

Industrial Outlook Survey of the Manufacturing Sector for Q1:2025-26

Today, the Reserve Bank released the results of 110th round of its quarterly industrial outlook survey (IOS). The survey¹ encapsulates qualitative assessment of the business climate by Indian manufacturing companies for Q1:2025-26 and their expectations for Q2:2025-26 as well as outlook on select parameters for the subsequent two quarters. A total of 1,315 companies responded in this round of the survey² conducted during April-June 2025.

Highlights:

A. Assessment for Q1:2025-26

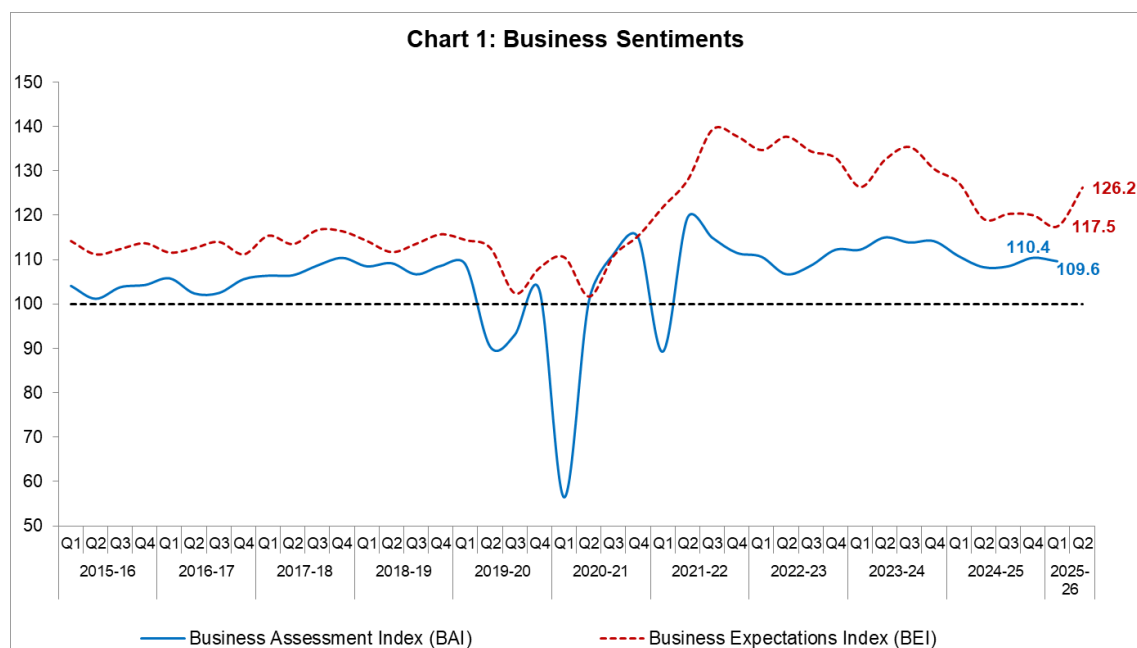
- Manufacturers reported seasonal moderation in demand conditions as compared to the previous quarter, as reflected in their assessment on production, order books and capacity utilisation ([Table A](#)).
- Input cost pressures eased marginally; however, majority of the respondents polled for increase in input costs.
- Overall, business sentiment in the manufacturing sector as measured through business assessment index moderated during Q1:2025-26 ([Chart 1](#)).

B. Expectations for Q2:2025-26

- Manufacturers anticipate an improvement in demand conditions as reflected in their improved expectations on production, order books, capacity utilisation and exports.
- Pressures from input costs are expected to remain elevated, while pressures from finance cost and salary outgo are likely to ease.
- Selling prices and profit margin are expected to improve, supported by optimistic demand conditions.
- Business expectations index improved to 126.2 in Q2:2025-26 from its level of 117.5 in Q1:2025-26 ([Chart 1](#)).

¹ The survey results reflect the respondents' views, which are not necessarily shared by the Reserve Bank.

² Results of the previous survey round were released on the Bank's website on [April 09, 2025](#).



C. Expectations for Q3:2025-26 and Q4:2025-26

- Manufacturers remain highly optimistic on production, order books, capacity utilisation and overall business situation during Q3 and Q4:2025-26 ([Table B](#)).
- Input cost pressures are likely to persist for manufacturers, they also expect pricing power to pass on the rise in selling prices.

