DEUTSCHE BÖRSE GROUP

MNI India Business Report
February 2016

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.

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

Release Time
Embargoed until 9:45 a.m. Mumbai time
February 25, 2016

MNI Indicators | Deutsche Börse Group
Westferry House
11 Westferry Circus
London
E14 4HE
Tel: +44 (0)20 7862 7400
Email: info@mni-indicators.com

www.mni-indicators.com
@MNIIndicators
MNI Indicators

MNI India Business Report - February 2016

Contents

Make in India: Part 2

The government recently organised a branding event to put "Make in India" in the limelight, although its success will eventually depend on how quickly the government can deliver on its promises to improve the business climate.

Prime Minister Narendra Modi launched his "Make in India" campaign in late 2014 with the objective of inviting businesses not only in India but across the world to invest and manufacture in India. The idea was to decrease India's dependence on the service sector and focus more on job creation through industrialisation. With the service sector mainly generating employment for the skilled workforce, low skilled workers have effectively been marginalised. The "Make in India" program aimed to create 100 million manufacturing jobs and increase its contribution to national output to 25% from the current 17%. The program not only excited local small and medium scale businesses who had long been overshadowed by the service sector firms but also put India in the global spotlight, in a bid to compete with "Make in China".

The "Make in India" programme has had some success since its inception, although has been losing impetus recently. To provide a refresh and remind investors about the program, a branding show was organised in the financial capital of India, Mumbai, attended by around 1000 CEOs and 4000 delegates. It is true that the investment commitments will take years to develop, but this refresher program reinstated the government's commitment towards economic development and job creation.

The success of the "Make in India" programme lies in India building capabilities to manufacture world-class products at competitive prices. It calls for product diversification to cater not only to foreign countries but also suit domestically, where the consumer market is large and diverse and underlying growth still attractive. However this requires efficient and modern infrastructure such as roads, ports and railways to move goods and raw materials.

Although the government has made progress at improving the business environment by faster implementation of decisions at the policy level, ensuring transparency and increasing the ease of doing business, many businesses feel efforts are slow. This has also been seen in the MNI Business Sentiment Survey where large and medium businesses listed on the BSE said that although the government is on the right track, efforts need to be accelerated.

To build confidence, Modi promised to redouble reform efforts to attract global manufacturers, improve the taxation treatment of foreign companies and ease the business climate at the event. To see whether these promises come to fruition, the corporate sector has its eyes set on the upcoming budget on February 29. Against a backdrop of waning confidence in the Prime Minister, Modi needs to deliver quickly if he wants to maintain his mojo.

Shaily Mittal
@ShailyMittal
Economist
MNI Indicators

Executive Summary

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose to 63.5 in February from 61.8 in January.

Indian business sentiment rose for the second consecutive month in February as companies increased production on the back of rising orders.

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose to 63.5 in February from 61.8 in January. The increase in sentiment was solely led by manufacturing firms where confidence was at a seven-month high. In contrast, sentiment among construction companies was at a neutral level and confidence among service companies eased slightly.

Although the indicator was 4.1% below the outturn of February 2015, sentiment surpassed the series average. Confidence has already increased in both January and February, having risen only four times last year, following rate cuts by the RBI. The survey shows that although monetary easing provided short-term boosts to business confidence, it failed to provide a sustained increase last year. It was encouraging to see a pick-up in sentiment in most key parameters of the survey this month as well, in spite of no change in the key policy rate at the last monetary policy meeting on February 2.

More companies reported a rise in new orders and export orders, encouraging them to increase production. The growth in demand also boosted the labour market, with firms increasing their workforce following almost two years of nearly stable employment levels.

Given stronger demand, firms were more confident in raising their selling prices. The Input Prices Indicator remained broadly stable while Prices Charged rose above the 50 level for the first time since July 2015. The majority of companies however continued to keep prices in check citing tough competition.

Firms' confidence in the current business environment also spilled into expectations for the next three months. In February, the Expectations Indicator rose to 73.8 from 71.6 in January, 2.6% above the series average. Firms were also more bullish about Production, New Orders, Employment and Availability of Credit over the coming quarter.

One of the negatives in this month's survey was the impact of the rupee on business operations. With the rupee down 2.3% against the US dollar in January, following a depreciation of over 5% in the previous year, companies lamented that the weakness in the rupee was offsetting benefits of a decline in global commodity prices, especially crude oil. The indicator measuring the Effect of the Rupee Exchange Rate fell further into contraction to 48.4 from 49.2 in January, the lowest since June 2015. Firms did not foresee change over the coming three months either, expecting the rupee to continue to hurt business operations.

Overview

	Dec-15	Jan-16	Feb-16	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	60.7	61.8	63.5	Jul-15	-	62.0	1.7	2.8%
Future Expectations	74.3	71.6	73.8	Dec-15	-	73.2	2.2	3.1%
Production								
Current Conditions	58.0	54.9	57.9	Dec-15	-	56.9	3.0	5.5%
Future Expectations	66.9	64.8	67.2	Oct-15	-	66.3	2.4	3.7%
New Orders								
Current Conditions	55.6	58.2	60.7	Aug-15	-	58.2	2.5	4.3%
Future Expectations	64.5	66.2	69.3	May-15	-	66.7	3.1	4.7%
Export Orders								
Current Conditions	59.2	54.6	56.9	Dec-15	-	56.9	2.3	4.2%
Future Expectations	64.7	65.2	65.5	Nov-15	-	65.1	0.3	0.5%
Productive Capacity								
Current Conditions	54.9	55.3	56.1	Nov-15	-	55.4	0.8	1.4%
Future Expectations	65.6	62.1	63.3	Dec-15	-	63.7	1.2	1.9%
Order Backlogs								
Current Conditions	49.3	47.6	47.7	Dec-15	-	48.2	0.1	0.2%
Future Expectations	49.1	49.5	47.4	-	Oct-15	48.7	-2.1	-4.2%
Employment								
Current Conditions	50.7	50.6	51.5	Jun-15	-	50.9	0.9	1.8%
Future Expectations	54.1	53.1	54.0	Dec-15	-	53.7	0.9	1.7%
Inventories								
Current Conditions	52.5	49.3	51.1	Dec-15	-	51.0	1.8	3.7%
Future Expectations	50.8	50.7	48.7	-	May-15	50.1	-2.0	-3.9%
Input Prices								
Current Conditions	51.1	53.3	53.0	-	Dec-15	52.5	-0.3	-0.6%
Future Expectations	52.5	52.6	54.7	Sep-15	-	53.3	2.1	4.0%
Prices Received								
Current Conditions	47.7	49.4	50.7	Jul-15	-	49.3	1.3	2.6%
Future Expectations	52.2	51.6	51.8	Dec-15	-	51.9	0.2	0.4%
Financial Position								
Current Conditions	61.5	62.9	65.1	Nov-15	-	63.2	2.2	3.5%
Future Expectations	71.4	71.3	72.3	May-15	-	71.7	1.0	1.4%
Interest Rates Paid								
Current Conditions	40.1	41.5	46.5	Jan-15	-	42.7	5.0	12.0%
Future Expectations	40.6	41.9	43.8	Aug-15	-	42.1	1.9	4.5%
Effect of Rupee Exchange Rate								
Current Conditions	49.3	49.2	48.4	-	Jun-15	49.0	-0.8	-1.6%
Future Expectations	50.5	49.7	49.6	-	Jun-15	49.9	-0.1	-0.2%
Supplier Delivery Times								
Current Conditions	49.5	50.0	50.4	Sep-15	-	50.0	0.4	0.8%
Future Expectations	49.8	49.3	49.6	Dec-15	-	49.6	0.3	0.6%
Availability of Credit								
Current Conditions	57.6	56.3	60.6	Oct-15	-	58.2	4.3	7.6%
Future Expectations	59.5	58.1	59.0	Dec-15	-	58.9	0.9	1.5%

India’s economy grew by 7.3% on the year in the October-December quarter, down from 7.7%...

...in the previous quarter, although higher than the 6.6% growth recorded in the October-December quarter last year.

Economic Landscape

Even though the Indian economy grew by 7.3% in Q3, making it the fastest growing large economy in the world, the strength raises questions about the validity of the new GDP series.

Even though the Indian economy grew by 7.3% in Q3, making it the fastest growing large economy in the world, the strength raises questions about the validity of the new GDP series. The previous two quarters saw inexplicably large revisions to GDP, with growth revised up from 7% to 7.6% in Q1 and from 7.4% to 7.7% in Q2. The revisions appear dubious because they are largely driven by large increases to net indirect taxes growth, rather than to gross-value added (GVA), which appears more reliable and was only marked up by 10 bps for each quarter.

Other monthly economic data have struck a much more downbeat tone. Industrial production contracted for the second month in a row, accentuated by floods in Chennai, which is an important industrial centre in India. Demand for goods abroad also failed to show any improvement on account of weak demand in major markets including the Euro zone and China. Non-oil, non-gold imports also contracted significantly, raising doubts about pace of growth of domestic demand. Consumer price inflation rose to 5.7% in January, the highest since August 2014 although it was below the RBI's forecast of 5.8%. The continued decline in global crude oil prices and slight easing in food prices has kept CPI inflation in check. Given subdued commodity prices and still weak demand, we see scope for one more rate cut in 2016, with the possibility that this could come before the next monetary policy meeting on April 5 if the government steers towards structural reforms and sticks to its path of fiscal consolidation as insisted by the RBI. However, this may be the only rate cut in 2016 given the very tough inflation target of 4% in two years' time.

