

MNI India Business Report - May 2016

Indian Business Sentiment Lowest Since December 2015

Key Findings

- The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, eased to 61.8 in May from 62.4 in April.

- This was the third consecutive monthly decline with sentiment 2.4% below last year's average. The decrease in sentiment this month was led solely by manufacturing sector firms while sentiment among the construction and service sectors improved.

- May's fall in confidence came despite the April rate cut from the Reserve Bank of India, and suggests that action on rates is failing to have a significant impact on sentiment. In previous instances, policy loosening has boosted business confidence in the short-term, although it has failed to provide a sustained increase.

- New Orders held steady in May, although expectations for the coming three months eased for the third month in a row, falling to 64.8, the lowest level this year.

- Export Orders fell to 52.9, the lowest level since May 2013. They're now 10.6% below December's outturn and 8% below the series average.

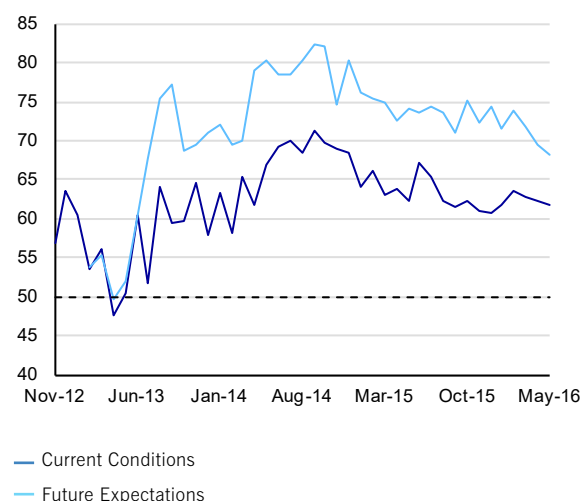
- Fewer firms reported output growth in May and were less optimistic about production in the next three months. The Production Indicator fell for the second consecutive month to 55.6 from 57.0 in April.

- The recovery in global commodity prices, especially crude oil, pushed up input costs with firms passing these increases down the supply chain. Input Prices increased for the third consecutive month to 60.3, the highest since June 2015.

- Prices charged by firms rose to the highest since November 2014 and panelists anticipated prices to continue rising over the next three months.

- Sentiment towards the rupee exchange rate improved and companies expected it to be supportive of business conditions over the quarter for the first time since December 2015.

MNI India Business Sentiment Indicator



Overview

	Apr-16	May-16	Highest Since	Lowest Since	Monthly Change
Current Conditions	62.4	61.8	-	Dec-15	-1.0%
Future Expectations	69.6	68.3	-	Jul-13	-1.9%

By Sectors

	Manufacturing	Services	Construction
Current Conditions	↓ > 50	↑ > 50	↑ > 50
Future Expectations	↓ > 50	↓ > 50	↑ > 50

Embargoed until 9:45 a.m. Mumbai time, May 25, 2016
Next Release: Jun 27, 2016

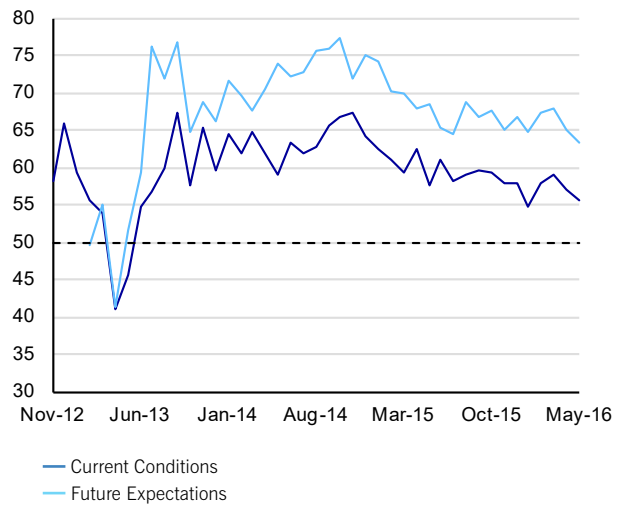
Written and researched by
Philip Uglow, Chief Economist
Shaily Mittal, Economist
Nelson Aston, Economist

E: info@mni-indicators.com
T: +44 (0)20 7862 7400
@MNIIndicators
MNI Indicators
www.mni-indicators.com

Growth in Production Eases

Fewer firms reported growth in production in May and were less optimistic about production in the next three months. The Production Indicator fell for the second consecutive month in May to 55.6 from 57.0 in the previous month. The successive fall has placed the indicator just 1.3% above the January outturn when it hit the lowest level in the history of the survey. The decline was solely led by manufacturing firms while construction and service sectors were more confident about production. This is in line with the still sluggish industrial production growth in India, especially in manufacturing output which has contracted four times on the year in the last five months. In March, the manufacturing sector, which forms three quarters of industrial production, contracted 1.2% on the year following 0.7% growth in February. However, the three month year-on-year measure shows signs of distress easing for the manufacturing sector.

