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# MNI India Consumer Report October 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.

Specialising in business and consumer focused macro-economic reports, we 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.

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#### Written and researched by

Philip Uglow, Chief Economist

Shaily Mittal, Economist

George Brown, Junior 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](mailto:info@mni-indicators.com)

[www.mni-indicators.com](http://www.mni-indicators.com)

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# Happy Diwali

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Diwali signifies the triumph of good over evil, of righteousness over treachery and of light over darkness. It is perhaps appropriate that the government gave the gift of “goodness” by lifting controls on the price of diesel.

Diwali signifies the triumph of good over evil, of righteousness over treachery and of light over darkness. It is perhaps appropriate that the government gave the gift of “goodness” by lifting controls on the price of diesel which has made it cheaper for the first time in five years in the run-up to this significant Hindu festival, a move which has been welcomed by both the domestic and international business community alike.

The absolute majority secured by the Bharatiya Janata Party in the April elections was historic and unique in Indian politics, providing it with an opportunity to implement tough, unpopular economic reforms and liberalisation measures. But in contrast to expectations, Modi had been slow on big bang reforms. An important beginning was made recently by liberalising diesel prices, albeit by taking advantage of low global oil prices which have fallen by more than 20% this year - the sharp decline has meant market prices for fuel have actually fallen below the government's administered price level. One key upshot of the removal of subsidies is that it will alleviate pressure on the fiscal budget which previously included an annual \$23 billion bill on fuel subsidies.

The government also raised natural gas tariffs in an effort to encourage greater exploration and drilling activity in India. Natural gas prices will initially rise to \$5.61 per million metric British thermal units from \$4.20 on November 1, with prices subsequently revised every six months. Even though this is significantly below the \$8.40 price that the committee had proposed, higher gas prices will most likely encourage additional investment in the gas sector.

The cut in diesel prices will lead to a further fall in inflation as diesel is the most commonly used fuel in the agriculture and transportation sectors, both of which affect food prices. However, there are concerns that any sharp spikes in global crude prices will see the government backtrack and re-introduce controls.

The government also relaunched the direct benefit transfer scheme for LPG, under which a cash subsidy will be directly transferred into the bank accounts of

consumers to reduce fraud. The larger kerosene and fertiliser subsidies still remain in place, the reduction and removal of which would require further resolve from the government.

While lower oil prices have helped the government cut fuel subsidies, other changes will be more difficult. Modi's “Make in India” campaign and reforms intended to streamline labour laws and make the scrutiny of factories much more transparent, have been well received among manufacturers but legislative changes to simplify labour laws are pending which will require more courage on the government's part.

The government also needs to move fast with a much-anticipated national goods and services tax to replace a labyrinth of taxes and introduce land acquisition policy to revive infrastructure investment. There remain formidable obstacles to Modi introducing large legislative changes, not least the BJP's lack of a majority in India's upper house of parliament, allowing other parties to block politically divisive measures with ease. That said, taking control of Maharashtra and Haryana, two big industrial states, should make it easier to bring about change in areas partly controlled by regional governments, including taxation and labour market regulation.

It's a promising start and our surveys have echoed the confidence in India's future. It is now down to the government to make good on its promises.

#### **Shaily Mittal**

Economist  
MNI Indicators



# Executive Summary

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The MNI India Consumer Indicator fell slightly to 123.7 in October from 124.1 in September, the lowest level since May.

The MNI India Consumer Indicator fell slightly to 123.7 in October from 124.1 in September, the lowest level since May, as the outlook for household finances deteriorated and a growing proportion of consumers refrained from purchasing big ticket items in spite of the festival season.

The Current Indicator, which measures consumers' assessment of current conditions, declined to 111.0 in October from 117.5 in September, the lowest since September 2013. The forward looking Expectations Indicator, which is made up of three components, rose to 132.3 in October from 128.4 in the previous month.

Fewer consumers expressed a willingness to purchase large household goods in October, pushing the Durable Buying Conditions Indicator to 106.5, the lowest level in six months. On average, there was a slight improvement in the willingness to spend in the run up to Diwali compared with the previous year when economic conditions were worse, but in general, overall sentiment so far has not received any kick.

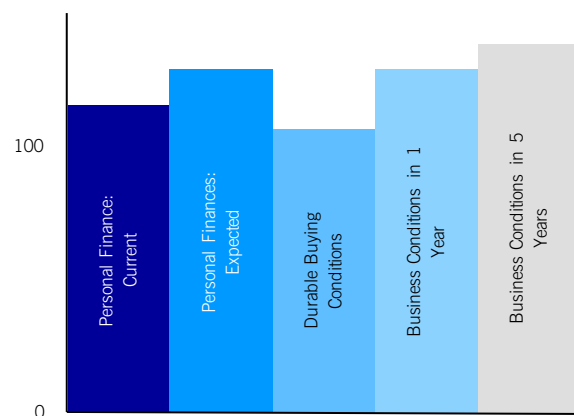
While consumers were more satisfied with the current level of prices, with the indicator rising to a 10-month high of 81.6, they were less optimistic about the outlook for their household finances which fell to 129.2. The weakness could be attributed to uncertainty surrounding the job market, with the Employment Outlook Indicator declining to 106.9, the lowest level since the start of the survey in November 2012.

The Stock Investment Indicator scaled back to 108.9 after hitting the series' high in September as respondents' profits on investments fell amid expectations that the run of the Sensex over the past few months would ease. The Stock Market Expectations component, which shows whether consumers think stock prices will rise or fall in the next three months, fell from a record high of 152.2 in September to 129.2 in October.

The Car Purchase Indicator remained broadly stable at 86.1 after hitting the series' high of 86.6 in September spurred by lower gas price expectations, which fell to a new record low of 128.5 in October even before the government announced that it would lift controls on the price of diesel to make it market determined.

The Real Estate Investment Indicator has roughly followed the pattern of the Consumer Indicator and in October it improved marginally to 149.6, the highest in six months. The House Price Expectations component rose to 149.6 with more than 70% of respondents expecting prices to rise in the next six months.

MNI India Consumer Indicator - Components



## All India - Overview

	Aug-14	Sep-14	Oct-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>MNI India Consumer Indicator</b>	125.2	124.1	123.7	-	May-14	124.3	-0.4	-0.3%
Current Indicator	116.2	117.5	111.0	-	Sep-13	114.9	-6.5	-5.6%
Expectations Indicator	131.2	128.4	132.3	Jun-14	-	130.6	3.9	3.0%
Personal Finance: Current	115.4	117.1	115.4	-	Jul-13	116.0	-1.7	-1.5%
Personal Finance: Expected	132.1	132.2	129.2	-	Jul-14	131.2	-3.0	-2.3%
Business Condition: 1 Year	126.4	120.7	128.8	Jan-13	-	125.3	8.1	6.8%
Business Condition: 5 Years	135.1	132.5	138.8	Jul-14	-	135.5	6.3	4.8%
Durable Buying Conditions	116.9	118.0	106.5	-	Apr-14	113.8	-11.5	-9.7%
Current Business Conditions Indicator	109.0	113.9	113.5	-	Aug-14	112.1	-0.4	-0.4%
Stock Investment Indicator	113.5	130.8	108.9	-	Mar-14	117.7	-21.9	-16.8%
Real Estate Investment Indicator	111.3	112.5	112.6	Apr-14	-	112.1	0.1	0.2%
Car Purchase Indicator	78.5	86.6	86.1	-	Aug-14	83.7	-0.5	-0.5%
Employment Outlook Indicator	109.8	109.1	106.9	-	series low	108.6	-2.2	-2.0%
Inflation Expectations Indicator	133.7	131.1	127.9	-	Dec-12	130.9	-3.2	-2.4%
Current Prices Satisfaction Indicator	68.3	78.8	81.6	Dec-13	-	76.2	2.8	3.5%
Interest Rates Expectations Indicator	119.4	121.0	124.6	Jul-14	-	121.7	3.6	3.0%



## All India - Summary

	2013			2014									
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
<b>MNI India Consumer Indicator</b>	120.2	122.5	123.9	121.2	127.8	125.8	125.2	122.1	126.2	124.1	125.2	124.1	123.7
Current Indicator	113.9	117.0	119.0	113.2	118.4	115.5	114.1	114.6	115.7	114.2	116.2	117.5	111.0
Expectations Indicator	124.3	126.2	127.2	126.6	134.2	132.8	132.6	127.2	133.2	130.8	131.2	128.4	132.3
Personal Finance: Current	117.1	123.3	122.5	120.5	125.3	119.4	121.8	120.6	122.9	119.1	115.4	117.1	115.4
Personal Finance: Expected	122.4	125.3	131.0	127.8	137.4	133.1	130.2	122.5	128.1	125.2	132.1	132.2	129.2
Business Condition: 1 Year	119.3	118.2	117.4	119.3	128.2	124.5	126.3	122.3	127.2	125.9	126.4	120.7	128.8
Business Condition: 5 Years	131.3	135.2	133.1	132.7	136.9	140.8	141.3	136.8	144.5	141.3	135.1	132.5	138.8
Durable Buying Conditions	110.7	110.7	115.5	106.0	111.4	111.6	106.4	108.6	108.5	109.3	116.9	118.0	106.5
<b>Current Business Conditions Indicator</b>	108.2	109.1	114.5	108.9	116.0	102.9	106.3	104.7	111.4	107.7	109.0	113.9	113.5
<b>Stock Investment Indicator</b>	96.8	96.8	102.3	102.3	105.1	89.7	110.9	120.6	118.4	112.9	113.5	130.8	108.9
Investment Return	94.0	93.5	100.5	103.0	104.5	82.7	114.6	139.1	132.8	131.1	126.5	162.4	109.1
Stock Price Sentiment	107.5	115.8	105.8	107.4	103.7	128.6	119.3	112.8	117.8	125.6	106.0	122.2	111.8
Stock Market Expectations	103.8	112.6	112.1	111.1	114.3	114.9	137.4	135.5	140.1	133.2	120.1	152.2	129.2
<b>Real Estate Investment Indicator</b>	110.4	113.2	114.4	114.2	119.1	117.8	114.4	111.9	110.6	110.3	111.3	112.5	112.6
House Price Expectations	148.6	147.9	143.8	143.1	152.6	148.6	145.9	139.8	142.6	144.9	148.7	146.4	149.6
House Buying Sentiment	95.0	92.8	104.8	94.9	107.7	102.8	102.1	103.2	99.1	99.7	97.4	96.2	98.4
House Selling Sentiment	112.5	101.2	105.4	95.5	102.9	98.2	104.9	107.3	110.0	113.7	112.2	105.2	110.0
<b>Car Purchase Indicator</b>	67.1	65.7	73.8	69.2	73.0	75.3	71.7	75.2	78.6	75.6	78.5	86.6	86.1
Car Purchase Expectations	98.4	97.7	103.0	99.0	103.2	108.9	102.3	101.8	101.7	105.4	108.5	107.6	100.8
Price of Gasoline Expectations	164.1	166.3	155.4	160.6	157.2	158.3	158.8	151.4	144.6	154.2	151.4	134.4	128.5
<b>Employment Outlook Indicator</b>	114.6	121.0	117.6	112.0	121.8	115.7	115.7	116.5	122.5	119.9	109.8	109.1	106.9
Inflation Expectations Indicator	152.4	159.2	152.6	153.6	154.8	154.2	152.2	146.4	131.5	137.0	133.7	131.1	127.9
Current Prices Satisfaction Indicator	90.2	70.2	86.2	75.7	75.4	67.2	66.3	63.0	69.8	72.5	68.3	78.8	81.6
Interest Rates Expectations Indicator	137.5	138.8	140.4	136.3	134.6	133.0	133.6	130.1	135.3	130.2	119.4	121.0	124.6

## All India - Records

	2012-Current			
	Minimum	Maximum	Mean	Median
<b>MNI India Consumer Indicator</b>	115.9	133.7	123.8	123.9
Current Indicator	109.3	128.3	116.6	115.6
Expectations Indicator	120.3	137.3	128.5	128.3
Personal Finance: Current	114.2	135.4	121.1	120.6
Personal Finance: Expected	118.4	141.5	129.1	129.7
Business Condition: 1 Year	114.1	131.8	122.6	121.7
Business Condition: 5 Years	123.9	144.5	133.9	133.0
Durable Buying Conditions	100.7	121.1	112.1	111.6
<b>Current Business Conditions Indicator</b>	102.9	124.9	113.6	113.3
<b>Stock Investment Indicator</b>	89.7	130.8	107.0	105.1
Investment Return	82.7	162.4	114.5	110.5
Stock Price Sentiment	100.4	128.6	112.0	111.8
Stock Market Expectations	103.8	152.2	120.0	116.7
<b>Real Estate Investment Indicator</b>	109.7	119.9	113.9	113.2
House Price Expectations	133.3	152.6	143.5	143.8
House Buying Sentiment	92.8	121.5	105.0	103.0
House Selling Sentiment	95.5	113.7	107.1	108.1
<b>Car Purchase Indicator</b>	60.1	86.6	74.3	75.3
Car Purchase Expectations	90.3	114.8	103.7	104.3
Price of Gasoline Expectations	128.5	171.0	155.1	155.9
<b>Employment Outlook Indicator</b>	106.9	128.3	118.0	118.4
Inflation Expectations Indicator	126.8	159.2	144.3	146.0
Current Prices Satisfaction Indicator	63.0	115.9	83.0	80.2
Interest Rates Expectations Indicator	116.6	140.4	129.7	130.4

# Consumer sentiment eased in October...

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...as a growing proportion of consumers refrained from purchasing big ticket items in spite of the festival season.



# Economic Landscape

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In a long-anticipated move, the government has taken advantage of low global oil prices to lift state control over diesel prices to make them market determined.

In a long-anticipated move, the government has taken advantage of low global oil prices to lift state control over diesel prices to make them market determined. Finance Minister Arun Jaitley recently announced that the government will end diesel subsidies with immediate effect which should help to alleviate some of the pressure on India’s fiscal deficit. The most recent fiscal figures revealed that the government’s finances have reached 82.6% of the its 2014-15 budget deficit estimate in just the first half of the fiscal year, throwing into doubt whether Arun Jaitley’s effort to reduce the deficit to 4.1% of GDP will indeed be achievable. Industrial production growth, meanwhile, remained at a lacklustre 0.4% on the year in August.

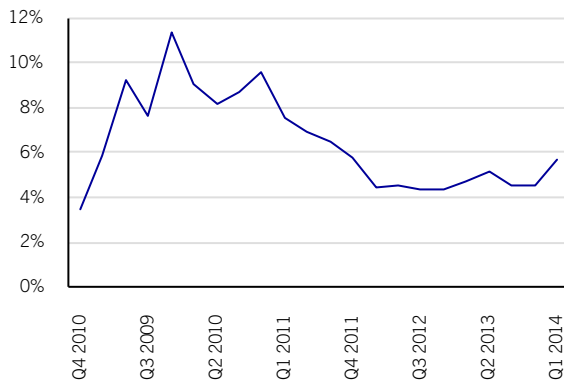
In the latest World Bank “Ease of Doing Business” report, India fell two places to the 142nd position out of a total of 189 countries to conduct business in the world. Just last month, Modi acknowledged that he wanted India to be within the top 50 of the list, an ambitious target and indeed symbolic as it would place India as the most competitive of the BRIC countries.

**Economy grows at fastest pace in two years**

The first GDP figures released since the election of Modi’s pro-business BJP revealed that the economy expanded at the quickest rate in two years. In the three months to June, the economy grew by 5.7% on the year, up from 4.6% in the previous quarter. Moreover, it was significantly above the 4.4% recorded a year earlier, which at the time was the worst growth in four years.

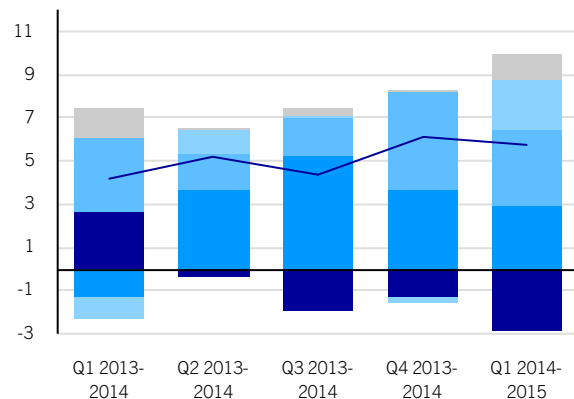
Data on an output basis showed that growth in the three months to June was boosted by a rebound in industrial production following two consecutive quarters of negative growth. The bounce back was primarily due to favourable base effects in manufacturing which grew by 3.5% on the year compared with a contraction of 1.4% in the previous quarter and mining which grew by 2.1% on the year compared with a contraction of 0.4% previously. In contrast, growth in agriculture slowed to 3.8% on the year, compared with 6.3% in the previous quarter and 4% in the same quarter a year earlier. Output in the service sector rose by 6.8% on the year, slightly up from 6.4% although down from the 7.2% increase seen in the April-June quarter a year ago.

**Economic Growth**



— GDP y/y %, fiscal year  
Source: Central Statistical Organisation, India

**Contribution to Economic Growth**



■ Discrepancies ■ GFCF  
■ Net Exports ■ GFCE  
■ PFCE ■ Inventory  
Source: Central Statistical Organisation, India

On an expenditure basis, investment spending contributed 2.3 percentage points to GDP growth in the latest quarter, the highest addition since the January-March quarter of 2013. Personal consumption added 3.5 percentage points, down from 4.6 in the previous quarter, while net exports contributed 3.0 points down from 3.7 previously.

The official GDP figures for the three months to September are due to be released on November 28. While the easing in inflation should have helped to improve spending, the continued weakness in industrial production points to growth being more subdued than the previous quarter. Looking forward, India is well placed for stronger growth as falling global commodity prices should help to further rein in inflation, allowing the Reserve Bank of India to cut rates earlier than currently anticipated, which would help to encourage greater investment in India coupled with reforms by the government to make the economy more business-friendly.

The Ministry of Statistics recently announced that it will recalibrate the way it measures India's GDP to reflect informal and under-represented economic sectors. GDP data is presently based at 2003-04 prices and it will be rebased to 2011-12 prices and is expected to be released on January 31 next year, which would raise India's GDP size for three years from 2011-12 onwards.

