DEUTSCHE BÖRSE GROUP

MNI India Business Report
January 2016

Insight and data for better decisions

MNI India Business Report
Methodology

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

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

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

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

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

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

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Executive Summary

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose to 61.8 in January from 60.7 in December.

Indian business sentiment rose for the first time in three months to the highest since October 2015 as domestic orders strengthened at the start of the year.

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose to 61.8 in January from 60.7 in December. The rise in sentiment was observed across both manufacturing and service companies, while sentiment among construction sector companies fell. Although the indicator was above the 50 level that separates expansion from contraction, it was 3.7% below the outturn of January 2015.

Although the indicator was above the 50 level that separates expansion from contraction, it was 3.7% below the outturn of January 2015. Confidence gradually declined throughout last year, with the Business Sentiment Indicator averaging 61.3 in the three months to December, the weakest period in 2015 and the lowest outturn since Q4 2013. Confidence increased only four times last 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. With interest rates expected to remain at the same level at the next monetary policy meeting on February 2, it might have a dampening effect on sentiment unless there are any surprises on the demand front, although this remains weak.

Asked specifically about the impact of the Modi government on businesses, 17% of respondents reported that their business performance was better under the new government. Many said the quicker clearance and implementation of business proposals was benefitting the business environment. Nevertheless, 56.8% of our panel reported that their business had been unaffected by the government's policies, while 4.3% thought that business had worsened. A significant proportion, 22% of respondents, said that it was too early to draw any conclusions.

While companies were more confident about the current business environment, their expectations for the next three months lacked spark. In January, the Expectations Indicator eased to 71.6 from 74.3 in December, 5.9% down on the year. Firms were also less bullish about Production, Employment and Availability of Credit over the coming quarter. One change from previous months was that firms were more optimistic about demand. The Expectations Indicator for New Orders was up 2.6% on the month. This is a tentative sign that the prolonged deterioration in domestic demand conditions may be coming to an end.

Raw material costs rose at a faster pace for the first time in seven months in January while the exchange rate continued to hurt companies, leading to a rise in prices charged. Our panel, especially firms in the construction and manufacturing sector anticipated that the exchange rate would be less favourable to their operations in the coming three months. The Expectations Indicator fell into contraction for the first time since last June to 49.7 in January.

In January, eight out of the 15 current conditions indicators included in the survey increased and 10 were equal or above the 50 level that separates expansion from contraction. 10 future expectations indicators fell and four were in contraction.

Overview

	Nov-15	Dec-15	Jan-16	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	60.9	60.7	61.8	Oct-15	-	61.1	1.1	1.8%
Future Expectations	72.2	74.3	71.6	-	Sep-15	72.7	-2.7	-3.6%
Production								
Current Conditions	57.8	58.0	54.9	-	Jun-13	56.9	-3.1	-5.3%
Future Expectations	65.1	66.9	64.8	-	Jul-15	65.6	-2.1	-3.1%
New Orders								
Current Conditions	57.4	55.6	58.2	Sep-15	-	57.1	2.6	4.7%
Future Expectations	64.8	64.5	66.2	Oct-15	-	65.2	1.7	2.6%
Export Orders								
Current Conditions	55.8	59.2	54.6	-	Oct-15	56.5	-4.6	-7.8%
Future Expectations	68.8	64.7	65.2	Nov-15	-	66.2	0.5	0.8%
Productive Capacity								
Current Conditions	57.9	54.9	55.3	Nov-15	-	56.0	0.4	0.7%
Future Expectations	63.3	65.6	62.1	-	Jul-15	63.7	-3.5	-5.3%
Order Backlogs								
Current Conditions	46.1	49.3	47.6	-	Nov-15	47.7	-1.7	-3.4%
Future Expectations	48.0	49.1	49.5	Feb-15	-	48.9	0.4	0.8%
Employment								
Current Conditions	51.2	50.7	50.6	-	Oct-15	50.8	-0.1	-0.2%
Future Expectations	52.6	54.1	53.1	-	Nov-15	53.3	-1.0	-1.8%
Inventories								
Current Conditions	51.9	52.5	49.3	-	May-15	51.2	-3.2	-6.1%
Future Expectations	49.2	50.8	50.7	-	Nov-15	50.2	-0.1	-0.2%
Input Prices								
Current Conditions	52.6	51.1	53.3	Sep-15	-	52.3	2.2	4.3%
Future Expectations	51.8	52.5	52.6	Sep-15	-	52.3	0.1	0.2%
Prices Received								
Current Conditions	49.3	47.7	49.4	Oct-15	-	48.8	1.7	3.6%
Future Expectations	51.9	52.2	51.6	-	Sep-15	51.9	-0.6	-1.1%
Financial Position								
Current Conditions	66.1	61.5	62.9	Nov-15	-	63.5	1.4	2.3%
Future Expectations	69.7	71.4	71.3	-	Nov-15	70.8	-0.1	-0.1%
Interest Rates Paid								
Current Conditions	40.1	40.1	41.5	Sep-15	-	40.6	1.4	3.5%
Future Expectations	43.4	40.6	41.9	Nov-15	-	42.0	1.3	3.2%
Effect of Rupee Exchange Rate								
Current Conditions	49.6	49.3	49.2	-	Sep-15	49.4	-0.1	-0.2%
Future Expectations	51.1	50.5	49.7	-	Jun-15	50.4	-0.8	-1.6%
Supplier Delivery Times								
Current Conditions	49.5	49.5	50.0	Sep-15	-	49.7	0.5	1.0%
Future Expectations	50.0	49.8	49.3	-	May-15	49.7	-0.5	-1.0%
Availability of Credit								
Current Conditions	58.8	57.6	56.3	-	Feb-14	57.6	-1.3	-2.3%
Future Expectations	58.8	59.5	58.1	-	Aug-15	58.8	-1.4	-2.4%

Consumer price inflation rose to 5.6% in December from 5.4% in November...

...the highest since September 2014, however it eased slightly since November.

Economic Landscape

Latest economic data has been disappointing with industrial production contracting for the first time in more than a year and retail inflation rising to the highest since September 2014.

Latest economic data has been disappointing. Industrial production growth turned negative for the first time in more than a year. While some pullback was expected as there were fewer working days due to the Diwali festival in November, the slowdown was accentuated by floods in Chennai, which is an important industrial centre in India. Demand for goods abroad also failed to show any improvement on account of weak demand in major markets including the Eurozone and China. In contrast, the fall in imports was much lower than in previous months. The rise in non-oil, non-gold imports, an indicator of domestic demand, turned positive for the first time in three months, however, a sharper increase in gold imports was a worrying trend given India's love for the yellow metal.

Consumer price inflation rose to 5.6% in December from 5.4% in November, the highest since September 2014. Core inflation rose to 4.7% in December from 4.6% in November, making it the fourth consecutive monthly rise and a potential issue for reining inflation expectations for the RBI to meet its medium to long-term inflation target. Although at the December monetary policy meeting the RBI softened slightly its position on the inflation outlook and left the door open to further rate cuts, given the large increases in food prices over the past months and the uncertainty related to the fiscal and inflationary impact of pay revision for the employees of the Central and State governments, we expect the RBI to keep the repo rate unchanged until the presentation of the Union Budget for 2016-17 in February.

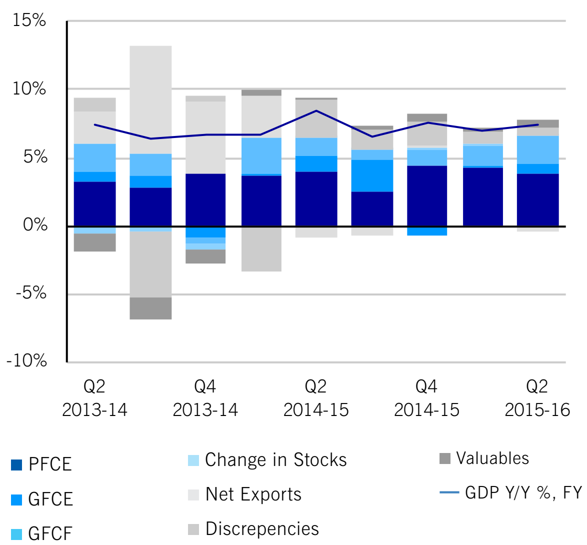
Growth in GDP accelerates in Q2

Latest GDP data showed that India's economy grew by 7.4% on the year in the July-September quarter, up from 7% in the previous quarter, although lower than the 8.4% growth recorded in the July-September quarter last year. Growth has picked up pace in the first half of FY16, on the back of green shoots in manufacturing, investment spending and support from government spending.