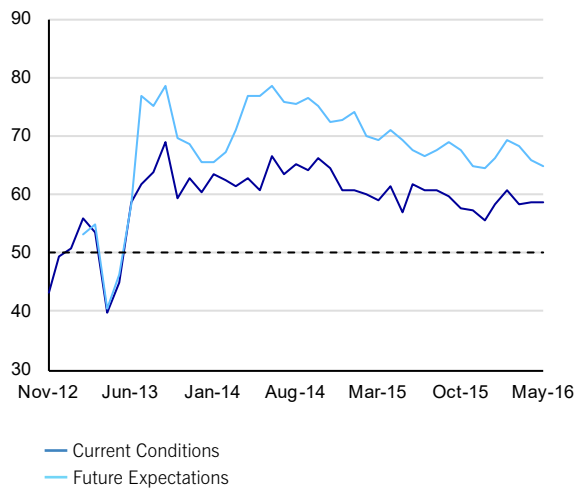
Production



Weak Demand Forecast

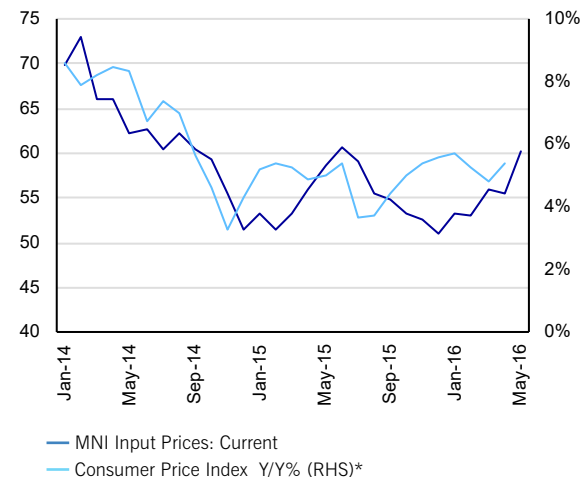
The New Orders Indicator which comprises of domestic as well as overseas orders remained unchanged at 58.8 in May. Following a slowdown last year, growth in orders has improved in 2016 with the indicator now 3% up on the year. In contrast, Export Orders which were almost flat last month plummeted in May to 52.9, the lowest level since May 2013. This implies that had not domestic orders increased this month, we would have seen a fall in New Orders. While Export Orders are above 50 implying growth, they have been trending down since 2014, although the pace of decline has eased recently. Latest trade data showed that exports contracted for the 17th consecutive month, albeit at a slower pace as evidenced by the three month year-on-year measure.

New Orders



Order Backlogs continued to contract in May as firms met demand despite lower production, relying on stocks of inventories. The Order Backlogs Indicator slipped to a six-month low of 47.2 in May. The weak profile of expected demand, as canvassed by the third consecutive decline in the Future Expectations for New Orders Indicator, left more firms expecting that their inventory would increase in the coming three months.

Input Prices & Inflation



Price Pressures on a Rise

The recovery in global commodity prices, especially crude oil, pushed up input costs with firms passing these increases down the supply chain. The Input Prices Indicator rose to 60.3 in May from 55.5 in the

