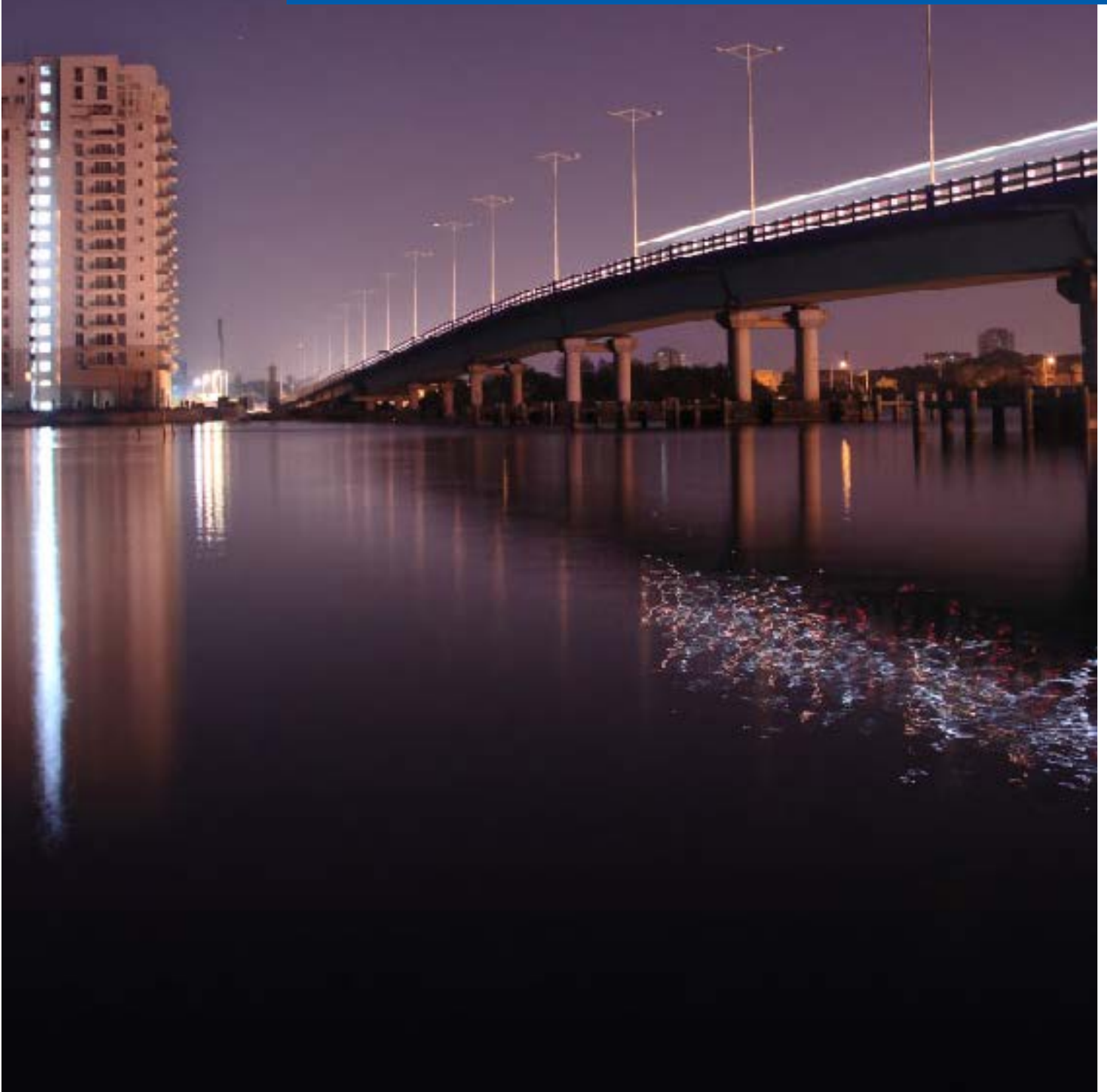


MNI India Business Report

June 2014

Insight and data for better decisions



About MNI Indicators

Insight and data for better decisions

MNI Indicators offers unique macro-economic data and insight to businesses and the investment community. We produce data and intelligence that is unbiased, pertinent and responsive. Our data moves markets.

MNI Indicators specialises in business and consumer focused macro-economic reports that give our customers the ability to make timely and relevant decisions. We strive to provide up-to-date information on business and consumer confidence on the economy.

MNI Indicators publishes data on a monthly basis. Our indicators are based on a unique and proprietary methodology and are designed to present an advance picture of the economic landscape as perceived by businesses and consumers every month.

Our monthly reports explore attitudes, perspectives and confidence across different countries and regions. They deliver in-depth analysis, highlight changing patterns and how these can affect potential developments in business and consumer activities.

MNI Indicators is part of MNI, a leading provider of news and intelligence. MNI is a wholly owned subsidiary of Deutsche Börse Group, one of the largest worldwide exchange organisations.

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MNI India Business Report - June 2014

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To-Do List

It's been less than a month since Narendra Modi's BJP party formed the government and so far it's been making all the right noises.

It's been less than a month since Narendra Modi's BJP party formed the government and so far it's been making all the right noises. "Minimum government and maximum governance" is their motto. An initial step to slice the size of the cabinet to 43 from more than 75 previously shows he means business.

As soon as Modi formed his government, he came up with 10 key areas that they will focus on. The list was broad based with an overriding goal of cutting red tape and the creation of a policy environment that is predictable, transparent and fair. These are bold ambitions for India, a country plagued by inefficient bureaucracy and ever worsening corruption.

Modi can't cure of all India's ills at once but here are four areas he's likely to turn his attention to first. They're close to Modi's heart and also imperative for India's image renewal.

1. Infrastructure: India severely lacks the basic infrastructure required for an efficient modern economy. For example, India has one of the largest coal reserves in the world but still imports 70 million tonnes a year due to inefficient extraction. The government intends to focus on making coal production more efficient. Land acquisition is another big problem as this discourages new infrastructure projects. The government has promised to make this process speedier with fewer roadblocks. The Environment Ministry has said it will be more business friendly and proactive in granting planning clearances.

2. Manufacturing: The industrial sector is a large employment generator and the government needs to create the right environment for them to thrive and make India a key manufacturing hub. 120 million people aged between 18-22 voted for the first time in these general elections, which is believed to be one of the main reasons for the BJP's historic victory. An expanded manufacturing sector will create jobs for the rising youth population. The government should encourage medium and small scale businesses to tap their potential.

3. Foreign Investment: Given India's large fiscal deficit, it is crucial to attract finances and investment from abroad. Foreign investors have been extremely disappointed in the last few years due to poor tax treatment and India ranks 134th out of 189 countries in the World Bank's Ease of Doing Business survey. There is a need to revive investor sentiment and to move towards a policy of faster and time-bound project clearances. A draft cabinet note to allow up to 100% FDI in defence has already been circulated in the government.

4. Food Inflation: Improve the food supply chain and food security, as well as take effective steps to prevent hoarding and black marketing. No one will be more grateful for this than Reserve Bank of India's Governor Raghuram Rajan.

Indian markets rallied strongly on the anticipation of a BJP victory, and they have continued to strengthen after Modi took power. The euphoria has pushed the Sensex to another life-time high of 25,711.11 earlier this month.

There's clearly room for disappointment and if investors think that the change will come like a lightning bolt then they should think again. Steady progress from Modi, though, should bring rewards in the medium term.

Shaily Mittal
Economist
MNI Indicators



Executive Summary

Business confidence rose to the highest since the survey began in November 2012 in a wave of optimism that India's new Prime Minister, Narendra Modi, will revive the economy and improve the business environment.

Business confidence rose to the highest since the survey began in November 2012 in a wave of optimism that India's new Prime Minister, Narendra Modi, will revive the economy and improve the business environment.

The MNI India Business Indicator increased to 69.2 in June from 67.0 in May, a rise of 3.3% on the month. The rise was mainly led by manufacturing companies, where confidence rose to the highest level in 12 months. The manufacturing sector will be a key focus area in the new government's plan for turning the economy around and manufacturing companies in our panel are already increasingly optimistic about their businesses.

The Production Indicator increased to 63.2 in June from 59.0 in the previous month, the highest in three months and well above the level seen in the same month a year earlier.

Having dipped in May, New Orders also rose sharply to the highest level since September last year, led by manufacturing and service sector companies.

The Employment Indicator, which asks companies whether they have an adequate number of employees, indicated that the majority of companies had just the right number of employees. Moreover, many companies expected hiring to increase in the coming three months on better prospects for demand.

Input Prices remained uncomfortably high throughout 2013 with the indicator rising as high as 73.5 in the quarter ending September. Since then, prices have eased and the three months to June saw the indicator fall to 63.6, providing some relief to companies.

The Prices Received Indicator remained flat in June, although was up significantly from the reading in the same month a year earlier.

