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## HSBC India Services PMI™

Business activity in the Indian service sector rises at a sharper pace in April.

### Key findings:

- Marked rate of new business growth recorded.
- Output price inflation the fastest for a year.
- Service sector expectations remain strong.

PMI survey data pointed to another strong expansion of Indian service sector activity during April. This was signalled by the headline HSBC Business Activity Index posting 59.2 in April, up slightly from 58.8 in the preceding month, and above the long-run trend of 58.2. Where a rise in services output was recorded, growth was predominantly linked to greater inflows of new business. The latest expansion of activity extends the current period of growth to two years. By sector, business activity rose to the greatest extent in Financial Intermediation.

The level of new business received by Indian service providers rose again in April. Despite easing for a second successive month, the pace of expansion was marked, and faster than the long-run series average. According to survey respondents, new business growth primarily reflected strong market demand. New order levels have now risen continuously since May 2009.

Despite a sharp rise in new business, volumes of work-in-hand fell for the first time in five months during April. That said, the rate at which backlogs of work were depleted was only marginal, with the vast majority of panellists reporting no change in outstanding business since March.

Service sector employment in India rose for the twenty-fifth successive month during April. The rate at which firms added to their workforce numbers was moderate, and broadly in line with the long-run trend. Anecdotal evidence provided by

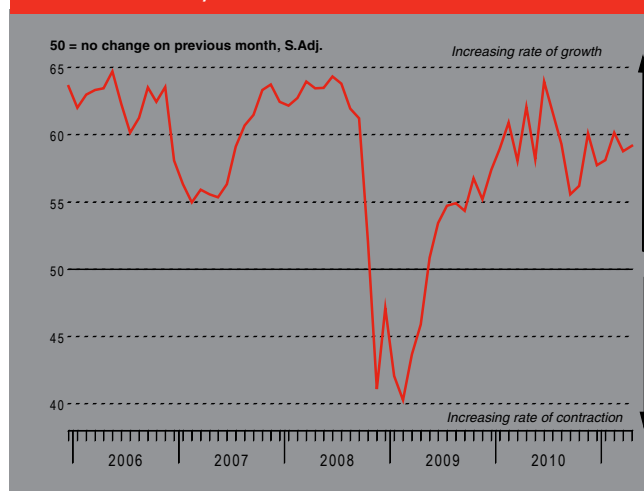
the survey panel suggested that employment growth reflected further gains in new work. Business expansion plans were also cited by a number of panellists.

Average input costs faced by Indian service providers continued to rise in April. The pace of inflation eased to the weakest in five months, but was marked nonetheless, and broadly in line with the long-run series average. Where a rise in input prices was signalled, this was linked by panellists to a combination of rising labour-related and raw material costs.

Indian service providers attempted to offset part of the increase in input costs by raising their prices charged to customers. The pace of output price inflation was solid, and quickened to the fastest for a year. The latest increase extends the current period of inflation to seventeen months. By sector, average tariffs were raised to the greatest extent in Financial Intermediation, followed by Renting & Business Activities.

According to the latest data, Indian service sector companies were confident about the outlook for business activity in the year ahead. Despite dipping to a three-month low, the degree of optimism was strong. Positive sentiment was linked to future new product developments, and hopes that market demand will continue to firm in the next twelve months. Optimism was recorded across all six sectors monitored by the survey.

### Business Activity Index



### Summary of Survey Findings

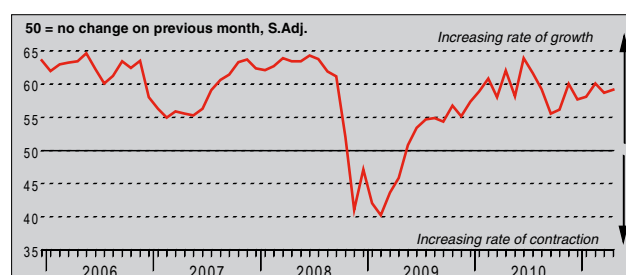
	Current Index	Previous Index	Change signalled
Business Activity	59.2	58.8	Sharp monthly growth (faster than March)
New Business	57.8	58.4	Sharp monthly growth (slower than March)
Backlogs of Work	49.7	51.2	Marginal decrease (change of direction)
Employment	52.6	53.8	Moderate monthly growth (slower than March)
Prices Charged	55.4	55.1	Marked monthly inflation (faster than March)
Input Prices	55.7	59.7	Marked monthly inflation (slower than March)
Expectations	72.8	74.3	Highly optimistic (less so than March)

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 +/-	Index	S.Adj. Index
<b>2010</b>	Nov	33.3	55.8	10.9	22.4	<b>61.2</b>	<b>60.1</b>
	Dec	26.0	58.4	15.5	10.5	<b>55.2</b>	<b>57.7</b>
<b>2011</b>	Jan	29.2	47.4	23.4	5.8	<b>52.9</b>	<b>58.1</b>
	Feb	36.3	47.6	16.1	20.1	<b>60.1</b>	<b>60.2</b>
	Mar	31.5	52.7	15.8	15.7	<b>57.8</b>	<b>58.8</b>
	Apr	35.5	49.7	14.8	20.8	<b>60.4</b>	<b>59.2</b>