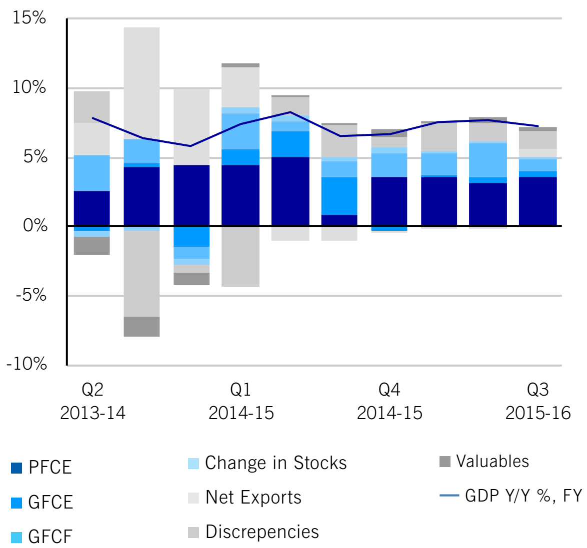
Growth in GDP eases in Q3

Latest GDP data showed that India's economy grew by 7.3% on the year in the October-December quarter, down from 7.7% in the previous quarter (revised up from 7.4% previously), although higher than the 6.6% growth recorded in the October-December quarter last year.

Growth of GVA at basic prices eased to 7.1% on the year in Q3FY16 from 7.5% in Q2 (revised up from 7.4%), although was up from 6.7% in Q3FY15. The slowdown in GVA growth was primarily led by agriculture production which has suffered due to two consecutive monsoon failures. The contribution of agriculture turned negative for the first time in three quarters. However, growth of the services sector remained steady at 9.4% with financial, real estate and professional services growing at 9.9% and public administration, defence and other services rising by 7.5% versus 7.1% in the previous quarter. Industrial growth rose to a robust 9% in Q3FY16 from the revised 6.4% in Q2FY16, led by double-digit growth in manufacturing. Manufacturing growth rose to a seven-quarter high of 12.6% in Q3FY16 from 9% in Q2FY16, belying the trends shown by the Index of Industrial Production for October-November 2015, averaging only 3.1% growth in that quarter. Moreover, construction growth improved to 4% in Q3FY16 from a low 1.2% in Q2FY16, in line with the five-quarter high growth of cement output and rise in execution of road sector projects.

On an expenditure basis, GDP growth in the October-December quarter was led by a 6.4% year-on-year increase in private final consumption expenditure (PFCE). Growth of PFCE has improved from 5.6% in Q2, supported by the decline in fuel prices and sub-5% urban CPI inflation. Personal consumption added 3.6 percentage points to growth, having contributed 3.1 percentage points in the previous quarter and 0.9

Contribution to GDP Growth



Source: Central Statistics Office

percentage point in the same quarter a year ago. Despite the robust expansion in the Union Government's capital expenditure, the growth of GFCF eased to 2.8% from 7.6% in Q2, highlighting the muted trend in private sector investments. It contributed 0.9 percentage point, down from 2.4 percentage points in the previous quarter and 1.2 percentage points in the same quarter a year ago. Net exports which had been a drag on growth for the previous two quarters, contributed positively. Although the pace of contraction of imports and exports accelerated, the fall in imports outweighed the decline in exports in Q3 (-10.8% and -9.4%, respectively) compared with the previous quarter (-3.4% and -4.3%, respectively).

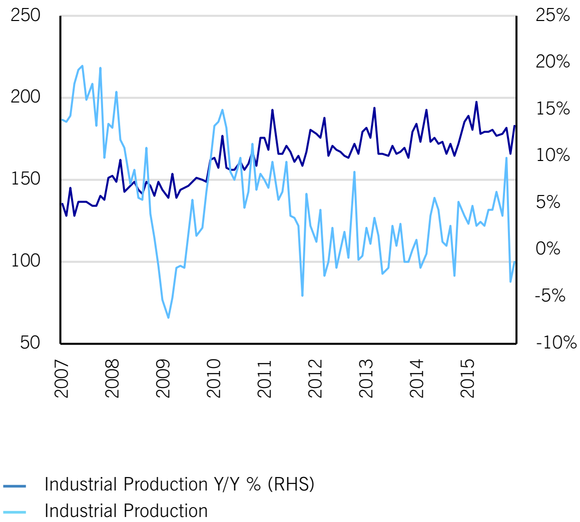
GDP and GVA growth for the first two quarters of this fiscal have been revised upwards. GDP growth for Q1FY16 (to 7.6% from 7%) and Q2FY16 (to 7.7% from 7.4%) has undergone considerable revisions, whereas the extent of uptick in GVA growth has been relatively modest for both Q1FY16 (to 7.2% from 7.1%) and Q2FY16 (to 7.5% from 7.4%). The revisions appear dubious because they are largely driven by large increases to net indirect taxes growth, rather than to gross-value added (GVA), which appears more reliable and was only marked up by 10 bps for each quarter.

Going forward, we expect urban demand to stay upbeat, however rural demand is likely to remain sluggish due to the unfavourable trends for the rabi (winter) crop. Weak global growth and a strong rupee on an REER basis would continue to curtail exports. Government spending will play a critical role in terms of infrastructure investment and easing rules for foreign direct investment.

Output contracts for the second month in a row

Industrial production contracted 1.3% on the year in December following a contraction of 3.4% in the previous month (revised down from -3.2% previously). This is the second month of contraction, accentuated by floods in Chennai, which is an important industrial centre. Much of the decline was due by a large base effect, with production actually rising 10.3% on the month, the fastest pace of growth since March 2014. In 2015, industrial production expanded by 3.2% over the previous year, nearly double the rate of growth seen in 2014.

Industrial Production



Source: Central Statistics Office

The easing in the pace of contraction was broad-based. The manufacturing sector, which forms three quarters of industrial production, contracted 2.4% on the year compared with a 4.7% contraction in the previous month. Having risen by double-digits on the month, growth for the whole year averaged 3.3%, the highest growth rate in four years, providing impetus to the "Make in India" program. Electricity production grew by 3.2% on the year while mining grew by 2.9% on the year, faster than the previous month.

According to use-based classification, basic goods production grew 0.5% on the year in December following a 0.7% contraction in November, while production of consumer goods grew 2.8% on the year from 1% in November, in spite of adverse base effects. On a three month-on-month basis, output was up 4.5%, the highest rate of growth since February. Output of consumer durables led the way while non-durables continued to contract, albeit at a slower pace. On the investment side, capital goods production contracted 19.7% on the year in December from a 24.5% decline in November, slowing down the momentum seen earlier in the year. On a three month-on-month basis, growth remained significantly negative. Even though production has slowed recently, 2015 saw an average growth of 3.8%, the highest since 2010.

The December data has put the Q3 average at 1.7%, significantly lower than 4.8% growth recorded in the previous quarter and also below 2% growth witnessed in the same period last year. In contrast, the latest GDP figures showed that industry on a whole grew by 9% year-on-year in the quarter ending December, of which the manufacturing sector rose a hefty 12.6%, widening the mismatch between monthly indicators and the quarterly GDP figures.

The more frequently updated data for the core sector, which is comprised of eight industries and forms 38% of industrial production, rose 0.9% on the year in December after contracting 1.3% in November. During the April-December period of the current fiscal year, infrastructure output has slowed to 1.9% on the year from 5.7% growth in the corresponding period last year. This month again, production of fertiliser was the front-runner, growing by 13% on the year, although it was the slowest growth in four months. Steel, crude oil and natural gas production continued to contract.

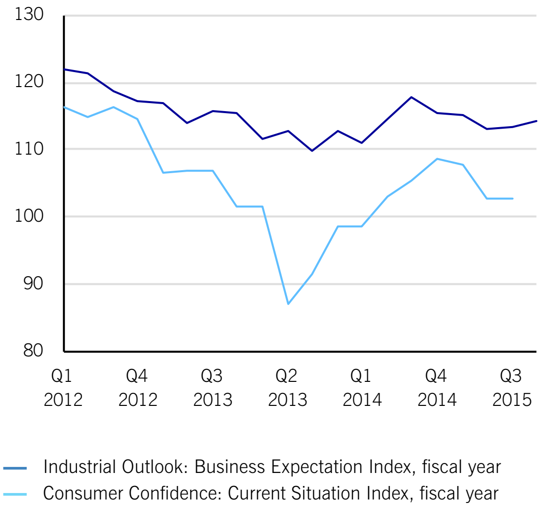
RBI Consumer Confidence unchanged in December

The RBI's Consumer Confidence survey showed that the Current Situation Index (CSI), an assessment of consumer sentiment, remained flat in the quarter ending December 2015 at 102.9. This was below the 105.5 value recorded in December 2014.

Current economic conditions compared with one year ago improved following a decline in the previous two quarters. Positive perceptions of future economic conditions also rose to the highest since June 2015.

Respondents were less worried about employment conditions compared with the previous quarter, although they had very mixed views. An equal proportion reported that employment conditions improved as those who thought they remained the same, outnumbering those who thought they had worsened by a small margin. More respondents expected an improvement in the employment situation one year ahead. Sentiment towards current income fell to the lowest level in the survey's history although more respondents expected it to improve in the year ahead.

RBI Business and Consumer Sentiment



Source: Reserve Bank of India

Respondents' expectations about future economic conditions rose marginally, with the Future Expectations Index, which measures the year-ahead outlook, rising to 120.0 from 119.2 in the previous quarter.

