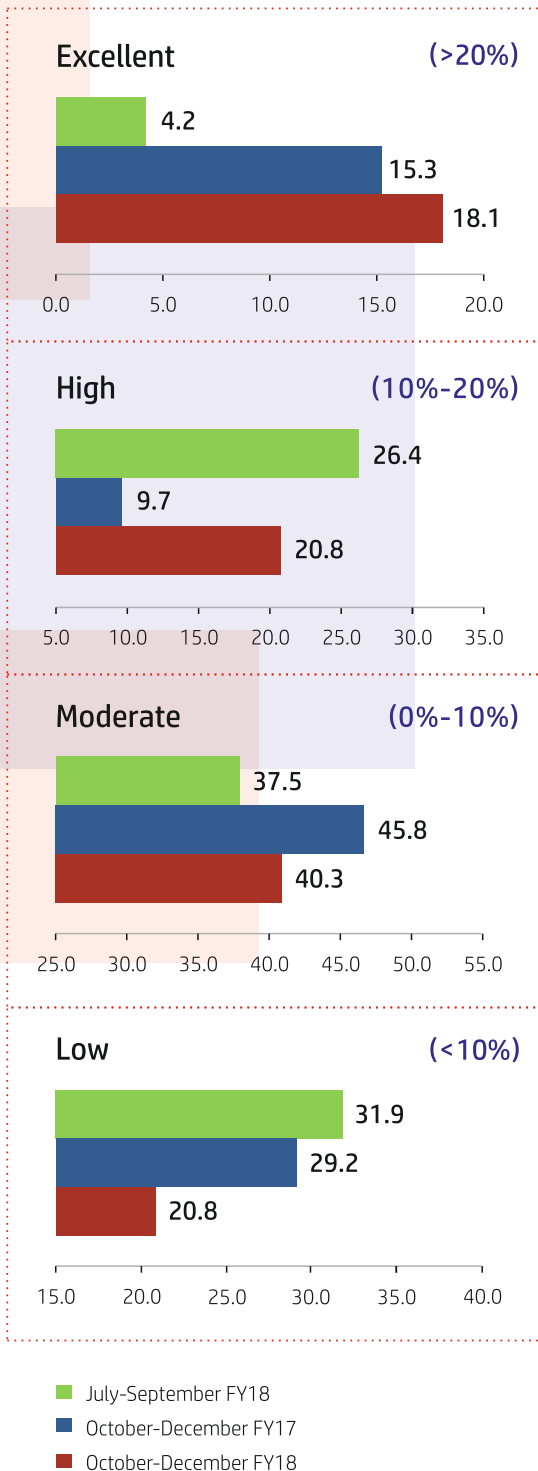


### Economic recovery gathers momentum in Q3 FY18; strong signs of growth visible : ASCON Survey



The ASCON Industry Survey which tracks the growth of the industrial sector through the responses collected from sectoral industry associations reveals improvements in growth trends in terms of production in October-December FY18 over the corresponding quarter a year ago. The responses have been segregated in the four broad categories: (i) 'Excellent' (growth in excess of 20%), (ii) 'High' (growth in the range of 10-20%), (iii) 'Moderate' (growth in the range of 0-10%) and (iv) 'Low' (growth less than 0%).

Out of the sectoral responses received for 72 sectors, the Survey analysis reveals that

- the share of sectors registering 'Excellent' growth (>20%) has improved moderately from 18.1 percent in Q3 FY18 compared to 15.3 percent a year ago period;
- the share of sectors registering 'High' (10-20%) growth has gone up substantially to 20.8 percent in Q3FY18 from 9.7 percent in Q3FY17;
- the share of sectors witnessing 'Moderate' growth (0-10%) has come down slightly; and
- there is a significant decline in the share of sectors witnessing 'Low' growth (<0%) at 29.2 percent in Q3FY18 vs 20.8 in Q3FY17.

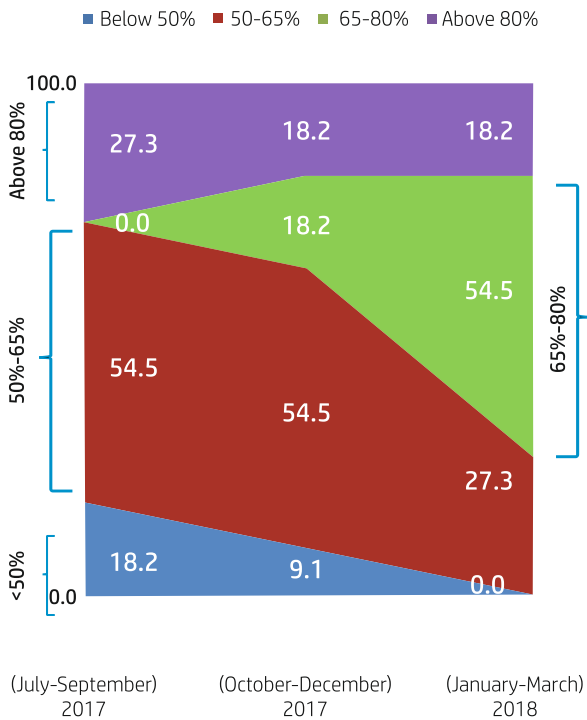
**On a sequential, quarter-on-quarter basis also, the Survey results reaffirm our view of improvement in growth trends in the surveyed quarter.** According to the Survey,

