

Industrial Outlook Survey of the Manufacturing Sector for Q3:2025-26

Today, the Reserve Bank released the results of 112th round of its quarterly industrial outlook survey (IOS). The survey¹ encapsulates qualitative assessment of the business climate by Indian manufacturing companies for Q3:2025-26 and their expectations for Q4:2025-26 as well as outlook on select parameters for the subsequent two quarters. A total of 1,453 companies responded in this round of the survey² conducted during October-December 2025.

Highlights:

A. Assessment for Q3:2025-26

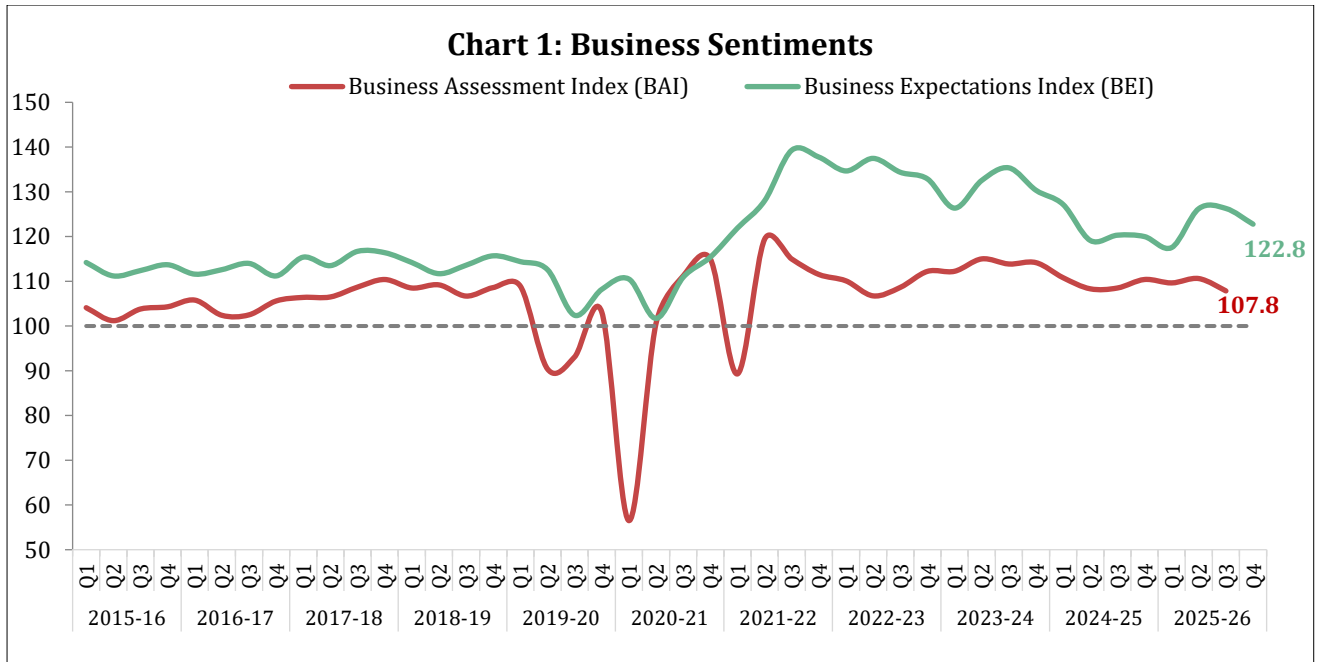
- Manufacturers' optimism on demand conditions improved for Q3:2025-26 as compared to the previous quarter, as reflected in their assessment on production, order books and capacity utilisation ([Table A](#)).
- Responding firms reported higher pressure from raw material costs and wage bill. Manufacturers' sentiments turned pessimistic with regard to growth in selling prices and profit margins.
- Overall business sentiments in the manufacturing sector moderated; the business assessment index (BAI) decreased to 107.8 in Q3:2025-26 from 110.6 in the previous quarter ([Chart 1](#)).

