

## Industrial Outlook Survey - Q4:2015-16 (Round 73)

The Industrial Outlook Survey conducted during January-March 2016 (Round 73<sup>1</sup>), provides qualitative **assessment** of business situation of companies in the Indian manufacturing sector for **Q4:2015-16** and their **expectations** for the ensuing quarter **Q1:2016-17**. The survey elicited response from 1,342 manufacturing companies.

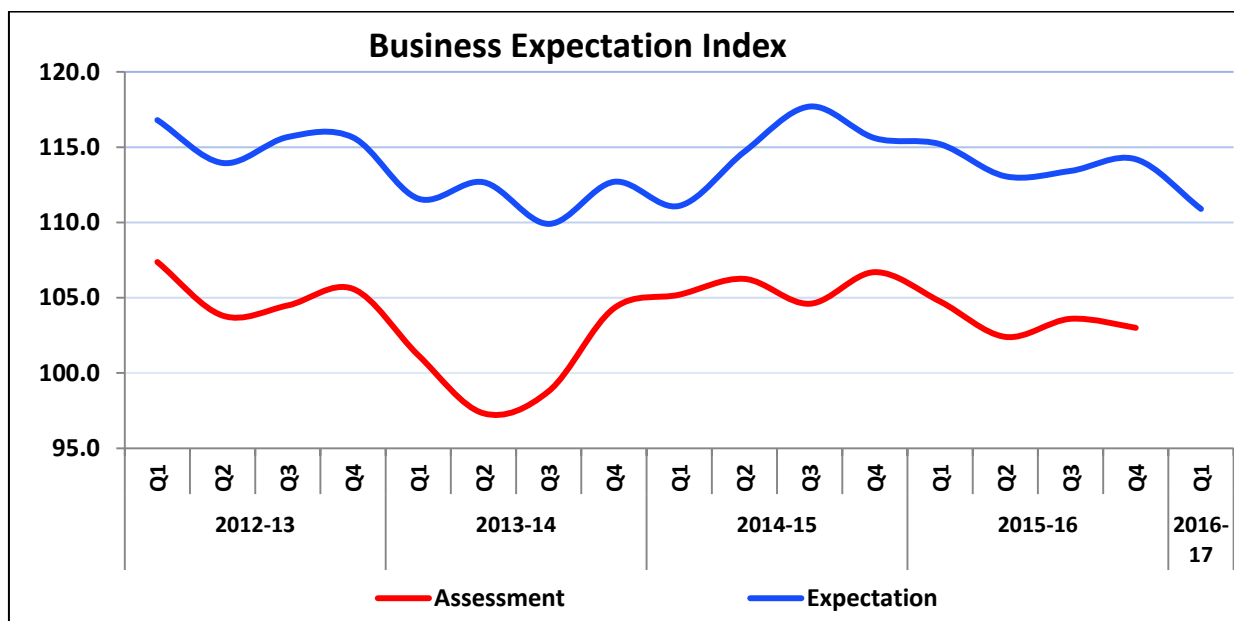
### Highlights:

<b>Summary Table: Net response<sup>2</sup> ( NR in %) comparison over previous quarter</b>				
<b>Parameters</b>	<b>Assessment period</b>		<b>Expectation period</b>	
	<b>Q3:2015-16</b>	<b>Q4:2015-16</b>	<b>Q4:2015-16</b>	<b>Q1:2016-17</b>
Production	16.0	16.8	31.1	25.0
Order Books	11.5	12.1	29.1	21.2
Pending Orders	14.3	13.9	6.3	10.2
Capacity Utilisation	7.1	7.1	19.1	13.4
Exports	5.7	3.3	16.9	13.7
Imports	6.1	4.7	7.7	5.8
Employment	5.8	4.1	8.6	7.1
Financial Situation	13.2	14.3	24.7	24.8
Availability of Finance	12.9	12.4	20.0	19.5
Cost of Finance	-5.4	-8.7	-5.5	-8.3
Cost of Raw Material	-26.4	-24.4	-27.3	-27.7
Selling Price	-1.4	-3.7	7.2	7.1
Profit Margin	-15.3	-16.7	-2.0	-3.6
Overall Business Situation	17.4	16.2	33.3	30.5
Salary	25.1	27.5	22.1	30.3
Business Expectation Index <sup>3</sup>	103.6	103.0	114.2	110.9

<sup>1</sup> The 72<sup>nd</sup> round (Q3:2015-16) survey results were released on [January 15, 2016](#) 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 'Increase/optimism', and D is the percentage response of 'Decrease/pessimism' and E is the percentage response as 'no change/Equal';  $I+D+E=100$ . For example, increase in production is optimism whereas decrease in cost of raw material is optimism.

