MNI India Business Report
May 2015

Insight and data for better decisions

MNI India Business Report
Methodology

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

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

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

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

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

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

Written and researched by
Philip Uglow, Chief Economist
Shaily Mittal, Economist
George Brown, Economist

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MNI Indicators | Deutsche Börse Group
Westferry House
11 Westferry Circus
London
E14 4HE
Tel: +44 (0)20 7862 7444
Email: info@mni-indicators.com

www.mni-indicators.com
@MNIIndicators
MNI Indicators

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Engagement

The two giants of Asia, China and India are very different in both cultural and economic aspects but share pressing current issues such as addressing economic growth, rampant corruption and environmental concerns.

The two most populous countries, China and India, together constitute about 37% of the world's population. These two giants of Asia are very different in both cultural and economic aspects but share pressing current issues such as addressing economic growth, rampant corruption and environmental concerns. Until now these two nations have been shy business partners with combined annual trade of mere US$70 billion. Today both countries have a strong leader at the helm, China's President Xi Jinping and India's Prime Minister Narendra Modi and a seemingly greater willingness to cooperate in ways that will benefit both.

On every economic measure, China is more developed than India. China's GDP per capita is more than three times higher than India's, life expectancy eight years longer, the adult literacy rate 50% greater, access to electricity higher by 33% and internet penetration more than double. These economic measures tell the same story: a less stable and not so business friendly government in India gave little incentive for China to engage actively with it.

Things have started to take a slightly different turn, with Chinese growth slowing considerably. In contrast, India is set to witness a period of high growth (this month's survey data aside) with the installation of a business-friendly government, keen on attracting investments and removing bureaucratic hurdles. India has a stronger demographic potential where its workforce is set to grow in relation to the overall size of its population base, whereas China is witnessing a decline in the size of its labour force driven by its one-child policy. It's highly likely that India will be able to sustain higher economic growth than China over the coming decades.

In China, Narendra Modi was received with great state pomp suggesting that it has started to acknowledge the importance of its chaotic and poor neighbour. The trip was accompanied by some grand announcements of co-operation. Narendra Modi and Xi Jinping have sought to strengthen commercial ties as well as ease tensions over the disputed 4000 km Himalayan border. China had already promised $20bn of infrastructure during Mr Xi's visit to India last year and deals worth another $22bn were signed on Modi's trip to China. The announcements have started to become a reality. Airtel, the biggest telecom operator in India, already announced $2.5bn of financing from the China Development Bank and the Industrial and Commercial Bank of China. China seems to be acknowledging that investments into India are a great way to benefit from its growth potential, an idea that until now was seen remote. China is India's biggest trading partner, but the figure is worryingly skewed, with annual imports from China offsetting exports by almost $48bn. Seeking investment from China is one way of plugging the hole which also offers a great business opportunity for China. Investments from China can be used for developing Indian infrastructure and manufacturing, which desperately needs modernisation. Similarly, Indian software giants and pharmaceutical companies can explore setting up operational bases in China.

The countries have also found a common ground in building alternatives to Western-dominated financial institutions through the BRICS Development Bank headquartered in Shanghai, where an Indian banker is the first chief and China's Asian Infrastructure Investment Bank where India is also a founding member.

The two nations have individual strengths but it is their combined resources and talents which have the potential to drive regional and global growth and make this truly an Asian century.

Shaily Mittal
@ShailyMittal
Economist
MNI Indicators

Executive Summary

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE listed companies, fell by 2.5% to 62.3 in May from 63.9 in April.

Sentiment towards the current business environment and expectations for the future are now both back to pre-Modi levels in a blow to the government as it completes its first year in office.

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE listed companies, fell by 2.5% to 62.3 in May from 63.9 in April. The fall in business sentiment left it at the lowest level since April 2014 and in hand with declines in output and orders points to a significant deterioration in business activity. Overall sentiment has reacted positively to the two cuts to benchmark interest rates this year from the Reserve Bank of India, although their impact has proved temporary.

Companies reported a significant weakening in both domestic and export orders. New Orders fell sharply to 57.1, the lowest since May 2013, while Export Orders declined to 53.6, the weakest since June 2013. The recent weakening of the rupee has yet to have any impact on overseas demand. In contrast, firms saw the weakness of the currency as a negative with adverse implications for business in May. The indicator which measures the Effect of the Rupee Exchange Rate fell to a four-month low of 45.2 in May, with companies concerned about the increased cost of imports.

Inflationary pressures continued to pick-up in May as a growing number of companies paid higher prices for their inputs following the depreciation in the rupee. The Input Prices Indicator rose to 58.6 in May from 55.9 in April. Even though Input Prices were 5.8% down on the year, they have risen rather quickly since their downfall over the past year. However, intense competition and subdued consumer sentiment have prevented many companies from raising the prices of their goods and services for a considerable time.

There was a sharp fall in the number of firms reporting an expansion in output in May, dashing hopes of the manufacturing revival envisioned by the government. The Production Indicator fell by 8.1% to 57.5 in May from 62.6 in April, putting the indicator 4.6% below the series average.

Companies continued to run down their existing stock in May, while the time taken for their suppliers to deliver key inputs fell to the shortest level in the survey's history. Our panel reported that delivery times had shortened to a series low of 48.6 from 48.9 in April.

The Interest Rates Paid Indicator has fallen dramatically since the start of the year as the RBI initiated a monetary easing cycle, although availability of credit has been more or less stable as commercial banks show reluctance to fully pass on the benefits of lower key repo rate. The Interest Rates Paid Indicator remained below the 50 mark at 44.2 in May. Companies were optimistic in their outlook for credit availability over the coming three months but less so in May as the Expectations Indicator fell for the fourth consecutive month to 58.2 from 59.7 in April, substantially below the outturn of 63.0 seen in May 2014.

Overview

	Mar-15	Apr-15	May-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	63.0	63.9	62.3	-	Apr-14	63.1	-1.6	-2.5%
Future Expectations	74.9	72.6	74.2	Mar-15	-	73.9	1.6	2.2%
Production								
Current Conditions	59.3	62.6	57.5	-	Jul-13	59.8	-5.1	-8.1%
Future Expectations	69.9	67.9	68.4	Mar-15	-	68.7	0.5	0.7%
New Orders								
Current Conditions	59.2	61.4	57.1	-	May-13	59.2	-4.3	-7.0%
Future Expectations	69.4	71.2	69.4	-	Feb-14	70.0	-1.8	-2.5%
Export Orders								
Current Conditions	57.3	56.8	53.6	-	Jun-13	55.9	-3.2	-5.6%
Future Expectations	68.2	61.1	63.1	Mar-15	-	64.1	2.0	3.3%
Productive Capacity								
Current Conditions	54.4	59.0	54.7	-	Mar-15	56.0	-4.3	-7.3%
Future Expectations	62.4	66.2	65.0	-	Mar-15	64.5	-1.2	-1.8%
Order Backlogs								
Current Conditions	48.5	45.9	46.5	Mar-15	-	47.0	0.6	1.3%
Future Expectations	47.8	49.2	46.2	-	Feb-14	47.7	-3.0	-6.1%
Employment								
Current Conditions	50.4	50.6	50.5	-	Mar-15	50.5	-0.1	-0.2%
Future Expectations	52.0	52.6	52.2	-	Mar-15	52.3	-0.4	-0.8%
Inventories								
Current Conditions	46.9	48.6	48.7	Dec-14	-	48.1	0.1	0.2%
Future Expectations	45.1	47.2	45.9	-	Mar-15	46.1	-1.3	-2.8%
Input Prices								
Current Conditions	53.2	55.9	58.6	Oct-14	-	55.9	2.7	4.8%
Future Expectations	53.6	55.7	55.0	-	Mar-15	54.8	-0.7	-1.3%
Prices Received								
Current Conditions	50.1	52.1	51.5	-	Mar-15	51.2	-0.6	-1.2%
Future Expectations	53.2	55.6	55.5	-	Mar-15	54.8	-0.1	-0.2%
Financial Position								
Current Conditions	65.4	67.0	65.8	-	Mar-15	66.1	-1.2	-1.8%
Future Expectations	73.2	72.4	73.5	Feb-15	-	73.0	1.1	1.5%
Interest Rates Paid								
Current Conditions	45.9	43.6	44.2	Mar-15	-	44.6	0.6	1.4%
Future Expectations	37.7	38.5	43.1	Nov-14	-	39.8	4.6	11.9%
Effect of Rupee Exchange Rate								
Current Conditions	49.2	48.8	45.2	-	Jan-15	47.7	-3.6	-7.4%
Future Expectations	51.4	51.1	48.3	-	Mar-14	50.3	-2.8	-5.5%
Supplier Delivery Times								
Current Conditions	50.8	48.9	48.6	-	series low	49.4	-0.3	-0.6%
Future Expectations	50.0	49.6	49.0	-	Jun-13	49.5	-0.6	-1.2%
Availability of Credit								
Current Conditions	56.8	59.9	57.7	-	Mar-15	58.1	-2.2	-3.7%
Future Expectations	59.8	59.7	58.2	-	Feb-14	59.2	-1.5	-2.5%

Consumer price inflation eased to a four-month low in April...

...while industrial production eased in March, raising chances of another rate cut by the RBI at the upcoming monetary policy meeting.

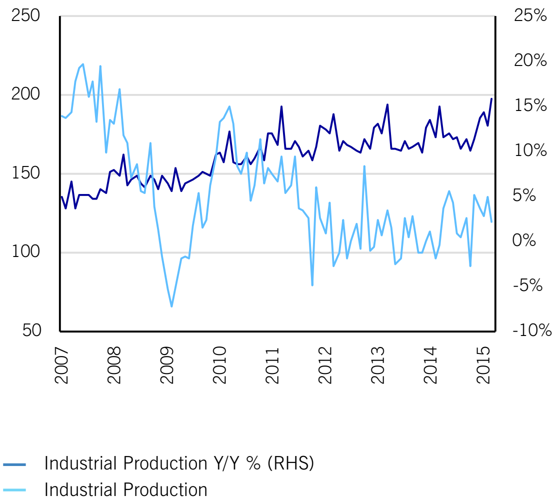
Economic Landscape

Given that commercial banks have partially lowered their lending rates, the dip in retail inflation below 5% and lacklustre industrial production growth suggest that the likelihood of a rate cut at the June review of monetary policy is high.

