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MNI India Consumer Report November 2015

Insight and data for better decisions

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Insight and data for better decisions

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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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The Make in India Paradox

While Prime Minister Narendra Modi has been pitching India as a global manufacturing destination with the “Make in India” initiative, demand for goods made in India has been falling.

While Prime Minister Narendra Modi has been pitching India as a global manufacturing destination with the “Make in India” initiative, demand for goods made in India has been falling. India aims to increase exports of goods and services to \$900 billion by 2020 and raise the country’s share in world exports to 3.5% from 2% currently. The policy aims to step up exports of high quality manufactured goods instead of exporting raw materials and intermediate inputs, but a lack of competitiveness coupled with current weak demand makes this an exceedingly ambitious target.

India’s export sector has come under intense pressure, with exports contracting 17.5% on the year in October, the 11th consecutive decline. It’s a dire situation. The last time exports contracted for twelve months in a row was between October 2008 and September 2009 in the aftermath of the global financial crisis. Our own business survey shows that the decline in business confidence among large Indian firms has been driven by lacklustre demand especially from abroad. The Export Orders indicator has been declining gradually since the middle of last year and was down 9.4% on the year in November.

The decline in oil prices makes the headline figures look worse than they are, although even accounting for this the picture isn’t pretty. Since early 2015, petroleum exports have been declining on a volume basis as well. And excluding oil, which makes up 18% of all exports, there is still a broad-based slowdown stemming from weak global demand. Within exports, drugs & pharmaceuticals is the only major sector performing well, with a moderate recovery seen lately in gems & jewellery.

The situation doesn’t look set to improve significantly anytime soon. The World Trade Organisation recently revised down its forecast for global trade growth in 2015 from 3.3% to 2.8%, and reduced the estimate for 2016 to 3.9% from 4% citing falling import demand and lower commodity prices. A slowdown in China’s growth momentum also impacts inter-regional and global trade and therefore impact Indian exports. Already, the share of exports to China has eased to 3.7% in September this year from 4.9% two years ago. The saving grace for India is that the US economy, which constitutes 15% of total Indian exports, (although it’s share has also come

down from close to 20% a decade ago), which ought to provide some offset against the drag from other trading destinations such as EU, Saudi Arabia and China.

As well as weak demand, the overvaluation of the rupee is also hurting exports. The RBI’s 36-country trade based real effective exchange rate remains overvalued at 113.0 in October, and this could be impacting its competitiveness in the market.

A final factor which could limit Modi’s manufacturing plans is that India’s trade-related infrastructure is still weak and, as a result, the cost of doing trade is high. This is evident from the Ease of Doing Business report of the World Bank where India was ranked at 130th position out of 189 countries this year. Although this is an improvement from position 140th last year, India still trails behind its other BRICS members. With demand unlikely to race to the rescue, policymakers in India need to transform India’s trade infrastructure. India’s potential to become an export oriented powerhouse ultimately depends on bold structural reforms in areas such as trade and investment policies, competition, labour and infrastructure development. If the government is serious about becoming a manufacturing hub it needs to get serious about reforms.

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MNI Indicators



Executive Summary

The MNI India Consumer Sentiment Indicator fell slightly to 113.7 in November from 114.1 in October, the lowest level since the start of the survey in November 2012.

The MNI India Consumer Sentiment Indicator fell slightly to 113.7 in November from 114.1 in October, the lowest level since the start of the survey in November 2012.

Consumer sentiment fell in all regions apart from West India in November. Residents of South and Central India saw confidence fall to record lows. In East India, respondents were less positive about their future conditions. In Central India, respondents were only more upbeat in their expectations for business conditions in the long-term, while all other components which make up the consumer sentiment indicator were revised down.

Rate cuts have done little to stem the decline in consumer sentiment throughout 2015 and this month proved no different, with consumers unstirred by the late September 50 basis point cut to boost economic growth. Less than half of respondents expected interest rates on car and house loans to rise in the next 12 months while almost a third of respondents were not sure of the outturn. While the indicator remains above the 100 level, meaning optimists still outweigh pessimists, it has fallen 6% over the past year.

Latest GDP data showed growth increased to 7.4% on the year in the Jul-Sep quarter from 7% in the previous quarter. While private consumption remains the biggest contributor to GDP growth, growth has eased from 7.9% in the Jan-Mar quarter to 6.8% in the latest quarter. This is in line with our Consumer Sentiment Indicator, which had fallen to a series low in Jul-Sep. Given the low level of expectations recorded in the survey this month it suggests we would see personal spending growth easing further.

Views about the current situation were not far from historical lows, whereas consumers' outlook for the future was the bleakest on record. The Current Indicator stood at 109.9, while the Expectations Indicator, which is made of three forward-looking components, fell to a fresh series low of 116.2.

Consumers were a little more optimistic about the current state of their Personal Finances, but fewer

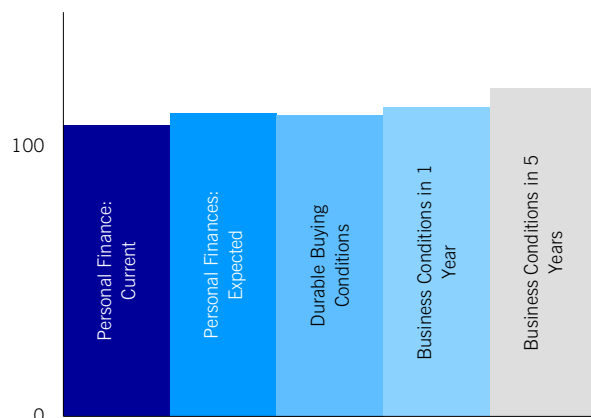
households than ever before expected their financial situation to improve over the next year.

Consumers also revised down their long-term expectations for business conditions and were more downbeat in their perception of the current business environment in November. Expectations for Business Conditions in Five Years fell to a new low of 121.7 while the current conditions indicator fell by 1.7% to the lowest since May last year, when the Modi government came to power.

Concerns about the economy were mirrored in respondents' views on the labour market. The Employment Outlook Indicator fell for the third consecutive month to the lowest since October 2014.

Dissatisfaction with the current level of prices increased in November, while consumers' expectations for inflation for the coming 12 months eased slightly. The indicator measuring satisfaction with the current level of prices fell to 78.6 from 82.7 in October, marking the third consecutive decline.

MNI India Consumer Indicator - Components



All India - Overview

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Consumer Indicator	115.3	114.1	113.7	-	series low	114.4	-0.4	-0.4%
Current Indicator	110.5	108.0	109.9	Sep-15	-	109.5	1.9	1.8%
Expectations Indicator	118.5	118.2	116.2	-	series low	117.6	-2.0	-1.7%
Personal Finance: Current	110.1	104.4	108.0	Sep-15	-	107.5	3.6	3.4%
Personal Finance: Expected	115.7	113.9	112.4	-	series low	114.0	-1.5	-1.3%
Business Condition: 1 Year	115.5	118.4	114.5	-	Sep-13	116.1	-3.9	-3.3%
Business Condition: 5 Years	124.4	122.1	121.7	-	series low	122.7	-0.4	-0.4%
Durable Buying Conditions	110.8	111.5	111.8	Apr-15	-	111.4	0.3	0.2%
Current Business Conditions Indicator	108.8	107.0	105.2	-	May-14	107.0	-1.8	-1.7%
Real Estate Investment Indicator	114.5	115.0	114.3	-	Mar-15	114.6	-0.7	-0.6%
Car Purchase Indicator	99.2	88.9	87.2	-	Jul-15	91.8	-1.7	-1.9%
Employment Outlook Indicator	112.3	110.8	109.9	-	Oct-14	111.0	-0.9	-0.9%
Inflation Expectations Indicator	137.7	142.4	139.2	-	Sep-15	139.8	-3.2	-2.2%
Current Prices Satisfaction Indicator	85.1	82.7	78.6	-	Aug-14	82.1	-4.1	-4.9%
Interest Rates Expectations Indicator	127.8	125.5	123.1	-	Mar-15	125.5	-2.4	-1.9%

All India - Summary

	2014		2015										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
MNI India Consumer Indicator	120.9	119.6	120.4	121.2	118.5	122.1	119.6	119.5	118.6	119.1	115.3	114.1	113.7
Current Indicator	110.7	106.9	112.2	114.3	109.9	115.7	113.5	111.2	109.6	110.2	110.5	108.0	109.9
Expectations Indicator	127.7	128.0	125.8	125.7	124.2	126.4	123.7	125.1	124.6	125.1	118.5	118.2	116.2
Personal Finance: Current	115.6	114.4	113.3	116.1	114.5	118.3	117.7	114.4	110.3	111.1	110.1	104.4	108.0
Personal Finance: Expected	128.7	126.3	124.2	123.7	121.1	120.8	119.1	120.9	119.3	119.3	115.7	113.9	112.4
Business Condition: 1 Year	116.3	119.9	119.6	120.1	119.5	123.8	121.1	122.5	121.1	122.6	115.5	118.4	114.5
Business Condition: 5 Years	138.1	137.9	133.6	133.3	132.1	134.5	131.0	131.9	133.4	133.4	124.4	122.1	121.7
Durable Buying Conditions	105.8	99.4	111.2	112.6	105.4	113.0	109.2	108.0	109.0	109.3	110.8	111.5	111.8
Current Business Conditions Indicator	108.6	116.6	112.4	117.2	110.3	114.4	113.0	112.4	107.9	111.0	108.8	107.0	105.2
Real Estate Investment Indicator	111.0	111.0	114.2	114.5	112.1	115.3	114.6	114.8	115.0	115.7	114.5	115.0	114.3
House Price Expectations	144.0	154.2	153.6	151.8	149.9	152.9	156.6	153.7	152.4	149.9	148.8	152.3	151.5
House Buying Sentiment	92.1	89.3	94.6	96.6	91.5	88.9	88.4	89.3	93.3	93.0	89.7	89.8	87.6
House Selling Sentiment	103.2	110.7	105.5	104.9	105.0	96.0	101.4	98.5	100.8	95.7	95.0	97.1	96.0
Car Purchase Indicator	91.7	91.4	104.0	108.1	96.5	96.3	87.7	84.6	84.9	93.4	99.2	88.9	87.2
Car Purchase Expectations	89.8	79.7	105.1	105.8	100.7	103.8	102.1	101.0	101.1	99.2	102.6	103.2	100.3
Price of Gasoline Expectations	106.3	96.9	97.0	89.5	107.6	111.2	126.6	131.8	131.3	112.4	104.1	125.4	125.8
Employment Outlook Indicator	111.4	121.1	122.7	121.8	116.3	120.1	121.1	122.7	119.3	122.9	112.3	110.8	109.9
Inflation Expectations Indicator	119.0	123.2	126.8	119.6	132.8	134.2	138.7	136.3	140.4	137.5	137.7	142.4	139.2
Current Prices Satisfaction Indicator	89.7	97.1	96.4	100.4	95.4	92.6	86.7	89.1	87.7	89.6	85.1	82.7	78.6
Interest Rates Expectations Indicator	122.0	129.4	123.9	124.0	121.9	129.2	134.3	133.7	130.1	131.2	127.8	125.5	123.1

All India - Records

	2012-Current			
	Minimum	Maximum	Mean	Median
MNI India Consumer Indicator	113.7	133.7	122.0	122.1
Current Indicator	106.9	128.3	114.6	114.1
Expectations Indicator	116.2	137.3	126.9	126.8
Personal Finance: Current	104.4	135.4	118.3	117.1
Personal Finance: Expected	112.4	141.5	126.0	125.3
Business Condition: 1 Year	114.1	131.8	121.6	120.7
Business Condition: 5 Years	121.7	144.5	133.0	133.1
Durable Buying Conditions	99.4	121.1	111.0	111.2
Current Business Conditions Indicator	102.9	124.9	112.8	112.4
Real Estate Investment Indicator	109.7	119.9	113.9	114.4
House Price Expectations	133.3	156.6	146.6	148.3
House Buying Sentiment	87.6	121.5	100.1	98.1
House Selling Sentiment	95.0	113.7	104.9	104.9
Car Purchase Indicator	60.1	108.1	81.0	78.6
Car Purchase Expectations	79.7	114.8	102.3	102.6
Price of Gasoline Expectations	89.5	171.0	140.2	148.6
Employment Outlook Indicator	106.9	128.3	117.9	119.2
Inflation Expectations Indicator	119.0	159.2	140.3	138.7
Current Prices Satisfaction Indicator	63.0	115.9	85.5	86.7
Interest Rates Expectations Indicator	116.6	140.4	128.9	129.6

Latest GDP data showed that India's economy grew by 7.4% on the year in the July-September quarter...

...up from 7% in the previous quarter, although lower than the 8.4% growth recorded in the July-September quarter last year.



Economic Landscape

Latest economic data has been encouraging. Growth picked up pace in the first half of the year, on the back of the growth in manufacturing, investment spending and support from government spending.

Latest economic data has been encouraging. Growth picked up pace in the first half of the year, on the back of the growth in manufacturing, investment spending and support from government spending. The economy grew by 7.4% in the second quarter of the fiscal year, higher than the 7% recorded in the previous quarter. Investment growth and government spending picked up while private consumption growth moderated. Net exports continued to drag on growth, although the decline in both exports and imports slowed. Looking ahead, moderate inflation and easier monetary conditions should help to support growth over the remainder of the year and into 2016.

Following the December monetary policy meeting, the repo rate was left unchanged at 6.75% as expected. The RBI softened slightly its position on the inflation outlook although noted that the recent uptick in core inflation warranted vigilance. It also left the door open to further rate cuts noting that it would “use space when available” to cut rates so long as inflation was on track to hit 5% by March 2017.

Growth in GDP accelerates in Q2

Latest GDP data showed that India's economy grew by 7.4% on the year in the July-September quarter, up from 7% in the previous quarter, although lower than the 8.4% growth recorded in the July-September quarter last year. Growth has picked up pace in the first half of FY16, on the back of green shoots in manufacturing, investment spending and support from government spending.

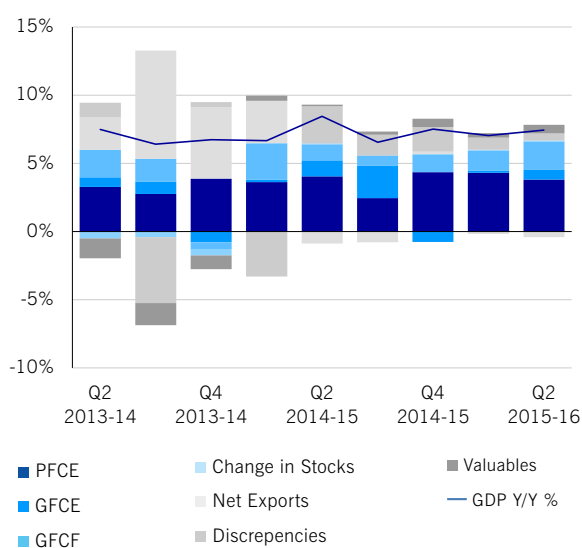
Growth of GVA at basic prices improved for the consecutive second quarter to 7.4% y/y in Q2FY16 from 7.1% in Q1 and 6.1% in Q4FY15. The improvement in GVA growth was primarily led by an uptick in industrial expansion to 6.8% in Q2 from 6.5% in Q1. The data indicates an unexpected pickup in growth of agriculture, forestry & fishing to 2.2% in Q2 from 1.9% in Q1, allaying concerns regarding the extent of the impact of the unfavourable monsoon on agricultural output. However, growth of the services sector eased mildly to 8.8% in Q2 from 8.9% in the previous quarter. This was due to lower growth in trade, hotels, transport, communication and services related to broadcasting. That said, service sector performance remained buoyant in Q2 with financial, real estate and professional services

growing at 9.7% and public administration, defence and other services rising by 4.7% versus 2.7% in Q1.

On an expenditure basis, GDP growth in the July-September quarter was led by a 6.8% year-on-year increase in both private final consumption expenditure (PFCE) and gross fixed capital formation (GFCF). Growth of PFCE has slipped from 7.4% in Q1, with an unfavourable monsoon and the expectation of subdued rural incomes dampening sentiments and weighing upon rural consumption growth. Personal consumption added 3.8 percentage points to growth, having contributed 4.3 percentage points in the previous quarter and 4 percentage points in the same quarter a year ago. Boosted by robust growth in the government's capital spending, the growth of GFCF improved to a five-quarter high from 4.9% in Q1, contributing 2.1 percentage points, up from 1.5 percentage points in the previous quarter and 1.2 percentage points in the same quarter a year ago. Net exports continued to be a drag on growth, however the pace of contraction of both imports and exports eased in Q2 (-2.8% and -4.7%, respectively) as compared with the previous quarter (-5.4% and -6.5%, respectively).

Going forward, we expect trends such as the moderation in inflation, easy monetary conditions and upward revision in the salaries of government employees to

Contribution to GDP Growth



Source: Central Statistics Office

support urban consumption demand and overall economic activity, with growth expected to surpass the 7.3% recorded last year. Rural demand, on the other hand is expected to remain subdued owing to two consecutive years of weak monsoon, unseasonal rains and lower MSP increases than in previous years. Government spending will play a critical role in terms of infrastructure investment and easing rules for foreign direct investment.

