

***Optimism Continues but Growth Likely to Moderate
in Manufacturing in Q-3: FICCI SURVEY***

**Investment Outlook Remains Subdued in Manufacturing :
FICCI Survey**

22 November 2014, New Delhi: FICCI's latest Quarterly Survey on Manufacturing remains optimistic about the Q-3 of 2014-15 but expects moderation in the manufacturing sector growth in Q-3 of 2014-15 as compared to Q-2 of 2014-15. The outlook on the basis of FICCI Manufacturing Survey for Q-3 of 2014-15 is less optimistic than in Q-2 2014-15 for the manufacturing sector as proportion of respondents expecting higher production vis-à-vis last year has fallen to 52% in Q-3 from 62% in Q-2. Since, only 11% respondents expect a fall in their growth in Q3 2014-15 vis-à-vis last year, growth, though low is expected in Q-3 2014-15 for manufacturing, as per the Survey. More importantly, the growth is likely to be more broad based as twelve out of thirteen sectors are expected to show improvement in production.

The survey gauges the expectations of manufacturers for Q-3 (October – December 2014-15) for thirteen major sectors namely textiles, capital goods, metals, chemicals, cement and ceramics, electronics, auto components, leather & footwear, machine tools, Food & FMCG, tyre, paper and textiles machinery. Responses have been drawn from 392 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 4 lac crore.

Quarter	% of Respondents Expecting Higher Production in the Quarter vis-à-vis Respective Last Year's Quarter
Q-3 (2014-15)	52%
Q-2 (2014-15)	62%
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 order books, 43% respondents have reported higher order books for October – December 2014-15 (Q-3) which remains same as in the previous quarter (Q-2) indicating no

significant change in the demand conditions noted the Survey. Inventory levels too continue to indicate subdued demand scenario as currently around 37% respondents reported that they are carrying more than their average inventory levels (as compared to 20% respondents in Q2, 29% in Q-1 2014-15, 32% in Q-4 of 2013-14, 24% in Q-3 of 2013-14). Another 49% are maintaining their average inventory levels as reported.

In terms of investment also it remains subdued in manufacturing sector as was the case for previous quarters also. For Q-3 2014-15, 74% respondents as against 71% respondents in Q2 and 69% respondents in Q-1 2014-15 reported that they don't have any plans for capacity additions for the next six months. Large unutilized capacity is the major reason for not many fresh investments proposals. In many sectors, average capacity utilization has almost remained same in Q-2 of 2014-15 as was in Q-1 of 2014-15. These are sectors like metals, tyre, textile machinery, capital goods. On the other hand capacity utilization has slightly improved in Q-2 in sectors like cement and ceramics, chemicals, textiles and food.

Export outlook for manufacturing in Q-3 2014-15 has improved slightly from previous two quarters but it remains weak and uncertain. The proportion of respondents expecting higher exports in Q-3 2014-15 (October – December) is 42% as compared to 40% in Q-2 2014-15 (July – September) and 36% in Q-1 2014-15 (April-June 2014-15).

As over 73% respondents are reportedly not likely to hire additional workforce in next three months, hiring outlook remains bleak indicating that manufacturing units are not expected to make any significant additions to their existing workforce in coming months.

Based on expectations in different sectors, the Survey pointed out that four out of thirteen sectors were likely to witness low growth (less than 5%). Four sectors namely, paper, cement and ceramics, machine tools and leather and footwear are expected to have a strong growth of over 10% in October – December 2014-15 and rest all the sectors likely to witness moderate growth.

Table : Growth expectations for Q-3 2014-15 compared with Q-3 2013-14

Sector	Growth Expectation
Capital Goods	Low
Textiles Machinery	Low
Textiles	Low
Electronics & Electricals	Low
Auto Components	Moderate
Metals & Metal Products	Moderate
Tyre	Moderate
Chemicals	Moderate
Food Products	Moderate
Cement and Ceramics	Strong
Machine Tools	Strong
Paper	Strong
Leather & footwear	Strong

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

WebLink : <http://ficci.com/SEDocument/20315/MANUFACTURING-SURVEY-REPORT-nov14.pdf>

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