- there has been a substantial improvement in the share of the sectors reporting 'Excellent' growth and 'High' growth which has improved substantially on Q-on-Q basis;
- sectors witnessing 'Excellent' growth have improved from 4.2 percent in Q2FY18 to 18.1 percent in Q3FY18, whereas sectors witnessing high growth have improved from 9.3 percent in Q2FY18 to 20.8 percent in Q3FY18;
- the share of sectors reporting 'Moderate' growth has shown a marginal decline, and
- there has been a significant decline in the share of sectors witnessing 'Low' growth (20.8% in Q3FY18 from 31.9% in Q2FY18).

This further corroborates our perception of improvements of growth performance on the ground.

## CAPACITY UTILIZATION TRENDS

### Capacity Utilization Trends



#### According to the Survey,

- Feedback points towards a clear decline in the share of responses indicating sub-50 percent capacity utilization.
- 90 percent of the respondents expect the capacity utilization to be above 50% in the surveyed quarter as against the previous quarter.
- Nearly half of the respondents have reported capacity utilization in the range of 50-65 percent for the surveyed quarter, the same as the previous quarter;

#### Going forward, the Survey results point towards further improvements in capacity utilization in the January-March quarter.

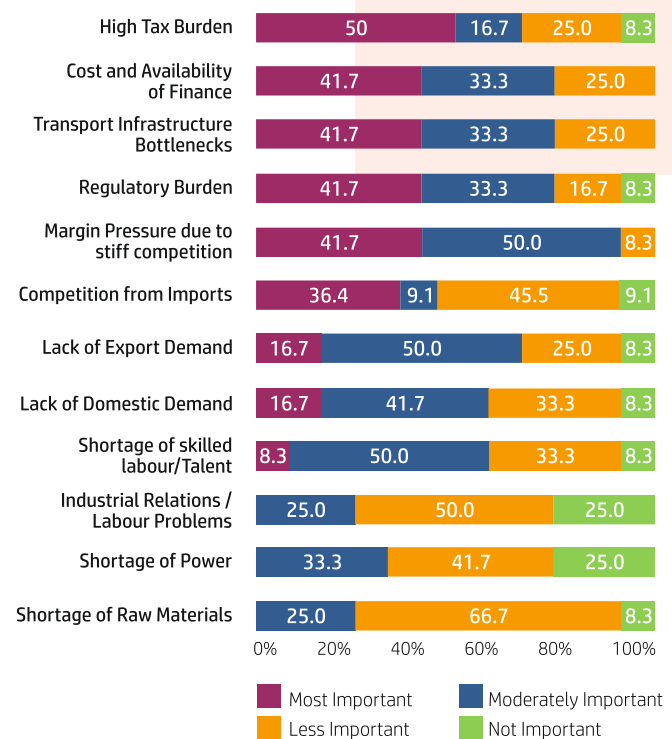
- 100 percent respondents expect the capacity utilization to be above 50 percent.
- Approx. 3/5<sup>th</sup> of the respondents have reported capacity utilization to be in the range of 65-80 percent which distinctly higher from the around 18 percent responses recorded in Q3FY18 and nil in Q2FY18.
- This clearly signals towards the continuation of growth momentum witnessed in the current quarter to flow in the next quarter as well.