Following three consecutive monthly declines, the Interest Rates Paid Indicator remained broadly stable at 52.7 in June compared with 52.3 in the previous month.

Companies expected the rupee to help their businesses in the coming three months. The Expectations Indicator increased for the fifth consecutive month to 57.5 in June from 56.4 in the previous month.

Overview

	Apr-14	May-14	Jun-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	61.9	67.0	69.2	series high	-	66.0	2.2	3.3%
Future Expectations	79.1	80.3	78.5	-	Mar-14	79.3	-1.8	-2.2%
Production								
Current Conditions	62.0	59.0	63.2	Mar-14	-	61.4	4.2	7.1%
Future Expectations	70.6	73.9	72.1	-	Apr-14	72.2	-1.8	-2.4%
New Orders								
Current Conditions	62.9	60.9	66.7	Sep-13	-	63.5	5.8	9.5%
Future Expectations	76.9	77.0	78.6	series high	-	77.5	1.6	2.1%
Export Orders								
Current Conditions	61.7	63.5	65.0	Mar-14	-	63.4	1.5	2.4%
Future Expectations	68.8	69.4	72.0	Sep-13	-	70.1	2.6	3.7%
Productive Capacity								
Current Conditions	60.7	61.5	60.9	-	Apr-14	61.0	-0.6	-1.0%
Future Expectations	70.7	69.6	68.9	-	Mar-14	69.7	-0.7	-1.0%
Order Backlogs								
Current Conditions	55.4	49.0	53.9	Apr-14	-	52.8	4.9	10.0%
Future Expectations	56.7	52.1	51.7	-	Feb-14	53.5	-0.4	-0.8%
Employment								
Current Conditions	51.7	52.1	51.1	-	Feb-14	51.6	-1.0	-1.9%
Future Expectations	52.0	51.5	53.8	Feb-14	-	52.4	2.3	4.5%
Inventories								
Current Conditions	60.0	50.9	54.5	Apr-14	-	55.1	3.6	7.1%
Future Expectations	51.3	49.0	52.5	Mar-14	-	50.9	3.5	7.1%
Input Prices								
Current Conditions	66.1	62.2	62.6	Apr-14	-	63.6	0.4	0.6%
Future Expectations	58.0	57.8	56.2	-	series low	57.3	-1.6	-2.8%
Prices Received								
Current Conditions	56.8	55.6	55.6	May-14	-	56.0	0.0	0.0%
Future Expectations	59.8	57.4	57.2	-	Mar-14	58.1	-0.2	-0.3%
Financial Position								
Current Conditions	68.9	69.1	69.3	Feb-14	-	69.1	0.2	0.3%
Future Expectations	79.6	79.0	76.5	-	Mar-14	78.4	-2.5	-3.2%
Interest Rates Paid								
Current Conditions	55.3	52.3	52.7	Apr-14	-	53.4	0.4	0.8%
Future Expectations	50.7	46.1	50.0	Apr-14	-	48.9	3.9	8.5%
Effect of Rupee Exchange Rate								
Current Conditions	46.4	50.8	49.4	-	Apr-14	48.9	-1.4	-2.8%
Future Expectations	54.4	56.4	57.5	Jun-13	-	56.1	1.1	2.0%
Supplier Delivery Times								
Current Conditions	52.9	51.2	54.5	Feb-14	-	52.9	3.3	6.4%
Future Expectations	56.2	54.9	56.8	May-13	-	56.0	1.9	3.5%
Availability of Credit								
Current Conditions	63.1	60.4	61.1	Apr-14	-	61.5	0.7	1.2%
Future Expectations	67.8	63.0	63.7	Apr-14	-	64.8	0.7	1.1%

Business confidence rose to the highest level in June since the survey began in November 2012.

Manufacturing companies were the most optimistic,
and their confidence rose to the highest level in 12
months.



Economic Landscape

As soon as Narendra Modi took over as India's Prime Minister, he highlighted his government's agenda to remove the bottlenecks stifling growth and plans to bring in more foreign investment.

As soon as Narendra Modi took over as India's Prime Minister, he highlighted his government's agenda to remove the bottlenecks stifling the growth and plans to bring in more foreign investment. The new government has promised to repair the economy and tackle stubbornly high inflation. Latest economic data from India has shown a modest improvement, with industrial production recording the highest growth in 13 months and manufacturing output also growing for the first time in three months.

Consumer price inflation eased to a three month low in May. However, there are increased fears that a below normal monsoon will put upward pressure on food prices, making it challenging for the Reserve Bank of India to cut interest rates and for the government to kick start the economy.

Economic growth remains subdued

The Indian economy grew by 4.7% in 2013-14, slightly above the 4.5% growth witnessed a year ago. This was the first time in 26 years that growth has been below 5% for two successive years.

Economic growth in India slowed to 4.6% on the year in the three months to March, down from 4.7% in the previous quarter. It was, though, marginally above

the 4.4% rate seen in the same period a year ago.

Data on an output basis showed that growth in the three months to March was boosted by agriculture which grew 6.3% on the year, compared with 3.7% in the previous quarter and 1.6% in the same quarter a year earlier. Manufacturing data was disappointing and remained in contraction, declining by 1.4% compared with a fall of 1.5% in the previous quarter, and substantially below the growth of 3% in the same quarter a year earlier. Service sector output, grew by 12.4%, down from 14.1% in the previous quarter but up from the 11.2% increase seen in the January-March quarter a year ago.

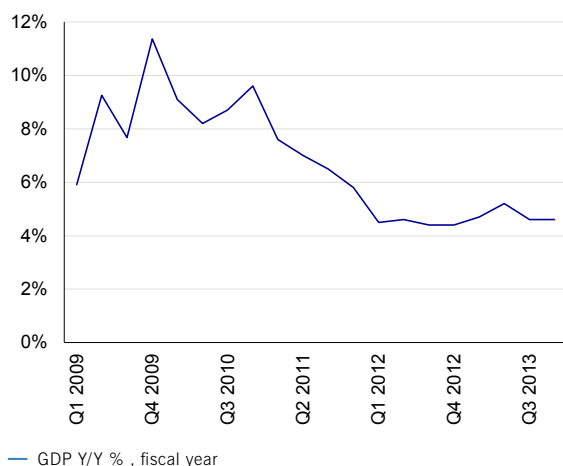
April industrial output expands

Industrial production surged in April, by 3.4% on the year, following two months of contraction, a significant turnaround from the 0.5% decline seen in March.

Manufacturing, which contributes about 75% to industrial output, grew by 2.6% on the year, after contracting by 1.3% in the previous month. Fourteen out of the 22 industry groups within the manufacturing sector expanded in April, led by a huge 66% rise in 'Electrical machinery and apparatus' output, followed by 9.6% growth in 'Machinery and equipment' and a 9.1% increase in the output of the 'Tobacco products' sector. The industry group 'Radio, TV and communication equipment & apparatus' showed the highest negative growth of 31.6%, followed by a 22.1% decline in 'Wearing apparel; dressing and dyeing of fur' and 14.6% contraction in 'Motor vehicles, trailers & semi-trailers'.

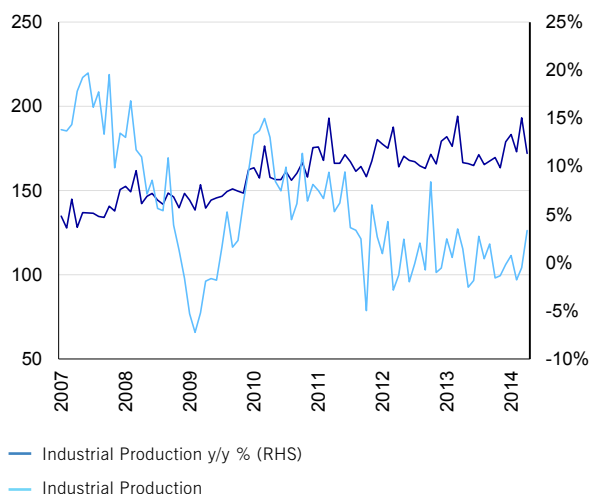
After paltry growth of just 0.3% in March, mining output grew by 1.2% in April. Output of consumer durables, a measure of consumer demand, posted the seventeenth consecutive decline, falling 7.6% in April compared with an 11.8% decline in the previous month. Capital goods output, a proxy for investment, rose by 15.7% on the year, following four months of contraction, owing mainly to base effects.

