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# MNI India Consumer Report August 2015

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### Insight and data for better decisions

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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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# MNI India Consumer Report - August 2015

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# Executive Summary

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Consumer confidence improved slightly in August for the first time since April. The MNI India Consumer Sentiment Indicator rose to 119.1 in August from 118.6 in July.

Consumer sentiment among Indian households has remained stable since the start of the year, but the trend since May 2014, when the Modi government came to power, has been one of gradual decline.

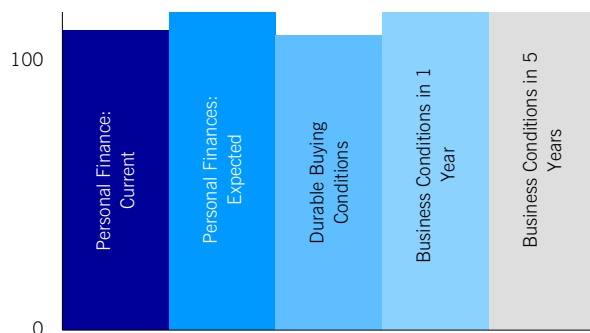
Still, the August survey provided a tentative sign that respondents were increasingly convinced that government policy was starting to have an impact and will continue to help the business environment. Consumers revised up their perception of the current business situation and their short-term expectations for it, with a growing number of respondents citing government policy reforms. The Current Business Conditions Indicator rose to 111.0, surpassing the outturn in August 2014 while the indicator for Business Conditions in One Year was 2.5% above the level seen at the start of the year. Consequently respondents were more optimistic about the job market over the next 12 months, with the Employment Outlook Indicator rising to the highest level since May 2013.

Consumers reported a small improvement in their personal financial situation and in their willingness to purchase big-ticket items probably due to a decline in retail price inflation. The Personal Finances Indicator rose to 111.1 and the Durable Buying Conditions Indicator increased to a four-month high of 109.3. There was also a rise in satisfaction with the current level of prices in August and a reduction in inflation expectations for the next 12 months. A growing proportion of consumers anticipated prices will rise by 5%; a change in attitude from previous months when respondents had much higher inflation expectations.

In contrast, House Buying Sentiment remained broadly stable at 93.0 in August compared with 93.3 in July. The indicator has remained below 100 since May 2014, indicating that pessimists outnumber optimists, with the majority attributing lower willingness to purchase a house to high property prices.

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, also declined to 99.2 in August from 101.1 in July, the lowest level and the first time below the 100 mark since December 2014.

MNI India Consumer Indicator - Components



## All India - Overview

	Jun-15	Jul-15	Aug-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>MNI India Consumer Indicator</b>	119.5	118.6	119.1	Jun-15	-	119.1	0.5	0.4%
Current Indicator	111.2	109.6	110.2	Jun-15	-	110.3	0.6	0.5%
Expectations Indicator	125.1	124.6	125.1	Jun-15	-	124.9	0.5	0.4%
Personal Finance: Current	114.4	110.3	111.1	Jun-15	-	111.9	0.8	0.7%
Personal Finance: Expected	120.9	119.3	119.3	Jun-15	-	119.8	0.0	0.0%
Business Condition: 1 Year	122.5	121.1	122.6	Apr-15	-	122.1	1.5	1.2%
Business Condition: 5 Years	131.9	133.4	133.4	Apr-15	-	132.9	0.0	0.0%
Durable Buying Conditions	108.0	109.0	109.3	Apr-15	-	108.8	0.3	0.4%
Current Business Conditions Indicator	112.4	107.9	111.0	Jun-15	-	110.4	3.1	2.9%
Stock Investment Indicator	123.2	114.5	127.7	Apr-15	-	121.8	13.2	11.5%
Real Estate Investment Indicator	114.8	115.0	115.7	Mar-14	-	115.2	0.7	0.6%
Car Purchase Indicator	84.6	84.9	93.4	Apr-15	-	87.6	8.5	10.0%
Employment Outlook Indicator	122.7	119.3	122.9	May-13	-	121.6	3.6	3.1%
Inflation Expectations Indicator	136.3	140.4	137.5	-	Jun-15	138.1	-2.9	-2.1%
Current Prices Satisfaction Indicator	89.1	87.7	89.6	Apr-15	-	88.8	1.9	2.1%
Interest Rates Expectations Indicator	133.7	130.1	131.2	Jun-15	-	131.7	1.1	0.9%

## All India - Summary

	2014					2015							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>MNI India Consumer Indicator</b>	125.2	124.1	123.7	120.9	119.6	120.4	121.2	118.5	122.1	119.6	119.5	118.6	119.1
Current Indicator	116.2	117.5	111.0	110.7	106.9	112.2	114.3	109.9	115.7	113.5	111.2	109.6	110.2
Expectations Indicator	131.2	128.4	132.3	127.7	128.0	125.8	125.7	124.2	126.4	123.7	125.1	124.6	125.1
Personal Finance: Current	115.4	117.1	115.4	115.6	114.4	113.3	116.1	114.5	118.3	117.7	114.4	110.3	111.1
Personal Finance: Expected	132.1	132.2	129.2	128.7	126.3	124.2	123.7	121.1	120.8	119.1	120.9	119.3	119.3
Business Condition: 1 Year	126.4	120.7	128.8	116.3	119.9	119.6	120.1	119.5	123.8	121.1	122.5	121.1	122.6
Business Condition: 5 Years	135.1	132.5	138.8	138.1	137.9	133.6	133.3	132.1	134.5	131.0	131.9	133.4	133.4
Durable Buying Conditions	116.9	118.0	106.5	105.8	99.4	111.2	112.6	105.4	113.0	109.2	108.0	109.0	109.3
<b>Current Business Conditions Indicator</b>	109.0	113.9	113.5	108.6	116.6	112.4	117.2	110.3	114.4	113.0	112.4	107.9	111.0
<b>Stock Investment Indicator</b>	113.5	130.8	108.9	114.8	118.5	114.5	114.7	126.0	131.3	121.5	123.2	114.5	127.7
Investment Return	126.5	162.4	109.1	144.3	158.2	140.4	128.9	152.5	151.0	154.2	137.3	109.3	160.7
Stock Price Sentiment	106.0	122.2	111.8	131.8	145.5	145.9	121.9	129.0	104.4	112.6	88.5	93.9	113.7
Stock Market Expectations	120.1	152.2	129.2	131.8	142.8	148.9	137.1	154.4	147.4	122.9	120.8	128.1	136.1
<b>Real Estate Investment Indicator</b>	111.3	112.5	112.6	111.0	111.0	114.2	114.5	112.1	115.3	114.6	114.8	115.0	115.7
House Price Expectations	148.7	146.4	149.6	144.0	154.2	153.6	151.8	149.9	152.9	156.6	153.7	152.4	149.9
House Buying Sentiment	97.4	96.2	98.4	92.1	89.3	94.6	96.6	91.5	88.9	88.4	89.3	93.3	93.0
House Selling Sentiment	112.2	105.2	110.0	103.2	110.7	105.5	104.9	105.0	96.0	101.4	98.5	100.8	95.7
<b>Car Purchase Indicator</b>	78.5	86.6	86.1	91.7	91.4	104.0	108.1	96.5	96.3	87.7	84.6	84.9	93.4
Car Purchase Expectations	108.5	107.6	100.8	89.8	79.7	105.1	105.8	100.7	103.8	102.1	101.0	101.1	99.2
Price of Gasoline Expectations	151.4	134.4	128.5	106.3	96.9	97.0	89.5	107.6	111.2	126.6	131.8	131.3	112.4
<b>Employment Outlook Indicator</b>	109.8	109.1	106.9	111.4	121.1	122.7	121.8	116.3	120.1	121.1	122.7	119.3	122.9
Inflation Expectations Indicator	133.7	131.1	127.9	119.0	123.2	126.8	119.6	132.8	134.2	138.7	136.3	140.4	137.5
Current Prices Satisfaction Indicator	68.3	78.8	81.6	89.7	97.1	96.4	100.4	95.4	92.6	86.7	89.1	87.7	89.6
Interest Rates Expectations Indicator	119.4	121.0	124.6	122.0	129.4	123.9	124.0	121.9	129.2	134.3	133.7	130.1	131.2

## All India - Records

	2012-Current			
	Minimum	Maximum	Mean	Median
<b>MNI India Consumer Indicator</b>	115.9	133.7	122.7	122.3
Current Indicator	106.9	128.3	115.1	114.3
Expectations Indicator	120.3	137.3	127.7	127.1
Personal Finance: Current	110.3	135.4	119.2	117.8
Personal Finance: Expected	118.4	141.5	127.1	127.1
Business Condition: 1 Year	114.1	131.8	122.0	121.1
Business Condition: 5 Years	123.9	144.5	133.9	133.3
Durable Buying Conditions	99.4	121.1	111.0	110.9
<b>Current Business Conditions Indicator</b>	102.9	124.9	113.3	112.7
<b>Stock Investment Indicator</b>	89.7	131.3	111.4	110.9
Investment Return	82.7	162.4	123.1	119.9
Stock Price Sentiment	88.5	145.9	114.1	112.6
Stock Market Expectations	103.8	154.4	125.0	121.9
<b>Real Estate Investment Indicator</b>	109.7	119.9	113.9	114.2
House Price Expectations	133.3	156.6	146.2	146.4
House Buying Sentiment	88.4	121.5	101.1	98.7
House Selling Sentiment	95.5	113.7	105.6	105.1
<b>Car Purchase Indicator</b>	60.1	108.1	80.1	77.6
Car Purchase Expectations	79.7	114.8	102.3	102.7
Price of Gasoline Expectations	89.5	171.0	142.1	151.4
<b>Employment Outlook Indicator</b>	106.9	128.3	118.5	119.6
Inflation Expectations Indicator	119.0	159.2	140.4	138.1
Current Prices Satisfaction Indicator	63.0	115.9	85.8	88.4
Interest Rates Expectations Indicator	116.6	140.4	129.2	130.1

# Consumer price inflation fell to an eight-month low of 3.8% in July...

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...mostly on the back of falling food prices, while core inflation also eased to a three-month low of 4.5%.



# Economic Landscape

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Latest data from India has been positive. GDP growth slipped slightly but Gross Value Added accelerated to 7.1% on the year in Q1, led by renewed strength in the industrial and agriculture sectors.

Latest data from India has been positive. GDP growth slipped slightly but Gross Value Added accelerated to 7.1% on the year in Q1, led by renewed strength in the industrial and agriculture sectors. Inflation declined by more than expected while industrial production also picked-up. Consumer price inflation fell to an eight-month low of 3.8% in July, mostly on the back of falling food prices, although core inflation also eased to a three-month low of 4.5%. Industrial production expanded by 3.8% year-on-year in June following 2.5% growth in May. The trade deficit rose to an eight-month high with significant weakness in both external and domestic demand, but this month provided hope that the worst may be over given signs of a pick-up in global economic activity and better prospects for domestic demand due to the easing in both inflation and interest rates.

The RBI left the key policy interest rate unchanged at 7.25% on August 4, but left the door open for further easing this year. The next rate cut decision will be led by clarity on how the monsoon fares, the domestic economic recovery, the extent of transmission of earlier rate cuts and the US Fed policy action. Given the sharp decline in overall inflation in July, especially in core inflation, along with lower inflation expectations and further cuts in lending rates by commercial banks, it is probable that the RBI will cut the repo rate either before or at the September 29 monetary policy meeting.

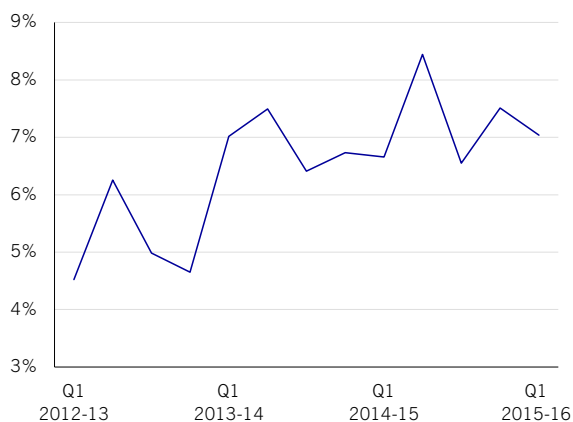
### Growth in GDP weakens but accelerates in GVA in Q1

Latest GDP data showed that India's economic growth slowed to 7% on the year in the Apr-June quarter, down from 7.5% in the previous quarter, although improved from 6.7% growth in the Apr-June quarter last year.

Not every aspect of the national accounts was disappointing, with one positive lining in the data coming from GVA which accelerated from 6.1% on the year in Q4 to 7.1% in Q1. Since GDP at market prices is calculated by adding indirect taxes net of subsidies to GVA (at basic prices), this suggests that there was very little growth in indirect taxes net of subsidies in the quarter ending June; a complete reversal on the previous quarter.

Given large volatility in net indirect taxes, GVA provides a better representation of underlying growth dynamics. Much of the growth in GVA came from an improvement in the agriculture sector which grew by 1.9% on the year in Q1 having contracted in the previous two quarters. While manufacturing growth was on the slower side, it was offset by mining and construction. Manufacturing growth eased to 7.2% on the year in Q1 from 8.4% in the previous quarter. Mining growth almost doubled to 4% in Q1 from 2.3% in the previous quarter while construction grew by a hefty 6.9% compared with 1.4%

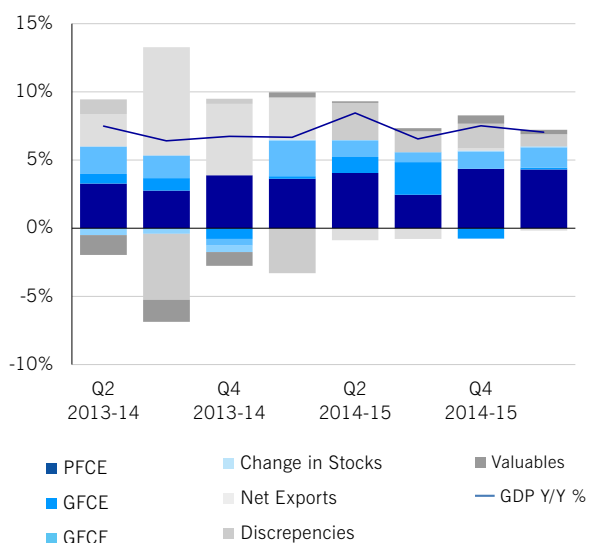
### Economic Growth



— GDP Y/Y %, fiscal year

Source: Central Statistics Office

### Contribution to GDP Growth



Source: Central Statistics Office

### Contribution to GDP Growth

	Q1 2015-16	Q4 2014-15	Q1 2014-15
Private Final Consumption	4.3%	4.4%	3.6%
Government Final Consumption	0.1%	-0.8%	0.2%
Gross Fixed Capital Formation	1.5%	1.2%	2.6%
Net Exports	-0.2%	0.2%	3.1%
GDP Growth	7.0%	7.5%	6.7%

growth in the previous quarter. Services continued to be the frontrunner with growth of 8.9% on the year, although down from the previous quarter's growth of 9.2%. On the services side, while growth dipped slightly within the trade, transport and financial services sectors, both public administration and defence registered higher growth.

On an expenditure basis, GDP growth in the Apr-June quarter was led by 7.4% year-on-year growth of private final consumption expenditure, likely due to improved urban demand on the back of the moderation in retail inflation and decline in fuel prices which offset the weakness in rural demand, which is reflected in poor demand for two-wheelers. Personal consumption added 4.3 percentage points to growth, having contributed 4.4 percentage points in the previous quarter and 3.6 percentage points in the same quarter a year ago. Gross fixed capital formation rose by a modest 4.9%, highlighting that the pace of implementation of projects remains sluggish. It added 1.5 percentage points, slightly above its contribution of 1.2 percentage points in the previous quarter but below its contribution of 2.6 percentage points in the same quarter a year ago. Government final consumption expenditure growth was at 1.2%, an improvement from last quarter's contraction, although still reflecting lower subsidy pay-outs on account of the fall in the price of crude oil. In contrast, exports contracted by 6.5%, acting as a drag on the pace of GDP expansion. Net exports subtracted 0.2 percentage point, having added 3.1 percentage points in the same quarter the previous year.

The slowdown in the first quarter of the 2015-16 fiscal year was in line with the MNI India Business Sentiment Survey which pointed to an easing in economic growth given that the headline indicator as well as other key

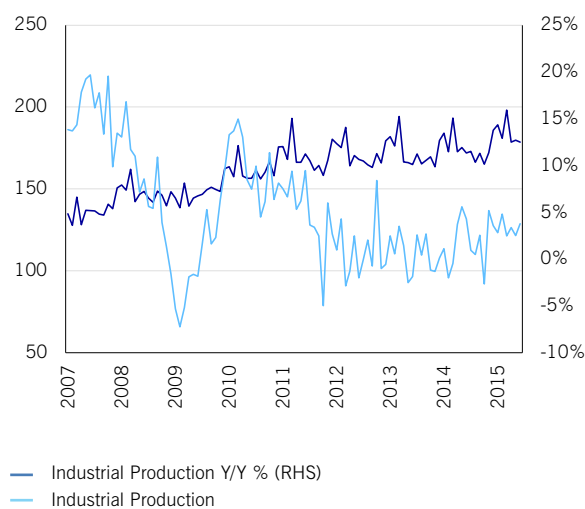
parameters such as Production and New Orders remained almost flat for the second consecutive quarter in the three months to June and were below their respective outturns for the Apr-June quarter in 2014. Furthermore, our sister Consumer Sentiment Survey has painted a weak picture of Indian households with confidence among them falling in Q1 in contrast to the improvement seen in the same quarter of 2014.

GVA growth is expected to be driven by consumption, led by both government and private households. Meanwhile the moderation in inflation and the raising of the national daily minimum wage is expected to support domestic consumption demand. Commodity prices continue to decline and are likely to be a positive for both private consumption and government. Higher government spending on infrastructure, easing of rules for foreign direct investment and monetary easing are expected to support investment in the 2015-16 fiscal year.

