

Industrial Outlook Survey of the Manufacturing Sector for Q4:2020-21

Today, the Reserve Bank released the results of the 93rd round of the Industrial Outlook Survey (IOS) conducted during January-March 2021. The survey encapsulates qualitative assessment of the business climate by Indian manufacturing companies for Q4:2020-21 and their expectations for Q1:2021-22¹. In all, 967 companies responded in this round of the survey. Owing to uncertainty driven by the COVID-19 pandemic, an additional block was included in this round of the survey for assessing the outlook on key parameters for two quarters ahead as well as three quarters ahead.

Highlights:

A. Assessment for Q4: 2020-21

- Manufacturing companies assessed further strengthening of production, order books and employment during Q4:2020-21 (Table A).
- Sentiments on financial situation improved in terms of availability of finance from banks, internal accruals and overseas sources.
- Manufacturers perceived higher cost pressures mainly stemming from purchase of inputs and salary expenses and some increase in selling prices during the quarter.
- The business assessment index (BAI)² extended further in expansion zone to 113.1 in Q4:2020-21 from 108.6 in the previous quarter (Chart 1).

B. Expectations for Q1: 2021-22

- Production volumes, new orders and job landscape are expected to strengthen in Q1:2021-22.
- Optimism prevails on the overall financial situation.
- Respondents expect more pressure from cost of finance, purchase of raw materials and salary outgo in Q1:2021-22.
- Selling prices as well as profit margins are expected to increase in Q1:2021-22.
- The business expectations index (BEI) increased further to 119.6 in Q1:2021-22 from 114.1 in Q4:2020-21 (Chart 1).

¹ The survey results reflect the respondents' views, which are not necessarily shared by the Reserve Bank. Results of the previous survey round were released on the Bank's website on [February 5, 2021](#). This round of the survey was launched on [January 22, 2021](#) and results were compiled with data received till March 27, 2021.

² For each survey round, two indices are computed – one based on assessment [*viz.*, Business Assessment Index (BAI)] and another based on expectations [*viz.*, Business Expectations Index (BEI)]. Each index is a composite indicator calculated as a simple average of nine business parameters, where each parameter is derived as a weighted net response, weights being the share of industry groups in gross value added (GVA). The nine parameters considered are: (1) overall business situation; (2) production; (3) order books; (4) inventory of raw material; (5) inventory of finished goods; (6) profit margins; (7) employment; (8) exports; and (9) capacity utilisation. BAI/BEI gives a snapshot of the business outlook in every quarter and takes values between 0 and 200, with 100 being the threshold separating expansion from contraction.

C. Expectations for Q2:2021-22 and Q3:2021-22

- Manufacturers perceived further improvement in production and overall business situation in Q2:2021-22 and Q3:2021-22 (Table B).
- Capacity utilisation and employment conditions are expected to improve.
- Respondents expected input cost pressure to continue, *albeit* with marginal easing and selling prices to harden gradually.