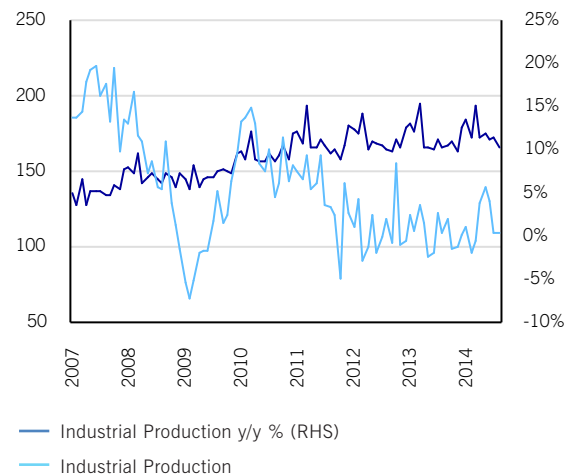
#### RBI Industrial Outlook improves

The RBI's Industrial Outlook Survey showed that the Business Expectation Index (BEI), a gauge of manufacturing business sentiment, improved in the quarter ending December to 117.7 from 114.7 in the quarter ending September and 109.9 a year earlier, the highest for three years.

The improvement in the BEI was due to improved optimism in capacity utilisation, imports and production coupled with reduced pessimism about the cost of raw materials.

The business outlook of the Indian manufacturing sector also showed an improvement for the current

#### Industrial Production



Source: Central Statistical Organisation, India

assessment period for July-September to 106.4, compared with the previous quarter's 105.2, the highest since June 2012. The increase in the composite index was also due to higher optimism about capacity utilisation, imports, production and the cost of raw materials.

#### RBI Consumer Confidence improves

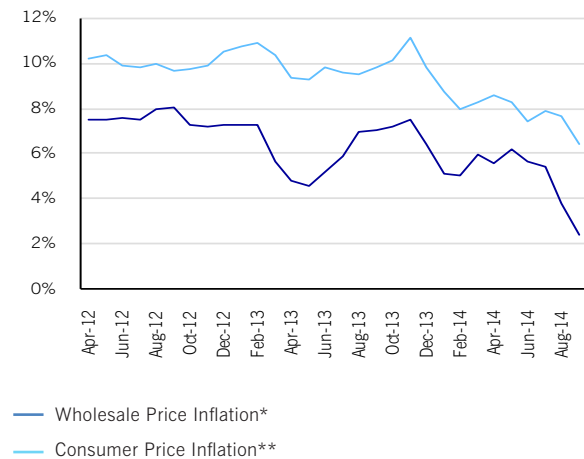
The RBI's Consumer Confidence survey showed that the Current Situation Index (CSI), an assessment of consumer sentiment, improved in the quarter ending September to 105.0 from 100.4 in the quarter ending June and was markedly above the 88.0 recorded in the quarter ending September a year earlier.

Consumers were increasingly more optimistic about the future with the Future Expectations Index rising to a series high of 123.2 from 122.9 in the previous quarter. An increasing proportion of respondents expected their spending to increase in the 12 months ahead, as the net response for perceptions on income in a year's time rose to 61.9%, signifying that the majority of respondents expected their income to rise.

#### Industrial output weakens in August

Industrial production grew by just 0.4% on the year in August, unchanged from July, with cumulative growth

## Inflation



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

for the period April-August 2014-15 remaining unchanged from the April-July period at 2.5% over the corresponding period in 2013.

Growth was anaemic due to a 1.4% contraction on the year in manufacturing, which contributes about 75% to industrial output. This marked the second consecutive month that manufacturing output has contracted, previously by 1% in July, suggesting that India's recovery remains fragile. Eleven out of the 22 industry groups within the manufacturing sector expanded in August, led by a 19.1% rise in 'basic metals'. In contrast, the industry group 'Radio, TV and communication equipment & apparatus' had the highest negative growth for the fourth consecutive month of 48.8%, followed by a 43.9% decline in 'Office, accounting & computing machinery' and a 17.8% decline in 'Electricity machinery & apparatus'.

Mining output grew for the tenth month in a row by 2.6% in August compared with 1.2% growth in July. Output of consumer durables, a measure of consumer demand, contracted for the third consecutive month by 15% on the year compared with a decline of almost 21% in June. Capital goods output, a proxy for investment, declined by 11.3% on the year following

a smaller fall of 3.8% last month, the largest contraction in five months.

### Consumer price inflation hits record low

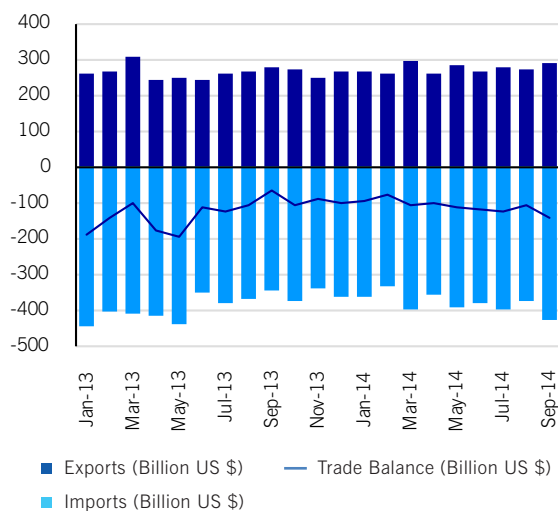
Consumer price inflation, which the Reserve Bank of India now targets, fell to a historic low of 6.46% in September from 7.73% in August, marking the fourth month it has been below the RBI's inflation target of 8% by January 2015. Food price inflation, which makes up almost half of the basket, eased to 7.7% from 9.4% in the previous month led by vegetable prices which rose by just 8.6% on the year compared with a 15% rise in the previous month. Core CPI inflation, which excludes food and energy, slowed to 5.9% on the year from 6.9% in August. Favourable base effects and a higher level of crop sowing should help to ease some of the pressure on food prices in the months ahead, although there are risks to the upside. The government plans to help bring down inflation by tackling supply constraints and creating cold storages and warehouses to prevent food spoilage, although this will do little to tackle price pressures in the short-term.

The previously targeted measure of inflation based on the wholesale price index, eased to 2.38% in September from 3.74% in August, the lowest in five years.

### Repo rate at 8%

As expected, the Reserve Bank of India left the key policy rate at 8% at its monetary policy meeting on September 30, unchanged since January. The central bank also refrained from adjusting both the statutory liquidity ratio (SLR) and the cash reserve ratio (CRR), the main liquidity levers at its disposal. Governor Rajan stated that the current rate left the RBI reasonably on track to meet its target of bringing inflation down to 8% by January 2015. He stressed, though, that there were risks to the upside given that the late monsoon rains could translate into higher food prices in the coming months and the geopolitical developments in Russia and the Middle East which could impact the price of oil. Concerns on the latter will have subsided somewhat given the weakening in oil prices seen recently.

### Trade Balance



Source: Ministry of Commerce and Industry

Given that the RBI looks likely to meet its short-term target for inflation, the focus of the monetary policy committee seems now to be maintaining the disinflationary glide path in order to reach its target of 6% by January 2016. Meeting the 2016 target will require the swift implementation of significant supply side reforms by the government.

### Lower fiscal budget deficit

In the July-September quarter, the government budget deficit stood at Rs. 1.41 trillion, compared with Rs. 1.49 trillion last year. Government receipts totalled Rs. 3.07 trillion, higher than Rs. 2.78 trillion a year earlier, of which net tax receipts were Rs. 2.24 trillion, lower than Rs. 2.06 trillion last year. Total expenditure was Rs. 4.48 trillion compared with Rs. 4.27 trillion a year earlier. The government's fiscal deficit was lower in September at Rs. 0.41 trillion compared with Rs. 0.73 trillion recorded in August although was markedly higher than the Rs. 0.07 trillion in the same month a year earlier. The fiscal deficit for the April-September period stood at Rs 4.39 trillion, 82.8% of the budget estimate of Rs 5.3 trillion.

In his maiden budget, Finance minister Arun Jaitley stuck to the fiscal deficit target of 4.1% of GDP for 2014-15 set by his predecessor Palaniappan

Chidambaram in the interim budget. He plans to shrink the budget shortfall subsequently to 3.6% and 3% of GDP in the following years. Last month, S&P upgraded India's sovereign credit outlook from 'negative' to 'stable' recognising the government efforts in keeping the fiscal deficit in check. Moreover, the recent removal of the diesel fuel subsidy should help to alleviate pressures on government finances and lead to a lower fiscal deficit.

### Trade deficit widens in September

India's trade deficit widened to a 16-month high of \$14.2 billion in September from \$10.8 billion in August, and was significantly higher than the \$6.1 billion shortfall recorded in September a year earlier. The magnitude of the worsening in the trade deficit is not expected to last, given that it was driven primarily by the festival season.

Exports rose to \$28.9 billion in September after slowing to \$27 billion in August. Imports surged in September to 26% on the year to \$43.2 billion from \$34.3 billion a year ago and \$37.8 billion in the previous month driven by higher demand for gold and consumer goods during the festival season.

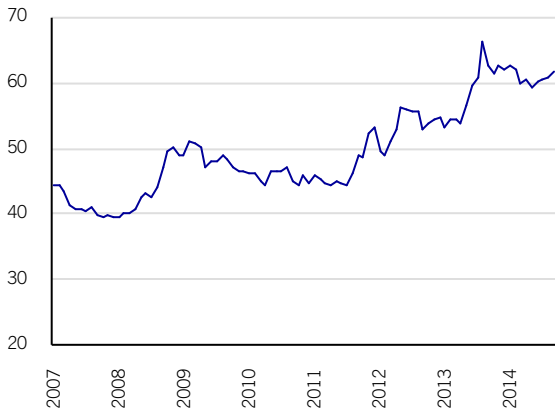
Gold imports rose more than fourfold to \$3.75 billion from \$0.68 billion a year ago and \$2.04 billion a month ago, prompting the government to consider re-imposing the curbs on gold imports which it had previously lifted partially in May. Even without such measures, gold imports should revert back to normal from November once the festival season has ended. Oil imports surprisingly rose by 9.7% to \$14.5 billion in September from \$12.8 billion in August, despite the fall in global oil prices, although this one-off increase is expected to moderate in October. The sharp correction in commodity prices is positive for India, which imports three-quarters of its oil requirements.

### Foreign exchange reserves fall

India's foreign exchange reserves fell by \$495.5 million to \$314.18 billion in the week to October 24. According to the RBI's weekly statistical supplement, foreign currency assets, the biggest component of the



Rupee Exchange Rate



— Indian Rupee versus US Dollar

Source: Reuters

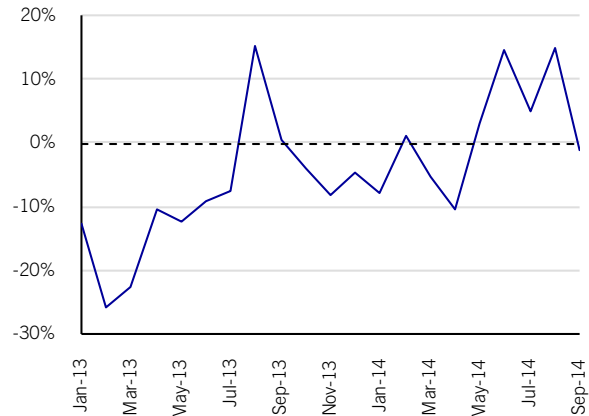
forex reserves, rose by \$532.20 million to \$288.33 billion. The value of India’s gold reserves remained unchanged at \$20.01 billion in the week ending October 24.

There has been some pressure on the Indian rupee as the US dollar has strengthened as the US Federal Reserve ended its monetary stimulus measures of bond purchases and remained confident that the economy showed signs of strength, even though it maintained its pledge to keep borrowing cost low for a considerable time. However, the RBI has been building a sufficient level of reserves to help curb volatility in the foreign exchange market and the RBI governor is confident that the country is less vulnerable to another run on the currency. Since the beginning of this year, the rupee has gained 0.6%, while foreign institutional investors have bought \$13.65 billion during the period from local equity markets.

**Car sales fall in September**

Car sales in India contracted for the first time in five months in September, declining by 1% on the year following growth of 15.2% in August. The reason for the decline in car sales was possibly due to consumers postponing car purchases until the festival season in October leaving car dealers with high inventories. In

Car Sales



— Domestic Car Sales Growth Y/Y %

Source: Society of Indian Automobile Manufacturers

the April-September period, car sales grew by 4.1% to 890,755 units compared with 855,757 units in the same period a year ago. In spite of the decline, dealerships have reported that their showrooms are busier as heavy discounting and attractive offers provided by car manufacturers attract price sensitive buyers.

While car sales remained muted, sales of commercial vehicles grew by 8.6% on the year in September, the first time since April 2013. In two-wheelers, demand for scooters remained strong with sales up by 38% on the year to 438,470 units in September against 317,750 units in the same month last year while sales for motorcycles were up 19.3% to 1,056,509 units against 885,309 units in August.



# Indicators

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Consumer sentiment eased in October as the outlook for household finances deteriorated and a growing proportion of consumers refrained from purchasing big ticket items in spite of the festival season.

# MNI India Consumer Indicator Declines in the Festival Season



Consumer sentiment eased in October as the outlook for household finances deteriorated and a growing proportion of consumers refrained from purchasing big ticket items in spite of the festival season.

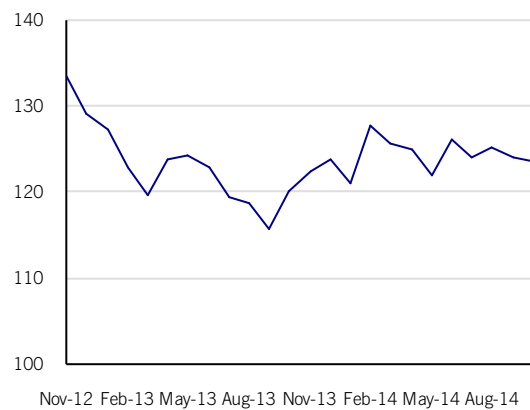
The MNI India Consumer Indicator fell slightly to 123.7 in October from 124.1 in September, the lowest level since May. While sentiment was 3% above the outturn of 120.2 in the same month a year ago, it has been broadly flat this year. Nevertheless, a stable consumer sentiment signals that the pick-up in the economy is very gradual and the Modi government's policies have yet to filter down to Indian households.

The first GDP figures released since the election of Modi's pro-business BJP revealed that the economy expanded at the quickest rate in two years. The economy grew by 5.7% on the year in the three months to June, up from 4.6% in the previous quarter and significantly above the 4.4% recorded in the same period a year earlier, which at the time was the worst growth rate in four years.

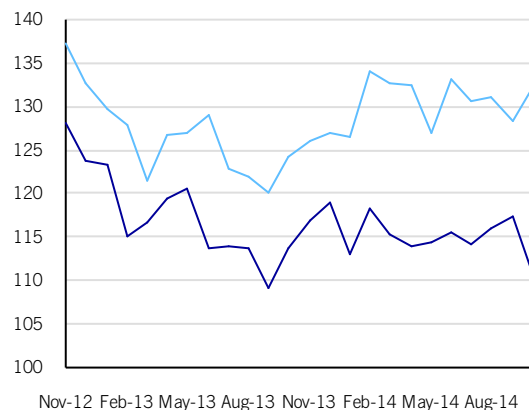
While the headline MNI India Consumer Indicator broadly supports the view that growth can be maintained, the continued deterioration in the Employment Outlook Indicator to a new low in October suggests that Indians are not yet convinced that the new government will be able to deliver on its promises, injecting a cautionary note to the wave of Modi optimism.

The Current Indicator, which measures consumers' assessment of current conditions, declined to a one

MNI India Consumer Indicator



Consumer Indicators

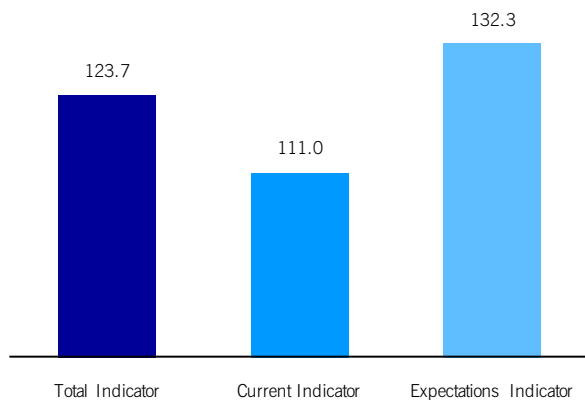


— Current  
— Expectations

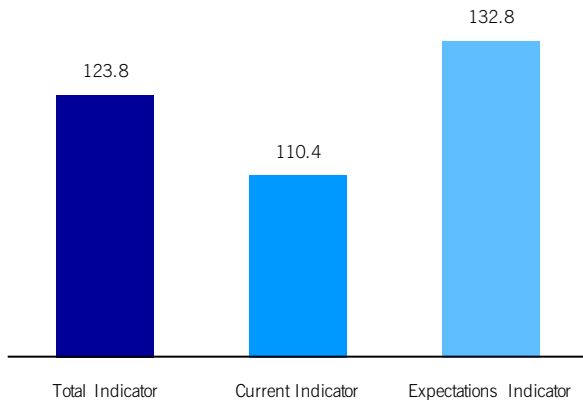
## MNI India Consumer Indicator

	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
MNI India Consumer Indicator	120.2	122.1	126.2	124.1	125.2	124.1	123.7
Current	113.9	114.6	115.7	114.2	116.2	117.5	111.0
Expectations	124.3	127.2	133.2	130.8	131.2	128.4	132.3

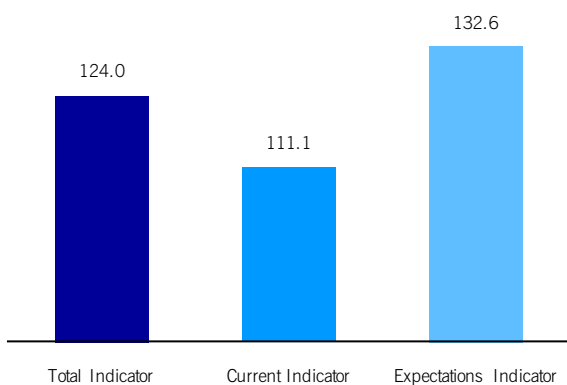
## All India



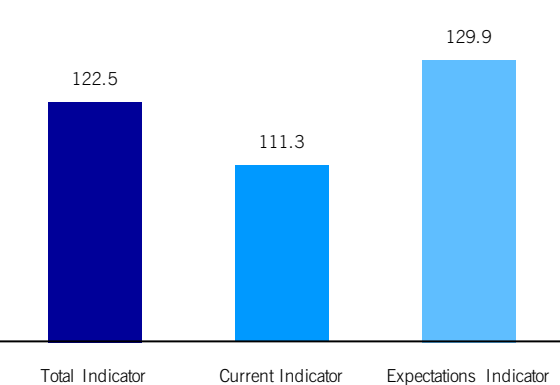
## North India



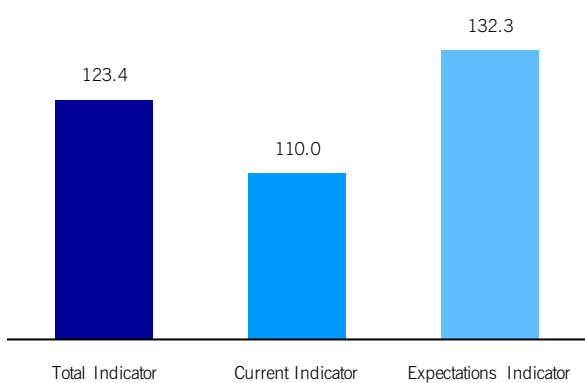
## South India



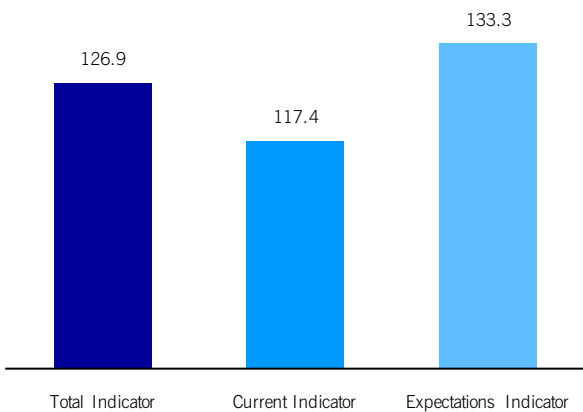
## East India



## West India



## Central India





year low of 111.0 in October from 117.5 in September. The forward looking Expectations Indicator, which is made up of three components, rose to 132.3 in October from 128.4 in the previous month. While both the Current and Expectations Indicators hit a series low in August 2013, the pace of ascent since then in the Expectations Indicator has been much higher.

