HSBC *Purchasing Managers' Index*™ Press Release

compiled by markit

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HSBC India Services PMI™ (with Composite PMI data)

Growth of Indian private sector output accelerates to three-month high

Summary

Indian private sector output increased at a marked rate in July, with the HSBC India Composite Index – which covers both the manufacturing and service sectors – posting 57.9, rising from June's 56.8.

Growth of service sector activity accelerated since June, as highlighted by the seasonally adjusted Business Activity Index – which measures service sector activity – posting 58.2, from 56.1 in June. Moreover, this offset a slowdown in the expansion of manufacturing output.

Indian companies reported a marked rise in new business received during July. However, the extent of the increase weakened since June, as manufacturing new order growth eased sharply. The rise in new work intakes in the service sector accelerated moderately since June to a five-month high.

Outstanding business at service providers rose modestly during July. Manufacturing companies also recorded an increase in backlogs of work, albeit this was only marginal. The overall accumulation of work-in-hand was in contrast to the broadly flat level indicated in June.

Overall employment growth slowed to the weakest in the current ten-month period of expansion in July, and was only fractional. While staffing levels in the manufacturing sector increased for the first time since October 2010, this was largely offset by job cuts in the service sector (which were the first in 28 months).

Input costs and output prices rose at faster rates in both the manufacturing and service sectors during July. Overall, input price inflation was at its strongest in four months, while charges increased at the fastest rate since July 2008.

Service sector panellists noted the more marked acceleration in costs from the previous survey period. However, respondents from both sectors recorded a solid quickening in output price inflation since June.

Indian service providers were optimistic in July that activity would rise over the next twelve months. Confidence regarding future business prospects was supported by expectations of improving market conditions, plans for expansions of operations and service offerings and increased promotional activity. Nonetheless, the degree of positive sentiment was slightly weaker than that indicated in June.

Comment

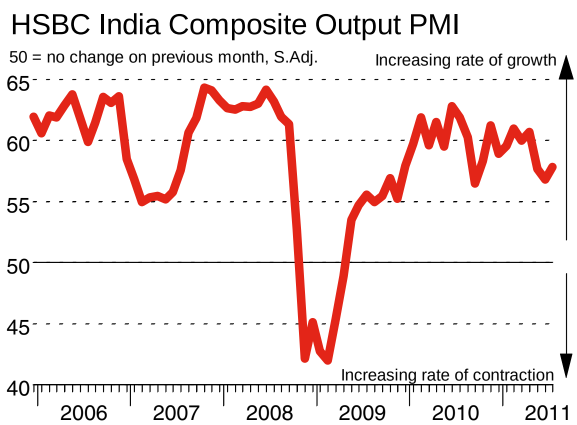
Commenting on the India Services PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"The service sector is humming to its own tune, with business activity and new business improving over the previous month, in spite of policy rate hikes and high inflation. Moreover, input costs and prices charged accelerated. With backlogs of work increasing, inflation pressures are set to remain significant and persistent. This also means that the RBI is not quite yet done with tightening."

Key points

- Total output expands at stronger rate, despite slight slowdown in new order growth
- Overall employment rises only fractionally
- Inflationary pressures intensify, in contrast to the trend seen in June

Historical Overview



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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:

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About Markit:

Markit is a leading, global financial information services company with over 2,200 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:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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.