FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY

FICCI QUARTERLY SURVEY

ON

INDIAN MANUFACTURING SECTOR

October 2022

CONTENTS **Page No.**

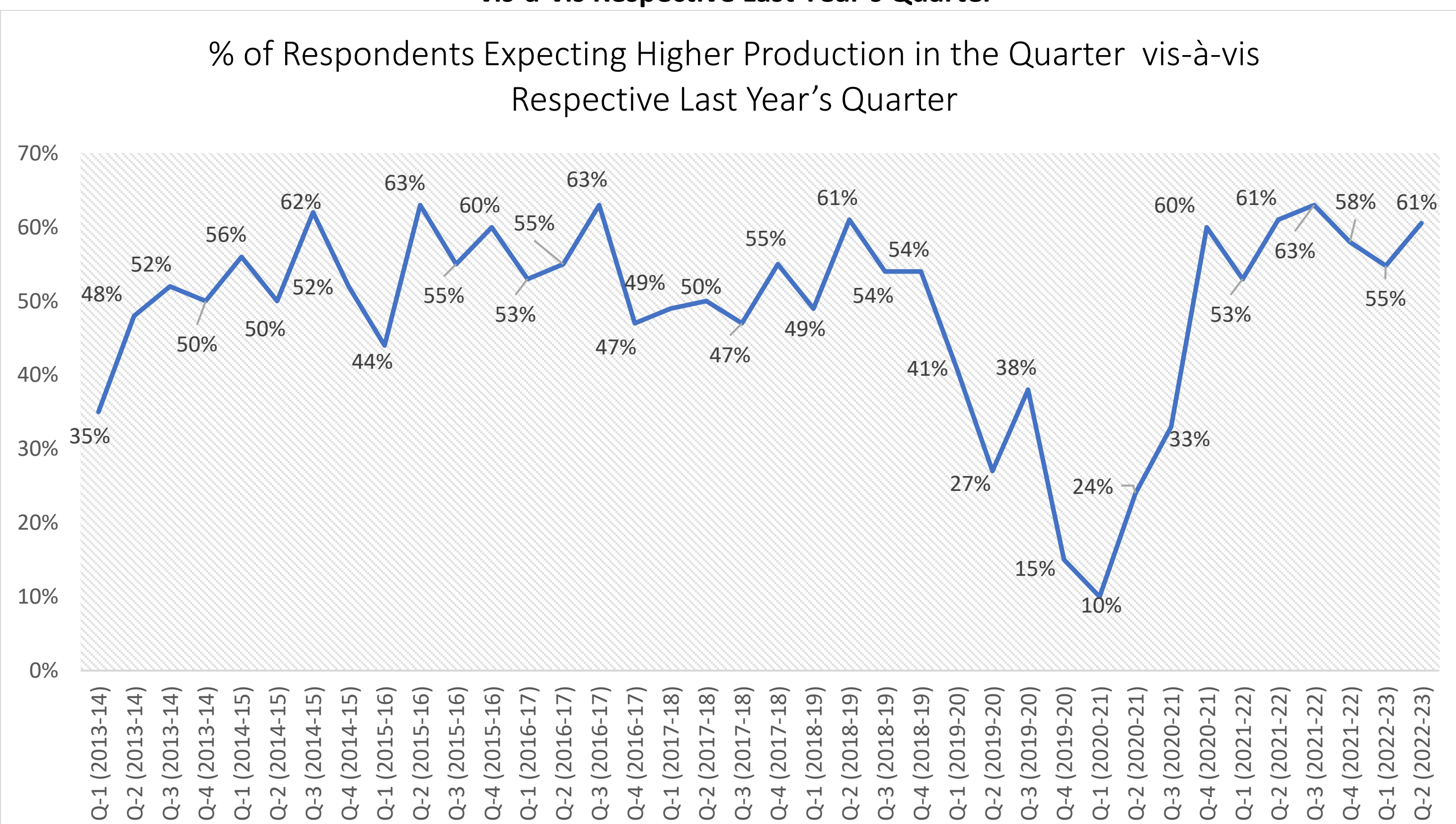
Introduction & Quarterly Assessment for Manufacturing Sector	*1*
Automotive & Automotive Components	*6*
Capital Goods	*8*
Cement	*10*
Chemicals, Fertilizers & Pharmaceuticals	*12*
Electronics	*14*
Machine Tools	*16*
Metals and Metal Products	*18*
Paper Products	*21*
Textiles	*23*
Textiles Machinery	*25*
Miscellaneous	*27*

