MNI India Business Report
September 2015

Insight and data for better decisions

MNI India Business Report
Methodology

MNI India Business Sentiment is a monthly poll of Indian business executives at companies listed on the BSE (formerly known as the Bombay Stock Exchange) which has been available since November 2012. More than 400 companies are surveyed each month and are a mix of manufacturing, service, construction and agricultural firms.

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

Respondents are asked their opinion on whether a particular business activity has increased, decreased or remained the same compared with the previous month as well as their expectations for three months ahead, e.g. Is Production Higher/Same/Lower compared with a month ago?

A diffusion indicator is then calculated by adding the percentage share of positive responses to half the percentage of those respondents reporting no change. An indicator reading above 50 shows expansion, below 50 indicates contraction and a result of 50 means no change.

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

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

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Four Reasons for a Fourth Cut in Interest Rates

Having cut benchmark interest rates three times so far this year, the Reserve Bank of India has set out four key conditions to cut again.

Having cut benchmark interest rates three times so far this year, the Reserve Bank of India has set out four key conditions to cut again. All have been met, at least in part, and the door is now wide open for the central bank to cut rates by another 25 basis points at the September 29 monetary meeting.

The Reserve Bank of India kept the key policy rate unchanged at 7.25% at its third bi-monthly monetary policy meeting in August, down 75 basis points since last year. It certainly left space for additional easing this year but conditioned it on four factors; the impact of monsoons on inflation; fuller transmission of the previous rate cuts by banks; government investment in improving the supply-side and normalisation of US monetary policy.

Consumer price inflation, which the RBI now tracks to set rates, eased to a nine-month low of 3.66% in August from 3.69% a month ago. Food price inflation which forms almost half of the basket has been trending down. Moreover, core inflation, which strips out the more volatile components (food and beverages and fuel and light), and was highlighted as worrisome in recent monetary statements, fell for the second consecutive month to 4.1% in August.

Looking at prices at the wholesale level there is clear disinflation in the system. Inflation as measured the Wholesale Price Index (WPI) was down 5% on the year in August, the tenth month in negative territory. If the RBI was still using this as a reference rate for prices (it used to until 2013) then interest rates would surely be much lower now. The sharp slowdown reflects largely the tumultuous fall in crude oil prices from around $100 a barrel in August 2014 to less than $50 a barrel now. While base effects will start to push inflation up somewhat, it looks set to remain subdued barring an unexpectedly sharp rise in oil prices.

As for the monsoon rains which have such a huge impact on the price of food each year, domestic food prices have remained relatively low – somewhat surprising as the monsoons this year have been quite erratic. The RBI should be vigilant here, but for now supply appears to be sufficient to keep prices in check.

The RBI has continuously encouraged banks to pass on the benefits of the lower repo rate, but until recently banks had barely shaved anything from lending rates. More recently, however, HDFC Bank, the country's second largest private bank reduced its base rate to 9.35%, a sharp reduction from 9.7%, triggering expectations of further rate cuts throughout the market. It's a start, although many banks are still awaiting the September monetary policy meeting.

Few supply-side measures have been fixed, although the government has shown willingness. At the last parliamentary session it hit a roadblock with many big structural changes such as GST, the land acquisition bill and labour laws still pending. Following the decline in GDP growth to 7% in Q1 2015/16 from 7.5% in the previous quarter, RBI Governor Raghuram Rajan made it clear that reforms and not rates are the key to India's sustainable growth – and he's right. Out of the four reasons, this is the one that barely passes, but we expect continued government action to implement reforms. Meanwhile expect the RBI to put greater weight on the other three at least in the short-term.

The last obstacle to lower rates was a possible rate hike by the US Federal Reserve. As it is, they held rates steady for now and left the door ajar for an increase before the year is out. While India is much better prepared to deal with uncertainty arising from the end to tapering, the Fed's decision to hold policy steady has eased any immediate pressure on the rupee.

Given the continued mixed signals on growth and the low inflation backdrop, there is an opportunity for the RBI to lower the cost of capital and underpin sentiment among domestic businesses which have been shy of investing in the economy.

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MNI Indicators

Executive Summary

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, fell to 61.4 in September from 62.3 in August.

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Confidence has now declined for three consecutive months, wiping out the gains made in June on the back of the rate cut by the Reserve Bank of India and leaving the indicator 13.8% down on the year and 4.4% below the level seen at the start of 2015. The sharp deceleration compared with last year is due to a large base effect as Prime Minister Narendra Modi's historic victory had led to a substantial rise in confidence in 2014 on expectations that his government's pro-business policies would improve the business environment. While there has been some progress in the ease of doing business, it has been slow, and a growing sense of realism has seen business confidence wane.

Looking deeper into the survey, it is evident that the decline in business confidence was driven by lacklustre demand and depreciation of the rupee. Panellists reported that growth of new work was stymied by softer foreign demand. Export Orders were 8.6% below the series average while New Orders were down 7.2% on the year.

A sharp depreciation in the rupee added to companies' import bills and made foreign loans more expensive to service. The indicator which measures the Effect of the Rupee Exchange Rate fell below the 50 level for the first time in three months in September, implying that the exchange rate was hurting business operations.

With growth in New Orders easing further, companies reduced their payroll numbers. Nevertheless, the vast majority of companies indicated no change in employment levels. The Employment Indicator stood at 50.9 in September compared with 51.1 in August.

A decline in global commodity prices led to an easing in raw material costs for the third consecutive month in September. Given the weakness in demand, cost reductions were passed along the supply chain, resulting in output prices falling to the lowest level in more than two years.

Companies were also less optimistic about the next three months with the Expectations Indicator falling to 71.1 in September from 73.7 in August. Meanwhile, companies were also less bullish about production, export demand and employment over the next three months even though domestic demand is expected to rise during the festival period starting in October.

Overview

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	65.3	62.3	61.4	-	Feb-14	63.0	-0.9	-1.4%
Future Expectations	74.5	73.7	71.1	-	Mar-14	73.1	-2.6	-3.5%
Production								
Current Conditions	58.1	59.1	59.7	Jun-15	-	59.0	0.6	1.0%
Future Expectations	64.5	68.7	66.8	-	Jul-15	66.7	-1.9	-2.8%
New Orders								
Current Conditions	60.9	60.8	59.7	-	May-15	60.5	-1.1	-1.8%
Future Expectations	66.7	67.6	68.9	May-15	-	67.7	1.3	1.9%
Export Orders								
Current Conditions	56.9	59.7	57.1	-	Jul-15	57.9	-2.6	-4.4%
Future Expectations	63.5	65.5	62.2	-	Apr-15	63.7	-3.3	-5.0%
Productive Capacity								
Current Conditions	56.7	56.5	58.1	Apr-15	-	57.1	1.6	2.8%
Future Expectations	61.8	63.6	67.0	Feb-15	-	64.1	3.4	5.3%
Order Backlogs								
Current Conditions	48.5	49.0	46.9	-	May-15	48.1	-2.1	-4.3%
Future Expectations	49.4	46.3	46.6	Jul-15	-	47.4	0.3	0.6%
Employment								
Current Conditions	50.8	51.1	50.9	-	Jul-15	50.9	-0.2	-0.4%
Future Expectations	51.9	53.4	51.5	-	Feb-15	52.3	-1.9	-3.6%
Inventories								
Current Conditions	52.4	53.1	51.9	-	May-15	52.5	-1.2	-2.3%
Future Expectations	50.7	50.0	51.7	Jun-15	-	50.8	1.7	3.4%
Input Prices								
Current Conditions	59.2	55.6	54.9	-	Mar-15	56.6	-0.7	-1.3%
Future Expectations	55.7	53.2	56.1	Jun-15	-	55.0	2.9	5.5%
Prices Received								
Current Conditions	51.1	49.3	48.3	-	May-13	49.6	-1.0	-2.0%
Future Expectations	52.0	50.5	51.1	Jul-15	-	51.2	0.6	1.2%
Financial Position								
Current Conditions	66.4	65.2	61.7	-	Oct-13	64.4	-3.5	-5.4%
Future Expectations	70.9	70.1	71.3	Jun-15	-	70.8	1.2	1.7%
Interest Rates Paid								
Current Conditions	45.5	44.4	44.7	Jul-15	-	44.9	0.3	0.7%
Future Expectations	40.8	43.8	40.5	-	Apr-15	41.7	-3.3	-7.5%
Effect of Rupee Exchange Rate								
Current Conditions	52.4	51.1	49.0	-	Jun-15	50.8	-2.1	-4.1%
Future Expectations	55.0	51.3	50.5	-	Jun-15	52.3	-0.8	-1.6%
Supplier Delivery Times								
Current Conditions	50.4	48.8	50.7	Mar-15	-	50.0	1.9	3.9%
Future Expectations	51.9	49.4	53.6	Nov-14	-	51.6	4.2	8.5%
Availability of Credit								
Current Conditions	58.0	58.4	60.3	Jan-15	-	58.9	1.9	3.3%
Future Expectations	57.6	57.8	59.4	Apr-15	-	58.3	1.6	2.8%

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...compared with 3.69% in July (revised down from 3.78% previously).