Economic Growth



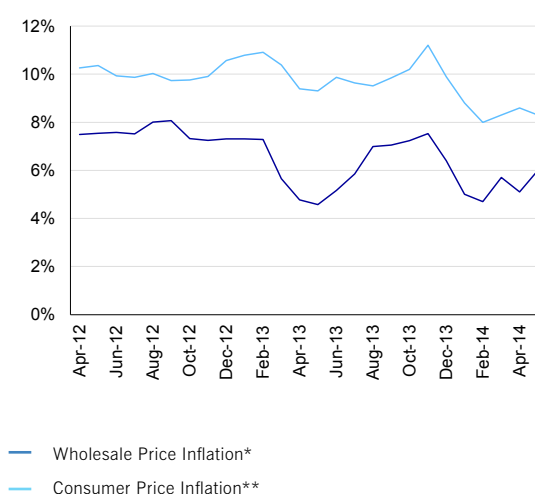
Source: Central Statistical Organisation, India

Industrial Production



Source: Central Statistical Organisation, India

Inflation



Source: *Office of the Economic Advisor, India, **MOSPI

Consumer price inflation eases

Consumer price inflation, which the Reserve Bank of India now targets, eased to a three month low of 8.3% in May from 8.6% in April. Food price inflation, which makes up almost half of the basket, increased to 9.3% from 9.6% in the previous month. There are, though, concerns that a deficient monsoon could push food inflation higher. Core CPI inflation, which excludes food and energy, eased slightly to 7.7% from 7.8% in the previous month.

Wholesale price inflation, which the RBI used to focus on, rose to the highest in five months, increasing by 6% in May from 5.2% in April. The Modi government has said it plans to bring down inflation by tackling supply constraints. The prospect of weak monsoon rains and turmoil in Iraq have increased the risk of rising food and fuel prices.

The trade ministry recently imposed a restriction on onion exports, a widely used vegetable in India households, in an attempt to check the rise in prices. A minimum price had also been put in place last September by the government but was lifted in March after onion prices stabilised.

Repo rate unchanged at 8%

The RBI left the key policy rate unchanged at 8% at its monetary policy meeting on June 3, the first interest rate decision after the BJP formed the government.

Governor Raghuram Rajan said further policy tightening would not be warranted if the economy continues on a disinflationary path. At the same time, the RBI took steps to raise the availability of credit, reducing the mandatory amount of bonds lenders must keep with the central bank - called the statutory liquidity ratio - by 50 basis points to 22.5% of deposits from mid June.

Fighting inflation is expected to remain the central bank's key priority and it is firmly focused on keeping the economy on a disinflationary glide path that is intended to hit 8% inflation by January 2015 and 6% by January 2016.

Lower fiscal budget deficit

The government budget deficit stood at Rs. 5.08 trillion in 2013-14, or 4.5% of GDP, lower than the 4.6% projected in the revised estimate in early 2014, mainly on account of curbs on government

expenditure. Net tax receipts totalled Rs. 10.15 trillion, below the revised target of Rs. 10.29 trillion, while total expenditure was Rs. 15.63 trillion, below the target of Rs. 15.9 trillion in the interim budget.

The government will present its first budget early next month and it is expected that it will continue on the path towards fiscal consolidation by maintaining a moderate pace of government expenditure. A slight improvement in the economic outlook is likely to lead to higher tax revenues being forecast.

Foreign reserves increase

India's foreign exchange reserves rose \$203 million to \$313 billion in the week to June 6, as the RBI purchased dollars from the foreign exchange market to prevent volatility in the exchange rate amid strong capital inflows. According to the RBI's weekly statistical supplement, foreign currency assets, the biggest component of the forex reserves, rose \$338.9 million to \$285.63 billion.

India's foreign exchange reserves have risen substantially since September, leaving the country less vulnerable to another run on the currency. The value of India's gold reserves remained unchanged at \$21 billion in the week ending June 6.

Trade deficit widens in May

India's trade deficit widened to \$11.2 billion in May compared with \$10.1 billion in April, but was significantly below the \$19.4 billion shortfall recorded in May a year earlier.

Exports increased by 12.4% to \$28 billion in May compared with 5.3% growth in April, the first double digit growth in seven months. Imports contracted by 11.4% on the year to \$39.2 billion in May but were 9.8% above the \$35.7 billion recorded in April. Oil imports rose from \$13 billion in April to \$14.5 billion in May. Gold imports inched up to \$2.2 billion in May from \$1.8 billion in April but were down 72% on the year. The trade ministry is in favour of easing the restrictions on gold imports, as the curbs have led to increased smuggling.

India's current account deficit for the January-March period narrowed sharply to \$1.2 billion (0.2% of GDP) from \$18.1 billion (3.6% of GDP) in the same period last year, which was also lower than \$4.2 billion (0.9% of GDP) in the October-December quarter of 2013-14. The lower current account deficit was primarily on account of a decline in the trade deficit, as the decline in imports was sharper than in exports due to the stringent gold curbs.

Car sales rise in May

Car sales rose for the first time in three months, by 3.1% in May, following a sharp deceleration of 10.2% in April. This was the strongest growth in nine months. Heavy discounting by car manufacturers has aided volume growth as companies have gone the extra mile to attract price sensitive buyers.

Companies are looking forward to the new government's budget to see if the excise tax cut from 12% to 8%, which was announced in the interim budget in February, will be continued. The automobile industry is optimistic that sales will increase in 2014 as the economy rebounds and interest rates and inflation stabilise. However, the industry is cautious about the demand for two-wheelers and small cars as the predicted below average monsoons could result in lower incomes for many of the rural households who rely on these rains.



Indicators

India's Business Sentiment rose to the highest level in June, led mainly by the manufacturing companies, where confidence rose to the highest level in 12 months.

MNI India Business Indicator

Business Sentiment at Record Level



Business confidence rose to the highest since the survey began in November 2012 in a wave of optimism that India's new Prime Minister, Narendra Modi, will revive the economy and improve the business environment.

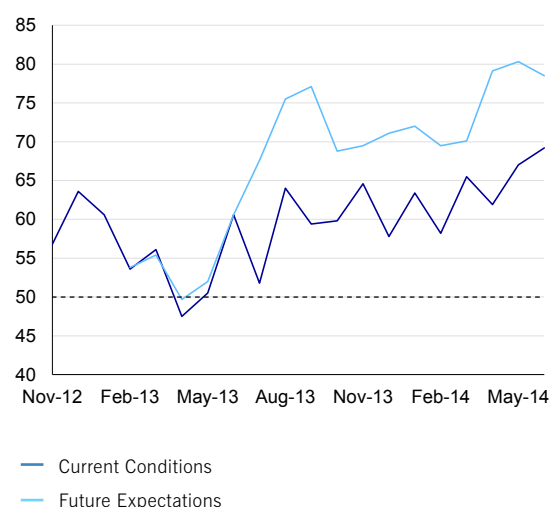
The MNI India Business Indicator increased to 69.2 in June from 67.0 in May, a rise of 3.3% on the month. The rise was mainly led by manufacturing companies, where confidence rose to the highest level in 12 months. The manufacturing sector will be a key focus area in the new government's plan for turning the economy around and manufacturing companies in our panel are already increasingly optimistic about their businesses.

The survey was conducted after Narendra Modi was sworn-in as India's Prime Minister and laid out key points of the policy agenda. The government aims to create a policy environment which is predictable, transparent and fair.

With the formation of the new government, many expect the business environment to become more favourable in the coming months. The government will pursue an economic reform agenda that foresees introducing a general sales tax, encouraging foreign investment and speeding up approvals for major business projects. The key sectors of focus will be infrastructure, manufacturing and power.

After rising for three consecutive months, Future Expectations for Business Conditions slipped 1.8 points to 78.5 in June from a series high of 80.3 in May.

MNI India Business Indicator



In June, 11 out of the 15 current conditions indicators included in the survey increased. For business expectations in the next three months, eight indicators rose and seven fell, but none were below the 50 expansion/contraction level.

"The economic condition of India is improving and we have good faith in the new government." Electrical Components & Equipment manufacturing company

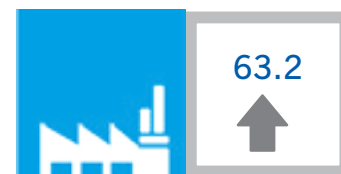
"Overall business conditions are better due to the summer vacations." Hotels Group

MNI India Business Indicator

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	60.6	63.4	58.2	65.5	61.9	67.0	69.2
Future Expectations	60.6	72.0	69.5	70.1	79.1	80.3	78.5

Production

Highest Since March



The Production Indicator increased to 63.2 in June from 59.0 in the previous month, the highest in three months and well above the level seen in the same month a year earlier.

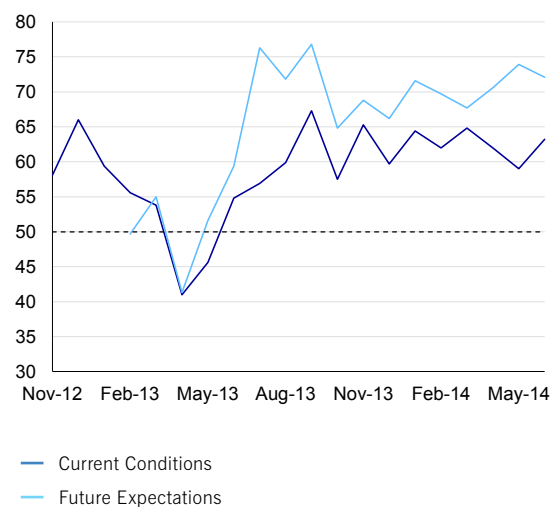
Production bottomed out in the spring a year ago and has subsequently been on an upward trend, averaging 61.8 over the past 12 months. The quarter ending June witnessed a dip in Production, with the indicator averaging 61.4 compared with 63.7 in the quarter ending March, but was well above the outturn of 47.1 recorded in the three months to June a year ago.

