

## **Industrial Outlook Survey- Q2:2015-16 (Round 71)<sup>1</sup>**

The Industrial Outlook Survey conducted during July-September 2015, provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q2:2015-16** and their **expectation** for the ensuing quarter **Q3:2015-16**. The survey elicited response from 1,304 manufacturing companies.

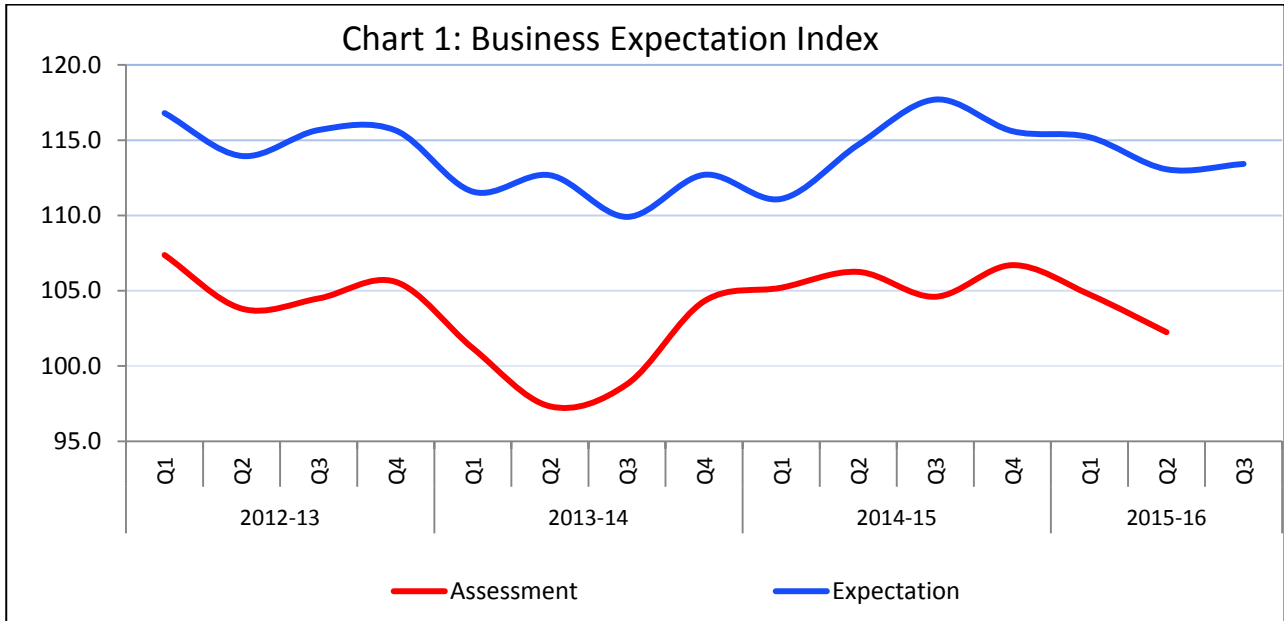
### **Highlights:**

<b>Summary Table: Net response<sup>2</sup> ( NR in %) <u>comparison over previous quarter</u></b>				
<b>Indicator</b>	<b>Assessment period</b>		<b>Expectation period</b>	
	<b>Q1:2015-16</b>	<b>Q2:2015-16</b>	<b>Q2:2015-16</b>	<b>Q3:2015-16</b>
Production	16.3	15.2	28.9	29.2
Order Books	13.2	11.4	25.8	25.5
Pending Orders	13.6	13.5	8.5	7.6
Capacity Utilisation	6.7	3.6	17.6	17.5
Exports	10.1	5.7	19.6	16.7
Imports	10.7	8.4	9.9	9.2
Employment	7.4	5.9	9.9	9.6
Overall Financial Situation	14.4	13.5	25.1	26.0
Cost of Finance	-12.1	-11.4	-8.7	-7.6
Cost of Raw Material	-35.9	-24.8	-32.9	-28.1
Selling price	3.1	-4.0	7.9	6.2
Profit Margin	-14.2	-16.9	-1.6	-1.3
Business Situation	19.6	13.9	32.0	31.6
Salary	34.2	28.9	27.3	22.0
Inventory of raw material	-7.7	-6.3	-6.0	-5.1
Inventory of finished goods	-10.9	-10.6	-8.2	-5.3
Business Expectation Index <sup>3</sup>	104.8	102.4	113.1	113.4

<sup>1</sup>The 70<sup>th</sup> round (Q1:2015-16) survey results were released on [August 4, 2015](#) on the RBI website. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India.