Growth of GVA at basic prices improved for the second consecutive quarter to 7.4% on the year in Q2FY16 from 7.1% in Q1 and 6.1% in Q4FY15. The improvement in GVA growth was primarily led by an uptick in industrial expansion to 6.8% in Q2 from 6.5% in Q1. The data showed an unexpected pick-up in growth of agriculture, forestry & fishing output to 2.2% in Q2 from 1.9% in Q1, allaying concerns regarding the extent of the impact of the unfavourable monsoon on agricultural output. However, growth of the services sector eased mildly to 8.8% in Q2 from 8.9% in the previous quarter. This was due to lower growth in trade, hotels, transport, communication and services related to broadcasting. That said, service sector performance remained buoyant in Q2 with financial, real estate and professional services growing at 9.7% and public administration, defence and other services rising by 4.7% versus 2.7% in Q1.

On an expenditure basis, GDP growth in the July-September quarter was led by a 6.8% year-on-year increase in both private final consumption expenditure (PFCE) and gross fixed capital formation (GFCF). Growth of PFCE has slipped from 7.4% in Q1, with an unfavourable monsoon and the expectation of subdued rural incomes dampening sentiments and weighing upon rural consumption growth. Personal consumption added 3.8 percentage points to growth, having contributed 4.3 percentage points in the previous quarter and 4 percentage points in the same quarter a year ago. Boosted by robust growth in government capital spending, the growth of GFCF improved to a five-quarter high from 4.9% in Q1, contributing 2.1 percentage points, up from 1.5 percentage points in the previous

Contribution to GDP Growth

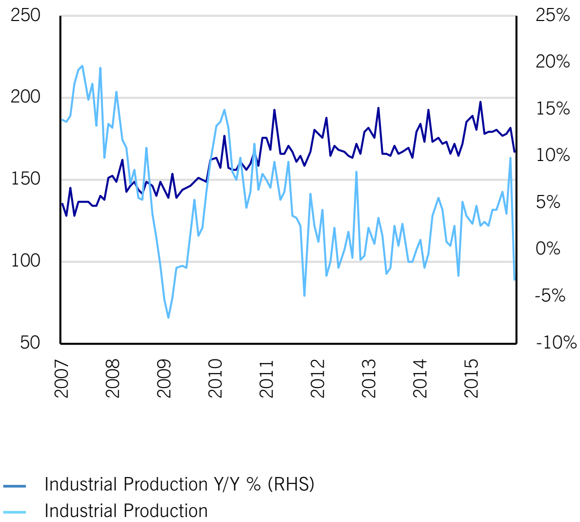


Source: Central Statistics Office

quarter and 1.2 percentage points in the same quarter a year ago. Net exports continued to be a drag on growth, however the pace of contraction of both imports and exports eased in Q2 (-2.8% and -4.7%, respectively) compared with the previous quarter (-5.4% and -6.5%, respectively).

Going forward, we expect trends such as the moderation in inflation, easy monetary conditions and upward revision in the salaries of government employees to support urban consumption demand and overall economic activity, with growth expected to surpass the 7.3% recorded last year. Rural demand, on the other hand, is expected to remain subdued owing to two consecutive years of weak monsoons, unseasonal rains and lower MSP increases than in previous years. Government spending will play a critical role in terms of infrastructure investment and easing rules for foreign direct investment.

Industrial Production



Source: Central Statistics Office

Industrial Output Contracts for the first time in over a year

Industrial production contracted 3.2% on the year in November following growth of 9.9% in October (revised up from 9.8% previously). While some pullback was expected as there were fewer working days due to the Diwali festival in November, the slowdown was accentuated by floods in Chennai, which is an important industrial centre. Still in the 11 months of the year, industrial production expanded by 3.7% over the previous year, more than double the growth seen in 2014.

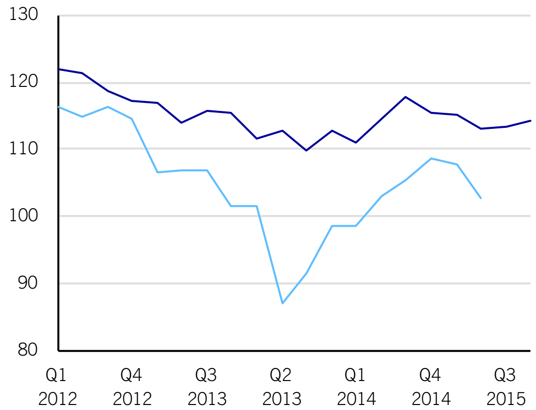
The overall contraction was broad-based. The manufacturing sector, which forms three quarters of industrial production, contracted 4.4% on the year compared with 10.6% growth in the previous month. It was still up 3.8% in the 11 months to November over the past year, the highest growth rate in four years, providing impetus to the “Make in India” program. Electricity production grew by 0.7% on the year while mining grew by 2.3% on the year, much slower than the previous month.

According to use-based classification, basic goods production contracted 0.7% on the year in November following 4.2% (revised up from 4.1% previously) in October, while production of consumer goods grew 1.3% on the year from 18.4% in October, owing mostly to base effects. On a month-on-month basis, output was down 15.2%, following two months of growth helped by festival demand. Output of consumer durables grew by 12.5% on the year in November from 42.3% in October. While at first glance, the double-digit growth in this segment looks promising in an otherwise miserable production release, looking deeper into the data, production actually contracted 16.9% over the previous month. On a three month on three month basis, output contracted 3.7% following expansion in the previous three periods. On the investment side, capital goods production contracted 24.4% on the year in November from 16.3% growth in October, slowing down the momentum seen earlier in the year. Even though monthly data is volatile, we welcome the overall turnaround in capital goods production which has grown by 6.2% in the first 11 months of the year compared with the last year, the highest since 2010.

The October data had provided a stronger platform for Q3 growth. However, the figures for November were very downbeat. Still, with growth at 3.9% in 2015-16 compared with 2.5% last year, and with expected higher government spending on large capital intensive projects, growth in industrial activity is expected to remain relatively firm.

The more frequently updated data for the core sector, which is comprised of eight industries and forms 38% of industrial production, contracted by 1.3% on the year in November from 3.2% growth in the previous month. Last time the sectors were in the negative zone was in April 2015, when they shrank by 0.4%. During the April-November period of the current fiscal year, infrastructure output has slowed to 2% on the year, down from 6% growth in the corresponding period last year. The overall decline was led by four sectors, crude oil, natural gas, steel and cement while electricity production did not grow at all compared with the previous month. This month again, production of fertiliser was the front-runner, growing by 13.4% on the year, although slower than in the previous month.

RBI Business and Consumer Sentiment



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

Source: Reserve Bank of India

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.

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 108.5 in December from 113.7 in November. Consumers reported that they were less confident about their household finances than ever before and had lower expectations for business conditions both in the short- and long-term.

RBI Industrial Outlook rises slightly in March

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

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

More up-to-date monthly data from the MNI India Business Sentiment Survey shows that business confidence has eased significantly in 2015. In the quarter ending December, the MNI India Business Sentiment Indicator fell to the lowest since the quarter ending December 2013, averaging 61.3. In January, business sentiment rose to 61.8, the highest since October 2015. Companies were however less optimistic about the next three months with the Expectations Indicator falling to 71.6 as companies were less bullish about Production and Employment over the coming quarter.

Retail Inflation Highest Since September 2014

Consumer price inflation rose to 5.6% in December from 5.4% in November, the highest since September 2014. Food price inflation, which makes up 47.25% of the CPI basket rose to a ten-month high of 6.4% on the year in December from 6.1% in November, led by several items including vegetables, meat & fish, egg and sugar.

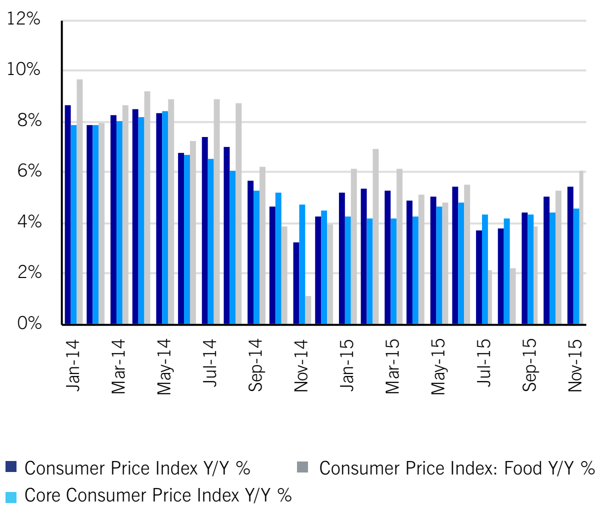
Food prices actually declined in December from November, but the decline was much less than the typical seasonal decline when the harvest comes to market. While prices of vegetables were up 4.6% on the year, they were 7.2% below last month's level. Inflation in pulses which has been burning a hole in Indian households' pockets stabilised at an elevated level of 45.9% in December. Fuel inflation rose 5.4% on the year in December led by a hike in excise duty on petrol and diesel prices after remaining at 5.3% over the last three months. On a three month on three month basis, it picked up slightly to 0.4%, and with global commodity prices declining further, we expect fuel price inflation to remain muted. After stripping out the more volatile components (food and beverages and fuel and light), core inflation rose to 4.7% in December from 4.6% in November, making it the fourth consecutive monthly rise and a potential issue for reining in inflation expectations for the RBI to meet its medium to long-term inflation target.

