

Prospects Weaken for Manufacturing in Q-1 2014-15: FICCI Survey

Weak Export Outlook Could Pull Down Growth in Manufacturing: FICCI Survey

Demand Outlook is Also Weak: FICCI Survey

12 May 2014, New Delhi: FICCI's latest quarterly survey on manufacturing has projected a weak outlook for the sector in April-June 2014-15 (Q-1).

The survey indicates moderation in the manufacturing activity in Q-1 of 2014-15 as compared to Q-4 of 2013-14. The outlook on the basis of FICCI Manufacturing Survey for Q-1 2014-15 is less optimistic than in Q-4 2013-14 for the manufacturing sector. However, at the same time growth is expected in Q-1.

The survey gauges the expectations of manufacturers for Q-1 (April-June 2014-15) for fourteen major sectors namely textiles, capital goods, metals, chemicals, cement, electronics, automotive, leather & footwear, machine tools, Food processing, Paper, tyre, textiles machinery, ceramics and others. Responses have been drawn from 352 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 3.75 lac crore.

The weakened prospects for the sector are also reflected in the Order books of the manufacturers, noted FICCI Survey. The demand seems to have slowed down as a result of which moderation in manufacturing activity is expected. While 44% respondents reported higher order books for January-March 2013-14 quarter in the last survey, but for this quarter only 36% respondents have reported higher order books for April-June 2014-15.

FICCI Survey observed that this time it is just not domestic factors but more importantly on export front the outlook seems to be weakening as a result of which manufacturing growth is likely to be pulled down.

Quarter	% of Respondents Expecting Higher Production in the First Quarter vis-à-vis Respective Last Year's Quarter
Q-1 (2014-15)	50%
Q-4 (2013-14)	56%
Q-3 (2013-14)	52%
Q-2 (2013-14)	48%
Q-1 (2013-14)	35%
Q-4 (2012-13)	36%
Q-3 (2012-13)	45%
Q-2 (2012-13)	44%

Q-1 (2012-13)	46%
Q-4 (2011-12)	36%

Source: FICCI Survey

In terms of investment, it remains subdued in manufacturing sector as was the case for previous quarters also, survey pointed out. Though, in terms of investment the outlook seems to be slightly better than the previous quarters but it remains pessimistic. For Q-1 2014-15, 69% respondents, as against 71% respondents in Q-4 and 72% respondents in Q-3 of 2013-14, reported that they don't have any plans for capacity additions for the next six months. In many sectors, average capacity utilization has remained same in Q-4 of 2013-14 as was in Q-3 of 2013-14. These are sectors like Capital Goods, Chemicals, Metals, Textiles Machinery, Leather & footwear and Paper.

Looking at the inventory levels, currently around 29% respondents reported that they are carrying more than their average levels of inventories (as compared to 32% in Q-4, 24% in Q-3 and 26% in Q-2 of 2013-14) and another 58% are maintaining their average levels of inventories (as compared to 52% in previous quarter).

As mentioned earlier, export outlook for manufacturing has weakened in Q-1 2014-15. In the previous survey, outlook on export front remained positive and seemed to have improved somewhat in Q-4, which does not seem to be the case now. The proportion of respondents expecting higher exports in Q-1 2014-15 (April-June 2014-15) has fallen to 36% as against 58% in Q-4 (Jan-Mar 2013-14) and 48% in previous quarter (Q-3) and 52% in Q-2 i.e. July-Sep 2013-14.

Over 75% of the respondents are not likely to hire additional workforce in next three months, FICCI survey observed. This proportion is more than that of the previous quarter (70%), and overall the manufacturing units are not expected to add significantly to their existing workforce in coming months.

Based on expectations in different sectors, the Survey pointed out that five out of fourteen sectors were likely to witness low growth (less than 5%). Only three sectors namely, leather, chemicals and ceramics are expected to have a strong growth of over 10% in April-June 2014-15 and rest all the sectors likely to witness moderate growth.

Table : Growth expectations for Q-1 2014-15 compared with Q-1 2013-14

Sector	Growth Expectation
Capital Goods	Low
Automotive	Low
Machine Tools	Low
Cement	Low
Steel & Metals	Low

Electronics & Electricals	Moderate
Tyre	Moderate
Paper	Moderate
FMCG/Food Products	Moderate
Textiles Machinery	Moderate
Textiles	Moderate
Chemicals	Strong
Ceramics	Strong
Leather & footwear	Strong

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

Survey Link: [FICCI Quarterly Survey on Indian Manufacturing Sector](#)

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