

Press Release

December 30, 2019 | Mumbai

MSE sentiment down for the third quarter in a row

Latest CriSidEx reading is the lowest in over a year

The quarter ended September 30, 2019, saw a moderation in sentiment among micro and small enterprises (MSEs), the 8th CriSidEx survey shows.

At 106, the CriSidEx score for July-September, 2019 (Survey 8) was below the 120 logged in April-June, 2019 (Survey 7) and 124 in July-September 2018 (Survey 4).

Interestingly, while the next quarter (NQ) expectation is typically higher than actual sentiment for a quarter (SQ), the difference between NQ7 (129) and SQ8 (106) was the sharpest so far. On-year basis, the index was lower on all parameters in Survey 8, for manufacturing and services alike.

Among manufacturers, 27% reported a good SQ8, unchanged from the previous quarter (SQ7), but lower than 37% in the same quarter a year ago (SQ4). However, positive sentiment in SQ8 was the lowest in five quarters.

Among service providers, 19% reported a good SQ8, lower than 28% in (SQ7) and also lower than 38% in SQ4. However, here too, positive sentiment in SQ8 was the lowest in five quarters.

For manufacturing, the on-quarter drop was sharper in topline related parameters (volume and order book) than in margins. That said, optimism remains as the gap between SQ8 (106) and NQ8 (121) estimates was relatively higher in manufacturing index compared with the surveys in the past one year. Services reported a similar trend.

Says Amish Mehta, Chief Operating Officer, CRISIL Ltd, “The Survey 8 findings need to be viewed in the context of macroeconomic factors such as production cuts by automobile manufacturers impacting utilisation of components, decline in both volume and realisation in commodity-linked sectors such as steel, and a slowdown in consumption impacting gems & jewellery, and hotels.”

Among other trends, companies were marginally more positive, with 24% reporting a good survey quarter, compared with 22% of firms. The trend of companies having higher positive sentiment was in line with the past five surveys as well.

Export-oriented MSEs performed better, with 21% of them reporting an increase in order book compared with 15% of domestic peers.

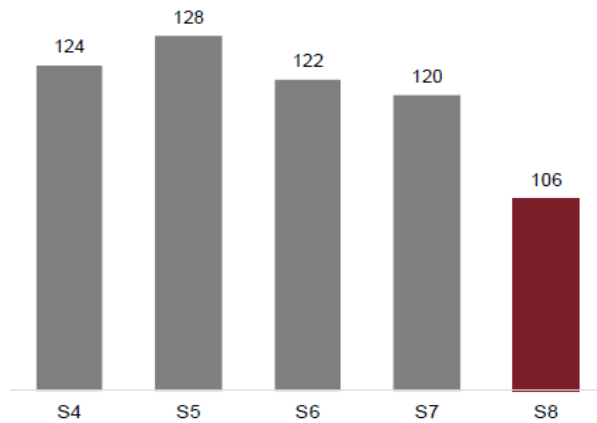
Among importers, the share of respondents that saw higher procurement in July-September 2019 declined to 9% from 13% in the preceding quarter.

Production and capacity utilisation are expected to remain stable next quarter as 28% of manufacturing MSEs expected an increase in production, 65% saw it unchanged, and 7% expected it to be lower.

Hiring was muted as only 7% of the MSEs reported additions to their employee base in SQ8 – compared with 16% in SQ7 – while 87% maintained the base and 6% reported reductions.

Lenders have below-par outlook on the business situation. In SQ8, 1 out of 10 lenders surveyed saw an improvement in the overall business situation of MSEs, 4 out of 10 rated it as satisfactory, and 5 out of 10 reported it as below satisfactory level.