B. Expectations for Q4:2025-26

- Manufacturers outlook for Q4:2025-26 remains positive, albeit with some moderation, reflecting a weaker outlook on production, order books, capacity utilisation and exports.
- Manufacturing firms expect cost pressures to ease, selling prices to rise at a lower rate and profit margin to soften.
- Business expectations index moderated in Q4:2025-26, reflecting guarded sentiment among manufacturers ([Chart 1](#)).

¹ The survey results reflect the respondents' views, which are not necessarily shared by the Reserve Bank.

² Results of the previous survey round were released on the Bank's website on [October 01, 2025](#).



C. Expectations for Q1:2026-27 and Q2:2026-27

- Demand conditions are expected to improve during H1:2026-27 ([Table B](#)).
- Manufacturers expect input cost pressures to persist, but they also anticipate better pricing power in terms of higher growth in selling prices.

Table A: Summary of Net responses³ on Survey Parameters

(per cent)

Parameters	Assessment period		Expectation period	
	Q2:2025-26*	Q3:2025-26	Q3:2025-26*	Q4:2025-26
Production	17.9	21.7	47.9	44.6
Order Books	14.8	19.5	45.7	43.7
Pending Orders	13.5	12.1	0.2	1.7
Capacity Utilisation	14.2	16.1	43.3	38.4
Inventory of Raw Materials	1.5	-1.9	-15.5	-8.2
Inventory of Finished Goods	0.5	-0.9	-15.7	-7.5
Exports	10.0	4.8	37.7	27.8
Imports	12.0	8.5	36.2	24.5
Employment	8.0	7.6	25.2	17.2
Financial Situation (Overall)	17.5	21.2	47.9	41.8
Availability of Finance (from internal accruals)	15.7	21.4	39.3	36.0
Availability of Finance (from banks & other sources)	11.5	17.2	34.8	26.7
Availability of Finance (from overseas, if applicable)	6.2	4.7	28.8	17.2
Cost of Raw Material	-38.1	-42.3	-45.6	-42.2
Cost of Finance	-6.1	-5.2	-27.9	-16.2
Salary/ Other Remuneration	-12.7	-15.0	-29.9	-20.9
Selling Price	2.4	-1.6	24.1	13.5
Profit Margin	-6.4	-9.4	24.6	12.4
Overall Business Situation	18.0	22.9	49.3	46.4

*: Based on the previous round's response.

Table B: Business Expectations on Select Parameters for extended period – Net response

(per cent)

Parameters	Round 111	Round 112		
	Q3:2025-26	Q4:2025-26	Q1:2026-27	Q2:2026-27
Overall Business Situation	49.3	46.4	50.3	51.4
Production	47.9	44.6	49.2	50.8
Order Books	45.7	43.7	48.6	49.5
Capacity Utilisation	43.3	38.4	45.6	45.3
Employment	25.2	17.2	23.6	23.4
Cost of Raw Materials	-45.6	-42.2	-46.6	-44.2
Selling Prices	24.1	13.5	21.0	21.7

Note: [Please see the excel file for time series data](#)

³ Net Response (NR) is the difference between the percentage of respondents reporting optimism and those reporting pessimism. It ranges between -100 to 100. Any value greater than zero indicates expansion/optimism and any value less than zero indicates contraction/pessimism. In other words, $NR = (I - D)$, where I is the percentage response of 'Increase/optimism', and D is the percentage response of 'Decrease/pessimism' and E is the percentage response as 'no change/equal' (i.e., $I+D+E=100$). For example, increase in production is optimism whereas decrease in cost of raw material is pessimism.

Table 1: Assessment and Expectations for Production (Percentage responses)@

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	42.4	16.2	41.5	26.2	40.5	4.3	55.2	36.3
Q4:2024-25	40.9	13.0	46.1	27.9	42.8	4.2	52.9	38.6
Q1:2025-26	33.6	12.1	54.3	21.4	41.4	4.6	54.0	36.9
Q2:2025-26	30.1	12.3	57.6	17.9	56.8	3.6	39.6	53.3
Q3:2025-26	37.7	15.9	46.4	21.7	50.5	2.6	47.0	47.9
Q4:2025-26					48.9	4.3	46.8	44.6

'Increase' in production is optimistic. @:Due to rounding off Percentage may not add up to 100.

