

FICCI SURVEY: MANUFACTURING GROWTH TO SEE REVIVAL IN FOURTH QUARTER

GROWTH TO REMAIN MODEST

April 7, 2012, New Delhi: FICCI's latest Quarterly Survey on Manufacturing projects a revival in the growth of the manufacturing sector in the fourth quarter of 2011-12 (Jan-March 2012) after the manufacturing growth almost bottomed out in the third quarter of 2011-12. However, the growth is expected to be modest. The revival is a result of higher orders on the books and a somewhat better export outlook.

According to FICCI's Survey, which drew responses from 336 manufacturing units and associations, about 36% of respondents said they expect growth in manufacturing to revive in Q-4. This is in contrast to only 13% and 26% respondents in Q-3 and Q-2 of 2011-12 respectively.

The survey revealed that increasing cost of raw materials, not higher interest rates, had constrained growth. About 58% respondents said that rising cost of raw materials was the most important constraint for the growth of the sector; only 34% respondents felt that rising cost of interest was the most important constraint.

The survey noted some improvement in demand conditions for the manufacturing sector in Q-4 as compared to previous quarters. While in the last two quarters (July-September 2011 & October-December 2011) over 38% and 29% respondents reported higher orders compared to the previous quarters, in Q-4 over 47% respondents reported higher orders than in Q-3 (October-December 2011).

FICCI's latest quarterly survey gauges the expectations of manufacturers for Q-4 for major sectors such as textiles, capital goods, metals, chemicals, tyres, cement, electronics, automotive, textiles machinery, leather goods, footwear, and machine tools.

Capacity Utilization - Improving

FICCI's survey noted some improvement in capacity utilisation with 44% respondents reporting that their capacity utilisation was higher than last year as compared to only 36% respondents in Q-3. Capacity utilisation levels are particularly low in textiles and the steel sector.

Capacity Addition- Little Growth in New Investments

In the previous quarter, 32% respondents reported plans for capacity addition in the next 6 months; in the latest survey 38% respondents have reported so.

Table 1: Percentage of respondents with plans for capacity addition

Quarter	% of Respondents
Q-1 (April-June 2011)	52%
Q-2 (July-September 2011)	41%
Q-3 (October-December 2011)	32%
Q-4 (January-March 2012)	38%

Source: FICCI Survey

Employment- Outlook Remains Weak

Only 30% respondents reported that they are planning to increase their workforce in the next 3 months whereas in the previous two surveys, over 60% respondents reported that they were not planning to hire additional workforce in the short term.

Exports - Improvement in Outlook

FICCI's Survey also showed that growth of manufacturing exports was expected to be better in Q-4 as against previous quarter with 65% respondents expecting their exports to rise in Q-4 compared to about 29% in the previous quarter.

Table 2 : Percentage of respondents who expect exports to rise

Quarter	% of Respondents
April-June 2011	50%
July-September 2011	40%
October-December 2011	29%
January-March 2012	65%

Sectoral Growth

Based on expectations in different sectors, the Survey pointed out that seven out of twelve sectors were likely to witness low (less than 5%) growth and four sectors to witness strong growth (greater than 10%) in Q-4. The sectors which are likely to witness low growth are chemicals, cement, steel, textiles, paper and electronics. Sectors such as automotive, leather and tyres are likely to witness growth in excess of 10% in Q-4.

Table 3: Growth expectations for Q-4 2011-12 compared with Q-4 2010-11

Sector	Growth
Chemicals	Low
Electronics	Low
Textiles	Low
Textiles Machinery	Low
Cement	Low
Paper	Low
Steel & Metals	Low
Capital Goods	Moderate
Automotive	Strong
Leather & footwear	Strong
Tyre	Strong
Miscellaneous	Strong

Note: Strong > 10%; 5% < Moderate < 10%; Low < 5%

Source: FICCI Survey

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