

FICCI SURVEY: MANUFACTURING GROWTH TO REMAIN LOW IN Q-2 2012-13

67% RESPONDENTS AFFECTED BY RUPEE DEPRECIATION

**LOSS FROM RUPEE DEPRECIATION WEIGHS HEAVILY ON THE MANUFACTURING
SECTOR**

RAW MATERIAL COST RISES BY 5-25% DUE TO HIGH COST OF IMPORTED INPUTS

August 8, 2012, New Delhi: FICCI's latest Quarterly Survey on Manufacturing projects only a low growth of manufacturing sector in quarter two of 2012-13 (July-September 2012). The survey noted that rupee depreciation has presumably affected the sector's competitiveness severely over the last few months.

According to FICCI's Survey, which drew responses from 418 manufacturing units and associations, around 44% respondents felt that they expect growth to be higher in Q-2 vis-a-vis last year as against 46% respondents saying so for previous quarter (Q-1). Only 36%, 13% and 26% respondents in quarter four, three and two of 2011-12 respectively expected growth to be higher in manufacturing, as per previous surveys.

The survey noted that over 67% respondents were affected by rupee depreciation in the last few months. Rupee depreciation has led to increased cost of their imported raw materials and inputs by 5-25% in last few months. Sectors which have been affected more by this depreciation are automotive, electronics, capital goods, chemicals and textiles. As against this, only 42% respondents said that the depreciation has helped in improving their exports.

The survey noted that demand conditions remained subdued in the economy for the manufacturing sector in Q-2 as compared to previous quarters as only 31% respondents are saying that they have higher order books for July-September quarter.

FICCI's latest quarterly survey gauges the expectations of manufacturers for Q-2 (July-Sep 2012-13) for major sectors such as textiles, capital goods, metals, chemicals, tyres, cement, electronics, automotive, textiles machinery, leather & footwear, machine tools, paper etc. Responses have been drawn from 418 manufacturing units from both large and SME segments.

Capacity Utilization

FICCI's survey noted that capacity utilisation in Q-2 has also remained low. In Q-2, only 35% respondents reported that their capacity utilisation was higher than last year as compared to 44% and 36% reporting so in previous quarters.

Capacity Addition- Little Growth in New Investments

In the previous quarter, 38% respondents reported plans for capacity addition in next 6 months; however, in the latest survey only 28% respondents have reported so.

Employment- Outlook Remains Bleak

Over 70% respondents did not report any plans for hiring new workforce in next three months. Only 30% respondents reported that they are planning to increase their workforce in next 3 months.

Exports

FICCI's Survey also showed that growth of manufacturing exports was expected to be low in Q-2 as against previous quarters. Only 36% respondents are expecting their exports to rise in Q-2 as compared to 47% in previous quarter.

Sectoral Growth

Based on expectations in different sectors, the Survey pointed out that seven out of fourteen sectors were likely to witness low (less than 5%) growth and five sectors to witness strong growth (greater than 10%) in Q-2. The sectors which are likely to witness low growth are chemicals, textiles, paper, capital goods and electronics. Sectors such as leather and tyre are likely to witness strong growth of more than 10% in Q-2.

Table : Growth expectations for Q-2 2012-13 compared with Q-2 2011-12

Sector	Growth
Chemicals	Low
Food	Low

Electronics	Low
Textiles	Low
Textiles Machinery	Low
Paper	Low
Capital Goods	Low
Steel & Metals	Moderate
Automotive	Moderate
Cement	Strong
Leather & footwear	Strong
Tyre	Strong
Machine Tools	Strong
Miscellaneous	Strong

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

Source: FICCI Survey

MEDIA DIVISION