The decline in consumer sentiment was led by a fall in the willingness to purchase big ticket items, with the Durable Buying Conditions Indicator falling to the lowest level in six months. While consumers were more satisfied with the current level of prices, with a greater proportion expecting prices to fall in the next 12 months, they were less optimistic about the outlook for their household finances. This weakness could be attributed to uncertainty surrounding the job market, with the Employment Outlook Indicator declining to the lowest level since the survey started in November 2012.

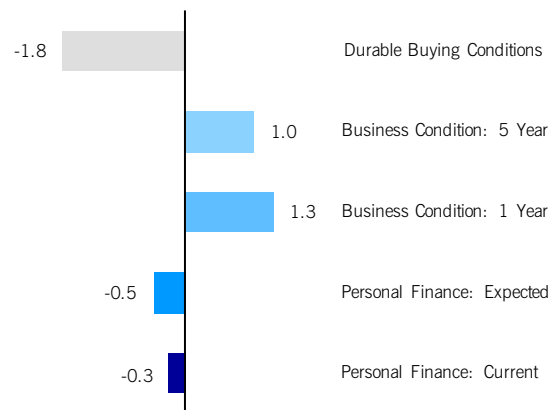
However, consumers were increasingly more optimistic about the outlook for business conditions as the government endeavours to create a more conducive business environment.

**Regions**

In North India, consumer sentiment rose to the highest level since July led by a sharp increase in respondents' future expectations about Business Conditions. Households were more satisfied with prices but remained wary of the job market with the Employment Outlook Indicator hitting a record low.

In West India, consumer sentiment fell to the lowest level this year as respondents' worsened personal finances made them less inclined to purchase large household items. A growing proportion of them were also more dissatisfied with the current level of prices, in contrast with other regions.

Consumer Indicator: Contribution to Monthly Change (% pt.)





## Age

Consumer sentiment declined in the youngest age group in October after two consecutive months of growth.

The Consumer Indicator for the 18-34 year age range, the youngest group, fell by 3.8% on the month to 124.5 from 129.4 in September. The decline in sentiment was led by the Durable Buying Conditions Indicator which fell to the lowest level since September 2013, after hitting a record high in the previous month, as consumers probably took advantage of promotions on big ticket items in the run-up to the festival season.

Consumer sentiment among 35-54 year olds remained broadly stable at 123.3 in October compared with 122.6 in September. While consumers were more bullish about future business conditions, a worsening in both Durable Buying Conditions and Personal Finances impacted negatively on overall confidence.

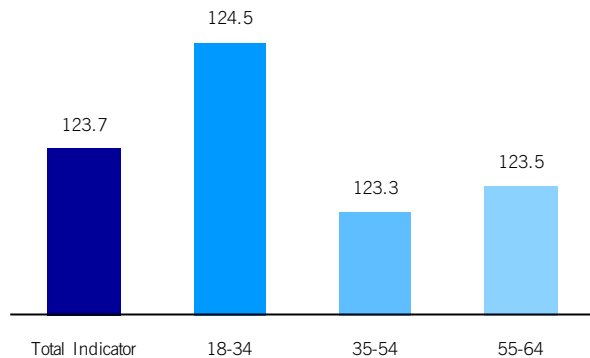
For the oldest age range, 55-64 year olds, sentiment rose sharply to 123.5 in October from 117.2 in September, the highest since March. While more consumers were confident about future business conditions, with double digit gains in both Business Conditions in One Year and in Five Years, they were concerned about their current and expected household finances.

## Income

Confidence fell in low income households while it was flat among high income households in October.

Compared with the previous year, confidence was down by 3.4% among lower income households, while for higher income households it was up by 8.4%, consistent with the trend of greater confidence among higher income households.

Consumer Indicator: Age Groups



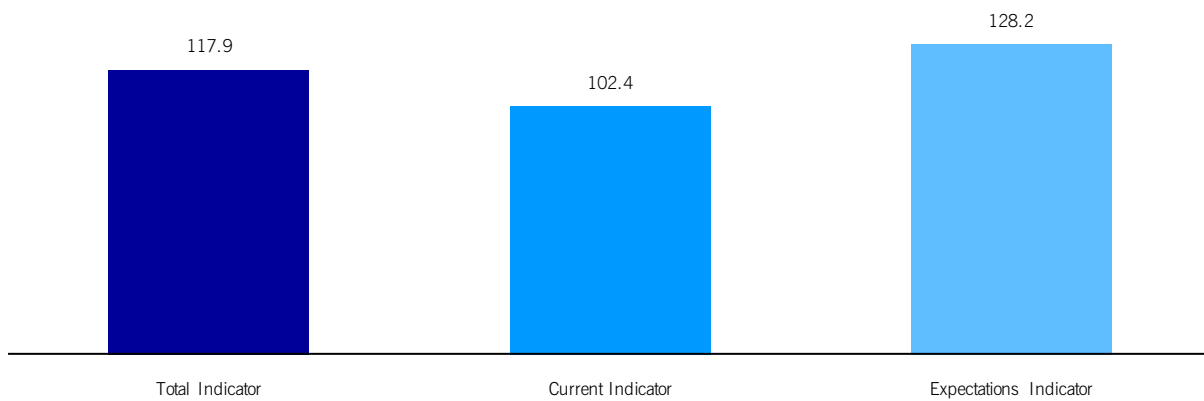
The Consumer Indicator for households with an average annual income under INR 432,000 fell to 117.9 in October from 121.2 in the previous month, the lowest since September 2013. Respondents were less confident about their household finances and were therefore less willing to purchase household durables. However, they were more optimistic about both short and long term business conditions.

For households with an average annual income over INR 432,000, the indicator was flat at 131.5 in October. Fewer consumers expected their personal finances to improve in a year's time, although they were more optimistic about future business conditions. In spite of the festival season, there was no movement in the Durable Buying Conditions Indicator in this income group.

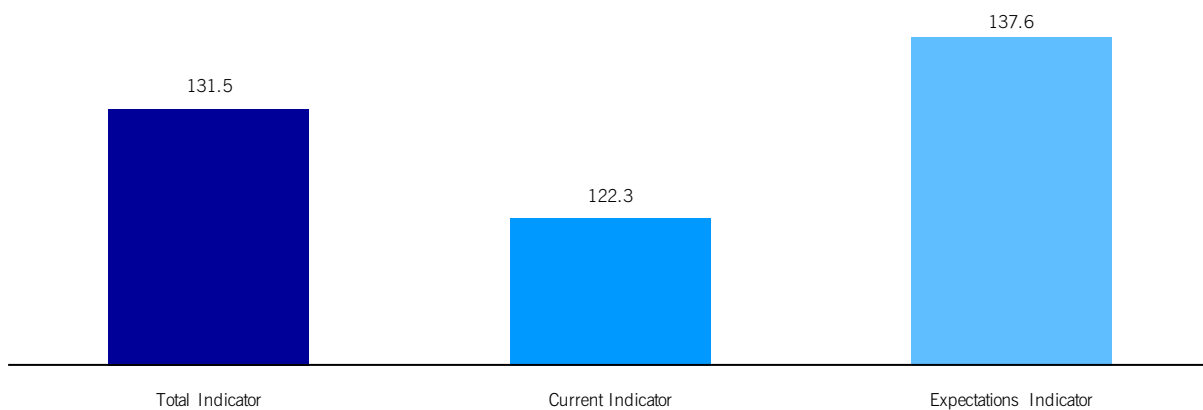
## MNI India Consumer Indicator Income Groups



< INR 432,000 per annum



> INR 432,000 per annum



# MNI India Consumer Indicator

## Main Cities



The Consumer Indicator fell in five out of the ten major Indian cities in October, with the largest drop in sentiment observed in Hyderabad where consumer confidence declined to the lowest level since May.

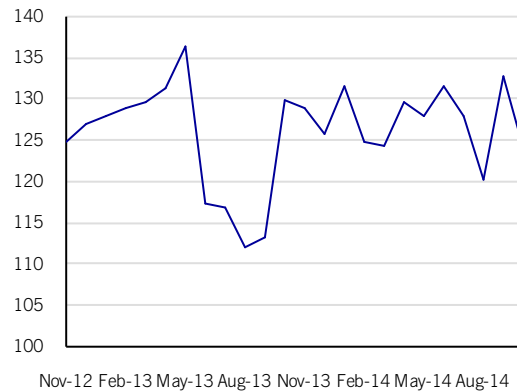
In the capital, Delhi, consumer sentiment rose for the first time in four months to 124.6 from 114.7 in September, led by double digit gains in expectations for business conditions. Consumers were, however, less content with their current and expected personal finances.

In Mumbai, India's most populous city, consumer sentiment eased to 124.2 from 132.9 in September, the lowest since August with all five components that make up the Consumer Indicator declining on the month. The most significant fall was in respondents' long-term business expectations, which fell by 12.1% in October.

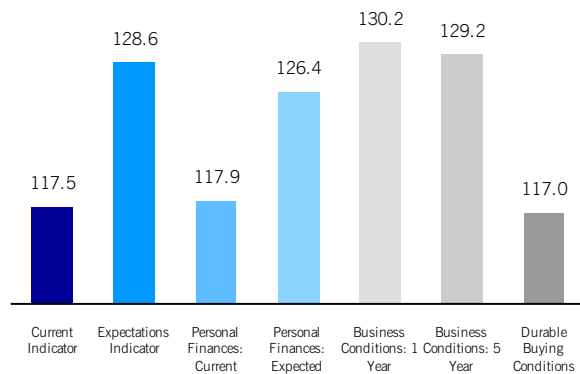
Consumer confidence in Bengaluru, the third largest city by population in India, remained broadly stable at 131.3 after falling to the lowest level in four months to 132.3 in September. Respondents were less optimistic about their personal finances and their expectations for business conditions in five years.

The greatest decline in consumer sentiment among the ten major Indian cities was observed in Hyderabad, with the Consumer Indicator declining by 10.9 points to 119.3 in October from 130.2 in September. Respondents were less optimistic about their personal finances, both current and future, which probably made them less willing to purchase large household items with the Durable Buying Conditions declining by 9.8% to the lowest level in almost a year.

Consumer Indicator - Mumbai



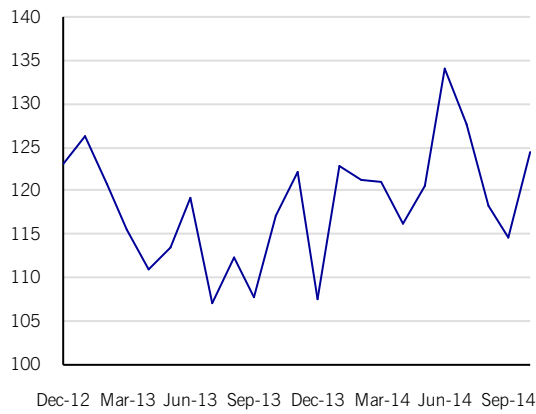
Consumer Indicator Components - Mumbai



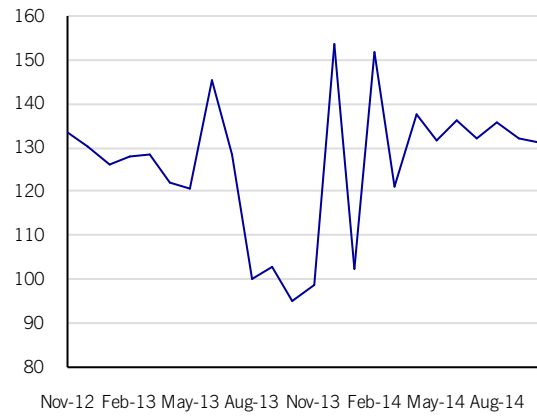




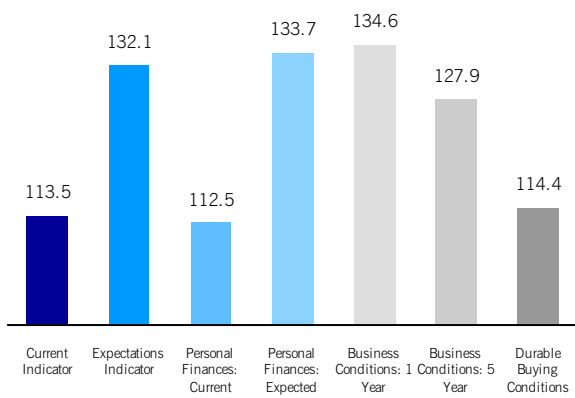
Consumer Indicator - Delhi



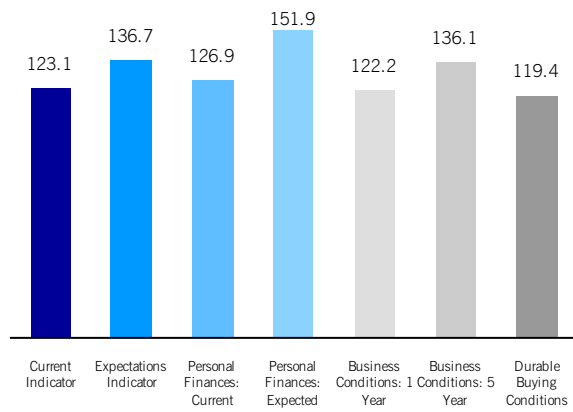
Consumer Indicator - Bengaluru



Consumer Indicator Components - Delhi



Consumer Indicator Components - Bengaluru



# Personal Finances Trend Downwards



In spite of the slowing growth in inflation, respondents were less satisfied about their financial situation and were also less optimistic about it in the next 12 months.

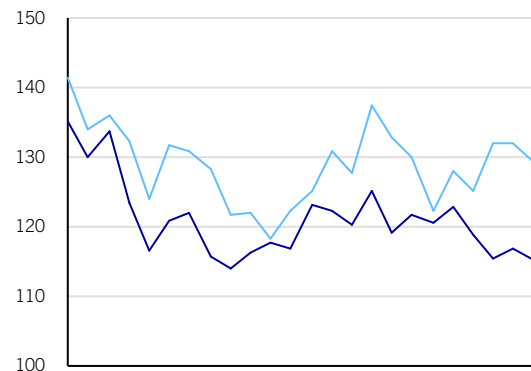
The Current Personal Finances indicator, which measures whether a household is better or worse off than a year ago, decreased to 115.4 in October from 117.1 in the previous month, the lowest since July 2013. Even so, the indicator remained above the 100 threshold level suggesting the majority of consumers were better off.

Out of those who reported that their financial conditions had worsened, the majority cited higher family expenses as the main reason, while a growing proportion said that their income was unstable.

Consumers' personal savings and their ability to purchase goods has been impacted by the high rate of inflation over the past two years. In October, about 84% of consumers spent 70-100% of their monthly household income on daily expenses, the highest proportion since the start of the survey, while 45.7% of respondents said they were saving between 1-29% of their monthly household income.

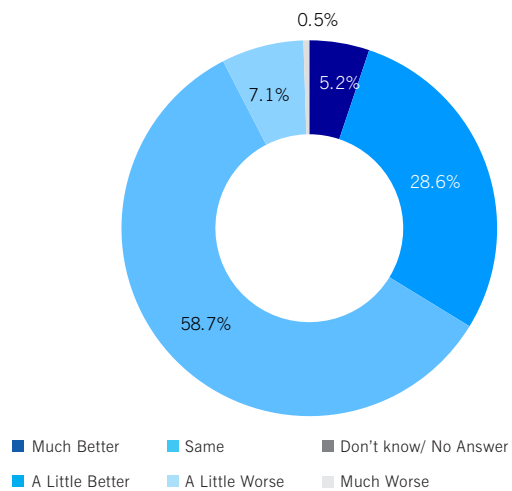
Expected Personal Finances fell to the lowest since July to 129.2 in October from 132.2 in September, although it remained above the outturn of 122.4 recorded in the same month a year ago. About 53% of respondents were confident that their financial situation would improve in the next 12 months, a smaller proportion than last month.