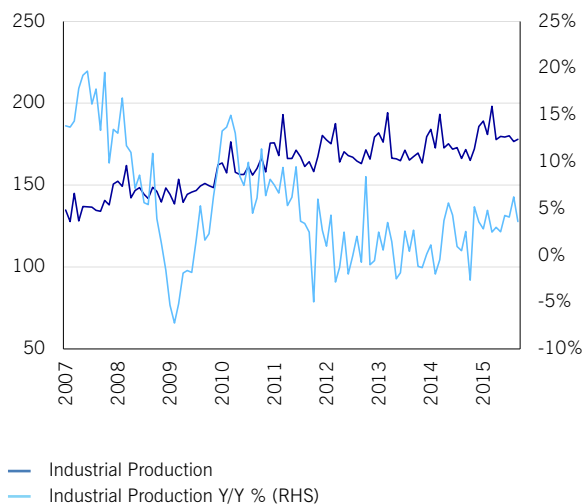
Industrial output growth lowest in four months

Industrial production growth eased to 3.6% on the year in September from 6.3% in August (revised down from 6.4% previously). Monthly data has been volatile, although the first nine months of the year has seen industrial production expand by 3.8% over the previous year, more than double the rate of growth seen in the previous year.

The overall decline was led by the manufacturing sector, which forms three quarters of industrial production. Output expanded at 2.6% on the year compared with 6.6% in the previous month (revised down from 6.9% previously) and was up 4% in the nine months to September over the past year, the highest growth rate in four years. Electricity production grew by 11.4% on the year while mining grew by 3% on the year.

According to use-based classification, basic goods production grew by 4% on the year in September following 3.5% (revised up from 3.4% previously) in August, while production of consumer goods plummeted to 0.6% on the year following growth of 6% in August (revised down from 6.8% previously), owing mostly to base effects. On a month-on-month basis, output was up 1.6%, the highest in six months catering for festival demand. Output of consumer durables grew by 8.4% on the year in September, down from 17% in August. While growth eased, it was encouraging to see the second positive month-on-month outturn, a possible turning point for the consumer sector. On the investment side, growth in capital goods halved in September from the previous month, although this was mainly due to base effects as capital goods production expanded by double digits in September 2014. Base effects aside, we welcome the overall turnaround in capital goods production which has grown by an impressive 8.8% in

Industrial Production



Source: Central Statistics Office

the first nine months of the year compared with the last year, the highest since 2010.

Overall, the latest data signals that the long-term recovery remains intact, especially with robust growth in the capital goods sector and emerging green shoots in the consumer sector. While the August data had provided a stronger platform for Q2 growth, the September data has wiped off some of its sheen, bringing the second quarter average for industrial production to 4.7%, although still up from 3.3% in Q1 and 1.3% in Q2 a year ago.

The more frequently updated data for the core sector, which is comprised of eight industries and forms 38% of industrial production, grew by 3.2% in October, same as seen a month earlier, but almost one-third growth seen in October 2014. During the April-October period of the current fiscal year, infrastructure output has slowed to 2.4% on the year, down from 5.7% growth in the corresponding period last year. This month again, production of fertiliser was the front-runner, growing by 16.2% on the year, although slower than the previous month. More positively, cement production grew by 11.7% on the year and coal production by 6.3% providing early signs of recovery in the construction sector.

According to the preliminary data released by the Central Electricity Authority, total power generation in India grew by 8.8% on the year in October. Of the three power generation segments, only thermal power segment recorded a growth in generation in October. Thermal power generation increased by 13.1% to 86 billion units during the month, exceeding the monthly generation target of 82 billion units. In contrast, nuclear and hydro power stations delivered poor performance.

RBI Consumer Confidence fell in September

The RBI's Consumer Confidence survey showed that the Current Situation Index (CSI), an assessment of consumer sentiment, fell in the quarter ending September to 102.9 from 107.7 in the quarter ending June. This was the second consecutive decline in confidence pushing the index to the lowest level since June last year.

Current economic conditions compared with one year ago plummeted, wiping out the gains of the previous two quarters. Positive perceptions of future economic conditions also fell to the lowest since March 2014.

Respondents were increasingly worried about employment conditions with the proportion of respondents whose employment conditions worsened compared with a year ago outnumbering those who showed an improved situation. Fewer respondents expected an improvement in the employment situation one year ahead as well. Sentiment towards current income fell to the lowest level in the survey's history and fewer respondents expected it to improve one year ahead.

Respondents' expectations about future economic conditions also declined as the Future Expectations Index, which measures the year-ahead outlook, fell to 119.2 in September from 124.2 in June.

More up-to-date monthly data from the MNI India Consumer Sentiment Survey has shown confidence falling to a record low level among households. The MNI India Consumer Sentiment Indicator fell to 113.7 in November from 114.1 in October. Consumers reported that they were less confident about their future household finances than ever before and had lower expectations for business conditions both in the short-and long-term.

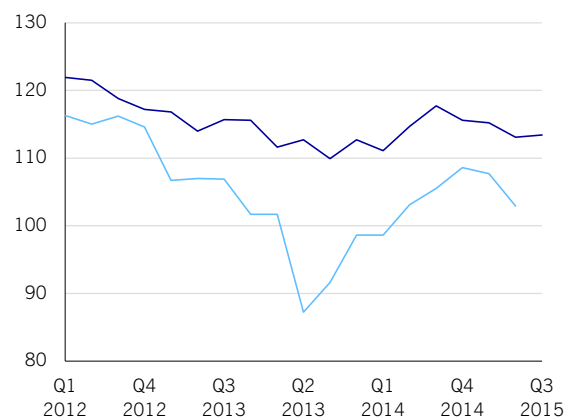
RBI Industrial Outlook remains stable in December

The RBI's Industrial Outlook Survey showed that the Business Expectation Index (BEI), a gauge of manufacturing business sentiment, remained broadly stable at 113.4 in the quarter ending December compared with 113.1 in the quarter ending September and was below the outturn of 117.7 recorded in the December quarter a year earlier. Companies expected fewer export and import orders, with nearly stable order books and production. There was also reduced pessimism towards the cost of finance and the cost of raw materials.

Manufacturing companies witnessed a decline in demand during the July-September quarter, with sentiment easing to 102.4 from 104.8 in the previous quarter. The decline in sentiment for the assessment quarter was mainly due to lower optimism in production, order books, exports, capacity utilisation, employment, financial situation, availability of finance coupled with increased pessimism in selling prices and profit margin.

More up-to-date monthly data from the MNI India Business Sentiment Survey has shown that business confidence has eased in recent months. In the quarter ending September, the MNI India Business Sentiment Indicator fell to the lowest since March 2014, averaging 64.4. In November, business sentiment fell to 60.9, the

RBI Business and Consumer Sentiment



— Industrial Outlook: Business Expectation Index, fiscal year
— Consumer Confidence: Current Situation Index, fiscal year

Source: Reserve Bank of India

lowest since February 2014. Key activity parameters such as production and new orders have been trending down. Companies were less optimistic about the next three months with the Expectations Indicator falling to 72.2 in November as companies didn't expect improvements in production, new orders and employment over the next three months.

Hike in pulses price pushes CPI to four-month high

Consumer price inflation rose to a four-month high of 5% in October from 4.4% in September. Food price inflation, which makes up 47.25% of the CPI basket rose to 5.25% on the year in October from 3.88% in September, the highest in four months.

While prices of fruits and vegetables were up 2% on the year, prices of pulses accelerated at a bumper rate of 42.2%, due to shortfalls in production. The government has resorted to imports for managing supply of pulses, which should help ease pressure in the coming months. In an effort to increase pulses production, the government has increased the minimum support price (MSP) for rabi pulses-gram and masoor by Rs.250 per quintal each. The higher MSPs are expected to lead to increased investment and production through assured remunerative prices to farmers – although this is necessarily a long-term goal. Fuel inflation stood unchanged at 5.3% on the year. On a three-month-on-three-month basis, it remained at 0.3%, and with global commodity prices

expected to remain low for some more time, we expect fuel price inflation to remain muted. After stripping out the more volatile components (food and beverages and fuel and light), core inflation rose slightly to 4.4% in October from 4.3% in September, below the headline inflation rate for the second consecutive month.

Rural CPI inflation quickened to 5.5% in October from 5% in September, led by a pick-up in food inflation to 5.2% from 4.1% in September. Urban CPI inflation also rose, but less substantially to 4.3% from 3.6% in September, with food inflation accelerating to 5.5% from 3.5% in September.

The RBI sees inflation remaining capped on the assumption of moderate increases in minimum support prices and subdued international food and crude prices, although without favourable base effects it is set to pick-up, something shown by the September and October data already. With the US Fed looking set to raise interest rates in December, the RBI is kept the key repo rate unchanged and is expected to act cautiously on monetary policy towards the end of the fiscal year.

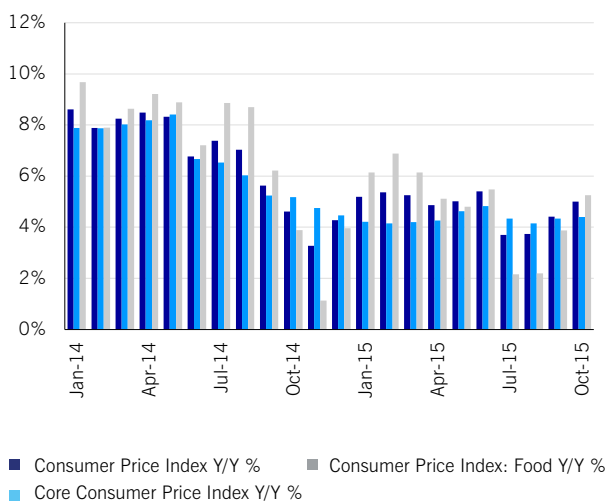
The previously targeted measure of inflation, based on the Wholesale Price Index, contracted for the 12th consecutive month in October, falling an annual 3.8% from a 4.5% decline in September. The slightly slower fall came on the back of an increase in prices for food and fuel. Food inflation was up 2.4% on the year, the highest in four months and was slightly up since last month as well. Fuel and power prices, though down on the year, rose for the first time in four months. Manufacturing pricing power continued to remain weak, with prices down for the eighth consecutive month on the year.

Repo rate unchanged at 6.75% in December

The Reserve Bank of India kept the policy repo rate unchanged at 6.75%, in line with expectations after a 50 basis point cut in the previous meeting in September.

The RBI noted that CPI inflation is expected to broadly follow the path indicated in the September 2015 policy review but softened its view slightly by noting that the risks were now skewed slightly to the downside. Against this, it warned that the recent pick-up in core inflation

Consumer Inflation



Source: Central Statistics Office

warranted vigilance. Once again, the RBI highlighted the need for supply side reforms with astute food management by both the central and state governments necessary to minimize shortfalls in food production due to monsoon vagaries.

On growth the RBI's projection for output growth for 2015-16 remained unchanged at 7.4%, with mild risks to downside. This follows the downward revision from the 7.6% stated in the September policy statement. The outlook for manufacturing and service sector output was robust, while agricultural output was expected to be weak. The RBI was hopeful that a rise in government expenditure and the easing in the monetary policy would help revive private investment demand.

The RBI once again lamented the fact that lending rates have fallen by far less than the repo rate. In order to improve the transmission mechanism it noted that the government was looking as linking small savings interest rates to market rates. It was also finalising the Base Rates computation based on the marginal cost of funding.

While the RBI is clearly watching the impact on inflation from commodity prices as well as the implementation of the Pay Commission proposals it still appears to remain on an easing bias. The RBI emphasised that it would "use the space for accommodation, when available, while keeping the economy anchored to the projected disinflation path that should take inflation down to 5 per cent by March 2017".

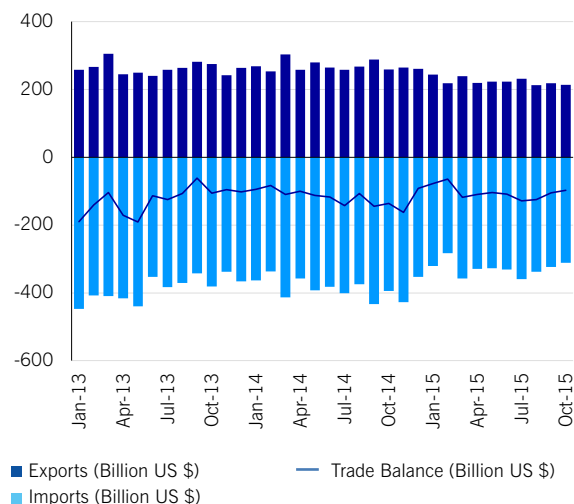
Exports decline for the eleventh month in a row

India's trade deficit eased to an eight-month low of \$9.8 billion in October from \$10.5 billion in September and was 28.1% below the \$13.6 billion shortfall recorded in October last year. The narrowing was largely on the back of weaker imports, gold and non-gold, rather than a pick-up in exports.

Exports contracted 17.5% on the year, the 11th consecutive fall, to \$21.4 billion in October. Looking at the three-month year-on-year measure for exports, the slowdown in exports has become more pronounced.

Imports declined by 21.2% on the year to \$31.1 billion in October owing mostly to a decline in oil imports which

Trade Balance



Source: Ministry of Commerce and Industry

dropped 45.3% on the year to \$6.9 billion. Gold imports also sharply narrowed to \$1.7 billion in October from \$2.1 billion in September. Disappointingly, non-oil, non-gold imports fell further below their level seen a year ago following the biggest fall in 18 months in September, a sign of weak domestic demand.

As per the provisional aggregate monthly data on India's international trade in services released by the RBI, receipts from India's service exports fell by 1.9% on the month to \$13.3 billion in September, the first monthly decline in four months. Payments for India's service imports also fell by 4.1% on the month to \$7.5 billion in September, the lowest level of services payments recorded in the past four months.

Overall, the trade data suggests weakness in both external and domestic demand. While export weakness has been ongoing for some time, softness in non-oil imports is disappointing. Prime Minister Narendra Modi has been pitching India as a global manufacturing destination with the "Make in India" initiative, but demand for goods made in India has been falling. India aims to increase exports of goods and services to \$900 billion by 2020 and raise the country's share in world exports to 3.5% from 2% now. A lack of competitiveness and weak demand, though, makes this an exceedingly ambitious target.

Government raises planned expenditure

The fiscal deficit in the first seven months of 2015-16, was Rs. 4.11 trillion or 47% of the estimated budget of Rs. 5.6 trillion for the whole financial year. This is lower than the deficit of 89.6% during the same period a year ago.

The total expenditure of the government in the first seven months was Rs. 10.2 trillion or 57.5% of the entire year estimate, higher than last year's expenditure of 53.6%. Of the total outflows in the seven months, planned expenditure was 58.2% of the budget estimate given the government's emphasis on infrastructure development. Planned spending was around 46.4% of the budget estimate during the last fiscal year. Total spending, which is set at Rs 17.7 trillion for the entire year, is expected to go up after the government received Parliament's approval in July to spend more on recapitalisation of public sector banks and expected hike in the central government employees' salaries in accordance to recommendations of the Pay Commission. The government, however, has managed to keep non-plan spending in check. Non-Plan expenditure in April-October 2015 stood almost at the same levels as last financial year at 57.2% of the budget estimate. Total receipts were Rs. 6.1 trillion, 50% 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 than earlier announced, unlocking funds for investment into infrastructure development and social welfare programmes. The government had budgeted raising Rs.695 billion through disinvestment in the current fiscal year. Of this, Rs.410 billion was to come from a minority stake sale in public sector undertakings and another Rs.285 billion from the sale of strategic stakes. So far, the government has been able to sell stakes in just four companies—Power Finance Corp. Ltd, Rural Electrification Corp. Ltd, Dredging Corp. of India Ltd and Indian Oil Corp. Ltd, worth Rs.126 billion, which makes the achievement of disinvestment target challenging.

The government recently announced the levy of a 0.5% Swachh Bharat Cess on all taxable services for funding of the cleanliness drive, a pet project of Prime Minister Narendra Modi. This levy was proposed in the Budget early in the year but no date was determined then. This has led to a further increase in the service tax rate from

14% to 14.5% and is expected to yield around Rs.100 billion each fiscal. In June, the government had increased the service tax rate to 14% (inclusive of all cess) from 12.36% earlier, making services like eating out, travelling, phone calls etc more expensive for the end user.

Growth in car sales accelerate in October

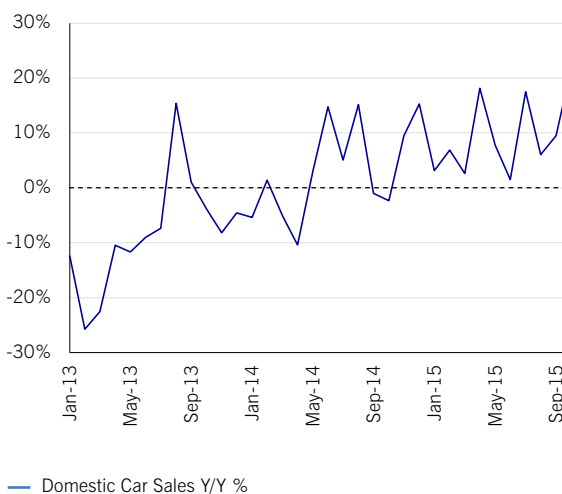
Car sales in India rose by 21.8% on the year in October, up from 9.5% in September, buoyed by new model launches, festival discounts and moderating inflation.