<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 (Q4:2015-16)

- Survey indicated moderate increase in optimism for production, order books, financial situation and salary for Q4:2015-16 as compared with Q3:2015-16. However sentiments on other indicators, vis. exports, imports, employments, profit margin and overall business situation deteriorated.
- As a result, the business sentiments of the Indian manufacturing sector, as inferred from the Business Expectation Index (BEI), witnessed slight moderation.

#### Expectation Quarter (Q1:2016-17)

- The outlook on business sentiments shows moderate optimism for Q1:2016-17. The BEI dipped from 114.2 (for Q4:2015-16) to 110.9 (for Q1:2016-17).
- Moderation in the business sentiments is seen in all business indicators barring pending orders, salary and overall financial situation.

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

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response <sup>#</sup>	Increase	Decrease	No change	Net response
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	1337	34.2	18.2	47.6	16.0	40.5	11.3	48.2	29.2
Q4:2015-16	1342	35.6	18.8	45.6	16.8	41.2	10.2	48.6	31.1
Q1:2016-17						38.8	13.8	47.4	25.0

'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.

<sup>#</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 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
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	1337	30.4	18.8	50.8	11.5	37.4	11.9	50.8	25.5
Q4:2015-16	1342	31.8	19.7	48.5	12.1	39.7	10.6	49.8	29.1
Q1:2016-17						35.5	14.3	50.3	21.2

'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
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	1337	19.2	5.0	75.8	14.3	14.1	6.5	79.4	7.6
Q4:2015-16	1342	18.2	4.3	77.4	13.9	13.3	7.0	79.7	6.3
Q1:2016-17						15.1	4.9	80.0	10.2

Pending orders 'Below Normal' is optimistic.

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

(Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q4:20 14-15	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 15-16	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 15-16	Q1:20 16-17
Capacity Utilisation (CU)-(main product)	Increase	23.5	23.3	21.7	23.4	24.6	27.5	27.7	27.8	27.8	26.3
	No Change	61.2	60.0	60.2	60.4	57.9	63.7	62.1	62.0	63.5	60.8
	Decrease	15.3	16.7	18.1	16.3	17.5	8.8	10.2	10.2	8.7	12.9
	Net Response	8.2	6.7	3.6	7.1	7.1	18.7	17.6	17.5	19.1	13.4
Level of CU (compared to the average in last 4 quarters)	Above normal	10.6	10.2	8.8	8.7	9.8	12.1	10.5	9.2	9.4	9.8
	Normal	70.6	71.3	71.9	72.6	71.0	75.6	75.5	77.6	78.2	75.6
	Below Normal	18.9	18.6	19.3	18.6	19.2	12.3	13.9	13.1	12.4	14.6
	Net Response	-8.3	-8.4	-10.5	-9.9	-9.4	-0.2	-3.4	-3.9	-3.0	-4.8
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	14.7	15.1	14.1	14.3	13.9	13.9	15.8	14.4	14.5	13.8
	Adequate	76.9	76.9	78.3	77.2	77.7	79.2	77.5	78.8	78.5	79.1
	Less than adequate	8.5	8.0	7.7	8.5	8.5	6.9	6.8	6.8	7.0	7.1
	Net Response	6.2	7.2	6.4	5.8	5.4	7.0	9.0	7.5	7.5	6.7

'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
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	1337	23.3	17.7	59.0	5.7	27.3	10.6	62.1	16.7
Q4:2015-16	1342	22.1	18.8	59.1	3.3	26.9	10.0	63.1	16.9
Q1:2016-17						25.7	12.0	62.3	13.7

'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
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	1337	17.2	11.1	71.8	6.1	18.0	8.8	73.2	9.2
Q4:2015-16	1342	17.6	12.9	69.4	4.7	16.4	8.6	75.0	7.7
Q1:2016-17						16.7	10.9	72.4	5.8

'Increase' in imports is optimistic.

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

(Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q4:20 14-15	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 15-16	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 15-16	Q1:20 16-17
Inventory of raw material	Below average	8.4	6.5	7.4	6.5	7.0	7.1	5.5	5.5	5.3	5.9
	Average	77.5	79.3	78.9	81.4	80.5	83.0	83.0	83.9	84.8	84.4
	Above average	14.1	14.2	13.7	12.2	12.5	10.0	11.5	10.6	9.9	9.7
	Net Response	-5.7	-7.7	-6.3	-5.7	-5.5	-2.9	-6.0	-5.1	-4.7	-3.8
Inventory of finished goods	Below average	8.1	7.2	6.9	7.0	8.7	5.8	6.4	6.3	6.2	7.0
	Average	73.8	74.7	75.6	75.7	75.9	80.9	78.9	82.1	81.6	81.9
	Above average	18.2	18.1	17.5	17.4	15.4	13.4	14.6	11.6	12.1	11.1
	Net Response	-10.1	-10.9	-10.6	-10.4	-6.7	-7.6	-8.2	-5.3	-5.9	-4.1

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

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

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
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	1337	15.3	9.4	75.3	5.8	15.7	6.1	78.2	9.6
Q4:2015-16	1342	14.2	10.1	75.7	4.1	15.3	6.7	78.0	8.6
Q1:2016-17						15.1	8.0	76.9	7.1

'Increase' in employment is optimistic.

