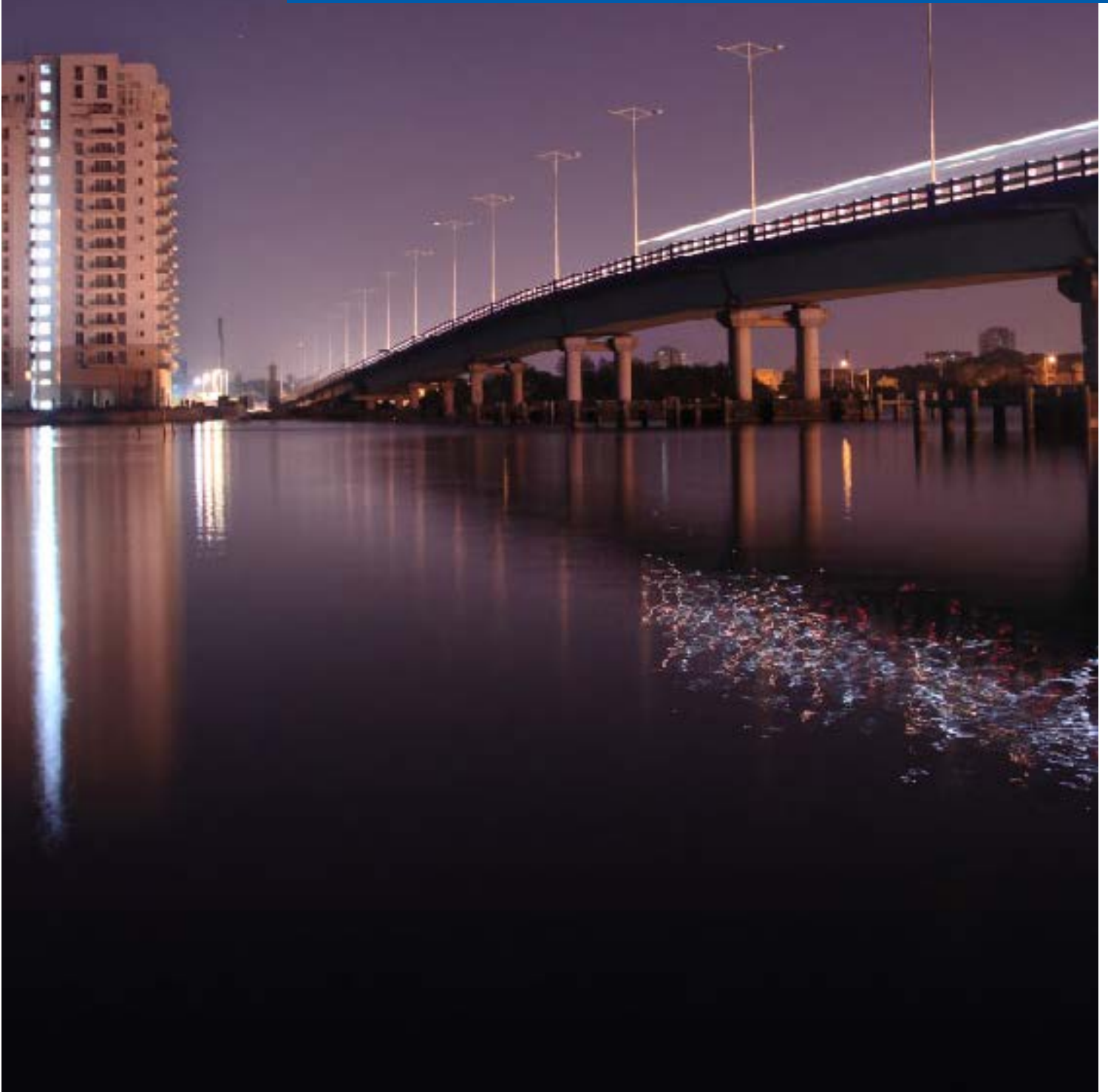


MNI India Business Report May 2014

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.

Written and researched by

Philip Uglow, Chief Economist

Shaily Mittal, Economist

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MNI Indicators | Deutsche Börse Group

Westferry House

11 Westferry Circus

London

E14 4HE

Tel: +44 (0)20 7862 7444

Email: info@mni-indicators.com

www.mni-indicators.com

@MNIIndicators

MNI India Business Report - May 2014

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MODIfied India

Indians, disillusioned with the current leadership and desperate for change, have given Narendra Modi a clear mandate. The key question is whether he can deliver on his pledges and live up to such high expectations.

Few would deny the Indian government has been heavily criticised for not implementing economic reforms and for an inability to control persistently high inflation, both of which have impeded economic growth and led to a significant dampening of foreign investment. Indians, disillusioned with the current leadership and desperate for change, have given Narendra Modi a clear mandate.

The key question is whether new Prime Minister, Modi, can deliver on his pledges and live up to such high expectations. India's stock market certainly thinks so. It's been sky rocketing during the election period and hit a new record high of 25,375.63 on May 16, the day election results were announced.

Modi's economic track record is undoubtedly impressive. He's been chief minister of Gujarat, a state with 60 million people, for 12 years. During that time, he's cut red tape, invested heavily in infrastructure and contained corruption. Business and investment have thrived in Gujarat making it an investment hub for international companies. The state now produces a quarter of Indian exports although accounts for just 5% of the nation's population. Modi has promised to replicate his Gujarat policies across the rest of the country.

Our survey shows that business confidence is on the rise and expectations are running high that the business environment will improve further.

Many voters perceive Modi as a magician and problem solver, while some also give him the status of a god. Even with a large majority Modi will find his god like

powers restricted. As the head of the central government, he has power to formulate and execute economic policies, but he will face limitations in some states that are more interested in regional rather than national issues. This is a problem he never had to face in Gujarat.

Still, to unleash its potential India needs to reform, and Modi seems like the best choice to challenge the current status quo. However, only time will tell whether he can make his style of politics work in a massively diverse country, often resistant to change.

Shaily Mittal

Economist

MNI Indicators



Executive Summary

Business confidence rose to record high levels in May and businesses remained optimistic about future conditions in a hope that the new government will turnaround the economy.

Business confidence rose to the highest since the series began in November 2012 in a wave of optimism that Narendra Modi would be India's next Prime Minister and turnaround India's economy. The survey was conducted before the result of the Indian elections was known although polls consistently predicted that Modi's BJP party would win.

The MNI India Business Indicator increased to 67.0 in May from 61.9 in April, a rise of 8.2% on the month. The acceleration was mainly led by service and construction sector companies, offsetting the dip seen in the previous month. Business sentiment among manufacturing companies was at the lowest level in five months.

Expectations for business conditions in three months' time continued to rise and hit a series high of 80.3 in May from 79.1 in April.

The New Orders Indicator fell in May to the lowest level since December, mainly led by manufacturing sector companies.

The stability seen in new Orders and Production has eased the pressure on Order Backlogs, which fell sharply into contraction territory in May.

The Prices Received Indicator fell in May to 55.6 from 56.8 in April. The prices charged by companies have increased over the previous year and in spite of this month's fall, the indicator was well above the 41.5 outturn seen in the same period a year earlier.

The Interest Rates Paid Indicator declined for the third consecutive month in May to 52.3 from 55.3 in the previous month as fewer companies reported that they paid higher interest rates compared with April.

Companies thought that the exchange rate was helping their businesses for the first time in 11

months. The Effect of the Rupee Exchange Rate Indicator increased above the breakeven level to 50.8 in May from 46.4 in April.

The Financial Position Indicator remained broadly stable at 69.1 in May, compared with 68.9 in April, although was significantly above the 56.1 recorded in the same month a year earlier. 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 Employment Indicator which asks companies whether they have an adequate number of employees, remained broadly stable in May as the majority of companies continued to say that the number of employees they had was "just right".

