

FICCI SURVEY: MODEST RECOVERY EXPECTED IN MANUFACTURING IN Q-3 2012-13

OULOOK FOR MAJOR SECTORS REMAIN SUBDUED: FICCI SURVEY

6 November, 2012, New Delhi: FICCI's latest Quarterly Survey on Manufacturing projects a modest recovery in manufacturing sector growth in quarter three of 2012-13 (October-December 2012-13). Though the growth is expected to be low only but some recovery is expected as overall business environment improves with announcement of number of reform measures by Government. However, most of the important sectors like Automotive, Capital Goods, Metals and Chemicals continue to expect subdued growth outlook for quarter 3.

According to FICCI's Survey, which drew responses from 364 manufacturing units and associations, modest recovery in Q-3 for manufacturing sector is expected as demand conditions reflected in order books show a marginal improvement. According to the survey, around 45% respondents felt that they expect the production to be higher in Q-3 vis-à-vis last year as compared to 44% and 46% in previous two quarters of current financial year.

Quarter	% of Respondents Expecting Higher Production in the Respective Quarter vis-à-vis last year
Q-3 (2012-13)	45%
Q-2 (2012-13)	44%
Q-1 (2012-13)	46%
Q-4 (2011-12)	36%

Source : FICCI Survey

FICCI survey noted that while the demand conditions remain subdued but a marginal improvement has been seen in Q-3 for 2012-13 as compared to Q-2 of 2012-13. In Q-3 of 2012-13, over 33% respondents reported higher order books for October-December 2012-13 as compared to 31% in Q-2 2012-13. The above outlook is also borne out by the fact that recently both IIP and Index of Eight Core Industries have shown some upturn in growth. Manufacturing sector grew by 2.9% in August 2012 after registering negative growth for two consecutive months of June and July 2012. Similarly, the index of eight core industries witnessed a growth of 5.1% in September 2012 as compared to the growth of 2.5% in September 2011, showing some signs of turn around.

In terms of capacity addition, around 33% respondents reported plans for capacity addition in next six months as compared to 28% in the previous survey. However, except a few sectors like leather where majority of the firms plan to add new capacities, in other sectors only very few companies have any new capacity addition plans. This indicates that investment will not pick-up at least in next two to three months.

Around 70% respondents do not expect to hire new workforce in next three months indicating that investors may still be wary of expansion plans. Even in previous survey for Q-2, around 70% respondents did not have any hiring plans for next few months. Also, in terms of capacity utilization around 34% respondents reported that their capacity utilization was higher in Q-3 vis-à-vis last year. This is slightly lower than the percentage of respondents reporting higher capacity utilization in Q-2. In Q-2, around 35% respondents reported higher capacity utilization levels vis-à-vis last year.

Sectoral Growth

Based on expectations in different sectors, the Survey pointed out that five out of twelve sectors were likely to witness low (less than 5%) growth and four sectors to witness moderate growth (less than 10% and greater than 5%) in Q-3. The sectors which are likely to witness low growth are chemicals, textiles, machine tools, metals and automotive. Sectors such as tyre, ceramics and electronics are likely to witness strong growth of more than 10% in Q-3.

Table : Growth expectations for Q-3 2012-13 compared with Q-3 2011-12

Sector	Growth Expectation
Chemicals	Low
FMCG & Food	Moderate
Electronics	High
Textiles	Low
Capital Goods	Moderate
Steel & Metals	Low
Automotive	Low
Cement	Moderate
Leather & footwear	Moderate
Tyre	High
Machine Tools	Low
Ceramics	High

Note: Strong > 10%; 5% < Moderate < 10%; Low < 5% (Source: FICCI Survey)

FICCI's latest quarterly survey gauges the expectations of manufacturers for Q-3 (October-December 2012-13) for major sectors such as textiles, capital goods, metals, chemicals, tyres, cement, electronics, automotive, leather & footwear, machine tools, FMCG & Food, Ceramics etc.

[Click here for the survey](#)

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