More manufacturing sector companies reported higher production levels, while the proportion of construction and service companies who reported a rise in Production fell compared with the previous month.

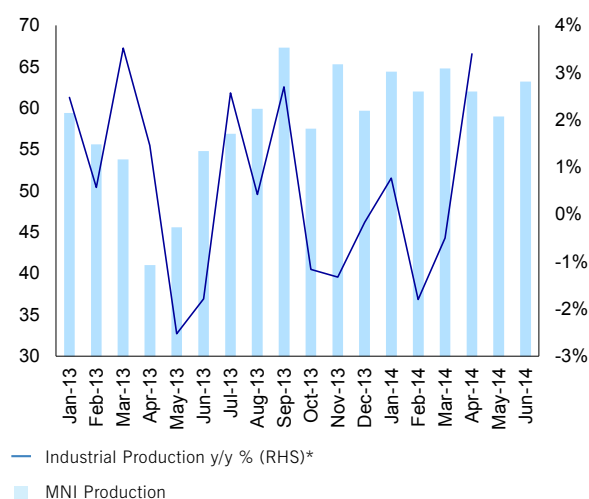
Latest official data showed that industrial production expanded for the first time in three months in April, by 3.4% on the year, having contracted by 0.5% in March. Manufacturing, which constitutes three quarters of industrial production, rose 2.6% following a drop of 1.2% in March.

Companies were optimistic about Production over the next three months, but fewer companies expected production levels to rise. The Future Expectations Indicator fell from 73.9 in May to 72.1 in June. Manufacturing was the only sector to report a rise in the Production Indicator between May and June.

Production



Industrial Production



*Source: Central Statistical Organisation, India

Production

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	54.8	64.4	62.0	64.8	62.0	59.0	63.2
Future Expectations	59.4	71.6	69.7	67.7	70.6	73.9	72.1

New Orders

Highest Since September 2013

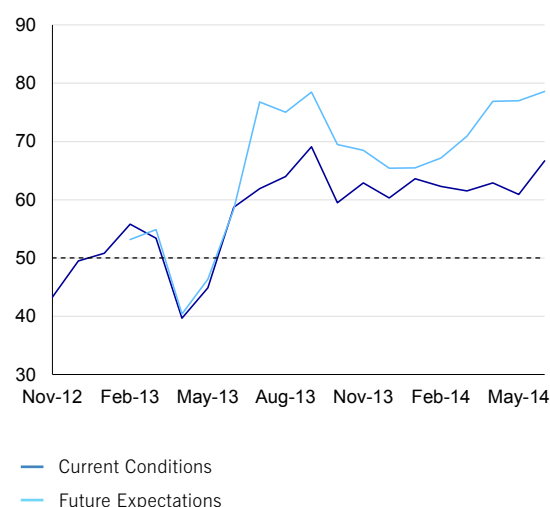


Having dipped in May, the New Orders Indicator rose sharply to the highest level since September last year, led by manufacturing and service sector companies.

The indicator rose to 66.7 in June from 60.9 in May, well above the level seen in June a year ago, when the economy was under extreme pressure due to fears that the US Federal Reserve would begin tapering its bond purchases. Orders have since recovered, with the indicator increasing to 63.5 in the quarter ending June, up from 62.5 in the previous quarter and 60.9 in the quarter ending December 2013.

Expectations for New Orders in three months have been increasing since the start of the year and they rose to a series high of 78.6 in June, up from 77.0 in May, led by both manufacturing and construction companies.

New Orders



“Business has picked up and we have higher orders due to our marketing efforts.” Food Retailers & Wholesaling company

“Because of the government focus on infrastructure, there will be demand for our products in the coming months.” Building Materials & Fixtures company

New Orders

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	58.7	63.6	62.3	61.5	62.9	60.9	66.7
Future Expectations	58.4	65.5	67.2	70.9	76.9	77.0	78.6

Export Orders

Highest Since March



Export Orders have trended upwards since April last year, and this month advanced 1.5 points to 65.0, pointing to a continued recovery in India's exports.

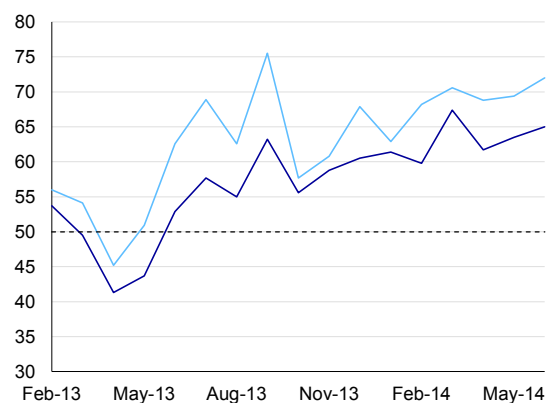
The Export Orders Indicator, which was up by almost 23% on the year in June, has a good correlation with the official exports data. Latest data showed that Indian exports rose by 12.4% on the year in May, the highest gain in nine months.

Improved economic performance, especially in the US and UK, coupled with the depreciation in the rupee over the past year, has resulted in greater demand for Indian exports.

The rupee has recovered partially since the start of the year due to the RBI's proactive role, making Indian goods more competitive. Over the past year, the currency depreciated by 4%, although rising import costs have offset much of this gain for many companies. However, concerns over violence in Iraq in recent weeks have lifted crude oil prices, negatively impacting the rupee.

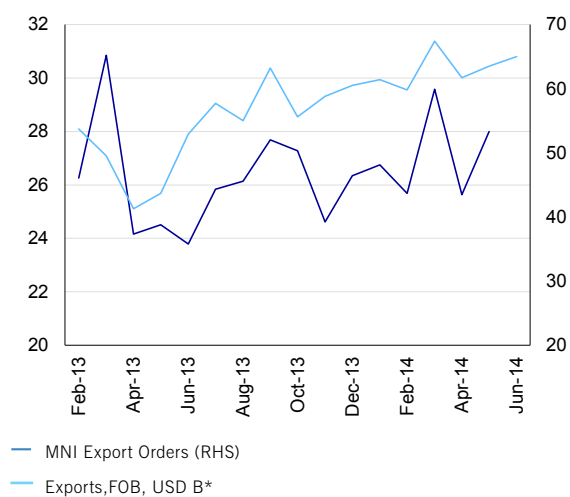
Companies' future expectations about Export Orders rose to the highest since September, with the Expectations Indicator increasing to 72.0 in June from 69.4 in May. There was a sharp rise in the proportion of manufacturing companies who were more optimistic about future Export Orders, while construction and services companies were less optimistic compared with the previous month, though both still reported positive growth.

Export Orders



— Current Conditions
— Future Expectations

Export Orders Movement



— MNI Export Orders (RHS)
— Exports, FOB, USD B*

*Source: Indian Ministry of Commerce and Industry

Export Orders

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	52.9	61.4	59.8	67.4	61.7	63.5	65.0
Future Expectations	62.6	62.9	68.2	70.6	68.8	69.4	72.0

Productive Capacity Lowest Since April

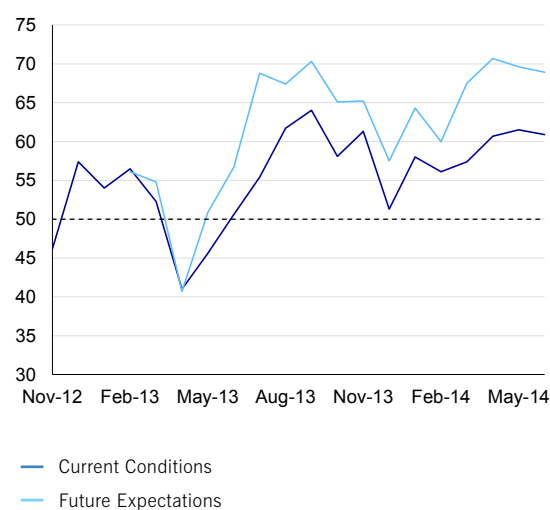


The Productive Capacity Indicator declined for the first time in four months to 60.9 in June from 61.5 in May. The decline was led by construction companies as the proportion of those who reported higher productive capacity declined significantly. In contrast, manufacturing companies reported an improvement.

Companies' Productive Capacity has trended upwards since the survey started in November 2012. The indicator for the quarter ending June was 6.6% above the level recorded in the quarter ending March and 33.5% above the same period a year earlier.

