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MNI India Business Report
November 2015

Insight and data for better decisions

MNI India Business Report
Methodology

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

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

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

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

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

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

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The Make in India Paradox

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

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

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

The situation doesn't look set to improve significantly anytime soon. The World Trade Organisation recently revised down its forecast for global trade growth in 2015 from 3.3% to 2.8%, and reduced the estimate for 2016 to 3.9% from 4% citing falling import demand and lower commodity prices. A slowdown in China's growth momentum also impacts inter-regional and global trade and therefore impact Indian exports. Already, the share of exports to China has eased to 3.7% in September this year from 4.9% two years ago. The saving grace for India is that the US economy, which constitutes 15% of total Indian exports, (although it's share has also come down from close to 20% a decade ago), which ought to provide some offset against the drag from other trading destinations such as EU, Saudi Arabia and China.

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

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

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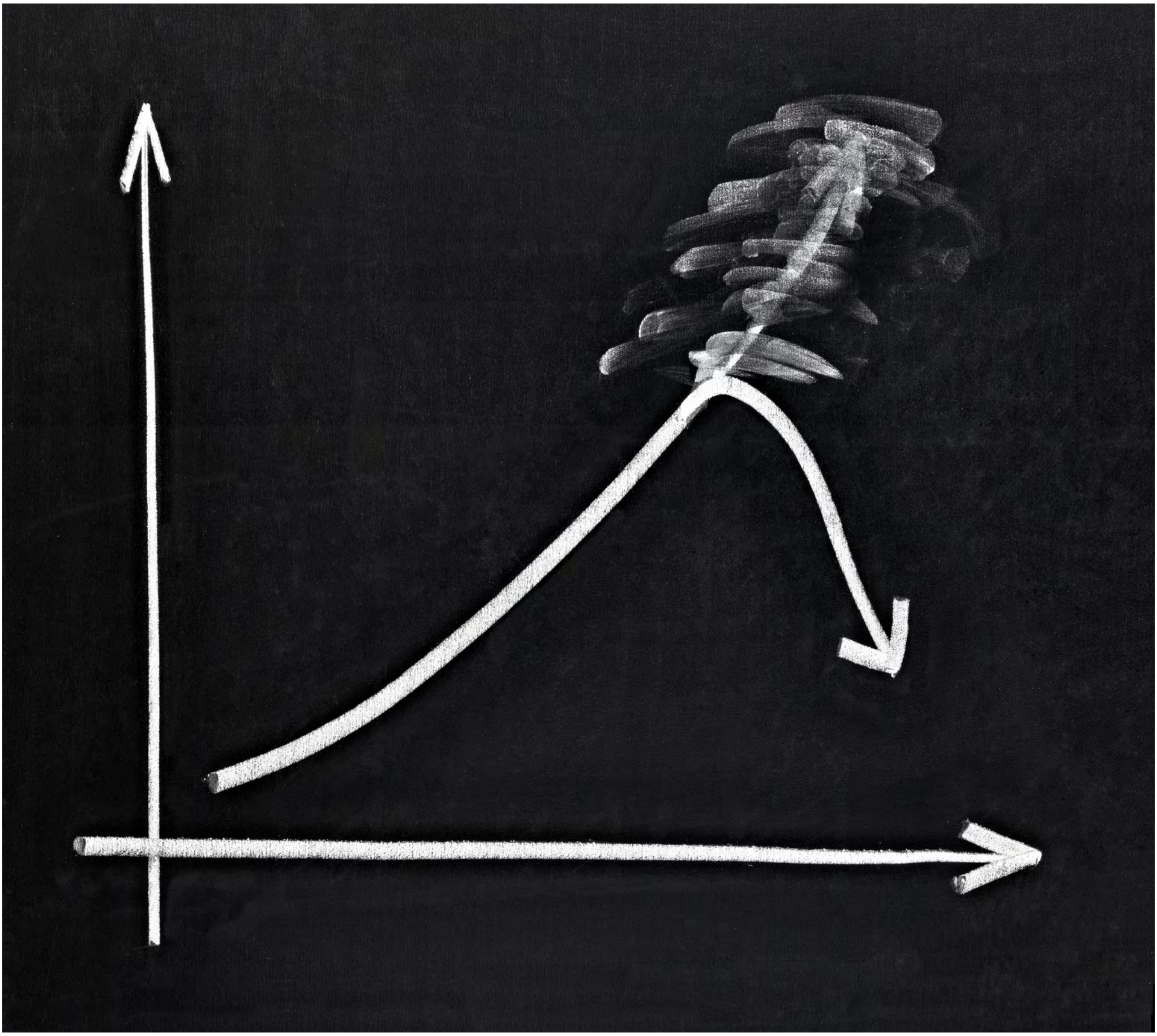
MNI Indicators



Executive Summary

Indian business sentiment eased in November in spite of the festival period, and companies also revised down their expectations for the next three months, seeing little hope for a revival in demand.

Indian business sentiment eased in November in spite of the festival period, and companies also revised down their expectations for the next three months, seeing little hope for a revival in demand.

The MNI India Business Sentiment Indicator, a gauge of sentiment among BSE-listed companies, fell to 60.9 in November from 62.3 in October, to stand at the lowest since February 2014 and 11.6% down on the year. The fall in sentiment was observed across both manufacturing and construction companies, while sentiment among service sector companies rose for the first time in five months.

Confidence has increased only four times this year, each time following a rate cut by the RBI. Although monetary easing has provided a short-term boost to business confidence, it has failed to provide a sustained increase. And while sentiment rose in October following the late September rate cut, the increase was only small with respondents more concerned about the general malaise in the economy and subdued demand globally. The broad-based decline in business confidence during the busy festival is even more disappointing, and signals a significant softening in business and purchase activity.

Weaker confidence in the current business environment also extended to future expectations. Companies were less optimistic about the next three months with the Expectations Indicator falling to 72.2 in November from 75.1 in October. Firms were also significantly less bullish about Production, New Orders, Employment and the Availability of Credit over the next three months.

The festival period failed to boosted demand for Indian companies' goods and services this year. Companies across all sectors received fewer orders in the three months to November compared with the same period a year earlier. Our panel was also less optimistic about orders in the coming three months with the Expectations Indicator for New Orders falling to 64.8 in November from 67.6 in October, the lowest since June 2013.

With little change in new orders, firms not only scaled back their output but also did not expect any turnaround in the next three months either. The time taken for suppliers to deliver key inputs continued to contract, and firms were left with unsold stocks of goods.

As companies face lower input prices and cost of debt service this year, they reported an improvement in their financial position. Raw material costs eased for the fifth consecutive month in November, bringing some relief to companies who have been facing subdued demand in a competitive environment.

After a few companies raised their selling prices to increase their margins in the previous month, they restrained themselves in November, citing high competition in a weak demand environment. The Prices Received Indicator eased to 49.3 from 49.7 in October, the fourth consecutive month in contraction