### Growth in industrial output rises to a four-month high

Latest data showed a positive picture for the industrial sector, signalling that the long-term recovery remains intact, especially with the consumer sector making a positive impact after prolonged weakness. Industrial production expanded at 3.8% on the year in June following an increase of 2.5% on the year in May (revised

### Industrial Production



Source: Central Statistics Office

down from 2.7% previously). Even though growth in output has been volatile, the first six months of the year has seen industrial production expand by 3.3% over the previous year, significantly above growth of 1.9% seen in 2014.

Growth in June was mainly led by the manufacturing sector, which forms three quarters of industrial production. Growth in manufacturing rose to a four-month high of 4.6% from 2% in the previous month (revised down from 2.2%). Even though manufacturing production is lumpy and volatile on a monthly basis, India's manufacturing industry has started showing some green shoots. It has grown by 3.7% in the six months to June over the past year, the highest growth rate in four years. This will provide impetus to Modi's "Make in India" program which aims to make India a global manufacturing hub. A favourable base effect, weakness in the rupee and the recovery in the US and European economies should also support growth in export oriented manufacturing sectors in the coming months. Electricity production grew by 1.3% on the year while mining contracted for the first time in five months.

According to use-based classification, basic goods production grew by 5.1% following growth of 6.2% (revised down from 6.4% previously) while production of consumer goods accelerated to 6.6%, the highest since October 2012, owing mostly to base effects. Output of consumer durables jumped by 16% on the year after falling 3.9% in May. Three-month year-on-year growth in consumer durables production grew for the first time since December 2012 and may well be marking a turning point for the consumer sector. While the consumer goods sector showed a fresh hope of recovery, capital goods output, a proxy for investment contracted by 3.6% on the year. This was mainly due to unfavourable base effects as capital goods production saw a bumper 23.3% increase in June 2014. In spite of the contraction, we welcome the turnaround in capital goods production which has grown by an impressive 5.7% in the first six months of the year compared with the last year, the highest since 2011. However, the pick-up in capital goods production has started to ease recently, with three-month year-on-year growth at the lowest since November 2014.

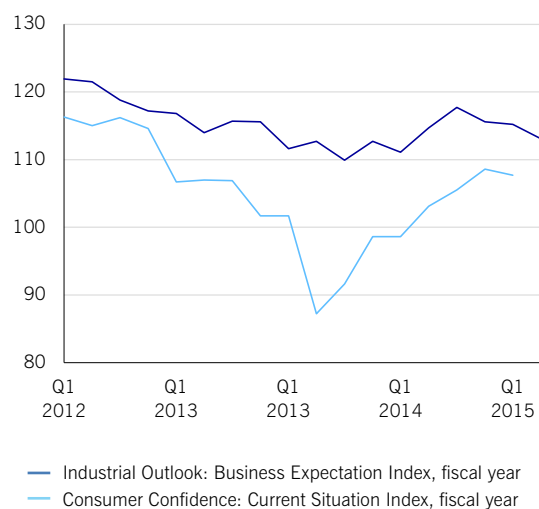
The more frequently updated data for the core sector, which is comprised of eight industries and forms 38% of industrial production, grew by 1.1% in July compared with 3% growth in June and significantly below the growth of 4.1% in July 2014. In July, production of fertilizer was the front-runner, growing by 8.6%, highest since May 2014, while steel production contracted by 2.6% on the year. During the April-July period of the current fiscal, infrastructure output slowed to just 2% on the year, down from 5.6% growth in the corresponding period last year.

#### RBI Industrial Outlook eases for the September quarter

The RBI's Industrial Outlook Survey showed that the Business Expectation Index (BEI), a gauge of manufacturing business sentiment, eased slightly to 113.1 in the quarter ending September from 115.2 in the quarter ending June and was below the outturn of 114.7 recorded a year earlier. Companies expected to receive fewer domestic orders and hence revised down their outlook for imports. Meanwhile, they had an increasingly optimistic outlook for employment and production.

Manufacturing companies witnessed a decline in demand during the April-June quarter, with sentiment easing to 104.8 from 106.7 in the previous quarter. The decline in sentiment for the assessment quarter was mainly due to reduced optimism in production, order

#### RBI Business and Consumer Sentiment



Source: Reserve Bank of India

books, capacity utilisation, employment, financial situation, availability of finance coupled with increased pessimism in cost of raw materials and profit margin.

More up-to-date monthly data from the MNI India Business Sentiment Survey has shown that the pace of growth in business confidence has eased in recent months. In the quarter ending June, the MNI India Business Sentiment Indicator fell to the lowest in more than a year, averaging 64.4. In August, business sentiment declined for the second consecutive month close to the lows of 2014. Firms reported little change in their production, productive capacity and workforce in August compared with last month but was more optimistic about the coming three months. While the weaker rupee helped bring in more orders from abroad in August, the total number of orders received by our panel was more-or-less unchanged in a sign that domestic demand remained weak.

#### RBI Consumer Confidence fell in June

The RBI's Consumer Confidence survey showed that the Current Situation Index (CSI), an assessment of consumer sentiment eased slightly in the quarter ending June to 107.7 from 108.6 in the quarter ending March. This was, however, markedly above the 98.6 recorded in the quarter ending June a year earlier.

Current economic conditions compared to one year ago eased slightly after improving in the previous four rounds of the survey. Also, positive perceptions on future economic conditions fell close to the outturn of September 2014.

The employment outlook worsened significantly in the June quarter compared with the previous quarter and fewer respondents expected an improvement in the employment situation one year ahead. The positive perceptions regarding current income have also been declining since September 2014 and fewer respondents expected it to improve one year ahead.

Respondents' expectations about future economic conditions also eased as the Future Expectations Index, which measures the year-ahead outlook, fell to 124.2 in June from 126.7 in March.

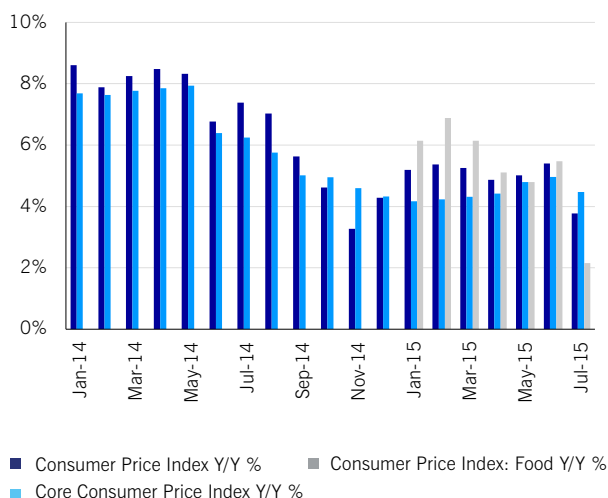
More up-to-date monthly data from the MNI India Consumer Sentiment Survey has shown confidence gradually falling among households since last year. The MNI India Consumer Sentiment Indicator rose slightly to 119.1 in August from 118.6 in July, although most indicators remained at low levels. Consumers reported that they were more confident about current prices and had lower inflationary expectations, although their willingness to buy large household items, cars or a house remained low.

#### Inflation eases in July

Consumer price inflation eased to 3.8% in July after accelerating to 5.4% in June. The slowdown was mainly driven by food price inflation (46% of the CPI basket) which fell to 2.2% in July from 5.5% in June. Fuel inflation also helped, easing for the second consecutive month to 5.4% from 5.8% in June. After stripping out the more volatile food and fuel price components, core inflation fell to 4.5% in July, above headline inflation.

There was positive news from the rural sector, with inflation easing to 4.4% in July from 6.1% in June, the lowest level this year. This is somewhat a relief given that there were fears that rural prices could rise sharply given that the Met department had forecast a sub-normal monsoon season. Rainfall has been near-normal so far but is expected to decrease in the coming months, potentially hitting agricultural output which would in-

#### Consumer Inflation



Source: Central Statistics Office

turn place further upward pressure on food prices. Urban inflation also eased to 2.9% from 4.6% in June, the lowest on record.

The previously targeted measure of inflation, based on the Wholesale Price Index, contracted for the ninth consecutive month to hit a record low of -4.1% on the year in July from -2.4% in June. The decline came on the back of a continued fall in prices for fuel, primary articles and manufactured goods. Food prices also contracted for the first time since January 2012.

#### Repo rate left unchanged at 7.25%

The Reserve Bank of India, which kept the key policy rate unchanged at its third bi-monthly monetary policy meeting this fiscal year on August 4, is closely monitoring the effect of the monsoon rains on inflation to determine whether there is scope to ease policy further. While the RBI has left the door open for additional easing this year, it said that any rate cut is dependent on multiple factors including fuller transmission of the previous rate cuts by banks and government investment in improving the supply-side and normalisation of US monetary policy.

The RBI also cut its inflation projections for January-March 2016 by about 0.2 percentage points, with risks broadly balanced around the target of 6% for January 2016 given the sharp fall in crude prices.

It recognised that there was some improvement in the state of stalled projects, although supply constraints continue to be binding and new investment demand from the private sector and the government remains subdued. Meanwhile, given that inflation surprised on the downside in July and some commercial banks have started lowering their lending rates to transmit the lower repo rate, we see a possibility that RBI will decide to move on or even before the next meeting in September.

#### India's Exports slide for the eighth consecutive month

India's trade deficit rose to \$12.8 billion in July from \$10.8 billion in June, the highest in eight months, but was 10.2% below the \$14.3 billion shortfall recorded in July last year.

Exports contracted 10.3% on the year to \$23.1 billion in July, the eighth consecutive month of contraction owing mostly to the decline in crude oil prices. One silver lining

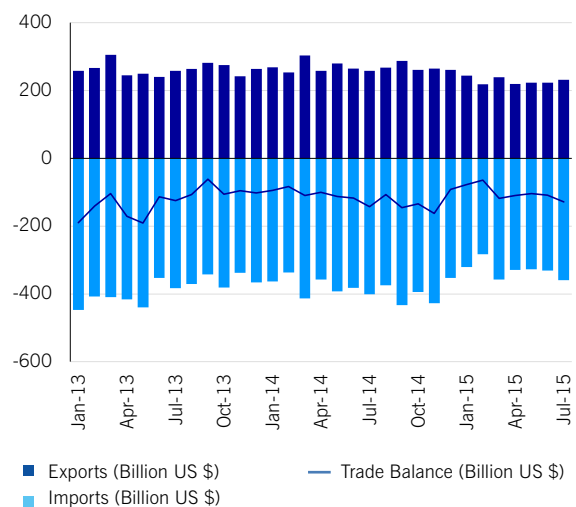
from the trade data was that demand for Indian exports rose slightly on a month-to-month basis, suggesting that the trend decline seen since the start of the year may have troughed. The decline in the three-month year-on-year measure for exports eased for the second consecutive month in July, although remains very weak in absolute terms.

Imports declined by 10.3% on the year to \$35.9 billion in July as oil imports dropped 34.9% to \$9.5 billion. Non-oil imports, however, rose by 3.8% on the year to \$26.5 billion in July, the second monthly rise since March and a tentative sign that a revival in domestic demand may be underway.

While the trade data continues to suggest there is still significant weakness in both external and domestic demand, this month provides hope that the worst may be over given the signs of a pick-up in global economic activity and better prospects for domestic demand amid an easing in both inflation and interest rates.

Even so, China's devaluation of its currency poses some threat to India's trade deficit, although this has been played down by RBI governor Rajan. The Indian rupee has tumbled to a two-year low amid widespread volatility and recently touched 66 to the US dollar, a value it has not crossed since September 2013 when the country

#### Trade Balance



Source: Ministry of Commerce and Industry

### Rupee Exchange Rate



— Indian rupee versus US dollar, end of period

Source: Reserve Bank of India

was in the midst of a currency crisis as it struggled to contain both inflation and a high fiscal deficit. While a weak rupee is expected to provide some support for exports, it will also make imports costlier. However, with crude oil prices remaining weak the pressure on trade deficit is expected to ease.

### Government raises planned expenditure

The fiscal deficit in the first four months of 2015-16, was Rs. 3.85 trillion or 69.3% of the estimated budget of Rs. 5.6 trillion for the whole financial year. This is higher than the deficit of 61.2% during the same period a year ago. The total expenditure of the government in the first four months was Rs. 6.01 trillion or 33.8% of the entire year estimate, higher than last year's expenditure of 28.1%. Of the total outflows in the first four months, planned expenditure was 33.9% of the budget estimate given the government's emphasis on infrastructure development. Planned spending was around 23% of the budget estimate during the last fiscal year. Total spending, which is set at Rs 17.7 trillion for the entire year, may go up after the government got Parliament's approval in July to spend more on recapitalisation of public sector banks. Total receipts were Rs. 2.2 trillion, 17.7% of the estimate. For 2015-16, the government aims to contain the fiscal deficit at 3.9% of GDP and is targeting 3% a year later, unlocking funds for investment into infrastructure development and

social welfare programmes. A fall in crude prices could create more fiscal space to spend more on the capital side and yet achieve the fiscal target.

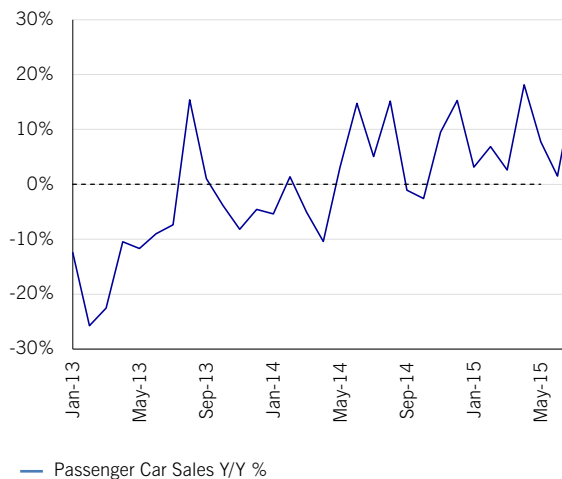
### Car sales growth highest in three months

Car sales in India rose by 17.5% on the year in July, up from 1.5% in June when there were annual maintenance closures at several companies including both Maruti and Toyota. Most of the growth came on the back of favourable base effects as on a monthly basis, car sales actually contracted slightly. In spite of uneven growth, car sales have grown by 7.7% on the year in the first seven months of 2015, an improvement from zero growth and a contraction of 15.2% in 2014 and 2013 respectively.

Sales of commercial vehicles grew by a hefty 8.4% on the year in July from 0.7% on the year in June, owing to favourable base effects. However, looking at the three-month on three-month growth, sales increased by 4.1% in July, the highest since March.

Growth in sales of two-wheelers which ran into a positive territory in June barely rose in July. Sales of scooters grew by 15.4% on the year, the fastest growth in five months, while sales of motorcycles, which form the majority of two-wheelers sales, contracted by 6.4% and were also down by 7.9% from the previous month. India

### Car Sales



— Passenger Car Sales Y/Y %

Source: Society of Indian Automobile Manufacturers

is the world's largest market for motorcycles and much of the slowdown comes from smaller cities.

The three cuts in interest rates by the RBI this year have not been able to help the automobile industry significantly, although it has recovered from last year. Since financing rates are still high though, we expect automobile demand to remain at low levels.

#### Key Monthly Economic Data

	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Consumer Price Index (Y/Y %)	5.4	5.3	4.9	5.0	5.4	3.8	-
Wholesale Price Index (Y/Y %)	-2.2	-2.3	-2.4	-2.2	-2.4	-4.1	-
Industrial Production (Y/Y %)	4.8	2.5	3.4	2.5	3.8	-	-
Car Sales (Y/Y %)	6.9	2.6	18.1	7.7	1.5	17.5	-
Trade Balance (Billion US \$)	-6.4	-11.8	-11.0	-10.4	-10.8	-12.8	-
Exports (Billion US \$)	21.9	23.9	22.0	22.3	22.3	23.1	-
Imports (Billion US \$)	28.3	35.7	32.9	32.8	33.1	35.9	-
MNI India Business Sentiment Indicator	66.2	63.0	63.9	62.3	67.1	65.3	62.3
MNI India Consumer Sentiment Indicator	121.2	118.5	122.1	119.6	119.5	118.6	119.1



# Indicators

While the MNI India Consumer Sentiment Indicator rose only slightly to 119.1 in August from 118.6 in July, it marked the first improvement in four months.

## MNI India Consumer Indicator

### First Rise Since April



While the MNI India Consumer Sentiment Indicator rose only slightly to 119.1 in August from 118.6 in July, it marked the first improvement in four months. Even so, consumer confidence was down by 4.8% on the year and all five components of the headline indicator were below their outturns a year earlier.

Sentiment among Indian households has remained broadly stable since the start of the year, but the trend since May 2014, when the Modi government came to power, shows that consumer confidence has gradually declined.

Consumers revised up their perception of the current business situation and their short-term expectations for it, as they expect policy reforms which have been introduced by the government so far to start having a positive impact on the business environment. Consequently respondents were more optimistic about the job market over the next 12 months, with the Employment Outlook Indicator rising to the highest level since May 2013.

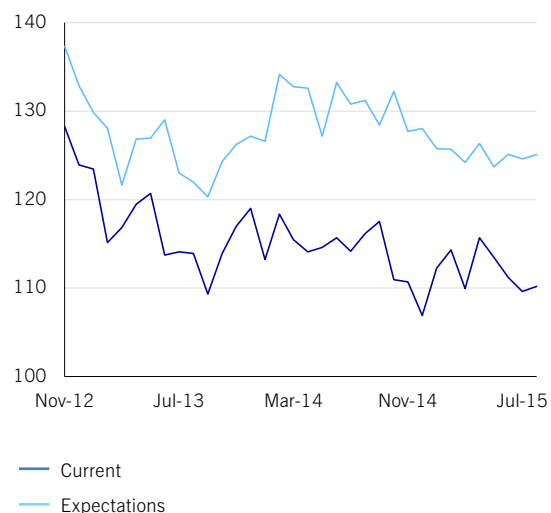
Consumers reported a small rise in their personal financial situation and in their willingness to purchase big-ticket items probably due a decline in retail inflation. Consumer price inflation eased to an eight-month low in July led by a fall in food and fuel prices. This also led to an easing of inflationary expectations among respondents for the next 12 months.