More up-to-date monthly data from the MNI India Consumer Sentiment Survey has shown confidence falling to a record low level among households in 2015. The MNI India Consumer Sentiment Indicator rose slightly at the start of the New Year to 109.8 from 108.5 in December as consumers showed greater willingness to purchase large household items and had higher expectations for long-term business expectations. This was despite consumer confidence in household finances plummeting to a record low level and more dissatisfaction with the current level of prices.

RBI Industrial Outlook rises slightly in March

The RBI's Industrial Outlook Survey showed that the Business Expectation Index (BEI), a gauge of manufacturing business sentiment, rose slightly to 114.2 in the quarter ending March compared with 113.4 in the quarter ending December and was below the outturn of 115.6 recorded in the March quarter a year earlier. Companies expected higher orders and production in the quarter ending March. There was also higher optimism towards the availability of finance and selling prices.

There was a moderate increase in sentiment among manufacturing companies during the October-December quarter, with sentiment rising to 103.6 from 102.4 in the previous quarter. The rise in sentiment for the assessment quarter was mainly led by higher confidence in production, capacity utilisation, availability of finance coupled with a fall in cost of raw materials. However, most other parameters such as order books, employment and financial situation remained broadly stable.

More up-to-date monthly data from the MNI India Business Sentiment Survey shows that business confidence has eased significantly in 2015. In the quarter ending December, the MNI India Business Sentiment Indicator fell to the lowest since the quarter ending December 2013, averaging 61.3. In 2016, though, business sentiment has risen to 63.5 in February, the highest since July 2015. Companies were also more optimistic about the next three months with the Expectations Indicator rising to 73.8 as companies were more bullish about Production, Orders and Employment over the coming quarter.

Inflation Remains below the RBI Inflation Target

Consumer price inflation rose to 5.7% in January from 5.6% in December, the highest since August 2014. Although prices were slightly above the December level, they were below the RBI's inflation target of 6%. The continued decline in global crude oil prices and slight easing in food prices has also helped CPI inflation to undershoot the RBI's forecast of 5.8%.

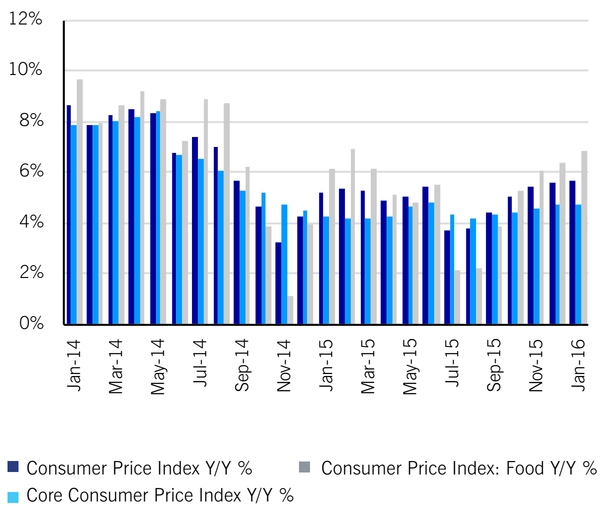
Food price inflation, which makes up 47.25% of the CPI basket perked up to an 11-month high of 6.9% on the year in January from 6.4% in December, led by several items including milk, meat & fish, egg and sugar. Food prices actually declined between December and January, but the decline was much less than the typical seasonal decline when the harvest comes to market. While prices of vegetables were up 6.4% on the year, they were 3.5% below the previous month's level. Inflation in pulses which has been burning a hole in Indian households' pockets eased to 43.3% in January, contracting on the month for the first time since March 2013. Fuel inflation eased to 5.3% in January from 5.4% in December. Although it has been rising for the past three months on a three month on three month basis, with global commodity prices declining further, we expect fuel price inflation to remain muted. After stripping out the more volatile components (food and beverages and fuel and light), core inflation remained stable at 4.7%.

Rural CPI inflation quickened to 6.5% in January from 6.3% in December, led by a pick-up in food inflation to 6.9% from 6.4% in December. Urban CPI inflation rose slightly to 4.8% in January from 4.7% in the previous month, with food inflation rising to 6.5% from 6.3% in December.

Going forward, the RBI expects inflation to stand at around 5% by the end of 2016-17 under the assumption of a normal monsoon after two years of deficient rains and subdued crude oil prices. However, the implementation of the seventh Central Pay Commission (not yet accounted for in their forecast), which will raise salaries of Central government employees and pensioners by almost 25%, will add uncertainty and may lead to adjustments in its forecast, as will any surprises in commodity prices.

The previously targeted measure of inflation, based on the Wholesale Price Index, contracted for the 15th consecutive month in January, falling an annual 0.9% after a smaller 0.7% decline in December. The pace of

Consumer Price Inflation



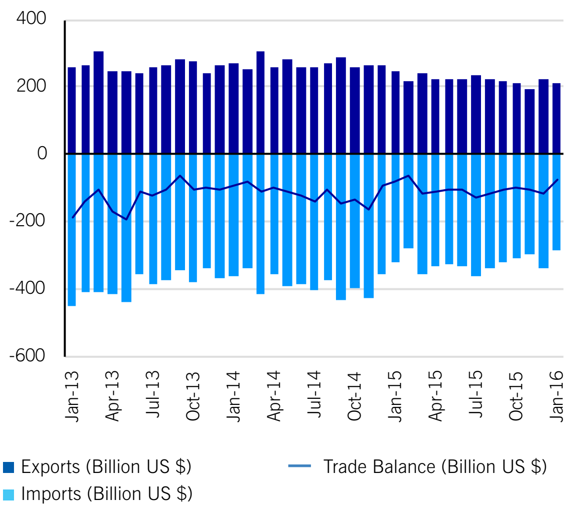
Source: Central Statistics Office

decline, which had eased during the last four months, intensified again led by a decline in food and fuel price inflation. Food inflation was up 6% on the year, but contracted on the month for the first time in six months. Fuel and power prices, were down on the year, and declined at a faster rate compared with the previous month as crude oil price plummeted globally. Manufacturing pricing power rose slightly for the first time in four months, although it remains weak overall.

Repo rate unchanged at 6.75% in February

In line with our expectations, the Reserve Bank of India kept the key policy repo rate unchanged at 6.75% at the sixth bi-monthly monetary policy meeting on February 2. However, it clearly hinted that if the government steers towards structural reforms and sticks to its path of fiscal consolidation, it will cut interest rates to support growth.

Trade Balance



Source: Ministry of Commerce and Industry

The RBI was optimistic about growth prospects of India while noting that other emerging markets were under pressure amid a climate of uncertainty. India was at a sweet spot because of disinflation, a modest current account deficit and consolidation of the fiscal deficit. Under this scenario, the RBI strongly urged the government to stick to its path of fiscal consolidation for sustainable growth and cement faith of investors in the government. The RBI put emphasis on structural reforms for boosting growth at the upcoming union budget. It noted that this was contingent, though, on a pick-up in private investment as the climate for business improves and fiscal policy continues to consolidate.

The continued decline in global crude oil prices and slight easing in food prices has also helped CPI inflation to undershoot the RBI's forecast of 5.8%. Going forward, it expects inflation to be around 5% by the end of 2016-17 under the assumption of a normal monsoon after two years of deficient rains and subdued crude oil prices. However, the RBI said that the implementation of the seventh Central Pay Commission (not yet accounted for in their forecast), which will raise salaries of Central government employees and pensioners by almost 25%, and any surprises on commodity prices, will add uncertainty and may lead to adjustments in its forecast. On top of this, a very tight inflation target of 4% in two years' time will limit space for the RBI to cut interest rates generously in comparison with cuts of 125 basis points in total in 2015.

In our view, the onus is now on the fiscal authority to create a platform for the RBI to cut interest rates. If the government sticks to its commitment to control the fiscal deficit and is successful in passing key structural reforms, there is scope for one more rate cut in 2016 and this could come before the next monetary policy meeting on April 5. However, the RBI has limited room to ease further given the tough inflation target of 4% over the medium-term.

Trade Deficit lowest Since September 2013

India's trade deficit fell in January to $7.6 billion from $11.7 billion in December and was 3% below the $7.9 billion shortfall recorded in January last year.

Exports contracted 13.6% on the year, the 14th consecutive fall, to $21.1 billion in January. Looking at the three-month year-on-year measure for exports, the slowdown in exports has eased. Still, the decline is significant, especially when seen in the light of the low base of last year. Imports were down 11% on the year and were also 15.4% below last month's level, making it the sharpest fall in more than a year. Gold imports grew by 85.2% in January after rising 179% in the previous month, however were down 23.5% since last month. Still, gold imports were substantial, partly on account of the lower base of last year coupled with the ongoing marriage season. Disappointingly, non-oil, non-gold imports, which reflect domestic demand, contracted again after its first rise in three months in December.

As per the provisional aggregate monthly data on India's international trade in services released by the RBI, receipts from India's service exports rose to $14 billion from $12 billion in November. Payments for India's service imports also rose 26.4% on the month to $7.2 billion in December following a record low level in the previous month.

Overall, the trade data suggest exports remain under pressure owing to weak demand in key markets such as Europe and China. A significant reduction in crude oil prices and still subdued non-oil, non-gold imports will keep India's overall import bill under control. 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.