On a month-on-month basis, sales grew by 14.5%, the highest in two years. Car sales have grown by 9.5% on the year in the first 10 months of 2015, a hefty improvement from growth of 1.5% and contraction of 8.7% in the same period of 2014 and 2013.

Sales of commercial vehicles grew by 12.7% on the year in October, roughly around the same growth as in the previous month. Base effects exaggerate the strength in sales, and looking at the three month trend, sales slowed to 4.1% in October from 7.3% in September. Nevertheless, growth has picked up appreciably following a patchy first half.

Sales of two-wheelers grew by double digits in October, following two consecutive months of contraction and in general dismal growth throughout the year. Sales of

Car Sales



Source: Society of Indian Automobile Manufacturers

scooters grew by a hefty 36.8% on the year, the fastest growth since March 2014 and also witnessed the first double digit growth in three months. Sales of motorcycles, which form the majority of two-wheelers sales, grew by 5.7% on the year, making it the first month of growth in more than a year. India is the world's largest market for motorcycles and much of the slowdown comes from smaller cities.

With financing rates coming down, we expect automobile demand to rise gradually. Weak sentiment in rural markets may prove to be a dampener in coming months. Car manufacturers however are leaving no stone unturned this festival season. Unlike 2014, when all festivals were bunched in October, the main Hindu festivals starting with Navratra on October 13, followed by Dussehra and Diwali on November 11 were spread over two months this year and hence car manufacturers are optimistic about better sales. They are offering steep discounts to attract customers including gold coins, cash-back offers, free accessories, gift cheques and free insurance.

and there was also a pick-up in freight traffic on a month-on-month basis. Items related to the construction sector such as steel and cement showed early signs of recovery following a period of contraction.

Coal, iron ore and cement account for around 70% of the total freight traffic in railways. A strong pipeline of infrastructure projects and a steep cut in tariffs on iron ore meant for export is expected to spur the movement of iron ore while a pick-up in infrastructure construction post-monsoon may lead to higher freight loading of cement in the coming months.

Railway freight traffic accelerates in October

In October, growth in freight traffic (millions of tonnes) rose to 4.6% on the year, the fastest growth this year

Key Monthly Economic Data

	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Consumer Price Index (Y/Y %)	5.0	5.4	3.7	3.7	4.4	5.0	-
Wholesale Price Index (Y/Y %)	-2.2	-2.1	-4.0	-5.1	-4.5	-3.8	-
Industrial Production (Y/Y %)	2.5	4.2	4.1	6.3	3.6	-	-
Car Sales (Y/Y %)	7.7	1.5	17.5	6.1	9.5	21.8	-
Trade Balance (Billion US \$)	-10.4	-10.8	-12.8	-12.5	-10.5	-9.8	-
Exports (Billion US \$)	22.3	22.3	23.1	21.3	21.8	21.4	-
Imports (Billion US \$)	32.8	33.1	35.9	33.7	32.3	31.1	-
MNI India Business Sentiment Indicator	62.3	67.1	65.3	62.3	61.4	62.3	60.9
MNI India Consumer Sentiment Indicator	119.6	119.5	118.6	119.1	115.3	114.1	113.7



Indicators

Consumer confidence fell for the third consecutive month in November to the lowest on record, as consumers continued to downgrade their expectations for the future path of the economy as well as their personal finances.

MNI India Consumer Indicator

Confidence Eases to a New Low



The MNI India Consumer Sentiment Indicator fell slightly to 113.7 in November from 114.1 in October, the lowest level since the start of the survey in November 2012. While sentiment towards current conditions improved slightly, a downward revision in the expectations measure led overall confidence lower.

Rate cuts have done little to stem the decline in consumer sentiment throughout 2015 and this month proved no different, with consumers unstirred by the late September 50 basis point cut to boost economic growth. While the indicator remains above the 100 level, meaning optimists still outweigh pessimists, it has fallen 6% over the past year.

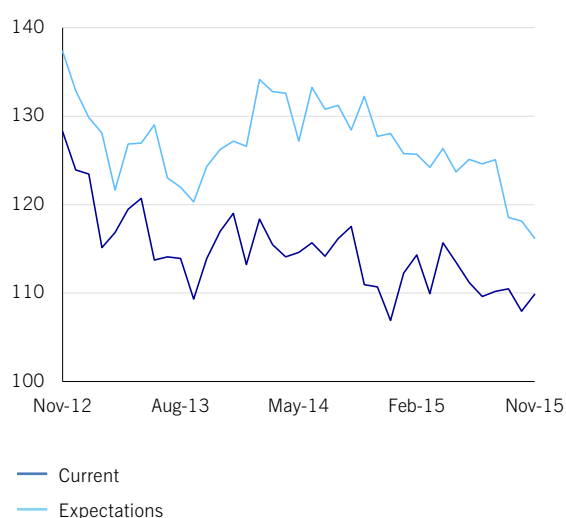
Latest GDP data showed growth increased to 7.4% on the year in the Jul-Sep quarter from 7% in the previous quarter. While private consumption remains the biggest contributor to GDP growth, its growth has eased from 7.9% in the Jan-Mar quarter to 6.8% in the latest quarter. This is in line with our Consumer Sentiment Indicator, which had fallen to a series low in Jul-Sep. Given the low level of expectations recorded in the survey this month it suggests we could see personal spending growth easing further.

Views about the current situation were not far from historical lows, whereas consumers' outlook for the future was the bleakest on record. The Current Indicator stood at 109.9, while the Expectations Indicator, which is made of three forward-looking components, fell to a fresh series low of 116.2.

MNI India Consumer Indicator



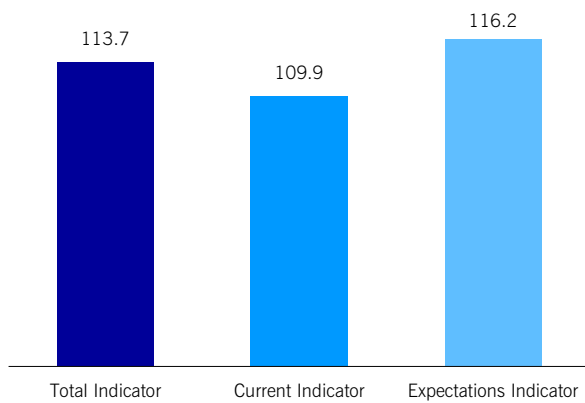
Consumer Indicators



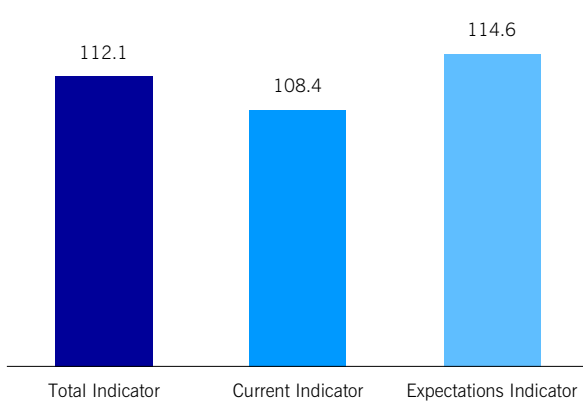
MNI India Consumer Indicator

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
MNI India Consumer Indicator	120.9	119.5	118.6	119.1	115.3	114.1	113.7
Current	110.7	111.2	109.6	110.2	110.5	108.0	109.9
Expectations	127.7	125.1	124.6	125.1	118.5	118.2	116.2

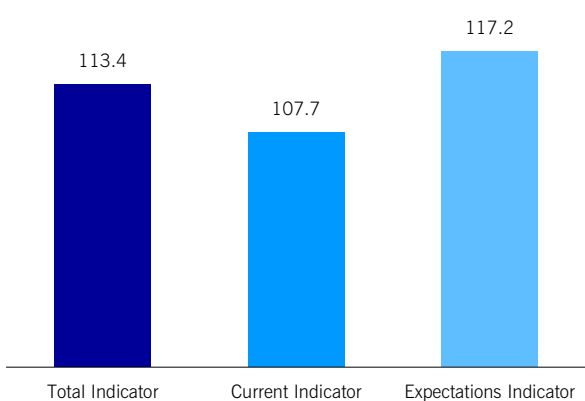
All India



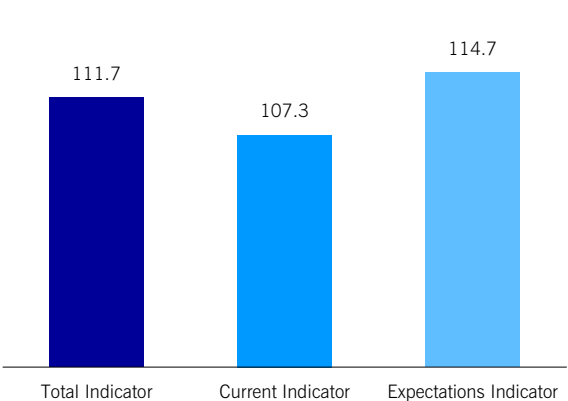
North India



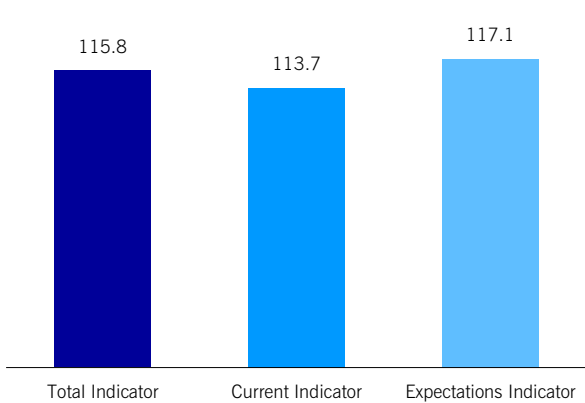
South India



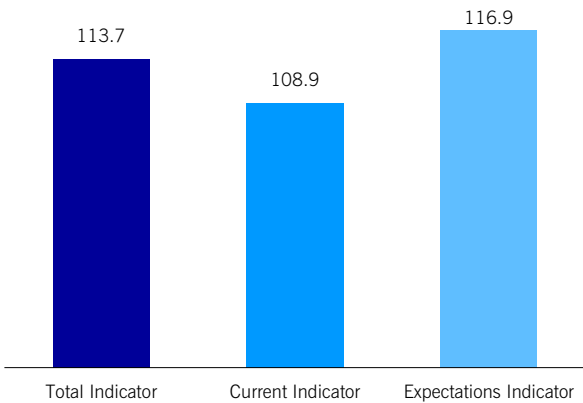
East India



West India



Central India





Consumers were a little more optimistic about the current state of their Personal Finances, but fewer households than ever before expected their financial situation to improve over the next year.

Consumers also revised down their long-term expectations for business conditions and were more downbeat in their perception of the current business environment in November. Expectations for Business Conditions in Five Years fell to a new low of 121.7 while the current conditions indicator fell by 1.7% to the lowest since May last year, when the Modi government had just come to power.

Our panel remained mildly optimistic about purchasing big-ticket items in the festival season, a period accompanied by the usual abundance of enticing deals and offers. The Durable Buying Conditions Indicator remained broadly unchanged at 111.8.

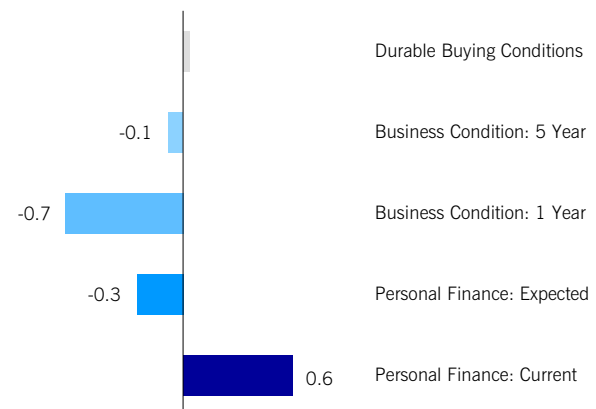
Regions

Consumer sentiment fell in all regions apart from West India in November.

In West India, the Consumer Indicator rose by 5% to 115.8 in November following a decline to a series low level in the previous month. All components of the headline indicator increased on the month. Inhabitants of the region were significantly more confident about the state of their finances, reflected by the 8.8% rise in the Current Personal Finances Indicator and the 5.6% rise in the future measure. They were also more optimistic in their expectations for business conditions, with both short and long-term measures recovering from their respective lows.

Residents of South and Central India saw confidence fall to record lows. In East India, respondents were less positive about their future conditions. In Central India, respondents were only more upbeat in their expectations for business conditions in the long-term, while all other components which make up the consumer sentiment indicator were revised down.

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



Age

Consumer sentiment fell among all three age groups in November to record lows.

The Consumer Indicator for the 18-34 year age range eased to 116.9 in November from 117.2 in October, the lowest since the start of the survey. Consumers were less optimistic about future business conditions, with the measure for five years hitting a record low on the month. In contrast, respondents were more upbeat about current conditions, especially with their current personal financial situation, which in turn underpinned their willingness to buy big-ticket items.

Consumer sentiment among 35-54 year olds fell to a record low of 113.1 from 113.8 in October. The decline was led by a fall in the expectations measure of the Consumer Indicator. Optimism towards both future Personal Finances and Business Conditions in Five Years' time fell to record lows. Respondents were also less upbeat about business conditions in a year's time, with the indicator falling to the lowest level since April 2013. Respondents were only more optimistic about their current personal financial situation while



their willingness towards making a big-ticket purchase remained stable.

Consumer sentiment among the oldest age range, 55-64 year olds, fell to 109.2 in November from 110.1 in the previous month, the lowest level in the survey's history. Sentiment towards their Current Personal Finances improved with optimists outnumbering pessimists again. In contrast, expectations for respondents' future financial situation worsened to a series low. This probably weighed on willingness to buy large household items. Respondents were less bullish in their short-term expectations for business conditions with the indicator falling 5.3% on the month, although long-term expectations improved.

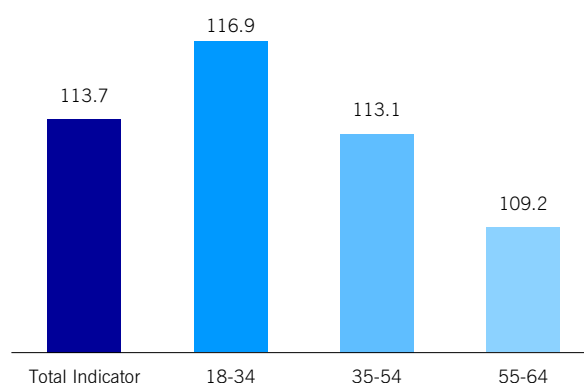
Income

Consumer sentiment recovered among the lower income group while it decreased among higher income respondents in November.

The Consumer Indicator for households with an average annual income under Rs. 432,000 rose to 111.7 in November after falling to a series low of 108.3 in October. Apart from Durable Buying Conditions, all components of the Consumer Indicator improved in November. Consumers became optimistic about their current Personal Finances for the first time in three months. Respondents were more optimistic both in their short-and long-term outlook for business conditions.

For households with an average annual income over Rs. 432,000, the Consumer Indicator fell to 122.2 in November from 125.4, the lowest level since January 2014. Consumers were more content with their current personal financial situation, which probably underpinned their willingness to purchase big-ticket items with the Durable Buying Conditions Indicator rising to a series high in November. In contrast, respondents were less optimistic about personal finances in the next 12 months, while expectations for long-term business conditions hit series lows.

Consumer Indicator: Age Groups

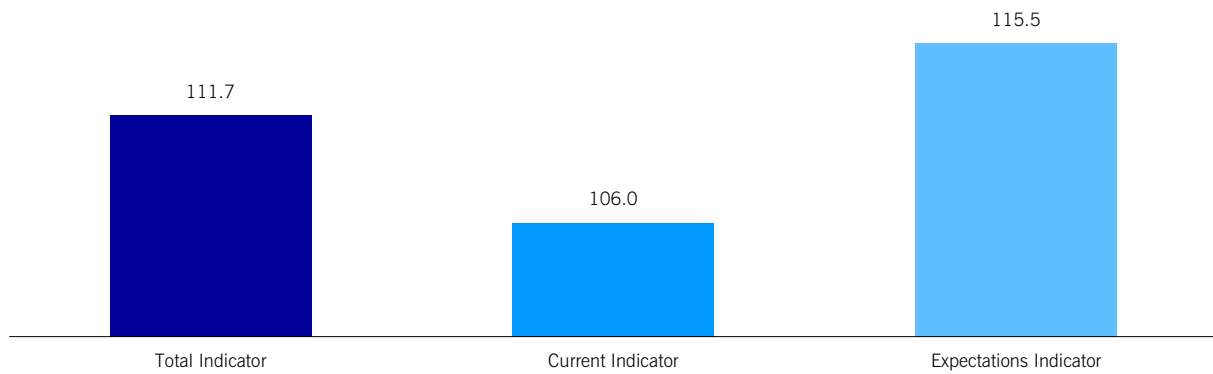


While sentiment among the higher income group has remained above lower income households historically, the gap between them has eased in recent months. Still, sentiment for the higher income bracket has averaged 128.0 since the start of the survey while for lower income households it was 119.4.