Annexure



At 106, the CriSidEx[®] score for July-September, 2019 (Survey 8) was below the 120 logged in April-June, 2019 (Survey 7)

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 4 (S4)	July-September 2018 (SQ4)	October-December 2018 (NQ4)
Survey 5 (S5)	October-December 2018 (SQ5)	January-March 2019 (NQ5)
Survey 6 (S6)	January-March 2019 (SQ6)	April-June 2019 (NQ6)
Survey 7 (S7)	April-June 2019 (SQ7)	July-September 2019 (NQ7)
Survey 8 (S8)	July-September 2019 (SQ8)	October-December 2019 (NQ8)

On-year movement in index parameters

Manufacturing

Component parameters	Actual		
	S4	S8	S8-S4
Volume of production	134	105	-29
Order-book size	134	103	-31
PAT margin	124	113	-11
Capacity utilisation	129	107	-22
Employee base	108	101	-7
Manufacturing index	126	106	-20

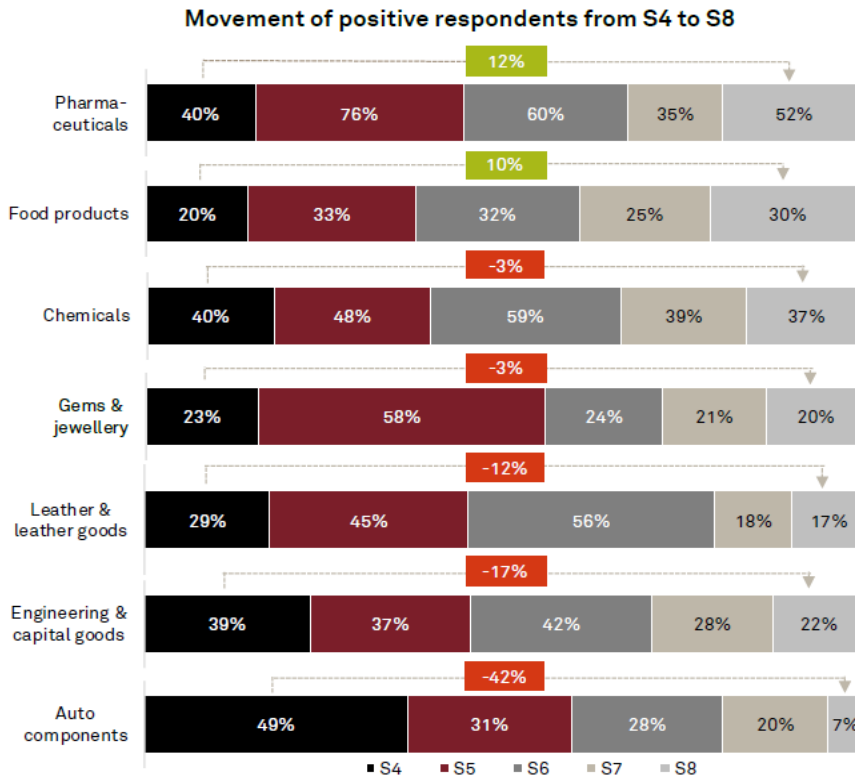
Services

Component parameters	Actual		
	S4	S8	S8-S4
Order-book size	131	102	-29
PAT margin	123	112	-11
Employee base	111	101	-10
Services index	122	105	-17

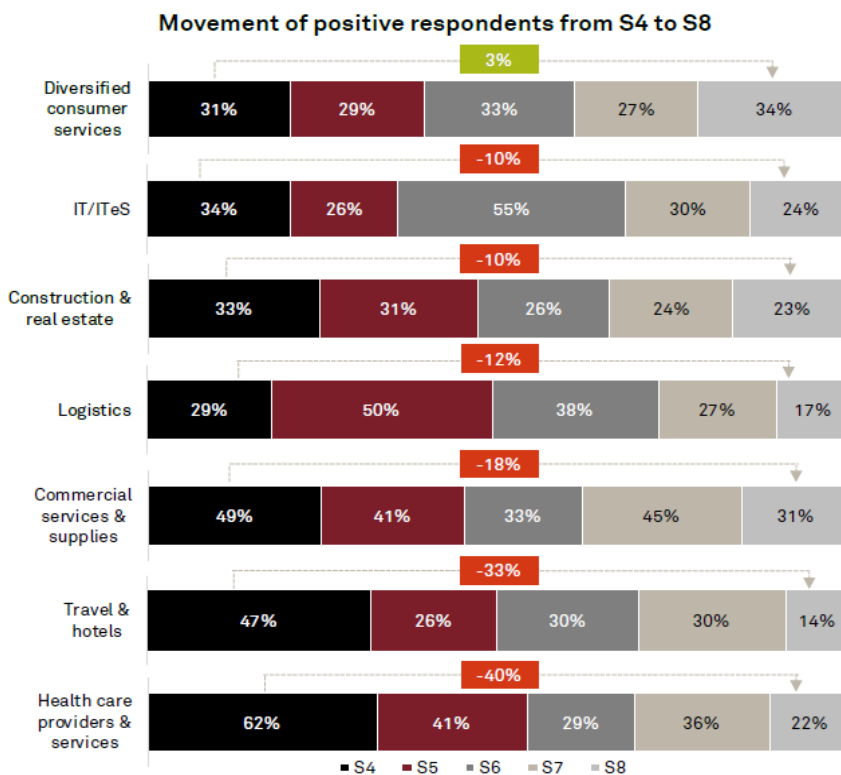
On-year basis, the index was lower on all parameters in S8, for manufacturing and services alike.

