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MNI India Consumer Report September 2015

Insight and data for better decisions

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Insight and data for better decisions

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

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

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

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Executive Summary

The MNI India Consumer Sentiment Indicator fell 3.2% to 115.3 in September from 119.1 in August, the lowest level since the start of the survey in November 2012.

The MNI India Consumer Sentiment Indicator fell 3.2% to 115.3 in September from 119.1 in August, the lowest level since the survey began in November 2012.

While the indicator remains above the 100 level which separates optimists from pessimists, it has been gradually trending down since last year suggesting that demand continues to remain sluggish. Lacklustre domestic demand was cited by the RBI as part of the rationale for its 50 basis point interest rate cut at the September monetary policy meeting and our survey supports this assessment.

While the sharp rise in domestic stock prices since the start of 2014 is testament to the growing confidence investors have in India's economic prospects, it is not a view shared by our panel of urban consumers. Respondents were the least optimistic about their household finances, with both current and future measures of Personal Finances falling to record lows.

Ahead of the key festival season, consumers were a little more optimistic about purchasing big-ticket items. Still the Durable Buying Conditions Indicator was lower than would normally be expected given the time of year, averaging 109.7 in the three months to September, five points below its respective outturn a year ago.

Respondents revised down their expectations for business conditions sharply and were more downbeat in their perception of the current business situation as a result of the weaker global environment. Expectations for Business Conditions in One Year fell to 115.5, the lowest level since September 2013 when India was in the throes of a currency crisis.

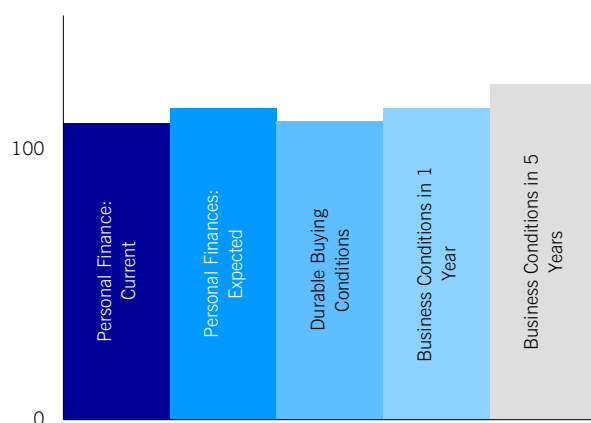
Respondents' outlook for employment weakened significantly in September to the lowest since November last year. The Employment Outlook Indicator fell to 112.3 in September from 122.9 in August as a fifth of respondents expected the job market to worsen a little over the next 12 months.

Dissatisfaction with the current level of prices increased in September while expectations for inflation for the coming 12 months remained broadly stable.

The Real Estate Investment Indicator is one of the few indicators in the survey that has shown a slight uptick over the last year, led by rising house price expectations. However, house buying sentiment has declined as respondents still see it as a bad time to purchase a house.

The Car Purchase Indicator rose for the third consecutive month to 99.2 in September from 93.4 in the previous month as consumers' willingness to purchase a car in the next 12 months improved amid lower expectations that gasoline prices would rise.

MNI India Consumer Indicator - Components



All India - Overview

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Consumer Indicator	118.6	119.1	115.3	-	series low	117.7	-3.8	-3.2%
Current Indicator	109.6	110.2	110.5	Jun-15	-	110.1	0.3	0.2%
Expectations Indicator	124.6	125.1	118.5	-	series low	122.7	-6.6	-5.2%
Personal Finance: Current	110.3	111.1	110.1	-	series low	110.5	-1.0	-0.9%
Personal Finance: Expected	119.3	119.3	115.7	-	series low	118.1	-3.6	-3.0%
Business Condition: 1 Year	121.1	122.6	115.5	-	Sep-13	119.7	-7.1	-5.8%
Business Condition: 5 Years	133.4	133.4	124.4	-	Jan-13	130.4	-9.0	-6.7%
Durable Buying Conditions	109.0	109.3	110.8	Apr-15	-	109.7	1.5	1.4%
Current Business Conditions Indicator	107.9	111.0	108.8	-	Jul-15	109.2	-2.2	-2.0%
Stock Investment Indicator	114.5	127.7	112.8	-	Oct-14	118.3	-14.9	-11.7%
Real Estate Investment Indicator	115.0	115.7	114.5	-	Mar-15	115.1	-1.2	-1.1%
Car Purchase Indicator	84.9	93.4	99.2	Feb-15	-	92.5	5.8	6.3%
Employment Outlook Indicator	119.3	122.9	112.3	-	Nov-14	118.2	-10.6	-8.6%
Inflation Expectations Indicator	140.4	137.5	137.7	Jul-15	-	138.5	0.2	0.2%
Current Prices Satisfaction Indicator	87.7	89.6	85.1	-	Oct-14	87.5	-4.5	-4.9%
Interest Rates Expectations Indicator	130.1	131.2	127.8	-	Mar-15	129.7	-3.4	-2.6%

All India - Summary

	2014				2015								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
MNI India Consumer Indicator	124.1	123.7	120.9	119.6	120.4	121.2	118.5	122.1	119.6	119.5	118.6	119.1	115.3
Current Indicator	117.5	111.0	110.7	106.9	112.2	114.3	109.9	115.7	113.5	111.2	109.6	110.2	110.5
Expectations Indicator	128.4	132.3	127.7	128.0	125.8	125.7	124.2	126.4	123.7	125.1	124.6	125.1	118.5
Personal Finance: Current	117.1	115.4	115.6	114.4	113.3	116.1	114.5	118.3	117.7	114.4	110.3	111.1	110.1
Personal Finance: Expected	132.2	129.2	128.7	126.3	124.2	123.7	121.1	120.8	119.1	120.9	119.3	119.3	115.7
Business Condition: 1 Year	120.7	128.8	116.3	119.9	119.6	120.1	119.5	123.8	121.1	122.5	121.1	122.6	115.5
Business Condition: 5 Years	132.5	138.8	138.1	137.9	133.6	133.3	132.1	134.5	131.0	131.9	133.4	133.4	124.4
Durable Buying Conditions	118.0	106.5	105.8	99.4	111.2	112.6	105.4	113.0	109.2	108.0	109.0	109.3	110.8
Current Business Conditions Indicator	113.9	113.5	108.6	116.6	112.4	117.2	110.3	114.4	113.0	112.4	107.9	111.0	108.8
Stock Investment Indicator	130.8	108.9	114.8	118.5	114.5	114.7	126.0	131.3	121.5	123.2	114.5	127.7	112.8
Investment Return	162.4	109.1	144.3	158.2	140.4	128.9	152.5	151.0	154.2	137.3	109.3	160.7	131.1
Stock Price Sentiment	122.2	111.8	131.8	145.5	145.9	121.9	129.0	104.4	112.6	88.5	93.9	113.7	117.2
Stock Market Expectations	152.2	129.2	131.8	142.8	148.9	137.1	154.4	147.4	122.9	120.8	128.1	136.1	124.5
Real Estate Investment Indicator	112.5	112.6	111.0	111.0	114.2	114.5	112.1	115.3	114.6	114.8	115.0	115.7	114.5
House Price Expectations	146.4	149.6	144.0	154.2	153.6	151.8	149.9	152.9	156.6	153.7	152.4	149.9	148.8
House Buying Sentiment	96.2	98.4	92.1	89.3	94.6	96.6	91.5	88.9	88.4	89.3	93.3	93.0	89.7
House Selling Sentiment	105.2	110.0	103.2	110.7	105.5	104.9	105.0	96.0	101.4	98.5	100.8	95.7	95.0
Car Purchase Indicator	86.6	86.1	91.7	91.4	104.0	108.1	96.5	96.3	87.7	84.6	84.9	93.4	99.2
Car Purchase Expectations	107.6	100.8	89.8	79.7	105.1	105.8	100.7	103.8	102.1	101.0	101.1	99.2	102.6
Price of Gasoline Expectations	134.4	128.5	106.3	96.9	97.0	89.5	107.6	111.2	126.6	131.8	131.3	112.4	104.1
Employment Outlook Indicator	109.1	106.9	111.4	121.1	122.7	121.8	116.3	120.1	121.1	122.7	119.3	122.9	112.3
Inflation Expectations Indicator	131.1	127.9	119.0	123.2	126.8	119.6	132.8	134.2	138.7	136.3	140.4	137.5	137.7
Current Prices Satisfaction Indicator	78.8	81.6	89.7	97.1	96.4	100.4	95.4	92.6	86.7	89.1	87.7	89.6	85.1
Interest Rates Expectations Indicator	121.0	124.6	122.0	129.4	123.9	124.0	121.9	129.2	134.3	133.7	130.1	131.2	127.8

All India - Records

	2012-Current			
	Minimum	Maximum	Mean	Median
MNI India Consumer Indicator	115.3	133.7	122.4	122.1
Current Indicator	106.9	128.3	115.0	114.2
Expectations Indicator	118.5	137.3	127.4	127.0
Personal Finance: Current	110.1	135.4	118.9	117.7
Personal Finance: Expected	115.7	141.5	126.8	126.3
Business Condition: 1 Year	114.1	131.8	121.8	121.1
Business Condition: 5 Years	123.9	144.5	133.7	133.3
Durable Buying Conditions	99.4	121.1	111.0	110.8
Current Business Conditions Indicator	102.9	124.9	113.1	112.4
Stock Investment Indicator	89.7	131.3	111.4	111.8
Investment Return	82.7	162.4	123.3	125.2
Stock Price Sentiment	88.5	145.9	114.2	112.7
Stock Market Expectations	103.8	154.4	125.0	122.9
Real Estate Investment Indicator	109.7	119.9	113.9	114.3
House Price Expectations	133.3	156.6	146.3	147.2
House Buying Sentiment	88.4	121.5	100.8	98.4
House Selling Sentiment	95.0	113.7	105.3	105.0
Car Purchase Indicator	60.1	108.1	80.6	78.5
Car Purchase Expectations	79.7	114.8	102.3	102.6
Price of Gasoline Expectations	89.5	171.0	141.1	151.4
Employment Outlook Indicator	106.9	128.3	118.4	119.3
Inflation Expectations Indicator	119.0	159.2	140.3	137.7
Current Prices Satisfaction Indicator	63.0	115.9	85.8	87.7
Interest Rates Expectations Indicator	116.6	140.4	129.1	130.1

The Reserve Bank of
India cut the key
policy rate by 50
basis points to
6.75% from 7.25%...

...on September 29, given the weak flow of
economic data and disinflationary pressures.



Economic Landscape

Given the weak flow of economic data coming out of India and the continued disinflationary pressures, it wasn't too surprising to see the RBI make their fourth cut in interest rates since the start of the year.

Given the weak flow of economic data coming out of India and the continued disinflationary pressures, it wasn't too surprising to see the RBI make their fourth cut in interest rates since the start of the year. What came as a surprise was the much sharper cut of 50 basis points, leaving the repo rate at 6.75%, the lowest level since April 2011. The low current level of inflation was the main catalyst, with it more than likely set to undershoot the target of 6% by January 2016. 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%.

Other economic 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 and consumer 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 transmission of cuts in interest rates, higher 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.

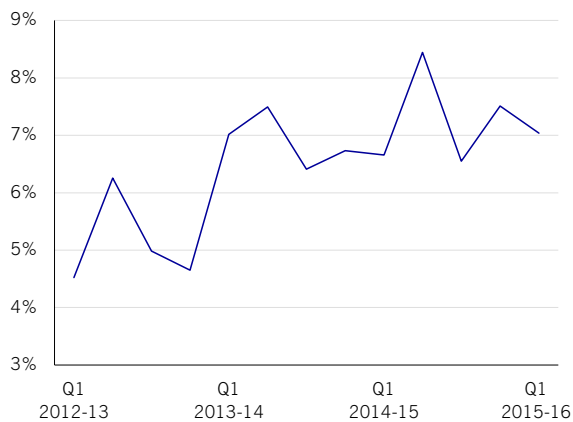
Growth in GDP weakens but accelerates in GVA in Q1

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.

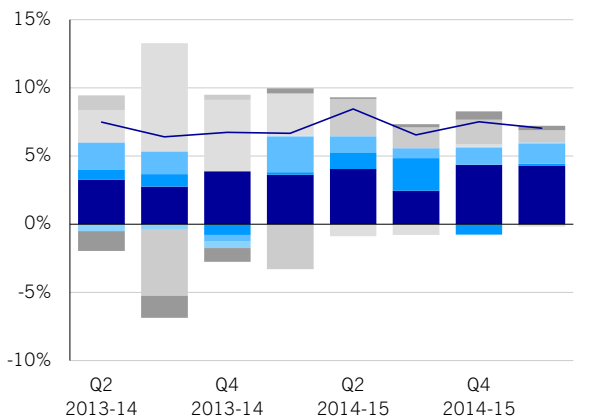
Given large volatility in net indirect taxes, GVA provides a better representation of underlying growth dynamics. Much of the growth in GVA came from an improvement

Economic Growth



— GDP Y/Y %, fiscal year
Source: Central Statistics Office

Contribution to GDP Growth



■ PFCE ■ Change in Stocks ■ Valuables
■ GFCE ■ Net Exports — GDP Y/Y %
■ GFCF ■ Discrepancies
Source: Central Statistics Office

Contribution to GDP Growth

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

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. 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.

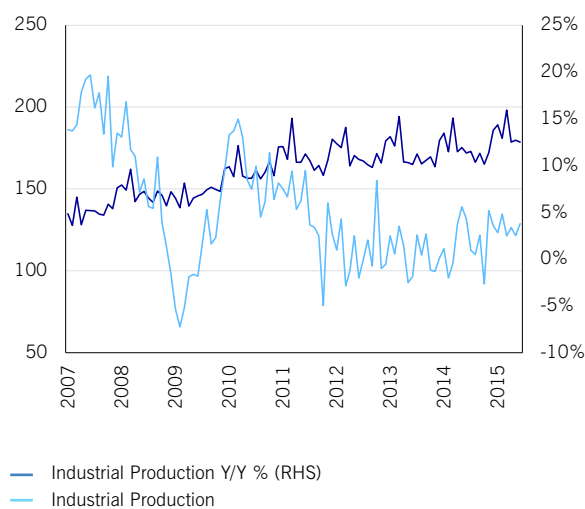
The slowdown in the first quarter of the 2015-16 fiscal year was in line with the MNI India Business Sentiment Survey which pointed to an easing in economic growth given that the headline indicator as well as other key parameters such as Production and New Orders remained almost flat for the second consecutive 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.

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

Industrial Production



Source: Central Statistics Office

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. 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.

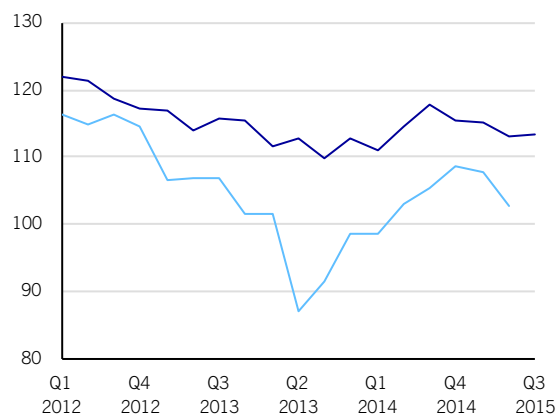
The more frequently updated data for the core sector, which is comprised of eight industries and forms 38% of industrial production, grew by 2.7% in August from 1.1% in July and significantly below growth of 5.9% in August 2014. In August, production of fertiliser was the front-runner, growing by 12.6%, highest since May 2014, while steel production contracted by 5.9% on the year. During the April-August period of the current fiscal, infrastructure output slowed to just 2.2% on the year, down from 5.6% growth in the corresponding period last year.

RBI Consumer Confidence fell in September

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

Current economic conditions compared to one year ago plummeted, wiping out the gains of the previous two

RBI Business and Consumer Sentiment



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

Source: Reserve Bank of India

quarters. Positive perceptions on future economic conditions also fell to the lowest since March 2014.

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

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

More up-to-date monthly data from the MNI India Consumer Sentiment Survey has shown confidence falling to a record low level among households. The MNI India Consumer Sentiment Indicator fell to 115.3 in September from 119.1 in August. Consumers reported that they were less confident about their household finances than ever before and had lower expectations for business conditions in the short and long-term.