Rural CPI inflation quickened to 6.3% in December from 5.9% in November, led by a pick-up in food inflation to 6.4% from 5.8% in November. Urban CPI inflation remained stable at 4.7% in December, with food inflation easing to 6.3% from 6.5% in November.

Despite the firming in retail inflation over the last five months, the continued decline in global crude oil prices and the beginning of a slight easing in food prices amid weak domestic demand suggest that the CPI inflation is likely to undershoot the January 2016 target of 5.8%. Throughout 2016, the low base effect will wear off and any pick-up in inflation could be on the back of unexpected increases in food prices. However, downward pressures from global prices and slower domestic demand recovery, will cap the upside. Under these circumstances and given the uncertainty related to the fiscal and inflationary impact of pay revision for the employees of the Central and State governments, we expect the RBI to keep the repo rate unchanged until the presentation of the Union Budget for 2016-17 in February.

The previously targeted measure of inflation, based on the Wholesale Price Index, contracted for the 14th consecutive month in December, falling an annual 0.7% from a 2% decline in November. The pace of decline has eased in last four months, led by a sharp rise in food price inflation. Food inflation was up 8.2% on the year, the highest since July 2014 and was also

Consumer Price Inflation



Source: Central Statistics Office

0.6% up on the month. Fuel and power prices, were down on the year, and also eased since the previous month as global oil price plummeted. Manufacturing pricing power continued to remain weak, with prices down for the tenth consecutive month on the year.

Repo rate unchanged at 6.75% in December

The Reserve Bank of India kept the policy repo rate unchanged at 6.75% in December, in line with expectations after a 50 basis point cut at the previous meeting in September.

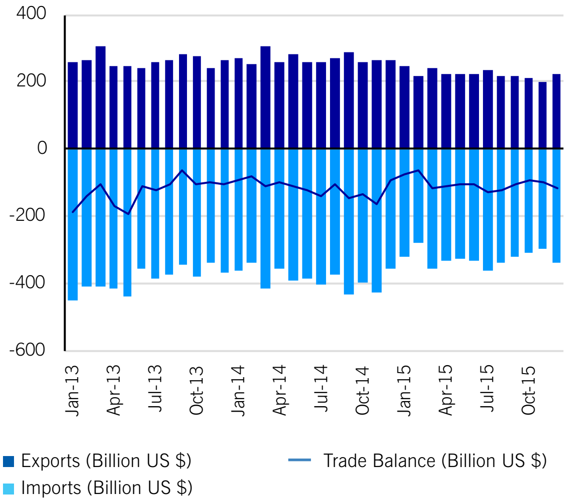
The RBI noted that CPI inflation is expected to broadly follow the path indicated in the September 2015 policy review but softened its view slightly by noting that the risks were now skewed slightly to the downside. Against this, it warned that the recent pick-up in core inflation warranted vigilance. Once again, the RBI highlighted the need for supply side reforms with astute food management by both the central and state governments necessary to minimize shortfalls in food production due to monsoon vagaries.

On growth the RBI's projection for 2015-16 remained unchanged at 7.4%, with mild risks to downside. This follows the downward revision from the 7.6% stated in the September policy statement. The outlook for manufacturing and service sector output was robust, while agricultural output was expected to be weak. The RBI was hopeful that a rise in government expenditure and the easing in monetary policy would help revive private investment demand.

The RBI once again lamented the fact that lending rates have fallen by far less than the repo rate. In order to improve the transmission mechanism it noted that the government was looking at linking small savings interest rates to market rates. On December 17, the RBI announced new rules for calculating base rate to come into effect from 1 April 2016. Under the new rules, banks must set their lending rates under the marginal cost of funding every month, which is based on the cost of new deposits instead of the current system of the average rate of outstanding deposits, to allow quicker transmission of monetary policy.

While the RBI is clearly watching the impact on inflation from commodity prices as well as the implementation

Trade Balance



Source: Ministry of Commerce and Industry

of the Pay Commission proposals it still appears to remain on an easing bias. The RBI emphasised that it would "use the space for accommodation, when available, while keeping the economy anchored to the projected disinflation path that should take inflation down to 5% by March 2017.

Trade Deficit at a Four-Month High

India's trade deficit rose in December to $11.7 billion from $9.8 billion in November and was 27% above the $9.2 billion shortfall recorded in December last year.

Exports contracted 14.7% on the year, the 13th consecutive fall, to $22.3 billion in December. Looking at the three-month year-on-year measure for exports, the slowdown in exports eased. The decline in imports softened considerably, with imports down 3.9% on the year and up 14% on the month to $34 billion in December. This was mostly due to an increase in non-oil imports which rose 7.6% on the year to $27 billion. Gold imports grew by a large 179.1% in December after declining by 47.2% in the previous three months. This was partly on account of the lower base of last year coupled with the ongoing marriage season and sharp fall in international prices of gold. Positively, non-oil, non-gold imports, which reflect domestic demand, rose for the first time in three months by a hefty 18.6%. 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 to $12 billion compared with $13.3 billion in October. Payments for India's service imports also fell 18.9% on the month to $5.7 billion in November, the lowest level of services payments recorded.

Overall, the trade data suggests exports remain under pressure owing to weak demand in key markets such as Europe and China. However, a significant reduction in crude oil prices and still subdued non-oil, non-gold imports will keep India's overall import bill under control. India aims to increase exports of goods and services to $900 billion by 2020 and raise the country's share in world exports to 3.5% from 2% now. A lack of competitiveness and weak demand, though, makes this an exceedingly ambitious target.

Government committed to the fiscal deficit target

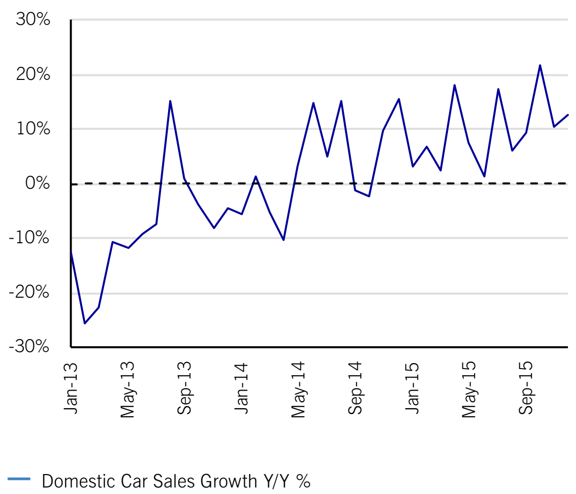
The fiscal deficit in the first eight months of 2015-16, was Rs. 4.8 trillion or 87% of the estimated budget for the whole financial year. This is lower than the deficit of 99% during the same period a year ago.

The total expenditure of the government in the first eight months was Rs. 11.4 trillion or 64.3% of the entire year estimate, higher than last year's expenditure of 59.8%. Of the total outflows in the eight months, planned expenditure was 64.1% of the budget estimate given the government's emphasis on infrastructure development. Planned spending was around 51.1% of the budget estimate during the last fiscal year. Total spending, which is set at Rs. 17.7 trillion for the entire year, is expected to go up after the government received Parliament's approval in July to spend more on recapitalisation of public sector banks and expected hike in the central government employees' salaries in accordance to recommendations of the Pay Commission. The government, however, has managed to keep non-plan spending in check. Non-Plan expenditure in April-November 2015 was Rs. 8.4 trillion, or 64.3% of the whole-year estimate. Total receipts were Rs. 6.5 trillion, 53.9% of the estimate.

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

The government has recently announced a series of measures to raise revenue and cut subsidies to keep the deficit in check. A levy of a 0.5% Swachh Bharat Cess is now applicable on all taxable services for funding of the cleanliness drive, a pet project of Prime Minister Narendra Modi. This levy was proposed in the Budget early in the year but no date was determined then. This has led to a further increase in the service tax rate from 14% to 14.5% and is expected to yield around Rs. 100 billion each fiscal. In June, the government had increased the service

Car Sales



Source: Society of Indian Automobile Manufacturers 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. In its latest move, the government seeks to curb gas subsidies. It recently announced that cooking gas subsidies will only be offered to citizens with taxable incomes of less than Rs. 1 million. At present, all households are entitled to 12 cylinders of 14.2-kg each at subsidised rate of Rs. 419.26, while the market price of each cylinder is Rs. 608.

Double-digit growth in car sales in December

Car sales in India rose by 12.9% on the year in December, from 10.4% in November. On a month-on-month basis, sales were broadly stable following a contraction in the previous month. Car sales have grown by 9.6% on the year in 2015, a hefty improvement from growth of 2.7% and fall of 9.9% in 2014 and 2013 respectively.