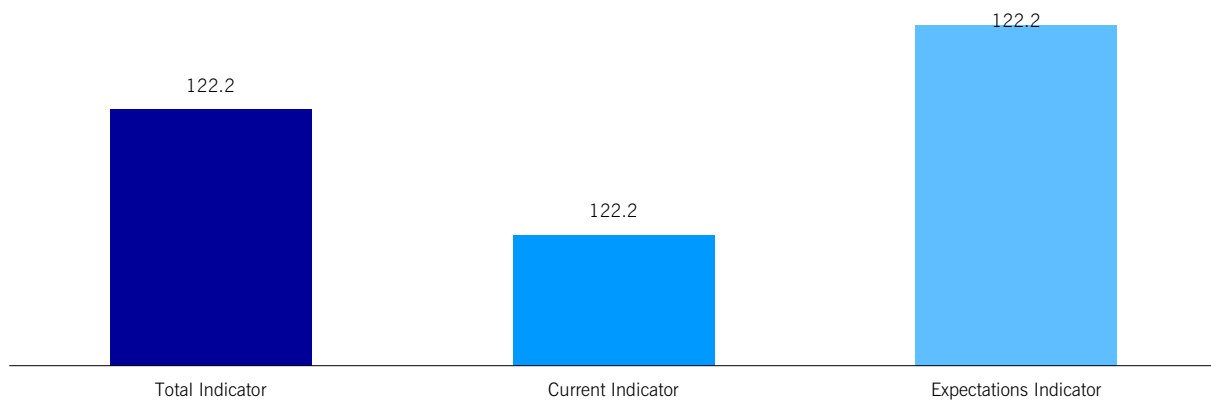
MNI India Consumer Indicator Income Groups



< Rs. 432,000 per annum



> Rs. 432,000 per annum



MNI India Consumer Indicator

Main Cities



Consumer sentiment fell in four of the 10 major Indian cities surveyed in November.

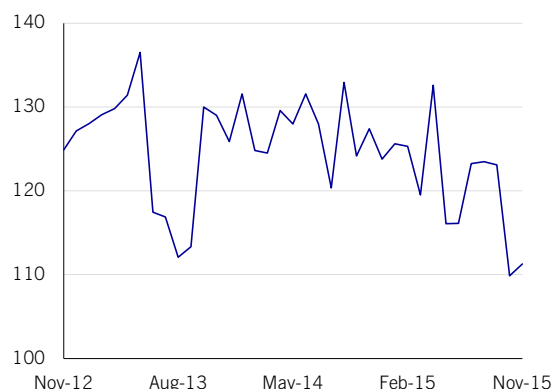
In Mumbai, India's most populous city, consumer sentiment rose to 111.3 in November after plummeting to the lowest level in the survey's history in October. Residents of the city had better expectations for their Future Personal Finances, with a 4.1% rise in the indicator. Consumers were also more willing to buy big-ticket items, with the Durable Buying Conditions Indicator rising to the highest since April. Respondents revised up their short-term expectations for business conditions, but their long-term expectations declined to a series low.

In the capital, Delhi, consumer sentiment rose sharply to 113.0 in November from last month's record low of 105.3. All five components of the Consumer Indicator improved in November. Consumers again found it a good time to purchase big-ticket items, as evidenced by the rise in the Durable Buying Conditions Indicator above the 100 mark, after slipping briefly into contraction. Respondents also revised up their expectations for business conditions.

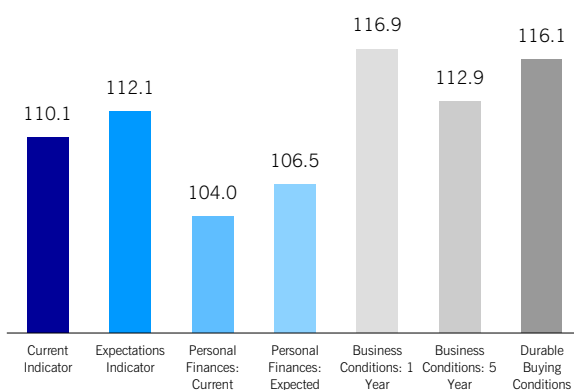
Consumer confidence in Bengaluru, the third largest city by population in India, fell to 121.8 from 124.9 in October. All five components of the Consumer Indicator fell in November. Sentiment towards current Personal Finances remained broadly stable, albeit at a weak level and expectations for finances in 12 months' time eased further. Respondents also revised down their expectations for future business conditions.

In November, there was a sharp fall in confidence among residents of Hyderabad with the indicator falling to 110.2, the lowest since April 2013. There were double-digit declines in all measures of future expectations, the sharpest one being in Business Conditions in a Year's time. This was the first time consumers became pessimistic about their current household financial situation, as evidenced by the decline in the indicator below 100. However,

Consumer Indicator - Mumbai



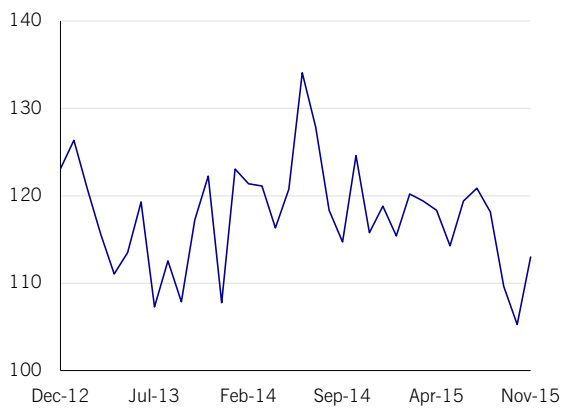
Consumer Indicator Components - Mumbai



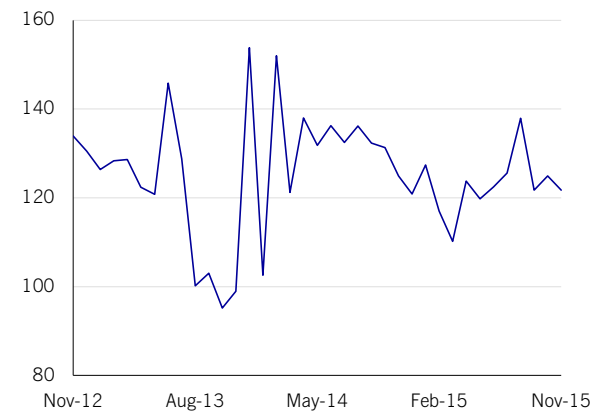
consumers remained very enthusiastic about purchasing large household items.



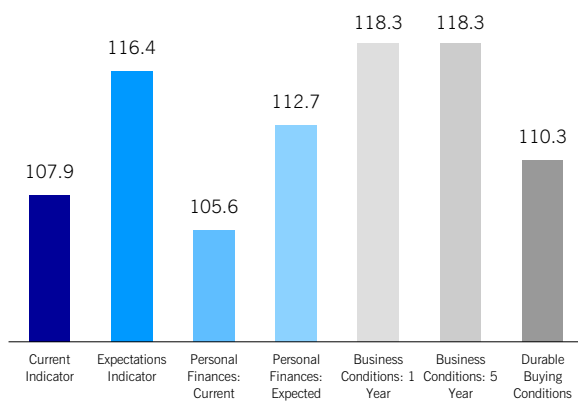
Consumer Indicator - Delhi



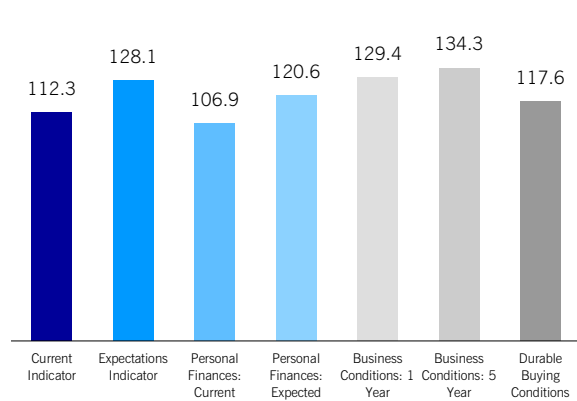
Consumer Indicator - Bengaluru



Consumer Indicator Components - Delhi



Consumer Indicator Components - Bengaluru



Personal Finances

Expectations at Record Low



Sentiment towards current personal finances recovered slightly in November, but expectations for the year ahead continued to ease.

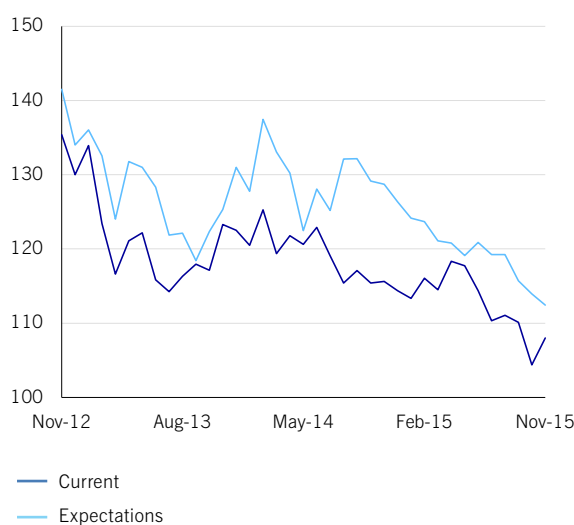
The Current Personal Finances Indicator, which measures whether a household is better or worse off financially than a year ago, rose to 108.0 in November after falling to a record low of 104.4 in the previous month. This was the first rise in three months although it is still 8.7% below the series average and down 6.6% since November 2014.

Of those who reported that their finances had improved this month, a growing proportion attributed it to better management of family expenses.

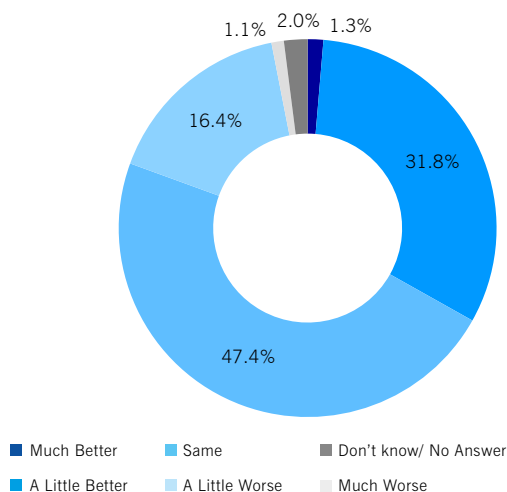
Consumers' expectations for future household finances have plummeted since August 2014. In November, the indicator for Expected Personal Finances fell to a new record low of 112.4 from 113.9 in October. While monetary policy works with a lag, our survey respondents have failed to see any benefit in their finances from the 125 basis point cut in the policy rate since January and respondents do not see any improvement coming any time soon.

Among those who had a poor perception of personal finances, household expenses were cited as the main reason, although with inflation at relatively low level, it is quite surprising to see such negativity. One possible explanation could be the fall in the price of gold, with the precious metal a key source of savings for Indian households.

Personal Finances



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



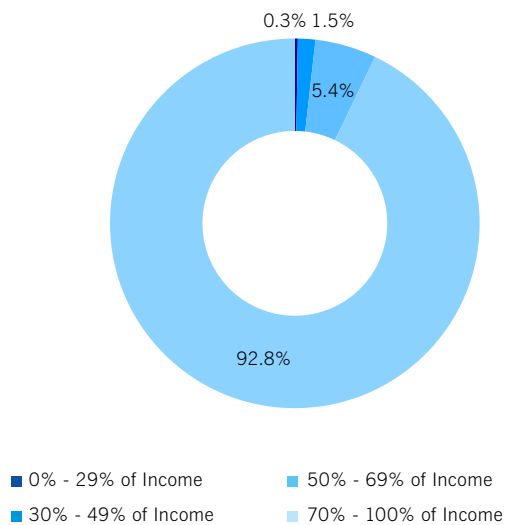
Personal Finances

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Current	115.6	114.4	110.3	111.1	110.1	104.4	108.0
Expectations	128.7	120.9	119.3	119.3	115.7	113.9	112.4

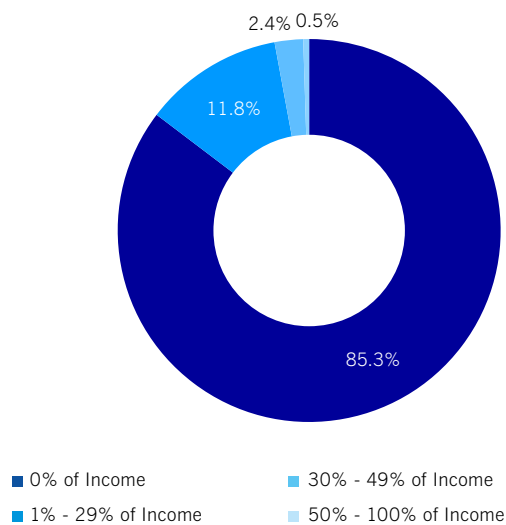
How Households Spend their Money



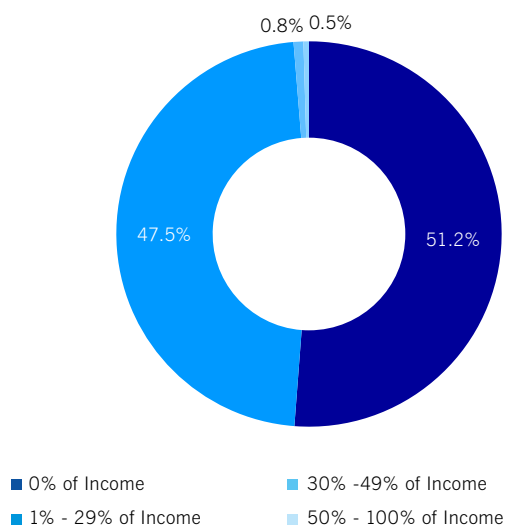
Monthly Household Income Used for Daily Expenses
(% of Households)



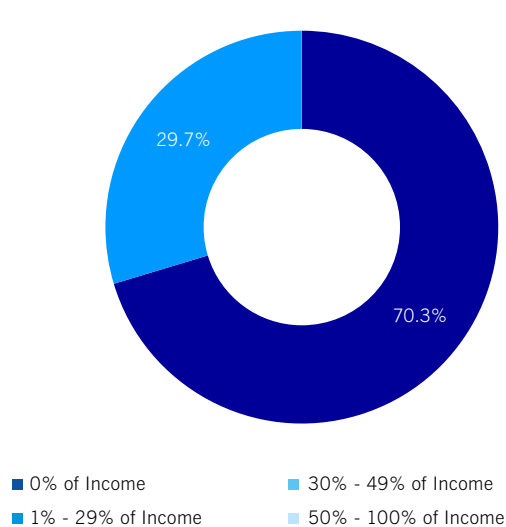
Monthly Household Income Used for Large Loan Repayment (% of Households)



Monthly Household Income Used for Savings
(% of Households)



Monthly Household Income Used for Investments
(% of Households)



Business Conditions

Long-Term Expectations at Record Low



Consumers revised down their future expectations for business conditions and were more downbeat in their perception of the current business situation in November.

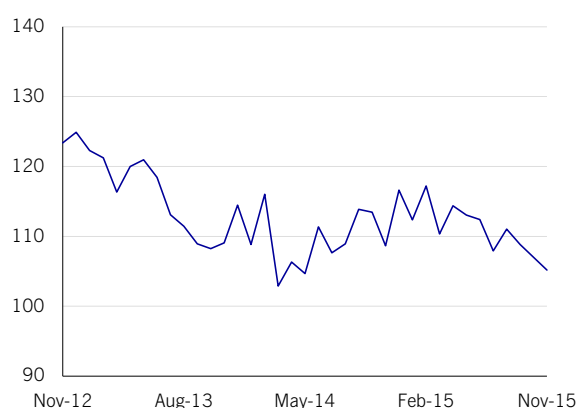
The Current Business Conditions Indicator fell for the third consecutive month to 105.2 in November from 107.0 in October. A quarter of respondents thought current business conditions were better than they were a year ago, while almost half thought they were only fair.

Since the start of the year, business confidence has been trending down. While sentiment rose when the Modi government was elected in 2014, a lack of effective policies to support business looks to have weighed on sentiment. Our monthly business survey paints a similar picture with business confidence in November plummeting to the lowest since February 2014.

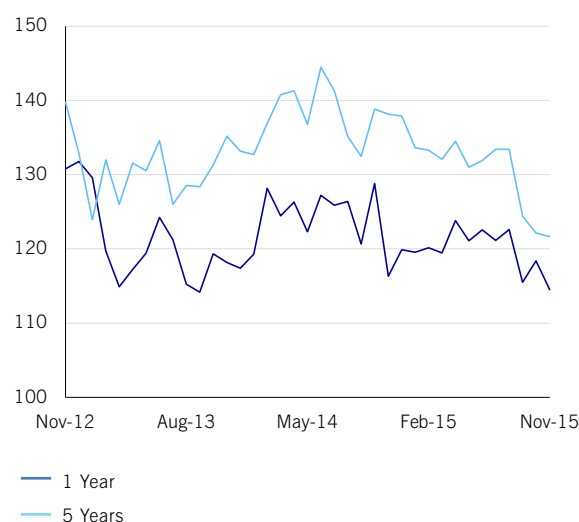
Subsequently, respondents have revised down their expectations for business conditions with the indicator for Business Conditions in Five Years Indicator falling to 121.7 in November, the lowest since the start of the survey. Sentiment fell in seven of the 10 major cities surveyed, with confidence about the long-term outlook for business conditions lowest among residents of Mumbai.