Overview

	Sep-15	Oct-15	Nov-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	61.4	62.3	60.9	-	Feb-14	61.5	-1.4	-2.2%
Future Expectations	71.1	75.1	72.2	-	Sep-15	72.8	-2.9	-3.9%
Production								
Current Conditions	59.7	59.4	57.8	-	May-15	59.0	-1.6	-2.7%
Future Expectations	66.8	67.7	65.1	-	Jul-15	66.5	-2.6	-3.8%
New Orders								
Current Conditions	59.7	57.5	57.4	-	May-15	58.2	-0.1	-0.2%
Future Expectations	68.9	67.6	64.8	-	Jun-13	67.1	-2.8	-4.1%
Export Orders								
Current Conditions	57.1	53.0	55.8	Sep-15	-	55.3	2.8	5.3%
Future Expectations	62.2	61.5	68.8	Jan-15	-	64.2	7.3	11.9%
Productive Capacity								
Current Conditions	58.1	56.8	57.9	Sep-15	-	57.6	1.1	1.9%
Future Expectations	67.0	65.6	63.3	-	Jul-15	65.3	-2.3	-3.5%
Order Backlogs								
Current Conditions	46.9	46.2	46.1	-	Apr-15	46.4	-0.1	-0.2%
Future Expectations	46.6	46.9	48.0	Jul-15	-	47.2	1.1	2.3%
Employment								
Current Conditions	50.9	50.4	51.2	Jun-15	-	50.8	0.8	1.6%
Future Expectations	51.5	53.4	52.6	-	Sep-15	52.5	-0.8	-1.5%
Inventories								
Current Conditions	51.9	51.5	51.9	Sep-15	-	51.8	0.4	0.8%
Future Expectations	51.7	50.2	49.2	-	May-15	50.4	-1.0	-2.0%
Input Prices								
Current Conditions	54.9	53.2	52.6	-	Feb-15	53.6	-0.6	-1.1%
Future Expectations	56.1	52.1	51.8	-	Dec-14	53.3	-0.3	-0.6%
Prices Received								
Current Conditions	48.3	49.7	49.3	-	Sep-15	49.1	-0.4	-0.8%
Future Expectations	51.1	52.8	51.9	-	Sep-15	51.9	-0.9	-1.7%
Financial Position								
Current Conditions	61.7	64.8	66.1	Jul-15	-	64.2	1.3	2.0%
Future Expectations	71.3	71.8	69.7	-	Jun-13	70.9	-2.1	-2.9%
Interest Rates Paid								
Current Conditions	44.7	39.2	40.1	Sep-15	-	41.3	0.9	2.3%
Future Expectations	40.5	38.1	43.4	Aug-15	-	40.7	5.3	13.9%
Effect of Rupee Exchange Rate								
Current Conditions	49.0	49.3	49.6	Aug-15	-	49.3	0.3	0.6%
Future Expectations	50.5	52.2	51.1	-	Sep-15	51.3	-1.1	-2.1%
Supplier Delivery Times								
Current Conditions	50.7	49.8	49.5	-	Aug-15	50.0	-0.3	-0.6%
Future Expectations	53.6	50.0	50.0	Oct-15	-	51.2	0.0	0.0%
Availability of Credit								
Current Conditions	60.3	62.4	58.8	-	Aug-15	60.5	-3.6	-5.8%
Future Expectations	59.4	61.2	58.8	-	Aug-15	59.8	-2.4	-3.9%

Industrial production growth moderated to 3.6% on the year in September...

...after rising to 6.3% in August, the highest growth in 36 months.

Economic Landscape

Latest economic data has been mixed. While car sales were buoyed by Diwali discounts, growth in industrial production moderated and exports remained under pressure on account of weak demand in major trade partners.

Latest economic data has been mixed. Industrial production growth moderated to 3.6% on the year in September after rising to 6.3% in August, the highest growth in 36 months. This was in part due to an unfavourable base effect from last year, while month-on-month momentum picked up on the back of strong growth in electricity and capital goods production. The second quarter average for industrial production now stands at 4.7%, up from 3.3% in Q1 and 1.3% in the same quarter a year ago. Car sales rose by 21.8% on the year in October, buoyed by new model launches, festival discounts and moderating inflation. On a month-on-month basis as well, sales growth was robust at 14.5%, the highest in two years.

In contrast, trade numbers failed to show any improvement. Exports remained under pressure on account of weak demand in major markets such as the Eurozone and China, while imports fell more than exports for the second consecutive month, reducing the trade deficit. The decline in core imports (non-oil, non-gold) below the level seen a year ago, following the biggest fall in 18 months in September, signals that the pace of domestic demand is much weaker than expected.

CPI inflation rose to 5% in October, the third consecutive monthly increase, led by a sharp rise in the prices of pulses, fruits and vegetables. Inflation is likely to trend up until December as last year's low base continues to push inflation higher. We expect this to tie the hands of the RBI, preventing any further cuts to the key repo rate for now.

India industrial output growth lowest in four months

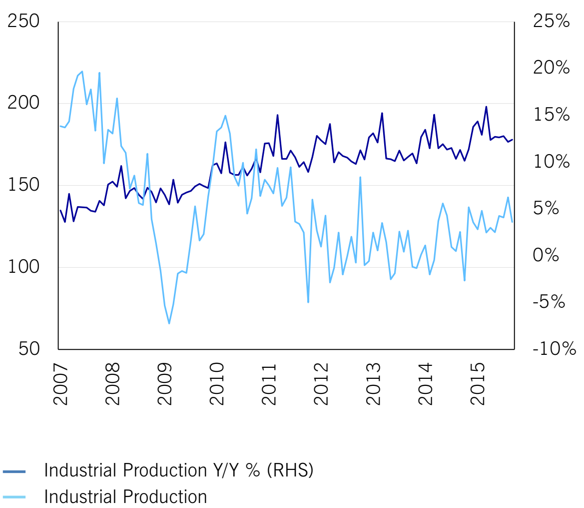
Industrial production growth eased to 3.6% on the year in September from 6.3% in August (revised down from 6.4% previously). Monthly data has been volatile, although the first nine months of the year has seen industrial production expand by 3.8% over the previous year, more than double the rate of growth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

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

According to use-based classification, basic goods production grew by 4% on the year in September following 3.5% (revised up from 3.4% previously) in August, while production of consumer goods plummeted to 0.6% on the year following growth of 6% in August (revised down from 6.8% previously), owing mostly to base effects. On a month-on-month basis, output was up 1.6%, the highest in six months catering for festival demand. Output of consumer durables grew by 8.4% on the year in September, down from 17% in August. While growth eased, it was encouraging to see the second positive month-on-month outturn, a possible turning point for the consumer sector. On the investment side, growth in capital goods halved in September from the previous month, although this was mainly due to base effects as capital goods production expanded by double digits in September 2014. Base effects aside, we welcome the overall turnaround in capital goods production which has grown by an impressive 8.8% in the first nine months of the year compared with the last year, the highest since 2010.

Overall, the latest data signals that the long-term recovery remains intact, especially with robust growth in the capital goods sector and emerging green shoots in the consumer sector. While the August data had provided a stronger platform for Q2 growth, the September data has wiped off some of its sheen, bringing the second quarter average for

Industrial Production



Source: Central Statistics Office

industrial production to 4.7%, although still up from 3.3% in Q1 and 1.3% in Q2 a year ago.

The more frequently updated data for the core sector, which is comprised of eight industries and forms 38% of industrial production, grew by 3.2% in September from 2.7% in August, surpassing growth of 2.5% in September 2014. During the April-September period of the current fiscal year, infrastructure output has slowed to 2.3% on the year, down from 5.1% growth in the corresponding period last year. This month again, production of fertiliser was the front-runner, growing by 18.1%, the highest since February 2010. In contrast, steel production contracted by 2.4% on the year and cement production contracted by 1.5%.

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

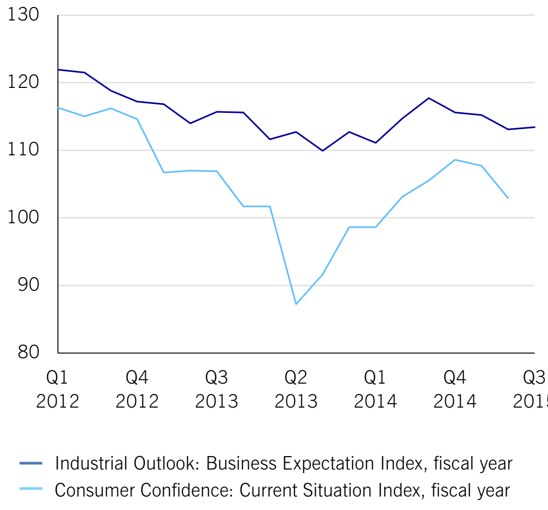
RBI Consumer Confidence fell in September

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

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

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

RBI Business and Consumer Sentiment



Source: Reserve Bank of India

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 114.1 in October from 115.3 in September. Consumers reported that they were less confident about their household finances than ever before and had lower expectations for business conditions in the long-term.