Overview

	Mar-14	Apr-14	May-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	65.5	61.9	67.0	series high	-	64.8	5.1	8.2%
Future Expectations	70.1	79.1	80.3	series high	-	76.5	1.2	1.5%
Production								
Current Conditions	64.8	62.0	59.0	-	Oct-13	61.9	-3.0	-4.8%
Future Expectations	67.7	70.6	73.9	Sep-13	-	70.7	3.3	4.7%
New Orders								
Current Conditions	61.5	62.9	60.9	-	Dec-13	61.8	-2.0	-3.2%
Future Expectations	70.9	76.9	77.0	Sep-13	-	74.9	0.1	0.1%
Export Orders								
Current Conditions	67.4	61.7	63.5	Mar-14	-	64.2	1.8	2.9%
Future Expectations	70.6	68.8	69.4	Mar-14	-	69.6	0.6	0.9%
Productive Capacity								
Current Conditions	57.4	60.7	61.5	Sep-13	-	59.9	0.8	1.3%
Future Expectations	67.5	70.7	69.6	-	Mar-14	69.3	-1.1	-1.6%
Order Backlogs								
Current Conditions	50.0	55.4	49.0	-	Feb-14	51.5	-6.4	-11.6%
Future Expectations	55.4	56.7	52.1	-	Feb-14	54.7	-4.6	-8.1%
Employment								
Current Conditions	52.1	51.7	52.1	Mar-14	-	52.0	0.4	0.8%
Future Expectations	53.3	52.0	51.5	-	Nov-13	52.3	-0.5	-1.0%
Inventories								
Current Conditions	57.2	60.0	50.9	-	Nov-13	56.0	-9.1	-15.2%
Future Expectations	58.8	51.3	49.0	-	Jul-13	53.0	-2.3	-4.5%
Input Prices								
Current Conditions	66.0	66.1	62.2	-	series low	64.8	-3.9	-5.9%
Future Expectations	64.0	58.0	57.8	-	series low	59.9	-0.2	-0.3%
Prices Received								
Current Conditions	52.2	56.8	55.6	-	Mar-14	54.9	-1.2	-2.1%
Future Expectations	56.6	59.8	57.4	-	Mar-14	57.9	-2.4	-4.0%
Financial Position								
Current Conditions	67.2	68.9	69.1	Feb-14	-	68.4	0.2	0.3%
Future Expectations	76.1	79.6	79.0	-	Mar-14	78.2	-0.6	-0.8%
Interest Rates Paid								
Current Conditions	57.6	55.3	52.3	-	series low	55.1	-3.0	-5.4%
Future Expectations	52.8	50.7	46.1	-	series low	49.9	-4.6	-9.1%
Effect of Rupee Exchange Rate								
Current Conditions	40.8	46.4	50.8	Jun-13	-	46.0	4.4	9.5%
Future Expectations	45.5	54.4	56.4	Jun-13	-	52.1	2.0	3.7%
Supplier Delivery Times								
Current Conditions	53.2	52.9	51.2	-	series low	52.4	-1.7	-3.2%
Future Expectations	56.3	56.2	54.9	-	Jan-14	55.8	-1.3	-2.3%
Availability of Credit								
Current Conditions	59.6	63.1	60.4	-	Mar-14	61.0	-2.7	-4.3%
Future Expectations	59.5	67.8	63.0	-	Mar-14	63.4	-4.8	-7.1%

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

Expectations for business conditions in three months' time also hit a series high in a hope that the new government will turnaround the economy.



Economic Landscape

A landslide election victory for Narendra Modi's Bharatiya Janata Party has created euphoria in India, driving the stock market to life-time highs and the rupee to its strongest level in 11 months.

A landslide election victory for Narendra Modi's Bharatiya Janata Party has created euphoria in India, driving the stock market to life-time highs and the rupee to its strongest level in 11 months. The BJP has promised to repair the economy and tackle stubbornly high inflation. Latest economic data from India has shown a modest improvement, with the trade deficit narrowing due to increased exports and lower gold imports. Both industrial production and manufacturing output shrank at a slower pace in March, although remained in negative territory.

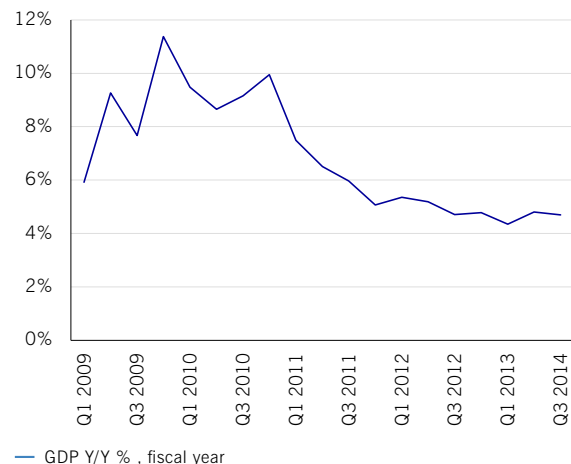
Consumer price inflation increased to its highest level in three months in April. There are increased fears that a below normal monsoon will put upward pressure on food prices, making it more challenging for the Reserve Bank of India to make policy more accommodative and for the government to kick start the economy.

Disappointing economic growth

Economic growth in India slowed to 4.7% on the year in the three months to December, down from 4.8% 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 was

Economic Growth



Source: Central Statistical Organisation, India

boosted by services which grew 7% on the year, compared with 4.2% in the previous quarter. A bountiful harvest was expected to translate into strong agricultural growth but output here was disappointing, as it slowed to 3.6% compared with 4.6% in the previous quarter. Manufacturing fell back into contraction, declining by 1.9% compared with 1% growth in the previous quarter.

Former Finance Minister, P Chidambaram, expected the economy to grow by 4.9% this year and to accelerate to 6% in the next fiscal year. The economy must expand by 5.5% in the January-March quarter to achieve this which on current evidence looks highly unlikely. The RBI has revised down its forecast for 2014 to 4.7% from 4.8% previously, owing to weak industrial production and investment. This would be the first time in 26 years that growth will be below 5% for two successive years.

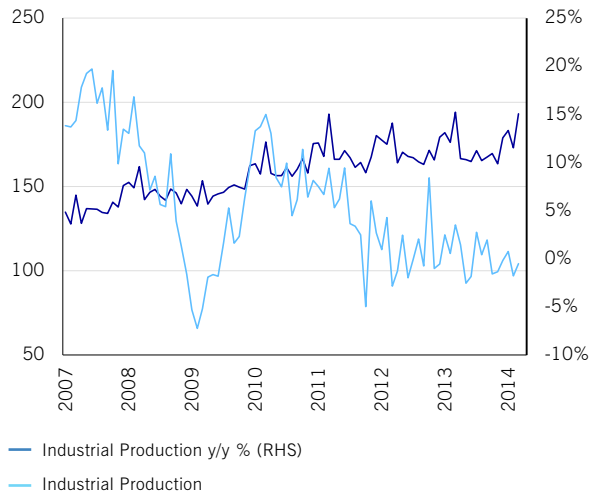
March Industrial output shrinks at slower pace

Industrial production remained in negative territory in March due to declining manufacturing output, especially capital goods. Industrial production shrunk by 0.5% in March following a 1.8% decline in February.

Much of the decline was led by weakness in manufacturing output which contracted by 1.2% on the year following a 3.7% fall in February. Twelve out of the 22 industry groups within the manufacturing sector contracted in March, led by a 33.1% fall in 'Radio, TV and communication equipment & apparatus', followed by 26.1% drop in 'Office, accounting and computing machinery' and 21.5% in 'Medical, precision & optical instruments, watches and clocks'.

After increasing 2% on the year in February, mining output contracted by 0.4% in March. Output of

Industrial Production



Source: Central Statistical Organisation, India

consumer durables, a measure of consumer demand, posted the sixteenth consecutive decline, falling 11.8% in March compared with a 9.3% decline in the previous month. Capital goods output, a proxy for investment, fell sharply by 12.5% on the year, compared with a decline of 17.5% in February.

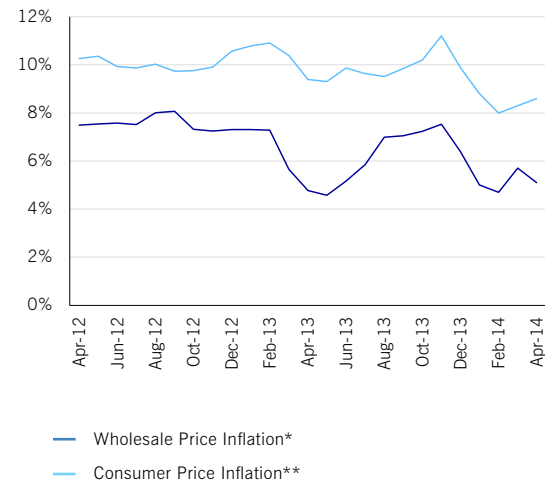
Inflation ticks up

Consumer price inflation rose at the fastest pace in three months to 8.6% in April compared with 8.3% in March. The rise was driven by an increase in food prices. Food price inflation, which makes up almost half of the basket, increased to 9.8% from 9.2% in the previous month. Core CPI eased to 7.8% from 7.9% in the previous month.