## Personal Finances



— Current  
— Expectations

## Current Financial Situation Compared with 1 Year Ago (% of Households)



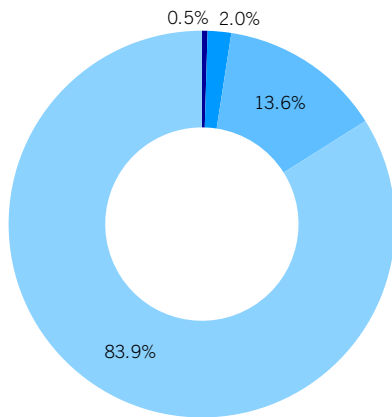
## Personal Finances

	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Current	117.1	120.6	122.9	119.1	115.4	117.1	115.4
Expectations	122.4	122.5	128.1	125.2	132.1	132.2	129.2

# How Households Spend their Money

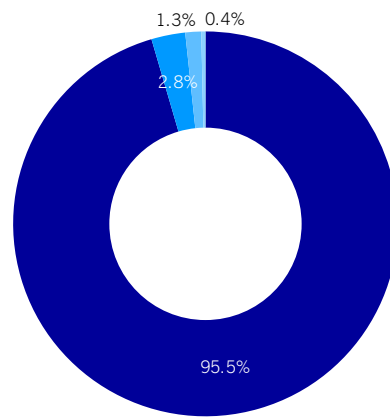


Monthly Household Income Used for Daily Expenses (% of Households)



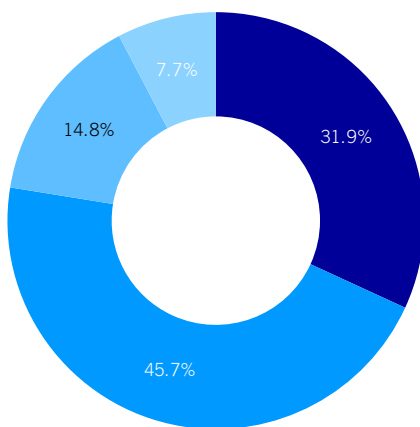
- 0% - 29% of Income
- 30% - 49% of Income
- 50% - 69% of Income
- 70% - 100% of Income

Monthly Household Income Used for Large Loan Repayment (% of Households)



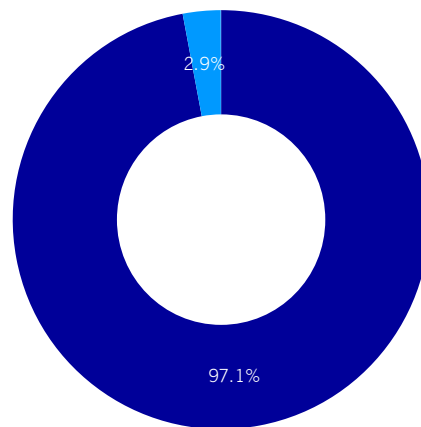
- 0% of Income
- 1% - 29% of Income
- 30% - 49% of Income
- 50% - 100% of Income

Monthly Household Income Used for Savings (% of Households)



- 0% of Income
- 1% - 29% of Income
- 30% - 49% of Income
- 50% - 100% of Income

Monthly Household Income Used for Investments (% of Households)



- 0% of Income
- 1% - 29% of Income
- 30% - 49% of Income
- 50% - 100% of Income

# Consumer expectations about future business conditions scaled up...

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...as the government makes all the right noises about  
creating a more favourable business environment.

# Business Conditions

## Expectations Improve Significantly



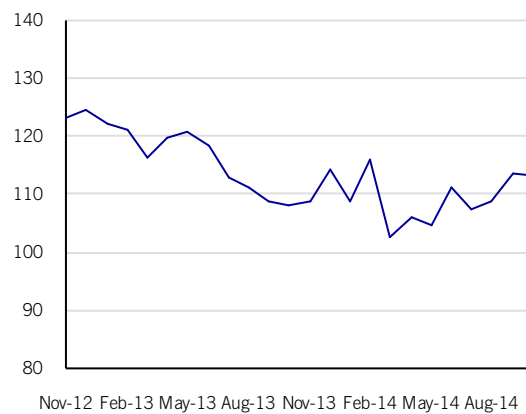
Consumer expectations about future business conditions scaled up as the government makes all the right noises about creating a more favourable business environment.

The Current Business Conditions Indicator, which measures respondents' views on the state of business compared with a year earlier, stood at 113.5 compared with 113.9 in September, and was 4.8% above the level a year ago. After our survey period had closed, the government announced the immediate deregulation of diesel prices and eased labour laws which may help to boost business confidence in the coming months.

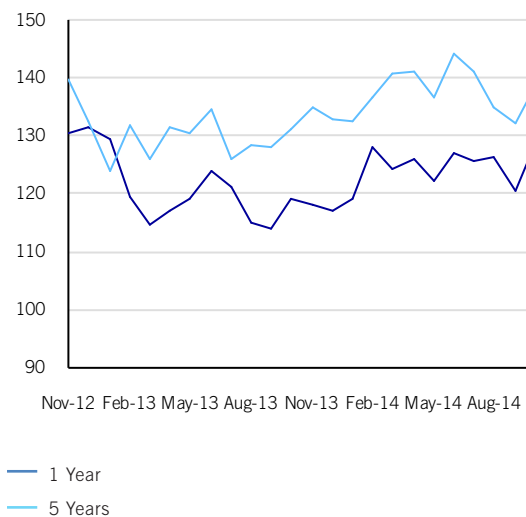
The Business Conditions in One Year component rose to the highest since January 2013 to 128.8 in October from 120.7 in September. Around 53% of respondents thought Business Conditions in a Year's time would be better and of those who expected business conditions to improve, the majority cited the government and its policies as the main reason, while a growing proportion thought that economic development would improve the business environment.

Long term business expectations rose for the first time since hitting a record high in June. Business Conditions in Five Years increased 4.8% on the month to 138.8 from 132.5 in September.

Current Business Conditions Indicator



Expected Business Conditions: 1 Year and 5 Years



### Business Conditions

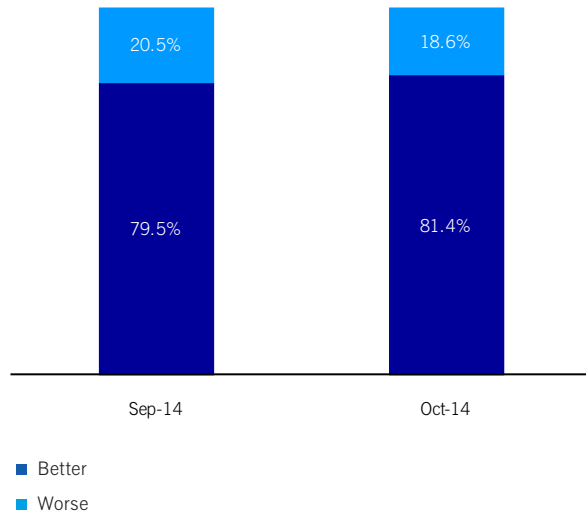
	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Current	108.2	104.7	111.4	107.7	109.0	113.9	113.5
In 1 Year	119.3	122.3	127.2	125.9	126.4	120.7	128.8
In 5 Years	131.3	136.8	144.5	141.3	135.1	132.5	138.8

# Business Conditions in 1 Year Selected Reasons

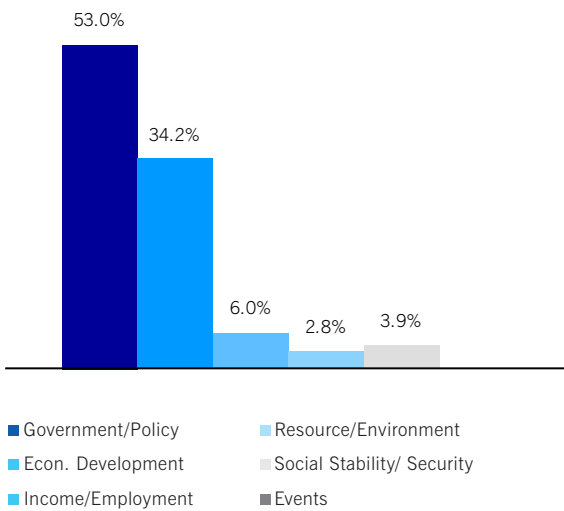


Among the major cities surveyed, Surat, an important commercial centre in the state of Gujarat, was the most optimistic about Business Conditions in Five Years, while a growing proportion of residents from Surat, Kolkata and Delhi also thought that Business Conditions would improve in five years.

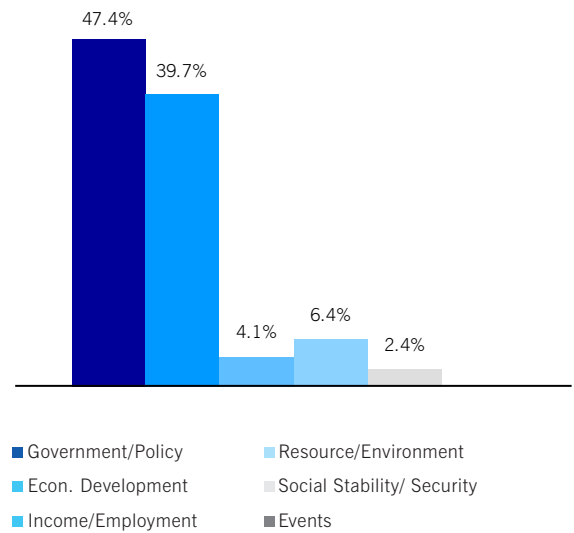
All India



All India, Reasons for Better



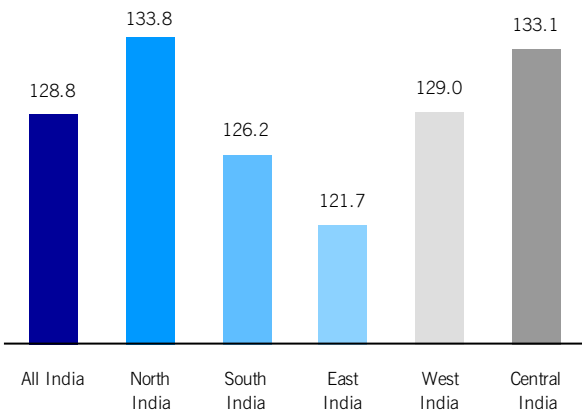
All India, Reasons for Worse



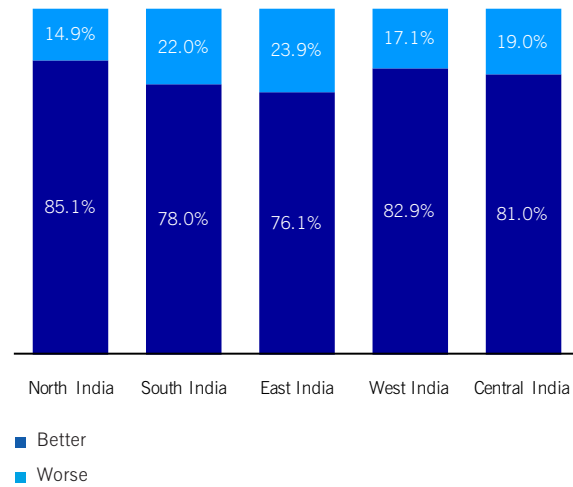
# Business Conditions in 1 Year Regions



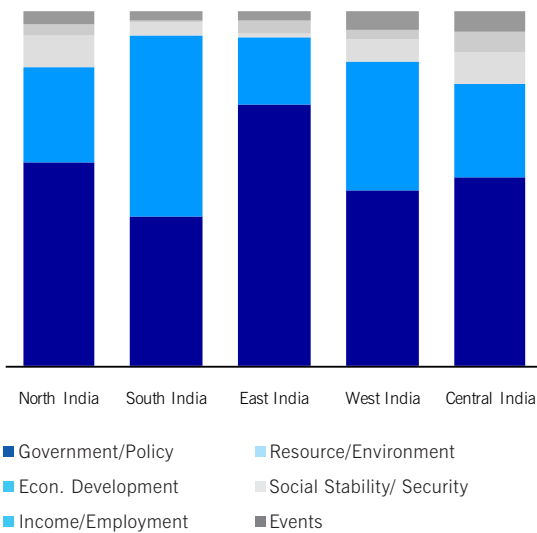
Business Expectations



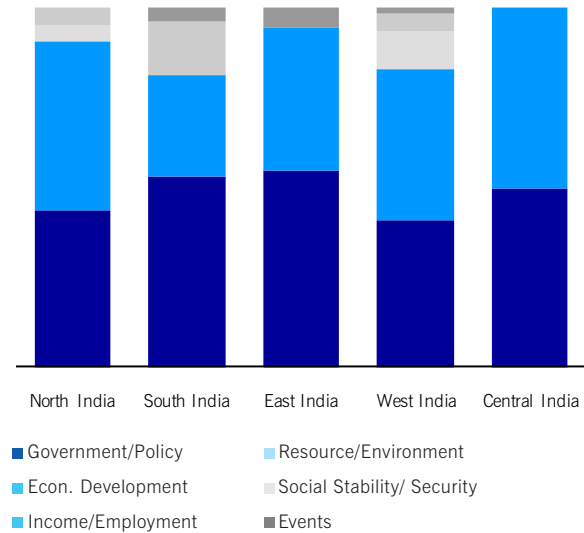
Business Expectations: Better or Worse? (% of Respondents)



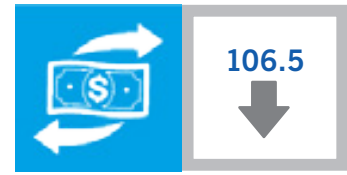
Reasons for Better (% of Respondents)



Reasons for Worse (% of Respondents)



# Durable Buying Conditions Lowest Since April



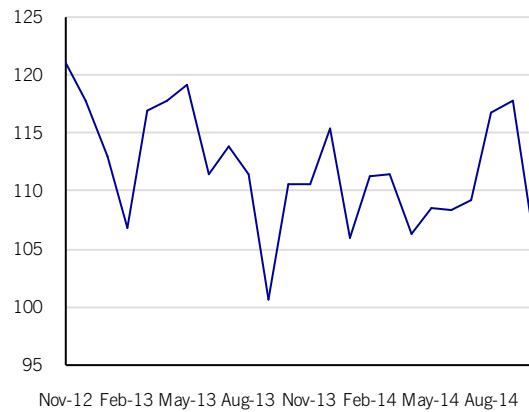
Fewer consumers expressed willingness to purchase large household goods this October, with the Durable Buying Conditions Indicator contributing negatively to the MNI Consumer Indicator in spite of the festival season.

The Durable Buying Conditions Indicator declined by almost 10% to 106.5 in October from 118.0 in September, the lowest since April. There was a slight improvement in the willingness to spend on big ticket items in the run up to Diwali compared with the previous year when economic conditions were worse, but in general the “Modi boost” has yet to have any tangible impact on overall consumer sentiment.

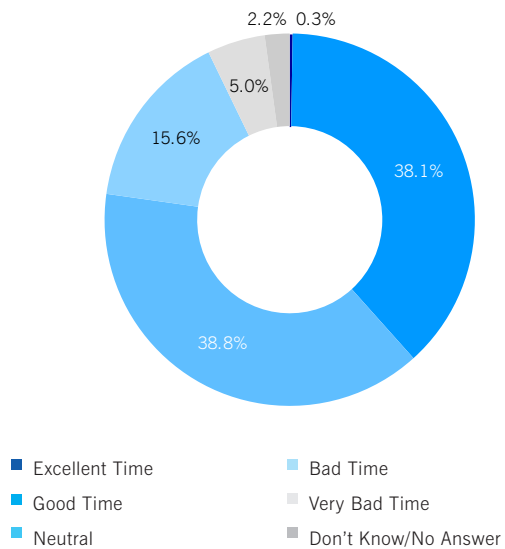
The three months to October saw the Durable Buying Conditions Indicator averaging 113.8, 5.7% above the same period a year earlier, as the economy shows some tentative signs of a pick-up. Nonetheless, lower expectations for the labour market and household finances have kept willingness to spend at bay for the time being.

More consumers from Delhi and Bengaluru thought that it was a better time to buy a large household item compared with the previous month. Out of the ten largest cities surveyed, respondents from Bengaluru were the most optimistic about buying a large household item, with the indicator increasing by 2.7 points on the month to 119.4 in October.

Durable Buying Conditions



Is It a Good or Bad Time to Buy Large Household Goods? (% of Households)



Durable Buying Conditions

	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Durable Buying Conditions	110.7	108.6	108.5	109.3	116.9	118.0	106.5



# Employment Outlook Series Low



Pessimism surrounding the job market has grown among respondents in spite of the promise by the pro-business government to create more jobs by making India a global manufacturing hub.

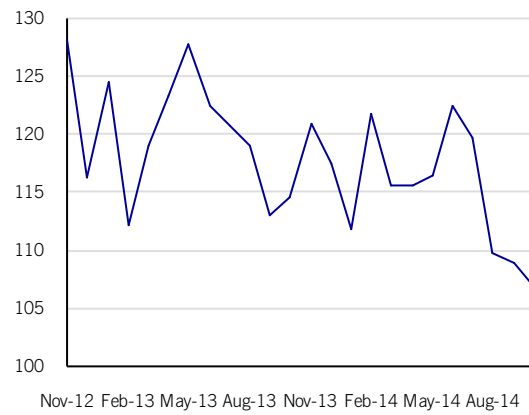
The Employment Outlook Indicator fell to a new series low of 106.9 in October from 109.1 in September as an increasing number of respondents thought that the employment market would deteriorate over the next 12 months.

The sharp fall in the indicator cautions against getting too carried away with the acute level of optimism and belief that recently elected Prime Minister Narendra Modi will be able to boost economic growth. It is likely that the damage to India's growth over the past few years will continue to hurt employment prospects as measures by the government take time to materialise.

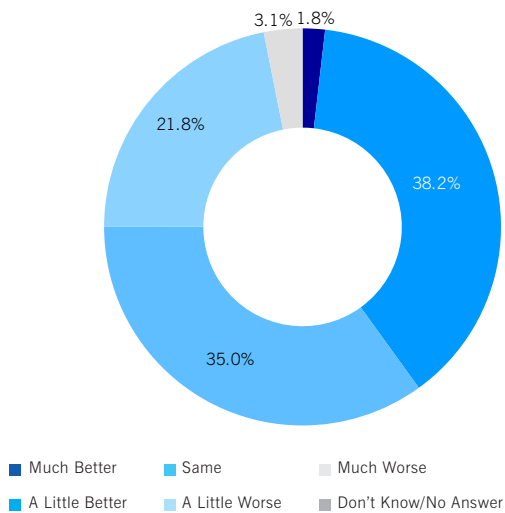
The trend of a weakening in the labour market was also seen in our sister Business survey that was released earlier this month which showed that the Employment Indicator, a measure of whether companies have an adequate number of employees, was just above the 50 breakeven level and has trended downwards since April.

The deterioration in the employment outlook was seen in all regions apart from South India. In the North, East and Central regions, the Employment Outlook Indicator was below the 100 level which separates optimists from pessimists. A growing proportion of respondents from West India were also less optimistic about the employment outlook, although optimists still outnumbered pessimists.