Companies' expectations about Productive Capacity in the next three months declined for the second consecutive month to 68.9 in June from 69.6 in May.

Productive Capacity



“Due to the implementation of new technology, there is an increase in production efficiency.” Construction company

Productive Capacity

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	50.6	58.0	56.1	57.4	60.7	61.5	60.9
Future Expectations	56.7	64.3	60.0	67.5	70.7	69.6	68.9

Expectations about employment rose for the first time in four months...

...to the highest since February, as many companies expected to expand their workforce in anticipation of higher demand.

Order Backlogs

Above 50

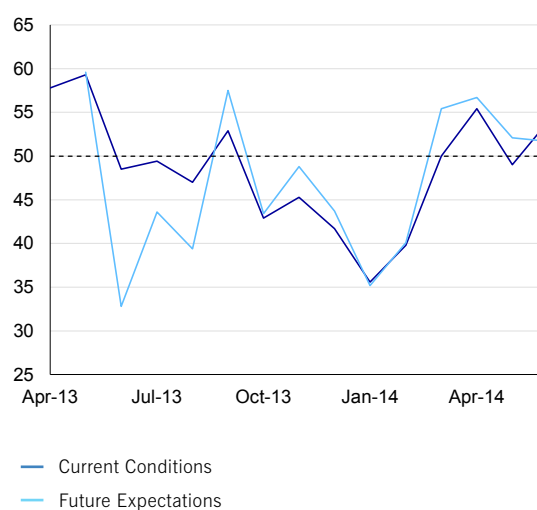


Order Backlogs fell to a record low level at the start of the year and have subsequently trended upwards, showing small signs of a demand revival. In June, more companies reported higher order backlogs, although there was not much change in the coming three months.

The indicator rose to 53.9 in June from 49.0 in May, significantly above the same period a year earlier. The rise was led mainly by manufacturing companies as the proportion of those whose order backlogs rose in June, more than doubled as compared with the previous month.

Companies expected Order Backlogs to remain broadly the same over the next three months. The Future Expectations Indicator fell slightly to 51.7 from 52.1 in May, although was significantly above the outturn of 32.8 seen in June 2013.

Order Backlogs



“Higher backlogs are expected as demand is picking up.” Auto Parts manufacturing company

Order Backlogs

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	48.5	35.6	39.8	50.0	55.4	49.0	53.9
Future Expectations	32.8	35.2	40.1	55.4	56.7	52.1	51.7

Employment

Brighter Expectations

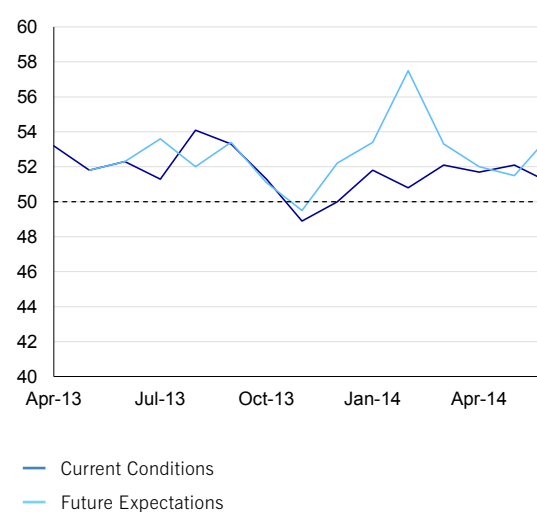


The Employment Indicator asks companies whether they have an adequate number of employees and the majority of companies continued to say that the size of their workforce was “just right”.

The Employment Indicator declined slightly to 51.1 in June from 52.1 in May. The fall was mainly led by manufacturing companies, as the proportion of those who thought they had fewer employees than required, halved compared with the previous month.

Companies’ expectations about future employment rose for the first time in four months to the highest level since February. The Expectations Indicator rose to 53.8 in June compared with 51.5 in the previous month. The indicator rose for service companies and was slightly higher for manufacturing companies compared with the previous month.

Employment



“We have increased our headcount as we have opened new stores.” Broadline Retailers

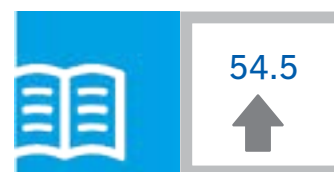
“We are growing and we may seek to hire some more people.” Industrial machinery manufacturing company

Employment

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	52.3	51.8	50.8	52.1	51.7	52.1	51.1
Future Expectations	52.3	53.4	57.5	53.3	52.0	51.5	53.8

Inventories

Highest Since April

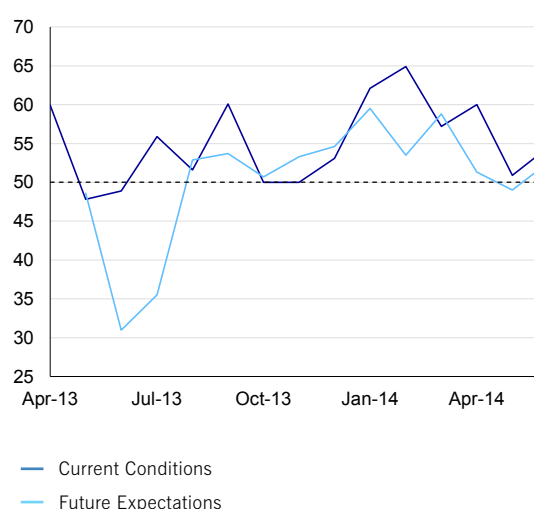


The Indicator for the Inventory level of Finished Goods rose significantly to 54.5 in June following a sharp decline in the previous month to 50.9. The trend of falling and rising stocks during the early part of the financial year is partly seasonal, as many companies initially draw down on their existing stock levels and then rebuild them in anticipation of higher demand during festival times later in the year.

Companies expected inventories to expand in the next three months. The Expectations Indicator rose 7.1% to 52.5 in June, offsetting the loss in May to 49.0.

Between May and June, the proportion of construction companies who expected inventories to rise, more than doubled, as it was generally perceived that greater demand in the coming months would run down stock levels.

Inventories



“There will be better demand so we are raising our inventory levels.” Diversified Industrials company

Inventories

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	48.9	62.1	64.9	57.2	60.0	50.9	54.5
Future Expectations	31.0	59.5	53.5	58.8	51.3	49.0	52.5

Input Prices

Future Expectations Hit Series Low

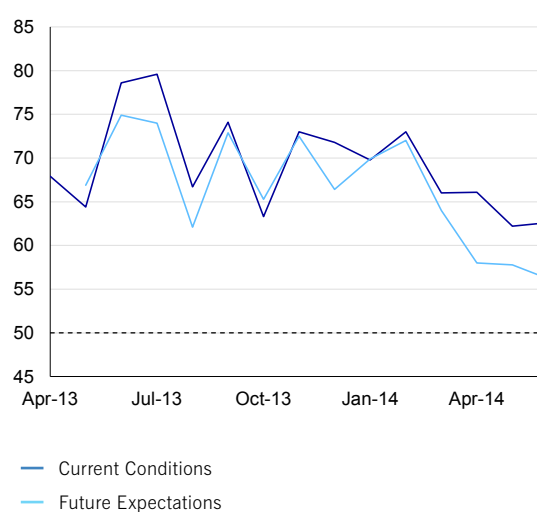


The Input Price Indicator rose to 62.6 in June from 62.2 in May led by manufacturing and service sector companies. In contrast, the proportion of construction sector companies who reported higher input prices as compared with the previous month, reduced significantly.

Input Prices remained uncomfortably high throughout 2013 with the indicator rising as high as 73.5 in the quarter ending September. Since then, prices have eased and the three months to June saw the indicator fall to 63.6, providing some relief to companies. This was the lowest quarterly average since the series began.

Expectations for input prices in three months' time declined for the fourth consecutive month in June to 56.2 compared with 57.8 in the previous month. The month's decline put the indicator at the lowest level since the survey started and was 25% below the level recorded in June 2013.

Input Prices



"Input prices are lower and we have cut down unnecessary expenses." Utilities company

"Milk prices have gone up." Food products manufacturing company

Input Prices

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	78.6	69.8	73.0	66.0	66.1	62.2	62.6
Future Expectations	74.9	69.9	72.0	64.0	58.0	57.8	56.2

Prices Received Remain Stable



The Prices Received Indicator remained flat at 55.6 in June, although was up significantly from the 50.8 reading seen in the same month a year earlier.

