HSBC Purchasing Managers' Index™ 2011

compiled by markit

Embargoed until: 10:30 (MUMBAI), 5 April 2011

HSBC India Services PMI™

Growth of Indian service sector activity slowed since February, but remained marked.

Key findings:

- Expansion of new business sustained for twenty-third successive month.
- Staffing levels rose at strongest rate since August 2008.
- Inflationary pressures increased.

March survey data, compiled by Markit for HSBC, signalled a marked expansion of activity in the Indian service sector. However, a marginally weaker rate of new business growth led to a slower rise in activity. Nonetheless, employment increased again and at a solid rate. Meanwhile, input costs continued to rise, and at a faster pace than in February. This led to marked increase in charges.

The headline seasonally adjusted HSBC Business Activity Index posted 58.8 in March, down from February's 60.2. Nonetheless, the latest figure signalled marked growth of the Indian service sector, that was above the long-run trend. At a sub-sector level, Financial Intermediation saw the sharpest rise in activity. However, all six categories surveyed recorded an expansion.

Indian service providers reported a marked rise in new business during March, with growth now sustained since May 2009. Panellists commented that ongoing improvements in general economic conditions had led to a rise in new work intakes, with many companies noting a rise in the number of new clients won. However, the latest expansion of new business slowed marginally from February's eight-month high, but remained strong in the context of historical data.

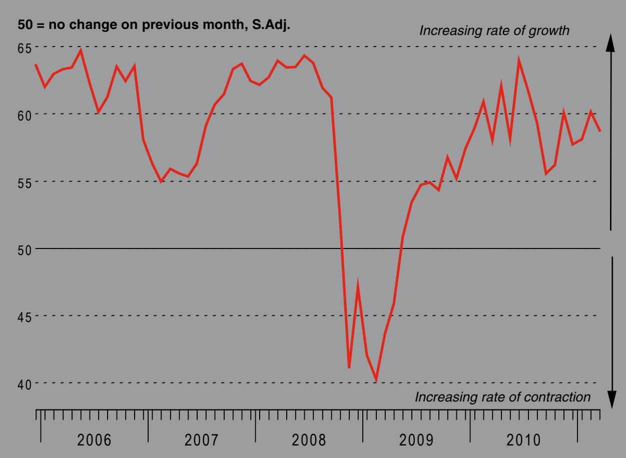
Despite a further marked increase in business activity, outstanding business at service companies in India was reported to have risen. Moreover, the latest accumulation of work in hand was the strongest since July 2010. The increase in outstanding business was attributed to the sustained expansion of new work intakes, and also delayed payments from customers.

Reflective of the further increase in workloads and another accumulation of outstanding business, employment in the Indian service sector rose solidly during March. Moreover, the rate of job creation was the fastest in the current two-year sequence of rising staff levels.

Inflationary pressures increased in March, as both input and output prices rose at stronger rates than in the previous survey period. However, the latest increases in input and output prices remained weaker than recent highs recorded in January. Anecdotal evidence suggested that a rise in wage costs was the primary driver of cost inflation, although a number of companies also noted that food prices had increased. The rise in charges reflected the marked increase in input costs, and was solidly above the long-run series average. Hotels and restaurants reported the sharpest rises in both input and output prices.

Indian service providers remained optimistic regarding future business prospects in March. Over half of the companies surveyed expect activity to increase over the next twelve months, boosted by growth of new work intakes. Ongoing improvements in general economic conditions and increased marketing activity are projected to support the rise in new business. The degree of positive sentiment eased slightly during the month, but remained the second-strongest in nine months and above the long-run trend.

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.

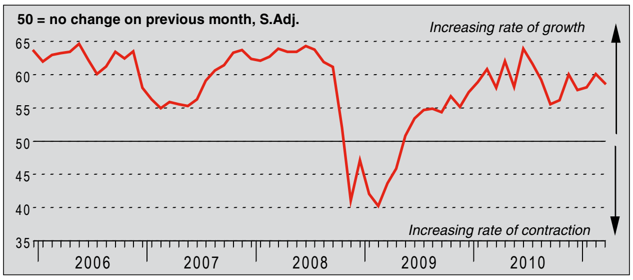
markit

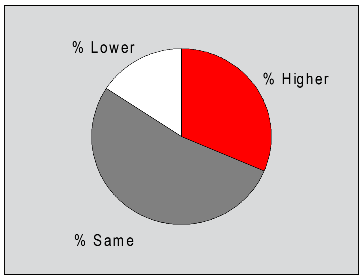
HSBC

The world's local bank

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.