RBI Industrial Outlook remains stable in December

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

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

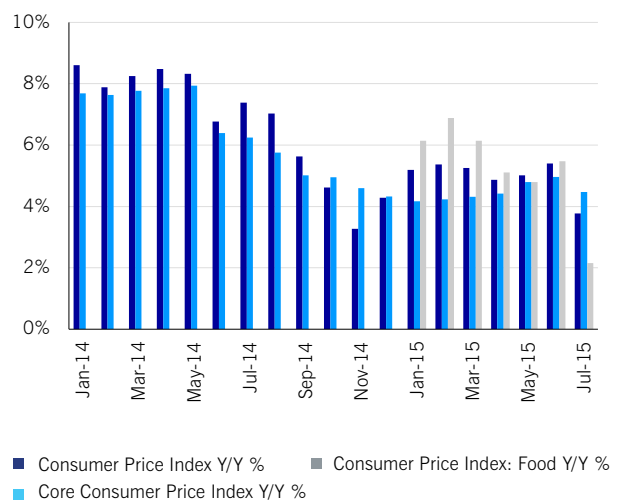
More up-to-date monthly data from the MNI India Business Sentiment Survey has shown that the pace of growth in business confidence has eased in recent months. In the quarter ending September, the MNI India Business Sentiment Indicator fell to the lowest since March 2014, averaging 64.4. In September, business sentiment declined for the third consecutive month amid 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.

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

Consumer Inflation



Source: Central Statistics Office

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 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.

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 cut to 6.75% in September

The Reserve Bank of India cut the key policy rate by 50 basis points to 6.75% from 7.25% on September 29, exceeding our expectations of a cut of 25 basis points.

The RBI said the bulk of the conditions required for further accommodation had been met. Inflation was under control, global oil and commodity prices have continued to decline and the Fed has postponed the first rate hike. The RBI said it wanted to “front-load” a 50 basis point rate cut now given the softness in the economic data.

The RBI pointed to the sustained decline in exports, deficient monsoon and weaker industrial production and investment activity. External demand conditions have worsened while domestic demand also remains tepid. This led to revision in growth projections for 2015-16 to 7.4% from 7.6% earlier. Our own monthly business and

consumer surveys have highlighted that economic momentum remains weak and the economy is much weaker than the new GDP series shows.

The RBI appears more confident that food disinflation is likely to continue on the back of global food disinflation and government actions on food supply management, including the restraint shown on minimum support prices, thereby lowering its January 2016 inflation forecast by 20 bps to 5.8%.

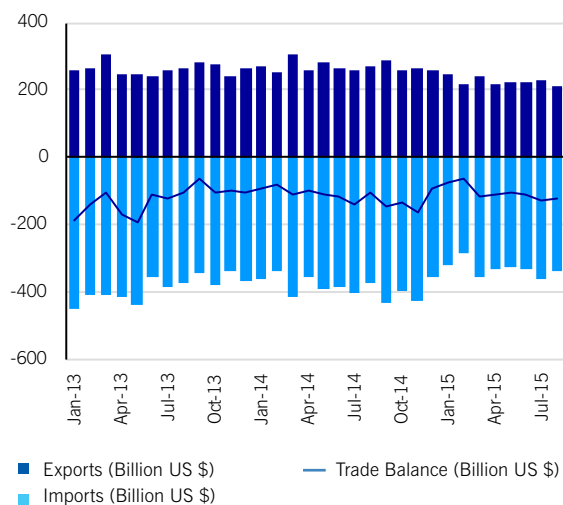
The RBI signalled a pause in rate easing for now, instead putting the ball in the government’s court and saying that it should work to encourage banks to pass on all of this year’s rate cuts in full. The RBI’s policy will remain accommodative but it will maintain caution in terms of demand-side pressures on inflation that could arise from the Seventh Pay Commission payout.

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.

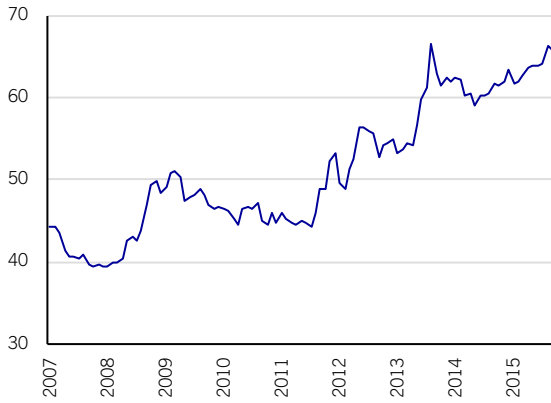
Exports contracted 20.7% on the year; the ninth monthly fall, to \$21.3 billion in August. This followed a 10.3% decline on the year in July, making the August decline the sharpest in five months. The slight monthly

Trade Balance



Source: Ministry of Commerce and Industry

Rupee Exchange Rate



— Indian rupee versus US dollar, end of period

Source: Reserve Bank of India

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. 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

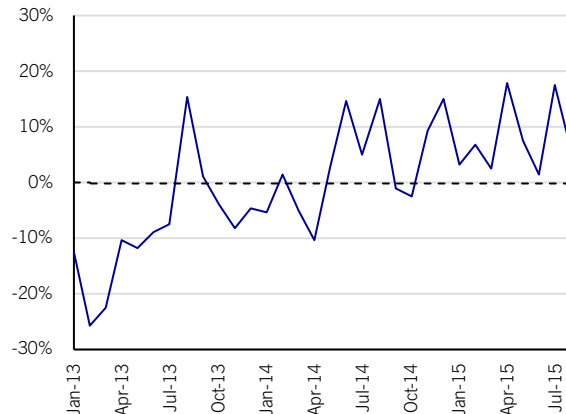
The fiscal deficit in the first five months of 2015-16, was Rs. 3.69 trillion or 66.5% of the estimated budget of Rs. 5.6 trillion for the whole financial year. This is lower than

the deficit of 74.9% during the same period a year ago. The total expenditure of the government in the first five months was Rs. 7.32 trillion or 41.2% of the entire year estimate, higher than last year's expenditure of 37.5%. Of the total outflows in the first five months, planned expenditure was 40.1% of the budget estimate given the government's emphasis on infrastructure development. Planned spending was around 30.9% 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. 3.6 trillion, 30.3% 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 plummet 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

Car Sales



— Passenger Car Sales Y/Y %

Source: Society of Indian Automobile Manufacturers

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 they have 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.

The four 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 over time. 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.

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	3.8	-	-
Wholesale Price Index (Y/Y %)	-2.3	-2.4	-2.2	-2.4	-4.1	-	-
Industrial Production (Y/Y %)	2.5	3.4	2.5	3.8	-	-	-
Car Sales (Y/Y %)	2.6	18.1	7.7	1.5	17.5	-	-
Trade Balance (Billion US \$)	-11.8	-11.0	-10.4	-10.8	-12.8	-	-
Exports (Billion US \$)	23.9	22.0	22.3	22.3	23.1	-	-
Imports (Billion US \$)	35.7	32.9	32.8	33.1	35.9	-	-
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	115.3



Indicators

The decline in the MNI India Consumer Sentiment Indicator was broad based, with four of the five components of the indicator down on the month.

MNI India Consumer Indicator

Confidence Slumps to Record Low



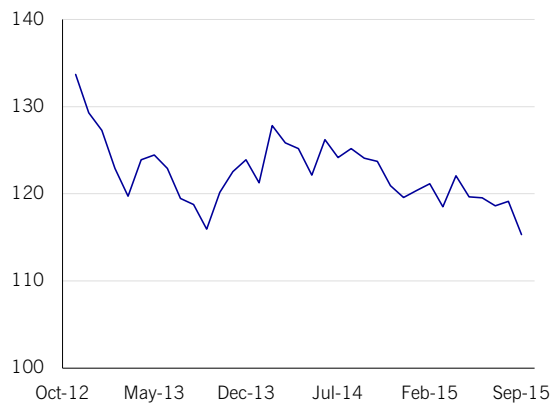
The MNI India Consumer Sentiment Indicator fell 3.2% to 115.3 in September from 119.1 in August, the lowest level since the start of the survey in November 2012. The decline in confidence was broad based, with four of the five components of the indicator down on the month.

The continued downturn in sentiment jars with what appears to be the consensus view, that India has significant long-term potential and will follow China's example of years of sustained high growth. Domestic stock markets have certainly taken their cues from a wave of Modi optimism, but our survey respondents are less than convinced. Sentiment has been in trend decline since the early part of 2014 and the last time consumers were so downbeat was in September 2013 when India was in the throes of a currency crisis and hiking interest rates to defend the currency and rein in inflation.

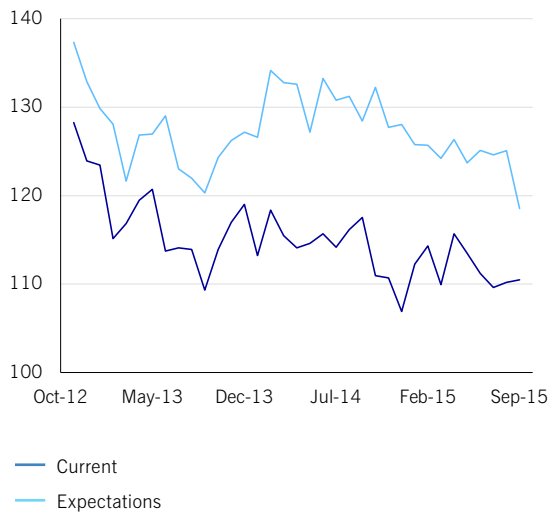
While views about the current situation remained close to historical lows, it is hopes for the future that have been pulling confidence lower. The Current Indicator remained broadly stable at 110.5, while the Expectations Indicator, which is made of three forward-looking components, dropped 5.2% on the month to a series low of 118.5. Part of the decline could be seasonal, although even accounting for this, the scale of the fall is substantial.

Consumers were less optimistic about their household finances than ever before, and again it was expectations that led the decline in September, although both current and future measures of Personal

MNI India Consumer Indicator



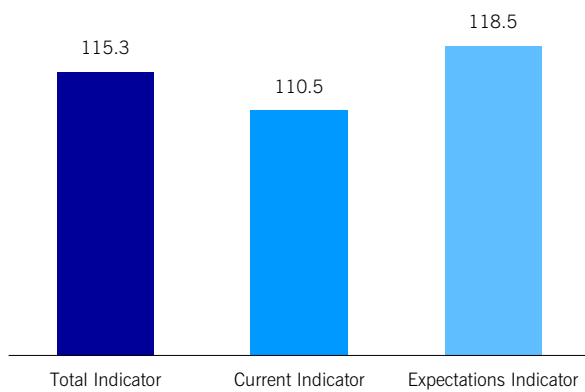
Consumer Indicators



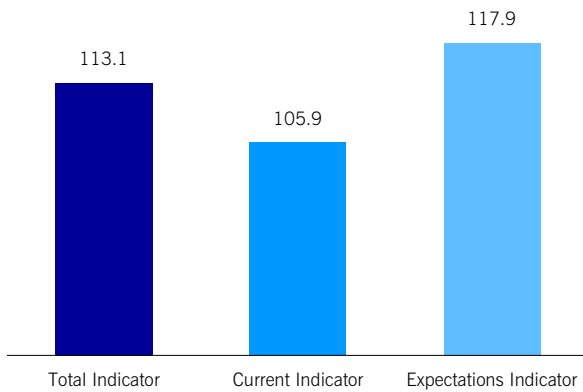
MNI India Consumer Indicator

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
MNI India Consumer Indicator	124.1	122.1	119.6	119.5	118.6	119.1	115.3
Current	117.5	115.7	113.5	111.2	109.6	110.2	110.5
Expectations	128.4	126.4	123.7	125.1	124.6	125.1	118.5

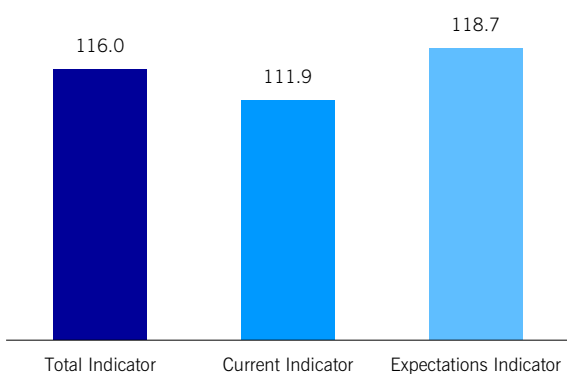
All India



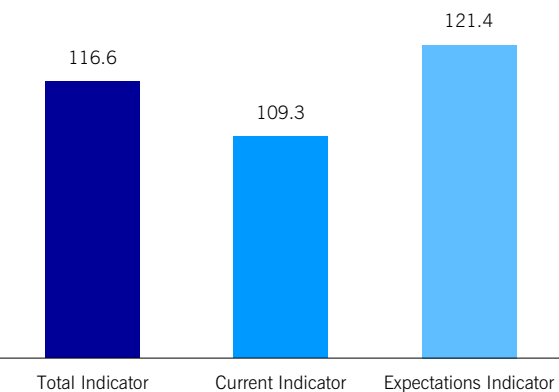
North India



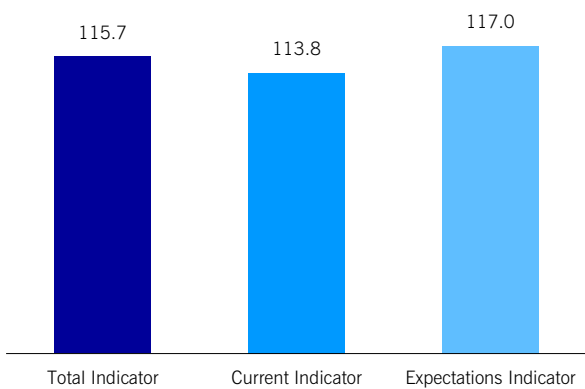
South India



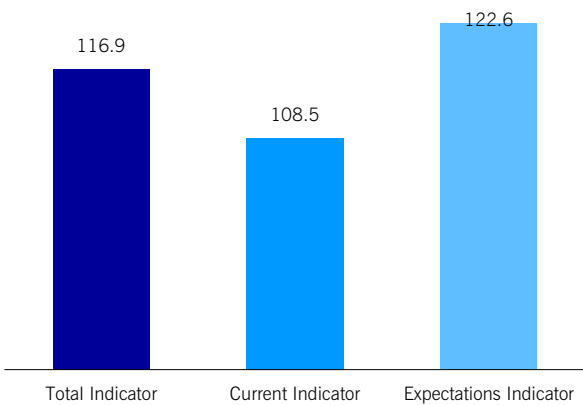
East India



West India



Central India





Finances fell to record lows. It's a similar story over the past year, with the Current Personal Finances Indicator down 6%, while expectations for them in a year's time plummeted by more than twice as much, 12.4%.

Consumers also revised down their expectations for business conditions sharply and were more downbeat in their perception of the current business situation in September. Expectations for Business Conditions in One Year fell to 115.5, the lowest level since September 2013 when India was in the throes of a currency crisis, while expectations for five years fell by 6.7% to the lowest since January 2013.

Ahead of the key festival season, consumers were a little more optimistic about purchasing big-ticket items. Still, the Durable Buying Conditions Indicator was lower than would normally be expected given the time of year, averaging 109.7 in the three months to September, five points below its respective outturn a year ago.

The decline in sentiment serves as a note of caution to some of the more optimistic forecasts for Indian growth. Both the MNI India Business Sentiment Indicator and Consumer Sentiment Indicator were down in the September quarter of 2015, with the former substantially below the level recorded in the September quarter of 2014 and the latter at a record low level.

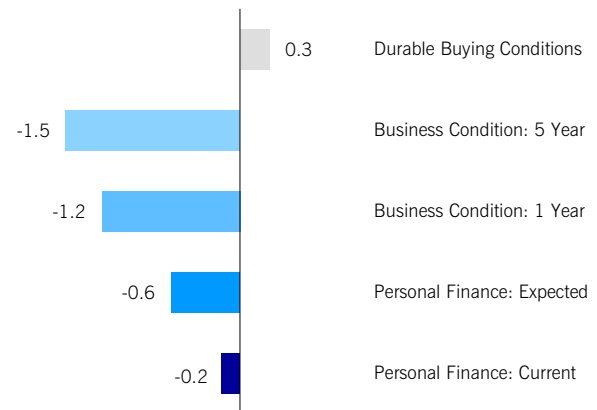
Lacklustre domestic demand was cited by the RBI as part of the rationale for its 50 basis point interest rate cut at the September monetary policy meeting and our survey supports this assessment.

Regions

Consumer sentiment fell in all regions apart from East India in September.

In South India, the Consumer Indicator fell by 7.3% to 116.0 in September from 125.1 in August. All five

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



components of the headline indicator decreased with consumers more downbeat in their future expectations than current conditions. Inhabitants of the region were significantly less satisfied with their state of finances, reflected by a 3.6% fall in the Current Personal Finances Indicator. They were also less optimistic in their expectations for their future financial situation. Both short- and long-term expectations for business conditions fell by double digits.