Positive ■ Negative ■

Manufacturing: Pharma and food products doing well; auto-components subdued

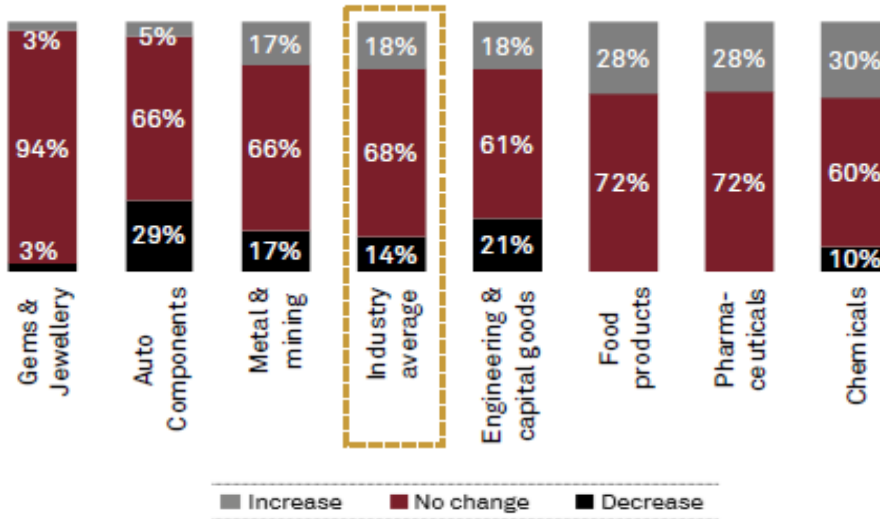


Services: Sentiment lower on-year in most sectors



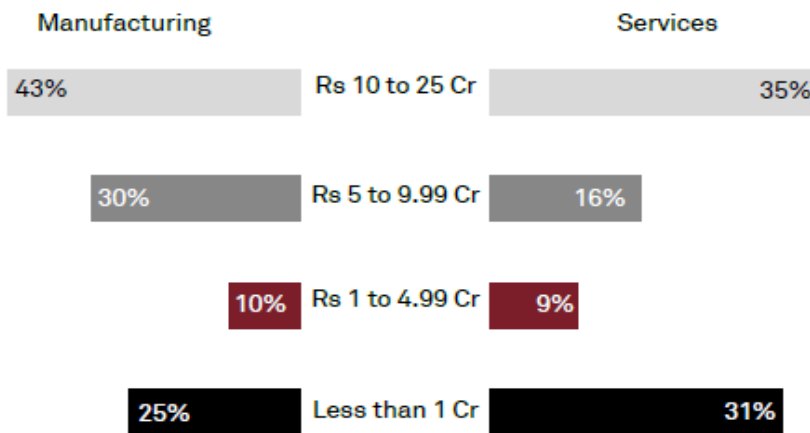
Volume of production: Chemicals and pharma did well, but gems & jewellery and auto components subdued

Volume of production (industry-wise) - survey quarter



% represent share of respondents

Manufacturing MSEs with revenue > Rs 5 crore more positive



% represent share of positive respondents

For further information,

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About SIDBI

Small Industries Development Bank of India (SIDBI), is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities.

The business domain of SIDBI consists of Micro, Small and Medium Enterprises (MSMEs), which contribute significantly to the national economy in terms of production, employment and exports.

SIDBI meets the financial and developmental needs of the MSME sector with a Credit+ approach to make it strong, vibrant and globally competitive.

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