HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 10:30 (MUMBAI), 3 March 2011

compiled by markit

HSBC India Services PMI™ (with Composite PMI data)

Strong growth of Indian private sector output recorded in February, supported by further rise in new business

Summary

Indian private sector output expanded sharply in February, with the headline HSBC Composite PMI posting 61.0, up marginally from January's 59.6. Growth of output was the fastest in three months and above the long-run average for the series. Both the manufacturing and service sectors saw a rise in activity. For services, this was the strongest expansion since July 2010, whilst the pace of manufacturing production growth was broadly unchanged since January.

Incoming new business received by both Indian service and manufacturing companies increased at accelerated rates in February. Panellists commented that ongoing improvements in market conditions had primarily contributed to the latest rise in new work intakes.

Despite a strong increase in output, a further rise in outstanding business was reported at companies in India. However, the extent to which work-in-hand accumulated was marginal, and the weakest in the current four-month sequence of expansion.

Employment in the Indian private sector increased for a fifth month running in February, with the rate of job creation remaining consistent over that period. Rising staffing levels in the service sector have been the main source of overall growth, with manufacturing companies more heavily impacted by shortages of suitable labour.

Input prices faced by companies in India increased substantially in February. The rate of cost inflation slowed slightly since January, but remained strong in the context of historical data. Higher input costs led to a further rise in charges. The increase in output prices was also slightly weaker than in January, but was the second-strongest in ten months.

Indian service companies were optimistic in February that business activity would grow over the next twelve months. Strengthening economic conditions, increased marketing and existing goodwill were all expected to boost activity. The degree of positive sentiment in the sector was the strongest in sixteen months.

Comment

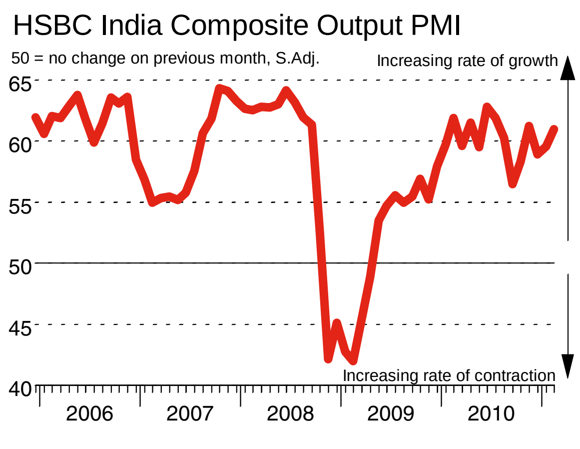
Commenting on the India Services PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"The strong growth momentum in the services sector continued into February and accelerated, with both business activity and new business coming in stronger. Optimism about the outlook also improved. Further, employment continues to pick up, which has helped keep the backlog of works steady. Input costs and prices charged are trending up, but the pace of acceleration eased in February. However, the input price increase was still the second highest over the past 31 months, underscoring the prevalence of strong underlying inflation pressures and the need for further RBI monetary policy tightening."

Key points

- Expansion of new business strongest in eight months.
- Employment increased for fifth consecutive month.
- Input price inflation remained strong, despite slowing slightly.

Historical Overview



markit™

HSBC
The world's local bank

For further information, please contact:

HSBC

Leif Eskesen, Chief Economist for India & ASEAN
Telephone + 65-6239-0840
Email leifeskesen@hsbc.com.sg

Rajesh Joshi
Telephone +91-22-2268-1695
Email rajeshjoshi@hsbc.co.in

Neha Hora
Telephone +91-22-2268-5337
Email nehahora@hsbc.co.in

Markit

Sarah Ledger, Economist
Telephone +44-1491-461-050
Email sarah.ledger@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047 / +44-781-581-2162
Email caroline.lumley@markit.com

Notes to Editors:

The HSBC India Services PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 350 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The HSBC India Composite PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 800 companies based in the Indian manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

HSBC:

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. Its international network comprises some 8,000 offices in 87 countries and territories in Europe; Hong Kong; Rest of Asia-Pacific; the Middle East; North America and Latin America. With assets of US$2,418 billion at 30 June 2010, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

About Markit:

Markit is a leading, global financial information services company with over 2,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information please see www.markit.com.

About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.