<sup>2</sup> 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 'Optimism', and D is the percentage response of '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 (details are indicated in the relevant tables).

<sup>3</sup> The Business Expectation Index (BEI) is a composite indicator calculated as weighted (share of GVA of different industry group) net response of nine business indicators. The nine indicators 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. 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 (Q2:2015-16)**

- Lower level of optimism is observed in the major indicators such as selling price, exports, imports, profit margin, production, order books, capacity utilisation, employment, financial situation, availability of finance 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 (104.8 to 102.4).

#### **Expectation Quarter (Q3:2015-16)**

- The outlook on business sentiments remained range bound in the third quarter of 2015-16.
- This could be attributed to the reduced pessimism in inventory of raw material, inventory of finished goods along with the reduced optimism in exports. Also reduced pessimism is observed in cost of finance and cost of raw material.

**Table 1: Assessment & Expectation for Production**(Percentage responses)<sup>®</sup>

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response#	Increase	Decrease	No change	Net response
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	1304	34.1	18.9	46.9	15.2	40.3	11.4	48.3	28.9
Q3:2015-16						40.5	11.3	48.2	29.2

'Increase' in production is optimistic.

<sup>®</sup>: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
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	1304	31.1	19.7	49.3	11.4	37.4	11.6	51.0	25.8
Q3:2015-16						37.4	11.9	50.8	25.5

'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
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	1304	18.6	5.1	76.3	13.5	14.6	6.1	79.4	8.5
Q3:2015-16						14.1	6.5	79.4	7.6

Pending orders 'Below Normal' is optimistic.

**Table 4: Assessment & Expectation for Capacity Utilisation**

(Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q2:2014-15	Q3:2014-15	Q4:2014-15	Q1:2015-16	Q2:2015-16	Q3:2014-15	Q4:2014-15	Q1:2015-16	Q2:2015-16	Q3:2015-16
Capacity Utilisation (CU)- (main product)	Increase	23.8	22.4	23.5	23.3	21.7	29.5	28.2	27.5	27.7	27.8
	No Change	59.5	60.1	61.2	60.0	60.2	60.9	61.6	63.7	62.1	62.0
	Decrease	16.7	17.5	15.3	16.7	18.1	9.6	10.2	8.8	10.2	10.2
	Net Response	7.1	4.9	8.2	6.7	3.6	19.9	18.1	18.7	17.6	17.5
Level of CU (compared to the average in last 4 quarters)	Above normal	8.7	9.6	10.6	10.2	8.8	10.0	10.6	12.1	10.5	9.2
	Normal	72.3	70.8	70.6	71.3	71.9	77.3	76.8	75.6	75.5	77.6
	Below Normal	19.0	19.5	18.9	18.6	19.3	12.7	12.6	12.3	13.9	13.1
	Net Response	-10.3	-9.9	-8.3	-8.4	-10.5	-2.7	-2.0	-0.2	-3.4	-3.9
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	13.3	14.0	14.7	15.1	14.1	13.0	12.7	13.9	15.8	14.4
	Adequate	78.7	77.0	76.9	76.9	78.3	80.9	80.4	79.2	77.5	78.8
	Less than adequate	8.0	9.0	8.5	8.0	7.7	6.1	6.9	6.9	6.8	6.8
	Net Response	5.3	5.0	6.2	7.2	6.4	6.9	5.8	7.0	9.0	7.5

'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
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	1304	23.5	17.8	58.7	5.7	27.5	8.0	64.5	19.6
Q3:2015-16						27.3	10.6	62.1	16.7

'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
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	1304	18.8	10.4	70.7	8.4	18.0	8.1	73.9	9.9
Q3:2015-16						18.0	8.8	73.2	9.2

'Increase' in imports is optimistic.