Economic Landscape

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Latest data from India has been mixed. While gross value added was up relatively firmly in the first quarter of the fiscal year, and the trend in industrial production has been positive, other parts of the economy show signs of stress. Notably the trade data continue to ring alarm bells with the deficit up 17% on the year in August, as the value of exports fell to the lowest since October 2010 – external demand remains poor. Business sentiment surveys, including are own, have also shown confidence easing.

Still, we expect growth to pick-up, led by lower inflation, easier financial conditions, greater government investment and continued momentum on project clearances which should help to improve the overall business environment. Industrial production expanded by 4.2% year-on-year in July, slightly slower than 4.4% growth in June, although the trend remains firm and robust growth in the capital goods sector inspires confidence that investment should eventually start to pick-up.

There was continued good news on inflation. Consumer price inflation fell to a nine-month low of 3.66% in August, mostly on the back of falling fruit and vegetable prices, while core inflation also eased for the second consecutive month to 4.1%. Given the sharp decline in inflation in July and August along with further cuts in lending rates by commercial banks, and the Fed standing pat on rates, we expect the RBI to cut the repo rate by 25 basis points at the September 29 monetary policy meeting. The RBI has already cut the key repo rate by 75 basis points this year and a further cut is likely to underpin business and consumer sentiment, which have been slowly trending down in MNI Business and Consumer Sentiment surveys.

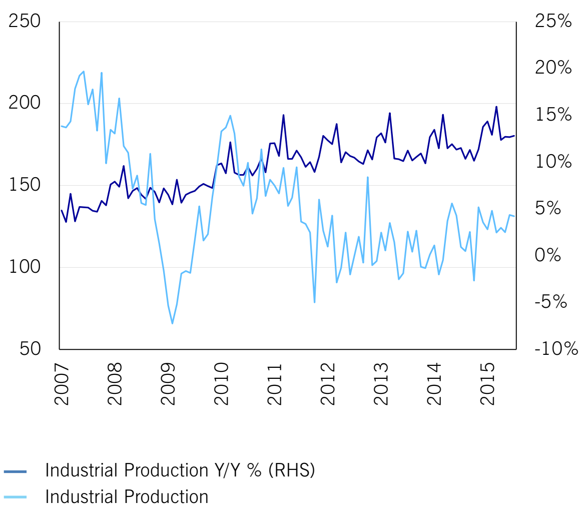
Industrial output growth down in July but trend firm

Industrial production growth moderated to 4.2% on the year in July following an increase of 4.4% on the year in June (revised up from 3.8% previously, with an improvement across all sub-sectors). Monthly data has been volatile, although the first seven months of the year has seen industrial production expand by 3.8% over the previous year, significantly above growth of 1.8% in 2014.

Growth in July was mainly led by the manufacturing sector, which forms three quarters of industrial production. Manufacturing output expanded at 4.7% on the year compared with 5.4% in the previous month (revised up significantly from 4.6% previously). In spite of the year-on-year slowdown manufacturing output was up 3.9% in the seven months to July over the past year, the highest growth rate in four years. This provides impetus to Modi’s “Make in India” program which aims to make India a global manufacturing hub. A favourable base effect and weakness in the rupee should also support growth in export oriented manufacturing sectors in the coming months. Electricity production grew by 3.5% on the year while mining grew by 1.3% on the year after contracting in the previous month.

According to use-based classification, basic goods production grew by 5.2% on the year in July following 5.3% (revised up from 5.1% previously) in June, while production of consumer goods grew by 1.3% on the year following growth of 7.7% in June (revised up from 6.6% previously), owing mostly to base effects. Output of consumer durables grew by 11.4% on the year in July, down from 17.4% in June (revised up from 16% previously). In spite of the moderation, consumer durables production in July rose at the fastest pace in over two years on a three-month average basis and may well mark a turning point for the consumer sector.

Industrial Production

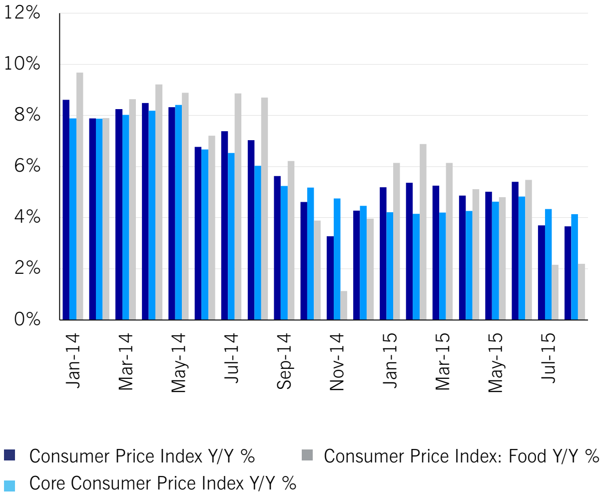


Source: Central Statistics Office

Meanwhile, growth in industrial production was driven by capital goods output, a proxy for investment. The double digit growth in July was mainly due to favourable base effects as capital goods production contracted in July 2014. On a monthly basis as well, capital goods production grew for the second consecutive month – a positive signal. We welcome the overall turnaround in capital goods production which has grown by an impressive 6.6% in the first seven months of the year compared with last year, the highest since 2011.

Overall, the latest data show a relatively positive picture for the industrial sector, signalling that the long-term recovery remains intact, especially with robust growth in the capital goods sector. While the second quarter started on a weaker footing, the continuing favourable base effect and higher government spending on large capital intensive projects suggests that industrial production is set to pick-up.

Consumer Inflation



Source: Central Statistics Office

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

Inflation eases to a nine-month low in August

Consumer price inflation declined marginally to a nine-month low of 3.66% in August compared with 3.69% in July (revised down from 3.78% previously). Food price inflation, which makes up 47.25% of the CPI basket was broadly unchanged at 2.2% on the year in August from 2.15% in July. While prices of vegetables contracted by 6.4% on the year in August and those of fruits grew at the slowest pace on record, price growth of pulses was alarming, hitting a bumper rate of 25.8%.

Fuel inflation also rose for the first time in three months in August to 5.7% on a year-on-year basis from 5.4% in July. However, on a three-month on three-month basis, it has stayed stable at 0.4% since April and the recent plunge in oil prices suggests this will come down further. After stripping out the more volatile components (food and beverages and fuel and light), core inflation fell for the second consecutive month to 4.1% in August from 4.3% in July, although was still above the headline inflation rate.

Rural CPI inflation rose mildly to 4.5% in August from 4.4% in July, led by a pick-up in food price inflation to 3% from 2.7% in July. In contrast, urban CPI inflation eased to 2.7% in August from 2.9% in the previous month, with food inflation declining to a series-low of 0.8% from 1% in July.

This month marked the end of a favourable high base effect from last year. Still, lower than expected food inflation, despite the poor monsoons, and the recent softening in crude oil prices should help to keep inflation in check, although it will likely to start to tick-up a little over the coming months.

While the central bank is still closely monitoring the effect of the monsoon rains, the slowdown in inflation in July and August is a big positive and strengthens the case for another rate cut by the RBI at the September 29th review.

The previously targeted measure of inflation, based on the Wholesale Price Index, contracted for the tenth consecutive month to hit a record low of -5% on the year in August from -4.1% in July. The decline came on the back of a continued fall in prices for fuel, primary articles and manufactured goods.

Repo rate left unchanged at 7.25%

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

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

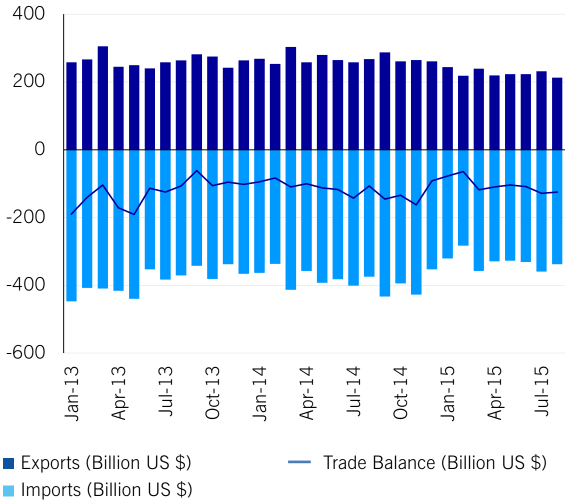
It recognised that there was some improvement in the state of stalled projects, although supply constraints continued to be binding and new investment demand from the private sector and the government remains subdued. Given that inflation surprised on the downside in July and August, some commercial banks have started lowering their lending rates to transmit the lower repo rate and the US Fed stood pat, we expect the RBI to cut the key repo rate by 25 basis points at the next monetary meeting on September 29.