Table 2: Assessment and Expectations for Order Books (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	40.0	18.1	41.8	21.9	38.1	4.8	57.0	33.3
Q4:2024-25	38.2	13.8	48.0	24.4	41.6	4.7	53.7	36.8
Q1:2025-26	32.3	12.4	55.3	19.9	40.7	5.1	54.2	35.6
Q2:2025-26	27.9	13.1	59.0	14.8	56.1	3.9	40.0	52.1
Q3:2025-26	36.2	16.7	47.1	19.5	48.5	2.8	48.7	45.7
Q4:2025-26					48.1	4.4	47.5	43.7

'Increase' in order books is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 3: Assessment and Expectations for Pending Orders (Percentage responses)

Quarter	Assessment				Expectations			
	Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q3:2024-25	4.4	14.8	80.8	10.4	3.8	5.6	90.5	1.8
Q4:2024-25	4.9	11.1	84.0	6.2	4.5	11.6	83.9	7.1
Q1:2025-26	4.4	16.8	78.8	12.3	4.3	6.8	88.9	2.5
Q2:2025-26	3.4	17.0	79.6	13.5	3.5	5.2	91.4	1.7
Q3:2025-26	4.3	16.4	79.2	12.1	3.6	3.8	92.6	0.2
Q4:2025-26					3.8	5.5	90.7	1.7

Pending orders 'Below Normal' is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 4: Assessment and Expectations for Capacity Utilisation (Main Product) (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	29.9	12.5	57.6	17.4	33.4	3.9	62.6	29.5
Q4:2024-25	29.1	10.3	60.6	18.7	36.2	4.1	59.6	32.1
Q1:2025-26	27.4	11.4	61.2	16.0	35.4	4.4	60.1	31.0
Q2:2025-26	23.3	9.1	67.6	14.2	49.0	5.1	45.9	43.8
Q3:2025-26	29.0	12.9	58.1	16.1	45.8	2.5	51.7	43.3
Q4:2025-26					42.1	3.7	54.2	38.4

'Increase' in capacity utilisation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 5: Level of capacity utilisation (compared to the average in preceding 4 quarters) (Percentage responses)

Quarter	Assessment				Expectations			
	Above Normal	Below Normal	Normal	Net response	Above Normal	Below Normal	Normal	Net response
Q3:2024-25	12.0	11.2	76.7	0.8	14.4	3.8	81.8	10.5
Q4:2024-25	10.9	8.5	80.6	2.3	12.5	4.4	83.0	8.1
Q1:2025-26	18.2	14.0	67.8	4.2	9.7	4.6	85.6	5.1
Q2:2025-26	20.1	14.3	65.6	5.8	18.8	5.1	76.1	13.7
Q3:2025-26	12.2	17.7	70.1	-5.5	19.2	3.5	77.3	15.7
Q4:2025-26					12.0	5.5	82.5	6.5

'Above Normal' in Level of capacity utilisation is optimistic. Footnote '@' given in Table 1 is applicable here.

Table 6: Assessment and Expectations for Assessment of Production Capacity (with regard to expected demand in next 6 months)
(Percentage responses)

Quarter	Assessment				Expectations			
	More than adequate	Less than adequate	Adequate	Net response	More than adequate	Less than adequate	Adequate	Net response
Q3:2024-25	8.8	3.7	87.5	5.0	12.8	1.5	85.7	11.3
Q4:2024-25	9.1	2.4	88.5	6.7	11.1	2.8	86.1	8.3
Q1:2025-26	9.0	10.2	80.8	-1.1	12.1	1.7	86.2	10.4
Q2:2025-26	8.5	10.8	80.7	-2.3	18.6	2.7	78.8	15.9
Q3:2025-26	10.1	10.4	79.4	-0.3	18.7	2.8	78.4	15.9
Q4:2025-26					14.5	4.4	81.1	10.1

‘More than adequate’ in Assessment of Production Capacity is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 7: Assessment and Expectations for Exports (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	22.1	14.5	63.4	7.6	31.2	5.0	63.9	26.2
Q4:2024-25	23.0	9.5	67.6	13.5	29.2	4.9	65.9	24.2
Q1:2025-26	22.5	11.6	65.9	10.9	23.4	5.0	71.6	18.4
Q2:2025-26	21.8	11.8	66.5	10.0	38.8	4.0	57.2	34.7
Q3:2025-26	22.3	17.5	60.3	4.8	42.2	4.5	53.3	37.7
Q4:2025-26					35.1	7.4	57.5	27.8