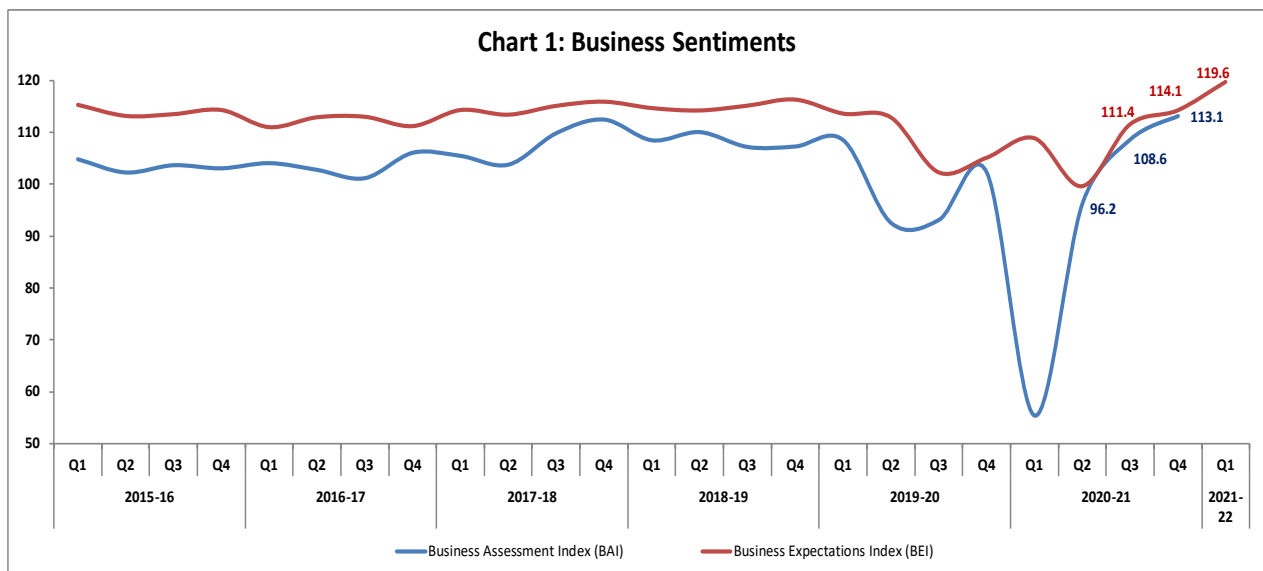


Table A: Summary of Net responses³ on Survey Parameters (per cent)

Parameters	Assessment period		Expectation period	
	Q3:2020-21	Q4:2020-21	Q4:2020-21	Q1:2021-22
Production	27.2	36.3	31.5	43.7
Order Books	20.5	33.1	27.3	43.2
Pending Orders	12.0	-3.0	9.2	-2.4
Capacity Utilisation	17.3	29.1	24.1	38.0
Inventory of Raw Materials	-5.4	-11.1	-6.7	-11.8
Inventory of Finished Goods	-4.6	-7.6	-6.3	-10.9
Exports	4.6	15.5	13.0	29.6
Imports	6.3	16.4	8.5	26.1
Employment	3.9	10.9	7.2	17.9
Financial Situation (Overall)	27.5	29.4	33.0	47.3
Availability of Finance (from internal accruals)	17.4	23.7	22.8	34.7
Availability of Finance (from banks & other sources)	14.9	16.5	15.3	25.6
Availability of Finance (from overseas, if applicable)	0.8	2.7	3.8	13.4
Cost of Finance	0.2	-3.4	-5.0	-13.9
Cost of Raw Material	-51.6	-69.0	-42.7	-62.4
Salary/ Other Remuneration	-14.0	-18.7	-16.0	-41.6
Selling Price	9.4	22.7	10.7	29.2
Profit Margin	-11.8	2.0	-2.4	11.0
Overall Business Situation	32.9	36.5	40.7	52.5

Note: [Please see the excel file for time series data.](#)

Table B: Business Expectations of Select Parameters for extended period – Net response (per cent)

Parameters	Round 92	Round 93		
	Q4:2020-21	Q1:2021-22	Q2:2021-22	Q3:2021-22
Overall Business Situation	40.7	52.5	56.1	60.4
Production	31.5	43.7	52.7	58.3
Order Books	27.3	43.2	49.1	53.4
Capacity Utilisation	24.1	38.0	48.1	50.4
Employment	7.2	17.9	21.9	24.6
Cost of Raw Materials	-42.7	-62.4	-61.8	-57.8
Selling Prices	10.7	29.2	31.7	31.8

³ Net Response (NR) is the difference between the percentage of respondents reporting optimism and those reporting pessimism. It ranges between -100 to 100. Any value greater than zero indicates expansion/optimism and any value less than zero indicates contraction/pessimism. In other words, $NR = (I - D)$, where, I is the percentage response of 'Increase/optimism', and D is the percentage response of 'Decrease/pessimism' and E is the percentage response as 'no change/equal' (*i.e.*, $I+D+E=100$). For example, increase in production is optimism whereas decrease in cost of raw material is optimism.

