

RBI releases the results of Forward Looking Surveys

- 1. Consumer Confidence Survey (CCS) – July 2024**
- 2. Inflation Expectations Survey of Households (IESH) – July 2024**
- 3. OBICUS Survey on manufacturing sector – Q4:2023-24**
- 4. Industrial Outlook Survey of the Manufacturing Sector for Q1:2024-25**
- 5. Survey of Professional Forecasters on Macroeconomic Indicators – Round 89th**
- 6. Bank Lending Survey for Q1:2024-25**
- 7. Services and Infrastructure Outlook Survey for Q1:2024-25**

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The Survey results are based on the feedback received from the respondents to the Surveys.

1. 1. Consumer Confidence Survey (CCS) – July 2024

The survey collects current perceptions (vis-à-vis a year ago) and one year ahead expectations of households on general economic situation, employment scenario, overall price situation, own income and spending across 19 major cities. Consumer confidence for the current period stands at 93.9 ; their sentiments on major parameters, except spending, moderated. Households' optimism on economic conditions for the year ahead remained in positive terrain. The future expectations index (FEI) stands at 120.7 in July 2024. Sentiments on current employment situation and own income moderated within the zone of optimism.

2. Inflation Expectations Survey of Households (IESH) – July 2024

The Reserve Bank released the results of the July 2024 round of its bi-monthly inflation expectations survey of households (IESH). The survey was conducted during July 2-11, 2024 in 19 major cities, with responses from 6,091 urban households. Female respondents accounted

for 51.9% of this sample.

Highlights:

- i. Households' median perception of current inflation rose by 20 basis points (bps) to 8.2% in the latest survey round
- ii. A larger share of households expects higher general prices and inflation as compared to the May 2024 survey round
- iii. Marginally higher price and inflationary pressures were reported across major product groups
- iv. For one year ahead, inflation expectations were closely aligned to food prices, housing and cost of services

3. *OBICUS Survey on manufacturing sector – Q4:2023-24*

The Reserve Bank released the results of its 65th round of the quarterly order books, inventories and capacity utilisation survey (OBICUS), which was conducted during Q1:2024-25 and covered 900 manufacturing companies. The survey provides a snapshot of demand conditions in India's manufacturing sector during January-March 2024.

Highlights:

- i. At the aggregate level, capacity utilisation (CU) in the manufacturing sector increased to 76.8% in Q4:2023-24 from 74.7% in the previous quarter. Seasonally Adjusted CU (CU-SA), however, remained stable at 74.6% in Q4:2023-24
- ii. New orders received by the responding companies during Q4:2023-24 increased on both sequential (q-o-q) and annual (y-o-y) basis though the annual growth was a shade lower than that recorded in the previous quarter
- iii. Both the finished goods inventory (FGI) to sales ratio and the raw material inventory (RMI) to sales ratio remained close to their levels in the previous quarter

4. *Industrial Outlook Survey of the Manufacturing Sector for Q1:2024-25*

The Reserve Bank released the results of the 106th round of its quarterly industrial outlook survey (IOS). The survey encapsulates qualitative assessment of the business climate by Indian manufacturing companies for Q1:2024-25 and their expectations for Q2:2024-25 as well as outlook on select parameters for the subsequent two quarters. In all, 1,351 companies responded in this round of the survey, which was conducted during April-June 2024.

Highlights:

A. Assessment for Q1:2024-25

- Manufacturers' assessment of growth in demand conditions moderated from the previous quarter as reflected in their gauge of production, order books, capacity utilisation, employment and overall business situation, but remained positive

- Respondents reported some easing in pressures from cost of finance, while pressures on account of input costs and salary outgo were assessed to have gone up during Q1:2024-25.
- Manufacturers' assessment of growth in selling prices remained around that assessed in the previous survey; profit margins were reported to deteriorate.
- Overall, business sentiment in the Indian manufacturing sector moderated, as reflected in the business assessment index (BAI)² moving to 110.8 in Q1:2024-25 from 114.2 in the previous quarter.

B. Expectations for Q2:2024-25

- Manufacturers' optimism on demand conditions moderated further in Q2:2024-25.
- Input cost pressures are expected to persist, however, pressures from finance cost and wage bill are anticipated to soften.
- Respondents expected moderation in selling prices growth and subdued profit margin vis-à-vis previous quarter.
- The business expectations index (BEI) moderated for the third consecutive quarter to 119.1 from its level of 127.2 in the previous quarter.

C. Expectations for Q3 and Q4:2024-25

- Demand conditions are expected to improve during the second half of the current financial year.
- Manufacturers expect input cost pressures to persist and anticipate better pricing power in terms of higher growth in selling prices on the back of improved demand conditions in H2:2024-25.

5. *Survey of Professional Forecasters on Macroeconomic Indicators – Round 89th*

The Reserve Bank has been conducting the survey of professional forecasters (SPF) since September 2007.