In contrast, residents of East India were more optimistic as demonstrated by a 1.1% rise on the month in the Consumer Indicator to 116.6 in September. The increase in sentiment was driven by greater willingness to purchase big-ticket items. The Durable Buying Conditions Indicator rose by 6.3% to 110.4 in September. Respondents were slightly less optimistic about their household finances, but more confident about finances in a year's time. The outlook for business conditions remained more-or-less stable on the month.

Age

Consumer sentiment fell among all age groups in September, with sentiment declining to a record low in the middle age group.



The Consumer Indicator for the 18-34 year age range fell to 118.6 in September from 121.9 in August, the lowest since September 2013. Consumers were more optimistic about their Current Personal Finances, which probably underpinned their willingness to buy big-ticket items. The Durable Buying Conditions Indicator rose by 2.2% to the highest since April. Respondents also revised down their outlook for future business conditions.

Consumer sentiment among 35-54 year olds fell to a record low of 115.3 from 119.6 in August. All five components of the headline indicator decreased on the month, among which both current and future measures for Personal Finances declined to their respective series low levels. Respondents were less optimistic in their expectations for business conditions, with both short- and long-term measures falling by 3.3% and 7.7% respectively.

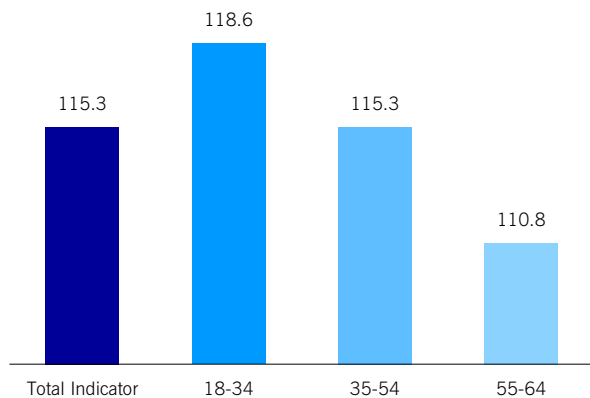
Consumer Sentiment among the oldest age range, 55-64 year olds, fell to 110.8, just a point above July's record low outturn of 109.8. All five components of the headline indicator decreased apart from the Durable Buying Conditions Indicator. Consumers' attitudes towards their Current Personal Finances remained more-or-less the same but were less optimistic about finances in 12 month's time. Respondents were also less bullish in their short- and long-term expectations for business conditions.

Income

Consumer sentiment fell to a record low level among the lower income group while it rose slightly among higher income respondents in September.

The Consumer Indicator for households with an average annual income under Rs. 432,000 fell to a series low of 108.8 in September from 114.8 in the previous month. All five components of the Consumer Indicator declined, with Current Personal Finances and Expectations for Business Conditions in Five Years hitting record low levels. Respondents were

Consumer Indicator: Age Groups



also less optimistic in their short-term outlook for business conditions. Fewer consumers viewed it as a good time to buy big-ticket items, with the Durable Buying Conditions Indicator falling to the lowest since March.

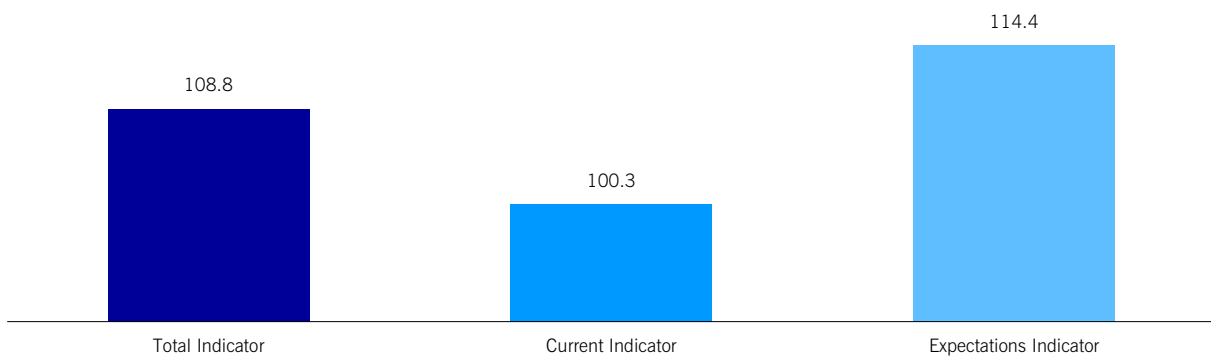
For households with an average annual income over Rs. 432,000, the Consumer Indicator rose slightly for the first time in five months to 125.0 in September from 124.3 in August. While Current Personal Finances were flat on the month, consumers were more optimistic about Future Personal Finances. With the festival season approaching, consumers were more willing to buy big-ticket items. Expectations for short and long-term business conditions eased on the month.

The gap in confidence between high and low-income households has risen significantly this month, close to the record distance last seen in June 2014. Consumer sentiment has averaged 120.0 among those in the low-income group since the start of the survey, while for higher income households, it has averaged 128.3.

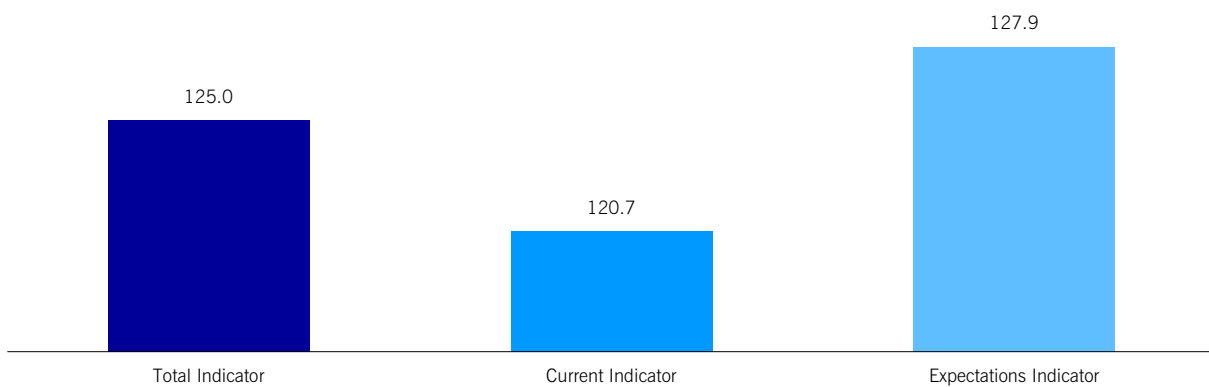
MNI India Consumer Indicator Income Groups



< Rs. 432,000 per annum



> Rs. 432,000 per annum



MNI India Consumer Indicator

Main Cities



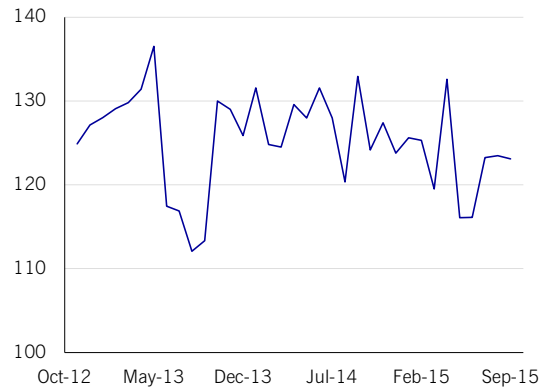
Consumer sentiment fell in nine of the 10 major Indian cities surveyed in September.

In Mumbai, India's most populous city, consumer sentiment fell slightly to 123.1 in September from 123.5 in August. Residents of the city gave a much brighter assessment of their Current Personal Finances, with the indicator rising by 11.5% partly offsetting last month's fall. Consumers were, however, less optimistic about their Future Personal Finances, which fell by 9.1% on the month. Consumers were also more upbeat about buying big-ticket items. Respondents revised down their expectations for business conditions, with the short-term outlook falling by 2.3% and that for the long-term falling by 2.2% on the month.

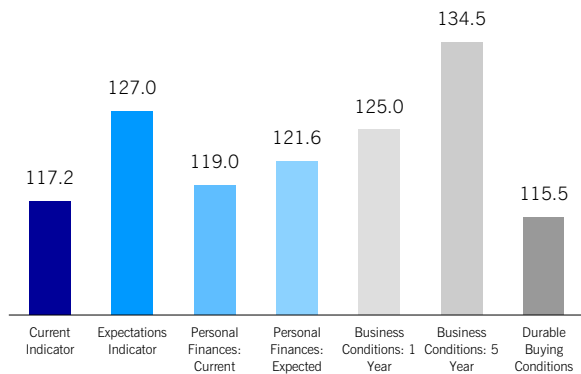
In the capital, Delhi, consumer sentiment fell to 109.6 in September from 118.2 in August. Aside from Durable Buying Conditions, all components of the Consumer Indicator declined. Consumers were less satisfied with their Personal Finances as evidenced by the 5.8% and 3.3% fall in the current and future measures respectively. Respondents revised down their expectations for business conditions significantly, with both the short- and long-term outlook declining by double digits.

Consumer confidence in Bengaluru, the third largest city by population in India, fell to 121.7 in September from 137.9 in August, the lowest since May. The decline was led by both current conditions and future expectations, although the latter fell by a sharper degree. Consumers were more enthusiastic towards buying durable goods making it the only component to rise on the month, possibly due to the upcoming festival period. This was despite weaker confidence in Current Personal Finances and lower expectations for them in the future. Consumers were also less optimistic about business conditions, in the short- and long-term, with both indicators falling by double-digits.

Consumer Indicator - Mumbai



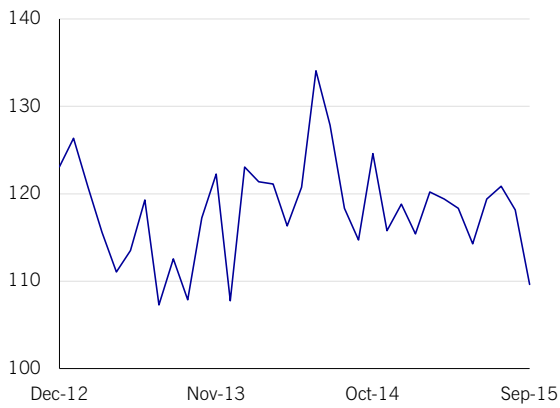
Consumer Indicator Components - Mumbai



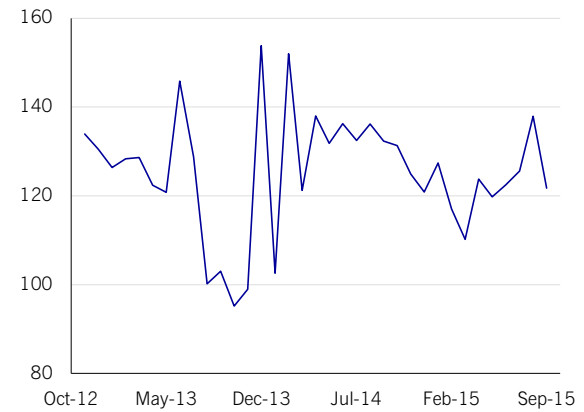
In September, Pune was the only city where consumer confidence rose. Aside from Durable Buying Conditions, all of the components of the Consumer Indicator increased. Consumers were more optimistic about future conditions with measures for Personal Finances and the short-term business outlook rising by 13.5% and 9.5% respectively.



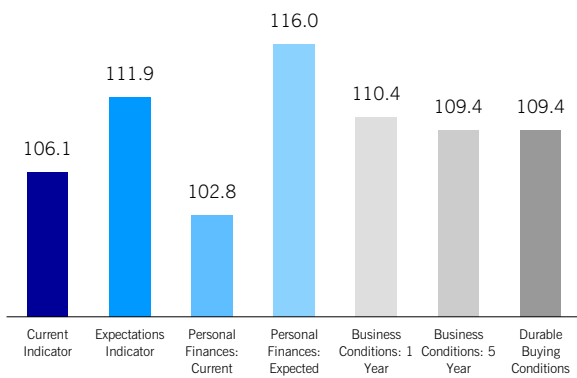
Consumer Indicator - Delhi



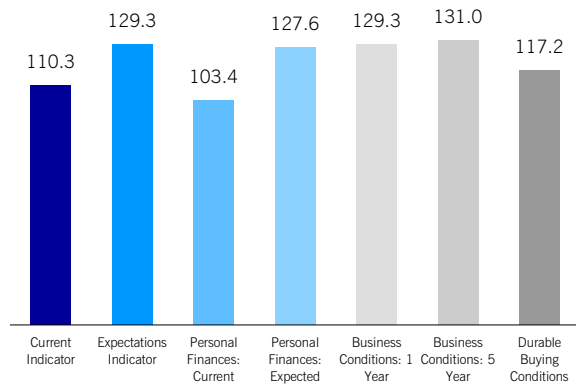
Consumer Indicator - Bengaluru



Consumer Indicator Components - Delhi



Consumer Indicator Components - Bengaluru



Personal Finances Record Low



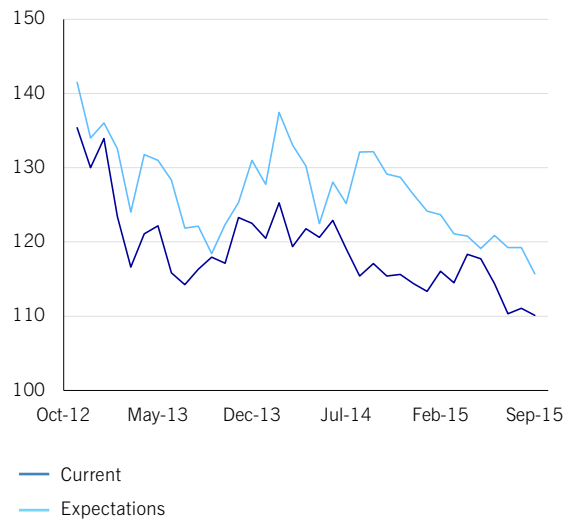
The Current Personal Finances Indicator, which measures whether a household is better or worse off financially than a year ago, fell to the lowest level in the survey's history to 110.1 from 111.1 in August. This month's decline placed the indicator 7.4% below the series average and down 6% since September 2014.

Of those who reported that their finances had worsened this month, the majority attributed it to higher family expenses. The worsening in finances has come in spite of the 125 basis point cut in the policy rate since January, with our survey respondents failing to see any benefit. Nor do respondents see any improvement coming any time soon.

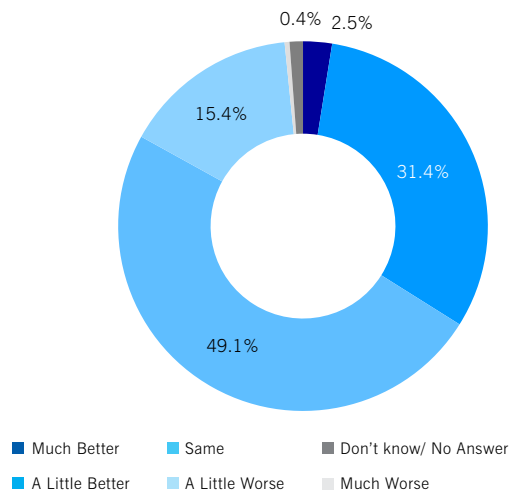
Consumers' expectations for future household finances have plummeted since August 2014. The indicator for Expected Personal Finances fell by 3% to a record low of 115.7, after remaining flat at 119.3 in August.

Household expenses are cited as one reason for the deterioration in finances, although with inflation at a historically low level, it is quite surprising to see such a sharp downturn. One possible explanation could be the fall in the price of gold, with the precious metal a key source of savings for Indian households.