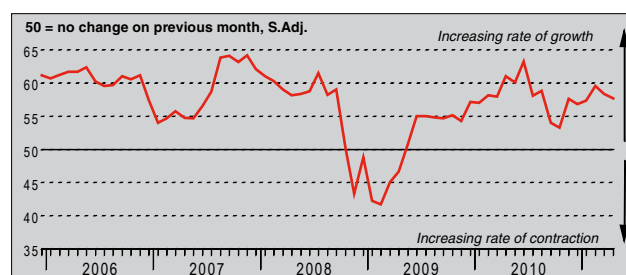


Business activity in the Indian service sector rose sharply in April, with almost 36% of panellists signalling an increase from one month ago. This compared to around 15% that recorded a drop. The resulting pace of expansion quickened since March, and was stronger than the long-run trend. Where a rise in services output was signalled, growth was commonly linked to greater inflows of new business. By sector, activity rose to the greatest extent in Financial Intermediation.

## 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 +/-	Index	S.Adj. Index
<b>2010</b>	Nov	29.8	60.5	9.6	20.2	<b>60.1</b>	<b>57.7</b>
	Dec	22.3	65.1	12.6	9.6	<b>54.8</b>	<b>56.8</b>
<b>2011</b>	Jan	26.9	52.9	20.3	6.6	<b>53.3</b>	<b>57.4</b>
	Feb	34.4	49.1	16.5	18.0	<b>59.0</b>	<b>59.6</b>
	Mar	31.9	52.3	15.7	16.2	<b>58.1</b>	<b>58.4</b>
	Apr	32.3	54.0	13.7	18.6	<b>59.3</b>	<b>57.8</b>

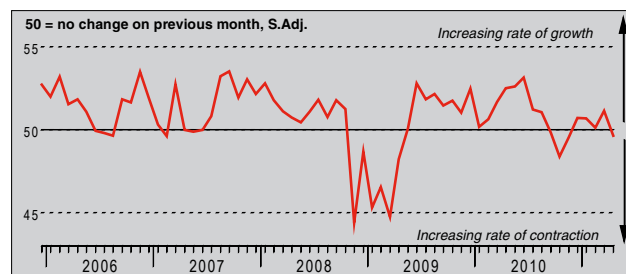


The level of incoming new business received by Indian service providers rose again in April, extending the current period of expansion to two years. Despite easing to the slowest in three months, the pace of expansion was marked. Around 32% of panellists reported a rise in new work since March, which they generally attributed to strong client demand. Latest data revealed that new order levels rose across all sectors monitored by the survey, with Financial Intermediation recording the most marked expansion.

## 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 +/-	Index	S.Adj. Index
<b>2010</b>	Nov	3.4	92.3	4.3	-0.9	<b>49.6</b>	<b>49.6</b>
	Dec	5.1	91.7	3.3	1.8	<b>50.9</b>	<b>50.7</b>
<b>2011</b>	Jan	12.2	75.8	12.0	0.3	<b>50.1</b>	<b>50.7</b>
	Feb	7.4	82.1	10.5	-3.0	<b>48.5</b>	<b>50.2</b>
	Mar	10.2	84.6	5.3	4.9	<b>52.4</b>	<b>51.2</b>
	Apr	8.8	81.4	9.7	-0.9	<b>49.6</b>	<b>49.7</b>

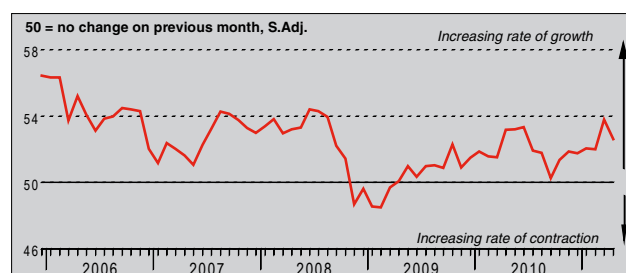


Outstanding business in the Indian service sector decreased during April, ending a four-month period of expansion. Nonetheless, the rate at which firms reduced their backlog of work was only marginal, with the vast majority of panellists (around 81%) reporting no change from one month earlier. Sector data signalled that unfinished work fell in four of the six monitored sectors, with Financial Intermediation and Renting & Business Activities the exceptions.