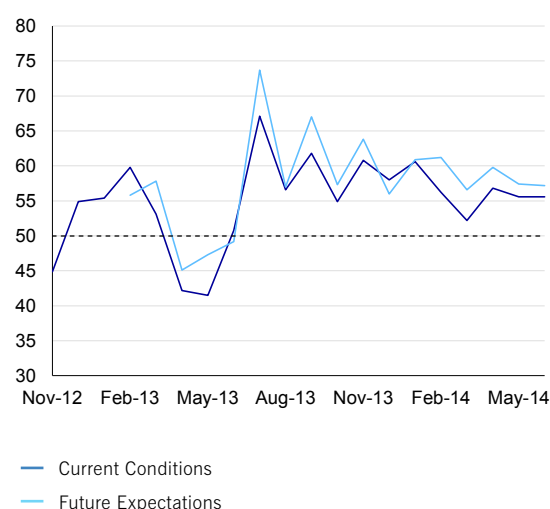
The increase in the Prices Received Indicator over the past year has been closely matched by the official inflation data. Latest data showed that wholesale price inflation rose to 6% in May from 5.2% in April, led by an increase in food price inflation to 9.5% from 8.6% and fuel price inflation which stood at 10.5% compared with 8.9% in the previous month.

Expectations for Prices Received in three months' time increase to 57.2 in June from 57.4 in May, led by a rise in the proportion of service sector companies who expected to increase prices over the next three months. In contrast, there was a significant reduction in the proportion of manufacturing and construction companies who expected prices to increase.

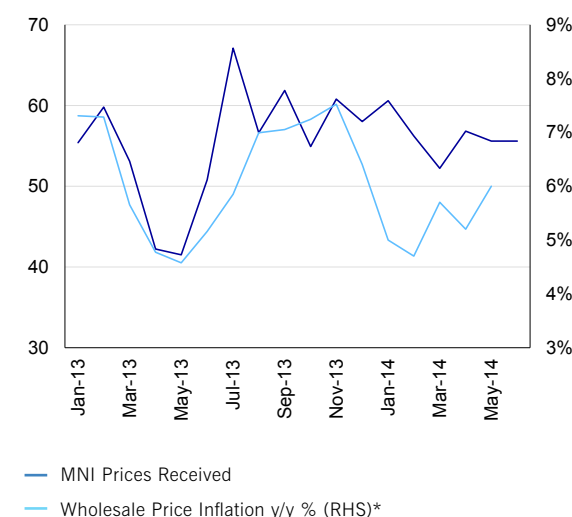
"We will raise the price for our services by 10% in the coming three months." Hotels Group

"We will not be raising the prices we charge in the coming months as the demand is low." Heavy construction company

Prices Received



Prices Received and Wholesale Price Inflation



*Source: Office of the Economic Advisor, India

Prices Received

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	50.8	60.6	56.2	52.2	56.8	55.6	55.6
Future Expectations	49.2	60.9	61.2	56.6	59.8	57.4	57.2

Financial Position

Hits Record High at Quarter end



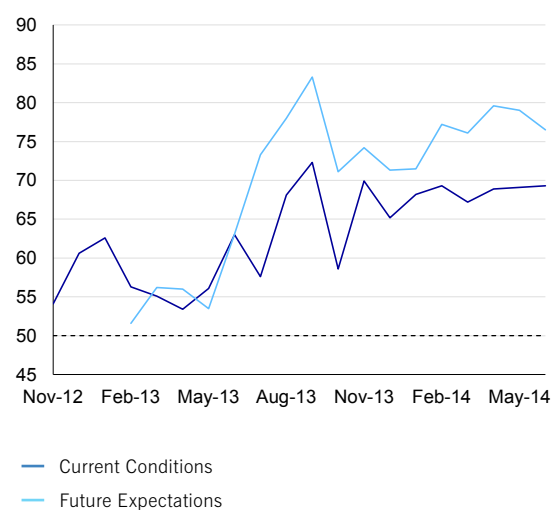
Companies' financial health remained broadly stable for the second consecutive month as the Financial Position Indicator stood at 69.3 in June compared with 69.1 in May.

The indicator remained well above the 50 line for all three sectors and the majority of the companies said that their financial position was better or the same compared with the previous month. The indicator has trended upwards since the start of the survey and in the quarter ending June hit a series high at 69.1, 1.3% above the reading of 68.2 in the previous quarter.

The BSE benchmark Sensex has continued its record breaking spree and it hit another lifetime high of 25,711.11 on June 10 as the new government unveiled its plans to boost economic growth. Strong inflows of capital from overseas continue to bolster stock prices.

Companies' expectations about their future financial position have also trended higher since last year. However, in June, the Expectations Indicator declined by 3.2% to 76.5 compared with 79.0 in May, although remained at a high level.

Financial Position



"Our financial position will be better because we expect some new orders." Iron and steel manufacturing company

Financial Position

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	63.0	68.2	69.3	67.2	68.9	69.1	69.3
Future Expectations	63.1	71.5	77.2	76.1	79.6	79.0	76.5

Interest Rates Paid Remains Broadly Stable



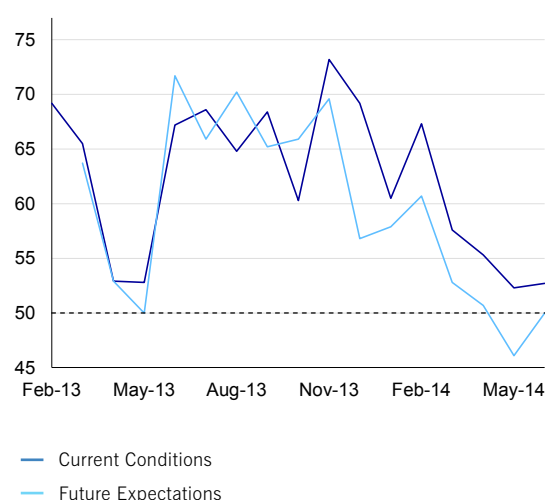
Following three consecutive monthly declines, the Interest Rates Paid Indicator remained broadly stable at 52.7 in June compared with 52.3 in the previous month.

The indicator for manufacturing companies rose above the 50 expansion/contraction level while it remained broadly stable among service sector companies. A higher proportion of construction companies said they paid lower interest rates compared with the previous month.

While in May, 13.2% of companies surveyed reported higher credit costs, in June this fell to just 10.7%. In contrast, the percentage of companies who reported they faced the same interest rates increased to 83.9% in June from 78.2% in May.

The Reserve Bank of India kept the key policy rate unchanged at 8% at its monetary policy meeting on June 3, the first interest rate decision by the central bank since the Bharatiya Janata Party won the general election. The Modi government is seeking to strike the right balance between reducing the budget deficit and reining in high inflation, while at the same time stimulating economic growth, which has fallen below 5% in the past two fiscal years. The RBI has committed itself to limit consumer price inflation to 8% by January 2015 but has said that it is open to easing policy should inflation fall faster than currently anticipated.

Interest Rates Paid



Expectations for Interest Rates Paid remained elevated throughout most of last year with the indicator hitting a record high in June 2013, although it has trended down since November. This month, an increasing proportion of companies expected to see higher or the same credit costs in the next three months. The Expectations Indicator rose to 50.0 following a series low of 46.1 in May.

Interest Rates Paid

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	67.2	60.5	67.3	57.6	55.3	52.3	52.7
Future Expectations	71.7	57.9	60.7	52.8	50.7	46.1	50.0

More companies expected the exchange rate to benefit them in the next three months.

The Expectations Indicator increased for the fifth consecutive month to the highest since June 2013.

Effect of Rupee Exchange Rate Hurts Businesses



Just after rising above the 50 expansion/contraction level in the previous month, the Effect of the Rupee Exchange Rate Indicator fell to 49.4 in June, as an increasing proportion of companies reported that the exchange rate was hurting their operations.

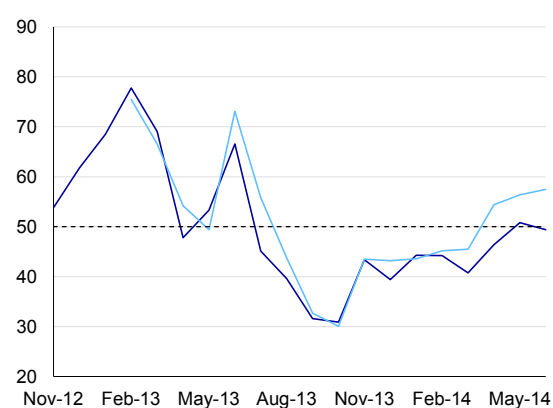
Businesses are asked whether the exchange rate is helping or hurting their company and a value above 50 shows more firms reported that it was helping, while a reading below 50 shows the exchange rate was hurting.

The indicator has moved sharply over the past year in line with the movement in the exchange rate. In the quarter ending June 2013, the indicator stood at 55.9, showing businesses were benefiting from the rupee. The indicator fell into contraction thereafter in line with massive capital outflows due to concerns the US Federal Reserve would start tapering Quantitative Easing earlier than expected. It has since recovered along with the rupee's appreciation, helped by a lower current account deficit and large foreign capital inflows not least due to the RBI's proactive role. The quarter ending June 2014 put the indicator as high as 48.9, 13.5% above the previous quarter.