Table 1: Assessment and Expectations for Production

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	33.6	19.8	46.6	13.8	35.4	18.2	46.4	17.2
Q1:2020-21	802	8.3	72.2	19.5	-63.9	37.8	14.1	48.1	23.7
Q2:2020-21	959	42.4	32.1	25.5	10.3	41.4	30.2	28.5	11.2
Q3:2020-21	1,011	46.6	19.4	34.0	27.2	43.4	16.9	39.7	26.4
Q4:2020-21	967	48.9	12.6	38.5	36.3	43.7	12.2	44.0	31.5
Q1:2021-22						53.3	9.7	37.0	43.7

'Increase' in production is optimistic.

Note: The sum of components may not add up to total due to rounding off (This is applicable for all tables).

Table 2: Assessment and Expectations for Order Books

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	30.1	20.1	49.9	10.0	33.6	17.0	49.3	16.6
Q1:2020-21	802	8.9	63.8	27.3	-54.9	33.5	15.1	51.4	18.4
Q2:2020-21	959	37.2	31.3	31.5	5.9	36.4	28.4	35.3	8.0
Q3:2020-21	1,011	40.3	19.8	40.0	20.5	39.2	18.6	42.2	20.6
Q4:2020-21	967	46.4	13.3	40.3	33.1	41.1	13.7	45.2	27.3
Q1:2021-22						51.0	7.8	41.1	43.2

'Increase' in order books is optimistic.

Table 3: Assessment and Expectations for Pending Orders

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q4:2019-20	860	4.1	18.5	77.4	14.4	3.7	19.5	76.8	15.9
Q1:2020-21	802	6.1	47.3	46.6	41.2	4.6	16.2	79.1	11.6
Q2:2020-21	959	7.2	30.1	62.7	22.8	5.8	31.8	62.4	26.0
Q3:2020-21	1,011	7.2	19.2	73.6	12.0	7.4	21.5	71.1	14.2
Q4:2020-21	967	13.2	10.2	76.6	-3.0	5.6	14.8	79.7	9.2
Q1:2021-22						11.6	9.2	79.3	-2.4

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment and Expectations for Capacity Utilisation (Main Product) (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	21.0	19.0	60.0	2.0	23.1	15.2	61.6	7.9
Q1:2020-21	802	6.0	67.6	26.3	-61.6	25.5	14.2	60.3	11.3
Q2:2020-21	959	31.8	30.2	37.9	1.6	36.2	28.6	35.2	7.6
Q3:2020-21	1,011	35.3	18.0	46.7	17.3	32.4	15.0	52.6	17.5
Q4:2020-21	967	40.6	11.5	47.9	29.1	34.7	10.6	54.7	24.1
Q1:2021-22						45.2	7.3	47.5	38.0

'Increase' in capacity utilisation is optimistic.

Table 5: Assessment and Expectations for Level of CU (compared to the average in last 4 quarters) (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q4:2019-20	860	7.6	21.6	70.7	-14.0	7.9	18.5	73.6	-10.6
Q1:2020-21	802	2.7	63.6	33.7	-60.9	9.1	16.4	74.5	-7.3
Q2:2020-21	959	5.9	43.4	50.8	-37.5	5.8	39.2	55.0	-33.5
Q3:2020-21	1,011	11.3	23.2	65.5	-12.0	8.3	25.5	66.2	-17.2
Q4:2020-21	967	21.3	12.2	66.5	9.1	11.7	15.3	73.0	-3.6
Q1:2021-22						25.3	8.4	66.2	16.9

'Above Normal' in Level of capacity utilisation is optimistic.

Table 6: Assessment and Expectations for Assessment of Production Capacity (with regard to expected demand in next 6 months) (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		More than adequate	Less than adequate	Adequate	Net response	More than adequate	Less than adequate	Adequate	Net response
Q4:2019-20	860	14.3	9.5	76.2	4.8	14.6	11.4	74.0	3.2
Q1:2020-21	802	19.0	24.5	56.5	-5.6	13.7	8.8	77.5	4.9
Q2:2020-21	959	15.9	17.2	66.9	-1.3	18.7	17.3	64.0	1.3
Q3:2020-21	1,011	14.1	11.2	74.6	2.9	15.9	12.3	71.8	3.5
Q4:2020-21	967	15.5	10.0	74.5	5.5	14.2	9.3	76.5	5.0
Q1:2021-22						20.2	7.3	72.5	12.9

'More than adequate' in Assessment of Production Capacity is optimistic.