India's exports at lowest level since October 2010

India's trade deficit eased slightly to $12.5 billion in August from $12.8 billion in July, but was 17% above the $10.7 billion shortfall recorded in August last year.

Exports contracted 20.7% on the year; the ninth monthly fall, to $21.3 billion in August. This followed a 10.3% decline on the year in July, making the August decline the sharpest in five months. The slight monthly improvement in July was viewed as a positive but the significant fall in August pushed the value of exports to the lowest level since October 2010, highlighting that external demand for Indian goods remains dismal.

Trade Balance



Source: Ministry of Commerce and Industry

Looking at the three-month year-on-year measure for exports, the decline seems to have broadly stabilised in August, although remains very weak in absolute terms.

Imports declined by 9.9% on the year to $33.7 billion in August owing mostly to a decline in oil imports which dropped 42.6% on the year to $7.4 billion. Otherwise, things were more positive as non-oil imports rose by 7% on the year to $26.4 billion in August, the second consecutive yearly rise, signalling that a tentative revival in domestic demand may be underway. There was also a surge in imports of gold, ahead of the festive season, increasing 140% from a year earlier to $5 billion.

While the trade data continues to suggest there is still significant weakness in both external and domestic demand, this month provides further hope that there are better prospects for domestic demand amid an easing in both inflation and interest rates.

Government raises planned expenditure

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

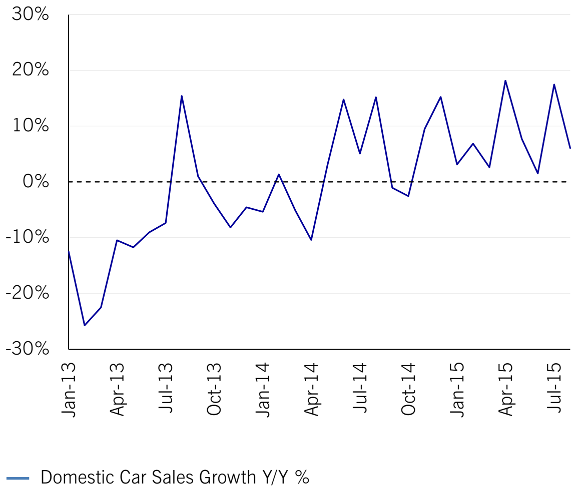
Growth in car sales halve in August

Car sales in India rose by 6.1% on the year in August, down from 17.5% in July. New model launches such as the Honda Jazz, Ford Aspire, Hyundai Creta and Maruti Suzuki's S-Cross partly helped in increasing passenger vehicles but overall demand is still less than anticipated, given the upcoming festive season. While car sales grew marginally on a monthly basis, the significant drop in the year-on-year basis was due to a large base impact. In spite of uneven growth, car sales have grown by 7.5% on the year in the first eight months of 2015, an improvement from growth of 1.7% in 2014 and contraction of 12.6% in 2013.

Sales of commercial vehicles grew by 7.6% on the year in August from 8.4% on the year in July, owing to favourable base effects. However, looking at the three month trend, sales slowed to 2.2% in August from 4.1% in July. Growth in commercial vehicle sales was paltry at less than 1% on a monthly basis and with an end of favourable base effects from this month; the trend suggests we could see contraction in sales in September.

Sales of two-wheelers fell into contraction in August after barely growing in July. Sales of scooters grew by 15.7% on the year, the fastest growth in six months, although it contracted by 1.2% since last month. Sales of motorcycles, which form the majority of two-wheelers sales, contracted by 9.6% on the year, although improved by 1.8% from the previous month. India is the world's largest market for motorcycles and much of the slowdown comes from smaller cities.

Car Sales



Source: Society of Indian Automobile Manufacturers

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

Railway freight traffic on the decline

In three months to April, growth in freight traffic (net tonne km) eased to 2.9% compared with the same period a year ago, the slowest since May 2014. Growth in traffic has trended down this year after peaking at 8.1% in three months to December last year, raising concerns about weak demand and business activity. The MNI Business Sentiment Indicator trends well with the official data on freight traffic of Indian railways and the fall in the former signals that business activity is weak, in turn suggesting that freight traffic is likely to remain subdued.

In general, about 65% of trains in India are dedicated to passenger movement, which yield less than a third in terms of revenue for the railways, while 35% of freight trains provide the network 70% of its revenues. The high cost of freight transportation has also led to lower freight traffic in Indian railways overtime. In order to tackle the issue of declining freight traffic, Indian railways has started offering incentives to customers to carry load in the empty flow direction. This scheme is intended to help customers carry freight at cheaper rates and target new markets, and in turn bring down the cost of commodities like cement, steel, jute and food grains etc.

Growth in GDP weakens but accelerates in GVA in Q1

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

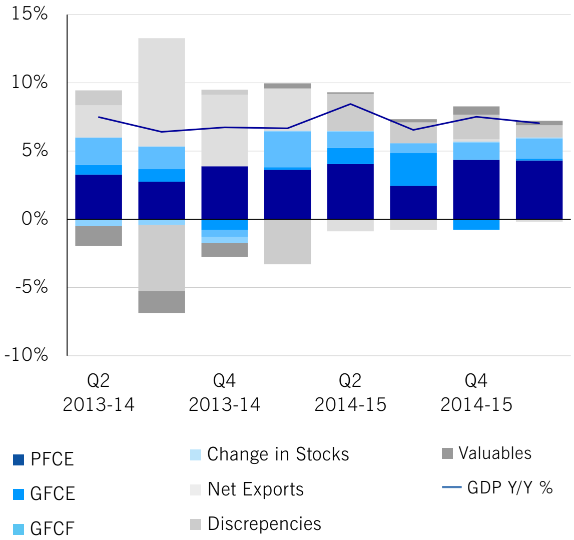
Not every aspect of the national accounts was disappointing, with one positive lining in the data coming from GVA which accelerated from 6.1% on the year in Q4 to 7.1% in Q1. Since GDP at market prices is calculated by adding indirect taxes net of subsidies to GVA (at basic prices), this suggests that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

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

Contribution to GDP Growth

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

Contribution to GDP Growth



Source: Central Statistics Office

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

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

The slowdown in the first quarter of the 2015-16 fiscal year was in line with the MNI India Business Sentiment Survey which pointed to an easing in economic growth given that the headline indicator as well as other key parameters such as Production and New Orders remained almost flat for the second consecutive quarter in the three months to June and were below their respective outturns for the Apr-June quarter in 2014. Furthermore, our sister Consumer Sentiment Survey has painted a weak picture of Indian households with confidence among them falling in Q1 in contrast to the improvement seen in the same quarter of 2014.

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

RBI Consumer Confidence fell in June

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

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

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

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

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

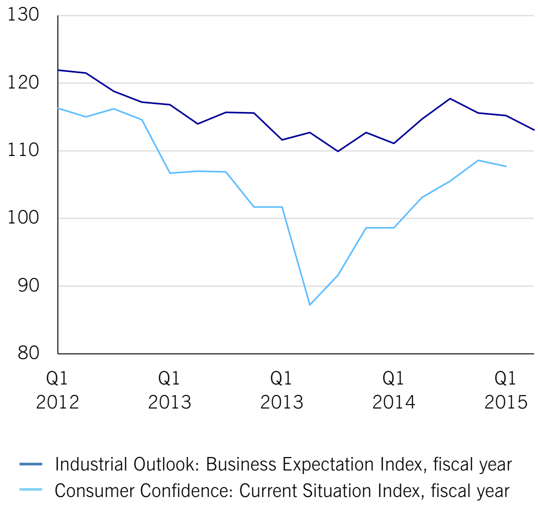
RBI Industrial Outlook eases in the September quarter

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

Manufacturing companies witnessed a decline in demand during the April-June quarter, with sentiment easing to 104.8 from 106.7 in the previous quarter. The decline in sentiment for the assessment quarter was mainly due to reduced optimism in production, order books, capacity utilisation, employment, financial situation, availability of finance coupled with increased pessimism in cost of raw materials and profit margin.