Expectations for Business Conditions in One Year fell to 114.5, the lowest since September 2013. Of those who were less optimistic about business conditions in the coming year, the majority (albeit falling) of respondents attributed it to economic development. While India's economic growth has improved along with a decline in inflation, respondents clearly do not see it improving the business environment any time soon.

Current Business Conditions Indicator



Expected Business Conditions: 1 Year and 5 Years



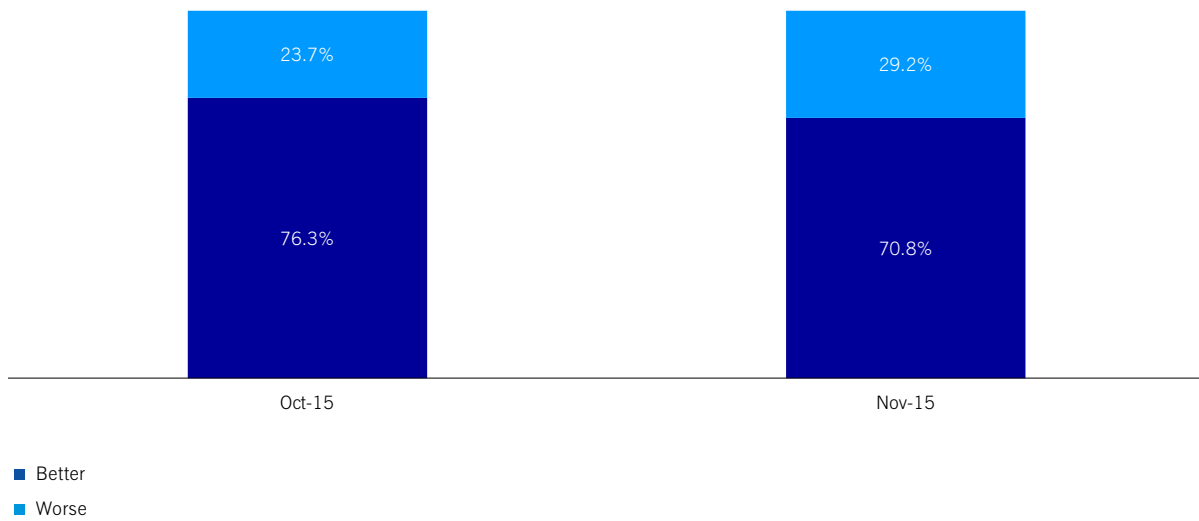
Business Conditions

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Current	108.6	112.4	107.9	111.0	108.8	107.0	105.2
In 1 Year	116.3	122.5	121.1	122.6	115.5	118.4	114.5
In 5 Years	138.1	131.9	133.4	133.4	124.4	122.1	121.7

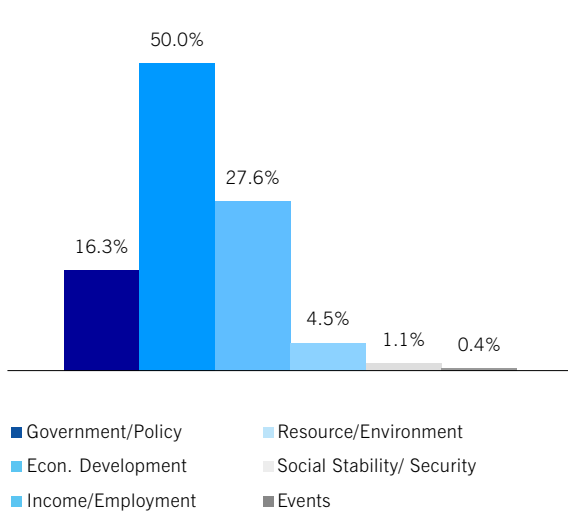
Business Conditions in 1 Year Selected Reasons



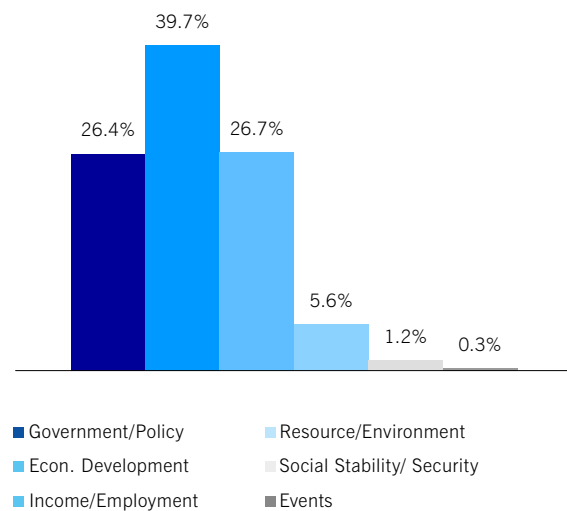
All India



All India, Reasons for Better



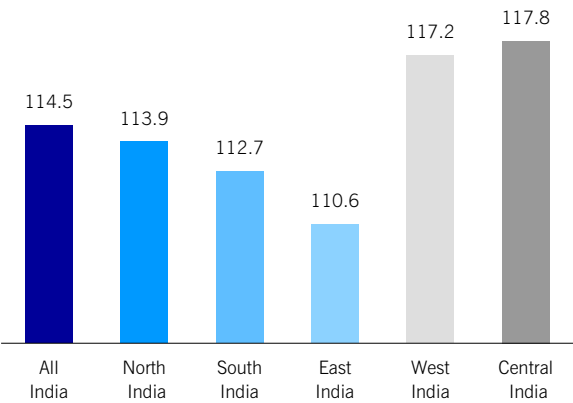
All India, Reasons for Worse



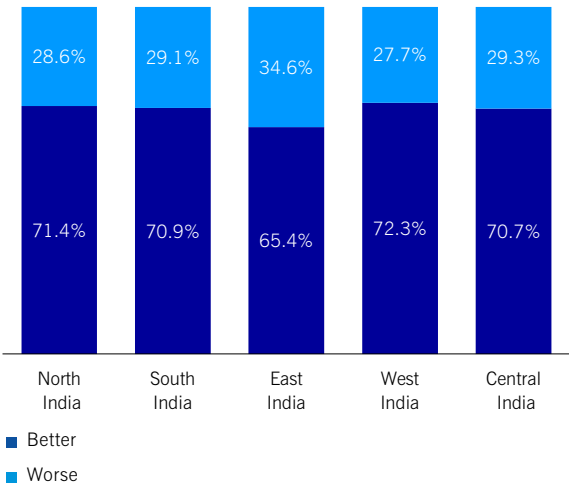
Business Conditions in 1 Year Regions



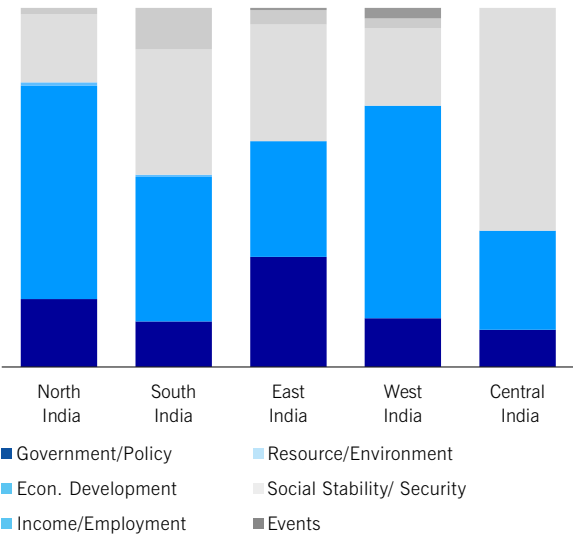
Business Expectations



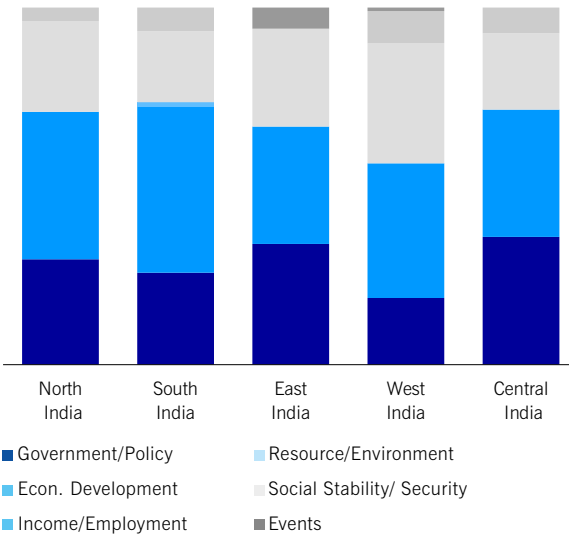
Business Expectations: Better or Worse? (% of Respondents)



Reasons for Better (% of Respondents)



Reasons for Worse (% of Respondents)



Durable Buying Conditions Highest Since April

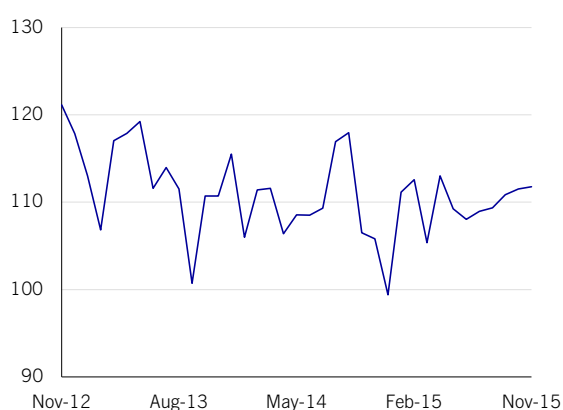


Consumers' willingness to purchase big-ticket items remained broadly stable in November.

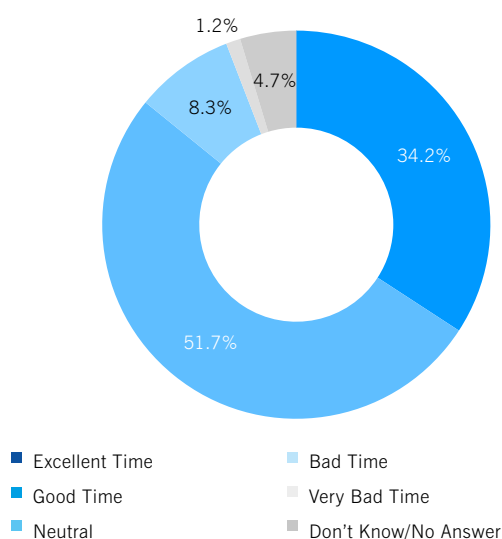
The Durable Buying Conditions Indicator measures consumers' willingness to purchase a large household good and provides a guide to overall consumer spending. It rose slightly for the fifth consecutive month to 111.8 in November from 111.5 in the previous month.

Consumers' purchase sentiment has improved since it hit a record low in December last year and it is now just a touch above the series average of 111.0 and stands above last year's average of 109.0. The Durable Buying Conditions Indicator averaged 111.4 in the three months to November, a slight improvement from 110.1 a year ago.

Durable Buying Conditions



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



Durable Buying Conditions

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Durable Buying Conditions	105.8	108.0	109.0	109.3	110.8	111.5	111.8

Employment Outlook

Lowest Since October 2014



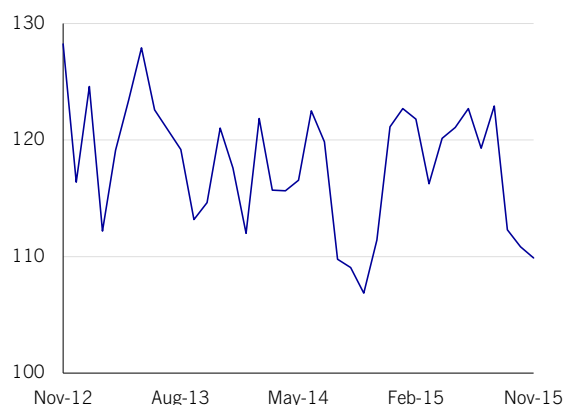
Respondents' outlook for employment weakened for the third consecutive month to the lowest since October last year.

The Employment Outlook Indicator fell to 109.9 in November from 110.8 in October as a fifth of respondents expected the job market to worsen over the next 12 months.

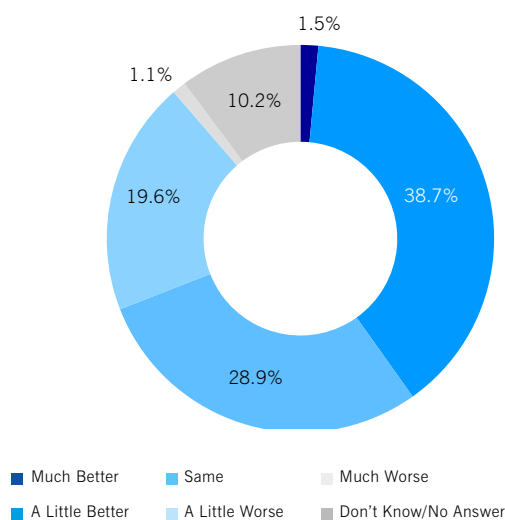
Consumers' expectations for the job market improved significantly early in the year but having remained elevated until August, expectations have fallen. This month's decline placed the indicator 10.4% below the level it was in January. Looking deeper into the survey's history, which began in November 2012, it is evident that expectations usually fall in the second half of the year. The third consecutive monthly decline has eased the three-month average to 111.0 in November, the lowest since last November.

The outlook for employment declined in all regions in November apart from West and Central India. Respondents from South India were the least optimistic compared with other regions and the indicator there declined 7.4% to the lowest since April 2013. In West India, where respondents were more optimistic about most areas in the survey this month, the outlook for employment improved to a two-month high.

Employment Outlook Indicator



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



Employment Outlook

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Employment Outlook	111.4	122.7	119.3	122.9	112.3	110.8	109.9

Prices Sentiment

Dissatisfaction Rises



Dissatisfaction with the current level of prices increased in November, while consumers' expectations for inflation for the coming 12 months eased slightly.

The indicator measuring satisfaction with the current level of prices fell to 78.6 from 82.7 in October, marking the third consecutive decline. 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 been above 100 for only three months since the survey started in November 2012.

Official data showed that consumer price inflation rose to a four-month high of 5% in October from 4.4% in September. Food price inflation, which makes up 47.25% of the CPI basket, rose sharply to 5.25% in October from 3.88% on the year in September. While prices of fruits and vegetables were up 2% on the year, prices of pulses accelerated at a bumper rate of 42.2%, due to shortfalls in production.

In previous months, higher discontent with current prices has been matched by inflation expectations at an elevated level. However, in November fewer consumers expected inflation in 12 months' time to rise, leading to a fall in the indicator to 139.2 from 142.4 in October.

The MNI Inflation Expectations Indicator has closely matched the trend in the RBI's Inflation Expectations Survey of Households, showing a pick-up in expectations since the start of the year. In our survey, respondents were divided in their expectations for how much prices will rise over the next 12 months,

Satisfaction with Current Prices Indicator



Inflation Expectations Indicator



Prices Sentiment

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Satisfaction with Current Prices	89.7	89.1	87.7	89.6	85.1	82.7	78.6
Inflation Expectations	119.0	136.3	140.4	137.5	137.7	142.4	139.2

Prices Sentiment Regions



with a growing proportion of consumers anticipating that they would rise by less than 5%, a change in attitude from the previous month when respondents had much higher inflation expectations. However, one-fifth of respondents were uncertain about the rate of growth in prices in the coming 12 months.

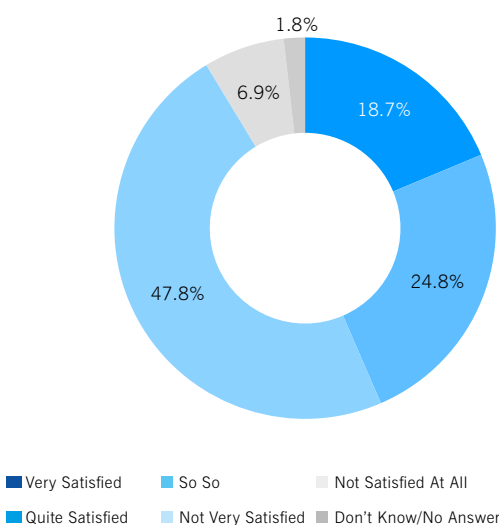
Regions

Dissatisfaction with Current Prices rose in all regions apart from East and Central India.