Latest Indian economic data has been disappointing. Industrial output expanded at the slowest pace in five months in March which resulted in growth of 2.8% in the fiscal year 2014-15. Although this is an improvement from last year's contraction, recovery in production as a whole has been slow. More severe is the slowdown in exports, which contracted for the fifth consecutive month in April due to less demand from key trade partners, decline in crude oil prices and volatility in the rupee. Even domestic demand remained fragile as imports declined by 7.5% on the year.

While the interest rate cuts by the Reserve Bank of India earlier this year have been positive for business sentiment, its impact has been short-lived. Given that commercial banks have partially lowered their lending rates, the dip in retail inflation below 5% after a gap of three months and lacklustre industrial production growth suggest a high likelihood of a rate cut at the June review of monetary policy.

Industrial Production



Source: Central Statistics Office

Output expands at the slowest pace in five months

Industrial production expanded by 2.1% on the year in March following an increase of 4.9% (revised down from 5% previously) in February, partly owing to base effects. Industrial production saw a growth of 2.8% in FY15 compared with a contraction of 0.1% in FY14. The improvement in industrial production is to be welcomed but it remains weak. Moreover, growth was boosted by electricity output which grew by 8.4% in FY15 compared with 6.1% growth in FY14. Manufacturing growth also revived to 2.3%, albeit coming on a weak base (-0.8% in FY14) signalling that production remains fragile.

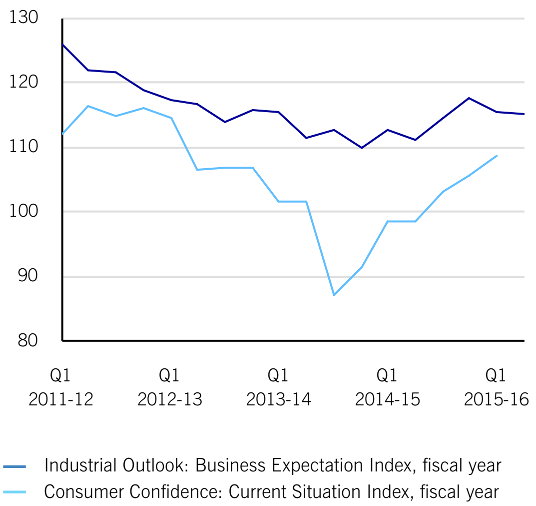
According to use based classification, basic goods saw growth of 6.9% while consumer goods saw a decline of 3.4% in FY15 compared with a fall of 2.8% in FY14, indicating that consumption demand remains feeble. Turning to the core sector (accounting for 40% of IIP), growth eased to 3.5% in FY15 from 4.2% in FY14. Coal and electricity production have been the front runner growing by 8.2% and 8% in FY15 respectively. However, slower growth in petroleum refinery products (0.4% in FY15), steel (0.5%) and contraction in natural gas production (-5.2%) curtailed overall growth in the core industry.

In terms of quarters, there was an uptick in production growth to 3.2% in Q4FY15 from 2% in Q3FY15, also a marked improvement from contraction of 0.4% in Q4FY14.

The slowdown in industrial production in March was led by manufacturing, which comprises around 75% of overall output. Manufacturing output grew by 2.2% on the year after increasing by 5.2% in the previous month. In March, 13 of the 22 industry groups within the manufacturing sector expanded with 'Furniture' witnessing the largest growth of 34% followed by a 18.2% expansion in 'Electrical machinery and apparatus'. While favourable base effects will prop up growth rates from next month, weakness in the rupee and the recovery in both the US and EU should also support export oriented manufacturing sectors in the following months.

Mining output grew by 0.9% on the year in March compared with growth of 1.9% (revised from 2.5%) in February. Output of consumer durables, a measure of consumer demand, continued to be a drag on industrial production as it contracted for the tenth consecutive month by 4.7% on the year. Capital goods output, a proxy for investment, rose by 7.6% on the year compared with 8.5% (revised down from 8.8% previously) in

RBI Business and Consumer Sentiment



Source: Reserve Bank of India

February. This was the fifth consecutive rise, in spite of an unfavourable base effect.

The sluggish pace of domestic demand and weak export demand has weighed on overall industrial production. However, firmer growth is expected in April with a favourable base effect coming into play.

RBI Industrial Outlook remains broadly unchanged

The RBI's Industrial Outlook Survey showed that the Business Expectation Index (BEI), a gauge of manufacturing business sentiment, remained broadly stable at 115.2 in the quarter ending June 2015 compared with 115.6 in the quarter ending March and was above the outturn of 111.1 recorded a year earlier. Companies expected to receive fewer domestic and overseas orders and hence revised down their outlook for production and employment. This was largely offset by lower expectations about the cost of raw materials and finance.

Manufacturing companies witnessed an improvement in demand during the January-March quarter to 106.7 from 104.6 in the previous quarter, the highest since June 2012. The improvement for the assessment quarter was mainly due to improved optimism in production, order books, capacity utilisation, employment, financial situation, availability of finance coupled with reduced pessimism in cost of finance, cost of raw materials and profit margin.

More up-to-date monthly data from the MNI India Business Sentiment Survey has shown the pace of growth in business confidence has eased in recent months. In May, the MNI India Business Sentiment Indicator fell to the lowest in more than a year while other key parameters like production, new orders and availability of credit also eased significantly.

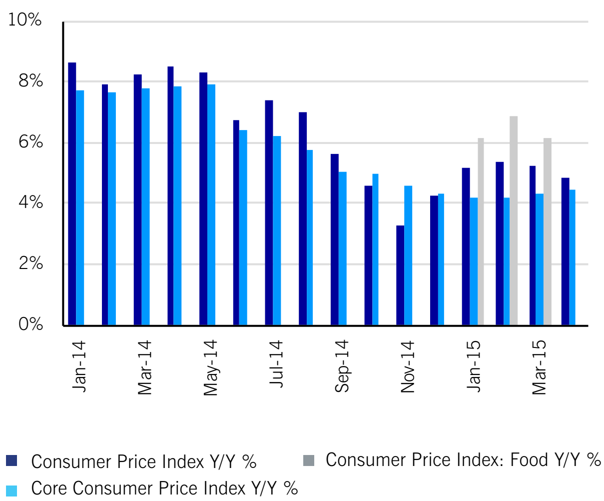
RBI Consumer Confidence improves in March

The RBI's Consumer Confidence survey showed that the Current Situation Index (CSI), an assessment of consumer sentiment, remained buoyant in the quarter ending March at 108.6, up from 105.5 in the quarter ending December. This was markedly above the 98.6 recorded in the quarter ending March a year earlier.

Respondents had positive expectations about future economic conditions and spending as the Future Expectations Index, which measures the year-ahead outlook, accelerated to 126.7 in March from 118.3 in the quarter ending December.

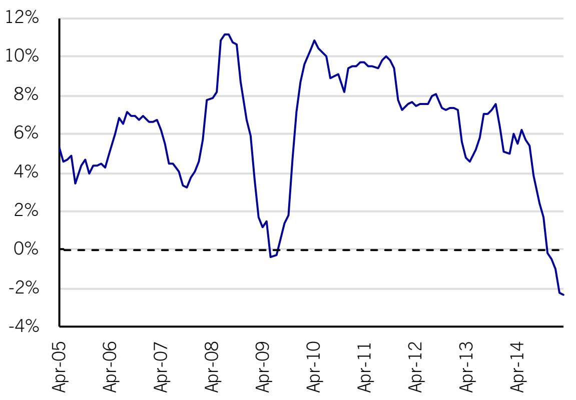
Current economic conditions compared to one year ago have shown an improvement in the last four rounds of the survey with the net response rising from 1.6 to 15.8

Consumer Inflation



Source: Central Statistics Office

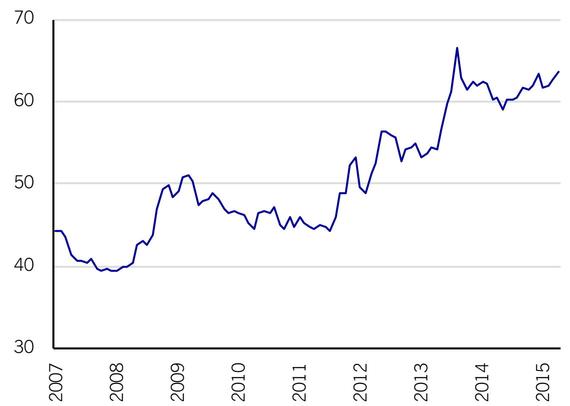
Wholesale Inflation



— Wholesale Price Index Y/Y%

Source: Office of the Economic Advisor, India

Rupee Exchange Rate



— Indian rupee versus US dollar, end of period

Source: Reserve Bank of India

in the quarter ending March. Also, positive perceptions on future economic conditions, which were declining in the last three rounds, have shown a turnaround in this quarter with the net response rising to 40.4 from 34.1 in the previous quarter.

The employment outlook worsened in the March quarter compared with the previous quarter but still more than 50% of respondents expected an improvement in the employment situation one year ahead. Regarding price levels and inflation, current sentiment showed improvement while perceptions on future price levels and inflation deteriorated.

More up-to-date monthly data from the MNI India Consumer Sentiment Survey has shown confidence rising gradually in 2015, although still down on the year. In April, the MNI India Consumer Sentiment Indicator rose to a six-month high, driven by higher willingness to spend, household finances and stronger expectations for future business conditions.

Inflation eases in April

Consumer price inflation eased to a four month low of 4.9% compared with 5.3% (revised up from 5.2% previously) in March. Food price inflation fell to 5.1% on the year compared with 6.1% in the previous month despite the crop damage caused by excess rainfall over large parts of the country. Core inflation picked up slightly to 4.3% in April after remaining stable at an average of 4.2% in the January to March period.

Following the rise in crude oil prices in April, retail prices of petrol and diesel were revised upwards at the beginning of May 2015 and this is expected to have a lagged pass through into retail fuel prices and push up overall inflation next month. Moreover it is forecasted that monsoon rains will be below normal this year, a second consecutive weak year, which will hit agricultural output and farmers adversely. Already unseasonal rains, strong winds and hailstorms in March have damaged the winter crop but its impact on inflation has yet to be seen. However, contingency plans are being put in place by the government to provide adequate buffer stocks to keep inflationary pressures contained. The RBI expects consumer inflation to stay at current levels in the April-June quarter, helped by weak oil and food prices, but to rise to 5.8% by the end of the year.

The previously targeted measure of inflation, based on the Wholesale Price Index, fell for the sixth consecutive month to a new record low of -2.7% in April from -2.3% in March. The slowdown mainly reflects significant global commodity disinflation in fuel and manufactured goods. Food inflation also eased to a four-month low of 5.7% while fuel inflation decelerated at a faster rate.

