

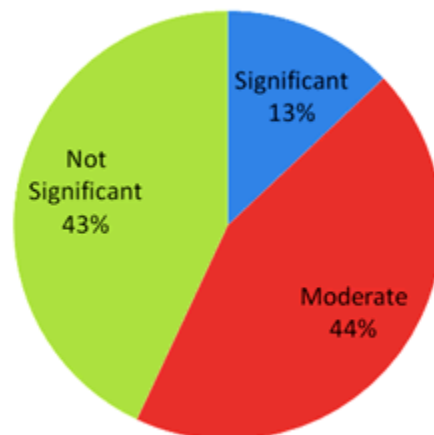
MODERATE IMPACT SEEN ON MANUFACTURING GROWTH OF RBI RATE HIKES: FICCI SURVEY

**46% RESPONDENTS ARE PLANNING CAPACITY ADDITIONS IN NEXT 6 MONTHS :
FICCI SURVEY**

11 November 2010, New Delhi: The recent hikes in policy rates by RBI is likely to have a moderate impact on the growth and capacity addition of Indian manufacturing sector in Quarter 3 (October-December 2010), finds out the latest FICCI Survey on Indian Manufacturing Sector. FICCI Survey based on 404 responses spanning across the sectors, observed that while 44% respondents felt that the recent hike in RBI policy rates will have moderate impact on the cost of their borrowing and another 43% felt that the impact is not going to be significant. FICCI Quarterly Survey was conducted for Q-2 (July-September 2010) and Q-3 (October-December 2010).

In fact, noted FICCI survey, over 46% respondents said that they plan to add to their existing capacities in the next 6 months as compared to 42% respondents in the previous survey. However, the sector will see some moderation in the growth as 68% respondents in Q-3 as compared to 71% in Q-2 reported that the growth will be more vis-a-vis last year for respective Quarters.

**Chart : Impact of Hike in RBI Policy Rates on Capacity Additions
for Next 6 Months in Manufacturing (% of Respondents)**



Source : FICCI Survey

The Survey received responses from sectors like Textiles & Apparels, Steel, Metal, Capital Goods, Machine Tools, Electronics, FMCG & Food, Automotive, Cement, Paper etc. For 54% respondents Order Books for Q-3 were more than the order books in Q-2, noted FICCI survey. Sectors for which majority of respondents reported higher order books in Q-3 compared to Q-2 are Capital goods, FMCG, Cement, Textile Machinery, Machine tools, Automotive, Paper and Miscellaneous industries.

According to FICCI Survey, sectors like Capital Goods, Machine Tools, Electrical & Electronic Products, Automotive, FMCG and miscellaneous industry are likely to witness strong growth of 12% and above for the Quarter-3 vis-a-vis last year. Sectors that are likely to witness moderate growth (less than 12%) in Q-3 are Textiles, Textile Machinery, Cement, Chemicals & Pharmaceuticals, Metal and Metal Products, Leather & Footwear and Paper industry, noted FICCI Survey.

Table: Expected Growth Scenario in Indian Manufacturing in Q-3

Sector	Expected Growth
Capital Goods	Strong
Machine Tools	Strong
Automotive	Strong
FMCG	Strong
Electrical & Electronic Products	Strong
Miscellaneous Industry	Strong
Textiles	Moderate
Leather & Footwear	Moderate
Cement	Moderate
Textile Machinery	Moderate
Chemicals & Pharmaceuticals	Moderate
Metal & Metal Products	Moderate
Paper	Moderate

*Note : Strong Growth Indicates 12 & Over 12% Growth
Moderate Growth is less than 12%*

In terms of capacity utilisation, over 52% respondents reported that they were operating at higher capacities currently vis-a-vis last year, noted FICCI Survey. Only 16% respondents said that they were operating at lower capacities currently vis-a-vis last year and the rest 32% were operating at same level of capacities as last year.

FICCI survey further noted that growth in exports is likely to be steady in Q-3 in sectors like textiles, textile machinery, machine tools, automotive, chemicals & pharmaceuticals and leather & footwear. However, rupee appreciation could moderate the overall growth of manufacturing sector exports in Q-3 vis-a-vis Q-2.

For the first time, FICCI survey also tried to find out the proportion of imported raw material used by Indian manufacturing sector. There are few sectors that are significantly dependent on imports of raw materials like chemicals & pharmaceuticals, textiles, automotive, electronics and paper. For these sectors on an average 25% or more of their input/raw material requirement is sourced from imports, noted FICCI survey.

MEDIA DIVISION

Taresh Arora
Media Relations Officer
Tel : 23736307 & 23357392 (Direct)
9899115719 (Mobile)
23753119 (Fax)