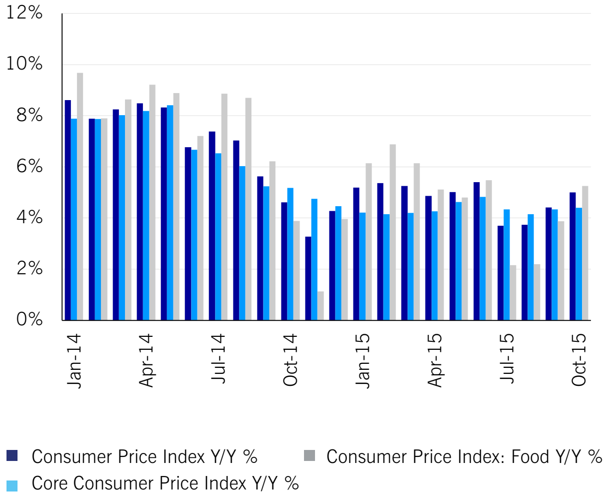
RBI Industrial Outlook remains stable in December

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

More up-to-date monthly data from the MNI India Business Sentiment Survey has shown that business confidence has eased in recent months. In the quarter ending September, the MNI India Business Sentiment Indicator fell to the lowest since March 2014, averaging 64.4. In November, business sentiment fell to 60.9, the lowest since February 2014. Key activity parameters such as production and new orders have been trending down. Companies were less optimistic about the next three months with the Expectations Indicator falling to 72.2 in November as companies didn't expect improvements in production, new orders and employment over the next three months.

Consumer Inflation



Source: Central Statistics Office

Hike in pulses price pushes CPI to four-month high

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

While prices of fruits and vegetables were up 2% on the year, prices of pulses accelerated at a bumper rate of 42.2%, due to shortfalls in production. The government has resorted to imports for managing supply of pulses, which should help ease pressure in the coming months. In an effort to increase pulses production, the government has increased the minimum support price (MSP) for rabi pulses-gram and masoor by Rs.250 per quintal each. The higher MSPs are expected to lead to increased investment and production through assured remunerative prices to farmers – although this is necessarily a long-term goal. Fuel inflation stood unchanged at 5.3% on the year. On a three-month-on-three-month basis, it remained at 0.3%, and with global commodity prices expected to remain low for some more time, we expect fuel price inflation to remain muted. After stripping out the more volatile components (food and beverages and fuel and light), core inflation rose slightly to 4.4% in October from 4.3% in September, below the headline inflation rate for the second consecutive month.

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

The RBI sees inflation remaining capped on the assumption of moderate increases in minimum support prices and subdued international food and crude prices, although without favourable base effects it is set to pick-up, something shown by the September and October data already. With the US Fed looking set to raise interest rates in December, the RBI is expected to act cautiously on monetary policy and maintain rates at their current level into the new year.

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

Manufacturing pricing power continued to remain weak, with prices down for the eighth consecutive month on the year.

Repo rate 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.

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 than expected industrial production and investment activity. External demand conditions had worsened while domestic demand remained tepid.

Continued weak data led the RBI to revise down its 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 basis points 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. It looks like the RBI's policy will most likely remain accommodative but it will maintain caution in terms of demand-side pressures on inflation that could arise from the rise in salaries of government employees in the Seventh Pay Commission payout.

Exports decline for the eleventh month in a row

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

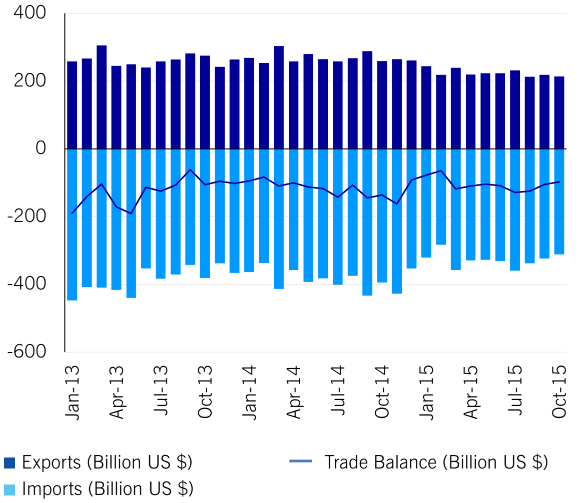
Exports contracted 17.5% on the year, the 11th consecutive fall, to $21.4 billion in October. Looking at the three-month year-on-year measure for exports, the slowdown in exports has become more pronounced.

Imports declined by 21.2% on the year to $31.1 billion in October owing mostly to a decline in oil imports which dropped 45.3% on the year to $6.9 billion. Gold imports also sharply narrowed to $1.7 billion in October from $2.1 billion in September. Disappointingly, non-oil, non-gold imports fell further below their level seen a year ago following the biggest fall in 18 months in September, a sign of weak domestic demand.

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

Overall, the trade data suggests weakness in both external and domestic demand. While export weakness has been

Trade Balance



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

Government raises planned expenditure

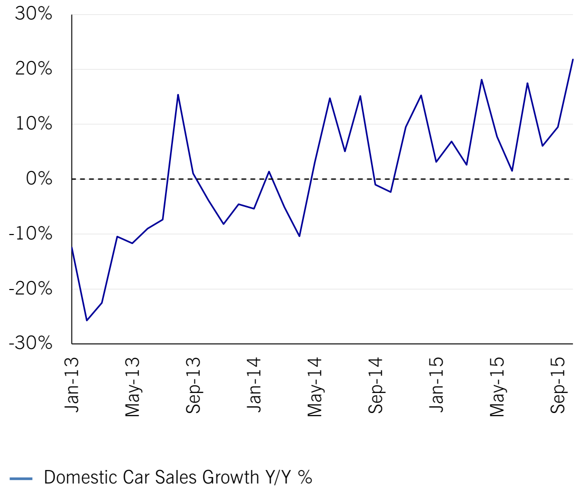
The fiscal deficit in the first six months of 2015-16, was Rs. 3.79 trillion or 68.1% of the estimated budget of Rs. 5.6 trillion for the whole financial year. This is lower than the deficit of 82.6% during the same period a year ago.

The total expenditure of the government in the first six months was Rs. 9.11 trillion or 51% of the entire year estimate, higher than last year's expenditure of 48%. Of the total outflows in the six months, planned expenditure was 54.6% of the budget estimate given the government's emphasis on infrastructure development. Planned spending was around 42.8% 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 received Parliament's approval in July to spend more on recapitalisation of public sector banks. Total receipts were Rs. 5.32 trillion, 43.5% of the estimate.

For 2015-16, the government aims to contain the fiscal deficit at 3.9% of GDP and is targeting 3% a year later than earlier announced, unlocking funds for investment into infrastructure development and social welfare programmes. The government had budgeted raising Rs.695 billion through disinvestment in the current fiscal year. Of this, Rs.410 billion was to come from a minority stake sale in public sector undertakings and another Rs.285 billion from the sale of strategic stakes. So far, the government has been able to sell stakes in just four companies—Power Finance Corp. Ltd, Rural Electrification Corp. Ltd, Dredging Corp. of India Ltd and Indian Oil Corp. Ltd, worth Rs.126 billion, which makes the achievement of disinvestment target challenging.

The seventh central pay commission which will hike salaries of central government employees and its pensioners by 23.55% is likely to be implemented with effect from 1 January 2016. It will further burden the government expenses and also likely put pressure on inflation.

Car Sales



Source: Society of Indian Automobile Manufacturers

The government recently announced the levy of a 0.5% Swachh Bharat Cess on all taxable services for funding of the cleanliness drive, a pet project of Prime Minister Narendra Modi. This levy was proposed in the Budget early in the year but no date was determined then. This has raised the service tax rate further from 14% to 14.5% and is expected to yield around Rs 10,000 crore each fiscal. In June, the government had increased the service tax rate to 14% (inclusive of all cess) from 12.36% earlier, making services like eating out, travelling, phone calls etc more expensive for the end user.

Growth in car sales accelerate in October

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

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

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

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

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

Railway freight traffic accelerates in October

In October, growth in freight traffic (millions of tonnes) rose to 4.6% on the year, the fastest growth this year and there was also a pick-up in freight traffic on a month-on-month basis. Items related to the construction sector such as steel and cement showed early signs of recovery following a period of contraction.

