

Press Release

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Sentiment among MSEs moderates

CriSidEx survey finds fewer positive respondents among MSEs in April-June

The quarter ended June 30, 2019, saw a moderation in sentiment among micro and small enterprises (MSEs), the 7th CriSidEx survey shows.

At 120, the CriSidEx* score for April-June, 2019 (Survey 7) was below the 122 logged in January-March, 2019 (Survey 6) and 127 in April-June 2018 (Survey 3).

Interestingly, between manufacturing and services, the index was positive for services on one common parameter: employee base. Both sectors reported a drop on other index parameters compared with the previous year.

Says Mohammad Mustafa, Chairman and Managing Director, SIDBI, “MSMEs can’t decouple from the broader economic trends. Yet, on a year-on-year basis, an increase in positive sentiment has been reported in a few select segments such as commercial services & supplies, healthcare providers & services, and human resources, while those into gems & jewellery, chemicals, and auto components had a relatively subdued outing.”

Among manufacturers, 27% reported a good survey quarter, lower than 45% in the same quarter a year ago. While among service providers, 28% reported a good survey quarter, lower than 44% in the same quarter a year ago.

However, respondents were more optimistic about the next quarter. The uptick in the overall next quarter index for July-September 2019 quarter – at 129 compared with 126 for April-June 2019 – possibly indicates the respondents view the current quarter as blip rather than a trend.

Says Amish Mehta, Chief Operating Officer, CRISIL Ltd, “Sentiment in the manufacturing sector was impacted by consumption slowdown stemming from factors such as higher ownership cost in the auto sector, and pre-poll slowdown in domestic tendering, especially in the capital goods segment. In the services sector, the moderation in sentiment was not as sharp as in manufacturing, and was mainly on account of cautious outlook on global economic growth, which is expected to impact IT spends and lower growth in domestic freight demand, given sluggish consumption ”

Among other trends, larger MSEs were more optimistic about the next quarter – as many as 43% of MSEs with more than 25 employees expected a good next quarter, compared with 34% of MSEs with less than 10 employees.

Among export-oriented MSEs, 35% reported an increase in order book, compared with 45% the previous quarter and 39% a year ago. The performance was similar to that of their domestic peers where, too, 35% of MSEs reported an increase in domestic order books.

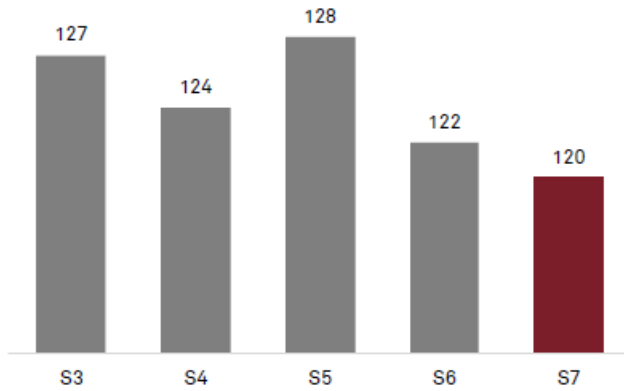
Among importers, the share of respondents that saw higher procurement in April-June 2019 declined to 13% from 17% the preceding quarter.

Production and capacity utilisation are expected to remain stable for the next quarter as 39% of manufacturing MSEs expected an increase in production, 54% saw it unchanged and 7% expected it to be lower.

Surprisingly, hiring witnessed an increase, with 16% of the MSEs reporting additions to their employee base compared with 11% the previous quarter; while 80% maintained the base and 4% reported reductions.

Lenders have a moderate outlook on the business situation overall -- four out of 10 have a positive outlook on MSEs, 5 out of 10 expect it to be satisfactory, and 1 out of 10 expect it to be below satisfactory levels .

Annexure



At 120, the CriSidEx* score for April-June, 2019 (Survey 7) was below the 122 logged in January-March, 2019 (Survey 6)

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 1 (S1)	October- December 2017 (SQ1)	January-March 2018 (NQ1)
Survey 2 (S2)	January-March 2018 (SQ2)	April-June 2018 (NQ2)
Survey 3 (S3)	April-June 2018 (SQ3)	July-September 2018 (NQ3)
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)

On-year movement in index parameters

Manufacturing

Component parameters	Actual		
	S3	S7	S7-S3
Volume of production	133	122	-11
Order-book size	139	128	-11
PAT Margin	126	122	-4
Capacity utilisation	131	119	-12
Employee base	115	111	-4
Manufacturing Index	129	120	-9

Services

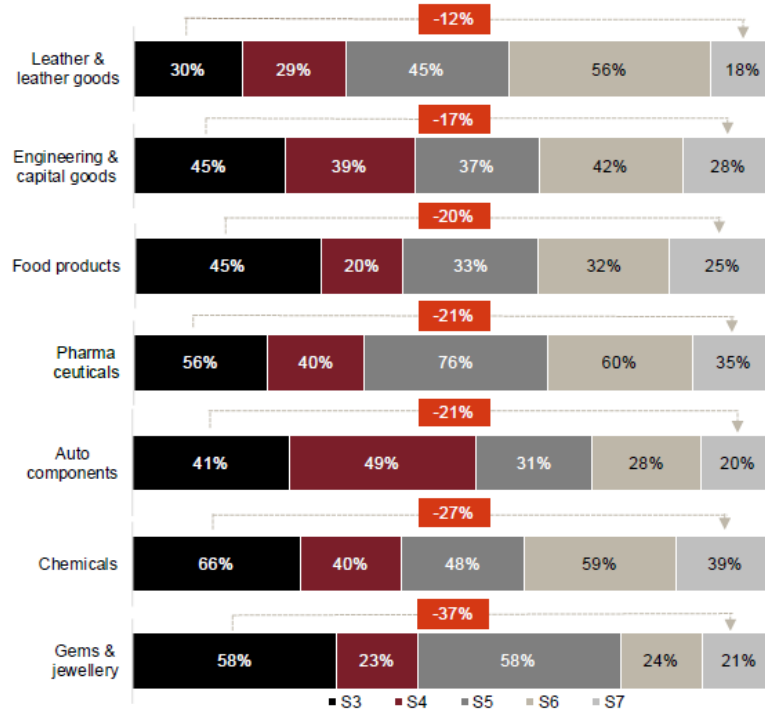
Component parameters	Actual		
	S3	S7	S7-S3
Order-book size	135	124	-11
PAT margin	127	121	-6
Employee base	111	113	2
Services Index	124	119	-5