Sales of commercial vehicles grew by 11.5% on the year in December, up from 8.6% seen in the previous month. On a three month year-on-year basis, sales have been growing by double-digit over the past three months and could be an indication of a turnaround in the industrial sector.

On the other hand, sales of two-wheelers contracted 3.1% on the year in December and were down 11.6% on the month. This was led by contraction in the sales of motorcycles. Sales of scooters though grew by 3.1% on the year. With the rural sector stressed from two consecutive droughts and unseasonal rainfalls, demand for two-wheelers plummeted in 2015. Sales of scooters more than halved in 2015 compared with the previous year while that for motorcycles was hit even more, with demand contracting on a year-on-year basis.

Key Monthly Economic Data

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Consumer Price Index (Y/Y %)	3.7	3.7	4.4	5.0	5.4	5.6	-
Wholesale Price Index (Y/Y %)	-4.0	-5.1	-4.6	-3.7	-2.0	-0.7	-
Industrial Production (Y/Y %)	4.3	6.3	3.8	9.9	-3.2	-	-
Car Sales (Y/Y %)	17.5	6.1	9.5	21.8	10.4	12.9	-
Trade Balance (Billion US $)	-12.9	-12.3	-10.5	-9.5	-9.8	-11.7	-
Exports (Billion US $)	23.2	21.4	21.8	21.4	20.0	22.3	-
Imports (Billion US $)	36.1	33.7	32.3	30.9	29.8	34.0	-
MNI India Business Sentiment Indicator	65.3	62.3	61.4	62.3	60.9	60.7	61.8
MNI India Consumer Sentiment Indicator	119.5	118.6	119.1	115.3	114.1	113.7	-

The rise in sentiment was observed across both manufacturing and service companies...

...while sentiment among construction sector companies fell, more than offsetting the previous month's sharp rise.

Indicators

Indian business sentiment rose for the first time in three months to the highest since October as domestic orders strengthened at the start of 2016.

MNI India Business Indicator
Highest Since October 2015

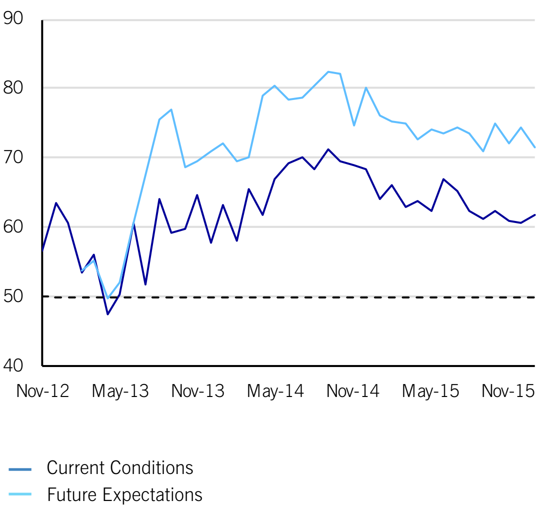
Indian business sentiment rose for the first time in three months to the highest since last October as domestic orders strengthened at the start of 2016.

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose to 61.8 in January from 60.7 in December. The rise in sentiment was observed across both manufacturing and service companies, while sentiment among construction sector companies fell, more than offsetting the previous month's sharp rise.

Although the indicator was above the 50 level that separates expansion from contraction, it was 3.7% below the outturn of January 2015. Confidence has gradually declined throughout last year, with the Business Sentiment Indicator averaging 61.3 in the three months to December, the weakest period in 2015 and the lowest outturn since Q4 2013. Confidence increased only four times last 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. With interest rates expected to remain at the same level at the next monetary policy meeting on February 2, it might have a dampening effect on sentiment unless there are any surprises on the demand front, although this remains weak.

Asked specifically about the Modi government's impact on businesses, 17% of respondents reported that their business performance was better under the new government. Many said they were experiencing quicker clearance and implementation of business proposals which benefitted their operations. Nevertheless, 56.8% of our panel reported that their business had been unaffected by the government's policies while 4.3% thought that their business had worsened. A large proportion, 22% of respondents,

MNI India Business Sentiment Indicator



"Market conditions are favourable." **Broadcasting and Entertainment Services Company**

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

"Sugar prices have increased which is benefiting the company." **Food products manufacturing company**

MNI India Business Indicator

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Current Conditions	64.2	62.3	61.4	62.3	60.9	60.7	61.8

did not know and said that it was too early to draw any conclusions.

Looking deeper into the survey, more companies across all sectors reported rising demand and were a little more optimistic for it to sustain over the next three months. However, foreign demand for their goods and services weakened, with Export Orders down 7.8% on the month. With little hope of a turnaround in the external sector and with domestic demand expected to rise at slow pace, firms slowed production. Production was 12.2% down on the year and 8.3% below the series average.

While companies were more confident about the current business environment, their expectations for the next three months lacked spark. In January, the Expectations Indicator fell to 71.6 from 74.3 in December, 5.9% down on the year. Firms were also less bullish about Production, Employment and Availability of Credit over the coming quarter. One change from previous months was that firms were more optimistic about demand. The Expectations Indicator for New Orders was up 2.6% on the month while that for Export Orders remained broadly stable. This could be a tentative sign that the prolonged deterioration in domestic demand conditions may be coming to an end.

In January, eight out of the 15 current conditions indicators included in the survey increased and 10 were equal or above the 50 level that separates expansion from contraction. 10 future expectations indicators fell and four were in contraction.

Sectors - Overall Business Conditions

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

"Demand is rising and production is high." **Iron and steel manufacturing company**

"We are expanding our business rapidly, tapping different sectors of business like finance, retail, jewellery etc." **General Retailing company**

"Markets have improved since Diwali." **Investment Services company**

"We have received new orders and we have been executing them timely as well." **Clothing and accessories manufacturing company**

MNI India Business Indicator

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Future Expectations	76.1	73.7	71.1	75.1	72.2	74.3	71.6

Orders
Domestic Demand Improves

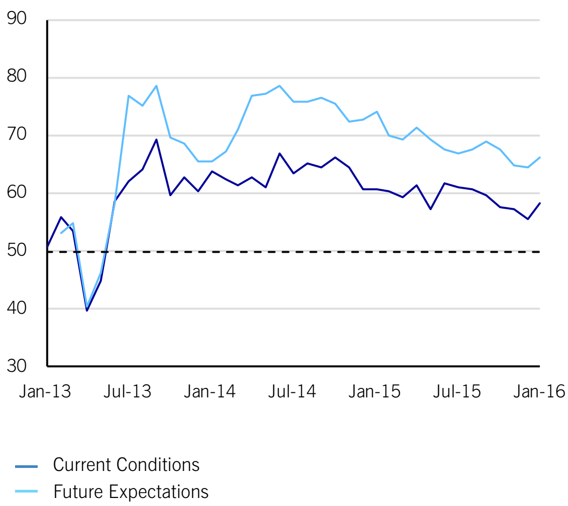
There was some respite for companies who have faced declining demand pressures, as evidenced by the first rise in the New Orders Indicator in seven months in January. However, export-oriented firms did not share the same view with fewer firms reporting increase in foreign demand at the start of the new year.

The New Orders Indicator rose to 58.2 in January from 55.6 in December, the highest level since September last year. This was the first rise in seven months and although more data points are required to properly draw any conclusions, if this is sustained, it could signal that the trough in demand has been reached. Our survey shows that although the business environment is better than in 2013, there has been a trend decline in demand throughout last year with the festival period also proving to be a non-event for businesses in spite of low inflation and lower interest rates.

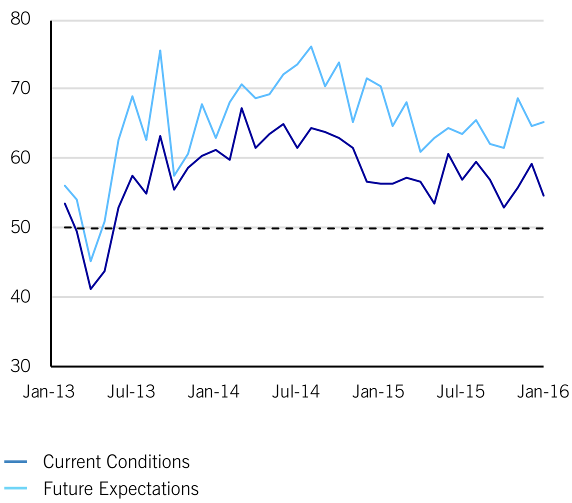
Companies also revised up their short-term outlook for the first time in four months, with the Expectations Indicator rising to 66.2 from 64.5 in December.

The New Orders Indicator, which was down 4.1% on the year in January, has a good correlation with official data on domestic cargo handled at Indian airports which serves as a proxy for demand for goods. Latest data showed that cargo handled rose 4.7% in the three months to November compared with a year earlier. This is a long way off the average growth rate of 15% in recent years, reaffirming the lull depicted by our data in 2015. However, with the pace of growth picking up, the worst may be over.