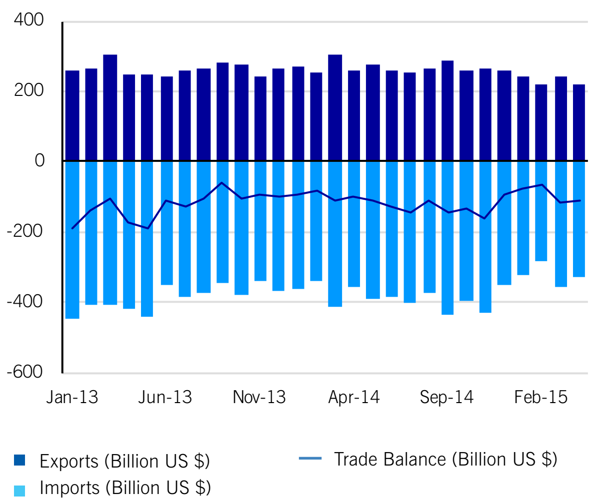
Repo rate retained at 7.5%

In line with consensus expectations, the RBI chose to keep the repo rate unchanged at 7.5% on April 7 following an inter-meeting cut of 25 basis points just over a month ago. Inflation was forecast to increase to around 5.8% by the end of the year, in line with the 6% target. Thereafter the RBI will be targeting 4% inflation by the end of 2017-18.

The RBI said it would keep monetary policy accommodative and left the door open for additional easing should conditions warrant it. Critically the RBI wanted to see the transmission of the January and February rate cuts which the banks had not yet passed on before easing policy further. Even though the RBI has cut the repo rate by 50 basis points since January, Indian banks have trimmed their lending rates marginally in order to boost profitability. HDFC, India's largest housing finance company, has cut rates by just 15 basis points while ICICI has reduced by 25 basis points. The RBI also said that if would be vigilant to any threats to the current disinflationary trend from developments in the food sector and also weather disturbances, although added that it would look through seasonal and base effects. The RBI reiterated that there were risks to inflation due to supply side issues but these were likely to be compensated for by global disinflationary tendencies, soft commodity prices and slack in the domestic economy. The RBI would also be watchful in terms of the normalisation of US monetary policy, although added that it felt India was "better buffered" against likely volatility than in the past.

The central bank expects GDP to expand by 7.8% in the 2015-16 fiscal year compared with 7.5% in the previous year. Even though banks have not lowered their lending rates as much as the cut in the key repo rate, we expect the RBI to ease monetary policy further at the upcoming meeting on June 2 given the dip in retail inflation below 5% and lacklustre industrial production growth.

Trade Balance



Source: Ministry of Commerce and Industry

Exports contract for the fifth consecutive month

India's trade deficit eased to $11 billion in April after rising to a four month high of $11.8 billion in March, although was 9% above the $10.1 billion shortfall recorded in April a year earlier.

Exports were down 14% on the year to $22 billion in April from $24 billion in March, owing to the global slowdown, crude oil price decline and volatility in the rupee. The main exporting sectors, including petroleum products, gems, jewellery and yarn and fabrics reported negative growth in April. The recent depreciation of the rupee against the dollar is expected to reverse some of this decline by making Indian exports competitive even as demand remains fragile in key trade partners. Imports declined by 7.5% on the year to $33 billion in April due to lower gold and silver imports which fell from $5 billion in March to $3.1 billion in April. Gold imports in March were elevated as the 80:20 rule was abandoned as well as ahead of Akshaya Tritiya festival month where buying gold is considered auspicious. Crude oil imports were largely unchanged at $7.4 billion indicating the recent bounce back in crude price did not percolate through.

The fiscal year ended with total exports of $310 billion, missing the $340 billion target, while imports contracted by 0.6% during the year, leaving a trade deficit of $137 billion, slightly higher than the previous year's $135 billion. With exports growth slowing, the government recently announced a five year plan to raise exports to $900 billion by 2020 and raise India's share in world exports from 2% to 3.5%.

Government contains fiscal deficit at 4% in 2014-15

The government managed to contain its fiscal deficit at 4% of GDP in 2014-15, even lower than the target of 4.1%. In the FY15, the government budget deficit stood at Rs. 5.02 trillion, which was 98% of the projected figure and lower than last year's deficit of Rs. 5.03 trillion. Government receipts totalled Rs. 11.43 trillion, higher than Rs. 10.57 trillion a year earlier. Out of this, net tax receipts were Rs. 9.02 trillion, above last year's Rs. 8.16 trillion. Total expenditure was Rs. 16.45 trillion compared with Rs. 15.59 trillion a year earlier. Revenue deficit was 2.8% of the GDP as against the revised estimate of 2.9% of GDP, marking a sharp improvement over 3.2% for 2013-14.

For 2015-16, the government aims to contain the fiscal deficit at 3.9% of the GDP, above the 3.6% target inherited from the last government and target 3% a year later than planned earlier, unlocking funds for investments for infrastructure development and social welfare programmes.

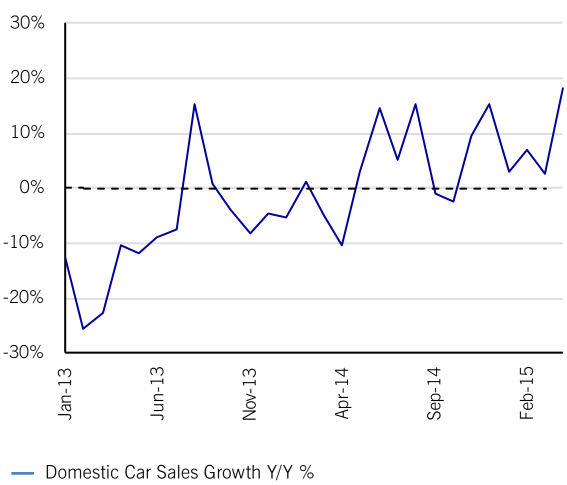
Foreign exchange reserves at record high level

India's foreign exchange reserves rose by $1.7 billion to $353.9 billion in the week to May 15. According to the RBI's weekly statistical supplement, foreign currency assets, the biggest component of foreign exchange reserves, rose by $1.7 billion to $329.1 billion while the value of India's gold reserves remained unchanged at $19.9 billion in the week ending May 15. The RBI has been building reserves to absorb any future global financial shock when the US eventually raises interest rates.

Foreign investors have poured money into the Indian economy amid expectations of an economic recovery, falling interest rates and improving earnings outlook. They have invested nearly $776 billion in Indian capital markets so far in 2015 amid hopes of a turnaround in activity. However in May, investors pulled out nearly $170 billion amid taxation worries.

The Indian rupee lost 1.5% against the dollar last month, wiping out the first quarter's 0.9% advance, and it fell another 1.2% to 64.05 a dollar in early May. The reasons for sell-off include rising crude oil prices, fading confidence in Prime Minister Narendra Modi and the confusion over taxation. Though a weak rupee may benefit India, making its exports competitive, a falling rupee is likely to erode the returns on investment made by overseas investors.

Car Sales



Source: Society of Indian Automobile Manufacturers

Car sales accelerate in April

Car sales in India jumped by 18.1% on the year in April following growth of 2.6% in March. The acceleration in sales was due to favourable base affects as last year sales dipped by more than 10% in April. Note that on a monthly basis, the picture was less optimistic with sales contracting by 9.4% following growth in the previous three months.

We witnessed higher demand in 2014 as car sales saw growth of 2.5% to 1.85 million units compared with a contraction of almost 10% a year earlier as the government had temporarily lowered excise taxes while consumers also benefited from a reduction in fuel prices in 2014.

Sales of commercial vehicles grew by 6.5% on the year in April from 2.1% on the year in March, helped by base effects. On the month, sales were down by almost 30%, owing to a seasonal trend. The industry, though, remained cautious due to a weakening in rural sales which saw a contraction of 0.2% in two wheeler sales on the year in April following a contraction of 0.8% in March. Within two-wheelers, sales of scooters grew by

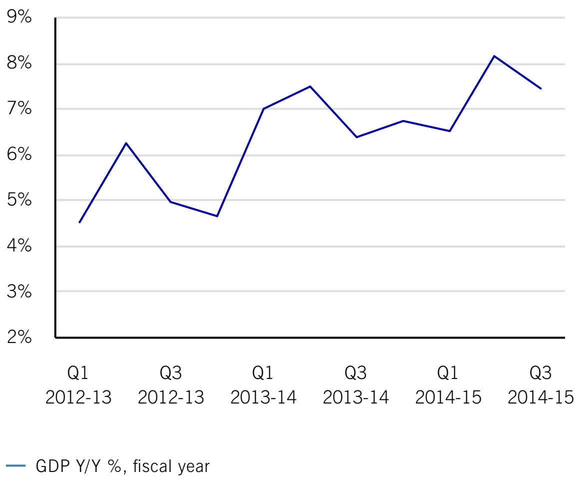
GDP Growth in Expenditure Terms (Market Prices)

2013-14	Old	New	Change
Private Consumption	4.8%	6.2%	1.4%
Government Consumption	3.8%	8.2%	4.3%
Gross Capital Formation	-	-4.0%	-
Gross Fixed Capital Formation	-0.1%	3.0%	3.1%
Exports	8.4%	7.3%	-1.2%
Imports	-2.5%	-8.4%	-5.8%
GDP at Market Prices	5.0%	6.9%	1.9%

Contribution to GDP Growth

	2013-14	2012-13
Private Final Consumption Expenditure	3.9%	2.6%
Government Final Consumption Expenditure	1.0%	0.2%
Gross Capital Formation	-1.6%	0.8%
Net Exports	4.8%	-0.2%
Discrepencies	-1.2%	1.7%

Economic Growth



Source: Central Statistics Office

5.4% on the year, the slowest growth in more than two years, while sales of motorcycles contracted for the seventh consecutive month by 2.8% on the year.

The two cuts in interest rates by the RBI might help the car industry recover but since financing rates are still high, we expect automobile demand to remain sluggish.

The Budget announced the rationalisation of duties, which saw the basic excise rate on smaller vehicles go up from 12.36% to 12.5%. The additional burden brought on by this is likely to be marginal and many car manufacturers indicated that they may absorb this and not pass it on to consumers immediately. In addition, there is an effective excise reduction on larger vehicles which will lead to a small price benefit which may be passed on to customers.