Employment Outlook Indicator



Employment Outlook for the Next 12 Months (% of Households)



## Employment Outlook

	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Employment Outlook	114.6	116.5	122.5	119.9	109.8	109.1	106.9

# Consumers' dissatisfaction with the current level of prices fell in October...

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...while their inflation expectations also declined, providing a tentative sign that the central bank is winning its battle with inflation.

# Prices Sentiment

## Inflation Expectations Lowest Since December 2012



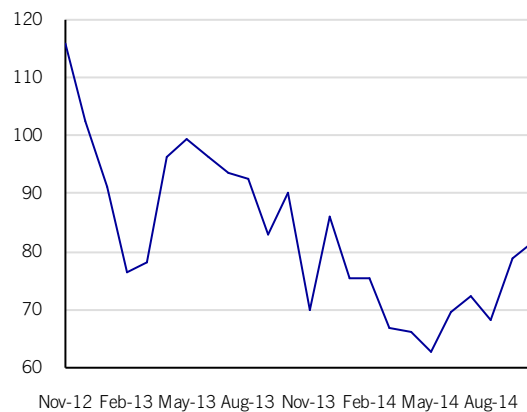
Both consumers' dissatisfaction with the current level of prices and their inflation expectations declined in October, providing a tentative sign that the central bank is winning its battle with inflation.

The Current Prices Satisfaction Indicator rose to 81.6 in October from 78.8 in September, the highest since December 2013. It was above the average of 72.9 for the past 12 months but below the series average of 83.0.

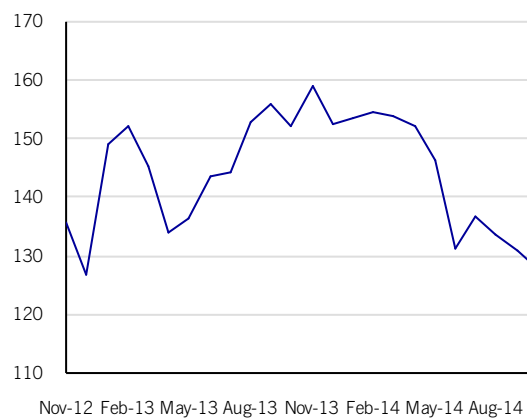
A figure below 100 indicates wider dissatisfaction with the current level of prices. The further below 100, the greater the dissatisfaction. The indicator has trended down since the start of the survey in November 2012 and has been above 100 in only the first two months of the survey. Since May, however, sentiment has picked up in line with a fall in inflationary pressures with price satisfaction averaging 76.2 in the three months to October, the highest this year.

Official data showed that consumer prices rose by the slowest rate ever of 6.46% in September, compared with 7.73% in August, marking the fourth month it has been below the RBI's target of bringing inflation to below 8% by January 2015. Food price inflation, which makes up almost half of the basket, slowed to 7.7% from 9.4% in the previous month. Favourable base effects and a higher level of crop sowing should help to ease some of the pressure on food prices in the months ahead, although there are risks to the upside.

Satisfaction with Current Prices Indicator



Inflation Expectations Indicator



### Prices Sentiment

	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Satisfaction with Current Prices	90.2	63.0	69.8	72.5	68.3	78.8	81.6
Inflation Expectations	152.4	146.4	131.5	137.0	133.7	131.1	127.9

# Prices Sentiment Regions



Expectations for inflation in 12 months' time fell to 127.9 in October from 131.1 in September, the lowest since December 2012. The Inflation Expectations Indicator closely matches the trend in consumer price inflation and suggests that inflation, which has shown some signs of easing, will continue to decline gradually over the coming months.

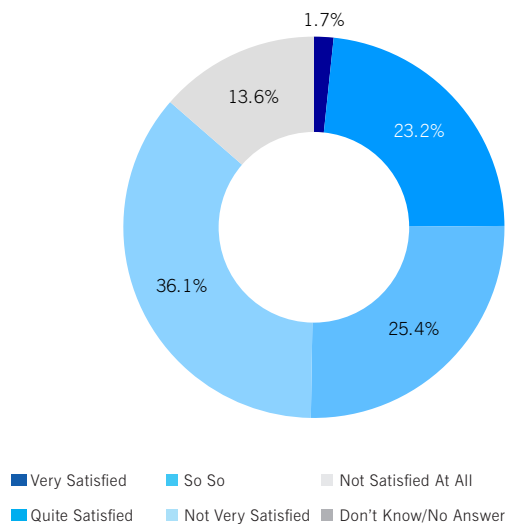
Of those who thought prices would go up, a growing proportion thought that they would go up by less than 5%, in contrast to an up to 10% price rise expected two months ago.

### Regions

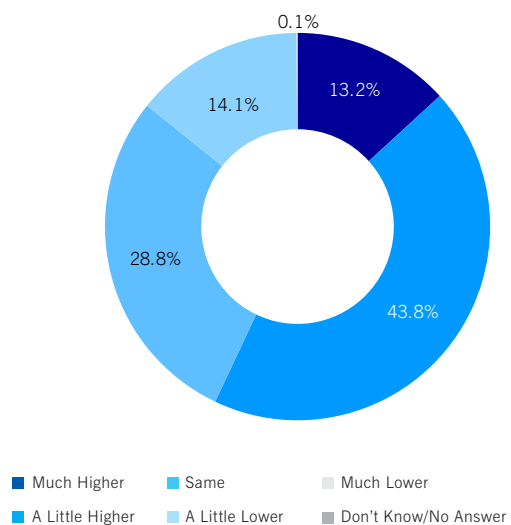
Satisfaction with Current Prices improved significantly across all regions of India except West India. The largest jump in the indicator was observed in East India, where the sentiment value recovered significantly after declining close to the series' low in the previous month. In contrast, a growing proportion of consumers were less satisfied with the current level of prices in West India, pushing the indicator down by 18.6% on the month to the lowest since August.

Expectations for future prices eased in all regions apart from Central India where there was a significant jump in the proportion of respondents who expected prices to be "much higher" in 12 months' time.

Satisfaction with Current Prices  
(% of Households)

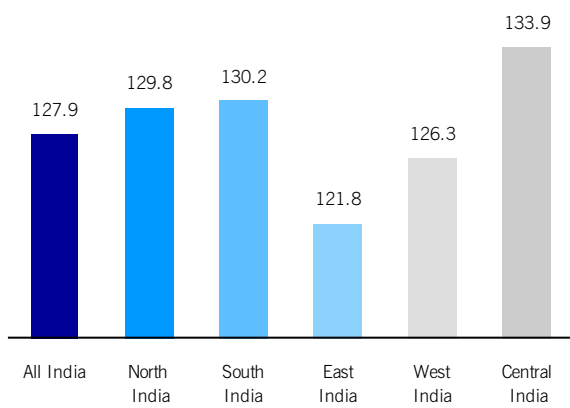


Inflation Expectations in 12 Months  
(% of Households)

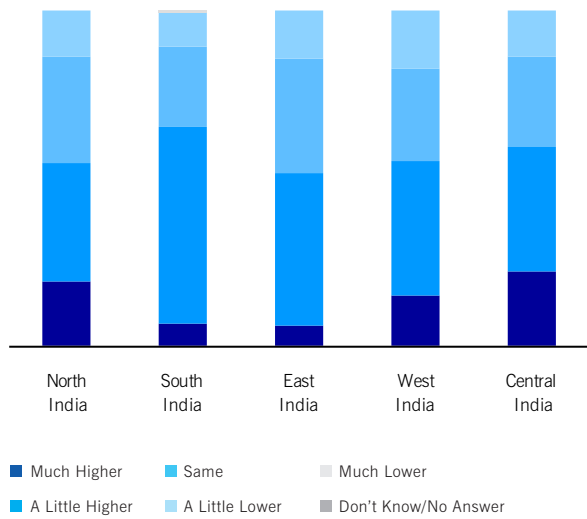




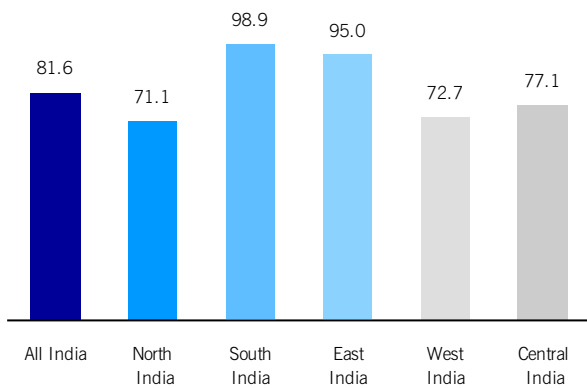
Inflation Expectations Indicator



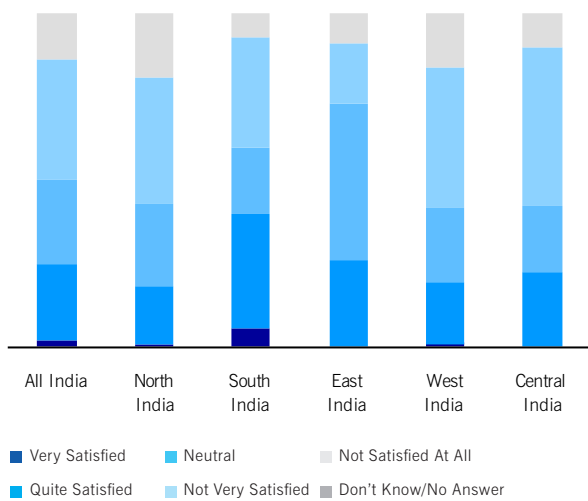
Inflation Expectations in 12 Months (% of Households)



Satisfaction with Current Prices Indicator



Satisfaction with Current Prices (% of Households)



# Interest Rate Expectations Highest Since July



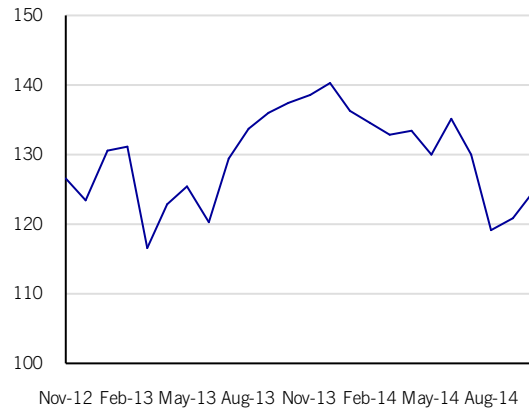
The Interest Rates Expectations Indicator rose for the second consecutive month to 124.6 in October from 121.0 in September, although it was still 9.3% below the level recorded a year ago.

At its monetary policy meeting on September 30, the RBI left the key policy rate unchanged at 8% and provided guidance that its policy stance in the future will be influenced by its projections of inflation relative to the medium term objective of 6%, which is to be achieved by January 2016. Softening in international crude prices and relative stability in the foreign exchange market should put downward pressure on inflation over the coming months although risks remain from food price shocks and geopolitical developments.

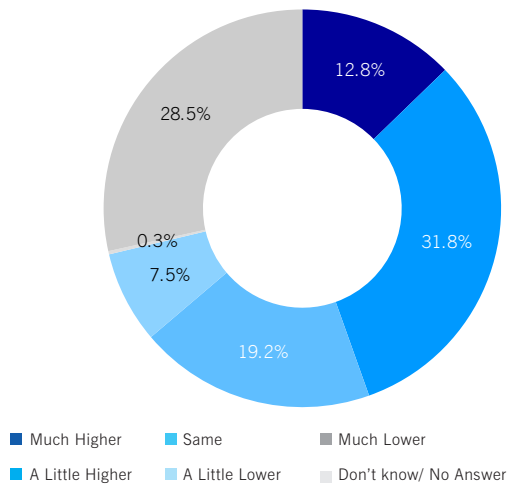
The indicator for October was below the average of 131.4 for the past 12 months and the series average of 129.7.

Since September 2013, when Raghuram Rajan took over as the Governor of the RBI, interest rates have been hiked three times in order to stabilise the sharp fall of the rupee and control inflation.

Interest Rate Expectations Indicator



Expected Change in Interest Rate in 1 Year (% of Households)



## Interest Rate Expectations

	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Interest Rate Expectations	137.5	130.1	135.3	130.2	119.4	121.0	124.6

# The Stock Investment Indicator fell to the lowest level since March...

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...as respondents' profits on investments fell amid expectations that the run of the Sensex over the past few months would ease.

## Stock Investment Indicator Lowest Since March



The Stock Investment Indicator scaled back after hitting the series' high in September as respondents' profits on investments fell amid expectations that the run of the Sensex over the past few months would ease.

The indicator fell to 108.9 in October from 130.8 in September but was considerably above the outturn of 96.8 seen a year ago.

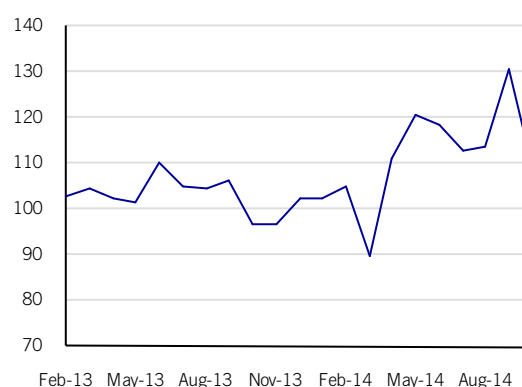
The Stock Investment Indicator gauges whether it is a good or bad time to invest in the stock market and is made up of three components.

Stock Price Sentiment, which measures whether equity prices are high or low, fell to 111.8 from 122.2 in September.

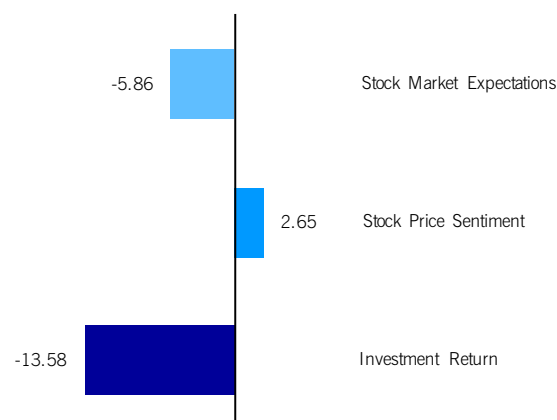
The Stock Market Expectations component, which shows whether consumers think stock prices will rise or fall in the next three months, fell from a record high of 152.2 in September to 129.2 in October. Around 46% of respondents were bullish about the stock market over the next three months, albeit this was almost half of those who were in the previous month.

The Stock Investment Return component, a measure of the amount of profit/loss in investments in the last year, declined to 109.1 in October from 162.4 in September, as the market experienced some consolidation following a rally that lasted for several months following the election of the new government led by pro-business Narendra Modi.

### Stock Investment Indicator



### Stock Investment Indicator: Contribution to Monthly Change (% pt.)



### Investment Sentiment

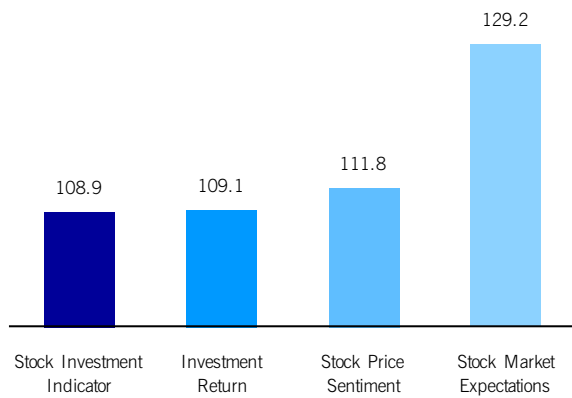
	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Investment Sentiment Indicator	96.8	120.6	118.4	112.9	113.5	130.8	108.9
Investment Return	94.0	139.1	132.8	131.1	126.5	162.4	109.1
Stock Price Sentiment	107.5	112.8	117.8	125.6	106.0	122.2	111.8
Stock Market Expectations	103.8	135.5	140.1	133.2	120.1	152.2	129.2



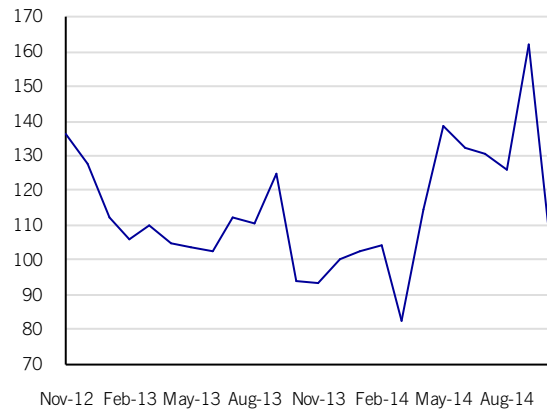
# Stock Investment Indicator Components



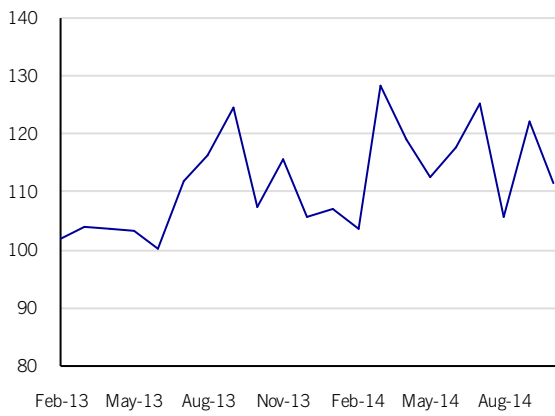
Stock Investment Indicator - Components



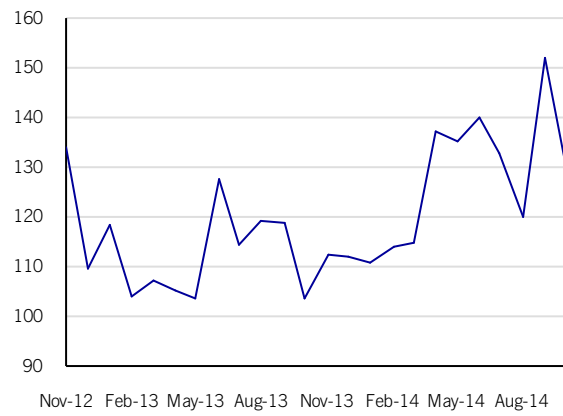
Investment Return



Stock Price Sentiment



Stock Market Expectations



# 70% of respondents expected prices to rise in the next six months...

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...pushing the House Price Expectations component  
to 149.6 from 146.4 in September.

# Real Estate Investment Indicator Remains Broadly Stable



The Real Estate Investment Indicator has roughly followed the pattern of the Consumer Indicator and in October it improved marginally to the highest in six months.