Table A: Summary of Net responses³ on Survey Parameters

(per cent)

Parameters	Assessment period		Expectation period	
	Q4:2024-25*	Q1:2025-26	Q1:2025-26*	Q2:2025-26
Production	27.9	21.4	36.9	53.3
Order Books	24.4	19.9	35.6	52.1
Pending Orders	6.2	12.3	2.5	1.7
Capacity Utilisation	18.7	16.0	31.0	43.8
Inventory of Raw Materials	-6.4	3.0	-8.7	-12.1
Inventory of Finished Goods	-7.9	2.6	-9.1	-12.5
Exports	13.5	10.9	18.4	34.7
Imports	12.3	10.7	16.1	33.2
Employment	12.0	10.6	12.9	23.7
Financial Situation (Overall)	27.0	21.0	36.3	53.9
Availability of Finance (from internal accruals)	22.3	20.1	30.4	46.5
Availability of Finance (from banks & other sources)	15.1	16.4	21.7	40.7
Availability of Finance (from overseas, if applicable)	3.8	7.6	9.7	32.4
Cost of Raw Material	-47.2	-46.6	-40.1	-54.9
Cost of Finance	-10.8	-7.2	-12.8	-12.5
Salary/ Other Remuneration	-18.0	-27.1	-36.8	-31.6
Selling Price	4.4	6.8	12.5	23.8
Profit Margin	-9.5	-5.0	7.0	20.1
Overall Business Situation	28.4	18.0	38.8	51.5

*: Based on the previous round's response.

Table B: Business Expectations on Select Parameters for extended period – Net response

(per cent)

Parameters	Round 109	Round 110		
	Q1:2025-26	Q2:2025-26	Q3:2025-26	Q4:2025-26
Overall Business Situation	38.8	51.5	60.8	62.0
Production	36.9	53.3	60.2	62.2
Order Books	35.6	52.1	58.7	59.6
Capacity Utilisation	31.0	43.8	56.3	57.2
Employment	12.9	23.7	27.0	27.9
Cost of Raw Materials	-40.1	-54.9	-57.1	-55.8
Selling Prices	12.5	23.8	26.8	27.6

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 pessimism.

Table 1: Assessment and Expectations for Production**(Percentage responses)@**

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	41.4	13.6	45.0	27.9	60.0	6.0	34.0	54.0
Q2:2024-25	37.6	14.7	47.7	22.9	40.7	4.3	55.0	36.3
Q3:2024-25	42.4	16.2	41.5	26.2	40.5	4.3	55.2	36.3
Q4:2024-25	40.9	13.0	46.1	27.9	42.8	4.2	52.9	38.6
Q1:2025-26	33.6	12.1	54.3	21.4	41.4	4.6	54.0	36.9
Q2:2025-26					56.8	3.6	39.6	53.3

'Increase' in production is optimistic.

@:Due to rounding off Percentage may not add up to 100.

Table 2: Assessment and Expectations for Order Books**(Percentage responses)**

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	39.9	14.3	45.9	25.6	57.1	6.0	36.9	51.1
Q2:2024-25	35.3	15.8	48.9	19.5	39.4	4.2	56.3	35.2
Q3:2024-25	40.0	18.1	41.8	21.9	38.1	4.8	57.0	33.3
Q4:2024-25	38.2	13.8	48.0	24.4	41.6	4.7	53.7	36.8
Q1:2025-26	32.3	12.4	55.3	19.9	40.7	5.1	54.2	35.6
Q2:2025-26					56.1	3.9	40.0	52.1

'Increase' in order books is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 3: Assessment and Expectations for Pending Orders**(Percentage responses)**

Quarter	Assessment				Expectations			
	Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q1:2024-25	5.7	11.6	82.7	5.9	6.4	8.1	85.5	1.8
Q2:2024-25	3.1	11.1	85.8	8.0	4.2	6.0	89.8	1.8
Q3:2024-25	4.4	14.8	80.8	10.4	3.8	5.6	90.5	1.8
Q4:2024-25	4.9	11.1	84.0	6.2	4.5	11.6	83.9	7.1
Q1:2025-26	4.4	16.8	78.8	12.3	4.3	6.8	88.9	2.5
Q2:2025-26					3.5	5.2	91.4	1.7

Pending orders 'Below Normal' is optimistic. Footnote '@' given in Table 1 is applicable here.