Wholesale price inflation declined to a two month low of 5.2% in April from 5.7% in March, helped by a slowdown in fuel price inflation. However, food prices continued to rise in April.

In the coming months, there are additional risks of less-than-normal monsoon rains due to possible El Niño effects, which could have a negative impact on India's agricultural output.

Inflation



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

Repo rate unchanged at 8%

The RBI left the key policy rate unchanged at 8% at its first bi-monthly monetary policy of the financial year on April 1.

Governor Raghuram Rajan said that the Reserve Bank's policy stance will be 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. A central bank panel recently proposed to revamp its policymaking structure by setting a long-term consumer price inflation target of 4%, plus or minus 2%. As inflation remains high, it recommended that the goal should be phased in gradually.

Rajan has said that if inflation falls as expected, further policy tightening in the near term is not anticipated.

The Reserve Bank of India is expected to keep rates on hold at its June policy meeting as it waits to see the impact of monsoons on food prices.

Fiscal budget deficit

The government budget deficit stood at Rs. 5.99 trillion in the April-February period, or 114.3% of the target for the year ending March 2014, compared with 97.4% at the same point a year ago. Net tax receipts totalled Rs. 6.27 trillion in the first eleven months to March, while total expenditure was close to Rs. 14 trillion.

The government has proposed to bring down the fiscal deficit to 4.6% of GDP in 2013-14. The deficit for 2014-15 is projected at 4.1% of GDP and 3% of GDP in 2016-17.

Foreign reserves increase

Foreign exchange reserves rose to \$313.8 billion in the week ending May 9, from \$311.86 billion a week earlier as overseas investors poured money into the stock market. According to the RBI's weekly statistical supplement, foreign currency assets, the biggest component of the forex reserves, rose by \$2 billion to \$286.6 billion. These are expressed in dollar terms and include the effect of appreciation or depreciation of non-US currencies such as the euro, pound and yen, held in its reserves.

Moves by the RBI over recent months have greatly strengthened India's foreign exchange reserve position, leaving the country less vulnerable to another run on the currency. The value of India's gold reserves remained unchanged at \$21 billion.

Trade deficit shrinks in April

India's trade deficit narrowed to \$10.1 billion in April compared with \$17.7 billion a year ago and a five month high of \$10.5 billion in March.

Exports increased by 5.3% to \$25.6 billion in April, halting two consecutive months in decline. Imports fell 15% on the year to \$35.7 billion in April and were almost 11% below the \$40 billion recorded in March. Oil imports fell from \$15.8 billion in March to \$13 billion in April. Gold imports fell significantly by 74.1% from \$2.7 billion in March to \$1.8 billion in April. The

Bharatiya Janata Party, which won the majority in general elections, has promised to ease restrictions on gold imports, saying these curbs had led to smuggling. Narendra Modi has said that any action on gold should take into account the interests of the public and traders, not just economics and policy.

The current account deficit narrowed to \$4.2 billion, or 0.9% of GDP in the October-December quarter, from \$31.9 billion a year earlier, on the back of curbs on gold imports and a moderate pick-up in exports. The government expects to keep the current account deficit at \$45 billion in the fiscal year that ends in March.

Car sales shrink in April

Many car makers have launched compact cars to attract price sensitive customers and reduced prices of existing models. In spite of this, car sales decelerated by 10.2% in April, the second consecutive monthly decline and the steepest since a 12.3 % fall in May 2013. Many consumers in India have chosen to defer purchases of vehicles given the slowdown in the economy, higher loan rates and rising fuel prices. Potential buyers hope that the next government will be successful in taming inflation and introduce friendlier loan policies.

According to the Society of Indian Automobile Manufacturers' deputy director general, cuts in excise taxes and vehicle prices have resulted in an increase in customer visits to car showrooms but have not translated into higher purchases. Companies are looking forward to the new government's budget to see if the excise tax cut from 12% to 8% that 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.



Indicators

Business confidence rose to the highest since the series began in November 2012 in a wave of optimism that Narendra Modi would be India's next Prime Minister and turnaround India's economy.

MNI India Business Indicator

Business Sentiment at Record High



Business confidence rose to the highest since the series began in November 2012 in a wave of optimism that Narendra Modi would be India's next Prime Minister and turnaround India's economy.

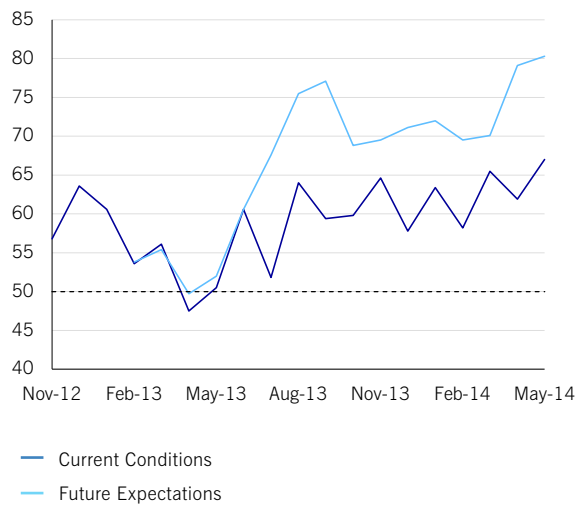
The MNI India Business Indicator increased to 67.0 in May from 61.9 in April, a rise of 8.2% on the month. The acceleration was mainly led by service and construction sector companies, offsetting the dip seen in the previous month. Business sentiment among manufacturing companies was at the lowest level in five months.

The survey was conducted before the result of the Indian elections was known although polls consistently predicted that Modi's BJP party would win. On May 16, BJP gained a clear majority in the general elections.

With the formation of the new government, many expect the business environment to become more favourable. Narendra Modi's economic track record has been impressive as the Chief Minister of Gujarat where he cut red tape, invested heavily in infrastructure and contained corruption. He has promised to replicate this model across the country. The key sectors the new government will focus on are infrastructure, manufacturing and power.

Expectations for business conditions in three months' time continued to rise and hit a series high of 80.3 in May from 79.1 in April. More manufacturing companies were optimistic about future Business Sentiment the indicator it remained broadly stable among services companies. In contrast, fewer

MNI India Business Indicator



construction companies were as optimistic compared with the previous month.

"Market sentiment has improved." Automobiles manufacturing company

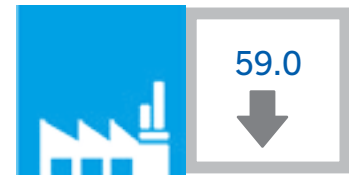
"The demand has started rising and the environment is more favourable." Utilities company

MNI India Business Indicator

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	50.5	57.8	63.4	58.2	65.5	61.9	67.0
Future Expectations	52.0	71.1	72.0	69.5	70.1	79.1	80.3

Production

Second Consecutive Decline



Production fell in May to the lowest since October, but was well above the same level a year earlier. April marks the beginning of the new financial year for Indian companies and typically activity slows in the early part of the year, following a pick-up towards the end of the year.

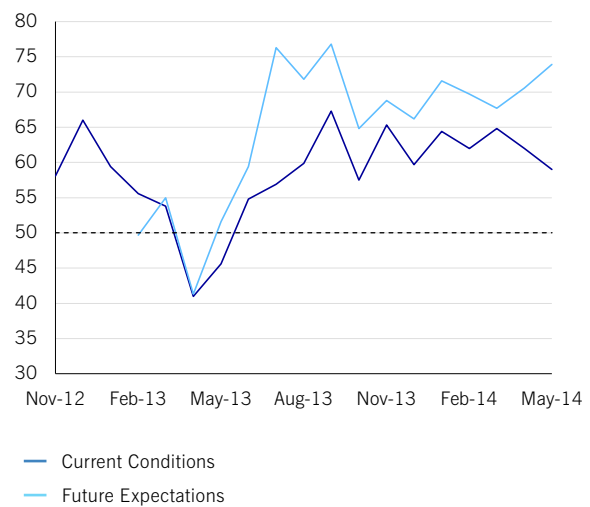
The Production Indicator declined to 59.0 in May from 62.0 in the previous month. Production bottomed out in the spring a year ago and has subsequently been on an upward trend, averaging 61.1 over the past 12 months.