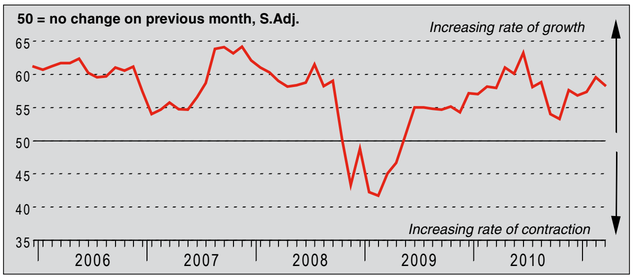


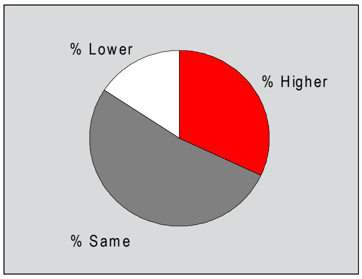


March data signalled a marked rise in activity in the Indian service sector, extending the sequence of sustained expansion to twenty-three months. The rate of growth slowed from February's seven-month high, but remained above the long-run series average. Approximately 32% of panellists indicated that activity was higher than in the previous month, attributing this to a further rise in incoming new business. Companies operating in the Financial Intermediation sub-sector recorded the strongest increase in activity, but all six categories monitored noted an expansion.

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.

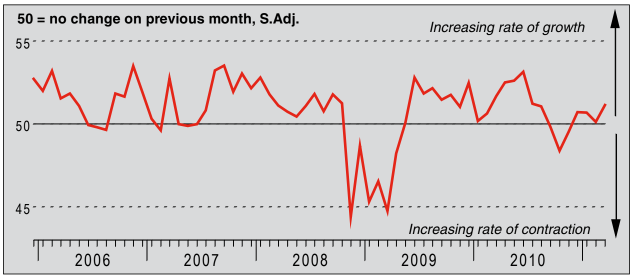


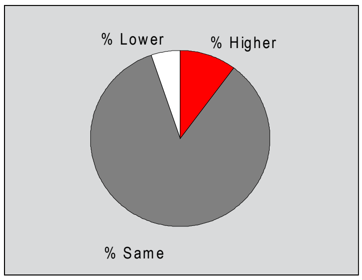


Indian service providers reported a marked rise in incoming new business received during March. Panellists indicating an increase in new work intakes attributed this to a general improvement in market conditions and demand, with many companies noting a rise in new clients won. Financial intermediation firms recorded the largest increase in new business. The overall rate of new work growth slowed since February, but was the second-fastest in seven months and strong in the context of historical data. The expansion of new business has been sustained since May 2009.

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.

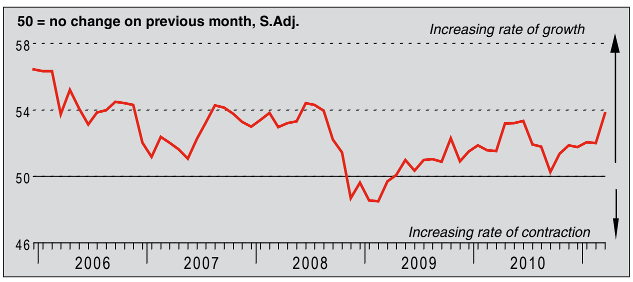


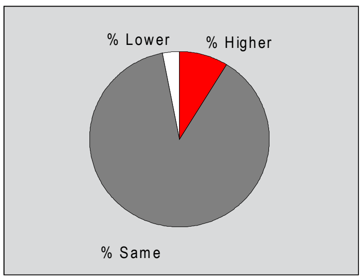


Outstanding business at service companies in India increased during March, with accumulations recorded during each of the last four months. Higher workloads and delayed payments by clients were cited as the main contributors to the rise in outstanding business. Nonetheless, the rate of accumulation was marginal with the majority of panellists (approximately 85%) indicating that levels of work in hand were unchanged since February. At a sub-sector level, higher levels of outstanding business were reported across three categories. However, Transport & Storage and Hotels and Restaurants companies indicated a reduction.