The Current Indicator, which measures consumers' assessment of their current conditions, rose slightly to 110.2 in August from 109.6 in July, 5.1% down on

MNI India Consumer Indicator



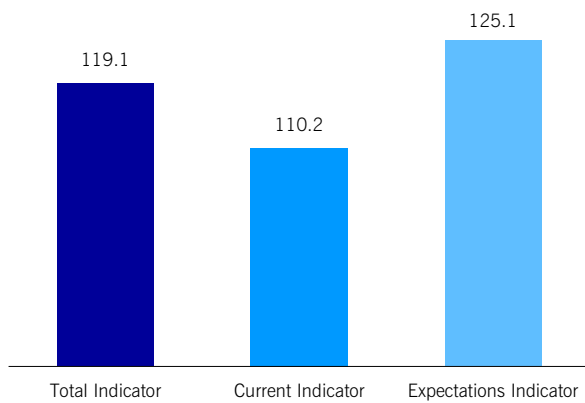
Consumer Indicators



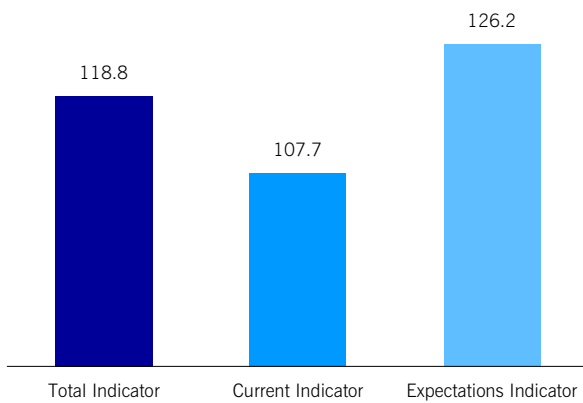
MNI India Consumer Indicator

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
MNI India Consumer Indicator	125.2	118.5	122.1	119.6	119.5	118.6	119.1
Current	116.2	109.9	115.7	113.5	111.2	109.6	110.2
Expectations	131.2	124.2	126.4	123.7	125.1	124.6	125.1

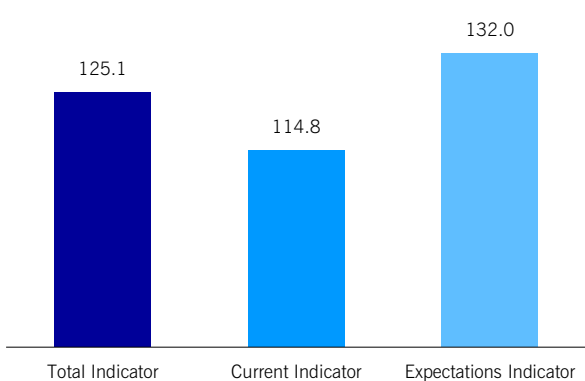
## All India



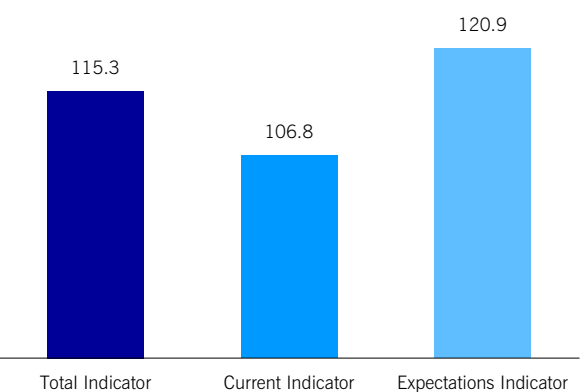
## North India



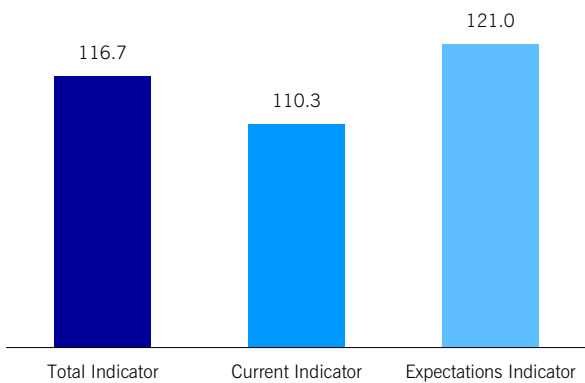
## South India



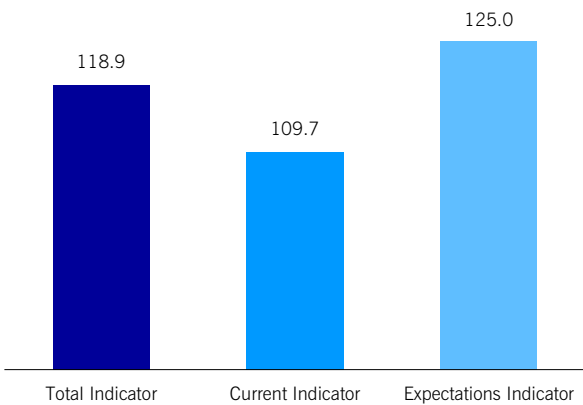
## East India



## West India



## Central India





the outturn in the same month last year. The Expectations Indicator also rose marginally to 125.1 in August from 124.6 in July, 4.7% down on the outturn in the same month last year.

With lower inflation, consumer sentiment remaining subdued and business confidence at relatively weak level, there is greater likelihood that the Reserve Bank of India will cut the benchmark interest rate at next monetary policy review on September 29 to boost growth.

### Regions

Consumer sentiment rose in both North and South India in August.

In South India, the Consumer Indicator rose by 5.2% to 125.1 in August from 119.0 in July, making it the most optimistic region of all. Inhabitants of the region were significantly more satisfied with their state of finances, reflected by the 7.3% rise in the Current Personal Finances Indicator. They were also more optimistic in their expectations for their future financial situation. Both short- and long-term expectations for business conditions climbed to the highest level since August 2014.

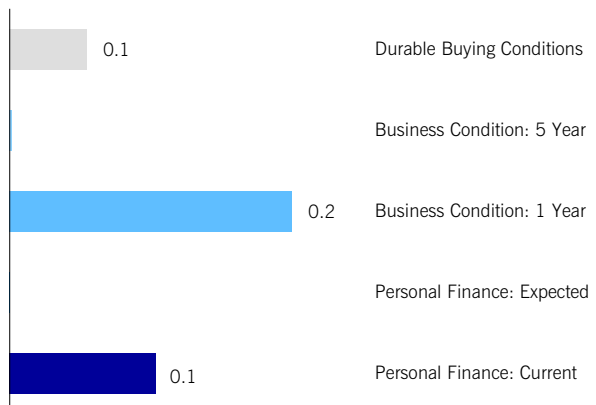
In contrast, residents of Central India were less optimistic as shown by a 3.3% decline in the Consumer Indicator to 118.9 in August. Respondents were increasingly wary about their outlook for finances and business conditions. Expectations for Personal Finances fell to the lowest since May 2014. The outlook for long-term business conditions declined by 7.3% while short-term expectations fell by 5.8% on the month.

### Age

Consumer sentiment rose among the middle and oldest age groups in August.

The Consumer Indicator for the 18-34 year age range fell slightly to 121.9 in August from 122.9 in July.

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



Consumers became even less satisfied with their Current Personal Finances, with the indicator falling for the fourth consecutive month to a series low. However, this did not impact their willingness to buy big-ticket items with the Durable Buying Conditions Indicator picking up slightly. Respondents revised up their outlook for Business Conditions in the short-term but their long-term expectations were down.

Consumer sentiment among 35-54 year olds rose slightly to 119.6 from 118.3 in July. Respondents were more satisfied with their Current Personal Finances, with the indicator rising 3.4% on the month after hitting a record low level in July. Their expectations for long-term business conditions rose to the highest level this year, although they did not share the same view about short-term business conditions which remained more-or-less stable.

Consumer Sentiment among the oldest age range, 55-64 year olds, rose to 113.4 after falling to a series low of 109.8 in July. All five components of the headline indicator increased apart from the Durable Buying Conditions Indicator. Consumers' attitudes towards their personal finances improved, with both



current and expected measures picking up from record low levels. Respondents were also more bullish in their short- and long-term expectations for business conditions.

Income

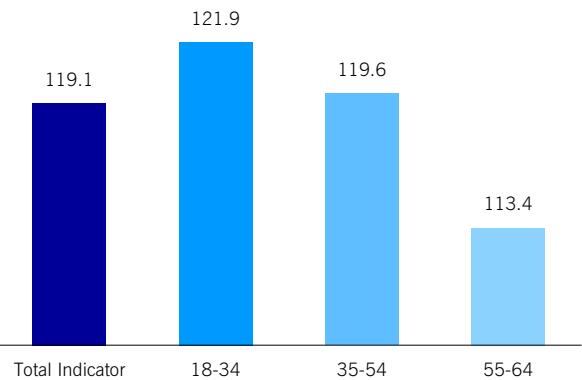
Consumer sentiment eased among both the lower and higher income groups in August.

The Consumer Indicator for households with an average annual income under Rs. 432,000 fell to a three-month low of 114.8 from 119.3 in July. Apart from Current Personal Finances, all other components of the Consumer Indicator fell. Respondents were less optimistic in their short- and long-term outlook for business conditions. Fewer consumers viewed this as a good time to buy big-ticket items while many revised down their expectations for future household finances.

For households with an average annual income over Rs. 432,000, the Consumer Indicator fell for the fourth consecutive month to 124.3 in August from 127.1 in July. A decline in four out of the five components of the Consumer Indicator pushed it to the lowest level since January 2014. While consumers were only more confident about their household finances, this did not increase their willingness to buy big-ticket items. Expectations for both future business conditions and Personal Finances in a year's time weakened on the month.

The gap in confidence between high and low-income households has risen significantly since 2014. Consumer sentiment has averaged 120.3 among those in the low-income group since the start of the survey, while for higher income households, it has averaged 128.4.

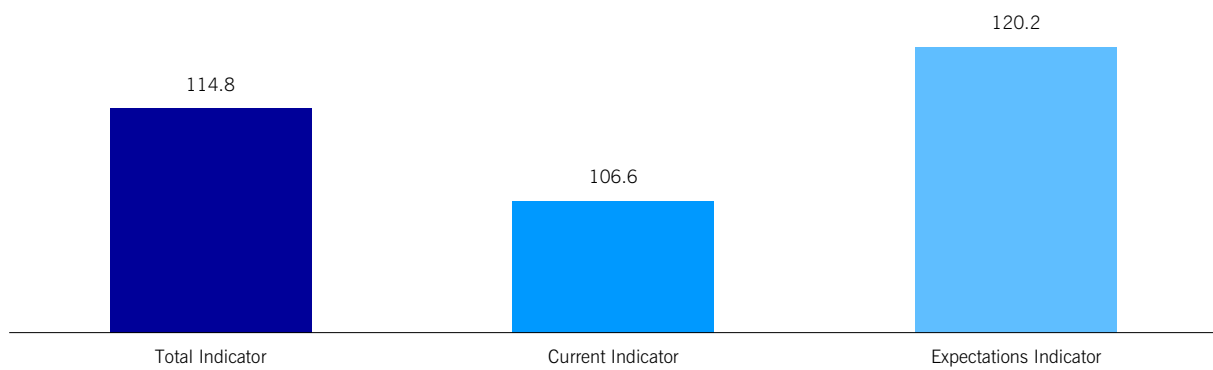
Consumer Indicator: Age Groups



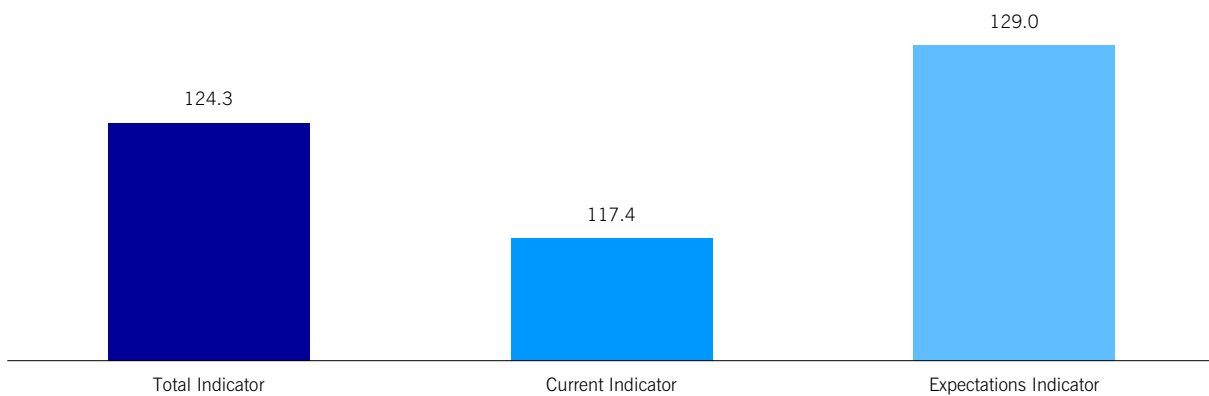
## MNI India Consumer Indicator Income Groups



< Rs. 432,000 per annum



> Rs. 432,000 per annum



## MNI India Consumer Indicator

### Main Cities



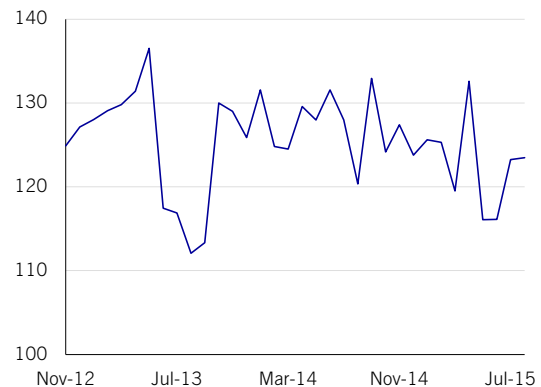
Consumer sentiment rose in seven of the 10 major Indian cities surveyed in August.

In Mumbai, India's most populous city, consumer sentiment remained broadly stable at 123.5 in August compared with 123.3 in July. Residents of the city were much less confident with their Current Personal Finances, with the indicator falling by 14.6% which offset last month's rise. Consumers were, however, more optimistic about their Future Personal Finances, which rose by 7.8% on the month. Consumers were also more upbeat about buying big-ticket items. Respondents revised up their expectations for business conditions, with their short-term outlook rising by 2.3% and that for the long-term rising by 1.4% on the month.

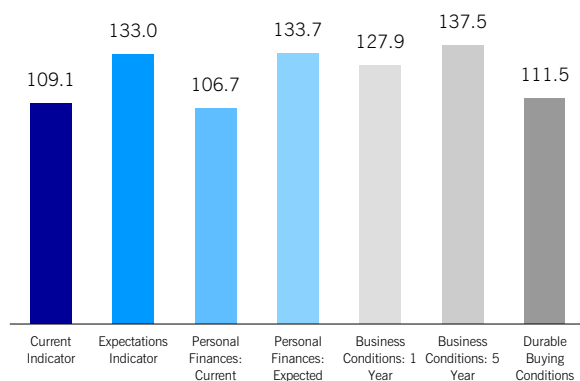
In the capital, Delhi, consumer sentiment fell to 118.2 in August from 120.9 in July. Aside from Business Conditions in One Year, all of the components of the Consumer Indicator declined. Consumers were less satisfied with their Personal Finances as evidenced by the 2.6% and 2.7% fall in the current and future measures respectively. This possibly impacted their attitude toward purchasing large household items which fell significantly to precisely the 100 level, the lowest since February 2014.

Consumer confidence in Bengaluru, the third largest city by population in India, rose to 137.9 in August from 125.6 in July, the highest since April 2014. Consumer sentiment towards current conditions rose slightly while respondents had more buoyant expectations about the future. Consumers were less enthusiastic towards buying durable goods with the indicator easing slightly. This was despite a more upbeat perception of Current Personal Finances and higher expectations for them in the future. Consumers were also more optimistic about business conditions, in the short- and long-term, with both indicators rising by double-digits.

