

Quarterly Industrial Outlook Survey: July-September 2012 (Round 59)*

This article presents the findings of Industrial Outlook Survey conducted for July-September 2012 quarter, 59th round in the series. The survey provides an assessment of business situation of companies in manufacturing sector, for the quarter July-September 2012 (Q2:2012-13), and their expectations for the ensuing quarter October-December 2012 (Q3:2012-13). The results of the survey reflect further weakening of business sentiments in Q2:2012-13 which was reflected in the outlook of the previous round of the survey. The Business Expectation Index (BEI), a composite indicator based on several business parameters, declined further for the assessment quarter and reached a level seen at the onset of financial crisis in Q3:2008-09. However, the outlook for the ensuing quarter i.e., Q3:2012-13 is marginally better. The indices still remained in the growth terrain (i.e., above 100, which is the threshold that separates contraction from expansion).

I. Introduction:

The Reserve Bank of India has been conducting the Industrial Outlook Survey on a quarterly basis since 1998. The Survey gives insight into the perception of the public and private limited companies engaged in manufacturing activities about their own performance and prospects. The assessment of business sentiments for the current quarter and expectations for the ensuing quarter are based on qualitative responses on 20 major parameters¹ covering broadly demand condition and financial

* Prepared in the Division of Enterprise Surveys of Department of Statistics and Information Management. The previous article on the subject based on the 58th survey round (April-June 2012) was published in August 2012 Bulletin. The survey results are based on the replies of the respondents and are not necessarily shared by the Reserve Bank of India.

¹ The parameters are given in Block 5 of the survey schedule which has been provided in the article Quarterly Industrial Outlook Survey: October-December 2011 (Round 56) in February 2012 Bulletin.

situation. The survey provides useful forward-looking inputs for policymakers, analysts and business alike.

II. Data Coverage and Methodology

The survey schedule is canvassed among 2,000 public and private limited companies in the manufacturing sector, mostly with paid-up capital above ₹5 million each. The panel of respondents was chosen so as to get a good representation of size and industry. The fieldwork for the survey is carried out by an external agency. The survey elicited response from 1,561 manufacturing companies in the current round (response rate around 78 per cent).

The analysis is based on 'net response' on various parameters. 'Net response' is the percentage difference between the *optimistic* (i.e., positive) and the *pessimistic* (i.e., negative) responses and responses indicating *status quo* (i.e., no change) are not reckoned. Higher 'net response' indicates higher level of optimism and *vice versa*.

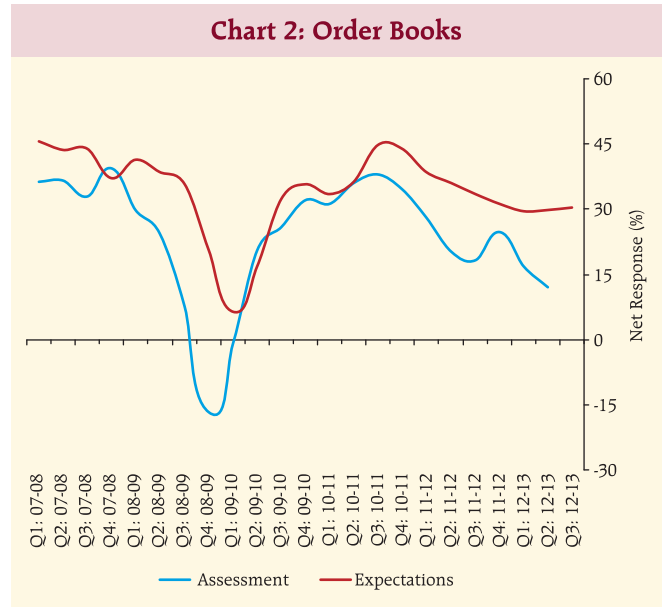
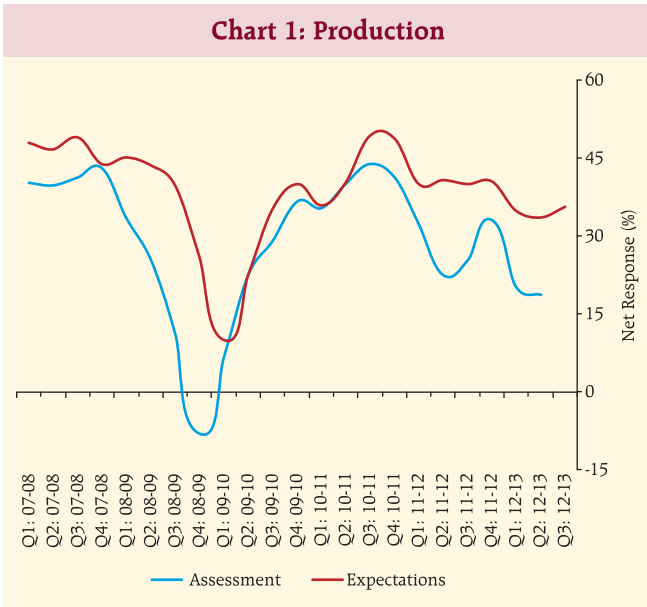
III. Survey Findings

III.1 Demand condition

The survey collects perceptions of the Indian manufacturers about prominent demand related parameters, namely, production, order books, capacity utilisation, inventory, exports and imports. The assessment on all the above parameters revealed that demand conditions further weakened in Q2:2012-13. However, the outlook for Q3: 2012-13 showed marginal improvement.

III.1.1 Production

The assessed net response on production declined continuously since last year with the



exception of Q4:2011-12. One quarter ahead outlook also showed lower optimism in 2011-12 and it worsened in the first two quarters of 2012-13. Outlook for Q3:2012-13, however, improved marginally. The pattern was quite similar for other variables like order books, capacity utilisation *etc.* (Charts 1 to 4, Tables 1, 2, 3 and 4). However, positive net response is indicative of continued growth.

III.1.2 Exports and Imports

Net responses on exports and imports have generally been lower than those on production or order books. The sentiments weakened further during the assessment quarter of Q2:2012-13. Outlook for Q3:2012-13 also was less optimistic (Tables 5 & 6 and Charts 5 & 6).

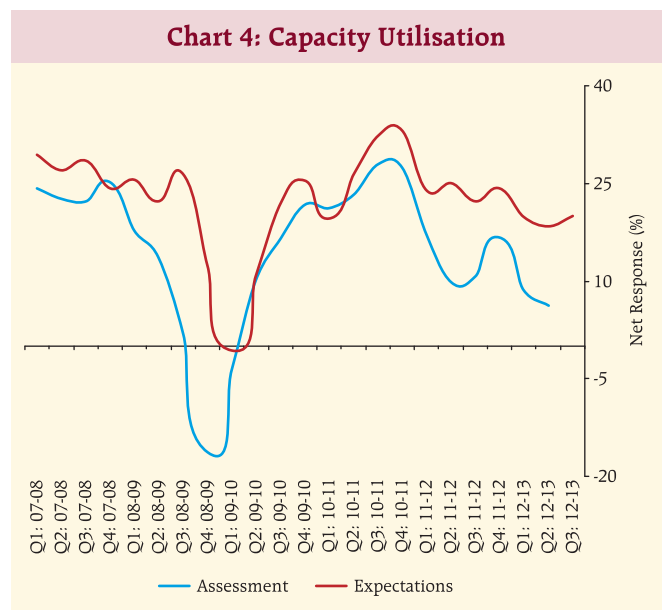
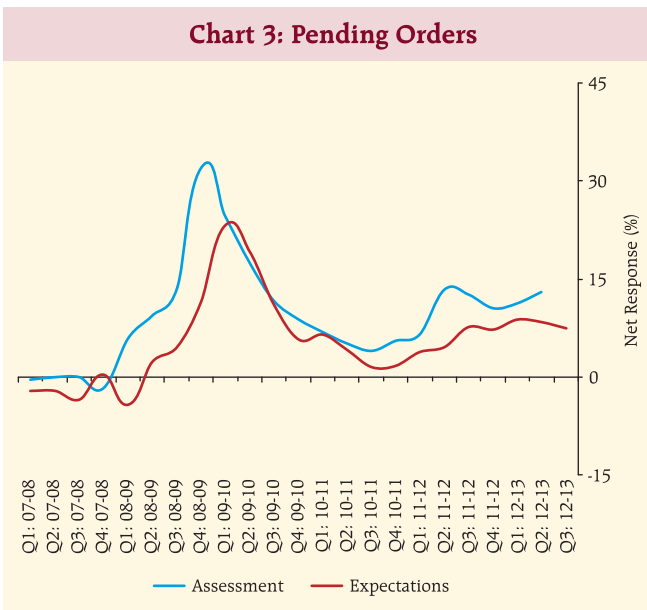