More up-to-date monthly data from the MNI India Business Sentiment Survey has shown that the pace of growth in business confidence has eased in recent months. In the quarter ending September, the MNI India Business Sentiment Indicator fell to the lowest since March 2014, averaging 64.4. In September, business sentiment declined for the third consecutive month. Subdued foreign demand and a sharp depreciation in the rupee. Companies were also less optimistic about the next three months with the Expectations Indicator falling to 71.1 in September from 73.7 in August. Meanwhile, companies were also less bullish about production, export demand and employment over the next three months even though domestic demand was expected to rise during the festival period starting in October.

RBI Business and Consumer Sentiment



Source: Reserve Bank of India

Key Monthly Economic Data

	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Consumer Price Index (Y/Y %)	5.3	4.9	5.0	5.4	3.7	3.7	-
Wholesale Price Index (Y/Y %)	-2.3	-2.4	-2.2	-2.1	-4.1	-4.9	-
Industrial Production (Y/Y %)	2.5	3.0	2.5	4.4	4.2	-	-
Car Sales (Y/Y %)	2.6	18.1	7.7	1.5	17.5	6.1	-
Trade Balance (Billion US $)	-11.8	-11.0	-10.4	-10.8	-12.8	-12.5	-
Exports (Billion US $)	23.9	22.0	22.3	22.3	23.1	21.3	-
Imports (Billion US $)	35.7	32.9	32.8	33.1	35.9	33.7	-
MNI India Business Sentiment Indicator	63.0	63.9	62.3	67.1	65.3	62.3	61.4
MNI India Consumer Sentiment Indicator	118.5	122.1	119.6	119.5	118.6	119.1	-

The fall in sentiment was observed across both service and construction companies...

...while sentiment among manufacturing sector companies remained more-or-less stable.

Indicators

A lower proportion of companies were optimistic about the current business environment in September as subdued foreign demand and a sharp depreciation in the rupee offset the positive impact of lower inflation.

MNI India Business Indicator
Lowest Since February 2014

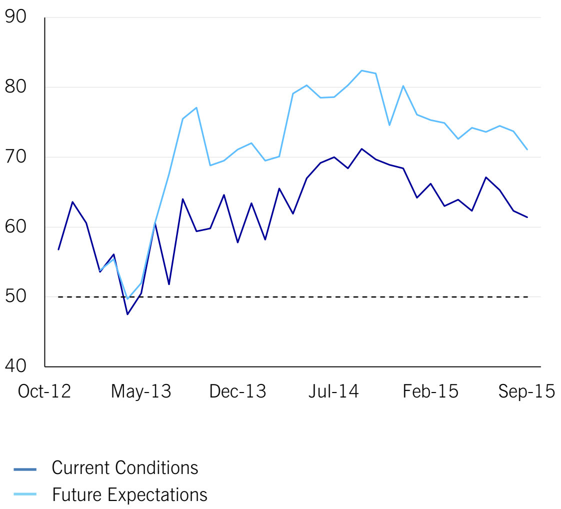
A lower proportion of companies were optimistic about the current business environment in September as subdued foreign demand and a sharp depreciation in the rupee offset the positive impact of lower inflation. The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, fell to 61.4 in September from 62.3 in August. The fall in sentiment was observed across both service and construction companies, while sentiment among manufacturing sector companies remained more-or-less stable.

Confidence has now declined for three consecutive months, wiping out the gains made in June on the back of the rate cut by the Reserve Bank of India and leaving the indicator 13.8% down on the year and 4.4% below the level seen at the start of 2015. The sharp deceleration compared with last year is due to a large base effect as Prime Minister Narendra Modi's historic victory had led to a substantial rise in confidence on expectations that his government's pro-business policies would improve the business environment. While there has been some progress in the ease of doing business, it has been slow, and a growing sense of realism has seen business confidence wane.

Looking deeper into the survey, it is evident that the decline in business confidence was driven by lacklustre demand and depreciation of the rupee. Panellists reported that growth of new work was stymied by softer foreign demand. Export Orders were 8.6% below the series average while New Orders were 7.2% down on the year. While a decline in crude oil prices benefitted input prices, a sharp depreciation in the rupee raised companies' import bill and made foreign loans more expensive to service.

While some companies reported that they had passed on cost savings to their customers, several reported that

MNI India Business Sentiment Indicator



"Poor demand makes it a bad time for textile industry." **Clothing and accessories manufacturing company**

"It is a lean period." **Recreational services company**

MNI India Business Indicator

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Current Conditions	71.2	63.9	62.3	67.1	65.3	62.3	61.4

they had cut their prices more sharply owing to high competition amid the weak demand backdrop. This may well explain the fall in the Financial Position Indicator to the lowest since October 2013, with a potential hit to company profits.

One silver lining in this month's survey was the pick-up in companies' productive capacity. The Productive Capacity Indicator has performed a U-turn, having started trending down in December last year before gradually picking up in recent months and now stands 2.6% above the series average.

While the MNI India Business Indicator stands significantly above the levels seen in 2013 when India was in the midst of a currency crisis, the downturn in sentiment serves as a note of caution to some of the more optimistic forecasts for Indian growth. The MNI India BSI and Production series were down in the September quarter of 2015, and were substantially below the level recorded in the September quarter of 2014 pointing to subdued economic growth. The only saving grace came from lower input costs and a slight up-tick in orders.

Companies were also less optimistic about the next three months with the Expectations Indicator falling to 71.1 in September from 73.7 in August. Meanwhile, companies were also less bullish about production, export demand and employment over the next three months even though domestic demand is expected to rise during the festival period starting in October.

In September, 10 out of the 15 current conditions indicators included in the survey declined and four were below the 50 level that separates expansion from contraction. Six future expectations indicators fell and two were in contraction.

Sectors - Overall Business Conditions

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

"Real estate sentiment is not good." **Construction company**

"Depreciation of currency is hurting overall business condition." **Medical supplies manufacturing company**

"Government policies are not favourable for construction companies with respect to land clearances." **Heavy construction company**

MNI India Business Indicator

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Future Expectations	82.4	72.6	74.2	73.6	74.5	73.7	71.1

Orders
Foreign Demand Wanes

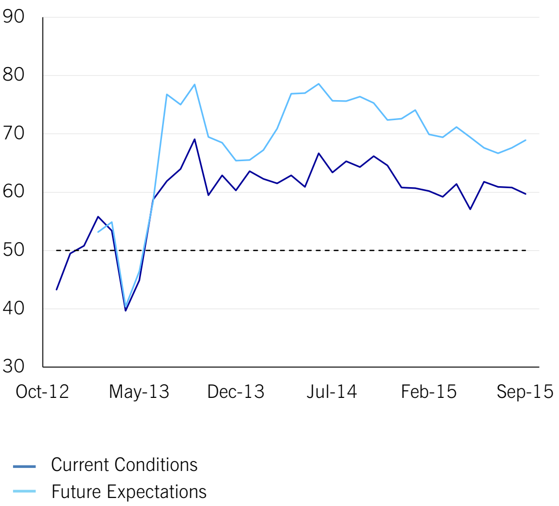
The New Orders Indicator fell to a three-month low of 59.7 in September from 60.8 in August, driven by fewer overseas orders. The indicator has remained above the 50 mark since June 2013, however, it has been gradually trending down since last year suggesting demand is not accelerating and remains relatively lacklustre.

The New Orders Indicator, which was down by 7.2% on the year in September, has a good correlation with the official data on domestic cargo handled at Indian airports which serves as a proxy for demand for goods. Latest data showed that cargo handled rose 5.8% in the three months to July compared with a year earlier, the slowest pace of growth since August 2013. Since domestic cargo handled at airports has consistently grown at an average of 15% over the past year, our data suggests the decline in cargo handled is more than a temporary lull.

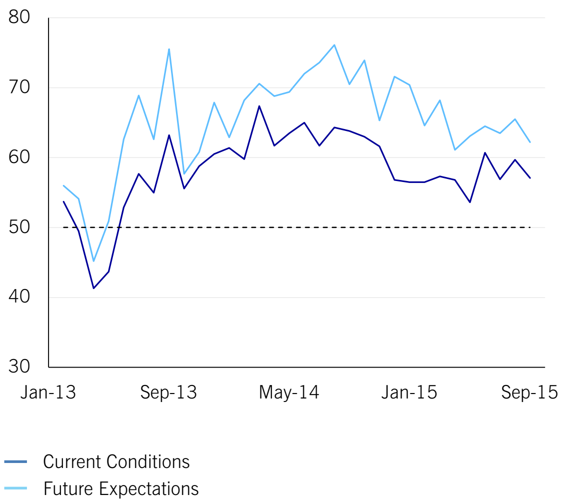
With the festival period approaching, our panel was slightly more optimistic about orders in the coming three months with the Expectations Indicator for New Orders rising for the second consecutive month to 68.9 in September from 67.6 in August.