Consumer Indicator - Mumbai

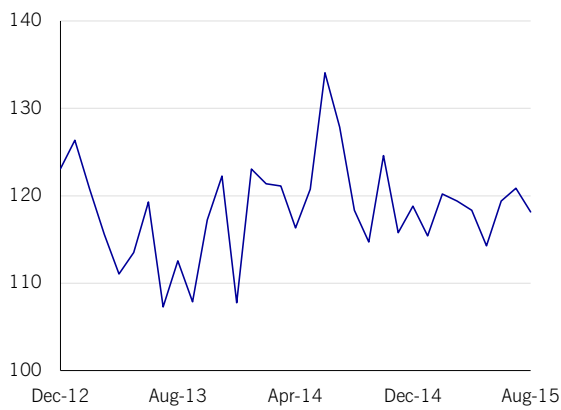


Consumer Indicator Components - Mumbai

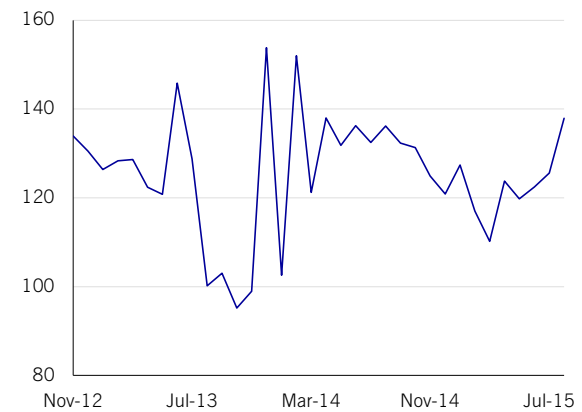




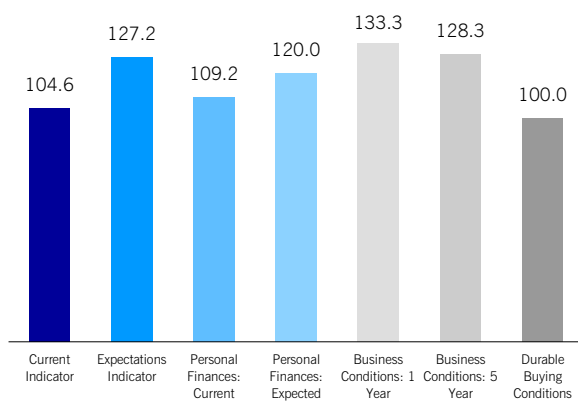
Consumer Indicator - Delhi



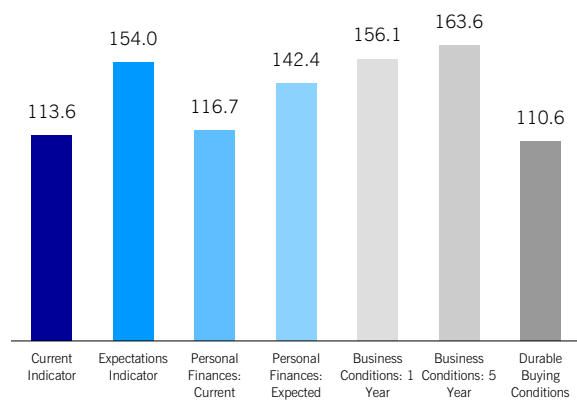
Consumer Indicator - Bengaluru



Consumer Indicator Components - Delhi



Consumer Indicator Components - Bengaluru



## Personal Finances

### Expectations Remain Unchanged

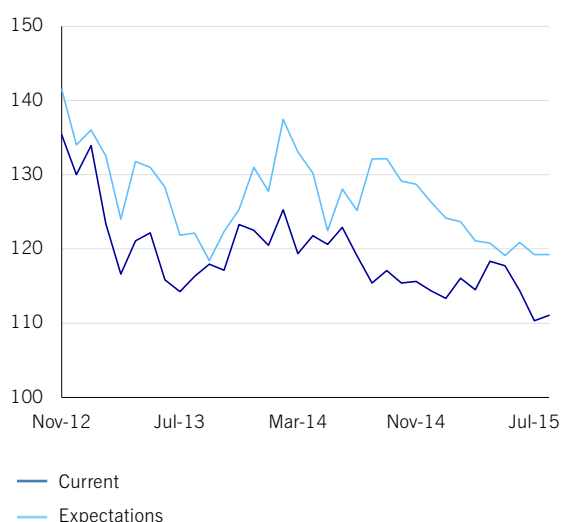


There was a small improvement in the current financial situation in August but consumers continued to have relatively low expectations for the future by historical standards.

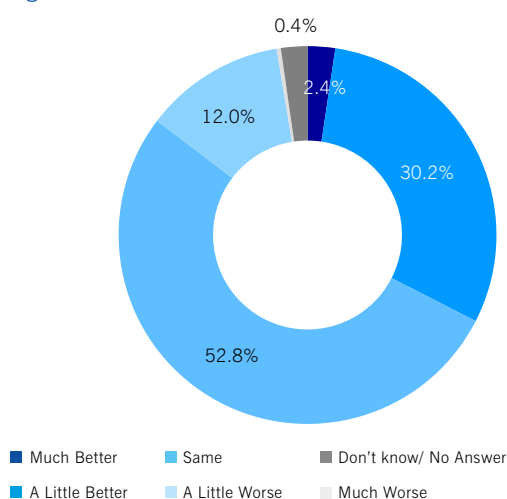
The Current Personal Finances Indicator, which measures whether a household is better or worse off financially than a year ago, rose just a touch above last month's record low level of 110.3 to 111.1 in August. Since the start of the year, the indicator has fallen 2% and this month's outturn placed it 6.8% below the series average. While the RBI has cut the benchmark repo rate three times this year, which should eventually result in higher personal disposable income, the majority of respondents said their income was roughly around the same level. Of those who reported that their finances had improved this month, a growing proportion attributed it to improved employment opportunities.

Since August 2014, consumers' expectations for their future household finances have plummeted. In August, Expectations for Future Personal Finances remained flat at 119.3, not far from the record low level of September 2013. One reason for this could be the recent fall in the price of gold, which is considered as a safe haven and a key source of savings among Indian households.

#### Personal Finances



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



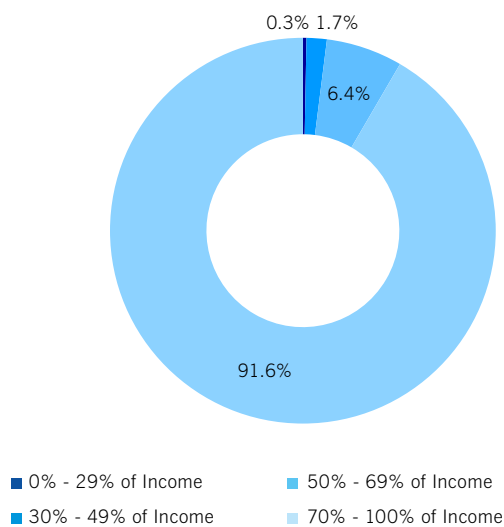
#### Personal Finances

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Current	115.4	114.5	118.3	117.7	114.4	110.3	111.1
Expectations	132.1	121.1	120.8	119.1	120.9	119.3	119.3

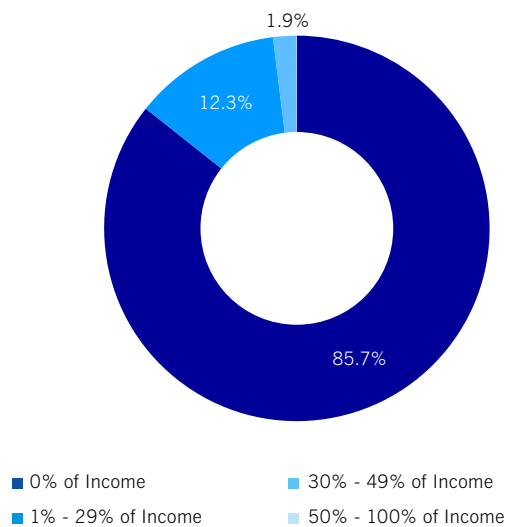
## How Households Spend their Money



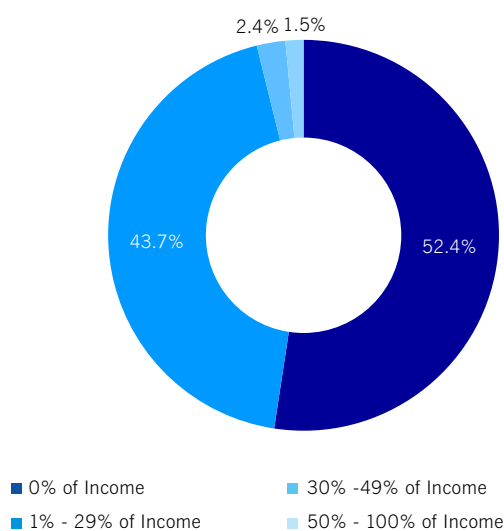
Monthly Household Income Used for Daily Expenses  
(% of Households)



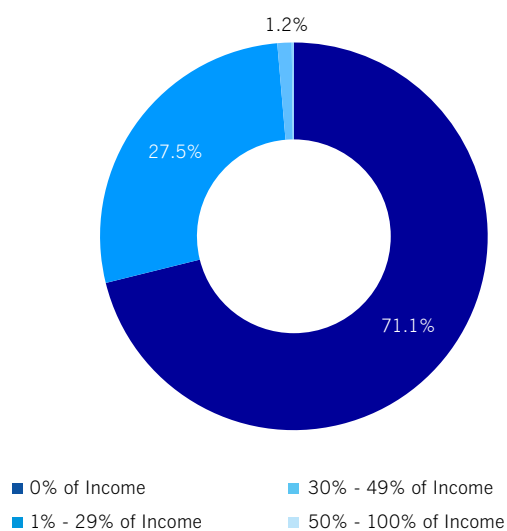
Monthly Household Income Used for Large Loan Repayment (% of Households)



Monthly Household Income Used for Savings  
(% of Households)



Monthly Household Income Used for Investments  
(% of Households)



# Both the expectations metrics for future business conditions were below the level seen a year earlier.

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While consumers' assessment of the current business environment was one of the few parameters of the survey that has outpaced its respective outturn in 2014.

## Business Conditions

### More Confident about Current Business Conditions



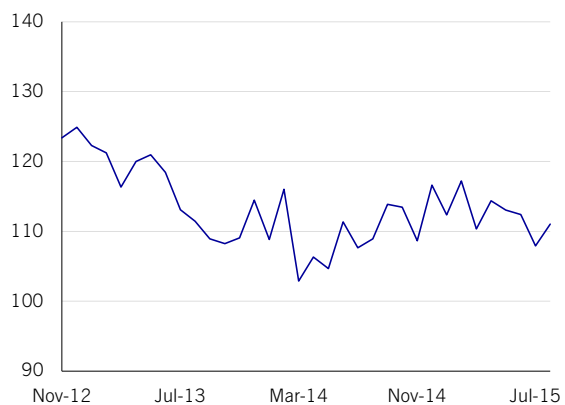
Consumers revised up their perception of the current business situation and their short-term expectations for it, with households expecting policy reforms to start having a positive impact on the business environment.

The Current Business Conditions Indicator rose to 111.0 in August from 107.9 in July. Consumers' assessment of the current business environment was one of the few parameters of the survey that has outpaced its respective outturn in 2014. This was in contrast to both the expectations metrics for future business conditions which were below the level seen a year earlier.

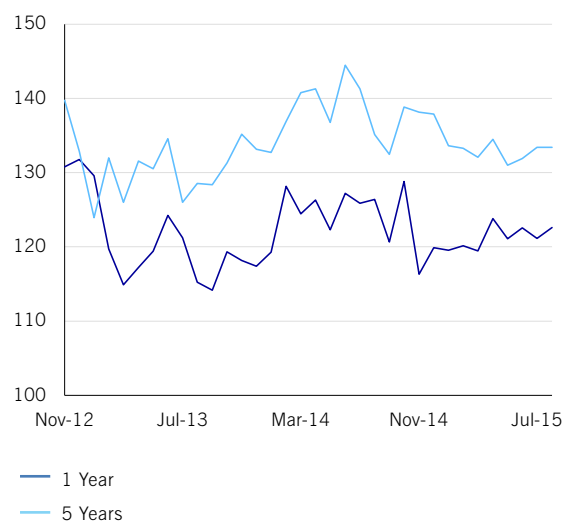
In August, expectations for Business Conditions in One Year rose to 122.6 from 121.1 in July. Of those who were optimistic about business conditions in the coming year, the majority attributed it to economic development. A growing proportion also cited better government policies for the improved business outlook.

Respondents' long-term expectations for the business environment have trended downwards since hitting a record high in June last year. The Business Conditions in Five Years Indicator remained unchanged at 133.4 in August. Sentiment rose in five of the 10 major cities surveyed, with confidence about the long-term outlook for business conditions highest among residents of Bengaluru.

Current Business Conditions Indicator



Expected Business Conditions: 1 Year and 5 Years



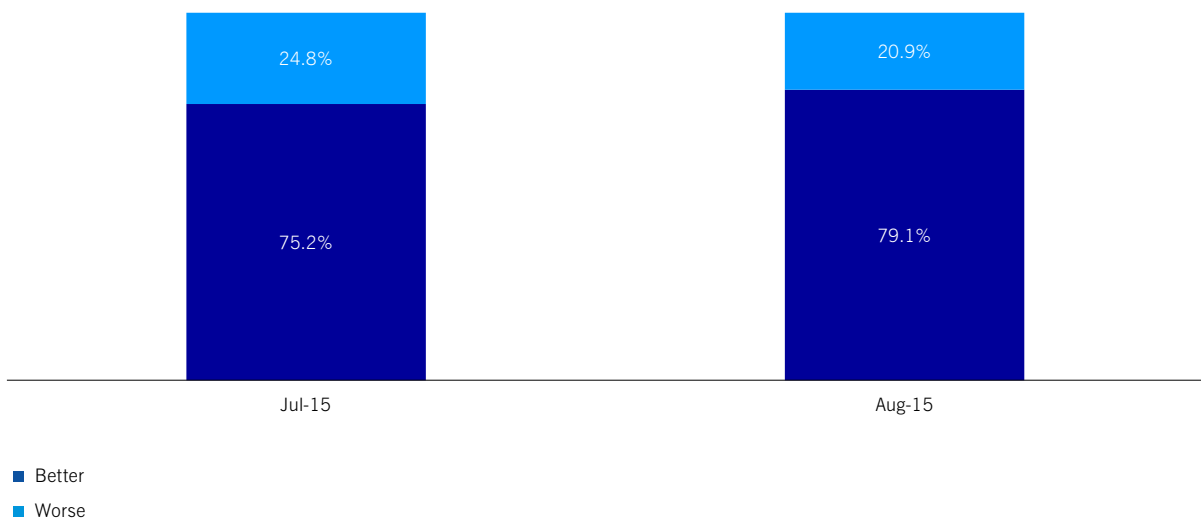
#### Business Conditions

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Current	109.0	110.3	114.4	113.0	112.4	107.9	111.0
In 1 Year	126.4	119.5	123.8	121.1	122.5	121.1	122.6
In 5 Years	135.1	132.1	134.5	131.0	131.9	133.4	133.4

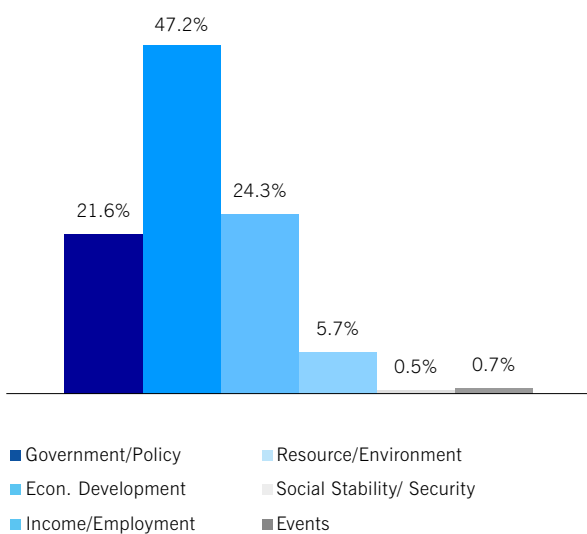
## Business Conditions in 1 Year Selected Reasons



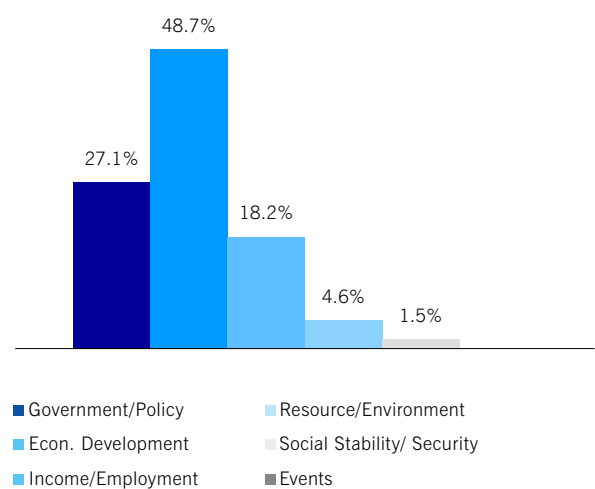
All India



All India, Reasons for Better



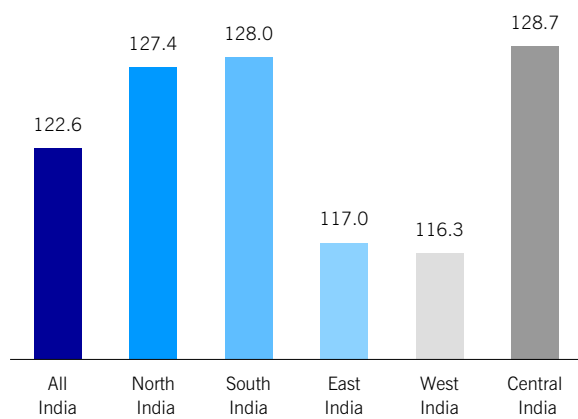
All India, Reasons for Worse



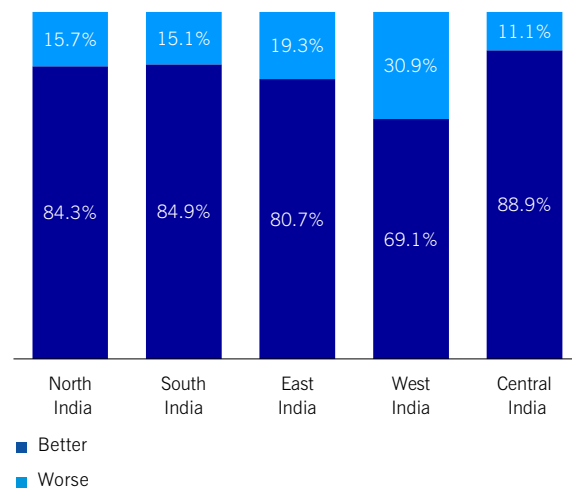
## Business Conditions in 1 Year Regions