## ISSUES AND CONSTRAINTS

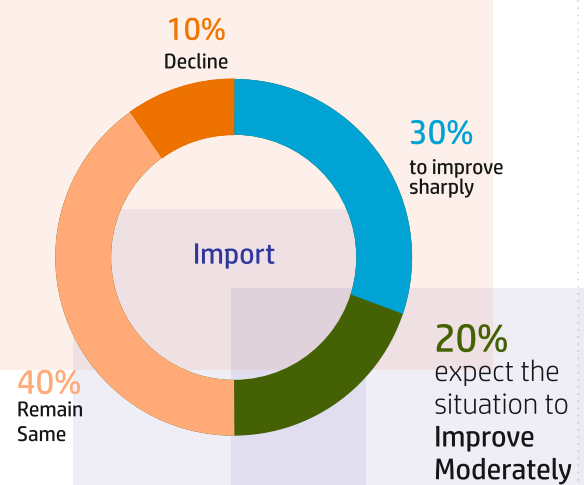
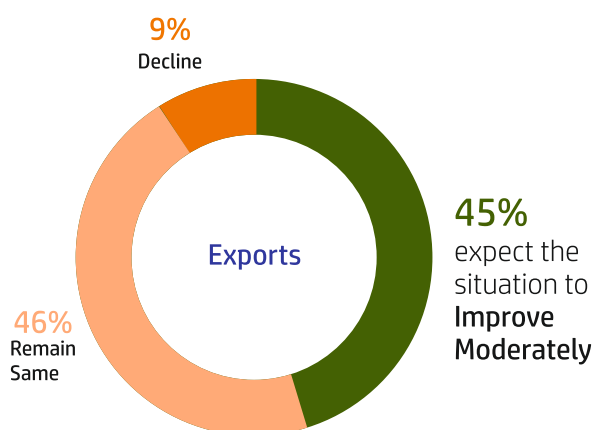
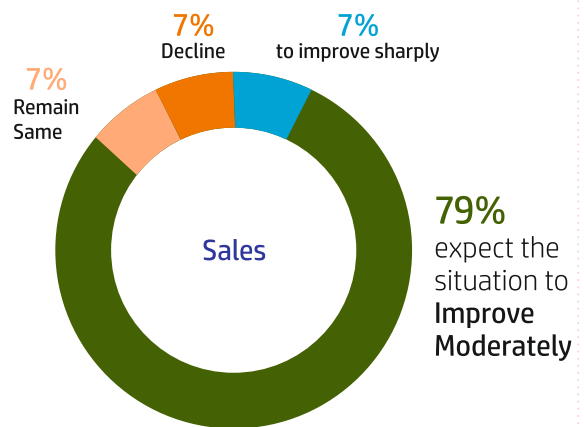
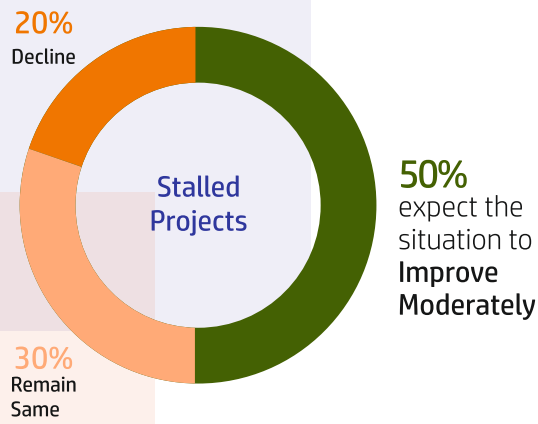
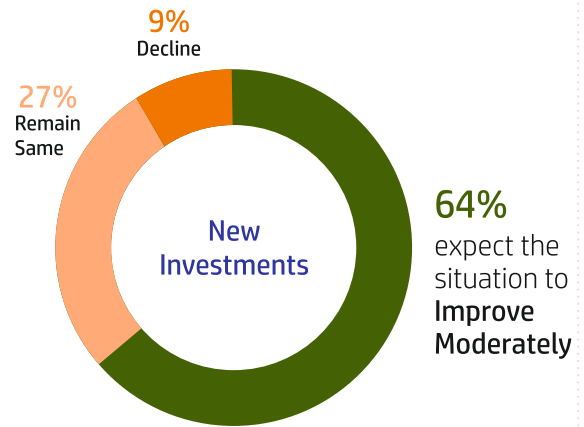
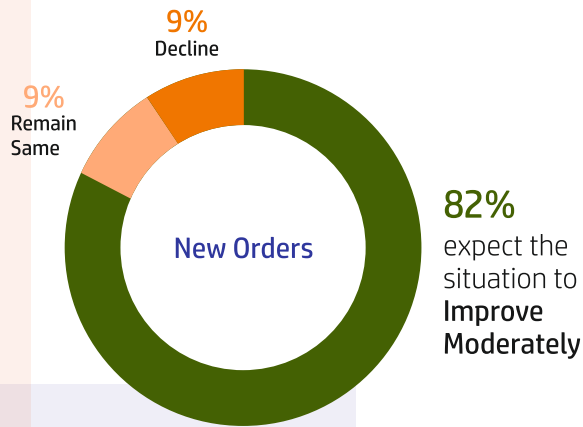
With respect to issues and concerns impacting growth,

- 'High Tax Burden' (50%)
- 'Cost and Availability of Finance' (41.7%)
- 'Transport Infrastructure Bottlenecks' (41.7%)
- Regulatory Burden (41.7%)
- Margin Pressure due to stiff competition' (41.7%)
- 'Competition from Imports' (36.4%)

have been reported as the top most issues facing the industry. However, there has been a clear decline in the intensity of reporting as compared to previous quarters.



## BUSINESS OUTLOOK FOR THE NEXT SIX MONTHS



## About the ASCON Industry Survey

- ✓ The Associations' Council (ASCON) is a unique forum of CII representing 110 + National Level Associations from across sectors
- ✓ The Survey highlights quarterly growth trends of the various sectors. The current Survey is for the period October-December FY18 over October-December FY17.
- ✓ Is based on the feedback received from the CII affiliated National associations which in most of the cases account for at least 70% of the total industry output for their respective sector.
- ✓ Covers feedback from 72 sectors (representing ~35,000 companies); Survey was conducted from early January 2018 early February 2018.
- ✓ Based on varying rates of growth at the sectoral level, the responses have been segregated in the following four broad categories: (i) 'Excellent' (growth in excess of 20%), (ii) 'High' (growth in the range of 10-20%), (iii) 'Moderate' (growth in the range of 0-10%) and (iv) 'Low' (growth less than 0%).

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