Introduction & Quarterly Assessment for the Manufacturing Sector

Production and Demand

FICCI's latest quarterly survey assessed the sentiments of manufacturers for Q-2 July-September (2022-23) for ten major sectors namely Automotive & Auto Components, Capital Goods, Cement, Chemicals Fertilizers and Pharmaceuticals, Electronics, Machine Tools, Metal & Metal Products, Paper Products, Textiles, Textile Machinery and Miscellaneous. Responses have been drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over 2.8 lakh crores.

Figure: % of Respondents Expecting Higher Production in the Quarter vis-à-vis Respective Last Year's Quarter



Source FICCI Survey

FICCI's latest quarterly survey on Manufacturing reveals that after experiencing revival of Indian economy in the FY 2021-22, momentum of growth continued in subsequent quarters of Q1 (April-June 2022-23) and Q-2 July-Sept (2022-23). 61% respondents reported higher production levels in Q-2 (July-Sept 2022-23), with an average expectation of increase in production by over 14.86%. This is significantly more than the percentage of respondents experiencing higher growth in Q-2 of last few years including pre-covid years too. This assessment is also reflective in order books as 54% of the respondents in Q-2 (July-Sept 2022-23) had higher number of orders.

Capacity Addition & Utilization

- The existing average capacity utilization in manufacturing is over 70%, which reflects a sustained economic activity in the sector.
- The future investment outlook also slightly improved as compared to previous quarter as close to 40% respondents reported plans for capacity additions in the next six months, by as much as over 15% on an average.
- Global economic uncertainty caused by the Russia-Ukraine War and increasing cases of various mutations of COVID virus worldwide have accentuated the volatilities impacting the major economies. High raw material prices, increased cost of finance, cumbersome regulations and clearances, shortage of working capital, high logistics cost due to rising fuel prices and blocked shipping lanes, low domestic and global demand, excess capacities due to high volume of cheap imports into India, unstable market, high power tariff, shortage of skilled labor, highly volatile prices of certain metals etc. and other supply chain disruptions are some of the major constraints which are affecting expansion plans of the respondents.
- The table below, gives average capacity utilization for various sub-sectors of manufacturing.

Table: Current Average Capacity Utilization Levels as Reported in Survey (%)

Sector	**Average Capacity Utilization**
Automotive & Automotive Components	90%
Capital Goods	73%
Cement	75%
Chemicals, Fertilizers & Pharmaceuticals	70%
Electronics	65%
Machine Tools	68%
Metals & Metal Products	64%
Paper Products	95%
Textiles	69%
Textile Machinery	90%
Miscellaneous	80%

Inventories

- 87.32% of the respondents had either more or same level of inventory in Q-2 July-September 2022-23, which is same as compared to that of the previous quarter, where around 86.19% respondents expected either more or same level of inventory.

Exports

- The outlook for exports seems to be positive as over 42% of the respondents expect a high increase in exports in Q-2 2022-23 as compared to the Q2 July-September of FY 2021-22.

Hiring

- Hiring though positive outlook, remains below potential as 36% of the respondents in Q-2 2022-23 were looking at hiring additional workforce in the next three months.

Interest Rate

- Average interest rate paid by the manufacturers has decreased to 8.37% p.a. as against 9.3% p.a. during last quarter and the highest rate at which loan has been raised is 13.5% p.a. High lending rates were reported by around 62% of the respondents.

Sectoral Growth

- Based on expectations in different sectors, all sectors were expected to register moderate to strong growth in Q-2 2022-23 as given in the table below.