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

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	30.1	11.4	58.6	18.7	48.4	4.8	46.8	43.6
Q2:2024-25	25.1	10.0	65.0	15.1	33.2	4.0	62.9	29.2
Q3:2024-25	29.9	12.5	57.6	17.4	33.4	3.9	62.6	29.5
Q4:2024-25	29.1	10.3	60.6	18.7	36.2	4.1	59.6	32.1
Q1:2025-26	27.4	11.4	61.2	16.0	35.4	4.4	60.1	31.0
Q2:2025-26					49.0	5.1	45.9	43.8

'Increase' in capacity utilisation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 5: Level of capacity utilisation (compared to the average in preceding 4 quarters) (Percentage responses)

Quarter	Assessment				Expectations			
	Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q1:2024-25	16.2	11.7	72.1	4.6	22.5	7.1	70.4	15.4
Q2:2024-25	14.9	8.1	77.0	6.8	13.1	4.7	82.2	8.4
Q3:2024-25	12.0	11.2	76.7	0.8	14.4	3.8	81.8	10.5
Q4:2024-25	10.9	8.5	80.6	2.3	12.5	4.4	83.0	8.1
Q1:2025-26	18.2	14.0	67.8	4.2	9.7	4.6	85.6	5.1
Q2:2025-26					18.8	5.1	76.1	13.7

'Above Normal' in Level of capacity utilisation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 6: Assessment and Expectations for Assessment of Production Capacity (with regard to expected demand in next 6 months) (Percentage responses)

Quarter	Assessment				Expectations			
	More than adequate	Less than adequate	Adequate	Net response	More than adequate	Less than adequate	Adequate	Net response
Q1:2024-25	9.8	3.2	87.0	6.6	27.2	4.7	68.1	22.5
Q2:2024-25	6.9	2.1	90.9	4.8	14.7	2.5	82.8	12.3
Q3:2024-25	8.8	3.7	87.5	5.0	12.8	1.5	85.7	11.3
Q4:2024-25	9.1	2.4	88.5	6.7	11.1	2.8	86.1	8.3
Q1:2025-26	9.0	10.2	80.8	-1.1	12.1	1.7	86.2	10.4
Q2:2025-26					18.6	2.7	78.8	15.9

'More than adequate' in Assessment of Production Capacity is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 7: Assessment and Expectations for Exports (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	23.7	12.8	63.4	10.9	41.6	5.5	52.9	36.1
Q2:2024-25	18.4	13.2	68.4	5.3	29.2	4.4	66.4	24.8
Q3:2024-25	22.1	14.5	63.4	7.6	31.2	5.0	63.9	26.2
Q4:2024-25	23.0	9.5	67.6	13.5	29.2	4.9	65.9	24.2
Q1:2025-26	22.5	11.6	65.9	10.9	23.4	5.0	71.6	18.4
Q2:2025-26					38.8	4.0	57.2	34.7

'Increase' in exports is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 8: Assessment and Expectations for Imports (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	21.6	7.7	70.7	13.9	35.2	4.1	60.7	31.1
Q2:2024-25	17.6	8.5	73.8	9.1	25.7	3.0	71.3	22.8
Q3:2024-25	20.4	9.1	70.5	11.3	28.0	3.6	68.4	24.3
Q4:2024-25	19.0	6.8	74.3	12.3	26.6	2.7	70.7	23.9
Q1:2025-26	18.4	7.7	73.9	10.7	19.4	3.3	77.2	16.1
Q2:2025-26					36.2	3.0	60.8	33.2

'Increase' in imports is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 9: Assessment and Expectations for level of Raw Materials Inventory (Percentage responses)

Quarter	Assessment				Expectations			
	Above average	Below average	average	Net response	Above average	Below average	average	Net response
Q1:2024-25	11.9	6.0	82.1	-5.9	20.2	3.9	75.9	-16.3
Q2:2024-25	8.8	6.1	85.1	-2.7	10.7	2.3	87.0	-8.3
Q3:2024-25	11.0	5.0	84.0	-6.0	11.9	2.3	85.8	-9.6
Q4:2024-25	11.3	4.9	83.8	-6.4	9.8	2.3	88.0	-7.5
Q1:2025-26	7.9	10.9	81.2	3.0	11.0	2.3	86.7	-8.7
Q2:2025-26					14.9	2.9	82.2	-12.1

'Below average' Inventory of raw materials is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 10: Assessment and Expectations for level of Finished Goods Inventory (Percentage responses)

Quarter	Assessment				Expectations			
	Above average	Below average	average	Net response	Above average	Below average	average	Net response
Q1:2024-25	11.9	6.4	81.7	-5.5	20.1	3.9	75.9	-16.2
Q2:2024-25	9.5	6.5	84.0	-3.0	10.3	2.6	87.1	-7.7
Q3:2024-25	11.9	5.1	83.0	-6.8	12.1	2.2	85.8	-9.9
Q4:2024-25	12.6	4.7	82.7	-7.9	11.1	2.2	86.8	-8.9
Q1:2025-26	8.5	11.1	80.4	2.6	10.9	1.7	87.4	-9.1
Q2:2025-26					15.3	2.9	81.8	-12.5