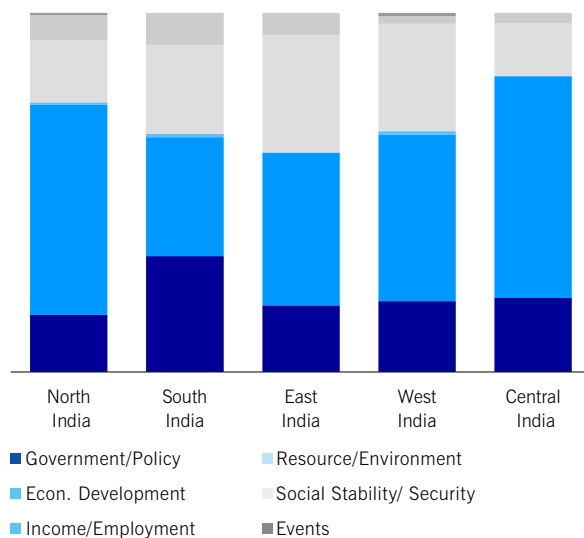
### Business Expectations



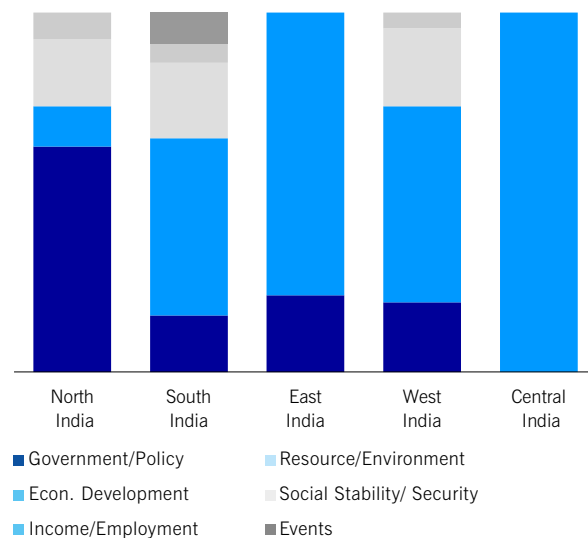
### Business Expectations: Better or Worse? (% of Respondents)



### Reasons for Better (% of Respondents)



### Reasons for Worse (% of Respondents)



## Durable Buying Conditions Remain Broadly Stable

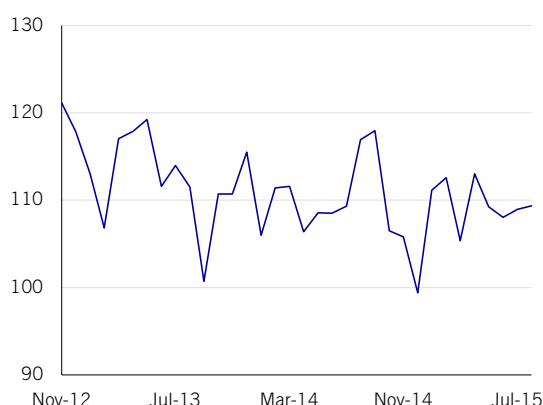


The Durable Buying Conditions Indicator remained broadly stable in August after rising in July as the majority of respondents remained indifferent to buying big-ticket items.

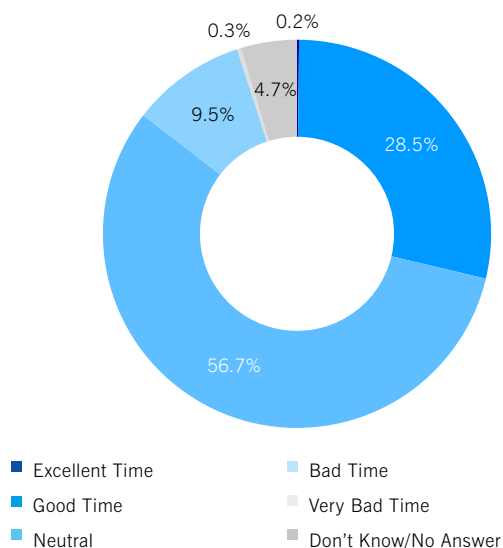
The Durable Buying Conditions Indicator stood at 109.3 in August compared with 109.0 in July. The indicator measures consumers' willingness to purchase a large household good and provides a guide to overall consumer spending.

Consumers' purchasing sentiment has improved since it hit a record low in December last year and it is now just a touch below the series average of 111.0. The indicator has increased following the cuts in the benchmark interest rate by the central bank in 2015, with the latest cut in early June similarly resulting in a rise in buying sentiment this month, albeit the smallest rise this year.

Durable Buying Conditions



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



Durable Buying Conditions

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Durable Buying Conditions	116.9	105.4	113.0	109.2	108.0	109.0	109.3

## Employment Outlook

### Highest Since May 2013

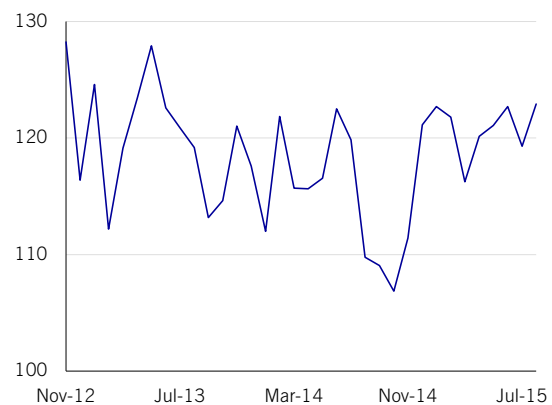


The Employment Outlook Indicator rose to 122.9 in August, offsetting last month's decline to 119.3 in July. 54.6% of respondents expected the job market to improve over the next 12 months, making it one of the few indicators in the survey to surpass both last year's average as well as the series average.

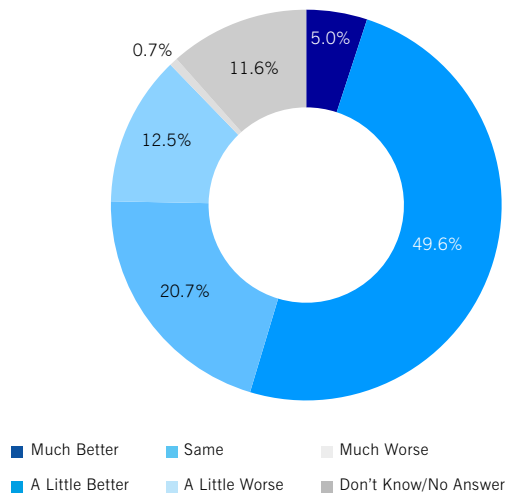
Consumers' expectations for the job market have improved sharply since the downturn during the second half of last year, with the indicator 12% above the level seen in August last year. Our sister business survey of India's largest companies also painted a similar picture with the Employment Indicator remaining above the 50 breakeven mark in August as sentiment towards hiring recovers, albeit at a slow pace, with companies also scaling up their hiring plans for the coming three months.

A rise in the employment outlook was observed in all regions except Central India where it declined to a four-month low. While the majority expected the employment outlook to be a little better, there was also a growing uncertainty about the outlook among respondents. Meanwhile, respondents of South India had the most optimistic expectations about employment in the next 12 months when compared with other regions.

Employment Outlook Indicator



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



Employment Outlook

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Employment Outlook	109.8	116.3	120.1	121.1	122.7	119.3	122.9

# A growing proportion of consumers anticipated that prices would rise by 5%...

---

...a change in attitude from previous months when  
respondents had much higher inflation expectations.

## Prices Sentiment

### Dissatisfaction Falls



Satisfaction with the current level of prices increased in August and households had lower expectations for inflation for the coming 12 months.

Low inflation helped the Current Prices Satisfaction Indicator to rise above the 100 mark in February but it has subsequently fallen back into contraction. In August, the indicator measuring satisfaction with the current level of prices rose to 89.6 from 87.7 in July. A figure below 100 indicates wider dissatisfaction, while an outturn above 100 shows increasing satisfaction. With India having been plagued by high inflation for years, the indicator has only been above 100 for three months since the survey started in November 2012.

Official data showed that consumer price inflation eased to 3.8% in July after accelerating to a nine-month high of 5.4% in June. The slowdown was mainly driven by food price inflation (46% of the CPI basket) which fell to 2.2% in July from 5.5% in June. Fuel inflation also contributed, easing for the second consecutive month to 5.4% from 5.8% in June.

Expectations for inflation in 12 months' time fell to 137.5 after rising to the highest level in more than a year in July. Respondents were, however, divided in their expectations for how much prices will rise over the next 12 months, with a growing proportion of consumers anticipating that they would rise by 5%, a change in attitude from previous months when respondents had much higher inflation expectations.

Satisfaction with Current Prices Indicator



Inflation Expectations Indicator



### Prices Sentiment

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Satisfaction with Current Prices	68.3	95.4	92.6	86.7	89.1	87.7	89.6
Inflation Expectations	133.7	132.8	134.2	138.7	136.3	140.4	137.5

## Prices Sentiment Regions



In spite of this month's decline, the Inflation Expectations Indicator is up 8.5% since the start of the year and 2.9% above the level recorded in August 2014. The MNI Inflation Expectations Indicator has closely matched the trend in RBI's Inflation Expectations Survey of Households signalling a gradual pick-up in inflation over the coming year. However, with retail inflation surprising on the downside in July, it has allayed some fears, boosting confidence that the Reserve Bank of India will hit its formalised inflation target of 6% by January 2016 with greater ease than previously anticipated.

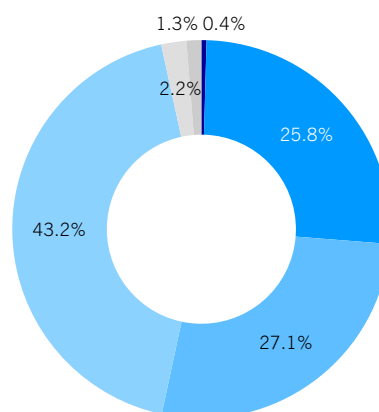
### Regions

Satisfaction with Current Prices rose in South, East and West India.

Consumers in South India became satisfied with prices, as evidenced by the 5.4% rise in the indicator to 101.7 in August from 96.5 in July. This was the first time in four months that the indicator has been above the 100 level. In contrast, more respondents thought that prices would rise in the next 12 months with the Inflation Expectations Indicator rising 3.4% on the month. Of those who thought that prices would rise, a growing proportion of respondents expected them to increase by 5%, although the majority were unsure what the extent of the rise would be.

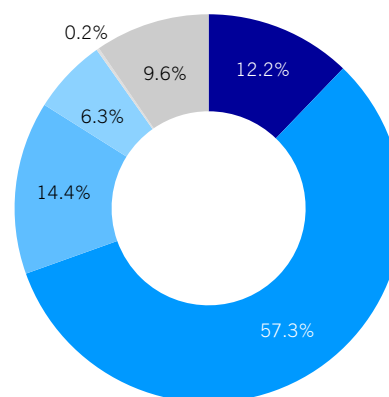
Consumers in Central India revised down their perception of prices, causing the Current Prices Satisfaction Indicator to fall by 12.4% on the month. Moreover, slightly more respondents thought prices would rise over the coming year.

Satisfaction with Current Prices  
(% of Households)



Very Satisfied So So Not Satisfied At All  
Quite Satisfied Not Very Satisfied Don't Know/No Answer

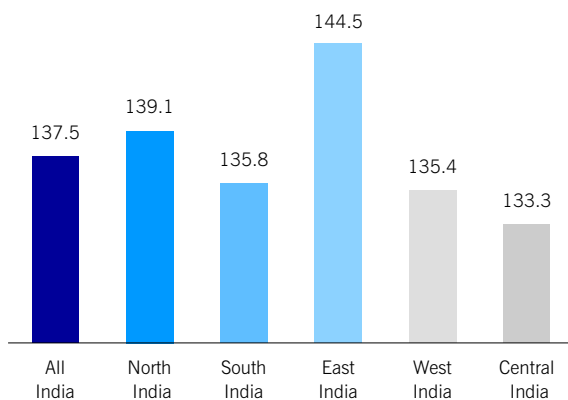
Inflation Expectations in 12 Months  
(% of Households)



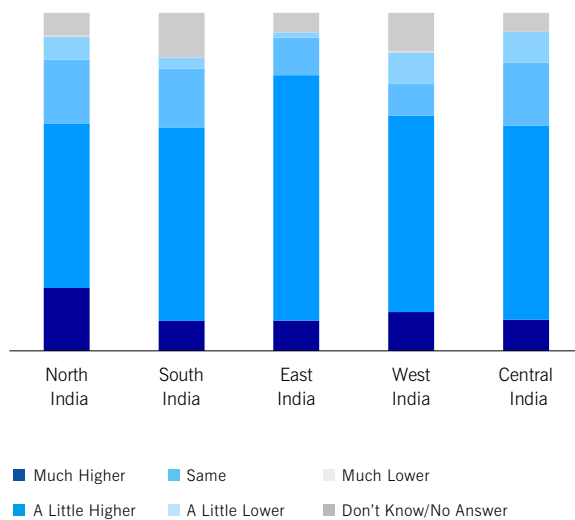
Much Higher Same Much Lower  
A Little Higher A Little Lower Don't Know/No Answer



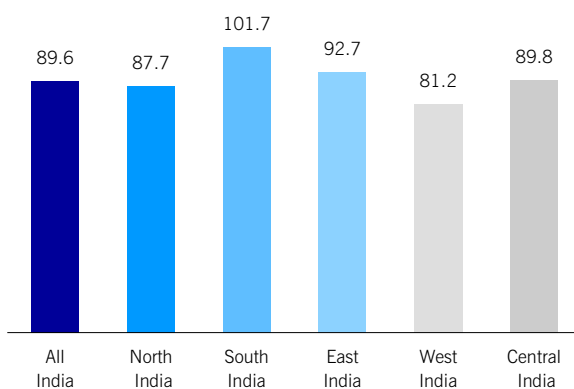
### Inflation Expectations Indicator



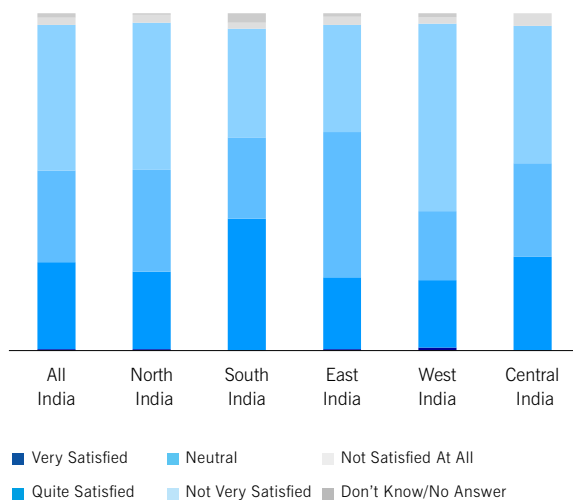
### Inflation Expectations in 12 Months (% of Households)



### Satisfaction with Current Prices Indicator



### Satisfaction with Current Prices (% of Households)



## Interest Rate Expectations Remain Elevated



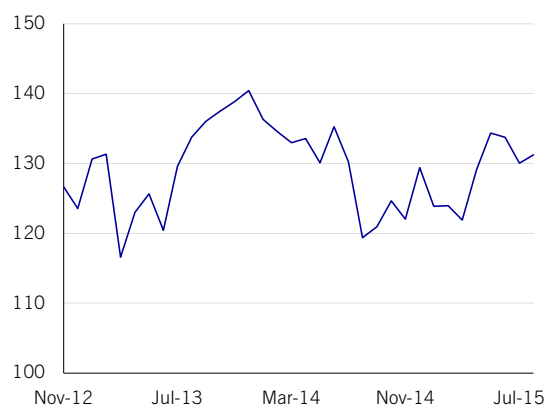
The Interest Rates Expectations Indicator rose slightly for the first time in three months to 131.2 in August.

Half of respondents expected interest rates on car and house loans to rise in the next 12 months while 30% weren't sure of the outcome.

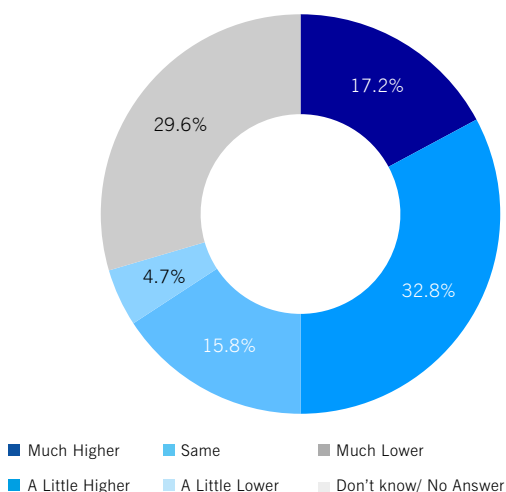
Raghuram Rajan has cut benchmark interest rates three times since he took over as the Governor of the Reserve Bank of India, having successfully overseen a significant fall in inflation following his appointment in September 2013. However many Indian banks have only trimmed their lending rates marginally in order to increase profitability. HDFC, India's largest housing finance company, and ICICI, the second largest bank in India, had lowered theirs by just 30 basis points each. After our survey period closed, however, HDFC Bank cut its base rate further from 9.7% to 9.35% and now others are expected to follow suit.

While the RBI has left the door open for additional easing this year, any rate cut is dependent on multiple factors including fuller transmission of the previous rate cuts by banks, government investment in improving the supply-side and normalisation of US monetary policy. Given that inflation surprised on the downside in July and banks have further lowered their lending rates, we see a possibility that RBI will decide to move at or even before the next meeting in September.

Interest Rate Expectations Indicator



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



Interest Rate Expectations

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Interest Rate Expectations	119.4	121.9	129.2	134.3	133.7	130.1	131.2

# Half of respondents expected interest rates on car and house loans to rise in the next 12 months...

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...while 30% weren't sure of the outturn.

