

**FICCI QUARTERLY SURVEY ON INDIAN MANUFACTURING SECTOR**  
**Manufacturing Growth to Slowdown in April-June 2010: FICCI Survey**  
**83% Respondents Feel Hardening of Raw Material Prices Biggest Constraint for**  
**Manufacturing in Short Term**

**New Delhi, May 8, 2010:** The growth of Indian manufacturing sector is likely to slowdown to 11-12% in April-June 2010 as compared to likely growth of 15% in January-March 2010, according to **FICCI's recent quarterly survey of Indian manufacturing sector**. The survey was based on responses from 468 manufacturing firms and associations from sectors like FMCG, Textiles, Leather, Metals, Capital Goods, Automotive, Cement, Tyres, Machine Tools, Electronics, Consumer Durables, Ship Building, Forging, Chemicals and Miscellaneous Industries.

Around 74% respondents in FICCI survey expect their production levels to be higher in quarter April-June 2010 vis-à-vis April-June 2009. While the growth in April-June quarter is expected to be much higher than for the same quarter last year but the growth in April-June 2010 is likely to slowdown compared to January-March 2010, FICCI pointed-out. While manufacturing is expected to witness over 15% growth in the quarter January-March 2010, but as per FICCI Survey the manufacturing growth is likely to be in the range of 11-12% in April-June 2010. Sector that is likely to pull down the manufacturing growth in April-June 2010 is Chemical & Allied products (which has a significant share in the overall manufacturing sector). Sectors that would contribute significantly to the manufacturing sector growth are Automotive, FMCG, Electronics & consumer durables, Metal & Metal products and Forging. Other sectors like textiles, machinery, tyre, ship building would also contribute to manufacturing growth story in April-June 2010.

**Table: (%) Expected Growth Rates for April-June 2010 vis-à-vis April-June 2009**

Sector	% Growth
Electronics & Consumer Durables	15%
Cement	10%
Textiles	4.2%
Chemicals & Allied Products	No growth
Metal & Metal Products	14%
Automotive	18%
Ship Building	5%
Machinery & Equipments	10%
Miscellaneous	12%

**Source: FICCI Survey**

FICCI survey also observed that for 53% of the respondents order books have increased for the period April-June 2010 compared to January-March 2010 indicating

increased domestic and export demand in some sectors. However, a few sectors like chemicals, cement and machine tools reported that their orders are insufficient to sustain high growth.

Out of all the constraints, hardening of raw material prices for the manufacturing sector was reported to be the biggest constraint for the growth of the sector in FICCI survey. **Over 83% of respondents felt that sharp increases in raw material prices in sectors like cement, textiles, leather, metal, tyres and capital goods will impact the growth of manufacturing sector in the short term.**

The next biggest constraint for the manufacturing sector remains the power availability with over 60% respondents feeling that not enough power is available for the industry to sustain high growth of manufacturing sector. The other major constraint of the sector continues to be labour laws where 53% respondents feel that current labour laws are a significant constraint for the Indian manufacturing sector. Uncertainty in economic environment and inadequate export demand were the other major constraints reported in FICCI survey.

**Table: Constraints for Indian Manufacturing Sector**

Factor	Significant/Moderate Constraint	Not a Significant Constraint
Deficiency of Raw Material	✓	
Prices of Raw Material	✓	
Labour Laws	✓	
Shortage of Working Capital Finance		✓
Lack of Domestic Demand		✓
Lack of Export Demand	✓	
Competition Faced from Imports		✓
Uncertainty of Economic Environment	✓	
Deficiency of Power	✓	

However, investments in manufacturing needs to be incentivized further as 62% respondents in FICCI survey stated that they were not contemplating of any capacity additions in next 6 months. Sectors that are likely to see significant expansions are FMCG, Consumer Durables, Tyres, Automotive and Cement. Hiring in the manufacturing sector has slightly picked-up vis-à-vis last few months. However, only 40% respondents stated that they are planning to hire additional workforce in the next 3 months. Some of the sectors that offer more opportunities for employment

are Automotive, Tyres, FMCG and Leather sectors. In other sectors like textiles, electronics, metals, machinery, cement etc. majority of the respondents are not likely to hire additional workforce in the next 3 to 4 months in a significant manner.

Export demand remains a cause of concern for Indian manufacturing sector, with 52% respondents in FICCI survey expecting their exports to be lower or same in the quarter April-June 2010 as compared to April-June 2009. This concern is more in case of chemical and allied product sector. Exports in sectors like metals, textiles, leather and automotive are likely to perform better than the other sectors.

## **MEDIA DIVISION**