Rewriting history

Following the release of revisions up to fiscal year 2013-14, the Central Statistics Office released data for the Oct-Dec quarter and revisions to the previous two quarters. GDP growth is estimated to have eased to 7.5% in the Oct-Dec quarter from a revised 8.2% in Jul-Sep (up from 6% previously). Growth in Apr-Jun was also revised higher, to 6.5% from 5.9%. Under the new methodology, the government's advance estimate pegged fiscal year 2014-15 growth at 7.4%, 100 basis points lower than the central bank's growth estimates. Imputing the last quarter of the fiscal year from the advance estimate, implies a growth rate of at least 7.3% which looks optimistic given the weakness seen in both the MNI business and consumer surveys and also in the official industrial production and corporate earnings growth.

Changes to the way that the GDP data is compiled suggest that India's economic performance was much better than previously estimated. There were three key changes to the calculation method. Firstly, the base year was updated to 2011-12 from 2004-05 previously. Secondly, India will now follow international norms by calculating GDP at market prices rather than factor cost. The latter method, which was the convention until now, included production subsidies and excluded taxes on production. Finally, GDP will now include under-represented and informal sectors and items such as smart phones and LED television sets.

The revisions to growth are quite staggering and unsurprisingly raise questions about the credibility of the data. We are now told that growth in real GDP at market prices was revised up from 4.7% to 5.1% in 2012-13 and from 5% to 6.9% in 2013-14. The previous value added measure was revised up to 4.9% in 2012-13 from 4.5% previously, and in 2013-14 was revised up to 6.6% from 4.7%.

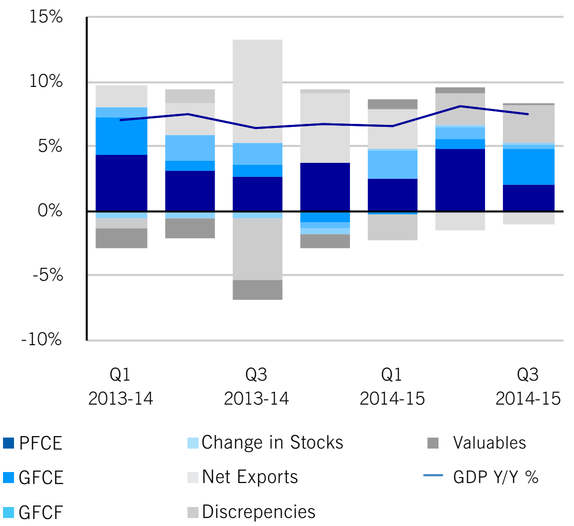
The new estimates of growth in 2013-14 don't sit well with other indicators during the period with trade data pointing to slower domestic demand and survey evidence pointing to a significant weakening. Our own business survey suggests that India bottomed out in April 2013 in line with slower growth of 4.7% in the three months to March 2013 and has subsequently picked up, although this doesn't quite justify the staggering growth rate of almost 7% in the previous year. Modi's 'Make in India' campaign received an instant boost with growth in industry revised up sharply.

Manufacturing saw massive upward revisions to growth from 1.1% to 6.2% in 2012-13 and -0.7% to 5.3% in 2013-14. The sector is now said to account for 17.3% of the economy compared with 12.9% previously. Mining, too, was revised up from -2.2% to -0.2% and -1.4% to 5.4%.

Growth in 2013-14 was still primarily due to the service sector, which contributed 4.5 percentage points to GDP growth, higher than the 3.9 percentage points reported previously. Still, as the percentage share of manufacturing in Gross Value Added was revised up, the share of services was revised down to 59.6% from 64.8% previously.

In 2013-14, on an expenditure basis, personal consumption added 3.9 percentage points to growth, having contributed 2.6 percentage points in the previous year, while net exports contributed 4.8 percentage points to GDP growth, having subtracted 0.2 percentage point previously. Investment was a drag on GDP growth, subtracting 1.6 percentage points after adding 0.8 percentage point in the previous year.

Contribution to GDP Growth



Source: Central Statistics Office

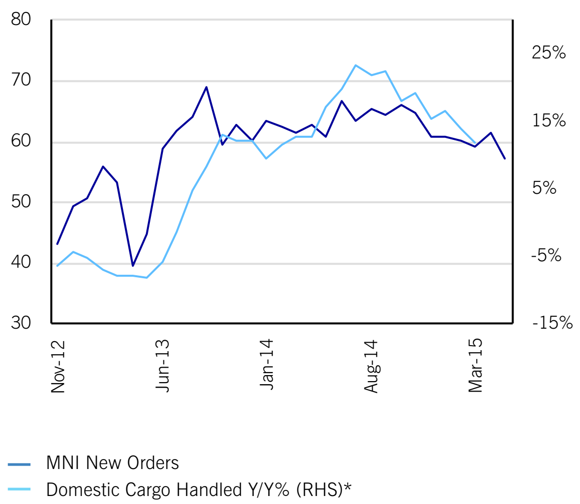
Key Monthly Economic Data

	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Wholesale Price Index (Y/Y %)	-0.2	-0.5	-0.9	-2.2	-2.3	-2.7	-
Industrial Production (Y/Y %)	5.2	3.6	2.8	4.9	2.1	-	-
Car Sales (Y/Y %)	9.5	15.3	3.1	6.9	2.6	18.1	-
Trade Balance (Billion US $)	-16.3	-9.2	-7.8	-6.4	-11.8	-11.0	-
Exports (Billion US $)	26.4	26.0	24.3	21.8	24.0	22.1	-
Imports (Billion US $)	42.7	35.2	32.2	28.2	35.7	33.0	-
MNI India Business Sentiment Indicator	68.9	68.4	64.2	66.2	63.0	63.9	62.3
MNI India Consumer Sentiment Indicator	120.9	119.6	120.4	121.2	118.5	122.1	-

Correlation Charts

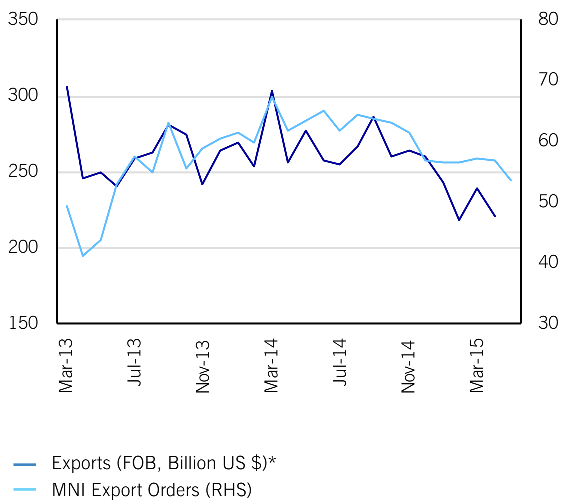
Our Indicators Closely Track Official Data

New Orders



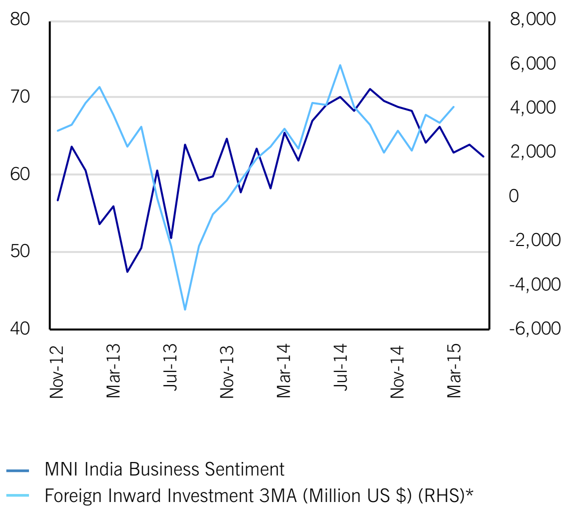
Source: *Airports Authority of India

Export Orders



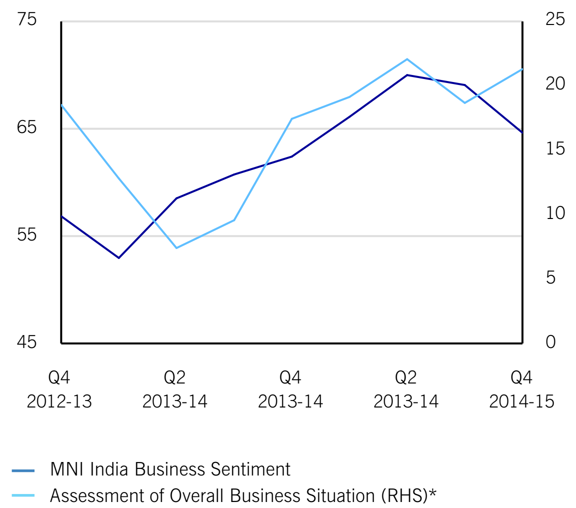
Source: *Ministry of Commerce and Industry

Business Sentiment and Foreign Inflows



Source: *Reserve Bank of India

Business Sentiment



Source: *Reserve Bank of India

Indicators

Sentiment towards the current business environment and expectations for the future are now both back to pre-Modi levels in a blow to the government as it completes its first year in office.

MNI India Business Indicator
Lowest Since April 2014

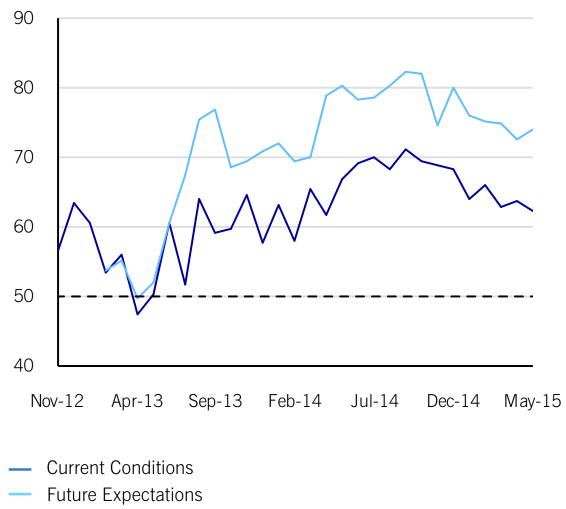
Sentiment towards the current business environment and expectations for the future are now both back to pre-Modi levels in a blow to the government as it completes its first year in office.

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE listed companies, fell by 2.5% to 62.3 in May from 63.9 in April. Manufacturing and construction companies were less confident about business conditions in May, although more companies in the service sector reported that the business environment had improved which may been due in part to the survey period coinciding with the beginning of the school summer holiday break.