After a landslide victory by Narendra Modi, the Indian rupee touched a fresh 12-month high of 58.36 against the US dollar. However, higher inflation and concerns over oil prices due to increased violence in Iraq has fuelled concerns in recent weeks.

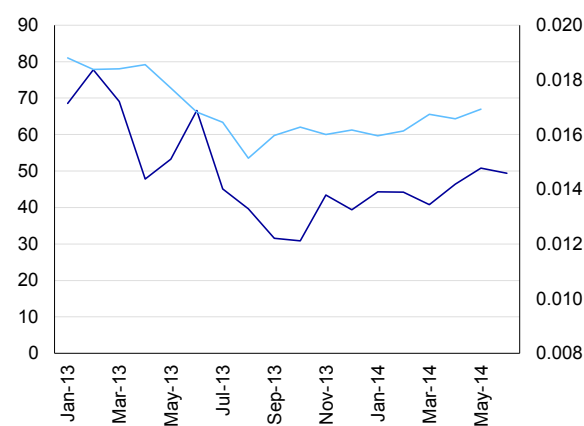
The Expectations Indicator increased for the fifth consecutive month to 57.5 in June from 56.4 in the previous month, the highest since June 2013.

Effect of Rupee Exchange Rate



— Current Conditions
— Future Expectations

Exchange Rate



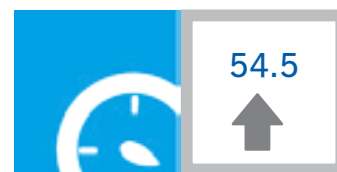
— MNI Effect of Rupee Exchange Rate
— US Dollar versus Indian Rupee (RHS)*

*Source: Reuters

Effect of Rupee Exchange Rate

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	66.6	44.3	44.2	40.8	46.4	50.8	49.4
Future Expectations	73.1	43.6	45.2	45.5	54.4	56.4	57.5

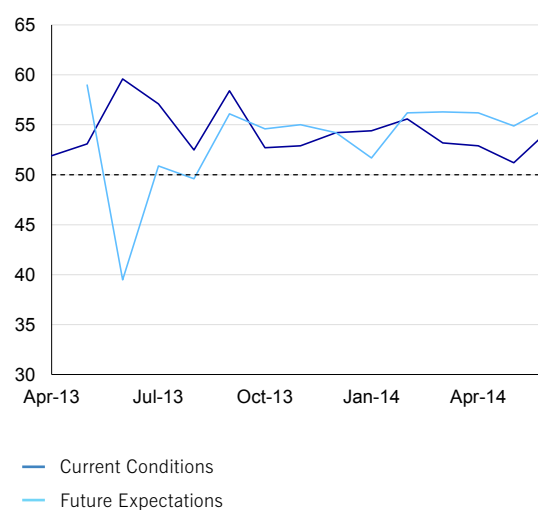
Supplier Delivery Times Highest Since February



After steadily declining for three straight months, the Supplier Delivery Times Indicator lengthened to 54.5 in June compared with 51.2 in the previous month. The rise was mainly led by manufacturing companies as the proportion of those who said their delivery times rose, more than doubled in June compared with the previous month.

Supplier Delivery Times were expected to lengthen over the next three months as well, with the Future Expectations Indicator rising to 56.8 in June from 54.9 in May, the highest since May 2013. Both manufacturing and construction companies expected supplier delivery times to lengthen, probably in anticipation of higher demand in the next three months.

Supplier Delivery Times



“Because we are overloaded with orders, we expect delivery times will be higher.” Iron & steel manufacturing company

Supplier Delivery Times

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	59.6	54.4	55.6	53.2	52.9	51.2	54.5
Future Expectations	39.5	51.7	56.2	56.3	56.2	54.9	56.8

Availability of Credit Improves in May



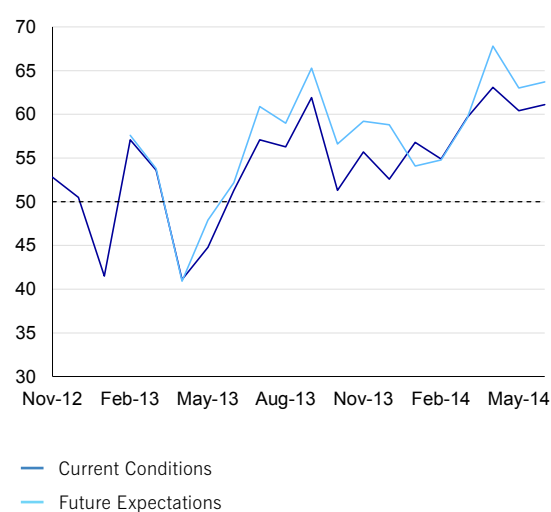
The indicator measuring the Availability of Credit increased in June to 61.1 from 60.4 in May, the highest since April, when the series hit a record high level.

The Availability of Credit Indicator has trended upwards since the summer of 2013 and the rise on the month puts the indicator well above the same period a year ago. For the quarter ending June, optimism about credit availability hit the highest level on record.

There was a rise in the proportion of manufacturing and construction sector companies who registered an increase in credit availability while there was a decline in the proportion of service companies who experienced better credit availability compared with the previous month.

Businesses expected credit availability to improve in the next three months as the Future Expectations Indicator rose to 63.7 from 63.0 in the previous month. All three sectors (manufacturing, construction and services) expected credit conditions to improve in the coming three months. The RBI has cut the statutory liquidity ratio – the mandatory amount of bonds lenders must keep with the central bank by 50 basis points to 22.5% of deposits in June, in order to raise the availability of credit.

Availability of Credit



“The availability of credit is the same as the RBI has not changed the repo rate.”
Pharmaceuticals company

Availability of Credit

	Jun-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Current Conditions	51.3	56.8	54.9	59.6	63.1	60.4	61.1
Future Expectations	52.2	54.1	54.8	59.5	67.8	63.0	63.7



What the Panel Said

A selection of comments from the panel of businesses surveyed over the past month.

"We will raise the price for our services by 10% in the coming three months." Hotels Group

"We will not be raising the prices we charge in the coming months as the demand is low." Heavy construction company

"Our financial position is better due to some new orders." Consumer Finance services company

"Higher backlogs are expected as demand is picking up." Auto Parts manufacturing company

"Our financial position will be better because we expect some new orders." Iron and steel manufacturing company

"Business has picked up and we have higher orders due to our marketing efforts." Food Retailers & Wholesaling company

"Milk prices have gone up." Food products manufacturing company

"Because of the government's focus on infrastructure, there will be demand for our products in the coming months." Building Materials & Fixtures company

"The availability of credit is the same as the RBI has not changed the repo rate." Pharmaceuticals manufacturing company

"Due to the implementation of new technology, there is an increase in production efficiency." Construction company

"Because of the Telangana issue, the overall business condition is worse." Building materials and construction company

"Input prices are lower and we have cut down unnecessary expenses." Utilities company

"Overall business conditions are better due to summer vacations." Hotels Group

"We have increased our headcount as we have opened new stores." Broadline Retailers

"We expect supplier delivery times to shorten in the coming months so as to quickly meet demand." Clothing & accessories manufacturing company

"We are growing and we may seek to hire some more people." Industrial machinery manufacturing company

"The economic condition of India is improving and we have good faith in the new government." Electrical Components & Equipment manufacturing company

"The international market is better now." Building Materials & Fixtures company

"There is better demand so the inventory level has gone down." Diversified Industrials company

"The construction industry not doing generally well." Building Materials & Fixtures company