Table 1: Assessment & Expectations for Production

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Oct-Dec 09	1,256	44.0	15.2	40.8	28.9	46.0	11.0	43.0	35.0
Jan-Mar 10	1,079	49.0	12.5	38.5	36.5	48.8	8.8	42.3	40.0
Apr-Jun 10	1,092	48.4	13.0	38.6	35.4	45.8	9.9	44.3	35.9
Jul-Sep 10	1,403	51.6	11.6	36.8	40.0	49.7	9.4	40.9	40.2
Oct-Dec 10	1,561	53.9	10.0	36.0	43.9	55.9	6.8	37.3	49.1
Jan-Mar 11	1,524	52.1	10.7	37.1	41.4	55.4	6.8	37.7	48.6
Apr-Jun 11	1,504	47.8	15.7	36.5	32.1	49.1	9.1	41.8	40.0
Jul-Sep 11	1,528	40.8	18.3	40.9	22.6	49.6	9.0	41.5	40.6
Oct-Dec 11	1,450	42.2	16.9	41.0	25.3	49.5	9.5	41.0	39.9
Jan-Mar 12	1,234	45.6	12.5	41.9	33.1	49.8	9.5	40.7	40.4
Apr-Jun 12	1,404	38.8	18.5	42.7	20.3	45.4	10.6	44.0	34.7
Jul-Sep 12	1,561	37.9	19.2	42.9	18.8	45.4	11.7	42.9	33.6
Oct-Dec 12						46.1	10.4	43.4	35.7

Due to rounding off percentage may not add up to 100. This is applicable throughout the article.
'Increase' in production is optimistic.

III.1.3 Inventory of Raw Materials & Finished Goods

Generally, around 80 per cent of the respondents reported 'no change' in the average level of inventory of raw materials and finished goods on a quarterly basis. Of the remaining, slightly higher percentage of respondents reported carrying above average level of

inventory in the assessment quarter. This is, however, not reflected in the outlook for the ensuing quarter (Table 7)

III.1.4 Employment Situation

In various rounds of the survey, more than 90 per cent of the respondent companies reported maintaining the workforce at the same level or

Table 2: Assessment & Expectations for Order Books

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Oct-Dec 09	1,256	39.5	13.6	46.8	25.9	43.5	11.2	45.3	32.3
Jan-Mar 10	1,079	43.5	11.6	44.9	31.9	44.8	9.1	46.1	35.8
Apr-Jun 10	1,092	41.8	10.5	47.7	31.3	42.3	8.9	48.8	33.4
Jul-Sep 10	1,403	45.4	9.3	45.3	36.1	44.4	8.1	47.5	36.3
Oct-Dec 10	1,561	46.9	9.1	44.0	37.9	49.8	5.1	45.1	44.8
Jan-Mar 11	1,524	44.8	10.1	45.2	34.7	49.6	5.6	44.8	44.0
Apr-Jun 11	1,504	42.5	14.4	43.0	28.1	45.9	7.5	46.6	38.4
Jul-Sep 11	1,528	37.9	17.6	44.5	20.3	45.4	9.4	45.2	35.9
Oct-Dec 11	1,450	36.9	18.5	44.6	18.4	43.5	10.1	46.4	33.4
Jan-Mar 12	1,234	38.9	14.1	47.0	24.8	42.3	11.0	46.7	31.3
Apr-Jun 12	1,404	34.2	17.3	48.5	16.9	39.3	9.8	50.9	29.5
Jul-Sep 12	1,561	31.9	19.8	48.3	12.0	41.0	11.1	47.9	29.9
Oct-Dec 12						41.2	10.9	48.0	30.3

'Increase' in order books is optimistic.

Table 3: Assessment & Expectations for Pending Orders

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Below Normal	Above Normal	Normal	Net response	Below Normal	Above Normal	Normal	Net response
Oct-Dec 09	1,256	17.1	5.6	77.3	11.6	15.2	4.2	80.6	11.0
Jan-Mar 10	1,079	15.5	6.7	77.8	8.8	12.2	6.5	81.3	5.7
Apr-Jun 10	1,092	14.3	7.4	78.3	6.9	12.9	6.4	80.7	6.5
Jul-Sep 10	1,403	12.0	6.9	81.1	5.1	11.4	7.3	81.3	4.2
Oct-Dec 10	1,561	11.6	7.6	80.8	3.9	8.8	7.3	83.9	1.5
Jan-Mar 11	1,524	12.5	6.9	80.6	5.5	9.8	8.1	82.1	1.7
Apr-Jun 11	1,504	13.3	6.7	80.0	6.5	10.4	6.6	83.0	3.9
Jul-Sep 11	1,528	18.0	4.7	77.3	13.3	11.8	7.2	81.0	4.5
Oct-Dec 11	1,450	17.5	5.0	77.5	12.6	13.6	6.0	80.4	7.6
Jan-Mar 12	1,234	15.9	5.4	78.7	10.5	13.7	6.5	79.8	7.3
Apr-Jun 12	1,404	17.0	5.7	77.3	11.3	13.3	4.6	82.1	8.8
Jul-Sep 12	1,561	18.7	5.6	75.7	13.1	14.6	6.2	79.2	8.4
Oct-Dec 12						14.4	7.0	78.6	7.4

Pending Orders 'Below Normal' is optimistic.

increase in the level of employment. However, in the last two rounds of survey, slightly higher percentage of the respondents assessed a decline in their workforce. Going forward, the trend has been reversed and the net response on employment rose marginally for Q3:2012-13 (Table 8, Chart 7).

Table 4: Assessment & Expectations for Capacity Utilisation

(Percentage responses) #

Parameter	Options	Assessment for Quarter		Expectations for Quarter	
		Apr-Jun 12	Jul-Sep 12	Jul-Sep 12	Oct-Dec 12
Capacity Utilisation (main product)	Increase	25.8	24.0	30.4	30.4
	No Change	57.1	58.3	57.6	59.3
	Decrease	17.1	17.7	12.0	10.3
	Net Response	8.6	6.3	18.4	20.0
Level of Capacity Utilisation (compared to the average in last 4 quarters)	Above normal	10.1	9.7	11.4	10.3
	Normal	71.9	71.3	75.6	77.4
	Below Normal	17.9	18.9	13.0	12.3
	Net Response	-7.8	-9.2	-1.5	-2.0
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	12.4	13.1	13.0	13.0
	Adequate	79.6	79.0	80.0	80.5
	Less than adequate	8.0	7.9	7.1	6.4
	Net Response	4.4	5.2	5.9	6.6

'Increase' in Capacity utilisation is optimistic.