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

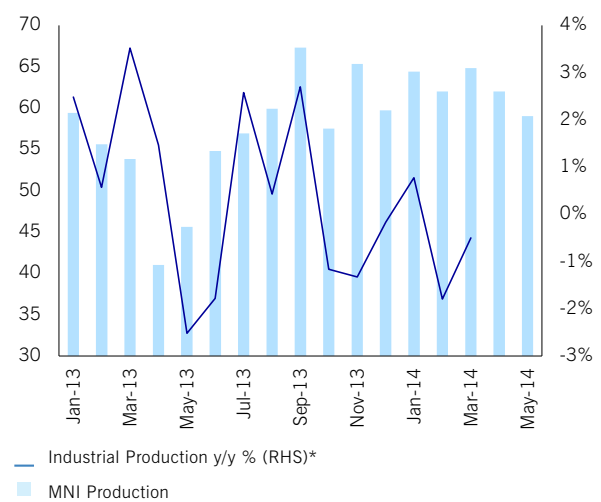
Latest official data showed that industrial production contracted in March by 0.5% on the year, having fallen by 1.8% in February. Manufacturing, which constitutes over 75% of industrial production, declined 1.2% following a drop of 3.6% in February.

Companies were optimistic about Production over the next three months for the second consecutive month. The Future Expectations Indicator increased to 73.9 in May from 70.6 in April. More construction and services companies expected higher business activity in the next three months.

Production



Industrial Production



*Source: Central Statistical Organisation, India

Production

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	45.6	59.7	64.4	62.0	64.8	62.0	59.0
Future Expectations	51.6	66.2	71.6	69.7	67.7	70.6	73.9

New Orders

Highest Since December

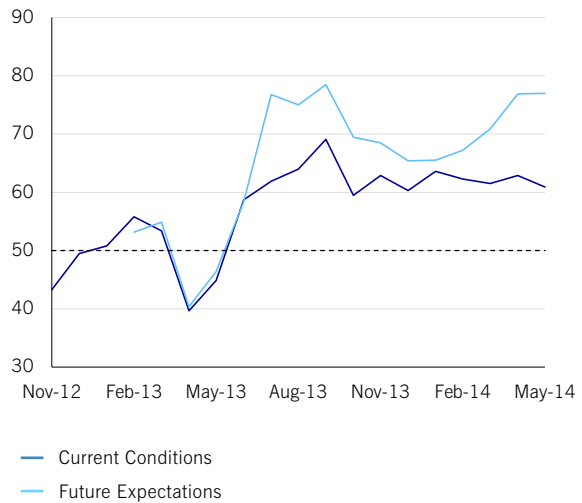


The New Orders Indicator dipped in May to the lowest level since December, mainly led by manufacturing sector companies.

The indicator declined to 60.9 in May from 62.9 in April, although was well above the level seen in May a year ago, when the economy was coming under extreme pressure due to fears that the US Federal Reserve would be tapering of its bond purchases.

Expectations for New Orders in three months have been increasing since the start of the year and they remained broadly stable in May at 77.0 compared with 76.9 in the previous month. The rise in the indicator was led by construction and services companies, with the majority of firms looking forward to the higher demand of the summer season and an improved business environment following the elections.

New Orders



“The marketing team is working very hard to get new orders.” Food Products company

“We have more projects in our pipeline.” Heavy Construction company

New Orders

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	44.9	60.3	63.6	62.3	61.5	62.9	60.9
Future Expectations	46.4	65.4	65.5	67.2	70.9	76.9	77.0

Export Orders Trend Upwards



Export Orders have trended upwards since April last year and this month's gain offset the loss seen in April. The Export Orders Indicator rose to 63.5 in May from 61.7 previously.

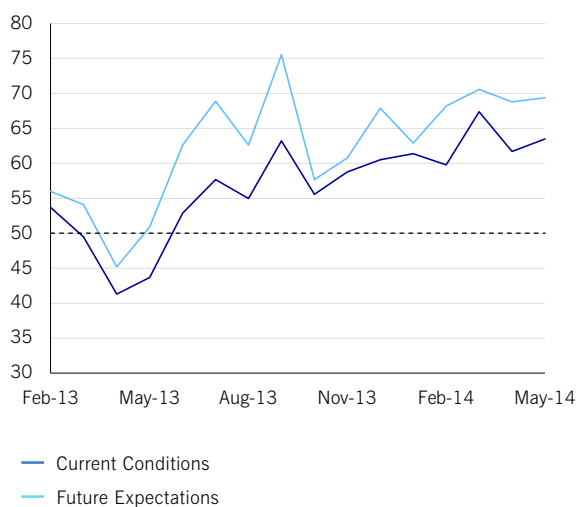
More construction and service sector companies reported higher export orders, the former being the most optimistic among the three sectors.

Over the past year, the depreciation of the rupee has increased the competitiveness of Indian exports, although rising import costs have offset much of this gain for a lot of companies. The rupee rose as high as 58.88 against the US Dollar on May 16 and has gained 2.3% so far in May. If this trend continues, it will likely stabilise the growth in export orders.

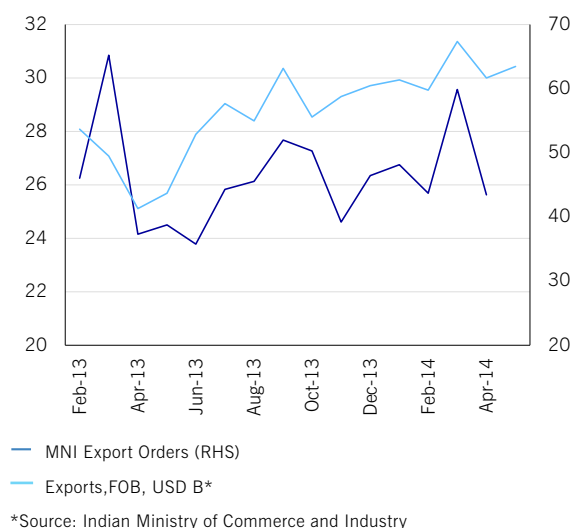
Companies' future expectations about Export Orders remained broadly stable in May after declining in April for the first time in three months. The Expectations Indicator stood at 69.4 compared with 68.8 in April. There was a sharp rise in the proportion of construction and services companies who were more optimistic about future Export Orders, and manufacturing companies continued to expect higher Export Orders, although fewer than last month.

"Better conditions in Europe raised our export orders." Auto parts manufacturing company

Export Orders



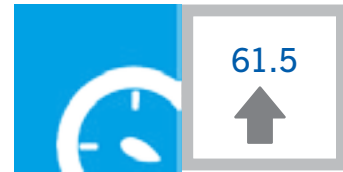
Export Orders Movement



Export Orders

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	43.7	60.5	61.4	59.8	67.4	61.7	63.5
Future Expectations	50.9	67.9	62.9	68.2	70.6	68.8	69.4

Productive Capacity Highest Since September



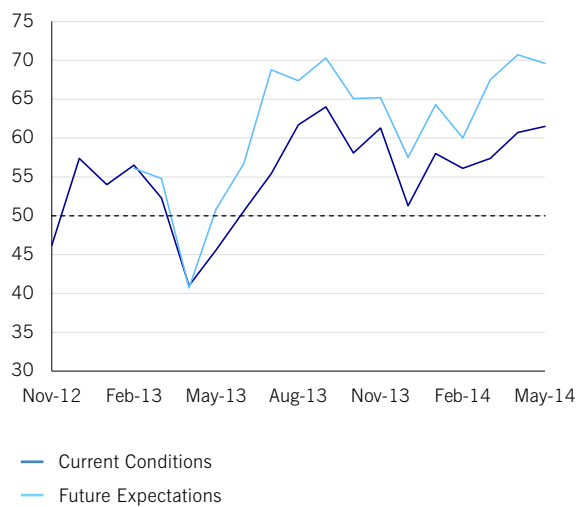
Following a sharp decline at the end of 2013, the Productive Capacity Indicator has recovered and rose to 61.5 in May compared with 60.7 in the previous month.

The Productive Capacity Indicator has been above the 50 breakeven mark since May last year, and averaged 58.0 in the 12 months to May.

The majority of the construction and manufacturing companies surveyed reported that their productive capacity was the same and there were fewer companies whose capacity increased compared with the previous month.

Companies' expectations about Productive Capacity in the next three months declined slightly to 69.6 from 70.7 in April.