*Source: Central Statistics Office

Overview

	Mar-16	Apr-16	May-16	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	62.7	62.4	61.8	-	Dec-15	62.3	-0.6	-1.0%
Future Expectations	71.9	69.6	68.3	-	Jul-13	69.9	-1.3	-1.9%
Production								
Current Conditions	59.1	57.0	55.6	-	Jan-16	57.2	-1.4	-2.5%
Future Expectations	67.8	65.0	63.4	-	Jun-13	65.4	-1.6	-2.5%
New Orders								
Current Conditions	58.4	58.8	58.8	Apr-16	-	58.7	0.0	0.0%
Future Expectations	68.2	65.8	64.8	-	Dec-15	66.3	-1.0	-1.5%
Export Orders								
Current Conditions	55.5	55.6	52.9	-	May-13	54.7	-2.7	-4.9%
Future Expectations	65.2	64.8	61.0	-	Nov-13	63.7	-3.8	-5.9%
Productive Capacity								
Current Conditions	56.6	53.8	56.8	Nov-15	-	55.7	3.0	5.6%
Future Expectations	63.6	60.9	61.0	Mar-16	-	61.8	0.1	0.2%
Order Backlogs								
Current Conditions	47.2	49.1	47.2	-	Nov-15	47.8	-1.9	-3.9%
Future Expectations	47.8	48.2	49.3	Jan-16	-	48.4	1.1	2.3%
Employment								
Current Conditions	50.5	50.5	51.1	Feb-16	-	50.7	0.6	1.2%
Future Expectations	52.0	51.5	51.8	Mar-16	-	51.8	0.3	0.6%
Inventories								
Current Conditions	51.1	51.7	50.2	-	Jan-16	51.0	-1.5	-2.9%
Future Expectations	49.8	50.2	52.6	Oct-14	-	50.9	2.4	4.8%
Input Prices								
Current Conditions	56.0	55.5	60.3	Jun-15	-	57.3	4.8	8.6%
Future Expectations	55.4	54.9	56.2	Jun-15	-	55.5	1.3	2.4%
Prices Received								
Current Conditions	52.0	51.5	53.6	Nov-14	-	52.4	2.1	4.1%
Future Expectations	53.9	52.7	53.8	Mar-16	-	53.5	1.1	2.1%
Financial Position								
Current Conditions	63.3	61.0	61.9	Mar-16	-	62.1	0.9	1.5%
Future Expectations	70.1	67.1	66.8	-	Jun-13	68.0	-0.3	-0.4%
Interest Rates Paid								
Current Conditions	46.4	44.7	45.8	Mar-16	-	45.6	1.1	2.5%
Future Expectations	46.3	42.1	43.7	Mar-16	-	44.0	1.6	3.8%
Effect of Rupee Exchange Rate								
Current Conditions	46.3	46.3	48.7	Jan-16	-	47.1	2.4	5.2%
Future Expectations	49.4	47.8	50.7	Nov-15	-	49.3	2.9	6.1%
Supplier Delivery Times								
Current Conditions	51.5	50.8	49.6	-	Dec-15	50.6	-1.2	-2.4%
Future Expectations	49.8	49.6	50.0	Nov-15	-	49.8	0.4	0.8%
Availability of Credit								
Current Conditions	55.7	56.2	57.2	Feb-16	-	56.4	1.0	1.8%
Future Expectations	57.4	57.5	56.3	-	Feb-14	57.1	-1.2	-2.1%

previous month, making it the third consecutive increase and placing it at the highest level since June last year. This led to firms charging higher prices, with the Prices Received Indicator at a six-month high. April consumer price inflation has already broken a recent slowing trend after food inflation jumped to 6.3%, compared with 5.2% in March, taking overall price inflation to a three-month high of 5.4% on the year. Moreover firms in our panel anticipated prices to rise in the coming three months. The Future Expectations Indicator rose to 56.2 in May from 54.9 in April. While this was 5.2% below the series average, it has grown 3.8% from last year's average. The pick-up in price expectations could add to the RBI's worries about meeting the inflation target of 5% in 2017.

One source of relief for firms came from the effect of the currency. More companies found the rupee to be helpful to their business operations, compared with last month, although they were outnumbered by those who found it hurtful. The Indian currency has remained broadly stable in May compared with April, probably underpinning sentiment towards it. When asked about the next three months, companies anticipated the exchange rate to be beneficial to their operations for the first time in five months. The expectations measure of the Effect of Rupee Exchange Rate rose to 50.7 in May from 47.8 in April.

What the Panel Said

“Production is down because of no orders.” **Food Products manufacturing company**

“Raw material cost has gone up, in addition to the service and other taxes.” **Iron and steel manufacturing company**

“Salaries were raised.” **Investment services company**

“An increase in raw materials' prices forced us to increase prices of the final products.” **Industrial machinery services company**

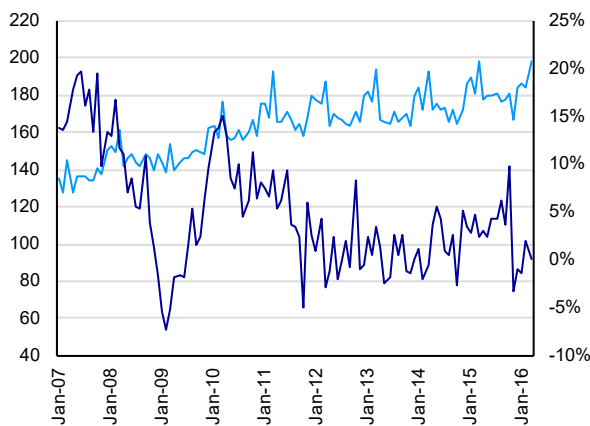
“The inventory level has gone down because of good sales.” **Footwear manufacturing company**

“As an exporter, a decline in the rupee is good for our business.” **Software services company**

“This is the off season.” **Paper Manufacturing Company**

“Orders are higher as the market is picking up.” **Iron and steel manufacturing company**

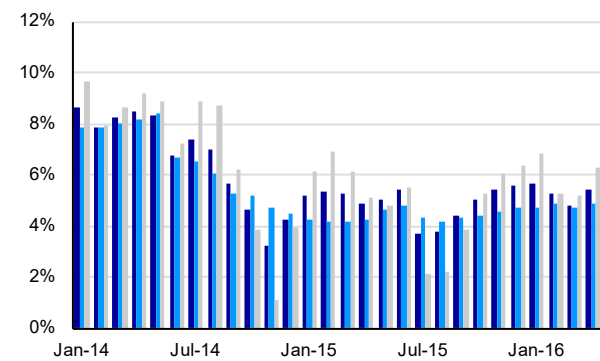
Industrial Production



— Industrial Production Y/Y %
— Industrial Production

Source: Central Statistics Office

Consumer Price Inflation



■ Consumer Price Index Y/Y % ■ Consumer Price Index: Food Y/Y %
■ Core Consumer Price Index Y/Y %