Table: Growth expectations for Q-2 2022-23 compared with Q-2 2021-22

Sector	Growth Expectation
Automotive	Strong
Capital Goods	Moderate
Cement	Moderate
Chemicals, Fertilizers & Pharmaceuticals	Moderate

Electronics	Moderate
Machine Tools	Moderate
Metals & Metal Products	Moderate
Miscellaneous	Moderate
Paper Products	Moderate
Textiles	Strong
Textile Machinery	Strong

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

Source: FICCI Survey

Production Cost

- The cost of production as a percentage of sales for manufacturers in the survey has risen for 94% respondents in the quarter. Reduced availability and high raw material prices especially that of steel, increased transportation, logistics and freight cost, and rise in the prices of crude oil and fuel have been the main contributors to increasing cost of production. Other factors responsible for escalating production costs include enhanced labor costs, high cost of carrying inventory, and fluctuation in the foreign exchange rate.

Workforce Availability

- Most sectors have sufficient labor force engaged in their operations and are not facing shortage of labor at factories. While 81% of our respondents mentioned that they do not have any issues with workforce availability, the remaining 19% feel that there is still lack of skilled workforce available in their sector.

Sectoral Analysis

Automotive and Automotives' Components

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Positive	Positive	More than Average	Positive	Moderate

⇒ 80% of the respondents expected a higher level of production for Q2 July-Sept 2022-23. With respect to orders in Q2 2022-23, 80% of the respondents had higher orders compared to the previous quarter.

⇒ On an average, the sector is utilizing more than 90% of its capacity, which is much higher than last year as reported by the respondents. A quarter of the respondents reported that they are planning to expand capacity in next 6 months.

⇒ On the exports front, 40% of the respondents expected their exports to be higher on an average in Q2 2022-23 based on an expectation of improvement in export demand, whereas the rest of the industry expects the export levels to be same as Q1 2022-23.

⇒ All of the respondents reported a rise in the cost of production. This has been attributed to reduced raw material availability and higher costs, especially of Steel (CRC, ERW tubes, Alloy steel, Stainless steel), Aluminum, Rhodium, Palladium, ABS, PP, Natural Rubber, increased logistics cost due to increase in fuel prices and increase in operating costs.

⇒ Over 80% of the respondents expected more than or same as average inventory levels in Q2 2022-23.

⇒ No workforce availability constraints have been reported. In addition, about 40% of the auto sector respondents are planning to expand their workforce by *5%-10%* on an average in the near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 9.5% p.a. All the respondents expressed that there is sufficient availability of funds from banks. Due to recent increase in repo rates by 0.90 BPS in last two months, industry expects the borrowing rates to go up 0.50% to approx. 10.1%.

⇒ The respondents expect manufacturing growth to sustain in next six to nine months. Following is proposed for further growth in the sector:

- Increased spending by the government on infrastructure and speed up the initiatives to drive Make in India and Aatmanirbhar Bharat.
- Promote investments and stabilize fuel and raw material prices.
- Introduce steps to control the logistics cost and increase availability of shipping lines.
- Reduce interest rates to enhance credit availability.
- Restriction on import of sub-standard batteries from the safety perspective.
- Increasing India's FTAs and PTAs with other countries to explore the exports markets for the Indian goods.
- Keep a check on the currency depreciation situation against the dollar.

⇒ Limited availability and high cost of raw material and components, supply-chain issues and consignments stuck at ports are the most significant constraints to the growth of the sector. Other constraints include lack of domestic demand, export issues and business uncertainty.

Capital Goods

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Strong	Positive	Average and more than average level	moderate	Bleak

⇒ 70% of the respondents expected production to be higher in the Q2 July-Sept 2022-23. This trend is also reflected in the order books which shows that over 77% of the respondents had higher orders in Q2 2022-23 than those in Q1 2022-23.

⇒ On an average, the sector is utilizing about 73% of its capacity which is same or more than last year as reported by around 77% of the respondents. 46% of the respondents in this quarter are planning to make new investments in the next six months.

⇒ On the exports front, around 70% of the respondents expected their exports to be higher in Q2 2022-23 as compared to the same quarter last year.