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

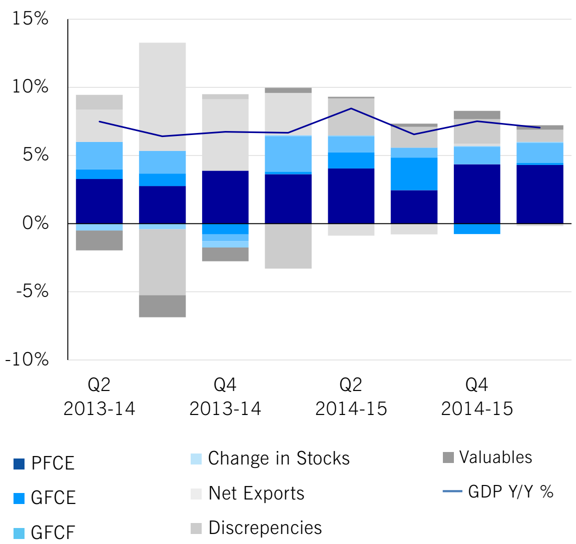
Growth in GDP weakens but accelerates in GVA in Q1

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

Not every aspect of the national accounts is 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 the large volatility in net indirect taxes, GVA provides a better representation of underlying growth dynamics. Much of the growth in GVA came from an improvement in the agriculture sector which grew by 1.9% on the year in Q1 having contracted in the previous two quarters. While manufacturing growth was on the slower side, it was offset by mining and construction. Manufacturing growth eased to 7.2% on the year in Q1 from 8.4% in the previous quarter. Mining growth almost doubled to 4% in Q1 from 2.3% in the previous quarter while construction grew by a hefty 6.9% compared with 1.4% growth in the previous quarter. Services continued to be the frontrunner with

Contribution to GDP Growth



Source: Central Statistics Office

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 April-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. Strength in these areas 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 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 April-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.

Key Monthly Economic Data

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

The MNI India Business Sentiment Indicator fell to 60.9 in November...

...more than offsetting last month's rise to 62.3.

Indicators

The busy festival season failed to bring cheer to India's largest companies in November, as business sentiment fell to the lowest level since February 2014, with companies also seeing little chance of a revival over the coming months.

MNI India Business Indicator
Weak Demand Weighs on Sentiment

Indian business sentiment eased in November in spite of the festival period, and companies also revised down their expectations for the next three months, seeing little hope for a revival in demand.

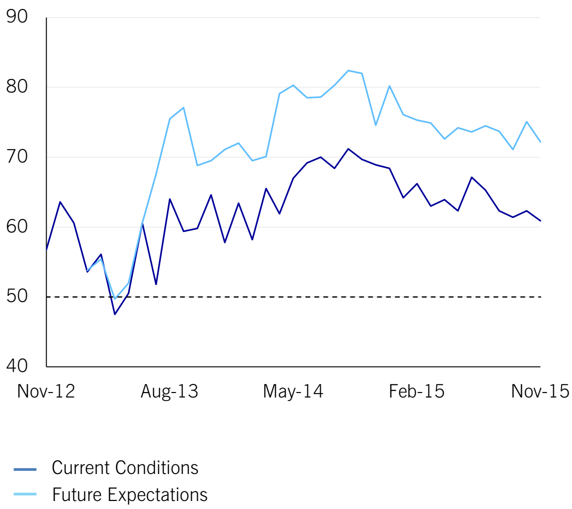
The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, fell to 60.9 in November more than offsetting last month's rise to 62.3. The fall in sentiment was observed across both manufacturing and construction companies, while sentiment among service sector companies rose for the first time in five months.

Confidence has increased only four times this year, each time following a rate cut by the RBI. Although monetary easing has provided a short-term boost to business confidence, it has failed to provide a sustained increase. And while sentiment rose in October following the late September rate cut, the increase was only small with respondents more concerned about the general malaise in the economy and subdued demand globally. The broad-based decline in business confidence during the busy festival is even more disappointing, and signals a significant softening in business and purchase activity.

Weaker confidence in the current business environment also extended to future expectations. Companies were less optimistic about the next three months with the Expectations Indicator falling to 72.2 in November from 75.1 in October. Firms were also significantly less bullish about Production, New Orders, Employment and the Availability of Credit over the next three months.

Looking deeper into the survey, it is evident that lacklustre domestic demand is behind the subdued business confidence. Production was 14.1% down on the year while New Orders stood 9.7% below last year's average. More positively, there was an increase in foreign demand for India's goods and services for the first time

MNI India Business Sentiment Indicator



"There is no improvement in the infrastructure sector." **Industrial machinery manufacturing company**

"We have secured government projects which have no got stuck, and hence we are not getting paid." **Heavy construction company**

"Overall business conditions are weak because of bad export market." **Clothing and accessories manufacturing company**

"There is poor demand from customers." **Clothing and accessories manufacturing company**

MNI India Business Indicator

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Current Conditions	68.9	67.1	65.3	62.3	61.4	62.3	60.9

in three months. The Export Orders Indicator rose 5.3% on the month.

Another positive in this month's survey was the improvement in companies' financial health. While the Financial Position Indicator has gradually trended down since July 2014, with companies reeling under the pressure of high debt and low sales, the second consecutive improvement in the Financial Position indicator in November pulled it above the series average.

In November, seven out of the 15 current conditions indicators included in the survey rose and five were below the 50 level that separates expansion from contraction. Only three future expectations indicators rose and three were in contraction.

Sectors - Overall Business Conditions

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

"Sugar industry is not doing well as prices have decreased." **Food products manufacturing company**

"There is a liquidity issue in the market." **Electrical components and equipment manufacturing company**

"It is a slow time for IT consulting business." **Computer services company**

"Economic conditions are weak in the country." **Software services company**

MNI India Business Indicator

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Future Expectations	74.6	73.6	74.5	73.7	71.1	75.1	72.2

Orders
Domestic Demand Remains Sluggish

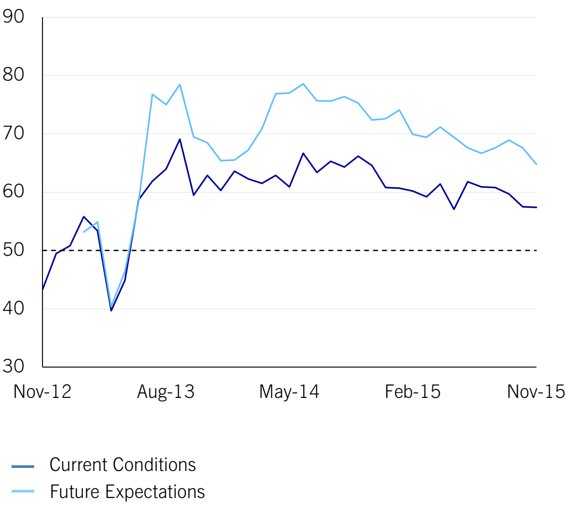
The New Orders Indicator remained broadly stable at 57.4 in November compared with 57.5 in October, driven mainly by fewer domestic orders. It has remained above the 50 mark since June 2013, although it has been gradually trending down since last year as demand has deteriorated.

The New Orders Indicator, which was down by 11.1% on the year in November, has a good correlation with the official data on domestic cargo handled at Indian airports which serves as a proxy for demand for goods. Latest data showed that cargo handled rose 1.7% in the three months to September compared with a year earlier, the slowest pace of growth since July 2013. Since domestic cargo handled at airports has consistently grown at an average of 15% over the past year, our data suggests the decline is more than a temporary lull.

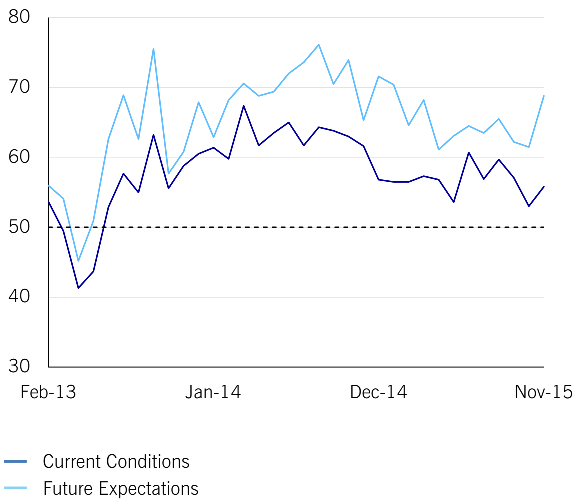
The festival period failed to boost demand for Indian companies' goods and services this year. Companies across all sectors received fewer orders in the three months to November compared with the same period a year earlier. Our panel was also less optimistic about orders in the coming three months with the Expectations Indicator for New Orders falling to 64.8 in November from 67.6 in October, the lowest since June 2013. The faster rate of decline in expectations compared with current conditions shows the extent of uncertainty among firms about the demand outlook.