Personal Finances



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



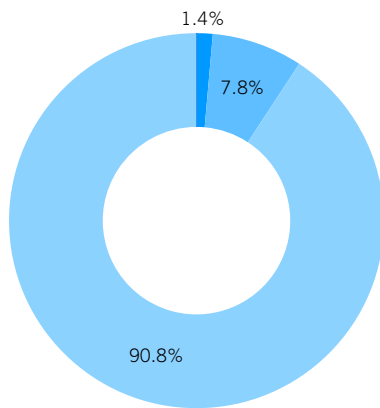
Personal Finances

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Current	117.1	118.3	117.7	114.4	110.3	111.1	110.1
Expectations	132.2	120.8	119.1	120.9	119.3	119.3	115.7



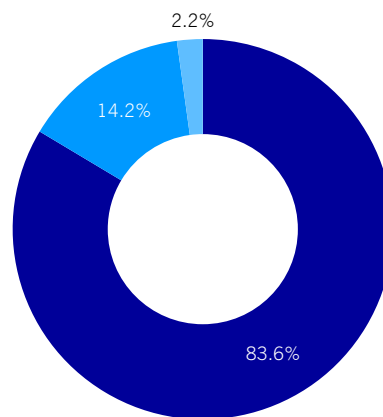
How Households Spend their Money

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



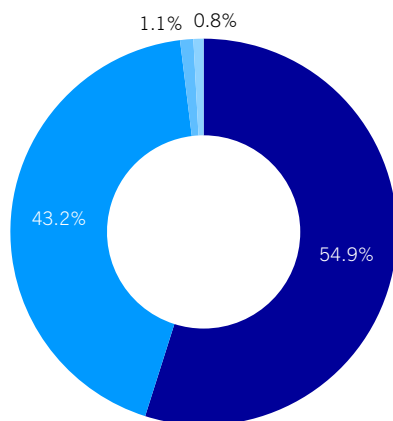
- 0% - 29% of Income
- 30% - 49% of Income
- 50% - 69% of Income
- 70% - 100% of Income

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



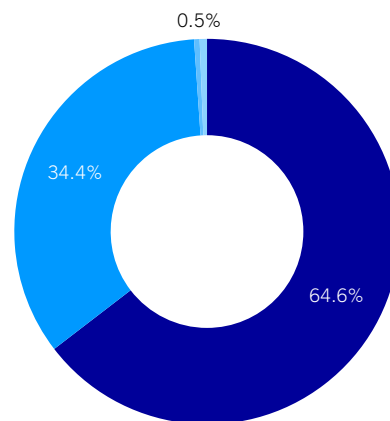
- 0% of Income
- 1% - 29% of Income
- 30% - 49% of Income
- 50% - 100% of Income

Monthly Household Income Used for Savings (% of Households)



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

Monthly Household Income Used for Investments (% of Households)



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

Consumers revised down their expectations for business conditions sharply.

Expectations for Business Conditions in One Year fell to 115.5, the lowest level since September 2013 while expectations for five years fell by 6.7% to the lowest since January 2013.

Business Conditions

Less Confident about Business Conditions



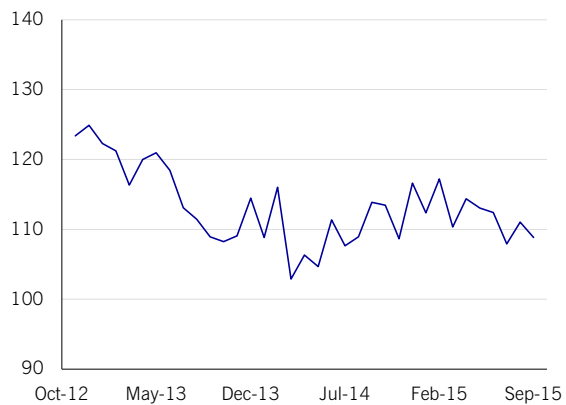
Consumers revised down their expectations for business conditions sharply and were more downbeat in their perception of the current business situation in September.

The Current Business Conditions Indicator fell to 108.8 in September from 111.0 in August. About 30% of respondents thought current business conditions were better compared with a year ago, while almost half of them thought they were only fair.

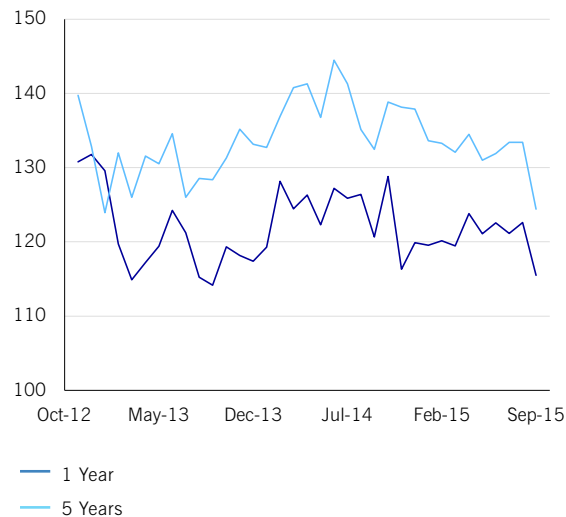
In recent months, business confidence has been trending down, as the Modi government's pro-business policies have been slow to show impact on the ground. While there has been some progress in the ease of doing business, it has been slow, and a growing sense of realism has seen business confidence wane.

Subsequently respondents have revised down their expectations for business conditions. In September, expectations for Business Conditions in One Year fell to 115.5 from 122.6 in August. This was the lowest level since September 2013, when India was in the throes of a currency crisis. While India's economic growth has improved since then along with a decline in lower inflation, global economic growth in contrast has moderated which in turn poses risks to India's growth. Of those who were less optimistic about business conditions in the coming year, the majority attributed it to economic development. A growing proportion also cited the global environment and events for a poor business outlook. Consequently respondents were even more downbeat about long-term business expectations. The Business Conditions in Five Years Indicator fell to 124.4, the lowest since January 2013.

Current Business Conditions Indicator



Expected Business Conditions: 1 Year and 5 Years



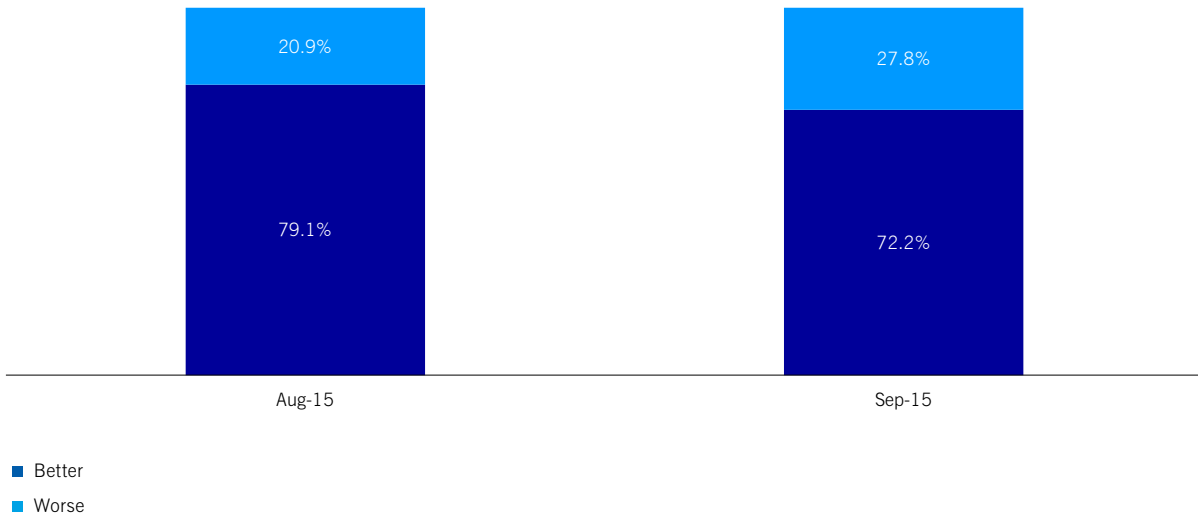
Business Conditions

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Current	113.9	114.4	113.0	112.4	107.9	111.0	108.8
In 1 Year	120.7	123.8	121.1	122.5	121.1	122.6	115.5
In 5 Years	132.5	134.5	131.0	131.9	133.4	133.4	124.4

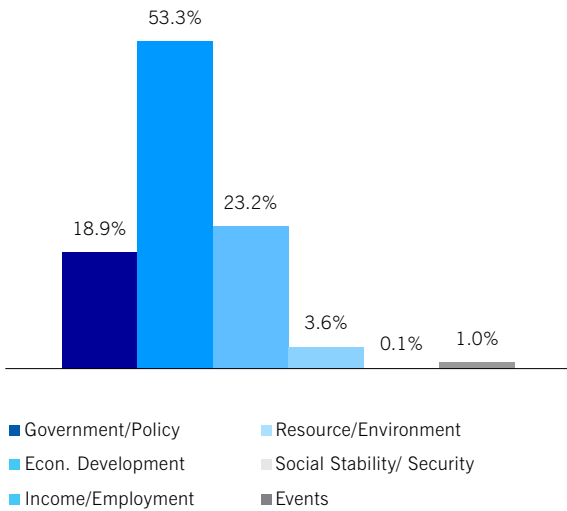
Business Conditions in 1 Year Selected Reasons



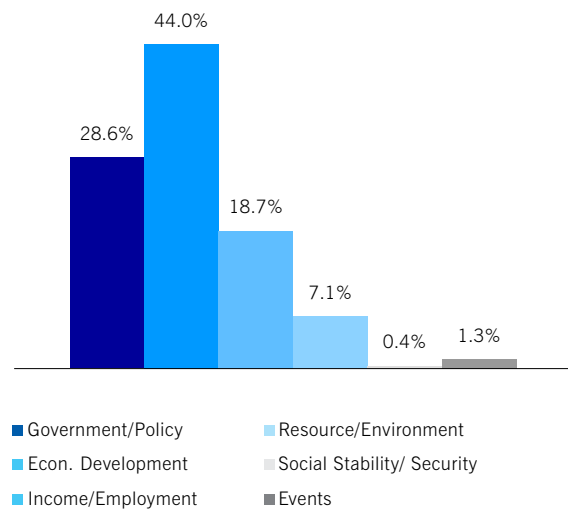
All India



All India, Reasons for Better



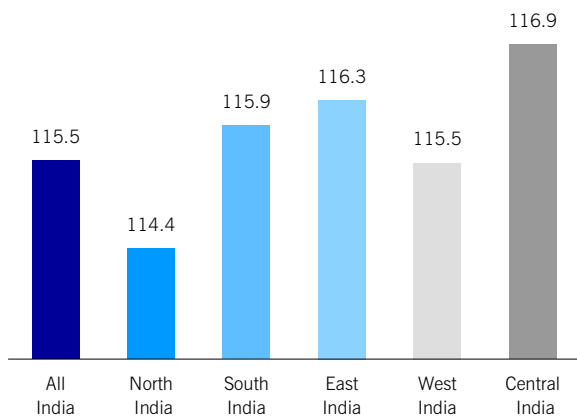
All India, Reasons for Worse



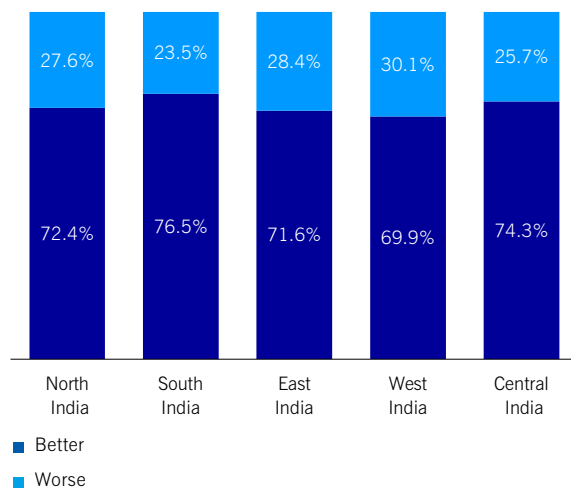
Business Conditions in 1 Year Regions



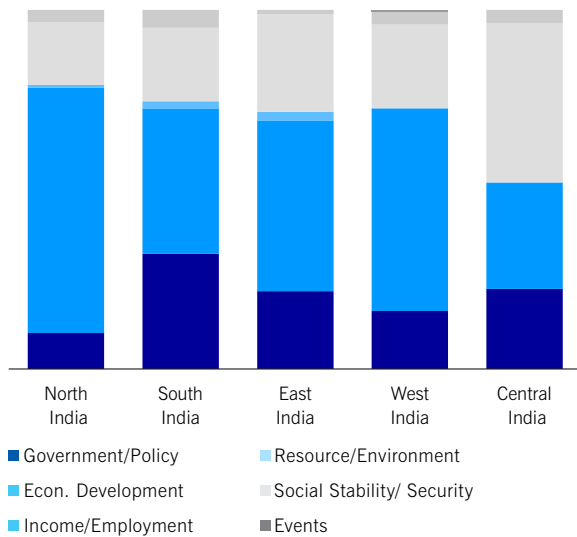
Business Expectations



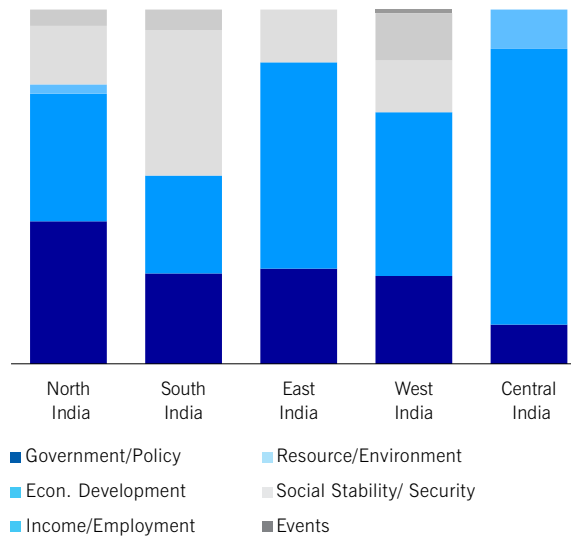
Business Expectations: Better or Worse? (% of Respondents)



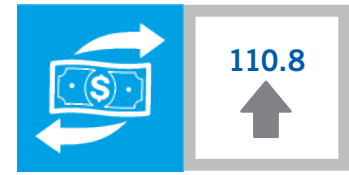
Reasons for Better (% of Respondents)



Reasons for Worse (% of Respondents)



Durable Buying Conditions Highest Since April

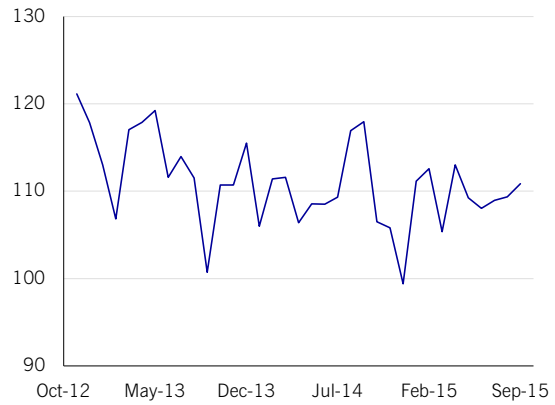


With festival season approaching, consumers' willingness to purchase big-ticket items rose in September.

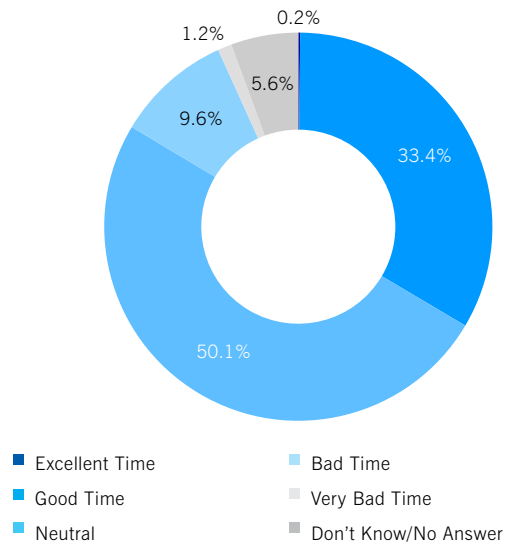
The Durable Buying Conditions Indicator, which measures consumers' willingness to purchase a large household good and provides a guide to overall consumer spending rose for the third consecutive month to 110.8 in September from 109.3 in August.

Consumers' purchasing sentiment has improved since it hit a record low in December last year and it is now just a touch below the series average of 111.0, surpassing last year's average of 109.0 in the process. In spite of these improvements, willingness to buy-ticket items is less than would typically be expected for this time of year. The Durable Buying Conditions Indicator averaged 109.7 in the three months to September, five points below its respective outturn a year ago.

Durable Buying Conditions



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



Durable Buying Conditions

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Durable Buying Conditions	118.0	113.0	109.2	108.0	109.0	109.3	110.8

Employment Outlook

Lowest Since November

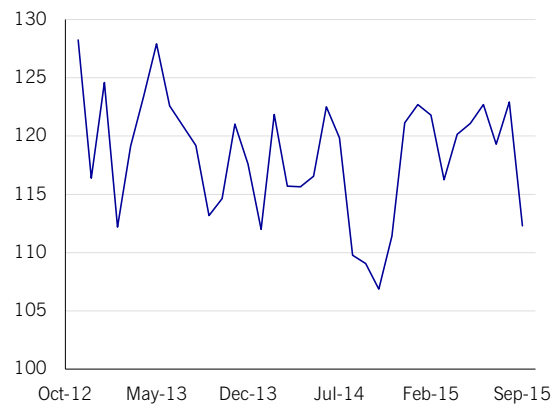


Respondents' outlook for employment weakened significantly in September to the lowest since November last year. The Employment Outlook Indicator fell to 112.3 in September from 122.9 in August as a fifth of respondents expected the job market to worsen a little over the next 12 months.