‘Increase’ in exports is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 8: Assessment and Expectations for Imports (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	20.4	9.1	70.5	11.3	28.0	3.6	68.4	24.3
Q4:2024-25	19.0	6.8	74.3	12.3	26.6	2.7	70.7	23.9
Q1:2025-26	18.4	7.7	73.9	10.7	19.4	3.3	77.2	16.1
Q2:2025-26	18.9	7.0	74.1	12.0	36.2	3.0	60.8	33.2
Q3:2025-26	19.1	10.6	70.3	8.5	38.8	2.5	58.7	36.2
Q4:2025-26					29.9	5.4	64.7	24.5

‘Increase’ in imports is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 9: Assessment and Expectations for level of Raw Materials Inventory (Percentage responses)

Quarter	Assessment				Expectations			
	Above average	Below average	average	Net response	Above average	Below average	average	Net response
Q3:2024-25	11.0	5.0	84.0	-6.0	11.9	2.3	85.8	-9.6
Q4:2024-25	11.3	4.9	83.8	-6.4	9.8	2.3	88.0	-7.5
Q1:2025-26	7.9	10.9	81.2	3.0	11.0	2.3	86.7	-8.7
Q2:2025-26	9.6	11.1	79.3	1.5	14.9	2.9	82.2	-12.1
Q3:2025-26	12.0	10.1	77.9	-1.9	16.7	1.3	82.0	-15.5
Q4:2025-26					10.5	2.3	87.2	-8.2

‘Below average’ Inventory of raw materials is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 10: Assessment and Expectations for level of Finished Goods Inventory (Percentage responses)

Quarter	Assessment				Expectations			
	Above average	Below average	average	Net response	Above average	Below average	average	Net response
Q3:2024-25	11.9	5.1	83.0	-6.8	12.1	2.2	85.8	-9.9
Q4:2024-25	12.6	4.7	82.7	-7.9	11.1	2.2	86.8	-8.9
Q1:2025-26	8.5	11.1	80.4	2.6	10.9	1.7	87.4	-9.1
Q2:2025-26	10.7	11.1	78.2	0.5	15.3	2.9	81.8	-12.5
Q3:2025-26	12.1	11.1	76.8	-0.9	17.5	1.7	80.8	-15.7
Q4:2025-26					10.3	2.8	86.9	-7.5

‘Below average’ Inventory of finished goods is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 11: Assessment and Expectations for Employment Outlook (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	17.3	7.2	75.5	10.2	19.3	1.6	79.1	17.6
Q4:2024-25	17.4	5.4	77.2	12.0	18.0	1.2	80.8	16.7
Q1:2025-26	16.8	6.3	76.9	10.6	14.6	1.7	83.7	12.9
Q2:2025-26	15.8	7.8	76.4	8.0	25.4	1.8	72.8	23.7
Q3:2025-26	16.1	8.5	75.5	7.6	26.2	1.0	72.8	25.2
Q4:2025-26					19.5	2.3	78.2	17.2

‘Increase’ in employment is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 12: Assessment and Expectations for Overall Financial Situation (Percentage responses)

Quarter	Assessment				Expectations			
	Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q3:2024-25	38.0	13.1	49.0	24.9	49.1	2.7	48.1	46.4
Q4:2024-25	37.0	10.1	52.9	27.0	44.8	3.0	52.2	41.9
Q1:2025-26	31.8	10.8	57.4	21.0	39.0	2.6	58.4	36.3
Q2:2025-26	28.8	11.3	59.8	17.5	57.0	3.0	40.0	53.9
Q3:2025-26	34.3	13.1	52.7	21.2	49.8	1.9	48.3	47.9
Q4:2025-26					45.0	3.2	51.8	41.8