Productive Capacity



“Generally the productive capacity for the first quarter remains the same.” Publishing company

Productive Capacity

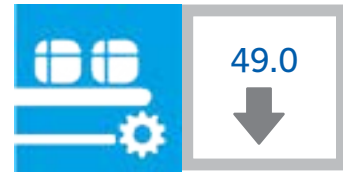
	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	45.6	51.3	58.0	56.1	57.4	60.7	61.5
Future Expectations	50.9	57.5	64.3	60.0	67.5	70.7	69.6

In May, the Input Prices Indicator fell to the lowest level since records began in April 2013...

...as fewer companies indicated prices rose over the
past month.

Order Backlogs

Below 50

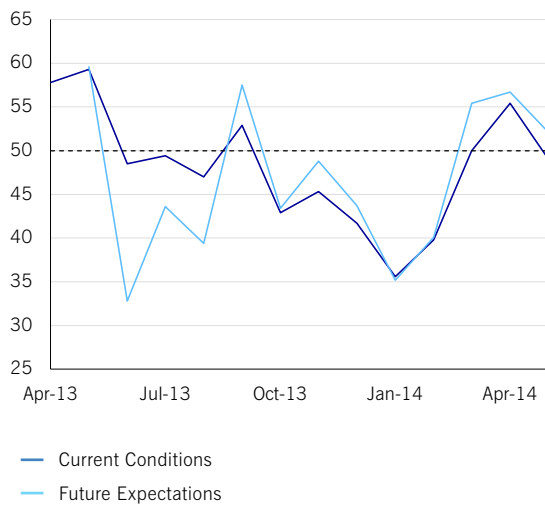


The stability seen in New Orders and Production has eased the pressure on Order Backlogs, which fell sharply into contraction territory in May.

The indicator fell by 11.6% to 49.0 in May from 55.4 in April, the lowest since February. The proportion of manufacturing companies whose Order Backlogs increased in May, more than halved as compared with the previous month.

Companies also expected a decline in Order Backlogs over the next three months. The Future Expectations Indicator fell by 8.1% to 52.1 from 56.7 in April. More manufacturing companies expected lower backlogs in the coming months while construction companies expected them to rise.

Order Backlogs



“We executed all orders and have some stock in hand to sell, hence no backlogs.” Food products company

Order Backlogs

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	59.3	41.7	35.6	39.8	50.0	55.4	49.0
Future Expectations	59.6	43.7	35.2	40.1	55.4	56.7	52.1

Employment Remains Broadly Stable



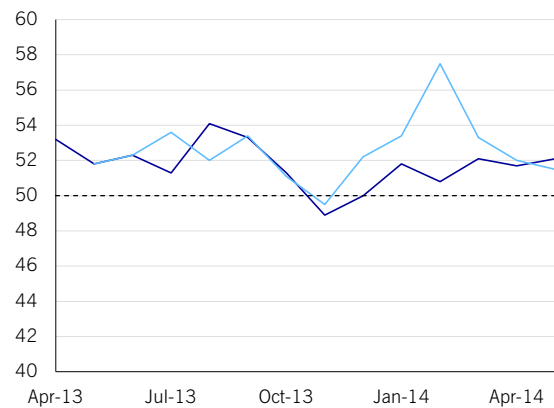
The Employment Indicator measures whether companies have an adequate number of employees and it remained broadly stable in May as the majority of firms continued to say that the number of employees they had was “just right”.

The Employment Indicator ticked up to 52.1 compared with 51.7 in April, although there was a decline in those who said their number of employees was “not enough”.

Employment rose slightly among manufacturing and service sector companies, while it declined for construction companies to below the 50 mark indicating an excess of employees.

Companies’ expectations about future employment declined for the third consecutive month after hitting a record high in February. The Expectations Indicator fell to the lowest level since November 2013 to 51.5 in May compared with 52.0 in the previous month. Hard hit construction companies expected employment levels to contract in the coming three months. The indicator rose for manufacturing companies and fell for service companies, although both were well above the 50 mark, indicating future demand for workers.

Employment



— Current Conditions
— Future Expectations

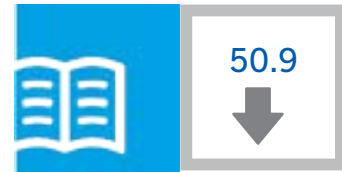
“We have just the right amount of employment in accordance with current production levels.”
Construction company

Employment

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	51.8	50.0	51.8	50.8	52.1	51.7	52.1
Future Expectations	51.8	52.2	53.4	57.5	53.3	52.0	51.5

Inventories

Decline Sharply

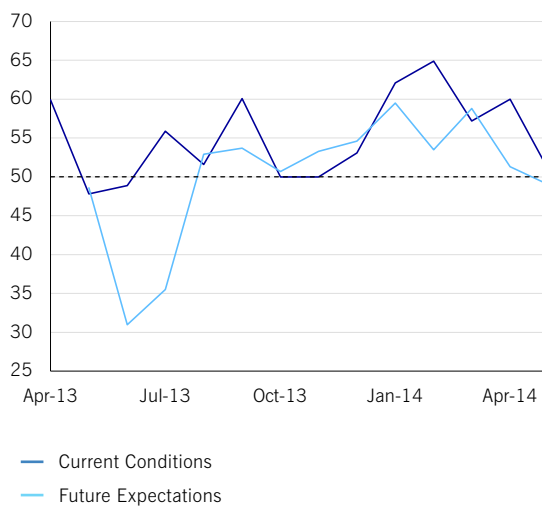


The Indicator for the Inventory level of Finished Goods fell sharply to 50.9 from 60.0 in the previous month, the lowest level since November led mainly by manufacturing companies. The fall could be seasonal, as many companies draw down on their existing stock levels during the start of the financial year.

Companies expected their inventories of finished goods to contract in the next three months for the first time in 10 months. The Expectations Indicator fell 4.5% to 49.0 from 51.3 in May and was almost at the same level as it was in May 2013.

Between April and May, a significantly lower proportion of manufacturing and construction companies expected inventories to rise as it was generally perceived that stocks would be depleted due to greater demand in the coming months.

Inventories



“We’re going to launch Just-In-Time policy to minimise the inventory stock.” Automobile manufacturing company

Inventories

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	47.8	53.1	62.1	64.9	57.2	60.0	50.9
Future Expectations	48.6	54.6	59.5	53.5	58.8	51.3	49.0

Input Prices Fall to Series Low



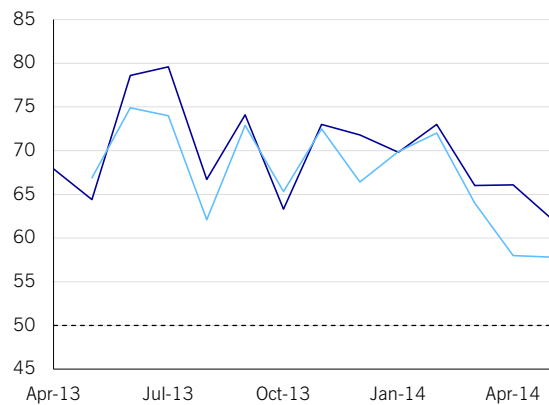
The Input Prices Indicator fell to the lowest level since records began in April 2013, with fewer companies indicating prices rose over the past month.

The Input Price Indicator declined to 62.2 in May from 66.1 in April led by manufacturing and service sector companies. In contrast, more construction sector companies reported higher input prices as compared with the previous month.

Input Prices remained uncomfortably high throughout 2013 with the indicator rising to 73.5 in the quarter ending September. The first three months of 2014 saw the indicator fall as low as 69.6 and this month's decline provides some relief to companies.

After declining sharply in April to 58.0, expectations for three months' time remained broadly stable at 57.8 in May, the lowest since the series began in November 2012.

Input Prices



— Current Conditions
— Future Expectations

“Diesel and petrol prices are stable.” Auto parts manufacturing company

“We have cut down our administrative expenses.” Electricity manufacturing company

Input Prices

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	64.4	71.8	69.8	73.0	66.0	66.1	62.2
Future Expectations	66.9	66.4	69.9	72.0	64.0	58.0	57.8

Prices Received

Future Expectations Dip



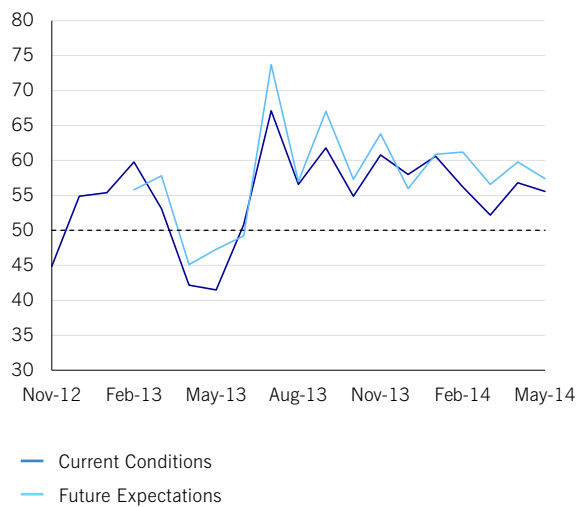
The Prices Received Indicator fell in May to 55.6 from 56.8 in April. The prices charged by companies have increased over the previous year and in spite of this month's fall, the indicator was well above the 41.5 outturn seen in the same period a year earlier.