Source: Central Statistics Office

Business Sentiment By Sectors

Overall Business Conditions

	Manufacturing	Services	Construction
Current Conditions	↓ > 50	↑ > 50	↑ > 50
Future Expectations	↓ > 50	↓ > 50	↑ > 50

Orders - Current Conditions

	New Orders	Export Orders	Order Backlogs
Manufacturing	↓ > 50	↓ > 50	↓ < 50
Services	↑ > 50	↓ > 50	↓ < 50
Construction	↑ > 50	↔ = 50	↑ > 50

Output and Employment - Current Conditions

	Production	Productive Capacity	Employment
Manufacturing	↓ > 50	↑ > 50	↑ > 50
Services	↑ > 50	↑ > 50	↑ > 50
Construction	↑ > 50	↔ = 50	↔ = 50

Prices - Current Conditions

	Input Prices	Prices Received	Effect of Ruible Exchange Rate
Manufacturing	↑ > 50	↑ > 50	↑ < 50
Services	↑ > 50	↔ > 50	↓ < 50
Construction	↑ > 50	↑ > 50	↑ > 50

Money and Credit - Current Conditions

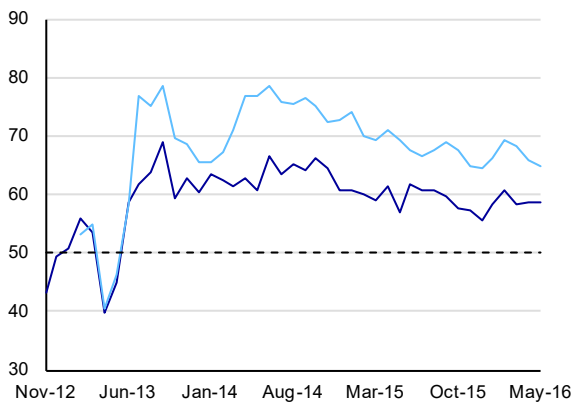
	Availability of Credit	Interest Rates Paid	Financial Position
Manufacturing	↑ > 50	↓ < 50	↓ > 50
Services	↑ > 50	↑ < 50	↑ > 50
Construction	↓ > 50	↑ < 50	↑ > 50

Logistics - Current Conditions

	Inventories of Finished Goods	Supplier Delivery Times
Manufacturing	↓ > 50	↓ < 50
Construction	↓ < 50	↑ = 50

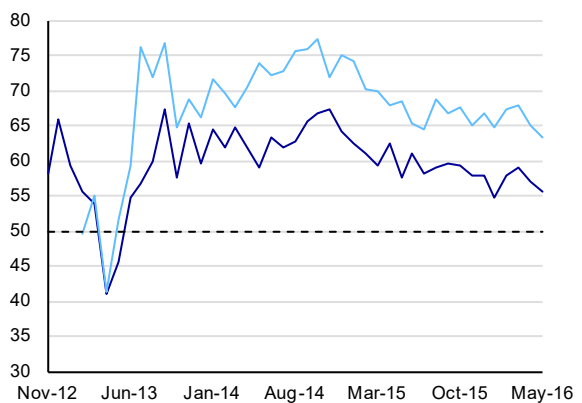
Business Sentiment: Other Indicators

New Orders



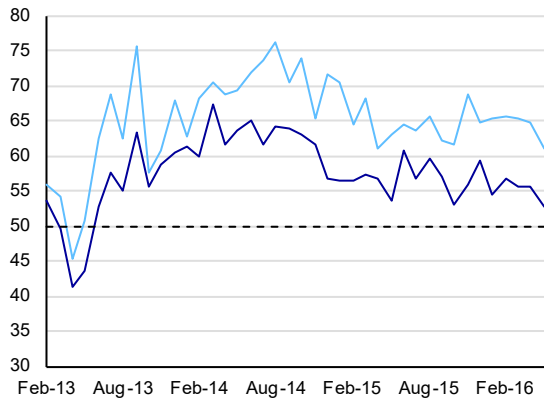
— Current Conditions
— Future Expectations