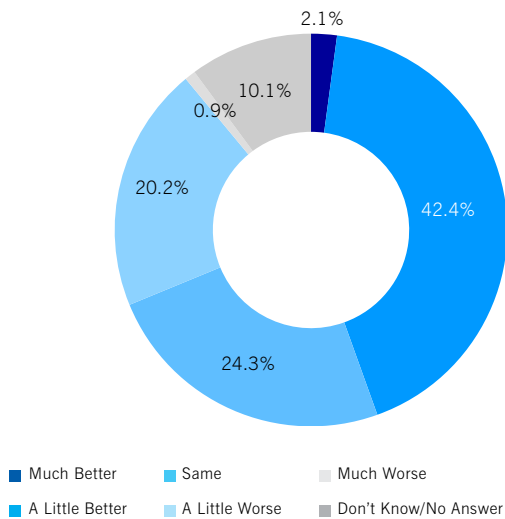
Consumers' expectations for the job market had remained elevated since the start of the year, but this month's sharp decline put the indicator 8.5% below the level it was in January. Looking deeper into the survey's history, this fall does not seem too disappointing given that expectations have usually fallen in the second half of the year since the survey started in November 2012. The outlook for employment has remained resilient, with the indicator averaging 118.2 in the three months to September this year, an improvement from an average of 112.9 in the same period during 2014 and 117.7 in 2013. Our sister business survey of India's largest companies has painted a similar picture with the Employment Indicator remaining above the 50 breakeven mark as sentiment towards hiring recovers, albeit at a slow pace.

A decline in the employment outlook was observed in all regions in September. Respondents from North India, however were the least optimistic compared with other regions and the Employment Indicator in South India fell by the greatest percentage to 110.9, the lowest since April.

Employment Outlook Indicator



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



Employment Outlook

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Employment Outlook	109.1	120.1	121.1	122.7	119.3	122.9	112.3

Satisfaction with Current Prices fell in all regions apart from Central India.

The Current Prices Satisfaction Indicator in Central India rose by 6.6% on the month, however, the majority were still dissatisfied with prices for the second consecutive month.

Prices Sentiment

Dissatisfaction Rises



Dissatisfaction with the current level of prices increased in September while expectations for inflation for the coming 12 months remained broadly stable.

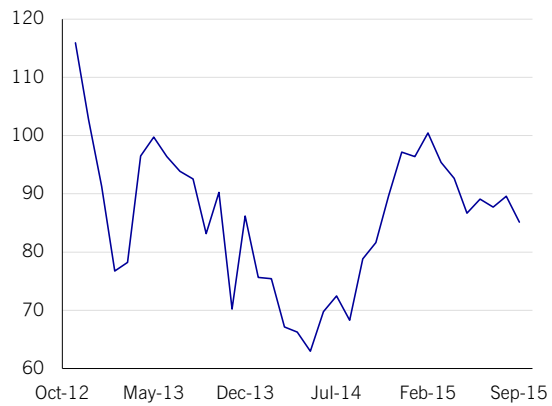
In September, the indicator measuring satisfaction with the current level of prices fell to 85.1 from 89.6 in the previous month. A figure below 100 indicates wider dissatisfaction, while an outturn above 100 shows increasing satisfaction. With India having been plagued by high inflation for years, the indicator has been above 100 only for three months since the survey started in November 2012.

Official data showed that consumer price inflation eased 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%.

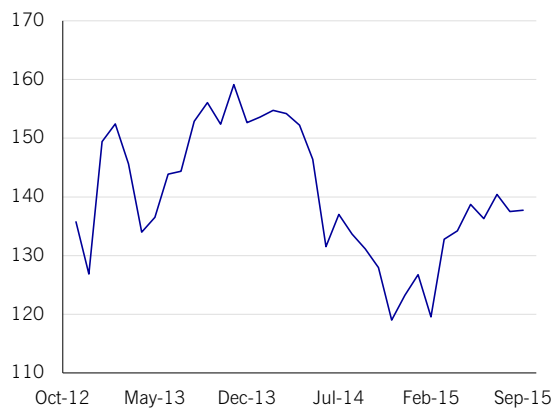
Expectations for inflation in 12 months' time remained broadly stable at 137.7 in September compared with 137.5 in August.

The MNI Inflation Expectations Indicator has closely matched the trend in RBI's Inflation Expectations Survey of Households, showing a pick-up in expectations since the start of the year; however the pace of growth has started to ease. In our survey, respondents were divided in their expectations for

Satisfaction with Current Prices Indicator



Inflation Expectations Indicator



Prices Sentiment

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Satisfaction with Current Prices	78.8	92.6	86.7	89.1	87.7	89.6	85.1
Inflation Expectations	131.1	134.2	138.7	136.3	140.4	137.5	137.7

Prices Sentiment Regions



how much prices will rise over the next 12 months, with a growing proportion of consumers anticipating that they would rise by less than 5%, a change in attitude from previous months when respondents had much higher inflation expectations.

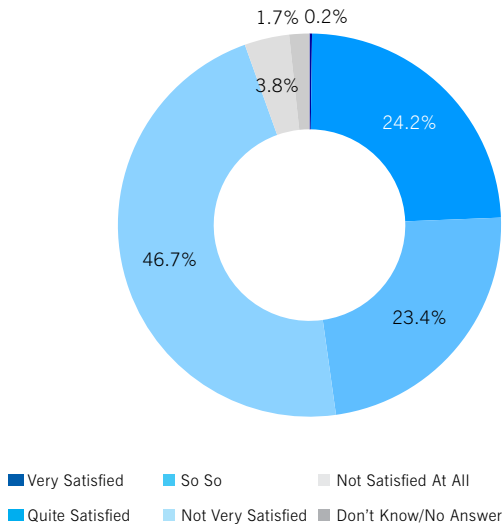
Regions

Satisfaction with Current Prices fell in all regions apart from Central India.

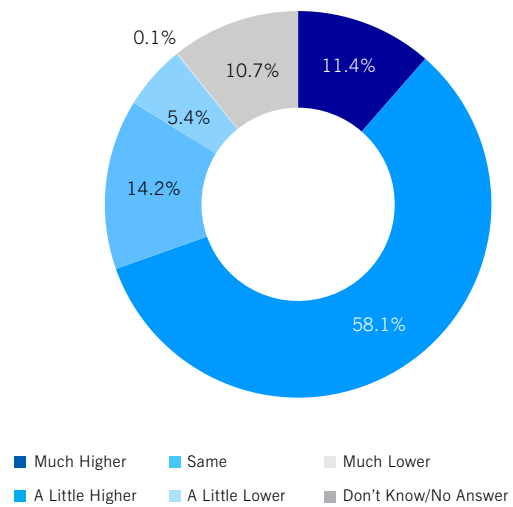
Consumers in South India became dissatisfied with prices, as evidenced by the 13.9% fall in the indicator to 87.5 in September from 101.7 in August. In contrast, fewer respondents thought that prices would rise in the next 12 months with the Inflation Expectations Indicator falling 2.2% on the month.

In contrast, consumers in Central India revised up their perception of prices, causing the Current Prices Satisfaction Indicator to rise by 6.6% on the month. However, the majority were still dissatisfied with prices for the second consecutive month with the indicator remaining below the 100 level. Moreover, a higher proportion of respondents thought prices would rise over the coming year.

Satisfaction with Current Prices
(% of Households)

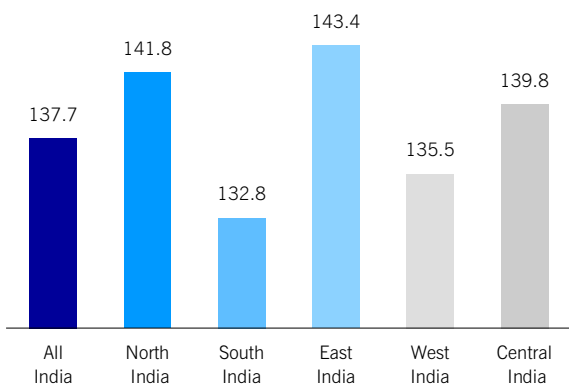


Inflation Expectations in 12 Months
(% of Households)

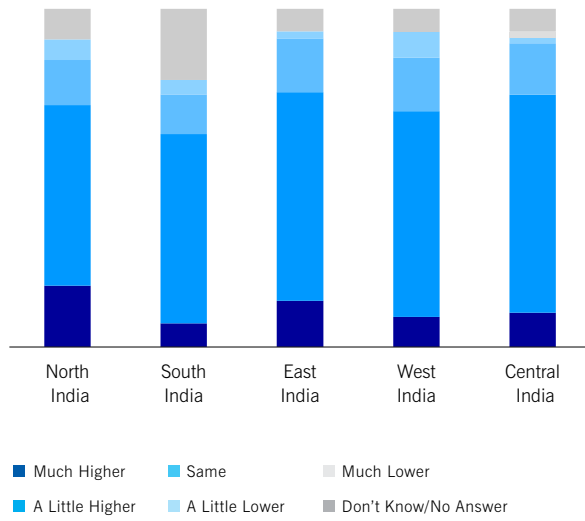




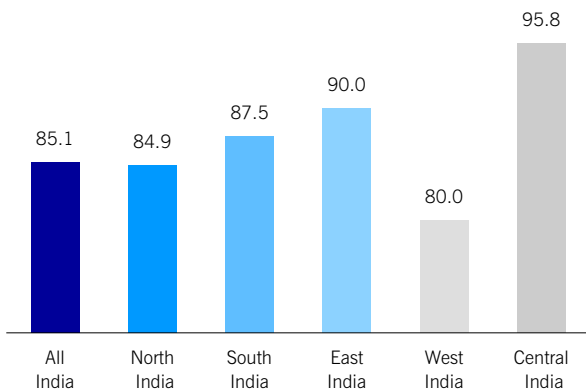
Inflation Expectations Indicator



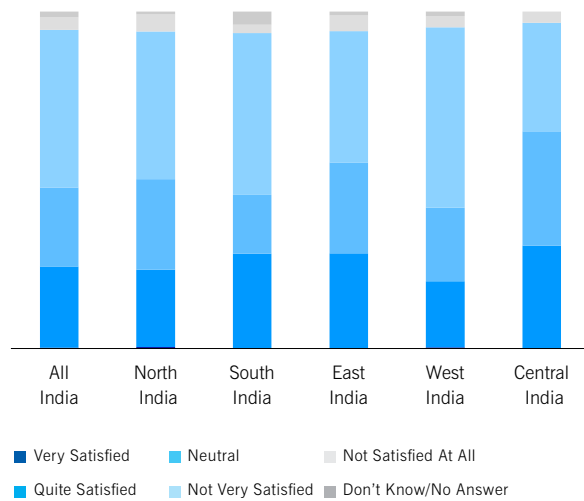
Inflation Expectations in 12 Months (% of Households)



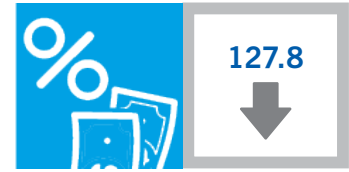
Satisfaction with Current Prices Indicator



Satisfaction with Current Prices (% of Households)



Interest Rate Expectations Lowest Since March

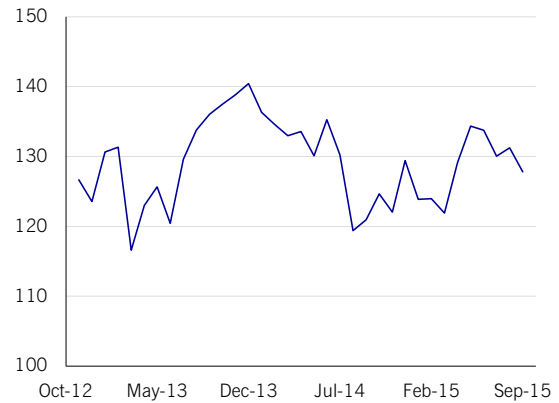


The Interest Rates Expectations Indicator fell to a six-month low of 127.8 in September from 131.2 in August.

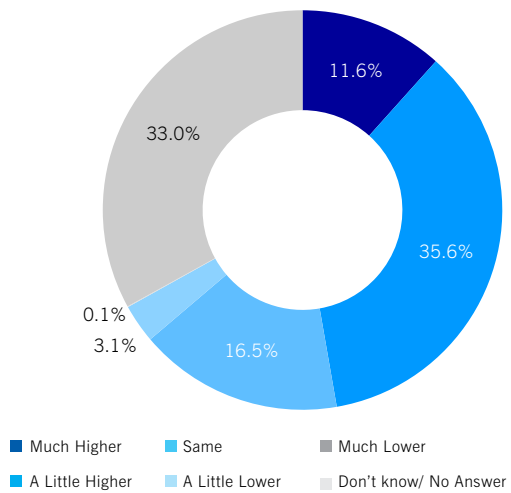
Less than half of respondents expected interest rates on car and house loans to rise in the next 12 months while a greater proportion were not sure of the outturn compared with August.

Raghuram Rajan has cut benchmark interest rates four times since he took over as the Governor of the Reserve Bank of India, having successfully overseen a significant fall in inflation following his appointment in September 2013. Following the latest rate cut on September 29, more commercial banks have reduced their lending rates. Subsequently, this is expected to lower consumers' expectations about interest rates in the coming months.

Interest Rate Expectations Indicator



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



Interest Rate Expectations

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Interest Rate Expectations	121.0	129.2	134.3	133.7	130.1	131.2	127.8

Less than half of respondents expected interest rates on car and house loans to rise...

...in the next 12 months while a greater proportion were not sure of the outturn compared with August.

Stock Investment Indicator Lowest Since October



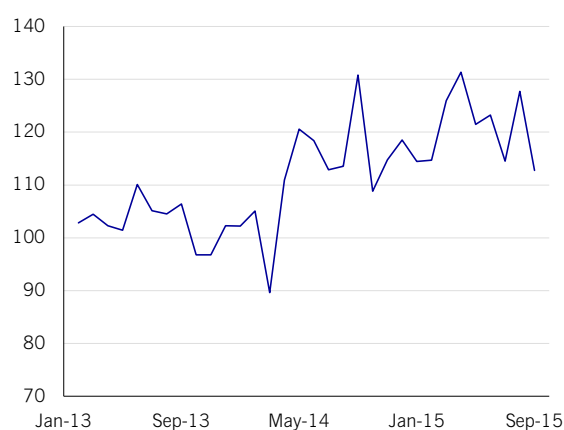
The Stock Investment Indicator, a gauge of whether it is a good or bad time to invest in the stock market, fell by 11.7% to 112.8 in September from 127.7 in August.

Since last month, the BSE Sensex has fallen 6.1% as fears of the impact of slower Chinese growth on rest of the world rattled investors globally. The sharp fall in Indian equity prices in September has hit investors' sentiment significantly. Stock Price Sentiment, which measures whether equity prices are high or low, rose to 117.2 from 113.7 in August.

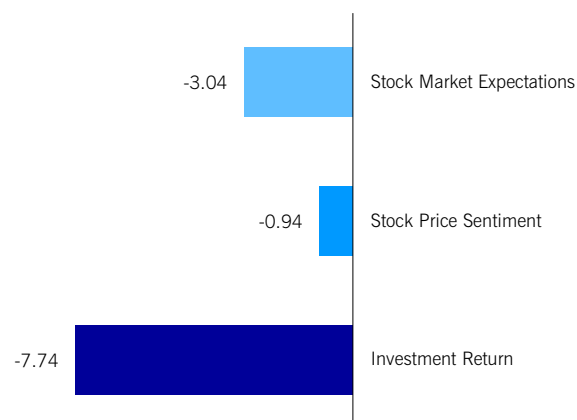
The decline in equity prices lowered investors' returns. This can be seen in the Stock Investment Return component, a measure of the amount of profit or loss in investments over the past year, which fell considerably to 131.1 in September from 160.7 in August.

The current volatility in the market also fed into investors' expectations. The Stock Market Expectations component, which shows whether consumers think stock prices will rise or fall in the next three months, eased to 124.5 in September from 136.1 in August. While the majority still expected the stock market to rise, this proportion fell from 77.3% in the previous month to 60% in September.