New Orders



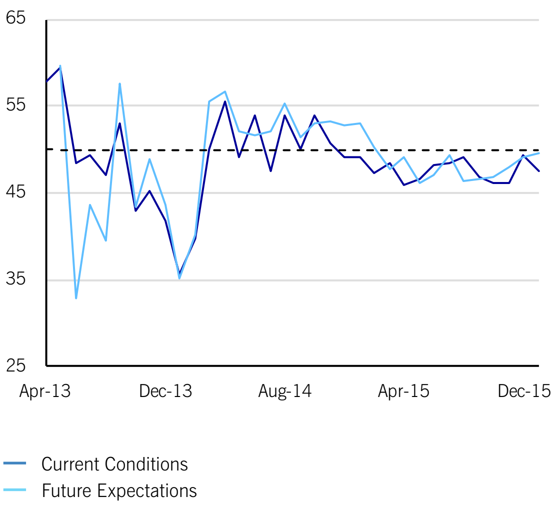
Export Orders



Orders - Current Conditions

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
New Orders	60.7	60.8	59.7	57.5	57.4	55.6	58.2
Export Orders	56.5	59.7	57.1	53.0	55.8	59.2	54.6
Order Backlogs	49.0	49.0	46.9	46.2	46.1	49.3	47.6

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 overseas market is not doing well so we are concentrating on domestic market only." **Clothing and accessories manufacturing company**

"Demand for the product is high." **Industrial machinery manufacturing company**

"There is less demand from the US." **Industrial machinery manufacturing company**

"Weak season means low sale and lesser backlogs." **Pharmaceuticals manufacturing company**

Foreign demand for Indian goods and services eased in January after growing for two consecutive months. The Export Orders Indicator fell by 7.8% to 54.6 in January from 59.2 in December. In addition, companies remained fairly optimistic about export demand over the coming months, with the Expectations Indicator at 65.2 compared with 64.7 in December.

Weak orders have meant that pressure on companies' order books has been limited over the past year and there was no change at the start of 2015 either. Order Backlogs fell to 47.6 from 49.3 in December. The last time companies reported expansion in backlogs, represented by an indicator value above 50, was in November 2014. The ability to fulfil orders so quickly reflects both less than optimal demand and excess capacity among firms.

Orders - Future Expectations

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
New Orders	74.1	67.6	68.9	67.6	64.8	64.5	66.2
Export Orders	70.4	65.5	62.2	61.5	68.8	64.7	65.2
Order Backlogs	52.9	46.3	46.6	46.9	48.0	49.1	49.5

Output and Employment
Production Lowest Since June 2013

Firms scaled back their production and kept both their productive capacity and size of their workforce broadly stable in spite of rising orders, a sign of excess capacity among companies.

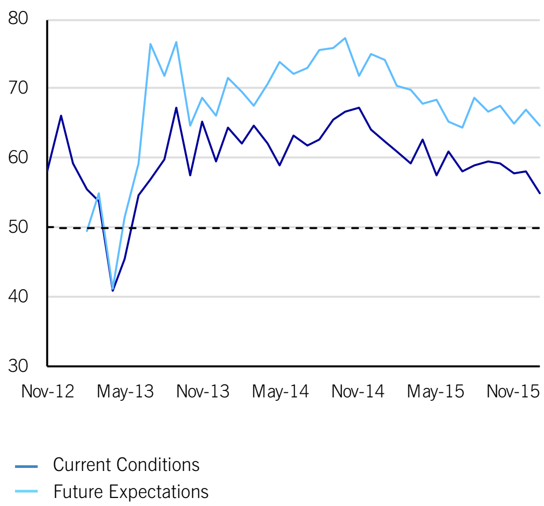
The Production Indicator fell to 54.9 in January from 58.0 in December, the lowest level since June 2013. It has gradually declined over the past year, with the indicator now 8% below last year's average. Sector data indicates that the rate of growth of business activity rose only among service sector firms while both construction and manufacturing sector companies reported lower growth in output this month after scaling up in December.

Companies were also less optimistic about production in the next three months, with the Expectations Indicator falling to 64.8 in January from 66.9 in the previous month.

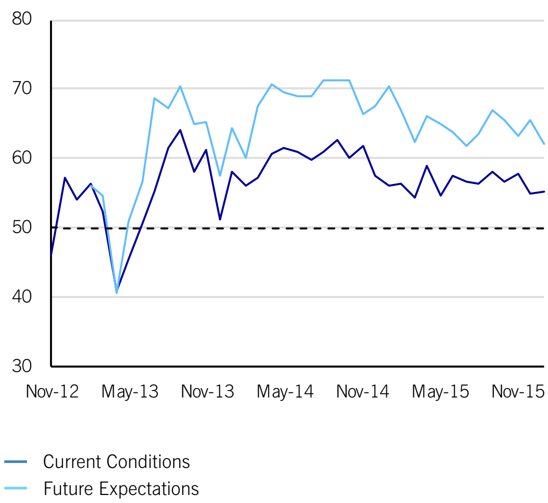
Since May 2015, more companies have gradually stepped up their capacity in an effort to meet potentially higher demand. However with the conclusion of major festivals in November and non-realisation of orders during the festival period, firms have started to pare back their productive capacity in an effort to cut costs. The Productive Capacity Indicator stood at 55.3 in January after falling to 54.9 in December. Companies remained more optimistic about the next three months compared with current conditions, but even here their enthusiasm was tempered, with the Expectations Indicator falling to 62.1 in January from 65.6 in December.

Companies were fairly confident that they had close to the optimal number of employees as evidenced

Production



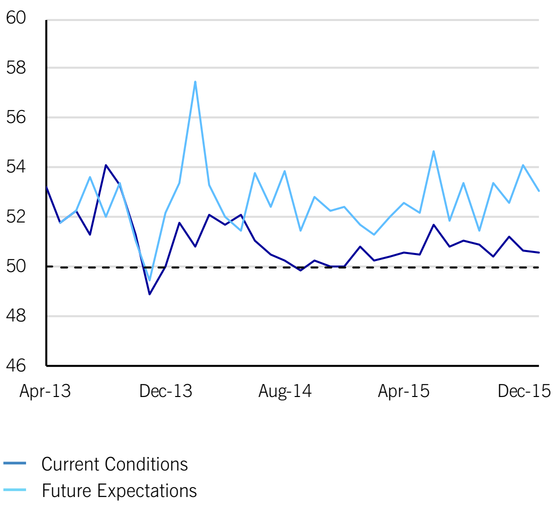
Productive Capacity



Output and Employment - Current Conditions

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Production	62.5	59.1	59.7	59.4	57.8	58.0	54.9
Productive Capacity	56.0	56.5	58.1	56.8	57.9	54.9	55.3
Employment	50.8	51.1	50.9	50.4	51.2	50.7	50.6

Employment



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"Production was lower as some orders were cancelled." **Household goods manufacturing company**

"Production was down because of floods." **Industrial machinery manufacturing company**

"Production was reduced because of poor sale." **Automobile manufacturing company**

"We have fewer orders so have lowered production but have more staff." **Non ferrous metals manufacturing company**

by the Employment Indicator very close to the breakeven level at 50.6 in January compared with 50.7 in December. In general, companies have been more optimistic towards future hiring than current conditions. The indicator, although a bit lumpy, fell to 53.1 from 54.1 in December. Companies in the manufacturing and construction industries were less confident about hiring in the next three months, while service sector firms remained broadly optimistic.

Output and Employment - Future Expectations

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Production	74.1	68.7	66.8	67.7	65.1	66.9	64.8
Productive Capacity	70.4	63.6	67.0	65.6	63.3	65.6	62.1
Employment	51.7	53.4	51.5	53.4	52.6	54.1	53.1

Prices

Exchange Rate Expected to Turn Unfavourable

Raw material costs rose at a faster pace for the first time in seven months in January while the exchange rate continued to hurt companies, leading to a rise in prices charged.

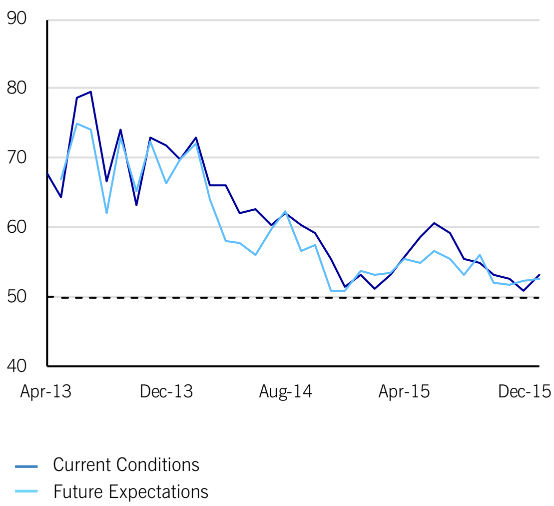
The Input Prices Indicator rose to 53.3 in January from a record low of 51.1 in December. In spite of the rise, the indicator was 3% below the average of last year and 13.8% below the series average, led by a decline in global commodity prices.