⇒ All the respondents reported a rise in the cost of production. This has been attributed majorly to high labour wages, input costs such as that of steel, power, fuel, metals and imported items. Increased freight and logistics cost have also added to the cost burdens.

⇒ Around 39% of the respondents had more than average inventory levels in Q2 2022-23, owing to long lead time of input materials and components and slow offtake of products cited as some of the reasons.

⇒ Around 38.5% respondents planned on hiring additional workforce within the next three months. However, a small proportion is facing the issue of unavailability of skilled labor.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 9.2% p.a. and 77% of the respondents reported sufficient availability of funds. However, 61% of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

⇒ Some of the respondents expect the domestic and export demand to grow on the back of certain import restrictions, consumption picking up and demand from refinery, metals, chemicals and sugar/distillery sector gaining strength. Others consider the demand conditions to remain the same or subdued owing to factors such as an uncertain global economic scenario.

⇒ Majority of the respondents expect manufacturing growth to sustain in next six months and following measures have been proposed for further growth in the sector:

- Check imports wherever sufficient domestic capacities are available, encourage foreign investment, promote domestic manufacturing and encourage exports.
- Promote Make in India and upgrade Steel value chain in India including scaling up manufacturing facilities for new products like pipes and tubes, etc. Additionally, increase public sector capital expenditure.
- Ensuring cheaper availability of finance for manufacturers including providing working capital loans to MSMEs.
- Implement Quality cum Cost base Selection Policy in public procurement
- Controlling the inflationary factors such as that of fuel prices and other raw materials.
- Reduction in GST rates, correct inverted duty structure and improving the semiconductor availability.

⇒ Supply chain issues, limited availability and rising costs of raw material and components, lack of domestic and export demand, logistical bottlenecks in terms of consignments stuck at ports, credit constraints and insufficient labor availability are reportedly some of the significant constraints for the sector which are restricting its growth.

Cement

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Higher	Higher	Same level	Moderate	Moderate

⇒ Most respondents reported production to be higher in Q2 July-Sep 2022-23 vis-à-vis the same quarter a year ago. This trend is also reflected in the order books which shows that over 50% of the respondents had orders in Q2 2022-23 higher or same than those in Q1 2022-23 .

⇒ On an average, the sector is utilizing about 80% of its capacity. All the respondents are operating at a higher capacity level compared to that of previous year. Around 50% of the respondents were planning to make investments and add additional capacity of upto 25% of the existing capacity in next six months.

⇒ On the exports front, all the respondents reported their exports to be either more or same in Q2 2022-23.

⇒ All the respondents reported an increase in the cost of production. The cost of production has increased mainly due to rising price of pet-coke and crude in International Market mainly due to Ukraine Russia War crisis. Also due to unavailability of Indian Coal for CPP operation has led to increase in the power and fuel costs too.

⇒ All the respondents were maintaining same or lesser levels of average inventory for the quarter Q2 July-Sept FY2022-23.

⇒ The respondents reported no shortage in availability of labor in the market and about 50% of the respondents are planning to hire additional workforce in near future.

⇒ On an average, the industry reported availability of sufficient funds with credit being available at an interest rate as low as 6.6% p.a for some. Due to recent increase in repo rates by 0.90 BPS in last two months, industry expects the borrowing rates to go up 0.50% to approx. 7.1%.

⇒ All the respondents expect manufacturing growth to sustain in next three to six months. Following has been proposed by the industry for further growth in the sector:

- Government should reduce GST to boost consumption level.
- Raising duty on imports.
- Providing Incentive for setting up Solar Power /Wind Power by manufacturing sector, this would reduce dependence on Grid Power and also help for Sustainable Development & Climate Control.

⇒ Insufficient availability of raw material, Supply chain issues and rise in cost of production are the major concerns of the industry.

Chemicals, Fertilizers & Pharmaceuticals

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Positive	Moderate	Same or higher than Average level	Moderate	Bleak

⇒ Around 75% of the total respondents reported production to be higher or same in Q2 July-Sept 2022-23 as compared to the same quarter last year. This trend is reflected in the order books as well, as 75% of the respondents had orders in Q2 2022-23 higher or same than those in Q1 2022-23.