Production



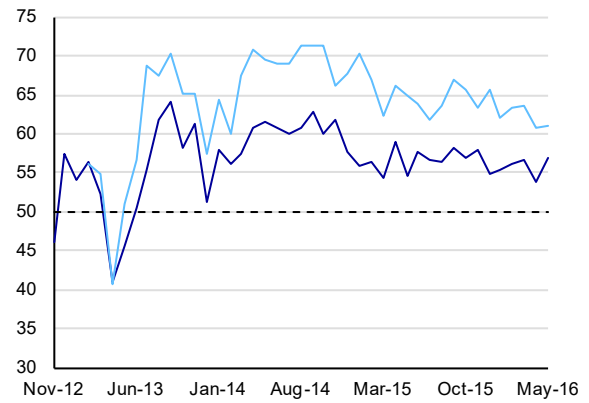
— Current Conditions
— Future Expectations

Export Orders



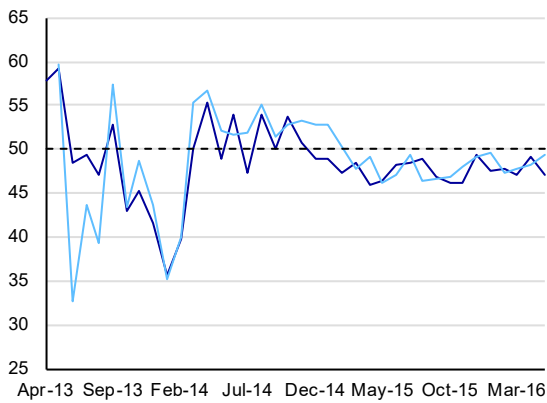
— Current Conditions
— Future Expectations

Productive Capacity



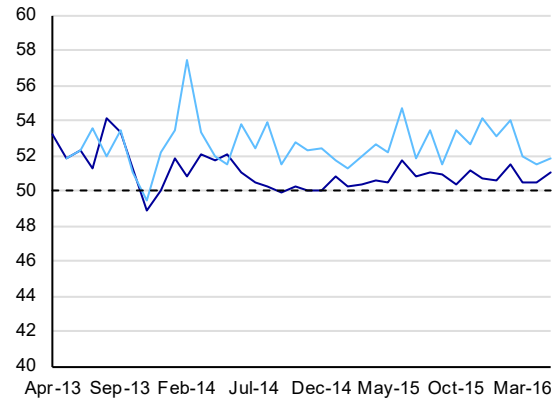
— Current Conditions
— Future Expectations

Order Backlogs



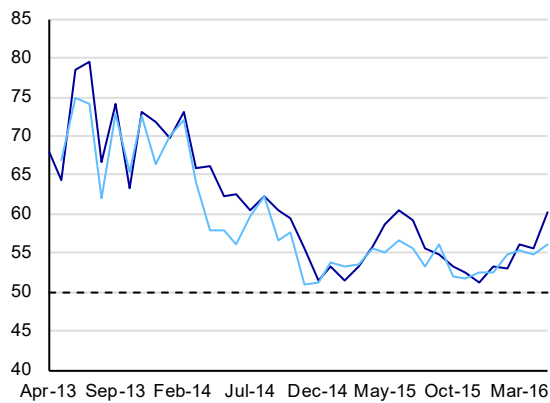
— Current Conditions
— Future Expectations

Employment



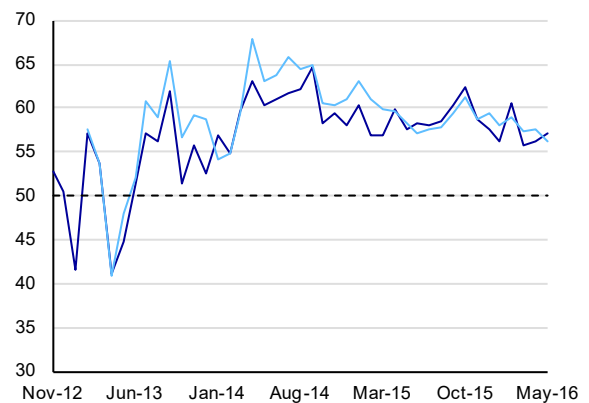
— Current Conditions
— Future Expectations

Input Prices



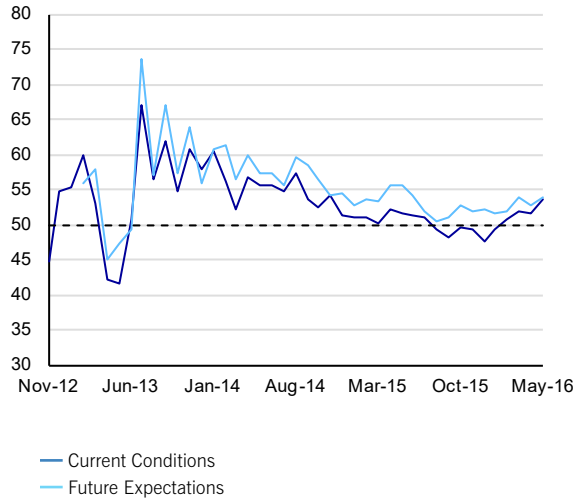
— Current Conditions
— Future Expectations