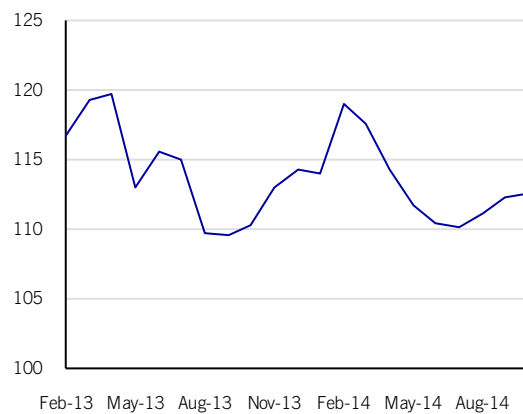
The Real Estate Investment Indicator, which is made up of three components (House Price Expectations, House Buying Sentiment and House Selling Sentiment), stood at 112.6 in October compared with 112.5 in September.

The House Price Expectations component rose to 149.6 from 146.4 in September. Consumers' expectations about house prices have gradually trended upwards since May 2013 and in October more than 70% of respondents expected prices to rise in the next six months.

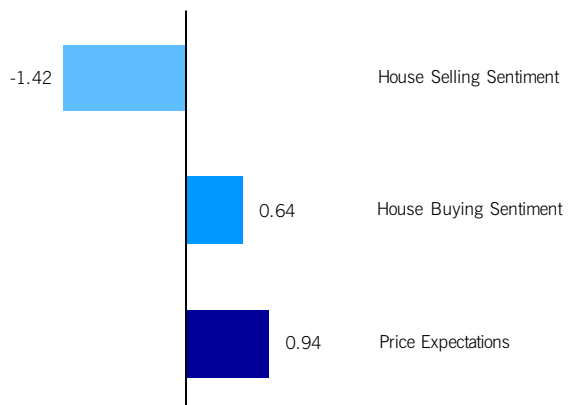
In contrast, consumers' sentiment about purchasing a house has fallen significantly since the start of the survey amid high inflation and hikes in interest rates. House Buying Sentiment, a measure of whether it is a good or bad time to buy a home in the next six months, rose to 98.4 in October from 96.2 in the previous month.

House Selling Sentiment, a measure of whether it is a good or bad time to sell a house in the next six months, increased to 110.0 in October from 105.2 in September, the first rise in three months. The negatively influencing House Selling Sentiment neutralised the rise in the positively impacting House Buying Sentiment and House Price Expectations.

Real Estate Investment Indicator



Real Estate Investment Indicator: Contribution to Monthly Change (% pt.)



## Real Estate Investment Sentiment

	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Real Estate Investment Sentiment	110.4	111.9	110.6	110.3	111.3	112.5	112.6
Price Expectations	148.6	139.8	142.6	144.9	148.7	146.4	149.6
House Buying	95.0	103.2	99.1	99.7	97.4	96.2	98.4
House Selling	112.5	107.3	110.0	113.7	112.2	105.2	110.0

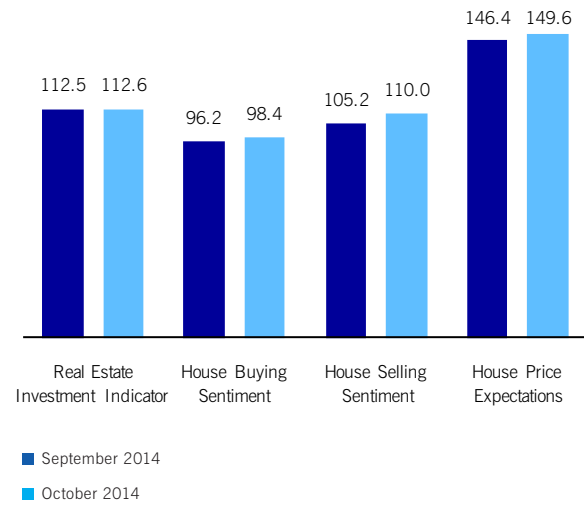
# Real Estate Investment Indicator Components and Balances



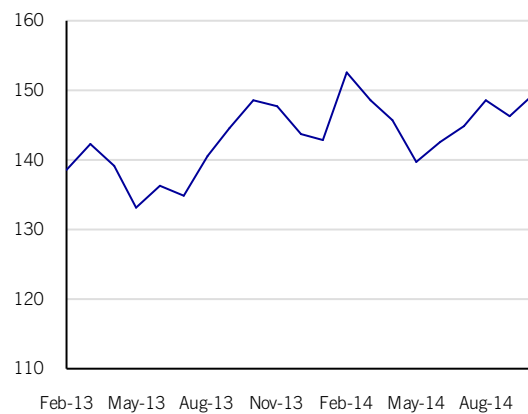
## Regions

The Real Estate Investment Indicator increased in North, East and Central India. Respondents from Central India were most optimistic about investing in real estate compared with other regions with a growing proportion expecting house prices to increase in the next six months. In East India, respondents became increasingly optimistic about buying a house as they expected house prices to increase in the future, resulting in a jump in the Real Estate Investment Indicator.

Real Estate Investment Indicator - Components

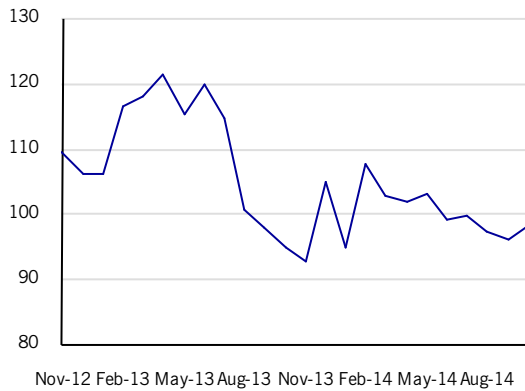


Real Estate Prices: Expected Changes in Next 6 Months

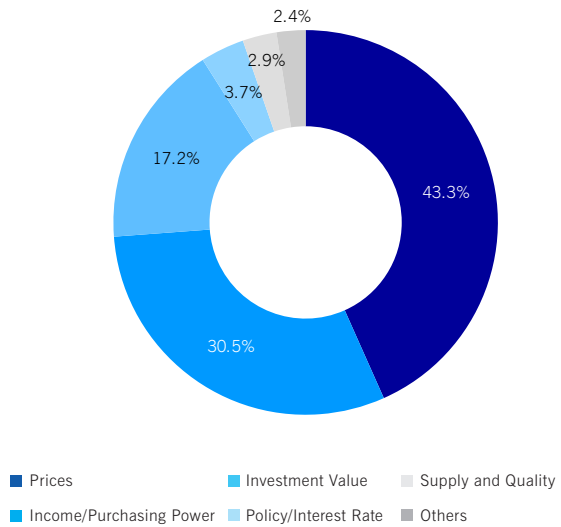




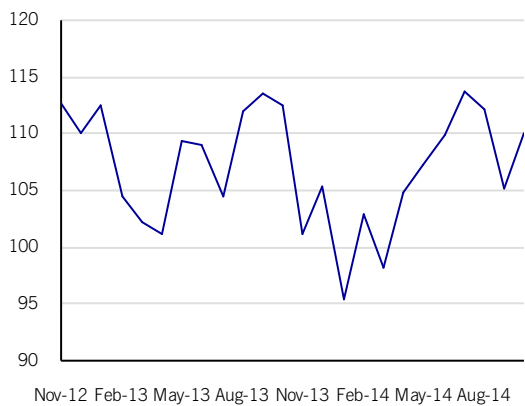
House Buying Sentiment



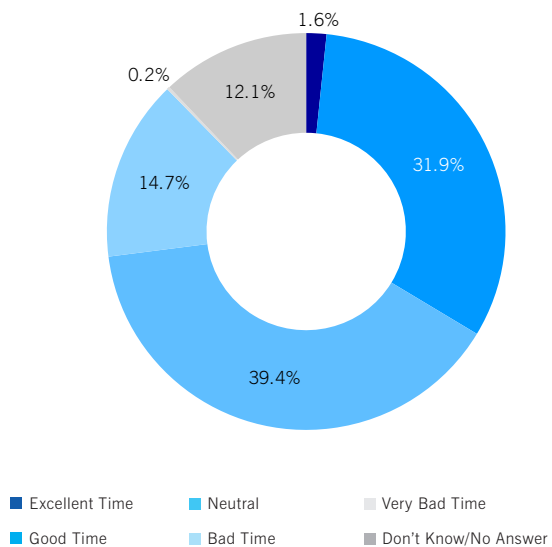
Reasons for Buying Houses (% of Households)



House Selling Sentiment

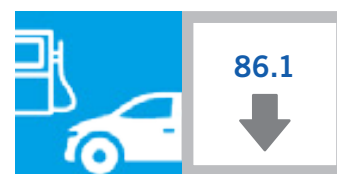


Timing for Selling Houses (% of Households)



## Car Purchase Indicator

### Gasoline Price Expectations at a Record Low



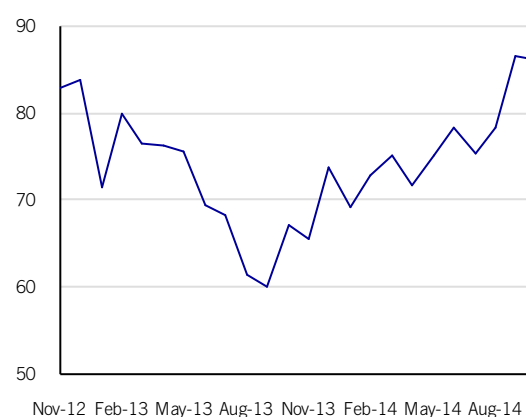
The Car Purchase Indicator remained broadly stable at 86.1 after hitting the series' high of 86.6 in September spurred by lower gas price expectations.

The Car Purchase Indicator is made up of two components, Car Purchase Expectations and Price of Gasoline Expectations, with the latter having a negative impact on the indicator. The Car Purchase Expectations component, which gauges whether consumers believe it is a good or bad time to purchase a car over the next 12 months, fell to a nine month low of 100.8 compared with 107.6 in September.

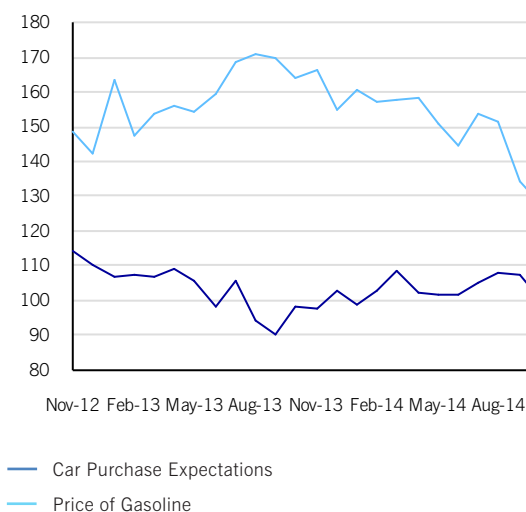
Since February, when tax cuts on vehicles were first announced, our survey has shown that car buying optimists have outnumbered pessimists. Of those consumers who felt it was a good time to purchase a car, the majority cited higher income and purchasing power as the main reason. A growing proportion though cited increased supply and quality in the market for cars.

Many consumers reported that several new models had entered the car market and heavy competition among car manufacturers had encouraged discounting. Car sales in India contracted for the first time in five months in September, declining by 1% on the year following growth of 15.2% in August. In the April-September period, car sales grew by 4.1% to 890,755 units compared with 855,757 units in the same period a year ago. In spite of the decline, dealerships have reported that their showrooms are busier as heavy discounting and attractive offers provided by car manufacturers attract price sensitive buyers.

Car Purchase Indicator



Car Purchase Indicator - Components



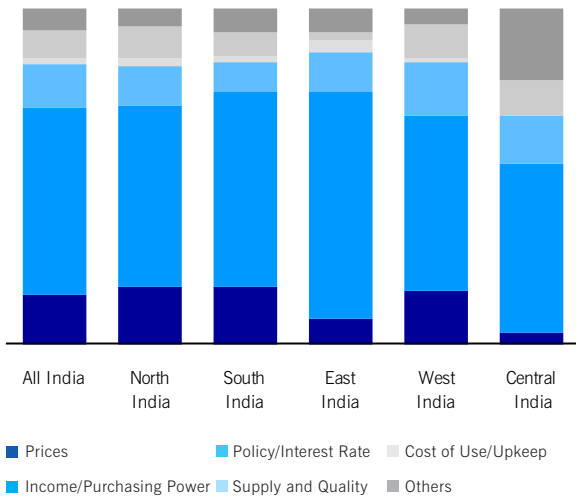
#### Car Purchase Sentiment

	Oct-13	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Car Purchase Sentiment	67.1	75.2	78.6	75.6	78.5	86.6	86.1
Car Purchase Expectations	98.4	101.8	101.7	105.4	108.5	107.6	100.8
Price of Gasoline	164.1	151.4	144.6	154.2	151.4	134.4	128.5

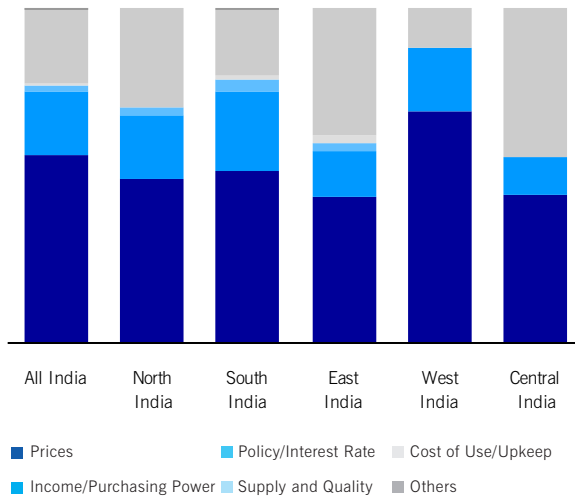
# Car Purchase Indicator Regions



Reasons for a Good Time to Buy a Car (% of Households)



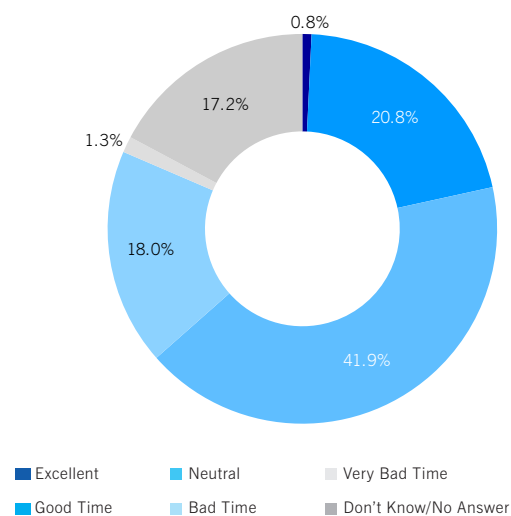
Reasons for a Bad Time to Buy a Car (% of Households)



Expectations for the Price of Gasoline fell to a new record low of 128.5 in October from 134.4 in September. Consumers' expectations of gasoline prices have trended downwards since August 2013 and this month they were 22% below the level seen in the same month a year ago.

About 56% of consumers thought that the price of gasoline would rise, but those who thought prices would go down increased to the highest on record. After the survey period closed, the government lifted controls on the price of diesel to make it market determined. Consequently, diesel became cheaper for the first time in five years in line with the softening in global oil prices and so as long as global oil prices remain low, consumers will face lower fuel prices.

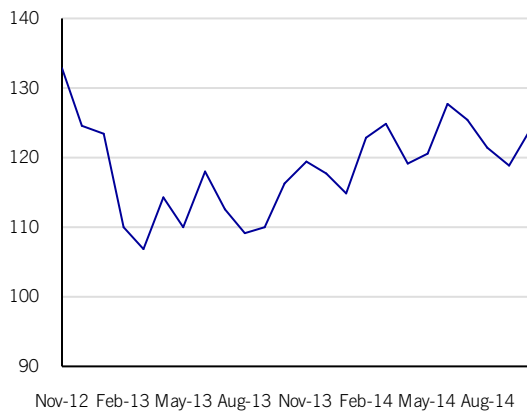
Is it a Good Time to Buy a Car? (% of Households)



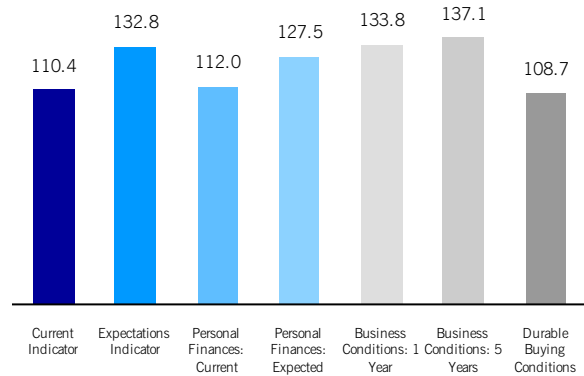
# MNI India Consumer Indicator Regions



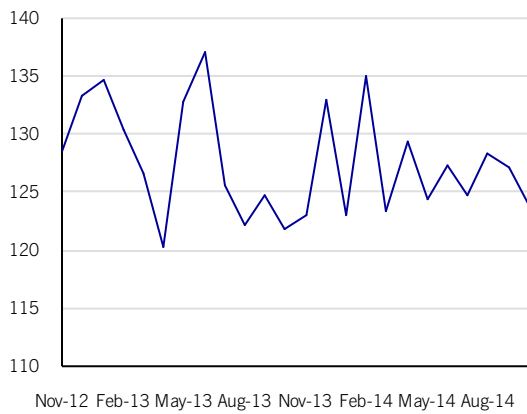
Consumer Indicator: North India



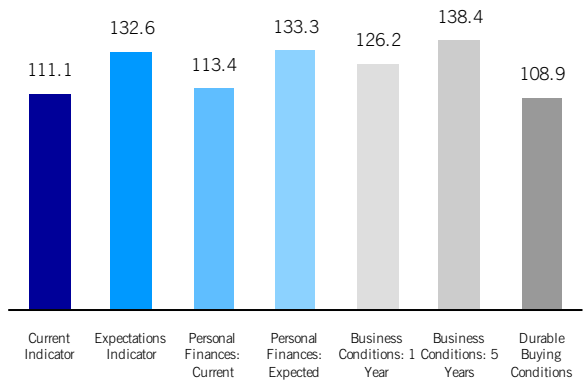
Consumer Indicator Components: North India



