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Industrial Outlook Survey- Q3: 2015-16 (Round 72)

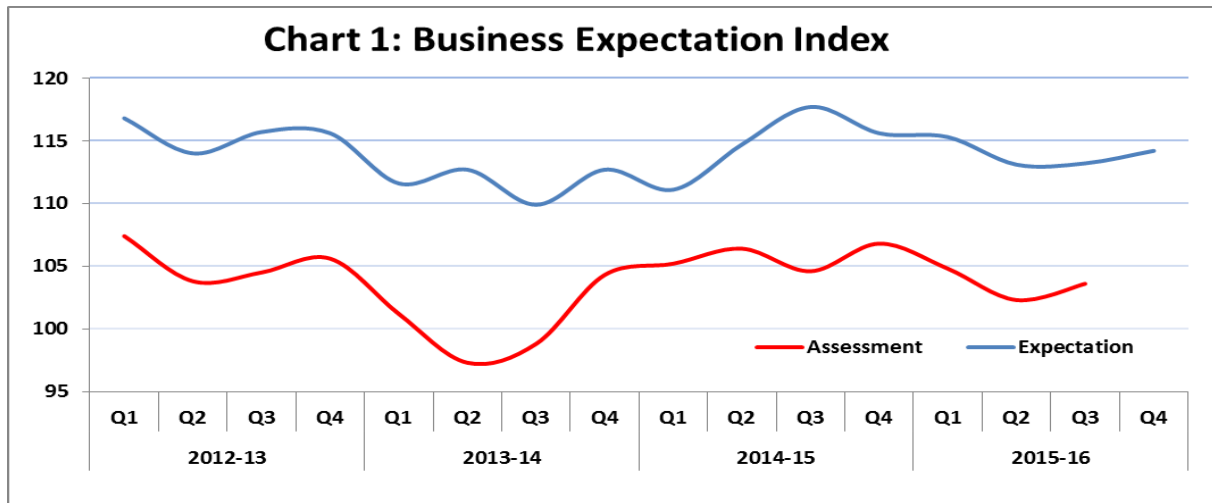
The Industrial Outlook Survey conducted during October-December 2015 (Round 72)¹, provides qualitative assessment of business situation of companies in the Indian manufacturing sector for Q3:2015-16 and their expectations for the ensuing quarter Q4:2015-16. The survey elicited response from 1,337 manufacturing companies.

Highlights:

Summary Table: Net response ² (NR in %) <u>comparison over previous quarter</u>				
Indicator	Assessment period		Expectation period	
	Q2:2015-16	Q3:2015-16	Q3:2015-16	Q4:2015-16
Production	15.2	16.0	29.2	31.1
Order Books	11.4	11.5	25.5	29.1
Pending Orders	13.5	14.3	7.6	6.3
Capacity Utilisation	3.6	7.1	17.5	19.1
Exports	5.7	5.7	16.7	16.9
Imports	8.4	6.1	9.2	7.7
Employment	5.9	5.8	9.6	8.6
Financial Situation	13.5	13.2	26.0	24.7
Availability of Finance	10.4	12.9	16.8	20.0
Cost of Finance	-11.4	-5.4	-7.6	-5.5
Cost of Raw Material	-24.8	-26.4	-28.1	-27.3
Selling price	-4.0	-1.4	6.2	7.2
Profit Margin	-16.9	-15.3	-1.3	-2.0
Overall Business Situation	13.9	17.4	31.6	33.3
Salary	28.9	25.1	22.0	22.1
Business Expectation Index ³	102.4	103.6	113.4	114.2

¹ The 71st round (Q2:2015-16) survey results were released on [September 29, 2015](http://www.rbi.org.in) on the RBI website. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India.

² 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 (details are indicated in the relevant tables).



Assessment Quarter (Q3:2015-16)

- Assessment of major indicators in Q3:2015-16 remained broadly unchanged from the previous quarter. Moderate increase in optimism is observed in 'Overall Business Situation'.
- As a result, the business sentiments of the Indian manufacturing sector, as inferred from the Business Expectation Index (BEI), remained range bound in the assessment quarter.