Companies anticipated that input prices would rise in the coming three months, evidenced by the level of the Future Expectations Indicator above the 50 mark. It stood at 52.6 in January compared with 52.5 in December. This was 12% below the series average and 2.8% below last year's average. The gradual deceleration in price expectations bodes well for the RBI's inflation target of 5% in 2017.

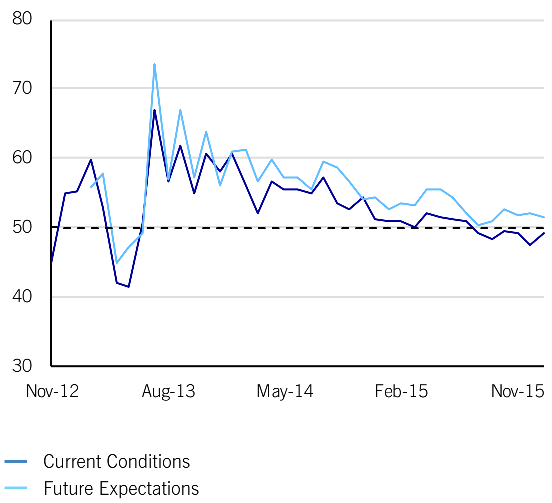
While official data shows that retail inflation is on the rise, with CPI increasing to 5.6% on the year in December from 5.4% in November, it has been predominantly driven by higher food prices. Meanwhile fuel inflation rose 5.4% on the year in December led by a hike in excise duty on petrol and diesel prices after remaining at 5.3% over the last three months. On a three month on three month basis, it picked up slightly to 0.4%, and with global commodity prices declining further, we expect fuel price inflation to remain muted.

As companies benefit from lower oil and other commodity prices in general, they have been charging lower final prices for their goods and services, with the indicator below the 50 mark for six months in a row in January. While a few companies -mostly in

Input Prices



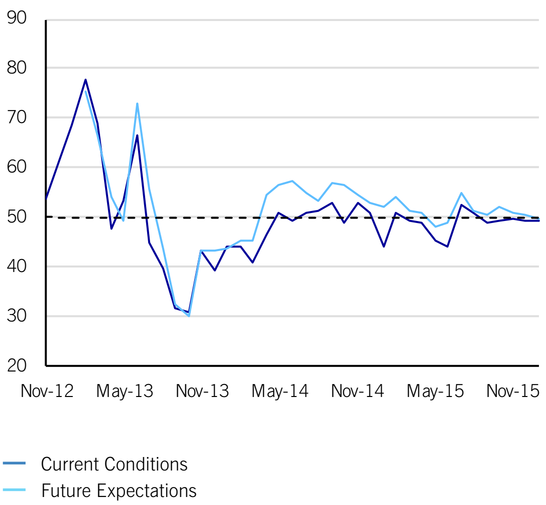
Prices Received



Prices - Current Conditions

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Input Prices	53.2	55.6	54.9	53.2	52.6	51.1	53.3
Prices Received	51.1	49.3	48.3	49.7	49.3	47.7	49.4
Exchange Rate	44.3	51.1	49.0	49.3	49.6	49.3	49.2

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

"Electricity prices are increasing." **Conventional electricity manufacturing company**

"The rupee is depreciating so imported inputs are getting costly." **Electrical components and equipment manufacturing company**

the construction sector- raised their selling prices to increase their margins, they were in a minority, with many still keeping prices in check citing tough competition and a subdued demand environment. The Prices Received Indicator rose to 49.4 from 47.7 in December, 3.3% down on the year. Manufacturing companies continued to charge lower prices while the prices charged by service sector companies were at the breakeven level.

According to our panel, the volatility of the rupee continued to have an unfavourable impact on business operations. The rupee fell 7.4% against the US dollar in 2015 and came under particular pressure running into the end of 2015. The indicator measuring the Effect of the Rupee Exchange Rate remained in contraction and roughly unchanged from last month at 49.2 in January. Businesses are asked whether the exchange rate is helping or hurting their company and a value above 50 shows more firms reported that it was helping, while a reading below 50 shows the exchange rate is hurting business.

Our panel, especially firms in the construction and manufacturing sector anticipated that the exchange rate would be less favourable to their operations in the coming three months. The Expectations Indicator fell into contraction for the first time since June 2015.

Prices - Future Expectations

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Input Prices	53.7	53.2	56.1	52.1	51.8	52.5	52.6
Prices Received	52.8	50.5	51.1	52.8	51.9	52.2	51.6
Exchange Rate	52.2	51.3	50.5	52.2	51.1	50.5	49.7

Money and Credit

Expectations for Cost of Debt Service Remain Weak

More companies reported improvement in their financial position at the start of the year due to better sales in a low inflation and interest rate environment.

The Financial Position Indicator recovered slightly to 62.9 following a sharp fall in December to 61.5. More companies in the service sector reported an improvement in their financial situation, while construction companies were less optimistic following a rise in the previous month. In general, weak domestic and global demand over the past year has resulted in a downward trending financial position.

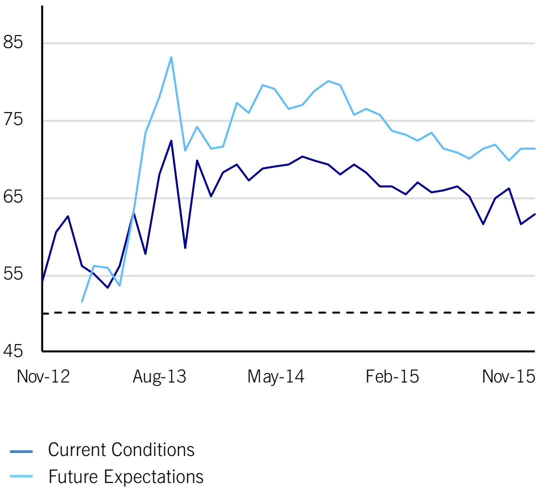
Companies' expectations for their future finances have followed a trend similar to that of their current financial position but have remained higher in level terms. In January, the Expectations Indicator was almost flat at 71.3 compared with 71.4 in the previous month.

The Interest Rates Paid indicator remained in contraction for the 13th consecutive month. In the past year, the key policy rate was cut by a total of 125 basis points, and over that period an increasing number of firms on our panel have reported lower interest rate costs. The 14.6% fall in the indicator since January 2014 is testament to better transmission of rate cuts by commercial banks.

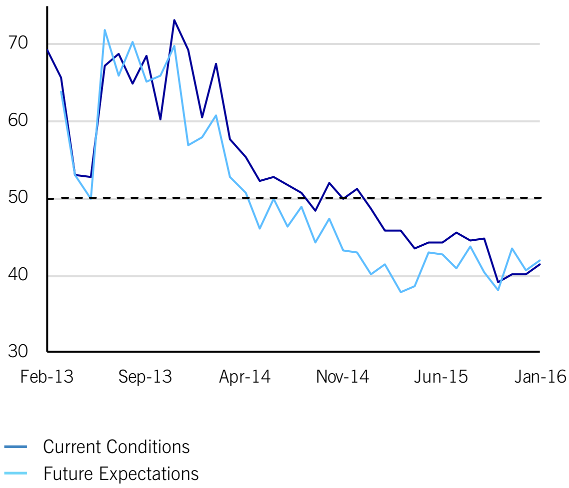
With the RBI shifting its focus to containing inflation to within 5% by 2017, it is expected to keep rates on hold in the short-term. Our panel, however, expected interest rates to fall in the coming three months. The Expectations Indicator remained in contraction at 41.9 in January compared with 40.6 in December.

Companies reported that there was a tightening in credit availability with the indicator falling to 56.3 in

Financial Position



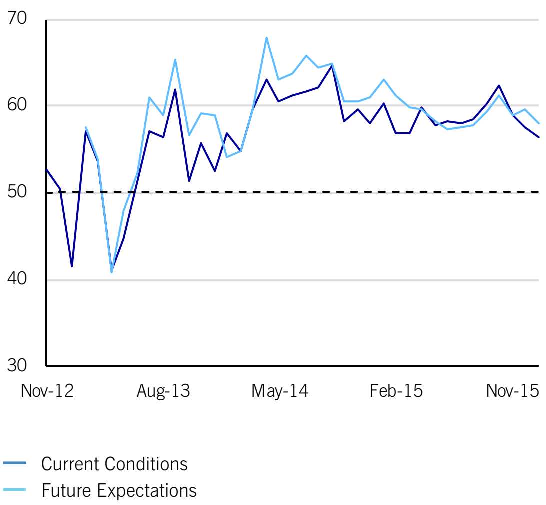
Interest Rates Paid



Money and Credit - Current Conditions

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Availability of Credit	60.3	58.4	60.3	62.4	58.8	57.6	56.3
Interest Rates Paid	48.6	44.4	44.7	39.2	40.1	40.1	41.5
Financial Position	66.4	65.2	61.7	64.8	66.1	61.5	62.9

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 denying loans." **Clothing and accessories manufacturing company**

"Good sales revenue and orders in hand." **Business support services company**

"Although interest rates have been reduced by the RBI, they are still to be passed on to us." **Software services company**

"An increase in production and sales has led to an improvement of financial condition." **Furnishings manufacturing company**

January from 57.6 in December, the lowest since February 2014. Companies were also less optimistic in their outlook for credit availability, with the Expectations Indicator decreasing to 58.1 from 59.5 in December.