⇒ On an average, the sector is utilizing about 70% of its capacity, almost same as the previous year. Among all the respondents, 33% are operating at a higher capacity level as compared to that of previous year and 50% are operating at similar levels. Also, 50% of the respondents reported that they are planning to add capacity to their existing investments in near future.

⇒ On the exports front, 25% of the respondents had exports higher in Q2 2022-23 as compared to the previous quarter.

⇒ All the survey respondents reported a rise in the cost of production. This has been attributed to increase in cost of raw material (such as natural gas) including intermediates and utility cost. Due to the Ukraine war, price of Caustic Soda, Carbon Disulfide and some Organic Solvents have witnessed very significant rise. The decrease in value of rupee has also increased cost of production.

⇒ Around 75% of the respondents maintained the same or higher levels of average inventory in Q2 2022-23 as compared to that in Q1 2022-23.

⇒ Majority of the respondents reported no shortage of labor in the market and only about 33% of the respondents are planning to hire additional workforce in near future.

⇒ Almost all the respondents responded that they have sufficient funds available to them from their banks for fulfilling their capital requirements. The average rate of interest at which the industry is availing credit was reported to be around 9.6%. Around 50% of the respondents reported an increase in lending rates as a result of increase in repo rates over the last few months.

⇒ Majority of the respondents across the industry expect manufacturing growth to sustain growth in next six months. As per the industry, following should be the top priorities of the government to further the growth in manufacturing:

- Support to the industry to enhance domestic production of medical device components in the form of tax structure reforms and indigenization of key components like semiconductors.
- Easy and affordable availability of credit at lower interest rates and providing financial support to the small manufacturers (MSME) is the need of the hour.
- Promotion of Ayurvedic products to tap global markets and promotion of local brands.

⇒ Insufficient availability and high prices of raw materials, consignments stuck at ports and supply chain disruptions, access to credit at low rate of interest and low domestic and export demand conditions are the most significant constraints to the growth of the sector.

Electronics

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Moderately Positive	Moderate	Lower than Average	Moderate	Positive

- ⇒ Half of the respondents expected higher growth in production in the Q2 July-Sept 2022-23 with some expecting their production to grow by 40% in Q2 FY 2022-23 as compared to Q2 FY 2021-22. This trend is also reflected in the order books which show that almost all the respondents had higher orders in Q2 2022-23 than those in Q1 2022-23.
- ⇒ On an average, the industries under this category are utilizing approximately 65% of their capacity, which is higher as compared to last year. Half of the respondents are planning to make new investments and *expanding* capacity in next six months.
- ⇒ On the exports front, all the respondents expected exports to grow in Q2 2022-23.
- ⇒ All the respondents reported a rise in the cost of production. This has been attributed majorly to the increase in raw material prices, increase in labor cost, freight charges, logistics cost and customer behavior uncertainty.
- ⇒ More than half of the respondents had lower than average inventory levels in the Q2 July-Sept 2022-23 due to uncertainty in demand.
- ⇒ 75% of the respondents reported that they are not facing any shortage of labor force presently. However, some respondents have reported inadequate availability of skilled manpower.
- ⇒ Half of the respondents are planning to expand workforce by 20% -30% in near future.
- ⇒ On an average, the industry reported to be availing credit at an interest rate of approximately 10.82% p.a., with half of the respondents suggesting insufficient funds from banks.

⇒ The respondents expect growth of manufacturing to sustain in next six months. Following is proposed for scaling growth in the sector:

- Need to control the increase in prices of raw materials (such as certain chemicals, metals), fuel and freight.
- Introducing demand inducing measures, ensure uninterrupted power supply and skilling of labour.

⇒ Firms in this sector are significantly constrained by unavailability and high prices of raw material, supply-chain disruptions, lack of domestic demand and limited credit and finance availability.