III.2 Financial Situation

The survey assesses sentiments about the financial situations based on several parameters. While the respondents are required to evaluate the overall financial situation, responses are specifically obtained on availability of finance (in the form of both equity and debt), cost of external finance, cost of raw material, selling price and profit margin.

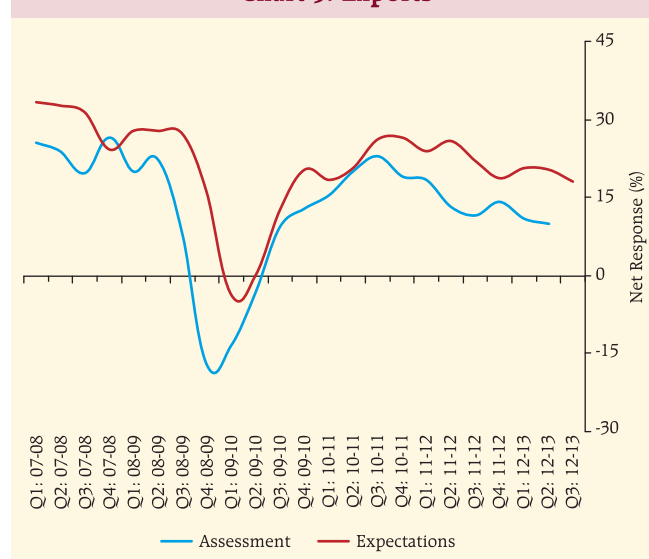
Chart 5: Exports

Table 5: Assessment & Expectations for Exports

(Percentage responses) #

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Oct-Dec 09	1,256	27.3	18.1	54.6	9.2	27.0	14.5	58.5	12.5
Jan-Mar 10	1,079	28.9	16.2	54.9	12.7	31.2	11.0	57.8	20.2
Apr-Jun 10	1,092	29.1	13.7	57.2	15.3	30.0	11.5	58.5	18.5
Jul-Sep 10	1,403	31.8	11.8	56.5	20.0	30.8	10.1	59.1	20.7
Oct-Dec 10	1,561	34.4	11.4	54.2	23.1	34.4	8.3	57.3	26.1
Jan-Mar 11	1,524	32.1	13.2	54.7	18.9	34.4	8.1	57.5	26.3
Apr-Jun 11	1,504	31.8	13.6	54.6	18.2	33.4	9.4	57.1	24.0
Jul-Sep 11	1,528	28.7	15.7	56.6	13.1	35.1	9.2	55.7	25.8
Oct-Dec 11	1,450	26.8	15.3	57.9	11.5	32.7	10.6	56.8	22.1
Jan-Mar 12	1,234	27.8	13.6	58.6	14.2	29.0	10.4	60.6	18.6
Apr-Jun 12	1,404	25.7	14.9	59.4	10.8	30.1	9.4	60.5	20.7
Jul-Sep 12	1,561	25.3	15.2	59.5	10.0	31.0	10.5	58.5	20.5
Oct-Dec 12						29.0	10.9	60.1	18.0

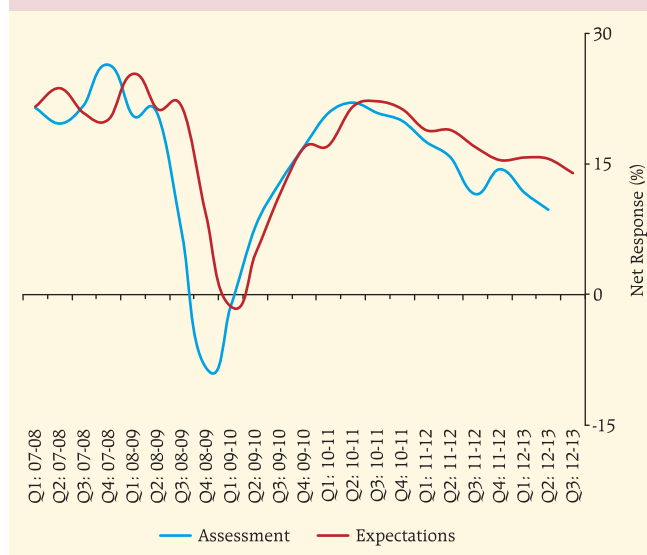
'Increase' in exports is optimistic.

III.2.1 Overall Financial Situation

Optimism level for overall financial situation has been declining since Q4:2010-11 and it went down further in the assessment quarter. Marginal improvement is expected for the ensuing quarter (Table 9, Chart 8).

III.2.2 Availability of Finance

The sentiment for availability of finance also showed similar trend (Table 11, Chart 9). Beginning from Q4:2010-11, while slightly higher percentage of respondents perceived availability of finance to have worsened, responses for improvement in the financial situation have also been lower.

Chart 6: Imports**Table 6: Assessment & Expectations for Import**

(Percentage responses) #

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Oct-Dec 09	1,256	23.3	10.3	66.5	13.0	21.3	9.8	68.9	11.5
Jan-Mar 10	1,079	25.5	8.4	66.1	17.1	23.4	6.5	70.1	16.9
Apr-Jun 10	1,092	27.7	6.8	65.6	20.9	22.9	5.9	71.2	17.1
Jul-Sep 10	1,403	28.6	6.6	64.7	22.0	27.0	5.4	67.6	21.7
Oct-Dec 10	1,561	27.3	6.4	66.3	20.9	27.3	5.1	67.6	22.2
Jan-Mar 11	1,524	27.0	7.1	65.8	19.9	26.7	5.4	67.9	21.3
Apr-Jun 11	1,504	25.0	7.4	67.6	17.6	25.1	6.2	68.6	18.9
Jul-Sep 11	1,528	23.3	7.6	69.2	15.7	25.1	6.1	68.9	19.0
Oct-Dec 11	1,450	20.8	9.3	69.9	11.6	23.1	6.2	70.7	16.9
Jan-Mar 12	1,234	22.5	8.0	69.5	14.4	23.0	7.5	69.4	15.5
Apr-Jun 12	1,404	21.8	10.1	68.1	11.6	22.4	6.7	70.8	15.7
Jul-Sep 12	1,561	20.7	10.9	68.5	9.8	22.9	7.4	69.7	15.5
Oct-Dec 12						22.1	8.1	69.8	14.0

'Increase' in imports is optimistic.