"Banks has reduced interest rates marginally because of the RBI rate cuts." **Speciality Finance Services Company**

"There is a good footfall and the business is increasing so our financial position is better." **Travel and Leisure Company**

Money and Credit - Future Expectations

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Availability of Credit	63.1	57.8	59.4	61.2	58.8	59.5	58.1
Interest Rates Paid	40.2	43.8	40.5	38.1	43.4	40.6	41.9
Financial Position	75.6	70.1	71.3	71.8	69.7	71.4	71.3

Logistics
Inventories Fall into Contraction

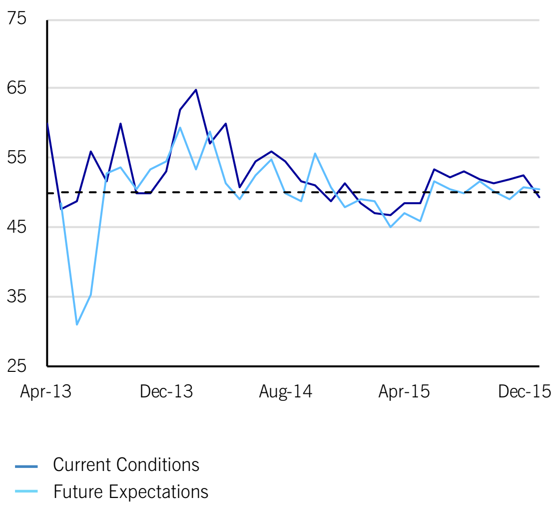
Companies started cutting back on their inventories following months of low demand pressure while suppliers reported that the time taken for them to deliver key inputs was just right.

The Inventories Indicator fell into contraction for the first time since May 2015 to 49.3 in January from 52.5 in December. Fewer companies wished to hold onto inventories in spite of higher expectations for demand in the coming three months, reflecting excess capacity which could be utilised for higher orders.

Companies expected to maintain their inventory holdings close to the optimum level in the coming three months, a sign that businesses don't expect any sharp surprises on the demand front. Expectations for Inventories in three months' time stood at 50.7 in January compared with 50.8 in December.

Suppliers of key inputs took more time to deliver orders from last month due to higher demand, leaving it close to the optimal level. The Supplier Delivery Times Indicator rose to the exact 50 level from 49.5 in December. Our panel of companies anticipated that delivery times would shorten in the coming three months though, with the Expectations Indicator falling further into contraction to 49.3 from 49.8 in December.

Inventories



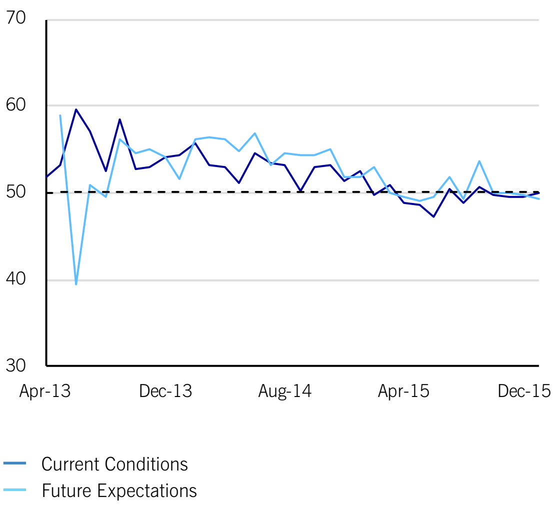
"The inventory has built-up due to lower sales." **Pharmaceuticals manufacturing company**

"Demand is sluggish." **Auto parts manufacturing company**

Logistics - Current Conditions

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Inventories	48.6	53.1	51.9	51.5	51.9	52.5	49.3
Supplier Deliveries	52.5	48.8	50.7	49.8	49.5	49.5	50.0

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

"There is good demand from customers so inventory level is reduced." **Industrial machinery manufacturing company**

"There is no stock left at the end of season." **Soft drinks manufacturing company**

Logistics - Future Expectations

	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Inventories	49.2	50.0	51.7	50.2	49.2	50.8	50.7
Supplier Deliveries	51.8	49.4	53.6	50.0	50.0	49.8	49.3

Special Question

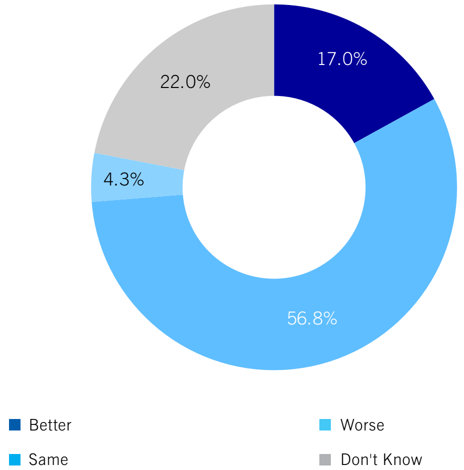
How do you think your business has performed since the Modi government came to power?

For the January survey, we asked our panel of large Indian companies how their business had performed since the Modi government came to power.

Narendra Modi, leader of the pro-business BJP party, was sworn in as India's Prime Minister at the end of May 2014 and since then the MNI Business Sentiment Indicator has seen sharp swings. Out of our panel, 17% of respondents reported that their business performance was better under the new government with many citing the quicker implementation and clearance of business proposals as the primary reason for the improvement. 56.8% of respondents thought that their business had been unaffected by the government's policies while only 4.3% thought that their business had worsened. A large proportion, 22% of respondents, did not know and said that it was too early to draw any conclusions.

In general, respondents felt positive and believed that the incumbent government was on the right track, taking the necessary steps to improve the economic climate, however it was evident that most companies thought that the pace of reforms needs to be quicker, with a special mention of the GST bill.

How do you think your business has peformed since the Modi government came to power?



"The entire economy is down, no industry is doing well." **Clothing and accessories manufacturing company**

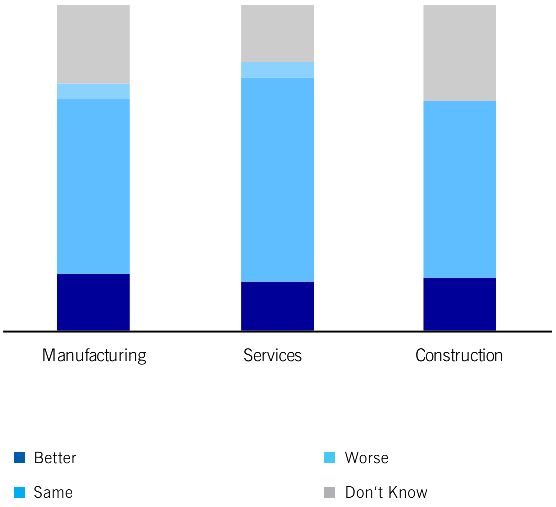
"Many online facilities are provided by the government, there is no mistake and fraud in the process." **Clothing and accessories manufacturing company**

"It would be better if the government passes a GST bill." **Speciality Finance Services company**

"Time taken for doing things is comparatively less as compared with the earlier period and approvals are easier to get." **Software services company**

"There were high expectations from the government and at ground level things haven't changed much. Reforms did not happen as they don't have the majority in the house." **Non ferrous metals manufacturing company**

How do you think your business has peformed since the Modi government came to power?



