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## HSBC India Services PMI

Services activity growth remained strong in November, despite slowing.

### Key findings:

- Output and new business grew strongly, although at weaker rates than in October.
- Job creation eased to only slight pace.
- Service firms trimmed charges for first time in seven months, while input price inflation moderated further.

Latest data covering India's services economy indicated a slowdown in new business and activity growth during November. Meanwhile, employment rose at the weakest rate for seven months and strong competition depressed charges. Input prices climbed further, but only slightly. Nevertheless, the sector continued to perform relatively well in comparison to the steep contractions in the first half of the year.

At 55.2 in November, the headline seasonally adjusted HSBC Business Activity Index pointed to a marked expansion of Indian service sector output. However, the index fell slightly since October's thirteen-month high of 56.8, signalling a weakening in the rate of increase. Underpinning the latest rise in business activity was a further expansion of incoming new work. Sector data showed that growth was broad-based across all monitored areas of services activity, with Transport & Storage performing particularly well.

New business received by Indian services firms rose during November, extending the current sequence of expansion to seven months. The increase was strong, and broadly similar to rates recorded over the previous five survey periods. A combination of improved economic conditions, successful promotional activities and good business reputations supported demand, according to anecdotal evidence.

As new workloads rose, volumes of unfinished business built up at Indian service providers. However, the latest accumulation was only modest and the slowest since May. The most marked

rise in outstanding work was recorded in the Transport & Storage sector, while backlogs fell in Hotels & Restaurants.

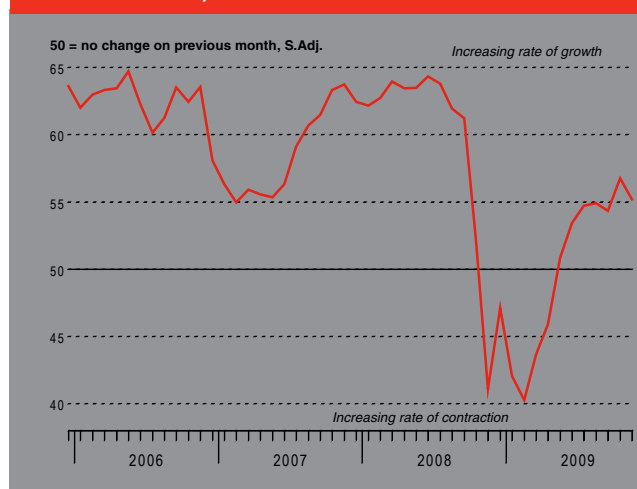
To accommodate higher levels of incoming new work, Indian service firms added to their workforces in November. Employment rose for the eighth successive month, although the pace of job creation eased since October to only a weak rate.

Data showed that optimism was lower among Indian service companies in November than during the previous month, reflecting weaker trends in output and new business. Even so, overall business sentiment remained strongly positive, with more than two-fifths of respondents confident that activity will grow in the next year. Demand for services is expected to improve due to a better economic situation, promotional activities and firms' reputations for quality service.

Input price inflation persisted during November, albeit at its mildest rate of the current eight-month sequence. Survey participants cited the main sources of inflation as higher employment expenses and increased prices for medicines and food-related goods.

Indian service providers reduced their charges in November, for the first time since April. Companies suggested that competitive pressures suppressed pricing power, forcing them to absorb greater cost burdens themselves. With only 2.4% of firms cutting output prices, the pace of decline was only slight.

### Business Activity Index



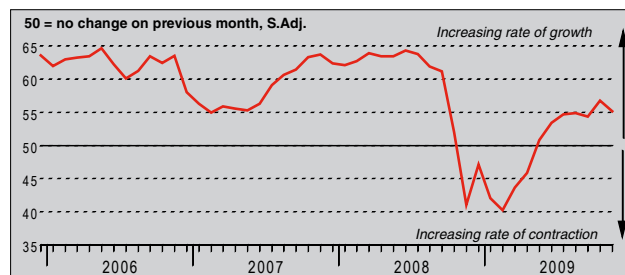
### Summary of Survey Findings

The survey uses a methodology identical to the HSBC India Manufacturing PMI. The survey uses a panel of regularly participating companies to monitor trends in business conditions in the private sector services economy. The panel has been carefully selected to accurately replicate the true structure of the Indian services economy.