Machine Tools

Quarterly Outlook for the sector at a glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Positive	Moderate	Average level	Moderate	Positive

⇒ About 62% of the respondents reported higher production levels in the Q2 July-Sept 2022-23. The order books show that over 87.5% of the respondents had orders in Q2 2022-23 to be higher or same than those in Q1 2022-23.

⇒ On an average, the sector is utilizing about 68% of its capacity. Among all the respondents, 37.5% are operating at a higher capacity as compared to that of previous year. Not more than 63% of the respondents in this quarter are planning to make investments and add capacity in next six months due to reasons such as commodity price inflation and longer delivery time of machines.

⇒ On the exports front, approximately 25% of the respondents had expected exports to further increase in Q2 2022-23.

⇒ All the respondents reported a rise in the cost of production. This has been attributed majorly to the increase in raw material prices especially that of ferrous and non-ferrous materials. In addition, there has been increase in labor cost, freight charges, logistics cost and packaging cost.

⇒ For Q2 2022-23, 87.5% of the respondents had same or more than average inventory levels. Some of the reasons cited for this trend include non-availability of raw materials, low levels of order and longer delivery time of inputs.

⇒ On a positive note, 62.5% of the respondents are planning to hire additional workforce in the near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 9.8% p.a. with 75% respondents reporting sufficient availability of funds. Additionally, around half of the respondents reported an increase in lending rates by banks as a result of increase in repo rate in last few months.

⇒ Majority of the sector respondents believe that overall manufacturing sector would sustain growth in next three to six months. Industry suggested the following for acceleration of sector's growth:

- Support from the government to the industry through affordable credit, GST rate rationalization, policies aimed at cost reduction, providing logistics support and support to MSMEs.
- Import substitution measures such as giving priority to Indian manufacturers, imposition of anti-dumping duties on cheap and unsafe machines & technology development support.
- Land at cheaper rates for industries to set up.
- Provision of skilled labour.

⇒ Some major constraints restricting the sector's growth include insufficient availability and high prices of raw materials such as steel and components, supply chain disruptions, reduced domestic demand and shortage of labour.

Metal and Metal Products

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Positive	Moderate	Average and slightly above	Bleak	Bleak

⇒ Of all the respondents, around 64% reported higher levels of production in Q-2 July-Sept 2022-23. The order books show that about 72.7% of the respondents had higher or same orders in Q-2 2022-23 than those in Q-1 2022-23.

⇒ On an average, the sector is utilizing about 64% of its capacity. Among all the respondents, 55% are operating at a higher capacity and a little over 36% are operating at either the same or lesser level compared to that of previous year. Around 82% of the respondents in this quarter are not planning to make investments and add capacity in the next six months with demand contraction cited as one of the reasons for the same.

⇒ On the exports front, about 64% of the respondents reported their exports to increase in Q2 2022-23.

⇒ Cost of production increased for over 72% of the respondents due to increase in price of inputs such as power cost, lubricants, packaging material, steel, enamels, low phosphorus and low ash met-coke, etc. There has also been increase in labor wages and weakening of the Indian currency, adding to increased cost of production.

⇒ Over 63% of the respondents had either higher or similar to average level inventory in the Q-2 2022-23.

⇒ Around 73% of the respondents reported that they are facing some shortage of labor force currently. However, none of the respondents are planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 8.6% p.a. 54.5% respondents reported an increase in lending rates as a result of increase in repo rates in the last few months with an average increase of around 0.4% in the rates. Over 54% of the respondents reported sufficient availability of funds.

⇒ Some of the factors responsible for negative domestic and export demand trends identified by respondents include the Russia-Ukraine war, rise in COVID cases across the world and the resultant recessionary trends. Around 27% of the respondents have reported improved domestic demand conditions.

⇒ Majority of the respondents indicated that domestic demand would revive in another nine or more months. Industry suggested the following for acceleration of sector's growth:

- Support from the government to the industry in terms of credit availability and low rate of interest on the same.
- Reduction in cost of inputs such as diesel prices, power cost, steel, petroleum and other inputs.
- More credit availability to the MSME sector through rate of interest caps on MSME loans, extension of moratorium for ECLGS loans of MSME sector, reduction in compliances for MSME sector thereby enhancing Ease & Cost of Doing Business.
- Reduce imports and encourage domestic production through localization program, Make in India initiative, FDI in India, soft loan from Government for indigenous production of goods, policies such as local content requirement etc.
- On the export front, optimization of the duty structure for import and export of steel products and ensuring stability in the exchange rates is also required.