Tax collections help keep fiscal deficit target in check

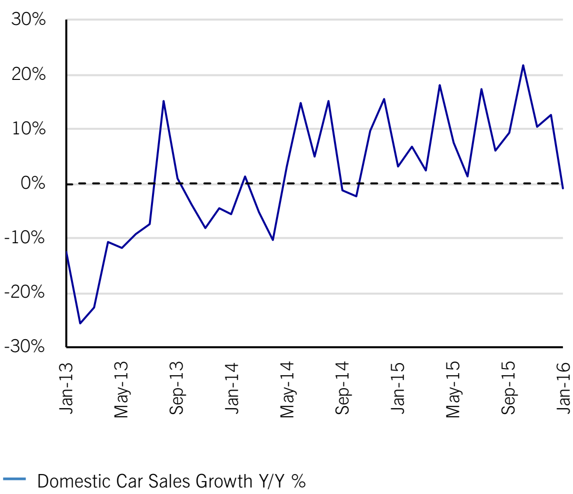
The fiscal deficit in the first nine months of 2015-16, was Rs. 4.9 trillion or 88% of the estimated budget for the whole financial year. This is lower than the deficit of 100.2% during the same period a year ago.

The total expenditure of the government in the first nine months was Rs. 13.1 trillion or 74% of the entire year estimate. Of the total outflows, planned expenditure was 74.4% of the budget estimate, consistent with the government's emphasis on infrastructure development. Planned spending was around 61.3% 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. The government, however, has managed to keep non-plan spending in check. Non-Plan expenditure in April-December 2015 was Rs. 9.7 trillion, or 73.8% of the whole-year estimate. Total receipts were Rs. 8.3 trillion, 67.6% 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. Despite this, the Finance Ministry has repeatedly said that it will stick to the deficit target with a decline in oil prices providing a helping hand in controlling its expenditure. The RBI Governor has urged the government to stick to the path of fiscal consolidation even going forward and steer towards structural reforms to cement faith in the government among investors.

The government has recently announced a series of measures to raise revenue and cut subsidies to keep the deficit in check. A levy of a 0.5% Swachh Bharat Cess is now applicable on all taxable services for funding of the cleanliness drive, a pet project of Prime

Car Sales



Source: Society of Indian Automobile Manufacturers

Minister Narendra Modi. 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.

Car sales decline in January

Car sales in India fell 0.7% on the year in January, from 12.9% growth in December. On a month-on-month basis as well, sales were down for the third consecutive month. Note that sales have declined for the first time since October 2014. Nevertheless over the past year sales have grown by 9.6%, a hefty improvement from 2.7% growth in 2014 and a fall of 9.9% in 2013.

Sales of commercial vehicles grew by 17.5% on the year in January, up from 11.5% in December. On a three month year-on-year basis, sales have been growing by double-digits over the past four months and have also showed growth on a three month month-on-month basis, suggesting that the pace of growth in the industrial sector may accelerate.

Sales of two-wheelers grew 2.6% on the year in January and were up 16.7% on the month. This was led by growth in the sales of both motorcycles and scooters. Sales of scooters grew by 7.9% on the year. Sales of motorcycles were up by double-digits on a monthly basis for the first time in three months. With the rural sector stressed from two consecutive droughts and unseasonal rainfalls, demand for two-wheelers plummeted in 2015 but looks like the worst may be over. Sales of scooters more than halved in 2015 compared with the previous year while that for motorcycles was hit even more, with demand contracting on a year-on-year basis.

Key Monthly Economic Data

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Consumer Price Index (Y/Y %)	3.7	4.4	5.0	5.4	5.6	5.7	-
Wholesale Price Index (Y/Y %)	-5.1	-4.6	-3.7	-2.0	-0.7	-0.9	-
Industrial Production (Y/Y %)	6.3	3.7	9.9	-3.4	-1.3	-	-
Car Sales (Y/Y %)	6.1	9.5	21.8	10.4	12.9	-0.7	-
Trade Balance (Billion US $)	-11.4	-10.7	-9.6	-10.5	-11.7	-7.6	-
Exports (Billion US $)	22.3	21.5	21.4	19.3	22.3	21.1	-
Imports (Billion US $)	33.7	32.2	30.9	29.7	34.0	28.7	-
MNI India Business Sentiment Indicator	62.3	61.4	62.3	60.9	60.7	61.8	63.5
MNI India Consumer Sentiment Indicator	119.1	115.3	114.1	113.7	108.5	109.8	-

The rise in sentiment was solely led by manufacturing firms.

In contrast, sentiment among construction companies was at neutral level and confidence among service companies eased slightly.

Indicators

Indian business sentiment rose for the second consecutive month in February as companies increased production on the back of rising orders.

MNI India Business Indicator
Highest Since July 2015

Indian business sentiment rose for the second consecutive month in February as companies increased production on the back of rising orders.

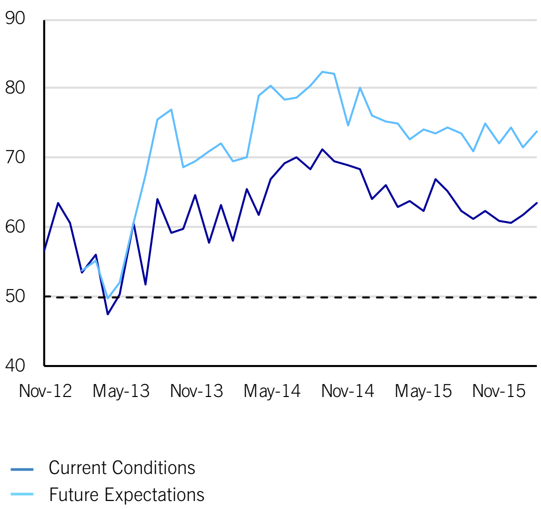
The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose to 63.5 in February from 61.8 in January. The increase in sentiment was solely led by manufacturing firms where confidence was at a seven-month high. In contrast, sentiment among construction companies was at neutral level and confidence among service companies eased slightly.

Although the indicator was 4.1% below the outturn of February 2015, sentiment surpassed the series average. Confidence has increased in both January and February, having risen only four times last year, following rate cuts by the RBI . The survey shows that although monetary easing provided short-term boosts to business confidence, it failed to provide a sustained increase last year. While we had thought business sentiment could ease on the grounds of no change at the monetary policy meeting on February 2, it was encouraging to see a pick-up in sentiment, as well as most key parameters of the survey, in spite of no change in the key policy rate.

More companies reported a rise in new orders and export orders, encouraging them to increase production. The growth in demand also boosted the labour market, with firms increasing their workforce following almost two years of nearly stable employment levels.

Companies were also more confident in raising prices for their services given stronger demand. The Input Prices Indicator remained broadly stable while Prices Charged rose above the 50 level for the first time since July 2015. The majority of companies however

MNI India Business Sentiment Indicator



"There is growth in volume of business." **Auto parts manufacturing company**

"There is low demand in the market." **Oil Exploration and Production Company**

"New product range has been introduced in the market and hence turnover has gone up." **Containers and packaging manufacturing company**

"Market is improving." **Speciality Finance Services Company**

"Copper prices are going down so there is a low margin and adverse sales." **Industrial machinery services company**

MNI India Business Indicator

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Current Conditions	66.2	61.4	62.3	60.9	60.7	61.8	63.5

continued to keep prices in check citing tough competition.

One of the negatives in this month's survey was the impact of the rupee on business operations. With the rupee down 2.3% against the US dollar in January following a depreciation of over 5% in the previous year, companies lamented that the weakness in the rupee was offsetting benefits of a decline in global commodity prices, especially crude oil. Firms did not foresee change over the coming three months either, expecting the rupee to continue to hurt business operations.

Firms' confidence in the current business environment also spilled into expectations for the next three months. In February, the Expectations Indicator rose to 73.8 from 71.6 in January, 2.6% above the series average. Firms were also more bullish about Production, New Orders, Employment and Availability of Credit over the coming quarter.

In February, 13 out of the 15 current conditions indicators included in the survey increased and 12 were above the 50 level that separates expansion from contraction. 12 future expectations indicators rose and five were in contraction.

Sectors - Overall Business Conditions

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

"There is good demand for paper products." **Paper manufacturing company**

"The automobile market is improving." **Auto parts manufacturing company**

"Our company is doing much better than before." **Pharmaceuticals manufacturing company**

"There is a slight revival in rural areas." **Personal products manufacturing company**

"Floods have brought down overall business conditions." **Home construction manufacturing company**

MNI India Business Indicator

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Future Expectations	75.3	71.1	75.1	72.2	74.3	71.6	73.8

Orders
Highest Since August 2015

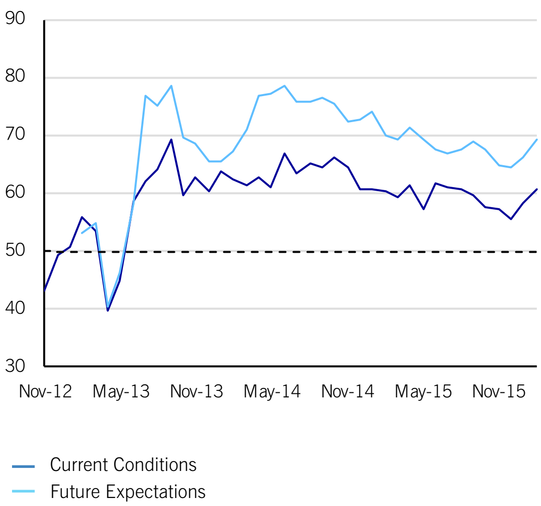
There was some respite for companies who have faced feeble demand pressures over the past year, as evidenced by the second consecutive rise in the New Orders Indicator in February. Moreover, export-oriented firms shared the same view, with more firms reporting increased foreign demand.