### Business Activity Index

Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
<b>2009</b>	Jun	26.3	57.1	16.6	9.7
	Jul	24.4	59.7	15.9	8.4
	Aug	25.4	59.4	15.1	10.3
	Sep	25.7	64.1	10.2	15.4
	Oct	34.0	52.2	13.8	20.2
	Nov	24.7	63.1	12.1	12.6

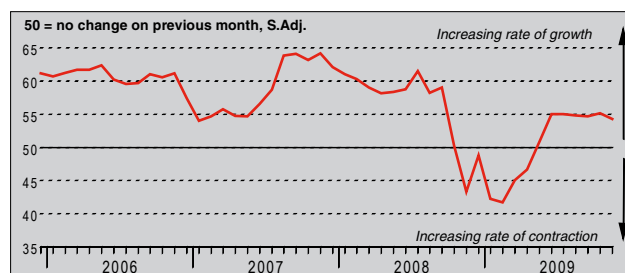


Although slower than in the previous month, Indian services output expanded strongly during November. Around one-quarter of panel members raised activity levels since October in order to accommodate higher volumes of new work. Data indicated that growth was broad-based across all six services sub-sectors, with Transport & Storage performing particularly well. Output has now risen for seven successive months, following a six-month period of decline.

### New Business Index

Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
<b>2009</b>	Jun	30.7	55.2	14.1	16.7
	Jul	22.1	64.7	13.1	9.0
	Aug	26.7	56.8	16.5	10.2
	Sep	26.5	60.6	12.9	13.6
	Oct	25.2	63.5	11.3	14.0
	Nov	20.9	68.1	11.0	9.9

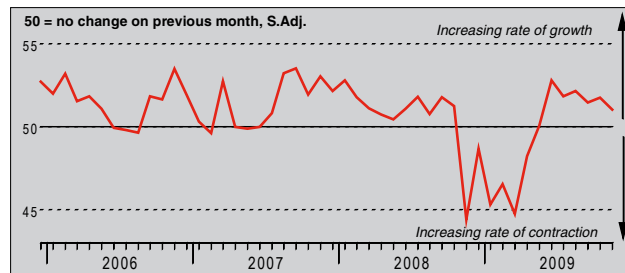


Indian service providers took on more new work during November. Incoming new business rose for the seventh straight month and at a strong pace. Since June, the seasonally adjusted New Business Index has trended in a broad sideways direction, indicating that growth has been largely stable for the past six survey periods. Better economic conditions, successful marketing and strong reputations for quality underpinned the latest expansion, according to respondents.

### Outstanding Business Index

Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
<b>2009</b>	Jun	12.1	81.0	6.9	5.3
	Jul	8.9	82.9	8.2	0.7
	Aug	13.6	76.6	9.8	3.7
	Sep	8.4	88.5	3.1	5.4
	Oct	9.5	84.7	5.8	3.8
	Nov	5.8	92.8	1.4	4.4

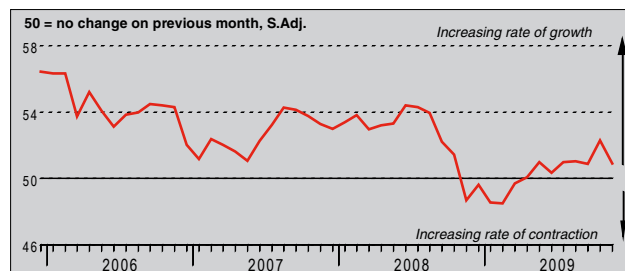


Larger workloads contributed to a seventh straight rise in business outstanding at Indian service providers during the latest survey period. Panel members also indicated that delays by customers were partly responsible for the accumulation. However, data showed that November's increase was the mildest for six months. Transport & Storage firms noted the fastest growth of work-in-hand. Only in the Hotels & Restaurants sector did backlogs fall.

### Employment Index

Q. Compare the number of people employed this month with the situation a month ago (treat two part as one full-time and ignore temporary labour).

		Higher %	Same %	Lower %	Net +/-
<b>2009</b>	Jun	4.1	90.9	5.0	-0.9
	Jul	4.3	93.2	2.5	1.8
	Aug	7.0	90.0	2.9	4.1
	Sep	5.4	93.5	1.1	4.3
	Oct	10.2	86.9	2.9	7.4
	Nov	2.7	95.7	1.6	1.0

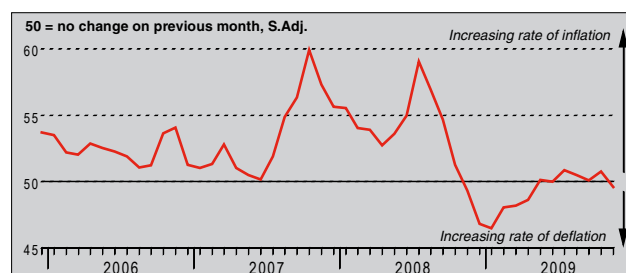


Employment levels across India's service economy continued to rise during November, extending the current period of growth to eight months. Panellists stated that the need to accommodate greater workloads was the main factor behind the expansion in staffing numbers. However, the increase slowed over the month to only a slight pace that was the weakest since June. Less than 3% of survey participants added to their workforces since October.