'Below average' Inventory of finished goods is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 11: Assessment and Expectations for Employment Outlook (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	18.5	7.3	74.1	11.2	31.3	2.2	66.5	29.1
Q2:2024-25	15.9	6.2	77.9	9.7	17.7	2.1	80.2	15.6
Q3:2024-25	17.3	7.2	75.5	10.2	19.3	1.6	79.1	17.6
Q4:2024-25	17.4	5.4	77.2	12.0	18.0	1.2	80.8	16.7
Q1:2025-26	16.8	6.3	76.9	10.6	14.6	1.7	83.7	12.9
Q2:2025-26					25.4	1.8	72.8	23.7

'Increase' in employment is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 12: Assessment and Expectations for Overall Financial Situation (Percentage responses)

Quarter	Assessment				Expectations			
	Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1:2024-25	40.9	12.4	46.7	28.5	59.2	5.2	35.6	54.0
Q2:2024-25	37.5	11.9	50.6	25.6	44.7	2.5	52.8	42.2
Q3:2024-25	38.0	13.1	49.0	24.9	49.1	2.7	48.1	46.4
Q4:2024-25	37.0	10.1	52.9	27.0	44.8	3.0	52.2	41.9
Q1:2025-26	31.8	10.8	57.4	21.0	39.0	2.6	58.4	36.3
Q2:2025-26					57.0	3.0	40.0	53.9

'Better' overall financial situation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 13: Assessment and Expectations for Working Capital Finance Requirement (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	31.6	6.5	61.9	25.1	46.6	3.0	50.4	43.6
Q2:2024-25	24.1	4.7	71.2	19.4	32.0	2.1	66.0	29.9
Q3:2024-25	26.9	6.5	66.6	20.3	32.4	1.2	66.5	31.2
Q4:2024-25	24.3	5.1	70.6	19.2	30.9	2.3	66.8	28.6
Q1:2025-26	21.0	4.5	74.5	16.4	25.5	2.7	71.8	22.9
Q2:2025-26					33.4	1.9	64.6	31.5

'Increase' in working capital finance is optimistic. Footnote '@' given in Table 1 is applicable here.

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

Quarter	Assessment				Expectations			
	Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q1:2024-25	29.5	6.5	64.0	23.0	47.7	2.9	49.4	44.8
Q2:2024-25	23.5	5.4	71.1	18.1	33.0	1.2	65.9	31.8
Q3:2024-25	31.1	6.4	62.4	24.7	32.9	0.8	66.3	32.1
Q4:2024-25	27.8	5.5	66.6	22.3	35.8	1.3	62.9	34.6
Q1:2025-26	25.5	5.4	69.1	20.1	31.7	1.3	67.0	30.4
Q2:2025-26					47.8	1.3	50.8	46.5

'Improvement' in availability of finance is optimistic. Footnote '@' given in Table 1 is applicable here.

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

Quarter	Assessment				Expectations			
	Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q1:2024-25	25.9	5.9	68.3	20.0	43.2	2.8	54.0	40.5
Q2:2024-25	18.7	4.3	77.0	14.4	28.7	1.4	69.9	27.2
Q3:2024-25	23.5	4.5	72.0	18.9	27.4	0.7	72.0	26.7
Q4:2024-25	19.8	4.7	75.5	15.1	27.9	0.8	71.3	27.1
Q1:2025-26	20.3	3.9	75.8	16.4	23.0	1.3	75.7	21.7
Q2:2025-26					41.2	0.5	58.3	40.7

'Improvement' in availability of finance is optimistic. Footnote '@' given in Table 1 is applicable here.

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

Quarter	Assessment				Expectations			
	Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q1:2024-25	16.2	6.5	77.3	9.8	35.9	2.7	61.5	33.2
Q2:2024-25	9.4	4.3	86.4	5.1	18.1	1.2	80.7	16.9
Q3:2024-25	13.9	5.9	80.3	8.0	20.6	0.4	79.0	20.2
Q4:2024-25	8.5	4.7	86.8	3.8	19.0	1.0	79.9	18.0
Q1:2025-26	11.6	3.9	84.5	7.6	10.7	1.0	88.3	9.7
Q2:2025-26					32.9	0.5	66.5	32.4

'Improvement' in availability of finance is optimistic. Footnote '@' given in Table 1 is applicable here.