Aside from overall business sentiment, key activity metrics including Production, New Orders and Export Orders were also down on the year. The improvement seen in Production and New Orders after the new government was formed last year has subsided. Demand from abroad continued to act as a dampener with the Export Orders Indicator continuing its downward trend. Inflationary pressures have started firming up while the depreciation in the rupee adds to companies' costs.

Even though a third of businesses experienced an improvement in overall business conditions in May, the majority claimed that there had been no change from the previous month. The MNI India Business Sentiment Indicator has risen twice this year, both following the cuts in the benchmark interest rate by the central bank and we expect sentiment to be boosted should there be another round of monetary easing. With inflation coming in lower than expected and evidence from our survey showing that companies are struggling to expand production, citing weak domestic and overseas demand, we believe that the central bank has further

MNI India Business Sentiment Indicator



"Overall business conditions have worsened as prices of cane which is the major raw material to our company have increased." **Food products manufacturing company**

"There is a lack of export orders and natural calamity in Nepal is affecting our business." **Iron and steel manufacturing company**

"We expect auto industry to grow further." **Auto parts manufacturing company**

"There are low orders in hand." **Auto parts manufacturing company**

MNI India Business Indicator

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Current Conditions	67.0	68.4	64.2	66.2	63.0	63.9	62.3

leeway to cut the key repo rate at its next review meeting on June 2.

This month's fall brought the Business Sentiment Indicator to the lowest level since April 2014, just one month prior to the pro-business Narendra Modi was sworn in as Prime Minister, suggesting weaker economic growth which requires immediate action from the government to make the business environment friendlier.

For the first time this year, companies became more optimistic about the next three months with the Expectations Indicator picking up slightly to 74.2 in May from 72.6 in April. Even so, expectations were still down by 7.6% compared with a year earlier when optimism was running high as the general election took place. Expectations subsequently climbed with the ensuing "Modi magic" until September, after which it began to normalise as businesses came to the realisation that the government would take longer to enact the big-bang reforms it had promised.

Sectors - Overall Business Conditions

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

"We are changing our debt structure and business plan." **Diversified Industrials manufacturing company**

"Clients are dropping out; brokerage business is down." **Equity Investment instruments Services Company**

"Market prices of cement have gone down." **Diversified Industrials manufacturing company**

"Raw material price is high and there is a shortage of labour." **Clothing and accessories manufacturing company**

"Market is not good for the real-estate business presently." **Heavy Construction Company**

"We expect more footfall in our malls and shopping centres in the coming months." **Real Estate Holding and Development Services Company**

"There is a good demand for jewellery and the government has also relaxed restrictions (20/80 policy)." **A Speciality Retailing company**

MNI India Business Indicator

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Future Expectations	80.3	80.2	76.1	75.3	74.9	72.6	74.2

Orders

Domestic and Foreign Orders Lowest Since 2013

Companies reported that the number of orders they had received was stymied by softer domestic demand in May, while overseas business expanded at the slowest pace since June 2013.

The New Orders Indicator fell sharply to a two-year low of 57.1 in May from 61.4 in April. This was led by companies in manufacturing and construction sector, the majority of whom reported that there had been no change in the orders placed at their company.

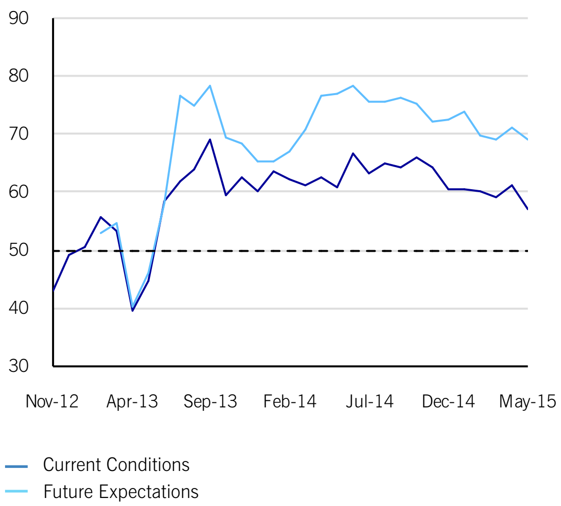
The New Orders Indicator, which was down by 6% on the year in June, has a good correlation with the official domestic cargo handled at Indian airports. Latest data showed that cargo handled rose by 7.3% on the year in March, the slowest since November 2013.

Our panel was also less optimistic about the coming three months, although the fall was less severe than that for current orders. The Expectations Indicator for New Orders declined to 69.4 in May from 71.2 in April, the lowest since February 2014.

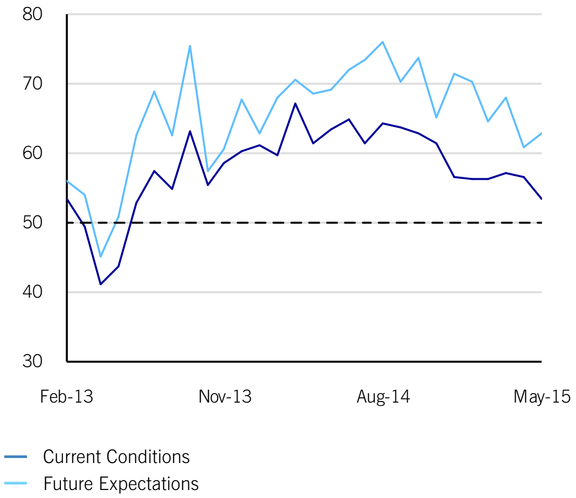
Overseas demand for Indian goods and services continued to cool, reflected by the fall in the Export Orders Indicator to 53.6 from 56.8 in April.

Over the past months, the volatility of the rupee and the weakness in European nations and China, India's key trading partners, has had a detrimental impact on the Export Orders Indicator which was down by 15.6% on the year in May. However, companies anticipated that the weaker rupee would help to lift overseas demand over the coming months with the Expectations Indicator rising to 63.1 in May from 61.1 in April.

New Orders



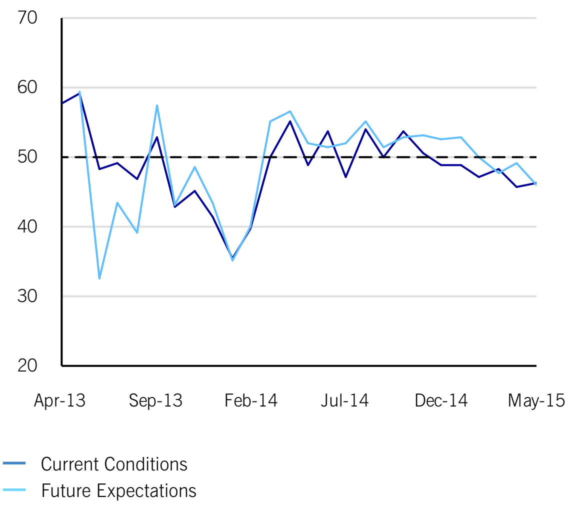
Export Orders



Orders - Current Conditions

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
New Orders	60.9	60.8	60.7	60.2	59.2	61.4	57.1
Export Orders	63.5	56.8	56.5	56.5	57.3	56.8	53.6
Order Backlogs	49.0	49.0	49.0	47.3	48.5	45.9	46.5

Order Backlogs



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"There was some cancellation of orders." **Auto parts manufacturing company**

"The textile industry is in trouble." **Clothing and accessories manufacturing company**

"There is no demand in European and Asian countries." **Speciality Retailing Company**

"Orders are low as this is an off season." **Speciality Chemicals manufacturing company**

Following a slowdown in the number of orders placed, the pressure on companies' order books has considerably eased as reflected by a swift decline in the Order Backlogs Indicator in recent months. In May, the indicator rose slightly to 46.5 from 45.9 in April but remained in contraction for the sixth consecutive month. Nevertheless, given the less optimistic outlook for orders in the coming three months, more companies anticipated that their unfulfilled orders would contract. The Expectations Indicator fell to 46.2 in May from 49.2 in April, the lowest since February 2014.

Orders - Future Expectations

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
New Orders	77.0	72.6	74.1	69.9	69.4	71.2	69.4
Export Orders	69.4	71.6	70.4	64.6	68.2	61.1	63.1
Order Backlogs	52.1	52.8	52.9	50.2	47.8	49.2	46.2

Output and Employment
Production Lowest Since July 2013

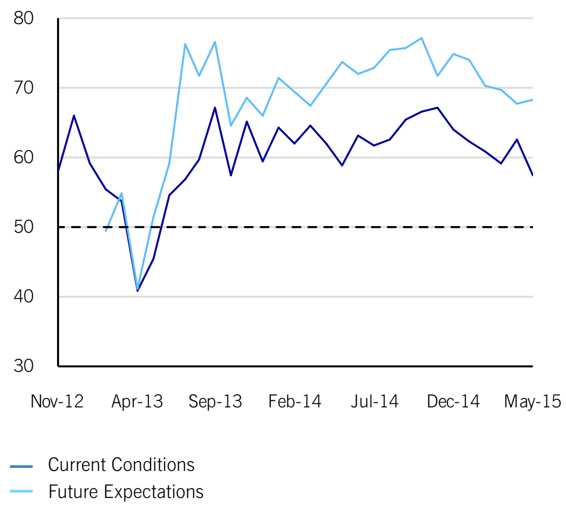
There was a sharp fall in the number of firms reporting an expansion in output in May, dashing hopes of the manufacturing revival envisioned by the government.

The Production Indicator fell by 8.1% to 57.5 in May from 62.6 in April, putting the indicator 4.6% below the series average. More companies scaled back output in May, offsetting the rise in production and business activity in general in April at the start of the financial year. The fall was mainly led by manufacturing companies, with the indicator plummeting to a one-year low. Construction firms were also slightly less optimistic, while companies in the service sector maintained stable business activity.

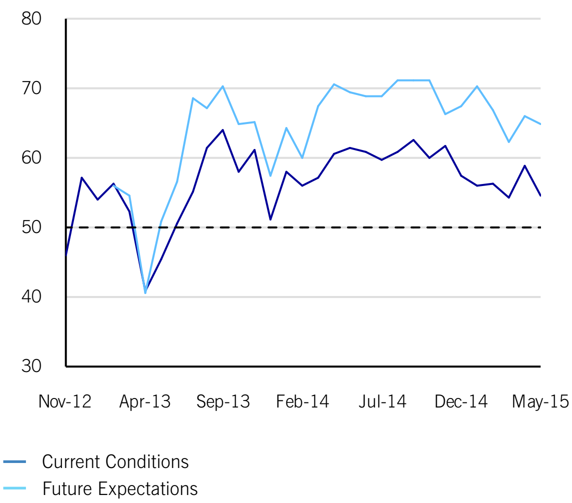
Compared with the same month last year, the Production Indicator was down by 2.5% as weak demand both domestically and from abroad prompted fewer companies to expand output. Even though companies continued to be more optimistic about the future than the present, optimism has generally trended down since the conclusion of the festival season in 2014. The Expectations Indicator rose to 68.4 in May but was down 7.4% on the year. Evidence from the survey suggests that Narendra Modi's ambitious "Make in India" project is failing to get off the ground, with manufacturing companies the least ambitious about their future production plans in May as their Expectations Indicator eased for the fifth consecutive month.