Availability of Credit

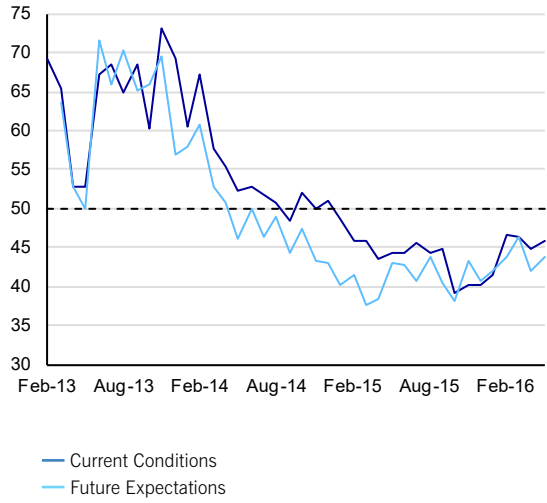


— Current Conditions
— Future Expectations

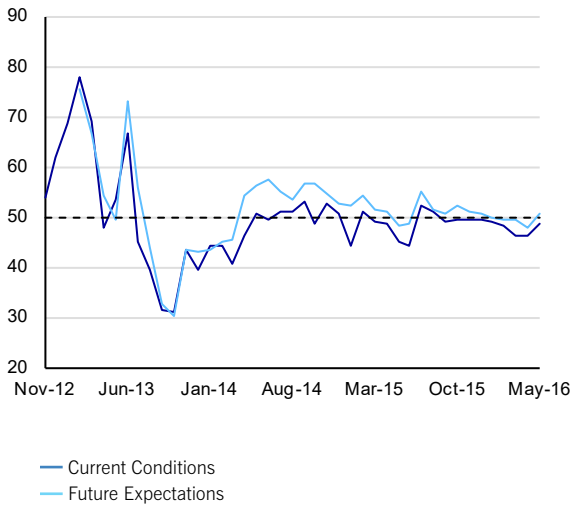
Prices Received



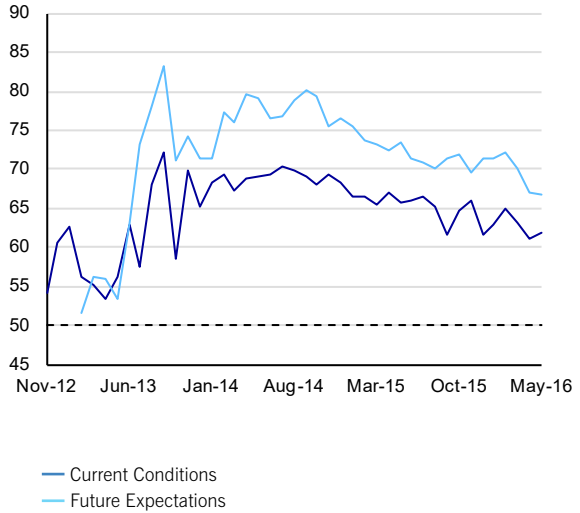
Interest Rates Paid



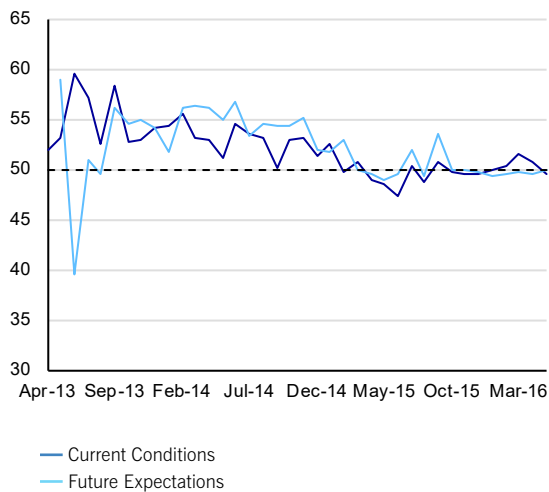
Effect of Rupee Exchange Rate



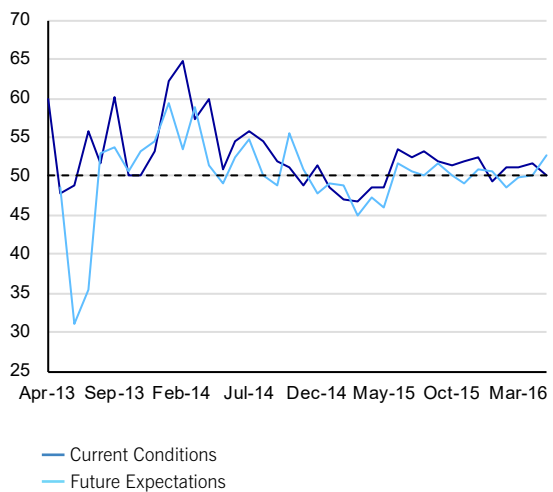
Financial Position



Supplier Deliveries



Inventories



Historical Summary

	2015								2016				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
MNI India Business Indicator													
Current Conditions	62.3	67.1	65.3	62.3	61.4	62.3	60.9	60.7	61.8	63.5	62.7	62.4	61.8
Future Expectations	74.2	73.6	74.5	73.7	71.1	75.1	72.2	74.3	71.6	73.8	71.9	69.6	68.3
Production													
Current Conditions	57.5	61.1	58.1	59.1	59.7	59.4	57.8	58.0	54.9	57.9	59.1	57.0	55.6
Future Expectations	68.4	65.4	64.5	68.7	66.8	67.7	65.1	66.9	64.8	67.2	67.8	65.0	63.4
New Orders													
Current Conditions	57.1	61.8	60.9	60.8	59.7	57.5	57.4	55.6	58.2	60.7	58.4	58.8	58.8
Future Expectations	69.4	67.6	66.7	67.6	68.9	67.6	64.8	64.5	66.2	69.3	68.2	65.8	64.8
Export Orders													
Current Conditions	53.6	60.7	56.9	59.7	57.1	53.0	55.8	59.2	54.6	56.9	55.5	55.6	52.9
Future Expectations	63.1	64.5	63.5	65.5	62.2	61.5	68.8	64.7	65.2	65.5	65.2	64.8	61.0
Productive Capacity													
Current Conditions	54.7	57.7	56.7	56.5	58.1	56.8	57.9	54.9	55.3	56.1	56.6	53.8	56.8
Future Expectations	65.0	63.9	61.8	63.6	67.0	65.6	63.3	65.6	62.1	63.3	63.6	60.9	61.0
Order Backlogs													
Current Conditions	46.5	48.2	48.5	49.0	46.9	46.2	46.1	49.3	47.6	47.7	47.2	49.1	47.2
Future Expectations	46.2	47.0	49.4	46.3	46.6	46.9	48.0	49.1	49.5	47.4	47.8	48.2	49.3
Employment													
