.3	38.9	5.3	55.7	-33.6
Q2:2020-21						37.8	5.7	56.5	-32.0

'Decrease' in cost of raw materials is optimistic.

Table 19: Assessment and Expectations for Salary/Other Remuneration (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	38.8	1.6	59.6	-37.2	34.0	1.1	64.9	-32.9
Q2:2019-20	481	38.6	2.6	58.8	-36.0	34.5	0.9	64.6	-33.7
Q3:2019-20	775	30.6	3.6	65.8	-27.0	25.0	1.8	73.2	-23.2
Q4:2019-20	860	27.1	2.3	70.6	-24.8	25.1	3.0	71.9	-22.1
Q1:2020-21	802	12.4	22.0	65.5	9.6	35.8	2.7	61.5	-33.1
Q2:2020-21						16.5	12.5	70.9	-4.0

'Decrease' in Salary / other remuneration is optimistic.

Table 20: Assessment and Expectations for Selling Price

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	17.1	10.5	72.4	6.6	19.5	8.5	72.0	11.0
Q2:2019-20	481	13.8	21.4	64.8	-7.6	15.5	8.4	76.1	7.1
Q3:2019-20	775	12.0	21.6	66.4	-9.6	18.6	14.0	67.3	4.6
Q4:2019-20	860	16.4	13.9	69.7	2.5	15.2	13.0	71.9	2.2
Q1:2020-21	802	9.5	26.6	64.0	-17.1	18.0	9.7	72.3	8.3
Q2:2020-21						12.9	18.9	68.1	-6.0

'Increase' in selling price is optimistic.

Table 21: Assessment and Expectations for Profit Margin

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2019-20	1,231	16.1	24.1	59.8	-8.0	17.8	17.0	65.1	0.8
Q2:2019-20	481	13.5	36.1	50.4	-22.6	21.9	14.5	63.6	7.4
Q3:2019-20	775	12.3	34.4	53.3	-22.1	17.6	26.1	56.3	-8.5
Q4:2019-20	860	15.8	27.4	56.8	-11.6	16.3	26.4	57.3	-10.2
Q1:2020-21	802	5.0	61.8	33.2	-56.8	17.5	20.4	62.1	-2.9
Q2:2020-21						13.7	40.5	45.8	-26.8

'Increase' in profit margin is optimistic.

Table 22: Assessment and Expectations for Overall Business Situation (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1:2019-20	1,231	35.1	10.5	54.4	24.6	42.5	5.6	51.9	36.9
Q2:2019-20	481	24.5	25.4	50.1	-0.8	41.1	6.0	52.9	35.2
Q3:2019-20	775	26.4	22.9	50.8	3.5	37.3	15.6	47.1	21.7
Q4:2019-20	860	31.6	15.8	52.6	15.7	35.8	13.2	50.9	22.6
Q1:2020-21	802	8.3	68.5	23.2	-60.2	38.6	10.4	50.9	28.2
Q2:2020-21						41.0	25.3	33.6	15.7

'Better' Overall Business Situation is optimistic.

Table 23: Business Sentiments

Quarter	Business Assessment Index (BAI)	Business Expectations Index (BEI)
Q1:2019-20	108.4	113.5
Q2:2019-20	92.5	112.8
Q3:2019-20	93.0	102.2
Q4:2019-20	102.2	105.0
Q1:2020-21	55.3	108.8
Q2:2020-21		99.5