Foreign demand for Indian goods and services, which has been trending down since last year, remained at a low level. The Export Orders Indicator fell by 4.4% to 57.1 in September, partly offsetting the rise to 59.7 in August. Official data also suggests that external demand for Indian goods remains dismal. Exports contracted 20.7% on the year; the ninth monthly fall, to $21.3 billion in August. This followed a 10.3% decline on the year in July, making it the sharpest decline in five months. Fewer companies anticipated that export demand would rise over the coming months, with the

New Orders



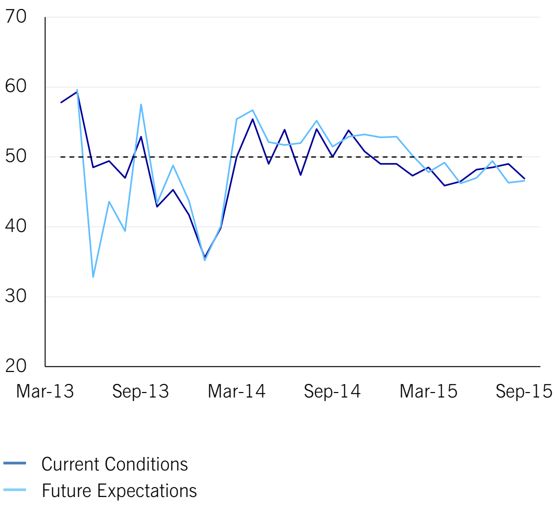
Export Orders



Orders - Current Conditions

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
New Orders	64.3	61.4	57.1	61.8	60.9	60.8	59.7
Export Orders	63.8	56.8	53.6	60.7	56.9	59.7	57.1
Order Backlogs	50.0	45.9	46.5	48.2	48.5	49.0	46.9

Order Backlogs



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"There is less demand in the real estate sector." **Real estate holding and development services company**

"There is no demand from the US or UK market." **Services company**

"We are losing our customers." **Food products manufacturing company**

"There is less demand in the market. Even globally demand is less." **Clothing and accessories manufacturing company**

"Market situation in China & Europe is bad." **Clothing and accessories manufacturing company**

Expectations Indicator falling to 62.2 in September from 65.5 in August.

Fewer incoming orders in September meant that there was less pressure on companies' order books. The Order Backlogs Indicator fell to 46.9 in September from 49.0 in the previous month. While the pressure on backlogs had started to increase gradually in recent months, this month's decline wiped away the previous gains and placed the indicator at the lowest level since May. Companies also anticipated that they would have fewer backlogs in the future, with the Expectations Indicator remaining below 50 at 46.6 in September compared with 46.3 in August.

Orders - Future Expectations

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
New Orders	76.4	71.2	69.4	67.6	66.7	67.6	68.9
Export Orders	70.5	61.1	63.1	64.5	63.5	65.5	62.2
Order Backlogs	51.5	49.2	46.2	47.0	49.4	46.3	46.6

Output and Employment
Productive Capacity at a Five-Month High

One positive from the survey this month was that firms reported improvement in their productive capacity and were substantially more optimistic about it in the next three months.

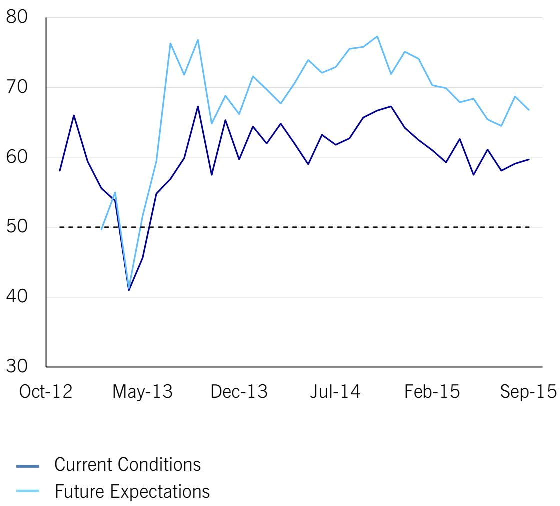
Since the end of last year, an increasing number of companies were scaling back their capacity in a likely effort to cut costs amid the cooling in demand. Indeed, the Reserve Bank of India has acknowledged the weakness in capacity utilisation among companies at its previous monetary policy meetings, which is indicative of slack in the economy. The Productive Capacity Indicator, however, rose for the first time in three months to 58.1 in September from 56.5 in August and was 3.8% above the outturn of 56.0 in January. Companies were also more optimistic about their productive capacity in the next three months, with the Expectations Indicator rising to 67.0 from 63.6 in August.

While the Production Indicator rose slightly to 59.7 in September from 59.1 in August, it remained significantly below the outturn of 65.7 seen in September 2014. The rise was driven by manufacturing and construction sector companies. Production has trended down since last year, with the three-month average for September at the lowest level in more than two years. The two successive rises may have been driven by preparations for the busy festival season that starts in October although the expansion in output is slower than would typically be expected for this time of year.

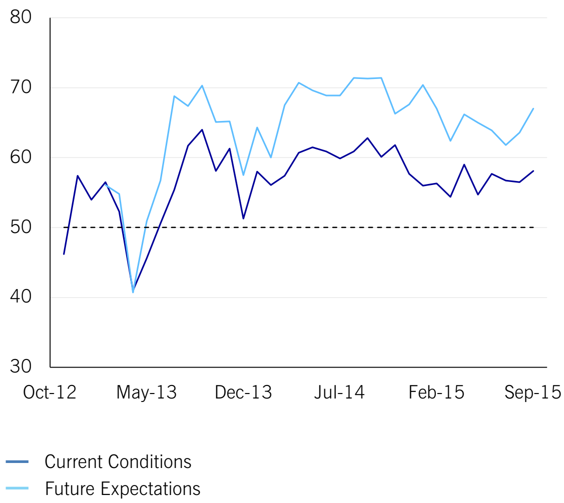
Companies were less optimistic about production for the next three months, with the Expectations Indicator falling to 66.8 in September from 68.7 in August.

With growth in New Orders easing further, companies reduced their payroll numbers. Nevertheless, the vast

Production



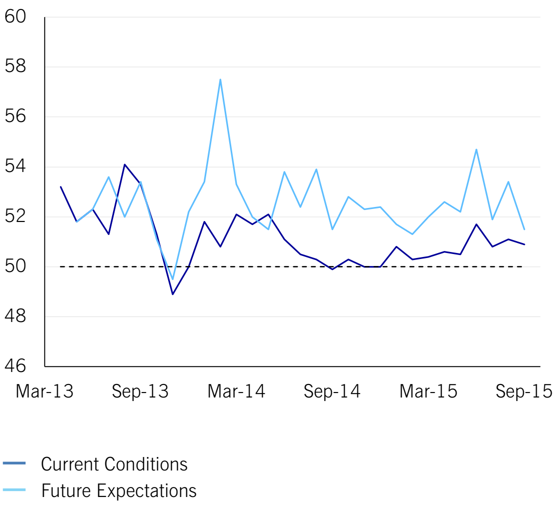
Productive Capacity



Output and Employment - Current Conditions

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Production	65.7	62.6	57.5	61.1	58.1	59.1	59.7
Productive Capacity	62.8	59.0	54.7	57.7	56.7	56.5	58.1
Employment	49.9	50.6	50.5	51.7	50.8	51.1	50.9

Employment



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"Production has increased as high demand festival season has started." **Footwear manufacturing company**

"We have too many employees and will reduce staff when we get the opportunity." **Food products manufacturing company**

"It is peak production season." **Food products manufacturing company**

"We are left with too many employees given no new orders and lower business activity." **Business training employment agency**

majority of companies indicated no change in employment levels. The Employment Indicator stood at 50.9 in September compared with 51.1 in August.

In general, though, companies' sentiment towards hiring has started to recover, albeit at a slow pace, with the indicator 2% above the level in September 2014. There was a rise in demand for workers in the construction and service sectors, while manufacturing sector companies had employees roughly around the right level.

Output and Employment - Future Expectations

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Production	75.8	67.9	68.4	65.4	64.5	68.7	66.8
Productive Capacity	71.3	66.2	65.0	63.9	61.8	63.6	67.0
Employment	51.5	52.6	52.2	54.7	51.9	53.4	51.5

Prices

Rupee Depreciation Hurts Business Sentiment

A sharp depreciation in the rupee partly offset the positive impact of lower commodity prices in September, weighing on overall business sentiment.

The Input Prices Indicator fell for the third consecutive month to 54.9 in September from 55.6 in August, the lowest since March. While the indicator was 9.1% below the level last year, it has grown 3.2% since the start of the year. More companies anticipated that input prices would rise in the coming three months, evidenced by the rise in the Future Expectations Indicator to 56.1 in September from 53.2 in August.