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

Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
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	1337	26.2	12.9	60.9	13.2	34.8	8.8	56.4	26.0
Q4:2015-16	1342	26.6	12.3	61	14.3	33.3	8.5	58.2	24.7
Q1:2016-17						33.1	8.3	58.6	24.8

'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
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	1337	30.3	6.7	62.9	23.6	29.9	4.3	65.8	25.5
Q4:2015-16	1342	31.7	6.8	61.4	24.9	30.1	4.9	65.0	25.2
Q1:2016-17						30.0	5.4	64.6	24.6

'Increase' in working capital finance is optimistic.

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

(Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q4:20 14-15	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 15-16	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 15-16	Q1:20 16-17
Availability of finance (from internal accruals)	Improve	22.9	21.5	21.1	22.3	21.7	24.7	23.9	23.5	26.1	25.6
	No Change	66.8	68.3	68.1	68.3	69.0	68.8	68.9	69.8	67.8	68.3
	Worsen	10.3	10.1	10.8	9.4	9.3	6.6	7.2	6.7	6.1	6.1
	Net Response	12.6	11.4	10.4	12.9	12.4	18.1	16.7	16.8	20.0	19.5
Availability of Finance (from banks & other sources)	Improve	20.3	19.1	19.3	19.2	18.3	22.6	21.2	20.0	20.6	21.6
	No Change	72.8	75.6	75.0	74.4	74.2	72.4	75.0	76.3	74.7	73.2
	Worsen	6.9	5.4	5.7	6.3	7.5	4.9	3.8	3.8	4.7	5.2
	Net Response	13.4	13.7	13.6	12.9	10.8	17.7	17.3	16.2	16.0	16.4
Availability of Finance (from overseas, if applicable)	Improve	15.0	13.0	11.1	11.3	8.8	14.4	12.9	11.5	12.1	10.0
	No Change	79.4	82.2	83.9	83.5	85.3	81.6	83.6	85.0	84.1	85.4
	Worsen	5.6	4.8	5.0	5.2	5.9	4.0	3.5	3.5	3.9	4.7
	Net Response	9.4	8.2	6.1	6.2	2.9	10.4	9.3	8.0	8.2	5.3

'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
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	1337	14.0	19.4	66.6	-5.4	10.2	17.9	71.9	-7.6
Q4:2015-16	1342	11.0	19.7	69.2	-8.7	10.5	15.9	73.6	-5.5
Q1:2016-17						8.8	17.1	74.1	-8.3

'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
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	1337	12.4	38.7	48.9	-26.4	7.1	35.2	57.7	-28.1
Q4:2015-16	1342	13.3	37.7	49.0	-24.4	6.9	34.2	58.9	-27.3
Q1:2016-17						8.3	36.0	55.7	-27.7

'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
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	1337	16.7	18.0	65.3	-1.4	18.3	12.2	69.5	6.2
Q4:2015-16	1342	15.9	19.6	64.5	-3.7	17.9	10.7	71.4	7.2
Q1:2016-17						20.2	13.1	66.7	7.1

'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
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	1337	14.3	29.5	56.2	-15.3	18.4	19.7	61.9	-1.3
Q4:2015-16	1342	13.4	30.1	56.5	-16.7	18.1	20.1	61.8	-2.0
Q1:2016-17						18.5	22.1	59.4	-3.6

'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
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	1337	31.3	14.0	54.7	17.4	39.9	8.3	51.8	31.6
Q4:2015-16	1342	30.8	14.6	54.6	16.2	40.9	7.6	51.5	33.3
Q1:2016-17						39.4	8.9	51.7	30.5

'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
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	1337	28.4	3.2	68.4	25.1	24.3	2.3	73.4	22.0
Q4:2015-16	1342	30.5	3.0	66.5	27.5	25.0	2.8	72.2	22.1
Q1:2016-17						33.2	2.9	63.9	30.3

'Increase in Salary / other remuneration' is optimistic.

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

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
Q4:2014-15	106.7	115.6
Q1:2015-16	104.8	115.2
Q2:2015-16	102.4	113.1
Q3:2015-16	103.6	113.4
Q4:2015-16	103.0	114.2
Q1:2016-17		110.9