‘Better’ overall financial situation is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 13: Assessment and Expectations for Working Capital Finance Requirement (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	26.9	6.5	66.6	20.3	32.4	1.2	66.5	31.2
Q4:2024-25	24.3	5.1	70.6	19.2	30.9	2.3	66.8	28.6
Q1:2025-26	21.0	4.5	74.5	16.4	25.5	2.7	71.8	22.9
Q2:2025-26	19.7	5.8	74.5	13.9	33.4	1.9	64.6	31.5
Q3:2025-26	22.8	5.0	72.2	17.8	34.1	1.5	64.4	32.6
Q4:2025-26					26.4	1.7	71.9	24.7

‘Increase’ in working capital finance is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 14: Assessment and Expectations for Availability of Finance (from Internal Accruals) (Percentage responses)

Quarter	Assessment				Expectations			
	Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q3:2024-25	31.1	6.4	62.4	24.7	32.9	0.8	66.3	32.1
Q4:2024-25	27.8	5.5	66.6	22.3	35.8	1.3	62.9	34.6
Q1:2025-26	25.5	5.4	69.1	20.1	31.7	1.3	67.0	30.4
Q2:2025-26	21.0	5.3	73.7	15.7	47.8	1.3	50.8	46.5
Q3:2025-26	26.9	5.6	67.5	21.4	40.1	0.8	59.0	39.3
Q4:2025-26					37.5	1.5	61.0	36.0

‘Improvement’ in availability of finance is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 15: Assessment and Expectations for Availability of Finance (from banks and other sources) (Percentage responses)

Quarter	Assessment				Expectations			
	Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q3:2024-25	23.5	4.5	72.0	18.9	27.4	0.7	72.0	26.7
Q4:2024-25	19.8	4.7	75.5	15.1	27.9	0.8	71.3	27.1
Q1:2025-26	20.3	3.9	75.8	16.4	23.0	1.3	75.7	21.7
Q2:2025-26	16.4	4.9	78.8	11.5	41.2	0.5	58.3	40.7
Q3:2025-26	21.8	4.5	73.7	17.2	35.4	0.6	64.1	34.8
Q4:2025-26					27.9	1.2	70.8	26.7

‘Improvement’ in availability of finance is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 16: Assessment and Expectations for Availability of Finance (from overseas, if applicable) (Percentage responses)

Quarter	Assessment				Expectations			
	Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q3:2024-25	13.9	5.9	80.3	8.0	20.6	0.4	79.0	20.2
Q4:2024-25	8.5	4.7	86.8	3.8	19.0	1.0	79.9	18.0
Q1:2025-26	11.6	3.9	84.5	7.6	10.7	1.0	88.3	9.7
Q2:2025-26	11.7	5.5	82.9	6.2	32.9	0.5	66.5	32.4
Q3:2025-26	9.7	4.9	85.4	4.7	29.5	0.7	69.8	28.8
Q4:2025-26					18.2	1.0	80.7	17.2

‘Improvement’ in availability of finance is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 17: Assessment and Expectations for Cost of Finance (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	17.9	5.3	76.8	-12.6	22.2	2.0	75.8	-20.2
Q4:2024-25	14.3	3.6	82.1	-10.8	21.8	1.9	76.3	-19.9
Q1:2025-26	16.5	9.2	74.3	-7.2	15.5	2.7	81.8	-12.8
Q2:2025-26	14.5	8.4	77.1	-6.1	26.1	13.6	60.2	-12.5
Q3:2025-26	13.0	7.8	79.2	-5.2	30.2	2.3	67.4	-27.9
Q4:2025-26					20.1	3.9	76.0	-16.2

‘Decrease’ in cost of finance is optimistic. Footnote ‘@’ given in Table 1 is applicable here. The column heads, namely ‘Increase’ and ‘Decrease’ in data releases for rounds 82-87 were interchanged and should be read as above.