Table 7: Assessment and Expectations for Exports (Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	20.1	14.3	65.5	5.8	22.4	13.8	63.9	8.6
Q1:2020-21	802	8.7	50.4	40.9	-41.7	22.5	11.5	66.0	11.0
Q2:2020-21	959	25.3	25.9	48.8	-0.6	23.1	26.9	50.0	-3.8
Q3:2020-21	1,011	22.5	17.9	59.5	4.6	25.1	17.6	57.3	7.5
Q4:2020-21	967	31.6	16.0	52.4	15.5	25.1	12.1	62.7	13.0
Q1:2021-22						38.7	9.0	52.3	29.6

'Increase' in exports is optimistic.

Table 8: Assessment and Expectations for Imports

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	16.0	11.3	72.7	4.7	15.7	10.2	74.1	5.4
Q1:2020-21	802	7.6	40.5	51.8	-32.9	16.9	10.3	72.8	6.6
Q2:2020-21	959	18.4	21.2	60.5	-2.8	19.9	21.0	59.1	-1.0
Q3:2020-21	1,011	19.6	13.3	67.2	6.3	17.3	12.4	70.4	4.9
Q4:2020-21	967	25.8	9.3	64.9	16.4	17.7	9.1	73.2	8.5
Q1:2021-22						32.6	6.6	60.8	26.1

'Increase' in imports is optimistic.

Table 9: Assessment and Expectations for level of Raw Materials Inventory

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Above average	Below average	Average	Net response	Above average	Below average	Average	Net response
Q4:2019-20	860	12.9	7.8	79.3	-5.1	10.6	7.0	82.4	-3.6
Q1:2020-21	802	21.3	13.5	65.2	-7.8	9.8	6.9	83.3	-2.9
Q2:2020-21	959	16.7	10.9	72.3	-5.8	15.5	9.7	74.8	-5.9
Q3:2020-21	1,011	13.1	7.7	79.3	-5.4	11.5	7.4	81.1	-4.2
Q4:2020-21	967	17.5	6.5	76.0	-11.1	12.0	5.3	82.8	-6.7
Q1:2021-22						17.2	5.4	77.4	-11.8

'Below average' Inventory of raw materials is optimistic.

Table 10: Assessment and Expectations for level of Finished Goods Inventory

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Above average	Below average	Average	Net response	Above average	Below average	Average	Net response
Q4:2019-20	860	13.3	6.7	80.0	-6.5	12.9	6.2	80.9	-6.7
Q1:2020-21	802	27.0	14.3	58.7	-12.6	10.4	6.2	83.4	-4.3
Q2:2020-21	959	18.9	10.2	70.9	-8.7	17.2	9.5	73.3	-7.6
Q3:2020-21	1,011	12.8	8.1	79.1	-4.6	12.4	7.2	80.4	-5.3
Q4:2020-21	967	15.2	7.5	77.3	-7.6	11.5	5.1	83.4	-6.3
Q1:2021-22						16.4	5.5	78.1	-10.9

'Below average' Inventory of finished goods is optimistic.

Table 11: Assessment and Expectations for Employment

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	13.4	11.3	75.3	2.0	12.5	10.7	76.8	1.8
Q1:2020-21	802	3.9	32.5	63.7	-28.6	14.3	9.0	76.7	5.2
Q2:2020-21	959	11.8	21.0	67.2	-9.2	11.0	18.7	70.3	-7.7
Q3:2020-21	1,011	15.5	11.6	73.0	3.9	14.5	12.1	73.3	2.4
Q4:2020-21	967	19.4	8.5	72.1	10.9	14.6	7.3	78.1	7.2
Q1:2021-22						23.5	5.5	71.0	17.9

'Increase' in employment is optimistic.