The New Orders Indicator rose to 60.7 in February from 58.2 in January, the highest level since August last year. This was the second consecutive rise in seven months and if this is sustained, it could signal that the trough in demand has been reached. Our survey shows that although the business environment is better than in 2013, there has been a trend decline in demand throughout last year with the festival period also proving to be a non-event for businesses in spite of low inflation and lower interest rates.

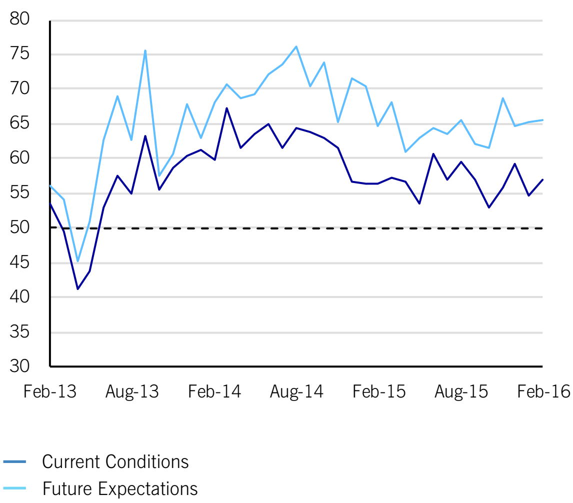
The New Orders Indicator, which was about the same level as in February 2015 but above the series average, has a good correlation with official data on domestic cargo handled at Indian airports which serves as a proxy for demand for goods. Latest data showed that cargo handled rose 7.4% in the three months to December 2015 compared with a year earlier. Although this is a long way off the average growth rate of 15% in recent years, reaffirming the lull depicted by our data in 2015, the pace of growth has picked up appreciably, suggesting the worst may be over.

More robust current conditions also led companies to revise up their short-term outlook, with the Expectations Indicator rising to 69.3 from 66.2 in the previous month, the highest since May 2015.

New Orders



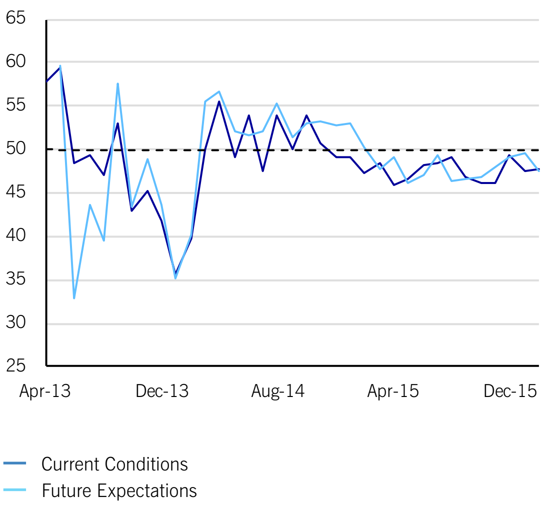
Export Orders



Orders - Current Conditions

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
New Orders	60.2	59.7	57.5	57.4	55.6	58.2	60.7
Export Orders	56.5	57.1	53.0	55.8	59.2	54.6	56.9
Order Backlogs	47.3	46.9	46.2	46.1	49.3	47.6	47.7

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

"We are entering new markets and regions." **Pharmaceuticals manufacturing company**

"There is better demand from the overseas market." **Farming, fishing and Plantation Company**

"Due to the wedding season and some government conferences, demand is higher." **A Hotels group**

Foreign demand for Indian goods and services picked up in February after easing in January. The Export Orders Indicator rose by 4.2% to 56.9 in February from 54.6 in January. While the indicator has been a bit choppy over the past few months, expectations for future foreign demand have held up. Companies remained fairly optimistic about export demand over the coming months, with the Expectations Indicator at 65.5 compared with 65.2 in January.

Weak orders over the past year have meant that pressure on companies' order books has been limited. Even with demand now picking up, order backlogs remain low. Order Backlogs stood at 47.7, the 15th month in contraction. The last time companies reported higher backlogs, as represented by an indicator value above 50, was in November 2014. The ability to fulfil orders so quickly reflects both less than optimal demand and excess capacity among firms.

Orders - Future Expectations

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
New Orders	69.9	68.9	67.6	64.8	64.5	66.2	69.3
Export Orders	64.6	62.2	61.5	68.8	64.7	65.2	65.5
Order Backlogs	50.2	46.6	46.9	48.0	49.1	49.5	47.4

Output and Employment
Employment Highest Since June 2015

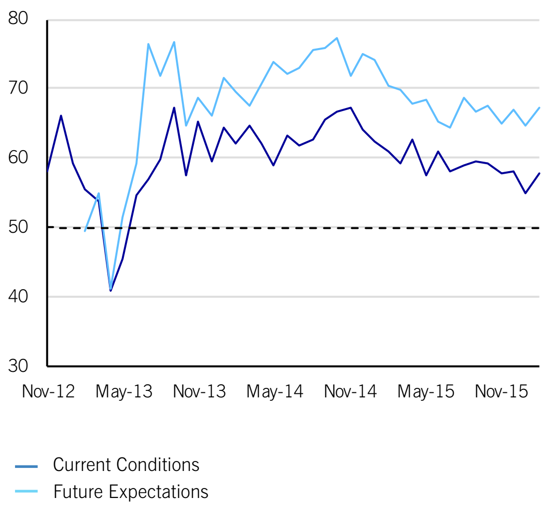
Firms stepped up production, productive capacity and the size of their workforce as an increase in new business from domestic and overseas markets lifted prospects.

The Production Indicator rose to 57.9 in February from 54.9 in January. Sector data indicates that the rate of growth of production rose only among manufacturing sector firms while in contrast construction companies cut back production for the first time in the history of the survey, with the indicator falling below the 50 level. Service sector companies reported lower growth in output this month after scaling up in January. Even though production is still relatively weak in comparison with the long-run series averages, the rise in production alongside higher orders offers a brighter picture for the business environment.

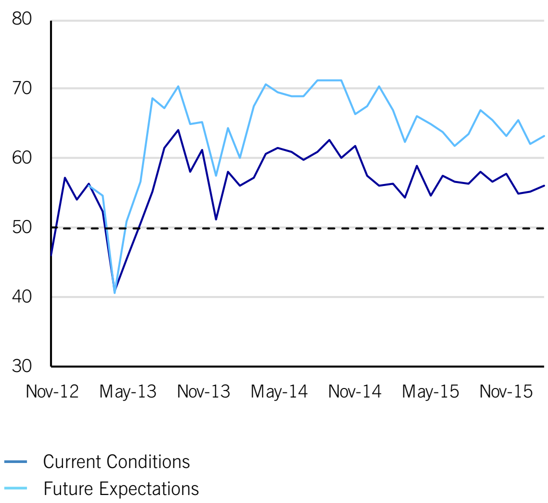
Companies were also more optimistic about production in the next three months, with the Expectations Indicator increasing to 67.2 in February from 64.8 in January, the highest since October 2015.

Higher workload encouraged companies to hire additional staff in February. However, companies who stepped up the rate of job creation were in a minority with over 90% of firms reporting unchanged workforce numbers. The Employment Indicator rose to 51.5 in February from 50.6 in January, the highest since June 2015. Companies were also more optimistic towards future hiring, with the indicator rising to 54.0 from 53.1 in the previous month. Companies in the service and construction industries were more confident about hiring in the next three months, while

Production



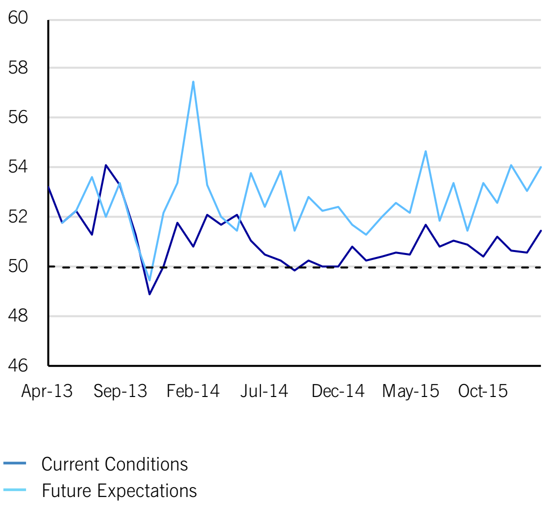
Productive Capacity



Output and Employment - Current Conditions

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Production	61.0	59.7	59.4	57.8	58.0	54.9	57.9
Productive Capacity	56.3	58.1	56.8	57.9	54.9	55.3	56.1
Employment	50.3	50.9	50.4	51.2	50.7	50.6	51.5

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 is up as we have good number of orders in hand and we have to complete them in time." **Clothing and accessories manufacturing company**

"A new division has started so need more employees." **Pharmaceutical manufacturing company**

"Production is increased as we are getting new export orders." **Textile processing company**

"Production is higher because we have adequate raw materials and have abundant local orders as well." **Clothing and accessories manufacturing company**

sentiment among manufacturing sector firms remained broadly stable.

Companies also reported that they had increased their productive capacity, as evidenced by a rise in the indicator to 56.1 from 55.3 in January. The rise in the indicator covered the losses of the previous two months when firms started to pare back their productive capacity due to non-realisation of orders during the festival period. Companies' expectations for the future have followed a trend similar to that of their current productive capacity but have remained higher in level terms.