Consumer Indicator: South India



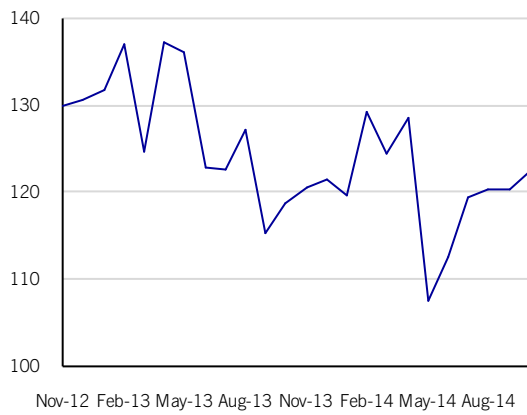
Consumer Indicator Components: South India



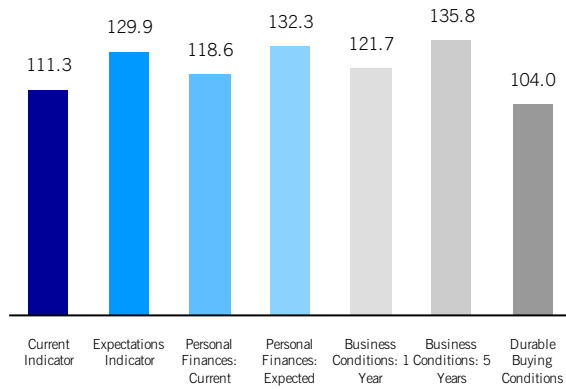




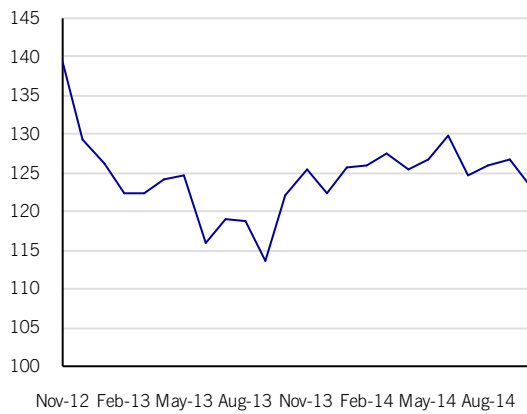
Consumer Indicator: East India



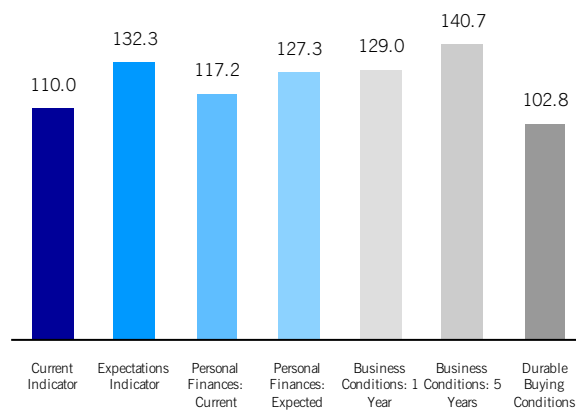
Consumer Indicator Components: East India



Consumer Indicator: West India

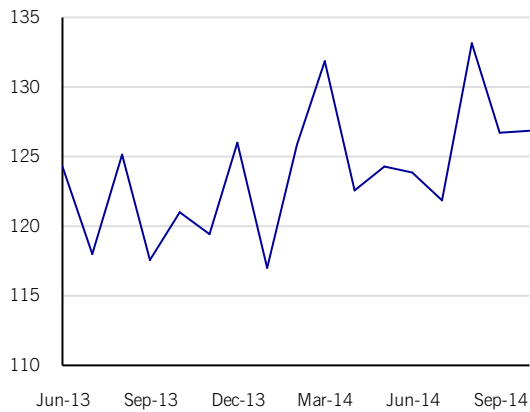


Consumer Indicator Components: West India

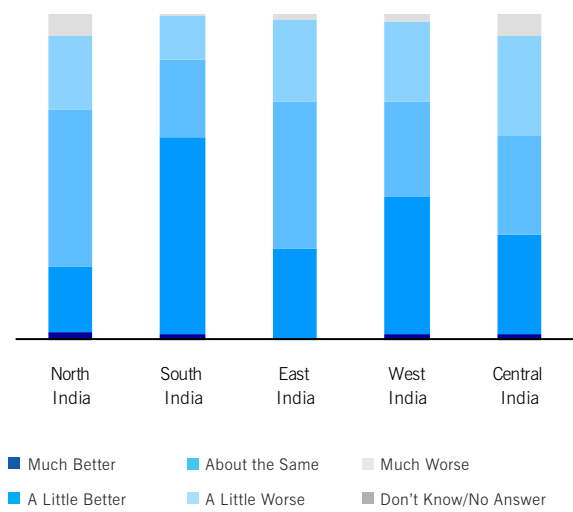




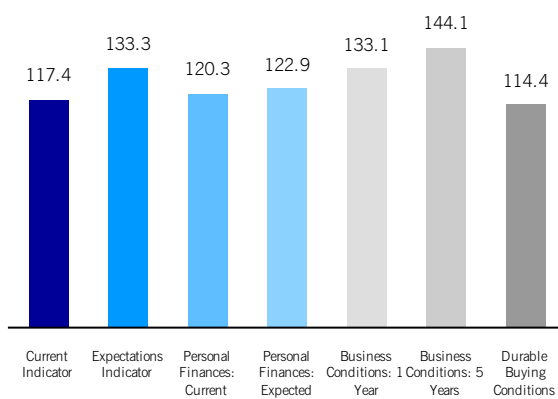
Consumer Indicator: Central India



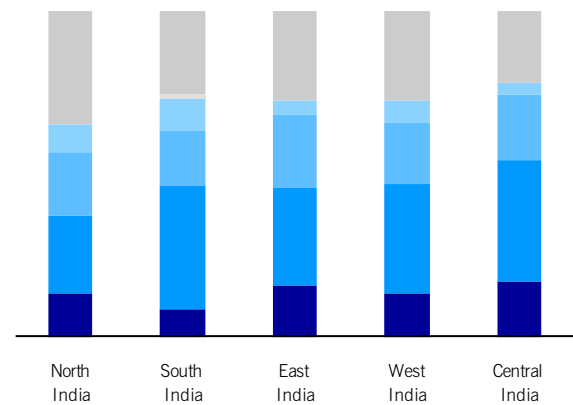
Employment Outlook for the Next 12 Months (% of Households)



Consumer Indicator Components: Central India

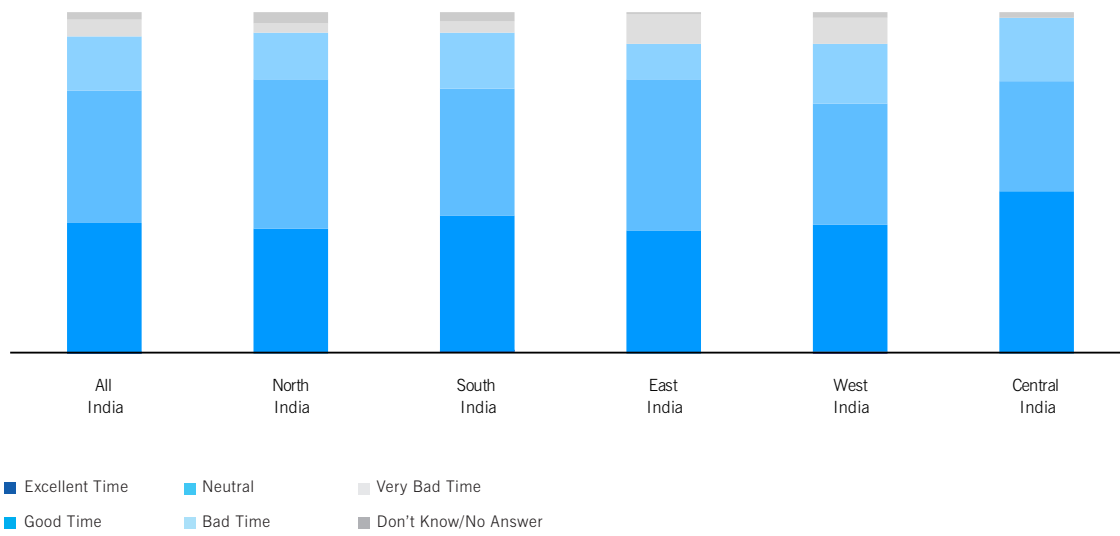


Interest Rate Expectations on House and Car Loans Indicator (% of Households)

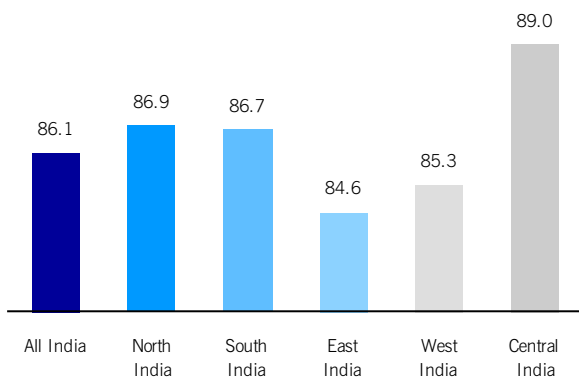




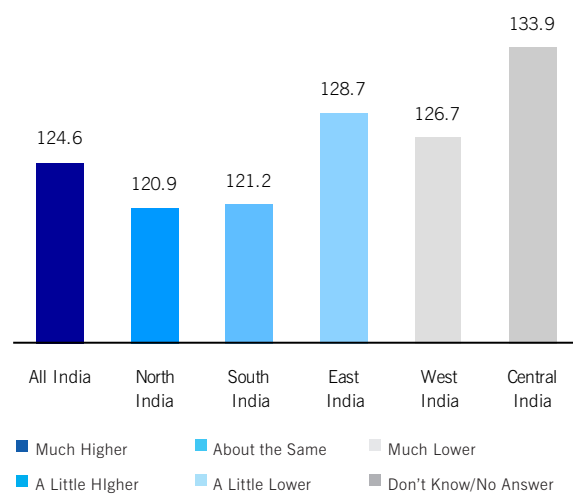
Is it a Good/Bad Time to Buy Large Household Goods? (% of Households)



Car Purchase Indicator - Regions



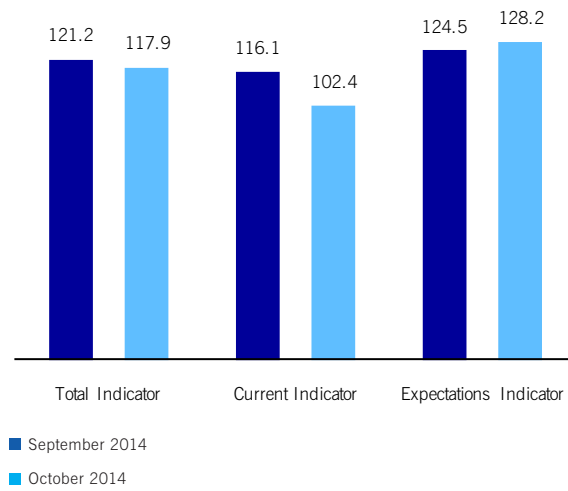
Interest Rates Expectations (% of Households)



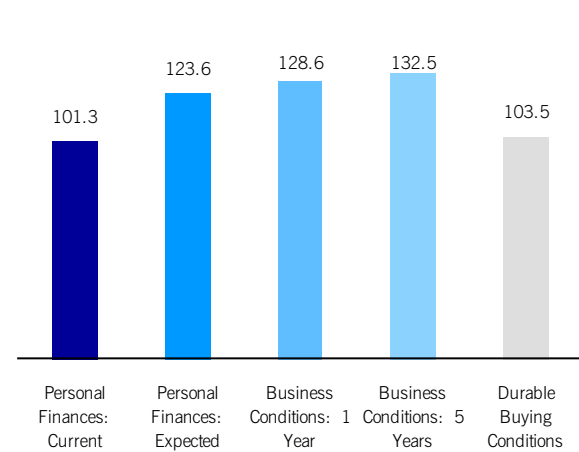
# MNI India Consumer Indicator Income Groups



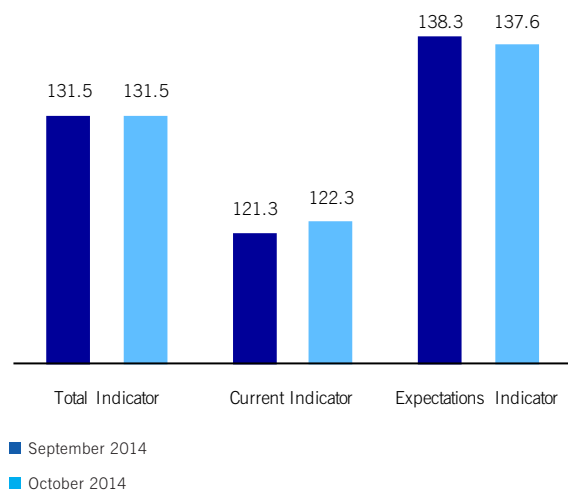
< INR 432,000 per annum



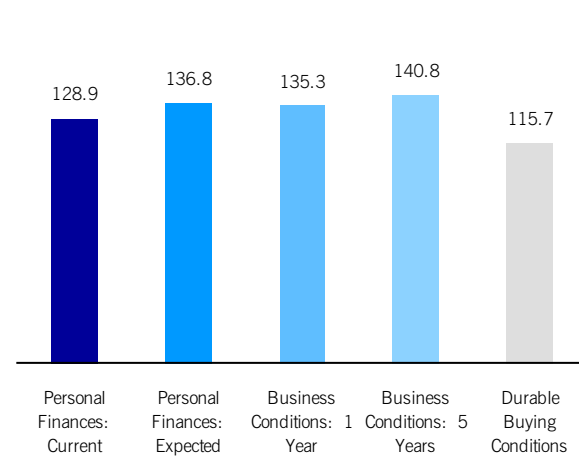
< INR 432,000 - Components



> INR 432,000 per annum



> INR 432,000 - Components



# Consumer confidence continued to fall among low income households...

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...while it stood flat among high income households in October.



## What the Panel Said

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

"New opportunities are there in Pune so more companies are setting up."

"Government policies are good, local MLA's are doing new things for the development of region."

"Festival discounts are available."

"Property rates are rising day by day."

"New industries are coming up so expect an increase in employment opportunities."

"Pension is the only source of income."

"Loans are available to buy consumer durables."

"All grocery items like milk, vegetables fruits are very costly."

"Diwali offers are available."

"Inflation is going down. Petrol and diesel prices have been reduced."

"Now there are no power cuts so business conditions have improved."

"The real estate business is booming."

"The price of electronic gadgets has come down, so it'll be good time for people to buy such things."

"EMI is available to buy a car."

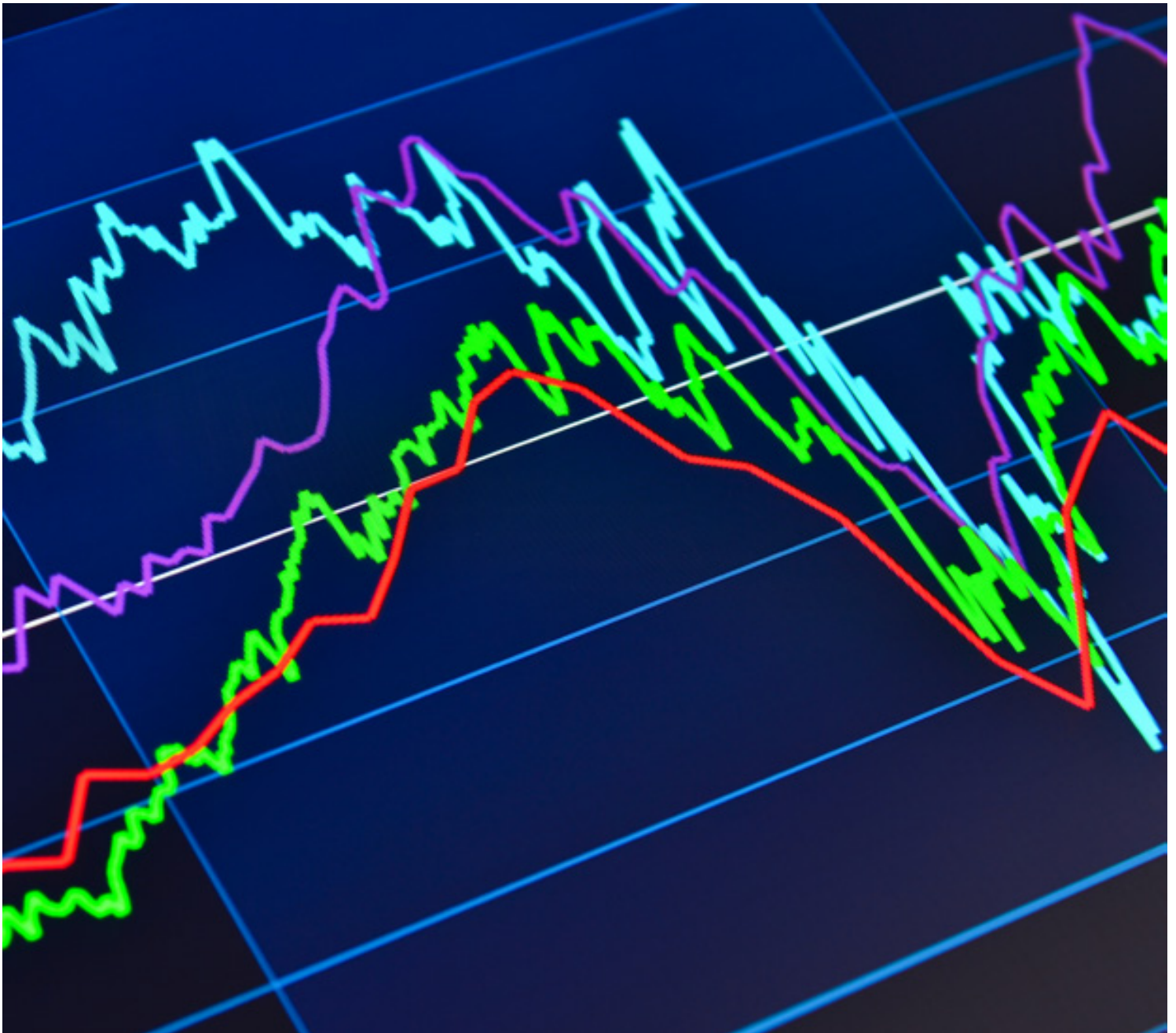
"There are lots of offers on consumer durables."

"Price of houses are high, daily expenses have risen and income is low."

"There is only one earning person in the family so financial situation is so-so."