Between Manufacturing and Services, the index was positive only for services and on one common parameter: employee base

Positive ■ Negative ■

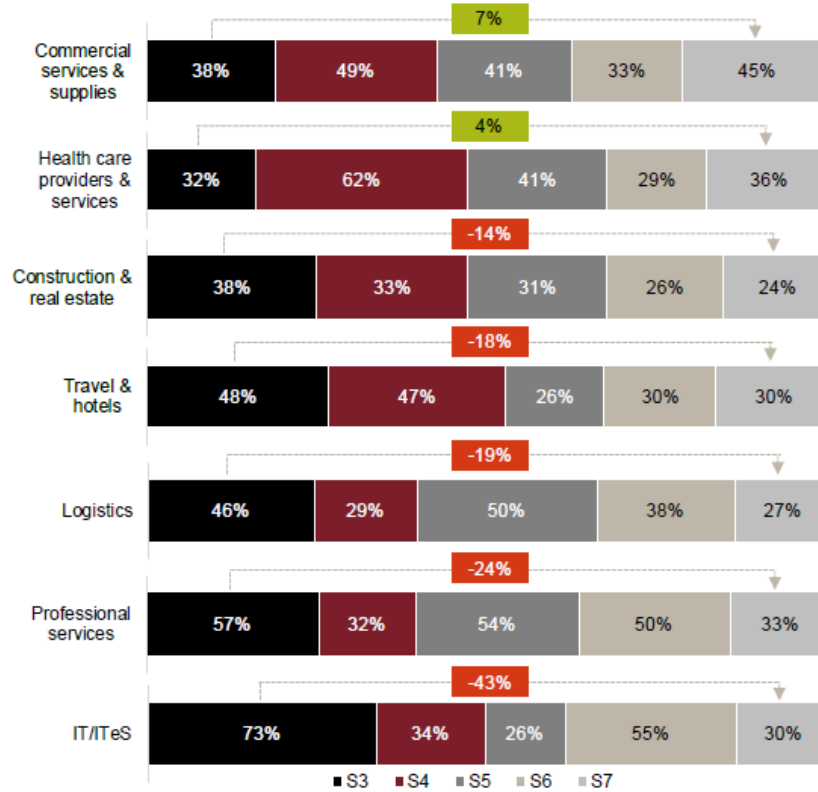
Manufacturing

Movement of positive respondents from S3 to S7



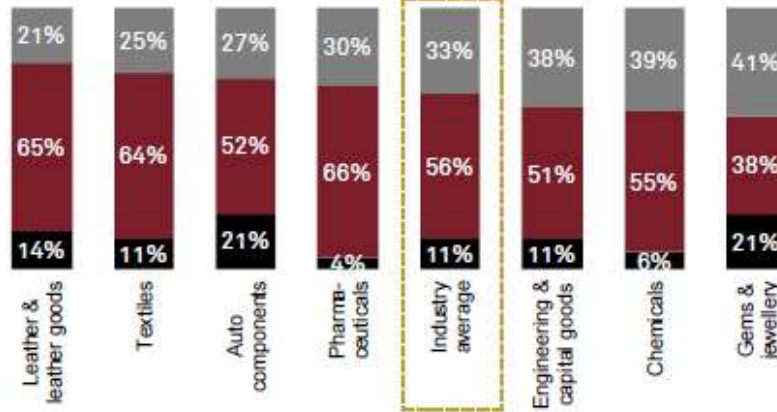
Services

Movement of positive respondents from S3 to S7



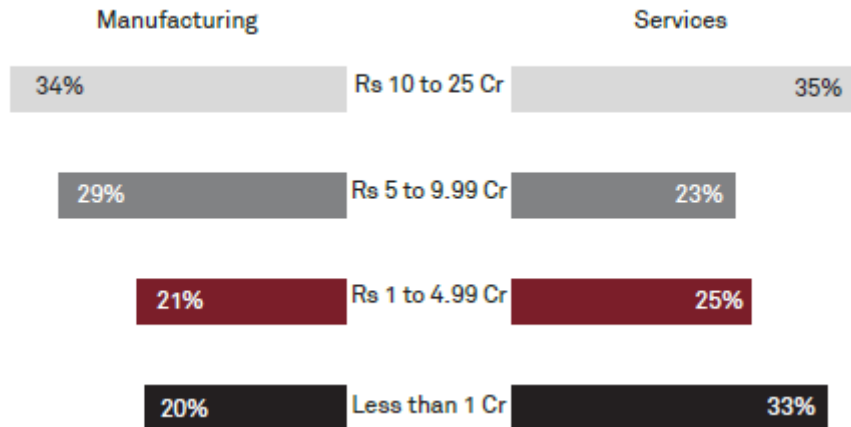
Volume of production: Gems & jewellery and chemicals did well, leather and textiles were subdued

Volume of production (industry-wise) - survey quarter



% represent share of respondents

MSEs in Rs 5-9.99 crore annual turnover bucket more positive in manufacturing than in services



% 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.

For more information, visit www.sidbi.in

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It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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