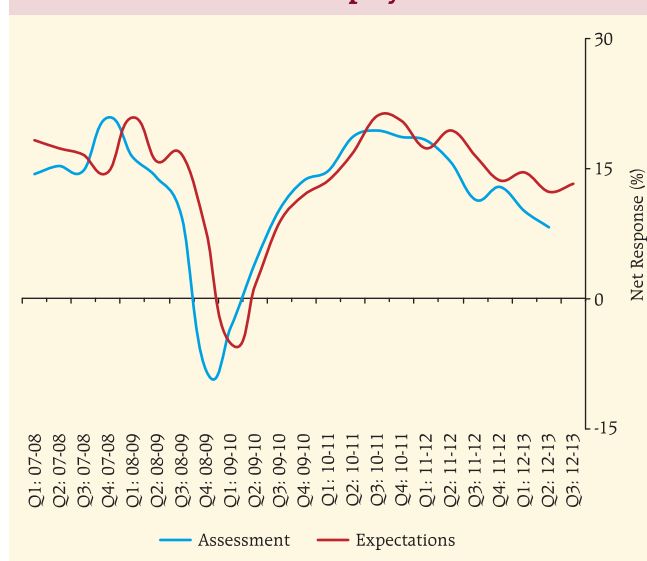
Table 7: Assessment & Expectations for level of Inventory (Raw material and Finished goods)

(Percentage responses) #

Parameter	Options	Assessment for Quarter		Expectations for Quarter	
		Apr-Jun 12	Jul-Sep 12	Jul-Sep 12	Oct-Dec 12
Inventory of raw material	Below average	8.0	6.9	6.6	5.1
	Average	81.0	80.9	83.7	85.2
	Above average	11.0	12.3	9.7	9.7
	Net Response	-2.9	-5.4	-3.1	-4.7
Inventory of Finished goods	Below average	6.8	7.0	7.2	6.1
	Average	81.6	78.5	83.6	83.9
	Above average	11.7	14.5	9.2	10.0
	Net Response	-4.9	-7.4	-2.1	-4.0

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

Chart 7: Employment



III.2.3 Cost of Finance

The sentiment on cost of finance has remained negative for a long time with the lowest level reached in Q3:2011-12. The net response improved gradually thereafter and percentage of respondents who experienced higher cost of finance over the previous quarter declined in Q2:2012-13. Similarly, a lower

percentage of respondents expect the cost of finance to rise in Q3:2012-13 (Table 12).

III.2.4 Cost of Raw Material

The sentiment on cost of raw materials has remained strongly negative in the last few years. However, the current round of survey pointed to some improvement in the situation. Percentage of

Table 8: Assessment & Expectations for Employment Outlook

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Oct-Dec 09	1,256	18.2	7.9	73.9	10.3	15.8	7.0	77.2	8.8
Jan-Mar 10	1,079	21.0	7.3	71.7	13.7	18.2	6.1	75.6	12.1
Apr-Jun 10	1,092	21.7	7.0	71.3	14.7	19.5	5.9	74.7	13.6
Jul-Sep 10	1,403	25.1	6.3	68.6	18.7	21.8	5.1	73.1	16.8
Oct-Dec 10	1,561	24.8	5.4	69.9	19.4	24.7	3.6	71.7	21.0
Jan-Mar 11	1,524	24.3	5.6	70.1	18.7	25.0	4.3	70.7	20.6
Apr-Jun 11	1,504	24.3	6.1	69.6	18.2	23.0	5.6	71.4	17.4
Jul-Sep 11	1,528	22.7	7.1	70.2	15.6	24.0	4.6	71.5	19.4
Oct-Dec 11	1,450	18.9	7.6	73.5	11.3	21.7	5.2	73.1	16.5
Jan-Mar 12	1,234	19.8	6.9	73.3	12.9	19.3	5.7	75.0	13.6
Apr-Jun 12	1,404	19.8	9.7	70.5	10.0	19.9	5.2	74.9	14.6
Jul-Sep 12	1,561	17.9	9.6	72.5	8.3	20.5	8.3	71.2	12.3
Oct-Dec 12						19.2	5.9	74.9	13.3

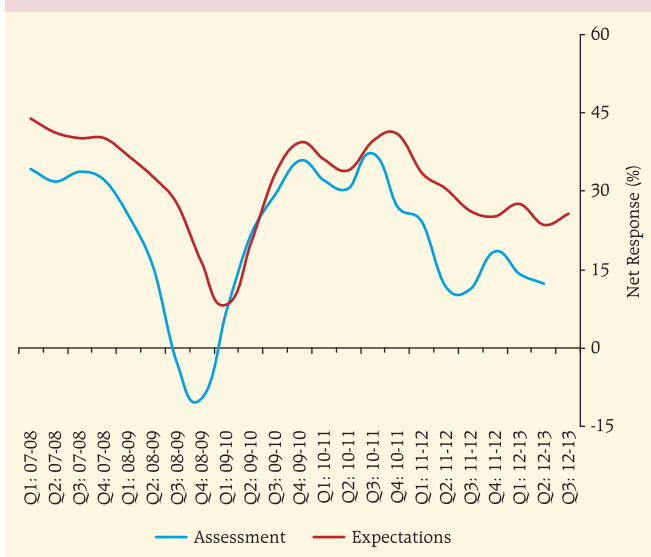
'Increase' in employment is optimistic.

Table 9: Assessment & Expectations for Overall Financial Situation

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Oct-Dec 09	1,256	38.8	9.3	51.8	29.5	40.5	7.0	52.5	33.5
Jan-Mar 10	1,079	42.3	6.5	51.3	35.8	44.3	5.0	50.6	39.3
Apr-Jun 10	1,092	39.1	6.9	54.0	32.2	41.6	5.3	53.1	36.3
Jul-Sep 10	1,403	38.7	8.1	53.2	30.6	39.7	5.6	54.8	34.1
Oct-Dec 10	1,561	42.8	5.7	51.5	37.1	44.9	5.3	49.7	39.6
Jan-Mar 11	1,524	35.7	8.6	55.8	27.1	45.5	4.4	50.1	41.1
Apr-Jun 11	1,504	34.5	10.4	55.0	24.1	38.6	5.2	56.1	33.4
Jul-Sep 11	1,528	27.8	16.0	56.2	11.7	37.4	6.8	55.7	30.6
Oct-Dec 11	1,450	28.1	16.9	55.0	11.2	35.5	9.2	55.3	26.3
Jan-Mar 12	1,234	30.4	11.9	57.8	18.5	35.3	10.2	54.5	25.2
Apr-Jun 12	1,404	27.8	13.5	58.7	14.2	35.7	8.1	56.2	27.7
Jul-Sep 12	1,561	27.1	14.9	58.0	12.2	33.2	9.5	57.3	23.6
Oct-Dec 12						34.8	9.0	56.2	25.8

'Better' Overall financial situation is optimistic.

Chart 8: Overall Financial Situation

respondents reporting/expecting further increase in price in the assessment/expectation quarter has reduced from the previous round (Table 13, Chart 10).

III.2.5 Selling price

While more than 60 per cent of the respondents reported increase in the cost of raw materials in the assessment quarter, less than 30 per cent of the respondents were able to raise their selling prices. This may be indicative of lack of pricing power of the manufacturers in the recent past. However, slightly higher optimism with respect to selling price was observed in the last three quarters. The outlook for Q3:2012-13 reversed this trend (Table 14, Chart 11).