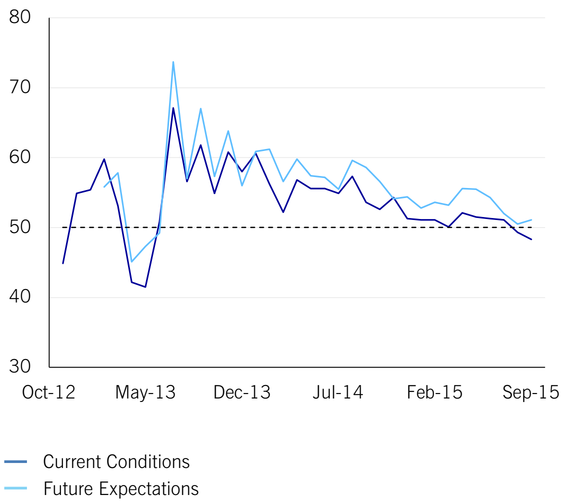
Consumer price inflation fell to a nine-month low of 3.66% on the year in August from 3.69% in July. However, fuel inflation rose for the first time in three months to 5.7% on the year in August from 5.4% in July. After stripping out the volatile food and fuel measures, core inflation eased to 4.1% from 4.3% in the previous month.

Some companies failed to raise prices owing to high competition and weak demand while others passed on lower input prices to customers. The Prices Received Indicator remained in contraction for the second consecutive month at 48.3 in September compared with 49.3 in August. Although the decline was across all sectors, manufacturing and service sector companies were the most active in reducing their prices.

According to our panel, the depreciation of the rupee had an unfavourable impact on business operations in September. The rupee was 3.6% down against the US dollar in August compared with the previous month and has fallen 7.4% since the start of the year. The indicator which measures the Effect of the Rupee Exchange Rate

Input Prices

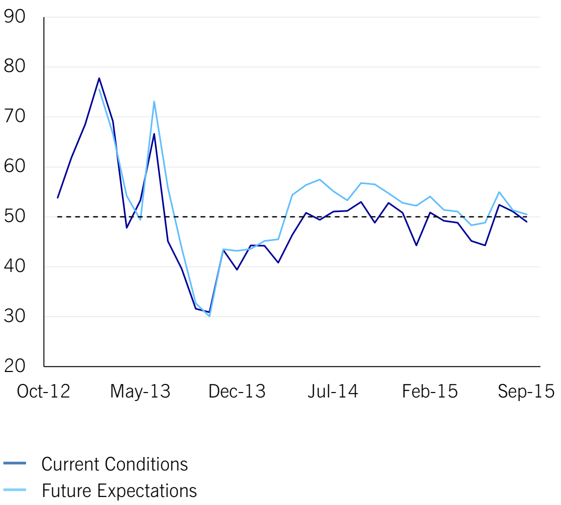
Prices Received



Prices - Current Conditions

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Input Prices	60.4	55.9	58.6	60.6	59.2	55.6	54.9
Prices Received	53.6	52.1	51.5	51.3	51.1	49.3	48.3
Exchange Rate	53.0	48.8	45.2	44.3	52.4	51.1	49.0

Effect of Rupee Exchange Rate



Sectors - Current Conditions

	Input Prices	Prices Received	Effect of Rupee Exchange Rate
Manufacturing	↓ > 50	↓ < 50	↓ < 50
Services	↑ > 50	↓ < 50	↓ = 50
Construction	↑ > 50	↓ = 50	↑ > 50

Sectors - Future Expectations

	Input Prices	Prices Received	Effect of Rupee Exchange Rate
Manufacturing	↑ > 50	↑ > 50	↓ < 50
Services	⇔ > 50	↓ < 50	↑ > 50
Construction	↑ > 50	↓ > 50	↑ > 50

"Crude oil price is going down." **Speciality chemicals manufacturing company**

"The exchange rate is hurting because of higher imports and foreign loans." **Commodity chemicals manufacturing company**

"Raw material prices are low, competition is high so price charged are lower." **Clothing and accessories manufacturing company**

"There is less demand so prices charged have been brought down." **Hotel**

fell below the 50 level for the first time in three months to 49.0 in September.

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

Moreover, our panel anticipated that the exchange rate would be less favourable to their operations in the coming three months with manufacturing companies especially downbeat. The Expectations Indicator eased further to 50.5 in September after a much more significant fall in the previous month to 51.3 from 55.0 in July.

Prices - Future Expectations

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Input Prices	56.7	55.7	55.0	56.6	55.7	53.2	56.1
Prices Received	58.6	55.6	55.5	54.3	52.0	50.5	51.1
Exchange Rate	56.8	51.1	48.3	48.8	55.0	51.3	50.5

Money and Credit
Credit Availability Highest Since January

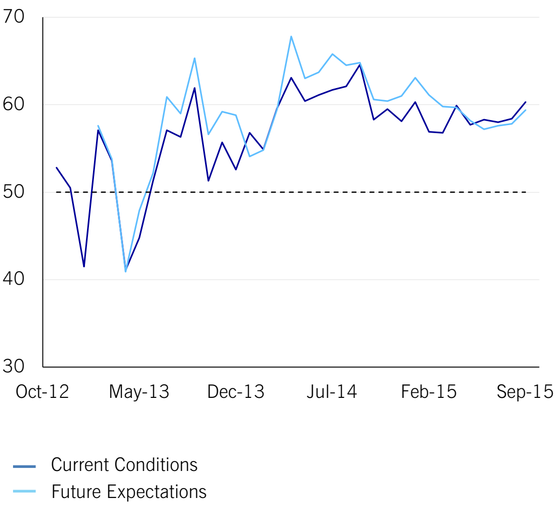
The availability of credit has started improving while the cost of debt service has fallen dramatically since the start of the year following the interest rate cuts by the Reserve Bank of India.

The Interest Rates Paid Indicator stood at 44.7 in September compared with 44.4 in August, down 8% from the start of the year. The indicator fell quickly at the start of the year and hit a record low in April following three rate cuts by the RBI, although since then it has broadly maintained a flat profile. The RBI kept the repo rate unchanged at 7.25% on August 4 as it awaited fuller transmission of lower borrowing costs by commercial banks and was monitoring the outturn of the monsoon rains and their impact on inflation. With more banks trimming their lending rates by a greater margin and inflationary pressures easing further, there is a good chance the RBI will cut the key repo rate at the upcoming monetary policy meeting on September 29.

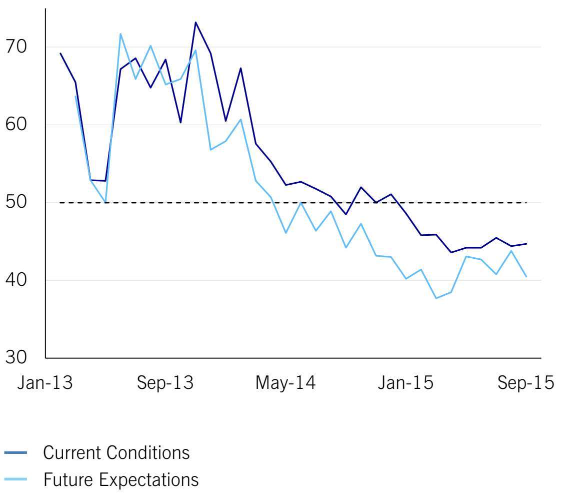
More respondents anticipated interest rates to fall in the coming three months, the sharpest fall in expectations in six months. The Expectations Indicator fell by 7.5% to 40.5 in September from 43.8 in August, the lowest in five months.

The Availability of Credit Indicator rose to 60.3 in September from 58.4 in August, but was still 6.7% below the outturn of 64.6 in September 2014 as a rise in bad loans has made banks more reluctant to lend to businesses. Companies remained optimistic in their outlook for credit availability over the coming three months. The Expectations Indicator exactly followed the path of current conditions and increased to 59.4 in September from 57.8 in August.