Output and Employment - Future Expectations

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Production	70.3	66.8	67.7	65.1	66.9	64.8	67.2
Productive Capacity	67.0	67.0	65.6	63.3	65.6	62.1	63.3
Employment	51.3	51.5	53.4	52.6	54.1	53.1	54.0

Prices
Exchange Rate Hurts Firms

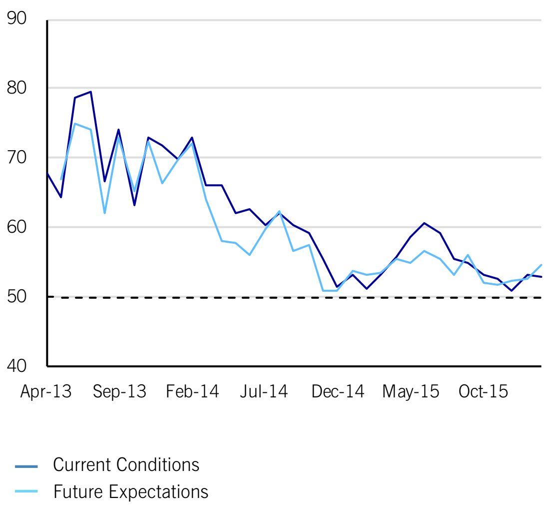
The impact of a decline in global commodity prices, especially crude oil, on input prices was partly offset by the weakness in the rupee which hurt businesses in February.

The Input Prices Indicator stood at 53.0 in February compared with 53.3 in January. With the indicator above the 50 level, more firms reported that they paid higher prices for inputs than those who paid lower. While the decline in global commodity prices has eased pressure on costs, the rupee's depreciation against the US dollar has worked as an opposing force. The Input Prices Indicator was 3.1% above last February's level, although 3.6% below last year's average. Following a steady decline in input prices in the second half of last year, prices seem to have stabilised at a low level, led by a decline in global commodity prices.

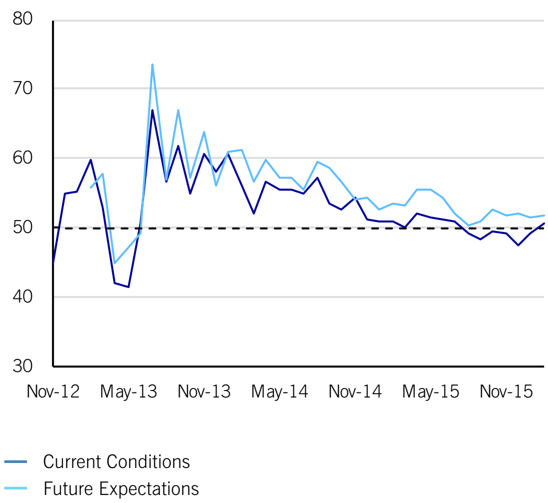
More companies anticipated that input prices would rise in the coming three months, evidenced by a 4% rise in the Future Expectations Indicator. The indicator increased to 54.7 from 52.6 in January. While this was 8.3% below the series average, it was slightly above last year's average. The gradual rise in price expectations will add to the RBI's worries about meeting the inflation target of 5% in 2017.

While official data shows that retail inflation is on the rise, with CPI increasing to 5.7% on the year in January from 5.6% in December, it has been predominantly driven by higher food prices. Meanwhile fuel inflation eased to 5.3% on the year in January from 5.4% in December. With global commodity prices declining further, we expect fuel price inflation to remain muted.

Input Prices



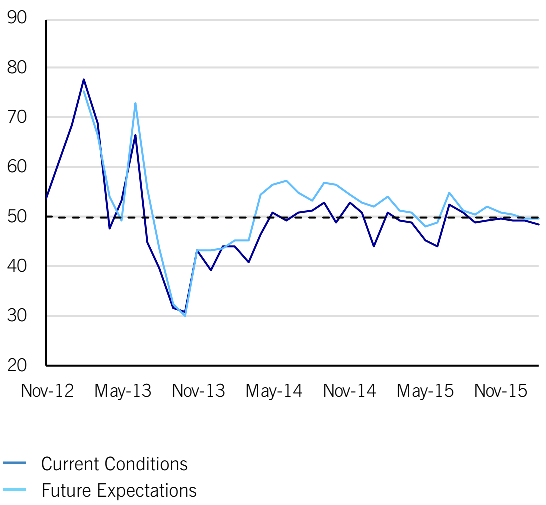
Prices Received



Prices - Current Conditions

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Input Prices	51.4	54.9	53.2	52.6	51.1	53.3	53.0
Prices Received	51.1	48.3	49.7	49.3	47.7	49.4	50.7
Exchange Rate	50.9	49.0	49.3	49.6	49.3	49.2	48.4

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

As companies have benefitted from lower oil and other commodity prices, they have been charging lower final prices for their goods and services, with the indicator below the 50 mark for six months in a row in January. With demand picking up, a rising proportion of companies -mostly in the service sector- raised their selling prices to increase their margins. However, the majority kept prices in check citing tough competition. The Prices Received Indicator rose above the 50 level for the first time since July 2015, to 50.7 in February from 49.4 in the previous month.

According to our panel, the weakness of the rupee continued to have an unfavourable impact on business operations. The rupee fell 2.3% against the US dollar in January following a depreciation of over 5% in the previous year. The indicator measuring the Effect of the Rupee Exchange Rate fell further in contraction to 48.4 from 49.2 in January, the lowest since June 2015. 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.

Our panel, especially firms in the manufacturing sector anticipated that the exchange rate would be less favourable to their operations in the coming three months. The Expectations Indicator remained in contraction for the second consecutive month.

Prices - Future Expectations

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Input Prices	53.4	56.1	52.1	51.8	52.5	52.6	54.7
Prices Received	53.6	51.1	52.8	51.9	52.2	51.6	51.8
Exchange Rate	54.1	50.5	52.2	51.1	50.5	49.7	49.6

Money and Credit
More Robust Financial Position

More companies reported improvement in their financial position due to better sales in a weak inflation and low interest rate environment.

The Financial Position Indicator rose to 65.1 in February from 62.9 in the previous month. More companies in the construction and manufacturing sector reported an improvement in their financial situation, while service sector companies were less optimistic following a rise in the previous month.

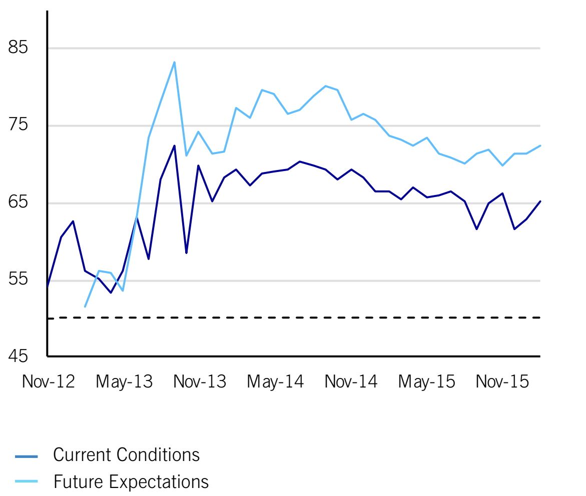
Companies' expectations for their future finances have followed a trend similar to that of their current financial position but have remained higher in level terms. In February, the Expectations Indicator rose 1.4% to 72.3 from 71.3 in the previous month.

Some companies attributed their stronger financial position to low interest rates over the past few months. The Interest Rates Paid indicator remained in contraction for the 14th consecutive month. In the past year, the key policy rate was cut by a total of 125 basis points, and over that period an increasing number of firms on our panel have reported lower interest rate costs. In February, though, the indicator rose to 46.5 from 41.5 in January, still almost 13% below the series average.

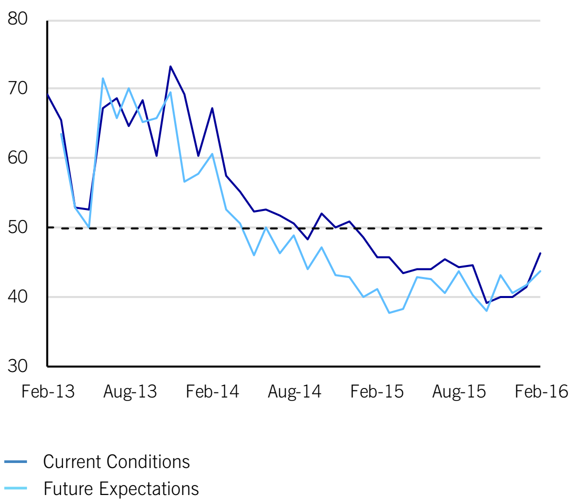
The Expectations Indicator also remained in contraction for the 20th consecutive month but rose to 43.8 from 41.9 in January. While more firms in our panel expect interest rates to fall than rise in the coming three months, the majority expects it remain the same.