Table 12: Assessment and Expectations for Overall Financial Situation

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q4:2019-20	860	26.5	13.6	59.9	12.8	31.2	11.7	57.1	19.5
Q1:2020-21	802	8.7	57.6	33.6	-48.9	33.1	8.8	58.0	24.3
Q2:2020-21	959	31.8	23.9	44.3	7.8	34.6	23.2	42.2	11.4
Q3:2020-21	1,011	40.4	12.9	46.7	27.5	36.7	11.4	51.9	25.3
Q4:2020-21	967	43.0	13.6	43.4	29.4	39.2	6.2	54.6	33.0
Q1:2021-22						53.4	6.1	40.5	47.3

'Better' overall financial situation is optimistic.

Table 13: Assessment and Expectations for Working Capital Finance Requirement

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	28.3	6.4	65.4	21.9	27.3	5.7	66.9	21.6
Q1:2020-21	802	36.9	18.8	44.4	18.1	28.8	5.7	65.5	23.1
Q2:2020-21	959	33.3	11.4	55.3	21.9	37.2	11.5	51.3	25.7
Q3:2020-21	1,011	30.7	7.1	62.2	23.7	31.3	6.9	61.8	24.4
Q4:2020-21	967	30.8	7.7	61.4	23.1	28.5	3.7	67.8	24.8
Q1:2021-22						37.6	5.2	57.3	32.4

'Increase' in working capital finance is optimistic.

Table 14: Assessment and Expectations for Availability of Finance (from Internal Accruals)

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q4:2019-20	860	23.1	9.5	67.4	13.7	22.1	8.8	69.1	13.4
Q1:2020-21	802	7.2	38.0	54.8	-30.8	23.1	6.0	70.9	17.0
Q2:2020-21	959	22.2	18.4	59.5	3.8	22.5	16.1	61.3	6.4
Q3:2020-21	1,011	27.2	9.7	63.1	17.4	24.8	9.7	65.5	15.1
Q4:2020-21	967	33.3	9.6	57.1	23.7	28.3	5.6	66.1	22.8
Q1:2021-22						39.7	5.1	55.2	34.7

'Improvement' in availability of finance is optimistic.

Table 15: Assessment and Expectations for Availability of Finance (from banks and other sources)

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q4:2019-20	860	16.9	6.1	76.9	10.8	17.7	5.9	76.4	11.7
Q1:2020-21	802	12.9	15.8	71.3	-3.0	18.1	6.4	75.4	11.7
Q2:2020-21	959	20.3	8.3	71.4	12.0	20.4	9.8	69.8	10.6
Q3:2020-21	1,011	21.0	6.1	72.8	14.9	19.4	5.8	74.8	13.6
Q4:2020-21	967	23.1	6.6	70.3	16.5	19.6	4.3	76.1	15.3
Q1:2021-22						30.0	4.4	65.6	25.6

'Improvement' in availability of finance is optimistic.

Table 16: Assessment and Expectations for Availability of Finance (from overseas, if applicable)

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q4:2019-20	860	7.2	4.4	88.4	2.8	7.3	4.3	88.4	3.0
Q1:2020-21	802	3.2	13.5	83.3	-10.3	7.9	4.0	88.1	4.0
Q2:2020-21	959	6.8	7.4	85.7	-0.6	7.9	9.9	82.2	-2.0
Q3:2020-21	1,011	5.8	5.0	89.2	0.8	7.2	6.6	86.1	0.6
Q4:2020-21	967	7.5	4.8	87.7	2.7	7.2	3.4	89.3	3.8
Q1:2021-22						16.5	3.1	80.3	13.4

'Improvement' in availability of finance is optimistic.

Table 17: Assessment and Expectations for Cost of Finance

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	15.0	8.4	76.6	-6.6	15.0	7.1	77.9	-7.9
Q1:2020-21	802	16.3	15.9	67.8	-0.4	12.7	6.6	80.6	-6.1
Q2:2020-21	959	17.5	14.7	67.7	-2.8	17.6	10.9	71.5	-6.7
Q3:2020-21	1,011	13.3	13.5	73.2	0.2	15.5	8.8	75.7	-6.7
Q4:2020-21	967	16.7	13.3	70.0	-3.4	13.3	8.3	78.4	-5.0
Q1:2021-22						22.2	8.2	69.6	-13.9

'Decrease' in cost of finance is optimistic.