Following the busy festival period towards the end of 2014, some companies had started to scale back their productive capacity in a likely effort to cut costs amid the cooling in demand. While April saw some reversal, the 7.3% fall in May placed the Productive Capacity Indicator at 54.7 which was roughly the same as March's outturn.

Production



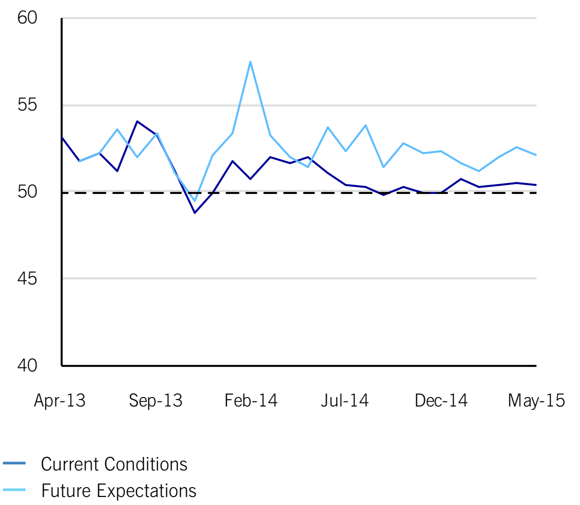
Productive Capacity



Output and Employment - Current Conditions

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Production	59.0	64.2	62.5	61.0	59.3	62.6	57.5
Productive Capacity	61.5	57.7	56.0	56.3	54.4	59.0	54.7
Employment	52.1	50.0	50.8	50.3	50.4	50.6	50.5

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

"As projects are getting delayed due to fund crunch, production is lower." **Heavy Construction Company**

"Work load will be higher so the current number of employees will not be sufficient." **Automobiles manufacturing company**

"We are recruiting employees for a new project." **Heavy Construction Company**

"Current staff is not enough for our new orders." **Heavy Construction Company**

Companies were also less optimistic about their productive capacity in the next three months with the Expectations Indicator easing slightly to 65.0 from 66.2 in April.

Companies continued to view the size of their workforce just about right, a trend seen since last year. In May, the Employment Indicator stood at 50.5 compared with 50.6 in the previous month. The labour market continues to be subdued as companies remain hesitant to add to their workforce unless there is any attrition.

Output and Employment - Future Expectations

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Production	73.9	75.1	74.1	70.3	69.9	67.9	68.4
Productive Capacity	69.6	67.6	70.4	67.0	62.4	66.2	65.0
Employment	51.5	52.4	51.7	51.3	52.0	52.6	52.2

Prices
Cost Burden Rises

Inflationary pressures continued to pick-up in May as a growing number of companies paid higher prices for their inputs following the depreciation in the rupee.

After peaking in July 2013, the Input Prices Indicator trended down in line with the decline in general inflation and subsequent fall in crude prices. In 2015, however, the trend has reversed with many of our panel reporting that their input prices had risen due to a combination of a rise in oil prices and higher employee expenses in May.

The Input Prices Indicator rose to 58.6 in May from 55.9 in April. Even though Input Prices were 5.8% down on the year, they have started rising rather quickly since their downfall last year.

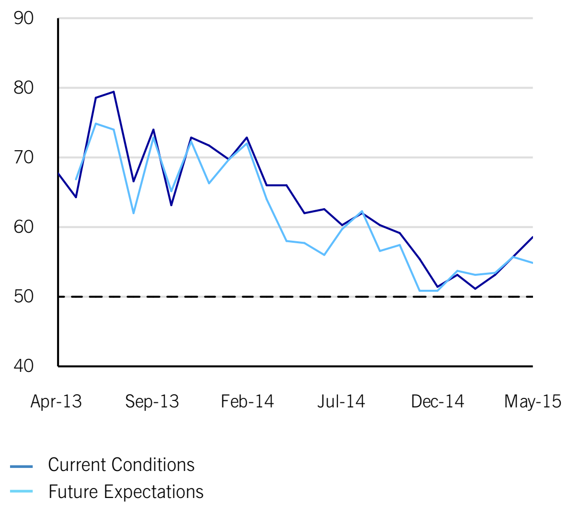
However, intense competition and subdued consumer sentiment has prevented many companies from raising the prices of their goods and services for a considerable time. The Prices Received Indicator fell to 51.5 in May following a small pick-up last month to 52.1.

The majority of companies anticipated that they would charge the same prices in three months' time as reflected by the Future Expectations Indicator which stood at 55.5 compared with 55.6 in April.

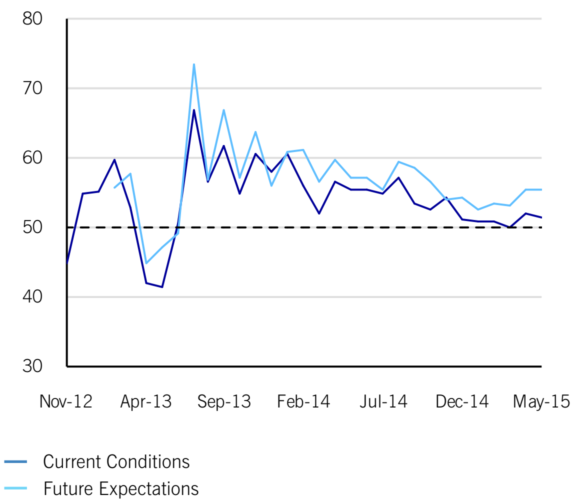
Inflation is still weak by historical standards, which we believe presents an opportunity for the RBI to cut benchmark interest rates further which in turn would help to boost business sentiment and provide much needed support for growth.

According to our panel, the volatility of the rupee and its sharp depreciation had an adverse impact on business conditions in May. The indicator which measures the

Input Prices



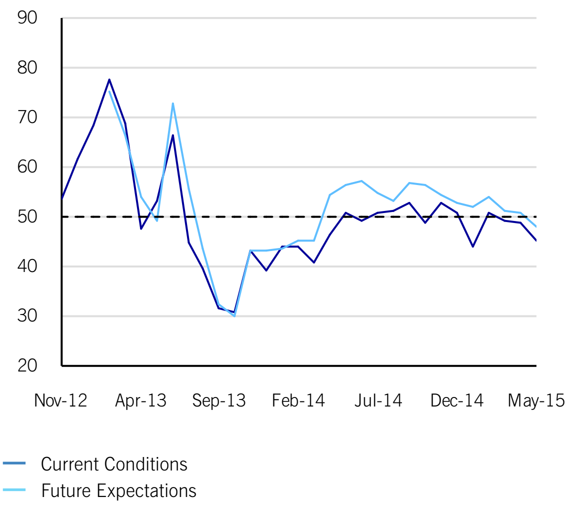
Prices Received



Prices - Current Conditions

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Input Prices	62.2	51.5	53.2	51.4	53.2	55.9	58.6
Prices Received	55.6	51.3	51.1	51.1	50.1	52.1	51.5
Exchange Rate	50.8	50.8	44.3	50.9	49.2	48.8	45.2

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

"Cotton prices are higher." **Personal and Households Goods Manufacturing Company**

"Wages are rising, cost of oil prices are moving up and so are the electricity charges." **Farming and fishing company**

"Imports are costly due to the depreciation in the exchange rate, hence input cost is higher." **Iron and steel manufacturing company**

"We are into imports of gold and the depreciation of the rupee hurts us." **Specialized Consumer Services Company**

Effect of the Rupee Exchange Rate fell to a four-month low of 45.2 in May from 48.8 in April as the rupee was down by almost 3% since the start of the year.

Moreover, our panel anticipated that the exchange rate would be unfavourable to their operations in the coming three months for the first time since March 2014. This was reflected by the fall in the Expectations Indicator to 48.3 from 51.1 in April. The shift was led by companies in the manufacturing and construction sector who had a bearish view of the rupee, while service sector companies continued to be bullish.

Prices - Future Expectations

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Input Prices	57.8	51.1	53.7	53.4	53.6	55.7	55.0
Prices Received	57.4	54.4	52.8	53.6	53.2	55.6	55.5
Exchange Rate	56.4	52.8	52.2	54.1	51.4	51.1	48.3

Money and Credit
Slow Transmission of RBI Rate Cuts

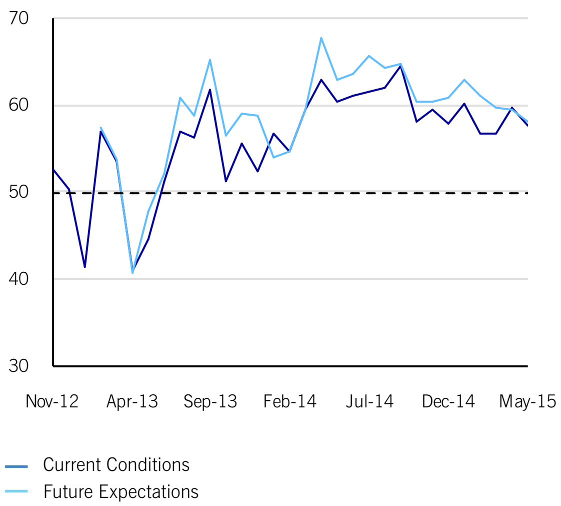
The Interest Rates Paid Indicator has fallen dramatically since the start of the year as the RBI initiated a monetary easing cycle, although availability of credit has been more-or-less stable as commercial banks have been reluctant to lower their lending rates.

The RBI left the key policy rate unchanged at 7.5% at its last monetary policy meeting on April 7, having cut it by 25 basis points on two separate occasions outside the meetings schedule since early 2015. After the January rate cut helped to boost overall business sentiment in February, the March cut similarly bolstered sentiment in April.