Data Tables

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Historical Summary

	2013							2014					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
MNI India Business Indicator													
Current Conditions	60.6	51.8	64.0	59.4	59.8	64.6	57.8	63.4	58.2	65.5	61.9	67.0	69.2
Future Expectations	60.6	67.6	75.5	77.1	68.8	69.5	71.1	72.0	69.5	70.1	79.1	80.3	78.5
Production													
Current Conditions	54.8	56.9	59.9	67.3	57.5	65.3	59.7	64.4	62.0	64.8	62.0	59.0	63.2
Future Expectations	59.4	76.3	71.8	76.8	64.8	68.8	66.2	71.6	69.7	67.7	70.6	73.9	72.1
New Orders													
Current Conditions	58.7	61.9	64.0	69.1	59.5	62.9	60.3	63.6	62.3	61.5	62.9	60.9	66.7
Future Expectations	58.4	76.8	75.0	78.5	69.5	68.5	65.4	65.5	67.2	70.9	76.9	77.0	78.6
Export Orders													
Current Conditions	52.9	57.7	55.0	63.2	55.6	58.8	60.5	61.4	59.8	67.4	61.7	63.5	65.0
Future Expectations	62.6	68.9	62.6	75.5	57.7	60.8	67.9	62.9	68.2	70.6	68.8	69.4	72.0
Productive Capacity													
Current Conditions	50.6	55.4	61.7	64.0	58.1	61.3	51.3	58.0	56.1	57.4	60.7	61.5	60.9
Future Expectations	56.7	68.8	67.4	70.3	65.1	65.2	57.5	64.3	60.0	67.5	70.7	69.6	68.9
Order Backlogs													
Current Conditions	48.5	49.4	47.0	52.9	42.9	45.3	41.7	35.6	39.8	50.0	55.4	49.0	53.9
Future Expectations	32.8	43.6	39.4	57.5	43.4	48.8	43.7	35.2	40.1	55.4	56.7	52.1	51.7
Employment													
Current Conditions	52.3	51.3	54.1	53.3	51.3	48.9	50.0	51.8	50.8	52.1	51.7	52.1	51.1
Future Expectations	52.3	53.6	52.0	53.4	51.1	49.5	52.2	53.4	57.5	53.3	52.0	51.5	53.8
Inventories													
Current Conditions	48.9	55.9	51.6	60.1	50.0	50.0	53.1	62.1	64.9	57.2	60.0	50.9	54.5
Future Expectations	31.0	35.5	52.9	53.7	50.7	53.3	54.6	59.5	53.5	58.8	51.3	49.0	52.5
Input Prices													
Current Conditions	78.6	79.6	66.7	74.1	63.3	73.0	71.8	69.8	73.0	66.0	66.1	62.2	62.6
Future Expectations	74.9	74.0	62.1	72.9	65.3	72.5	66.4	69.9	72.0	64.0	58.0	57.8	56.2
Prices Received													
Current Conditions	50.8	67.1	56.6	61.8	54.9	60.8	58.0	60.6	56.2	52.2	56.8	55.6	55.6
Future Expectations	49.2	73.7	57.0	67.0	57.3	63.8	56.0	60.9	61.2	56.6	59.8	57.4	57.2
Financial Position													
Current Conditions	63.0	57.6	68.1	72.3	58.6	69.9	65.2	68.2	69.3	67.2	68.9	69.1	69.3
Future Expectations	63.1	73.3	78.0	83.3	71.1	74.2	71.3	71.5	77.2	76.1	79.6	79.0	76.5
Interest Rates Paid													
Current Conditions	67.2	68.6	64.8	68.4	60.3	73.2	69.2	60.5	67.3	57.6	55.3	52.3	52.7
Future Expectations	71.7	65.9	70.2	65.2	65.9	69.6	56.8	57.9	60.7	52.8	50.7	46.1	50.0
Effect of Rupee Exchange Rate													
Current Conditions	66.6	45.1	39.6	31.6	30.9	43.4	39.4	44.3	44.2	40.8	46.4	50.8	49.4
Future Expectations	73.1	55.8	43.8	32.7	30.1	43.5	43.2	43.6	45.2	45.5	54.4	56.4	57.5
Supplier Delivery Time													
Current Conditions	59.6	57.1	52.5	58.4	52.7	52.9	54.2	54.4	55.6	53.2	52.9	51.2	54.5
Future Expectations	39.5	50.9	49.6	56.1	54.6	55.0	54.2	51.7	56.2	56.3	56.2	54.9	56.8
Availability of Credit													
Current Conditions	51.3	57.1	56.3	61.9	51.3	55.7	52.6	56.8	54.9	59.6	63.1	60.4	61.1
Future Expectations	52.2	60.9	59.0	65.3	56.6	59.2	58.8	54.1	54.8	59.5	67.8	63.0	63.7

Historical Records

	2012 - Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	69.2	59.6	60.2
Future Expectations	49.7	80.3	67.7	69.5
Production				
Current Conditions	41.0	67.3	58.8	59.6
Future Expectations	41.3	76.8	65.1	68.8
New Orders				
Current Conditions	39.7	69.1	57.6	60.6
Future Expectations	40.4	78.6	66.1	68.5
Export Orders				
Current Conditions	41.3	67.4	57.1	58.8
Future Expectations	45.2	75.5	63.2	62.9
Productive Capacity				
Current Conditions	41.0	64.0	55.5	57.0
Future Expectations	40.7	70.7	62.0	65.1
Order Backlogs				
Current Conditions	35.6	59.3	48.6	49.0
Future Expectations	32.8	59.6	47.1	46.3
Employment				
Current Conditions	48.9	54.1	51.7	51.8
Future Expectations	49.5	57.5	52.7	52.3
Inventories				
Current Conditions	47.8	64.9	55.1	54.5
Future Expectations	31.0	59.5	50.4	52.7
Input Prices				
Current Conditions	62.2	79.6	69.3	67.9
Future Expectations	56.2	74.9	66.6	66.7
Prices Received				
Current Conditions	41.5	67.1	54.9	55.6
Future Expectations	45.1	73.7	57.8	57.3
Financial Position				
Current Conditions	53.4	72.3	63.2	64.1
Future Expectations	51.6	83.3	70.1	73.3
Interest Rates Paid				
Current Conditions	52.3	73.2	62.2	64.8
Future Expectations	46.1	71.7	59.4	59.3
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	50.2	47.1
Future Expectations	30.1	75.5	51.2	49.4
Supplier Delivery Time				
Current Conditions	51.2	59.6	54.3	53.2
Future Expectations	39.5	59.0	53.6	55.0
Availability of Credit				
Current Conditions	41.1	63.1	54.2	55.3
Future Expectations	40.9	67.8	57.4	58.8

Historical Records - Quarterly

	Q4 13	Q1 14	Q2 14	Quarterly Change	Quarterly % Change
MNI India Business Indicator					
Current Conditions	60.7	62.4	66.0	3.6	5.8%
Future Expectations	69.8	70.5	79.3	8.8	12.5%
Production					
Current Conditions	60.8	63.7	61.4	-2.3	-3.6%
Future Expectations	66.6	69.7	72.2	2.5	3.6%
New Orders					
Current Conditions	60.9	62.5	63.5	1.0	1.6%
Future Expectations	67.8	67.9	77.5	9.6	14.1%
Export Orders					
Current Conditions	58.3	62.9	63.4	0.5	0.8%
Future Expectations	62.1	67.2	70.1	2.9	4.3%
Productive Capacity					
Current Conditions	56.9	57.2	61.0	3.8	6.6%
Future Expectations	62.6	63.9	69.7	5.8	9.1%
Order Backlogs					
Current Conditions	43.3	41.8	52.8	11.0	26.3%
Future Expectations	45.3	43.6	53.5	9.9	22.7%
Employment					
Current Conditions	50.1	51.6	51.6	0.0	0.0%
Future Expectations	50.9	54.7	52.4	-2.3	-4.2%
Inventories					
Current Conditions	51.0	61.4	55.1	-6.3	-10.3%
Future Expectations	52.9	57.3	50.9	-6.4	-11.2%
Input Prices					
Current Conditions	69.4	69.6	63.6	-6.0	-8.6%
Future Expectations	68.1	68.6	57.3	-11.3	-16.5%
Prices Received					
Current Conditions	57.9	56.3	56.0	-0.3	-0.5%
Future Expectations	59.0	59.6	58.1	-1.5	-2.5%
Financial Position					
Current Conditions	64.6	68.2	69.1	0.9	1.3%
Future Expectations	72.2	74.9	78.4	3.5	4.7%
Interest Rates Paid					
Current Conditions	67.6	61.8	53.4	-8.4	-13.6%
Future Expectations	64.1	57.1	48.9	-8.2	-14.4%
Effect of Rupee Exchange Rate					
Current Conditions	37.9	43.1	48.9	5.8	13.5%
Future Expectations	38.9	44.8	56.1	11.3	25.2%
Supplier Delivery Time					
Current Conditions	53.3	54.4	52.9	-1.5	-2.8%
Future Expectations	54.6	54.7	56.0	1.3	2.4%
Availability of Credit					
Current Conditions	53.2	57.1	61.5	4.4	7.7%
Future Expectations	58.2	56.1	64.8	8.7	15.5%

Methodology

MNI India Business Sentiment is a monthly poll of Indian business executives at companies listed on BSE (formerly known as the Bombay Stock Exchange). Companies are a mix of manufacturing, service, construction and agricultural firms.

Respondents are asked their opinion on whether a particular business activity has increased, decreased or remained the same compared with the previous month as well as their expectations for three months ahead, e.g. Is Production Higher/Same/Lower compared with a month ago?

A diffusion indicator is then calculated by adding the percentage share of positive responses to half the percentage of those respondents reporting no change. An indicator reading above 50 shows expansion, below 50 indicates contraction and a result of 50 means no change.

Data is collected via telephone interviews. Over 200 companies are surveyed each month.

Discovering trends in Emerging Markets

MNI's Emerging Markets Indicators explore attitudes, perspectives and confidence in Russia, India and China. Our data and monthly reports present an advance picture of the economic landscape as perceived by businesses and consumers.

Our indicators allow investors, economists, analysts, and companies to identify economic trends and make informed investment and business decisions. Our data moves markets.

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