Stock Investment Indicator



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



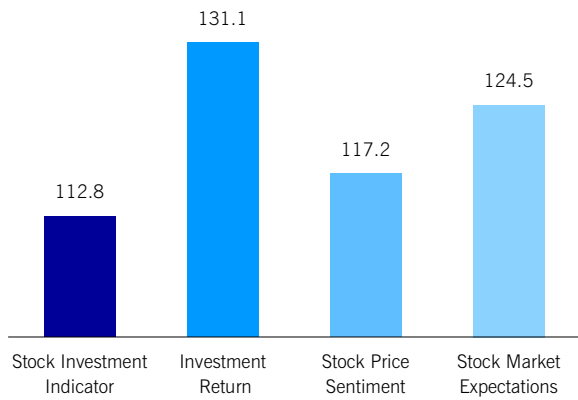
Investment Sentiment

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Investment Sentiment Indicator	130.8	131.3	121.5	123.2	114.5	127.7	112.8
Investment Return	162.4	151.0	154.2	137.3	109.3	160.7	131.1
Stock Price Sentiment	122.2	104.4	112.6	88.5	93.9	113.7	117.2
Stock Market Expectations	152.2	147.4	122.9	120.8	128.1	136.1	124.5

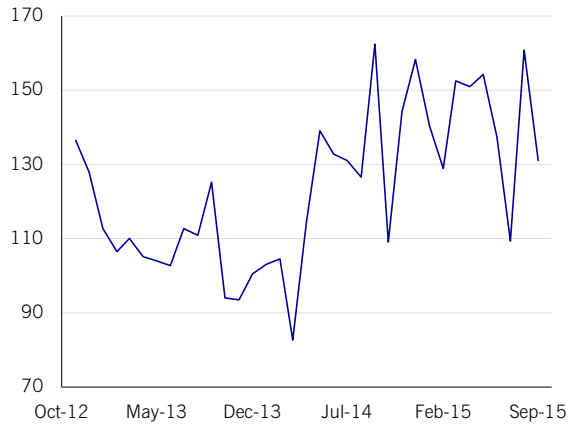
Stock Investment Indicator Components



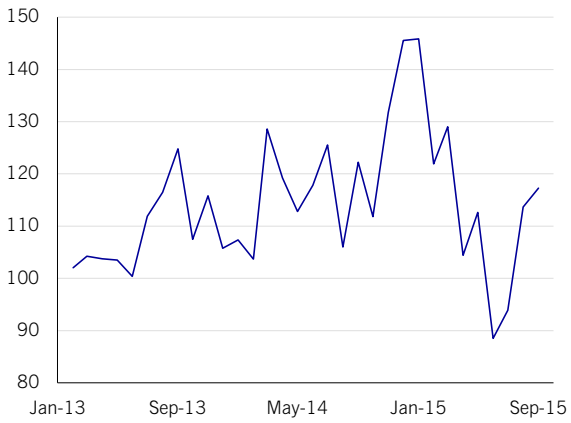
Stock Investment Indicator - Components



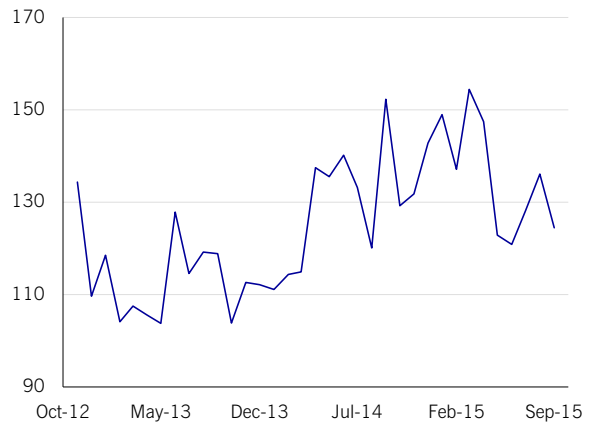
Investment Return



Stock Price Sentiment



Stock Market Expectations



The House Buying
Sentiment
component has
remained below 100
since May 2014...

...indicating that pessimists outnumber optimists.

Real Estate Investment Indicator

House Buying Sentiment Wanes



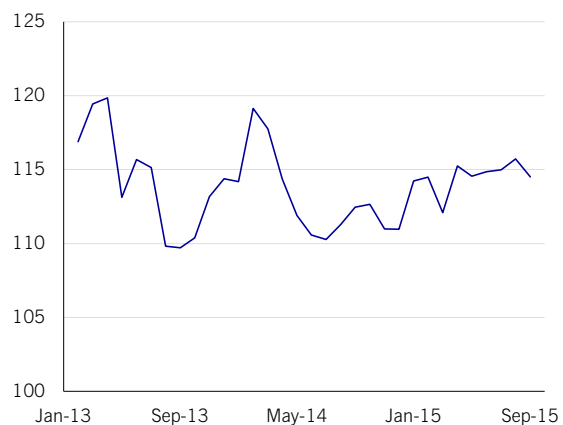
The Real Estate Investment Indicator, which is made up of three components (House Price Expectations, House Buying Sentiment and House Selling Sentiment), fell slightly to 114.5 in September from 115.7 in August.

In spite of this month's fall, the Real Estate Investment Indicator is one of the few indicators in the survey that has shown a slight uptick over the last year, led by rising house price expectations. In contrast, house buying sentiment has declined as respondents still see it as a bad time to purchase a house.

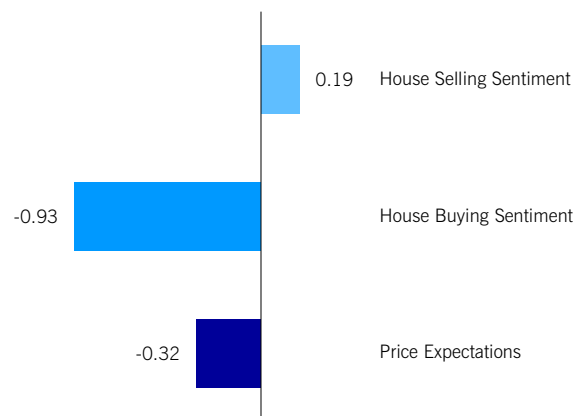
Heightened expectations for a revival in the economy after the Bharatiya Janta Party (BJP) led by Prime Minister Narendra Modi came to power in May 2014 have boosted consumers' expectations for house prices. The House Price Expectations component, however, has started to ease since May and in September, it stood at 148.8 compared with 149.9 in the previous month.

House Buying Sentiment, a measure of whether it is a good or bad time to buy a home in the next six months, fell to 89.7 in September from 93.0 in August. The indicator has remained below 100 since May 2014, indicating that pessimists outnumber optimists, with the majority attributing lower willingness to purchase a house to high property prices. While the Reserve Bank of India has cut official interest rates four times this year -the latest one after our survey period had closed-housing sentiment has yet to receive a significant boost. This is likely because profit-seeking

Real Estate Investment Indicator



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



Real Estate Investment Sentiment

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Real Estate Investment Sentiment	112.5	115.3	114.6	114.8	115.0	115.7	114.5
Price Expectations	146.4	152.9	156.6	153.7	152.4	149.9	148.8
House Buying	96.2	88.9	88.4	89.3	93.3	93.0	89.7
House Selling	105.2	96.0	101.4	98.5	100.8	95.7	95.0

Real Estate Investment Indicator

Components and Balances



commercial banks have been slow in passing the full benefits of lower interest rates by reducing their lending rates. As more banks have recently passed on rate cuts, it is expected to ease EMIs (equated monthly instalment) for home loans and subsequently boost sentiment among those looking to buy a house.

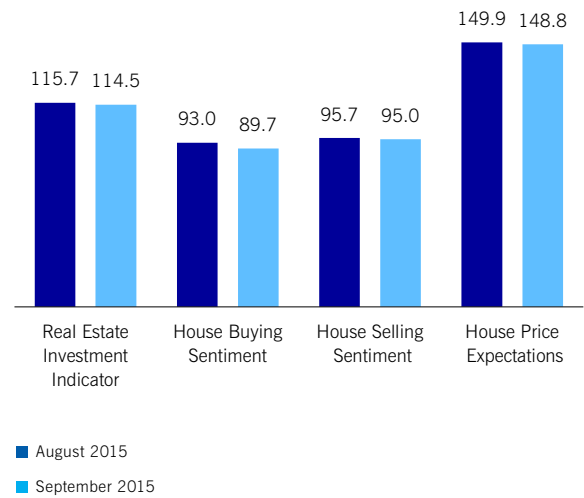
House Selling Sentiment, a measure of whether it is a good or bad time to sell a house in the next six months, fell slightly to 95.0 in September from 95.7 in August.

Regions

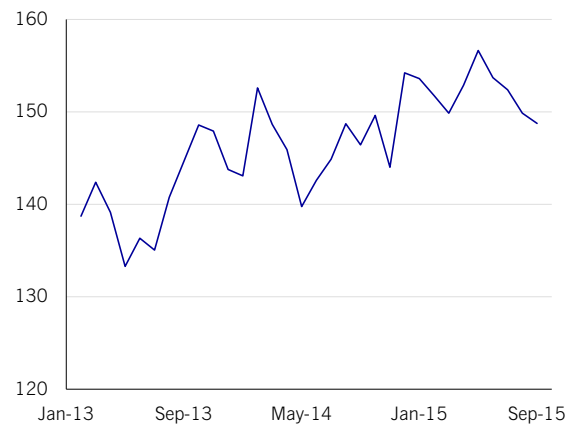
Sentiment surrounding the real estate market fell in West and North India. The Real Estate Investment Indicator fell by 3.4% to 112.4 in West India. This was driven by weaker House Buying Sentiment, which fell to a record low in September.

In contrast, the Real Estate Investment Indicator in East India rose by 3.6% to 117.6 in September as more respondents expected house prices to rise in the next six months.

Real Estate Investment Indicator - Components

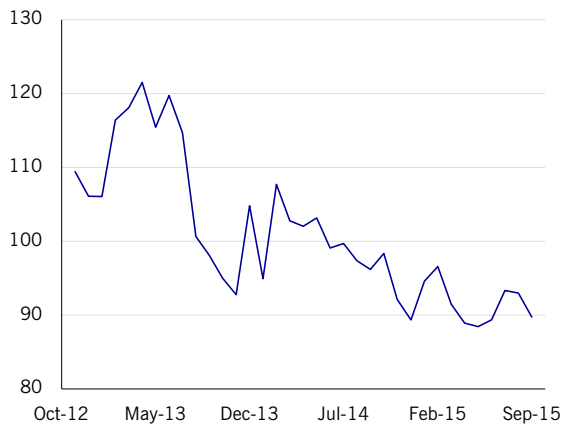


Real Estate Prices: Expected Changes in Next 6 Months

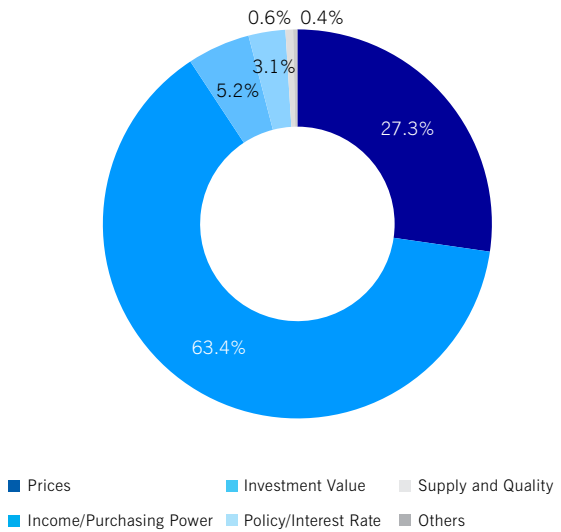




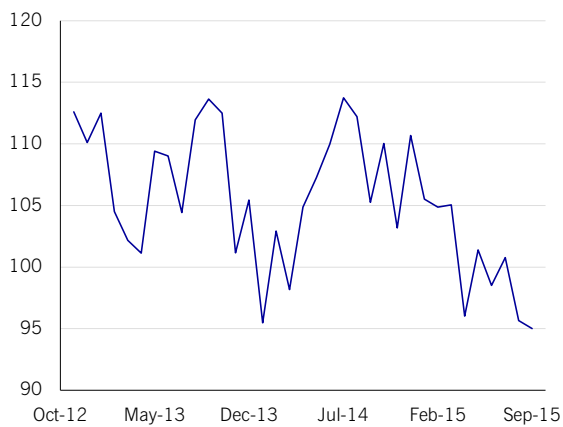
House Buying Sentiment



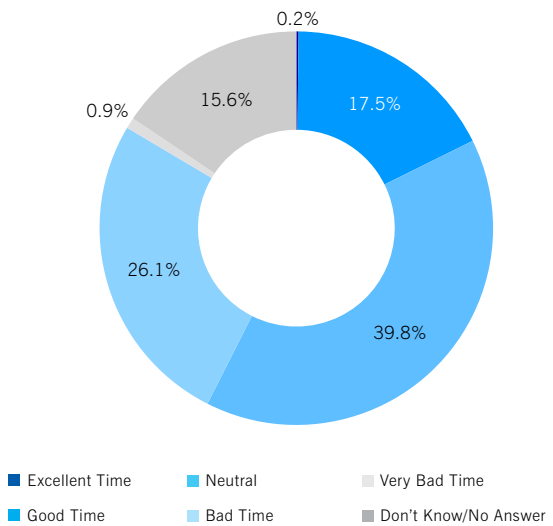
Reasons for Buying Houses (% of Households)



House Selling Sentiment



Timing for Selling Houses (% of Households)



Car Purchase Indicator

Car Purchase Expectations Highest in Five Months



The Car Purchase Indicator rose for the third consecutive month to 99.2 in September from 93.4 in the previous month as consumers' willingness to purchase a car in the next 12 months improved amid lower expectations that gasoline prices would rise.

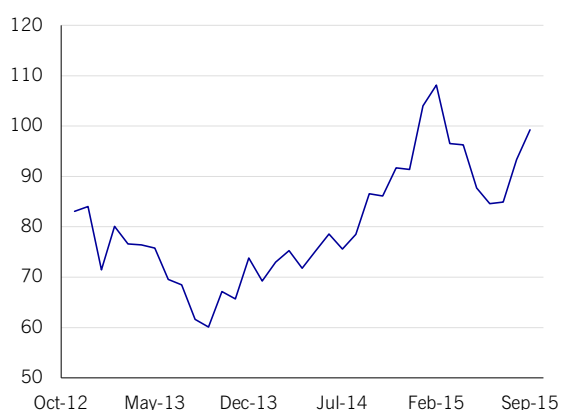
The Car Purchase Indicator is made up of two components, Car Purchase Expectations and Price of Gasoline Expectations, with the latter having a negative impact on the indicator.

After hitting a series high in February, the Car Purchase Indicator started trending down with gasoline price expectations rising fast while willingness to purchase a car remained more-or-less stable. However, with global oil prices under pressure again, there is a reversal in sentiment towards car purchase.

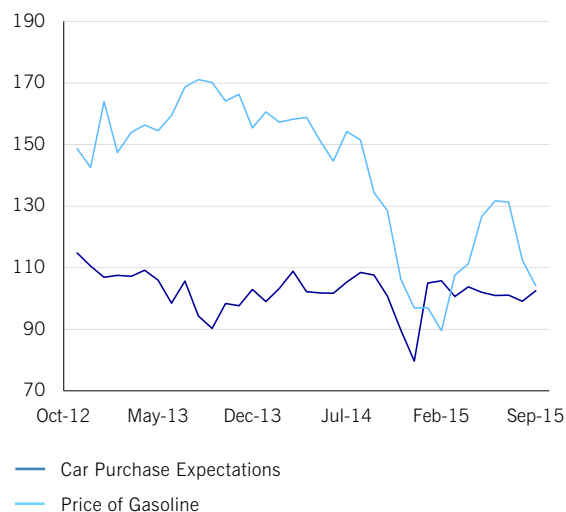
The Car Purchase Expectations component, which gauges whether consumers believe it is a good or bad time to purchase a car over the next 12 months, rose above the 100 level to 102.6 in September from 99.2 in August, the highest level since April.

Of those who felt it was a good time to purchase a car, the majority reported that it was because of higher purchasing power. There was also a significant rise in those who cited better prices and policy rates, although these proportions were in minority.