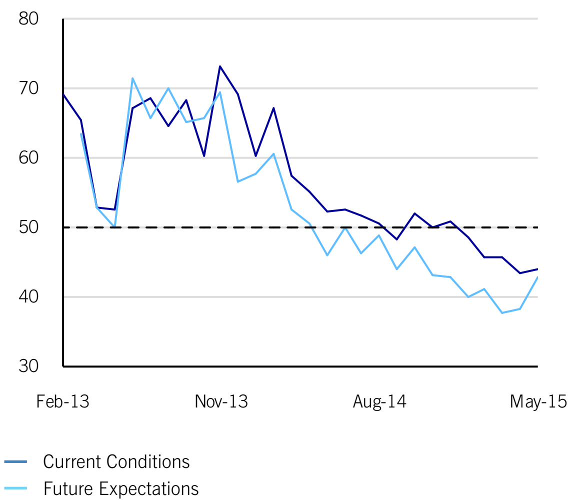
Even though the RBI has cut the repo rate by 50 basis points since January, Indian banks have trimmed their lending rates marginally in order to increase profitability. HDFC, India's largest housing finance company, has cut their lending rates by just 15 basis points while ICICI, the second largest bank in India has reduced theirs by 25 basis points. Consequently, the Interest Rates Paid Indicator remained below the 50 mark at 44.2 in May compared with 43.6 in April, 15.5% below the outturn of 52.3 in May 2014.

Meanwhile, fewer companies anticipated that interest rates would fall in the coming three months, with the Expectations Indicator rising sharply to 43.1 in May from 38.5 in April. Though three-quarters of respondents expected interest rates to remain at the same level in the coming three months, the rise on the month put the indicator at a six-month high. Many companies expressed a desire of taking fresh loans for expansion plans in order to take advantage of a low interest rate regime.

Availability of Credit



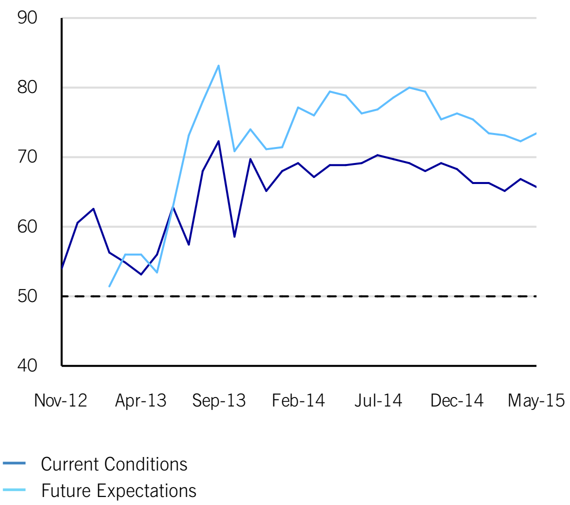
Interest Rates Paid



Money and Credit - Current Conditions

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Availability of Credit	60.4	58.1	60.3	56.9	56.8	59.9	57.7
Interest Rates Paid	52.3	51.1	48.6	45.8	45.9	43.6	44.2
Financial Position	69.1	68.3	66.4	66.4	65.4	67.0	65.8

Financial Position



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"Credit is tight as banks are not providing it." **Speciality Chemicals manufacturing company**

"As our company was into losses, availability of credit is on a lower side." **Speciality Finance Services company**

The Availability of Credit indicator eased to 57.7 in May from 59.9 in April, 4.5% below the outturn of 60.4 in May 2014 as a rise in bad loans has made banks more reluctant to lend to businesses. Companies remained optimistic in their outlook for credit availability over the coming three months but less so in May. The Expectations Indicator fell for the fourth consecutive month to 58.2 from 59.7 in April, substantially below the outturn of 63.0 seen in May 2014.

Whilst there were hopes that companies would see an improvement in their balance sheets following the election of the pro-business BJP party, instead their financial positions have gradually eased to a level lower than even last year's average. In May, the Financial Position indicator fell to 65.8 after rising for the first time this year to 67.0 in the previous month.

Companies' expectations for their future financial position have followed a trend similar to their current financial position but have remained higher in level terms. Although in May the Expectations Indicator moved in the opposite direction, rising to 73.5 from 72.4 in April.

Money and Credit - Future Expectations

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Availability of Credit	63.0	61.0	63.1	61.1	59.8	59.7	58.2
Interest Rates Paid	46.1	43.0	40.2	41.4	37.7	38.5	43.1
Financial Position	79.0	76.5	75.6	73.7	73.2	72.4	73.5

Logistics
Quickest Delivery Times on Record

Companies continued to run down their existing stock in May, while the time taken for their suppliers to deliver key inputs fell to the shortest level in the survey's history.

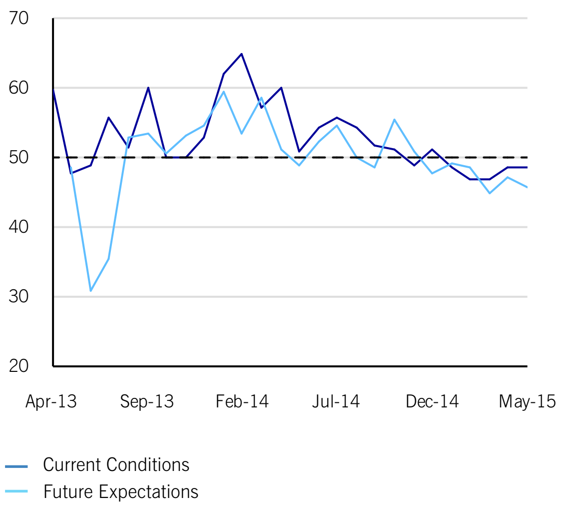
The Inventories Indicator remained in contraction and broadly stable at 48.7 in May compared with 48.6 in April, marking the fifth month in a row that companies have reduced their inventories following last year's heavy build-up in anticipation of a surge in demand which never materialised.

Manufacturing companies destocked for the fourth consecutive month while construction firms reported that they were building their stock levels at the fastest pace in 10 months.

Companies expected to run down their existing inventories at an even faster pace over the coming months. Expectations for Inventories in three months' time remained in contraction for the sixth consecutive month at 45.9 in May compared with 47.2 in the previous month.

Both manufacturing and construction companies were pessimistic about future. The outlook among manufacturing firms was gloomier while construction companies were less pessimistic in their expectations for their future inventories.

Inventories



"Material acquisition is an issue." **Agriculture Company**

"There are fewer orders so inventories are also lower." **Diversified Industrials manufacturing company**

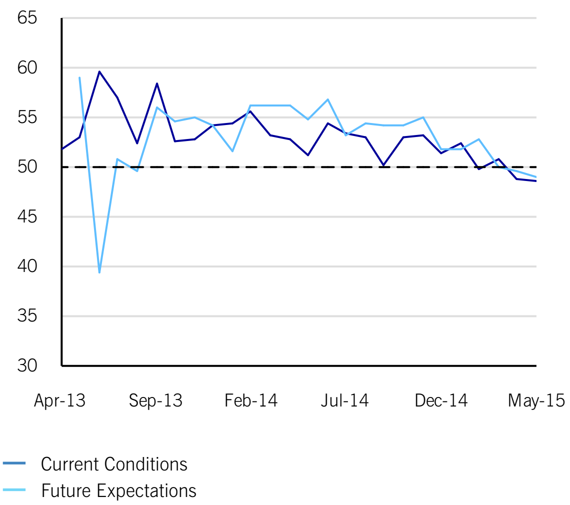
"Supplier delivery time is shorter as ample raw material is available." **Building Materials & Fixtures Construction Company**

"We are not keeping much inventory because of costly imports." **Iron and steel manufacturing company**

Logistics - Current Conditions

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Inventories	50.9	51.3	48.6	47.1	46.9	48.6	48.7
Supplier Deliveries	51.2	51.4	52.5	49.8	50.8	48.9	48.6

Supplier Delivery Times



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"Inventories are less due to better delivery of goods." **Diversified Industrials manufacturing company**

"Suppliers are facing some problems in delivering raw materials on time." **Diversified Industrials manufacturing company**

"Suppliers are creating problems by delaying supplies, as we don't have funds to pay due to cash crunch." **Heavy Construction Company**

"We expect suppliers to be more efficient in the coming months." **General Mining Company**

Suppliers of key inputs took even less time to deliver orders compared with the previous month, with our panel reporting that delivery times had shortened to a series low of 48.6 from 48.9 in April. Some companies attributed the quicker delivery times to a lack of orders in general compared with historical standards, making it easier for them to meet business needs while others have spoken of an abundance of raw materials in the market, easing pressure on delivery times.

With sufficient capacity on board, our panel of companies expected delivery times to shorten in the coming three months as well. The Expectations Indicator fell to 49.0 in May from 49.6 in April, the lowest since June 2013 and almost 11% below the outturn of the same month last year.

Logistics - Future Expectations

	May-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Inventories	49.0	47.9	49.2	48.8	45.1	47.2	45.9
Supplier Deliveries	54.9	51.9	51.8	52.9	50.0	49.6	49.0

What the Panel Said

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

“Material acquisition is an issue.” **Agriculture Company**

“There are fewer orders so inventories are also lower.” **Diversified Industrials manufacturing company**

“Supplier delivery time is shorter as ample raw material is available.” **Building Materials & Fixtures Construction Company**

“We are not keeping much inventory because of costly imports.” **Iron and steel manufacturing company**

“As projects are getting delayed due to fund crunch, production is lower.” **Heavy Construction Company**

“Work load will be higher so the current number of employees will not be sufficient.” **Automobiles manufacturing company**

“We are recruiting employees for a new project.” **Heavy Construction Company**

“Current staff is not enough for our new orders.” **Heavy Construction Company**

“We have labour shortage problem due to summer holidays.” **Clothing and accessories manufacturing company**

“Inventories are less due to better delivery of goods.” **Diversified Industrials manufacturing company**

“Overall business conditions have worsened as prices of cane which is the major raw material to our company have increased.” **Food products manufacturing company**

“There is a lack of export orders and natural calamity in Nepal is affecting our business.” **Iron and steel manufacturing company**

“We expect auto industry to grow further.” **Auto parts manufacturing company**

“There are low orders in hand.” **Auto parts manufacturing company**

“We are changing our debt structure and business plan.” **Diversified Industrials manufacturing company**

“Clients are dropping out; brokerage business is down.” **Equity Investment instruments Services Company**

“There was some cancellation of orders.” **Auto parts manufacturing company**

“The textile industry is in trouble.” **Clothing and accessories manufacturing company**

“There is no demand in European and Asian countries.” **Speciality Retailing Company**

“Orders are low as this is an off season.” **Speciality Chemicals manufacturing company**

“Market prices of cement have gone down.” **Diversified Industrials manufacturing company**