## Stock Investment Indicator Highest Since April



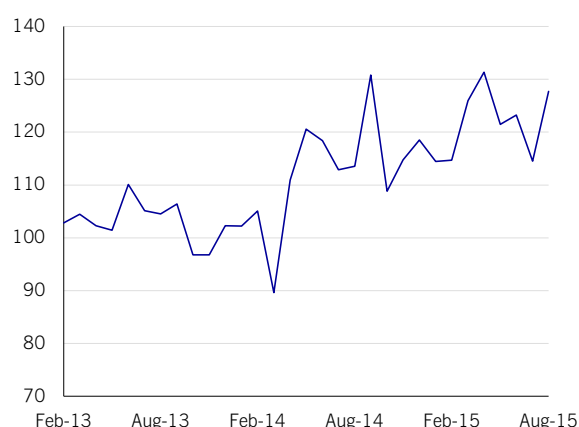
Sentiment surrounding the stock market recovered in August following significant falls in the previous three months. The Stock Investment Indicator, a gauge of whether it is a good or bad time to invest in the stock market, rose to 127.7 in August from 114.5 in July.

Stock Price Sentiment, which measures whether equity prices are high or low, rose to 113.7 in August from 93.9 in July. Since last month, the BSE Sensex has fallen 2.2%, although much of the decline came during the second half of August after our survey period had closed. The rout in Chinese stocks rattled investors globally leading to a decline in the Sensex as well as depreciation in the rupee.

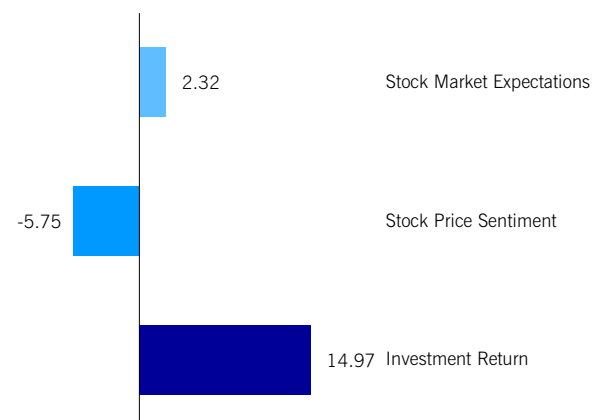
The Stock Investment Return component, a measure of the amount of profit or loss in investments over the past year, rose to 160.7 in August from 109.3 in July.

The Stock Market Expectations component, which shows whether consumers think stock prices will rise or fall in the next three months, rose to 136.1 in August from 128.1 in July. 77.3% of respondents expected the stock market to rise compared with just 56.3% in the previous month.

Stock Investment Indicator



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



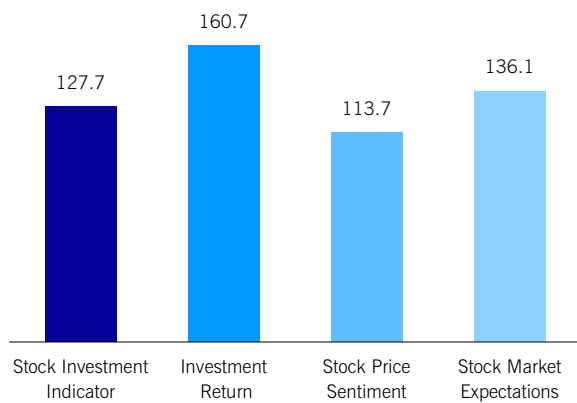
### Investment Sentiment

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Investment Sentiment Indicator	113.5	126.0	131.3	121.5	123.2	114.5	127.7
Investment Return	126.5	152.5	151.0	154.2	137.3	109.3	160.7
Stock Price Sentiment	106.0	129.0	104.4	112.6	88.5	93.9	113.7
Stock Market Expectations	120.1	154.4	147.4	122.9	120.8	128.1	136.1

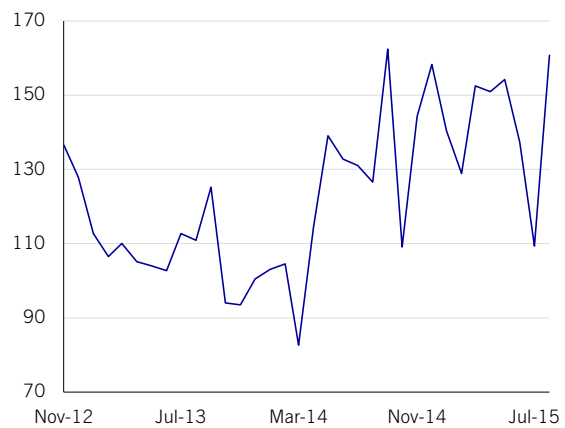
## Stock Investment Indicator Components



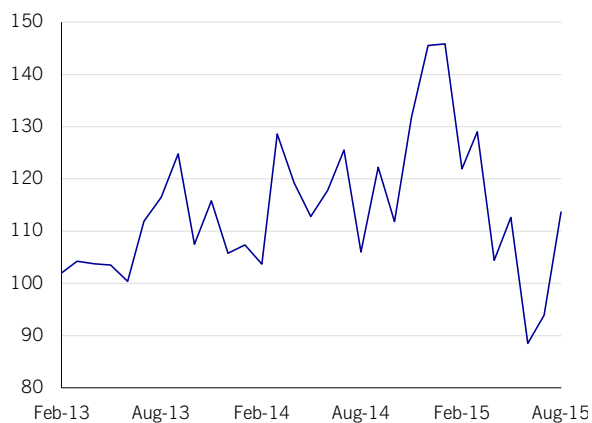
Stock Investment Indicator - Components



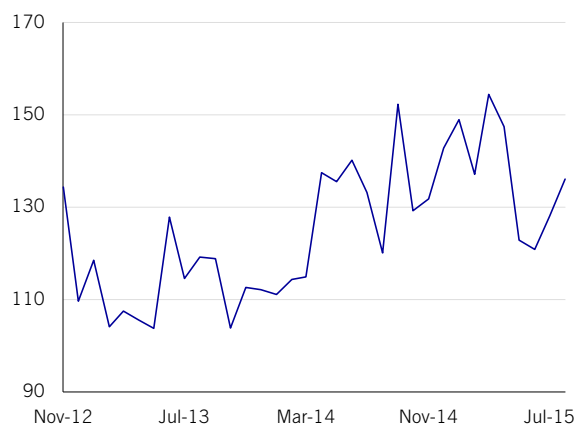
Investment Return



Stock Price Sentiment



Stock Market Expectations



# The majority of consumers attributed lower willingness to purchase a house to high property prices.

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There was a significant rise in those who cited unfavourable interest rates on home loans.

## Real Estate Investment Indicator

### Highest Since March 2014



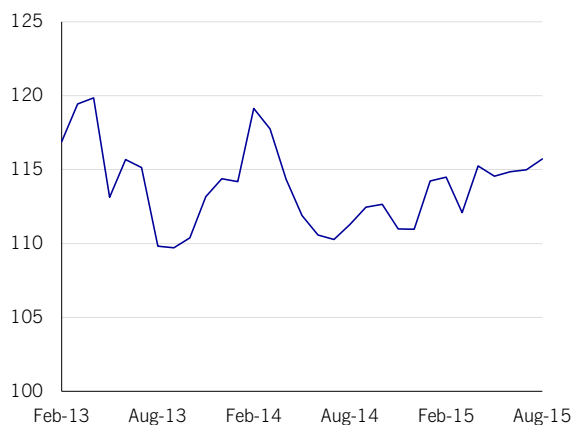
The Real Estate Investment Indicator, which is made up of three components (House Price Expectations, House Buying Sentiment and House Selling Sentiment), rose slightly to 115.7 in August from 115.0 in July.

The Real Estate Investment Indicator is one of the few indicators in the survey which has shown a slight uptick over the last year, led by rising house price expectations. In contrast, house buying sentiment has declined as respondents see it as a bad time to purchase a house, although it has also started to recover slightly.

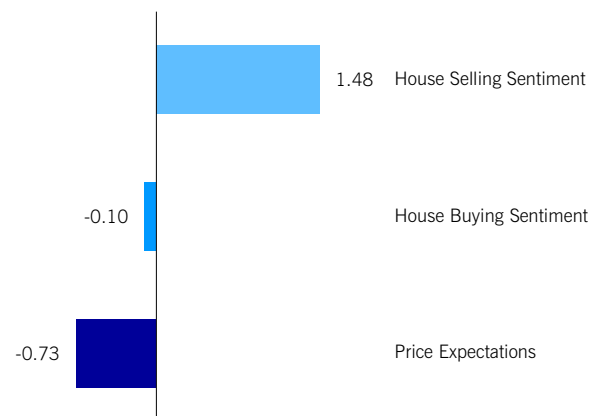
Heightened expectations for a revival in the economy after the Bharatiya Janta Party (BJP) led by Prime Minister Narendra Modi came to power in May 2014 have boosted consumers' expectations about house prices. In August, the House Price Expectations component stood at 149.9 compared with 152.4 in the previous month.

House Buying Sentiment, a measure of whether it is a good or bad time to buy a home in the next six months, remained broadly stable at 93.0 in August compared with 93.3 in July. The indicator has remained below 100 since May 2014, indicating that pessimists outnumber optimists, with the majority attributing lower willingness to purchase a house to high property prices. There was a significant rise in those who cited unfavourable interest rates on home loans. While the Reserve Bank of India has cut official interest rates three times this year, this has not yet managed to boost housing sentiment significantly. This is likely because profit-seeking commercial banks

Real Estate Investment Indicator



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



### Real Estate Investment Sentiment

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Real Estate Investment Sentiment	111.3	112.1	115.3	114.6	114.8	115.0	115.7
Price Expectations	148.7	149.9	152.9	156.6	153.7	152.4	149.9
House Buying	97.4	91.5	88.9	88.4	89.3	93.3	93.0
House Selling	112.2	105.0	96.0	101.4	98.5	100.8	95.7

## Real Estate Investment Indicator

### Components and Balances



have been slow in passing the full benefits of lower interest rates by reducing their lending rates. With more banks extending rate cuts, EMIs (equated monthly instalment) for home loans should ease.

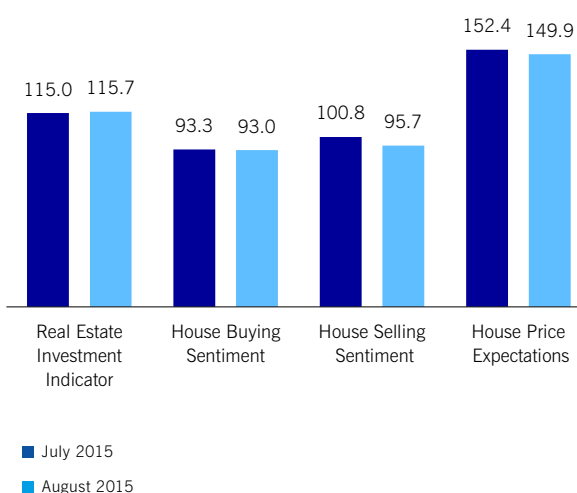
House Selling Sentiment, a measure of whether it is a good or bad time to sell a house in the next six months, fell to 95.7 in August after rising above the 100 mark to 100.8 in July.

#### Regions

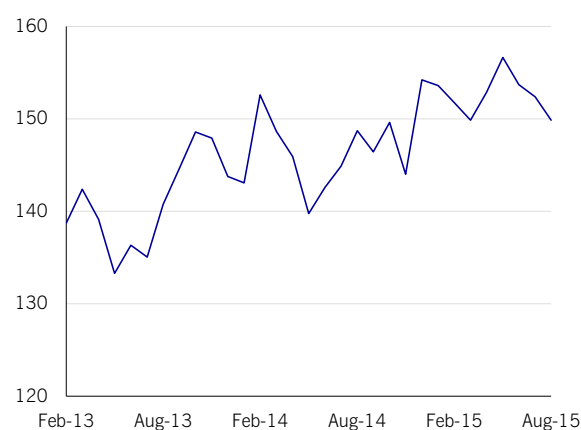
Sentiment surrounding the real estate market fell only in South India, albeit marginally. The Real Estate Investment Indicator fell by 1% to 114.7 in South India. This was despite higher House Buying Sentiment, which rose above the 100 level for the first time in six months. Its impact was offset by lower House Price Expectations and higher House Selling Sentiment.

In contrast, the Real Estate Investment Indicator in Central India rose to 117.3 in August, offsetting last month's decline to 113.9 as more respondents expected house prices to rise in the next six months.

Real Estate Investment Indicator - Components

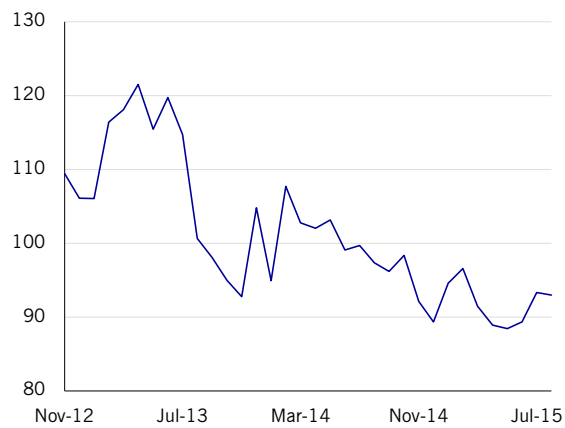


Real Estate Prices: Expected Changes in Next 6 Months

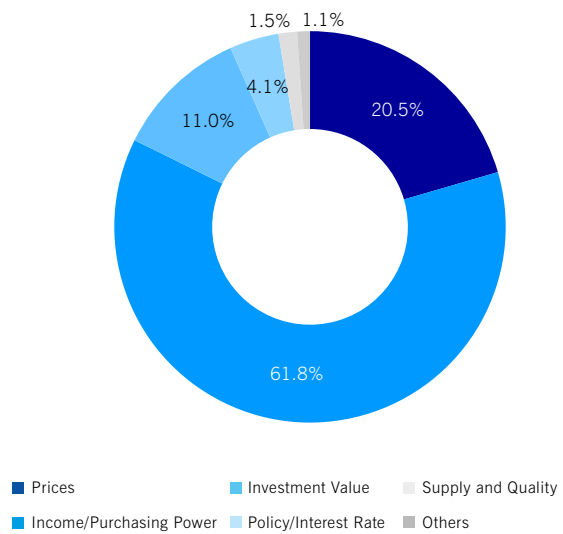




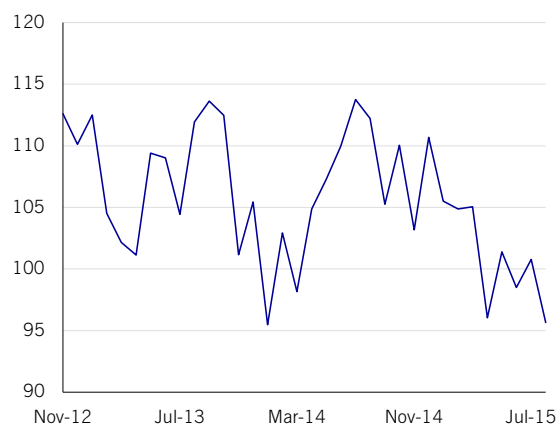
### House Buying Sentiment



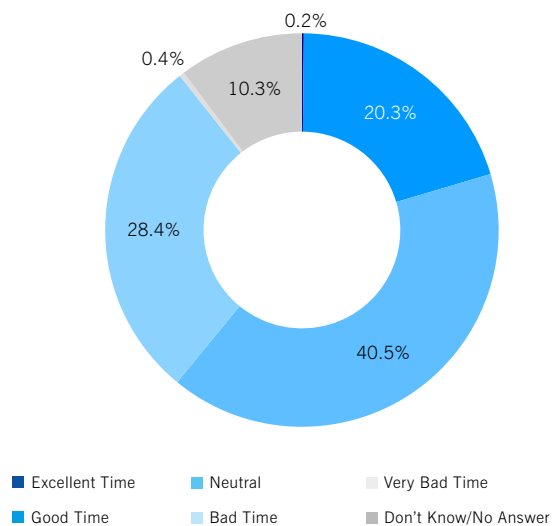
### Reasons for Buying Houses (% of Households)



### House Selling Sentiment



### Timing for Selling Houses (% of Households)



## Car Purchase Indicator

### Buying Expectations

### Lowest in 2015



The Car Purchase Indicator rose for the second consecutive month to 93.4 in August from 84.9 in the previous month as fewer respondents anticipated that gasoline prices would rise even though their willingness to purchase a car in the next 12 months deteriorated.

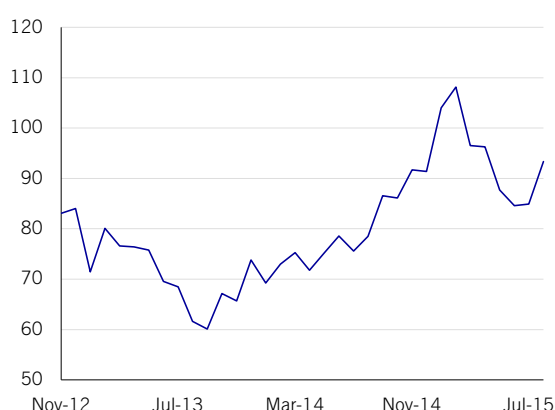
The Car Purchase Indicator is made up of two components, Car Purchase Expectations and Price of Gasoline Expectations, with the latter having a negative impact on the indicator.

After hitting a series high in February, the Car Purchase Indicator has trended down as gasoline price expectations have increased considerably whilst willingness to purchase a car has remained more-or-less stable. However, with global oil prices under pressure again, a reversal in sentiment towards car purchasing is expected to prevail.