Car Purchase Indicator



Car Purchase Indicator - Components



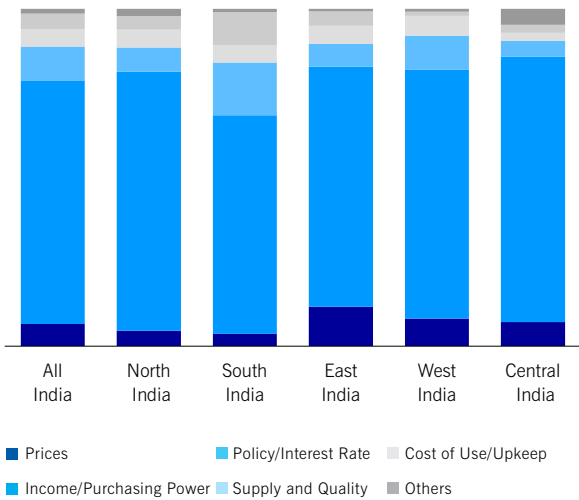
Car Purchase Sentiment

	Sep-14	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Car Purchase Sentiment	86.6	96.3	87.7	84.6	84.9	93.4	99.2
Car Purchase Expectations	107.6	103.8	102.1	101.0	101.1	99.2	102.6
Price of Gasoline	134.4	111.2	126.6	131.8	131.3	112.4	104.1

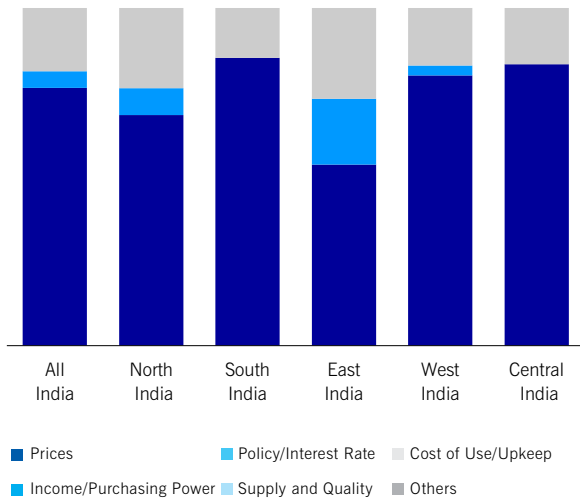
Car Purchase Indicator Regions



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

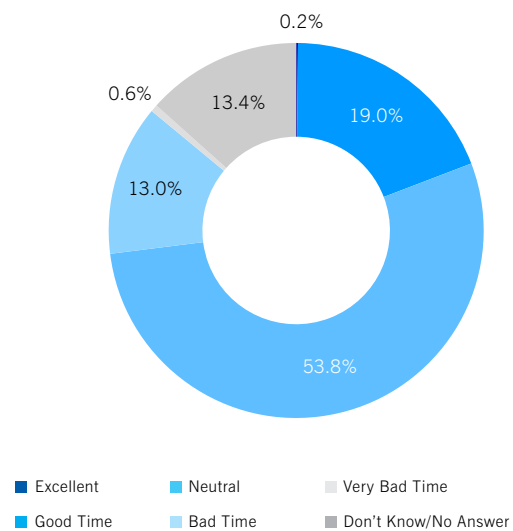


Reasons for a Bad Time to Buy a Car (% of Households)



Expectations for the Price of Gasoline components has followed the trend in India's fuel price inflation and global oil prices with the former hitting a record low in February before recovering again. As crude oil prices are again under pressure, consumers' expectations for the price of fuel eased for the third consecutive month with the indicator falling by 7.4% to 104.1 in September.

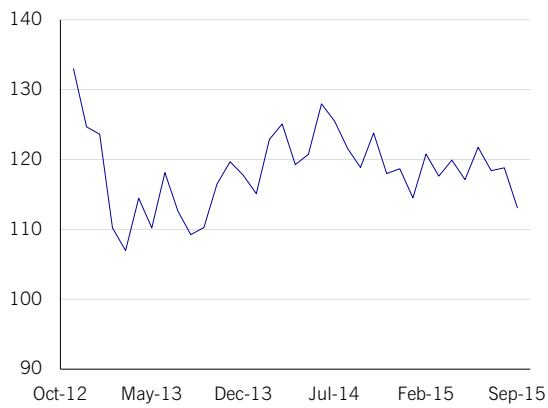
Is it a Good Time to Buy a Car? (% of Households)



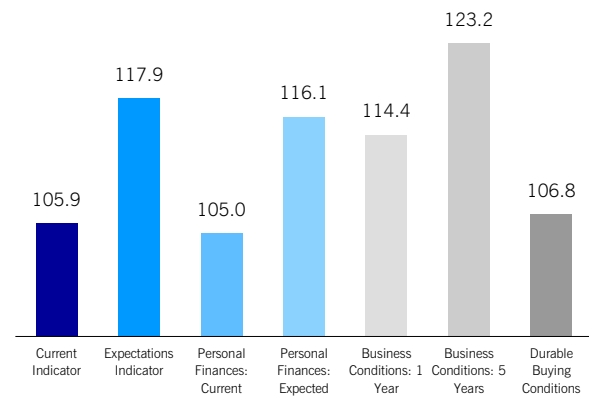
MNI India Consumer Indicator Regions



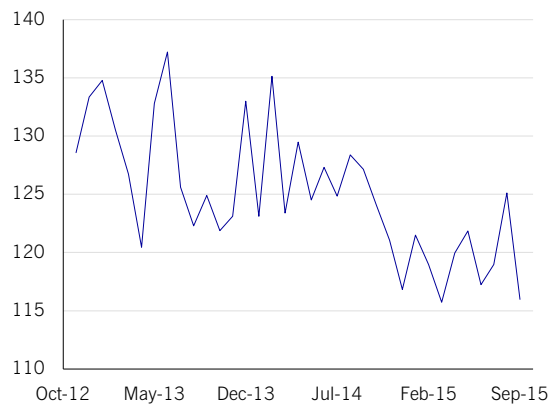
Consumer Indicator: North India



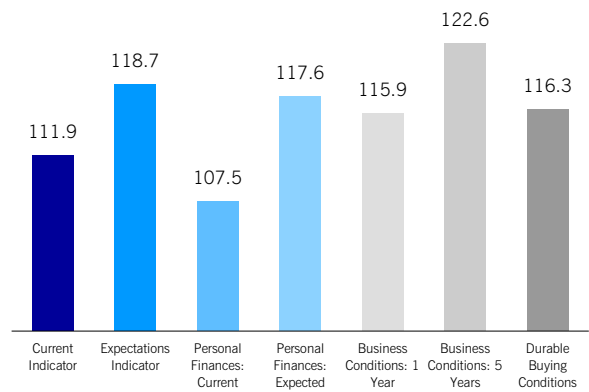
Consumer Indicator Components: North India



Consumer Indicator: South India

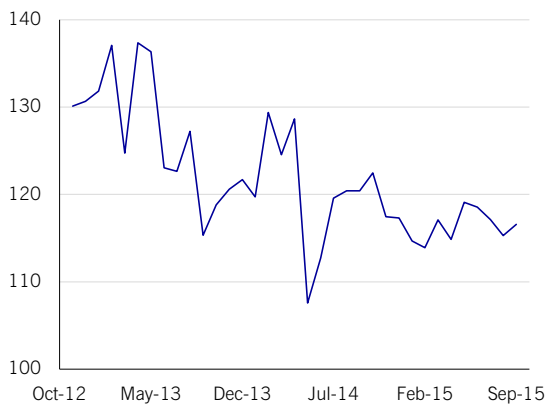


Consumer Indicator Components: South India

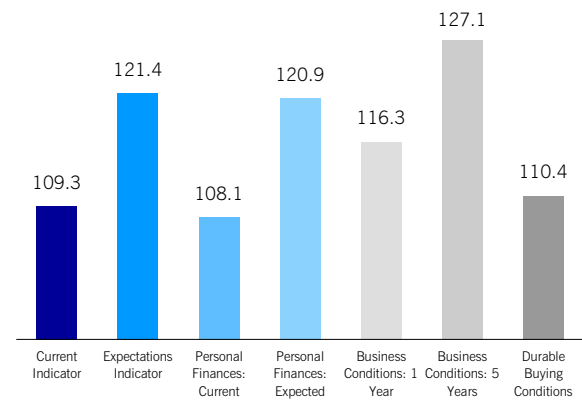




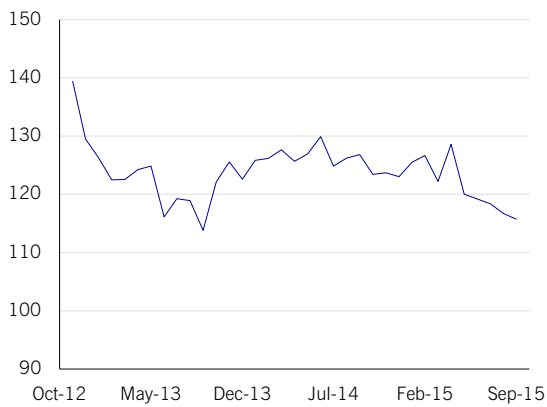
Consumer Indicator: East India



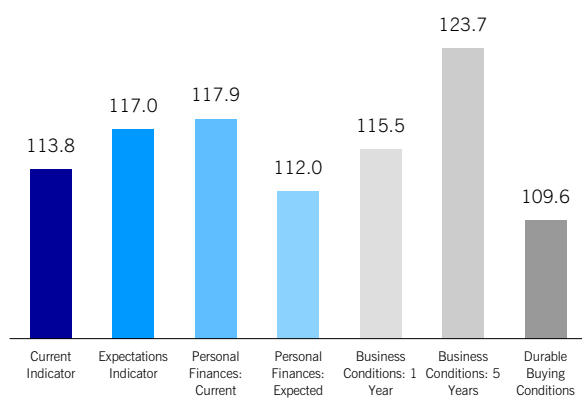
Consumer Indicator Components: East India



Consumer Indicator: West India

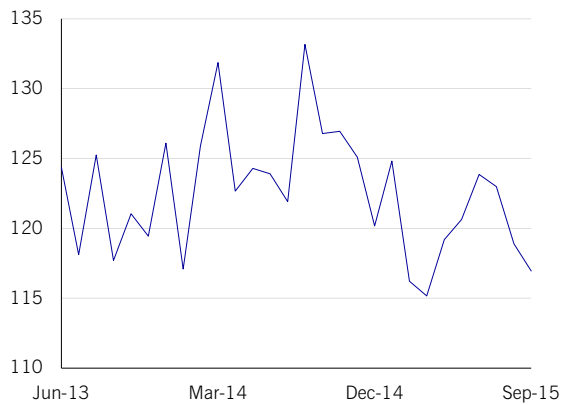


Consumer Indicator Components: West India

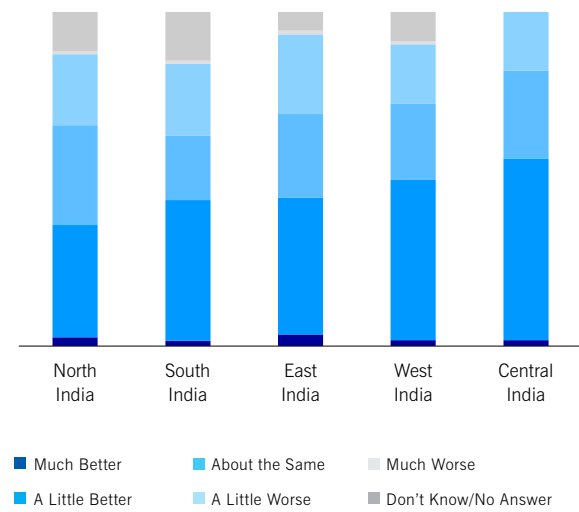




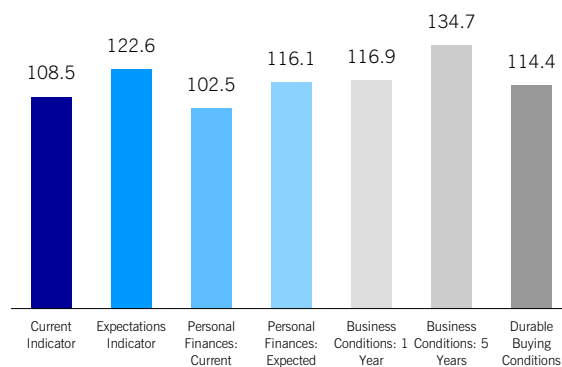
Consumer Indicator: Central India



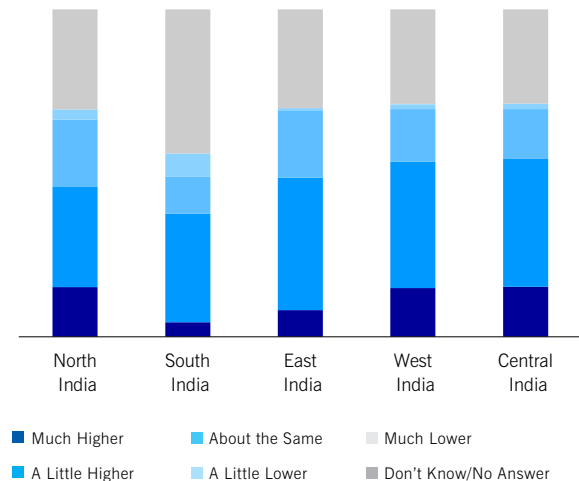
Employment Outlook for the Next 12 Months (% of Households)



Consumer Indicator Components: Central India

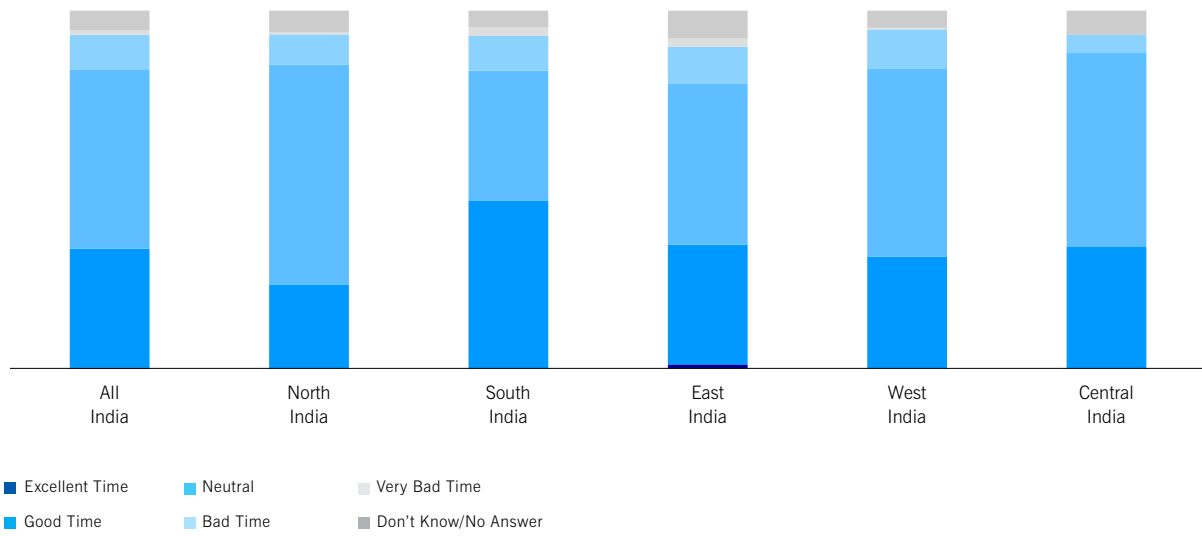


Interest Rate Expectations on House and Car Loans Indicator (% of Households)

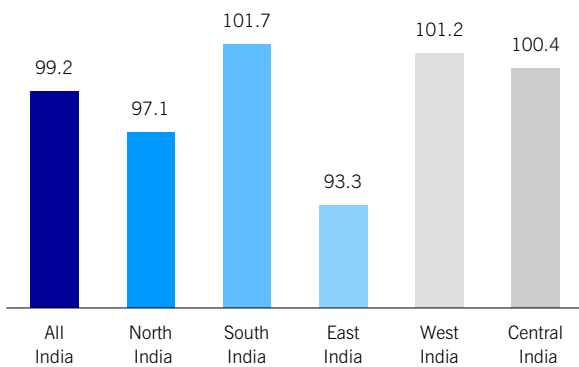




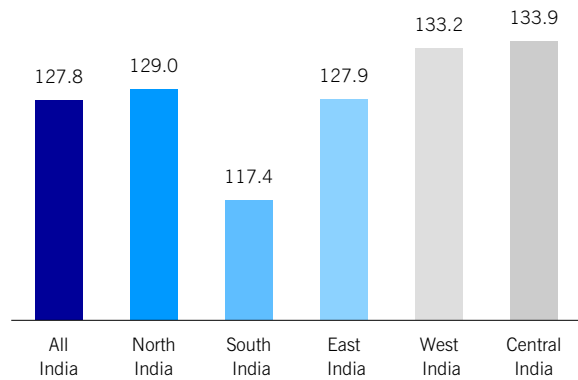
Is it a Good/Bad Time to Buy Large Household Goods? (% of Households)



Car Purchase Indicator - Regions



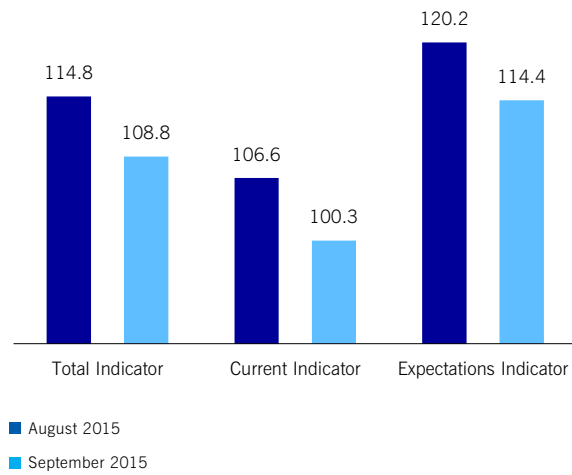
Interest Rates Expectations (% of Households)