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 slowed to 5.2% in April from 5.7% in March from, led by a near 18% drop in onion prices as food price inflation eased to 8.6% from 9.9% percent in March.

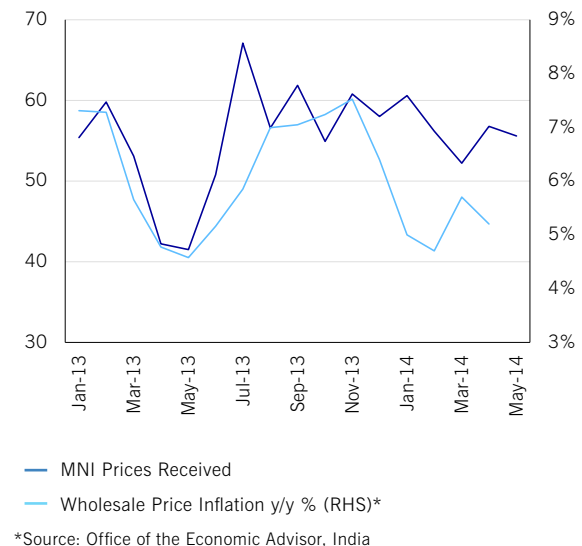
Expectations for Prices Received in three months' time also declined to 57.4 from 59.8 in April. Between March and April, the proportion of service and manufacturing sector companies who expected the prices charged for their goods to rise in the coming months, declined. There was a significant step up in the proportion of construction companies who expected prices to rise in the coming three months.

"The rise in input prices will be correspondingly passed on to the purchasers." Building & Materials Fixtures company

Prices Received



Prices Received and Wholesale Price Inflation



*Source: Office of the Economic Advisor, India

Prices Received

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	41.5	58.0	60.6	56.2	52.2	56.8	55.6
Future Expectations	47.3	56.0	60.9	61.2	56.6	59.8	57.4

Financial Position Remains Broadly Stable



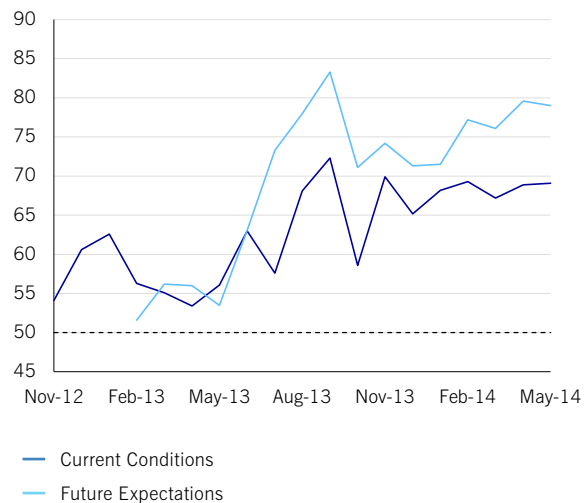
The Financial Position Indicator remained broadly stable at 69.1 in May, compared with 68.9 in April, although was significantly above the 56.1 recorded in the same month a year earlier.

The indicator remained well above the 50 line for all three sectors and the majority of companies said that their financial position was better or the same compared with the previous month.

The BSE benchmark Sensex surpassed the 25,000 mark on May 16 on polls indicating a clear victory for Narendra Modi-led BJP in general elections. There has been higher optimism and a wave of demand from overseas investors, who have bought Indian shares totalling nearly Rs.5000 crore so far in 2014. Investors are hoping that the BJP-led government will be better at stimulating the economy and would be more business-friendly than the Congress-led coalition government, which was in power during the past ten years.

Companies' expectations about their future financial position have trended higher since last year. In May, the Expectations Indicator remained stable at 79.0 compared with 79.6 in April.

Financial Position



“We have recovered our losses.” Medical Equipment manufacturing company

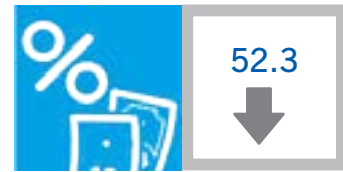
“Our revenue is going to increase due to better sales.” Automobiles manufacturing company

Financial Position

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	56.1	65.2	68.2	69.3	67.2	68.9	69.1
Future Expectations	53.5	71.3	71.5	77.2	76.1	79.6	79.0

Interest Rates Paid

Third Consecutive Decline



The Interest Rates Paid Indicator declined for the third consecutive month in May to 52.3 from 55.3 in the previous month as fewer companies reported that they paid higher interest rates compared with April.

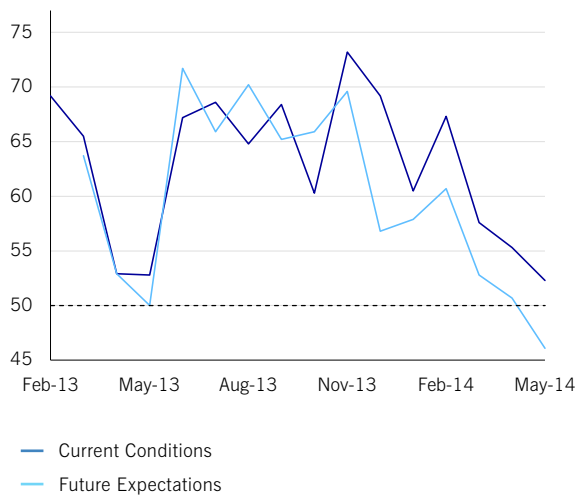
The Indicator for manufacturing companies fell below the 50 expansion/contraction level while it also fell among service sector companies, though remained above 50. There was a significant rise in the proportion of construction companies who paid higher interest rates in May compared with the previous month.

While in April, almost 20% of companies surveyed reported higher credit costs, in May this fell to 13.2%. In contrast, the percentage of companies who reported they faced the same interest rates increased to 78.2% in May from 70.8% in April.

The Reserve Bank of India kept the key policy rate unchanged at 8% at its monetary policy meeting on April 1 allowing the rate increases between September 2013 and January 2014 to work their way through the economy. Governor Raghuram Rajan said that the Reserve Bank’s policy stance will be firmly focused on keeping the economy on a disinflationary glide path.

Expectations for Interest Rates Paid remained high throughout most of last year with the indicator hitting a record high in June 2013, although it has trended down since November. In May, an increasing proportion of companies expected to see lower credit costs in the next three months. The Expectations

Interest Rates Paid



Indicator declined to a series low of 46.1 from 50.7 in April, below the 50 level for the first time in the survey started.

Interest Rates Paid

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	52.8	69.2	60.5	67.3	57.6	55.3	52.3
Future Expectations	50.0	56.8	57.9	60.7	52.8	50.7	46.1

Companies thought that the exchange rate was helping their businesses...

...for the first time in 11 months and more companies expected the rupee exchange rate to be beneficial in the coming three months.

Effect of Rupee Exchange Rate Helping Businesses



Companies thought that the exchange rate was helping their businesses for the first time in 11 months. The Effect of the Rupee Exchange Rate Indicator increased above the breakeven level to 50.8 in May from 46.4 in April.

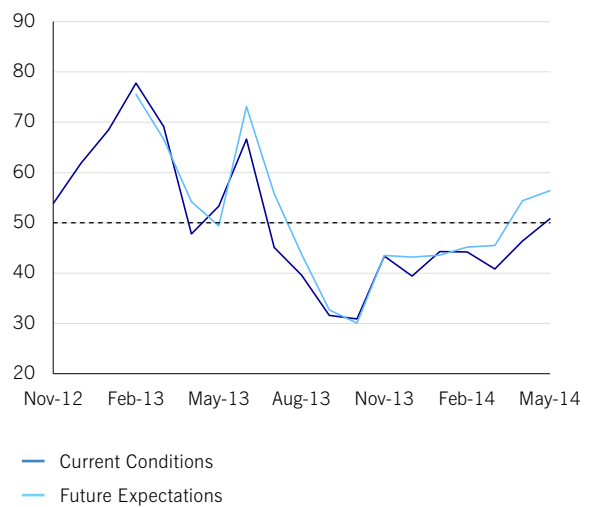
Businesses are asked whether the exchange rate is helping or hurting their company and a value above 50 shows more firms reported that it was helping, while a reading below 50 shows the exchange rate was hurting.