Table 10: Assessment & Expectations for Working Capital Finance Requirement

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Oct-Dec 09	1,256	35.2	6.4	58.4	28.8	34.7	4.3	61.0	30.4
Jan-Mar 10	1,079	35.8	5.3	58.9	30.5	36.8	4.0	59.2	32.7
Apr-Jun 10	1,092	34.7	4.8	60.5	29.9	31.9	4.3	63.8	27.7
Jul-Sep 10	1,403	35.6	6.3	58.1	29.3	35.2	4.1	60.7	31.1
Oct-Dec 10	1,561	41.3	4.1	54.6	37.1	38.4	3.6	58.0	34.8
Jan-Mar 11	1,524	41.0	4.1	54.9	36.9	40.7	3.0	56.3	37.8
Apr-Jun 11	1,504	41.1	5.4	53.5	35.7	37.4	4.4	58.2	32.9
Jul-Sep 11	1,528	36.8	5.7	57.4	31.1	38.7	5.1	56.3	33.6
Oct-Dec 11	1,450	38.9	5.7	55.4	33.3	38.4	4.2	57.5	34.2
Jan-Mar 12	1,234	40.0	5.1	54.8	34.9	38.0	4.2	57.8	33.8
Apr-Jun 12	1,404	36.6	6.1	57.3	30.4	36.2	4.3	59.6	31.9
Jul-Sep 12	1,561	37.5	6.8	55.8	30.7	34.9	4.8	60.3	30.1
Oct-Dec 12						37.3	4.4	58.3	32.9

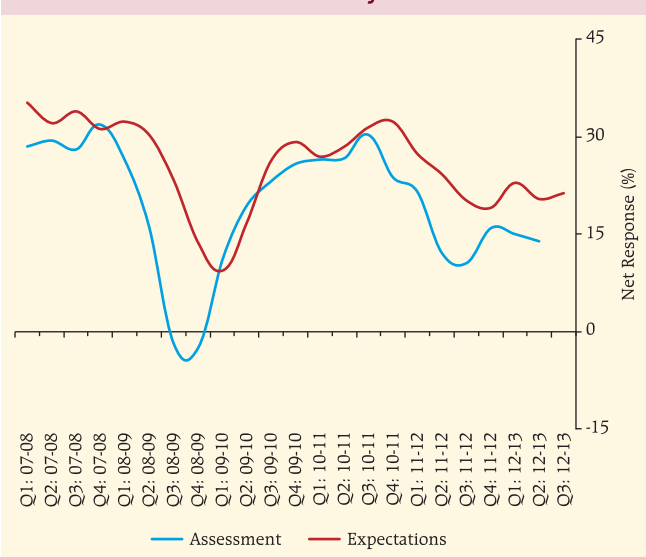
'Increase' in working capital finance is optimistic.

Table 11: Assessment & Expectations for Availability of Finance

(Percentage responses) #

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Oct-Dec 09	1,256	30.3	7.2	62.5	23.0	31.7	5.6	62.7	26.1
Jan-Mar 10	1,079	32.1	6.4	61.5	25.7	33.7	4.5	61.8	29.2
Apr-Jun 10	1,092	32.3	5.9	61.8	26.4	31.2	4.4	64.4	26.8
Jul-Sep 10	1,403	32.6	6.0	61.4	26.6	32.9	4.4	62.7	28.5
Oct-Dec10	1,561	35.9	5.6	58.4	30.3	35.3	4.0	60.6	31.3
Jan-Mar 11	1,524	32.1	8.3	59.6	23.8	36.4	4.0	59.6	32.3
Apr-Jun 11	1,504	30.2	8.7	61.1	21.5	32.6	5.3	62.2	27.3
Jul-Sep11	1,528	24.0	12.0	64.0	12.1	30.0	5.8	64.2	24.2
Oct-Dec 11	1,450	24.1	13.7	62.2	10.4	28.7	8.5	62.7	20.2
Jan-Mar 12	1,234	26.1	10.3	63.5	15.8	28.2	9.1	62.7	19.0
Apr-Jun 12	1,404	26.2	11.1	62.7	15.0	29.9	7.0	63.1	22.9
Jul-Sep12	1,561	25.0	11.2	63.8	13.8	28.0	7.7	64.3	20.4
Oct-Dec 12						29.1	7.8	63.1	21.3

'Improvement' in Availability of finance is optimism

Chart 9: Availability of Finance

III.2.6 Profit margin

In line with lower pricing power, a higher percentage of respondents reported decrease in profit margin in the last few quarters. The trend remained the same for Q2:2012-13 while the corporates were evenly balanced in their outlook for the next quarter (Table 15 and Chart 12).

III.3 Overall Business Situation

III.3.1 Overall Business Situation

Optimism with respect to overall business situation has been declining since Q4: 2010-11. The net response moderated further in the assessment

Table 12: Assessment & Expectations for Cost of External Finance

(Percentage responses) #

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Jan-Mar 10	1,079	7.7	23.6	68.7	-15.9	6.8	25.1	68.1	-18.3
Apr-Jun 10	1,092	7.0	28.9	64.0	-21.9	6.1	26.8	67.1	-20.6
Jul-Sep 10	1,403	5.0	33.2	61.8	-28.3	5.7	29.0	65.3	-23.3
Oct-Dec10	1,561	4.0	37.9	58.1	-33.9	3.8	32.1	64.2	-28.3
Jan-Mar 11	1,524	3.5	46.0	50.6	-42.5	3.7	35.0	61.3	-31.3
Apr-Jun 11	1,504	3.5	52.5	44.1	-49.0	3.9	38.9	57.1	-35.0
July-Sep 11	1,528	3.5	53.7	42.9	-50.2	4.0	43.7	52.4	-39.7
Oct-Dec 11	1,450	2.9	53.4	43.7	-50.6	3.4	44.4	52.2	-41.0
Jan-Mar 12	1,234	3.8	41.1	55.1	-37.4	4.1	42.8	53.1	-38.8
Apr-Jun 12	1,404	7.3	37.8	54.9	-30.5	9.9	32.6	57.6	-22.7
Jul-Sep 12	1,561	5.8	33.1	61.1	-27.4	8.6	32.6	58.9	-24.0
Oct-Dec 12						7.6	28.1	64.3	-20.6

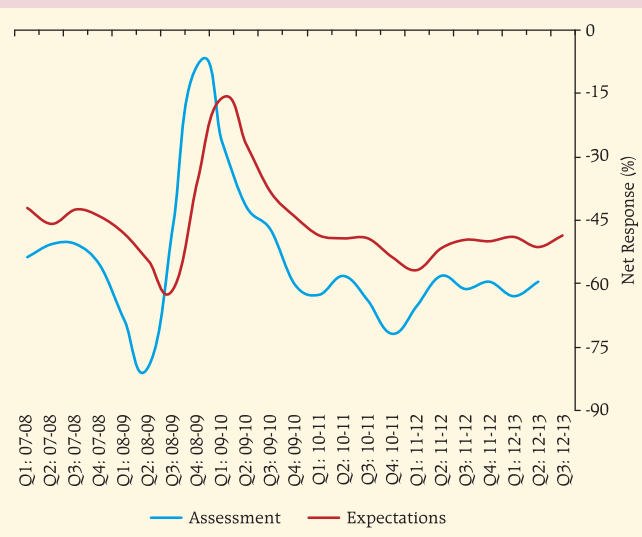
'Decrease' in cost of external finance is optimistic

Table 13: Assessment & Expectations for Cost of Raw Material

(Percentage responses) #

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Oct-Dec 09	1,256	6.3	53.4	40.3	-47.1	5.0	43.4	51.6	-38.4
Jan-Mar 10	1,079	2.2	62.3	35.5	-60.2	3.6	47.9	48.5	-44.3
Apr-Jun 10	1,092	2.5	65.2	32.3	-62.7	2.2	50.8	47.0	-48.6
Jul-Sep 10	1,403	3.5	61.8	34.7	-58.3	2.7	52.0	45.2	-49.3
Oct-Dec 10	1,561	2.4	66.3	31.3	-63.9	3.3	52.6	44.1	-49.3
Jan-Mar 11	1,524	1.7	73.7	24.6	-71.9	2.3	55.9	41.8	-53.6
Apr-Jun 11	1,504	4.5	70.0	25.6	-65.5	2.5	59.5	38.0	-57.0
July-Sep 11	1,528	5.3	63.3	31.4	-58.1	4.8	56.6	38.6	-51.7
Oct-Dec 11	1,450	5.1	66.3	28.7	-61.2	3.7	53.4	42.9	-49.7
Jan-Mar 12	1,234	3.4	62.7	33.9	-59.4	4.0	54.1	41.9	-50.1
Apr-Jun 12	1,404	3.1	66.2	30.7	-63.1	2.2	51.2	46.5	-49.0
Jul-Sep 12	1,561	3.0	62.6	34.4	-59.6	3.5	54.9	41.6	-51.4
Oct-Dec 12						3.5	52.1	44.3	-48.6

'Decrease' in cost of raw material is optimistic

Chart 10: Cost of Raw Material

quarter. However marginal improvement was expected in the ensuing quarter. (Table 16, Chart 13).