Positively, foreign demand for Indian goods and services grew in November following two months of decline. The Export Orders Indicator rose by 5.3% to 55.8 in November from 53.0 in October. Some companies cited the upcoming Christmas festival as a reason for the rise in exports. Significantly more companies also anticipated that export demand would increase over the coming

New Orders



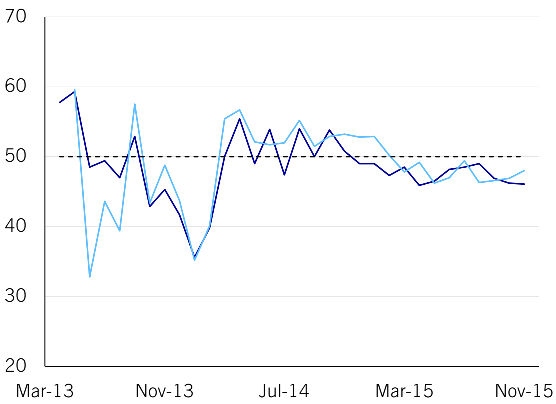
Export Orders



Orders - Current Conditions

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
New Orders	64.6	61.8	60.9	60.8	59.7	57.5	57.4
Export Orders	61.6	60.7	56.9	59.7	57.1	53.0	55.8
Order Backlogs	50.8	48.2	48.5	49.0	46.9	46.2	46.1

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

"The approaching Christmas season has led to increase in export orders." **Clothing and accessories manufacturing company**

"Order backlogs are less as total orders are less." **Auto parts manufacturing company**

"We have done good advertisements in the market of exports." **Industrial machinery manufacturing company**

months, with the Expectations Indicator rising to 68.8 in November, the highest since January. Nevertheless, export orders have plummeted this year with the indicator 9.7% down on the year. Official data also suggests that external demand for Indian goods and services remains dismal. Latest data showed that exports contracted 17.5% on the year; the 11th monthly fall, to $21.4 billion in October.

Weak orders meant that there was less pressure on companies' order books. The backlogs situation among companies barely changed in November with the indicator at 46.1 compared with 46.2 in the previous month. The last time companies reported expansion in order backlogs, represented by an indicator value above 50, was in November last year. The ability to fulfil orders quickly reflects both subdued demand and excess capacity among firms. Companies expected a small improvement over the coming three months, but backlogs were still expected to remain in the contraction zone. The Expectations Indicator remained below the 50 level at 48.0 compared with 46.9 in October.

Orders - Future Expectations

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
New Orders	72.4	67.6	66.7	67.6	68.9	67.6	64.8
Export Orders	65.3	64.5	63.5	65.5	62.2	61.5	68.8
Order Backlogs	53.2	47.0	49.4	46.3	46.6	46.9	48.0

Output and Employment
Production Lowest Since May

With little change in new orders, firms not only scaled back their output but also did not expect any turnaround in the next three months either.

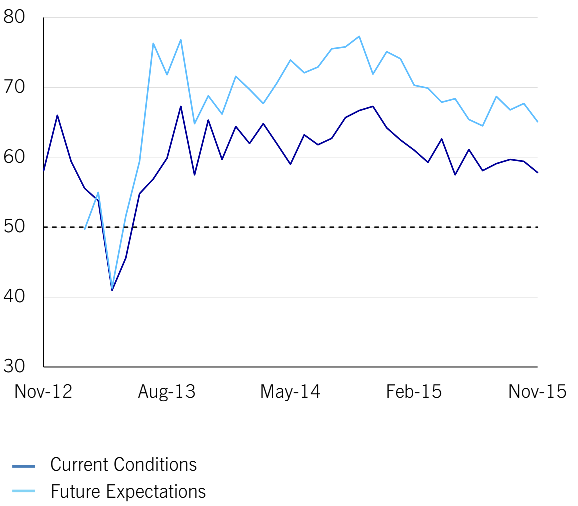
The Production Indicator fell to 57.8 in November from 59.4 in October, the lowest since May. It has gradually declined since last year, with the indicator now 9.2% below last year's average. Sector data indicates that the rate of growth of production eased in the construction and manufacturing sector while it maintained its course among service sector companies.

Companies were less optimistic about production for the next three months as well, with the Expectations Indicator falling to 65.1 from 67.7 in October.

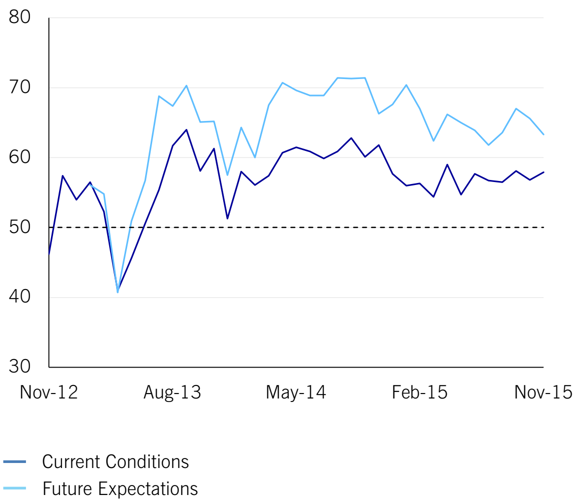
Since May, more companies have gradually stepped up their capacity in an effort to meet potential higher demand. In November, the Productive Capacity Indicator rose to 57.9 from 56.8 in October. However, with the conclusion of major festivals in November and non-realisation of orders, more companies expected to scale back their capacity in a likely effort to cut costs. Consequently, the Expectations Indicator fell to 63.3 from 65.6 in October, the lowest since July.

In November, many employees were on leave amid festivals which resulted in an increase in the Employment Indicator to 51.2 in November from 50.4 in October. Nevertheless, the vast majority of companies indicated no change in employment levels.

Production



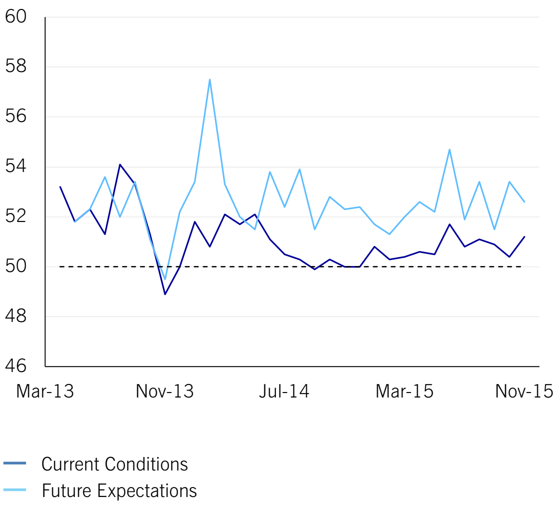
Productive Capacity



Output and Employment - Current Conditions

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Production	67.3	61.1	58.1	59.1	59.7	59.4	57.8
Productive Capacity	61.8	57.7	56.7	56.5	58.1	56.8	57.9
Employment	50.0	51.7	50.8	51.1	50.9	50.4	51.2

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

"The plant is not running according to its capacity." **Construction company**

"We are starting a new production plant." **Clothing and accessories manufacturing company**

"Production is down because of bad weather conditions." **Food products manufacturing company**

"It is difficult to find good talent in market." **Consumer finance services company**

"We have opened a new showroom, so had to increase the number of employees." **Apparel retailing company**

In general, companies have been more optimistic towards future hiring than current conditions. The indicator, although lumpy, fell to 52.6 from 53.4 in October. Service sector companies were less confident about hiring while construction companies were pessimistic and continued to expect job losses.