Table 18: Assessment and Expectations for Cost of Raw Materials (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	51.9	5.4	42.7	-46.5	49.2	1.6	49.3	-47.6
Q4:2024-25	50.7	3.5	45.8	-47.2	51.7	2.5	45.8	-49.2
Q1:2025-26	50.8	4.2	44.9	-46.6	41.6	1.6	56.8	-40.1
Q2:2025-26	42.1	4.1	53.8	-38.1	56.2	1.2	42.6	-54.9
Q3:2025-26	47.6	5.3	47.1	-42.3	46.6	1.0	52.4	-45.6
Q4:2025-26					43.9	1.7	54.4	-42.2

‘Decrease’ in cost of raw materials is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 19: Assessment and Expectations for Salary/Other Remuneration (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	18.8	1.3	79.9	-17.5	27.8	0.3	71.9	-27.4
Q4:2024-25	19.2	1.2	79.6	-18.0	23.4	0.4	76.3	-23.0
Q1:2025-26	29.3	2.2	68.5	-27.1	37.7	0.9	61.5	-36.8
Q2:2025-26	15.9	3.2	80.9	-12.7	32.1	0.5	67.3	-31.6
Q3:2025-26	17.9	2.8	79.3	-15.0	30.7	0.7	68.6	-29.9
Q4:2025-26					22.2	1.3	76.5	-20.9

‘Decrease’ in Salary / other remuneration is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 20: Assessment and Expectations for Selling Price (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	15.0	12.4	72.6	2.6	19.3	2.2	78.5	17.1
Q4:2024-25	14.1	9.6	76.3	4.4	19.0	3.9	77.0	15.1
Q1:2025-26	15.7	8.8	75.5	6.8	15.7	3.2	81.2	12.5
Q2:2025-26	13.2	10.8	76.0	2.4	26.4	2.6	71.1	23.8
Q3:2025-26	13.2	14.8	72.0	-1.6	26.7	2.6	70.7	24.1
Q4:2025-26					17.8	4.3	77.9	13.5

‘Increase’ in selling price is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 21: Assessment and Expectations for Profit Margin (Percentage responses)

Quarter	Assessment				Expectations			
	Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q3:2024-25	12.4	25.2	62.4	-12.8	19.4	5.8	74.9	13.6
Q4:2024-25	10.8	20.3	69.0	-9.5	19.0	7.3	73.7	11.7
Q1:2025-26	12.0	17.0	70.9	-5.0	14.5	7.5	78.0	7.0
Q2:2025-26	11.9	18.3	69.8	-6.4	26.2	6.2	67.6	20.1
Q3:2025-26	12.6	22.0	65.4	-9.4	28.9	4.3	66.9	24.6
Q4:2025-26					19.8	7.3	72.9	12.4

‘Increase’ in profit margin is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 22: Assessment and Expectations for Overall Business Situation (Percentage responses)

Quarter	Assessment				Expectations			
	Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q3:2024-25	40.4	14.5	45.1	25.9	51.2	3.9	44.9	47.4
Q4:2024-25	40.7	12.3	46.9	28.4	48.6	3.1	48.3	45.4
Q1:2025-26	31.7	13.7	54.6	18.0	42.3	3.5	54.3	38.8
Q2:2025-26	29.7	11.7	58.6	18.0	56.7	5.2	38.2	51.5
Q3:2025-26	36.9	14.0	49.1	22.9	51.5	2.2	46.4	49.3
Q4:2025-26					49.7	3.3	46.9	46.4

‘Better’ Overall Business Situation is optimistic. Footnote ‘@’ given in Table 1 is applicable here.

Table 23: Business Sentiments⁴

Quarter	Business Assessment Index (BAI)	Business Expectations Index (BEI)
Q3:2024-25	108.5	120.3
Q4:2024-25	110.4	120.0
Q1:2025-26	109.6	117.5
Q2:2025-26	110.6	126.2
Q3:2025-26	107.8	126.3
Q4:2025-26		122.8

⁴ For each survey round, two summary indices are computed – one based on assessment [viz., Business Assessment Index (BAI)] and another based on expectations [viz., Business Expectations Index (BEI)]. Each index is a composite indicator calculated as a simple average of nine business parameters, where each parameter is derived as a weighted net response, weights being the share of industry groups in gross value added (GVA). The nine parameters considered are: (1) overall business situation; (2) production; (3) order books; (4) inventory of raw material; (5) inventory of finished goods; (6) profit margins; (7) employment; (8) exports; and (9) capacity utilisation. BAI/BEI gives a snapshot of the business outlook in every quarter and takes values between 0 and 200, with 100 being the threshold separating expansion from contraction.