Availability of Credit



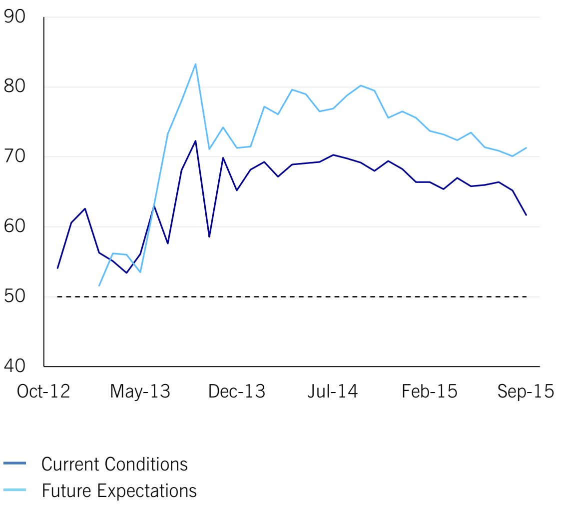
Interest Rates Paid



Money and Credit - Current Conditions

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Availability of Credit	64.6	59.9	57.7	58.3	58.0	58.4	60.3
Interest Rates Paid	48.5	43.6	44.2	44.2	45.5	44.4	44.7
Financial Position	69.2	67.0	65.8	66.0	66.4	65.2	61.7

Financial Position



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"Lots of banks are ready to provide loans." **Investment services company**

"Banks have reduced interest rates." Industrial machinery services company

"Banks have cut down their base rate." **Pharmaceuticals manufacturing company**

"Banks have reduced interest rates to lend more money to the industries." **Speciality chemicals manufacturing company**

"There is a growth in non-performing assets." **Bank**

Whilst there were hopes that companies would see an improvement in their balance sheets following the election of the pro-business BJP party, instead their financial positions have worsened owing to weak domestic and global demand combined with the high cost of capital in India. In September, the Financial Position Indicator fell to 61.7 from 65.2 in the previous month, 10.8% below the outturn of September 2014. The decline was across all sectors with construction companies becoming pessimistic about their financial situation as the indicator fell below the 50 level.

Companies' expectations for their future finances have followed a trend similar to that of their current financial position but have remained higher in level terms. In September, the Expectations Indicator rose for the first time in four months to 71.3 from 70.1 in August, the highest level since June.

Money and Credit - Future Expectations

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Availability of Credit	64.8	59.7	58.2	57.2	57.6	57.8	59.4
Interest Rates Paid	44.2	38.5	43.1	42.7	40.8	43.8	40.5
Financial Position	80.2	72.4	73.5	71.4	70.9	70.1	71.3

Logistics
Supplier Delivery Times Expand

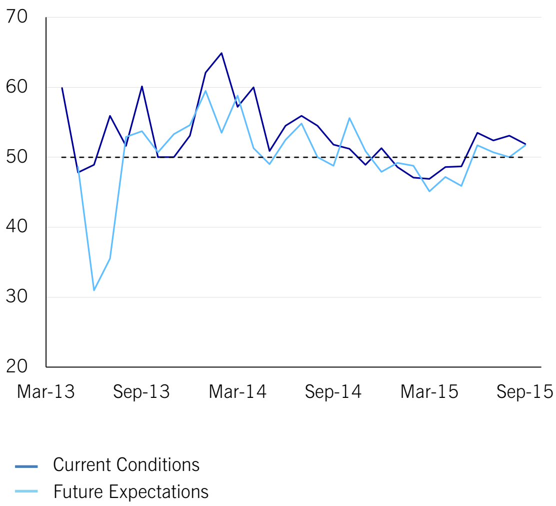
Fewer companies increased their inventory holdings while the time taken for their suppliers to deliver key inputs expanded, probably to meet existing domestic demand.

The Inventories Indicator fell to 51.9 in September from 53.1 in August. Both manufacturing and construction companies had lower inventories in September compared with the previous month, with the indicator for the latter at the exact 50 mark.

Expectations for Inventories in three months' time rose to 51.7 in September from 50.0 in August. Both manufacturing and construction companies expected to keep higher inventories in the coming three months probably to meet higher festival demand.

Suppliers of key inputs took more time to deliver orders even though there was less pressure amid weak demand. The Supplier Delivery Times Indicator rose to 50.7 in September from 48.8 in August, the highest since March. Our panel of companies however anticipated that delivery times would lengthen in the coming three months in the upcoming festival season. The Expectations Indicator rose above the 50 breakeven level to a 10-month high of 53.6 in September from 49.4 in August.

Inventories

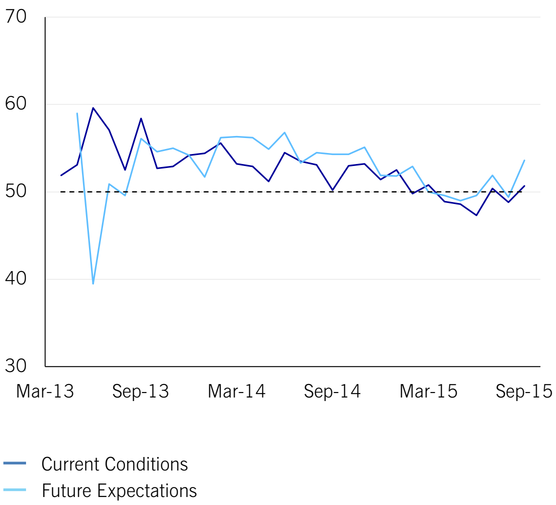


"Materials are sold quickly so inventory level is down." **Paper manufacturing company**

Logistics - Current Conditions

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Inventories	51.8	48.6	48.7	53.5	52.4	53.1	51.9
Supplier Deliveries	50.2	48.9	48.6	47.3	50.4	48.8	50.7

Supplier Delivery Times



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"We are maintaining lower inventory because of lower production." **Food products manufacturing company**

"Demand has increased so delivery times are longer." **Household products manufacturing company**

Logistics - Future Expectations

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Inventories	48.8	47.2	45.9	51.7	50.7	50.0	51.7
Supplier Deliveries	54.3	49.6	49.0	49.6	51.9	49.4	53.6

What the Panel Said

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

"Materials are sold quickly so inventory level is down." **Paper manufacturing company**

"Lots of banks are ready to provide loans." **Investment services company**

"Banks have reduced interest rates." **Industrial machinery services company**

"There is less demand in the real estate sector." **Real estate holding and development services company**

"There is no demand from the US or UK market." **Services company**

"We are losing our customers." **Food products manufacturing company**

"There is less demand in the market. Even globally demand is less." **Clothing and accessories manufacturing company**

"Market situation in China & Europe is bad." **Clothing and accessories manufacturing company**

"Banks have cut down their base rate." **Pharmaceuticals manufacturing company**

"Crude oil price is going down." **Speciality chemicals manufacturing company**

"The exchange rate is hurting because of higher imports and foreign loans." **Commodity chemicals manufacturing company**

"Raw material prices are low, competition is high so price charged are lower." **Clothing and accessories manufacturing company**

"There is less demand so prices charged have been brought down." **Hotel**

"Competition in the market has led us to reduce our charges." **Bank**

"We import raw materials so the poor exchange rate is hurting us." **Speciality chemicals manufacturing company**

"Steel price is coming down so final charges have been cut." **Auto parts manufacturing company**

"Supply is increasing because of dumping policy of China and therefore prices are going down." **Iron and steel manufacturing company**

"Buyers are asking to reduce prices." **Clothing and accessories manufacturing company**

"Crude oil and copper prices have decreased." **Non-ferrous metals manufacturing company**

"The exchange rate is hurting us indirectly because our suppliers buy raw materials from outside." **Iron and steel manufacturing company**

"Production has increased as high demand festival season has started." **Footwear manufacturing company**

"We have too many employees and will reduce staff when we get the opportunity." **Food products manufacturing company**

"It is peak production season." **Food products manufacturing company**

"We are left with too many employees given no new orders and lower business activity." **Business training employment agency**

"One of our plants was shut down because of technical error but it is functioning now. We are getting fast clearance to our new projects as well." **Conventional electricity manufacturing company**

"We need more employees for new projects." **Real estate holding and development services company**

"Poor demand makes it a bad time for textile industry." **Clothing and accessories manufacturing company**

"It is a lean period." **Recreational services company**

"Depreciation of currency is hurting overall business condition." **Medical supplies manufacturing company**