"Production is reduced as there is low demand." **Clothing and accessories manufacturing company**

"We are under process for recruitment." **Speciality finance services company**

"The employees are on leave for festive holidays." **Oil exploration and Production Company**

Output and Employment - Future Expectations

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Production	71.9	65.4	64.5	68.7	66.8	67.7	65.1
Productive Capacity	66.3	63.9	61.8	63.6	67.0	65.6	63.3
Employment	52.3	54.7	51.9	53.4	51.5	53.4	52.6

Prices
Disinflationary Pressures Increase

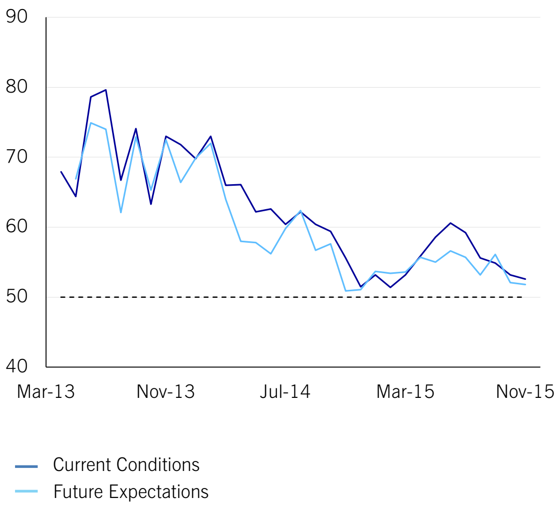
Raw material costs eased for the fifth consecutive month in November, bringing some relief to companies who have been facing subdued demand in a competitive environment.

The Input Prices Indicator eased to 52.6 in November from 53.2 in October, the lowest since February when it hit a record low. The decline in global commodity prices once again has resulted in lower input prices for firms, wiping away the pressure seen in the first half of the year. The indicator has fallen 15.8% below the average of last year and 15.7% below the series average. Fewer companies anticipated that input prices would rise in the coming three months, evidenced by the slight decline in the Future Expectations Indicator to 51.8 in November from 52.1 in October. The decline in price expectations bodes well for the RBI's inflation target of 5% in 2017.

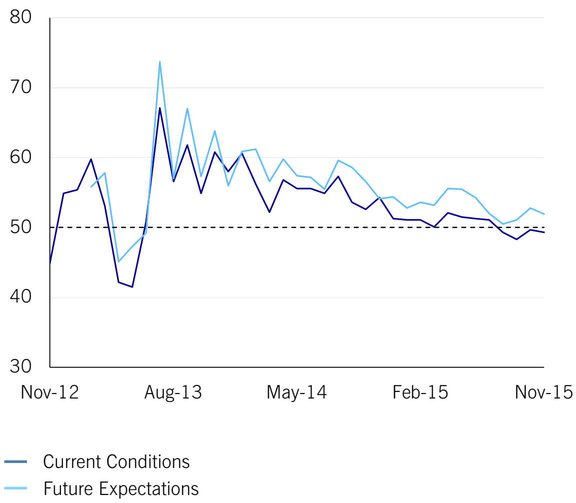
Consumer price inflation rose to a four-month high of 5% on the year in October from 4.4% in September, led by higher food prices. However, fuel inflation remained unchanged at 5.3% on the year. After stripping out the volatile food and fuel measures, core inflation rose slightly to 4.4% in October from 4.3% in September, but still remained below the headline inflation rate for the second consecutive month.

After a few companies raised their selling prices to increase their margins in the previous month, they restrained themselves in November, citing high competition in a weak demand environment. The Prices Received Indicator eased to 49.3 from 49.7 in October, the fourth consecutive month in contraction. Construction and service sector companies, who were the most active in increasing their prices last month, cut back this month while manufacturing companies kept prices suppressed.

Input Prices



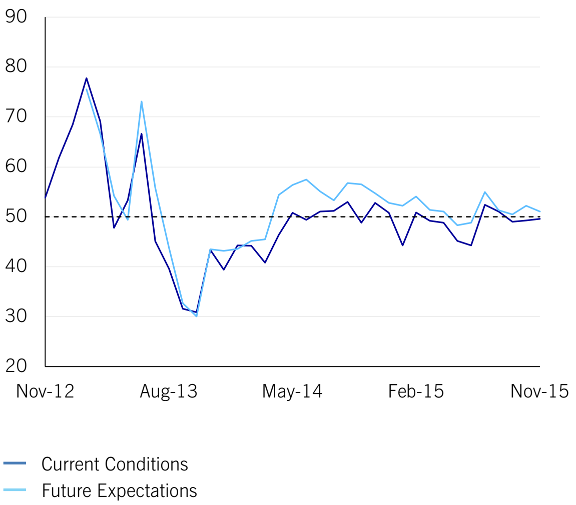
Prices Received



Prices - Current Conditions

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Input Prices	55.6	60.6	59.2	55.6	54.9	53.2	52.6
Prices Received	54.3	51.3	51.1	49.3	48.3	49.7	49.3
Exchange Rate	52.8	44.3	52.4	51.1	49.0	49.3	49.6

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

"Stability in the Rupee is helping business operations." **Food products manufacturing company**

"We import raw materials and the exchange rate is high so it hurts us." **Speciality chemicals manufacturing company**

Fewer companies expected to raise prices in the next three months with the Expectations Indicator falling to 51.9 in November from 52.8 in October.

According to our panel, the stability of the rupee had a favourable impact on business operations. The rupee was 0.8% up against the US dollar in October following a similar rise a month earlier and a sharp 3.6% decline in August, bringing it down 5.6% since the start of the year. The indicator measuring the Effect of the Rupee Exchange Rate rose slightly but remained in contraction at 49.6 in November compared with 49.3 in October. Businesses are asked whether the exchange rate is helping or hurting their company and a value above 50 shows more firms reported that it was helping, while a reading below 50 shows the exchange rate is hurting business.

Our panel anticipated that the exchange rate would be less favourable to their operations in the coming three months, especially firms in the manufacturing sector. The Expectations Indicator eased to 51.1 in November, partly offsetting the increase to 52.2 in October.

Prices - Future Expectations

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Input Prices	50.9	56.6	55.7	53.2	56.1	52.1	51.8
Prices Received	54.1	54.3	52.0	50.5	51.1	52.8	51.9
Exchange Rate	54.7	48.8	55.0	51.3	50.5	52.2	51.1

Money and Credit
Financial Position Highest Since July

As companies face lower input prices and cost of debt service this year, they reported an improvement in their financial position.

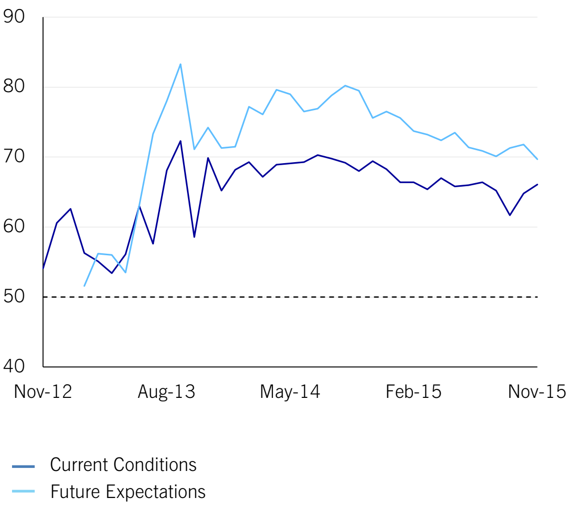
The Financial Position Indicator rose to 66.1 in November from 64.8 in October. Companies in the manufacturing and services sector reported an improvement in their financial situation, while construction companies were less optimistic following a significant rise in October. While two successive increases have put the indicator above the series average, in general weak domestic and global demand this year has resulted in a downward trending financial position.

Companies' expectations for their future finances have followed a trend similar to that of their current financial position but have remained higher in level terms. In November however, the Expectations Indicator fell for the first time in three months to 69.7 from 71.8 in the previous month, the lowest level since June 2013.