"Manufacturing and IT industry is growing."

"It is good time to purchase a car as there are festival discounts now a days."



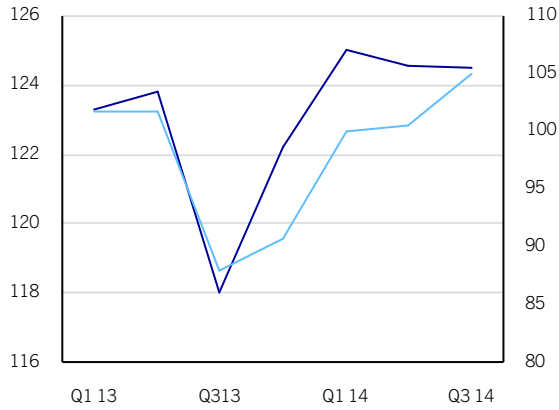
# Correlation Charts

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Our indicators closely track official Indian economic data.



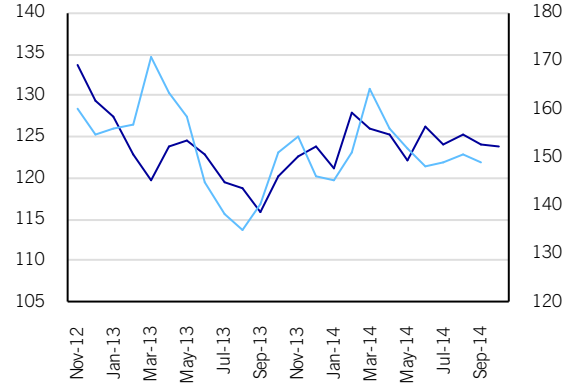
Consumer Sentiment



— MNI Consumer Sentiment  
— Consumer Confidence: Current Situation Index (RHS)\*

Source: \*Reserve Bank of India

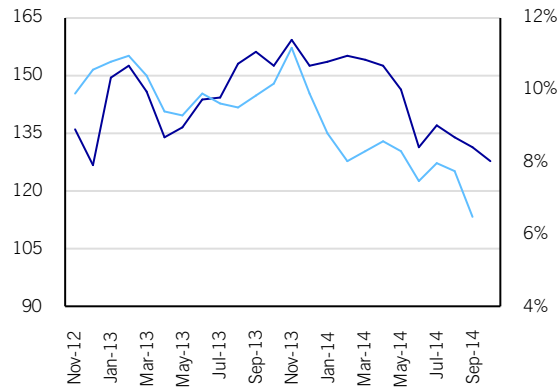
Car Sales



— MNI Consumer Sentiment  
— Domestic Passenger Car Sales - 3MA ('000s) (RHS)\*

Source: \*Society of Indian Automobile Manufacturers

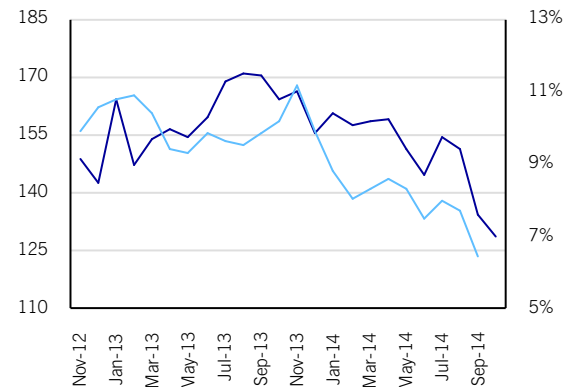
Inflation



— MNI Inflation Expectations  
— CPI y/y % (RHS)\*

Source: \*Central Statistical Organisation, India

Gasoline Price Expectations



— MNI Gasoline Price Expectations  
— CPI y/y % (RHS)\*

Source: \*Central Statistical Organisation, India



# Data Tables



A closer look at the data from the October consumer survey.

## North India Overview

	Aug-14	Sep-14	Oct-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>North India Consumer Indicator</b>	121.6	118.9	123.8	Jul-14	-	121.4	4.9	4.2%
Current Indicator	113.7	113.5	110.4	-	Apr-14	112.5	-3.1	-2.8%
Expectations Indicator	126.8	122.4	132.8	Jul-14	-	127.3	10.4	8.5%
Personal Finance: Current	110.8	113.8	112.0	-	Aug-14	112.2	-1.8	-1.5%
Personal Finance: Expected	130.0	130.2	127.5	-	May-14	129.2	-2.7	-2.1%
Business Condition: 1 Year	123.2	112.1	133.8	series high	-	123.0	21.7	19.3%
Business Condition: 5 Years	127.2	124.9	137.1	Jul-14	-	129.7	12.2	9.8%
Durable Buying Conditions	116.7	113.3	108.7	-	Jun-14	112.9	-4.6	-4.1%
Current Business Conditions Indicator	103.2	104.1	107.4	Nov-13	-	104.9	3.3	3.2%
Stock Investment Indicator	105.6	133.3	100.0	-	Jul-14	113.0	-33.3	-25.0%
Real Estate Investment Indicator	109.0	112.1	113.4	Mar-14	-	111.5	1.3	1.1%
Car Purchase Indicator	73.5	82.1	86.9	series high	-	80.8	4.8	5.9%
Employment Outlook Indicator	108.3	98.5	94.7	-	series low	100.5	-3.8	-3.9%
Inflation Expectations Indicator	140.4	135.8	129.8	-	series low	135.3	-6.0	-4.4%
Current Prices Satisfaction Indicator	66.7	63.4	71.1	Feb-14	-	67.1	7.7	12.2%
Interest Rates Expectations Indicator	120.4	118.3	120.9	Jul-14	-	119.9	2.6	2.2%

## South India Overview

	Aug-14	Sep-14	Oct-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>South India Consumer Indicator</b>	128.4	127.1	124.0	-	Mar-14	126.5	-3.1	-2.4%
Current Indicator	119.4	119.1	111.1	-	series low	116.5	-8.0	-6.7%
Expectations Indicator	134.4	132.5	132.6	Aug-14	-	133.2	0.1	0.1%
Personal Finance: Current	114.1	118.2	113.4	-	Apr-13	115.2	-4.8	-4.1%
Personal Finance: Expected	130.6	135.7	133.3	-	Aug-14	133.2	-2.4	-1.8%
Business Condition: 1 Year	128.1	123.9	126.2	Aug-14	-	126.1	2.3	1.9%
Business Condition: 5 Years	144.5	138.0	138.4	Aug-14	-	140.3	0.4	0.3%
Durable Buying Conditions	124.7	119.9	108.9	-	Dec-12	117.8	-11.0	-9.2%
Current Business Conditions Indicator	119.1	121.8	120.2	-	Aug-14	120.4	-1.6	-1.3%
Stock Investment Indicator	130.5	116.7	-	-	-	-	-	-
Real Estate Investment Indicator	114.7	111.1	107.0	-	Jul-14	110.9	-4.1	-3.7%
Car Purchase Indicator	84.7	97.1	86.7	-	Aug-14	89.5	-10.4	-10.6%
Employment Outlook Indicator	111.5	113.1	124.7	Jul-14	-	116.4	11.6	10.2%
Inflation Expectations Indicator	126.9	138.2	130.2	-	Aug-14	131.8	-8.0	-5.8%
Current Prices Satisfaction Indicator	73.4	91.2	98.9	Dec-13	-	87.8	7.7	8.4%
Interest Rates Expectations Indicator	117.2	114.1	121.2	Jul-14	-	117.5	7.1	6.2%

## East India Overview

	Aug-14	Sep-14	Oct-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>East India Consumer Indicator</b>	120.4	120.4	122.5	Apr-14	-	121.1	2.1	1.7%
Current Indicator	106.0	114.8	111.3	-	Aug-14	110.7	-3.5	-3.1%
Expectations Indicator	130.0	124.2	129.9	Aug-14	-	128.0	5.7	4.6%
Personal Finance: Current	104.8	108.6	118.6	Feb-14	-	110.7	10.0	9.2%
Personal Finance: Expected	131.2	125.3	132.3	Feb-14	-	129.6	7.0	5.6%
Business Condition: 1 Year	128.0	122.3	121.7	-	Jun-14	124.0	-0.6	-0.5%
Business Condition: 5 Years	130.9	124.9	135.8	Jul-14	-	130.5	10.9	8.7%
Durable Buying Conditions	107.2	121.0	104.0	-	Jun-14	110.7	-17.0	-14.0%
Current Business Conditions Indicator	103.9	119.1	113.6	-	Aug-14	112.2	-5.5	-4.6%
Stock Investment Indicator	129.1	138.9	-	-	-	-	-	-
Real Estate Investment Indicator	112.0	107.7	114.6	Apr-14	-	111.4	6.9	6.5%
Car Purchase Indicator	76.0	82.1	84.6	May-13	-	80.9	2.5	3.1%
Employment Outlook Indicator	102.8	103.1	99.8	-	May-14	101.9	-3.3	-3.2%
Inflation Expectations Indicator	126.7	126.5	121.8	-	Jun-14	125.0	-4.7	-3.7%
Current Prices Satisfaction Indicator	71.3	62.9	95.0	May-13	-	76.4	32.1	51.0%
Interest Rates Expectations Indicator	123.5	116.4	128.7	Jan-14	-	122.9	12.3	10.6%

## West India Overview

	Aug-14	Sep-14	Oct-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>West India Consumer Indicator</b>	126.2	126.8	123.4	-	Dec-13	125.5	-3.4	-2.7%
Current Indicator	119.4	119.9	110.0	-	Apr-14	116.4	-9.9	-8.2%
Expectations Indicator	130.8	131.4	132.3	Jun-14	-	131.5	0.9	0.7%
Personal Finance: Current	124.2	121.5	117.2	-	Sep-13	121.0	-4.3	-3.5%
Personal Finance: Expected	133.0	133.7	127.3	-	Jul-14	131.3	-6.4	-4.8%
Business Condition: 1 Year	124.9	124.2	129.0	Jun-14	-	126.0	4.8	3.8%
Business Condition: 5 Years	134.4	136.3	140.7	Jul-14	-	137.1	4.4	3.2%
Durable Buying Conditions	114.5	118.3	102.8	-	Apr-14	111.9	-15.5	-13.1%
Current Business Conditions Indicator	111.8	115.3	113.8	-	Aug-14	113.6	-1.5	-1.4%
Stock Investment Indicator	112.3	128.3	109.0	-	Mar-14	116.5	-19.3	-15.1%
Real Estate Investment Indicator	108.7	114.4	113.9	-	Aug-14	112.3	-0.5	-0.4%
Car Purchase Indicator	79.8	83.4	85.3	series high	-	82.8	1.9	2.3%
Employment Outlook Indicator	113.3	118.4	108.3	-	Sep-13	113.3	-10.1	-8.6%
Inflation Expectations Indicator	135.1	127.4	126.3	-	Jun-14	129.6	-1.1	-0.9%
Current Prices Satisfaction Indicator	68.5	89.3	72.7	-	Aug-14	76.8	-16.6	-18.6%
Interest Rates Expectations Indicator	117.2	129.6	126.7	-	Aug-14	124.5	-2.9	-2.3%

### Central India Overview

	Aug-14	Sep-14	Oct-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>Central India Consumer Indicator</b>	133.2	126.8	126.9	Aug-14	-	129.0	0.1	0.1%
Current Indicator	118.3	121.2	117.4	-	Jul-14	119.0	-3.8	-3.1%
Expectations Indicator	143.1	130.5	133.3	Aug-14	-	135.6	2.8	2.2%
Personal Finance: Current	114.2	121.2	120.3	-	Aug-14	118.6	-0.9	-0.7%
Personal Finance: Expected	145.0	133.1	122.9	-	May-14	133.7	-10.2	-7.6%
Business Condition: 1 Year	138.3	120.3	133.1	Aug-14	-	130.6	12.8	10.6%
Business Condition: 5 Years	145.8	138.1	144.1	Aug-14	-	142.7	6.0	4.3%
Durable Buying Conditions	122.5	121.2	114.4	-	Jul-14	119.4	-6.8	-5.6%
Current Business Conditions Indicator	87.5	103.4	110.2	May-14	-	100.4	6.8	6.6%
Stock Investment Indicator	-	133.3	133.3	series high	-	88.9	0.0	0.0%
Real Estate Investment Indicator	121.1	119.2	120.6	Aug-14	-	120.3	1.4	1.2%
Car Purchase Indicator	72.9	91.9	89.0	-	Aug-14	84.6	-2.9	-3.2%
Employment Outlook Indicator	104.2	97.5	94.9	-	series low	98.9	-2.6	-2.6%
Inflation Expectations Indicator	139.2	113.6	133.9	Aug-14	-	128.9	20.3	17.9%
Current Prices Satisfaction Indicator	46.7	71.2	77.1	Jan-14	-	65.0	5.9	8.3%
Interest Rates Expectations Indicator	127.5	121.2	133.9	Jul-14	-	127.5	12.7	10.5%

## All India - Overview by Age

	Aug-14	Sep-14	Oct-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>Age 18-34</b>								
<b>MNI India Consumer Indicator</b>	126.7	129.4	124.5	-	Mar-14	126.9	-4.9	-3.8%
Current Indicator	116.8	122.1	112.8	-	Sep-13	117.2	-9.3	-7.6%
Expectations Indicator	133.4	134.3	132.4	-	Jul-14	133.4	-1.9	-1.5%
Personal Finance: Current	118.8	119.5	119.8	Jul-14	-	119.4	0.3	0.3%
Personal Finance: Expected	136.9	137.0	132.1	-	Jul-14	135.3	-4.9	-3.6%
Business Condition: 1 Year	127.1	129.5	128.5	-	Aug-14	128.4	-1.0	-0.8%
Business Condition: 5 Years	136.1	136.5	136.5	Jul-14	-	136.4	0.0	0.0%
Durable Buying Conditions	114.8	124.7	105.8	-	Sep-13	115.1	-18.9	-15.2%
<b>Age 35-54</b>								
<b>MNI India Consumer Indicator</b>	124.8	122.6	123.3	Aug-14	-	123.6	0.7	0.5%
Current Indicator	116.6	115.6	109.7	-	Jun-13	114.0	-5.9	-5.1%
Expectations Indicator	130.3	127.3	132.3	Mar-14	-	130.0	5.0	3.9%
Personal Finance: Current	113.9	116.4	113.5	-	Jul-13	114.6	-2.9	-2.5%
Personal Finance: Expected	129.0	132.0	129.6	-	Aug-14	130.2	-2.4	-1.8%
Business Condition: 1 Year	126.6	117.8	128.1	Feb-14	-	124.2	10.3	8.8%
Business Condition: 5 Years	135.3	132.1	139.2	Jul-14	-	135.5	7.1	5.4%
Durable Buying Conditions	119.3	114.9	105.9	-	Apr-14	113.4	-9.0	-7.8%
<b>Age 55-64</b>								
<b>MNI India Consumer Indicator</b>	122.6	117.2	123.5	Mar-14	-	121.1	6.3	5.4%
Current Indicator	113.6	112.6	110.7	-	May-14	112.3	-1.9	-1.6%
Expectations Indicator	128.6	120.3	132.0	Mar-14	-	127.0	11.7	9.7%
Personal Finance: Current	111.5	115.9	112.3	-	Aug-14	113.2	-3.6	-3.1%
Personal Finance: Expected	128.9	121.6	123.0	Aug-14	-	124.5	1.4	1.1%
Business Condition: 1 Year	124.3	112.5	130.9	Mar-14	-	122.6	18.4	16.3%
Business Condition: 5 Years	132.5	126.7	142.0	Mar-14	-	133.7	15.3	12.1%
Durable Buying Conditions	115.6	109.2	109.1	-	Jun-14	111.3	-0.1	-0.1%



## All India - Overview by Income

	Aug-14	Sep-14	Oct-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>&lt; INR 432,000 per annum</b>								
<b>MNI India Consumer Indicator</b>	120.0	121.2	117.9	-	Sep-13	119.7	-3.3	-2.7%
Current Indicator	106.9	116.1	102.4	-	series low	108.5	-13.7	-11.8%
Expectations Indicator	128.8	124.5	128.2	Aug-14	-	127.2	3.7	3.0%
Personal Finance: Current	103.5	108.6	101.3	-	series low	104.5	-7.3	-6.7%
Personal Finance: Expected	131.8	126.0	123.6	-	Jul-14	127.1	-2.4	-1.9%
Business Condition: 1 Year	124.9	119.3	128.6	Feb-14	-	124.3	9.3	7.8%
Business Condition: 5 Year	129.6	128.3	132.5	Jul-14	-	130.1	4.2	3.3%
Durable Buying Conditions	110.4	123.7	103.5	-	series low	112.5	-20.2	-16.3%
<b>&gt; INR 432,000 per annum</b>								
<b>MNI India Consumer Indicator</b>	133.5	131.5	131.5	Aug-14	-	132.2	0.0	0.0%
Current Indicator	127.0	121.3	122.3	Aug-14	-	123.5	1.0	0.8%
Expectations Indicator	137.8	138.3	137.6	-	Jul-14	137.9	-0.7	-0.5%
Personal Finance: Current	129.1	126.9	128.9	Aug-14	-	128.3	2.0	1.6%
Personal Finance: Expected	139.5	143.5	136.8	-	Jul-14	139.9	-6.7	-4.6%
Business Condition: 1 Year	135.8	133.3	135.3	Aug-14	-	134.8	2.0	1.5%
Business Condition: 5 Year	137.9	138.0	140.8	Jul-14	-	138.9	2.8	2.0%
Durable Buying Conditions	125.0	115.7	115.7	-	Jun-14	118.8	0.0	-0.1%

## Methodology

The MNI India Consumer Sentiment Survey is a wide ranging monthly survey of consumer confidence across India.

Data is collected via telephone interviews. At least 1,000 interviews are conducted each month across the country.

The survey adopts a similar methodology to the University of Michigan survey of U.S. consumer sentiment.

The main MNI India Consumer Indicator is derived from five questions, two on current conditions and three on future expectations:

- 1) Current personal financial situation compared to a year ago
- 2) Current willingness to buy major household items
- 3) Personal financial situation one year from now
- 4) Overall business conditions one year from now
- 5) Overall business conditions for the next 5 years

Indicators relating to specific questions in the report are diffusion indices with 100 representing a neutral level, meaning positive and negative answers are equal. Values above 100 indicate increasing positivity while values below show increasing negativity.



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Westferry House

11 Westferry Circus

London

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[www.mni-indicators.com](http://www.mni-indicators.com)

[@MNIIndicators.com](mailto:@MNIIndicators.com)

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