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HSBC India Services PMI™

Activity expands at slowest pace in current sequence

Key findings:

- Services output increases only moderately
- Forty-third consecutive monthly rise in new total business
- Degree of positive sentiment at three-month high

Continuing the trend that started in November 2011, output in the Indian service sector rose during November. However, new total business expanded at the slowest pace since March. In line with higher employment, outstanding business fell. Meanwhile, input and output price inflation persisted. Optimism was signalled, and the degree of positive sentiment accelerated to the fastest in three months.

The headline *HSBC Business Activity Index* is based on a single question asking survey respondents to report on the actual change in business activity at their companies compared with one month ago. Readings above 50.0 signal expansions and readings below 50.0 indicate a contraction. After adjusting for seasonal variations, the index posted 52.1 in November, down from 53.8 in the previous month and signalling the slowest rate of expansion in the current 13-month sequence. Anecdotal evidence suggested that output growth reflected higher order book volumes.

New total business in the Indian service sector increased for the forty-third consecutive month during November. With almost 27% of respondents indicating higher order book volumes and 16% registering declines, the overall pace of expansion was solid. However, the rate of growth was the slowest since March. Anecdotal evidence suggested that stronger demand, increased marketing and maintained quality of services had resulted in higher volumes of incoming new work.

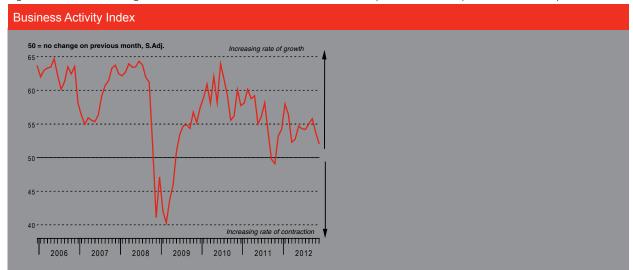
Employment at service providers in India rose in November, as has been the case since March. That said, with only 3% of panel members signalling higher staffing levels and 94% reporting no change, the overall rate of job creation was only slight and the slowest in six months. According to monitored companies, payroll numbers were increased to meet production requirements.

Nonetheless, services companies were able to reduce their backlogs of work following an accumulation registered in October. But with only 9% of monitored companies indicating lower volumes of work-in-hand (but not yet completed), the overall rate of depletion was only slight.

November data signalled persistent inflationary pressure in the Indian service sector. Input costs increased solidly, and at broadly the same rate recorded in October. According to respondents, raw material, fuel, gold, transport and labour costs were higher.

Consequently, output prices rose again. With almost one-tenth of panellists signalling higher output prices, the overall rate of inflation was solid. Prices charged have increased continuously for just over two years.

Services companies in India expect overall activity at their units to rise in the upcoming year. Moreover, the degree of positive sentiment in November was the strongest in three months. Activity is forecast to increase in line with maintained brand reputation, stronger marketing and anticipated rises in demand. Additionally, some companies mentioned planned business expansions.



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. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

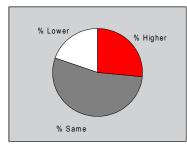




Business Activity Index

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.





As has been the case since November 2011, business activity in the Indian service sector rose during November. However, activity expanded only moderately and at the slowest pace in the current sequence. Just over one-quarter of panellists signalled higher output, mentioning increased order book volumes. The Business Activity Index adjusted for seasonal variations also posted below the long-run series average in the latest month.

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.



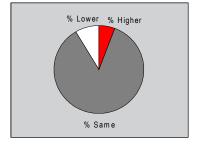


The volume of incoming new work at service providers in India rose during November, marking a 43-month sequence of expansion. Growth in new business was solid, albeit the slowest in eight months. Almost 27% of survey respondents reported higher total business, in contrast to 16% that noted a fall. Anecdotal evidence suggested that new business expanded in line with stronger demand, maintained quality of services and increased marketing.

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.



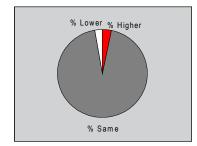


In contrast to a moderate increase registered in October, the volume of work-in-hand (but not yet completed) in the Indian service sector fell during November. With only 9% of monitored companies signalling lower volumes of outstanding business but the vast majority (86%) reporting no change, the overall rate of depletion was only slight. Moreover, the seasonally adjusted Outstanding Business Index adjusted for seasonal factors posted below it long-run trend.

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).



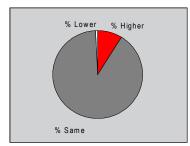


Continuing the trend that started in March, staffing levels at service providers in India rose during November. That said, the rate of job creation was only slight and the Employment Index adjusted for seasonal variations posted below its historic average. Only 3% of panel members signalled higher payroll numbers at their units, citing increased volumes of incoming new work.

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.



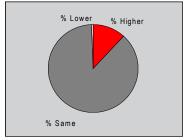


Services companies in India continued to pass on to their clients the burden of input cost inflation, as prices charged increased again in November. Output prices rose solidly, and at the same rate as that recorded in October. Almost 9% of respondents indicated higher output prices, mentioning increased raw material and transport costs. Rising charges have been recorded for just over two years.

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.



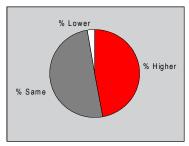


Input costs in the Indian service sector rose for the forty-fourth successive month during November. The pace of inflation was solid, and broadly in line with that registered in October. Almost 12% of monitored firms signalled higher input prices, mentioning increased raw material, fuel, gold, transport and labour costs. There were also mentions of higher tax rates.

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?





As has been the case since the survey began in December 2005, optimism was signalled by Indian service providers during November. Moreover, the degree of positive sentiment was at a three-month high. Monitored companies expect overall activity in the upcoming year to expand in tandem with anticipated rises in demand, the launch of new projects, maintained brand reputation and increased marketing. There were also reports of planned business expansions.

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 $50(100 \times 0.5)$, 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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