Highlights:

1. Output

- Real gross domestic product (GDP) is expected to grow by 7% in 2024-25, revised up by 20 basis points (bps) from the previous round.
- SPF panellists placed GDP growth forecasts in the range of 6.5-8.1% for 2024-25 and in the range of 6.2-8.1% for 2025-26
- Forecasters have assigned highest probability to real GDP growth in the range of 7.0-7.4% for 2024-25 and in the range of 6.5-6.9% in 2025-26
- Annual growth in real private final consumption expenditure (PFCE) and real gross fixed capital formation (GFCF) for 2024-25 are expected at 6% and 8%, respectively.
- Real gross value added (GVA) growth projection has been revised up marginally to 6.7% for 2024-25 and remained unchanged at 6.4% for 2025-26

2. Inflation

- Annual headline inflation, based on consumer price index (CPI), is expected at 4.5% for both the years 2024-25 and 2025-26
- Headline CPI inflation (y-o-y) is expected at 4% in Q2:2024-25
- The panellists expect CPI inflation, excluding food and beverages, pan, tobacco and intoxicants, and fuel and light, to rise in successive quarters from 3.5% during Q2:2024-25 to 4.5% during Q1:2025-26.

3. External Sector

- Merchandise exports and imports are projected to grow by 3.8% and 5.3%, respectively, during 2024-25 and by 5.4% and 5.8%, respectively, during 2025-26, in US dollar terms
- Current account deficit (CAD) is expected at 1% (of GDP at current market prices) during 2024-25 and at 1.1% 2025-26.

6. *Bank Lending Survey for Q1:2024-25*

The Reserve Bank released the results of 28th round of its quarterly Bank Lending Survey, which captures qualitative assessment and expectations of major scheduled commercial banks on credit parameters (viz., loan demand as well as terms and conditions of loans) for major economic sectors. The latest round of the survey, which was conducted during Q1:2024-25, collected senior loan officers' assessment of credit parameters for Q1:2024-25 and their expectations for Q2, Q3 and Q4 of 2024-25.

Highlights:

A. Assessment for Q1:2024-25

- Bankers' growth assessment of loan demand recorded a seasonal moderation across major sectors during Q1:2024-25.
- Respondents reported continuation of easy loan terms and conditions for major sectors, except mining; relative prudence was also reported for retail/personal loans and agricultural credit

B. Expectations for Q2:2024-25

- Bankers remained optimistic on loan demand across major sectors barring mining and quarrying
- Overall, easy loan terms and conditions are expected to prevail during the quarter; lower optimism is, however, reported for the retail/ personal loans

C. Expectations for Q3 and Q4 of 2024-25

- Bankers remain upbeat on loan demand across major sectors for the subsequent quarters of the financial year 2024-25
- Easy loan terms and conditions are expected to continue in the second half of 2023-24, except for the mining sector; the infrastructure sector loans are perceived to witness relatively less softer loan terms.

7. *Services and Infrastructure Outlook Survey for Q1:2024-25*

The Reserve Bank released the results of the 41st round of its quarterly Services and Infrastructure Outlook Survey (SIOS) conducted during Q1:2024-25. This forward-looking survey captures qualitative assessment and expectations of Indian companies engaged in the services and infrastructure sectors on a set of business parameters relating to demand conditions, price situation and other business conditions.

Highlights:

1. Services Sector Assessment for Q1:2024-25

- Service sector firms' assessment of the overall business situation and their own turnover during Q1:2024-25 remained positive though tempered from that in the previous quarter
- Employment conditions, availability of finance and technical/service capacity were assessed to have improved further during the quarter.
- Pressures stemming from input costs, salary outgo and cost of finance were gauged to be higher during Q1:2024-25.
- At aggregate level, respondents reported lower rises in both selling prices and profit margin.

A. Expectations for Q2:2024-25

- Services firms remain highly optimistic about overall business situation, their turnover, employment situation, capacity, availability of finance and physical investment in Q2:2024- 25
- Optimism on selling prices improved further; the perception on profit margin also remained high and close to its level in the previous survey round.

B. Expectations for Q3:2024-25 and Q4:2024-25

- Enterprises expect further improvement in the overall business situation, turnover and employment in the second half of the current financial year

At the aggregate level, spare capacity in the services sector has been coming down in recent quarters; responding services firms reported that they could provide 11.3% additional services with their present resources in Q4:2023-24

2. Infrastructure Sector Assessment for Q1:2024-25

- Infrastructure companies reported positive assessment of the overall business situation and their own turnover, though their sentiments somewhat moderated vis-à-vis the previous quarter
- Sentiments on both full-time employment and part-time employment improved. • Enterprises gauged lower pressures from input costs and cost of finance; higher pressures were, however, reported from salary outgo.
- Respondents expressed relatively higher growth in selling prices and profit margins when compared to the previous quarter.

A. Expectations for Q2:2024-25

- Infrastructure firms remain highly optimistic on overall business situation and demand conditions in Q2:2024-25
- Cost pressures are likely to rise further, and firms expect higher growth in selling prices and profit margins.
- Respondents expect to make higher physical investment during Q2:2024-25.

B. Expectations for Q3:2024-25 and Q4:2024-25

- Demand conditions and employment situation are expected to be fairly positive during H2:2024-25
- Input cost pressures are expected to persist, while selling prices are anticipated to record robust growth.

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Warm regards,

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