

# STIMULUS PHASE-OUT TO MODERATE MANUFACTURING GROWTH IN Q2: FICCI SURVEY

*63% RESPONDENTS IN Q2 EXPECT GROWTH AS COMPARED TO 67% IN Q1: FICCI SURVEY*

## ONLY MODERATE INCREASE IN INVESTMENTS SEEN IN MANUFACTURING IN NEXT SIX MONTHS

### EMPLOYMENT OUTLOOK POSITIVE IN MANUFACTURING: FICCI SURVEY

**10 August 2010, New Delhi:** With over 63% respondents expecting their production levels to be higher in Q-2 (July-September 2010) as compared to 67% in Q-1 (April-June 2010), growth of Indian manufacturing sector is expected to moderately slowdown in Q-2, reveals FICCI Quarterly Survey on Indian Manufacturing. While the manufacturing sector will continue to grow as most of the parameters remain buoyant, but some slowdown is expected given the gradual phasing-out of monetary and fiscal stimulus and increase in raw material prices which could depress the demand through inflationary pressure, noted FICCI Survey. The Survey received responses from over 342 companies covering sectors like Textiles, Leather & footwear, Metal & Metal products, Automotive, Chemicals & Pharmaceuticals, Food & FMCG, Tyres, Electronics, Consumer Durables, Cement and Capital Goods. However, FICCI noted that this growth rate is likely to be more sustainable in the current year.

FICCI Survey observed that sectors like Automotive, Tyres, Consumer Durables, Leather and Miscellaneous are expected to witness strong growth of over 12% in Q-2 (July-September 2010). On the other hand, growth is expected to moderate in sectors like Metal & metal products, Capital Goods, Cement, FMCG & Food. Sectors like Textiles, Chemicals & Pharmaceuticals would continue to witness moderate growth, noted FICCI Survey.

**Table: Growth Prospects for July-September 2010**

Sector	Growth
Metal & metal products	Moderate
Automotive	Strong
Tyres	Strong
Electronics & Consumer Durables	Strong
Capital Goods	Moderate
Cement	Moderate
Textiles	Moderate
Leather	Strong
FMCG & Food	Moderate
Chemicals & Pharmaceuticals	Moderate
Miscellaneous	Strong

*Note: Strong indicates > 12% growth*

FICCI Survey further pointed-out that the capacity utilisation is still not full in the manufacturing sector but there are number of sectors in which capacity is expected to be augmented moderately in next six-months. Overall only 42% respondents are planning to add to their capacities in next six months. Sectors which will see capacity additions in next six months are Automotive, Tyres, Electronics, Consumer Durables, Capital Goods, Cement, Leather, FMCG & Food and Chemicals. While sectors like textiles, metal & metal products are not likely to see much capacity additions, pointed-out FICCI Survey. Some moderation in capacity utilisation in metal may have resulted from sharp acceleration in investment in the sector in the last few quarters due to stimulus measures related to infrastructure. In textiles, moderation is more due to suspension of benefits under TUFS for the time being.

On exports front, the outlook is likely to be positive for the manufacturing sector. Almost all the sectors are expected to see growth in their exports in Q-2, observed FICCI Survey. While high growth of exports will be a challenge but most sectors of manufacturing are expected to have low or moderate growth in Q-2. Over 62% respondents in Q-2 as compared to 54% in Q-1, are expecting their exports to grow.

FICCI Survey further noted that the employment situation is expected to improve in the Quarter July-September 2010 with most of the sectors planning to increase workforce in Q-2.

**Table: Employment Prospects in Manufacturing**

<b>Sector</b>	<b>Additional Workforce to be hired in next 3 months</b>
Metal & metal products	----
Automotive	Yes
Tyres	Yes
Electronics & Consumer Durables	Yes
Capital Goods	Yes
Cement	Yes
Textiles	----
Leather	Yes
FMCG & Food	Yes
Chemicals & Pharmaceuticals	Yes
Miscellaneous	----

The most significant constraints faced by Indian manufacturers included hardening of raw materials prices, inadequate availability of raw materials, shortage of skilled labour, uncertainty of economic environment and deficiency of power. Over 78% respondents of FICCI Survey felt hardening of raw material prices to be affecting their growth prospects. Similarly, 50% respondents felt that availability of skilled labour, uncertainty of economic environment and deficiency of power were significant constraints for the sector, noted FICCI Survey.

**Table: Constraints For Indian Manufacturing Sector**

<b>Factor</b>	<b>Significant/Moderate Constraint</b>	<b>Not a Significant Constraint</b>
Deficiency of Raw Material	✓	
Prices of Raw Material	✓	
Labour Issues	✓	
Shortage of Working Capital Finance		✓
Lack of Domestic Demand		✓
Lack of Export Demand		✓
Competition Faced from Imports		✓
Uncertainty of Economic Environment	✓	
Deficiency of Power	✓	
Availability of skilled labour	✓	

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