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## HSBC India Services PMI™

November PMI signalled fastest growth of Indian service sector in four months.

### Key findings:

- Marked rise in new business drove activity higher.
- Headcounts continued to increase, and at the fastest rate since July.
- Charges rose as input cost inflation remained strong.

November survey data, compiled by Markit for HSBC, signalled a substantial expansion in activity in the Indian service sector, which was supported by a marked increase in incoming new business. Employment also rose, despite a slight reduction in outstanding business. Inflationary pressures continued to build in November, with both input prices and service charges rising.

The headline seasonally adjusted HSBC Business Activity Index posted 60.1 in November, rising from last month's reading of 56.2. The latest figure pointed to sharp growth of activity in the Indian service sector. Moreover, the latest increase was the strongest since July and above the long-run series average. All six sub-sectors monitored indicated that activity had risen during November, although the fastest increase was recorded by Post & Telecommunications.

Indian service companies reported a marked rise in incoming new business received during November. The rate of growth accelerated solidly from October's seventeen-month low, and was the fastest since August. Panellists commented that a general improvement in market conditions had led to an increase in the volume of new customers.

Despite the growth in new business recorded during November, outstanding business at service companies in India fell. This indicated that the latest increase in activity had been sufficient to meet the rise in new work intakes. Some panellists also indicated that productivity at their companies had improved, meaning that work in progress reduced. However, the decrease

in outstanding business was only slight, with the majority of respondents indicating that the level of work in hand was unchanged during the month.

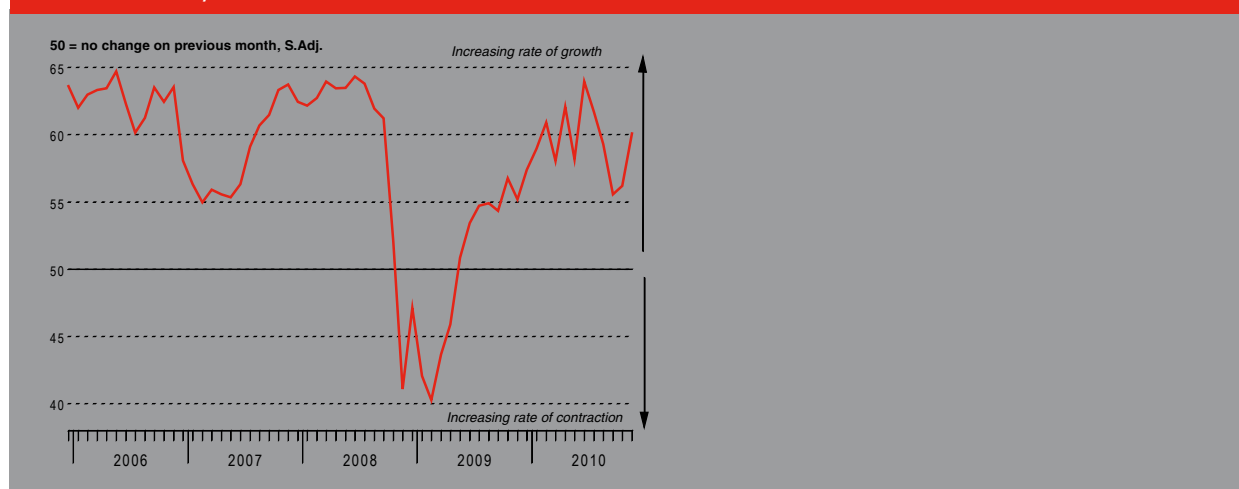
Reflective of sustained rises in new business and activity, employment in the Indian service sector increased during November. This was the twentieth successive month where a rise in headcounts has been recorded, with the latest increase the strongest in four months (nonetheless, this was below the long-run average for the series).

November data signalled a marked rise in input prices faced by companies in the Indian service sector. Anecdotal evidence suggested that higher staff costs were the main driver of input price inflation during the month. Rising costs have now been indicated in each month since April 2009.

The increase in input costs led Indian service companies to raise charges during November. This was in contrast to the previous survey period, where a marginal reduction in output prices was indicated. The latest rate of charge inflation was the strongest in three months, and above the long-run series average.

Indian service companies remained optimistic in November that business activity would increase over the next twelve months. Panellists commented that they expect ongoing improvements in general economic conditions, as well as marketing initiatives and the high quality of services offered, to boost activity.