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

(Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q2:2014-15	Q3:2014-15	Q4:2014-15	Q1:2015-16	Q2:2015-16	Q3:2014-15	Q4:2014-15	Q1:2015-16	Q2:2015-16	Q3:2015-16
Inventory of raw material	Below average	8.4	8.3	8.4	6.5	7.4	6.1	5.6	7.1	5.5	5.5
	Average	79.4	79.7	77.5	79.3	78.9	84.0	84.6	83.0	83.0	83.9
	Above average	12.3	12.0	14.1	14.2	13.7	9.9	9.8	10.0	11.5	10.6
	Net Response	-3.9	-3.6	-5.7	-7.7	-6.3	-3.8	-4.3	-2.9	-6.0	-5.1
Inventory of finished goods	Below average	7.5	8.4	8.1	7.2	6.9	6.7	6.1	5.8	6.4	6.3
	Average	76.7	75.6	73.8	74.7	75.6	82.6	83.1	80.9	78.9	82.1
	Above average	15.8	16.0	18.2	18.1	17.5	10.8	10.8	13.4	14.6	11.6
	Net Response	-8.3	-7.6	-10.1	-10.9	-10.6	-4.1	-4.7	-7.6	-8.2	-5.3

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

**Table 8: Assessment & Expectation for Employment Outlook**

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	1304	15.2	9.3	75.5	5.9	16.5	6.6	76.8	9.9
Q3:2015-16						15.7	6.1	78.2	9.6

'Increase' in employment is optimistic.

**Table 9: Assessment & Expectation for Overall Financial Situation** (Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Better	Worse	No change	Net response	Better	Worse	No change	Net response
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	1304	27.5	14.0	58.6	13.5	34.2	9.1	56.7	25.1
Q3:2015-16						34.8	8.8	56.4	26.0

'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
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	1304	30.2	6.0	63.8	24.2	29.6	4.7	65.7	25.0
Q3:2015-16						29.9	4.3	65.8	25.5

'Increase' in working capital finance is optimistic.

**Table 11: Assessment & Expectation for Availability of Finance**

(Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q2:2014-15	Q3:2014-15	Q4:2014-15	Q1:2015-16	Q2:2015-16	Q3:2014-15	Q4:2014-15	Q1:2015-16	Q2:2015-16	Q3:2015-16
Availability of finance (from internal accruals)	Improve	23.5	23.0	22.9	21.5	21.1	26.5	26.3	24.7	23.9	23.5
	No Change	65.7	66.1	66.8	68.3	68.1	66.8	66.9	68.8	68.9	69.8
	Worsen	11.1	10.9	10.3	10.1	10.8	6.8	6.8	6.6	7.2	6.7
	Net Response	12.1	12.1	12.6	11.4	10.4	19.7	19.4	18.1	16.7	16.8
Availability of Finance (from banks & other sources)	Improve	18.8	19.7	20.3	19.1	19.3	20.8	20.5	22.6	21.2	20.0
	No Change	74.4	73.1	72.8	75.6	75.0	75.1	75.1	72.4	75.0	76.3
	Worsen	6.8	7.3	6.9	5.4	5.7	4.2	4.4	4.9	3.8	3.8
	Net Response	12.0	12.4	13.4	13.7	13.6	16.6	16.1	17.7	17.3	16.2
Availability of Finance (from overseas, if applicable)	Improve	8.8	11.4	15.0	13.0	11.1	10.8	12.4	14.4	12.9	11.5
	No Change	86.1	82.9	79.4	82.2	83.9	86.3	83.8	81.6	83.6	85.0
	Worsen	5.1	5.7	5.6	4.8	5.0	2.9	3.8	4.0	3.5	3.5
	Net Response	3.7	5.8	9.4	8.2	6.1	7.9	8.6	10.4	9.3	8.0

'Improvement' 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
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	1304	9.4	20.8	69.7	-11.4	9.9	18.7	71.4	-8.7
Q3:2015-16						10.2	17.9	71.9	-7.6

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
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	1304	13.2	38.1	48.7	-24.8	5.2	38.1	56.6	-32.9
Q3:2015-16						7.1	35.2	57.7	-28.1

'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
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	1304	15.8	19.8	64.4	-4.0	19.5	11.6	68.8	7.9
Q3:2015-16						18.3	12.2	69.5	6.2

'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
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	1304	13.1	30.0	56.9	-16.9	18.5	20.0	61.5	-1.6
Q3:2015-16						18.4	19.7	61.9	-1.3

'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
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	1304	30.2	16.3	53.6	13.9	40.3	8.2	51.5	32.0
Q3:2015-16						39.9	8.3	51.8	31.6

'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
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	1304	31.7	2.8	65.6	28.9	30.0	2.7	67.3	27.3
Q3:2015-16						24.3	2.3	73.4	22.0

'Increase in Salary / other remuneration' is optimistic.

**Table 18: Business Expectation Index (BEI)**

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
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	102.4	113.1
Q3:2015-16		113.4