Expectation Quarter (Q4:2015-16)

- The outlook on business sentiments also remained similar. BEI moved from 113.4 for the previous quarter to 114.2 for Q4:2015-16.
- While marginal increase in optimism was observed for production, order books, capacity utilisation and overall business situation, optimism on employment and profit margin reduced marginally.

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Sangeeta Das
Director

³ 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 in the range of 0 to 200, and 100 is the threshold separating expansion from contraction.

Table 1: Assessment & Expectation for Production(Percentage responses)[®]

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response [#]	Increase	Decrease	No change	Net response
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	1337	34.2	18.2	47.6	16.0	40.5	11.3	48.2	29.2
Q4:2015-16						41.2	10.2	48.6	31.1

'Increase' in production is optimistic.

[®]: 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
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	1337	30.4	18.8	50.8	11.5	37.4	11.9	50.8	25.5
Q4:2015-16						39.7	10.6	49.8	29.1

'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
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	1337	19.2	5.0	75.8	14.3	14.1	6.5	79.4	7.6
Q4:2015-16						13.3	7.0	79.7	6.3

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment & Expectation for Capacity Utilisation (Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q3:2014-15	Q4:2014-15	Q1:2015-16	Q2:2015-16	Q3:2015-16	Q4:2014-15	Q1:2015-16	Q2:2015-16	Q3:2015-16	Q4:2015-16
Capacity Utilisation (CU)- (main product)	Increase	22.4	23.5	23.3	21.7	23.4	28.2	27.5	27.7	27.8	27.8
	No Change	60.1	61.2	60.0	60.2	60.4	61.6	63.7	62.1	62.0	63.5
	Decrease	17.5	15.3	16.7	18.1	16.3	10.2	8.8	10.2	10.2	8.7
	Net Response	4.9	8.2	6.7	3.6	7.1	18.1	18.7	17.6	17.5	19.1
Level of CU (compared to the average in last 4 quarters)	Above normal	9.6	10.6	10.2	8.8	8.7	10.6	12.1	10.5	9.2	9.4
	Normal	70.8	70.6	71.3	71.9	72.6	76.8	75.6	75.5	77.6	78.2
	Below Normal	19.5	18.9	18.6	19.3	18.6	12.6	12.3	13.9	13.1	12.4
	Net Response	-9.9	-8.3	-8.4	-10.5	-9.9	-2.0	-0.2	-3.4	-3.9	-3.0
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	14.0	14.7	15.1	14.1	14.3	12.7	13.9	15.8	14.4	14.5
	Adequate	77.0	76.9	76.9	78.3	77.2	80.4	79.2	77.5	78.8	78.5
	Less than adequate	9.0	8.5	8.0	7.7	8.5	6.9	6.9	6.8	6.8	7.0
	Net Response	5.0	6.2	7.2	6.4	5.8	5.8	7.0	9.0	7.5	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
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	1337	23.3	17.7	59.0	5.7	27.3	10.6	62.1	16.7
Q4:2015-16						26.9	10.0	63.1	16.9

'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
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	1337	17.2	11.1	71.8	6.1	18.0	8.8	73.2	9.2
Q4:2015-16						16.4	8.6	75.0	7.7

'Increase' in imports is optimistic.

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

(Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q3:20 14-15	Q4:20 14-15	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 14-15	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 15-16
Inventory of raw material	Below average	8.3	8.4	6.5	7.4	6.5	5.6	7.1	5.5	5.5	5.3
	Average	79.7	77.5	79.3	78.9	81.4	84.6	83.0	83.0	83.9	84.8
	Above average	12.0	14.1	14.2	13.7	12.2	9.8	10.0	11.5	10.6	9.9
	Net Response	-3.6	-5.7	-7.7	-6.3	-5.7	-4.3	-2.9	-6.0	-5.1	-4.7
Inventory of finished goods	Below average	8.4	8.1	7.2	6.9	7.0	6.1	5.8	6.4	6.3	6.2
	Average	75.6	73.8	74.7	75.6	75.7	83.1	80.9	78.9	82.1	81.6
	Above average	16.0	18.2	18.1	17.5	17.4	10.8	13.4	14.6	11.6	12.1
	Net Response	-7.6	-10.1	-10.9	-10.6	-10.4	-4.7	-7.6	-8.2	-5.3	-5.9