III.3.2 Business Expectation Index (BEI)

The BEI gives a single snapshot of the industrial outlook in each quarter. This index is computed as a weighted average of net responses from all the industries on nine select performance parameters where the weights are the industry's share in Gross Value Added (GVA). The selected parameters are 'overall business situation', 'production', 'order books', 'inventory of raw materials', 'inventory of finished goods', 'profit margin', 'employment', 'exports' and 'capacity utilisation'. The methodology

Table 14: Assessment & Expectations for Selling Price

(Percentage responses) #

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Oct-Dec 09	1,256	18.6	15.9	65.5	2.6	19.2	13.2	67.6	6.0
Jan-Mar 10	1,079	24.6	12.2	63.2	12.4	20.7	10.9	68.4	9.8
Apr-Jun 10	1,092	29.3	12.0	58.6	17.3	22.4	9.1	68.5	13.3
Jul-Sep 10	1,403	28.0	14.2	57.8	13.8	24.4	9.2	66.3	15.2
Oct-Dec 10	1,561	30.2	10.0	59.8	20.2	25.7	8.7	65.5	17.0
Jan-Mar 11	1,524	35.7	9.2	55.1	26.5	26.7	8.1	65.2	18.6
Apr-Jun 11	1,504	35.0	13.4	51.6	21.5	30.6	7.0	62.4	23.7
July-Sep 11	1,528	27.3	16.6	56.1	10.7	29.1	10.7	60.2	18.3
Oct-Dec 11	1,450	24.6	15.7	59.7	8.9	26.8	10.8	62.4	16.0
Jan-Mar 12	1,234	25.1	11.6	63.3	13.5	25.0	10.3	64.7	14.7
Apr-Jun 12	1,404	28.0	10.5	61.4	17.5	26.3	7.3	66.4	19.0
Jul-Sep 12	1,561	29.3	10.9	59.8	18.5	27.8	9.0	63.2	18.8
Oct-Dec 12						25.6	8.3	66.1	17.3

'Increase' in selling price is optimistic

Chart 11: Selling Prices

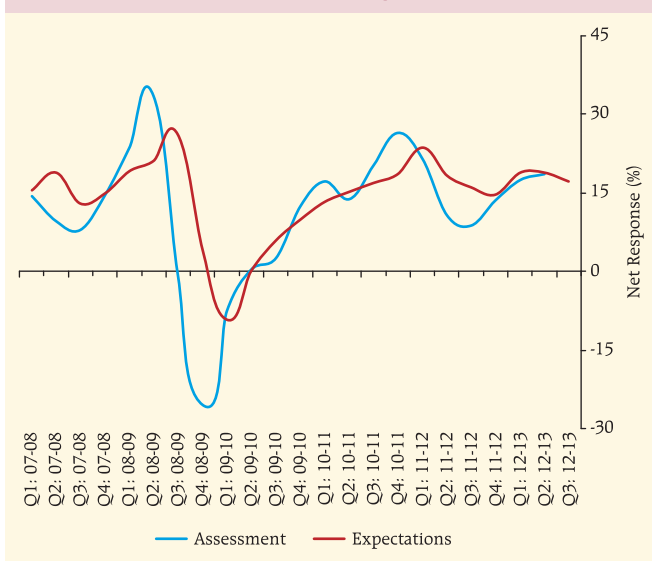
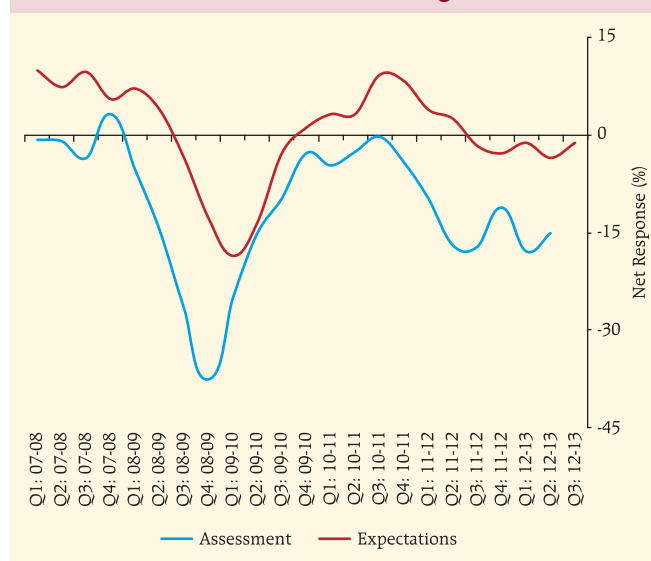


Chart 12: Profit Margin



for compilation of the BEI was given in the article *Quarterly Industrial Outlook Surveys: Trends since 2001* published in October 2009 Bulletin.

The results of this round showed that the BEI reached a level seen at the onset of financial crisis in Q3:2008-09. However the outlook for the ensuing quarter *i.e.*, Q3:2012-13 was marginally better. These indices have remained in the growth

terrain (*i.e.*, above 100, which is the threshold separating contraction from expansion) (Table 17, Chart 14).

III.3.3 Industry-wise and Size-wise Analysis

While at the aggregate level, business outlook for Q3:2012-13 marginally improved, in the case of cement and food products industries' optimism level

Table 15: Assessment & Expectations for Profit Margin

(Percentage responses) #

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Oct-Dec 09	1,256	18.1	28.0	54.0	-9.9	20.2	23.0	56.8	-2.8
Jan-Mar 10	1,079	21.7	24.6	53.9	-2.9	21.1	20.1	58.8	1.1
Apr-Jun 10	1,092	20.2	25.0	54.9	-4.8	22.1	18.9	59.0	3.2
Jul-Sep 10	1,403	21.3	23.9	54.8	-2.5	22.2	19.1	58.7	3.1
Oct-Dec 10	1,561	22.7	23.1	54.2	-0.4	25.2	16.1	58.7	9.2
Jan-Mar 11	1,524	20.8	25.1	54.1	-4.3	25.6	17.2	57.2	8.3
Apr-Jun 11	1,504	18.2	28.1	53.6	-9.9	22.2	18.4	59.4	3.8
Jul-Sep 11	1,528	15.2	32.3	52.5	-17.1	22.0	19.5	58.5	2.5
Oct-Dec 11	1,450	15.2	32.5	52.4	-17.3	20.3	21.9	57.8	-1.6
Jan-Mar 12	1,234	17.5	28.7	53.8	-11.3	20.1	23.1	56.8	-2.9
Apr-Jun 12	1,404	15.4	33.3	51.3	-17.9	20.4	21.6	58.0	-1.2
Jul-Sep 12	1,561	16.2	31.2	52.6	-15.1	20.1	23.6	56.3	-3.6
Oct-Dec 12						20.5	21.8	57.7	-1.3

'Increase' in Profit margin is optimistic.