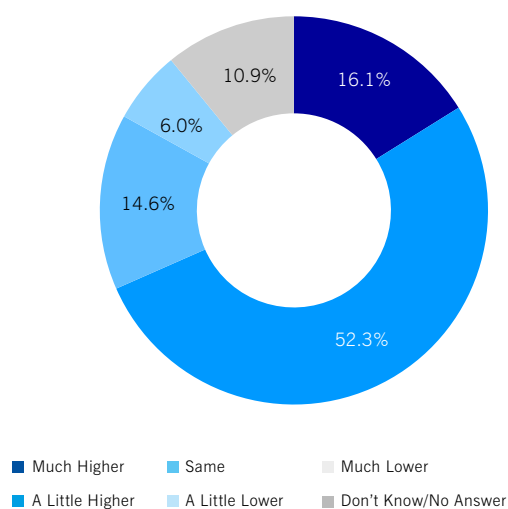
Consumers in Central India revised up their perception of prices, partly offsetting last month's decline, causing the Current Prices Satisfaction Indicator to rise by 8.5% on the month. Moreover, inflation expectations eased a little to the lowest in three months.

Consumers in East India were less dissatisfied with prices, as evidenced by a small rise in the indicator to 87.3 from 85.5 in November. Consumer expectations for prices in the next 12 months was flat this month but remained at elevated level with 17.4% of respondents expecting prices to rise by 5% in the next 12 months.

Satisfaction with Current Prices
(% of Households)

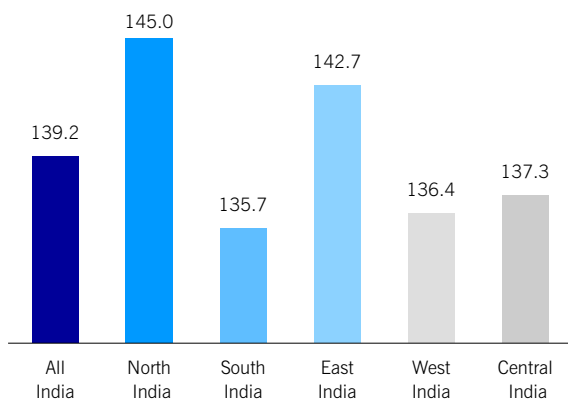


Inflation Expectations in 12 Months
(% of Households)

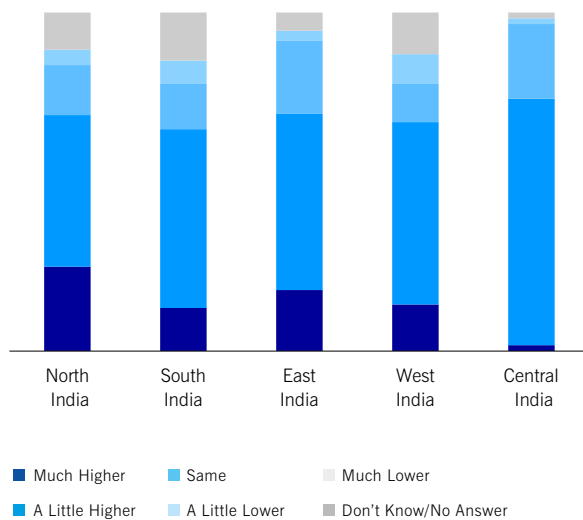




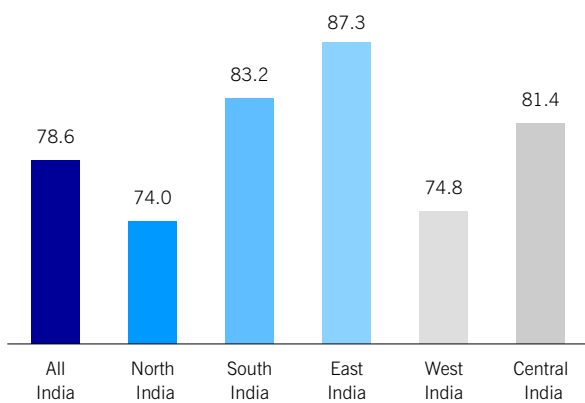
Inflation Expectations Indicator



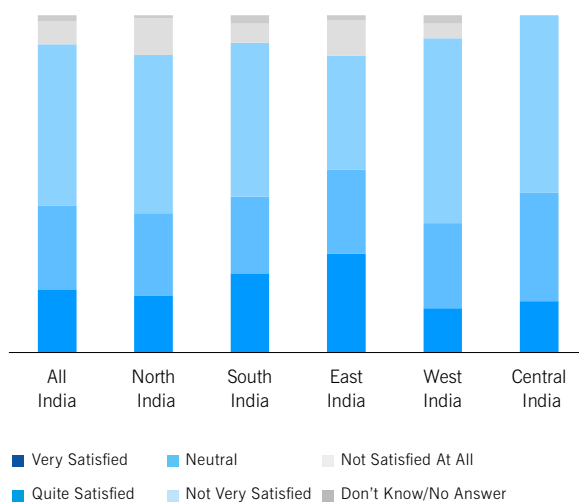
Inflation Expectations in 12 Months (% of Households)



Satisfaction with Current Prices Indicator



Satisfaction with Current Prices (% of Households)



Interest Rate Expectations Lowest Since March

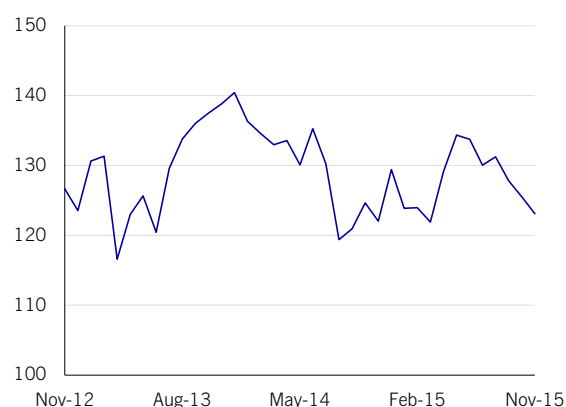


The Interest Rates Expectations Indicator fell to 123.1 in November from 125.5 in October, the lowest since March.

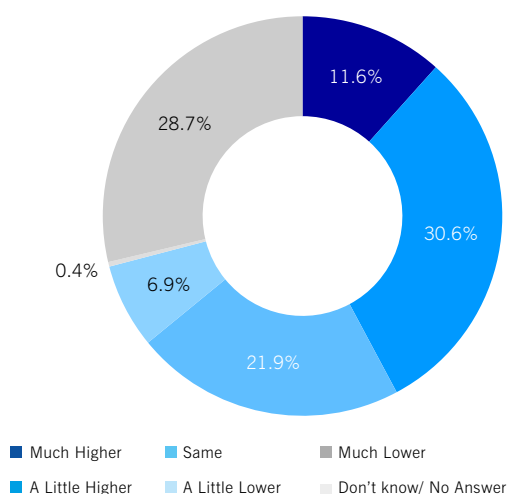
Less than half of respondents expected interest rates on car and house loans to rise in the next 12 months while almost a third of respondents were unsure of the outcome.

Raghuram Rajan has cut benchmark interest rates four 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. In a statement following the latest monetary policy meeting, the RBI urged more commercial banks to pass on earlier rate cuts and bring lending rates down.

Interest Rate Expectations Indicator



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



Interest Rate Expectations

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Interest Rate Expectations	122.0	133.7	130.1	131.2	127.8	125.5	123.1

Real Estate Investment Indicator

Lowest Since March



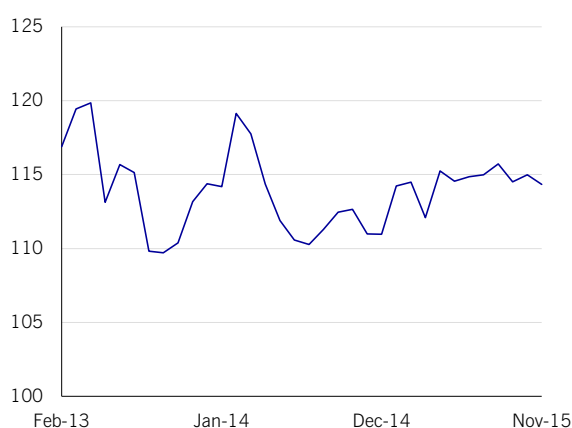
The Real Estate Investment Indicator, which is made up of three components (House Price Expectations, House Buying Sentiment and House Selling Sentiment), fell slightly to 114.3 in November from 115.0 in October.

The Real Estate Investment Indicator is one of the few indicators in the survey that has shown a slight uptick over the last year on the back of growing house price expectations. Even so, house buying sentiment has remained anaemic as respondents still see it as a bad time to purchase a house.

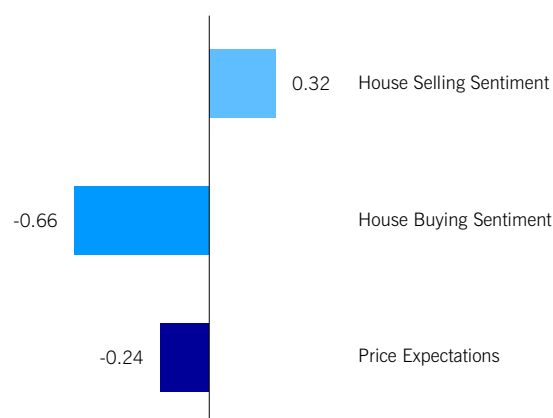
The House Price Expectations component eased slightly to 151.5 in November from 152.3 in the previous month. Expectations trended upwards for most of the last year until May, having slightly eased thereafter. Nevertheless, in November they were 5.2% above the level in the same period in 2014.

House Buying Sentiment, a measure of whether it is a good or bad time to buy a home in the next six months, fell to 87.6 in November from 89.9 in October, the lowest outturn this year. 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. While the Reserve Bank of India has cut official interest rates four times this year, housing sentiment has yet to receive a significant boost. With banks having passed on rate cuts partially and the RBI urging them to further lower their lending rates, it is expected to ease EMIs (equated monthly instalment) for home loans and subsequently boost sentiment among those looking to buy a house.

Real Estate Investment Indicator



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



Real Estate Investment Sentiment

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Real Estate Investment Sentiment	111.0	114.8	115.0	115.7	114.5	115.0	114.3
Price Expectations	144.0	153.7	152.4	149.9	148.8	152.3	151.5
House Buying	92.1	89.3	93.3	93.0	89.7	89.8	87.6
House Selling	103.2	98.5	100.8	95.7	95.0	97.1	96.0

Real Estate Investment Indicator

Components and Balances



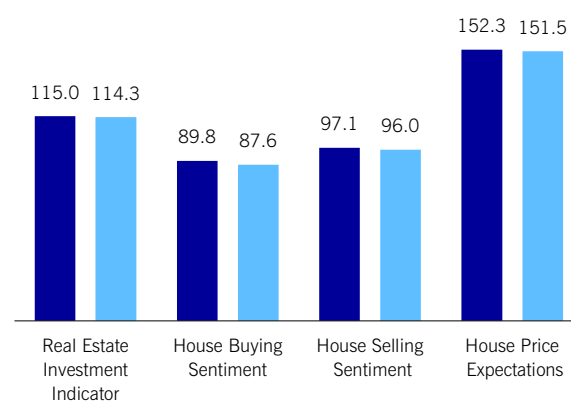
House Selling Sentiment, a measure of whether it is a good or bad time to sell a house in the next six months, fell to 96.0 in November from 97.1 in October.

Regions

Sentiment surrounding the real estate market rose only in West India in November. The Real Estate Investment Indicator rose for the second consecutive time to 116.2 in West India. The November rise was driven by higher House Buying Sentiment, which rose to a three-month high following a decline to a record low level while House Price Expectations remained elevated.

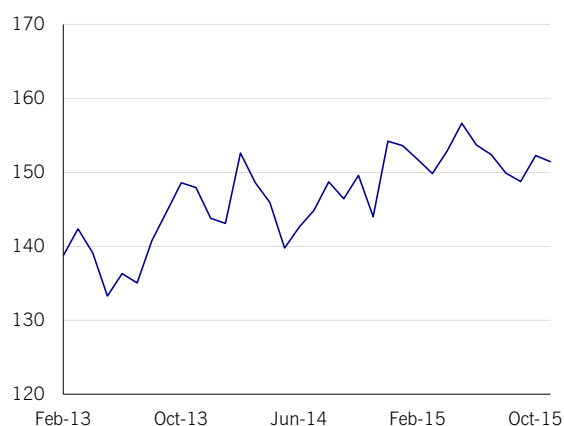
The Real Estate Investment Indicator in Central India fell by 6.1% to 109.9 in November, the lowest since March. House Buying Sentiment worsened to a five-month low while fewer respondents expected property prices to rise in the next six months.

Real Estate Investment Indicator - Components



■ October 2015
■ November 2015

Real Estate Prices: Expected Changes in Next 6 Months

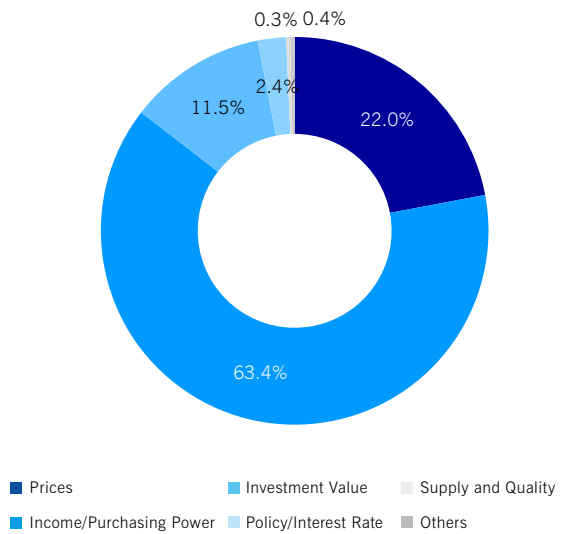




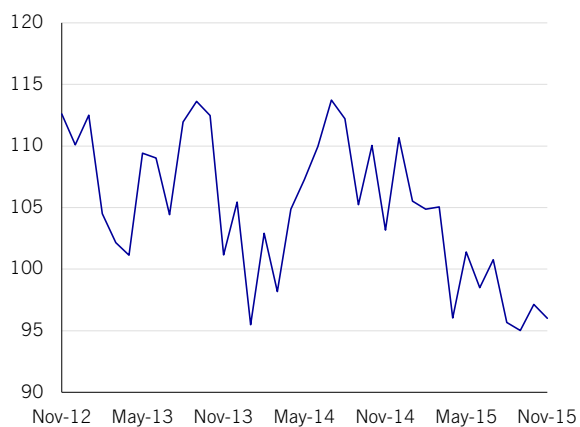
House Buying Sentiment



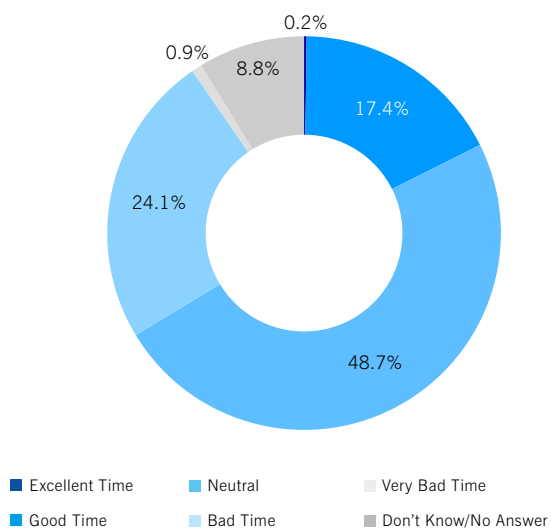
Reasons for Buying Houses (% of Households)



House Selling Sentiment



Timing for Selling Houses (% of Households)



Car Purchase Indicator Lowest Since July



Consumers' willingness to purchase a car eased in November while expectations for gasoline prices remained stable at a high level, leading to a decline in the Car Purchase Indicator to 87.2 in November from 88.9 in October.

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

After hitting a series high in February, the Car Purchase Indicator started trending down as gasoline price expectations climbed rapidly and rose since July as expectations declined. Throughout, consumers' willingness to purchase a car has remained more-or-less stable.

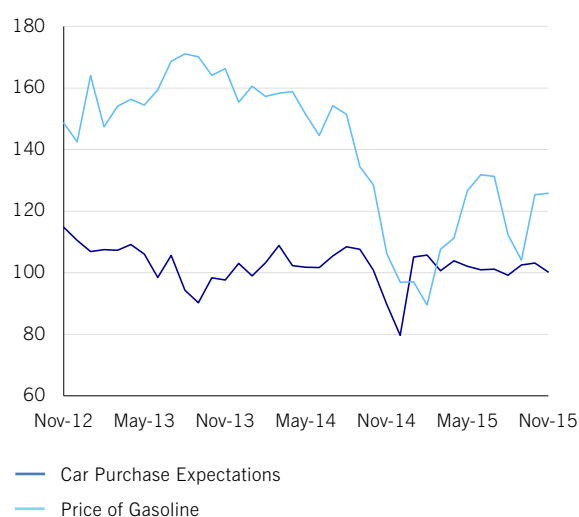
The Car Purchase Expectations component, which gauges whether consumers believe it is a good or bad time to purchase a car over the next 12 months, fell to 100.3 in November from 103.2 in October, the lowest level in three months.