Special Question - Percentage Responses

	Manufacturing	Services	Construction
Better	17.7%	15.4%	16.7%
Worse	4.6%	4.4%	0.0%
Same	53.6%	62.5%	54.2%
Don't Know	24.1%	17.6%	29.2%

"Project approvals are faster and easier because of the new government." **Personal products manufacturing company**

"The Modi government recently passed a bill for real estate industry so it will help our business." **Real Estate Holding and Development Services Company**

"Footfall is reducing in malls; this totally depends on service taxes, if the service tax has gone up, the prices of tickets are automatically on a higher side, so it has an adverse effect on our business." **Recreational Service Company**

"Some polices are benefiting us, some are not. We are expecting a new GST bill." **Households products manufacturing company**

"There are so many business opportunities provided by the new government for electricity and specifically in the renewable sector, so there is overall a positive impact of reforms." **Conventional electricity manufacturing company**

"Business is better because of our own efforts not led by the government." **Pharmaceuticals manufacturing company**

"The government is acting with full capacity, taking steps to improve the economy." **Speciality Finance Services company**

What the Panel Said

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

“Market conditions are favourable.” **Broadcasting and Entertainment Services Company**

“There is good demand from customers so inventory level is reduced.” **Industrial machinery manufacturing company**

“There is no stock left at the end of season.” **Soft drinks manufacturing company**

“The inventory has built-up due to lower sales.” **Pharmaceuticals manufacturing company**

“Demand is sluggish.” **Auto parts manufacturing company**

“There is better demand and sale in the market.” **Clothing and accessories manufacturing company**

“Sugar prices have increased which is benefiting the company.” **Food products manufacturing company**

“Banks are denying loans.” **Clothing and accessories manufacturing company**

“Good sales revenue and orders in hand.” **Business support services company**

“Although interest rates have been reduced by the RBI, they are still to be passed on to us.” **Software services company**

“An increase in production and sales has led to an improvement of financial condition.” **Furnishings manufacturing company**

“The reduced interest rates have not yet been implemented by banks.” **Engineering company**

“Banks has reduced interest rates marginally because of the RBI rate cuts.” **Speciality Finance Services Company**

“There is a good footfall and the business is increasing so our financial position is better.” **Travel and Leisure Company**

“Business is better because of our own efforts not led by the government.” **Pharmaceuticals manufacturing company**

“The government is acting with full capacity, taking steps to improve the economy.” **Speciality Finance Services company**

“Raw material prices have gone up.” **Clothing and accessories manufacturing company**

“Electricity prices are increasing.” **Conventional electricity manufacturing company**

“The rupee is depreciating so imported inputs are getting costly.” **Electrical components and equipment manufacturing company**

“Government policies are good on solar energy.” **Consumer Electronics manufacturing company**

“Demand is rising and production is high.” **Iron and steel manufacturing company**

“Demand for the product is high.” **Industrial machinery manufacturing company**

“Demand is high because of good quality product.” **Clothing and accessories manufacturing company**

“We have added more franchises.” **Iron and steel manufacturing company**

“We are expanding our business as we are getting more and more customers.” **Apparel retailing company**

“We are working on some housing related projects.” **Speciality Finance Services company**

“Due to better weather footfall has increased.” **Recreational Services company**

“The overseas market is not doing well so we are concentrating on domestic market only.” **Clothing and accessories manufacturing company**

“Markets have improved since Diwali.” **Investment Services company**

Data tables

Historical Summary

	2015												2016
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
MNI India Business Indicator													
Current Conditions	64.2	66.2	63.0	63.9	62.3	67.1	65.3	62.3	61.4	62.3	60.9	60.7	61.8
Future Expectations	76.1	75.3	74.9	72.6	74.2	73.6	74.5	73.7	71.1	75.1	72.2	74.3	71.6
Production													
Current Conditions	62.5	61.0	59.3	62.6	57.5	61.1	58.1	59.1	59.7	59.4	57.8	58.0	54.9
Future Expectations	74.1	70.3	69.9	67.9	68.4	65.4	64.5	68.7	66.8	67.7	65.1	66.9	64.8
New Orders													
Current Conditions	60.7	60.2	59.2	61.4	57.1	61.8	60.9	60.8	59.7	57.5	57.4	55.6	58.2
Future Expectations	74.1	69.9	69.4	71.2	69.4	67.6	66.7	67.6	68.9	67.6	64.8	64.5	66.2
Export Orders													
Current Conditions	56.5	56.5	57.3	56.8	53.6	60.7	56.9	59.7	57.1	53.0	55.8	59.2	54.6
Future Expectations	70.4	64.6	68.2	61.1	63.1	64.5	63.5	65.5	62.2	61.5	68.8	64.7	65.2
Productive Capacity													
Current Conditions	56.0	56.3	54.4	59.0	54.7	57.7	56.7	56.5	58.1	56.8	57.9	54.9	55.3
Future Expectations	70.4	67.0	62.4	66.2	65.0	63.9	61.8	63.6	67.0	65.6	63.3	65.6	62.1
Order Backlogs													
Current Conditions	49.0	47.3	48.5	45.9	46.5	48.2	48.5	49.0	46.9	46.2	46.1	49.3	47.6
Future Expectations	52.9	50.2	47.8	49.2	46.2	47.0	49.4	46.3	46.6	46.9	48.0	49.1	49.5
Employment													
Current Conditions	50.8	50.3	50.4	50.6	50.5	51.7	50.8	51.1	50.9	50.4	51.2	50.7	50.6
Future Expectations	51.7	51.3	52.0	52.6	52.2	54.7	51.9	53.4	51.5	53.4	52.6	54.1	53.1
Inventories													
Current Conditions	48.6	47.1	46.9	48.6	48.7	53.5	52.4	53.1	51.9	51.5	51.9	52.5	49.3
Future Expectations	49.2	48.8	45.1	47.2	45.9	51.7	50.7	50.0	51.7	50.2	49.2	50.8	50.7
Input Prices													
Current Conditions	53.2	51.4	53.2	55.9	58.6	60.6	59.2	55.6	54.9	53.2	52.6	51.1	53.3
Future Expectations	53.7	53.4	53.6	55.7	55.0	56.6	55.7	53.2	56.1	52.1	51.8	52.5	52.6
Prices Received													
Current Conditions	51.1	51.1	50.1	52.1	51.5	51.3	51.1	49.3	48.3	49.7	49.3	47.7	49.4
Future Expectations	52.8	53.6	53.2	55.6	55.5	54.3	52.0	50.5	51.1	52.8	51.9	52.2	51.6
Financial Position													
Current Conditions	66.4	66.4	65.4	67.0	65.8	66.0	66.4	65.2	61.7	64.8	66.1	61.5	62.9
Future Expectations	75.6	73.7	73.2	72.4	73.5	71.4	70.9	70.1	71.3	71.8	69.7	71.4	71.3
Interest Rates Paid													
Current Conditions	48.6	45.8	45.9	43.6	44.2	44.2	45.5	44.4	44.7	39.2	40.1	40.1	41.5
Future Expectations	40.2	41.4	37.7	38.5	43.1	42.7	40.8	43.8	40.5	38.1	43.4	40.6	41.9
Effect of Rupee Exchange Rate													
Current Conditions	44.3	50.9	49.2	48.8	45.2	44.3	52.4	51.1	49.0	49.3	49.6	49.3	49.2
Future Expectations	52.2	54.1	51.4	51.1	48.3	48.8	55.0	51.3	50.5	52.2	51.1	50.5	49.7
Supplier Delivery Times													
Current Conditions	52.5	49.8	50.8	48.9	48.6	47.3	50.4	48.8	50.7	49.8	49.5	49.5	50.0
Future Expectations	51.8	52.9	50.0	49.6	49.0	49.6	51.9	49.4	53.6	50.0	50.0	49.8	49.3
Availability of Credit													
Current Conditions	60.3	56.9	56.8	59.9	57.7	58.3	58.0	58.4	60.3	62.4	58.8	57.6	56.3
Future Expectations	63.1	61.1	59.8	59.7	58.2	57.2	57.6	57.8	59.4	61.2	58.8	59.5	58.1

Historical Records

	2012 - Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	71.2	62.3	62.3
Future Expectations	49.7	82.4	71.9	74.0
Production				
Current Conditions	41.0	67.3	59.9	59.7
Future Expectations	41.3	77.3	67.7	68.8
New Orders				
Current Conditions	39.7	69.1	59.1	60.8
Future Expectations	40.4	78.6	68.3	69.4
Export Orders				
Current Conditions	41.3	67.4	57.8	57.5
Future Expectations	45.2	76.1	65.2	65.3
Productive Capacity				
Current Conditions	41.0	64.0	56.6	57.4
Future Expectations	40.7	71.4	64.3	65.6
Order Backlogs				
Current Conditions	35.6	59.3	48.6	48.5
Future Expectations	32.8	59.6	48.7	49.2
Employment				
Current Conditions	48.9	54.1	51.1	50.8
Future Expectations	49.5	57.5	52.6	52.4
Inventories				
Current Conditions	46.9	64.9	52.8	51.9
Future Expectations	31.0	59.5	50.1	50.7
Input Prices				
Current Conditions	51.1	79.6	61.8	60.5
Future Expectations	50.9	74.9	59.8	56.7
Prices Received				
Current Conditions	41.5	67.1	53.2	52.6
Future Expectations	45.1	73.7	55.8	55.6
Financial Position				
Current Conditions	53.4	72.3	64.8	66.1
Future Expectations	51.6	83.3	72.1	73.3
Interest Rates Paid				
Current Conditions	39.2	73.2	53.6	51.9
Future Expectations	37.7	71.7	50.2	46.4
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	49.9	49.3
Future Expectations	30.1	75.5	51.8	51.8
Supplier Delivery Times				
Current Conditions	47.3	59.6	52.2	52.5
Future Expectations	39.5	59.0	52.5	52.9
Availability of Credit				
Current Conditions	41.1	64.6	56.7	57.7
Future Expectations	40.9	67.8	59.0	59.5

Historical Records - Quarterly

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

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