⇒ Some major constraints to the growth of the industry identified by the respondents include high input costs, credit availability, lack of domestic and export demand, logistical bottlenecks such as consignment stuck at ports and shortage of skilled labour. Additionally, the vulnerabilities imposed by the war and pandemic have majorly affected the supply chain and access to markets.

Paper

Quarterly Outlook for the sector at a glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Positive	Positive	Less than Average level	Bleak	Bleak

⇒ All the respondents had higher production in the Q-2 July-Sept 2022-23. The order books shows that all the respondents had higher orders in Q-2 2022-23.

⇒ On an average, the sector is utilizing about 95% of its capacity, same or higher than the capacity utilization last year. None of the respondents intend on making any new investments or expansion in the coming months.

⇒ On the exports front, half the respondents reported their exports to be same in Q2 2022-23 as compared to the previous quarter.

⇒ 50% of the respondents have reported increase in cost of production as a percentage of sales for the sector due to increase in prices of raw materials.

⇒ All the respondents had less than or same average inventory levels in the Q-2 2022-23 due to revival in demand.

⇒ None of the respondents are planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 7.65% p.a. and all the respondents reported sufficient availability of funds. According to all the respondents, there was an increase in the lending rates by the banks as a result of increase in repo rates in the last few months.

⇒ Sector respondents believe that overall manufacturing sector would sustain growth in next six months. The industry has suggested the following steps to scale up the growth of manufacturing sector:

- Levying of safeguard duty and anti-dumping duty on imports, whenever required due to injury to domestic industry.

- Development of adequate infrastructure for the manufacturing sector.
- Structured policy for Social Forestry by use of wasteland.

⇒ Supply chain bottlenecks and export issues are significant constraints identified by the respondents for the sector which are restricting its growth.

Textiles

Quarterly Outlook for the sector at a glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Positive	Positive	Same or More than Average inventory level	Bleak	Positive

⇒ Over 63% of the respondents reported a higher level of production in the Q-2 July-Sept 2022-23. This trend is also reflected in the order books which shows that over 63% of the respondents expect orders in Q-2 2022-23 to be higher or same than those in Q-1 2022-23.

⇒ On an average, the sector is utilizing about 69% of its capacity, little lower than the capacity utilization in previous quarter which was 85%. Among all the respondents, around 54% are operating at a higher capacity and around 45% are operating at a lower level compared to that of previous year. However, merely 27.3% of the respondents in this quarter are planning to make investments and add capacity in the next six months.

⇒ On the exports front, 54.5% of the respondents reported their exports to have increased in Q2 2022-23.

⇒ Around 91% of the respondents reported a rise in the cost of production. This has been attributed majorly to increasing cost of raw materials such as coal, dyes, chemicals, certain fibres etc. There has been escalation in labour charges coupled with the lack of availability of skilled labour. High capital costs include higher cost of spares and machinery maintenance along with the increase in administrative costs. Domestic and global factors such as the ongoing war have also resulted in disruption in supply chains.

⇒ Over 90% of the respondents reported same or more than average inventory levels in Q-2 2022-23.

⇒ Around 45.4% of the respondents are planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 8.12% p.a. 63% of the respondents reported consequential increase in lending rates by banks as a result of increase in repo rates in the last few months.

⇒ The growth rate of manufacturing sector is likely to be sustained in next three to nine months as per the survey respondents. The industry has suggested the following for scaling up growth:

- Availability of working capital, including reducing interest rates on loans to sustain the industry and swift implementation of PLI incentive scheme. Making available the imported raw material at lower cost in India and restricting imports of garments from Bangladesh. Furthermore, there needs to be improvement in export competitiveness by entering into FTAs with the countries like USA, Europe, Japan, etc for textiles and apparels.
- Efforts to increase the disposable income to stimulate consumer demand. There should also be support for the MSMEs.
- Infrastructure upgradation in the form of provision of rail and road network should be made through new investment.
- Reduction in the transaction costs (such as power cost, logistics cost, etc.) and release of TUFS subsidy amount.