## 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 +/-	Index	S.Adj. Index
<b>2010</b>	Nov	5.1	92.5	2.3	2.8	<b>51.4</b>	<b>51.9</b>
	Dec	3.8	94.1	2.2	1.6	<b>50.8</b>	<b>51.8</b>
<b>2011</b>	Jan	6.3	91.2	2.4	3.9	<b>51.9</b>	<b>52.1</b>
	Feb	7.4	90.1	2.5	4.9	<b>52.5</b>	<b>52.0</b>
	Mar	8.8	88.1	3.1	5.7	<b>52.8</b>	<b>53.8</b>
	Apr	8.6	88.2	3.2	5.3	<b>52.7</b>	<b>52.6</b>

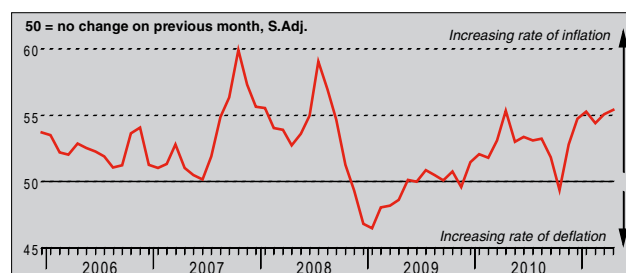


Service sector employment in India rose further during April. Almost 9% of panel members reported an increase in staffing levels since the preceding month, compared to 3% that recorded a decline. Consequently, the rate at which firms added to their staff numbers was moderate, and broadly in line with the long-run trend. Anecdotal evidence suggested that employment growth was supported by further gains in new work. Business expansion plans were also mentioned by a number of panellists.

## 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 +/-	Index	S.Adj. Index
<b>2010</b>	Nov	6.7	93.3	0.0	6.7	<b>53.3</b>	<b>52.8</b>
	Dec	8.7	91.0	0.3	8.4	<b>54.2</b>	<b>54.8</b>
<b>2011</b>	Jan	9.5	90.3	0.2	9.3	<b>54.7</b>	<b>55.3</b>
	Feb	9.6	88.5	1.9	7.7	<b>53.9</b>	<b>54.4</b>
	Mar	13.2	83.1	3.7	9.6	<b>54.8</b>	<b>55.1</b>
	Apr	11.2	87.9	0.9	10.3	<b>55.2</b>	<b>55.4</b>

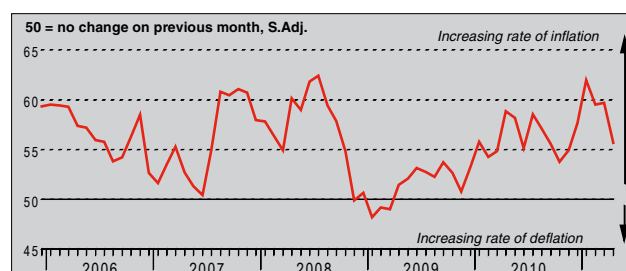


After adjusting for seasonal variation, the Prices Charged Index pointed to another increase in output prices set by Indian service providers during April. Posting a one-year high, the index was at a level indicative of a solid rate of inflation that was stronger than the long-run series average. Companies that reported a rise in their average output charges generally commented on the need to pass on higher costs to clients. By sector, average tariffs were raised to the greatest extent in Financial Intermediation, followed by Renting & Business Activities.

## 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 +/-	Index	S.Adj. Index
<b>2010</b>	Nov	11.3	88.6	0.1	11.2	<b>55.6</b>	<b>54.9</b>
	Dec	14.1	85.3	0.6	13.5	<b>56.8</b>	<b>57.7</b>
<b>2011</b>	Jan	20.7	78.8	0.5	20.2	<b>60.1</b>	<b>62.0</b>
	Feb	15.9	82.3	1.8	14.2	<b>57.1</b>	<b>59.5</b>
	Mar	17.8	81.1	1.1	16.7	<b>58.3</b>	<b>59.7</b>
	Apr	11.6	87.6	0.8	10.8	<b>55.4</b>	<b>55.7</b>



The seasonally adjusted Input Prices Index posted above the neutral 50.0 threshold for the twenty-fifth successive month in April, signalling a further increase in average cost burdens faced by service providers. The rate of input cost inflation eased markedly since March, but was nevertheless marked, and broadly in line with the long-run trend. According to survey respondents, input price inflation was driven by increased labour-related and raw material costs.

## 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 +/-	Index	S.Adj. Index
<b>2010</b>	Nov	42.7	57.3	0.0	42.7	<b>71.4</b>	<b>N/A</b>
	Dec	39.0	60.4	0.6	38.4	<b>69.2</b>	<b>N/A</b>
<b>2011</b>	Jan	45.3	54.1	0.6	44.6	<b>72.3</b>	<b>N/A</b>
	Feb	55.2	43.0	1.8	53.4	<b>76.7</b>	<b>N/A</b>
	Mar	51.6	45.4	3.1	48.5	<b>74.3</b>	<b>N/A</b>
	Apr	47.0	51.6	1.4	45.6	<b>72.8</b>	<b>N/A</b>



Despite slipping to a three-month low, the Business Expectations Index indicated that Indian service providers were highly confident about the one-year business outlook. Moreover, the degree of optimism was stronger than the long-run series average. Respondents widely commented that positive sentiment reflected expectations of further gains in new business. There were also some reports that firms expect to realise the commercial benefits of new product launches and business expansion plans in the next twelve months.

## 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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