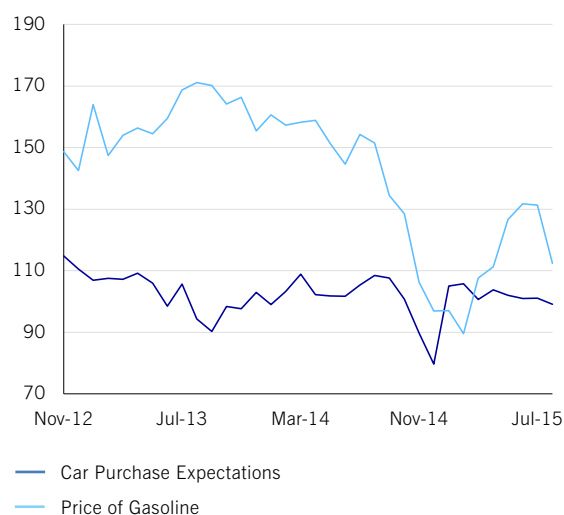
The Car Purchase Expectations component, which gauges whether consumers believe it is a good or bad time to purchase a car over the next 12 months, fell to 99.2 in August from 101.1 in July, the lowest level and the first time below the 100 mark since December 2014.

Of those who felt it was a bad time to purchase a car, the majority reported that it was because of higher prices. There was also a rise in those who cited lower income and purchasing power, although this proportion was a minority.

Car Purchase Indicator



Car Purchase Indicator - Components



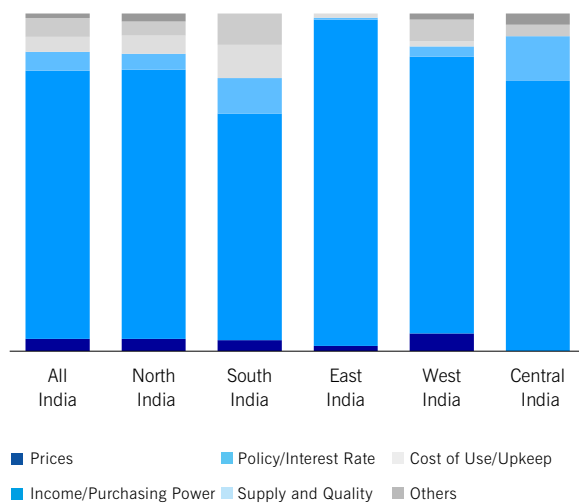
Car Purchase Sentiment

	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Car Purchase Sentiment	78.5	96.5	96.3	87.7	84.6	84.9	93.4
Car Purchase Expectations	108.5	100.7	103.8	102.1	101.0	101.1	99.2
Price of Gasoline	151.4	107.6	111.2	126.6	131.8	131.3	112.4

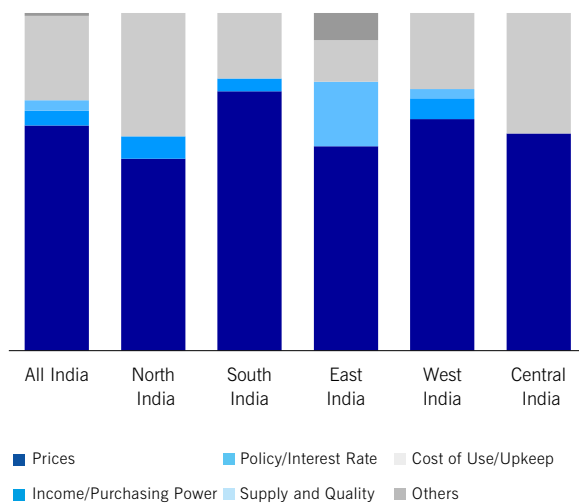
## Car Purchase Indicator Regions



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

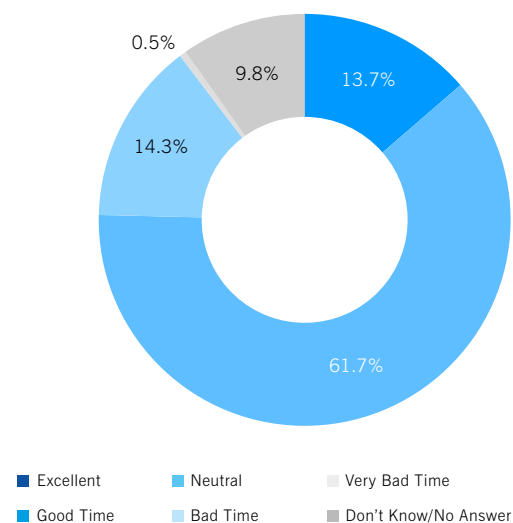


Reasons for a Bad Time to Buy a Car  
(% of Households)



Amid the crash in global oil prices and subsequent deregulation of fuel prices, expectations for the Price of Gasoline fell considerably during the second half of last year. However since February, expectations started rising quickly with recovery in global oil prices. With crude oil prices again under pressure, consumers' expectations have eased this month with the indicator falling by 14.4% to 112.4 in August.

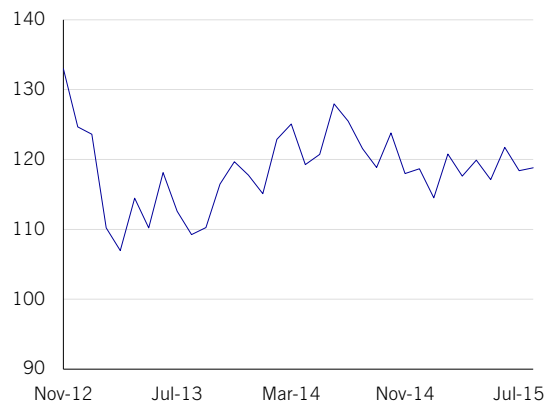
Is it a Good Time to Buy a Car?  
(% of Households)



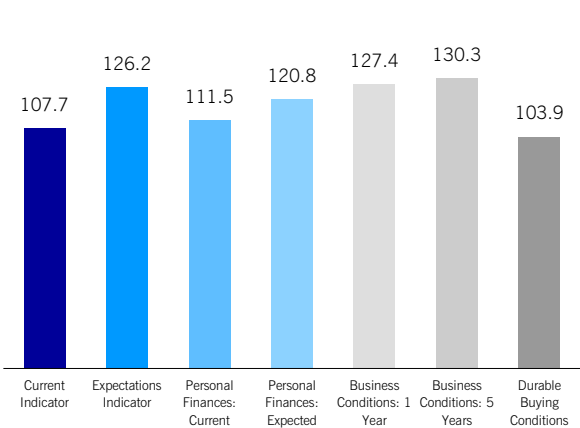
# MNI India Consumer Indicator Regions



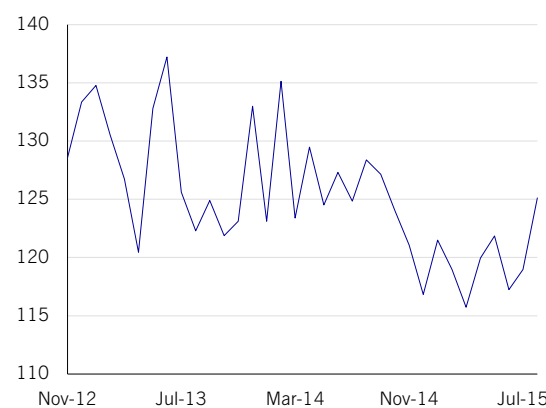
Consumer Indicator: North India



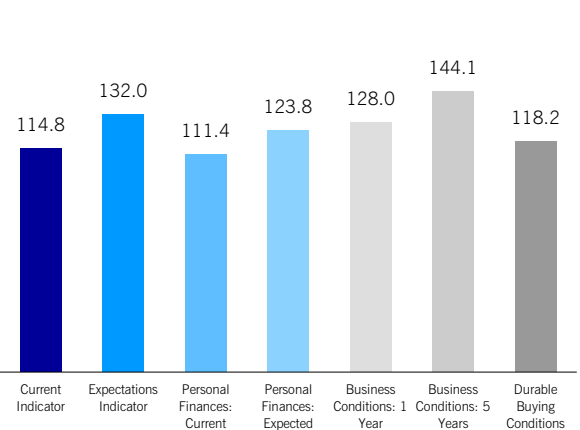
Consumer Indicator Components: North India



Consumer Indicator: South India

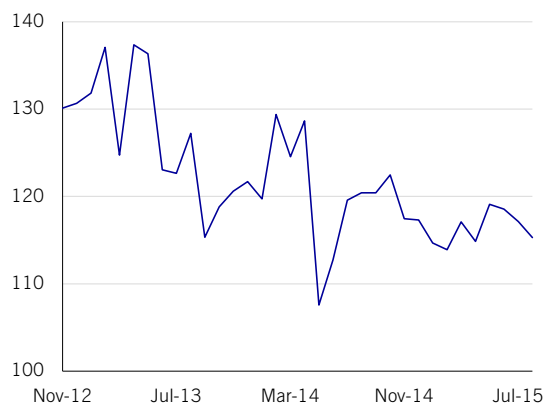


Consumer Indicator Components: South India

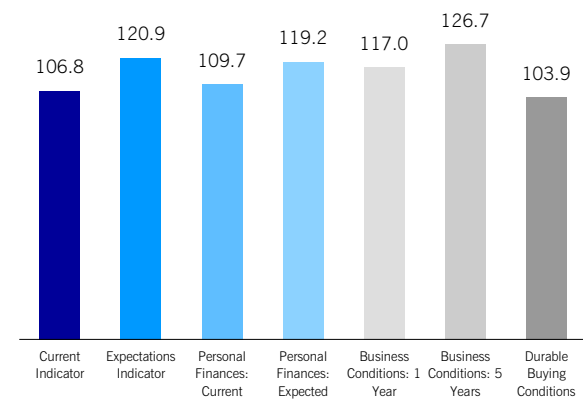




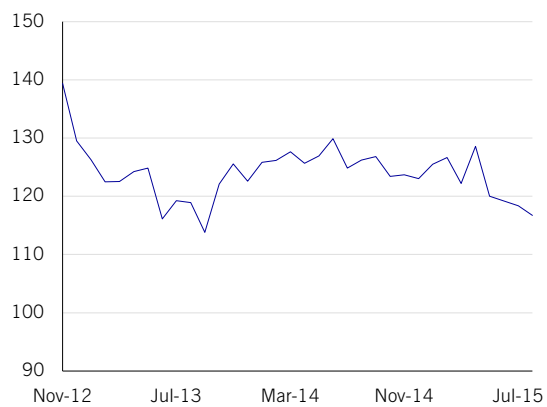
Consumer Indicator: East India



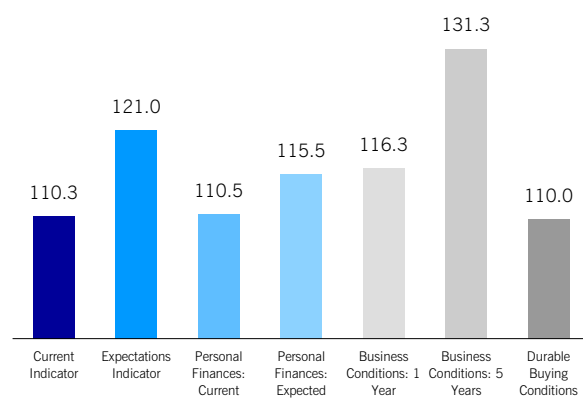
Consumer Indicator Components: East India



Consumer Indicator: West India

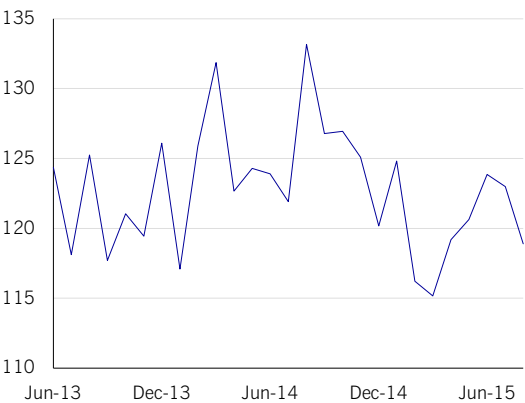


Consumer Indicator Components: West India

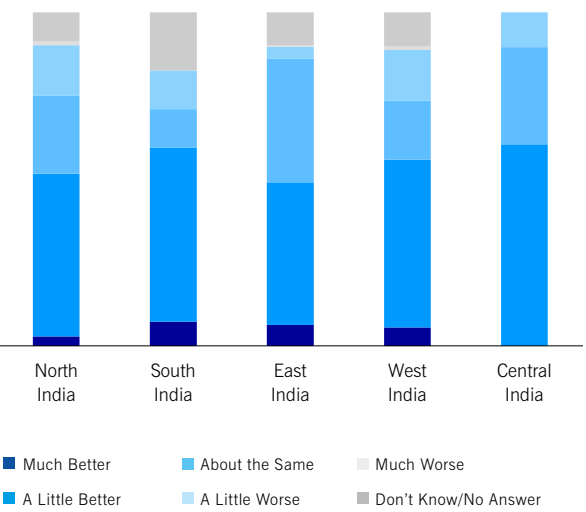




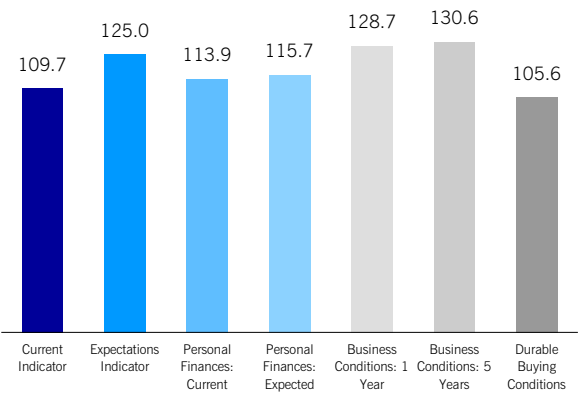
Consumer Indicator: Central India



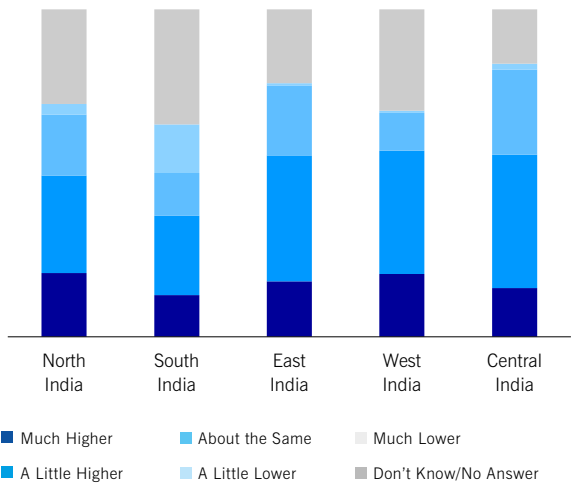
Employment Outlook for the Next 12 Months (% of Households)



Consumer Indicator Components: Central India

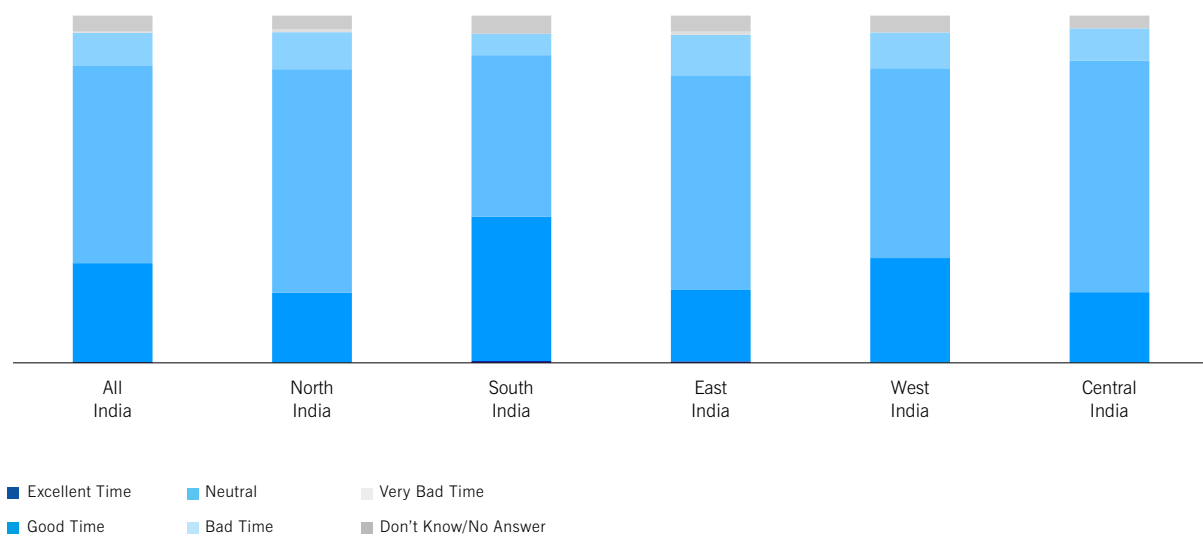


Interest Rate Expectations on House and Car Loans Indicator (% of Households)

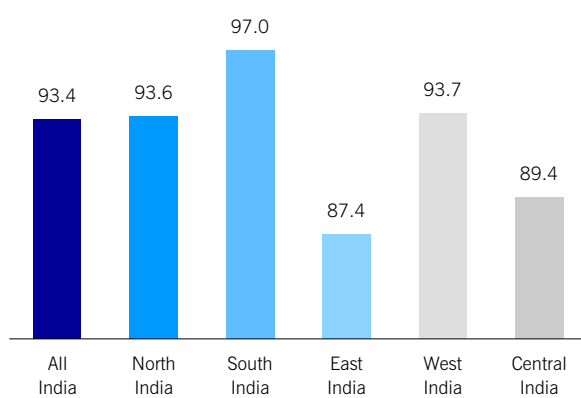




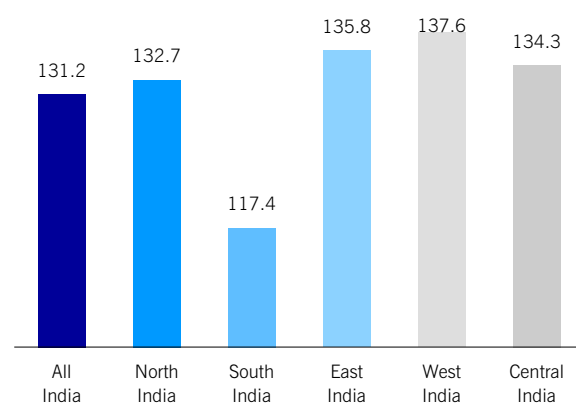
### Is it a Good/Bad Time to Buy Large Household Goods? (% of Households)