Table 16: Assessment & Expectations for Overall Business Situation

(Percentage responses) #

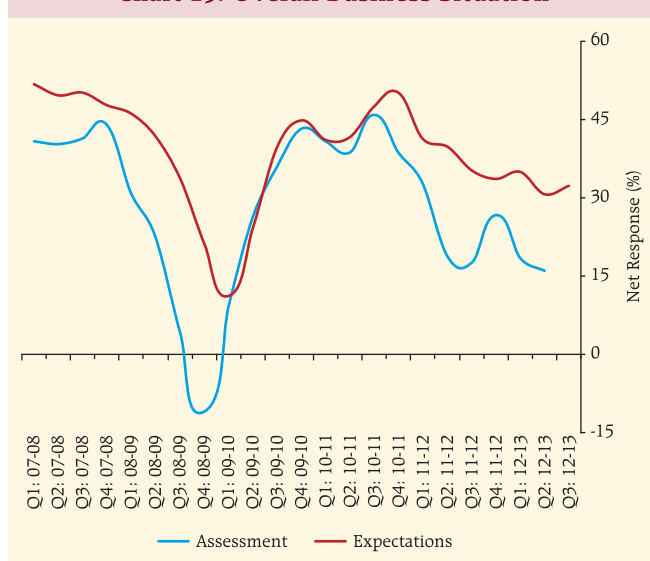
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Oct-Dec 09	1,256	46.0	10.1	43.9	36.0	47.2	7.4	45.4	39.8
Jan-Mar 10	1,079	50.5	7.4	42.1	43.1	50.4	5.5	44.2	44.9
Apr-Jun 10	1,092	47.8	7.1	45.0	40.7	47.3	6.1	46.6	41.2
Jul-Sep 10	1,403	46.7	8.0	45.3	38.7	47.6	6.2	46.2	41.5
Oct-Dec 10	1,561	51.4	5.5	43.1	45.9	52.5	5.1	42.4	47.4
Jan-Mar 11	1,524	46.0	7.4	46.6	38.6	54.2	4.1	41.8	50.1
Apr-Jun 11	1,504	42.8	10.1	47.1	32.6	47.0	5.6	47.4	41.4
Jul-Sep 11	1,528	34.1	15.4	50.5	18.7	46.6	6.8	46.6	39.8
Oct-Dec 11	1,450	35.2	17.5	47.3	17.7	43.1	8.0	48.9	35.2
Jan-Mar 12	1,234	37.8	11.3	50.9	26.5	43.6	10.0	46.5	33.6
Apr-Jun 12	1,404	32.9	14.6	52.5	18.3	43.0	8.1	49.0	34.9
Jul-Sep 12	1,561	32.8	16.7	50.5	16.1	40.2	9.7	50.1	30.6
Oct-Dec 12						41.4	9.2	49.4	32.2

'Better' overall business situation is optimistic

showed substantial increase (Table 18). On the other hand, outlook for fertiliser industry indicated lower optimism. Also bigger companies (value of production and paid-up capital wise) showed more optimism as compared to their smaller counter parts (Table 19).

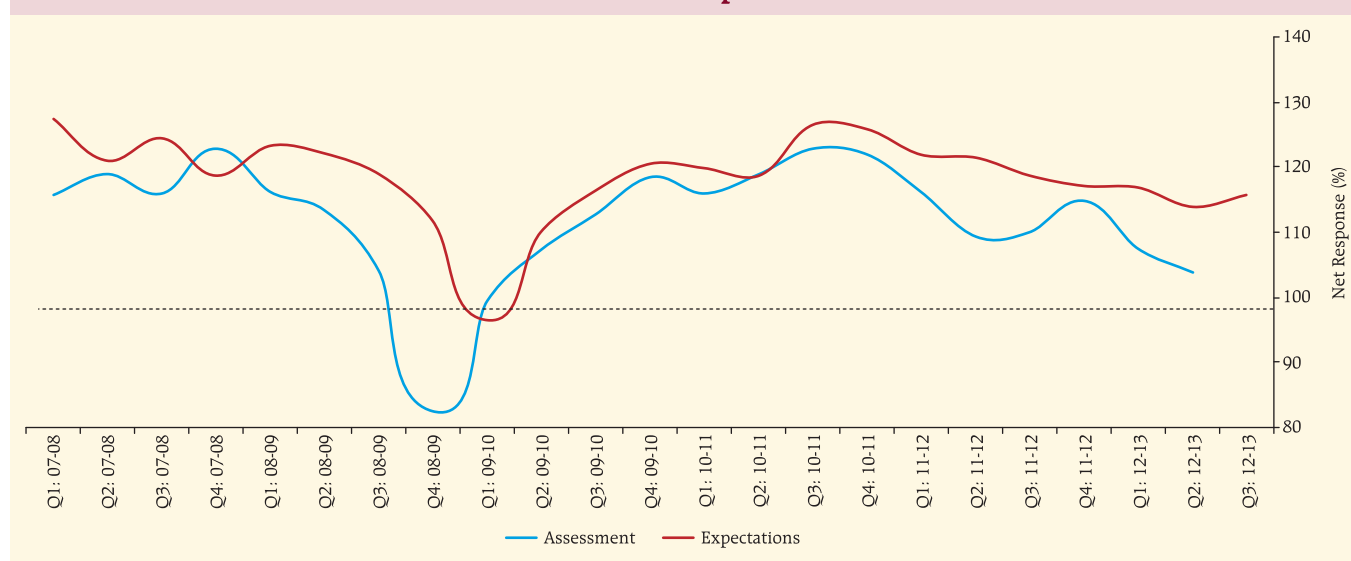
III.3.4 Constraints for attaining the normal production level

About 51 per cent of companies reported production constraints for attaining the normal production level during the quarter July-September