“Raw material price is high and there is a shortage of labour.” **Clothing and accessories manufacturing company**

“Market is not good for the real-estate business presently.” **Heavy Construction Company**

“We expect more footfall in our malls and shopping centres in the coming months.” **Real Estate Holding and Development Services Company**

“There is a good demand for jewellery and the government has also relaxed restrictions (20/80 policy).” **A Speciality Retaliating company**

“Suppliers are facing some problems in delivering raw materials on time.” **Diversified Industrials manufacturing company**

“We are into imports of gold and the depreciation of the rupee hurts us.” **Specialized Consumer Services Company**

Data tables

Historical Summary

	2014								2015				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
MNI India Business Indicator													
Current Conditions	67.0	69.2	70.0	68.4	71.2	69.7	68.9	68.4	64.2	66.2	63.0	63.9	62.3
Future Expectations	80.3	78.5	78.6	80.3	82.4	82.0	74.6	80.2	76.1	75.3	74.9	72.6	74.2
Production													
Current Conditions	59.0	63.2	61.8	62.7	65.7	66.7	67.3	64.2	62.5	61.0	59.3	62.6	57.5
Future Expectations	73.9	72.1	72.9	75.5	75.8	77.3	71.9	75.1	74.1	70.3	69.9	67.9	68.4
New Orders													
Current Conditions	60.9	66.7	63.4	65.3	64.3	66.2	64.6	60.8	60.7	60.2	59.2	61.4	57.1
Future Expectations	77.0	78.6	75.7	75.6	76.4	75.3	72.4	72.6	74.1	69.9	69.4	71.2	69.4
Export Orders													
Current Conditions	63.5	65.0	61.7	64.3	63.8	63.0	61.6	56.8	56.5	56.5	57.3	56.8	53.6
Future Expectations	69.4	72.0	73.6	76.1	70.5	73.9	65.3	71.6	70.4	64.6	68.2	61.1	63.1
Productive Capacity													
Current Conditions	61.5	60.9	59.9	60.9	62.8	60.1	61.8	57.7	56.0	56.3	54.4	59.0	54.7
Future Expectations	69.6	68.9	68.9	71.4	71.3	71.4	66.3	67.6	70.4	67.0	62.4	66.2	65.0
Order Backlogs													
Current Conditions	49.0	53.9	47.4	54.0	50.0	53.8	50.8	49.0	49.0	47.3	48.5	45.9	46.5
Future Expectations	52.1	51.7	52.0	55.2	51.5	52.9	53.2	52.8	52.9	50.2	47.8	49.2	46.2
Employment													
Current Conditions	52.1	51.1	50.5	50.3	49.9	50.3	50.0	50.0	50.8	50.3	50.4	50.6	50.5
Future Expectations	51.5	53.8	52.4	53.9	51.5	52.8	52.3	52.4	51.7	51.3	52.0	52.6	52.2
Inventories													
Current Conditions	50.9	54.5	55.9	54.5	51.8	51.2	48.9	51.3	48.6	47.1	46.9	48.6	48.7
Future Expectations	49.0	52.5	54.8	50.0	48.8	55.6	50.9	47.9	49.2	48.8	45.1	47.2	45.9
Input Prices													
Current Conditions	62.2	62.6	60.4	62.2	60.4	59.4	55.6	51.5	53.2	51.4	53.2	55.9	58.6
Future Expectations	57.8	56.2	59.8	62.4	56.7	57.6	50.9	51.1	53.7	53.4	53.6	55.7	55.0
Prices Received													
Current Conditions	55.6	55.6	54.9	57.3	53.6	52.6	54.3	51.3	51.1	51.1	50.1	52.1	51.5
Future Expectations	57.4	57.2	55.5	59.6	58.6	56.6	54.1	54.4	52.8	53.6	53.2	55.6	55.5
Financial Position													
Current Conditions	69.1	69.3	70.3	69.8	69.2	68.0	69.4	68.3	66.4	66.4	65.4	67.0	65.8
Future Expectations	79.0	76.5	76.9	78.8	80.2	79.5	75.6	76.5	75.6	73.7	73.2	72.4	73.5
Interest Rates Paid													
Current Conditions	52.3	52.7	51.8	50.8	48.5	52.0	50.0	51.1	48.6	45.8	45.9	43.6	44.2
Future Expectations	46.1	50.0	46.4	48.9	44.2	47.3	43.2	43.0	40.2	41.4	37.7	38.5	43.1
Effect of Rupee Exchange Rate													
Current Conditions	50.8	49.4	51.1	51.2	53.0	48.8	52.8	50.8	44.3	50.9	49.2	48.8	45.2
Future Expectations	56.4	57.5	55.1	53.3	56.8	56.5	54.7	52.8	52.2	54.1	51.4	51.1	48.3
Supplier Delivery Times													
Current Conditions	51.2	54.5	53.5	53.1	50.2	53.0	53.2	51.4	52.5	49.8	50.8	48.9	48.6
Future Expectations	54.9	56.8	53.3	54.5	54.3	54.3	55.1	51.9	51.8	52.9	50.0	49.6	49.0
Availability of Credit													
Current Conditions	60.4	61.1	61.7	62.1	64.6	58.3	59.5	58.1	60.3	56.9	56.8	59.9	57.7
Future Expectations	63.0	63.7	65.8	64.5	64.8	60.6	60.4	61.0	63.1	61.1	59.8	59.7	58.2

Historical Records

	2012 - Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	71.2	62.2	63.4
Future Expectations	49.7	82.4	71.5	74.4
Production				
Current Conditions	41.0	67.3	60.2	61.8
Future Expectations	41.3	77.3	68.1	70.5
New Orders				
Current Conditions	39.7	69.1	59.2	60.9
Future Expectations	40.4	78.6	68.8	71.1
Export Orders				
Current Conditions	41.3	67.4	58.0	58.3
Future Expectations	45.2	76.1	65.4	68.1
Productive Capacity				
Current Conditions	41.0	64.0	56.6	57.4
Future Expectations	40.7	71.4	64.4	66.7
Order Backlogs				
Current Conditions	35.6	59.3	48.9	49.0
Future Expectations	32.8	59.6	49.0	51.5
Employment				
Current Conditions	48.9	54.1	51.1	50.8
Future Expectations	49.5	57.5	52.5	52.3
Inventories				
Current Conditions	46.9	64.9	53.1	51.5
Future Expectations	31.0	59.5	50.0	50.7
Input Prices				
Current Conditions	51.4	79.6	63.9	63.0
Future Expectations	50.9	74.9	61.7	59.8
Prices Received				
Current Conditions	41.5	67.1	54.2	54.9
Future Expectations	45.1	73.7	56.9	56.6
Financial Position				
Current Conditions	53.4	72.3	64.9	67.0
Future Expectations	51.6	83.3	72.4	74.9
Interest Rates Paid				
Current Conditions	43.6	73.2	56.8	52.9
Future Expectations	37.7	71.7	52.7	50.0
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	50.0	49.2
Future Expectations	30.1	75.5	52.0	53.1
Supplier Delivery Times				
Current Conditions	48.6	59.6	53.0	53.0
Future Expectations	39.5	59.0	53.1	54.3
Availability of Credit				
Current Conditions	41.1	64.6	56.1	57.1
Future Expectations	40.9	67.8	59.1	59.8

Historical Records - Quarterly

	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Quarterly Change	Quarterly % Change
MNI India Business Indicator							
Current Conditions	62.4	66.0	69.9	69.0	64.5	-4.5	-6.5%
Future Expectations	70.5	79.3	80.4	78.9	75.4	-3.5	-4.4%
Production							
Current Conditions	63.7	61.4	63.4	66.1	60.9	-5.2	-7.9%
Future Expectations	69.7	72.2	74.7	74.8	71.4	-3.4	-4.5%
New Orders							
Current Conditions	62.5	63.5	64.3	63.9	60.0	-3.9	-6.1%
Future Expectations	67.9	77.5	75.9	73.4	71.1	-2.3	-3.1%
Export Orders							
Current Conditions	62.9	63.4	63.3	60.5	56.8	-3.7	-6.1%
Future Expectations	67.2	70.1	73.4	70.3	67.7	-2.6	-3.7%
Productive Capacity							
Current Conditions	57.2	61.0	61.2	59.9	55.6	-4.3	-7.2%
Future Expectations	63.9	69.7	70.5	68.4	66.6	-1.8	-2.6%
Order Backlogs							
Current Conditions	41.8	52.8	50.5	51.2	48.3	-2.9	-5.7%
Future Expectations	43.6	53.5	52.9	53.0	50.3	-2.7	-5.1%
Employment							
Current Conditions	51.6	51.6	50.2	50.1	50.5	0.4	0.8%
Future Expectations	54.7	52.4	52.6	52.5	51.7	-0.8	-1.5%
Inventories							
Current Conditions	61.4	55.1	54.1	50.5	47.5	-3.0	-5.9%
Future Expectations	57.3	50.9	51.2	51.5	47.7	-3.8	-7.4%
Input Prices							
Current Conditions	69.6	63.6	61.0	55.5	52.6	-2.9	-5.2%
Future Expectations	68.6	57.3	59.6	53.2	53.6	0.4	0.8%
Prices Received							
Current Conditions	56.3	56.0	55.3	52.7	50.8	-1.9	-3.6%
Future Expectations	59.6	58.1	57.9	55.0	53.2	-1.8	-3.3%
Financial Position							
Current Conditions	68.2	69.1	69.8	68.6	66.1	-2.5	-3.6%
Future Expectations	74.9	78.4	78.6	77.2	74.2	-3.0	-3.9%
Interest Rates Paid							
Current Conditions	61.8	53.4	50.4	51.0	46.8	-4.2	-8.2%
Future Expectations	57.1	48.9	46.5	44.5	39.8	-4.7	-10.6%
Effect of Rupee Exchange Rate							
Current Conditions	43.1	48.9	51.8	50.8	48.1	-2.7	-5.3%
Future Expectations	44.8	56.1	55.1	54.7	52.6	-2.1	-3.8%
Supplier Delivery Times							
Current Conditions	54.4	52.9	52.3	52.5	51.0	-1.5	-2.9%
Future Expectations	54.7	56.0	54.0	53.8	51.6	-2.2	-4.1%
Availability of Credit							
Current Conditions	57.1	61.5	62.8	58.6	58.0	-0.6	-1.0%
Future Expectations	56.1	64.8	65.0	60.7	61.3	0.6	1.0%

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11 Westferry Circus
London
E14 4HE
www.mni-indicators.com
@MNIIndicators
MNI Indicators