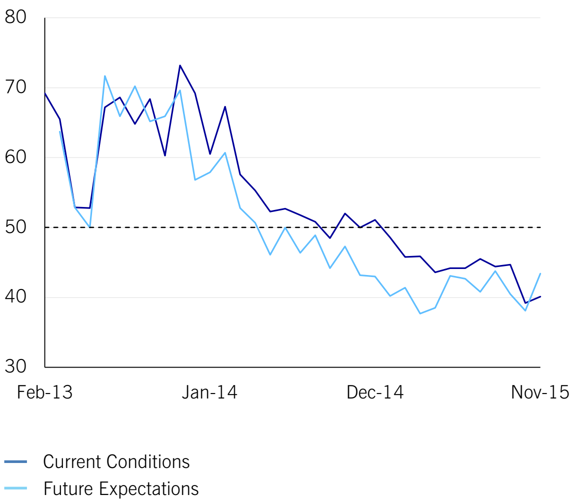
Following last month's decline in Interest Rates Paid, there was some pull back in November. The indicator rose to 40.1 from a series low of 39.2 in October. Since the start of the year, the key policy rate has been cut by a total of 125 basis points and over that period, an increasing number of firms on our panel have reported lower interest rate costs. The 17.5% fall in the indicator this year provides a testament to better transmission of rate cuts by commercial banks.

With the RBI shifting its focus to containing inflation within 5% by 2017, it is expected to keep rates on hold in the short-term. This view is shared by our panel, with fewer respondents anticipating interest rates to fall further in the coming three months. The Expectations

Financial Position



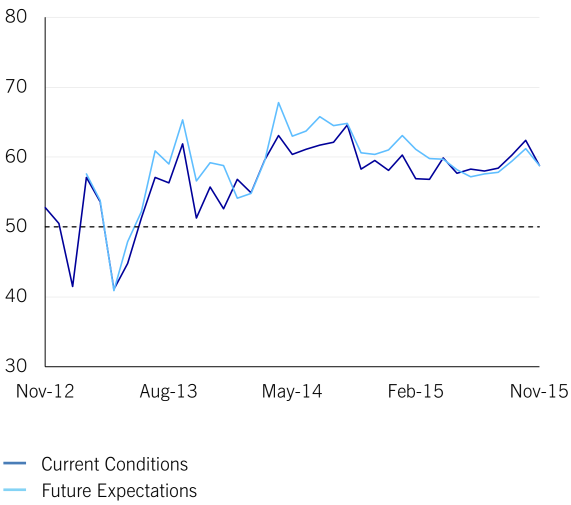
Interest Rates Paid



Money and Credit - Current Conditions

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Availability of Credit	59.5	58.3	58.0	58.4	60.3	62.4	58.8
Interest Rates Paid	50.0	44.2	45.5	44.4	44.7	39.2	40.1
Financial Position	69.4	66.0	66.4	65.2	61.7	64.8	66.1

Availability of Credit



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"Banks are not willing to lend money." Electrical **Components and equipment manufacturing company**

"There were good revenue and margins." **Iron and steel manufacturing company**

"The financial situation is better due to increase in sales." **Commodity chemicals manufacturing company**

"The financial position is stronger due to cut in the interest rate." **Iron and steel manufacturing company**

Indicator rose by 5.3 points to 43.4 in November, the highest since August.

The Availability of Credit Indicator fell to 58.8 in November following three consecutive months of improvement. Companies remained optimistic in their outlook for credit availability in general over the coming three months, although slightly less so, with the Expectations Indicator falling to 58.8 from 61.2 in October.

Money and Credit - Future Expectations

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Availability of Credit	60.4	57.2	57.6	57.8	59.4	61.2	58.8
Interest Rates Paid	43.2	42.7	40.8	43.8	40.5	38.1	43.4
Financial Position	75.6	71.4	70.9	70.1	71.3	71.8	69.7

Logistics
Supplier Delivery Times Contract

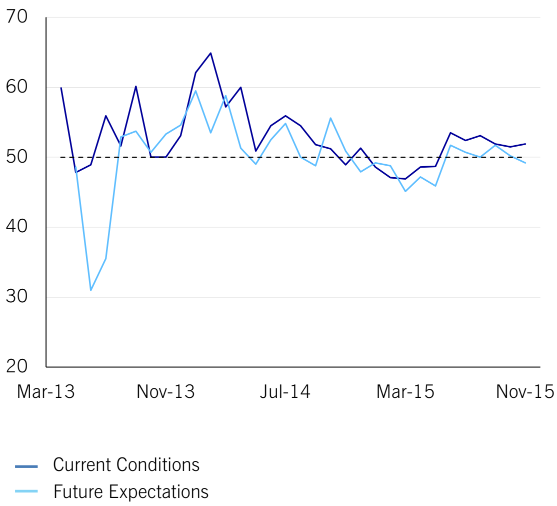
With less demand pressure, the time taken for suppliers to deliver key inputs continued to contract, and firms were left with unsold stocks of goods.

The Inventories Indicator remained above the 50 level at 51.9 in November compared with 51.5 in October. This shows that the festival period was marked by lacklustre demand with companies not having to draw down on stocks. Inventory holdings have increased 6.8% since the start of the year and were 6.1% above the level seen a year earlier.

Expectations for Inventories in three months' time fell to 49.2 in November from 50.2 in October. This is the first time the indicator has fallen below the 50 mark in six months. The decline was mainly led by manufacturing sector companies who expected to ease production and draw down from inventories to meet demand.

Suppliers of key inputs took less time to deliver orders as there was less pressure amid weak demand. The Supplier Delivery Times Indicator fell to 49.5 in November from 49.8 in October, the lowest since August. Our panel of companies also anticipated that delivery times would remain at the optimum level in the coming three months. The Expectations Indicator remained unchanged at the exact 50 breakeven level in November.

Inventories



"Inventories are higher because of lower sales." **Commodity chemicals manufacturing company**

"Demand is less and production is high, so left with higher stocks." **Speciality chemicals manufacturing company**

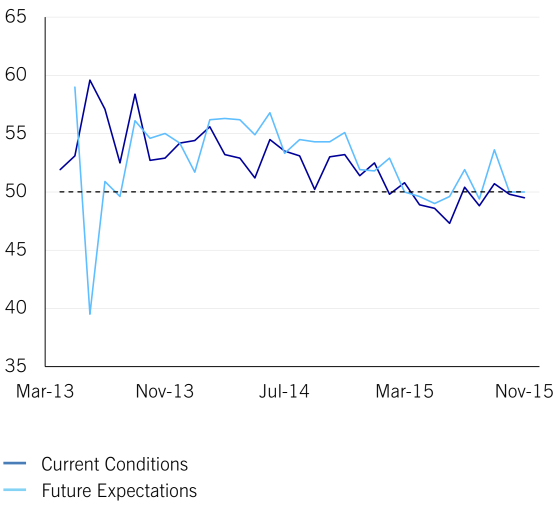
"Raw material is available with the supplier at a fair price." **Industrial machinery manufacturing company**

"Supplier delivery times are longer because of low availability of raw materials." **Clothing and accessories manufacturing company**

Logistics - Current Conditions

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Inventories	48.9	53.5	52.4	53.1	51.9	51.5	51.9
Supplier Deliveries	53.2	47.3	50.4	48.8	50.7	49.8	49.5

Supplier Delivery Times



> “Clients did not lift materials.” **Electrical components and equipment manufacturing company**
>
> “There is no movement of goods.” **Speciality Chemicals manufacturing company**
>
> “Due to limited orders, we have higher inventories.” **Pharmaceuticals manufacturing company**
>
> “We are increasing stock to meet future demand.” **Clothing and accessories manufacturing company**

Sectors - Current Conditions

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

Sectors - Future Expectations

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

Logistics - Future Expectations

	Nov-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Inventories	50.9	51.7	50.7	50.0	51.7	50.2	49.2
Supplier Deliveries	55.1	49.6	51.9	49.4	53.6	50.0	50.0

What the Panel Said

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

"Stability in the Rupee is helping business operations." **Food products manufacturing company**

"We import raw materials and the exchange rate is high so it hurts us." **Speciality chemicals manufacturing company**

"To remain competitive we have to keep our prices low." **Investment services company**

"Due to China's dumping policy, supply is increasing and prices are going down." **Iron and steel manufacturing company**

"The plant is not running according to its capacity." **Construction company**

"We are starting a new production plant." **Clothing and accessories manufacturing company**

"The approaching Christmas season has led to increase in export orders." **Clothing and accessories manufacturing company**

"Order backlogs are less as total orders are less." **Auto parts manufacturing company**

"We have done good advertisements in the market of exports." **Industrial machinery manufacturing company**

"Local demand in the market is weak." **Non-ferrous metals manufacturing company**