Of those who felt it was a good time to purchase a car, a growing proportion reported that it was because of good supply and quality. With almost half of respondents finding it a bad time to purchase a car, the majority cited high prices as the main deterrent. In the latest monetary policy review on December 1, where the RBI left the key repo rate unchanged, the Governor urged banks to pass on the previous rate cuts and lower their base rates, which would see car and home loans become cheaper.

Car Purchase Indicator



Car Purchase Indicator - Components



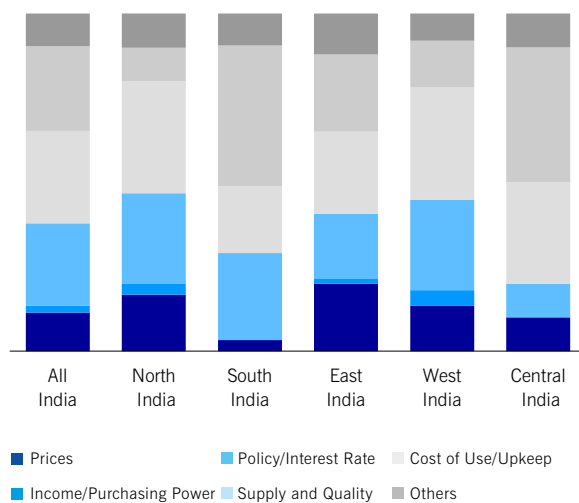
Car Purchase Sentiment

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Car Purchase Sentiment	91.7	84.6	84.9	93.4	99.2	88.9	87.2
Car Purchase Expectations	89.8	101.0	101.1	99.2	102.6	103.2	100.3
Price of Gasoline	106.3	131.8	131.3	112.4	104.1	125.4	125.8

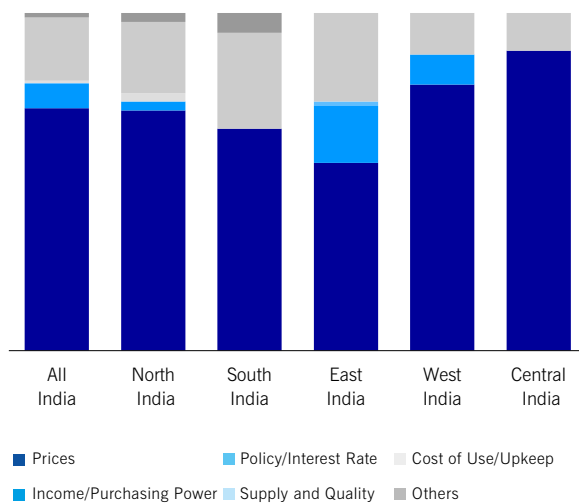
Car Purchase Indicator Regions



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

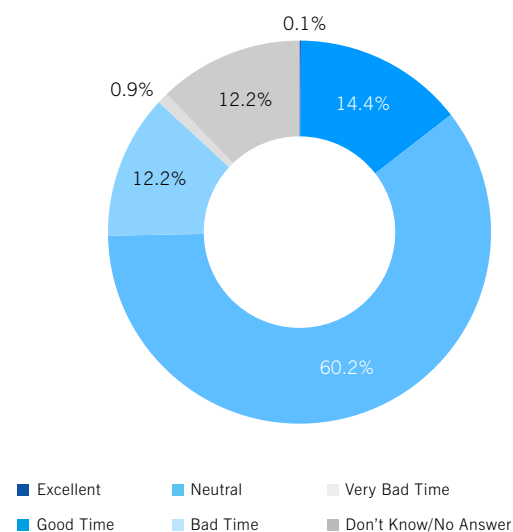


Reasons for a Bad Time to Buy a Car
(% of Households)



Expectations for the Price of Gasoline have followed India's fuel price inflation and global oil prices with the former hitting a record low in February before recovering again. Consumers' expectations for the price of fuel remained broadly stable at 125.8 in November compared with 125.4 in the previous month.

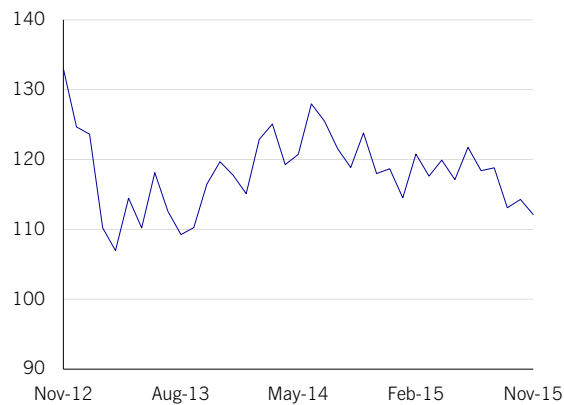
Is it a Good Time to Buy a Car?
(% of Households)



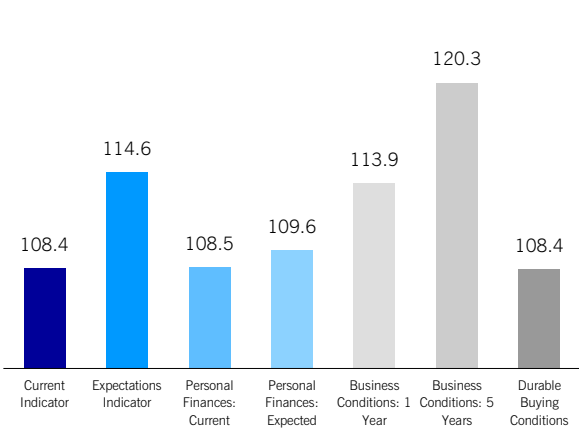
MNI India Consumer Indicator Regions



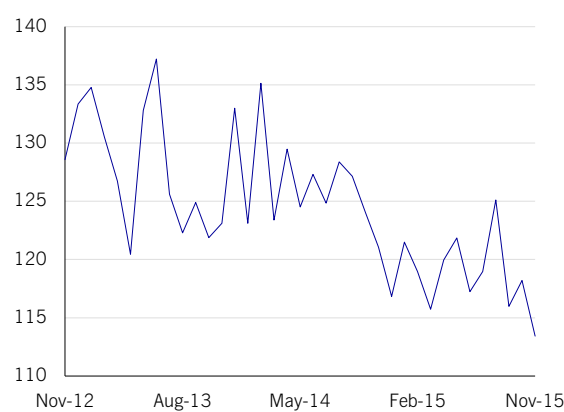
Consumer Indicator: North India



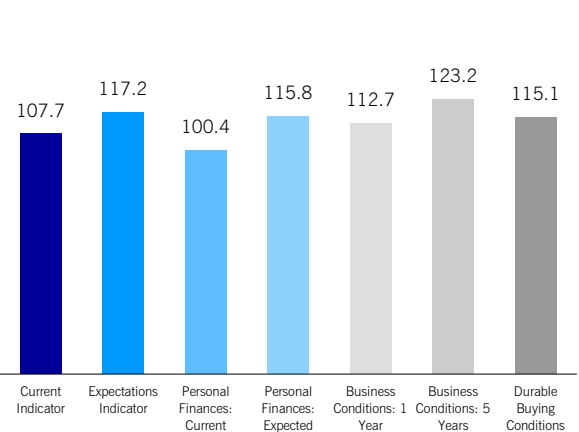
Consumer Indicator Components: North India



Consumer Indicator: South India

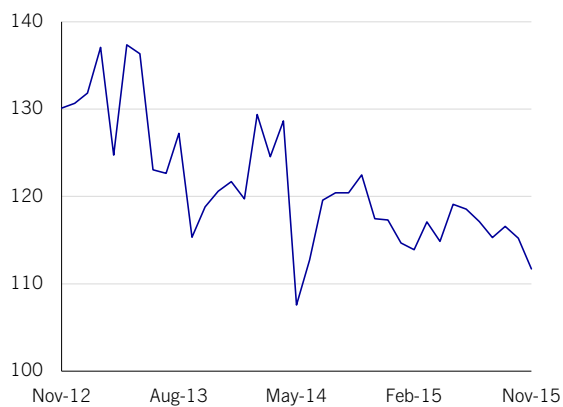


Consumer Indicator Components: South India

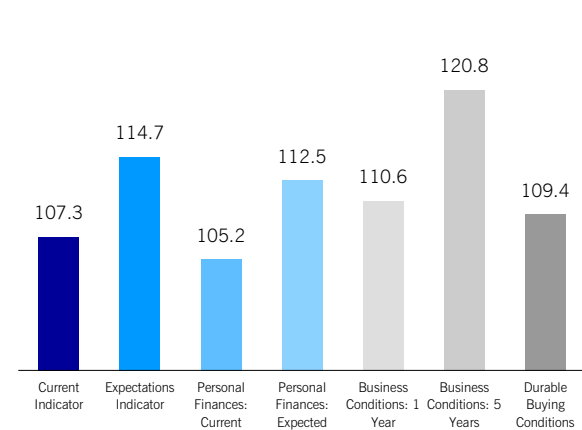




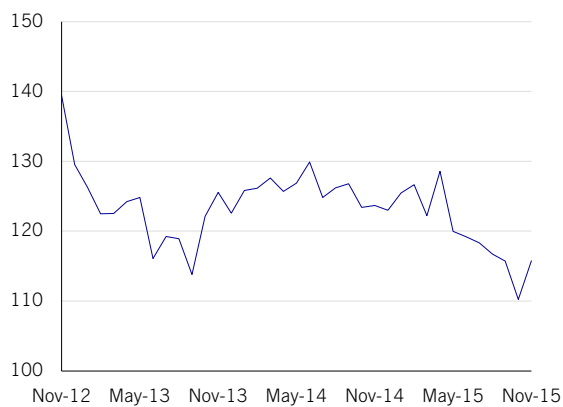
Consumer Indicator: East India



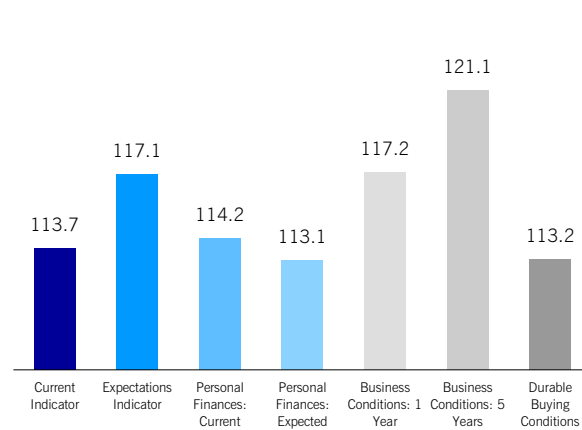
Consumer Indicator Components: East India



Consumer Indicator: West India

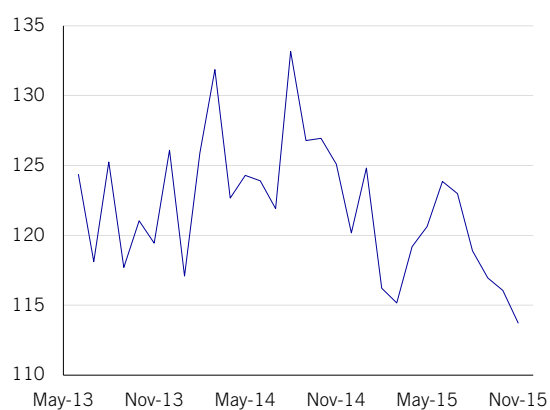


Consumer Indicator Components: West India

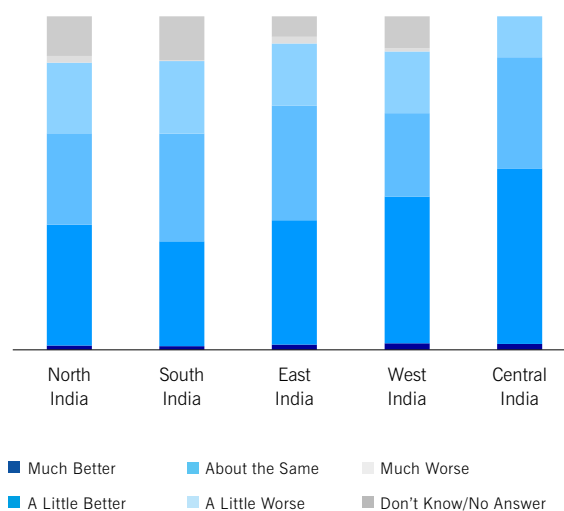




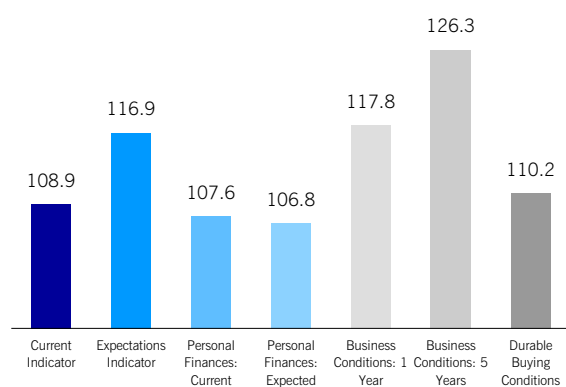
Consumer Indicator: Central India



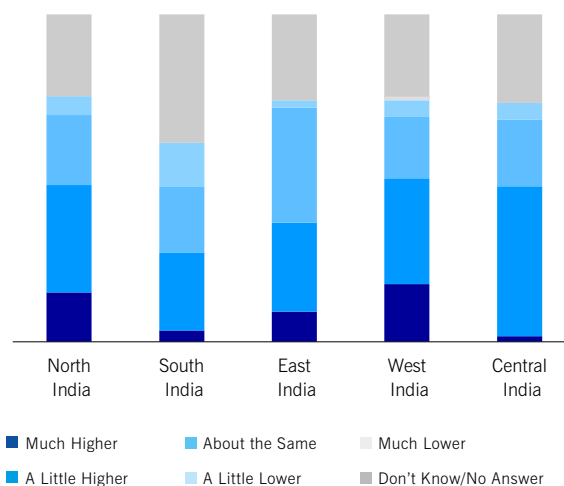
Employment Outlook for the Next 12 Months (% of Households)



Consumer Indicator Components: Central India

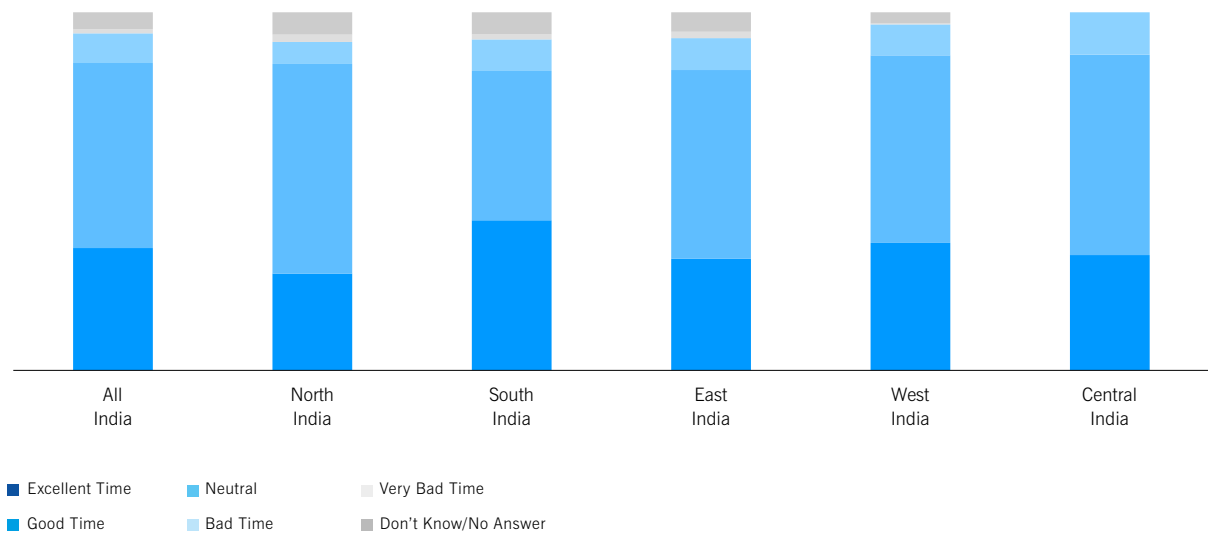


Interest Rate Expectations on House and Car Loans Indicator (% of Households)

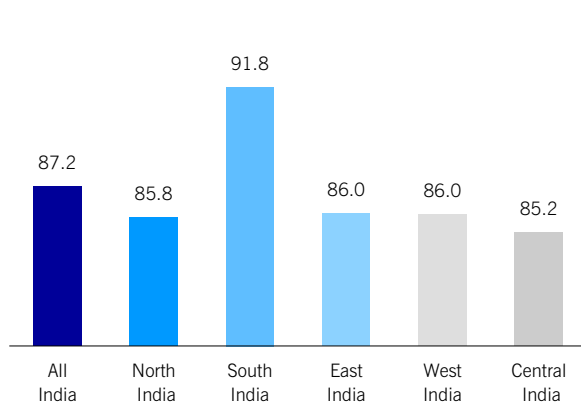




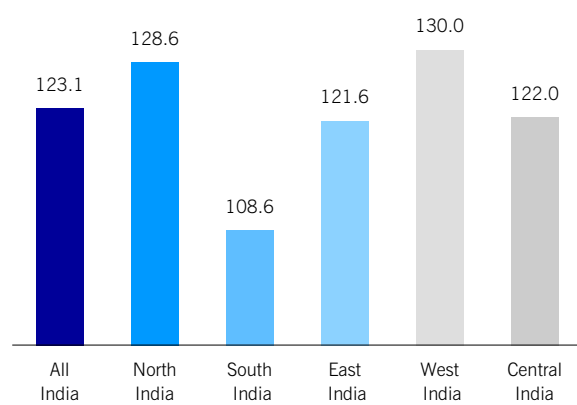
Is it a Good/Bad Time to Buy Large Household Goods? (% of Households)