Companies reported that there was better credit availability with the indicator rising to 60.6 in February

Financial Position



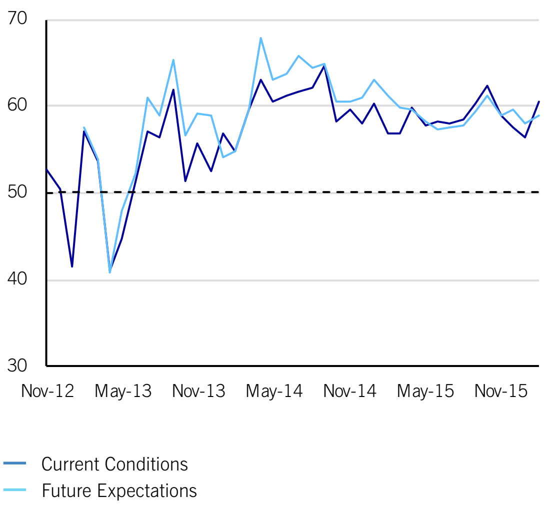
Interest Rates Paid



Money and Credit - Current Conditions

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Availability of Credit	56.9	60.3	62.4	58.8	57.6	56.3	60.6
Interest Rates Paid	45.8	44.7	39.2	40.1	40.1	41.5	46.5
Financial Position	66.4	61.7	64.8	66.1	61.5	62.9	65.1

Availability of Credit



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

"The government is not giving subsidies on loans." **Food products manufacturing company**

"Our company credit rating is getting down so difficult to get loans." **Clothing and accessories manufacturing company**

"Sales are picking up and turnover is increasing." **Clothing and accessories manufacturing company**

"An increase in demand, fall in interest rates and rise in prices of finished products had bolstered our financial position." **Clothing and accessories manufacturing company**

from 56.3 in January, the highest since October 2015. Companies were also more optimistic in their outlook for credit availability, with the Expectations Indicator increasing to 59.0 from 58.1 in January.

"Company is making good profit." **Iron and steel manufacturing company**

"Our borrowing cost has decreased, our loans are also repaid." **Auto parts manufacturing company**

"Sale is higher than last month and good profitability is there." **Auto parts manufacturing company**

"Interest rates have gone down so it is benefiting us." **Iron and steel manufacturing company**

Money and Credit - Future Expectations

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Availability of Credit	61.1	59.4	61.2	58.8	59.5	58.1	59.0
Interest Rates Paid	41.4	40.5	38.1	43.4	40.6	41.9	43.8
Financial Position	73.7	71.3	71.8	69.7	71.4	71.3	72.3

Logistics
Inventories Expand

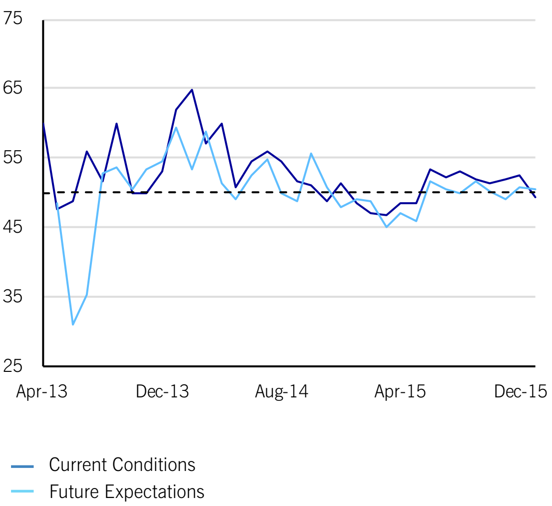
Companies started accumulating inventories following months of low demand pressure while suppliers took more time to deliver key inputs in February.

The Inventories Indicator climbed back into expansion, rising 3.7% to 51.1 from 49.3 in January. It is now 8.5% up on the year, with inventories below 50 last February and also 1.1% above the average of the whole year. More companies added inventories due to expectations for higher demand in the coming three months.

However, optimism about future demand meant that fewer companies expected to add to their inventory holdings in the coming three months. Expectations for Inventories in three months' time fell for the first time in three months into contraction to 48.7 from 50.7 in January.

Suppliers of key inputs took more time to deliver orders from last month due to higher demand, leaving it above the neutral level. The Supplier Delivery Times Indicator rose for the second consecutive month to 50.4 from 50.0 in January. Our panel of companies anticipated that delivery times would rise in the coming three months though, the Expectations Indicator remained in contraction at 49.6 compared with 49.3 in January.

Inventories



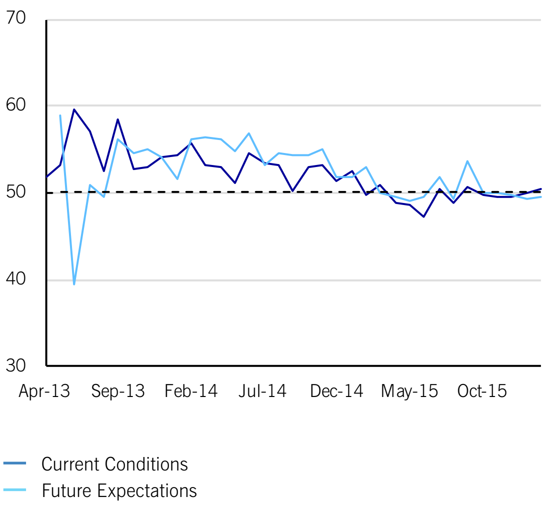
"As we are expecting higher sale in the next quarter so we are maintaining our inventory at a higher level." **Speciality Chemicals manufacturing company**

"Inventories are higher as production is up but orders are also increasing." **Pharmaceuticals manufacturing company**

Logistics - Current Conditions

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Inventories	47.1	51.9	51.5	51.9	52.5	49.3	51.1
Supplier Deliveries	49.8	50.7	49.8	49.5	49.5	50.0	50.4

Supplier Delivery Times



“More orders are scheduled so we have to produce and stock more.” **Iron and steel manufacturing company**

“Low availability of raw materials has impacted supplier delivery times.” **Farming, fishing and plantations company**

“Inventories are lower as there are no orders.” **Oil Exploration and Production Company**

“Lower production and the clearance of the previous orders have led to lower stocks of finished goods.” **Iron and steel manufacturing company**

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

Logistics - Future Expectations

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Inventories	48.8	51.7	50.2	49.2	50.8	50.7	48.7
Supplier Deliveries	52.9	53.6	50.0	50.0	49.8	49.3	49.6

What the Panel Said

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

“We are expecting higher sales in the next quarter, so we are maintaining our inventory at a higher level.” **Speciality Chemicals manufacturing company**

“Polymer prices have gone down and this will be passed down to customers.” **Auto parts manufacturing company**

“Crude oil prices have gone down, which is major input for us.” **Speciality Chemicals manufacturing company**

“There aren’t many orders and whatever orders we have, we have executed on time.” **Iron and steel manufacturing company**

“We are selling more in the domestic market as compared with the international market.” **Recreational products manufacturing company**

“We have cleared most of the stock because of increasing demand at the start of the year.” **Recreational products manufacturing company**

“Marketing team is taking efforts to get new orders.” **Commodity chemicals manufacturing company**

“We are concentrating on the exports market.” **Aluminium manufacturing company**

“We are entering new markets and regions.” **Pharmaceuticals manufacturing company**

“There is better demand from the overseas market.” **Farming, fishing and Plantation Company**

“Due to the wedding season and some government conferences, demand is higher.” **A Hotels group**

“Input prices are up because of the currency devaluation.” **Clothing and accessories manufacturing company**

“Raw materials are available in abundance so prices are lower.” **Paper manufacturing company**

“Freight charges have gone up.” **Clothing and accessories manufacturing company**

“Labour costs are high.” **Farming, fishing and plantation Company**

“We are importing raw materials from other countries so a poor exchange rate is adversely affecting us.” **Paper manufacturing company**

“As input cost has gone up, we have increased the price of our services to maintain margins.” **Business Support Services Company**

“Prices charged are higher because of the increasing input prices.” **Speciality Chemicals manufacturing company**

“We are paying higher for raw materials, so have increased our final charge.” **Clothing and accessories manufacturing company**

“Input costs are higher because service tax has increased.” **Biotechnology services company**

“The cost of transportation has gone up.” **Speciality Chemicals manufacturing company**

“The government is not giving subsidies on loans.” **Food products manufacturing company**

“Our company credit rating is worsening so it is difficult to get loans.” **Clothing and accessories manufacturing company**

“Sales are picking up and turnover is increasing.” **Clothing and accessories manufacturing company**

“We are doing well because of new orders and more business.” **Electrical components and equipment manufacturing company**

“Low availability of raw materials has impacted supplier delivery times.” **Farming, fishing and plantations company**

“Company is making good profit.” **Iron and steel manufacturing company**

“We need some more employees to cater to our workload.” **Food products manufacturing company**