Data tables

Historical Summary

	2014				2015								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
MNI India Business Indicator													
Current Conditions	71.2	69.7	68.9	68.4	64.2	66.2	63.0	63.9	62.3	67.1	65.3	62.3	61.4
Future Expectations	82.4	82.0	74.6	80.2	76.1	75.3	74.9	72.6	74.2	73.6	74.5	73.7	71.1
Production													
Current Conditions	65.7	66.7	67.3	64.2	62.5	61.0	59.3	62.6	57.5	61.1	58.1	59.1	59.7
Future Expectations	75.8	77.3	71.9	75.1	74.1	70.3	69.9	67.9	68.4	65.4	64.5	68.7	66.8
New Orders													
Current Conditions	64.3	66.2	64.6	60.8	60.7	60.2	59.2	61.4	57.1	61.8	60.9	60.8	59.7
Future Expectations	76.4	75.3	72.4	72.6	74.1	69.9	69.4	71.2	69.4	67.6	66.7	67.6	68.9
Export Orders													
Current Conditions	63.8	63.0	61.6	56.8	56.5	56.5	57.3	56.8	53.6	60.7	56.9	59.7	57.1
Future Expectations	70.5	73.9	65.3	71.6	70.4	64.6	68.2	61.1	63.1	64.5	63.5	65.5	62.2
Productive Capacity													
Current Conditions	62.8	60.1	61.8	57.7	56.0	56.3	54.4	59.0	54.7	57.7	56.7	56.5	58.1
Future Expectations	71.3	71.4	66.3	67.6	70.4	67.0	62.4	66.2	65.0	63.9	61.8	63.6	67.0
Order Backlogs													
Current Conditions	50.0	53.8	50.8	49.0	49.0	47.3	48.5	45.9	46.5	48.2	48.5	49.0	46.9
Future Expectations	51.5	52.9	53.2	52.8	52.9	50.2	47.8	49.2	46.2	47.0	49.4	46.3	46.6
Employment													
Current Conditions	49.9	50.3	50.0	50.0	50.8	50.3	50.4	50.6	50.5	51.7	50.8	51.1	50.9
Future Expectations	51.5	52.8	52.3	52.4	51.7	51.3	52.0	52.6	52.2	54.7	51.9	53.4	51.5
Inventories													
Current Conditions	51.8	51.2	48.9	51.3	48.6	47.1	46.9	48.6	48.7	53.5	52.4	53.1	51.9
Future Expectations	48.8	55.6	50.9	47.9	49.2	48.8	45.1	47.2	45.9	51.7	50.7	50.0	51.7
Input Prices													
Current Conditions	60.4	59.4	55.6	51.5	53.2	51.4	53.2	55.9	58.6	60.6	59.2	55.6	54.9
Future Expectations	56.7	57.6	50.9	51.1	53.7	53.4	53.6	55.7	55.0	56.6	55.7	53.2	56.1
Prices Received													
Current Conditions	53.6	52.6	54.3	51.3	51.1	51.1	50.1	52.1	51.5	51.3	51.1	49.3	48.3
Future Expectations	58.6	56.6	54.1	54.4	52.8	53.6	53.2	55.6	55.5	54.3	52.0	50.5	51.1
Financial Position													
Current Conditions	69.2	68.0	69.4	68.3	66.4	66.4	65.4	67.0	65.8	66.0	66.4	65.2	61.7
Future Expectations	80.2	79.5	75.6	76.5	75.6	73.7	73.2	72.4	73.5	71.4	70.9	70.1	71.3
Interest Rates Paid													
Current Conditions	48.5	52.0	50.0	51.1	48.6	45.8	45.9	43.6	44.2	44.2	45.5	44.4	44.7
Future Expectations	44.2	47.3	43.2	43.0	40.2	41.4	37.7	38.5	43.1	42.7	40.8	43.8	40.5
Effect of Rupee Exchange Rate													
Current Conditions	53.0	48.8	52.8	50.8	44.3	50.9	49.2	48.8	45.2	44.3	52.4	51.1	49.0
Future Expectations	56.8	56.5	54.7	52.8	52.2	54.1	51.4	51.1	48.3	48.8	55.0	51.3	50.5
Supplier Delivery Times													
Current Conditions	50.2	53.0	53.2	51.4	52.5	49.8	50.8	48.9	48.6	47.3	50.4	48.8	50.7
Future Expectations	54.3	54.3	55.1	51.9	51.8	52.9	50.0	49.6	49.0	49.6	51.9	49.4	53.6
Availability of Credit													
Current Conditions	64.6	58.3	59.5	58.1	60.3	56.9	56.8	59.9	57.7	58.3	58.0	58.4	60.3
Future Expectations	64.8	60.6	60.4	61.0	63.1	61.1	59.8	59.7	58.2	57.2	57.6	57.8	59.4

Historical Records

	2012 - Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	71.2	62.4	63.4
Future Expectations	49.7	82.4	71.7	74.0
Production				
Current Conditions	41.0	67.3	60.2	61.0
Future Expectations	41.3	77.3	67.9	69.8
New Orders				
Current Conditions	39.7	69.1	59.4	60.9
Future Expectations	40.4	78.6	68.6	69.7
Export Orders				
Current Conditions	41.3	67.4	58.0	58.3
Future Expectations	45.2	76.1	65.3	65.4
Productive Capacity				
Current Conditions	41.0	64.0	56.6	57.4
Future Expectations	40.7	71.4	64.3	66.3
Order Backlogs				
Current Conditions	35.6	59.3	48.8	48.8
Future Expectations	32.8	59.6	48.7	49.4
Employment				
Current Conditions	48.9	54.1	51.1	50.9
Future Expectations	49.5	57.5	52.6	52.3
Inventories				
Current Conditions	46.9	64.9	53.0	51.9
Future Expectations	31.0	59.5	50.1	50.7
Input Prices				
Current Conditions	51.4	79.6	63.0	62.2
Future Expectations	50.9	74.9	60.8	57.8
Prices Received				
Current Conditions	41.5	67.1	53.7	53.6
Future Expectations	45.1	73.7	56.3	55.9
Financial Position				
Current Conditions	53.4	72.3	64.9	66.4
Future Expectations	51.6	83.3	72.2	73.6
Interest Rates Paid				
Current Conditions	43.6	73.2	55.3	52.5
Future Expectations	37.7	71.7	51.3	48.9
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	49.9	49.2
Future Expectations	30.1	75.5	52.0	52.5
Supplier Delivery Times				
Current Conditions	47.3	59.6	52.5	52.8
Future Expectations	39.5	59.0	52.8	53.6
Availability of Credit				
Current Conditions	41.1	64.6	56.4	57.7
Future Expectations	40.9	67.8	58.9	59.5

Historical Records - Quarterly

	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Quarterly Change	Quarterly % Change
MNI India Business Indicator							
Current Conditions	69.9	69.0	64.5	64.4	63.0	-1.4	-2.2%
Future Expectations	80.4	78.9	75.4	73.5	73.1	-0.4	-0.5%
Production							
Current Conditions	63.4	66.1	60.9	60.4	59.0	-1.4	-2.3%
Future Expectations	74.7	74.8	71.4	67.2	66.7	-0.5	-0.7%
New Orders							
Current Conditions	64.3	63.9	60.0	60.1	60.5	0.4	0.7%
Future Expectations	75.9	73.4	71.1	69.4	67.7	-1.7	-2.4%
Export Orders							
Current Conditions	63.3	60.5	56.8	57.0	57.9	0.9	1.6%
Future Expectations	73.4	70.3	67.7	62.9	63.7	0.8	1.3%
Productive Capacity							
Current Conditions	61.2	59.9	55.6	57.1	57.1	0.0	0.0%
Future Expectations	70.5	68.4	66.6	65.0	64.1	-0.9	-1.4%
Order Backlogs							
Current Conditions	50.5	51.2	48.3	46.9	48.1	1.2	2.6%
Future Expectations	52.9	53.0	50.3	47.5	47.4	-0.1	-0.2%
Employment							
Current Conditions	50.2	50.1	50.5	50.9	50.9	0.0	0.0%
Future Expectations	52.6	52.5	51.7	53.2	52.3	-0.9	-1.7%
Inventories							
Current Conditions	54.1	50.5	47.5	50.3	52.5	2.2	4.4%
Future Expectations	51.2	51.5	47.7	48.3	50.8	2.5	5.2%
Input Prices							
Current Conditions	61.0	55.5	52.6	58.4	56.6	-1.8	-3.1%
Future Expectations	59.6	53.2	53.6	55.8	55.0	-0.8	-1.4%
Prices Received							
Current Conditions	55.3	52.7	50.8	51.6	49.6	-2.0	-3.9%
Future Expectations	57.9	55.0	53.2	55.1	51.2	-3.9	-7.1%
Financial Position							
Current Conditions	69.8	68.6	66.1	66.3	64.4	-1.9	-2.9%
Future Expectations	78.6	77.2	74.2	72.4	70.8	-1.6	-2.2%
Interest Rates Paid							
Current Conditions	50.4	51.0	46.8	44.0	44.9	0.9	2.0%
Future Expectations	46.5	44.5	39.8	41.4	41.7	0.3	0.7%
Effect of Rupee Exchange Rate							
Current Conditions	51.8	50.8	48.1	46.1	50.8	4.7	10.2%
Future Expectations	55.1	54.7	52.6	49.4	52.3	2.9	5.9%
Supplier Delivery Times							
Current Conditions	52.3	52.5	51.0	48.3	50.0	1.7	3.5%
Future Expectations	54.0	53.8	51.6	49.4	51.6	2.2	4.5%
Availability of Credit							
Current Conditions	62.8	58.6	58.0	58.6	58.9	0.3	0.5%
Future Expectations	65.0	60.7	61.3	58.4	58.3	-0.1	-0.2%

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