### Car Purchase Indicator - Regions



### Interest Rates Expectations (% of Households)

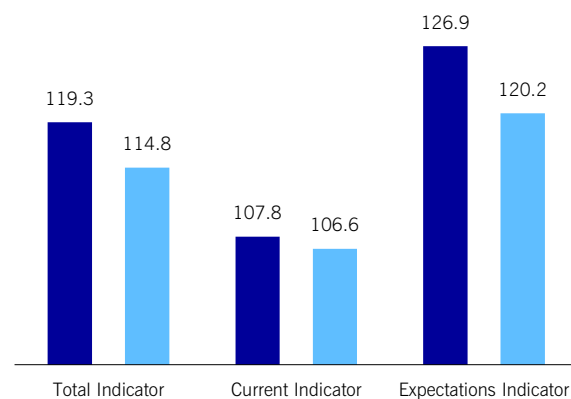


## MNI India Consumer Indicator

### Income Groups

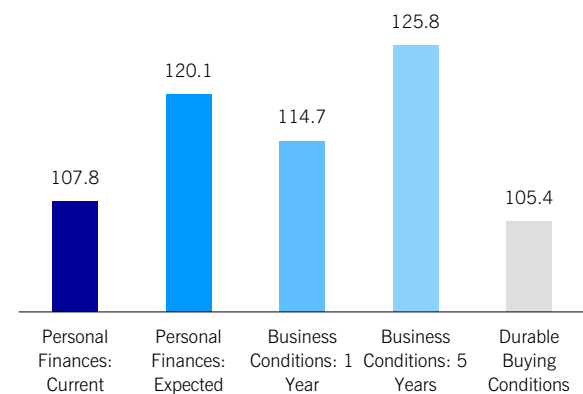


< Rs. 432,000 per annum

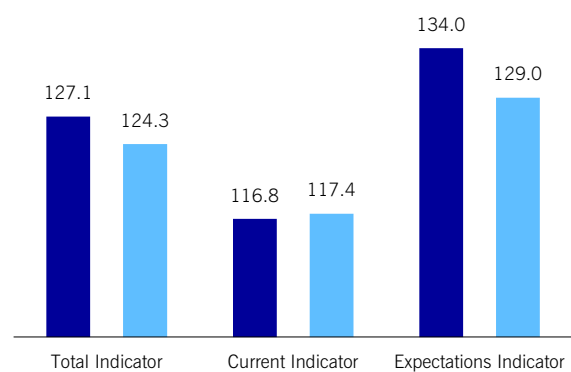


■ July 2015  
■ August 2015

< Rs. 432,000 - Components

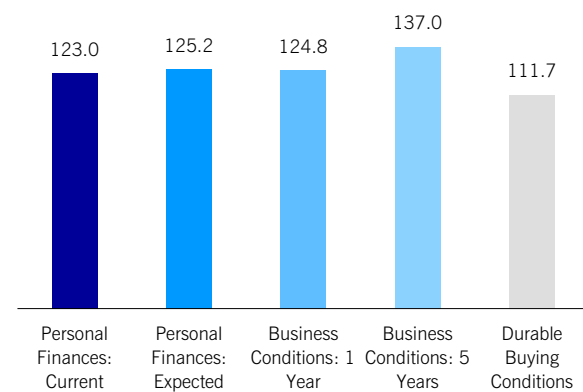


> Rs. 432,000 per annum



■ July 2015  
■ August 2015

> Rs. 432,000 - Components



# The gap in confidence between high and low-income households has risen significantly since 2014.

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Consumer sentiment has averaged 120.3 among those in the low-income group since the start of the survey, while for higher income households, it has averaged 128.4.



# Data Tables

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

### North India Overview

	Jun-15	Jul-15	Aug-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>North India Consumer Indicator</b>	121.7	118.4	118.8	Jun-15	-	119.6	0.4	0.3%
Current Indicator	111.6	106.1	107.7	Jun-15	-	108.5	1.6	1.6%
Expectations Indicator	128.5	126.6	126.2	-	May-15	127.1	-0.4	-0.3%
Personal Finance: Current	118.9	107.2	111.5	Jun-15	-	112.5	4.3	4.0%
Personal Finance: Expected	126.9	121.4	120.8	-	May-15	123.0	-0.6	-0.5%
Business Condition: 1 Year	127.3	125.7	127.4	Oct-14	-	126.8	1.7	1.4%
Business Condition: 5 Years	131.3	132.7	130.3	-	May-15	131.4	-2.4	-1.8%
Durable Buying Conditions	104.3	104.9	103.9	-	Jun-14	104.4	-1.0	-0.9%
Current Business Conditions Indicator	110.7	108.0	106.7	-	May-15	108.5	-1.3	-1.1%
Stock Investment Indicator	-	112.5	-	-	-	-	-	-
Real Estate Investment Indicator	116.6	116.2	116.5	Jun-15	-	116.4	0.3	0.3%
Car Purchase Indicator	82.6	83.9	93.6	Mar-15	-	86.7	9.7	11.5%
Employment Outlook Indicator	124.2	111.6	118.5	Jun-15	-	118.1	6.9	6.2%
Inflation Expectations Indicator	140.6	148.4	139.1	-	Mar-15	142.7	-9.3	-6.3%
Current Prices Satisfaction Indicator	86.5	88.7	87.7	-	Jun-15	87.6	-1.0	-1.2%
Interest Rates Expectations Indicator	143.0	128.7	132.7	Jun-15	-	134.8	4.0	3.1%

## South India Overview

	Jun-15	Jul-15	Aug-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>South India Consumer Indicator</b>	117.2	119.0	125.1	Sep-14	-	120.4	6.1	5.2%
Current Indicator	109.8	110.5	114.8	May-15	-	111.7	4.3	3.9%
Expectations Indicator	122.2	124.7	132.0	Oct-14	-	126.3	7.3	5.9%
Personal Finance: Current	103.0	103.8	111.4	May-15	-	106.1	7.6	7.3%
Personal Finance: Expected	110.2	118.9	123.8	Feb-15	-	117.6	4.9	4.1%
Business Condition: 1 Year	121.5	121.5	128.0	Aug-14	-	123.7	6.5	5.4%
Business Condition: 5 Years	134.9	133.6	144.1	Aug-14	-	137.5	10.5	7.9%
Durable Buying Conditions	116.6	117.1	118.2	Apr-15	-	117.3	1.1	1.0%
Current Business Conditions Indicator	117.1	109.4	116.4	Jun-15	-	114.3	7.0	6.4%
Stock Investment Indicator	124.5	-	116.7	Jun-15	-	80.4	116.7	0.0%
Real Estate Investment Indicator	110.9	115.9	114.7	-	Jun-15	113.8	-1.2	-1.0%
Car Purchase Indicator	91.9	91.3	97.0	May-15	-	93.4	5.7	6.3%
Employment Outlook Indicator	118.2	123.2	127.6	Jan-15	-	123.0	4.4	3.6%
Inflation Expectations Indicator	130.6	131.4	135.8	Mar-15	-	132.6	4.4	3.4%
Current Prices Satisfaction Indicator	92.3	96.5	101.7	Mar-15	-	96.8	5.2	5.4%
Interest Rates Expectations Indicator	114.3	115.2	117.4	Oct-14	-	115.6	2.2	1.9%

### East India Overview

	Jun-15	Jul-15	Aug-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>East India Consumer Indicator</b>	118.6	117.1	115.3	-	Apr-15	117.0	-1.8	-1.6%
Current Indicator	111.0	106.1	106.8	Jun-15	-	108.0	0.7	0.7%
Expectations Indicator	123.6	124.5	120.9	-	Apr-15	123.0	-3.6	-2.8%
Personal Finance: Current	116.0	108.3	109.7	Jun-15	-	111.3	1.4	1.3%
Personal Finance: Expected	125.8	119.7	119.2	-	Apr-15	121.6	-0.5	-0.4%
Business Condition: 1 Year	120.5	121.1	117.0	-	Apr-15	119.5	-4.1	-3.4%
Business Condition: 5 Years	124.6	132.7	126.7	-	Jun-15	128.0	-6.0	-4.6%
Durable Buying Conditions	105.9	103.9	103.9	Jun-15	-	104.6	0.0	0.0%
Current Business Conditions Indicator	113.0	108.5	113.0	Jun-15	-	111.5	4.5	4.1%
Stock Investment Indicator	-	133.3	133.3	Apr-15	-	88.9	0.0	0.0%
Real Estate Investment Indicator	113.4	112.9	113.5	Oct-14	-	113.3	0.6	0.6%
Car Purchase Indicator	84.8	78.5	87.4	Apr-15	-	83.6	8.9	11.4%
Employment Outlook Indicator	117.4	119.7	125.5	May-13	-	120.9	5.8	4.8%
Inflation Expectations Indicator	128.9	144.0	144.5	Apr-14	-	139.1	0.5	0.4%
Current Prices Satisfaction Indicator	100.9	88.7	92.7	Jun-15	-	94.1	4.0	4.6%
Interest Rates Expectations Indicator	126.1	132.4	135.8	May-15	-	131.4	3.4	2.5%

## West India Overview

	Jun-15	Jul-15	Aug-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>West India Consumer Indicator</b>	119.2	118.3	116.7	-	Sep-13	118.1	-1.6	-1.4%
Current Indicator	110.8	113.4	110.3	-	Dec-14	111.5	-3.1	-2.7%
Expectations Indicator	124.8	121.7	121.0	-	Sep-13	122.5	-0.7	-0.5%
Personal Finance: Current	116.0	117.8	110.5	-	Jul-13	114.8	-7.3	-6.2%
Personal Finance: Expected	121.6	117.4	115.5	-	May-15	118.2	-1.9	-1.6%
Business Condition: 1 Year	121.3	114.9	116.3	Jun-15	-	117.5	1.4	1.3%
Business Condition: 5 Years	131.4	132.7	131.3	-	Dec-13	131.8	-1.4	-1.1%
Durable Buying Conditions	105.7	108.9	110.0	Apr-15	-	108.2	1.1	1.0%
Current Business Conditions Indicator	111.3	105.2	109.1	Jun-15	-	108.5	3.9	3.7%
Stock Investment Indicator	122.8	106.5	122.3	Jun-15	-	117.2	15.8	14.8%
Real Estate Investment Indicator	116.4	114.5	116.4	Jun-15	-	115.8	1.9	1.7%
Car Purchase Indicator	82.1	82.8	93.7	Apr-15	-	86.2	10.9	13.1%
Employment Outlook Indicator	126.5	119.9	122.0	Jun-15	-	122.8	2.1	1.8%
Inflation Expectations Indicator	137.9	140.9	135.4	-	Mar-15	138.1	-5.5	-3.9%
Current Prices Satisfaction Indicator	87.1	77.9	81.2	Jun-15	-	82.1	3.3	4.2%
Interest Rates Expectations Indicator	139.6	139.5	137.6	-	Apr-15	138.9	-1.9	-1.3%

### Central India Overview

	Jun-15	Jul-15	Aug-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>Central India Consumer Indicator</b>	123.9	123.0	118.9	-	Mar-15	121.9	-4.1	-3.3%
Current Indicator	118.0	108.3	109.7	Jun-15	-	112.0	1.4	1.3%
Expectations Indicator	127.8	132.8	125.0	-	Apr-15	128.5	-7.8	-5.9%
Personal Finance: Current	128.1	111.7	113.9	Jun-15	-	117.9	2.2	2.0%
Personal Finance: Expected	122.8	120.8	115.7	-	May-14	119.8	-5.1	-4.2%
Business Condition: 1 Year	118.4	136.7	128.7	-	Jun-15	127.9	-8.0	-5.8%
Business Condition: 5 Years	142.1	140.8	130.6	-	Mar-15	137.8	-10.2	-7.3%
Durable Buying Conditions	107.9	105.0	105.6	Jun-15	-	106.2	0.6	0.5%
Current Business Conditions Indicator	106.1	116.7	114.8	-	Jun-15	112.5	-1.9	-1.6%
Stock Investment Indicator	-	133.3	150.0	series high	-	94.4	16.7	12.5%
Real Estate Investment Indicator	117.5	113.9	117.3	Jun-15	-	116.2	3.4	3.0%
Car Purchase Indicator	77.6	90.0	89.4	-	Jun-15	85.7	-0.6	-0.7%
Employment Outlook Indicator	124.6	132.5	122.2	-	Apr-15	126.4	-10.3	-7.8%
Inflation Expectations Indicator	149.1	131.7	133.3	Jun-15	-	138.0	1.6	1.3%
Current Prices Satisfaction Indicator	71.1	102.5	89.8	-	Jun-15	87.8	-12.7	-12.4%
Interest Rates Expectations Indicator	157.0	136.7	134.3	-	Apr-15	142.7	-2.4	-1.8%

## All India - Overview by Age

	Jun-15	Jul-15	Aug-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>Age 18-34</b>								
<b>MNI India Consumer Indicator</b>	122.5	122.9	121.9	-	May-15	122.4	-1.0	-0.8%
Current Indicator	112.9	112.0	110.8	-	Mar-15	111.9	-1.2	-1.0%
Expectations Indicator	129.0	130.2	129.3	-	Jun-15	129.5	-0.9	-0.7%
Personal Finance: Current	114.5	113.9	109.9	-	series low	112.8	-4.0	-3.5%
Personal Finance: Expected	125.7	124.2	124.0	-	May-15	124.6	-0.2	-0.1%
Business Condition: 1 Year	126.9	126.8	128.1	Oct-14	-	127.3	1.3	1.0%
Business Condition: 5 Years	134.3	139.6	135.8	-	Jun-15	136.6	-3.8	-2.7%
Durable Buying Conditions	111.3	110.1	111.7	Apr-15	-	111.0	1.6	1.5%
<b>Age 35-54</b>								
<b>MNI India Consumer Indicator</b>	118.7	118.3	119.6	May-15	-	118.9	1.3	1.1%
Current Indicator	110.1	108.5	110.7	May-15	-	109.8	2.2	2.0%
Expectations Indicator	124.5	124.7	125.5	Jan-15	-	124.9	0.8	0.6%
Personal Finance: Current	113.4	109.3	113.0	Jun-15	-	111.9	3.7	3.4%
Personal Finance: Expected	119.8	119.3	119.5	Jun-15	-	119.5	0.2	0.2%
Business Condition: 1 Year	121.6	121.3	121.5	Jun-15	-	121.5	0.2	0.2%
Business Condition: 5 Years	132.1	133.6	135.3	Dec-14	-	133.7	1.7	1.3%
Durable Buying Conditions	106.7	107.8	108.5	May-15	-	107.7	0.7	0.6%
<b>Age 55-64</b>								
<b>MNI India Consumer Indicator</b>	115.6	109.8	113.4	Jun-15	-	112.9	3.6	3.2%
Current Indicator	110.7	106.9	107.9	Jun-15	-	108.5	1.0	0.9%
Expectations Indicator	118.9	111.8	117.1	Jun-15	-	115.9	5.3	4.7%
Personal Finance: Current	116.7	104.8	108.6	Jun-15	-	110.0	3.8	3.6%
Personal Finance: Expected	113.8	108.1	110.6	Jun-15	-	110.8	2.5	2.3%
Business Condition: 1 Year	116.2	108.2	115.6	Jun-15	-	113.3	7.4	6.8%
Business Condition: 5 Years	126.6	119.0	125.0	Jun-15	-	123.5	6.0	5.0%
Durable Buying Conditions	104.6	109.1	107.3	-	Jun-15	107.0	-1.8	-1.7%

## All India - Overview by Income

	Jun-15	Jul-15	Aug-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
< Rs. 432,000 per annum								
<b>MNI India Consumer Indicator</b>	119.0	119.3	114.8	-	May-15	117.7	-4.5	-3.8%
Current Indicator	107.4	107.8	106.6	-	Mar-15	107.3	-1.2	-1.1%
Expectations Indicator	126.8	126.9	120.2	-	May-15	124.6	-6.7	-5.3%
Personal Finance: Current	105.1	106.8	107.8	Apr-15	-	106.6	1.0	0.9%
Personal Finance: Expected	124.0	131.6	120.1	-	May-15	125.2	-11.5	-8.7%
Business Condition: 1 Year	121.0	119.9	114.7	-	May-15	118.5	-5.2	-4.3%
Business Condition: 5 Year	135.3	129.3	125.8	-	May-15	130.1	-3.5	-2.7%
Durable Buying Conditions	109.6	108.9	105.4	-	Mar-15	108.0	-3.5	-3.2%
> Rs. 432,000 per annum								
<b>MNI India Consumer Indicator</b>	128.6	127.1	124.3	-	Jan-14	126.7	-2.8	-2.2%
Current Indicator	122.1	116.8	117.4	Jun-15	-	118.8	0.6	0.4%
Expectations Indicator	132.8	134.0	129.0	-	Jan-14	131.9	-5.0	-3.7%
Personal Finance: Current	124.5	120.5	123.0	Jun-15	-	122.7	2.5	2.0%
Personal Finance: Expected	131.8	127.2	125.2	-	Jan-14	128.1	-2.0	-1.6%
Business Condition: 1 Year	132.1	130.2	124.8	-	Mar-15	129.0	-5.4	-4.2%
Business Condition: 5 Year	134.7	144.5	137.0	-	Jun-15	138.7	-7.5	-5.1%
Durable Buying Conditions	119.8	113.1	111.7	-	Mar-15	114.9	-1.4	-1.2%

## 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 has been in place since November 2012.

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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