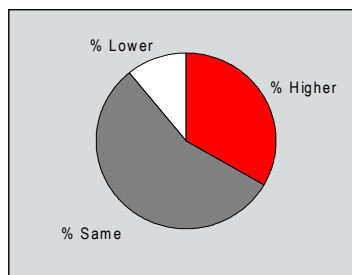
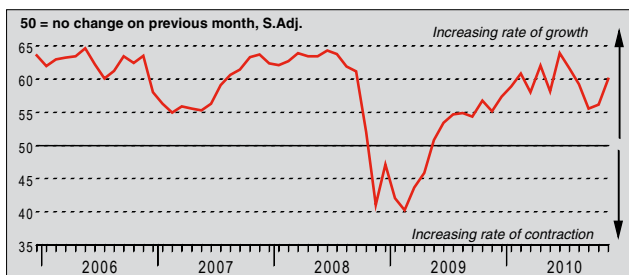
### Business Activity Index



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

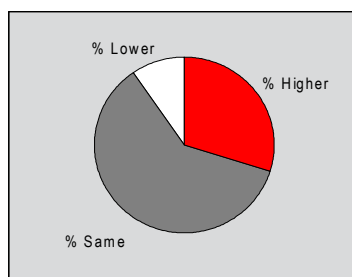
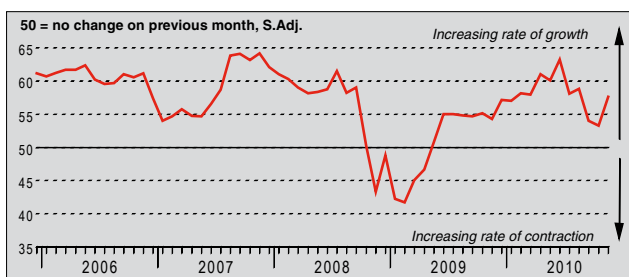
Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.



November data signalled a substantial rise in business activity in the Indian service sector. Moreover, the latest expansion in activity was the strongest in four months and above the long-run series average. Exactly one-third of panellists indicated that activity was higher than in the previous survey period, and attributed this to a further increase in incoming new business. Growth of activity has now been recorded for nineteen successive months. Of the six sub-sectors monitored, Post & Telecommunications and Hotels & Restaurants reported the largest rises in activity during November.

### New Business Index

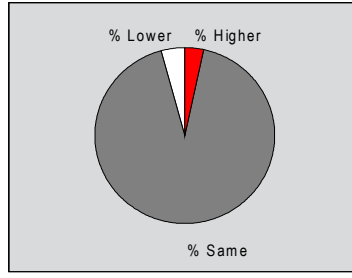
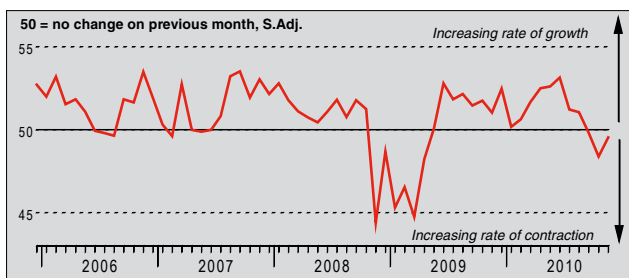
Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.



Companies in the Indian service sector reported a marked rise in incoming new business received in November, with growth now sustained since May 2009. The latest expansion in new work intakes accelerated from October's seventeen-month low to the fastest since August (and was above the long-run series average). Panellists commented that the increase in new business reflected a general improvement in market conditions and a higher volume of new customers. On a sub-sector basis, panellists in Post & Telecommunications and Transport & Storage indicated the strongest increases in incoming new business.

### Outstanding Business Index

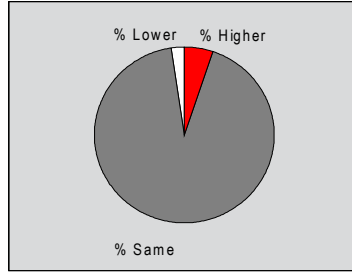
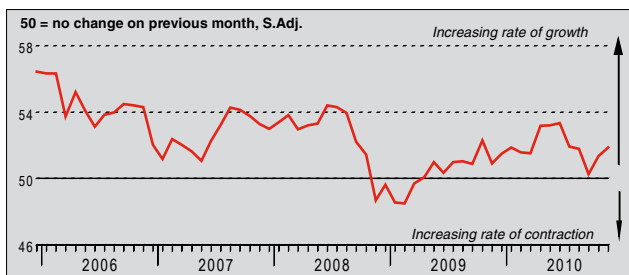
Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.



Outstanding business at service companies in India was reported to have decreased slightly during November. Anecdotal evidence suggested that higher productivity had contributed to the reduction in work in progress, despite there being a marked rise in incoming new business. This was the third successive month where a decline in outstanding business was indicated although, reflective of the marginal nature of the decrease, the majority of panellists (approximately 92%) noted that levels of work in progress were unchanged in the month. Companies operating in the Financial Intermediation sub-sector reported the sharpest reduction in outstanding business.