## Prices Charged Index

Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
<b>2009</b>	Jun	2.7	92.5	4.8	-2.2
	Jul	2.8	95.8	1.3	1.5
	Aug	3.5	94.8	1.7	1.8
	Sep	2.1	97.3	0.6	1.6
	Oct	6.1	91.4	2.5	3.6
	Nov	2.0	95.6	2.4	-0.5

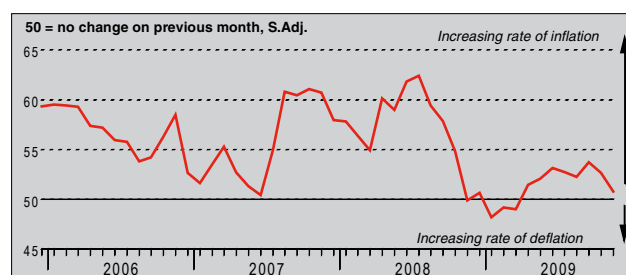


Indian service providers trimmed their rates charged in November for the first time in seven months. However, with just over 2% of companies reducing their charges, the overall rate of decline was only marginal. Reports suggested that strong competition prompted service firms to discount their prices. Data showed that the fastest reduction in output prices was recorded by the Financial Intermediation sector, although this was still only slight. Where charges were increased, this was mainly to protect profit margins.

## Input Prices Index

Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
<b>2009</b>	Jun	8.7	89.7	1.6	7.2
	Jul	6.7	92.4	0.9	5.8
	Aug	9.1	87.2	3.7	5.4
	Sep	12.9	85.3	1.8	11.0
	Oct	9.7	88.5	1.9	7.8
	Nov	4.5	94.7	0.9	3.6

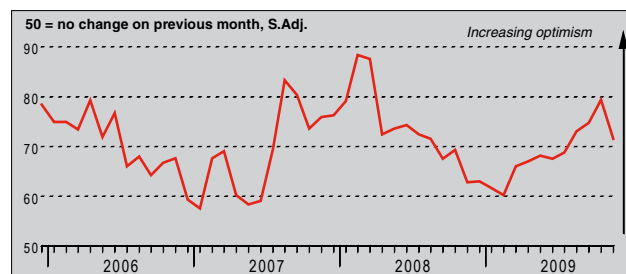


Salaries, medicines and food-related products were the primary sources of input price inflation during November, according to panellists. Average input costs have been rising since April, although the rate of increase slowed further from September's eleven-month high. The latest round of inflation was only slight, and the weakest of the current sequence. The vast majority of the survey panel (approximately 95%) saw no difference in their average cost burdens on the month.

## Business Expectations Index

Q. In twelve months' time, do you expect overall activity at your business unit to be higher, the same or lower than now?

		Higher %	Same %	Lower %	Net +/-
<b>2009</b>	Jun	38.0	59.1	2.9	35.0
	Jul	42.9	52.0	5.2	37.7
	Aug	47.4	51.4	1.2	46.2
	Sep	49.6	50.4	0.0	49.6
	Oct	58.9	41.1	0.0	58.9
	Nov	43.2	56.8	0.0	43.2



More than two-fifths of panel members were optimistic in November with regard to future activity levels. Improving business conditions, marketing and good reputations were commented on by panellists. As has been the case for the past three months, no companies expect output to fall over the coming year. Consequently, business sentiment was strongly positive during the latest survey period. The most optimistic firms were in the Post & Telecommunications and Transport & Storage sectors. However, overall confidence was lower than October's recent high.

## Notes on the Data and Method of Presentation

The India Services PMI covers transport & communication, financial intermediation, business services, personal services, computing & IT and hotels & restaurants.

Each response received is weighted each month according to the size of the company to which the questionnaire refers and the contribution to total service sector output accounted for by the sub-sector to which that company belongs. This therefore ensures that replies from larger companies have a greater impact on the final index numbers than replies from small companies.

The results are presented by question asked, showing the percentage of respondents reporting an improvement, deterioration or no change on the previous month. From these percentages an index is derived such that a level of 50.0 signals no change on the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signalled.

The indexes are calculated by assigning weights to the percentages: the percentage of respondents reporting an "improvement/increase" are given a weight of 1.0, the percentage reporting "no change" are given a weight of 0.5 and the percentage reporting a "deterioration/decrease" are given a weight of 0.0. Thus, if 100% of the survey panel report an "increase", the index would read 100. If 100% reported "no change" the index would read 50 (100 x 0.5), and so on.

## Warning

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