Current Conditions	50.5	51.7	50.8	51.1	50.9	50.4	51.2	50.7	50.6	51.5	50.5	50.5	51.1
Future Expectations	52.2	54.7	51.9	53.4	51.5	53.4	52.6	54.1	53.1	54.0	52.0	51.5	51.8
Inventories													
Current Conditions	48.7	53.5	52.4	53.1	51.9	51.5	51.9	52.5	49.3	51.1	51.1	51.7	50.2
Future Expectations	45.9	51.7	50.7	50.0	51.7	50.2	49.2	50.8	50.7	48.7	49.8	50.2	52.6
Input Prices													
Current Conditions	58.6	60.6	59.2	55.6	54.9	53.2	52.6	51.1	53.3	53.0	56.0	55.5	60.3
Future Expectations	55.0	56.6	55.7	53.2	56.1	52.1	51.8	52.5	52.6	54.7	55.4	54.9	56.2
Prices Received													
Current Conditions	51.5	51.3	51.1	49.3	48.3	49.7	49.3	47.7	49.4	50.7	52.0	51.5	53.6
Future Expectations	55.5	54.3	52.0	50.5	51.1	52.8	51.9	52.2	51.6	51.8	53.9	52.7	53.8
Financial Position													
Current Conditions	65.8	66.0	66.4	65.2	61.7	64.8	66.1	61.5	62.9	65.1	63.3	61.0	61.9
Future Expectations	73.5	71.4	70.9	70.1	71.3	71.8	69.7	71.4	71.3	72.3	70.1	67.1	66.8
Interest Rates Paid													
Current Conditions	44.2	44.2	45.5	44.4	44.7	39.2	40.1	40.1	41.5	46.5	46.4	44.7	45.8
Future Expectations	43.1	42.7	40.8	43.8	40.5	38.1	43.4	40.6	41.9	43.8	46.3	42.1	43.7
Effect of Rupee Exchange Rate													
Current Conditions	45.2	44.3	52.4	51.1	49.0	49.3	49.6	49.3	49.2	48.4	46.3	46.3	48.7
Future Expectations	48.3	48.8	55.0	51.3	50.5	52.2	51.1	50.5	49.7	49.6	49.4	47.8	50.7
Supplier Delivery Times													
Current Conditions	48.6	47.3	50.4	48.8	50.7	49.8	49.5	49.5	50.0	50.4	51.5	50.8	49.6
Future Expectations	49.0	49.6	51.9	49.4	53.6	50.0	50.0	49.8	49.3	49.6	49.8	49.6	50.0
Availability of Credit													
Current Conditions	57.7	58.3	58.0	58.4	60.3	62.4	58.8	57.6	56.3	60.6	55.7	56.2	57.2
Future Expectations	58.2	57.2	57.6	57.8	59.4	61.2	58.8	59.5	58.1	59.0	57.4	57.5	56.3