The indicator has moved sharply over the past year in line with the movement in the exchange rate. In March 2013, the indicator stood at 69.1, showing businesses were benefiting from the rupee. The indicator fell into contraction in July, before hitting a record low in October. It has since recovered in line with the rupee's appreciation owing to a lower current account deficit, large foreign capital inflows due to RBI's proactive role, and expectations of a turnaround of the economy.

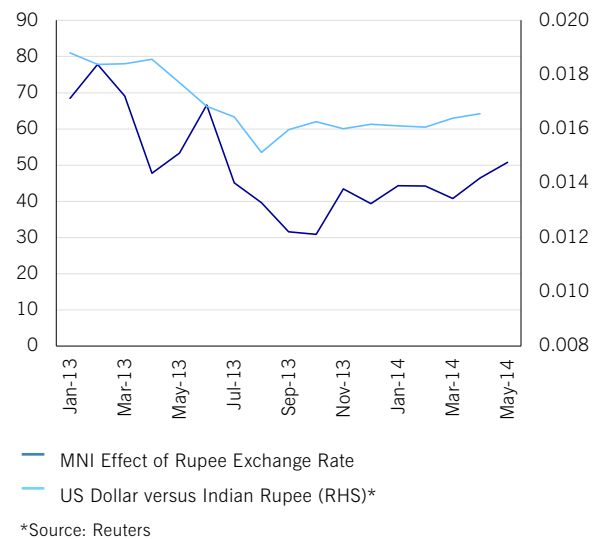
After a landslide victory by Narendra Modi, the Indian rupee touched a fresh 11-month high at 58.55 against US dollar - the highest level since June 2013. The recent appreciation in the currency has helped the majority of Indian companies due to their dependence on imports of fuel and other raw materials.

More companies expected the rupee exchange rate to help their businesses in the coming three months. The Expectations Indicator increased to 56.4 in May compared with 54.4 in the previous month.

Effect of Rupee Exchange Rate



Exchange Rate



*Source: Reuters

Effect of Rupee Exchange Rate

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	53.3	39.4	44.3	44.2	40.8	46.4	50.8
Future Expectations	49.4	43.2	43.6	45.2	45.5	54.4	56.4

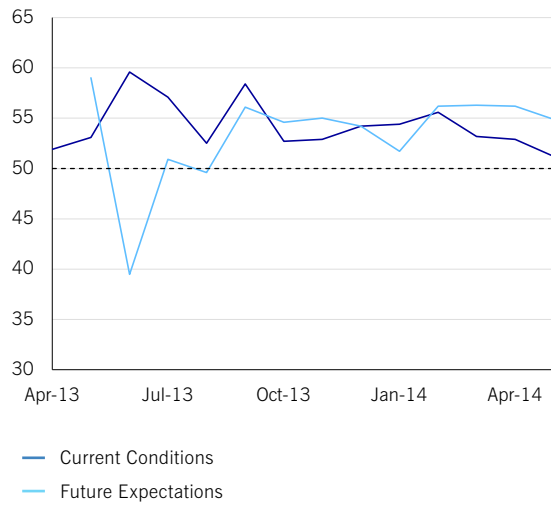
Supplier Delivery Times Series Low



After steadily increasing for four straight months until March, the Supplier Delivery Times Indicator shortened for the second consecutive month in May to 51.2 compared with 52.9 in April.

Supplier Delivery Times were expected to shorten over the next three months as well, with the Future Expectations Indicator falling to 54.9 in May from 56.2 in April. Manufacturing companies expected supplier delivery times to shorten while construction companies expected the opposite, although both were above the breakeven level.

Supplier Delivery Times

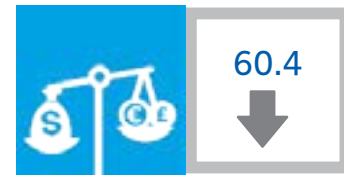


“Our suppliers have strengthened their supply network.” Footwear manufacturing company

Supplier Delivery Times

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	53.1	54.2	54.4	55.6	53.2	52.9	51.2
Future Expectations	59.0	54.2	51.7	56.2	56.3	56.2	54.9

Availability of Credit Declines in May



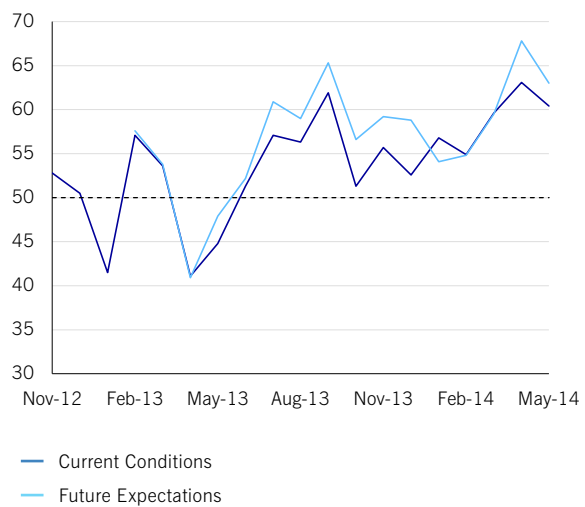
The indicator measuring the Availability of Credit declined for the first time in three months to 60.4 after accelerating to a series high of 63.1 in April.

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.

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

Businesses expected credit availability to tighten in the next three months as the Future Expectations Indicator fell for the first time in four months to 63.0 after hitting a series high of 67.8 in April. Manufacturing and service companies expected the availability of credit to worsen in the coming three months while construction companies expected it to improve.

Availability of Credit



“Credit availability is not an issue.” Auto Parts manufacturing company

“Enough funds are not available.” Building Materials & Fixtures company

Availability of Credit

	May-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Current Conditions	44.8	52.6	56.8	54.9	59.6	63.1	60.4
Future Expectations	47.9	58.8	54.1	54.8	59.5	67.8	63.0



What the Panel Said



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

"We have absorbed all raw material price increases and have not passed on these to the customers." Insurance company

"The cost of raw material have gone up." Real Estate & Holding Development company

"We have maintained the same level of price to attract more customers." Media agency

"Credit availability is not an issue." Auto Parts manufacturing company

"Enough funds are not available." Building Materials & Fixtures company

"We're going to launch Just-In-Time policy to minimise the inventory stock." Automobile manufacturing company

"We have recovered our losses." Medical Equipment manufacturing company

"Our revenue is going to increase due to better sales." Automobiles manufacturing company

"The rise in input prices will be correspondingly passed on to the purchasers." Building & Materials Fixtures company

"Diesel and petrol prices are stable." Auto parts manufacturing company

"We have cut down our administrative expenses." Electricity manufacturing company

"We have just the right amount of employment in accordance with current production levels." Construction company

"We executed all orders and have some stock in hand to sell, hence no backlogs." Food products company

"Generally the productive capacity for the first quarter remains the same." Publishing company

"The marketing team is working very hard to get new orders." Food Products company

"We have more projects in our pipeline." Heavy Construction company

"Market sentiment has improved." Automobiles manufacturing company

"The demand has started rising and the environment is more favourable." Utilities company

"We expect RBI to loosen its hawkish stance." Automobiles manufacturing company

"New projects are already launched and will continue for a long time." Real estate Holding & Development company

"Our suppliers have strengthened their supply network." Footwear manufacturing company

"Better conditions in Europe raised our export orders."