Car Purchase Indicator - Regions



Interest Rates Expectations (% of Households)

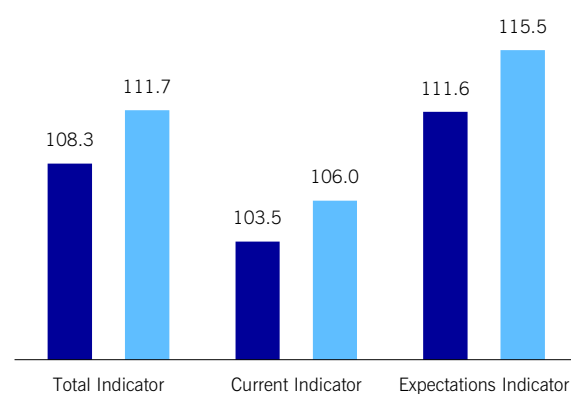


MNI India Consumer Indicator

Income Groups

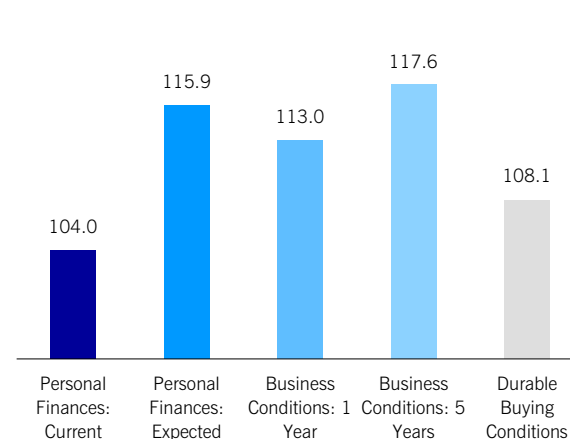


< Rs. 432,000 per annum

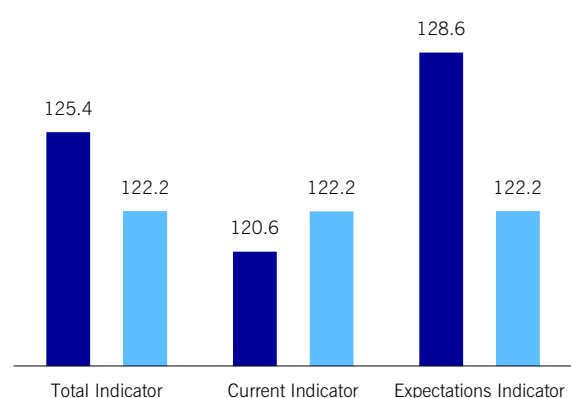


■ October 2015
■ November 2015

< Rs. 432,000 - Components

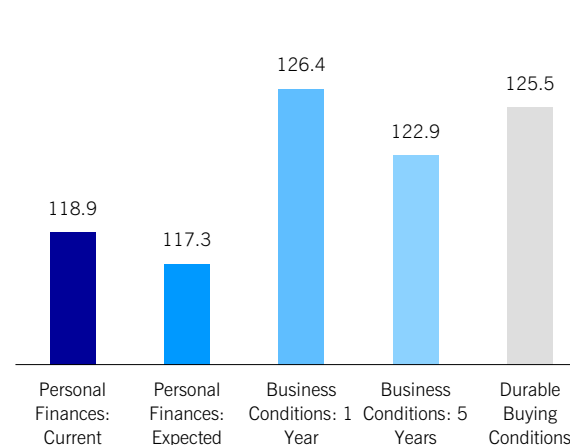


> Rs. 432,000 per annum



■ October 2015
■ November 2015

> Rs. 432,000 - Components



Consumer sentiment recovered among the lower income group...

...while it decreased among higher income respondents in November.



Data Tables

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

North India Overview

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
North India Consumer Indicator	113.1	114.3	112.1	-	Sep-13	113.2	-2.2	-1.9%
Current Indicator	105.9	106.2	108.4	Jun-15	-	106.8	2.2	2.1%
Expectations Indicator	117.9	119.7	114.6	-	Sep-13	117.4	-5.1	-4.3%
Personal Finance: Current	105.0	106.0	108.5	Aug-15	-	106.5	2.5	2.4%
Personal Finance: Expected	116.1	115.6	109.6	-	series low	113.8	-6.0	-5.2%
Business Condition: 1 Year	114.4	122.1	113.9	-	Jan-15	116.8	-8.2	-6.8%
Business Condition: 5 Years	123.2	121.4	120.3	-	Sep-13	121.6	-1.1	-0.8%
Durable Buying Conditions	106.8	106.4	108.4	Apr-15	-	107.2	2.0	1.9%
Current Business Conditions Indicator	106.5	105.3	104.5	-	Jan-15	105.4	-0.8	-0.8%
Real Estate Investment Indicator	114.6	115.5	115.2	-	Sep-15	115.1	-0.3	-0.3%
Car Purchase Indicator	97.1	88.5	85.8	-	Jul-15	90.5	-2.7	-3.0%
Employment Outlook Indicator	107.9	107.6	106.7	-	Nov-14	107.4	-0.9	-0.8%
Inflation Expectations Indicator	141.8	147.5	145.0	-	Sep-15	144.8	-2.5	-1.7%
Current Prices Satisfaction Indicator	84.9	89.1	74.0	-	Oct-14	82.7	-15.1	-16.9%
Interest Rates Expectations Indicator	129.0	128.3	128.6	Sep-15	-	128.6	0.3	0.2%

South India Overview

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
South India Consumer Indicator	116.0	118.2	113.4	-	series low	115.9	-4.8	-4.0%
Current Indicator	111.9	110.5	107.7	-	Dec-14	110.0	-2.8	-2.5%
Expectations Indicator	118.7	123.3	117.2	-	series low	119.7	-6.1	-4.9%
Personal Finance: Current	107.5	100.8	100.4	-	series low	102.9	-0.4	-0.4%
Personal Finance: Expected	117.6	118.3	115.8	-	Jun-15	117.2	-2.5	-2.1%
Business Condition: 1 Year	115.9	123.6	112.7	-	Mar-14	117.4	-10.9	-8.8%
Business Condition: 5 Years	122.6	128.1	123.2	-	Sep-15	124.6	-4.9	-3.9%
Durable Buying Conditions	116.3	120.2	115.1	-	Mar-15	117.2	-5.1	-4.2%
Current Business Conditions Indicator	107.7	110.0	109.8	-	Sep-15	109.2	-0.2	-0.1%
Real Estate Investment Indicator	114.8	113.6	111.5	-	Jun-15	113.3	-2.1	-1.8%
Car Purchase Indicator	101.7	97.1	91.8	-	Jul-15	96.9	-5.3	-5.5%
Employment Outlook Indicator	110.9	114.0	105.6	-	Apr-13	110.2	-8.4	-7.4%
Inflation Expectations Indicator	132.8	138.6	135.7	-	Sep-15	135.7	-2.9	-2.1%
Current Prices Satisfaction Indicator	87.5	84.7	83.2	-	Aug-14	85.1	-1.5	-1.8%
Interest Rates Expectations Indicator	117.4	112.1	108.6	-	Apr-15	112.7	-3.5	-3.1%

East India Overview

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
East India Consumer Indicator	116.6	115.2	111.7	-	May-14	114.5	-3.5	-3.0%
Current Indicator	109.3	106.7	107.3	Sep-15	-	107.8	0.6	0.6%
Expectations Indicator	121.4	120.9	114.7	-	May-14	119.0	-6.2	-5.2%
Personal Finance: Current	108.1	103.8	105.2	Sep-15	-	105.7	1.4	1.4%
Personal Finance: Expected	120.9	119.7	112.5	-	Jul-14	117.7	-7.2	-6.0%
Business Condition: 1 Year	116.3	121.8	110.6	-	Feb-15	116.2	-11.2	-9.2%
Business Condition: 5 Years	127.1	121.1	120.8	-	May-14	123.0	-0.3	-0.2%
Durable Buying Conditions	110.4	109.6	109.4	-	Aug-15	109.8	-0.2	-0.2%
Current Business Conditions Indicator	114.2	116.5	106.5	-	Nov-14	112.4	-10.0	-8.6%
Real Estate Investment Indicator	117.6	116.6	114.9	-	Aug-15	116.4	-1.7	-1.4%
Car Purchase Indicator	93.3	83.8	86.0	Sep-15	-	87.7	2.2	2.6%
Employment Outlook Indicator	110.8	109.7	108.8	-	Oct-14	109.8	-0.9	-0.8%
Inflation Expectations Indicator	143.4	142.8	142.7	-	Jun-15	143.0	-0.1	0.0%
Current Prices Satisfaction Indicator	90.0	85.5	87.3	Sep-15	-	87.6	1.8	2.1%
Interest Rates Expectations Indicator	127.9	125.9	121.6	-	Mar-15	125.1	-4.3	-3.4%

West India Overview

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
West India Consumer Indicator	115.7	110.2	115.8	Aug-15	-	113.9	5.6	5.0%
Current Indicator	113.8	107.4	113.7	Sep-15	-	111.6	6.3	5.8%
Expectations Indicator	117.0	112.1	117.1	Aug-15	-	115.4	5.0	4.5%
Personal Finance: Current	117.9	105.0	114.2	Sep-15	-	112.4	9.2	8.8%
Personal Finance: Expected	112.0	107.1	113.1	Aug-15	-	110.7	6.0	5.6%
Business Condition: 1 Year	115.5	110.5	117.2	Jun-15	-	114.4	6.7	6.1%
Business Condition: 5 Years	123.7	118.7	121.1	Sep-15	-	121.2	2.4	2.0%
Durable Buying Conditions	109.6	109.9	113.2	Feb-15	-	110.9	3.3	3.0%
Current Business Conditions Indicator	108.4	103.1	102.8	-	series low	104.8	-0.3	-0.2%
Real Estate Investment Indicator	112.4	114.6	116.2	Aug-15	-	114.4	1.6	1.4%
Car Purchase Indicator	101.2	85.5	86.0	Sep-15	-	90.9	0.5	0.6%
Employment Outlook Indicator	115.9	110.7	113.8	Sep-15	-	113.5	3.1	2.8%
Inflation Expectations Indicator	135.5	141.7	136.4	-	Sep-15	137.9	-5.3	-3.8%
Current Prices Satisfaction Indicator	80.0	76.6	74.8	-	Oct-14	77.1	-1.8	-2.4%
Interest Rates Expectations Indicator	133.2	131.5	130.0	-	Mar-15	131.6	-1.5	-1.1%

Central India Overview

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Central India Consumer Indicator	116.9	116.1	113.7	-	series low	115.6	-2.4	-2.0%
Current Indicator	108.5	111.6	108.9	-	Sep-15	109.7	-2.7	-2.4%
Expectations Indicator	122.6	119.0	116.9	-	series low	119.5	-2.1	-1.8%
Personal Finance: Current	102.5	110.7	107.6	-	Sep-15	106.9	-3.1	-2.8%
Personal Finance: Expected	116.1	115.2	106.8	-	series low	112.7	-8.4	-7.3%
Business Condition: 1 Year	116.9	118.8	117.8	-	Sep-15	117.8	-1.0	-0.8%
Business Condition: 5 Years	134.7	123.2	126.3	Sep-15	-	128.1	3.1	2.5%
Durable Buying Conditions	114.4	112.5	110.2	-	Aug-15	112.4	-2.3	-2.1%
Current Business Conditions Indicator	113.6	103.6	100.0	-	Aug-14	105.7	-3.6	-3.4%
Real Estate Investment Indicator	117.8	117.0	109.9	-	Mar-15	114.9	-7.1	-6.1%
Car Purchase Indicator	100.4	88.8	85.2	-	Jun-15	91.5	-3.6	-4.1%
Employment Outlook Indicator	119.5	116.1	121.2	Aug-15	-	118.9	5.1	4.4%
Inflation Expectations Indicator	139.8	139.3	137.3	-	Aug-15	138.8	-2.0	-1.4%
Current Prices Satisfaction Indicator	95.8	75.0	81.4	Sep-15	-	84.1	6.4	8.5%
Interest Rates Expectations Indicator	133.9	133.0	122.0	-	Mar-15	129.6	-11.0	-8.3%

All India - Overview by Age

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Age 18-34								
MNI India Consumer Indicator	118.6	117.2	116.9	-	series low	117.6	-0.3	-0.3%
Current Indicator	114.1	110.0	112.3	Sep-15	-	112.1	2.3	2.1%
Expectations Indicator	121.6	122.1	120.0	-	series low	121.2	-2.1	-1.7%
Personal Finance: Current	114.1	106.8	110.1	Sep-15	-	110.3	3.3	3.0%
Personal Finance: Expected	118.1	117.1	117.7	Sep-15	-	117.6	0.6	0.5%
Business Condition: 1 Year	117.8	122.3	118.2	-	Sep-15	119.4	-4.1	-3.3%
Business Condition: 5 Years	128.8	126.8	124.0	-	series low	126.5	-2.8	-2.2%
Durable Buying Conditions	114.1	113.2	114.5	Apr-15	-	113.9	1.3	1.2%
Age 35-54								
MNI India Consumer Indicator	115.3	113.8	113.1	-	series low	114.1	-0.7	-0.6%
Current Indicator	108.1	108.1	110.2	Aug-15	-	108.8	2.1	2.0%
Expectations Indicator	120.1	117.7	115.0	-	series low	117.6	-2.7	-2.3%
Personal Finance: Current	108.5	105.3	109.3	Aug-15	-	107.7	4.0	3.8%
Personal Finance: Expected	117.9	113.2	110.9	-	series low	114.0	-2.3	-2.0%
Business Condition: 1 Year	117.6	117.6	114.1	-	Apr-13	116.4	-3.5	-3.0%
Business Condition: 5 Years	124.9	122.2	119.9	-	series low	122.3	-2.3	-1.8%
Durable Buying Conditions	107.8	110.9	111.1	Sep-14	-	109.9	0.2	0.3%
Age 55-64								
MNI India Consumer Indicator	110.8	110.1	109.2	-	series low	110.0	-0.9	-0.8%
Current Indicator	110.1	104.8	104.5	-	Dec-14	106.5	-0.3	-0.2%
Expectations Indicator	111.2	113.7	112.3	-	Sep-15	112.4	-1.4	-1.2%
Personal Finance: Current	107.9	98.7	100.8	Sep-15	-	102.5	2.1	2.1%
Personal Finance: Expected	108.0	111.0	106.4	-	series low	108.5	-4.6	-4.1%
Business Condition: 1 Year	108.1	114.8	108.7	-	Sep-15	110.5	-6.1	-5.3%
Business Condition: 5 Years	117.4	115.2	121.8	Aug-15	-	118.1	6.6	5.7%
Durable Buying Conditions	112.4	110.8	108.2	-	Aug-15	110.5	-2.6	-2.3%

All India - Overview by Income

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
< Rs. 432,000 per annum								
MNI India Consumer Indicator	108.8	108.3	111.7	Aug-15	-	109.6	3.4	3.1%
Current Indicator	100.3	103.5	106.0	Aug-15	-	103.3	2.5	2.5%
Expectations Indicator	114.4	111.6	115.5	Aug-15	-	113.8	3.9	3.5%
Personal Finance: Current	98.3	95.9	104.0	Aug-15	-	99.4	8.1	8.4%
Personal Finance: Expected	116.7	112.0	115.9	Sep-15	-	114.9	3.9	3.5%
Business Condition: 1 Year	110.5	111.7	113.0	Aug-15	-	111.7	1.3	1.2%
Business Condition: 5 Year	115.9	111.1	117.6	Aug-15	-	114.9	6.5	5.9%
Durable Buying Conditions	102.4	111.0	108.1	-	Sep-15	107.2	-2.9	-2.6%
> Rs. 432,000 per annum								
MNI India Consumer Indicator	125.0	125.4	122.2	-	Jan-14	124.2	-3.2	-2.5%
Current Indicator	120.7	120.6	122.2	May-15	-	121.2	1.6	1.3%
Expectations Indicator	127.9	128.6	122.2	-	series low	126.2	-6.4	-4.9%
Personal Finance: Current	123.0	116.8	118.9	Sep-15	-	119.6	2.1	1.8%
Personal Finance: Expected	127.8	125.2	117.3	-	series low	123.4	-7.9	-6.3%
Business Condition: 1 Year	122.9	126.4	126.4	-	Sep-15	125.2	0.0	0.0%
Business Condition: 5 Year	133.0	134.1	122.9	-	series low	130.0	-11.2	-8.3%
Durable Buying Conditions	118.4	124.3	125.5	series high	-	122.7	1.2	0.9%

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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