### Employment Index

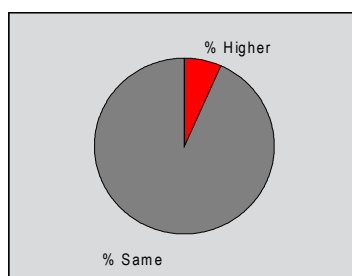
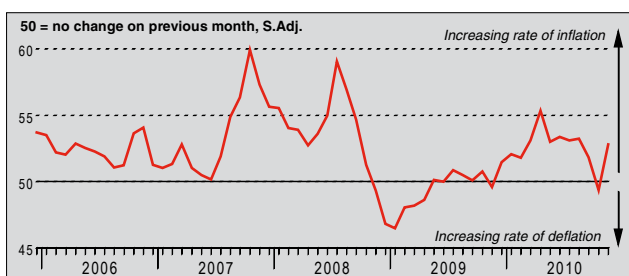
Q. Compare the number of people employed this month with the situation a month ago (treat two part as one full-time and ignore temporary labour).



November data signalled a modest rise in employment in the Indian service sector. The extent to which headcounts increased accelerated since October to the fastest in four months. Nonetheless, this remained weak in the context of historical data. Panellists indicated that they had boosted staffing levels in November in order to accommodate higher levels of incoming new business. Headcount creation was strongest in the Post & Telecommunications sub-sector during November, although all six sub-sectors reported a rise in staffing levels. Overall employment has now risen in each of the last twenty months.

### Prices Charged Index

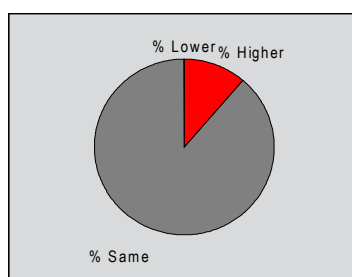
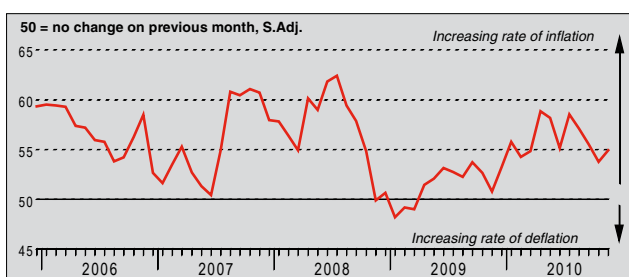
Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.



Companies in the Indian service sector reported a solid rise in charges during November. This was in contrast to the previous survey period, where a slight reduction in output prices was indicated. Nonetheless, increased charges have now been indicated in eleven of the last twelve months. Moreover, the latest rate of output price inflation was stronger than the long-run average for the series. Panellists attributed the latest rise in charges to a further increase in input costs. On a sub-sector basis, the strongest rise in charges was recorded by Hotels & Restaurants.

### Input Prices Index

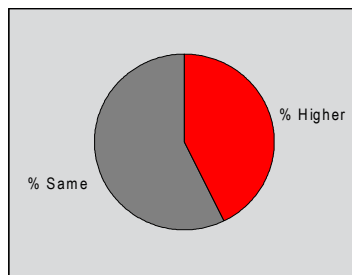
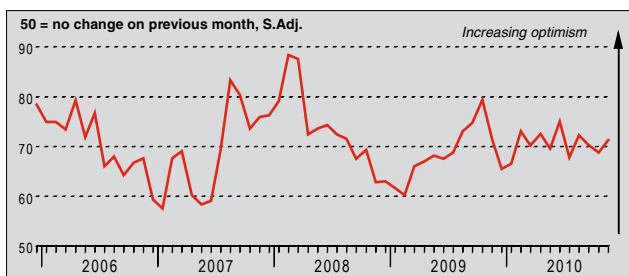
Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.



Input prices paid by companies in the Indian service sector increased markedly during November, with higher costs now indicated in each survey period since April 2009. Whilst November's rate of input cost inflation was faster than the ten-month low recorded in October, it remained weak in the context of increases seen during the year-to-date. Anecdotal evidence suggested that rising staff costs primarily contributed to the increase in input prices during the month. All six sub-sectors monitored reported a rise in input costs, with the sharpest increase seen by Hotels & Restaurants.

### 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?



Indian service sector companies remained optimistic over future levels of business activity during November, with approximately 43% of panellists forecasting a rise over the next year. Furthermore, the degree of positive sentiment indicated was the strongest in three months and above the long-run series average. Post & Telecommunications companies were the most optimistic at the sub-sector level. Ongoing improvements in global economic conditions, more marketing campaigns and the good quality of services offered were cited as the main drivers of the anticipated rise in business activity.

### 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. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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