HSBC Purchasing Managers' Index™ Press Release
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compiled by markit

HSBC India Services PMI™ (with Composite PMI data)

Growth in private sector output at ten–month high

Summary

Activity in the Indian private sector improved during December for the forty-fourth successive month. The HSBC India Composite Output Index posted 56.3 in December, up from 53.2 in November. The rate of expansion was sharp, and the fastest since February. Manufacturers and service providers both signalled increases in output, with rates of growth quickening in both sectors.

The seasonally adjusted HSBC Services Business Activity Index posted 55.6 in December, up from 52.1 in the previous month. The latest reading signalled a sharp expansion in activity, the fastest in three months. Monitored companies mentioned that output growth was supported by higher new total business and maintained quality of services.

As has been the case since May 2009 the volume of incoming new work in the Indian private sector rose during December. With manufacturing and services companies both registering sharp growth, the overall rate of expansion was steep and the fastest in ten months. Among other factors, monitored companies mentioned that new business increased in tandem with stronger demand.

Indian manufacturers and service providers both signalled rising staffing levels during December, amid reports of output growth. However, rates of expansion were only slight. Employment in the private sector rose at the slowest rate in the current 10-month sequence of job creation.

Continuing the trend that started in April 2009, input prices in the Indian private sector rose during December. Although sharp, the pace of inflation eased to a 30-month low. Monitored companies indicated that raw material, fuel and labour costs all rose. There were also mentions of higher tax rates and unfavourable exchange rates. Part of the burden of cost inflation was passed on to clients as average selling prices rose again, and at a solid pace.

Meanwhile, the volume of work-in-hand (but not yet completed) at private sector companies in India rose in December. The pace of accumulation was solid and the fastest in 30 months.

Optimism was signalled by service providers in India during December. Approximately 46% of monitored companies expect overall activity to increase in the upcoming year, and they mentioned anticipated rises in demand, the launch of new projects and increased advertising.

Comment

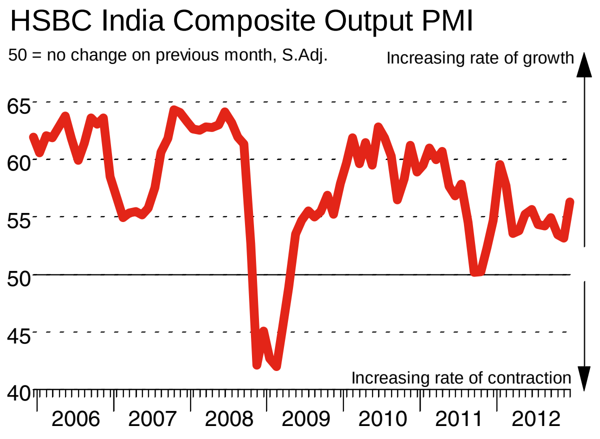
Commenting on the India Services PMI™ survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"The service sector provided some holiday cheer with activity fully recovering after two months of deceleration, led by a sharp rise in new business. The additional workload also led to a rise in outstanding business. Inflation readings, meanwhile, eased a bit. With growth showing signs of recovery and inflation still elevated, the case for a policy rate cut is not yet convincing. However, the RBI has clearly teed up for rate cuts in January-March."

Key points

- Sharp rise in private sector output
- Growth in new orders in the private sector fastest since February
- Rates of input and output price inflation at private sector firms ease

Historical Overview



Sources: Markit, HSBC.

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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.

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Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 221,000 shareholders in 134 countries and territories.

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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