Table 18: Assessment and Expectations for Cost of Raw Materials

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	41.1	7.1	51.8	-34.1	35.6	5.6	58.8	-30.0
Q1:2020-21	802	39.9	10.7	49.4	-29.3	38.9	5.3	55.7	-33.6
Q2:2020-21	959	46.1	8.2	45.7	-38.0	37.8	5.7	56.5	-32.0
Q3:2020-21	1,011	55.5	3.9	40.6	-51.6	36.7	4.6	58.7	-32.1
Q4:2020-21	967	71.0	2.0	26.9	-69.0	45.2	2.6	52.2	-42.7
Q1:2021-22						64.9	2.5	32.6	-62.4

'Decrease' in cost of raw materials is optimistic.

Table 19: Assessment and Expectations for Salary/Other Remuneration

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	27.1	2.3	70.6	-24.8	25.1	3.0	71.9	-22.1
Q1:2020-21	802	12.4	22.0	65.5	9.6	35.8	2.7	61.5	-33.1
Q2:2020-21	959	15.7	12.9	71.4	-2.8	16.5	12.5	70.9	-4.0
Q3:2020-21	1,011	20.8	6.8	72.3	-14.0	15.8	6.8	77.4	-9.0
Q4:2020-21	967	21.8	3.1	75.1	-18.7	19.9	3.9	76.2	-16.0
Q1:2021-22						42.7	1.2	56.1	-41.6

'Decrease' in Salary / other remuneration is optimistic.

Table 20: Assessment and Expectations for Selling Price

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	16.4	13.9	69.7	2.5	15.2	13.0	71.9	2.2
Q1:2020-21	802	9.5	26.6	64.0	-17.1	18.0	9.7	72.3	8.3
Q2:2020-21	959	13.9	19.7	66.4	-5.8	12.9	18.9	68.1	-6.0
Q3:2020-21	1,011	21.9	12.5	65.6	9.4	12.8	13.0	74.3	-0.2
Q4:2020-21	967	31.3	8.6	60.1	22.7	19.6	8.9	71.5	10.7
Q1:2021-22						35.0	5.8	59.1	29.2

'Increase' in selling price is optimistic.

Table 21: Assessment and Expectations for Profit Margin

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4:2019-20	860	15.8	27.4	56.8	-11.6	16.3	26.4	57.3	-10.2
Q1:2020-21	802	5.0	61.8	33.2	-56.8	17.5	20.4	62.1	-2.9
Q2:2020-21	959	15.3	41.8	43.0	-26.5	13.7	40.5	45.8	-26.8
Q3:2020-21	1,011	17.4	29.1	53.5	-11.8	14.7	26.7	58.6	-12.0
Q4:2020-21	967	24.9	22.9	52.1	2.0	17.8	20.1	62.1	-2.4
Q1:2021-22						28.8	17.8	53.4	11.0

'Increase' in profit margin is optimistic.

Table 22: Assessment and Expectations for Overall Business Situation

(Percentage responses)

Quarter	Total response	Assessment				Expectations			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q4:2019-20	860	31.6	15.8	52.6	15.7	35.8	13.2	50.9	22.6
Q1:2020-21	802	8.3	68.5	23.2	-60.2	38.6	10.4	50.9	28.2
Q2:2020-21	959	39.6	27.9	32.5	11.8	41.0	25.3	33.6	15.7
Q3:2020-21	1,011	46.7	13.8	39.6	32.9	45.7	12.8	41.6	32.9
Q4:2020-21	967	49.0	12.4	38.6	36.5	48.2	7.6	44.2	40.7
Q1:2021-22						57.7	5.1	37.2	52.5

'Better' Overall Business Situation is optimistic.

Table 23: Business Sentiments

Quarter	Business Assessment Index (BAI)	Business Expectations Index (BEI)
Q4:2019-20	102.2	105.0
Q1:2020-21	55.3	108.8
Q2:2020-21	96.2	99.5
Q3:2020-21	108.6	111.4
Q4:2020-21	113.1	114.1
Q1:2021-22		119.6