Data Tables

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Historical Summary

	2013								2014				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
MNI India Business Indicator													
Current Conditions	50.5	60.6	51.8	64.0	59.4	59.8	64.6	57.8	63.4	58.2	65.5	61.9	67.0
Future Expectations	52.0	60.6	67.6	75.5	77.1	68.8	69.5	71.1	72.0	69.5	70.1	79.1	80.3
Production													
Current Conditions	45.6	54.8	56.9	59.9	67.3	57.5	65.3	59.7	64.4	62.0	64.8	62.0	59.0
Future Expectations	51.6	59.4	76.3	71.8	76.8	64.8	68.8	66.2	71.6	69.7	67.7	70.6	73.9
New Orders													
Current Conditions	44.9	58.7	61.9	64.0	69.1	59.5	62.9	60.3	63.6	62.3	61.5	62.9	60.9
Future Expectations	46.4	58.4	76.8	75.0	78.5	69.5	68.5	65.4	65.5	67.2	70.9	76.9	77.0
Export Orders													
Current Conditions	43.7	52.9	57.7	55.0	63.2	55.6	58.8	60.5	61.4	59.8	67.4	61.7	63.5
Future Expectations	50.9	62.6	68.9	62.6	75.5	57.7	60.8	67.9	62.9	68.2	70.6	68.8	69.4
Productive Capacity													
Current Conditions	45.6	50.6	55.4	61.7	64.0	58.1	61.3	51.3	58.0	56.1	57.4	60.7	61.5
Future Expectations	50.9	56.7	68.8	67.4	70.3	65.1	65.2	57.5	64.3	60.0	67.5	70.7	69.6
Order Backlogs													
Current Conditions	59.3	48.5	49.4	47.0	52.9	42.9	45.3	41.7	35.6	39.8	50.0	55.4	49.0
Future Expectations	59.6	32.8	43.6	39.4	57.5	43.4	48.8	43.7	35.2	40.1	55.4	56.7	52.1
Employment													
Current Conditions	51.8	52.3	51.3	54.1	53.3	51.3	48.9	50.0	51.8	50.8	52.1	51.7	52.1
Future Expectations	51.8	52.3	53.6	52.0	53.4	51.1	49.5	52.2	53.4	57.5	53.3	52.0	51.5
Inventories													
Current Conditions	47.8	48.9	55.9	51.6	60.1	50.0	50.0	53.1	62.1	64.9	57.2	60.0	50.9
Future Expectations	48.6	31.0	35.5	52.9	53.7	50.7	53.3	54.6	59.5	53.5	58.8	51.3	49.0
Input Prices													
Current Conditions	64.4	78.6	79.6	66.7	74.1	63.3	73.0	71.8	69.8	73.0	66.0	66.1	62.2
Future Expectations	66.9	74.9	74.0	62.1	72.9	65.3	72.5	66.4	69.9	72.0	64.0	58.0	57.8
Prices Received													
Current Conditions	41.5	50.8	67.1	56.6	61.8	54.9	60.8	58.0	60.6	56.2	52.2	56.8	55.6
Future Expectations	47.3	49.2	73.7	57.0	67.0	57.3	63.8	56.0	60.9	61.2	56.6	59.8	57.4
Financial Position													
Current Conditions	56.1	63.0	57.6	68.1	72.3	58.6	69.9	65.2	68.2	69.3	67.2	68.9	69.1
Future Expectations	53.5	63.1	73.3	78.0	83.3	71.1	74.2	71.3	71.5	77.2	76.1	79.6	79.0
Interest Rates Paid													
Current Conditions	52.8	67.2	68.6	64.8	68.4	60.3	73.2	69.2	60.5	67.3	57.6	55.3	52.3
Future Expectations	50.0	71.7	65.9	70.2	65.2	65.9	69.6	56.8	57.9	60.7	52.8	50.7	46.1
Effect of Rupee Exchange Rate													
Current Conditions	53.3	66.6	45.1	39.6	31.6	30.9	43.4	39.4	44.3	44.2	40.8	46.4	50.8
Future Expectations	49.4	73.1	55.8	43.8	32.7	30.1	43.5	43.2	43.6	45.2	45.5	54.4	56.4
Supplier Delivery Time													
Current Conditions	53.1	59.6	57.1	52.5	58.4	52.7	52.9	54.2	54.4	55.6	53.2	52.9	51.2
Future Expectations	59.0	39.5	50.9	49.6	56.1	54.6	55.0	54.2	51.7	56.2	56.3	56.2	54.9
Availability of Credit													
Current Conditions	44.8	51.3	57.1	56.3	61.9	51.3	55.7	52.6	56.8	54.9	59.6	63.1	60.4
Future Expectations	47.9	52.2	60.9	59.0	65.3	56.6	59.2	58.8	54.1	54.8	59.5	67.8	63.0

Historical Records

	2012 - Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	67.0	59.1	59.8
Future Expectations	49.7	80.3	67.0	69.5
Production				
Current Conditions	41.0	67.3	58.6	59.4
Future Expectations	41.3	76.8	64.7	68.3
New Orders				
Current Conditions	39.7	69.1	57.1	60.3
Future Expectations	40.4	78.5	65.3	67.9
Export Orders				
Current Conditions	41.3	67.4	56.6	58.3
Future Expectations	45.2	75.5	62.6	62.8
Productive Capacity				
Current Conditions	41.0	64.0	55.2	56.5
Future Expectations	40.7	70.7	61.6	64.7
Order Backlogs				
Current Conditions	35.6	59.3	48.2	48.8
Future Expectations	32.8	59.6	46.8	43.7
Employment				
Current Conditions	48.9	54.1	51.8	51.8
Future Expectations	49.5	57.5	52.6	52.2
Inventories				
Current Conditions	47.8	64.9	55.2	54.5
Future Expectations	31.0	59.5	50.2	52.9
Input Prices				
Current Conditions	62.2	79.6	69.8	68.9
Future Expectations	57.8	74.9	67.4	66.9
Prices Received				
Current Conditions	41.5	67.1	54.9	55.6
Future Expectations	45.1	73.7	57.9	57.4
Financial Position				
Current Conditions	53.4	72.3	62.9	63.0
Future Expectations	51.6	83.3	69.7	72.4
Interest Rates Paid				
Current Conditions	52.3	73.2	62.8	65.2
Future Expectations	46.1	71.7	60.0	60.7
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	50.3	46.4
Future Expectations	30.1	75.5	50.8	47.5
Supplier Delivery Time				
Current Conditions	51.2	59.6	54.3	53.2
Future Expectations	39.5	59.0	53.4	54.9
Availability of Credit				
Current Conditions	41.1	63.1	53.8	54.9
Future Expectations	40.9	67.8	57.0	58.2

Historical Records - Quarterly

	Q3 13	Q4 13	Q1 14	Quarterly Change	Quarterly % Change
MNI India Business Indicator					
Current Conditions	58.4	60.7	62.4	1.7	2.8%
Future Expectations	73.4	69.8	70.5	0.7	1.0%
Production					
Current Conditions	61.4	60.8	63.7	2.9	4.8%
Future Expectations	75.0	66.6	69.7	3.1	4.7%
New Orders					
Current Conditions	65.0	60.9	62.5	1.6	2.6%
Future Expectations	76.8	67.8	67.9	0.1	0.1%
Export Orders					
Current Conditions	58.6	58.3	62.9	4.6	7.9%
Future Expectations	69.0	62.1	67.2	5.1	8.2%
Productive Capacity					
Current Conditions	60.4	56.9	57.2	0.3	0.5%
Future Expectations	68.8	62.6	63.9	1.3	2.1%
Order Backlogs					
Current Conditions	49.8	43.3	41.8	-1.5	-3.5%
Future Expectations	46.8	45.3	43.6	-1.7	-3.8%
Employment					
Current Conditions	52.9	50.1	51.6	1.5	3.0%
Future Expectations	53.0	50.9	54.7	3.8	7.5%
Inventories					
Current Conditions	55.9	51.0	61.4	10.4	20.4%
Future Expectations	47.4	52.9	57.3	4.4	8.3%
Input Prices					
Current Conditions	73.5	69.4	69.6	0.2	0.3%
Future Expectations	69.7	68.1	68.6	0.5	0.7%
Prices Received					
Current Conditions	61.8	57.9	56.3	-1.6	-2.8%
Future Expectations	65.9	59.0	59.6	0.6	1.0%
Financial Position					
Current Conditions	66.0	64.6	68.2	3.6	5.6%
Future Expectations	78.2	72.2	74.9	2.7	3.7%
Interest Rates Paid					
Current Conditions	67.3	67.6	61.8	-5.8	-8.6%
Future Expectations	67.1	64.1	57.1	-7.0	-10.9%
Effect of Rupee Exchange Rate					
Current Conditions	38.8	37.9	43.1	5.2	13.7%
Future Expectations	44.1	38.9	44.8	5.9	15.2%
Supplier Delivery Time					
Current Conditions	56.0	53.3	54.4	1.1	2.1%
Future Expectations	52.2	54.6	54.7	0.1	0.2%
Availability of Credit					
Current Conditions	58.4	53.2	57.1	3.9	7.3%
Future Expectations	61.7	58.2	56.1	-2.1	-3.6%

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.



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