Chart 13: Overall Business Situation**Table 17: Business Expectation Index**

Quarter	Assessment			Expectations		
	Index	Change over previous quarter	Change over previous year	Index	Change over previous quarter	Change over previous year
Jan-Mar 04	121.4	1.7	3.0	122.2	0.2	2.6
Apr-Jun 04	118.4	-3.0	8.6	121.5	-0.7	3.7
Jul-Sep 04	116.9	-1.5	2.6	120.0	-1.5	2.9
Oct-Dec 04	122.0	5.1	2.2	121.5	1.5	-0.6
Jan-Mar 05	122.5	0.5	1.1	123.2	1.7	1.0
Apr-Jun 05	117.5	-5.0	-0.9	120.7	-2.5	-0.8
Jul-Sep 05	114.9	-2.6	-2.0	119.6	-1.1	-0.4
Oct-Dec 05	124.3	9.4	2.3	122.7	3.1	1.2
Jan-Mar 06	120.7	-3.6	-1.8	125.7	3.0	2.5
Apr-Jun 06	121.8	1.1	4.3	120.5	-5.2	-0.2
Jul-Sep 06	120.7	-1.1	5.8	126.5	6.0	6.9
Oct-Dec 06	123.9	3.2	-0.4	125.3	-1.2	2.6
Jan-Mar 07	127.7	3.8	7.0	126.5	1.2	0.8
Apr-Jun 07	115.8	-11.9	-6.0	127.5	1.0	7.0
Jul-Sep 07	118.9	3.1	-1.8	121.1	-6.4	-5.4
Oct-Dec 07	115.9	-3.0	-8.0	124.4	3.3	-0.9
Jan-Mar 08	122.8	6.9	-4.9	118.6	-5.8	-7.9
Apr-Jun 08	116.2	-6.6	0.4	123.2	4.6	-4.3
Jul-Sep 08	113.4	-2.8	-5.5	122.1	-1.1	1.0
Oct-Dec 08	104.1	-9.3	-11.8	118.9	-3.2	-5.5
Jan-Mar 09	82.6	-21.5	-40.2	111.9	-7.0	-6.7
Apr-Jun 09	99.4	16.8	-16.8	96.4	-15.5	-26.8
Jul-Sep 09	107.2	7.8	-6.2	109.9	13.5	-12.2
Oct-Dec 09	112.8	5.6	8.7	116.4	6.5	-2.5
Jan-Mar 10	118.5	5.7	35.9	120.6	4.2	8.7
Apr-Jun 10	115.9	-2.6	16.5	119.8	-0.8	23.4
Jul-Sep 10	119.0	3.1	11.8	118.8	-1.0	8.9
Oct-Dec 10	122.8	3.8	10.0	126.5	7.7	10.1
Jan-Mar 11	122.0	-0.8	3.5	125.9	-0.6	5.3
Apr-Jun 11	116.3	-5.7	0.4	121.9	-4.0	2.1
Jul-Sep 11	109.4	-6.9	-9.7	121.5	-0.4	2.7
Oct-Dec 11	110.1	0.8	-12.7	118.8	-2.7	-7.7
Jan-Mar 12	114.9	4.8	-7.1	117.2	-1.6	-8.7
Apr-Jun 12	107.4	-7.5	-8.9	116.8	-0.4	-5.1
Jul-Sep 12	103.8	-3.6	-5.5	114.0	-2.8	-7.6
Oct-Dec 12				115.7	1.7	-3.1

Chart 14: Business Expectation Index



2012. Major constraints reported are lack of domestic demand (42.9 per cent), uncertainty of economic environment (41.3 per cent), shortage of power (39.4 per cent), lack of export demand (34.1 per cent) and

Table 18: Outlook for important business parameters according to Industries

(Net response in per cent)

Industry Name	Production		Order Books		Availability of Finance		Cost of Raw Materials		Cost of Finance		Profit Margin	
	Rd58	Rd59	Rd58	Rd59	Rd58	Rd59	Rd58	Rd59	Rd58	Rd59	Rd58	Rd59
Food products	22.0	44.3	22.9	33.6	16.2	28.6	-50.4	-58.6	-15.1	-14.7	-9.0	2.9
Textiles	23.6	28.3	20.4	30.3	11.8	11.6	-35.2	-40.2	-23.6	-21.9	-6.7	0.0
Basic Metals & Metal products	27.8	25.5	24.9	16.1	17.4	11.7	-54.8	-43.1	-26.3	-21.6	-2.1	-10.9
Electrical machinery	38.8	41.7	44.2	35.5	19.8	17.6	-48.0	-46.6	-20.2	-22.0	-9.0	0.9
Other Machinery(Non-electrical machinery) & Apparatus	30.8	29.3	27.8	24.3	19.1	20.6	-58.3	-50.0	-28.2	-16.0	-11.4	-11.4
Transport Equipment	41.7	38.9	37.0	30.9	33.3	30.3	-51.0	-46.8	-21.1	-16.0	-1.1	-5.5
Fertilisers	60.6	22.6	50.0	20.8	27.8	25.8	-45.7	-35.5	-19.4	-31.0	17.6	6.7
Pharmaceuticals & Medicines	47.1	41.4	45.5	31.9	19.3	18.4	-66.7	-63.0	-25.0	-19.1	-4.6	0.0
Basic Chemicals	50.0	44.1	40.7	35.3	28.6	26.3	-42.1	-48.3	-24.7	-27.7	10.3	5.2
Rubber & Plastic products	47.7	45.1	32.5	50.6	28.4	32.6	-58.4	-51.1	-33.7	-29.5	11.5	4.3
Paper & Paper products	42.9	44.2	23.1	38.1	22.0	23.3	-57.1	-42.2	-37.5	-25.0	14.0	-2.3
Cement	0.0	41.9	0.0	32.1	-3.8	20.0	-61.5	-35.5	-11.5	-10.0	-19.2	6.5
Wood & wood products	43.8	33.3	40.0	35.7	11.8	26.7	-66.7	-84.6	-25.0	-40.0	11.8	16.7
Diversified companies	0.0	42.9	37.5	43.8	18.2	15.0	-63.6	-66.7	-55.6	-15.8	-10.0	15.0
Other industries	27.6	34.4	23.4	28.6	26.5	27.4	-50.4	-49.6	-18.6	-17.4	-14.9	3.8
All Industries	33.6	35.7	29.9	30.3	20.4	21.3	-51.4	-48.6	-24.0	-20.6	-3.6	-1.3

**Table 19: Outlook for important business parameters according to size
(PUC-wise & Annual production-wise) of responding companies**

(Net response in per cent)

Size		Production		Order Books		Availability of Finance		Cost of raw Materials		Cost of Finance		Profit Margin	
		Rd58	Rd59	Rd58	Rd59	Rd58	Rd59	Rd58	Rd59	Rd58	Rd59	Rd58	Rd59
PUC-Wise	Small	24.9	18.4	17.0	14.2	10.2	13.5	-57.5	-55.0	-21.6	-20.7	-10.8	-13.4
	Medium	35.6	38.6	32.7	33.1	23.1	22.8	-50.2	-47.6	-24.9	-20.6	-2.7	-0.4
	Big	34.2	44.6	31.7	35.9	14.1	22.6	-48.7	-43.9	-18.9	-19.5	8.0	10.0
Annual Prod.-Wise	Small	28.9	31.5	25.5	24.3	15.5	16.3	-55.6	-54.7	-24.1	-23.6	-10.3	-8.0
	Medium	39.5	37.7	34.0	33.4	26.1	24.7	-49.2	-44.6	-26.7	-19.8	1.3	-1.3
	Big	29.6	42.5	31.5	39.2	17.4	25.9	-44.3	-42.1	-13.9	-13.6	3.0	11.5

Small companies (annual production less than ₹1 billion /PUC less than ₹10 million).

Medium companies (annual production between ₹1 billion to ₹10 billion /PUC between ₹10 million to ₹1 billion)

Big companies (annual production above ₹10 billion / PUC above ₹1 billion)

shortage of working capital finance (33.4 per cent). Industry wise analysis shows that 'textiles', 'basic metals and metal products', 'non-electrical' and 'food products' felt more production constraints (Table 20).

Table 20: Constraints for Attaining the Normal Production Level – Industry-wise

	Production Constraint			
	No		Yes	
	Count	per cent	Count	per cent
Food products	70	49.6	71	50.4
Textiles	76	37.3	128	62.7
Basic Metals & Metal products	73	36.5	127	63.5
Electrical machinery	60	50.0	60	50.0
Other Machinery & Apparatus	87	45.8	103	54.2
Transport Equipment	48	43.6	62	56.4
Fertilisers	22	71.0	9	29.0
Pharmaceutical & Medicines	65	64.4	36	35.6
Basic Chemicals	68	57.6	50	42.4
Rubber & Plastic products	51	53.1	45	46.9
Paper & Paper products	23	51.1	22	48.9
Cement	17	54.8	14	45.2
Wood & wood products	7	46.7	8	53.3
Diversified companies	15	71.4	6	28.6
Other industries	86	62.3	52	37.7
All Industries	768	49.2	793	50.8