"There is less demand during holidays." **Investment services company**

"There is more demand from other countries." **Clothing and accessories manufacturing company**

"It is a lean period for paper industry." **Paper manufacturing company**

"We have to deliver last quarter's orders first so we are not accepting any orders as such." **Electrical component and equipment manufacturing company**

"There is poor demand in the market." **Clothing and accessories manufacturing company**

"Production is down because of bad weather conditions." **Food products manufacturing company**

"It is difficult to find good talent in market." **Consumer finance services company**

"We have opened a new showroom, so had to increase the number of employees." **Apparel retailing company**

"Production is weaker as there are no new orders available." **Food products manufacturing company**

"Inventories are higher because of lower sales." **Commodity chemicals manufacturing company**

"Demand is less and production is high, so left with higher stocks." **Speciality chemicals manufacturing company**

"Raw material is available with the supplier at a fair price." **Industrial machinery manufacturing company**

"Clients did not lift materials." **Electrical components and equipment manufacturing company**

"There is no movement of goods." **Speciality Chemicals manufacturing company**

"Due to limited orders, we have higher inventories." **Pharmaceuticals manufacturing company**

"We are increasing stock to meet future demand." **Clothing and accessories manufacturing company**

"Supplier delivery times are longer because of low availability of raw materials." **Clothing and accessories manufacturing company**

"Production is reduced as there is low demand." **Clothing and accessories manufacturing company**

"We are under process for recruitment." **Speciality finance services company**

Data tables

Historical Summary

	2014 Nov	Dec	2015 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
MNI India Business Indicator													
Current Conditions	68.9	68.4	64.2	66.2	63.0	63.9	62.3	67.1	65.3	62.3	61.4	62.3	60.9
Future Expectations	74.6	80.2	76.1	75.3	74.9	72.6	74.2	73.6	74.5	73.7	71.1	75.1	72.2
Production													
Current Conditions	67.3	64.2	62.5	61.0	59.3	62.6	57.5	61.1	58.1	59.1	59.7	59.4	57.8
Future Expectations	71.9	75.1	74.1	70.3	69.9	67.9	68.4	65.4	64.5	68.7	66.8	67.7	65.1
New Orders													
Current Conditions	64.6	60.8	60.7	60.2	59.2	61.4	57.1	61.8	60.9	60.8	59.7	57.5	57.4
Future Expectations	72.4	72.6	74.1	69.9	69.4	71.2	69.4	67.6	66.7	67.6	68.9	67.6	64.8
Export Orders													
Current Conditions	61.6	56.8	56.5	56.5	57.3	56.8	53.6	60.7	56.9	59.7	57.1	53.0	55.8
Future Expectations	65.3	71.6	70.4	64.6	68.2	61.1	63.1	64.5	63.5	65.5	62.2	61.5	68.8
Productive Capacity													
Current Conditions	61.8	57.7	56.0	56.3	54.4	59.0	54.7	57.7	56.7	56.5	58.1	56.8	57.9
Future Expectations	66.3	67.6	70.4	67.0	62.4	66.2	65.0	63.9	61.8	63.6	67.0	65.6	63.3
Order Backlogs													
Current Conditions	50.8	49.0	49.0	47.3	48.5	45.9	46.5	48.2	48.5	49.0	46.9	46.2	46.1
Future Expectations	53.2	52.8	52.9	50.2	47.8	49.2	46.2	47.0	49.4	46.3	46.6	46.9	48.0
Employment													
Current Conditions	50.0	50.0	50.8	50.3	50.4	50.6	50.5	51.7	50.8	51.1	50.9	50.4	51.2
Future Expectations	52.3	52.4	51.7	51.3	52.0	52.6	52.2	54.7	51.9	53.4	51.5	53.4	52.6
Inventories													
Current Conditions	48.9	51.3	48.6	47.1	46.9	48.6	48.7	53.5	52.4	53.1	51.9	51.5	51.9
Future Expectations	50.9	47.9	49.2	48.8	45.1	47.2	45.9	51.7	50.7	50.0	51.7	50.2	49.2
Input Prices													
Current Conditions	55.6	51.5	53.2	51.4	53.2	55.9	58.6	60.6	59.2	55.6	54.9	53.2	52.6
Future Expectations	50.9	51.1	53.7	53.4	53.6	55.7	55.0	56.6	55.7	53.2	56.1	52.1	51.8
Prices Received													
Current Conditions	54.3	51.3	51.1	51.1	50.1	52.1	51.5	51.3	51.1	49.3	48.3	49.7	49.3
Future Expectations	54.1	54.4	52.8	53.6	53.2	55.6	55.5	54.3	52.0	50.5	51.1	52.8	51.9
Financial Position													
Current Conditions	69.4	68.3	66.4	66.4	65.4	67.0	65.8	66.0	66.4	65.2	61.7	64.8	66.1
Future Expectations	75.6	76.5	75.6	73.7	73.2	72.4	73.5	71.4	70.9	70.1	71.3	71.8	69.7
Interest Rates Paid													
Current Conditions	50.0	51.1	48.6	45.8	45.9	43.6	44.2	44.2	45.5	44.4	44.7	39.2	40.1
Future Expectations	43.2	43.0	40.2	41.4	37.7	38.5	43.1	42.7	40.8	43.8	40.5	38.1	43.4
Effect of Rupee Exchange Rate													
Current Conditions	52.8	50.8	44.3	50.9	49.2	48.8	45.2	44.3	52.4	51.1	49.0	49.3	49.6
Future Expectations	54.7	52.8	52.2	54.1	51.4	51.1	48.3	48.8	55.0	51.3	50.5	52.2	51.1
Supplier Delivery Times													
Current Conditions	53.2	51.4	52.5	49.8	50.8	48.9	48.6	47.3	50.4	48.8	50.7	49.8	49.5
Future Expectations	55.1	51.9	51.8	52.9	50.0	49.6	49.0	49.6	51.9	49.4	53.6	50.0	50.0
Availability of Credit													
Current Conditions	59.5	58.1	60.3	56.9	56.8	59.9	57.7	58.3	58.0	58.4	60.3	62.4	58.8
Future Expectations	60.4	61.0	63.1	61.1	59.8	59.7	58.2	57.2	57.6	57.8	59.4	61.2	58.8

Historical Records

	2012 - Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	71.2	62.4	63.0
Future Expectations	49.7	82.4	71.8	74.0
Production				
Current Conditions	41.0	67.3	60.1	59.9
Future Expectations	41.3	77.3	67.8	69.3
New Orders				
Current Conditions	39.7	69.1	59.3	60.8
Future Expectations	40.4	78.6	68.5	69.5
Export Orders				
Current Conditions	41.3	67.4	57.8	57.5
Future Expectations	45.2	76.1	65.3	65.4
Productive Capacity				
Current Conditions	41.0	64.0	56.7	57.4
Future Expectations	40.7	71.4	64.3	65.9
Order Backlogs				
Current Conditions	35.6	59.3	48.6	48.5
Future Expectations	32.8	59.6	48.6	49.2
Employment				
Current Conditions	48.9	54.1	51.1	50.9
Future Expectations	49.5	57.5	52.6	52.3
Inventories				
Current Conditions	46.9	64.9	53.0	51.9
Future Expectations	31.0	59.5	50.1	50.7
Input Prices				
Current Conditions	51.4	79.6	62.4	61.4
Future Expectations	50.9	74.9	60.3	57.6
Prices Received				
Current Conditions	41.5	67.1	53.5	53.1
Future Expectations	45.1	73.7	56.0	55.7
Financial Position				
Current Conditions	53.4	72.3	64.9	66.4
Future Expectations	51.6	83.3	72.1	73.4
Interest Rates Paid				
Current Conditions	39.2	73.2	54.4	52.2
Future Expectations	37.7	71.7	50.7	47.3
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	49.9	49.3
Future Expectations	30.1	75.5	51.9	52.2
Supplier Delivery Times				
Current Conditions	47.3	59.6	52.4	52.6
Future Expectations	39.5	59.0	52.7	53.3
Availability of Credit				
Current Conditions	41.1	64.6	56.6	58.0
Future Expectations	40.9	67.8	59.0	59.5

Historical Records - Quarterly

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

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