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).

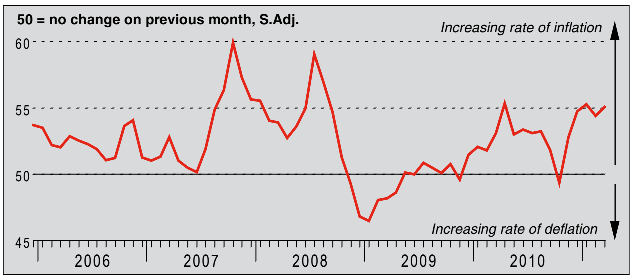


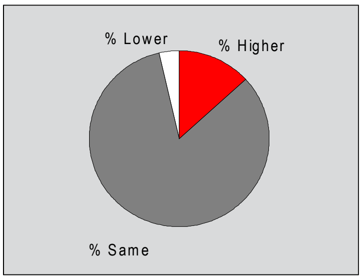


March data signalled a solid rise in employment in the Indian service sector. The rate of job creation accelerated to the fastest since August 2008 and was above the long-run trend. Sustained growth of workloads and activity were cited as the primary drivers of the increase in staffing levels. All six sub-sectors surveyed reported an increase in employment, although this was strongest in Financial Intermediation. Overall, workforces in the Indian service sector have increased for twenty-four months running.

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.

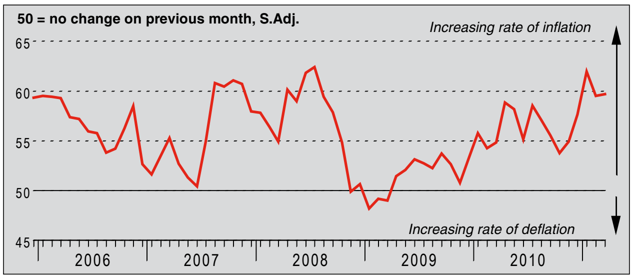


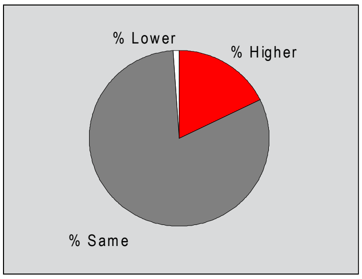


Indian service providers reported a marked rise in their charges during March, with increases now recorded since November 2010. The rate of output price inflation accelerated since February and was solidly above the long-run average, but was slightly weaker than the nine-month high indicated in January. Panellists commented that tariffs had been increased to reflect sustained cost inflation. At a sector level, the sharpest rise in charges was seen in Hotels and 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.

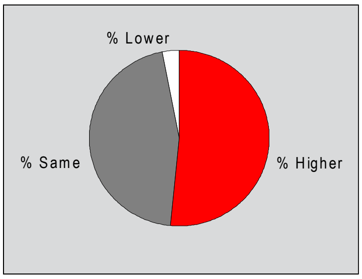




Input prices faced by service companies in India rose markedly during March. Approximately 18% of respondents reported higher costs compared to the previous month, predominately attributing this to increased staff costs. However, some companies also noted increased prices for foods. Panellists operating in the Hotels & Restaurants sub-sector recorded the sharpest rise in input prices during the month. The rate of overall cost inflation was slightly higher than that indicated in February, but remained below January's two-and-a-half year high. Rising input prices have been recorded in each month since April 2009.

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?



Companies in the Indian service sector were optimistic in March that business activity would increase over the next twelve months. Ongoing improvements in general economic conditions and increased marketing activity are expected to boost new work intakes. The degree of positive sentiment fell marginally since February, but was the second-strongest in nine months and remained above the long-run trend. All six sub-sectors monitored anticipate a strengthening of business conditions over the next year, with Post & Telecommunications companies the most optimistic.

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.

Warning