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
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	1337	15.3	9.4	75.3	5.8	15.7	6.1	78.2	9.6
Q4:2015-16						15.3	6.7	78.0	8.6

'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
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	1337	26.2	12.9	60.9	13.2	34.8	8.8	56.4	26.0
Q4:2015-16						33.3	8.5	58.2	24.7

'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
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	1337	30.3	6.7	62.9	23.6	29.9	4.3	65.8	25.5
Q4:2015-16						30.1	4.9	65.0	25.2

'Increase' in working capital finance is optimistic.

Table 11: Assessment & Expectation for Availability of Finance (Percentage responses)

Indicator	Options	Assessment					Expectation				
		Q3:20 14-15	Q4:20 14-15	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 14-15	Q1:20 15-16	Q2:20 15-16	Q3:20 15-16	Q4:20 15-16
Availability of finance (from internal accruals)	Improve	23.0	22.9	21.5	21.1	22.3	26.3	24.7	23.9	23.5	26.1
	No Change	66.1	66.8	68.3	68.1	68.3	66.9	68.8	68.9	69.8	67.8
	Worsen	10.9	10.3	10.1	10.8	9.4	6.8	6.6	7.2	6.7	6.1
	Net Response	12.1	12.6	11.4	10.4	12.9	19.4	18.1	16.7	16.8	20.0
Availability of Finance (from banks & other sources)	Improve	19.7	20.3	19.1	19.3	19.2	20.5	22.6	21.2	20.0	20.6
	No Change	73.1	72.8	75.6	75.0	74.4	75.1	72.4	75.0	76.3	74.7
	Worsen	7.3	6.9	5.4	5.7	6.3	4.4	4.9	3.8	3.8	4.7
	Net Response	12.4	13.4	13.7	13.6	12.9	16.1	17.7	17.3	16.2	16.0
Availability of Finance (from overseas, if applicable)	Improve	11.4	15.0	13.0	11.1	11.3	12.4	14.4	12.9	11.5	12.1
	No Change	82.9	79.4	82.2	83.9	83.5	83.8	81.6	83.6	85.0	84.1
	Worsen	5.7	5.6	4.8	5.0	5.2	3.8	4.0	3.5	3.5	3.9
	Net Response	5.8	9.4	8.2	6.1	6.2	8.6	10.4	9.3	8.0	8.2

'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
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	1337	14.0	19.4	66.6	-5.4	10.2	17.9	71.9	-7.6
Q4:2015-16						10.5	15.9	73.6	-5.5

'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
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	1337	12.4	38.7	48.9	-26.4	7.1	35.2	57.7	-28.1
Q4:2015-16						6.9	34.2	58.9	-27.3

'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
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	1337	16.7	18.0	65.3	-1.4	18.3	12.2	69.5	6.2
Q4:2015-16						17.9	10.7	71.4	7.2

'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
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	1337	14.3	29.5	56.2	-15.3	18.4	19.7	61.9	-1.3
Q4:2015-16						18.1	20.1	61.8	-2.0

'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
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	1337	31.3	14.0	54.7	17.4	39.9	8.3	51.8	31.6
Q4:2015-16						40.9	7.6	51.5	33.3

'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
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	1337	28.4	3.2	68.4	25.1	24.3	2.3	73.4	22.0
Q4:2015-16						25.0	2.8	72.2	22.1

'Increase in Salary / other remuneration' is optimistic.

Table 18: Business Expectation Index (BEI)

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
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	103.6	113.4
Q4:2015-16		114.2