Quarterly Overview

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Quarterly Change	Quarterly % Change
MNI India Business Indicator							
Current Conditions	64.5	64.4	63.0	61.3	62.7	1.4	2.3%
Future Expectations	75.4	73.5	73.1	73.9	72.4	-1.5	-2.0%
Production							
Current Conditions	60.9	60.4	59.0	58.4	57.3	-1.1	-1.9%
Future Expectations	71.4	67.2	66.7	66.6	66.6	0.0	0.0%
New Orders							
Current Conditions	60.0	60.1	60.5	56.8	59.1	2.3	4.0%
Future Expectations	71.1	69.4	67.7	65.6	67.9	2.3	3.5%
Export Orders							
Current Conditions	56.8	57.0	57.9	56.0	55.7	-0.3	-0.5%
Future Expectations	67.7	62.9	63.7	65.0	65.3	0.3	0.5%
Productive Capacity							
Current Conditions	55.6	57.1	57.1	56.5	56.0	-0.5	-0.9%
Future Expectations	66.6	65.0	64.1	64.8	63.0	-1.8	-2.8%
Order Backlogs							
Current Conditions	48.3	46.9	48.1	47.2	47.5	0.3	0.6%
Future Expectations	50.3	47.5	47.4	48.0	48.2	0.2	0.4%
Employment							
Current Conditions	50.5	50.9	50.9	50.8	50.9	0.1	0.2%
Future Expectations	51.7	53.2	52.3	53.4	53.0	-0.4	-0.7%
Inventories							
Current Conditions	47.5	50.3	52.5	52.0	50.5	-1.5	-2.9%
Future Expectations	47.7	48.3	50.8	50.1	49.7	-0.4	-0.8%
Input Prices							
Current Conditions	52.6	58.4	56.6	52.3	54.1	1.8	3.4%
Future Expectations	53.6	55.8	55.0	52.1	54.2	2.1	4.0%
Prices Received							
Current Conditions	50.8	51.6	49.6	48.9	50.7	1.8	3.7%
Future Expectations	53.2	55.1	51.2	52.3	52.4	0.1	0.2%
Financial Position							
Current Conditions	66.1	66.3	64.4	64.1	63.8	-0.3	-0.5%
Future Expectations	74.2	72.4	70.8	71.0	71.2	0.2	0.3%
Interest Rates Paid							
Current Conditions	46.8	44.0	44.9	39.8	44.8	5.0	12.6%
Future Expectations	39.8	41.4	41.7	40.7	44.0	3.3	8.1%
Effect of Rouble Exchange Rate							
Current Conditions	48.1	46.1	50.8	49.4	48.0	-1.4	-2.8%
Future Expectations	52.6	49.4	52.3	51.3	49.6	-1.7	-3.3%
Supplier Delivery Times							
Current Conditions	51.0	48.3	50.0	49.6	50.6	1.0	2.0%
Future Expectations	51.6	49.4	51.6	49.9	49.6	-0.3	-0.6%
Availability of Credit							
Current Conditions	58.0	58.6	58.9	59.6	57.5	-2.1	-3.5%
Future Expectations	61.3	58.4	58.3	59.8	58.2	-1.6	-2.7%

About MNI Indicators

MNI Indicators specialises in producing business and consumer surveys designed to present an advance picture of the economic landscape and highlight changing trends in business and consumer activity. The timely reports explore attitudes, perspectives and sentiment across the globe, including China, India and Russia. Alongside MNI Indicators' core focus on consumer and business surveys in emerging markets, MNI Indicators produces the renowned Chicago Business Barometer (Chicago PMI), a key leading indicator of the US economy. MNI Indicators is part of MNI, a leading provider of news and intelligence and a wholly owned subsidiary of Deutsche Börse AG, one of the largest worldwide exchange organisations.

For more information, please visit www.mni-indicators.com / Contact: info@mni-indicators.com

About the MNI India Business Sentiment Survey

MNI India Business Sentiment is a monthly poll of Indian business executives at companies listed on the BSE (formerly known as the Bombay Stock Exchange). More than 400 companies are surveyed each month and are a mix of manufacturing, service, construction and agricultural firms.

The survey provides the first monthly snapshot of economic and business conditions, ahead of official data and other business confidence data in India.

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.

The survey looks at key business metrics including orders, production, pricing, inventories, credit availability and exchange rate impact. Sentiment on both current and future expectations allows users to comprehensively monitor business and economic trends.

Whether you are forecasting the Russian economy, analysing where to invest in India or want to know how other companies in your sector are performing, our monthly intelligence offers an unrivalled insight into exactly what India's largest companies are thinking.

Date range: Monthly since November 2012

Collection method: Computer aided telephone interviews

Collection period: Ten working days from the first business day of the month in India.

Published by

MNI Indicators | Deutsche Börse Group
Westferry House
11 Westferry Circus
London
E14 4HE

mni | DEUTSCHE BÖRSE
GROUP

Copyright © 2016 MNI Indicators | Deutsche Börse Group.

Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.