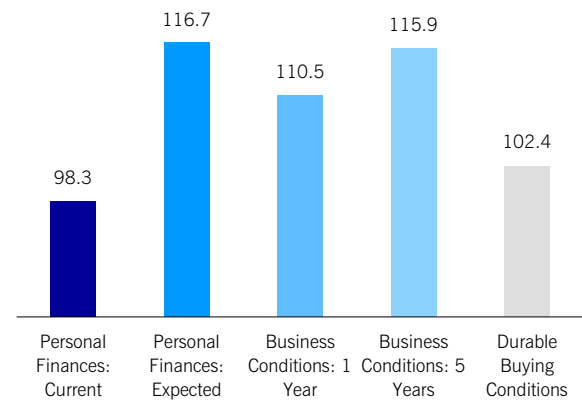
MNI India Consumer Indicator Income Groups



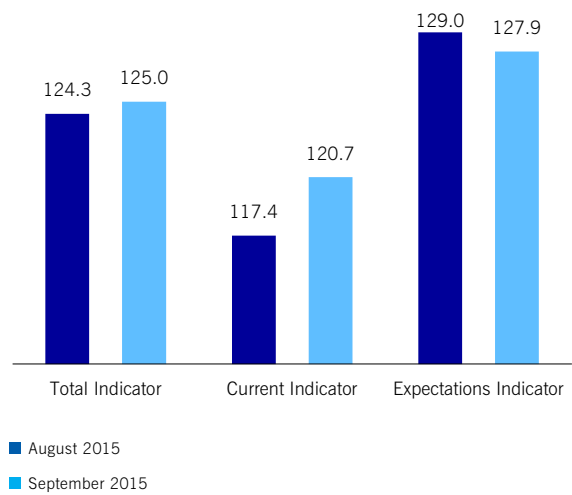
< Rs. 432,000 per annum



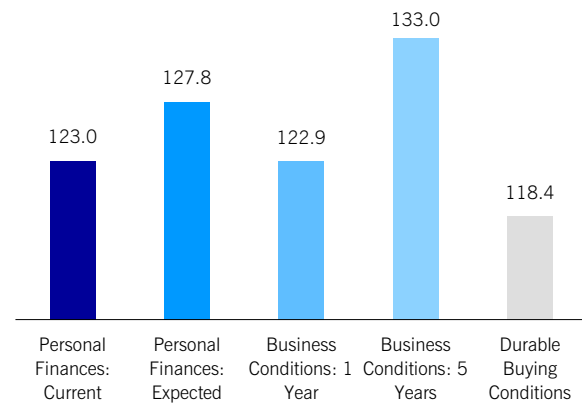
< Rs. 432,000 - Components



> Rs. 432,000 per annum



> Rs. 432,000 - Components



Consumer sentiment fell to a record low level among the lower income group in September...

...with Current Personal Finances and Expectations
for Business Conditions in Five Years hitting record
low levels.



Data Tables

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

North India Overview

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
North India Consumer Indicator	118.4	118.8	113.1	-	Sep-13	116.8	-5.7	-4.8%
Current Indicator	106.1	107.7	105.9	-	Jan-14	106.6	-1.8	-1.7%
Expectations Indicator	126.6	126.2	117.9	-	Jan-15	123.6	-8.3	-6.6%
Personal Finance: Current	107.2	111.5	105.0	-	Aug-13	107.9	-6.5	-5.9%
Personal Finance: Expected	121.4	120.8	116.1	-	Sep-13	119.4	-4.7	-3.9%
Business Condition: 1 Year	125.7	127.4	114.4	-	Jan-15	122.5	-13.0	-10.2%
Business Condition: 5 Years	132.7	130.3	123.2	-	May-15	128.7	-7.1	-5.5%
Durable Buying Conditions	104.9	103.9	106.8	May-15	-	105.2	2.9	2.7%
Current Business Conditions Indicator	108.0	106.7	106.5	-	May-15	107.1	-0.2	-0.2%
Stock Investment Indicator	112.5	-	133.3	May-15	-	81.9	133.3	0.0%
Real Estate Investment Indicator	116.2	116.5	114.6	-	Jan-15	115.8	-1.9	-1.7%
Car Purchase Indicator	83.9	93.6	97.1	Feb-15	-	91.5	3.5	3.8%
Employment Outlook Indicator	111.6	118.5	107.9	-	Nov-14	112.7	-10.6	-8.9%
Inflation Expectations Indicator	148.4	139.1	141.8	Jul-15	-	143.1	2.7	1.9%
Current Prices Satisfaction Indicator	88.7	87.7	84.9	-	May-15	87.1	-2.8	-3.2%
Interest Rates Expectations Indicator	128.7	132.7	129.0	-	Jul-15	130.1	-3.7	-2.8%

South India Overview

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
South India Consumer Indicator	119.0	125.1	116.0	-	Mar-15	120.0	-9.1	-7.3%
Current Indicator	110.5	114.8	111.9	-	Jul-15	112.4	-2.9	-2.6%
Expectations Indicator	124.7	132.0	118.7	-	series low	125.1	-13.3	-10.0%
Personal Finance: Current	103.8	111.4	107.5	-	Jul-15	107.6	-3.9	-3.6%
Personal Finance: Expected	118.9	123.8	117.6	-	Jun-15	120.1	-6.2	-5.0%
Business Condition: 1 Year	121.5	128.0	115.9	-	Feb-15	121.8	-12.1	-9.4%
Business Condition: 5 Years	133.6	144.1	122.6	-	Jul-13	133.4	-21.5	-14.9%
Durable Buying Conditions	117.1	118.2	116.3	-	May-15	117.2	-1.9	-1.6%
Current Business Conditions Indicator	109.4	116.4	107.7	-	Mar-15	111.2	-8.7	-7.4%
Stock Investment Indicator	-	116.7	94.9	-	series low	70.5	-21.8	-18.7%
Real Estate Investment Indicator	115.9	114.7	114.8	Jul-15	-	115.1	0.1	0.1%
Car Purchase Indicator	91.3	97.0	101.7	Apr-15	-	96.7	4.7	4.8%
Employment Outlook Indicator	123.2	127.6	110.9	-	Apr-15	120.6	-16.7	-13.1%
Inflation Expectations Indicator	131.4	135.8	132.8	-	Jul-15	133.3	-3.0	-2.2%
Current Prices Satisfaction Indicator	96.5	101.7	87.5	-	Aug-14	95.2	-14.2	-13.9%
Interest Rates Expectations Indicator	115.2	117.4	117.4	Oct-14	-	116.7	0.0	0.1%

East India Overview

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
East India Consumer Indicator	117.1	115.3	116.6	Jul-15	-	116.3	1.3	1.1%
Current Indicator	106.1	106.8	109.3	Jun-15	-	107.4	2.5	2.3%
Expectations Indicator	124.5	120.9	121.4	Jul-15	-	122.3	0.5	0.4%
Personal Finance: Current	108.3	109.7	108.1	-	Jan-15	108.7	-1.6	-1.4%
Personal Finance: Expected	119.7	119.2	120.9	Jun-15	-	119.9	1.7	1.5%
Business Condition: 1 Year	121.1	117.0	116.3	-	Apr-15	118.1	-0.7	-0.6%
Business Condition: 5 Years	132.7	126.7	127.1	Jul-15	-	128.8	0.4	0.4%
Durable Buying Conditions	103.9	103.9	110.4	May-15	-	106.1	6.5	6.3%
Current Business Conditions Indicator	108.5	113.0	114.2	Dec-14	-	111.9	1.2	1.1%
Stock Investment Indicator	133.3	133.3	-	-	-	-	-	-
Real Estate Investment Indicator	112.9	113.5	117.6	Apr-14	-	114.7	4.1	3.6%
Car Purchase Indicator	78.5	87.4	93.3	Mar-15	-	86.4	5.9	6.8%
Employment Outlook Indicator	119.7	125.5	110.8	-	Oct-14	118.7	-14.7	-11.7%
Inflation Expectations Indicator	144.0	144.5	143.4	-	Jun-15	144.0	-1.1	-0.7%
Current Prices Satisfaction Indicator	88.7	92.7	90.0	-	Jul-15	90.5	-2.7	-3.0%
Interest Rates Expectations Indicator	132.4	135.8	127.9	-	Jun-15	132.0	-7.9	-5.8%

West India Overview

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
West India Consumer Indicator	118.3	116.7	115.7	-	Sep-13	116.9	-1.0	-0.9%
Current Indicator	113.4	110.3	113.8	Apr-15	-	112.5	3.5	3.2%
Expectations Indicator	121.7	121.0	117.0	-	series low	119.9	-4.0	-3.3%
Personal Finance: Current	117.8	110.5	117.9	May-15	-	115.4	7.4	6.7%
Personal Finance: Expected	117.4	115.5	112.0	-	series low	115.0	-3.5	-3.1%
Business Condition: 1 Year	114.9	116.3	115.5	-	Jul-15	115.6	-0.8	-0.7%
Business Condition: 5 Years	132.7	131.3	123.7	-	series low	129.2	-7.6	-5.8%
Durable Buying Conditions	108.9	110.0	109.6	-	Jul-15	109.5	-0.4	-0.3%
Current Business Conditions Indicator	105.2	109.1	108.4	-	Jul-15	107.6	-0.7	-0.6%
Stock Investment Indicator	106.5	122.3	122.0	-	Jul-15	116.9	-0.3	-0.3%
Real Estate Investment Indicator	114.5	116.4	112.4	-	Nov-14	114.4	-4.0	-3.4%
Car Purchase Indicator	82.8	93.7	101.2	Feb-15	-	92.6	7.5	8.0%
Employment Outlook Indicator	119.9	122.0	115.9	-	Oct-14	119.3	-6.1	-5.0%
Inflation Expectations Indicator	140.9	135.4	135.5	Jul-15	-	137.3	0.1	0.1%
Current Prices Satisfaction Indicator	77.9	81.2	80.0	-	Jul-15	79.7	-1.2	-1.5%
Interest Rates Expectations Indicator	139.5	137.6	133.2	-	Mar-15	136.8	-4.4	-3.2%

Central India Overview

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Central India Consumer Indicator	123.0	118.9	116.9	-	Mar-15	119.6	-2.0	-1.6%
Current Indicator	108.3	109.7	108.5	-	Jul-15	108.8	-1.2	-1.1%
Expectations Indicator	132.8	125.0	122.6	-	Mar-15	126.8	-2.4	-1.9%
Personal Finance: Current	111.7	113.9	102.5	-	series low	109.4	-11.4	-10.0%
Personal Finance: Expected	120.8	115.7	116.1	Jul-15	-	117.5	0.4	0.3%
Business Condition: 1 Year	136.7	128.7	116.9	-	Mar-15	127.4	-11.8	-9.1%
Business Condition: 5 Years	140.8	130.6	134.7	Jul-15	-	135.4	4.1	3.2%
Durable Buying Conditions	105.0	105.6	114.4	Sep-14	-	108.3	8.8	8.4%
Current Business Conditions Indicator	116.7	114.8	113.6	-	Jun-15	115.0	-1.2	-1.1%
Stock Investment Indicator	133.3	150.0	-	-	-	-	-	-
Real Estate Investment Indicator	113.9	117.3	117.8	Oct-14	-	116.3	0.5	0.4%
Car Purchase Indicator	90.0	89.4	100.4	Feb-15	-	93.3	11.0	12.4%
Employment Outlook Indicator	132.5	122.2	119.5	-	Mar-15	124.7	-2.7	-2.2%
Inflation Expectations Indicator	131.7	133.3	139.8	Jun-15	-	134.9	6.5	4.9%
Current Prices Satisfaction Indicator	102.5	89.8	95.8	Jul-15	-	96.0	6.0	6.6%
Interest Rates Expectations Indicator	136.7	134.3	133.9	-	Apr-15	135.0	-0.4	-0.3%

All India - Overview by Age

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Age 18-34								
MNI India Consumer Indicator	122.9	121.9	118.6	-	Sep-13	121.1	-3.3	-2.7%
Current Indicator	112.0	110.8	114.1	May-15	-	112.3	3.3	3.0%
Expectations Indicator	130.2	129.3	121.6	-	series low	127.0	-7.7	-6.0%
Personal Finance: Current	113.9	109.9	114.1	Jun-15	-	112.6	4.2	3.8%
Personal Finance: Expected	124.2	124.0	118.1	-	series low	122.1	-5.9	-4.7%
Business Condition: 1 Year	126.8	128.1	117.8	-	Nov-14	124.2	-10.3	-8.0%
Business Condition: 5 Years	139.6	135.8	128.8	-	Jul-13	134.7	-7.0	-5.2%
Durable Buying Conditions	110.1	111.7	114.1	Apr-15	-	112.0	2.4	2.2%
Age 35-54								
MNI India Consumer Indicator	118.3	119.6	115.3	-	series low	117.7	-4.3	-3.6%
Current Indicator	108.5	110.7	108.1	-	Dec-14	109.1	-2.6	-2.4%
Expectations Indicator	124.7	125.5	120.1	-	Mar-13	123.4	-5.4	-4.3%
Personal Finance: Current	109.3	113.0	108.5	-	series low	110.3	-4.5	-4.0%
Personal Finance: Expected	119.3	119.5	117.9	-	series low	118.9	-1.6	-1.4%
Business Condition: 1 Year	121.3	121.5	117.6	-	Nov-14	120.1	-3.9	-3.3%
Business Condition: 5 Years	133.6	135.3	124.9	-	Mar-13	131.3	-10.4	-7.7%
Durable Buying Conditions	107.8	108.5	107.8	-	Jul-15	108.0	-0.7	-0.6%
Age 55-64								
MNI India Consumer Indicator	109.8	113.4	110.8	-	Jul-15	111.3	-2.6	-2.3%
Current Indicator	106.9	107.9	110.1	Jun-15	-	108.3	2.2	2.1%
Expectations Indicator	111.8	117.1	111.2	-	series low	113.4	-5.9	-5.0%
Personal Finance: Current	104.8	108.6	107.9	-	Jul-15	107.1	-0.7	-0.6%
Personal Finance: Expected	108.1	110.6	108.0	-	series low	108.9	-2.6	-2.3%
Business Condition: 1 Year	108.2	115.6	108.1	-	Sep-13	110.6	-7.5	-6.5%
Business Condition: 5 Years	119.0	125.0	117.4	-	Apr-13	120.5	-7.6	-6.1%
Durable Buying Conditions	109.1	107.3	112.4	Feb-15	-	109.6	5.1	4.8%

All India - Overview by Income

	Jul-15	Aug-15	Sep-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
< Rs. 432,000 per annum								
MNI India Consumer Indicator	119.3	114.8	108.8	-	series low	114.3	-6.0	-5.2%
Current Indicator	107.8	106.6	100.3	-	series low	104.9	-6.3	-5.9%
Expectations Indicator	126.9	120.2	114.4	-	series low	120.5	-5.8	-4.8%
Personal Finance: Current	106.8	107.8	98.3	-	series low	104.3	-9.5	-8.8%
Personal Finance: Expected	131.6	120.1	116.7	-	Jun-14	122.8	-3.4	-2.8%
Business Condition: 1 Year	119.9	114.7	110.5	-	Mar-13	115.0	-4.2	-3.7%
Business Condition: 5 Year	129.3	125.8	115.9	-	series low	123.7	-9.9	-7.8%
Durable Buying Conditions	108.9	105.4	102.4	-	Mar-15	105.6	-3.0	-2.9%
> Rs. 432,000 per annum								
MNI India Consumer Indicator	127.1	124.3	125.0	Jul-15	-	125.5	0.7	0.6%
Current Indicator	116.8	117.4	120.7	Jun-15	-	118.3	3.3	2.8%
Expectations Indicator	134.0	129.0	127.9	-	Jan-14	130.3	-1.1	-0.8%
Personal Finance: Current	120.5	123.0	123.0	Jun-15	-	122.2	0.0	0.0%
Personal Finance: Expected	127.2	125.2	127.8	Jun-15	-	126.7	2.6	2.1%
Business Condition: 1 Year	130.2	124.8	122.9	-	Mar-14	126.0	-1.9	-1.5%
Business Condition: 5 Year	144.5	137.0	133.0	-	Oct-13	138.2	-4.0	-3.0%
Durable Buying Conditions	113.1	111.7	118.4	Jun-15	-	114.4	6.7	6.0%

Methodology

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

Data is collected via telephone interviews. At least 1,000 interviews are conducted each month across the country. The survey has been in place since November 2012.

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

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

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

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



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