⇒ Availability of raw materials, supply chain disruptions, and low domestic demand are reportedly some of the significant constraints for the sector which are restricting its growth. Export related issue such as insufficient export demand and freight rates are other constraints which are being faced by the sector.

Textiles Machinery

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investments for Expansion**	**Hiring**
Positive	Positive	Same as Average level	Positive	Moderately Positive

⇒ In textile machinery, manufacturers reported similar level of production in the Q-2 July-Sept 2022-23 as that of Q1 2022-23. This trend is also reflected in the order books which shows that the respondents had orders in Q-2 2022-23 that were same as those in Q-1 2022-23.

⇒ The average capacity utilization of the industry stands at around 90% and all the respondents are planning to add capacity and make investments in the next 6 months by an average of 5%.

⇒ On the exports front, all the respondents expect their exports to be at par in Q2 2022-23 with the Q1 2022-23 levels.

⇒ All the respondents reported a rise in the cost of production. This has been attributed to Russia-Ukraine War creating indecision in the industry overgrowth aspects, availability of raw materials, energy needs, and logistics & also Ambiguity over ATUF scheme's continuation or announcement of new scheme (TTDS) is causing the textile industry to hold their buying decision.

⇒ Respondents were maintaining same as average inventory levels in the quarter Q2 July-September 2022-23.

⇒ Half of the respondents are planning to hire additional workforce in near future and expand their workforce by an average of 5%. The respondents are not facing any kind of non-availability of the skilled/unskilled workforce in their industry.

⇒ The respondents expect manufacturing growth to sustain for next three months. Following is proposed for scaling up growth in the sector:

- Availability of funds from banks at lower rates
- The resolution of supply related issues, tax rate revision to boost domestic demand and reduction in raw material prices.

⇒ Unavailability of raw material, supply chain disruptions caused due to COVID-19 and Russia-Ukraine war and Consignments stuck at ports are significant constraints faced by the sector. Other constraint faced by the sector is availability of credit and finance at feasible rates.

Miscellaneous

Quarterly Outlook for the Sector at a Glance

Production	Inventory	Exports	Investments for Expansion	Hiring
Moderately High	More than Average level	Positive	Bleak	Bleak

⇒ All the respondents reported higher level of production for Q2 July-Sept 2022-23. With respect to orders in Q2 2022-23, 75% of the respondents reported them to be higher or same compared to the previous quarter.

⇒ On an average, the sector is utilizing about 70%-90% of its capacity, which is higher than last year as reported by half of the respondents. None of the respondents are planning to make new investments and *expanding* capacity in next six months due low capacity utilization.

⇒ On the exports front, three fourths of the respondents reported exports to increase by 40% on an average in Q2 2022-23.

⇒ All the respondents reported a rise in the cost of production. This has been attributed majorly to the increase in raw material prices, both domestic as well as imported. In addition to it, Energy, LDO, Coal price, freight cost has also increased significantly.

⇒ More than half of the respondents expect same as the average inventory levels in the Q2 July-Sept 2022-23.

⇒ 75% of the respondents reported that they are not facing any shortage of labor force presently. However, some respondents have reported inadequate availability of skilled manpower.

⇒ None of respondents are planning to expand workforce by in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate of approximately 8.00% p.a., with 75% of the respondents facing no issues of credit availability.

⇒ The respondents expect growth of manufacturing to sustain in next three to six months. Following is proposed for scaling up growth in the sector:

- Need to control the increase in prices of raw materials (such as certain chemicals, metals), fuel and freight.
- Introducing demand inducing measures, ensure uninterrupted power supply and skilling of labour.

⇒ Firms in this sector are significantly constrained by unavailability and high prices of raw material, lack of domestic demand and limited credit and finance availability.