Data tables

Historical Summary

	2015											2016	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
MNI India Business Indicator													
Current Conditions	66.2	63.0	63.9	62.3	67.1	65.3	62.3	61.4	62.3	60.9	60.7	61.8	63.5
Future Expectations	75.3	74.9	72.6	74.2	73.6	74.5	73.7	71.1	75.1	72.2	74.3	71.6	73.8
Production													
Current Conditions	61.0	59.3	62.6	57.5	61.1	58.1	59.1	59.7	59.4	57.8	58.0	54.9	57.9
Future Expectations	70.3	69.9	67.9	68.4	65.4	64.5	68.7	66.8	67.7	65.1	66.9	64.8	67.2
New Orders													
Current Conditions	60.2	59.2	61.4	57.1	61.8	60.9	60.8	59.7	57.5	57.4	55.6	58.2	60.7
Future Expectations	69.9	69.4	71.2	69.4	67.6	66.7	67.6	68.9	67.6	64.8	64.5	66.2	69.3
Export Orders													
Current Conditions	56.5	57.3	56.8	53.6	60.7	56.9	59.7	57.1	53.0	55.8	59.2	54.6	56.9
Future Expectations	64.6	68.2	61.1	63.1	64.5	63.5	65.5	62.2	61.5	68.8	64.7	65.2	65.5
Productive Capacity													
Current Conditions	56.3	54.4	59.0	54.7	57.7	56.7	56.5	58.1	56.8	57.9	54.9	55.3	56.1
Future Expectations	67.0	62.4	66.2	65.0	63.9	61.8	63.6	67.0	65.6	63.3	65.6	62.1	63.3
Order Backlogs													
Current Conditions	47.3	48.5	45.9	46.5	48.2	48.5	49.0	46.9	46.2	46.1	49.3	47.6	47.7
Future Expectations	50.2	47.8	49.2	46.2	47.0	49.4	46.3	46.6	46.9	48.0	49.1	49.5	47.4
Employment													
Current Conditions	50.3	50.4	50.6	50.5	51.7	50.8	51.1	50.9	50.4	51.2	50.7	50.6	51.5
Future Expectations	51.3	52.0	52.6	52.2	54.7	51.9	53.4	51.5	53.4	52.6	54.1	53.1	54.0
Inventories													
Current Conditions	47.1	46.9	48.6	48.7	53.5	52.4	53.1	51.9	51.5	51.9	52.5	49.3	51.1
Future Expectations	48.8	45.1	47.2	45.9	51.7	50.7	50.0	51.7	50.2	49.2	50.8	50.7	48.7
Input Prices													
Current Conditions	51.4	53.2	55.9	58.6	60.6	59.2	55.6	54.9	53.2	52.6	51.1	53.3	53.0
Future Expectations	53.4	53.6	55.7	55.0	56.6	55.7	53.2	56.1	52.1	51.8	52.5	52.6	54.7
Prices Received													
Current Conditions	51.1	50.1	52.1	51.5	51.3	51.1	49.3	48.3	49.7	49.3	47.7	49.4	50.7
Future Expectations	53.6	53.2	55.6	55.5	54.3	52.0	50.5	51.1	52.8	51.9	52.2	51.6	51.8
Financial Position													
Current Conditions	66.4	65.4	67.0	65.8	66.0	66.4	65.2	61.7	64.8	66.1	61.5	62.9	65.1
Future Expectations	73.7	73.2	72.4	73.5	71.4	70.9	70.1	71.3	71.8	69.7	71.4	71.3	72.3
Interest Rates Paid													
Current Conditions	45.8	45.9	43.6	44.2	44.2	45.5	44.4	44.7	39.2	40.1	40.1	41.5	46.5
Future Expectations	41.4	37.7	38.5	43.1	42.7	40.8	43.8	40.5	38.1	43.4	40.6	41.9	43.8
Effect of Rupee Exchange Rate													
Current Conditions	50.9	49.2	48.8	45.2	44.3	52.4	51.1	49.0	49.3	49.6	49.3	49.2	48.4
Future Expectations	54.1	51.4	51.1	48.3	48.8	55.0	51.3	50.5	52.2	51.1	50.5	49.7	49.6
Supplier Delivery Times													
Current Conditions	49.8	50.8	48.9	48.6	47.3	50.4	48.8	50.7	49.8	49.5	49.5	50.0	50.4
Future Expectations	52.9	50.0	49.6	49.0	49.6	51.9	49.4	53.6	50.0	50.0	49.8	49.3	49.6
Availability of Credit													
Current Conditions	56.9	56.8	59.9	57.7	58.3	58.0	58.4	60.3	62.4	58.8	57.6	56.3	60.6
Future Expectations	61.1	59.8	59.7	58.2	57.2	57.6	57.8	59.4	61.2	58.8	59.5	58.1	59.0

Historical Records

	2012 - Current Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	71.2	62.3	62.7
Future Expectations	49.7	82.4	71.9	73.8
Production				
Current Conditions	41.0	67.3	59.8	59.7
Future Expectations	41.3	77.3	67.7	68.7
New Orders				
Current Conditions	39.7	69.1	59.2	60.8
Future Expectations	40.4	78.6	68.3	69.4
Export Orders				
Current Conditions	41.3	67.4	57.7	57.3
Future Expectations	45.2	76.1	65.2	65.3
Productive Capacity				
Current Conditions	41.0	64.0	56.6	57.1
Future Expectations	40.7	71.4	64.3	65.6
Order Backlogs				
Current Conditions	35.6	59.3	48.6	48.5
Future Expectations	32.8	59.6	48.7	49.2
Employment				
Current Conditions	48.9	54.1	51.1	50.8
Future Expectations	49.5	57.5	52.7	52.4
Inventories				
Current Conditions	46.9	64.9	52.8	51.8
Future Expectations	31.0	59.5	50.1	50.7
Input Prices				
Current Conditions	51.1	79.6	61.6	60.4
Future Expectations	50.9	74.9	59.7	56.7
Prices Received				
Current Conditions	41.5	67.1	53.1	52.4
Future Expectations	45.1	73.7	55.7	55.5
Financial Position				
Current Conditions	53.4	72.3	64.8	66.1
Future Expectations	51.6	83.3	72.1	73.2
Interest Rates Paid				
Current Conditions	39.2	73.2	53.4	51.8
Future Expectations	37.7	71.7	50.0	46.3
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	49.8	49.3
Future Expectations	30.1	75.5	51.8	51.4
Supplier Delivery Times				
Current Conditions	47.3	59.6	52.2	52.5
Future Expectations	39.5	59.0	52.4	52.4
Availability of Credit				
Current Conditions	41.1	64.6	56.8	57.9
Future Expectations	40.9	67.8	59.0	59.4

Historical Records - Quarterly

	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Quarterly Change	Quarterly % Change
MNI India Business Indicator							
Current Conditions	69.0	64.5	64.4	63.0	61.3	-1.7	-2.7%
Future Expectations	78.9	75.4	73.5	73.1	73.9	0.8	1.1%
Production							
Current Conditions	66.1	60.9	60.4	59.0	58.4	-0.6	-1.0%
Future Expectations	74.8	71.4	67.2	66.7	66.6	-0.1	-0.1%
New Orders							
Current Conditions	63.9	60.0	60.1	60.5	56.8	-3.7	-6.1%
Future Expectations	73.4	71.1	69.4	67.7	65.6	-2.1	-3.1%
Export Orders							
Current Conditions	60.5	56.8	57.0	57.9	56.0	-1.9	-3.3%
Future Expectations	70.3	67.7	62.9	63.7	65.0	1.3	2.0%
Productive Capacity							
Current Conditions	59.9	55.6	57.1	57.1	56.5	-0.6	-1.1%
Future Expectations	68.4	66.6	65.0	64.1	64.8	0.7	1.1%
Order Backlogs							
Current Conditions	51.2	48.3	46.9	48.1	47.2	-0.9	-1.9%
Future Expectations	53.0	50.3	47.5	47.4	48.0	0.6	1.3%
Employment							
Current Conditions	50.1	50.5	50.9	50.9	50.8	-0.1	-0.2%
Future Expectations	52.5	51.7	53.2	52.3	53.4	1.1	2.1%
Inventories							
Current Conditions	50.5	47.5	50.3	52.5	52.0	-0.5	-1.0%
Future Expectations	51.5	47.7	48.3	50.8	50.1	-0.7	-1.4%
Input Prices							
Current Conditions	55.5	52.6	58.4	56.6	52.3	-4.3	-7.6%
Future Expectations	53.2	53.6	55.8	55.0	52.1	-2.9	-5.3%
Prices Received							
Current Conditions	52.7	50.8	51.6	49.6	48.9	-0.7	-1.4%
Future Expectations	55.0	53.2	55.1	51.2	52.3	1.1	2.1%
Financial Position							
Current Conditions	68.6	66.1	66.3	64.4	64.1	-0.3	-0.5%
Future Expectations	77.2	74.2	72.4	70.8	71.0	0.2	0.3%
Interest Rates Paid							
Current Conditions	51.0	46.8	44.0	44.9	39.8	-5.1	-11.4%
Future Expectations	44.5	39.8	41.4	41.7	40.7	-1.0	-2.4%
Effect of Rupee Exchange Rate							
Current Conditions	50.8	48.1	46.1	50.8	49.4	-1.4	-2.8%
Future Expectations	54.7	52.6	49.4	52.3	51.3	-1.0	-1.9%
Supplier Delivery Times							
Current Conditions	52.5	51.0	48.3	50.0	49.6	-0.4	-0.8%
Future Expectations	53.8	51.6	49.4	51.6	49.9	-1.7	-3.3%
Availability of Credit							
Current Conditions	58.6	58.0	58.6	58.9	59.6	0.7	1.2%
Future Expectations	60.7	61.3	58.4	58.3	59.8	1.5	2.6%

About MNI Indicators
Insight and data for better decisions

MNI Indicators offers unique macro-economic data and insight to businesses and the investment community. We produce data and intelligence that is unbiased, pertinent and responsive. Our data moves markets.

MNI Indicators specialises in business and consumer focused macro-economic reports that give our customers the ability to make timely and relevant decisions. We strive to provide up-to-date information on business and consumer confidence on the economy.

MNI Indicators publishes data on a monthly basis. Our indicators are based on a unique and proprietary methodology and are designed to present an advance picture of the economic landscape as perceived by businesses and consumers every month.

Our monthly reports explore attitudes, perspectives and confidence across different countries and regions. They deliver in-depth analysis, highlight changing patterns and how these can affect potential developments in business and consumer activities.

MNI Indicators is part of MNI, a leading provider of news and intelligence. MNI is a wholly owned subsidiary of Deutsche Börse Group, one of the largest worldwide exchange organisations.

Published by
MNI Indicators | Deutsche Börse Group
Westferry House
11 Westferry Circus
London
E14 4HE
www.mni-indicators.com