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

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	23.3	6.7	70.0	-16.6	40.3	4.1	55.6	-36.3
Q2:2024-25	14.3	4.1	81.6	-10.2	22.1	2.9	75.0	-19.2
Q3:2024-25	17.9	5.3	76.8	-12.6	22.2	2.0	75.8	-20.2
Q4:2024-25	14.3	3.6	82.1	-10.8	21.8	1.9	76.3	-19.9
Q1:2025-26	16.5	9.2	74.3	-7.2	15.5	2.7	81.8	-12.8
Q2:2025-26					26.1	13.6	60.2	-12.5

'Decrease' in cost of finance is optimistic. Footnote '@' given in Table 1 is applicable here.

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

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	53.9	4.6	41.5	-49.3	55.9	3.1	40.9	-52.8
Q2:2024-25	44.5	5.8	49.8	-38.7	52.1	1.1	46.9	-51.0
Q3:2024-25	51.9	5.4	42.7	-46.5	49.2	1.6	49.3	-47.6
Q4:2024-25	50.7	3.5	45.8	-47.2	51.7	2.5	45.8	-49.2
Q1:2025-26	50.8	4.2	44.9	-46.6	41.6	1.6	56.8	-40.1
Q2:2025-26					56.2	1.2	42.6	-54.9

'Decrease' in cost of raw materials is optimistic. Footnote '@' given in Table 1 is applicable here.

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

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	42.9	1.2	55.9	-41.7	52.9	0.9	46.2	-51.9
Q2:2024-25	18.8	1.4	79.8	-17.4	26.7	0.6	72.7	-26.1
Q3:2024-25	18.8	1.3	79.9	-17.5	27.8	0.3	71.9	-27.4
Q4:2024-25	19.2	1.2	79.6	-18.0	23.4	0.4	76.3	-23.0
Q1:2025-26	29.3	2.2	68.5	-27.1	37.7	0.9	61.5	-36.8
Q2:2025-26					32.1	0.5	67.3	-31.6

'Decrease' in Salary / other remuneration is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 20: Assessment and Expectations for Selling Price (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	18.5	10.5	71.0	8.0	30.5	5.7	63.8	24.7
Q2:2024-25	10.9	10.7	78.4	0.2	20.3	3.1	76.5	17.2
Q3:2024-25	15.0	12.4	72.6	2.6	19.3	2.2	78.5	17.1
Q4:2024-25	14.1	9.6	76.3	4.4	19.0	3.9	77.0	15.1
Q1:2025-26	15.7	8.8	75.5	6.8	15.7	3.2	81.2	12.5
Q2:2025-26					26.4	2.6	71.1	23.8

'Increase' in selling price is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 21: Assessment and Expectations for Profit Margin (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2024-25	13.0	25.3	61.7	-12.3	30.4	10.4	59.2	20.0
Q2:2024-25	12.2	22.4	65.4	-10.2	16.7	6.8	76.4	9.9
Q3:2024-25	12.4	25.2	62.4	-12.8	19.4	5.8	74.9	13.6
Q4:2024-25	10.8	20.3	69.0	-9.5	19.0	7.3	73.7	11.7
Q1:2025-26	12.0	17.0	70.9	-5.0	14.5	7.5	78.0	7.0
Q2:2025-26					26.2	6.2	67.6	20.1

'Increase' in profit margin is optimistic. Footnote '@' given in Table 1 is applicable here.

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

Quarter	Assessment				Expectations			
	Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1:2024-25	42.7	13.1	44.2	29.6	62.0	5.5	32.5	56.5
Q2:2024-25	39.7	13.3	47.0	26.3	47.4	2.5	50.1	45.0
Q3:2024-25	40.4	14.5	45.1	25.9	51.2	3.9	44.9	47.4
Q4:2024-25	40.7	12.3	46.9	28.4	48.6	3.1	48.3	45.4
Q1:2025-26	31.7	13.7	54.6	18.0	42.3	3.5	54.3	38.8
Q2:2025-26					56.7	5.2	38.2	51.5

'Better' Overall Business Situation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 23: Business Sentiments⁴

Quarter	Business Assessment Index (BAI)	Business Expectations Index (BEI)
Q1:2024-25	110.8	127.2
Q2:2024-25	108.3	119.1
Q3:2024-25	108.5	120.3
Q4:2024-25	110.4	120.0
Q1:2025-26	109.6	117.5
Q2:2025-26		126.2

⁴ For each survey round, two summary indices are computed – one based on assessment [*viz.*, Business Assessment Index (BAI)] and another based on expectations [*viz.*, Business Expectations Index (BEI)]. Each index is a composite indicator calculated as a simple average of nine business parameters, where each parameter is derived as a weighted net response, weights being the share of industry groups in gross value added (GVA). The nine parameters 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.